

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

December 2021

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

November 2021

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

OVERVIEW	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
New South Wales	2.83	1.89	-0.14	-0.37	0.04	-0.08
Victoria	2.36	2.21	2.09	2.82	1.62	1.41
Queensland	4.48	3.59	2.31	2.16	1.70	1.00
South Australia	2.76	1.78	0.99	1.82	1.22	0.75
Western Australia	4.85	4.40	3.44	3.21	1.97	1.04
Tasmania	2.75	1.48	0.57	0.10	0.37	-0.23

Pace of economic activity remains markedly different across the states

The latest monthly deviation-from-trend growths in the Melbourne Institute State Leading Indexes of Economic Activity indicate that activity in NSW and VIC is recovering relatively strongly following the end of their respective lockdowns. The NSW Index recorded a strong monthly growth of 0.53% in November following an increase of 0.60% in October. The VIC Index recorded a monthly growth of 0.55% in November after three consecutive declines totaling -1.52%. In contrast, the other states' Indexes all posted negative monthly growth in November, of -0.36% in QLD, -0.40% in SA, -0.11% in WA and -0.30% in TAS. This suggests that the economic recovery in these states appears to have run out of steam after a period of interstate border closure and without the positive influence from NSW and VIC.

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 year-ended contributions of dwelling approvals and housing finance commitment in November were well below their levels a few months ago, demonstrating the declining positive influence from housing market activity. The year-ended contributions of the Westpac-Melbourne Institute CSI Current Family Finance Index across the states have also declined in recent months, suggesting that household family finance is weaker now than before the NSW and VIC lockdowns. Among the states, VIC recorded the strongest year-ended growth of 1.41%, though this was mainly driven by the strong recovery at the end of 2020 and early 2021, while TAS recorded the lowest year-ended growth of -0.23%.

The current post-lockdown recovery is notably different from the recoveries after the first national lockdown and after the second lockdown in VIC. In the previous recoveries, economic activity across the states all rebounded strongly, but the pace of this most recent economic recovery varies markedly across the state. Such a difference probably results from a multitude of factors. Stronger fiscal support in the previous recoveries, with income support programs such as Job Keeper and Job Seeker, was likely a key factor. Strong activity in housing markets and housing finance was likely another important factor aiding the previous recoveries. The recent rises in fixed mortgage rates and the elevated house prices in recent months has dampened housing activity. Going forward, as economic activity in NSW and VIC picks up further, barring any surprises caused by the new COVID-19 variant Omicron, economic activity in the other states is likely to follow suit.

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

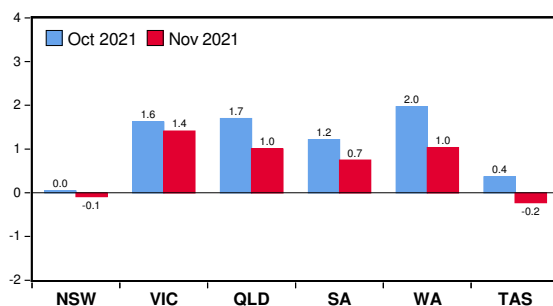
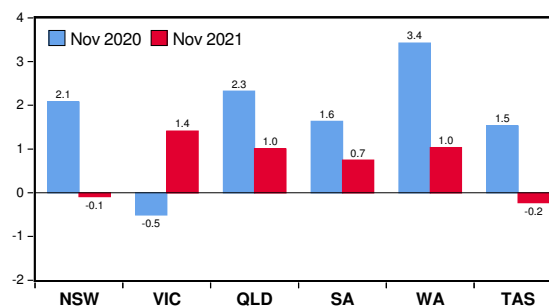


