

ECONOMIC OUTLOOK FOR AUSTRALIA'S GROWTH AREAS

PRESENTATION TO NATIONAL GROWTH AREAS ALLIANCE 2022
NATIONAL CONGRESS

HOLIDAY INN, WERRIBEE
21ST MARCH 2022

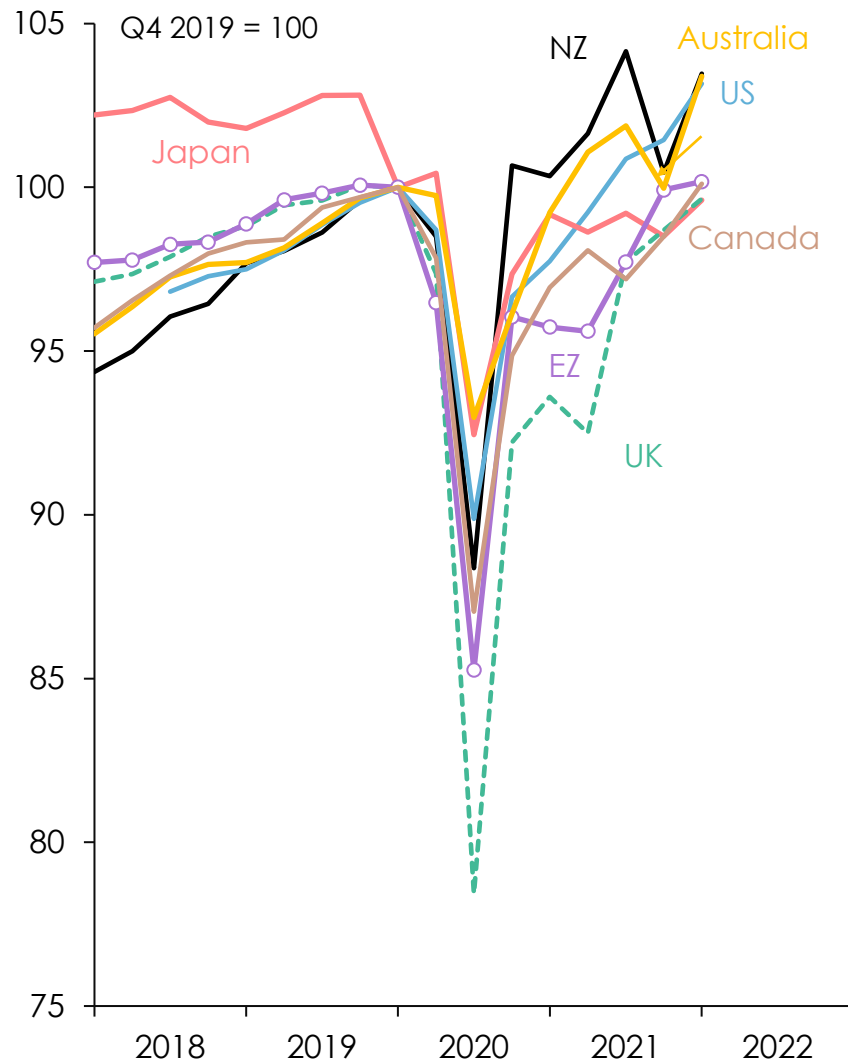
SAUL ESLAKE

CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

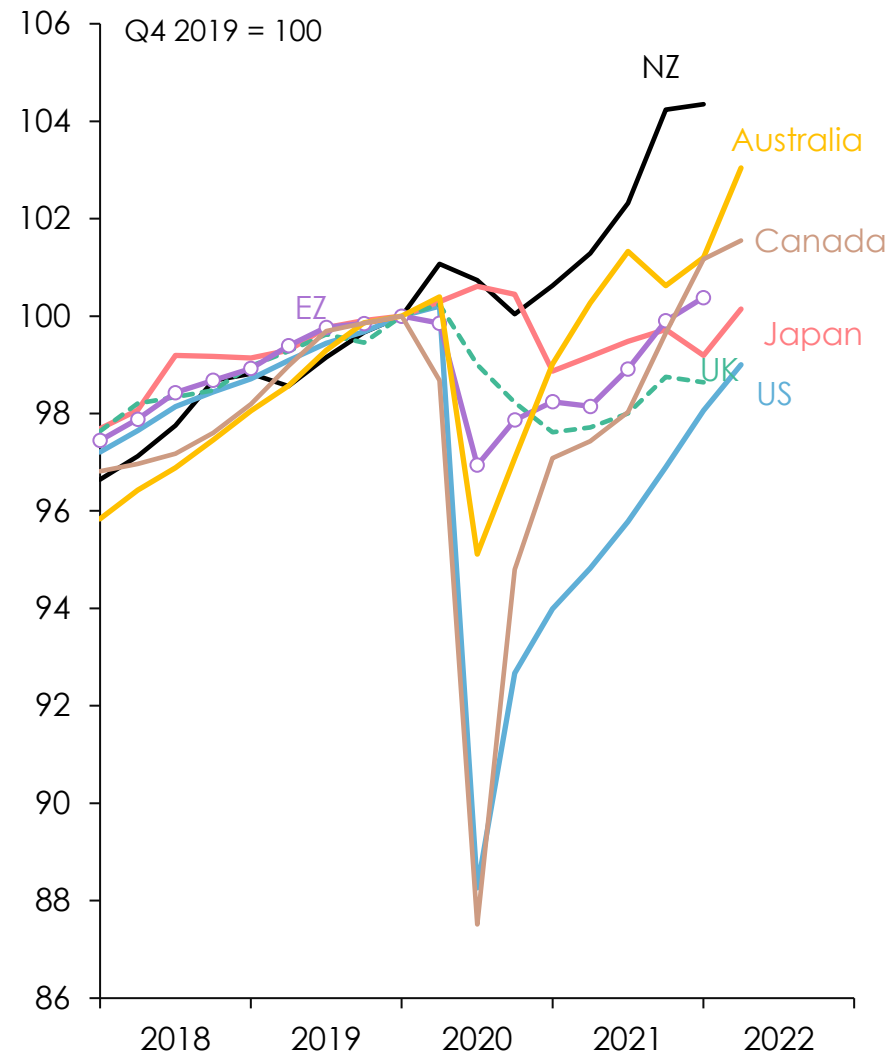
The economic outlook

Australia's 'Covid' recession wasn't as severe as, and its recovery has been stronger than, most other 'advanced' economies

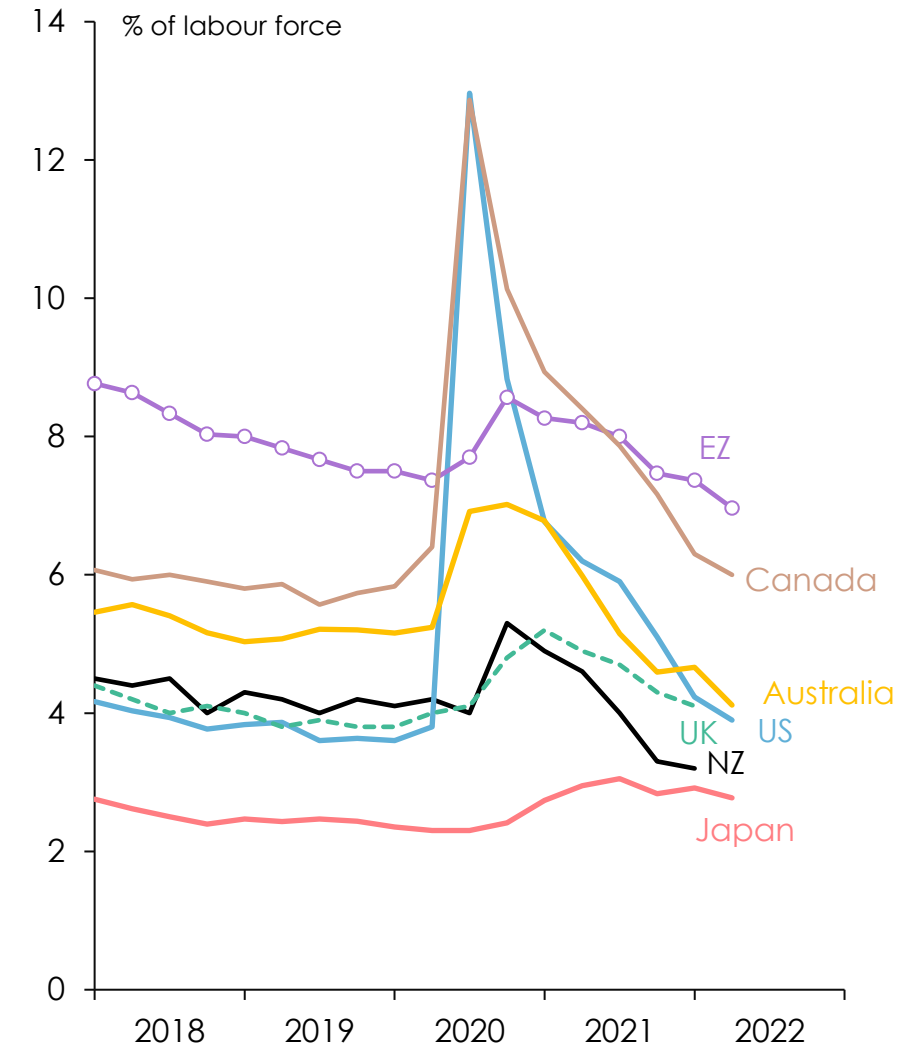
Level of real GDP



Employment



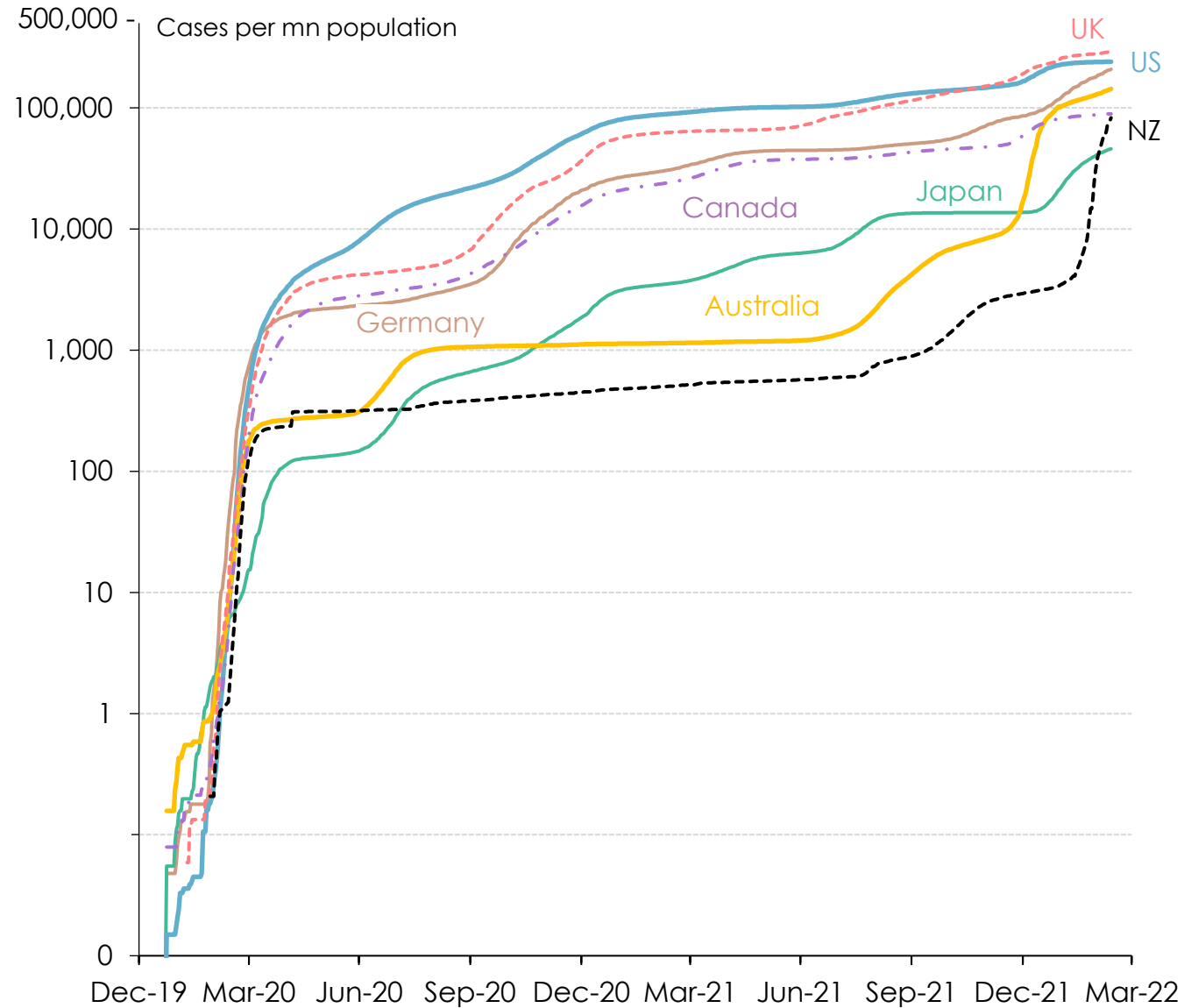
Unemployment



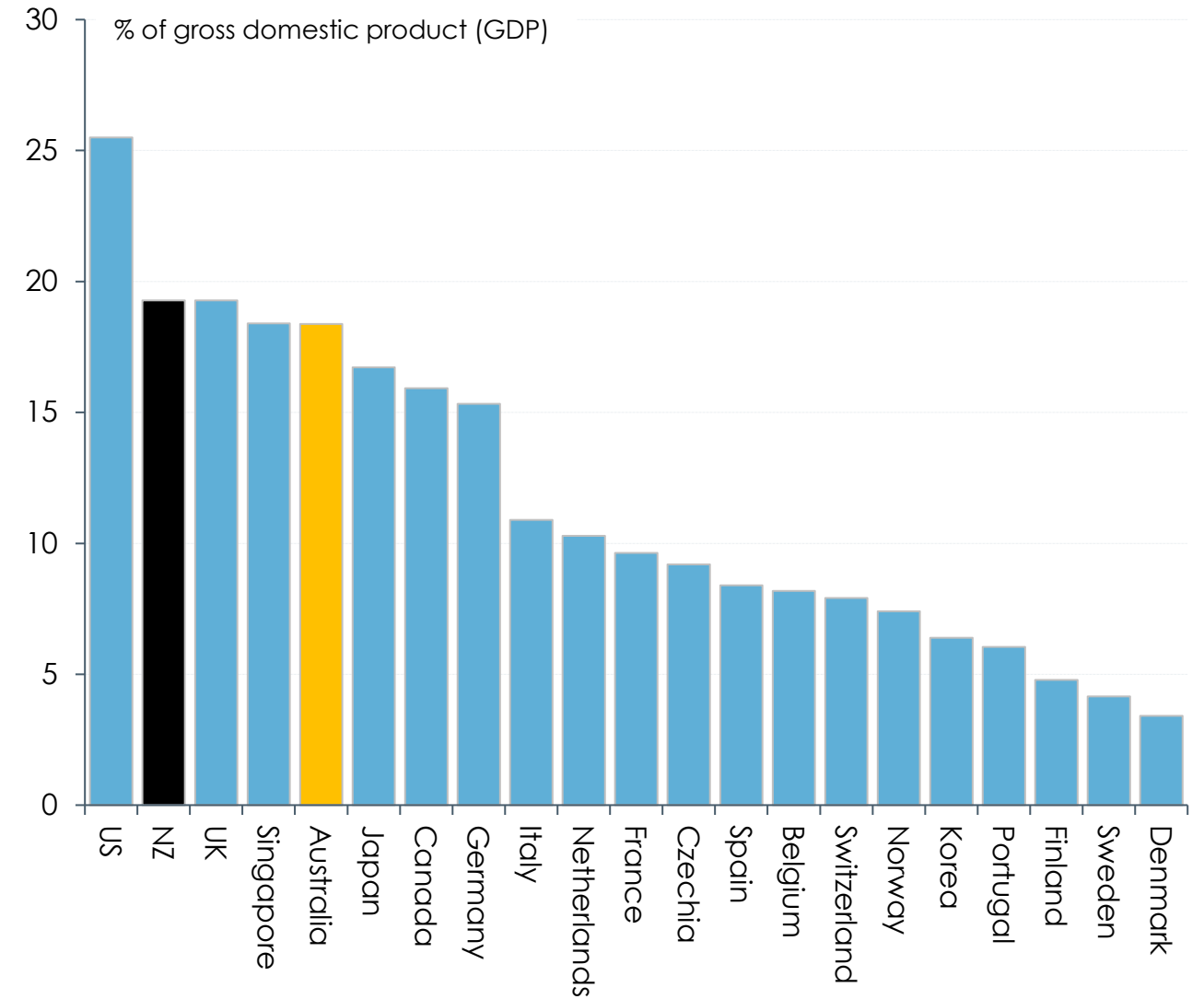
Sources: [ABS](#) ; [Statistics NZ](#) ; US [Bureau of Economic Analysis](#) and [Bureau of Labor Statistics](#); Japan [Cabinet Office](#) and [Statistics Bureau of Japan](#); [Eurostat](#); UK [Office for National Statistics](#); and [Statistics Canada](#); Corinna.

That's because Australia did a better job than most other countries of keeping the virus at bay – and its fiscal response was larger than most

Cumulative Covid-19 cases per mn population



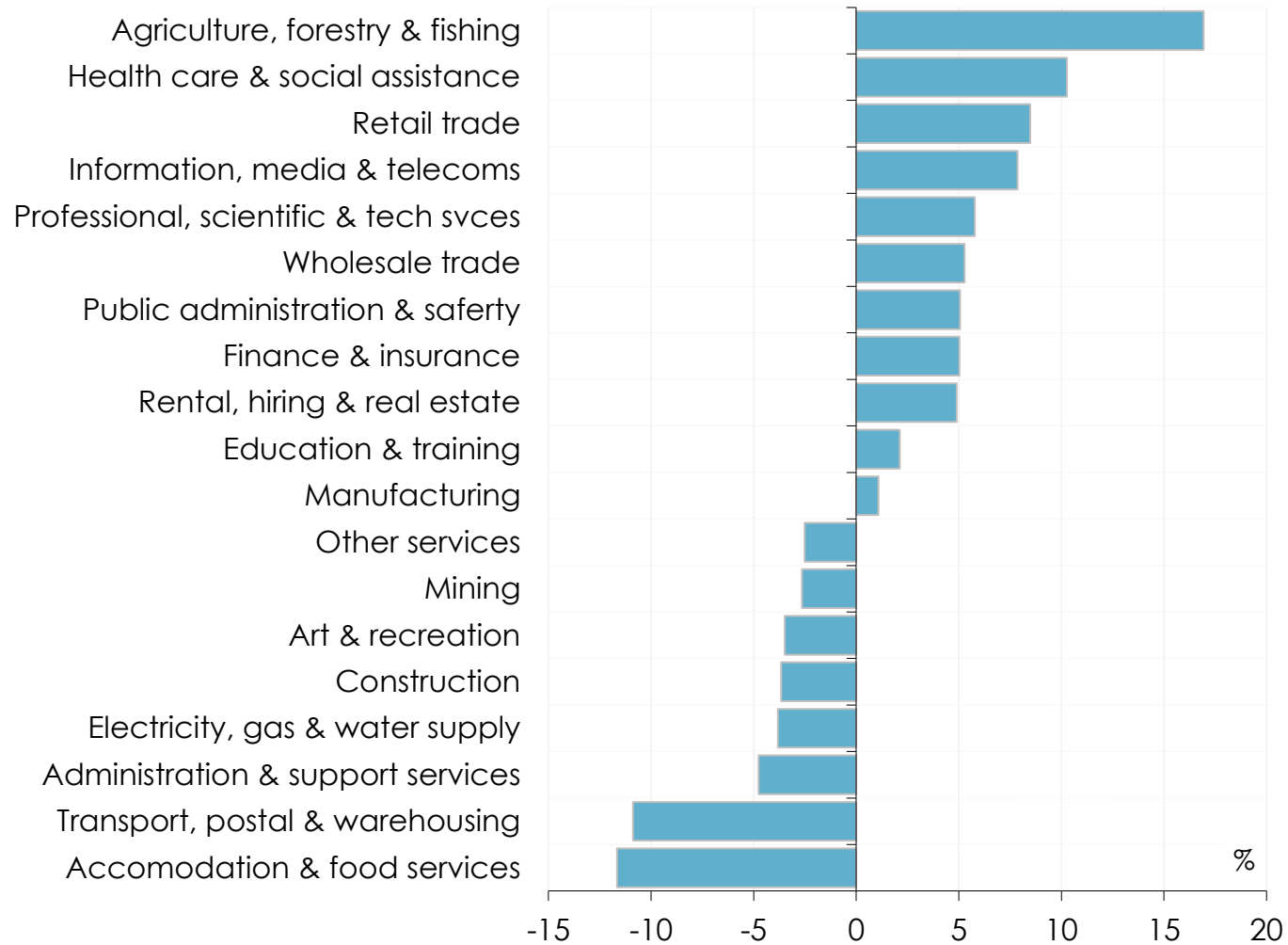
Fiscal policy responses to Covid-19



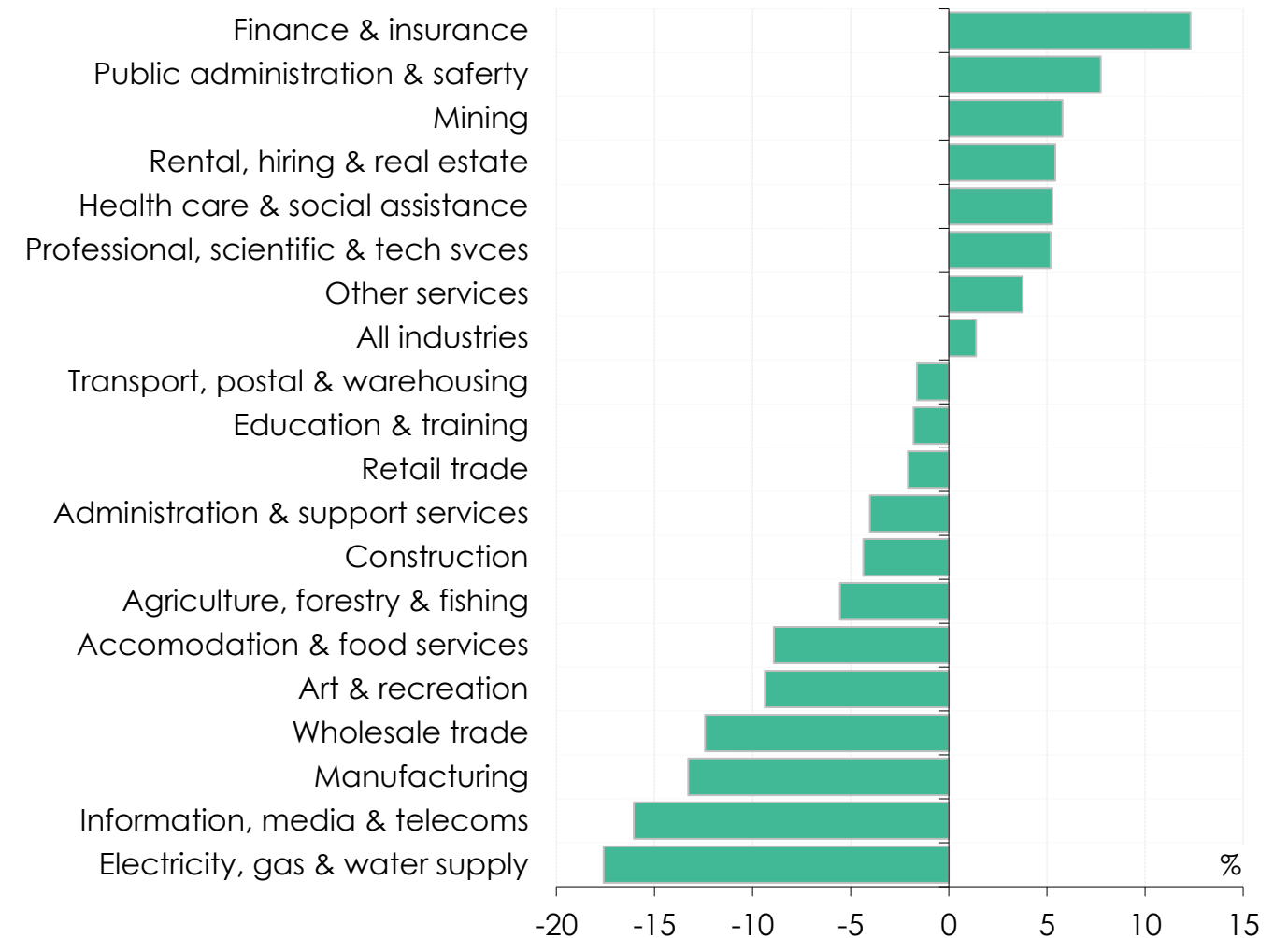
Sources: University of Oxford, [Our World in Data](#) (data up to 14th March); IMF, [Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic](#), October 2021

Some sectors of the economy remain considerably smaller than they were on the eve of the pandemic

Q4 2021 real gross value added by industry – change from pre-pandemic peak



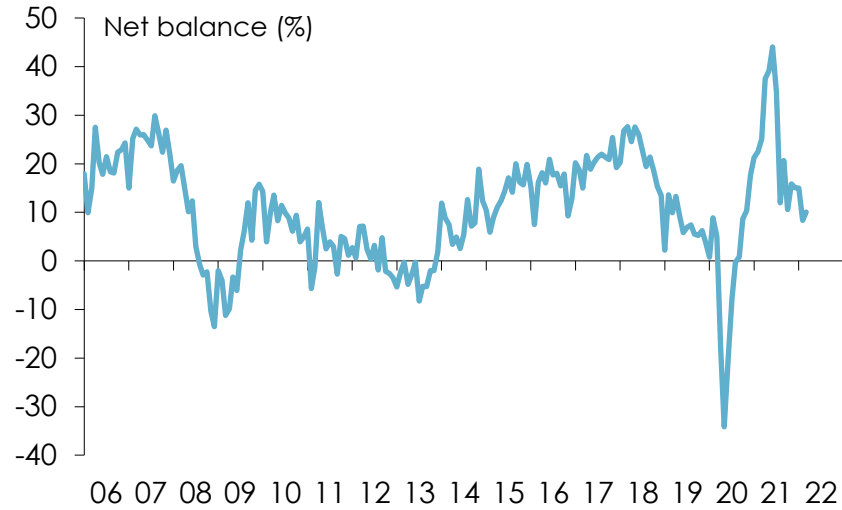
Q4 2021 employment by industry – change from pre-pandemic peak



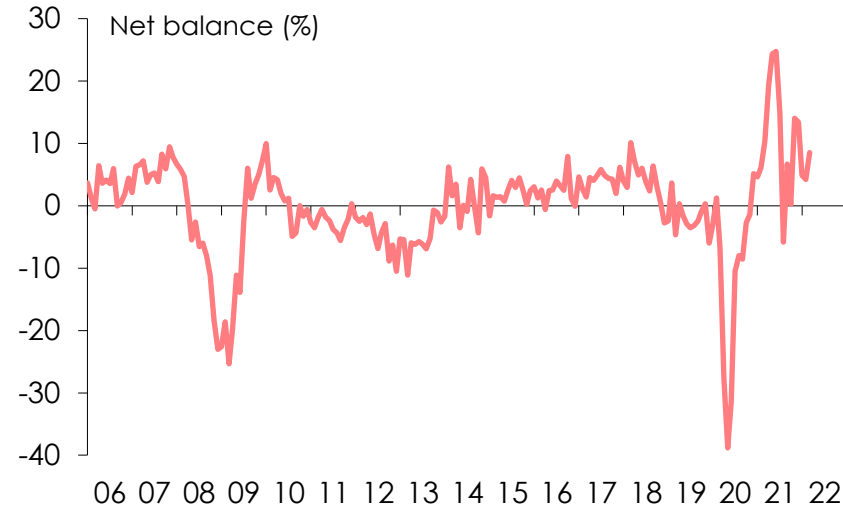
Sources: ABS, [Australian National Accounts: National Income, Expenditure and Product](#), December quarter 2021; and [Labour Force, Australia, Detailed](#), November 2021.

