

State of the States

April 2019 State & territory economic performance report.
Executive Summary

NT

- + Job Market
- Population Growth

The Northern Territory is seventh-ranked on economic growth & the job market. But lags on six of the indicators.

QLD

- + Dwelling Starts
- Job Market

Queensland retains sixth spot on the performance rankings. The key area of strength is relative economic growth.

WA

- + Equipment Spending
- Job Market

Western Australia is seventh or eighth on all indicators. But exports are growing strongly.



NSW

- + Retail Trade
- Housing Finance

NSW is second-ranked on all but one of the eight indicators.

SA

- + Equipment Spending
- Population Growth

South Australia retains fifth position on the performance rankings ahead of Queensland. South Australia is third-ranked on business spending.

VIC

- + Job Market
- Equipment Spending

Victoria ranks first on four of the eight economic indicators.

TAS

- + Population Growth
- Job Market

Tasmania has joined the ACT in third spot with higher population growth driving new home purchases and business investment.

ACT

- + Housing Finance
- Equipment Spending

The ACT is in joint third spot in the rankings. The ACT is top-ranked on housing finance and dwelling starts.

NSW & VICTORIA TOP THE RANKINGS

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.

For the second consecutive quarterly survey Victoria and NSW share the title of the best performing economy.

The ACT is now in joint third position with Tasmania. Then there is a gap to South Australia and Queensland. And in the fourth grouping is 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 is in now equal third spot on the performance rankings with strength in the building and purchase of homes.

Tasmania has joined the ACT in third spot with higher population growth driving new home purchase and business investment.

South Australia remains in fifth spot from **Queensland** and is ahead of the latter on five of the eight indicators.

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

- **NSW and Victoria** remain tied in first position in the overall economic performance rankings.
- **NSW** is consistently strong across the indicators and is second-ranked on seventh of the eight indicators
- **Victoria** ranks first on economic growth, retail trade, the job market and construction work done. Victoria's lowest ranking is fifth on dwelling starts.
- **The ACT** is now joined in third spot on the rankings by Tasmania. The ACT is top-ranked on housing finance and dwelling starts and is third ranked on retail trade and unemployment.
- **Tasmania** has edged up in the performance rankings to equal third position. 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, fourth on the job market and housing finance and fifth on two indicators.
- **Queensland** retains sixth position. The key area of strength is relative economic growth (third-ranked). But Queensland is fourth on dwelling starts, fifth on relative population growth and the job market and sixth on four indicators.
- **Western Australia** retains its seventh position on the economic performance rankings and can be broadly grouped with **Northern Territory**. Both economies continue to face challenges with the transition of resource projects moving from the production to the export phase.
- **Western Australia** is seventh on six of the indicators and eighth on relative economic growth and the job market. Encouragingly, annual population growth is now the strongest in three years.
- **The Northern Territory** is seventh-ranked on economic growth and the job market. And it lags all other states and territories on the other six 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.

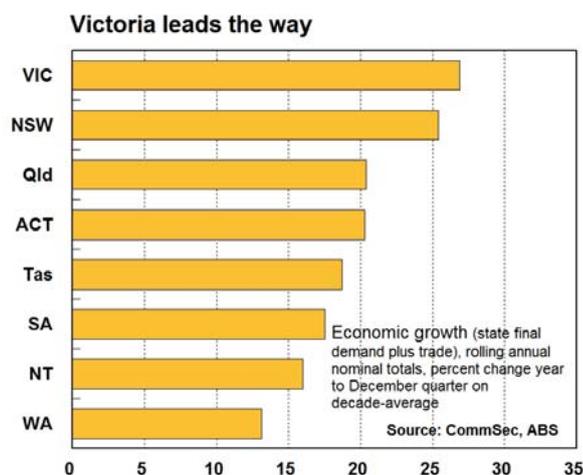
The aim is to find how each economy is performing compared with "normal". And just like the Reserve Bank does with interest rates, we used decade-averages to judge the "normal" state of affairs. For each economy, the latest level of the indicator – such as retail spending or economic growth – was compared 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 8.7 per cent lower than its 'normal' or decade-average rate. However Victoria's unemployment rate, while higher at 4.6 per cent, is actually 18.7 per cent below its decade average, putting it ahead of the ACT on this indicator. The Victorian jobless rate has only been bettered one in the past decade 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.

