

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

April 2022

## Melbourne Institute State Leading Indexes of Economic Activity:

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

March 2022

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

| OVERVIEW          | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|-------------------|--------|--------|--------|--------|--------|--------|
| New South Wales   | 0.14   | 0.01   | 0.84   | -0.08  | -0.13  | 0.09   |
| Victoria          | 1.72   | 1.51   | 1.39   | 0.05   | 0.01   | 0.04   |
| Queensland        | 1.84   | 1.20   | 1.20   | 0.95   | 0.77   | 0.24   |
| South Australia   | 1.37   | 0.89   | 1.15   | 0.54   | -0.17  | -0.07  |
| Western Australia | 2.04   | 1.20   | 1.44   | 0.81   | 0.65   | 0.15   |
| Tasmania          | 0.52   | -0.05  | -0.02  | 0.08   | -0.31  | -0.30  |

### Indexes show strong rebound across states in March

The latest monthly deviation-from-trend growth rates in the Melbourne Institute State Leading Indexes of Economic Activity continued to show that economic activity across states recovered strongly in March. Specifically, in monthly terms, the Index rose by 0.72% in NSW, by 0.73% in VIC, by 0.24% in QLD, by 0.80% in SA, by 0.19% in WA and by 0.59% in TAS (Tables 2-6). These monthly readings represent considerable improvement from the corresponding readings in January and February. With strong monthly growth in March, the year-ended growth rates in the Indexes across the states remained around trend. This is an encouraging signal given that economic recovery in the states has been significantly disrupted in the past 12 months, first by the Delta outbreaks in mid-2021 and recently by the Omicron outbreaks in early 2022.

Tables 2-6 provide the year-ended deviation-from-trend growth in the states' Leading Indexes and the year-ended contributions from their components. Retail trade and the Westpac-Melbourne Institute Unemployment Expectations Index were key contributors to growth in most of the states. Particularly, retail trade added 0.18 and 0.40 ppts to growth in the NSW and VIC Indexes while the Westpac-Melbourne Institute Unemployment Expectations Index added 0.19 and 0.15 ppts, respectively. This indicates that retail trade and labour market activity in NSW and VIC have been recovering relatively strongly. The positive contributions from the yield spread may reflect the ongoing positive influence from the current accommodative setting of monetary policy on economic activity. However, this will likely change in the coming months as consumers and financial market participants are expecting interest rates to rise amid rising inflationary pressure.

Among the components, the negative contributions from the Westpac-Melbourne Institute CSI Expectations and Current Family Finance Indexes in all the states remained a concern. Consumers have been reporting weakening current family finances and have become less optimistic about future conditions in the last few months. This with the expected increases in interest rates could put downward pressure on future household consumption and therefore pose a non-negligible downside risk to the post-pandemic economic recovery.

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

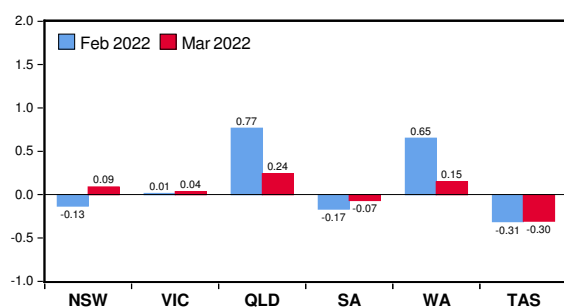
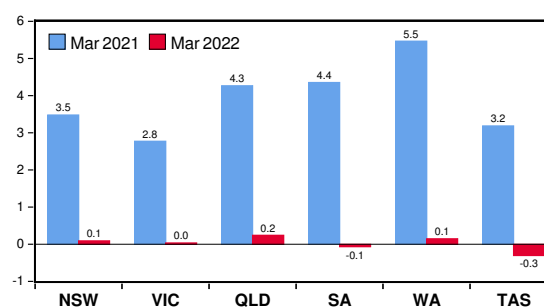


