

# STATE HANDBOOK: NEW SOUTH WALES

OCTOBER 2017



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## CONTACTS

**James Glenn**  
Senior Economist  
+61 (0) 455 052 519  
james.glenn@nab.com.au

**Riki Polygenis**  
Head of Australian Economics  
+ 61 475 986 285  
+61 3 8697 9534  
riki.polygenis@nab.com.au

**Alex Stanley**  
Senior Interest Rate Strategist  
+61 2 9237 8154  
alex.stanley@nab.com.au

### Important Notice

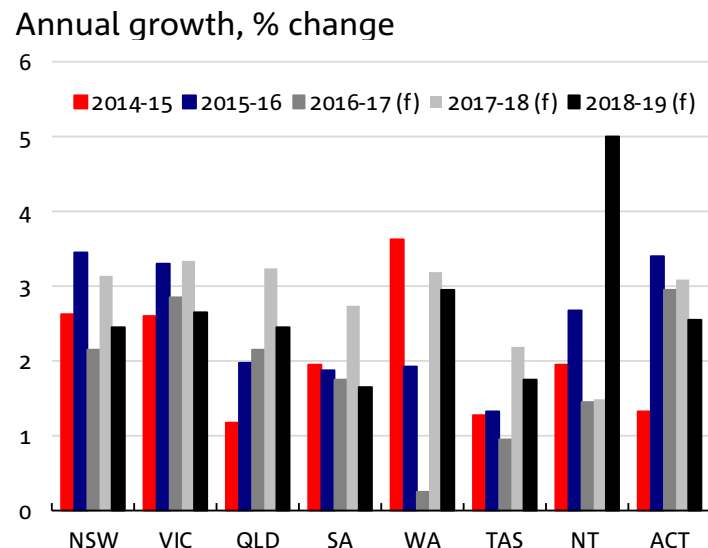
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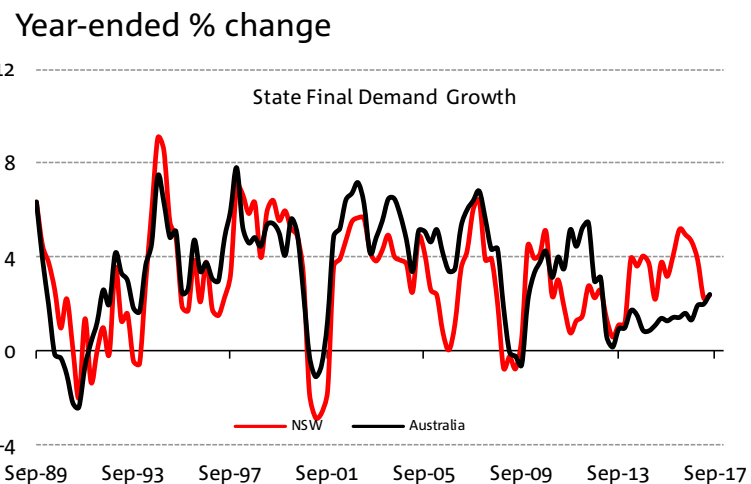
# KEY POINTS:

## NSW has lost some momentum, but the outlook remains positive

### CHART 1: STATE GSP GROWTH FORECASTS



### CHART 2: STATE FINAL DEMAND GROWTH



Source: ABS and NAB Group Economics

- In recent years, NSW has generally led the way in terms of the anticipated transition back towards non-mining economic growth. More recently, however, there has been a marked slowing in annual growth of state final demand, easing from rates of around 5% in H1 2016, to 2.4% over the year to Q2 2017 – more consistent with the national average growth rate. The slowdown has been relatively broad based, but was surprisingly most pronounced in private business investment. The partial economic indicators suggest conditions are mixed across the various segments of the market. Overall, however, we remain relatively upbeat about the outlook, particularly with respect to the outlook for infrastructure spending. **After recording growth of around 2¼% in 2016-17, growth in Gross State Product (GSP) is expected to pick up to 3.1% in 2017-18 (just behind Victoria), before easing back to 2½% in 2018-19 (Chart 1).**
- Business investment should rebound somewhat going forward, bolstered by a combination of solid business conditions, strength in commercial property (especially offices) and high levels of public infrastructure investment (much of which includes a private partnership component). That should help to offset the shrinking contribution (and eventual headwinds) that is likely to come from dwelling investment as the construction cycle approaches its peak. Consumption growth will be fairly muted as the cooling housing market weighs on household wealth, while very elevated levels of household debt and the rising cost of essentials (such as energy prices) hamper discretionary spending. Support from declines in the household savings rate will likely be more limited going forward as well, but we do anticipate an improvement (albeit gradual) in wages growth – reflecting a strengthening labour market (see below). The trade sector (including services exports) may be supportive, particularly as global economic conditions improve, but exports could struggle to grow as strongly as in recent years given our expectation for modest AUD depreciation ahead.

ABS data show that employment growth has picked up again this year, having slowed to a crawl in late 2016/early 2017. However, the volatile trend have been in contrast to other partial indicators which generally pointed to consistent (and quite solid) job growth over recent years. In either case, the unemployment rate has steadily improved to around 5% and is currently the lowest of all the states. Population growth is expected to remain solid in NSW, meaning that strong rates of job creation need to continue to drive further improvements in the unemployment rate. Recovering business investment, solid business conditions (especially in construction and services) and high levels of construction activity (including a rise in public infrastructure) should support the labour market. Overall, **the unemployment rate is forecast to improve a little further to 4¾%.**

As anticipated, the housing market appears to have come off the boil and is likely to continue to cool going forward. That, along with other constraints such as tighter credit conditions probably means that the peak in housing construction may be just around the corner as well – growth in dwelling investment has already slowed considerably (although the pipeline of projects remains very large). See page 15 for our housing price forecasts.

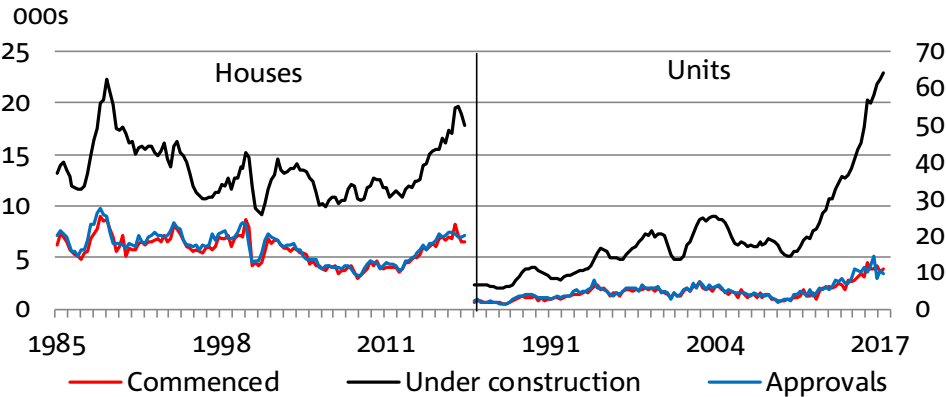
# IN FOCUS:

## Some observations on the construction cycle in NSW

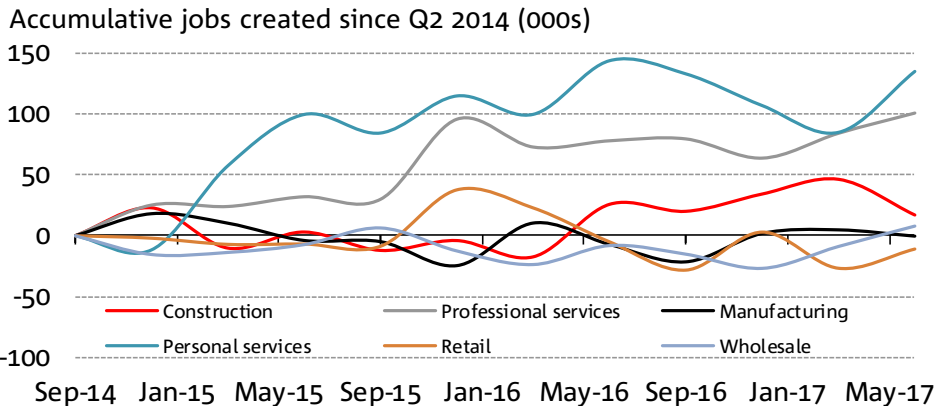
Booming construction activity has been a major driver of growth and employment in NSW. Residential property has played a major role, but following signs that market conditions are cooling, we are starting to see indications that the peak in housing construction may soon come. Approvals have started to fall and new commencements have dipped a little – although both are still elevated. We suspect that tightening credit condition and some waning in demand could see these trends continue, although record levels of projects under construction can potentially keep activity at a high level for some time (Chart 3) – elongating the cycle.

Meanwhile, public investment is providing an alternative source of growth. Public infrastructure projects underway in NSW are at record highs (Chart 5).

