



Australian Government



National Housing Finance
and Investment Corporation

COVID-19: AUSTRALIA'S POPULATION AND HOUSING DEMAND

September 2020

KEY INSIGHTS

- The global pandemic could cut underlying dwelling demand in Australia by between 129,000 and 232,000 from 2020 to 2023, mainly due to the downturn in net overseas migration (NOM). International border closures have effectively shut down NOM, which has accounted for 59 per cent of population growth since 2007.
- The most pessimistic scenario implies a reduction in the population increase – from peak to trough – of 214,000 from 2019 to 2021. This implies a decline of 0.8 per cent of the population over the two-year period, which has only been surpassed by World War I and the unwinding of the peak of the baby boom in 1971.
- International students are the swing factor, accounting for 50 per cent of NOM. The geographic composition of the student community is also relevant, given COVID-19 hotspots such as India and Brazil are large contributors to the pool of students.
- The global financial crisis (GFC) revealed that economic factors, including unemployment and the exchange rate, are important for international students studying in Australia. It took around four years for student numbers to recover to pre-GFC levels. A protracted COVID-19 recession could easily lead to a similar path of recovery once borders reopen.
- Large falls in underlying dwelling demand, particularly due to substantial falls in international students, are already putting upward pressure on vacancy rates and downward pressure on rents in inner city suburbs. If sustained, this could cause a contraction in construction activity that will add to the recessionary forces that are impacting the economy.
- Previous recessions paint a relatively consistent picture of the outlook for the natural population increase: it tends to decline after the unemployment rate has peaked.

Figure 1: Underlying demand for new private dwellings including vacant dwellings vs Pre-COVID-19 ('000)

Year	Pre-COVID-19	Scenario 1	diff	Scenario 2	diff	Scenario 3	diff
2019	162	162		162		162	
2020 (e)	160	142	-18	137	-23	137	-23
2021	158	121	-37	108	-50	84	-74
2022	157	110	-47	72	-85	116	-41
2023	156	129	-27	82	-74	144	-12
Total	631	502	-129	399	-232	481	-150

Source: National Housing Finance Investment Corporation (NHFIC), Centre for Population, Macroplan

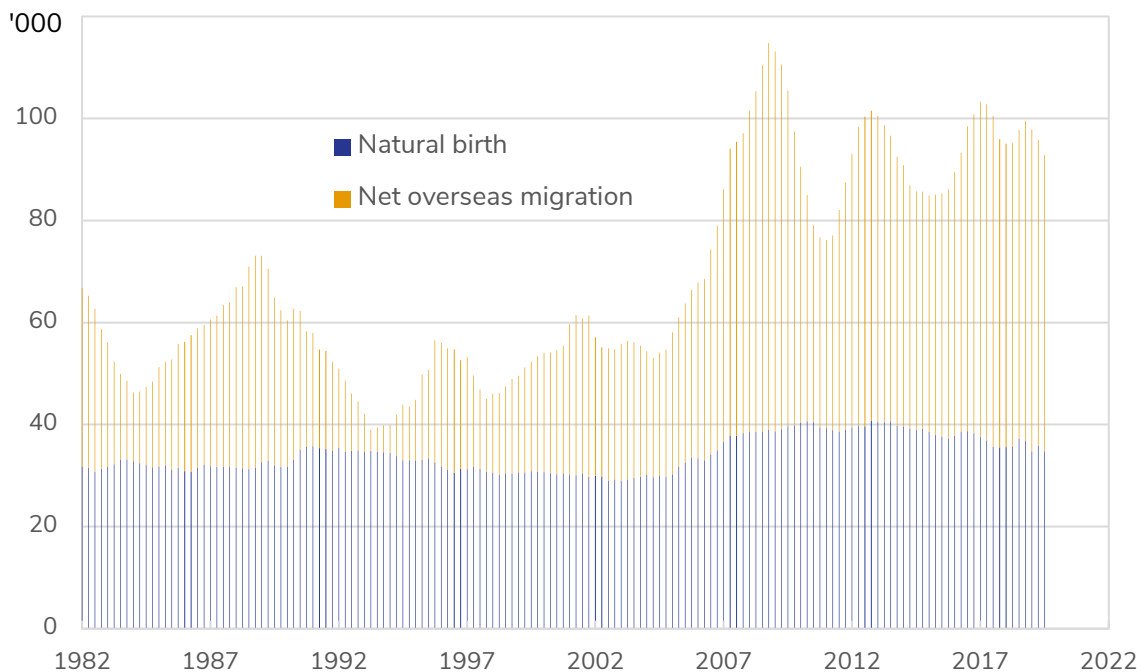
INTRODUCTION

Many governments around the world have responded to the spread of COVID-19 by prioritising community health over economic growth. This approach was taken after weighing up the effect of an uncontained spread of the virus versus the economic and social cost of job losses.

Imposing social distancing and limiting people's movement has had important consequences for the housing market. As the initial outbreak of COVID-19 was contained, these measures were gradually eased. However, Victoria's experience shows easing can be quickly reversed if the virus begins to spread again.

In Australia, international and domestic travel has been cut aggressively, with both international and state borders still not fully open. In particular, international border closures have shut down NOM, which is the key driver of population growth (Figure 2). Indeed, since 2007 it averaged 59 per cent of total population growth. The data also shows it is more cyclical than the natural rate of increase, which has seen relatively steady growth.

Figure 2: Australia's population growth



Source: ABS Cat No. 3412.0, NHFIC

Border closures between states has disrupted interstate migration and domestic tourism.

The economic consequence of the lockdowns also impacts population growth. The past two recessions showed that rising unemployment tends to lead a decline in natural population growth.

The pandemic has also raised uncertainty. Uncertainty about the path back to normalisation is battering confidence and affecting business investments and hiring intentions. It has also reduced the willingness of households to spend, with flow-on effects to the housing market.

In this paper, we analyse the impact of COVID-19 on population growth and underlying housing demand through two lenses:

- The direct health policy measures introduced to minimise the spread of the virus.
- The consequential and large economic costs of applying public health policy measures.

Figure 3 illustrates the framework we used to assess the impact of COVID-19 on population growth. Using this framework, we developed three scenarios for the impact on underlying housing demand. A scenario analysis is more appropriate at this juncture given the high level of uncertainty about the depth of the downturn and the shape of the recovery.

Figure 3: Factors impacting population growth during the COVID-19 pandemic

Economic		Impact on population growth
Unemployment	Natural population increase	Recessions slow natural population growth.
	Interstate migration	Changes to internal migration affect some states and territories more than others.
	Overseas migration	International students, who account for 50% of immigration, are less likely to be self-funded. There is less demand for skilled migrants, who account for 20% of immigration. Demand for working holiday immigrants falls if unemployment is higher in Australia than the rest of the world.
House prices	Interstate migration	Queensland moves the dial on interstate migration – relative house price movements between Sydney, Melbourne and Brisbane drive interstate migration.
Health measures		
Border closures	International	Immigration cuts have flow-on effects on population growth – temporary (international students) immigrants are the main driver of population growth.
	State	State border closures limit interstate migration. As the main destination for interstate migrants, Queensland border closures are particularly significant.

Source: NHFIC.

