



Perth's Decade of Prosperity: 2010 Update

Matthew Tonts

Research Highlights

- The general trend within metropolitan Perth is that personal incomes are rising at a rate that is faster than in most other Australian cities and by 2007, Perth had the second highest personal incomes in Australia behind Sydney – largely driven by the resources boom.
- For many suburbs in Perth, the rate of growth is considerably higher than both the Western Australian and Australian averages.
- However there is considerable spatial variation within Perth and an apparent gap between the richest and poorest areas.
- It is apparent certain parts of the city benefit more than others in terms of rising incomes and therefore appears to be many suburbs that have been 'left behind' by the boom.
- Thus, any claim that economic booms contribute to a 'trickle down' for all and sundry needs to be challenged.

Introduction

This paper revisits an analysis conducted in 2009 that examined personal incomes in Australia's major capital cities, and within the Perth metropolitan region. The study found considerable variation in incomes across the national urban system, with Perth rapidly gaining ground on its counterparts. Indeed, by 2007 Perth had the second highest incomes in Australia, behind Sydney. However, the study also showed that there was considerable spatial variation within Perth, and an apparent widening gap between the richest and poorest areas. This update extends the analysis by including an additional 12 months of data, and reports on the situation as of mid 2008. This catches cities at the peak of the last resources boom and at the cusp of the economic downturn.

The Data

The data used in this analysis are from the Australian Taxation Office (ATO) annual publication *Taxation Statistics*. This provides a range of taxation and income data at the postcode level. To account for the effects of inflation, all financial data have been restated in 2007 dollars.

One of the problems with the ATO data is that they are released about two years after the end of a tax year. Thus, the most recently released data are for 2008. Of course, this means the impacts of the global



economic downturn are not fully taken into account here. However, much of the evidence would suggest that Australia generally, and Western Australia in particular, has performed reasonably well in the face of the downturn. Moreover, given the development of major new resource ventures in Western Australia, such as the Gorgon and Pluto gas projects, the pattern over the next few years is more likely to resemble the growth conditions of the period between the late 1990s and 2007 than in 2008 and 2009.

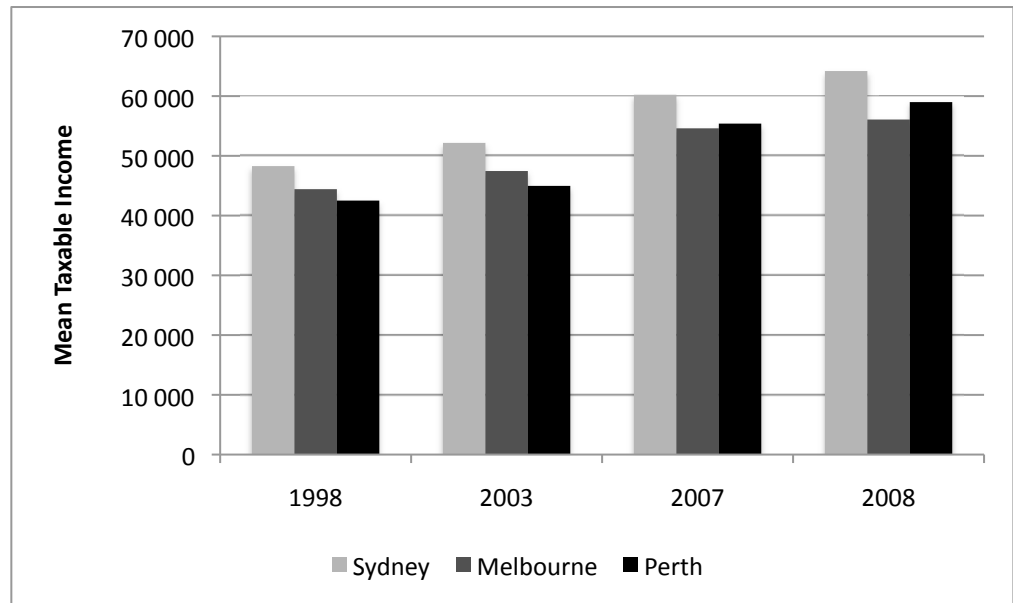
A National Comparison on Personal Income

