



Boomtimes and Personal Income: Perth's Decade of Prosperity

Matthew Tonts

Introduction

One of the most frequently cited measures of the economic performance of cities, regions and localities is the income earning capacity of residents. In very simple terms, this provides an indicator of the relative prosperity of places, and can offer insights into how economic performance varies across time and space. This Bulletin reports on one component of a wider research programme that examines the socio-economic performance of Perth by considering how personal incomes have changed over the past decade. It does this in two ways. First, it compares the performance of the wider metropolitan region against Australia's other major capital cities. This offers some preliminary insights into Perth's relative national standing in terms of personal income. Second, it considers Perth's internal geography of personal wealth, examining those suburbs that benefitted most from the resources boom, and identifying those that lagged behind.

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 2007. 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, have 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 2008 and 2009.

A National Comparison on Personal Income

Table 1 and Figure 1 provide an overview of how mean taxable incomes have changed in major Australian cities between 1998 and 2007. In the

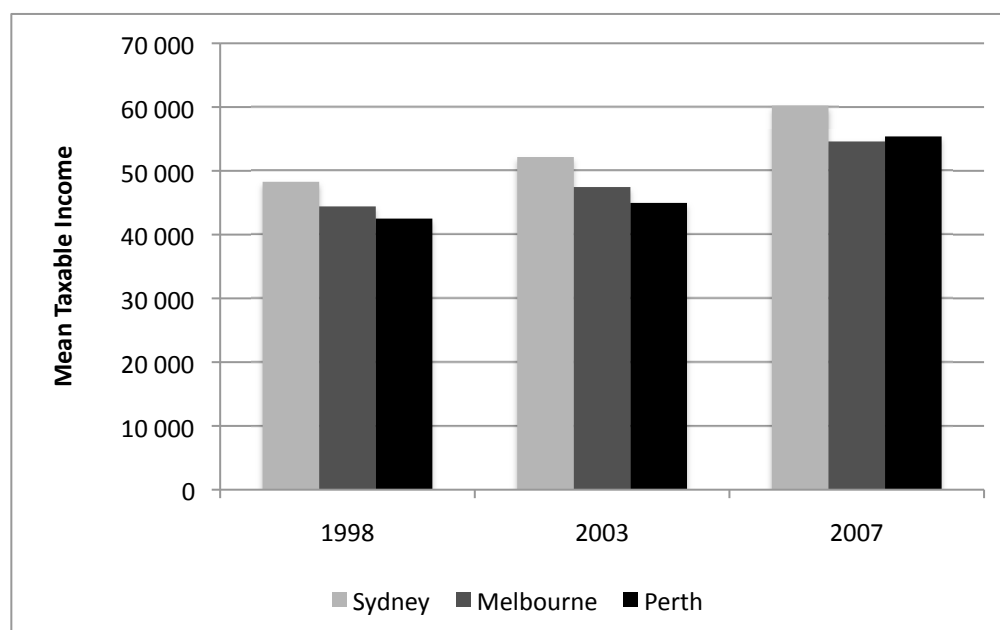


late 1990s, the residents of Sydney and Melbourne commanded the highest personal incomes. Perth ranked third, followed by Brisbane and Adelaide. This pattern continued for most of the next decade, until 2007 when Perth overtook Melbourne as the city with the second highest mean personal incomes. Perth also closed the gap on Sydney. In 1998, mean incomes in Perth were 88 per cent of those in Sydney. By 2007, this figure stood at 92 per cent.

