

# Melbourne Institute State Leading Indexes of Economic Activity: New South Wales, Victoria, Queensland, South Australia, Western Australia

October 2020

## Melbourne Institute State Leading Indexes of Economic Activity: New South Wales, Victoria, Queensland, South Australia, Western Australia

### September 2020

**Table 1: Year-ended deviation-from-trend growth over last 6 months (%)**

OVERVIEW	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
New South Wales	-0.36	-1.86	0.33	0.07	1.49	1.70
Victoria	-0.25	-1.50	0.18	0.25	0.30	-1.04
Queensland	0.04	-2.07	-0.45	0.06	1.16	1.42
South Australia	-0.16	-1.33	0.71	1.47	1.81	1.60
Western Australia	-0.63	-2.10	0.23	0.14	1.57	1.39

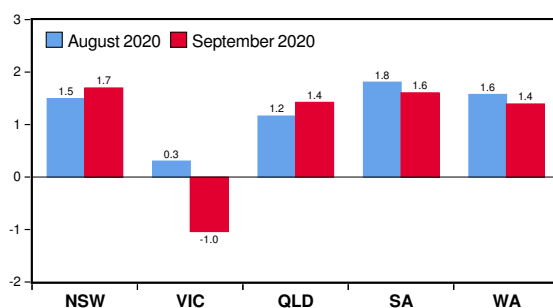
### The Indexes signal improvement in activity in major states, except for VIC

In September, the year-ended deviation-from-trend growths in the Melbourne Institute State Leading Indexes of Economic Activity show a stark difference between VIC and the rest of the country. The readings of growth in the Indexes for NSW, QLD, SA and WA have been consistently more than 1.00% above trend in the past two months, signaling steady improvement towards the end of 2020 and early 2021. In contrast, VIC recorded a negative reading of 1.04% in September, following a weak positive reading of 0.30% in August. This is a reflection of the adverse impacts of the second lockdown filtering through economic activity in VIC.

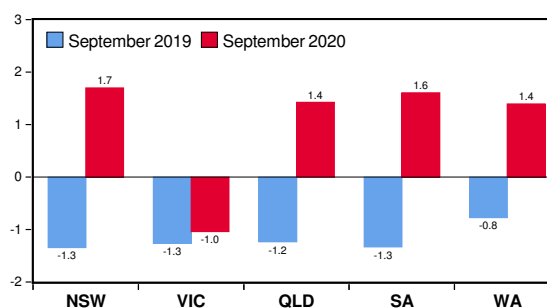
Tables 2-6 provide the year-ended deviation-from-trend growth in the State Leading Indexes as well as the year-ended contributions from the components. The difference between the levels of economic activity in VIC and in the other major states is revealed in the differences in contributions of monthly hours worked and retail trade. While the contributions of monthly hours worked remain negative across all the states, its negative influences have been waning since May, in all states except in VIC. The negative influence of monthly hours worked in VIC has increased since July following the second lockdown. Similarly, since June, retail trade has been recovering steadily in all of the major states, except in VIC. In September, retail trade added 0.45 ppts to growth in the NSW Index, 0.73 ppts to QLD, 0.59 ppts to SA, and 0.86 ppts to WA. In contrast, retail trade was the biggest detractor, subtracting 1.07 ppts off growth in the VIC Index in September.

As the RBA continued to maintain an accommodating monetary policy setting, the yield spread continued to have positive influence on economic activity across the major states. On the 6<sup>th</sup> October, the Treasury handed down a stimulatory 2020/2021 budget to kick-start the economic recovery. This, to a certain extent, has lifted consumer sentiment across the country. As a result, both of the Westpac-Melbourne Institute Expectations and Unemployment Expectation Indexes contributed positively to growth in the State Leading Indexes in September. Going forwards, the rate of recovery is likely to be different between VIC and the other major states.

