

June 2019 | 07

BCEC

Bankwest Curtin Economics Centre

bankwest



Curtin University



Sugarloaf Rock, Leeuwin-Naturaliste National Park

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



WA's economic challenge - stimulating economic growth, while controlling public debt

As previously noted here, the WA Government must be commended on their management of the public finances, with Moody's providing an upgrade in ratings from Aa2 to Aa1. This coincides with deficits that push WA's debt-revenue ratios back to 50%. However, weak economic growth continues and presents a conundrum for the Government – debt repayment versus further economic stimulus packages supporting future growth.

The State government's revenue position has certainly improved, with unexpectedly high iron ore prices, peaking at over US\$125 per tonne in early July, from US\$69 at the start of 2019, adding to the GST windfall. However, with iron ore prices already showing a decline with production again likely to ramp up in Brazil, and larger iron ore stocks accumulating in China, important decisions remain.

The hope is that the RBA's cash rate cuts and the Federal government's tax concessions will generate some short-term stimulus. However, the WA government has a critical role to play in driving economic growth, both through its own infrastructure investment program, and through measures to support investment by the state's business sector. In this series we've highlighted the importance of a more diversified WA economy. This is still the critical, but longer term game. The recently released economic development framework from the WA government is a first step, and BCEC's upcoming report, *Future-Proofing the WA Economy: A roadmap to industrial diversification and regional growth*, will have more to say on that.

Twitter: @Alan_S_Dunc

Email: alan.duncan@curtin.edu.au

Dr Daniel Kiely



Is the cocktail of RBA interest rate cuts and Government tax reforms enough to stimulate consumer spending?

The retail sector is hurting, with not a week going by without media reports of another small business in the retail sector going into administration. Many are well known brands, part of the WA and Perth fabric. A prolonged sluggishness in household consumption is taking its toll, even on well established businesses, as is competition from the larger players in the sector. And this is a phenomenon present at both a Perth and regional level. In a recent [ABC Goldfields](#) interview, I discussed some of the underlying reasons as to why small businesses are hurting. Macroeconomic conditions including low wage growth, stubbornly high unemployment rates and changing industry compositions mean that consumer confidence remains fragile. Low population growth is also a critical factor. It is often argued that, just as the undergrowth of a forest needs a canopy to survive, small businesses depend on larger enterprises. Yet Business confidence in WA remains weak, with business investment in WA continuing to decline.

With a 'new' Federal government in place, one eye will remain steadfast on the impact of the recently approved tax reforms on household consumption expenditure. The other eye will assess how the RBA's interest rate cuts will make their way into the economy.

Twitter: @Daniel_F_Kiely

Email: daniel.kiely@curtin.edu.au

Dr Silvia Salazar



We still have some way to go before confidence returns to the property market

For some time now, we've been highlighting weaknesses in the construction and real estate sectors, both in WA and nationally. Multiple red flags for the property and construction markets are raising concerns across Australia. The national Residential Property Price Index (RPPI) declined sharply in the two quarters to March 2019, while property prices in WA are now trending towards 2012 price levels.

Dwelling approvals in WA have slowed over the last four months, from positive monthly growth of 2.3% in approvals during February 2019 to a contraction of 0.7% in May 2019. While the value of building construction has increased for the first time since December 2017, this hasn't been enough to offset the overall decline in the value of construction work done.

Housing finance commitments reinforce the story of a property market under pressure. Total mortgage finance commitments across Australia have fallen by 9% over the last year, but the rate of decline looks to be accelerating. Commitments for WA also fell by 9% over the last year, even though the rate has arrested over the last few months, which offers hope that lending activity in the state may pick up at some point over the next year.

While recent RBA rate cuts may incentivise additional house purchases to take advantage of lower property prices, there is still a little way to go before confidence returns to the market.

Twitter: @BankwestCurtin

Email: silvia.salazar@curtin.edu.au

WA ECONOMIC OVERVIEW



How is our economy doing?

GSP \uparrow 1.9%

Year-on-year change (June 2018)

SFD \downarrow 0.3%

Quarter-on-quarter change (March 2019)



Business Investment

\downarrow 3.5%

Quarter-on-quarter change (March 2019)



Construction Work

\downarrow 6.0%

Quarter-on-quarter change (March 2019)



Housing Finance Commitments

\downarrow 9.3%

Year-on-year change (May 2019)



Household Consumption

\uparrow 0.2%

Quarter-on-quarter change (March 2019)

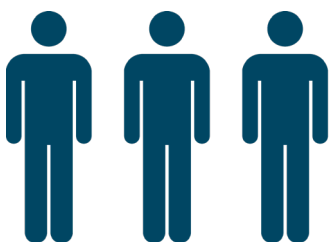


Inflation and Cost of Living

CPI \downarrow 0.1%

WPI \uparrow 0.3%

Quarter-on-quarter change (March 2019)



Population Change

\uparrow 0.9%

Year-on-Year change (December 2018)



Labour Market

Unemployment Rate

\downarrow 0.4ppt

Employed Persons

\uparrow 1.3%

Year-on-Year change (June 2019)

ECONOMIC GROWTH



How is our economy doing?

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

Gross State Product and State Final Demand

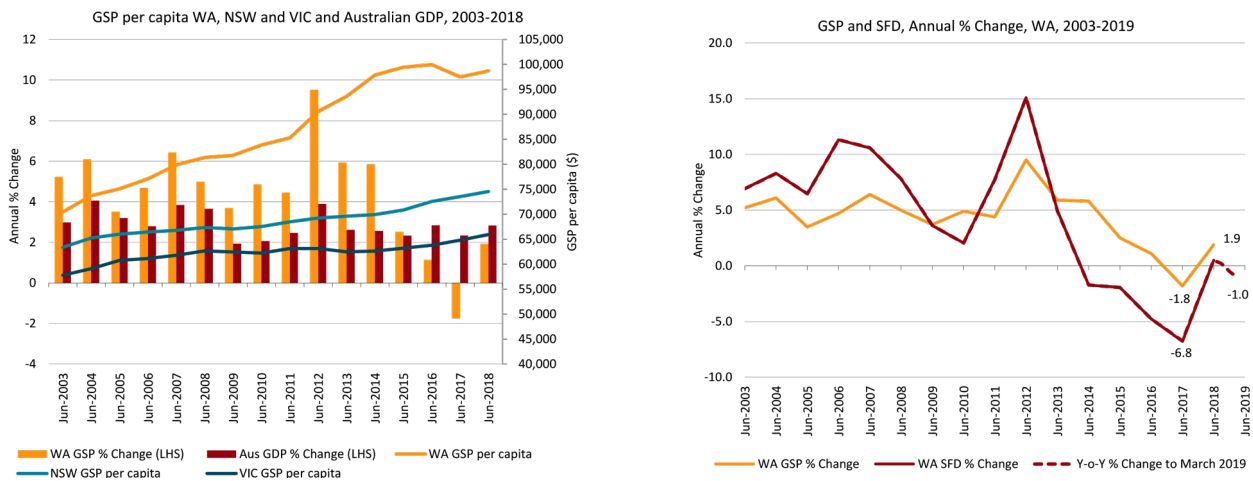
State Final Demand (SFD) is one of the few broad measures we have at our disposal to capture the demand for goods and services in the WA economy on a quarterly basis (but readers should refer to BCEC QEC, December 2017 for a discussion of the limitations of this measure).

