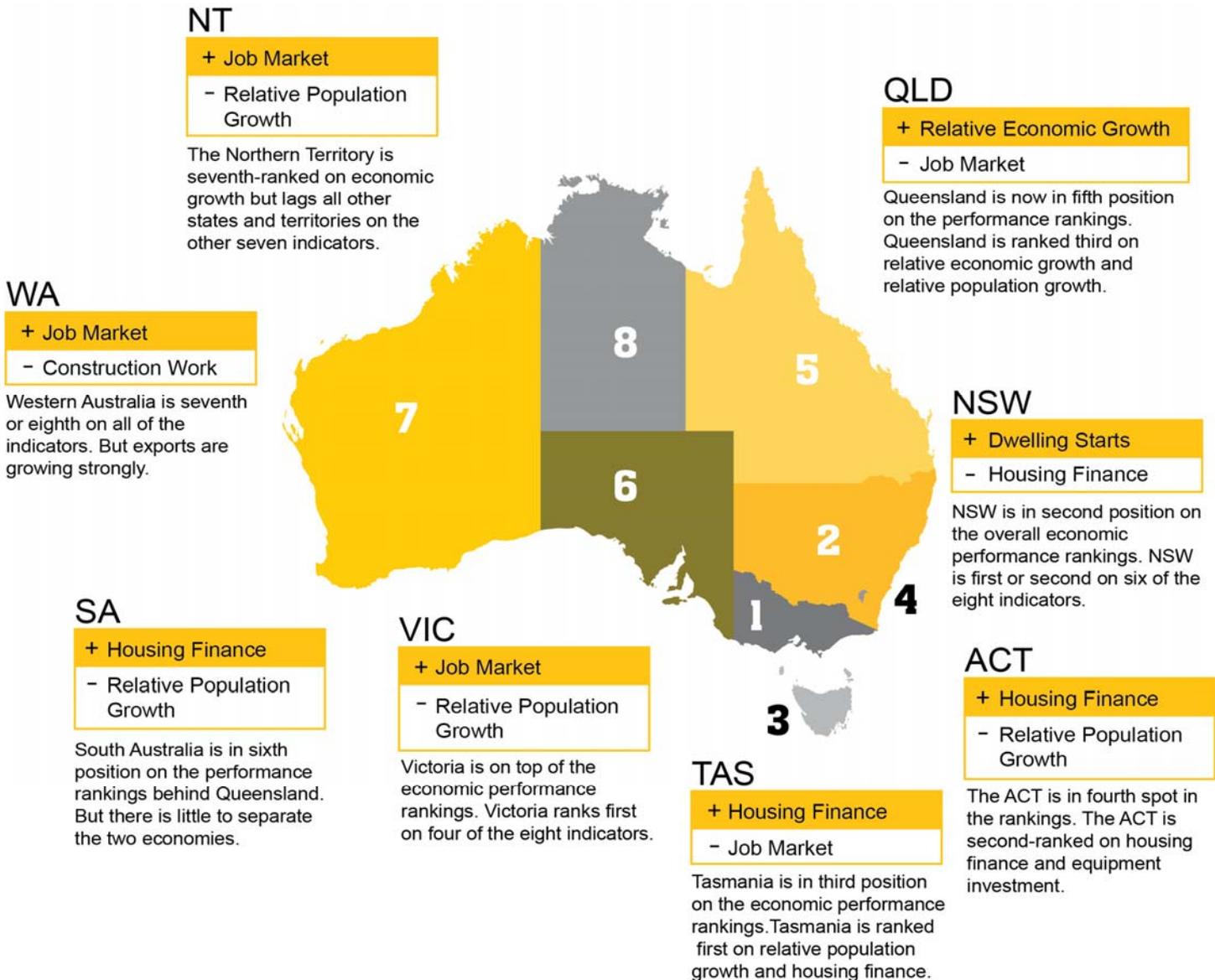


# State of the States

July 2019 State & territory economic performance report.  
Executive Summary



## VICTORIA TOPS 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 first time in three quarterly surveys, Victoria is the best performing economy in its own right. NSW is now in second spot. Also Tasmania is now solely in third spot with ACT slipping to fourth position.

