



ECONOMIC UPDATE **DECEMBER 2019**

ONLINE VERSION.



Contents

Overview	1
Positive Indicators	1
Negative Indicators	1
Building and Construction Indicators	2
Summary of ABS Indicators: South Australia	2
Other Commentary on Building and Construction Indicators	3
Employment and Unemployment Related Indicators	6
ABS Labour Force Australia, November 2019 Cat. No. 6202.0	6
ABS Labour Force, Australia, Detailed Quarterly, Cat. No. 6291.0.55.003	6
Vacancy Report – November 2019, Australian Government Department of Employment, Skills, Small and Family Business	7
Savills, Economic Property Drivers – December 2019	8
Population Estimates	8
ABS Population Estimates - June Quarter 2019, Cat. No. 3101.0	8
Commentary on General Economic Conditions	9
Government of South Australia, State Budget 2019-20 Mid- Year Budget Review	9
ABS Retail Trade Data – October 2019, ABS Cat. No. 8501.0	10
Deloitte Access Economics: Weekly economic briefing - 10 December 2019	10
Savills, Economic Property Drivers – December 2019	10
ABS: GDP/State Final Demand– September 2019, ABS Cat. No. 5206.0	10
Reserve Bank of Australia – Composition of the Australian Economy Snapshot	12
ANZ Research – ANZ Research Quarterly	13
South Australian Centre for Economic Studies - Economic Board Briefing Report, December 2019	13

Disclaimer

This publication has been produced for general information only and is not intended to constitute advice. Readers relying on the content of the publication do so entirely at their own risk.

No warranty (express or implied) is given as to the accuracy or completeness of information provided. The information may be true and correct at the date of publication but this may change after publication. The CITB is not responsible for providing updates on such information.

All projections and forecasts are based on assumptions. These assumptions may not hold true and therefore such projections and forecasts cannot be relied upon. The CITB is not responsible for providing updates on such projections and forecasts cannot be relied upon. The CITB is not responsible for providing updates on such projections and forecasts.

All statements of opinion by the CITB represent the subjective views of the CITB and the CITB gives no warranty that such statements are correct. The publication may include statements of opinion by third parties which do not necessarily reflect the opinion of the CITB.

All links to third party websites and references to third parties are included for convenience only and do not constitute endorsement of the material on those sites, or endorsement of the relevant third parties and their product or service.

Readers should make their own assessment of all information provided (including statements of opinion and projections and forecasts) and consider obtaining independent professional advice before making any decisions based on such information.

In no event is the CITB (or its trustees, officers, employees or any related body corporate) liable for any liability, loss, risk or damage (including incidental or consequential damages) incurred or suffered (directly or indirectly) out of the use of any information contained in this publication, whether based on contract, tort or other legal action.

Copyright in the publication belongs or is licensed to the CITB and no part of this publication may be used, reproduced or copied without the CITB's consent.

Please refer all queries in respect of this publication to Eric Parnis, CITB Manager Research, (08) 8172 9509, ericp@citb.org.au



Overview

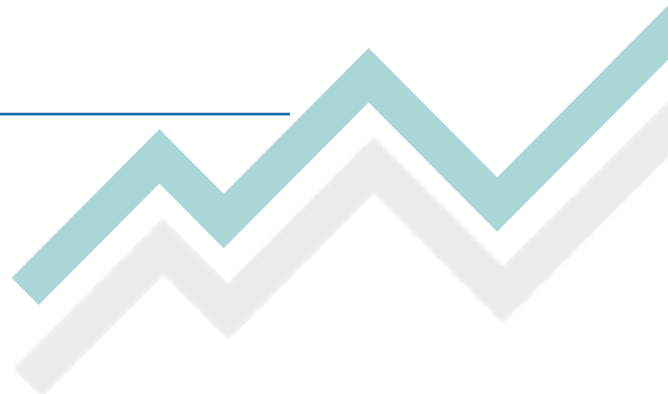
- Building approvals data show unequivocal improvement for South Australia, across both dwellings and non-residential categories. This should be reflected in building activity indicators over coming months.
- Employment in South Australia's construction sector remains at high levels by historical standards. However, November quarter estimates from the ABS suggests that construction employment may have peaked.
- The State Government released its 10 Year Housing Plan in December. It includes \$400 million to deliver 1,000 new affordable homes in the next 5 years.

Positive Indicators

- South Australia has the strongest performance for building approvals of all states. Dwelling approvals have fallen in every state except South Australia in the past year.
- Non-residential building approvals in South Australia are 78% above their level of one year ago.
- Adelaide's 3rd quarter 2019 RLB Crane Index continued its upward trajectory increasing to 317, the highest value recorded.
- In its Mid-Year Budget Review, the State Government has brought forward \$327 of road infrastructure funding from outside the forward estimates.
- The rate of population growth in South Australia has shown positive trends (albeit below the national average).

Negative Indicators

- South Australia's unemployment rate remains well above the national average.
- The South Australian Centre for Economic Studies predicts that South Australia's Gross State Product growth in 2019-20 will be much slower than in 2018-19.