SFD fell by 1% over the year to March 2019 compared to previous SFD measure to March 2018 (Figure 1 RHS), and comes after two periods of positive growth over the year to June 2018 (up 0.2% Y-o-Y) and September 2018 (up 0.5%).

Two points related to this latest SFD result are worth noting. The first is that WA still ranks higher than any other state in the value of SFD per capita, at \$77,829, with NSW ranking second at \$75,544 and Victoria third at \$73,941. And as shown in previous QEC editions, WA also ranks significantly higher than all other states in terms of GSP per capita (Figure 1 LHS).

The second caveat is that SFD does not include net exports, which, given WA's resource intensity, are of critical importance to the economy. We expect GSP growth over the year to June 2019 (the results of which will be known in November 2019) to remain positive. The latter will be supported by the strong iron ore prices reported in recent times, which are also impacting positively on the State's finances and debt position. Nonetheless, and recalling that SFD amplifies the swings of economic cycles, annual growth rates in SFD and GSP do follow a similar trajectory.

Figure 1: Gross State Product and State Final Demand, WA and selection of states, 2003 to 2019



Notes: Chain volume; Reference year is 2016/17.

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 **⇩ 0.3%**
 Quarter-on-quarter change (March 2019)

State Final Demand

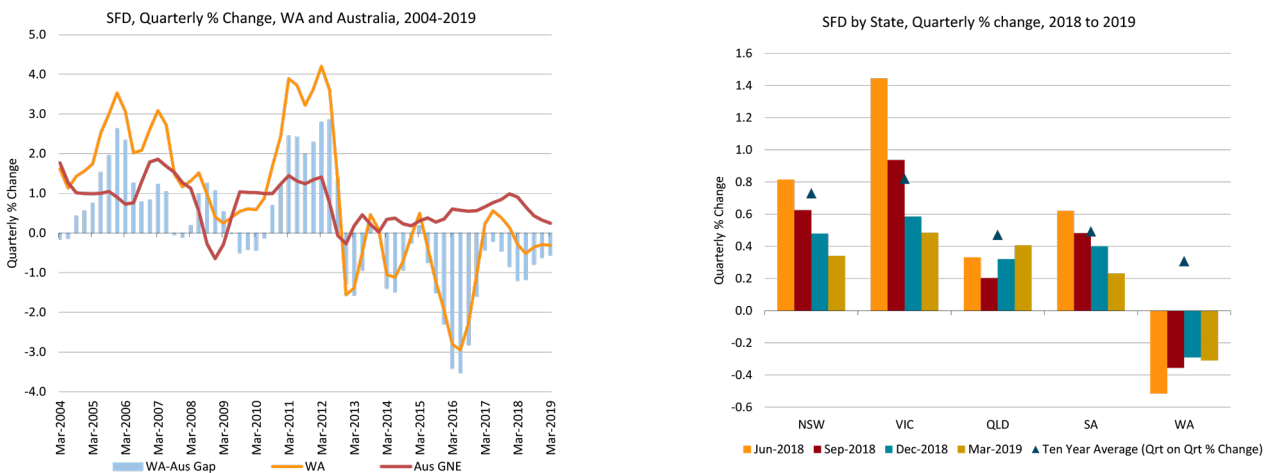
The March 2019 quarter's contribution to SFD contracted by 0.31% (Figure 2, LHS). This latest result adds to a series of five quarters of negative quarter-on-quarter growth since March 2018. However, the quarterly SFD series is at least edging towards positive territory. With reports that business optimism is returning across some of the State's largest industry sectors, this offers some encouragement that we may see an investment-led return to positive SFD growth over the second half of this year.

The growth gap between WA and Australia is narrowing, as shown by the comparison of SFD growth in WA with an equivalent national aggregate measure (Figure 2, LHS). The quarter-on-quarter growth rate of Gross National Expenditure (GNE) has fallen gradually over the last six quarters, primarily driven by a weakening domestic Australian economy. GNE grew by 0.2% in the quarter to March 2019, and at an average of 0.4% over the past twelve months. This compares to an average quarter-on-quarter growth of 0.6% over the last ten years and 0.8% over a thirty year period.

These SFD figures emphasise that WA's domestic economy remains fragile, but the same also holds elsewhere. Patterns across the country (Figure 2, RHS) reveal a consistent trend of lower SFD growth for all states with the exception of Queensland in the quarter to March 2019, compared to the December 2018 quarter.

The weak Australian economy, related low inflation rates and sticky unemployment has led to the well documented cuts to the RBA's cash rate. The next few quarters will determine whether these cuts, together with the Federal government's interest rate cuts will be sufficient to stimulate further growth in the national and state economies.

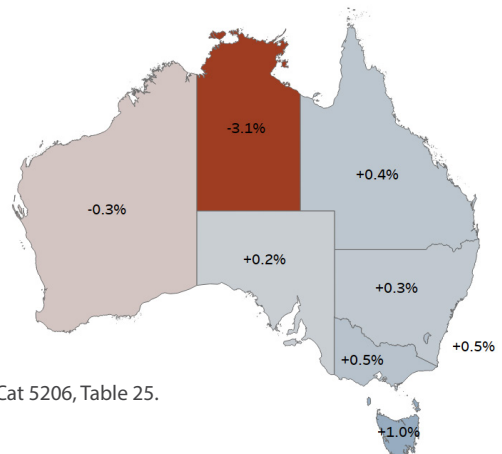
Figure 2: State Final Demand by state, 2004 to 2019



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, March 2019



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 **▼ 0.3%**

Quarter-on-quarter change (March 2019)

Components of State Final Demand

So, what can be said of the components of State Final Demand (SFD)?

Table 1 shows the quarterly percentage change in the key components of SFD for the five most populous states. Business investment remains the greatest drag on WA's SFD, with Private Gross Fixed Capital Formation (GFCF) again declining over the last quarter by a substantial 3.1%. The continued growth in public GFCF (up 0.8%) has not been sufficient to offset the fall in private investment, with the latter accounting for nearly a quarter of total SFD.

WA's general government expenditure (which accounts for almost a fifth of SFD) grew by 1.5% in the last quarter, well above the ten-year average quarter-on-quarter growth rate (+0.8%) and the largest quarterly increase since September 2013. This is the highest across all the states, and not inappropriate given the broader economic context.

Household consumption expenditure in Western Australia makes up more than a half of WA's State Final Demand. The latest figures show that quarterly growth remains positive (up 0.2% in the quarter to March 2019). Yet this remains well below the ten year average quarterly growth rate of 0.8%, and reinforces the need to cultivate the seeds of confidence that will translate into consumer spending.

