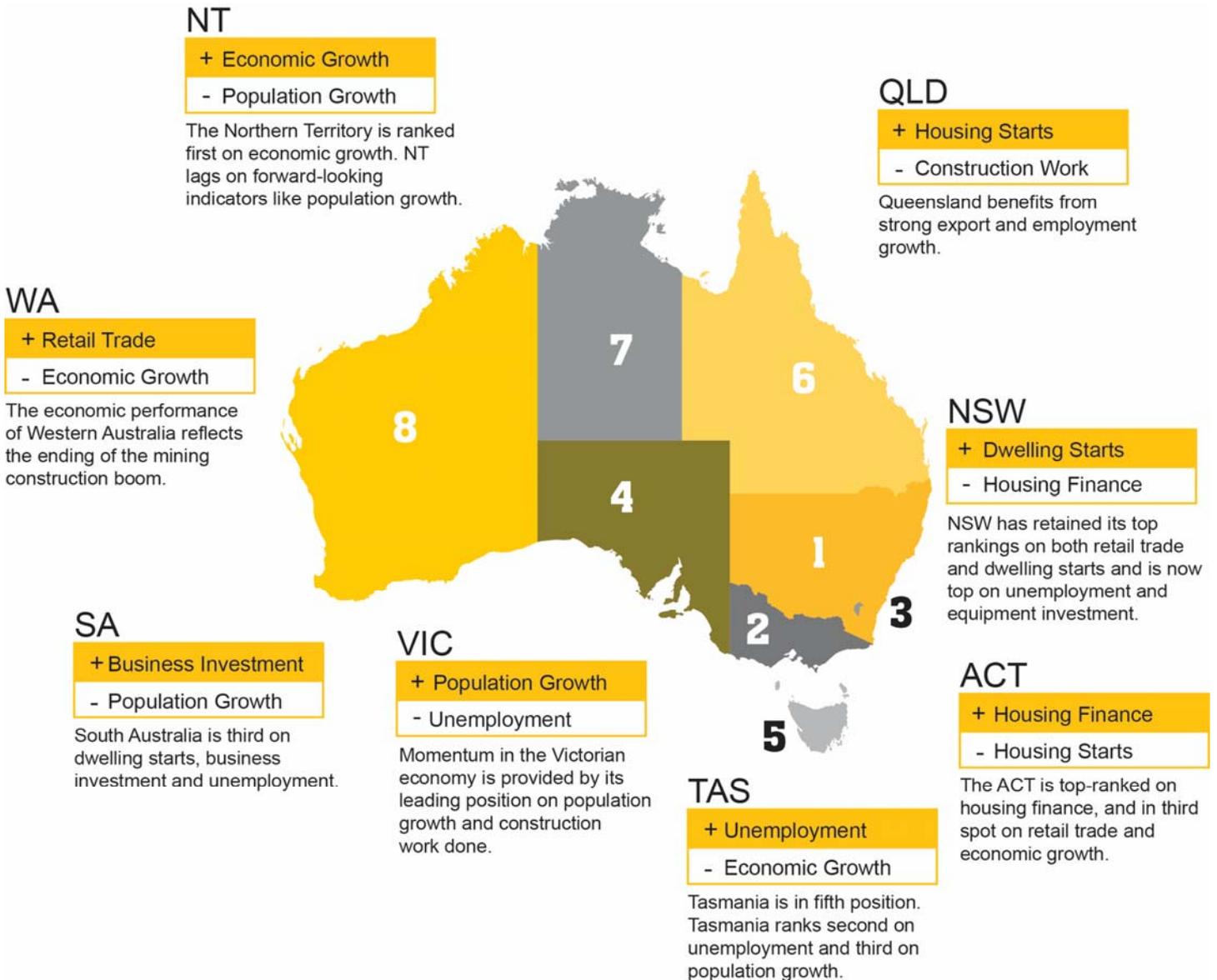


# State of the States

October 2017 State & territory economic performance report.  
Executive Summary



## NSW ON TOP; VICTORIA CLOSES IN

How are Australia's states and territories performing? Each quarter CommSec attempts to find out by analysing eight key indicators: economic growth; retail spending; business 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, 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.