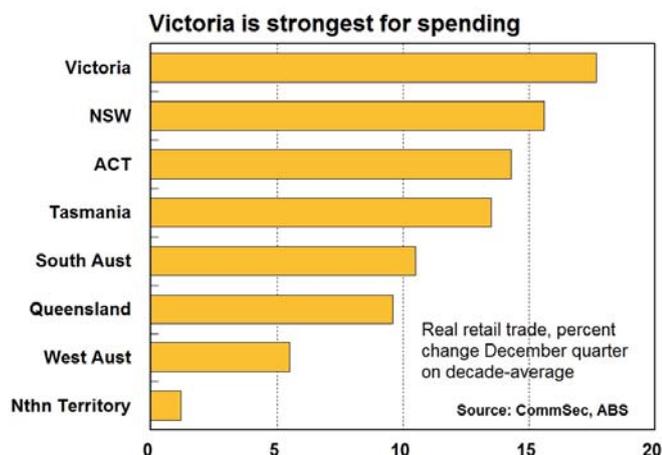
ECONOMIC GROWTH



- 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 December quarter was 26.9 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.
- Queensland is now in third position, lifting two spots, (up 20.5 per cent) from the ACT (up 20.3 per cent) and Tasmania (up 18.7 per cent).
- At the other end of the scale, economic activity in Western Australia in the December quarter was 13.2 per cent above its decade average while activity in the Northern Territory was up by 16.1 per cent, behind South Australia (up 17.5 per cent).
- Western Australia records the fastest nominal economic growth, up 9.0 per cent over the year to December, supported by stronger exports and weaker imports. Next is Tasmania (up 7.3 per cent), from the ACT (up 5.8 per cent) and Victoria and Queensland (up 5.6 per cent).
- The weakest nominal annual growth rates are in Northern Territory (down by 6.7 per cent) and South Australia (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. Victoria still leads from NSW but with Northern Territory in third spot from ACT and South Australia.