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

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

**NSW** remains consistently strong across all indicators.

**Tasmania** is now solely in third spot on the performance rankings with strength in the building and purchase of homes.

**The ACT** is in fourth spot, losing ground to Tasmania on housing indicators.

**Queensland** is now in fifth spot from **South Australia** but there is little to separate the two economies.

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

- **Victoria** is now solely in first position on the overall economic performance rankings.
- **Victoria** ranks first on economic growth, retail trade, the job market and construction work done. Victoria's lowest ranking is fourth on relative population growth.
- **NSW** is consistently strong across the indicators and is first or second on six of the eight indicators.
- **Tasmania** has edged up in the performance rankings to outright third position. Tasmania is ranked first on relative population growth, housing finance and business investment and is in second spot on dwelling starts.
- **The ACT** is now in fourth spot on the rankings. The ACT is ranked second on housing finance and business investment and is third ranked on retail trade and unemployment.
- **Queensland** is now in fifth position on the economic performance rankings. Queensland is third ranked on relative economic growth and relative population growth. But Queensland is fifth or sixth on the other indicators.
- **South Australia** is now in sixth position. But as has been the case for the past 18 months, there is little to separate Queensland and South Australia.
- **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 seven of the indicators and eighth on relative economic growth. Encouragingly, annual population growth is now the strongest in almost four years.
- **The Northern Territory** is seventh-ranked on economic growth but lags all other states and territories on the other seven indicators.

## Methodology

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

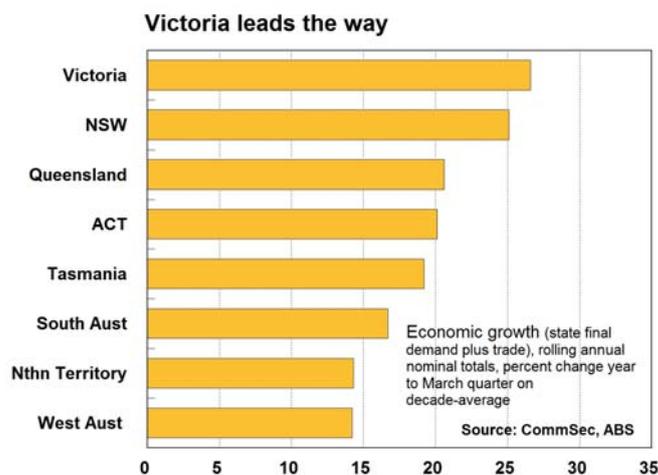
The aim is to find how each economy is performing compared with "normal". And just like the Reserve Bank does with interest rates, we used decade-averages to judge the "normal" state of affairs. For each economy, the latest level of the indicator – such as retail spending or economic growth – was compared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

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

For instance, the trend jobless rate in the ACT of 3.4 per cent is the lowest of all economies. And this jobless rate is 13.6 per cent lower than its 'normal' or decade-average rate. However Victoria's unemployment rate, while higher at 4.7 per cent, is actually 16.5 per cent below its decade average, putting it ahead of the ACT on this indicator. The lowest Victorian jobless rate on record was 4.3 per cent 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.