Business conditions remain reasonably positive, with hiring and capex intentions both above their long-run averages

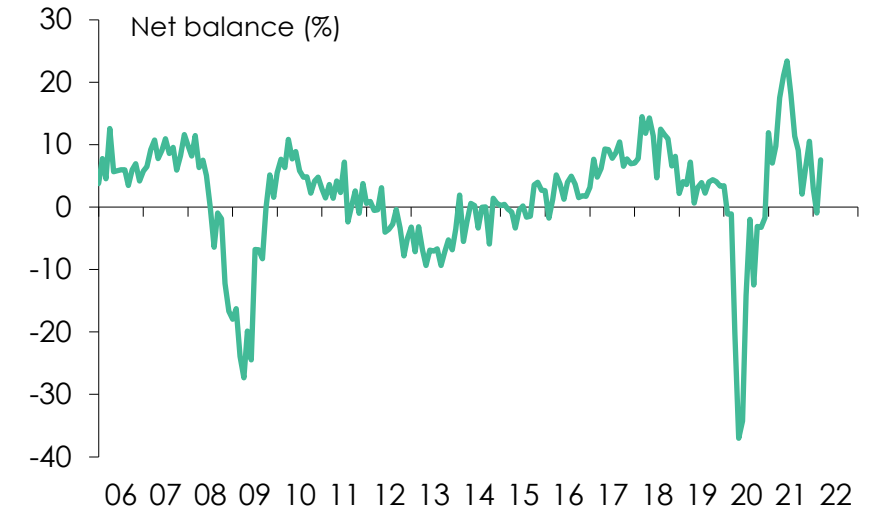
Trading conditions



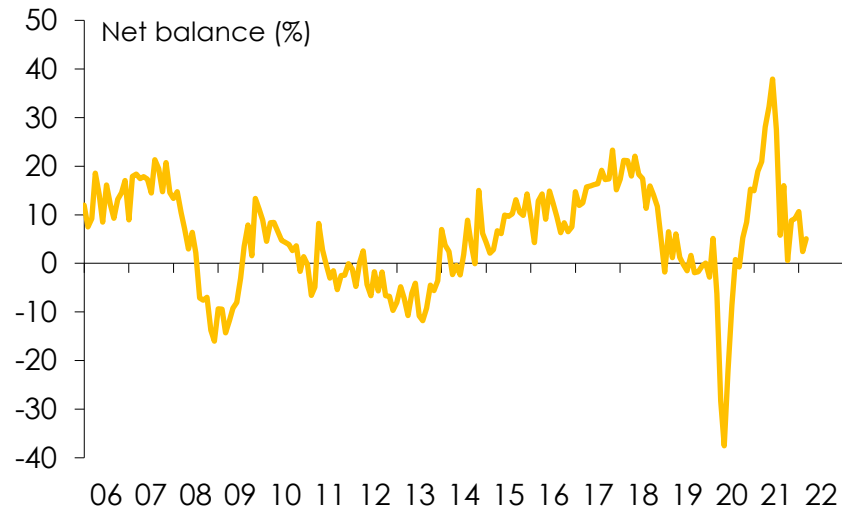
Forward orders



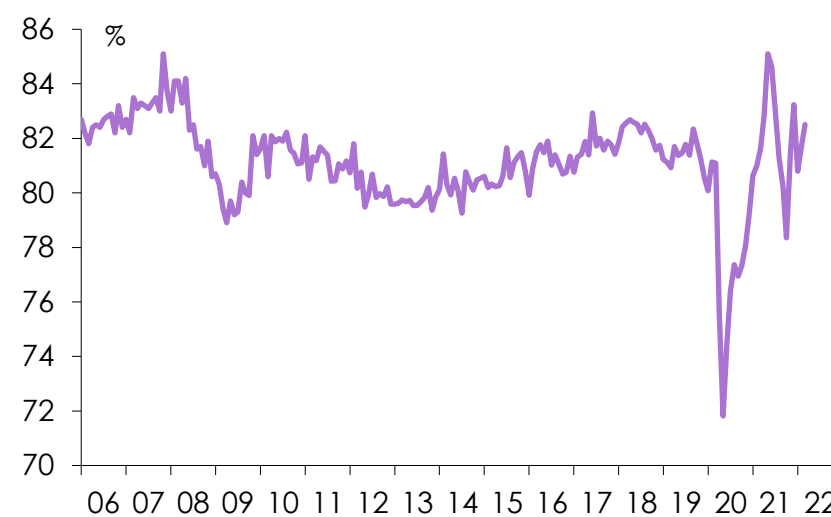
Employee hiring intentions



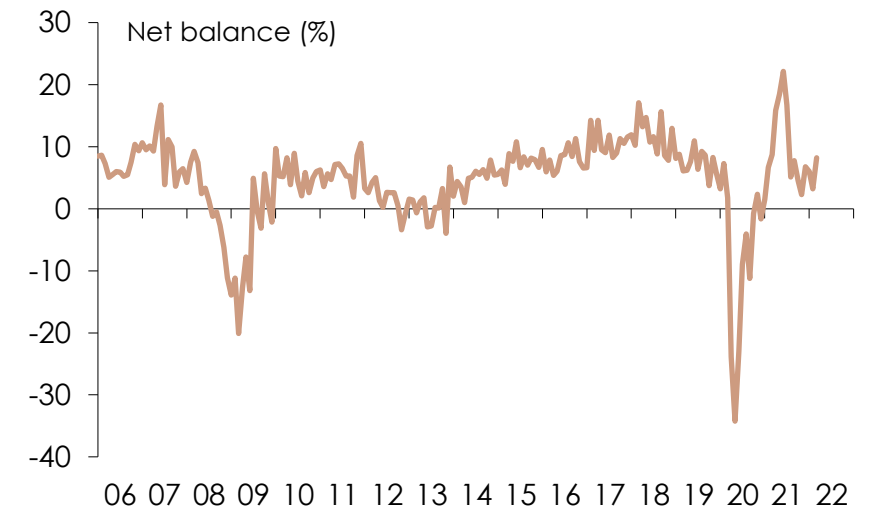
Profitability



Capacity utilization

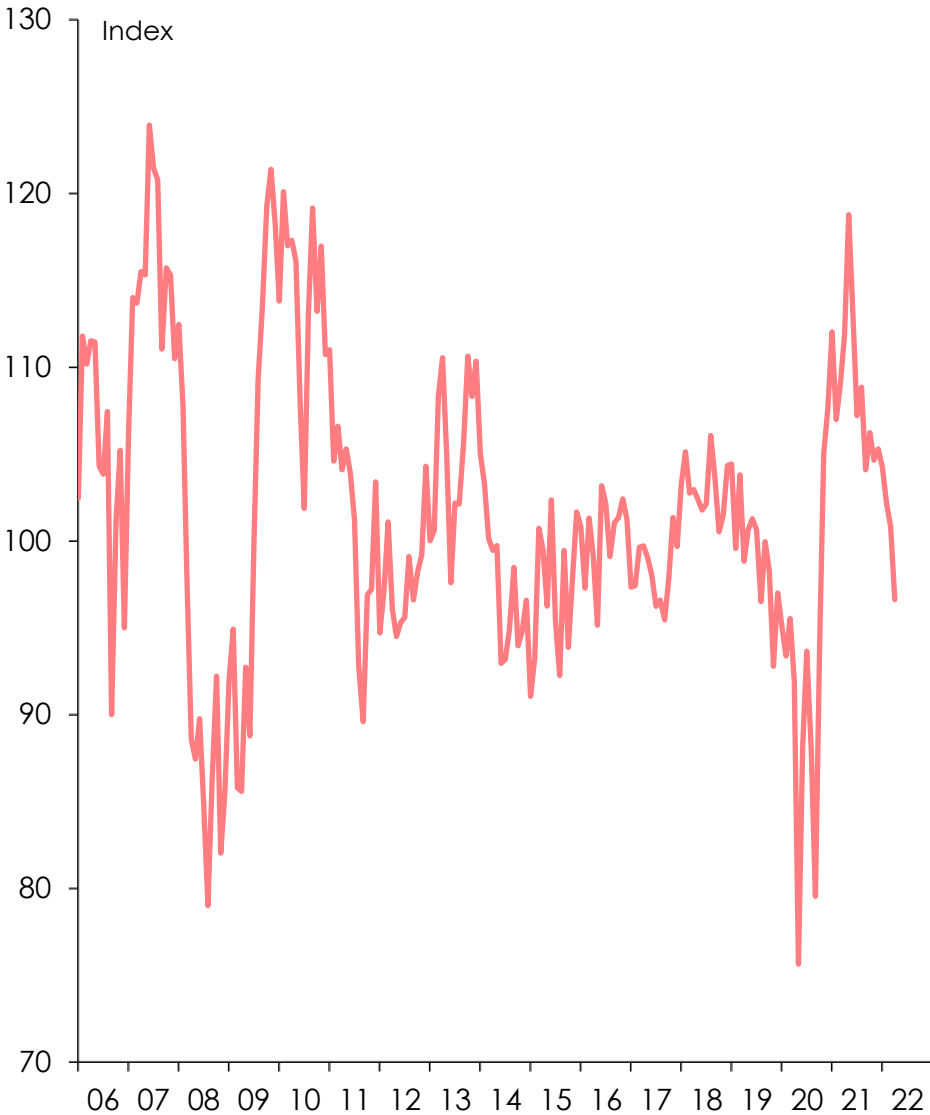


Capital expenditure intentions

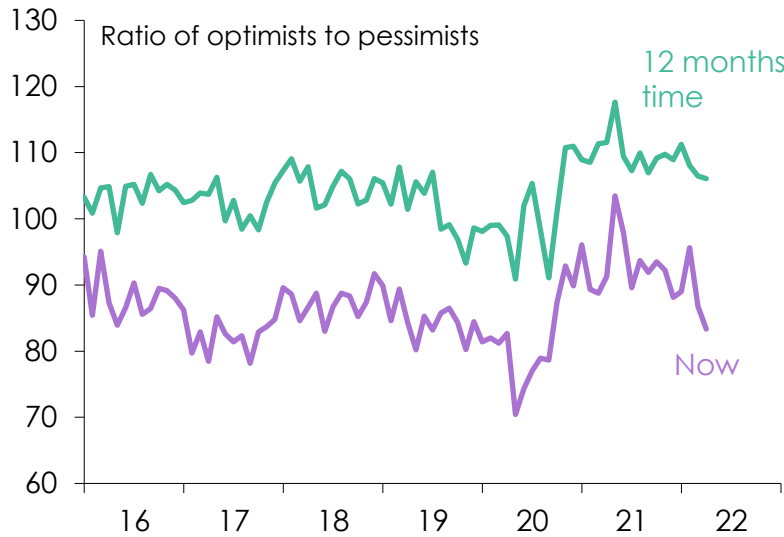


Consumer confidence has been affected by concerns over housing affordability, and more recently by rising inflation and the floods

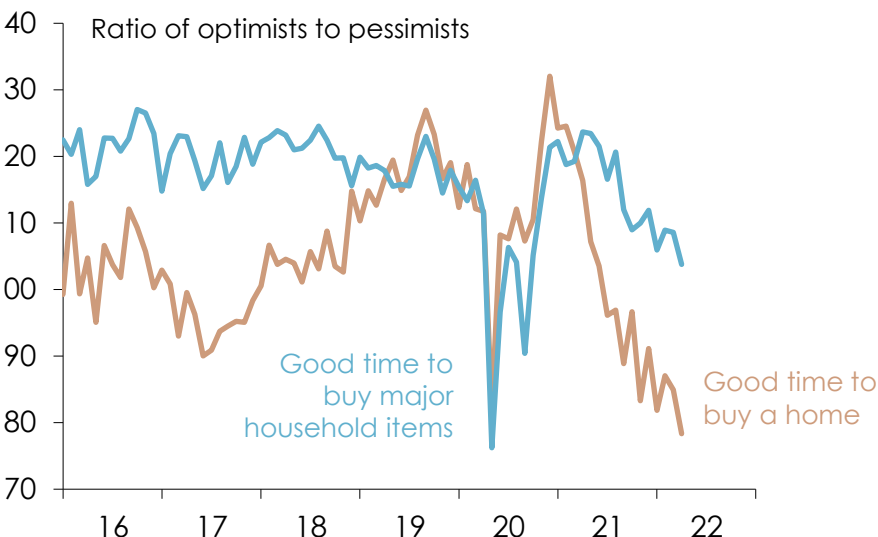
Consumer confidence index



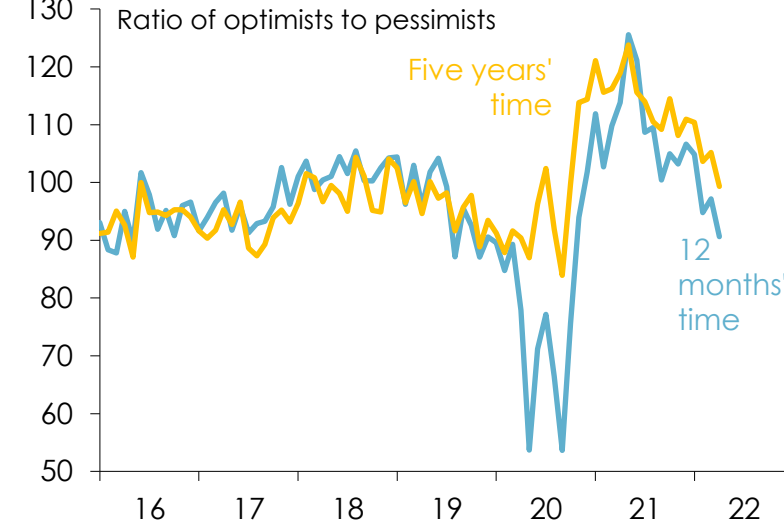
Household finances assessment



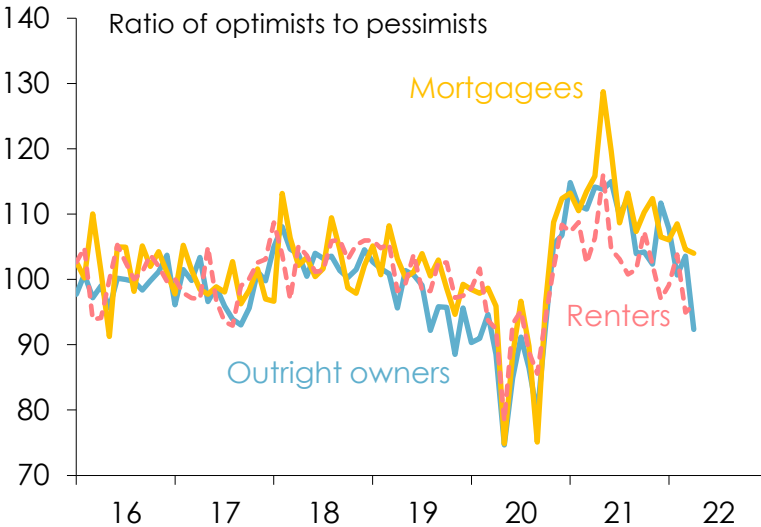
Buying conditions assessment



Economic conditions assessment



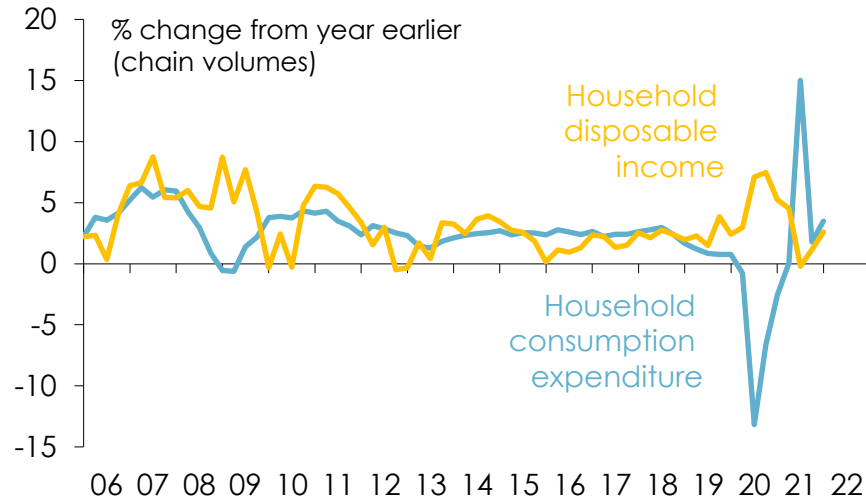
Confidence by housing tenure



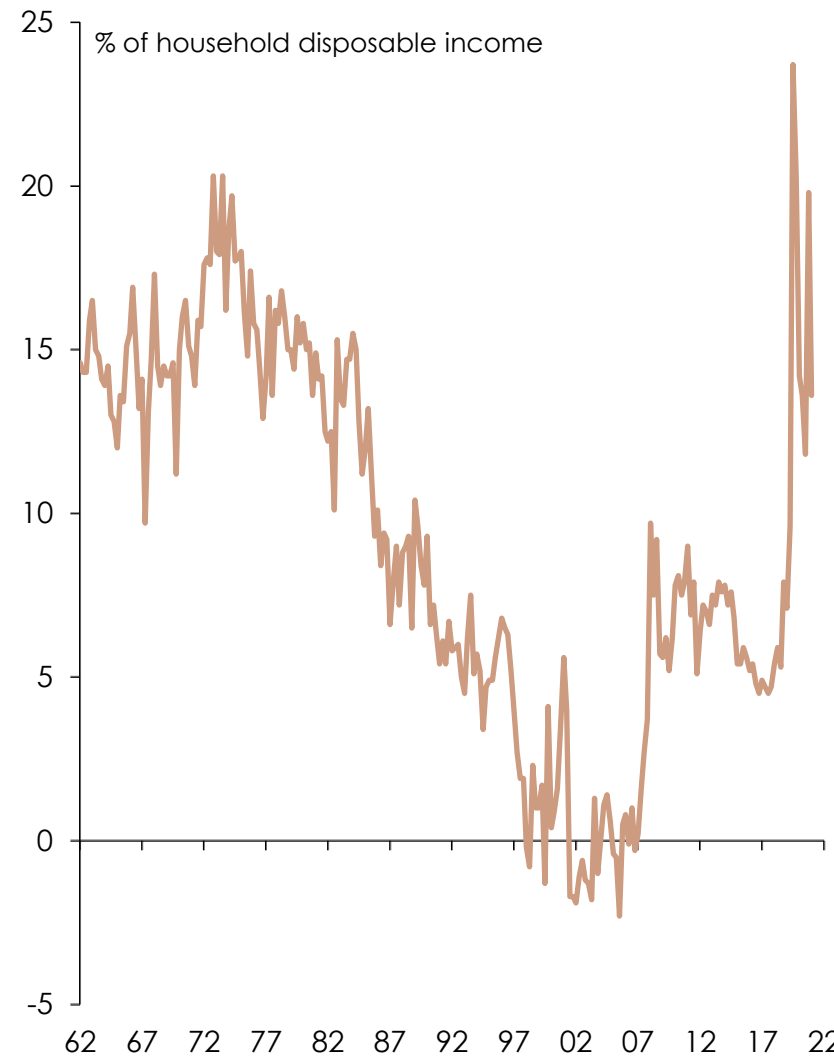
Source: [Westpac Banking Corporation](#).

