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Economic Indicators NSW (July 2011)

by

Talina Drabsch

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SUMMARY

The Reserve Bank of Australia believes there has been a gradual economic recovery from the impact of the floods and cyclones that took place last Summer in Australia.¹ However, other constraining factors on the economy remain, with Deloitte Access Economics noting that the economy in NSW is currently hampered by interest rate levels in addition to the impact of the high Australian dollar on the manufacturing, tourism and education sectors.²

The increasing cost of living continues to invite comment, as does the cautious nature of household spending despite growth in incomes. The household saving ratio is now at its highest level since the late 1980s.³ Lim et al believe there are three possible explanations for reduced consumer expenditure, namely:

1. People are mindful of upcoming weakness in economic activity and are delaying purchases.
2. People may be underemployed or fear potential job losses or underemployment.
3. People are choosing to pay off debt.⁴

Amidst the concerns voiced in the debate over the introduction of the carbon price in Australia (\$23 for each tonne of pollution from 1 July 2012) is the question of its potential impact on the cost of living. According to the Federal Treasurer, the introduction of the carbon price will cause the average household grocery bill to rise by \$0.80 a week, electricity will increase by \$3.30 a week and gas by \$1.50 a week, with the result that the cost of living is predicted to increase by 0.7% in 2012-13.⁵

The lack of affordable housing in Australia continues to be an issue, with Sydney and NSW considered to be the most unaffordable places in Australia. The following graph compares the affordability ratios (that is, the ratio of median house price to median annual after-tax household income) for the capital city and regions for each State and Territory in Australia in March 2011. A ratio of 5 or under is considered affordable.

¹ Reserve Bank of Australia, *Media Release*, 5/7/11.

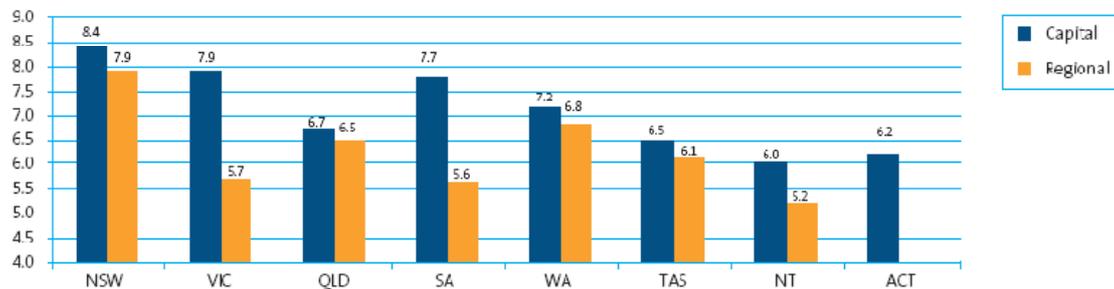
² Deloitte Access Economics, *Business Outlook*, June 2011, p 94.

³ Reserve Bank of Australia, *Statement on Monetary Policy*, May 2011.

⁴ Lim G et al, 'Review of the Australian economy 2010-11: Growth, jobs and debt', *Australian Economic Review*, 44(1), 1 at 4.

⁵ The Hon Wayne Swan MP, *Treasurer's Economic Note*, 10/7/11.

Figure 5 - Affordability ratio, capital city and regions, March 2011



Source: AMP and NATSEM, 'The great Australian dream – just a dream?', *Income and Wealth Report*, Issue 29, July 2011, p 11.

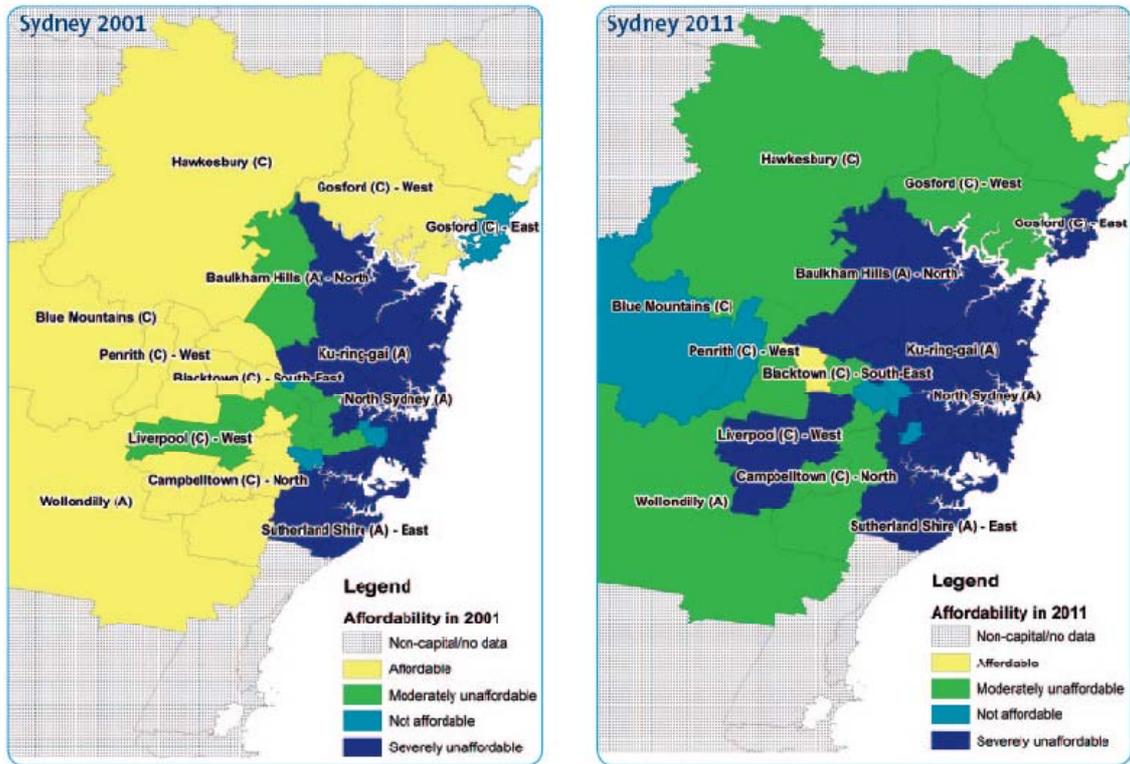
A recent AMP/NATSEM report highlighted that if median prices remain at their current levels and after-tax income continues to grow at trend pace, it would be almost nine years before housing became affordable.⁶ Out of the top ten least affordable cities in Australia, the following four are in NSW:⁷

- Sydney inner ring (less than 10 km from the CBD) is ranked second with a median price of \$685,000.
- Wollongong is fourth with a median price of \$425,000.
- Sydney outer ring (more than 20 km from the CBD) is seventh with a median price of \$479,500.
- Newcastle is tenth with a median price of \$350,000.

The following maps prepared by AMP/NATSEM reveal the extent to which the housing affordability problem within Sydney has grown in the last decade.

⁶ AMP and NATSEM, 'The great Australian dream – just a dream?', *Income and Wealth Report*, Issue 29, July 2011, p 5.

⁷ Ibid, p 15.



Source: AMP and NATSEM, 'The great Australian dream – just a dream?', *Income and Wealth Report*, Issue 29, July 2011, p 17.

This July 2011 edition of *Economics Indicators: NSW* updates statistical information on key economic indicators, thereby presenting an updated snapshot of the NSW economy and providing relevant points of comparison with other Australian States and Territories. Statistics are updated to the end of the most recent quarter available. Most indicators have thus been updated to include the March or June 2011 quarters. The sections on Gross State Product, agricultural production and business investment have not been updated since the January 2011 edition as more recent data is not available.

For New South Wales, the direction in which the quarterly averages for each indicator moved since the April 2011 edition is summarised below.



Changes in the Consumer Price Index

Unemployment

Wages

Retail turnover

Bankruptcies

Rent (about half of rental groups through NSW)



Exports and imports

Employment

Job vacancies

Vehicle sales

Dwelling approvals

Average loan size for first home buyers

There was no movement since April 2011 in interest rates.

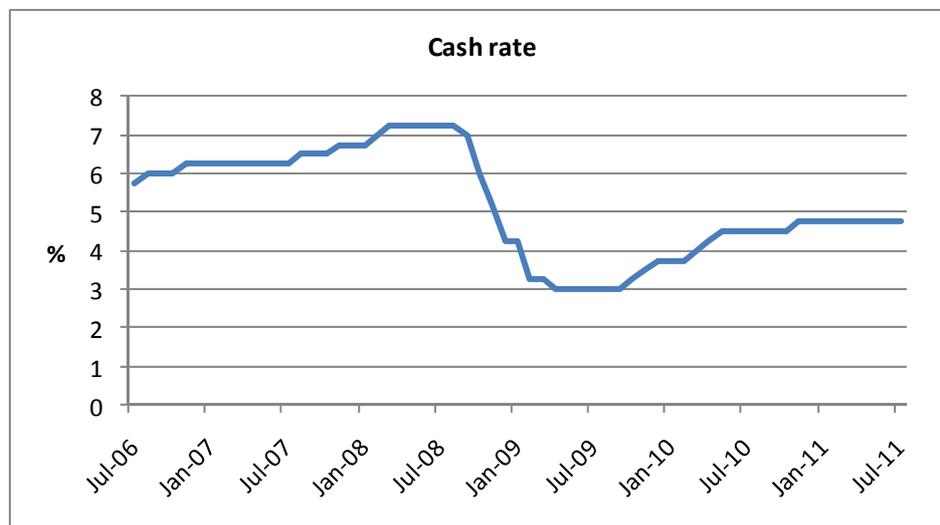
Sources used

The major source for much of the information in this paper is data collected by the Australian Bureau of Statistics. The figures used are the original numbers, unless otherwise indicated. Sources other than the Australian Bureau of Statistics have been used where relevant and are identified in the paper itself.

INTEREST RATES

The cash rate remains at 4.75% where it has been for the last nine months. The Board of the Reserve Bank, at its meeting on 5 July 2011, determined 'that the current mildly restrictive stance of monetary policy remained appropriate'.⁸ Glenn Stevens, Governor of the Reserve Bank, referred in his Statement following the meeting, to various factors influencing the decision to keep rates steady, including: the slowing of growth in the global economy as a result of supply-chain disruptions from the Japanese earthquake; and the effects of high commodity prices. The banking and sovereign debt problems in Europe were also viewed as contributing to uncertainty and volatility in the financial markets.

There has been some speculation as to whether interest rates will in fact drop by the end of this year contrary to earlier predictions of rate rises. Bill Evans, the Chief Economist for Westpac, sparked debate with his predictions that rates will drop by 0.25 percentage points by December 2011, with another decrease of 0.25 percentage points every three months after that, with the result that rates would be down by a total of one percentage point by September 2012.⁹ This prediction is due to Westpac's belief that 'Interest rates are too high in Australia given the state of the non-mining sectors of the domestic economy and a downward adjustment is required to avert a damaging round of contraction'.¹⁰



Source: Reserve Bank of Australia, 'Cash rate target', www.rba.gov.au

⁸ Reserve Bank of Australia, *Media Release*, 5/7/11

⁹ Westpac, 'Next rate move in Australia to be down – 100 bp's of easing through 2012', *Australian Economic Report*, 15 July 2011. Available from www.westpac.com.au

¹⁰ Ibid.

GROSS STATE PRODUCT

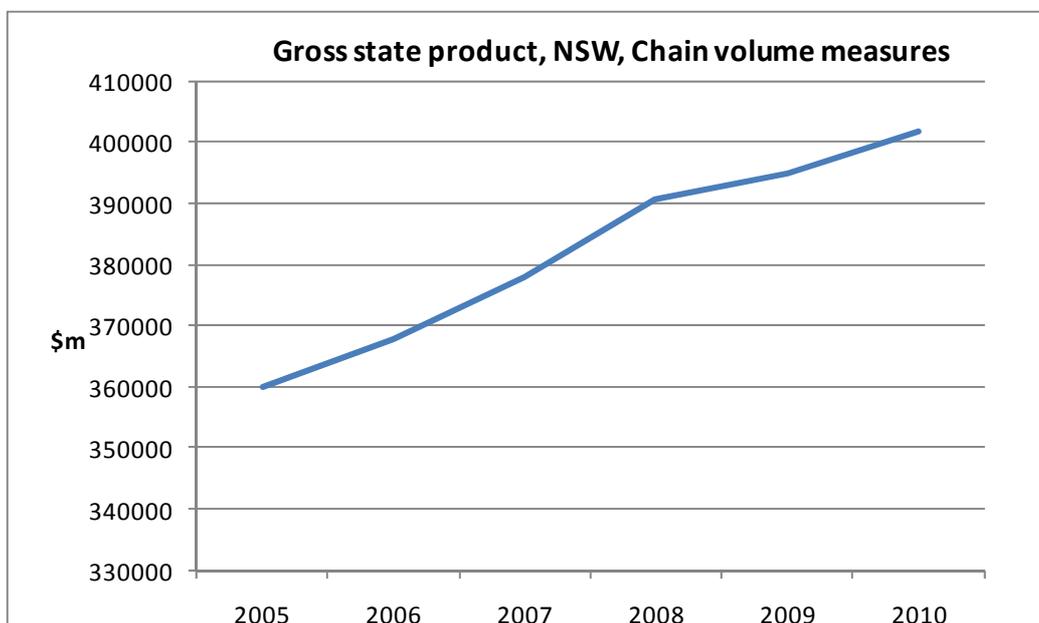
Gross State Product (GSP) grew by 1.7% in NSW in the year ending June 2010, the third highest increase in Australia after Western Australia (4.3%) and Victoria (2%). At \$402 billion, NSW has the largest GSP in Australia followed by Victoria and Queensland, with NSW's GSP equating to a little under a third of the National Gross Domestic Product.