Table 1 and Figure 1 provide an overview of how mean taxable incomes and changed in major Australian cities between 1998 and 2008. It shows that until the mid 2000s Sydney and Melbourne recorded the highest incomes. For much of this period Perth ranked third, followed by Brisbane and Adelaide. By 2007, however, Perth had overtaken Melbourne as the city with the second highest incomes. Perth had also begun to close the gap on Sydney, with only \$5,000 or so separating mean annual taxable incomes in 2007. The period between 2007 and 2008 saw Perth maintain its position as the second highest income earner. Indeed, it extended its lead over Melbourne, increasing from a differential of \$789 in 2007, to \$2,917 in 2008. However, the gap between Sydney and Perth widened from a differential of \$4,833 in 2007 to \$5,202 in 2008.

Table 1 Mean Personal Taxable Incomes in Major Australian Cities, 1998-2008 (in 2007 \$)

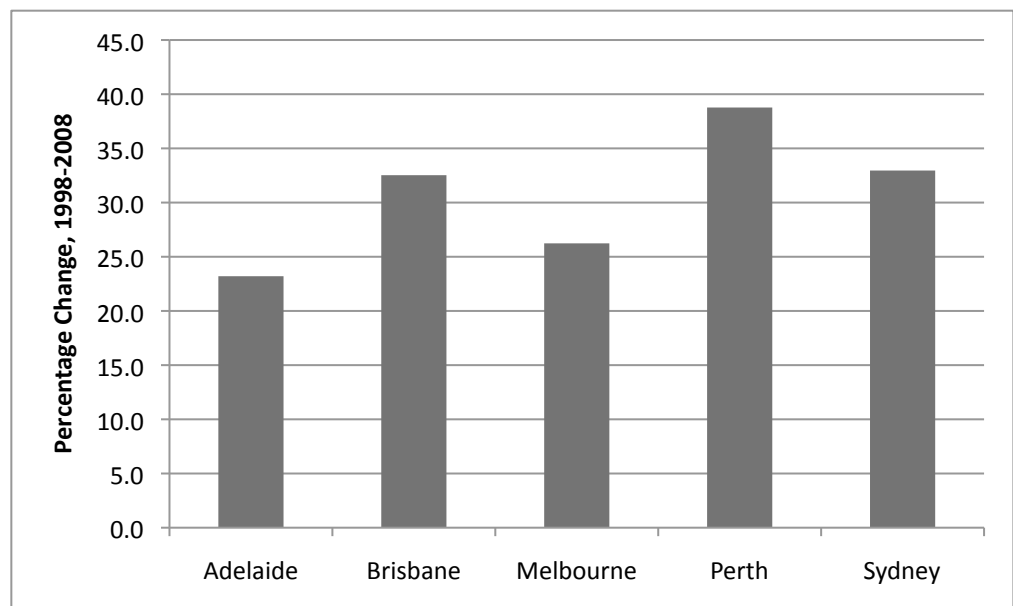
	Adelaide	Brisbane	Melbourne	Perth	Sydney
1998	40,290	41,201	44,422	42,511	48,283
1999	41,760	43,217	46,252	44,284	50,682
2000	42,071	43,609	47,255	44,598	52,474
2001	42,430	43,198	47,766	44,511	53,008
2002	42,200	43,148	47,143	44,342	51,735
2003	42,543	43,695	47,459	44,972	52,167
2004	43,886	45,145	48,697	46,842	53,707
2005	44,950	46,254	49,758	48,959	55,160
2006	45,403	48,955	51,439	50,939	58,517
2007	47,763	52,404	54,606	55,395	60,228
2008	49,639	54,602	56,077	58,994	64,196

Figure 1 Mean Personal Taxable Incomes in Sydney, Melbourne and Perth, 1998-2008 (in 2007 \$)



The data presented in Figure 2 show that over the period 1998-2008, Perth's mean individual incomes grew by 38.8 per cent in real terms; the highest rate of growth of the largest Australian capital cities. The next strongest growth was recorded in Sydney (33.0 per cent) and Brisbane (32.5 per cent). The slowest growth was recorded in Adelaide (18.5 per cent).