Nonetheless households have, in aggregate, considerable latent spending capacity

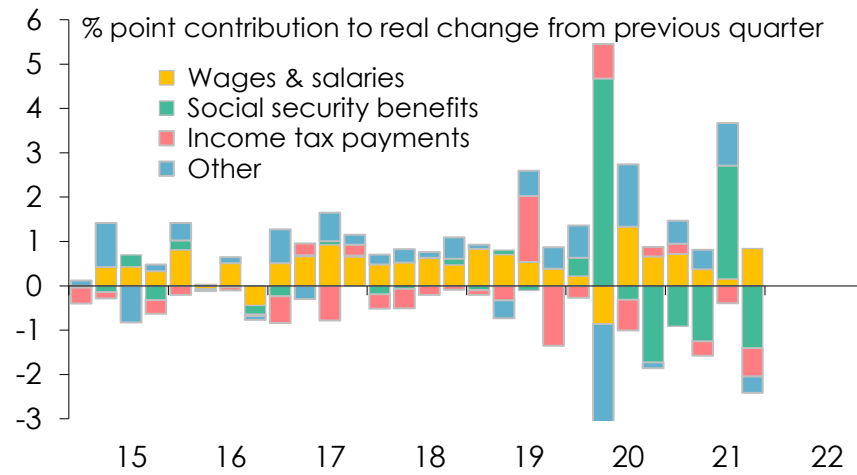
Household income and spending



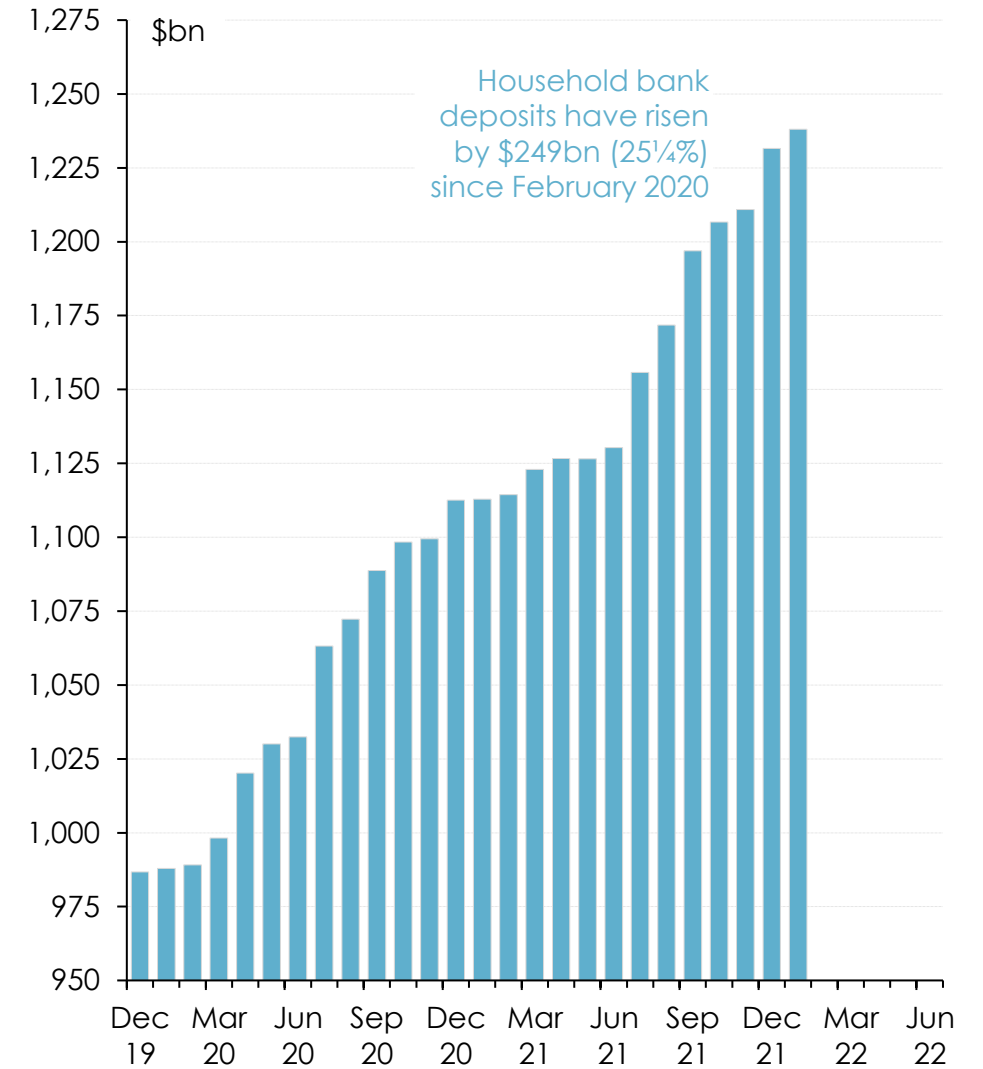
Household saving ratio



Sources of household income



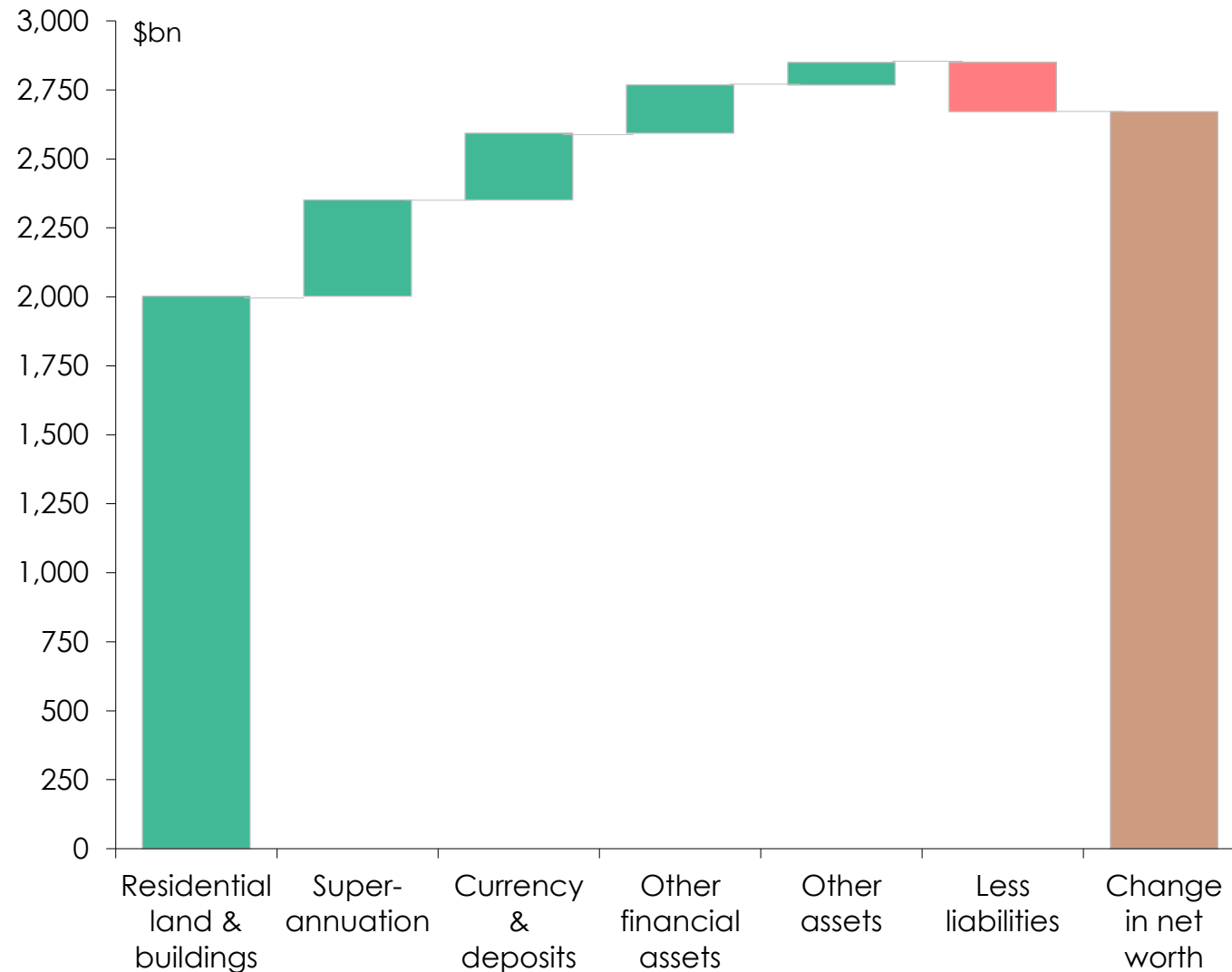
Household bank deposits



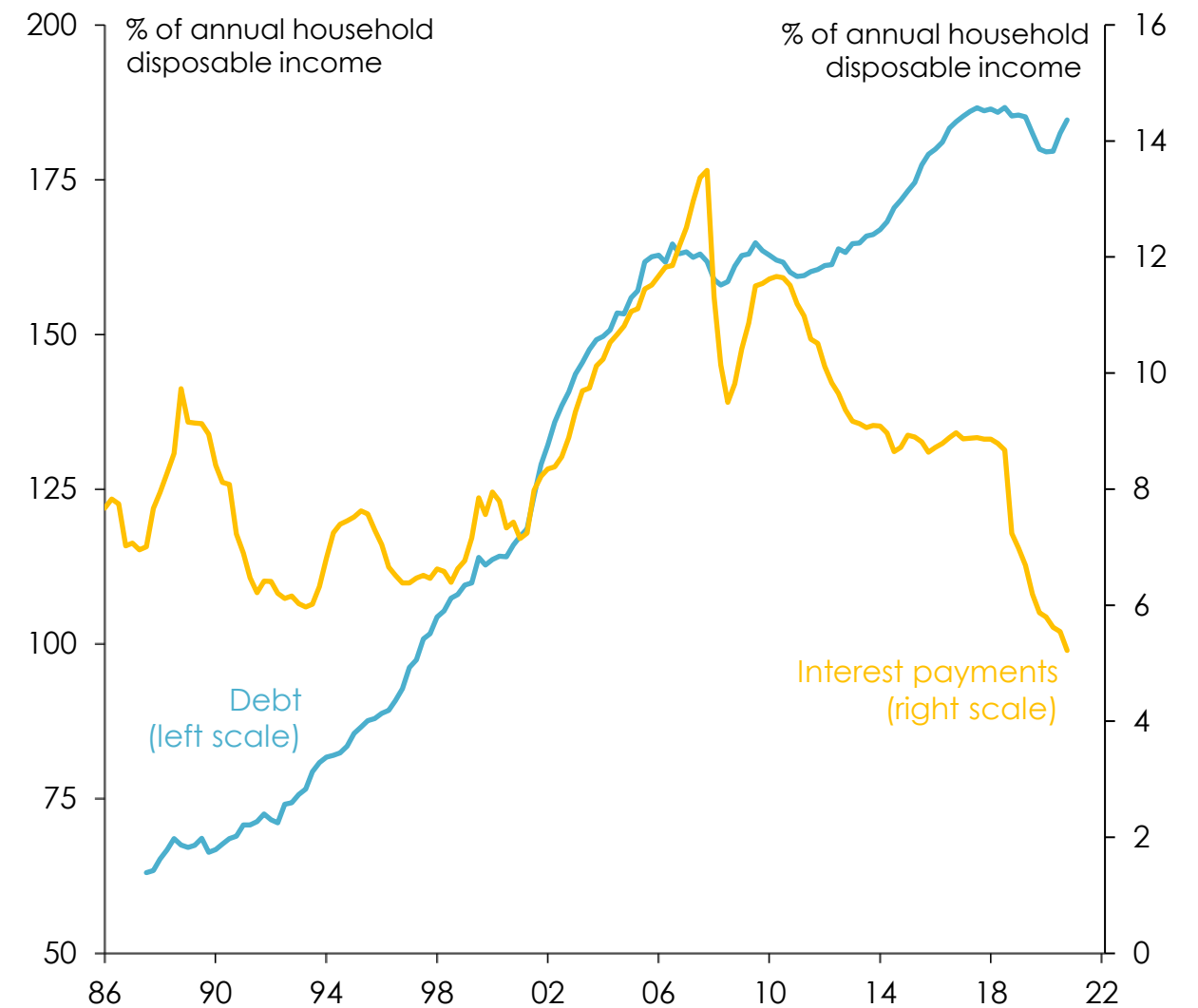
Sources: ABS, [Australian National Accounts: National Income, Expenditure and Product](#), March quarter 2021; Australian Prudential Regulation Authority, [Monthly Authorised Deposit-taking Institution Statistics](#).

Household net worth has risen by \$2.7trn (23³/₄%) since the end of 2019, while debt service payments have fallen as a pc of income

Sources of gains in household net worth, Q4 2019 to Q3 2021



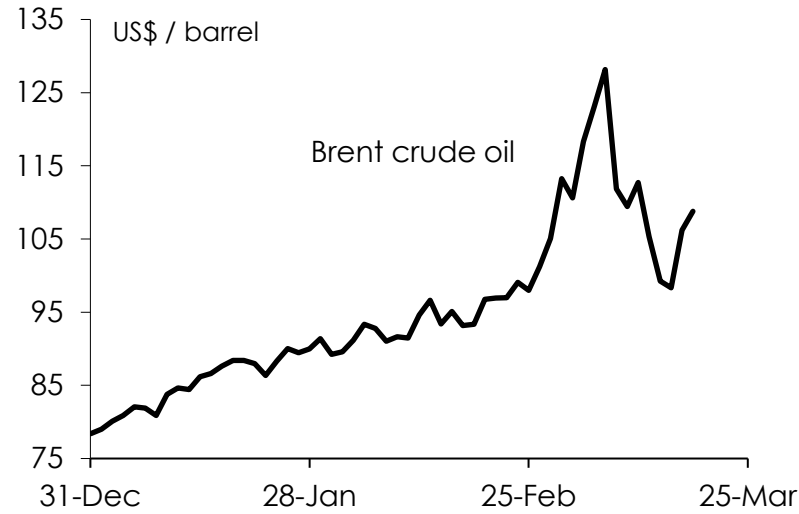
Household net debt and interest payments as a percentage of disposable income



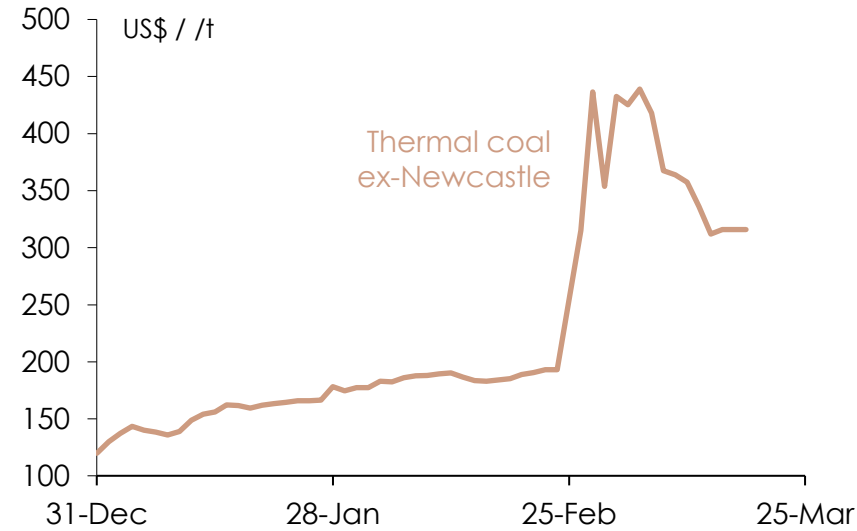
Sources: ABS, [Finance and Wealth Accounts](#), September quarter 2021; RBA, [Statistical Tables](#) E1 & E2.

Energy, metal and grain prices have risen sharply following Russia's invasion of Ukraine, although some of the initial surges have receded

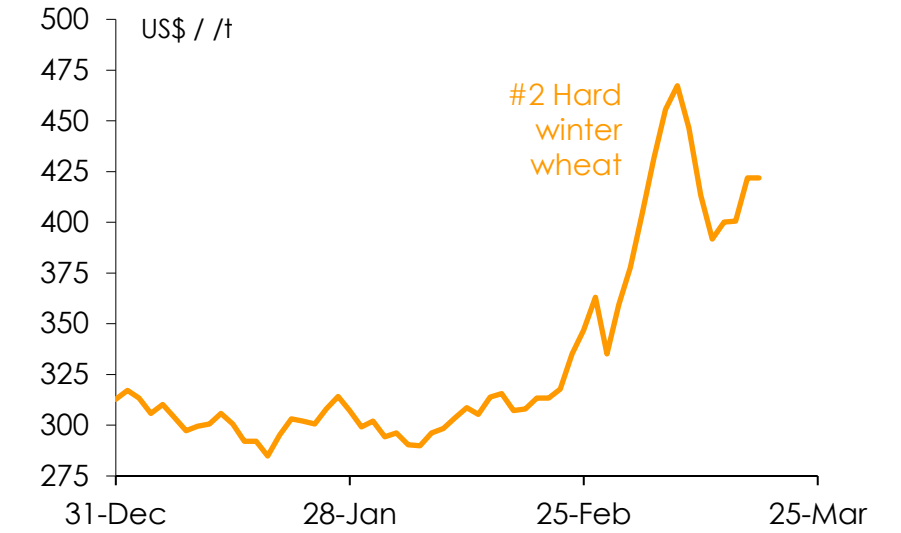
Oil prices



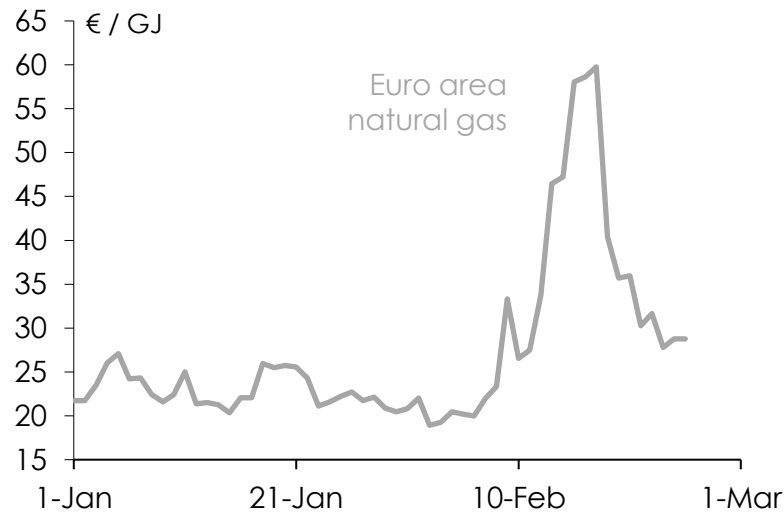
Thermal coal price



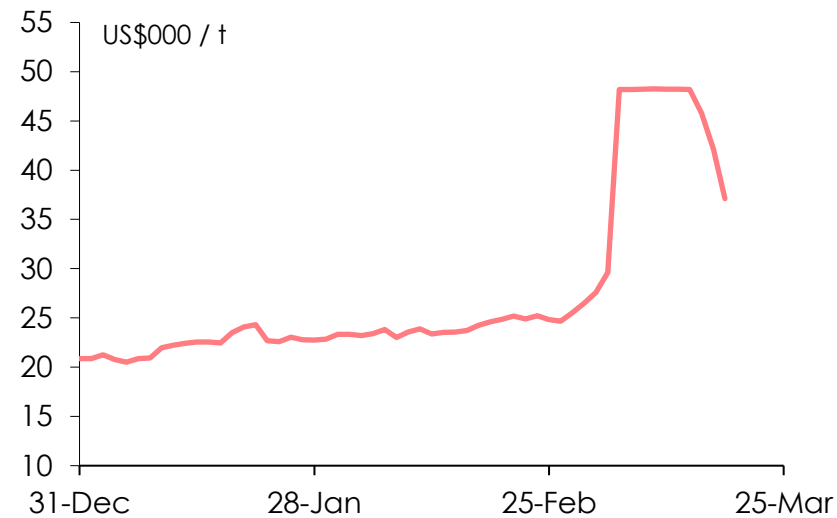
Wheat price



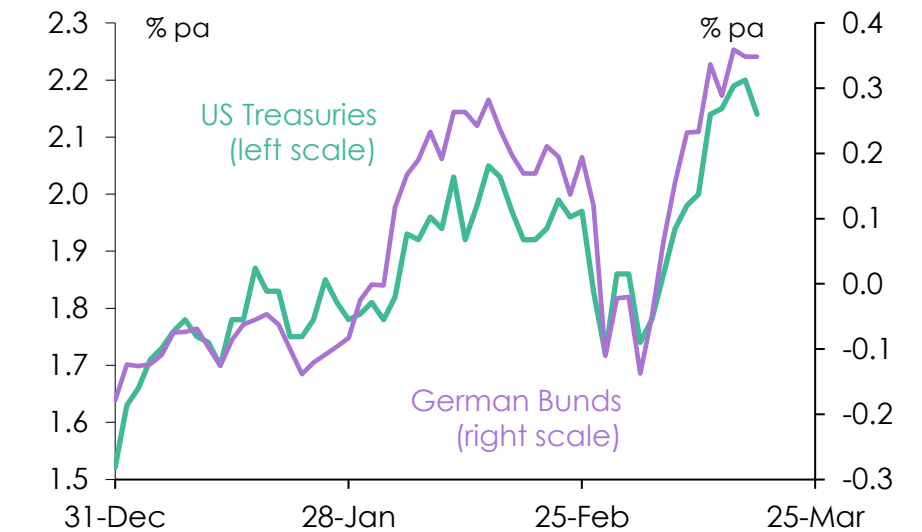
Natural gas prices



Nickel price

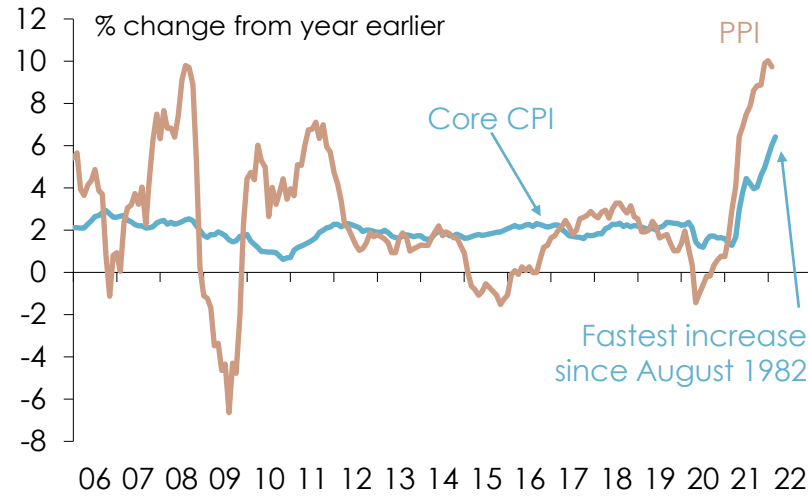


10-year government bond yields

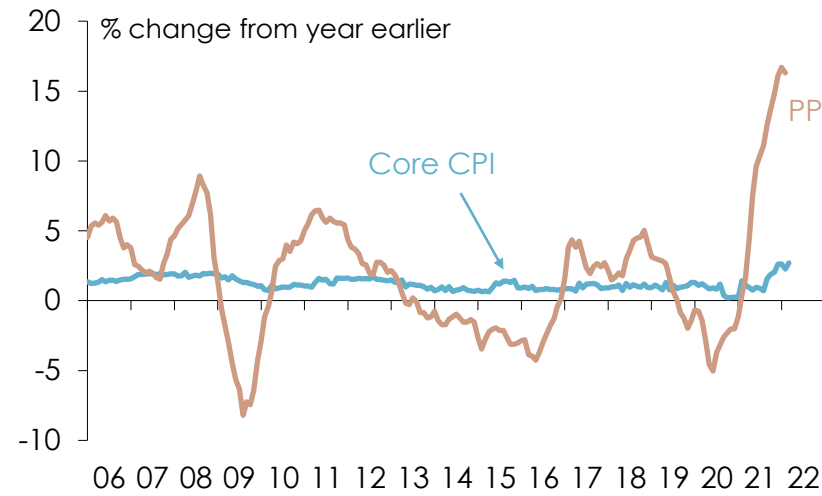


Higher energy and food prices will exacerbate the rise in inflation which was already occurring in 'advanced' economies

