

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

September 2020

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August 2020

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

OVERVIEW	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
New South Wales	-1.82	-0.36	-1.86	0.33	0.07	1.49
Victoria	-0.69	-0.25	-1.51	0.19	0.22	0.30
Queensland	-0.90	-0.02	-2.03	-0.43	0.06	1.16
South Australia	-1.23	-0.15	-1.35	0.70	1.44	1.80
Western Australia	-1.45	-0.66	-2.06	0.23	0.16	1.57

The Indexes continue to signal improvement in activity across the major states

In August, the year-ended deviation-from-trend growth in the Melbourne Institute State Leading Indexes of Economic Activity rose further, signaling likely improvement in activity across major states towards the end of 2020 and early 2021. The readings of growth in the Indexes since June suggest that state economies have been emerging from their recent lows, but at different rates. Economic activities in NSW, QLD, SA and WA are increasing faster as restrictions in these states have eased substantially. In contrast, the improvement in VIC has been rather moderate due to the ongoing restrictions to tame the second wave of infections.

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. While monthly hours worked remained the biggest detractor from growth, its negative contributions have lessened in all the major states, except for VIC. Particularly, monthly hours worked subtracted 0.85 ppts off growth in the VIC Index in August, reflecting the adverse impact of the second lockdown on VIC's economic activity. The contributions of retail trade, again, highlight the stark contrast between the levels of economic activity in VIC and in the other major states. In August, retail trade subtracted 0.13 ppts off growth in the VIC Index, but added 0.63 ppts to NSW, 0.88 ppts to QLD, 0.73 ppts to SA and 0.89 ppts to WA.

The contributions of the Westpac-Melbourne Institute Expectations and Unemployment Expectation Indexes, though mostly negative, were much smaller as compared to last month. This shows that consumer confidence has recovered markedly across the country as the second wave of infections has been under control in VIC and its spread to other parts of the country has been minimal. Housing finance commitment and the yield spread continued to add significantly to growth in the Indexes across the major states, reflecting the positive influence of the current low interest rates on economic activity and households' financial conditions.

The appreciation of the Australian dollar in recent months has been beneficial for Australian consumers and businesses with cheaper imports, contributing positively to activity across the major states. The negative impacts of a stronger Australian dollar on Australia's major exports such as tourism and education, to some extent, have been limited in the short terms due to the ongoing border closure. Meanwhile, the declining commodity prices due to weak global demand are contributing negatively to activity in QLD and WA.

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

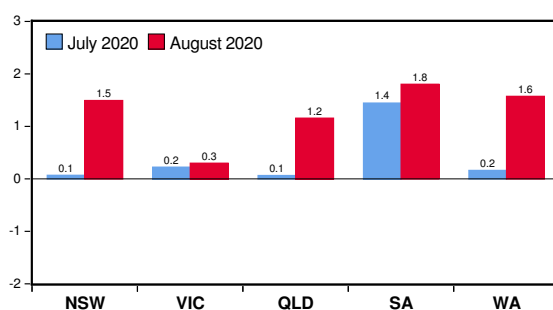
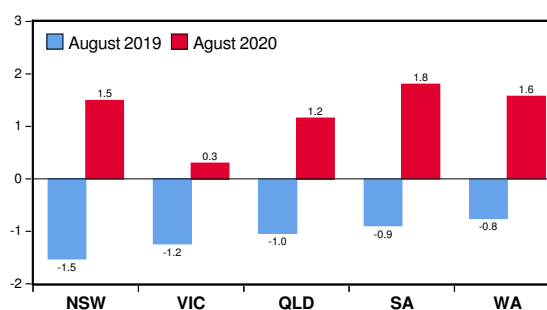


