

A futuristic, densely packed cityscape with a large Australian flag on a central building, surrounded by flying cars and a massive crowd of people. The scene is set against a bright, hazy sky with many flying cars. The city is built on a steep hillside, with buildings of various heights and colors, including a prominent blue building with the Australian flag. The foreground is filled with a massive crowd of people and a dense traffic jam of cars and buses. The overall atmosphere is one of a highly populated, advanced urban environment.

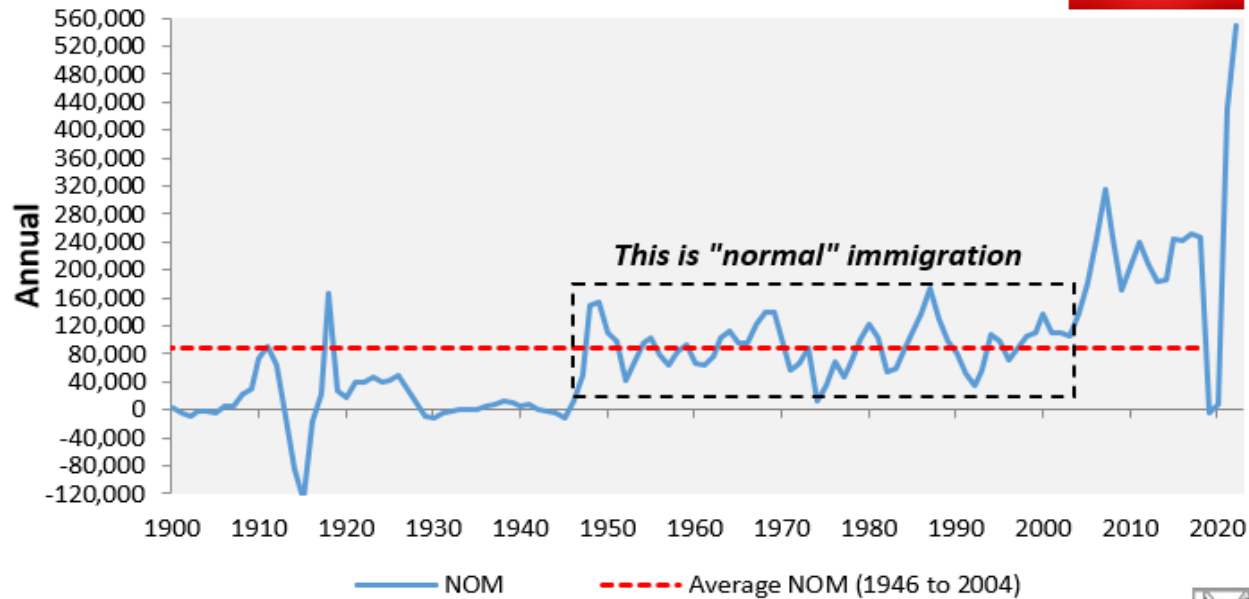
# Australia's immigration and the everything shortage

# Immigration in a historical context

## Australian Net Overseas Migration

Sources: Australian Bureau of Statistics; 2023 Federal Budget; 2023 IGR

MACRO BUSINESS



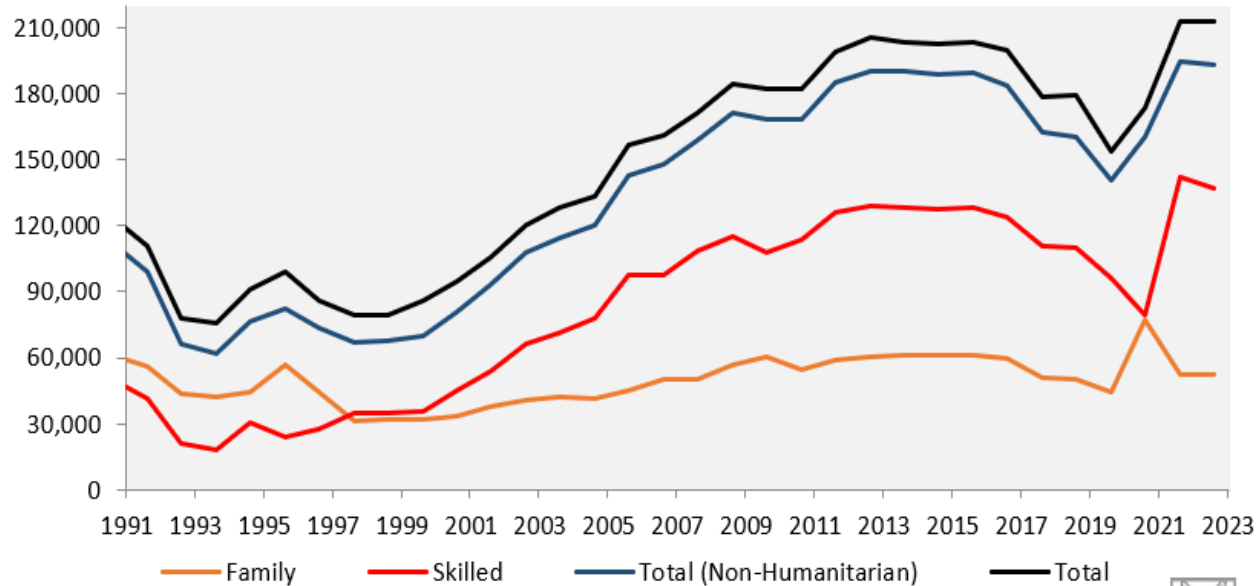
www.macrobusiness.com.au



## Australia's Permanent Migrant Intake

Source: Department of Immigration

MACRO BUSINESS

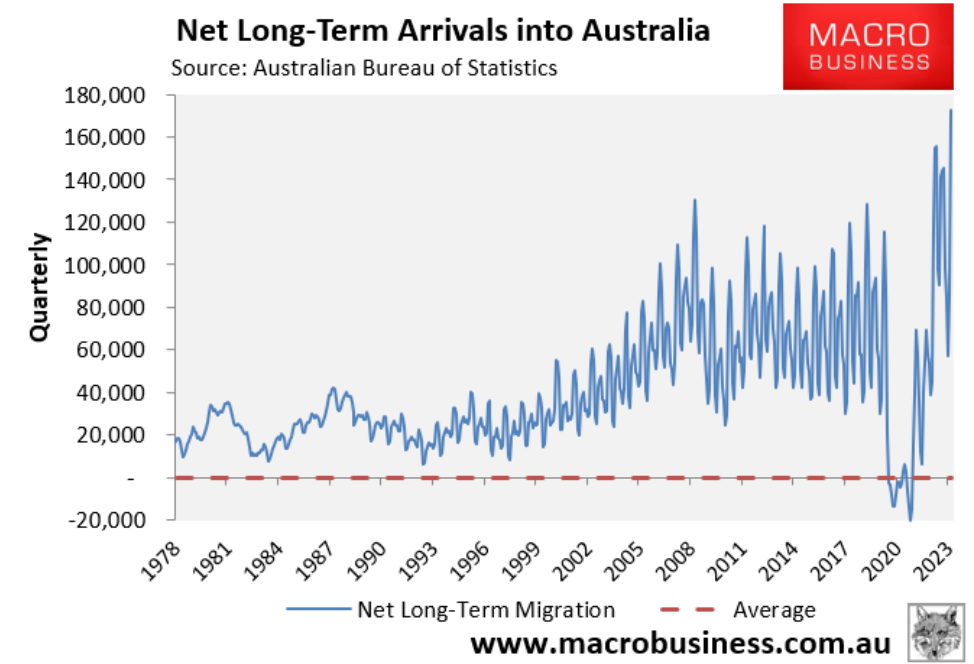
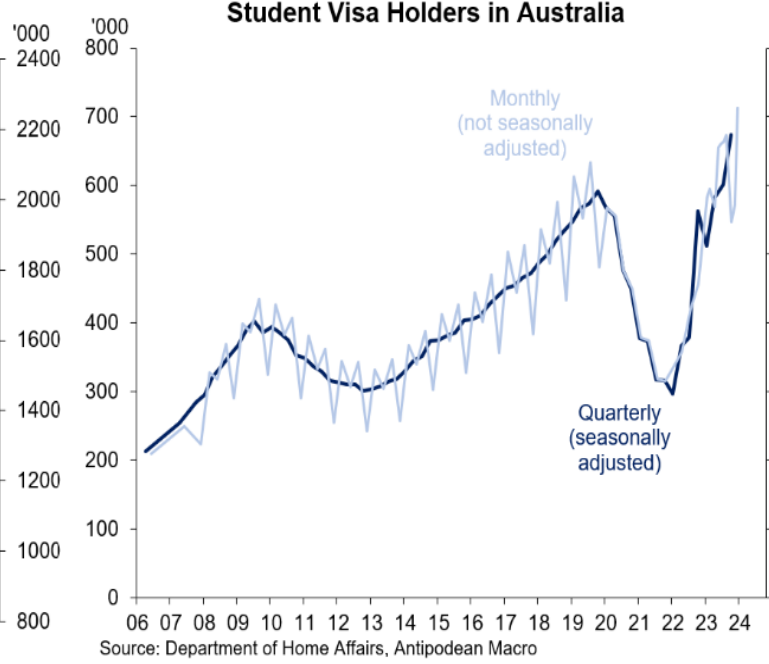
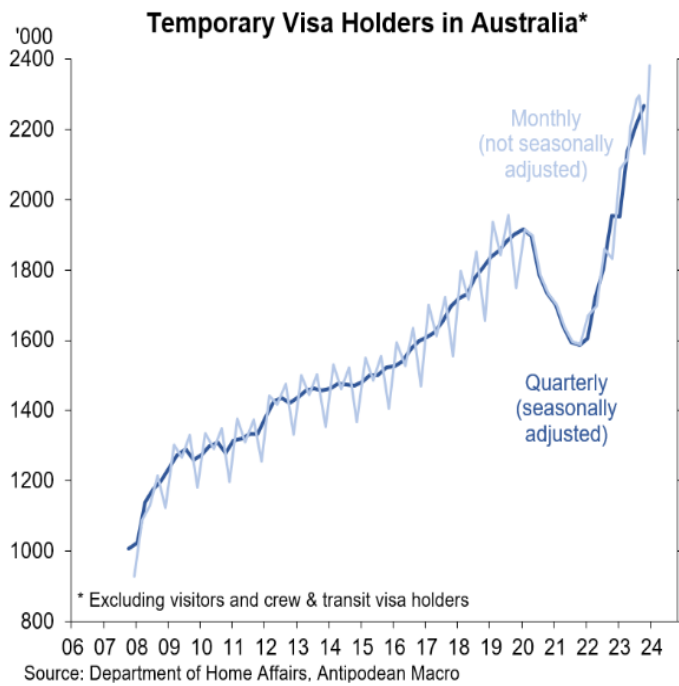


www.macrobusiness.com.au



- A record 549,000 net overseas migrants landed in the year to September 2023.
  - “Normal” NOM in the post-war period was around 90,000.
- Australia’s permanent migrant intake (including humanitarian and Pacific Island visas) increased to a record high 213,000.