### CHART 3: NSW DWELLING CONSTRUCTION ACTIVITY



### CHART 4: NSW JOBS CYCLE BY INDUSTRY

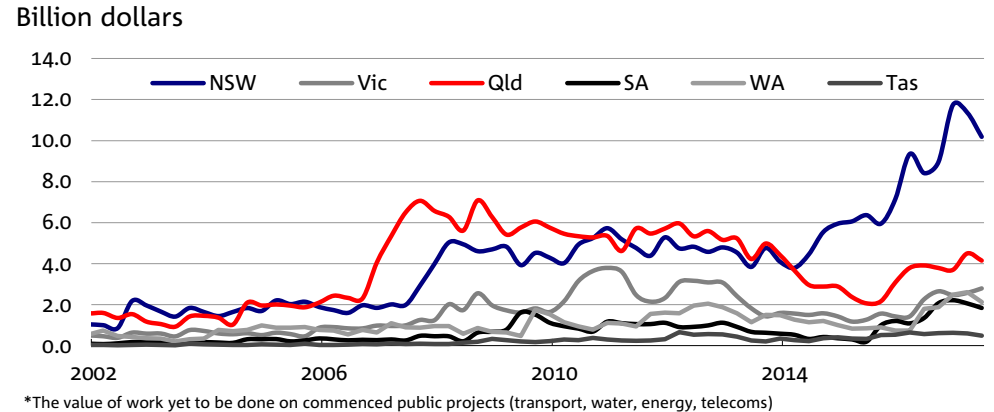


Source: ABS, NAB Group Economics

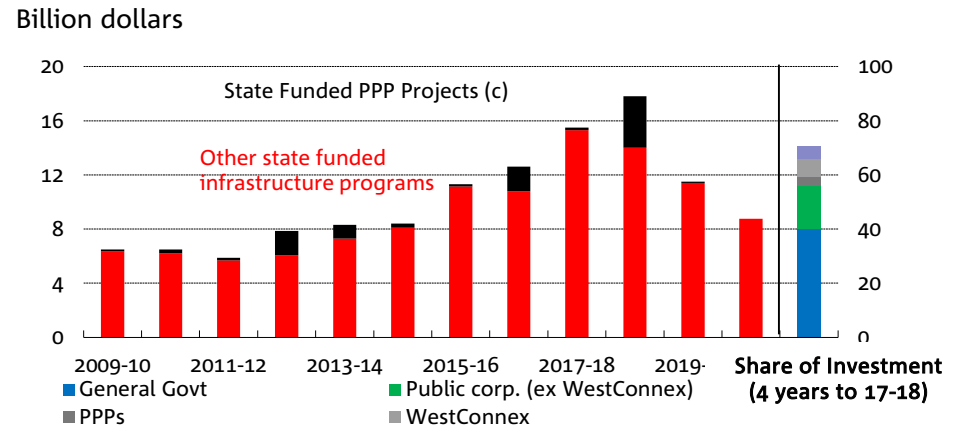
ABS data suggests there is over \$10b in public infrastructure projects underway in NSW, while residential projects are at \$29b. However, the state Budget has committed to nearly \$73b in infrastructure projects over 4 years. That should help drive further jobs growth – the WestConnex and light rail projects alone are expected to generate around 20k jobs.

That said, the pace of growth in public investment looks set to slow from next year (Chart 6), while the outlook beyond 2018-19 is uncertain as budgeted spending falls. There are, however, a number of projects still under consideration (not captured below). For example, the State Budget claims reserved Rebuild and Restart projects will contribute ¼ ppts to economic growth over a couple of years.

### CHART 5: PUBLIC INFRASTRUCTURE UNDERWAY\*



### CHART 6: STATE CAPITAL EXPENDITURE



# CONSUMER SPENDING:

## Consumers still remain cautious when it comes to discretionary spending

Growth in real household consumption has been relatively subdued in recent quarters, while year-ended growth eased to 2.5% in Q2 2017 (from a peak of over 4% in 2014). Downbeat consumer confidence is consistent with the trend, likely reflecting a combination of muted wages growth, elevated household debt levels and diminishing support from asset prices. There is also evidence that higher living costs (namely utility prices) are having an impact on spending decisions – although CPI inflation has so far remained relatively muted.

Consumer sentiment has been quite downbeat for some time now and according to NAB's Consumer Anxiety Survey, this has continued to make households reluctant

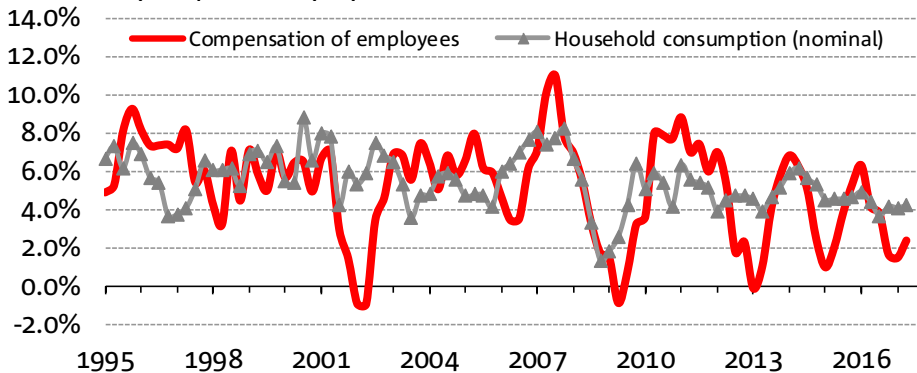
to spend on discretionary items – indicating that they were most likely to dedicate spending towards utilities costs, medical expenses and reducing debt, but least likely to spend on things like eating out (Chart 9).

Despite that, however, recent retail sales data presents a more optimistic trend, with spending on furnishings and cafes/restaurants showing quite solid growth over the past year.

It is unclear how long this trend may continue given expectations for the housing market to cool, while wages growth improves only gradually.

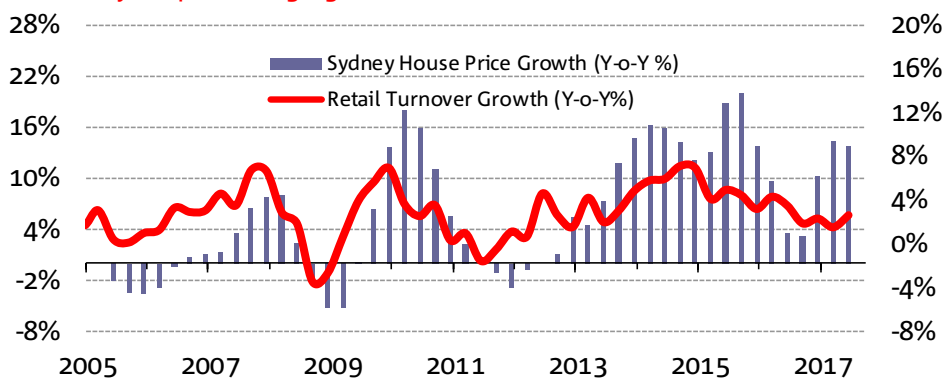
### CHART 7: NOMINAL AGGREGATE COMPENSATION OF EMPLOYEES AND HOUSEHOLD CONSUMPTION GROWTH

Year-on-year percentage growth



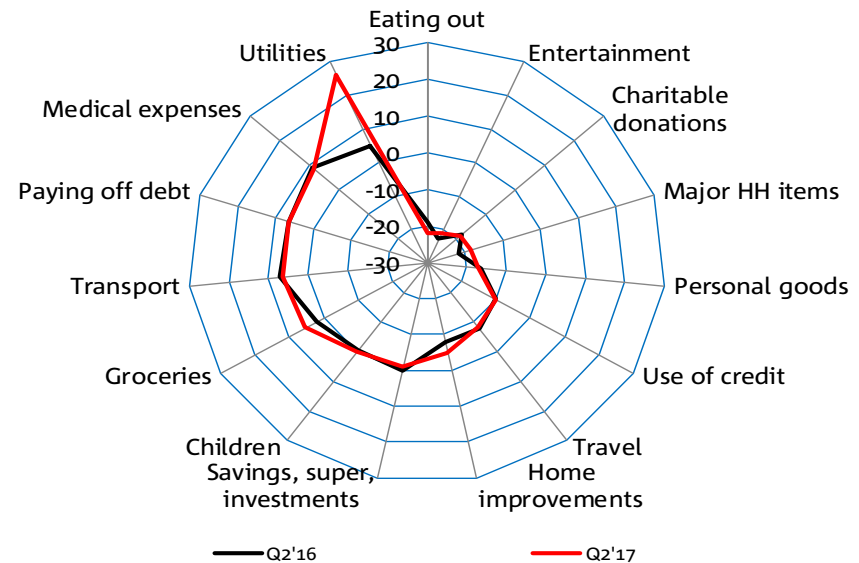
### CHART 8: RETAIL TURNOVER AND HOUSE PRICE GROWTH

Year-on-year percentage growth



### CHART 9: NAB CONSUMER ANXIETY SURVEY - CONSUMER SPENDING PREFERENCES

Changes in Consumer Spending Preferences (net balance)



# NAB CUSTOMER SPENDING BEHAVIOURS:

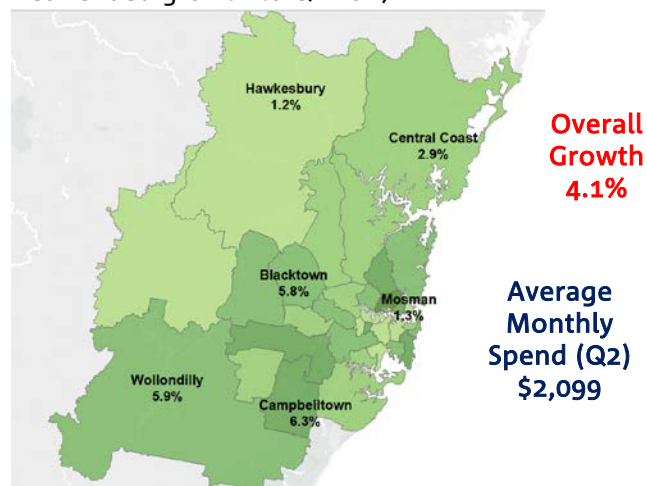
## Most regions in NSW are seeing growth in customer spending

NAB's customer transaction data allows for a more granular look at spending behaviours across regions in NSW. By individual postcode, spending growth was fastest in Quakers Hill 2763 (29.4%), Georges Hall 2198 (27.3%), Brooklyn 2083 (26.2%) and Church Point 2105 (22.1%). For regional areas, spending was fastest in Willow Tree 2339 (58.8%), Moree Plains 2387 (58.7%), Gwabegar 2356 (55.4%), Newcastle West 2302 (47.1%) and Harden 2597 (46.1%).

Customer spending on Arts & Recreation was fastest in both Sydney Metro (33.9%) and NSW Regional areas (36%).