For Australia, Gross National Expenditure (GNE) increased by 0.2% in the quarter to March 2019, the lowest growth in GNE since that reported in December 2014. An interesting feature nationally is that general government expenditure growth remains at or above 1%, with the 1.2% increase reported for this quarter above the ten year average of 0.8%.

Table 1: Components of State Final Demand by state and territory, quarterly percentage change, March 2019

Components State	NSW	VIC	QLD	SA	WA	AUS
Percentage Change						
State Final Demand	+0.3	+0.5	+0.4	+0.2	-0.3	+0.2
Final consumption expenditure						
General government	+1.4	+1.2	+0.9	+0.9	+1.5	+1.2
Households	+0.2	+0.4	+0.4	+0.1	+0.2	+0.3
Gross fixed capital formation						
Private	-1.5	+0.3	-1.3	-0.3	-3.1	-1.2
Public	+3.0	-1.4	+4.0	+0.1	+0.8	+1.5

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

⇓ 3.5%

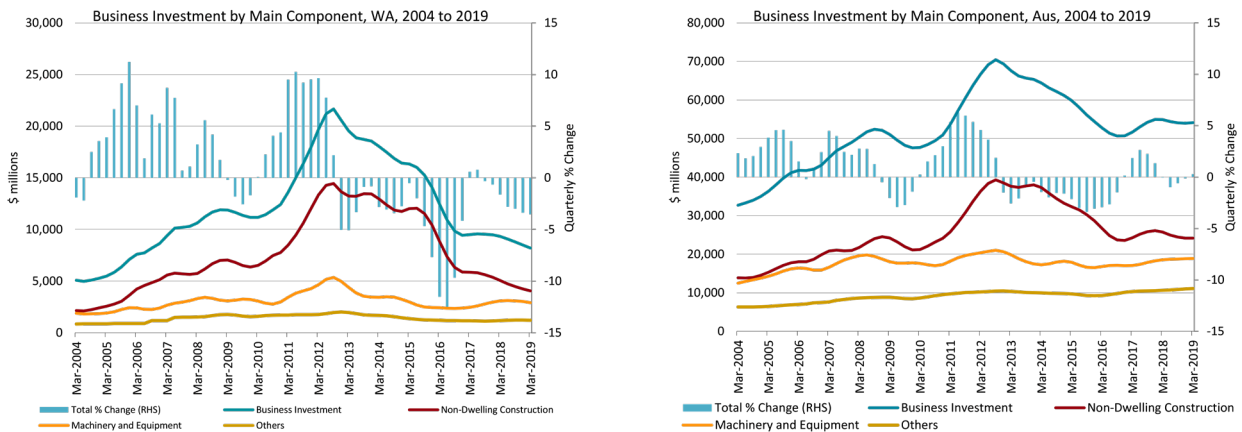
Quarter-on-quarter change (March 2019)

Business Investment

Business investment in WA is now at an equivalent level to that seen in September 2006, with the value in March 2019 sitting at just under \$8.2bn. This is a decline of 3.5% from that observed in December 2018, and is the seventh consecutive quarter of reported declines (Figure 4, LHS). Nationally, business investment increased by 0.3% over the last quarter, following on from four previous quarters of negative growth (Figure 4, RHS).

Non-dwelling construction, the largest component of WA's business investment, has fallen consistently over the last fifteen quarters (Figure 4, LHS), with the most recent being a fall of 4.4%. Previous improvements in investment growth in machinery and equipment (the second largest component of business investment) have also dropped off, with an average decline of 2.2% over the last three quarters. Investment in machinery and equipment in WA had grown at an average rate of 4.0% in the six quarters between December 2016 and June 2018. The equivalent national trends remain positive.

Figure 4: Business Investment, WA and Australia, quarterly, 2004 to 2019



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 (March 2019)

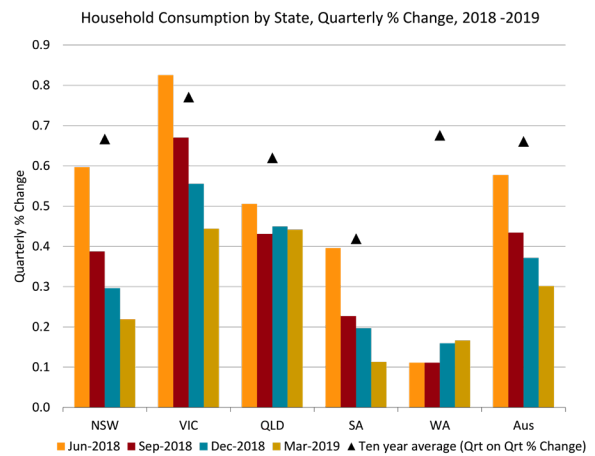
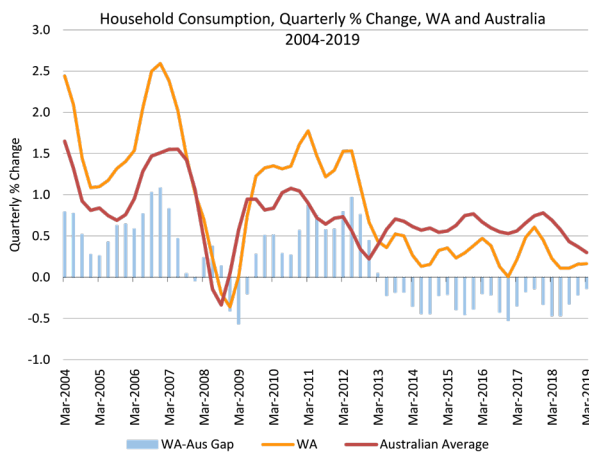
Household Consumption

Household consumption makes up over a half of WA's SFD and around 42% of GSP, and is a key contributor to the state's economic activity. It is also a good marker of economic confidence. WA household consumption growth remains positive according to the latest figures for the March 2019 quarter (up 0.17% since December 2018). This is below the state's long term average, with average household consumption growth over the past ten years standing at 0.68%.

National household consumption grew by 0.3% during this same period.

Household consumption growth rates in WA remain lower than for most other states (Figure 5 RHS), but seem to be picking up gradually. Growth rates over the March 2019 quarter have fallen more rapidly in NSW (0.22%), Victoria (now 0.44%) and South Australia (now 0.11%).

Figure 5: Household Consumption Growth, WA and Australia, 2004 to 2019



Notes: Chain volume, Trend.