# Record temporary migration

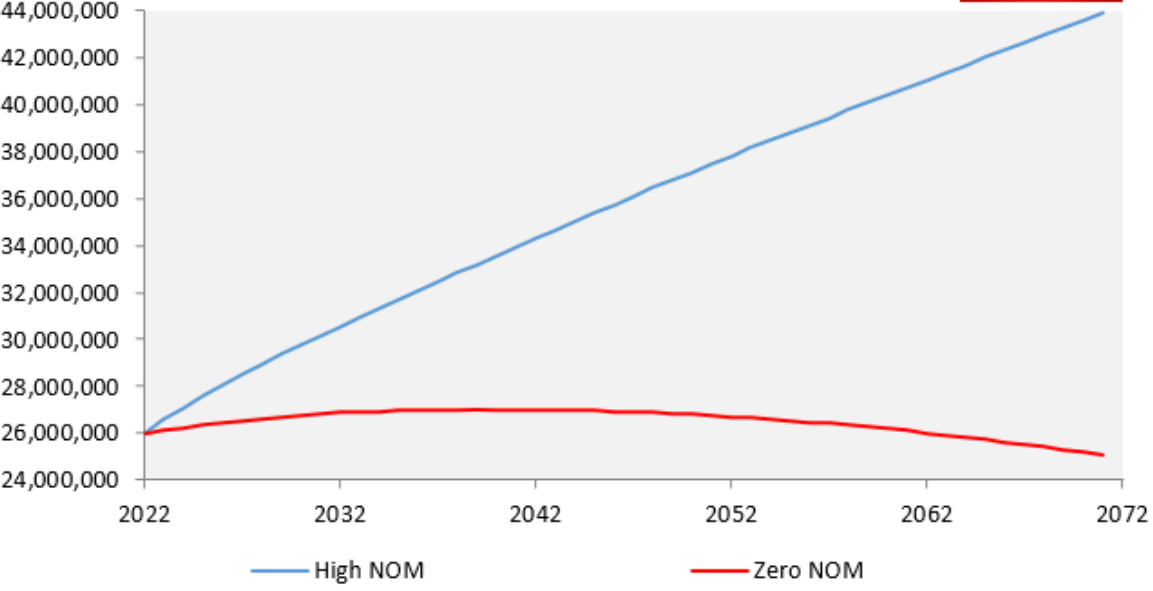


- In February, a record 2.4 million temporary visa holders (excluding visitors) were in Australia, about 400,000 more than the pre-pandemic peak.
- There were also 713,000 international students in Australia in February, around 100,000 more than the pre-pandemic peak.
- February data on permanent and long-term arrivals smashed all records, with 105,500 monthly arrivals, 172,400 quarterly arrivals, and 498,300 annual arrivals.
- Thus, the Albanese government has delivered record permanent and temporary migration.

# All of Australia's population growth comes from net overseas migration

## Australian Population Projections\*

Sources: Australian Bureau of Statistics (2023)



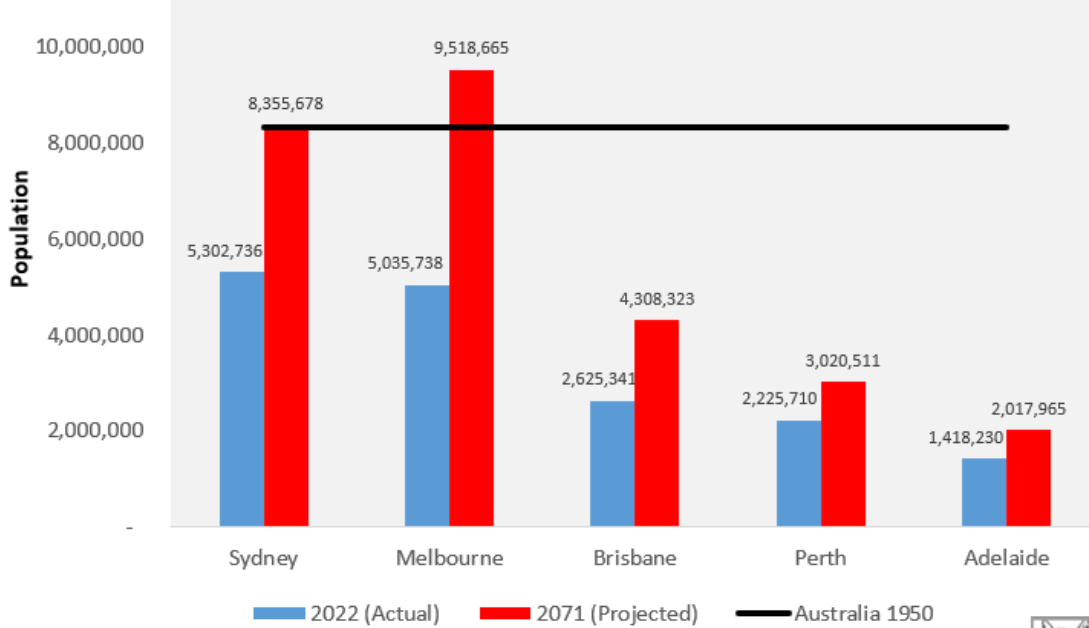
\*ABS Medium Projection for Fertility, High Life Expectancy

[www.macrobusiness.com.au](http://www.macrobusiness.com.au)



## Capital City Population Projections

Source: ABS Population Projections



— 2022 (Actual) — 2071 (Projected) — Australia 1950

[www.macrobusiness.com.au](http://www.macrobusiness.com.au)



- Immigration drives all of Australia's population growth.
- Directly as migrants hop off the plane.
- Indirectly as migrants have children (counted as "natural increase").
- Without net overseas migration, Australia's population would be one million smaller by 2071.

# The everything shortage

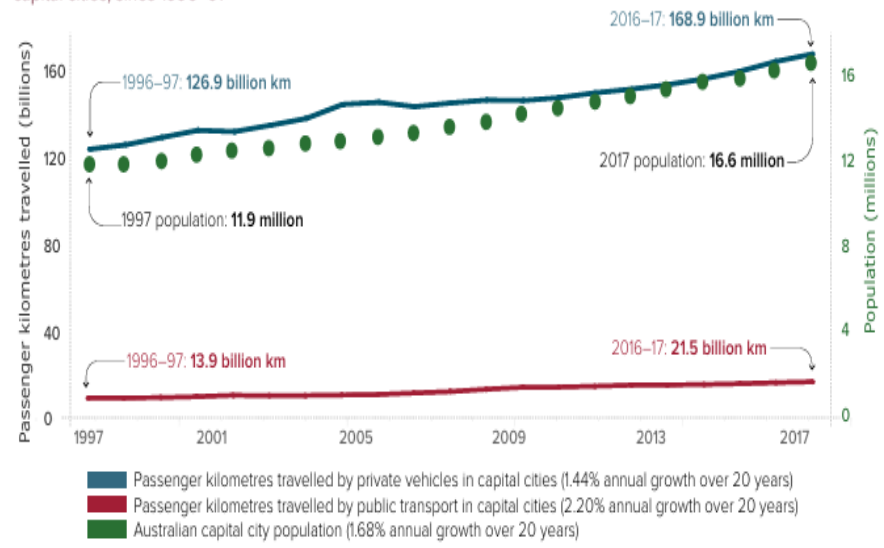
Key Liveability Statistics	Reference Case (2016)		Expanded Low Density (2046)		Expanded Medium Density (2046)		Expanded High Density (2046)	
	Sydney	Melbourne	Sydney	Melbourne	Sydney	Melbourne	Sydney	Melbourne
<b>Transport Performance</b>								
Road Congestion (Traffic volume exceeds capacity)	15%	5%	28%	7%	28%	6%	30%	9%
Public Transport Mode Share	26%	14%	32%	21%	35%	21%	35%	22%
<b>Access to Jobs in 30 Minutes</b>								
Car	13%	22%	9%	18%	9%	18%	9%	17%
Public Transport	2%	2%	2%	3%	2%	3%	2%	4%
<b>Access to Jobs in 60 Minutes</b>								
Car	43%	64%	35%	53%	36%	54%	36%	53%
Public Transport	13%	24%	18%	25%	22%	26%	23%	29%
<b>Access to Hospitals</b>								
Percentage of Population with Access	80%	87%	71%	78%	74%	80%	76%	82%
<b>Access to Schools</b>								
Percentage of Population with Access	97%	95%	92%	86%	94%	87%	95%	90%
<b>Access to Green Space</b>								
Percentage of Population with Access	62%	38%	54%	31%	56%	32%	58%	33%

*Source: Infrastructure Australia: Future Cities: Planning for our growing population (2018)*

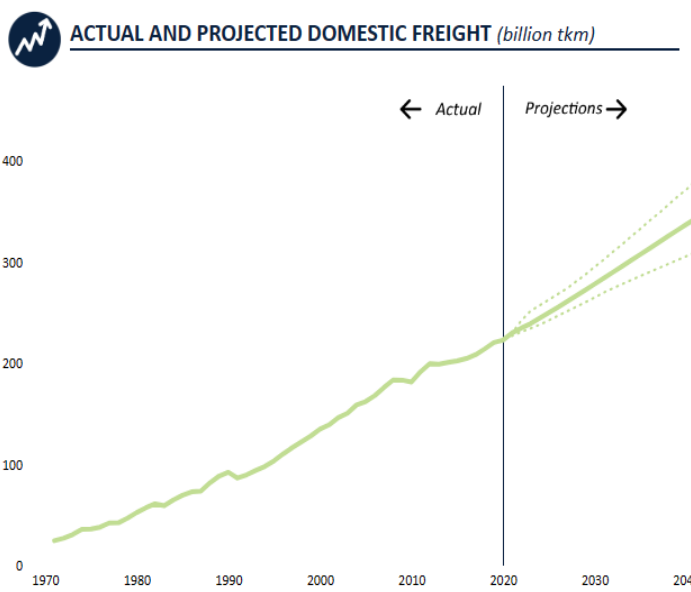
- We continually read about worsening traffic congestion and shortages of economic and social infrastructure.
- This outcome was explicitly modelled by Infrastructure Australia in 2018 for Sydney and Melbourne, no matter how they built out:
  - **Expanded Low density:** 70% (Sydney) 60% (Melbourne) of development to take place in existing urban areas.
  - **Rebalanced Medium density:** 80% (Sydney) 70% (Melbourne) of development to take place in existing urban areas.
  - **Centralised High density:** 90% (Sydney) 80% (Melbourne) of development to take place in existing urban areas.
- Under every development scenario, traffic congestion worsens, as does access to jobs, schools, hospitals and green space.

