



Lake Ballard Campground, Western Australia, Tim Campbell Photo, Tourism WA

BCEC Quarterly Economic Commentary

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

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WA's economy continues to strengthen

Western Australia's domestic economic output, also known as State Final Demand, increased by 3 per cent over the March 2021 quarter according to the latest ABS quarterly national accounts data. All other states and territories experienced growth in their domestic economies, but none grew as strongly as Western Australia.

The positive economic growth figures are reflective of the continued strength of the state's domestic economy and its resilience to the COVID-19 pandemic. The result is especially pleasing given the period covers the five-day lockdown at the start of February.

The state's improved economic performance over the second half of 2020 was driven by a strong recovery in household consumption, supported by electricity credits, the JobKeeper wage subsidy, business grants and tax offsets, and housing stimulus measures. But for the first quarter of 2021, the main contributor to WA's continued economic growth has pivoted towards private investment.

Business investment drives economic growth in first quarter of 2021

In common with other states, Western Australia has faced a prolonged period of sluggish business investment growth stretching back to the end of the mining boom.

However, the big story for the March 2021 quarter has been the extent to which business investment has taken off. Business investment alone rose 11.5 per cent over the quarter, and the growth in private capital accounted for more than 80 per cent of the overall growth in the state's domestic economy in the first quarter of 2021.

New investment in machinery and equipment has risen by an extraordinary 21.5 per cent in WA over the March 2021 quarter, in the form of vehicles, heavy machinery, farm equipment, and new capital to support engineering construction in the mining sector.

These findings suggest that Federal incentives to encourage capital investment look to be working. The instant asset write-off scheme, extended by a year in the Federal budget, allows businesses to claim tax deductions immediately for assets acquired before the end of the 2022-23 financial year.

Against a background of high commodity prices and low interest rates, these favourable tax incentives look to have further boosted confidence among businesses to commit to invest to capitalise on growing consumer demand both at home and overseas.

The WA government's investment spending also grew by 4.5 per cent in the March 2021 quarter, up from 1.2 per cent in the previous quarter. However, the WA government set a budget target of 18 per cent growth in public investment over the 2020-21 financial year. This target won't be achieved unless we see double-digit growth over the final June quarter of the financial year, which is unlikely.

What impact did the February snap lockdown have on WA's retailers?

Western Australia's retail turnover fell by 1.8 per cent during the March quarter, from \$9.6 billion to \$9.44 billion. Of course, the March quarter included a snap five-day lockdown in February 2021, and monthly retail figures show that overall retail turnover in the state dropped by \$173 million to just over \$3 billion in February, before recovering to \$3.2 billion in March.

If we compare the retail figures for February to typical monthly turnover in WA over the last six months, with suitable adjustment for seasonal trends, this suggests that the cost to retailers of the February lockdown amounted to around \$170 million.

Clothing and footwear retailers were affected most by the snap February lockdown, with turnover down \$36.6 million on expectations, and with little if any bounce-back in trade during March. February turnover was down more than \$20 million for household goods retailers, and so too for department stores, with no significant recovery of lost trade value in later months.

Cafes, restaurants and takeaway food retailers also took a February hit, with turnover falling by around \$34 million. However, these turnover losses were almost entirely recovered in March once lockdown measures were relaxed and consumers returned to public venues.

Health is the prime concern when it comes to managing the COVID-19 pandemic, but these findings nevertheless put some indicative value on the cost to WA's retail sector of lockdowns in the state.

Some of the heat may be coming off the housing market

New housing finance commitments to WA owner occupiers fell in April, for the first time since the announcements of the HomeBuilder and Building bonus grants. Coming off an historic peak in February 2021, the value of housing finance commitments fell by 5.1 per cent in March and by a further 7.9 per cent in April. On the other hand, the value of housing loans to WA's investors reached \$452 million in April 2021, the highest monthly commitment over the past five years.

These data suggest that some of the heat may be coming off WA's housing market. The exceptional demand for housing finance, incentivised by the housing stimulus packages, seems to be moderating slightly. But the value of housing loans to investors is still on the rise, which provides encouragement that the growth in housing investment activity in WA will continue into the latter half of the year.

WA's labour force shrinks as JobKeeper comes to an end

Western Australia is the first state in the country to return an unemployment rate with a '4' in front of it. The WA unemployment rate for April 2021 was 4.9 per cent once seasonal effects are accounted for. The progressive reduction in the state's unemployment rate is impressive, having fallen by 1.4 percentage points since the end of last year and by 1.1 percentage points compared to the same month last year.

However, like all unemployment figures in April, they need to be contextualised by falling participation rates, with thousands of workers leaving the labour market altogether as JobKeeper came to an end. In April, WA lost over 14,000 workers from employment and the labour force shrank by around 17,000 people.

Many of these workers may re-enter the labour market, with labour demand at a ten year high. In fact job vacancies were 19.9 per cent higher in April 2021 than at the start of the year, with increases across every major occupation group. However, matching workers with jobs remains an ongoing challenge for many of the state's businesses.



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WA ECONOMIC OVERVIEW



How is our economy doing?
GSP 1.4%

Year-on-year change
(June 2020)

SFD 3.0%

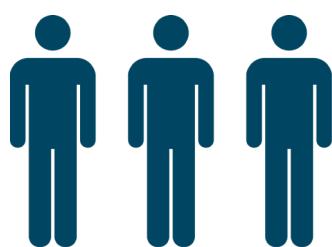
Quarter-on-quarter
change (March 2021)



Business Investment

11.5%

Quarter-on-quarter
change (March 2021)



Job Vacancies

19.9%

Year-to-date change
(April 2021)



Housing Finance Commitments

-6.2%

Month-on-month change
(March 2021)



Retail Trade

-1.8%

Quarter-on-quarter
change (March 2021)



Dwelling Approvals

118%

Monthly year-on-year
change (April 2021)



Inflation and Wages

CPI 1.4%

Quarter-on-quarter
change (March 2021)

WPI 0.4%

Quarter-on-quarter
change (March 2021)



Labour Market
Unemployment Rate

4.9% 1.1 ppt

Year-on-year change
(April 2021)

Employed Persons

6.1%

Year-on-year change
(April 2021)

ECONOMIC GROWTH



How is our economy doing?

SFD  3.0%

Quarter-on-quarter change (March 2021)

State Final Demand

Western Australia continues to lead the way in its robust economic recovery, with State Final Demand (SFD) increasing 3.0% in the quarter to March 2021. All states and territories other than the Northern Territory also experienced growth in State Final Demand over the quarter, but no other state had as much growth as Western Australia. And WA achieved this result despite the five-day lockdown at the start of February. The main growth driver for WA in this quarter has been the huge 10.8 per cent increase in private gross fixed capital formation, which has contributed fully 2.5 of the 3.0 per cent SFD growth. (See the Business Investment section below for more detail). New South Wales, South Australia and the Australian Capital Territory also delivered strong private investment over the last quarter. A decline of private gross fixed capital formation in the NT comes after strong growth in the previous quarter.

Sustained growth in capital formation over multiple quarters is a very positive sign for WA. As foreshadowed in our previous commentary, business confidence continues to grow in response to government incentives for capital investment and the strength of recovery from the COVID-19 pandemic. The continued resilience of the state's mining sector is one major factor supporting the ongoing strength of business investment. State Final Demand excludes exports, but the opportunity afforded by iron ore prices at over \$200 USD per tonne has nevertheless provided the stimulus for private investment to increase outputs from WA iron ore mines. The overall strength of WA's economic recovery is likely to be even greater once exports are included (See Trade section).

Table 1: Components of State Final Demand by state/territory, quarterly percentage change, March 2021

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
percentage changes - quarter to March 2021									
Final consumption expenditure									
Household	+1.1	+3.2	-0.3	+0.5	+0.3	+1.9	-0.8	+0.6	+1.2
General government	-1.5	-0.8	+0.0	-0.1	+0.6	+0.8	+1.7	-0.1	-0.5
Gross fixed capital formation									
Private	+7.2	+2.0	+2.3	+4.6	+10.8	+2.5	-12.6	+4.9	+5.3
Public	+0.2	+5.8	+3.4	+8.4	+4.5	+0.5	-3.8	-1.9	+2.9
State Final Demand	+1.5	+2.3	+0.4	+1.4	+3.0	+1.6	-1.9	+0.5	+1.8

Notes: Chain Volume; seasonally adjusted; Australia data refers to Gross National Expenditure (GNE).

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

Household final consumption grew slightly in WA over the quarter to March 2021, rising by 0.3 per cent after the more substantial recovery last year. Some of the explanation for this relatively modest growth may stem from the \$600 electricity credit introduced in October 2020, which has the effect of reducing household consumption growth by transferring electricity costs to the government account. Victoria's household consumption continues to catch up

strongly with a further 3.2 per cent growth after their longer lockdown last year. The current two-week lockdown and COVID-19 outbreak in Victoria could affect household consumption in the coming quarter.

