



City of Newcastle: Strategy & Innovation Advisory Committee

Economic briefing

Prepared for the City of Newcastle

—
February 2023



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A smiling man in a black wetsuit is carrying a light-colored surfboard with a blue stripe. He is standing on a beach at sunset, with the sun low on the horizon and waves in the background. A large blue rectangular overlay is positioned on the left side of the image, containing white text.

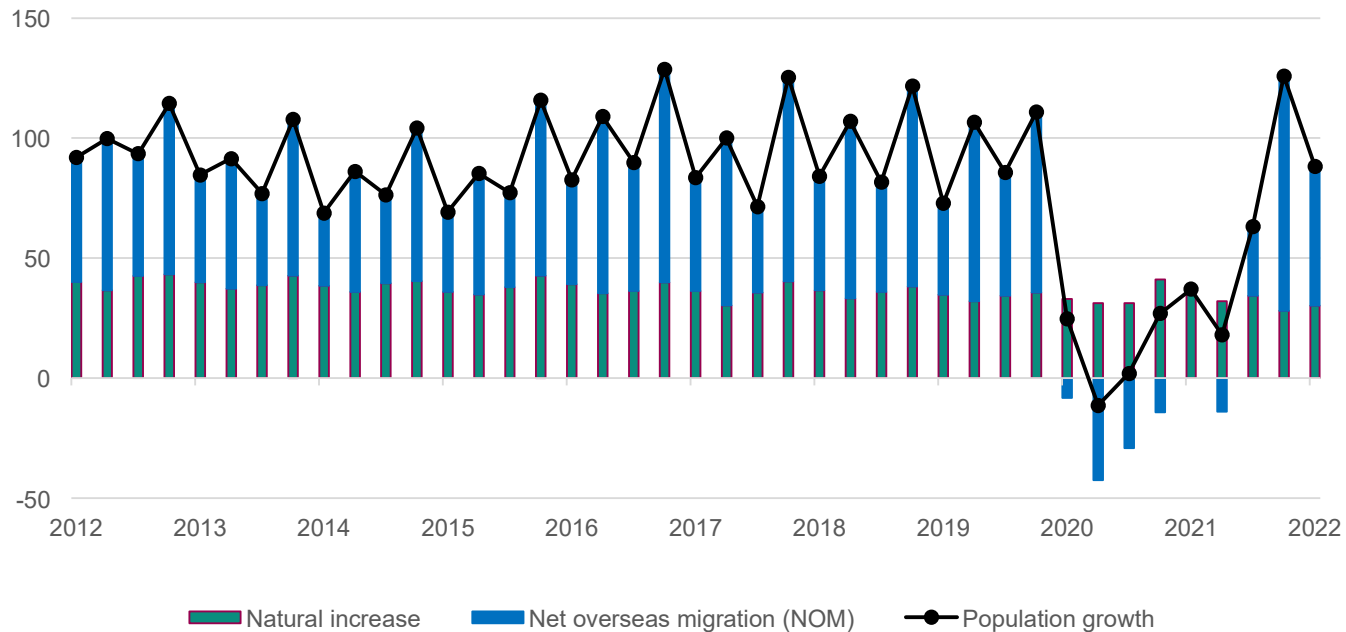
01

Population developments

National Population

Overseas migration has continued to recover, with 58,000 net inflows in the June 2022 quarter. Similar to pre-COVID, Overseas migration has again been the largest contributor to population growth.