SCENARIOS OF UNDERLYING HOUSING DEMAND

The COVID-19 global pandemic has made it difficult to forecast population growth. We have considered three scenarios to provide a guide to how underlying housing demand could evolve over the next three years. We will publish our view of the next five to six years in our State of the Nation housing report, to be released later this year.

Two of the scenarios are largely driven by different assessments for the recovery of the international student market, which is the largest component of NOM. We applied the same natural population increase for both scenarios. This natural increase was generated by looking at how it changed during the previous two recessions (Appendix A).

The third scenario uses the population projections produced by the Australian Government's Centre for Population. These are consistent with the forecasts the Commonwealth Government used in its most recent Budget update.

In this report, we assess population growth at the national level only, taking the following approach:

Natural Population Increase: We used the relatively consistent growth in the natural population increase during the past two recessions to project the natural increase over the next three years. The natural population increase is discussed in more detail in Appendix A.

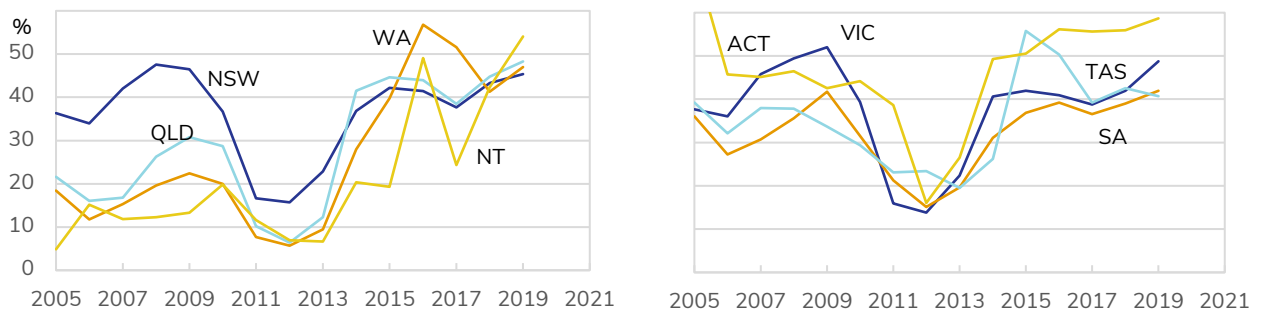
Net Overseas Migration: With NOM contributing to around 60 per cent of Australia's population growth, the closure of international borders and travel restrictions has become a major headwind for economic growth. These restrictions, due to government health measures, are having a large impact on all visa categories. We consider the visa categories in four groups:

- International students
- Permanent and temporary skilled migrants
- New Zealand citizens
- Other – includes returning Australian citizens, humanitarian visas (permanent), family visas (permanent), working holiday visas (temporary) and other visas (temporary and permanent).

INTERNATIONAL STUDENTS

International students are particularly important in this mix, accounting for around 50 per cent of all NOM, with a slightly higher intake in the territories than the states (Figure 4).

Figure 4: Students as a percentage of total immigration



Source: ABS cat. no. 3412.0.

While the NOM mix includes a large proportion of international students, the total number is also large. According to the Department of Education, Skills and Employment, around 760,000 international students were studying in Australia at the end of 2019. This is nearly equivalent to the combined populations of Tasmania and the Northern Territory.¹

International students are attractive for Australia for several reasons:

- They provide an economic boost through export revenue, which reached \$A37.6 billion in 2019. This figure has doubled over the past 10 years and education is now Australia's third-largest export, behind iron ore and coal.
- They tend to remain in Australia after completing their courses and bring skills often associated with previous study and work experience in other countries.
- They are normally young and unlikely to be a burden on the welfare system.
- They help foster Australia's people-to-people links with other nations.

¹ See the Department of Education, Skills and Employment data on students numbers. Available at: <https://internationaleducation.gov.au/research/DataVisualisations/Pages/Student-number.aspx>

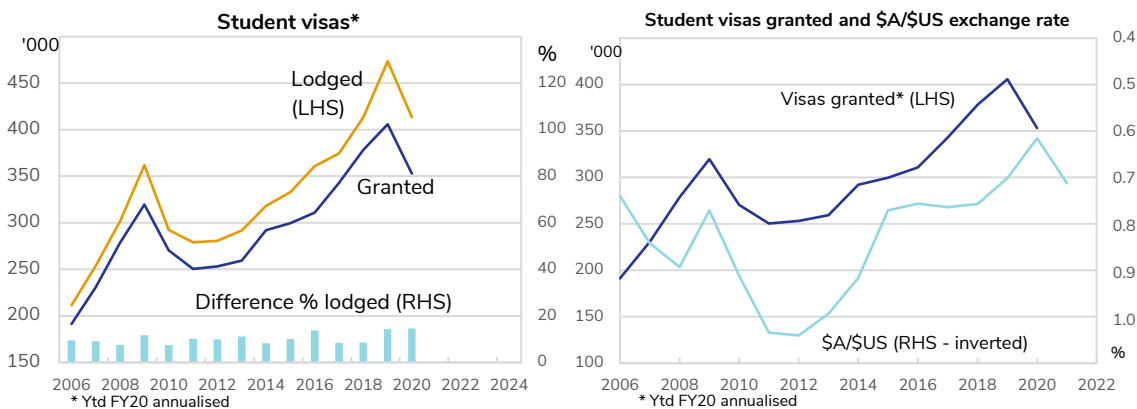
While international student growth has been strong, it is also susceptible to shifts in global economic conditions.

At the height of the GFC in 2008–09, international student migration fell to 10–20 per cent of NOM as global unemployment surged. This was probably due to young students relying on at least some funding from their home country as well as job prospects in Australia. Student demand only began to recover in around 2012, some four years after the start of the GFC.

International students are required to obtain a valid student visa before they arrive in Australia. When applying for a visa, students need to submit their confirmation of enrolment and a compulsory English language proficiency test score.

Applicants must also demonstrate they have the financial capacity to pay for their tuition fees, books and daily living expenses while studying in Australia. The Australian dollar cost of education is therefore important, with the rapid increase in student visas since 2012 supported by the depreciating currency (Figure 5 – RHS). It follows that a weaker currency from current levels would help lift student demand once borders reopen.

Figure 5: International student visas



*Indicates no data is available after May due to the impact of the pandemic. The May observation is annualised.
Source: Department of Home Affairs, Refinitiv.

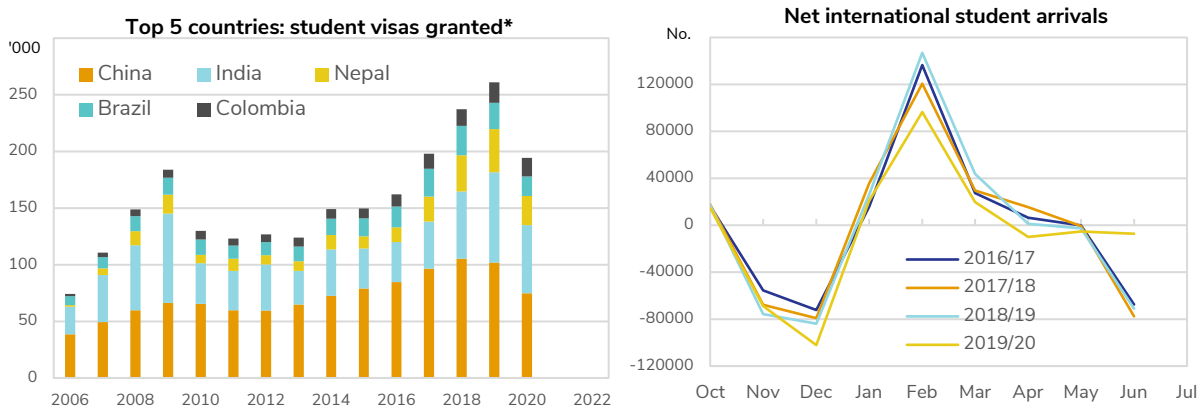
In a positive sign, the gap between visas lodged and visas granted hasn't widened significantly since last year. This suggests demand for Australia as a study destination remains reasonably strong and should allow it to compete with universities in the US and UK for international students once borders reopen.

