

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

July 2020

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June 2020

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

OVERVIEW	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
New South Wales	-0.63	-1.11	-1.80	-0.34	-1.84	0.35
Victoria	0.37	-0.78	-0.66	-0.23	-1.49	0.20
Queensland	-0.53	-1.17	-0.89	0.00	-2.07	-0.50
South Australia	-0.15	-0.86	-1.21	-0.13	-1.33	0.72
Western Australia	-0.59	-1.28	-1.45	-0.64	-2.10	0.23

The Indexes improved in June as restrictions eased

In June, the readings of the year-ended deviation-from-trend growth in the Melbourne Institute State Leading Indexes of Economic Activity all improved markedly after large declines in May. The improvements across the major states in June were driven by rebounds in retail trade and in hours worked as restrictions eased, and surges in loan refinancing as households took advantage of low mortgage rates. The seesaw in the readings of the year-ended growth in the Indexes in the past several months indicates uncertainty around future economic activity across the major states.

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. Retail trade contributed positively to growth in the Indexes for QLD (adding 0.42 ppts), SA (adding 0.29 ppts) and WA (adding 0.56 ppts). Its contributions to growth in NSW and VIC Indexes remained negative, subtracting 0.05 and 0.27 ppts, though these represent considerable improvements from last month's readings, subtracting 1.18 and 1.31 ppts, respectively. Year-ended contributions from hours worked were still negative in all the major states, but its negative contributions were smaller than they were in April and May.

Housing finance commitment contributed significantly to growth in the Indexes in June, adding 0.76 ppts in NSW, 1.20 ppts in VIC, 0.34 ppts in QLD, 1.01 ppts in SA and 0.39 in WA. These contributions were mainly driven by strong increases in the number of refinancing loans. The yield spread continued to contribute positively to growth in the Indexes in all the states, reflecting the positive impacts of the current accommodating monetary policy on economic activity across the country.

The contributions of the Westpac-Melbourne Institute Expectations and Unemployment Expectation Indexes indicate that consumers across the major states remained concerned about future economic conditions and future job prospects. Particularly, these two components subtracted a total of 0.32 ppts off growth in the VIC Index, suggesting that VIC consumers are most worried about future conditions at the moment. This likely results from the recent surge in new cases of infections and the second VIC lock-down starting from 8th July. On balance, economic activity across the major states is likely to remain weak in the coming quarters.

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

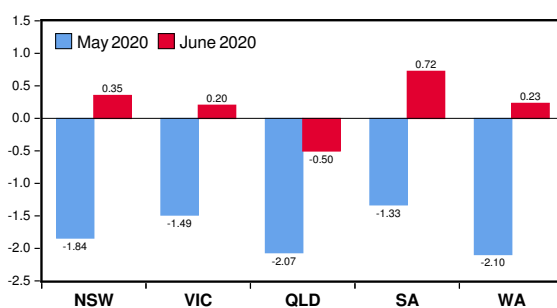
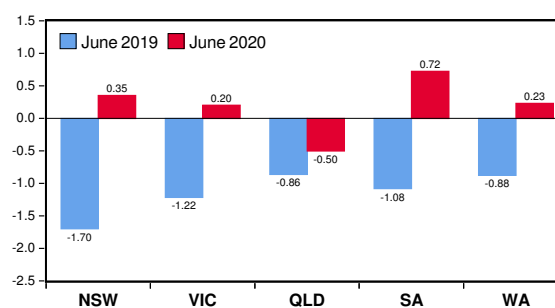


