



South Australia's
Economic Performance
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Important notes for readers:

- All statistics reported in this document are calculated using the latest available data.
- Trend data are used except for annual totals or unless not available.
- Current prices (nominal) data are used for all dollar values unless not available.
- Chain volume (inflation adjusted) data are used for all percentage changes unless not available.

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Highlights

South Australia's economic performance since 2000

- Gross State Product was 19.3% higher in 2006-07.¹
- Employment was 15.5% (105,100 persons) higher in October 2008.²
- Business investment was 39.1% higher in the year to the June quarter 2008.³
- State Final Demand was 34.0% higher in the year to the June quarter 2008.³
- Merchandise exports were 52.0% higher in the year to September 2008.⁴

Strong economic conditions continue

- Employment is at a record level - 784,400 in October 2008.²
- Unemployment is at a near-record low rate - 5.2% in October 2008.²
- Labour force participation is at a record high - 63.5% in October 2008.²
- Population growth is at the highest annual rate since the early 1980s - 1.1% in the March quarter 2008.⁵
- Housing construction in the June quarter 2008 was 10.8% higher than a year earlier and more than three times the national growth rate.⁶
- Business investment reached \$9.0 billion in the year to the June quarter 2008 - a near-record high.³
- Merchandise exports were \$10.5 billion in the year to September 2008, 10.7% higher than in the previous year.⁴
- Mineral exploration expenditure at new deposits grew 111.7% in the year to the June quarter 2008 - far above any other state or territory.⁷

South Australia's economic strengths and opportunities include

- Adelaide is the least costly city to set up and do business in Australia according to KPMG's 2008 *Competitive Alternatives* Report.⁸
- Major projects worth \$44.8 billion are either underway or in the pipeline.⁹
- The State has huge mining potential - ranked 4th most prospective location in the world by Canada's Fraser Institute, up from 31st place a few years ago.¹⁰
- South Australia has world-class renewable energy assets.
- Adelaide is consistently ranked as one of the least expensive and most liveable cities in the world according to Mercer and the Economist Intelligence Unit.¹¹
- The State's finances are in a sound position, enjoying a AAA credit rating.¹²



Macroeconomic Performance and Outlook

Production

- South Australia's non-farm sector recorded solid Gross State Product growth of 3.1% in 2006-07.¹
- The farm sector was significantly affected by drought, and caused South Australia's overall Gross State Product to grow by just 0.8% in 2006-07. Australian Gross Domestic Product grew by 3.2% to \$1046.4 billion.¹
- Since 2000, South Australia's Gross State Product has grown by 19.3% - reaching \$69.5 billion in 2006-07.¹

Local spending

- State Final Demand in the June quarter 2008 was 3.6% higher than a year earlier. The national average growth rate was 4.6%.³
- Retail spending in September 2008 was 9.9% higher than a year earlier.¹³
- Since 2000, State Final Demand has grown 34.0% and retail spending has grown by 43.1%.^{3 & 13}

Growth forecasts for South Australia¹⁴

Forecaster	Gross State Product		Employment	
	2007-08	2008-09	2007-08	2008-09
ANZ Bank	4.0%	1.75%	2.1%	1.25%
Access Economics	3.0%	1.7%	2.1%	1.7%
DTF	3.75%	2.75%	2.25%	1.5%
SACES	1.5%	1.0%	2.2%	0.5%

Forecasts indicate a positive outlook

- Leading forecasters Access Economics, ANZ Bank and the Department of Treasury and Finance (DTF) predict Gross State Product growth of 3.0%-4.0% in 2007-08 and 1.7%-2.8% in 2008-09. Growth forecasts have been downgraded in light of the global financial crisis.¹⁴
- Access Economics, ANZ and DTF predict South Australian employment will grow by 2.1%-2.3% in 2007-08 and 1.3%-1.7% in 2008-09.¹⁴

