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NSW Parliamentary Research Service

NSW Economic Update Autumn 2018

Statistical Indicators 03/18

By Chris Angus

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by

Chris Angus

NSW PARLIAMENTARY RESEARCH SERVICE

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SUMMARY

The state of the NSW economy

For the ninth consecutive quarter, New South Wales has been the best performing State in Australia. Commsec's April 2018 *State of the States Report* found that NSW remained at or near the top of most indicators, including dwelling starts, construction work and unemployment. The NSW *2017-18 Half-Yearly Budget Review* reported that the State economy outperformed the rest of the nation in 2016-17, with Gross State Product (GSP) growing well above-trend at 2.9%, and positive prospects for 2018-19:

> Housing construction has also grown strongly and is expected to remain at high levels as the record investment pipeline continues to support activity for at least the next two years. Businesses are also poised to push construction activity higher, in response to above-average capacity utilisation and strong business conditions, with broad based strength in non-residential building approvals.
>
> Labour market conditions in New South Wales are strong. Recently, full-time employment growth has been significant and workforce participation has increased. The unemployment rate has fallen to 4.6 per cent, the lowest among the states. Despite this strength, wages growth is expected to remain constrained due to ongoing spare labour capacity nationally and strong inward migration.
>
> Over the next two years, supportive conditions are expected to foster above-trend economic growth for New South Wales of 3 per cent in 2017-18, and 2.75 per cent in 2018-19, unchanged from the 2017-18 Budget. This outlook is underpinned by strengthening national and global economies, low interest rates, a lower Australian dollar, strong demand from Asia, above-trend population growth and a historically large pipeline of infrastructure and residential construction.[1]

Based on the latest quarterly movements,[2] the strengthened and weakened areas of the NSW economy are summarised in the following table. It should be noted that these indicators are subject to cyclical variations and may not be completely illustrative of a fundamental shift in economic growth.

Stronger			Weaker	
State final demand (up 0.6%)	Employment (up 0.7%)	Mining investment (up 6.9%)	Trade surplus (down to $262m)	Job vacancies (down 3.2%)
Gross State Product (up 2.9%)	Youth unemployment (down 0.4%)	Retail trade (up 0.3%)	Unemployment rate (up 0.2%)	Dwelling approvals (down 6.7%)
Household consumption (up 0.8%)	Participation rate (up 0.3%)	Housing finance (up 1.1%)	Bankruptcies (up 3.5%)	
Business investment (up 1.2%)	Wages (up 0.3%)		Sydney median house price (down 2.1%)	

[1] NSW Treasury, *Half-Yearly Budget Review*, 2017-18, p 7.

[2] For the most recent quarter in which data is available. Note that rolling averages are excluded from this table.

The state of the Australian economy

The Reserve Bank of Australia's (RBA) latest *Statement on Monetary Policy* (February 2018) forecast Gross Domestic Product (GDP) growth to be around 2.75% by June 2018, increasing to 3.25% by December 2018.[3]

Key factors that the RBA believes may influence national growth over the forecast period include:[4]

- The passing of most of the decline in mining investment levels, combined with ongoing growth in mining exports;
- Continuing momentum in non-mining business investment, supported by an increase in infrastructure activity and the diminishing impact of falling mining investment;
- A pickup in household consumption, although slower than that seen before the Global Financial Crisis; and
- Ongoing high levels of dwelling investment, supported by a significant pipeline of work still to be done.

The financial sector has made diverging forecasts about future economic growth. As per the previous Economic Update, the Commonwealth Bank continues to forecast GDP growth of 3.1% over the 2018-19 financial year and 2.9% in 2019-20.

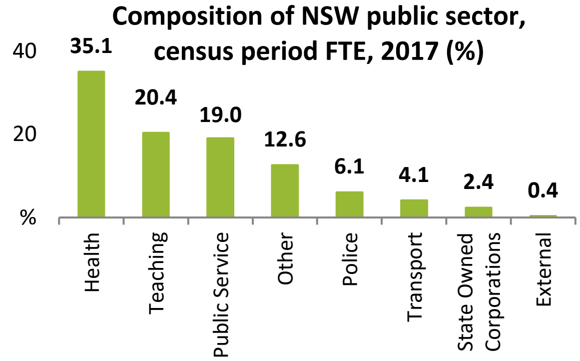
In contrast, other analysts predict lower GDP growth in the next two years; NAB has forecast a lower GDP growth rate of 2.8% for 2018-19, while Westpac anticipates GDP growth of 2.7% and 2.5% respectively for the 2018 and 2019 calendar years.

[3] Reserve Bank of Australia, *Statement on Monetary Policy*, February 2018, p 63.

[4] Ibid p 67-70.

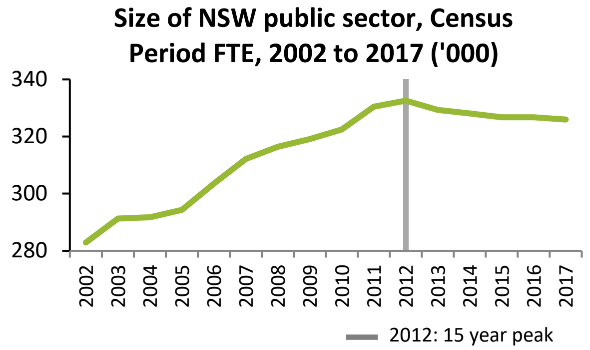
Commentary: Trends in the NSW public sector

According to the Public Service Commission's *Workforce Profile 2017*, as at 29 June 2017, the NSW public sector comprised 325,917 census period[5] full-time equivalent (FTE) positions. Of this total, 55.5% of these positions were part of the NSW Health Service or the Teaching Service (see right).



Source: Public Service Commission

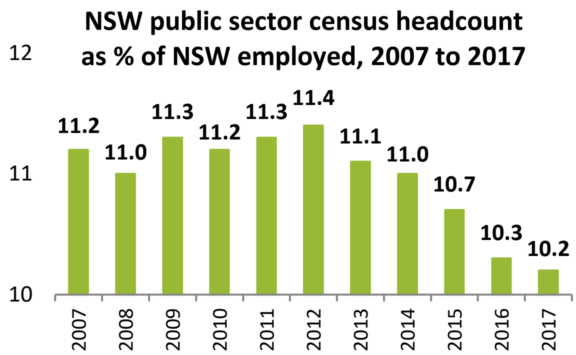
Over the past 15 years the public sector has seen a significant increase in size, increasing from 282,897 FTE positions in 2002 to a peak of 332,555 in 2012: a 17.6% increase over the decade. However, since 2012 the sector has reduced in size by 2.0%, or around 6,638 FTE positions (see right). This has come about primarily as a result of the privatisation of several State owned corporations such as Ausgrid, Endeavour Energy and Transgrid.[6]



Source: Public Service Commission

While the NSW public sector may appear large compared to the early 2000s, its size must be seen in the context of the wider State labour force. Using the census headcount[7] figures, the NSW public sector as a proportion of the total working population was 10.2% in 2017: the lowest proportion recorded since the commencement of the Profile in 1999 (see below).[8]

These results differ from the analysis provided by the Commonwealth Bank, which found that, nationally, the public sector has outpaced the private sector in employment growth, particularly within the fields of health, education and admin, safety and IT:



Source: Public Service Commission

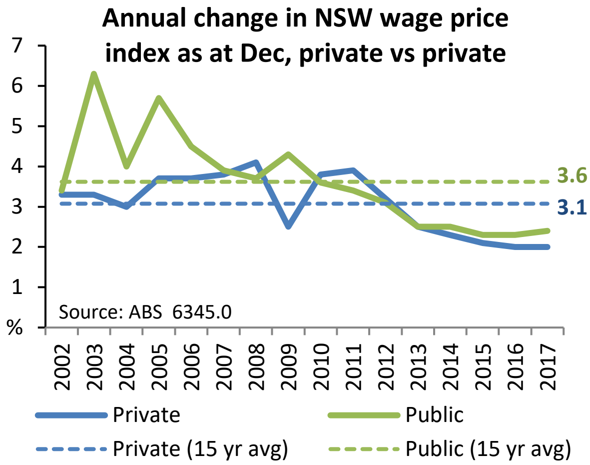
[5] The sum of all paid hours worked over a two week census period by the Public Service Commission. See: Public Service Commission, *Workforce Profile 2017*, 2017, Ch 2.
[6] See PSC Workforce Profiles from 2014 to 2017.
[7] The number of persons employed on census date. See: Public Service Commission, *Workforce Profile 2017*, 2017, Ch 2.
[8] Ibid.

> The most recent data is to November 2017. It indicates that total employment rose by 387k over the year comprising a lift in public sector jobs of 118k (30% of total jobs) and private sector jobs of 269k (70% of total jobs). From a growth rate perspective, public sector employment rose by a whopping 7.6%pa while private sector employment was up by 2.6%pa. Clearly, the headline employment growth figures have been flattered by growth in public sector jobs.[9]

The Commonwealth Bank further noted that public sector wage growth has consistently been greater than the private sector:

> [W]hat is striking is that the spread between public and private sector wages growth has been positive for most of the past 20 years. To be precise, the annual rate of change in the public sector WPI has been above that of the private sector for 56 of the past 78 quarters. Annual growth in private sector wages has only been above the public sector for 21 of the past 78 quarters. This is quite astonishing. A reasonable assumption would be to expect the spread between public and private sector wages growth to average zero over a 20 year period. But instead it has averaged +34bps. In other words, the annual rate of growth in public sector wages has been on average 34ppts higher than the private sector for the past 20 years.[10]

Data from the ABS's Wage Price Index (WPI; also see [Wages](#) chapter) indicates that this trend is also occurring in NSW. Over the past 15 years the NSW public sector's WPI has increased by an average of 3.6% per year, while the private sector has risen by a comparative 3.1% (see right).



Higher trade union membership in the public sector may play a role in this difference; according to the ABS, 38.4% of Australia's public sector employees were union members, compared to just 9.3% of private sector workers. The Commonwealth Bank believes that this higher trade union density may have given public sector workers greater bargaining power than their private sector counterparts.

Since 2013 both public and private sectors have seen annual wage growth rates at 2.5% or below. This is due to a combination of factors,[11] although public sector wages may also be impacted by the NSW Government's *Public Sector Wages Policy 2011*, which caps pay rises to 2.5% per year.

[9] Commonwealth Bank, *The widening disparity between the public and private sectors*, 15 March 2018.

[10] Ibid.

[11] Angus C, *Slow wage growth*, NSW Parliamentary Research Service, e-brief 4/2017, August 2017.

About the paper

This paper presents statistical information on key economic indicators, providing an updated snapshot of the NSW economy and 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 been updated to include the December 2017 or March 2018 quarters.