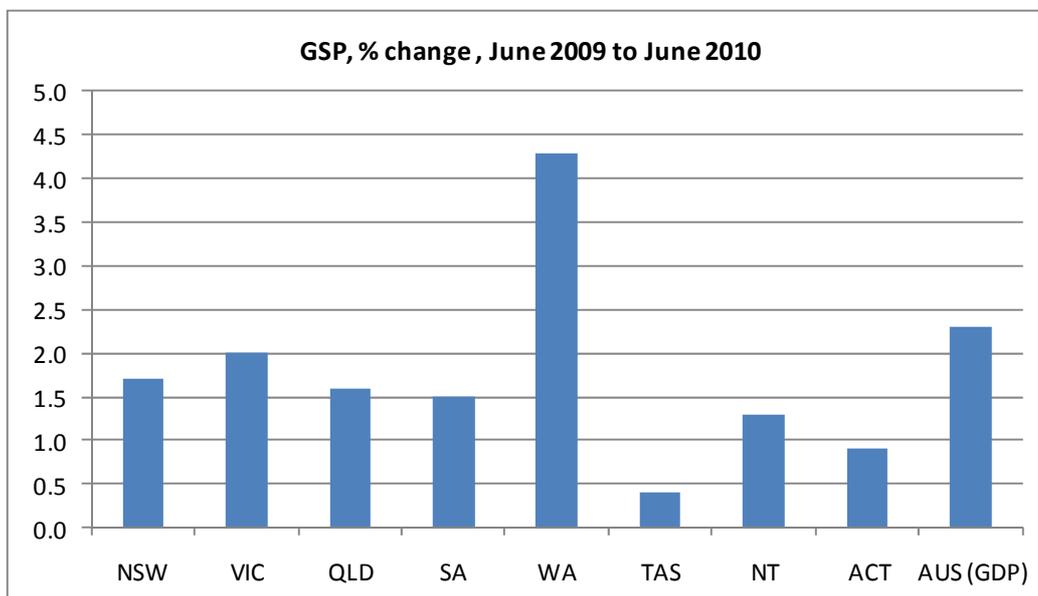
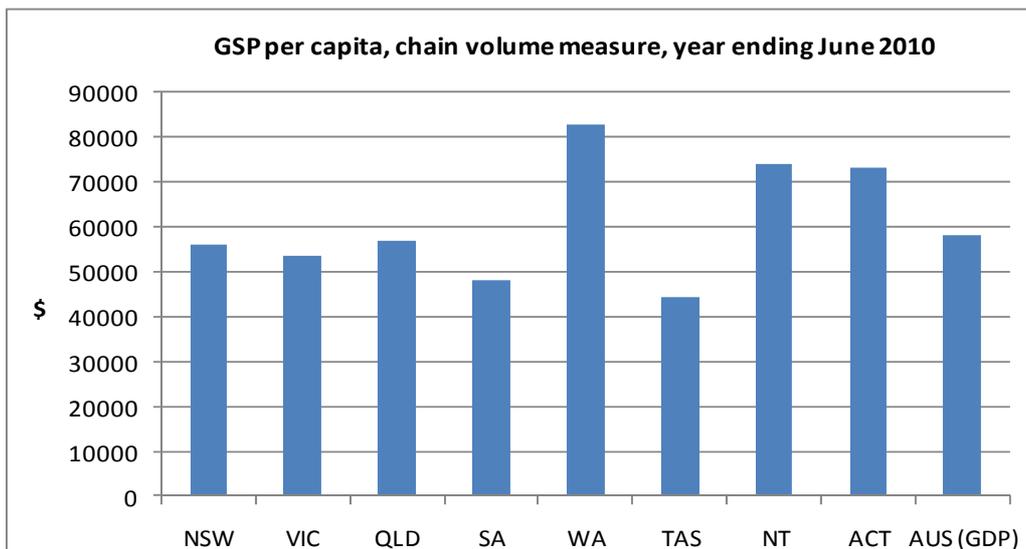
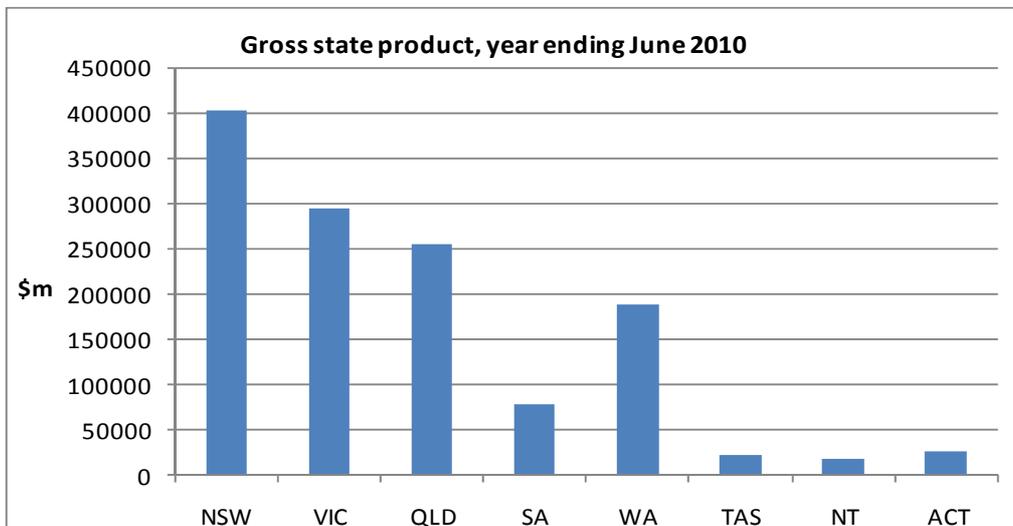
GSP per capita is currently \$55,868 in NSW, less than the Australian average of \$57,925. Western Australia has the highest GSP per capita at \$82,653.

Gross State Product, chain volume measures, \$m

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS (GDP)
Jun-2005	359984	259130	218483	68450	150455	19585	13621	22557	1116248
Jun-2006	367671	265644	227565	70329	158954	20108	14540	23397	1150644
Jun-2007	377941	275084	239828	71793	165912	20615	15179	24617	1191655
Jun-2008	390645	284978	249968	75837	172851	21519	15846	25411	1237320
Jun-2009	394980	287619	250573	77407	180008	22247	16658	25748	1255241
Jun-2010	401716	293313	254550	78558	187834	22341	16880	25988	1283799

Source: ABS, *Australian National Accounts, State Accounts*, 5220.0





INTERNATIONAL TRADE

Exports

The **average monthly free on board (FOB) value of merchandise exports** from NSW fell for the second quarter in a row in the March 2011 quarter (from \$3.001 bn to \$2.865 bn) but it still constitutes 15% of all exports from Australia. Western Australia was well ahead of NSW in the amount exported in the March 2011 quarter (\$9.033 bn). The amount exported from Queensland fell by 29% in the quarter, as the impact of recent natural disasters was felt, but it nonetheless also remained ahead of NSW at \$3.014 bn.

The **top five destinations for merchandise exports** from NSW in May 2011 were: Japan (\$642M – down from \$822M in February 2011); China (\$375M); Korea (\$300M); Taiwan (\$255M); and United States of America (\$217M). 57% of all exports from NSW in May 2011 went to these five destinations. Japan remained the top destination for exports from NSW despite the amount exported to it falling by 22% compared to February 2011. This is in keeping with the prediction of the Commonwealth Treasury that the earthquake and tsunami in Japan in March 2011 would reduce demand for bulk commodity exports from Australia in the short term.¹¹

Imports

The **average monthly customs value of merchandise imports** for NSW fell by 9.4% in the March 2011 quarter to \$6.33 billion (37% of all Australian imports). NSW imports the greatest amount of the Australian States and Territories, followed by Victoria (\$4473M) and Queensland (\$2667M). The top five import sources for NSW in May 2011 were: China (\$1587M – up from \$1381M in February 2011); United States of America (\$768M); Germany (\$383M); Japan (\$328M); and New Zealand (\$294M).

50% of all imports into NSW in May 2011 were from the above five countries, with China the source of almost ¼ of all imports. Singapore moved out of the top five sources in May 2011, and was replaced by New Zealand. Germany moved from fifth position to third, and Japan fell from third place to fourth.

¹¹ The Hon Wayne Swan MP, 'Treasurer's Economic Note', 3/4/11.

Average monthly merchandise exports per quarter, FOB Value, \$m

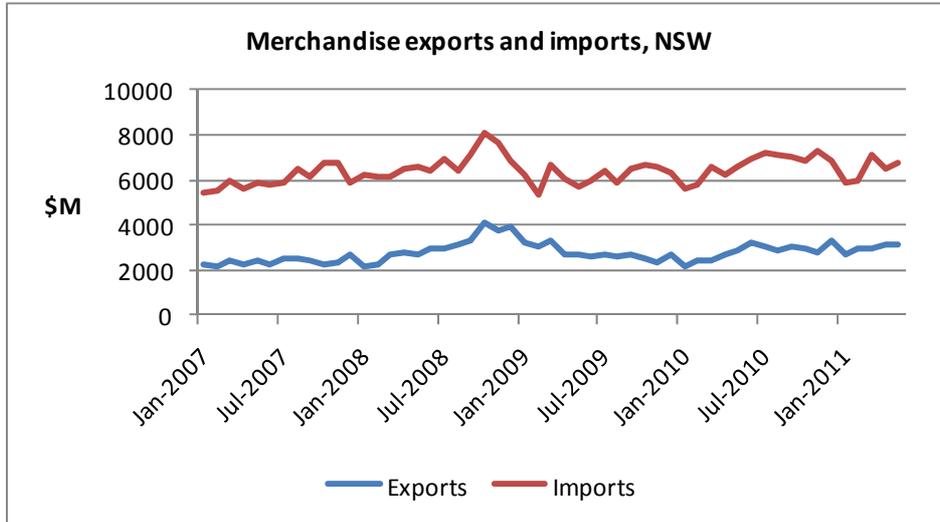
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-07	2268	1506	2753	717	4831	334	285	0
Jun-07	2305	1685	2904	816	5202	306	325	0
Sep-07	2462	1718	2820	879	5128	299	313	1
Dec-07	2422	1754	2742	825	5375	311	369	0
Mar-08	2372	1598	2413	780	5794	264	363	0
Jun-08	2774	1775	3797	961	6650	338	470	0
Sep-08	3123	1805	5229	916	7600	296	558	2
Dec-08	3930	1984	6003	832	7756	315	611	1
Mar-09	3175	1527	3945	721	7699	269	523	1
Jun-09	2697	1475	3674	706	5905	290	406	0
Sep-09	2635	1462	3494	677	5841	227	375	0
Dec-09	2491	1561	3306	668	6213	237	437	1
Mar-10	2356	1480	3023	590	6694	233	407	0
Jun-10	2920	1639	4599	776	9022	305	441	0
Sep-10	3004	1592	4832	836	9101	263	453	0
Dec-10	3001	1651	4247	880	9220	281	506	0
Mar-11	2865	1575	3014	979	9033	245	412	0

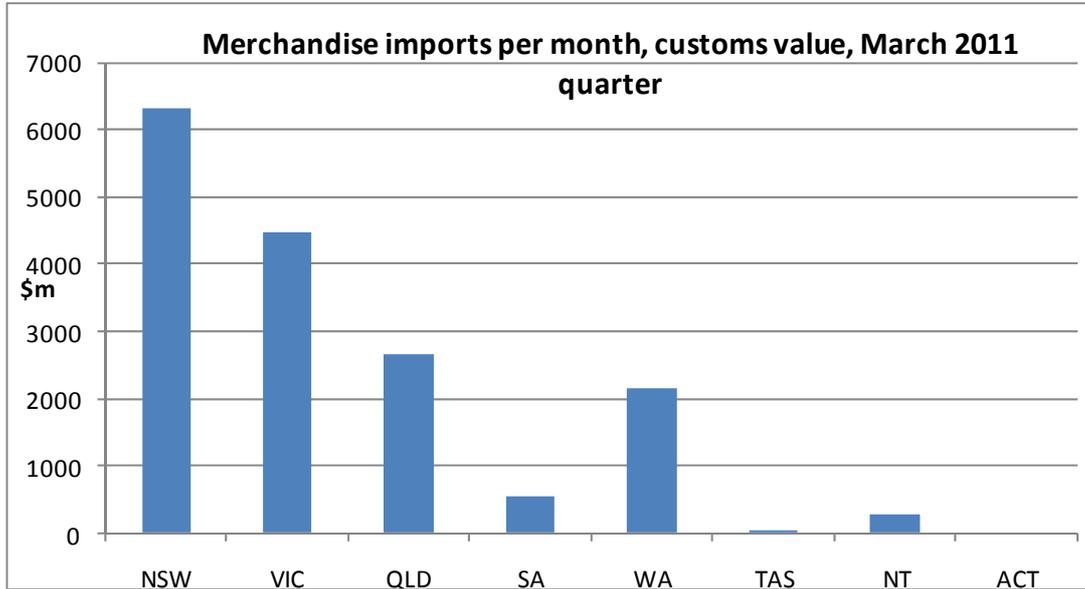
Source: ABS, *International trade in goods and services, Australia, May 2011*, 5368.0, July 2011

Average monthly merchandise imports per quarter, customs value, \$m

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-07	5625	4084	2137	591	1917	42	272	1
Jun-07	5750	4338	2349	530	1985	47	221	1
Sep-07	6150	4424	2445	552	2073	56	194	1
Dec-07	6484	4752	2675	619	2076	58	175	0
Mar-08	6175	4612	2701	607	2353	50	232	2
Jun-08	6493	4898	2966	669	2615	67	259	2
Sep-08	6830	5322	3353	655	2861	101	380	0
Dec-08	7517	5382	3316	651	3110	97	362	1
Mar-09	6083	4215	2293	527	2919	54	434	1
Jun-09	5901	3900	2362	456	2151	66	272	0
Sep-09	6268	4359	2551	516	2202	61	269	1
Dec-09	6527	4559	2591	587	2571	81	257	0
Mar-10	5975	4301	2511	515	2174	47	240	0
Jun-10	6564	4487	2692	531	2366	49	250	0
Sep-10	7093	4943	2720	523	2010	50	344	0
Dec-10	6992	4862	2781	530	2217	63	324	1
Mar-11	6330	4473	2667	544	2151	47	291	0

Source: ABS, *International trade in goods and services, Australia, May 2011*, 5368.0, July 2011.





CONSUMER PRICE INDEX

The change in the Consumer Price Index (CPI) for all groups in Sydney between June 2010 and June 2011 increased for the second quarter in a row to 3.8% (the national change in the CPI was 3.6%). Adelaide was the only capital city to have a greater change in the CPI at 3.9%; Brisbane also experienced 3.8% growth in CPI between June 2010 and June 2011.

The greatest price increases in Sydney between June 2010 and June 2011 occurred in the following groups:

- Alcohol and tobacco (up by 6.4%)
- Food (up by 6.2%)
- Education (up by 5.7%).

There were some small decreases in prices, namely in the clothing and footwear and recreation groups (both down 0.1%).

According to the Reserve Bank, the CPI is likely to remain elevated in the immediate future due to the repercussions of the summer floods and cyclones in Australia but it predicts that the CPI will return to target in the coming year as the effect of the price shocks ease.¹²