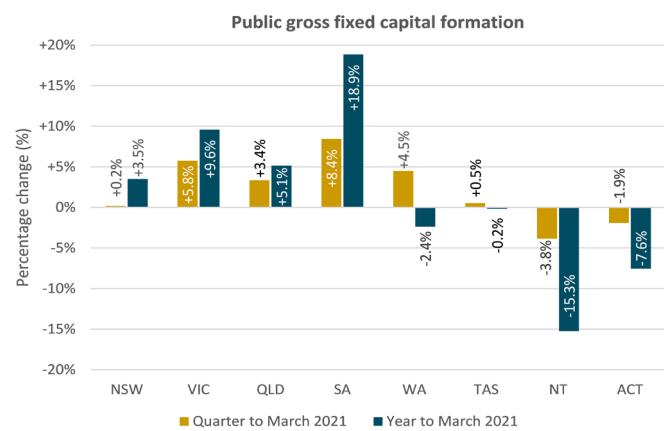
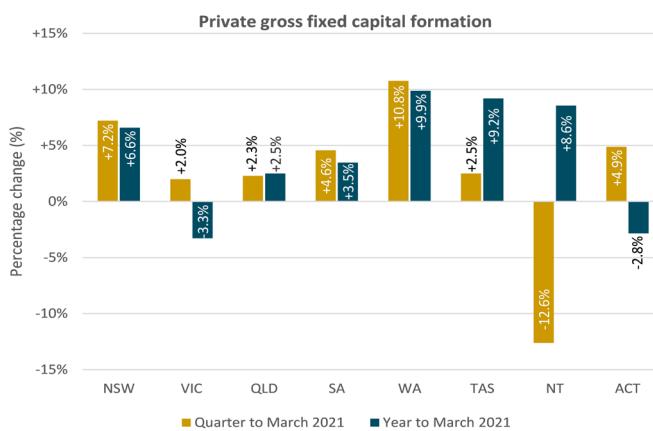
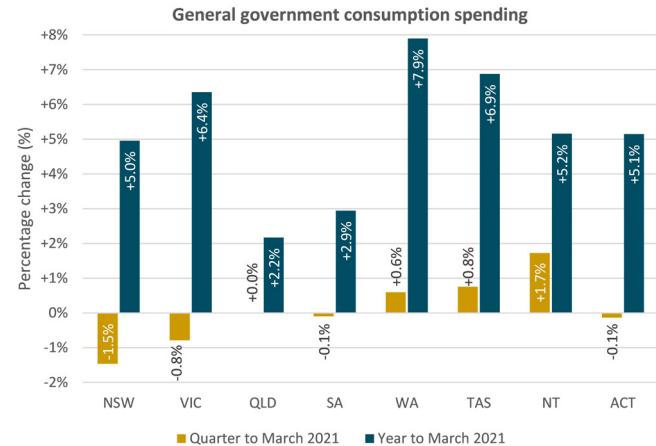
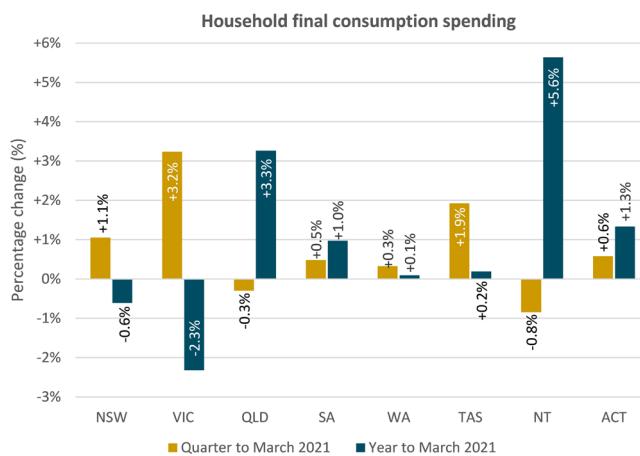
Public fixed capital formation grew by 4.5 per cent in the March 2021 quarter, up from 1.2 per cent in the previous December 2020 quarter but not enough to hit WA's budget target for government investment of 18 per cent growth

ECONOMIC GROWTH

over the 2020-21 financial year unless we see double-digit (14.4 per cent) growth over the June 2021 quarter. It may be that the WA government does not expect public investment to grow at the rate envisaged at the time of the last budget, given the strength of WA's economic recovery.

WA continues to punch above its weight in the value it delivers to Australia's domestic economy, contributing 11.0 per cent to national State Final Demand compared to a 10.4 per cent share of Australia's total population.

Figure 1: Components of State Final Demand by State, Quarter and year to March 2021



Notes: Chain Volume; seasonally adjusted.

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

BUSINESS INVESTMENT



Business Investment

11.5%

Quarter-on-quarter
change (March 2021)

Business Investment

While growth in WA's State Final Demand in previous quarters was mostly a result of a recovery in household consumption, the big story for the March 2021 quarter has been the stellar growth in business investment. This is excellent news for WA after prolonged periods of sluggish investment growth following the end of the mining boom.

More specifically, a huge 21.5 per cent increase in machinery and equipment investment in the March quarter and a 6.8 per cent increase in non-dwelling construction contributed 1.3 and 0.7 per cent respectively to the overall 3.0 per cent growth in State Final Demand (see Figure 2).

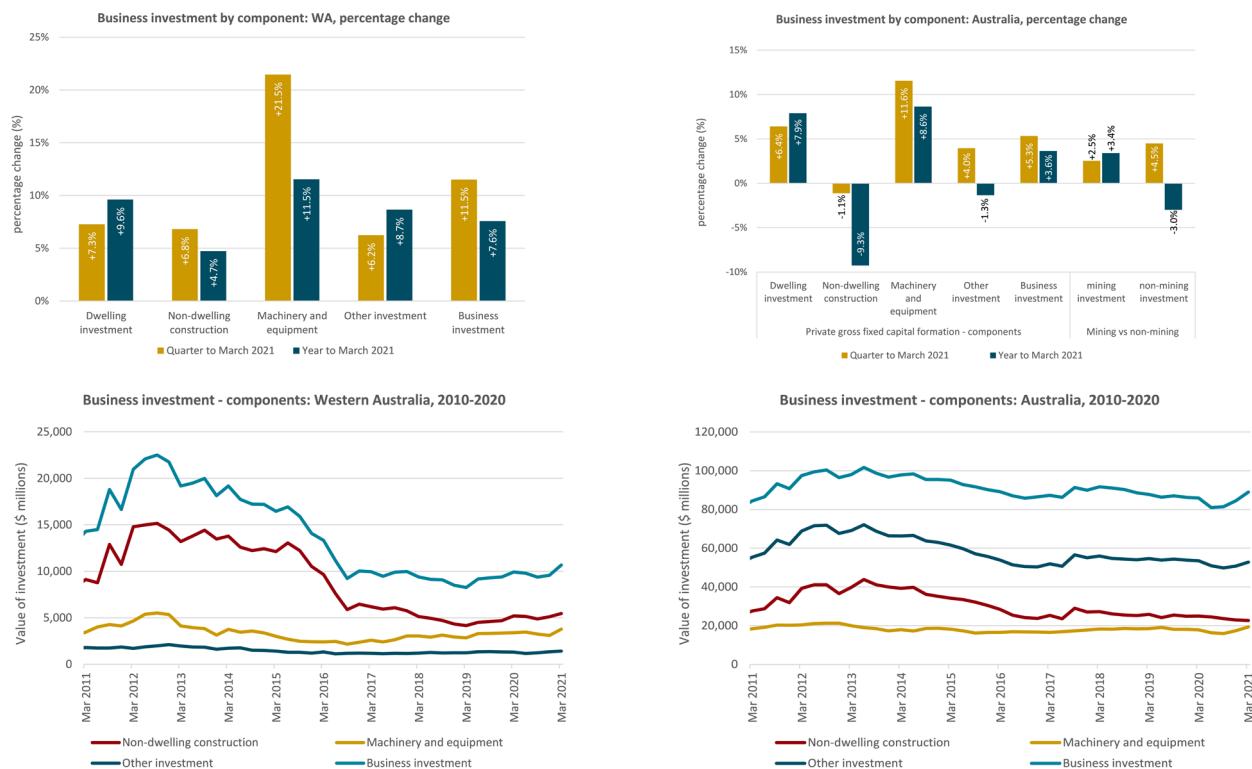
Business investment is booming in WA. Building on previous quarters of increasing activity, the even stronger growth in business investment over the last quarter is a strong sign of confidence in a sustained recovery.

Much of the increase in private investment is in vehicles and heavy machinery, and engineering construction in the mining

sector, which is a further demonstration of WA's reliance on resources. While the state's economy continues to benefit from the strength of the resources sector, we continue to be vulnerable to fluctuations in the price of iron ore and trade relations with China as the state's main iron ore customer (see the International Trade section below for more detail).

At a national level, Australia's overall private investment over the latest March 2021 quarter was greater for non-mining investment at 4.5 per cent, compared to 2.5 per cent for mining investment (see Figure 2). This is particularly due to strong private investment growth in NSW and SA (see Figure 1). Nonetheless, the recovery in non-mining investment is only recent. Year-on-year business investment in the mining sector has grown by 3.4 per cent compared to a decline of 3 per cent for non-mining investment. Overall, the pattern of growth in business investment in Australia continues to rely on mining in WA while other states provide diversification.

Figure 2: Business Investment, WA and Australia, quarterly, Quarter and year to March 2021, and from 2011 to 2021



Notes: Chain volume; seasonally adjusted. Business investment is Private Gross Fixed Capital Formation, excluding Dwellings and Ownership transfer costs. Other investment includes Intellectual Property products and cultivated biological resources.