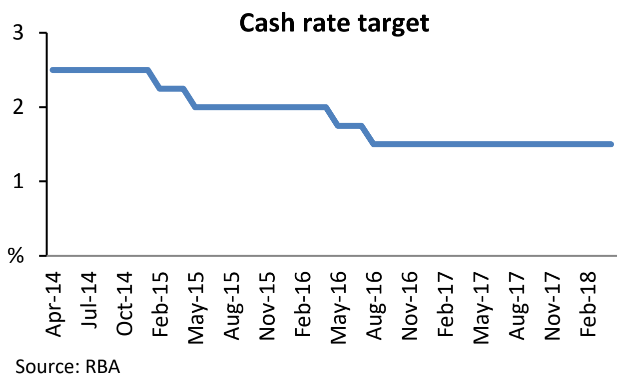
Data sources used

Data presented in this paper is primarily sourced from the Australian Bureau of Statistics (ABS). Sources other than the ABS have been used where relevant and are identified in the paper. Analysis and forecasts from the RBA and major private banks (including Westpac, NAB and the Commonwealth Bank) are also presented.

The Economic Update presents ABS **trend estimates** where available; trend data is preferred by the ABS for the analysis of monthly or quarterly changes, as they remove potentially misleading seasonal patterns, residual noise and irregular influences. All ABS data are trend estimates unless otherwise identified as original or seasonally adjusted data.

INTEREST RATES

As of April 2018, the RBA has held the cash rate at 1.5%: it has remained at this level since August 2016 (see right). In assessing whether to adjust the cash rate, the RBA Board considers the state of the domestic economy, as well as international economic factors.



In their April 2018 meeting the RBA Board noted a range of factors influencing the Australian economy. The Board commented that GDP had not grown as solidly as domestic demand over 2017 because net exports had subtracted from growth. However, it expected faster growth in 2018 because of the momentum in domestic demand and expectations that the decline in export volumes would be temporary.

Both household consumption growth and household income increased during the December 2017 quarter, reflecting ongoing retail price deflation and employment growth. Nevertheless, wage growth remained low, while monthly increases in employment had moderated in the early months of 2018.

Considerations for monetary policy included a positive outlook for non-mining business investment growth, supported by solid domestic demand conditions and ongoing public infrastructure and non-residential building work to be completed. However, as progress in lowering unemployment and increasing inflation was expected to be gradual, the Board did not see a strong case for a near-term adjustment in monetary policy.

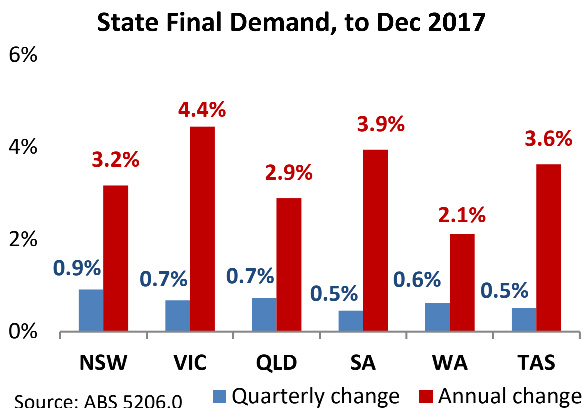
Accordingly, the Board judged that keeping the cash rate unchanged at the February 2018 meeting was consistent with sustainable growth in the economy and achieving the inflation target over time.

The Commonwealth Bank has forecast that the cash rate would remain on hold until November 2018. NAB expects the cash rate to remain at 1.5% until rising to 1.75% by December 2018, while Westpac forecasts the cash rate to remain unchanged to December 2019. Greg Jericho from The Guardian, has argued that the RBA is unlikely to raise interest rates until Australia sees improvements in wages growth (see Wages chapter) and inflation (see Consumer Price Index chapter).

STATE DEMAND AND GROSS STATE PRODUCT

Australia's Gross Domestic Product (GDP) increased by 0.6% over the December 2017 quarter, and 2.6% in the 12 months to December. Demand in NSW increased by 0.9% for the December quarter: the highest growth of all States (see right).

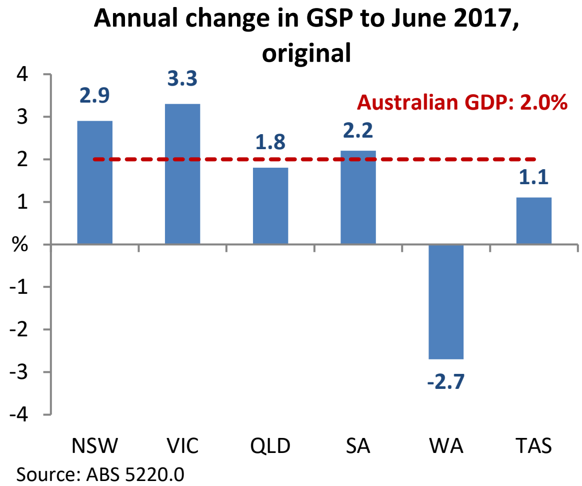
Annual growth to December 2017 for NSW was 3.2%. This was lower than other States such as Victoria (4.4%), South Australia (3.9%) and Tasmania (3.6%).



State final demand ($m), chain volume measures								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-2017	139,662	107,627	83,016	27,537	50,405	7,863	7,602	11,685
Jun-2017	140,723	109,068	83,570	27,879	50,763	7,952	7,636	11,813
Sep-2017	141,948	110,115	84,157	28,103	51,078	8,014	7,509	11,944
Dec-2017	143,248	110,860	84,775	28,230	51,392	8,055	7,287	12,053
Source: ABS, Australian National Accounts, Cat. No. 5206.0, December 2017								

State final demand figures do not include net exports and therefore do not account for the positive impact of higher resource exports on economic growth. The impact of exports can be seen in the Gross State Product (GSP) data released by the ABS.

While NSW was the dominant State at the end of the 2015-16 financial year, Victoria took the lead in 2016-17, growing by 3.3% compared to NSW's 2.9% growth. The NSW result remained above the Australian average of 2.0% (see right).

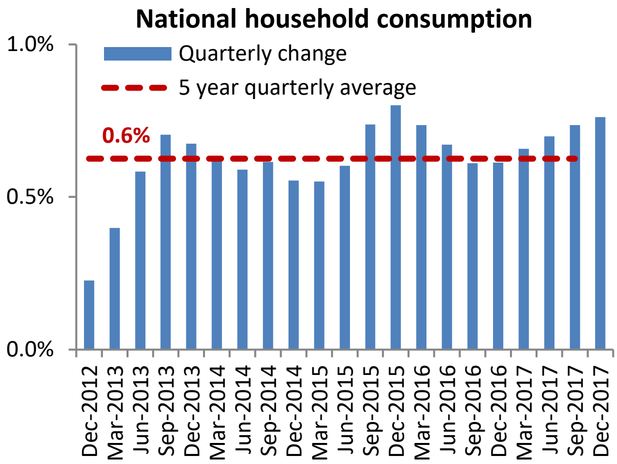


Gross State Product ($m), chain volume measures, original								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2013	498,183	355,317	285,936	97,402	217,985	27,195	23,049	33,437
Jun-2014	507,960	362,564	292,155	98,069	230,934	27,575	23,576	33,857
Jun-2015	522,164	373,055	295,602	99,298	237,105	27,890	24,003	34,561
Jun-2016	542,281	386,140	303,352	99,627	239,581	28,264	24,461	35,898
Jun-2017	557,861	399,009	308,709	101,791	233,152	28,577	25,427	37,566
Source: ABS, Australian National Accounts, Cat. No. 5220.0, June 2017								

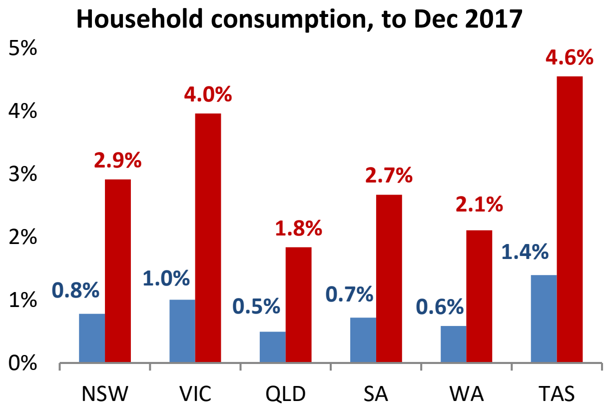
HOUSEHOLD CONSUMPTION

Nationally, household consumption grew by 0.8% over the December 2017 quarter: this was above the five year average of 0.6% (see right). Household spending increased in NSW by 0.8% over the quarter: the same as the national average and the third highest of all States after Tasmania and Victoria (see below right). On an annual basis, NSW consumption increased by 2.9%: the third highest growth rate after Tasmania and Victoria (4.6% and 4.0% respectively).

The Commonwealth Bank has noted that weak wages growth has seen households lower their savings in order to maintain spending growth: an unsustainable situation over the medium term. However, the RBA noted in its February 2018 *Statement on Monetary Policy* that household consumption was likely to pick up in future, although it will remain lower than the average level seen before the Global Financial Crisis.



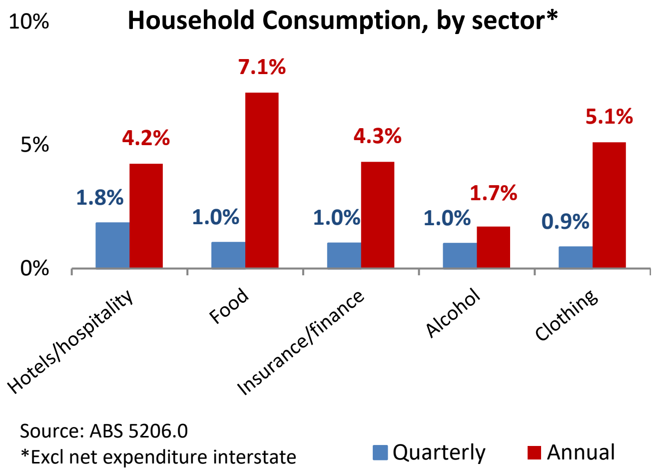
Source: ABS 5206.0



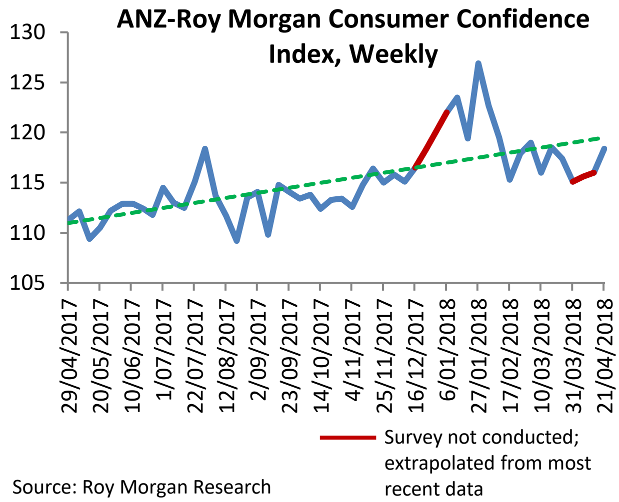
Source: ABS 5206.0

Household final consumption ($m), chain volume measures								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-2017	83,772	63,863	46,847	16,176	26,688	4,612	2,792	4,426
Jun-2017	84,358	64,490	47,024	16,278	26,838	4,668	2,793	4,469
Sep-2017	84,962	65,138	47,223	16,397	27,010	4,736	2,791	4,507
Dec-2017	85,626	65,792	47,456	16,515	27,169	4,802	2,791	4,540
Source: ABS, Australian National Accounts, Cat. No. 5206.0, December 2017								

In NSW, the largest increase in household expenditure over both the quarter and year to December 2017 was on net expenditure interstate[12] (7.2% and 34.8% respectively). Other sectors seeing significant increases are shown in the chart on the right, although their annual increases are lower than that seen in the net expenditure interstate sector. Meanwhile, the utilities sector saw the largest quarterly fall (-0.9%) and the transport services sector recorded the largest annual fall (-0.1%).



