

State of the States

State & Territory Economic Performance Report

October 2020



Tasmania leads the way

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 12th 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 second quarter in a row, **Tasmania** holds the mantle of the best performing economy in its own right. But there have been notable changes in the other rankings.

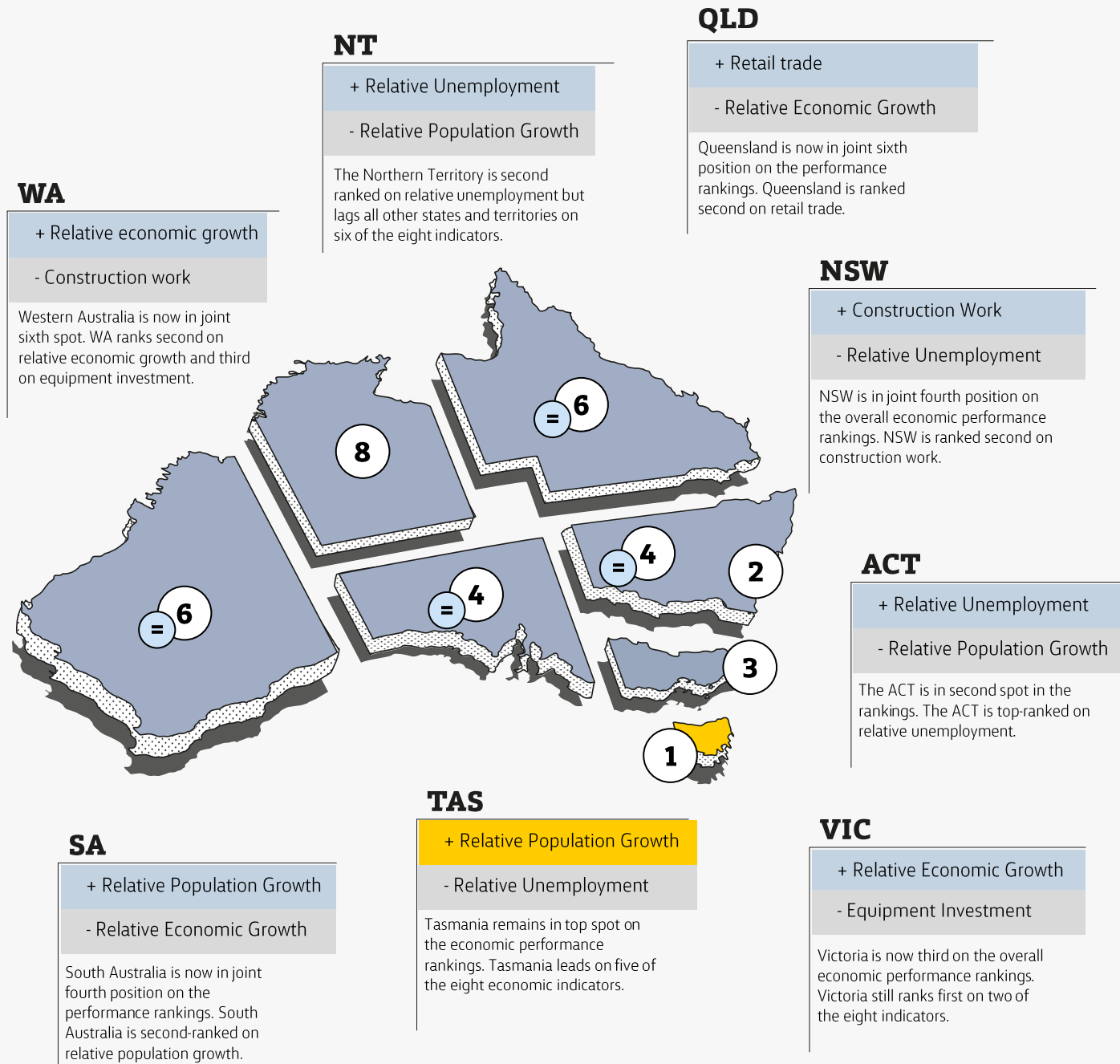
Victoria has dropped from second to third spot, behind the **ACT**. **NSW** shares equal fourth spot with South Australia. Then in joint sixth position are **Queensland** and **Western Australia** from the **Northern Territory**.

As noted above, **Tasmania** has now been on top for three straight surveys – it shared top spot with Victoria in the April survey.

The second ranking for **the ACT** is its highest ranking in just over three years. And the third ranking for **Victoria** is its lowest position in just over three years.