Population growth, Australia

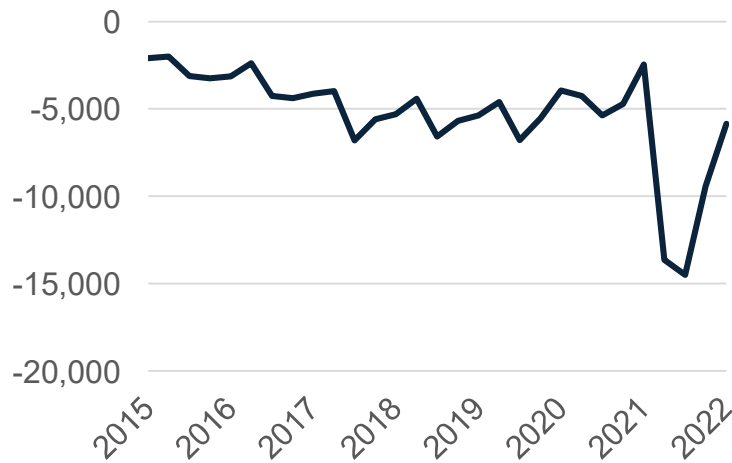


Recent Population Trends

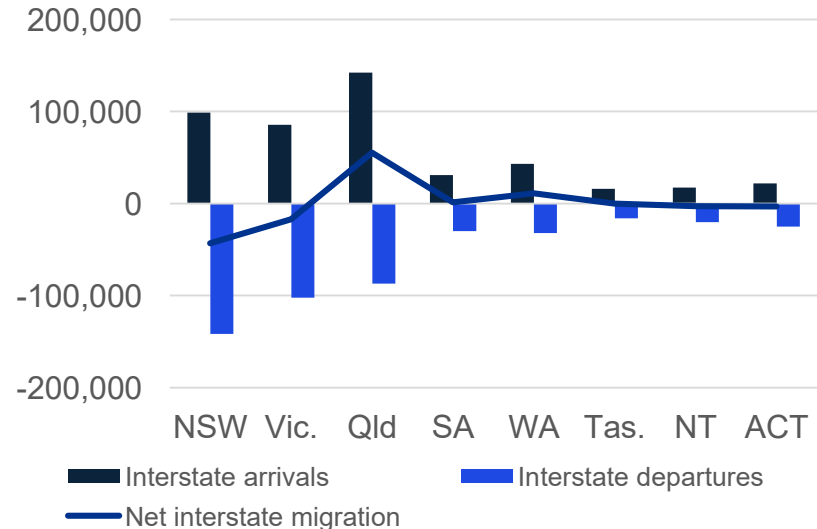
New South Wales saw an increase in annual population growth to June 2022, driven by the continued recovery in overseas migration. However, growth remains below rates pre-COVID.

Interstate moves have also come back down towards pre-COVID levels, with NSW continuing to track back to more normal levels of net interstate outflows.

Net interstate migration, New South Wales



Interstate migration, June 2022

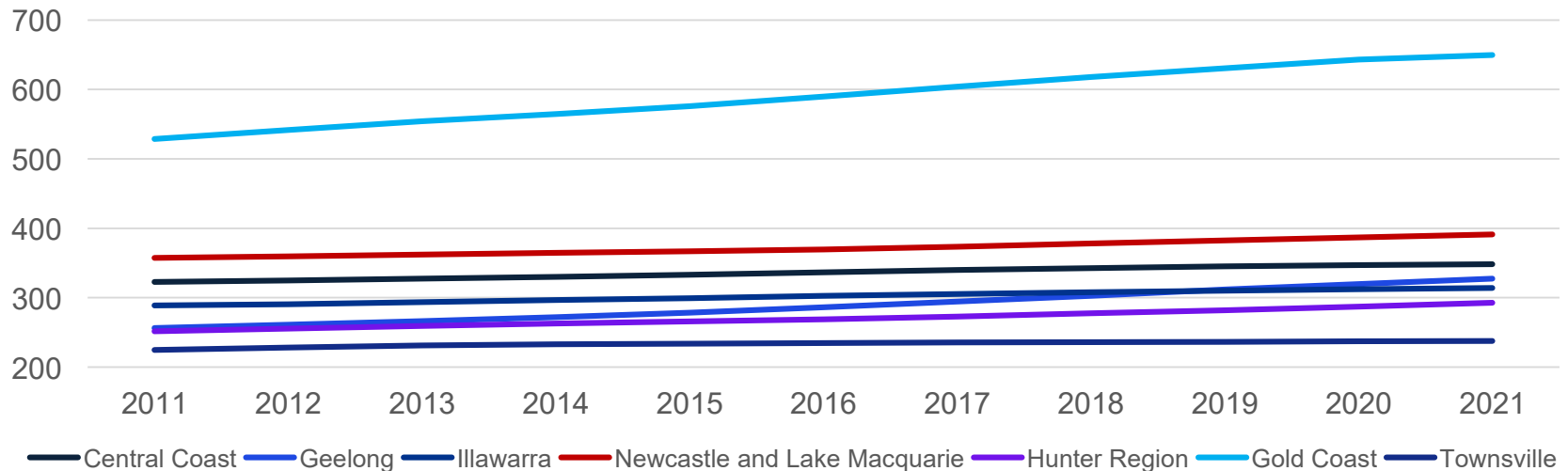


Comparison with Gateway Cities

Newcastle and Lake Macquarie has the second largest population amongst these gateway cities and has grown over 1% in each of the last two years. The adjoining Hunter region has also seen strong population growth over this period (around 2% annually). In contrast, NSW as a whole saw a fall in population in 2021 of 0.5%.