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

The BCEC Quarterly Economic Commentary is based primarily on ABS data. Various ABS data is subject to sampling variability and revisions.

CONSUMER SPENDING



Consumer Spending

0.3%

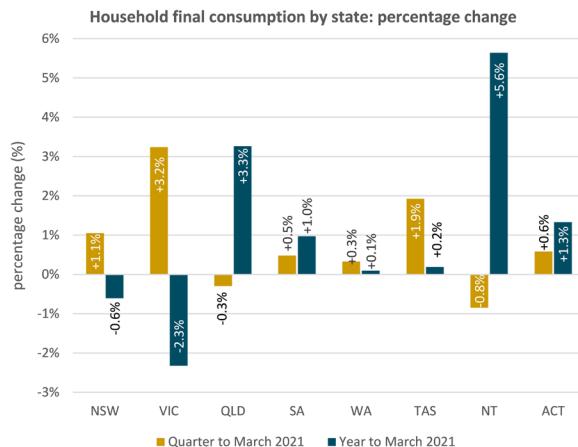
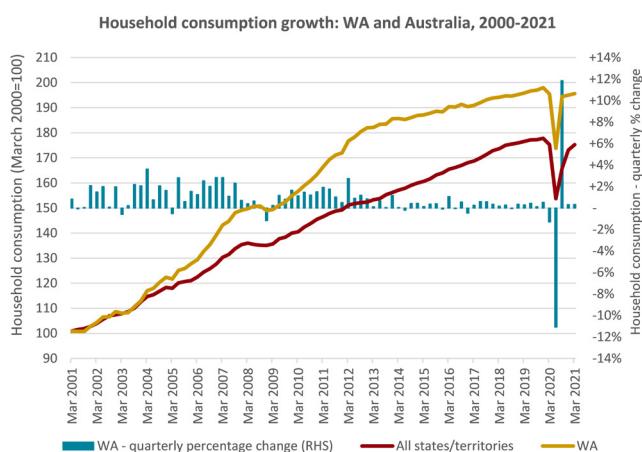
Quarter-on-quarter
change (March 2021)

Household Consumption

Household consumption in WA continues to grow, albeit more modestly after a strong recovery in the September 2020 quarter. WA sustained the same rate of growth in household consumption, at 0.3 per cent, in both the December 2020 and March 2021 quarters. Year-on-year growth has edged into positive territory, at 0.1 per cent. The \$600 electricity credit that effectively transferred some household consumption to the government account may have played some role in this quarter's growth result.

Western Australia has fully recovered from the precipitous drop in household consumption in the June 2020 quarter, at a time when pandemic lockdowns suppressed a lot of consumption activity. This contrasts with both Victoria and NSW, where household consumption remains below where it was in March a year ago due to more COVID-19 infections over the year and longer periods of restrictions. Household consumption grew by 5.6 per cent in the Northern Territory over the past year but appears to be waning this quarter, with a decline of 0.8 per cent.

Figure 3: Household final consumption spending: growth, 2000-2021 and percentage change



Notes: Chain volume, seasonally adjusted.

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

The comparison of household consumption between states emphasises the importance to the domestic economy of keeping COVID-19 contained. Currently one in every 204 infected travellers has resulted in an outbreak¹, so efforts to prevent or reduce the number of outbreaks from infected travellers will provide a necessary and vital protection for Australia's domestic economy.

Low interest rates and the hot housing market have also supported household spending. Growth of 3.0 per cent in

the price of established houses in Perth and 5.2 per cent nationally in the December quarter could give homeowners the confidence to spend a bit more on consumption. Low interest rates continue to ease the burden of mortgage payments, allowing for other consumption.

¹ Ouakrim, D.A., Katar, A., and Blakely, T. (2021) "Hotel quarantine causes 1 outbreak for every 204 travellers. It's far from 'fit for purpose'", The Conversation, 2 June 2021, <https://theconversation.com/hotel-quarantine-causes-1-outbreak-for-every-204-infected-travellers-its-far-from-fit-for-purpose-161815>

CONSUMER SPENDING

Figure 4 shows how components of household consumption have changed over the last quarter to March 2021, and compared to March of last year. Electricity, gas and other fuel, transport services and the purchase of vehicles are presented on a separate scale, due to the much larger changes in these sectors over the course of the pandemic.

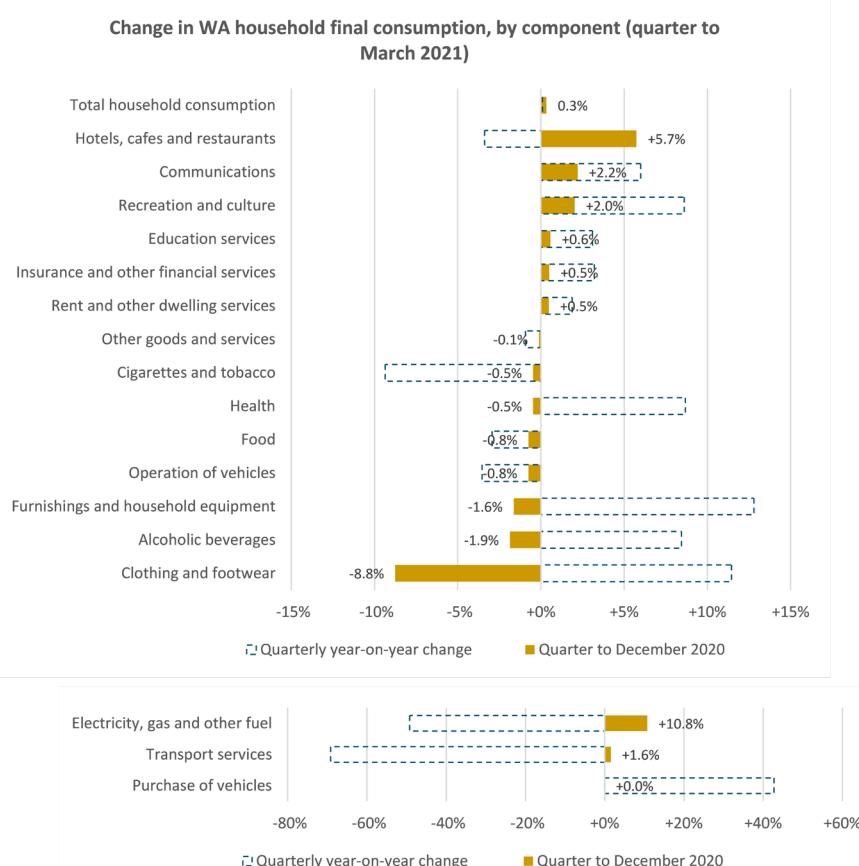
Consumer spending on electricity fell substantially in March 2021 compared to March 2020, due to the WA government's \$600 electricity credit. However, it appears that electricity credits are being progressively exhausted, with household electricity consumption growing by 10.8 per cent over the March 2021 quarter. Transport services spending has recovered to a degree, but the closed international borders means that annual spending on transport services is still down 69.1 per cent over the past twelve months. The recent opening of the travel bubble with New Zealand may lead

to some growth in transport services consumption in the coming quarter.

While spending on hotels, cafes and restaurants increased by 5.7 per cent in the last quarter, it remains 3.4 per cent below a year ago. Spending in the communications, recreation and culture, education, insurance and rent categories all continue to grow, both this quarter and year-on-year.

We saw significant increases in expenditure on furnishings and household equipment, alcoholic beverages, and clothing and footwear during 2020 as lockdown restrictions were introduced. Spending across these categories has declined over the last quarter but remains significantly higher than a year ago. This might be driven by people spending more time at home due to ongoing flexible working-from-home arrangements.

Figure 4: Components of household consumption growth: WA, Quarter to March 2021 and year-on-year



Notes: Chain volume, seasonally adjusted

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



Trading partners

WA 55.6%
Share of Australian exports
(April 2021)

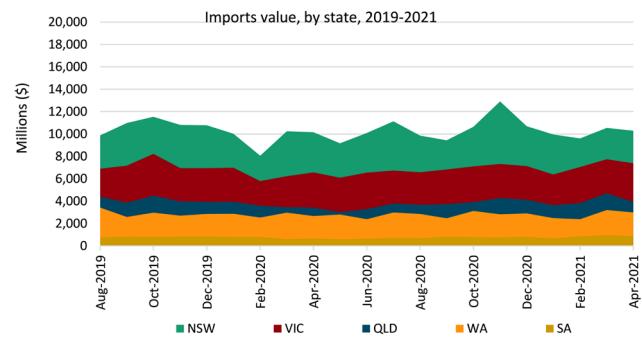
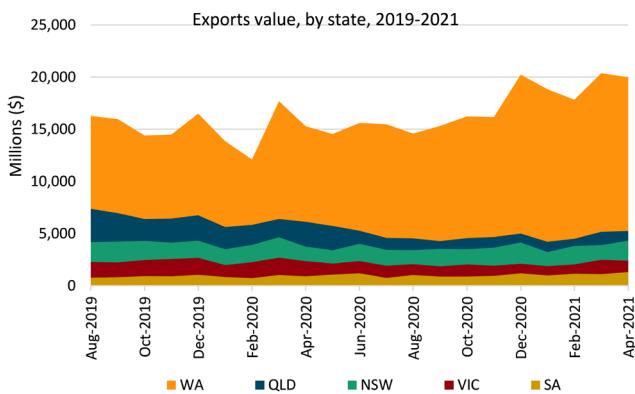
Exports and Imports

Exports in WA have continued to rise in the quarter to April 2021 and now account for a 55 per cent share of Australia's total exports. The value of WA's exports rose to \$20.4 billion in March 2021, slightly higher than the \$20.2 billion recorded in December 2020, and currently the highest export value to date. The last monthly figures show similar data of WA exports for the month of April (\$20.0 billion). However, if we have a look at the annual growth rate, the value of WA's exports increased by an astonishing 30 per cent in the year to April 2021 compared to the same period of the previous year. The high price of iron ore is likely to have contributed significantly to this increase. But substantial growth in private investment in equipment, machinery and engineering services (see business investment above) indicates that mining companies are also responding to market conditions by expanding capacity to take advantage of high prices.