Chart 1(b): State Leading Indexes vs Last Year's



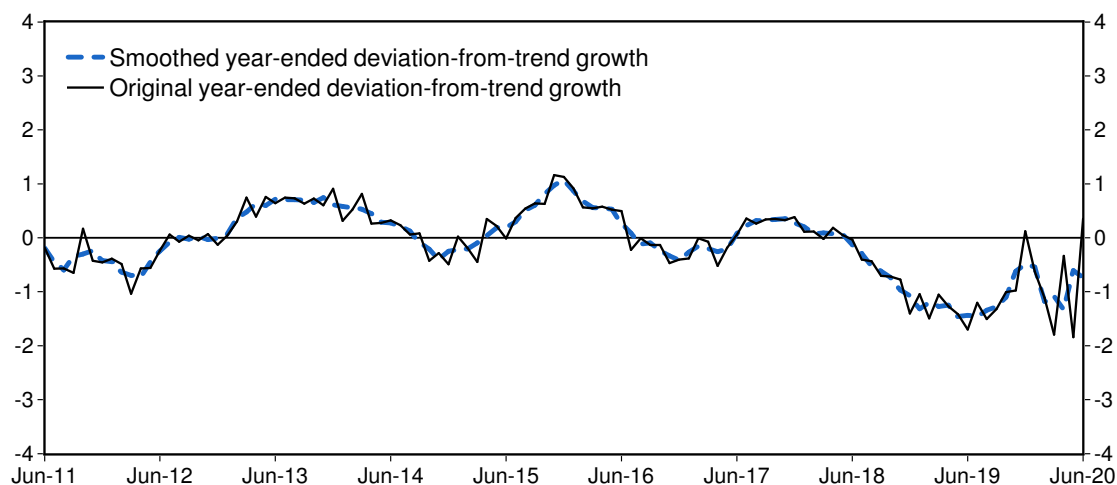
Melbourne Institute NSW Leading Index of Economic Activity June 2020

Table 2: New South Wales Leading Index of Economic Activity

NEW SOUTH WALES	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Monthly level	98.93	98.13	97.67	98.95	97.28	99.15
Monthly growth	-0.65	-0.81	-0.46	1.31	-1.69	1.92
<i>Year-ended growth</i>	-0.63	-1.11	-1.80	-0.34	-1.84	0.35
<i>Year-ended growth contributions[◇]:</i>						
NSW Expectations index [†]	-0.16	-0.04	-0.35	-0.09	-0.05	0.05
NSW Unemployment expectation index [†]	-0.13	-0.06	-0.21	-0.12	-0.02	-0.03
NSW Aggregate monthly hours worked	0.00	-0.01	-0.10	-0.76	-0.86	-0.41
NSW Retail trade	-0.25	-0.32	-0.35	0.21	-1.18	-0.05
NSW Dwelling approvals	-0.12	-0.12	-0.14	0.11	-0.08	-0.14
NSW Housing finance commitment	0.31	-0.37	-0.29	0.46	0.29	0.76
NSW Current family finance index [†]	-0.11	0.04	-0.12	-0.15	-0.10	-0.02
AUD/USD	-0.18	-0.21	-0.31	-0.16	-0.09	-0.06
Yield spread	0.01	-0.03	0.07	0.17	0.24	0.25

[◇] Contributions may not add up to the total due to rounding. [†]CSI: Consumer Sentiment Index. [‡]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



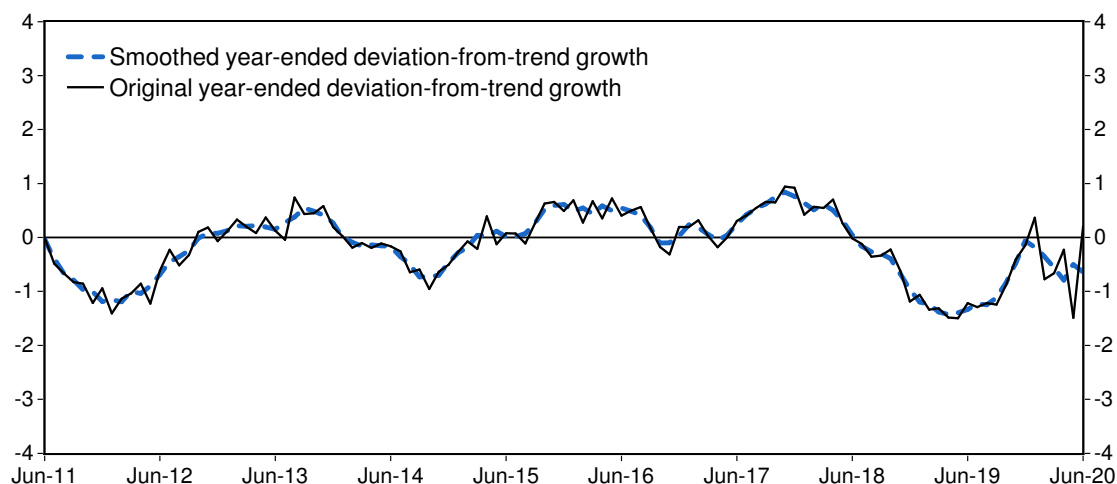
Melbourne Institute VIC Leading Index of Economic Activity June 2020