In other gateway regions, Geelong continues to be a strong growing city, averaging 2.5% growth in each of the last two years. The Gold Coast has also seen strong historic growth, but this dropped back to 1% in 2021.

Estimated resident population, '000 persons

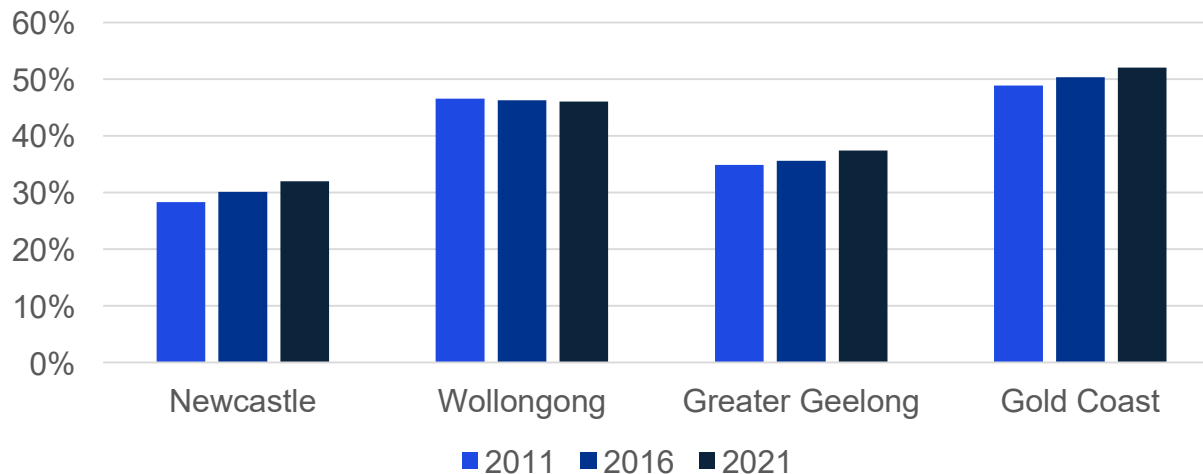


Population Features - migrants

Newcastle's migrant population has been growing, with population born overseas increasing from 9% to 17% since 2011.

The proportion of Newcastle residents with one parent who was born overseas is also growing, and at a faster rate than the other gateway cities. Almost one-third of Newcastle residents have at least one parent born overseas.

