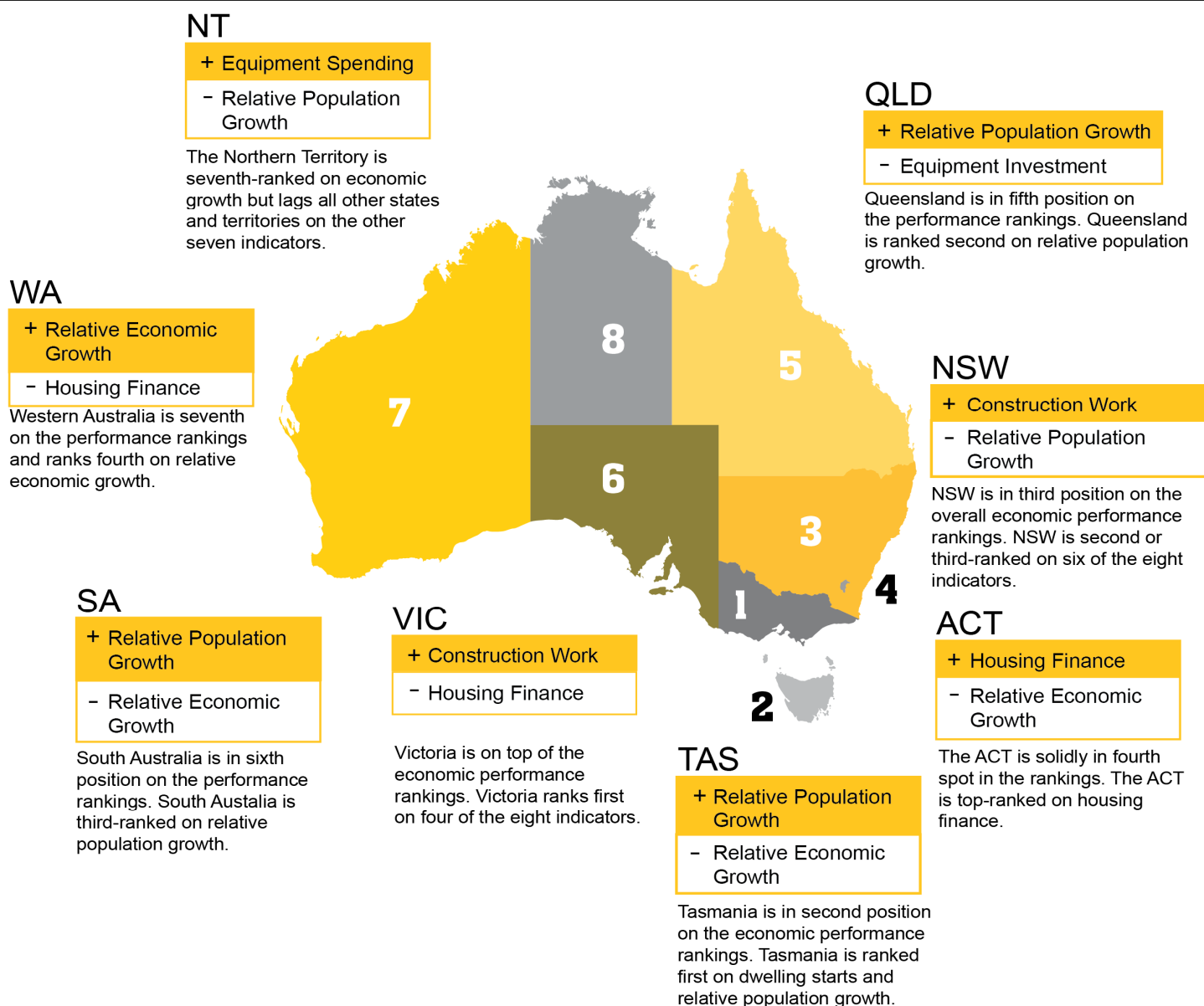


State of the States

January 2020 State & territory economic performance report.
Executive Summary



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 held on to second spot from NSW but there is little separating the top three states. The ACT is solidly in fourth position.

