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Walking along the Ancient Empire walk trail in the Walpole-Nornalup National Park

BCEC Quarterly Economic Commentary

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

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Professor Alan Duncan



Fragility lingers for the WA economy

Despite the return to positive GSP growth in Western Australia for 2017-18, the failure to post a quarter of positive growth in State Final Demand (SFD) over the last four quarters brings into sharper relief the current fragility of the WA economy. To place this in a longer term context, WA returned 48 consecutive quarters of positive SFD growth between December 2000 and September 2012. In the 25 quarters since then, only 7 have reported positive growth, with a decline of 0.1% in SFD according to the most recent quarter's data to December 2018. WA also compares poorly to the national picture, with Australian Gross National Expenditure (GNE) delivering positive quarter-on-quarter growth in every quarter since March 2013.

The WA economy is being protected by growth in public consumption expenditure and public investment, which together account for around a quarter of total SFD. Falling private sector investment is dragging the WA economy into negative growth territory, with private fixed capital formation falling by 1.9% over the last quarter. Current sentiment in the West seems cautious at best, with household spending growth also weaker than the other largest states.

Recent Federal budget announcements that benefit WA offer some hope and expectation of additional stimulus, with additional spending committed to infrastructure and health. Reliance on public expenditure in a sluggish economic climate is not uncommon, but is unsustainable over the longer term. As well as providing support to the most vulnerable in our society, spending should be targeted at areas that will stimulate confidence and support a more diversified and self-sustaining private sector.

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Show me the money: Wage growth a key culprit for sluggish household consumption growth

Even the dog on the street knows that household consumption growth is weak in WA. Household consumption is a critical yardstick for the economy, since it makes up 54% of WA's State Final Demand and around 42% of Gross State Product. The latest December quarter figures show that while WA's household consumption growth remains positive, quarter-on-quarter growth of 0.15% since September 2018 is weak in comparison to the State's ten year average (almost 0.7%), and compared to national average quarterly growth of 0.45%. The retail sector is naturally feeling the pain, with four consecutive quarters of negative growth. Accountants are working hard to keep many in the sector afloat.

It is no coincidence that low household consumption growth in WA goes hand-in-hand with low wage growth across the State. Wage growth has been sluggish nationally now for half a decade or more, but has been even more sluggish in WA. The WA-Aus gap in wage price index growth has been negative since December 2013. Furthermore, in the quarter to December 2018, wage growth (0.3%) was lower than inflation (0.5%). The mix of employment by sector is playing a role, with many new jobs precarious in nature. Current debates around minimum wage increases and living wages are timely, but so too is the need to continue the drive towards a more diversified economy, ensuring that WA is competitive in building industries with 'good jobs', high productivity and related high wages.

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Dwelling approvals improve - but all else is not equal in the housing sector

Growth in the number of dwelling units approved in WA is providing a much needed glimmer of hope, in what is otherwise a sector in dire need of some upswing. WA and NSW are the only states recording positive growth in the number of dwellings approved in the three months to February 2019. In the month to February, the number of approvals increased by 2%, which was preceded by a month with 2.3% growth. Other than NSW, all other states have experienced four months of negative growth in the total number of dwelling units approved. The prices of new dwelling purchases by owner-occupiers have also improved. Indeed, for the first time since September 2017, the prices of new dwelling purchases by owner-occupiers in WA have risen, albeit by a modest 0.2% in the quarter to December 2018.

However, the decline in housing finance commitments continues nationally, with WA experiencing an 11.6% drop in Y-on-Y figures to November 2018. While negative growth in housing finance commitments has not yet reached the lows reported during the GFC period (-23% Y-o-Y) in WA, we are now in the longest period of negative growth (over four years) across the past fifteen years. Furthermore, the declines in WA have exceeded those nationally over the same period. Many across the housing sector are promising a better year ahead. Only time will tell.

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WA ECONOMIC OVERVIEW



How is our economy doing?

GSP \Uparrow 1.9%

Year-on-year change
(June 2018)

SFD \Downarrow 0.1%

Quarter-on-quarter
change (December 2018)



Business Investment

\Downarrow 2.0%

Quarter-on-quarter
change (December 2018)



Construction Work

\Downarrow 3.3%

Quarter-on-quarter
change (December 2018)



Housing Finance Commitments

\Downarrow 11.6%

Year-on-year change
(November 2018)



Household Consumption

\Uparrow 0.2%

Quarter-on-quarter
change (December 2018)

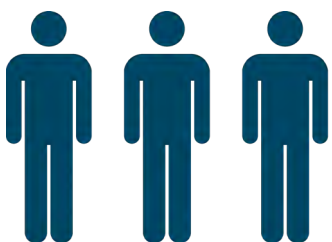


Inflation and Cost of Living

CPI \Uparrow 0.5%

WPI \Uparrow 0.3%

Quarter-on-quarter
change (December 2018)



Population Change

\Uparrow 0.3%

Quarter-on-quarter
change (September 2018)



Labour Market

Unemployment Rate

\Uparrow 0.1 ppt

Employed Persons

\Uparrow 0.2%

Year-on-Year change
(February 2019)

ECONOMIC GROWTH



How is our economy doing?

GSP **↑ 1.9%**
Year-on-year change
(June 2018)

Gross State Product and State Final Demand

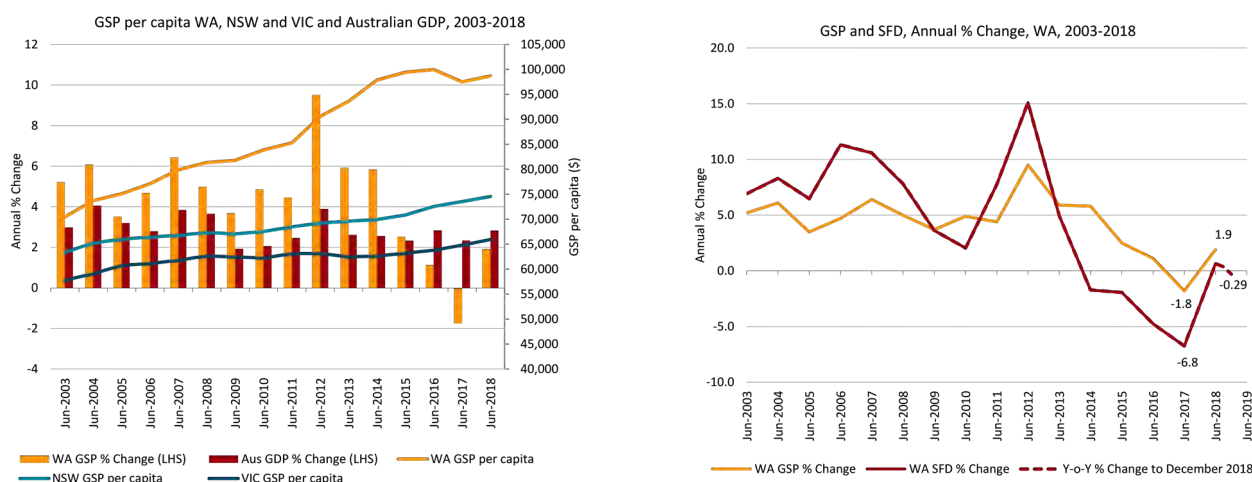
As noted in previous BCEC commentaries, while Gross State Product (GSP) is the most comprehensive indicator of the economic value of goods and services produced within a state, it is only published on an annual (FY) basis. The previous BCEC QEC released in December 2018 interrogated the most recent GSP data in some detail. In summary, the WA economy grew by 1.9% in 2017-18 FY (Figure 1, LHS). While this was lower growth than that experienced nationally, it was important to see a return to positive growth on the back of the 1.8% decline observed in 2016-17.

