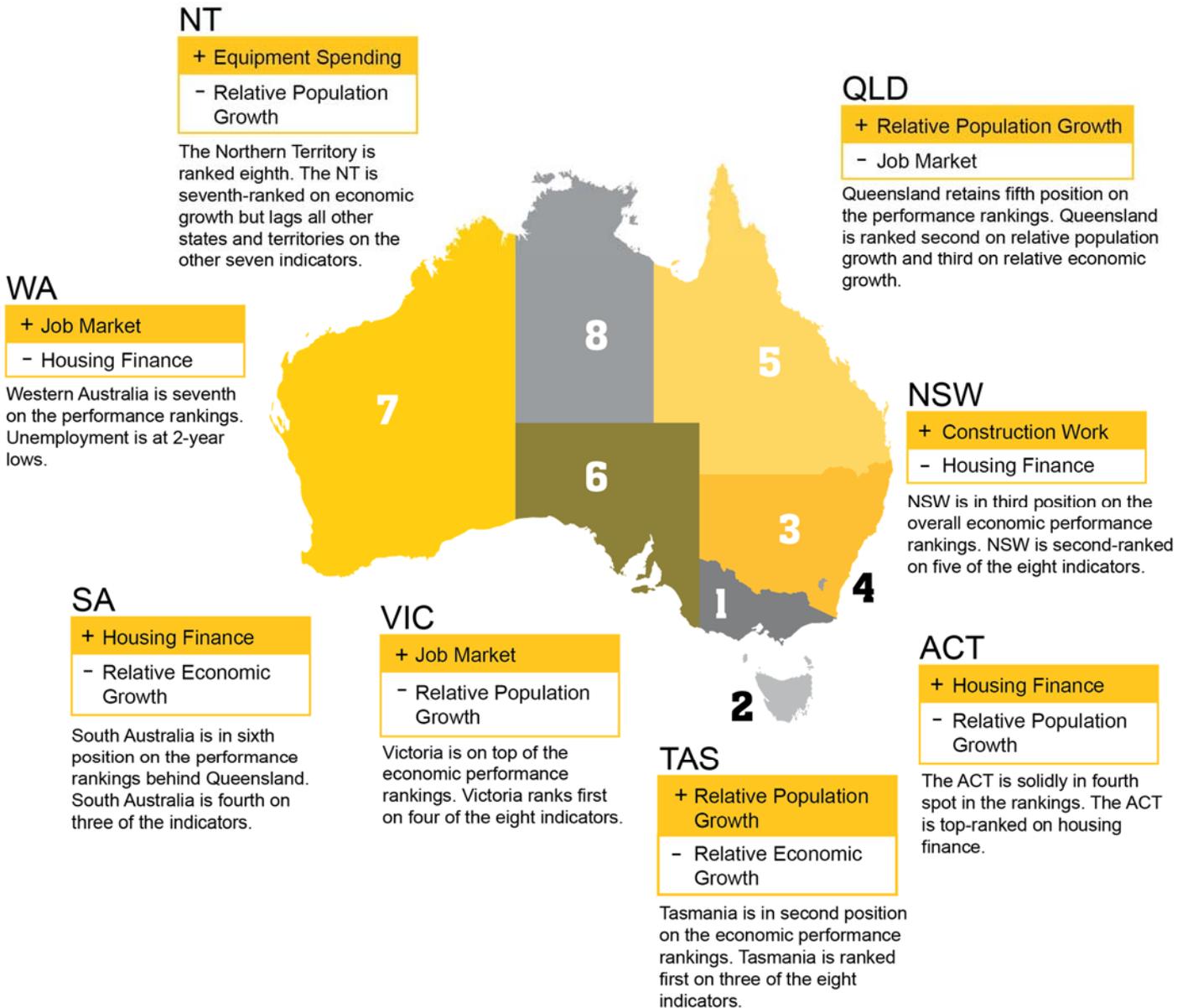


State of the States

October 2019 State & territory economic performance report.
Executive Summary



Embargo: Available for Publication on Monday October 28 2019

VICTORIA LEADS, FROM TASMANIA

How are Australia's states and territories performing? Each quarter CommSec attempts to find out by analysing eight key indicators: economic growth; retail spending; equipment investment; unemployment; construction work done; population growth; housing finance and dwelling commencements.

