

State economies snapshot



economics@aigroup.com.au

June 2019

Australia's economy has decelerated since mid-2018, with GDP growth slowing to 1.8% p.a. in Q1 2019. Economic growth in NSW, VIC, QLD and TAS has slowed in 2019 but continues to benefit from strong population growth, major infrastructure projects and government spending. SA is looking slower, while WA continues to recover from a protracted slump. Employment growth is strongest in NSW and VIC, with notably lower unemployment and a tighter labour market in those states compared to elsewhere. Consumer spending and residential building approvals look subdued nationally in 2019.

New South Wales currently has a lower unemployment rate and a tighter labour market than other states. Ai Group's Australian PSI® indicates positive conditions in NSW's large services sectors, with further improvement in 2019, in contrast to a deterioration in other states. Lower building approvals confirm the residential building cycle is now moving lower, but a large pipeline of construction work remains to be built, for residential, non-residential and major infrastructure projects. The Australian PMI has remained in contractionary territory for NSW manufacturing throughout 2019, to date.

The **Victorian** economy continues to attract strong population growth in the form of international and interstate net migration. Victoria has the strongest employment growth rate in 2019 and unemployment is comparatively low. Growth appears to be losing some steam in 2019 however, with residential building approvals coming down from recent peaks and weaker growth for non-food retail spending. Ai Group's Australian PSI® remains weakly positive for Victoria in 2019, but the Australian PMI® has deteriorated for Victoria's manufacturers through 2019 to date.

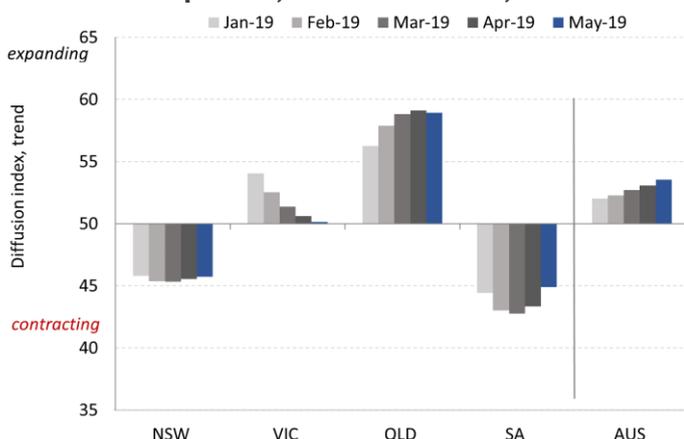
Queensland's economy has lost momentum, with State Final Demand growth slowing through 2018 and into Q1 of 2019. Ai Group's Australian PMI® indicates the state's manufacturing sector remains positive. However the services sectors have been experiencing negative conditions for some time. Building approvals have slumped and the unemployment rate is 6%.

South Australia's State Final Demand shrank in Q1 of 2019 and has been decelerating (in annual growth terms) since 2016. Ai Group's Australian PMI® suggests SA's manufacturers face another tough year in 2019. The services sectors look modestly better, but employment growth is relatively subdued and part-time employment has increased. Building approvals suggest a smaller but relatively robust pipeline of construction work ahead for both residential and non-residential projects.

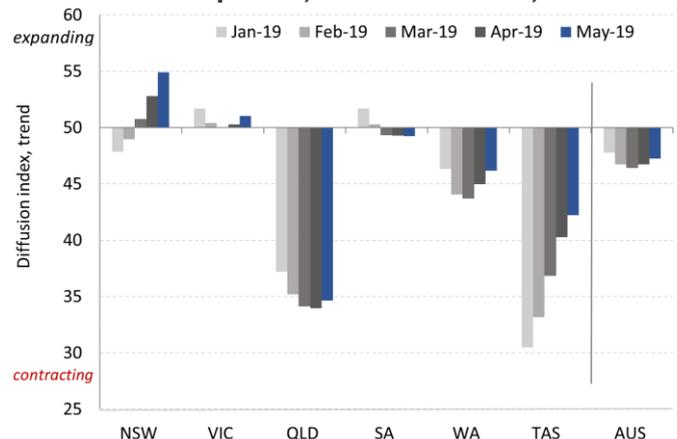
Western Australia is moving into the last stages of recovery, following a short but deep contraction that was related to the state's very pronounced mining investment cycles. WA continues to lose people to other states; employment growth is weak and the unemployment and underemployment rates are somewhat elevated. Consumer spending remains soft.

The **Tasmanian** economy performed well in 2018 and into 2019, with the strongest annual growth in state final demand of any state in Q1 of 2019. Relatively strong population growth is supporting residential housing approvals and construction and consumer spending. Labour market conditions remain weak however, with very high rates of part-time employment and elevated rates of unemployment and underemployment, compared to the national average.

Ai Group PMI®, selected states, trend

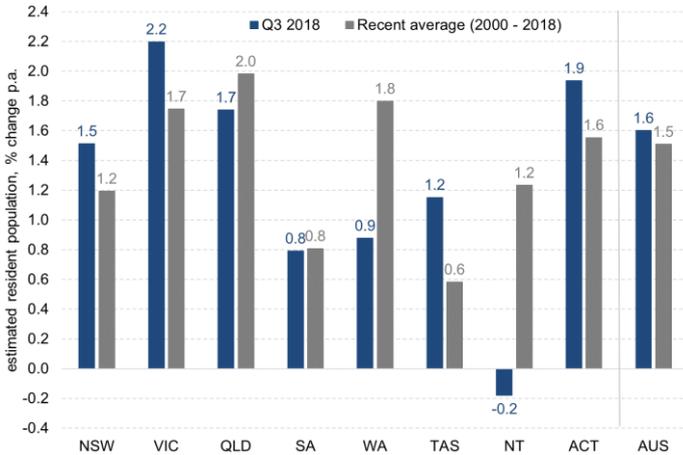


Ai Group PSI®, selected states, trend



Estimated resident population growth

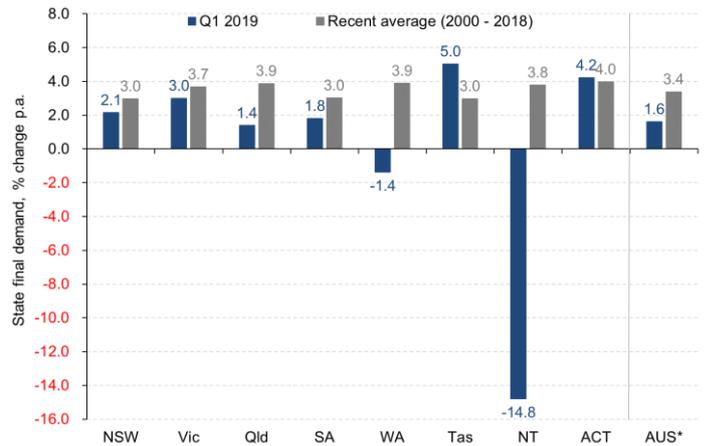
Q3 2018: highest VIC and ACT, lowest NT and SA.



ABS seasonally adjusted data.

State final demand growth

Q1 2019: highest TAS and ACT, lowest NT and WA.