South Australia is in joint fourth position – its highest ranking in three years.

And the joint sixth position for **Western Australia** is its highest ranking since April 2016.



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 still leads on relative economic growth. Economic activity in Victoria in the June quarter was 23.2 per cent above its 'normal' or decade-average level of output, ahead of Western Australia with output 20.4 per cent above the 'normal' level of output.

The ACT has now moved into third position, (up 20.2 per cent) from Tasmania (up 19.9 per cent), Northern Territory (up 18.7 per cent).

At the other end of the scale, economic activity in South Australia in the June quarter was 13.5 per cent above its decade average, behind Queensland (up by 16.3 per cent) and NSW (up 17.4 per cent).

The Northern Territory recorded the fastest nominal economic growth, up 7.9 per cent over the year to June, supported by strong export growth. Next is Western Australia (up 7.7 per cent), from the ACT (up 4.9 per cent), Tasmania (up 3.3 per cent) and Victoria (up 1.6 per cent).

The weakest on annual nominal economic activity are NSW (down 1.7 per cent), Queensland (down 0.5 per cent) and South Australia (up 0.1 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 remains Australia's best performing economy.

Tasmania is ranked first on relative population growth, equipment investment, housing finance, dwelling starts and retail trade. Tasmania ranks third or fourth on the other three indicators.

The ACT has lifted from third to second position on the overall performance rankings. The ACT leads other economies on relative unemployment.

Victoria is now in third position. Of the eight indicators, Victoria still ranks first on relative economic growth and construction work done. Victoria's lowest ranking is fifth on four indicators.

NSW ranks equal fourth on the economic performance rankings. NSW is second ranked on construction work but is now ranked eighth on relative unemployment.

South Australia is now in equal fourth position on the economic performance rankings. South Australia is second ranked on relative population growth and third on relative unemployment.

There is now little to separate NSW, South Australia, Queensland and Western Australia on the performance rankings.

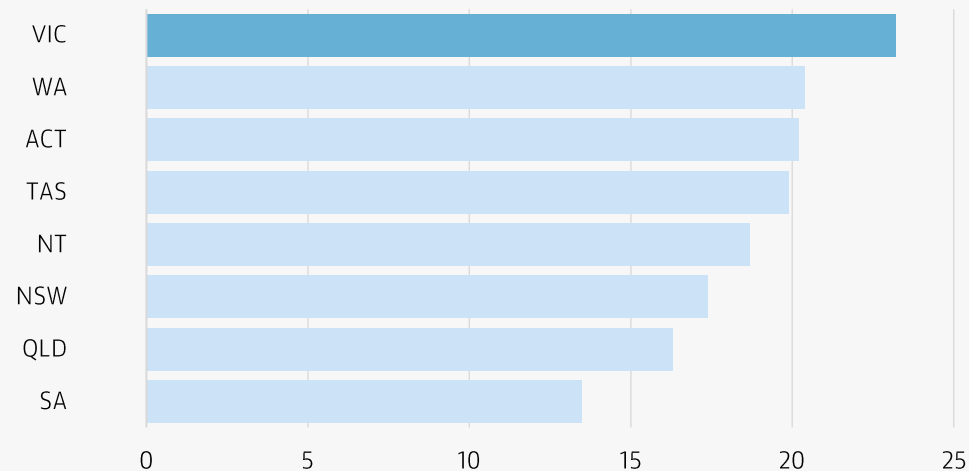
Queensland is now in joint sixth position on the performance rankings. Queensland is ranked second on retail trade and third on relative population growth.

Western Australia has lifted from seventh to joint sixth position on the economic performance rankings and continues to edge away from eighth-ranked Northern Territory.

Western Australia is ranked second on relative economic growth and third on equipment investment but is ranked seventh on four indicators.

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

Victoria still leads the way



Economic activity in Victoria in the June quarter was 23.2 per cent above its 'normal'



“ Tasmania remains in top spot of the retail rankings but Victoria has slipped from second to fifth.”

Retail spending

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

There have been notable changes in the rankings since the last quarter. Tasmania remains in top spot of the retail rankings but Victoria has slipped from second to fifth.

Retail spending in Tasmania was 11.4 per cent above decade-average levels in the June quarter. Success in suppressing the virus and higher home prices have supported retail spending.

In second spot (up from third) is Queensland with spending 8.91 per cent above decade-average levels.