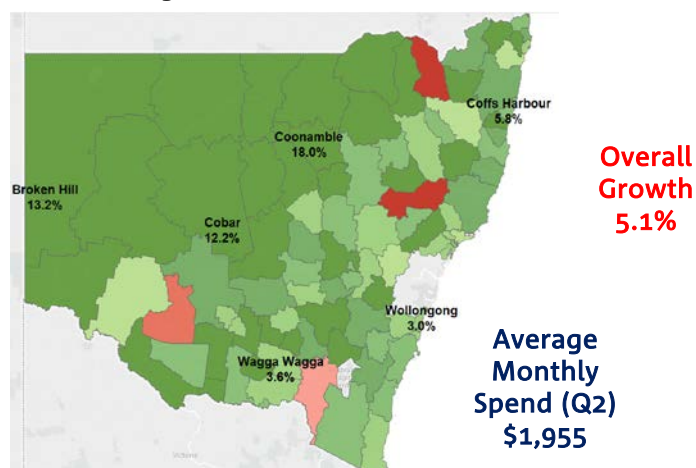
### CHART 10: GREATER SYDNEY METRO AREA

Year-ended growth to Q2 2017



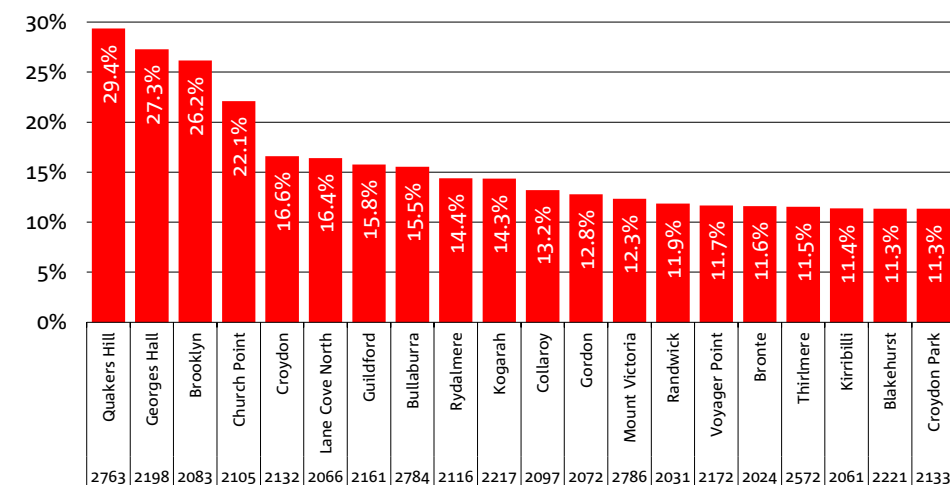
### CHART 12: REGIONAL NSW (EX METRO)

Year-ended growth to Q2 2017



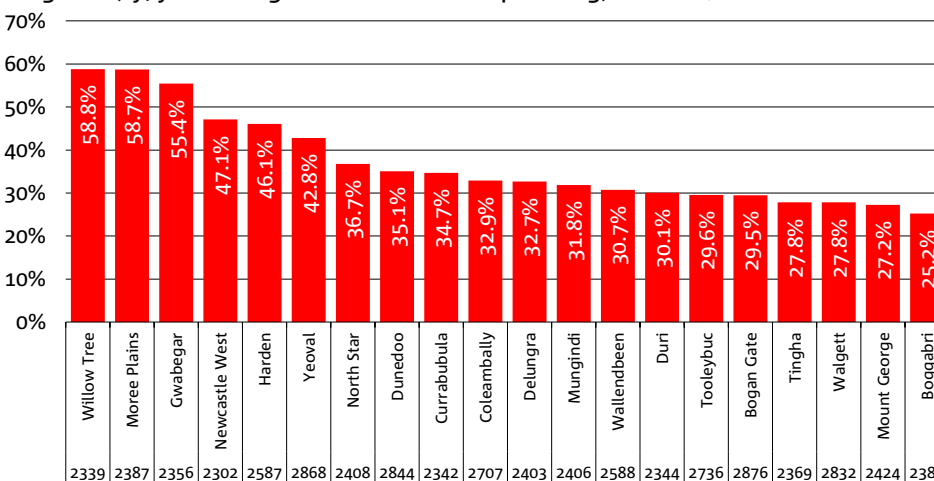
### CHART 11: TOP 20 FASTEST GROWING SUBURBS FOR SPENDING

Metro, y/y % change in the value of spending, Q2 2017



### CHART 13: TOP 20 FASTEST GROWING SUBURBS FOR SPENDING

Regional, y/y % change in the value of spending, Q2 2017



# BUSINESS CONDITIONS:

*Conditions remain very favourable and suggest a lift in investment ahead*

NSW has remained one of the top performing states in terms of business conditions according to the NAB Business Survey, although the gap between the best and worst performers seems to be narrowing (Chart 16). While conditions have not been trending higher for some time now, they have stabilised at quite an elevated level. This has had clear implications for spare capacity, with capacity utilisation rates also stabilising at levels not far below their pre-GFC peaks in NSW (Chart 14).

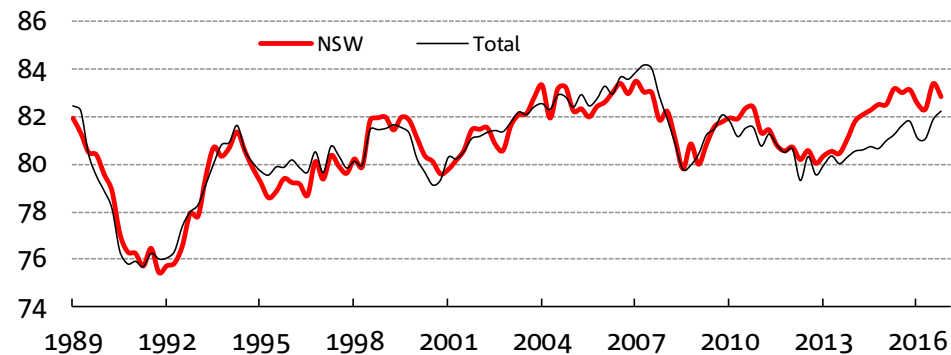
These observations suggest good conditions for additional business investment in NSW, having been disappointingly soft in recent quarters (Chart 15). But while actual capital expenditure has slowed sharply, leading indicators from the NAB Survey point to a pick-up over coming quarters. Expectations for capital

expenditure in the 12 months have held up at reasonably elevated levels and point to an acceleration in business investment (Chart 15) – the latest available data on state investment in expectations in the ABS Private Capital Expenditure Survey points to a pick-up in investment this financial year as well (page 7).

Consistent with large pipelines of residential and infrastructure projects, the construction industry is currently recording one of the highest levels of business conditions in NSW (and elevated confidence). Unsurprisingly, given competitive challenges and issues facing households, distribution service such as retail are underperforming, but all industries are still reporting positive conditions.

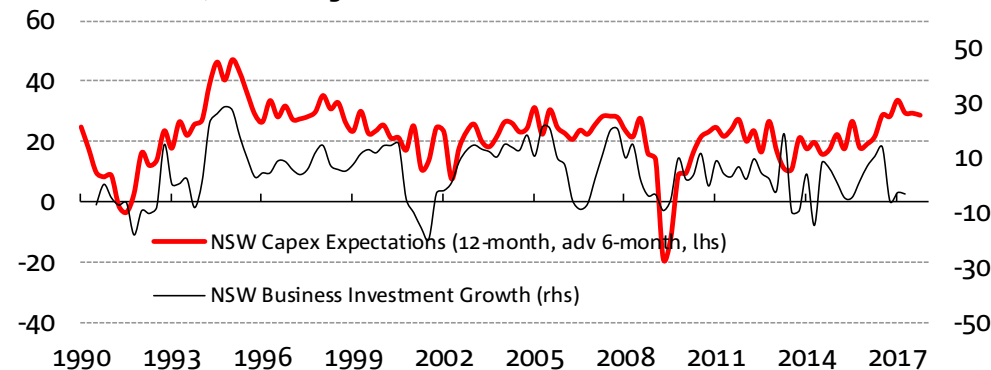
## CHART 14: NAB BUSINESS SURVEY – CAPACITY UTILISATION

Per cent of full capacity



## CHART 15: NAB SURVEY CAPEX EXPECTATIONS & PRIVATE BUSINESS INVESTMENT GROWTH

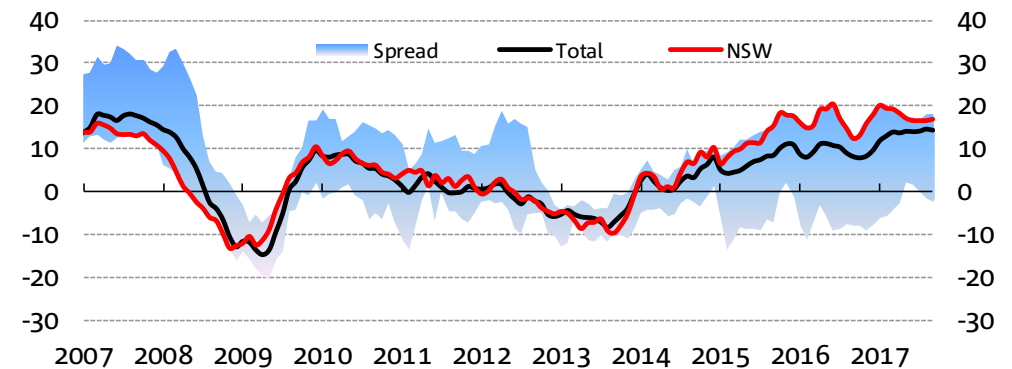
Net balance; Per cent growth



Source: NAB Group Economics

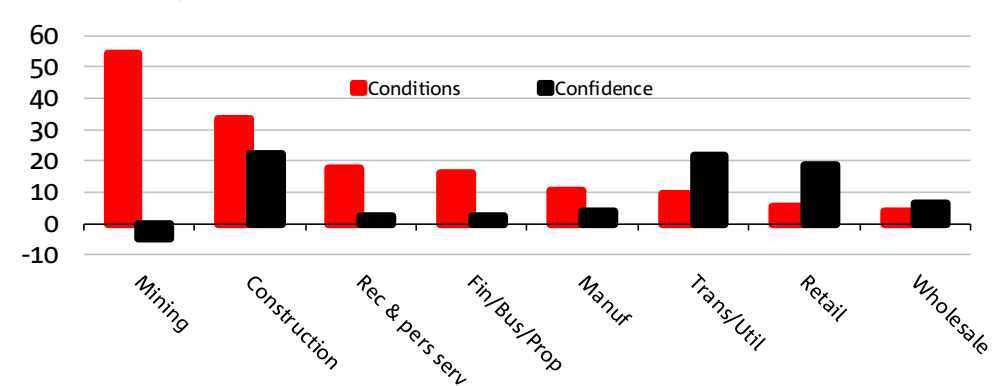
## CHART 16: SPREAD IN NAB BUSINESS CONDITIONS

