



State of the City

The 2022 recap and 2023 look ahead



Introduction

A re-emergent, resilient Sydney in 2022

Sydneysiders re-emerged in 2022 with fresh gusto. This was the 'break out' year when Sydney learned to live with Covid-19.

While some continued to work from home, resulting in lower levels of public transport usage, a 'snap back' occurred with record attendances at major events across Sydney and record retail sales in busy city precincts.

Cultural and social events and the return of international travellers reminded us that Sydney is one of the world's great cities.

In 2022, Sydney proved again that it is resilient in the face of adversity. The city experienced floods in areas through the wettest year on record, and households across the city were among the most exposed when it comes to increases in inflation and housing costs.

This short report tells some stories about 2022 in review - about Sydney's people, culture, economy, and environment.

Some of the data confirms what we expected, but some will surprise you and so prompt a conversation about what the year 2023 holds for our wonderful city.

What did Sydney's comeback in 2022 reveal about the city itself?

Sydney's 'new normal' shows that Covid-19 changed our habits

Retail activity in some precincts reached record levels, but peak days in the office reveal a new normal of ~75% workplaces. Travel returned, but airport visitor numbers still lag in line with other global cities.

Sydney roared back to life with record attendance at festivals from Barangaroo to Lakemba

Sydney residents showed that they still love a good festival, with record turnouts for major events across the city at Vivid, Ramadan Nights and the City to Surf.

Costs of living hit hard for Sydneysiders

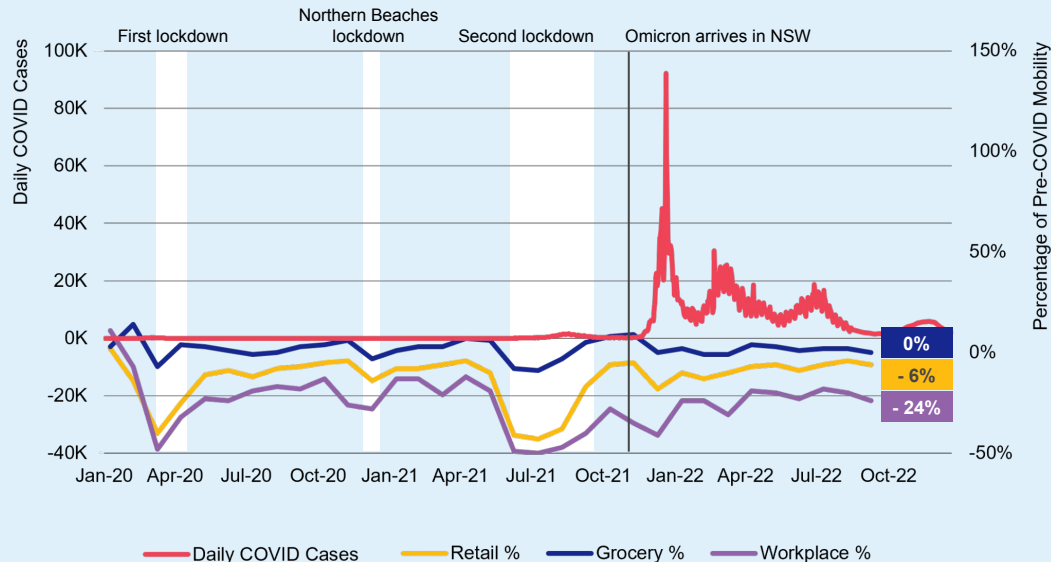
Inflation hit hardest on the big essential items for Sydneysiders - housing, food and beverages, electricity and transport. The rate of growth hasn't been seen for three decades - and likely contributed to a net outflow of residents.

Sydney had its wettest year on record

The cumulative toll of natural disaster declarations for floods in 2022, following three years of consecutive climate events, highlighted Sydney's resilience, especially around the Hawkesbury-Nepean.

In 2022, Sydney had over 95% of its total Covid-19 cases since the pandemic began

Daily COVID cases vs Google mobility data for retail, grocery, workplace, 2019-22