Chart 1(b): State Leading Indexes vs Last Year's



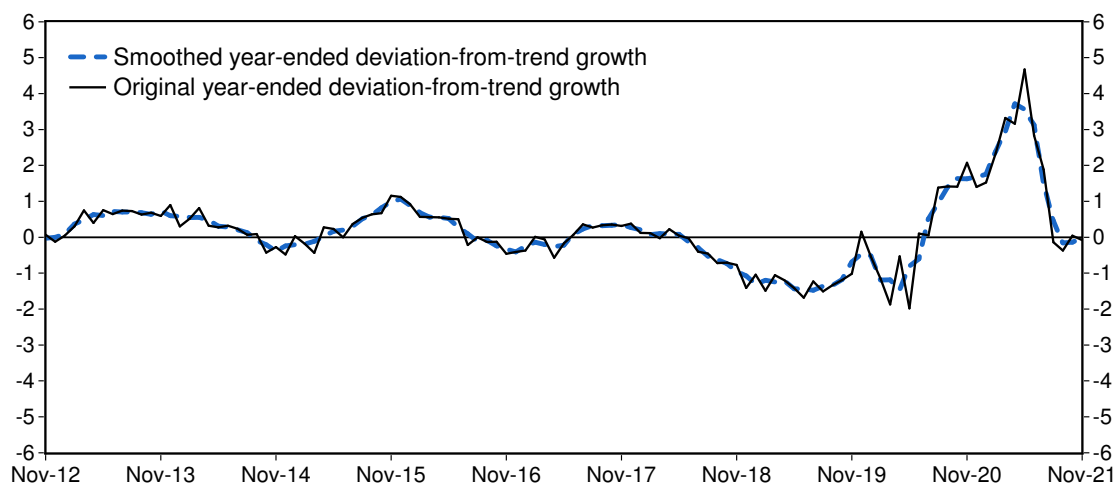
Melbourne Institute NSW Leading Index of Economic Activity November 2021

Table 2: New South Wales Leading Index of Economic Activity

NEW SOUTH WALES	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Monthly level	101.76	100.91	99.92	99.73	100.33	100.87
Monthly growth	0.00	-0.84	-0.97	-0.19	0.60	0.53
<i>Year-ended growth</i>	2.83	1.89	-0.14	-0.37	0.04	-0.08
<i>Year-ended growth contributions[◇]:</i>						
NSW Expectations index [†]	0.13	0.32	0.16	-0.07	0.05	-0.06
NSW Unemployment expectation index [†]	0.21	0.25	0.19	0.15	0.40	0.00
NSW Aggregate monthly hours worked	0.37	-0.13	-0.65	-0.60	-0.40	-0.05
NSW Retail trade	0.35	-0.02	-1.06	-1.12	-0.90	-0.16
NSW Dwelling approvals	0.26	0.26	0.07	0.16	0.23	-0.04
NSW Housing finance commitment	1.00	0.91	1.03	0.98	0.26	0.10
NSW Current family finance index [†]	0.10	0.13	0.03	-0.04	-0.02	-0.08
AUD/USD	0.18	0.03	-0.02	0.01	0.12	-0.09
Yield spread	0.22	0.15	0.10	0.15	0.30	0.29

[◇]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



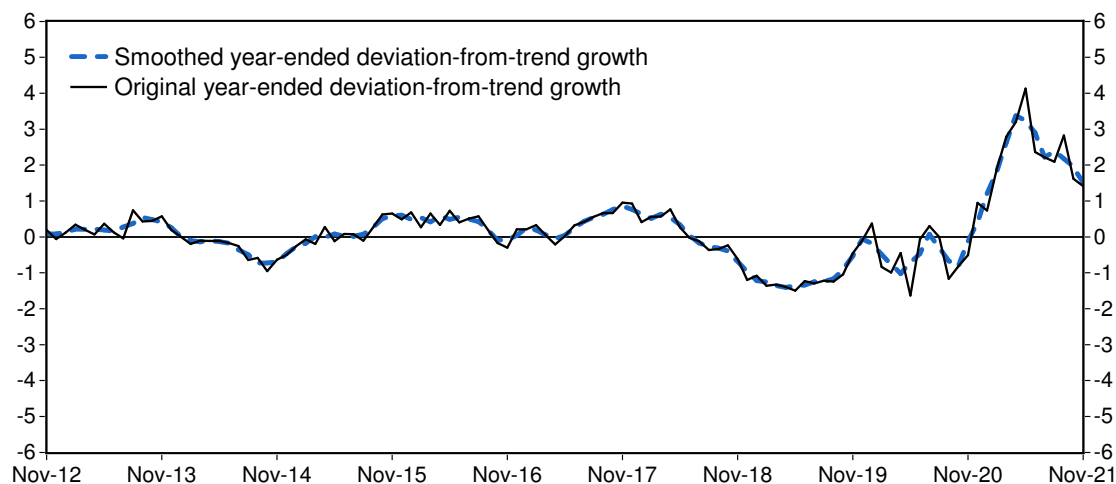
Melbourne Institute VIC Leading Index of Economic Activity November 2021