Figure 2 Percentage Change in Mean Personal Taxable Income in Major Australian Cities, 1998-2008





The rapid spike in median personal incomes in Perth during the mid 2000s was largely on the back of the State's strong resources economy. Increasing activity in the minerals and petroleum sectors contributed to decreasing rates of unemployment and strong competition for labour. Ultimately, the outcome was the need for firms to pay higher wages to maintain productivity and competitiveness. At the same time, the broader prosperity generated by the resources boom contributed to increased economic activity (e.g. in the finance, retailing and housing sectors) and improved returns on investments. The higher wages on offer in Perth (and Western Australia more generally) also help to explain the increased rate of in-migration during the mid 2000s.

In simple terms, the rise in Perth's mean personal incomes can be viewed in two ways. On the one hand, it is an indicator of economic success and prosperity. Perth is a city in which individuals can command relatively high salaries and wages compared to the rest of the country, and is therefore highly attractive as a place to live and work. Moreover, this relative prosperity can lead to new investment and business opportunities, fuelling a 'virtuous cycle of growth'. On the other hand, high personal incomes can lead to inflation, rising costs of living, and issues associated with housing affordability. For employers, the need to offer higher wages can erode profits.

The Geography of Perth's New Wealth

In understanding how this rising wealth is playing out within the city and having differential impacts, it is worth examining the spatial distribution of incomes within the wider Perth metropolitan area. Such an assessment shows that while the city has experienced an overall increase in incomes, this has not been distributed equally across the Perth's suburbs.

Figures 3 show the suburbs with the highest and lowest mean taxable incomes in 2008 (with 2007 data included for comparative purposes). The highest incomes remain concentrated in Perth's western suburbs, and most recorded growth between 2007 and 2008. However, perhaps as a sign of decreasing investment-based income at the onset of the global economic downturn, Cottesloe-Peppermint Grove recorded a decrease in personal incomes between 2007 and 2008. The lowest income earners are scattered across Perth's middle and outer suburbs, and include Beechboro, Girrawheen and Balga.

For 2007, the differential between the highest earning suburb (Cottesloe at \$136,528) and lowest (Beechboro at \$42,444) was \$94,084. In 2008, this had narrowed slightly with the gap between top (Cottesloe at \$130,081) and bottom (Balga at \$42,672) sitting at \$87,409.