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

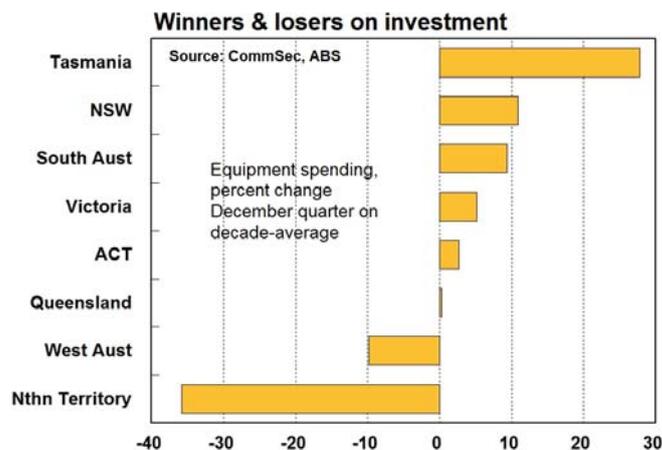
RETAIL SPENDING



- The measure used was real (inflation-adjusted) retail trade in trend terms with December quarter data the latest available.
- There have been no changes in the rankings from the prior quarter. Victoria remains in top spot on the retail rankings, ahead of NSW.
- Spending in Victoria was 17.7 per cent above decade-average levels in the December quarter. Strong population growth, low unemployment, increased job security and infrastructure building are key supports for retail spending.
- Spending in NSW was 15.6 per cent above decade-average levels, once again supported by home building, infrastructure building and firm employment.
- Spending in the ACT was up 14.3 per cent on the decade average, followed by Tasmania (up 13.5 per cent). In fifth spot was South Australia with spending 10.5 per cent above decade averages followed by Queensland, with spending up by 9.6 per cent.
- Northern Territory recorded the weakest result on retail spending, up just 1.2 per cent on the decade average, below Western Australia with 5.5 per cent growth.
- If monthly retail trade was assessed instead to calculate the rankings (February data available), there would be no change in the relative rankings except Queensland and South Australia would change places.
- In terms of annual growth of real retail trade, Victoria is strongest (up 4.1 per cent), from Tasmania (up 3.6 per cent) and the ACT (up 3.1 per cent).
- Looking at annual growth of monthly retail trade, the ACT (up 4.3 per cent) is now ahead of Victoria (up 4.2 per cent) and Tasmania (up 3.5 per cent).

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

EQUIPMENT INVESTMENT

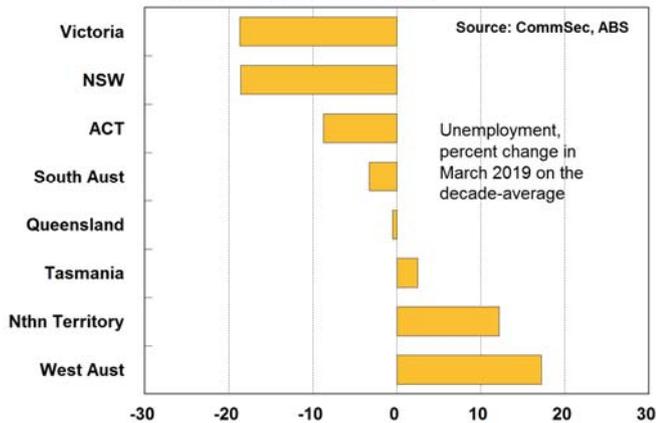


- The measure of equipment investment is spending on new plant and equipment in trend terms with December quarter data compared with decade averages (the ‘normal’ performance).
- In the December quarter six states and territories had equipment spending above decade-average levels, up from five states in the September quarter.
- Tasmania had equipment investment up 27.8 per cent on the decade average ahead of NSW (up 10.9 per cent) and South Australia (up 9.4 per cent).
- Victoria has lifted from fifth to fourth (up 5.2 per cent). And the ACT has slipped from fourth to fifth (up 2.7 per cent). Queensland is sixth (up 0.3 per cent).
- The other states and territories had equipment spending below decade averages in the December quarter. Weakest was Northern Territory (down 35.8 per cent) reflecting the completion of the investment stage for a number of gas projects.
- Next weakest was Western Australia (down 9.8 per cent).
- On a shorter-run analysis, equipment investment in the December quarter was up on a year ago in six of the state and territory economies, down from seven in the September quarter.
- Equipment investment was up the most on a year ago in South Australia (up 24.1 per cent) from Queensland (up 11.3 per cent).
- Equipment investment in South Australia is near 7-year highs with Queensland investment near 4-year highs.
- New equipment investment in the Northern Territory was down 21.3 per cent on a year ago with investment in the ACT down 3.4 per cent.

“Tasmania had equipment investment up 27.8 per cent on the decade average ahead of NSW (up 10.9 per cent)...”