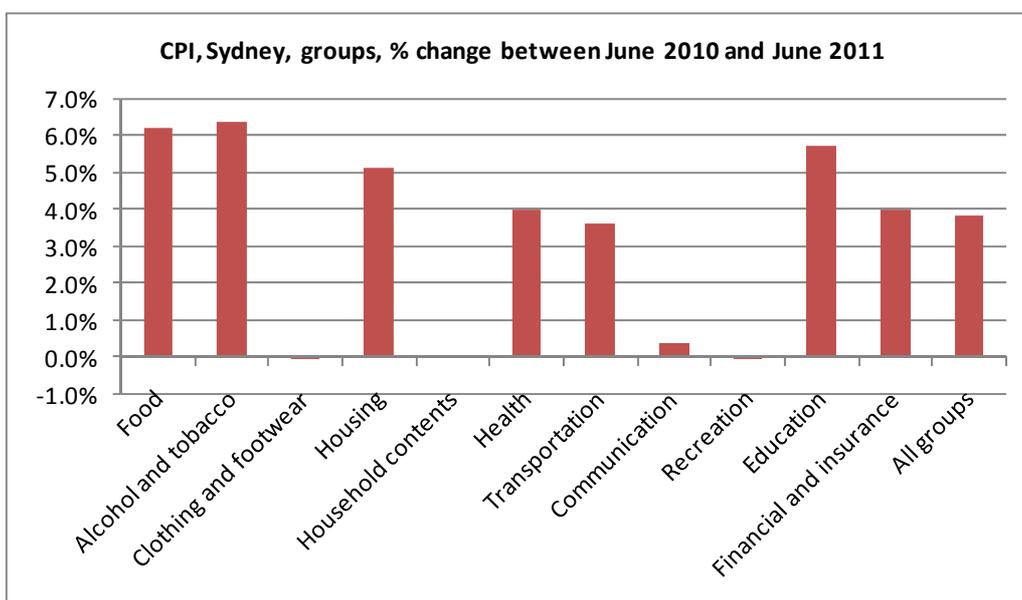
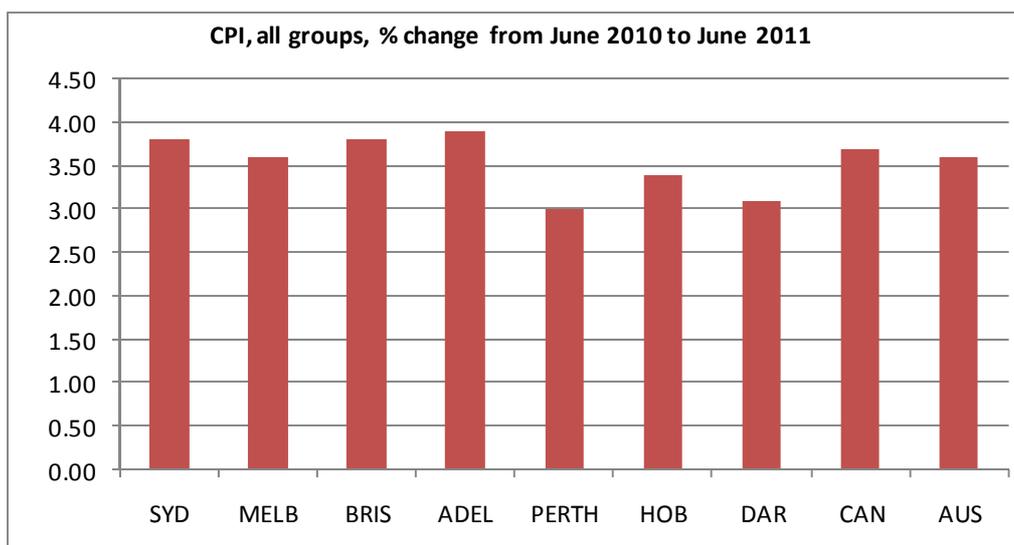
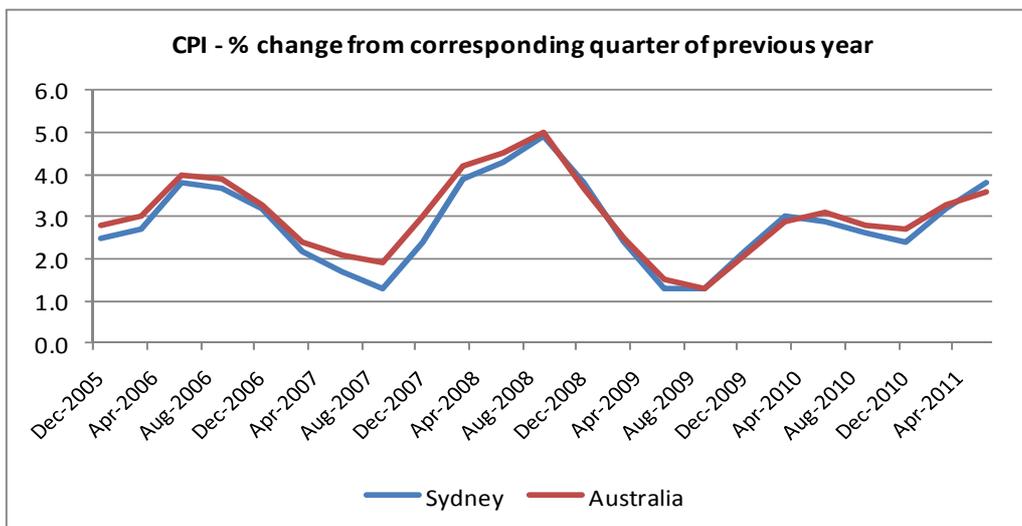
CPI – All groups – Capital cities

	SYD	MELB	BRIS	ADEL	PERTH	HOB	DAR	CANB	AUS
Mar-2006	152.2	150.5	153.5	155.6	150.5	152.2	146.7	152.2	151.9
Jun-2006	154.7	152.6	156.2	157.6	153.2	154.0	149.2	154.9	154.3
Sep-2006	156.1	153.7	157.5	159.3	154.9	155.1	151.8	156.0	155.7
Dec-2006	155.8	153.5	157.3	158.8	155.5	154.7	152.6	155.6	155.5
Mar-2007	155.6	153.8	158.0	158.4	155.8	155.4	152.6	155.9	155.6
Jun-2007	157.4	155.6	160.2	160.3	158.0	157.4	154.7	158.0	157.5
Sep-2007	158.1	156.9	161.7	161.5	158.9	157.9	156.6	159.2	158.6
Dec-2007	159.5	158.5	163.4	163.1	160.2	159.2	157.1	160.8	160.1
Mar-2008	161.7	160.6	165.6	165.5	162.5	161.3	158.5	163.0	162.2
Jun-2008	164.1	162.5	168.4	167.6	165.1	162.9	160.8	165.0	164.6
Sep-2008	165.9	164.4	170.8	169.8	166.7	164.7	163.6	167.5	166.5
Dec-2008	165.5	163.5	170.4	169.3	166.2	164.4	162.9	166.8	166.0
Mar-2009	165.6	163.9	170.8	169.3	166.0	164.8	163.0	167.4	166.2
Jun-2009	166.3	164.4	171.8	170.3	167.4	165.7	164.8	168.4	167.0
Sep-2009	168.1	165.4	174.1	172.1	168.7	167.7	168.0	169.9	168.6
Dec-2009	169.1	166.4	174.7	172.7	169.7	168.7	167.8	170.6	169.5
Mar-2010	170.5	168.5	176.0	173.7	171.6	170.0	168.7	171.7	171.0
Jun-2010	171.1	169.5	177.3	175.0	173.2	170.7	170.1	172.3	172.1
Sep-2010	172.5	170.5	179.1	176.6	174.0	172.4	171.9	173.4	173.3
Dec-2010	173.1	171.5	180.0	177.1	174.1	172.6	171.8	174.2	174.0
Mar-2011	175.9	174.4	182.3	180.0	176.1	174.9	173.7	176.8	176.7
Jun-2011	177.6	175.6	184.1	181.8	178.4	176.5	175.4	178.7	178.3

Source: ABS, *Consumer Price Index, Australia, June 2011*, 6401.0, July 2011

¹²

Reserve Bank of Australia, *Media Release*, 5/7/11.



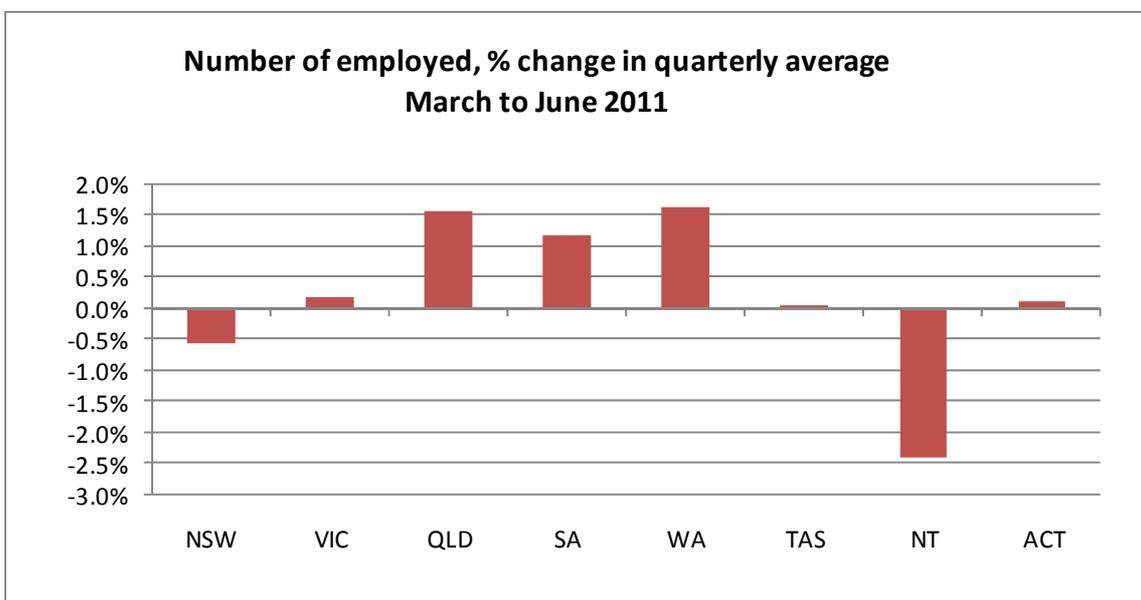
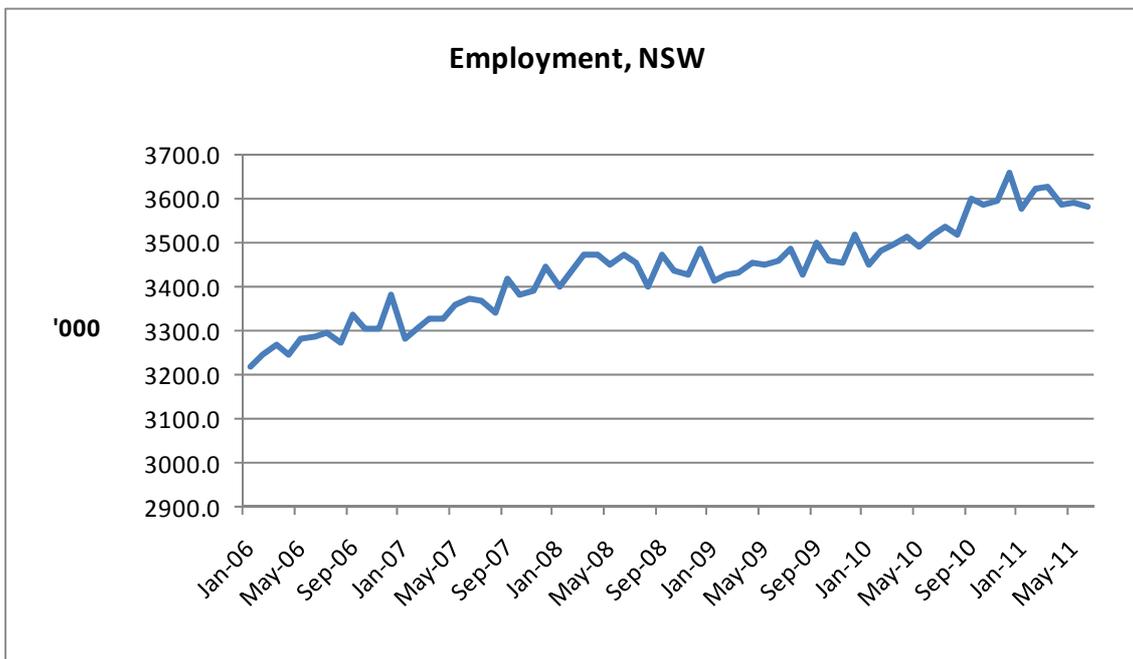
EMPLOYMENT

The average number of people employed in NSW fell again in the June quarter (down by 0.6% to reach 3,585,000 people employed full and part time). NSW was the only State to experience a decrease in total employment between the quarters. Nonetheless, employment in NSW was up by 2.3% when compared to the June 2010 quarter. The greatest increases in employment between the March and June 2011 quarters were in Western Australia and Queensland, where the total number of persons employed rose by 1.6% in each State.

Total number of persons employed, quarterly average, '000

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-06	3242	2499	2018	748	1064	224	98	184
Jun-06	3268	2536	2054	756	1078	226	104	189
Sep-06	3301	2560	2098	764	1081	224	105	195
Dec-06	3328	2573	2122	772	1090	225	106	195
Mar-07	3302	2589	2130	760	1098	225	104	192
Jun-07	3351	2625	2162	765	1113	227	107	194
Sep-07	3373	2640	2177	772	1128	227	111	196
Dec-07	3404	2670	2198	785	1138	231	113	194
Mar-08	3435	2677	2180	784	1147	230	110	194
Jun-08	3465	2691	2214	787	1151	238	114	198
Sep-08	3441	2691	2251	795	1183	240	115	199
Dec-08	3447	2699	2263	799	1200	240	116	200
Mar-09	3423	2686	2246	789	1179	239	116	196
Jun-09	3452	2691	2249	798	1181	235	122	196
Sep-09	3468	2714	2257	795	1170	233	119	198
Dec-09	3475	2774	2266	804	1188	232	123	199
Mar-10	3474	2784	2260	807	1191	234	117	201
Jun-10	3506	2795	2311	804	1207	238	121	203
Sep-10	3549	2824	2316	813	1225	237	125	203
Dec-10	3611	2869	2348	819	1230	238	123	206
Mar-11	3606	2879	2303	813	1217	238	122	204
Jun-11	3585	2884	2339	822	1237	238	119	204

Source: ABS, *Labour Force, Australia, Detailed – Electronic Delivery, June 2011*, 6291.0.55.001, July 2011.



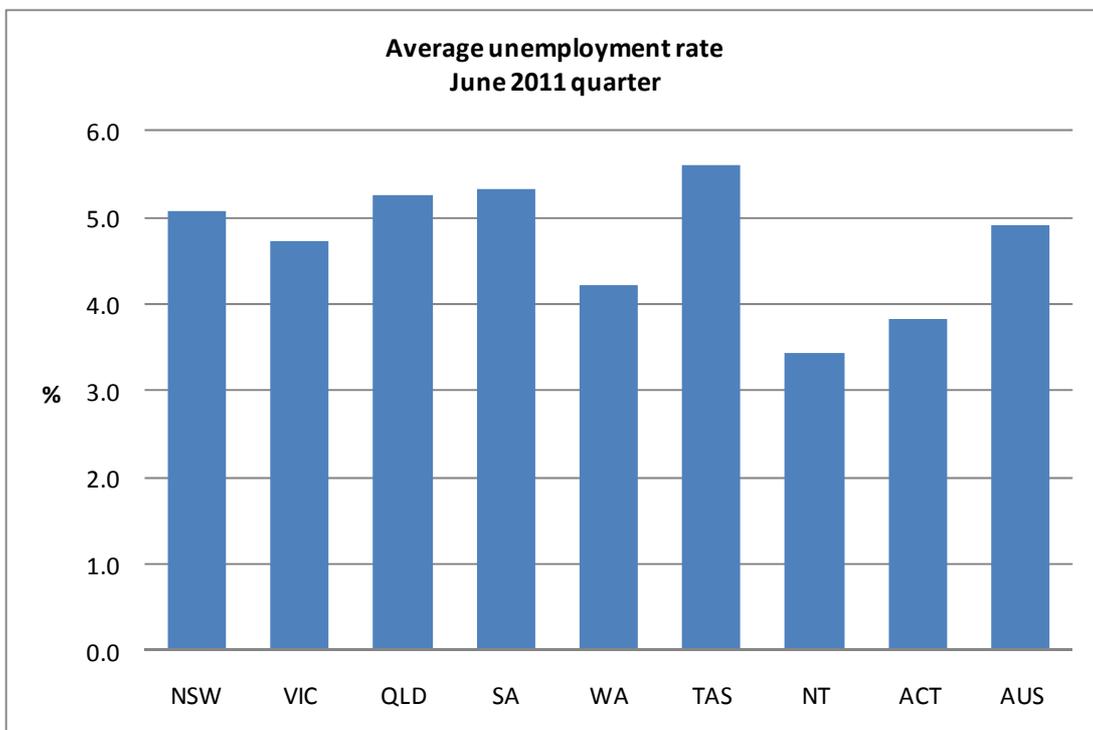
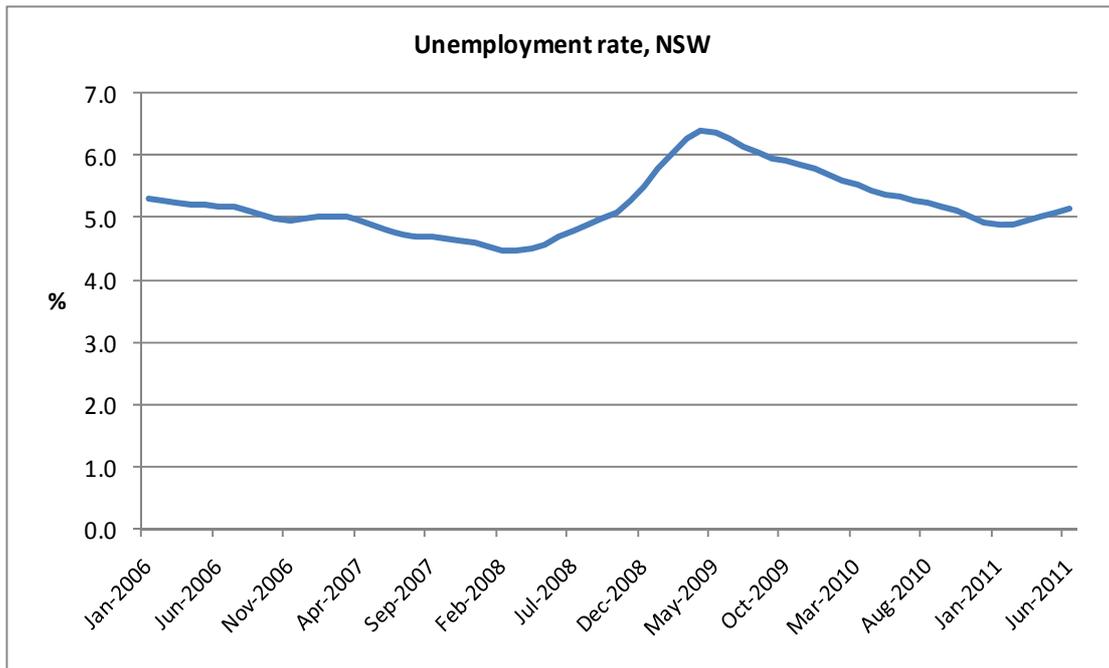
UNEMPLOYMENT