Figure Mean Taxable Incomes, 2007-2008 Top and Bottom 5 Suburbs

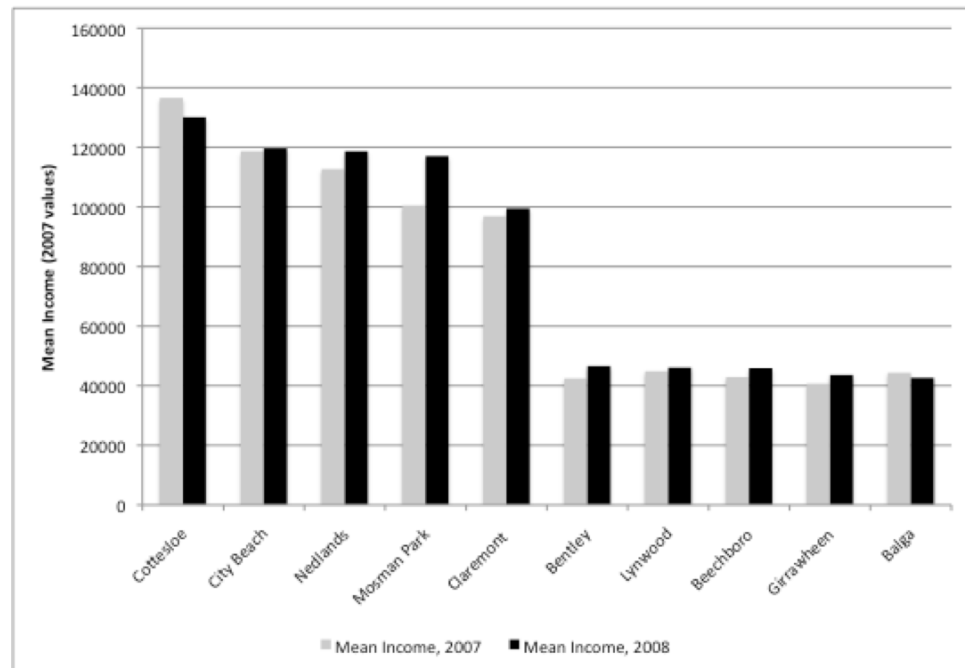


Figure 4 shows that not only are the highest incomes concentrated in the western suburbs, these have also experienced the most rapid growth in earnings over the past decade. Cottesloe and City Beach, for example, have recorded increases for more than 75 per cent between 1998 and 2008. There are, however, other places that have performed very well, including South Perth, Trigg and Serpentine. Other places not in Figure 3 that have performed well include:

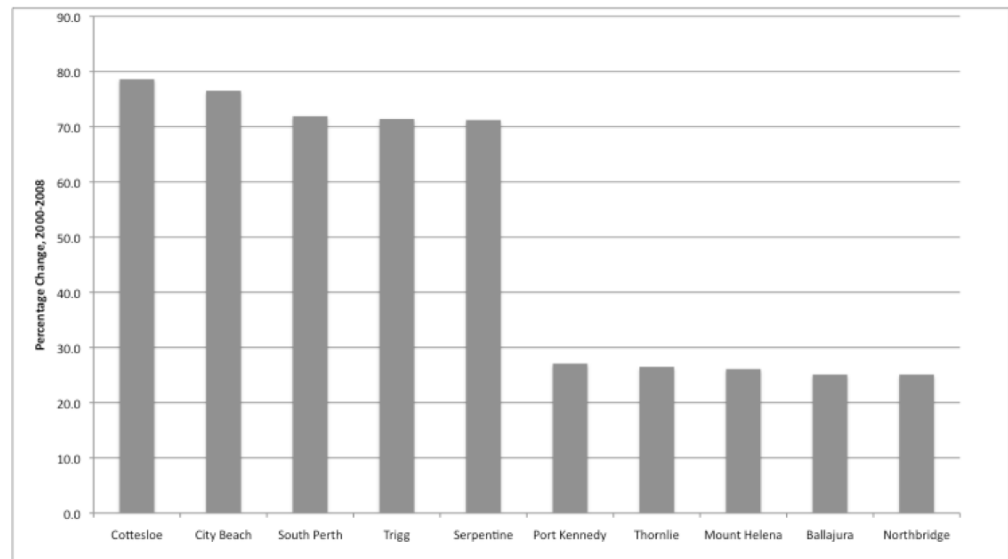
- North Fremantle (up 62.9 per cent to 88,973)
- East Fremantle (up 67.2 per cent to 79,227)
- Sawyers Valley (up 52.7 per cent to 56,685)
- Mount Lawley (up 48.0 per cent to \$75,596)
- Dianella (up 42.7 per cent to 57,264)

These places might be seen as the direct beneficiaries of two processes. First, the resources boom and associated economic expansion and, second, processes of gentrification, particularly in the cases of Fremantle and Mount Lawley.

Figure 4 Percentage Change in Mean Taxable Incomes in Perth, 2000-2008: Top and Bottom 5 Suburbs



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Of course, set alongside these suburbs experiencing rapid growth are those that tend to lag behind. These are of particular concern in a booming economy, since they can become pockets of disadvantage and social malaise. Moreover, they represent the widening gap between Perth’s wealthy, ‘new rich’ suburbs and lower income areas. Suburbs such as Ballajura, Port Kennedy, Mount Helena, Kelmscot, Balga and Girrawheen have experienced income growth more slowly than the State average, and therefore in relative terms have fallen behind. From a social policy perspective, it is important that such areas are not allowed lag behind the rest of the city in terms of their economic and social wellbeing.

A full list of changes in mean taxable incomes between 2000 and 2008 is provided as an Appendix to this Bulletin.