Although subject to sharp fluctuations, the ANZ-Roy Morgan Consumer Confidence Index reached a high of 123.5 in mid-January 2018 before reducing to 118.4 by end April 2018 (see right). Nevertheless, [Roy Morgan] commented that the recent result was the highest in five weeks, driven by improved sentiment toward both current and future economic conditions, along with a greater consumer willingness to purchase major household items.



The April 2018 edition of the *Westpac-Melbourne Institute Survey of Consumer Sentiment* reported a decline of 0.6% during the month, falling from 103.0 to 102.4. Nevertheless, this was the fifth consecutive month the Index has been above the 100 level. Select analysis of the survey results shows:

> Australians are more uneasy about the outlook for their family finances and jobs but a touch more confident about the economy.
>
> The sub-index tracking views on 'finances, next 12mths' posted a sharp fall of 5.8%. April marks the lowest read since September last year. With stock market volatility persisting over the last month and house prices declining since the start of the year respondents have become more nervous around the outlook.

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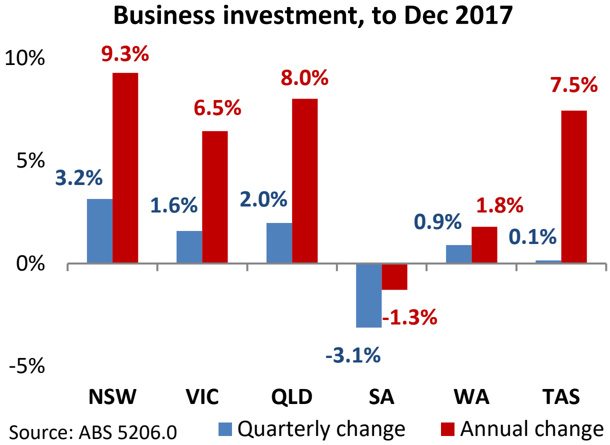
[12] This is calculated by adding the expenditure of NSW residents in other States and Territories and deducting the expenditure of residents from other States and Territories within NSW. Essentially, this increase indicates that interstate residents spent more money in NSW in March 2017 than they did in March 2016.

BUSINESS INVESTMENT

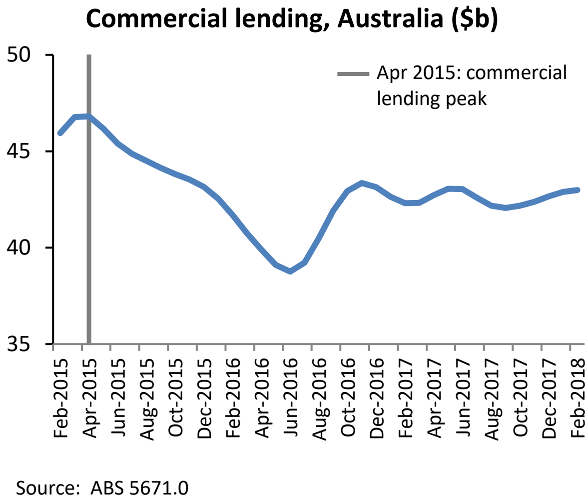
Nationally, business investment increased by 1.2% over the December 2017 quarter, and increased 5.3% over the year. This is the fourth consecutive increase in business investment, following 17 consecutive quarters of decline between December 2012 and 2016.

NSW business investment increased by 3.2% over the September quarter: the highest result of all jurisdictions. The State's annual result to December (9.3%) was also the highest result for all States and Territories. South Australia was the only State to suffer a fall in both quarterly and annual investment levels (-3.1% and -1.3% respectively).



Business investment ($m), chain volume measures								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-2017	14,062	11,235	10,180	2,949	9,532	630	2,421	608
Jun-2017	14,399	11,520	10,491	3,042	9,589	662	2,451	618
Sep-2017	14,900	11,774	10,784	3,005	9,617	676	2,302	650
Dec-2017	15,370	11,960	10,998	2,911	9,703	677	2,049	688
Source: ABS, Australian National Accounts, Cat. No. 5206.0, December 2017								

Commercial lending data is another indicator of business investment and related activity. While this data is susceptible to volatility, it nevertheless indicates that commercial lending remained largely stable throughout 2017 and into 2018 (see right).



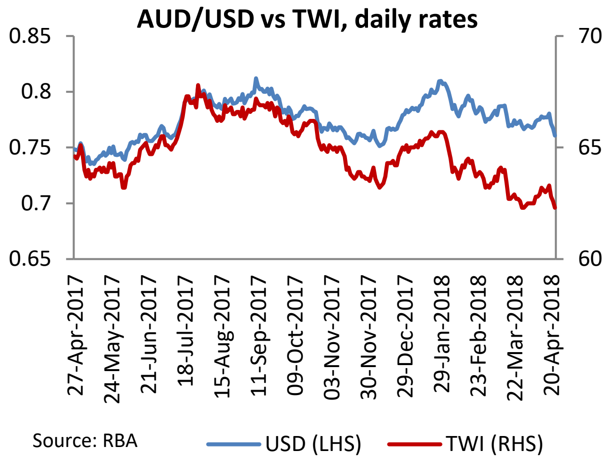
According to Roy Morgan's Business Confidence survey, business confidence fell by 3.8% to 115.4 in March 2018.[13] However, business confidence for the March 2018 *quarter* was recorded at 119.7: up 5.7 points on a year ago.

[13] Roy Morgan Research, *Business Confidence down in March to 115.4*, 9 April 2018.

EXCHANGE RATE

The Australian dollar (AUD) has fallen from a quarterly high of 0.80 US dollar (USD) as at 1 February 2018 to 0.76 USD as at 30 April 2018: its lowest level this year. Analysts believe this decrease is a result of the US dollar returning to favour with investors, following a pick-up in 10 year US Treasury yields.

The trade-weighted index (TWI) used to measure the AUD's value relative to the currencies of Australia's trading partners,[14] has largely tracked the currency's fluctuations (see right).



In its February 2018 *Statement on Monetary Policy*, the RBA commented that, because of the strong financial linkages between Australia and major advanced economies, the implications for the exchange rate may be more important for determining the effect for the Australian economy than our direct trade linkages:

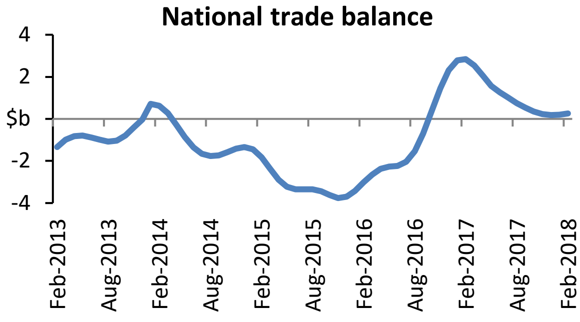
> Stronger demand and higher inflation would be expected to lead central banks in major advanced economies to tighten monetary policy faster than currently expected, which could result in a depreciation of the Australian dollar, all else being constant. This would provide additional support to the Australian economy by making domestically produced goods and services more competitive and would directly flow through to higher domestic inflation via higher import prices.[15]

The major banks vary in their AUD forecasts for the remainder of 2018 and into 2019. The Commonwealth Bank has forecast the AUD to rise to 0.83 USD by the end of the year, before rising to 0.88 USD by December 2019.

Other banks predict further falls in the AUD's value: Westpac expects the dollar to lower to 0.74 USD by the end of 2018 before falling to 0.70 USD by December 2019, while NAB predicts the AUD to remain around 0.75 USD through to December 2019.

[14] Austrade, *The dollar and competitiveness*, February 2015; Reserve Bank of Australia, *Glossary*, no date [website – accessed 11 July 2017]. Note that the base level was set at 100 in May 1970.
[15] Reserve Bank of Australia, *Statement on Monetary Policy*, February 2018, p 66.

INTERNATIONAL TRADE



Source: ABS 5368.0

From October 2016 to February 2017 Australia reported successive increases in the monthly trade surplus. However, after reaching a peak surplus of $2.84 billion in February 2017, the surplus has declined. As of February 2018, the trade balance is now $262 million in surplus (see right).

Commenting on the seasonally adjusted monthly surplus of $825 million, the Commonwealth Bank stated that exports were almost unchanged during the month, while imports fell by 0.4%. The Bank further stated that buoyant commodity prices in February supported export revenue, while more volume upside from LNG exports was expected over the course of the year.

Following a 2.2% fall in the September 2017 quarter, the **average monthly value of NSW merchandise exports** rose by 1.3% in the December 2017 quarter to total $3.9 billion. This was the third lowest quarterly increase by State and Territory after South Australia (-6.4%) and Queensland (-0.6%), although it was above the national result (1.1%).

Meanwhile, imports grew over the quarter. Following a 2.0% rise in the September 2017 quarter, the **average monthly value of NSW merchandise imports** rose by 12.6% over the three months to December to $9.9 billion. This was the second highest State or Territory result after Tasmania, which recorded a 67.5% increase over the quarter (although the value of imports to Tasmania is significantly lower than other jurisdictions).

In contrast, Western Australia saw the largest fall of all jurisdictions, recording a 49.7% drop in import values after posting a 107.7% increase over the September 2017 quarter.

Turning to three month rolling averages, NSW exports hovered around the $3.7-3.9 billion mark each month since September 2017, with December 2017 exports valued at approximately $3.75 billion (see overleaf).

The top five destinations for **NSW merchandise exports** in February 2018 were: Japan ($1.06bn); China ($625m); South Korea ($373m); the USA ($209m); and New Zealand ($193m). As a proportion of exports, 56.2% of all NSW merchandise was exported to Japan, China or South Korea in February.