Chart 1(b): State Leading Indexes vs Last Year's



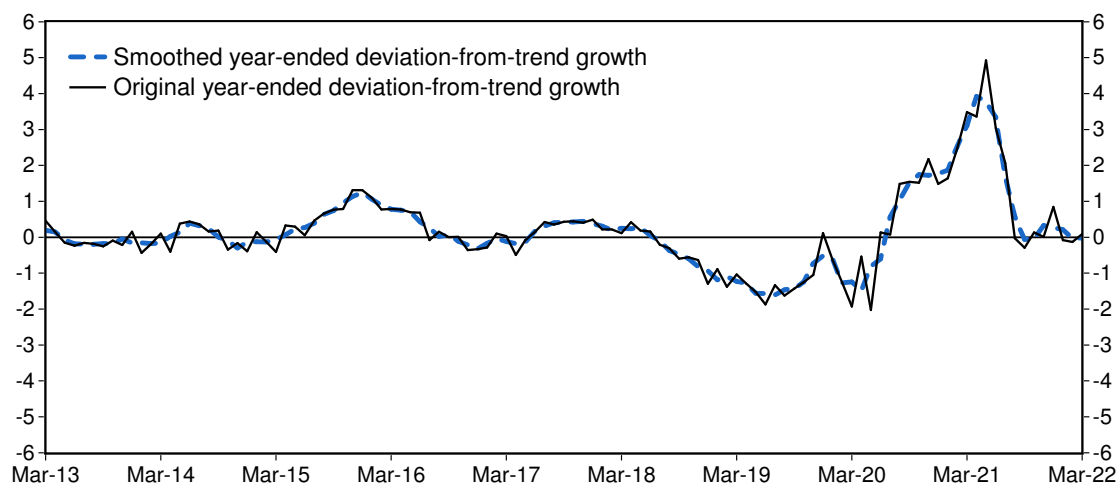
## Melbourne Institute NSW Leading Index of Economic Activity March 2022

Table 2: New South Wales Leading Index of Economic Activity

| NEW SOUTH WALES                                     | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 100.20 | 100.76 | 101.55 | 100.20 | 100.01 | 100.72 |
| Monthly growth                                      | 0.67   | 0.56   | 0.78   | -1.33  | -0.19  | 0.72   |
| <i>Year-ended growth</i>                            | 0.14   | 0.01   | 0.84   | -0.08  | -0.13  | 0.09   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| NSW Expectations index <sup>†</sup>                 | 0.05   | -0.06  | -0.05  | -0.12  | -0.16  | -0.14  |
| NSW Unemployment expectation index <sup>†</sup>     | 0.41   | 0.00   | 0.12   | 0.06   | 0.08   | 0.19   |
| NSW Aggregate monthly hours worked                  | -0.42  | -0.05  | 0.07   | -0.29  | -0.22  | -0.32  |
| NSW Retail trade                                    | -0.92  | -0.18  | 0.01   | 0.01   | 0.07   | 0.18   |
| NSW Dwelling approvals                              | 0.24   | -0.03  | -0.13  | -0.03  | -0.08  | 0.03   |
| NSW Housing finance commitment                      | 0.25   | 0.11   | 0.58   | 0.19   | 0.15   | 0.01   |
| NSW Current family finance index <sup>†</sup>       | -0.02  | -0.08  | 0.11   | -0.03  | -0.08  | -0.09  |
| AUD/USD   | 0.13   | -0.09  | -0.16  | -0.21  | -0.21  | -0.08  |
| Yield spread  | 0.42   | 0.40   | 0.29   | 0.35   | 0.32   | 0.31   |

<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



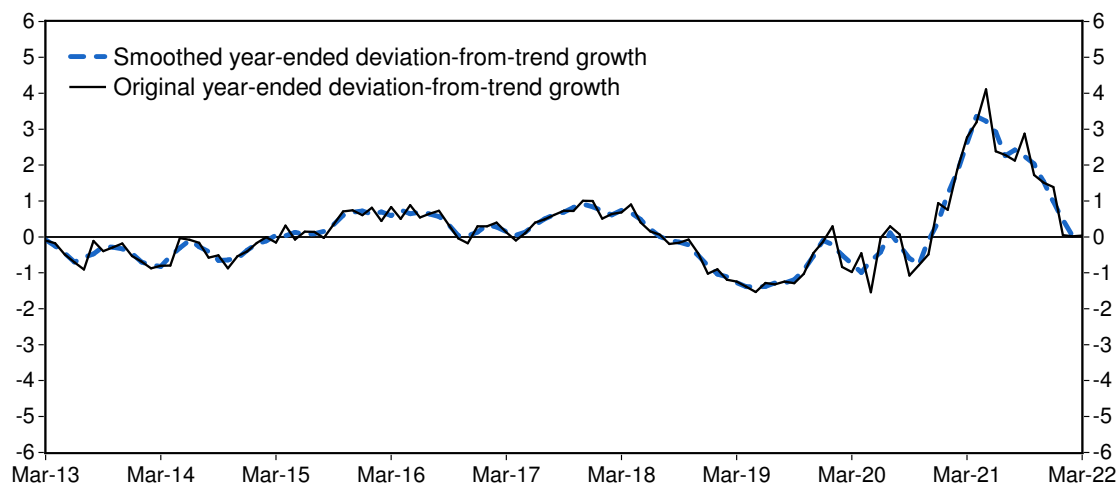
## Melbourne Institute VIC Leading Index of Economic Activity March 2022