Chart 1(b): State Leading Indexes vs Last Year's



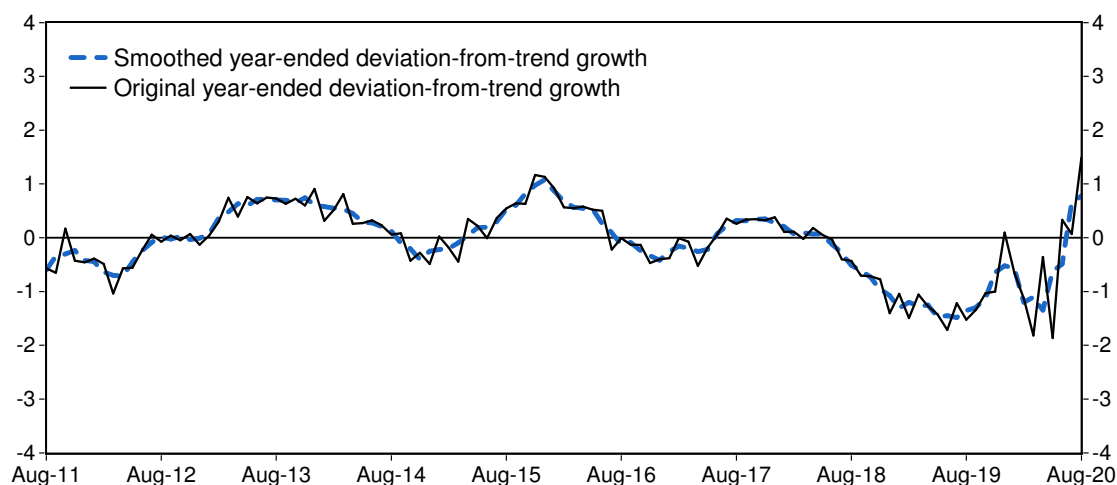
Melbourne Institute NSW Leading Index of Economic Activity August 2020

Table 2: New South Wales Leading Index of Economic Activity

NEW SOUTH WALES	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Monthly level	97.65	98.93	97.25	99.12	99.07	100.19
Monthly growth	-0.47	1.30	-1.69	1.92	-0.06	1.13
Year-ended growth	-1.82	-0.36	-1.86	0.33	0.07	1.49
<i>Year-ended growth contributions[◇]:</i>						
NSW Expectations index [†]	-0.35	-0.09	-0.05	0.05	-0.23	-0.03
NSW Unemployment expectation index [†]	-0.21	-0.12	-0.02	-0.03	-0.20	-0.04
NSW Aggregate monthly hours worked	-0.13	-0.79	-0.88	-0.43	-0.45	-0.35
NSW Retail trade	-0.35	0.21	-1.18	-0.05	0.20	0.63
NSW Dwelling approvals	-0.14	0.11	-0.08	-0.14	-0.19	0.03
NSW Housing finance commitment	-0.29	0.46	0.29	0.76	0.74	0.71
NSW Current family finance index [†]	-0.12	-0.15	-0.10	-0.02	-0.09	0.07
AUD/USD	-0.31	-0.16	-0.09	-0.06	0.09	0.18
Yield spread	0.07	0.17	0.24	0.25	0.20	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



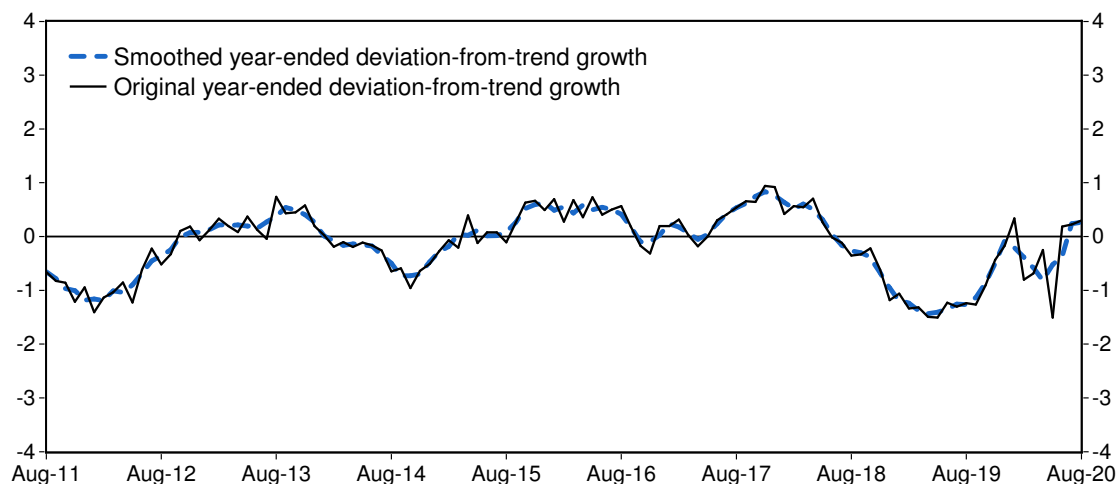
Melbourne Institute VIC Leading Index of Economic Activity August 2020

