

## AUSTRALIA INSIGHT ANZ STATEOMETER – NOVEMBER 2016

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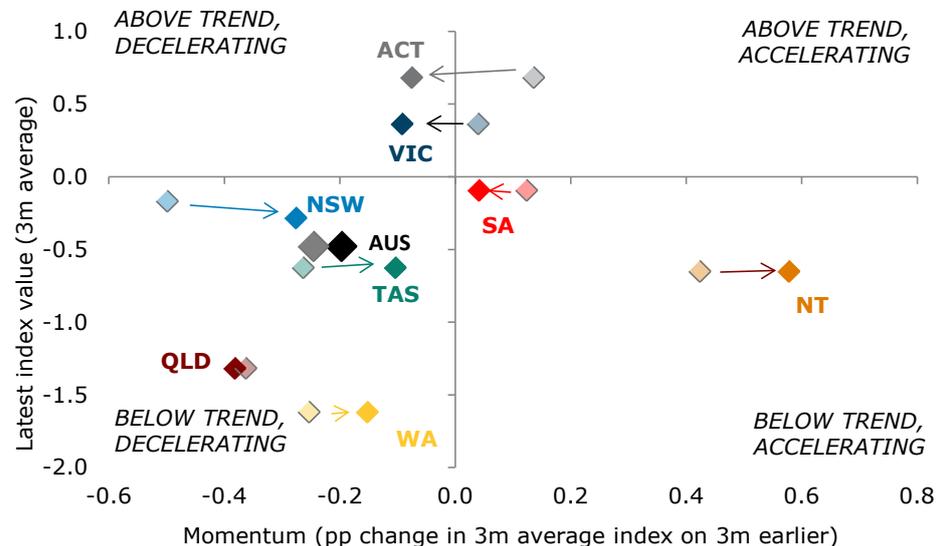
#### Next release date:

The December 2016 Stateometer will be released at 9am on Thursday 16 February 2017.

### ANZ STATEOMETER: STEADY AS SHE GOES

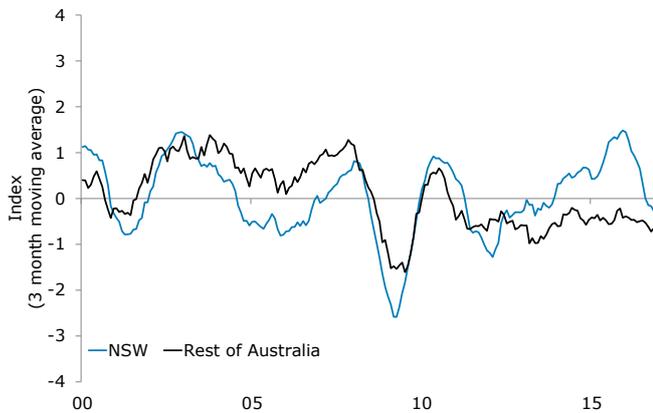
- According to our Stateometer, overall economic growth remained broadly unchanged over the year to November.
- In **New South Wales** and **Victoria**, activity continues to expand at around trend pace. In NSW, momentum continues to slow, although the rebound in the housing sector is partially offsetting the drag from a weakening labour market. Victoria's economic growth was little changed and still above trend in November, but momentum continues to slow.
- Rising commodity prices and stronger resource export volumes are providing some support for the mining states. That said, activity in **Queensland** and **Western Australia** continues to expand at well-below trend rates, with high spare capacity in the labour market weighing on the index and keeping momentum subdued.
- Momentum in the **Northern Territory** is accelerating driven by the gradual recovery in the labour market, although activity remains well below trend.
- Rising housing prices are providing some support to economic growth in **Tasmania**; while some weakness in household spending weighed on growth in **South Australia**. Momentum in the **Australian Capital Territory** continues to fade – driven by a moderation in job growth.

FIGURE 1. THE STATEOMETER FOR NOVEMBER 2016



Note: Australia is the Gross State Product-weighted combination of the state and territory indices. The pale markers show the previous month's readings.

