



Hamersley Gorge, Spa Pool, Karijini National Park, Western Australia

BCEC Quarterly Economic Commentary

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

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Professor Alan Duncan



Mixed signals in 2017 make 'cautious optimism' the New Years message

Recent Gross State Product (GSP) figures reported a 2.7% contraction in the year to June 2017, making it the only state to report negative GSP growth in the last year. This led to some siren voices crying "recession", with accusations fired across the Nullarbor that WA was "letting Australia's economy down" by not contributing to national GDP growth. Yet context is important. WA's annual economic growth has averaged 4.9% during a decade of unprecedented resources-fuelled economic expansion. Despite the most recent decline, WA's per capita GSP still sits at \$90,500 – far in excess of every other state, and \$20,000 above that of NSW.

The main reason for the fall in WA's GSP in the year to June 2017 was the drop in business investment – down nearly 29% over the year. However, trend business investment looks to be on the road to recovery as we approach the year's end. Average disposable income for WA's households – a key indicator for many West Australians – may have declined, but it also remains at levels above that of other states. Household consumption is edging higher after three years in the doldrums. State final demand (SFD) in WA enjoyed three consecutive quarters of growth to September 2017 - the first time this has happened in four years.

2018 is set to be a key year for WA. The fragile 'green shoots' we've seen in WA over the last four months are encouraging, but need to be nourished carefully if they are to grow stronger. This is a time to ensure that WA's economic recovery is supported, rather than knocked off course.

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"We're breaking up": iron ore and interstate migration

The marriage between iron ore prices and interstate migration has held for more than 15 years in the West, but recent activity shows a divergence between the two. In fact, in the 2016-17 financial year, WA saw an overall population loss stemming from interstate migration of 11,760 people, while at the same time the iron ore price lifted from \$69 to \$92 per tonne between 2015-16 and 2016-17. The relationship clearly isn't what it used to be.

Will they get back together? Will migration and iron ore reunite as domestic and global markets pick up, or will they continue to diverge? Most likely they will continue on their separate ways, with major infrastructure projects needed to support the iron ore sector now having been built. However, other resource activity within the state like Prelude and Ichthys large-scale LNG projects, along with Kalgoorlie's planned Super Pit extension are all likely to entice people back to the state - but not in the droves seen before. Retaining skilled workers and redeploying them to other sectors, along with diversifying the WA economy is a challenge for any state government, but one that needs to be met for long-term prosperity.

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Dr Daniel Kiely



Haven't written your letter to Santa yet? Add 'more upswing for 2018 please'!

Many of the key economic indicator highlights presented in our infographics page do not paint an overly optimistic picture of the WA economy. For those indicators that display some upswing, in the main, they are modest in comparison to WA ten year averages and when compared to other states. Okay, okay, growth rates don't paint the full picture. WA has come off historically high levels, reached during the height of the Construction Phase of the Mining Boom. A return to a 'new norm' was a given.

Following the much documented and continuing decline in business investment, for some time now, WA has been experiencing relatively high unemployment, low wage growth and slow population growth. Together, these are keeping household consumption and retail trade growth at very low levels. While there are some indications that we are reaching the bottom, and perhaps turning the corner, looking at the results of newly released economic data is a little like taking a long drive with the kids – 'are we there yet?'. Sustained business and consumer confidence into 2018 would be a welcome present this Christmas, leading to further employment growth, wage growth and in turn greater household consumption and retail spending. However, it will be well into 2018, and perhaps beyond, before the full fruits of such gifts will be born.

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WA ECONOMIC OVERVIEW



How is our economy doing?

GSP \Downarrow 2.7%

Year-on-year change (June 2017)

SFD \Uparrow 0.4%

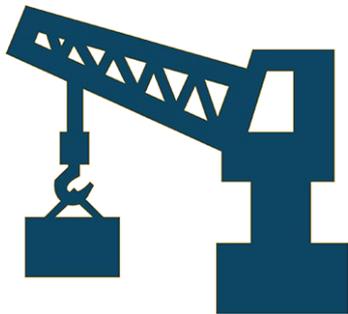
Quarter-on-quarter change (September 2017)



Business Investment

\Downarrow 0.5%

Quarter-on-quarter change (September 2017)



Construction Work

\Downarrow 5.0%

Quarter-on-quarter change (September 2017)



Housing Finance Commitments

\Downarrow 10.3%

Year-on-year change (October 2017)



Consumer Spending

\Uparrow 0.4%

Quarter-on-quarter change (September 2017)

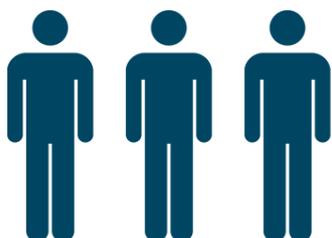


Inflation and Cost of Living

CPI \Uparrow 0.5%

WPI \Uparrow 0.6%

Quarter-on-quarter change (September 2017)



Population Change

\Uparrow 0.7%

Year-on-year change (March 2017)



Labour Market

Unemployment Rate

\Downarrow 0.6ppt

Employed Persons

\Uparrow 2.8%

Year-on-Year change (October 2017)

ECONOMIC GROWTH



How is our economy doing?

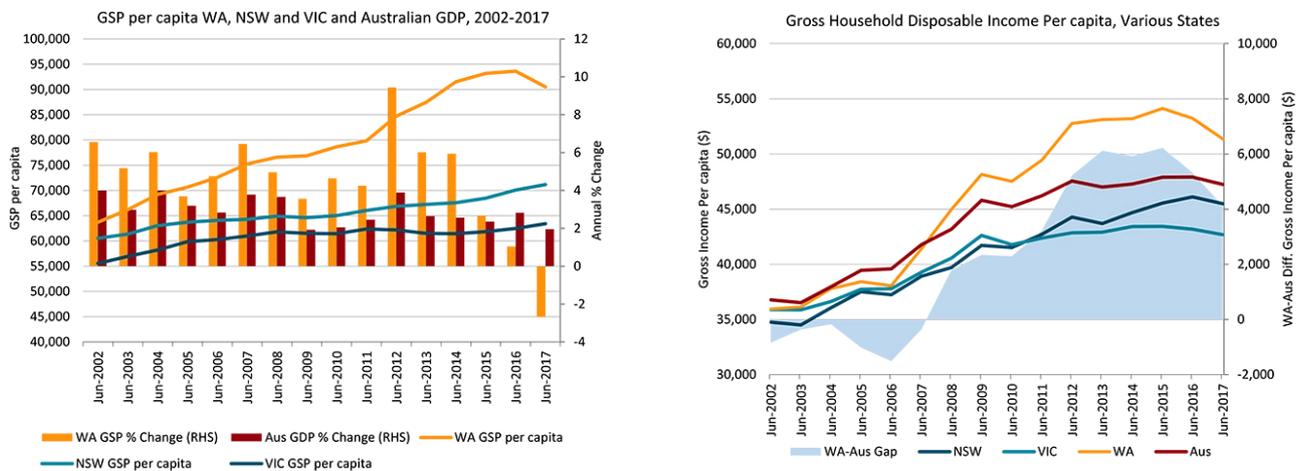
GSP **▼ 2.7%**
Year-on-year change
(June 2017)

Gross State Product, Household Disposable Income, and Gross Value Added

Gross State Product (GSP) represents a broad measure of the economic value of goods and services production, including the difference between the state's exports and imports, in WA and in other state jurisdictions. For WA, GSP fell nearly 2.7% in the year to June 2017, to around \$247bn (Figure 1 LHS). This makes WA the only state to report negative GSP growth in the last year. Yet some context is important. In the ten years prior to June 2017, WA's annual GSP growth rates averaged 4.9% during a period of unprecedented resources-fuelled economic growth in the West. Despite the most recent decline, WA's per capita GSP nevertheless sits at \$90,500, still far in excess of the equivalent measures for other states and \$20,000 above that of NSW.