**Chart 1(a): State Leading Indexes vs Previous Month's**



**Chart 1(b): State Leading Indexes vs Last Year's**



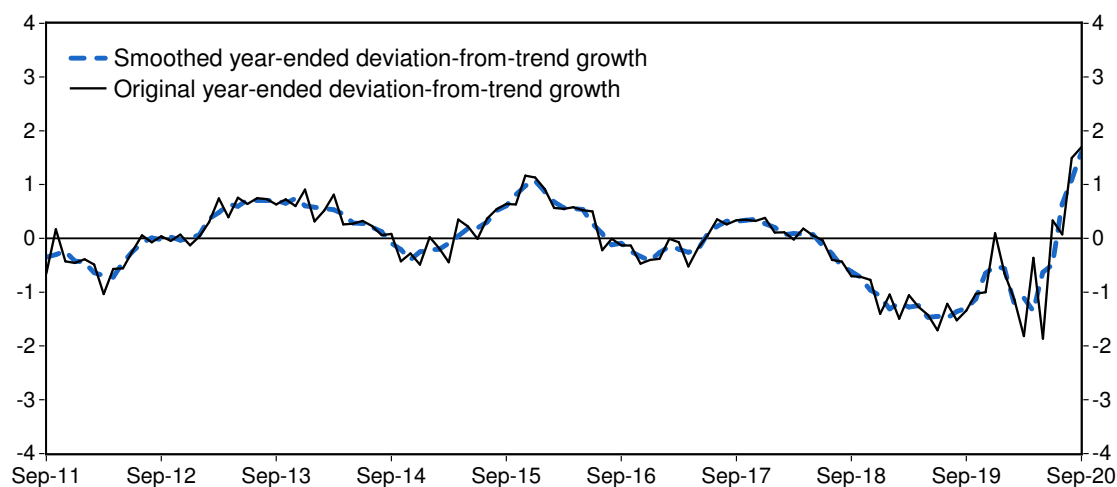
## Melbourne Institute NSW Leading Index of Economic Activity September 2020

Table 2: New South Wales Leading Index of Economic Activity

NEW SOUTH WALES	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Monthly level	98.92	97.25	99.12	99.07	100.19	100.42
Monthly growth	1.30	-1.69	1.92	-0.05	1.13	0.23
<i>Year-ended growth</i>	-0.36	-1.86	0.33	0.07	1.49	1.70
<i>Year-ended growth contributions<sup>◇</sup>:</i>						
NSW Expectations index <sup>†</sup>	-0.09	-0.05	0.05	-0.23	-0.03	0.23
NSW Unemployment expectation index <sup>†</sup>	-0.12	-0.02	-0.03	-0.20	-0.04	0.18
NSW Aggregate monthly hours worked	-0.79	-0.88	-0.44	-0.46	-0.36	-0.27
NSW Retail trade	0.21	-1.18	-0.05	0.20	0.63	0.45
NSW Dwelling approvals	0.11	-0.08	-0.13	-0.18	0.03	-0.10
NSW Housing finance commitment	0.46	0.29	0.76	0.74	0.71	0.67
NSW Current family finance index <sup>†</sup>	-0.15	-0.10	-0.02	-0.09	0.07	0.18
AUD/USD	-0.16	-0.09	-0.06	0.09	0.18	0.10
Yield spread	0.17	0.24	0.25	0.20	0.28	0.27

<sup>◇</sup> Contributions may not add up to the total due to rounding. <sup>†</sup>CSI: Consumer Sentiment Index. <sup>‡</sup>UE: Unemployment Expectations. The contribution of the Unemployment expectations index to growth is multiplied by -1 to reflect its countercyclical property. Data sources: Australian Bureau of Statistics, Reserve Bank of Australia, and Melbourne Institute of Applied Economic and Social Research.

