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NSW Economic Update Spring 2015

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By Andrew Haylen

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NSW Economic Update
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by

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NSW PARLIAMENTARY RESEARCH SERVICE

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SUMMARY

The continued surge in house prices was the major story to come out of the State economy in the Winter quarter. During the Spring quarter, however, house price growth has slowed in Sydney, with prices up by 3.2% to a median of $1,032,433. While still a record median house price for Sydney, the market is growing at less than half the rate of three months ago.

A number of factors have contributed to this slowdown. Fundamentals – including the sustained rebound in housing supply – have continued to rebalance the market in terms of supply and demand. However, such an acute price response has arguably resulted more from unsettled buyer sentiment due to "macro-prudential tightening [and] out-of-cycle rate hikes on investor mortgages."[1] Credit Suisse commented on the susceptibility of the NSW market to changing consumer sentiment:[2]

> It is interesting to note that the correlation between sentiment and home sales is particularly strong in NSW but much looser in other states. The strength of the correlation, and the extreme negativity of NSW home-buying sentiment, is a worrisome development.

Looking forward, price expectations for the housing market, both in Sydney and more broadly, remain subdued which is in stark contrast to those in previous quarters. This is because there are prospects in the months ahead of continued supply growth and constrained investor demand resulting from macro-prudential tightening.

Nevertheless, in the interim and at an aggregate level, recent 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 has also provided support to consumer spending.

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 that NSW is still performing relatively well in key areas – although mining and business investment remain weak. 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	Vehicle sales	Business investment	House prices
Household consumption	Housing finance	Trade balance	Dwelling approvals
Employment		Unemployment	
Labour force participation		Wages	
Job vacancies		Bankruptcies	
Retail trade		Mining investment	

1 The Australian, House prices to fall from March 2016: Macquarie, 12 October 2015
2 Ibid
3 That is, for the most recent quarter in which data is available.

The October 2015 CommSec 'State of the States' report confirmed the current strength of the NSW economy, ranking it as the best-performing State, 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 third – lose ground in terms of population growth, investment and employment growth.[4]

The NAB State Economic Handbook also confirmed the strong economic position of NSW going forward, suggesting that "domestic demand will be strongest in New South Wales and Victoria, the states experiencing the fastest growth in residential property prices and construction and which have the most diversified industrial bases."

The evidence therefore suggests that the NSW economy is still currently in a relatively strong headline position, largely off the back of cyclical factors such as low interest rates and the housing market.

History, however, shows that the aftermath of Sydney property booms can have a dampening effect on the economy. The city's last great property boom, which lifted the median house price by about 160% between 1997 and 2003, was followed by a long period of economic underperformance by the State.[5]

Macroeconomic circumstances are different now – particularly in terms of a weaker dollar and lower interest rates – which improve the outlook for NSW. Regardless, a likely slowdown in the property market will have a dampening effect on the broader economy with flow-on implications for the the State Government – which has been the beneficiary through a substantial increase in stamp duty revenue. Specifically, "high levels of household debt coupled with a downturn in housing could further crimp consumer spending and property investment once the Reserve Bank of Australia was forced to tackle inflation by lifting interest rates."[6]

In this context, other areas of the State economy – particularly non-mining business investment – will therefore need to perform over the longer run if economic growth and improved labour market outcomes are to be sustained once the housing sector slows.

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

5 Sydney Morning Herald, Time to get used to slower, healthier house price growth in Sydney, 23 October 2015

6 Sydney Morning Herald, Housing bust now the greatest recession risk, say investment banks, 13 October 2015

Economic outlook

The RBA **national economic growth** forecasts have remained largely unchanged over the past quarter – although population growth is anticipated to be lower than previously assumed over the next two years.

Specifically, growth is forecast by the RBA to remain below trend over the course of this year at between 2 and 3% to June 2016.[7] As the RBA noted in their August Statement on Monetary Policy this is largely because "mining investment is expected to continue to fall over the next two and a half years as large iron ore, coal and liquefied natural gas projects are completed." It is then forecast to pick up to an above-trend pace (above 3%) in the latter part of the forecast period to June 2017.

The major banks have also forecast below trend economic growth for the immediate future, including the Commonwealth Bank (2.7% in 2015/16) and NAB (2.4% in 2015/16). Key factors restricting national growth over the forecast period, as outlined by the RBA, include:[8]

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

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.[9] Export growth is expected to continue to make a sizeable contribution to GDP growth, particularly given the effect of a depreciating Australian dollar. The labour market is also forecast to remain relatively stable, with the "unemployment rate now forecast to remain little changed over the next 18 months or so from recent levels, before declining over 2017."[10]

With respect to **New South Wales**, the Treasury Budget Papers forecast NSW Gross State Product to grow above the long-run trend at 3% for both 2015-16 and 2016-17. In developing these forecasts Treasury noted that:[11]

> 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

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7 RBA, Statement on Monetary Policy, August 2015, p.66
8 RBA, Statement on Monetary Policy, August 2015, p.66-68
9 Ibid
10 RBA, Statement on Monetary Policy, August 2015, p.67
11 NSW Treasury, Budget Paper No. 1, 2015-16, Chapter 3: The Economy, p.3-2

> building, combined with ongoing positive trends in building approvals, suggests that further increases in private building investment are in prospect.

NAB in their State Economic Handbook forecast Gross State Product to increase at just below 3% in 2015-16 and 2016-17, adding that "there is a risk that rising interest rates (from late 2016) will weigh more heavily on NSW given its relative debt levels."

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:[12]

> 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.

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 June 2015 or September 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 youth unemployment, 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.

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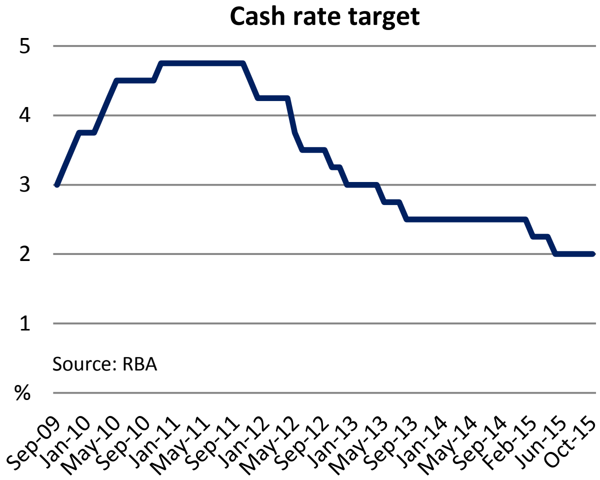
12 St George Bank, NSW Economic Outlook, 29 June 2015, State Economic Report

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% and was reduced by a further 25 basis points to 2.0% in May 2015.



The cash rate has, however, remained on hold at 2.0% over the past quarter.

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 the latest meeting in October. Stemming from higher prices, the notable strength was the housing market and the accompanying solid housing finance and building approvals data. Additionally, "members also noted that conditions in the labour market had strengthened further over recent months and were somewhat better than had been expected earlier in the year."[13]

However, there were a number of key weaknesses identified by the RBA Board that were placing a drag on economic growth. Of note, was "what appeared to be temporary weakness in resource exports as well as further falls in mining investment."[14]

Based on these considerations, and given that "domestic cost pressures were very low and inflation was expected to remain consistent with the target", the RBA Board decided that it was appropriate to leave the cash rate unchanged.

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 both forecast the cash rate to remain at 2.0% to December 2016.

Despite these forecasts, there is speculation that the Reserve Bank may look at lowering the cash rate on Melbourne Cup day following the release of weaker than anticipated September quarter CPI data.[15]

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13 RBA, Minutes of Monetary Policy Meeting of the Board, 6 October 2015
14 RBA, Minutes of Monetary Policy Meeting of the Board, 6 October 2015
15 Sydney Morning Herald, CPI: Inflation rises less than expected in September quarter, 28 October 2015

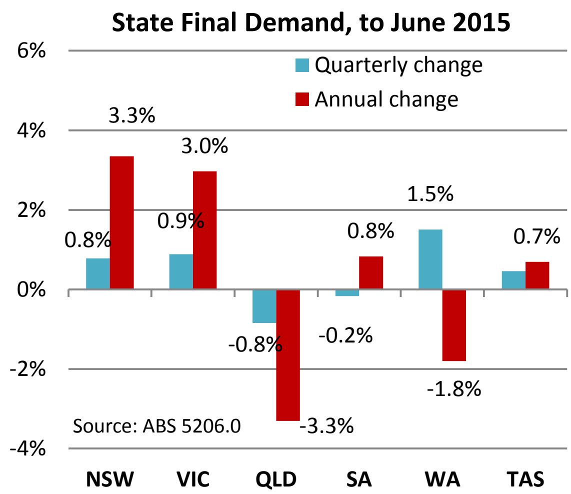
STATE DEMAND AND GROSS STATE PRODUCT

Final demand, which is the best quarterly proxy for economic growth, was subdued nationally for the June 2015 quarter, rising by only 0.2%. According to the Australian Bureau of Statistics:

> Reduced mining and construction activity, coupled with a decline in exports were the main factors behind the slowdown in economic growth.

