

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

December 2020

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

November 2020

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

| OVERVIEW          | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 |
|-------------------|--------|--------|--------|--------|--------|--------|
| New South Wales   | 0.34   | 0.10   | 1.51   | 1.72   | 0.88   | 1.81   |
| Victoria          | 0.18   | 0.24   | 0.30   | -1.04  | -0.70  | -0.57  |
| Queensland        | -0.47  | 0.01   | 1.25   | 1.49   | 2.07   | 2.17   |
| South Australia   | 0.72   | 1.46   | 1.81   | 1.62   | 1.92   | 1.35   |
| Western Australia | 0.20   | 0.11   | 1.57   | 1.39   | 2.41   | 3.42   |

### The Indexes signal improvement in activity in major states in early 2021

In November, the year-ended deviation-from-trend growths in the Melbourne Institute State Leading Indexes of Economic Activity continue to indicate improvement in economic activity across major states in early 2021. However, there are notable differences among the major states. The readings of growth in the Indexes for NSW, QLD, and WA signal strong improvement. The reading for the VIC Index, though still negative, signals gradual improvement. For SA, the year-ended deviation-from-trend growth in its Index declined from 1.92% to 1.35%, likely reflecting the adverse impact of the recent short lockdown on SA economic activity. However, the recently imposed tariff of 107%-212% on Australian wine exports to China, of which SA accounts for around 60%, poses a greater downside risk to SA economic activity going forward.

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 positive contributions from the Westpac-Melbourne Institute Expectations and Unemployment Expectations Indexes show that consumers across the major states are optimistic about future economic and employment conditions. These two components added a total of 0.55 ppts to growth in the NSW Index, 0.38 ppts to VIC, 0.66 ppts to QLD, 0.15 ppts to SA and 0.18 ppts to WA. The contributions from the Westpac-Melbourne Institute Current Family Finance Index also increased further in all the major states, except for SA. The rising optimism among consumers together with improvement in their family financial conditions likely signals stronger household consumption in the coming months.

The contributions from aggregate monthly hours worked, though remaining negative in most of the major states, have improved considerably in the past several months, reflecting improvement in labour market conditions across Australia. Retail trade continued to contribute significantly to growth in NSW (adding 0.43 ppts), QLD (adding 0.51 ppts), WA (adding 0.42 ppts) and SA (adding 0.73 ppts). In contrast, retail trade subtracted 0.73 ppts off VIC growth. Nonetheless, the negative influence of retail trade on VIC economic activity has declined and will likely turn positive in the coming months. Overall, economic activity in VIC is slowly recovering from the adverse impacts of the second lockdown to catch up with economic activity in the other major states.

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

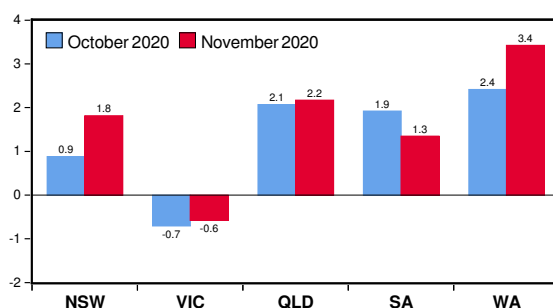
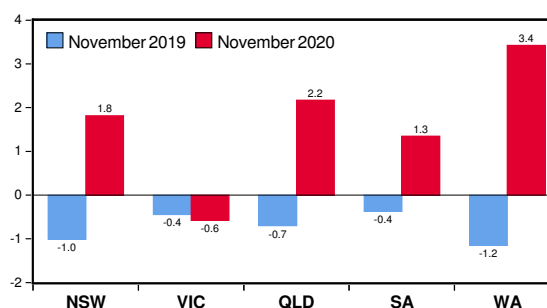