Proportion of residents with at least one parent born overseas



169,000

People in Newcastle LGA (2021), 20% growth in population since 2001

391,000

People in Newcastle and Lake Macquarie region (2021), 4.8% of NSW total

30%

of Newcastle's population has at least one parent who was born overseas

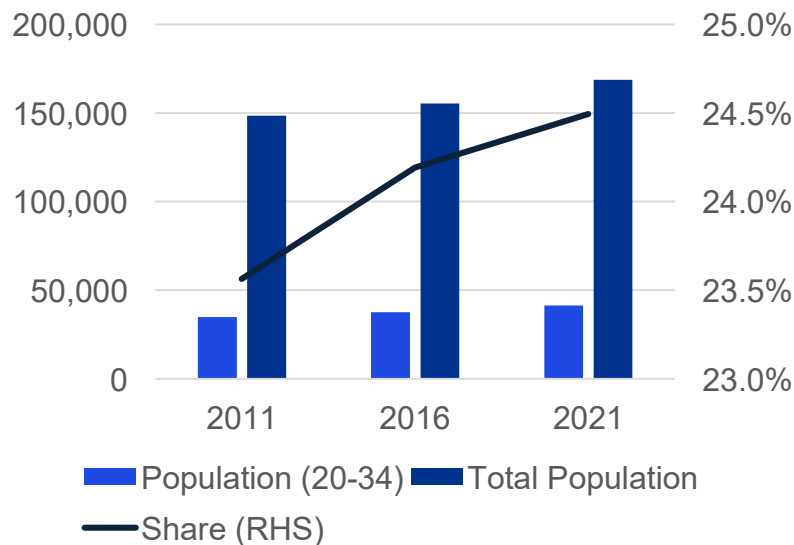
17%

of Newcastle's population were born overseas

Population Features - age

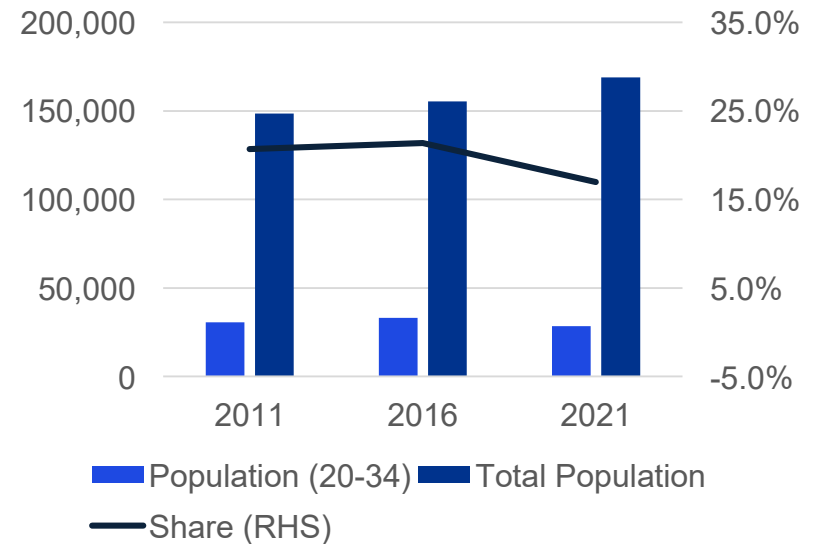
The share of residents in Newcastle in the younger (20-34 year old) age group is growing as a proportion of the total population.

Population share of residents aged 20-34



In contrast, the 65+ age group is now lower as a proportion of the total population than in 2011 and 2016.