By industry, a key driver of growth in WA came from the Mining sector, which grew by 2.8%. Mining now contributes \$76.7bn to the WA economy, more than a third (33.8%) of WA's total industry Gross Value Added (GVA). While the State's overall economy continues to rely heavily on the fortunes of the resources sector, the WA economy has also benefited from strong growth in Construction (up 2.4% to \$21.6bn in the year to June 2018), Financial and Insurance Services (up 5.4% to \$10.9bn) and Manufacturing (up 3.4% to \$12.8bn). This provides encouraging evidence that other industry sectors in WA are putting a shoulder to the wheel in driving economic growth. The return to growth in the State's Construction sector is especially noteworthy, given that last year's decline in Construction was a strong driver of overall negative GSP growth.

On a quarterly basis, State Final Demand (SFD) is the best available measure of the demand for goods and services in the economy (refer to BCEC QEC, December 2017 for discussions on the limitations of this measure). While SFD amplifies the swings of economic cycles, annual growth rates in SFD and GSP follow a similar trajectory (Figure 1, RHS).

In real terms, annualised SFD to December 2018 stood at \$202.2bn, down 14.8% from the peak reached in March 2013 (\$237.2bn). It is further concerning that SFD in WA declined by 0.3% year-on-year (Y-o-Y) to December 2018, given that the three previous quarters recorded positive Y-o-Y growth, with the latter being on the back of 17 previous quarters of negative annual Y-o-Y growth (between December 2013 and December 2017) (Figure 1, RHS).

Figure 1: Gross State Product and State Final Demand, WA and selection of states, 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.

ECONOMIC GROWTH



How is our economy doing?

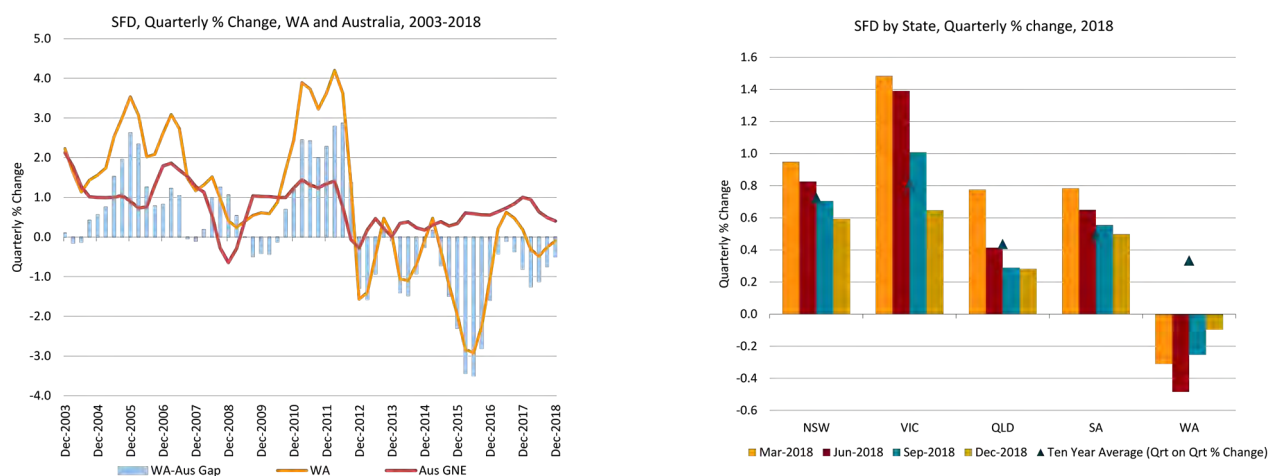
SFD **▼0.1%**
Quarter-on-quarter change (December 2018)

State Final Demand

In the most recent quarter to December 2018, the WA economy declined by 0.1% (Figure 2, RHS). On trend terms, growth across all states was lower in December 2018 compared to the September 2018 quarter. However, WA was the only state to report negative growth. In fact, SFD for NSW has remained positive since June 2009, since March 2014 for Vic, March 2016 for Qld and March 2014 for SA.

Despite the return to positive GSP growth for WA in 2017-18, the failure to put more than four quarters back-to-back of positive quarter-on-quarter SFD growth (which occurred between March and December 2017) emphasises the fact that the WA economy remains very fragile. To place this in a longer term context, between December 2000 and September 2012, the WA economy had 48 consecutive recordings of positive quarter-on-quarter SFD growth. In the 25 quarters since then, only seven have reported positive growth (Figure 2, LHS). This also compares poorly to the national picture, with Australian Gross National Expenditure (GNE) displaying positive quarter-on-quarter growth since the March 2013 quarter. The WA-Aus gap has been negative since March 2013 too (Figure 2, LHS).

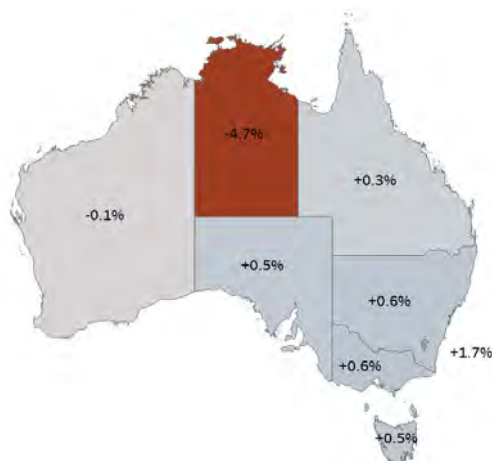
Figure 2: State Final Demand by state, 2003 to 2018



Notes: Chain Volume; Trend; Australia refers to the average percentage change for all states in Australia.

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

Figure 3: State Final Demand, Australian states and territories, December



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 **▼0.1%**
Quarter-on-quarter
change (December 2018)

Components of State Final Demand

It is important to interrogate further the key components lying behind the headline SFD growth figure of -0.1% for the quarter to December 2018. 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 0.4% in the quarter to December 2018, albeit the lowest growth since that reported in December 2015.

