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SUMMARY

The surge in house prices was the major story to come out of the State economy this quarter and was in the headlines most recently when the Domain Group reported that Sydney's median house price had “smashed through the magic $1 million mark” for the first time following growth of 8.4% over the June quarter.

A cocktail of supply and demand factors have driven house prices to these record levels – the most notable of which is the severe shortage of housing in the Sydney region. The low interest rate environment, relatively strong population growth and growing appetite of investors have only exacerbated the housing supply imbalance in Sydney. Based on the latest set of data, none of these factors appear to be abating anytime in the near future.

The supply response currently underway should make up part of the deficit in housing, although there is still some way to go before the housing deficit is completely rectified – with a shortfall of 40,000 dwellings forecast for NSW by June 2018.

So while some economists and segments of the media float the idea of a housing price ‘bubble’, it seems unlikely that prices will ‘burst’ or even slow significantly in the short to medium term until the aforementioned fundamental supply and demand variables change.

RBA Governor Glenn Stevens stated that the steep rises in Sydney's property prices were "acutely concerning for a host of reasons"; the most notable of which was the potentially detrimental influence, in the context of weak wages growth, such price rises were having on the affordability of home ownership in the Sydney region.

Nevertheless, in the interim and at an aggregate level, such price rises have underpinned the continuation of positive headline economic results over the past year or so, flowing onto other areas of the NSW economy, in particular residential construction. The positive wealth effect for incumbent home owners from rising house prices is also providing support to consumer spending.

Based on the latest quarterly movements in these and other key economic indicators,¹ 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 in many areas. It should be noted that these indicators are subject to cyclical variations and may not be completely illustrative of a fundamental shift in growth.

¹ That is, for the most recent quarter in which data is available.
<table>
<thead>
<tr>
<th>Stronger</th>
<th>Weaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>State final demand</td>
<td>Bankruptcies</td>
</tr>
<tr>
<td>Motor vehicle sales</td>
<td>Retail trade</td>
</tr>
<tr>
<td>Business investment</td>
<td>House prices</td>
</tr>
<tr>
<td>Trade balance</td>
<td>Dwelling approvals</td>
</tr>
<tr>
<td>Employment</td>
<td>Labour force participation</td>
</tr>
<tr>
<td>Unemployment</td>
<td></td>
</tr>
</tbody>
</table>

The July CommSec ‘State of the States’ report confirmed the current strength of the NSW economy, ranking it as the best-performing State economy, ahead of Victoria in second. CommSec cited retail trade, population growth and dwelling approvals as key drivers of the State’s economic growth. NSW overtook Western Australia in 2014, which had long held the top economic ranking in Australia. The fading mining boom has seen Western Australia – now ranked fourth – lose ground in terms of population growth, investment and employment growth.²

The bigger picture suggests that the NSW economy is currently in a relatively strong headline position, largely off the back of cyclical factors such as low interest rates and the housing market. However, other areas of the State economy – particularly non-mining business investment – will need to perform over the longer run if economic growth and improved labour market outcomes are to be sustained once the housing sector slows.

Deloitte Access Economics add to such sentiment in their quarterly Business Outlook report, suggesting that at some stage, when interest rates eventually rise, the overvalued housing sector will ultimately undermine growth prospects in the State.³

**Economic outlook**

The RBA made revisions to their national forecasts which were published in the Autumn Economic Update. Specifically, “GDP growth is forecast to remain below trend for a bit longer than had been anticipated in the February [statement on monetary policy].” ⁴ As the RBA noted in their May Statement on Monetary Policy this is largely because “non-mining business investment is forecast to pick up later than earlier envisaged.”

GDP growth is forecast by the RBA to remain below trend over the course of this year at between 2 and 2.5%, then to pick up to an above-trend pace (3-4%) in the latter part of the forecast period in 2017.

Economic growth forecasts by the major banks have also been revised down, including those of the Commonwealth Bank (2.8% in 2015/16 – down from

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² CommSec, State of the States, July 2015; It should be noted that CommSec compares the performance of each State across indicators by measuring the quarterly deviation from decade long averages.

³ Deloitte Access Economics, Business Outlook, June 2015, p.95

⁴ Reserve Bank of Australia, Statement on Monetary Policy, May 2015, p.64
3.2%) and NAB (2.6% in 2015/16 – down from 3%). Key factors restricting growth over the forecast period, as outlined by the RBA, include:

- the decline in mining investment;
- lower growth of labour incomes;
- weaker non-residential building approvals and relatively weak demand for commercial property; and
- expected decline in the terms of trade.

Such downward pressures are likely to be offset by forecast low interest rates which are expected to support the established housing market, the construction of new dwellings and household consumption. Export growth is expected to continue to make a sizeable contribution to GDP growth, particularly towards the end of the RBA forecast period.

With respect to New South Wales, the Treasury Budget Papers forecast NSW Gross State Product to grow well above the long-run trend at 3% for both 2015-16 and 2016-17. In developing these forecasts Treasury noted that:

Growth is expected to be supported by low interest rates, solid population growth, wealth from the strength of the property market, and the depreciation of the Australian dollar. The next two years should see economic growth become more broadly based. Robust employment growth is expected to support continued solid growth in household consumption. The large pipeline of private sector building work yet to be done in both residential and non-residential building, combined with ongoing positive trends in building approvals, suggests that further increases in private building investment are in prospect.