Table 3: Victoria Leading Index of Economic Activity

VICTORIA	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Monthly level	102.69	102.84	102.34	101.90	101.28	101.83
Monthly growth	-0.05	0.14	-0.49	-0.43	-0.61	0.55
<i>Year-ended growth</i>	2.36	2.21	2.09	2.82	1.62	1.41
<i>Year-ended growth contributions[◇]:</i>						
VIC Expectations index [†]	0.32	0.30	0.15	0.04	-0.05	-0.07
VIC Unemployment expectation index [†]	0.40	0.36	0.13	0.05	0.21	0.12
VIC Aggregate monthly hours worked	-0.11	0.34	0.51	0.47	-0.15	0.01
VIC Retail trade	0.26	-0.25	-0.04	0.72	0.64	0.44
VIC Dwelling approvals	0.09	0.15	0.04	0.07	-0.05	0.01
VIC Housing finance commitment	0.83	0.98	1.18	1.33	0.59	0.77
VIC Current family finance index [†]	0.16	0.15	0.03	-0.02	0.00	-0.06
AUD/USD	0.17	0.03	-0.03	0.01	0.12	-0.10
Yield spread	0.23	0.15	0.10	0.15	0.30	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 3: Victoria Leading Index of Economic Activity



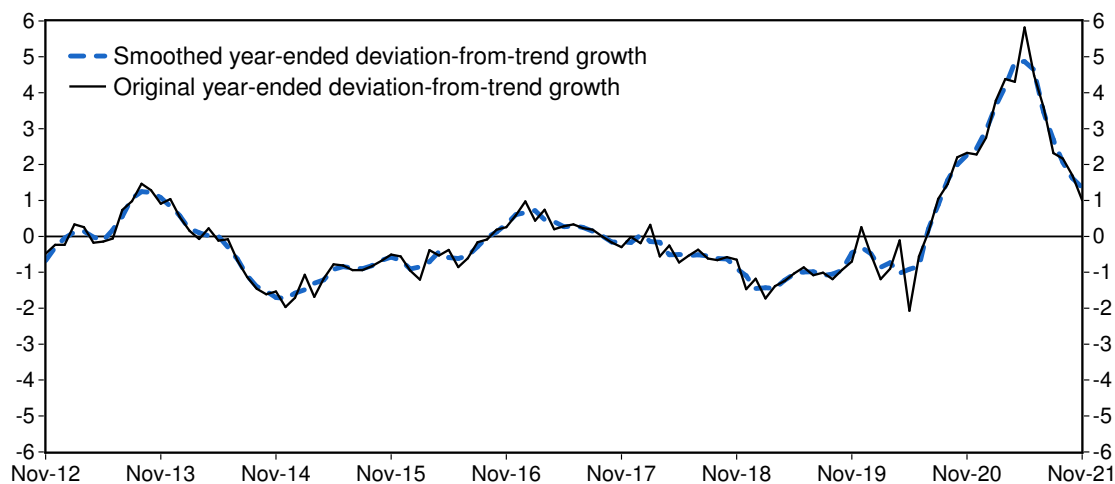
Melbourne Institute QLD Leading Index of Economic Activity November 2021

Table 4: Queensland Leading Index of Economic Activity

QUEENSLAND	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Monthly level	102.57	102.30	101.87	101.89	102.50	102.13
Monthly growth	0.15	-0.26	-0.43	0.03	0.60	-0.36
<i>Year-ended growth</i>	4.48	3.59	2.31	2.16	1.70	1.00
<i>Year-ended growth contributions[◇]:</i>						
QLD Expectations index [†]	0.27	0.29	0.22	0.03	-0.01	-0.07
QLD Unemployment expectation index [†]	0.29	0.17	0.12	0.07	0.20	-0.15
QLD Aggregate monthly hours worked	0.68	0.60	0.05	0.26	-0.07	0.12
QLD Retail trade	0.10	-0.01	-0.50	-0.43	0.01	0.06
QLD Dwelling approvals	0.28	0.24	0.22	0.20	-0.01	-0.05
QLD Housing finance commitment	1.56	1.06	1.15	1.18	0.47	0.31
QLD Current family finance index [†]	0.09	0.10	0.09	0.02	-0.04	-0.04
AUD/USD	0.21	0.05	-0.02	0.02	0.15	-0.10
Yield spread	0.25	0.17	0.12	0.17	0.34	0.33
RBA commodity prices AUD	0.75	0.93	0.85	0.63	0.66	0.59