Table 3: Victoria Leading Index of Economic Activity

VICTORIA	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Monthly level	101.35	99.92	99.98	100.36	98.75	100.60
Monthly growth	0.34	-1.41	0.06	0.38	-1.60	1.87
<i>Year-ended growth</i>	0.37	-0.78	-0.66	-0.23	-1.49	0.20
<i>Year-ended growth contributions[◇]:</i>						
VIC Expectations index [†]	-0.05	-0.12	-0.16	-0.11	-0.04	-0.17
VIC Unemployment expectation index [†]	-0.13	-0.17	-0.23	-0.17	-0.04	-0.15
VIC Aggregate monthly hours worked	-0.12	-0.13	0.09	-0.68	-0.78	-0.50
VIC Retail trade	-0.13	-0.17	-0.17	0.29	-1.31	-0.27
VIC Dwelling approvals	0.14	-0.01	0.05	-0.01	0.12	-0.02
VIC Housing finance commitment	0.82	0.10	0.08	0.53	0.41	1.20
VIC Current family finance index [†]	0.00	-0.04	-0.10	-0.08	0.02	-0.09
AUD/USD	-0.18	-0.20	-0.30	-0.16	-0.09	-0.06
Yield spread	0.01	-0.03	0.07	0.17	0.23	0.24

[◇]Contributions may not add up to the total due to rounding. [†]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



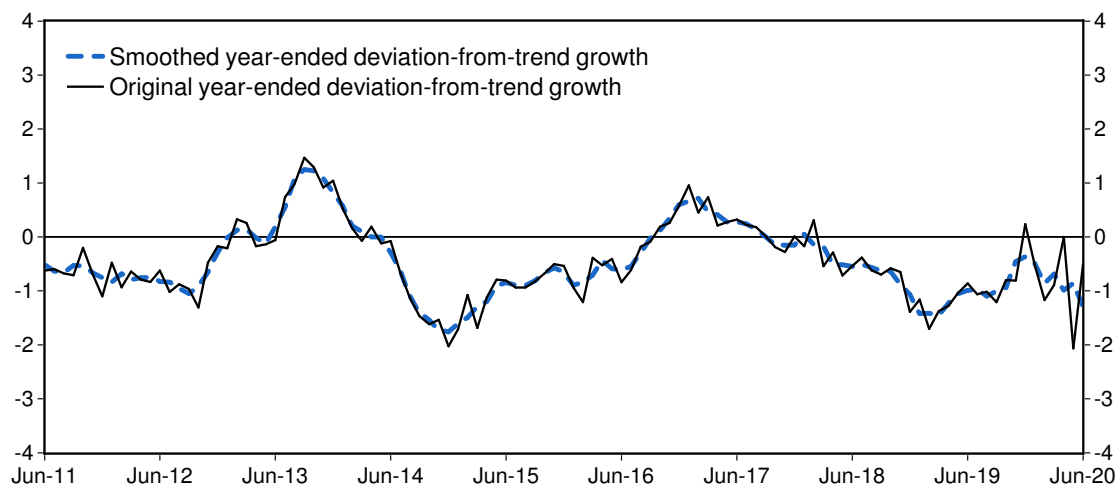
Melbourne Institute QLD Leading Index of Economic Activity June 2020

