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NSW Economic Update: January 2015

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NSW Economic Update: January 2015

by

Andrew Haylen

NSW PARLIAMENTARY RESEARCH SERVICE

Gareth Griffith (BSc (Econ) (Hons), LLB (Hons), PhD),
Manager, Politics & Government/Law (02) 9230 2356

Daniel Montoya (BEnvSc (Hons), PhD),
Senior Research Officer, Environment/Planning (02) 9230 2003

Lenny Roth (BCom, LLB),
Senior Research Officer, Law..... (02) 9230 2768

Christopher Angus (BA(Media&Comm), LLM(Juris Doctor)),
Research Officer, Law (02) 9230 2906

Tom Gotsis (BA, LLB, Dip Ed, Grad Dip Soc Sci)
Research Officer, Law (02) 9230 3085

Andrew Haylen (BResEc (Hons)),
Research Officer, Public Policy/Statistical Indicators (02) 9230 2484

John Wilkinson (MA, PhD),
Research Officer, Economics (02) 9230 2006

Should Members or their staff require further information about this publication please contact the author.

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SUMMARY

The NSW economy has again been in the headlines this quarter following the release of the January CommSec 'State of the States' [report](#). NSW was ranked the equal best-performing State economy with the Northern Territory. CommSec cited retail trade, business investment and dwelling approvals as key drivers of the State's economic growth. It has overtaken Western Australia where the fading mining boom has seen it lose ground in terms of population growth, retail trade and investment.¹

The relatively strong position of NSW was welcomed by Treasurer Andrew Constance who highlighted the contribution of housing and infrastructure to the State's growth.²

At the time of the [October Economic Update](#), growth in NSW had not been consistent, nor sustained across all segments of the State economy. The State over the last quarter appears to have consolidated its economic position and is showing more consistent growth across most sectors of the economy. Previously weak labour market indicators appear stronger, with employment, labour force participation and job vacancies all improved for the quarter.

Based on the latest quarterly movements in these and other key economic indicators,³ the strengthened and weakened areas of the NSW economy are summarised in the table below. It is clear from this table that NSW is performing quite strongly across the board. It should be noted that these indicators are subject to cyclical variations and may not be completely illustrative of a fundamental shift in growth.

Stronger		Weaker
State demand	Mining expenditure	Business investment
Gross state product	Employment	Unemployment
Household consumption	Labour force participation	
Trade balance	Job vacancies	
Retail trade	Bankruptcies	
House prices	Vehicle sales	
Housing finance	Dwelling approvals	

The bigger picture therefore suggests that while the NSW economy is currently in a relatively strong headline position, largely off the back of the housing market, other areas of the State economy need to perform over the longer run if economic growth is to be sustained once the housing sector slows.

¹ CommSec, [State of the States](#), January 2014; It should be noted that CommSec uses a different methodology for analysing State performance. It compares the performance of each State across indicators by measuring the quarterly deviation from decade long averages.

² NSW Treasury, [NSW consolidates position as number one economy](#), 19 January 2015

³ That is, for the most recent quarter in which data is available.

Economic outlook

Looking forward at a **national level**, the Reserve Bank of Australia expects economic growth to be below trend over 2014/15, before picking up to an around-trend pace (i.e. 2.75 per cent annual growth) over 2015/16. This forecast was made prior to the significant decline in oil prices during the second half of 2014 which is likely to provide a measure of support for growth, particularly at the household level. More recent forecasts by the [Commonwealth Bank](#) (3.2 per cent in 2015/16), [NAB](#) (3.2 per cent in 2015/16) and [Westpac](#) (3.0 per cent in 2016) are more optimistic than those of the RBA. Key factors restricting growth over this forecast period include:⁴

- the decline in mining investment, which still has some way to run and will gather speed as large mining projects reach completion;
- the faster-than-expected decline in the terms of trade; and
- fiscal restraint at both the federal and State levels of government, which is expected to weigh on growth in public demand over coming years.

Such downward pressures should be offset by forecast low interest rates which are expected to support the established housing market, the construction of new dwellings and household consumption.⁵ Low petrol prices will also have flow on benefits for household spending, small business and the retail sector.

With respect to **New South Wales**, the [latest](#) Treasury half-yearly review forecasts NSW gross State product to be 2.75 per cent in 2014-15 and 3 per cent in 2015-16. In developing these forecasts the Treasury notes that:

Expectations for economic growth in 2015-16 are in line with Budget, with momentum expected to be maintained by strengthening non-mining business investment growth and improving net exports. Dwelling investment growth is expected to moderate, though remain solid. Household consumption growth is forecast to be underpinned by stronger labour income growth, even as house price growth is anticipated to slow.

St George Bank also concluded that the State should continue to benefit from shifting growth drivers in the economy. This is likely to see NSW continue to outperform growth Australia-wide. 'Low interest rates, a solid pipeline of infrastructure projects, a rising population and positive wealth effects' should underpin the State's growth over the next twelve months.⁶

St George Bank forecast NSW gross State product to pick up in 2014-15 to 3.0 per cent, up from 2.1 per cent in 2013-14. If achieved this would be the fastest pace of growth in NSW in 15 years.⁷

⁴ Reserve Bank of Australia, [Statement on Monetary Policy](#), November 2014, p.60

⁵ Ibid

⁶ St George Bank, [NSW Economic Outlook](#), 24 November 2014, State Economic Report

⁷ Ibid

About the paper

This paper updates statistical information on key economic indicators, thereby presenting a current 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 September 2014 or December 2014 quarters.

This January 2015 edition includes State final demand (household and business spending) as a quarterly measure for economic growth. Gross state product data has also been included to assess broad economic growth, but this data is presented on an annual basis and is defined differently to State final demand. Also in this edition is analysis related to the exchange rate, household consumption and business investment; the latter two are components of State final demand.

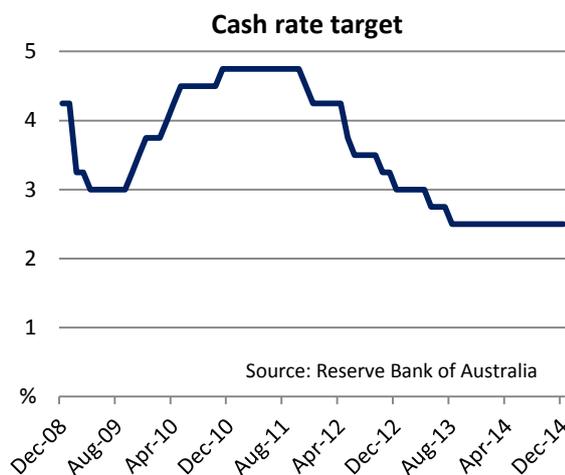
Sources used

Data presented in this paper is sourced from 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. Analysis and forecasts from the RBA and major private banks (including Westpac, the Commonwealth Bank and St George Bank) are also presented in the paper.

INTEREST RATES

Interest rates remained unchanged during the latest quarter and have been kept on hold by the RBA for the 14th consecutive month. In making this decision the RBA Board noted that:⁸

...the data that had become available...suggested that the forces underpinning the outlook for domestic activity were much as they had been for some time [and] that the current accommodative setting of monetary policy was expected to support demand and help growth strengthen at the same time as delivering inflation outcomes consistent with the target over the next two years.



As identified by the RBA Board in the December [minutes](#), the key areas of weakness in the economy were declining mining sector investment and a relatively subdued labour market. More recent data released by the ABS, however, shows signs of a turnaround in labour market conditions.

Prior to this data being released, it was expected that the deflationary effect of the declining oil price had given the RBA further capacity to lower the cash rate. While the cash rate isn't expected to be lifted in the short term, there is uncertainty as to whether it will be lowered or kept as is.

The ANZ revised their inflation expectations, suggesting that weaker growth and lower inflation in 2015 would provide the RBA with a reason and the scope to take the cash rate down 50 basis points to 2 per cent over the first half of the year. NAB and Westpac also expect the cash rate will be cut further beyond its historical low of 2.5 per cent, potentially as early as the first quarter of 2015. However, Commonwealth Bank chief economist Michael Blythe expects that the RBA will keep rates on hold for all of 2015 and that lower fuel prices could provide a bigger jolt to the economy than a rate cut.⁹

STATE DEMAND AND GROSS STATE PRODUCT

Final demand, which is the best quarterly proxy for economic growth, was mixed across the States in the September quarter. Demand in NSW was up by 1.3 per cent for the quarter. The Northern Territory (10 per cent) and the ACT (2.1 per cent) realised the strongest growth in demand for the September quarter. Western Australia and Victoria experienced the largest declines at -2.0 and -1.6 per cent respectively.

