

State of the States

January 2019 State & territory economic performance report.
Executive Summary

NT

+ Economic Growth

- Population Growth

The Northern Territory is third ranked on economic growth. But it lags all other states and territories on six indicators.

QLD

+ Dwelling Starts

- Job Market

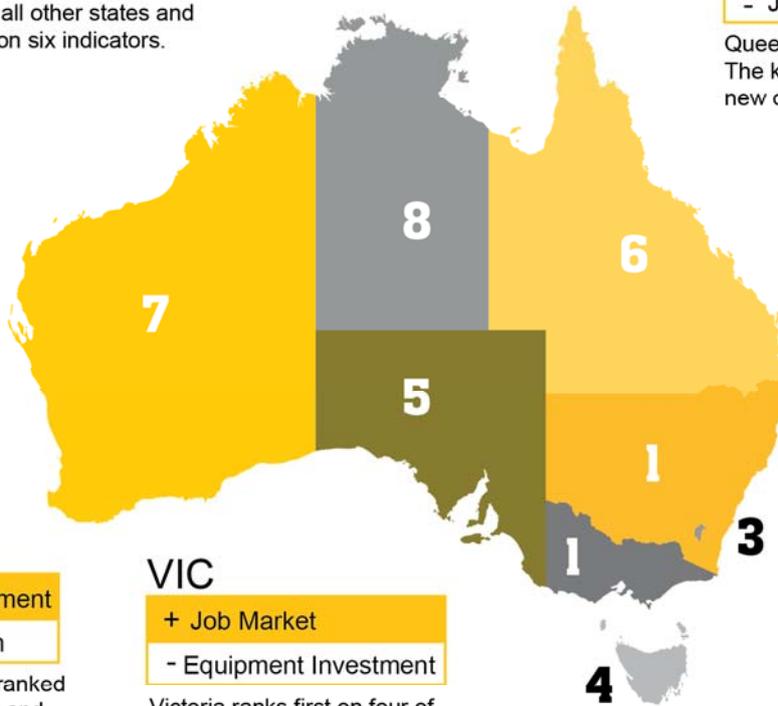
Queensland retains sixth spot. The key area of strength is new dwelling starts (third ranked).

WA

+ Equipment Spending

- Job Market

Western Australia is seventh or eighth on all indicators except equipment spending.



NSW

+ Retail Trade

- Housing Finance

NSW is consistently strong across the eight economic indicators.

SA

+ Equipment Investment

- Population Growth

South Australia is third-ranked on business investment and overall construction work done. But South Australia is sixth on three indicators.

VIC

+ Job Market

- Equipment Investment

Victoria ranks first on four of the eight economic indicators.

TAS

+ Population Growth

- Economic Growth

Tasmania is ranked first on relative population growth and business investment.

ACT

+ Housing Finance

- Equipment Investment

The ACT retains third spot on the performance rankings and is top-ranked on relative housing finance.

NSW & VICTORIA SHARE TOP SPOT

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.

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.

NSW & Victoria now share the honour of the best performing Australian economy while the ACT is not far back in third spot.

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

NSW and Victoria each benefit from solid population growth and strong job markets, driving retail spending and business investment.

The ACT retains third spot on the performance rankings with strength in the building and purchase of homes.

Tasmania is in fourth spot with a lift in population growth driving new home construction and business investment.

South Australia remains in fifth spot ahead of **Queensland**, with the former retaining its position courtesy of firm business investment and construction work.

Western Australia is now in seventh position just ahead of **Northern Territory**.

- **Victoria** remains at the top of the economic performance rankings but is joined in top spot by **NSW**. Victoria ranks first on economic growth, retail trade and unemployment and construction work done. Victoria's lowest ranking is fifth on business investment.
- **NSW** shares top position on the overall economic performance rankings. NSW is consistently strong across the indicators and is second-ranked on six of the eight indicators.
- **The ACT** remains in third spot in the rankings and has edged closer to Victoria and NSW. The ACT is top-ranked on housing finance and dwelling starts and is second ranked on relative population growth.
- **Tasmania** remains in fourth position on the economic performance rankings. Tasmania is ranked first on relative population growth as well as business investment and is in second spot on housing finance.
- **South Australia** retains fifth position on the performance rankings ahead of Queensland. South Australia is third-ranked on business investment and overall construction work done. But South Australia is sixth on three indicators.
- **Queensland** retains sixth position. The key area of strength is new dwelling starts (third ranked) but is sixth on unemployment and seventh on business investment.
- **The Northern Territory** retains its seventh position on the economic performance rankings and can be broadly grouped with **Western Australia**. Both are facing on-going challenges with the transition of resource projects moving from the production to the export phase.
- **Western Australia** is seventh or eighth on all indicators except equipment spending (sixth). In fact equipment spending has been growing in annual terms for 18 months.
- **The Northern Territory** is third-ranked on economic growth. But it lags all other states and territories on six of the 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.