Demand in NSW was up 0.8% for the quarter, up from 0.5% in the March quarter and around the 2-year quarterly average of 0.8%.

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

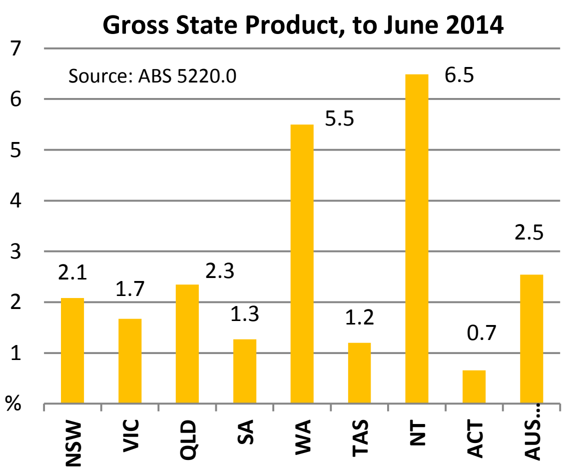


Annual demand growth to June 2015 in NSW was the highest of all the States at 3.3% - illustrating the continuing economic momentum being realised by the State. Victoria (3.0%), South Australia (0.8%) and Tasmania (0.7%) had the next highest annual rates of growth.

State final demand, chain volume measures, seasonally adjusted, $m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-2014	117,637	88,624	77,181	24,520	51,696	6,935	7,641	14,714
Dec-2014	118,504	90,075	76,788	24,639	51,565	6,909	7,702	14,591
Mar-2015	119,618	91,573	76,647	24,817	50,724	6,945	7,688	14,856
Jun-2015	120,552	92,388	75,998	24,776	51,489	6,977	7,425	15,323

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

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 jurisdictions. Gross State Product for NSW grew by 2.1% between June 2013 and 2014.



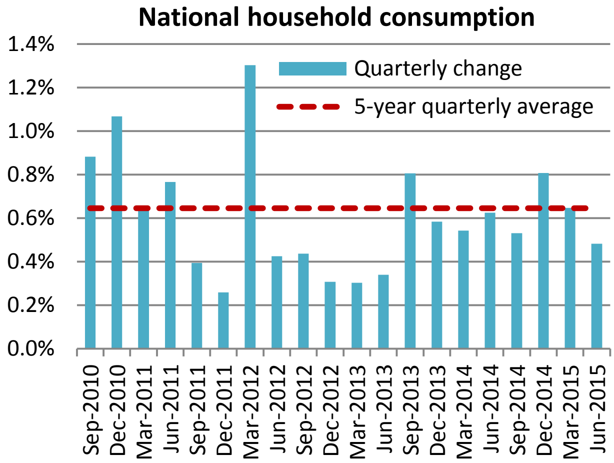
Gross State Product, chain volume measures, $m								
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**
Jun-2010	446,963	316,606	264,319	89,638	205,959	24,476	17,977	32,498
Jun-2011	457,796	322,361	267,199	91,818	215,701	24,526	18,316	33,526
Jun-2012	469,354	331,213	279,838	93,162	232,162	24,671	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								

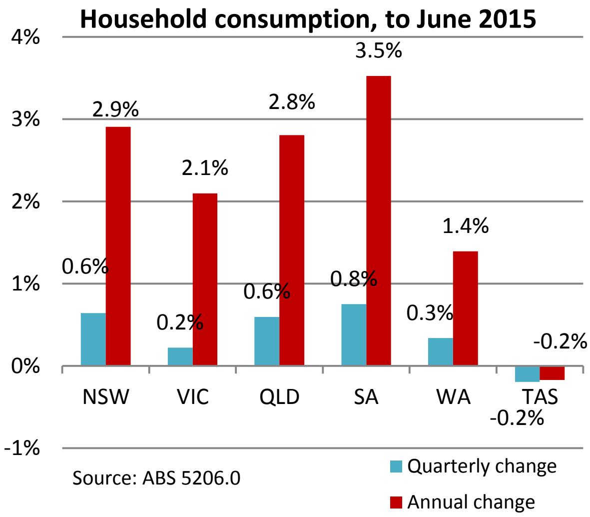
HOUSEHOLD CONSUMPTION

Nationally, household consumption grew by 0.5% over the June quarter, slightly below the 5-year average of 0.6%. This continues a relatively solid period of household consumption growth over the past couple of years since its trough in 2013, "supported by low interest rates, rising household wealth [and] above-average population growth…."[16]

The Reserve Bank recently noted in their August 2015 Statement on Monetary Policy that because of these factors, consumption growth was higher than that of household disposable income.

Household spending increased in NSW by 0.6% over the June quarter. This was the second highest quarterly growth of the other States. Year on year, consumption rose by 2.9% in NSW and was the second highest annual growth of the other States, with SA the highest at 3.5% for the year.

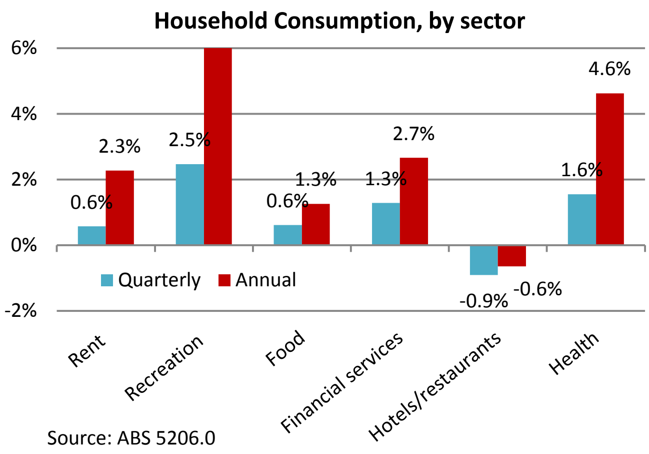




Household final consumption, chain volume, seasonally adjusted, $m								
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**
Sep-2014	73,154	53,644	41,894	14,261	23,539	4,086	2,326	3,786
Dec-2014	73,787	54,093	42,281	14,370	23,628	4,104	2,355	3,822
Mar-2015	74,093	54,519	42,748	14,482	23,711	4,087	2,377	3,836
Jun-2015	74,568	54,640	43,002	14,591	23,791	4,079	2,391	3,852
Source: ABS, Australian National Accounts, June 2015, Cat. No. 5206.0								

[16] RBA, Statement on Monetary Policy, May 2015, p.37

NSW household expenditure on recreation and cultural activities increased by $191 million (or 2.5%) over the June quarter – which is quite significant given it fell by $140 million in the preceding March quarter. This was the largest absolute increase of all spending categories, followed by rental expenditure which rose by $92 million (or 0.6%).



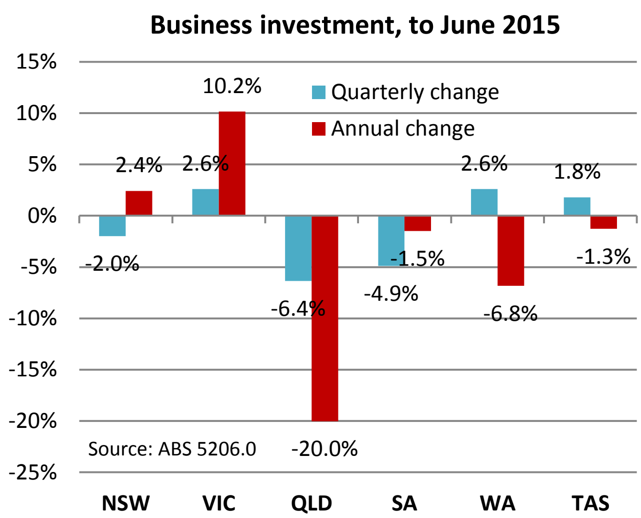
On an annual basis, expenditure on recreation and cultural activities in NSW increased by a considerable $505 million (or 6.8%) in the 12 months to June 2015. This was the largest increase of all the categories, followed by rent and furnishings expenditure which increased by $359 (or 2.3%) and $327 million (or 11.1%) respectively.

While the past year or so has been quite positive in terms of consumption growth, expectations going forward are more subdued. For example, the decision of the major banks to lift variable mortgage rates for their home loan customers, along with further news of slowing momentum in Australia's residential property market, weighed on Australian household sentiment last week with the latest ANZ-Roy Morgan consumer confidence index slipping 2.0% to 113.3.[17]

BUSINESS INVESTMENT

Nationally, business investment fell by 1.3% in the June quarter, having fallen by 1.9% in the March quarter. For the year to the June quarter, national business investment was down by 4.7% which primarily reflects weakness in mining investment.