Despite trade tensions between China and Australia, the share of exports to China increased by 3 per cent in April

2021 compared to January 2021. This is because the trade restrictions have not affected the export of iron ore which is China's main import from Australia. The overall value of exports to China from WA has increased by 13% in the quarter to April alone. The state's growing reliance on iron ore exports coupled with China's strong demand for resources and minerals have supported Western Australia and the nation through economic uncertainty during the COVID-19 period. However, it does leave the state at risk of negative shocks to iron ore prices or possible trade restrictions from China. The dependence of exports to China still represents an ongoing risk to the Australian economy, and especially the WA economy, with China indicating that it would like to diversify its sources of iron ore. Supply issues in India and Brazil have supported a current iron ore price of over \$200US per tonne, so WA needs to remain focussed on diversification when these pressures fade.

Figure 5: Exports and imports value, by state, 2019-2021



Notes: Current prices. Exports are showed in 'free on board' (FOB) values and imports in customs value.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5368, Table 15a and 15b.

WA contributed 11 per cent of the nation's imports at a value of \$3 billion in April 2021. This comes at an increase of 4 per cent in the quarter to April 2021 relative to the previous

quarter. Increased value of imports coming from China, USA, Malaysia and Japan were observed in the last quarter.

Table 2: Top ten export destinations and origins of imports, Western Australia, April 2021

Exports			Imports		
Country	Share	Value (millions)	Country	Share	Value (millions)
China (excludes SARs and Taiwan)	59%	11803	China (excludes SARs and Taiwan)	18%	544
Japan	10%	1910	United States of America	13%	393
South Korea	7%	1342	Malaysia	9%	264
Singapore	6%	1236	Japan	9%	261
Hong Kong (SAR of China)	3%	699	Singapore	7%	220
Taiwan	2%	472	United Kingdom	5%	142
Indonesia	2%	399	Thailand	5%	138
India	1%	291	Poland	3%	97
Malaysia	1%	264	Germany	3%	86
Germany	1%	225	South Korea	2%	56

Notes: Current prices. Exports are showed in 'free on board' (FOB) values and imports in customs value.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5368, Table 36e and 37e.

CONSUMER SPENDING



Retail Trade

-1.8%

Quarter-on-quarter
change (March 2021)

Retail Trade/Turnover

Retail trade turnover declined slightly for both WA and Australia over the quarter to March 2021. A five-day snap lockdown in WA at the beginning of February contributed to a 1.8 per cent fall in retail trade from \$9.6 billion to \$9.44 billion over the last quarter, the largest percentage decrease nationally (Figure 6 LHS).

But how much did the February 2021 lockdown cost WA's retail sector? A closer examination of monthly retail figures (Figure 6 LHS insert) shows that real monthly retail turnover dropped by \$173 million to \$3.03 billion in February 2021 and recovered by \$168 million to \$3.2 billion in March 2021. Compared with a six-month seasonally adjusted average (excluding February 2021), this suggests that the cost of the February lockdown in lost retail turnover was of the order of \$170 million.

The national average for retail trade turnover also fell 0.5 per cent, with all states and territories other than Victoria recording a fall in retail turnover over the quarter. This suggests that the recent decline may be a return to more normal retail spending patterns.

Lockdowns from the COVID-19 pandemic in the June 2020 quarter delayed some retail spending, leading to a sharp spike in retail turnover from May 2020 when restrictions in WA were eased (the dotted line in Figure 6 LHS). Notwithstanding the February 2021 snap lockdown, the downward trend in WA's retail trade turnover from the September 2020 quarter

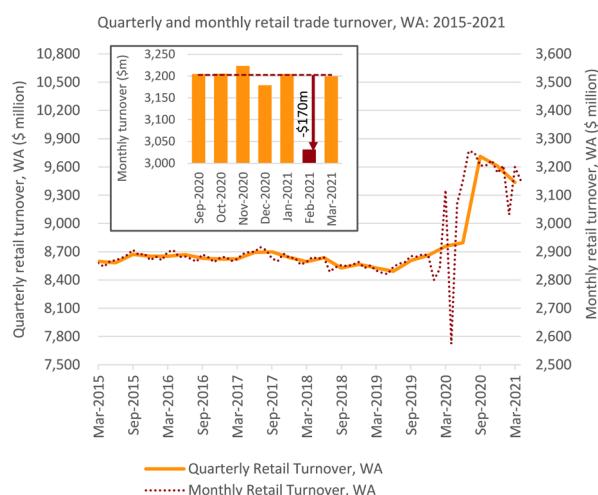
suggests that consumer retail spending is returning to more usual patterns. Retail turnover for the month of April 2021 has eased further, and we expect the trend to continue over the coming months.

By comparing monthly turnover by retail sub-category against a six-month seasonally adjusted average (excluding February 2021), we can get a reasonable idea of which retail sub-sectors were affected most by the February lockdown, and which have recovered lost turnover.

Clothing and footwear retailers look to have been most impacted by the snap lockdown, with turnover down \$36.6 million in February 2021 (Figure 6 RHS). Neither does there appear to have been any bounce-back in trade, with March and April also down by \$6.9 million and \$19.5 million respectively compared to a six-month average.

Turnover among cafes, restaurants and takeaway food retailers was down by \$34 million in February 2021 using the same comparison. However, these losses were almost entirely recovered in March and April as consumers returned to public venues as concerns about COVID-19 risks eased. Household goods retailers lost \$23 million and department stores \$21 million, with neither having recovered fully from the lockdown impact. Turnover in the 'other retailing' category rose by \$19.2 million, potentially due to a shift towards online sales.

Figure 6: Retail trade turnover, WA and Australia, 2006 to 2021



Notes: Chain volume, seasonally adjusted. Monthly retail turnover figures for WA are expressed in Chain volume equivalents.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 8501, Tables 3, 9 and 12.

CONSUMER PRICE INDEX



Inflation

1.4%

Quarter-on-quarter change
(March 2021)

The Consumer Price Index (CPI) for an aggregate of all Australian capital cities rose by an additional 0.6 per cent in the quarter to March 2021, continuing the positive trend since the September 2020 quarter. Perth CPI increased by a sizeable 1.4 per cent during the same period, ranking second after Darwin in terms of price growth.

The effects of the household electricity credit \$600 stimulus have worn out for most households, which has given rise to an increase of 42 per cent in electricity charges over the March 2021 quarter. This explains the significant CPI increase for Perth, as well as the 3.2 per cent growth in housing costs for Perth residents (Figure 7).

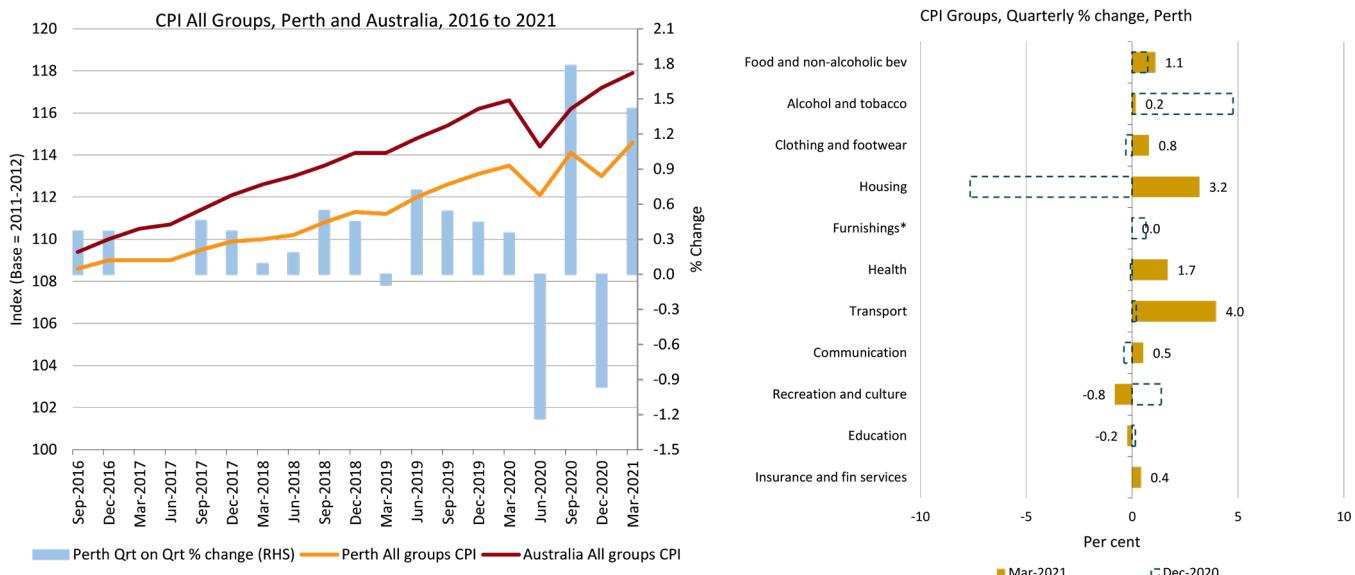
Alongside housing, transport (+4.0%) and health (+1.7%) saw the highest increases in CPI over the March quarter. Much of the growth in health prices comes from a 4 per cent increase in the price of pharmaceutical products, the latter driven by the lower share of consumers who qualify for subsidies

through Medicare and the Pharmaceutical Benefits Scheme (PBS) at this time of the year. The volatility of transportation fees during the past year is largely driven by changes in automobile fuel prices. This continues to be the case in this quarter, with an increase at 9.6 per cent relative to the last quarter of 2020.