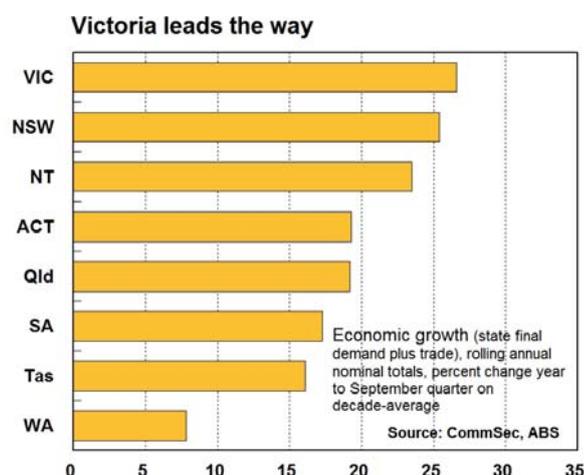
The aim is to find how each economy is performing compared with "normal". And just like the Reserve Bank does with interest rates, we used decade-averages to judge the "normal" state of affairs. For each economy, the latest level of the indicator – such as retail spending or economic growth – was compared 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 3.6 per cent is the lowest of all economies. And this jobless rate is 8.3 per cent lower than its 'normal' or decade-average rate. However Victoria's unemployment rate, while higher at 4.4 per cent, is actually 22.6 per cent below its decade average, putting it ahead of the ACT on this indicator. The Victorian jobless rate is actually at decade lows in trend terms.

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.

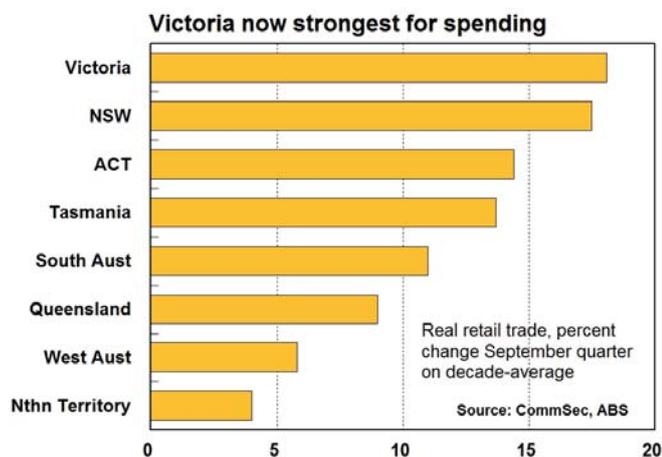
ECONOMIC GROWTH



- Ideally Gross State Product (GSP) would be used to assess broad economic growth. But the data isn't available quarterly. And 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 September quarter was 26.6 per cent above its 'normal' or decade-average level of output, ahead of NSW, with output 25.4 per cent above the 'normal' level of output.
- The Northern Territory retains third position (up 23.5 per cent) from the ACT (up 19.3 per cent) and Queensland (up 19.2 per cent).
- At the other end of the scale, economic activity in Western Australia in the September quarter was just 7.8 per cent above its decade average while Tasmanian activity was up 16.1 per cent, behind South Australia (up 17.3 per cent).
- Tasmania is strongest on the pace of economic growth. Tasmania's economy grew by 6.9 per cent over the year to September, ahead of Western Australia (up 6.7 per cent), the ACT (up 5.5 per cent) and Victoria (up 5.1 per cent).
- The weakest nominal annual growth rates are in Northern Territory (down by 5.6 per cent) and Queensland (up 4.2 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. Victoria still leads from NSW but with ACT in third spot from South Australia and Tasmania.