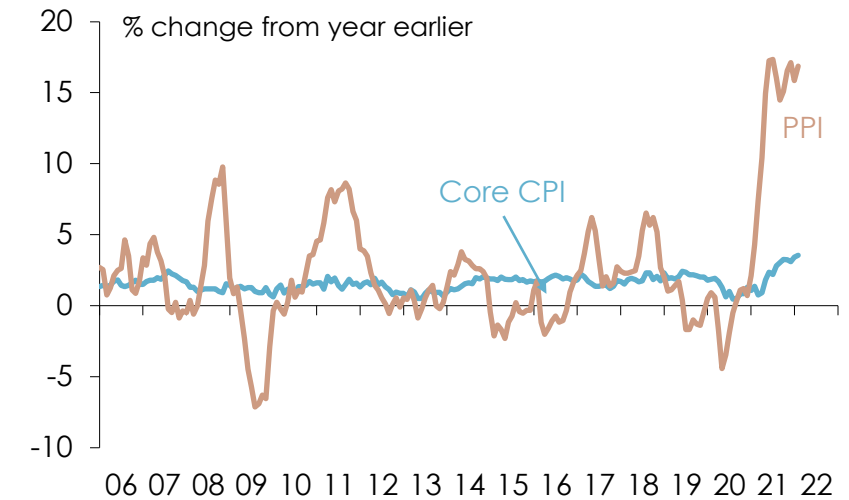
United States



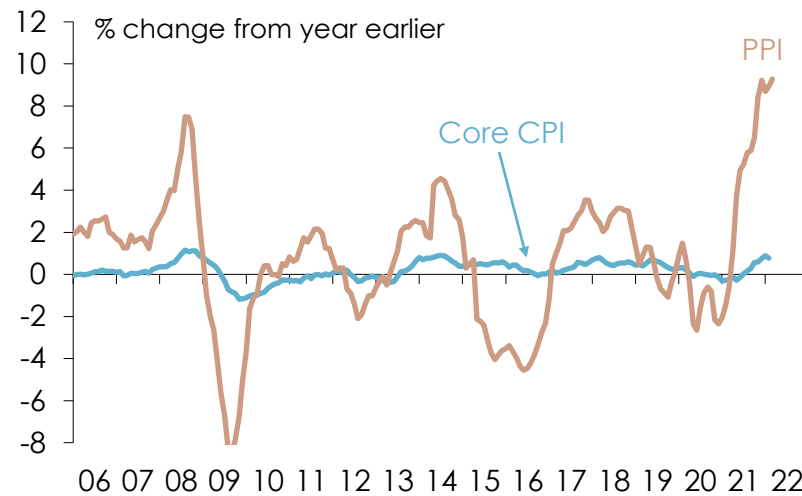
Euro area



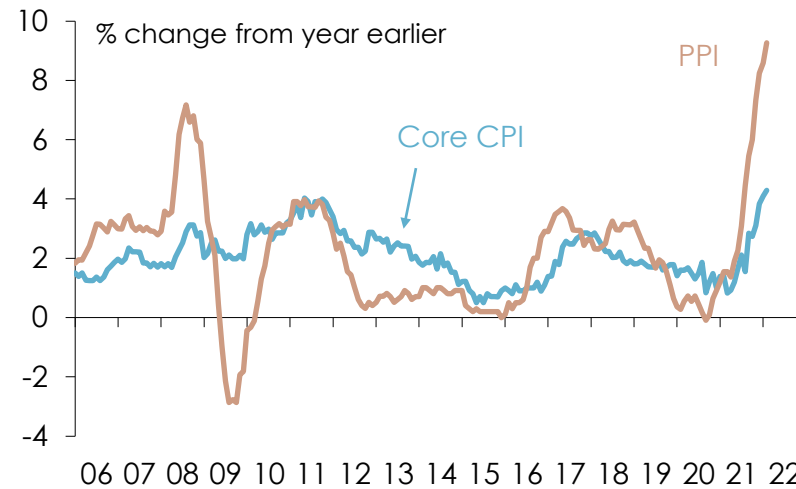
Canada



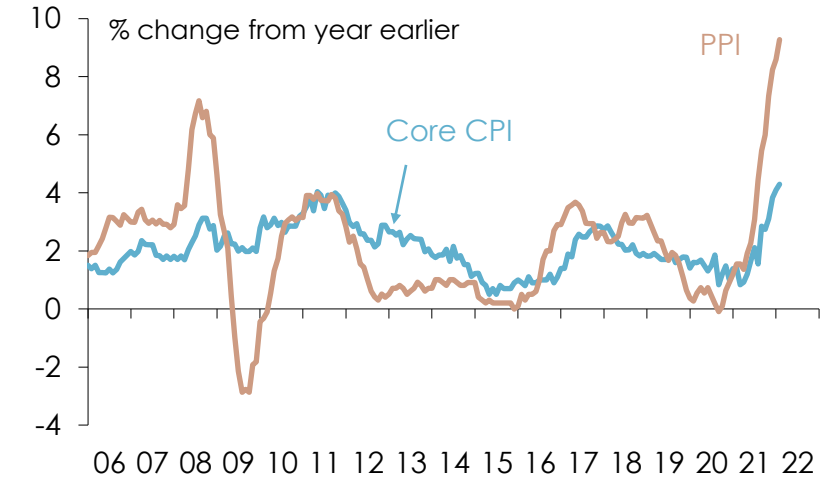
Japan



United Kingdom



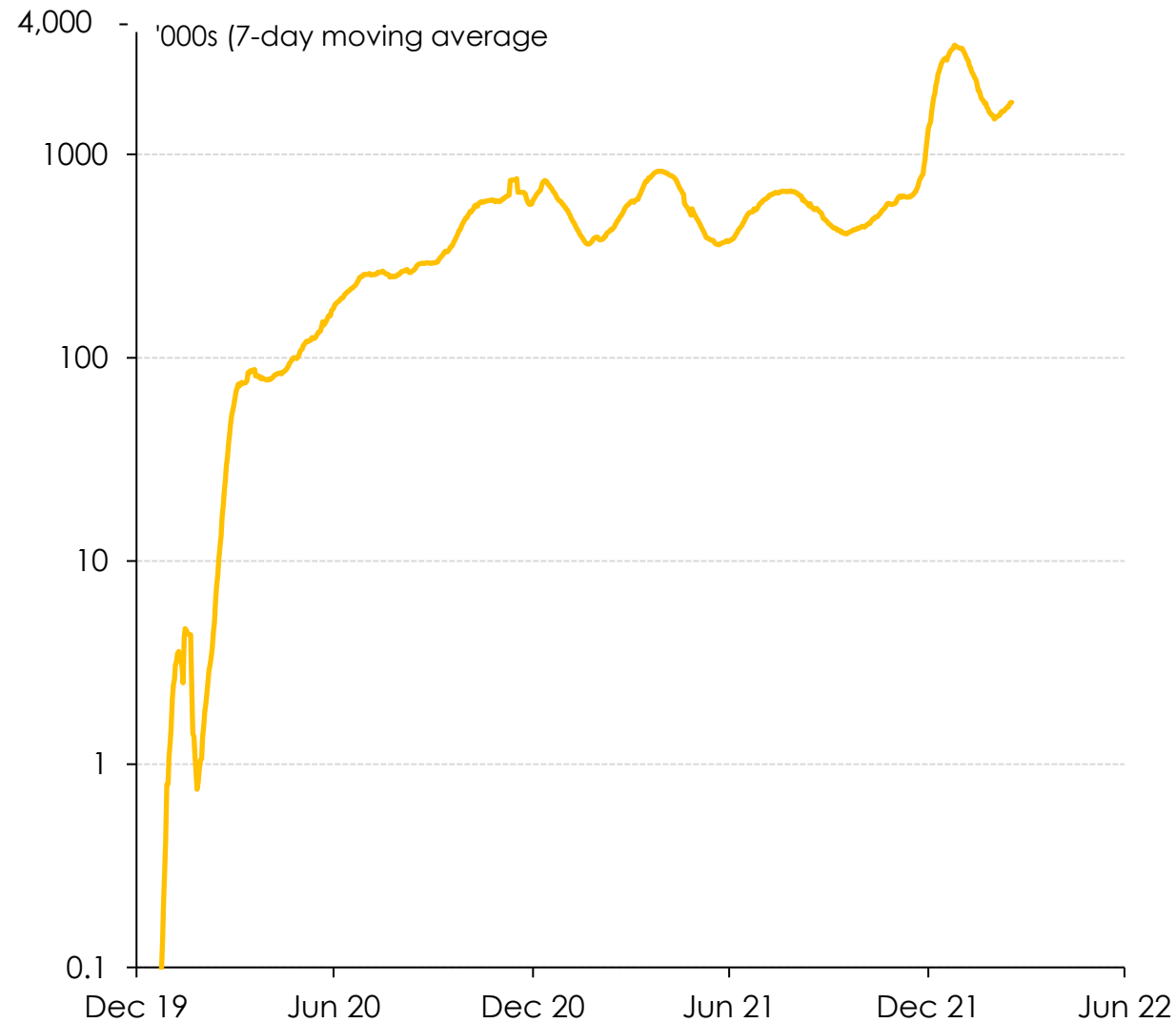
Australia



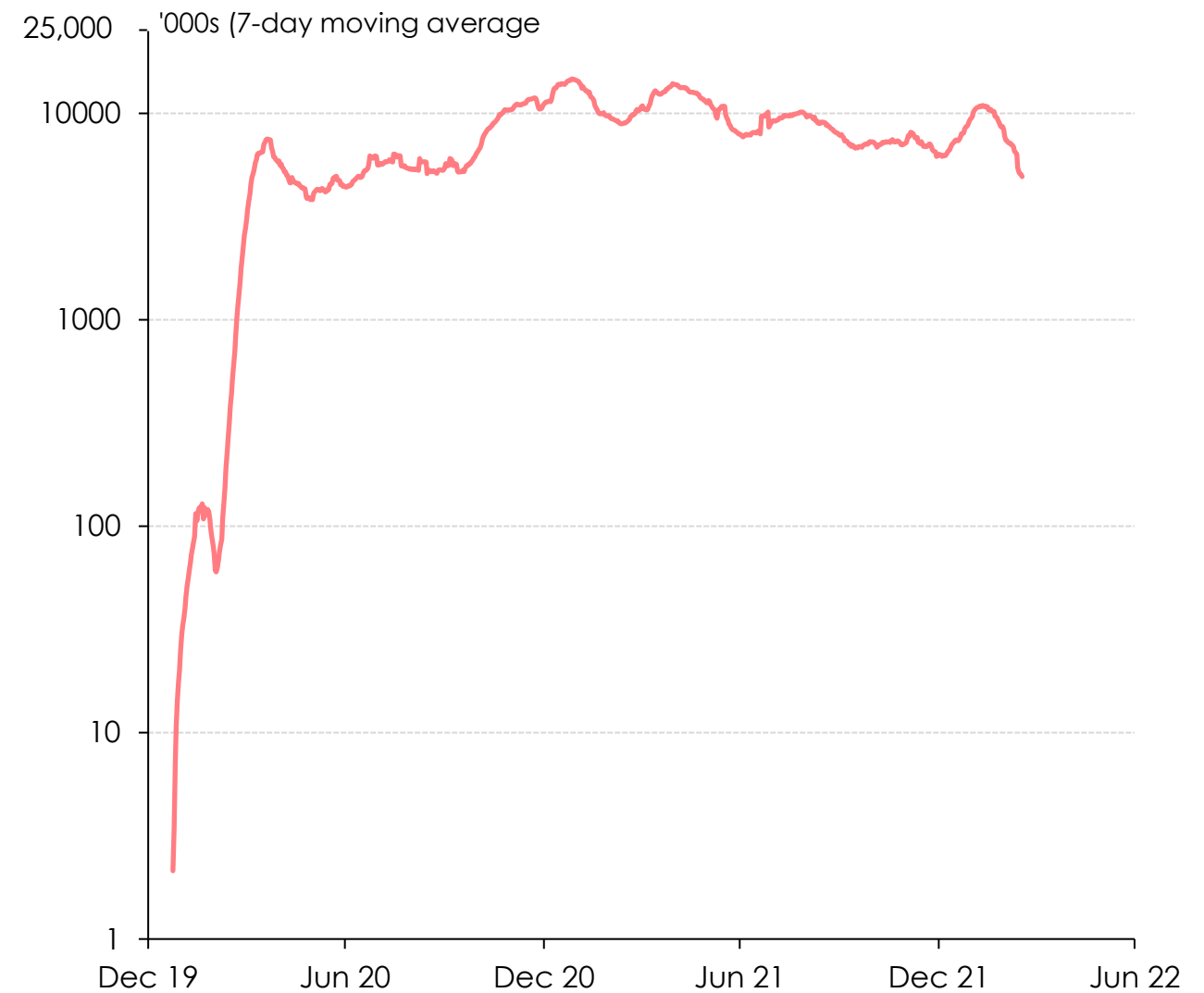
For a more detailed analysis of recent US inflation data see [slides 61-65](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#).

Covid-19 hasn't gone away either: indeed, a new 'wave' appears to have started (although seemingly not as serious as 'delta' or earlier variants)

New Covid-19 infections – global total

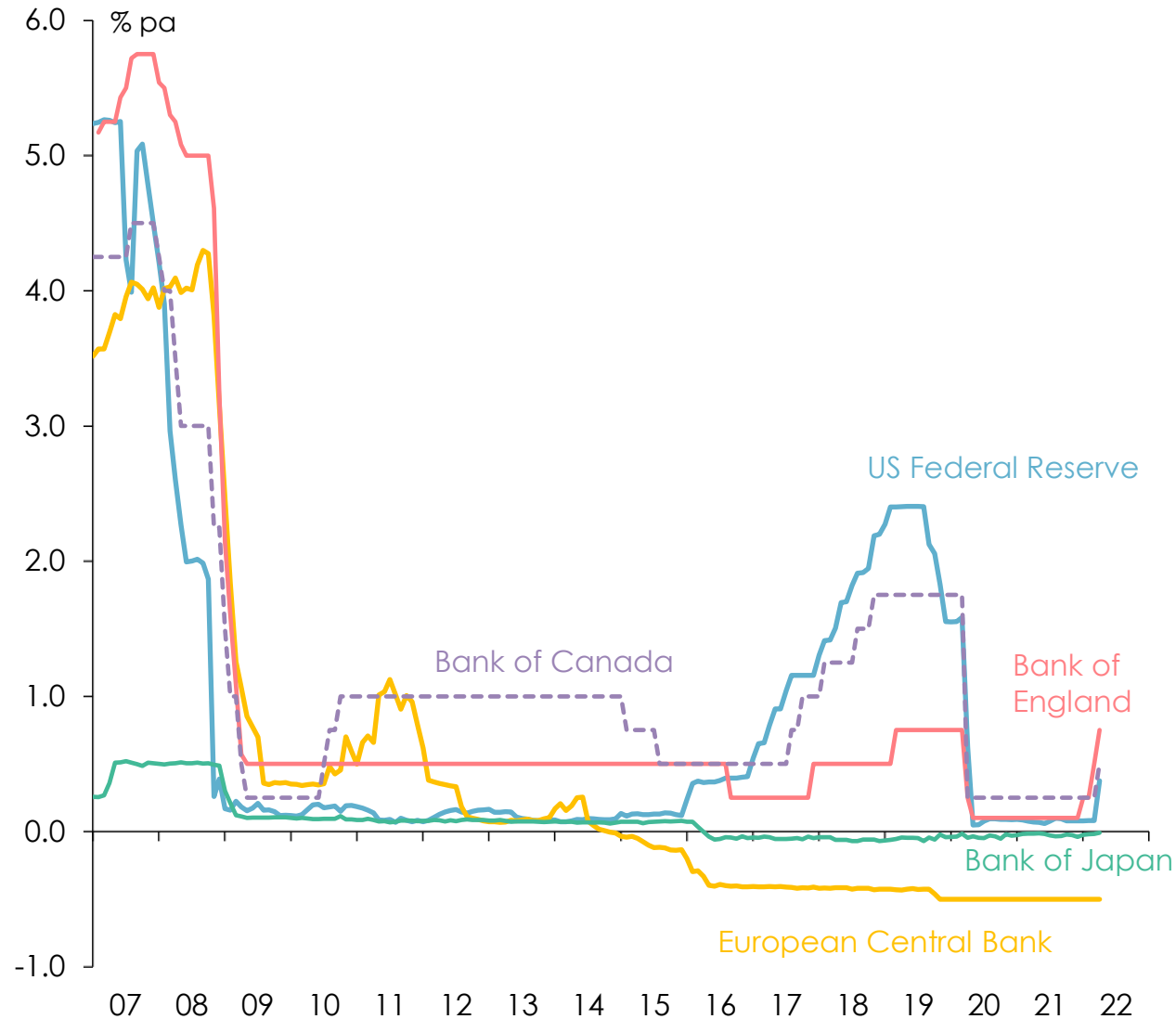


New 'official' Covid-19 deaths – global total

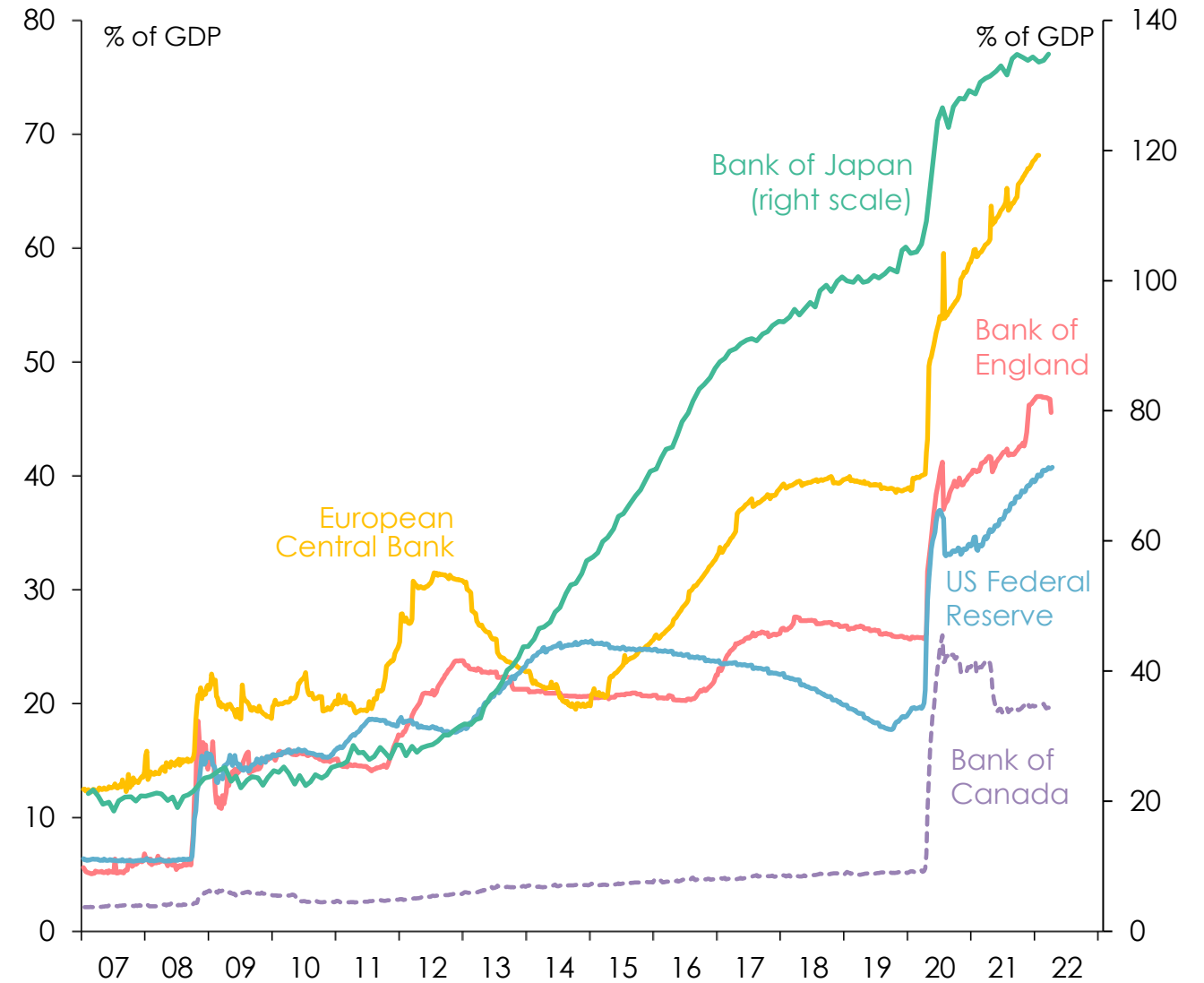


Central banks in all of the major 'advanced' economies except Japan will be raising interest rates and shrinking their balance sheets

Major central bank policy interest rates



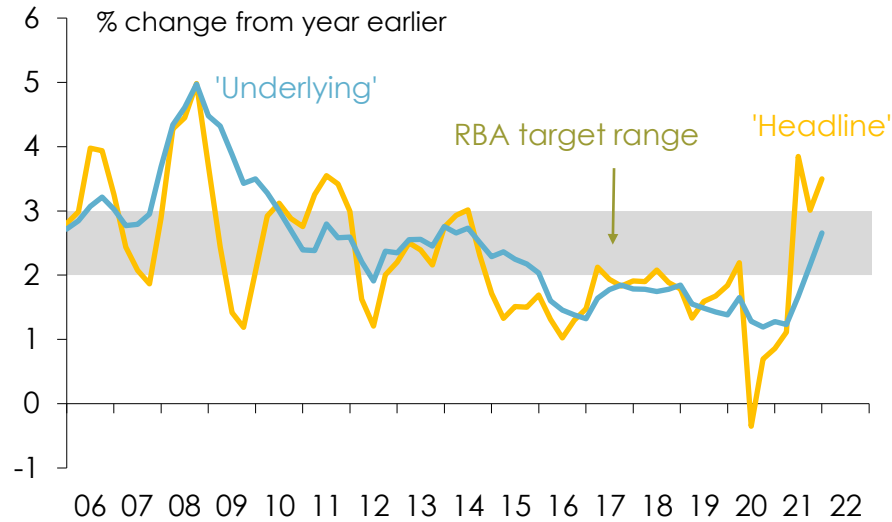
Major central bank balance sheets



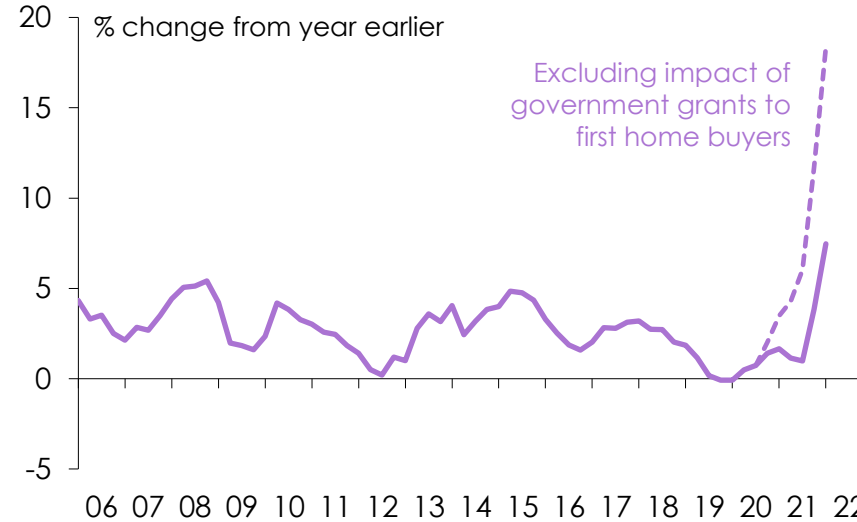
Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna.

Australia's inflation rate has clearly picked up, but largely due to a small number of factors and the RBA is as yet unsure it's "sustainable"