Then there is a gap to Queensland and South Australia. And then follows Western Australia and the Northern Territory.

Victoria benefits from high construction work and a strong job market.

Tasmania holds second spot with strength in relative population growth, supporting home purchase and starts.

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

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

Queensland is in fifth spot, ahead of **South Australia**. There is little to separate the two states.

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, equipment investment and construction work done. Victoria's lowest ranking is fourth on relative population growth and housing finance.
- **Tasmania** remains just in front of NSW in second position on the performance rankings. Tasmania is ranked first on relative population growth and dwelling starts and is in second spot on housing finance.
- **NSW** is consistently strong across the indicators and is second or third on six of the eight indicators. So 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 relative unemployment and second ranked on equipment investment.
- **Queensland** retains 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 five of the eight indicators.
- **South Australia** is in sixth position on the performance ranking. South Australia is third ranked on relative population growth and fourth on construction work done.
- **Western Australia** retains its seventh position on the economic performance rankings and continues to edge away from eighth-ranked **Northern Territory**.
- **Western Australia** is sixth or seventh on all indicators except relative economic growth where it is in fourth position.
- **The Northern Territory** is seventh-ranked on relative 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 NSW in December stands at 4.6 per cent with the jobless rate at 4.8 per cent in Victoria. However Victoria's unemployment rate is 14.2 per cent below its decade average, while the NSW trend jobless rate is 11 per cent below its decade average. So Victoria ranks above NSW on this indicator.

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.

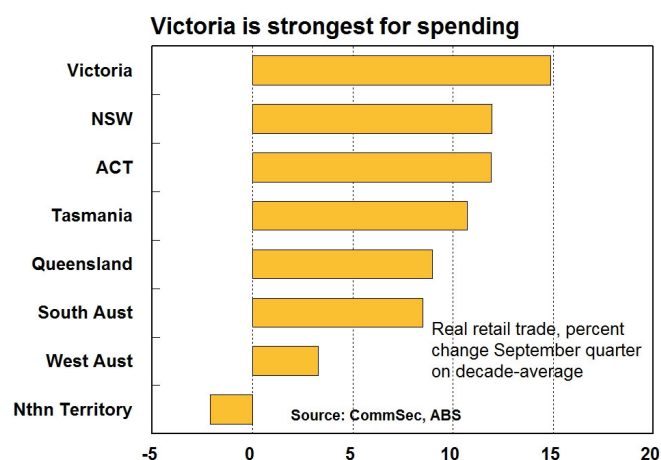
ECONOMIC GROWTH



- 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 September quarter was 27 per cent above its 'normal' or decade-average level of output, ahead of NSW, with output 23.4 per cent above the 'normal' level of output.
- Queensland remains in third position, (up 21.2 per cent) from Western Australia (up 20.48 per cent), just ahead of Tasmania (up 20.46 per cent).
- At the other end of the scale, economic activity in South Australia in the September quarter was 15.9 per cent above its decade average, behind the Northern Territory up by 18.3 per cent and the ACT (up 19.4 per cent).
- Western Australia recorded the fastest nominal economic growth, up 12.9 per cent over the year to September, supported by stronger exports and weaker imports. Next is Tasmania (up 5.5 per cent), from the ACT (up 5.1 per cent), Queensland (up 5.0 per cent) and Victoria (up 4.9 per cent).
- The weakest nominal annual growth rates are in South Australia (up 1.3 per cent), NSW (up 2.9 per cent) and Northern Territory (up 4.7 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.

"Western Australia recorded the fastest nominal economic growth, up 12.9 per cent over the year to September"