Table 1 Mean Personal Taxable Incomes in Major Australian Cities, 1998-2007 (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

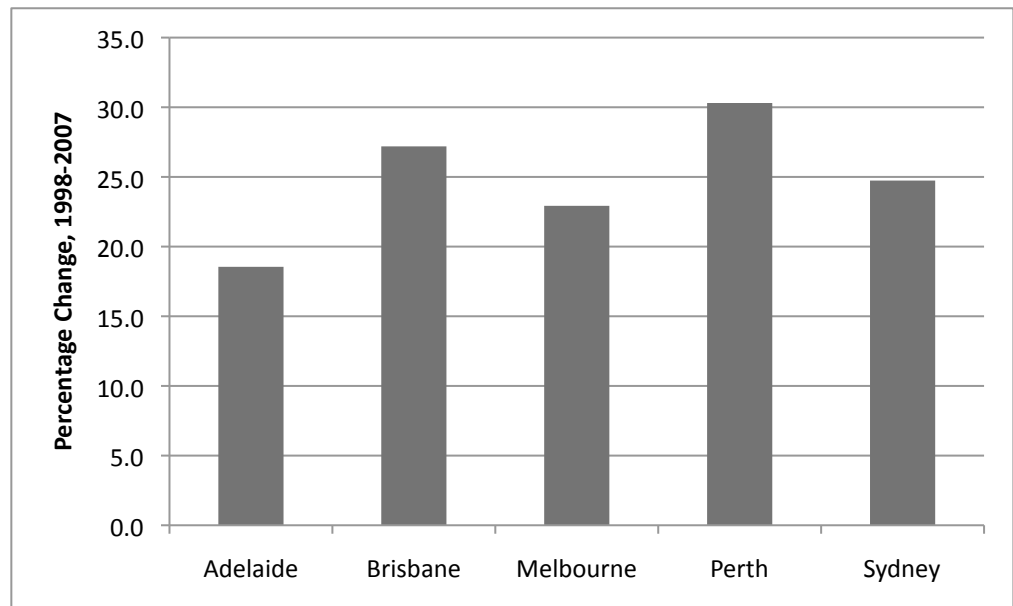
Figure 1 Mean Personal Taxable Incomes in Sydney, Melbourne and Perth, 1998-2007 (in 2007 \$)





The data presented in Figure 3 show that over the period 1998-2007, Perth's mean individual incomes grew by 30.3 per cent in real terms; the highest rate of growth of the largest Australian capital cities. The next strongest growth was recorded in Brisbane (27.2 per cent), while the slowest was Adelaide (18.5 per cent).

Figure 2 Percentage Change in Mean Personal Taxable Income in Major Australian Cities, 1998-2007



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

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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

While the data at the national level suggest that Perth has experienced an increase in overall levels of wealth, it is also apparent that this has not necessarily been shared equally across Perth's suburbs. Figure 3 shows the top and bottom five suburbs in Perth by income growth between 2000 and 2007. It illustrates that, in absolute terms, growth has been concentrated in some of Perth's wealthiest areas. Thus, growth was centred on the high-income suburbs of Cottesloe, City Beach and Nedlands. By contrast, Ballajura, Girrawheen and Lynwood recorded the lowest levels of income growth.

Figure 3 shows that even in percentage terms, growth rates tended to be highest in the city's wealthiest suburbs. Incomes in Cottesloe and City Beach increased by more than 70 per cent between 2000 and 2007. However, there are some suburbs outside of the typical high-income areas, such as Trigg and Glenn Forrest, which have recorded substantial increases in income. Other suburbs that have experienced significant rises but are not included in Figure 3 are:

- East Fremantle (up 47.3 per cent to \$69,802 p.a.)
- Melville (up 44.1 per cent to \$67,427 p.a.)
- Sawyers Valley (up 42.4 per cent to \$52,869 p.a.)
- Balcatta (up 37.8 per cent to \$52,610 p.a.)
- Scarborough (up 37.1 per cent to \$58,914 p.a.)
- Golden Bay (up 33.0 per cent to \$52,938 p.a.)

In many respects, it is places like these that are the major beneficiaries of Perth's strong economic growth during the 2000s. These suburbs have grown at a faster rate than Perth as a whole, and therefore improved their economic standing considerably.