Building and Construction Indicators

Summary of ABS Indicators: South Australia

Monthly data (trend)	Latest month	Compared to previous month	Compared to a year earlier
Dwelling approvals (November 2019)	1,087	4.2%	27.3%
• Private houses	665	0.9%	4.2%
• Private 'other' dwellings	381	10.4%	80.6%
Quarterly data	Latest quarter	Compared to previous quarter	Compared to a year earlier
Dwelling commencements (Jun qtr 2019, seas. adj.)	2,423	-0.9%	-18.6%
Construction work done (Sep qtr 2019, chain vol. seas. adj.)	\$2.9b	-5.0%	-6.1%
• Residential	\$0.8b	-1.3%	-8.8%
• Non-Residential	\$0.6b	0.7%	-5.4%
• Engineering	\$1.5b	-9.1%	-4.9%
Construction work in the pipeline (Jun qtr 2019, original)	\$6.4b	-5.9%	-29.6%
• Residential	\$2.7b	-3.1%	-3.2%
• Non-Residential	\$2.4b	-2.5%	-15.8%
• Engineering	\$1.2b	-16.8%	-63.2%
Construction industry employment (Year to Nov qtr 2019)	74,375	na	7.7%

Source: ABS data, various publications

ABS Building Approvals - November 2019, Cat. No. 8731.0 data - Analysis by CITB

South Australia Monthly data (trend)	Latest Month	Compared to a year earlier
Dwelling approvals (November 2019)	1,087	+27.3%
- Private houses	665	+4.2%
- Private 'other' dwellings ¹	381	+80.6%
Non-residential building approvals	\$269.9m	+78.5%

Source: ABS Building Approvals data

- The total number of dwelling approvals in South Australia in November 2019 was 27.3% higher than a year ago. Conversely, nationally, the number of dwelling approvals was 11.8% lower than a year ago.
- The number of private sector houses approved for construction in South Australia rose by 0.9% during November to be 4.2% higher than a year ago.
- Private 'other' dwelling approvals in South Australia rose by 10.4% in November to be 80.6% above their level of a year ago.

¹ Other' dwellings includes semi-detached, town houses, units, and multi-storey apartments.

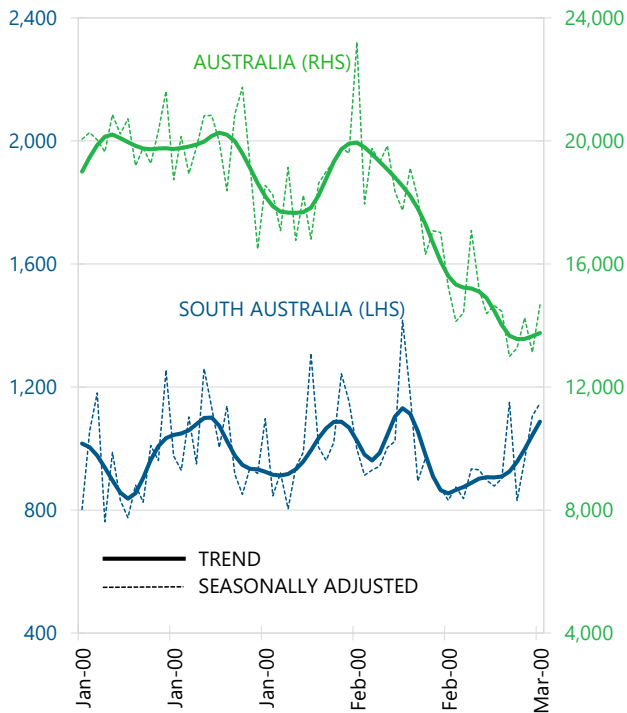
Table 1: Trend Dwelling Approvals by State

	Nov 19 v Nov 18 (% change)
NSW	-19.2
VIC	-11.9
QLD	-10.1
SA	+27.3
WA	-6.8
TAS	-7.1
AUS	11.8

Source: ABS Building Approvals data

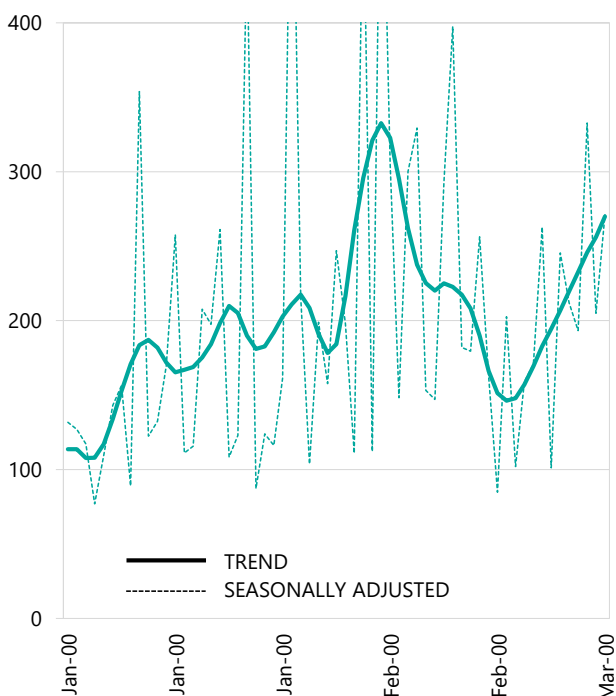


Chart 1: Total Number of Dwelling Approvals Per Month



Source: ABS Building Approvals data

Chart 2: South Australian Non-Residential Buildings Approved



Source: ABS Building Approvals data

- During November, the value of non-residential building approvals rose by 4.2% in South Australia, and increased 78% through the year.

Other Commentary on Building and Construction Indicators

Government of South Australia - State Budget 2019-20 Mid-Year Budget Review (released 9 December 2019)

Source: [Government of South Australia](#)

10 Year Housing Plan - Government of South Australia

- A \$550 million housing and homelessness strategy to create jobs and help more people buy their own home has been unveiled by the South Australian government.
- The plan includes \$400 million to deliver 1,000 new affordable homes by 2025 for low and moderate-income earners.
- Another \$75 million will be allocated over 10 years to address a backlog in public housing maintenance and more than \$70 million will be allocated for social housing and to establish a homeless prevention fund.
- The government will also boost support for 10,000 more HomeStart loans which target lower-income earners.

Expenditure Initiatives

- Expenditure initiatives include bringing forward \$327.0 million of major road infrastructure projects from outside the forward estimates, made possible by the Commonwealth Government's agreement to provide \$261.6 million of project funding earlier than budgeted and \$87.5 million to enable completion of the Darlington upgrade project funded on an 80/20 basis with the Commonwealth.