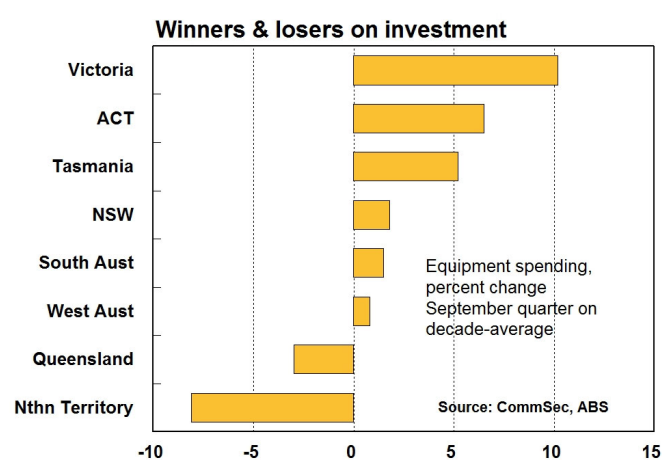
RETAIL SPENDING



- The measure used was real (inflation-adjusted) retail trade in trend terms with September 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 14.9 per cent above decade-average levels in the September quarter. Strong population growth, low unemployment, rising home prices and infrastructure building are key supports for retail spending.
- Spending in NSW was 11.94 per cent above decade-average levels, once again supported by population growth, higher home prices and firm employment.
- Spending in the ACT was up 11.93 per cent on the decade average, followed by Tasmania (up 10.7 per cent).
- In fifth spot is Queensland with spending 9.0 per cent above decade averages followed by South Australia, with spending up by 8.5 per cent.
- Northern Territory recorded the weakest result with retail spending down 2.1 per cent on the decade average, below Western Australia with 3.3 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 NSW would be in fourth position behind ACT and Tasmania.
- In terms of annual growth of real retail trade, Queensland is now strongest (up 1.7 per cent), from Victoria (up 0.41 per cent) and the ACT (up 0.40 per cent).
- Looking at annual growth of monthly retail trade, Tasmania (up 4.9 per cent) is ahead of Queensland (up 4.8 per cent) and the ACT (up 4.2 per cent).

“Retail spending in Victoria was 14.9 per cent above decade-average levels in the September quarter.”

EQUIPMENT INVESTMENT

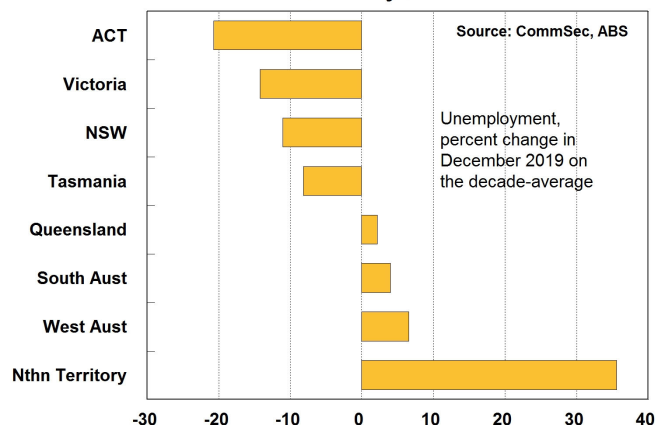


- The measure of equipment investment is spending on new plant and equipment in trend terms with September quarter data compared with decade averages (the ‘normal’ performance).
- In the September quarter, six states and territories had equipment spending above decade-average levels, up from four economies in the June quarter.
- Victoria had equipment investment up 10.2 per cent on the decade average ahead of the ACT (up 6.5 per cent) and Tasmania (up 5.2 per cent). NSW remains in fourth position (up 1.8 per cent) ahead of South Australia (up 1.5 per cent) and Western Australia (up 0.8 per cent).
- Spending in Queensland was down by 3.0 per cent and equipment spending in Northern Territory was down 8.1 per cent.
- On a shorter-run analysis, equipment investment in the September quarter was up on a year ago in just four of the state and territory economies, down from six in the June quarter.
- Encouragingly, equipment investment was up the most on a year ago in Northern Territory (up 37.2 per cent) from Western Australia (up 13.3 per cent) and Victoria (up 4.4 per cent).
- Equipment investment in Western Australia was at 5-year highs while spending on plant and equipment in the Northern Territory was at 4-year highs.
- New equipment investment in Tasmania was down 24.1 per cent on a year ago with investment in NSW down 6.9 per cent, behind South Australia (down 5.1 per cent) and the ACT (down 5.0 per cent).