Per capita household disposable income can provide a more relatable measure of economic wellbeing from the perspective of an individual or family (Figure 1 RHS). WA saw the steepest growth in household disposable income per capita over the course of the resources boom, rising at an annual average of some 3.6% over the decade from 2006. This trend has reversed since 2015, a consequence of the cooling economic and labour market conditions in the West. Despite this, household disposable income per capita in WA (at \$51,412) still remains above NSW (\$50,814) and VIC (\$42,990).

Figure 1: Gross State Product and Household Disposable Income, various States, 2002-2017



Notes: Chain volume; Reference year is 2015/16. June 2017 GSP per capita is calculated using March 2017 population data due to time lags in population data releases. Previous years use June population data.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 5220, Table 1, Table 6 and Table 10, and ABS Cat 3101, Table 4.

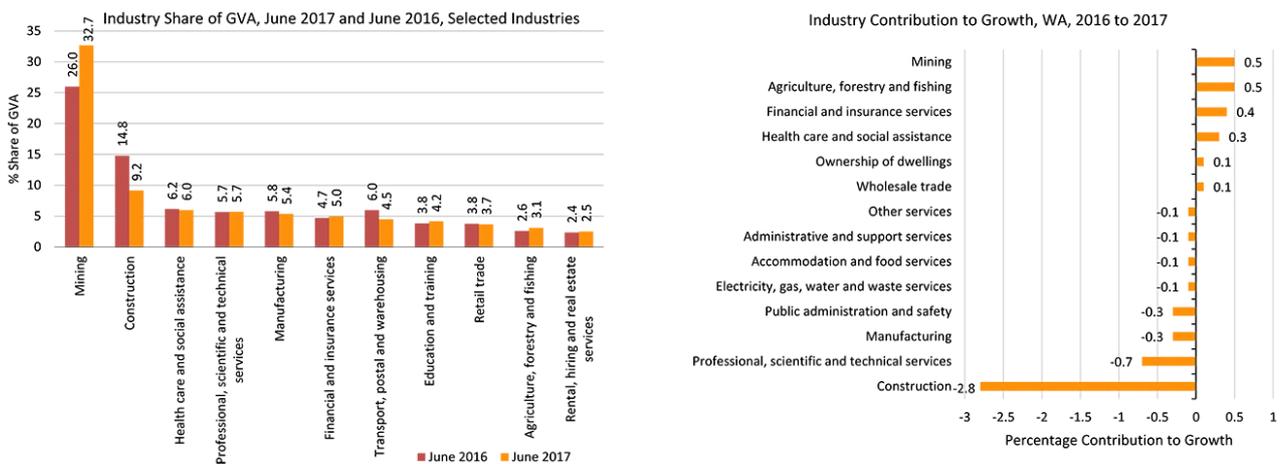
The principal contributor to WA's declining GSP has been the sharp contraction in business investment, falling by 28.6% over the year to June 2017. With business investment contributing 16% of the state's total GSP in value terms, this has had a sharp negative impact on WA's economic growth. WA exports increased by 6.7% in real terms, with imports declining by 3.7%. Annually, household consumption (contributing a 42% share of GSP) increased only very modestly by around 0.5%, while public consumption (a 15% share of GSP) increased by 3.1% over the year.

ECONOMIC GROWTH

Mining now accounts for almost a third of WA's economic output (Figure 2), up from a quarter in 2016 (26.0%), while construction has declined somewhat in terms of its share contribution to the West Australian economy, down from 14.8% in 2016 to 9.2% in 2017. Transport is also down from 6.0% to 4.5%, while agriculture is showing some strength, increasing from 2.6% to 3.1% over the year to June 2017.

Mining and agriculture made the largest positive contributions to WA's output growth over the year to 2017, both adding around 0.5% to overall growth. On the other hand, the real economic value of construction in WA fell from \$26.2bn to \$19.4bn over the last 12 months, dragging the state's economic growth down by 2.8%. This decline is consistent with weakening trends in employment in the construction sector, a pattern highlighted in a recent [BCEC Monthly Labour Market Update](#).

Figure 2: Industry Contribution to Economic Activity and Growth, WA, 2016-2017



Notes: Economic Activity is measured through Gross Value Added (GVA). It is the value of output of goods and services minus the value of intermediate consumption. GVA share in current prices; GVA share calculations exclude 'Ownership of dwellings' and statistical discrepancies. Percentage contribution to GVA growth in chain volume measures; Reference year is 2014/15. Industry sectors not appearing in the graph made a zero percentage contribution to GVA over the period.

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

ECONOMIC GROWTH



How is our economy doing?

SFD **↑ 0.4%**
 Quarter-on-quarter change (September 2017)

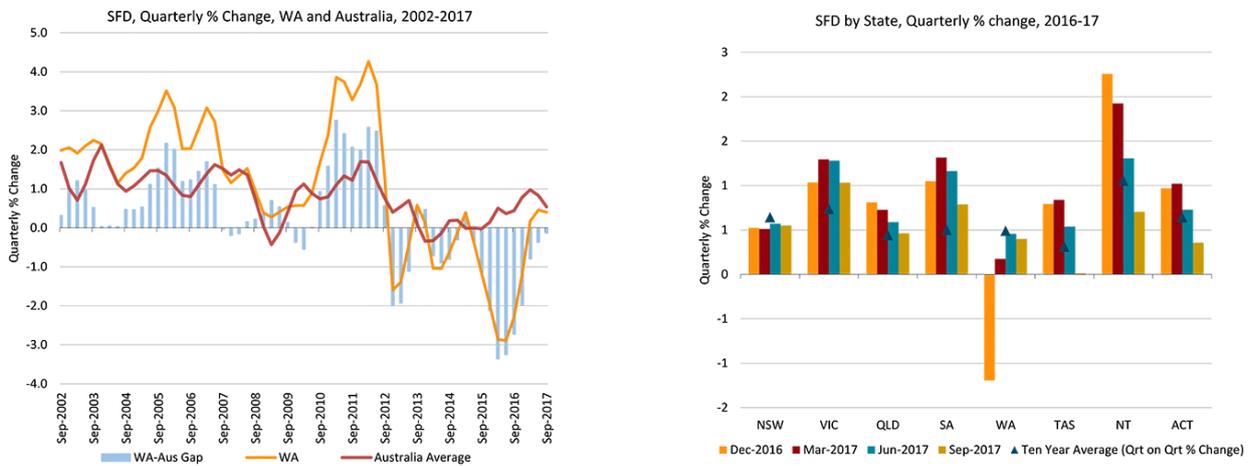
State Final Demand

While GSP is only released on an annual basis, State Final Demand (SFD) figures are released quarterly. SFD is a broad measure of the demand for goods and services in the economy, but excludes certain sales including export sales. While more current, SFD measures are also known to suffer from a number of limitations. These relate to issues in how SFD captures inter-state trade, and in the tendency for SFD to amplify the swings of the economic cycle. This latter problem means that SFD tends to overstate how well the mining states of WA and QLD are doing when their economies are going well, but also overstates how badly those states are doing during economic downturns.

