

Box B: Divergences in Regional Performance

National economic outcomes typically mask some regional variation, but there appears to be a greater than usual divergence in regional performance at present. This disparity is most evident in the labour market. Employment has expanded rapidly over the past year in most states, especially Queensland and Western Australia, which both recorded growth rates above 5 per cent. In contrast, employment in NSW has been increasing more slowly than elsewhere since early 2003 and is presently growing at around trend rates. This is reasonably healthy by historical standards, but is less than half the pace currently seen in the rest of the country (Graph B1). While unemployment rates have fallen in all states over the year, the extent of the falls has also varied widely (Table B1). The unemployment rate has fallen less in NSW than in the smaller states,

and it is now above the national average for the first time since the early 1990s, whereas Queensland's unemployment rate has fallen almost 2 percentage points to be the lowest across all states.

The slower employment growth in NSW than elsewhere has been associated with a marked easing in the state's population growth. Population growth in NSW decelerated sharply in 2001 and 2002, and has since lagged significantly behind that in the rest of Australia (Graph B2). While net overseas migration to

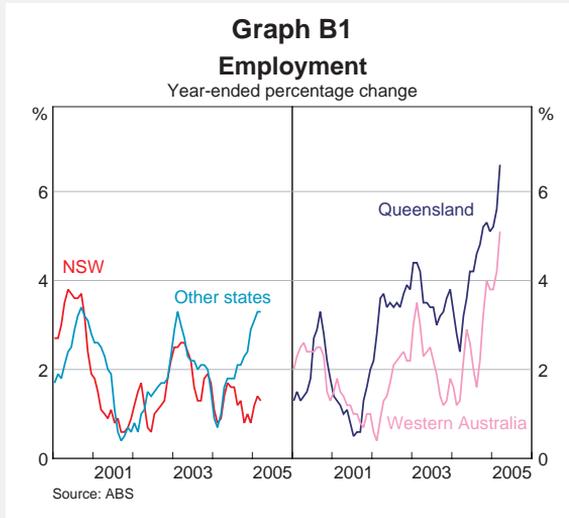


Table B1: Labour Market by State
March quarter 2005; per cent

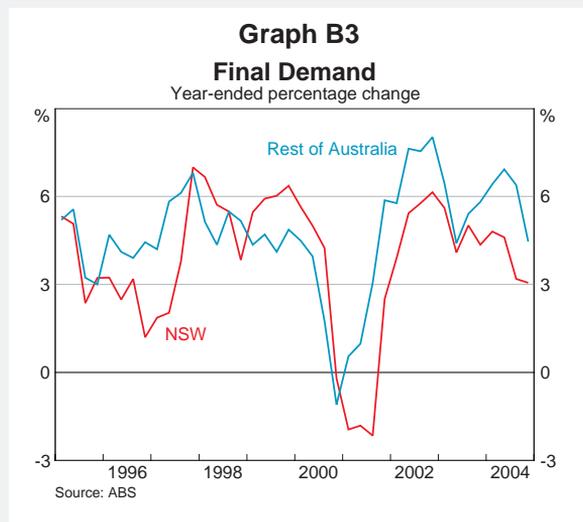
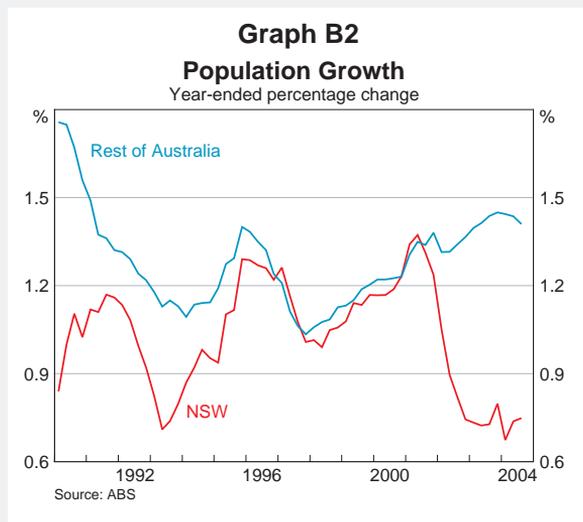
	Employment growth		Unemployment rate	
	Quarterly	Year-ended	Level	Year-ended change ^(a)
NSW	0.9	1.3	5.3	-0.1
Victoria	0.9	3.5	5.5	-0.2
Queensland	1.7	6.6	4.5	-1.8
WA	1.8	5.1	4.8	-0.8
SA	0.9	2.6	5.4	-1.0
Tasmania	1.5	3.0	5.7	-1.2
Australia	1.1	3.4	5.1	-0.6

(a) Percentage points
Source: ABS

NSW has fallen over this period, increased outflows of residents to other states have accounted for around two-thirds of the decline in population growth. Changes in the flows of interstate migration are generally associated with relative employment opportunities and housing affordability; consistent with this, the sharpest fall in population growth in NSW coincided with a pronounced decline in the state's relative housing affordability and employment growth.

The divergence in employment outcomes between the states accords with differences in indicators of economic growth. Final demand – the most comprehensive measure of state activity available on a quarterly basis – has been growing rapidly in Queensland and Western Australia, supported by exceptional strength in dwelling investment and consumption spending. In contrast, final demand in NSW has been running at rates well below the national average for several years (Graph B3), largely reflecting slower growth in consumption. More recently, this has been exacerbated by a downturn in housing

construction, since the housing cycle in NSW is somewhat ahead of that in other states. Using a broader measure of output that includes international trade in goods,¹ it appears that net trade is also weighing more heavily on growth in NSW than in other states, particularly those most exposed to the current resources boom. This is highlighted by recent trends in the value of state exports, which show a solid expansion in Western Australia and more recently in Queensland, buoyed by strong demand for resources and high commodity prices. In contrast, exports in NSW and other states remain below the levels seen in 2001, with NSW particularly affected by the severity and persistence of drought. ↗



¹ Although such a measure excludes inventories, interstate trade and international trade in services.