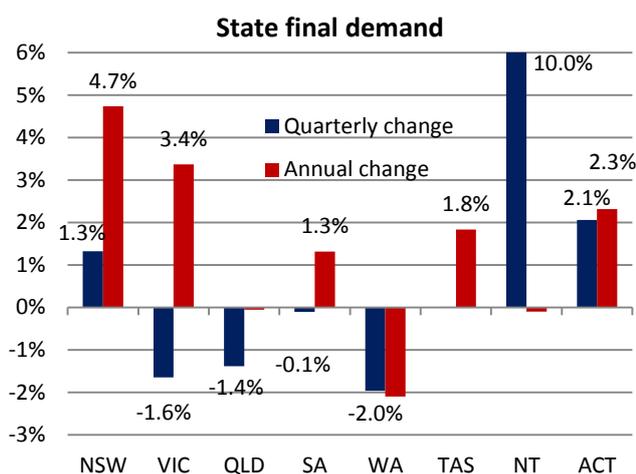
⁸ Reserve Bank of Australia, [Minutes of the Monetary Policy Meeting](#), 3 December 2014

⁹ Sydney Morning Herald, Jobless rate drops to 6.1% easing pressure, 16 January 2015

State final demand, chain volume measures, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-2013	112,940	87,369	79,106	24,529	54,021	6,878	7,269	14,413
Dec-2013	113,672	87,653	79,114	24,192	53,412	6,877	7,446	14,419
Mar-2014	116,720	88,397	78,203	24,169	53,071	6,906	6,907	14,458
Jun-2014	116,742	89,877	78,745	24,573	52,441	6,938	7,187	14,512
Sep-2014	118,287	88,397	77,652	24,546	51,411	6,939	7,909	14,811

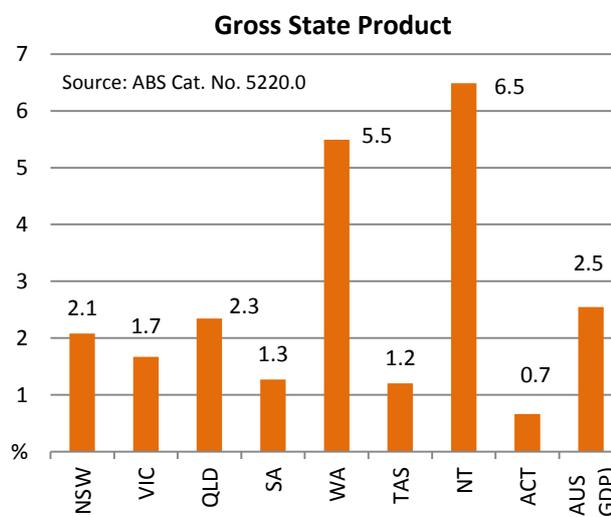
Source: ABS, Australian National Accounts, September 2014, Cat. No. 5206.0

Western Australia has had negative annual growth in State final demand for the last six quarters in a row. According to St George Bank, the latest quarterly demand data reflects 'the more significant decline in mining investment in the resource States, and the resilience of the Australian dollar affecting trade-exposed sectors in Victoria and South Australia.'¹⁰



On an annual basis, final demand was strongest in NSW across all States and was the only State with growth in final demand above its long-run average. Final demand contracted in Queensland, Western Australia and Northern Territory, where mining investment has been most prominent.

These State final demand figures do not include net exports and therefore do not take into account the positive impact of higher resource exports on economic growth in the resource States such as Western Australia and Queensland. The impact of exports can be seen in the gross state product data released by the ABS, which shows Western Australia and the Northern Territory have the strongest gross State product growth of all the jurisdictions. Gross State product for NSW grew by 2.1 per cent between June 2013 and 2014.



¹⁰ St George Bank, [National accounts – GDP](#), 3 December 2014, Data snapshot

Gross State Product, chain volume measures, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2010	446,963	316,606	264,319	89,638	205,959	24,476	17,977	32,498
Jun-2011	457,796	322,361	267,199	91,818	215,701	24,526	18,316	33,526
Jun-2012	469,354	331,213	279,838	93,162	232,162	24,671	19,086	34,508
Jun-2013	477,694	338,168	288,378	94,006	242,841	24,610	19,913	35,333
Jun-2014	487,637	343,819	295,142	95,199	256,188	24,905	21,205	35,566

ABS, Australian National Accounts, June 2014, Cat. No. 5220.0

HOUSEHOLD CONSUMPTION

At the national level, spending by households rose by 0.5 per cent in the September quarter, which is down on the growth realised in the previous quarter of 0.75 per cent. It is also slightly below the four year quarterly average growth of 0.6 per cent.

The relatively subdued national growth is somewhat surprising given the low level of interest rates. The December quarter is likely to see stronger growth in household consumption off the back of the sharp decline in petrol prices and the Christmas surge in retail spending.

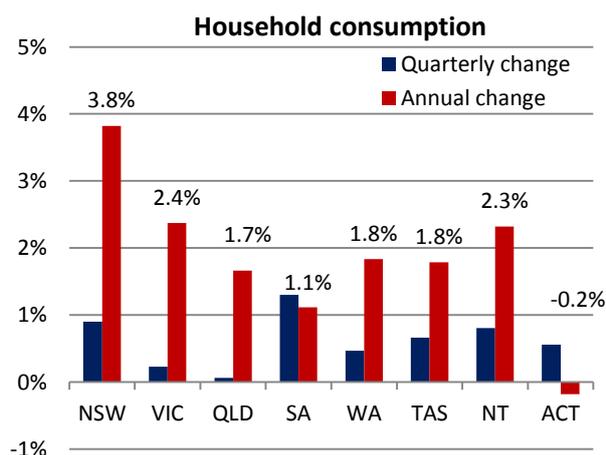
Household final consumption, chain volume, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-2013	70,486	52,400	41,244	14,119	23,207	4,027	2,328	3,806
Dec-2013	70,990	52,870	41,410	14,015	23,550	4,044	2,332	3,819
Mar-2014	71,707	52,997	41,668	14,061	23,533	4,068	2,348	3,789
Jun-2014	72,528	53,519	41,904	14,093	23,523	4,072	2,363	3,778
Sep-2014	73,180	53,642	41,930	14,276	23,633	4,099	2,382	3,799

Source: ABS, Australian National Accounts, September 2014, Cat. No. 5206.0

Household spending increased by 0.9 per cent over the September quarter for NSW. This was the second highest quarterly growth behind South Australia.

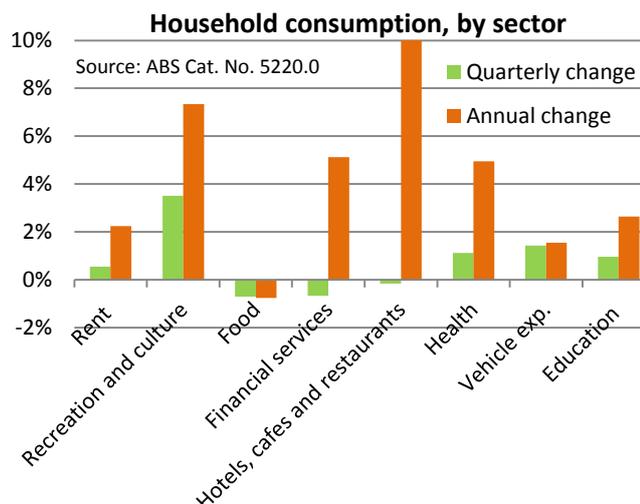
This continues the relatively strong consumption growth in the State, following rises of between 0.7 and 1.1 per cent since the September 2013 quarter. Year on year, consumption rose by 3.8 per cent in NSW which was the highest annual growth of all States and Territories.

