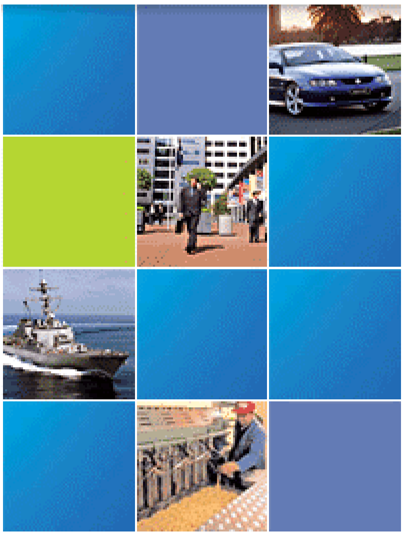
South Australia's

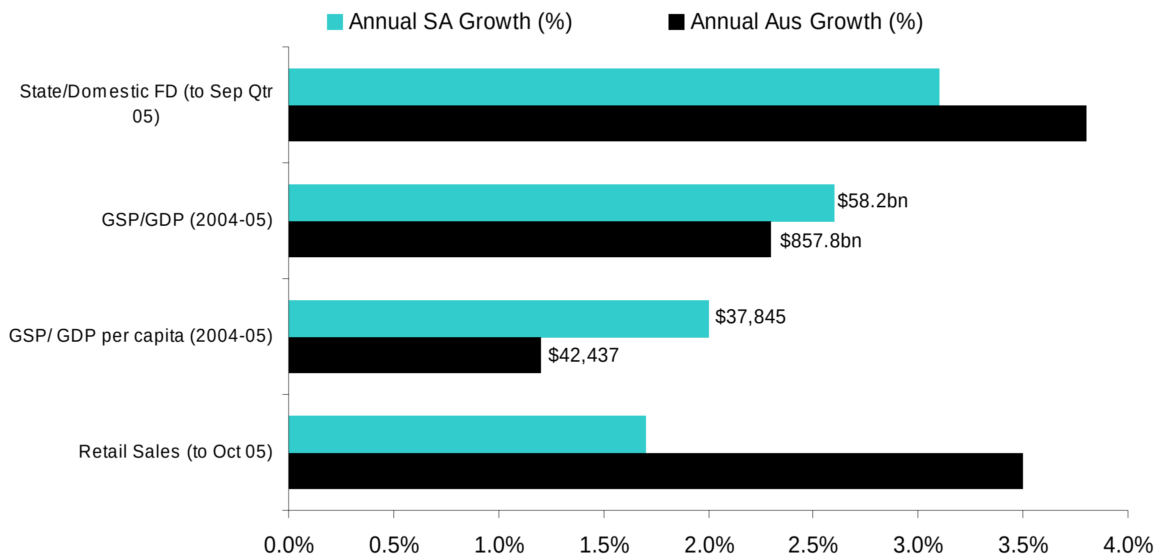
Economic Performance Update

-December 2005-



Government of South Australia
Department of Trade and Economic Development

State Economy



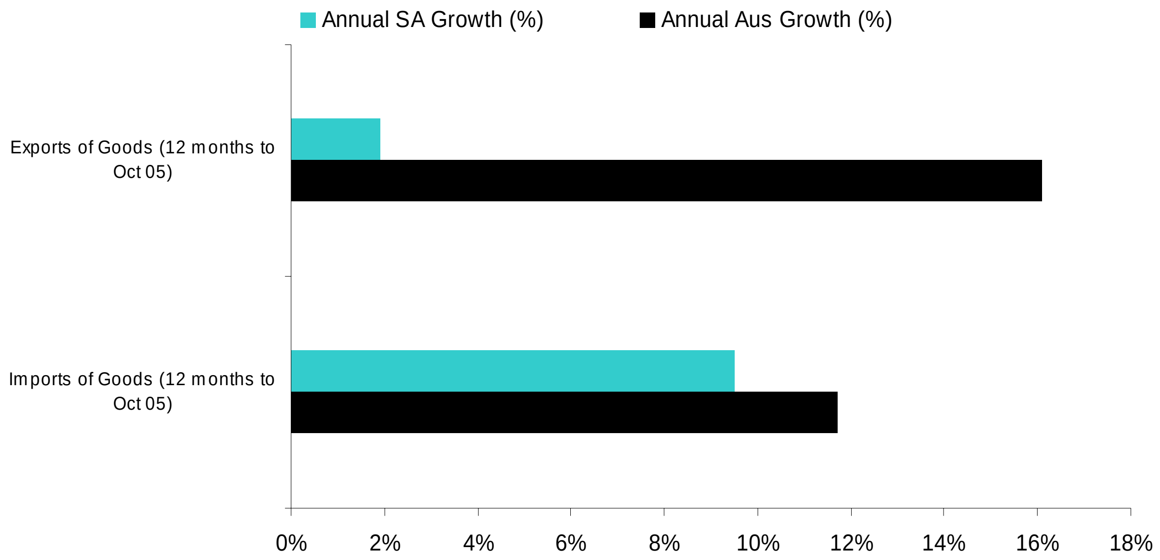
Points of Interest

- **State Final Demand** growth in the September quarter was relatively solid, but was on the low side over the last 12 months. While still strong, State Final Demand growth is still below national growth. The lack of growth in exports continues to drag at South Australia's economic growth. Domestic demand growth was also strong in the September quarter but has slowed from the rapid pace of the past couple of years to more sustainable levels.

- The Reserve Bank of Australia (RBA) is not concerned with the slowing in **Retail Sales** considering them to be at more sustainable levels. Slowed spending is likely the result of weakness in the housing market and rising petrol prices. Growth in retail spending has moderated in recent months increasing the gap between South Australia's growth and national growth.