Infrastructure Initiatives

- The state and Commonwealth governments have committed an additional \$16 million over two years for the Flinders Link project. The project is funded on a 50/50 basis with the Commonwealth Government contributing \$8 million and the state government reallocating \$8 million from the Tonsley Line station upgrade project which will now be undertaken with existing Flinders Link project works.
- The state and Commonwealth governments have committed an additional \$87.5 million over two years to enable completion of the Darlington Upgrade Project. The project is funded on an 80/20 basis with the Commonwealth Government contributing \$70 million and the state government \$17.5 million.



Government of South Australia Media Release, Tuesday 10 December 2019 "South Australia reaches record \$12.9 billion infrastructure pipeline creating thousands of jobs"

Source: [Steven Marshall Premier of South Australia](#)

- The State Government has built a \$12.9 billion pipeline of infrastructure works over the next four years.
- According to the Government, the \$12.9 billion pipeline of infrastructure works is the most over a four-year period in South Australia's history, underpinning the local construction industry and supporting the almost 80,000 construction jobs in South Australia.
- The infrastructure spend comes as the first sod is being turned on the Paradise Park 'n' Ride that will create 78 full time equivalent jobs.
- Since March 2018, the Marshall Government has secured billions of dollars for key road and infrastructure projects including;
 - \$354 million Regency to Pym Project;
 - \$220 million towards Gawler Line Electrification Project;
 - \$231 million Torrens Road (Ovingham) grade separation;
 - \$171 million Brighton Road (Hove) grade separation;
 - \$98 million to upgrade the intersection of Magill Road and Portrush Road;
 - \$61 million to upgrade the intersection of Cross Road and Fullarton Road;
 - \$60 million to upgrade the intersections of Goodwood/Springbank/Daws Roads;
 - \$35 million to upgrade the intersection of Glen Osmond Road and Fullarton Road;
 - \$19 million to upgrade the intersection of Main North Road and Nottage Terrace;
 - \$19 million to upgrade the intersection of Grand Junction/Hampstead/Briens Roads; and,
 - \$13 million to upgrade the intersection of Main North, Kings and McIntyre Roads.
- \$200 million Joy Baluch Bridge Duplication Project;
- \$122.5 million Port Wakefield Overpass and Duplication Project;
- \$250 million to upgrade the Princes Highway;
- \$143 million for road upgrades, including additional overtaking lanes and shoulder sealing;
- \$125 million for the Eyre Highway to upgrade South Australia's section from Port Augusta to Perth – including \$32 million to upgrade Eyre Peninsula Roads;
- \$87.5 million to upgrade the Sturt Highway from Renmark to Gawler;

- \$62.5 million to upgrade the Barrier Highway from Cockburn to Burra;
- \$92 million Victor Harbor Road Duplication; and,
- \$55 million Horrocks Highway Corridor Upgrade.
- The Government is also delivering key public transport projects including more Park 'n' Rides and the Gawler line electrification project, as well as big regional infrastructure projects like the Port Wakefield Overpass and Joy Baluch Bridge Duplication projects.

CoreLogic - Cordell Construction Monthly, November 2019

- Tenders have been advertised for a panel of fencing contractors to be established for the reconstruction of 1,600km of the Dog Fence. \$20 million in funding was granted by the South Australian and Commonwealth Governments earlier this year, together with \$5 million from the livestock industry. The current fence is 100 years old and is the longest continuous fence in the world. The repair will require up to 71,000 timber posts, 127,500 steel droppers and over 7,000km of wire. It is expected to take up to five years to complete the project.
- Pacific Hydro has resolved **not to proceed** with its 42 turbine Keyneton Wind Farm at the Mount Lofty Ranges, due to a decision by the Minister for Planning not to grant an extension of time to complete the project.
- Res Australia has been granted approval by the state government for its Twin Creek Wind Farm near the Barossa Valley. The 183 MW wind farm and 215 MW battery energy storage facility will be one of the largest in Australia.
- Built Environs has started construction on the 128 room Adelaide Oval Hotel which is due to open next September before the T20 World Cup. The five-storey hotel will be built on two elevated pods integrated with the eastern grandstand and east gate entry facing the Adelaide Parklands.

Rider Levett Bucknall, Construction Market Intelligence Australia Report, Fourth Quarter 2019

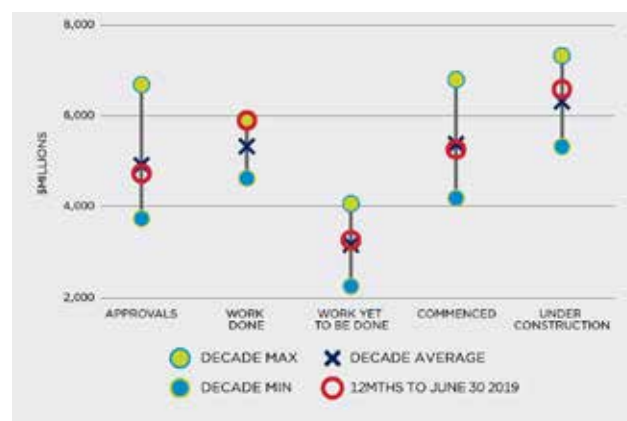
Source: [Rider Levett Bucknall](#)

- Construction activity across South Australia reached \$12.6 billion, for the year to 30 June 2019, up 2.63% from the previous 12 months.
- Residential work done was up 0.9% and non-residential activity up 6.2% in nominal terms. All non-residential sectors saw strong growth during 2019 with the exception of health due to the completion of the new Royal Adelaide Hospital.
- Engineering construction has begun to recover from the recent lows in 2015, with the twelve months recording over \$6.5 billion of work done, up by 2.2% over the previous record levels of 2018. Strong growth in infrastructure (roads and water) fuelled this strong performance.