Chart 1(b): State Leading Indexes vs Last Year's



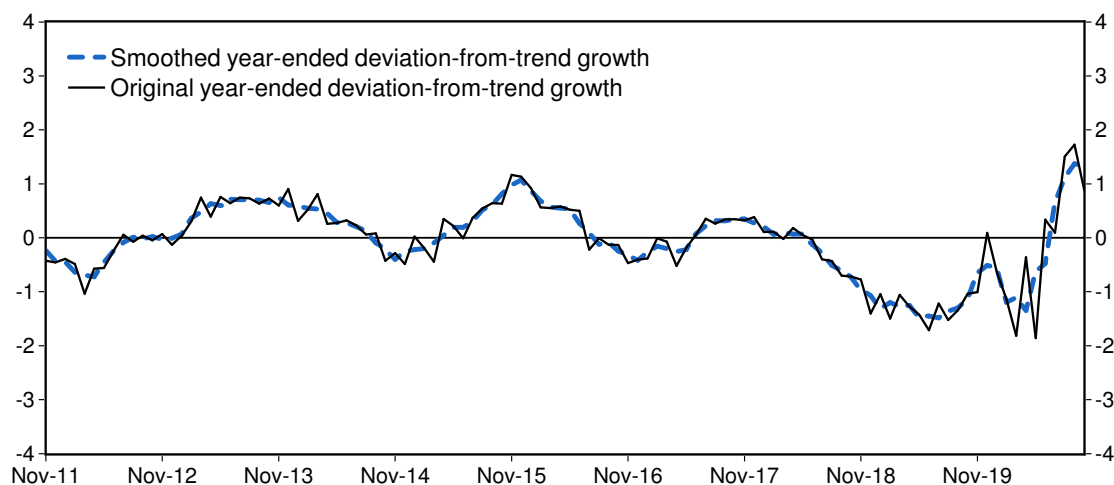
## Melbourne Institute NSW Leading Index of Economic Activity November 2020

Table 2: New South Wales Leading Index of Economic Activity

| NEW SOUTH WALES                                     | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 99.12  | 99.09  | 100.20 | 100.45 | 99.91  | 100.75 |
| Monthly growth                                      | 1.92   | -0.03  | 1.12   | 0.25   | -0.54  | 0.84   |
| <i>Year-ended growth</i>                            | 0.34   | 0.10   | 1.51   | 1.72   | 0.88   | 1.81   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| NSW Expectations index <sup>†</sup>                 | 0.05   | -0.23  | -0.03  | 0.23   | 0.12   | 0.22   |
| NSW Unemployment expectation index <sup>†</sup>     | -0.03  | -0.20  | -0.04  | 0.18   | -0.02  | 0.33   |
| NSW Aggregate monthly hours worked                  | -0.44  | -0.46  | -0.36  | -0.25  | -0.39  | -0.22  |
| NSW Retail trade                                    | -0.05  | 0.20   | 0.63   | 0.45   | 0.37   | 0.43   |
| NSW Dwelling approvals                              | -0.13  | -0.15  | 0.05   | -0.10  | -0.05  | 0.17   |
| NSW Housing finance commitment                      | 0.76   | 0.74   | 0.71   | 0.67   | 0.55   | 0.38   |
| NSW Current family finance index <sup>†</sup>       | -0.02  | -0.09  | 0.07   | 0.18   | 0.06   | 0.10   |
| AUD/USD   | -0.06  | 0.09   | 0.18   | 0.10   | 0.03   | 0.18   |
| Yield spread  | 0.25   | 0.20   | 0.28   | 0.27   | 0.21   | 0.22   |

<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



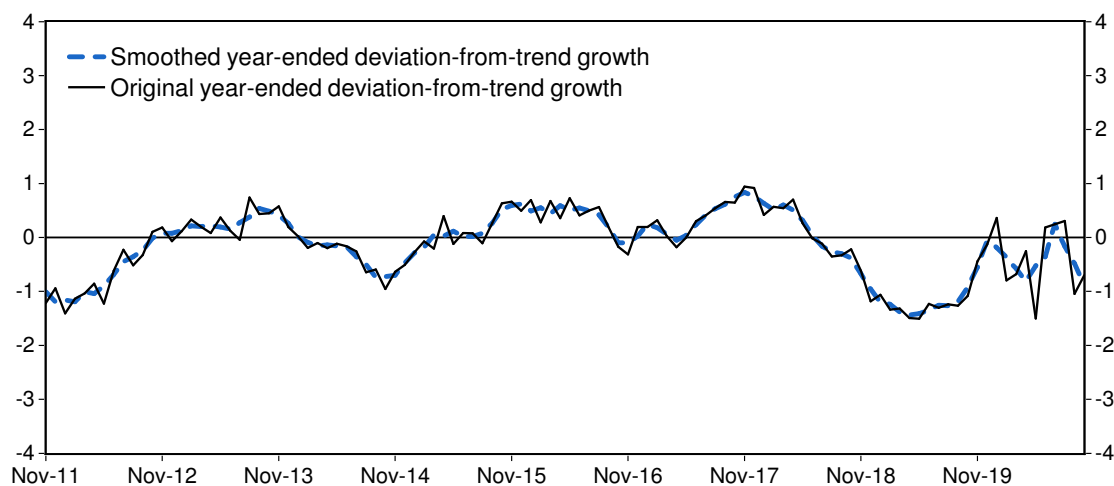
## Melbourne Institute VIC Leading Index of Economic Activity November 2020