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

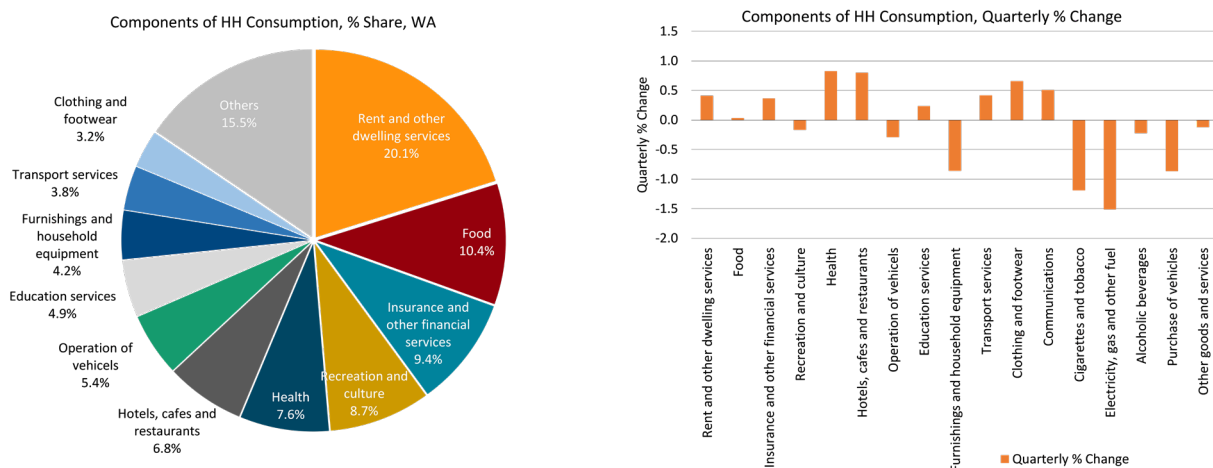
Components of Household Consumption

Looking at the components of household consumption growth and their relative weight provides further details on consumer spending behaviour. Rent and dwelling services hold the largest share of household consumption (20.1%), and grew by 0.4% (Figure 6 RHS).

Food expenditure, the next largest component of household consumption at just over a tenth of the total, remained flat over the last quarter. Insurance and other financial services expenditure (a 9.4% share of total household consumption) grew by 0.4%. Recreation and culture expenditure declined by 0.2% over the quarter to March 2019, with falls also for the operation of vehicles (down 0.3%), furnishings and household equipment (down 0.9%), cigarettes and tobacco (down 1.2%), and the purchase of vehicles (down 0.9%).

Health consumption grew by 0.8% over the quarter (Figure 6 LHS) as did spending on hotels, cafes and restaurants. The Federal Budget tax amendments – specifically the Low and Middle Income Tax Offset – will soon take effect with many households having submitted their tax returns for the year. Alongside the two recent RBA cuts, it will be interesting to see how these measures make their way through the system. To what extent the measures translate into a lift in household consumption remains to be seen.

Figure 6: Components of Household Consumption in WA, % share and quarterly % change, March 2019



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

⇩ 0.1%

Quarter-on-quarter
change (March 2019)

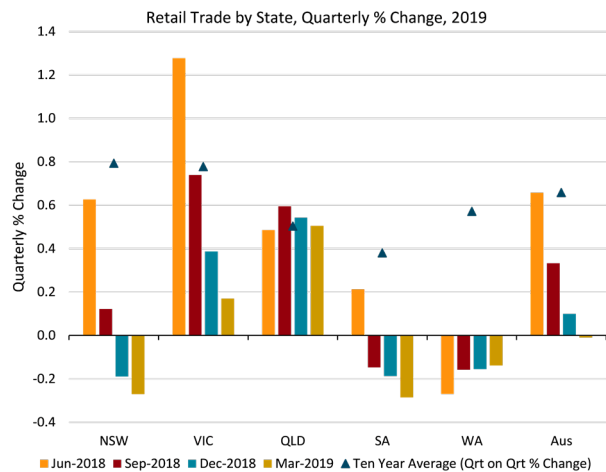
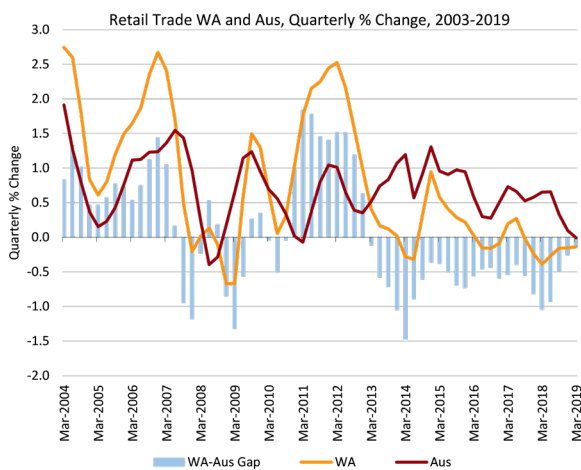
Retail Trade/Turnover

Figures from our previous QEC highlighted the pressure being felt by Australia's retail sector, with a declining national trend for retail trade. Unfortunately, this trend has continued and for the first time since 2011, Australia is experiencing negative growth in retail trade.

This fall is mainly driven by NSW and SA where retail trade sales contracted further in the quarter to March 2019. Victoria's retail trade sales are still increasing relative to the previous quarter but the growth rate has declined sharply since June 2018. Queensland is the only state with stable and continue positive growth in this sector, with retail trade growth of 0.5% in the quarter to March 2019 remaining close to the state's 10 year average.

In WA, the retail trends have remained almost identical for the last three quarters, with retail trade sales declining by 0.15% on average in the three quarters to March 2019.

Figure 7: Retail Trade, WA and Australia, 2004 to 2019



Notes: Chain volume, Trend.

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

CONSTRUCTION WORK



Construction Work

6.0%
 Quarter-on-quarter change (March 2019)

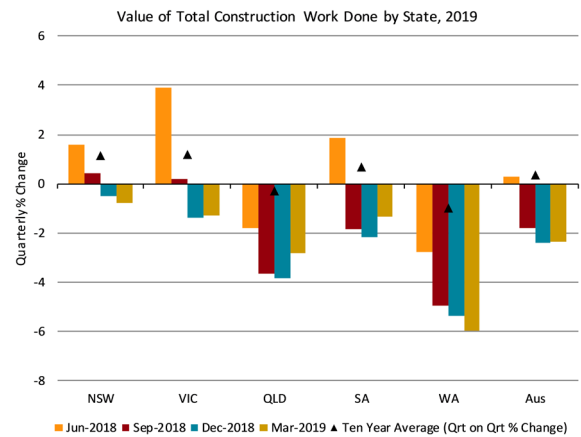
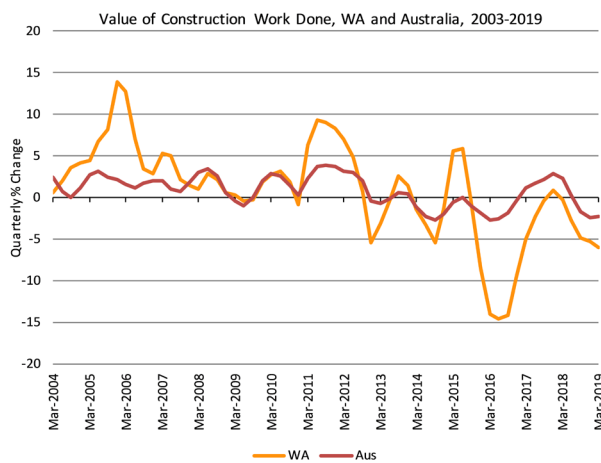
Value of Construction Work Done

The last quarter's figures for March 2019 show that the pattern of decline in infrastructure construction continues across the country. The total value of construction work done in Australia fell by 2.4% during the March 2019 quarter, using the trend measures released by the ABS earlier this month. All states have experienced negative growth, with WA and Queensland suffering the largest declines in value - down by 6% and 2.8% respectively over the latest quarter.

