

September 2018 | 04

BCEC

Bankwest Curtin Economics Centre

bankwest



Curtin University



A lone fisherman standing on beach during a beautiful Summer day at Little Beach, Two Peoples Bay, Albany, Western Australia

BCEC Quarterly Economic Commentary

Providing quarterly updates and expert commentary and analysis around economic and social indicators for WA.

Authored by Professor Alan Duncan, Dr Daniel Kiely and Dr Silvia Salazar

Professor Alan Duncan



Like the soaring Eagles, can the wings of the WA economy be unclipped?

Economic activity, as measured by state final demand (SFD), was down by 0.4% in the quarter to June 2018, driven by declines in business and public investment, with weak private consumption growth and growth in public consumption insufficient to offset the latter. While there were some positive signs that declines in business investment in WA had bottomed out in the middle of 2017, the last three quarters have returned to negative business investment growth. This is driven by a return to large falls in non-dwelling construction - the main contributing factor to the 'boom years', with the latter now at its lowest level since September 2006.

Declines in business investment have contributed to a changing WA labour market, which in turn has led to lower population and wage growth. These elements are keeping the WA economy grounded. As WA continues working towards building a more diversified economy, a turn in business investment may provide the required breeze, with the recently announced investments in the Pilbara a welcome sight.

With the AFL season now behind us, all eyes now turn to the cricket season and the release of the Gross State Product (GSP) data in November. The latter is the most comprehensive measure of the performance of the WA economy, and sent shockwaves through the WA community with negative growth of -2.7% recorded in the year to June 2017. Improvements in SFD in the year to June 2018 coupled with a strong export sector do show signs of a return to positive GSP growth to June 2018.

Twitter: @Alan_S_Dunc

Email: alan.duncan@curtin.edu.au

Dr Silvia Salazar



Difficult times for retail trade. But, will the Federal Government's income tax light shine through?

Household consumption is a key component of WA's economic growth, comprising more than 50% of State Final Demand and around 40% of Gross State Product. The latest June quarter figures show WA household consumption remains positive, but only just, growing by 0.1% since March 2018. Nationally, household consumption growth during this same period has measured a reasonably strong 0.7%. This low household consumption pattern is linked to the weakness we are also seeing in the WA labour market, which is currently being held up by part-time jobs. The labour market will need to pick up notably if we are to see any gains in this indicator over the coming quarters.

Although wage growth in WA during the last year has been moderate (+1.5%), Perth CPI has increased at an even lower rate (+1.1). All else equal, this should translate into higher household consumption and in turn higher retail turnover, with the latter reporting negative growth over the last four quarters. Whether the recently announced Federal Government income tax cuts, and the mild real wage increase are enough to further foster the WA economy remains to be seen. We are likely to see an early start to the Christmas retail marketing campaigns, in an attempt to encourage consumers to part company with any additional income they may have.

Twitter: @BankwestCurtin

Email: silvia.salazar@curtin.edu.au

Dr Daniel Kiely



Feature: Building Better Business in the Mid West

The Mid West region covers over one fifth of WA's land area, and has a diverse economy with mining, agriculture and fishing and tourism being major cornerstones. However, the Mid West community is suffering on the back of a slowdown in the overall state economy. Coupled with the net loss of 400 small businesses, between 2011 and 2016, employment in the Mid West fell by -6.6% to 23,300 people. This was primarily driven by a decline in employment in the construction (-25%), manufacturing (-39%) and Mining (-14%) sectors.

Declines in employment have contributed to stagnant population growth, with the population remaining at 54,000 people between 2011 and 2016. The age composition has changed substantially however, with an ageing population contributing to an increase in employment in the health care sector (+10%). The youth population has declined, and for those youth that remain in the Mid West, employment prospects have deteriorated, with youth unemployment increasing from 10% in 2011 to 14.8% in 2016.

BCEC research shows that some of the factors required to 'build better business' in the Mid West include improvements to digital infrastructure, additional support for small business owners who experience high levels of stress, and comprehensive succession plans as owners transition to retirement. Better business will in turn help to reduce youth unemployment, with additional employment opportunities also going towards population growth.

Twitter: @Daniel_F_Kiely

Email: daniel.kiely@curtin.edu.au



WA ECONOMIC OVERVIEW



How is our economy doing?

GSP \Downarrow 2.7%

Year-on-year change (June 2017)

SFD \Downarrow 0.4%

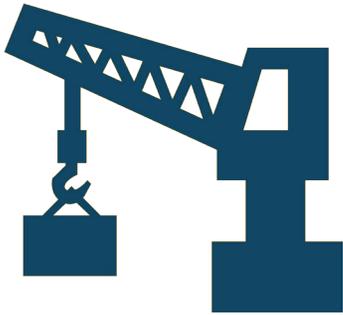
Quarter-on-quarter change (June 2018)



Business Investment

\Downarrow 2.9%

Quarter-on-quarter change (June 2018)



Construction Work

\Downarrow 1.3%

Quarter-on-quarter change (June 2018)



Housing Finance Commitments

\Downarrow 11.7%

Year-on-year change (July 2018)



Household Consumption

\Uparrow 0.1%

Quarter-on-quarter change (June 2018)

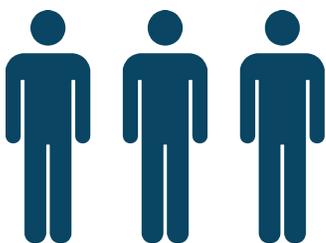


Inflation and Cost of Living

CPI \Uparrow 0.2%

WPI \Uparrow 0.3%

Quarter-on-quarter change (June 2018)



Population Change

\Uparrow 0.3%

Quarter-on-quarter change (March 2018)



Labour Market

Unemployment Rate

\Uparrow 0.9ppt

Employed Persons

\Uparrow 1.0%

Year-on-Year change (August 2018)

ECONOMIC GROWTH



How is our economy doing?

GSP **⇩ 2.7%**
Year-on-year change (June 2017)

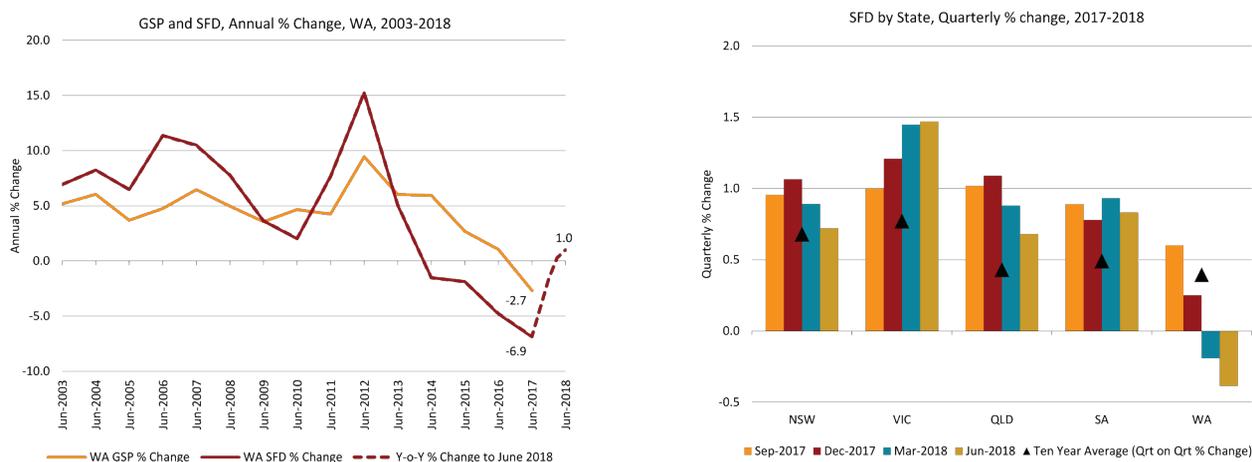
Gross State Product and State Final Demand

Since experiencing growth of 15.2% in State Final Demand (SFD) in the year to June 2012, followed by growth of 5.0% in the year to June 2013, in trend terms WA saw four consecutive years of negative growth in SFD between 2014 and 2017. Therefore, growth of 1.0% in the year to June 2018 is a welcome sight (Figure 1, LHS). In real terms, annual SFD (trend) now stands at \$204bn, the highest recorded since December 2016, but remains well below the peak of \$237bn recorded in March 2013.

While the most recent figures point to an optimistic projection, looking at SFD on a quarter-on-quarter basis reiterates that the WA economy remains fragile. The majority of the positive annual growth in SFD can be attributed to the September and December 2017 quarters, with growth in SFD over the last two quarters (March and June 2018) reporting -0.2 and -0.4%, respectively (Figure 1, RHS). In fact, WA is the only state to record negative SFD growth over the last two quarters, with only the NT doing worse (Figure 2).

We await the annual Gross State Product (GSP) data release towards the end of November with some eagerness. As noted in previous BCEC commentaries, GSP is the most comprehensive indicator of the economic value of goods and services produced within the State. Negative GSP growth of -2.7% sent shock waves through the WA community last year. Positive SFD growth over the last 12 months, and the addition of what should be a strong export economy, should see a return to positive GSP growth for June 2018. All eyes will now turn to the November data release.