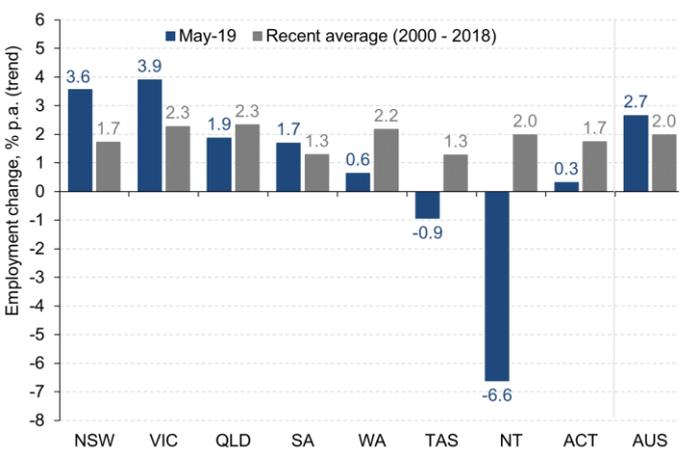


ABS seasonally adjusted and inflation adjusted data.

* Australian Domestic Final Demand

Employment growth

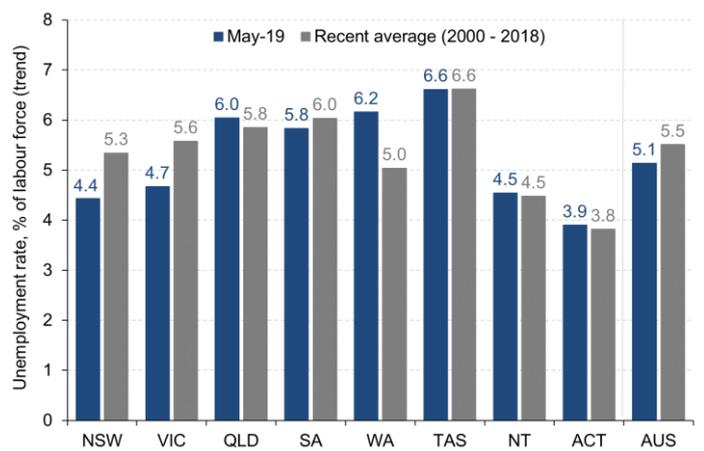
May 2019: highest VIC and NSW, lowest NT and TAS.



ABS trend data.

Unemployment rate

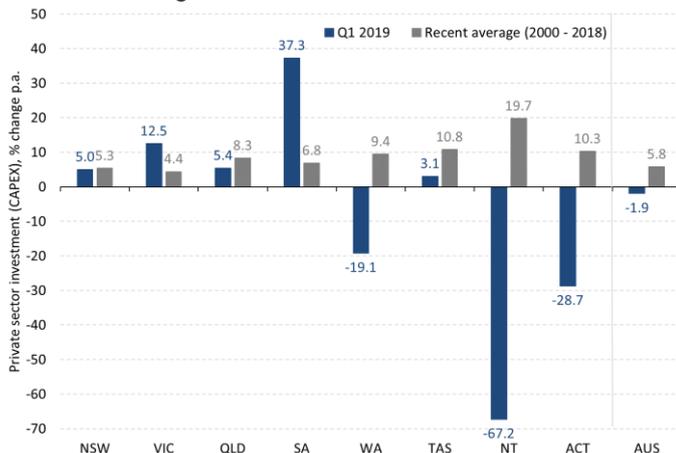
May 2019: lowest ACT and NSW, highest TAS and WA.



ABS trend data.

Real private sector investment (CAPEX) growth

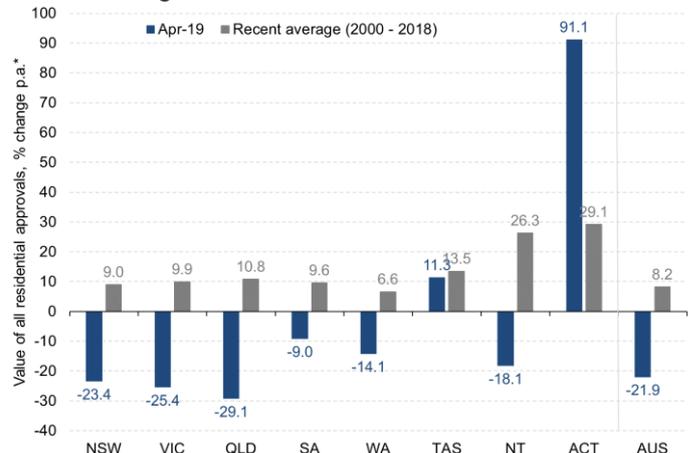
Q1 2019: highest SA and VIC, lowest NT and ACT.



ABS seasonally adjusted and inflation adjusted data.

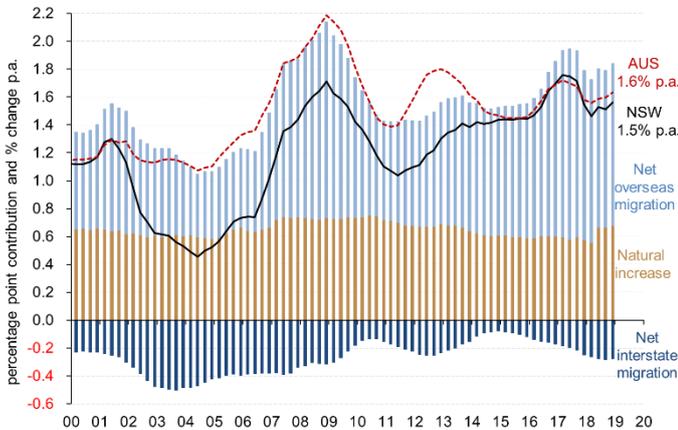
Value of residential building approvals growth

Q1 2019: highest ACT and TAS, lowest QLD and VIC.

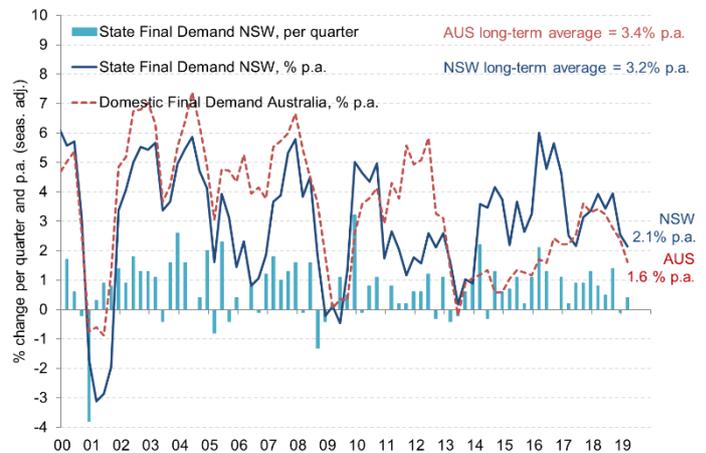


* ABS seasonally adjusted data for NSW, VIC, QLD, SA, WA and AUS. ABS original unadjusted data for TAS, NT and ACT.