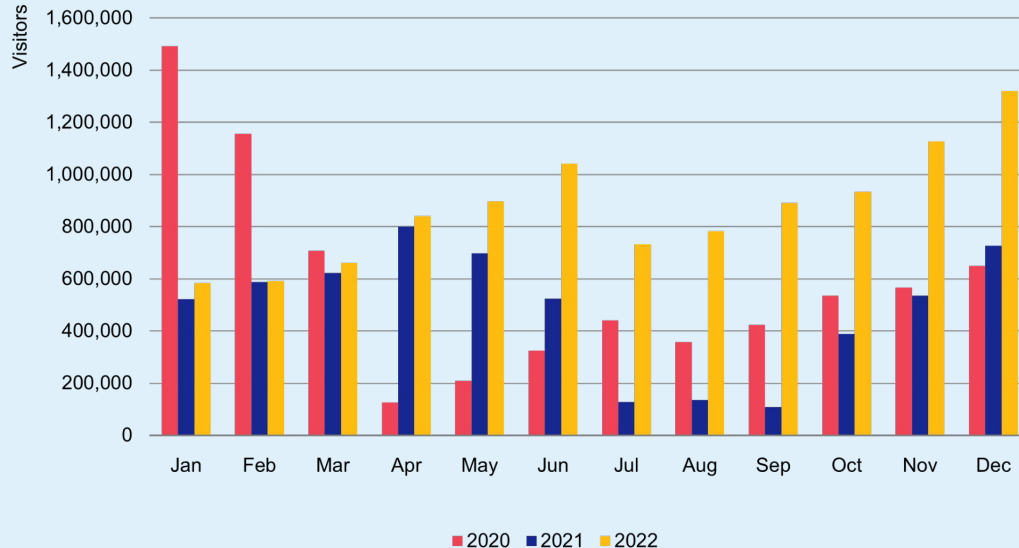
Source: COVID Live; Google Community Mobility Reports

What did 'living with Covid-19' look like?

- With restrictions loosening in late 2021, Sydney had a peak of over 92,000 cases in one day in January 2022.
- Following the Omicron outbreak, smaller waves were still larger than those in previous years.
- In total, approximately 3.9 million Covid-19 cases have been recorded in NSW since March 2020, with over 95% of those in 2022.
 - However, 95% double-vaccination rate in NSW maintained a low level of morbidity of 0.15%.
- Different types of activity returned in different ways. Google mobility data showed normal patterns for grocery shopping, but -6% for retail and -24% for workplaces.

By late 2022, people movements were returning, in some places as strong as ever

Comparison of monthly people movements in The Rocks, Sydney 2020-22



Source: Placemaking NSW (2023)

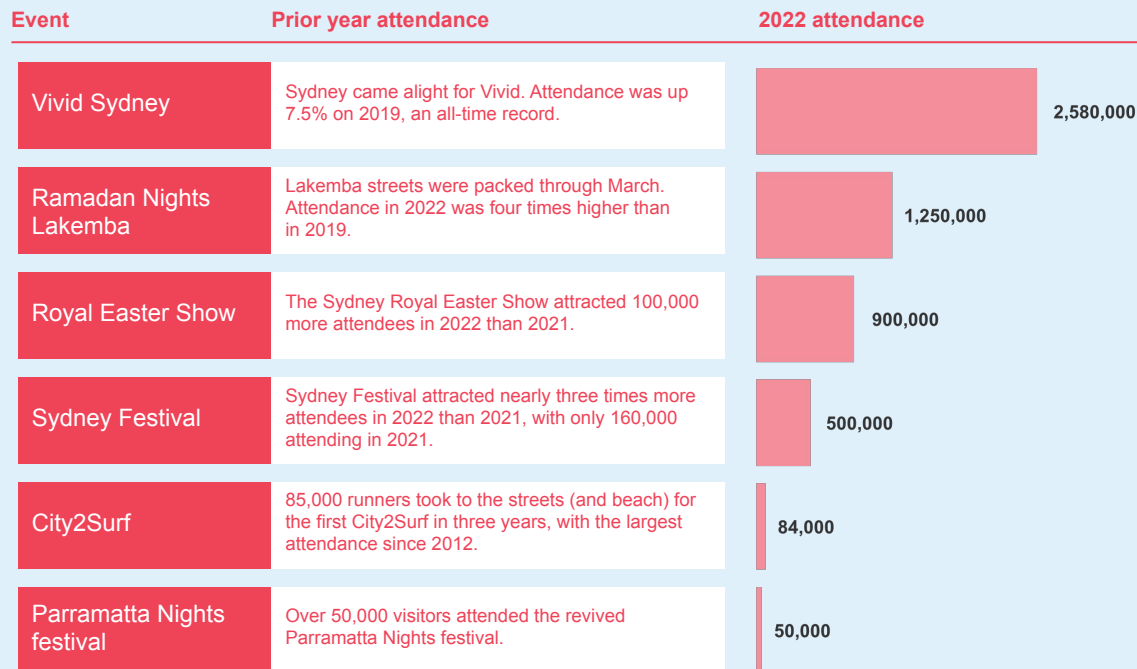
Did December feel busier than normal?

- Gross retail revenue in The Rocks in December 2022 was 61% higher than December 2021, and 8% above the previous highest monthly total on record (December 2019).
- Visitation in The Rocks precinct for December 2022 was 82% higher than December 2021, and for the last six months of 2022 was up 185% against the same period in 2021.
- Visitation in the Darling Harbour precinct in December 2022 was also 14% higher than in December 2021, and currently 79% up on the same period in 2021.