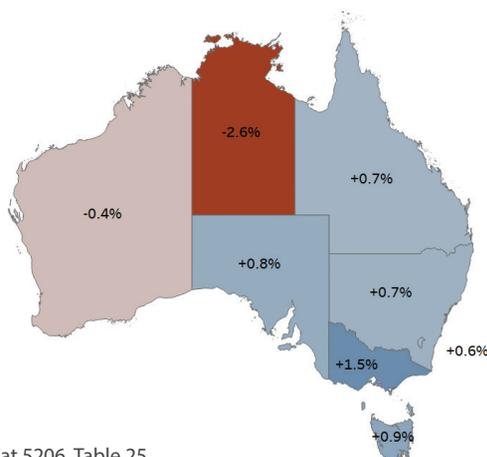
Figure 1: Gross State Product and State Final Demand, WA, 2003 to 2018



Notes: Chain volume; Reference year is 2015/16.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5220, Table 6; ABS Cat 5206, Table 25.

Figure 2: State Final Demand, Australian states and territories, June 2018



Notes: Chain Volume; Trend; Quarter-on-quarter percentage change.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5206, Table 25.



How is our economy doing?

SFD **⇩ 0.4%**

Quarter-on-quarter change (June 2018)

Components of State Final Demand

Table 1 shows the quarterly percentage change in the key components of SFD for the five most populous states. For Australia, Gross National Expenditure (GNE) increased by 0.8% in the quarter to June 2018, slightly down from the March quarter, which registered a 1.0% improvement.

While the WA State Government continues to show fiscal constraint, this is not as severe as it has been in previous quarters. General government consumption expenditure increased by 0.8% in the quarter to June 2018, slightly below the State's ten year average of 0.9%. Growth in general government consumption for WA over the June quarter is higher compared with SA and Qld. Increases in general government expenditure for the June quarter were highest for Vic (+1.6%) and NSW (+1.5%), which was also the case for the March quarter.

Household consumption expenditure constitutes more than 53% of WA's State Final Demand, and while positive growth has been recorded in the most recent June quarter (+0.1%), it is the lowest growth recorded since December 2016. This is discussed in more detail later in this release.

Expenditure on both private (-2.2%) and public (-1.5%) capital formation continue to be a drag on WA's State Final Demand, with both components recording negative growth. Growth in the components of final consumption expenditure were not large enough to offset these patterns.

Table 1: Components of State Final Demand by state and territory, quarterly percentage change, June 2018

| Components State | NSW | VIC | QLD | SA | WA | AUS |
|--------------------------------------|-------------------|------|------|------|------|------|
| | Percentage Change | | | | | |
| State Final Demand | +0.7 | +1.5 | +0.7 | +0.8 | -0.4 | +0.8 |
| Final consumption expenditure | | | | | | |
| General government | +1.5 | +1.6 | +0.7 | +0.4 | +0.8 | +1.3 |
| Households | +0.8 | +0.9 | +0.6 | +0.5 | +0.1 | +0.7 |
| Gross fixed capital formation | | | | | | |
| Private | +0.4 | +1.9 | +0.5 | +3.8 | -2.2 | +0.5 |
| Public | -1.4 | +3.5 | +1.1 | -4.4 | -1.5 | +0.0 |

Notes: Chain Volume; Trend; Australia data refers to Gross National Expenditure and its various components.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5206, Table 2 and Table 25.

BUSINESS INVESTMENT



Business Investment

2.9%

Quarter-on-quarter change (June 2018)

Business Investment

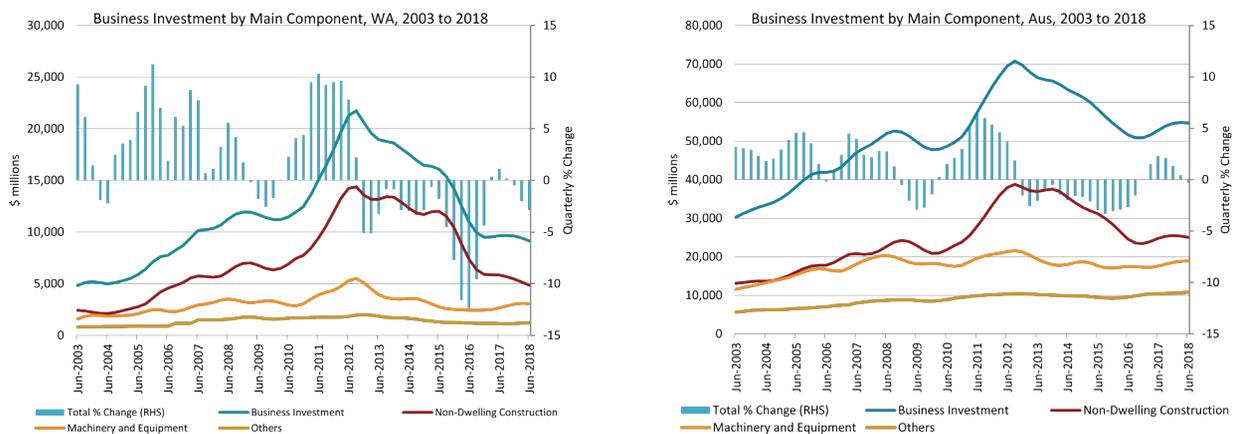
As discussed in previous BCEC QEC releases, changes in business investment in WA have typically been more variable than national trends. The downturn in business investment was especially noticeable between 2015 and 2016, where investment was falling each quarter by between -5% and -10%. Nationally, business investment was also falling during this period, but declines never went south of -5%.

While there were some positive signs that declines in business investment in WA had bottomed out in the middle of 2017, the last three quarters have again returned to negative business investment growth, the most sizeable of -2.9% for the most recent June quarter. This is driven by a return to large falls in non-dwelling construction (the main contributing factor to the 'boom years'). In fact, since December 2012, non-dwelling construction has declined, quarter-on-quarter, by an average of -4.5%. While such declines had eased (averaging -1.95% in the four quarters of 2017), they have returned to over -5.5% for both 2018 quarters for which data is currently available. Non-dwelling construction levels are now at their lowest level since that reported in September 2006.

For WA, investment in machinery and equipment also declined by -0.5%, with growth of 3.1% in the much smaller 'others' component of business investment being insufficient to offset an overall decline in business investment.

Business investment nationally was also down (-0.3%), although much smaller than that reported for WA (-2.9%). Nationally, non-dwelling investment was down -1.4% with machinery and equipment and others seeing positive growth of +0.5% and +1.1% respectively.

Figure 3: Business Investment, WA and Australia, quarterly, 2003 to 2018



Notes: Chain volume; Trend. Business investment is Private Gross Fixed Capital Formation, excluding Dwellings and Ownership transfer costs. Others includes Intellectual Property products and Cultivated biological resources.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5206, Table 2 and Table 30.

CONSUMER SPENDING



Household Consumption

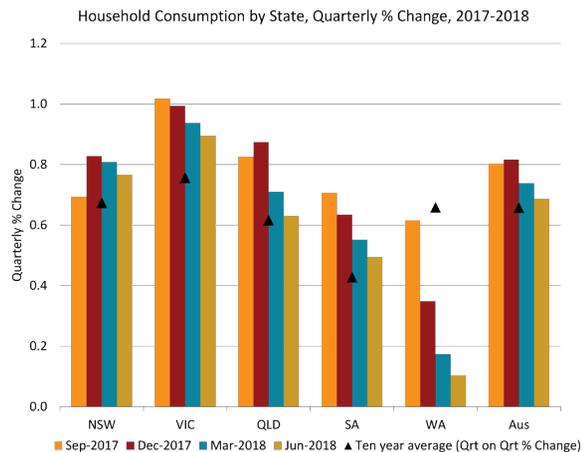
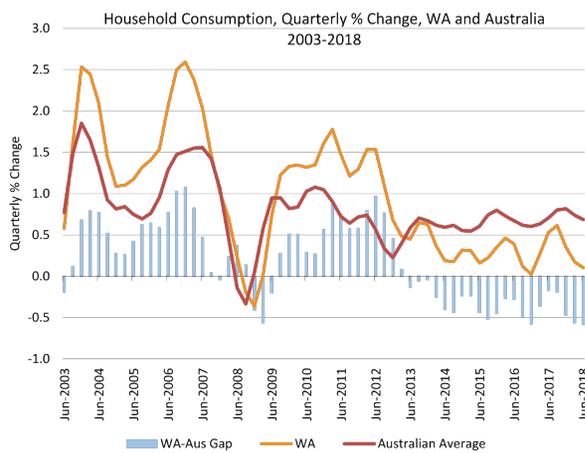
↑↑ 0.1%
Quarter-on-quarter change (June 2018)

Household Consumption

Household consumption is a key component of WA's economic growth, comprising more than 50% of State Final Demand and around 40% of Gross State Product. The latest June quarter figures show WA household consumption growth remains positive, but only just, growing by +0.1% since March 2018. Nationally, household consumption growth during this same period has measured a reasonably strong +0.7%.

The gap between WA and other states is noticeable. WA recorded the weakest household consumption growth of all states over the last four quarters (Figure 4, RHS), well below its closest neighbour SA, its mining cousin Qld, and the two most populous states Vic and NSW. In fact, March 2013 was the last time the WA-Aus gap in household consumption growth reported positive (Figure 4, LHS). These weak household consumption patterns are linked with the weakness we are also seeing in the WA labour market, which is currently being held up by part-time job offers as shown in our August [BCEC Monthly Labour Market Update](#). Weak population growth is also playing a role and although consumer confidence has been rising, both the labour market and population growth will need to pick up notably if we are to see any gains in this indicator over the coming quarters.