After falling for seven quarters, the unemployment rate in NSW rose slightly in the June 2011 quarter to 5.1% (the Australian unemployment rate was 4.9%). However, this was still below the unemployment rate of the June 2010 quarter, which was 5.4%. About 192,000 people were unemployed in NSW in the June 2011 quarter. NSW had the fourth highest unemployment rate in Australia, behind Tasmania, Queensland and South Australia.

Unemployment rate per quarter - trend estimates

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-06	5.3	5.3	4.9	4.9	4.0	6.6	5.9	3.3	5.0
Jun-06	5.2	5.1	4.6	5.0	3.5	6.5	5.2	3.1	4.8
Sep-06	5.1	4.9	4.4	4.8	3.3	6.3	4.2	2.9	4.7
Dec-06	5.0	4.9	4.1	5.1	3.4	6.0	3.0	3.0	4.6
Mar-07	5.0	4.9	3.9	5.2	3.0	5.4	3.4	3.0	4.5
Jun-07	4.9	4.6	3.6	4.9	3.1	5.0	4.5	2.9	4.3
Sep-07	4.7	4.5	3.7	4.9	3.4	5.2	4.6	2.7	4.3
Dec-07	4.6	4.6	3.7	4.9	3.4	5.3	4.9	2.5	4.3
Mar-08	4.5	4.5	3.6	4.7	3.2	4.8	4.5	2.6	4.2
Jun-08	4.6	4.4	3.7	4.8	3.2	4.2	3.4	2.7	4.2
Sep-08	4.9	4.4	3.7	5.0	2.8	4.0	3.0	2.8	4.2
Dec-08	5.3	4.6	3.9	5.4	2.9	4.3	3.7	2.6	4.5
Mar-09	6.0	5.4	4.6	5.7	4.1	4.8	4.0	2.7	5.2
Jun-09	6.3	5.9	5.3	5.6	5.2	4.9	4.0	3.3	5.7
Sep-09	6.0	5.9	5.9	5.6	5.4	5.0	3.9	3.7	5.8
Dec-09	5.8	5.4	5.9	5.3	5.1	5.5	3.5	3.8	5.6
Mar-10	5.6	5.3	5.6	5.2	4.9	5.8	3.2	3.5	5.4
Jun-10	5.4	5.4	5.5	5.3	4.5	6.1	2.9	3.2	5.2
Sep-10	5.2	5.5	5.5	5.4	4.4	5.8	2.9	3.1	5.2
Dec-10	5.0	5.2	5.6	5.6	4.4	5.5	2.6	3.3	5.1
Mar-11	4.9	4.9	5.5	5.5	4.3	5.7	2.6	3.5	5.0
Jun-11	5.1	4.7	5.3	5.3	4.2	5.6	3.4	3.8	4.9

Source: ABS, *Labour Force, Australia, June 2011*, 6202.0, July 2011.



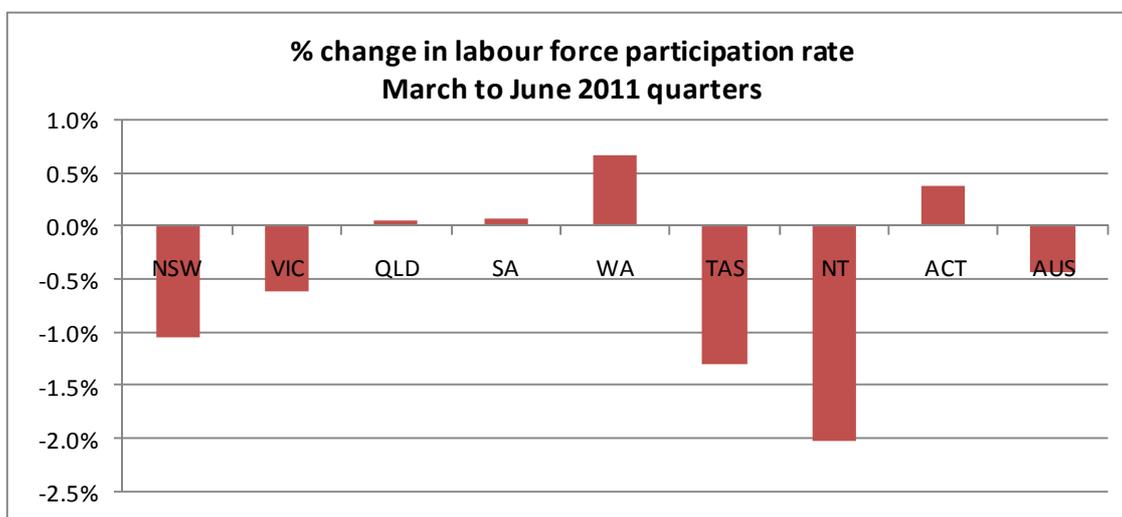
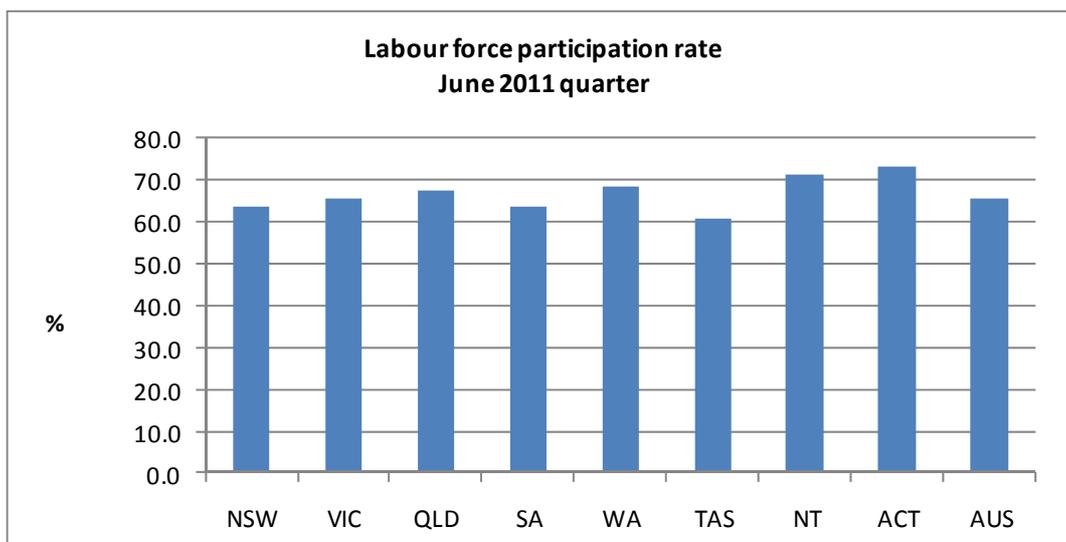
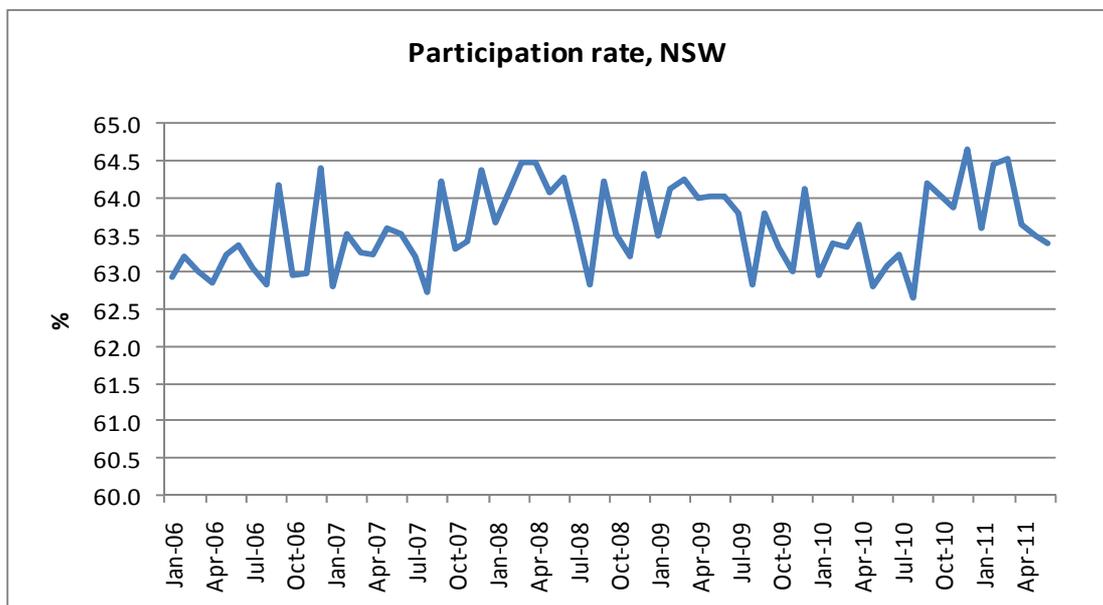
LABOUR FORCE PARTICIPATION

The labour force participation rate in NSW fell slightly in the June 2011 quarter to 63.5%, which is lower than the Australian average of 65.5%. Tasmania was the only State to have a lower participation rate at 60.7%.

Average labour force participation rate per quarter

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-06	63.0	64.2	66.3	62.0	68.2	61.6	68.8	71.7	64.5
Jun-06	63.1	64.5	66.3	62.2	67.9	61.3	71.6	73.2	64.7
Sep-06	63.3	64.5	67.2	62.6	67.6	60.6	70.4	74.7	64.9
Dec-06	63.4	64.6	67.1	63.2	67.6	60.6	70.0	74.5	65.0
Mar-07	63.2	65.0	67.5	62.5	67.8	60.2	69.4	73.3	65.0
Jun-07	63.4	65.2	67.3	62.1	68.1	60.1	71.5	73.7	65.2
Sep-07	63.4	65.0	67.3	62.4	68.6	60.4	73.0	73.3	65.2
Dec-07	63.7	65.5	67.5	63.5	68.7	61.4	74.1	72.6	65.6
Mar-08	64.1	65.4	66.9	63.2	68.8	60.8	72.1	72.6	65.5
Jun-08	64.3	65.3	67.3	63.1	68.4	61.7	73.3	73.4	65.6
Sep-08	63.6	64.7	67.7	63.4	69.3	62.3	72.0	73.6	65.5
Dec-08	63.7	64.6	67.7	63.9	69.6	62.4	73.0	73.2	65.5
Mar-09	63.9	64.9	68.0	63.7	69.2	62.1	73.4	72.1	65.7
Jun-09	64.0	64.7	67.6	63.5	69.2	61.0	76.3	72.2	65.6
Sep-09	63.5	64.7	67.6	63.0	68.4	60.4	73.5	72.2	65.2
Dec-09	63.5	65.4	67.4	63.4	68.3	60.4	75.1	72.5	65.4
Mar-10	63.2	65.6	67.4	63.5	68.5	61.1	72.1	73.3	65.4
Jun-10	63.2	65.3	67.8	63.0	68.1	61.6	72.6	73.1	65.3
Sep-10	63.4	65.5	67.3	63.3	68.8	61.1	74.4	72.6	65.4
Dec-10	64.2	66.0	68.0	63.8	68.4	61.1	72.7	73.6	66.0
Mar-11	64.2	66.2	67.3	63.5	68.0	61.5	72.8	72.8	65.8
Jun-11	63.5	65.8	67.3	63.6	68.5	60.7	71.3	73.1	65.5

Source: ABS, *Labour Force, Australia, Detailed – Electronic Delivery, June 2011*, 6291.0.55.001, July 2011.



JOB VACANCIES

The number of job vacancies in NSW fell for the third quarter in a row in May 2011 to 47,300. Queensland was the only State to experience an increase (up by 8.6%). The average change in job vacancies across Australia was a decline of 4.7%.

The average number of newspaper job advertisements per week in NSW in the June 2011 quarter also fell (down 8% to 2,389). The number of newspaper job advertisements fell in every Australian State. The data regarding internet job advertising is collected on a national basis by ANZ. As it does not include details for the individual States and Territories it is not considered here. However, it should be kept in mind that Internet advertising is an increasingly important consideration when measuring job vacancies. Suggesting an apparent shift toward Internet advertising, the ANZ job advertisement series recently noted that newspaper job advertising was 11% lower than a year ago, whilst internet job advertisements were 11% higher.¹³

Number of job vacancies, '000, Original figures

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Nov 2009	46.3	32.6	27.9	11.0	21.8	2.0	2.9	6.2	150.8
Feb 2010	50.3	33.3	31.6	13.3	27.6	2.8	4.4	5.8	169.0
May 2010	47.5	36.8	28.5	14.3	27.0	1.7	4.1	4.7	164.7
Aug 2010	52.9	40.2	33.4	13.3	28.4	2.6	4.3	6.2	181.4
Nov 2010	50.1	46.0	37.4	16.6	30.3	2.6	3.9	6.8	193.7
Feb 2011	49.2	47.7	38.3	10.7	31.5	2.3	3.8	6.2	189.9
May 2011	47.3	40.8	41.6	10.4	28.0	2.3	4.2	6.4	181.0

Source: ABS, *Job Vacancies, Australia, May 2011*, 6354.0, June 2011.