The latest data shows Australia's economies to be in good shape but with some differences in relative performance. NSW remains on top while Victoria is not far behind, ahead of ACT. Then there is a gap to South Australia, Tasmania, Queensland, and the Northern Territory, then another gap to Western Australia.

**NSW** has retained the position as the best performing economy, at or near the top of all indicators.

**Victoria** holds second spot on the economic performance rankings with strength provided by high population growth, boosting housing demand.

**The ACT** retains third spot on the performance rankings but there has been a softening in the job market.

**South Australia** has lifted from sixth to fourth spot, just ahead of **Tasmania** and **Queensland**.

**Northern Territory** remains in seventh position.

**Western Australia** continues to lag other economies and annual growth rates remain below national averages on seven of eight indicators surveyed.

- NSW has retained its top rankings on both retail trade and dwelling starts and is now top on equipment investment and unemployment. NSW is second on three of the eight indicators. The lowest NSW ranking is third on housing finance.
- Victoria is second on the economic performance rankings with momentum provided by its leading position on population growth and construction work done. Victoria is second on four indicators.
- The ACT has held third spot on the rankings. The ACT is top-ranked on housing finance, and in third spot on retail trade and economic growth. But the ACT has slipped to seventh on the unemployment ranking.
- There is little to separate four of the other economies with a further gap to Western Australia.
- South Australia has lifted from sixth to fourth on the performance rankings. South Australia is third on dwelling starts, business investment and unemployment.
- Tasmania is in fifth position. Tasmania ranks second on unemployment and third on population growth and the improvement is leading to stronger retail and home building.
- Queensland is in sixth position but there is little to separate it from South Australia, Tasmania and Northern Territory. Queensland benefits from economy-leading job growth and strong export growth – growing at a 39 per cent annual rate.
- The Northern Territory retains its seventh position on the economic performance rankings.
- The Territory is top ranked on economic growth but has slipped from first to fourth on unemployment. And on forward-looking indicators like population growth, housing finance and home starts, the Territory lags other economies.
- The economic performance of Western Australia continues to reflect the ending of the mining construction boom. But the job market continues to improve with employment growth the strongest in 4½ years.

## Methodology

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

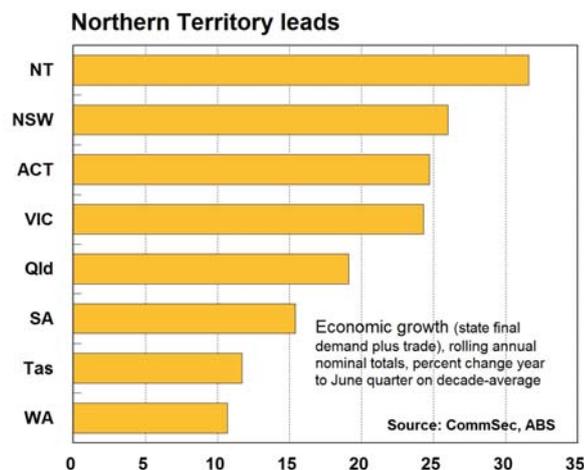
The aim is to find how each economy is performing compared with “normal”. And just like the Reserve Bank does with interest rates, we used decade-averages to judge the “normal” state of affairs. For each economy, the latest level of the indicator – such as retail spending or economic growth – was compared 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 4.4 per cent is the second lowest of all economies. But this jobless rate is 16.9 per cent higher than its ‘normal’ or decade-average rate. In contrast, NSW’s unemployment rate is actually 10.1 per cent below its decade average, putting it ahead of the ACT on this indicator.

Trend measures of the economic indicators were used to assess performance rather than more volatile seasonally adjusted or original estimates.