- With the rise in activity within South Australia, structural trades are reaching capacity. The lack of available resources in the concreting and formwork trades is becoming apparent.
- Engineering services trades are also experiencing heated activity with pricing increasing and becoming more erratic. Increased pricing levels have also been seen in the ceiling, partitions and joinery trades. Obtaining adequate trade coverage for tendered projects is still proving difficult.
- The \$690m funding program for new public schools has commenced with expectations the construction phase will commence in the second half of this year.
- The ASC south site is currently under construction for both the offshore patrol vessel and frigate shipyard expansion.
- Construction on the Skycity Casino (\$200m+) redevelopment and expansion continues.
- Work on the former Royal Adelaide hospital site is progressing. The State Government has engaged design consultants for four major health projects varying in value from \$40m to \$250m+. Contractors are now being procured.
- Tenders for SAMHRI 2 have closed and construction works are expected to commence in the coming months.
- Adelaide's Q3 2019 RLB Crane Index continued its upward trajectory increasing to 317, the highest value recorded. The increase was a result of eight new cranes starting in Adelaide with six removed from projects.
- Building work done is currently at a decade high, \$700m above the decade average for the 12 months to June 30. The value of building commencements, approvals, work under construction and work yet to be done are all slightly above the decade averages for the same period. Current activity indicates that in the short term, the value of work being undertaken in South Australia should be at similar levels to those seen in the year to June 30, 2019.

SA Building Activity Values - 2009 to 2019 12 months to June 30



Source: Rider Levett Bucknall

Australian Securities and Investments Commission (ASIC) – Companies Entering External Administration by Industry

Source: [ASIC](#)

- The table below summarises the data for construction in South Australia, by comparing it to all industries in SA and to construction nationally. Insolvencies in construction were actually lower in 2018-19 than in 2017-18 and are well below the number in 2013-14. On average, the construction sector makes up around 15% of all insolvencies in South Australia, which is well above its employment or Gross State Product share (which is around 8%).

Table 2: Companies Entering External Administration

	Construction SA	All industries SA	Construction Aust	% of SA total	SA % of Aus construction
2013-14	64	393	1,802	16.3%	3.6%
2014-15	47	362	1,591	13.0%	3.0%
2015-16	55	386	1,647	14.2%	3.3%
2016-17	39	311	1,509	12.5%	2.6%
2017-18	57	341	1,354	16.7%	4.2%
2018-19	52	347	1,515	15.0%	3.4%
Jul-Oct19 YTD	17	115	656	14.8%	2.6%



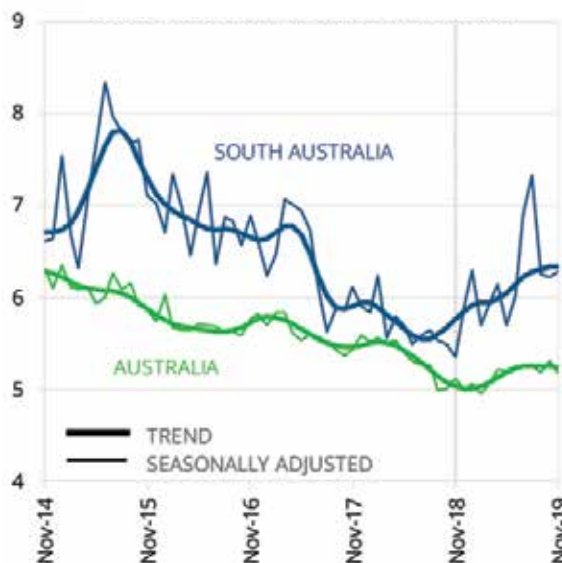
Employment and Unemployment Related Indicators

NB: Most recent data available as at January 2020.

ABS Labour Force Australia, November 2019 – Cat. No. 6202.0 (analysis from Department of Treasury and Finance)

- During November, the unemployment rate: was 6.3% in South Australia in trend terms (5.2% nationally); and was 6.3% in South Australia in seasonally adjusted terms (5.2% nationally).
- Through the year trend employment growth was 0.7% for South Australia and 2.1% nationally.

Chart 3: Unemployment Rates (%)

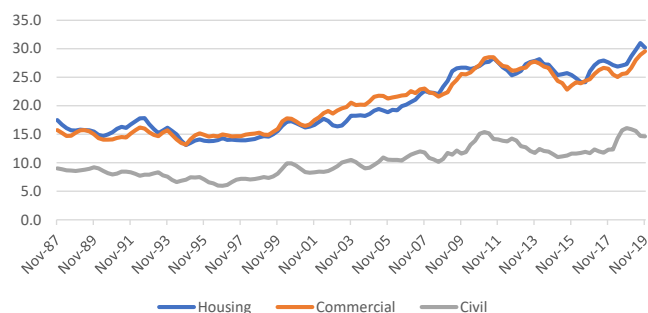


Source: Chart reproduced from Department of Treasury and Finance, Economic Briefs.

ABS Cat. No. 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Nov 2019 (analysis from CITB and Department of Treasury and Finance)

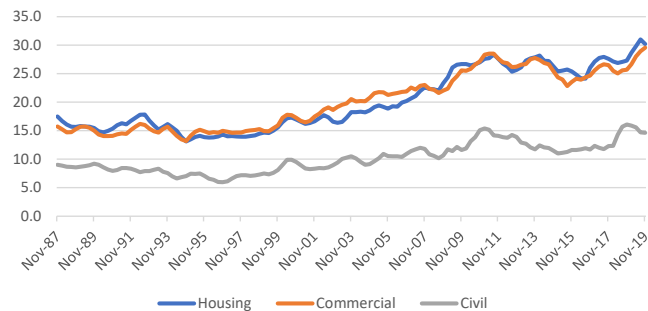
- Estimates of employment by industry for the November quarter 2019 have been released by the ABS. The following Charts show construction employment trends for South Australia.