Bounceback! Major events in Sydney came alive again in 2022

What was the impact of Covid-19 on major events across the city?

- In 2022, big events returned, many of which were put on hiatus or downscaled in 2020 and 2021 due to the pandemic.
- Sydneysiders turned out in droves to Vivid Sydney, Sydney Festival, Sydney Fringe, the Biennale of Sydney, Mardi Gras, and numerous Sydney New Years Eve events across the city.
- Music festivals also had their post Covid-19 resurgence in 2022, including Sound West (Parramatta), Summer Camp (Centennial Park), and Field Day (the Domain).
- Continued Covid-19 outbreaks and inclement weather in early 2022 hampered success for some, with events such as Twilight at Taronga and So Frenchy So Chic cancelled for another year.



Source: Parramatta Nights Festival; Sydney Royal Easter Show; City2Surf; Lakemba Ramadan Night Markets; Sydney Festival; Vivid Festival

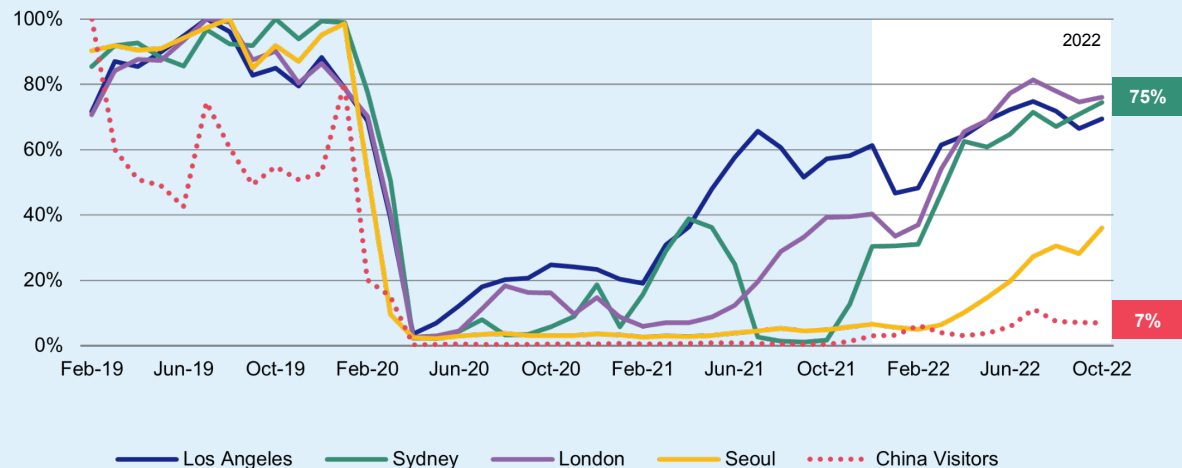
¹ NSW Government

By late 2022, airport visitors were back to 75% of pre-pandemic levels

Did the lockdowns have a lasting impact on Sydney's visitor numbers?

- In 2022, domestic and international travellers returned, slowly moving towards pre-pandemic levels.
- Sydney's airport visitor numbers recovered from 1% in mid-2021 to 74% of pre-pandemic levels by late 2022.
- This 'bounceback' also includes Sydneysiders travelling again - to see loved ones, explore holiday destinations and work in other locations.
- This level of return is similar to London and Los Angeles, and greater than Seoul.
- A contributing factor to lower-than-historical numbers is the reduction in international visitors from China, with fewer than 7% of the usual number of visitors from China in 2022 (up to 220,000 fewer per month than the peak pre-pandemic).

Airport visitor numbers, Sydney, Los Angeles, London, Seoul, 2019-22



Source: Los Angeles; Sydney; London; Seoul; China Visitors

Overseas migration returned, but locally, 39,000 people (net) left Greater Sydney for other parts of the country