Confidence indicators

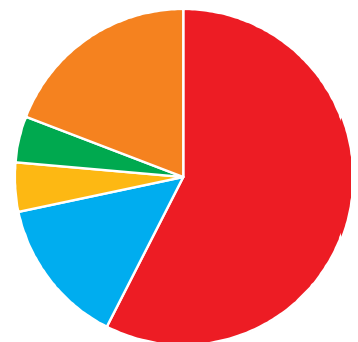
- Bank SA's August 2008 'State Monitor' found that business and consumer confidence recorded a decline in the three months to August 2008. However, businesses and consumers still recorded a solid level of confidence in the South Australian economy, with 'unprecedented' employment, business, and economy-wide opportunities in the defence, mining and infrastructure projects that are underway in South Australia.¹⁵
- Business SA's Survey of South Australian Business Expectations reported that South Australian business confidence increased during the September quarter after previous falls that were due to the high interest rate environment, stock market losses, and increasing costs for businesses.¹⁶
- Despite the previous weakening of business confidence, the State's economic performance on a wide range of measures has remained strong.



Industry trends

- Services is the largest and fastest growing sector of South Australia’s economy.¹
- South Australia’s traditional manufacturing strengths have been built on to lead innovation in advanced areas such as agribusiness, electronics, automotive and medical equipment.
- South Australia is the high-technology centre for Australia’s defence industry, with more than \$10 billion in contracts.
- Mining exploration is surging, with production set to follow.
- Adelaide is emerging as Australia’s education city, home to 3 well-established local universities and 2 prestigious international universities.
- Profiles on DTED’s strategic industry sectors are available at www.southaustralia.biz.

Gross State Product 2006-07¹



- Services 57.5%
- Manufacturing 14.3%
- Mining 4.6%
- Agriculture, forestry & fishing 4.4%
- Other 19.2%

South Australia’s industry structure

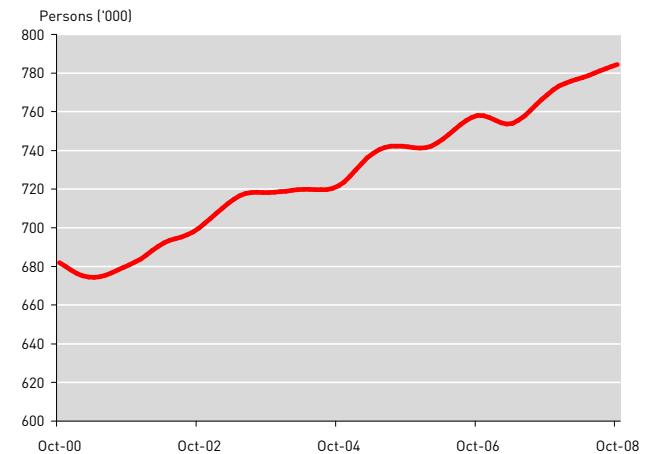
Industry	Gross Value Added 2006-07 ¹		Employment Year to August Quarter 2008 ¹⁷	
	\$ billion	% share	'000	% share
Agriculture, forestry and fishing	2.8	4.4%	41.5	5.4%
Mining	2.8	4.6%	9.8	1.3%
Manufacturing	8.9	14.3%	96.2	12.4%
Electricity, gas and water	1.8	3.0%	8.0	1.0%
Construction	4.3	6.9%	53.6	6.9%
Wholesale trade	2.7	4.3%	33.5	4.3%
Retail trade	3.9	6.2%	115.7	14.9%
Accommodation, cafes and restaurants	1.4	2.2%	35.8	4.6%
Transport and storage	3.2	5.2%	29.2	3.8%
Communication services	1.4	2.3%	11.3	1.5%
Finance and insurance	3.8	6.2%	24.8	3.2%
Property and business services	6.4	10.4%	75.8	9.8%
Government administration and defence	2.4	3.8%	39.8	5.1%
Education	3.2	5.1%	52.7	6.8%
Health and community services	4.9	7.9%	98.0	12.6%
Cultural and recreational	1.0	1.6%	16.5	2.1%
Personal and other services	1.5	2.4%	33.0	4.3%
Dwellings owned by persons	5.7	9.3%	n/a	n/a
All industries	62.0	100.0%	775.1	100.0%



