

State of the States

State & Territory Economic Performance Report

July 2020



Tasmania leads the nation

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 the economic indicators. For each state and territory, 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.

For the first time since October 2009, **Tasmania** holds the mantle of the best performing economy in its own right. Three months ago **Tasmania** shared top spot with **Victoria**. The **ACT** remains in third spot from **NSW** but both economies have lost ground on the top two.

Queensland is back in fifth spot from **South Australia**. Then follows **Western Australia** and the **Northern Territory**.

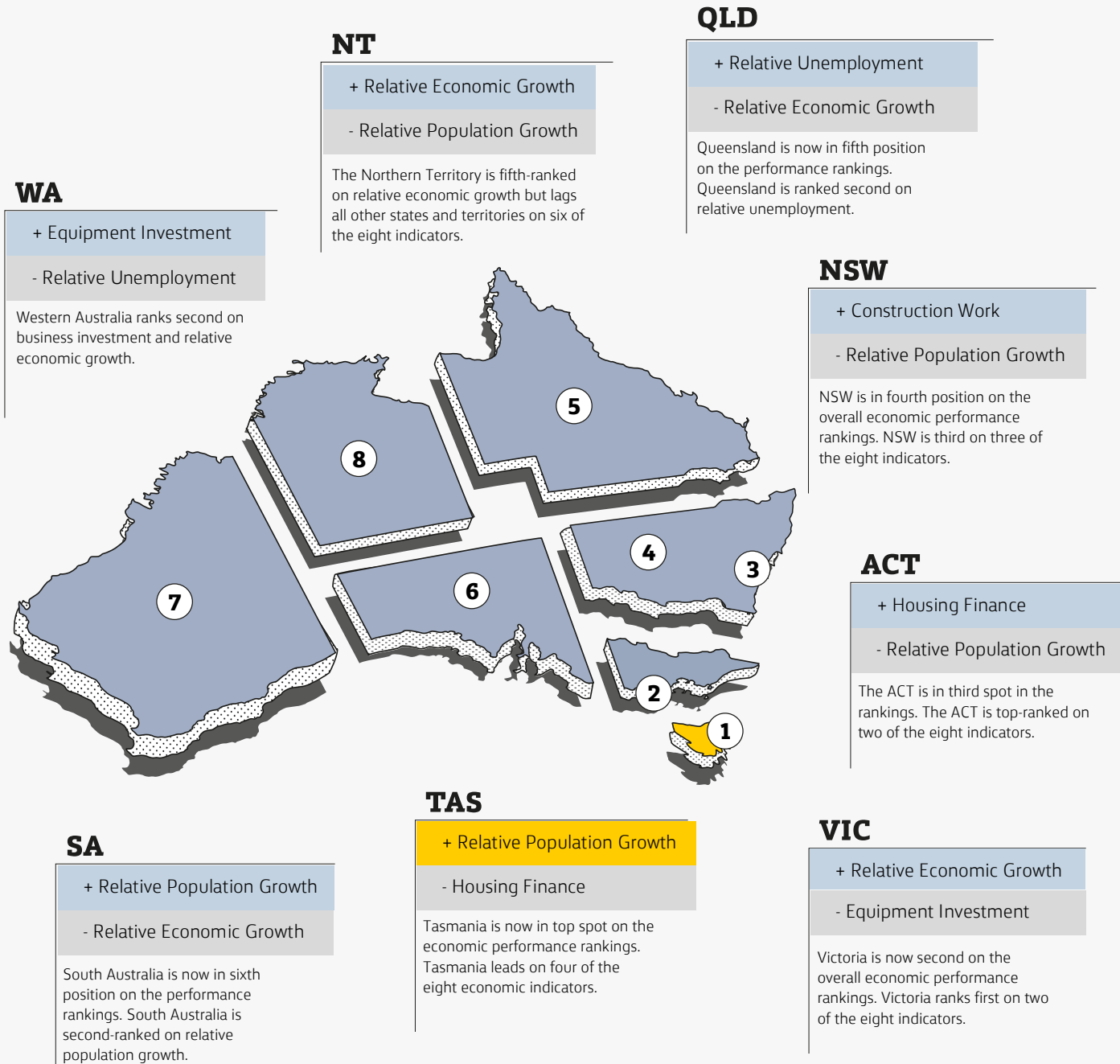
As noted above the last time **Tasmania** was on top of the performance rankings was October 2009. It replaces **Victoria** which held top position in the economic rankings – either outright or shared – for eight quarterly surveys.

The **ACT** remains third and it has been in the top four economies for just over four years.

NSW has been in the top four economies now for six years.