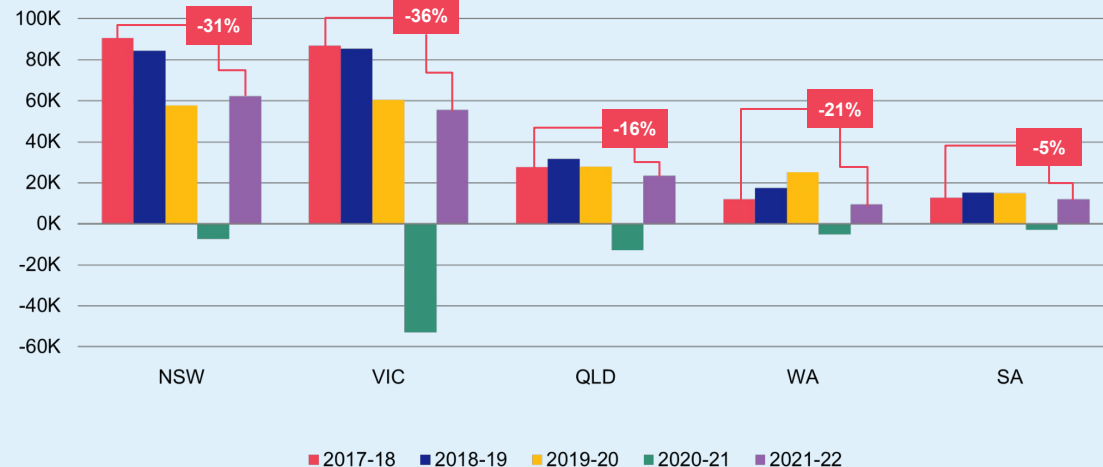
When borders reopened and restrictions lifted, where did people go?

- For the first time in two years, there was net overseas migration to NSW.
- In contrast, 40,100 people left NSW for other states and territories in 2022, of which 97% were from Greater Sydney (equivalent to around 39,000 people).¹
- Overall, the Covid-19 pandemic reduced Australia's 10 year population forecasts by around 1 million people, with Australia experiencing its first reduction in net migration since World War II.²

¹ Australian Centre for Population, 2022 Population Statement

² SBS Australia (2023)

Net overseas migration to Australia, by state, 2018-22, % change in box between 2018-19 and 2021-22



Source: ABS Regional population; Australian Centre for Population 2022 Population Statement

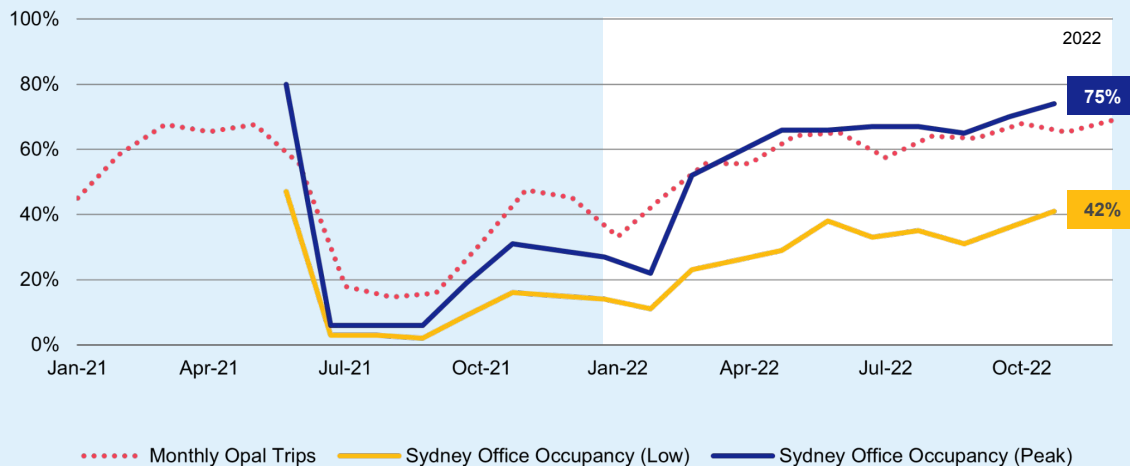
In 2022, the 'new normal' of flexible work 'stuck', with CBD offices peaking at around 75% of pre-pandemic levels

Is flexible working here to stay?

- According to the University of Sydney's Transport Opinion Survey, workers in NSW spent an average of 2.53 days per week working from home, 0.4 days above the national average.¹
- On 'peak' days in the CBD, the 'new normal' sees workers in the CBD at only around 75% of pre-pandemic levels.
- On 'low' days in the CBD, around 40% of workers are coming in.
- This 'new normal' is slightly *lower* than the levels that had returned to the CBD before the 2021 lockdown.
- Public transport usage across Sydney has dropped, with monthly Opal trips at approximately 69% of pre-pandemic levels in November 2022.