Table 3: Victoria Leading Index of Economic Activity

| VICTORIA  | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 100.57 | 100.55 | 100.52 | 99.18  | 99.77  | 100.37 |
| Monthly growth                                      | 1.86   | -0.02  | -0.03  | -1.33  | 0.59   | 0.59   |
| <i>Year-ended growth</i>                            | 0.18   | 0.24   | 0.30   | -1.04  | -0.70  | -0.57  |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| VIC Expectations index <sup>†</sup>                 | -0.17  | -0.22  | -0.05  | 0.10   | 0.12   | 0.14   |
| VIC Unemployment expectation index <sup>†</sup>     | -0.14  | -0.20  | -0.08  | 0.12   | 0.11   | 0.24   |
| VIC Aggregate monthly hours worked                  | -0.52  | -0.42  | -0.85  | -0.99  | -0.62  | -0.32  |
| VIC Retail trade                                    | -0.27  | 0.01   | -0.13  | -1.07  | -1.10  | -0.73  |
| VIC Dwelling approvals                              | -0.01  | -0.06  | 0.11   | 0.08   | 0.11   | 0.00   |
| VIC Housing finance commitment                      | 1.19   | 0.95   | 0.86   | 0.30   | 0.46   | -0.40  |
| VIC Current family finance index <sup>†</sup>       | -0.09  | -0.10  | -0.01  | 0.06   | -0.01  | 0.12   |
| AUD/USD   | -0.06  | 0.08   | 0.18   | 0.10   | 0.03   | 0.17   |
| Yield spread  | 0.24   | 0.20   | 0.28   | 0.26   | 0.21   | 0.21   |

<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



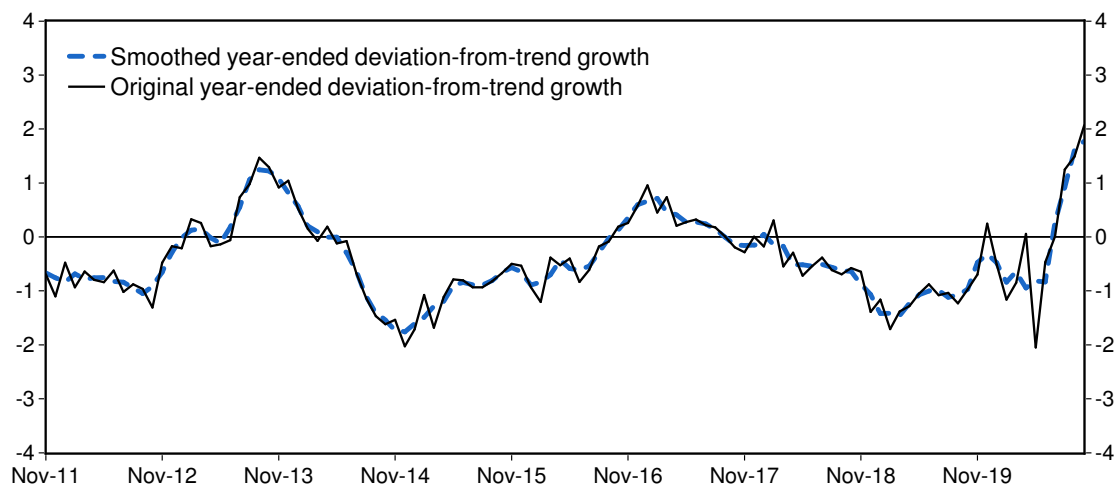
## Melbourne Institute QLD Leading Index of Economic Activity November 2020

