

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

July 2022

## Melbourne Institute State Leading Indexes of Economic Activity:

New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania

July 2022

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

| OVERVIEW          | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|-------------------|--------|--------|--------|--------|--------|--------|
| New South Wales   | -0.21  | -0.24  | -0.03  | -0.52  | -0.94  | -0.73  |
| Victoria          | 0.01   | 0.01   | 0.04   | -0.52  | -0.66  | -0.32  |
| Queensland        | 0.90   | 0.67   | 0.22   | 0.27   | 0.21   | 0.38   |
| South Australia   | 0.37   | -0.32  | -0.22  | -0.91  | 0.13   | 0.20   |
| Western Australia | 0.80   | 0.63   | 0.13   | 0.23   | 0.58   | 0.05   |
| Tasmania          | 0.02   | -0.51  | -0.43  | -1.00  | -0.19  | -0.44  |

### Activity likely to remain sluggish across states in the coming months

The latest monthly deviation-from-trend growth rates in the Melbourne Institute State Leading Indexes of Economic Activity show that monthly economic activity in most of the states picked up in June. In monthly terms, the Index rose by 0.26% in NSW (up from -0.62% in May), by 0.37% in VIC (up from -0.66%), by 0.34% in QLD (up from -0.62%), by 0.42% in SA (up from -0.05%), and by 0.17% in WA (up from -0.38%). Meanwhile, the TAS Index grew by 0.09% in June after recording a monthly growth of 0.11% in May. However, despite monthly improvements, in year-ended terms, the growth rates in all of the states' Leading Indexes, continue to signal around- or below-trend activity towards the end of 2022 and early 2023.

Tables 2-6 provide the year-ended deviation-from-trend growth in the states' Leading Indexes and the year-ended contributions from their components. The positive monthly growth in economic activity across the states in June resulted primarily from the strong monthly contribution of housing finance commitment which, in turn, was driven, to a large extent, by re-financing activity. This strong monthly contribution of housing finance commitment is more about consumers' responses to the RBA's rate hikes and their anticipation of further rate hikes, amid rising inflationary pressures, rather than about an uptick in overall housing market activity. In year-ended terms, the combined contribution of dwelling approvals and housing finance commitment remains negative in most of the states (with QLD being the only exception), indicating cooling housing market activity in most of the states in the coming months.

Retail trade and the yield spread continued to be key contributors to growth across all the states in June. Successive positive contributions from retail trade since March, to some extent, have been supported by tight labour market conditions. Amid pressures from rising costs of living, consumers are reporting increasingly weakening current family finances with expectations of further worsening of future family finances and economic conditions. As such, household consumption may weaken in the coming months. Meanwhile, with expectations of a stronger increase in the short-end of the yield curve (reflecting the tightening of monetary policy), the positive contribution from the yield spread is likely to shrink further in the coming months. Overall, aggregate economic activity across the states is likely to remain sluggish in the coming months.

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

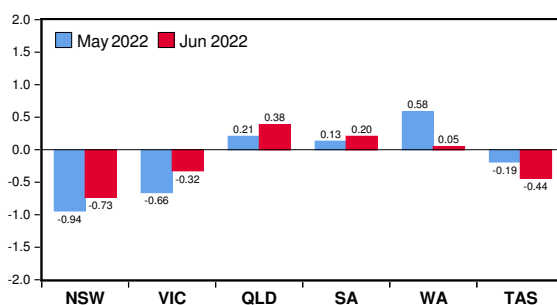
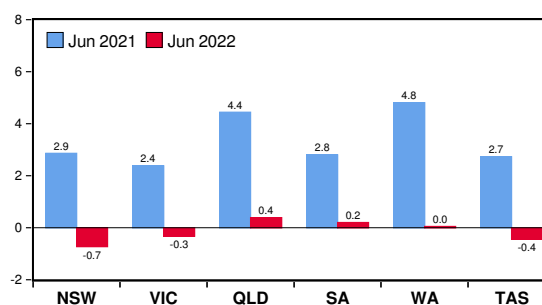