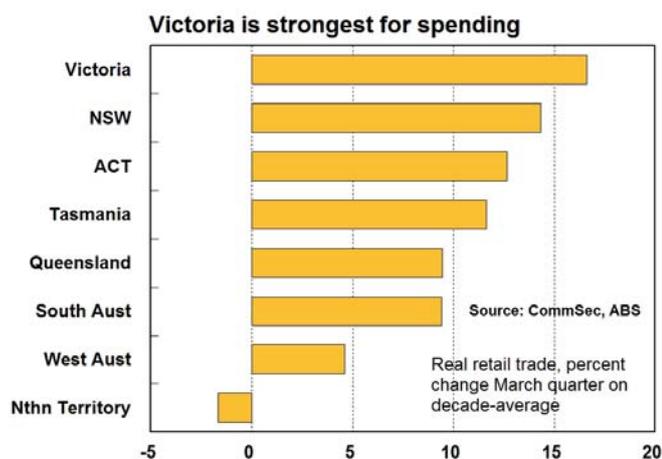
## ECONOMIC GROWTH



- 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 March quarter was 26.6 per cent above its 'normal' or decade-average level of output, ahead of NSW, with output 25.1 per cent above the 'normal' level of output.
- Queensland remains in third position, (up 20.6 per cent) from the ACT (up 20.1 per cent) and Tasmania (up 19.2 per cent).
- At the other end of the scale, economic activity in Western Australia in the March quarter was 14.2 per cent above its decade average while activity in the Northern Territory was up by 14.3 per cent, behind South Australia (up 16.7 per cent).
- Western Australia records the fastest nominal economic growth, up 10.6 per cent over the year to March, supported by stronger exports and weaker imports. Next is Tasmania (up 6.5 per cent), from the ACT (up 5.8 per cent) Queensland (up 5.4 per cent) and Victoria (up 5.3 per cent).
- The weakest nominal annual growth rates are in Northern Territory (down by 5.4 per cent) and South Australia (up 3.3 per cent).
- If trend State Final Demand in real terms is used, comparing the latest result with decade averages reveals some subtle changes in the rankings. Western Australia, Queensland and Northern Territory lose the benefit of their strong export economies.

*“Victoria has maintained top spot on relative economic growth.”*

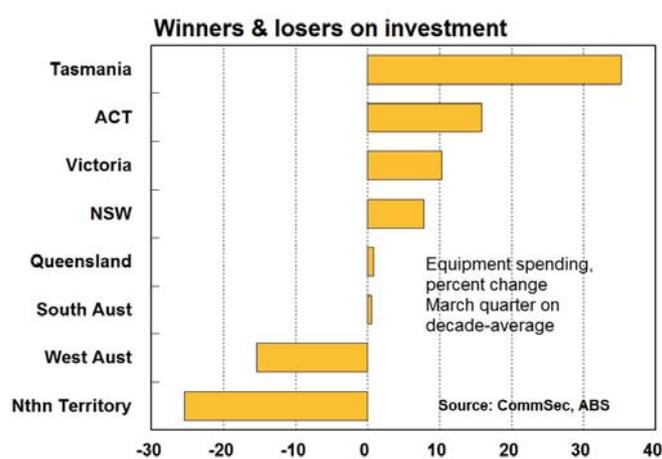
## RETAIL SPENDING



- The measure used was real (inflation-adjusted) retail trade in trend terms with March quarter data the latest available.
- There has been one change in the ratings since last quarter with Queensland now ahead of South Australia. Victoria remains in top spot on the retail rankings, ahead of NSW.
- Retail spending in Victoria was 16.6 per cent above decade-average levels in the March quarter. Strong population growth, low unemployment, increased job security and infrastructure building are key supports for retail spending.
- Spending in NSW was 14.3 per cent above decade-average levels, once again supported by population growth, infrastructure building and firm employment.
- Spending in the ACT was up 12.7 per cent on the decade average, followed by Tasmania (up 11.7 per cent). Now in fifth spot is Queensland with spending 9.44 per cent above decade averages followed by South Australia, with spending up by 9.42 per cent.
- Northern Territory recorded the weakest result on retail spending, down 1.7 per cent on the decade average, below Western Australia with 4.6 per cent growth.
- If monthly retail trade was assessed instead to calculate the rankings (May data available), there would be no change in the relative rankings except Queensland and Tasmania would change places.
- In terms of annual growth of real retail trade, Victoria is strongest (up 2.6 per cent), from Queensland (up 2.1 per cent) and the ACT (up 1.5 per cent).
- Looking at annual growth of monthly retail trade, Queensland (up 5.5 per cent) is now ahead of Victoria (up 3.8 per cent) and the ACT (up 2.9 per cent).