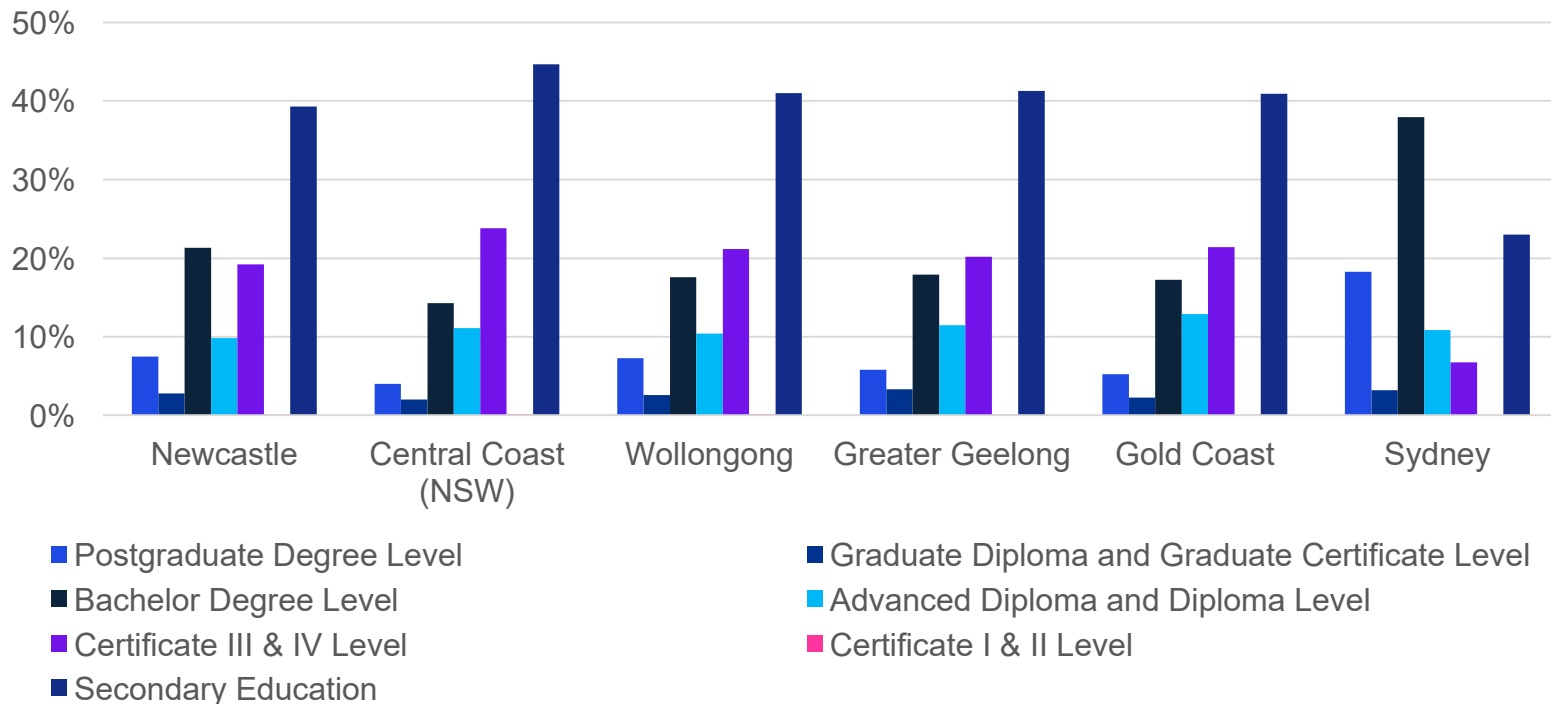
Population share of residents aged 65+



Population Features – educational attainment

In comparison to the other Gateway regions, Newcastle has comparable or higher levels of residents with higher education levels (Postgraduate and Bachelor degrees).

Highest level of Educational Attainment, by LGA, Census 2021





02

Economic activity

Business vs consumer confidence

Business and consumer confidence are both economic indicators that seek to measure the level of optimism that businesses and consumers have in an economy. Businesses drive investment and employment while consumers drive consumer spending.

Looking at the most recent movements, business confidence rose in December 2022 after a period of decline. Consumer confidence has continued to fall since the mid 2021, with higher inflation and rising interest rates. The latest rate rise will likely to continue to dampen consumer spending.

Business confidence in Australia,
Seasonally adjusted



Consumer Confidence, index



Commodities - Coal

The coal price has risen significantly since January 2020, before dropping modestly in January 2023. China's reopening will increase demand for global coal, but a milder winter in Europe is helping temper this. With the stronger AUD alongside the RBA interest rate rises, there is still the potential for some upside in Coal prices going forward.

Renewable energy transition could reduce demand for coal in the long run. This is both a challenge and an opportunity for the region.



A Hunter renewable energy precinct could generate over \$28 billion in private investment, add 34,000 new jobs and annual revenue of \$11 billion by 2032 to the Hunter economy

ACIL-Allen modelling commissioned by Beyond Zero Emissions (BZE) and World Wildlife Fund (WWF).

