# State Economic Overview June 2023

## Very slow growth likely across the states in 2023-24

## NAB Group Economics

## Key Points

With the rebound from COVID now firmly in the rearview mirror, the impact of high inflation and rising interest rates on households is increasingly weighing on economic growth across the states in 2023.

The post-COVID rebound in 2022 should result in strong gross state product (GSP) growth in most states for 2022-23 overall. However, slowing consumption was evident in Q1 state final demand (SFD) and recent retail trade data suggests further slowing occurred in Q2. We expect the consumption slowdown to continue as rate impacts continue to flow through, and as such see well below-trend growth across the board for 2023-24.

Under the surface, a range of important dynamics are at play. The rebound has supported very strong employment growth, and labour markets remain historically tight across the country, driving wage growth to over 4% in WA and Tasmania and over 3.5% elsewhere. Whether this remains the case as economic growth slows is a key question for the outlook, with some softening likely in most cases.

At the same time, a rapid recovery in migration has put pressure on housing markets, driving up rents in most capitals and seeing dwelling prices begin to rise over recent months after rate rises caused a correction in late 2022 and early 2023. NSW and Victoria have seen the strongest population impacts and Sydney's housing market is particularly tight, while for Queensland population growth is likely to slow as interstate flows normalise.

The outlook for key exports it also clouded. The recovery in services exports has largely run its course, with international student enrolments back at or near pre-COVID levels in NSW, Victoria, Queensland and SA. The recovery in short-term visitor arrivals also appears to be slowing, albeit short of pre-COVID levels. In terms of commodities, the uncertain outlook for growth in China is a risk for iron ore demand– a key factor for WA's economy – while the increasing likelihood of an El Nino event is weighing on the outlook for agricultural production across the states.

The very different economic experiences of the past few years have delivered very different budget positions across state governments. The legacy of COVID has left the NSW and Victorian governments with significant deficits, while elevated commodity prices have delivered revenue windfalls for WA and Queensland. Temporary spending on cost-of-living relief has also been a common theme.

**Figure 1: NAB's GSP growth projections for 2023-24**

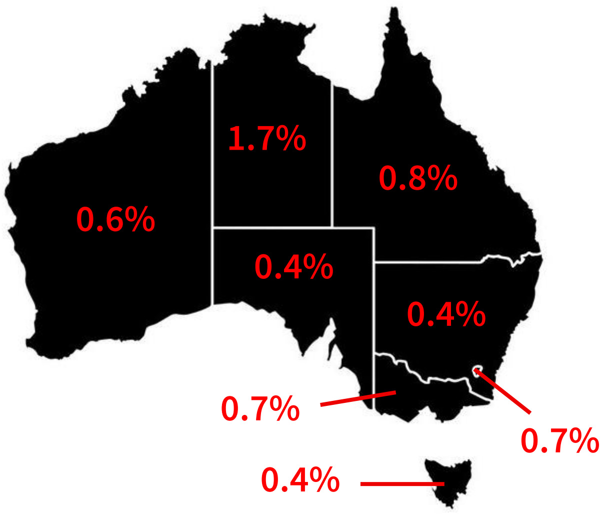


**Table 1: NAB's GSP & GDP growth projections**

| | 2021-22 | 2022-23* | 2023-24* | 2024-25* |
|---|---|---|---|---|
| NSW GSP | 1.8% | 4.1% | 0.4% | 1.2% |
| Vic GSP | 5.6% | 2.8% | 0.7% | 1.2% |
| Qld GSP | 4.4% | 1.2% | 0.8% | 1.4% |
| WA GSP | 3.1% | 3.9% | 0.6% | 1.1% |
| SA GSP | 5.1% | 3.5% | 0.4% | 1.0% |
| Tas GSP | 4.3% | 0.8% | 0.4% | 1.1% |
| NT GSP | 4.7% | -5.0% | 1.7% | 1.1% |
| ACT GSP | 1.9% | 3.6% | 0.7% | 1.4% |
| **Aus GDP** | **3.7%** | **3.1%** | **0.5%** | **1.2%** |

*State GSP projections based on available SFD and trade data, NAB Economics' national economic forecasts, and evaluation of State Treasury projections.

Most state governments forecast a return to a broadly balanced net operating position over the coming years but slower than expected economic growth is a significant risk, alongside continued pressure to deliver services for rapidly growing populations.

Moreover, most states have maintained significant public investment programs in health, transport and energy infrastructure which will see state government debt levels rise across almost all jurisdictions. Managing these large infrastructure programs and ensuring new projects are increasing the productive capacity of states' economies will be an important priority going forward.