# Traffic congestion

Figure 1: Population growth vs passenger kilometres travelled, by public transport and private vehicles in all capital cities, since 1996–97

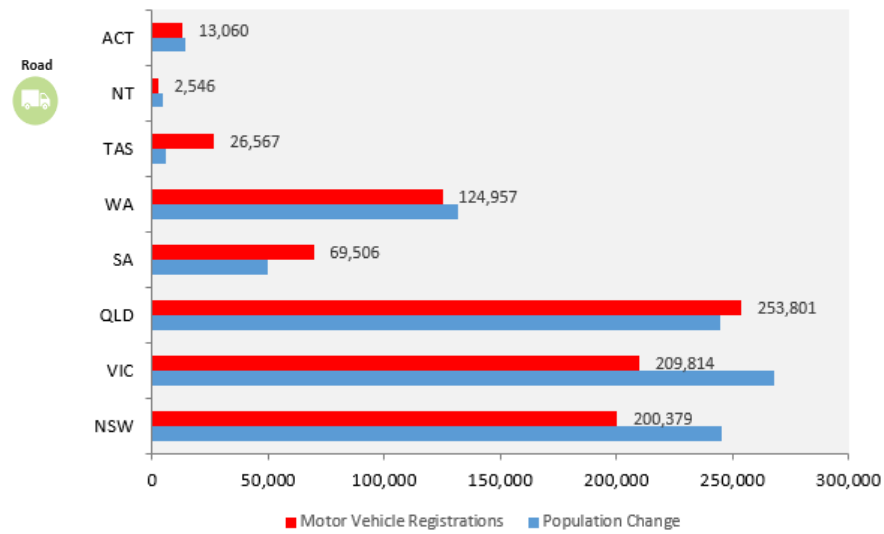


Source: Bureau of Infrastructure, Transport and Regional Economics (2018), Australian Bureau of Statistics (2018)\*



Source: BITRE Research Report 154

Vehicle Registrations vs Population Change (2021 to 2023)



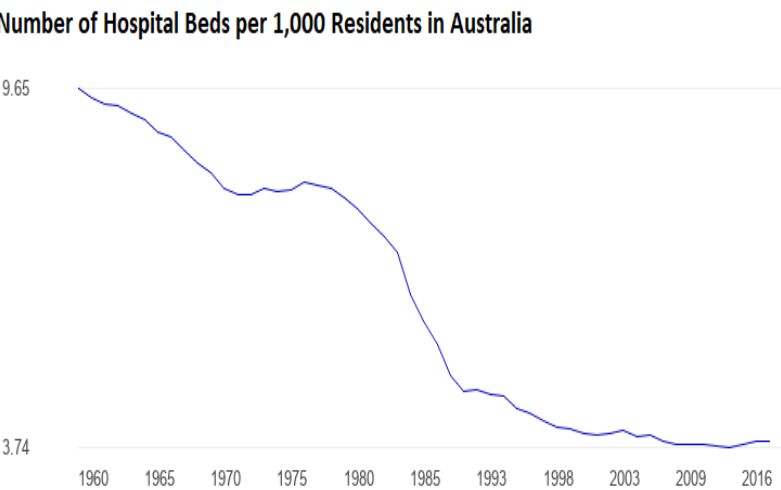
Sources: ABS vs BITRE

[www.macrobusiness.com.au](http://www.macrobusiness.com.au)



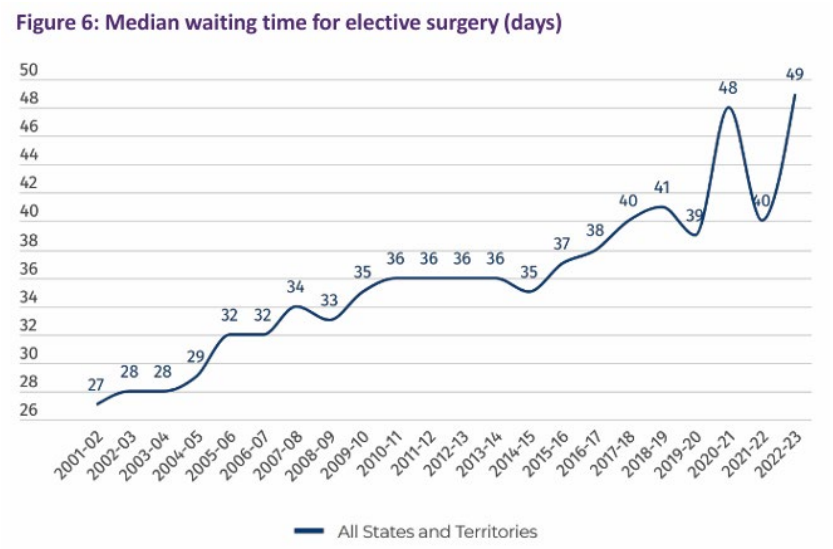
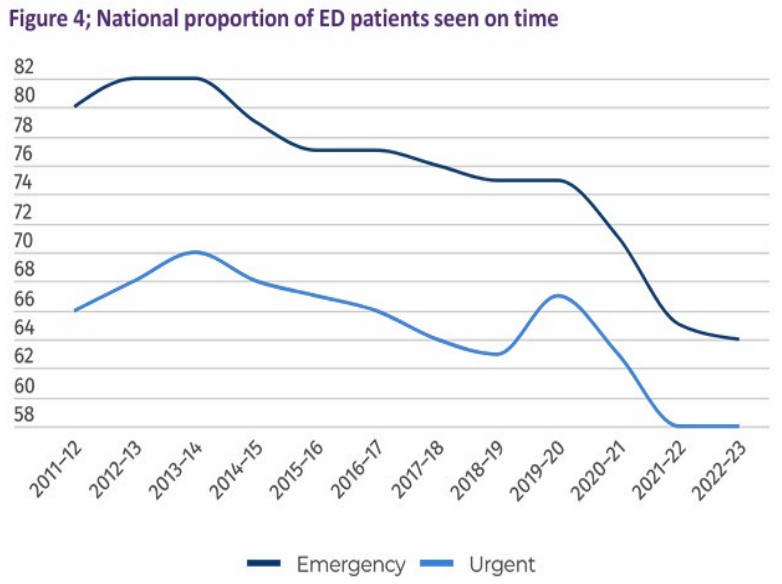
- Traffic on our roads is directly proportional to population growth.
- IA’s Urban Transport Crowding and Congestion Report (2019) estimated “that road congestion and public transport crowding cost the Australian economy \$19.0 billion in 2016. Without continued infrastructure investment in our cities, this cost will more than double by 2031 to reach \$39.8 billion”.

# Hospitals shortages

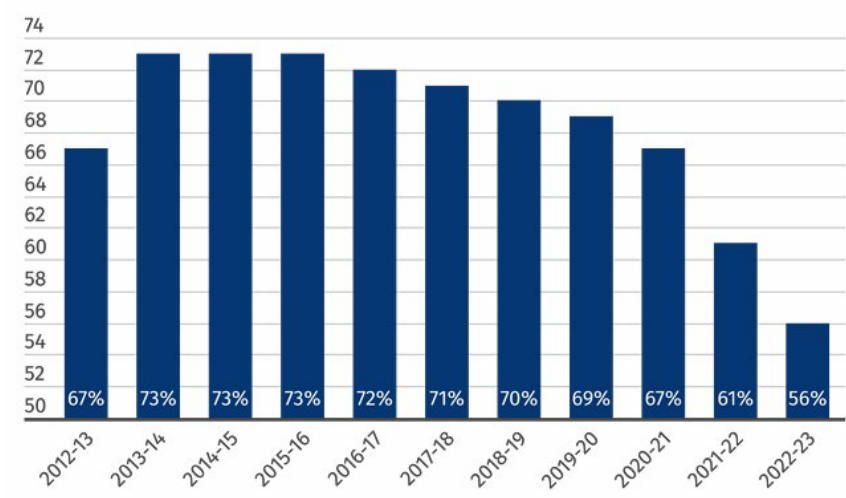


Source: OECD

- Barely a week passes without another story about chronic shortages in our health system. Some of these shortages are labour-related (which skilled migrants can help address), but others are physical—we haven't built enough hospitals to keep pace with the population.
- Latest AMA Public Hospital Report Card (released this week):
  - The proportion of Emergency Department patients seen on time is down sharply.
  - Median wait time for elective surgery up sharply.
  - Percentage of Emergency Department visits completed in four hours or less down sharply.

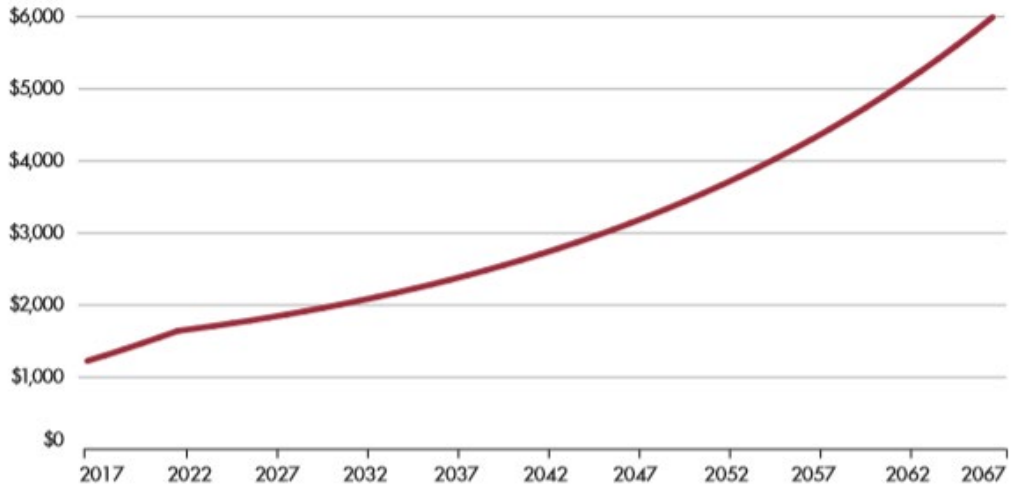


**Figure 5: National percentage of emergency department visits completed in four hours or less**



# Schools and water shortages

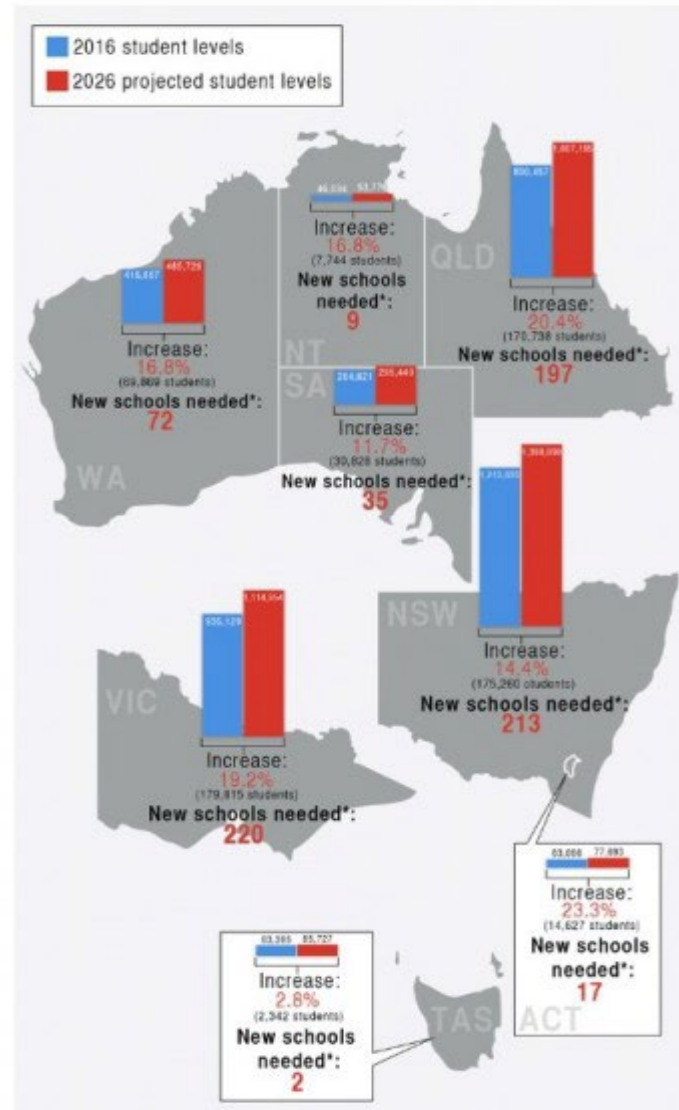
Figure B: Projected average household water and sewerage bills (\$2016)



Source: Aither (2017)<sup>2</sup>

- In 2016, the Grattan Institute estimated that Australia needed 400 to 750 new schools by 2026 to accommodate an extra 650,000 students.
- Meanwhile, IA in 2019 modelled that household water bills would rise fivefold in real terms by 2067 as water desalination replaces traditional water supplies.