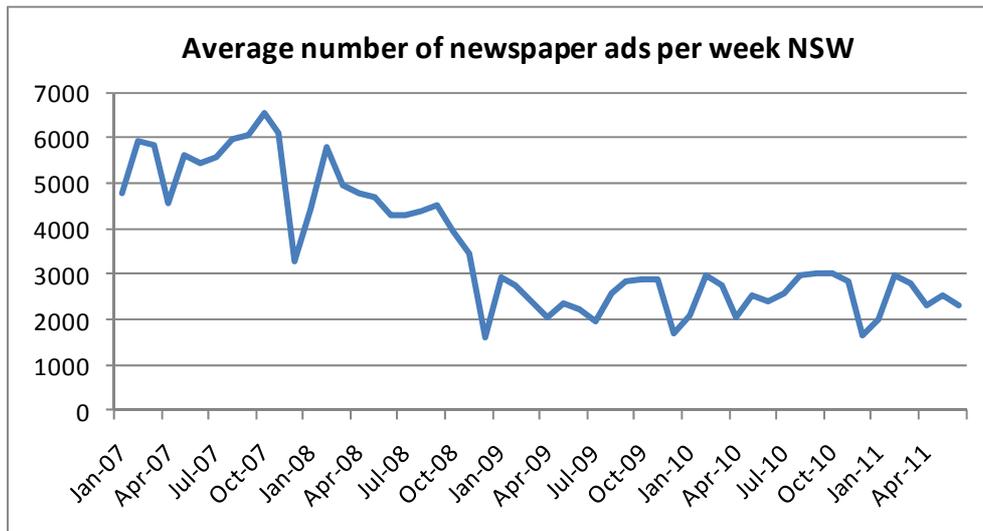
¹³

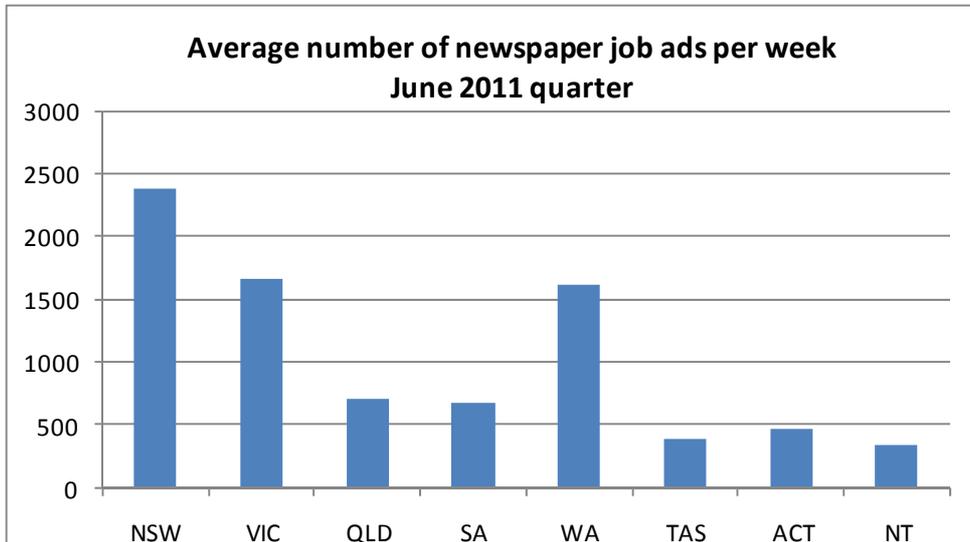
ANZ, 'Job advertisements recover half of May's fall in June', *Media Release*, 4/7/11.

Quarterly average for the number of newspaper job advertisements per week

	NSW	VIC	QLD	SA	WA	TAS	ACT	NT
Mar 08	5065	3943	2713	1810	3861	524	883	375
Jun 08	4577	3724	2343	1626	3333	482	705	429
Sep 08	4393	3316	2196	1577	3236	576	711	390
Dec 08	2992	2255	1375	1163	2153	452	503	302
Mar 09	2688	1923	1092	1055	1636	420	591	260
Jun 09	2207	1608	807	850	1199	381	467	284
Sep 09	2444	1941	987	994	1456	496	528	300
Dec 09	2474	1800	827	982	1443	515	489	314
Mar 10	2604	1871	774	1114	1928	547	579	422
Jun 10	2324	1880	732	764	1865	450	550	364
Sep 10	2869	2056	859	792	2112	492	578	381
Dec 10	2498	1802	711	751	1959	476	503	305
Mar 11	2601	1879	833	786	1967	471	561	306
Jun 11	2389	1655	704	678	1606	382	471	332

Source: ANZ, 'Job Advertisement Series', www.anz.com





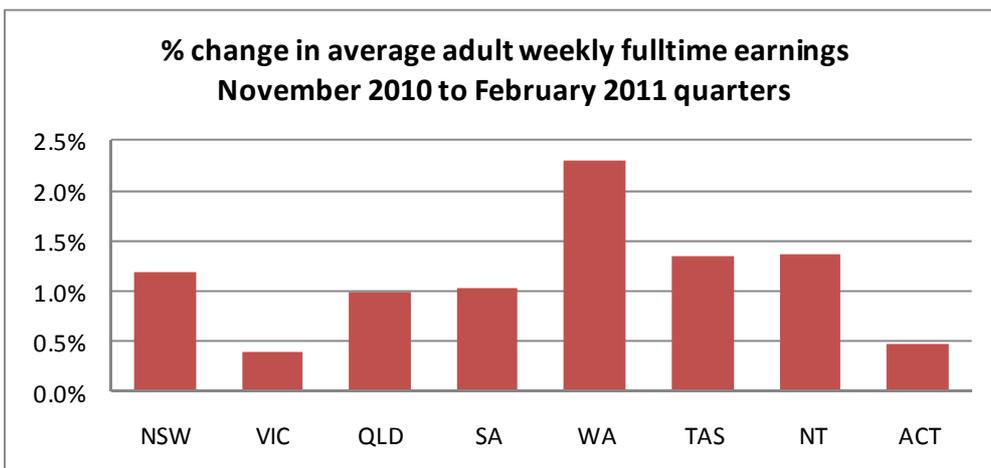
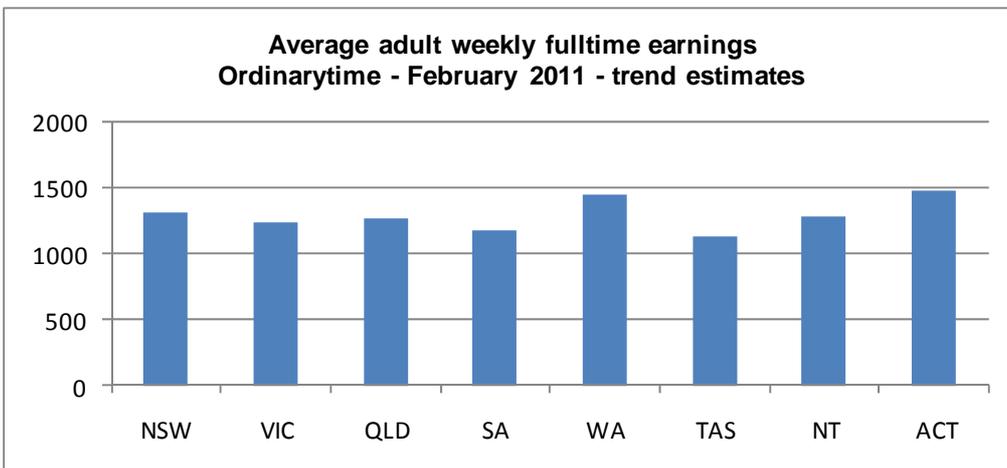
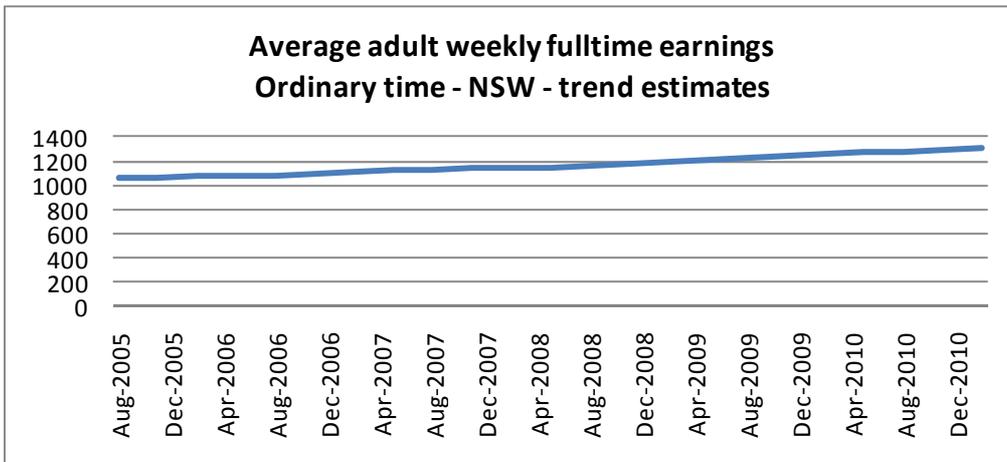
WAGES

The average adult weekly fulltime earnings (ordinary time) in NSW rose by 1.2% in the February 2011 quarter to reach \$1304. Western Australia and Tasmania were the only States to experience greater growth, up by 2.3% and 1.3% respectively. The highest average weekly fulltime earnings were in the ACT at \$1478, followed by Western Australia at \$1446, with NSW in third place.

Average adult weekly fulltime earnings (ordinary time) (trend estimates)

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Feb-2006	1070	1012	963	963	1031	867	1009	1176
May-2006	1072	1017	971	974	1050	873	1009	1197
Aug-2006	1078	1020	980	979	1066	881	1015	1219
Nov-2006	1089	1025	993	982	1080	897	1023	1235
Feb-2007	1104	1039	1010	991	1095	920	1034	1242
May-2007	1120	1058	1027	1004	1113	938	1047	1250
Aug-2007	1133	1071	1041	1017	1136	947	1063	1260
Nov-2007	1139	1079	1053	1027	1161	950	1079	1267
Feb-2008	1140	1088	1069	1036	1185	951	1095	1279
May-2008	1145	1103	1091	1051	1206	956	1108	1298
Aug-2008	1157	1120	1115	1072	1225	966	1122	1320
Nov-2008	1173	1136	1133	1093	1244	980	1135	1338
Feb-2009	1190	1150	1147	1109	1265	996	1143	1344
May-2009	1206	1162	1163	1117	1287	1015	1151	1352
Aug-2009	1225	1175	1187	1122	1310	1035	1160	1373
Nov-2009	1245	1190	1209	1127	1332	1054	1175	1408
Feb-2010	1260	1206	1223	1132	1350	1070	1196	1441
May-2010	1269	1221	1233	1140	1364	1085	1221	1459
Aug-2010	1277	1230	1244	1150	1385	1101	1246	1465
Nov-2010	1289	1237	1256	1162	1414	1117	1268	1471
Feb-2011	1304	1242	1269	1174	1446	1132	1285	1478

Source: ABS, *Average weekly earnings, Australia, February 2011*, 6302.0, May 2011.



AGRICULTURAL PRODUCTION AND INCOME

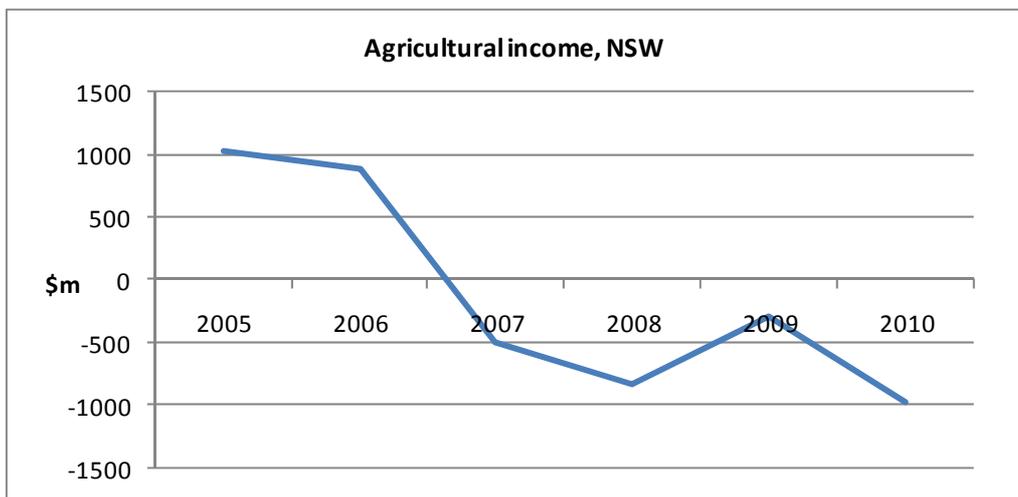
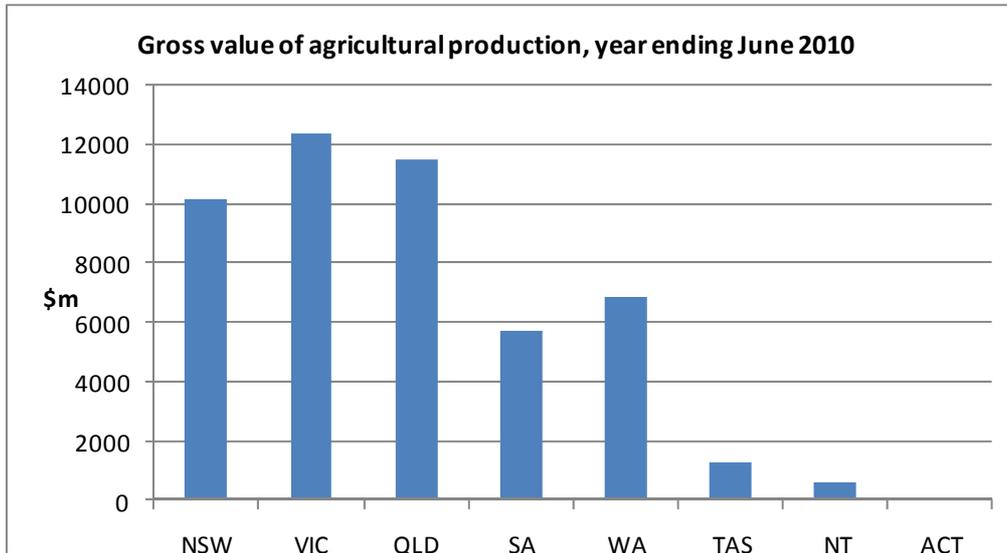
The gross value of agricultural production in NSW fell in the year ending June 2010 to \$10.1 billion. However, NSW recorded the third highest gross value in agricultural production in Australia, after Victoria and Queensland.

Apart from the ACT, NSW was the only State or Territory with a negative agricultural income, reaching -\$973 million. 2010 was the fourth year in a row that NSW has experienced a negative agricultural income.