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# State by State: New South Wales

**NSW economic growth has slowed since late 2022 following a solid post-COVID rebound. That said, there was an encouraging rebound in business investment in Q1 and while dwelling investment edged lower, the pipeline remains elevated. The labour market remains strong with the unemployment rate now below 3% and job vacancies point to near-term strength.**

SFD rebounded somewhat in Q1 after edging lower in Q4 (when public, business and dwelling investment all softened and consumption was flat). Q1 saw a rebound in business investment and a positive outturn for consumption, though dwelling investment continued to edge lower.

Higher frequency data suggests that growth likely remained soft in Q2 with business conditions softening substantially – albeit from very high levels – and forward orders pulling back. That said, capacity utilisation remains high. On the consumer side, nominal retail sales have declined by around 1% over Q2 – pointing to a sizeable decline in real terms for consumption in Q2. The bright spot in the near term will likely be both business and public sector investment with a large pipeline of both engineering and non-residential building in train.

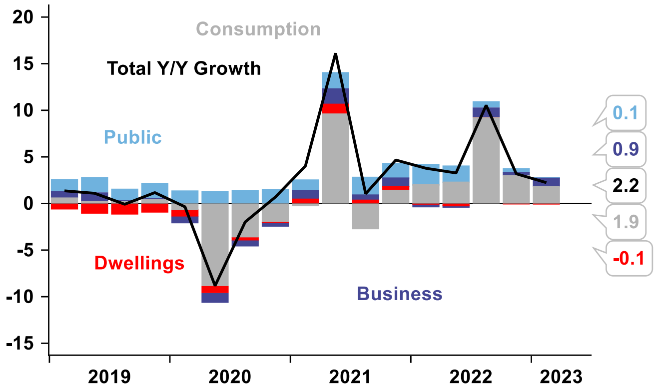
Despite the slowing in activity, the labour market has remained healthy. The unemployment rate fell to 2.9% in June and has tracked well below 3.5% since early 2022 – around 1ppt lower than pre-COVID levels. Employment is now 283k higher than pre-Covid, rising 140k over the past year. The labour force participation rate has eased back from 66.8% in late 2022 but remains high. Alongside this, near term indicators of labour demand remain elevated.

Sydney dwelling prices have led the gains across capital cities, up 6.7% from their trough in February. Sydney saw the largest declines over the preceding year so this marks a very strong rebound in prices. The rental market remains tight but there are signs of easing with an uptick in the rental vacancy over recent months and a slowing in the pace of rent growth. That said, at 1.7% the vacancy rate remains low, and rents are around 13% higher y/y.

Population growth has rebounded to 1.7% - its strongest rate since early 2017, with 136k migrants entering the state over the year to December. Monthly labour force data suggests that population growth has risen further, although NSW has seen less of a boost than other states where migration has increased even more strongly.

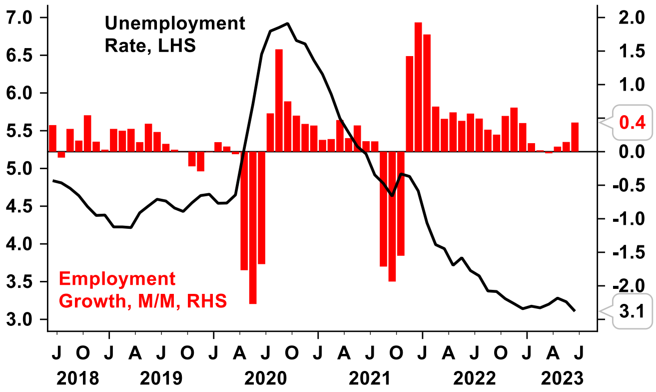
NSW has delayed the budget for 2023/24 to mid-September which will provide a timely update on the pressures faced as the full impact of rates and inflation continues to flow through. At the half year update in February, the budget position had deteriorated largely due to unexpected spending as a result of floods and increased spending on healthcare and education. Nonetheless, the budget was still forecast to return to an operating surplus in 2024/25 and debt to rise to 117bn over the forward estimates.