The main contributor to the overall decline is the fall in the value of engineering construction work since December 2017. The value of non-residential building work in WA actually increased by 0.13% in the quarter to March 2019, but this has not been enough to offset the fall in engineering construction – hence the overall fall in the total value of construction.

These findings show that the construction sector remains under significant pressure, driven by the slowdown in business investment shown earlier in this QEC.

Figure 8: Value of Construction Work Done by state, quarterly change, 2004 to 2019



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


13.7%
 Year-on-year change
 (May 2019)

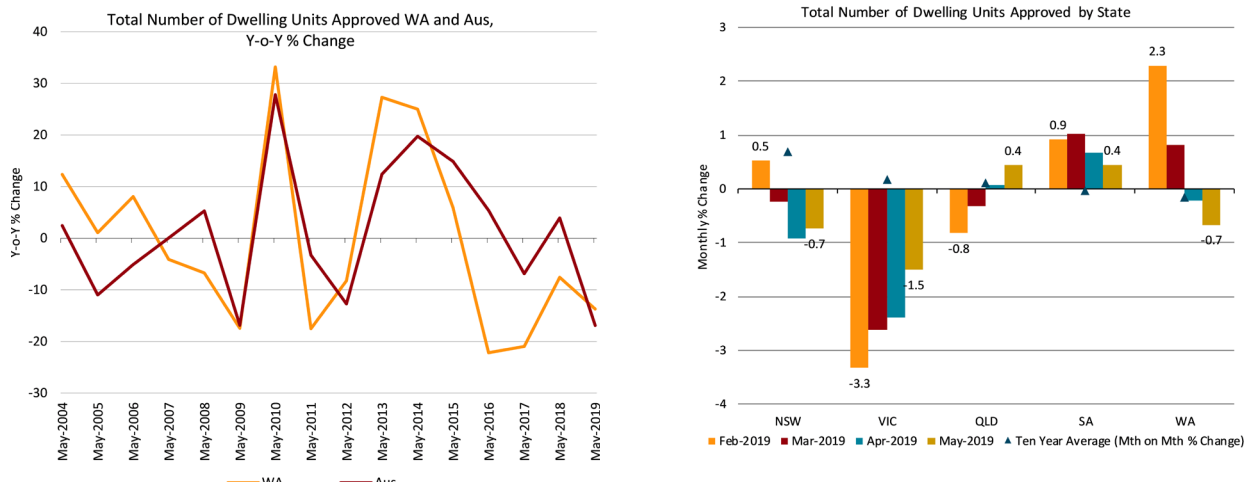
Dwelling Units Approved

The number of dwelling approvals in Australia has fallen drastically in the year to May 2019 (Figure 9 LHS). As a consequence, and for the first time since 2014, the percentage reduction in dwelling approvals for Australia (down by 16.9% over the year) exceeded that experienced by WA (down by 13.7%).

The picture for WA has become a little bleaker over the last 4 months (Figure 9 RHS). There has been a reversal of trend growth in dwelling approvals, from positive growth of 2.3% during February 2019 to a contraction of 0.7% in May 2019. This is well below the average monthly growth of 1.9% in approvals over the middle eight months of 2018, and takes WA under the ten year average for the state.

The number of dwelling approvals has risen (albeit modestly) by 0.4% in both QLD and SA in the month to end May 2019. Approvals have fallen in the other states, most significantly in VIC (down by 1.5% during May 2019) after consecutive month-on-month declines since January 2018. Dwelling approvals in NSW and WA have both fallen by 0.7% in the month to May 2019.

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



Notes: Trend.

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



Dwelling Commencements


7.0%
 Quarter-on-quarter
 change (May 2019)

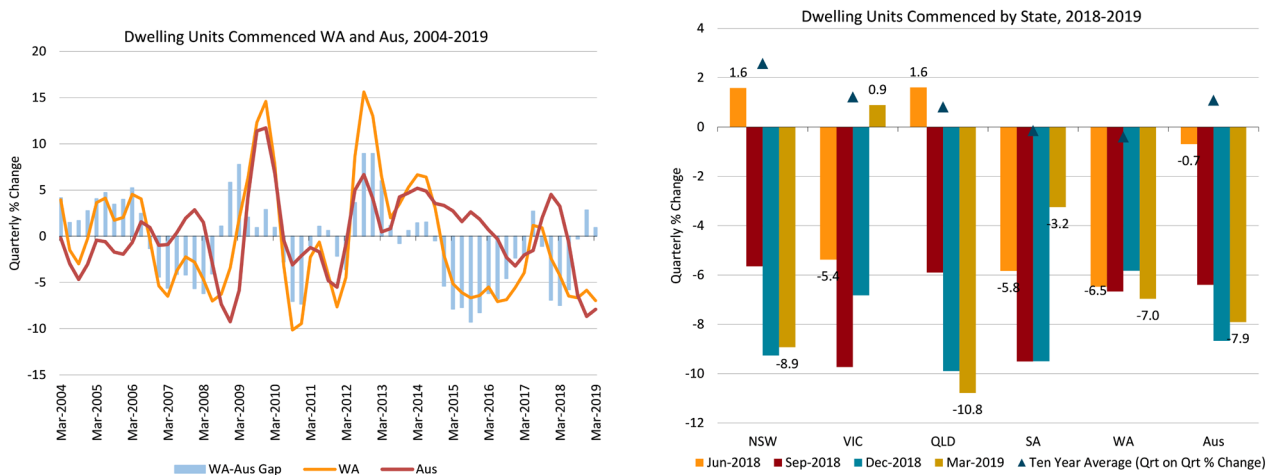
Dwelling Commencements

Challenging housing market conditions have driven a precipitous decline nationally in the number of dwelling commencements, with an abrupt drop of 22% across Australia since March 2018 (Figure 10 LHS). Dwelling commencements in WA also contracted by around 24% since March 2018, to 3,471 new starts in March 2019. To give a sense of the extent of the slowdown, there were around 7,800 dwelling commencements in WA during March 2014 – more than double the current number.

All states except Tasmania have seen a contraction of between 20% and 26% in the number of dwelling commencements since March 2018, with quarter-on-quarter declines of at least 5% in most states across the year. VIC nudged into positive territory in the quarter to March 2019, with growth in commencements of around 0.9%. However, this comes after a period of some pretty dramatic falls in the number of dwellings commenced in previous quarters.