Figure 4: Household Consumption Growth, WA and Australia, 2003 to 2018



Notes: Chain volume, Trend.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5206, Table 25.

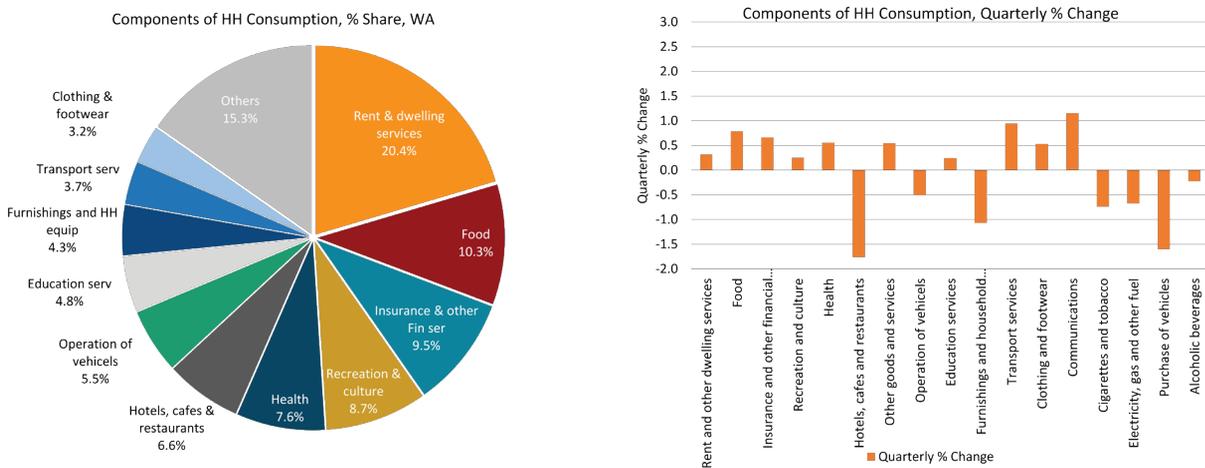
CONSUMER SPENDING

Components of Household Consumption

Components of household consumption and their relative weight and growth reveal more information about where consumption is receding. The growth for these components to June 2018 are displayed in Figure 5 (RHS), ranked in order of share (shares are displayed in Figure 5, LHS).

Positive growth for the largest five components has ensured that household consumption remains positive (+0.1%). However, seven of the eighteen components recorded a decline since the March 2018 quarter. Furnishings and household equipment continue to decline (-1.1%), with seven quarter-on-quarter declines now evident to June 2018. Hotels, cafes and restaurants showed a decline of -1.8%, a second quarter of decline, and larger than that reported in the March 2018 quarter (-0.8%). The decline in growth for what many would see as luxury items demonstrates the continued lack of confidence by WA households, while also linked to subdued housing and labour markets and population growth.

Figure 5: Components of Household Consumption in WA, % share and quarterly % change, June 2018



Notes: Chain volume; Trend. Shares based on current prices. Components are ranked based on percentage share.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5206, Table 30.

CONSUMER SPENDING



Retail Trade

0.1%

Quarter-on-quarter change (June 2018)

Retail Trade/Turnover

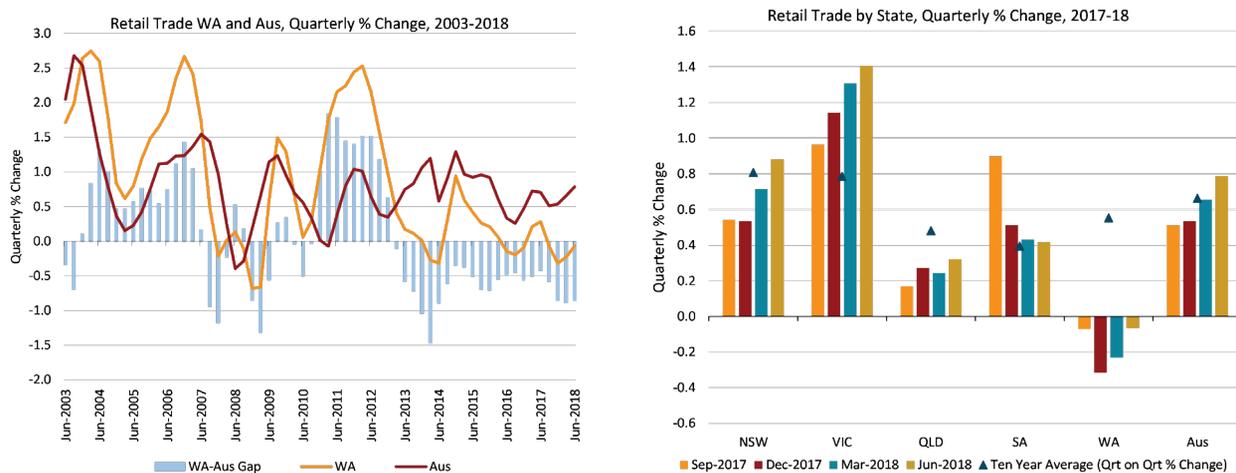
Growth in retail trade remained negative in WA for the latest June quarter, completing another year of negative growth (Figure 6, RHS). WA is the only state to record negative retail growth across Australia, with the gap between WA and the rest of the nation being negative for more than 22 quarters (Figure 6, LHS). However, over the last three quarters, negative retail trade growth has been declining in WA, and on this trajectory, growth is likely to turn positive in the next quarter.

For Australia retail trade growth has increased steadily in the last year and has exceeded its 10 year average in the last quarter (Figure 6, RHS). This growth was mainly driven by NSW (+0.9%) and especially Vic (+1.4%).

If we have a look at the LHS graph of Figure 6, we observe that WA has followed the Australian trajectory for the past three years. Since June 2016, quarterly fluctuations in WA's retail turnover are, on average, close to zero (-0.07%), whereas it has increased nationally (+0.55%) during the same period (June to June quarter).

WA retail turnover is expected to have a positive growth in the next quarter as an expected increase in consumption, due to the Federal Government's income tax cuts, should boost WA discretionary expenditure in September. Furthermore, even though wage growth in WA during the last year has been moderate (+1.5%), Perth CPI has increased at an even lower rate (+1.1) over the same period. This should also translate into higher household consumption and therefore higher retail turnover. Whether the income tax cut stimulus and the mild real wage increase will be enough to further foster the WA economy remains to be seen.

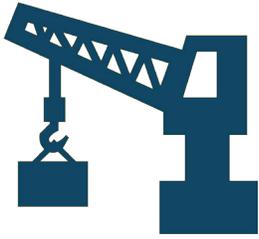
Figure 6: Retail Trade, WA and Australia, 2003 to 2018



Notes: Chain volume, Trend.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 8501, Table 9.

CONSTRUCTION WORK



Construction Work

▼▼▼ 1.3%

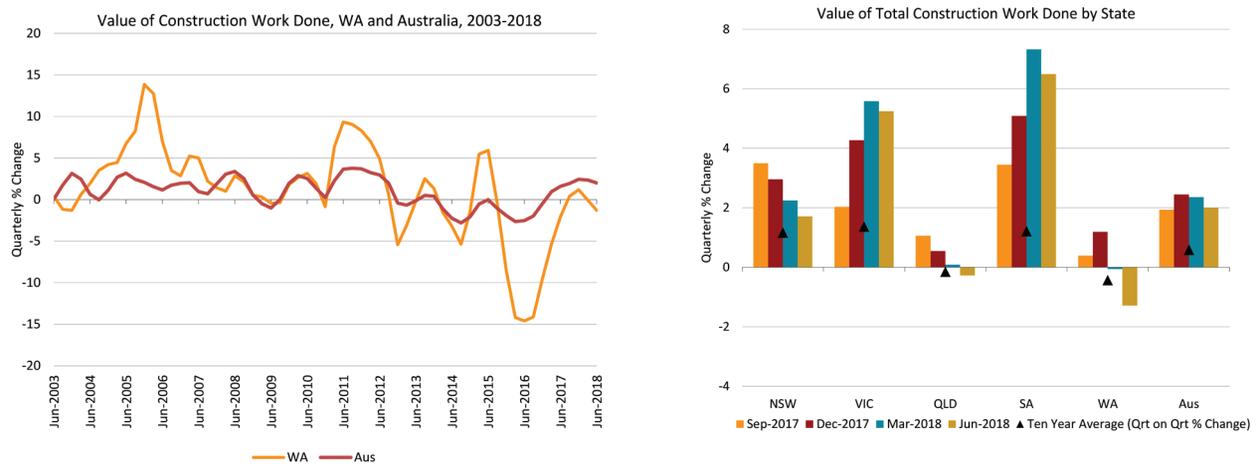
Quarter-on-quarter change (June 2018)

Value of Construction Work Done

In the [previous BCEC QEC release](#), we saw a convergence in the growth rate of construction work done between Australia and WA. Unfortunately, the latest June quarter figures darken the picture, as a new negative growth rate for the value of construction work done was observed for WA (-1.3%). The growth rate has also declined nationally, from 2.4% in March to 2.0% in June. However, for WA, the decrease is much steeper and is now again back in negative territory. Expenditure on construction work undertaken in WA has been down now for two consecutive quarters.