Chart 1(b): State Leading Indexes vs Last Year's



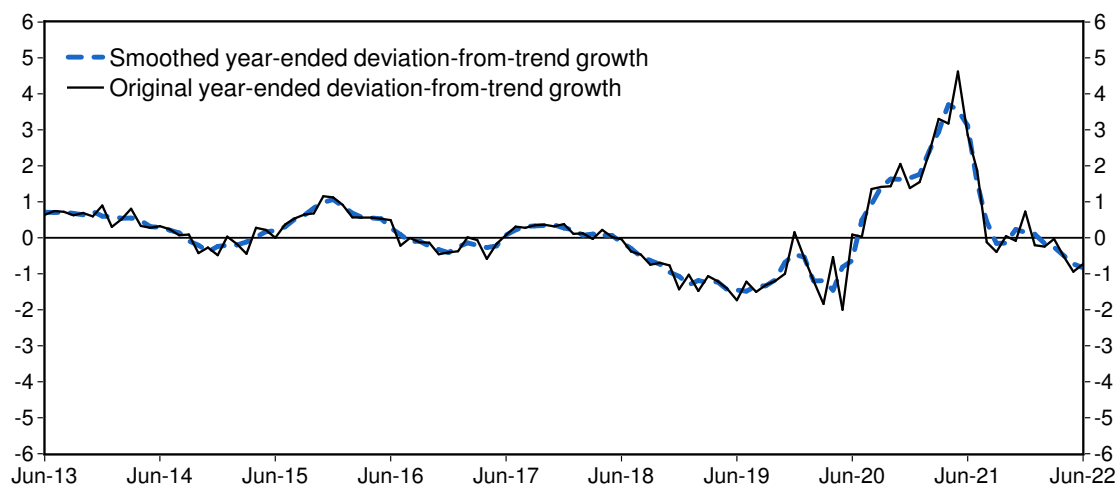
## Melbourne Institute NSW Leading Index of Economic Activity June 2022

Table 2: New South Wales Leading Index of Economic Activity

| NEW SOUTH WALES                                     | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 100.30 | 100.12 | 100.79 | 101.33 | 100.70 | 100.97 |
| Monthly growth                                      | -1.31  | -0.17  | 0.67   | 0.54   | -0.62  | 0.26   |
| <i>Year-ended growth</i>                            | -0.21  | -0.24  | -0.03  | -0.52  | -0.94  | -0.73  |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| NSW Expectations index <sup>†</sup>                 | -0.12  | -0.16  | -0.14  | -0.19  | -0.22  | -0.14  |
| NSW Unemployment expectation index <sup>†</sup>     | 0.06   | 0.08   | 0.19   | -0.06  | -0.10  | -0.01  |
| NSW Aggregate monthly hours worked                  | -0.30  | -0.22  | -0.32  | -0.13  | -0.14  | -0.19  |
| NSW Retail trade                                    | 0.01   | 0.07   | 0.18   | 0.26   | 0.18   | 0.23   |
| NSW Dwelling approvals                              | -0.05  | -0.08  | 0.02   | -0.16  | -0.18  | -0.16  |
| NSW Housing finance commitment                      | 0.20   | 0.14   | 0.01   | -0.23  | -0.37  | -0.21  |
| NSW Current family finance index <sup>†</sup>       | -0.03  | -0.08  | -0.09  | -0.10  | -0.17  | -0.24  |
| AUD/USD   | -0.21  | -0.21  | -0.08  | -0.20  | -0.18  | -0.20  |
| Yield spread  | 0.23   | 0.21   | 0.19   | 0.29   | 0.23   | 0.20   |