Just as the Reserve Bank uses long-term averages to determine the level of 'normal' interest rates; we have done the same with key economic indicators. For each state and territory, the latest readings for the key indicators were compared with decade averages – that is, against the 'normal' performance.

Now in its 11th year, the 'State of the States' report also includes a section comparing annual growth rates for the eight key indicators across the states and territories as well as Australia as a whole. This enables another point of comparison – in terms of economic momentum.

Victoria remains the best performing economy. Tasmania has moved past NSW into second spot but there is little separating the states. The ACT is solidly in fourth position.

Then there is a gap to Queensland and South Australia. And in the fourth grouping is Western Australia and the Northern Territory.

Victoria continues to benefit from solid population growth and a strong job market.

Tasmania is now in second spot with strength in the building and purchase of homes.

NSW remains consistently strong across all indicators and is ranked second on five of the eight indicators.

The ACT is in fourth spot, supported by a strong job market and solid demand for homes.

Queensland remains in fifth spot from **South Australia** and both are having to contend with relatively high jobless rates.

Western Australia remains in seventh position, ahead of **Northern Territory**.

- **Victoria** remains Australia's best-performing economy, leading the overall economic performance rankings.
- **Victoria** ranks first on economic growth, retail trade, the job market and construction work done. Victoria's lowest ranking is fourth on relative population growth.
- **Tasmania** has edged up in the performance rankings, overtaking NSW into second position. Tasmania is ranked first on relative population growth, dwelling starts and equipment investment and is in second spot on housing finance.
- **NSW** is consistently strong across the indicators and is second on five of the eight indicators. But there is little to separate NSW and Tasmania on the overall rankings.
- **The ACT** is solidly in fourth spot on the rankings. The ACT is ranked first on housing finance and second ranked on equipment investment.
- **Queensland** retains its fifth position on the economic performance rankings. Queensland is second ranked on relative population growth and third ranked on relative economic growth. But Queensland is fifth or sixth on most of the other indicators.
- **South Australia** remains in sixth position. But, as has been the case for the past 21 months, there is little to separate Queensland and South Australia.
- **Western Australia** retains its seventh position on the economic performance rankings and is edging away from eighth-ranked **Northern Territory**.
- **Western Australia** is seventh on six of the indicators and sixth on relative economic growth and relative unemployment.
- **The Northern Territory** is seventh-ranked on economic growth but lags all other states and territories on the other seven indicators.

Methodology

Each of the states and territory economies were assessed on eight key indicators: economic growth; retail spending; equipment investment; unemployment, construction work done; population growth; housing finance and dwelling commencements.

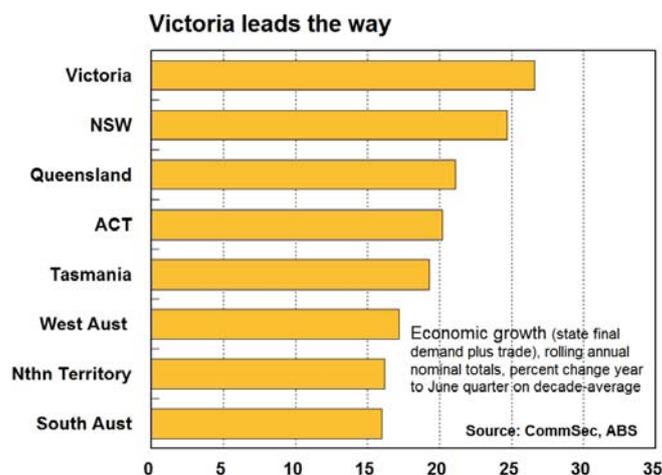
The aim is to find how each economy is performing compared with "normal". And just like the Reserve Bank does with interest rates, we used decade-averages to judge the "normal" state of affairs. For each economy, the latest level of the indicator – such as retail spending or economic growth – was compared with the decade average.

While we also looked at the current pace of growth to assess economic momentum, it may yield perverse results to judge performance. For instance retail spending may be up sharply on a year ago but from depressed levels. Overall spending may still be well below "normal". And clearly some states such as Queensland and Western Australia traditionally have had faster economic growth rates due to historically faster population growth. So the best way to assess economic performance is to look at each indicator in relation to what would be considered 'normal' for that state or territory.