The RHS of Figure 7 shows that negative growth was only recorded in WA and QLD in the last quarter. However, there has been an overall decline in the rate of growth across all states relative to the previous March quarter. Nationally, growth in construction work done over the last twelve months has been reasonably stable, averaging 2%, and well above the 10 year average of 0.6%.

Figure 7: Value of Construction Work Done by state, quarterly % change, 2003 to 2018



Notes: Chain volume; Trend. Preliminary data. The value of building work done includes the construction of new buildings and alterations and additions to existing buildings.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 8755, Table 8.

Dwelling Approvals


9.0%
 Year-on-year change
 (July 2018)

Dwelling Units Approved

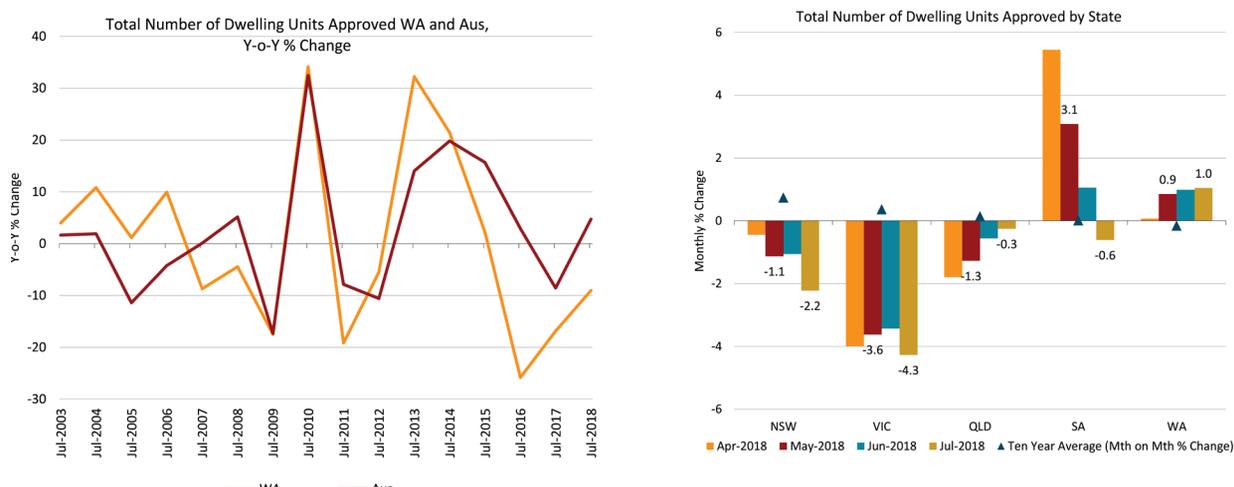
Figure 8 shows the total number of dwelling units approved by state. The LHS shows the year-on-year percentage change while the RHS illustrates the monthly percentage change since April 2018. Generally speaking, WA has followed the same trend as Australia on a year-on-year basis, and has even preceded the Australian downward and upward trends by two to three quarters.

After the 2013 to 2016 fall in the number of dwelling approvals in WA, there are some signs of a recovery. Indeed, even though the year-on-year percentage change in dwellings approvals is still negative, the trend is heading north and has gone from -25.8% in July 2016 (its lowest level) to -9.03 in July 2018.

A deeper look at the last four months shows an encouraging picture for WA relative to the rest of the states. The number of dwelling approvals in WA has increased steadily from April 2018 and it is the only state recording positive growth across all four months. On the other hand, NSW has seen an increasing rate of decline in dwelling approvals across the same period. Vic also experienced a decline in the number of approvals but at a much more severe rate to that of NSW, with a decline of -4.3% in the month to July.

Qld approval rates are negative but its magnitude has been decreasing in the past four months and should become positive when the August figures are released. Finally, for SA, while it has posted positive growth from April to June, data to July 2018 show a return to negative growth – last seen in December 2017 for the State.

Figure 8: Total Number of Dwelling Units Approved by state, May 2003 to May 2018



Notes: Trend.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 8731, Table 7.



Housing Finance Commitments


11.7%
 Year-on-year change
 (July 2018)

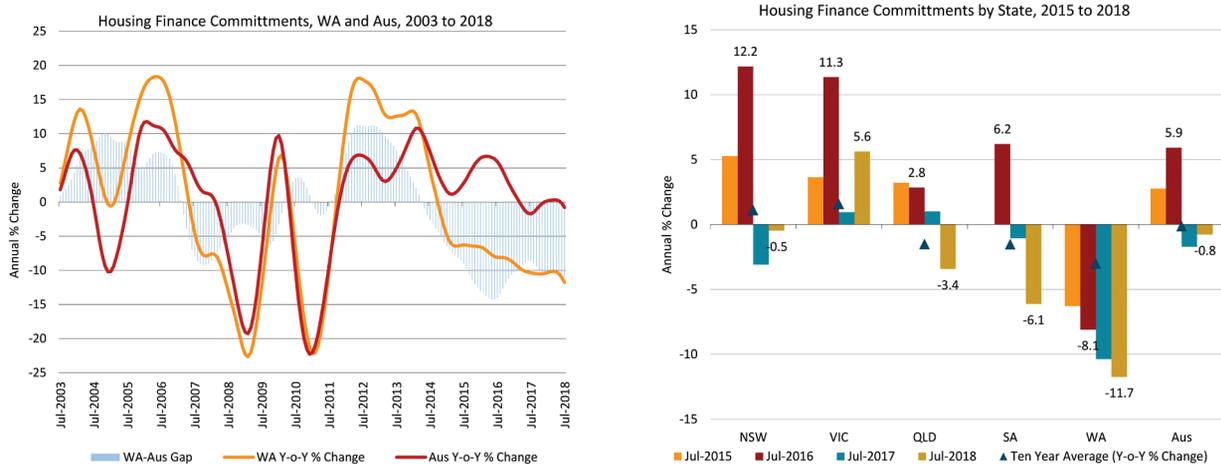
Housing Finance Commitments

With population growth in WA at almost half the rate of national growth, together with a slower economy and labour market, we are in a period where housing finance commitments have fallen substantially, especially for investors on interest-only mortgages. The effects have deepened the decline of housing finance commitments in some of the states and has ensured a continuation to the downward trajectory nationally.

Since 2012, while housing finance commitments have fluctuated in Australia, on average, there is a noticeable downward trend since December 2013. However, these fluctuations are not as severe as those experienced during and post the GFC periods (Figure 9, LHS). More recently, Australia has experienced two consecutive months of negative growth in housing finance commitments (Figure 9, RHS). In the year to July 2018, WA encountered a 0.7 ppt decline in the growth rate of housing lending commitments – a similar percentage point decline as that seen nationally. However, for WA, the annual growth rate now stands at -11.7% relative to -0.8% nationally.

However, WA is not the only state to have observed a negative growth rate over the last twelve months, with NSW (-0.5%), Qld (-3.4%) and SA (-6.1%) also reporting declines, albeit, much lower than the deterioration observed in WA. These four states have contributed to an overall decline in the number of housing finance commitments nationally, with -1.7% and -0.8% recorded in the year to July 2017 and 2018, respectively.

Figure 9: Housing Finance Commitments, WA and Australia, 2003 to 2018



Notes: Trend.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5609, Table 5.

HOUSING AFFORDABILITY



Housing Affordability

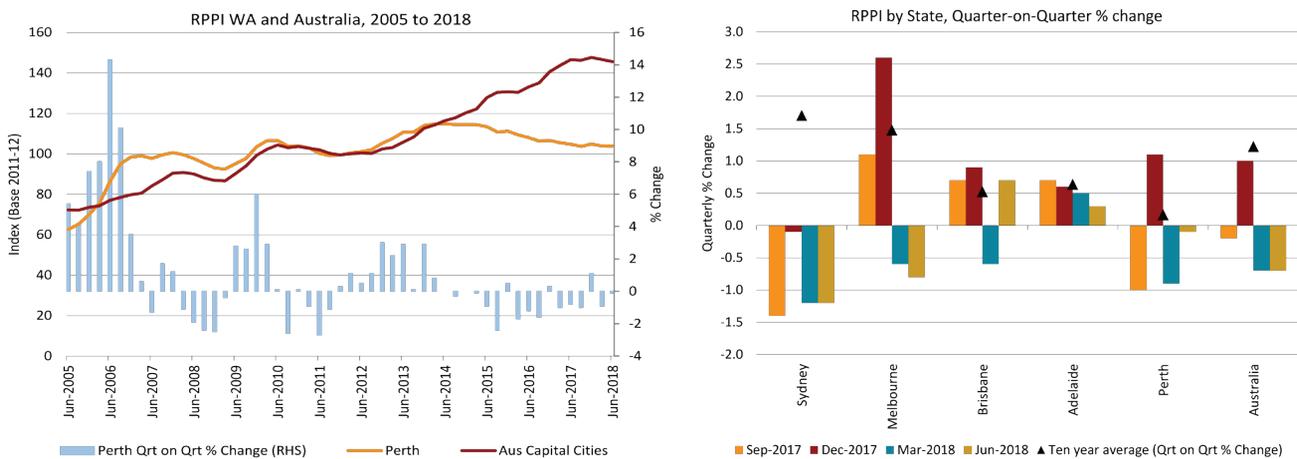
⇩⇩⇩ **0.1%**
Quarter-on-quarter RPPI change (June 2018)

Residential Property Price Index

The residential property price index (RPPI) for WA has diverged from national trends since June 2014 (Figure 10, LHS). While the gap between WA and Australia has narrowed in the last couple of months, this is due to a decrease in the Australian RPPI rather than an increase in the WA index. The WA RPPI has remained relatively stable in the last quarter and more generally, since September 2017.