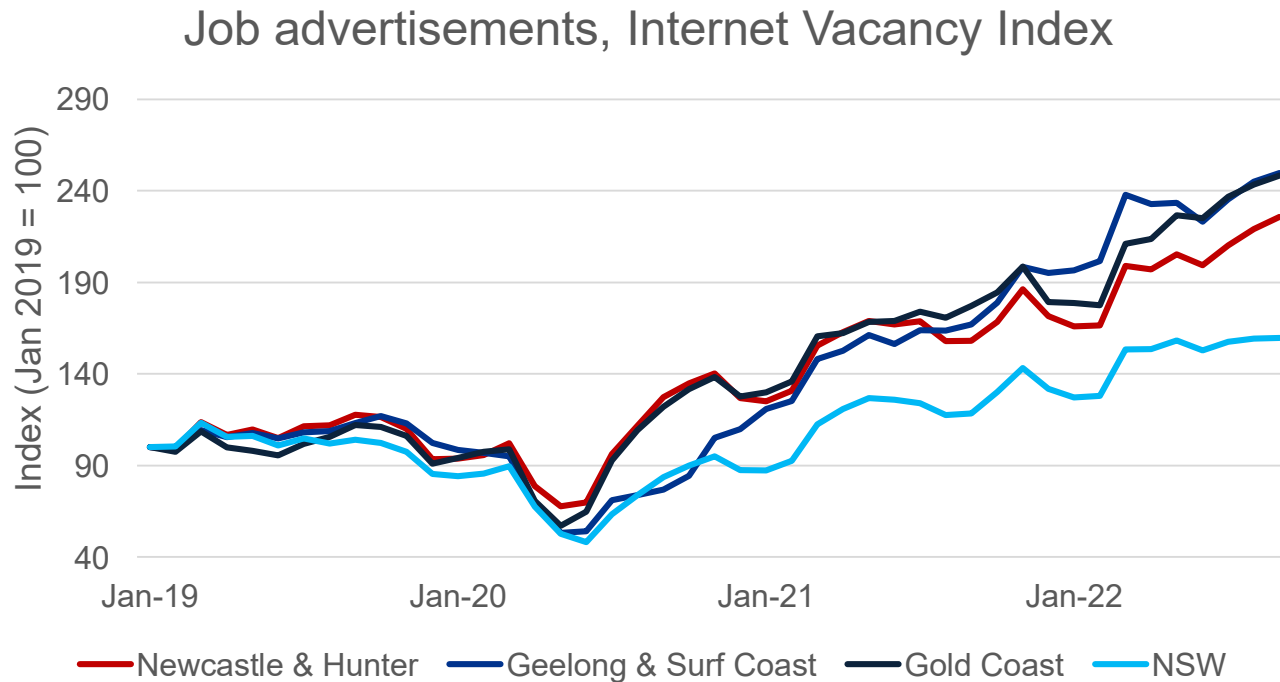
03

Labour market developments



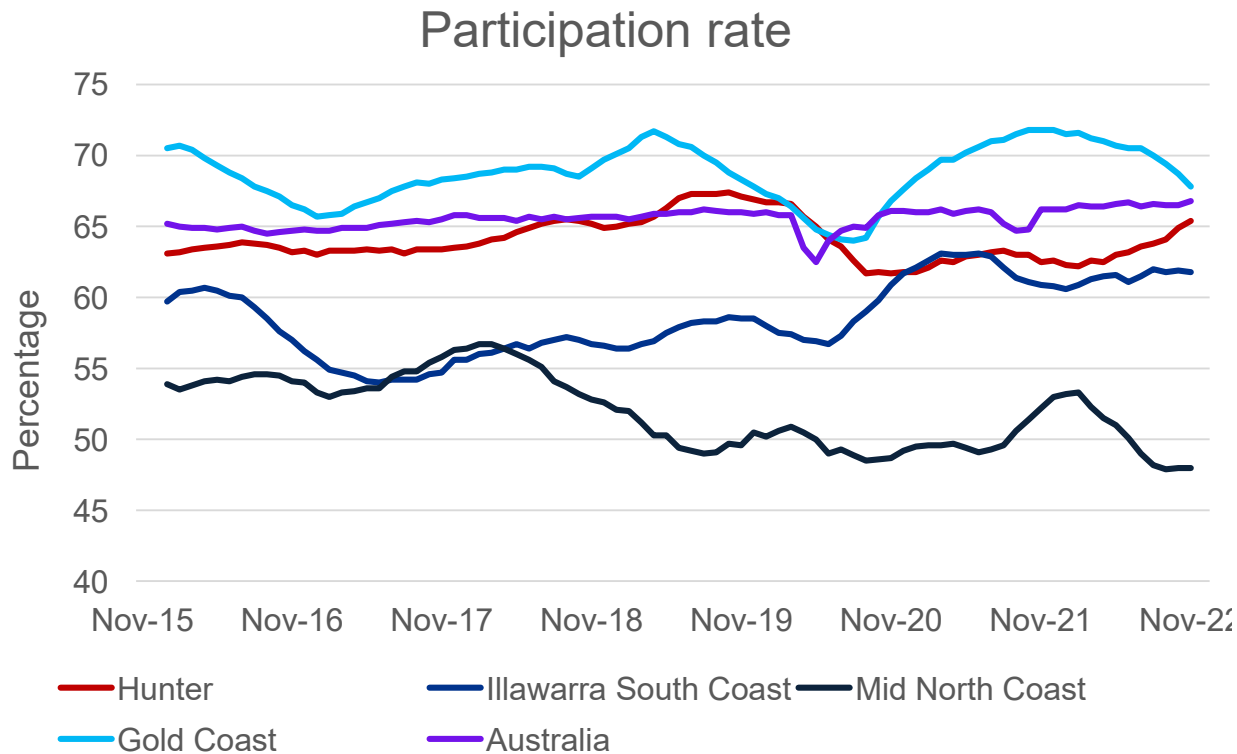
Job ads/vacancies

Job advertisements have grown strongly across NSW, with the vacancies in the gateway regions growing faster than the NSW average. Newcastle vacancies increased following the removal of Covid-19 related restrictions, with similar trends in other gateway cities like Geelong and the Gold Coast.