Queensland is now in fifth spot, ahead of **South Australia**. There has been little to separate the two states for just over two years.

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



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 nominal state final demand plus trade 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 26.5 per cent above its 'normal' or decade-average level of output, ahead of Western Australia with output 22.7 per cent above the 'normal' level of output.

Tasmania has now moved into third position, (up 21.2 per cent) from NSW (up 21.0 per cent), ahead of Northern Territory (up 20.5 per cent).

At the other end of the scale, economic activity in South Australia in the March quarter was 15.3 per cent above its decade average, behind Queensland (up by 18.9 per cent) and the ACT (up 20.1 per cent).

Western Australia recorded the fastest nominal economic growth, up 13.1 per cent over the year to March, supported by stronger exports. Next is Northern Territory (up 9.0 per cent), from the ACT (up 5.1 per cent), Tasmania (up 4.9 per cent) and Victoria (up 4.4 per cent).

The weakest nominal annual growth rates are in NSW (up 1.2 per cent), South Australia (up 1.4 per cent) and Queensland (up 2.1 per cent).

If seasonally adjusted State Final Demand in real terms is used, comparing the latest result with decade averages reveals some subtle changes in the rankings. Western Australia, and Northern Territory lose the benefit of their strong export economies.



Tasmania is now Australia's best performing economy.

Tasmania is ranked first on relative population growth, relative unemployment, equipment investment and retail trade. Tasmania ranks second on two other indicators.

Victoria is in second position. Of the eight indicators, Victoria ranks first on economic growth and construction work done. Victoria's lowest ranking is sixth on equipment investment.

The ACT remains in third position. The ACT is ranked first on housing finance and dwelling starts.

NSW ranks fourth on the economic performance rankings. NSW is third on housing finance, construction work and equipment investment.

Queensland is now in fifth position on the performance rankings. Queensland is ranked second on relative unemployment and third on both relative population growth and retail trade.

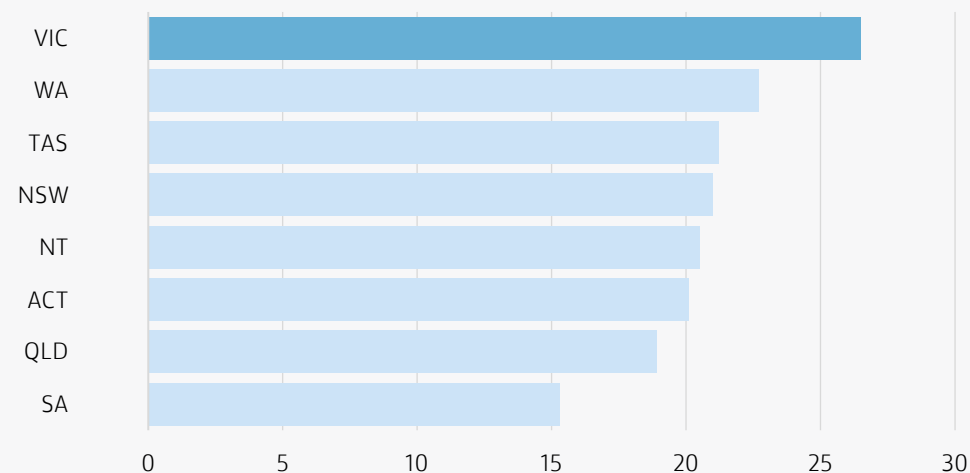
South Australia is now in sixth position on the economic performance rankings. South Australia is second ranked on relative population growth. But South Australia is ranked eighth on relative economic growth and seventh on two other indicators – equipment investment and relative unemployment.

Western Australia retains its seventh position on the economic performance rankings and continues to edge away from eighth-ranked Northern Territory.

Western Australia is ranked second on both relative economic growth and equipment investment but eighth on relative unemployment.

The Northern Territory is fifth-ranked on relative economic growth and sixth on relative unemployment but lags all of the other states and territories on the other six indicators.

Victoria still leads the way



Economic activity in Victoria in the March quarter was 26.5 per cent above its 'normal'

Retail spending

The measure used was real (inflation-adjusted) retail trade in seasonally adjusted terms with March quarter data the latest available.

There have been a number of changes in the rankings since the last quarter. Tasmania is now in top spot on the retail rankings ahead of Victoria.

Retail spending in Tasmania was 14.8 per cent above decade-average levels in the March quarter. Strong relative population growth, higher home prices and home building are key supports for retail spending.

In second spot is Victoria with spending 14.4 per cent above decade-average levels, supported by high absolute population growth and annual gains in home prices.