Gross value of agricultural production, \$m

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2005	11790	10646	11223	4916	6726	1157	515	25
Jun-2006	12261	11421	11502	5579	7472	1279	513	23
Jun-2007	10228	10851	12556	4720	5815	1239	519	21
Jun-2008	10482	13543	10978	5747	8151	1319	505	22
Jun-2009	10988	12393	11522	5132	8218	1342	573	20
Jun-2010	10116	12374	11514	5677	6866	1286	587	19

Source: ABS, *Australian National Accounts, State Accounts*, 5220.0



BUSINESS INVESTMENT

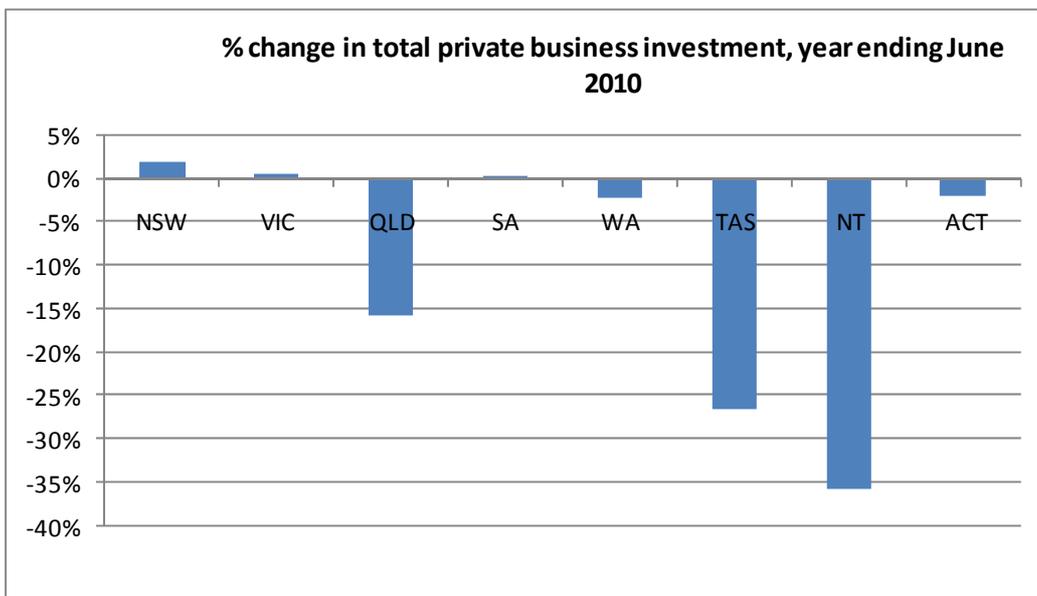
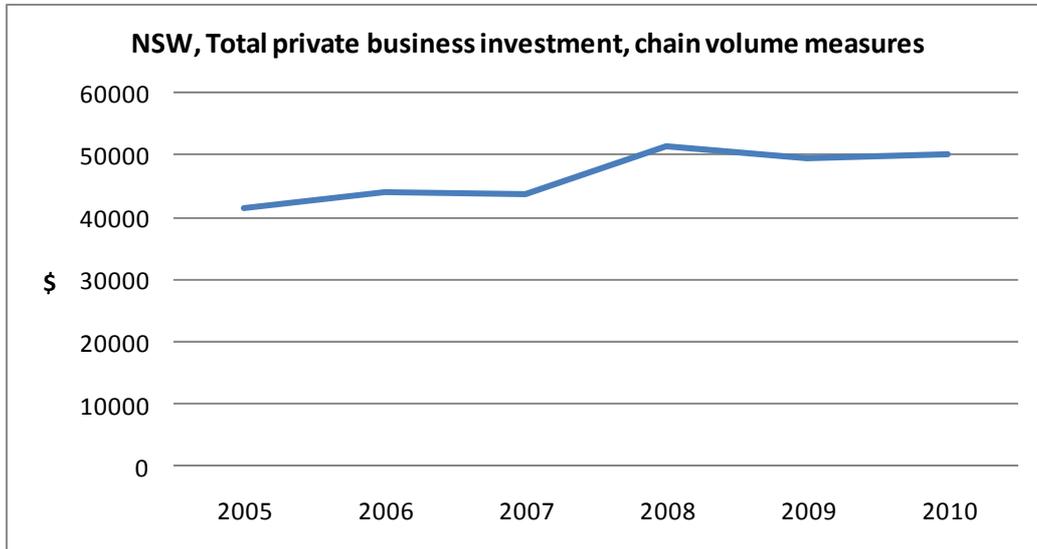
Total private business investment in the year ending June 2010 was \$50.2 billion (gross fixed capital formation, chain volume measures), an increase of 2% on the previous year. NSW experienced the largest growth in this area, with declines occurring in Queensland, Western Australia, Tasmania and the Northern Territory.

Total private business investment

Gross fixed capital formation, chain volume measures, \$m

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2005	41353	35476	25975	9952	20113	2234	2929	1903
Jun-2006	44123	40027	31483	10026	27953	2502	3535	2346
Jun-2007	43638	41088	36120	10497	34400	2021	3526	2791
Jun-2008	51379	45917	42389	10481	41877	2782	3850	2664
Jun-2009	49333	44372	44167	10461	45775	3061	4887	2637
Jun-2010	50191	44608	37155	10476	44728	2244	3138	2581

Source: ABS, *Australian National Accounts, State Accounts*, 5220.0, November 2010



TURNOVER OF RETAIL TRADE

The current caution in household spending has been noted by a number of commentators. For example, the Treasurer of Australia, the Hon Wayne Swan MP, has highlighted how 'The hangover from the global financial crisis and the subdued recovery in household wealth means consumers are being much more cautious with their spending despite the strong jobs market and income growth'.¹⁴ According to the Governor of the Reserve Bank, consumers are using any gains in income to pay off debt or save. Since the end of 2007 when income growth was speeding up, household consumption expenditure has slowed down. Real consumption is now the same as three years previously compared to the decade prior when real consumption rose by 2.8% annually.¹⁵

The average monthly turnover of retail trade in NSW rose by 0.6% in the March 2011 quarter to \$6307 million (seasonally adjusted), less than the Australian average of 0.85%. Nonetheless, retail turnover was 2.1% higher than in the March 2010 quarter. Victoria and Tasmania were the only States to experience a decrease in retail turnover between the quarters.

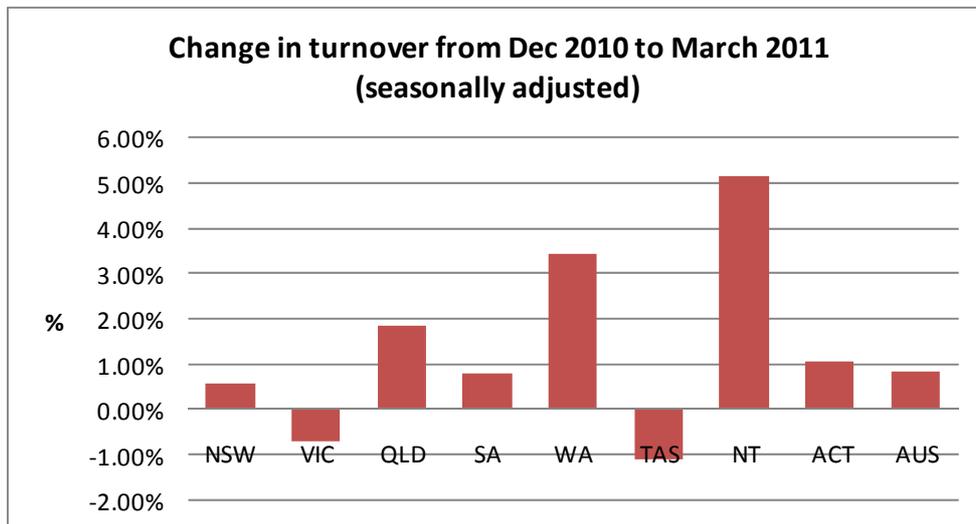
Average monthly turnover of retail trade per quarter, seasonally adjusted, \$m

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-06	5113	4051	3280	1122	1758	370	151	312	16156
Jun-06	5213	4197	3332	1152	1808	367	160	316	16544
Sep-06	5260	4230	3385	1171	1846	372	164	322	16750
Dec-06	5325	4290	3420	1194	1912	372	168	331	17012
Mar-07	5449	4363	3542	1226	1980	379	172	336	17446
Jun-07	5492	4354	3640	1231	2007	392	176	342	17635
Sep-07	5696	4452	3747	1253	2028	395	180	344	18096
Dec-07	5740	4542	3823	1296	2058	396	189	346	18390
Mar-08	5705	4590	3841	1334	2031	397	188	349	18437
Jun-08	5693	4557	3833	1356	2073	407	195	349	18462
Sep-08	5636	4614	3910	1392	2108	415	203	346	18623
Dec-08	5750	4752	3987	1406	2102	426	212	356	18991
Mar-09	5954	4887	4067	1414	2120	433	219	364	19458
Jun-09	6098	4958	4160	1441	2152	444	218	371	19841
Sep-09	6067	4922	4077	1415	2138	440	217	371	19647
Dec-09	6240	4962	4096	1429	2175	444	222	374	19942
Mar-10	6179	5030	4083	1442	2194	440	223	377	19968
Jun-10	6252	5107	4100	1472	2191	439	228	379	20168
Sep-10	6348	5221	4138	1462	2200	433	227	377	20407
Dec-10	6272	5220	4118	1443	2217	432	217	382	20302
Mar-11	6307	5184	4194	1454	2293	427	228	386	20475

Source: ABS, *Retail Trade, Australia, May 2011*, 8501.0, July 2011.

¹⁴ The Hon Wayne Swan MP, *Treasurer's Economic Note*, 24/4/11.

¹⁵ Glenn Stevens, Governor of the Reserve Bank of Australia, Address to the Anika Foundation Luncheon, 26 July 2011.



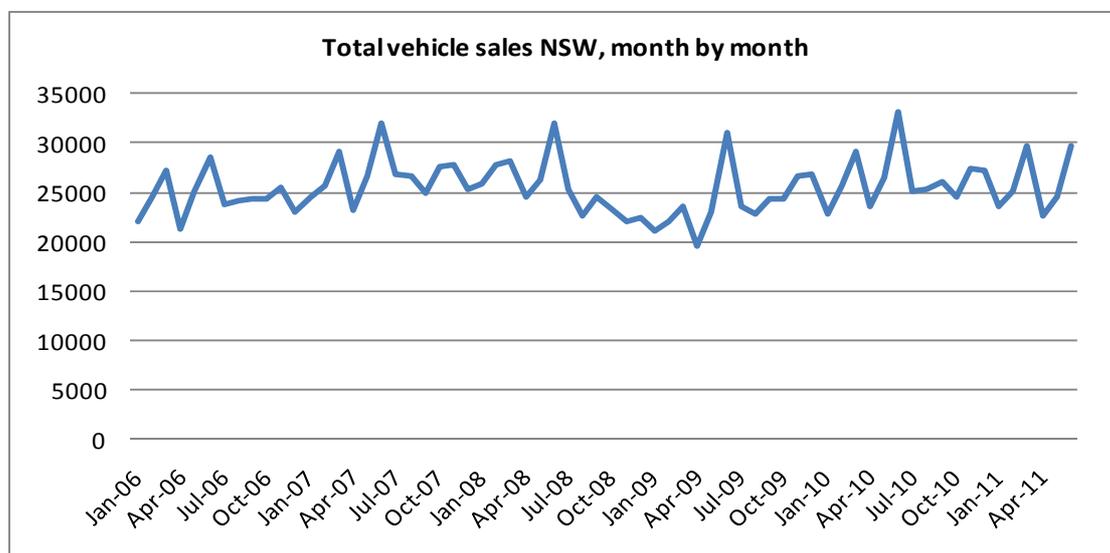
VEHICLE SALES

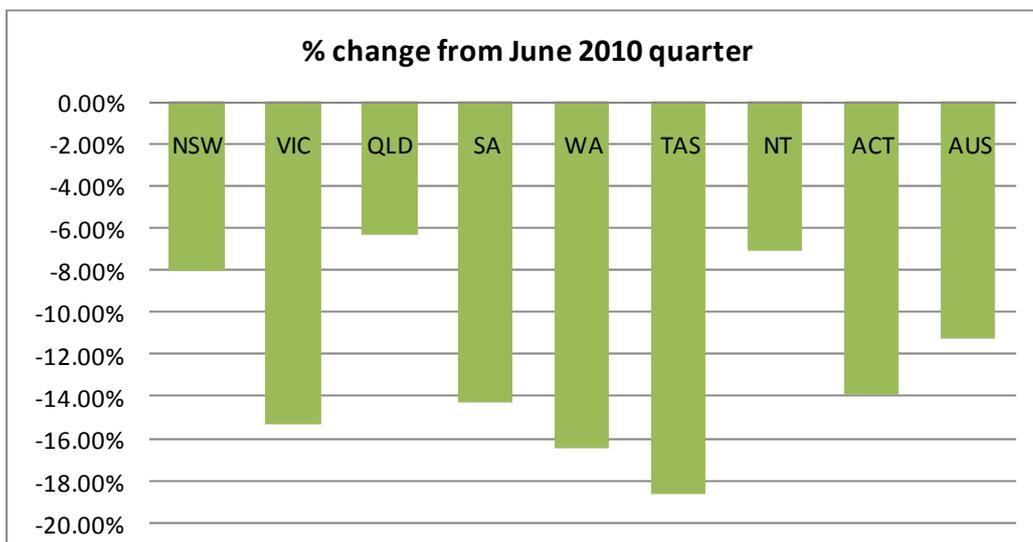
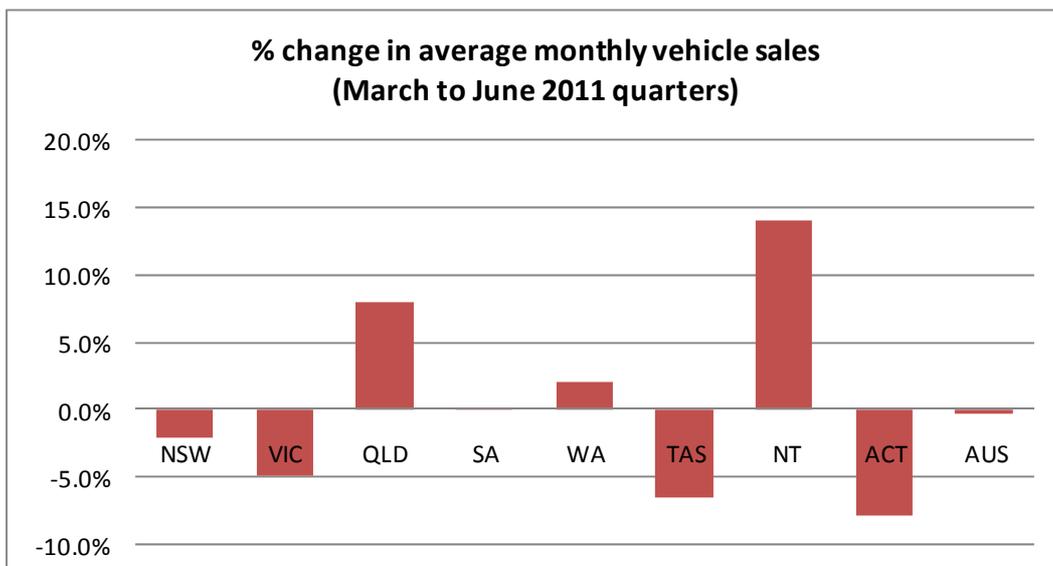
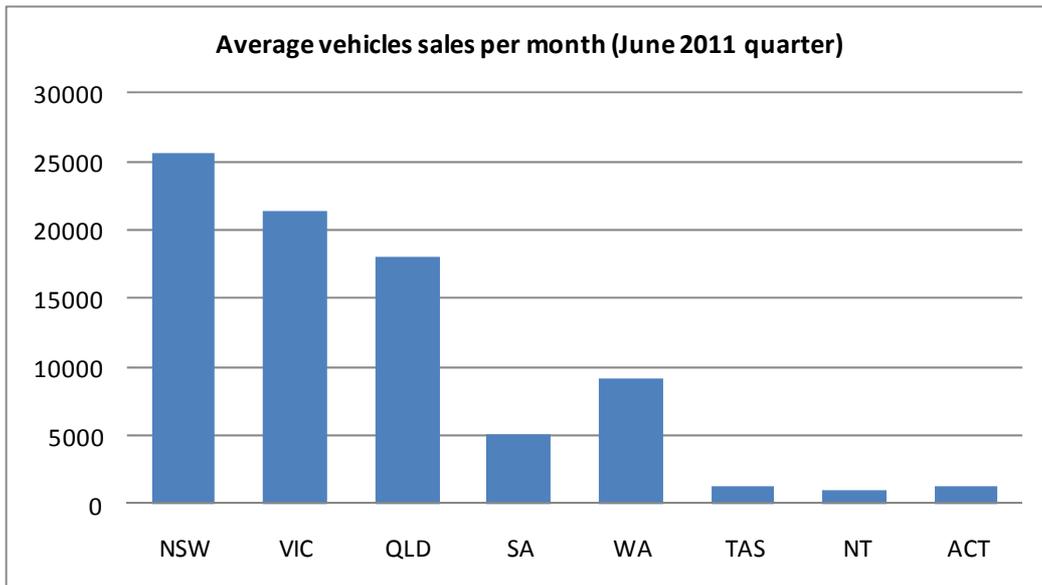
The average number of new vehicles sold per month in NSW in the June 2011 quarter fell by 2.1% to 25,575, the second quarter in a row that sales have fallen. Sales were thus 8% lower in the June 2011 quarter than they were a year previously. Queensland, South Australia and Western Australia were the only States to record an increase in the quarterly average.