St George Bank, in their latest NSW Economic Outlook, also confirmed that the economic outlook for the State remains positive - forecasting Gross State Product to pick up in 2015-16 to 3.0%, up from 2.8% in 2014-15. This will be driven in a large part by the housing market and the low interest rate environment.

While rising prices have caused some concern about risks to financial stability along with raising broader social concerns, it has helped to support the economy through residential construction and consumer spending. Low interest rates also provide support to the financial services industry, which has a large presence in Sydney, and a gradual pickup in credit growth will help underpin economic activity.

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5 Reserve Bank of Australia, Statement on Monetary Policy, May 2015, p.64
6 Reserve Bank of Australia, Statement on Monetary Policy, May 2015, p.65
7 NSW Treasury, Budget Paper No. 1, 2015-16, Chapter 3: The Economy, p.3-2
8 St George Bank, NSW Economic Outlook, 29 June 2015, State Economic Report
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 March 2015 or June 2015 quarters.

This 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, NAB, the Commonwealth Bank and St George Bank) are also presented in the paper.
INTEREST RATES

Having been kept on hold by the RBA for 14 consecutive months, the cash rate target fell by 25 basis points in February 2015 to 2.25%. As was expected, the cash rate was reduced by a further 25 basis points to 2.0% in May 2015.

In assessing whether to adjust the cash rate, the RBA Board considers strengths and weaknesses in the domestic economy, as well as international economic factors.

A number of key strengths in the Australian economy were identified by the RBA Board in May. Stemming from higher prices, the notable strength was the housing market and the accompanying solid housing finance and building approvals data.

However, there were a number of key weaknesses identified by the RBA Board that were placing a drag on economic growth. Of note, “was the fact that future capital spending in both the mining and non-mining sectors would be weaker than expected.”

Based on these considerations, and given that economic growth forecasts remained relatively weak at the cash rate of 2.25%, the RBA Board decided that a 25 basis point reduction was appropriate and a means of providing “additional support to economic activity by reinforcing recent encouraging trends in household demand.”

At the most recent July meeting, the RBA Board judged that leaving the cash rate unchanged was “appropriate” but left open the possibility of future rate cuts based on “information to be received over the period ahead on economic and financial conditions.”

Many of the major banks anticipate the cash rate to remain unchanged for the remainder of the year. NAB have forecast the cash rate to be 2.0% for the remainder of the 2015 calendar year, increasing to 2.5% in 2016 and rising by a further per cent to 3.5% in 2017. Westpac and the Commonwealth Bank have also forecast the cash rate to remain at 2.0% for the remainder of this year to September 2016 and December 2016 respectively.

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9 Reserve Bank of Australia, Minutes of Monetary Policy Meeting of the Board, 5 May 2015
10 Reserve Bank of Australia, Minutes of Monetary Policy Meeting of the Board, 5 May 2015
STATE DEMAND AND GROSS STATE PRODUCT

Final demand, which is the best quarterly proxy for economic growth, was “above expectations” for the March quarter, expanding by 0.9% nationally. However, according to St George Bank:

The strength in the March quarter is unlikely to be sustained over the remainder of the year, especially with mining investment set to decline more significantly. The outlook continues to be for below trend growth for 2015.

Demand in NSW was up by 0.5% for the quarter, down slightly from 0.6% in the December quarter and below the 2-year quarterly average of 0.7%.

Quarterly final demand growth was mixed across the other States and territories – rising in the ACT, Victoria, South Australia and Tasmania; while final demand fell in Western Australia for the sixth consecutive quarter.

Annual demand growth to March 2015 in NSW was the fourth highest of all the jurisdictions at 1.9%, behind the Northern Territory, Victoria and Tasmania.

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. The impact of exports can be seen in the Gross State Product data released by the ABS. This shows Western Australia, Queensland and the Northern Territory as having the strongest Gross State Product growth of all the

11 St George Bank, National Accounts – GDP, 3 June 2015

| 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-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

The previous December 2014 quarter saw stronger growth of 0.9% in national household consumption off the back of the sharp decline in petrol prices and the Christmas surge in retail spending. As pointed out by the RBA: \(^{12}\)

Aggregate household consumption growth has picked up over the past couple of years, supported by low interest rates, rising household wealth, above-average population growth and, more recently, lower petrol prices.

National household consumption growth was, however, more subdued in the March 2015 quarter at 0.5% - which is slightly below the 5-year quarterly average of 0.6%.

Household spending increased in NSW by 0.3% over the March quarter. This was the second lowest quarterly growth of all States and Territories.

Year on year, consumption rose by 3.1% in NSW and was the second highest annual growth of all States and Territories.

| Household final consumption, chain volume, seasonally adjusted, $m |
|-------------------|--------|--------|--------|--------|--------|--------|--------|
| NSW | VIC | QLD | SA | WA | TAS | NT | ACT |
| Jun-2014 | 72,481 | 53,515 | 41,833 | 14,096 | 23,489 | 4,095 | 2,336 | 3,768 |
| Sep-2014 | 73,172 | 53,644 | 41,832 | 14,254 | 23,591 | 4,137 | 2,346 | 3,786 |
| Dec-2014 | 73,782 | 54,144 | 42,182 | 14,376 | 23,722 | 4,193 | 2,374 | 3,819 |
| Mar-2015 | 73,984 | 54,471 | 42,544 | 14,479 | 23,801 | 4,212 | 2,401 | 3,825 |

Source: ABS, Australian National Accounts, March 2015, Cat. No. 5206.0

\(^{12}\) Reserve Bank of Australia, Statement on Monetary Policy, May 2015, p.37
NSW household expenditure on recreation and cultural activities fell by $143 million (or 1.8%) during the March quarter – which is quite significant given it rose by $218 million in the preceding December quarter. This was the largest fall of all spending categories, followed by food expenditure which fell by $75 million (or 1.1%).