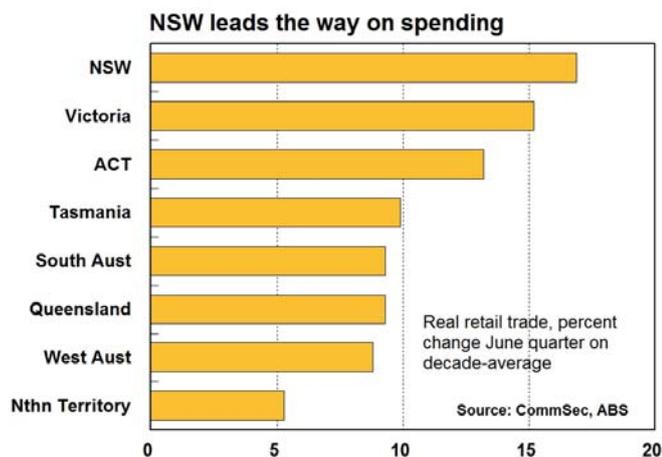
## ECONOMIC GROWTH



- 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 business spending) and 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 we now use state final demand plus trade in nominal terms and rolling annual totals are used to remove seasonality.
- The Northern Territory has retained top spot on economic growth. Economic activity in the ‘Top End’ is 31.6 per cent above its ‘normal’ or decade-average level of output.
- Next strongest is NSW, with output 26 per cent higher than the decade average level of output. Then follows the ACT (up 24.7 per cent) from Victoria (24.3 per cent).
- At the other end of the scale, economic activity in Western Australia in the June quarter was just 10.7 per cent above its decade average while Tasmanian activity was up 11.7 per cent, behind South Australia (up 15.4 per cent) and Queensland (up 19.1 per cent).
- The Northern Territory also has the fastest nominal annual economic growth rate in the nation, up by 14.5 per cent on a year ago, ahead of Queensland (up 8.2 per cent), NSW (up 7.0 per cent) and ACT (up 6.3 per cent).
- The weakest nominal annual growth rates are in South Australia and Tasmania (both up 2.9 per cent).
- In terms of economic growth, if trend State Final Demand in real terms is used, comparing the latest result with decade averages reveals some subtle changes in the rankings. Queensland performs better using the nominal data including trade due a strong lift in exports. In the year to June, Queensland exports were up 39 per cent on a year ago. Similarly Western Australian exports were up by 21 per cent on a year ago.

*“In the year to June, Queensland exports were up 39 per cent on a year ago.”*

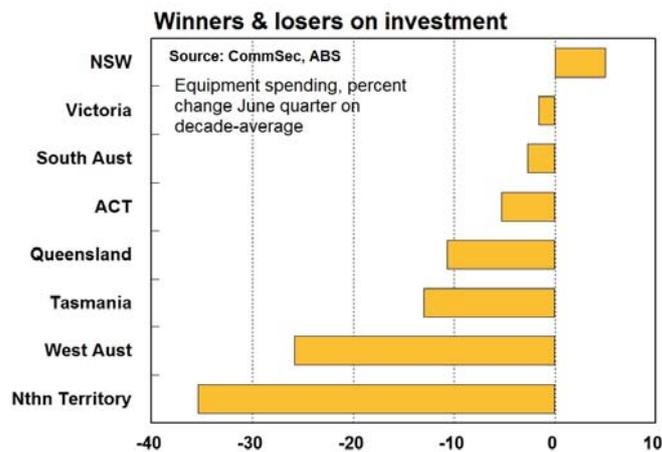
## RETAIL SPENDING



- The measure used was real (inflation-adjusted) retail trade in trend terms with June quarter data the latest available.
- NSW has maintained the top spot on the retail rankings, followed by Victoria. Tasmania lifted two positions while Western Australia lost two positions.
- Spending in NSW was 16.9 per cent above decade-average levels in the June quarter. Solid activity in the housing sector, low unemployment and higher home prices continue to support spending.
- Spending in Victoria was 15.2 per cent above decade-average levels, once again supported by home building and the strength in employment.
- Spending in the ACT was up 13.2 per cent on the decade average, followed by Tasmania (up 9.9 per cent). In fifth spot was South Australia with spending 9.3 per cent above decade averages followed by Queensland, with growth less than 0.1 percentage points behind.
- Northern Territory recorded the weakest result on retail spending, up 5.3 per cent on the decade average, below Western Australia with 8.8 per cent growth.
- If monthly retail trade was assessed instead to calculate the rankings (August data available), Queensland and South Australia would change positions with other positions unchanged.
- In terms of annual growth of real retail trade, Victoria is strongest (up 3.2 per cent), from South Australia (up 3.1 per cent) and ACT (up 2.8 per cent).
- Looking at monthly retail trade, Victoria is also strongest (up 4.1 per cent), from NSW (up 3.3 per cent) and Tasmania (up 3.2 per cent).