Now in third position is Queensland with spending 11.5 per cent up on the decade average. The ACT has dropped to fourth with spending 11.3 per cent up on 'normal'.

NSW is now fifth, with spending 9.9 per cent above decade averages followed by South Australia, with spending up by 7.8 per cent.

Northern Territory recorded the weakest result with retail spending down 0.6 per cent on the decade average, below Western Australia with 4.8 per cent growth.

If monthly retail trade was assessed instead to calculate the rankings (May data is available), Tasmania would stay in top spot ahead of Queensland and South Australia.

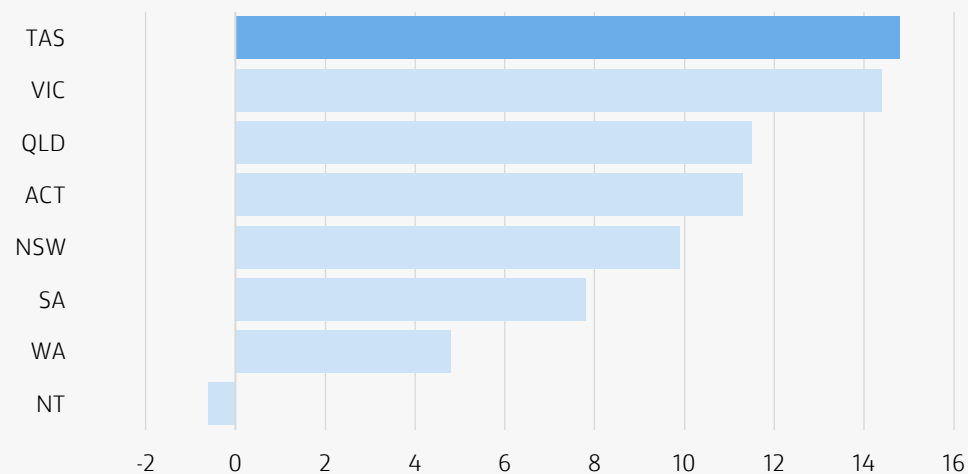
In terms of annual growth of real retail trade, Queensland is now strongest (up 2.2 per cent), from Tasmania (up 2.1 per cent) and the ACT (up 1.5 per cent).

Looking at annual growth of monthly retail trade, Western Australia (up 13.0 per cent) is ahead of Tasmania (up 11.1 per cent) and Northern Territory (up 10.9 per cent).



“There have been a number of changes in the rankings since the last quarter. Tasmania is now in top spot on the retail rankings ahead of Victoria.”

Tasmania is now strongest for spending



Real retail trade, percentage change March quarter on decade-average. Source CommSec, ABS

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, three states and territories had equipment spending above decade-average levels, down from five economies in the December quarter.

Tasmania has lifted from last to first with equipment investment up 14.2 per cent on the decade average ahead of Western Australia (up 2.6 per cent) and NSW (up 2.3 per cent). Queensland has now lifted to fourth position (down 1.0 per cent) ahead of the ACT (down 3.8 per cent).

Spending in Northern Territory was down by 19.7 per cent and equipment spending in South Australia was down 9.1 per cent, ahead of Victoria (down 7.2 per cent).

On a shorter-run analysis, equipment investment in the March quarter was up on a year ago in just one of the state and

territory economies (Western Australia), compared with four economies in the December quarter.

Encouragingly, equipment investment was up the most on a year ago in Western Australia (up 19.2 per cent) from Queensland (down 1.0 per cent) and NSW (down 4.6 per cent).

Equipment investment in Western Australia was the highest in more than six years while spending in Queensland was the highest in a year.

New equipment investment in the ACT was down by 25.7 per cent on a year ago with spending in Victoria down 18 per cent followed by Tasmania (down 12.7 per cent).

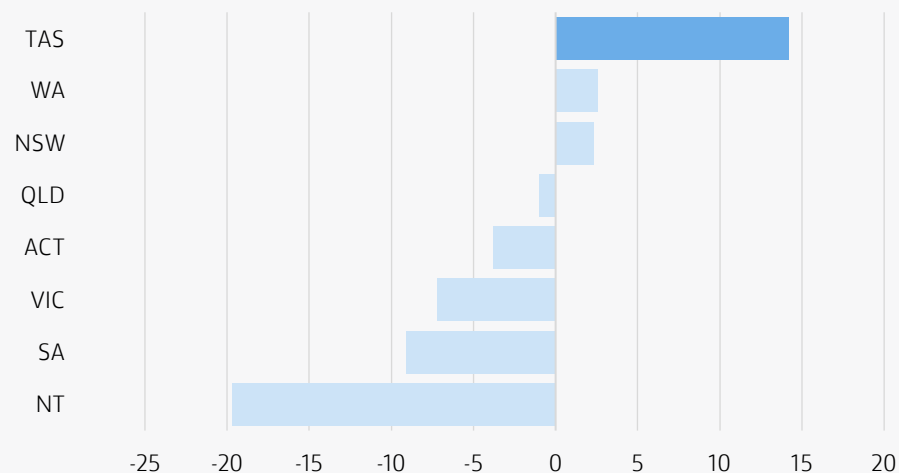
Equipment investment in Victoria stands at 6-year lows.