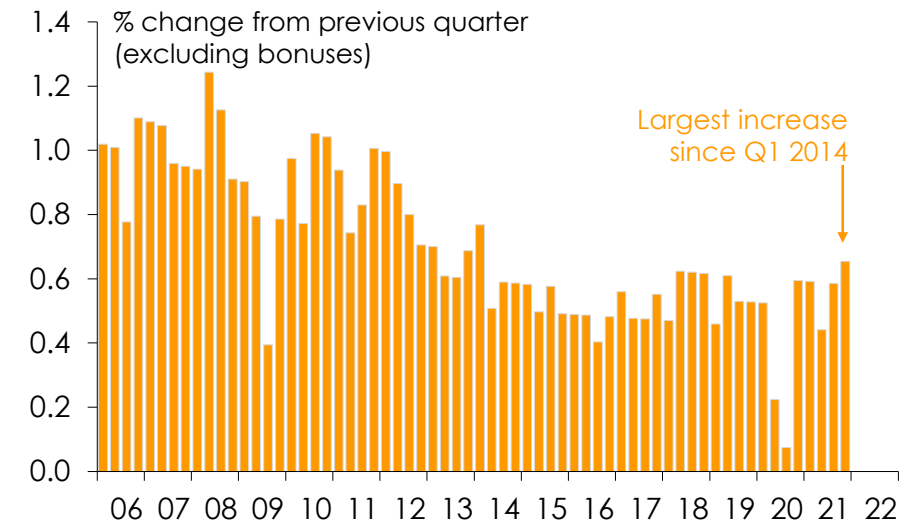
Consumer prices – annual change



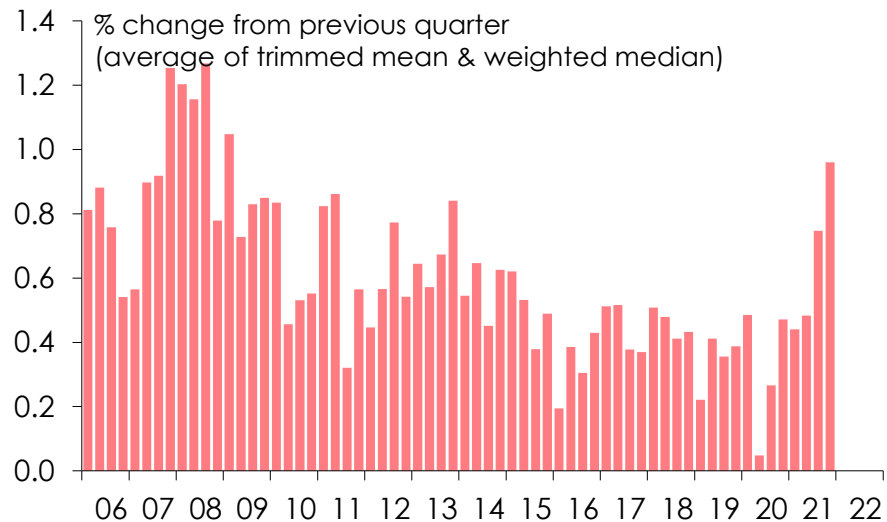
New dwelling purchase costs



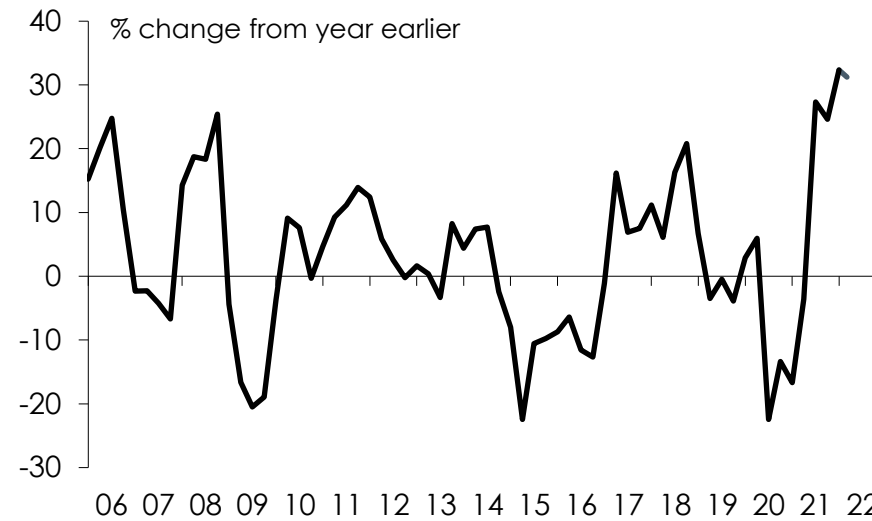
Quarterly wage price index



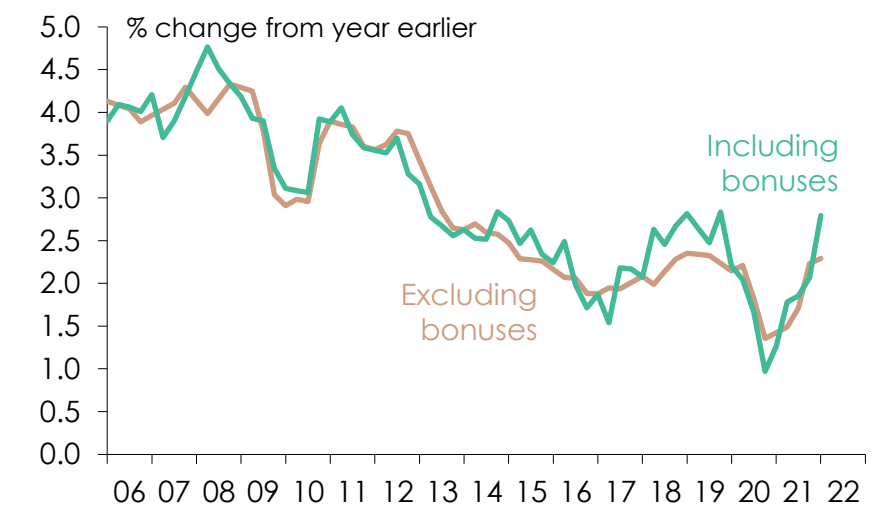
Quarterly 'underlying' inflation



Automotive fuel prices



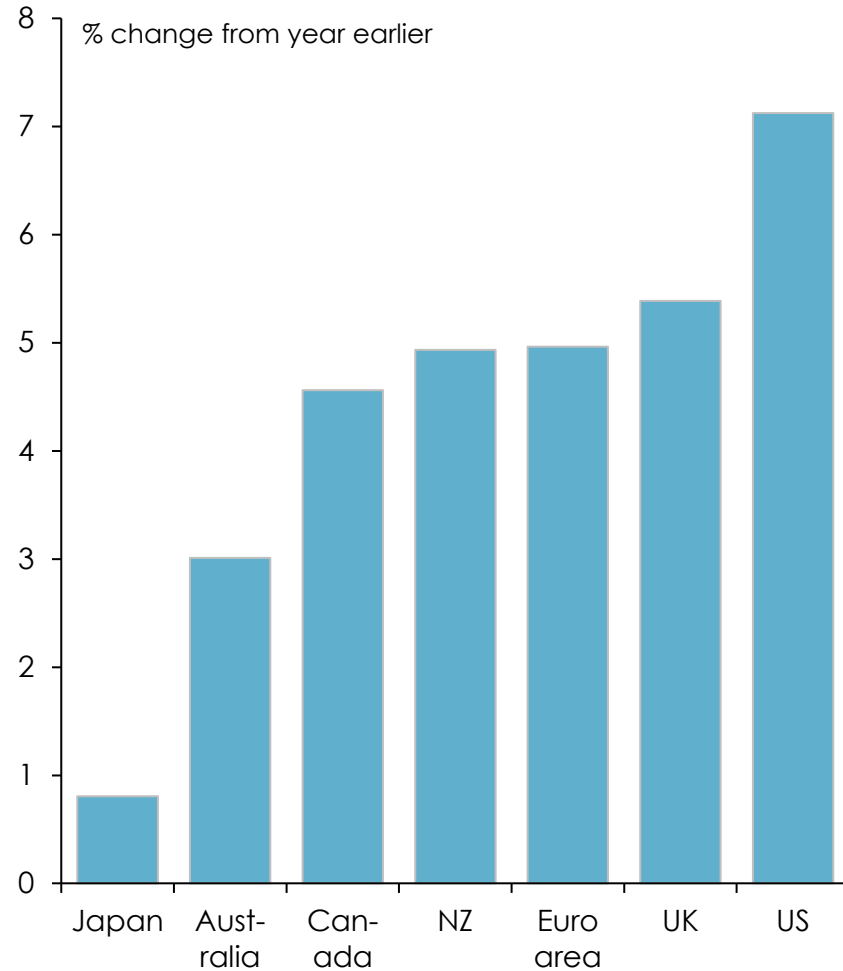
Wage price index – annual change



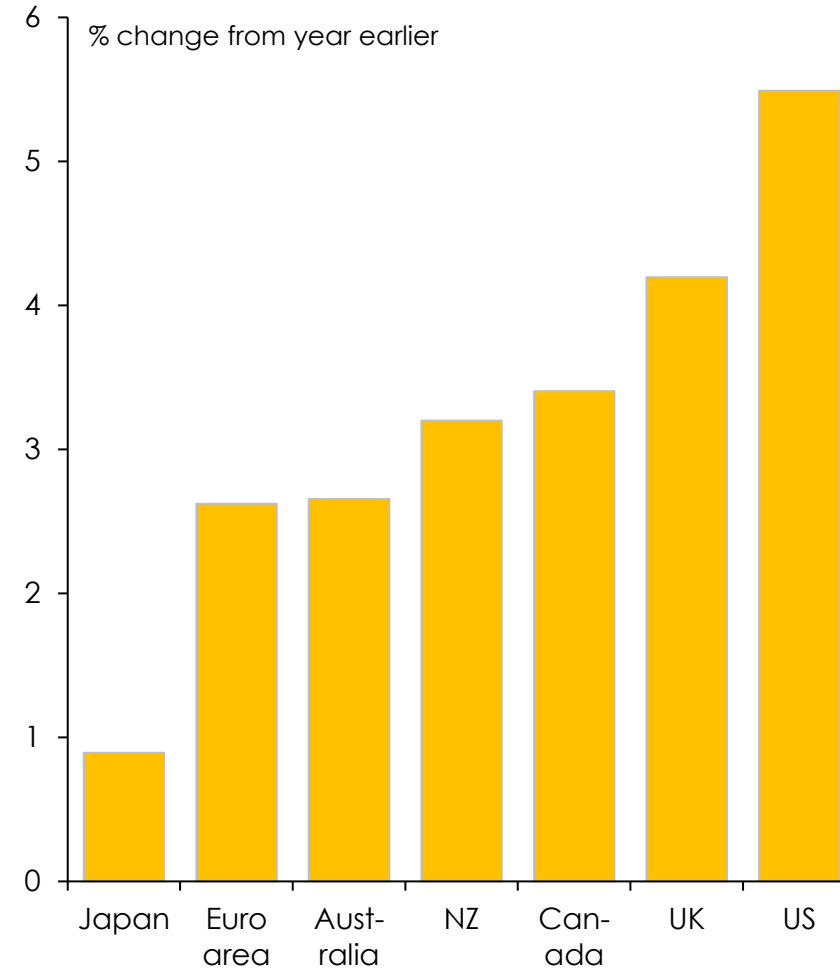
Note: 'Underlying' inflation is the average of the weighted median and trimmed mean CPIs. Source: ABS, [Consumer Price Index, Australia](#), December; [Wage Price Index, Australia](#)

Neither wage nor price inflation in Australia has risen nearly as much as in the US, the UK, Canada or New Zealand

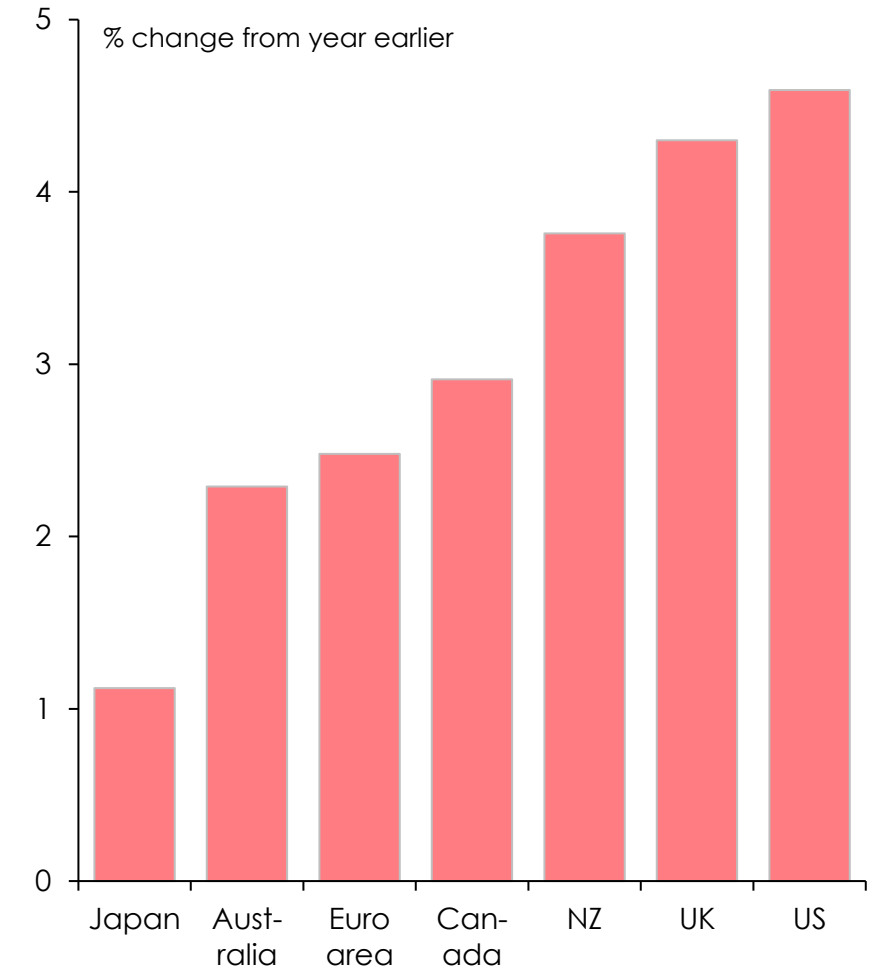
'Headline' consumer price inflation



'Underlying' or 'core' consumer price inflation



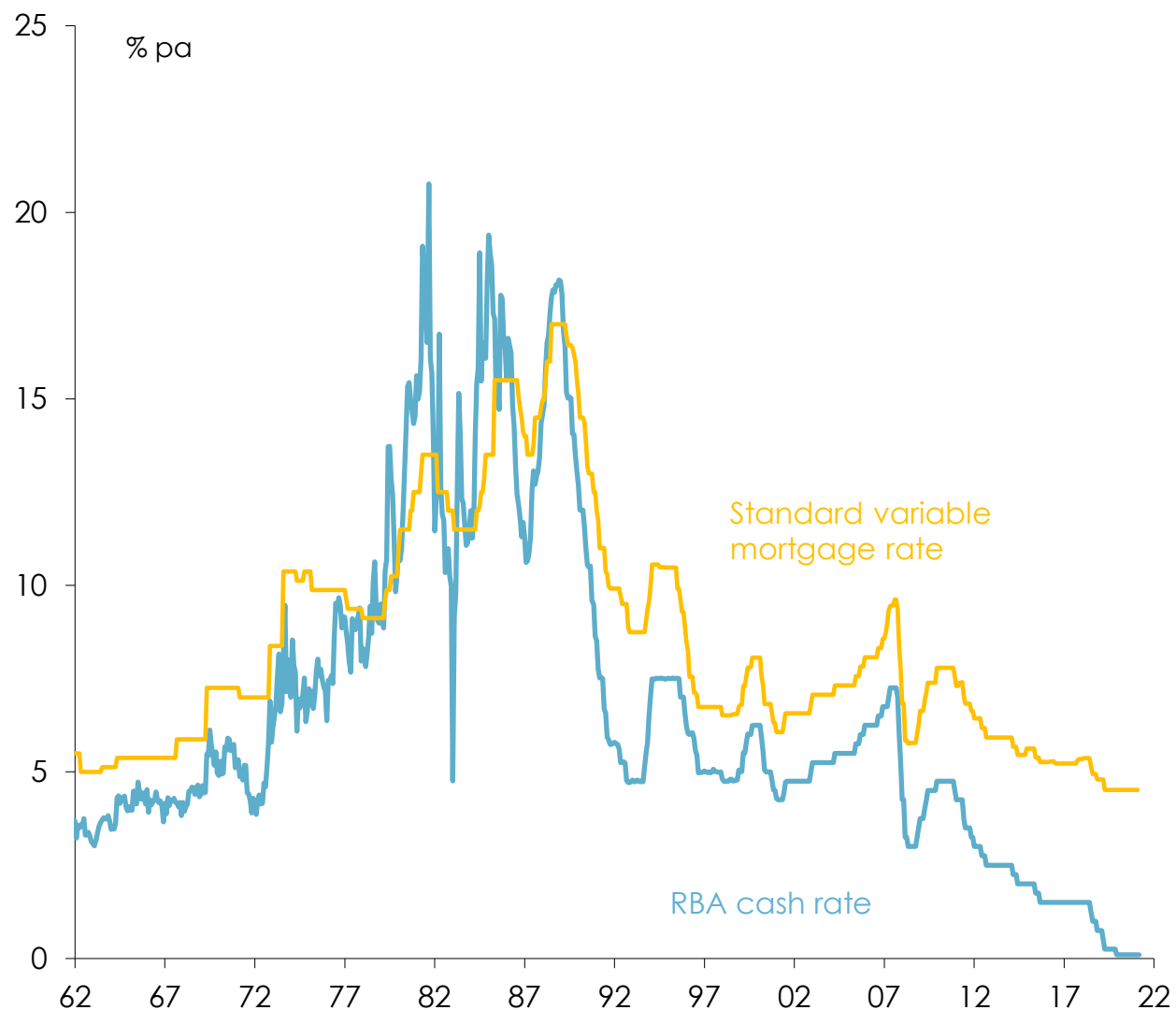
Wage inflation



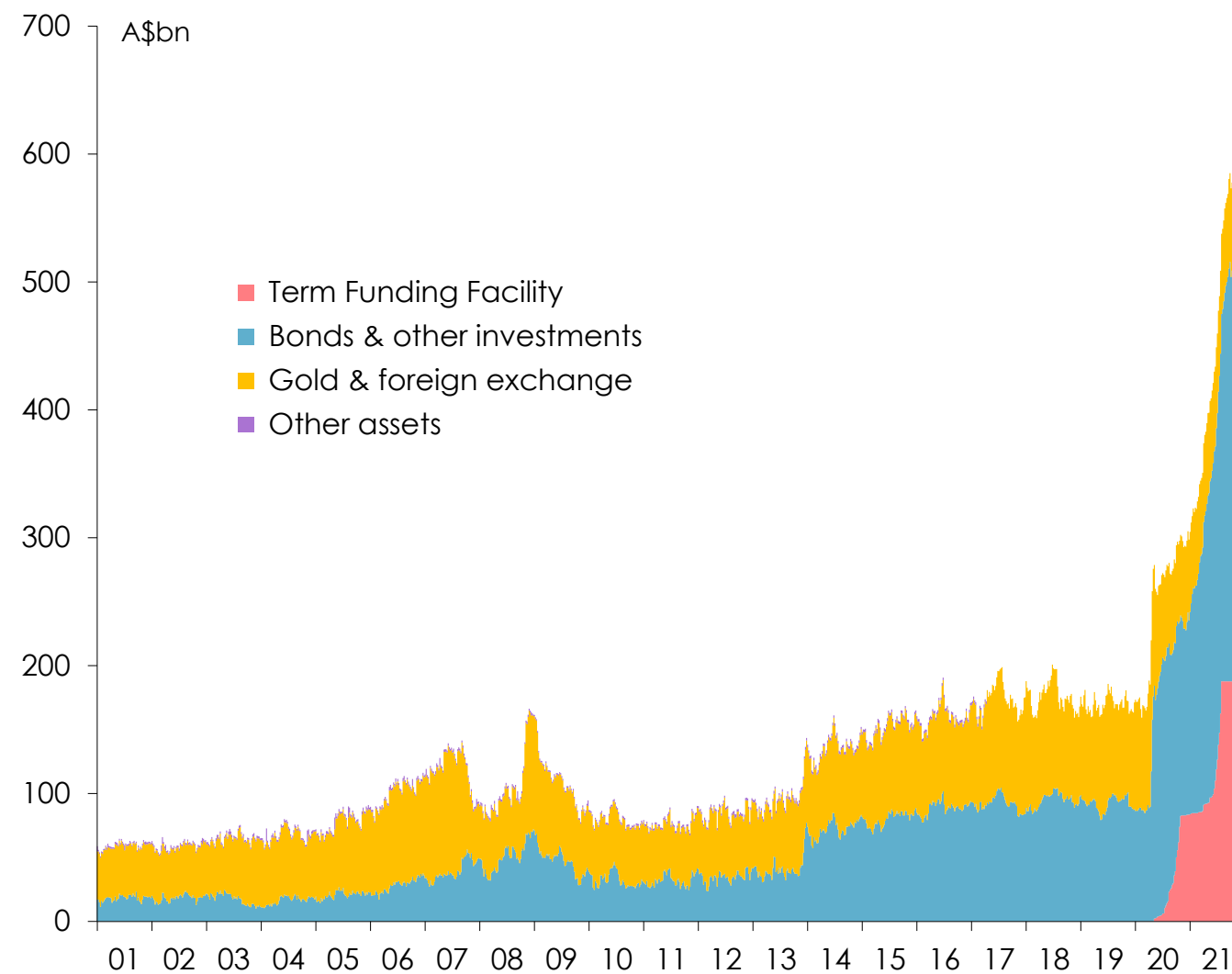
'Core' inflation is CPI excluding food & energy for the US, UK and Canada; trimmed mean for Japan and Australia; and 'sectoral factor model' for NZ. Wage inflation is average hourly earnings for Japan, the UK and Canada (and hence affected by changes in workforce composition), and wage price index or equivalent for the US, euro area and Australia. Sources: [ABS](#); [US Bureau of Labor Statistics](#); [Eurostat](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Statistics New Zealand](#) and [Reserve Bank of New Zealand](#).

The RBA will probably start raising rates in August – and at some point it will also start shrinking its balance sheet, like other central banks

Australian interest rates



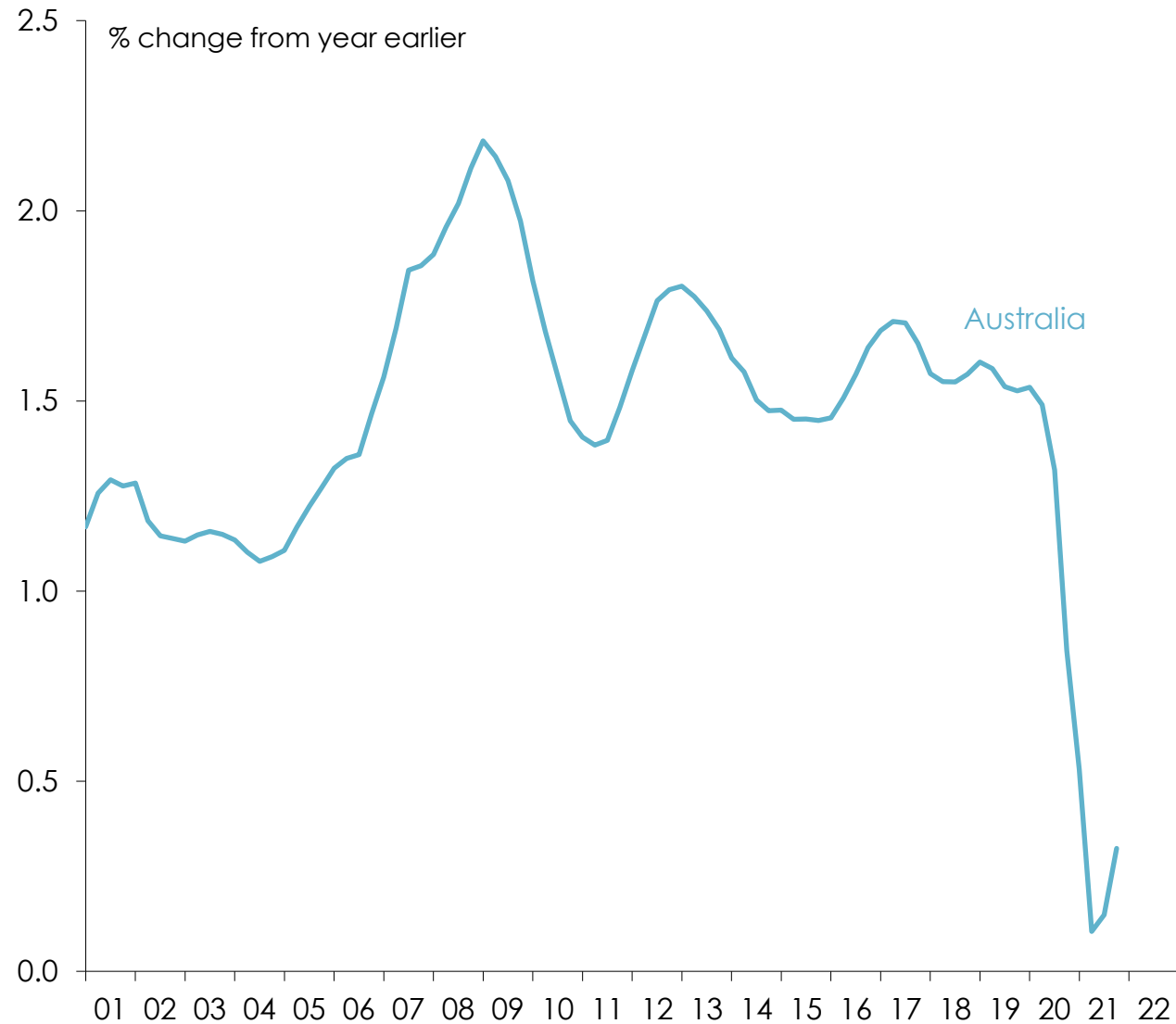
Reserve Bank of Australia balance sheet



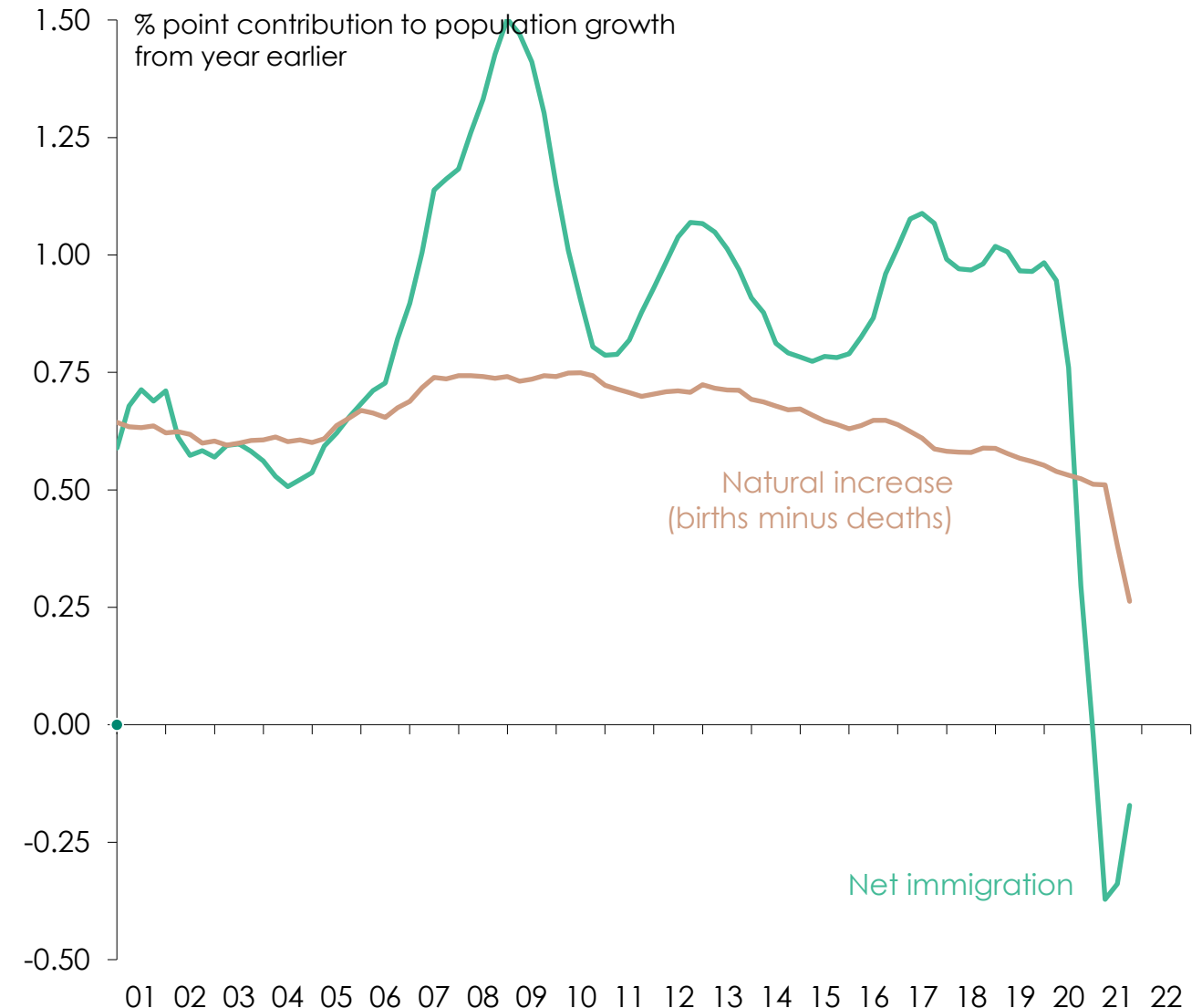
Sources: Reserve Bank of Australia, [Statistical Tables F1.1](#), [F6](#) and [A1](#).