On an annual basis, however, expenditure on recreation and cultural activities in NSW increased by $349 million (or 4.7%) in the 12 months to March 2015. This was the largest increase of all the categories, followed by rent and furnishings expenditure which increased by $330 (or 2.1%) and $251 million (or 8.6%) respectively.

**BUSINESS INVESTMENT**

Nationally, business investment fell by 2.1% in the March quarter, having fallen by 1.4% in the December quarter. For the year to the March quarter, national business investment is down by 6.3% which primarily reflects weakness in mining investment.

<table>
<thead>
<tr>
<th>Business investment, chain volume measures, seasonally adjusted, $m</th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>SA</th>
<th>WA</th>
<th>TAS</th>
<th>NT</th>
<th>ACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-2014</td>
<td>13,943</td>
<td>10,435</td>
<td>14,989</td>
<td>3,084</td>
<td>15,772</td>
<td>555</td>
<td>2,517</td>
<td>502</td>
</tr>
<tr>
<td>Sep-2014</td>
<td>13,236</td>
<td>10,345</td>
<td>13,765</td>
<td>2,946</td>
<td>15,234</td>
<td>630</td>
<td>3,269</td>
<td>564</td>
</tr>
<tr>
<td>Dec-2014</td>
<td>13,453</td>
<td>10,547</td>
<td>13,228</td>
<td>3,133</td>
<td>14,761</td>
<td>615</td>
<td>2,863</td>
<td>555</td>
</tr>
<tr>
<td>Mar-2015</td>
<td>13,682</td>
<td>11,112</td>
<td>11,903</td>
<td>3,063</td>
<td>13,774</td>
<td>609</td>
<td>3,220</td>
<td>557</td>
</tr>
</tbody>
</table>

Source: ABS, Australian National Accounts, March 2015, Cat. No. 5206.0

NSW business investment rose by 1.7% over the March quarter; although this rise was still less than that of Victoria and the Northern Territory. On an annual basis, business investment was down by 1.9% in NSW – which is a relative improvement on the December quarter.

According to St George Bank, the national drop in business investment for the quarter was expected given the current downturn in mining investment. As the Bank notes, non-mining sectors are helping to fill the void. However, they identify that there is still a risk that aggregate business investment will deteriorate further as mining investment declines, and with...
the outlook for non-mining investment appearing less positive.\textsuperscript{13}

The RBA Board reinforced this view in the latest cash rate decision, noting that “non-mining business investment had been subdued and surveys of businesses’ investment intentions suggested that it would remain so over the coming year.”\textsuperscript{14}

EXCHANGE RATE

The fall in the Australian dollar also has broader benefits for the State, particularly in the trade exposed areas of tourism, manufacturing, agribusiness and international education. Indeed, the latest data on international visitors to the State have also been encouraging, showing a solid rise in both visitor numbers and nights spent in the State.\textsuperscript{15}

The value of the Australian dollar (0.736 USD at 20 July 2015) has depreciated by nearly 7% in US dollar terms between 1 May 2015 and 20 July 2015. The Australian dollar has now depreciated by 22% against the US dollar since the beginning of July 2014 – largely as a result of the dramatic fall in commodity prices and a continual easing of monetary policy domestically.

Although the exchange rate against the US dollar is close to a six-year low, the dollar has held its own against other major trading partners’ currencies, such as the Japanese yen. Because of this, the RBA Board noted in their July minutes that “the exchange rate had thus far offered less assistance than would normally be expected in achieving balanced growth in the economy and that further depreciation seemed both likely and necessary.”

With further depreciation a lower Australia dollar will, according to the Commonwealth Bank, act as an “income buffer to the drop in commodity prices and is important during the mining to non-mining transition.”\textsuperscript{16}

The Commonwealth Bank forecast the AUD to be USD 0.70 by early 2016. NAB forecast the AUD to average USD 0.71 during 2015-16.\textsuperscript{17}

\textsuperscript{13} St George Bank, \textit{National Accounts – GDP}, 4 March 2015
\textsuperscript{14} Reserve Bank of Australia, \textit{Minutes of the Monetary Policy Meeting}, 21 July 2015
\textsuperscript{15} Deloitte Access Economics, \textit{Business Outlook}, June 2015, p.96
\textsuperscript{16} Commonwealth Bank, \textit{What does a lower Aussie dollar mean for the economy?}, 16 October 2014, Global Markets Research, Economics: Issues
INTERNATIONAL TRADE

Australia recorded a seasonally-adjusted trade deficit (which includes both goods and services) of $2.75 billion for the month of May 2015. This was an improvement on the April deficit of $4.14 billion, as exports rose by 1% and imports fell by 4%.

This was the 14th consecutive month since April 2014 that Australia has recorded a trade deficit. Recent trade deficits through 2014 and early 2015 have been the result of falling commodity prices (i.e. iron ore and coal) and thus a decline in Australia’s terms of trade.