Labour market participation

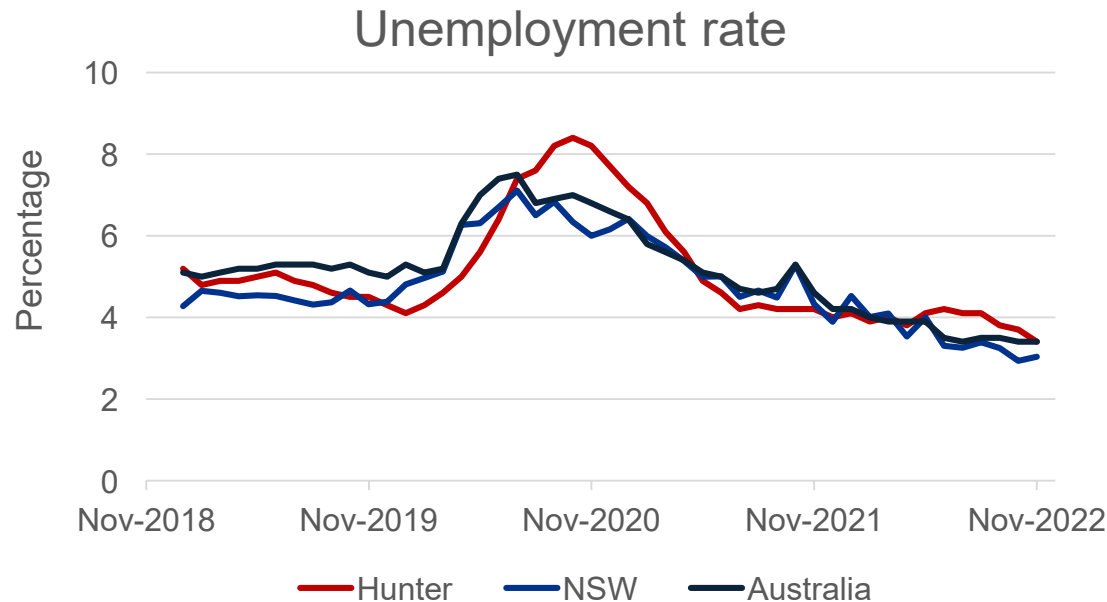
The labour market remains tight, with robust employment growth taking the Australian participation rate to record highs.



Unemployment

With strong demand for labour, despite high levels of labour market participation, unemployment rates are still low and well below pre-Covid levels. Specifically, the Hunter unemployment rate has dropped from 5.2% in January 2019 to 3.4%, equal to national rate but higher than New South Wales (3.0%).

There are now roughly as many job vacancies as unemployed people in Australia, and overall the data suggests the economy has reached full employment.