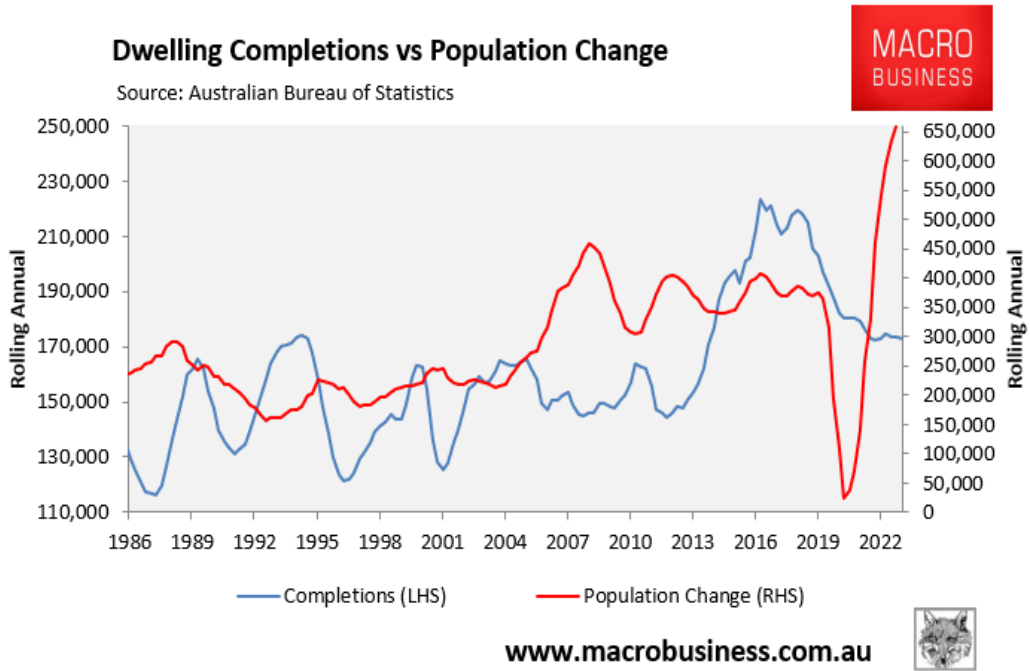
Where will the new schools be needed?



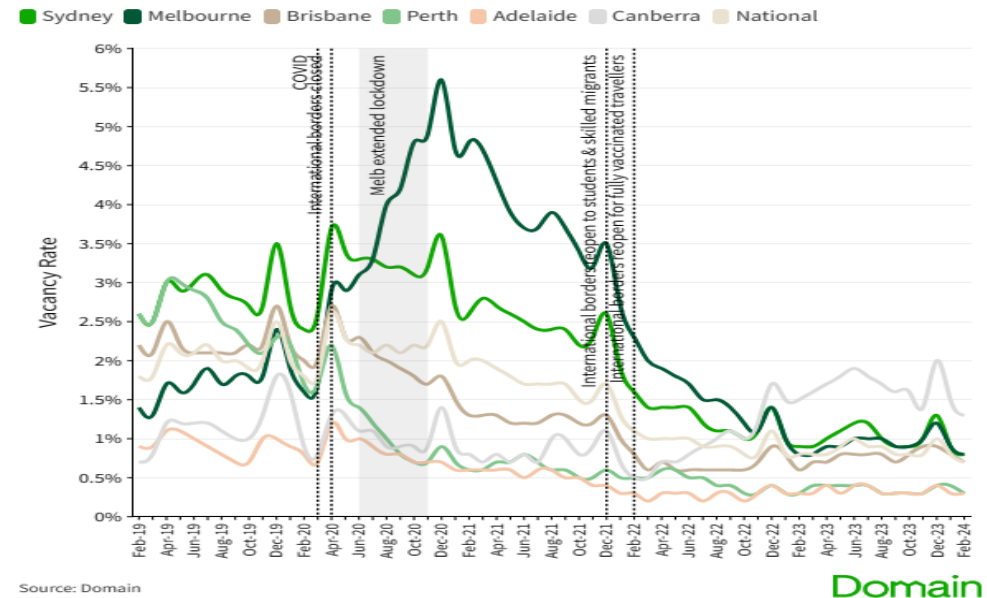
\*Estimate based on author projections



# The big one: Housing

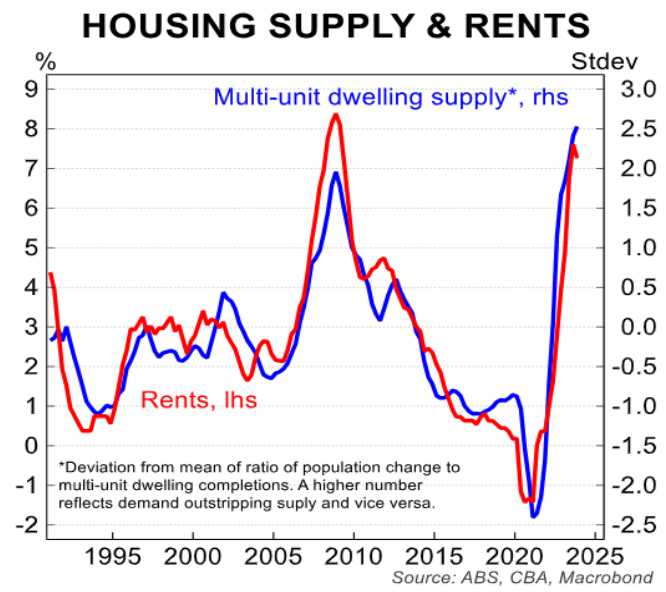
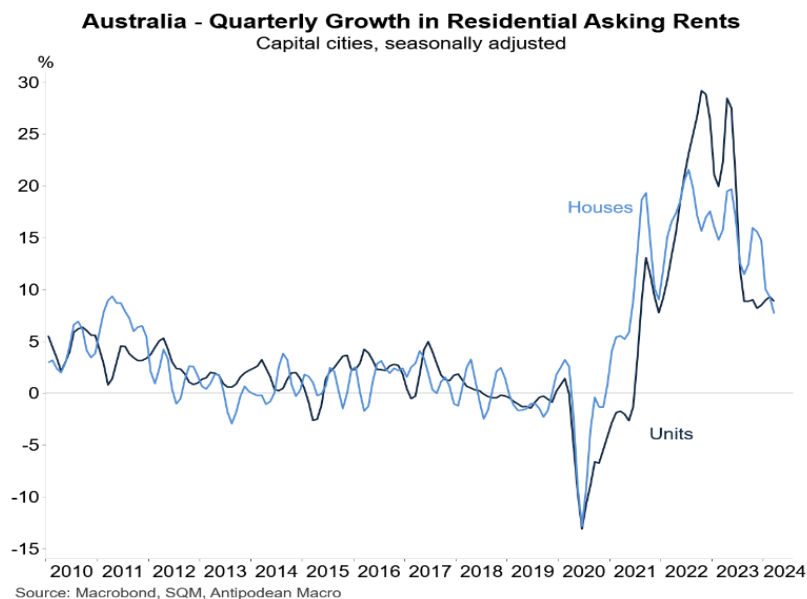


## Rental Vacancy Rates by City

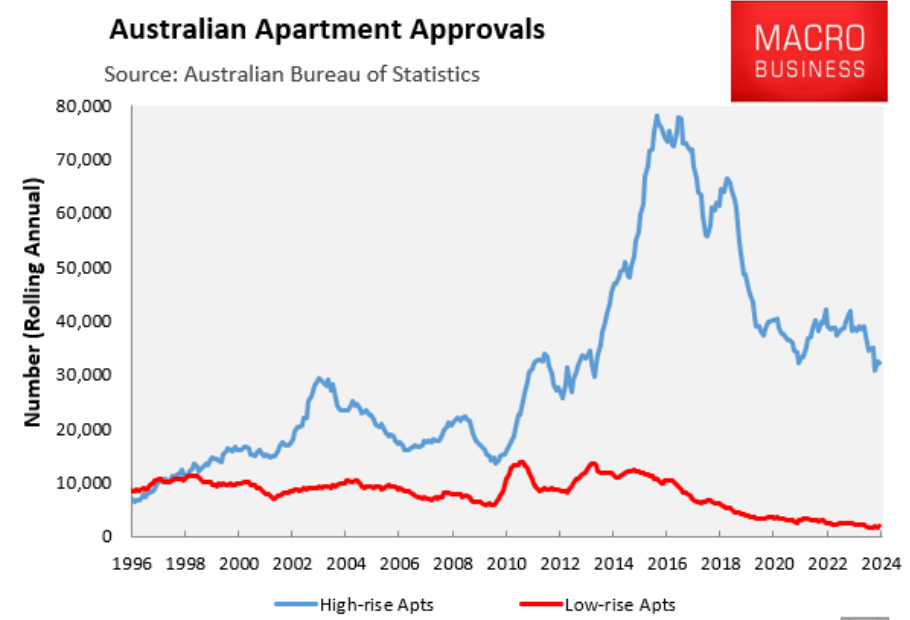
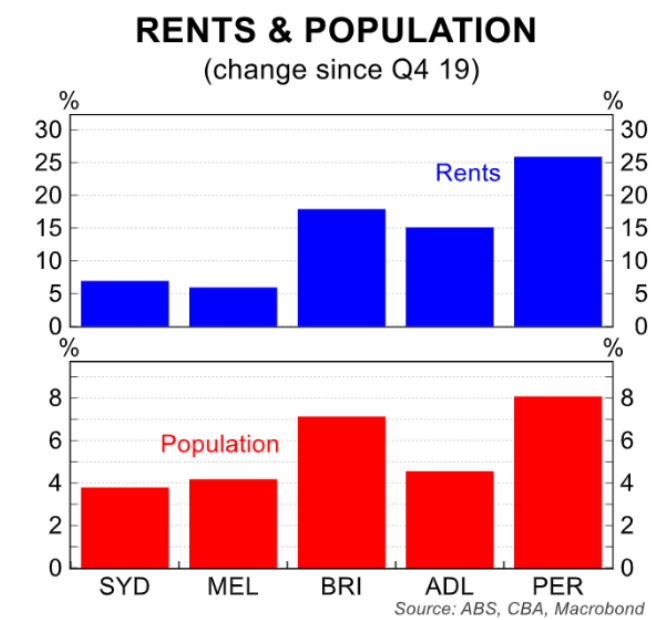
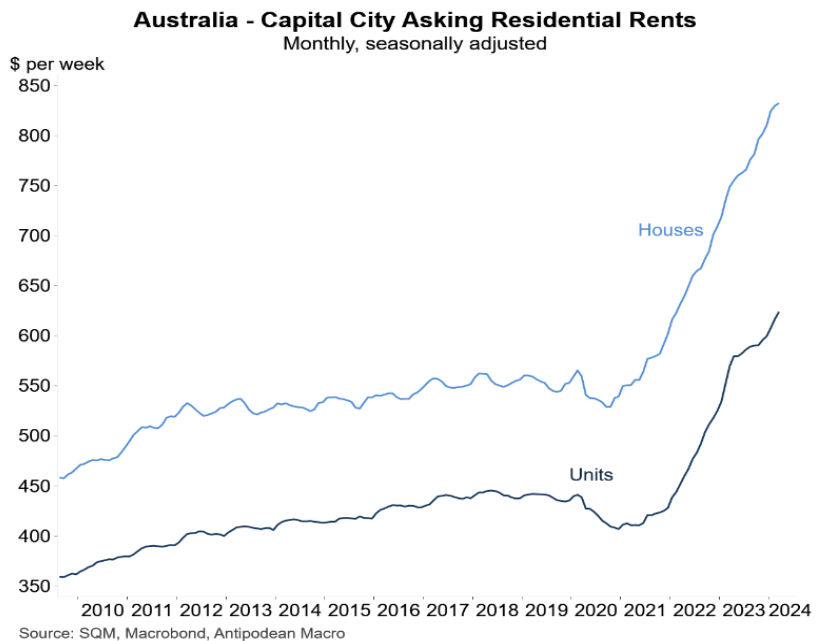


- Australia's housing construction has lagged behind population growth since immigration was ramped up from 2005.
- Australia added only around 166,000 homes to the nation's housing stock in 2023, against a population increase of 660,000.
  - One home for every four new arrivals.
- Latest ABS trend data shows that only 149,000 dwellings were commenced and approved in annualised terms, 91,000 below Labor's target of 240,000 homes a year.
- The latest record immigration has driven rental vacancy rates to all-time lows.