Table 3: Victoria Leading Index of Economic Activity

| VICTORIA  | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 101.22 | 101.73 | 103.13 | 101.82 | 101.47 | 102.21 |
| Monthly growth                                      | -0.55  | 0.50   | 1.38   | -1.27  | -0.35  | 0.73   |
| <i>Year-ended growth</i>                            | 1.72   | 1.51   | 1.39   | 0.05   | 0.01   | 0.04   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| VIC Expectations index <sup>†</sup>                 | -0.05  | -0.06  | -0.01  | -0.11  | -0.12  | -0.20  |
| VIC Unemployment expectation index <sup>†</sup>     | 0.20   | 0.11   | 0.00   | 0.13   | 0.13   | 0.15   |
| VIC Aggregate monthly hours worked                  | -0.13  | 0.01   | 0.15   | -0.42  | -0.16  | -0.27  |
| VIC Retail trade                                    | 0.64   | 0.45   | 0.08   | 0.12   | 0.16   | 0.40   |
| VIC Dwelling approvals                              | -0.04  | 0.01   | 0.03   | 0.03   | -0.09  | 0.06   |
| VIC Housing finance commitment                      | 0.59   | 0.76   | 0.99   | 0.25   | 0.05   | -0.13  |
| VIC Current family finance index <sup>†</sup>       | 0.00   | -0.06  | 0.02   | -0.08  | -0.05  | -0.19  |
| AUD/USD   | 0.12   | -0.09  | -0.15  | -0.20  | -0.21  | -0.08  |
| Yield spread  | 0.40   | 0.38   | 0.28   | 0.33   | 0.31   | 0.30   |

<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



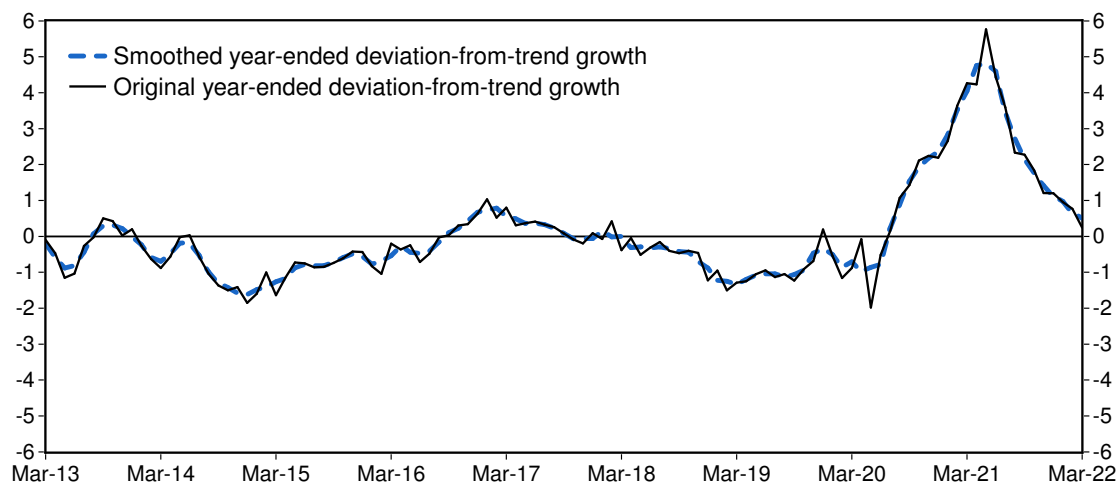
## Melbourne Institute QLD Leading Index of Economic Activity March 2022