Indicator	SA	Annual Chg	Aus	Annual Chg	Period
State/Domestic FD	$15.9bn	**3.1%**	$228.1bn	**3.8%**	Sep Qtr 05
GSP/GDP	$58.2bn	**2.6%**	$857.8bn	**2.3%**	2004-05
GSP/GDP per capita	$37,845	**2.0%**	$42,437	**1.2%**	2004-05
Retail Sales	1.24bn	**1.7%**	$17.3bn	**3.5%**	Oct-05

Trade



Points of Interest

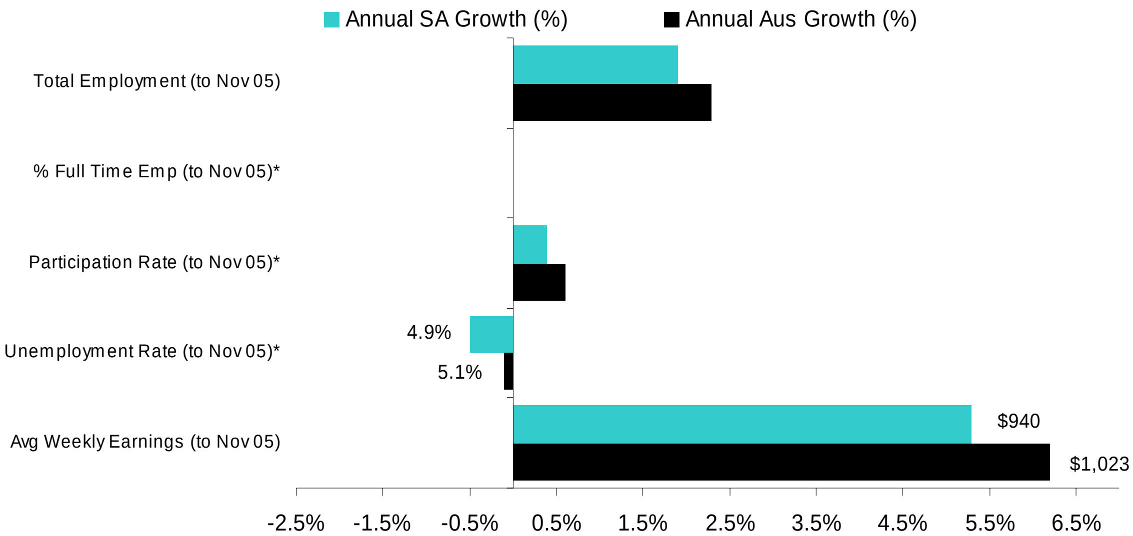
- The composition of South Australia's **Exports** differs significantly from the rest of Australia. For example, current world conditions support strong growth in the price and world demand for commodities such as coal and iron ore; a boom South Australia has little capacity to participate in. Locally, drought conditions and stagnant domestic consumption in key markets have not been supportive of strong growth. Our current export performance highlights South Australia's reliance on a few very important markets and products.