<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



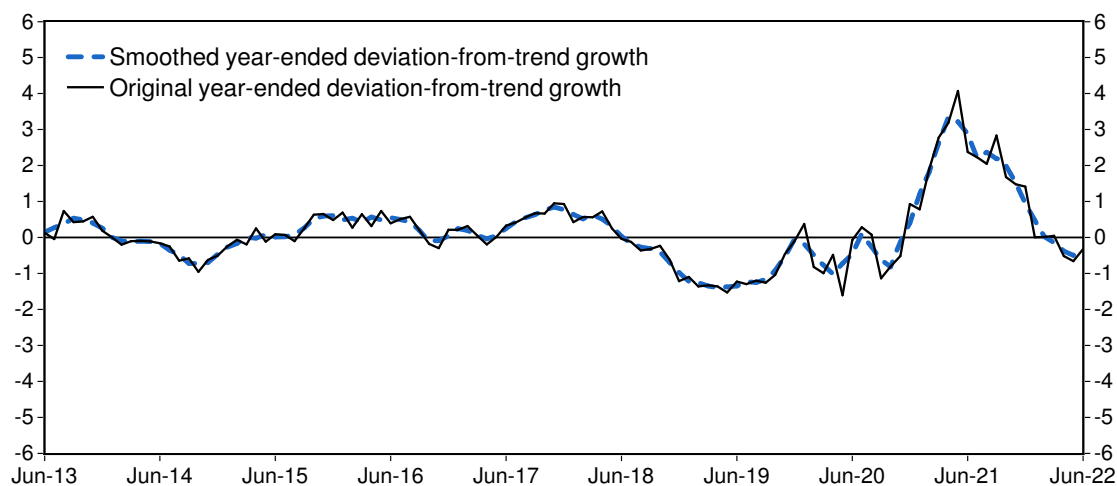
## Melbourne Institute VIC Leading Index of Economic Activity June 2022

Table 3: Victoria Leading Index of Economic Activity

| VICTORIA  | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 102.06 | 101.69 | 102.43 | 102.65 | 101.97 | 102.35 |
| Monthly growth                                      | -1.25  | -0.35  | 0.73   | 0.21   | -0.66  | 0.37   |
| <i>Year-ended growth</i>                            | 0.01   | 0.01   | 0.04   | -0.52  | -0.66  | -0.32  |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| VIC Expectations index <sup>†</sup>                 | -0.12  | -0.12  | -0.21  | -0.14  | -0.15  | -0.30  |
| VIC Unemployment expectation index <sup>†</sup>     | 0.14   | 0.13   | 0.16   | -0.08  | 0.07   | -0.05  |
| VIC Aggregate monthly hours worked                  | -0.37  | -0.10  | -0.19  | -0.18  | -0.32  | 0.18   |
| VIC Retail trade                                    | 0.12   | 0.16   | 0.42   | 0.27   | 0.24   | 0.36   |
| VIC Dwelling approvals                              | 0.01   | -0.08  | 0.06   | -0.19  | -0.04  | -0.11  |
| VIC Housing finance commitment                      | 0.29   | 0.06   | -0.11  | -0.21  | -0.37  | -0.13  |
| VIC Current family finance index <sup>†</sup>       | -0.08  | -0.05  | -0.20  | -0.07  | -0.14  | -0.25  |
| AUD/USD   | -0.21  | -0.21  | -0.08  | -0.21  | -0.18  | -0.21  |
| Yield spread  | 0.24   | 0.22   | 0.19   | 0.29   | 0.24   | 0.20   |

<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



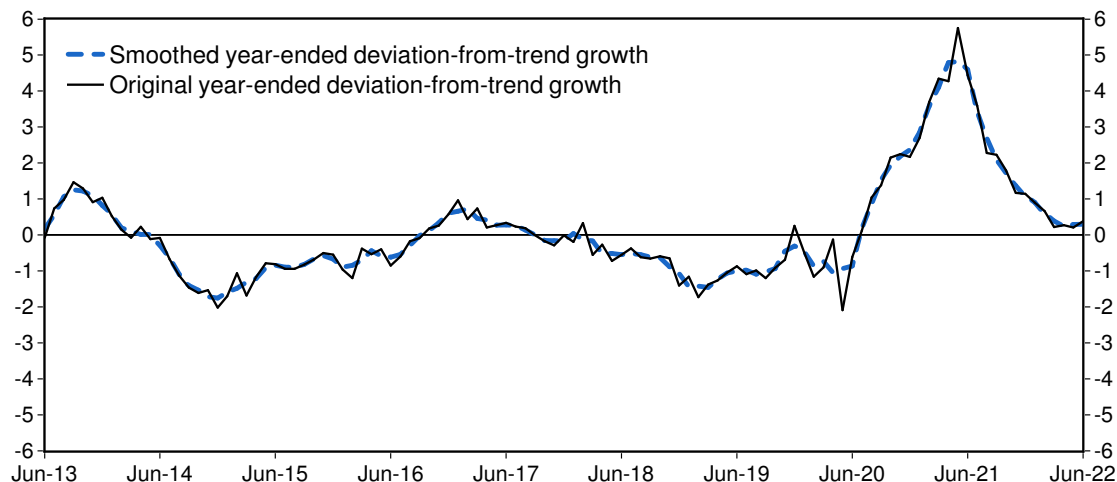
## Melbourne Institute QLD Leading Index of Economic Activity June 2022