*“NSW has maintained the top spot on the retail rankings, followed by Victoria. Tasmania gained two positions while Western Australia lost two positions.”*

## BUSINESS INVESTMENT

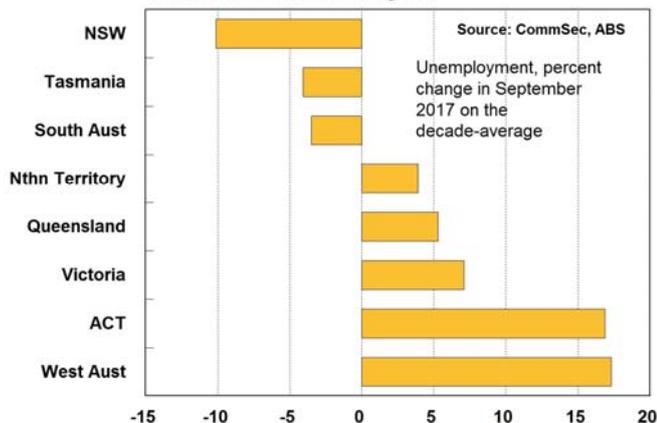


- The measure of business investment was spending on new plant and equipment in trend terms with June quarter data compared with decade averages (the ‘normal’ performance).
- Only NSW had business spending in the June quarter above decade-average levels with NSW equipment investment up 5 per cent. Still, equipment spending in Victoria was only 1.6 per cent lower than the decade average with South Australia 2.7 per cent below the longer-term average.
- By contrast, other states and territories had business spending solidly below decade averages in the June quarter. Weakest was the Northern Territory (down 35.4 per cent) with completion of the investment stage of a number of gas projects.
- Next weakest was Western Australia (down 25.8 per cent) followed by Tasmania (down 13 per cent) and Queensland (down 10.7 per cent).
- On a shorter-run analysis, equipment investment in the June quarter was higher than a year ago in six of the state and territory economies (up from four economies in the previous quarter).
- Business investment was up the most on a year ago in Tasmania (up 14.5 per cent) from Queensland (up 13.5 per cent), South Australia (up 11.9 per cent) and Western Australia (up 6.9 per cent).
- Notably equipment investment in Queensland, Western Australia, South Australia and Tasmania are all at their highest levels in two years.
- By contrast new business investment in the NSW was down 9.6 per cent on a year ago with Victorian investment down 1.9 per cent.

*“Notably equipment investment in Queensland, Western Australia, South Australia and Tasmania are all at their highest levels in two years.”*