Meanwhile, the State's monthly import values remained significantly higher. After reaching a decade high of $9.97bn in December 2017, this figure has since reduced to $9.20bn as of February 2018 (see below right).

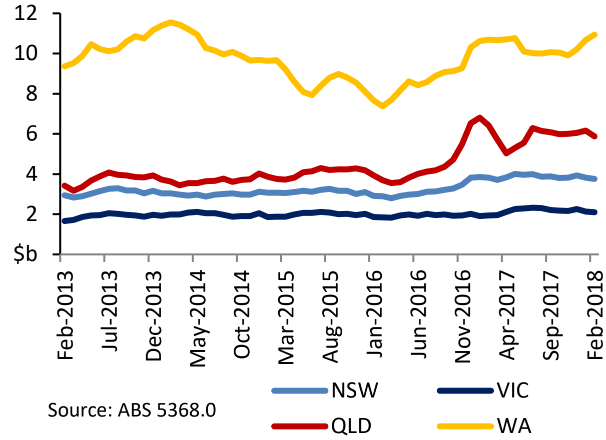
The top five **import sources for NSW** in February 2018 were: China ($2.23bn); the United States ($923m); Japan ($624m); Germany ($494m); and South Korea ($494m). Over the course of the month, approximately 25.8% of NSW imports came from China.

The NSW trade balance has declined since the ABS began recording international trade data in 1988.

After reaching a peak three month rolling average trade deficit of $6.5 billion in November 2015, the deficit reduced to $4.5 billion in February 2017 before increasing again to $6.0bn in January 2018 (see right). This figure has since fallen to $5.4bn as of February, but remains nearly double the decade low reported in February 2009 ($2.8bn).

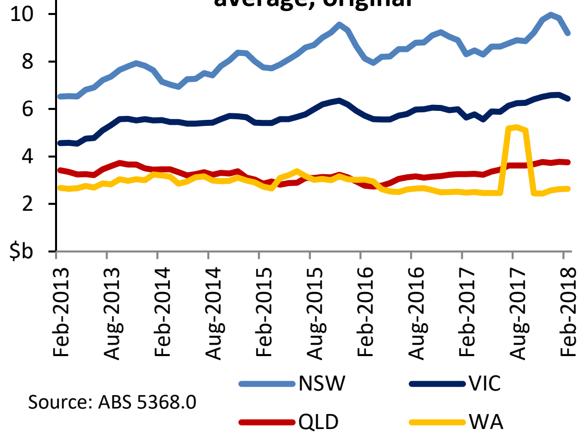
Western Australia continues to have the highest trade balance in comparison to the other States, with near-record highs of $8.3 billion reported in February 2018.

Exports by State, 3 month rolling average, original



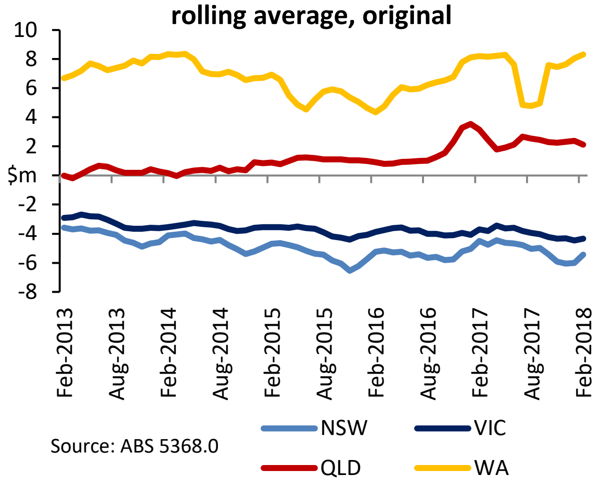
Source: ABS 5368.0

Imports by State, 3 month rolling average, original



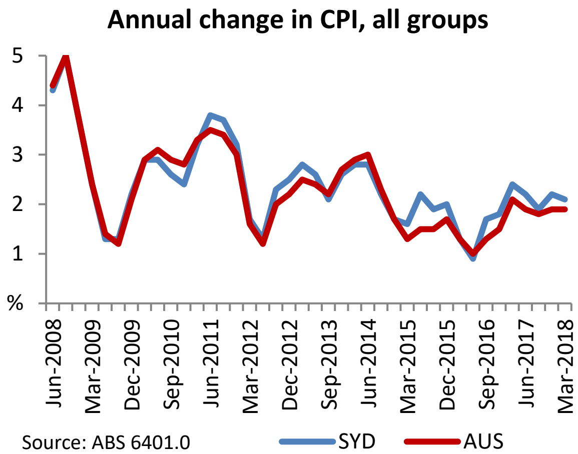
Source: ABS 5368.0

Trade balance by State, 3 month rolling average, original



Source: ABS 5368.0

CONSUMER PRICE INDEX



The Australian Consumer Price Index (CPI) rose by 0.4% over the March 2018 quarter. This was a smaller increase than the 0.6% recorded in the quarter to December 2017, and below the Commonwealth Bank's forecasted 0.5% rise.

Sydney's CPI increased by 0.3% during the quarter: the fifth highest increase of all capital cities. Melbourne experienced the largest quarterly increase of 1.0%.

Over the 12 months to March 2018, the Sydney CPI increased by 2.1%. This was the fourth highest increase, with the largest annual increases recorded by Canberra (2.4%), Adelaide (2.3%) and Melbourne (2.2%). The lowest CPI increase in the 12 months to December 2017 was recorded in Perth (0.9%). The largest price increases in Sydney over the last 12 months were seen for alcohol and tobacco (6.5%); housing (4.1%); and health (3.8%).

Nationally the CPI rose by 1.9% in the year to March,[16] which is below the RBA's target band for June 2018 (see table below). Nationally, the main contributors to CPI were (in seasonally adjusted terms) alcohol and tobacco (1.5%), transport (0.9%), and housing and health (both 0.8%).

The Commonwealth Bank also commented that the annual underlying inflation result (2.0%) was slightly above market expectations and the RBA's forecasts, and was the highest rate in two years.

Reserve Bank of Australia inflation forecasts (%)				
	Jun-18	**Dec-18**	**Jun-19**	**Dec 2019**
CPI inflation	2	2.25	2.25	2.25
Underlying inflation	1.75	1.75	2	2
Source: RBA, Statement on Monetary Policy, February 2018, Table 6.1.				

[16] Australian Bureau of Statistics, *CPI rose 0.4 per cent in the March quarter 2018*, Media Release, 24 April 2018.

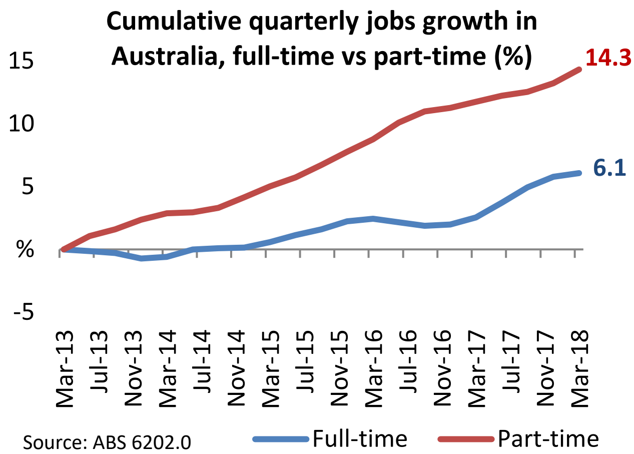
EMPLOYMENT

Nationally, employment grew by 0.6% over the March 2018 quarter (annual growth of 3.3%), with approximately 68,000 new jobs created since December 2017. The average number of people employed monthly in NSW also increased by 0.7% over the quarter, from 3.93 million to 3.96 million employed. Over the 12 months to March 2018, NSW employment levels increased by 3.7%.

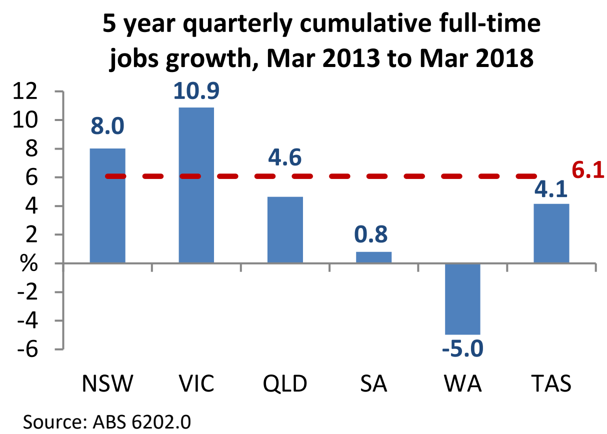
Number of persons employed ('000), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-17	3,847	3,195	2,401	823	1,322	244	138	221	12,191
Sep-17	3,888	3,217	2,437	827	1,334	246	134	225	12,305
Dec-17	3,929	3,238	2,461	830	1,339	246	135	229	12,402
Mar-18	3,956	3,253	2,475	836	1,338	247	137	229	12,471
Source: ABS, Labour Force, Australia, Cat. No. 6202.0, March 2018									

Australia experienced its 15th straight month of employment growth, which is further strengthened by a low unemployment rate (see next chapter).

Nevertheless, this growth was a result in growth in part-time employment, which saw a 1.1% increase over the March 2018 quarter compared to a 0.3% increase in full time employment. This continues a longer term trend in which part-time work has grown faster than full-time work; in the five years to March 2018 part-time employment grew by 14.3%, while full-time employment experienced an initial decline before growing by a smaller cumulative rate of 6.1% over the five year period (see right).

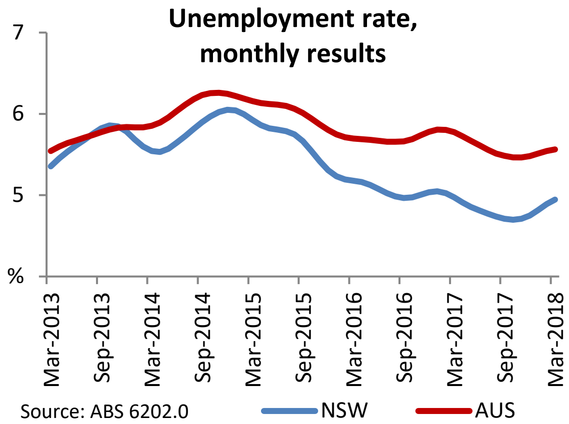


However, compared to national trends NSW has experienced an increase in cumulative full-time employment growth. Between March 2013 and March 2018, there was an 8.0% cumulative increase in full-time work in NSW: well above the national average of 6.1% and second only to Victoria's 10.9% increase (see right).