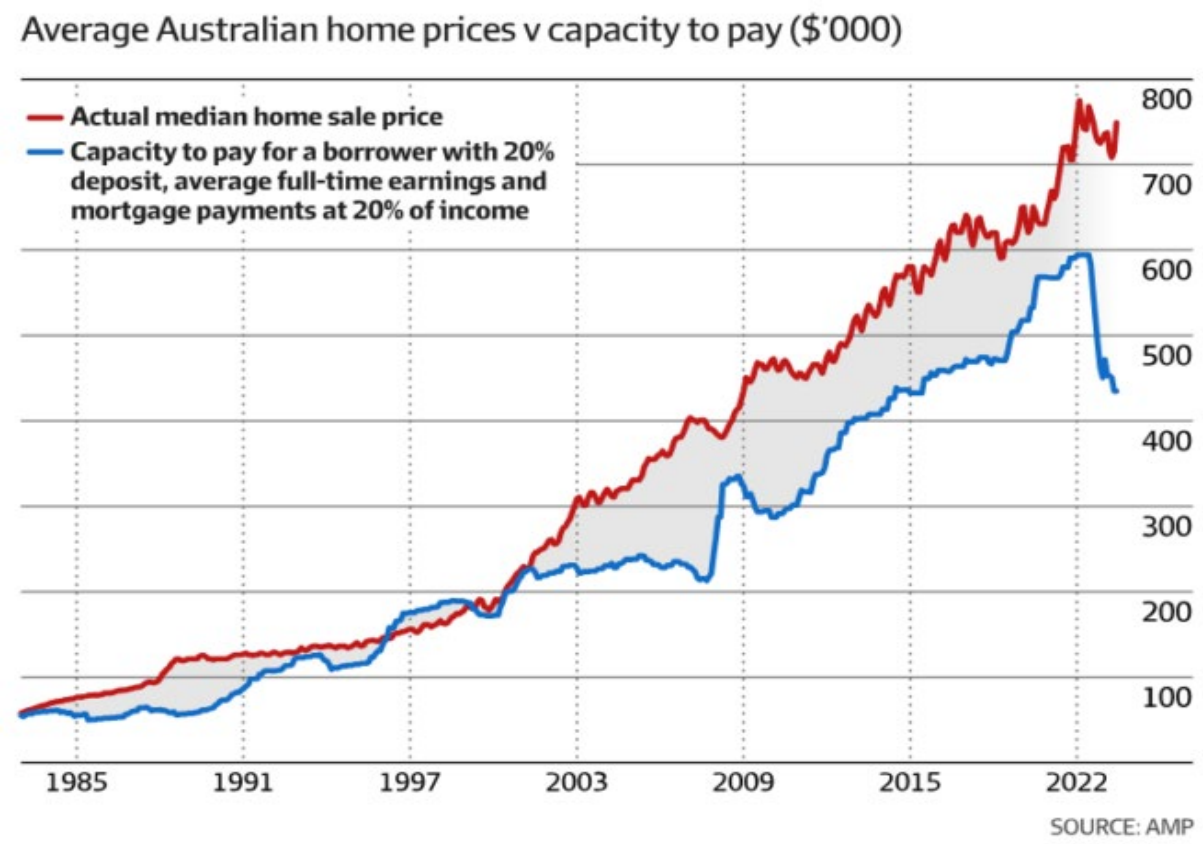
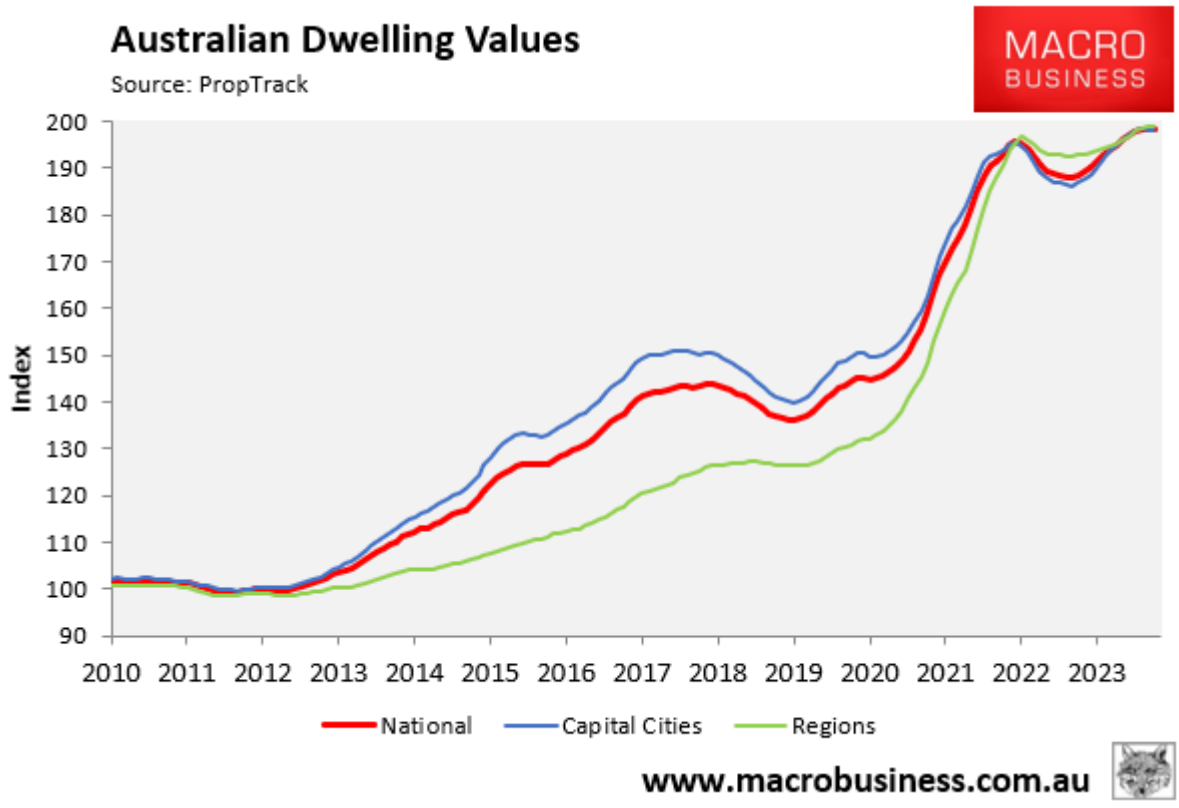
# Record immigration to blame for soaring rents



- When net overseas migration turned negative, rents fell.
- When net overseas migration soared, rents soared.
- Strong population demand and falling supply mean one thing for Australian renters: more misery.



# Record immigration to blame for recent house price rises



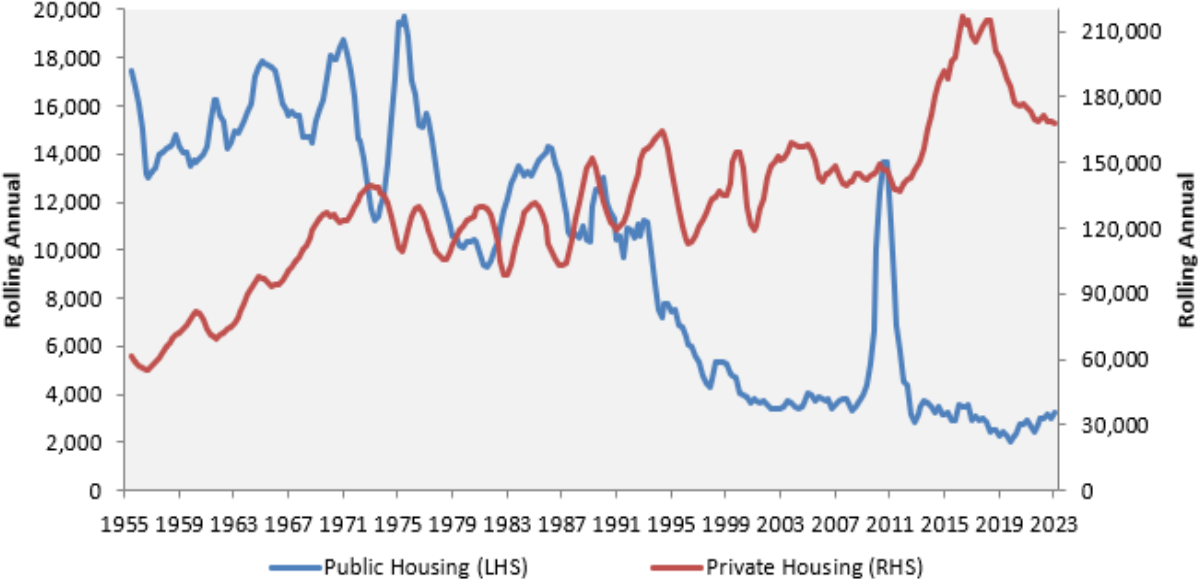
- Australian dwelling values have hit a record high despite 4.25% of interest rate hikes and a ~30% decline in borrowing capacity.
- FOMO created by record population demand behind the rise in values.