There are, however, a number of places that have fared less well. These include many of Perth's low-income suburbs. Places such as Ballajura, Girrawheen, Lynwood and Thornlie (Figure 3) have grown at rates that are lower than the Perth average. In other words, the relative standing of these places has deteriorated. Not surprisingly, these suburbs also show evidence of high levels of economic stress, as reported in the previous FACTBase Bulletin (No. 2).

The full list of changes in mean taxable incomes between 2000 and 2007 for Perth's suburbs is provided as an Appendix to this Bulletin.



Figure 3 Absolute Change in Mean Taxable Income, 2000-2007, and Mean Taxable Incomes, 2007: Top and Bottom 5 Suburbs by Change

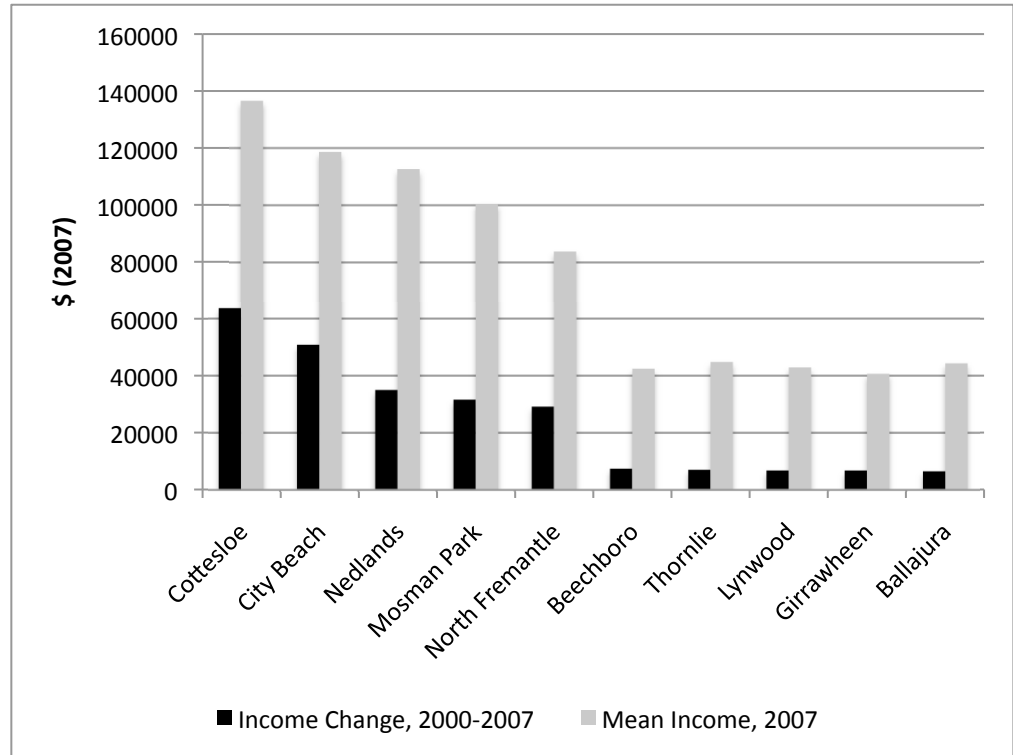
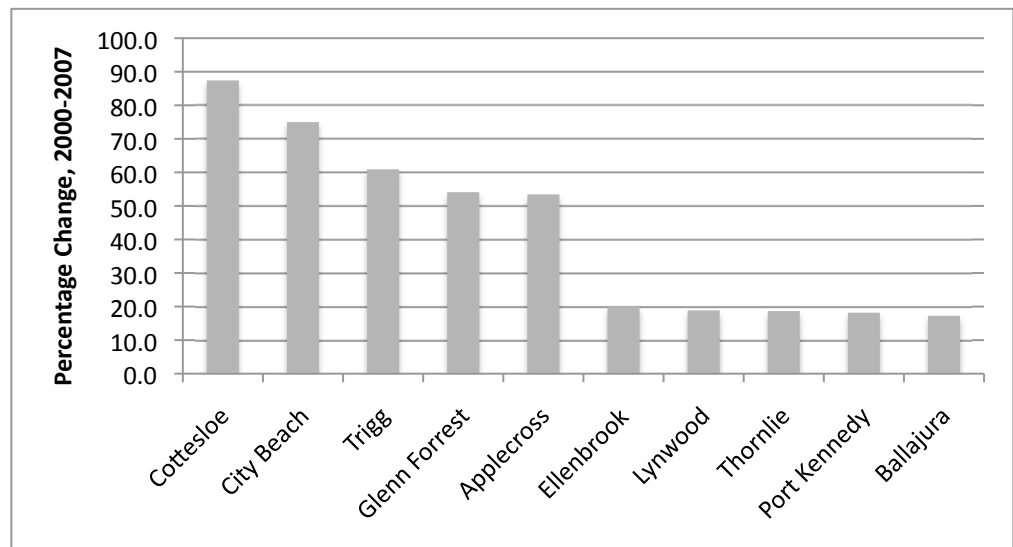