Net balance



## CHART 17: NSW BUSINESS CONDITIONS & CONFIDENCE BY INDUSTRY

Net balance, Q2 2017





# INVESTMENT:

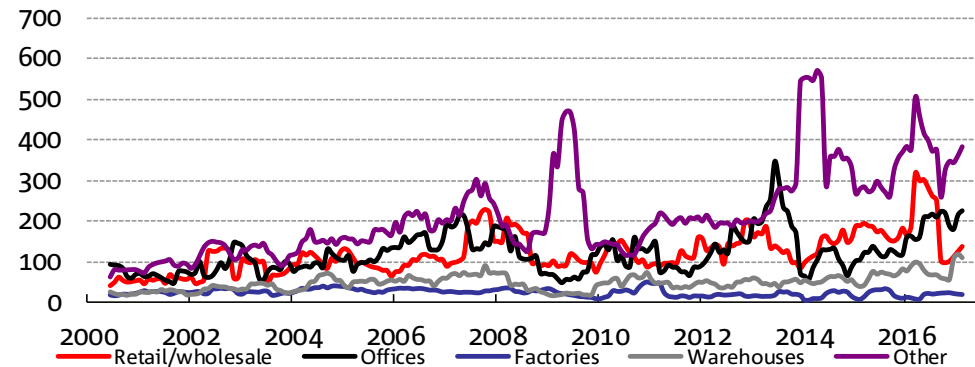
*Has been disappointing, but partials could suggest a turnaround*

Private business investment growth in NSW has been disappointing of late. Even after accounting for asset transfers, investment has increased only modestly over the year to Q2 2017 (up 0.5%) – well down on the rates of growth seen during 2016. That said, partial indicators have shown some signs of improvement. New approvals for private non-residential building (smoothed) have increased sharply of late – although the series tends to be lumpy.

Approvals for ‘other’ non-residential buildings are highest, but office approvals have been steadily improving over time, while warehouse approvals have driven most of the improvement over the past year. Office vacancy rates are holding at low levels, which may trigger additional office approvals going forward (Chart 19).

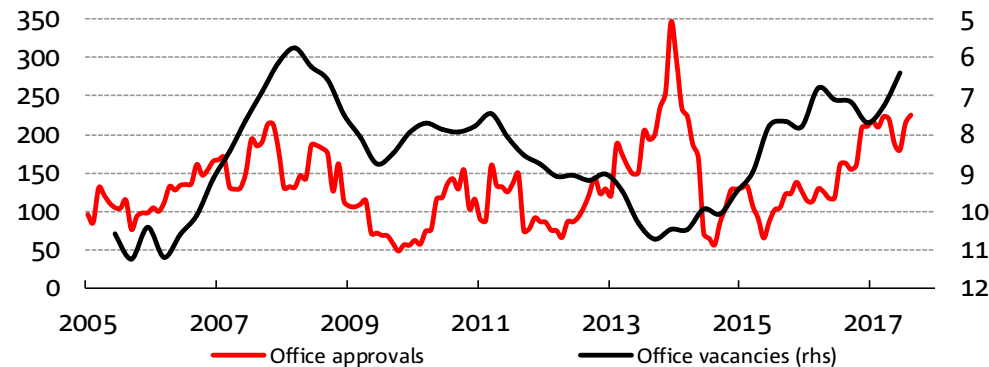
## CHART 18: NON-RESIDENTIAL BUILDING APPROVALS

Million dollars



## CHART 19: NSW OFFICE MARKET CONDITIONS

Million dollars; Per cent of capacity



Source: ABS, JLL, NAB Group Economics

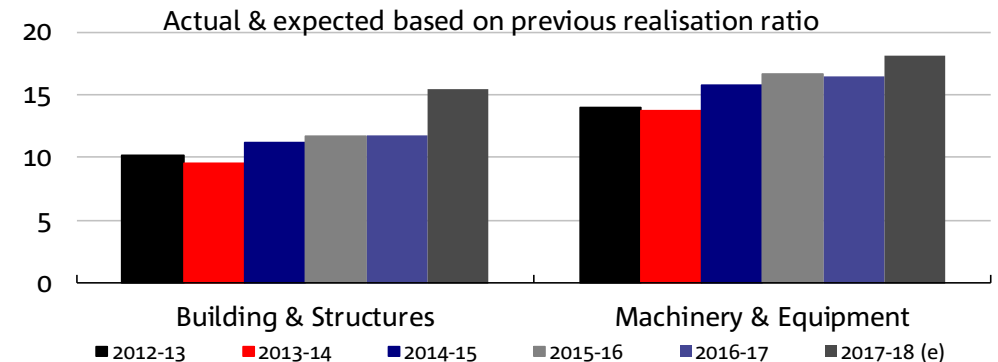
Sentiment in the market has also been elevated according to the NAB Commercial Property Survey (chart 21).

NAB survey measures of capex intentions (page 6) have been quite upbeat on the investment outlook. Despite being slower to show an upturn, official measures started to follow suit with the latest available ABS data pointing to an uptick in 2017/18 for NSW (chart 20). This is a welcome sign and consistent with better reads from other partial indicators on the business sector.

Construction activity will see additional support from the very large pipeline of public infrastructure projects (more than \$70b spent by 2020) going forward, most of which includes a private partnership component.

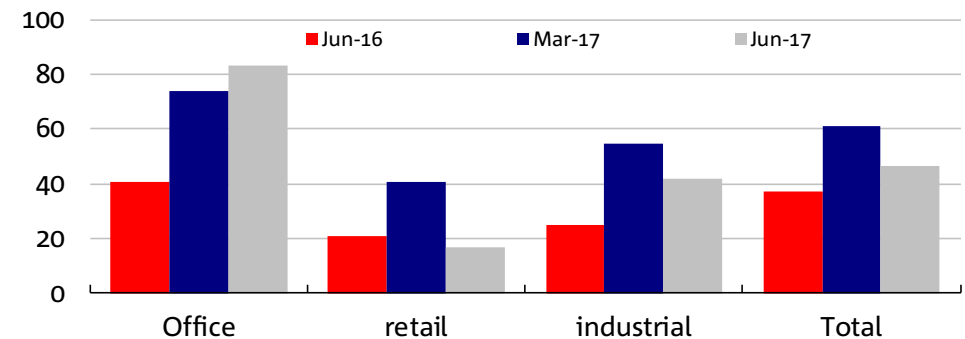
## CHART 20: NSW CAPITAL EXPENDITURE & EXPECTATIONS

Actual & expected based on previous realisation ratio (\$billion)



## CHART 21: NAB COMMERCIAL PROPERTY INDEX - NSW

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# LABOUR MARKET:

## Labour market performing well, despite unexplained volatility in jobs growth

Annual employment growth has picked up again this year after slowing to a crawl in late 2016/early 2017 – although we suspect fluctuations in employment growth in recent years partly reflects statistical anomalies as it does not align with other partial indicators that show more stable growth.

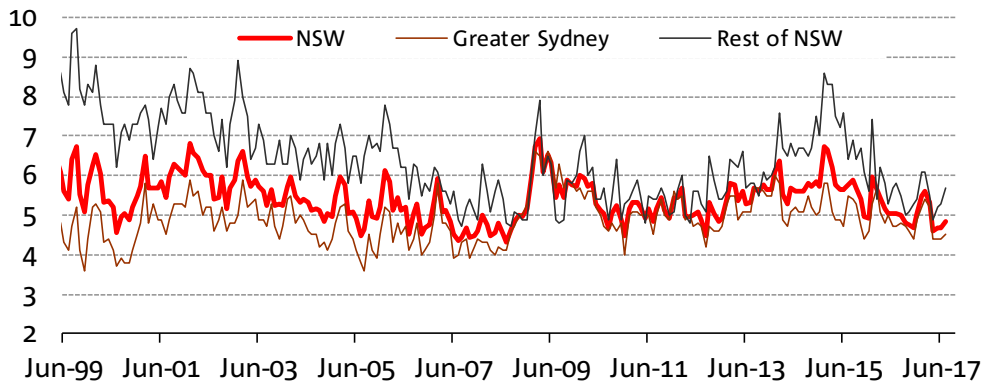
Job gains have more than made up for solid population growth in NSW, helping the unemployment rate steadily trend lower (to below 5%) since early 2015 – the participation rate, however, has fluctuated along with employment growth. The regional unemployment rate is higher, but has improved considerably (Chart 22).

Labour market partials have generally held up quite well. The employment conditions index from the NAB Business Survey has been exceptionally strong, while diminished spare capacity as reported by firms in the Survey also points to solid labour demand in the near-term (Chart 23). Additionally, official job vacancies are strengthening. However, despite the apparent strength in labour demand, wages growth has remained relatively muted – the wage price index rose just 2% y/y for Q2 2017.

Over the past year, most of the jobs created were in either construction, or in parts of business and personal services. High levels of residential construction and infrastructure spending likely explain the rise in construction jobs, although the pace of growth will likely slow going forward as the residential cycle peaks. Job losses have been largest in retail, consistent with poor reads on business conditions for the industry (Chart 24).