For instance, the trend jobless rate in the ACT of 3.5 per cent is the lowest of all economies. And this jobless rate is 11 per cent lower than its 'normal' or decade-average rate. However Victoria's unemployment rate, while higher at 4.8 per cent, is actually 14.4 per cent below its decade average, putting it ahead of the ACT on this indicator. And the NSW trend jobless rate is 4.5 per cent, 13.4 per cent below its decade average.

Except for economic growth, trend measures of the economic indicators were used to assess performance on all measures rather than more volatile seasonally adjusted or original estimates. Rolling annual nominal data was used to assess economic growth.

ECONOMIC GROWTH



- Ideally Gross State Product (GSP) would be used to assess broad economic growth. But the data isn't available quarterly. We have previously used state final demand (household and equipment spending) plus exports less imports to act as a proxy for GSP. But the Bureau of Statistics has ceased calculation of state trade data in real terms. So state final demand plus trade in nominal terms is assessed with rolling annual totals used to remove seasonality.
- Victoria has maintained top spot on relative economic growth. Economic activity in Victoria in the June quarter was 26.6 per cent above its 'normal' or decade-average level of output, ahead of NSW, with output 24.7 per cent above the 'normal' level of output.
- Queensland remains in third position, (up 21.1 per cent) from the ACT (up 20.2 per cent) and Tasmania (up 19.3 per cent).
- At the other end of the scale, economic activity in South Australia in the June quarter was 16.0 per cent above its decade average while activity in the Northern Territory was up by 16.2 per cent, behind Western Australia (up 17.2 per cent).
- Western Australia recorded the fastest nominal economic growth, up 13.5 per cent over the year to June, supported by stronger exports and weaker imports. Next is Tasmania (up 5.4 per cent), from Queensland (up 5.3 per cent), the ACT (up 5.1 per cent) and Victoria (up 4.9 per cent).
- The weakest nominal annual growth rates are in Northern Territory (down 1.5 per cent), South Australia (up 2.3 per cent) and NSW (up 4.1 per cent).
- If trend State Final Demand in real terms is used, comparing the latest result with decade averages reveals some subtle changes in the rankings. Western Australia, Queensland and Northern Territory lose the benefit of their strong export economies.

"Victoria has maintained top spot on relative economic growth."

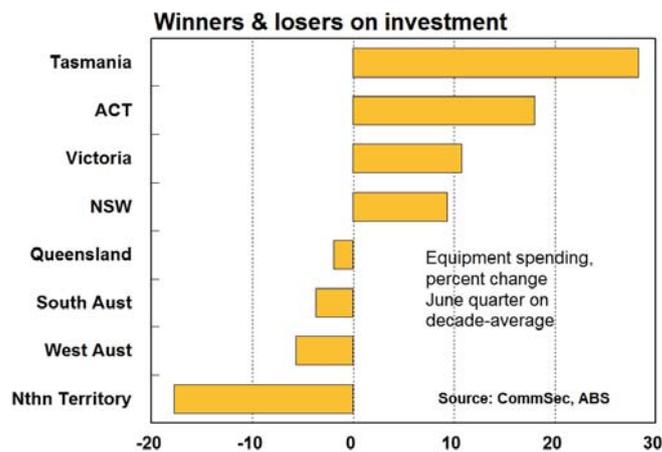
RETAIL SPENDING



- The measure used was real (inflation-adjusted) retail trade in trend terms with June quarter data the latest available.
- There have been no changes in the rankings since the last quarter. Victoria remains in top spot on the retail rankings, ahead of NSW.
- Retail spending in Victoria was 15.8 per cent above decade-average levels in the June quarter. Strong population growth, low unemployment, increased job security and infrastructure building are key supports for retail spending.
- Spending in NSW was 13.0 per cent above decade-average levels, once again supported by population growth, infrastructure building and firm employment.
- Spending in the ACT was up 12.3 per cent on the decade average, followed by Tasmania (up 10.5 per cent).
- In fifth spot is Queensland with spending 9.6 per cent above decade averages followed by South Australia, with spending up by 9.5 per cent.
- Northern Territory recorded the weakest result with retail spending down 1.9 per cent on the decade average, below Western Australia with 3.5 per cent growth.
- If monthly retail trade was assessed instead to calculate the rankings (August data available), there would be no change in the relative rankings except the ACT and NSW would change places.
- In terms of annual growth of real retail trade, Queensland is now strongest (up 2.3 per cent), from Victoria (up 1.4 per cent) and the ACT (up 0.8 per cent).
- Looking at annual growth of monthly retail trade, Queensland (up 4.6 per cent) remains ahead of Victoria and the ACT (both up 3.1 per cent).