The decline in commencements over the last quarter has been especially pronounced in QLD (down by 10.8% over the quarter to March 2019) and NSW (down by 8.9%).

Figure 10: Dwelling Units Commenced, WA and Australia, 2002 to 2019



Notes: Trend.

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



Housing Finance Commitments


9.3%
 Year-on-year change
 (May 2019)

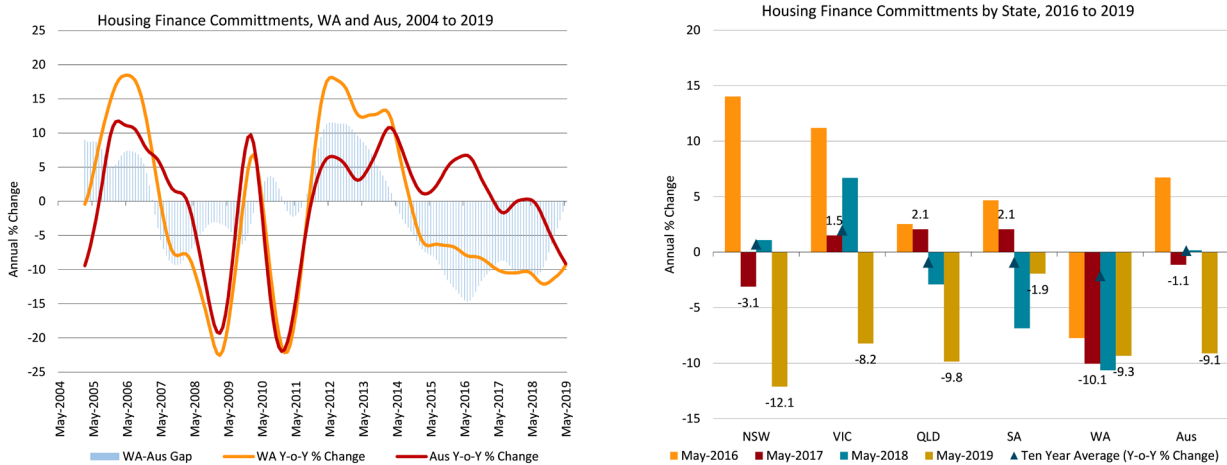
Housing Finance Commitments

Housing finance commitments nationally tell a similar story of a struggling property market. Not only has there been a fall in the rate of lending in Australia since June 2018, but the rate of decline is accelerating (Figure 11 LHS). The number of housing finance commitments in May 2019 fell by around 9% compared to the same period in 2018. WA has suffered from a more prolonged period of contraction in the number of new lending commitments going back to October 2014.

The pattern of decline over the last year is repeated across most other states (Figure 11 RHS), with the number of housing finance commitments in the year to May 2019 falling in NSW (down 12.1%), VIC (down 8.2%) and QLD (down 9.8%). The reversal in the number of finance commitments have happened pretty rapidly over the last year in most states, but WA has faced a significant drop in the number of housing finance commitments at least four years in succession.

The lower rate of decline in housing finance commitments for WA in the latest Y-o-Y figures for May 2019 (Figure 11 LHS) provides a glimmer of hope that lending activity in the state may pick up at some point over the next year. Successive reductions in the RBA's base lending rate provide further grounds for (at least cautious) optimism.

Figure 11: Housing Finance Commitments, WA and Australia, 2004 to 2019




Notes: Trend.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5601, Table 8.

HOUSING AFFORDABILITY



Housing Affordability


1.1%
 Quarter-on-quarter RPPI change (March 2019)

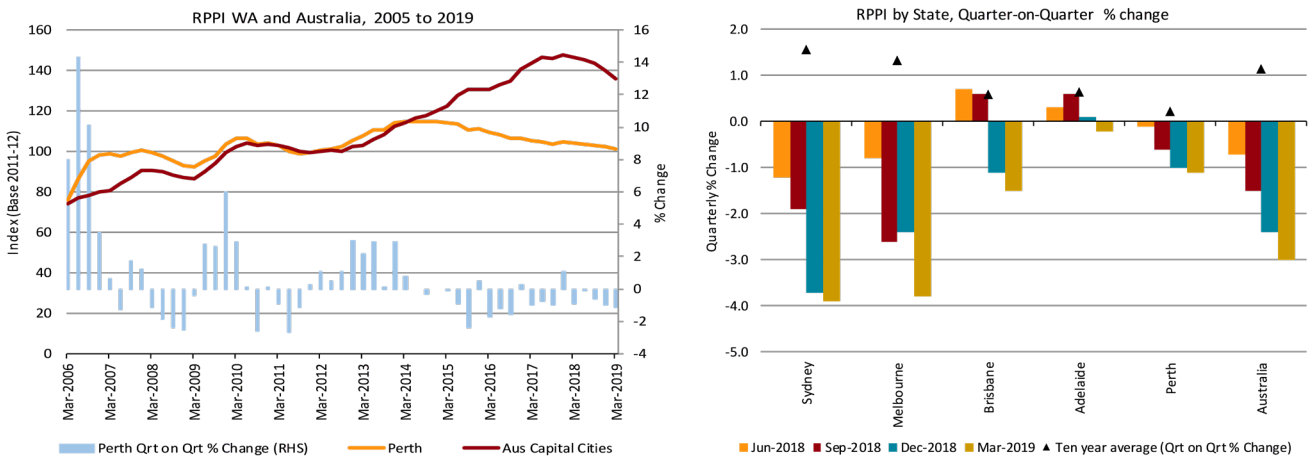
Residential Property Price Index

The much-discussed softening of the real estate market continues at pace across all state jurisdictions. Nationally, the Residential Property Price Index (RPPI) fell by some 5.3% in the two quarters to March 2019, from 143.4 in September 2018 to 135.8 by March 2019.

And Perth has not fared much better than Australia when it comes to property (Figure 12 LHS). The Residential Property Price Index for Perth has fallen pretty consistently over a period extending back to 2014, far longer than the period of decline in the national RPPI.

But state comparisons make clear that the declines in residential property prices have been far more severe for Sydney and Melbourne in recent quarters (Figure 12 RHS), and especially in the latest quarter to March 2019. Brisbane and Adelaide have also suffered from residential property price falls in the last quarter, but to a lesser extent (down 1.5% and 0.2% respectively over the quarter to March 2019).