*“Retail spending in Victoria was 16.6 per cent above decade-average levels in the March quarter.”*

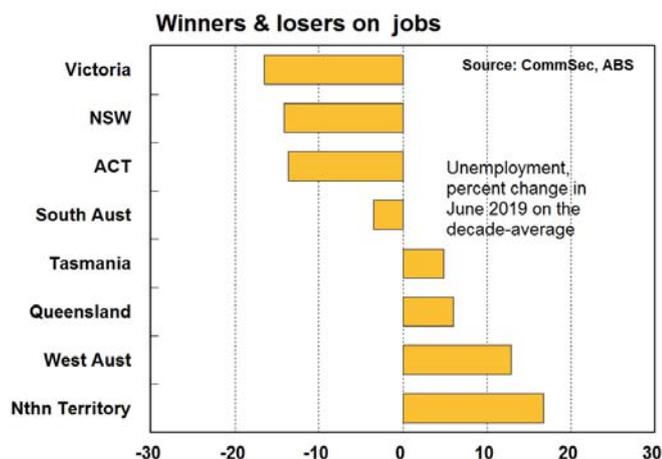
## EQUIPMENT INVESTMENT



- The measure of equipment investment is spending on new plant and equipment in trend terms with March quarter data compared with decade averages (the ‘normal’ performance).
- In the March quarter six states and territories had equipment spending above decade-average levels, unchanged from the December quarter.
- Tasmania had equipment investment up 35.2 per cent on the decade average ahead of the ACT (up 15.9 per cent) and Victoria (up 10.3 per cent).
- NSW has fallen from second to fourth (up 7.8 per cent). And Queensland has lifted from sixth to fifth (up 0.8 per cent). South Australia is down from third to sixth (up 0.5 per cent).
- The other states and territories had equipment spending below decade averages in the March quarter. Weakest was Northern Territory (down 25.4 per cent) reflecting the completion of the investment stage for a number of gas projects.
- Next weakest was Western Australia (down 15.4 per cent).
- On a shorter-run analysis, equipment investment in the March quarter was up on a year ago in six of the state and territory economies, the same as the December quarter.
- Equipment investment was up the most on a year ago in Queensland (up 10.6 per cent) from Victoria (up 7.5 per cent) and South Australia (up 6.1 per cent).
- Equipment investment in Victoria is at 9-year highs with Queensland equipment spending at 4-year highs.
- New equipment investment in the Northern Territory was down 3.5 per cent on a year ago with investment in the Western Australia down 5.3 per cent.

*“Equipment investment in Victoria is at 9-year highs with Queensland equipment spending at 4-year highs.”*