Now in third position is ACT (up one spot) with spending 8.88 per cent up on the decade average. South Australia has lifted from sixth to fourth with spending 7 per cent up on ‘normal’.

Victoria is now fifth, with spending 5.9 per cent above the decade average followed by NSW, with spending up by 5.4 per cent.

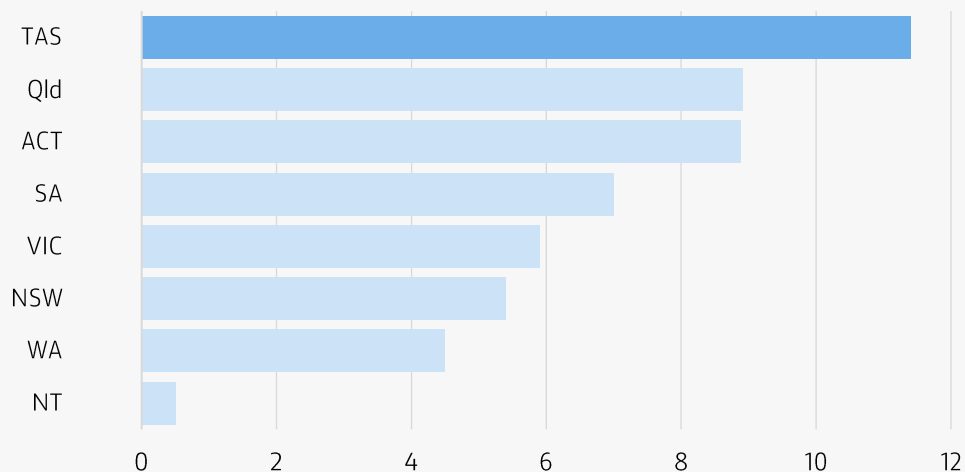
Northern Territory recorded the weakest result with retail spending up 0.5 per cent on the decade average, below Western Australia with 4.5 per cent growth.

If monthly retail trade was assessed instead to calculate the rankings (August data is available), Tasmania would stay on top of the rankings from the ACT and Queensland.

In terms of annual growth of real retail trade, Western Australia is now strongest (up 3.3 per cent), from Tasmania and the Northern Territory (both up 2.5 per cent).

Looking at annual growth of monthly retail trade, Western Australia (up 17.9 per cent) is ahead of Tasmania (up 17.8 per cent) and the ACT (up 15.1 per cent). While the weakest result was recorded by Victoria (down 10.3 per cent).

Tasmania is strongest for spending



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

Equipment investment

The measure of equipment investment is spending on new plant and equipment in seasonally adjusted terms with June quarter data compared with decade averages (the 'normal' performance).

In the June quarter, three states and territories had equipment spending above decade-average levels, the same result as in the March quarter.

Tasmania remains on top with equipment investment up 15.2 per cent on the decade average. The ACT has moved from fifth to second (up 10.8 per cent) from Western Australia (up 6 per cent)

NSW is in fourth position (down 9.4 per cent) from Victoria (down 12 per cent) and ahead of South Australia (down 13.9 per cent).

Spending in Queensland was down 19.9 per cent on 'normal', ahead of Northern Territory (down 53.4 per cent).

On a shorter-run analysis, equipment investment in the June quarter was up on a year ago in just one of the state and territory economies (Western Australia – up 5.9 per cent), the same as the March quarter.

Only Western Australia, Tasmania and the ACT lifted spending in the June quarter.

Equipment investment in Western Australia in the June quarter was the highest in 6½ years.

New equipment investment in the Northern Territory was down by 46.3 per cent on a year ago with spending in Victoria down 22.4 per cent followed by NSW (down 17.1 per cent).

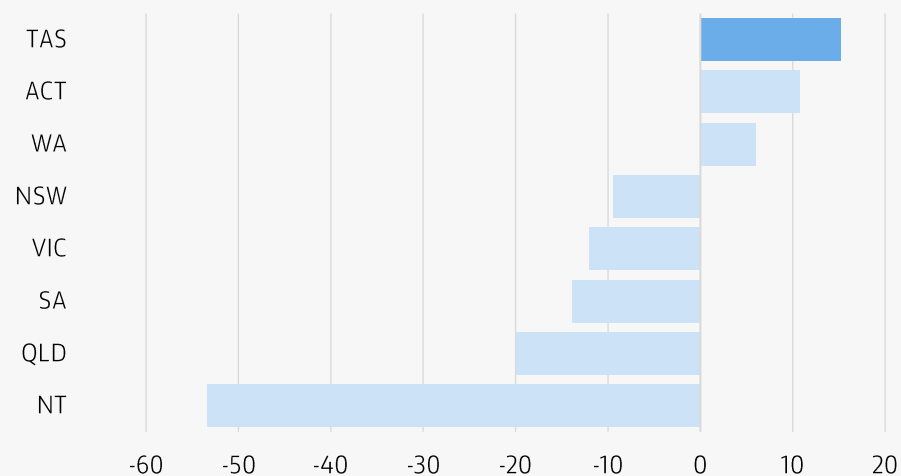
Equipment investment in Victoria stands at 14½-year lows.