For the record, State Final Demand (SFD) in WA increased by 0.40% to \$50.8bn (real) in the September quarter 2017, the third consecutive quarter-on-quarter growth in SFD for WA (Figure 3 RHS). The last time WA experienced three consecutive quarters of positive SFD growth was in December 2013. While recent growth in SFD in WA is more modest compared to other states, the last two quarters have pushed WA's SFD growth rate near to its ten year average of 0.5% (Figure 3 RHS).

Household consumption, representing more than half of SFD, grew only very modestly by 0.4% to September 2017. This likely reflects households' increased caution in the face of economic uncertainty, with slowing wage growth and more labour market churn and volatility. Government consumption (representing an 18.4% share of SFD) was up 1.0%, but business investment (a 18.7% share of SFD) fell by 0.5%. Both are discussed more fully later in this release.

Figure 3: State Final Demand, WA, 2002-2017



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 25

BUSINESS INVESTMENT



Business Investment

⇩ 0.5%

Quarter-on-quarter change (September 2017)

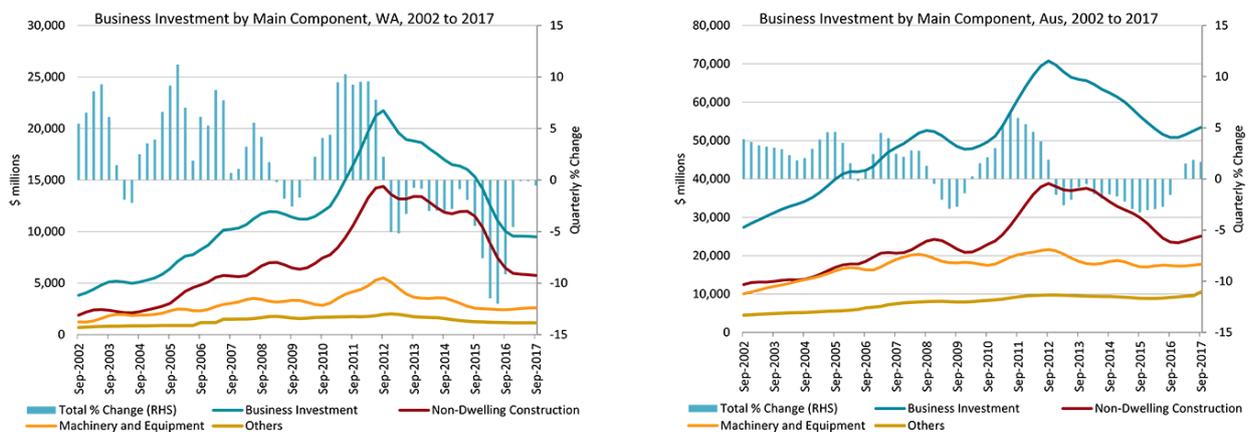
Business Investment

Commonly regarded as a key source of economic growth, business investment in Australia has grown over the last four quarters at an average of 1.3%, with a quarter-on-quarter trend increase of 1.7% to September 2017. This is on the back of almost four years of negative growth to September 2016 (Figure 4, RHS). Non-dwelling construction (representing one half of national business investment) grew by 2.3%, while investment in machinery and equipment (comprising one third of total business investment) grew by 1.4%.

At the height of the construction phase of the mining boom, business investment in WA accounted for 30% of the national share, and was worth over \$80.9bn (FY 2013). This share now stands at 17.9%, at a value of \$38.7 (FY 2017). Business investment in WA has declined now for twenty consecutive quarters (Figure 4, LHS). However, investment has stabilized over the last three quarters to September 2017 offering some hope of recovery in 2018.

Non-dwelling construction comprises over three fifths 0% of all business investment in WA, with machinery and equipment making up around a quarter (26%) of total investment. While the latter has shown some signs of modest growth over the last four quarters, the precipitous decline in the former (and larger) component is what sits behind the overall fall in business investment. However, investment in non-dwelling construction has remained stable over the last three quarters.

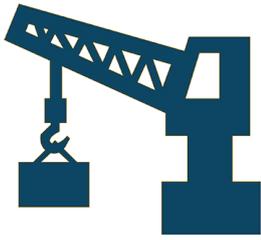
Figure 4: Business Investment, WA and Australia, Quarterly, 2002 to 2017



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 3 and Table 30

CONSTRUCTION WORK



Construction Work

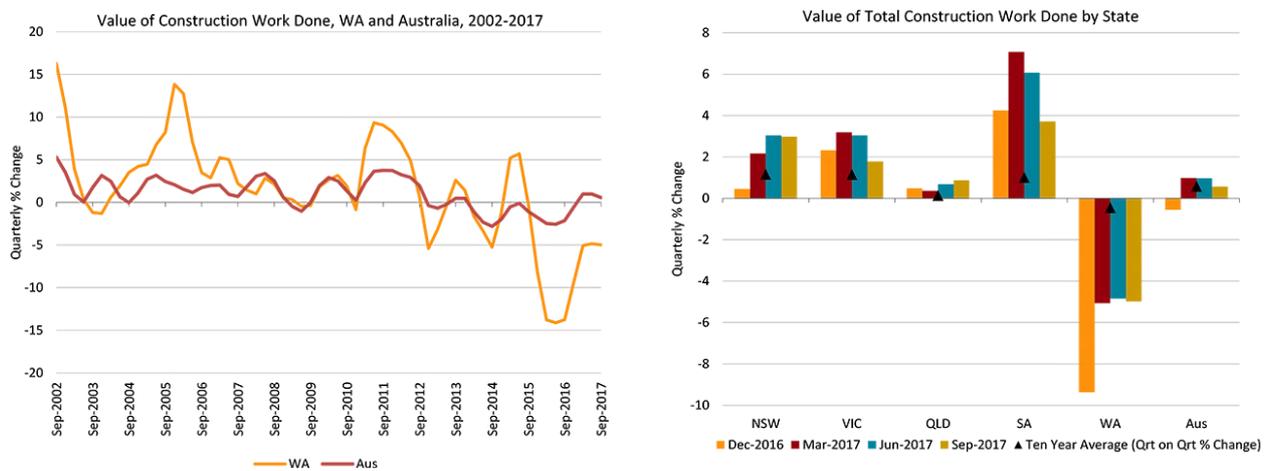
5.0%
 Quarter-on-quarter
 change (September 2017)

Value of Construction Work Done

Construction is often seen as an economic bellweather, with growth in the construction sector reflective of economic health and an optimistic economic outlook across industries. Construction also contributes directly to jobs growth. For WA, the value of total construction has fallen for nine consecutive quarters (Figure 5 LHS), most recently by 5% over the September 2017 quarter. In this respect, WA stands in contrast to positive quarterly growth in the value of construction work in all other state jurisdictions over the past year (Figure 5 RHS) and nationally.

Construction value comprises two key elements - the value of building work and the value of engineering construction. Digging further into these components, we find the value of building work undertaken in WA to have fallen by 1.3% over the September 2017 quarter, the ninth consecutive quarter-on-quarter decline. Other states have also reported weak or negative growth for building work done. The value of engineering construction in WA, the larger of the two construction components, fell far more significantly by 7.3% in September 2017. This contrasts with other states which have experienced positive growth in engineering construction over recent times, suggesting that the economic slowdown in the West is affecting commercial building and major infrastructure projects.