Food and non-alcoholic beverages also increased by 1.1 per cent. With a declining number of workers on agricultural farms due to boarder closures, the price of fresh produce such as fruits, up 8.4 per cent, continues to rise affecting the overall price of this category.

Recreation and culture and education are the only CPI groups that saw a decline of 0.8 per cent and 0.2 per cent respectively. A fall in holiday travel and accommodation (-4.8%) after the December quarter peak is largely responsible for the decline in this category.

Figure 7: Consumer price index, major Australian cities and Perth, 2016-2021



Notes: *Furnishings includes furnishings, household equipment and services. Index Base = 2011-2012. Major Australian cities. Seasonally adjusted values are used.

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

CONSTRUCTION WORK



Construction Work

9.8%

Quarter-on-quarter
change (March 2021)

Value of Construction Work Done

The total value of construction work in WA rose dramatically by 9.8 per cent in the quarter to March 2021, due to increases in the value of both building and engineering work. The latter returned to growth with an increase of 11 per cent in the quarter to March 2021.

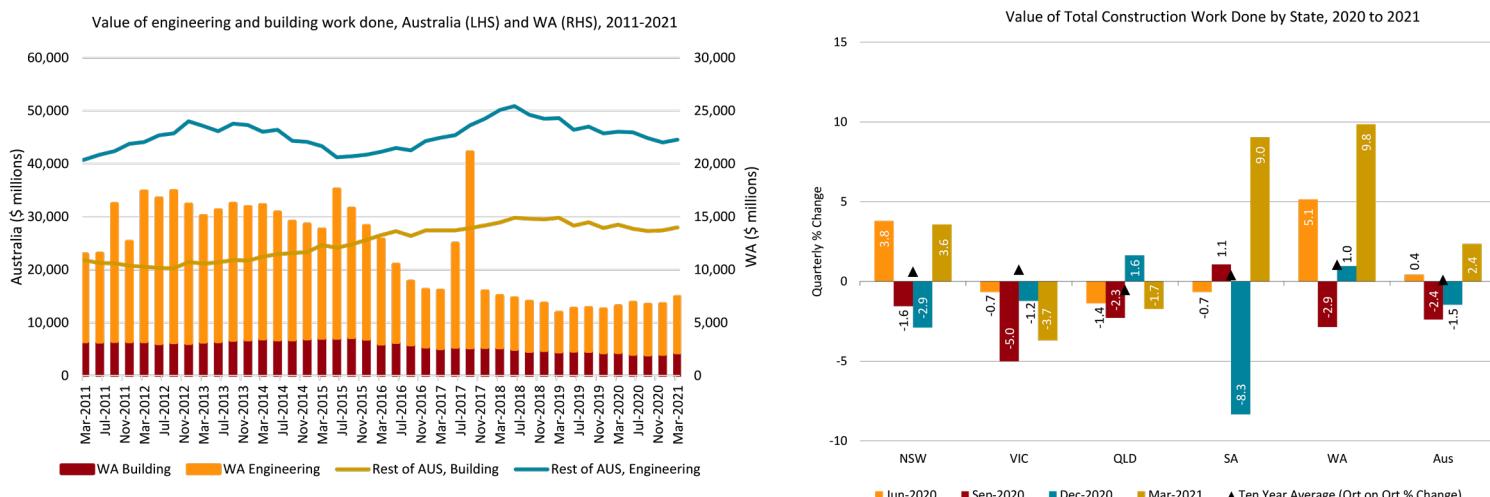
The number of dwelling units approved has skyrocketed since the September 2020 quarter. Yet despite this, the value of building work in WA increased by only 2.5 per cent in the quarter to December 2020. However, the value of construction work has grown far more strongly in the first quarter of the year, by 7.1 per cent (an increase of \$147 million compared to the previous quarter).

As many took advantage of various government incentives for building houses, there was pressure for construction to take place before the deadline, significantly contributing to the sharp rise in approvals and the rise in the value of building work. The extension of the construction commencement deadline will help to spread building work

over future quarters. However, it is worth noting that, despite this increase, the value of building work in WA remains below pre-COVID levels.

Overall, the total value of construction work done in Australia grew by 2.4 per cent in the quarter to March 2021. The increase in building work by value, up by 2.1 per cent, outweighed the slight fall in the value of engineering work (down 0.35% over the quarter). Changes in the value of construction varied between states in the March 2021 quarter, with WA and SA leading the pack with growth of 9.8 per cent and 9.0 per cent respectively. However, SA's growth recovered the sharp decline in the quarter to December 2020, while WA's growth is on top of a 1.0 per cent increase in the December quarter. NSW also experienced a 3.6 per cent growth in the first quarter of the year while VIC and QLD figures declined by 3.7 per cent and 1.7 per cent respectively.

Figure 8: Value of Construction Work Done by state, quarterly change, 2010 to 2021



Notes: Chain volume; seasonally adjusted. 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.

HOUSING ACTIVITY



Dwelling Approvals

118%

Monthly year-on-year
change (April 2021)

Dwelling Approvals

The number of dwelling units approved remains remarkably high in both WA and Australia when compared to those approved before and during the initial impact of COVID-19. Dwellings approved in WA in April 2021 rose by 118 per cent compared to the same month last year (see Figure 9), far exceeding the equivalent national monthly year-on-year growth of 47 per cent. In fact, the number of approvals in WA has been consistently high with nearly 11,000 dwellings approved between January and April 2021. This compares to under 4,800 approvals over the first four months of 2020.

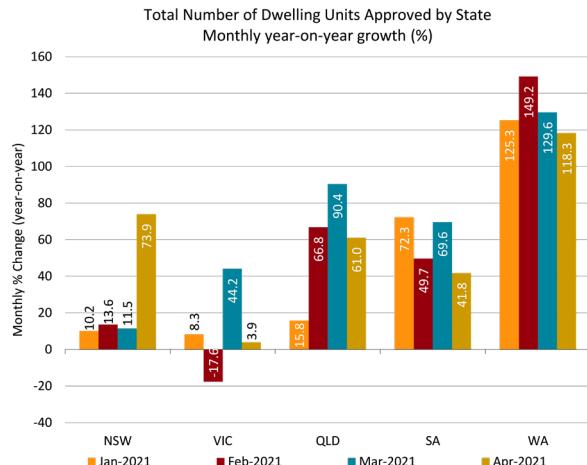
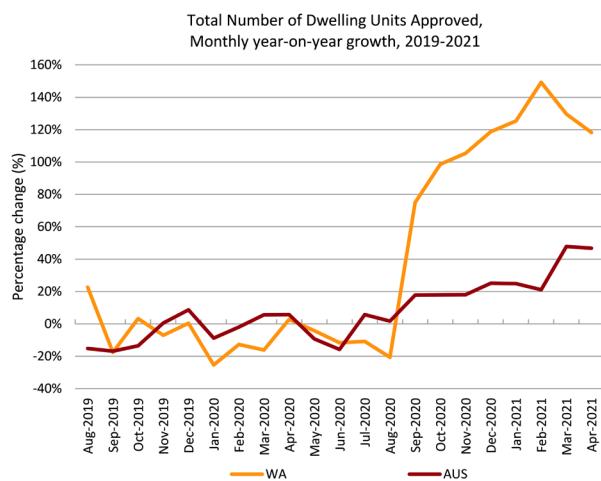
The number of dwelling approvals peaked in February 2021, with 2,921 units approved. This is the highest figure for a single month's approvals in WA in the past seven years.

The national and state stimulus measures such as the HomeBuilder and Building Bonus have resulted in a huge

boost to demand for new housing, as reflected by the increase in dwelling approvals. Extending these incentives has provided further stimulus to the construction sector, which we anticipate will translate into continued activity in construction in the months to come.

Dwelling approvals have increased in most other states and territories, although nowhere near at the same rate as for WA. Approvals in QLD have increased by at least 60 per cent in each of the three months to April 2021, compared to the same months last year. SA has also shown sustained growth in the number of dwellings approved over the course of 2021, most recently with a monthly year-on-year increase of 41.8 per cent in April 2021. Approvals in NSW look to have sparked into life, increasing by nearly 74 per cent in April 2021 compared to the same month in the previous year.

Figure 9: Total Number of Dwelling Units Approved by state, 2019 to 2021



Notes: Seasonally adjusted. Annual monthly growth in Australia does not include the Territories.