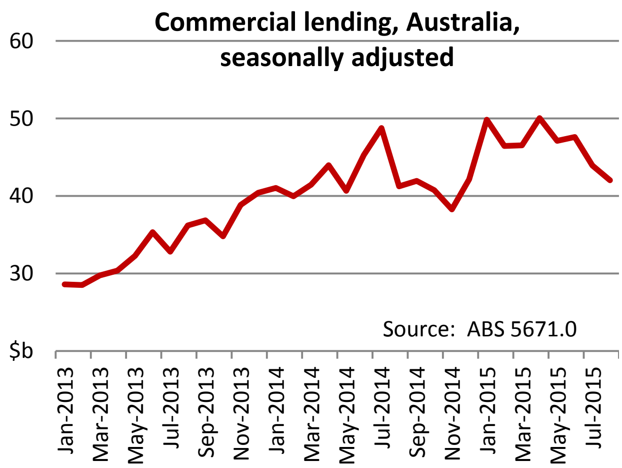
NSW business investment fell by 2.0% over the June quarter. Western Australia and Victoria incurred the highest business investment growth of the States – both at 2.6%. On an annual basis, business investment was up by 2.4% in NSW – which is an



17 Business Insider Australia, The outlook for Australia's housing market is deteriorating, and it's weighing on consumer confidence, 20 October 2015

improvement on the March 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.[18] Callum Pickering of the Business Spectator noted that "the latest outlook for capital expenditure indicated that non-mining investment is set to fall by 8.4% during the 2015-16 financial year."



Commercial lending data is another proxy for business investment and related activity. While this data is susceptible to volatility, it is clear from the seasonally adjusted lending data in the graph adjacent that commercial lending has plateaued and has started trending down in recent months.

Business investment, chain volume measures, seasonally adjusted, $m								
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**
Sep-2014	13,150	10,315	13,711	2,935	15,576	631	3,134	560
Dec-2014	13,262	10,549	13,248	3,114	15,075	601	2,681	550
Mar-2015	13,741	11,075	11,712	3,040	14,146	612	3,054	560
Jun-2015	13,469	11,363	10,966	2,891	14,513	623	2,781	560
Source: ABS, Australian National Accounts, June 2015, Cat. No. 5206.0								

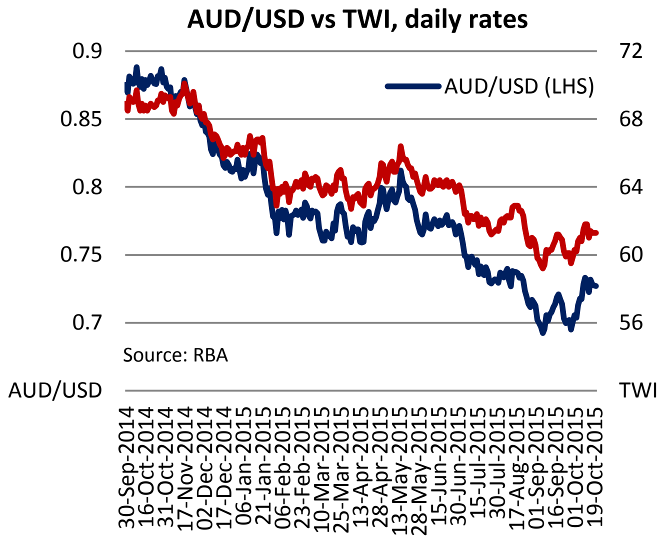
Looking forward, the RBA Board reinforced this view in the September cash rate decision, noting that:

> Recent data on investment intentions suggested that mining investment would continue to decline and non-mining business investment would remain subdued in the near term, despite survey measures of aggregate business conditions being above average. However, non-mining business investment was still expected to pick-up over time as a result of the depreciation of the exchange rate over the past year and a further gradual rise in household expenditure.

[18] St George Bank, National Accounts – GDP, 4 March 2015

EXCHANGE RATE

The value of the Australian dollar (0.727 USD at 20 October 2015) has actually remained relatively stable over the past quarter as prices of iron ore, the nation's major export, stabilised and the Federal Reserve delayed raising interest rates. However, it has depreciated by 17% against the US dollar since October 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.



The RBA Board, in their October minutes, highlighted the supportive role that the depreciating dollar was serving in rebalancing the Australian economy and specifically pointed to the "noticeable increase in net service exports over the past year" as evidence.

The outlook for the Australian dollar remains mixed. St George Bank, for example, suggest there is the possibility of a short-term rebound in the dollar because of the "overly pessimistic views" of investors with respect to China's growth outlook and that such results have already been priced into the exchange rate. However, the bank prefaces this by affirming their view that a "sustained rally" is highly unlikely.[19] UBS also noted the possibility over a temporary rebound amidst an uncertain monetary policy environment internationally – which may potentially drive capital to Australia.

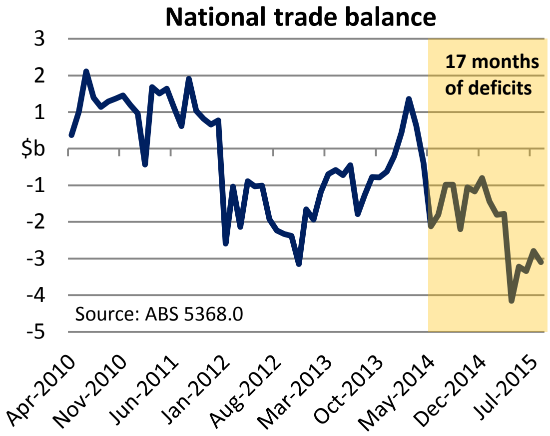
Despite these short-term uncertainties, the consensus among the leading banks and forecasters is that the Australian dollar will continue on its downward trajectory over the medium term – with Citigroup anticipating a fall toward the US60c mark.[20]

Westpac and the Commonwealth Bank forecast the AUD to be USD 0.66 and 0.65 respectively by early 2016; while NAB forecast the AUD to average USD 0.69 during 2015-16.[21]

19 St George Bank, Australia Dollar Outlook – Going Out of Style?, 14 September 2015
20 Australian Financial Review, Australian dollar seen at US60¢, 22 October 2015
21 Westpac, Australia and NZ weekly, 19 October 2015; Commonwealth Bank, Forecasts – Economic, 16 October 2015; NAB, Global and Australian Forecasts, October 2015

INTERNATIONAL TRADE

Australia recorded a seasonally-adjusted trade deficit (which includes both goods and services) of $3.1 billion for the month of August 2015. This was greater than the July deficit of $2.8 billion and was the 17th consecutive deficit recorded since March 2014. 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.

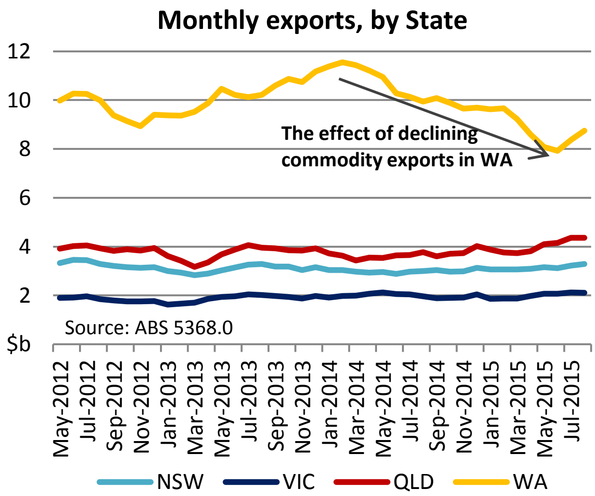


Looking ahead, the Commonwealth Bank suggests that monthly trade deficits are "likely to persist" over the near-term while Australia's key commodity prices remain at multi-year lows. However:[22]

> 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 RBA Board also confirmed this sentiment in their October minutes, suggesting that "resource export volumes, particularly for liquefied natural gas, were expected to increase substantially."

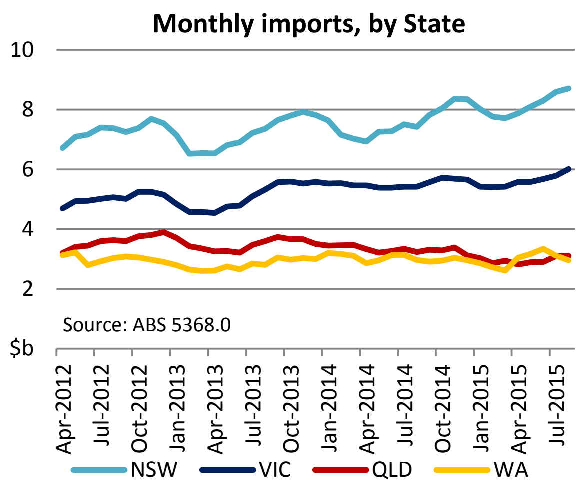
The **average monthly free on board value of merchandise exports** from NSW rose by 2.1% in the June 2015 quarter to $3.1 billion. While Western Australia continued to dominate the States and Territories in terms of the value exported (an average of $7.9 billion per month) – its quarterly exports have fallen by 23% since March 2014.



The **top five destinations for merchandise exports** from NSW for the month of August 2015 were: Japan ($878m); China ($550m); Korea ($306m); United States ($244m); and Taiwan ($184m). 42% of all NSW merchandise was sent to Japan or China.