Figure 5: Value of Construction Work Done by State, Quarterly % Change, 2016-17



Notes: Chain volume; Trend figures used. 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

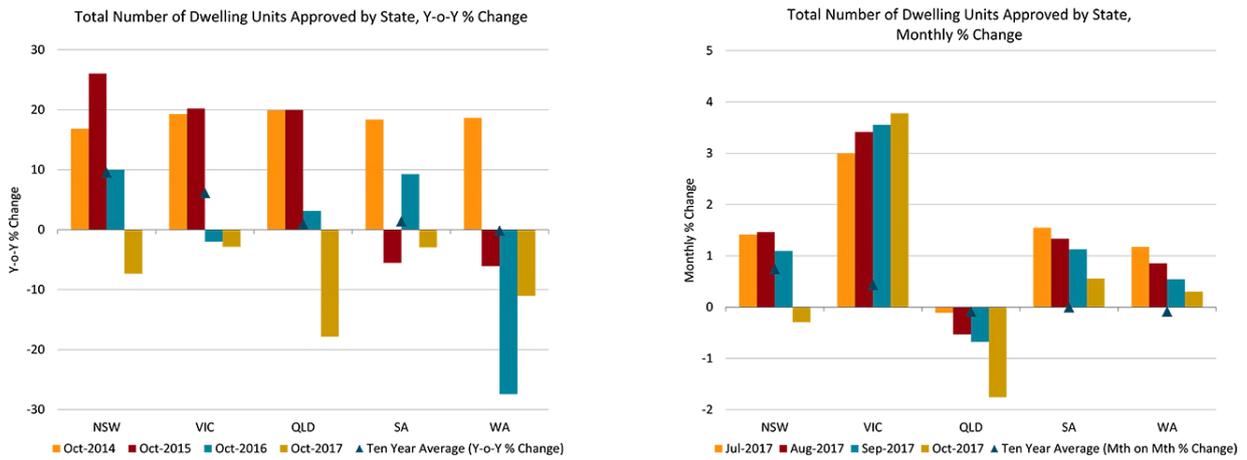
Dwelling Approvals


11.0%
 Year-on-year change
 (October 2017)

Dwelling Units Approved

The number of dwelling units approved in WA fell for each of the last three years (see Figure 6, LHS), most recently by 11% in the twelve months to October 2017. A number of other states also report negative growth, with Queensland reporting the lowest rate (down 17.9% over the year to October 2017). Recent data on monthly dwelling approvals present a more optimistic picture for a number of states, including WA with average monthly growth of 0.7% over the four months to October 2017 (see Figure 6, RHS). However, it's worth noting that growth in dwelling approvals in WA has been slowing over the last four months, down to 0.3% in October 2017. Of the other states, Victoria has experienced strong and consistent growth in approvals over the last third of the year. This may well be reflective of population growth and a strengthening Victorian economy.

Figure 6: Total Number of Dwelling Units Approved by State, Monthly % Change, 2017



Notes: Trend figures used.

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



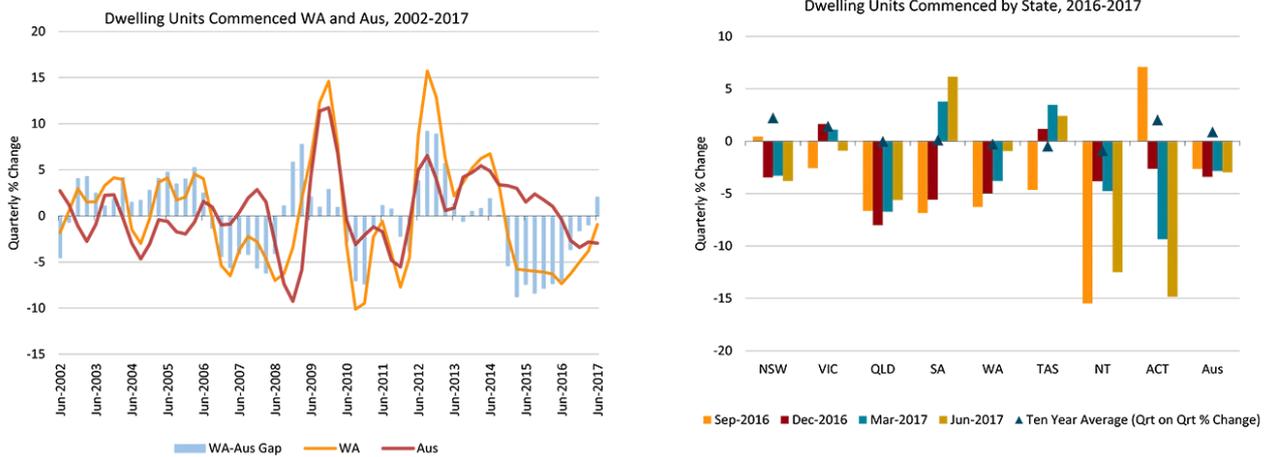
Dwelling Commencements


21.0%
 Year-on-year change
 (June 2017)

Dwelling Commencements

Dwelling commencements fell by more than 20% in WA in the twelve months to June 2017 on trend figures, with 19,800 commencements over the year to June 2017 - well below the 25,008 that took place in the previous 12 months to June 2016. Yet despite commencements in WA falling for the best part of three years, the most recent trend data provide us with positive signs of recovery. Data for the June 2017 quarter (down only 0.9% over the quarter) show that WA is heading towards growth in commencements (Figure 7 RHS). This compares favourably with a contraction in commencement in QLD (down 5.6% in the June 2017 quarter) and NSW (down 3.8%). Only SA (up 6.2%) and TAS (up 2.4%) reported positive growth in the number of dwelling commencements for the June 2017 quarter.

Figure 7: Dwelling Units Commenced, WA and Australia, 2002-2017



Notes: Trend figures used.

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



Housing Finance Commitments

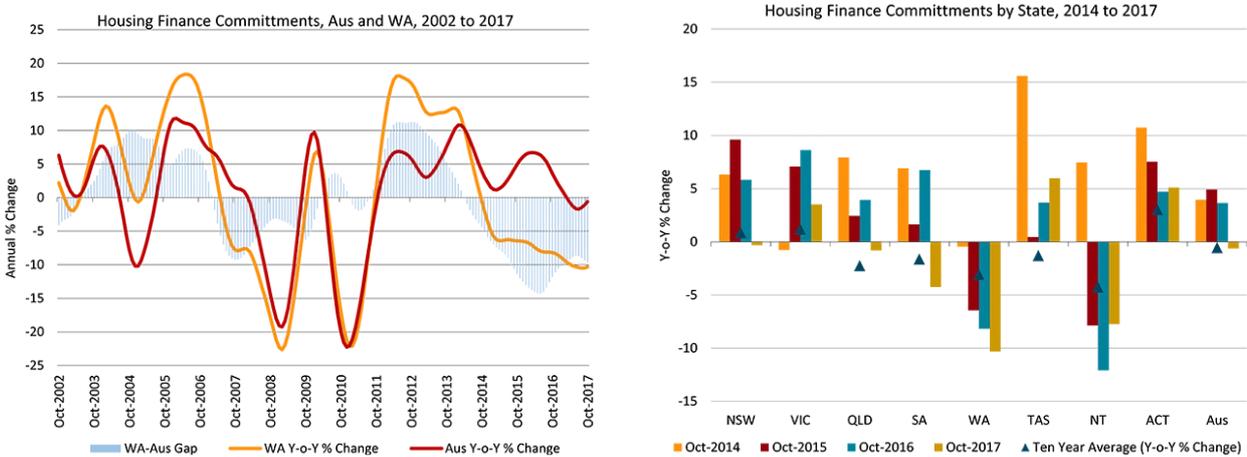
10.3%
 Year-on-year change
 (October 2017)

Housing Finance Commitments

Housing finance commitments is a lead indicator of real estate activity and housing construction, and is an important indicator of activity in the financial services sector. Between October 2002 and October 2014, the trends in housing finance commitments in WA followed a broadly similar trajectory to those of Australia (Figure 8, LHS graph), albeit with higher peaks for WA across the cycle to 2014 and a lower trough in February 2009. Since then, the stories have been somewhat different, with the number of housing finance commitments in WA falling for four years in succession and diverging substantially from the Australian trend.