UNEMPLOYMENT

Winners & losers on jobs

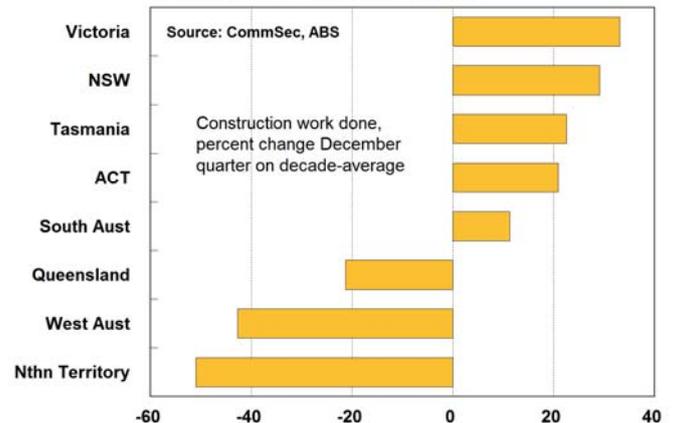


- What state or territory has the strongest job market in the nation? It is not an easy answer. But we have looked at unemployment rates across the state and territory economies, comparing the rates with decade averages.
- On this measure, Victoria has the strongest job market. Trend unemployment in Victoria stands at 4.6 per cent, a rate 18.7 per cent below the decade average. Employment is also 14.1 per cent above the decade average.
- Next best is NSW, its 4.3 per cent record low jobless rate being 18.6 per cent below the decade average. The ACT comes next from South Australia and Queensland – all with jobless rates below their relative decade averages.
- Next is Tasmania – the 6.5 per cent jobless rate is 2.5 per cent higher than the long-term average.
- The Western Australian jobless rate of 6.1 per cent is just over 17 per cent above the 5.2 per cent decade-average.
- The Northern Territory jobless rate of 4.4 per cent is actually the third lowest of states and territories but is now 12.2 per cent above the 3.9 per cent decade average.
- Victoria also has the strongest annual employment rate (up 3.9 per cent), above NSW (up 3.0 per cent) and Queensland (up 1.5 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 4.6 per cent in March, a level only bettered once in the past decade. The Queensland jobless rate hasn't been lower in 5½ years. And the West Australian jobless rate is at 15-month lows.

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

CONSTRUCTION WORK

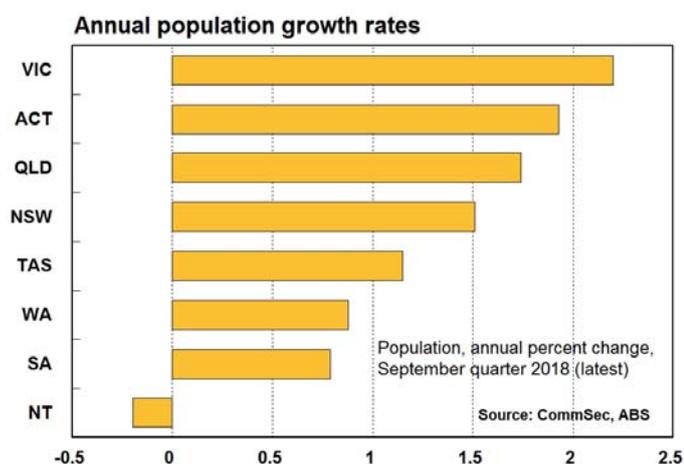
Victoria leads on construction



- The measure used for analysis was the total real value of residential, commercial and engineering work completed in trend terms in the December quarter.
- In five of the states and territories, construction work in the December quarter was higher than the decade average (the same number as the previous quarter).
- Victoria has retained top spot with construction work done 33.1 per cent above its decade average. NSW construction was next strongest, 29.1 per cent above the 'norm' or decade-average followed by Tasmania (up 22.5 per cent).
- ACT is in to fourth position with construction work 20.9 per cent above decade averages. South Australia has slipped from third to fifth (up 11.3 per cent).
- In Tasmania and the ACT construction work done was at record highs in the December quarter.
- At the other end of the scale, Northern Territory construction work done in the December quarter was 51.0 per cent below the decade-average, behind Western Australia with construction work down 42.7 per cent on decade averages and Queensland (down 21.3 per cent).
- In terms of annual growth rates, Tasmanian construction work done in the December quarter was up 25.5 per cent on a year ago followed by ACT (up 12.9 per cent) and Victoria (up 9.2 per cent).
- Three economies had construction work lower than a year ago (same as September quarter) led by the Northern Territory with construction down by 59.2 per cent
- Western Australian construction was down by 11.0 per cent on a year ago followed by Queensland, down 8.6 per cent.

"Victoria has retained top spot with construction work done 33.1 per cent above its decade average."