Figure 4 Percentage Change in Mean Taxable Incomes in Perth, 2000-2007: Top and Bottom 5 Suburbs



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Conclusion

The overall picture for metropolitan Perth is one of increasing incomes, with most suburbs experiencing rises that are higher than both the Western Australian and Australian averages. While the data do not take into account the recent economic downturn, it is unlikely that the general pattern will have differed largely over the past two years. 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.

The rising levels of personal income are, in large part, evidence of an increasingly affluent city. However, such rises do not come without risks, including inflation, rising house costs (both in terms of purchase and rental), and cost of living. It is also important to recognize 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. Yet, relatively little evidence exists that provides insights into the geography of inequality in Perth. To uncover this is one of the tasks of this ongoing research into the social and economic dynamics of metropolitan Perth.

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	2007 Income	Absolute Change	% Change
6000	Perth City	51 809	65457	13648	26.3
6003	Northbridge	40 908	50713	9805	24.0
6004	East Perth	46 237	64408	18171	39.3
6005	West Perth	50 349	68516	18167	36.1
6006	North Perth	45 238	59996	14758	32.6
6007	Leederville	49 492	68638	19146	38.7
6008	Subiaco/Shenton Park	56 188	83125	26937	47.9
6009	Nedlands/Dalkeith	77 630	112646	35016	45.1
6010	Claremont	71 800	96864	25064	34.9
6011	Cottesloe/Pep Grove	72 852	136528	63676	87.4
6012	Mosman Park	68 858	100489	31631	45.9
6014	Floreat	50 431	70725	20294	40.2
6015	City Beach	67 797	118635	50838	75.0
6016	Mount Hawthorn	42 840	57184	14344	33.5
6017	Osborne Park	36 936	45175	8239	22.3
6018	Churchlands	43 908	57916	14008	31.9
6019	Scarborough	43 337	58914	15577	35.9
6020	Carine	48 514	63213	14699	30.3
6021	Balcatta	38 186	52610	14424	37.8
6022	Stirling	38 008	46899	8891	23.4