Figure 12: Residential Property Price Index, Australia by State, 2005 to 2019



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

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

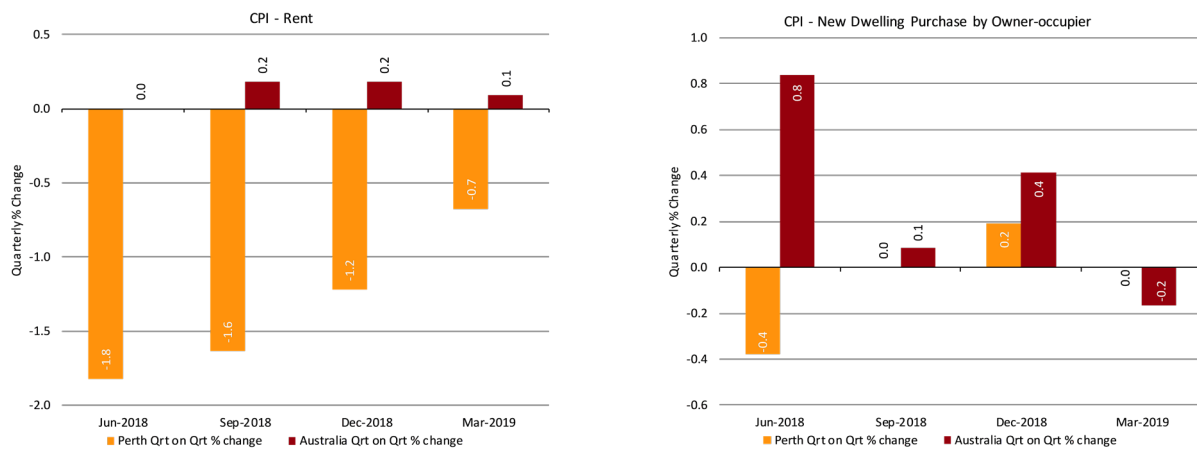
Change in Rents and New Dwelling Purchase by Owner-Occupier

Figure 13 shows how the CPI for new dwelling purchases by owner occupiers (RHS) and for rentals (LHS) have changed over the latest quarter. Australia's rental CPI continues to exhibit gradual growth, rising by 0.1% in the quarter to March 2019. Despite its modest rate of growth, rental CPI inflation (just) outpaced the all-group CPI (0.0%), the latter causing enough concern to force two RBA cash rate cuts in recent months.

Rental prices in WA continue to fall, but the pace of decline is slowing over the past three months. The rental CPI fell 0.7% in the quarter to March 2019, after far stronger falls of 1.2% to 1.8% in the previous three quarters (Figure 13 LHS).

Perth's CPI for new dwelling purchases by owner-occupiers remained flat in the quarter to March 2019, while the comparable rate for Australia declined by 0.2%. This is the first time that CPI for new dwelling purchases by owner-occupiers has fallen in Australia since March 2012.

Figure 13: Change in Rents and Owner-Occupier New Dwelling Purchases, WA and Australia, 2017 to 2019



Notes: Index, Base = 2011-2012.

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

LABOUR MARKET



Employed Persons


1.3%
 Year-on-Year change
 (June 2019)

Employment

WA organisations employed 16,800 additional people over the twelve months to June 2019, and 5,000 over the last month (Table 2). With nearly 1.36 million workers in June 2019, this translates to a Y-o-Y growth of 1.3% in the number of persons employed. This is lower than national employment growth (up 2.6% over the year), but still offers some cautious signs of optimism that WA's labour market is strengthening.

This is especially the case when you look at employment by type. While part-time employment in WA fell by 1.4% on an annual basis, the number of full-time workers increased by 2.5%. Full-time employment increased by 1,400 persons in WA in the month to June 2019, with an increase of 3,600 in the number of part-time workers.

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

	Employed Persons ('000)	Change from:		Change from May 2019 ('000)		Change (%) from June 2018			
	June 2019	May 2019 ('000)	Rank	June 2018 (%)	Rank	Full-Time	Part-time	Full-Time	Part-time
Australia	12,875.7	▲ +26.3	---	▲ +2.6%	---	+15.0	+11.3	▲ +2.9%	▲ +2.0%
NSW	4,141.3	▲ +12.8	1	▲ +3.5%	2	+10.6	+2.2	▲ +3.6%	▲ +3.2%
VIC	3,401.7	▲ +6.9	2	▲ +3.6%	1	+0.4	+6.5	▲ +3.8%	▲ +3.4%
QLD	2,520.7	▲ +3.1	4	▲ +1.6%	5	+2.7	+0.4	▲ +2.7%	▼ -0.7%
SA	857.6	▲ +1.2	6	▲ +1.7%	4	-0.1	+1.4	▲ +1.6%	▲ +2.0%
WA	1,355.5	▲ +5.0	3	▲ +1.3%	6	+1.4	+3.6	▲ +2.5%	▼ -1.4%
TAS	247.5	▲ +0.1	7	▼ -1.1%	7	-0.4	+0.4	▼ -3.9%	▲ +3.6%
NT	129.1	▲ +0.0	8	▼ -6.6%	8	-0.1	+0.2	▼ -9.4%	▲ +4.9%
ACT	232.5	▲ +1.5	5	▲ +1.9%	3	+1.0	+0.6	▲ +2.1%	▲ +1.4%

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.

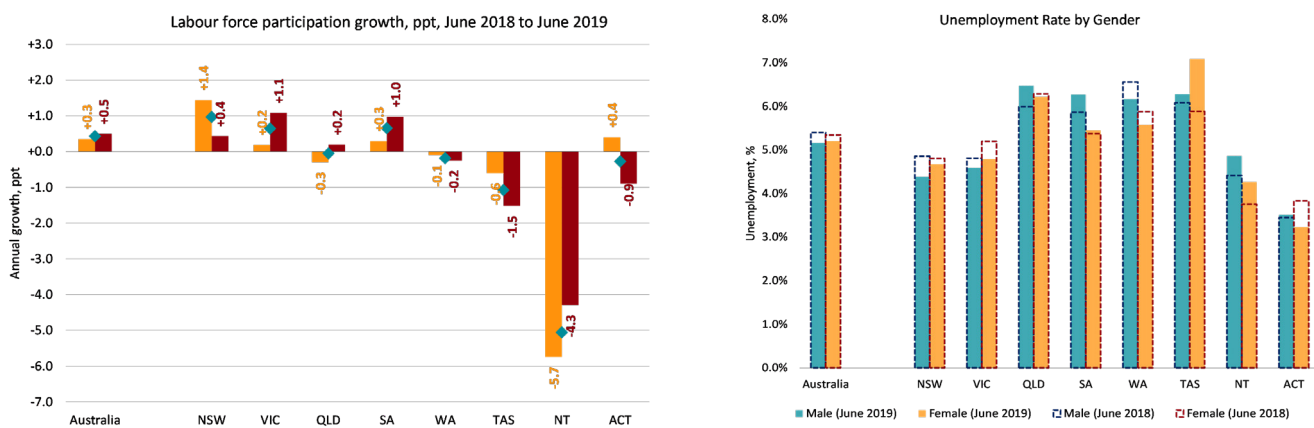
Labour force participation and unemployment, by gender

WA's labour force participation rate (which capture the share of people who are either employed or actively looking for work) reached 68.3% in June 2019, and continues to outshine the national rate of 66.0%. The participation rate in the West has declined slightly over the twelve months to June 2019 (down 0.2ppt), but with monthly growth of 0.12ppt between May 2019 and June 2019 there are some signs that labour market confidence is rising. The national picture also points to greater engagement in work or job search, with labour force participation rates improving by around 0.4ppts over the year (Figure 14, LHS).