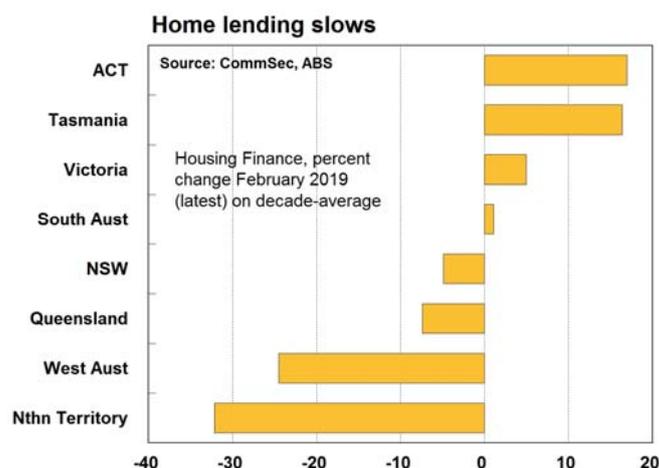
POPULATION GROWTH



- 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 1.15 per cent annual population growth rate almost 100 per cent above the decade-average rate.
- Population growth in NSW is 7.1 per cent above the decade average, followed by Victoria (up 5.5 per cent) and the ACT (up 0.9 per cent).
- Annual population growth rates in the other states and territories were below decade averages: Queensland (-0.4 per cent); South Australia (-12 per cent); Western Australia (-52.1 per cent); and Northern Territory (-114.8 per cent).
- The state with the fastest *absolute* annual population growth is still Victoria (up 2.20 per cent). Next strongest is the ACT (up 1.93 per cent); Queensland (up 1.74 per cent) and NSW (up 1.51 per cent).
- By contrast, the Northern Territory population shrank by 0.18 per cent over the past year – the biggest decline in 15 years.
- Tasmania’s annual population growth of 1.15 per cent is the fastest rate in a decade.
- Western Australia’s annual population growth of 0.88 per cent is the fastest rate for over three years.

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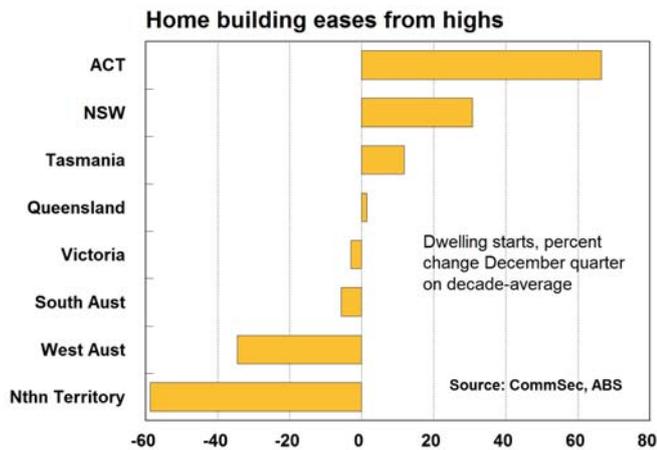
HOUSING FINANCE



- 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 no change in the rankings over the past three months. In only four of the states and territories are trend housing finance commitments above decade averages (previously six). And in all but two states or territories is trend housing finance below year-ago levels.
- The ACT remains in top spot with the number of commitments up by 17 per cent on the long-term average. Next strongest is Tasmania (up 16.4 per cent on decade averages) followed by Victoria (up 5.0 per cent) ahead of South Australia (up 1.1 per cent).
- Northern Territory remains the weakest for housing finance with trend commitments 32.1 per cent lower than its decade average. Commitments in Western Australia are down 24.5 per cent on the decade-average, followed by Queensland (down 7.4 per cent) and NSW (down 4.9 per cent).
- In terms of annual growth, Tasmania is strongest, up 3.9 per cent, from South Australia, up 0.1 per cent.
- Northern Territory and NSW have the weakest annual comparisons with trend home loan commitments in both economies down 14.8 per cent on a year ago.