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



Housing Finance Commitments

-6.2%

Month-on-month change
(April 2021)

Housing Finance Commitments

The monthly value of new housing finance commitments to owner occupiers in WA has declined for the first time since the announcements of the HomeBuilder and Building bonus grants. Housing loans reached a historic peak in February 2021 with around \$2.4 billion in loans allocated to the housing sector, twice the value of the previous year. The initial avalanche of demand from owner-occupiers to access the stimulus grants seems to have slowed a little in the subsequent two months, falling by 5.1 per cent in March and by a further 7.9 per cent in April. The value of commitments nevertheless remains well above the ten-year average of housing loans for owner-occupiers.

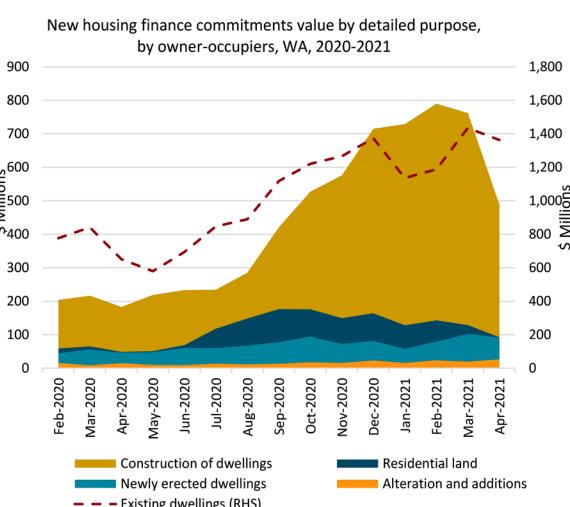
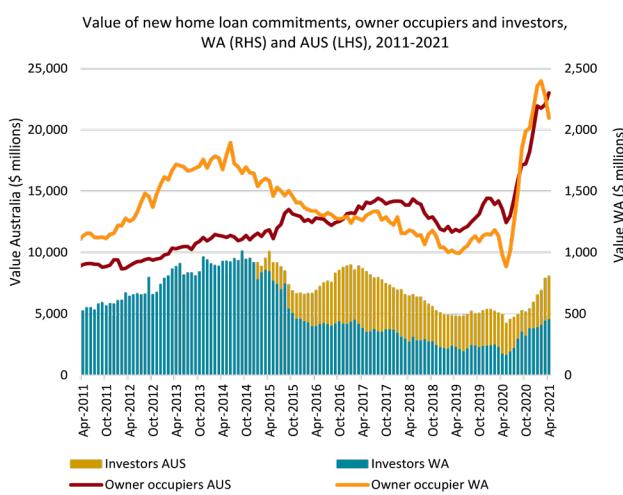
On the other hand, investors' uptake of housing loans continues to rise both in WA and Australia. The value of housing loans to investors in WA reached \$452 million in April 2021, the highest monthly commitment in the past five years. The growth rate has been remarkable as well, with a monthly year-on-year increase of 164 per cent for the month of April 2021. The value of housing loans to investors across Australia increased by a smaller but still significant 63 per cent over the same period, with housing loans valued at

just over \$8 billion committed nationally to investors in the month of April 2021.

A closer look at the value of loans to owner-occupiers by purpose shows that loan commitments in WA devoted to the construction of new dwellings fell by 35 per cent to \$488 million between March and April 2021. However, this hiatus does come after the value of loans for new dwellings maintained historic monthly highs of more than \$700 million for each of the previous four months. Loan commitments for most other purposes suffered double-digit declines over the month, apart from for loans for alterations and additions (up by 36%).

These data provide some indication that the huge demand for housing finance following the announcement of stimulus packages in the construction sector is starting to subside. However, the strong demand for loans among investors, as well as the persistently high demand for existing dwellings, provide signs of encouragement that the growth in housing investment activity in WA will continue into the latter half of the year.

Figure 10: New Housing Finance Commitments Excluding Refinancing, Owner-Occupier and Investors, WA and Australia, 2011 to 2021



Notes: Seasonally adjusted. Major cities.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5601, Table 4 and Table 14.



Residential Property Price

2.9%

Quarter-on-quarter
change (December 2020)

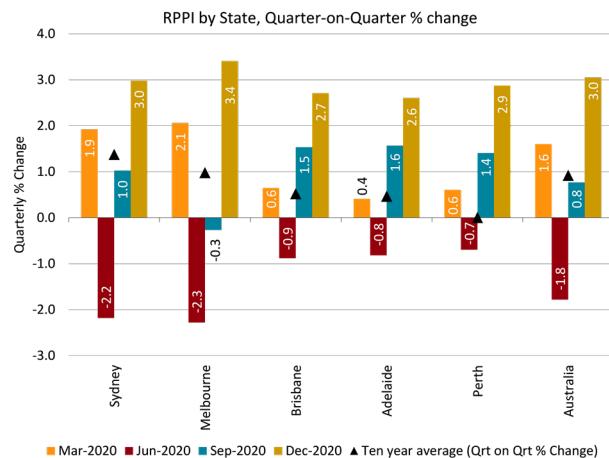
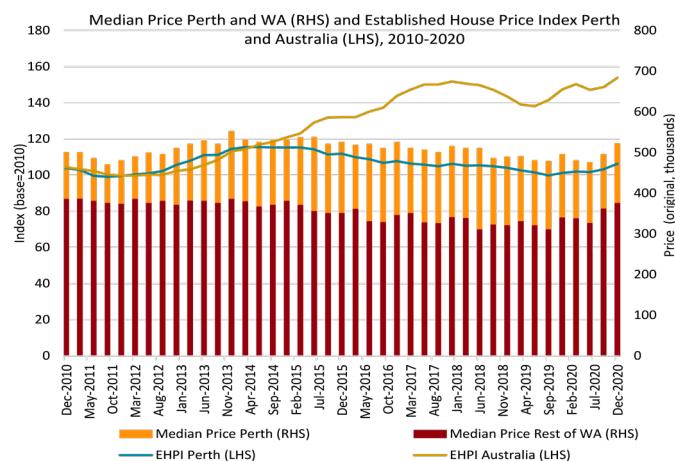
Residential Property Price Index and established house prices

Housing market activity in WA and across most states in Australia has seen significant changes due to COVID-19 and stimulus measures employed in response to the pandemic. The growing demand has continued to drive up property prices with buyers taking advantage of low interest rates and government incentives.

Perth's housing prices increased by 2.9 per cent over the quarter to December 2020, the largest growth rate of the past seven years (Figure 11 RHS). The price of residential properties is booming, with Adelaide (+2.6%), Brisbane (+2.7%) and Sydney (+3.0%) all experiencing similar growth rates. Melbourne returned the highest increase (+3.4%) after two consecutive periods of negative growth. It is anticipated that the trend will continue in 2021 as mortgage interest rates and housing supply both remain low.

The median price of established house transfers in Perth was \$522,000 for the last quarter of 2020 (Figure 11 LHS), the highest level since 2016. The median house price of established dwelling in Perth increased by \$27,000 in only one quarter. However, despite this significant increase, the growth rate of 3 per cent in Perth's established house price index is well below the national growth rate of 5.2 per cent. Buyers in regional WA can expect to pay \$375,000 for an existing house, \$75,000 more relative to the September quarter. Relative to Perth, prices have grown at a slower rate in the regions (up 3.9%). Nevertheless, they remain higher compared to the previous quarters.

Figure 11: Median Price of Established House Transfers, Perth and Rest of WA and Residential Property Price Index, Australia by state, 2010 to 2020



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

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6416, Table 4 and Table 7.

HOUSING AFFORDABILITY



Rent CPI
⬆ 0.7%
Quarter-on-quarter change
(March 2021)

New Dwelling CPI
⬆ 2.8%
Quarter-on-quarter
change (March 2021)

Change in rents and new dwelling purchases by owner-occupiers

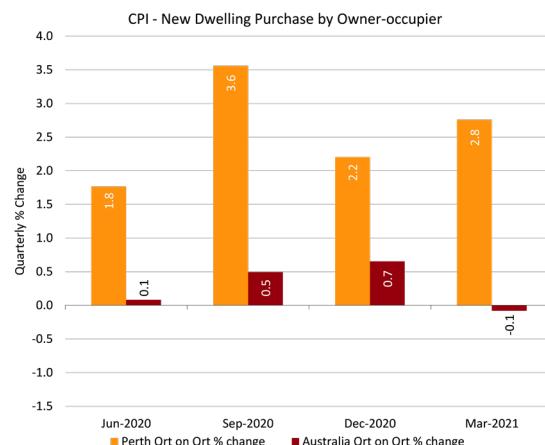
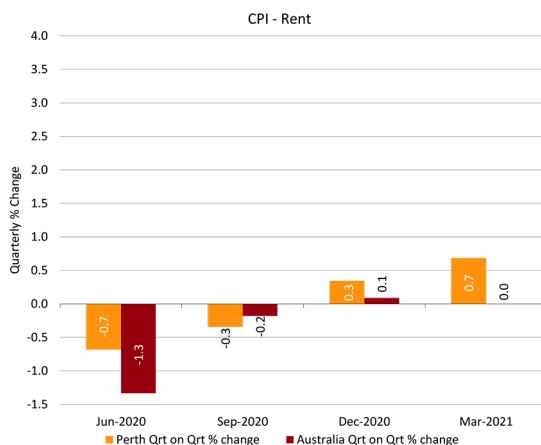
Perth rental prices have again risen in the quarter to March 2021, recording a 0.7 per cent increase during the period. Vacancy rates remain at historically low levels, further pushing up rental costs. However, the biggest increase may yet be to come. With the moratorium on rents and evictions having expired in March 2021, the next quarter will show the extent of the correction in the rental market. Nationally however, Australia saw no significant change in rental prices during the last quarter.