Table 3: Victoria Leading Index of Economic Activity

VICTORIA	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Monthly level	99.96	100.33	98.73	100.58	100.53	100.52
Monthly growth	0.06	0.38	-1.60	1.87	-0.04	-0.01
<i>Year-ended growth</i>	-0.69	-0.25	-1.51	0.19	0.22	0.30
<i>Year-ended growth contributions[◇]:</i>						
VIC Expectations index [†]	-0.16	-0.11	-0.04	-0.17	-0.22	-0.05
VIC Unemployment expectation index [†]	-0.23	-0.17	-0.04	-0.15	-0.21	-0.08
VIC Aggregate monthly hours worked	0.07	-0.70	-0.81	-0.51	-0.41	-0.85
VIC Retail trade	-0.17	0.29	-1.31	-0.27	0.01	-0.13
VIC Dwelling approvals	0.05	-0.01	0.12	-0.02	-0.06	0.10
VIC Housing finance commitment	0.08	0.53	0.41	1.20	0.93	0.86
VIC Current family finance index [†]	-0.10	-0.08	0.02	-0.09	-0.10	-0.01
AUD/USD	-0.30	-0.16	-0.09	-0.06	0.08	0.18
Yield spread	0.07	0.17	0.23	0.24	0.20	0.28

[◇] 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



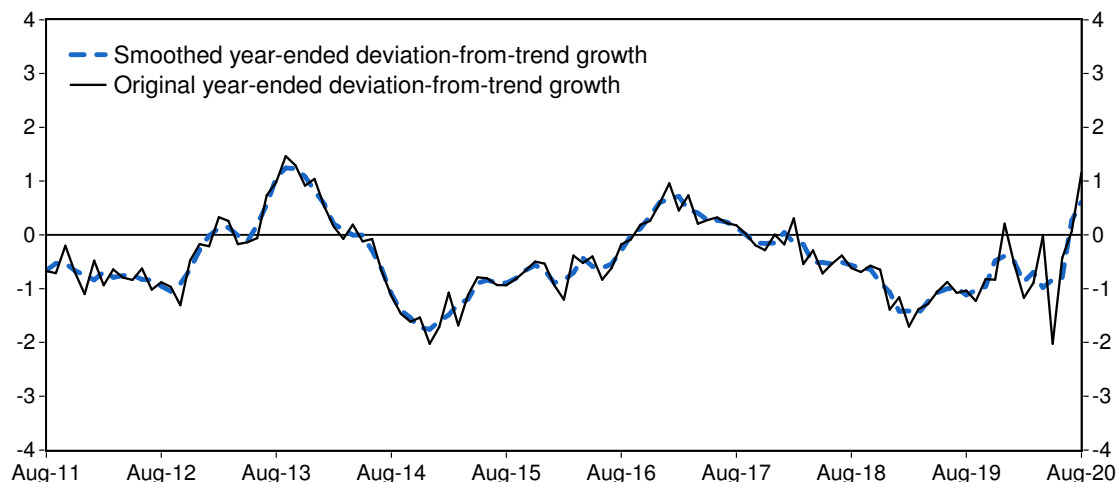
Melbourne Institute QLD Leading Index of Economic Activity August 2020