Table 4: Queensland Leading Index of Economic Activity

| QUEENSLAND  | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 98.20  | 98.59  | 99.70  | 99.70  | 100.62 | 101.00 |
| Monthly growth                                      | 1.62   | 0.40   | 1.13   | 0.00   | 0.92   | 0.38   |
| <i>Year-ended growth</i>                            | -0.47  | 0.01   | 1.25   | 1.49   | 2.07   | 2.17   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| QLD Expectations index <sup>†</sup>                 | -0.13  | -0.18  | -0.08  | 0.14   | 0.18   | 0.30   |
| QLD Unemployment expectation index <sup>†</sup>     | -0.09  | -0.19  | 0.00   | 0.03   | 0.25   | 0.36   |
| QLD Aggregate monthly hours worked                  | -0.65  | -0.69  | -0.46  | -0.44  | -0.18  | -0.20  |
| QLD Retail trade                                    | 0.43   | 0.46   | 0.88   | 0.73   | 0.61   | 0.51   |
| QLD Dwelling approvals                              | -0.08  | -0.11  | -0.10  | 0.07   | 0.07   | -0.07  |
| QLD Housing finance commitment                      | 0.34   | 0.95   | 0.93   | 0.71   | 0.95   | 0.77   |
| QLD Current family finance index <sup>†</sup>       | -0.06  | -0.03  | -0.01  | 0.13   | 0.09   | 0.18   |
| AUD/USD   | -0.07  | 0.10   | 0.21   | 0.12   | 0.03   | 0.21   |
| Yield spread  | 0.29   | 0.23   | 0.33   | 0.31   | 0.25   | 0.26   |
| RBA commodity prices AUD                            | -0.46  | -0.54  | -0.46  | -0.32  | -0.18  | -0.14  |

<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



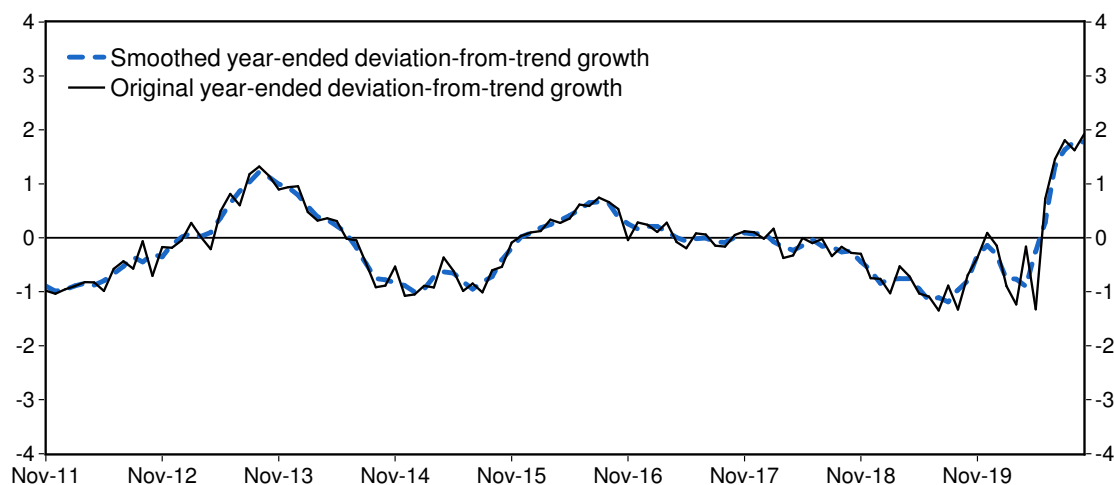
## Melbourne Institute SA Leading Index of Economic Activity November 2020

Table 5: South Australia Leading Index of Economic Activity

| SOUTH AUSTRALIA                                     | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 101.04 | 101.56 | 101.88 | 101.50 | 102.39 | 102.21 |
| Monthly growth                                      | 1.99   | 0.52   | 0.31   | -0.37  | 0.88   | -0.17  |
| <i>Year-ended growth</i>                            | 0.72   | 1.46   | 1.81   | 1.62   | 1.92   | 1.35   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| SA Expectations index <sup>†</sup>                  | -0.10  | -0.10  | -0.01  | 0.13   | 0.17   | 0.00   |
| SA Unemployment expectation index <sup>†</sup>      | -0.03  | -0.12  | 0.01   | 0.08   | 0.01   | 0.15   |
| SA Aggregate monthly hours worked                   | -0.69  | -0.40  | -0.27  | -0.19  | -0.11  | -0.08  |
| SA Retail trade                                     | 0.29   | 0.44   | 0.73   | 0.59   | 0.32   | 0.42   |
| SA Dwelling approvals                               | 0.03   | -0.03  | -0.21  | -0.06  | -0.01  | -0.10  |
| SA Housing finance commitment                       | 1.01   | 1.30   | 0.98   | 0.57   | 1.06   | 0.44   |
| SA Current family finance index <sup>†</sup>        | -0.02  | 0.02   | 0.02   | 0.06   | 0.18   | 0.04   |
| AUD/USD   | -0.07  | 0.10   | 0.22   | 0.12   | 0.03   | 0.21   |
| Yield spread  | 0.30   | 0.24   | 0.34   | 0.32   | 0.26   | 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 5: South Australia Leading Index of Economic Activity