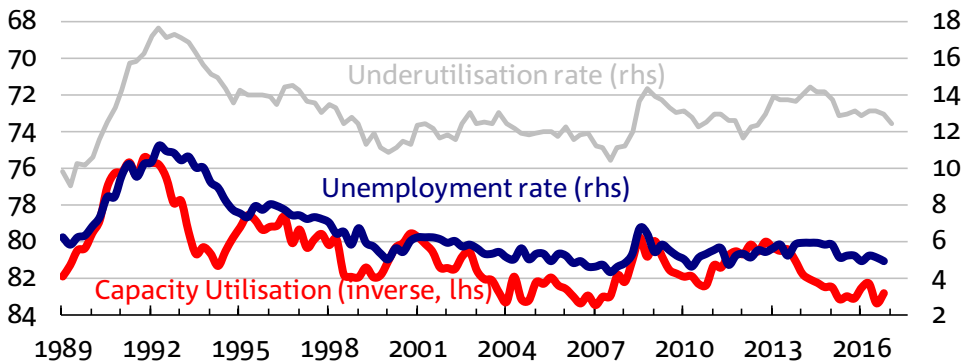
### CHART 22: UNEMPLOYMENT RATE BY REGION

Per cent, nsa



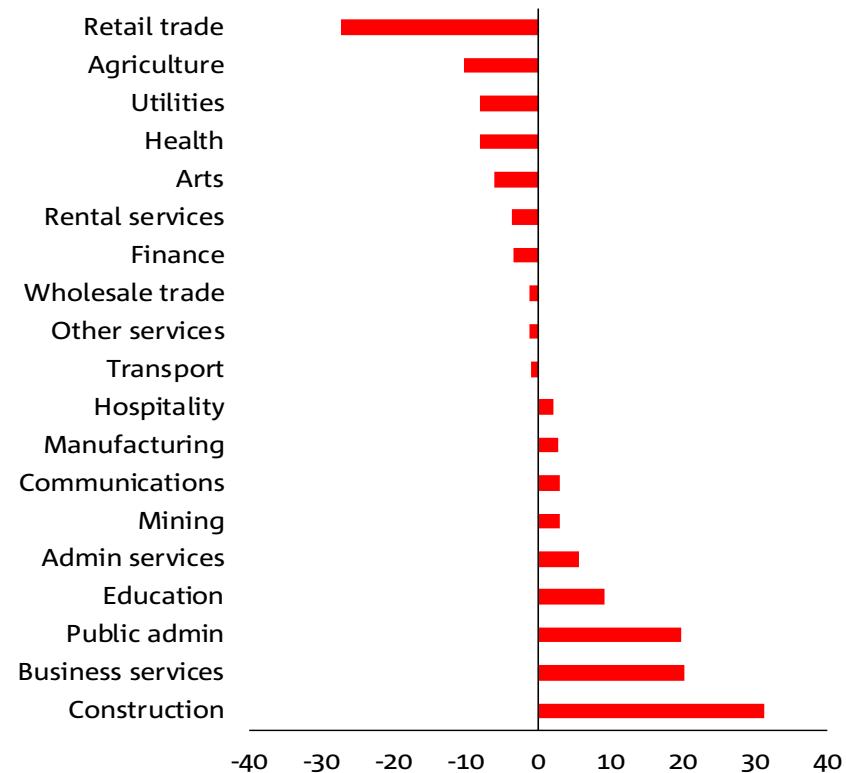
### CHART 23: UNEMPLOYMENT RATE & NAB CAPACITY UTILISATION RATE

Per cent; dollar billions



### CHART 24: CHANGE IN EMPLOYMENT BY INDUSTRY, NSW

Last 12 months, thousands





# DEMOGRAPHICS:

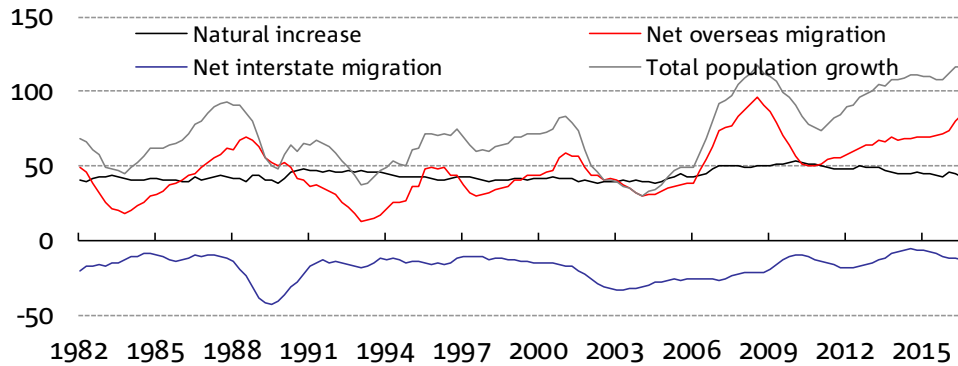
## Population growth still strong, but affordability may hinder interstate flows

NSW population growth remains at relatively elevated levels, supported largely by net overseas migration – although interstate outflows are also less than they have been in previous years (Chart 25) – reflecting the economy’s relative outperformance (which includes having the lowest unemployment rate of the states), and likely helping to offset the impact of worsening affordability.

After lagging behind for more than a decade, NSW population growth is now consistent with national average levels (Chart 26).

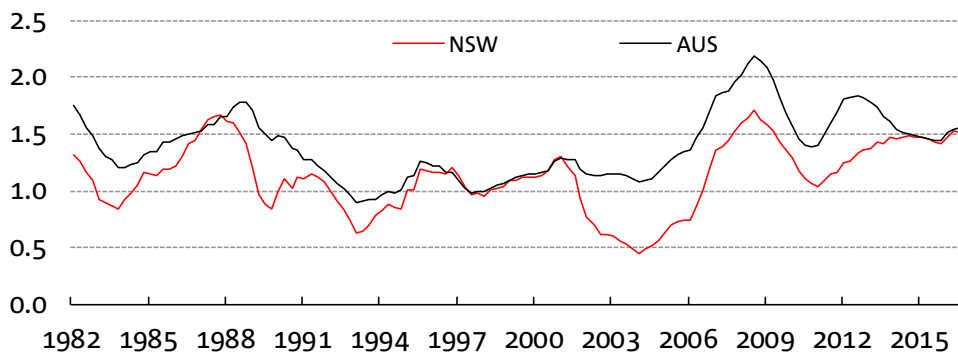
### CHART 25: NSW POPULATION GROWTH

Thousands, over the year



### CHART 26: NSW POPULATION GROWTH

Year-ended growth, %

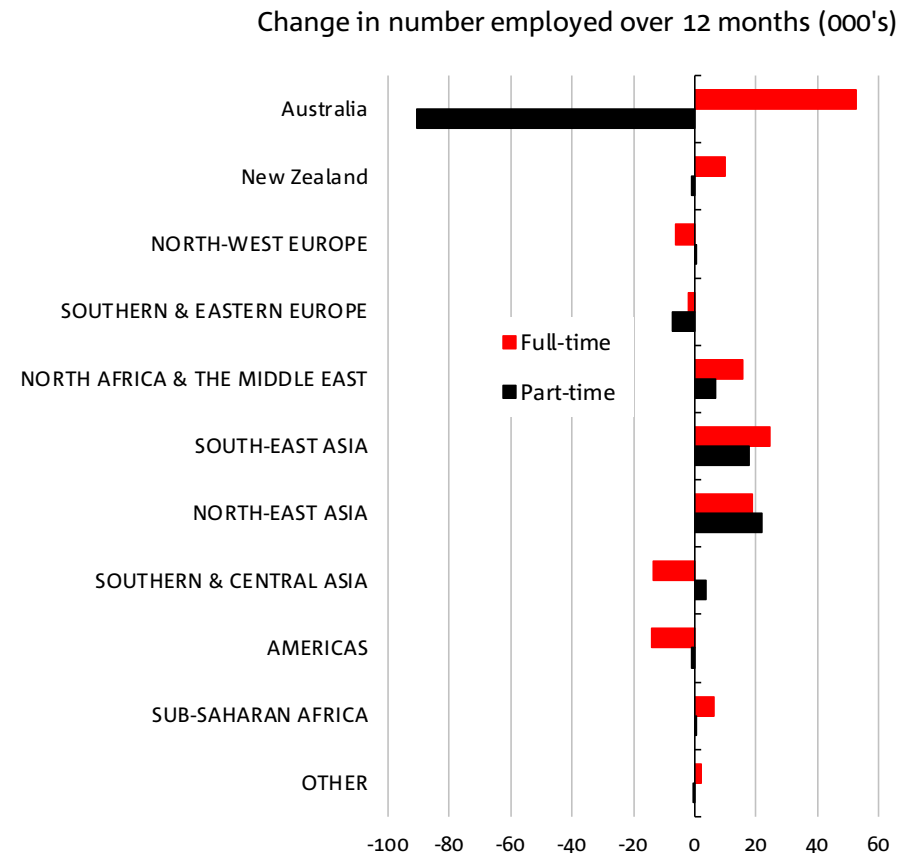


Sources: ABS; NAB Economics

ABS data on employment changes by country of birth suggests most of the gains in full time employment have been attributed to the domestic workforce – although in terms of job numbers, that has been more than offset by a loss of part-time work. Employment of workers born in overseas regions have risen solidly over the past year, with similar contributions coming from both full time and part time employment. Job gains were particularly apparent for workers coming south-east and north-east Asia, as well as North Africa and the Middle East (Chart 27).

### CHART 27: NSW EMPLOYMENT BY COUNTRY OF BIRTH

Thousands, over the year



# DWELLING INVESTMENT:

*We still expect the dwelling construction boom to peak in the near future*

Growth in dwelling investment has slowed a little in NSW, but activity is holding up at very elevated levels (up 5.8% over the year). Activity has been somewhat volatile in recent quarters, although that may reflect temporary disruptions relating to a both very wet and hot weather in H2 2016/early 2017. Nonetheless, annual growth has averaged a little under 6% in H1 2017, which is well down on average growth of 15% in the past two years, and might suggest some loss of underlying momentum.

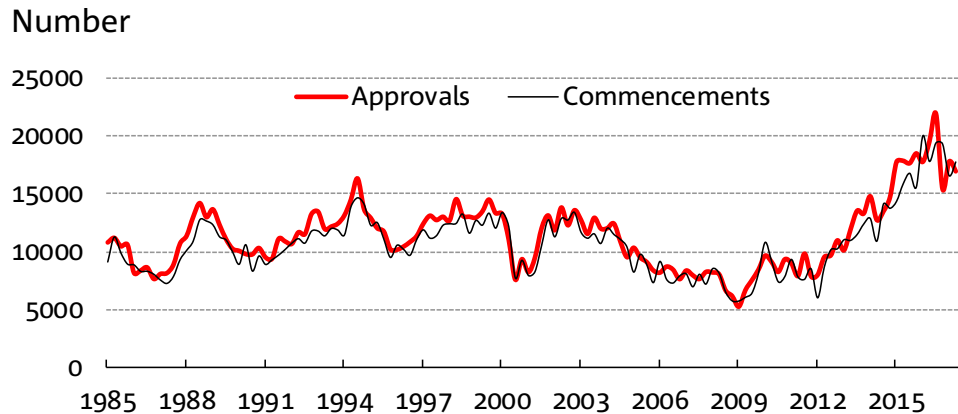
Building commencements for NSW are only available to Q1, but have come off from their recent peak. That is consistent with the trend we have seen in the more timely building approvals data, although approvals have actually held up a little better than we were previously expecting – although not enough to suggest to us that the peak

in the construction cycle will be significantly delayed (Chart 28). We continue to anticipate that softening market conditions and tightening credit conditions will prompt developers to stall projects. The NAB Residential Property survey indicates that tighter credit has become an issue in all states (not just NSW, Chart 30).