Average monthly sales of new vehicles per quarter

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-06	24552	19772	17131	4887	8506	1403	753	1198	78202
Jun-06	24952	20476	18895	5461	9383	1563	895	1227	82852
Sep-06	24059	20271	17698	4935	9391	1486	710	1189	79739
Dec-06	24241	20438	17084	4866	9678	1839	728	1223	80097
Mar-07	26391	21306	18921	5115	9695	1427	800	1368	85023
Jun-07	27286	22158	20777	5335	10289	1517	988	1418	89769
Sep-07	26115	22134	18923	4912	10206	1575	751	1378	85995
Dec-07	26894	23058	19560	5321	10235	1981	768	1391	89207
Mar-08	27264	22667	18706	5399	10028	1481	902	1370	87818
Jun-08	27617	24439	20705	5888	10369	1620	1067	1376	93081
Sep-08	24133	21442	16780	5115	9637	1584	837	1219	80746
Dec-08	22637	20295	15433	5011	8850	1571	748	1199	75744
Mar-09	22201	18423	14750	4490	7947	1283	671	1225	70990
Jun-09	24548	20966	17731	5186	8677	1455	871	1317	80751
Sep-09	23514	19863	16106	4823	8012	1347	727	1190	75584
Dec-09	25886	22935	17848	5806	8811	1794	748	1292	85118
Mar-10	25870	22683	17159	5448	9068	1557	832	1324	83942
Jun-10	27796	25282	19217	5950	10861	1571	1001	1436	93114
Sep-10	25472	22441	16474	5330	9815	1471	828	1353	83184
Dec-10	26356	23404	16450	5420	9407	1853	747	1314	84951
Mar-11	26119	22526	16659	5093	8898	1367	816	1343	82821
Jun-11	25575	21399	17995	5102	9076	1278	930	1236	82591

Source: ABS, *Sales of new motor vehicles, Australia, June 2011*, 9314.0, July 2011





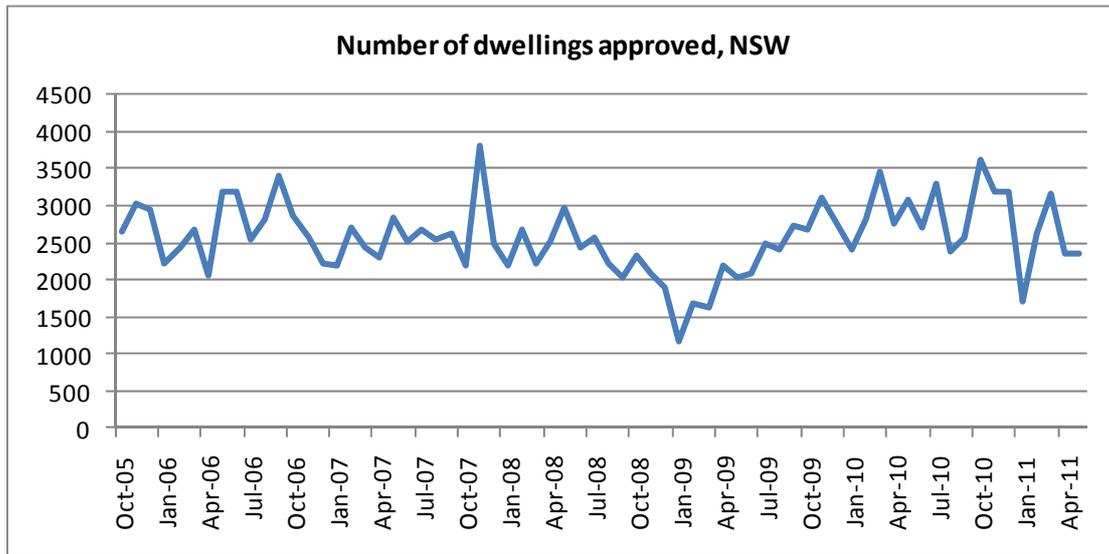
DWELLING APPROVALS

The average number of dwellings approved in NSW per month in the March 2011 quarter dropped by 25% to reach 2,498, the lowest average since the June 2009 quarter. Dwelling approvals fell by an average of 19% across Australia in the June 2011 quarter and Queensland was the only State to experience a greater decrease than NSW. The number of dwellings approved in NSW that were houses increased to 53% of all dwellings approved (up from 41% in the December 2010 quarter).

Average monthly number of dwellings approved per quarter

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-06	2437	3003	2944	910	2064	211	105	149	11825
Jun-06	2816	3224	3146	1050	2342	231	93	190	13092
Sep-06	2921	3468	3561	939	2431	244	139	232	13936
Dec-06	2546	3047	3332	901	2135	256	106	140	12463
Mar-07	2444	2881	3364	885	1719	231	132	159	11815
Jun-07	2556	3251	3581	882	2077	249	111	218	12924
Sep-07	2613	3767	4000	1086	1969	239	108	186	13968
Dec-07	2828	3673	4318	1149	1948	258	120	197	14489
Mar-08	2358	3258	3105	946	1981	234	88	144	12113
Jun-08	2635	3605	3594	1279	1983	249	75	253	13673
Sep-08	2277	3777	3201	1231	1901	302	55	211	12954
Dec-08	2104	3168	2353	927	1484	250	88	271	10645
Mar-09	1497	3341	1755	873	1342	226	80	169	9282
Jun-09	2101	3635	2343	973	1735	278	106	312	11482
Sep-09	2536	4673	2682	1053	2029	294	109	385	13760
Dec-09	2861	4744	2794	1005	2107	307	142	347	14306
Mar-10	2899	4705	2842	1035	2326	241	55	310	14413
Jun-10	2850	4903	2927	1094	1993	235	138	471	14612
Sep-10	2749	5874	2343	1168	1824	292	172	394	14816
Dec-10	3331	5241	2402	884	1841	249	135	636	14719
Mar-11	2498	4493	1776	790	1609	229	59	397	11850

Source: ABS, *Building Approvals, Australia, May 2011*, 8731.0, July 2011



HOUSING FINANCE

Housing affordability remains a big issue with Sydney and the rest of NSW being the most unaffordable areas in Australia. The average Sydney home in March 2011 was 8.4 times the average annual household income (thus categorised as severely unaffordable).¹⁶ 28% of Sydney households are spending more than 30% of after-tax income on housing expenses. 9.4% are spending more than 50% of after-tax income on housing and are thus deemed to be suffering extreme housing stress. A greater proportion of households in Sydney are in mortgage stress than in any other part of Australia.¹⁷

First home buyers usually account for between 25% and 30% of all house sales, with approximately 90% requiring a mortgage to purchase a property.¹⁸ Housing affordability is a particularly significant issue for first home buyers – 60% of first home buyer households in Australia spend more than 30% of their after-tax income on housing and 17% spend more than 50% of their income.¹⁹

The average loan size for first home buyers in NSW fell to \$299,000 in the March 2011 quarter, the lowest it has been since September 2009. However, with the exception of the ACT, average loan sizes dropped across Australia, and NSW continues to have the highest average loan size for first home buyers.

¹⁶ Affordable housing is considered to be that which is equivalent to five years of household income or less: AMP and NATSEM, 'The great Australian dream – just a dream?', *Income and Wealth Report*, Issue 29, July 2011, p 11.

¹⁷ AMP and NATSEM, 'The great Australian dream – just a dream?', *Income and Wealth Report*, Issue 29, July 2011, pp 7 and 10.

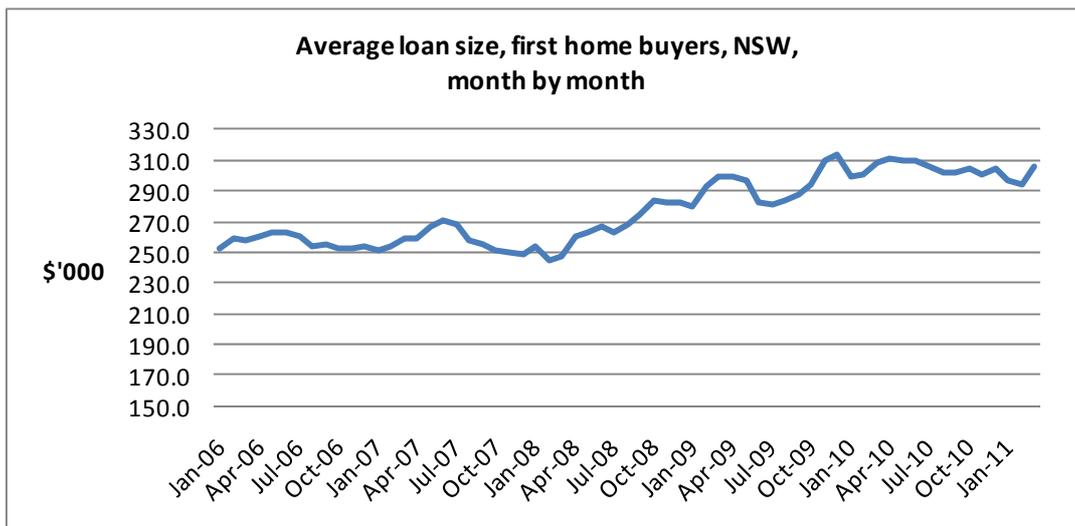
¹⁸ Bloxham P, McGregor D and Rankin E, 'Housing turnover and first home buyers', *Reserve Bank of Australia - Bulletin*, June Quarter 2010, p 4.

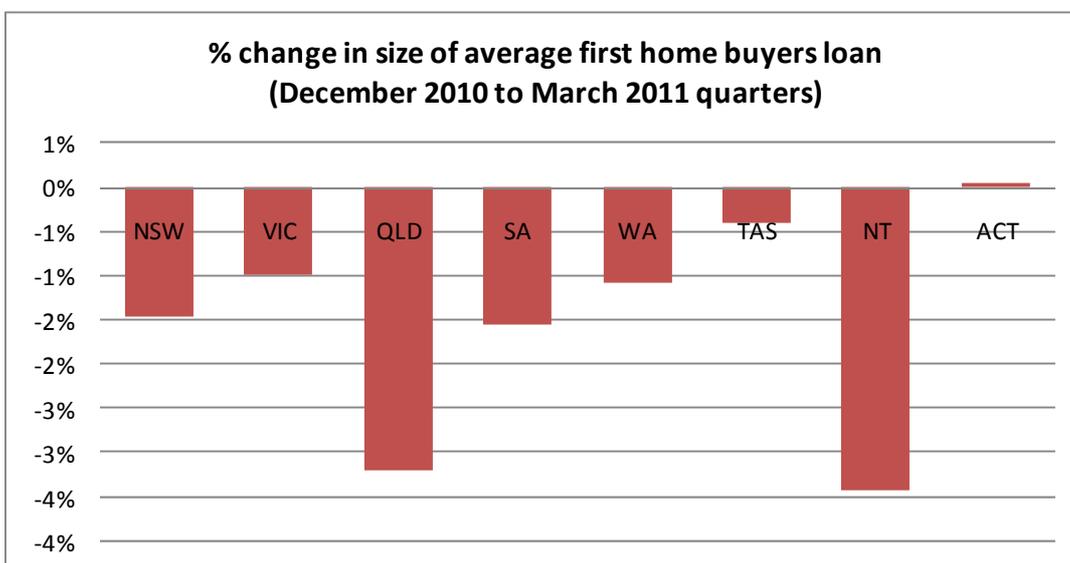
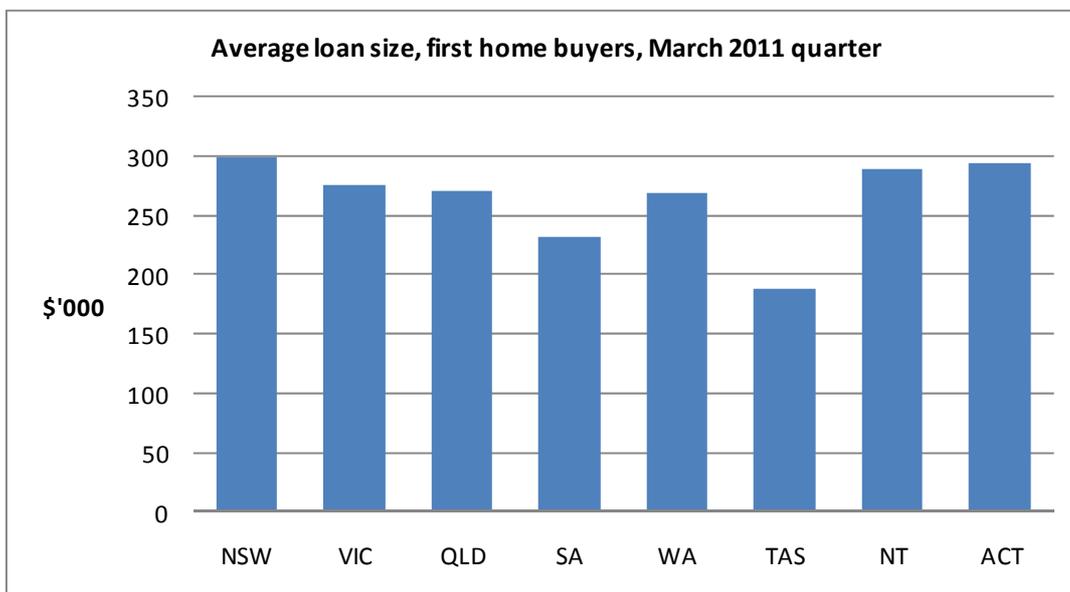
¹⁹ AMP and NATSEM, 'The great Australian dream – just a dream?', *Income and Wealth Report*, Issue 29, July 2011, p 8.

First home buyers – average loan size - \$'000

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-06	257	213	218	176	196	170	182	232
Jun-06	262	213	215	174	206	161	181	225
Sep-06	256	215	223	178	217	161	192	227
Dec-06	253	219	222	182	216	167	201	235
Mar-07	255	217	232	187	215	159	209	238
Jun-07	265	225	240	193	225	171	208	230
Sep-07	260	230	246	199	248	174	232	269
Dec-07	250	222	241	195	236	163	213	243
Mar-08	249	217	236	193	233	171	216	244
Jun-08	264	227	245	202	244	166	224	245
Sep-08	269	240	264	218	253	181	241	269
Dec-08	283	251	279	229	274	192	281	293
Mar-09	291	256	289	250	292	198	296	303
Jun-09	293	260	283	245	295	195	300	298
Sep-09	284	261	268	232	294	200	297	296
Dec-09	306	269	280	233	298	202	321	288
Mar-10	303	273	284	241	293	197	269	292
Jun-10	310	278	287	241	282	198	323	278
Sep-10	303	280	282	239	278	189	290	290
Dec-10	303	278	280	236	272	189	299	295
Mar-11	299	275	271	233	269	188	289	295

Source: ABS, *Housing Finance, Australia, May 2011*, 5609.0, July 2011.