UNEMPLOYMENT

In NSW, the average unemployment rate over the March 2018 quarter rose by 0.2% to 4.9%. Nevertheless, the State's unemployment rate remains 1.1% lower than the 6.0% peak seen in the March 2015 quarter, and 0.6% below the national unemployment rate of 5.5% (see right).

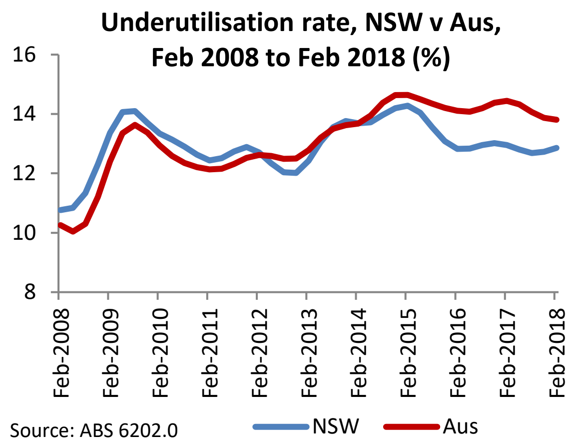


As at March 2018, NSW has the second lowest quarterly unemployment rate in Australia. Only by the NT (4.0%) and the ACT (4.1%) have better unemployment rates. Western Australia recorded the highest quarterly unemployment rate (6.2%), and also recorded the largest increase in unemployment over the quarter (+0.3%).

Unemployment rate (%), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-17	4.9	6.1	6.2	6.5	5.7	5.9	3.3	3.9	5.7
Sep-17	4.7	6.0	6.0	6.0	5.7	5.9	3.9	4.0	5.5
Dec-17	4.7	5.7	5.9	5.9	5.9	5.9	4.3	4.0	5.5
Mar-18	4.9	5.5	6.0	6.0	6.2	5.9	4.0	4.1	5.5
Source: ABS, Labour Force, Australia, Cat No. 6202.0, March 2018									

Underutilisation

The underutilisation rate[17] for Australia fell over the quarter to February 2018 by 0.1% to 13.8%, while the NSW rate increased by 0.2% to 12.9%: still lower than the national figure (see right). These rates remain higher than the decade low[18] of 10.8% in NSW and 10.0% across Australia. Nevertheless, the current NSW underutilisation rate is lower than the peak of 14.3% reported in February 2015: a result of the State's falling unemployment rate over this period.

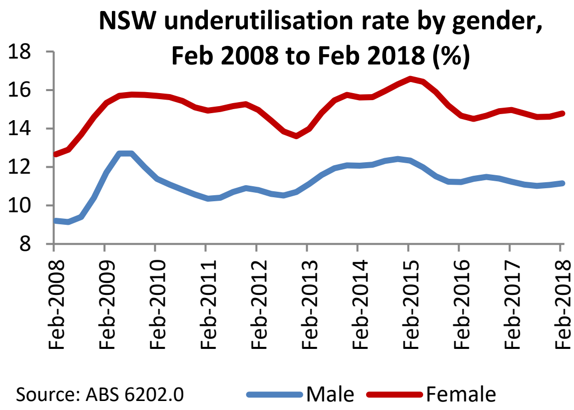


[17] The sum of the number of unemployed and underemployed persons expressed as a proportion of the labour force.

[18] Reported in May 2008.

Underutilisation rates also differ by gender (see right), with NSW women more likely to either be unemployed or underemployed (14.8%) compared to men (11.2%).

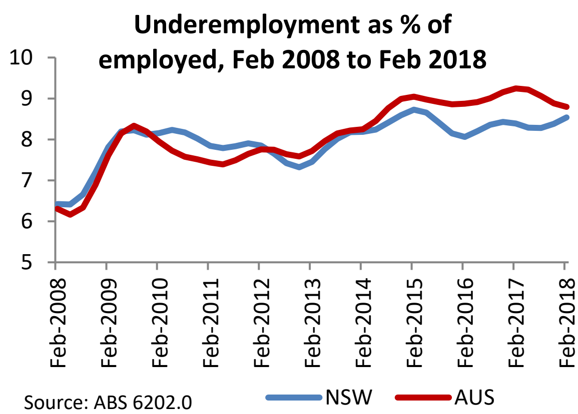
However, as with the overall NSW underutilisation rate, the rates for NSW males and females were both lower than their national averages of 15.8% and 12.1% respectively.



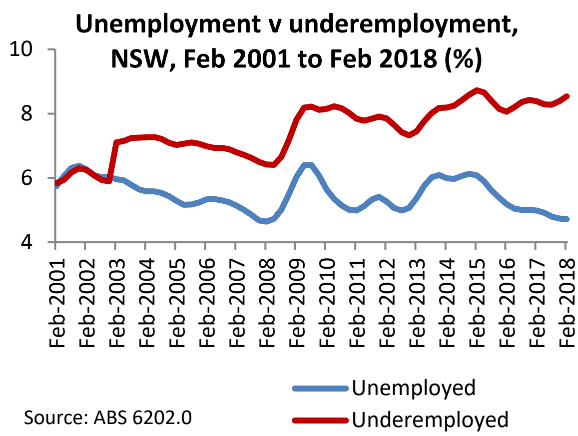
Underutilisation rate (%), quarterly average						
	NSW			Australia		
	Male	*Female*	*Persons*	*Male*	*Female*	*Persons*
May-2017	11.1	14.8	12.8	12.4	16.5	14.3
Aug-2017	11.0	14.6	12.7	12.2	16.2	14.1
Nov-2017	11.1	14.6	12.7	12.1	15.9	13.9
Feb-2018	11.2	14.8	12.9	12.1	15.8	13.8
Source: ABS, Labour Force, Australia, Cat No. 6202.0, March 2018						

Underemployment

This ongoing fall notwithstanding, underutilisation rates have increased primarily as a result of greater levels of underemployment—the proportion of employees aged over 15 who want, and are available for more hours of work than they currently have—as opposed to rises in the unemployment rate.



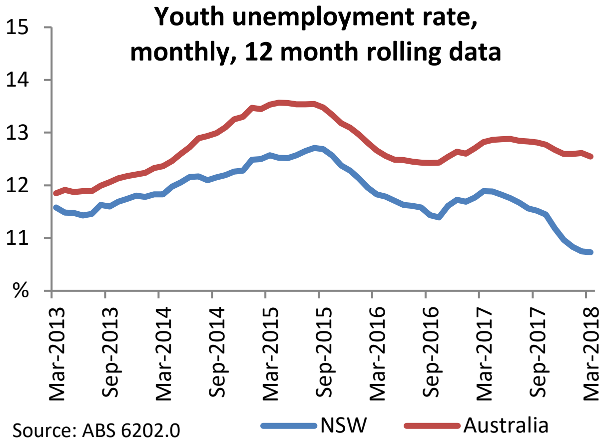
Between February 2008 and February 2018, the NSW underemployment rate increased from a May 2008 low of 6.4% to the current rate of 8.5%. Australian underemployment also increased over the decade, rising from a low of 6.2% in May 2008 to 8.8% today (see above right).



ABS data shows that while the NSW unemployment and underemployment rates were similar in February 2001 (5.7% and 5.8% respectively), as of February 2018 the unemployment rate has fallen to 4.7%, while the underemployment rate has increased to 8.5% (see right).

YOUTH UNEMPLOYMENT

The youth unemployment rate is highly cyclical because of the significance of casual and part-time employment in this age group (15-24). Accordingly, both monthly and quarterly youth unemployment figures are presented as 12 month rolling averages: this is the same methodology used on the NSW Parliamentary Research Service's *Regional labour force trends and NSW electorates* publication.[19]



Youth unemployment rate (%), 12 month rolling quarterly average									
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**	**AUS**
Jun-17	11.8	13.3	13.5	15.4	12.7	14.9	7.8	10.7	12.9
Sep-17	11.6	13.2	13.3	16.2	13.1	14.4	7.7	10.8	12.8
Dec-17	11.2	13.1	13.1	16.2	13.5	13.7	8.1	10.5	12.7
Mar-18	10.8	13.1	13.3	15.7	13.6	14.0	8.9	10.8	12.6
Source: ABS, Labour Force, Australia, Cat No. 6202.0, March 2018									

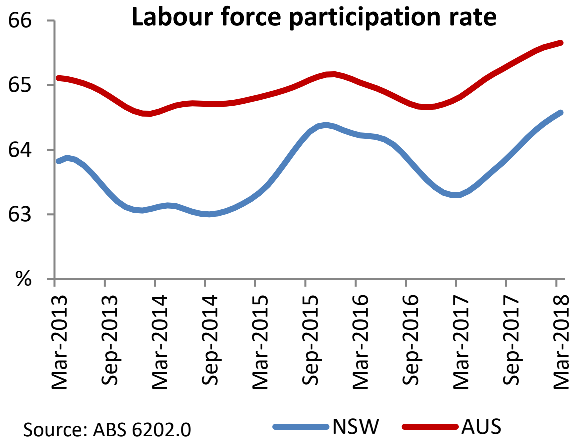
As of the March 2018 quarter, NSW had a 12 monthly rolling average youth unemployment rate of 10.8% (see table and chart above). This was 1.8% below both the national average (12.6%) and the five year peak recorded for NSW in September 2015 (12.7%), and has declined over the past 12 months (see above table).

The NSW result was the second lowest of all States and Territories after the Northern Territory (8.9%), which recorded a 0.8% increase in its youth unemployment rate over the latest quarter. South Australia has the highest youth unemployment rate of 15.7%, followed by Tasmania with 14.0%.

[19] Following the methodology used by the Commonwealth Department of Employment: see Department of Employment, *Labour Market Information Portal*, 7 July 2017 [website – accessed 28 July 2017].

LABOUR FORCE PARTICIPATION

Over the March 2018 quarter, the NSW labour force participation rate rose by 0.3% to 64.5%: 1.1% below the Australian average of 65.6% (see right).

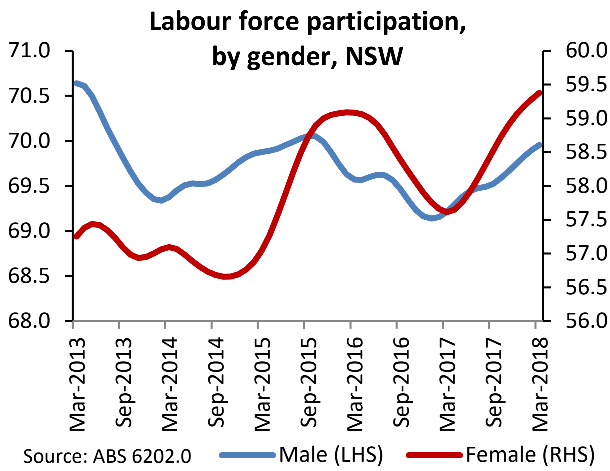


Only Tasmania and South Australia had lower participation rates than NSW (61.1% and 62.7% respectively), while the Northern Territory had the highest participation rate (76.2%).