The quarter-on-quarter percentage change by capital city shows a decline in the RPPI for Perth in three of the last four quarters – the exception being the December 2017 quarter. This decline is even larger for Sydney, which observed a deterioration in all quarters over the last 12 months. Melbourne has rapidly followed Sydney's trend in recent times, recording a significant decrease in the RPPI in both the December 2017 and March 2018 quarters. Melbourne's decrease in the RPPI in the last two quarters is however, smaller than the decrease in Sydney's RPPI. Brisbane and Adelaide on the other hand, have generally experienced positive RPPI growth over the last year.

Figure 10: Residential Property Price Index, Australia by state, 2005 to 2018



Notes: Index, Base 2011-12. Major cities.

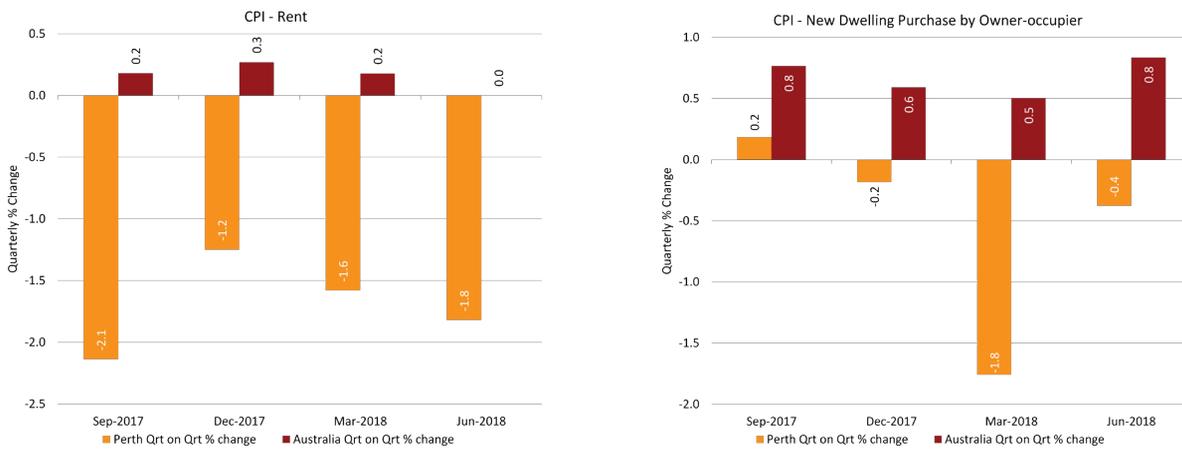
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6416, Table 1.

Change in Rents and New Dwelling Purchase by Owner-Occupier

Renters across Australia are experiencing a long-standing reprieve, with rental prices continuing to fall in the most recent quarters (Figure 11 LHS). In the year to June 2018, the CPI-rent for Australia increased by only 0.45%, well below the yearly CPI figure of 2.1% for all commodities. This means that rent has increased at a slower pace relative to other goods and services nationally. For Perth renters, the CPI-rent continues to fall even more rapidly, with latest figures revealing a -1.8% decline reported in the June 2018 quarter.

The CPI for new dwelling purchases by owner-occupiers in Australia remains encouraging as there has been a constant increase over the last 12 months, closing with an increase of +0.8% in the last quarter, above the ten year average (quarter-on quarter) of 0.7%. For WA, an average decline of -0.5% over the past twelve months is clearly out of line with a ten year average (quarter-on quarter) of 0.3%. Therefore, the real estate market does look tainted in WA.

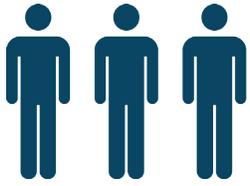
Figure 11: Change in Rents and Owner-Occupier New Dwelling Purchase, WA and Australia, 2017 to 2018



Notes: Index, Base = 2011-2012.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6401, Table 9.

POPULATION



Population Change

↑↑↑ 0.3%

Quarter-on-quarter change (March 2018)

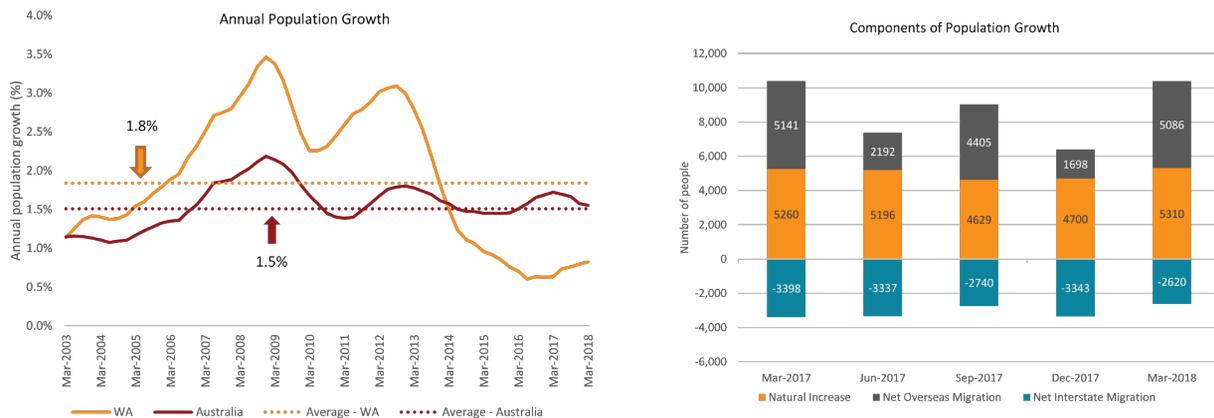
Population

Population growth is one of the foundations of economic growth. A growing population means more demand for goods and services. But, even though WA's population is still growing, it's averaging only half the pace of national growth and most of the population growth we're seeing is being driven by natural increases, births minus deaths.

In the last 12 months, WA's population grew by 0.8%, compared to national growth which was double the speed at 1.6%. And while an additional 21,176 people were added to the West Australian population between March 2017 and March 2018, we've seen net interstate migration continue to record a deficit, reaching a loss of around 12,000 people in the last twelve months.

Population growth in WA was extraordinarily high during the course of the mining boom, growing at almost twice the rate of the ten year long-term average of 1.8% for the State. This growth spilled over into increased household consumption, retail trade, and housing demand and prices. For the WA economy to build again, the adult and working population must grow. We've seen stronger growth from net overseas migration in the latest March figures (+5,086), but interstate migration will need to turn the corner for population growth to move close to national levels again, and job opportunities are key to this happening.

Figure 12: Annual Population Growth and Components of Population Change



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 3101.0, Table 2, 4.

LABOUR MARKET



Employed Persons

▲▲ 1.0%
Year-on-Year change
(August 2018)

Labour market

Over the past twelve months, employment growth for WA (+1.0%) has been weak, particularly when compared to the national employment growth rate of +2.5%. What is more concerning is the nature of employment growth in WA, with full-time employment growing by only +0.3% compared to +2.2% nationally over the last year. Meanwhile, part-time employment in WA grew by +2.6%, also lower than the +3.1% nationally. With the exception of Tas and the ACT, other states and territories continue to have strong positive employment growth over the last year.

Employment changes on a monthly basis present a more positive tone for WA, with full-time employment increasing by 2,400 persons in the month to August 2018, compared with a decrease in part-time workers of around 800 persons.

Table 2: Employment changes – full and part-time

| | Employed Persons ('000) | Change from: | | | | Change from Jul-2018 ('000) | | Change (%) from Aug-2017 | |
|-----------|-------------------------|-----------------|------|-------------|------|-----------------------------|-----------|--------------------------|-----------|
| | | Jul-2018 ('000) | Rank | Aug-2017(%) | Rank | Full-Time | Part-time | Full-Time | Part-time |
| Australia | 12,620.7 | ▲ +29.0 | --- | ▲ +2.5% | --- | +20.9 | +8.0 | ▲ +2.2% | ▲ +3.1% |
| NSW | 4,032.5 | ▲ +9.7 | 1 | ▲ +3.6% | 1 | +6.3 | +3.4 | ▲ +2.5% | ▲ +6.1% |
| VIC | 3,300.5 | ▲ +7.7 | 2 | ▲ +2.5% | 3 | +6.1 | +1.6 | ▲ +2.7% | ▲ +2.1% |
| QLD | 2,497.4 | ▲ +7.0 | 3 | ▲ +2.3% | 4 | +6.2 | +0.9 | ▲ +2.8% | ▲ +1.4% |
| SA | 841.8 | ▼ -0.3 | 8 | ▲ +1.8% | 5 | +0.2 | -0.5 | ▲ +1.4% | ▲ +2.4% |
| WA | 1,345.1 | ▲ +1.5 | 4 | ▲ +1.0% | 7 | +2.4 | -0.8 | ▲ +0.3% | ▲ +2.6% |
| TAS | 250.3 | ▲ +0.1 | 5 | ▲ +1.1% | 6 | -0.3 | +0.4 | ▲ +1.3% | ▲ +0.7% |
| NT | 139.6 | ▼ -0.1 | 7 | ▲ +3.0% | 2 | -0.1 | -0.0 | ▲ +5.5% | ▼ -6.0% |
| ACT | 228.3 | ▲ +0.1 | 5 | ▲ +0.9% | 8 | -0.8 | +0.9 | ▲ +0.6% | ▲ +1.7% |

Notes: Trend values are used. Numbers may not sum to totals due to rounding.