¹ University of Sydney, Transport Opinion Survey

Sydney CBD office occupancy and monthly NSW Opal trips, % relative to pre-Covid levels, 2021-22



Source: Property Council of Australia (2022); Transport for NSW, Opal Trips - All Modes

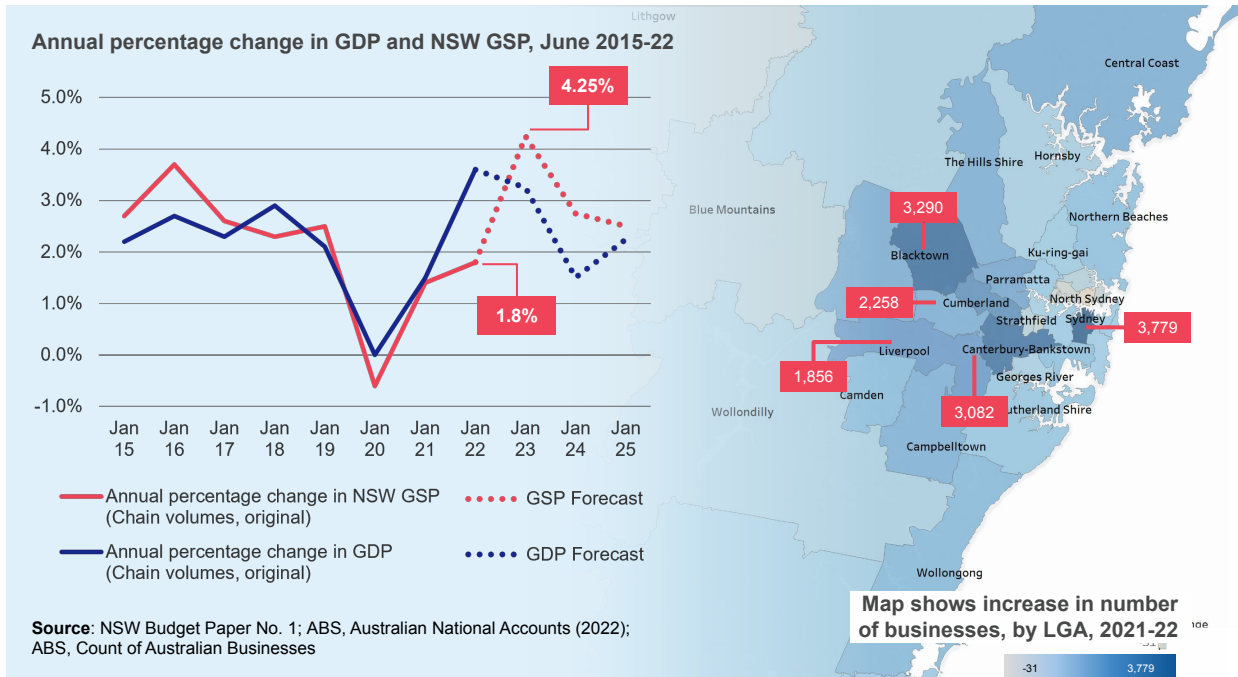
The NSW economy grew more slowly than GDP in 2022, but is expected to surpass the growth in the national economy in 2023

Did the lockdown have a lasting impact on the economy?

- The NSW economy grew at half the rate of the national economy in the first half of 2022, at 1.8% growth, a carry-over from NSW's lockdown which impacted retail, food and accommodation.¹
- The NSW Budget Statement estimates that NSW will see a sharp rise in economic growth by 4.25% in FY22-23, driven by a strong labour market and increased production.²
- Importantly, new businesses started across the city. The four local government areas after Sydney CBD with the largest increases were Canterbury-Bankstown, Blacktown, Cumberland and Liverpool.

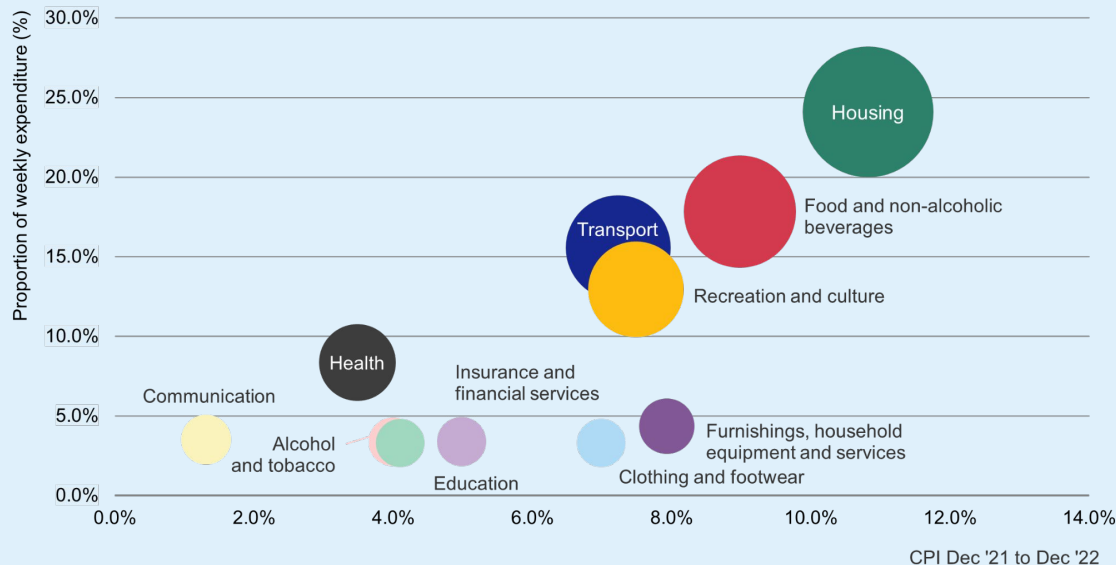
¹ ABS, Australian National Accounts (2022)