Perth's CPI for new dwelling purchases by owner-occupiers continues to grow strongly, with an increase of 2.8 per cent in the quarter to March 2021 (Figure 12 RHS). On a year-

on-year basis, the cost of new dwelling purchases has risen substantially with buyers on average paying one tenth more for a property than they used to last year. Strong demand for labour and construction materials continues to push up prices of new dwelling purchases.

The spectacular price increases in Perth are in stark contrast to the far more subdued situation in the rest of Australia. The new dwelling CPI for Australia grew at a tenth of the pace of WA over the last year. In fact, the quarter to March 2021 is the first quarter to show negative growth in the price of new dwelling purchases by owner occupiers (-0.1%) since mid-2019.

Figure 12: Change in CPI Rents and New Dwelling Purchases by Owner-Occupiers: WA and Australia, 2020 to 2021



Notes: Index Base = 2011-2012.

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

LABOUR MARKET IMPACTS OF COVID-19



Employed Persons

1,391,800
(April 2021)

6.1%
Year-on-year change
(April 2021)

Labour market impacts of COVID-19

The Western Australian labour market has continued its steady recovery from the COVID-19 pandemic, with 115 per cent of jobs lost and 100 per cent of hours lost since March 2020 now being recovered to date.

The most recent labour market statistics for WA show that there were 14,400 fewer people in work in April 2021 compared to a month earlier, which can be linked to the termination of JobKeeper payments at the end of March 2021. However, WA encouragingly recorded the second strongest recovery in the number of people employed over the full quarter to April, with an increase of 6.1 per cent (an additional 79,500 workers) over the quarter and above the national increase of 5.1 per cent.

Year-on-year measures are more encouraging than ever, with WA delivering an impressive increase of 14.1 per cent in part-time work since April 2020, the strongest recovery amongst all states and territories. Full-time work has also strengthened in WA, with the number of full-time workers

increasing by 2.4 per cent since April 2020. This growth is reflected nationwide, with six out of eight states and territories recording an increase in full-time work over the year.

WA's unemployment rate has fallen to 4.9 per cent in April 2021, mainly due to the [labour force participation rate falling by 0.5ppt](#). Nevertheless this is the lowest unemployment rate of any state in the country, bettered only in the NT and ACT. The positive trajectory of the rate of unemployment in WA has continued for some time, having fallen by 1.4 percentage points since the end of last year and by 1.1 percentage points compared to the same month last year.

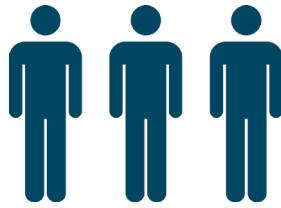
In most states and territories in Australia including WA, employment growth in the past year has been driven predominantly by an increase in part-time employment, with 14.1 per cent growth in the number of part-time workers in WA compared to 2.4 per cent growth for full-time positions.

Table 3: Employment and Unemployment, Australian states and territories, April 2021

Employed Persons ('000)	Change from April 2020:			Change (%) from April 2020		Unemployment Rate			Unemployed ('000)		
	April 2021	(%)	Rank	('000)	Full-time	Part-time	April 2021	Rank	Change from April 2020 (ppt)	April 2021	Change from April 2020
Australia	13,040.4	▲ 5.1%	---	▲ +637.9	+2.9%	+10.3%	5.5%	---	-0.9	756.2	▼ -89.1
NSW	4,093.5	▲ 4.7%	4	▲ +184.4	+1.4%	+13.2%	5.5%	5	-0.9	238.4	▼ -28.1
VIC	3,446.5	▲ 4.0%	5	▲ +133.3	+2.2%	+8.0%	5.5%	4	-0.5	199.5	▼ -12.3
QLD	2,614.6	▲ 7.8%	1	▲ +189.6	+5.8%	+12.3%	6.1%	7	-1.2	169.7	▼ -20.0
SA	864.2	▲ 5.2%	3	▲ +42.8	+6.2%	+3.4%	5.7%	6	-1.4	52.4	▼ -10.7
WA	1,391.8	▲ 6.1%	2	▲ +79.5	+2.4%	+14.1%	4.9%	3	-1.1	72.3	▼ -12.4
TAS	258.2	▲ 3.4%	6	▲ +8.6	+5.9%	-0.4%	6.2%	8	0.0	17.0	▲ +0.6
NT	130.8	▼ -1.3%	8	▼ -1.7	-1.5%	-0.7%	3.8%	2	-1.9	5.1	▼ -2.8
ACT	238.1	▲ 2.4%	7	▲ +5.5	+0.0%	+9.2%	3.4%	1	-0.7	8.5	▼ -1.4

Notes: Seasonally adjusted values are used.

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



Job Vacancies

19.9%

Year-to-date change
(April 2021)

Figure 13 compares trends in job vacancies for WA and Australia, using the monthly internet vacancy index produced by the Australian Government National Skills Commission. The index is designed to examine the demand side of the labour market and gives a better perspective on distortions in the market due to unmet demand, skills shortages and skills mismatch.

Vacancy trends in WA and Australia have shown pronounced improvement since the start of the COVID-19 pandemic. Job vacancies in WA were over 209 per cent higher in April 2021 than in April 2020, with the national vacancy index up by 245 per cent on the same monthly year-on-year basis (Figure 13 LHS). These sizeable differences in year-on-year changes are a result of the vacancy index hitting its lowest point in April 2020, when the adverse effects of the COVID-19 pandemic on employment were peaking.

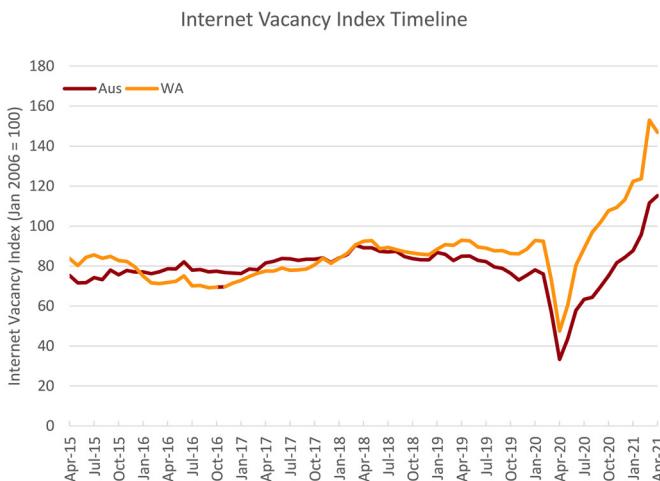
On year-to-date measures, the monthly count of advertised vacancies rose by 5,500 between January and March 2021,

before dropping by 1,100 between March and April. This equates to an overall year-to-date increase of 19.9 per cent in the number of job vacancies in April 2021 compared to January 2021.

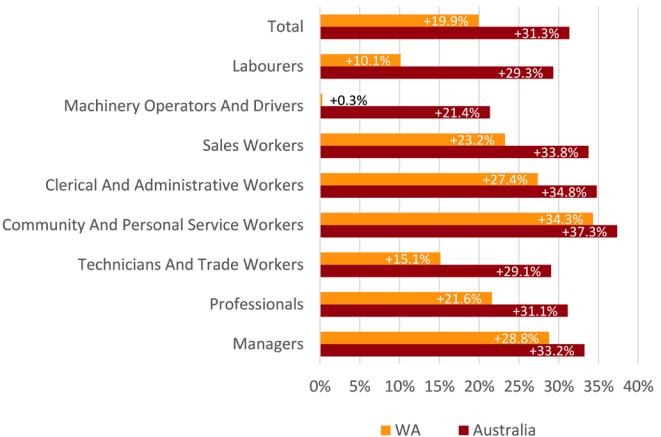
Every major occupation group recording an increase in advertisements (Figure 13 RHS). WA has recorded a 23.2 per cent increase in listings for sales workers and a 34.3 per cent increase in personal service worker listings since April 2020. This growth is in line with national trends, with advertised vacancies for personal service workers increasing 37.3 per cent nationally, and sales workers not far behind with an increase of 33.8 per cent. Managerial vacancies have also grown strongly since the start of the year, by 28.8 per cent in WA and by 33.2 per cent across Australia.

The increase in job advertisements across all occupations continues to provide evidence of a skills shortage, with the job matches seemingly not able to keep pace with the strong and broad demand for a variety of skills across the nation.

Figure 13: Change in job advertisements, WA and Australia



Change in job advertisements - January 2021 to April 2021



Notes: Seasonally adjusted values are used. Internet Vacancy Index is scaled to 100 in January 2006.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government National Skills Commission.