Household expenditure on recreation and cultural activities in NSW increased by \$259 million during the September quarter. This was the largest of all the categories, followed by rent and furnishings expenditure which increased by \$86 and \$84 million respectively.



Source: ABS Cat. No. 5206.0

On an annual basis, expenditure on recreation and cultural activities in NSW increased by \$523 million in the 12 months to September 2014. This was the largest of all the categories, followed by hotels/cafes and rent expenditure which increased by \$522 and \$348 million respectively.



BUSINESS INVESTMENT

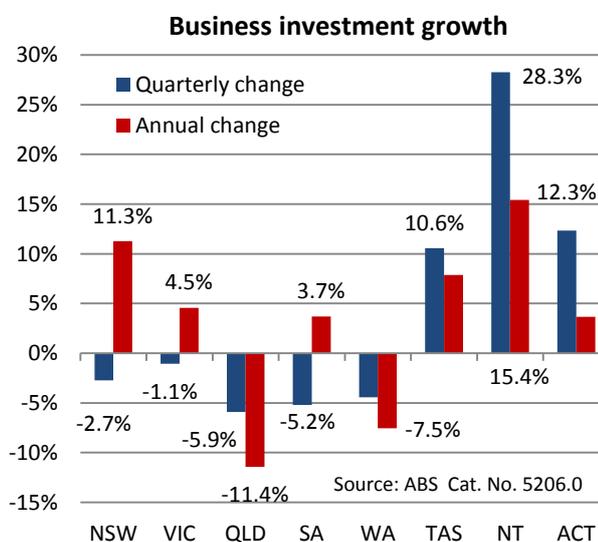
Nationally, business investment fell by 2.2 per cent in the September quarter, having risen by 0.7 per cent in the June quarter. For the year to the September quarter, national business investment is down by 1.0 per cent reflecting weakness in mining investment.

Business investment, chain volume measures, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-2013	12,377	10,264	17,179	2,984	17,967	621	2,100	703
Jun-2013	17,293	10,010	16,704	2,965	17,769	593	2,741	495
Sep-2013	12,133	10,238	16,974	3,094	18,248	589	2,701	535
Dec-2013	12,247	9,935	15,941	2,837	16,564	573	2,905	545
Mar-2014	13,502	10,158	15,150	2,802	16,876	593	2,322	495
Jun-2014	14,010	10,500	15,001	3,104	16,024	559	2,614	503
Sep-2014	13,626	10,387	14,116	2,942	15,314	618	3,353	565

Source: ABS, Australian National Accounts, September 2014, Cat. No. 5206.0

NSW business investment fell by 2.7 per cent over the September quarter; although this fall was still less than that of Queensland, South Australia and Western Australia. On an annual basis, business investment grew by 11.3 per cent in NSW.

According to St George Bank, mining investment is expected to drop sharply this year. However, it is expected that capital spending in the non-mining sectors will lift gradually over the foreseeable future.¹¹ This is likely to see a continuation of negative business investment growth in the resources States.

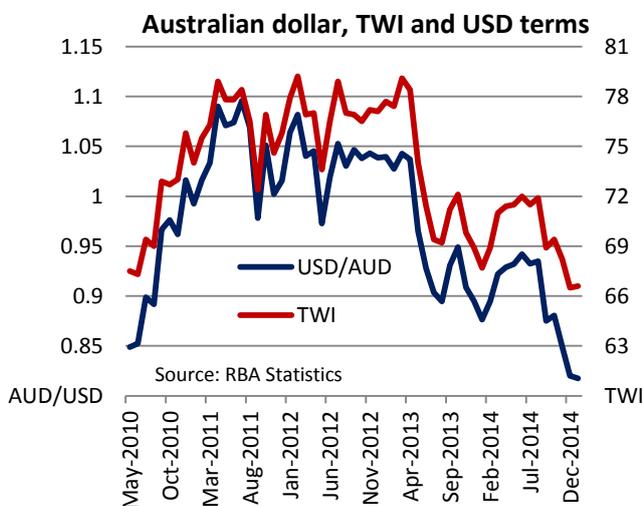


¹¹

EXCHANGE RATE

The Australian dollar depreciated by 4 per cent in trade-weighted terms between 31 October 2014 and 20 January 2015. This was primarily due to the 7 per cent depreciation against a rising US dollar. Weaker-than-expected Chinese economic data and further declines in key commodity prices contributed to the softening of the Australian dollar.

According to the Commonwealth Bank, a lower Australia dollar will act as an income buffer to the drop in commodity prices and is important during the mining to non-mining transition. Specifically, businesses with a high export propensity or high import penetration will benefit the most.¹² In addition, government revenue will benefit from the lower currency; such that a 1 point drop in the Trade-Weighted Index adds around \$1.8 billion over four years to the Federal Budget bottom line.

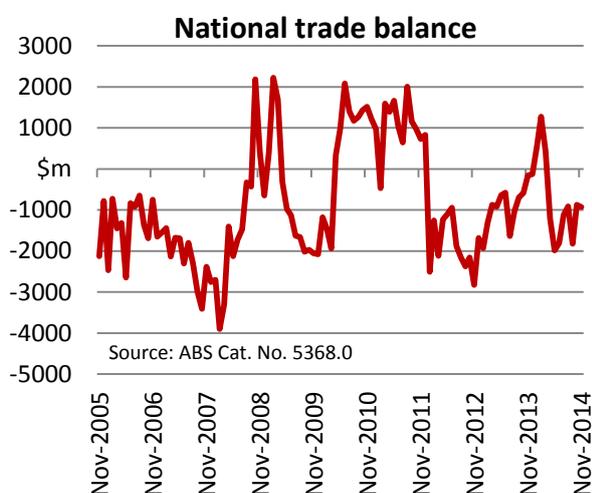


The Commonwealth Bank forecast the AUD at USD0.77 at the end of 2015. NAB also forecast a gradual depreciation of the AUD to USD0.76 by mid-2016. Westpac, on the other hand, forecast the AUD to be 0.82 USD by the end of 2015.¹³

INTERNATIONAL TRADE

Australia recorded a seasonally-adjusted trade deficit (which includes both goods and services) of \$925 million for the month of November 2014. This was the eighth consecutive month since April that Australia has recorded a trade deficit. Trade deficits throughout most of 2014 were the result of falling commodity prices and thus a decline in Australia's terms of trade.

Looking ahead, the Commonwealth



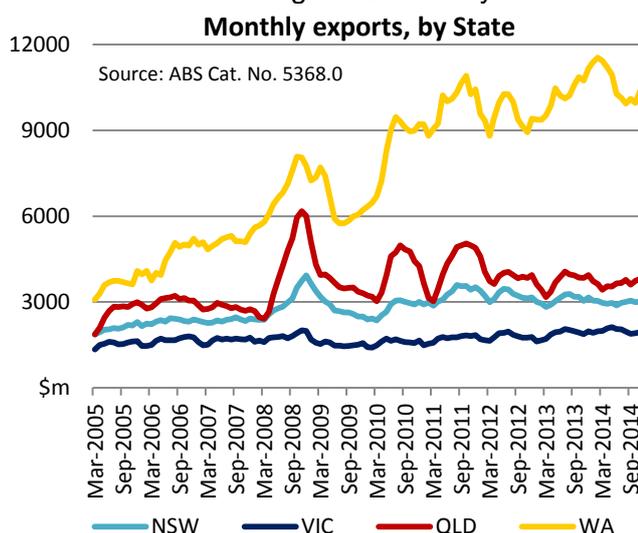
¹² Commonwealth Bank, [What does a lower Aussie dollar mean for the economy?](#), 16 October 2014, Global Markets Research, Economics: Issues

¹³ Westpac, [Australia and NZ weekly](#), 26 January 2015; Commonwealth Bank, [Forecasts – Economic](#), January 2015; NAB, [Global and Australian Forecasts](#), January 2015

Bank suggests that monthly trade deficits are likely to persist over the near-term while Australia's key commodity prices, namely iron ore and coal, remain at multi-year lows. However:¹⁴