² NSW Budget Paper No. 1



The biggest expenses for Sydney households grew fastest in 2022

Annual % change in cost of household items, Sydney, Dec 2021-22
Comparison with average weekly expenditure by household, Australia



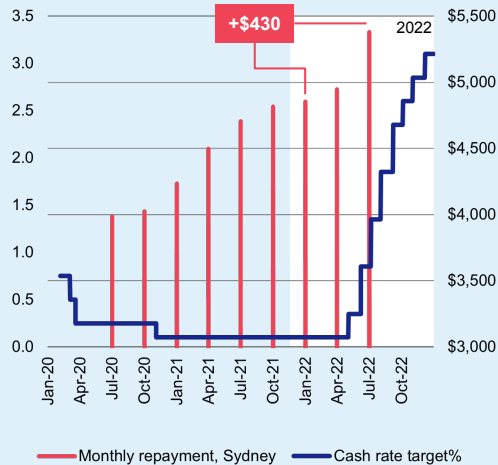
Source: ABS Consumer Price Indexes (2022); ABS Household Expenditure Survey (2016)

Did inflation hit Sydney households more than others?

- Overall, Sydney households experienced 7.7% inflation in 2022, the highest since 1990, with average wage increases of 3.1%.
- Essential and significant household items grew the most:
 - Housing, which represents 24% of weekly expenditure, grew 10.8%
 - Food and non-alcoholic beverages, which represents 17.8% of weekly expenditure, grew 9%
 - Transport costs, around 16% of weekly expenses, grew 7.2%
- Some surprises were child care, which dropped from +8% to -9% inflation, and electricity which rose from -7% to +25%. Inflation in the cost of automotive fuels more than halved from +32% to +14%.
- Many goods and services, including household furnishings and equipment, were heavily impacted by flooding and supply chain challenges in 2022.

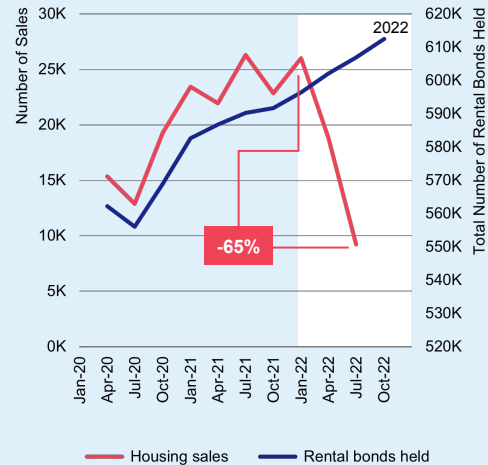
Eight interest rate rises impacted the average Sydney homeowner by an extra \$430 a month by mid 2022

Monthly housing repayments, Sydney, and RBA cash rate target %, 2020-22



Source: Macrobond analysis of ABS data; RBA Cash Rate Target

Housing sales and rental bond numbers, 2015-22



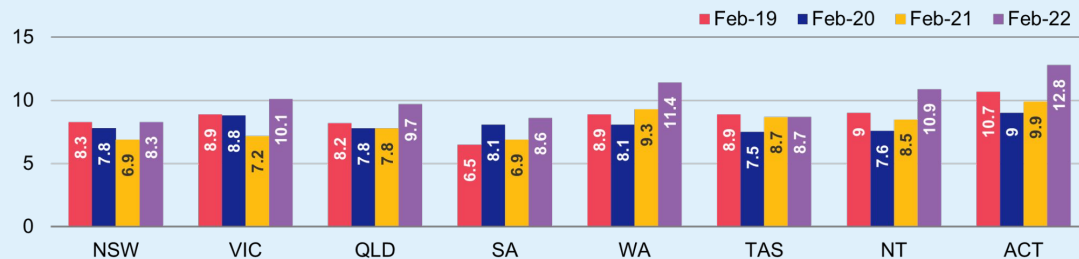
Source: NSW DCJ Rent and Sales Reports

How did interest rate rises affect demand for and the affordability of housing?