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

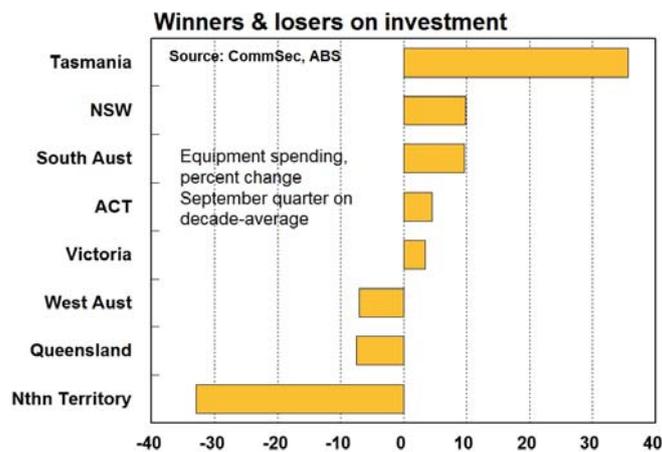
RETAIL SPENDING



- The measure used was real (inflation-adjusted) retail trade in trend terms with September quarter data the latest available.
- Victoria is now in top spot on the retail rankings, ahead of NSW.
- Spending in Victoria was 18.1 per cent above decade-average levels in the September quarter. Strong population growth, low unemployment, increased job security and infrastructure building are key supports for retail spending.
- Spending in NSW was 17.5 per cent above decade-average levels, once again supported by home building, infrastructure building and firm employment.
- Spending in the ACT was up 14.4 per cent on the decade average, followed by Tasmania (up 13.7 per cent). In fifth spot was South Australia with spending 11.0 per cent above decade averages followed by Queensland, with spending up by 9.0 per cent.
- Northern Territory recorded the weakest result on retail spending, up 4.0 per cent on the decade average, below Western Australia with 5.8 per cent growth.
- If monthly retail trade was assessed instead to calculate the rankings (November data available), there would be no change in the relative rankings except Victoria and NSW would change places.
- In terms of annual growth of real retail trade, Victoria is strongest (up 4.8 per cent), from Tasmania (up 3.8 per cent) and the ACT (up 2.9 per cent).
- Looking at annual growth of monthly retail trade, Victoria (up 6.0 per cent) is ahead of the ACT (up 5.9 per cent) and Tasmania (up 5.3 per cent).

“Victoria is now in top spot on the retail rankings, ahead of NSW.”

EQUIPMENT INVESTMENT

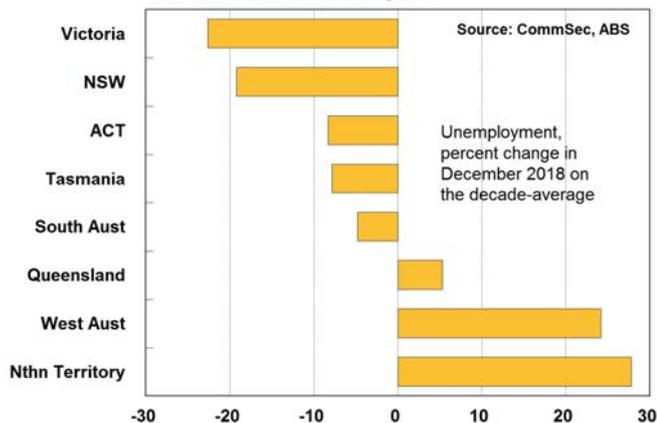


- The measure of equipment investment is spending on new plant and equipment in trend terms with September quarter data compared with decade averages (the ‘normal’ performance).
- In the September quarter five states and territories had equipment spending above decade-average levels, up from four states in the June quarter.
- Tasmania had equipment investment up 35.7 per cent on the decade average ahead of NSW (up 9.9 per cent) and South Australia (up 9.7 per cent).
- ACT has slipped from second to fourth (up 4.5 per cent). And Victoria has slipped from fourth to fifth (up 3.4 per cent).
- By contrast, other states and territories had equipment spending below decade averages in the September quarter. Weakest was Northern Territory (down 32.9 per cent) reflecting the completion of the investment stage for a number of gas projects.
- Next weakest was Queensland (down 7.5 per cent) followed by Western Australia (down 7.0 per cent).
- On a shorter-run analysis, equipment investment in the September quarter was up on a year ago in seven of the state and territory economies – the same as the June quarter.
- Equipment investment was up the most on a year ago in Tasmania (up 34.2 per cent) from South Australia (up 20.9 per cent) and Western Australia (up 17.5 per cent).
- Equipment investment in South Australia is at 6-year highs with Western Australian investment near 4-year highs.
- By contrast new equipment investment in the Northern Territory was down 14.3 per cent on a year ago.