Table 4: Queensland Leading Index of Economic Activity

QUEENSLAND	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Monthly level	97.91	98.71	96.66	98.23	98.65	99.62
Monthly growth	0.19	0.82	-2.08	1.63	0.42	0.98
<i>Year-ended growth</i>	-0.90	-0.02	-2.03	-0.43	0.06	1.16
<i>Year-ended growth contributions[◇]:</i>						
QLD Expectations index [†]	-0.22	-0.18	-0.10	-0.13	-0.18	-0.08
QLD Unemployment expectation index [†]	-0.20	-0.12	0.08	-0.09	-0.19	0.00
QLD Aggregate monthly hours worked	-0.25	-0.80	-0.83	-0.65	-0.69	-0.54
QLD Retail trade	-0.03	0.62	-0.86	0.42	0.46	0.88
QLD Dwelling approvals	-0.03	-0.01	-0.06	-0.08	-0.12	-0.11
QLD Housing finance commitment	0.21	0.65	-0.08	0.34	0.93	0.93
QLD Current family finance index [†]	-0.01	-0.04	-0.08	-0.06	-0.03	-0.01
AUD/USD	-0.36	-0.19	-0.11	-0.07	0.10	0.21
Yield spread	0.09	0.20	0.28	0.29	0.23	0.33
RBA commodity prices AUD	-0.10	-0.16	-0.25	-0.41	-0.46	-0.46

[◇] 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



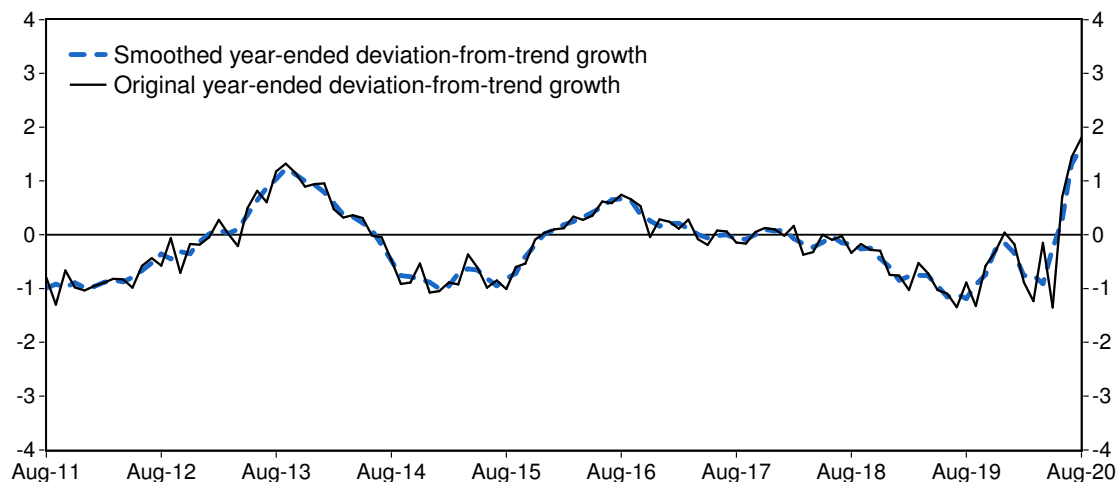
Melbourne Institute SA Leading Index of Economic Activity August 2020