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

**FIGURE 2. NEW SOUTH WALES STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### NSW REMAINS CLOSE TO TREND, ALTHOUGH MOMENTUM CONTINUES TO SLOW

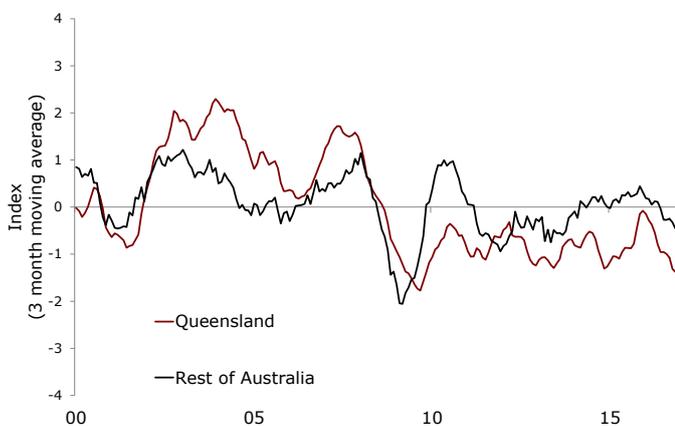
- The smoothed New South Wales index weakened a touch in November, with a moderation in the labour market indicators driving the decline.
- While the unemployment rate has remained broadly unchanged in the three months to November (at +5.0%); the level of employment has actually decreased, down 0.5% compared to the three previous months.
- The recent pickup in the housing market – with elevated auction clearance rates and strong house price inflation – will likely contribute in lifting growth over the coming months helping to offset the moderation in labour markets.
- The underlying data suggest that the NSW index will likely be little changed in December, below but close to the zero-mark, which signifies trend growth.

**FIGURE 3. VICTORIA STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### VICTORIA'S ECONOMY CONTINUES TO EXPAND AT ABOVE TREND PACE

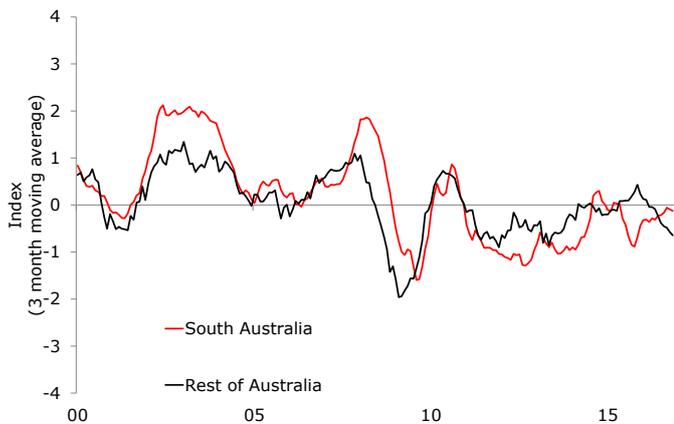
- The Victorian index weakened somewhat in November but remains above zero, suggesting that the state's economy continues to expand at a solid pace.
- Business conditions have lost some momentum over the past few months. That said, an acceleration in the housing sector – led by a pickup in housing finance commitments and a bounce in residential approvals – should contribute to growth. Meanwhile, labour market growth continues to post moderate gains.
- The underlying data suggest the index will be little changed in December.