Australia's population growth probably won't return to as rapid a pace as experienced over the first two decades of this century

Australia and OECD population growth

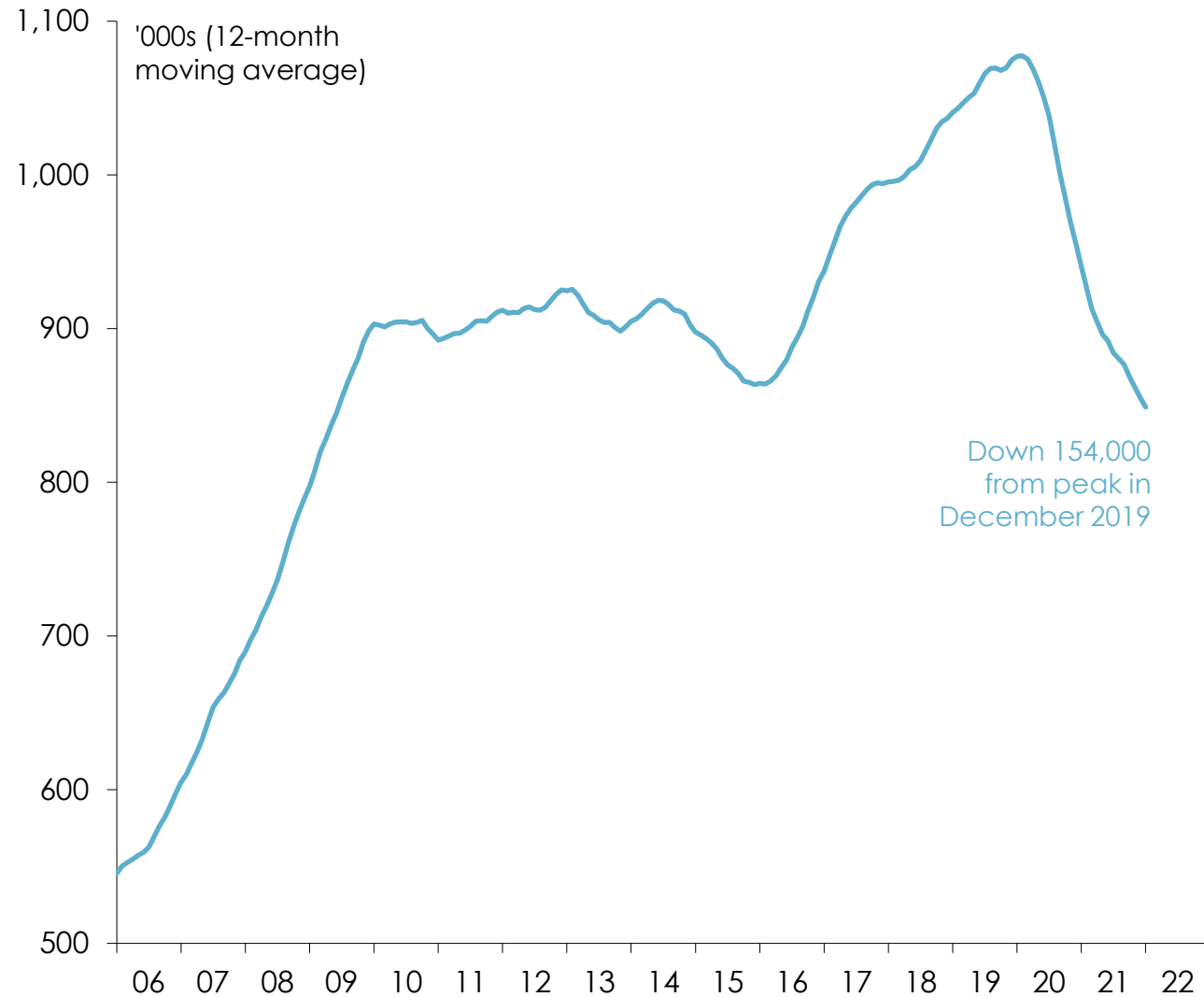


Sources of Australia's population growth

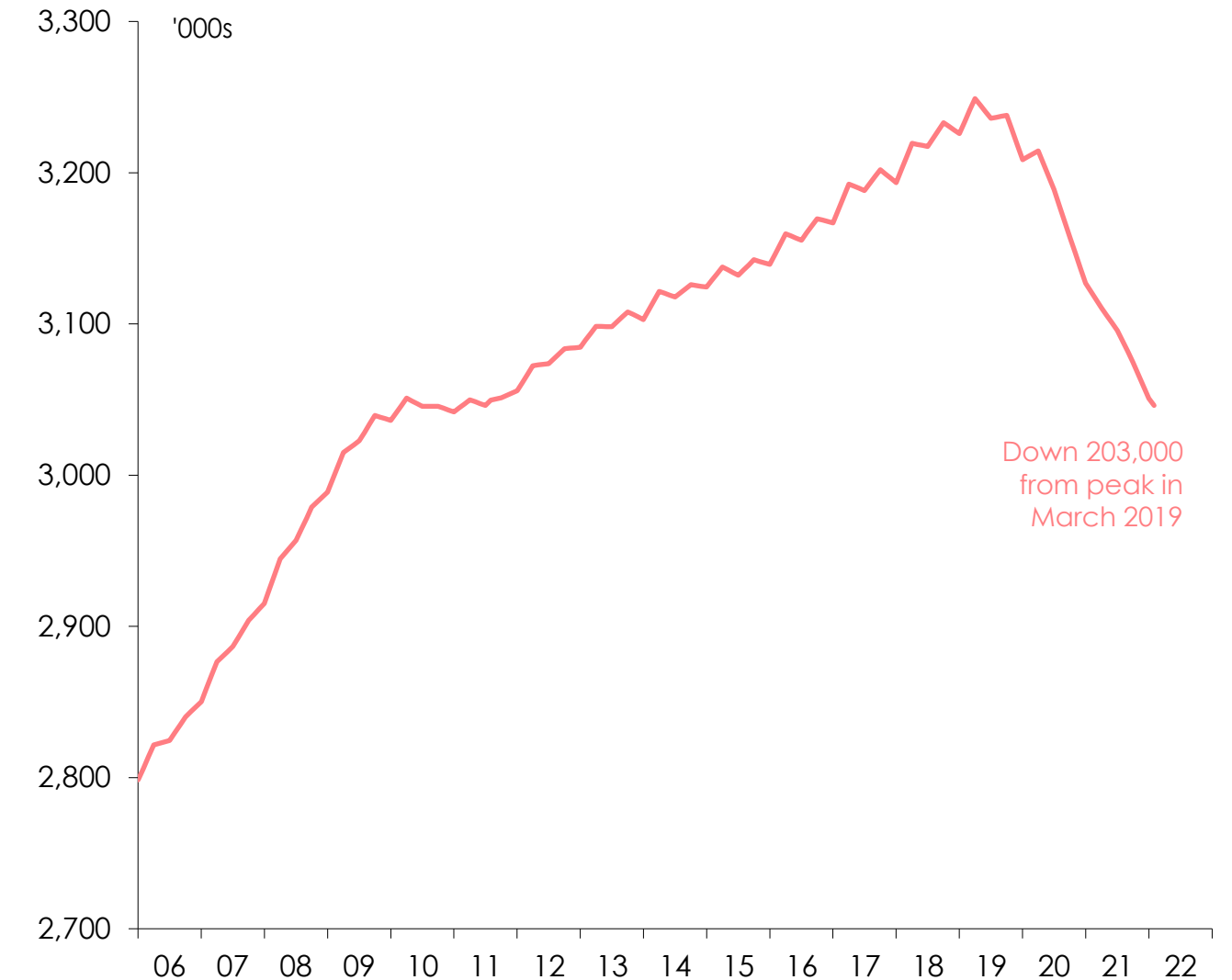


There has already been a significant decline in the number of recent migrants, and young adults, as a direct result of Covid border closures

Migrants who have arrived in past 5 years



People aged 15-25

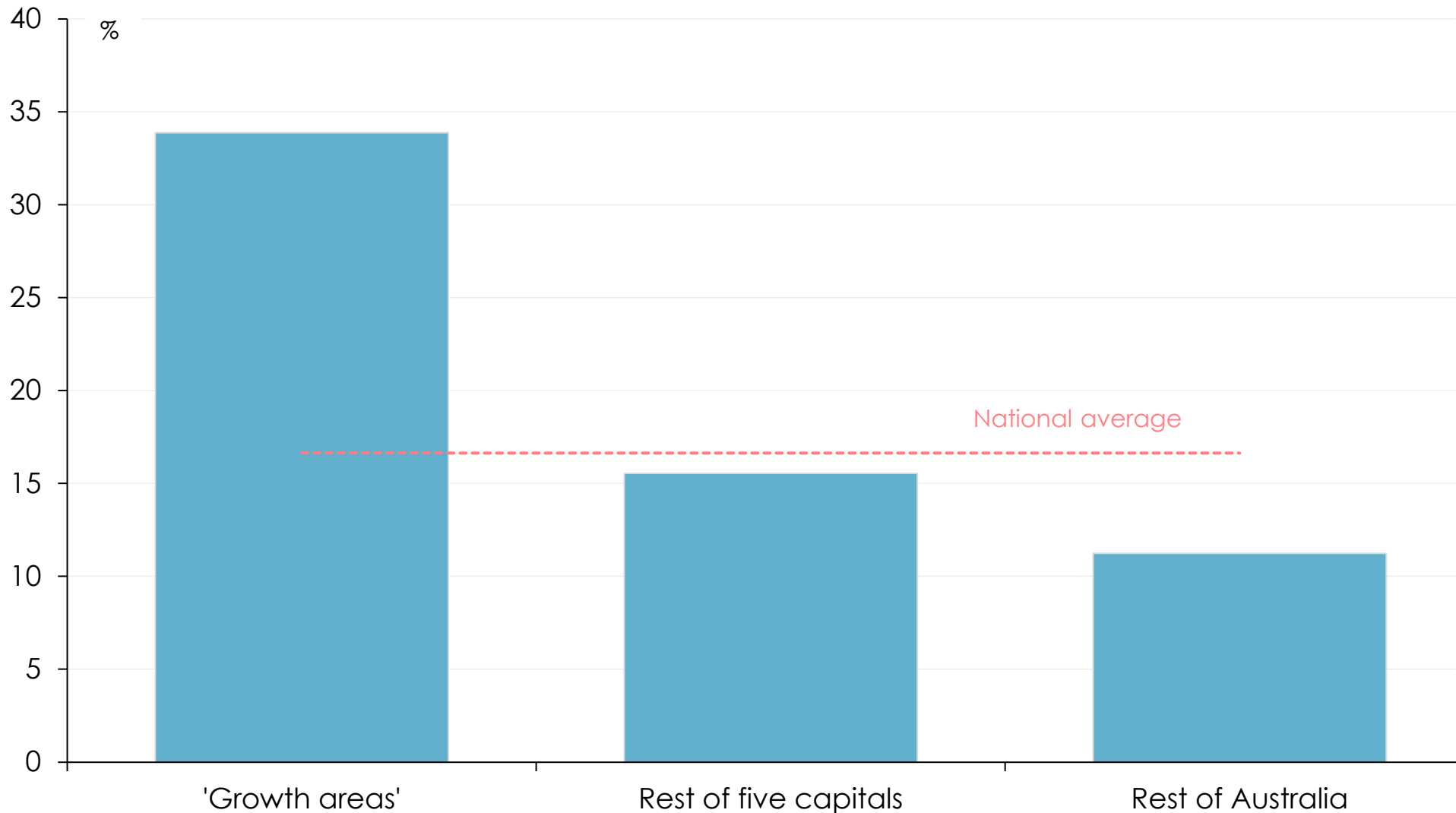


Source: ABS, [Labour Force, Australia, Detailed](#), January 2022.

What does this mean for Australia's 'growth areas'?

'Growth areas' have accounted for almost one-third of the growth in Australia's population over the past decade

Population growth, June 2010 to June 2020

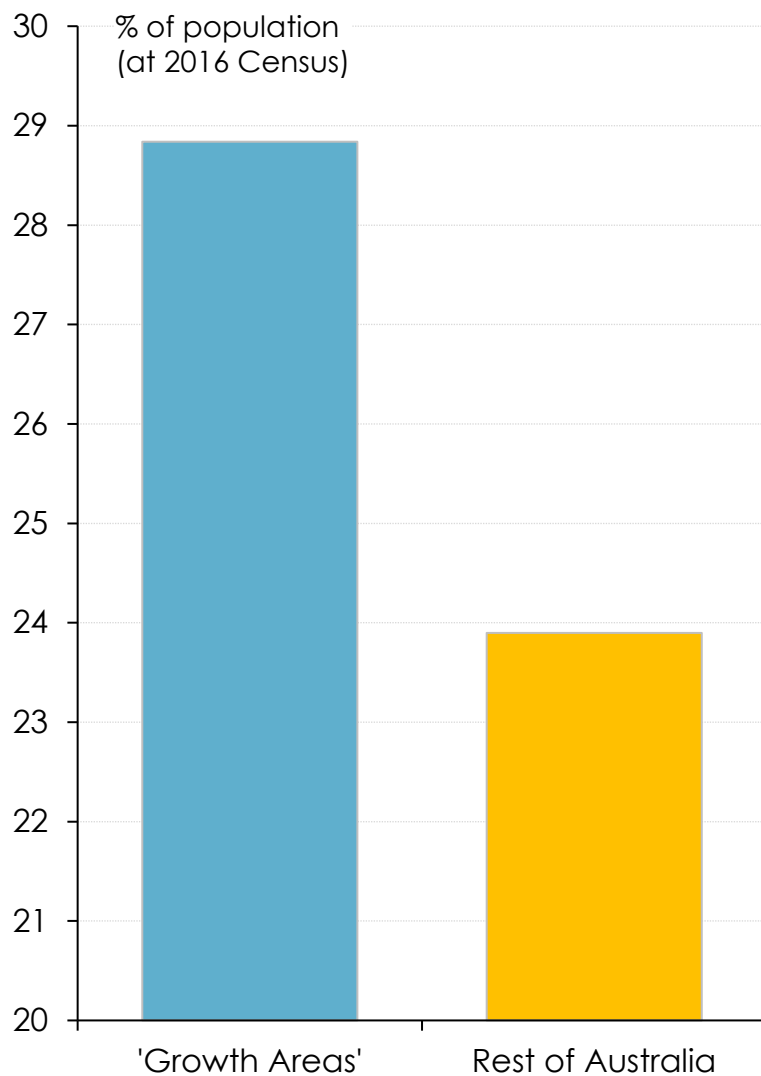


- ❑ The 24 LGAs designated as 'growth areas' on the fringes of Australia's five largest cities accounted for 15.4% of Australia's total population in 2010
- ❑ But they accounted for 31.4% of the increase in Australia's total population between 2010 and 2020
- ❑ Their combined populations grew at more than double the rate for the rest of the five largest capital cities, and more than three times the growth rate of regional areas

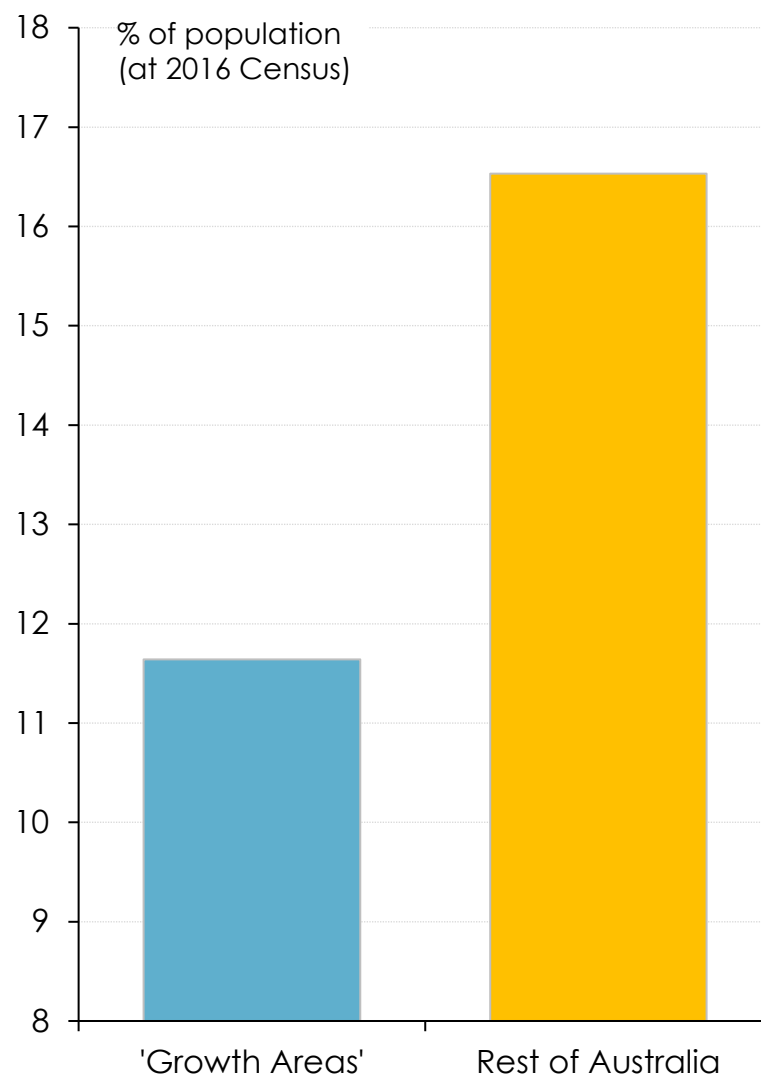
Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). 'Five capitals' are Sydney, Melbourne, Brisbane, Adelaide and Perth. Source: Australian Bureau of Statistics (ABS), [Regional Population](#), 2019-20.

'Growth areas' have a higher proportion of young people, and a smaller proportion of older people, than the rest of Australia

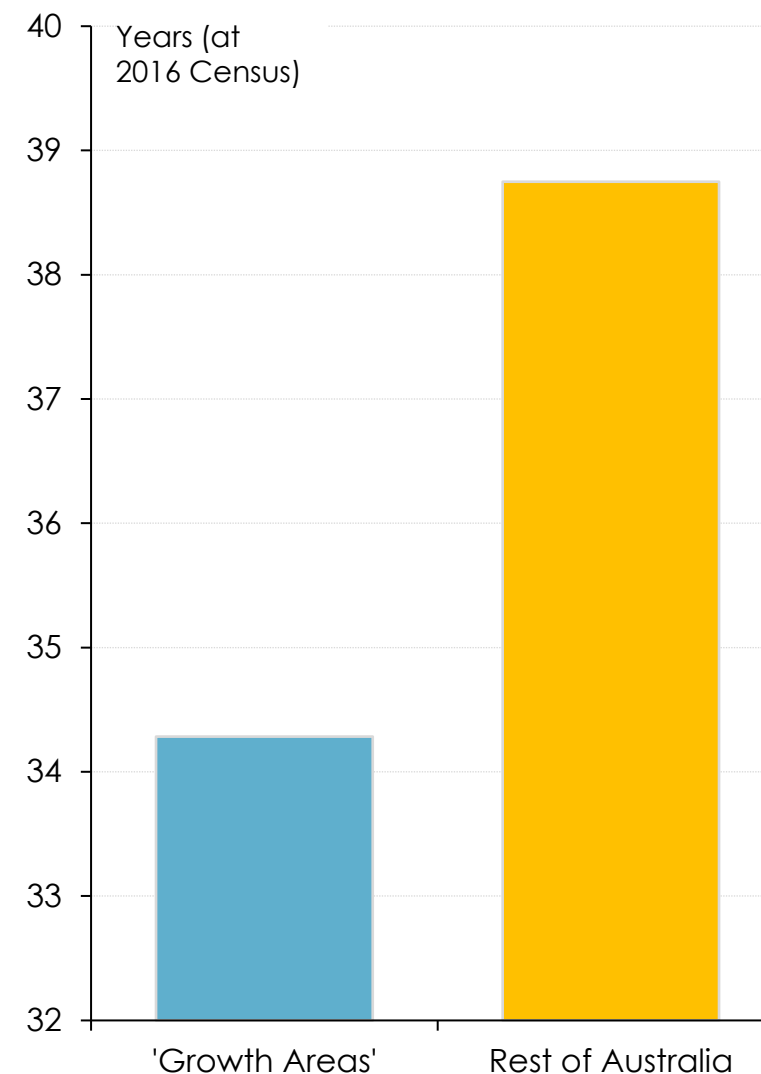
Population aged 15 & under



Population aged 65 & over



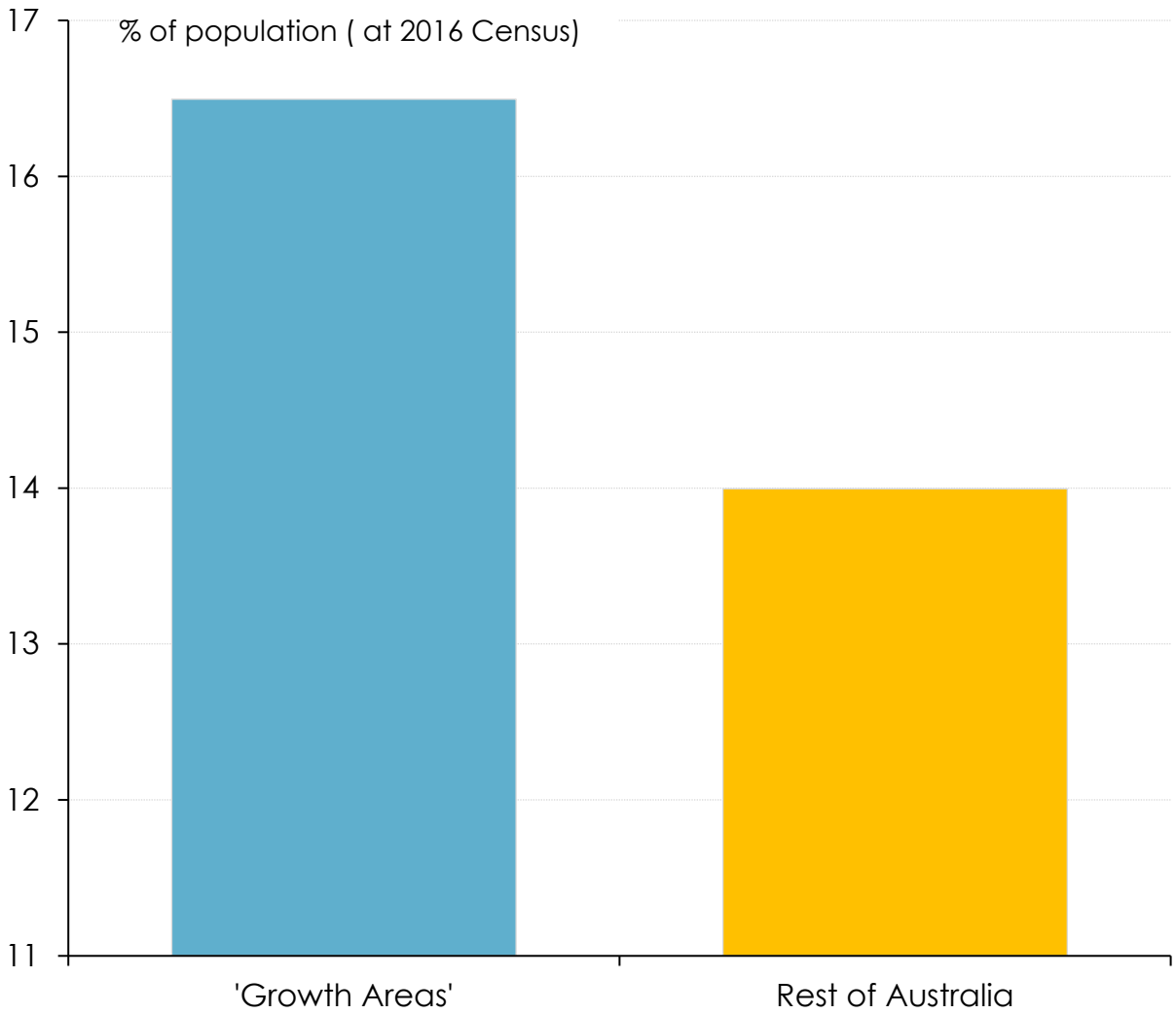
Median age



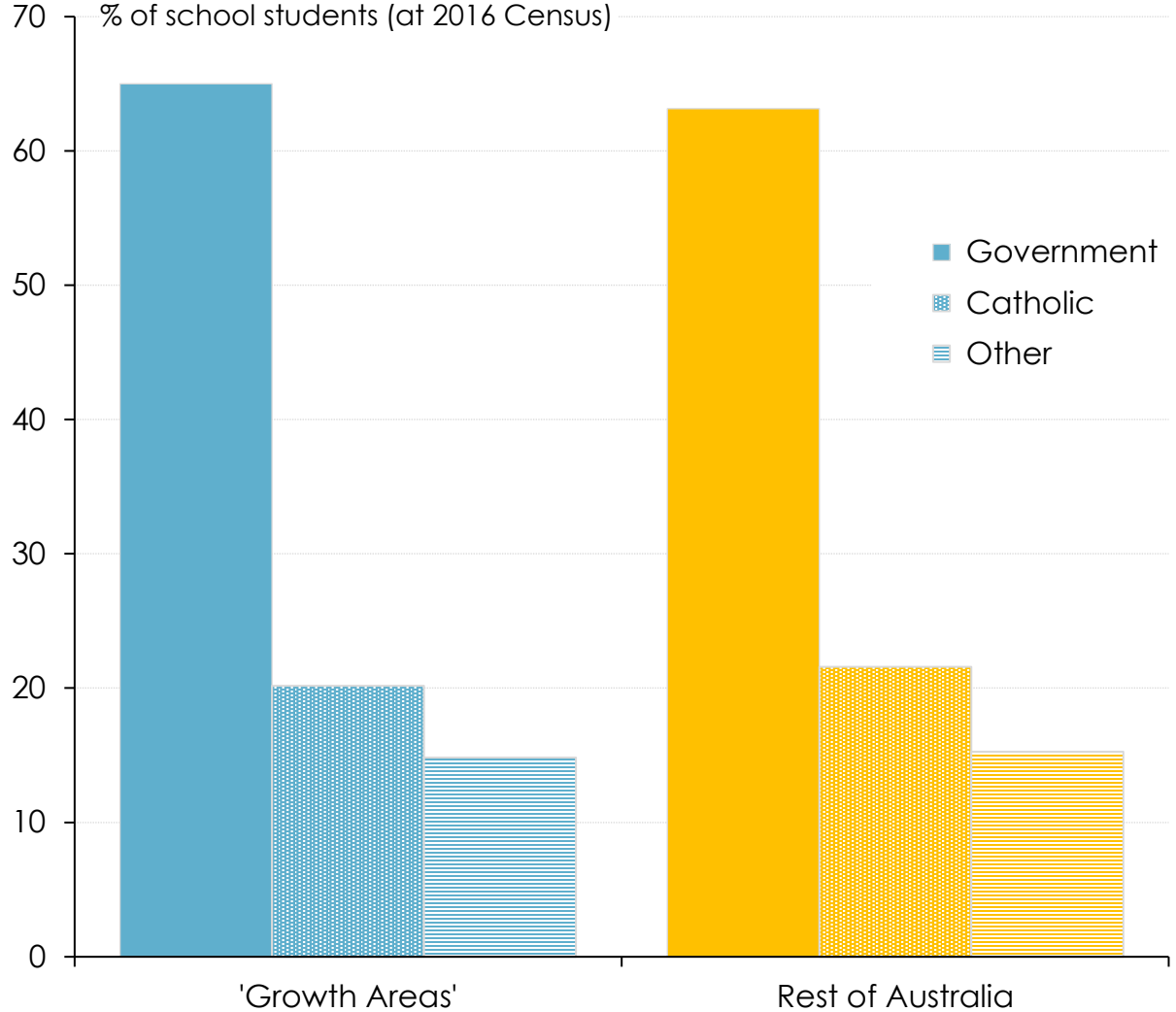
Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: Australian Bureau of Statistics (ABS), [2016 Census Community Profiles](#), 2019-20.