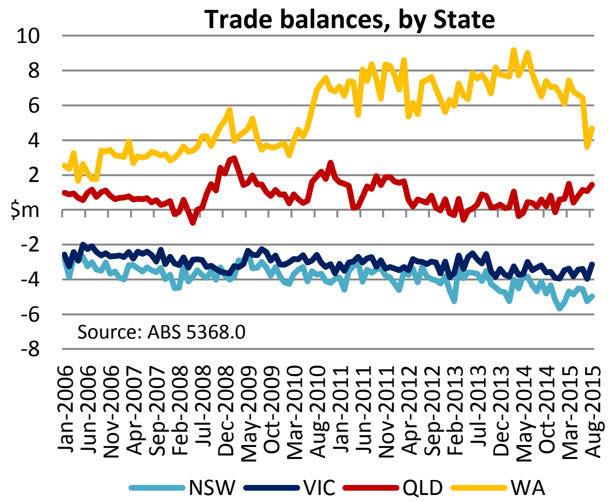
22 Commonwealth Bank, Trade Balance – May, 2 July 2015

The **average monthly customs value of merchandise imports** for NSW rose by 7.7% in the June 2015 quarter to $8.3 billion – which is consistent with historical cyclical variations. The State's imports have been trending up in recent years. However, there is an expectation that import growth – in quantity terms – will soften because of a depreciating Australian dollar. In value terms, it is unclear at this stage to what extent this quantity decline will be offset by a rise in import prices.



The **top five import sources** for NSW during the month of August 2015 were: China ($2,233m); the United States ($981m); Korea ($545m); Germany ($503m); and Thailand ($349m).

The end result of the upward trend in merchandise imports and mostly stagnant growth in merchandise exports has been a steady deterioration in the NSW merchandise trade balance since the mid-2000s. In January 2005, the State's trade deficit was recorded at $2.6 billion. As at August 2015, the State's trade deficit was recorded at $5.1 billion.



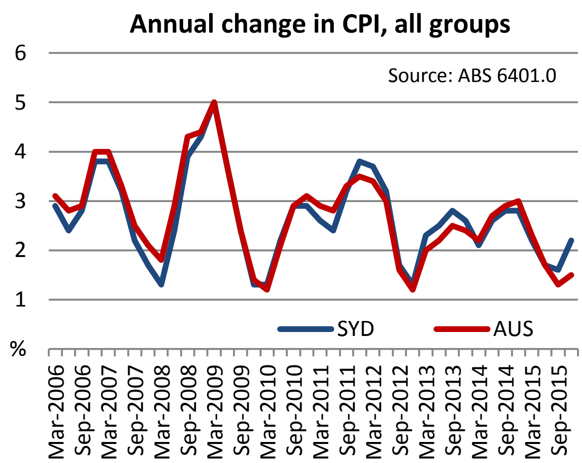
While Western Australia still has the highest trade balance compared to the other major States, it has been deteriorating in recent months off the back of declining resources exports.

CONSUMER PRICE INDEX

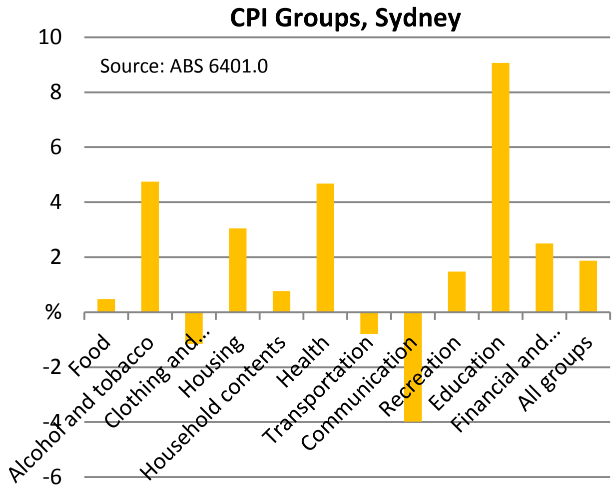
Nationally, annual CPI growth for the September 2015 quarter was recorded at 1.5% - lower than market expectations and 0.8% lower than the year previous.

The Commonwealth Bank point out that a fall in petrol and fruit and vegetable prices have helped cap this quarter's CPI outcomes nationally.

The CPI increased by 1.9% in Sydney



in the 12 months to September 2015. The largest price increases over the last 12 months in Sydney occurred in: education (up by 9.1%); alcohol and tobacco (up by 4.8%); health (up by 4.7%); and housing (up by 3.0%).



The RBA Board in their October minutes anticipates that because "spare capacity remained in the economy [and] domestic cost pressures were very low… inflation was expected to remain consistent with the target over the next one to two years."

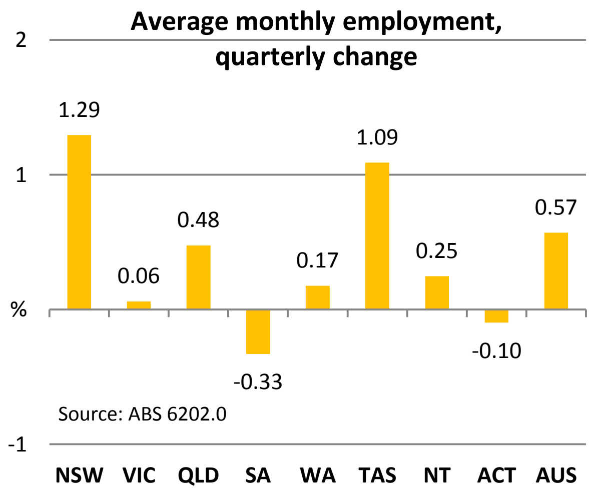
In terms of the inflation outlook, the Commonwealth Bank noted that the key variables going forward were: rising import prices because of a depreciating Australian dollar; and significant competition in the supermarket arena, pointing to downside risks to food prices.

Westpac forecast national headline inflation at 2.5% for the next quarter of 2015; with it falling to 2.2% by the second quarter of 2016.

Reserve Bank of Australia inflation forecasts (%)				
	Dec-15	Jun-16	Dec-16	Jun-17
CPI inflation	2.5	2-3	2-3	2-3
Underlying inflation	2.5	2-3	2-3	2-3
Source: RBA, Statement on Monetary Policy, October 2015				

EMPLOYMENT

Nationally, employment fell by 5,100 for the month of September 2015, but was up by 67,000 on average between the June and September quarters. For the Commonwealth Bank, this is evidence of a "resilient growth pulse of the Australian labour market despite plenty of global headwinds and sub-par growth in the local economy as it transitions from the mining investment and construction boom to stronger growth in the non-mining sectors of the economy."[23]



ANZ suggested that "the sharp

[23] Commonwealth Bank, Labour Force - September 2015, 15 October 2015

slowing in wages growth in Australia has been supporting jobs growth, or at least been limiting the downside."[24] The RBA Board echoed this sentiment in their October 2015 meeting:

> Overall, unit labour costs had been little changed for around four years, which members saw as helping to explain the stronger-than-expected growth in employment.

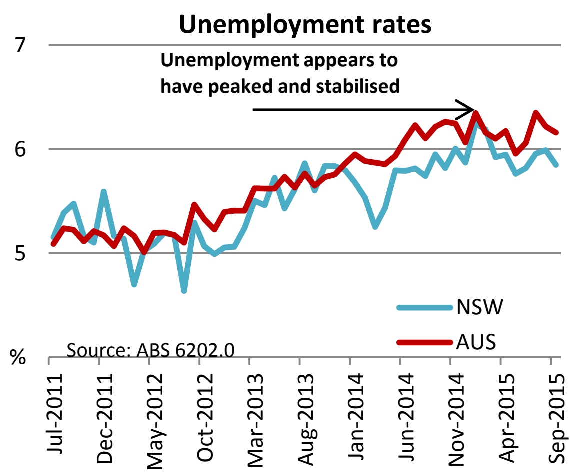
The average number of people employed in NSW was up 1.3% on average for the quarter at 3.73 million. Employment growth in NSW has been trending up over the past 18 months and is up by 4% since the beginning of 2014.

Number of persons employed, quarterly average, seasonally adjusted ('000)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Sep-14	3,615	2,883	2,325	804	1,340	238	129	209	11,541
Dec-14	3,635	2,904	2,310	800	1,350	241	130	208	11,574
Mar-15	3,636	2,939	2,320	801	1,354	240	133	209	11,641
Jun-15	3,686	2,944	2,335	805	1,352	239	135	209	11,701
Sep-15	3,734	2,946	2,346	803	1,354	242	135	209	11,767
Source: ABS, Labour Force, Australia, September 2015, Cat. No. 6202.0									

Looking ahead, St George Bank in their latest labour market report expected "further growth in the number of jobs in the months ahead", pointing to a weaker Australian dollar as a key variable underpinning positive labour market sentiment. The Commonwealth Bank also noted the likelihood of "more jobs growth ahead."[25]

UNEMPLOYMENT

The average unemployment rate for NSW rose by 0.1% to 5.9% over the September 2015 quarter. For the month of September unemployment was at 5.9%, down 0.3% from the peak in January of 6.2%. It is now 0.3% 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 7.7%, followed by Queensland at 6.3%.

