



Media release

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Increased cost of housing erodes bigger pay cheques

Prosperity gains for Australian households between 2001 and 2006 in income and employment were largely offset by rapid increases in housing and other costs, according to a new AMP.NATSEM report.

The report found that the equivalent gross income of the average Australian household rose by 31 per cent from 2001 to 2006 yet housing costs for the average household increased by twice that at 62 per cent - from \$123 to \$199 a week. At the same time, other living costs also rose, such as food, petrol, education and childcare.

In Sydney this means that the average household income, which increased by 28 per cent between 2001 and 2006, was reduced to an increase of just 1.5 per cent a year after factoring in changes in the cost of living.

The 20th AMP.NATSEM Income and Wealth Report *Advance Australia Fair?*, looks at trends in income, unemployment and immigration for different geographic regions of Australia, rather than individual Australians – drawing on Census data from 2001 and 2006.

Incomes in affluent areas grew more rapidly than in low income areas, increasing by 36.5 per cent compared to 29 per cent. But the bigger pay cheques were whittled away by the increase in housing costs, with the cost of housing in affluent areas jumping by 54 per cent compared to 48 per cent in low income areas.

The hardest hit households were those in middle Australia – with housing costs for these areas increasing almost 65 per cent while income only improved by around 30 per cent.

“The impressive increases in household incomes were largely offset by increased spending on housing and increases in the cost of living – and it’s the households in middle income areas who were the least likely to enjoy these prosperous times,” Managing Director AMP Financial Services Craig Meller said.

“This could go some way to explaining the shift in behaviour we have seen in Australian communities in recent times; where high employment, high incomes and strong economic conditions have not necessarily reflected the perceptions of average Australians.”

Key Findings

Increased income across the country

The gross household incomes of rich households in 2006 were more than double that of low income households. The income of Australians living in the low income neighbourhoods increased by \$186 a week or 27 per cent to \$884 in 2006, while the gross income of households in high income areas increased by \$443 a week or 31 per cent to \$1,880.

A two speed economy?

The mining boom saw a dramatic increase in incomes sparking concerns of a two speed economy but the figures suggest a much more complex picture. The biggest jumps in income were seen in remote mining areas in Queensland and Western Australia where households enjoyed a 41 per cent income increase while income for Perth households increased 39 per cent. Elsewhere, households in the ACT experienced a 37 per cent increase in income while Brisbane households also saw a 36 per cent increase. Sydney, Adelaide and Melbourne all had the lowest increase, of about 28 per cent.

Increased cost of living

From 2001 to 2006 the housing costs of the average Australian household increased by a substantial 62 per cent - an increase from \$123 to \$199 a week. The biggest increases were seen in Adelaide, Brisbane, Hobart and Canberra where housing costs increased by between 63 and 68 per cent. Middle income areas were the hardest hit – with housing costs increasing almost 65 per cent compared with 54 per cent for affluent areas and 48 per cent for low income areas.

Where are the rich living?

Canberra is the richest capital city in Australia with more high income areas than any other city. Also faring well was Perth with no low income areas. Most of the high income areas were in capital cities, with very few high income areas in rural areas. The few rich areas in remote regions tended to be mining towns such as in northern Western Australia (Newman, Port Headland and Tom Price) and the mid-east of Queensland (around Belyando).

Sydney and Melbourne popular for migrants

Nearly 550,000 migrants arrived on Australian soil from 2001 to 2006 and 43 per cent of them were skilled migrants. Sydney and Melbourne are still the most popular destinations for migrants with 30 per cent choosing to live in Sydney and 24 per cent in Melbourne. Very few chose to experience Australian life in rural and regional areas.

NATSEM Principal Research Fellow and co-author of the report Robert Tanton said: "This report takes a critical look at diverse regions across Australia and it shows quite a different result to national surveys because it allows comparisons between different areas to be made, rather than looking at Australia or the States only. It gives us a clearer picture of what many years of prosperity has really meant for households across Australia," Mr Tanton said.

This report is the 20th edition of the AMP.NATSEM Income and Wealth Report. AMP publishes these reports as a service to the community and its customers, who make up one in four working Australians.

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Note: A copy of the report and appendix of the Statistical Local Areas will be available on AMP's media centre <http://media.amp.com.au/> from 12.01am Thursday 24 July.