WA's trend unemployment rate stood at 5.9% in June 2019 (Figure 14, RHS), falling by around 0.1ppt from that reported in May 2019. For men, the unemployment rate sits at 6.2% (down 0.1ppts over the last month and down 0.4ppt since June 2018) while the rate for women is 5.6% (unchanged from a month ago, and down 0.3ppt over the year).

Overall, the latest WA labour market data reflect a positive shift towards full-time employment, with falling unemployment rates and tentative indications of rising labour force participation rates at least over the last few months.

Figure 14: Labour force participation and unemployment rates by gender, WA vs Australia, June 2019



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

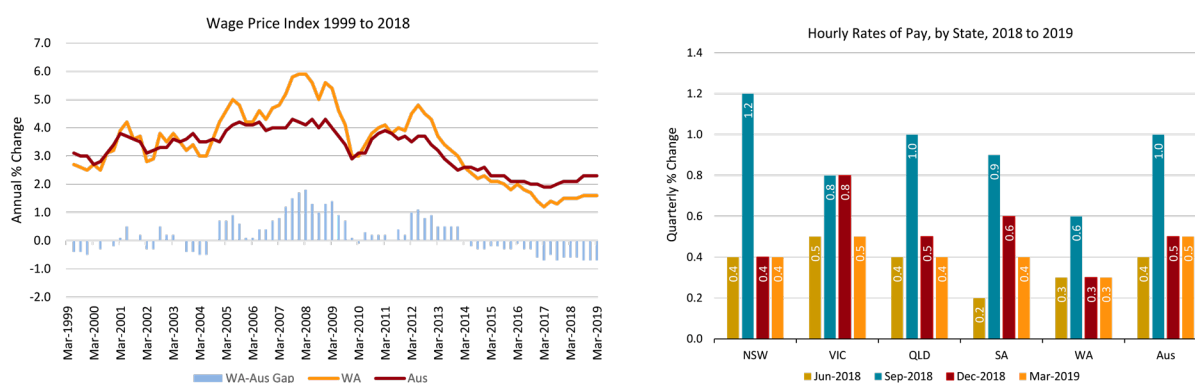
Earnings

The story of low wages growth in WA has mirrored the national picture for some time, with year-on-year (Y-o-Y) growth restricted to 2% or lower in every quarter since June 2015 according to data from the state's Wage Price Index (WPI). Indeed, wages growth in WA in March 2017 (up 1.2% over the year) was lower than at any time since the start of the millennium (Figure 15, LHS).

The most recent wage growth figures for WA, while modest in comparison to national trends, have nevertheless shown some very tentative signs of improvement. On latest data, WA wages grew by 1.6% over the year to March 2019. This is up 0.4ppt from the low point in March 2017, and compares to national wages growth of 2.3%. Figure 15 (RHS) shows that WA's hourly rates of pay grew by 0.6% over the quarter to September 2018, and by 0.3% during the last two quarters to December 2018 and March 2019.

Wages growth needs to accelerate further if the State Government is to hit the targets laid out in the WA Budget 2019-20. Forward revenue estimates are based on WPI growth of 1.75% in the year to June 2019, followed by annual wages growth of 2.25% and 2.75% in 2019-20 and 2020-21 respectively. To achieve the first target requires WPI growth of at least 0.5% over the June 2019 quarter, followed by consistent quarterly growth of 0.6% in 2019-20 and 0.7% in 2020-21.

Figure 15: Wages growth, WA and Australia, 1999 to 2019



Notes: Hourly rates of pay do not include bonuses.

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

POPULATION



Population Change

↑↑↑ 0.9%
Year-on-Year change
(December 2018)

Population

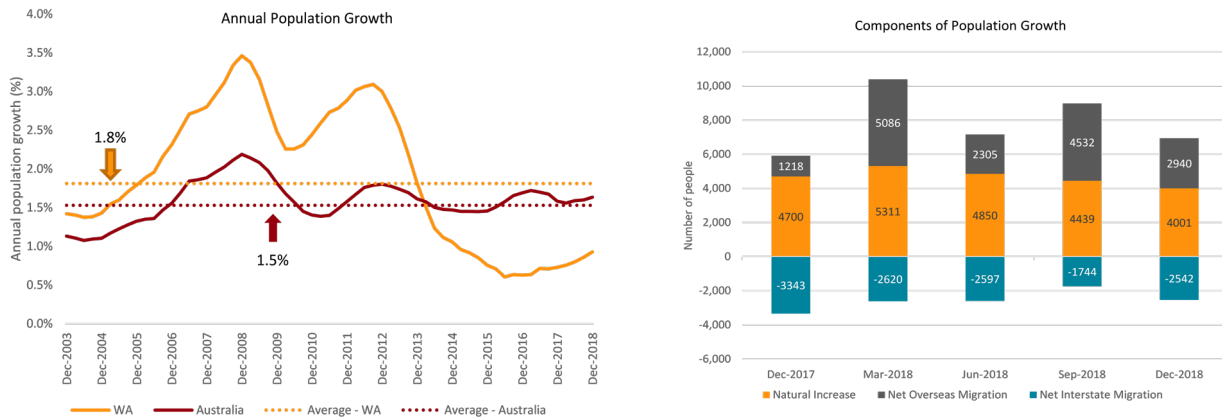
Population is one of the three Ps that drive economic growth, alongside productivity and labour force participation. With population growth comes a greater demand for goods and services.

In the year to December 2018, WA's population grew at a rate of 0.9%. This compares to population growth of 1.6% nationally. WA's population growth is also well below the State's fifteen year average of 1.8%, and well off the peak of 3.5% reported in December 2008. The latter population growth occurred during the construction phase of WA's mining boom, when related business investment and economic growth, led to labour market shortages, which in turn created positive net overseas and interstate migration.

As shown on the RHS of Figure 16, while net overseas migration remains positive, the 2,940 additional persons that came to WA from overseas in the quarter to December 2018 is only 45% of the average recorded in the previous ten years (6,350). Furthermore, net interstate migration continues to decline, with declines reported in each quarter now since September 2013 (22 quarters). Natural increases (births minus deaths) are a key determinant in WA's population growth in recent times.

Further population growth is needed to help stimulate household consumption, retail trade, and housing demand and prices. For the WA economy to build again, the adult and working population must grow. This brings us back to the labour market, and the need to stimulate more and better jobs.

Figure 16: Annual Population Growth and Components of Population Change



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

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, June 2019

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 (2019), BCEC Quarterly Economic Commentary, Issue #7, Bankwest Curtin Economics Centre, June 2019.

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
bcec@curtin.edu.au