“Retail spending in Victoria was 15.8 per cent above decade-average levels in the June quarter.”

EQUIPMENT INVESTMENT

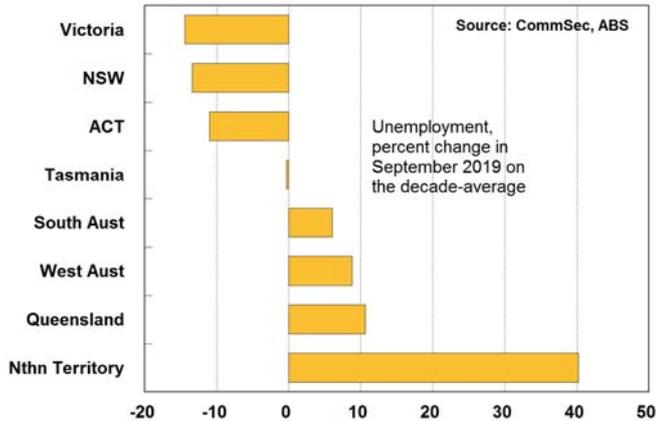


- The measure of equipment investment is spending on new plant and equipment in trend terms with June quarter data compared with decade averages (the ‘normal’ performance).
- In the June quarter four states and territories had equipment spending above decade-average levels, down from six economies in the March quarter.
- Tasmania had equipment investment up 28.3 per cent on the decade average ahead of the ACT (up 18.0 per cent) and Victoria (up 10.8 per cent). NSW remains in fourth position (up 9.3 per cent).
- The other states and territories had weaker spending in the current quarter than the decade average. Spending in Queensland was down by 1.9 per cent and South Australia was in sixth position (down 3.7 per cent).
- The weakest economy in the June quarter was Northern Territory (down 17.8 per cent). The position reflects the completion of the investment stage for a number of gas projects. Next weakest was Western Australia (down by 5.7 per cent).
- On a shorter-run analysis, equipment investment in the June quarter was up on a year ago in six of the state and territory economies, the same as the March quarter.
- Equipment investment was up the most on a year ago in Northern Territory (up 16.3 per cent) from Victoria (up 6.7 per cent) and Queensland (up 4.9 per cent).
- Equipment investment in Victoria is at 9½-year highs with Western Australian equipment spending at 4½-year highs.
- New equipment investment in Tasmania was down 6.6 per cent on a year ago with investment in South Australia down 5.6 per cent.

“Equipment investment in Victoria is at 9½-year highs with Western Australian equipment spending at 4½-year highs.”