“In the September quarter five states and territories had equipment spending above decade-average levels...”

UNEMPLOYMENT

Winners & losers on jobs

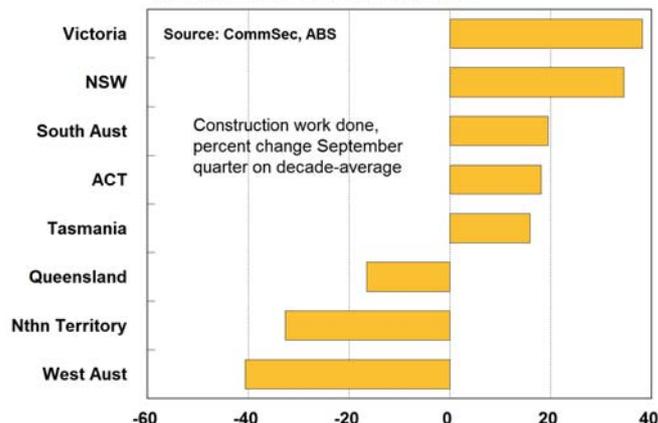


- What state or territory has the strongest job market in the nation? It is not an easy answer. But we have looked at unemployment rates across the state and territory economies, comparing the rates with decade averages.
- On this measure, Victoria has the strongest job market. Trend unemployment in Victoria stands at 4.4 per cent, a rate 22.6 per cent below the decade average. Employment is also 14 per cent above the decade average.
- Next best is NSW, its 4.3 per cent jobless rate being 19.2 per cent below the decade average. The ACT comes next from Tasmania and South Australia – all with jobless rates below their relative decade averages.
- Next is Queensland – the 6.2 per cent jobless rate is 5.3 per cent higher than the long-term average. The Western Australian jobless rate of 6.4 per cent is the highest across all states and territories and is just over 24 per cent above the 5.16 per cent decade-average.
- The Northern Territory jobless rate of 5.0 per cent is actually the fourth lowest of states and territories but is now 27.8 per cent above the 3.91 per cent decade average.
- Victoria also has the strongest annual employment rate (up 3.5 per cent), above NSW (up 2.9 per cent) and Queensland (up 1.4 per cent).
- In NSW the trend unemployment rate of 4.3 per cent hasn't been bettered in monthly records going back to 1978.
- In Victoria, the trend jobless rate remained at 4.4 per cent in December, a level only bettered once, in August 2008. And jobless rates in the ACT and Tasmania haven't been lower in at least the past 18 months.

"In NSW the trend unemployment rate of 4.3 per cent hasn't been bettered in monthly records going back to 1978."