Table 4: Queensland Leading Index of Economic Activity

| QUEENSLAND  | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 102.23 | 101.94 | 102.35 | 102.06 | 101.80 | 102.05 |
| Monthly growth                                      | 0.61   | -0.28  | 0.41   | -0.28  | -0.25  | 0.24   |
| <i>Year-ended growth</i>                            | 1.84   | 1.20   | 1.20   | 0.95   | 0.77   | 0.24   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| QLD Expectations index <sup>†</sup>                 | -0.01  | -0.07  | -0.12  | 0.00   | -0.04  | -0.15  |
| QLD Unemployment expectation index <sup>†</sup>     | 0.19   | -0.15  | 0.06   | 0.09   | 0.07   | 0.08   |
| QLD Aggregate monthly hours worked                  | -0.05  | 0.14   | 0.08   | 0.19   | -0.10  | -0.25  |
| QLD Retail trade                                    | 0.02   | 0.06   | -0.17  | -0.10  | 0.01   | 0.06   |
| QLD Dwelling approvals                              | 0.05   | -0.04  | -0.01  | -0.17  | -0.03  | -0.23  |
| QLD Housing finance commitment                      | 0.46   | 0.30   | 0.65   | 0.26   | 0.09   | 0.05   |
| QLD Current family finance index <sup>†</sup>       | -0.04  | -0.04  | -0.01  | 0.01   | 0.02   | -0.18  |
| AUD/USD   | 0.14   | -0.10  | -0.16  | -0.22  | -0.23  | -0.09  |
| Yield spread  | 0.45   | 0.43   | 0.31   | 0.37   | 0.33   | 0.32   |
| RBA commodity prices AUD                            | 0.63   | 0.68   | 0.57   | 0.53   | 0.64   | 0.64   |

<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



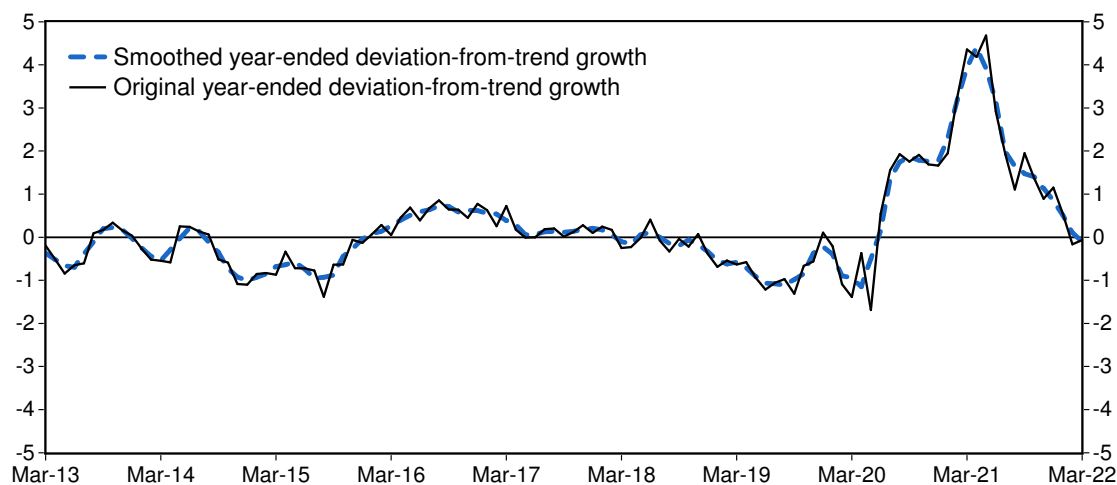
## Melbourne Institute SA Leading Index of Economic Activity March 2022