Investment in South Australia was down 10.9 per cent on a year earlier while the annual decline in Northern Territory investment was 6.6 per cent.



“ Tasmania has lifted from last to first with equipment investment up 14.2 per cent on the decade average ahead of Western Australia (up 2.6 per cent) and NSW (up 2.3 per cent). ”

Divergence on investment



Equipment spending, percent change March quarter on decade-average. Source CommSec, ABS



“...Tasmania has the strongest job market. Despite the COVID-19 shock, the Tasmanian unemployment is only 7.4 per cent above the decade average.

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Unemployment

Which state or territory has the strongest job market in the nation? It is not an easy question to answer. But we have looked at unemployment rates across state and territory economies, comparing the rates with decade averages.

On this measure, Tasmania has the strongest job market. Despite the COVID-19 shock, the Tasmanian unemployment is only 7.4 per cent above the decade average.

Next best is Queensland, its 7.7 per cent jobless rate being 27.7 per cent above the decade average. The ACT comes next (29.4 per cent above the decade average) from Victoria (33.2 per cent above the 10-year average) and NSW (33.3 per cent above the decade average.)

At the other end of the scale the Western Australian jobless rate of 8.7 per cent was 63 per cent above the 5.3 per cent decade average rate.

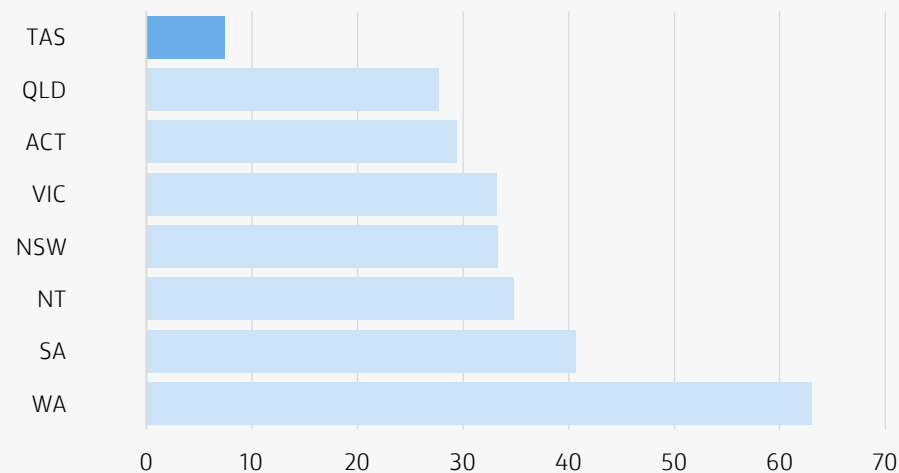
In June, the seasonally adjusted jobless rates in NSW (6.9 per cent) and Victoria (7.5 per cent) were both the highest since November 1998.

The Western Australian jobless rate was the highest since January 1994. And the South Australian jobless rate of 8.8 per cent was the highest since January 1999.

In June, employment in all states and territories was below levels of a year earlier. Employment in the Northern Territory was only 0.2 per cent down on June 2019 while employment in the ACT was down 0.6 per cent and Tasmanian employment was only down 0.8 per cent.

By contrast, employment in Western Australia was contracting at a 4.9 per cent annual rate. NSW employment was down 4.6 per cent over the year while South Australian employment was down by 4.4 per cent.

Winners & losers on jobs



63%
above
decade
average

The Western Australian jobless rate was the highest since January 1994

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, up from four in the previous quarter.

Victoria has retained top spot with construction work done 28.1 per cent above its decade average. Tasmanian construction was next strongest, 18.8 per cent above the 'norm' or decade-average followed by NSW (up 7.4 per cent).

The ACT is now in fourth position with construction work 6.3 per cent above decade averages, ahead of South Australia (up 3.3 per cent).

At the other end of the scale, Northern Territory construction work done in the March quarter was 73.5 per cent below the decade-average.