“The ACT remains in top spot with the number of commitments up by 17 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 now below long-term averages with supply and demand moving into balance.
- The ACT remains in top spot for dwelling starts, ahead of NSW. In trend terms starts in the ACT were 66.6 per cent above decade-averages, ahead of NSW (up almost 31 per cent on the “normal” or decade-average level of starts).
- Tasmania is now in third spot with starts up 11.8 per cent on decade averages from Queensland (up 1.4 per cent).
- At the other end of the scale, dwelling starts in the Northern Territory were 58.8 per cent below decade averages. Next weakest was Western Australia (down 34.6 per cent); from South Australia (down 5.7 per cent); and Victoria (down 3.1 per cent).
- In terms of annual growth, six of the states and territories had starts below a year earlier in the December quarter, compared with five economies in the September quarter. Dwelling starts in the ACT were up 92.3 per cent on a year and just off record highs. Starts in Tasmania were up 1.6 per cent on a year earlier.
- At the other end of the scale, starts in the Northern Territory were down 32.6 per cent on a year earlier to record lows. Victorian dwelling starts were down by 24.8 per cent on a year ago to 5-year lows.

“The ACT remains in top spot for dwelling starts, ahead of NSW.”

OTHER INDICATORS

WAGES & PRICES*

	Wages Dec Qtr	CPI Dec Qtr	CPI Mar Qtr	Home Prices March
NSW	2.4	1.7	1.3	-9.5
Victoria	2.7	2.0	1.2	-8.4
Queensland	2.3	1.5	1.5	-1.5
South Australia	2.3	1.6	1.3	0.6
Western Australia	1.6	1.3	1.1	-7.9
Tasmania	2.6	3.0	2.1	6.5
Northern Territory	2.2	1.2	0.4	-6.1
ACT	2.0	2.5	1.8	3.1
AUST	2.3	1.8	1.3	-6.9

* Annual % change. Source: ABS, CoreLogic, CommSec
CPI - Consumer Price Index Wages - Wage Price Index
Home prices - States & Territories

- Inflation rates (annual changes of consumer prices) were stable or lower between the December and March quarters. Darwin recorded the lowest annual increase in prices (up 0.4 per cent) while Perth was next lowest with prices up by 1.1 per cent over the past year.
- Hobart had the highest annual inflation rate in the March quarter at 2.1 per cent, ahead of Canberra (1.8 per cent).
- Inflation rates and annual wage growth are historically low across capital cities.
- To assess real wage growth, December quarter data is used. And the biggest positive gap between wage growth and inflation was recorded in Northern Territory with wages 1.0 percentage point higher than consumer prices.
- By contrast wages were 0.5 percentage points below consumer prices in the ACT. And Tasmanian wages were 0.4 percentage points below consumer prices.
- Wage growth in the year to December was strongest in Victoria (2.7 per cent) ahead of Tasmania (up by 2.6 per cent) while wages in Western Australia were up by only 1.6 per cent.
- Assuming wage growth was maintained at current levels or rose further in the March quarter, real wage growth would also lifted.
- Turning to home prices, in March 2019 five of the capital cities recorded annual declines in home prices, up from four in the year to December.
- The strongest annual growth in home prices was in Tasmania (up 6.5 per cent), followed by the ACT (up 3.1 per cent) and South Australia (up 0.6 per cent).
- Home prices were lower than a year ago in NSW (down by 9.5 per cent) from Victoria (down 8.4 per cent), Western Australia (down 7.9 per cent). Northern Territory (down 6.1 per cent) and Queensland (down 1.5 per cent).

“Wage growth in the year to December was strongest in Victoria (2.7 per cent)...”