Looking ahead, the Commonwealth 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:

A return to monthly trade surpluses looks realistic over the medium term. Non-mining exports will lift in Australia due to the lower local currency which 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. As well, as the Asian middle class grows rapidly tourism and education and other services exports are expected to expand exponentially in the medium term.

The average monthly free on board value of merchandise exports from NSW fell by 2.1% in the March 2015 quarter to $3.07 billion. While Western Australia continued to dominate the States and Territories in terms of the amount exported (an average of $9.2 billion per month) – its quarterly exports have fallen by 19% since March 2014.

The top five destinations for merchandise exports from NSW for the month of May 2015 were: Japan ($736m); China ($593m); Korea ($283m); United States ($273m); and Taiwan ($216m). 41% of all NSW merchandise sent to Japan or China.

18 Commonwealth Bank, Trade Balance – May, 2 July 2015
The **average monthly customs value of merchandise imports** for NSW fell by 7.6% in the March 2015 quarter to $7.7 billion – which is consistent with historical cyclical variations. Over the medium term, merchandise imports for NSW have been trending up; although it is unclear at this stage how the value of import growth will be impacted by a depreciating Australian dollar.

The **top five import sources** for NSW during the month of May 2015 were: China ($2,151m); the United States ($1,012m); Korea ($470m); Germany ($433m); and Thailand ($333m).

The end result of the upward trend in merchandise imports and mostly stagnant growth in merchandise exports has been a steady deterioration in NSW’ merchandise trade balance since the mid-2000s. In January 2005, the State’s trade deficit was recorded at $2.6 billion. As at May 2015, the State’s trade deficit was recorded at $4.9 billion.

While Western Australia still has the highest trade balance compared to the other major States, it has been deteriorating in recent months off the back of declining resources exports.

**CONSUMER PRICE INDEX**

Nationally, annual CPI growth for the June 2015 quarter was recorded at 1.5%, 0.2% higher than the previous quarter, but 1.5% lower than the year previous.

The rise in CPI growth is linked largely with the sharp rebound in petrol prices, along with the continual depreciation in the Australian dollar. Solid price rises in health (+2.7%), clothing (+1.7%), housing (+0.7%) and alcohol and tobacco (+1.2%) also helped elevate...
the headline CPI result.

The CPI increased by 2.2% in Sydney in the 12 months to June 2015. The largest price increases over the last 12 months in Sydney occurred in: education (up by 9.1%); alcohol and tobacco (up by 4.5%); health (up by 4.0%); and housing (up by 3.7%).

According to the Commonwealth Bank, the inflation rate is expected to remain relatively subdued in the coming quarters because of a “softening wages outlook on the back of significant spare capacity in the labour market and ongoing sub-trend economic growth.” The RBA Board noted this in their July minutes and expected inflation “to remain contained and consistent with their target of 2-3% over the next year or so.”

Westpac forecast national headline inflation at 2.2% for the next quarter of 2015; with it rising to 2.5% by the fourth quarter of 2015.

<table>
<thead>
<tr>
<th>Reserve Bank of Australia inflation forecasts (%)</th>
<th>Dec-15</th>
<th>Jun-16</th>
<th>Dec-16</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI inflation</td>
<td>2.5</td>
<td>2-3</td>
<td>2-3</td>
<td>2-3</td>
</tr>
<tr>
<td>Underlying inflation</td>
<td>2.5</td>
<td>1.75-2.75</td>
<td>1.75-2.75</td>
<td>1.75-2.75</td>
</tr>
</tbody>
</table>

Source: RBA, Statement on Monetary Policy, May 2015

**EMPLOYMENT**

Nationally, employment increased by 7,300 for the month of June 2015 and was up by 64,000 on average between the March and June quarters. ANZ suggested that “the sharp slowing in wages growth in Australia has been supporting jobs growth, or at least been limiting the downside.”

The average number of people employed in NSW was up 1.4% on average for the quarter at 3.7 million. Employment growth in NSW has been trending up over the medium
term, up 3% since January 2014.

The RBA Board noted in their July meeting that “employment growth and job vacancies had been strongest in NSW and Victoria”; with the Commonwealth Bank concluding that both job markets were “benefitting from a residential construction boom and strong house price appreciation.”

| Number of persons employed, quarterly average, seasonally adjusted ('000) |
|---------------------------------|---|---|---|---|---|---|---|---|---|---|
| NSW    | VIC    | QLD    | SA     | WA     | TAS    | NT     | ACT    | AUS     |
| Jun-14 | 3,614  | 2,862  | 2,338  | 802    | 1,346  | 237    | 134    | 211    | 11,538 |
| Sep-14 | 3,623  | 2,886  | 2,328  | 806    | 1,353  | 238    | 130    | 209    | 11,570 |
| Dec-14 | 3,641  | 2,908  | 2,315  | 800    | 1,366  | 241    | 131    | 209    | 11,608 |
| Mar-15 | 3,642  | 2,945  | 2,328  | 802    | 1,375  | 240    | 135    | 209    | 11,686 |
| Jun-15 | 3,691  | 2,953  | 2,345  | 806    | 1,375  | 239    | 137    | 210    | 11,750 |

Source: ABS, Labour Force, Australia, June 2015, Cat. No. 6202.0

St George Bank in their latest labour market report expect that the “labour market will add jobs at a more moderate pace.” However, this outlook was contingent upon economic growth improving next year.

The RBA Board were pessimistic regarding employment growth expecting “only modest employment growth in the months ahead.”