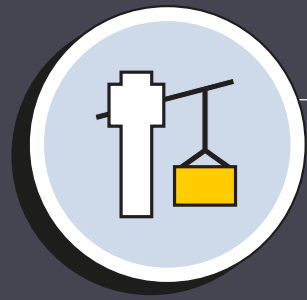
Next strongest was Western Australia with construction work down 45.2 per cent on the decade average behind Queensland (down 24.3 per cent).

In all states and territories except the ACT, Victoria and Western Australia, construction spending contracted in the March quarter.

In terms of annual growth rates, five economies had construction work lower than a year ago. Down the most was Northern Territory with construction down by 30.7 per cent.

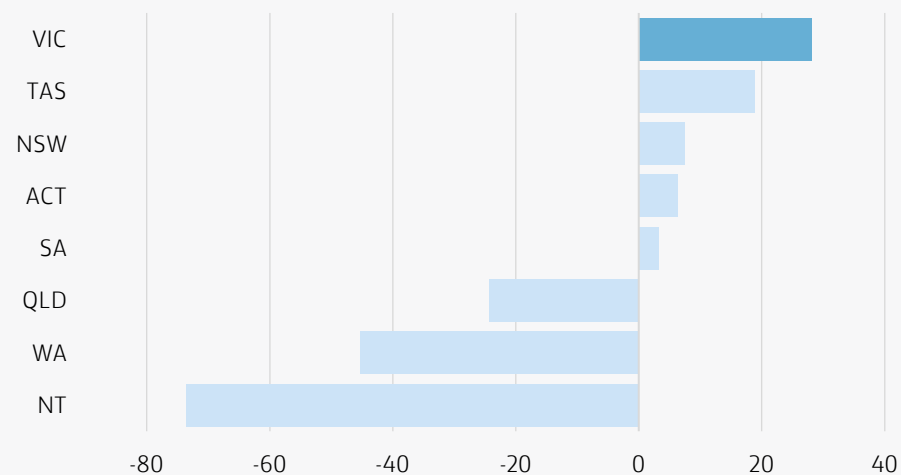
NSW construction activity was down by 13.0 per cent on a year ago followed by South Australia (down 7.1 per cent), Queensland (down 4.7 per cent) and the ACT (down 2.5 per cent).

Spending was higher than a year ago in Victoria (up 2.7 per cent), Tasmania (up 1.8 per cent) and Western Australia (up 1.4 per cent).



“ In five of the states and territories, construction work in the March quarter was higher than the decade average, up from four in the previous quarter. ”

Winners & losers



Victoria has retained top spot with construction work done 28.1 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 two economies have population growth above long-term averages.

Tasmania is strongest on the relative population measure, with its 0.97 per cent annual population growth rate 65.9 per cent above the decade-average rate for the year to December.

South Australia is now next strongest on relative population growth, up 5.8 per cent on the decade average.

Annual population growth rates in the other states and territories were below decade averages: Queensland (down 4.0 per cent); Victoria (down 9.7 per cent); NSW (down 17.6 per

cent); Western Australia (down 19.3 per cent); ACT (down 46.1 per cent); and Northern Territory (down 146.3 per cent).

The state with the fastest absolute annual population growth is still Victoria (up 1.87 per cent). Next strongest is Queensland (up 1.57 per cent), Western Australia (up 1.28 per cent) and NSW (up 1.13 per cent).

By contrast, the Northern Territory population shrank by 0.38 per cent over the past year after falling by 0.48 per cent in the year to September.

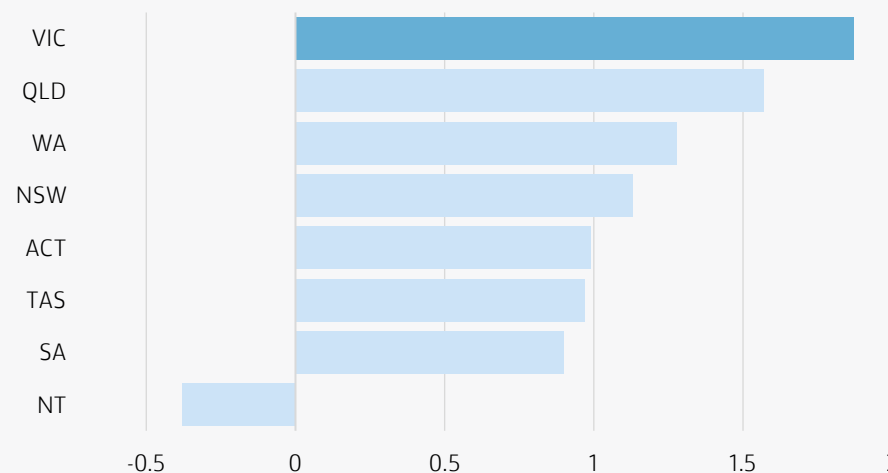
The Victorian annual population growth of 1.99 per cent is the slowest rate in eight years and the NSW population growth is the slowest in 7½ years.

