which comprises about 60 per cent of total household assets, could become a

Morgan Stanley economist Gerard Minack said that as households saw

recession," Professor Grafton said. "If households feel less wealthy, that will have implications for how they

to a near four-year low of 2.1 per cent, close to the bottom of the RBA's 2 to 3 per cent target band.

... 2.4 per cent over the year, while rates of workers aged 55-plus grew by 3.3 per cent.

Dr Birrell said there had to be a greater focus on getting younger Australians into work at a time of shrinking job opportunities.

"All the emphasis on the labour market has been on people losing their jobs," he said. "That is of course a problem, particularly for those who lose their jobs. But the really serious problem in the labour market is all those who are trying to get entry at a time when people are hanging on to existing jobs and we've got this record high migration influx which the government hasn't seriously addressed yet."

The federal government last week announced a "compact with young Australians" under which people aged under 25 would be entitled to education or training. Young Australians would have to be "earning or learning" to get income support.

Prime Minister Kevin Rudd said the measure was designed to ensure the nation did not repeat the "mistakes of the past", so young people who lost their jobs today would not become the "long-term unemployed of tomorrow".

"We cannot allow and we will not allow as governments, the skills and training needed by a growing modern economy to skip a generation because of the global recession," he said.

In separate research, Dr Birrell estimated that about 200,000 young people were entering the workforce each year, including school leavers, post-school leavers and university graduates.

Dr Birrell said there was a case for the "redoubling" of measures such as more subsidised university places, as well as higher wages and more subsidised living expenses for apprentices.

Citigroup economist Paul Brennan said older workers had been delaying retirement in the financial crisis to try to rebuild shattered savings.

"The likely driver is that the more mature the person, the more sensitive they are to the destruction of wealth and of course, in this recession, there's been a severe destruction of wealth," he said.

Lay-off frenzy, page 58

Falls overshadow first-home bubble

4

5/5/09

Scott Elliott and Adrian Rollins

Falls in the top and middle segments of the housing market have outweighed the resurgent activity of first-home buyers, to cause an overall drop in house prices.

Hopes of an early housing recovery in 2009 have been dashed by a negative report from the Australian Bureau of Statistics, which details nationwide falls of 2.2 per cent in the first three months of the year, while the short-term prognosis from economists is price stagnation or price falls.

The results are worse than those reported by Australian Property Monitors, who registered a 0.1 per cent gain in house prices in the March quarter, and RP Data-Rismark International, which reported a 1.6 per cent rise over the same period.

Real Estate Institute of Australia president David Airey said prices were holding at the lower, or first-home buyer end, of the market.

"In all the first-home buyer markets – and that's where we loosely say under $500,000 across Australia – there's been increases in prices fuelled by increased consumer demand. The average increase in that market has been over 2 per cent and the falling market has been particularly [in houses] over $1 million."

Mr Airey said when the housing market recovers it will be fuelled by the bottom end of the market as blue-ribbon buyers at the top face difficulties in accessing credit.

Nowhere has this been more acutely felt than Mr Airey's home town of Perth where house prices fell by 10.1 per cent in comparison with the March quarter in 2008.

Morgan Stanley strategist Gerard Minack said in a note that the ABS statistics challenged the popular notion that house prices are being maintained by population growth.

"There has been little or no correlation between house prices and population growth in this cycle," he said.

"The key, in my view, was the willingness and ability of potential buyers to lever up to buy a home. That willingness is likely to fade as employment weakens.

"The scene seems set for further substantial declines in house prices as unemployment rises."

Quentin Grafton, an economist at the Australian National University's Crawford School of Economics and Government, warned house prices were likely to fall in the next two to three years as support for the property market from increased activity among first-home buyers and high rates of immigration fade.

Professor Grafton said house prices as a ratio of income remained elevated and would come under increasing pressure as the economic downturn deepened.

Australia and New Zealand Banking Group senior economist Ange Montalti argues that immigration was secondary to unemployment and interest rates when it comes to house prices.

"I think it's going to be a stand-off between how fast the unemployment rate rises and the impact of recent interest rate cuts and any further cuts," he said.

"They will be weighing against each other fairly evenly and the bottom line is we're probably going to see sideways movement in house prices."

On the scrapheap, page 62

Safe as houses

Established house price growth

	Dec qtr 08 to Mar qtr 09 (%)	Mar qtr 08 to Mar qtr 09 (%)
Sydney	-2.9	-7.3
Melbourne	-2.3	-6.7
Brisbane	-1.1	-6.3
Adelaide	-0.8	-1.9
Perth	-3.6	-10.1
Hobart	0.1	0.6
Darwin	2.2	10.8
Canberra	0.5	-5.1
Average	**-2.2**	**6.7**

SOURCE: ABS

Box office buoys local ballet, opera

Katrina Strickland

For more than a decade, Australian arts companies have been urged to follow the US model of building endowment funds to help see them through tough times like these.

This has happened at a relatively slow pace, however, and only the biggest performing arts companies have endowment funds of any size.

The slow evolution now appears to have a silver lining; Australian arts companies are not heavily reliant on endowment funds and, consequently, are weathering the financial tempest much better than their American counterparts, many of which are collapsing, retrenching staff and curtailing activities after a slump in the value of their share portfolios and other investments.

The Australian Ballet yesterday announced a $1.9 million net loss for calendar 2008, a turnaround from a $1.4 million surplus the year before, due almost entirely to a 38.9 per cent fall in the value of its endowment fund investments, which fell from $10.5 million to $6.4 million (they were worth $15.4 million in 2007).

The ballet company typically takes between $700,000 and $1 million in dividends and interest from its endowment fund for its annual operations, but did not do so last year (in 2007 it took $6.6 million, which had accumulated over many years).

The result mirrors that reported by Opera Australia in March, when it posted a $3.3 million consolidated loss for 2008 after the market value of its capital fund investments fell 36.6 per cent.

Neither the ballet nor the opera were critically dependent on income from their endowment funds for their annual operations, however, and neither need to take drastic action to keep operating at their current levels.

Both reported strong results for their underlying ... 2008.

The ballet yesterday posted an $861,020 operating surplus, a turnaround from the previous year's $1.8 million loss, thanks to incremental growth in its box office income, sponsorship, donations and government grants.

The opera reported a very similar operating surplus for 2008 – $838,000 – on the back of a record $44.5 million box office income.

The Victorian Opera is expected to get an increase in its state government grant of several million dollars over the next four years in today's budget. Set up with a $7.6 million grant in 2005, the VO posted a $366,612