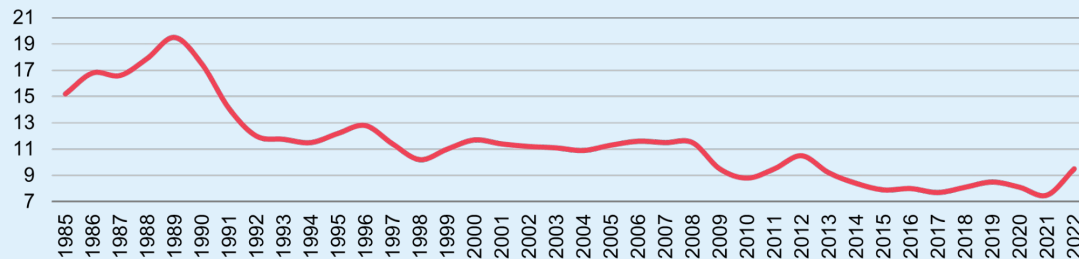
- Eight interest rate rises across 2022 from the RBA, lifting the cash rate target from 0.10% in April to 3.80% in December, caused significant pressure on homeowners.
- Average monthly housing repayments rose \$430 a month, from \$4,855 to \$5,378.
- Housing sales plummeted, falling 65% on a per month basis, from 26,017 in January to 9,222 in July.

Lower worker mobility defied expectations of a 'Great Resignation' in early 2022

Job mobility by state and territory, 2019-22



Employed people who changed jobs during the year, 1980-2022



Source: ABS Job Mobility (2022)

NSW residents stayed with their employers

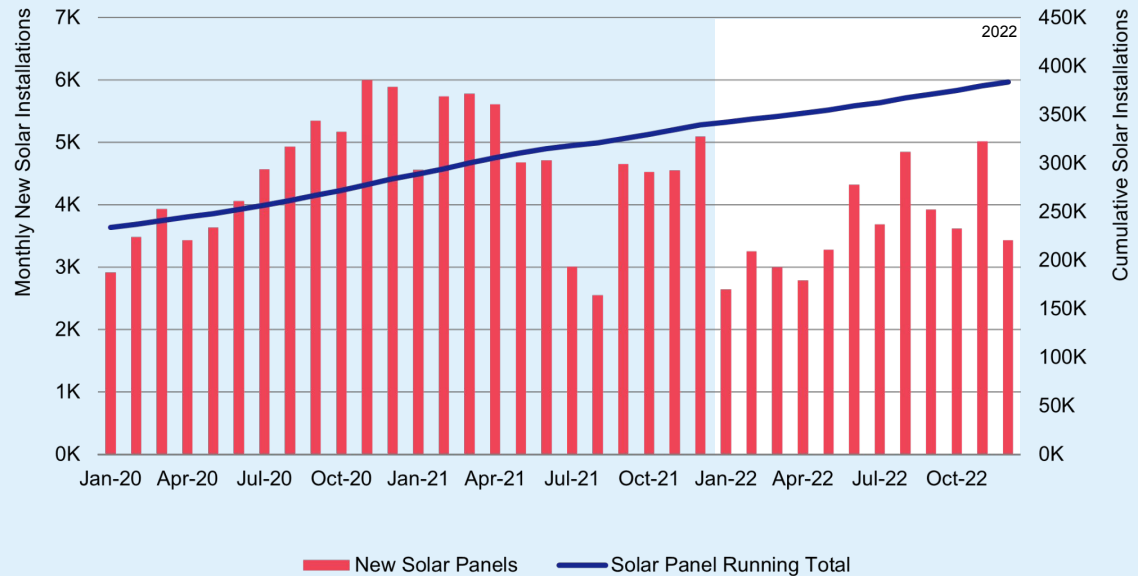
- Relative to other states, NSW had the lowest job mobility in early 2022, with mobility similar to rates experienced in the three years prior.
- Job mobility in 2019 was 8.3%, dropping to 6.9% in 2021 and returning slightly higher in 2022 at 8.3%.
- This is unlike other states, where mobility rose greatly, up to 11.4% in WA and 12.8% in the ACT in 2022.
- Job mobility nationally has shown a downward trend, from close to 20% a year in the late 1980s, to around 10% after the Global Financial Crisis in 2008.

Sydneyers are shifting towards a greener city

Is Sydney a sustainable city?