Table 4: Queensland Leading Index of Economic Activity

QUEENSLAND	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Monthly level	98.82	97.72	97.91	98.73	96.62	98.17
Monthly growth	-0.59	-1.11	0.20	0.84	-2.14	1.61
<i>Year-ended growth</i>	-0.53	-1.17	-0.89	0.00	-2.07	-0.50
<i>Year-ended growth contributions[◇]:</i>						
QLD Expectations index [†]	-0.06	-0.13	-0.22	-0.18	-0.10	-0.13
QLD Unemployment expectation index [†]	-0.09	-0.12	-0.20	-0.12	0.08	-0.09
QLD Aggregate monthly hours worked	-0.16	-0.19	-0.22	-0.78	-0.80	-0.68
QLD Retail trade	-0.04	-0.03	-0.03	0.63	-0.87	0.42
QLD Dwelling approvals	-0.08	0.01	-0.03	-0.01	-0.06	-0.10
QLD Housing finance commitment	0.38	-0.15	0.21	0.65	-0.09	0.34
QLD Current family finance index [†]	-0.10	-0.07	-0.01	-0.04	-0.08	-0.06
AUD/USD	-0.21	-0.25	-0.36	-0.19	-0.11	-0.07
Yield spread	0.01	-0.04	0.09	0.20	0.28	0.29
RBA commodity prices AUD	-0.16	-0.21	-0.12	-0.16	-0.32	-0.43

[◇] Contributions may not add up to the total due to rounding. [†] 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



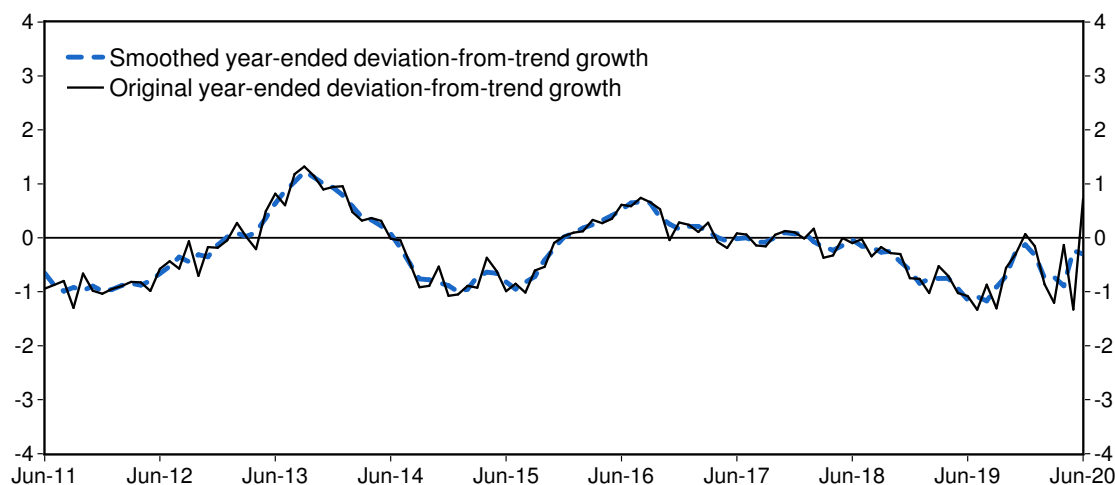
Melbourne Institute SA Leading Index of Economic Activity June 2020

Table 5: South Australia Leading Index of Economic Activity

SOUTH AUSTRALIA	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Monthly level	100.73	99.65	99.53	100.38	99.07	101.04
Monthly growth	-0.21	-1.08	-0.12	0.85	-1.30	1.99
<i>Year-ended growth</i>	-0.15	-0.86	-1.21	-0.13	-1.33	0.72
<i>Year-ended growth contributions[◇]:</i>						
SA Expectations index [†]	-0.08	-0.07	-0.33	-0.10	-0.10	-0.10
SA Unemployment expectation index [†]	-0.15	-0.15	-0.27	0.00	0.06	-0.03
SA Aggregate monthly hours worked	-0.14	-0.16	-0.16	-0.81	-0.82	-0.69
SA Retail trade	-0.24	-0.26	-0.26	0.45	-0.87	0.29
SA Dwelling approvals	0.01	-0.01	-0.01	-0.06	0.06	0.03
SA Housing finance commitment	0.72	0.05	0.17	0.47	0.14	1.01
SA Current family finance index [†]	-0.06	0.03	-0.07	-0.09	0.02	-0.02
AUD/USD	-0.21	-0.25	-0.37	-0.19	-0.11	-0.07
Yield spread	0.01	-0.04	0.09	0.20	0.28	0.30