Table 4: Queensland Leading Index of Economic Activity

| QUEENSLAND  | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 102.36 | 102.01 | 102.39 | 103.12 | 102.48 | 102.83 |
| Monthly growth                                      | -0.26  | -0.34  | 0.37   | 0.72   | -0.62  | 0.34   |
| <i>Year-ended growth</i>                            | 0.90   | 0.67   | 0.22   | 0.27   | 0.21   | 0.38   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| QLD Expectations index <sup>†</sup>                 | 0.00   | -0.05  | -0.16  | -0.17  | -0.22  | -0.21  |
| QLD Unemployment expectation index <sup>†</sup>     | 0.09   | 0.08   | 0.08   | -0.09  | -0.05  | -0.02  |
| QLD Aggregate monthly hours worked                  | 0.23   | -0.07  | -0.23  | 0.00   | -0.02  | -0.05  |
| QLD Retail trade                                    | -0.10  | 0.01   | 0.06   | 0.26   | 0.33   | 0.26   |
| QLD Dwelling approvals                              | -0.20  | -0.03  | -0.22  | -0.21  | -0.22  | -0.09  |
| QLD Housing finance commitment                      | 0.27   | 0.08   | 0.05   | -0.13  | -0.08  | 0.19   |
| QLD Current family finance index <sup>†</sup>       | 0.01   | 0.02   | -0.18  | -0.17  | -0.14  | -0.06  |
| AUD/USD   | -0.23  | -0.23  | -0.09  | -0.23  | -0.20  | -0.22  |
| Yield spread  | 0.26   | 0.23   | 0.20   | 0.30   | 0.24   | 0.21   |
| RBA commodity prices AUD                            | 0.57   | 0.62   | 0.72   | 0.73   | 0.57   | 0.37   |

<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



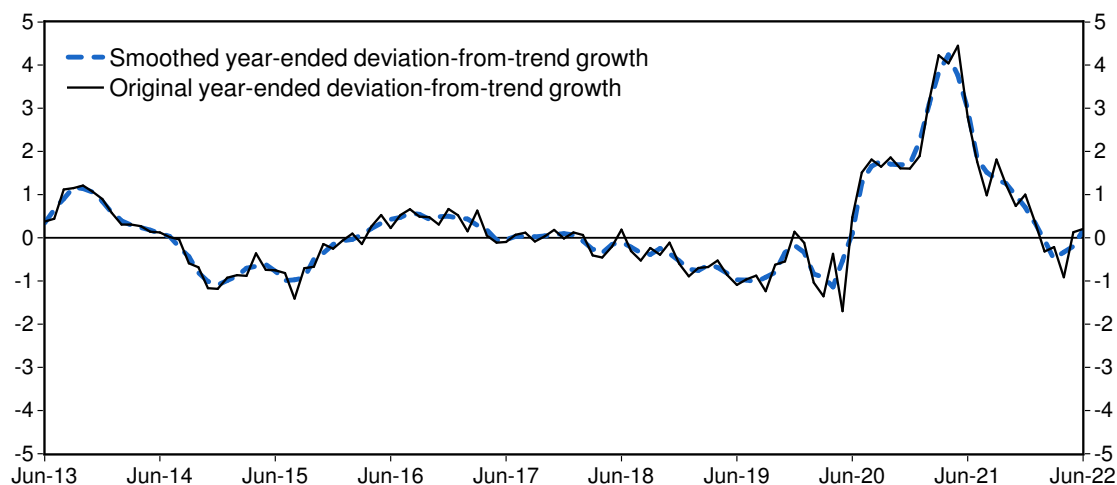
## Melbourne Institute SA Leading Index of Economic Activity June 2022