“Equipment investment in Western Australia was at 5-year highs while spending on plant and equipment in the Northern Territory was at 4-year highs.”

UNEMPLOYMENT

Winners & losers on jobs

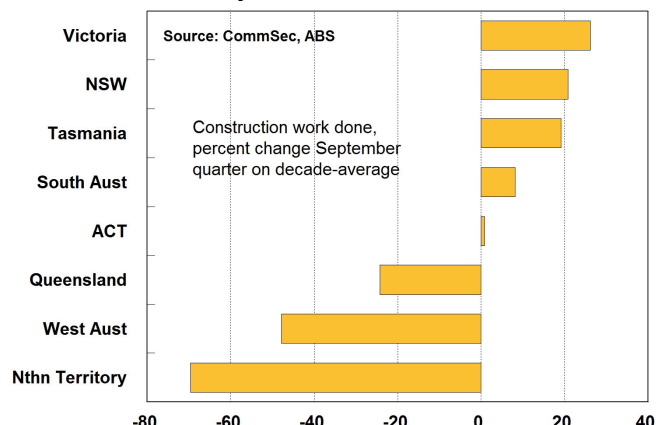


- What state or territory has the strongest job market in the nation? It is not an easy answer. But we have looked at unemployment rates across the state and territory economies, comparing the rates with decade averages.
- On this measure, the ACT has the strongest job market. Not only is the trend unemployment in the ACT at 11-year lows of 3.1 per cent, but this rate is 20.7 per cent below the decade average.
- Next best is Victoria, its 4.8 per cent jobless rate being 14.2 per cent below the decade average. NSW comes next (11 per cent below the decade average) from Tasmania (8.2 per cent below the 10-year average).
- States and territories with jobless rates above respective decade averages were Queensland (+2.2 per cent); South Australia (+4.0 per cent); Western Australia (+6.6 per cent); and Northern Territory (+35.6 per cent).
- The trend jobless rate in South Australia has lifted for the past 15 months and has stood at a 30-month high of 6.4 per cent since October.
- Queensland has the lowest trend jobless rate in 10 months at 6.0 per cent.
- Western Australia has the equal lowest jobless rate in 30 months (5.6 per cent). And in the ACT the jobless rate has been at 3.1 per cent since November – the lowest rate in almost 11 years (February 2009).
- The ACT has the strongest annual employment rate (up 3.3 per cent), above Victoria and Tasmania (both up 2.9 per cent) and Queensland (up 2.3 per cent).
- By contrast, employment in South Australia is growing at just a 0.2 per cent annual rate. And trend job growth in the Northern Territory is just 0.4 per cent.

“Not only is the trend unemployment in the ACT at 11-year lows of 3.1 per cent, but this rate is 20.7 per cent below the decade average.”