Wages

0.4%

Quarter-on-quarter
change (March 2021)

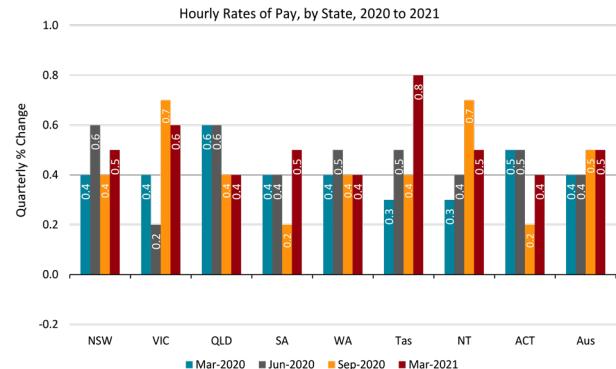
Wages

Slow wage growth has been a feature of the Australian labour market since 2013. However, the situation worsened at the onset of the pandemic with thousands of people losing their jobs through reduced demand for workers, creating an imbalance in the labour market. The fall in remuneration that followed has not yet been re-absorbed by the market and we are yet to reach pre-pandemic levels of wages and earnings. Nationally, the wage price index has seen a marginal increase of 1.5 per cent over the year to March 2021. Similar figures are observed for WA as it continues to exhibit the same

growth rate than in the previous year, reaching 1.4 per cent annually. In each of the last two quarters, WA has recorded a 0.4 per cent wage growth, slightly below the national average of 0.5 per cent.

The coming months will be crucial, given that travel restrictions hindering migration and skills shortages could put upward pressure on wage growth. Nevertheless, if remuneration remains low, there would be a need for stronger intervention in the labour market, especially now that the CPI is slowly catching up with the WPI.

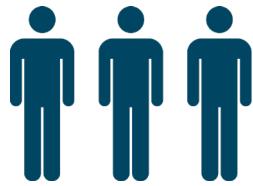
Figure 14: Wages growth, WA and Australia, 2000 to 2021



Notes: Hourly rates of pay do not include bonuses.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6345.

POPULATION



Population Change

0.1%

Quarter-on-quarter change (September 2020)

Population

Population growth in WA stagnated in the quarter to September 2020, whilst Australia continued to record substantial falls as a result of the onset of the pandemic in the March 2020 quarter and the subsequent closure of Australia's international borders.

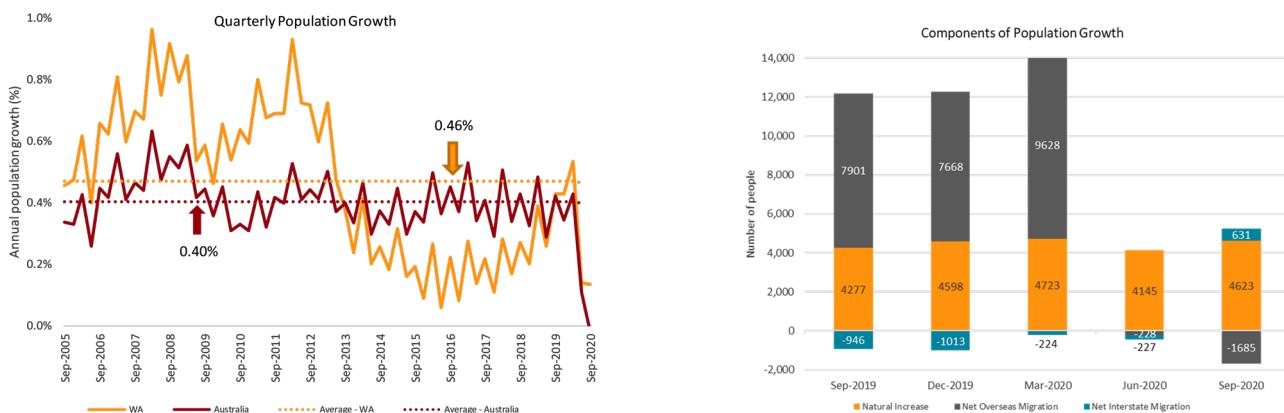
Although WA's population rose marginally by 0.1 per cent in the quarter to September 2020, the growth rate still represented a three-year low. Australia as a whole also recorded its first ever nationwide quarterly population decline, falling fractionally by 0.02 per cent through to September 2020.

With population growth a key driver of economic growth, there is a risk that continued restrictions on international population mobility and migration will have an adverse effect on economic growth at both the state and national level, particularly in the absence of migrating workers in seasonal sectors such as agriculture.

For Western Australia, September 2020 marked the second consecutive quarter of negative net overseas migration, with a net outflow of 1,685 people. This is unprecedented for WA over the last quarter of a century, with the state having not previously recorded a net overseas migration outflow in the last 27 years.

WA ended a seven-year run of negative net interstate migration dating back to September 2013, with a net gain of 631 residents in the September 2020 quarter. This shift towards positive net interstate migration into WA was anticipated in [November's QEC](#) and gives some positive signs that the strength of WA's economy, particularly its resources sector, is encouraging people to make the move to the West. The state's resilience in controlling the COVID-19 pandemic is also a potential driver of the shift to a positive net population inflow from other states and territories.

Figure 15: Annual Population Growth and Components of Population Change, 2005 to 2020



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

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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.

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Bankwest Curtin Economics Centre *Quarterly Economic Commentary*

ISSN: 2208-9373

This Quarterly Economic Commentary was written by: Steven Bond-Smith, Rebecca Cassells, Alan Duncan and Silvia Salazar from the Bankwest Curtin Economics Centre at Curtin Business School.

This report may be cited as: Bond-Smith S, Cassells R, Duncan A and Salazar S (2021), BCEC Quarterly Economic Commentary, Issue #13, Bankwest Curtin Economics Centre, June 2021.

Special thanks to Nyasha Maketo and Austen Peters for their research assistance.

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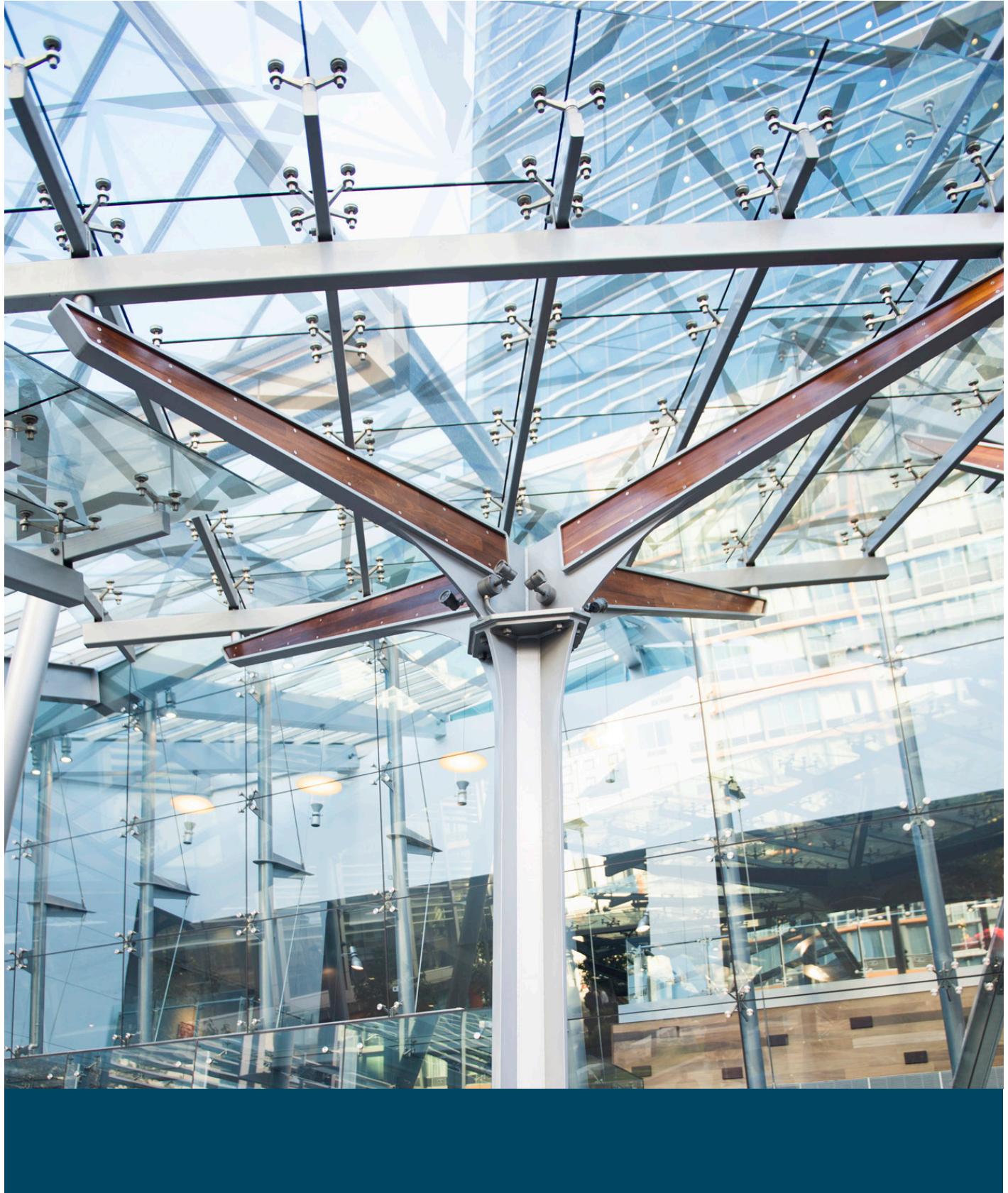
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