Media Enquiries

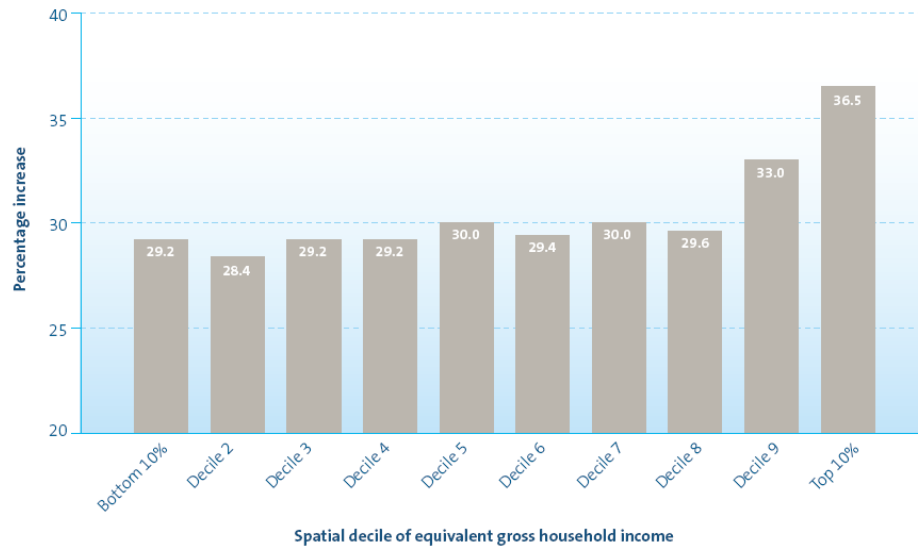
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Appendix Charts

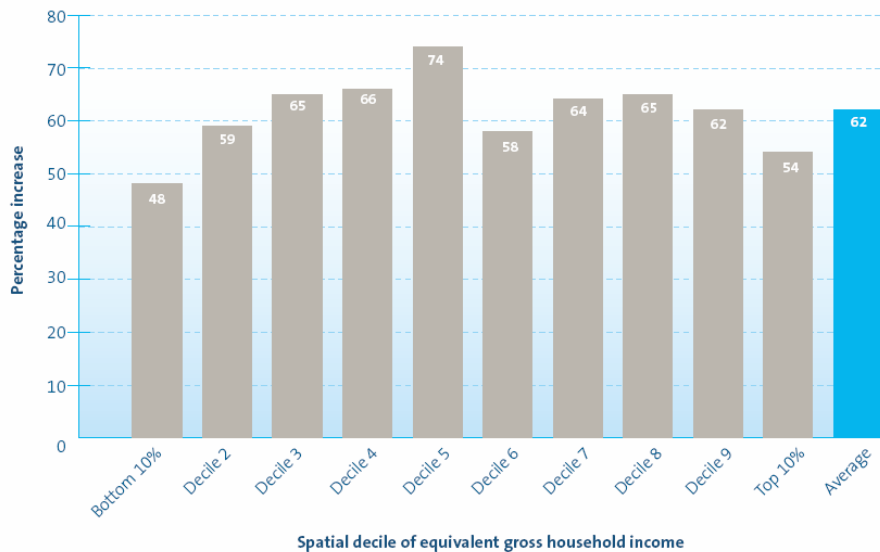
Figure 1 - Percentage increases in average equivalent gross incomes, by spatial income decile, 2001 to 2006



Notes: These are increases in equivalent average household gross income within each statistical local area allocated to one of the spatial income deciles as described in Technical Notes.

Data sources: Estimated from ABS 2001 and 2006 Census tables.

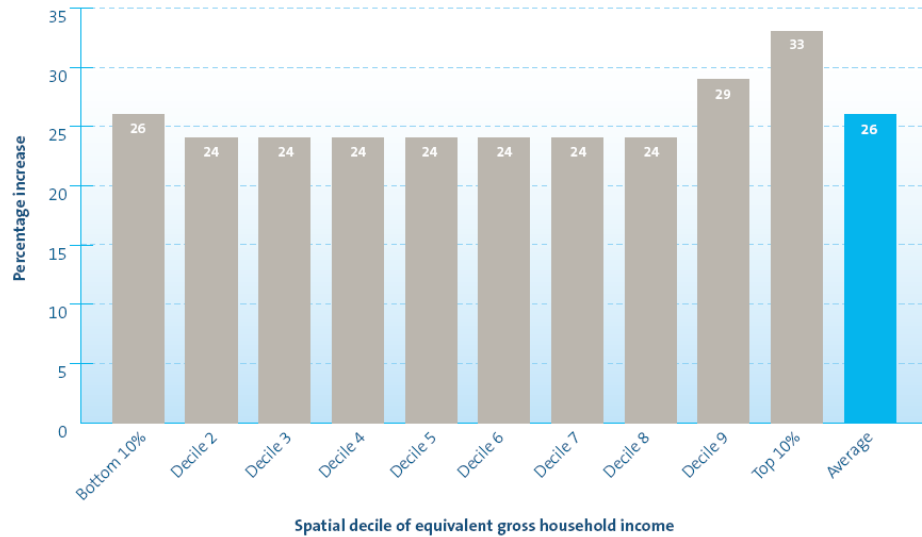
Figure 4 - Percentage increases in average housing costs, by spatial income decile, 2001 to 2006