04

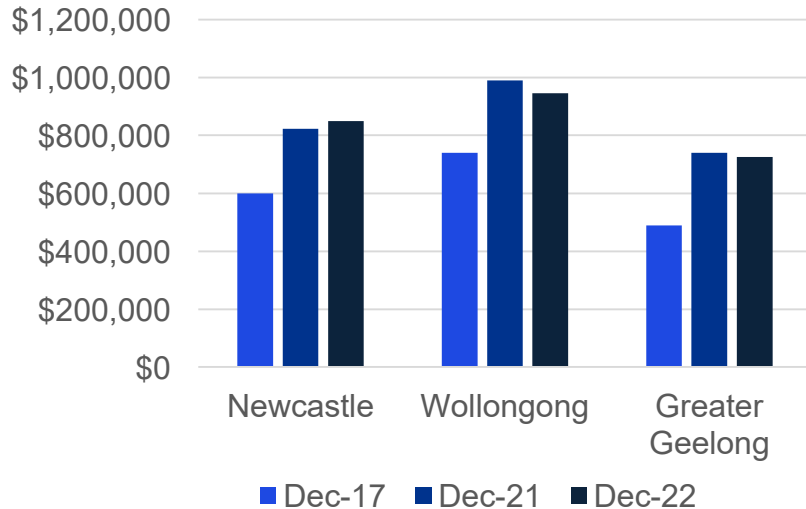
Housing market activity

Housing market activity

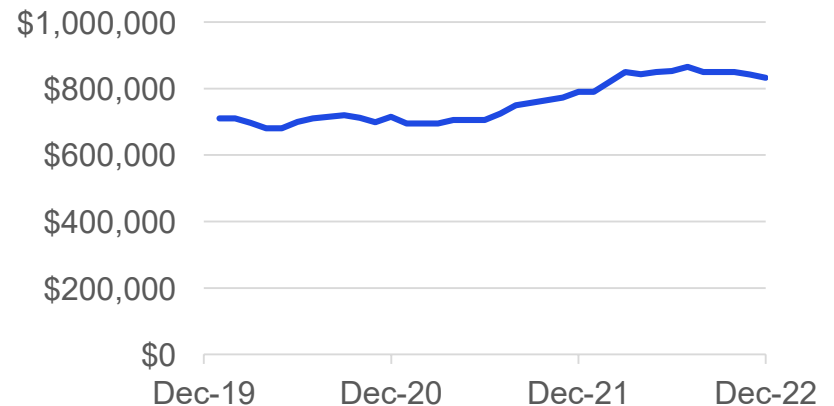
Housing prices across Australia are now going through a correction, but remain well above pre-COVID levels. Similarly, dwelling approvals (an indicator of supply) are now falling but still remain above pre-COVID levels.

The RBA lifted the cash rate to 3.35% over ninth consecutive months to combat high inflation in the economy. This will put further pressure on housing prices.

House prices



Median house price in Newcastle

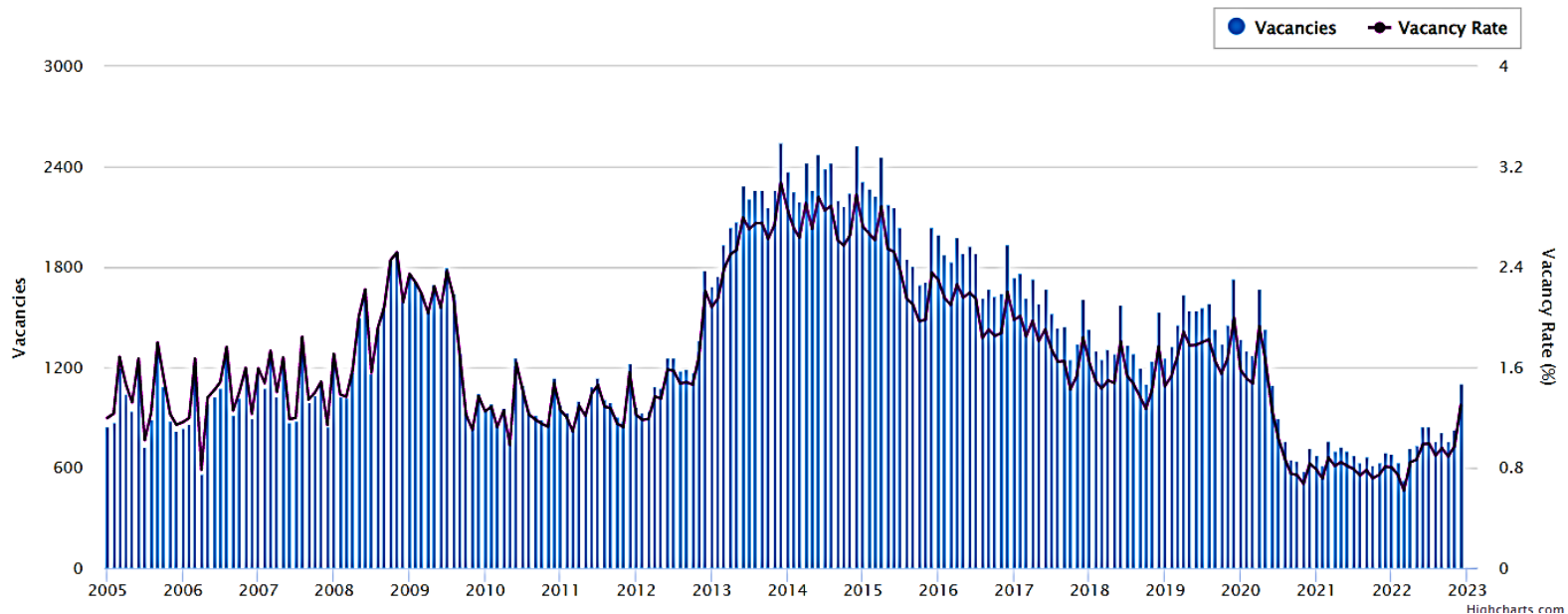


Rental vacancy rate

Rental markets remain very tight; net inflows to the region have eased, but the stock of demand is still outstripping supply. Long term solution is additional housing, in the short term we could see people living in bigger households (e.g. more sharers per house) and/or moving further out to find affordable accommodation

Residential Vacancy Rates

Source: SQM Research





Thank you



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