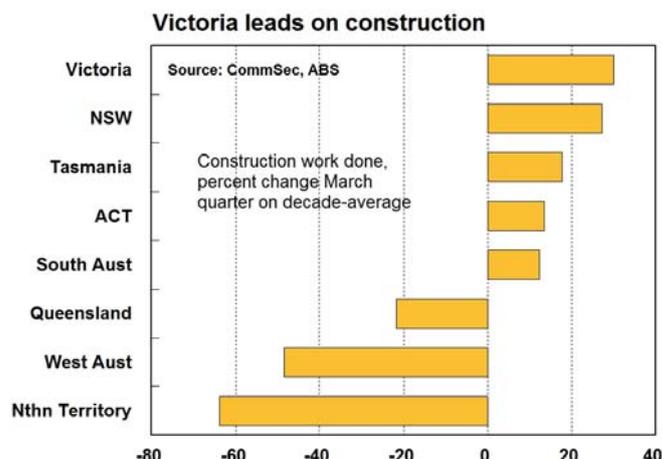
## UNEMPLOYMENT



- 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 4.7 per cent, a rate 16.5 per cent below the decade average. Employment is also 14.1 per cent above the decade average.
- Next best is NSW, its 4.5 per cent jobless rate being 14.1 per cent below the decade average. The ACT comes next (13.6 per cent below the decade average) from South Australia (3.5 per cent below 10-year average).
- States and territories with jobless rates above respective decade averages were Tasmania (+4.9 per cent); Queensland (+6.0 per cent); Western Australia (+12.9 per cent); and Northern Territory (+16.7 per cent).
- The trend jobless rate in Tasmania has been 6.7 per cent for the past three months. The jobless rate is the highest since November 2014.
- Queensland has the highest trend jobless rate in 26 months (6.3 per cent).
- By contrast, Western Australia has the equal lowest jobless rate in 19 months (5.9 per cent). And in the ACT the jobless rate has stood at 3.4 per cent for the past five months. The last time unemployment was lower was 9½ years ago.
- Victoria has the strongest annual employment rate (up 3.7 per cent), above NSW (up 3.5 per cent) and the ACT (up 1.9 per cent).
- By contrast, employment in the Northern Territory is falling at a 6.6 per cent annual rate. And Tasmanian employment is falling at a 1.1 per cent annual rate.

*“Trend unemployment in Victoria stands at 4.7 per cent, a rate 16.5 per cent below the decade average.”*

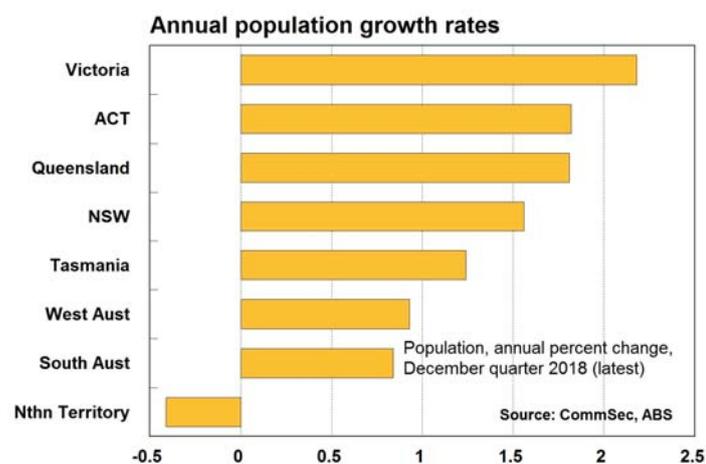
## CONSTRUCTION WORK



- The measure used for analysis was the total real value of residential, commercial and engineering work completed in trend terms in the March quarter.
- In five of the states and territories, construction work in the March quarter was higher than the decade average (the same number as the previous quarter).
- Victoria has retained top spot with construction work done 30.1 per cent above its decade average. NSW construction was next strongest, 27.2 per cent above the ‘norm’ or decade-average followed by Tasmania (up 17.8 per cent).
- ACT is in fourth position with construction work 13.4 per cent above decade averages. South Australia remains in fifth spot (up 12.3 per cent).
- At the other end of the scale, Northern Territory construction work done in the March quarter was 66.9 per cent below the decade-average, behind Western Australia with construction work down 48.4 per cent on decade averages and Queensland (down 21.7 per cent).
- In all states and territories, construction spending contracted in the March quarter.
- In terms of annual growth rates, Tasmanian construction work done in the March quarter was up 13.9 per cent on a year ago followed by ACT (up 3.8 per cent).
- Five economies had construction work lower than a year ago (up from three in the December quarter) led by the Northern Territory with construction down by 66.9 per cent.
- Western Australian construction was down by 18.7 per cent on a year ago followed by Queensland, (down 11.0 per cent), South Australia (down 2.5 per cent) and NSW (down 0.1 per cent).