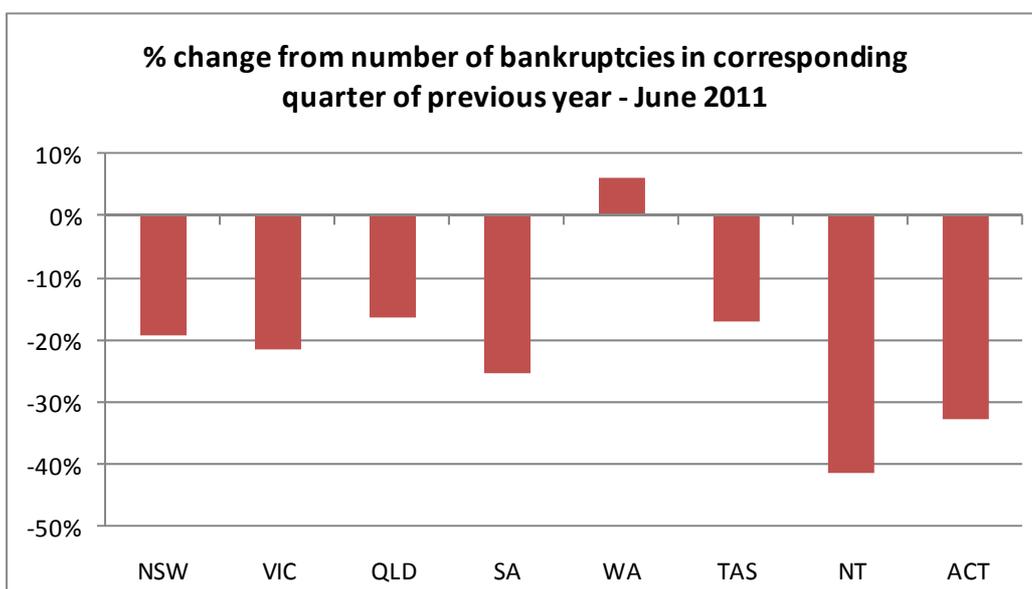
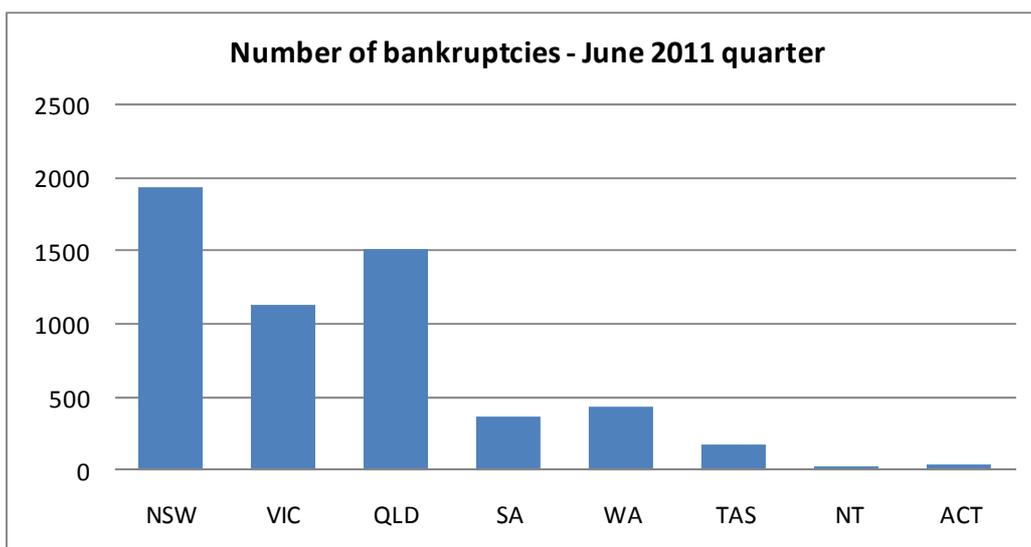
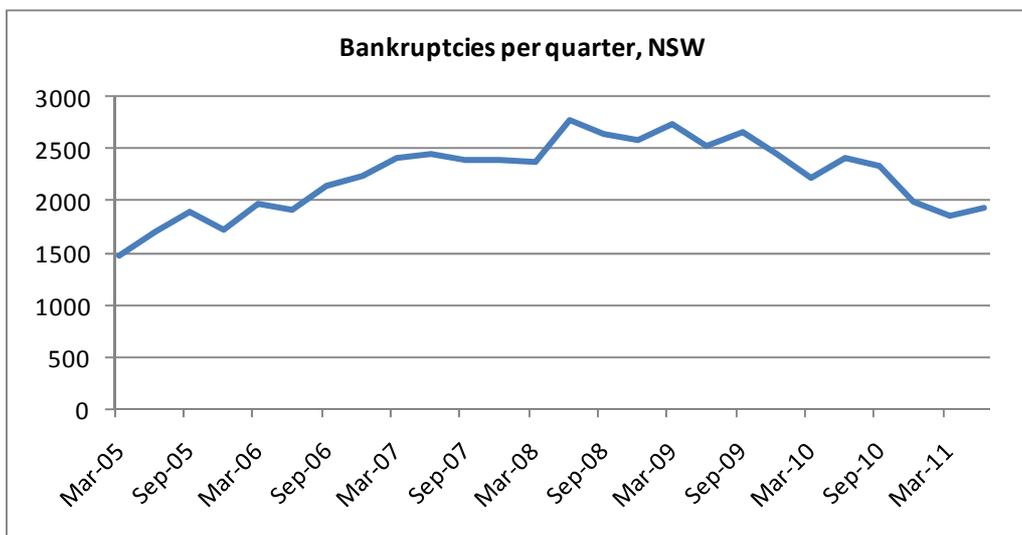
BANKRUPTCIES

The number of bankruptcies in NSW in the June 2011 quarter rose to 1,937. Nonetheless, the number of bankruptcies was still 19% less than the June 2010 quarter. A number of other jurisdictions also experienced increases in the number of bankruptcies between the quarters, namely, Victoria, Queensland, Western Australia and the ACT.

Bankruptcies per quarter (Parts IV and XI of the Bankruptcy Act 1966 (Cth))

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-06	1978	1397	1470	559	384	164	24	69
Jun-06	1905	1284	1389	521	350	149	32	75
Sep-06	2153	1387	1394	521	383	139	27	72
Dec-06	2244	1383	1352	496	312	147	24	58
Mar-07	2403	1487	1525	569	355	173	25	47
Jun-07	2449	1459	1475	565	340	190	43	48
Sep-07	2384	1486	1357	511	320	202	27	43
Dec-07	2391	1374	1413	491	337	173	31	61
Mar-08	2382	1321	1415	537	396	161	31	63
Jun-08	2781	1548	1508	550	375	214	38	44
Sep-08	2646	1434	1433	521	387	194	23	55
Dec-08	2577	1461	1460	457	400	210	31	53
Mar-09	2742	1527	1662	483	435	217	25	73
Jun-09	2532	1562	1688	483	438	221	24	66
Sep-09	2671	1580	1708	513	532	227	36	62
Dec-09	2451	1314	1800	452	476	175	41	61
Mar-10	2229	1393	1700	492	468	183	36	63
Jun-10	2403	1435	1801	489	410	204	36	64
Sep-10	2332	1274	1549	418	431	180	22	54
Dec-10	1985	1081	1676	392	400	178	39	58
Mar-11	1861	1020	1434	415	434	186	32	40
Jun-11	1937	1125	1508	364	435	169	21	43

Source: Insolvency and Trustee Service Australia, 'Quarterly Statistics', www.itsa.gov.au



RENT

About half of the rental categories in NSW experienced increases in the average weekly rent for new bonds in the March 2011 quarter, namely:

- Three and four plus bedroom dwellings in Sydney;
- Two and three bedroom dwellings in the Greater Metropolitan Region (excluding Sydney); and
- Two bedroom dwellings in rural NSW.

The greatest increase was in the price of two bedroom dwellings in the Greater Metropolitan Region (excluding Sydney) which were up 5.4% on the December 2010 quarter.

Sydney

The **average weekly rent** for new bonds in Sydney in the March 2011 quarter was: \$390 for a one bedroom place; \$430 for two bedrooms; \$450 for three bedrooms; and \$570 for four or more bedrooms.

The **highest median rent** for a two bedroom place in Sydney was unchanged - the Sydney local government area at \$630 a week. Woollahra local government area once again had the highest median rent for a three bedroom place at \$980 (down from \$995 in the December 2010 quarter).

The **lowest median rents** were \$250 for a two bedroom place in the Wollondilly local government area and \$310 for a three bedroom place in the Wyong local government area.

Rest of the Greater Metropolitan Region

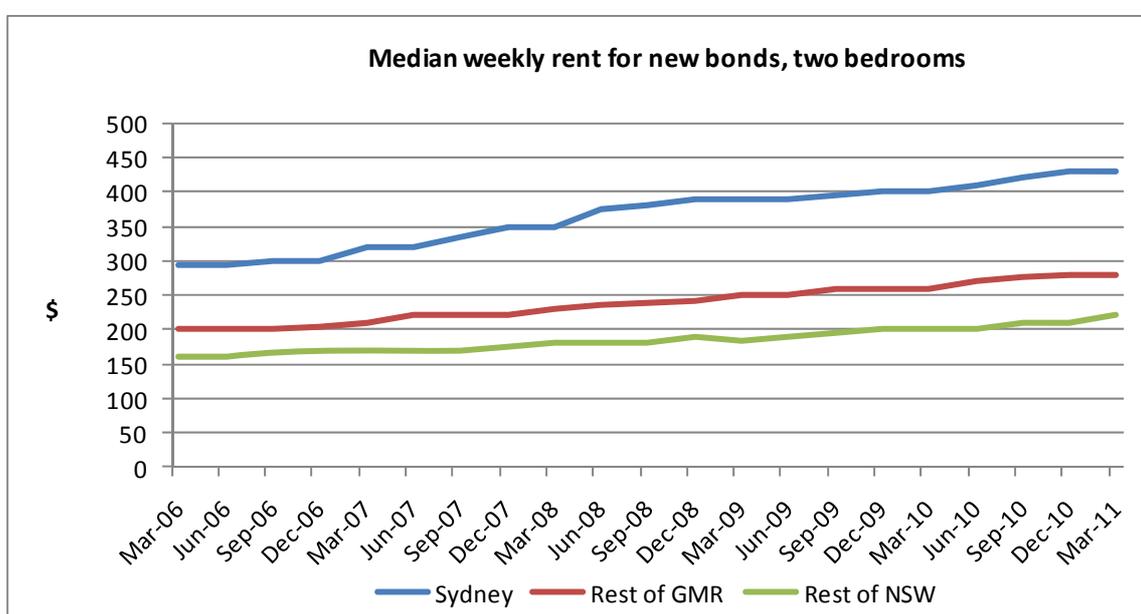
The **average rental price** in the Greater Metropolitan Region (GMR) excluding Sydney (includes Cessnock, Kiama, Lake Macquarie, Maitland, Newcastle, Port Stephens, Shellharbour and Wollongong) was: \$180 for a one bedroom place (down from \$185 in the December 2010 quarter); \$295 for two bedrooms; \$350 for three bedrooms; and \$420 for four or more bedrooms.

The **highest median rent** for a two bedroom place in the rest of the GMR was \$330 per week in Newcastle. Wollongong had the highest median weekly rent for a three bedroom place at \$395.

The **lowest median rent** for two and three bedroom places was in Cessnock at \$245 and \$300 respectively.

Rural NSW

The **median rent** for a two bedroom place outside the Greater Metropolitan Region increased to \$220. The median rent for three bedrooms remained steady at \$280. The **highest median weekly rent** for two bedroom and three bedroom places in regional NSW was in Queanbeyan at \$313 and \$440 respectively. The **lowest median weekly rent** for two bedroom places was in the Upper Darling at \$138 and Macquarie-Barwon had the lowest median weekly rent for three bedroom places at \$178.



Source: Housing NSW, *NSW Rent and Sales Report*, No 95, 2011.

GLOSSARY

The following definitions are those used by the Australian Bureau of Statistics, unless otherwise stated.

Agricultural income: The income accruing from agricultural production during the year. It is equal to gross agricultural product at factor cost less consumption of fixed capital, compensation of employees, and net rent and interest payments.

Average weekly earnings: Average gross (before tax) earnings of employees. Estimates of average weekly earnings are derived by dividing estimates of weekly total earnings by estimates of number of employees.

Cash target rate: Monetary policy decisions are expressed in terms of a target for the cash rate, which is the overnight money market interest rate. (Source: Reserve Bank of Australia, www.rba.gov.au)

Chain volume measures: Estimates that exclude the direct effects of changes in prices. Unlike current measure estimates, they take account of changes to price relativities that occur from one year to the next. Annually re-weighted chain volume indexes are referenced to the current price values in a chosen reference year.

Consumer price index: The Consumer Price Index (CPI) measures quarterly changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by the CPI population group (i.e. metropolitan households). This 'basket' covers a wide range of goods and services, arranged in the following eleven groups: food; alcohol and tobacco; clothing and footwear; housing; household contents and services; health; transportation; communication; recreation; education; and financial and insurance services.

Employed: All persons aged 15 years and over who, during the reference week: worked for one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (comprising employees, employers and own account workers); or worked for one hour or more without pay in a family business or on a farm (i.e. contributing family workers); or were employees who had a job but were not at work and were: away from work for less than four weeks up to the end of the reference week; or away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four week period to the end of the reference week; or away from work as a standard work or shift arrangement; or on strike or locked out; or on workers' compensation and expected to return to their job; or were employers or own account workers, who had a job, business or farm, but were not at work.

Free on board (FOB): The value of goods measured on a free on board (f.o.b.) basis includes all production and other costs incurred up until the goods are placed on board the international carrier for export. Free on board values exclude international insurance and transport costs. They include the value of

the outside packaging in which the product is wrapped, but do not include the value of the international freight containers used for transporting the goods.

Gross domestic product: Is the total market value of goods and services produced in Australia within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital. It is equivalent to gross national expenditure plus exports of goods and services less imports of goods and services.

Gross State product (GSP): GSP is defined equivalently to gross domestic product (GDP) but refers to production within a State or Territory rather than to the nation as a whole.

Labour force: For any group, persons who were employed or unemployed, as defined.

Participation rate: For any group, the labour force expressed as a percentage of the civilian population aged 15 years and over in the same group.

Private business investment: Investment in non-dwelling construction, plus machinery and equipment, plus cultivated biological resources, plus intellectual property products.

Seasonally adjusted estimates: Seasonally adjusted estimates are derived by estimating and removing from the original series systematic calendar related effects, such as seasonal (e.g. Christmas), trading day and moving holiday (e.g. Easter) influences. Seasonal adjustment does not aim to remove the irregular or non-seasonal influences which may be present in any particular month. These irregular influences may reflect both random economic events and difficulties of statistical recording.

Trend series: A smoothed seasonally adjusted series of estimates.

Unemployed: Persons aged 15 years and over who were not employed during the reference week, and: had actively looked for full time or part time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week; or were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.

Unemployment rate: For any group, the number of unemployed persons expressed as a percentage of the labour force in the same group.

Weekly ordinary time earnings: Weekly ordinary time earnings refers to one week's earnings of employees for the reference period, attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (e.g. superannuation, board and lodging) have been made.