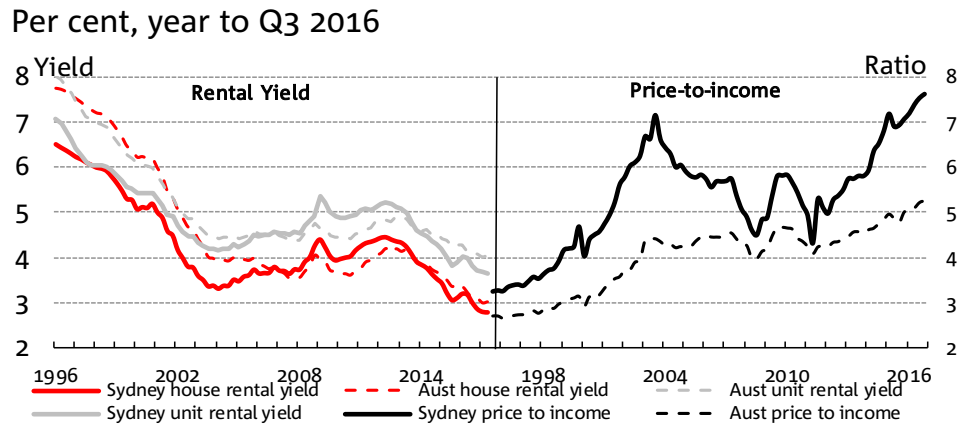
The potential oversupply of apartments remains a concern (Chart 31), although apartment approvals have come back to somewhat more sustainable levels, while indicators of the market balance, such as vacancy rates, remain favourable.

Rental yields have steadily declined, which along with tighter credit conditions and lower capital growth expectations will eventually weigh on investor demand. Meanwhile, tougher affordability is a constraint on owner-occupier demand (Chart 29).

## CHART 28: NSW COMMENCEMENT RATES FALLING

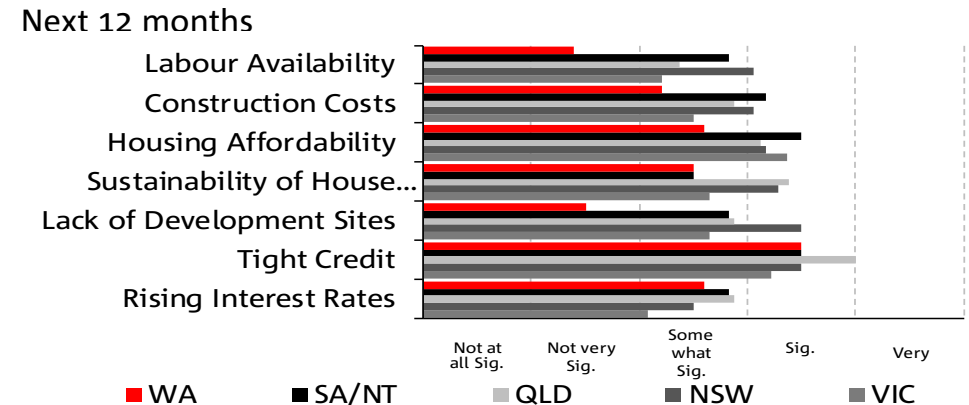


## CHART 29: YIELDS & PRICE-TO-INCOME

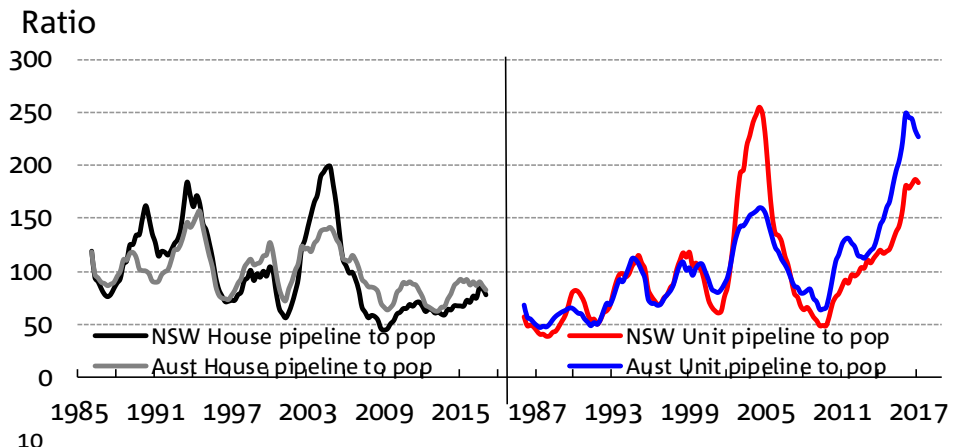


Source: ABS; CoreLogic; NAB Economics

## CHART 30: NAB SURVEY – CONSTRAINTS ON DEVELOPMENTS



## CHART 31: NSW RESIDENTIAL BUILD ACTIVITY TO POPULATION



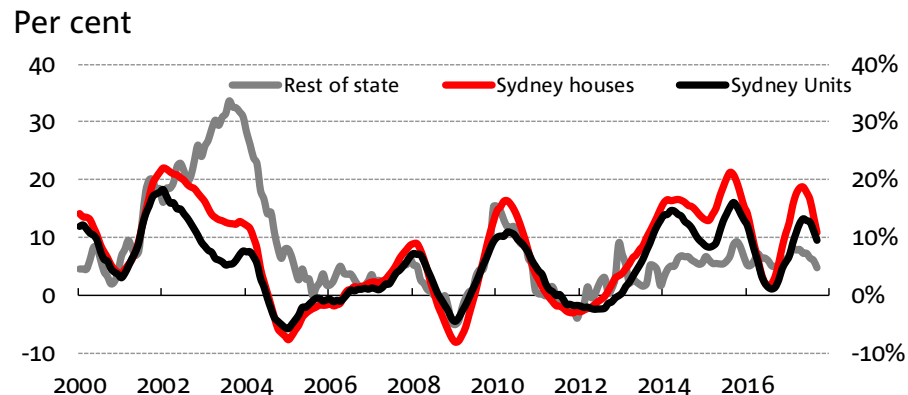
# RESIDENTIAL PROPERTY:

*We expect to see further cooling in the housing market*

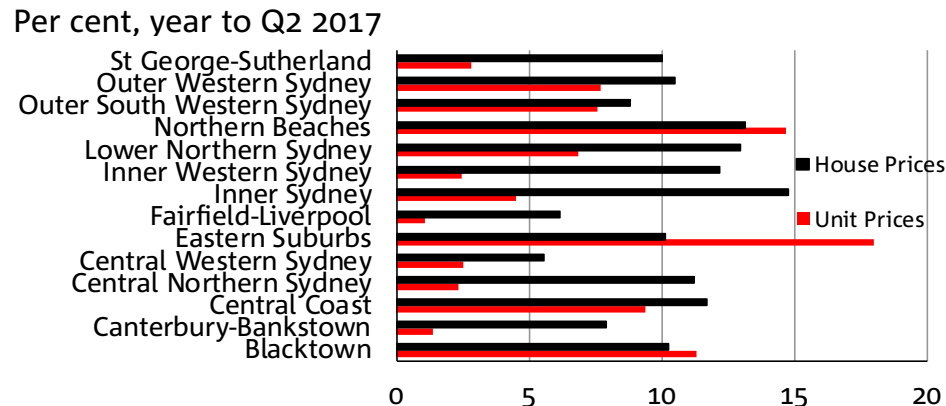
Residential property price trends in Sydney have been somewhat mixed over the past year, but generally point to a cooling housing market (with prices actually falling in the month of September). Property prices gained a second wind in 2016 following further interest rate cuts from the RBA, but worsening affordability, tighter monetary/credit conditions and (moderate) concerns around supply appear to have reversed the trend once again – although both house and apartment prices are continuing to see quite elevated rates of annual growth – while regional price growth has also eased (Chart 32). The slowing trend is also evident in other market indicators such as auction clearance rates and turnover.

All metropolitan and regional areas are seeing positive growth (to varying degrees), and unlike our previous observations, the disparity in performance between