Conclusion

The general trend within metropolitan Perth is personal incomes rising at a rate that is faster than in most other Australian cities. For many suburbs in Perth, the rate of growth is considerably higher than both the Western Australian and Australian averages. While the economic downturn in during 2008 is not fully captured, and is likely to be reflected in the next release of income data, the longer run trend is likely to remain rising incomes, particularly given the extent of new resource industry investment. Indeed, the likelihood is that the trends have continued, and will probably be amplified with economic recovery and the commencement of major new resource projects.

It is important to note that while rising incomes can point to a more affluent society, they are only part of the picture. Indeed, increasing incomes do not come without the risks of including inflation, housing affordability, and cost of living. It is also important to recognise that high



incomes also tend to contribute to migration into the city. In other words, they act as a 'pull factor'. Clearly this raises important questions for planning and policy, particularly in the areas of housing, land development and the provision of services and infrastructure.

What is also evident is that certain parts of the city benefit more than others in terms of rising incomes. Indeed, there would appear to be many suburbs that have been 'left behind' by the boom. Thus, any claim that economic booms contribute to a 'trickle down' for all and sundry needs to be challenged. Indeed, the rising cost of living means that many suburbs are, in relative terms, increasingly disadvantaged. A central question for policymakers then is how to ensure that the benefits of a strong economy are shared in a relatively equitable way across the city.

About FACTBase

The FACTBase project is a joint venture between the University of Western Australia and the Committee for Perth, an influential member-based organisation driven by a diverse assembly of Perth's leaders. Members collaborate with business, government and community groups to actively improve the liveability of our city, resulting in a real and enduring contribution to Perth and the metropolitan area.

One of the only broad-reaching projects of its kind to be undertaken in the southern hemisphere FACTBase condenses the plethora of databases and studies on the subject of liveability and analyse what's happening in Perth through words, maps and graphs.

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APPENDIX: CHANGES IN MEAN INDIVIDUAL TAXABLE INCOMES IN PERTH, 2000-2007 (IN 2007 \$)

Postcode	Indicative Suburb	2000 Income	2008 Income	Absolute Change	% Change
6000	Perth City	51 809	69259	17450	33.7
6003	Northbridge	40 908	51176	10268	25.1
6004	East Perth	46 237	67491	21254	46.0
6005	West Perth	50 349	75221	24872	49.4
6006	North Perth	45 238	65238	20000	44.2
6007	Leederville	49 492	76182	26689	53.9
6008	Subiaco/Shenton Park	56 188	86707	30519	54.3
6009	Nedlands/Dalkeith	77 630	118638	41007	52.8
6010	Claremont	71 800	99473	27674	38.5
6011	Cottesloe/Pep Grove	72 852	130081	57230	78.6
6012	Mosman Park	68 858	117090	48232	70.0
6014	Floreat	50 431	75358	24927	49.4
6015	City Beach	67 797	119642	51845	76.5
6016	Mount Hawthorn	42 840	60420	17580	41.0
6017	Osborne Park	36 936	47640	10704	29.0
6018	Churchlands	43 908	61989	18081	41.2
6019	Scarborough	43 337	62631	19294	44.5
6020	Carine	48 514	71063	22549	46.5
6021	Balcatta	38 186	56139	17953	47.0
6022	Stirling	38 008	49988	11979	31.5
6023	Hammersley	45 322	62292	16970	37.4
6024	Warwick/Greenwood	38 332	50545	12213	31.9
6025	Craigie/Padbury	41 369	59326	17957	43.4
6026	Woodvale	42 025	55987	13963	33.2
6027	Joondalup	39 508	52551	13043	33.0
6028	Currumbine	41 690	59487	17797	42.7
6029	Trigg	46 305	79361	33056	71.4
6030	Clarkson	37 423	51437	14014	37.4
6031	Carramar	38 143	50874	12731	33.4
6035	Yanchep	35 932	49748	13816	38.5
6037	Two Rocks	36 771	52277	15506	42.2
6050	Mount Lawley	51 072	75596	24524	48.0
6051	Maylands	38 479	55507	17028	44.3
6052	Inglewood	41 938	58419	16481	39.3
6053	Bayswater	38 414	54408	15993	41.6
6054	Bassendean	37 310	50085	12775	34.2
6055	Guildford	40 955	59546	18592	45.4
6056	Midland	37 562	50964	13402	35.7
6057	High Wycombe	38 286	52472	14186	37.1
6058	Forrestfield	37 121	51895	14775	39.8
6059	Dianella	40 142	57264	17122	42.7
6060	Tuart Hill	38 233	52755	14522	38.0
6061	Balga	32 032	42672	10640	33.2