Table 5: South Australia Leading Index of Economic Activity

SOUTH AUSTRALIA	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Monthly level	99.51	100.36	99.05	101.01	101.54	101.88
Monthly growth	-0.12	0.85	-1.31	1.99	0.52	0.33
<i>Year-ended growth</i>	-1.23	-0.15	-1.35	0.70	1.44	1.80
<i>Year-ended growth contributions[◇]:</i>						
SA Expectations index [†]	-0.33	-0.10	-0.10	-0.10	-0.10	-0.01
SA Unemployment expectation index [†]	-0.27	0.00	0.06	-0.03	-0.12	0.01
SA Aggregate monthly hours worked	-0.18	-0.84	-0.84	-0.70	-0.41	-0.27
SA Retail trade	-0.26	0.45	-0.87	0.29	0.44	0.73
SA Dwelling approvals	-0.02	-0.06	0.06	0.03	-0.02	-0.21
SA Housing finance commitment	0.17	0.47	0.14	1.01	1.29	0.98
SA Current family finance index [†]	-0.07	-0.09	0.02	-0.02	0.02	0.02
AUD/USD	-0.37	-0.19	-0.11	-0.07	0.10	0.22
Yield spread	0.09	0.20	0.28	0.30	0.24	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



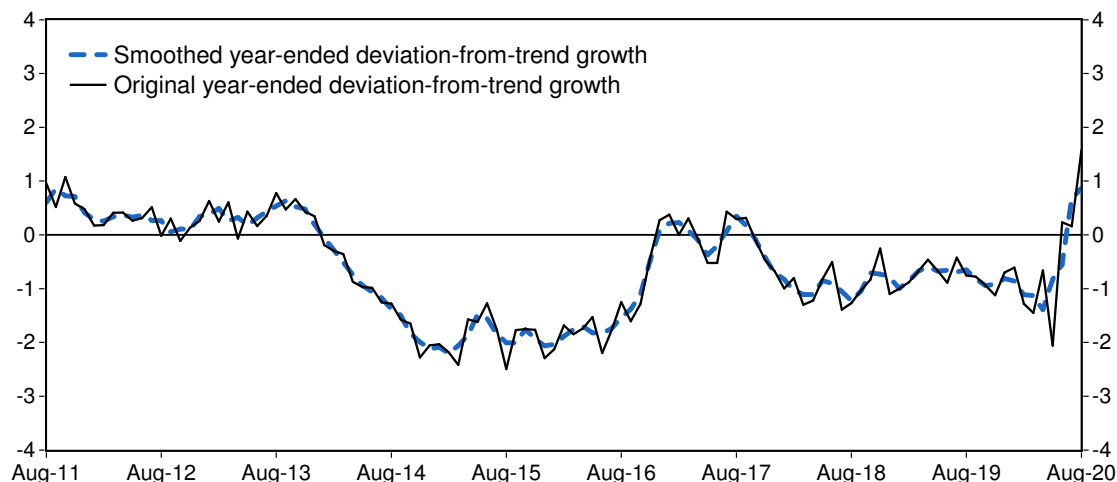
Melbourne Institute WA Leading Index of Economic Activity August 2020

Table 6: Western Australia Leading Index of Economic Activity

WESTERN AUSTRALIA	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Monthly level	95.00	95.78	94.29	96.09	96.52	97.48
Monthly growth	-0.36	0.82	-1.56	1.92	0.44	0.99
<i>Year-ended growth</i>	-1.45	-0.66	-2.06	0.23	0.16	1.57
<i>Year-ended growth contributions[◇]:</i>						
WA Expectations index [†]	-0.23	-0.10	-0.08	-0.05	-0.22	0.03
WA Unemployment expectation index [†]	-0.21	-0.14	-0.04	0.12	-0.22	-0.04
WA Aggregate monthly hours worked	-0.20	-0.88	-0.74	-0.51	-0.49	-0.24
WA Retail trade	-0.15	0.59	-0.73	0.56	0.68	0.89
WA Dwelling approvals	-0.08	-0.11	0.03	-0.02	-0.06	-0.06
WA Housing finance commitment	-0.15	0.20	-0.28	0.39	0.63	0.86
WA Current family finance index [†]	-0.09	-0.08	-0.14	-0.09	-0.04	0.06
AUD/USD	-0.33	-0.17	-0.10	-0.06	0.09	0.20
Yield spread	0.08	0.18	0.25	0.27	0.22	0.30
RBA commodity prices AUD	-0.09	-0.14	-0.23	-0.37	-0.42	-0.42

[◇] 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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