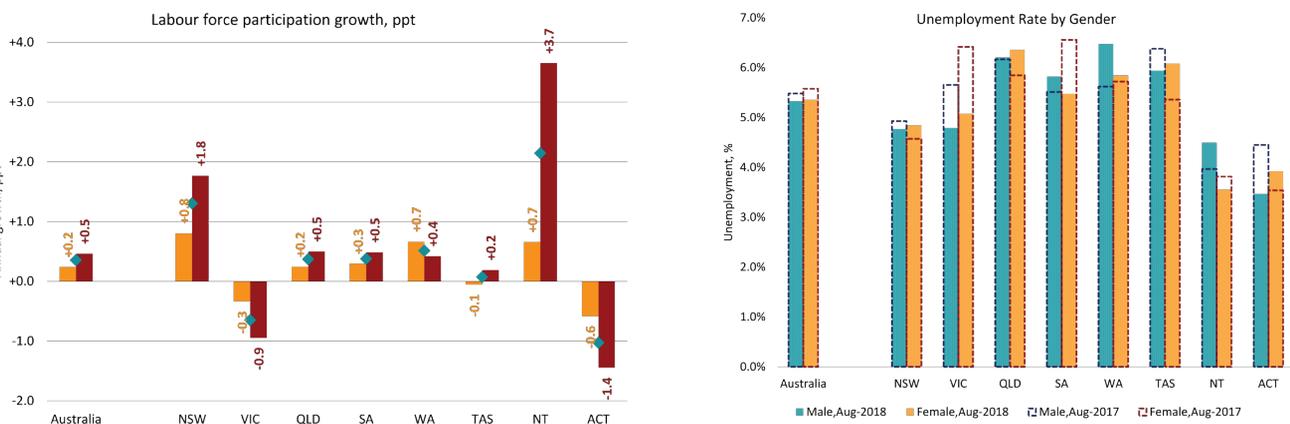
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

LABOUR MARKET

Labour force participation (people either employed or actively looking for work) has improved in the West (Figure 13 LHS), with growth of 0.5ppts over the last 12 months, which is slightly higher than national growth (+0.4ppts). Male participation rates have also been increasing above the national average over the last 12 months 0.7ppts, compared to 0.2ppts for Australia. While female participation is also up (+0.4ppts) it is slightly lower than the national average for women (+0.5ppts). Overall, these figures do point to some optimism in the labour market, but for this optimism to flourish, the improvements in full-time employment seen in the last month need to continue for a longer period, and these trends need to start impacting on unemployment rates.

WA's unemployment rate remains stubbornly high at 6.2 (some 0.9ppts higher than that reported in August 2017), albeit, remaining stable in recent months. However, as shown in Figure 13 (RHS), male unemployment is up from 5.6% in August 2017 to 6.5% in August 2018. Female unemployment has also risen from 5.7% to 5.9%. These figures suggest that while more people are participating in the labour market, they are not necessarily able to secure employment.

Figure 13: Labour force participation and unemployment rate, WA and Australia, June 2018



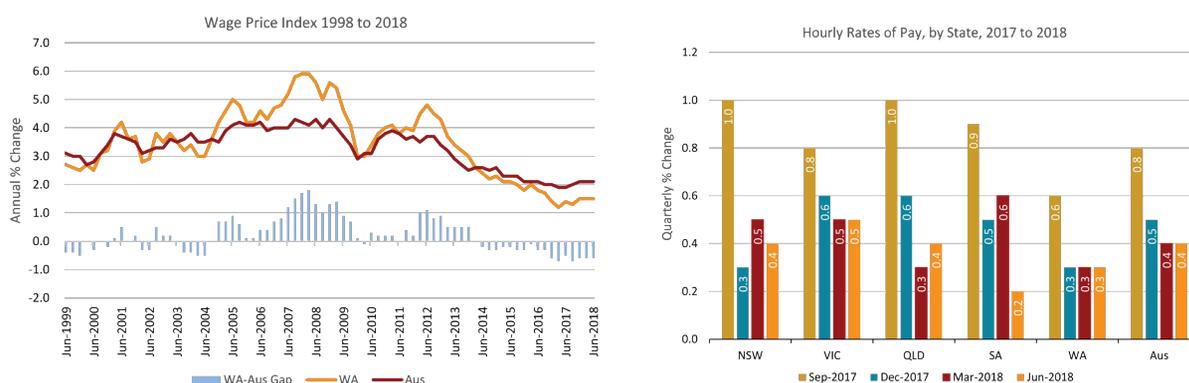
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Earnings

Australia's sluggish wage growth continues, with annual growth rates of 2.1% in the year to June 2018, compared to a ten year average of 2.9%, and a twenty year average of 3.3% (Figure 14, LHS). For WA the situation is worse, with annual wage growth of 1.5% in the year to June 2015. This is half of the WA ten year average wage growth of 3.0% and well below the twenty year average of 3.5%. In fact, WA, has the lowest wage growth across all the states.

WA's wage growth has been lower than Australia's now for four consecutive years as denoted by the WA-Aus gap in Figure 14 (LHS), with a persistent gap of -0.6 percentage points over recent times. On a quarterly basis (Figure 14, RHS), the hourly rate of pay has been flat at 0.3% for WA, albeit with similarly low rates across all states for the June 2018 quarter.

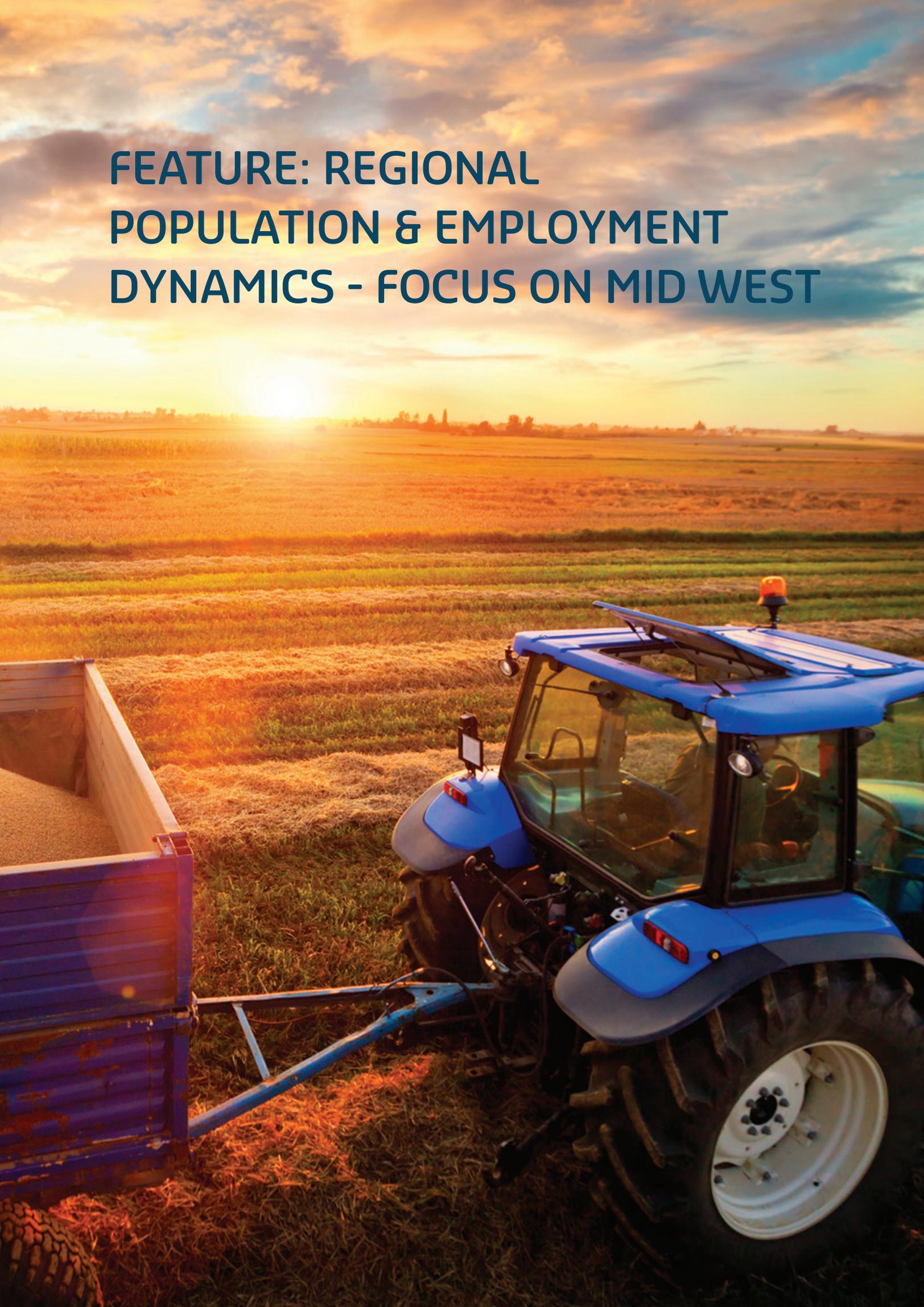
Figure 14: Wages growth, WA and Australia, 1998 to 2018



Notes: Note: Hourly rates of pay do not include bonuses.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6401, Table 9 and 6345, Table 2b.