**CHART 32: NSW RESIDENTIAL PROPERTY PRICE GROWTH**



**CHART 33: SYDNEY - MEDIAN PROPERTY PRICE GROWTH**

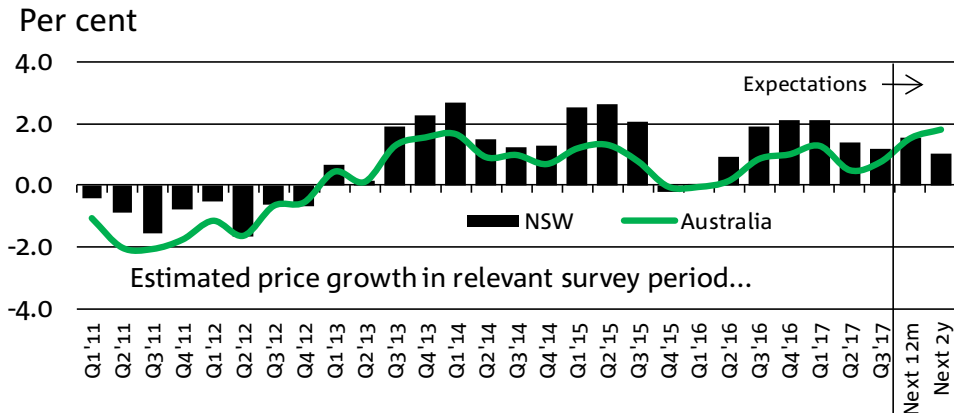


Source: ABS; CoreLogic; NAB Economics

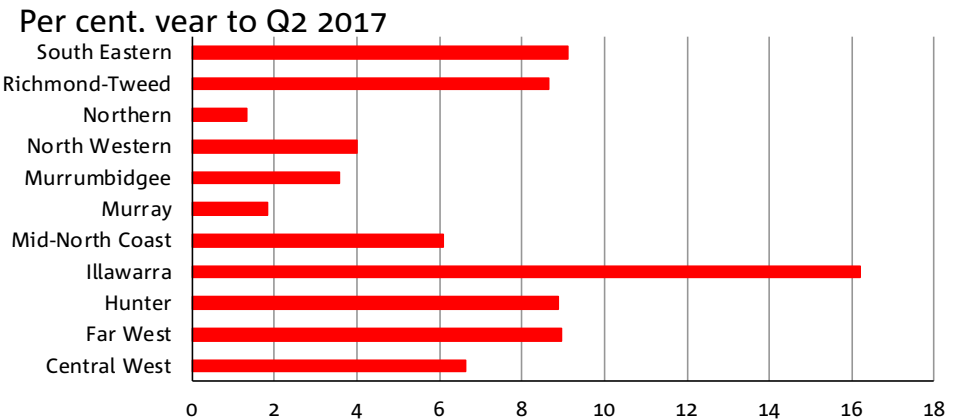
detached houses and apartments in metro areas has become less apparent – although is clearly still the case in a number of areas (Charts 33 and 35). For now we remain confident that housing fundamentals in Sydney remain strong enough to avoid a sharp market correction, but will not prevent a more muted market going forward – especially for apartments where the supply response is largest. Rising supply, worsening affordability, less foreign demand and prudential constraints will limit future price gains – despite elevated levels of pent up demand.

The NAB Residential Property Survey suggests softer residential prices growth in the medium-term (Chart 34), while NAB's forecast is for house prices in Sydney to rise 5.1% over 2017 and 3.7% in 2018, while apartments will see more modest gains of 0.5% in 2018 after rising 5.9% in 2017.

**CHART 34: NAB PROPERTY SURVEY – PRICE EXPECTATIONS**



**CHART 35: REGIONAL PRICES**





# FISCAL OUTLOOK:

## Revenue outlook has improved. Infrastructure pipeline at \$73b over four years

According to the most recent state Budget, the underlying financial position of the NSW Government has broadly improved since the mid-year fiscal update. Improvements in the 2017-18 Budget were primarily driven by upward revisions to transfer duties and SOC dividends. These more than offset lower GST receipts and payroll tax. The operating surplus for 2016-17 was revised up by half a billion dollars (to 0.8% of GSP), while the three following years are up nearly \$3 billion in total (relative to the mid-year review) (Chart 36).

Improvements to the budget position mainly came from the revenue side. In addition to transfer duties and dividends, new policy measures (e.g. higher transfer

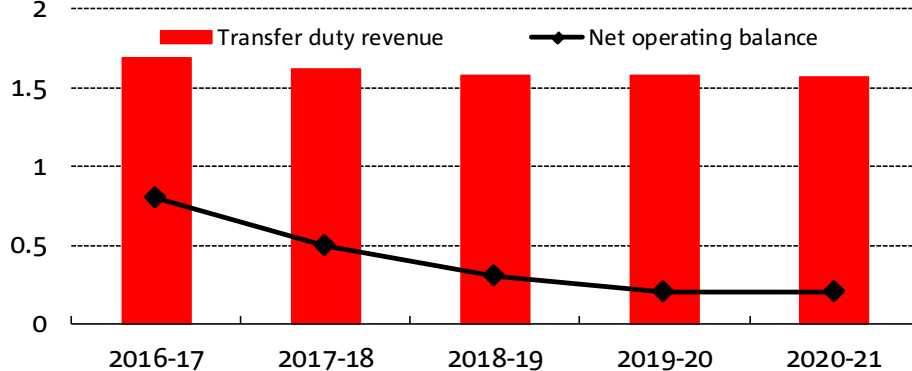
duty for foreign buyers) and one-off revenues associated with transactions, have contributed to upward revisions to revenue.

Expenditure is estimated to be \$3.3 billion higher across the three years to 2019-20 than forecast at the mid-year update. The higher expenses reflect fairly comparable impacts from both new policy decisions and parameter variations.

At the time of the 2017-18 Budget, the Government (consolidated) was committed to spending \$72.7b on infrastructure over four years – an annual average spend equivalent to 3.4% of GSP in 2015-16. The latest budget included over \$7½ billion in new capital works (since the mid-year update) in the four years to 2020-21, including \$5b in additional funding for schools, hospitals and health facilities. However, most of the infrastructure pipeline remains focused on transport (totalling \$41.4b over four years). Large amounts of infrastructure spending will help create jobs and are aimed at boosting long-term productivity in the economy. According to the 2016-17 Budget, the WestConnex and light rail projects alone will create around 20k jobs in NSW.

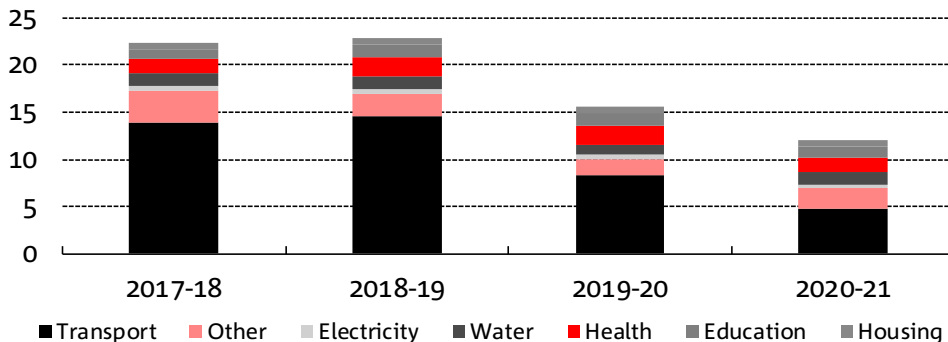
### CHART 36: NSW NET OPERATING BALANCE & TRANSFER DUTY

Per cent of GSP



### CHART 37: NSW STATE CAPITAL SPENDING BY FUNCTION

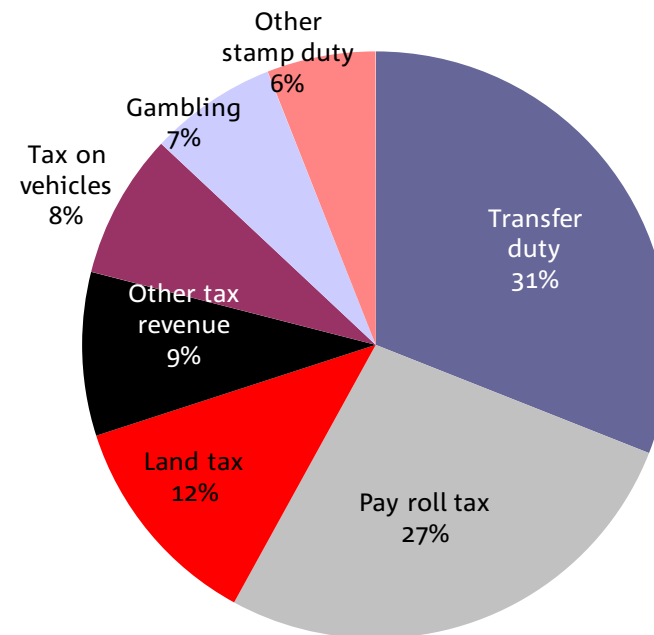
Billion dollars, as at 17-18 Budget



Source: NSW State Budget; NAB Economics

### CHART 38: COMPOSITION OF TAX REVENUE

Share on (per cent)



# SEMI GOVERNMENT AND CREDIT OUTLOOK: NSW

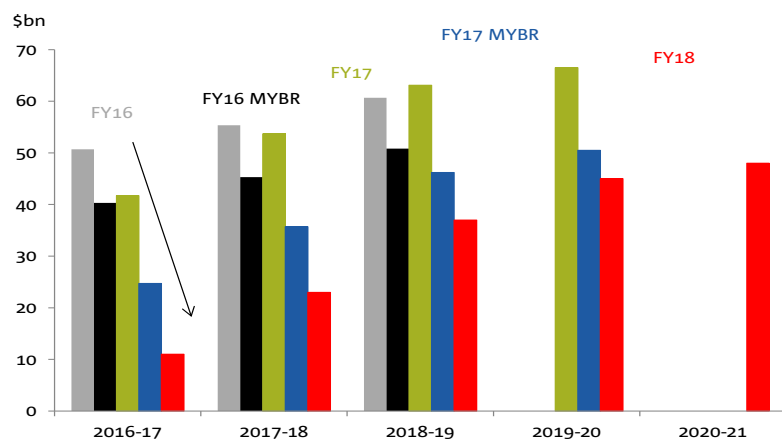
## Infrastructure spending driving higher net debt forecasts

NSW's accounts for the greatest share of aggregate state net debt growth over the coming years, fuelled by significant ongoing infrastructure investment. No forecast is made for debt reduction from the potential part sale of Sydney Motorway Corporation.

Issuance is forecast to rise in 2017-18, to around \$6.4bn, after two years of minimal net issuance. FY YTD, NSWTC has issued around \$900m, focused on long end taps.

NSW is rated Aaa/stable from Moody's and AAA with a negative outlook from S&P. The state's budget performance has been solid, but the risk of a downgrade rests with S&P's assessment of the Commonwealth.