# Public housing supply also crushed under immigration

### Public vs Private Housing Completions: Australia



Source: Australian Bureau of Statistics



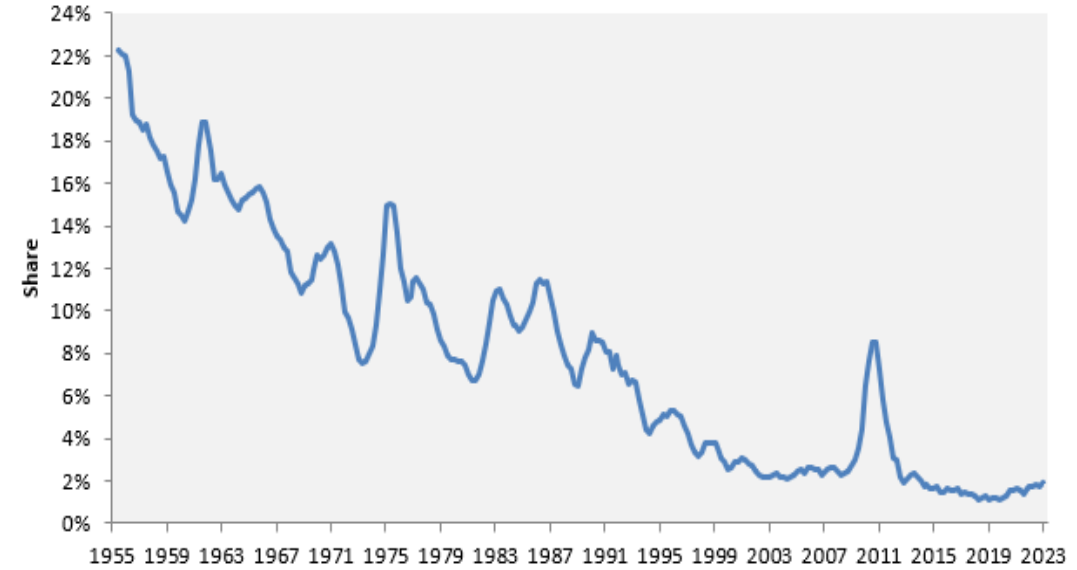
[www.macrobusiness.com.au](http://www.macrobusiness.com.au)



### Public Housing Share of Construction: Australia



Source: Australian Bureau of Statistics



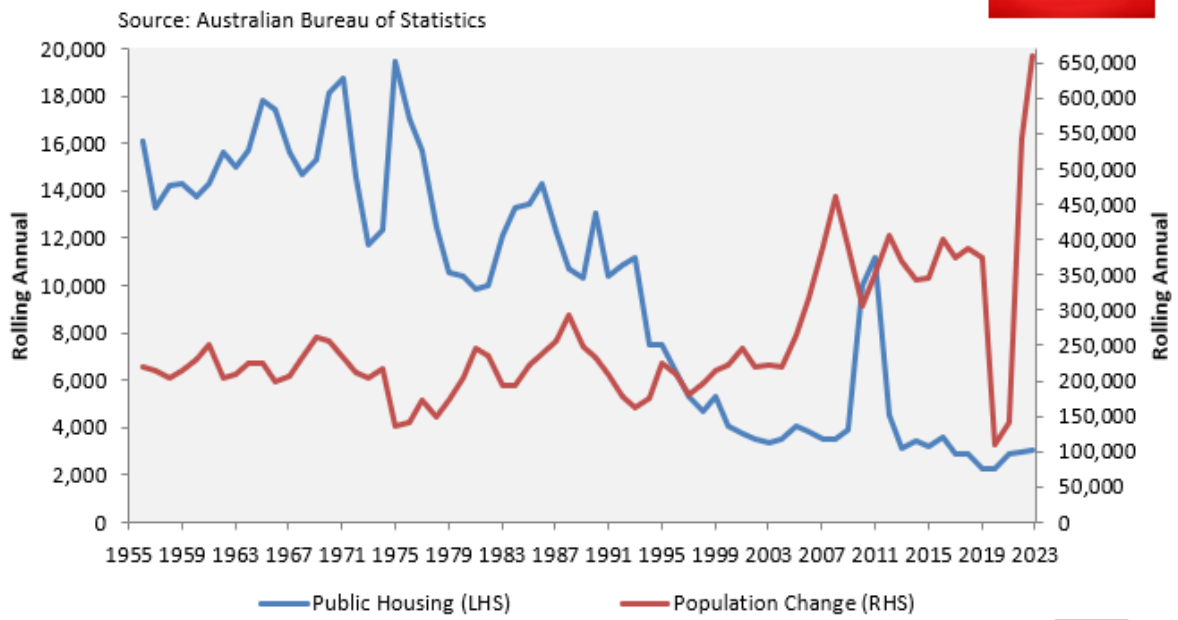
[www.macrobusiness.com.au](http://www.macrobusiness.com.au)



- Greens housing spokesperson Max Chandler-Mather says we should build more public housing to solve the housing shortage.
- Public housing supply has collapsed over the past 50 years from 22% of all dwellings constructed in 1955 to around 2% currently.

# Public housing supply also crushed under immigration

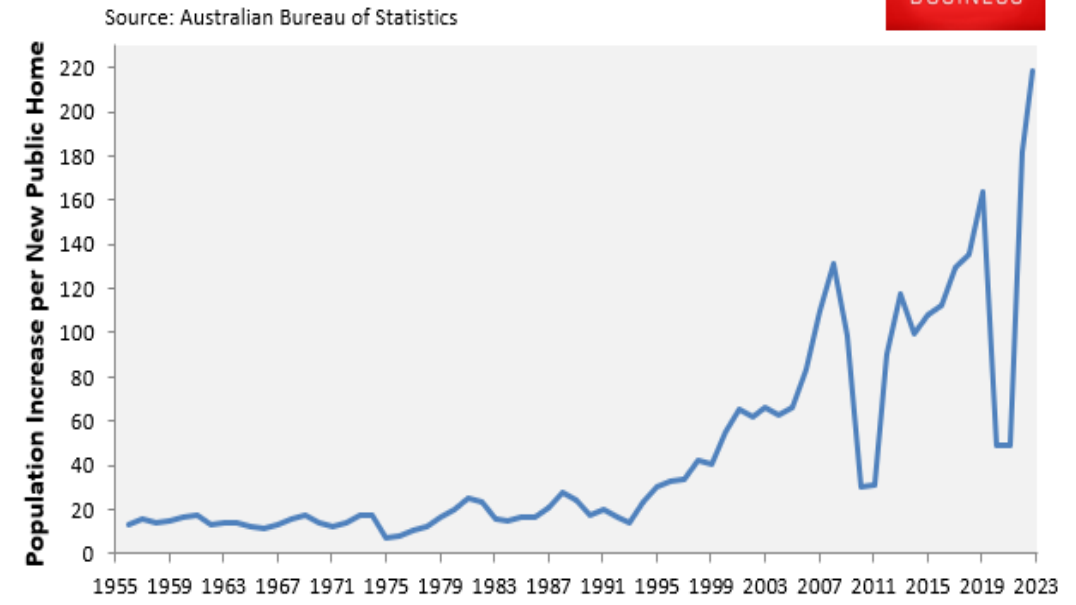
Public Housing Completions vs Population Change



www.macrobusiness.com.au



Population Growth to Public Housing Construction



www.macrobusiness.com.au



- Collapse in public housing construction has occurred alongside surging population growth.
- Ratio of population increase to new public housing has soared from 14 in 1955 to 2020 currently.
- Increasing public housing provision is a worthwhile goal. But it will be futile under ongoing high immigration.

# Why Australia can't just 'build more homes'

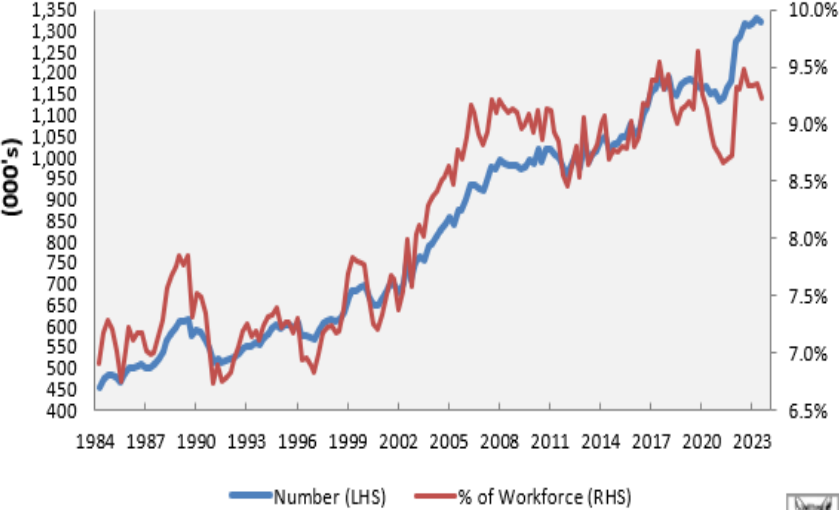
## Construction workers per capita

	Construction Workers	Population	Percentage
Australia	1,344,940	25,979,000	5.2%
Canada	1,556,700	38,930,000	4.0%
New Zealand	308,730	5,124,000	6.0%
United States	11,802,720	333,288,000	3.5%
United Kingdom	2,179,250	67,299,000	3.2%
OECD	45,917,140	1,380,198,000	3.3%
European Union	13,914,060	447,949,000	3.1%

Source: OECD Statistics (latest observation)

## Australian Construction Employment

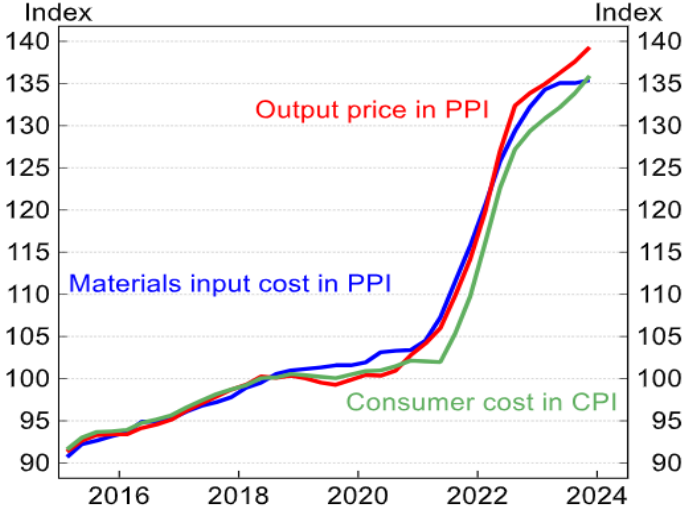
Source: Australian Bureau of Statistics



www.macrobusiness.com.au

## RESI CONSTRUCTION COSTS

(2018 = 100)



Source: ABS, CBA, Macrobond

- We've all heard the claim: "It's a supply issue". We just need to build more homes.
- According to the OECD, Australia has one of the highest concentrations of construction workers in the world.
- 9.2% of Australian workers were employed in construction in February 2024.
- People build homes, and to build more homes, we will need a bigger share of people working in construction. More housing also requires more infrastructure (roads, sewers, hospitals, schools, etc).
- Home builders are competing for workers against state government 'Big Build' infrastructure projects.
- Construction costs have also surged by 30% to 40% over the pandemic, curbing demand and supply.
- Then there are high-interest rates, which are also dampening demand and supply.

## Australian Dwelling Completions

Source: Australian Bureau of Statistics

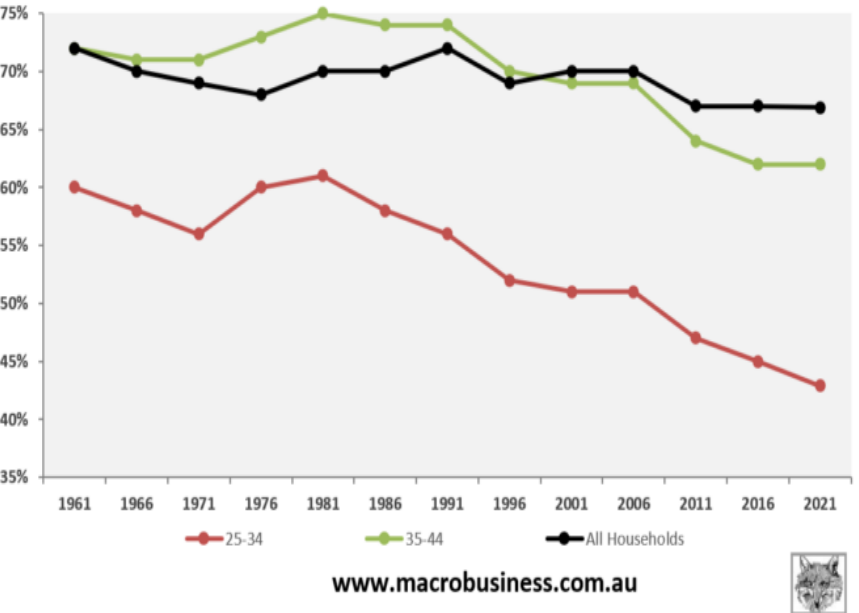


www.macrobusiness.com.au

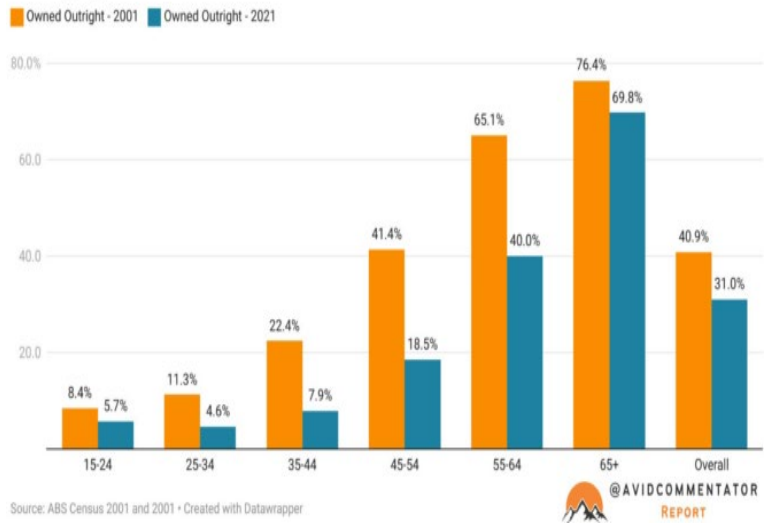
# Death of the Australian Dream

## Australian Home Ownership by Age Group

Sources: Yates (2015); Australian Bureau of Statistics (Census)