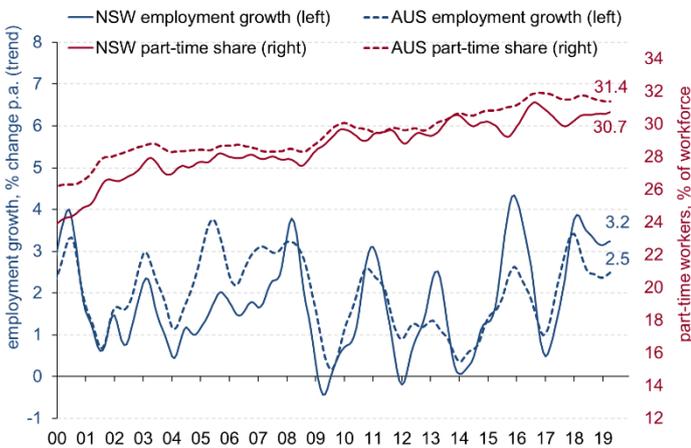
NSW population growth is supported by international migration and an uptick in natural growth. NSW continues to lose people to other states, mainly to Qld and Vic.



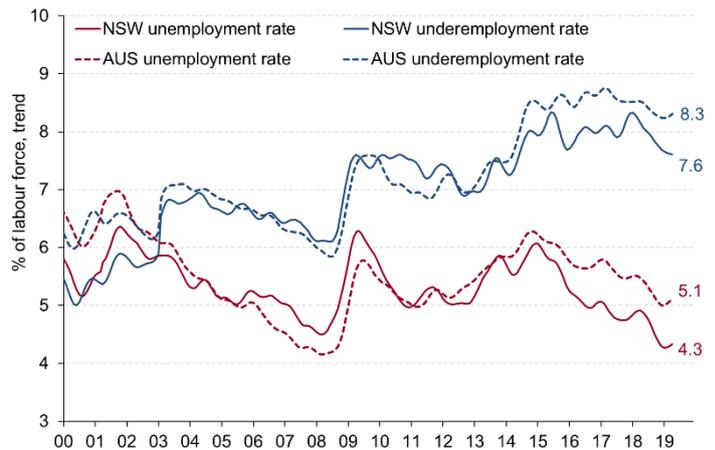
NSW state final demand (SFD) in Q1 was supported by government investment. SFD growth is above the national average but well below NSW's own long-run average rate.



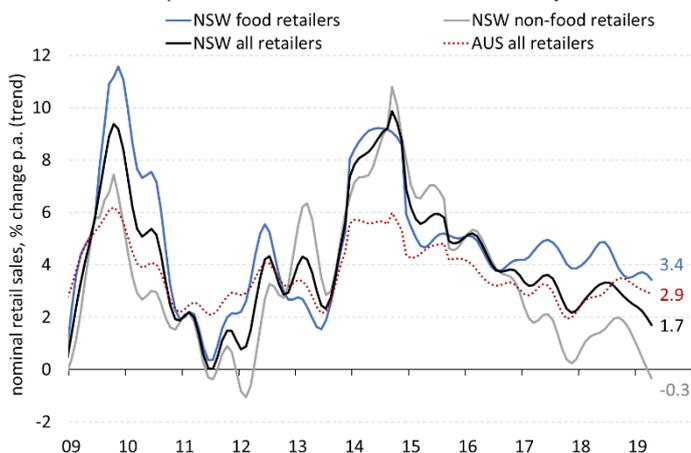
NSW jobs growth is stronger than the national growth rate and stronger than NSW's recent average. 70% of workers in NSW are full-time, a touch higher than average.



NSW's unemployment and underemployment rates are well below the national rates. NSW's labour market is growing faster but is also tighter than most other states.



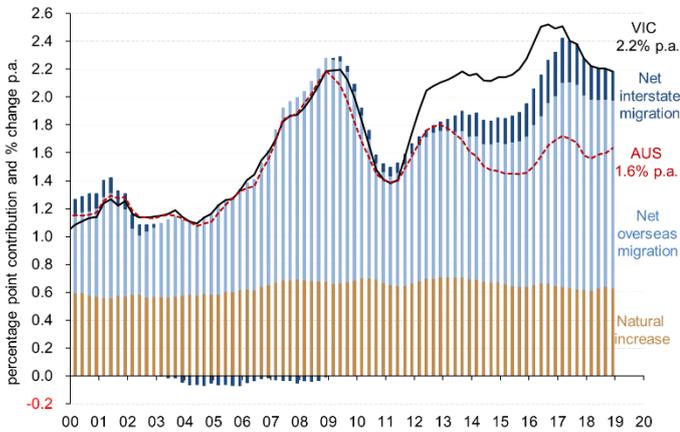
NSW retail trade sales growth is relatively robust for food retailers but poor for non-food, discretionary, retailers.



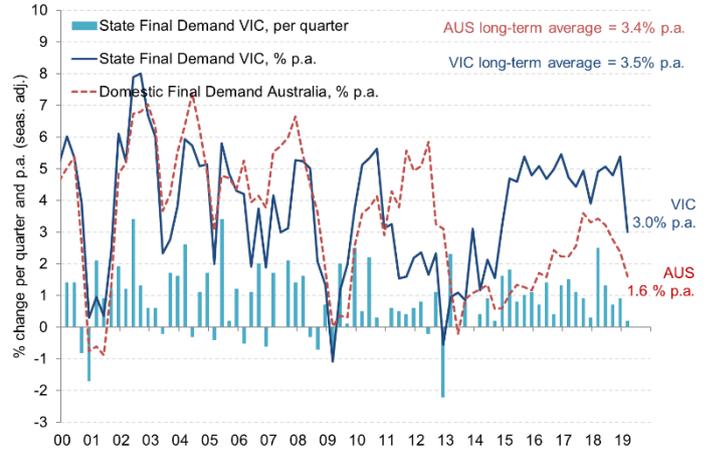
NSW building approvals are past their recent peaks but continue to indicate a large pipeline of construction work.



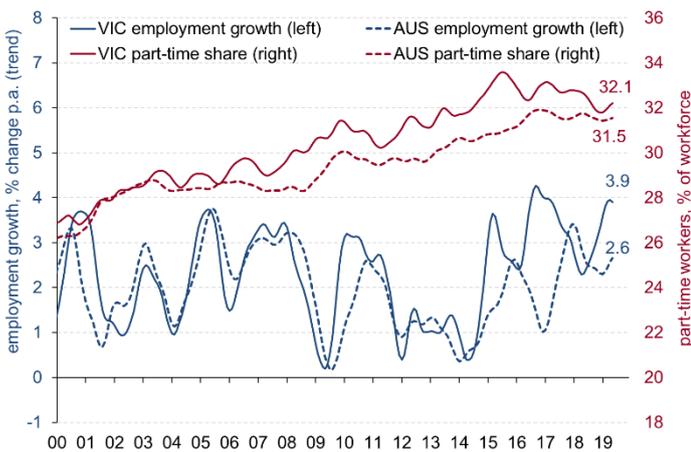
VIC population growth is the strongest of any state, due to high levels of international and interstate migration. The natural growth rate (births less deaths) is stable.