Postcode	Indicative Suburb	2000 Income	2007 Income	Absolute Change	% Change
6023	Hammersley	45 322	58542	13220	29.2
6024	Warwick/Greenwood	38 332	47505	9173	23.9
6025	Craigie/Padbury	41 369	54605	13236	32.0
6026	Woodvale	42 025	51500	9475	22.5
6027	Joondalup	39 508	48983	9475	24.0
6028	Currumbine	41 690	52743	11053	26.5
6029	Trigg	46 305	74510	28205	60.9
6030	Clarkson	37 423	47736	10313	27.6
6031	Carramar	38 143	48006	9863	25.9
6035	Yanchep	35 932	45706	9774	27.2
6037	Two Rocks	36 771	48312	11541	31.4
6050	Mount Lawley	51 072	70919	19847	38.9
6051	Maylands	38 479	51921	13442	34.9
6052	Inglewood	41 938	54111	12173	29.0
6053	Bayswater	38 414	50620	12206	31.8
6054	Bassendean	37 310	48115	10805	29.0
6055	Guildford	40 955	52794	11839	28.9
6056	Midland	37 562	48273	10711	28.5
6057	High Wycombe	38 286	49359	11073	28.9
6058	Forrestfield	37 121	46114	8993	24.2
6059	Dianella	40 142	53620	13478	33.6
6060	Tuart Hill	38 233	49381	11148	29.2
6061	Balga	32 032	39895	7863	24.5
6062	Morley	38 300	47423	9123	23.8
6063	Beechboro	35 003	42444	7441	21.3
6064	Girrawheen	33 862	40664	6802	20.1
6065	Kingsway	38 742	49177	10435	26.9
6066	Ballajura	37 809	44329	6520	17.2
6069	Ellenbrook	42 619	51141	8522	20.0
6070	Darlington	46 581	58185	11604	24.9
6071	Glen Forrest	43 792	67484	23692	54.1
6073	Mundaring	41 624	53913	12289	29.5
6074	Sawyers Valley	37 134	52869	15735	42.4
6076	Kalamunda	43 286	56830	13544	31.3
6081	Parkerville	41 765	52822	11057	26.5
6082	Mount Helena	41 600	50535	8935	21.5
6083	Gidgegannup	46 390	57405	11015	23.7
6084	Bullsbrook	38 866	50477	11611	29.9
6100	Victoria Park	39 614	52536	12922	32.6
6101	Carlisle	38 033	49613	11580	30.4
6102	Bentley	35 391	43262	7871	22.2
6103	Rivervale	36 680	48089	11409	31.1
6104	Belmont	37 563	50147	12584	33.5
6105	Kewdale	35 635	45271	9636	27.0
6107	Cannington	35 966	45176	9210	25.6
6108	Thornlie	37 763	44813	7050	18.7
6109	Maddington	36 356	45175	8819	24.3
6110	Gosnells	35 589	45012	9423	26.5
6111	Kelmscott	39 240	48294	9054	23.1



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Postcode	Indicative Suburb	2000 Income	2007 Income	Absolute Change	% Change
6112	Armadale	36 230	46104	9874	27.3
6121	Oakford	41 852	58378	16526	39.5
6122	Byford	38 329	51322	12993	33.9
6125	Serpentine	39 750	56873	17123	43.1
6147	Lynwood	36 095	42904	6809	18.9
6148	Rossmoyne	43 629	57782	14153	32.4
6149	Leeming	45 071	54372	9301	20.6
6150	Murdoch	47 246	57503	10257	21.7
6151	South Perth	52 671	76677	24006	45.6
6152	Como	45 473	58636	13163	28.9
6153	Applecross	53 849	82625	28776	53.4
6154	Booragoon	45 929	60059	14130	30.8
6155	Canning Vale	42 489	52151	9662	22.7
6156	Melville	46 792	67426	20634	44.1
6157	Palmyra	44 002	59904	15902	36.1
6158	East Fremantle	47 384	69802	22418	47.3
6159	North Fremantle	54 627	83805	29178	53.4
6160	Fremantle	46 606	58951	12345	26.5
6162	Beaconsfield	41 958	54474	12516	29.8
6163	Bibra Lake	38 333	48487	10154	26.5
6164	Jandakot	39 540	50600	11060	28.0
6166	Coogee	41 975	54596	12621	30.1
6167	Kwinana	36 468	45418	8950	24.5
6168	Rockingham	37 391	48323	10932	29.2
6169	Safety Bay	40 545	49077	8532	21.0
6170	Leda	40 086	48147	8061	20.1
6171	Baldivis	42 902	56467	13565	31.6
6172	Port Kennedy	42 682	50440	7758	18.2
6173	Secret Harbour	45 073	55462	10389	23.1
6174	Golden Bay	39 814	52938	13124	33.0
6175	Singleton	42 036	54478	12442	29.6

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