But Western Australia's annual population growth of 1.13 per cent is the fastest rate in 5½ years.



“ Tasmania is strongest on the relative population measure, with its 0.97 per cent annual population growth rate 65.9 per cent above the decade-average rate.”

Annual population growth rates



WA's annual population growth is the fastest rate in 5½ years

UP
1.28%

Housing finance

The measure now used is the *value* of owner-occupier housing finance commitments (home loans) and this is compared with the decade average for each respective state and territory. In the past 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 long-term data is not available.

In five of the states and territories, housing finance commitments are above decade averages, down from six in the previous quarter. But only in three states and territories were home loans above year-ago levels (NSW, Victoria and the ACT).

The ACT remains in top spot with the value of home loans up by 31.2 per cent on the long-term average. Next strongest is

Victoria (up 24.4 per cent) followed by NSW (up 11.1 per cent) and Tasmania (up 7.5 per cent).

Northern Territory remains the weakest for housing finance with commitments 39.5 per cent lower than its decade average. Commitments in Western Australia were down 33.5 per cent on the decade-average, followed by Queensland (down 7.2 per cent) and South Australia (up 1.2 per cent).

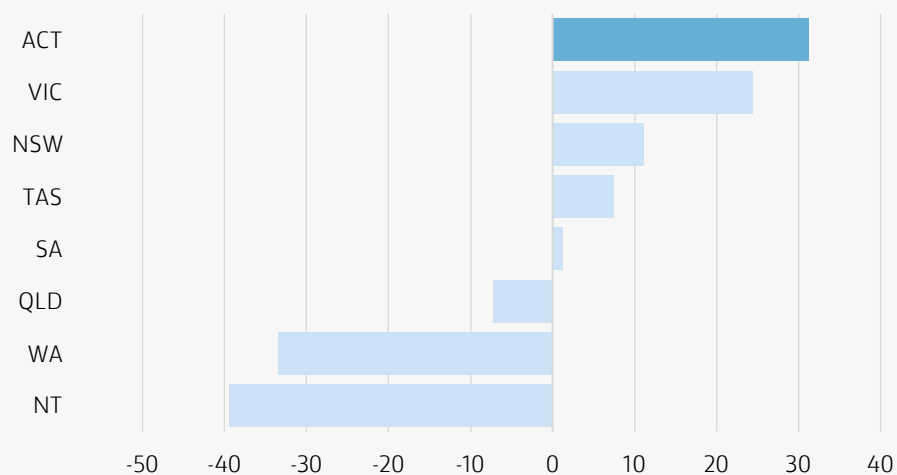
On an annual comparison, ACT housing finance commitments were up the most (up 21.0 per cent) from Victoria, up 15.8 per cent.

The Northern Territory has the weakest annual comparison with home loan commitments down 23 per cent on a year ago. Next was Western Australia (up 9.8 per cent).



“ In five of the states and territories, housing finance commitments are above decade averages, down from six in the previous quarter. ”

Home lending trends



The **ACT** remains in top spot with the value of home loans up on the long-term average

**UP
31%**

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 the ACT due to relative strength in the job market. And home building is strong in Tasmania because population growth is well above 'normal'

The ACT is now in top spot for dwelling starts, ahead of Tasmania and South Australia. In trend terms starts in the ACT were 21.7 per cent above the decade-average, followed by Tasmania (up 20.5 per cent).

South Australia is now in third spot with starts up 7.3 per cent on the decade average, from Victoria (broadly flat) and NSW (down 9.7 per cent).

At the other end of the scale, dwelling starts in the Northern Territory were 67.2 per cent below the decade average. Next weakest was Western Australia (down 37.4 per cent); from Queensland (down 21.7 per cent).

In terms of annual changes, only two states/territories recorded growth in the March quarter: ACT (up 30.6 per cent) and South Australia (up 18.3 per cent). Previously Tasmania also recorded annual growth in the December quarter.

Dwelling starts in South Australia now stand at 21-month highs after gains in the last four quarters.