Labour market

- Employment is at a record level - 784,400 in October 2008. Since 2000, employment has grown 15.5% (105,100).²
- Full time employment is at near record levels - 542,200 persons in October 2008.²
- Employment has been increasing since early 2007, and has recorded stronger growth than the national figure over the past year.²
- Labour force participation is at a record high - 63.5% in October 2008.²
- Unemployment is at a near-record low rate - 5.2% in October 2008.²
- South Australian wages in the May quarter 2008 were 3.3% higher than a year earlier.¹⁸
- Job advertisements have been declining over the past year from previous high levels.¹⁹
- Industrial disputes remain below the national average in South Australia - 15.0 days lost per 1,000 workers in the year to the June quarter 2008.²⁰

South Australian employment²



Labour market indicators

Indicator	Period	South Australia		Australia	
		No.	Annual change	No.	Annual change
Employment ('000) ²	October 2008	784.4	2.0%	10,752.8	1.9%
Full-time employment ('000) ²	October 2008	542.2	2.3%	7,708.5	1.9%
Labour force participation rate ²	October 2008	63.5%	0.8pp	65.2%	0.0pp
Unemployment rate ²	October 2008	5.2%	0.3pp	4.3%	0.0pp
Average Weekly Earnings (full-time adults, ordinary hours) ¹⁸	May Qtr 2008	\$1,049	3.3%	\$1,132	4.0%
Job Advertisements	October 2008	1,443	-20.8%	13,935	-32.0%
Industrial disputes (days lost per 1,000 workers) ²⁰	Year to June Qtr 2008	15.0	138.1%	17.6	77.8%



International Exports

- The value of South Australia’s merchandise exports increased by 10.7% (to \$10.5 billion) in the year to September 2008. Australia’s merchandise exports grew by 18.0% (to \$198.6 billion).⁴
- South Australia’s merchandise exports have grown 52.0% since 2000.⁴
- The key drivers of export growth in the year to September 2008 were road vehicles, parts & accessories (up by \$661 million), metals (up by \$401 million), and wheat (up by \$240 million).⁴
- Export destinations recording the strongest growth in the year to September 2008 were the United States, China, and India.⁴
- In the year to September 2008 South Australia’s major export commodities were metals, road vehicles, parts & accessories, and wine.⁴
- South Australia’s major export destinations in the year to September 2008 were the United States, ASEAN countries, and the European Union.⁴
- The value of South Australia’s service exports increased by 7.1% (to \$1.9 billion) in 2007-08, driven mostly by education worth (\$741 million).²¹
- Adelaide attracted 23,300 overseas students in 2007. Over the past 5 years, Adelaide has outstripped the nation in the growth of overseas students.²²
- Major sources of overseas students for South Australia are China, India, Malaysia, the Republic of Korea, Hong Kong, Japan, Vietnam and Singapore.²²

South Australia’s exports by commodity, Year to September 2008⁴

Commodity group	\$ million	Annual change	% share
Fruit & vegetables	188	-18.4%	1.8%
Meat & meat preparations	456	-9.6%	4.3%
Fish & crustaceans	305	-5.7%	2.9%
Wool & sheepskins	167	-5.6%	1.6%
Wheat	628	61.9%	6.0%
Wine	1,724	-9.2%	16.4%
Road vehicles, parts & accessories	1,739	61.3%	16.6%
Machinery	379	-7.6%	3.6%
Metals	2,752	17.1%	26.2%
Petroleum, coal & gas	320	-2.6%	3.1%
Other/confidential commodities	1,843	2.7%	17.5%

South Australia’s exports by destination, Year to September 2008⁴

Destination	\$ million	Annual change	% share
United States	2,145	79.0%	20.4%
Middle East	926	-7.9%	8.8%
European Union	1,269	-22.9%	12.1%
- United Kingdom	786	-13.6%	7.5%
New Zealand	553	-7.1%	5.3%
East Asia *	4,184	13.1%	39.8%
- Japan	881	9.9%	8.4%
- China	922	27.8%	8.8%
- Hong Kong	277	-3.5%	2.6%
- ASEAN countries ^	1,643	16.2%	15.6%
Rest of the world	1,424	6.3%	13.6%

* Japan, China, Hong Kong, ASEAN, and 5 other Asian countries.