CONSTRUCTION WORK

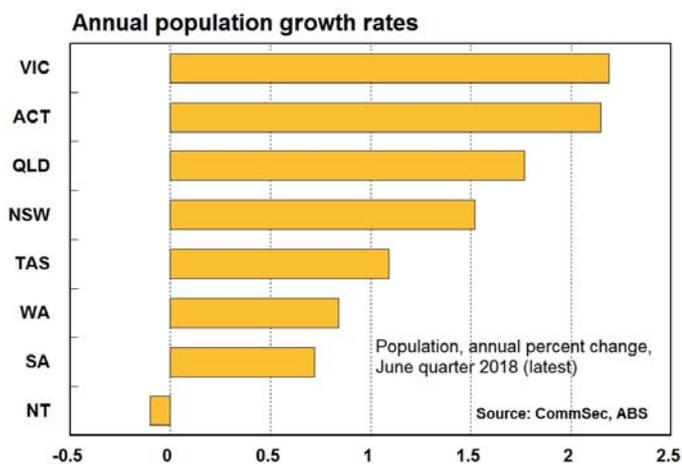
Victoria leads on construction



- The measure used for analysis was the total real value of residential, commercial and engineering work completed in trend terms in the September quarter.
- In five of the states and territories, construction work in the September quarter was higher than the decade average (the same number as the previous quarter).
- Victoria has retained top spot with construction work done 38.2 per cent above its decade average. NSW construction was next strongest, 34.5 per cent above the 'norm' or decade-average followed by South Australia (up 19.5 per cent).
- In NSW, Victoria, South Australia, Tasmania and the ACT construction work done was at record highs in the September quarter.
- The ACT is still in fourth position with construction work 18.1 per cent above decade averages followed by Tasmania (up 15.9 per cent).
- At the other end of the scale, Western Australian construction work done in the June quarter was 40.6 per cent below the decade-average, behind the Northern Territory with construction work down 32.7 per cent on decade averages and Queensland (down 16.5 per cent).
- In terms of annual growth rates, Tasmanian construction work done in the September quarter was up 17.8 per cent on a year ago followed by Victoria (up 17.0 per cent) and South Australia (up 14.3 per cent).
- Three economies had construction work lower than a year ago (up from two in the June quarter) led by the Northern Territory with construction down by 44.1 per cent
- Western Australian construction was down by 6.1 per cent on a year ago followed by Queensland, down 1.2 per cent.

"Victoria has retained top spot with construction work done 38.2 per cent above its decade average."

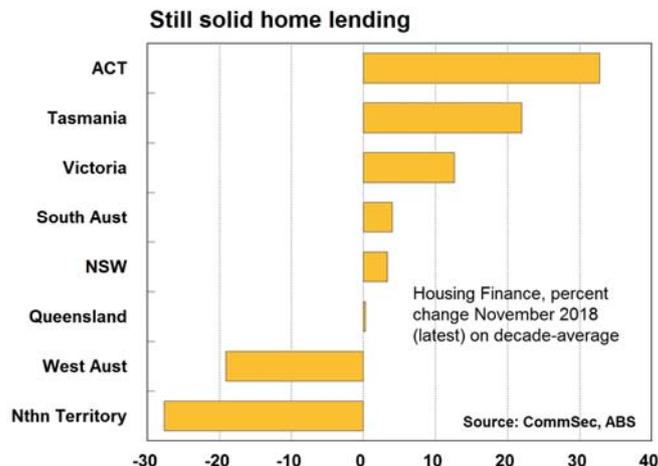
POPULATION GROWTH



- 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 four economies have population growth above long-term averages.
- Tasmania is strongest on the relative population measure, with its 1.09 per cent annual population growth rate almost 90 per cent above the decade-average rate.
- Population growth in the ACT is 12.6 per cent above the decade average, followed by NSW (up 7.2 per cent) and Victoria (up 5.1 per cent).
- Annual population growth rates in the other states and territories were below decade averages: Queensland (-3.2 per cent); South Australia (-20.5 per cent); Western Australia (-55.6 per cent); and Northern Territory (-107.4 per cent).
- The state with the fastest *absolute* annual population growth is still Victoria (up 2.19 per cent). Next strongest is the ACT (up 2.15 per cent); Queensland (up 1.77 per cent) and NSW (up 1.52 per cent).
- By contrast, the Northern Territory population shrank by 0.1 per cent over the past year – the first time this has happened in 15 years.
- Tasmania’s annual population growth of 1.09 per cent is the fastest rate in nine years.
- Western Australia’s annual population growth of 0.84 per cent is the fastest rate in almost three years.

“...the Northern Territory population shrank by 0.1 per cent over the past year – the first time this has happened in 15 years.”

