

Australia's Population Growth

A summary of the key drivers of Australia's population growth
June 2010

Key Points:

- **Australia's population growth currently sits at 450,000 persons per annum.**
- **Commonwealth Treasury projects that Australia's population will grow to 36 million by 2050. This is the figure from which the term 'big Australia' was derived.**
- **Much of this growth is dominated by temporary visa holders for employment and education purposes.**
- **Regardless of what level the population reaches, Australia needs to ensure it is building sufficient homes to meet demand and this has not been occurring for some years now.**

Australia's Population

Introduction

The Commonwealth Treasury released population growth estimates as part of their Intergenerational Report¹ early in 2010. Treasury estimates that Australia's population will reach 36 million (35.9 million) by 2050, marking an increase of 14 million on today's population. This figure sparked on-going significant interest in media and political circles and served as a reminder of the challenges facing Australia in housing a growing population.

The figure of 36 million is merely the latest population projection from Treasury and is not a target as such. The figure has become synonymous with the term 'big Australia'. The figure of 36 million represents a slower rate of population growth for Australia over the next forty years (an average rate of 1.2 per cent per annum) compared to the last forty years (an average rate of 1.4 per cent per annum).

Background

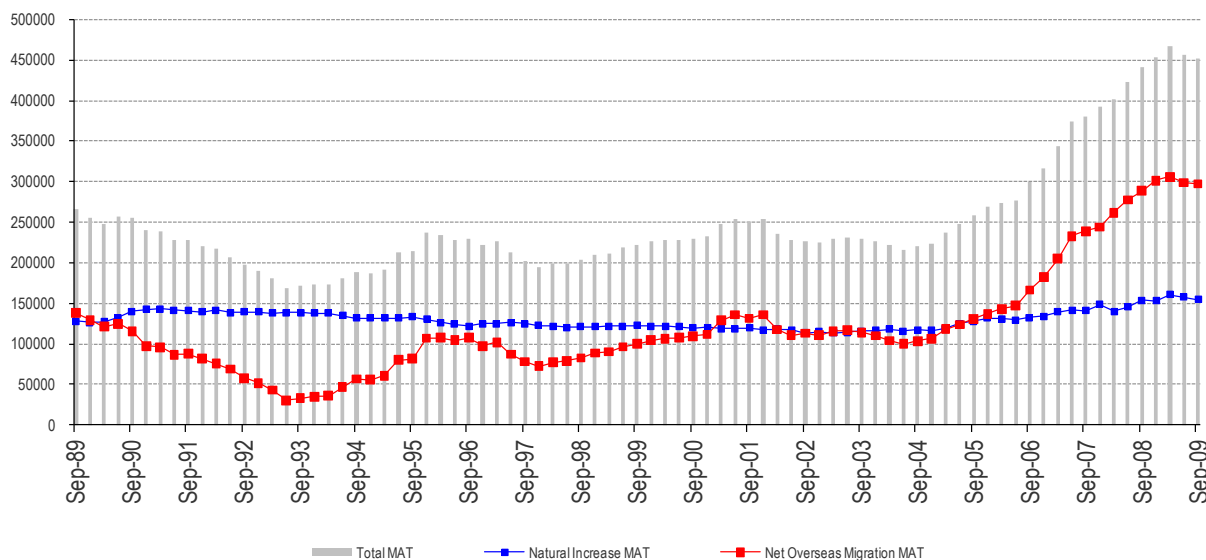
Australia's population has increased dramatically over the past few years with total population growth exceeding 450,000 on an annual basis as of September 2009. The vast majority of this increase is related to a sharp jump in annual net overseas migration (NOM) numbers which have tripled in recent years from 100,000 in the late 1990s to 300,000 at last count in September 2009. Fertility numbers have also increased, but the increment over the same period is just 30,000 persons such that the natural growth rate of the population is just over 150,000 annually.



¹ Australia to 2050: future challenges. January 2010

Australia's Population Growth by Component - Moving Annual Total

Source: ABS



The Current Population Story

The key driver of NOM is a much larger number of arrivals into Australia. Departures have not altered greatly in recent years. The Australian Bureau of Statistics (ABS) uses the “12/16” rule to determine the population count, meaning that anyone who has been in the country for 12 out of the previous 16 months is included in the ‘count’. The implication is that many non-permanent residents are counted as part of the Australian population.

This is an important point in the context of Australia’s current fast population growth because Australia has in recent years experienced enormous growth in temporary visas for students and employment. These groups are the fundamental drivers of Australia’s recent population boom. Over the past decade, visa holders related to travel for work and education increased by 292 per cent and 130 per cent, respectively. Many of these travellers eventually find their way into the ABS population count. Overseas students are estimated to provide a boost to the national economy of \$17.2 billion dollars and jobs for 126,000 persons.

Actual permanent arrival numbers have increased more modestly in comparison with non-permanent arrivals. The net difference between permanent arrivals and departures has increased by only 16,000 over the past ten years.

The primary immigration story in Australia over recent years has therefore been one of a sharp increase in temporary arrivals. These arrivals are simply yet to go home. From a population perspective, immigration must be viewed as the net outcome of both arrivals and departures.

What Australia is seeing is likely to be a one-off boost to population growth. As these recently heightened levels of temporary arrivals depart, Australia’s population growth should be expected to retreat to more ‘normal’ rates. The current policy in Australia is that temporary education visa holders are granted an additional 18 month stay once their visa has expired and temporary 457 visa holders are granted an additional four years. The most likely explanation for Australia’s large population growth over the recent past is that these temporary migrants are yet to leave the country.

Maintaining the current strong levels of education and employment visas will still result in a natural decline in population growth as a direct result of previous cohorts departing. One long term potential outcome could be that Australia’s share of population that is ‘temporary’ will increase. Note, however, that relative to many other countries Australia’s temporary population is very small.

A healthy set of population numbers in the short term provides Australia with some insulation from skills shortages (which are already re-appearing) as the economy rebounds and strengthens through the next few years.

Over the short and medium term temporary migration is likely to remain healthy, particularly employment based numbers, as Australia's economy continues to outperform the rest of the world.

Most economic and demographic studies clearly show that immigration is a net positive for the economy with overseas workers tending to be both younger and better educated than the national average. This is a plus not only for the short term growth prospects for the economy, but also for the long term outlook as the nation grapples with the challenges of an ageing population and the resultant need to ensure an adequately size working age population.

The Housing Challenge

HIA estimates that a population of 36 million by 2050 (associated with a NOM of 180,000 per annum) implies annual underlying demand of around 190,000 dwellings, including demolitions. In 2009 Australia completed 145,375 dwellings and over the last five years has averaged 151,000 dwelling completions.

HIA's *Housing to 2020* reports² found that in 2009 Australia already faced a housing shortage of around 110,000 dwellings. There is consequently already a considerable policy challenge to ensure an adequate amount of affordable housing for Australia's population. The *Housing to 2020* report projected that if Australia's current building trends were to persist then Australia's cumulated housing shortage would reach 466,000 dwellings by 2020.

Regardless of what population level Australia reaches in the next ten years or forty years, substantial policy reform is required to ensure a significant, sustainable increase in the average number of residential dwelling completions each year. Without a significant increase in building completions Australia's housing shortage will increase dramatically.

² For further details go to <http://economics.hia.com.au/publications/housingto2020.aspx>