And how does WA compare to other states on this measure? In the twelve months to October 2017, WA suffered a 10.3% reduction in the number of housing finance commitments – the largest year to date fall since the start of the decade. For Australia, finance commitments fell by only 0.6% in the year to October 2017 (Figure 8, RHS graph). The number of housing finance commitments established in the twelve months to October 2017 (68,240) is more than a third (36%) lower than the peak reported in October 2006 (107,406), and only slightly higher than the post-GFC lows (66,550 in October 2010). On latest monthly data, WA achieved relatively modest growth in housing finance commitments between May and August 2017 (averaging 0.2%), but the last two months have returned to a negative trajectory, falling by 0.4% over the month to October 2017.

Figure 8: Housing Finance Commitments, WA and Australia, 2002 to 2017



Notes: Trend figures used.

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



Retail Trade

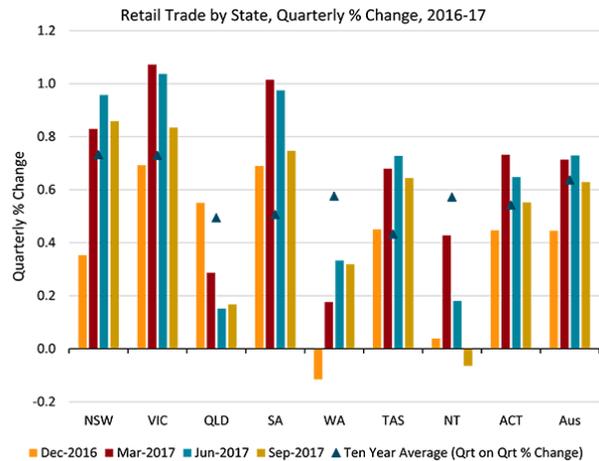
↑↑↑ 0.3%

Quarter-on-quarter
change (September 2017)

Retail Trade

WA has enjoyed three successive quarters of positive retail trade growth (Figure 9). However, with the exception of QLD and NT, WA's retail trade growth for the September quarter (0.3%) remains low compared to other states, with an Australian average of 0.6%. WA's retail trade growth also remains below the state's ten year average growth rate of 0.6%. This suggests that while consumer confidence in WA is stronger now than during 2016, it still lags behind consumer sentiment nationally. In fact, retail trade growth in WA has remained below the Australian average since March 2013 (as depicted by the WA-Aus Gap, Figure 9, LHS). The benefits of lower interest rates during this time have been offset by lower employment, lower wage growth and lower population growth.

Figure 9: Retail Trade, WA and Australia, 2002 to 2017



Notes: Chain volume, Trend

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



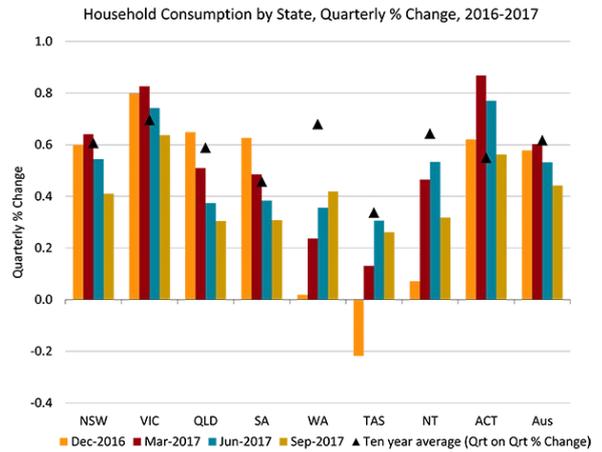
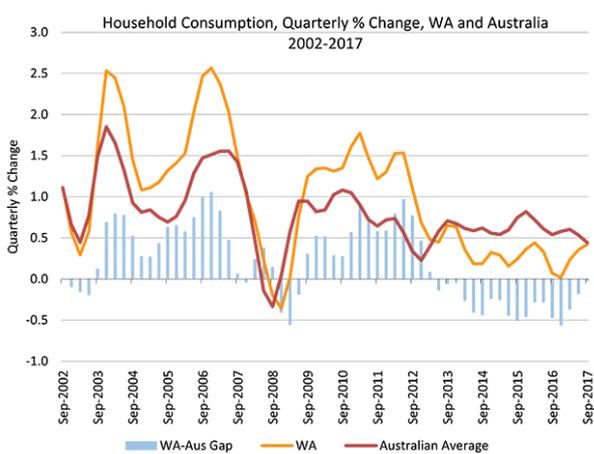
Household Consumption

↑ 0.4%
 Quarter-on-quarter change (September 2017)

Household Consumption

Household consumption is a key component of SFD and GSP, and an important driver of WA's economic growth. Since 2014, household consumption growth in WA remained below the Australia state average (Figure 10 LHS). However, this gap has now been closed (Figure 10 RHS) with household consumption growth for the quarter to September 2017 now matching the national average, at 0.4%. WA's recent sluggish household consumption growth over the year to September 2017 contrasts with stronger trends in other state jurisdictions. Household consumption grew by 2.4% over the year in NSW, by 3.1% for VIC, 2.1% for QLD and by 2.5% for SA.

Figure 10: Household Consumption Growth, WA and Australia, 2002-2017



Notes: Chain volume, Trend figures used.

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



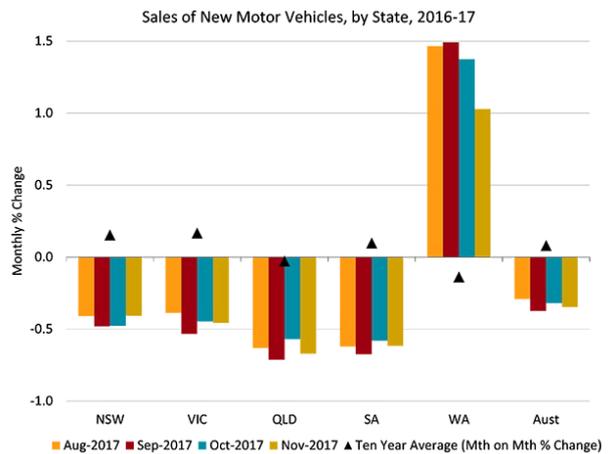
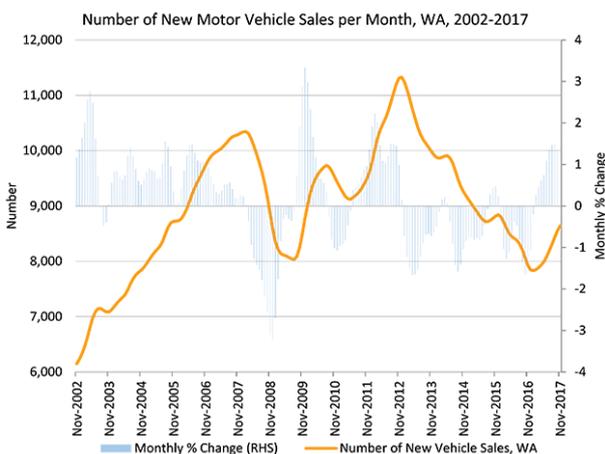
New Motor Vehicles


1.1%
 Month-on-month
 change (November 2017)

Sales of New Motor Vehicles

New motor vehicle sales in WA have experienced a pretty rough ride over the last two decades. Sales almost doubled in the five years between 2002 and 2007 as people rode the wave of the resources boom, reversing during the GFC, before rising again to hit a peak of 11,330 sales during December 2012. Since then, the trajectory has been steep and negative, with new motor vehicle sales falling by fully half to under 8,000 in November 2016. As with a number of other indicators, motor vehicle sales have improved over the last year, with 8,639 new transactions during the month of November 2017. This represents the sixth consecutive month with sales growth in excess of 1%.