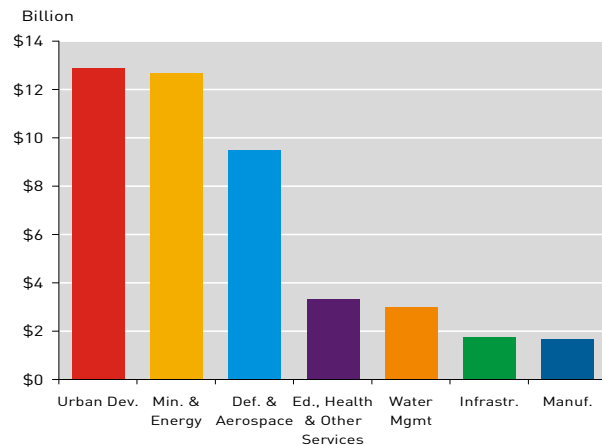
^ Brunei, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and Cambodia.



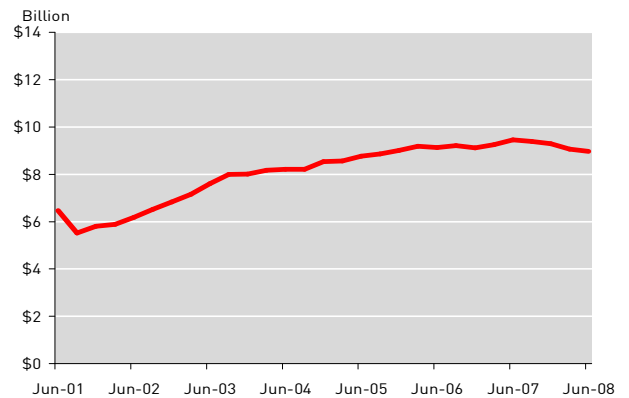
Business Investment

- Business investment was \$9.0 billion in the year to the June quarter 2008 - a near-record high and 39.1% greater than in 2000.³
- Private new capital expenditure (a less comprehensive measure of investment) was \$5.0 billion in the year to the June quarter 2008 - a near-record high and 70.2% above 2000 levels.²³
- The value of private non-residential building approvals grew by 58.6% in the year to August 2008.²⁴
- Major projects worth \$44.8 billion are either underway or in the pipeline in South Australia.⁹
- Both the Air Warfare Destroyer contract and Olympic Dam expansion should provide significant stimulus in coming years.
- Business expenditure on research and development increased by 29.9% in 2006-07. The machinery and equipment manufacturing industry and property and business services industry comprised 38.2% of the total.²⁵
- Business expenditure on research and development was 1.2% of Gross State Product in 2006-07. South Australia's Strategic Plan has a target to raise this to 1.5% by 2010 and 1.9% by 2014.²⁵

Major projects underway or in the pipeline⁹



Business investment, Annual totals³



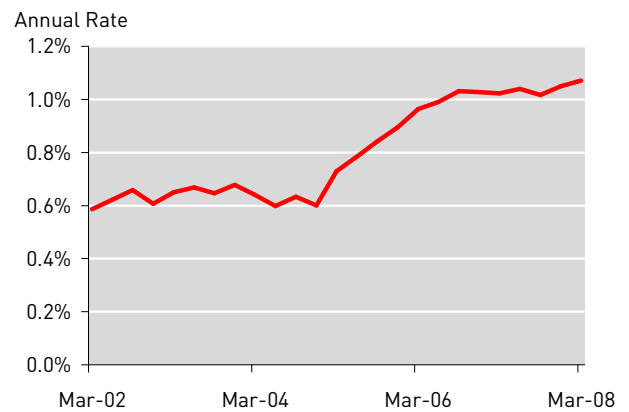
Business investment indicators

Indicator	Period	South Australia		Australia	
		No.	Annual change	No.	Annual change
Business investment ³	Year to June Qtr 2008	\$9.0bn	-5.4%	\$176.9bn	12.8%
Private new capital expenditure ²³	Year to June Qtr 2008	\$5.0bn	2.4%	\$86.4bn	11.4%
Private non-residential building approvals ²⁴	Year to August 2008	\$1.4bn	58.6%	\$28.2bn	20.8%
Business expenditure on research and development ²⁵	2006-07	\$834m	29.9%	\$12,036m	16.5%