Chart 2: New South Wales Leading Index of Economic Activity



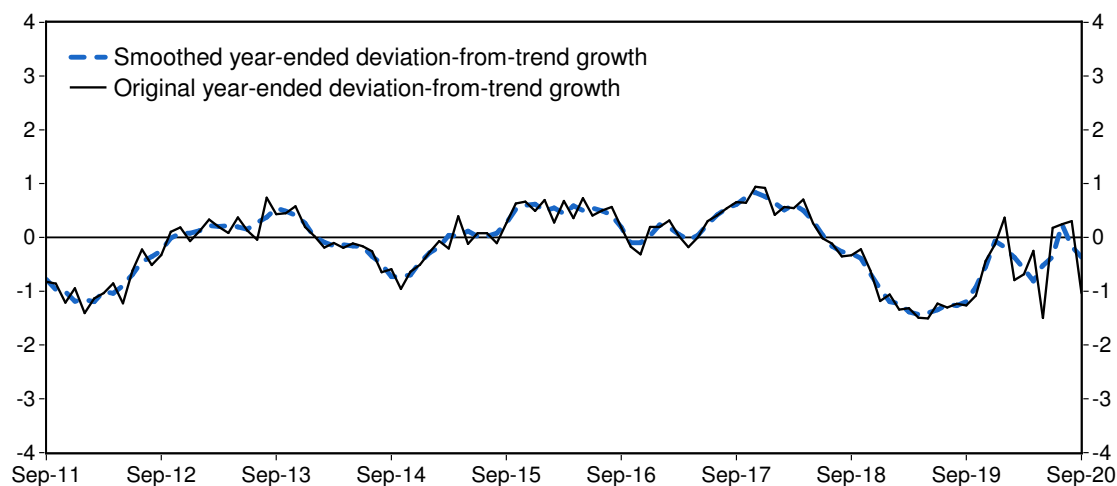
## Melbourne Institute VIC Leading Index of Economic Activity September 2020

Table 3: Victoria Leading Index of Economic Activity

VICTORIA	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Monthly level	100.34	98.73	100.57	100.55	100.52	99.19
Monthly growth	0.38	-1.60	1.86	-0.01	-0.03	-1.32
<i>Year-ended growth</i>	-0.25	-1.50	0.18	0.25	0.30	-1.04
<i>Year-ended growth contributions<sup>◇</sup>:</i>						
VIC Expectations index <sup>†</sup>	-0.11	-0.04	-0.17	-0.22	-0.05	0.10
VIC Unemployment expectation index <sup>†</sup>	-0.17	-0.04	-0.14	-0.20	-0.08	0.12
VIC Aggregate monthly hours worked	-0.70	-0.81	-0.52	-0.42	-0.85	-0.99
VIC Retail trade	0.28	-1.30	-0.27	0.01	-0.13	-1.07
VIC Dwelling approvals	-0.01	0.12	-0.02	-0.06	0.11	0.09
VIC Housing finance commitment	0.53	0.41	1.19	0.95	0.86	0.30
VIC Current family finance index <sup>†</sup>	-0.08	0.02	-0.09	-0.10	-0.01	0.06
AUD/USD	-0.16	-0.09	-0.06	0.08	0.18	0.10
Yield spread	0.17	0.23	0.24	0.20	0.28	0.26

<sup>◇</sup> Contributions may not add up to the total due to rounding. <sup>†</sup> These indexes are taken from the Westpac-Melbourne Institute Survey of Consumer Sentiment. The contribution of the Unemployment expectations index to growth is multiplied by -1 to reflect its counter-cyclical property. Data sources: Australian Bureau of Statistics, Reserve Bank of Australia, and Melbourne Institute of Applied Economic and Social Research.