*“Victoria has retained top spot with construction work done 30.1 per cent above its decade average.”*

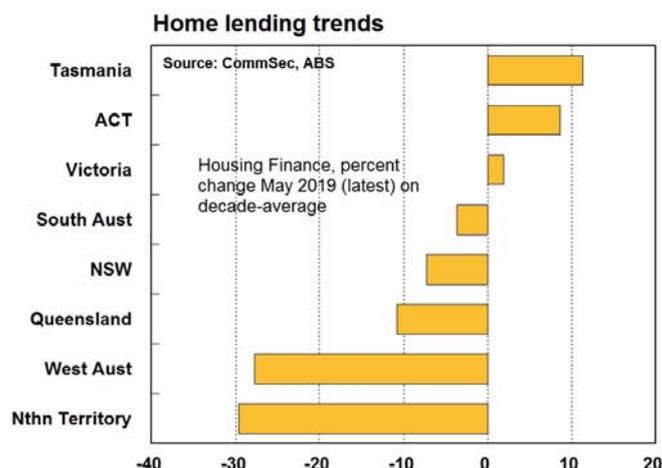
## POPULATION GROWTH



- 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 1.24 per cent annual population growth rate 114 per cent above (more than double) the decade-average rate.
- Population growth in NSW is 11 per cent above the decade average, followed by Queensland (up 5.2 per cent) and Victoria (up 4.8 per cent).
- Annual population growth rates in the other states and territories were below decade averages: ACT (-4.8 per cent); South Australia (-5 per cent); Western Australia (-47.5 per cent); and Northern Territory (-135.9 per cent).
- The state with the fastest *absolute* annual population growth is still Victoria (up 2.18 per cent). Next strongest is the ACT (up 1.82 per cent); Queensland (up 1.81 per cent) and NSW (up 1.56 per cent).
- By contrast, the Northern Territory population shrank by 0.41 per cent over the past year – the biggest decline in 36 years of quarterly records.
- Tasmania’s annual population growth of 1.24 per cent is the fastest rate in 27 years.
- Western Australia’s annual population growth of 0.93 per cent is the fastest rate in almost four years.

*“Tasmania’s annual population growth of 1.24 per cent is the fastest rate in 27 years.”*