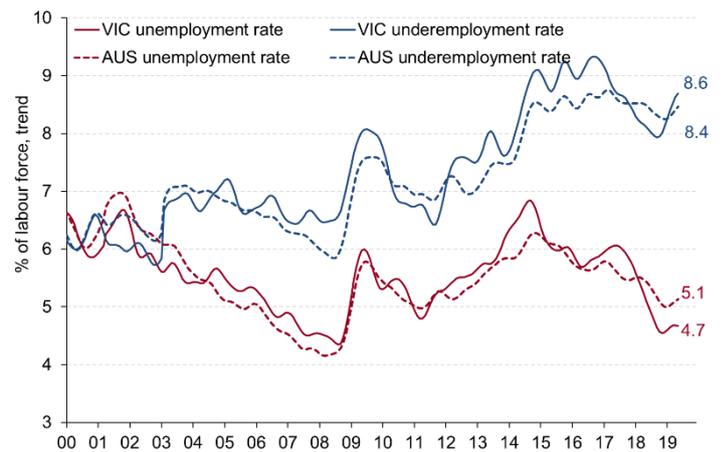
VIC state final demand growth is above the national average but decelerated sharply in Q1 2019, due to a pause in further growth in large infrastructure projects.



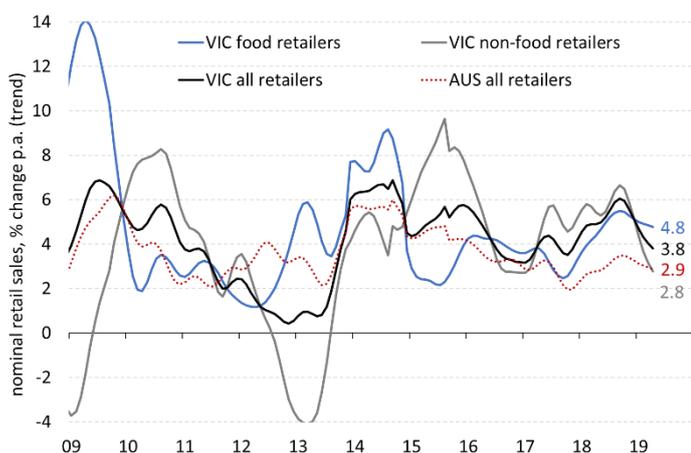
VIC employment growth is the strongest of all the states. The part time work rate is a touch above the national rate.



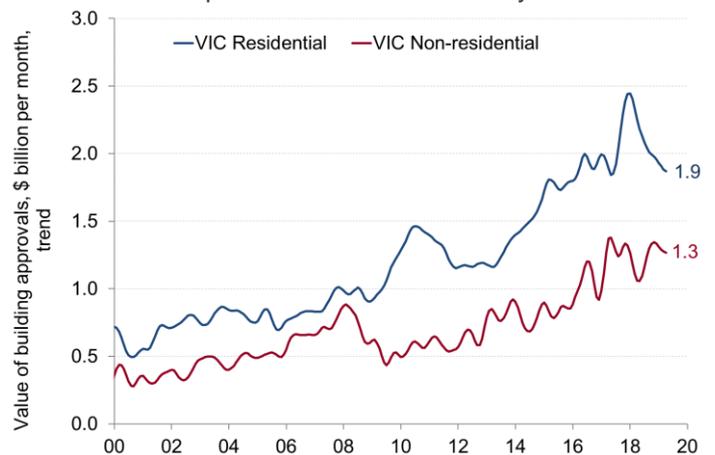
VIC unemployment rate is below the national rate but is rising. Underemployment is now above the national rate.



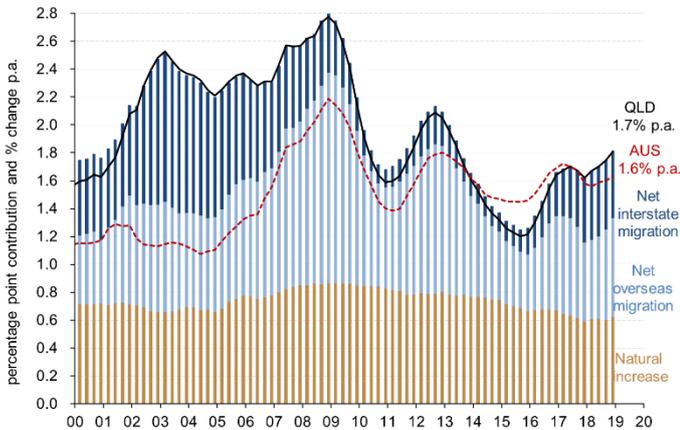
VIC retail sales growth is stronger than in other states, but non-food retail sales growth has slowed markedly in 2019.



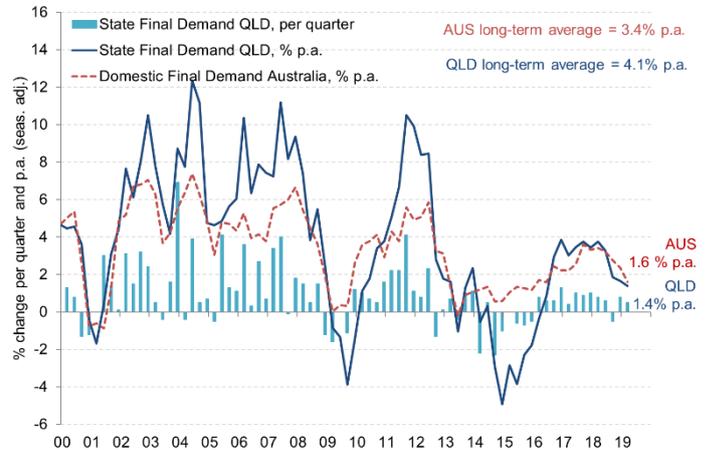
VIC residential building approvals have moderated from their recent peak but remain historically elevated.



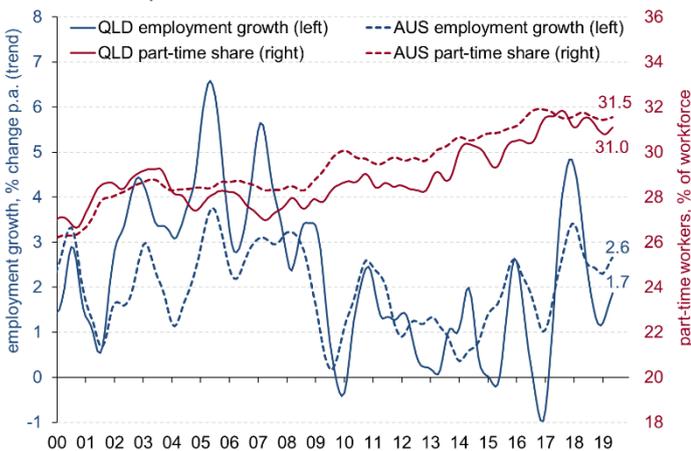
QLD's population growth rate is just above the national average. International and interstate migration increased in 2018. The natural growth rate has slowed this decade.