An interesting feature nationally is that general government expenditure remains above 1%, with the 1.2% increase reported for this quarter above the ten year average of 0.8%.

WA's general government expenditure grew by 0.9% in the last quarter, and while below the national average, is above the ten year average quarter-on-quarter growth rate (0.8%) for WA. Increases in general government expenditure for the December quarter were highest for NSW (1.5%) and Qld (1.3%).

Household expenditure constitutes more than 50% of WA's State Final Demand, and while positive growth (0.2%) has been recorded in the most recent December quarter, it remains weak relative to the ten year average quarter-on-quarter growth rate of 0.8%. While household consumption expenditure growth is lower across all states relative to their ten year average quarter-on-quarter growth rates, the gap is largest for WA. Furthermore, in the current quarter, household expenditure growth is lowest in WA relative to the other states (Table 1).

Expenditure on private gross fixed capital formation (GFCF) is dragging WA's State Final Demand down. The substantial increase in public GFCF (2.2%), has not been sufficient to offset such declines. The December 2018 growth in public GFCF is well above the ten year quarter-on-quarter average growth rate of 0.7%.

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

| Components State | NSW | VIC | QLD | SA | WA | AUS |
|--------------------------------------|-------------------|------|------|------|------|------|
| | Percentage Change | | | | | |
| State Final Demand | +0.6 | +0.6 | +0.3 | +0.5 | -0.1 | +0.4 |
| Final consumption expenditure | | | | | | |
| General government | +1.5 | +0.6 | +1.3 | +0.8 | +0.9 | +1.2 |
| Households | +0.4 | +0.7 | +0.5 | +0.3 | +0.2 | +0.4 |
| Gross fixed capital formation | | | | | | |
| Private | +0.7 | +0.4 | -1.8 | -1.0 | -1.9 | -0.9 |
| Public | -1.6 | +0.0 | +1.8 | +5.5 | +2.2 | +0.5 |

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

2.0%

Quarter-on-quarter
change (December 2018)

Business Investment

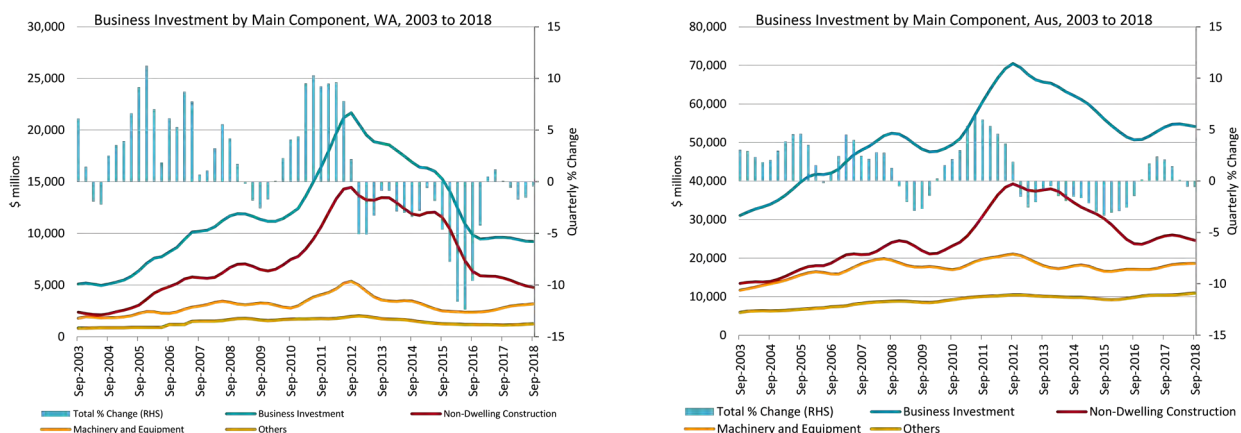
Changes in business investment in WA have typically been more variable than national trends, growing by well above national growth rates during the 2000s, and well below national trends in the post-mining boom period. The downturn in business investment was especially noticeable between 2015 and 2016, where investment was falling by an average of 6.6% each quarter (Figure 4, LHS). Nationally, business investment was also falling during this period, but quarter-on-quarter declines were averaging 2.3% (Figure 4, RHS).

For WA, the quarterly declines in business investment which commenced in December 2012 saw a brief relief between March and September 2017 (Figure 4, LHS). However, since then, business investment growth has been negative, averaging a decline of 1.8% over the five quarters to December 2018, with the December 2018 quarter recording a decline of 2.0%. Nationally, business investment also declined, but by the smaller margin (0.35%).

The real value of business investment peaked at \$21.67bn in September 2012. Since then, there has been a decline, with the value standing at approximately \$8.78bn in December 2018. The three major components of business investment have seen declines, the most notable being in non-dwelling construction. In the December quarter this declined by -4.8%, and now stands at a value of \$4.39bn (Figure 4, LHS).

There have been improvements relating to investment in machinery and equipment, with nine consecutive quarters of growth now recorded, averaging 3.2%. This growth has tapered off though in more recent quarters, with growth of 0.9% to December 2018. The real value of investment in machinery and equipment has not exceeded that of non-dwelling construction in WA since March 2001. However, based on recent trajectories, such a phenomenon may occur again within the next two to three years.

Figure 4: 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

↑↑ 0.2%

Quarter-on-quarter
change (December 2018)

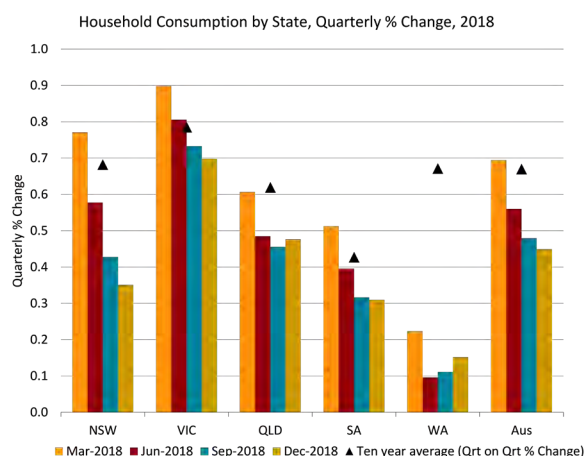
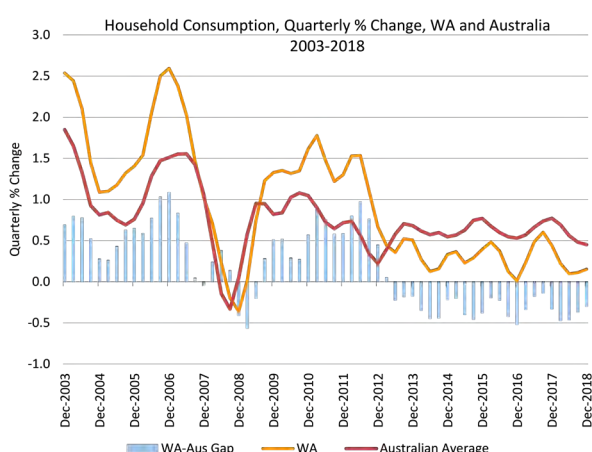
Household Consumption

Household consumption now makes up almost 54% of WA's State Final Demand and around 42% of Gross State Product. The latest December quarter figures show WA household consumption remains positive, growing by 0.15% since September 2018. Nationally, household consumption growth during this same period has measured 0.45%.