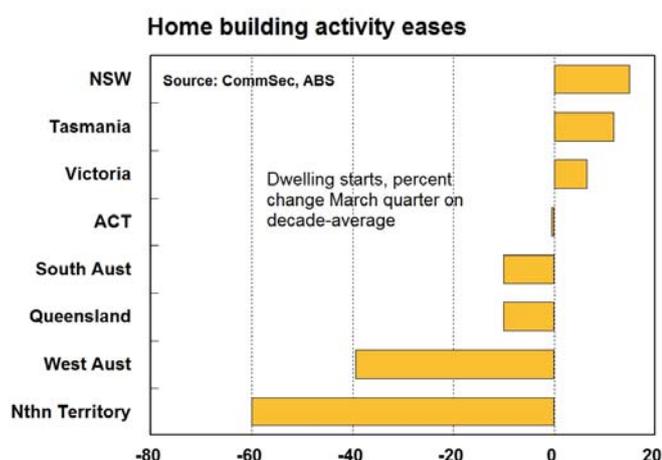
## HOUSING FINANCE



- The measure used is the trend number of housing finance commitments (home loans) and this is compared with the decade average for each respective state and territory.
- Housing finance is not just a leading indicator for real estate activity and housing construction but it is also a useful indicator of activity in the financial sector. It would be useful to compare figures on commercial, personal and lease finance, but unfortunately trend data is not available for states and territories.
- In only three of the states and territories are trend housing finance commitments above decade averages (previously four). And in all states or territories trend housing finance is below year-ago levels.
- There has been only one change in the rankings over the past three months. Tasmania is now in top spot with the number of commitments up by 11.3 per cent on the long-term average. Next strongest is the ACT (up 8.6 per cent on decade averages) followed by Victoria (up 1.9 per cent).
- Northern Territory remains the weakest for housing finance with trend commitments 29.6 per cent lower than its decade average. Commitments in Western Australia were down 27.7 per cent on the decade-average, followed by Queensland (down 10.8 per cent), NSW (down 7.3 per cent) and South Australia (down 3.7 per cent).
- In terms of annual comparisons, Tasmanian housing finance commitments were down the least (down 3.1 per cent) from South Australia, down 4.4 per cent.
- NSW has the weakest annual comparison with trend home loan commitments down 15.3 per cent on a year ago. Next was Queensland (down 14.5 per cent).

*“Tasmania is now in top spot with the number of commitments up by 11.3 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 NSW due to above “normal” population growth. Victorian population growth also remains strong keeping new dwelling starts above long-term averages.
- NSW is now in top spot for dwelling starts, ahead of Tasmania. In trend terms starts in NSW were 14.9 per cent above decade-averages, ahead of Tasmania (up almost 12 per cent on the “normal” or decade-average level of starts).
- Victoria is now in third spot with starts up 6.5 per cent on decade averages from the ACT (down 0.4 per cent).
- At the other end of the scale, dwelling starts in the Northern Territory were 60 per cent below decade averages. Next weakest was Western Australia (down 39.4 per cent); from Queensland (down 9.97 per cent) and South Australia (down 9.96 per cent).
- In terms of annual growth, six of the states and territories had starts below a year earlier in the March quarter, the same number as the December quarter. Dwelling starts in Tasmania were up 8.1 per cent on a year to 8-year highs. Starts in the ACT were up 0.8 per cent on a year earlier.
- At the other end of the scale, starts in the Northern Territory were down 26.7 per cent on a year earlier to record lows. South Australian dwelling starts were down by 25.4 per cent on a year ago to 5½ -year lows.

*“NSW is now in top spot for dwelling starts, ahead of Tasmania.”*

## OTHER INDICATORS

### WAGES & PRICES\*

	Wages Mar Qtr	CPI Mar Qtr	Home Prices June
NSW	2.3	1.3	-8.9
Victoria	2.7	1.2	-8.2
Queensland	2.3	1.5	-2.3
South Australia	2.1	1.3	-0.2
Western Australia	1.6	1.1	-9.3
Tasmania	2.5	2.1	4.1
Northern Territory	2.4	0.4	-7.7
ACT	2.1	1.8	1.4

\* Annual % change. Source: ABS, CoreLogic, CommSec

CPI - Consumer Price Index

Wages - Wage Price Index

- 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).
- To assess real wage growth, March quarter data is used. And all states and territories had positive real wage growth (the gap between wage growth and inflation).
- The biggest real wage gap was recorded in Northern Territory with wages 2.0 percentage points (pp) higher than consumer prices. Next highest was Victoria (1.5pp) from NSW (1.0pp).
- The smallest real wage gap was in the ACT (0.3pp) from Tasmania (0.4pp).
- Wage growth in the year to March was strongest in Victoria (2.7 per cent), ahead of Tasmania (up by 2.5 per cent) while wages in Western Australia were up by only 1.6 per cent.
- Turning to home prices, in June 2019 six of the states/territories recorded annual declines in home prices, up from five in the year to March.
- The strongest annual growth in home prices was in Tasmania (up 4.1 per cent), followed by the ACT (up 1.4 per cent).
- Home prices were lower than a year ago in Western Australia (down 9.3 per cent). NSW (down by 8.9 per cent) from Victoria (down 8.2 per cent), Northern Territory (down 7.7 per cent); Queensland (down 2.3 per cent) and South Australia (down 0.2 per cent).