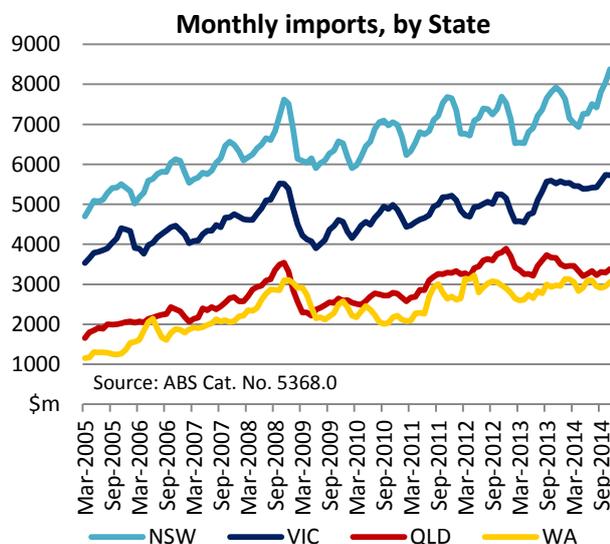
A return to monthly trade surpluses looks realistic over the medium term. Non-mining exports will lift in Australia due to a lower AUD. The lower local currency will provide a significant boost to exporters through a lift in competitiveness. And iron ore export volumes will continue to rise. Further, LNG exports will rise substantially when key projects come on stream during 2015 and beyond.

The **average monthly free on board value of merchandise exports** from NSW increased by 5.8 per cent in the September 2014 quarter to \$3.05 billion. This is the highest quarterly export growth realised since June 2013. WA continued to dominate the States and Territories in terms of the amount exported (an average of \$10.1 billion per month), followed by Queensland at \$3.6 billion.



The **top five destinations for merchandise exports** from NSW for the month of November 2014 only were: Japan (\$680m – down from \$742m in August 2014); China (\$559m – up from \$502m); Korea (\$249m – down from \$264m); United States (\$244m – up from \$218m); and New Zealand (\$186m – up from \$166m). 63 per cent of exports were to the top five destinations, with 41 per cent of all NSW merchandise sent to Japan or China.

The **average monthly customs value of merchandise imports** for NSW increased by 8 per cent in the September 2014 quarter to \$7.8 billion. NSW continues to import the greatest amount of the States and Territories, followed by Victoria at \$5.6 billion (up 3 per cent for the quarter).

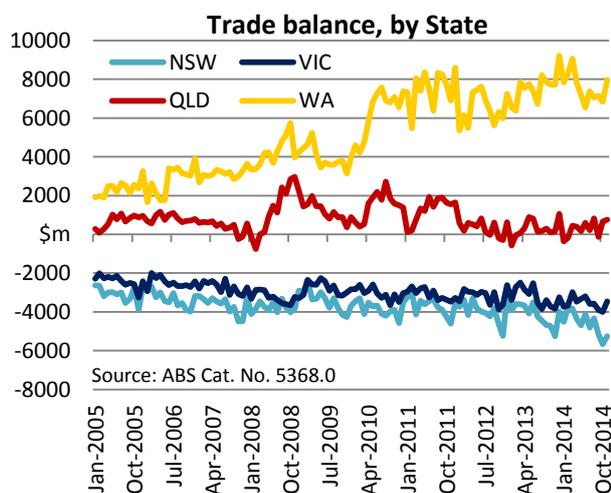


¹⁴ Commonwealth Bank, [Trade Balance – November](#), 6 January 2015

The **top five import sources** for NSW during November 2014 only were: China (\$2,603m – up from \$1,931m in August 2014); the United States (\$925m – up from \$840m); Japan (\$525m – up from \$468m); Korea (\$485m – up from \$248m); and Germany (\$431m – down from \$436m). 60 per cent of imports were from the top five sources, with around 31 per cent attributable to China.

The end result of the upward trend in merchandise imports and mostly stagnant growth in merchandise exports has been a steady deterioration in New South Wales' merchandise trade balance since the mid-2000s. In January 2005, the State's trade deficit was recorded at \$2.6 billion. As at November 2014, the State's trade deficit was recorded at \$5.3 billion.

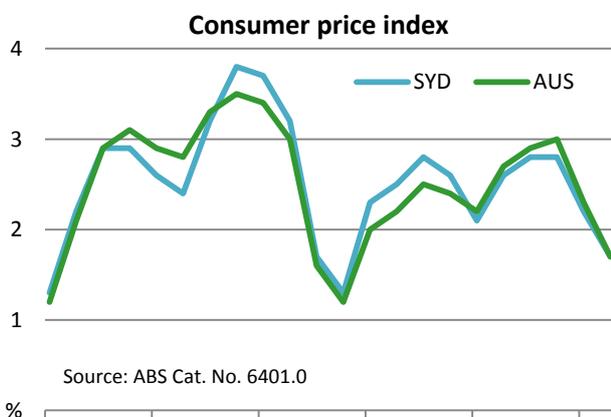
Off the back of commodities exports, WA has performed the best compared to the other major States, with its merchandise trade balance recorded at \$8 billion in November 2014.



CONSUMER PRICE INDEX

Nationally, annual CPI growth was recorded at 1.7 per cent, 0.6 per cent below the previous quarter. The latest fall in the CPI growth is linked directly to the fall in petrol prices, which are 6.8 per cent lower compared to the September quarter. Price falls in clothing, health and communication also helped produce the low result. According to the Commonwealth Bank, the inflation rate is:¹⁵

...likely to go lower if petrol stays at its current level [with] estimates [that] petrol could take double the amount from the March quarter CPI that it did in the December quarter.



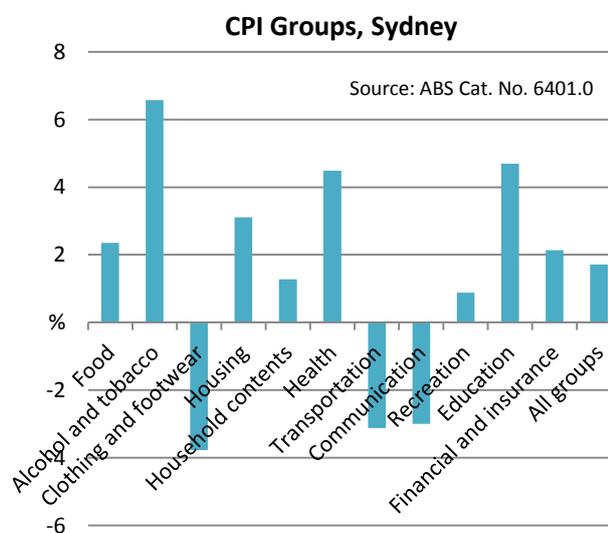
The CPI in Sydney increased by 1.7 per cent in the 12 months to December 2014. Following the removal of the carbon tax and the fall in petrol prices, this is the second consecutive quarter that the CPI growth rate has fallen

¹⁵ Commonwealth Bank, [QIV 2014 CPI](#), 28 January 2015, Global Markets Research

in Sydney.

The largest price increases over the last 12 months in Sydney occurred in: alcohol and tobacco (up by 6.6 per cent); education (up by 4.7 per cent); health (up by 4.5 per cent); and food (up by 2.4 per cent).

According to the Reserve Bank¹⁶, spare capacity in labour markets is expected to see domestic inflationary pressures remain contained. Westpac [forecast](#) headline inflation at 1.3 per cent in the first quarter of 2015; with it rising to 2.4 by the fourth quarter of 2015.



Reserve Bank of Australia inflation forecasts				
	Jun-15	Dec-15	Jun-16	Dec-16
CPI inflation	1.5-2.5	2.5-3.5	2.5-3.5	2.5-3.5
Underlying inflation	2-3	2.25-3.25	2.25-3.25	2.25-3.25

Source: RBA Statement on Monetary Policy, November

EMPLOYMENT

Nationally, employment increased by 37,400 for the month of December and was up by 46,000 on average between the September and December quarters. The Commonwealth Bank noted that the lift in employment over December significantly bettered market expectations.¹⁷

The average number of people employed in NSW was higher for the quarter at 3,629,000 (up by 16,000). Total employment in NSW was down slightly for the month of December (3.633m) when compared to November (3.637m). Employment growth in NSW has been trending up over the medium term and the quarterly result bucks the brief period of flat growth in the previous quarter.