However, in the short-term there are some significant obstacles:

- China provides the bulk of Australia's international students and the timing of any border openings will depend on both China and Australia successfully containing the spread of the virus.
- India, which is Australia's second-largest source of international students, currently has surging numbers of COVID-19 cases (Figure 6). Cases are also high in Brazil, which is Australia's fourth-largest source of students.
- The Australian dollar has strengthened against the US dollar over the past few months and this could reduce student demand.

Data from the Australian Bureau of Statistics (ABS) on arrivals and departures shows net international student arrivals began to dip in December as the virus impacted China. This is a time when students return to Australia for the start of the academic year. More recently, the closure of borders has meant those students who were already in Australia during the first half of 2020 were unable to return home for the mid-year break. Student arrivals averaged only 43 per month between April and June, compared to 43,600 in the same three-month period last year. Normally in June, around 80,000 students leave Australia and return home for the mid-year break.

Figure 6: International student visas

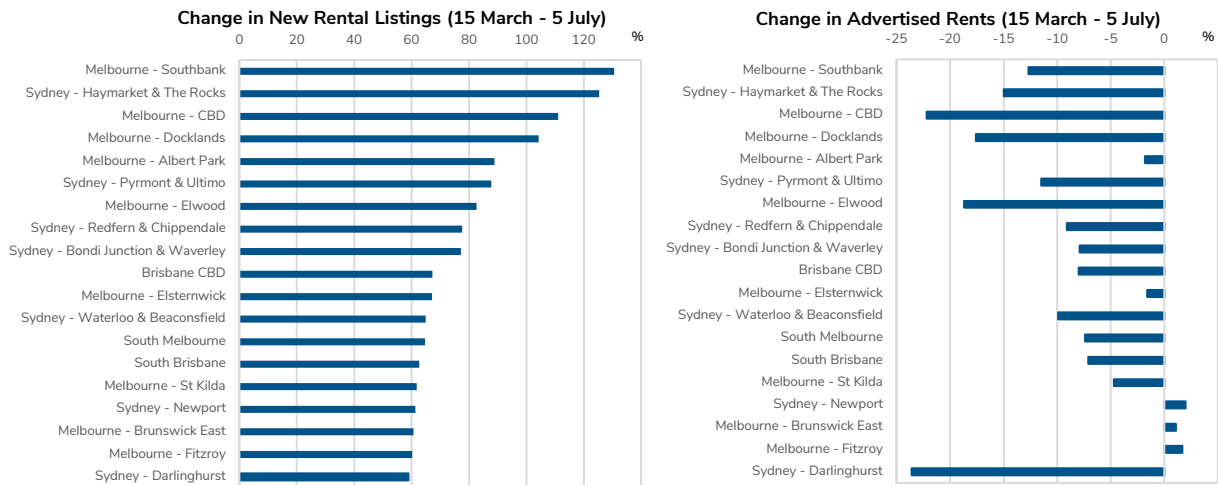


* Net student arrivals reflect international travel movements by number of trips rather than the number of people.
Source: Department of Home Affairs, ABS cat. no. 3401.0.

The number of students is clearly large enough to change NOM with flow-on effects to underlying housing demand, particularly in the inner-city apartment markets of Sydney, Melbourne and Brisbane. Recently released data shows a sharp increase in new listings and large falls in rental prices in many of these markets (Figure 7).

If this plunge in underlying demand is sustained, it will most likely cause a decline in construction activity that would have an impact on the broader apartment markets in these cities.

Figure 7: Eastern state capital city rental listings and rents



Source: CoreLogic.

We consider two scenarios for the return of international students to Australia, which are:

- a return to pre-pandemic student numbers by 2027
- a 60 per cent recovery to pre-pandemic student numbers by 2027.

The recovery path in both scenarios assumes the borders for international students will reopen next year.

We used the above levels of international student migration to generate projections for other visa categories. These projections assume that it will be at least four years before international students account for 45 per cent of NOM. This was the experience during the GFC, although the COVID-19 global recession is arguably more severe.

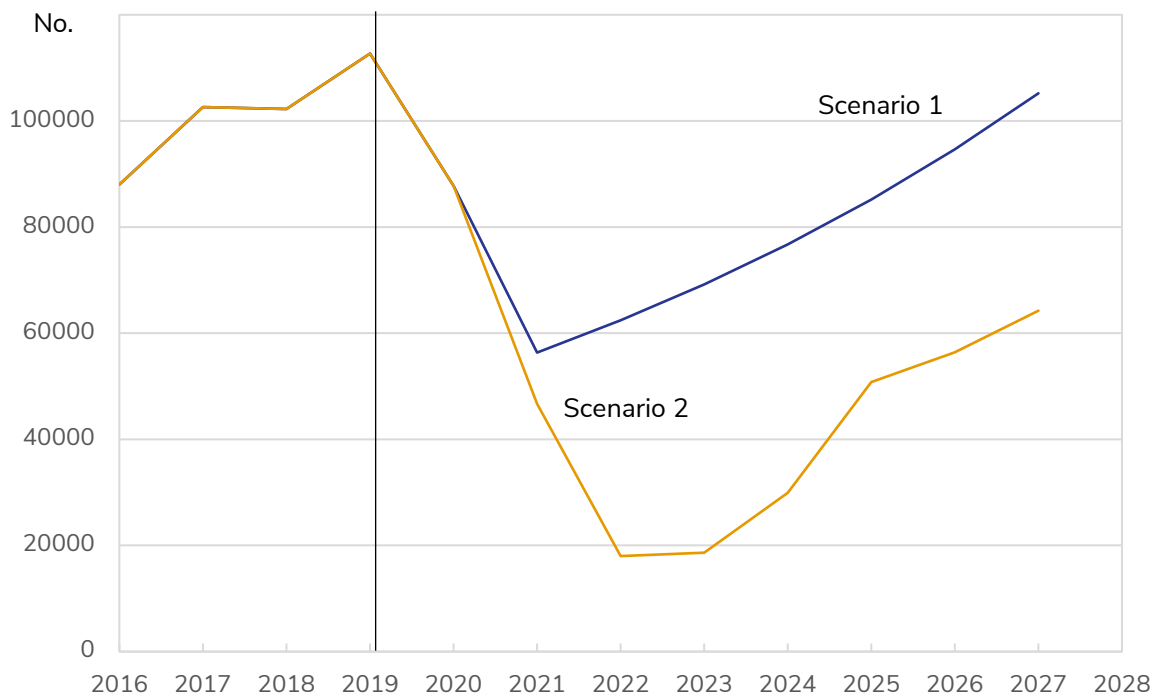
We then projected student visa scenarios to 2027 to acknowledge the likely longer-term consequences of the shock on the student intake. However, we have focused on projections for the next three years in our estimate of underlying housing demand.