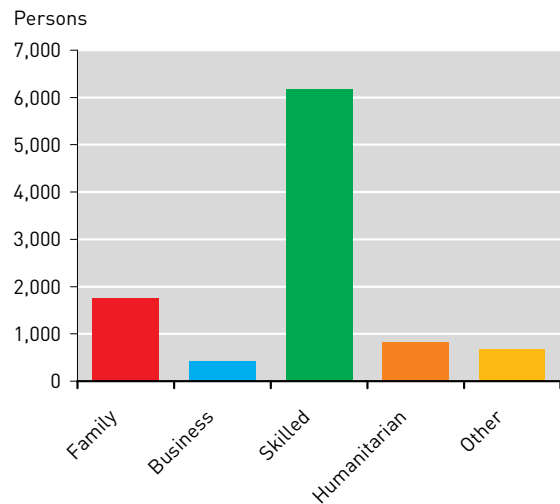


- South Australia's population was 1,598,031 as at the March quarter 2008 - 1.1% (16,940 people) higher than a year earlier.⁵
- Net overseas migration was the major driver of the State's population growth, adding 13,441 people to the population in the year to the March quarter 2008 - 58.1% above the State's Strategic Plan target of 8,500 per annum.⁵
 - The number of settler arrivals to South Australia in 2007-08 was 9,896 with the bulk of these being skilled migrants. Settler arrivals are arrivals holding permanent visas, settlers from NZ, and other eligible settlers. The top 5 countries for settler arrivals are the UK, India, China, NZ and the Philippines.²⁶
- Natural increase contributed 7,624 persons to the State's population growth in the year to the March quarter 2008.⁵
 - The number of births in 2007 (19,662) was the highest since 1992.⁵
 - The total fertility rate (number of children the average woman has over her lifetime) was 1.92 in 2007, which compares to the Australian rate of 1.93.⁵
- South Australia's population gains through natural increase and overseas migration were partially offset by a continued loss through interstate migration (4,125 persons in the year to the March quarter 2008). The State's net interstate outflow is the highest annual figure since December 1996 but is not as high as the record levels of the mid-1990s (7,700 per annum).⁵

South Australia's population growth⁵



South Australia's settler arrivals 2007-08²⁶



Population estimates

Indicator	Period	South Australia		Australia	
		Persons	Annual change	Persons.	Annual change
Population ⁵	March Qtr 2008	1,598,031	1.1%	21,282,583	1.6%
Natural increase ⁵	Year to March Qtr 2008	7,624	20.1%	137,687	-0.7%
Net overseas migration ⁵	Year to March Qtr 2008	13,441	6.4%	199,064	22.4%
- Settler arrivals ²⁶	2007-08	9,896	-1.6%	149,365	6.6%
Net interstate migration ⁵	Year to March Qtr 2008	-4,125	-15.5%	-	-



Housing

Construction

- The number of dwellings commenced in the June quarter 2008 was 10.8% higher than a year earlier in South Australia - more than three times the national rate of 3.0%.⁶
- Approvals for the construction of new homes in August 2008 were 3.9% higher than a year earlier in South Australia - this compares with a national decline of 14.5%.²⁴
- Since 2000, dwelling commencements have increased by 52.0% and new home approvals have grown 54.9% in South Australia.^{6 & 24}
- Due to a high interest rate environment, housing finance commitments (home loans) in August 2008 were 21.3% lower than a year earlier in South Australia. This compares with a national fall of 25.6%.²⁷

Prices

- The median home sales price in the June quarter 2008 was 17.0% higher than a year earlier in Adelaide.²⁸
- The median price of homes purchased by first home buyers in the September quarter 2008 was 9.0% higher than a year earlier in Adelaide.²⁹
- House prices in Adelaide are lower than in all other mainland capital cities.^{28 & 29}

Median home prices

City	Home price June quarter 2008 ²⁸	First home price September quarter, 2008 ²⁹
Adelaide	\$366,000	\$392,100
Brisbane	\$420,300	\$505,000
Darwin	\$423,300	-
Hobart	\$325,000	\$309,800
Melbourne	\$451,000	\$419,700
Sydney	\$542,000	\$451,700
Perth	\$443,000	\$500,500
Canberra	\$450,000	\$480,000
Australia	\$459,200	\$451,600