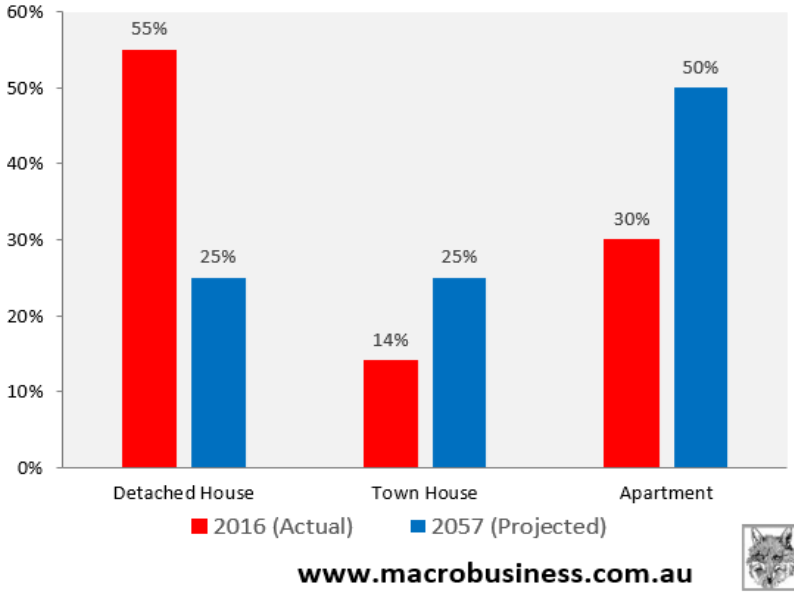


## Proportion Of Australian Homes Owned Outright - 2001 vs 2021 - By Age Demographic



## Sydney Dwelling Composition

Source: Urban Taskforce



- Home ownership has been trending lower for decades among younger cohorts.
  - For 25-34 year olds: from 61% in 1981 to 43% in 2021.
- Australians are carrying mortgage debt for longer and into retirement.
  - The share of homes owned outright fell from 41% in 2001 to 31% in 2021. Worst for younger cohorts.
- Ongoing population expansion via immigration will force Australians to live in high-rise apartments.

# What about skills shortages?



**The Glass Pyramid**  
@pfh007

Excessively fast population growth by an incompetent government creating shortages in skills, services and infrastructure right across Australia.

But the real estate rag SMH, magical thinkers and Professional YIMBYs don't think demand is the problem right now.

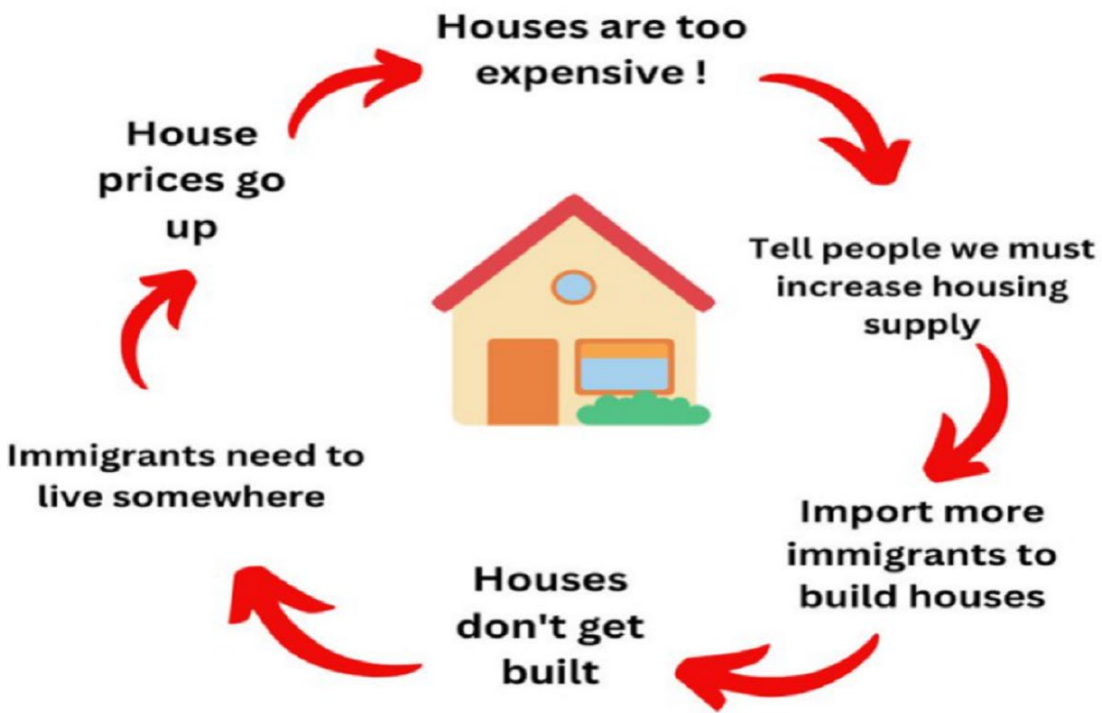
**The Sydney Morning Herald**

**Our missing tradies: 90,000 needed now to meet nation's housing goal**



Australia faces the impossible task of finding an extra 90,000 tradies in the next three months for the government to meet its flagship goal to combat the housing crisis.

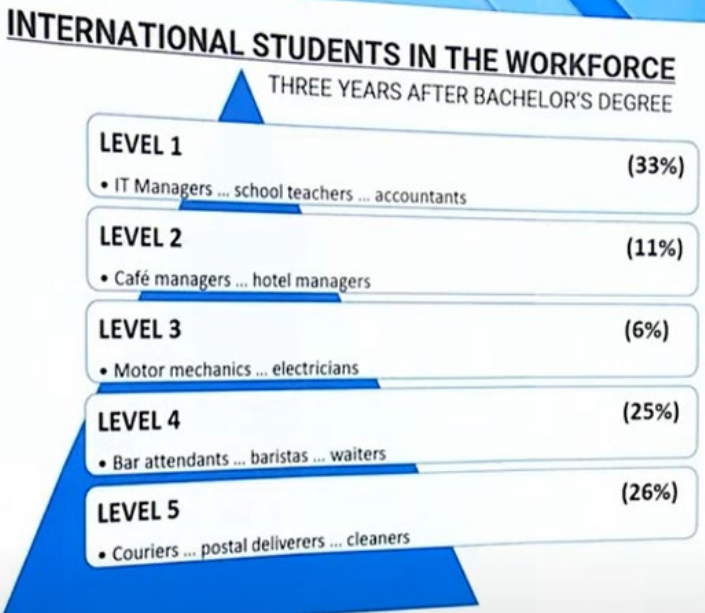
6:56 PM · Mar 24, 2024 · 1,232 Views



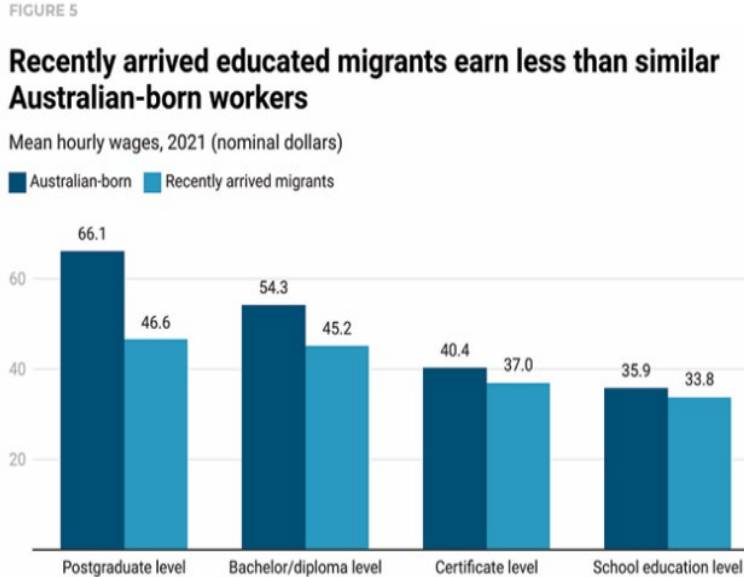
- We have a 'whack-a-mole' migration system.
- A key justification for running a high migration system is to solve skills shortages.
- Australia's population has ballooned by 8.2 million (44%) this century, we have more university graduates than ever, yet we have worse skills shortages than ever.
- The solution to skills shortages is always more immigration, completely ignoring the empirical evidence.



# Current immigration settings are driving skills shortages



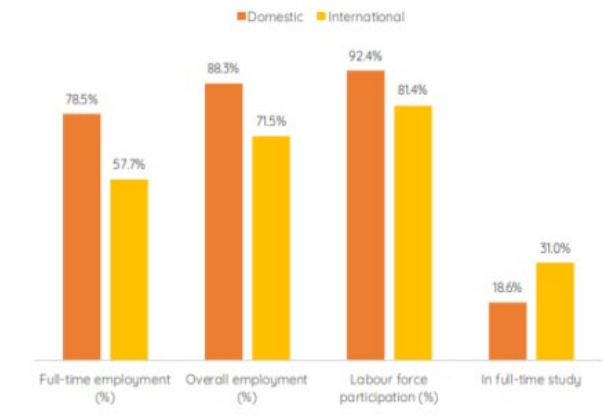
Source: Migration Review (2023)



Source: CEDA analysis of ABS Census data • Created with Datawrapper

**Labour force outcomes**

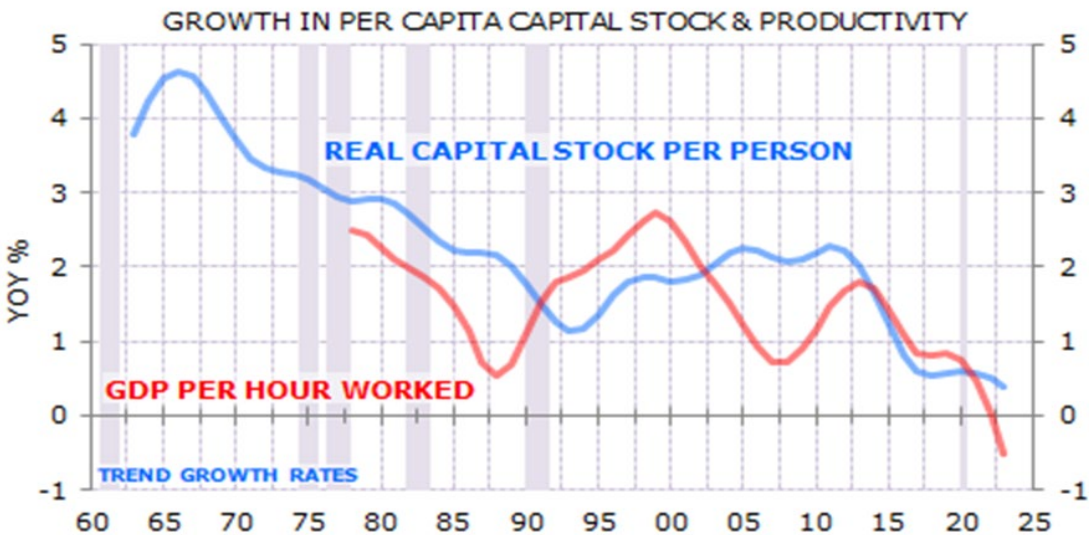
Despite a large increase in undergraduate employment rates for both domestic and international undergraduates in 2022, international undergraduate employment rates continue to be lower than for their domestic counterparts. Median salaries were also consistently lower for international than domestic graduates, although the difference is reducing.