Investment in Queensland was down 16.1 per cent on a year earlier while the annual decline in South Australian investment was 12.9 per cent.



“ Tasmania remains on top with equipment investment up 15.2 per cent on the decade average.”

Divergence in investment



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



“The ACT has the strongest job market. Despite the COVID-19 shock, unemployment in the ACT is 4.2 per cent below the decade average.”

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, the ACT has the strongest job market. Despite the COVID-19 shock, unemployment in the ACT is 4.2 per cent below the decade average.

Next best is Northern Territory, its 4.8 per cent jobless rate being 11.8 per cent above the decade average. South Australia comes next (12.5 per cent above the decade average) from Tasmania (17.9 per cent above the 10-year average) and Victoria (18.2 per cent above the decade average.)

At the other end of the scale, the NSW jobless rate of 7.2 per cent was 37.8 per cent above the 5.2 per cent decade average rate.

In September, the seasonally adjusted jobless rate in NSW (7.2 per cent) equalled the highest level in 22 years.

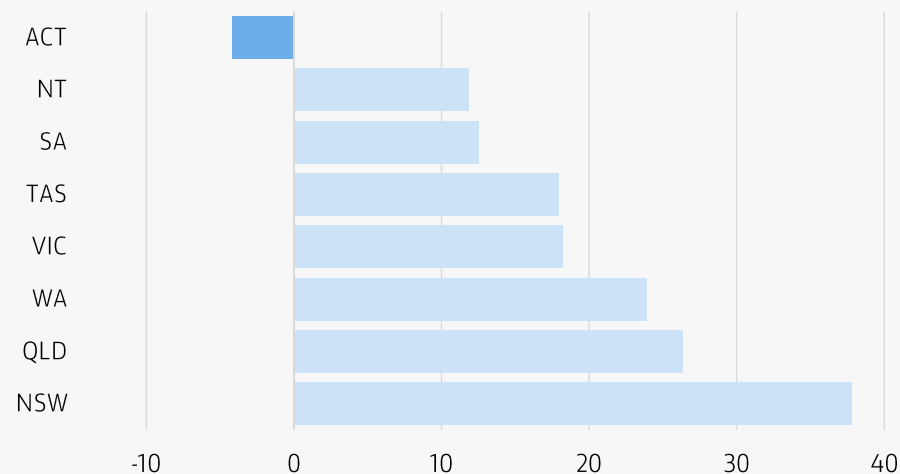
Ahead of NSW was Queensland, its jobless rate being 26.3 per cent above the decade average, behind Western Australia (its jobless rate 23.9 per cent above the decade average).

In September, employment in all states and territories was above decade-average levels except for the Northern Territory (down 4.4 per cent).

Looking over the year to September, employment in all but two states and territories recorded annual declines. Doing best was the ACT (jobs up 1.6 per cent) followed by Tasmania (up 0.5 per cent).

By contrast, employment in Victoria was 5.8 per cent down on a year ago, behind Northern Territory (down 5.1 per cent) and NSW (jobs down 2.4 per cent over the year).

Winners & losers on jobs



The NSW jobless rate was the highest since May 1998

37.8%
above decade average

Construction work

The measure used for analysis was the total real value of residential, commercial and engineering work completed in seasonally adjusted terms in the June quarter.

In five of the states and territories, construction work in the June quarter was higher than the decade average, the same number as the previous quarter.

Victoria has retained top spot with construction work done, 27 per cent above its decade average. NSW was next strongest, 9.2 per cent above the 'norm' or decade-average followed by Tasmania (up 6.3 per cent).

The ACT remains in fourth position with construction work 5.3 per cent above decade averages, ahead of South Australia (up 4.4 per cent).

At the other end of the scale, Northern Territory construction work done in the June quarter was 67.6 per cent below the decade-average.