**UNEMPLOYMENT**

The average unemployment rate for NSW fell by 0.3% to 5.8% over the June 2015 quarter. For the month of June unemployment was at 5.8%, down 0.5% from the peak in January of 6.3%. It is now 0.2% below the average Australian unemployment rate.

NSW has the 3rd lowest unemployment rate of all the Australian jurisdictions. South Australia had the highest unemployment rate at 8.2%, followed by Tasmania at 6.5%.

St George Bank had previously considered that the national unemployment rate is near a peak. While this position remains unchanged, this month it anticipated a “lower peak in the unemployment rate than previously thought, somewhere closer to 6.2%, and peaking towards the end of this year.”

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20 Reserve Bank of Australia, *Minutes of the Monetary Policy Meeting*, 7 July 2015
21 St George Bank, Labour force – December 2014, 15 January 2015
The RBA Board, in deciding to lower the cash rate in May, also acknowledged the possibility that the peak in unemployment “may not be as high as initially expected because of the stronger growth in employment.”

However, as outlined in the May Statement on Monetary Policy “the fact that output growth is likely to take longer to pick up than earlier thought means that the unemployment rate will probably rise further to peak at 6½ per cent in mid-2016 and remain elevated for longer.”23

St George Bank commented that “it [would] take some time before a consistent decline in the unemployment rate comes to fruition.” It added that a stronger pace of domestic demand will be necessary before we see a sustained fall in the unemployment rate.24

| Unemployment rate, quarterly average, seasonally adjusted (%) |
|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| NSW    | VIC | QLD | SA  | WA  | TAS | NT  | ACT | AUS |
| Jun-14 | 5.7 | 6.4 | 6.3 | 6.8 | 4.9 | 7.3 | 4.1 | 3.9 | 5.9 |
| Sep-14 | 5.9 | 6.8 | 6.6 | 6.6 | 5.1 | 7.3 | 4.3 | 4.7 | 6.2 |
| Dec-14 | 5.9 | 6.6 | 6.7 | 6.6 | 5.5 | 6.7 | 3.9 | 4.8 | 6.2 |
| Mar-15 | 6.1 | 6.2 | 6.5 | 6.8 | 5.6 | 6.6 | 4.2 | 4.4 | 6.2 |
| Jun-15 | 5.8 | 6.0 | 6.3 | 7.7 | 5.5 | 6.9 | 4.5 | 4.2 | 6.0 |

Source: ABS, Labour Force, Australia, June 2015, Cat No. 6202.0

**LABOUR FORCE PARTICIPATION**

The average labour force participation rate in NSW rose by 0.4% over the June 2015 quarter to 63.3% (1.4% below the Australian average).

Only South Australia and Tasmania have lower participation rates than NSW. The highest labour force participation rate is in the Northern Territory (76.2%).

Nationally, the labour force participation rate is still below the 5-year average of 65.1%.

The relatively low level of labour force participation, particularly in NSW, provides further evidence of spare capacity in the labour market – which was acknowledged by the RBA in their *June Monetary Policy Meeting*:

> This spare capacity will cap the level of wage growth expected in the short to

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medium term, thus limiting the inflationary impact of recent monetary policy measures.

| Labour force participation rate, quarterly average, seasonally adjusted (%) |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                             | NSW            | VIC            | QLD            | SA             | WA             | TAS            | NT             | ACT            | AUS            |
| Jun-14                      | 62.9           | 64.2           | 66.2           | 62.2           | 68.2           | 60.9           | 74.9           | 70.9           | 64.6           |
| Sep-14                      | 63.0           | 64.8           | 65.9           | 62.2           | 68.3           | 61.0           | 72.9           | 70.9           | 64.7           |
| Dec-14                      | 63.1           | 64.8           | 65.3           | 61.6           | 68.8           | 61.5           | 72.8           | 70.6           | 64.6           |
| Mar-15                      | 62.9           | 65.0           | 65.3           | 61.7           | 68.9           | 60.9           | 74.9           | 70.3           | 64.8           |
| Jun-15                      | 63.3           | 64.7           | 65.4           | 62.4           | 68.6           | 60.8           | 76.2           | 70.1           | 64.7           |

Source: ABS, Labour Force, Australia, June 2015, Cat No. 6202.0

**JOB VACANCIES**

The number of job vacancies in NSW fell by 0.5% in the latest quarter to 54,700; however it still remains 15.1% higher than the 3-year average of 47,400.

Job vacancies across Australia were virtually unchanged at 152,000 for the quarter. The number of job vacancies fell in Western Australia (down 26.5%) and Tasmania (down 20.0%). All of the other jurisdictions incurred positive growth in job vacancies.

The mining sector, in particular, has been experiencing a job vacancies slump. Shane Rodgers, writing in *The Australian*, suggested that this was evidence that “the era of mega salaries and perks to attract mining workers is well and truly in decline.”

Job vacancy figures released by the ABS showed there were 3,000 vacancies nationally in the mining sector in May 2015. This compares with a five-year peak of 10,300 in November 2011.

According to Rodgers, this has happened only a few short years since the mining boom, where unprecedented labour demand resulted in low-skilled workers being paid more than $100,000 to take on basic roles at mine sites.
ABS data on total average earnings for miners is starting to reflect the trend. The average miner’s weekly total earnings jumped 22% between November 2009 and November 2012, from $1,952 to $2,381. In the two years that followed, average increases were less than 6%.