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

## ANNUAL GROWTH RATES

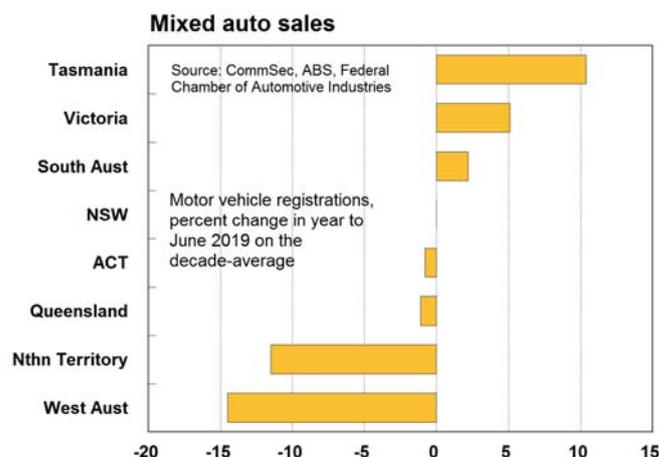
TREND ANNUAL GROWTH %				
	Economic Growth	Retail Trade	Equip. Invest	Employment
NSW	4.5	0.3	1.8	3.5
VIC	5.3	2.6	7.5	3.7
QLD	5.4	2.1	10.6	1.6
SA	3.3	-0.4	6.1	1.7
WA	10.6	-0.7	-5.3	1.3
TAS	6.5	1.4	2.4	-1.1
NT	-5.4	-5.1	-3.5	-6.6
ACT	5.8	1.5	3.2	1.9
<b>AUST</b>	<b>6.3</b>	<b>1.1</b>	<b>4.2</b>	<b>2.6</b>

	Construct Work	Pop-ulation	Housing Finance	Home Starts
NSW	-0.1	1.56	-15.3	-20.8
VIC	1.5	2.18	-11.5	-19.7
QLD	-11.0	1.81	-14.5	-23.1
SA	-2.5	0.84	-4.4	-25.4
WA	-18.7	0.93	-7.2	-23.5
TAS	13.9	1.24	-3.1	8.1
NT	-66.9	-0.41	-10.3	-26.7
ACT	3.8	1.82	-8.9	0.8
<b>AUST</b>	<b>-6.3</b>	<b>1.63</b>	<b>-12.2</b>	<b>-21.8</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 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 and Tasmania top the annual changes on three measures. Western Australia and Queensland each lead the way on one measure.
- When looking across growth rates for the states and territories, Victoria exceeded the national-average on seven of the eight indicators from ACT and Tasmania (five) and NSW, Queensland and South Australia (three).
- At the other end of the scale, Northern Territory under-performed the national result on all but one indicator. Western Australia out-performed the national growth rate on two indicators.

## LOOKING AHEAD



- If rolling annual new vehicle registrations are added to the list of indicators, then Tasmania would move ahead of NSW into second position while South Australia and Queensland would swap positions.
- Tasmania is actually the strongest on new vehicle sales, up 10.4 per cent on decade averages. Victoria is second and South Australia in third position.
- But on the eight indicators used for comparison, Victoria is now solely at the top of the rankings. NSW is now in second spot. But there is little to separate the two economies.
- Over the quarter Victoria lifted two places on dwelling starts and gained one spot on equipment investment. But NSW fell two places on business investment despite taking top spot on dwelling starts.
- Tasmania is now solely in third position. In fact the strength on relative population growth, home purchase and construction could see the Apple Isle battling with NSW and Victoria for top position in the year ahead.
- The ACT is now outright in fourth position. The ACT gained three positions on equipment investment but lost three positions on dwelling starts.
- Queensland is now in fifth position in the performance rankings and continues the improvement over the past three quarters. Stronger population growth has boosted retail spending which is now growing at a 5.5 per cent annual trend rate.
- South Australia is now in sixth position in the rankings, losing three spots on equipment investment. South Australia is fifth or sixth on six of the eight indicators.
- 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 21.1 per cent on a year ago with exports up 40.9 per cent in the Northern Territory.

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