Chart 4: Workforce Splits Construction Industry, South Australia



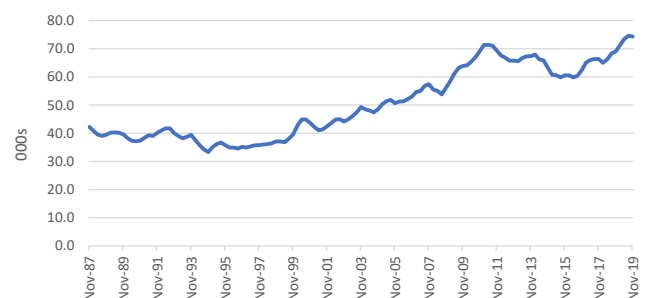
Source: CITB estimates from ABS Labour Force data

Chart 5: Share of Total Construction Employment - South Australia



Source: CITB estimates from ABS Labour Force data

Chart 6: Total Employment - Construction South Australia

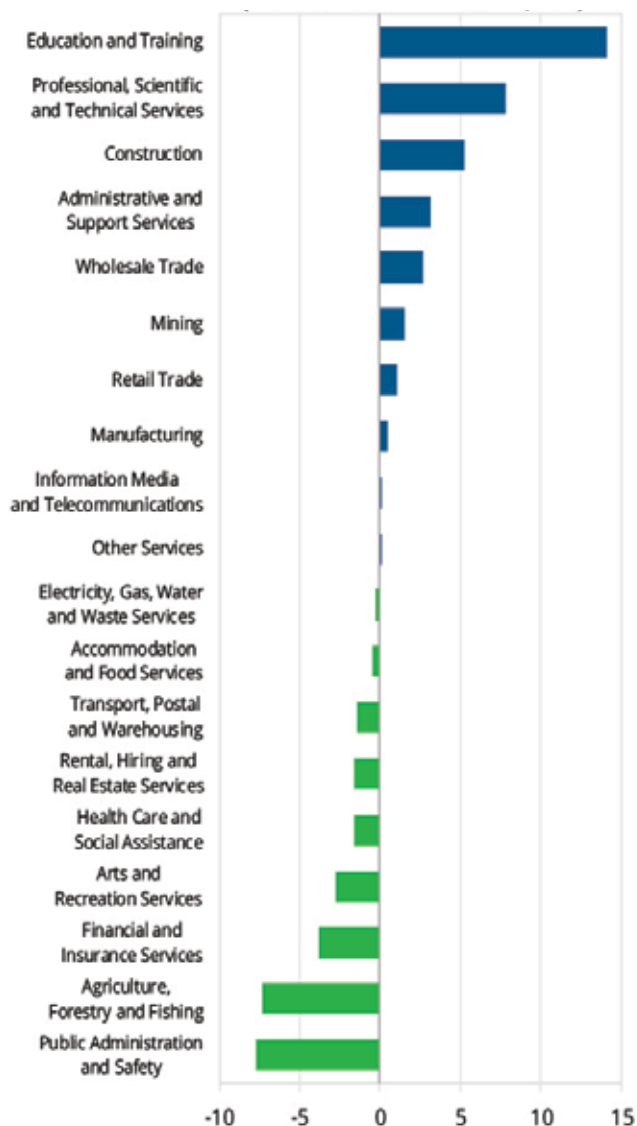


Source: CITB estimates from ABS Labour Force data

- South Australian industries experiencing employment growth in the year to November 2019 compared to November 2018 include:
 - Education and Training (up 23%);
 - Professional, Scientific and Technical Services (up 15%);
 - Construction (up 7.7%);
 - Administrative and Support Services (up 11%); and
 - Wholesale Trade (up 12%).
- Construction is the 4th largest employing industry in South Australia



**Chart 7: Year on Year Employment Growth by Industry, South Australia
(Moving Annual Average, '000)**



Source: Chart reproduced from Department of Treasury and Finance, Economic Briefs

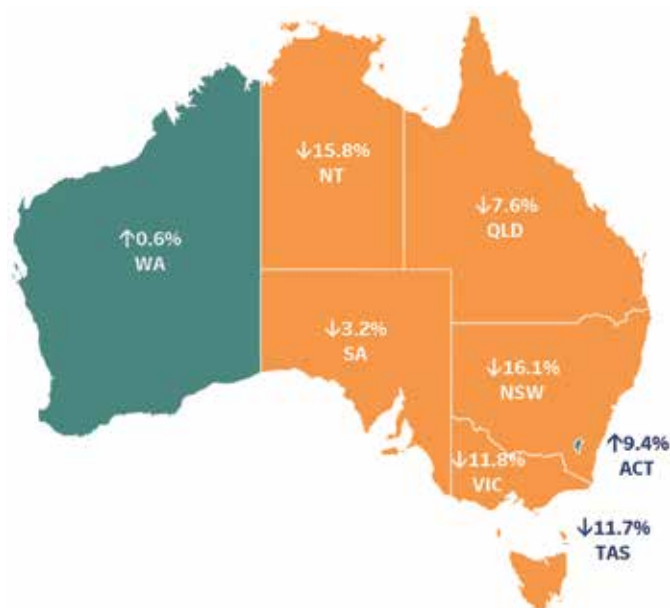
Vacancy Report – November 2019, Australian Government Department of Employment, Skills, Small and Family Business

Vacancy Report Headline Figures-November 2019 (Australia)



- The Internet Vacancy Index (IVI) decreased by 1.3% (or 2,200 job advertisements) in November 2019 nationally, and has now declined for 11 consecutive months. The IVI is 10.6% (or 19,400 job advertisements) below the level recorded a year ago.