**FIGURE 4. QUEENSLAND STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### QUEENSLAND'S ECONOMY SHOWS SOME TENTATIVE SIGNS OF STABILISATION

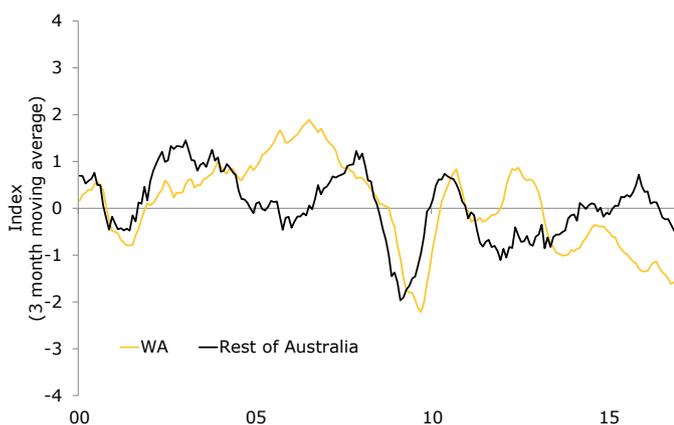
- The smoothed QLD index ticked down in December and remains well below trend. Queensland's economic growth has been steadily decelerating since early 2016 – largely led by some deterioration in labour market conditions.
- That said, there are some tentative signs of stabilisation. The narrowing in the trade deficit – and especially a pickup in the value of resource exports – should contribute to growth in the coming months. Further, forward-looking indicators for the job market – notably SEEK job ads – suggest that conditions in the labour market are likely to have bottomed.
- The underlying data suggest some upside risks for December's reading.

**FIGURE 5. SOUTH AUSTRALIA STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### SOUTH AUSTRALIA'S GROWTH HOLDS CLOSE TO TREND

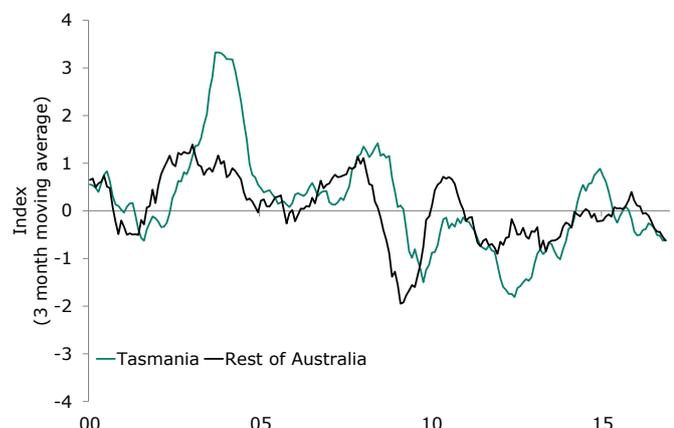
- The smoothed index for South Australia's economy was broadly unchanged in November – close to its trend rate.
- The household sector has been weakening over the past three months – with consumer spending falling below its long-run average. Offsetting this weakness, conditions in the labour market remain solid and momentum is turning positive in the housing sector – supported by rising house prices and ongoing strength in finance commitments.
- The underlying data suggest to us that the index will weaken somewhat in December, but it will remain close to the zero mark.

**FIGURE 6. WESTERN AUSTRALIA STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### RISING RESOURCE EXPORTS WILL PROVIDE SOME SUPPORT TO GROWTH IN WA

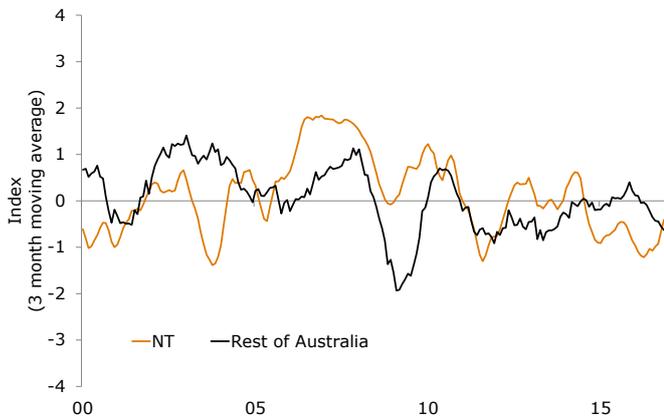
- The index for Western Australia weakened a touch in November and remains well below its trend rate.
- The weakness in the underlying data remains broadly-based – reflecting the unwinding of the mining boom and a significant amount of spare capacity remaining in the labour market. That said, rising export volumes and the recent pickup in resource prices are providing some support to growth. The consolidation in home prices is also encouraging.
- The underlying data suggest some upside risks for the WA index in December – largely driven by the recent improvement in exports values.