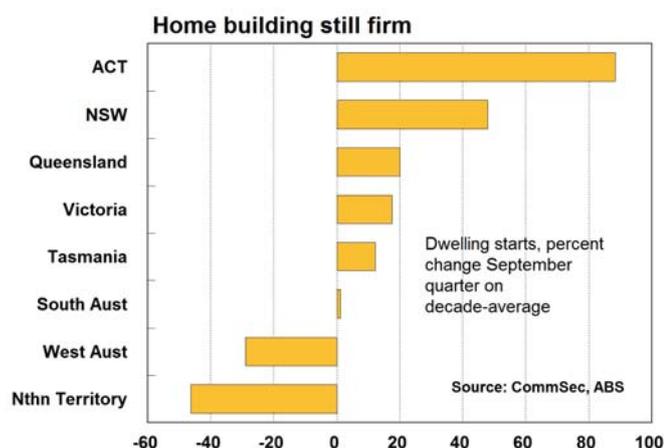
HOUSING FINANCE



- 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.
- There has been just one change in the rankings with South Australia lifting from sixth to fourth position. In six of the states and territories trend housing finance commitments are above decade averages. But in all but three states or territory, trend housing finance is below year-ago levels.
- The ACT remains in top spot with the number of commitments up by 32.8 per cent on the long-term average. Next strongest is Tasmania (up 22 per cent on decade averages) followed by Victoria (up 12.6 per cent) ahead of South Australia (up 4.0 per cent).
- NSW is next strongest (up 3.3 per cent) ahead of Queensland (up 0.3 per cent).
- Northern Territory remains the weakest for housing finance with trend commitments 27.7 per cent lower than its decade average. Commitments in Western Australia are down 19.1 per cent on the decade-average.
- In terms of annual growth, Tasmania is strongest, up 10.2 per cent, from the ACT, up 3.8 per cent, and South Australia, up 1.4 per cent.
- Northern Territory has the weakest annual comparison with trend home loan commitments down 11.7 per cent on a year ago.

“The ACT remains in top spot with the number of commitments up by 32.8 per cent on the long-term average.”

DWELLING STARTS



- 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 remains strong in the ACT and NSW due to above “normal” population growth. And while Victorian population growth also remains strong, new dwelling starts are easing from highs as pent-up demand is met.
- The ACT is now in top spot for dwelling starts, ahead of NSW. In trend terms starts in the ACT were 88.5 per cent above decade-averages, ahead of NSW (up almost 48 per cent on the “normal” or decade-average level of starts).
- Queensland is now in third spot with starts up 20 per cent on decade averages from Victoria (up 17.6 per cent), Tasmania (up 12.2 per cent) and South Australia (up 1.2 per cent).
- At the other end of the scale, dwelling starts in the Northern Territory were 46.4 per cent below decade averages. The good news is that starts lifted in the September quarter after hitting near 30-year lows in the June quarter. Next weakest was Western Australia (down 29 per cent).
- In terms of annual growth, five of the states and territories had starts above a year earlier in the September quarter, in line with the June quarter result. Dwelling starts in the ACT were up 87.3 per cent on a year ago to record highs. Starts in Tasmania were up 10.5 per cent on a year earlier.
- At the other end of the scale, starts in the Northern Territory were down 23.8 per cent on a year earlier.

“Dwelling starts in the ACT were up 87.3 per cent on a year ago to record highs.”

OTHER INDICATORS

WAGES & PRICES*

	Wages Sept Qtr	CPI Sept Qtr	Home Prices December
NSW	2.4	2.0	-8.9
Victoria	2.5	2.2	-7.0
Queensland	2.3	1.8	0.2
South Australia	2.2	1.8	1.3
Western Australia	1.6	1.2	-4.7
Tasmania	2.6	2.7	8.7
Northern Territory	1.7	1.3	-1.5
ACT	2.2	2.5	3.3

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

- Inflation rates (annual changes of consumer prices) were mixed between the June and September quarters with four up and the others cities lower. Perth recorded the lowest annual increase in prices (up 1.2 per cent) while Darwin prices rose by 1.3 per cent over the past year.
- Hobart had the highest annual inflation rate in the September quarter at 2.7 per cent, ahead of Canberra (2.5 per cent).
- Inflation rates and annual wage growth are historically low across capital cities.
- To assess real wage growth, September quarter data is used. And the biggest positive gap between wage growth and inflation was recorded in Queensland with wages 0.5 percentage points higher than consumer prices.
- By contrast wages were 0.3 percentage points below consumer prices in the ACT. Tasmanian wages were just 0.1 percentage point below consumer prices.
- Wage growth in the year to September was strongest in Tasmania (2.6 per cent) ahead of Victoria (up by 2.5 per cent) while wages in Western Australia were up by only 1.6 per cent and up by 1.7 per cent in the Northern Territory.
- Turning to home prices, in December 2018 four of the capital cities recorded annual declines in home prices, the same number as for the year to September.
- The strongest annual growth in home prices was in Tasmania (up 8.7 per cent), followed by the ACT (up 3.3 per cent), South Australia (up 1.3 per cent) and Queensland (up 0.2 per cent).
- Home prices were lower than a year ago in NSW (down by 8.9 per cent) from Victoria (down 7.0 per cent), Western Australia (down 4.7 per cent) and Northern Territory (down 1.5 per cent).