Chart 3: Victoria Leading Index of Economic Activity



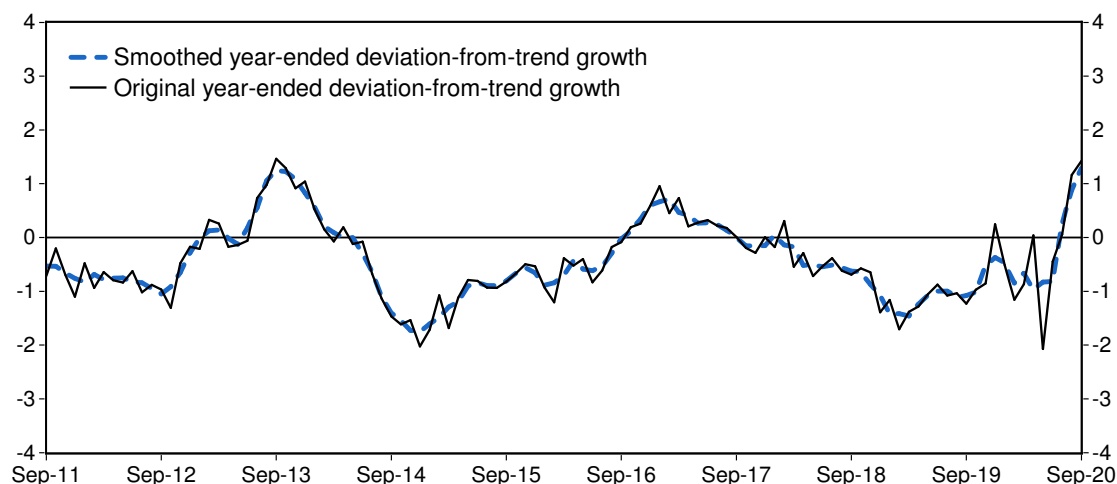
## Melbourne Institute QLD Leading Index of Economic Activity September 2020

Table 4: Queensland Leading Index of Economic Activity

QUEENSLAND	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Monthly level	98.77	96.61	98.22	98.64	99.62	99.64
Monthly growth	0.85	-2.18	1.66	0.43	0.99	0.02
<i>Year-ended growth</i>	0.04	-2.07	-0.45	0.06	1.16	1.42
<i>Year-ended growth contributions<sup>◇</sup>:</i>						
QLD Expectations index <sup>†</sup>	-0.18	-0.10	-0.13	-0.18	-0.08	0.14
QLD Unemployment expectation index <sup>†</sup>	-0.12	0.08	-0.09	-0.19	0.00	0.03
QLD Aggregate monthly hours worked	-0.79	-0.82	-0.65	-0.69	-0.55	-0.48
QLD Retail trade	0.63	-0.87	0.42	0.46	0.89	0.73
QLD Dwelling approvals	0.01	-0.06	-0.08	-0.09	-0.11	0.07
QLD Housing finance commitment	0.67	-0.08	0.34	0.95	0.93	0.71
QLD Current family finance index <sup>†</sup>	-0.04	-0.08	-0.06	-0.03	-0.01	0.13
AUD/USD	-0.19	-0.11	-0.07	0.10	0.21	0.12
Yield spread	0.20	0.28	0.29	0.23	0.33	0.31
RBA commodity prices AUD	-0.14	-0.32	-0.44	-0.51	-0.46	-0.35

<sup>◇</sup> Contributions may not add up to the total due to rounding. <sup>†</sup> These indexes are taken from the Westpac-Melbourne Institute Survey of Consumer Sentiment. The contribution of the Unemployment expectations index to growth is multiplied by -1 to reflect its counter-cyclical property. Data sources: Australian Bureau of Statistics, Reserve Bank of Australia, and Melbourne Institute of Applied Economic and Social Research.