CONSTRUCTION WORK

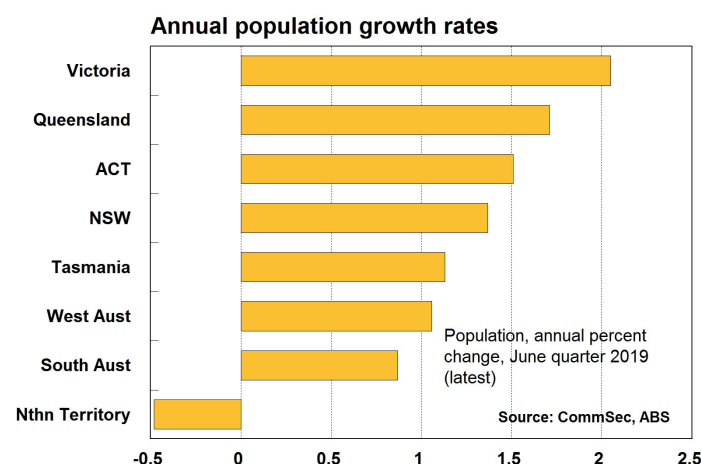
Victoria just leads on construction



- 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 in the previous quarter.
- Victoria has retained top spot with construction work done 26.2 per cent above its decade average. NSW construction was next strongest, 20.8 per cent above the ‘norm’ or decade-average followed by Tasmania (up 19.2 per cent).
- South Australia is in fourth position with construction work 8.1 per cent above decade averages.
- At the other end of the scale, Northern Territory construction work done in the September quarter was 54.3 per cent below the decade-average, behind Western Australia with construction work down 47.8 per cent on decade averages. Queensland is next best (down 24.2 per cent), behind the ACT (up 0.8 per cent).
- In all states and territories except Tasmania, construction spending contracted in the September quarter.
- In terms of annual growth rates, Tasmanian construction work done in the September quarter was up 3.8 per cent.
- All the other economies had construction work lower than a year ago (the same as the June quarter) led by the Northern Territory with construction down by 54.3 per cent.
- Western Australian and ACT construction were both down by 12.1 per cent on a year ago followed by Queensland (down 9.8 per cent), South Australia (down 5.4 per cent), NSW (down 5.2 per cent) and Victoria (down 3.9 per cent).

“In all states and territories except Tasmania, construction spending contracted in the September quarter.”

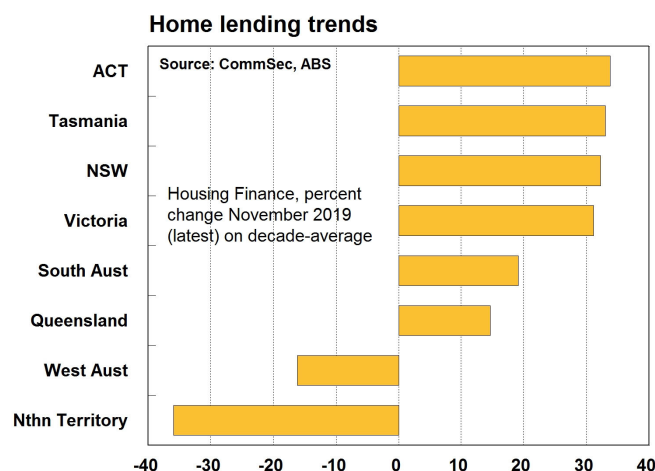
POPULATION GROWTH



- 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 1.13 per cent annual population growth rate 94.8 per cent above (around double) the decade-average rate.
- Queensland is now next strongest on relative population growth, up 2.3 per cent on the decade average, followed by South Australia (up 0.3 per cent).
- Annual population growth rates in the other states and territories were below decade averages: Victoria (down 1.2 per cent); NSW (down 1.4 per cent); ACT (down 20.0 per cent); Western Australia (down 35.9 per cent); and Northern Territory (down 149.8 per cent).
- The state with the fastest *absolute* annual population growth is still Victoria (up 2.05 per cent). Next strongest is Queensland (up 1.71 per cent), ACT (up 1.51 per cent) and NSW (up 1.37 per cent).
- By contrast, the Northern Territory population shrank by 0.48 per cent over the past year after falling by 0.54 per cent in the year to December.
- South Australia's annual population growth of 0.87 per cent is the fastest rate in four years.
- Western Australia's annual population growth of 1.06 per cent is the fastest rate in 4½ years.

"Western Australia's annual population growth of 1.06 per cent is the fastest rate in 4½ years."