“Wage growth in the year to September was strongest in Tasmania (2.6 per cent)...”

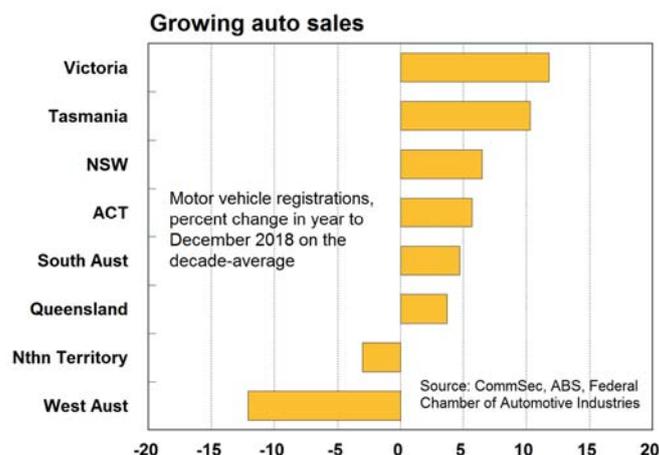
ANNUAL GROWTH RATES

TREND ANNUAL GROWTH %				
	<i>Economic Growth</i>	<i>Retail Trade</i>	<i>Equip. Invest</i>	<i>Employment</i>
NSW	4.5	2.8	5.3	2.9
VIC	5.1	4.8	4.9	3.5
QLD	4.2	1.2	3.2	1.4
SA	4.7	1.3	20.9	1.2
WA	6.7	-1.3	17.5	0.8
TAS	6.9	3.8	34.2	-0.1
NT	-5.6	1.0	-14.3	-2.3
ACT	5.5	2.9	14.9	-1.9
AUST	5.3	2.5	7.4	2.3

	<i>Construct Work</i>	<i>Population</i>	<i>Housing Finance</i>	<i>Home Starts</i>
NSW	10.1	1.52	-10.0	5.8
VIC	17.0	2.19	-6.8	1.0
QLD	-1.2	1.77	-7.2	7.8
SA	14.3	0.72	1.4	-14.8
WA	-6.1	0.84	-4.0	-15.9
TAS	17.8	1.09	10.2	10.5
NT	-44.1	-0.10	-11.7	-23.8
ACT	10.1	2.15	3.8	87.3
AUST	5.5	1.59	-6.7	3.3

- 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 growth on four measures, ahead of Victoria (top on three measures). The ACT leads the way on one measure.
- When looking across growth rates for the states and territories, The ACT exceeded the national-average on seven of the eight indicators from Tasmania (six) and NSW and Victoria (four).
- At the other end of the scale, Northern Territory under-performed the national result on all indicators. Queensland out-performed the national growth rate on just two indicators.

LOOKING AHEAD



- If rolling annual new vehicle registrations are added to the list of indicators, then the only changes to the economic performance rankings would be Victoria taking top spot in the performance rankings in its own right from NSW. And Northern Territory and Western Australia would be jointly in seventh position. Victoria is the strongest on new vehicle sales, up 11.8 per cent on decade averages.
- Last quarter we noted that “There is little to separate Victoria from NSW. It is possible the two states could exchange rankings over the next year.” That observation has proven correct.
- Both states have broad-based economic strength, underpinned by population growth, construction and investment activity. Strong job markets provide support for local economies but home building will soften in the period ahead.
- Over the quarter NSW and Victoria traded spots on a number of key indicators. But Victoria fell two places in the relative ranking on dwelling starts.
- The ACT remains in third spot on the performance rankings. The biggest move on the individual indicator rankings was a lift from sixth position on dwelling starts to the number one spot.
- Tasmania is still in fourth position. In contrast to the ACT the biggest change in the individual rankings was a drop from third to fifth position on dwelling starts.
- South Australia remains in fifth position in the rankings, improving its relative positions on equipment spending and housing finance but falling on dwelling starts and jobs.
- Queensland is in sixth position in the performance rankings. While its relative position changed on five indicators it hasn’t been able to close the gap with South Australia.
- Western Australia is now in seventh spot with the Northern Territory in eighth position.
- In Western Australia, equipment investment is near 4-year highs and there are reports of strong demand for mining workers. And encouragingly exports are rising strongly in the Northern Territory.

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