Table 5: South Australia Leading Index of Economic Activity

| SOUTH AUSTRALIA                                     | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 103.53 | 103.16 | 103.68 | 103.00 | 102.39 | 103.21 |
| Monthly growth                                      | 0.14   | -0.36  | 0.51   | -0.65  | -0.59  | 0.80   |
| <i>Year-ended growth</i>                            | 1.37   | 0.89   | 1.15   | 0.54   | -0.17  | -0.07  |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| SA Expectations index <sup>†</sup>                  | 0.04   | 0.02   | -0.09  | 0.01   | -0.08  | -0.14  |
| SA Unemployment expectation index <sup>†</sup>      | 0.29   | 0.11   | -0.01  | 0.08   | -0.09  | 0.21   |
| SA Aggregate monthly hours worked                   | 0.08   | 0.20   | 0.13   | 0.05   | -0.01  | -0.03  |
| SA Retail trade                                     | 0.00   | -0.12  | 0.07   | -0.19  | -0.01  | 0.16   |
| SA Dwelling approvals                               | 0.04   | 0.03   | -0.02  | -0.05  | -0.25  | -0.12  |
| SA Housing finance commitment                       | 0.23   | 0.36   | 0.87   | 0.41   | 0.26   | -0.17  |
| SA Current family finance index <sup>†</sup>        | 0.04   | -0.07  | 0.03   | 0.09   | -0.10  | -0.25  |
| AUD/USD   | 0.15   | -0.11  | -0.18  | -0.25  | -0.25  | -0.10  |
| Yield spread  | 0.50   | 0.48   | 0.34   | 0.41   | 0.38   | 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 5: South Australia Leading Index of Economic Activity



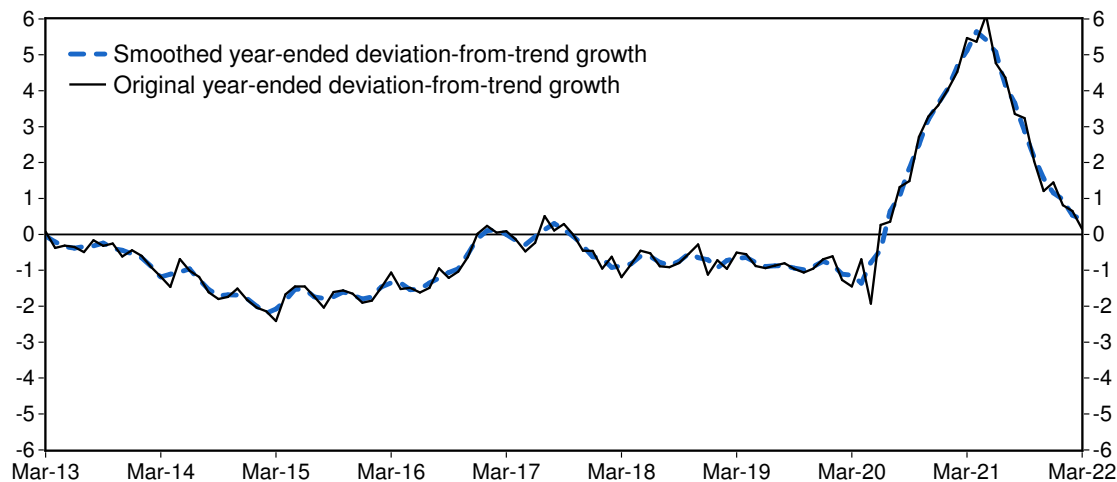
## Melbourne Institute WA Leading Index of Economic Activity March 2022

Table 6: Western Australia Leading Index of Economic Activity

| WESTERN AUSTRALIA                                   | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 100.22 | 100.21 | 100.55 | 100.41 | 100.01 | 100.19 |
| Monthly growth                                      | -0.11  | -0.01  | 0.33   | -0.13  | -0.41  | 0.19   |
| <i>Year-ended growth</i>                            | 2.04   | 1.20   | 1.44   | 0.81   | 0.65   | 0.15   |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| WA Expectations index <sup>†</sup>                  | -0.12  | 0.07   | -0.04  | -0.08  | -0.20  | -0.22  |
| WA Unemployment expectation index <sup>†</sup>      | 0.10   | 0.02   | 0.00   | 0.00   | 0.00   | 0.00   |
| WA Aggregate monthly hours worked                   | 0.15   | 0.06   | 0.18   | 0.30   | 0.52   | 0.03   |
| WA Retail trade                                     | 0.08   | 0.04   | 0.07   | 0.01   | 0.08   | 0.25   |
| WA Dwelling approvals                               | -0.01  | -0.24  | -0.21  | -0.32  | -0.39  | -0.45  |
| WA Housing finance commitment                       | 0.85   | 0.29   | 0.80   | 0.27   | 0.10   | -0.08  |
| WA Current family finance index <sup>†</sup>        | -0.13  | 0.03   | -0.02  | 0.02   | -0.11  | -0.15  |
| AUD/USD   | 0.14   | -0.08  | -0.15  | -0.20  | -0.21  | -0.09  |
| Yield spread  | 0.41   | 0.39   | 0.28   | 0.33   | 0.30   | 0.27   |
| RBA commodity prices AUD                            | 0.58   | 0.62   | 0.52   | 0.48   | 0.56   | 0.56   |