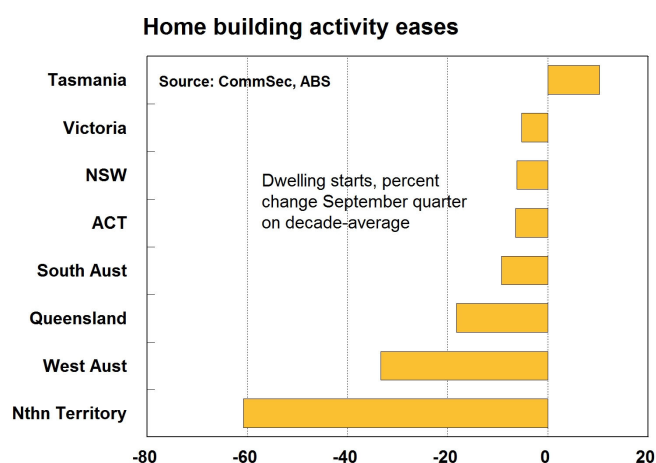
HOUSING FINANCE



- The measure now used is the trend value of owner-occupier housing finance commitments (home loans) and this is compared with the decade average for each respective state and territory. Previously the trend number of loans was used but the Bureau of Statistics has made major changes to the home loan data.
- 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 trend data is not available.
- In six of the states and territories, trend housing finance commitments are above decade averages (previously four). And in all states or territories except the Northern Territory trend home loans are above year-ago levels.
- The ACT remains in top spot with the value of home loans up by 33.8 per cent on the long-term average. Next strongest is Tasmania (up 33 per cent on decade averages) followed by NSW (up 32.3 per cent) and Victoria (up 31.1 per cent).
- Northern Territory remains the weakest for housing finance with trend commitments 36 per cent lower than its decade average. Commitments in Western Australia were down 16.2 per cent on the decade-average, followed by Queensland (up 14.6 per cent) and South Australia (up 19.1 per cent).
- In terms of annual comparisons, NSW housing finance commitments were up the most (up 17.2 per cent) from Victoria, up 12.3 per cent.
- The Northern Territory has the weakest annual comparison with trend home loan commitments down 16.2 per cent on a year ago. Next was the ACT (up 0.8 per cent).

"The ACT remains in top spot with the value of home loans up by 33.8 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 is strong in Tasmania because population growth is well above 'normal' and the building industry is struggling to keep up with the demand for homes.
- Tasmania remains in top spot for dwelling starts, ahead of Victoria and NSW. In trend terms starts in Tasmania were 10.3 per cent above decade-averages – the only state or territory with starts above "normal" levels (the decade-average level of starts).
- Victoria is now in second spot with starts down 5.2 per cent on decade averages from NSW (down 6.2 per cent) and the ACT (down 6.4 per cent).
- At the other end of the scale, dwelling starts in the Northern Territory were 60.8 per cent below decade averages. Next weakest was Western Australia (down 33.4 per cent); from Queensland (down 18.2 per cent) and South Australia (down 9.3 per cent).
- In terms of annual growth, all the states and territories had starts below a year earlier in the September quarter, up from seven economies in the June quarter.
- Dwelling starts in Western Australia are 3.5 per cent lower than a year ago but starts have lifted for the past two quarters.
- At the other end of the scale, starts in the ACT were down 44.1 per cent on a year earlier although lifting in the quarter from 4-year lows.

"Tasmania remains in top spot for dwelling starts, ahead of Victoria and NSW"

OTHER INDICATORS

WAGES & PRICES*

	Wages Sep Qtr	CPI Sep Qtr	Home Prices December
NSW	2.2	1.6	4.0
Victoria	2.8	1.7	4.6
Queensland	2.1	1.9	0.7
South Australia	2.3	1.9	-0.1
Western Australia	1.6	1.6	-7.5
Tasmania	2.3	2.2	4.9
Northern Territory	2.2	0.5	-7.8
ACT	2.5	1.8	3.1

* 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. NSW, Tasmania and Northern Territory recorded declines in annual inflation rates. Inflation was steady in Western Australia but higher in other states and territories.
- Hobart had the highest annual inflation rate in the September quarter at 2.2 per cent, ahead of Brisbane and Adelaide (both 1.9 per cent) and Canberra (1.8 per cent).
- All states and territories had positive real wage growth (the gap between wage growth and inflation) in the September quarter except Western Australia (flat – that is, wage growth matched price growth).
- The biggest real wage gap was recorded in Northern Territory with wages 1.7 percentage points (pp) higher than consumer prices. Next highest was Victoria (1.1pp) from the ACT (0.7pp).
- Wage growth in the year to September was strongest in Victoria (2.8 per cent), ahead of the ACT (up by 2.5 per cent) while wages in Western Australia were up by only 1.6 per cent.
- Turning to home prices, in December 2019 just three of the states/territories recorded annual declines in home prices, down from six over the year to September. National home prices rose 2.3 per cent over the year to December, the largest annual gain in 22 months.
- The strongest annual growth in home prices was in Tasmania (up 4.9 per cent), followed by Victoria (up 4.6 per cent); NSW (up 4.0 per cent); ACT (up 3.1 per cent); and Queensland (up 0.7 per cent).
- Home prices were lower than a year ago in the Northern Territory (down 7.8 per cent); Western Australia (down 7.5 per cent); and South Australia (down 0.1 per cent).