UNEMPLOYMENT

Winners & losers on jobs

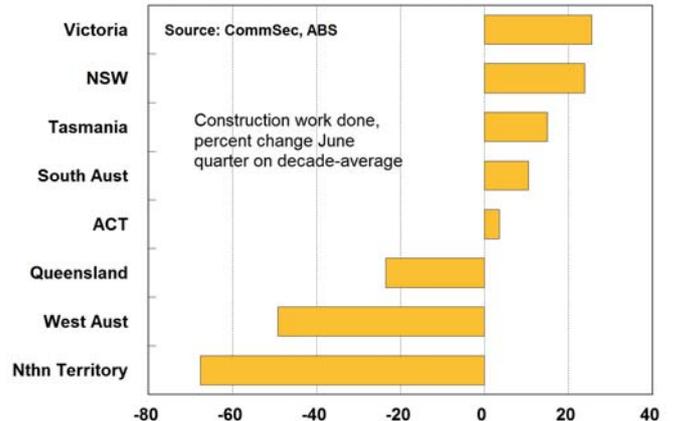


- What state or territory has the strongest job market in the nation? It is not an easy answer. But we have looked at unemployment rates across the state and territory economies, comparing the rates with decade averages.
- On this measure, Victoria has the strongest job market. Trend unemployment in Victoria stands at 4.8 per cent, a rate 14.4 per cent below the decade average. Employment is also 14.0 per cent above the decade average.
- Next best is NSW, its 4.5 per cent jobless rate being 13.4 per cent below the decade average. The ACT comes next (11 per cent below the decade average) from Tasmania (0.3 per cent below 10-year average).
- States and territories with jobless rates above respective decade averages were South Australia (+6.0 per cent); Western Australia (+8.8 per cent); Queensland (+10.6 per cent); and Northern Territory (+40.2 per cent).
- The trend jobless rate in South Australia has lifted for the past six months and now stands at a 14-month high of 6.5 per cent.
- Queensland has the highest trend jobless rate in 56 months (or almost 5 years) at 6.6 per cent.
- By contrast, Western Australia has the lowest jobless rate in 25 months (5.7 per cent). And in the ACT the jobless rate has stood at 3.5 per cent for the past 10 months. The last time unemployment was lower was seven years ago.
- The ACT has the strongest annual employment rate (up 3.3 per cent), above Victoria (up 3.1 per cent) and NSW (up 2.7 per cent).
- By contrast, employment in the Northern Territory is falling at a 3.0 per cent annual rate. And Tasmanian employment is only just rising, at a 0.2 per cent annual rate.

“Trend unemployment in Victoria stands at 4.8 per cent, a rate 14.4 per cent below the decade average.”

CONSTRUCTION WORK

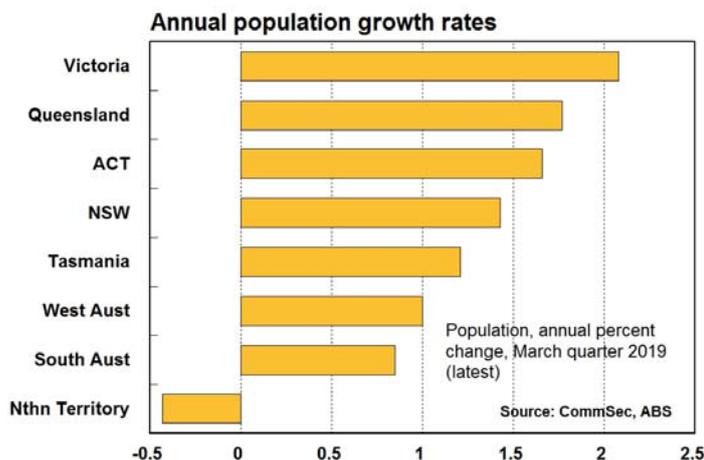
Victoria leads on construction



- The measure used for analysis was the total real value of residential, commercial and engineering work completed in trend terms in the June quarter.
- In five of the states and territories, construction work in the June quarter was higher than the decade average (the same number as the previous quarter).
- Victoria has retained top spot with construction work done 25.6 per cent above its decade average. NSW construction was next strongest, 23.9 per cent above the ‘norm’ or decade-average followed by Tasmania (up 14.9 per cent).
- South Australia is now in fourth position with construction work 10.5 per cent above decade averages. The ACT has now dropped to fifth spot (up 3.5 per cent).
- At the other end of the scale, Northern Territory construction work done in the June quarter was 67.6 per cent below the decade-average, behind Western Australia with construction work down 49.2 per cent on decade averages and Queensland (down 23.5 per cent).
- In all states and territories, construction spending contracted in the June quarter.
- In terms of annual growth rates, Tasmanian construction work done in the June quarter was up 4.1 per cent.
- All the other economies had construction work lower than a year ago (up from five in the March quarter) led by the Northern Territory with construction down by 63.3 per cent.
- Western Australian construction was down by 18.6 per cent on a year ago followed by Queensland (down 11.8 per cent), ACT (down 7.3 per cent), South Australia (down 5.2 per cent), Victoria (down 4.5 per cent) and NSW (down 3.2 per cent).

“In all states and territories, construction spending contracted in the June quarter.”