Chart 4: Queensland Leading Index of Economic Activity



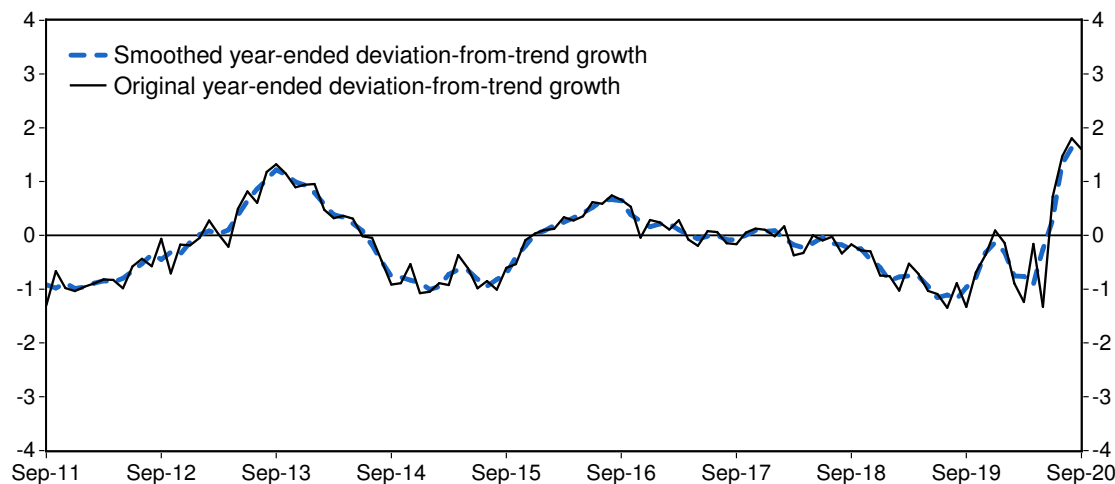
## Melbourne Institute SA Leading Index of Economic Activity September 2020

Table 5: South Australia Leading Index of Economic Activity

SOUTH AUSTRALIA	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Monthly level	100.35	99.07	101.03	101.56	101.88	101.48
Monthly growth	0.85	-1.28	1.98	0.53	0.31	-0.39
<i>Year-ended growth</i>	-0.16	-1.33	0.71	1.47	1.81	1.60
<i>Year-ended growth contributions<sup>◇</sup>:</i>						
SA Expectations index <sup>†</sup>	-0.10	-0.10	-0.10	-0.10	-0.01	0.13
SA Unemployment expectation index <sup>†</sup>	0.00	0.06	-0.03	-0.12	0.01	0.08
SA Aggregate monthly hours worked	-0.83	-0.83	-0.69	-0.40	-0.27	-0.20
SA Retail trade	0.45	-0.87	0.29	0.44	0.73	0.59
SA Dwelling approvals	-0.06	0.07	0.02	-0.02	-0.21	-0.06
SA Housing finance commitment	0.45	0.14	1.01	1.30	0.98	0.57
SA Current family finance index <sup>†</sup>	-0.09	0.02	-0.02	0.02	0.02	0.06
AUD/USD	-0.19	-0.11	-0.07	0.10	0.22	0.12
Yield spread	0.20	0.28	0.30	0.24	0.34	0.32

<sup>◇</sup> Contributions may not add up to the total due to rounding. <sup>†</sup> These indexes are taken from the Westpac-Melbourne Institute Survey of Consumer Sentiment. The contribution of the Unemployment expectations index to growth is multiplied by -1 to reflect its counter-cyclical property. Data sources: Australian Bureau of Statistics, Reserve Bank of Australia, and Melbourne Institute of Applied Economic and Social Research.