The Department of Home Affairs published data on visas granted from January to May, allowing us to annualise the year-to-date data and estimate the number of visas granted for the 2020 financial year (the publication of data has ceased due to COVID-19).

SCENARIO 1

- This is based on a relatively shallow downturn that sees student visas return to pre-pandemic levels by 2027 (Figure 8).
- It assumes that numbers in 2021 will have declined by 50 per cent compared to 2019 levels. A recovery is anticipated to begin in 2022, which is consistent with the average pace of growth seen during the three years prior to the pandemic (2016–19).

Figure 8: International student visas



Source: NHFC.

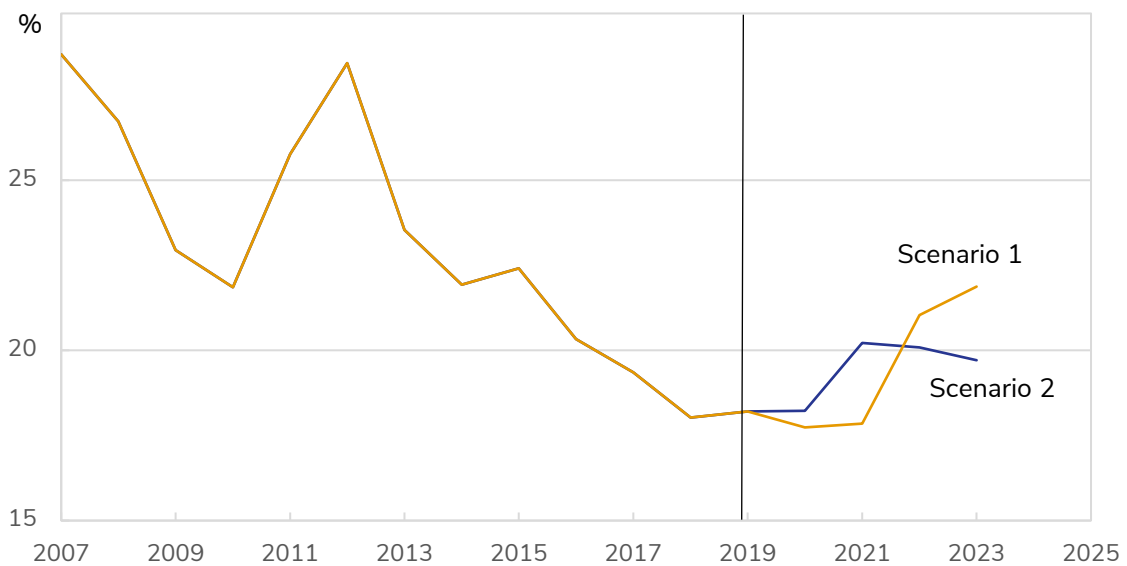
SCENARIO 2

- In this scenario, we assume a deeper and more prolonged downturn, but with a similar pace of recovery. This is consistent with COVID-19 infections continuing to rise globally, which will delay border openings and the economic recovery.
- Between 2021 and 2023, the downturn is consistent with the average pace of the downturn seen during the GFC. The recovery begins in 2024 at a similar pace to the strong growth in student visas in 2013–16. The deeper downturn relative to scenario 1 means that by 2027 student visas are only 65% of pre-pandemic levels.

PERMANENT AND TEMPORARY SKILLED WORK VISAS

The share of skilled work visas (temporary and permanent) fell during the GFC but rebounded to pre-crisis levels in 2012 (Figure 9). The proportion of visas has declined over the past eight years, squeezed out by surging student numbers.

Figure 9: Skilled migrants as a percentage of total net overseas migration*



*Includes temporary and permanent skilled migrants.

Source: NHFIC.

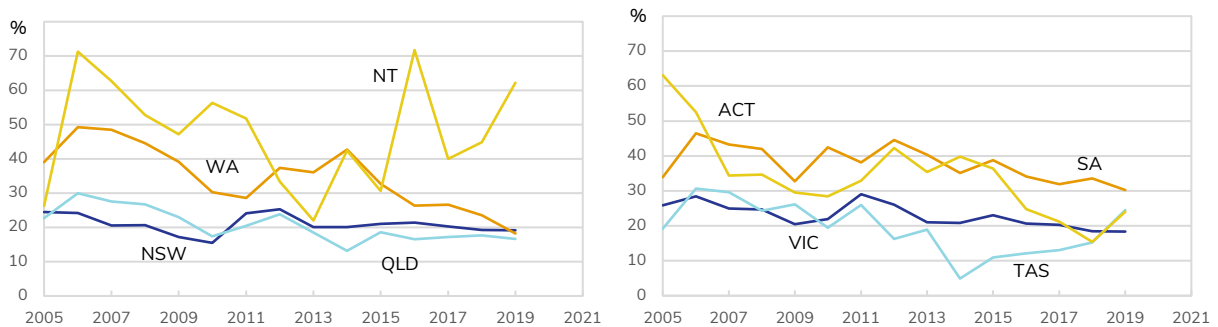
We broadly maintain the skilled worker share of NOM at current levels in the near term, with a recovery to around 2016 levels by 2023 in the most optimistic scenario. Overall, these adjustments are relatively small and designed purely to make way for the fall in the share of international students.

We assume skilled work visas won't return to the levels of a decade ago, given the unemployment rate in Australia is likely to remain relatively high for several years. Immigration policy is likely to be focused towards using those unemployed in the domestic labour force to fill skilled jobs during the recovery period.

Skilled workers who entered Australia on either a temporary or permanent basis were less affected by rising unemployment during the GFC. Their share of the immigration intake remained relatively steady in each state and territory (Figure 10). The data also shows that apart from the Northern Territory, skilled migrants have declined steadily as a share of NOM.

The increase in skilled workers in the Northern Territory is due, at least in part, to the construction of the \$US37 billion Ichthys gas project, which commenced construction in May 2012 and was completed in 2018. South Australia has also maintained a relatively large share of skilled migrants in its immigrant intake compared with other states and territories.

Figure 10: Temporary and permanent skilled worker visas as a percentage of total immigration



Source: ABS Cat No. 3412.0.