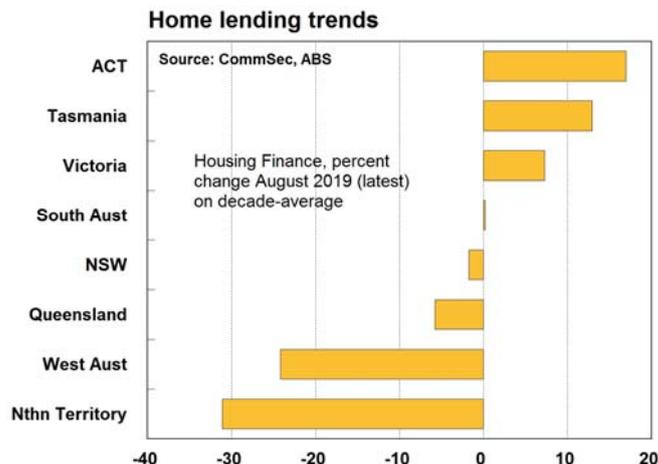
POPULATION GROWTH



- We assess *relative* population performance – the current annual growth rate and compare it with each economy’s decade-average (‘normal’) growth pace. This is most relevant to each state or territory’s economic performance.
- Population growth is clearly an important driver of the broader economy, especially retail spending and housing demand. The key point being that only three economies have population growth above long-term averages.
- Tasmania is strongest on the relative population measure, with its 1.21 per cent annual population growth rate 109.3 per cent above (more than double) the decade-average rate.
- Queensland is now next strongest on population growth, up 4.1 per cent on the decade average, followed by NSW (up 2.8 per cent).
- Annual population growth rates in the other states and territories were below decade averages: Victoria (down 0.2 per cent); South Australia (down 3.1 per cent); ACT (down 12.4 per cent); Western Australia (down 41.2 per cent); and Northern Territory (down 140.9 per cent).
- The state with the fastest *absolute* annual population growth is still Victoria (up 2.08 per cent). Next strongest is Queensland (up 1.77 per cent), ACT (up 1.66 per cent) and NSW (up 1.43 per cent).
- By contrast, the Northern Territory population shrank by 0.43 per cent over the past year after falling by 0.49 per cent in the year to December.
- Tasmania’s annual population growth of 1.21 per cent is just below the fastest rate in 27 years.
- Western Australia’s annual population growth of 1.00 per cent is the fastest rate in four years.

“Western Australia’s annual population growth of 1.00 per cent is the fastest rate in four years.”

HOUSING FINANCE

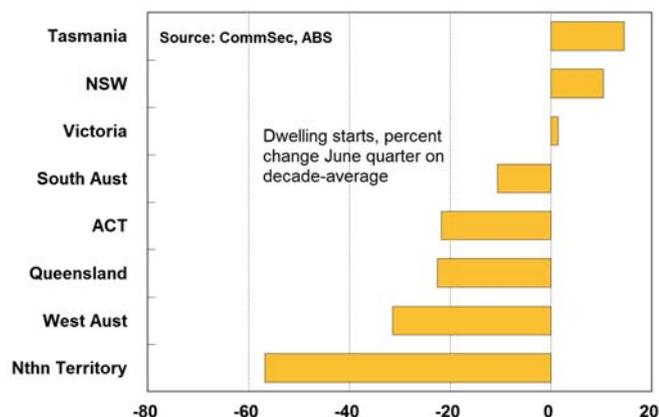


- The measure used is the trend number of housing finance commitments (home loans) and this is compared with the decade average for each respective state and territory.
- Housing finance is not just a leading indicator for real estate activity and housing construction but it is also a useful indicator of activity in the financial sector. It would be useful to compare figures on commercial, personal and lease finance, but unfortunately trend data is not available for states and territories.
- In only four of the states and territories are trend housing finance commitments above decade averages (previously three). And in all states or territories trend housing finance is below year-ago levels.
- There has been only one change in the rankings over the past three months. The ACT is now in top spot with the number of commitments up by 17.0 per cent on the long-term average. Next strongest is Tasmania (up 12.9 per cent on decade averages) followed by Victoria (up 7.3 per cent) and South Australia (up 0.2 per cent).
- Northern Territory remains the weakest for housing finance with trend commitments 31.1 per cent lower than its decade average. Commitments in Western Australia were down 24.2 per cent on the decade-average, followed by Queensland (down 5.8 per cent) and NSW (down 1.7 per cent).
- In terms of annual comparisons, South Australian housing finance commitments were down the least (down 3.2 per cent) from Victoria, down 4.5 per cent.
- The Northern Territory has the weakest annual comparison with trend home loan commitments down 10.0 per cent on a year ago. Next was Queensland (down 9.4 per cent).