Annual Change, by State / Territory



Most Common Skills Requested by Employers



Source: Burning Glass Technologies, year to November 2019, most commonly requested skills. Font size represents the relative number of total job advertisements requesting the given skill. Source: [Australian Government](#)

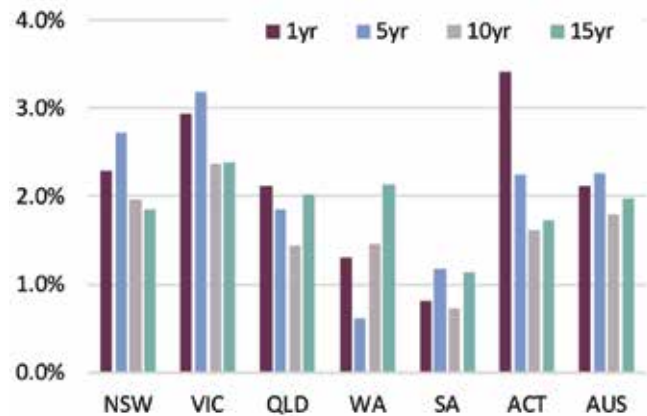


Savills, Economic Property Drivers – December 2019

Source: [Savills](#)

- Interestingly across all States, female participation and employment has increased meaningfully and the overall labour force has gotten older as more Australians seek employment for financial, social and skills reasons.

Chart 8: Employment Growth by State



Source: ABS/Savills Research

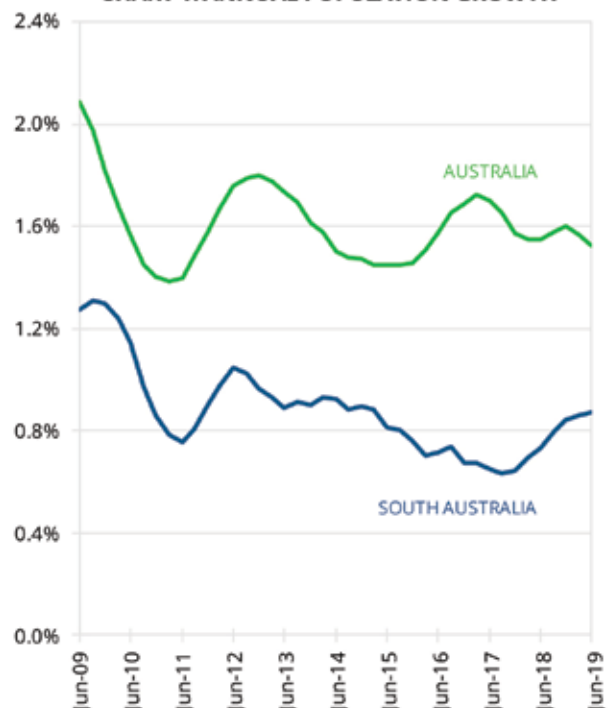
Population Estimates



ABS Labour Force Australia, June Quarter 2019 – Cat. No. 3101.0. Analysis from Department of Treasury and Finance

- During the year to June 2019, South Australia's Estimated Resident Population (ERP) increased 0.9% (or 15,200 persons) to 1,751,700 people. Nationally, the ERP increased 1.5% to 25,364,300 people.
- In the 12 months to June 2019 the largest contribution to South Australia's population growth came from net overseas migration, which totalled 13,800 persons, up 8.4% from the previous 12 months. Natural increase over the period totalled 5,300, up 6.0% from the previous 12 months. In the year to June 2019, there was a net interstate outflow of 4,000 people from South Australia, 23.2% lower than in the previous 12 months.

Chart 9: Annual Population Growth



Source: Chart reproduced from Department of Treasury and Finance, Economic Briefs



Commentary on General Economic Conditions

Government of South Australia - State Budget 2019-20 Mid- Year Budget Review (released 9 December 2019)

Source: [Government of South Australia](#)

- The South Australian economy grew by 1.4 per cent in 2018-19, lower than expected as a result of a 16 per cent reduction in winter crop production. State Final Demand grew by 1.6 per cent in 2018-19, similar to the increase in national Domestic Final Demand of 1.7 per cent.
- Employment rose by 1.4 per cent. Through the year to October 2019 employment increased by 6,900 or 0.8 per cent, and the state's unemployment rate has increased to be 6.3 per cent, from 5.7 per cent a year earlier, due to increased participation in the labour market.
- Some economic forecasts in the Mid-Year Budget Review have been revised downward from those presented at budget time, consistent with a softening international and national outlook, and ongoing dry weather conditions. The Gross State Product (GSP) growth forecast for 2019-20 of 1¼ per cent, reflects a lower than anticipated recovery in winter crop production (currently expected to rise by just 6.9 per cent after a 16 per cent fall in 2018-19) and the slowdown in consumer spending across Australia more generally.
- Employment growth in South Australia is forecast to be 1 per cent in 2019-20, the same as at budget time.

ABS Retail Trade Data – October 2019, ABS Cat. No. 8501.0 (analysis by Department of Treasury and Finance)

- Compared with a year earlier, nominal retail turnover was 1.4% higher in South Australia and 2.3% higher nationally.

Deloitte Access Economics: Weekly economic briefing - 10 December 2019

- Deloitte's latest Retail Forecasts report highlights what a tough year 2019 has been for Australia's retail sector - and that festive spending will likely do little to change that underwhelming result.
- Weak wage growth, high debt levels and increasing price pressures are hurting demand, while tax returns and interest rate cuts have yet to fully come through.
- On a brighter note, 2020 is looking more promising when it comes to improved sales performance, as the much-needed elements needed to help turn the retail sector around are expected to emerge.

Stronger wage growth, improvements in the housing market, and stabilisation of price pressures are all expected to support a recovery in consumer demand. The Reserve Bank of Australia (RBA) and federal government are also committed to supporting the economy, with further interest rate cuts on the cards and Commonwealth infrastructure spending being brought forward.