### CHART 39: NSW NON-FINANCIAL PUBLIC SECTOR NET DEBT



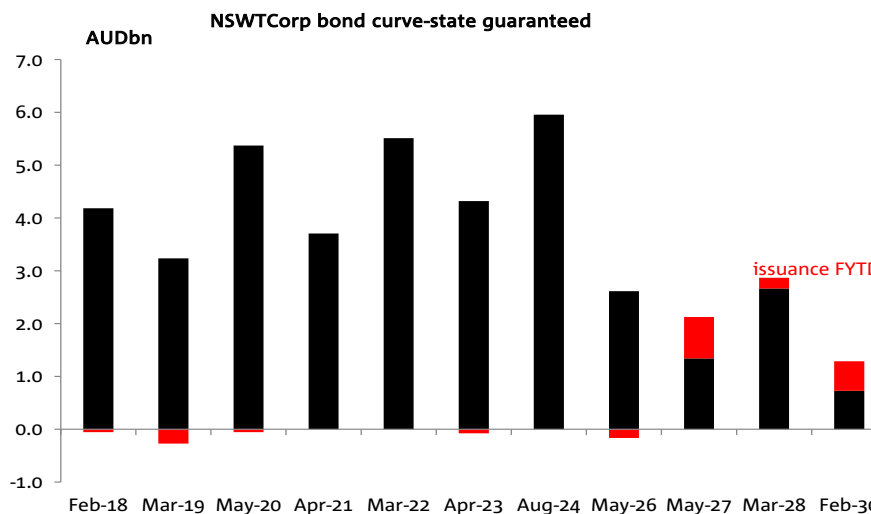
Source: NSW State Budgets, NAB

### CHART 40: NSWTC BORROWING PROGRAM

NSWTC Issuance outlook (\$bn)	2017-18	2018-19	2019-20	2020-21
New Money	1.9	5.0	6.4	3.0
Maturities	4.5	5.1	5.6	7.0
Total	6.4	10.1	12.0	10.0

Source: NSWTC, Budgets, NAB

### CHART 41: NSWTC TERM BONDS OUTSTANDING



Source: NSWTC, NAB

# ECONOMIC STRUCTURE AND TRADE:

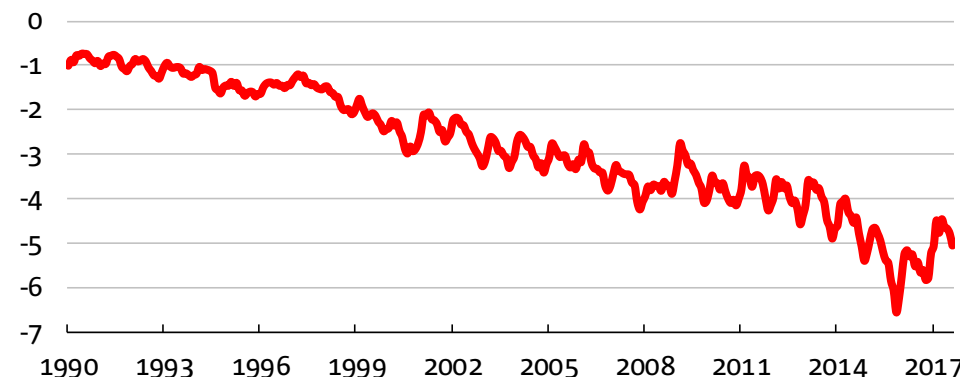
## AUD support appears to be waning

The NSW trade deficit has shrunk from its peak in late 2015, although most of the improvement was driven by changes in the deflator, with the real trade balance deteriorating since then – despite a modest improvement in Q2 2017. Higher frequency merchandise trade data shows the trade deficit somewhat stabilising more recently (chart 43).

Service sectors such as tourism have been performing well in recent years off the back of a lower AUD. However, there are some early signs that support may be starting to be wane, especially given AUD resilience more recently. Short-term visitor

### CHART 43: NSW NET TRADE

Billion dollars, 3mma



### CHART 44: TOP EXPORT DESTINATIONS, NSW

Billion dollars, 12-month average

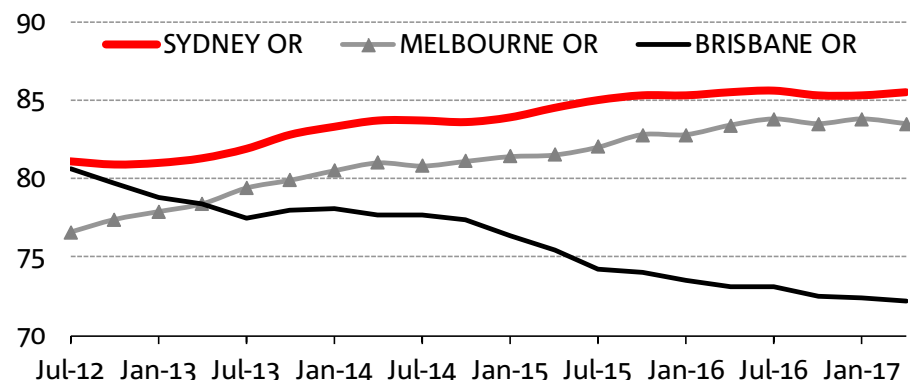
Value of exports (\$m)		Value of imports (\$m)			
1	Japan	10908	1	China	29087
2	China	7214	2	EU	22383
3	ASEAN	4586	3	ASEAN	14483
4	Korea	3497	4	US	12240
5	Taiwan	2759	5	Japan	7059
6	US	2599	6	Germany	5992
7	New Zealand	2367	7	Korea	4877
8	EU	2107	8	UK	2945
9	India	1916	9	Singapore	2895
10	HK	1059	10	New Zealand	2694
11	UK	576	11	Taiwan	1897
12	Singapore	430	12	HK	428
13	Germany	158			

Source: ABS, CBRE, NAB Economics

arrivals continue to grow at a solid pace, but momentum has eased a little in recent months, while hotel occupancy rates have been tracking broadly sideways (albeit at an elevated level).

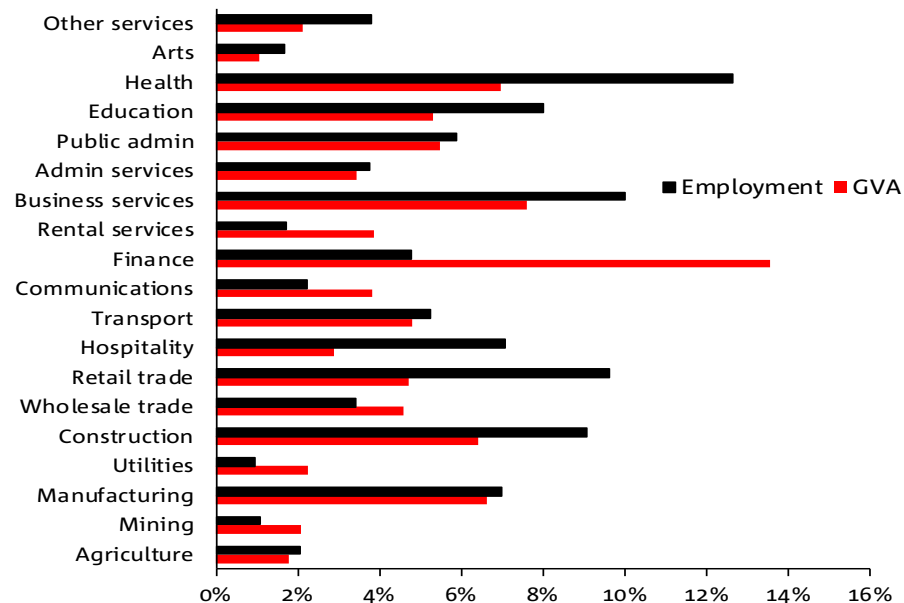
### CHART 45: HOTEL OCCUPANCY RATES

Per cent



### CHART 46: COMPOSITION OF EMPLOYMENT & GVA

Per cent





# FORECASTS BY STATE AND TERRITORY

*NSW to perform strongly in 2017-18 before losing some momentum in 2018-19*

NAB's economic forecasts by state and territory are below. For a summary of the outlook by state, please see the [States Handbook – Overview](#) which contains links to the detailed handbook for each state and territory.

## REAL GROSS STATE PRODUCT AND UNEMPLOYMENT RATE FORECASTS

Annual average

NAB growth and unemployment rate forecasts for the states								
	Gross State Product YoY				Unemployment Rate			
	15-16	16-17f	17-18f	18-19f	15-16	16-17	17-18f	18-19f
NSW	3.5	2.2	3.1	2.5	5.4	5.0	4.7	4.7
VIC	3.3	2.9	3.3	2.7	6.0	5.9	5.8	5.4
QLD	2.0	2.2	3.2	2.5	6.2	6.2	6.0	5.9
SA	1.9	1.8	2.7	1.7	7.3	6.7	6.5	6.5
WA	1.9	0.3	3.2	3.0	6.0	6.2	6.2	5.9
TAS	1.3	1.0	2.2	1.8	6.5	6.1	6.0	6.0
NT	2.7	1.5	1.5	5.0	4.2	3.5	4.0	4.2
ACT	3.4	3.0	3.1	2.6	4.5	3.8	4.8	4.8
<b>Australia</b>	<b>2.7</b>	<b>2.0</b>	<b>3.2</b>	<b>2.5</b>	<b>5.9</b>	<b>5.7</b>	<b>5.4</b>	<b>5.3</b>

## HEDONIC HOUSE PRICE FORECASTS\*

Through the year growth to Q4

	2015	2016	2017f	2018f	2019f
Sydney	15.5	10.7	5.1	3.7	3.0
Melbourne	15.8	9.5	8.6	5.5	3.4
Brisbane	6.9	2.7	3.1	1.9	1.2
Adelaide	3.8	3.8	3.4	1.7	1.7
Perth	-4.2	-2.9	-3.0	0.7	1.2
Hobart	7.0	9.6	10.0	4.9	1.7
<b>Cap City Avg</b>	<b>11.2</b>	<b>7.3</b>	<b>4.6</b>	<b>3.4</b>	<b>2.5</b>

## HEDONIC UNIT/APARTMENT PRICE FORECASTS\*

Through the year growth to Q4

	2015	2016	2017f	2018f	2019f
Sydney	13.1	5.8	5.9	0.5	0.6
Melbourne	7.5	4.7	6.4	1.2	-2.4
Brisbane	1.1	-3.0	-1.1	-1.8	-1.2
Adelaide	2.4	0.6	0.5	0.5	0.5
Perth	-2.8	-6.3	-1.9	0.4	0.7
Hobart	1.1	6.4	5.7	2.4	0.6
<b>Cap City Avg</b>	<b>8.2</b>	<b>3.5</b>	<b>4.7</b>	<b>0.5</b>	<b>-0.3</b>