<table>
<thead>
<tr>
<th>Number of job vacancies, original figures ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
</tr>
<tr>
<td>May-14</td>
</tr>
<tr>
<td>Aug-14</td>
</tr>
<tr>
<td>Nov-14</td>
</tr>
<tr>
<td>Feb-15</td>
</tr>
<tr>
<td>May-15</td>
</tr>
</tbody>
</table>

Source: ABS, Job Vacancies, Australia, 6354.0, May 2015

WAGES

Wages growth has remained relatively subdued over the past quarter, increasing by 0.4% in both NSW and at a national level.

On an annual basis, wages growth has been slowing in NSW and in the 12 months to March 2015 was recorded at 2.1% - 1.3% below the decade average.

The latest set of wage data adds further evidence to the proposition that there is spare capacity in the labour market at present.

The average adult weekly fulltime earnings (ordinary time) in NSW rose by 2.4% in the November 2014 half year to $1,493, the largest increase of all jurisdictions. NSW had the third highest average weekly earnings behind the ACT ($1,695) and Western Australia ($1,672).

Wages growth, at a national level, has also been subdued in the past few years. Over the six months to November 2014, average weekly earnings rose by only 0.5%. As evident in the figure adjacent, this is well below the level of growth realised in the mid to late 2000s.

The weak national wages growth has by and large not discriminated by sector.
As can be seen in the figure below, wages growth for the past year across most sectors has been well below their respective 10-year averages.

The Arts and Recreation Services sector has incurred the largest deviation over the past 12 months from their longer run average, with wages declining by 8.6%. The mining sector has also realised one of the largest deviations in wages growth away from the sector’s longer run average. Only the Real Estate and Professional and Technical Services sectors have experienced notable growth above their longer run average over the past 12 months.

<table>
<thead>
<tr>
<th>Wages growth, top 9 sectors by average wage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10-year annual growth to Nov-2014</strong></td>
</tr>
<tr>
<td>Mining</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Financial Services</td>
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<tr>
<td>Media and Telecommunications</td>
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<tr>
<td>Transport and Maritime Services</td>
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<tr>
<td>Public Administration and Safety Services</td>
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<tr>
<td>Medical Services</td>
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<td><strong>Annual growth to Nov-2014</strong></td>
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<td>Mining</td>
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<tr>
<td>Medical Services</td>
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</tbody>
</table>

Source: ABS Cat. No. 6302.0

### Average adult weekly fulltime earnings, ordinary time, trend estimates ($)

<table>
<thead>
<tr>
<th></th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>SA</th>
<th>WA</th>
<th>TAS</th>
<th>NT</th>
<th>ACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov-2012</td>
<td>1,394</td>
<td>1,326</td>
<td>1,372</td>
<td>1,268</td>
<td>1,588</td>
<td>1,228</td>
<td>1,422</td>
<td>1,647</td>
</tr>
<tr>
<td>May-2013</td>
<td>1,409</td>
<td>1,346</td>
<td>1,416</td>
<td>1,288</td>
<td>1,635</td>
<td>1,263</td>
<td>1,446</td>
<td>1,693</td>
</tr>
<tr>
<td>Nov-2013</td>
<td>1,424</td>
<td>1,380</td>
<td>1,426</td>
<td>1,319</td>
<td>1,627</td>
<td>1,265</td>
<td>1,444</td>
<td>1,674</td>
</tr>
<tr>
<td>May-2014</td>
<td>1,458</td>
<td>1,385</td>
<td>1,439</td>
<td>1,352</td>
<td>1,642</td>
<td>1,254</td>
<td>1,428</td>
<td>1,672</td>
</tr>
<tr>
<td>Nov-2014</td>
<td>1,493</td>
<td>1,394</td>
<td>1,457</td>
<td>1,349</td>
<td>1,672</td>
<td>1,261</td>
<td>1,447</td>
<td>1,695</td>
</tr>
</tbody>
</table>

Source: ABS, Average weekly earnings, Australia, November 2014, 6302.0

### BANKRUPTCIES

The number of bankruptcies in NSW fell by 5.9% in the June 2015 quarter to 1,245. In a positive sign for the State’s economy, bankruptcies have been trending down in NSW over the last few years and are 32% lower in June 2015 than 3 years earlier.

The quarterly number of bankruptcies also fell in Victoria (down 10.3%), Tasmania (down 11.5%) and the Northern Territory (down 28%); with the average decrease in bankruptcies across Australia at 3.8% for the quarter. The ACT (14.7%) and Western Australia (7%) had the largest increases in bankruptcies of all the jurisdictions.

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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 decreased over the March quarter by 8.6%; it is now 53% 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 64% (or $672 million) since March 2012. A significant share of this decline is accounted for by Western Australia in which exploration expenditure has declined by 62% (or $362 million).

In their April 2015 minutes, the RBA noted that mining investment was estimated to have declined by 13% over 2014 and an even larger decline was expected over 2015. In particular, the RBA Board observed that the recent declines in oil prices “could lead to some scaling back of investment plans in the oil and gas sector.”
TURNOVER OF RETAIL TRADE

Average monthly turnover of retail trade in NSW increased by 0.7% in the March 2015 quarter to $7.62 billion; this was below the 10-year March quarter average growth of 1.2%.