The gap between WA and other states is very noticeable. WA recorded the weakest household consumption growth in the December 2018 quarter, well below its closest neighbour SA (0.31%), its mining cousin Qld (0.48%), and the two most populous states Vic (0.70%) and NSW (0.35%).

Consumer confidence remains well below long term averages in WA, with average household consumption growth over the past ten years standing at 0.67%.

Figure 5: 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.

Components of Household Consumption

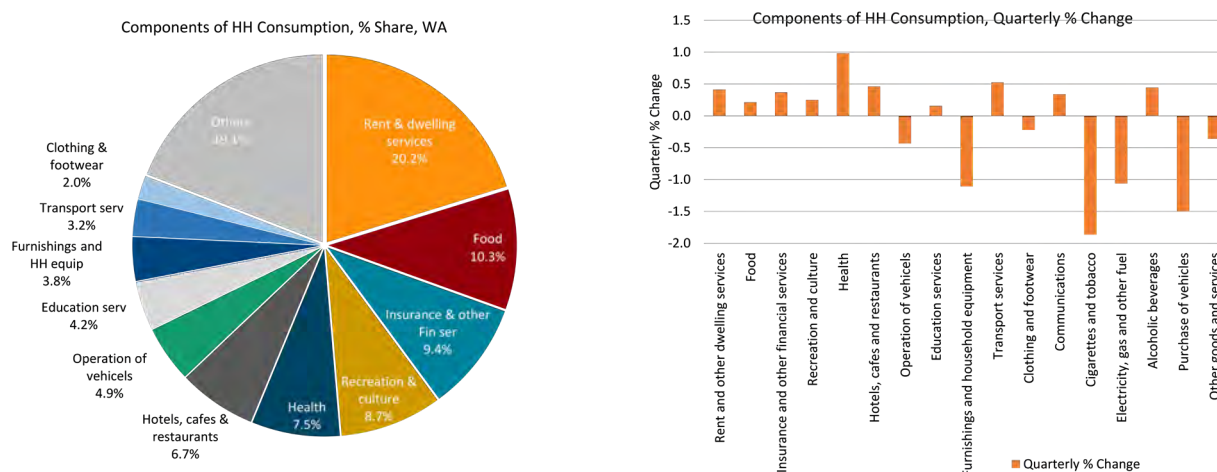
Components of household consumption and their relative weight and growth provide further details on consumer spending behaviour.

Rent and dwelling services holds the largest share at 20.2%, followed by food (10.3%), insurance and other financial services (9.4%), recreation and culture (8.7%) and health (7.5%) (Figure 6 LHS). These shares do not tend to change substantially over the short, and in many cases, longer term.

The December 2018 growth for these components is displayed in Figure 6 (RHS), ranked in order of share. A positive story this quarter is the 0.46% growth in the hotels, cafes and restaurants component, on the back of three quarters of decline. However, declines for the operation of vehicles (-0.43%) and furnishings and household equipment (-1.1%) for the quarter to December 2018 continue, with, for the latter, declines now for ten consecutive quarters. Many of the latter items may be seen by consumers as luxury items, and demonstrate the continued lack of confidence that remains for WA households. Of course, it is also tied to the subdued housing market.

Growth for the major components such as rent (0.4%), food (0.2%) and insurance (0.4%) continue, and while growth in health (1.0%) is high, it remains below the ten year average quarter-on-quarter growth of 1.1%.

Figure 6: Components of Household Consumption in WA, % share and quarterly % change, December 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.



Retail Trade

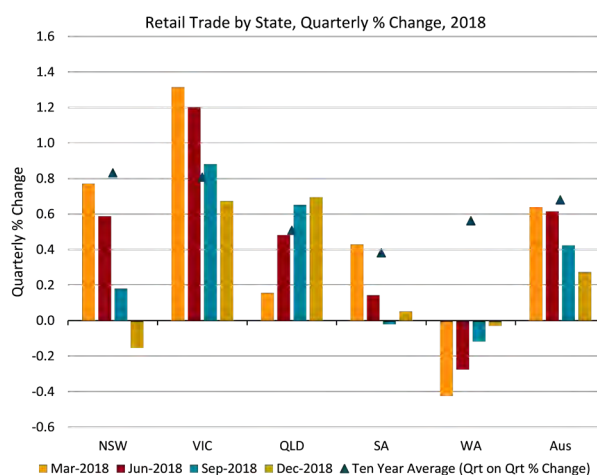
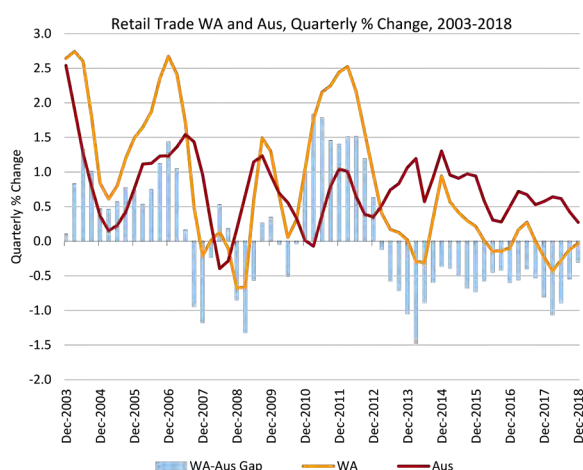
⇓ 0.0%

Quarter-on-quarter
change (December 2018)

Retail Trade/Turnover

Retail trade turnover in WA has done it tough in recent periods. After four quarters of negative growth in retail turnover (averaging 0.3%) in WA, it appears such declines may have bottomed out. While there is no growth in retail trade turnover in the quarter to December 2018, a halt in decline is to be welcomed. That said, while we might expect positive growth in retail sales in the first quarter of 2019, it is unlikely to be large in nature. Low consumer confidence will continue to be a drag for some time yet. Australia's retail trade growth remains positive, but like WA, it has also been on a downward trajectory of retail trade growth with the most recent quarterly percentage change sitting at 0.27%. The slowdown of the growth rate in the last two quarters has been quite important and it has been driven by the negative growth of NSW and the decline in the retail turnover growth rate of Vic (RHS). If Vic and NSW continue on this track, it is very likely that the average retail turnover of Australia would stop growing and perhaps head into negative territory in the year ahead. The increase in the growth rate of retail in Qld and SA may not be enough to counterbalance the rest of the states' performance that are well below their corresponding ten year average growth rates.