Affordability

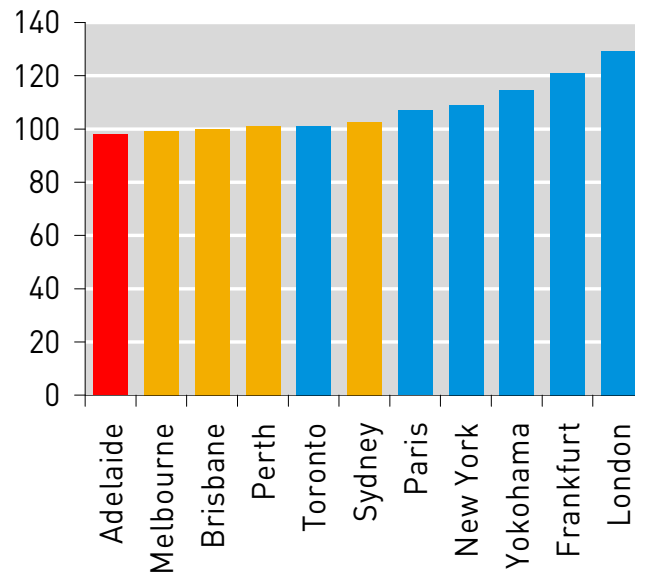
- Housing affordability in the June quarter 2008 was 13.6% lower than a year earlier in South Australia, compared to a fall of 9.7% nationally.³⁰
- First home affordability in the September quarter 2008 was 12.5% lower than a year earlier in Adelaide, compared with a decline of 1.1% nationally.²⁹
- South Australia was the 4th most affordable state in which to buy a house ahead of New South Wales and Queensland.³⁰
- South Australia's housing market is supported by strong labour market conditions, solid wages growth, low rental vacancies and the highest annual rate of population growth since the early 1980s.



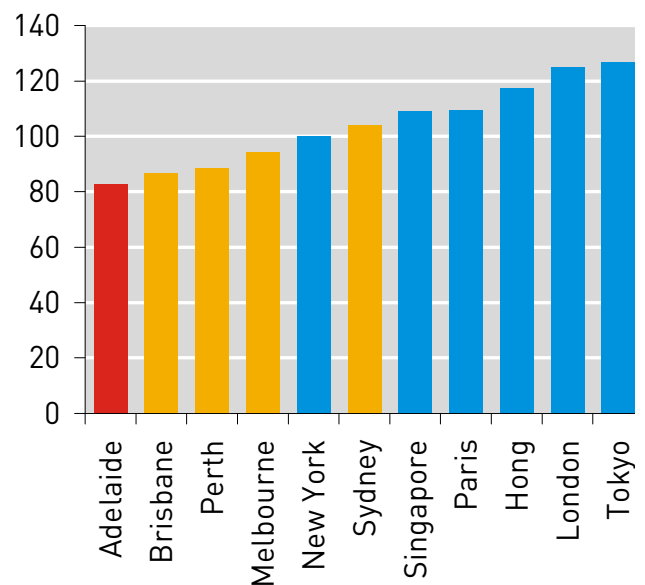
Competitiveness

- Adelaide is the least costly city to set up and do business in Australia according to KPMG's 2008 Competitive Alternatives Report.⁸
 - Adelaide has lower business costs than most cities in the US and Canada, and all cities studied in Europe and Japan.⁸
 - Adelaide is ranked among the world's most cost-competitive locations for key sectors including automotive, aerospace, medical devices, precision manufacturing, plastics, and web and multimedia.⁸
- Adelaide is consistently ranked as one of the most liveable cities in the world and the most affordable capital city among the mainland Australian state capitals, as well as one of the world's best business destinations.¹¹
 - Adelaide is the 7th most liveable city in the world according to the Economist Intelligence Unit and offers the 29th highest quality of life according to Mercer.¹¹
 - According to both Mercer and the Economist Intelligence Unit, Adelaide has the lowest cost of living among the Australian state capital cities.¹¹
- The State has huge mining potential - ranked 4th most prospective location in the world by Canada's Fraser Institute, up from 31st place a few years ago.¹⁰
- South Australia has world-class renewable energy assets.
- The State's finances are in a sound position, enjoying a AAA credit rating.¹²

KPMG business cost index, 2008⁸



Mercer cost of living index, 2008¹¹





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