Indicator	SA	Annual Chg	Aus	Annual Chg	Period
Exports of Goods	$7.9bn	**1.9%**	$133.5bn	**16.1%**	12 months to Oct 05
Imports of Goods	$5.9bn	**9.5%**	$152.8bn	**11.7%**	12 months to Oct 05

South Australian Overseas Exports by Commodity

Commodity Group	12 months to October 2005 ($000)	Change from previous year (%)	Share of total exports (%)
Meat & meat preparations	450.9	48.8	5.7
Wheat	381.9	-47.7	4.8
Wine	1,587.30	7.9	20
Wool & Sheepskins	166	-14.9	2.1
Machinery	351.2	1.7	4.4
Metals & metal manufactures	1,271.30	32.7	16.1
Fish and crustaceans	318.4	0.8	4
Road vehicles, parts & accessories	1,110.50	-5.3	14
Petroleum & petroleum products	289.9	126.6	3.7
Other/Confidential (inc bulk barley)	1990.6	-8.0%	25.7%
Total	**7738.6**	**-0.4%**	**100.0%**

Labour Market



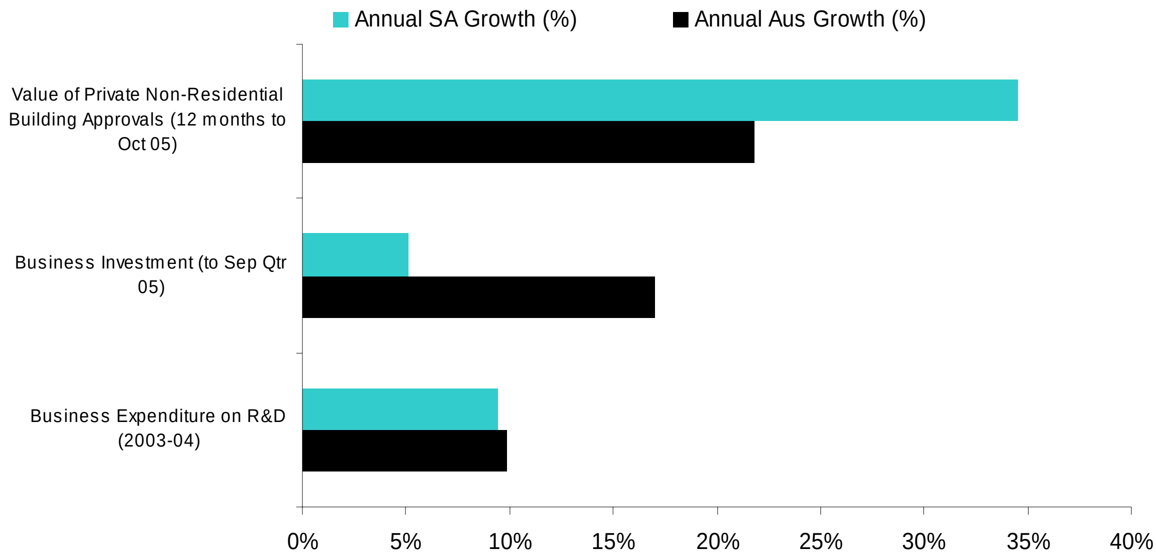
* Measured in percentage points

Points of Interest

- Labour market conditions remained strong during November. The continued strength in the labour market is somewhat at odds with recent slowing in consumer spending and housing market activity, but economic commentators are suggesting impetus is being gained from "tail winds from an investment and commodities boom". While South Australian job advertisements remain at high levels, a downturn in the underlying trend over the past 12 months is suggestive of moderating, but still positive, jobs growth in coming months in SA.

