

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

February 2021

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

January 2021

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

OVERVIEW	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
New South Wales	1.50	1.72	0.90	1.83	1.22	1.12
Victoria	0.29	-1.06	-0.69	-0.56	0.98	0.82
Queensland	1.25	1.50	2.10	2.24	2.23	2.69
South Australia	1.81	1.64	1.92	1.35	1.68	1.94
Western Australia	1.58	1.39	2.44	3.46	3.48	3.79

Indexes signal disruptions from recent snap lockdowns on economic recovery

In January, the year-ended deviation-from-trend growths in the Melbourne Institute State Leading Indexes of Economic Activity continued to show a sustained level of economic recovery across the major states in the first half of 2021. Information from the Indexes indicate that QLD and WA are likely to lead the economic recovery in the coming months. The readings of the year-ended deviation-from-trend growths in the QLD and WA Indexes, at 2.69% and 3.79%, are considerably higher than the other major states at the moment. These strong readings were driven mainly by activity in retail and housing sectors in these two states as well as by strong commodity prices in the last several months.

However, monthly growths in the Indexes in Tables 2-6, however, show weaker monthly activity in January across the major states with WA being the only exception. The readings of monthly growths in the NSW and QLD Indexes in January declined to -0.73% and -0.12%, from -0.04% and 0.52% in December, respectively. This likely reflects the adverse impacts and disruptions of the outbreaks and ensuing short lockdowns in December 2020 and January 2021 on NSW and QLD economic activity, especially their hospitality sectors. Monthly growths in the VIC and SA Indexes also declined markedly in January to 0.16% and 0.03%, from 1.56% and 0.41% in December. This suggests that interstate border closures to prevent the spread of the NSW and QLD outbreaks appear to have also impacted VIC and SA economic activity negatively.

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. Aggregate monthly hours worked was the biggest detractor from growth in the Indexes across the major states at the moment. The year-ended contributions of aggregate monthly hours worked declined in all the major states in January after gradual improvement in the previous months. The year-ended contributions of retail trade, though remaining positive in all the major states, also declined in January. The declining contributions of aggregate monthly hours worked and retail trade in January, to some extent, reflect impacts of the snap lockdowns and interstate border closures on the economic recovery in the major states. A successful vaccine rollout is likely to be crucial to a sustained economic recovery across the country.

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

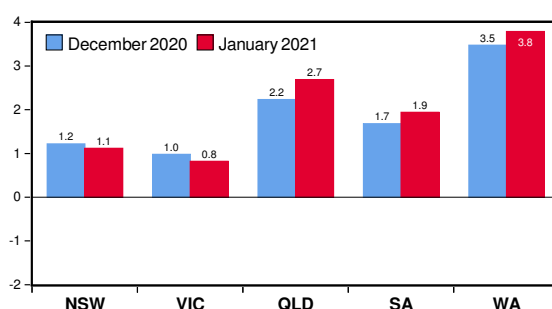
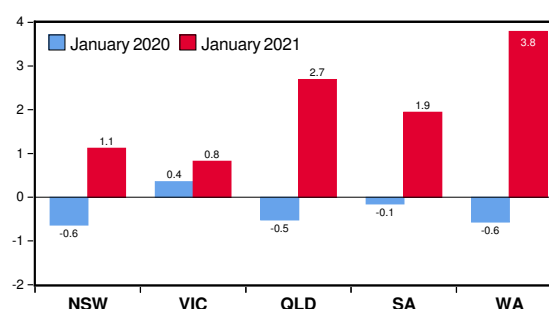