Labour force participation rate (%), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-17	63.5	66.1	65.0	62.3	67.6	60.8	76.1	70.4	65.0
Sep-17	63.8	66.2	65.6	62.1	68.0	61.1	74.5	71.3	65.2
Dec-17	64.2	66.1	65.9	62.2	68.3	61.0	75.4	72.3	65.5
Mar-18	64.5	65.8	66.1	62.7	68.4	61.1	76.2	72.3	65.6
Source: ABS, Labour Force, Australia, Cat No. 6202.0, March 2018									

In NSW, the male participation rate has generally declined over the past five years. Since reaching a low of 69.1% in January 2017, the participation rate has steadily increased to 70.0% as at March 2018 (see below).

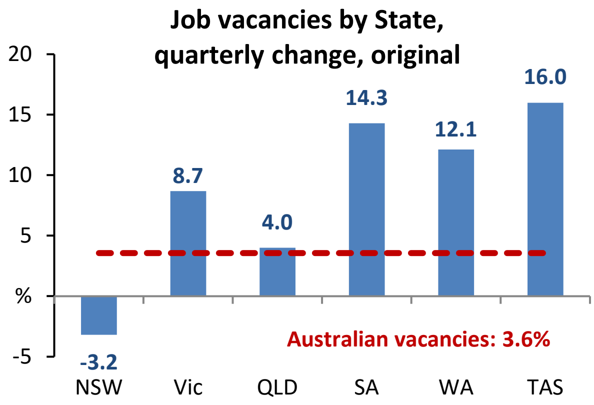
The female participation rate dipped to 57.6% in March 2017, but has since recovered, having reached a record high of 59.4% in March 2018. However, both the NSW male and female participation rates are lower than the Australian average (70.9% and 60.6% respectively).



JOB VACANCIES

After a 6.4% rise in the November 2017 quarter, the number of NSW job vacancies fell in the February 2018 quarter by 3.2% to 78,900 (see right).

NSW was the only jurisdiction to record a decline in job vacancies, although this result is still 17.3% higher than the three year average (67,200).

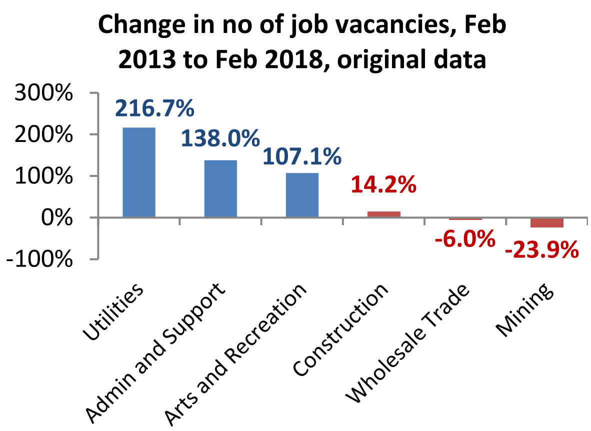


Source: ABS 6354.0

Number of job vacancies ('000), original									
	NSW	Vic	QLD	SA	WA	TAS	NT	ACT	AUS
May-2017	69.8	44.6	27.1	10.4	19.1	2.7	3.1	5.7	182.5
Aug-2017	76.6	55.9	35.0	9.1	19.3	2.5	3.8	6.2	208.4
Nov-2017	81.5	57.5	35.0	9.1	19.8	2.5	3.3	7.2	216.0
Feb-2018	78.9	62.5	36.4	10.4	22.2	2.9	3.7	6.7	223.7
Source: ABS, Job Vacancies, Australia, Cat No. 6354.0, March 2018									

Nationally, the number of job vacancies increased for the 18th consecutive quarter in February 2018 to reach 223,700. This trend is continuing to surpass the previous record of 13 quarters set between November 1991 and November 1994.[20]

Over the past five years the number of vacancies in the Electricity, Gas, Water and Waste Services sector has increased by 216.7% (see right – Utilities). However, in line with broader economic trends at the national level,[21] the services sector has experienced the majority of the increase since February 2013. These industries include Administrative and Support Services (+138.0%); Arts and Recreation Services (+107.1%); Public Administration and Safety (90.4%); and Information Media and Telecommunications (75.0%).



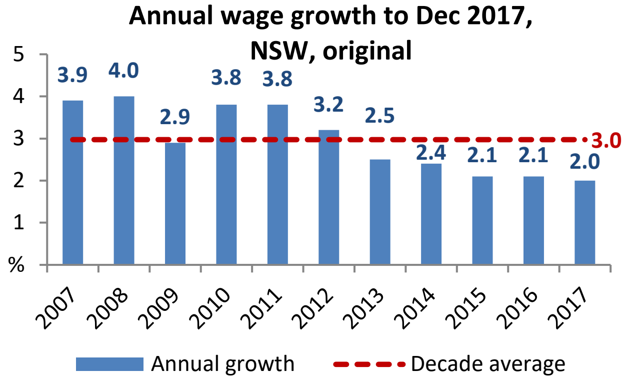
Source: ABS 6354.0

[20] Jericho G, The latest job vacancy figures should be good news, but consumers don't agree, *The Guardian*, 4 April 2017.

[21] See Angus C, *NSW Economic Update: Winter 2016*, NSW Parliamentary Research Service, SI 3/2016, July 2016, p 19; Angus C, *Future workforce trends in NSW: Emerging technologies and their potential impact*, NSW Parliamentary Research Service, Briefing Paper 13/2015, December 2015, Ch 4.

WAGES

The Wage Price Index for NSW increased by 0.3% over the December 2017 quarter: the lowest increase recorded since December 2015. For the year to September 2017 NSW also recorded its lowest annual wage growth rate (2.0%): 0.9% below the decade average of 3.0% (see right).



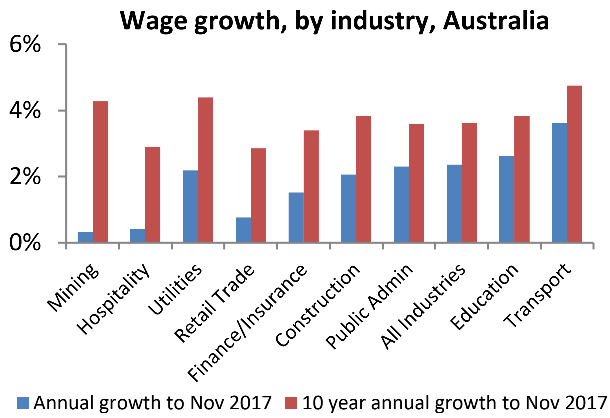
Source: ABS 6345.0

According to the ABS, the national Wage Price Index rose by 2.1% over the year to December 2017. This result is just above the record low wages growth of 1.9% recorded between September 2016 and June 2017.

ABS figures for average adult weekly full-time earnings (ordinary time) in NSW show a 2.1% increase in wages over the six months to September 2017,[22] with wages increasing from $1,550 to $1,583. This was the highest increase of all jurisdictions, followed by Queensland (1.6%) and the ACT (1.5%). However, NSW continues to rank fourth of all States and Territories in terms of highest average weekly earnings (see below).

Average adult weekly fulltime earnings ($), ordinary time, original								
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**ACT**
May-2016	1538.40	1459.10	1462.00	1415.20	1700.90	1334.90	1579.20	1727.30
Nov-2016	1537.30	1493.10	1479.80	1442.40	1703.10	1344.60	1624.70	1746.50
May-2017	1550.10	1511.70	1499.80	1447.50	1717.00	1352.70	1626.40	1775.00
Nov-2017	1582.80	1519.60	1524.10	1441.20	1740.90	1355.60	1642.70	1801.30
Source: ABS, Average weekly earnings, Australia, Cat No. 6302.0, November 2017								

Weak national wages growth has affected the majority of Australian industry sectors (see right). Across many sectors annual wage growth to September 2017 has been well below their respective 10 year averages. For example, annual wage growth for the mining sector rose by 0.3% over the 12 months to September 2017, compared to a decade average annual growth rate of 4.3% (a -4.0% difference).



Source: ABS 6302.0

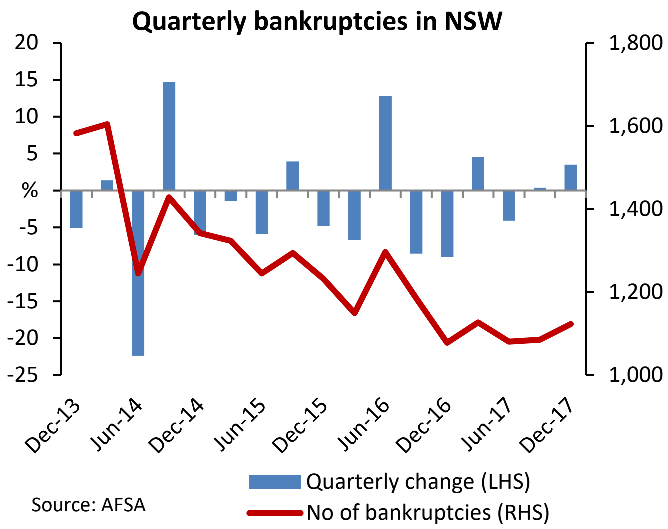
22 The latest available figures.

Other sectors also saw annual wage growth lower than their decade average, including hospitality (-2.5% below average), utilities (-2.2%) and retail trade (-2.1%). Nevertheless, some areas have seen higher than average growth, such as administrative and support services (3.4% above the decade average) and real estate services (1.8%).

BANKRUPTCIES

Overall, bankruptcies in NSW have trended down in recent years and are 16.3% lower than they were in 2014. However, over the December 2017 quarter, the number of NSW bankruptcies rose slightly by 3.5%, from 1,085 to 1,123 (see right).

NSW experienced the second highest quarterly increase of all jurisdictions after the ACT (17.0%), although the Territory has substantially smaller populations than other States (see table below).



The Northern Territory saw the largest quarterly fall in bankruptcies (-31.7%, although it is also a jurisdiction with a small population), followed by Queensland (-10.9%) and South Australia (-9.1%).