Figure 7: 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

3.3%

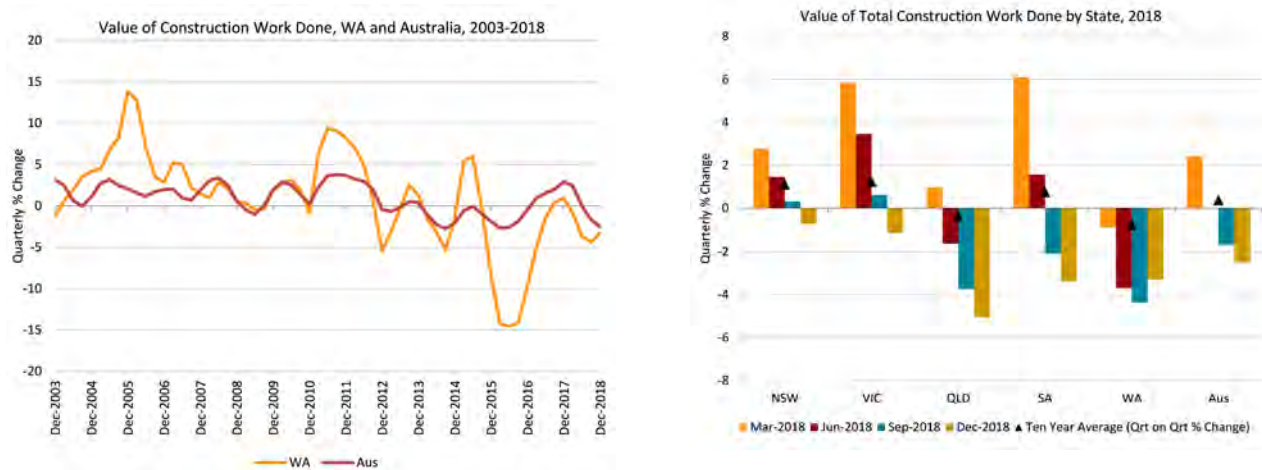
Quarter-on-quarter
change (December 2018)

Value of Construction Work Done

The value of construction work done continues to decline and Australia has now accumulated three quarters of negative growth (Figure 8). WA's situation is even more worrying as it has completed a full year of quarter-on-quarter negative growth. However, for the first time since March 2018, the rate of decline for the value of construction work done has not accelerated declining by 3.3% to December 2018. Declines in the value of construction work done have not reached rock bottom in WA just yet, and hopefully we will see a return to positive growth at some point over the course of the 2019 calendar year.

None of the states have been able to escape the current downward path. Qld, SA and WA have continued to experience negative growth rates for at least two consecutive quarters. Vic and NSW have suffered the first quarterly decline in the value of construction work done since mid-2014. From the December quarter of 2017, NSW's growth rate of construction work done has decelerated slowly, whereas Vic experienced a more abrupt decrease in growth rates in the last three quarters, leading to the current situation of economic decline in the value of construction work done.

Figure 8: 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

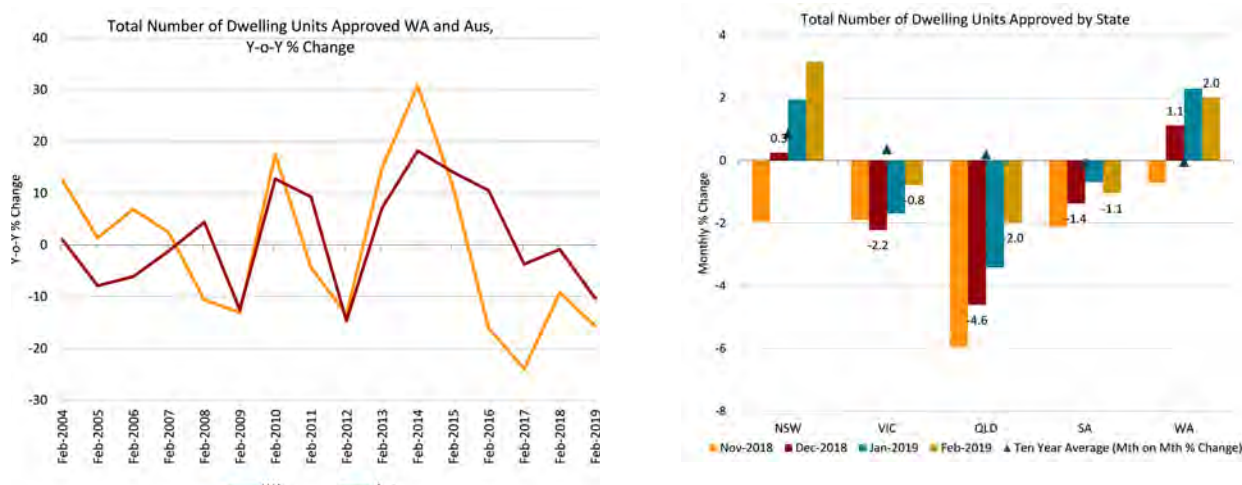

15.6%
 Year-on-year change
 (February 2019)

Dwelling Units Approved

Figure 9 shows the number of dwelling units approved by state from 2004 onwards. The LHS shows the year on year percentage change of dwellings units approved in both WA and Australia and the RHS looks at the percentage change of the last four months. On a Y-o-Y basis we see further decline in the total number of dwelling units approved. Australia's negative growth began in January 2016 but WA's decline goes back two years earlier and now stands at 15.6% lower than that reported in February 2018. In the last year, Australia and WA seem to have followed a similar growth path and the gap between these two has remained relatively constant in recent quarters.

However, if we look at the monthly percentage change (RHS), the situation is encouraging for WA as it is the only state, apart from NSW, with positive growth in the number of dwellings approved in the three months to January 2019. WA monthly percentage change is currently above the ten year average growth rate. All other states have experienced four months of consecutive decline in the total number of dwelling units approved. Vic, Qld and SA have experienced negative growth in the last four months but the rate of loss is declining.

Figure 9: Total Number of Dwelling Units Approved by state, February 2004 to February 2019



Notes: Trend.