## UNEMPLOYMENT

Winners & losers on jobs

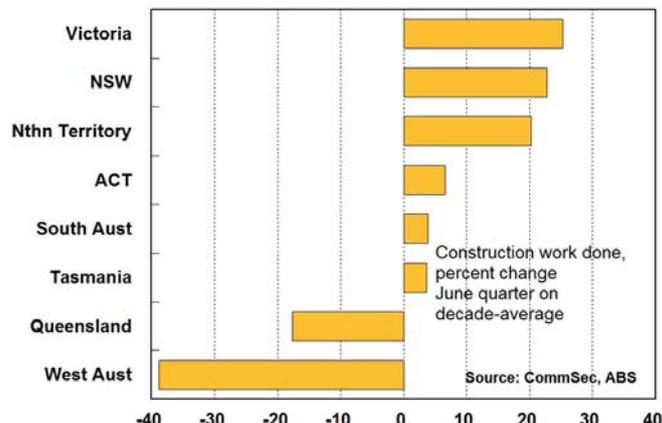


- Arguably NSW has the strongest job market in the nation. While jobless rates are lower in the Northern Territory and ACT, the NSW jobless rate of 4.6 per cent is just over 10 per cent below its decade average. And the NSW jobless rate is also the lowest in nine years.
- Tasmania has lifted from third on unemployment to second. The 5.9 per cent trend jobless rate is 4.1 per cent below the “normal” (decade-average). Tasmania also has a solid annual employment growth at 3.9 per cent, just below the fastest growth in 32 months.
- South Australia ranks third, its 5.8 per cent jobless rate is 3.5 per cent below the decade average and stands at a 5-year low.
- Northern Territory has slipped from first to fourth. The trend jobless rate stands at a 17-month high and is 3.9 per cent above the decade average.
- At the other end of the scale is Western Australia. Trend unemployment stands at 5.6 per cent, around 17 per cent higher than the 4.8 per cent ‘normal’ or decade-average.
- Next weakest is the ACT, its jobless rate is 16.9 per cent up on the decade average, from Victoria (jobless rate is 7.1 per cent above the decade average).
- In the middle of the pack is Queensland. The 5.9 per cent jobless rate in Queensland is still just over 5 per cent higher than the long-term average. But the trend jobless rate is near 4-year lows.
- Queensland also has the strongest annual employment rate (4.1 per cent), ahead of Tasmania (3.9 per cent) and Victoria (3.1 per cent).
- At the other end of the scale, employment in the Northern Territory is falling at a 2.4 per cent annual rate.

*“Queensland also has the strongest annual employment rate (4.1 per cent), ahead of Tasmania (3.9 per cent) and Victoria (3.1 per cent).”*

## CONSTRUCTION WORK

Victoria now leads construction work



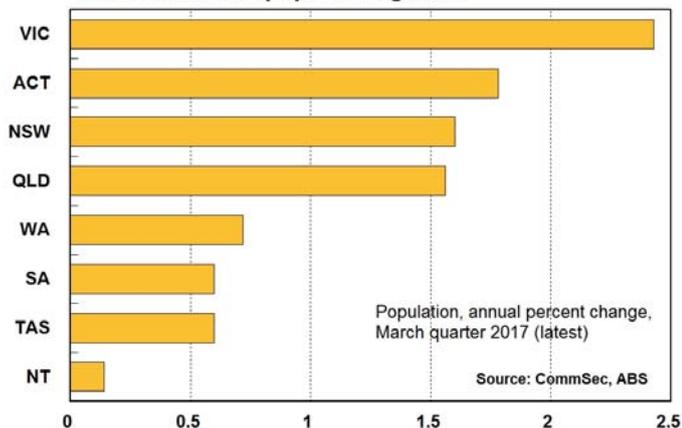
- The measure used for analysis was the total real value of residential, commercial and engineering work completed in trend terms in the June quarter.
- In six of the states and territories, construction work was higher than decade averages in the June quarter (previously five states).
- Leading the way was Victoria with construction work done 25.3 per cent above its decade average followed by NSW with activity up by 22.8 per cent. These states have moved past the Northern Territory due to solid home building and rising infrastructure demand.
- Victorian construction work done was also up 10.3 per cent on a year ago – the strongest growth in 7½ years.
- In third spot was the Northern Territory with activity up 20.2 per cent on the decade average.
- The ACT has remained in fourth position with construction work 6.6 per cent above decade averages followed by South Australia (up 3.9 per cent) and Tasmania (up 3.6 per cent).
- At the other end of the scale, Western Australian construction work done in the June quarter was almost 39 per cent below the decade average, behind Queensland with construction work down 17.7 per cent on decade averages.
- In terms of annual growth rates, South Australian construction work done in the June quarter was up 12.1 per cent on a year ago followed by Victoria (as noted above, up 10.3 per cent) and Tasmania (up 5 per cent).
- Only two economies had construction work lower than a year ago (previously four): Western Australia (down 30.5 per cent) and the Northern Territory (down 3.9 per cent).