Number of persons employed ('000), quarterly average, seasonally adjusted									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-13	3,583	2,863	2,323	798	1,342	230	130	213	11,483
Mar-14	3,600	2,859	2,331	797	1,346	234	133	214	11,521
Jun-14	3,614	2,863	2,354	803	1,357	237	133	214	11,568
Sep-14	3,613	2,885	2,343	806	1,368	237	130	213	11,594
Dec-14	3,629	2,907	2,332	800	1,385	241	129	212	11,639

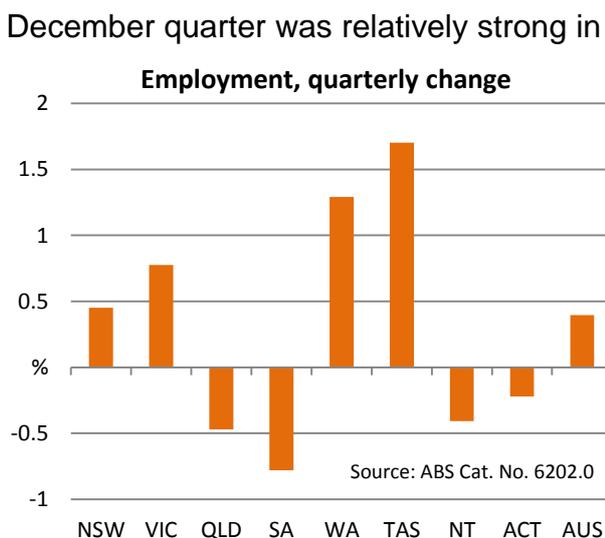
Source: ABS, Labour Force, Australia, December 2014, Cat. No. 6202.0

¹⁶ Reserve Bank of Australia, [Statement on Monetary Policy](#), November 2014, p.62

¹⁷ Commonwealth Bank, [Labour force – December 2014](#), 15 January 2015

Average employment growth over the December quarter was relatively strong in Victoria (up by 22,000) and Western Australia (up by 18,000). The growth in Western Australia, New South Wales and Victoria was strong enough to ensure that national employment growth was positive.

The Commonwealth Bank [concluded](#) that the Victorian and NSW jobs market were benefitting from a residential construction boom and strong house price appreciation. This is a natural response to highly accommodative monetary policy and pent up demand for housing.

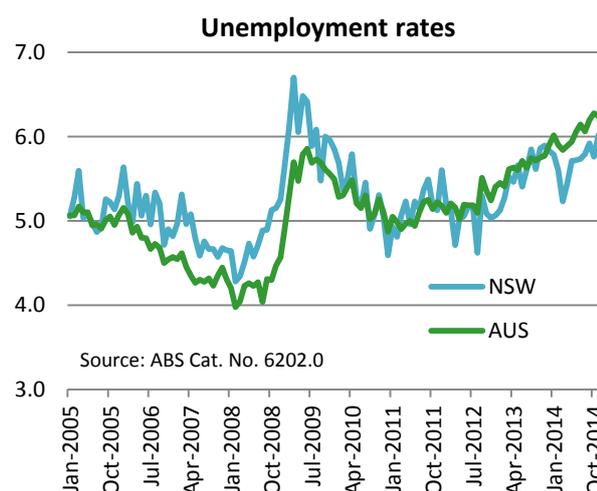


Looking ahead, St George Bank suggested that 'it will be difficult for employment to consistently sustain the size of the gains recorded for December.' However, the Commonwealth Bank thought that 'the leading indicators of the labour market indicated that decent jobs growth should continue over the period ahead.'

UNEMPLOYMENT

The average unemployment rate for NSW increased by 0.1 per cent to 5.9 per cent over the December quarter. The unemployment rate for the month of December was at 5.9 per cent, slightly down from the peak in November of 6.0 per cent. It is now 0.2 per cent below the average Australian unemployment rate.

NSW now has the third lowest unemployment rate of all jurisdictions. Tasmania has the highest unemployment rate at 6.7 per cent, followed by Victoria at 6.5 per cent.



Unemployment rate, quarterly average, seasonally adjusted									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-13	5.9	6.2	5.9	6.8	4.4	7.8	4.6	4.0	5.8
Mar-14	5.5	6.4	6.1	6.7	5.2	7.4	3.8	3.6	5.9
Jun-14	5.6	6.4	6.3	6.8	5.0	7.3	4.0	3.9	6.0
Sep-14	5.8	6.8	6.5	6.5	5.0	7.4	4.2	4.7	6.1
Dec-14	5.9	6.7	6.7	6.6	5.5	6.8	3.8	4.9	6.2

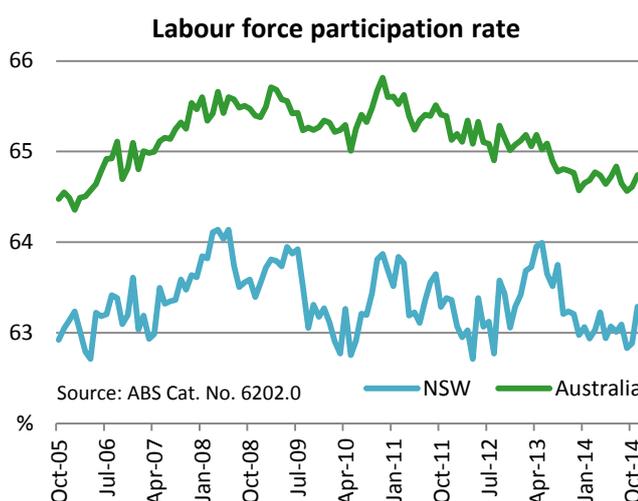
Source: ABS, Labour Force, Australia, December 2014, Cat No. 6202.0

St George Bank considers that the unemployment rate is near a peak, but that it 'it [would] take some time before a consistent decline in the unemployment rate comes to fruition'.¹⁸ It added that a stronger pace of domestic demand will be necessary before we see a sustained fall in the unemployment rate.¹⁹

The Commonwealth Bank suggested that 'it [was] still a little too premature to conclude that [the economy] was at the peak in the unemployment rate, but there are some signs that [it] might be around the peak'.²⁰

LABOUR FORCE PARTICIPATION

The average labour force participation rate in NSW increased marginally over the December 2014 quarter to 63.1 per cent (1.6 per cent below the Australian average). Only South Australia and Tasmania (both 61.6 per cent) have lower participation rates than NSW. The highest labour force participation rate is in the Northern Territory (71.9 per cent).



Nationally, the labour force participation rate is still below the 5-year average of 65.2 per cent. The Reserve Bank of Australia observed that:²¹

The participation rate appears to have stabilised, fluctuating around its current level for the past few quarters, after declining from late 2010. Much of the earlier decline in the participation rate is likely to have reflected cyclical factors, although structural forces – including the ongoing effect of the ageing of the population – may have also had a significant effect.

Labour force participation rate, quarterly average, seasonally adjusted									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-13	63.1	64.7	65.8	62.1	68.1	59.6	74.9	71.4	64.7
Mar-14	63.0	64.5	65.9	62.0	68.4	60.4	75.6	71.3	64.8
Jun-14	63.1	64.2	66.4	62.4	68.2	60.9	75.2	71.1	64.7
Sep-14	62.9	64.7	65.9	61.9	68.3	60.7	73.2	70.7	64.6
Dec-14	63.1	64.9	65.4	61.6	69.0	61.6	71.9	70.7	64.7

Source: ABS, Labour Force, Australia, December 2014, Cat No. 6202.0

¹⁸ St George Bank, Labour force – December 2014, 15 January 2015

¹⁹ St George Bank, [Labour Force: Through the Looking Glass](#), 9 October 2014, Data Snapshot

²⁰ Commonwealth Bank, [Labour force – December 2014](#), 15 January 2015

²¹ Reserve Bank of Australia, [Statement on Monetary Policy](#), August 2014, p.47

JOB VACANCIES

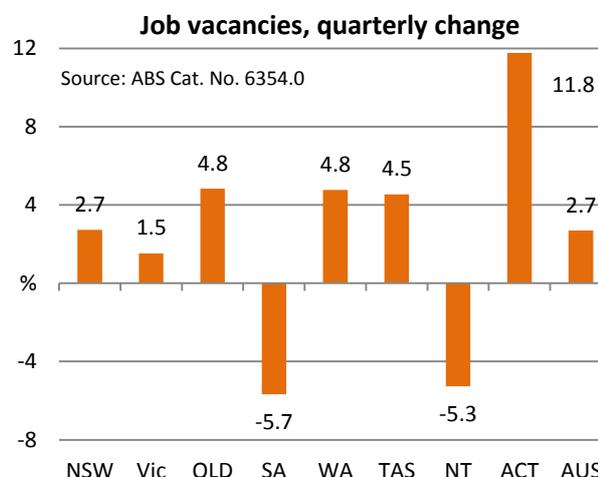
The number of job vacancies in NSW increased by 2.7 per cent in the latest quarter to 48,800 and is 4.1 per cent above the 3 year average of 46,900.