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



Dwelling Commencements

3.6%

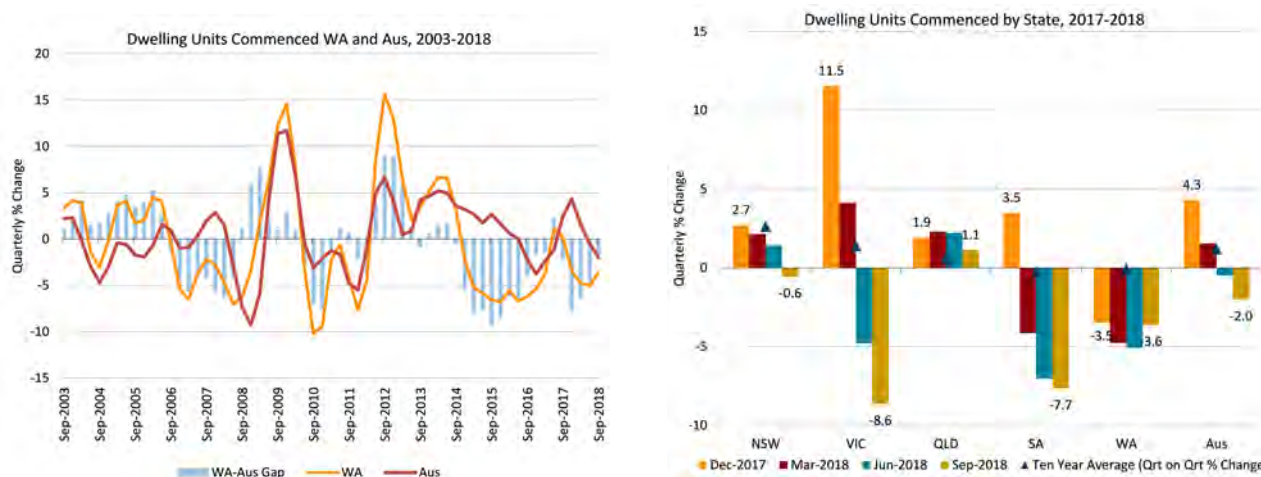
Quarter-on-quarter
change (September 2018)

Dwelling Commencements

The number of dwelling commencements seems to follow more or less the same track as the value of construction work done in WA, with the former preceding the latter by a couple of months. The last cycle started in June 2014 with significant decline in the dwelling units commenced until September 2017, where there has been a brief period of positive growth. From that point onwards, WA has been experiencing a second phase of decline. As is the case of the value of construction work done, there has been a slight improvement in WA in the quarter to September 2018. The decline in dwelling units commenced has slowed down and many in the much struggling construction sector will be hoping for a return to positive growth over the course of 2019.

Recent periods of negative growth for Australia is driven primarily by Vic (down by 8.6% to September 2018) with the State suffering dramatic change over the last four quarters. In the quarter to December 2017, Vic increased the dwellings commenced by 11.5%, while in June 2018 the growth rate fell by 8.6%. NSW has also experienced a steady decline, but at a milder rate than Vic, and after three quarters of positive growth, the September quarter tipped into negative territory (-0.6%).

Figure 10: Dwelling Units Commenced, WA and Australia, 2002 to 2018



Notes: Trend.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 8752, Table 35.



Housing Finance Commitments

11.6%

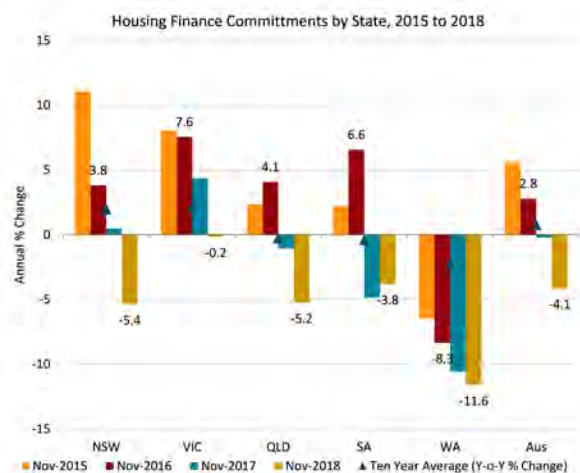
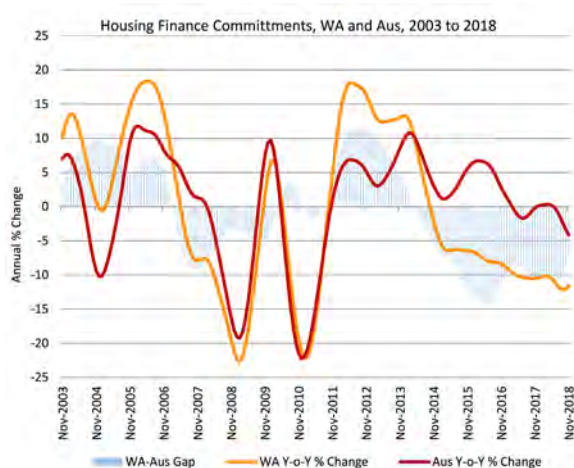
Year-on-year change
(September 2018)

Housing Finance Commitments

Housing finance commitments have declined in all states in the year to November 2018. The fall has been largest for WA (-11.6%) followed by NSW (-5.4%), Qld (-5.2%), and Vic (-0.2%). Unfortunately, the decrease is not only sharper for WA but is also on the back of what is now a very substantial period of negative growth. WA is the only state having completed four years of decline in housing finance commitments.

The situation is quite worrisome for Australia as well, especially over the last twelve months, as there has been an overall decline of 4.1% in housing finance commitments (on the year to November basis). The gap between Australia and WA has decreased, but remains at 7.5ppts. Higher interest rates from some of the commercial banks, tighter lending and the fall in housing prices in NSW and Vic are the probable causes of the fall, and subsequent acceleration of the decline, of housing finance commitments in Australia.

Figure 11: Housing Finance Commitments, WA and Australia, 2003 to 2018



Notes: Trend.

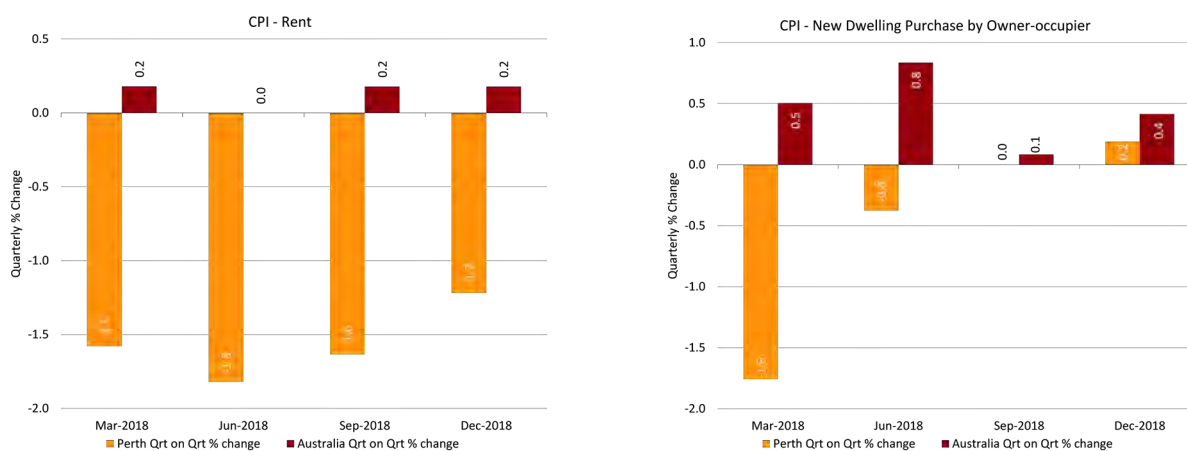
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5609, Table 5.