Savills, Economic Property Drivers – December 2019

Source: [Savills](#)

- The Australian economy is yet to kick-start, despite accommodative monetary policy to pump prime the economy.
- The RBA eased monetary policy for the third time this year in early October, to all-time lows of 0.75%.
- The interesting aspect to the RBA's move is that monetary policy is doing all the heavy lifting in trying to kick start the economy and that expansionary fiscal policy is yet to be pursued at a political level. Both business and consumers remain benign to economic conditions domestically and internationally, with sentiment surveys neutral at best.
- There are unintended consequences from the RBA's aggressive easings, in that low rates have triggered a meaningful rebound in housing prices over the last four months. CoreLogic are predicting that if the price rises continue at the same rate, they will be back to their all-time highs by early to mid-2020. Such a reflation in asset prices will bring with it political pressure from the first home buyer electorate and potentially concerns from regulators and the credit security of home loans.
- This is the juggling act the RBA is having to perform, to limit asset price growth while boosting economic and employment growth. This aims to remove the slack out of the system where national unemployment is at somewhat higher levels of 5.3%, while the more telling measure of under-employment is running at 8.6%

Chart 10: Through Year Growth in Real Retail Turnover – Trend



Source: Chart reproduced from Department of Treasury and Finance, Economic Briefs



- There is criticism of the RBA's aggressive rate cuts, and a growing opinion that they are no longer working and are arguably missing a major part of the population. For example, only circa one third of the Australian population has a mortgage, with another third unencumbered home owners and the balance renters, so if you don't owe money, low cost of debt is meaningless.
- Another unintended consequence is that as interest rates have fallen, those living off investment returns have had a fall in income and hence spending ability. This can be seen in the Savings Ratio, where it has fallen from circa 10% post GFC (2010-12) to current 2.3%.
- Overall, we expect interest rates to remain low for longer over the next 2-3 years as the national and global economy continues to produce low economic growth and governments grapple with populist fiscal over economic and taxation policy.
- We remain positive on Australian Real Estate into 2020 and beyond, supported by low for longer interest rates; under-leveraged property owners; a densifying population underpinned by a positive immigration policy and positive employment growth; and disciplined developers retaining a market of scarcity.

Key Economic Indicators by State

	SFD / GDP Growth	Population Growth	Inflation	Employment Growth	Unemp. Rate	House Price Growth	Attached Price Growth	Retail Trade Growth
	Jun-19	Mar-19	Sep-19	Oct-19	Oct-19	Jun-19	Jun-19	Sep-19
NSW	2.2 (2.9)	1.4 (1.4)	1.6 (2.2)	2.3 (2.0)	4.5 (5.2)	-10.7 (6.0)	-5.8 (5.7)	0.7 (3.7)
VIC	3.4 (3.3)	2.1 (2.1)	1.7 (2.2)	2.9 (2.4)	4.7 (5.6)	-9.3 (5.4)	-3.6 (3.5)	3.1 (3.9)
QLD	1.1 (1.8)	1.8 (1.7)	1.9 (2.1)	2.1 (1.4)	6.2 (6.0)	0.6 (2.4)	0.3 (0.5)	4.5 (3.1)
WA	-1.1 (1.2)	1.0 (1.6)	1.6 (1.8)	1.3 (1.5)	5.9 (5.2)	-5.9 (0.5)	-7.4 (-0.1)	3.2 (3.1)
SA	1.6 (1.9)	0.9 (0.9)	1.9 (2.0)	0.8 (0.7)	6.1 (6.1)	0.0 (2.6)	1.9 (2.3)	1.8 (2.4)
ACT	3.0 (2.7)	1.7 (1.9)	1.8 (1.9)	3.4 (1.6)	3.4 (3.9)	2.7 (4.6)	1.2 (1.4)	3.4 (3.3)
TAS	4.1 (1.4)	1.2 (0.6)	2.2 (2.0)	0.8 (0.7)	6.4 (6.4)	7.0 (4.7)	7.1 (3.7)	2.2 (2.4)
NT	-15.6 (0.7)	-0.4 (0.9)	0.5 (1.6)	-2.5 (0.8)	5.1 (4.0)	-6.8 (0.3)	-7.1 (-1.4)	-0.6 (1.8)
AUS	2.0 (2.6)	1.6 (1.6)	1.7 (2.1)	2.1 (1.8)	5.2 (5.5)	-7.7 (4.4)	-5.5 (3.5)	2.5 (3.4)

Source: ABS / DOE / RBA / Savills Research; 10 yr Averages shown in brackets.

ABS: GDP/State Final Demand– September 2019, ABS Cat. No. 5206.0 (analysis by Department of Treasury and Finance)

- The value of domestic production is measured by Gross Domestic Product (GDP, published quarterly), and at the state level, by Gross State Product (GSP, published annually).
- The value of spending in the domestic economy is measured by Domestic Final Demand (DFD, published quarterly), and the state level, by State Final Demand (SFD, also published quarterly).
- SFD reflects consumption in the state on goods and services (including imports) and capital investment. It does not count the value of goods and services produced locally, but exported (overseas or interstate).
- Australian GDP rose by 0.4% in the September quarter following a rise of 0.6% in the June quarter and was 1.7% higher than a year earlier.
- South Australian SFD fell 0.3% but was 0.2% higher than a year earlier.