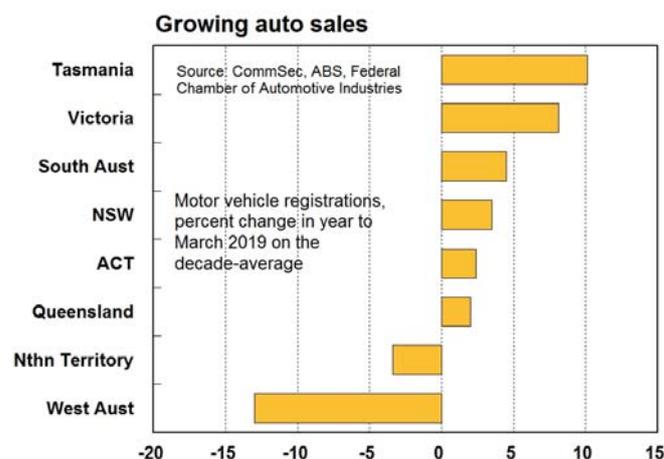
ANNUAL GROWTH RATES

TREND ANNUAL GROWTH %				
	<i>Economic Growth</i>	<i>Retail Trade</i>	<i>Equip. Invest</i>	<i>Employment</i>
NSW	4.8	1.4	6.0	3.0
VIC	5.6	4.1	4.2	3.9
QLD	5.5	2.0	11.3	1.5
SA	4.1	0.6	24.1	0.8
WA	9.0	-0.8	7.1	0.2
TAS	7.4	3.6	8.1	-0.9
NT	-6.7	-1.8	-21.3	-3.5
ACT	5.8	3.1	-3.4	-0.7
AUST	6.1	2.0	7.6	2.4

	<i>Construct Work</i>	<i>Population</i>	<i>Housing Finance</i>	<i>Home Starts</i>
NSW	3.5	1.51	-14.8	-7.3
VIC	9.2	2.20	-10.6	-24.8
QLD	-8.6	1.74	-11.8	-10.4
SA	1.5	0.79	0.1	-23.3
WA	-11.0	0.88	-6.3	-20.3
TAS	25.5	1.15	3.9	1.6
NT	-59.2	-0.18	-14.8	-32.6
ACT	12.9	1.93	-5.7	92.3
AUST	-1.5	1.60	-10.6	-14.4

- 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, Victoria is top on growth on three measures, ahead of Tasmania (top on two measures). The ACT, South Australia and Western Australia lead the way on one measure.
- When looking across growth rates for the states and territories, Tasmania exceeded the national-average on sixth of the eight indicators from ACT (five) and Victoria (four) and NSW, Queensland and South Australia (three).
- At the other end of the scale, Northern Territory under-performed the national result on all indicators. Western Australia 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 Victoria would take the mantle as best-performing economy, ahead of NSW. And Tasmania would move ahead of the ACT economy into third position.
- Tasmania is the actually strongest on new vehicle sales, up 10.1 per cent on decade averages. Victoria is second and South Australia in third position.
- But on the eight indicators used for comparison, NSW and Victoria are jointly at the top of the rankings. Both states have broad-based economic strength, underpinned by population growth, construction and investment activity. Strong job markets provide support for local economies but housing markets will continue to soften in the period ahead – both home building and home loans.
- Over the quarter NSW lifted one place on relative population growth. But Victoria fell one place on two indicators and rose one place on two other indicators.
- The ACT is joined by Tasmania in third spot on the performance rankings. The biggest move by the ACT on the individual indicator rankings was losing two spots on relative population growth and losing one position on business investment.
- Tasmania is now in equal-third position. Tasmania gained two spots on relative economic growth and dwelling starts but lost two spots on the job market.
- South Australia remains in fifth position in the rankings, improving its relative position on the job market but losing two spots on construction work.
- Queensland is in sixth position in the performance rankings but it has been the big improver over the last quarter, narrowing the gap to South Australia. Queensland has lifted on three of the indicators and lost one spot.
- Western Australia stays in seventh spot with the Northern Territory in eighth position. In both Western Australia and the Northern Territory exports are rising strongly. Rolling annual exports in Western Australia are up 17.7 per cent on a year ago with exports up 38.7 per cent in the Northern Territory.

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