Data sources: Estimated from ABS 2001 and 2006 Census tables.

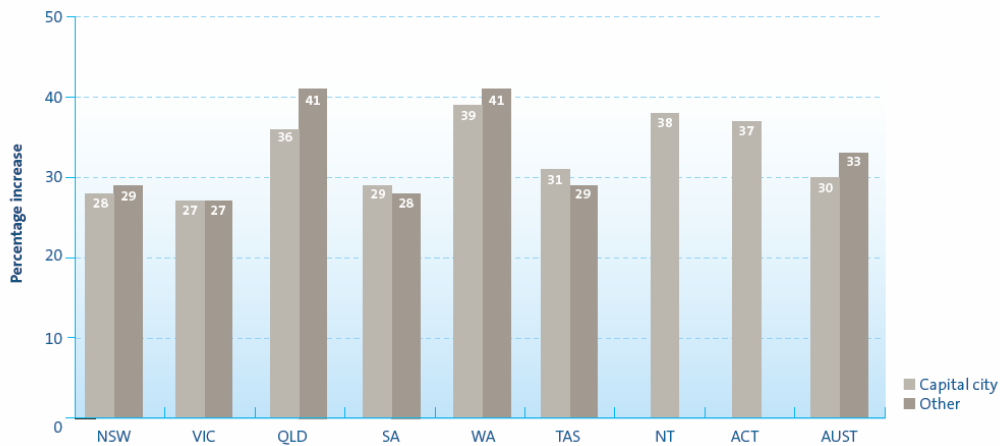
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Figure 5 - Percentage increase in average equivalent gross "after-housing-costs" income, by spatial income decile, 2001 to 2006



Data sources: Estimated from ABS 2001 and 2006 Census tables.

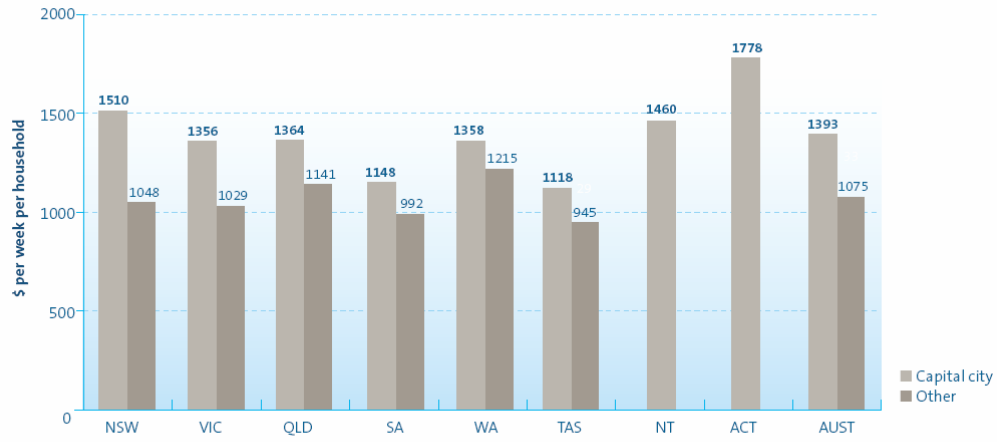
Figure 8 - Percentage increase in average equivalent gross household income, State and Territory, 2001 to 2006



Data sources: Estimated from ABS 2001 and 2006 Census tables. Remote NT has been combined with Darwin, as the population size in remote areas of the Northern Territory means that some percentages calculated are unreliable due to the low population numbers. In the ACT, there are few people outside the capital city Canberra, so again these areas have been merged with the Canberra value.

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Figure 9 - Average gross household incomes, State and Territory, 2006



Data sources: Estimated from ABS 2006 Census tables.