Chart 1(b): State Leading Indexes vs Last Year's



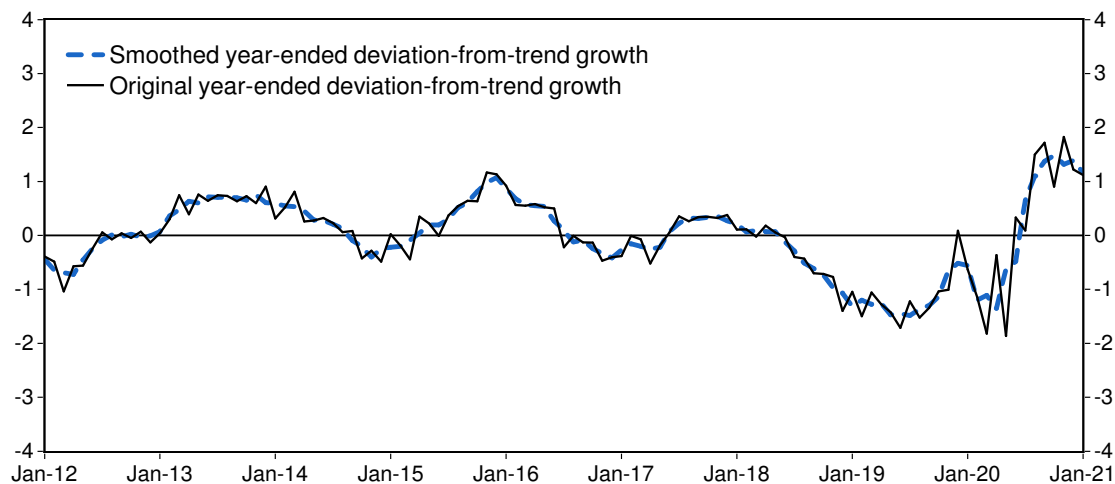
Melbourne Institute NSW Leading Index of Economic Activity January 2021

Table 2: New South Wales Leading Index of Economic Activity

NEW SOUTH WALES	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Monthly level	100.19	100.44	99.93	100.76	100.72	99.98
Monthly growth	1.12	0.25	-0.51	0.83	-0.04	-0.73
<i>Year-ended growth</i>	1.50	1.72	0.90	1.83	1.22	1.12
<i>Year-ended growth contributions[◇]:</i>						
NSW Expectations index [†]	-0.03	0.23	0.12	0.22	0.14	0.23
NSW Unemployment expectation index [†]	-0.04	0.18	-0.02	0.33	0.06	0.22
NSW Aggregate monthly hours worked	-0.37	-0.26	-0.39	-0.21	-0.20	-0.74
NSW Retail trade	0.63	0.45	0.37	0.43	0.53	0.27
NSW Dwelling approvals	0.05	-0.09	-0.03	0.18	0.02	0.14
NSW Housing finance commitment	0.71	0.67	0.55	0.38	0.23	0.33
NSW Current family finance index [†]	0.07	0.18	0.06	0.10	0.01	0.12
AUD/USD	0.18	0.10	0.03	0.18	0.20	0.27
Yield spread	0.28	0.27	0.21	0.22	0.24	0.28

[◇]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



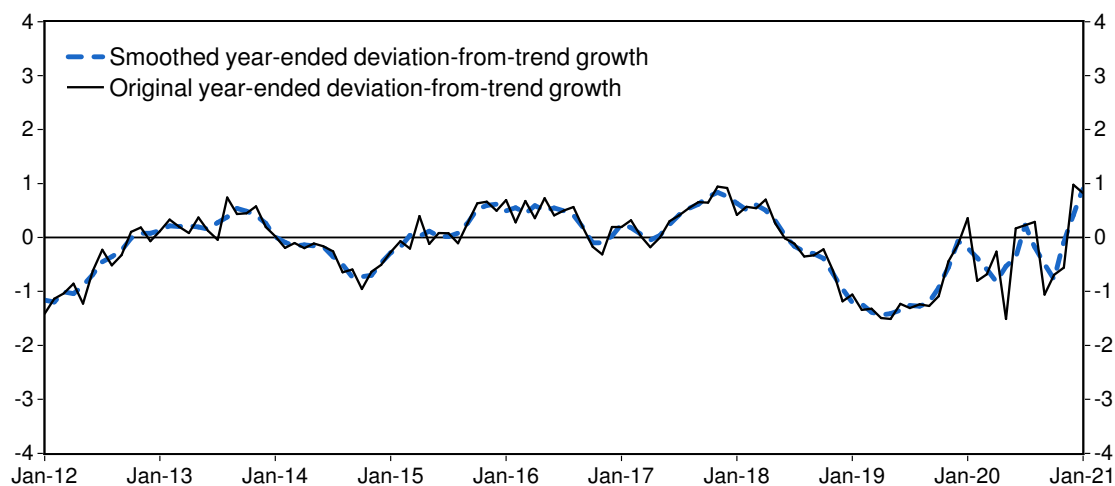
Melbourne Institute VIC Leading Index of Economic Activity January 2021