- Solar panel installations across the city remained high, after peaks during city lockdown periods. Total solar installations are approaching 400,000 across the city.
- Under the Greening Our City program¹, Sydney residents and organisations planted 1 million trees by the end of 2022. There are now 1,002,863 registered trees planted under the program.²
- In 2022 electric vehicle sales reached 3.7% of new vehicle sales, an 84% increase in market share over the year.³

Solar panel installations in Sydney, 2020-22



Source: Clean Energy Regulator, Postcode data for small-scale installations

¹ NSW DPE, *Greening our City*

² NSW DPE, *Free tree giveaway*

³ *Electric Vehicle Council (2022), State of Electric Vehicles*

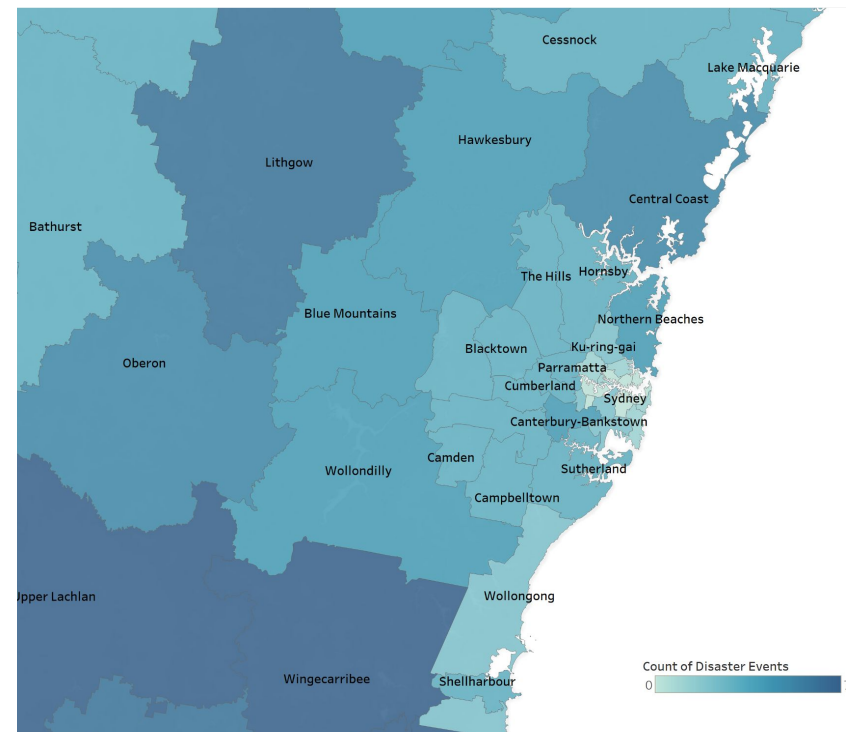
Sydney had its wettest year on record, with some areas experiencing multiple natural disasters in one year

How did Sydney fare through La Niña?

- In a year heavily drenched by the La Niña system, the Indian Ocean Dipole and Southern Annular Mode, by October 2022 the city experienced its wettest year on record.
- Annual rainfall was Sydney's highest on record, with over 1,800mm recorded at Parramatta. This eclipsed the levels experienced in the 1988-90 La Niña event.
- Numerous local government areas had two or three natural disaster declarations in 2022 - with some of these feeling the cumulative toll of successive events from the 2019 bushfires through to storms and floods in 2020 and 2021.
- Suncorp Insurance analysed more than 32,000 weather-related home insurance claims across NSW from 1 July 2021 to 30 June 2022. Four of the 10 hardest hit suburbs were in Sydney – Mosman, Baulkham Hills, Castle Hill and Cranebrook.¹

¹ Suncorp Insurance (2022)

Count of flooding and severe storm disaster events, by impacted Sydney LGA, September 2020 (announcement of first La Niña) to 2022



Source: NSW Government, Natural disaster declarations

Looking ahead

Sydney in 2023

Sydney is an incredible city. From its world-famous beaches to its famed food scene and diverse communities.

In 2022, freedoms and vibrancy returned, and Sydneysiders reconnected in ways we took for granted before the pandemic.

All of this points to 2023 being a year of possibility, where we can tackle old challenges differently, and show the world that we're back.

What opportunities do you see for Sydney in 2023?

What is our focus for 2023? Here are four things that should be top of mind:

Collaboration

Government featured in the health crisis, but partnerships will drive the city's recovery

Affordability

Global and local pressures on living costs won't abate in 2023 - out of the box, compassionate responses are needed.

Sustainability

Sydneysiders are on board with clean energy transition and are ready for a discussion on urban adaptation and sustainability across the city.

Culture

Sydney has its vibe back - and 2023 has some huge opportunities to put our cultural life on the world stage.

Sue Horlin

Managing Partner, Sydney
PwC Australia

Janice Lee

Partner, Integrated Infrastructure
PwC Australia

Tim Reardon

Managing Director
PwC Australia

Keep in touch

Committee for Sydney

sydney.org.au

 **[@Committee4Syd](https://twitter.com/Committee4Syd)**

 **committee@sydney.org.au**

 **+61 2 8320 6750**

PwC Integrated Infrastructure

pwc.com.au/integrated-infrastructure

 **[@PwC_AU](https://twitter.com/PwC_AU)**