While the unemployment rate remains elevated, the Commonwealth Bank suggests that it is at a peak and that "enough jobs are being created each month to absorb the number of new

24 ANZ, Low wages supporting jobs, for now, 2 July 2015, Economic Insight - Australia
25 Commonwealth Bank, Labour Force - September 2015, 15 October 2015

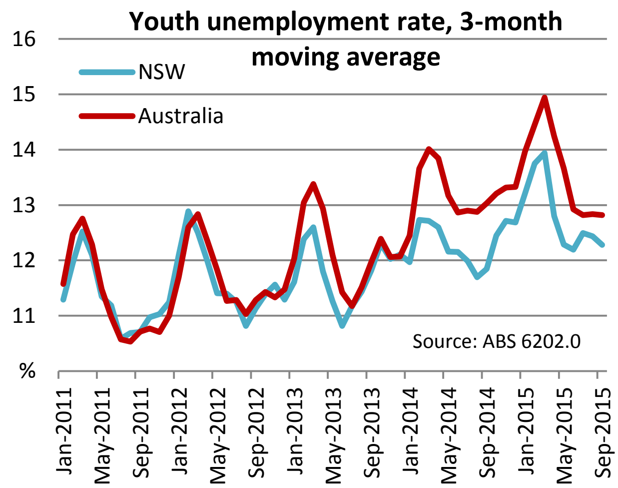
entrants into the labour market and to soak up job losses as mining construction has tanked."[26] St George Bank also affirmed that the national unemployment rate is likely to remain around the 6.2% over the year ahead.[27]

The RBA Board in their October meeting also observed that "forward-looking indicators had generally been consistent with the unemployment rate being around its current level or possibly slightly lower in the months ahead."

Unemployment rate, quarterly average, seasonally adjusted (%)									
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**	**AUS**
Sep-14	5.8	6.8	6.6	6.5	5.0	7.3	4.3	4.7	6.2
Dec-14	5.9	6.6	6.6	6.7	5.5	6.7	3.8	4.8	6.2
Mar-15	6.1	6.2	6.5	6.9	5.6	6.6	4.2	4.4	6.2
Jun-15	5.8	6.1	6.4	7.7	5.6	6.9	4.4	4.4	6.1
Sep-15	5.9	6.2	6.4	7.8	6.2	6.3	4.8	4.9	6.2
Source: ABS, Labour Force, Australia, September 2015, Cat No. 6202.0									

YOUTH UNEMPLOYMENT[28]

The average youth unemployment rate for NSW rose by 0.1% to 12.3% over the September 2015 quarter. For the month of September youth unemployment was at 12.2%, 0.2% below the average Australian youth unemployment rate.



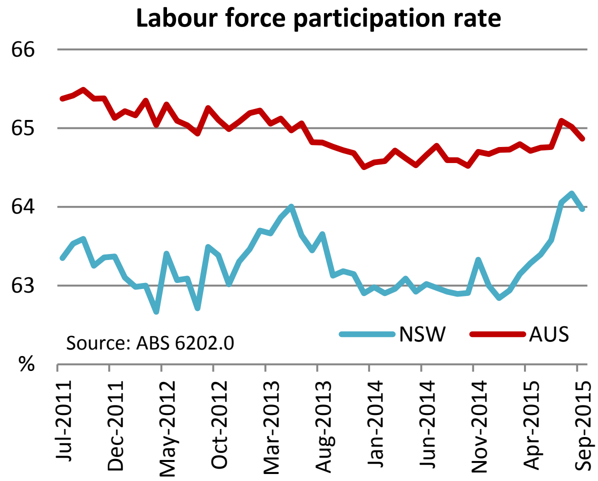
Of the other States and Territories, South Australia had the highest average youth unemployment rate at 15.4%. As can be seen in the figure adjacent, the data is highly cyclical because of the casual and part-time nature of youth employment. While NSW has recorded lower figures over the last two quarters, there is nevertheless a clear upward trend in the youth unemployment rate over the past few years in NSW and Australia.

Youth unemployment rate, quarterly average, original (%)									
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**	**AUS**
Dec-14	12.7	14.3	14.0	14.3	10.9	17.7	8.8	11.0	13.3
Mar-15	13.9	16.8	15.3	16.8	12.4	17.0	11.5	10.8	14.9
Jun-15	12.2	14.3	13.8	15.1	8.9	15.7	11.6	9.1	12.9
Sep-15	12.3	14.1	12.5	15.4	10.5	14.4	8.6	14.7	12.8
Source: ABS, Labour Force, Australia, September 2015, Cat No. 6202.0									

26 Commonwealth Bank, Labour Force - September 2015, 15 October 2015
27 St George Bank, Labour Force – Minor mid-air turbulence, 15 October 2015
28 For more information around the methodologies used by the ABS to estimate the youth unemployment rate, see *NSW regional labour force trends by labour force indicator*

LABOUR FORCE PARTICIPATION

The average labour force participation rate in NSW rose by 0.7% over the September 2015 quarter to 64.1% (0.9% 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 slightly below the 5-year average of 65.1%. The relatively low level of labour force participation, particularly in NSW, may provide further evidence of spare capacity in the labour market – which was suggested by the RBA Board in their October meeting.

In August 2015, the Federal Government made changes to the way in which it administers the Newstart Allowance which is purported to encourage more people into the official workforce. According to then Treasurer Joe Hockey, an extra 40,000 people would have been looking for work as a result of these changes. As observed by the Commonwealth Bank:

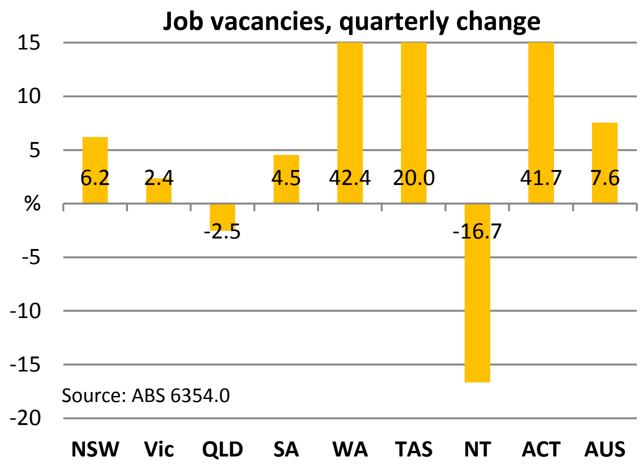
> …the Newstart changes have the effect of lifting the participation rate for any given monthly jobs outcome, or retarding any potential fall in the participation rate on a strong jobs growth number. Newstart recipients are now required to more actively seek out work opportunities compared to the previous system. All up, these changes do not alter the underlying jobs growth picture, but tends to push up the participation rate and thus the unemployment rate for any given jobs growth outcome. The bulk of the effect should now be in place.

Labour force participation rate, quarterly average, seasonally adjusted (%)									
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**	**AUS**
Sep-14	62.9	64.8	65.9	62.1	68.1	61.0	72.9	70.8	64.7
Dec-14	63.1	64.9	65.3	61.7	68.7	61.5	72.8	70.5	64.6
Mar-15	63.0	65.0	65.3	61.8	68.8	60.9	75.0	70.2	64.7
Jun-15	63.4	64.7	65.3	62.5	68.4	60.8	75.9	70.3	64.7
Sep-15	64.1	64.6	65.4	62.2	68.7	61.1	76.2	70.4	65.0
Source: ABS, Labour Force, Australia, September 2015, Cat No. 6202.0									

JOB VACANCIES

The number of job vacancies in NSW rose by 6.2% in the latest quarter to 58,100 and remains 19.8% higher than the 3-year average of 48,500.

Job vacancies across Australia rose as well by 7.6% for the quarter to 163,500. The number of job vacancies rose in most other jurisdictions. Western Australia (42.4%) and the ACT (41.7%) realised the strongest growth of the other jurisdictions.



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 3,500 vacancies nationally in the mining sector in August 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%.

Number of job vacancies, original figures ('000)

	NSW	Vic	QLD	SA	WA	TAS	NT	ACT	AUS
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
Feb-15	55.0	35.1	26.4	8.3	19.6	2.5	2.8	2.9	152.6
May-15	54.7	38.0	27.5	8.8	14.4	2.0	3.0	3.6	152.0
Aug-15	58.1	38.9	26.8	9.2	20.5	2.4	2.5	5.1	163.5

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

WAGES

Wages growth has remained relatively subdued over the past quarter, increasing by 0.3% in NSW and by 0.4% at a national level.