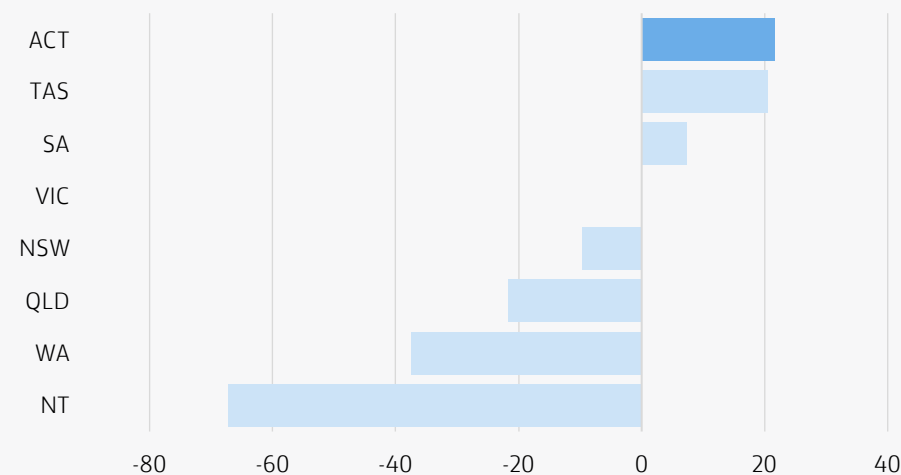
At the other end of the scale, starts in Western Australia are at 19-year lows. NSW starts are at the lowest levels in just over six years. Queensland starts are at 7-year lows.



“ Home building is strong in the ACT due to relative strength in the job market. And home building is strong in Tasmania because population growth is well above 'normal'.

”

Mixed home building starts



The ACT is now in top spot for dwelling starts, ahead of Tasmania and South Australia



Other indicators

Inflation rates (annual changes of consumer prices) were generally higher in the March quarter. Darwin recorded the biggest increase from Hobart and Melbourne. All other capital cities recorded higher inflation rates in the March quarter except Brisbane: the annual rate fell from 2.0 per cent to 1.8 per cent.

Hobart had the highest annual inflation rate in the March quarter at 3.4 per cent, ahead of Melbourne (2.7 per cent) and Adelaide (2.4 per cent).

Only four of the states and territories had positive real wage growth in the March quarter (the gap between wage growth and inflation). The biggest decline in real wages was in Tasmania (-1.0 percentage points or pp).

The biggest real wage gap was recorded in Northern Territory with wages 0.9pp higher than consumer prices. Next were Queensland and the ACT (both +0.3pp).

Wage growth in the year to the March quarter was strongest in Victoria (2.5 per cent), ahead of Tasmania and the Northern Territory (both up 2.4 per cent). The lowest growth of wages was in Western Australia (1.8 per cent).

Turning to home prices, in June 2020 just two of the states/territories recorded annual declines in home prices, the same result over the year to March. National home prices rose 7.8 per cent over the year to June, just off the fastest annual gain in 34 months.

The strongest annual growth in home prices was in NSW (up 11.4 per cent) followed by Victoria (up 9.5 per cent); Tasmania (up 8.2 per cent); ACT (up 6.3 per cent); Queensland (up 4.4 per cent); and South Australia (up 2.1 per cent).

Home prices were lower than a year ago in the Northern Territory (down 0.9 per cent) and Western Australia (down 3.1 per cent).

Highest inflation rate in Hobart

3.4%

Wage growth in Victoria

2.5%

National home prices rose

7.8%

Wages and prices*

	Wages Mar Qtr	CPI Mar Qtr	Home Prices June
NSW	2.1	2.0	11.4
VIC	2.5	2.7	9.5
QLD	2.1	1.8	4.4
SA	2.3	2.4	2.1
WA	1.8	2.1	-3.1
TAS	2.4	3.4	8.2
NT	2.4	1.5	-0.9
ACT	2.3	2.0	6.3

The strongest annual growth in home prices was in **NSW**

**UP
11.4%**

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



“ On the eight indicators assessed, Victoria, the ACT and Western Australia top the annual changes on two measures. Tasmania and the Northern Territory lead the way on one measure.”

Annual growth rates

The **State of the States** report 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.

In addition to relative economic performance, some are also interested in economic momentum. That is, annual changes in key indicators. 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, the ACT and Western Australia top the annual changes on two measures. Tasmania and the Northern Territory lead the way on one measure.

When looking across growth rates for the states and territories, Victoria and the ACT exceeded the national-average on six of the eight indicators from Tasmania (five), Queensland and Western Australia (four), the Northern Territory (three).

South Australia and NSW out-performed the national average on just one indicator.