**Chart 1: Contributions to SFD growth, NSW**
Percent Y/Y



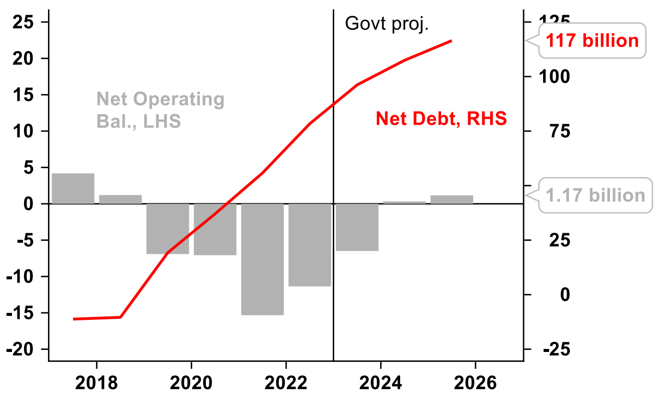

Source: Macrobond, NAB Economics

**Chart 2: Labour market conditions (3mma), NSW**
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 3: State budget position, NSW**
AUD, billions




Source: National Australia Bank, New South Wales Treasury

# State by State: Victoria

**Consumption is slowing in Victoria as rate rises and inflation weigh on households, but the labour market remains very tight and the rebound in population growth is putting pressure on the housing market – seeing house prices rise from their February lows and rents increase rapidly. Strong employment and resilient house prices will help the state government's budget, and the government has announced new revenue measures, but net debt is projected to continue to rise over the coming years.**

SFD growth rebounded somewhat in Q1, increasing 0.7% q/q after a softer Q4, largely due to business and public investment. Real household consumption growth was modest, up just 0.3% as growth in hospitality and housing consumption (the latter reflecting population growth) was offset by falling goods spending.

Nominal retail trade data suggest further slowing in Q2 and consumer confidence is mired at very low levels. We expect consumption to soften further in the second half of 2023 as higher rates weigh on households.

The outlook for investment is also clouded. Business investment picked up in Q1, partly driven by energy and road projects, as did public investment as the government's building program continued. However, business confidence in the NAB Monthly Business Survey is negative. In terms of dwellings, investment fell in Q1, and rates are also weighing on new building approvals. Overall, we see GSP growth slowing from 2.8% in 2022-23 to just 0.7% in 2023-24.

The weak consumption outlook and softness in dwelling investment comes despite a surging population growth. Net overseas migration to Victoria exceeded 30,000 in Q4 and there has been a rapid recovery in international student enrolments, back to around 85% of pre-COVID levels.

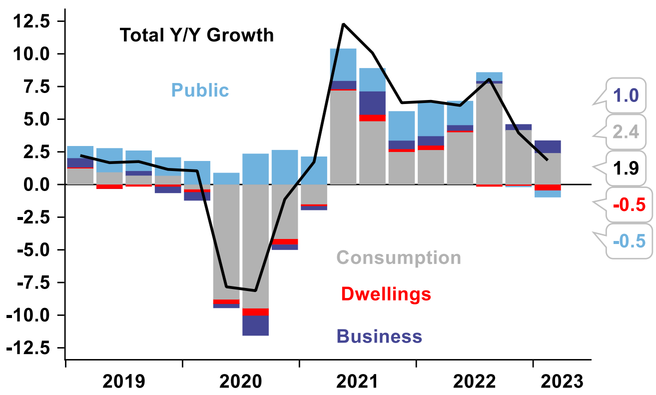
The population surge has strained the housing market, with Melbourne house prices up 2.4% from their February lows despite recent rate rises. Rents also continue to rise, now up 5% y/y to be well above their pre-COVID levels.

At the same time, the population rebound has done little to soften Victoria's labour market, with strong employment growth through the first half of the year keeping the unemployment rate at 3.8% over the three months to June.

The strength of employment and resilience of house prices will help the state government's budget, but it remains under significant pressure in the wake of COVID with net debt at over 20% of GSP. As a result, the recent 2023-24 budget contained a number of revenue measures designed to stabilise the budget and projected the operating position to improve to a small surplus by 2025-26.

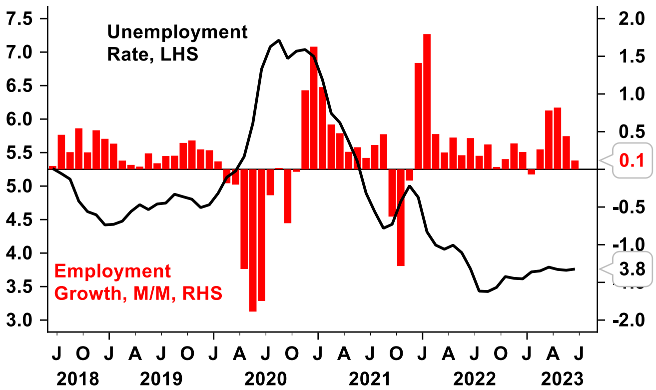
The government has also signalled it may delay some planned infrastructure spending which may further ease the pressure on the budget as major projects, including the Metro and West Gate tunnels, wrap up in the next two years. Still, net debt is expected to continue growing over the forecast period to over 30% of GSP by 2026-27.