Comparatively, it was the lowest average quarterly growth of all the States. However, this is not necessarily evidence of a fundamental shift in growth for the sector, particularly as it comes following a strong December quarter growth.

More significant is the longer run trend in growth, with retail trade in the State up 5.3% from the year previous – the highest of all the other Australian jurisdictions. So in spite of the subdued wages growth, this illustrates that the growth elsewhere in the economy – particularly the housing market – induced in part by historically low interest rates, is continuing to have flow through effects to retail trade.

St George Bank supported this view suggesting that “the interest rate cut from the RBA in May and speculation of another rate cut to come appears to have encouraged consumers to spend up.”

As at May 2015, NSW accounted for 31.9% of all retail trade in Australia. Corresponding to the medium term growth in retail turnover in NSW, the State’s share of Australian retail trade has been trending up since the end of 2011.

<table>
<thead>
<tr>
<th>Turnover of retail trade ($m), quarterly average, seasonally adjusted</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>------------------</td>
</tr>
<tr>
<td>Mar-14</td>
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<td>Jun-14</td>
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<tr>
<td>Sep-14</td>
</tr>
<tr>
<td>Dec-14</td>
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<tr>
<td>Mar-15</td>
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</tbody>
</table>

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

Motor vehicle sales in NSW and Australia have been relatively resilient in spite of weak wages growth and a depreciating Australian dollar – both of which would typically dampen demand for new motor vehicles.

The average number of new vehicles sold per month in NSW increased by 3.4% in the June 2015 quarter to 31,056.

Annual growth for NSW was at 6.6% to the June 2015 quarter – the second highest annual growth behind Tasmania.

Nationally, sales of new motor vehicles rose by 0.5% for the June quarter – with monthly sales in the month of June at their highest level since September 2012. National sales were up 2.5% annually.

St George Bank commented on recent vehicle sales results, suggesting that:

Fear of a rise in car prices due to the weaker AUD may have driven sales [earlier in the year]. The industry will have to deal with the impact of a fragile labour market and very slow wages growth in the months ahead. Giving the industry a boost should be lower interest rates…which have taken some pressure off household budgets.

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

<table>
<thead>
<tr>
<th>Sales of new vehicles, quarterly average</th>
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<tbody>
<tr>
<td><strong>NSW</strong></td>
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<tr>
<td>---------</td>
</tr>
<tr>
<td>Jun-14</td>
</tr>
<tr>
<td>Sep-14</td>
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<tr>
<td>Dec-14</td>
</tr>
<tr>
<td>Mar-15</td>
</tr>
<tr>
<td>Jun-15</td>
</tr>
</tbody>
</table>

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

HOUSE PRICES

House prices were again in the headlines this quarter when the Domain Group reported that Sydney’s median house price had “smashed through the magic $1 million mark” for the first time following growth of 8.4 per cent over the June quarter. According to the report, “Sydney’s median is now higher than average house prices in London and is fast approaching New York.”

The next highest capital city median house price in Australia is in Melbourne at $668,030; 33% lower than Sydney’s at $1,000,616. The median house price
has increased by almost $200,000 in a year or 22.9 per cent, which is one of the highest annual growth rates ever recorded by the city.

CoreLogic RP Data figures also revealed that dwelling prices in Sydney rose by 3% in the month of June to be 16.2% higher than 12 months previous.

Conditions in the housing market have remained strong, supported by very low interest rates and relatively strong population growth.

Dr Andrew Wilson, Domain Senior Economist, attributed the huge growth to the high level of investor activity – pointing to the fact that 62% of the housing market loan share was now accounted for by investors.25

This does not account for foreign investor participation. The latest Quarterly Australian Residential Property Survey found that, nationally, foreign buyer participation was at 12.8%, down from 15.6% in the previous quarter. In NSW, this figure was at 13.1%; although this was down from 21% in the previous quarter of 2015.

There is still a general consensus among economists, including HSBC Australia chief economist Paul Bloxham, that this rate of price growth in the Sydney housing market is “unsustainable”. RBA Governor Glenn Stevens recently stated that the steep rises in Sydney’s property prices "acutely concerning for a host of reasons, many of which are not to do with monetary policy."

In the short term, house prices are expected to surge ahead, with NAB forecasting Sydney prices to rise by 10.2% through the year to the end of 2015; well above the national average of 6.1%. In 2016, however, house prices are forecast by NAB to moderate, with Sydney forecast to grow by 3.9%. All recent forecasts have been eclipsed in the Sydney market of late, so it is difficult to confidently ascertain the trajectory of house prices beyond the very short term.

| Established house prices, indexed to 2011-12 |
|-----------------|----|----|----|----|----|----|----|----|----|
|                 | Syd | Melb | Bris | Adel | Per | Hob | Dar | Canb | Aust |
| Mar-2014        | 121.7 | 110.7 | 108.5 | 105.4 | 114.8 | 103.7 | 114.0 | 102.3 | 114.2 |
| Jun-2014        | 126.0 | 112.1 | 110.5 | 105.6 | 114.8 | 104.1 | 114.7 | 103.3 | 116.4 |
| Sep-2014        | 128.8 | 113.1 | 111.0 | 106.1 | 114.5 | 104.4 | 114.4 | 103.5 | 117.8 |
| Dec-2014        | 133.4 | 115.2 | 112.3 | 107.3 | 114.5 | 105.2 | 113.7 | 104.3 | 120.2 |
| Mar-2015        | 137.6 | 115.9 | 112.7 | 108.0 | 114.4 | 105.7 | 113.5 | 105.4 | 122.1 |

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

25 Domain, Sydney median house price now $1 million, 23 July 2015
**DWELLING APPROVALS**

The average monthly number of dwellings approved in NSW increased by 21% in the March 2015 quarter to 5,508, following on from the 12% growth realised in the December quarter of 2014.