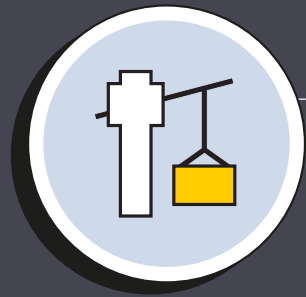
Next strongest was Western Australia with construction work down 43 per cent on the decade average behind Queensland (down 23.1 per cent).

In all states and territories except Western Australia, NSW and Northern Territory, spending contracted in the June quarter.

In terms of annual growth rates, five economies had construction work lower than a year ago. Down the most was NSW with construction 8.9 per cent lower.

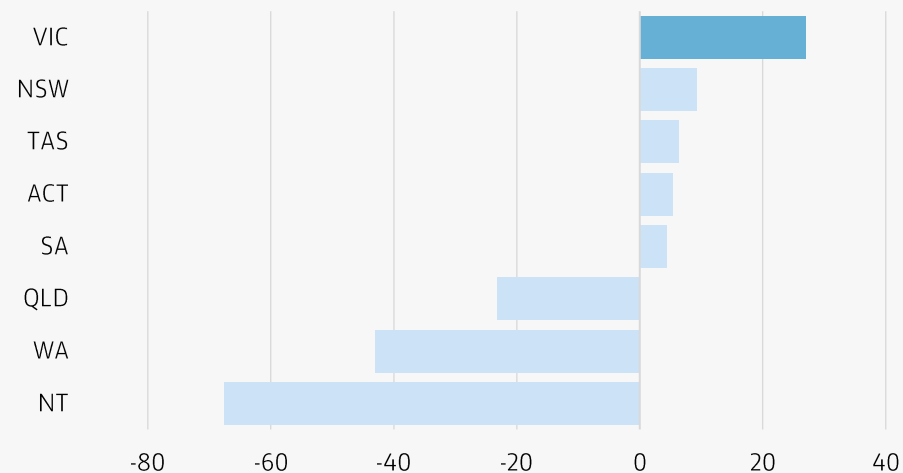
Tasmanian construction activity was down by 8.1 per cent on a year ago followed by South Australia (down 5.3 per cent), Northern Territory (down 3.9 per cent) and Queensland (down 0.4 per cent).

Spending was higher than a year ago in Western Australia (up 7.8 per cent), Victoria (up 6.2 per cent) and ACT (up 2.5 per cent).



“ In five of the states and territories, construction work in the June quarter was higher than the decade average. ”

Victorian construction strongest



Victoria has retained top spot with construction work done 27 per cent above its decade average



“ Tasmania is strongest on the relative population measure, with its 1.12 per cent annual population growth rate 89.1 per cent above the decade-average rate.

”

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 1.12 per cent annual population growth rate 89.1 per cent above the decade-average rate for the year to March.

South Australia remains next strongest on relative population growth, up 20.4 per cent on the decade average followed by Queensland, up 2.5 per cent on its 10-year average.

Annual population growth rates in the other states and territories were below decade averages: Western Australia

(down 3.5 per cent) from Victoria (down 14.6 per cent); NSW (down 20.4 per cent); ACT (down 41.0 per cent); and Northern Territory (down 121.4 per cent).

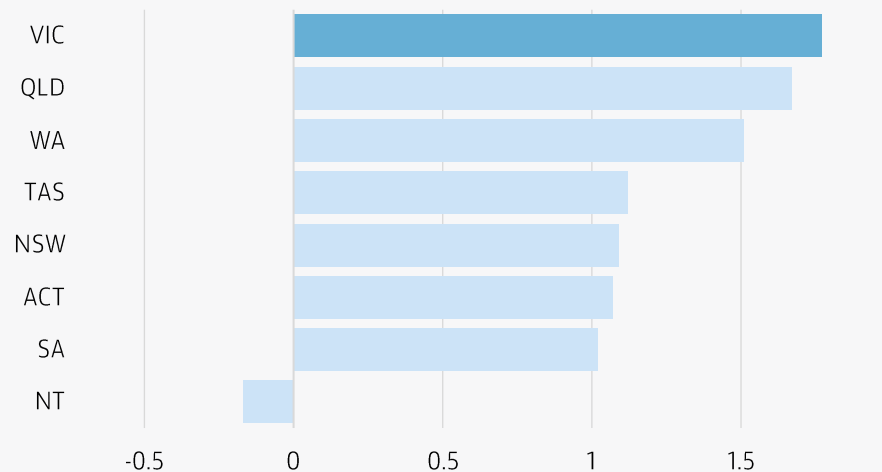
The state with the fastest absolute annual population growth is still Victoria (up 1.77 per cent). Next strongest is Queensland (up 1.67 per cent), Western Australia (up 1.51 per cent) and Tasmania (up 1.12 per cent).