*“Victorian construction work done was also up 10.3 per cent on a year ago – the strongest growth in 7½ years.”*

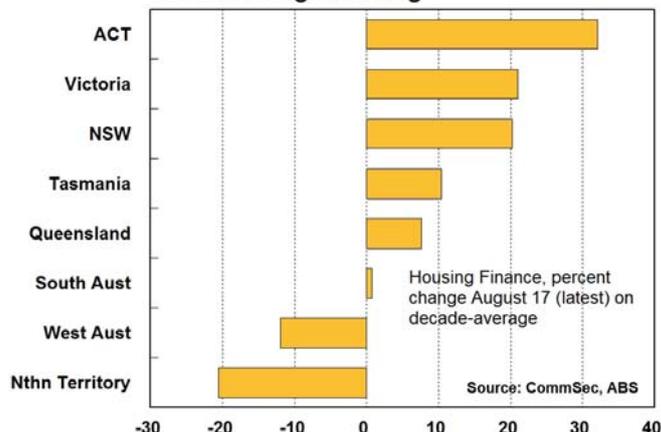
## POPULATION GROWTH

## HOUSING FINANCE

Victoria leads on population growth



Home lending still lifting



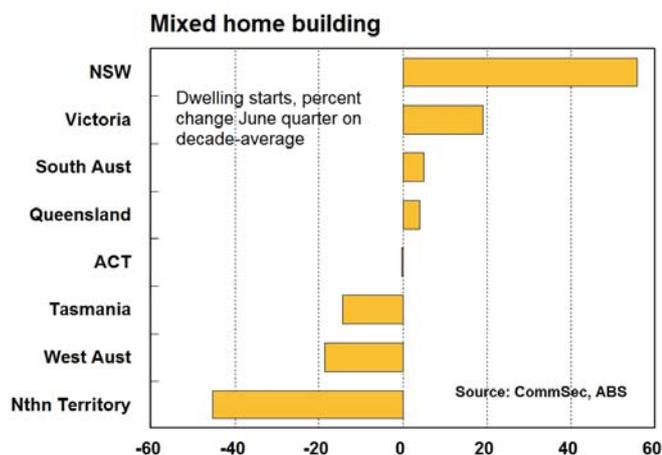
- To assess population performance we looked at the current annual growth rate and compared it with each economy's decade-average ('normal') growth pace.
- Population growth is clearly an important driver of the broader economy, especially retail spending and housing demand. The key point being that only three states have population growth above long-term averages.
- Victoria continues to record the strongest annual population growth as well as holding first place on the differential with the decade-average rate. Victoria's population is 2.43 per cent higher than a year ago (the strongest growth since 1960) and this growth rate is 19.7 per cent above the 'normal' or decade-average level.
- NSW now has the third highest annual growth rate in Australia at 1.60 per cent, behind the ACT with 1.78 per cent. But the NSW annual growth rate is 14.3 per cent above the decade average, ahead of the ACT.
- Tasmania's annual population growth rose from 0.44 per cent to a 6-year high of 0.60 per cent in the March quarter and was 8.1 per cent higher than its decade average – ranking third on this metric.
- Population growth in the ACT was down 4.3 per cent on the decade average, ahead of Queensland (down 17.4 per cent), South Australia (down 37.9 per cent) and Western Australia (down 66.9 per cent on the decade average).
- The state or territory with the slowest annual population growth is the Northern Territory, up just 0.14 per cent on a year ago and down over 91.1 per cent on the decade average – the weakest in the nation.

- 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 six of the states and territories – the ACT, Victoria, NSW, Tasmania, Queensland and South Australia – trend housing finance commitments are above decade averages. And in all these economies except Queensland and South Australia, the trend number of commitments are above year-ago levels.
- The ACT remains in top spot with the number of commitments up by 32.1 per cent on the long-term average. Next strongest was Victoria (up 21 per cent on decade averages) followed by NSW (up 20.2 per cent).
- Tasmania retains fourth spot on housing finance, with commitments 10.4 per cent higher than the decade average. Queensland is now next strongest (up 7.6 per cent on decade averages) ahead of South Australia (up 0.7 per cent).
- Northern Territory remains the weakest for housing finance with trend commitments 20.6 per cent lower than its decade average. Commitments in Western Australia are down 12 per cent on the decade-average.
- Annual growth of home loans is strongest in the ACT (up 17.0 per cent) from Victoria (up 8.6 per cent).