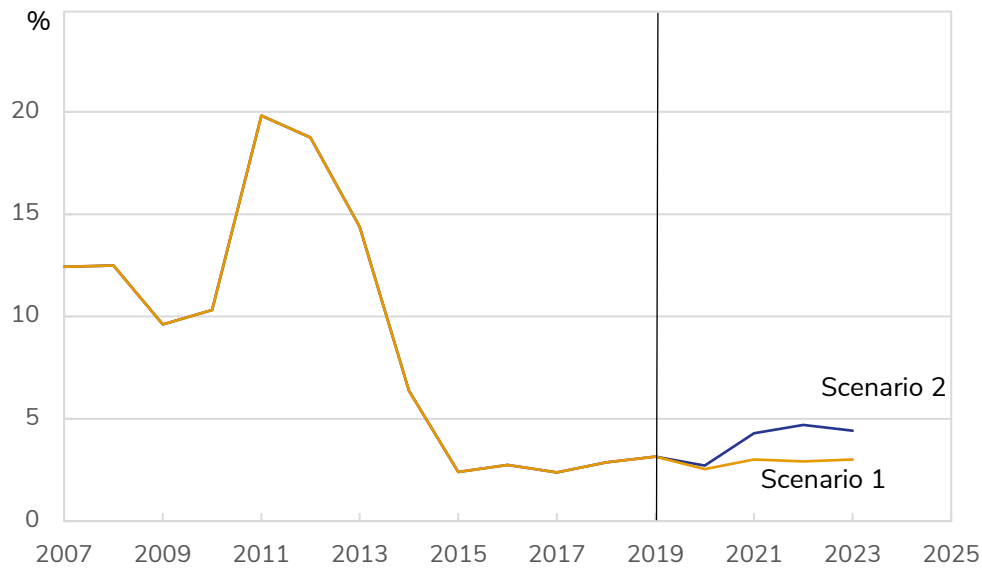
NEW ZEALAND CITIZENS

Like immigrants on skilled work visas, immigrants from New Zealand broadly maintain their share of NOM (Figure 11). However, we make small adjustments to allow for the fall in international students.

This means Scenario 2 has slightly more New Zealand immigrants as a percentage of total NOM than Scenario 1.

The Australia–New Zealand borders remain closed as both countries attempt to fight off second waves of infection. However, if either country sustains its lockdown period for longer than the other, its unemployment rate is likely to rise, which, if sustained, could affect immigration flows even after borders reopen.

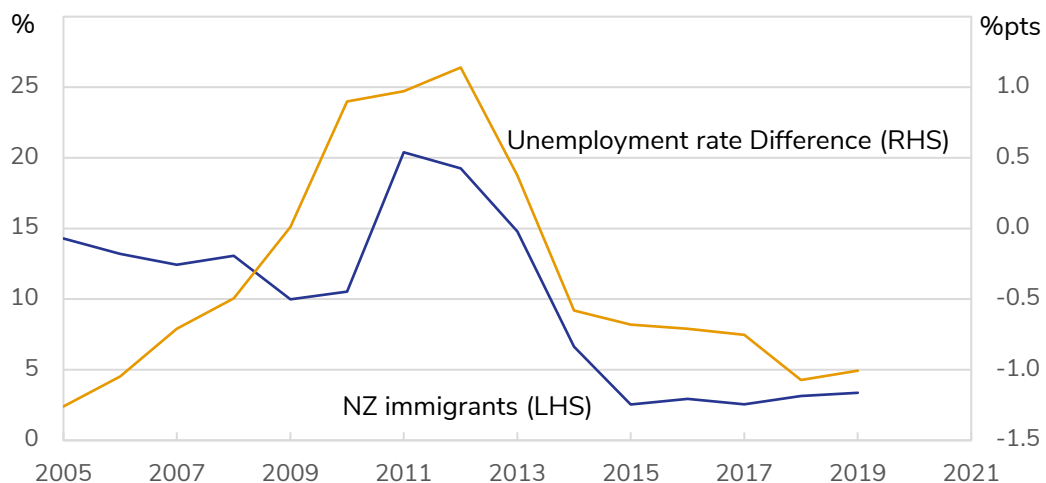
Figure 11: New Zealand citizens as a percentage of total net overseas migration



Source: NHFIC.

New Zealand migrants have been an important component of Australia's NOM in the past, but this has lessened as unemployment in New Zealand declined relative to Australia and New Zealanders stayed home (Figure 12).

Figure 12: New Zealand citizens as a percentage of immigration and NZ–AU unemployment rate



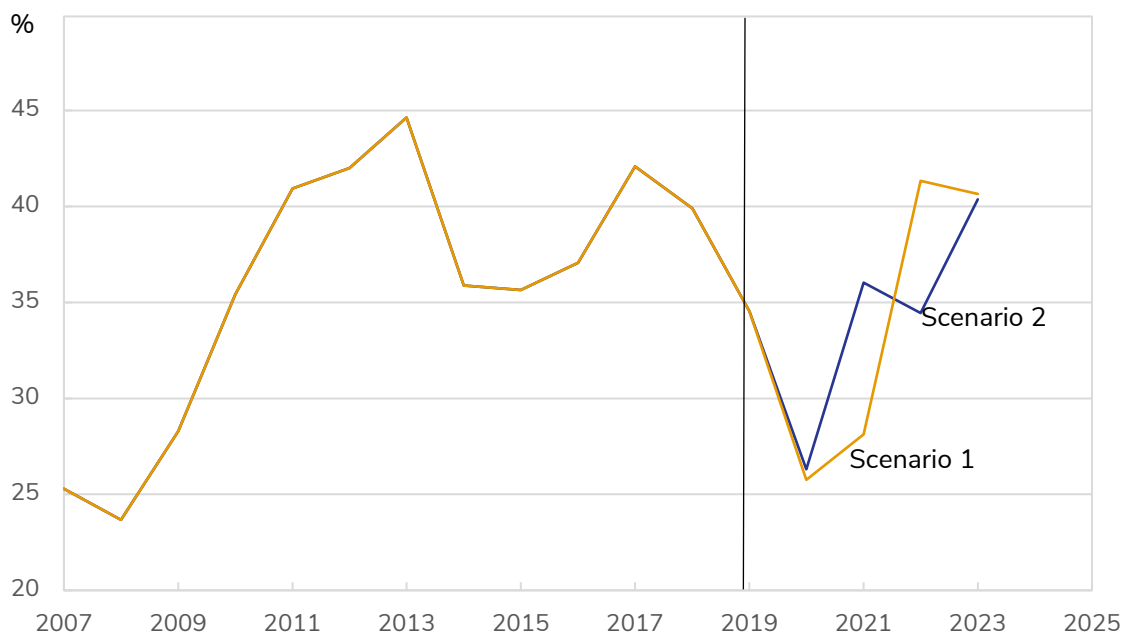
Source: Refinitiv, ABS Cat No. 3412.0, ABS Cat No. 6202.0.

OTHER

The 'other' category includes returning Australian citizens, humanitarian visas (permanent), family visas (permanent), working holiday visas (temporary) and other visas (temporary and permanent). This category's share of NOM dipped to 25 per cent during the GFC, before rebounding strongly during the global recovery (Figure 13).

In both scenarios, we assume a dip back to these levels at a slightly faster rate than the fall seen during 2019. In Scenario 1, we assume a rebound back to 40 per cent will be delayed until 2022. In our more optimistic Scenario 2, we assume a rebound in 2021, but only back to 35 per cent before reaching 40 per cent in 2023.

Figure 13: Other net overseas migration as a percentage of total net overseas migration*



*Includes Australian citizens, humanitarian visas (permanent), family visas (permanent), working holiday visas (temporary) and other visas (temporary and permanent).

Source: NHFIC.

POPULATION GROWTH

When we add up the NOM components in each scenario and apply the same natural increase, Scenario 1 implies a relatively modest downturn with some recovery towards pre-COVID-19 levels by 2022.