**FEATURE: REGIONAL
POPULATION & EMPLOYMENT
DYNAMICS - FOCUS ON MID WEST**



Feature: Regional Population and Employment Dynamics – Focus on the Mid West

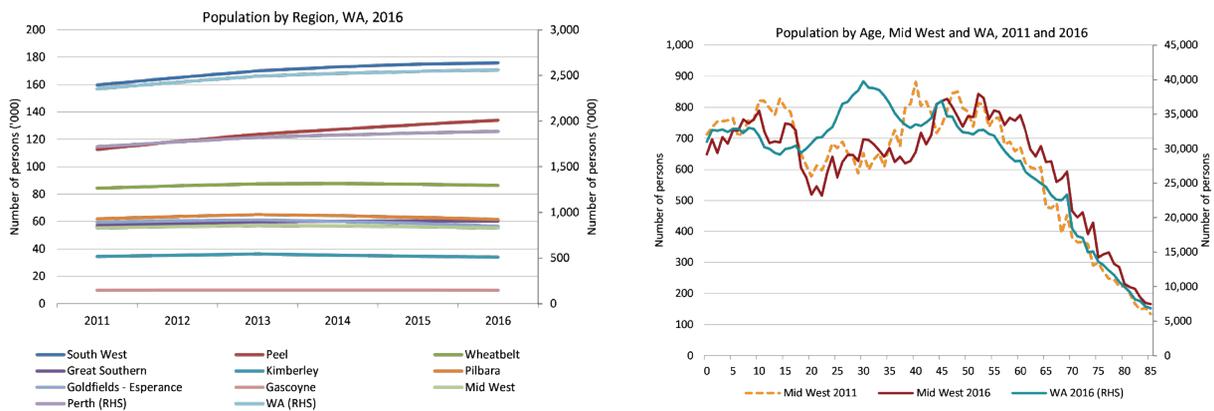
This quarter’s feature is based on a presentation recently delivered by BCEC Director Professor Alan Duncan and Senior Research Fellow Dr Daniel Kiely at the Mid West Economic Summit - ‘Building Better Business’.

The Mid West region covers over one fifth of WA’s land area, and has a diverse economy with mining, agriculture and fishing and tourism being major cornerstones. However, the Mid West community is suffering off the back of a slowdown in the overall State economy. The Mid West region has recorded an increase in population of just over 300 people between the 2011 and 2016 Census, with the population remaining stagnant at 54,000 people (Figure 15, LHS). This maintains its position as the eighth (of ten) most populous region in WA, above Gascoyne and the Kimberley. Perth, South West and Peel make up the top three most populous regions in WA.

The Mid West has one of the lowest levels of population diversity (as measured by place of birth), with 87% of the population born in the Oceania region. This is second only to Kimberley (89%). While one would expect greater diversity in the more urban regions of Perth and Peel (where, respectively, only 64% and 77% of the population were born in Oceania), relative to the Mid West, a more diverse population is also visible in regions such as the South West, Wheatbelt, Great Southern and Gascoyne, all reporting proportions in the order of 83% born in Oceania.

To add to the woes of a stagnant population, by age, the Mid West has seen a decrease in the younger and middle aged cohorts to 2016 (Figure 15, RHS). The change between 2011 and 2016 is particularly evident for the 10 to 18 age group and the 35 to 45 age group. Meanwhile, there has been an increase in the number of people aged 55 and older.

Figure 15: WA Population 2016 and Mid West Population by Age Group, 2011 and 2016



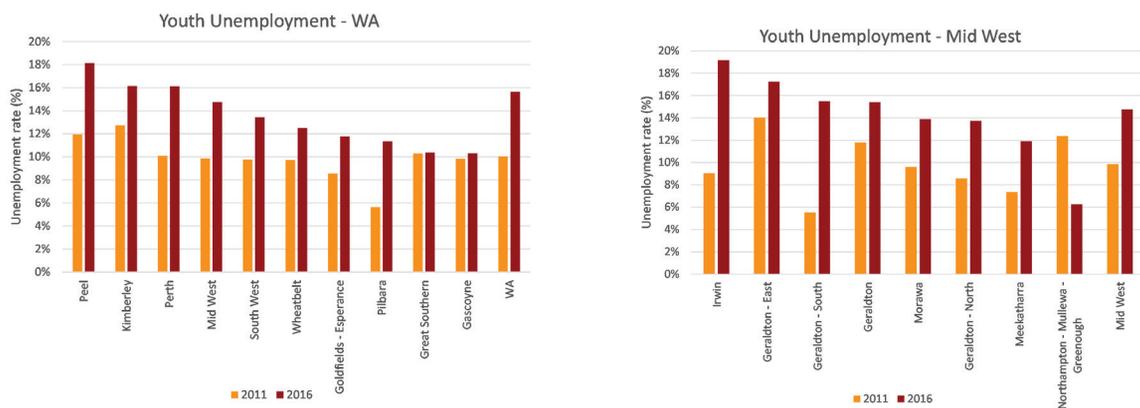
Bankwest Curtin Economics Centre | ABS Census of Population and Housing, 2011 and 2016.

REGIONAL POPULATION & EMPLOYMENT DYNAMICS

A particular challenge facing the Mid West (along with other WA regions) is the high rate of youth unemployment, which increased from almost 10% in 2011 to over 14.8% in 2016 (Figure 16, LHS). While this is slightly lower than the WA average (15.7%), it is the fourth highest rate amongst the ten regions of WA. Interestingly, Great Southern and Gascoyne have seen only a slight increases in youth unemployment between the two Census periods, very much setting them apart from other regions across the State.

Youth unemployment is particularly high in the Mid West district of Irwin, standing at 19.2%, with rates at Geraldton-East (17.2%) also above the state average of 15.7%, with youth unemployment rates in the district of Geraldton-South and Geraldton in line with the state average (Figure 16, RHS).

Figure 16: Youth unemployment in WA and the Mid West by SA2 region, 2011 and 2016



Notes: Regional youth unemployment ranked by 2016 rates. SA2 is Statistical Area Level 2, and is designed to reflect functional areas that represent a community that interacts together socially and economically. The SA2 is the smallest area for the release of many ABS statistics. Source: Bankwest Curtin Economics Centre | ABS Census of Population and Housing, 2011 and 2016.

REGIONAL POPULATION & EMPLOYMENT DYNAMICS

While the Mid West economy provides over 23,300 jobs and a value added contribution of \$49bn to the WA economy, employment in the Mid West declined by -6.6% between 2011 and 2016, with a loss of over 1,650 jobs (Table 3). In terms of count of employees, the Construction industry saw the largest decline, with 660 jobs lost (a decline of almost 25%). In employment share terms, this implies a decline from 10.9% to 8.9% for the construction industry in the Mid West, shifting from the highest ranked source of employment in 2011 to the fifth largest employer in 2016. Construction has seen declines throughout the state, which has received much commentary in the [August MLMU](#).

The shift towards employment in the Health Care and Social Assistance sector in the Mid West is in tow with a trend seen across the state and nationally, which is discussed in some detail in the [BCEC Future of Work in Australia](#) report released earlier this year.

In percentage terms, Manufacturing (-38.7%), Wholesale trade (-28.4%) and Rental, Hiring and Real Estate Services (-20.5%) also saw significant declines in employment between 2011 and 2016 in the Mid West, with noteworthy declines also evident in Retail trade (-12.2%) and Mining (-14.1%).

Agriculture, Forestry and Fishing, a critical sector for the Mid West economy, has maintained consistency in employment levels between the two Census periods, standing at 2,160 employees.