Number of job vacancies, original figures, '000									
	NSW	Vic	QLD	SA	WA	TAS	NT	ACT	AUS
Nov-13	44.8	30.7	29.9	6.7	20.9	1.9	3.4	2.6	140.9
Feb-14	49.6	25.4	29.1	7.5	23.1	1.9	4.2	3.0	143.6
May-14	50.6	30.1	25.4	8.1	19.4	2.0	3.9	3.2	142.6
Aug-14	47.5	32.8	26.9	8.8	23.1	2.2	3.8	3.4	148.4
Nov-14	48.8	33.3	28.2	8.3	24.2	2.3	3.6	3.8	152.4

Source: ABS, Job Vacancies, Australia, 6354.0, November 2014

There was an average increase of 2.7 per cent in the number of job vacancies across Australia. The number of job vacancies increased significantly in the ACT (up 11.8 per cent), and to a lesser extent Queensland and WA (both up by 4.8 per cent). All of the other jurisdictions, except for South Australia and NT, saw positive growth in job vacancies.

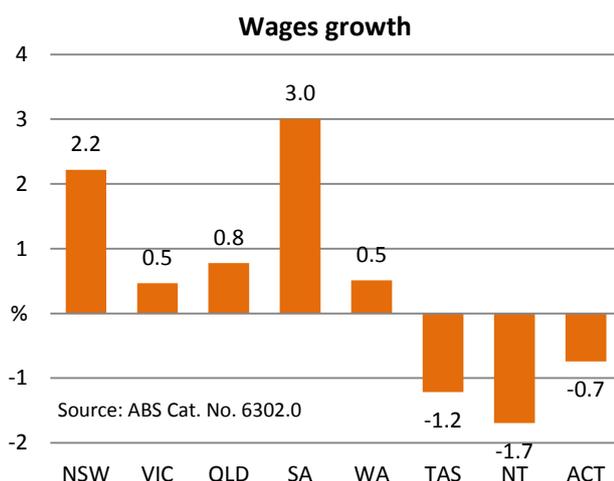
Based on this data, the Commonwealth Bank concluded that '...firmer jobs growth is more likely than not over the next few quarters.'



WAGES

Since May 2012, the ABS has released data on wages on a biannual rather than quarterly basis. The ABS determined that the change in the frequency of publication meant that the data was not directly comparable and thus released a new series commencing with the May 2012 data.

The average adult weekly fulltime earnings (ordinary time) in NSW rose by 2.2 per cent in the May 2014 half year to \$1,456. South Australia was the only jurisdiction to realise a higher increase in wages. NSW had the third highest average weekly earnings behind the ACT (\$1663) and Western Australia (\$1637).



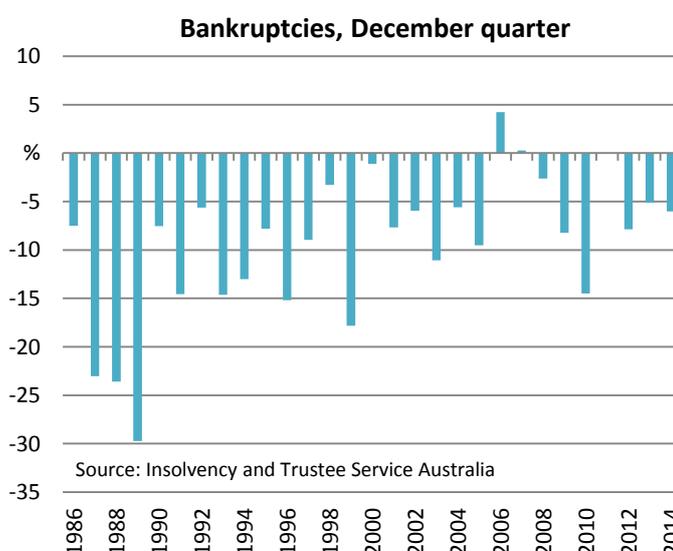
Average adult weekly fulltime earnings, ordinary time, trend estimates								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
May-12	1,357	1,303	1,325	1,237	1,529	1,198	1,407	1,596
Nov-12	1,394	1,326	1,372	1,269	1,588	1,228	1,422	1,647
May-13	1,409	1,346	1,416	1,287	1,635	1,262	1,446	1,692
Nov-13	1,425	1,379	1,426	1,319	1,629	1,265	1,445	1,676
May-14	1,456	1,386	1,437	1,358	1,637	1,250	1,420	1,663

Source: ABS, Average weekly earnings, Australia, May 2014, 6302.0, August 2014.

BANKRUPTCIES

The number of bankruptcies in NSW decreased by 6 per cent in the December 2014 quarter to 1,342 (15 per cent less bankruptcies than a year previously). December is typically a positive month for bankruptcies data, having declined almost every year in NSW since 1986.

The number of bankruptcies decreased in all of the other States and Territories, except for the WA which increased by 1 per cent. Tasmania (28 per cent) and the ACT (21 per cent) had the largest declines in bankruptcies of all the jurisdictions. Around one-third of all bankruptcies in Australia occurred in NSW.



Bankruptcies per quarter (Parts IV and XI of the Bankruptcy Act 1966 (Cth))								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-13	1,667	1,018	1,403	295	391	131	18	45
Dec-13	1,582	1,043	1,351	325	327	139	29	48
Mar-14	1,604	1,015	1,443	322	351	139	19	39
Jun-14	1,245	778	1,159	246	255	100	22	52
Sep-14	1,428	891	1,245	296	332	128	31	39
Dec-14	1,342	883	1,174	287	331	100	24	38

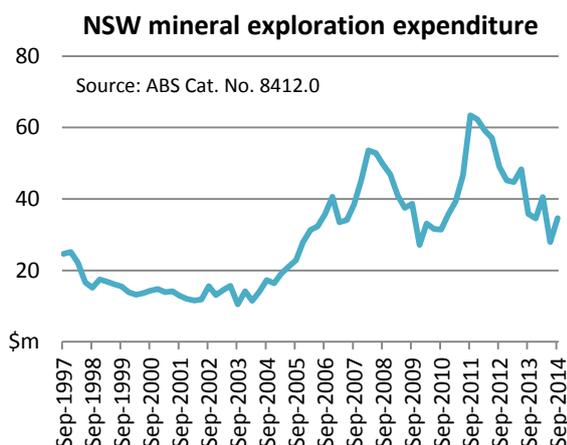
Source: Insolvency and Trustee Service Australia

MINERAL EXPLORATION EXPENDITURE

There is no comprehensive quarterly or annual dataset available for the gross value of mining production for the States and Territories in Australia. Mineral exploration expenditure is the only comprehensive quarterly dataset available through the ABS and is the best proxy for the level of mining activity taking place in NSW and elsewhere in Australia.

NSW mineral exploration expenditure increased over the September quarter by 24 per cent; it still remains 45 per cent below the high for the reporting period realised in September 2011.

Investment in the mining sector in Australia has been slowing down over the last couple of years, with mineral exploration expenditure down by 58 per cent since March 2012. A large share of this decline has been accounted for by Western Australia which is down 55 per cent since March 2012.