Table 5: South Australia Leading Index of Economic Activity

| SOUTH AUSTRALIA                                     | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 103.08 | 102.49 | 103.29 | 103.44 | 103.39 | 103.83 |
| Monthly growth                                      | -0.62  | -0.58  | 0.78   | 0.14   | -0.05  | 0.42   |
| <i>Year-ended growth</i>                            | 0.37   | -0.32  | -0.22  | -0.91  | 0.13   | 0.20   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| SA Expectations index <sup>†</sup>                  | 0.01   | -0.08  | -0.14  | -0.11  | 0.00   | -0.08  |
| SA Unemployment expectation index <sup>†</sup>      | 0.08   | -0.09  | 0.21   | -0.24  | 0.05   | 0.03   |
| SA Aggregate monthly hours worked                   | 0.07   | 0.02   | 0.03   | -0.03  | -0.03  | 0.03   |
| SA Retail trade                                     | -0.19  | -0.01  | 0.16   | 0.18   | 0.23   | 0.35   |
| SA Dwelling approvals                               | -0.06  | -0.24  | -0.12  | -0.24  | 0.06   | -0.10  |
| SA Housing finance commitment                       | 0.36   | 0.18   | -0.25  | -0.41  | -0.31  | 0.04   |
| SA Current family finance index <sup>†</sup>        | 0.09   | -0.10  | -0.25  | -0.18  | 0.07   | -0.06  |
| AUD/USD   | -0.25  | -0.25  | -0.09  | -0.24  | -0.21  | -0.24  |
| Yield spread  | 0.28   | 0.26   | 0.23   | 0.34   | 0.28   | 0.24   |

<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



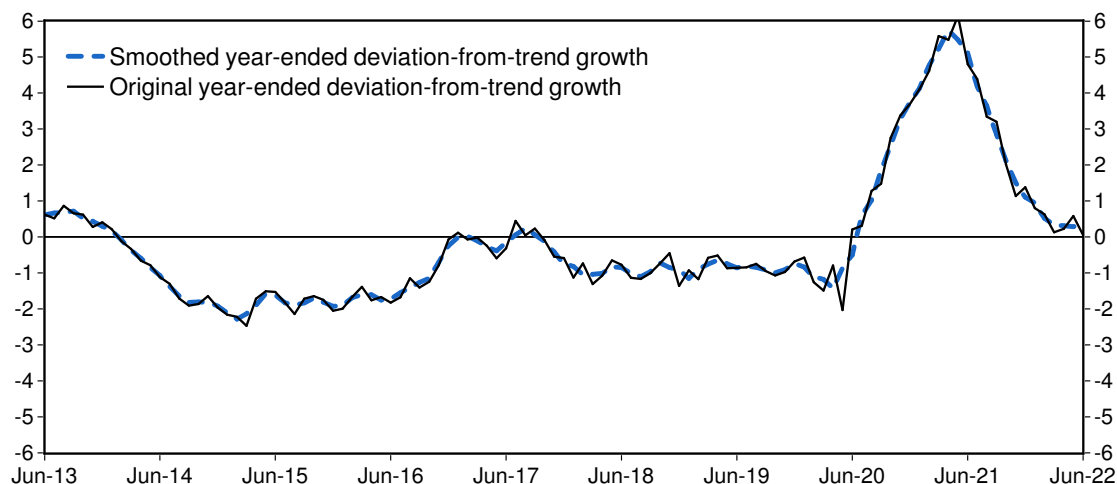
## Melbourne Institute WA Leading Index of Economic Activity June 2022

Table 6: Western Australia Leading Index of Economic Activity

| WESTERN AUSTRALIA                                   | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 100.67 | 100.26 | 100.52 | 101.13 | 100.74 | 100.91 |
| Monthly growth                                      | -0.11  | -0.40  | 0.26   | 0.60   | -0.38  | 0.17   |
| <i>Year-ended growth</i>                            | 0.80   | 0.63   | 0.13   | 0.23   | 0.58   | 0.05   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| WA Expectations index <sup>†</sup>                  | -0.09  | -0.21  | -0.23  | -0.21  | -0.06  | -0.13  |
| WA Unemployment expectation index <sup>†</sup>      | 0.00   | 0.00   | 0.00   | -0.10  | 0.08   | 0.00   |
| WA Aggregate monthly hours worked                   | 0.29   | 0.52   | -0.01  | 0.26   | 0.11   | 0.06   |
| WA Retail trade                                     | 0.01   | 0.08   | 0.26   | 0.06   | 0.20   | 0.18   |
| WA Dwelling approvals                               | -0.32  | -0.38  | -0.46  | -0.37  | -0.41  | -0.27  |
| WA Housing finance commitment                       | 0.34   | 0.18   | 0.00   | 0.03   | 0.16   | -0.15  |
| WA Current family finance index <sup>†</sup>        | 0.02   | -0.12  | -0.15  | -0.13  | -0.03  | 0.04   |
| AUD/USD   | -0.21  | -0.21  | -0.09  | -0.21  | -0.18  | -0.20  |
| Yield spread  | 0.23   | 0.21   | 0.17   | 0.25   | 0.21   | 0.18   |
| RBA commodity prices AUD                            | 0.51   | 0.55   | 0.63   | 0.64   | 0.49   | 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