Figure 11: Sales of New Motor Vehicles by State, 2016-17



Notes: Trend figures used.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 9314, Table 2



Housing Affordability

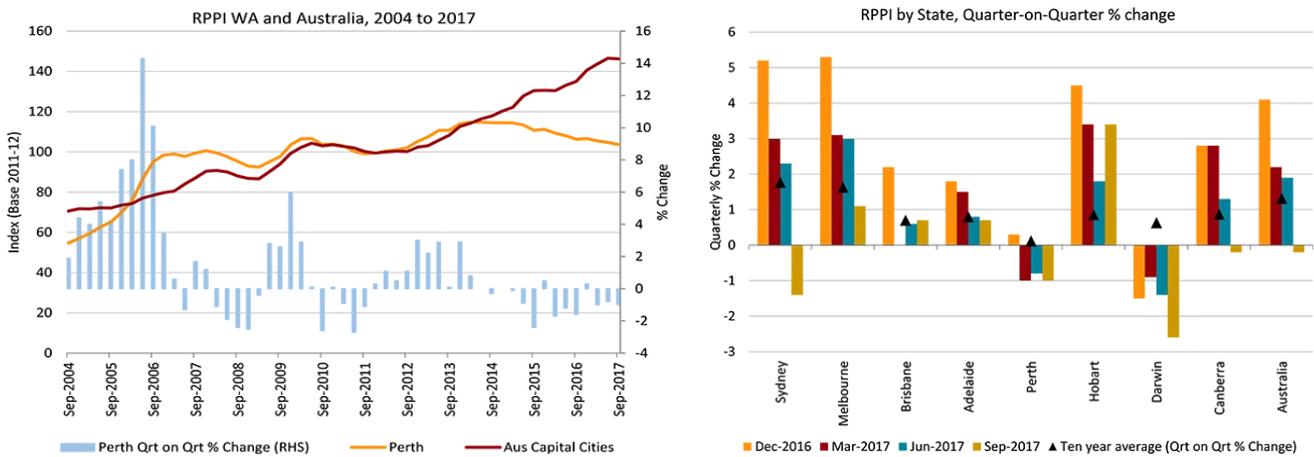

1.0%
 Quarter-on-quarter RPPI change (September 2017)

Residential Property Price Index

Perth's Residential Property Price Index (RPPI) provides a summary measure of the relative affordability of housing in WA's capital compared to national and state capital trends. The very clear take-home from Figure 12 (LHS) is the striking divergence in property prices since 2014. Perth's RPPI has headed in the opposite direction to the composite Australian capital city property price index since the start of 2014. While the national index has continued to rise over the last three years, Perth's RPPI has fallen consistently and is now on a par with the levels reported in the latter half of 2012. This is consistent with other evidence pointing to a cooling of the property market in WA.

Perth's RPPI has fallen for the last three quarters (Figure 12 RHS), with a drop of 1% in the September 2017 quarter. Such growth is well below Perth's ten year average growth rate, which, in and of itself, is a modest 0.1%. This compares to long-run growth rates of 1.8% for Sydney, 1.6% for Melbourne, 0.8% for Adelaide and 0.7% for Brisbane. Despite only modest wage growth in WA, the lower RPPI growth in Perth coupled with the continuation of historically low interest rates brings some positive news for those trying to enter the property market.

Figure 12: Residential Property Price Index, Australia by State, 2004 to 2017



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

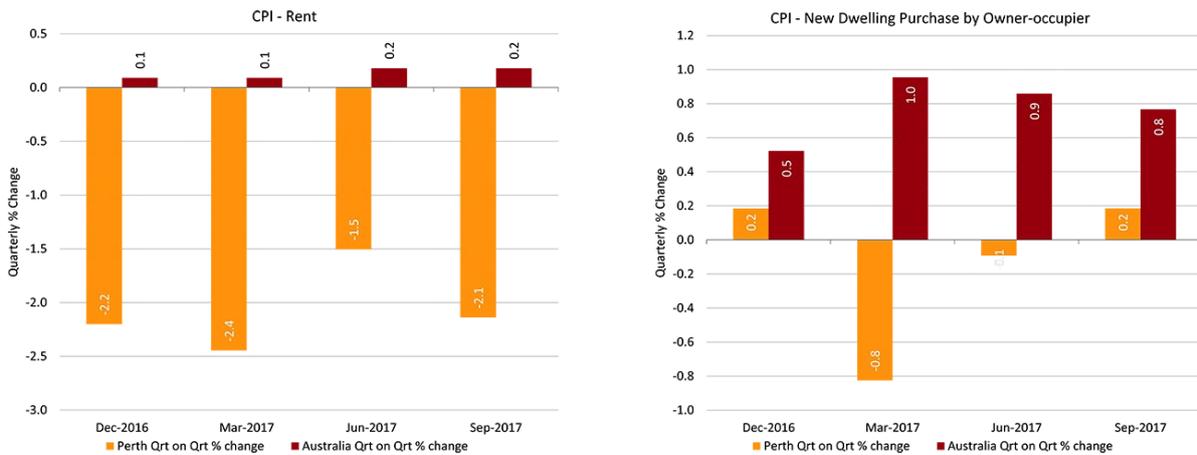
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6416, Table 1

Change in Rents and New Dwelling Purchase by Owner-Occupier

The positive story for owner-occupiers continues when we look at the new dwelling purchases by owner-occupier price index (Figure 13, RHS). While there has been an increase in this index for Perth in the September quarter (up 0.2%), it is modest in comparison to Australia (up 0.8%) and Perth's ten year average (up 0.4%).

There is also some good news for renters in WA, with rental prices having fallen by an average of 1.7% per quarter between September 2015 and September 2017, and even more steeply over the September 2017 quarter (down 2%). At the same time, rents in Australia have continued to grow over the last four quarters (Figure 13, LHS).