Indicator	SA	Annual Chg	Aus	Annual Chg	Period
Total Employment	741,000	**1.9%**	10,028,400	**2.3%**	Nov 05
% Full Time Employment	68.9%	**0.0pp**	71.1%	**0.0pp**	Nov 05
Participation Rate	61.8%	**0.4pp**	64.4%	**0.6pp**	Nov 05
Unemployment Rate (trend)	4.9%	**-0.5pp**	5.1%	**-0.1pp**	Nov 05
Average Weekly Earnings	$939.80	**5.3%**	$1,022.60	**6.2%**	Aug Qtr 05
Job Advertisements	1,617	**-10.1%**	20,872	**-6.8%**	Nov 05
Industrial Disputes	13.2	**na**	6.2	**na**	Sep Qtr 05

Finance & Investment



Points of Interest

- New dwelling approvals have remained relatively stable in recent months in South Australia while national approvals have been in decline. Residential building activity is likely to remain at reasonably solid levels, albeit down from 2002-03 peaks. While there is still a healthy amount of work in the pipeline, industry forecasters expect a downturn in local housing construction activity over the next 12-18 months.

- In 2003-04 South Australian Business Expenditure on R&D (BERD) represented 1.07% of GSP. This was higher than BERD as a proportion of GSP for any other state or territory. The manufacturing (particularly automotive) and property and business services industries together contributed 77.7% of BERD in South Australia. These industries were also the main drivers of South Australian BERD growth in 2003-04.

Indicator	SA	Annual Chg	Aus	Annual Chg	Period
% of firms receiving Aust venture capital that are based in SA	3.3%	**-1.2pp**	na	**na**	2004-05
Value of Private Non-Residential Building Approvals	$1,247m	**34.5%**	$20,970m	**21.8%**	12 months to Oct 05
Business Investment	$2,170m	**5.1%**	$32,791m	**17.0%**	Sep Qtr 05
Business Expenditure on R&D	$577m	**9.4%**	$7,220m	**9.9%**	2003-04

Population

Points of Interest

- South Australia's total population was 1,542,033 in the June quarter 2005, representing 7.6% of the national population. The State's population grew by 0.6% from the June quarter 2004 to the June quarter 2005, compared to national growth of 1.2%.
- In the June quarter 2005, 7.2% of overseas migrants (net) that came to Australia settled in SA. This represented 886 net overseas immigrants settling in SA.
- Annual net overseas migration to South Australia (6,714 in the 12 months to the June quarter 2005) up 56.0% from the previous 12 months. This was offset, however, by an increased net migration outflow to the other states. The net interstate migration outflow in the 12 months to the June quarter 2005 was 3,483; 8.9% greater than in the previous 12 months, but still well below the peak losses experienced in the mid-1990s.

Indicator	SA	Annual Chg	Aus	Annual Chg	Period
% of population 55 or over	26.7%	**0.5pp**	23.9%	**0.4pp**	2004-05
Population	1,542,033	**0.6%**	20,328,609	**1.2%**	Jun Qtr 05
Net overseas migration	6,714	**56.0%**	110,095	**10.1%**	12 months to Jun Qtr 05
Net interstate migration	-3,483	**8.9%**	na	**na**	12 months to Jun Qtr 05

- A negative number indicates a net outflow from the region.