Table 3: Employment in the Mid West by Industry

| Industry sector | Number of employees | | Change 2011-2016 | | Industry concentration 2011-2016 | | | |
|---|---------------------|---------------|------------------|-------------|----------------------------------|------|--------------|------|
| | 2011 | 2016 | Count | Percent | Share of total employment | | | |
| | | | | | 2011 share | rank | 2016 share | rank |
| Construction | 2,652 | 1,991 | -661 | -24.9 | 10.9 | 1 | 8.9 | 5 |
| Retail Trade | 2,542 | 2,231 | -311 | -12.2 | 10.4 | 2 | 10.0 | 3 |
| Health Care and Social Assistance | 2,287 | 2,522 | +235 | +10.3 | 9.4 | 3 | 11.3 | 1 |
| Agriculture, Forestry and Fishing | 2,152 | 2,158 | +6 | +0.3 | 8.8 | 4 | 9.7 | 4 |
| Education and Training | 2,130 | 2,258 | +128 | +6.0 | 8.8 | 5 | 10.1 | 2 |
| Mining | 2,072 | 1,780 | -292 | -14.1 | 8.5 | 6 | 8.0 | 6 |
| Public Administration and Safety | 1,670 | 1,567 | -103 | -6.2 | 6.9 | 7 | 7.0 | 8 |
| Accommodation and Food Services | 1,624 | 1,598 | -26 | -1.6 | 6.7 | 8 | 7.2 | 7 |
| Transport, Postal and Warehousing | 1,543 | 1,402 | -141 | -9.1 | 6.3 | 9 | 6.3 | 9 |
| Manufacturing | 1,303 | 799 | -504 | -38.7 | 5.4 | 10 | 3.6 | 11 |
| Other Services | 983 | 917 | -66 | -6.7 | 4.0 | 11 | 4.1 | 10 |
| Professional, Scientific and Technical Services | 793 | 794 | +1 | +0.1 | 3.3 | 12 | 3.6 | 12 |
| Wholesale Trade | 661 | 473 | -188 | -28.4 | 2.7 | 13 | 2.1 | 14 |
| Administrative and Support Services | 637 | 666 | +29 | +4.6 | 2.6 | 14 | 3.0 | 13 |
| Rental, Hiring and Real Estate Services | 380 | 302 | -78 | -20.5 | 1.6 | 15 | 1.4 | 16 |
| Financial and Insurance Services | 350 | 306 | -44 | -12.6 | 1.4 | 16 | 1.4 | 15 |
| Electricity, Gas, Water and Waste Services | 250 | 217 | -33 | -13.2 | 1.0 | 17 | 1.0 | 17 |
| Arts and Recreation Services | 152 | 192 | +40 | +26.3 | 0.6 | 18 | 0.9 | 18 |
| Information Media and Telecommunications | 147 | 132 | -15 | -10.2 | 0.6 | 19 | 0.6 | 19 |
| Total | 24,328 | 22,305 | -2,023 | -8.3 | 100.0 | | 100.0 | |
| Inadequately described | 331 | 766 | +435 | | | | | |
| Not stated | 274 | 242 | -32 | | | | | |
| Grand total | 24,973 | 23,322 | -1,651 | -6.6 | | | | |

Note: Industries are ranked by 2011 employment share.

Source: Bankwest Curtin Economics Centre | ABS Census of Population and Housing, 2011 and 2016.

REGIONAL POPULATION & EMPLOYMENT DYNAMICS

The decline in overall employment in the Mid West is coupled with a decline of 7.2% in the number of small businesses between 2011 and 2016 – representing a drop of over 400 businesses (from 5,300 to 4,900) for the region (Table 4). This represents a decline of 7.4% per 1,000 of the population, with, on that measure, declines in six of the eight SA2 regions for the Mid West. The largest decline per 1,000 of the population was seen in Geraldton – North (-28.7%), followed by Geraldton – East (-18.9%). On this measure, while there were increases for Meekatharra and Morawa, they saw a decline in the number of small businesses in absolute terms.

Table 4: Number of Small Businesses in the Mid West, by SA2 region, 2011 and 2016

| Number of Small Businesses, Mid West, 2011 and 2016 | | | | | |
|---|-------|-------------|-------|-------------|-----------|
| SA2 name | 2011 | 2011 | 2016 | 2016 | 2016/2011 |
| | 0-19 | Ct/1000 pop | 0-19 | Ct/1000 pop | Growth |
| Geraldton | 1,704 | 133.7 | 1,553 | 120.6 | -9.8 |
| Geraldton - East | 354 | 44.2 | 314 | 35.8 | -18.9 |
| Geraldton - North | 475 | 71.2 | 397 | 50.8 | -28.7 |
| Geraldton - South | 603 | 63.8 | 542 | 52.5 | -17.6 |
| Irwin | 415 | 113.0 | 398 | 106.6 | -5.7 |
| Meekatharra | 193 | 45.8 | 192 | 49.8 | 8.6 |
| Morawa | 714 | 154.9 | 704 | 160.8 | 3.8 |
| Northampton - Mullewa - Greenough | 838 | 141.2 | 787 | 134.1 | -5.0 |
| Total Mid West | 5,296 | 767.8 | 4,887 | 711.0 | -7.4 |

Note: SA2 is Statistical Area Level 2, and is designed to reflect functional areas that represent a community that interacts together socially and economically. The SA2 is the smallest area for the release of many ABS statistics.

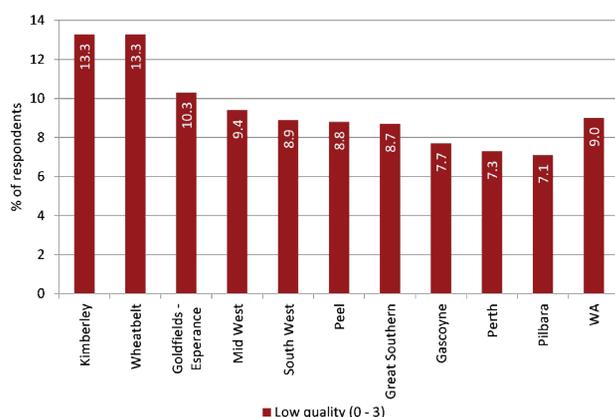
Source: Bankwest Curtin Economics Centre | ABS Census of Population and Housing, 2011 and 2016.

It is clear that, small businesses in the Mid West, which account for over 97% of businesses in the region, have suffered on the back of a slowdown in the overall WA economy. The [BCEC Small Business Survey 2017](#), showed that over 55% of small businesses in the Mid West had high levels of stress, impacting negatively on physical and mental health as well as personal and business relationships. The local business community, local government and other community organisations need to find additional ways to support business owners and their families, who are faced with multiple roles and responsibilities, long working hours and cashflow pressures.

Given the ageing population of the region, and the fact that over 30% of small business owners in the Mid West intend exiting their business within the next five years, more must be done to ensure successful transition of small business ownership and succession planning arrangements are put in place to support the continuation of small and family businesses, and related employment in the region.

Another element that requires particular attention is improving mobile and internet infrastructure for the region. The [BCEC Small Business Survey 2017](#) showed that 9.5% of small businesses in the region had poor or no mobile phone and internet infrastructure. In an increasingly digital economy, these are essential services for businesses in our regions to survive and flourish. Better digital infrastructure will bring additional benefits to the broader community, with for example, the recently launched BCEC report on the [Digital Divide in WA](#) showing that four of the top thirty regions with the lowest proportion of households accessing the internet residing in the Mid West region.

Figure 17: Poor Internet and Mobile Phone Infrastructure



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

About the Bankwest Curtin Economics Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The Centre was established in 2012 through the generous support of Bankwest, a division of the Commonwealth Bank of Australia. The Centre's core mission is to deliver high quality, accessible research that enhances our understanding of key economic and social issues that contribute to the wellbeing of West Australian families, businesses and communities.

The Bankwest Curtin Economics Centre is the first research organisation of its kind in Western Australia, and draws great strength and credibility from its partnership with Bankwest, Curtin University and the Western Australian government.

The centre brings a unique philosophy to research on the major economic issues facing the state. By bringing together experts from the research, policy and business communities at all stages of the process – from framing and conceptualising research questions, through the conduct of research, to the communication and implementation of research findings – we ensure that our research is relevant, fit for purpose, and makes a genuine difference to the lives of Australians, both in WA and nationally.

The centre is able to capitalise on Curtin University's reputation for excellence in economic modelling, forecasting, public policy research, trade and industrial economics and spatial sciences. Centre researchers have specific expertise in economic forecasting, quantitative modelling, micro-data analysis and economic and social policy evaluation. The centre also derives great value from its close association with experts from the corporate, business, public and not-for-profit sectors.

Disclaimer

While every effort has been made to ensure the accuracy of this document, the uncertain nature of economic data, forecasting and analysis means that the centre, Curtin University and/or Bankwest are unable to make any warranties in relation to the information contained herein. Any person who relies on the information contained in this document does so at their own risk. The centre, Curtin University, Bankwest, and/ or their employees and agents disclaim liability for any loss or damage, which may arise as a consequence of any person relying on the information contained in this document. Except where liability under any statute cannot be excluded, the centre, Curtin University, Bankwest and/or their advisors, employees and officers do not accept any liability (whether under contract, tort or otherwise) for any resulting loss or damage suffered by the reader or by any other person.

The views in this publication are those of the authors and do not represent the views of Curtin University and/ or Bankwest or any of their affiliates. This publication is provided as general information only and does not consider anyone's specific objectives, situation or needs. Neither the authors nor the centre accept any duty of care or liability to anyone regarding this publication or any loss suffered in connection with the use of this publication or any of its content.

Authorised Use

© Bankwest Curtin Economics Centre, September 2018

Bankwest Curtin Economics Centre *Quarterly Economic Commentary*

ISSN: 2208-9373

This Quarterly Economic Commentary was written by: Alan Duncan, Daniel Kiely and Silvia Salazar from the Bankwest Curtin Economics Centre at Curtin Business School.

This report may be cited as: Duncan A, Kiely D and Salazar S (2018), BCEC Quarterly Economic Commentary, Issue #4, Bankwest Curtin Economics Centre, September 2018.

This publication contains confidential and proprietary information of the Bankwest Curtin Economics Centre. All of the material in this publication is for your exclusive use and may not be otherwise used or modified for, or by, any other person or sold to or otherwise provided in whole or in part to any other person or entity without the prior written consent of the Bankwest Curtin Economics Centre.

A standard hard copy of, or electronic subscription to, this publication entitles employees of the same organisation and same physical location as the subscriber to the use of its contents for internal reporting purposes only. Multiple user licenses are available for organisations with more than one location.



Bankwest Curtin Economics Centre

GPO Box U1987, Perth WA 6845, Australia

ph. +61 8 9266 1744
e. bcec@curtin.edu.au
w. bcec.edu.au

For media enquiries contact
Joanne Peckitt:

j.peckitt@curtin.edu.au