By contrast, the Northern Territory population shrank by 0.17 per cent over the past year after falling by 0.33 per cent in the year to December.

The Victorian annual population growth of 1.77 per cent is the slowest rate in eight years and the NSW population growth is the slowest in almost 8½ years.

Western Australia’s annual population growth of 1.13 per cent is the fastest rate in 6 years. While South Australia’s annual population growth the fast in 7½ years.

Annual population growth rates



SA’s annual population growth is the fastest rate in 7½ years

UP 1.02%

Population, annual percent change, March 2020 quarter (latest). Source: CommSec, ABS

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. August data is the latest available.

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 seven of the states and territories, housing finance commitments are above decade averages, up from five in the previous quarter. And remarkably, home loans were above year-ago levels in all economies, compared with only three states and territories in the previous report.

Tasmania is now in top spot with the value of home loans up by 75.2 per cent on the long-term average. Next strongest is the ACT (up 67.3 per cent) followed by NSW (up 43.1 per cent) and Victoria (up 41.9 per cent).

Northern Territory remains the weakest for housing finance with commitments 9.5 per cent lower than its decade average. Commitments in Western Australia were up 7.8 per cent on the decade-average, followed by South Australia (up 36.5 per cent) and Queensland (up 40.4 per cent).

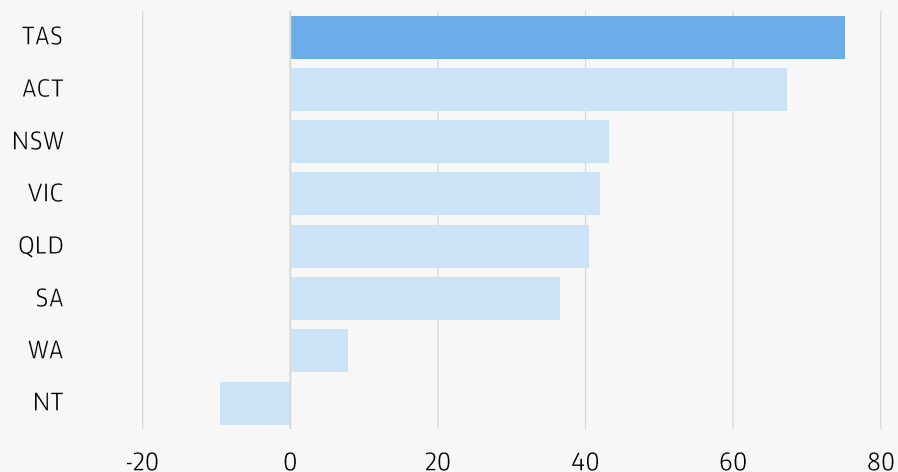
On an annual comparison, Tasmanian finance commitments were up the most (up 39 per cent) from the ACT (up 36.2 per cent) and Queensland (up 34.3 per cent), Western Australia (up 33.7 per cent) and Northern Territory (up 32.9 per cent).

Victoria now has the slowest annual growth at 23.9 per cent, from South Australia (up 27.3 per cent) and NSW (up 28.6 per cent).



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

Home lending trends



Tasmania is now in top spot on the value of home loans compared with the long-term average

**UP
75.2%**

Dwelling starts

The measure used was the seasonally adjusted 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 has been strong in Tasmania because population growth is well above 'normal' and home prices are still relatively low compared with the mainland.

Tasmania is now in top spot for dwelling starts, ahead of Victoria and the ACT. In the June quarter, starts in Tasmania were 9.5 per cent above the decade-average, followed by Victoria (down 1.1 per cent).

The ACT has dropped from first to third spot with starts down 5.1 per cent on the decade average, from NSW (down 9.8 per cent) and South Australia (down 10.3 per cent).

At the other end of the scale, dwelling starts in the Northern Territory were 60 per cent below the decade average. Next weakest was Western Australia (down 46.7 per cent) from Queensland (down 17.5 per cent).

In terms of quarterly changes, in the June quarter only Queensland (up 2.4 per cent) and Northern Territory (up 33.6 per cent) managed to lift dwelling starts.