School-kids represent a higher proportion of 'growth areas' populations – and a slightly higher proportion of them go to government schools

School students as a pc of total population



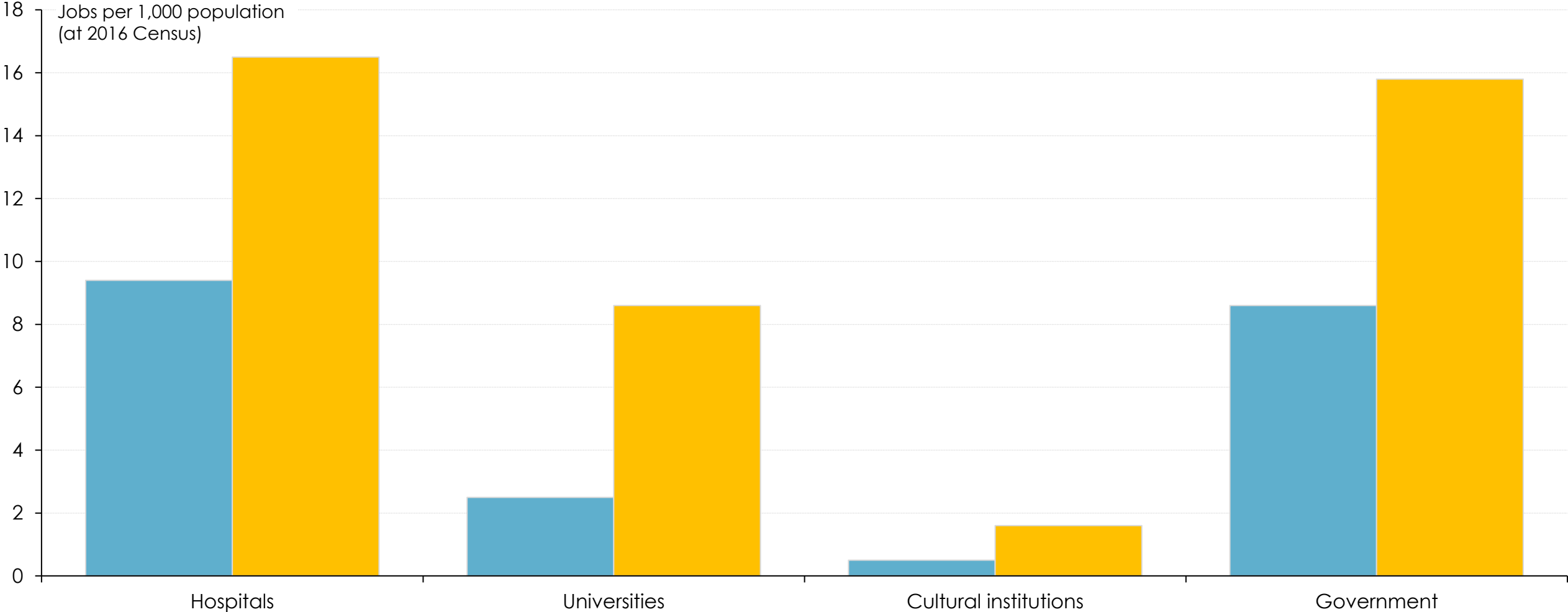
School students by type of school



Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: Australian Bureau of Statistics (ABS), [2016 Census Community Profiles](#), 2019-20.

Yet 'social infrastructure' catering to the needs of these communities is significantly under-represented in 'growth areas'

Distribution of 'social infrastructure' jobs



Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: .id, [State of Australia's Fast Growing Outer Suburbs](#), February 2018.

'Growth areas' account for a large share of residential building activity – but not of non-residential building

Growth areas' share of total national building approvals, 2020-21

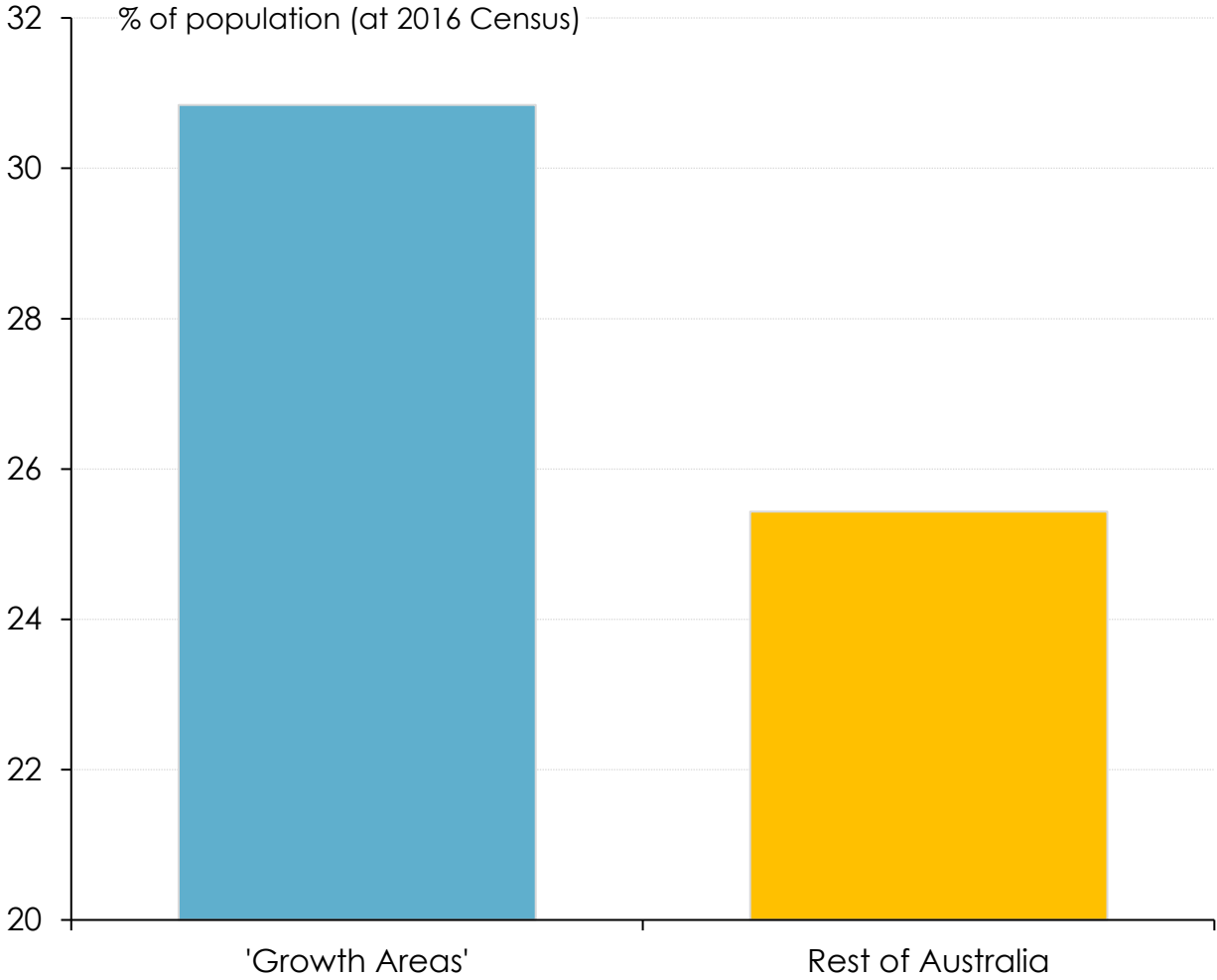


- ❑ The 24 LGAs designated as 'growth areas' on the fringes of Australia's five largest cities accounted for 28½% of all building approvals in 2020-21 – compared with their 17¾% share of Australia's total population
- ❑ More than one in every three new houses approved in 2020-21 was in the 24 'growth areas'
- ❑ Growth areas' share of non-residential building approvals was however no greater than their share of the population (and less than their share of population growth)

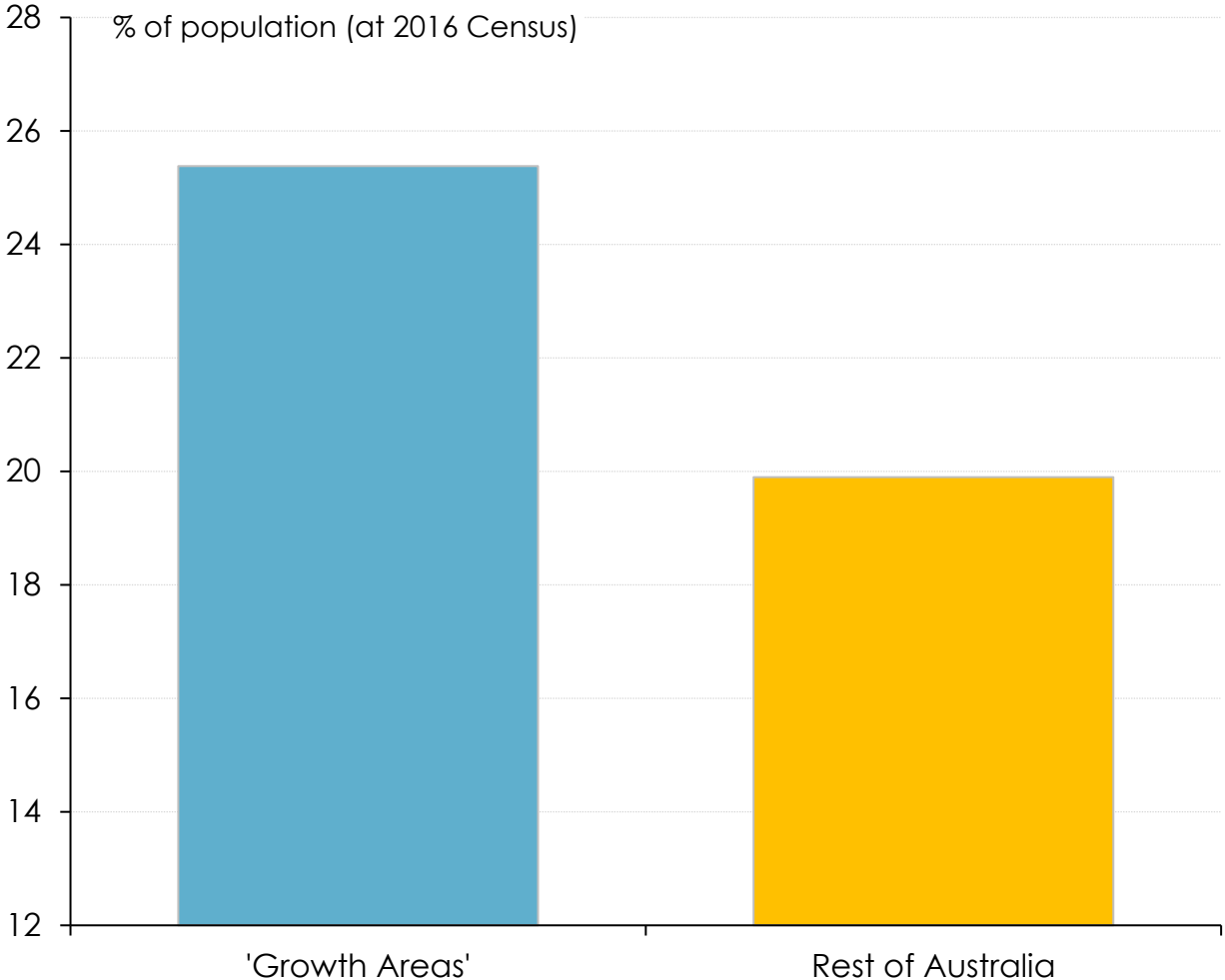
Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: ABS, [Building Approvals, Australia](#).

'Growth areas' have a higher proportion of migrants, and in particular migrants from non-English-speaking backgrounds, than the rest of Australia

Proportion of population born overseas



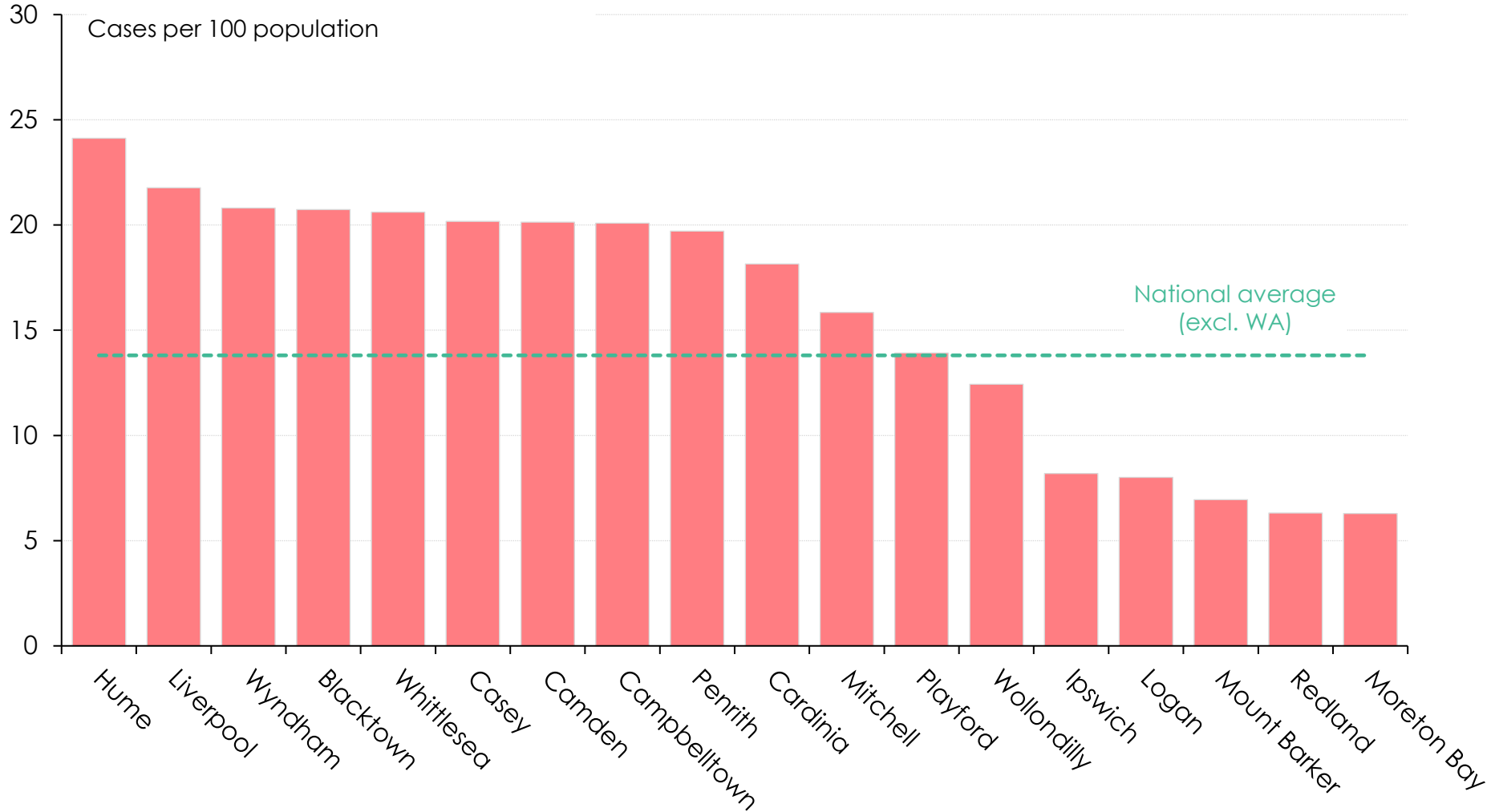
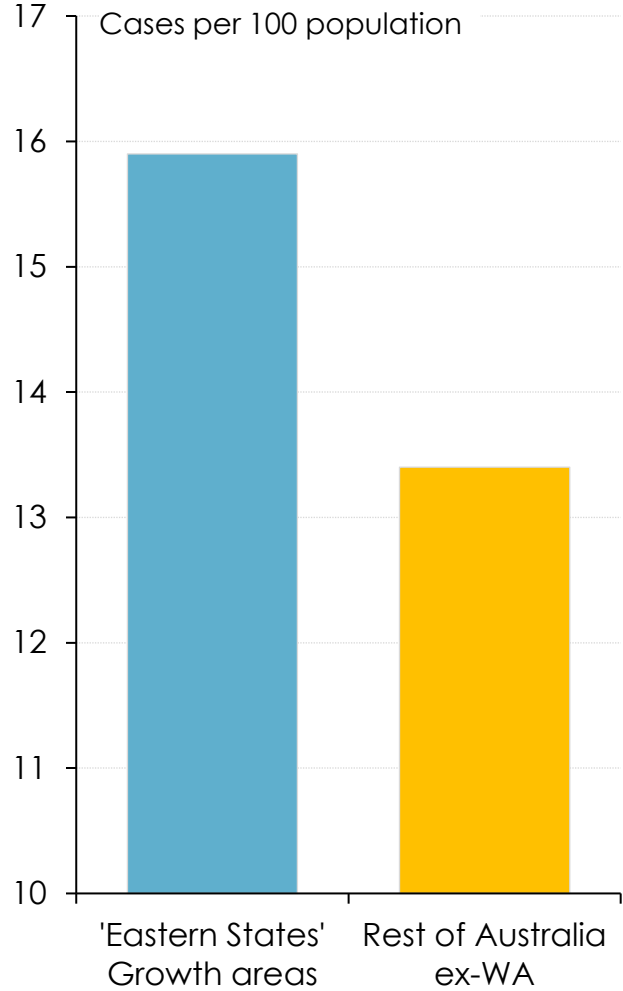
Population speaking a language other than English at home



Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: Australian Bureau of Statistics (ABS), [2016 Census Community Profiles](#), 2019-20.

'Growth areas' residents, particularly in NSW and Victoria, were more affected by Covid-19 than people living in other parts of Australia

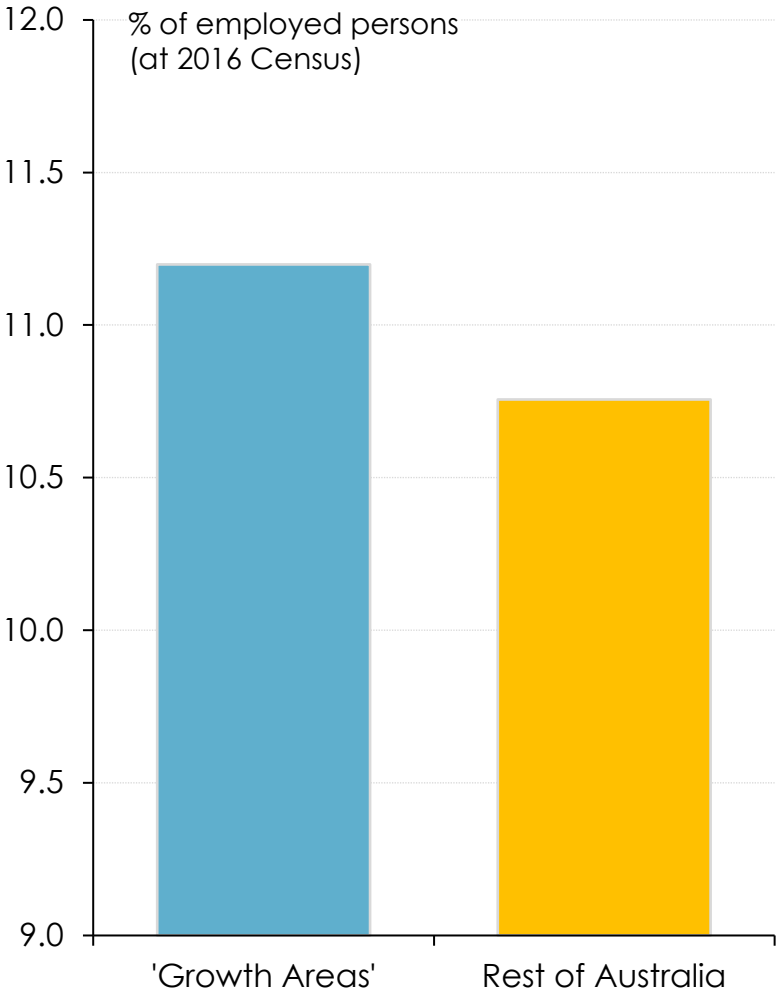
Covid-19 cases per 100 residents



Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA). Data on Covid-19 cases by LGA not available for Western Australia. Source: [Covidlive.com.au](https://www.covidlive.com.au/); [Covid19data.com.au/](https://www.covid19data.com.au/).

A much higher proportion of 'growth areas' residents are employed in occupations where it's difficult to 'work from home' ...