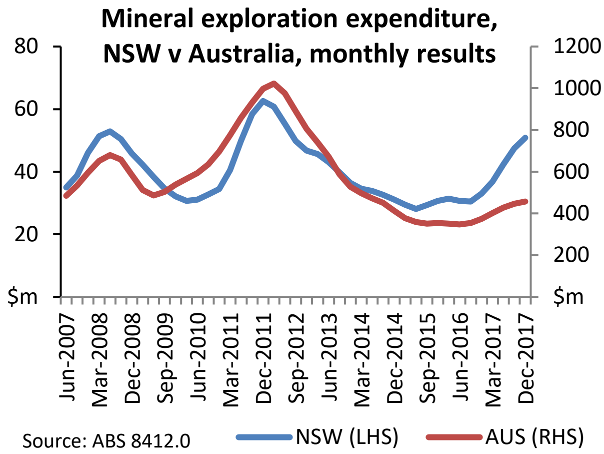
Bankruptcies per quarter (Parts IV and XI of the *Bankruptcy Act 1966* (Cth))

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-17	1,127	836	1,295	305	470	108	26	58
Jun-17	1,081	765	1,117	282	475	97	32	39
Sep-17	1,085	837	1,297	298	480	122	41	47
Dec-17	1,123	776	1,155	271	471	116	28	55

Source: Australian Financial Security Authority, December 2017

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 considered to be the best proxy measure for the level of mining activity in NSW and Australia (see right).



NSW petroleum and mineral exploration expenditure increased by 6.9% over the quarter to December 2017. This follows a series of double digit increases over the previous three quarters. However, overall expenditure remains 18.8% below the previous high, recorded during the December 2011 reporting period.

Nationally, mining sector investment has declined during the decade, with mineral exploration expenditure down by 55.3% ($565.5m) since the last recorded peak (March 2012). A significant share of this decline is attributable to Western Australia: although WA increased its exploration expenditure over 2017, its expenditure has declined by 49.8% ($277.4m) since March 2012.

Mineral exploration expenditure ($m)								
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**NT**	**AUS**
Mar-2017	36.8	11.1	52.7	11.9	267.5	3.3	18.9	402.2
Jun-2017	42.3	13.6	58.4	12.0	276.2	4.4	20.9	427.8
Sep-2017	47.5	15.1	63.8	11.4	279.2	5.9	23.7	446.7
Dec-2017	50.8	15.6	66.8	10.7	280.1	7.3	25.9	457.1
Source: ABS, Mineral and Petroleum Exploration, Australia, Cat No. 8412.0, December 2017								

The RBA has commented in its February 2018 *Statement on Monetary Policy* that most of the decline in mining investment has now passed. Accordingly:

> …[c]ombined with ongoing growth in mining exports, this means that the mining sector should make a positive contribution to GDP growth over the next few years. The level of mining investment is expected to stabilise in the second half of 2018.[23]

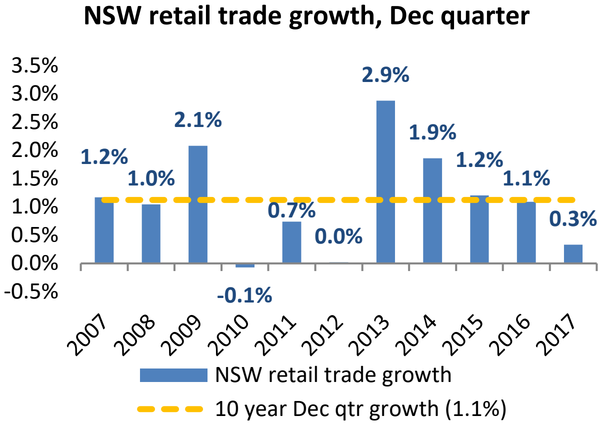
[23] Reserve Bank of Australia, *Statement on Monetary Policy*, February 2018, p 63.

TURNOVER OF RETAIL TRADE

NSW's retail growth in the December 2017 quarter grew by 0.3% to approximately $8.4 billion: the lowest growth rate since 2012 and below the 10 year average of 1.1% (see right).

The NSW figures were the fourth lowest of all jurisdictions after the ACT (-0.2%), WA (-0.3%) and the NT (-0.5%).

Turning to annual growth, NSW saw a 2.3% increase in retail trade over the 12 months to December 2017: the lowest State result since 2011 (see right). The NSW annual result ranked fourth of all jurisdictions after Victoria and SA (3.8%), and Tasmania (2.7%).



Source: ABS 8501.0

Source: ABS 8501.0

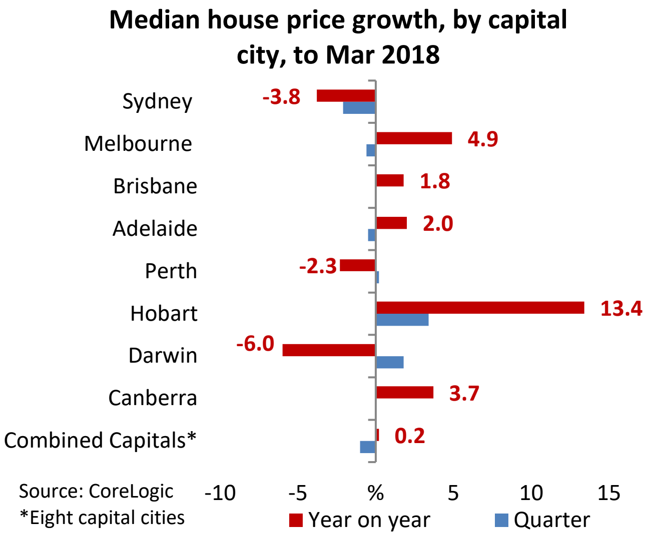
Turnover of retail trade ($m), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-17	8,302	6,504	5,155	1,686	2,839	511	261	475	25,733
Jun-17	8,378	6,581	5,167	1,702	2,844	517	261	479	25,927
Sep-17	8,411	6,613	5,174	1,708	2,833	519	261	478	25,997
Dec-17	8,438	6,694	5,196	1,729	2,824	522	259	477	26,140
Source: ABS, Retail Trade, Australia, Cat. No. 8501.0, February 2018									

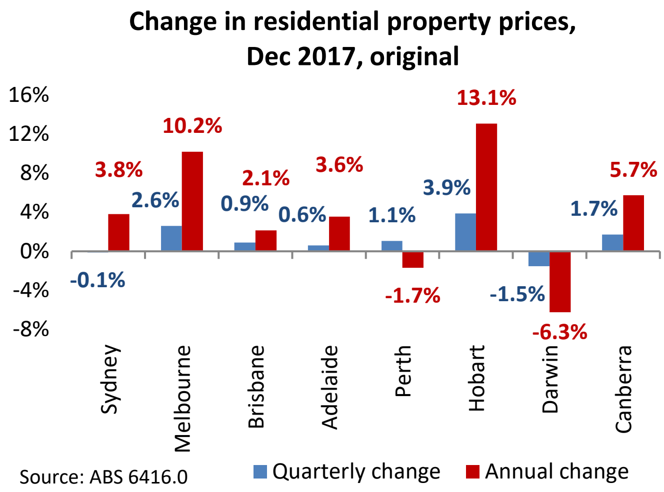
At the national level, St George Bank commented that retail spending growth was stronger in February. However, it cautioned that it was too early to call these results the beginning of a firmer trend, following weakness in the previous two months, combined with the ongoing issues of low wages growth and high levels of household debt.

HOUSE PRICES

According to CoreLogic, Sydney's median house price was $1.03m in March 2018. This follows a 2.1% decline over the quarter: the largest fall of all Australian cities. Over the year to March 2018, Sydney's house prices fell by 3.8%, second only to Darwin (-6.0%). However, Sydney's median house prices are still the nation's most expensive by over $200,000 (the next most expensive housing is Melbourne's, with a median house price of $828,720).

The ABS's Residential Property Price Index for Sydney[24] recorded a 0.1% fall over the December 2017 quarter (see right). Between December 2016 and 2017, the Sydney Index increased by 3.8%, the fourth highest growth rate after Hobart (13.1%), Melbourne (10.2%) and Canberra (5.7%). Over the year to December, the Index for Sydney's established houses rose by 3.5% (the fourth highest growth rate), while the attached dwellings index increased by 4.6% (the second highest growth rate).





House price indexes: eight capital cities, original									
	SYD	**MEL**	**BRIS**	**ADE**	**PER**	**HOB**	**DAR**	**CAN**	**Weighted Average**
Mar-2017	172.7	144.4	121.4	117.0	105.5	122.5	101.5	120.0	143.7
Jun-2017	176.6	148.7	122.1	117.9	104.7	124.7	100.1	121.5	146.5
Sep-2017	174.2	150.4	122.9	118.7	103.7	129.0	97.5	121.3	146.2
Dec-2017	174.0	154.3	124.0	119.4	104.8	134.0	96.0	123.4	147.6

Source: ABS, Residential Property Price Indexes: Eight Capital Cities, Cat. No. 6416.0, December 2017

CoreLogic has identified a number of trends that may define the Sydney housing market in 2018, including: falls in investor levels; an increase in first homebuyers; strong overseas migration rates into Sydney; and a move by developers away from high-rise construction towards medium density developments.

[24] Which measures price changes of residential dwelling stock.

DWELLING APPROVALS

Over the December 2017 quarter, the average monthly number of dwellings approved in NSW fell by 6.7%.On average, 5,708 approvals were made during each month of the quarter, compared to 6,120 approvals during the September 2017 quarter. Furthermore, the December results are 16.6% lower than the quarterly average approvals peak recorded during the June 2016 quarter (approximately 6,700 approvals per month).

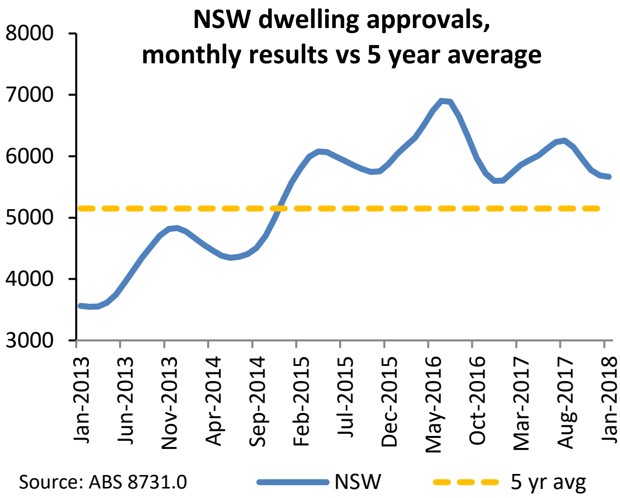
National dwelling approvals were, on average, down 0.5% for the December quarter. This result appears to have been affected by falls in approvals in NSW, WA (-6.2%) and SA (-4.6%).

Number of dwellings approved, quarterly average							
	NSW	**VIC**	**QLD**	**SA**	**WA**	**TAS**	**AUS**
Mar-17	5,841	5,409	3,486	960	1,630	198	17,927
Jun-17	6,122	5,222	3,632	1,025	1,628	208	18,368
Sep-17	6,120	5,974	3,476	1,043	1,651	240	18,980
Dec-17	5,708	6,612	3,520	994	1,548	250	18,881

Source: ABS, Building Approvals, Australia, Cat. No. 8731.0, February 2018

Dwelling approvals data is volatile on a monthly basis, mostly due to the ‘lumpy’ nature of unit and town house developments. On a trend basis, which takes into account the monthly variation, NSW building approvals remain at elevated levels.