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

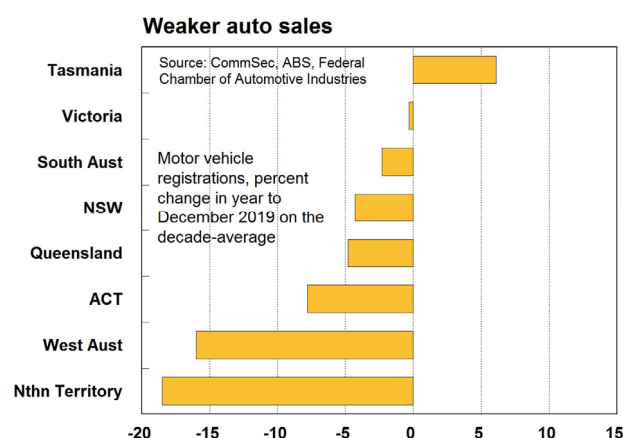
ANNUAL GROWTH RATES

TREND ANNUAL GROWTH %				
	Economic Growth	Retail Trade	Equip. Invest	Employment
NSW	2.9	-1.3	-6.9	2.0
VIC	4.9	0.4	4.4	2.9
QLD	5.0	1.7	0.0	2.3
SA	1.3	-0.4	-5.1	0.2
WA	12.9	-0.5	13.3	1.4
TAS	5.5	-0.7	-24.1	2.9
NT	4.7	-4.1	37.2	0.4
ACT	5.1	0.4	-5.0	3.3
AUST	5.6	-0.1	0.2	2.1

	Construct Work	Population	Housing Finance	Home Starts
NSW	-5.2	1.37	17.2	-31.2
VIC	-3.9	2.05	12.3	-15.3
QLD	-9.8	1.71	7.9	-27.3
SA	-5.4	0.87	5.3	-12.3
WA	-12.1	1.06	3.7	-3.5
TAS	3.8	1.13	3.6	-4.3
NT	-54.3	-0.48	-16.2	-16.2
ACT	-12.1	1.51	0.8	-44.1
AUST	-7.6	1.53	11.7	-23.5

- 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, Western Australia tops the annual changes on two measures. All other states and territories led the way on one measure, except South Australia.
- When looking across growth rates for the states and territories, Victoria exceeded the national-average on seven of the eight indicators from Tasmania, Western Australia and Queensland (three).
- At the other end of the scale, all of the other state and territory economies 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 only one change in the rankings with South Australia equal with Queensland.
- Tasmania is the only state or territory where annual new vehicle sales are above ‘normal’, up 6.1 per cent on decade average.
- But on the eight indicators used for comparison, Victoria is now solely at the top of the rankings. Tasmania is just ahead of NSW in second spot.
- Over the quarter Victoria improved one spot on dwelling starts and two spots on equipment investment. But Victoria fell one spot on both unemployment and housing finance.
- NSW fell two places on population growth. NSW also fell one spot on each of dwelling starts and relative unemployment. But NSW rose two places on housing finance.
- But in net terms there was no change between NSW and Tasmania. Tasmania fell two places on equipment investment.
- The ACT is solidly in fourth position. The ACT lost two spots on economic growth but gained two spots on relative unemployment. The ACT lifted one spot on dwelling starts.
- Queensland holds fifth position in the performance rankings. Queensland improved two spots on unemployment but lost two spots on equipment investment.
- South Australia gained two positions on relative population growth and lifted one position on equipment investment. But South Australia lost one position on each of housing finance, dwelling starts and unemployment.
- Western Australia stays in seventh spot but the state is continuing to narrow the gap with Queensland and South Australia, Western Australia lifted two spots on economic growth and lifted one spot on equipment investment but it lost one spot on relative 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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