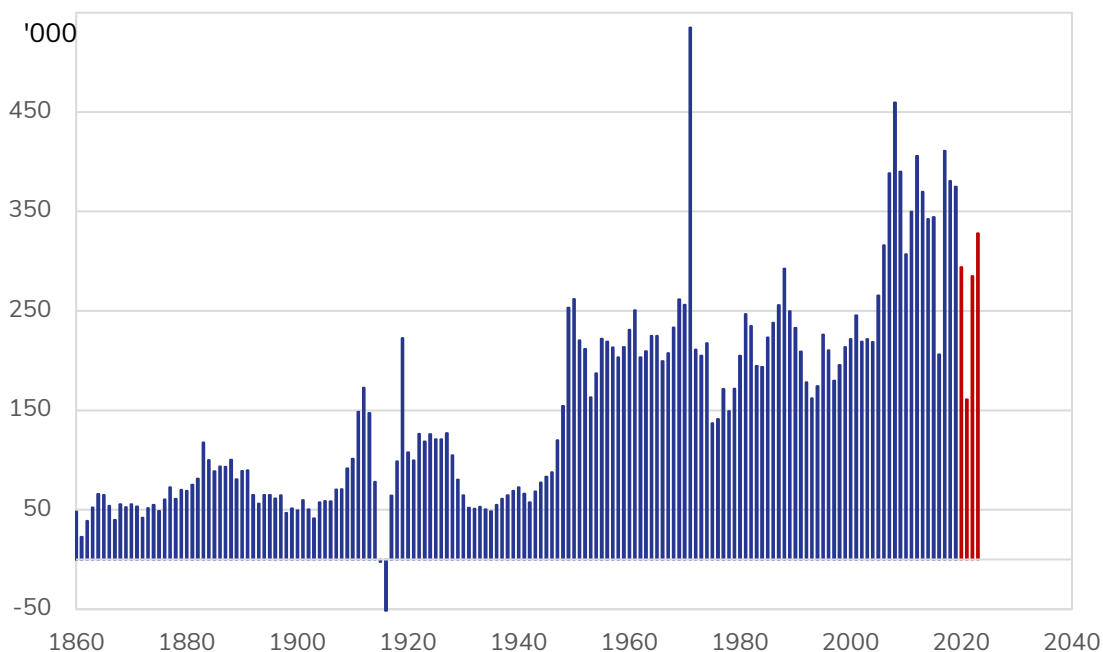
In Scenario 2, population growth declines sharply in 2020 and 2021, with a further slowdown to 2023 – albeit at a more modest pace than seen at the start of the pandemic.

Macropplan provided the pre-COVID-19 estimates for underlying housing demand and this helped benchmark our scenarios to the pre-pandemic outlook.

We have used the population projections from the Centre for Population as at the July Economic and Fiscal Update to further anchor our scenarios (Scenario 3). They assume a sharper downturn than either of our scenarios in 2021, followed by a stronger rebound in 2022 and 2023.

Scenario 3 implies a fall in the population increase – from peak to trough – of 214,000 over the two years from 2019 to 2021. This would represent a decline of 0.8 per cent of the population over the two-year period, which has only been surpassed during World War I and the unwinding of the peak of the baby boom in 1971 (Figure 14).

Figure 14: Population increase



Red bars represent the Centre for Population forecasts.
Source: ABS cat. no. 3105.0.65.001, NHFIC.

Figure 15 summarises the population growth scenarios we considered when assessing how the virus may impact underlying housing demand.

Figure 15: Population change ('000)				
Year	Pre-COVID-19	Scenario 1	Scenario 2	Scenario 3
2019*	375	375	375	375
2020 (e)	384	306	293	294
2021	385	251	221	161
2022	385	270	178	285
2023	384	292	176	328

*ABS preliminary estimate.

Source: NHFIC. Macroplan, Centre for Population

UNDERLYING HOUSING DEMAND

The population growth scenarios highlighted in Figure 15 have significant consequences for underlying housing demand, or the demand for new housing from population growth and household formation.

Macroplan has taken our population growth scenarios and used the following methodology to forecast underlying demand for housing for each scenario:

- The state, capital city and regional population levels and age distribution are estimated for each year of the projection period, based on ABS estimates of the birth rate, mortality rate, and male and female life expectancy. Population age is the key driver of living arrangements for individuals, with flow-on effects to housing demand.
- The propensity to live in either a family or non-family household, or a non-private dwelling, is then estimated at state, capital city and regional levels. Non-private dwellings are removed from the estimate from this step forward.
- The number of households by type are estimated. This includes estimates for family households, including couples with children, couples without children, sole parents and other family households. The number of group households and lone person households are also estimated.
- The propensity to live in different dwelling types is estimated using the most recent Census data. This includes estimates for single dwellings and other dwellings.
- Finally, the number of dwellings demanded is estimated for each state, capital city and regional area and aggregated to the national level over the projection period.

Macroplan has provided pre-pandemic forecasts for underlying demand consistent with their population forecasts in Figure 15. They have also estimated underlying demand for each of our three population growth scenarios over the period 2020 to 2023 (in all scenarios, the pandemic leads to large falls in underlying dwelling demand):

- Scenario 1 sees a 129,000 reduction in demand for dwellings compared to pre-pandemic projections (Figure 16).
- Scenario 2 sees a 232,000 reduction in underlying demand compared to pre-pandemic projections.
- Scenario 3 sees a 150,000 reduction in underlying demand (based on the Centre for Population estimates).

Population growth, particularly NOM, drives the bulk of underlying housing demand and our analysis shows what is potentially at stake during the COVID-19 recession.

Figure 16: Underlying demand for new private dwellings against pre-COVID-19 dwelling demand ('000)

Year	Pre-COVID-19	Scenario 1	diff	Scenario 2	diff	Scenario 3	diff
2019	162	162		162		162	
2020 (e)	160	142	-18	137	-23	137	-23
2021	158	121	-37	108	-50	84	-74
2022	157	110	-47	72	-85	116	-41
2023	156	129	-27	82	-74	144	-12
Total	631	502	-129	399	-232	481	-150

Source: NHFIC, Centre for Population, Macroplan.

CONCLUSION

The health response to COVID-19 has created a formidable roadblock and highly uncertain outlook for population growth and demand for housing. Underlying dwelling demand could fall by 129,000 to 232,000 between 2020 and 2023 under the three scenarios we considered in this paper. If this decline is sustained, it could cause a contraction in construction activity that will add to the recessionary forces impacting the economy.

NOM accounts for around 60 per cent of population growth, with about 50 per cent of this due to international students. This demographic likely lives near inner city peripheries and in apartment-style accommodation, with the bulk in capital cities in the eastern states.

The composition of the international student intake is relevant, with Brazil and India – among the largest providers of students to Australia – suffering greatly from the unchecked spread of COVID-19.

The experience during the GFC showed that international students are susceptible to global economic and financial conditions, and this provides an added longer-term layer of risk. While opening the borders may lift student numbers, the economic fallout from the pandemic means it may take several years for student numbers to return to pre-COVID-19 recession levels.

Additionally, the natural population increase tends to fall after the unemployment rate peaks. Australia's second wave of infections is likely to further slow population growth, adding to the depth of the downturn and hindering the pace of recovery in underlying housing demand.