Table 3: Victoria Leading Index of Economic Activity

VICTORIA	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Monthly level	100.51	99.17	99.78	100.38	101.95	102.12
Monthly growth	-0.03	-1.33	0.61	0.60	1.56	0.16
<i>Year-ended growth</i>	0.29	-1.06	-0.69	-0.56	0.98	0.82
<i>Year-ended growth contributions[◇]:</i>						
VIC Expectations index [†]	-0.05	0.10	0.12	0.14	0.18	0.18
VIC Unemployment expectation index [†]	-0.08	0.12	0.11	0.24	0.27	0.19
VIC Aggregate monthly hours worked	-0.86	-1.01	-0.62	-0.32	-0.35	-0.49
VIC Retail trade	-0.13	-1.07	-1.10	-0.73	0.58	0.09
VIC Dwelling approvals	0.11	0.09	0.11	0.01	0.00	-0.10
VIC Housing finance commitment	0.86	0.30	0.46	-0.40	-0.17	0.36
VIC Current family finance index [†]	-0.01	0.06	-0.01	0.12	0.05	0.05
AUD/USD	0.18	0.10	0.03	0.17	0.19	0.26
Yield spread	0.28	0.26	0.21	0.21	0.23	0.27

[◇] 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



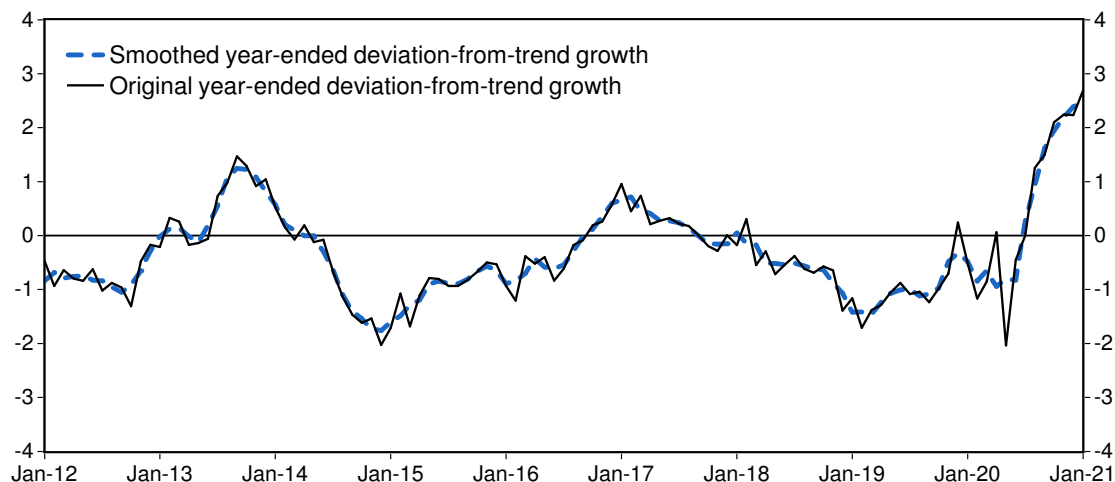
Melbourne Institute QLD Leading Index of Economic Activity January 2021