Chart 5: South Australia Leading Index of Economic Activity



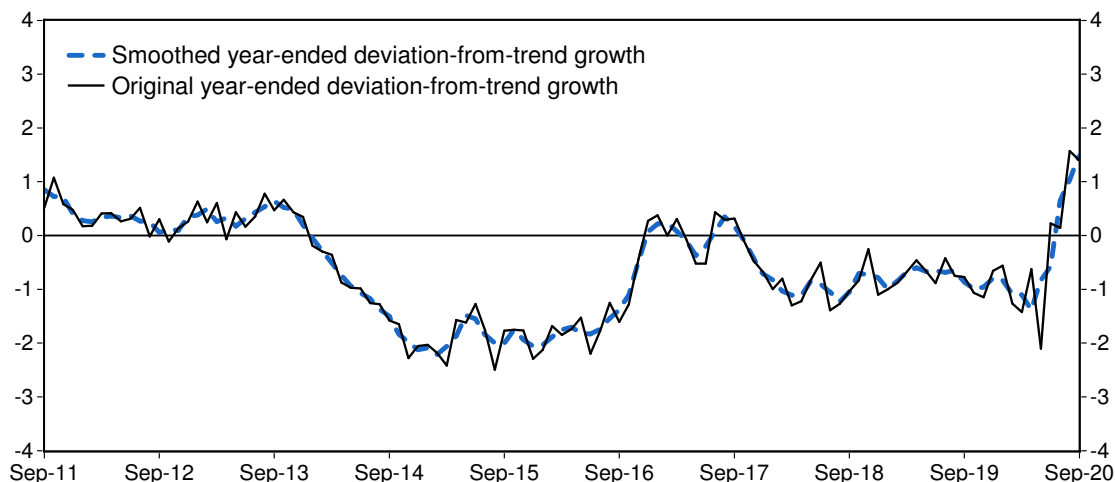
## Melbourne Institute WA Leading Index of Economic Activity September 2020

Table 6: Western Australia Leading Index of Economic Activity

WESTERN AUSTRALIA	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Monthly level	95.81	94.25	96.09	96.50	97.47	97.55
Monthly growth	0.83	-1.64	1.95	0.43	1.01	0.08
<i>Year-ended growth</i>	-0.63	-2.10	0.23	0.14	1.57	1.39
<i>Year-ended growth contributions<sup>◇</sup>:</i>						
WA Expectations index <sup>†</sup>	-0.10	-0.08	-0.05	-0.22	0.03	0.06
WA Unemployment expectation index <sup>†</sup>	-0.14	-0.04	0.12	-0.22	-0.04	0.06
WA Aggregate monthly hours worked	-0.86	-0.72	-0.50	-0.48	-0.25	-0.20
WA Retail trade	0.59	-0.73	0.56	0.68	0.89	0.86
WA Dwelling approvals	-0.11	0.03	-0.02	-0.06	-0.06	-0.14
WA Housing finance commitment	0.19	-0.28	0.39	0.64	0.87	0.63
WA Current family finance index <sup>†</sup>	-0.08	-0.14	-0.09	-0.04	0.06	0.06
AUD/USD	-0.17	-0.10	-0.06	0.09	0.20	0.11
Yield spread	0.18	0.25	0.27	0.22	0.30	0.28
RBA commodity prices AUD	-0.13	-0.29	-0.40	-0.46	-0.42	-0.32

<sup>◇</sup> Contributions may not add up to the total due to rounding. <sup>†</sup> These indexes are taken from the Westpac-Melbourne Institute Survey of Consumer Sentiment. The contribution of the Unemployment expectations index to growth is multiplied by -1 to reflect its counter-cyclical property. Data sources: Australian Bureau of Statistics, Reserve Bank of Australia, and Melbourne Institute of Applied Economic and Social Research.

Chart 6: Western Australia Leading Index of Economic Activity



**Melbourne Institute State Leading Index of Economic Activity:  
New South Wales, Victoria, Queensland, South Australia, Western Australia.**

The *Melbourne Institute State Leading Index of Economic Activity for New South Wales, Victoria, Queensland, South Australia, Western Australia* are summary measures of the growth prospects of the mainland states. They combine the latest information from consumer expectations on future activity, unemployment and their assessment of current family finance, together with aggregate monthly hours worked, retail trade, dwelling approvals, housing finance commitments, AUD/USD exchange rate, the yield spread and RBA's \$A commodity price index for QLD and WA.

The Indexes assess the likely path of growth relative to trend in three to nine months' time.

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For information on the data contained in the report contact the Melbourne Institute, The University of Melbourne, on (03) 8344 2196.

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