APPENDIX A: ECONOMIC FACTORS AFFECTING POPULATION GROWTH

This appendix provides background on the economic and other factors used to develop the natural increase assumption for our underlying housing demand scenarios. It includes an analysis of how unemployment affected the natural increase during the previous two recessions. We approach this at the state level to bolster the evidence on how unemployment affects the natural increase.

Unemployment has additional implications at the state level when borders open. We also show how relative unemployment between the states affects interstate migration – even though the main thrust of this report is population growth at the national level and its implications for underlying housing demand. The difference in relative house prices and the cost of living also seem to affect interstate mobility.

UNEMPLOYMENT

During the past two recessions, the absolute level of unemployment and relative unemployment between the states had a big effect on population growth. Even though each recession has different nuances, high unemployment seems to be the common feature driving the movement of people. It is noteworthy that during recessions, it takes longer for unemployment to fall from its peak back to pre-recession levels than it takes it to rise to its peak during the contraction.

Data shows the natural population increase tends to accelerate as unemployment rises, but it then decreases as unemployment falls following the recession. High unemployment is also likely to lower the birth rate, as couples delay having children due to the tougher economic environment associated with recessions.

Even though this report focuses on population movements at the national level, it's worth analysing how changes in unemployment affect the natural increase at the state level. This can further highlight how the natural increase responds to unemployment.

Figure 17 shows the impact of unemployment on the natural increase in population before and after Australia's past two recessions. In both recessions, six of Australia's states and territories saw a rise in the natural increase before the peak in unemployment, followed by a fall after unemployment peaked.

Figure 17: Movements in the natural population increase around the peak in unemployment in recessions

	NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT	Aust.
1982–83 (Q1 82: Q2 83)									
Δ unemployment rate (% pts)	5.9	4.0	4.6	3.6	4.4	5.4	6.1	3.6	4.0
Ave quarterly % Δ to peak*	0.6	0.3	1.3	-0.5	0.3	-1.0	-1.6	-0.5	0.6
Period to rise (quarters)	6	7	6	6	7	6	7	4	7
Ave quarterly % Δ 3 yrs after peak*	-0.8	-0.1	-1.1	-0.2	-0.2	-0.9	1.3	-0.3	-0.4
1989–91 (Q3 89: Q2 91)									
Δ unemployment rate (% pts)	5.1	7.1	4.1	4.9	4.4	4.6	3.8	3.7	5.4
Ave quarterly % Δ to peak*	1.2	0.3	1.3	0.3	0.3	-0.3	0.9	1.1	0.8
Period to rise (quarters)	12	16	15	10	11	11	11	11	12
Ave quarterly % Δ 3 yrs after peak*	-1.2	-0.5	-0.3	-0.6	-1.6	0.2	0.0	-0.4	-0.6

*Calculated using three-quarter moving average plus GDP growth increased by 0.9% in Q3 1982. A three-year period after the peak was chosen to account for the longer time taken for the unemployment rate to fall back from its peak to its pre-recession level compared to the time taken to reach the peak.

Source: ABS, NHFIC

It's possible that rising unemployment affects not only the natural increase, but it could also affect the movement of people when state borders are open and unemployment varies. Figure 18 shows interstate migration and unemployment in the past two recessions.

The past two recessions showed a wide variation in unemployment increases, with the ACT seeing only a 3.6 percentage point increase in 1982–83 compared to a 5.9 percentage point increase in NSW during the same recession. In 1989–91, Victoria saw a 7.1 percentage point increase in its unemployment rate compared to the national average (5.4 percentage points).

In the 1982–83 recession, the underperformance by NSW meant a decline in interstate migration of -1.3 per cent, with many people choosing to follow the better job prospects in Victoria.

In the 1989–91 recession, Victoria saw a 17 per cent decline in interstate migration as the rise in the unemployment rate outstripped other states and many Victorians moved to NSW and Queensland.

Figure 18: Movements in interstate migration around the peak in unemployment in recessions

	NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT
1982–83 (Q1 82: Q2 83)								
Ave quarterly % Δ to peak*	-1.3	7.4	-13.6	17.7	-5.0	9.2	-3.4	-34.2
Ave quarterly % Δ 3 yrs after peak*	-0.2	-8.5	4.8	-67.3	34.7	34.7	-1.8	-46.8
1989–91 (Q3 89: Q2 91)								
Ave quarterly % Δ to peak*	5.7	-16.5	1.5	-895.6	-18.6	-54.2	7.3	445.6
Ave quarterly % Δ 3 yrs after peak*	1.5	9.6	-2.3	-6.8	54.1	-0.8	29.4	-1.3

*Calculated using three-quarter moving average plus GDP growth increased by 0.9% in Q3 1982. A three-year period after the peak was chosen to account for the longer time taken for the unemployment rate to fall back from its peak to its pre-recession level compared to the time taken to reach the peak.

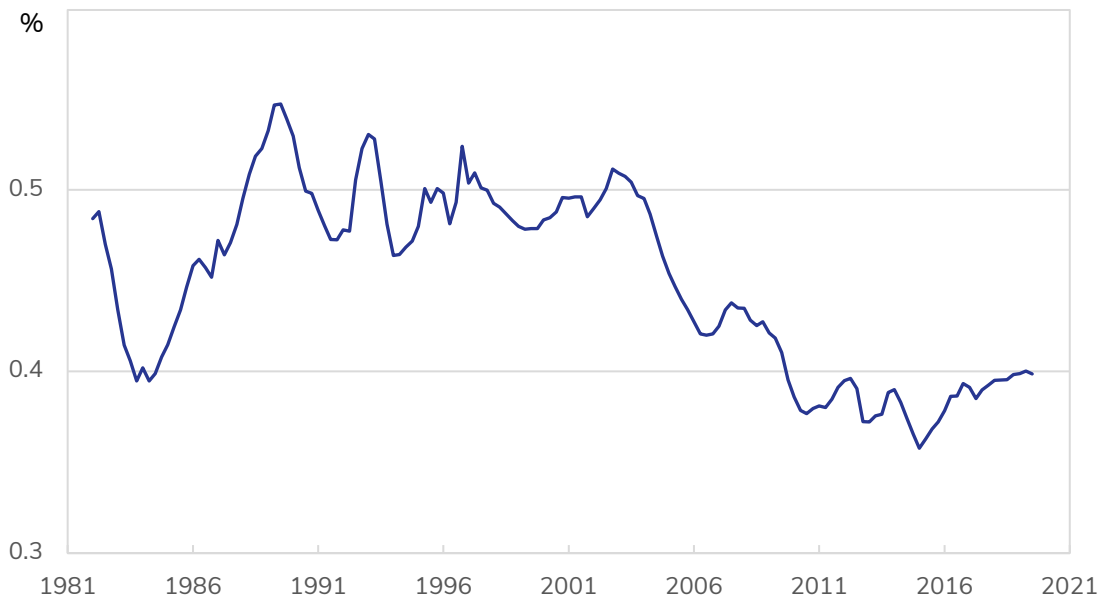
Source: ABS, NHFIC

INTERSTATE MIGRATION

The interstate migration data shows the relative attractiveness of Queensland to both NSW and Victoria drives most of Australia's interstate migration.