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

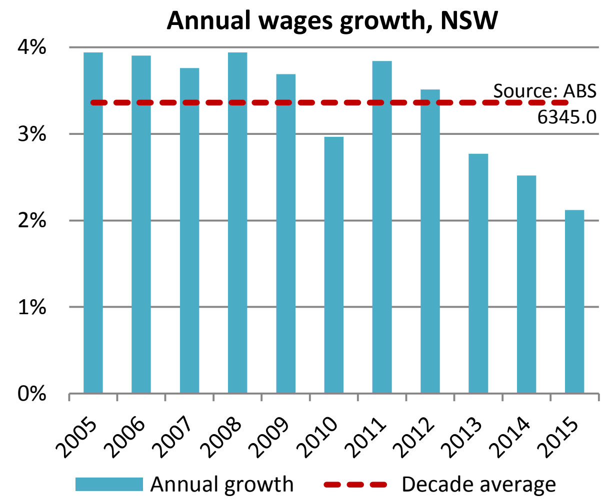
The latest set of wage data may add further evidence to the proposition that there is spare capacity in the labour market at present.

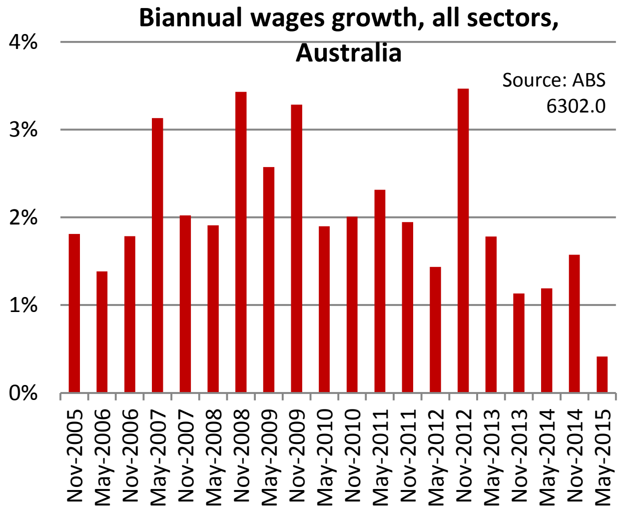
The average adult weekly fulltime earnings (ordinary time) in NSW rose by 1.5% in the May 2015 half year to \$1,513 – down from 2.2% in the half year to November 2014. NSW had the third highest average weekly earnings behind the ACT (\$1,713) and Western Australia (\$1,692).

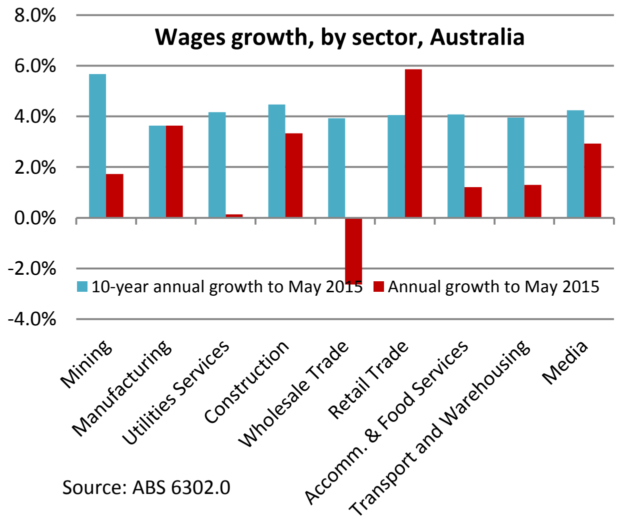
Wages growth, at a national level, has also been subdued in the past few years. Over the six months to May 2015, average weekly earnings rose by only 0.4%. As evident in the figure adjacent, this is well below the level of growth realised in the mid to late 2000s.

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

The wholesale trade sector has incurred the largest deviation over the past 12 months from the sector's longer run wage growth, with wages declining by 2.6%. The mining sector has also realised one of the largest







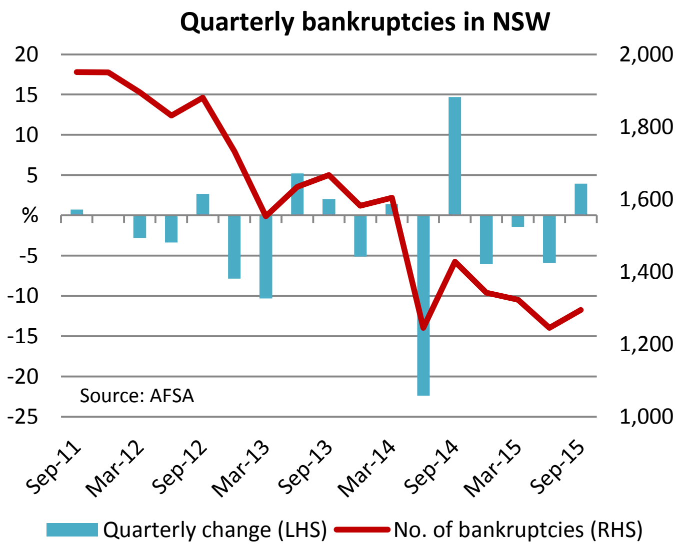
deviations in wages growth away from the sector's longer run average.

Only the financial services and retail trade sectors have experienced growth above their longer run average over the past 12 months.

Average adult weekly fulltime earnings, ordinary time, trend estimates ($)								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
May-13	1,409	1,346	1,416	1,288	1,635	1,262	1,446	1,692
Nov-13	1,424	1,380	1,426	1,319	1,627	1,265	1,444	1,674
May-14	1,458	1,385	1,439	1,354	1,642	1,253	1,426	1,671
Nov-14	1,490	1,394	1,452	1,349	1,671	1,266	1,456	1,695
May-15	1,513	1,398	1,444	1,349	1,692	1,289	1,511	1,713
Source: ABS, Average weekly earnings, Australia, May 2015, 6302.0								

BANKRUPTCIES

The number of bankruptcies in NSW rose by 2.9% in the September 2015 quarter to 1,294. Despite the quarterly fall, in a positive sign for the State's economy, bankruptcies have been trending down in NSW over the last few years and are 31% lower in September 2015 than 3 years earlier.

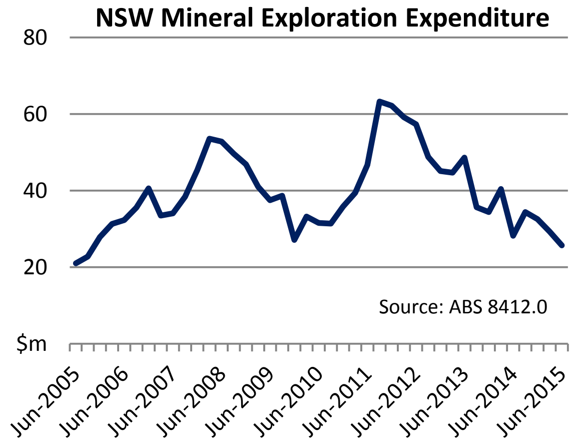


Tasmania (28.6%) and the Northern Territory (11.5%) had the largest increases in bankruptcies of all the jurisdictions. The quarterly number of bankruptcies also rose in Queensland (up by 10.5%). Victoria and Western Australia had the largest quarterly declines in bankruptcies of the Australian jurisdictions at 14.3% and 4.8% respectively.

Bankruptcies per quarter (Parts IV and XI of the Bankruptcy Act 1966 (Cth)								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-14	1,428	39	891	1,245	296	31	332	128
Dec-14	1,342	38	883	1,174	287	24	331	100
Mar-15	1,323	49	937	1,283	294	29	342	122
Jun-15	1,245	56	841	1,284	294	21	366	108
Sep-15	1294	48	929	1295	280	27	408	105
Source: Australian Financial Security Authority								

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 June quarter by 12.3%; it is now 59% 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 68% (or $670 million) since March 2012. A significant share of this decline is accounted for by Western Australia in which exploration expenditure has declined by 67% (or $372 million).

Mineral exploration expenditure, $m								
	NSW	VIC	QLD	SA	WA	TAS	NT	AUS
Jun-2014	28.2	8.8	93.3	27.1	283.6	6.0	33.7	480.7
Sep-2014	34.4	5.6	84.3	26.6	258.8	6.9	22.6	439.2
Dec-2014	32.6	5.1	94.6	24.6	254.5	4.2	23.7	439.3
Mar-2015	29.3	5.8	64.7	25.6	217.2	4.5	26.8	373.8
Jun-2015	25.7	6.4	64.4	11.0	187.0	4.1	23.5	322.0
Source: ABS, Mineral and Petroleum Exploration, Australia, 8412.0, June 2015								

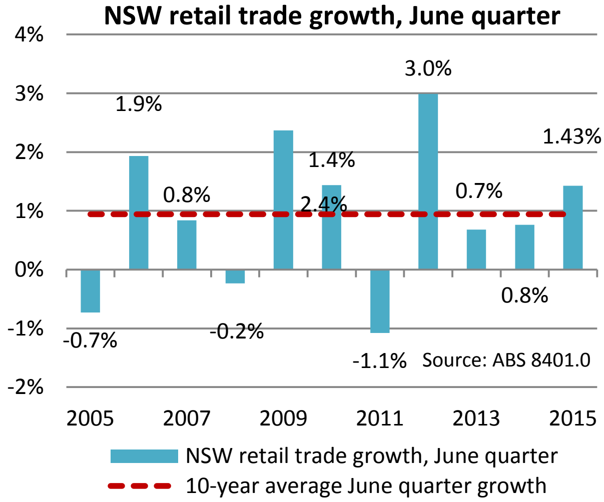
In their October 2015 minutes, the RBA Board noted that, nationally, mining investment had continued to fall in the June quarter and now accounted for around 5% of nominal GDP, down from a peak of around 8%. In addition, profits of mining firms had fallen sharply over the past year, in line with lower commodity prices. Looking forward, the RBA Board expects mining investment “to fall over the next couple of years as the current pipeline of work was completed, but resource export volumes, particularly for liquefied natural gas, were expected to increase substantially over the same period.”[29]

[29] RBA, Minutes of the Monetary Policy Meeting of the Reserve Bank Board, 6 October 2015

TURNOVER OF RETAIL TRADE

Average monthly turnover of retail trade in NSW rose by 1.4% in the June 2015 quarter to $7.7 billion; this was above the 10-year June quarter average growth of 0.9%.