And in terms of annual changes, again only Queensland recorded growth in the June quarter, up 0.5 per cent. Next best was Victoria (down 1.8 per cent) from South Australia (down 2.2 per cent).

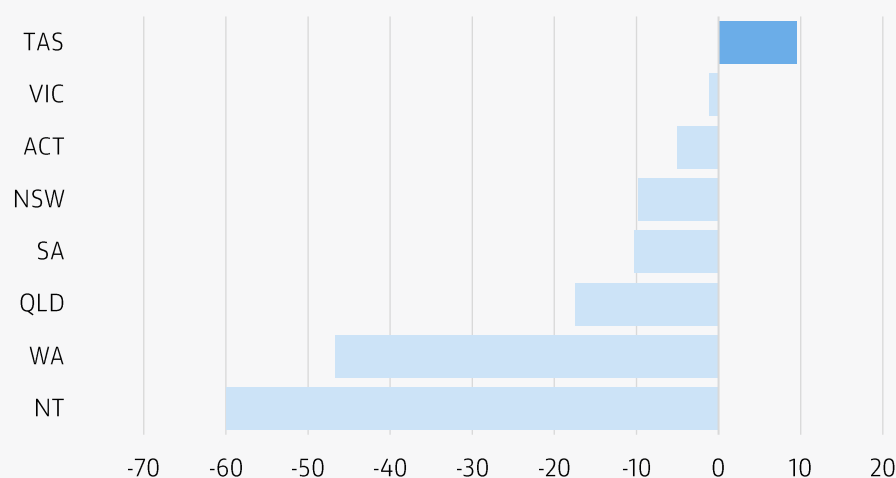
After posting solid annual growth for three quarters, starts fell 12.6 per cent in South Australia in the June quarter to a 3-year low.

Dwelling starts also fell 9 per cent in the June quarter in Tasmania, with starts the lowest in just over two years.



“ Home building has been strong in Tasmania because population growth is well above 'normal' and home prices are still relatively low compared with the mainland. ”

Mixed home building starts



Tasmania is now in top spot for dwelling starts, ahead of Victoria and the ACT



Other indicators

Annual percentage changes in consumer prices all were lower in the June quarter from the March quarter. Darwin recorded the biggest decrease (down 3.3 percentage points) from Sydney (down 3.0pp) and Brisbane (down 2.8pp).

Hobart had the highest annual inflation rate in the June quarter at 1.3 per cent, ahead of Adelaide (0.8 per cent) and Melbourne (0.3 per cent).

All of the states and territories had positive real wage growth in the June quarter (the gap between wage growth and inflation). The biggest real wage growth was in Darwin (4.1pp) from NSW (2.8pp) and Queensland (2.7pp).

The smallest real wage gap was recorded in Tasmania with wages 1.1pp higher than consumer prices. Next were Victoria (+1.4pp) and Western Australia (+1.5pp).

Wage growth in the year to the June quarter was strongest in South Australia and Tasmania (both 2.4 per cent) from the

Northern Territory (up 2.3 per cent) and the ACT (2 per cent). The lowest growth of wages was in Western Australia (up 1.6 per cent) from Victoria and Queensland (both up 1.7 per cent).

Turning to home prices, in September 2020 just one of the states/territories recorded annual declines in home prices - an improvement from two states/territories over the year to June. National home prices rose 4.8 per cent over the year to September, down from the May result of 8.3 per cent – the fastest annual rate in 33 months.

The strongest annual growth in home prices was in Tasmania (up 8.2 per cent) from NSW (up 7.3 per cent); the ACT (up 6.3 per cent); Queensland (up 4.2 per cent); and South Australia (up 3.9 per cent); Victoria (up 3.2 per cent); and Northern Territory (up 1 per cent).

Home prices were lower than a year ago in Western Australia (down 1.9 per cent).

Inflation rate in Hobart

1.3%

Wage growth in Tasmania

2.4%

National home prices rose

4.8%

Wages and prices*

	Wages Jun Qtr	CPI Jun Qtr	Home Prices Sep
NSW	1.8	-1.0	7.3
VIC	1.7	0.3	3.2
QLD	1.7	-1.0	4.2
SA	2.4	0.8	3.9
WA	1.6	0.1	-1.9
TAS	2.4	1.3	8.2
NT	2.3	-1.8	1.0
ACT	2.0	-0.6	6.3

The fastest annual growth in home prices was in Tasmania

**UP
8.2%**

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



Annual growth rates

“On the eight indicators assessed, Western Australia tops the annual changes on three measures, economic momentum is on its side.”