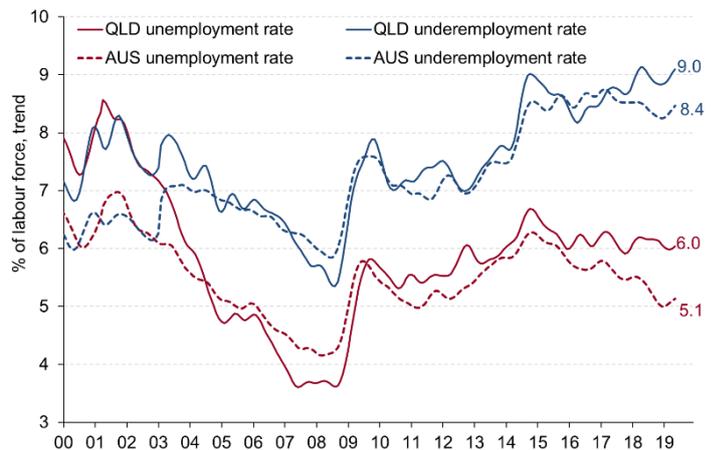
QLD state final demand growth decelerated in 2018 and in Q1 2019. Growth is now slower than the national growth rate and slower than QLD's long-run average rate.



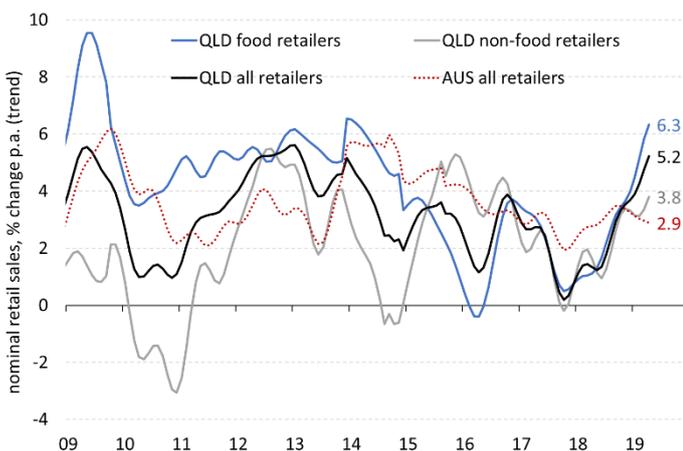
QLD employment growth is slower than in NSW and VIC but appears to be accelerating. A lower proportion of workers are part time in QLD than in most other states.



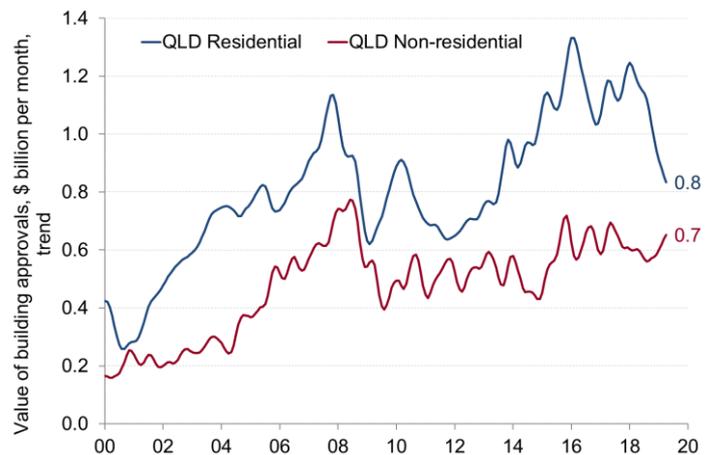
QLD's unemployment rate is well above NSW and VIC in 2019 but is relatively stable. Underemployment is higher than the national average and is rising in 2019.



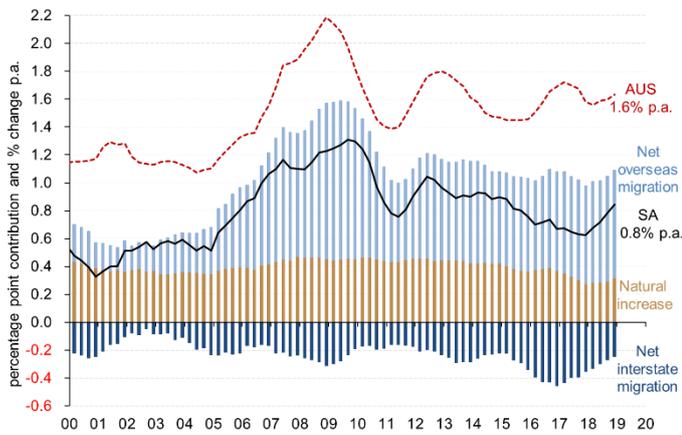
QLD retail sales growth is the strongest of any state, with sales improving for both food and non-food retailers.



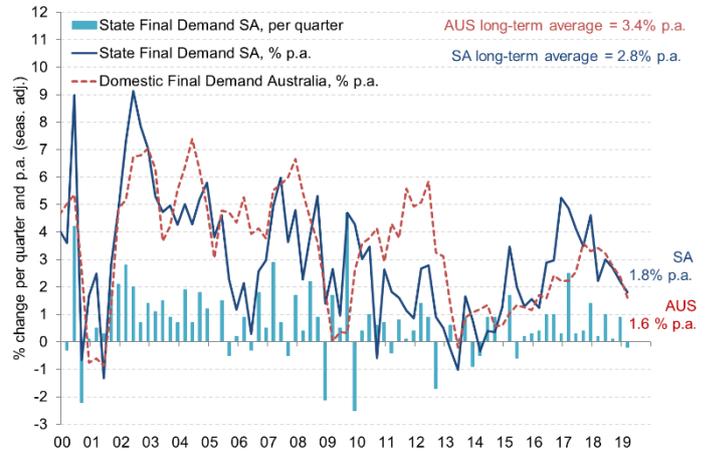
QLD residential building approvals are decelerating sharply. Non-residential approvals are recovering in 2019.



SA population growth remains slower than other states but is around its recent average. Net migration increased in 2018 but SA continues to lose people to other states.

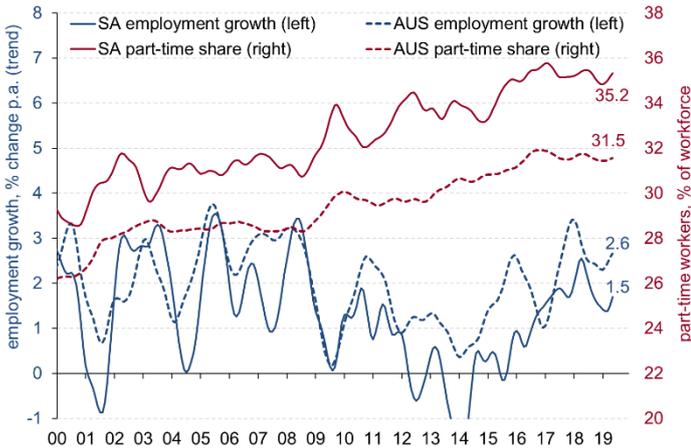


SA's state final demand (SFD) shrank in Q1 2019, but annual growth remained a touch better than national growth. SA's SFD growth has decelerated since 2016.