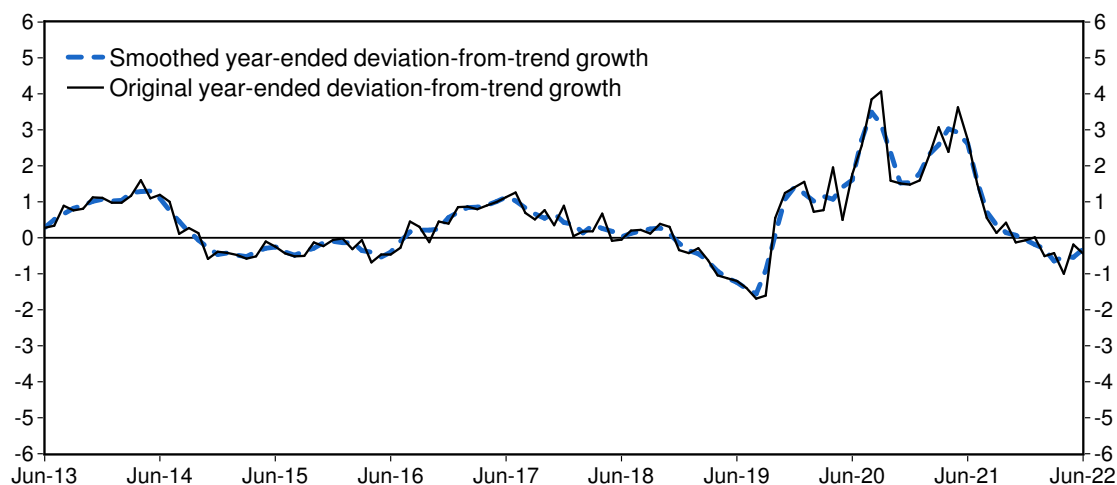
## Melbourne Institute TAS Leading Index of Economic Activity June 2022

Table 7: Tasmania Leading Index of Economic Activity

| TASMANIA  | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 104.13 | 103.65 | 104.32 | 104.14 | 104.25 | 104.35 |
| Monthly growth                                      | -0.15  | -0.46  | 0.65   | -0.17  | 0.11   | 0.09   |
| <i>Year-ended growth</i>                            | 0.02   | -0.51  | -0.43  | -1.00  | -0.19  | -0.44  |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| TAS Expectations index <sup>†</sup>                 | 0.03   | -0.08  | -0.04  | -0.16  | 0.00   | -0.20  |
| TAS Unemployment expectation index <sup>†</sup>     | 0.14   | -0.01  | 0.12   | -0.01  | 0.12   | -0.04  |
| TAS Aggregate monthly hours worked                  | 0.04   | 0.07   | -0.10  | -0.10  | 0.01   | -0.08  |
| TAS Retail trade                                    | -0.08  | -0.10  | -0.08  | -0.10  | 0.01   | 0.04   |
| TAS Dwelling approvals                              | -0.16  | -0.16  | -0.19  | -0.30  | -0.21  | -0.13  |
| TAS Housing finance commitment                      | 0.07   | -0.21  | -0.26  | -0.26  | -0.22  | 0.11   |
| TAS Current family finance index <sup>†</sup>       | -0.04  | -0.04  | -0.03  | -0.20  | 0.04   | -0.14  |
| AUD/USD   | -0.24  | -0.24  | -0.08  | -0.23  | -0.21  | -0.24  |
| Yield spread  | 0.27   | 0.25   | 0.23   | 0.35   | 0.28   | 0.24   |

<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 7: Tasmania 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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