“The ACT is now in top spot with the number of commitments up by 17.0 per cent on the long-term average.”

DWELLING STARTS

Home building activity eases



- The measure used was the trend number of dwelling commencements (starts) with the comparison made to the decade-average level of starts. Starts are driven in part by population growth and housing finance and can affect retail trade, unemployment and overall economic growth. However, any over-building or under-building in previous years can affect the current level of starts.
- Home building is strong in Tasmania because population growth is well above 'normal' and the building industry is struggling to keep up with demand for homes.
- Tasmania is now in top spot for dwelling starts, ahead of NSW and Victoria. In trend terms starts in Tasmania were 14.5 per cent above decade-averages, ahead of NSW (up by over 10 per cent on the "normal" or decade-average level of starts).
- Victoria remains in third spot with starts up 1.4 per cent on decade averages from South Australia (down 10.7 per cent).
- At the other end of the scale, dwelling starts in the Northern Territory were 56.8 per cent below decade averages. Next weakest was Western Australia (down 31.4 per cent); from Queensland (down 22.5 per cent) and the ACT (down 21.7 per cent).
- In terms of annual growth, seven of the states and territories had starts below a year earlier in the June quarter, up from six economies in the March quarter.
- Dwelling starts in Tasmania were up 2.1 per cent on a year but the number of starts has now retraced from 8-year highs. The good news in Western Australia is that starts have lifted for the past two quarters.
- At the other end of the scale, starts in the ACT were down 45.4 per cent on a year earlier to 4½-year lows.

"Tasmania is now in top spot for dwelling starts, ahead of NSW and Victoria."

OTHER INDICATORS

WAGES & PRICES*

	Wages Jun Qtr	CPI Jun Qtr	Home Prices September
NSW	2.3	1.7	-4.6
Victoria	2.9	1.3	-3.6
Queensland	2.3	1.7	-1.5
South Australia	2.2	1.4	-0.9
Western Australia	1.6	1.6	-9.4
Tasmania	2.4	2.3	3.1
Northern Territory	1.9	0.8	-7.6
ACT	2.2	1.7	1.3

* Annual % change. Source: ABS, CoreLogic, CommSec
CPI - Consumer Price Index
Wages - Wage Price Index

- Inflation rates (annual changes of consumer prices) were higher between the March and June quarters with the exception of Canberra. Darwin recorded the lowest annual increase in prices (up 0.8 per cent) while Melbourne was next lowest with prices up by 1.3 per cent over the past year.
- Hobart had the highest annual inflation rate in the June quarter at 2.3 per cent, ahead of Canberra, Brisbane and Sydney (all 1.7 per cent).
- All states and territories had positive real wage growth in the June quarter except Western Australia (the gap between wage growth and inflation).
- The biggest real wage gap was recorded in Victoria with wages 1.6 percentage points (pp) higher than consumer prices. Next highest was Northern Territory (1.1pp). At the other end of the scale, wage growth was the same as price growth in Western Australia.
- Wage growth in the year to June was strongest in Victoria (2.9 per cent), ahead of Tasmania (up by 2.4 per cent) while wages in Western Australia were up by only 1.6 per cent.
- Turning to home prices, in September 2019 six of the states/territories recorded annual declines in home prices, the same number over the year to June. But national home prices rose 0.9 per cent in September, the largest monthly gain in 2½ years.
- The strongest annual growth in home prices was in Tasmania (up 3.1 per cent), followed by the ACT (up 1.3 per cent).
- Home prices were lower than a year ago in Western Australia (down 9.4 per cent); Northern Territory (down 7.6 per cent); NSW (down 4.6 per cent); Victoria (down 3.6 per cent); Queensland (down 1.5 per cent) and South Australia (down 0.9 per cent).

"Wage growth in the year to June was strongest in Victoria (2.9 per cent)..."