Table 4: Queensland Leading Index of Economic Activity

QUEENSLAND	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Monthly level	99.71	99.71	100.64	101.07	101.59	101.46
Monthly growth	1.14	0.00	0.94	0.42	0.52	-0.12
<i>Year-ended growth</i>	1.25	1.50	2.10	2.24	2.23	2.69
<i>Year-ended growth contributions[◇]:</i>						
QLD Expectations index [†]	-0.08	0.14	0.18	0.30	0.18	0.08
QLD Unemployment expectation index [†]	0.00	0.03	0.25	0.36	0.04	0.14
QLD Aggregate monthly hours worked	-0.46	-0.44	-0.18	-0.19	-0.27	-0.46
QLD Retail trade	0.88	0.73	0.61	0.51	0.75	0.65
QLD Dwelling approvals	-0.10	0.08	0.07	-0.03	0.21	0.37
QLD Housing finance commitment	0.93	0.71	0.95	0.77	0.69	1.08
QLD Current family finance index [†]	-0.01	0.13	0.09	0.18	0.06	0.04
AUD/USD	0.21	0.12	0.03	0.21	0.23	0.31
Yield spread	0.33	0.31	0.25	0.26	0.28	0.33
RBA commodity prices AUD	-0.45	-0.32	-0.16	-0.11	0.06	0.15

[◇] 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



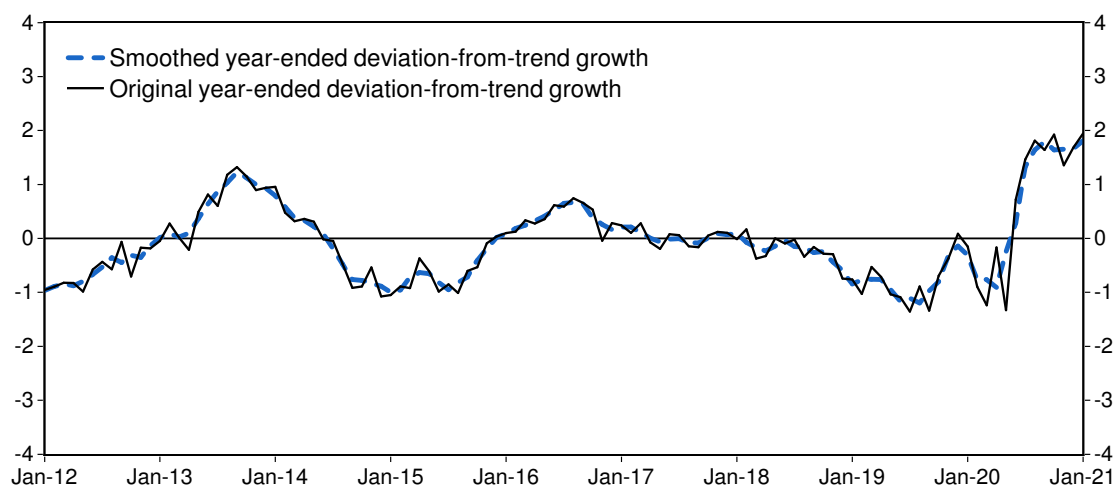
Melbourne Institute SA Leading Index of Economic Activity January 2021