While there has been a decline in approvals since mid-2017, as of December 2017, NSW approvals remained 15.5% higher than the five year average (see right).

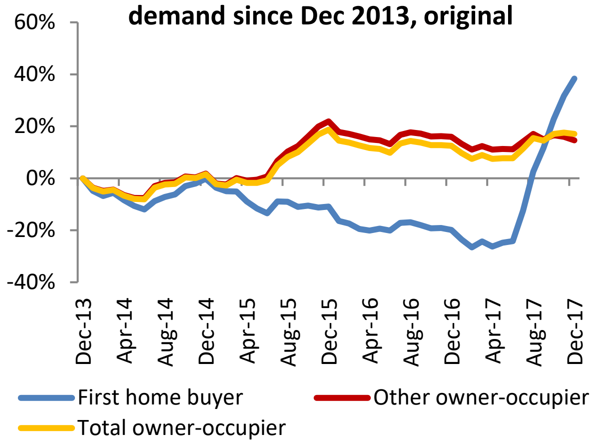


HOUSING FINANCE

The average number of owner-occupier (including first home owner) dwellings financed in NSW increased by 1.1% during the December 2017 quarter to approximately 17,963 per month. This increase is being sustained primarily as a result of first home buyers (FHB): this group saw a 10.9% increase in dwellings financed over the quarter, while non-FHBs recorded a 0.3% fall to December 2017. Nevertheless, this increase in FHB is smaller than that recorded during the previous two quarters (57.7% in September 2017 and 19.4% in June 2017).

Recent increases in FHB dwelling financing has led to a sharp jump in the level of FHB demand in the four years to December 2017. This followed an extended period where demand fell. Between December 2013 and December 2017, overall owner-occupier demand in NSW saw a cumulative increase of 17.1%. In contrast, FHB financing has surged from record lows to a 38.3% cumulative increase over this four year period (see right).

Cumulative change in owner-occupier demand since Dec 2013, original



Source: ABS 5609.0

It is yet to be seen whether these FHB finance results are indicative of a sustained recovery in FHB levels, or if they represent a temporary spike not unlike one experienced in late 2011 just before the last tranche of first home owner grants and concessions were abolished.[25]

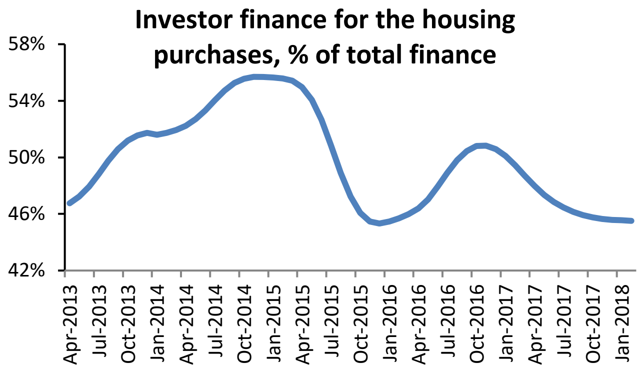
There remains the question of whether this increase means anything for FHB housing affordability; as noted in the previous Update, the RBA found that Sydney FHBs could only afford around 10 per cent of median priced homes sold in the city in 2016, compared to an average of one-third across Australia. Recent analysis by CoreLogic also suggests that FHB grants are pushing up prices for affordable houses in some markets.[26] Indeed, CoreLogic's Cameron Kusher has warned FHBs of possible financial pitfalls in the Sydney housing market:

> While [reduced demand from investors] may be some long overdue good news for potential first home buyers, they should continue to exercise caution, particularly in Sydney and Melbourne where housing values peaked last year and affordability constraints are more severe relative to other cities.

[25] Angus C, *Demand, deposits, debt: Housing affordability in Sydney*, NSW Parliamentary Research Service, Briefing Paper 1/2017, March 2017, p 65.

[26] Redman E, Grants inflate prices in 'affordable' areas as first-timers flood the market, *The Australian*, 23 April 2018; Kusher C, The Share Of Purchases By First Home Buyers Has Lifted, *CoreLogic*. 23 April 2018.

Following a renewed increase in investor housing finance in late 2016, investor finance as a share of total housing finance declined over the course of 2017. Over the three months to February 2018, investor finance declined by 0.1% to total 45.5% of total housing finance. This represents a 3.9% fall compared to a year earlier, and is 10.2% below the December 2014 peak (see right).



Source: ABS 5609.0

The two falls in the chart above came after the Australian Prudential Regulation Authority (APRA) introduced successive restrictions on bank lending: the first, in December 2014, limited annual growth of investor lending by banks to a rate of 10 per cent, while the second, in March 2017, limited the flow of new interest-only lending to 30 per cent of total new residential mortgage lending, alongside additional restrictions on loan-to-value ratios.

In its April 2018 *Financial Stability Review*, the RBA commented that these prudential measures have led to a general strengthening in lending standards, and have reduced the build-up of macro-financial concerns for the Australian economy. However, although noting that the impact was unlikely to be widespread, the RBA nevertheless expressed concern over high levels of household debt in Australia:

> The ratio of total household debt to income has increased by almost 30 percentage points over the past five years to almost 190 per cent, after having been broadly unchanged for close to a decade … While Australia's high level of household indebtedness increases the risk that some households might experience financial stress in the event of a negative shock, most indicators of aggregate household financial stress currently remain fairly low (notwithstanding some areas of concern, particularly in mining regions).[27]

The RBA was particularly concerned about interest-only (IO) loans due to be converted to principal and interest (P&I) loans as part of APRA's prudential requirements:

> Much of the large stock of IO loans are due to convert to P&I loans between 2018 and 2021, with loans with expiring IO periods estimated to average around $120 billion per year or, in total, around 30 per cent of the current stock of outstanding mortgage credit. The step-up in mortgage payments when the IO period ends can be in the range of 30 to 40 per cent, even after factoring in the typically lower interest rates charged on P&I loans. … The most vulnerable borrowers would likely be owner-occupiers that still have a high LVR and who might find it more difficult to refinance or resolve their situation by selling the property.[28]

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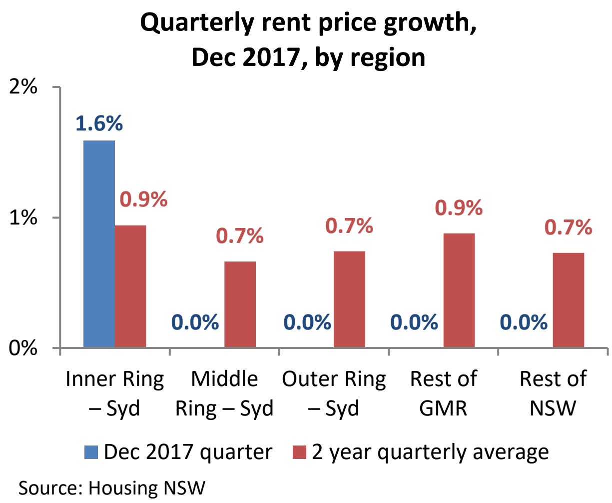
[27] Reserve Bank of Australia, *Financial Stability Review*, April 2018, p 20.
[28] Ibid p 22-23.

RENT

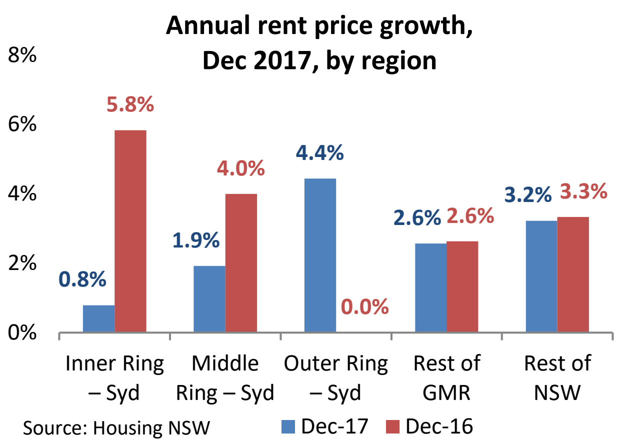
After a 3.1% decline in rents over the September 2017 quarter, rents in Sydney's Inner Ring[29] suburbs increased by 1.6% in the December 2017 quarter. This growth was higher than the region's two year quarterly average growth rate (0.9%). Average rents for the State increased by 1.1% over the quarter, but all other regions recorded no change in rents over the quarter (see right).



Median weekly rents by NSW region ($), all dwellings & all bedroom numbers							
	Greater Sydney	**Sydney – Inner Ring**	**Sydney – Middle Ring**	**Sydney – Outer Ring**	**Rest of GMR***	**Rest of NSW**	**NSW total**
Mar-17	530	620	530	460	390	320	460
Jun-17	540	650	540	460	400	320	470
Sep-17	535	630	530	470	400	320	470
Dec-17	530	640	530	470	400	320	475
Source: Housing NSW, Rent and Sales Reports, December Quarter 2017							

*Greater Metropolitan Region

On an annual basis, rental growth remains highest in Sydney's Outer Ring region, increasing by 4.4% in 2017. In comparison, no growth occurred in this region in the 12 months to December 2016. In general, rents in other NSW regions increased by smaller amounts in 2017 than in 2016 (see right).



Nevertheless, the available research shows that current rent levels remain beyond the financial capacity of disadvantaged residents. Anglicare Australia's *2018 Rental Affordability Snapshot* reported that Sydney in particular offered no affordable and suitable properties for any household type, apart from couples who both earned the minimum wage (who could only afford to rent 4.0% of available properties).

[29] For a definition of this and the other regions used by Housing NSW, see: Angus C, *Demand, deposits, debt: Housing affordability in Sydney*, NSW Parliamentary Research Service, Briefing Paper 1/2017, March 2017, p 15.

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.

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 (GDP): 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.

Original estimates: Original collected data containing seasonal patterns, residual noise and irregular influences.

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.

Spare capacity: The balance of demand for goods and services relative to the economy’s potential to produce them. In the labour market, a key indicator of spare capacity is the unemployment rate, but a range of other factors also play a significant role.

State Final Demand: A proxy for economic growth that 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.

Trade weighted index: The weighted average value of the Australian dollar in relation to the currencies of Australia's trading partners.

Trend estimates: A smoothed seasonally adjusted series of estimates.

Underutilisation rate: The sum of the number of persons unemployed and the number of persons in underemployment, expressed as a proportion of the labour force.

Underemployment rate: The number of underemployed workers expressed as a percentage of total employed persons.

Underemployed workers: Employed persons aged 15 years and over who want, and are available for, more hours of work than they currently have.

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: 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.