<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



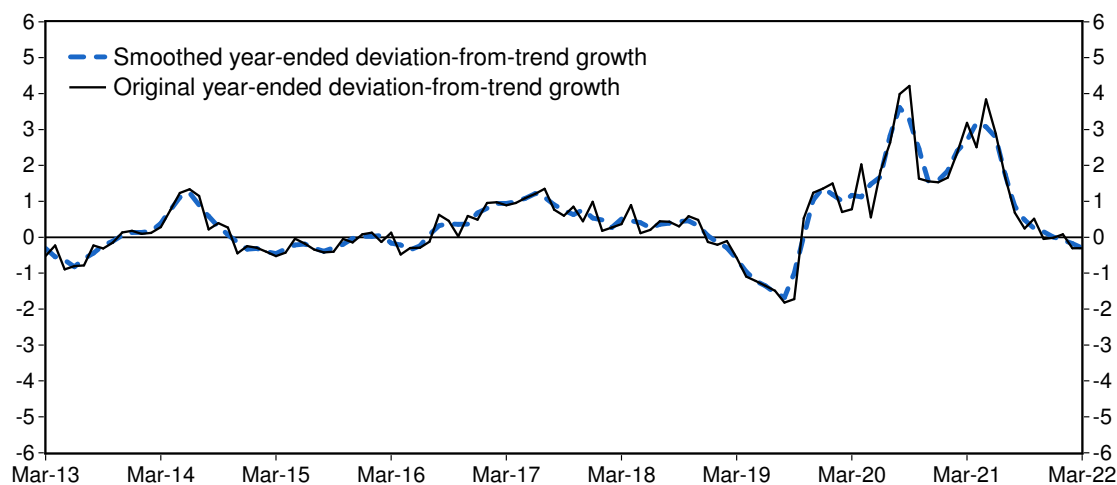
## Melbourne Institute TAS Leading Index of Economic Activity March 2022

Table 7: Tasmania Leading Index of Economic Activity

| TASMANIA  | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|--------|--------|--------|--------|--------|--------|
| Monthly level                                       | 104.14 | 103.85 | 104.02 | 103.95 | 103.57 | 104.18 |
| Monthly growth                                      | 0.35   | -0.28  | 0.16   | -0.07  | -0.36  | 0.59   |
| <i>Year-ended growth</i>                            | 0.52   | -0.05  | -0.02  | 0.08   | -0.31  | -0.30  |
| <i>Year-ended growth contributions<sup>◇</sup>:</i> |        |        |        |        |        |        |
| TAS Expectations index <sup>†</sup>                 | 0.01   | -0.07  | -0.04  | 0.03   | -0.08  | -0.04  |
| TAS Unemployment expectation index <sup>†</sup>     | 0.10   | -0.01  | -0.21  | 0.14   | -0.01  | 0.12   |
| TAS Aggregate monthly hours worked                  | 0.10   | 0.06   | -0.03  | 0.01   | 0.06   | -0.15  |
| TAS Retail trade                                    | -0.13  | -0.09  | -0.15  | -0.08  | -0.10  | -0.08  |
| TAS Dwelling approvals                              | -0.08  | -0.14  | -0.04  | -0.19  | -0.15  | -0.20  |
| TAS Housing finance commitment                      | -0.19  | -0.18  | 0.37   | 0.06   | -0.12  | -0.21  |
| TAS Current family finance index <sup>†</sup>       | 0.07   | 0.03   | -0.07  | -0.04  | -0.04  | -0.03  |
| AUD/USD   | 0.16   | -0.10  | -0.18  | -0.24  | -0.24  | -0.08  |
| Yield spread  | 0.48   | 0.46   | 0.33   | 0.39   | 0.37   | 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 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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