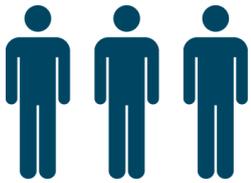
Figure 13: Change in Rents and Owner-Occupier New Dwelling Purchase, WA and Australia, 2016-17



Notes: Index, Base = 2011-2012

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

POPULATION



Population Change

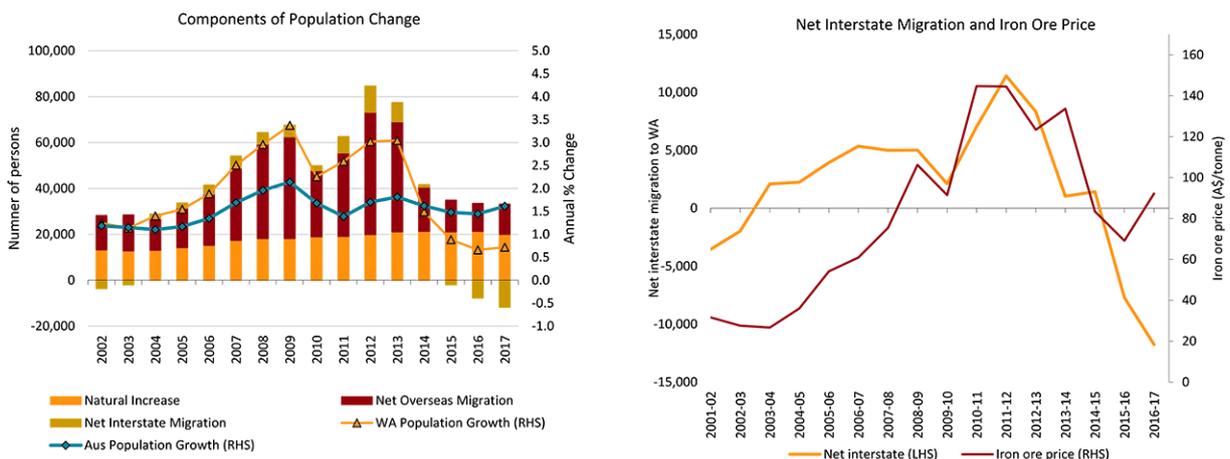
↑↑↑ 0.7%
Year-on-year change
(March 2017)

Population

As the West Australian economy heated up in the mid to late 2000's, the state's population also ballooned as workers from other parts of the country and the world sought to take advantage of the high wages that could be secured both in the capital and throughout the state's mining regions.

Between 2002 and 2009, an additional 340,000 people were added to the WA population, taking the state's population over the 2 million precipice. Annual population growth also reached its peak during this time, hitting 3.4% at the height of the mining boom in 2009. This growth eased immediately following the GFC, but picked up in the years to 2013.

Figure 14: Components of Population Change and Net Migration Flows to Iron Ore Prices, 2002 to 2017



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 3101.0, Table 2, 4, 16A & 16B, WA Department of Mines, Industry Regulation and Safety

The West Australian population currently stands at 2.57 million, with annual population growth well below national levels since 2014. A contraction in net overseas migration and a deficit in net interstate migration have been the main drivers of annual population growth falling back to well below 1% over the last few years. Natural increases (births over deaths) now play the starring role in maintaining WA's population.

The relationship between population growth and mining activity in WA has been a longstanding one. Net interstate migration has been tracking alongside iron ore prices since the start of the boom in the early 2000s, and followed its bumpy ride over the course of the GFC and subsequent sluggish global and domestic economic growth. But the two have now diverged, with recent patterns showing an invigorated iron ore price accompanied by the biggest net population loss stemming from interstate migration that the state has seen in twenty years. In the 2016-17 financial year, WA saw an overall loss of 11,760 persons to other states and territories, while the iron ore price lifted to \$92.16 per tonne, representing a 33% increase on year-to-date measures.

The question remains whether the relationship between migration and iron ore will continue to diverge or if they will unite again as domestic and global markets pick up. More likely that other resource activity within the state, particularly the large-scale LNG projects - Prelude and Ichthys will entice people back to the state, but not in the droves that we saw before.

LABOUR MARKET



Unemployment Rate

⇩ **0.6ppt**
 Year-on-Year change
 (November 2017)

Employed Persons

⇧ **2.8%**
 Year-on-Year change
 (November 2017)

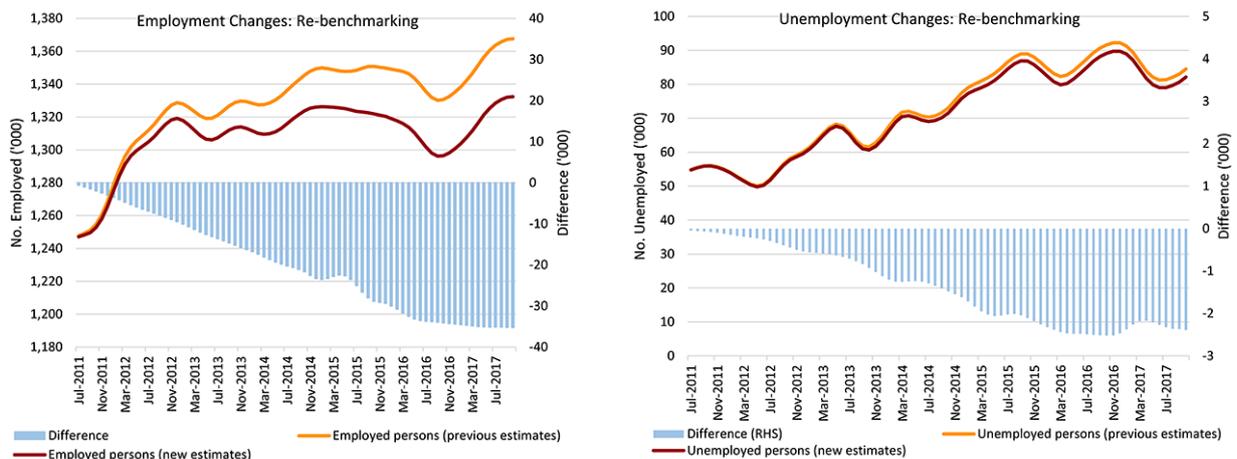
Labour market

The WA labour market has undergone some substantial changes over the last couple of years, with the economy slowing and mining transitioning from a construction phase towards production. These trends saw the WA labour market pull back and a net loss of around 11,000 workers, many heading back home to the East as work dried up.

These substantive population changes have also brought about a revision of the ABS' labour force survey, using new population benchmarks derived from the 2016 Census. As highlighted in the BCEC's recently released [Special Monthly Labour Market Update](#), this [major population re-benchmarking](#) exercise has seen previous labour force estimates for Western Australia revised considerably.

Overall, the number of persons employed in Western Australia has been revised down by more than 35,000 persons, with some 20,200 fewer male full-time workers than previously estimated. The number of unemployed persons has also been revised back by around 2,400 on latest figures. However, patterns of employment growth and unemployment remained relatively unchanged with the revisions.

Figure 15: Re-benchmarking Employment and Unemployment, WA, 2011 to 2017



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat No. 6202.0 & 6202.0.55.003

Recently, the WA labour market has strengthened on a number of key measures. Employment growth has been positive, with an additional 37,000 workers added to the economy over the year to November 2017 – most of these in a full-time capacity. Part-time employment growth has also eased, and while overall employment growth remains lower (2.8%) than the national average (3.1%), the outlook remains positive.

Over the last year, WA has seen its unemployment rate fall from 6.8% to 6.2%, with 6,000 fewer people now unemployed in the state compared to a year ago. While still lagging behind national trends, these positive signs give cause for optimism, and should provide government and industry with renewed motivation to drive forward the State's labour market recovery.