Building approvals data is volatile on a month to month basis, mostly due to the ‘lumpy’ nature of unit and town house developments. On a trend basis, which looks through the monthly volatility, building approvals are at record levels. Approvals in NSW are now 55% higher than the 5-year average. This is clear evidence that the supply-side of the market is responding to the higher housing prices.

As outlined by the Commonwealth Bank, the growth in building approvals will have flow on benefits to other segments of the domestic economy:\(^\text{26}\)

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.

Nationally, dwelling approvals were up by 7% for the March quarter. Queensland (up by 26% for the March quarter) was the only other State to realise comparable dwelling approval growth to Sydney. Given the weaknesses in the housing market in Perth, it is of no surprise to find that its dwelling approvals are down 13% for the March quarter.

A continuation of housing supply along its current trajectory, in the short term, is likely to restrain the extent of house price growth in Sydney. However, Sydney still has some way to go before it makes up for the housing shortfall it currently faces, with BIS Shrapnel forecasting a shortfall of 40,000 dwellings in NSW by June 2018.

\[\text{Number of dwellings approved, quarterly average}\\
\begin{array}{|c|c|c|c|c|c|c|c|}
\hline
\text{Period} & \text{NSW} & \text{VIC} & \text{QLD} & \text{SA} & \text{WA} & \text{TAS} & \text{AUS} \\
\hline
\text{Mar-14} & 4,617 & 4,655 & 3,075 & 942 & 2,662 & 184 & 16,659 \\
\text{Jun-14} & 4,132 & 4,866 & 3,064 & 949 & 2,591 & 209 & 16,257 \\
\text{Sep-14} & 4,062 & 4,728 & 3,313 & 943 & 2,844 & 187 & 16,611 \\
\text{Dec-14} & 4,569 & 5,999 & 3,354 & 926 & 2,797 & 233 & 18,361 \\
\text{Mar-15} & 5,508 & 6,017 & 4,227 & 944 & 2,425 & 243 & 19,654 \\
\hline
\text{Source: ABS, Building Approvals, Australia, Cat. No. 8731.0}\\
\end{array}\\\]

\(^{26}\) Commonwealth Bank, [Building approvals – May 2014](http://wwwCOMMONWEALTHBANK.COM.au/buildingApprovals.html), 3 July 2014
HOUSING FINANCE

The average number of owner-occupier, including first home owner, dwellings financed in NSW fell by 11.1% during the March quarter to 14,437. Growth in all of the other States and Territories was negative for the March quarter.

The March quarter is historically a relatively weak period for owner occupier housing finance growth and is the sixth consecutive March quarter in which it has been negative in NSW.

Owner-occupier finance has been trending up since early 2010, off the back of non-first home buyer commitments. As can be seen in the figure adjacent, aside from the spike in demand induced by the expiration of first home buyer incentives, demand remains at the same levels it did in early 2011.

The other story to come out of the housing finance data this quarter is the record level of investor participation in the purchase of new and established homes. Having increased significantly in the past few years, investor participation reached 54.7% of total housing finance nationally in May 2015. To put this into perspective, as recently as March 2009, this figure was recorded at 35.9%.

It is important to note that the 54.7% figure represents only part of the total market share (in terms of purchases) of investors in Australian residential real estate. This data is provided by the ABS and represents the finance commitments of owner-occupiers and investors to leading lenders and financial institutions at a national level.

Investors, in most instances, have more equity than prospective owner-occupiers (particularly first home buyers) and as a result, housing finance will account for a smaller proportion of the total purchase price. In reality, the investor share in residential real estate purchases, particularly in the highly active Sydney market, is likely to be even higher than is indicated in the figure above.
RENT

There are two aspects to rental affordability. The first is the burden imposed on a household’s cost of living. The second and perhaps less straightforward aspect is the effect rising rents have on home ownership affordability.

As discussed in the NSW Parliamentary Research Service paper *House prices, ownership and affordability: trends in NSW*, rental costs may prevent prospective home buyers (particularly in inner urban areas) from saving a large enough deposit; or at the very least, it will take a longer period of time than it would have previously.

For these buyers, there is a significant opportunity cost in waiting to buy a first home which materialises in two ways. Firstly, as real house prices rise (usually disproportionately to income) the deposit required to buy a home will rise with time. This cost is then compounded because prospective home buyers are not absorbing any of the capital growth.

As evident in the figure adjacent, real rental prices (i.e. having accounted for inflation) have risen consistently across Sydney over the past decade. Growth is most pronounced in the outer urban areas of Sydney. In absolute terms, rental prices are still highest in the inner urban areas.

While these results need to be considered in the context of income growth, they do represent a consistent and perhaps concerning upward trend.

In the 12 months to March 2015, rental growth has been most pronounced in the Middle Ring suburbs of Sydney at 4.2%; followed by the Rest of NSW (at 3.4%) and the Inner Ring of Sydney (at 2.6%).

For the complete list of median rents by local government area and region of Sydney, see the Housing NSW [website](http://www.housing.nsw.gov.au).
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.