Annual Growth %

	 Economic Growth	 Retail Trade	 Equipment Investment	 Employment	 Construction Work	 Population	 Housing Finance	 Dwelling commencements
NSW	1.2	-1.5	-4.6	-4.6	-13.0	1.13	10.5	-15.8
VIC	4.4	1.2	-18.0	-3.4	2.7	1.87	15.8	-1.2
QLD	2.1	4.4	-1.0	-4.3	-4.7	1.57	-4.5	-13.1
SA	1.4	0.0	-10.9	-4.4	-7.1	0.90	-2.0	18.3
WA	13.1	2.3	19.2	-4.9	1.4	1.28	-9.8	-7.9
TAS	4.9	5.1	-12.7	-0.8	1.8	0.97	-8.6	-1.0
NT	9.0	1.2	-6.6	-0.2	-30.7	-0.38	-23.0	-25.3
ACT	5.1	1.4	-25.7	-0.6	-2.5	0.99	21.0	30.6
AUST	4.5	1.1	-4.0	-4.1	-4.8	1.39	7.3	-6.4



Looking ahead

If rolling annual new vehicle sales are added to the list of indicators, there would be no change in the economic performance rankings.

The ACT is the only state or territory where annual new vehicle sales are above 'normal', up 4.8 per cent on decade average. And the ACT is the only economy where new vehicle sales are up on a year ago (up 6.8 per cent).

In the overall rankings, the big improvers over the past quarter were Tasmania, Queensland and Western Australia. The biggest losers were South Australia, NSW and the ACT.

Over the quarter Tasmania gained seven places on equipment investment and one place respectively on retail trade, economic growth and relative unemployment. However Tasmania fell one spot on both housing finance and dwelling starts.

The Victorian economy was relatively stable across the eight indicators. That may change in the next survey as a result of the effects of COVID-19 on the economy.

The ACT lost four spots on equipment investment and lost two spots on relative unemployment.

NSW fell two places on both relative unemployment and relative economic growth and one place on both dwelling starts and retail trade.

Queensland gained three spots on both relative unemployment and equipment investment and gained two spots on retail trade. But it lost two spots on relative economic growth.

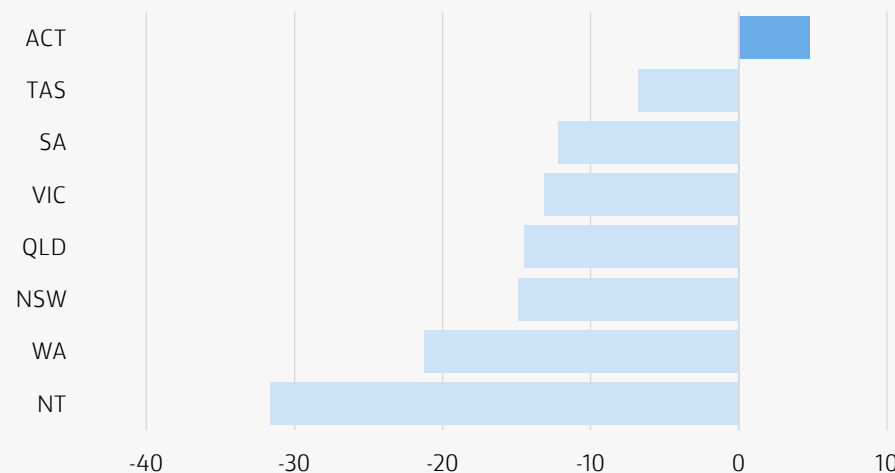
South Australia lost five spots on equipment investment and one spot each on construction work and relative unemployment.

Western Australia improved one place each on relative economic growth, relative population growth and equipment investment.

Northern Territory improved two places on relative unemployment but lost two spots on equipment investment.

“The big improvers over the past quarter were Tasmania, Queensland and Western Australia. The biggest losers were South Australia, NSW and the ACT.”

Weak new auto sales



The ACT leads the ranking with rolling annual new vehicle registrations

UP
4.8%

State of the States

State & Territory Economic Performance Report

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 seasonally adjusted jobless rate in the ACT was 5.1 per cent in June with the jobless rate at 6.9 per cent in Tasmania. However Tasmania’s unemployment rate is 7.4 per cent above its decade average, while the ACT jobless rate is 29.4 per cent above its decade average. So Tasmania ranks above the ACT on this indicator.

Except for economic growth, seasonally adjusted or trend measures of the economic indicators were used to assess performance on all measures. While preference was for trend measures, in many cases these have been suspended in the wake of the COVID-19 crisis. Rolling annual nominal data was used to assess economic growth.

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Contacts

Craig James, Chief Economist

craig.james@cba.com.au

Twitter: @CommSec

(612) 9118 1806

Ryan Felsman, Senior Economist

ryan.felsman@cba.com.au

Twitter: @CommSec

(612) 9118 1805