*“NSW now has the third highest annual growth rate in Australia at 1.60 per cent, behind the ACT with 1.78 per cent.*”

*“The ACT remains in top spot with the number of commitments up by 32.1 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 mixed across the nation. The NSW market remains strong, responding to above “normal” population growth. And home building is also strong in Victoria. By contrast, starts in Western Australia are at the lowest levels in almost 5 years.
- NSW remains in top spot for dwelling starts with commencements almost 56 per cent above decade averages. But activity is slowing as demand is being met. In the June quarter the number of dwellings started was 10 per cent lower than a year earlier.
- Victoria is now in second spot behind NSW, with starts 19.1 per cent above decade averages. South Australian starts are 5.0 per cent above decade averages, followed by Queensland (up 4.1 per cent).
- At the other end of the scale, dwelling starts in the Northern Territory were 45.3 per cent below decade averages. And in the June quarter, starts were down 32.3 per cent on a year earlier. Next weakest was Western Australia (down 18.7 per cent from decade averages) from Tasmania (down 14.4 per cent on the decade average) and the ACT (down 0.2 per cent).
- In terms of annual growth, only Tasmania had dwelling starts up on a year earlier, up by just 2.2 per cent although starts in Victoria were only down 0.8 per cent on a year earlier.

*“Victoria is now in second spot behind NSW, with starts 19.1 per cent above decade averages.”*

## OTHER INDICATORS

### WAGES & PRICES\*

	Wages Jun Qtr	CPI Jun Qtr	Home Prices Sept
NSW	2.0	2.2	10.5
Victoria	2.0	2.2	12.1
Queensland	1.9	1.8	2.9
South Australia	2.1	1.6	5.0
Western Australia	1.4	0.7	-2.9
Tasmania	2.0	2.3	14.3
Northern Territory	2.1	0.5	-4.7
ACT	1.9	2.1	7.8

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

- Consumer prices were higher across all capital cities in the year to the June quarter. The weakest result was in Darwin with prices up just 0.5 per cent over the year. And prices in Perth were up by just 0.7 per cent on a year ago.
- While consumer prices are rising, annual rates of growth remain historically low. Currently annual inflation rates in each capital city are generally little different from annual wage growth.
- The biggest gap between wage growth and inflation was recorded in the Northern Territory with wages 1.6 percentage points higher than consumer prices. Wage growth was little different than most of the other states or territories, however inflation was the lowest.
- Hobart had the highest annual inflation rate, ahead of Sydney and Melbourne.
- Wage growth was highest in South Australia and the Northern Territory (both 2.1 per cent) while wages in Western Australia were up just 1.4 per cent on a year ago.
- Turning to home prices, in September 2017 six of the capital cities had positive annual growth of home prices. This result was in line with the report published three months ago for the month of June. Price growth in the south-eastern capital cities stand in contrast to other parts of the country.
- The strongest annual growth in home prices was in Hobart (up 14.3 per cent) followed by Melbourne (up 12.1 per cent), Sydney (up 10.5 per cent), Canberra (up 7.8 per cent), Adelaide (up 5.0 per cent) and Brisbane (up 2.9 per cent).
- Home prices were lower than a year ago in Darwin (down 4.7 per cent) and Perth (down 2.9 per cent).