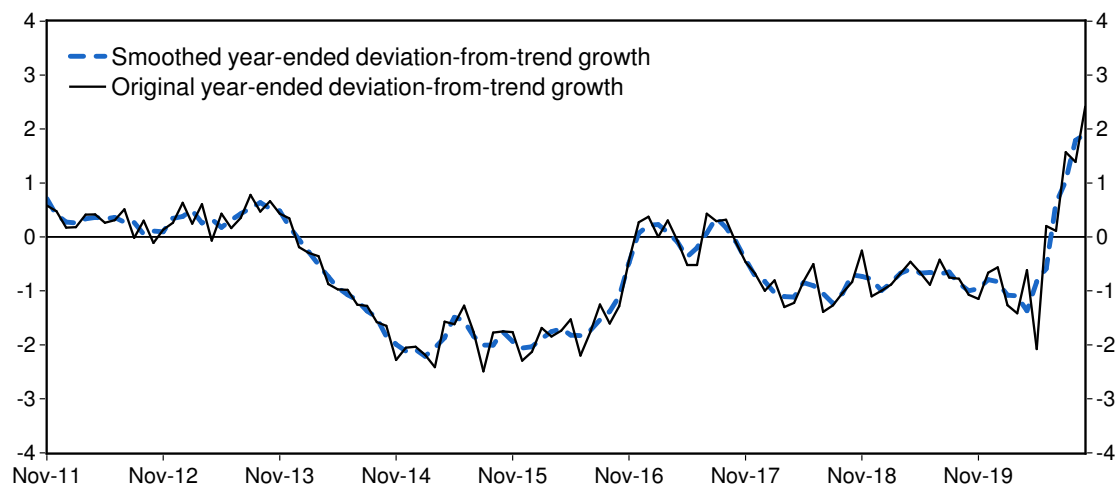
## Melbourne Institute WA Leading Index of Economic Activity November 2020

Table 6: Western Australia Leading Index of Economic Activity

| WESTERN AUSTRALIA                                   | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 96.07  | 96.47  | 97.47  | 97.54  | 98.24  | 99.44  |
| Monthly growth                                      | 1.91   | 0.42   | 1.04   | 0.07   | 0.71   | 1.22   |
| <i>Year-ended growth</i>                            | 0.20   | 0.11   | 1.57   | 1.39   | 2.41   | 3.42   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| WA Expectations index <sup>†</sup>                  | -0.05  | -0.22  | 0.03   | 0.06   | 0.07   | 0.10   |
| WA Unemployment expectation index <sup>†</sup>      | 0.12   | -0.22  | -0.04  | 0.06   | 0.06   | 0.08   |
| WA Aggregate monthly hours worked                   | -0.50  | -0.48  | -0.25  | -0.23  | -0.29  | 0.01   |
| WA Retail trade                                     | 0.56   | 0.68   | 0.89   | 0.86   | 0.68   | 0.73   |
| WA Dwelling approvals                               | -0.02  | -0.06  | -0.06  | -0.14  | 0.36   | 0.44   |
| WA Housing finance commitment                       | 0.39   | 0.64   | 0.87   | 0.62   | 1.44   | 1.65   |
| WA Current family finance index <sup>†</sup>        | -0.09  | -0.04  | 0.06   | 0.06   | 0.00   | 0.12   |
| AUD/USD   | -0.06  | 0.09   | 0.20   | 0.11   | 0.03   | 0.19   |
| Yield spread  | 0.27   | 0.22   | 0.30   | 0.28   | 0.23   | 0.23   |
| RBA commodity prices AUD                            | -0.42  | -0.49  | -0.42  | -0.30  | -0.16  | -0.13  |

<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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