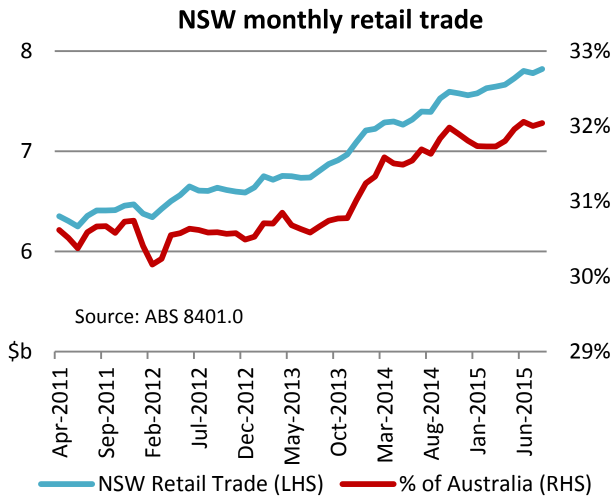
Comparatively, it was the highest average quarterly growth of all the States – further illustrating the strong position the State is currently in regarding household consumption and economic growth.



Turnover of retail trade ($m), quarterly average, seasonally adjusted									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-14	7,291	5,737	4,787	1,491	2,706	463	258	405	23,138
Sep-14	7,437	5,830	4,790	1,515	2,737	465	255	418	23,447
Dec-14	7,576	5,883	4,833	1,550	2,763	464	256	428	23,752
Mar-15	7,617	5,957	4,932	1,563	2,781	474	255	425	24,004
Jun-15	7,730	6,017	4,931	1,577	2,783	474	256	433	24,201
Source: ABS, Retail Trade, Australia, Cat. No. 8501.0									

More significant is the longer run trend in growth, with retail trade in the State up 6% from the year previous – the second highest of all the other Australian jurisdictions behind the Northern Territory. 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.

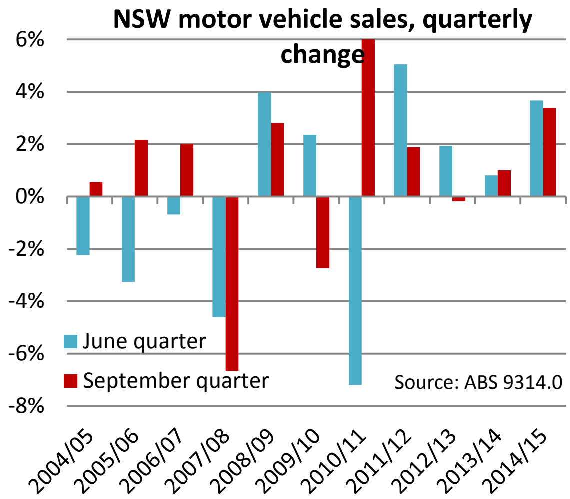
As at August 2015, NSW accounted for 32% of all retail trade in Australia. Corresponding to the medium term growth in retail turnover in NSW, the State's share of Australian retail trade has been trending up since the end of 2011.



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 September 2015 quarter to 32,572. Annual growth for NSW was at 9.2% to the September 2015 quarter – the second highest annual growth behind Tasmania.



Nationally, sales of new motor vehicles rose by 2% for the September quarter – with monthly sales in September at their highest ever level. National sales were up 4.8% 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.

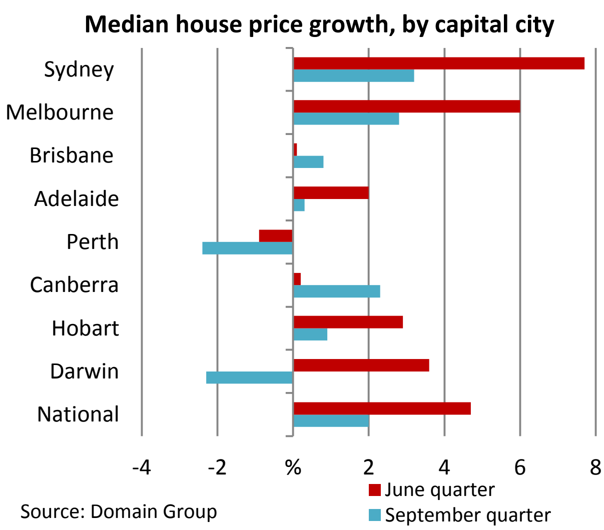
Sales of new vehicles, quarterly average

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Sep-14	29,827	25,316	18,360	5,863	9,684	1,480	903	1,463	92,896
Dec-14	30,144	25,686	18,749	5,700	9,192	1,421	919	1,410	93,222
Mar-15	30,515	25,846	19,679	5,869	9,100	1,611	926	1,486	95,032
Jun-15	31,513	26,023	19,535	5,678	8,779	1,608	930	1,470	95,537
Sep-15	32,572	26,703	19,639	5,527	8,815	1,753	829	1,558	97,396

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

HOUSE PRICES

House prices were again in the headlines this quarter but for different reasons to the last time when the Domain Group reported that Sydney's median house price had "smashed through the magic $1 million mark" for the first time.



This quarter was the first since 2012 that Sydney's house prices have shown signs of slowing. Over the quarter, Sydney's house prices rose by 3.2% to a median of $1,032,433 - growing at less than half the rate of three months ago.

Despite the slowdown, this is still a new record median house price for Sydney. The next highest capital city median house price in Australia is in Melbourne at $707,415; 31% lower than Sydney's.

Auction clearance rates[30] have also been declining in Sydney over the past quarter in another sign the appetite in the market is waning. Sydney reported its lowest clearance rate of the year on Saturday 24th October, with the market now tracking at its lowest levels since the spring of 2012. The 64.4% weekend result was below the 65.1% recorded the previous weekend and significantly below the 78.9% reported during the same weekend in 2014.

The causes for this slowdown in housing activity and prices are varied. Michael Bleby of the *Australian Financial Review* states that:

> Steady borrowing costs and weak incomes growth are the reasons for the slowdown in the two largest cities, which in turn has pulled back the national rates of house-price growth.

Deputy Governor of the Reserve Bank Phillip Lowe, however, suggests that Sydney home prices appear to be declining because of increasing supply coming onto the market.[31] The latest housing finance data is also pointing to a drop in property investor demand in the past few months (see *Housing Finance* chapter).

In the short term, house prices in Sydney are expected to rise but at a lower rate than in the previous two years, with BIS Shrapnel forecasting prices to rise by 7% over the next 12 months; before falling 5% over the subsequent 24 months.[32]

Macquarie Group recently forecast that house prices, nationally, have peaked and could fall by 7.5% over the next two years. Specifically, it expects prices to start dropping in the March quarter next year until the middle of 2017, when a recovery is tipped.[33]

As pointed out in the Sydney Morning Herald editorial, an imminent price collapse is highly unlikely because it would require: a large number of 'forced sellers' (i.e. those who cannot pay off their mortgage); and an oversupplied housing market. As the article notes:

> Those things combined to drive down property prices in the Unites States, and several other nations, during the Global Financial Crisis in 2008. But neither factor seems likely to emerge in Sydney at present.

30 It should be noted that auction activity does have regular seasonal variations. Auction activity also only captures a portion of the market. Nationally, only about 10 to 15% of property sales are conducted via auction. That rises to between 15 and 20% for Sydney and Melbourne.

31 ABC News, Sydney housing prices falling because of greater supply, RBA deputy governor Philip Lowe says, 13 October 2015

32 Sydney Morning Herald, A mild correction forecast for house prices, 28 Oct. 2015

33 The Australian, House prices to fall from March 2016: Macquarie, 12 October 2015

Very low interest rates and a relatively stable jobs market means there is little evidence of the mortgage distress that would cause a large number of forced sales. And despite a surge in new housing building there are no signs yet of widespread oversupply.