Mineral exploration expenditure, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	AUS
Sep-2013	36.3	7.8	124.1	26.7	380.5	9.2	26.0	610.6
Dec-2013	34.5	8.1	114.1	33.4	302.3	8.3	28.3	528.9
Mar-2014	40.1	7.9	123.1	29.4	241.6	6.6	31.2	479.8
Jun-2014	27.9	8.8	92.9	26.8	247.7	5.9	34.0	444.0
Sep-2014	34.6	5.6	84.2	25.6	260.2	7.1	22.6	439.8

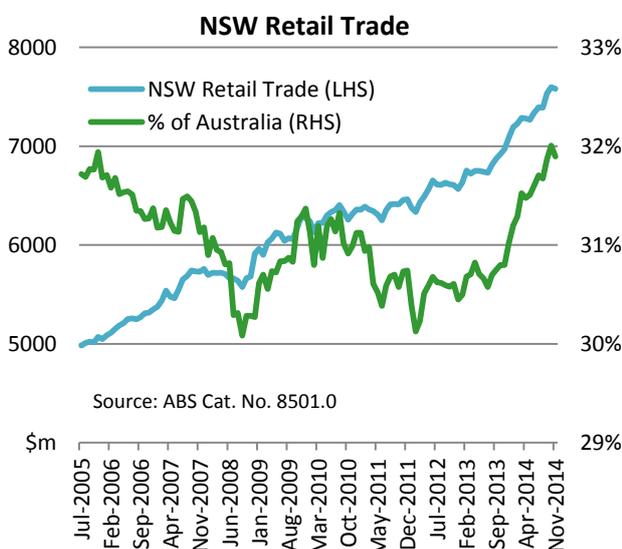
Source: ABS, Mineral and Petroleum Exploration, Australia, 8412.0, September 2014

TURNOVER OF RETAIL TRADE

Average monthly turnover of retail trade in NSW rose by a relatively solid 2 per cent in the September 2014 quarter to \$7.44 billion. This was the second highest average quarterly growth of all States and Territories. NSW retail trade is up 9.3 per cent from a year previous.

Quarterly retail trade growth was also positive in all of the other States, except for Queensland and the Northern Territory which declined by 0.1 and 1.2 per cent respectively. As at November 2014, NSW accounted for 31.9 per cent of all retail trade in Australia.

Corresponding with growth in turnover, NSW's share of Australian retail trade has increased steadily since the end of 2011.

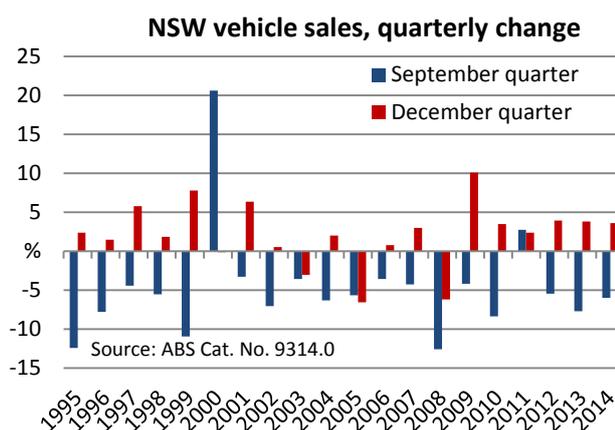


Turnover of retail trade (\$m), quarterly average, seasonally adjusted									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Sep-13	6,804	5,460	4,668	1,479	2,675	433	250	411	22,183
Dec-13	6,991	5,599	4,741	1,484	2,712	449	251	418	22,643
Mar-14	7,237	5,719	4,808	1,493	2,711	459	256	411	23,097
Jun-14	7,295	5,732	4,789	1,492	2,703	462	258	405	23,133
Sep-14	7,440	5,824	4,783	1,513	2,735	465	255	418	23,433

Source: ABS, Retail Trade, Australia, Cat. No. 8501.0

VEHICLE SALES

The average number of new vehicles sold per month in NSW increased by 3.6 per cent in the December 2014 quarter to 30,172. The December quarter has historically been a relatively strong period for new vehicle sales in NSW, having recorded positive vehicle sales growth most years since 1995.



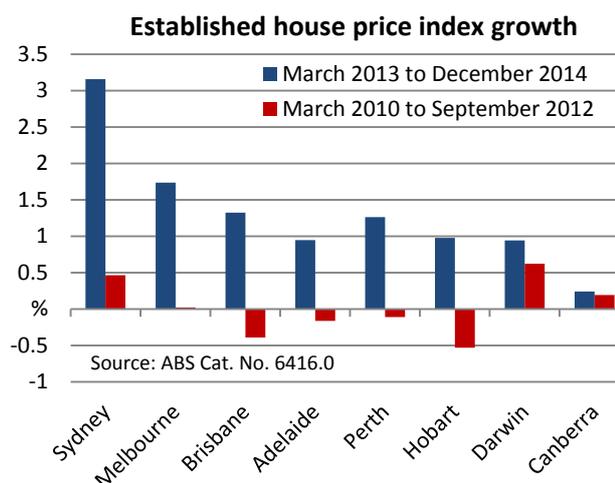
Western Australia, the Northern Territory and the ACT experienced declines in the average monthly sales of new vehicles. The change in sales averaged 2.7 per cent in Australia. Tasmania and Victoria had the sharpest growth in sales, rising by 7.4 and 5.4 per cent respectively.

Sales of new vehicles, quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-13	29,660	26,608	18,719	5,996	10,136	1,910	864	1,535	95,428
Mar-14	28,440	23,670	18,033	5,611	9,417	1,333	834	1,451	88,790
Jun-14	30,996	26,159	20,312	6,064	10,321	1,445	1,102	1,461	97,860
Sep-14	29,126	24,870	17,942	5,744	9,525	1,485	875	1,434	91,001
Dec-14	30,172	26,208	18,219	5,782	9,184	1,594	854	1,413	93,426

Source: ABS, Sales of new motor vehicles, Australia, Cat. No. 9314.0

HOUSE PRICES

Sydney experienced a 2.7 per cent increase in the house price index for the September 2014 quarter. This continues the resurgence in the housing market over the last two years. However, it is below the average quarterly growth rate of 3.2 per cent since this price growth started in December 2012. All of the other capital cities, except for



Perth, realised increases in their respective house price indexes over the quarter, with Adelaide (1.04 per cent) and Brisbane (1.0 per cent) recording the largest increases outside of Sydney.

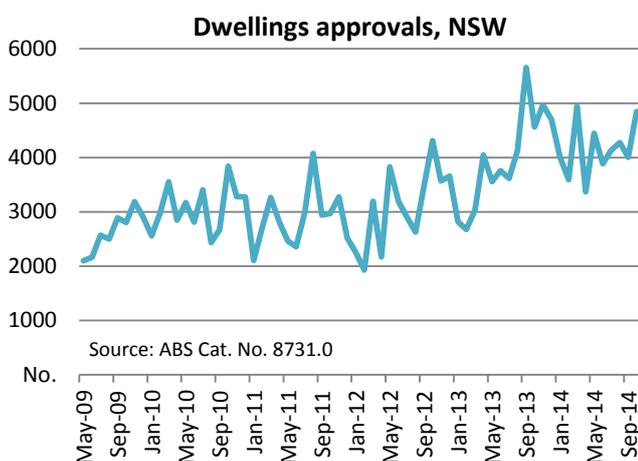
The Commonwealth Bank suggests that the upswing in dwelling prices over the past year looks like it is approaching a peak, the result of an expected decline in investor demand (due to lower rental yields) and a lift in housing supply in response to the price growth.²²

Established house prices, indexed to 2011-12									
	Syd	Melb	Bris	Adel	Per	Hob	Dar	Canb	Aust
Sep-2013	112.8	105.9	104.5	101.3	110.7	101.0	111.3	101.1	108.3
Dec-2013	119.0	109.7	107.1	104.4	113.9	103.3	112.8	101.8	112.6
Mar-2014	121.9	110.8	108.3	105.5	114.8	104.0	114.0	102.4	114.3
Jun-2014	125.7	112.2	110.2	106.6	114.6	104.3	114.8	103.2	116.4
Sep-2014	129.3	113.2	111.5	107.0	114.8	105.3	115.1	103.5	118.2

Source: ABS, House price indexes, Australia, Cat. No. 6416.0

DWELLING APPROVALS

The average monthly number of dwellings approved in NSW increased by 6 per cent in the September 2014 quarter to 4,139. This is the first quarter of positive approvals growth in NSW since December 2013. Approvals in NSW still remain 25 per cent higher than the 5-year average.