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Postcode	Indicative Suburb	2000 Income	2008 Income	Absolute Change	% Change
6062	Morley	38 300	49486	11186	29.2
6063	Beechboro	35 003	45905	10903	31.1
6064	Girrawheen	33 862	43583	9721	28.7
6065	Kingsway	38 742	52452	13710	35.4
6066	Ballajura	37 809	47303	9494	25.1
6069	Ellenbrook	42 619	55160	12541	29.4
6070	Darlington	46 581	61311	14730	31.6
6071	Glen Forrest	43 792	63151	19359	44.2
6073	Mundaring	41 624	56611	14986	36.0
6074	Sawyers Valley	37 134	56685	19551	52.7
6076	Kalamunda	43 286	62065	18779	43.4
6081	Parkerville	41 765	56376	14611	35.0
6082	Mount Helena	41 600	52461	10861	26.1
6083	Gidgegannup	46 390	59835	13445	29.0
6084	Bullsbrook	38 866	58589	19723	50.7
6100	Victoria Park	39 614	56401	16787	42.4
6101	Carlisle	38 033	52910	14877	39.1
6102	Bentley	35 391	46613	11222	31.7
6103	Rivervale	36 680	51416	14736	40.2
6104	Belmont	37 563	52228	14665	39.0
6105	Kewdale	35 635	48954	13318	37.4
6107	Cannington	35 966	47897	11931	33.2
6108	Thornlie	37 763	47767	10004	26.5
6109	Maddington	36 356	47738	11381	31.3
6110	Gosnells	35 589	48081	12492	35.1
6111	Kelmscott	39 240	50765	11525	29.4
6112	Armadale	36 230	49411	13181	36.4
6121	Oakford	41 852	58612	16760	40.0
6122	Byford	38 329	54879	16550	43.2
6125	Serpentine	39 750	68042	28292	71.2
6147	Lynwood	36 095	46093	9999	27.7
6148	Rossmoyne	43 629	62557	18928	43.4
6149	Leeming	45 071	57418	12347	27.4
6150	Murdoch	47 246	61092	13846	29.3
6151	South Perth	52 671	90566	37896	71.9
6152	Como	45 473	62631	17159	37.7
6153	Applecross	53 849	88861	35013	65.0
6154	Booragoon	45 929	69405	23476	51.1
6155	Canning Vale	42 489	55216	12727	30.0
6156	Melville	46 792	69191	22399	47.9
6157	Palmyra	44 002	63069	19067	43.3
6158	East Fremantle	47 384	79227	31843	67.2
6159	North Fremantle	54 627	88973	34346	62.9
6160	Fremantle	46 606	62660	16054	34.4
6162	Beaconsfield	41 958	58090	16132	38.4
6163	Bibra Lake	38 333	51602	13269	34.6
6164	Jandakot	39 540	54127	14587	36.9
6166	Coogee	41 975	58017	16041	38.2



Postcode	Indicative Suburb	2000 Income	2008 Income	Absolute Change	% Change
6167	Kwinana	36 468	48643	12176	24.5
6168	Rockingham	37 391	50938	13547	29.2
6169	Safety Bay	40 545	52567	12022	21.0
6170	Leda	40 086	51812	11727	20.1
6171	Baldivis	42 902	59206	16304	31.6
6172	Port Kennedy	42 682	54240	11558	18.2
6173	Secret Harbour	45 073	58549	13476	23.1
6174	Golden Bay	39 814	54262	14447	33.0
6175	Singleton	42 036	58146	16111	29.6

Calculated from: Australian Taxation Office, *Taxation Statistics* (various issues), Commonwealth of Australia, Canberra.

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