Established house price index									
	Syd	**Melb**	**Bris**	**Adel**	**Per**	**Hob**	**Dar**	**Canb**	**Aust**
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
Jun-2015	149.8	120.8	113.7	108.5	113.4	105.7	112.6	106.2	127.8
Source: ABS, House price indexes, Australia, Cat. No. 6416.0									

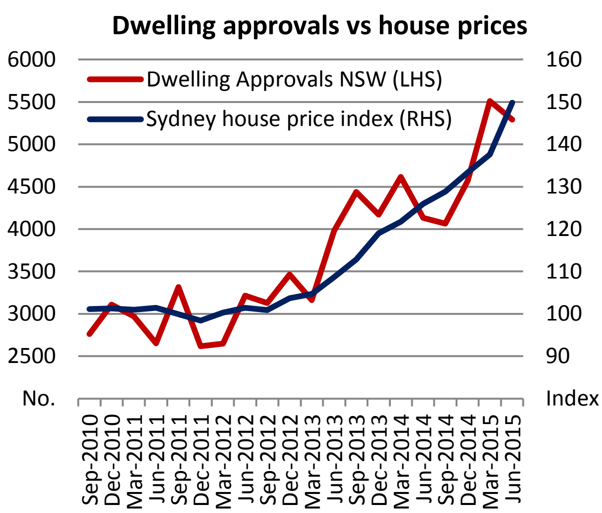
DWELLING APPROVALS

The average monthly number of dwellings approved in NSW fell by 4.3% in the June 2015 quarter to 5,291, following the 21% growth realised in the March 2015 quarter.

National dwelling approvals fell, on average, by 3% for the June quarter, due to falls across the other major States. Queensland and South Australian realised the largest declines in dwelling approvals for the June quarter at 13.3% and 12.6% respectively. Western Australia, on the other hand, rebounded this quarter with approvals growth of 2.5% - following consecutive quarters of negative growth to start the year.

Number of dwellings approved, quarterly average							
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**AUS**
Jun-14	4,160	4,909	3,031	953	2,591	204	16,293
Sep-14	4,036	4,769	3,338	940	2,871	191	16,682
Dec-14	4,560	5,964	3,379	924	2,799	234	18,342
Mar-15	5,530	6,012	4,317	956	2,508	251	19,862
Jun-15	5,291	5,824	3,742	836	2,571	294	19,267
Source: ABS, Building Approvals, Australia, Cat. No. 8731.0							

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 near record levels. Approvals in NSW are now 45% 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:[34]

> 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.

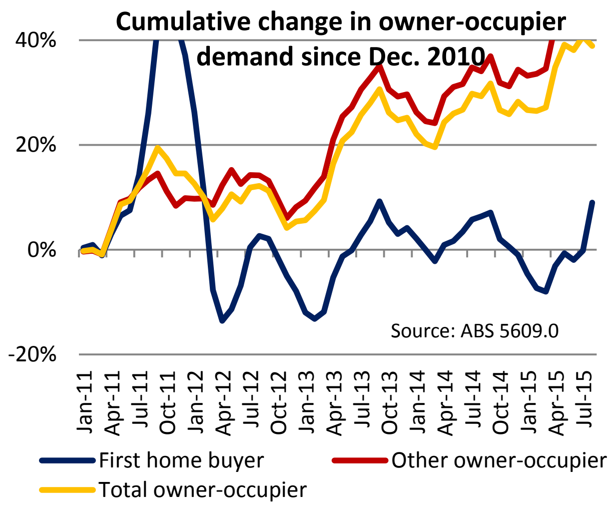
A continuation of housing supply along its current trajectory, in the short term, is likely to restrain the extent of house price growth in Sydney. Although it is still unlikely that there will an aggregate oversupply of housing in the short to medium term – particularly given that BIS Shrapnel forecast a shortfall of 40,000 dwellings in NSW by June 2018.[35]

Others, however, speculate that there could be an oversupply of dwellings – particularly of units and apartments – in pockets of major cities like Sydney and Melbourne. This has led some banks respond by tightening lending and credit flow to developers.[36]

The expectation of slowing prices is, over the medium term, likely to constrain housing supply growth. Macquarie Group forecast a slowing in housing starts in 2016 and 2017, particularly in the high-density apartments segment.[37]

HOUSING FINANCE

The average number of owner-occupier, including first home owner, dwellings financed in NSW rose by 11.7% during the June quarter to 16,212. Growth in all of the other States and Territories – except for Tasmania – was positive for the June quarter.



The June quarter is historically a relatively strong period for owner occupier housing finance growth and is the 7th consecutive June quarter in which it has been positive 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

34 Commonwealth Bank, Building approvals – May 2014, 3 July 2014

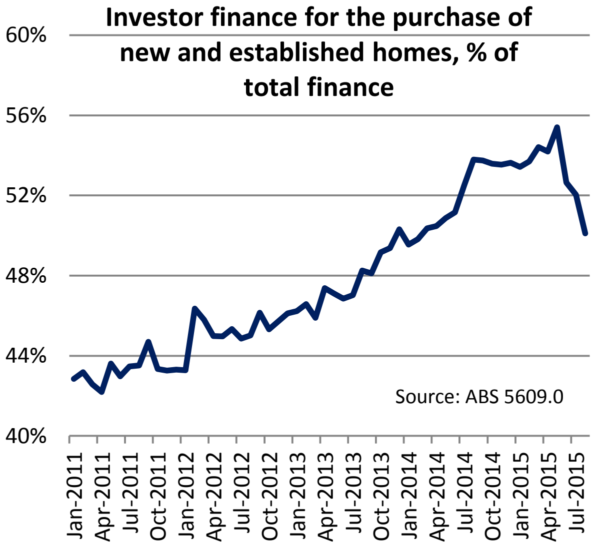
35 Australian Financial Review, Housing glut by 2018, BIS Shrapnel warns, July 2015

36 The Australian, ANZ wary of lending property developers over supply fears, 12 October 2015

37 Sydney Morning Herald, Housing bust now the greatest recession risk, say investment banks, 13 October 2015

in demand induced by the expiration of first home buyer incentives, demand remains at the same levels it did in early 2011.

The major story to come out of the housing finance data in the winter quarter was 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 55.4% 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%.

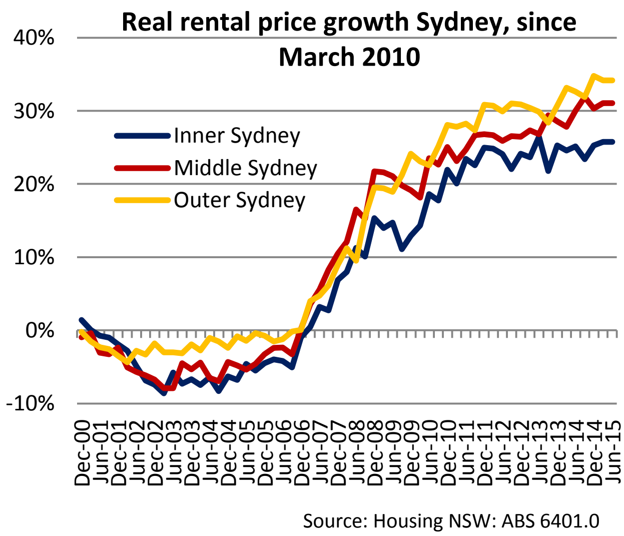


However, the latest housing finance data points to a drop in investor housing demand in the past few months after banking regulator Australian Prudential Regulation Authority required banks to cap their investor lending to an annual growth rate of 10% to lean against the stimulatory effects of record low interest rates. Housing finance, as a proportion of total dwelling finance, fell by 5.3% between May and August.

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 straight forward aspect is the effect rising rents have on home ownership affordability.

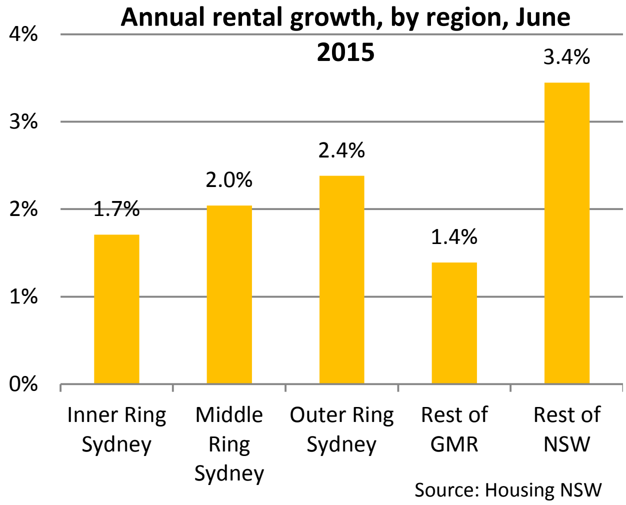
As discussed in the NSW Parliamentary Research Service paper *Affordable rental housing: the problem and its causes*, rental costs may prevent prospective home buyers (particularly in inner urban areas) from saving a large enough deposit; or at the very least, it will take a longer period of time than 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.



Source: Housing NSW

In the 12 months to June 2015, rental growth has been most pronounced in the *Rest of NSW* at 3.4%; followed by the *Outer Ring* of Sydney (at 2.4%) and the *Middle Ring* of Sydney (at 2.0%).

For the complete list of median rents by local government area and region of Sydney, see the Housing NSW website.

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.

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