[◇]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



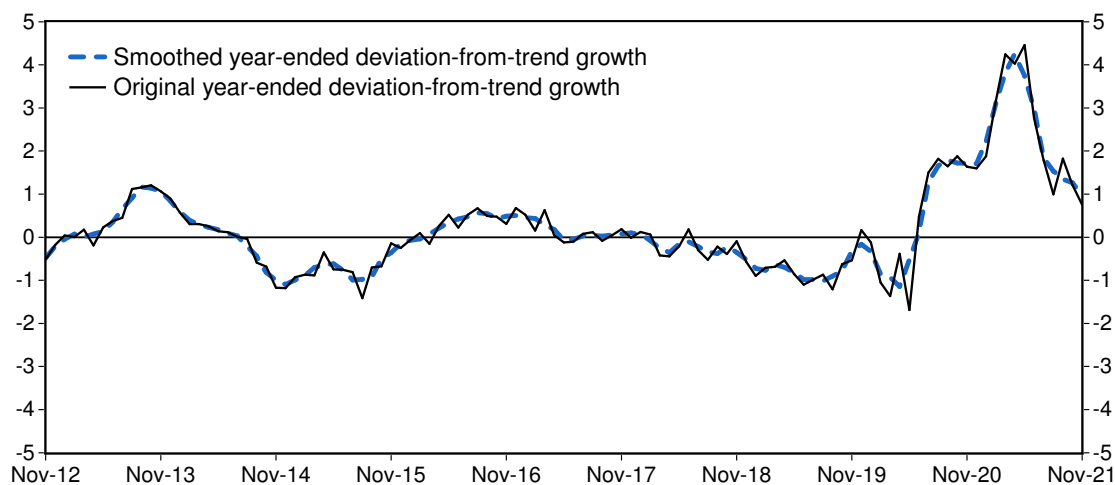
Melbourne Institute SA Leading Index of Economic Activity November 2021

Table 5: South Australia Leading Index of Economic Activity

SOUTH AUSTRALIA	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Monthly level	103.56	103.68	102.95	103.58	103.71	103.30
Monthly growth	0.29	0.12	-0.71	0.61	0.13	-0.40
<i>Year-ended growth</i>	2.76	1.78	0.99	1.82	1.22	0.75
<i>Year-ended growth contributions[◇]:</i>						
SA Expectations index [†]	0.20	0.29	0.00	0.04	0.04	0.02
SA Unemployment expectation index [†]	0.24	0.32	0.12	0.17	0.28	0.11
SA Aggregate monthly hours worked	0.54	0.41	0.32	0.27	0.09	0.21
SA Retail trade	-0.30	-0.34	-0.83	-0.29	-0.02	-0.12
SA Dwelling approvals	0.14	0.23	0.15	0.21	0.04	0.01
SA Housing finance commitment	1.21	0.65	1.06	1.27	0.24	0.35
SA Current family finance index [†]	0.22	0.00	0.07	-0.04	0.04	-0.07
AUD/USD	0.22	0.04	-0.02	0.02	0.15	-0.11
Yield spread	0.27	0.18	0.13	0.18	0.36	0.35

[◇] 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



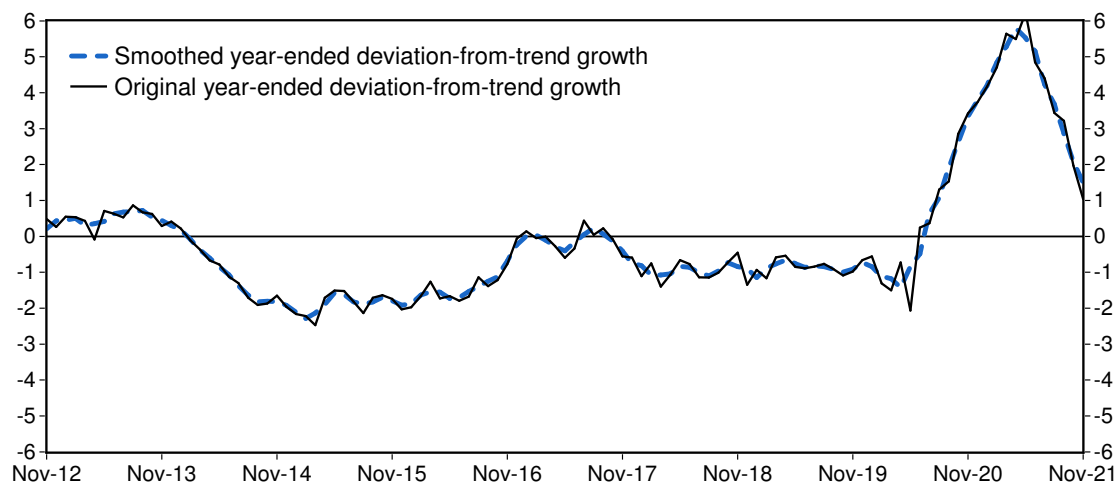
Melbourne Institute WA Leading Index of Economic Activity November 2021