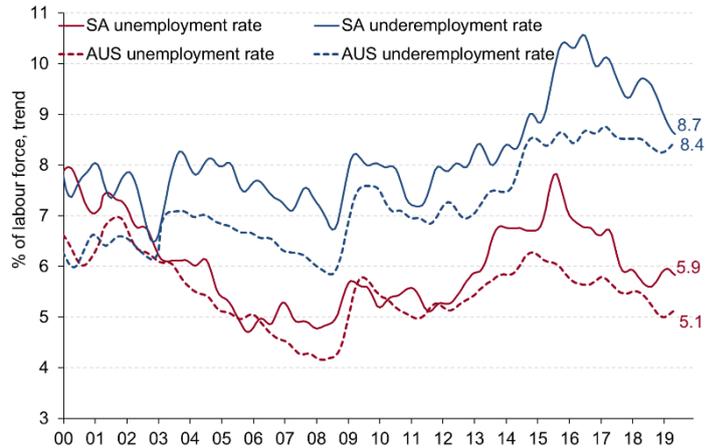


2018 but SA continues to lose people to other states.

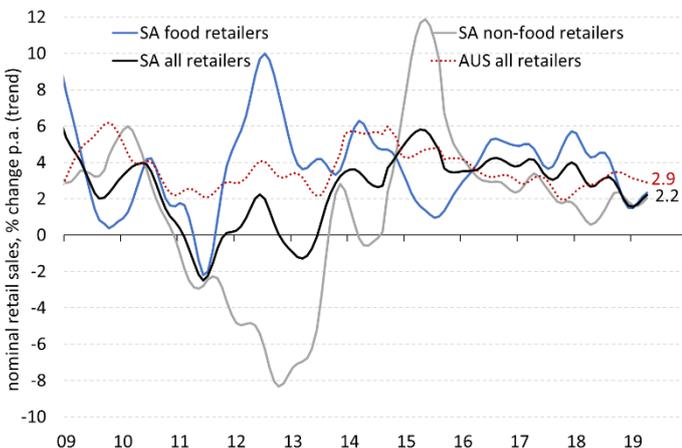
SA employment growth is below the national average but might be accelerating in 2019. Part-time work is more common than in most other states, at 35% of all workers.



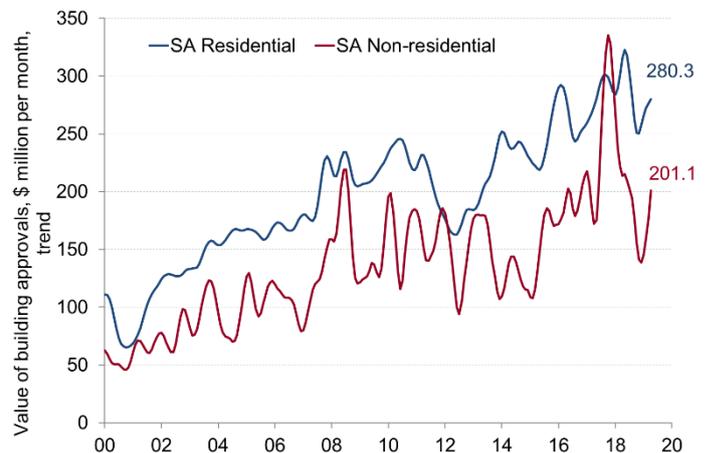
SA's unemployment rate remains above the national rate but has eased in 2019. Underemployment remains elevated but has declined from a record high in 2016.



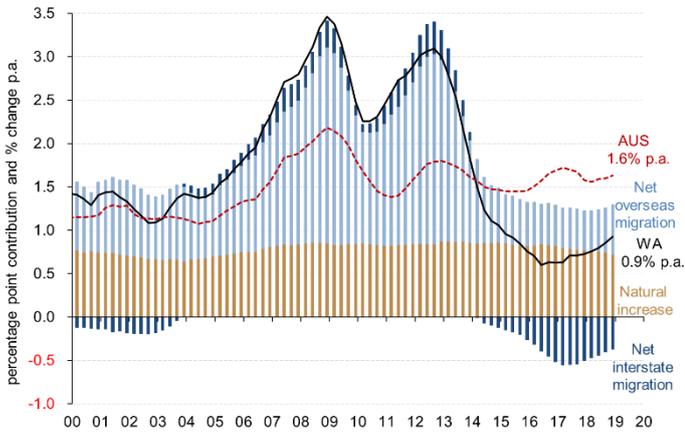
SA retail sales growth is slower than the national average in 2019, for both food and non-food retailers.



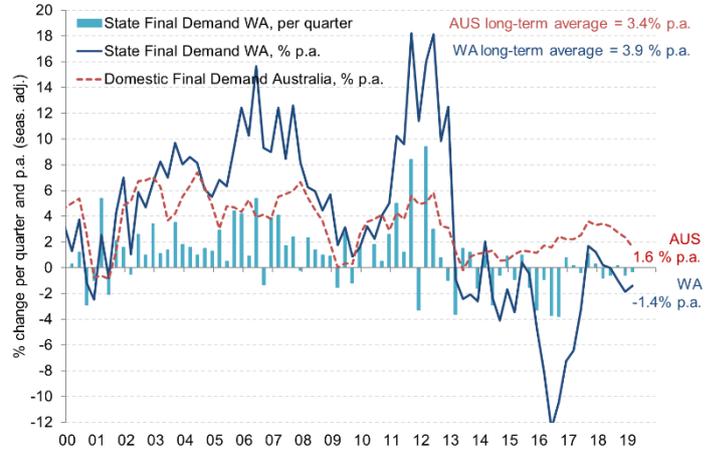
SA's building approvals are down from their record highs but appear to be recovering in 2019. The forward pipeline of building work is smaller but looks robust.



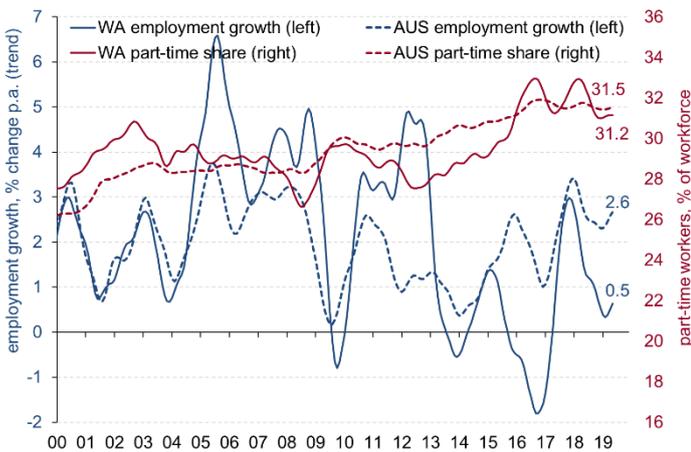
WA's population growth accelerated in 2017 and 2018 as net migration increased. WA continues to lose people to other states, but the rate of departure eased in 2018.