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 Western Australia tops the annual changes on three measures. Economic momentum is on its side. All of the other economies except NSW and South Australia are on top for annual economic growth on one of five economic indicators.

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

NSW out-performed the national average on two indicators.

Annual Growth %

	 Economic Growth	 Retail Trade	 Equipment Investment	 Employment	 Construction Work	 Population	 Housing Finance	 Dwelling commencements
NSW	-1.7	-4.3	-17.1	-2.4	-8.9	1.09	10.5	-12.6
VIC	1.6	-6.2	-22.4	-5.8	6.2	1.77	15.8	-1.8
QLD	-0.5	1.5	-16.1	-1.5	-0.4	1.67	-4.5	0.5
SA	0.1	-1.1	-12.9	-1.4	-5.3	1.02	-2.0	-2.2
WA	7.7	3.3	5.9	-0.3	7.8	1.57	-9.8	-30.3
TAS	3.3	2.5	-1.8	+0.4	-8.1	1.12	-8.6	-4.3
NT	7.9	2.5	-46.3	-5.1	-3.9	-0.17	-23.0	-5.9
ACT	4.9	-1.1	0.0	-1.6	2.5	1.07	21.0	-14.9
AUST	1.5	2.3	-13.8	-2.8	-1.0	1.41	7.3	-8.0



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

Looking ahead

If rolling annual new vehicle sales are added to the list of indicators, South Australia would move to outright fourth on the performance rankings with Queensland outright sixth.

The ACT is the only state or territory where annual new vehicle sales are above ‘normal’, up 6.8 per cent on the decade average. And the ACT is the only economy where new vehicle sales are up on a year ago (up 11.8 per cent).

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

Over the quarter Tasmania gained three places on housing finance and one place on dwelling starts. However Tasmania fell three spots on relative unemployment, and one spot on each of relative economic growth and construction work.

The ACT gained three spots on both equipment investment and relative economic growth and two spots on relative

unemployment. The ACT lost two spots on dwelling starts and one spot on housing finance.

Victoria lost most ground on retail trade (three places) and housing finance (two places).

NSW fell three places on relative unemployment and two spots on relative economic growth.

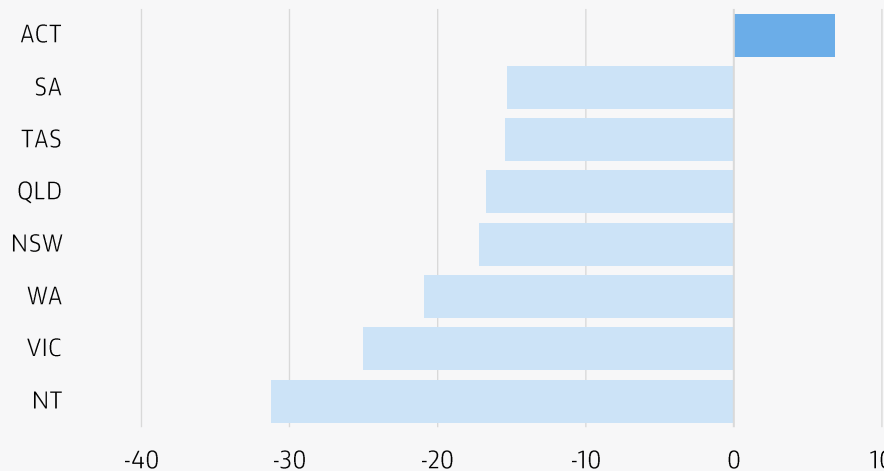
South Australia gained most on relative unemployment (four places) and retail trade (two places) while falling two places on dwelling starts.

Queensland lost five spots on relative unemployment and three places on equipment investment but clawed back one spot on both retail trade and housing finance.

Western Australia improved two places each on relative unemployment and relative population growth and lost one place on equipment investment.

Northern Territory improved four places on relative unemployment.

Weak new auto sales



The ACT leads the ranking with rolling annual new vehicle registrations

UP 6.8%

Motor vehicle registrations, percent change in year to September 2020 on the decade-average. Source: CommSec, ABS, Federal Chamber of Automotive Industries

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 Victoria was 6.7 per cent in September with the jobless rate at 7.6 per cent in Tasmania. However Tasmania’s unemployment rate is 17.9 per cent above its decade average, while the Victorian rate is 18.2 per cent above its decade average. So Tasmania ranks above Victoria 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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