**Chart 4: Contributions to SFD growth, Vic**
Percent Y/Y



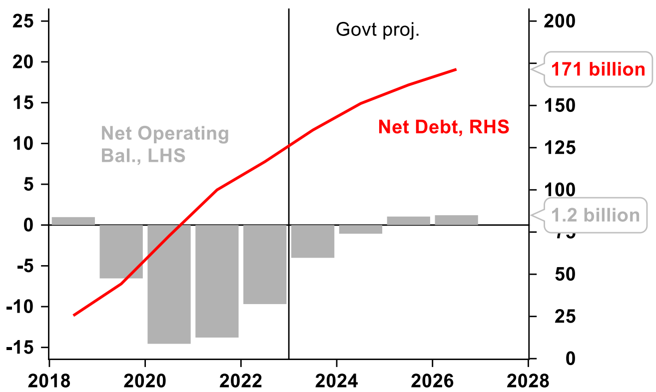

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 5: Labour market conditions (3mma), Vic**
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 6: State budget position, Vic**
AUD, billions




Source: National Australia Bank, Victoria Department of Treasury & Finance

# State by State: Queensland

**Queensland's economy has continued to grow despite slowing consumption, supported by population growth, mining investment and public infrastructure spending. Population growth will likely moderate as interstate flows normalise and agricultural exports are likely to soften, though the tourism recovery is ongoing. Elevated coal prices have delivered the government a surplus, but this is likely to only be temporary.**

Queensland's SFD grew 0.4% q/q in Q1, after a flat Q4. However, there was a 0.1% decrease in real household consumption which continued the softening seen in late 2022. Government consumption also fell as cost-of-living measures expired, although public investment rose.

More recent nominal retail spending has been flat and business conditions have declined over the first half of the year, suggesting further softening in real spending. Still, the labour market has remained very tight with very strong employment growth and an unemployment rate of 3.8% over the three months to June.

The growth in Q1 was largely due to mining business investment, although goods export volumes declined slightly. Agricultural exports are likely to soften, with the La Nina cycle ending and an El Nino expected to follow, diminishing crop yields as a result. In terms of services exports, short term visitor arrivals continue to gradually rise but remain around 60% of their pre-COVID level.

As in other states, population has supported Brisbane's property market. Dwelling investment remains above pre-COVID levels and the pipeline of work to be done has continue to rise even as other states' pipelines have stabilised. Dwelling prices have risen 3.1% since February and rents have also continued to rise very strongly.

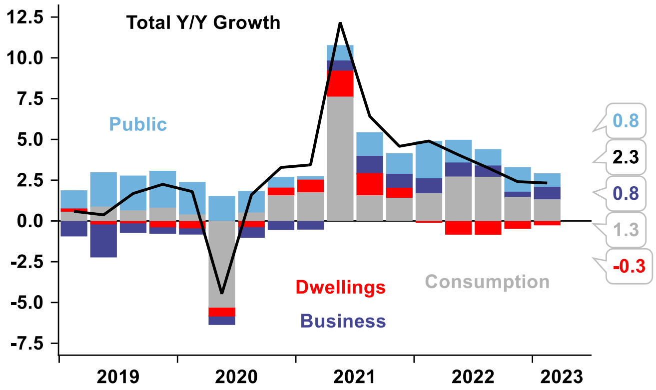
Importantly, population growth is expected to moderate as interstate flows normalise. On balance, we see Queensland's GSP growth slowing further over the coming year, to below 1% before normalising in 2024-25.

Very elevated commodity prices, particularly for coal, have supported the state's economy and helped to deliver the state budget a $12b operating surplus for 2022-23. The budget expects the surge in coal royalties to unwind in the coming year, making the large surplus a temporary event and the impact of cost-of-living relief measures, see a $2b deficit for 2023-24, followed by a return to balance.

The expected fall in coal royalties aligns with price movements, which are now well down from their 2022 peaks. Still, upside pressures in global energy markets should keep prices at elevated levels relative to pre-COVID, so there may be some upside for state revenues.