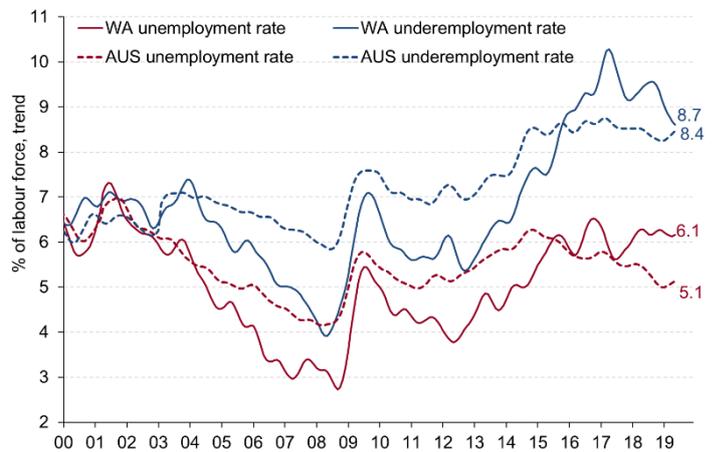
WA's state final demand (SFD) continued to shrink in 2018 and Q1 of 2019, but the rate of contraction is easing. WA's growth rate tracks closely to local mining activity.



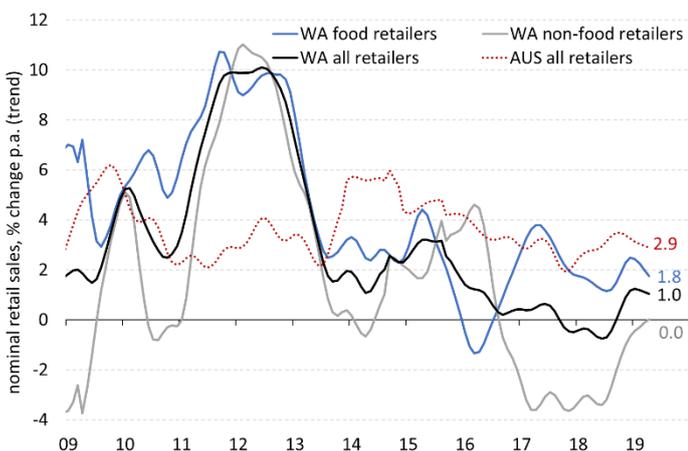
WA employment growth decelerated in 2018 and remains weak in 2019. The share of workers in part-time work (31.2%) has fallen below the national average again.



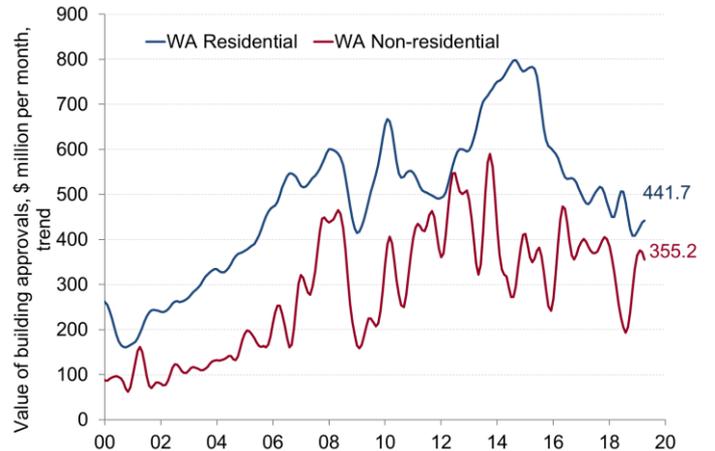
WA unemployment and underemployment are above the national average. Underemployment has declined from record highs, in line with lower rates of part-time work.



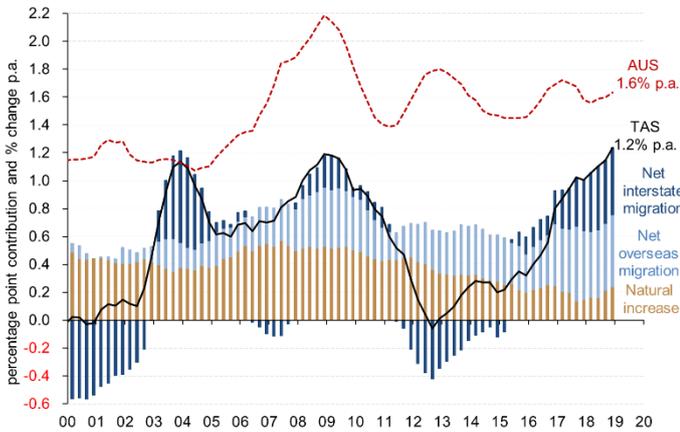
WA's retail sales growth stabilised in 2019 for non-food retailers (after big falls) but slowed again for food retailers.



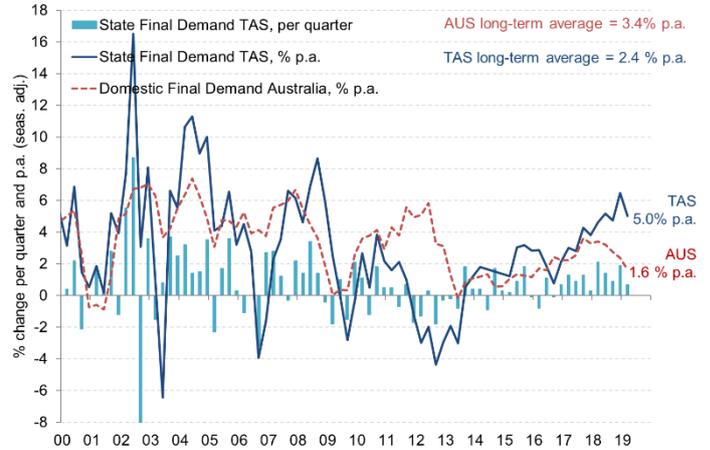
WA's residential building approvals recently ticked up from a recent low point, as did non-residential approvals.



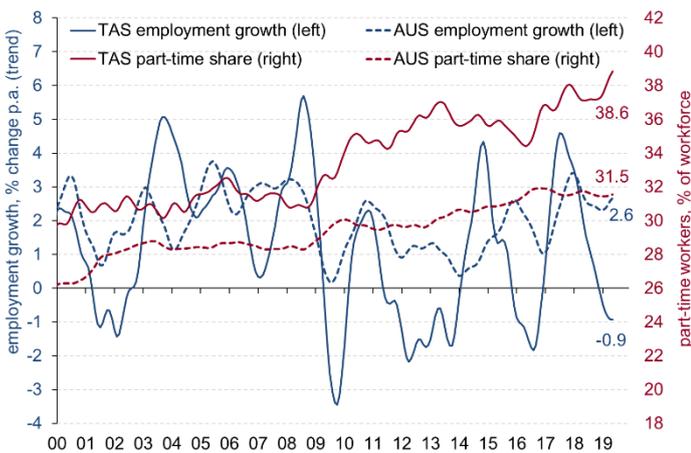
TAS population growth has accelerated due to rising interstate migration since 2015. International net migration and the natural growth rate have also accelerated a touch.