Median salary 2021
<b>\$65,000</b> Domestic
<b>\$54,300</b> International
2022
<b>\$68,000</b> Domestic
<b>\$60,000</b> International

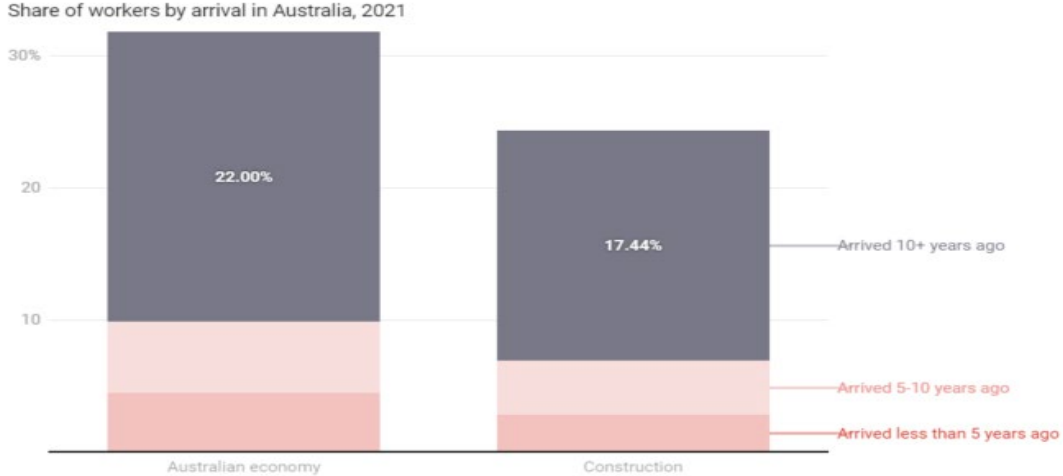
- We have too many migrants working in oversupplied, low-productivity, low-paying service jobs despite claiming to be "skilled".
- For example, 60% of Australian engineers are foreign-born. However, half of them do not work as engineers but in low-skilled service professions.
- Over half (51%) of international student graduates with bachelor's degrees work in low-skilled positions, such as baristas, cleaners, and delivery drivers.
- CEDA (2024): recent skilled migrants earn more than 10% than Australians and work in lower productivity firms. They also have higher unemployment.
- Graduate Outcomes Survey (2022): international graduates' employment rates, participation rates, and wages are significantly lower than domestic graduates.

# Visa system lowering productivity, driving housing shortage



Source: Gerard Minack

## Few recent migrants work in construction



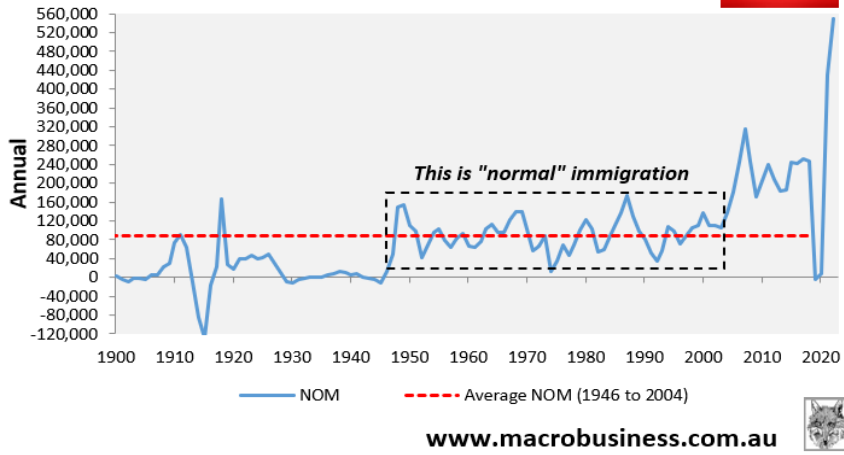
\*Remainder to 100 per cent are those born in Australia  
 Chart: The Conversation • Source: Grattan Analysis of ACMIID 2021; ACTEID 2021; Census 2021 • [Get the data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)

- The current visa system is harming productivity growth and driving the housing shortage in two ways.
  1. Immigration volumes are too high, overwhelming the economy’s supply side.
  2. The migration system is poorly targeted and does not provide the right skills.
    - Too many university graduates, driving vocational shortages (e.g. tradies).
    - 32% of Australian workers were foreign-born, but only about 24% of workers in building and construction were born overseas
  
- Australia needs a migration system that is much smaller in size and better targeted towards the skills we need.
  
- Migration must be calibrated to a level below the nation’s ability to supply homes, infrastructure, and business investment while safeguarding the natural environment (including water supplies).
  
- Labor’s 55% university attainment target will make labour shortages worse by further depriving the country of tradies and VET-trained workers in favour of oversupplied and overqualified service workers.

# How to lower immigration?

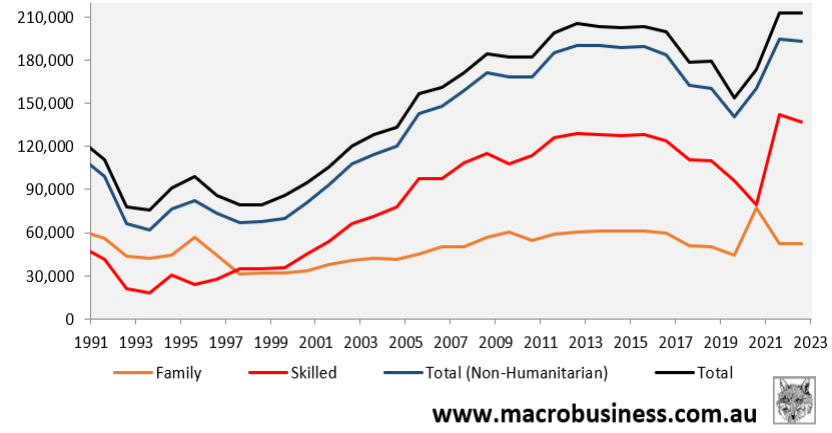
## Australian Net Overseas Migration

Sources: Australian Bureau of Statistics; 2023 Federal Budget; 2023 IGR



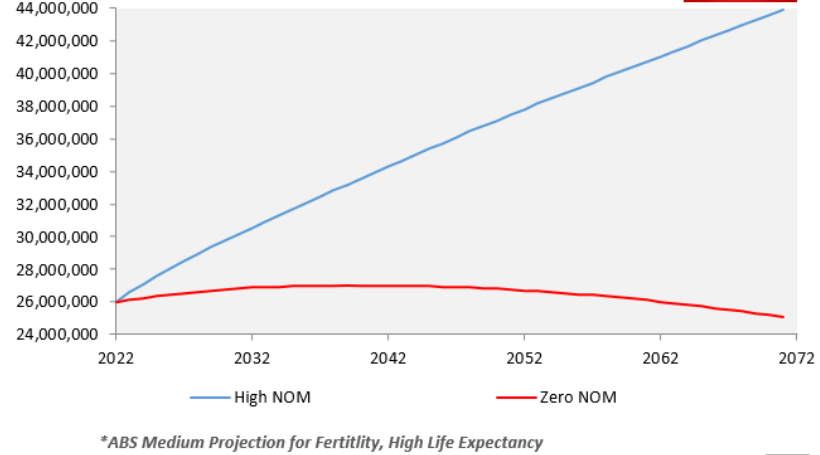
## Australia's Permanent Migrant Intake

Source: Department of Immigration



## Australian Population Projections\*

Sources: Australian Bureau of Statistics (2023)



- Migration settings are too high and would see Australia's population balloon to a projected 40.5 million by 2062-63 (IGR 2023)
  - 13.5 million increase on current levels in 39 years.
  - Equivalent to adding another Sydney, Melbourne and Brisbane to Australia's current population.
- Migration must be lowered to a sustainable level by focusing on quality over quantity.

# How to lower immigration?

---

## **Big Picture Solution – fix vertical fiscal imbalances:**

- The federal government collects just over 80% of the nation's tax revenue, whereas the states and local governments collect only around 20%.
- This vertical fiscal imbalance incentivises the federal government to run a high immigration policy to gain all the benefits from extra personal and company taxes, while the costs of extra infrastructure and services are pushed onto the states and then onto existing residents.
- Vertical fiscal imbalances must be fixed so that the states receive tax revenue in proportion to their responsibilities for providing services and infrastructure.
- An easy solution would be to require the federal government to give the states a fixed allocation of at least \$50,000 for every new resident that settles in their jurisdiction.
- Such a 'population allocation' would alleviate vertical fiscal imbalances. It would also align federal government incentives with immigration, since the benefits from extra income and company taxes would need to be weighed against the costs of paying the states for each extra resident.
- Then, Australia might actually achieve a sensible and sustainable immigration policy.

## **Give Australians a plebiscite on Australia's future population size.**

# How to lower immigration?

---

## Micro Solutions – lower visa numbers by tightening eligibility:

### Permanent Migration Program:

- **Family Stream (currently 52,500)**: Abolish parent visas (~8,000 places). These cost taxpayers ~\$300,000 per visa issued and directly age population (PC).
- **Skilled Stream (~ 140,000)**: Cut the intake and raise and index the skilled migrant salary threshold above the median full-time wage (currently ~\$90,000), alongside age limits.
  - The higher the wage threshold, the more productive the migrant, and the more income tax they will pay.

### Temporary Program (uncapped): Aim for quality over quantity.

- For skilled work visas, raise and index the skilled migrant salary threshold above the median full-time wage (currently ~\$90,000).
- For student visas, concentrate on attracting a smaller pool of exceptional (genuine) students.
  - Raise financial barriers to entry, increase entrance requirements (particularly for English language proficiency), raise pedagogical standards, abolish group assignments, and sever the clear link between studying, working, and permanent residency.
- These reforms would improve student quality, increase export income per student, raise wages and working conditions in low-skilled jobs, and reduce enrolment levels to manageable and sustainable levels, thereby improving local students' learning environments and relieving population pressure.
- Require universities to provide on-campus accommodation in proportion to their international student populations.
- ***Note: if you lower the permanent intake, you will reduce temporary migration since the carrot of permanent residency will disappear.***