Change in Rents and New Dwelling Purchase by Owner-Occupier

Australian rental prices have increased modestly, averaging 0.1% over the last four quarters (Figure 12, LHS). However, the rise in rental prices has been smaller than the increase in CPI, which averaged 0.4% nationally over the last four quarters. In the case of WA, rental prices have fallen during the same period by almost 1.6%, with overall CPI increasing by 0.3% in Perth.

On the other hand, encouraging news for WA comes from the prices of new dwellings purchased by owner-occupiers (Figure 12, RHS). For the first time since September 2017, these prices have recorded positive growth (0.2%) and it seems that WA is on an upward trend. The prices of new dwellings purchased by owner-occupiers remain positive at a national level, increasing once again in Australia in the quarter to December (0.4%), recovering from the particularly low increase observed in the September quarter.

Figure 12: Change in Rents and Owner-Occupier New Dwelling Purchases, WA and Australia, 2017 to 2018



Notes: Index, Base = 2011-2012.

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

LABOUR MARKET



Employed Persons

▲▲ 0.2%

Year-on-Year change
(February 2019)

Labour market

An extra 2,430 people were employed in WA over the twelve months to February 2019. This translates in absolute terms to Y-o-Y growth of 0.18% in the number of persons employed, which is lower than the 2.3% reported nationally. By employment type, part-time employment in WA fell by 5.3% on an annual basis, while full-time employment grew by 2.9%, with the latter second only to Vic (5.1%) (Table 2).

However, the most recent monthly labour market trends show an overall decline of 1,600 people being employed in the month to February 2019. Full-time employment declined by 1,800 persons over the last month, alongside a fractional growth in the number of part-time workers of around 200 persons. When taken together with rising unemployment rates (Figure 13) and continued population growth, the economic signs point to a weakening WA labour market. This emphasises the imperative for continued jobs creation to put the labour market back on a positive track.

Table 2: Employment changes, full-time and part-time, February 2019

| | Employed Persons (‘000) | Change from: | | | | Change from Jan-2019 (‘000) | | Change (%) from Feb-2018 | |
|-----------|-------------------------------|-----------------|------|-------------|------|--------------------------------|-----------|-----------------------------|-----------|
| | | Jan-2019 (‘000) | Rank | Feb-2018(%) | Rank | Full-Time | Part-time | Full-Time | Part-time |
| Australia | 12,762.8 | ▲ +20.6 | — | ▲ +2.3% | — | +12.3 | +8.2 | ▲ +2.6% | ▲ +1.8% |
| NSW | 4,087.9 | ▲ +8.8 | 1 | ▲ +3.2% | 2 | +3.6 | +5.1 | ▲ +2.4% | ▲ +4.9% |
| VIC | 3,371.2 | ▲ +8.3 | 2 | ▲ +3.8% | 1 | +4.7 | +3.6 | ▲ +5.1% | ▲ +1.0% |
| QLD | 2,501.8 | ▲ +4.1 | 3 | ▲ +1.2% | 3 | +3.9 | +0.1 | ▲ +1.7% | ▲ +0.2% |
| SA | 844.0 | ▼ -0.2 | 7 | ▲ +0.6% | 4 | -0.5 | +0.3 | ▲ +1.0% | ▼ -0.2% |
| WA | 1,337.2 | ▼ -1.6 | 8 | ▲ +0.2% | 5 | -1.8 | +0.2 | ▲ +2.9% | ▼ -5.3% |
| TAS | 248.1 | ▲ +0.0 | 6 | ▼ -0.4% | 6 | -0.5 | +0.6 | ▼ -0.9% | ▲ +0.4% |
| NT | 133.7 | ▲ +0.1 | 5 | ▼ -3.0% | 8 | -0.0 | +0.1 | ▼ -2.6% | ▼ -4.5% |
| ACT | 227.5 | ▲ +0.2 | 4 | ▼ -1.2% | 7 | +0.2 | -0.0 | ▼ -4.0% | ▲ +6.7% |

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

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6202.0, Table 12.

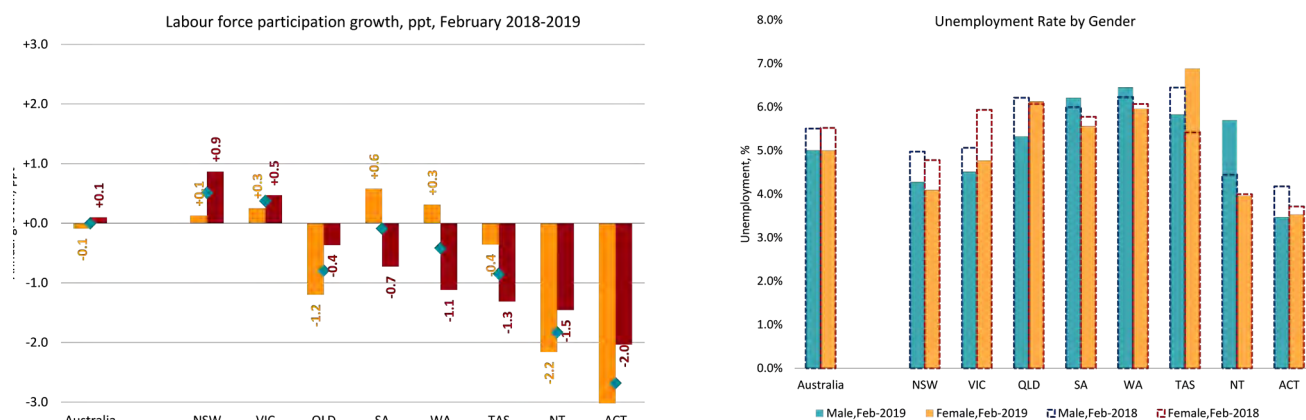
Labour force participation and unemployment, by gender

Labour force participation rates (proportion of people either employed or actively looking for work) in WA now stand at 68.0%, remaining higher than the national rate of 65.6%. On an annual basis, labour force participation has declined in the West, with a drop of -0.4ppts over the last 12 months, and the nation picture stable (0.0ppts).

Male participation rates in WA have increased by 0.3ppts over the last twelve months, above the Australian average of 0.1ppts. However, female participation is down by 1.1ppts compared to an increase in the national average for women (0.1ppts).