Across all States and Territories, the ACT (up by 51 per cent for the September quarter) and Western Australia (up by 12 per cent) experienced the highest gains.

Number of dwellings approved, quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-13	3,787	3,965	2,617	820	2,393	159	146	406	14,293
Sep-13	4,468	4,548	3,041	916	2,543	175	237	509	16,411
Dec-13	4,743	4,702	3,522	982	2,512	156	173	386	17,168
Mar-14	4,183	4,183	2,815	859	2,437	171	84	418	15,141
Jun-14	3,900	4,855	3,150	952	2,570	209	222	233	15,818
Sep-14	4,139	5,047	3,376	1,002	2,885	200	194	350	16,868

Source: ABS, Building Approvals, Australia, Cat. No. 8731.0

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Commonwealth Bank, [Dwelling prices – June 2014](#), 1 July 2014

The longer term trend in approvals reflects the continued supply response to recent strong house price growth in Sydney. The Commonwealth Bank concluded that the strengthening trend in building approvals data will help other significant segments of the domestic economy:²³

Building multipliers are among the most robust in the economy. Mainly via fuller order books, higher materials demand, more employment and higher (related) retail spending. All levels of Government will benefit from more construction, more jobs and more tax revenues. More residential supply has the dual benefits of restraining house price inflation and assisting the metamorphosis in the national economy from mining to non-mining led growth.

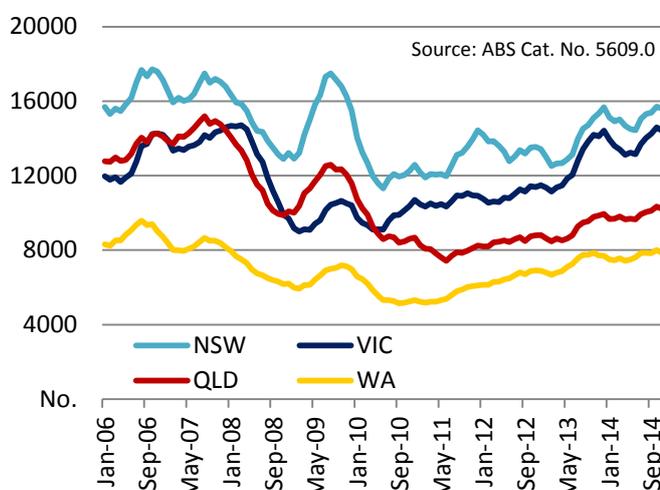
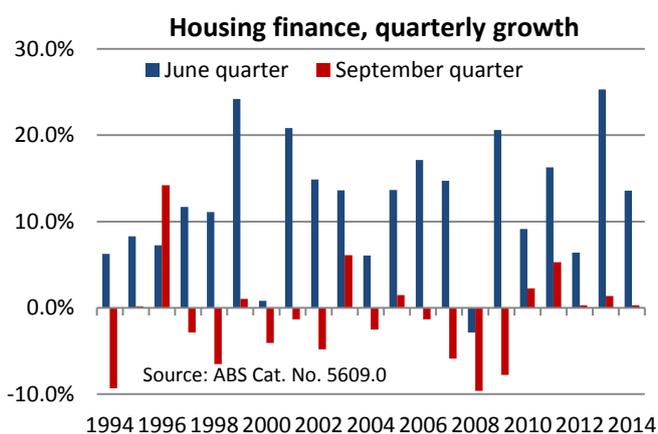
HOUSING FINANCE

The average number of owner-occupier dwellings financed in NSW increased marginally by 0.3 per cent during the September quarter to 15,396. The September quarter is historically a relatively weak period for owner occupier housing finance growth in NSW.

Demand has declined in the September quarter most years since 1994 at an average rate of 1.1 per cent. As such, the latest data represents a seasonal fluctuation rather than a fundamental shift in demand.

Growth in the most of the other States and Territories was relatively subdued for the September quarter. The Northern Territory (up 12.5 per cent) and the ACT (up 5.7 per cent) had the largest increases in demand of the other jurisdictions.

As can be seen in the figure adjacent, owner-occupier demand in NSW remains elevated on a historical basis and has been trending up since early 2010.



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Commonwealth Bank, [Building approvals – May 2014](#), 3 July 2014

Number of dwellings financed, owner-occupiers, by State								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-13	14,811	14,298	9,652	3,397	7,555	789	352	874
Dec-13	16,525	14,525	10,242	3,502	7,852	939	362	824
Mar-14	13,514	12,301	9,370	3,150	7,280	830	336	738
Jun-14	15,350	13,985	9,922	3,535	7,962	893	355	803
Sep-14	15,396	14,513	10,297	3,394	7,723	887	399	849

Source: ABS, Housing Finance, Australia, Cat. No. 5609.0, August 2014

RENT

Movement in aggregate median rents across NSW varied by location and dwelling type. In the *Sydney Region*, median rents for two and three bedroom dwellings increased by 2.1 and 3.1 per cent respectively. Median rents for one and four bedroom dwellings in Sydney remained unchanged for the second quarter in a row.

In the *Greater Metropolitan Region*, median rents for one and two bedroom dwellings increased for the quarter. Aggregate rents for two and three bedroom dwellings were unchanged for the *Rest of NSW*.

Sydney

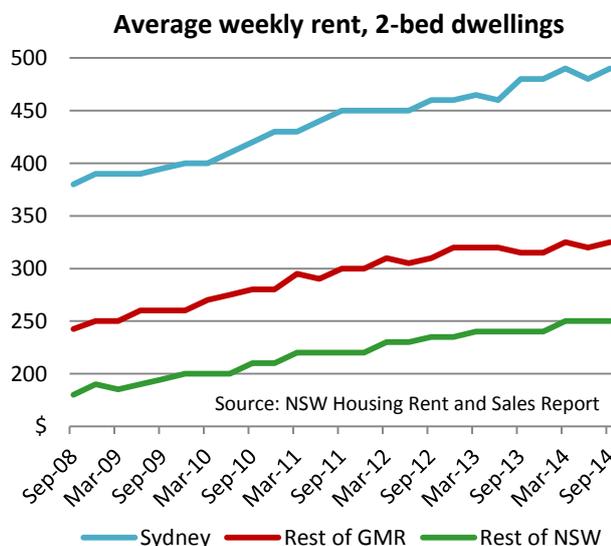
The **average weekly rent** for new bonds in Sydney in the September 2014 quarter was: \$450 for a one bedroom place; \$490 for two bedrooms; \$495 for three bedrooms; and \$600 for four or more bedrooms.

The **highest median rent** for a two bedroom dwelling in Sydney was in the Sydney local government area at \$700 a week. The Woollahra local government area had the highest median rent for a three bedroom dwelling at \$1,098.

The **lowest median rents** were again in the Wyong local government area at \$300 for a two bedroom dwelling and \$370 for a three bedroom dwelling.

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: \$220 for a one bedroom dwelling; \$325 for two bedrooms; \$380 for three bedrooms; and \$420 for four or more bedrooms.



The **highest median rents** in the rest of the GMR were in Kiama for both two and three bedroom dwellings at \$360 and \$440 respectively.

The **lowest median rent** for a two bedroom dwelling was in Cessnock at \$255. Cessnock also had the lowest median rent for a three bedroom dwelling at \$300.

Rural NSW

The **median rent** for a two bedroom dwelling outside the Greater Metropolitan Region remained unchanged at \$250. The median rent for three bedrooms was also unchanged at \$300. The Richmond Valley coastal area had the **highest median weekly rent** for two and three bedroom dwellings at \$330 and \$440 respectively. The Lower Murray had the **lowest median weekly rent** for two and three bedroom dwellings at \$150 and \$200 respectively.

GLOSSARY

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

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.

State Final Demand: is a proxy for economic growth, measures the total value of goods and services that are sold in a State to buyers who wish to either consume them or retain them in the form of capital assets. It excludes sales made to buyers who use them as inputs to a production activity, export sales and sales that lead to accumulation of inventories.

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.