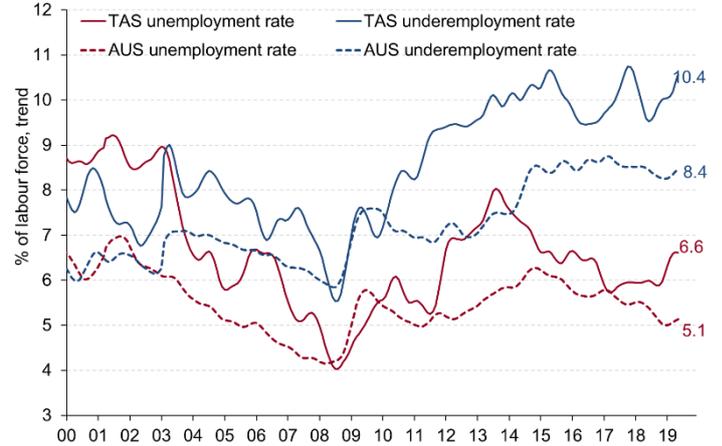
TAS state final demand (SFD) grew the fastest of any state in Q1 2019 (+5% p.a.). TAS's SFD has accelerated since 2015, in contrast to national growth trends.



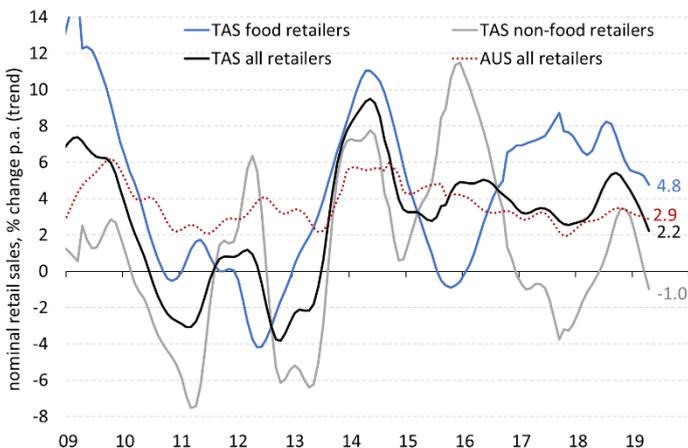
TAS employment shrank in 2019, after strong growth in 2018. TAS has the highest proportion of part-time workers nationally, rising to a record high of 38.6% in May 2019.



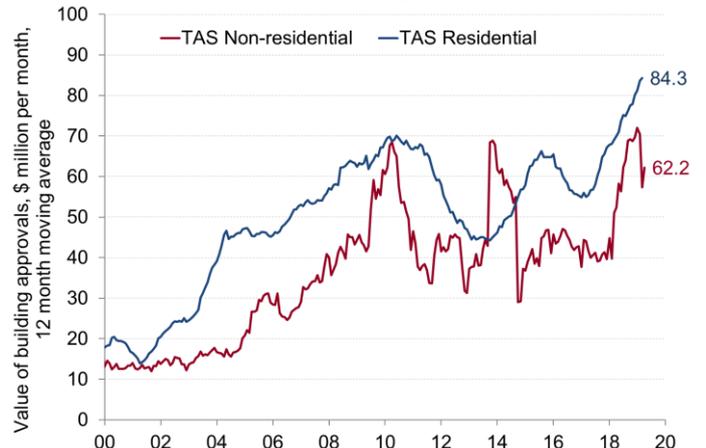
TAS's unemployment and underemployment rates have increased since achieving recent lows in 2017. TAS has the highest unemployment rate nationally in 2019.



TAS retail sales growth is strong for food retailers, but non-food retailers' sales are shrinking again in 2019.



TAS residential building approvals have risen to a record high in 2019 (by value). Non-residential approvals have come down from a record high in early 2019.



Australian states and territories: latest data

Indicator - Latest data	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Population									
ABS estimated resident population (Dec 2018) ERP, millions	8.0	6.5	5.0	1.7	2.6	0.5	0.2	0.4	25.1
ABS Population Growth rate (Sep 2018) % change p.a. (orig.)	1.6	2.2	1.8	0.8	0.9	1.2	-0.4	1.8	1.6
ABS Net Interstate Migration (Sep 2018) % p.a. (orig.)	-0.3	0.2	0.5	0.8	-0.4	0.5	-1.6	0.1	N/A
Labour market									
ABS employment growth (May 2019) % p.a. (trend)	3.6	3.9	1.9	1.7	0.6	-0.9	-6.6	-0.3	2.7
ABS Part time employment (May 2019) % of labour force (trend)	30.9	32.2	31.1	35.3	31.2	38.8	22.0	27.0	31.6
ABS unemployment rate (May 2019) % of labour force (trend)	4.4	4.7	6.0	5.8	6.2	6.6	4.5	3.9	5.1
ABS underemployment rate (May 2019) % of labour force (original, trend)	7.7	8.7	9.1	8.6	8.6	10.6	6.2	5.9	8.5
ABS participation rate (May 2019) % of labour force (trend)	65.7	66.2	65.5	63.3	68.0	60.4	71.4	69.7	65.9
Activity									
ABS State Final Demand (real) (Q1 2019) % change p.a. (seas. adj.)	2.1	3.0	1.4	1.8	-1.4	5	-14.8	4.2	1.6*
Australia PMI® (May 2019) points, trend <i>Above 50 points = expansion</i>	45.7	50.1	58.9	44.9	N/A	N/A	N/A	N/A	53.5
Australia PSI® (May 2019) points, trend <i>Above 50 points = expansion</i>	54.9	51.0	34.6	49.2	46.2	N/A	N/A	N/A	47.2
ABS value of retail sales (nominal, monthly) (April 2019) % p.a. (seas. adj.)	1.2	3.7	6.0	3.1	0.5	2.6	-4.5	2.8	2.8
Construction & investment									
ABS business investment (CAPEX, real) (March 2019) % p.a. (seas. adj.)	5.0	12.5	5.4	37.3	-19.1	3.1	-67.2	-28.7	-1.9
ABS value of non-residential building approvals (April 2019) % p.a. (seas. adj.)	60.9	17.4	-27.8	74.9	-15.0	134.7**	-27.0**	824.0**	19.3
ABS value of residential approvals (April 2019) % p.a. (seas. adj.)	-23.4	-25.4	-29.1	-9.0	-14.1	11.3**	-18.1**	91.1**	-21.9
Prices & wages									
ABS CPI, capital cities (Mar 2019) % p.a. (seas. adj.)	1.3	1.2	1.5	1.3	1.1	2.1	0.4	1.8	1.3
ABS Wage Price Index, all sectors (Mar 2019) % p.a. (seas. adj.)	2.3	2.7	2.3	2.1	1.6	2.5	2.4	2.1	2.3
Forecast growth in real Gross State Product, % change p.a. (2018-19) (latest forecasts)									
State Treasuries, Australian Treasury latest State Budgets, Australian Budget Apr 2019	2.25	3.0	2.75	2.25	2.0	2.75	-0.2	4.25	2.25
NAB State & Territory economic forecasts	2.1	2.3	2.3	1.3	2.3	2.1	2.2	2.7	2.2
Forecast growth in real Gross State Product, % change p.a. (2019-20) (latest forecasts)									
State Treasuries, Australian Treasury	2.25	2.75	3.0	2.25	3.5	2.75	6.3	3.0	2.75
NAB State & Territory economic forecasts	2.0	2.2	2.2	2.2	2.9	1.6	3.5	2.9	2.3

* Domestic Final Demand. **original unadjusted data.

Sources: ABS various publications; Ai Group Australian PMI, Australian PSI; State Government Budgets, Australian Government Budget.

More information is available online from Ai Group Economics and Research at: <https://www.aigroup.com.au/policy-and-research/economics/>