Key Industries

Manufacturing[1]

1. In November 2005 SA's manufacturing sector employed 92,400 people, or 12.5% of the State's total employment.
2. Manufacturing contributed 16.3% towards GSP in 2004-05.

Automotive[2]

3. The SA automotive industry is the largest single manufacturing industry in the State, with more than 13,000 people directly employed.
4. Of the almost 405,000 cars made in Australia in 2004, about 47% were manufactured in South Australia at the Holden and Mitsubishi plants in Adelaide.
5. Both companies have a strong export focus, with 52,000 SA produced Holden and 3,000 SA produced Mitsubishi vehicles sent overseas in 2004. Major overseas markets for cars are the U.S. and the Middle East.

Food and Wine[3]

6. Employment across the food industry (exc. wine) fell to 132,800 in 2004-05 from the record levels of 2003-04. At the production level, agriculture, forestry and fishing employment was approximately 35,100 in November 2005.
7. South Australian food exports were worth $1.7 billion in 2004-05. The value of the State's food industry grew to $9.2 billion in 2004-05. The State Food Plan's goal is to reach $15 billion by 2010.
8. In 2004-05 SA exported $1.6 billion worth of wine, representing about 57% of national wine exports.
9. The total crush of South Australian wine grapes in 2005 was 898,000 tonnes, a 2% decrease on last years record harvest, and substantially higher than the previous record harvest of 707,000 tonnes in 2002. The red crush was 572,000 tonnes and the white crush was 327,000 tonnes with a combined value of $697 million.

Defence

10. South Australia plays a leading role in the development of new innovative defence technology systems. It wins more than 30 per cent of total defence procurement spending in Australia.[4]
11. About 70% of Australia's defence companies are located in SA.[5]
12. The SA defence industry accounted for approximately 2.1% of GSP in 2002-03.[6]

Electronics[7]

13. Based on a study completed in January 2004, the SA electronics industry had
    - Approximately 7,500 employees;
    - About 300 electronics companies;
    - Annual revenue of $1.9 billion;
    - Exports generating almost 36% of total revenue;
    - Employment growing at an average of 7% a year.
14. Exports are achieving growth of over 30% per year.[8]

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[1] ABS Cat. 5220.0 Table 27; 6291.0 Table 5. Manufacturing % of GSP refers to % of Total Factor Income.
[2] http://www.southaustralia.biz/fact_sheets/fact_automotive.biz.pdf & SA Automotive Industry Export Strategy
[3] http://www.safoodonline.com/food_biz/files/links/2003_04scorecardreport.pdf & ABS Trade data & http://www.phylloxera.com.au/statistics/utilisation/2005/pdfs/State05.pdf
[4] http://www.ministers.sa.gov.au/Minister/MediaFrame.asp?premier=y&article=290&MinisterID=2
[5] http://www.southaustralia.biz/fact_sheets/fact_electronics.biz.pdf
[6] http://www.defence-sa.com/
[7] SACES ICT Survey, Feb 2004 & Supplementary Report, June 2004
[8] Electronics Industry Association of Australia

Information and Communications Technology[9]

15. There are 1,100 ICT companies in SA employing more than 18,000 people (not including ICT professionals working in other industries).
16. Industry turnover an estimated $4.1 billion in 2003-04, contributing $850 million to State exports.
17. The ICT industry continues to grow strongly, with double digit growth predicted for the next five years.

Minerals[10]

18. In 2003-04, the SA Minerals industry had:
    - $42 million worth of private exploration (up 16% since 2002-03), a lead indicator of future potential;
    - $332 million worth of new capital expenditure (down 15% since 2002-03);
    - $896 million worth of overseas exports (down 10% since 2002-03);
    - A net mineral value of $2.02 billion, given by the sum of net off site refining and mine gate production (up 2% since 2002-03).
19. In November 2005, the SA Minerals industry employed 9,500 people.

[9] http://www.southaustralia.biz/industry_sectors/ict.htm
[10] PIRSA Minerals ScoreCard