LABOUR MARKET AND EARNINGS

Table 1: Employment and Unemployment, Australian States and Territories, November 2017

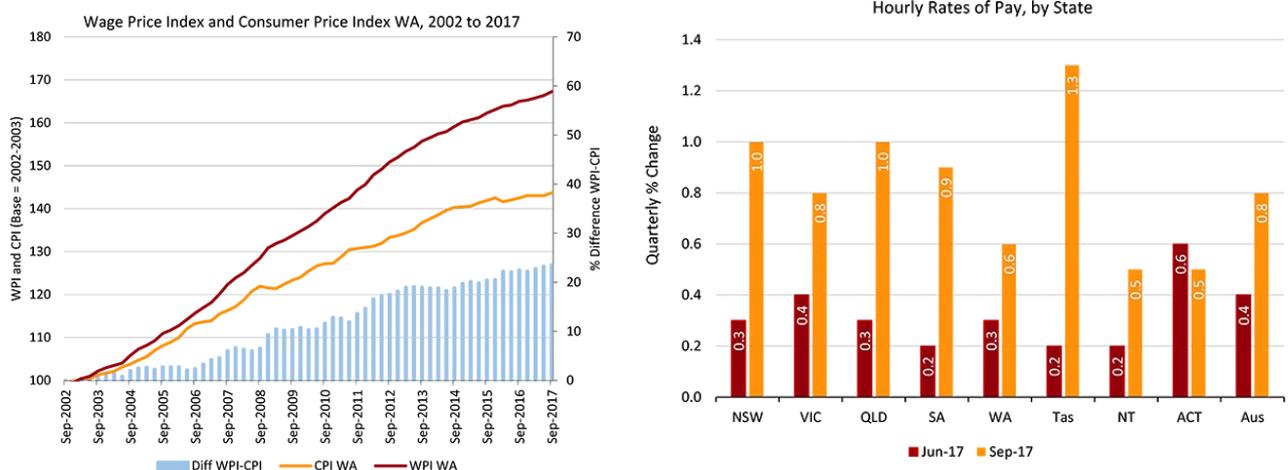
	Employed Persons ('000)	Change from:		Change (%) from Nov-2016		Unemployment Rate		Unemployed ('000)	Change (ppt) from:
	Nov 2017	Nov-2016(%)	Rank	Full-time	Part-time	Nov 2017	Rank	Nov 2017	Nov-2016
Australia	12,380.1	▲ +3.1%	---	▲ +3.8%	▲ +1.6%	5.4%	--	707.3	▼ -19.9
NSW	3,920.6	▲ +2.9%	4	▲ +4.8%	▼ -1.4%	4.6%	2	189.8	▼ -11.2
VIC	3,234.9	▲ +3.0%	3	▲ +3.5%	▲ +2.1%	5.7%	4	194.9	▼ -2.5
QLD	2,459.9	▲ +4.8%	1	▲ +3.7%	▲ +7.3%	5.8%	5	151.8	▼ -0.9
SA	827.3	▲ +1.3%	7	▲ +2.4%	▼ -0.7%	5.8%	6	51.1	▼ -6.8
WA	1,334.6	▲ +2.8%	5	▲ +3.6%	▲ +1.2%	6.2%	8	88.9	▼ -0.6
TAS	245.5	▲ +2.8%	5	▲ +0.8%	▲ +6.4%	5.9%	7	15.3	▼ -0.7
NT	134.9	▼ -2.1%	8	▼ -2.8%	▲ +0.6%	4.6%	3	6.6	▲ +1.5
ACT	228.6	▲ +3.9%	2	▲ +3.7%	▲ +4.3%	3.8%	1	8.9	▲ +0.3

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat 6202

Earnings

Have earnings kept up with prices? As outlined in our recent [Cost of Living](#) report, average wages (WPI) have grown at a faster pace than prices (CPI) between 2002 and 2017. Over this period, the Wage Price Index rose by over 60% while the CPI rose by just over 40%. The distance between wages and prices has widened over the last five years, with wages growing faster than prices, 10.9% compared to 7.8%. And the most recent quarter saw the CPI increase by 0.5% with a WPI increase of 0.6%. These trends suggests that the average employed West Australian is better able to cope with general cost of living pressures over time. Of course, such aggregations do not capture variations across regions or for different household types. Households that are not able to access wages or those that are reliant on government transfers that are not pegged to earnings growth will always find it challenging to keep with any price increases.

Figure 16: Wages, Hourly Rates of Pay and Inflation, Perth and Australia, 2002 to 2017



Notes: The base year for the WPI and CPI has been reset to 2002-03.

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

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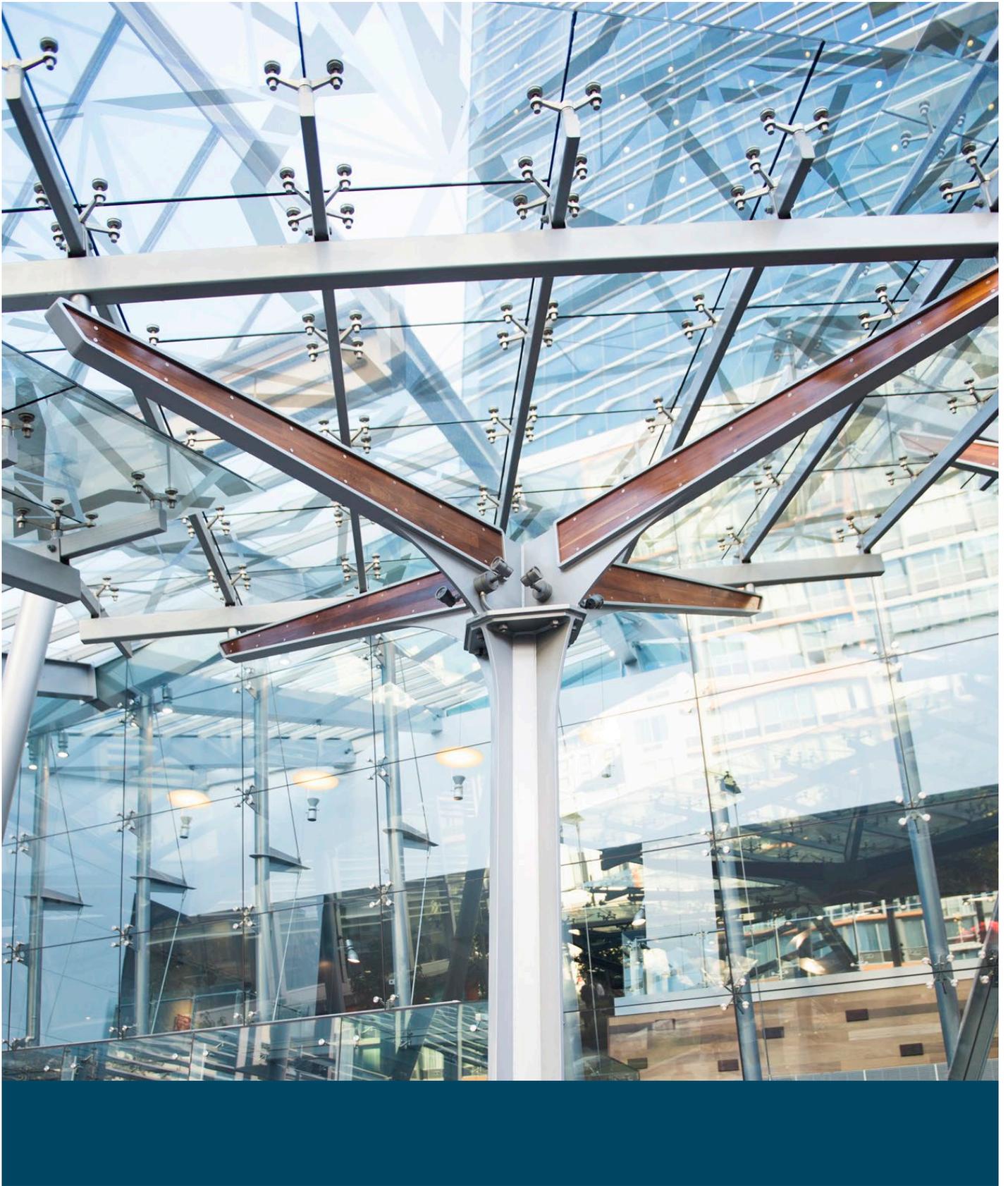
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