Following the recession in the early 1980s, interstate mobility increased and remained around 0.5 per cent for most of the 1990s (Figure 19). The start of Australia's terms of trade boom followed not long after the 2001–02 global recession, and saw the mobility rate decline to 0.4 per cent, and it has remained around that level over the past 10 years.

Figure 19: Interstate mobility*



*Interstate mobility is total interstate arrivals/population.

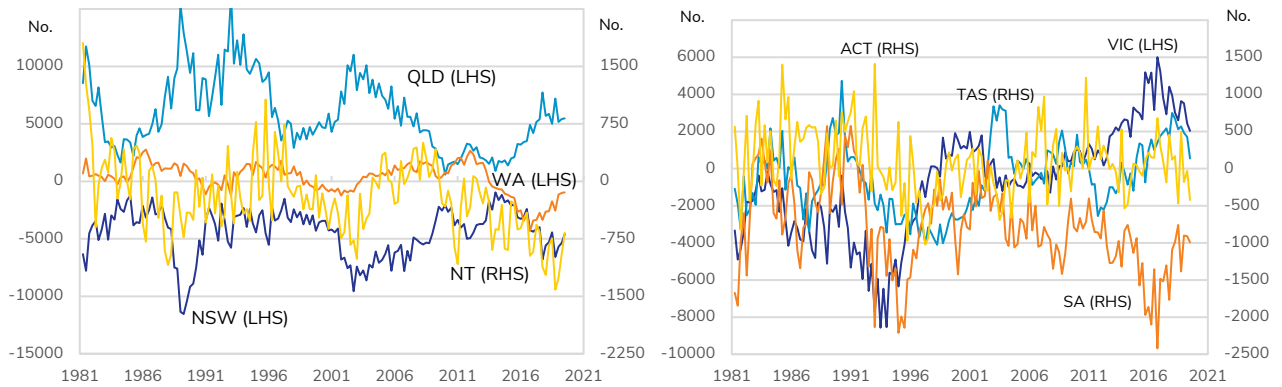
Source: ABS cat. no. 3412.0, NHFIC.

A more detailed look at the data highlights how important the relative attractiveness of Queensland is for interstate migration and how NSW tends to be the largest source of interstate migrants (Figure 20).

Victoria's interstate migration pattern has varied – from 1980 to 2011 it was mostly a net origin of interstate migrants. However, between 2002 and 2016, its interstate migrant intake surged to a point where it nearly joined Queensland to become the major destination for migrants from other states, particularly NSW. In fact, its intake briefly exceeded that of Queensland in 2016.

In the past four years, Victoria's relative attractiveness has waned somewhat and it now attracts only 40 per cent of Queensland's interstate migrant intake.

Figure 20: Interstate migration

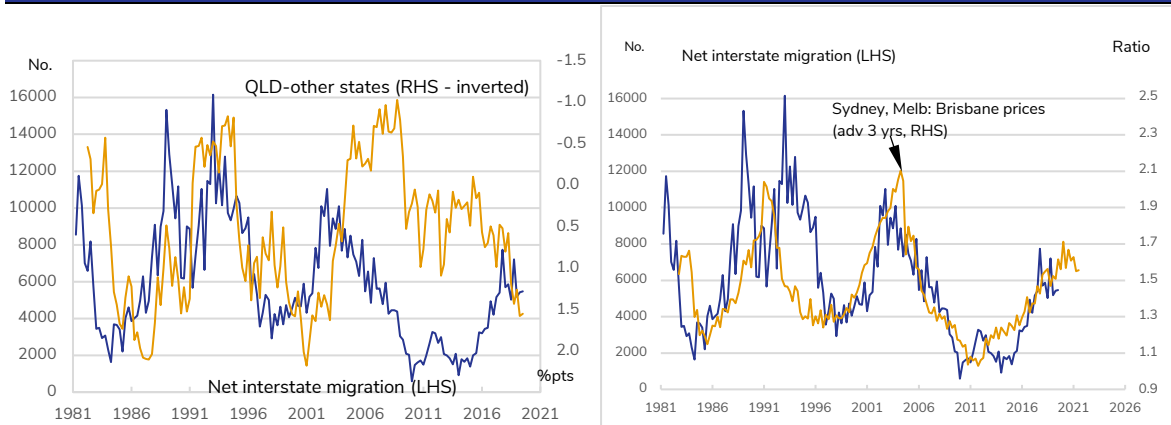


Source: ABS cat. no. 3412.0, NHFIC.

The relative attractiveness of Queensland seems to depend on two factors: employment prospects and house prices (Figure 21).

Relative house price differences between Sydney, Melbourne and Brisbane have consistently shaped Queensland's interstate migrant intake over the past 40 years. However, until the early 2000s, relative unemployment was also significant in interstate movement between the three mainland eastern states.

Figure 21: Queensland unemployment and house prices relative to other states

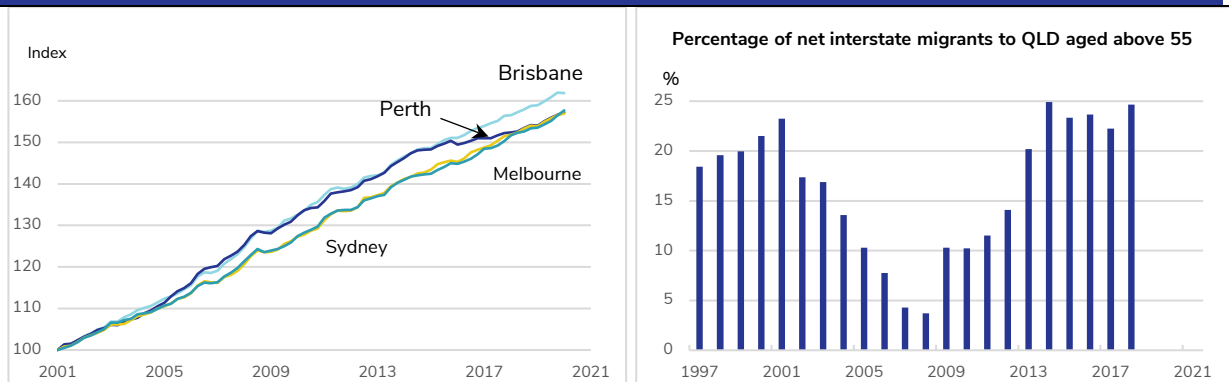


Source: ABS Cat 3412.0, ABS Cat No. 6202.0, REIA, NHFIC.

The relationship between relative unemployment in Queensland and the other large eastern states began to breakdown in 2001, as the age of interstate migrants to Queensland started to decline. Around that time, the state's mining regions saw strong growth in employment, with spill over into other industries and areas of Queensland. The proportion of interstate migrants older than 55 has now returned to 20–25 per cent, as the state's unemployment rate began to exceed that of other states.

It's also worth noting that the cyclical peaks in net interstate migration to Queensland have been declining since the early 1990s, with previous cyclical peaks above 10,000. One factor that may have made Queensland marginally less attractive is its relatively strong increase in the cost of living. It has outpaced both Sydney and Melbourne by 3.2 per cent since 2001 (Figure 22).

Figure 22: Consumer Price Index (Q1 2001 =100)



Source: ABS Cat 3412.0, ABS Cat No. 6202.0, ABS Cat 6401.0, NHFIC.