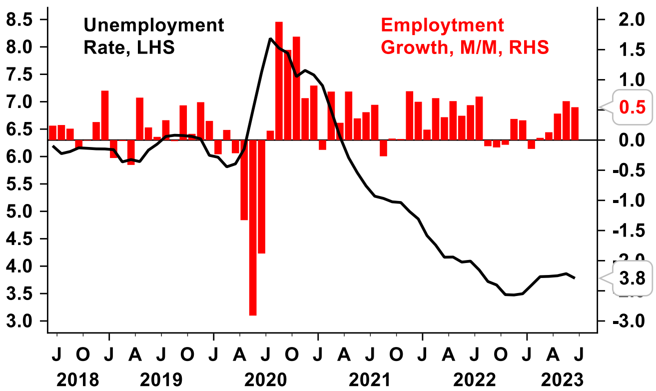
A significant infrastructure investment program, including in health, energy and water as well as Olympic Games preparations, will see net debt begin to rise in coming years, albeit at very low levels. Indeed, at $46.9b by 2026-27, the forecast level of net debt would only be around 11% of GSP, well below the level in some other jurisdictions.

**Chart 7: Contributions to SFD growth, Qld**
Percent Y/Y



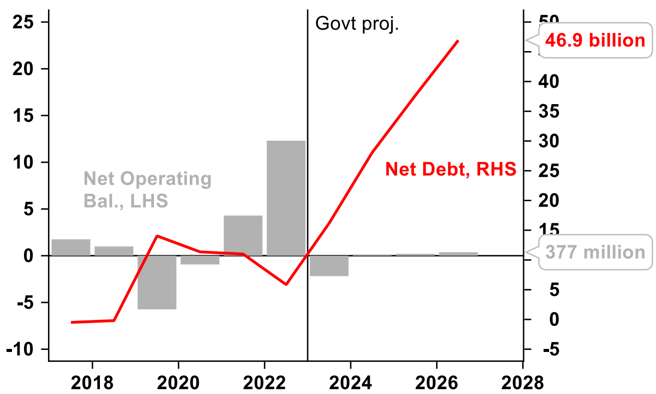

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 8: Labour market conditions (3mma), Qld**
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 9: State budget position, Qld**
AUD, billions




Source: National Australia Bank, Government of Queensland

# State by State: Western Australia

**WA's economy performed comparatively strongly in early 2023 – buoyed by a public sector that has benefited from stronger-than-expected royalties from iron ore exports. While consumption growth was modest in Q1, it followed robust growth in Q4. Labour market conditions remain tight and wages growth has outpaced most of the country, although softer Chinese demand for the state's resources could be a headwind going forward.**

Compared with other states and territories, growth in WA SFD remained comparatively strong in Q1 2023 – increasing by 2.8% y/y (down from 3.6% y/y previously) and 0.8% q/q, up from 0.5% q/q in Q4 2013.

Although household consumption growth remained robust in year-on-year terms, it slowed significantly q/q – up by just 0.2% (compared with a 1.6% increase in Q4). Instead, growth was largely driven by the public sector – with public demand increasing by 1.9% q/q (accounting for almost two-thirds of the total increase in SFD).

NAB's Monthly Business Survey continues to highlight WA as one of the stronger performing states. WA's business conditions moved from the middle of the pack in early 2023 to the strongest overall by June – in part reflecting steep declines in NSW, QLD and SA.

WA's labour market has remained historically tight. Unemployment edged higher across the second half of 2022, but has remained comparatively stable since February 2023 – sitting at 3.6% in June. The participation rate has eased in the state, down from a peak near 70% in May 2022, to 68.7% in June. Wages have grown more rapidly in WA than most other states – up by 4.1% y/y in Q1.

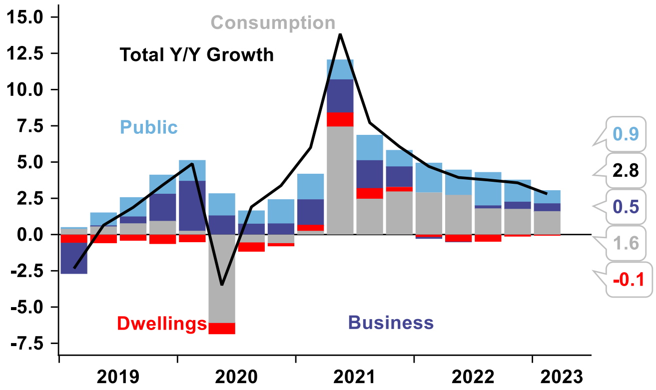
CoreLogic data shows that Perth residential property prices have generally been more resilient than most other capital cities – with prices tracking broadly sideways across the second half of 2022 (compared with a downward trend elsewhere). The pipeline for new construction remains elevated, albeit it has come off its peak early in 2023, and an easing in building approvals should assist in clearing the backlog of projects.