Table 6: Western Australia Leading Index of Economic Activity

WESTERN AUSTRALIA	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Monthly level	100.92	100.79	100.56	100.67	100.56	100.44
Monthly growth	0.70	-0.12	-0.23	0.11	-0.11	-0.11
<i>Year-ended growth</i>	4.85	4.40	3.44	3.21	1.97	1.04
<i>Year-ended growth contributions[◇]:</i>						
WA Expectations index [†]	0.17	0.23	0.13	0.04	-0.13	0.08
WA Unemployment expectation index [†]	0.11	0.39	0.13	-0.01	0.10	0.02
WA Aggregate monthly hours worked	0.32	0.31	0.19	0.25	0.15	0.06
WA Retail trade	0.11	-0.08	-0.29	-0.12	0.06	0.03
WA Dwelling approvals	0.51	0.40	0.37	0.30	-0.02	-0.25
WA Housing finance commitment	2.53	2.03	2.02	1.96	0.87	0.31
WA Current family finance index [†]	-0.03	0.06	-0.01	0.03	-0.13	0.03
AUD/USD	0.20	0.05	-0.01	0.03	0.14	-0.08
Yield spread	0.23	0.16	0.11	0.15	0.31	0.30
RBA commodity prices AUD	0.69	0.86	0.79	0.58	0.61	0.55

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Chart 6: Western Australia Leading Index of Economic Activity



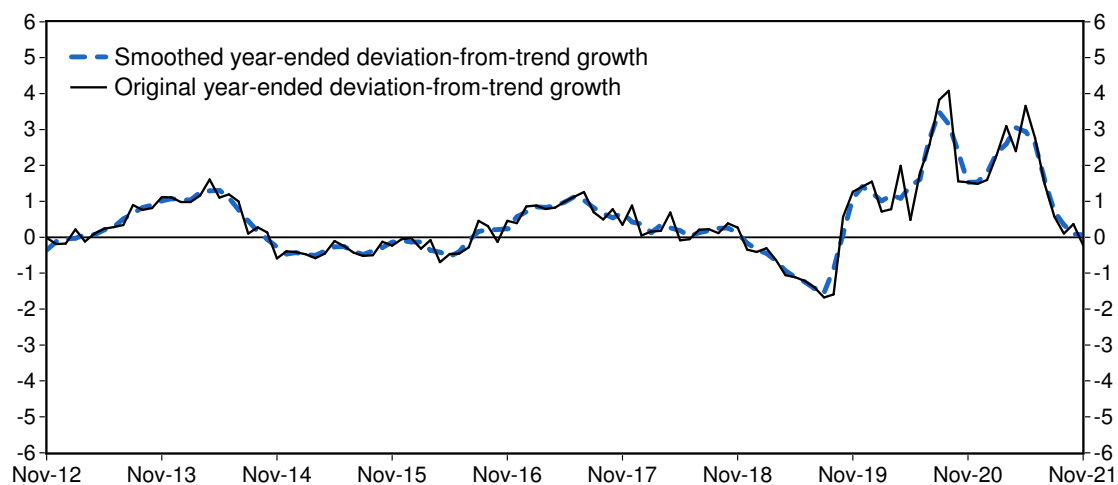
Melbourne Institute TAS Leading Index of Economic Activity November 2021

Table 6: Tasmania Leading Index of Economic Activity

TASMANIA	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Monthly level	104.86	104.43	104.28	104.00	104.34	104.02
Monthly growth	0.39	-0.42	-0.14	-0.27	0.32	-0.30
<i>Year-ended growth</i>	2.75	1.48	0.57	0.10	0.37	-0.23
<i>Year-ended growth contributions[◇]:</i>						
TAS Expectations index [†]	0.26	0.11	0.17	0.00	0.01	-0.07
TAS Unemployment expectation index [†]	0.29	0.21	0.18	0.06	0.10	-0.01
TAS Aggregate monthly hours worked	0.44	0.29	0.02	0.17	0.11	0.07
TAS Retail trade	0.18	-0.18	-0.37	-0.38	-0.11	-0.13
TAS Dwelling approvals	0.23	0.18	-0.03	-0.02	-0.11	-0.14
TAS Housing finance commitment	0.85	0.65	0.52	0.04	-0.21	-0.21
TAS Current family finance index [†]	0.03	0.00	-0.03	0.03	0.07	0.03
AUD/USD	0.22	0.05	-0.02	0.03	0.15	-0.10
Yield spread	0.26	0.18	0.13	0.17	0.35	0.34

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Chart 7: Tasmania Leading Index of Economic Activity



**Melbourne Institute State Leading Index of Economic Activity:
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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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