*“Hobart had the highest annual inflation rate, ahead of Sydney and Melbourne...”*

## ANNUAL GROWTH RATES

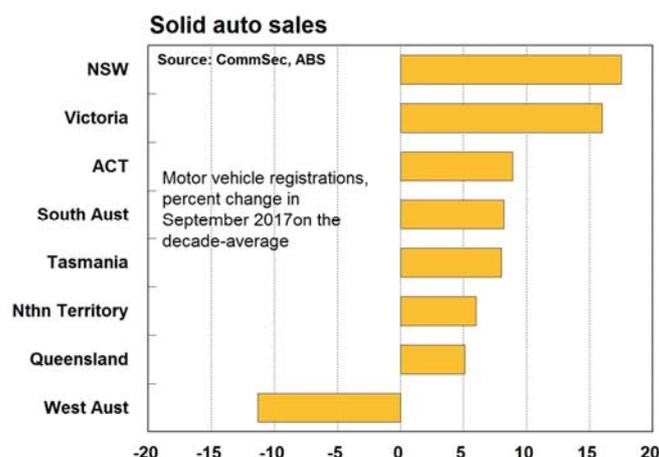
TREND ANNUAL GROWTH %				
	<i>Economic Growth</i>	<i>Retail Trade</i>	<i>Equip. Invest</i>	<i>Employment</i>
NSW	7.0	2.5	-7.0	2.1
VIC	6.1	3.2	6.9	3.1
QLD	8.2	1.4	7.7	4.1
SA	2.9	3.1	10.6	1.9
WA	3.4	0.0	-21.9	2.9
TAS	2.9	2.4	1.5	3.9
NT	14.5	0.6	19.3	-2.4
ACT	6.3	2.8	8.9	2.0
<b>AUST</b>	<b>3.5</b>	<b>2.2</b>	<b>-4.0</b>	<b>2.8</b>

	<i>Construct Work</i>	<i>Pop-ulation</i>	<i>Housing Finance</i>	<i>Home Starts</i>
NSW	4.9	1.60	7.1	-9.8
VIC	10.3	2.43	8.6	-0.8
QLD	0.9	1.56	-0.2	-24.4
SA	12.1	0.60	-8.4	-3.1
WA	-30.5	0.72	-6.4	-15.2
TAS	5.0	0.60	2.6	2.2
NT	-3.9	0.14	-5.2	-32.3
ACT	-6.2	1.78	17.0	-19.5
<b>AUST</b>	<b>-2.0</b>	<b>1.61</b>	<b>3.5</b>	<b>-11.3</b>

- 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 recent experience. And by ‘recent 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. By 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, Victoria and the Northern Territory tops growth on two measures each. South Australia, Tasmania, Queensland and the ACT lead the way on the other four.
- When looking across growth rates for the states and territories, Victoria exceeds the national-average on all eight indicators.
- At the other end of the scale, Western Australia has annual growth rates below the national average on seven of the eight indicators while Northern Territory underperforms on six indicators with South Australia and Queensland under-performing on four indicators.

## LOOKING AHEAD



- If new vehicle registrations are added to the list of indicators, then there would be no change to the economic performance rankings. NSW is the strongest on new vehicle sales, up 17.5 per cent on decade averages. And annual growth of sales is strongest in Northern Territory (up 6.4 per cent).
- NSW remains on top of the economic performance rankings but Victoria has narrowed the gap. Both states have relatively high population growth, underpinning home building and retail spending.
- Victoria remains in second on the performance rankings and has lifted in four of the eight indicators as well as out-performing all other economies on annual growth rates.
- The ACT remains in third spot but it has lost economic momentum with the jobless rate edging higher while experiencing a slowdown in new home building.
- NSW, Victoria and ACT still represent the top-tier of economies. There is still little to separate South Australia, Tasmania, Queensland, and Northern Territory.
- South Australia lifts from sixth to fourth with improvement in the job market serving to boost retail spending and new home starts.
- Tasmania slips from fourth spot to fifth with some softening in the relative position on retail spending and overall construction work done.
- Queensland has slipped to sixth but as noted there is little to separate it from Tasmania and South Australia. Queensland employment is now the strongest in the nation. The state is also still being buoyed by strong export activity.
- The Northern Territory remains in seventh spot. The outlook for the Northern Territory is constrained by weak population growth.
- Western Australia is benefitting from stronger employment growth – the 2.9 per cent annual growth rate now the best in 4½ years. The stronger job market has potential to lift retail and housing activity.

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