Chart 11: South Australian SFD Growth (Real, Seasonally Adjusted)



Source: Chart reproduced from Department of Treasury and Finance, Economic Briefs

Table 3: State Final Demand – Real, seasonally adjusted

	Sep qtr19 vs Jun qtr 19 (% change)	Sep qtr 19 vs Sep qtr 18 (% change)
NSW	0.3	0.6
VIC	0.4	1.8
QLD	0.1	1.3
SA	-0.3	0.2
WA	-0.2	0.0
TAS	0.8	3.3
AUS	0.2	0.9

Source: Table reproduced from Department of Treasury and Finance, Economic Briefs

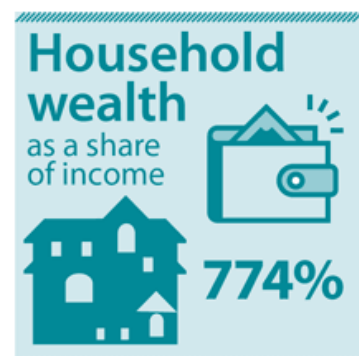
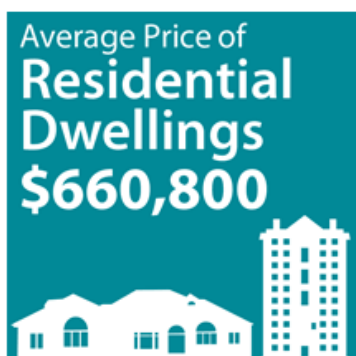
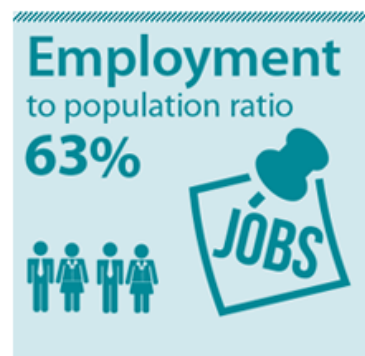
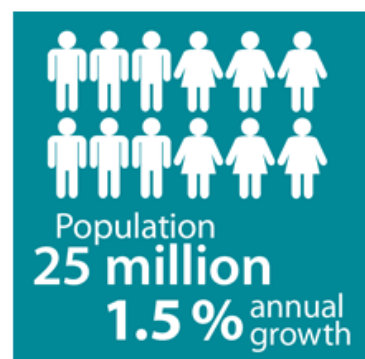
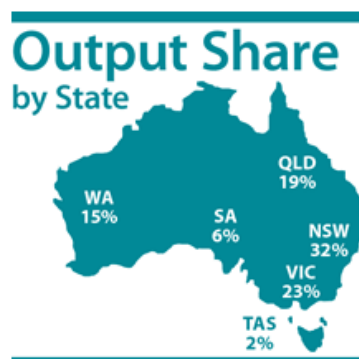


Reserve Bank of Australia – Composition of the Australian Economy Snapshot

Source: [Reserve Bank of Australia](#)



Download the complete [Snapshot](#) [PDF](#) 240KB





ANZ Research – ANZ Research Quarterly Issue 38 2020 Q1

Source: [ANZ](#)

- Australia's economic growth is set to improve gradually through 2020 and 2021. As growth improves, we expect a rotation of drivers away from the public and external sectors and towards the private domestic economy. The labour market though is set to stay weak, keeping the Reserve Bank in easing mode.
- GDP growth has disappointed on a number of fronts in 2019. Consumer spending has been much weaker than anticipated, investment has declined and housing construction has fallen sharply.
- It seems that the combination of low wage growth and high debt is becoming increasingly uncomfortable for many households, especially as low wage expectations become more accepted as the "new normal".
- So far, there are few signs of the strength in prices feeding into a recovery in dwelling construction. After falling sharply in the past year, building approvals look to be stabilising, but are yet to turn up convincingly.
- The increasing share of apartments in the housing mix means that the supply response will be a little slower than in the past. However, other leading indicators are signalling a turn: housing finance for construction has lifted and surveys suggest the outlook for residential construction is improving. We expect construction to bottom out in mid-2020 before gradually picking up. Ongoing concerns about apartment build quality and the associated weakness in pre-sales tilt risks to the downside.
- The only real bright spots for the national economy are exports and the labour market. Although employment growth has slowed, it has been strong enough to keep unemployment low.
- Australian interest rates have followed overseas interest rates in approaching near-zero which means that any further interest rate cuts will not work. Indeed, any further cuts are likely to exacerbate asset price bubbles, and we have already seen signs of this with house prices in Melbourne and Sydney picking up again over recent months.
- If policy makers want the economy to escape its current doldrums, they will need to rely more heavily on fiscal policy to crowd-in private investment. This will require a long-term strategy of substantial federal and state government infrastructure investment largely targeted at projects that will help support diversified export-led growth.
- There have been negative signs for the South Australian economy in 2019 with growth in final demand (the measure of the 'domestic' state economy excluding interstate and international trade) coming to a halt in the middle of the year.
- A particular concern is that the slowdown has become more widespread with all major components of final demand showing weak trends or contracting.
- Labour market data are consistent with this picture; total employment in October 2019 was down 0.6 per cent (5,000 jobs) from the previous peak in May 2019.
- Employment is expected to grow by ½ per cent which would be slightly below growth in the population, leading to an increase in unemployment.

South Australian Centre for Economic Studies (SACES) – Economic Briefing Report, December 2019

- South Australian economic growth will be much slower in 2019/20 as a consequence of the slowdown in the national economy becoming entrenched and the global economy losing further momentum.
- SACES forecasts that Gross State Product (GSP) will rise by just ¾ per cent in 2019/20.
- The broader economic environment has become less supportive over recent months, with the global economy entering a synchronised slowdown, while the Australian economy has continued its recent pattern of subdued growth.
- Weakness in business investment is apparent in Australia. Private business investment as a share of the economy is at its weakest since the early 1990s recession.
- Household spending, which has been growing at its slowest pace since the global financial crisis, is another area of major weakness. It seems households decided to save most of the recent income tax cuts amid an increasingly uncertain environment characterised by high debt levels, subdued wages growth and weak house price trends.



THE FUTURE IS YOURS TO BUILD

ABN 39 817 133 546

Construction Industry Training Board

5 Greenhill Road Wayville SA 5034 | PO Box 1227 Unley SA 5061
1800 739 839 | citb.org.au | citb@citb.org.au