Table 5: South Australia Leading Index of Economic Activity

SOUTH AUSTRALIA	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Monthly level	101.88	101.52	102.39	102.22	102.64	102.67
Monthly growth	0.32	-0.35	0.86	-0.17	0.41	0.03
<i>Year-ended growth</i>	1.81	1.64	1.92	1.35	1.68	1.94
<i>Year-ended growth contributions[◇]:</i>						
SA Expectations index [†]	-0.01	0.13	0.17	0.00	0.20	0.18
SA Unemployment expectation index [†]	0.01	0.08	0.01	0.15	0.30	0.25
SA Aggregate monthly hours worked	-0.27	-0.19	-0.11	-0.07	0.00	-0.33
SA Retail trade	0.73	0.59	0.32	0.42	0.30	0.36
SA Dwelling approvals	-0.20	-0.04	-0.01	-0.10	-0.02	0.16
SA Housing finance commitment	0.98	0.57	1.06	0.44	0.26	0.59
SA Current family finance index [†]	0.02	0.06	0.18	0.04	0.13	0.07
AUD/USD	0.22	0.12	0.03	0.21	0.24	0.32
Yield spread	0.34	0.32	0.26	0.26	0.29	0.34

[◇] 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



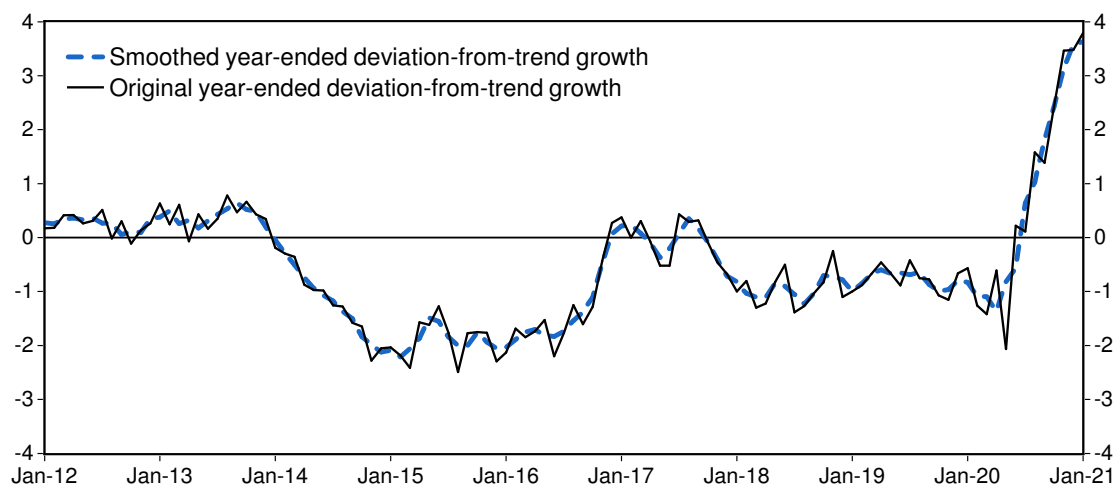
Melbourne Institute WA Leading Index of Economic Activity January 2021

Table 6: Western Australia Leading Index of Economic Activity

WESTERN AUSTRALIA	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Monthly level	97.48	97.54	98.26	99.48	99.40	99.62
Monthly growth	1.05	0.07	0.74	1.24	-0.08	0.22
<i>Year-ended growth</i>	1.58	1.39	2.44	3.46	3.48	3.79
<i>Year-ended growth contributions[◇]:</i>						
WA Expectations index [†]	0.03	0.06	0.07	0.10	0.06	0.09
WA Unemployment expectation index [†]	-0.04	0.06	0.06	0.08	0.05	0.06
WA Aggregate monthly hours worked	-0.25	-0.24	-0.29	0.01	-0.07	-0.25
WA Retail trade	0.89	0.86	0.68	0.73	0.79	0.64
WA Dwelling approvals	-0.06	-0.14	0.37	0.44	0.46	0.49
WA Housing finance commitment	0.87	0.62	1.44	1.65	1.56	2.03
WA Current family finance index [†]	0.06	0.06	0.00	0.12	0.10	0.00
AUD/USD	0.20	0.11	0.03	0.19	0.21	0.29
Yield spread	0.30	0.28	0.23	0.23	0.26	0.30
RBA commodity prices AUD	-0.41	-0.29	-0.15	-0.10	0.06	0.14

[◇] 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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