WA's unemployment rate now stands at 6.2%, some 0.07ppts higher than that reported in February 2018. Male unemployment stands at 6.5%, 0.22ppts higher than that reported a year ago. However, female unemployment has declined from 6.1% to 6.0%, which will in part be explained by the lower female participation rates. Overall, mixed messages therefore also come through in the labour market, reiterating the continuation of uncertainty that surrounds the economy.

Figure 13: Labour force participation and unemployment rate by gender, WA and Australia, February 2019



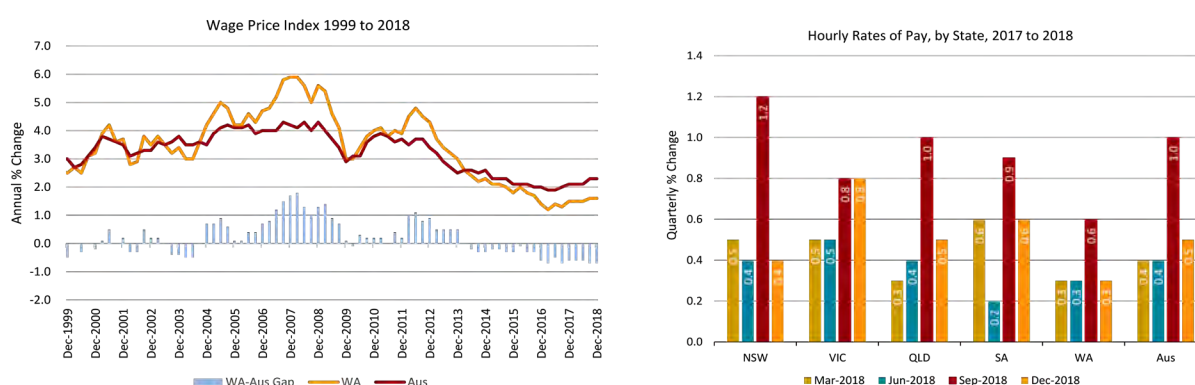
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6202.0, Table 12.

Earnings

For the twenty years reported here (Figure 14, LHS), growth in WA's Wage Price Index (WPI) hit its lowest rate in March 2017 (1.2%). Since then, there has been a pickup averaging 1.5% over the last seven quarters, with the quarter to December 2018 sitting at 1.6%. However, this is well below the State's ten year average of 2.9%. In addition, the WPI gap between WA and Australia is not closing, and remains at its highest over the reported period (0.7ppts). You now have to go back five years to December 2013 to find a positive WA-Aus wage gap.

The RHS of Figure 14 shows that the overall increase in hourly rates of pay in Australia was 0.5% in the December quarter. By state, the highest growth for the December quarter was in Vic (0.8%), followed by SA (0.6%). WA continues to lag behind all other states with growth of 0.3%.

Figure 14: Wages growth, WA and Australia, 1999 to 2018



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

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

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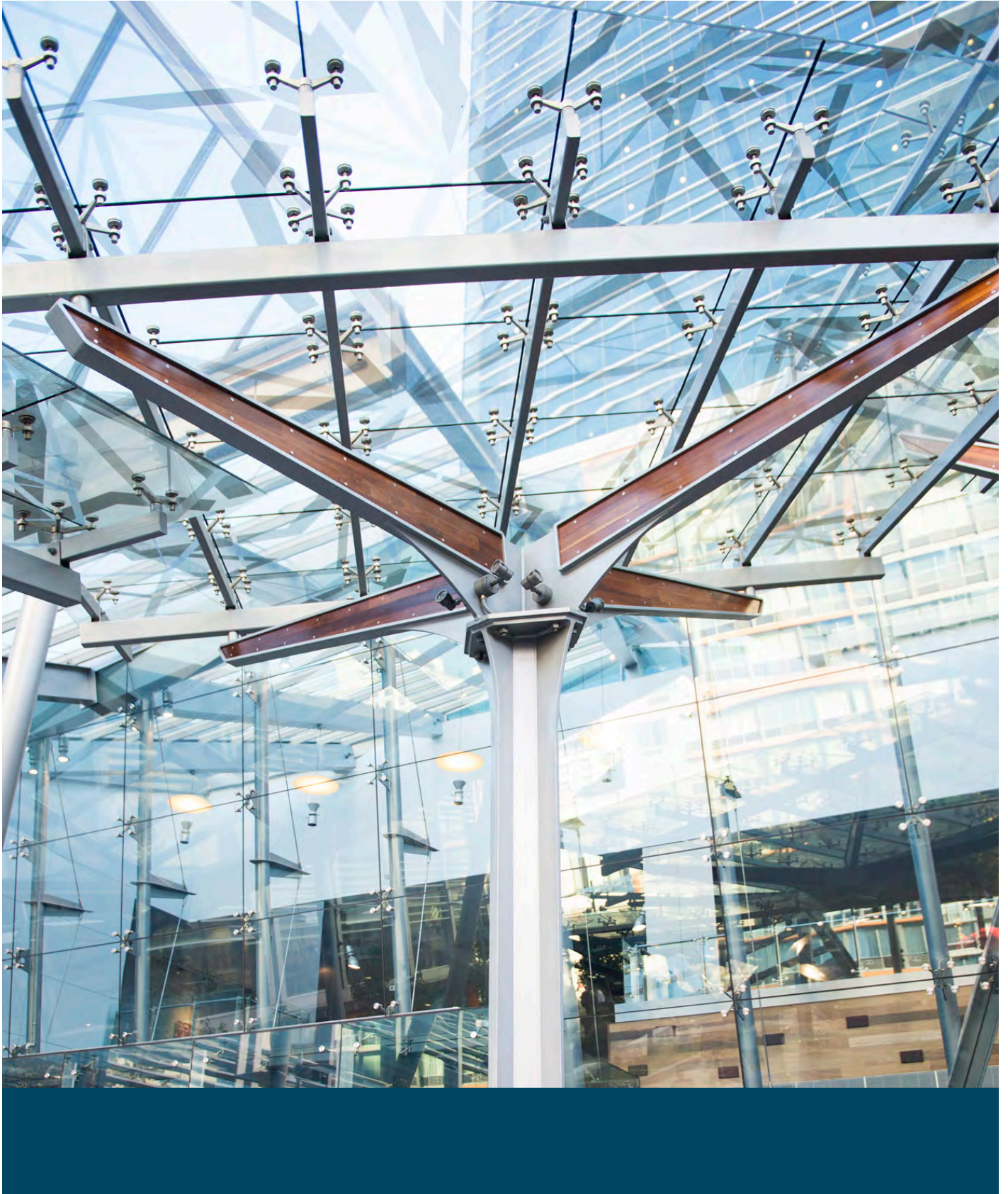
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