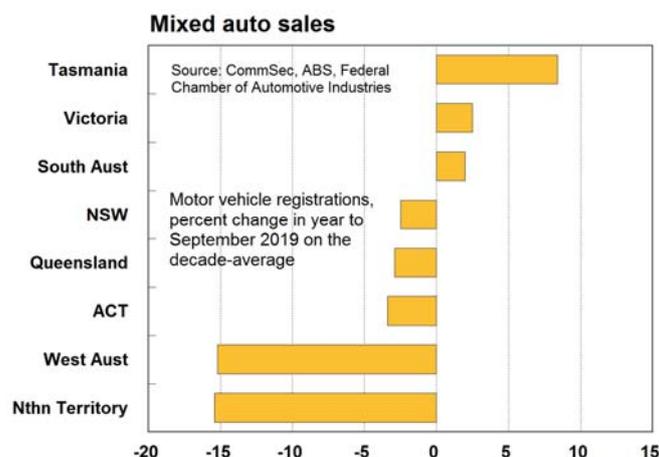
ANNUAL GROWTH RATES

TREND ANNUAL GROWTH %				
	Economic Growth	Retail Trade	Equip. Invest	Employment
NSW	4.1	-0.8	1.4	2.7
VIC	4.9	1.4	6.7	3.1
QLD	5.3	2.3	4.9	2.4
SA	2.3	-0.1	-5.6	1.5
WA	13.5	-1.0	3.8	0.9
TAS	5.4	-0.6	-6.6	0.2
NT	-1.5	-5.3	16.3	-3.0
ACT	5.1	0.8	4.8	3.3
AUST	6.3	0.4	3.2	2.4

	Construct Work	Population	Housing Finance	Home Starts
NSW	-3.2	1.43	-7.8	-24.0
VIC	-4.5	2.08	-4.5	-18.9
QLD	-11.8	1.77	-9.4	-34.8
SA	-5.2	0.85	-3.2	-21.5
WA	-18.6	1.00	-4.6	-7.4
TAS	4.1	1.21	-6.5	2.1
NT	-63.3	-0.43	-10.0	-12.0
ACT	-7.3	1.66	-4.9	-45.4
AUST	-8.7	1.56	-7	-23.8

- The **State of the States** assesses economic performance by looking at the most recent result – such as retail trade or construction – and compares that with the ‘normal’ experience. And by ‘normal experience’, we define this as the decade average.
- A resident of the state or territory can therefore assess whether they are experiencing relatively better economic times. Comparing states or territories on the same criteria determines which state or territory is performing the best on a certain indicator.
- But as well as relative economic performance, some are also interested in economic momentum. That is, annual economic growth. A state/territory may have been under-performing, but if annual growth is rising, then this suggests that performance has scope to improve.
- On the eight indicators assessed, Tasmania tops the annual changes on two measures. All other states and territories led the way on one measure, except NSW.
- When looking across growth rates for the states and territories, Victoria exceeded the national-average on seven of the eight indicators from ACT (six), Western Australia (four); and Queensland and Tasmania (three).
- At the other end of the scale, Northern Territory under-performed national results on all but one indicator. NSW and South Australia out-performed the national growth rate on two indicators.

LOOKING AHEAD



- If rolling annual new vehicle registrations are added to the list of indicators, then there would be no change in the rankings. Tasmania would solidify its second ranking.
- Tasmania is actually the strongest on new vehicle sales, up 8.4 per cent on decade averages. Victoria is second and South Australia in third position.
- But on the eight indicators used for comparison, Victoria is now solely at the top of the rankings. Tasmania has crept past NSW into second spot. But there is little to separate the latter two economies.
- Over the quarter Victoria was unchanged in its rankings for all eight indicators.
- NSW fell two places – on population growth and dwelling starts. By comparison, in net terms Tasmania gained one position. Tasmania lifted one spot on both dwelling starts and unemployment but fell one spot on housing finance.
- The ACT is solidly in fourth position. The ACT lost one spot on each of construction work, population growth and dwelling starts. The ACT lifted one spot on housing finance.
- Queensland remains in fifth position in the performance rankings. Queensland gained one spot on population growth but lost one on unemployment.
- South Australia remains in sixth position in the rankings. South Australia lost two positions on economic growth and one position on dwelling starts. But it gained one position on each of population growth, unemployment and construction work.
- Western Australia stays in seventh spot but the state is starting to narrow the gap with Queensland and South Australia, Western Australia has lifted two spots on economic growth and lifted one spot on unemployment.
- Northern Territory remains in eighth position. There were no changes in relative rankings on the eight indicators. But encouragingly the Northern Territory is experiencing a lift in equipment spending from a low base.

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