**FIGURE 7. TASMANIA STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### TASMANIA'S GROWTH REMAINS BELOW TREND

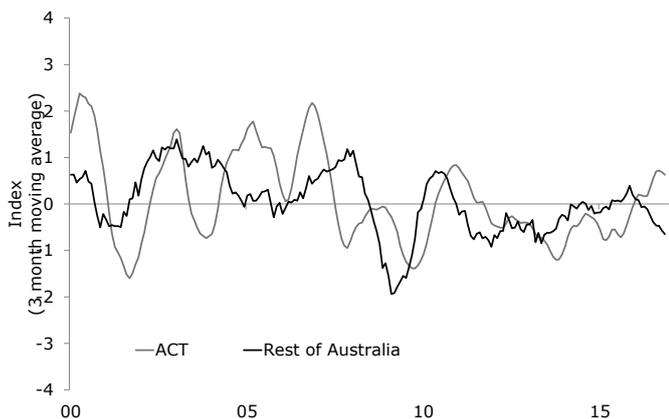
- Tasmania's economic growth was unchanged in November, well below average. The smoothed index has been steadily decelerating since October 2015 and it currently sits at its lowest level in almost three years.
- The loss of momentum has been largely driven by some deterioration in labour market conditions. That said, SEEK job ads for the state continue to suggest that employment growth is likely to re-accelerate over the coming months. Meanwhile, rising housing prices are providing some support to approvals and should contribute in lifting spending going forward.
- The underlying data suggest to us that the index may improve somewhat in December.

**FIGURE 8. NORTHERN TERRITORY STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### IMPROVING LABOUR MARKET CONDITIONS ARE SUPPORTING GROWTH IN THE NT

- After reaching a five-year low in March and April, the territory's smoothed index has gradually edged higher and it currently sits at its highest level since August 2014. That said, the index remains well below zero, signalling that NT continues to expand at below trend growth.
- A steady improvement in labour market conditions has been leading the gains – with the employment to-population ratio trending higher since March last year. That said, household spending remains subdued.
- Rising commodity prices should provide some support to growth and we expect some slight improvement in December for the NT's index.

**FIGURE 9. AUSTRALIAN CAPITAL TERRITORY STATEOMETER**

Source: ABS, CoreLogic, National Australia Bank, Residex, SEEK, Westpac, ANZ Research

### THE ACT'S GROWTH HOLDS ABOVE TREND

- Economic activity in the Australian Capital Territory weakened somewhat in November, but remains above trend.
- The loss of momentum has been driven by some weakening in labour market conditions. However, the household sector seems to be picking up.
- The index is very volatile, but the underlying data continue to suggest the index will remain positive in December.

## **APPENDIX ONE: WHAT IS THE ANZ STATEOMETER?**

The ANZ Stateometer is a set of composite indices that measure economic performance across Australia's states and territories.

The index for each jurisdiction extracts the common trend across 37 economic indicators using principal components analysis.

The economic indicators are all monthly data series and cover business and household activity, the labour market, the housing market and trade.

The indices can be thought of as measuring annual growth in economic performance given we calculated the common trend across annual growth in the underlying indicators.

This means that an increase in the index equates to faster growth, while a decrease in the index equates to slower growth.

Each index is expressed as a deviation from its long-run average. This means that a positive reading indicates economic performance is above trend, while a negative reading indicates that performance is below trend.

Note that we smooth each index by reporting the three-month average of each series.

The Stateometer is correlated with broader quarterly measures of economic activity, such as state final demand, but has not been designed to forecast these series.

For more detail on the Stateometer, see the Insight, [Updating the Stateometer: Increasing the coverage and extending its history](#), 6 July 2016.

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