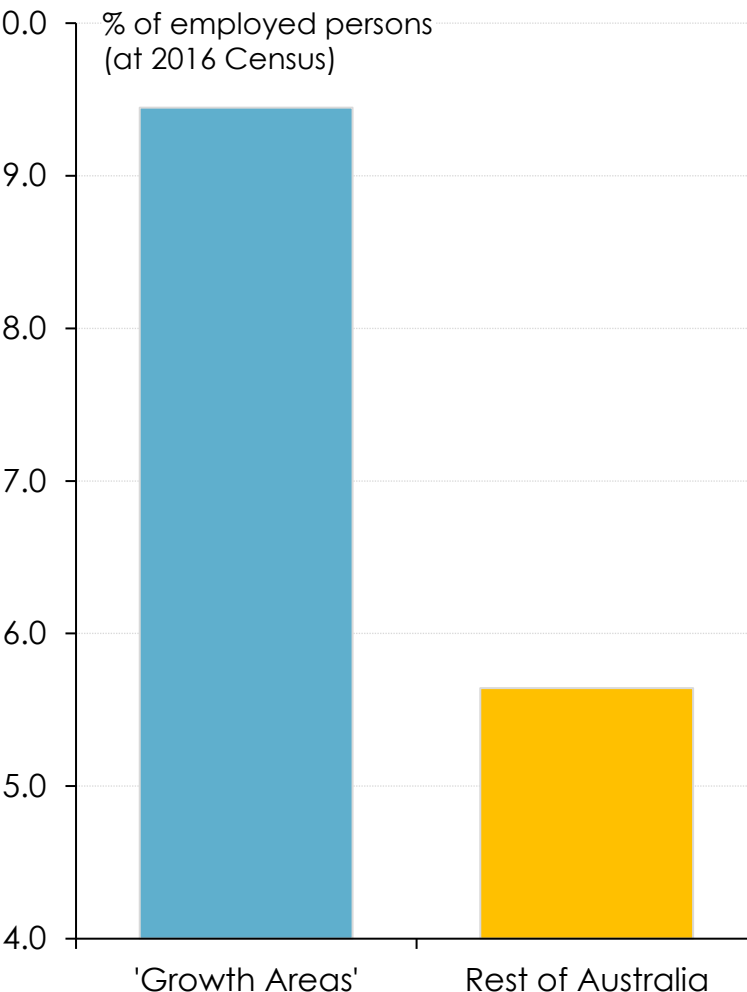
Community and personal services workers



Technicians and trades workers



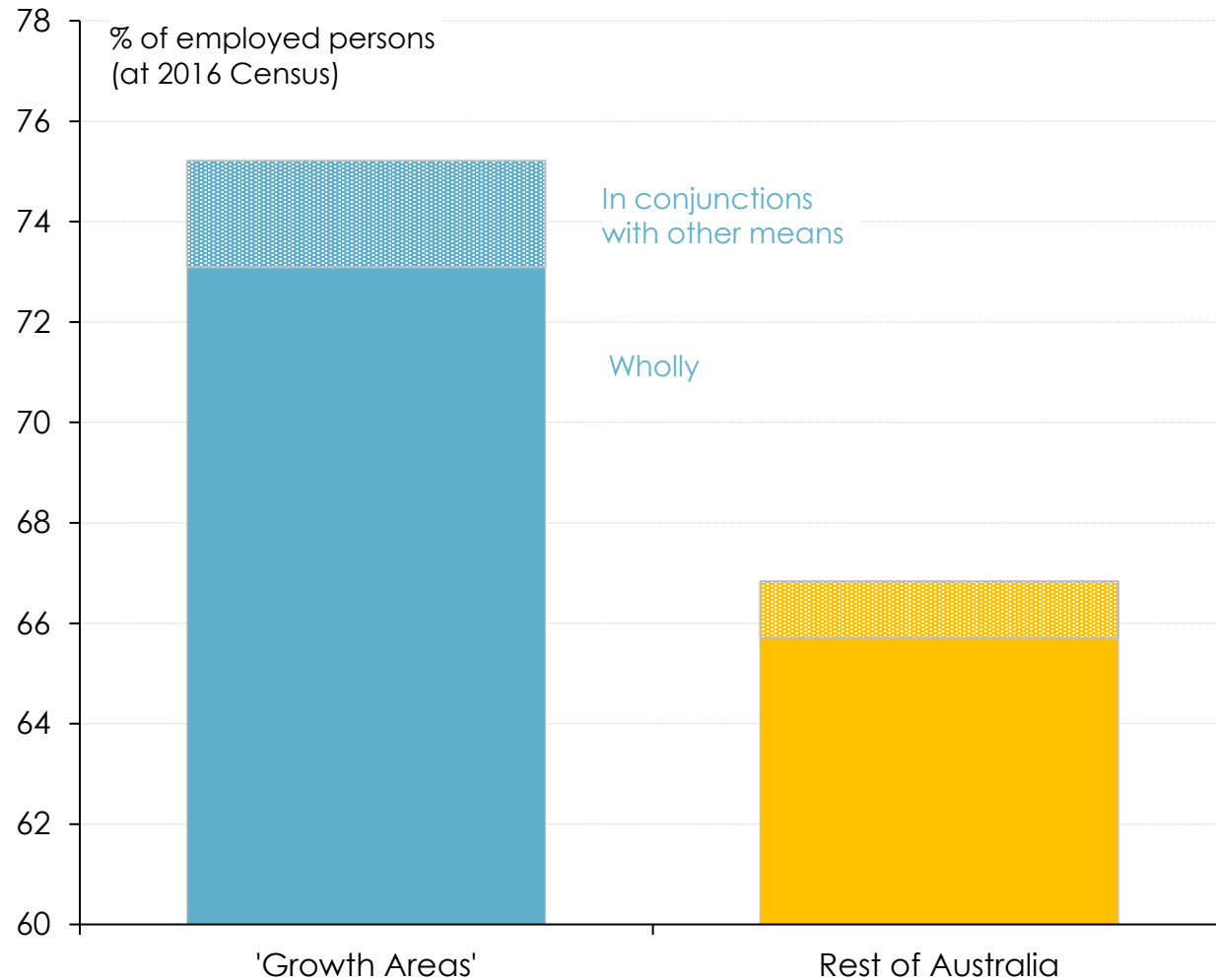
Machinery operators and drivers



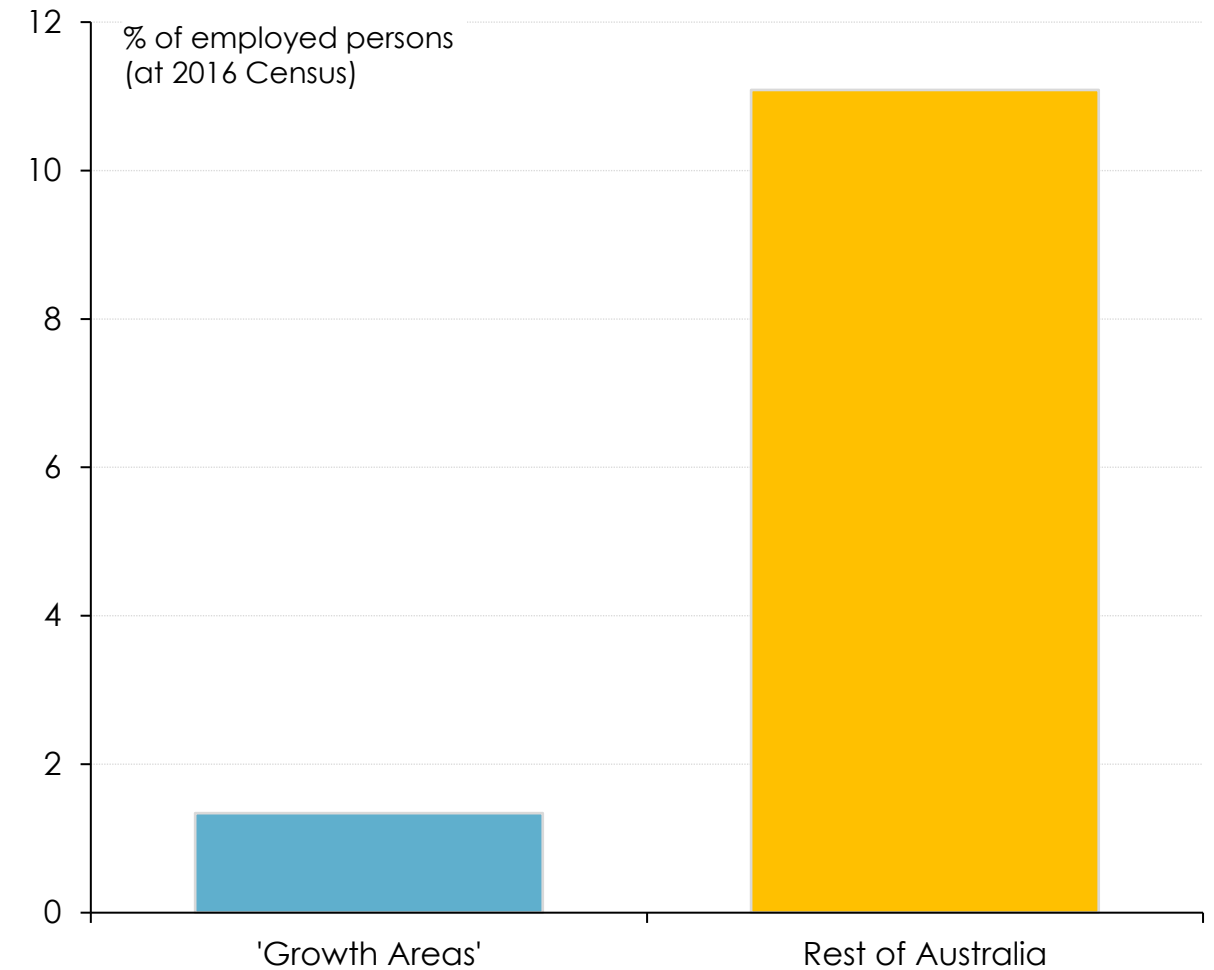
Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: Australian Bureau of Statistics (ABS), [2016 Census Community Profiles](#), 2019-20.

... and they are much more reliant on cars to get to work (which means they're more exposed to surging petrol prices)

Proportion of workers who travel to work by car



Proportion of workers who travel to work by public transport



Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: Australian Bureau of Statistics (ABS), [2016 Census Community Profiles](#), 2019-20.

Growth areas residents have been more adversely affected by the trend towards paying for new roads with tolls

‘Growing inequalities’: Sydney’s top toll payers revealed

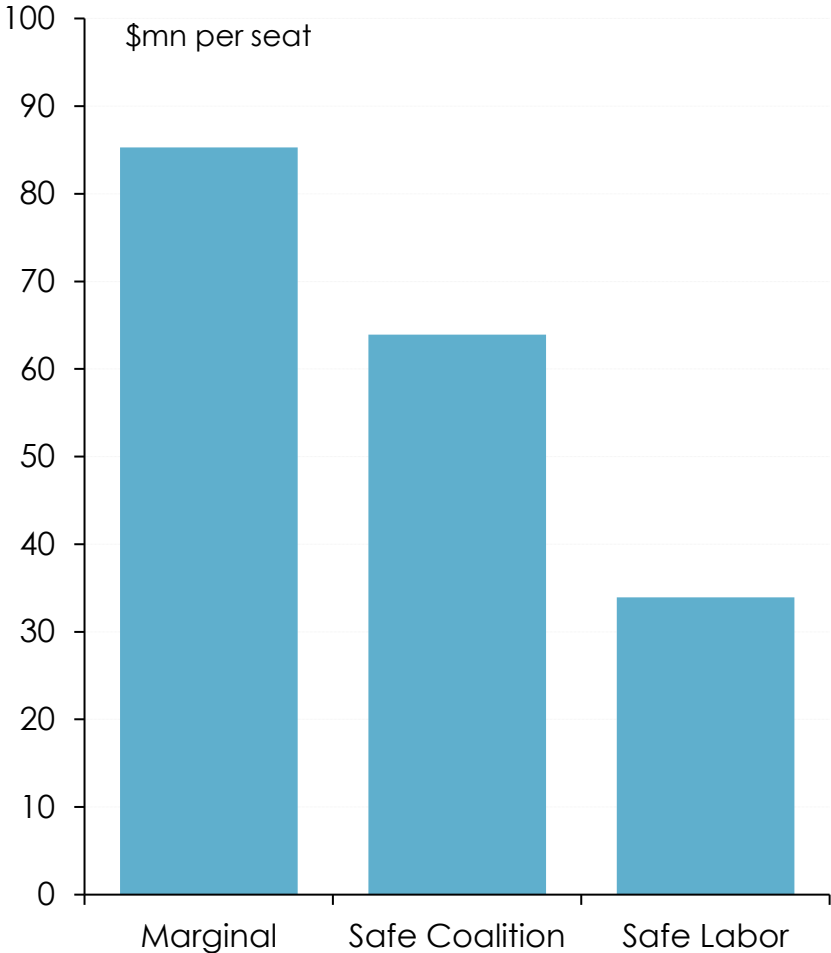
	Postcodes	Number eligible 2020-21	Number of claimants 2020-21	Suburbs		Postcodes	Number eligible 2020-21	Number of claimants 2020-21	Suburbs
1	2155	6626	5410	Kellyville, Rouse Hill, Beaumont Hills	11	2147	3198	2451	Kings Langley, Lalor Park, Seven Hills, Seven Hills West
2	2153	6226	5043	Winston Hills, Baulkham Hills, Bella Vista, Norwest	12	2065	2947	2186	Crows Nest, Greenwich, Naremburn, St Leonards, Wollstonecraft
3	2145	5535	4310	Wentworthville, Greystanes, Girraween, Pendle Hill, Mays Hill, Constitution Hill, Westmead, Pemulwuy	13	2747	2928	2337	Cambridge Gardens, Cambridge Park, Claremont Meadows, Kingswood, Llandilo, Shanes Park, Werrington
4	2148	4827	3628	Arndell Park, Blacktown, Huntingwood, Kings Park, Marayong, Prospect	14	2171	2868	2255	Carnes Hill, Cecil Hills, Elizabeth Hills, Horningsea Park, Hoxton Park, Len Waters Estate, Middleton Grange, West Hoxton
5	2154	3567	2855	Castle Hill	15	2768	2824	2303	Glenwood, Parklea, Stanhope Gardens
6	2761	3468	2803	Colebee Dean Park Glendenning Hassal Grove Oakhurst Plumpton	16	2750	2809	2152	Emu Heights, Emu Plains, Penrith, Jamisontown, Leonay, South Penrith
7	2088	3409	2783	Mosman	17	2763	2769	2230	Acacia Gardens, Nirimba Fields, Quakers Hill
8	2765	3258	2584	Berkshire Park, Box Hill, Maraylya, Marsden Pk, Nelson, Oakville, Riverstone, Vineyard	18	2066	2745	2240	Lane Cove, Linley Point, Longueville, Northwood, Riverview
9	2170	3210	2141	Casula, Chipping Norton, Hammondville, Liverpool, Lurnea, Moorebank, Mt Pritchard	19	2560	2527	1841	Airds, Ambarvale, Appin, Blair Athol, Bradbury, Campbelltown, Cataract, Englorie Park, Gilead, Glen Alpine, Kentlyn, Leumeah, Rosemeadow, Ruse, St Helens Park, Wedderburn, Woodbine
10	2770	3205	2334	Bidwill, Blackett, Dharruk, Emerton, Hebersham, Lethbridge Pk, Minchinbury, Mt Druitt, Shalvey, Tregear, Whalan, Willmot	20	2759	2422	1918	Erskine Park, St Clair

Note: suburbs shaded are in NGAA member LGAs

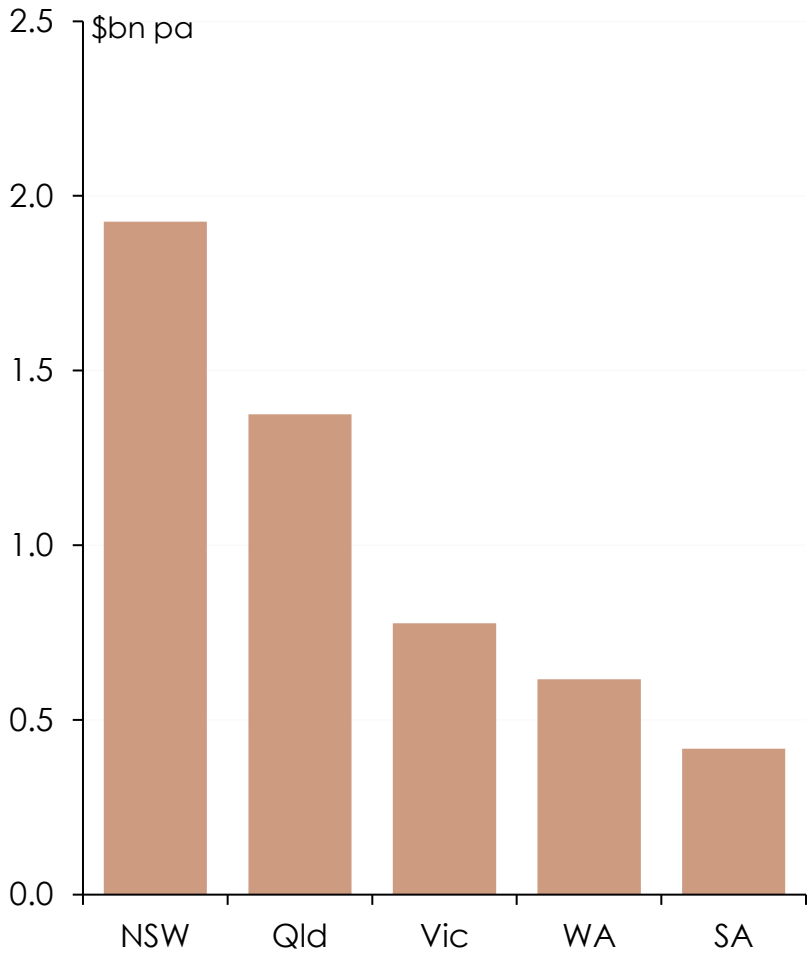
Source: Matt Wade, ‘Growing inequalities’: Sydney’s top toll payers revealed, Sydney Morning Herald and Melbourne Age, 7th March 2022.

'Growth areas' are predominantly in safe Labor seats: so they miss out on all the infrastructure pork-barrel spending

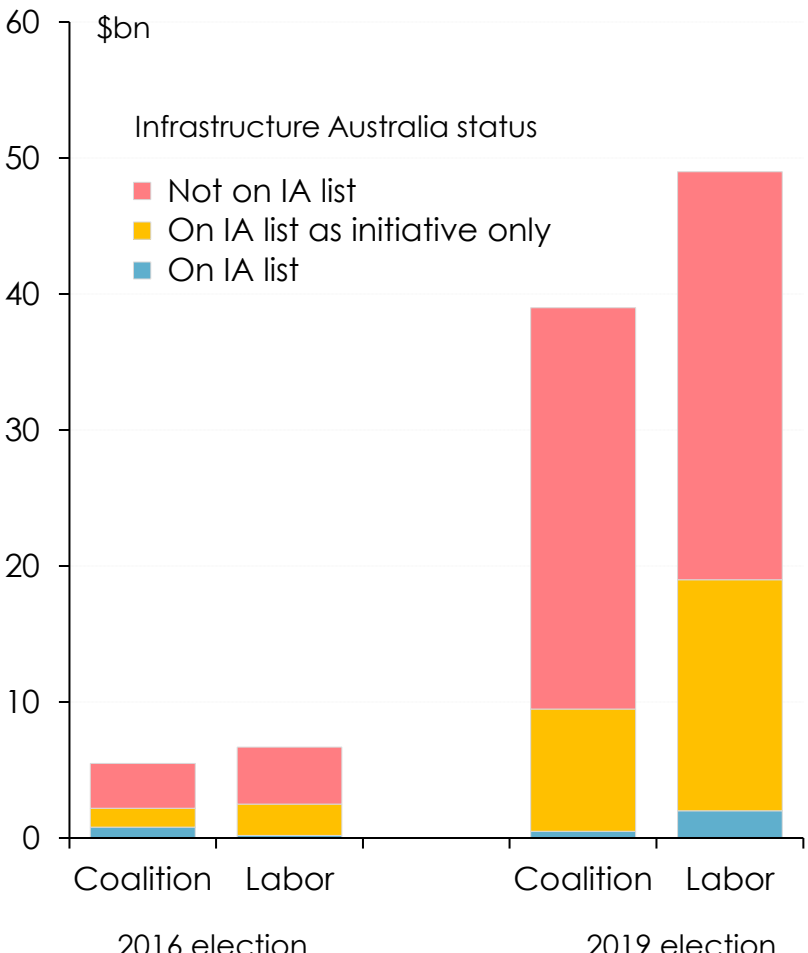
Distribution of spending from Urban Congestion Fund



Federal spending on road and rail projects since 2003-04



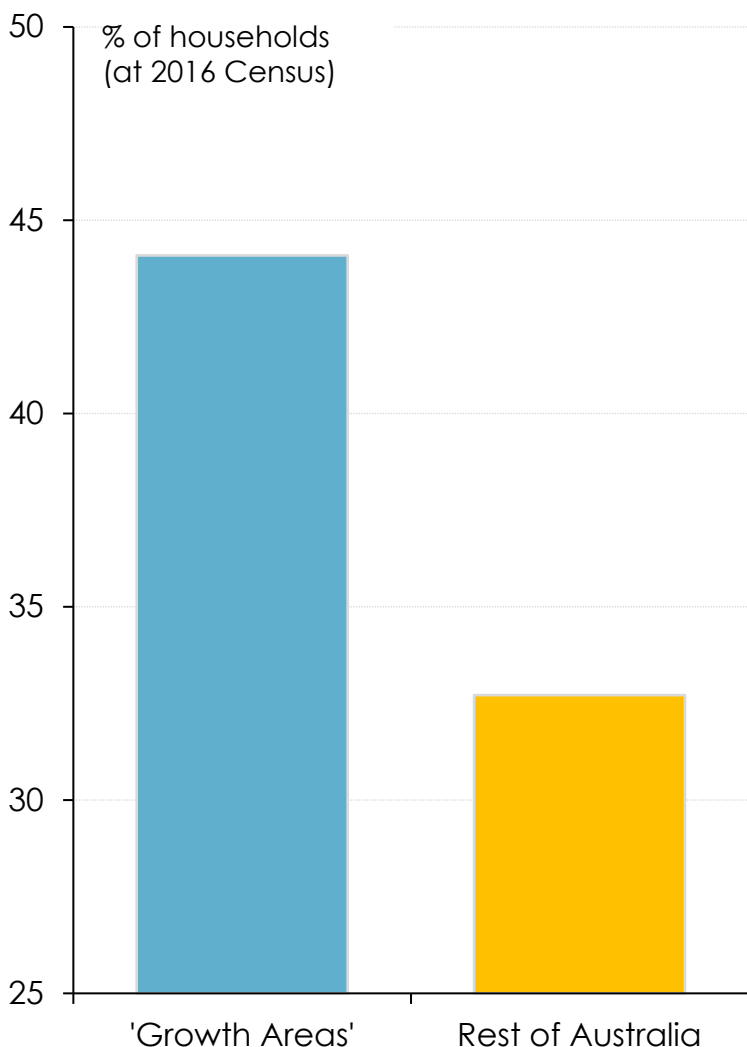
Federal election infrastructure spending promises



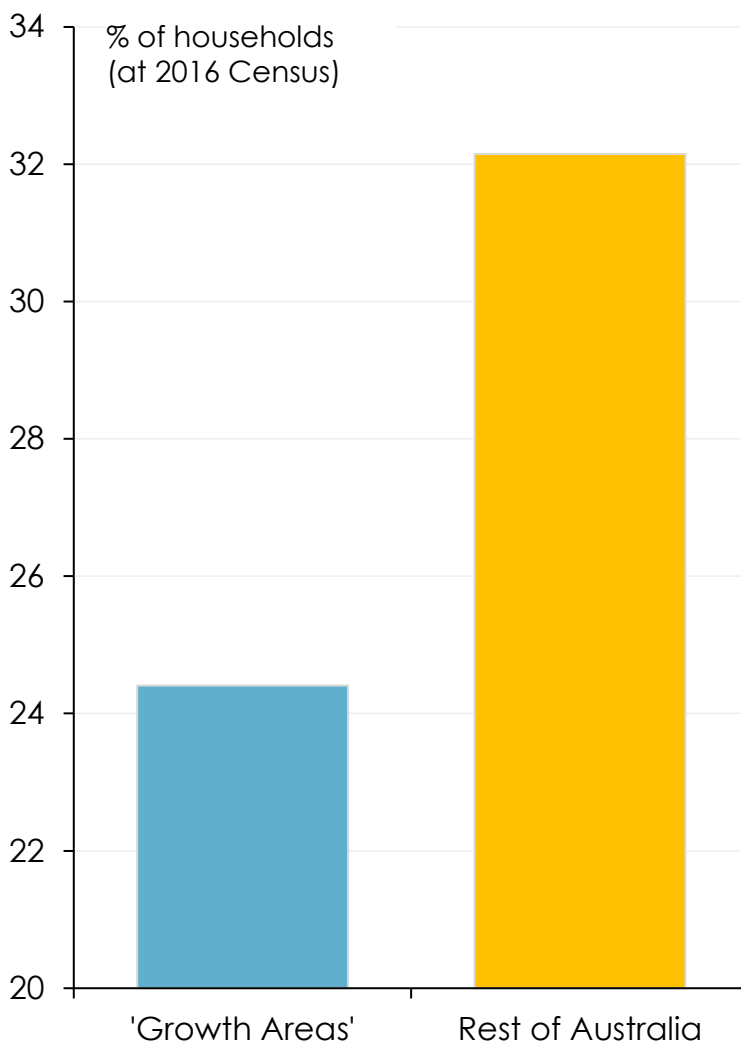
Source: Marion Terrill, [Roundabouts, overpasses and carparks: Hauling the Federal Government back to its proper role in transport projects](#), Grattan Institute, March 2022.

A higher proportion of 'growth areas' households have mortgages – and hence are more exposed to increases in interest rates

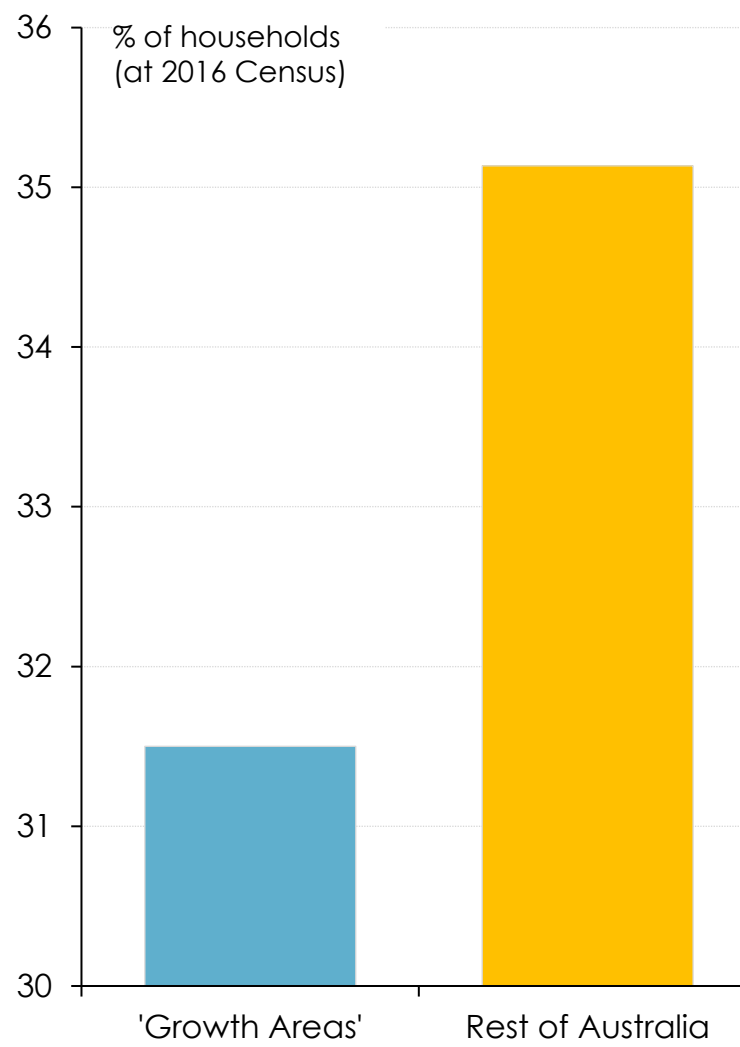
Home owned with a mortgage



Home owned outright



Home rented



Note: 'Growth areas' comprise the following LGAs: Blacktown, Camden, Campbelltown, Liverpool, Penrith and Wollondilly (NSW); Cardinia, Casey, Hume, Mitchell, Whittlesea & Wyndham (Victoria); Ipswich, Logan, Moreton Bay & Redland (Queensland); Mount Barker & Playford (SA); Armadale, Cockburn, Gosnells, Kwinana, Swan & Wanneroo (WA). Source: Australian Bureau of Statistics (ABS), [2016 Census Community Profiles](#), 2019-20.

Conclusions

- ❑ **Australia's growth areas have been driven (as the name suggests) by rapid population growth**
 - these 24 LGAs have absorbed more than 31% of Australia's total population growth over the past decade – double their share of the total population a decade ago
 - but population growth has slowed dramatically since the onset of Covid-19, and may never return to what it was
- ❑ **The populations of Australia's growth areas are younger, and more ethnically and culturally diverse, than those of other parts of Australia (both inner areas of large cities, and regional areas)**
 - those communities have often been poorly served by public health 'messaging'
 - and have been hit particularly hard (in a different way from tourism-dependent regions) by Australia's tough border closures
- ❑ **People living in growth areas have been disproportionately affected by Covid-19**
 - they've been more exposed to infections
 - and a smaller proportion of them are employed in occupations in which it's easier to "work from home"
- ❑ **People living in growth areas are more exposed to large increases in fuel prices**
 - because proportionately more of them drive to and from work, and don't have access to public transport
- ❑ **People living in growth areas will be more affected by forthcoming increases in interest rates**
 - because a much higher proportion of them have mortgages
- ❑ **People living in growth areas don't have much 'leverage' with political parties**
 - most growth areas are in safe Labor seats – so there's not much incentive (in terms of prospective electoral gains) for either of the major political parties to shower them with 'pork-barrel' dollars
 - and there's no equivalent for growth areas of the National Party to extract pork-barrel dollars from their coalition partners for their safe seats

Important information

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

Corinna Economic Advisory is a partner (with Llewellyn Consulting, of 1 St Andrews Hill, London EC4V 5BY, United Kingdom) in Independent Economics.

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