[◇] Contributions may not add up to the total due to rounding. [†] 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



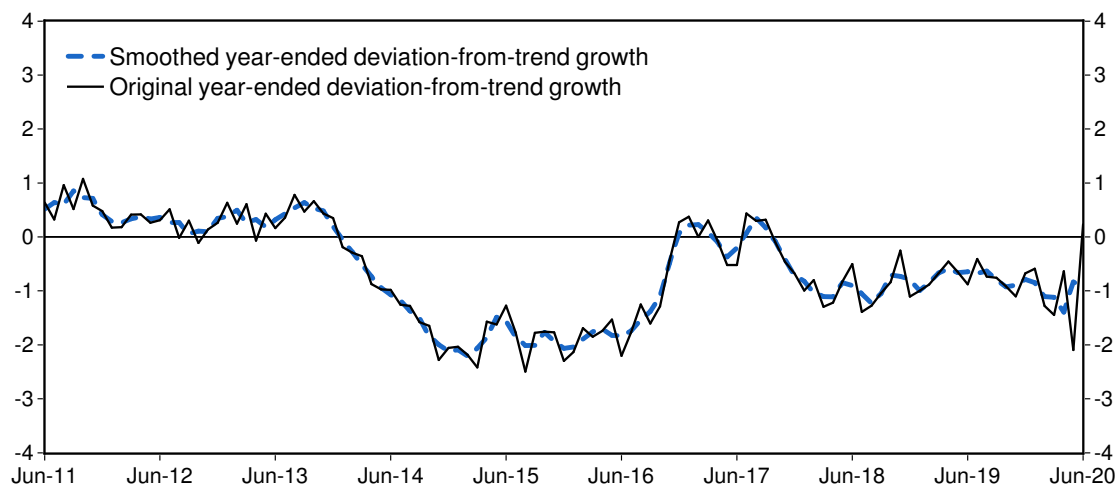
Melbourne Institute WA Leading Index of Economic Activity June 2020

Table 6: Western Australia Leading Index of Economic Activity

WESTERN AUSTRALIA	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Monthly level	95.94	95.35	95.00	95.80	94.25	96.10
Monthly growth	-0.10	-0.62	-0.36	0.84	-1.62	1.96
<i>Year-ended growth</i>	-0.59	-1.28	-1.45	-0.64	-2.10	0.23
<i>Year-ended growth contributions</i> [◇] :						
WA Expectations index [†]	-0.12	-0.10	-0.23	-0.10	-0.08	-0.05
WA Unemployment expectation index [†]	-0.07	-0.08	-0.21	-0.14	-0.04	0.12
WA Aggregate monthly hours worked	0.08	-0.03	-0.17	-0.86	-0.72	-0.50
WA Retail trade	-0.12	-0.21	-0.15	0.59	-0.73	0.56
WA Dwelling approvals	0.01	-0.18	-0.08	-0.11	0.03	-0.02
WA Housing finance commitment	-0.03	-0.22	-0.15	0.20	-0.28	0.39
WA Current family finance index [†]	0.00	-0.01	-0.09	-0.08	-0.14	-0.09
AUD/USD	-0.19	-0.22	-0.33	-0.17	-0.10	-0.06
Yield spread	0.01	-0.04	0.08	0.18	0.25	0.27
RBA commodity prices AUD	-0.15	-0.19	-0.11	-0.14	-0.29	-0.39

[◇] Contributions may not add up to the total due to rounding. [†] 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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