WA's state budget showed a large increase in its operating surplus for 2022-23 – up to $4.2 billion (from $1.8 billion in the mid-year review), driven primarily by stronger royalties resulting from higher-than-expected iron ore prices along with a modest boost from residential property transactions. The outlook for the operating balance is slightly weaker – reflecting increased expenditure on a cost-of-living package and investment in health, education and disability services – but remains in the black across the outlook period.

Despite these operating surpluses, the state's net debt is forecast to edge up across the outlook period – reflecting an increase in the government's Asset Investment Program. It is worth noting that the net debt level forecast for 2027 is below the peak recorded in 2019.

**Chart 10: Contributions to SFD growth, WA**

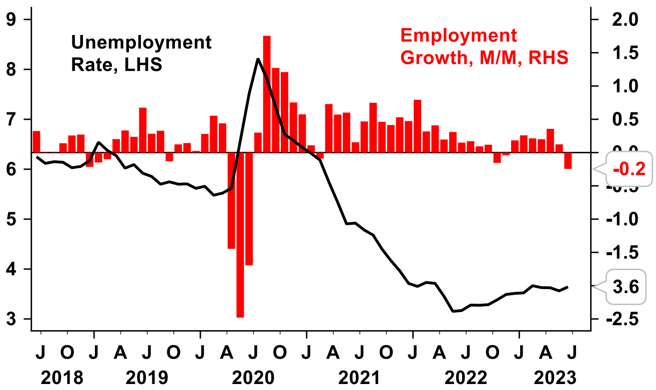
Percent Y/Y




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 11: Labour market conditions (3mma), WA**

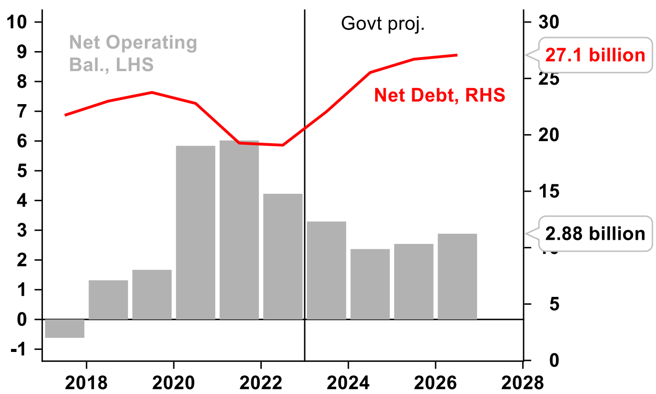
Percent




Source: Macrobond, NAB Economics

**Chart 12: State budget position, WA**

AUD, billions




Source: National Australia Bank, Government of Western Australia

# State by State: South Australia

**Economic growth in South Australia has clearly slowed and is likely to come under further pressure. Businesses conditions are now below average, consumption is being squeezed by high inflation and interest rate increases and the recent strength in export growth won't last - in part due to farmers facing drier growing conditions. The State's budget is expected to return to surplus in 2023-24 but net debt continues to rise due to a large infrastructure program.**

State final demand (SFD) has lost momentum. It rose only 0.1% between 2022 Q2 and 2023 Q1, reflecting falls in public demand and dwelling investment. Business investment also declined in Q1 but remains high. Household consumption has continued to grow, but at a slower rate and NAB transaction data suggests this trend continued into Q2. The cost-of-living squeeze from high inflation and rising interest rates means consumption is likely to weaken further.

SFD likely understates how the state has been performing as export growth has been strong. However, the growth rate has been slowing and is likely to ease further. The rebound in overseas tourist arrivals appears to be levelling off and overseas student numbers have fully recovered. Expected drier growing conditions for farmers has also seen ABARES project a more typical winter crop for 2023-24 (with production around 40% down on its 2022-23 record).

Population growth remains strong, driven by overseas migration. This is contributing to the equal lowest rental capital city vacancy rate, helping to support dwelling prices in the face of rising interest rates. In contrast, dwelling investment fell 8% between 2022 Q3 and 2022 Q1, but the level remains solid and, while building approvals are well down, there is still a large pipeline or work for now.

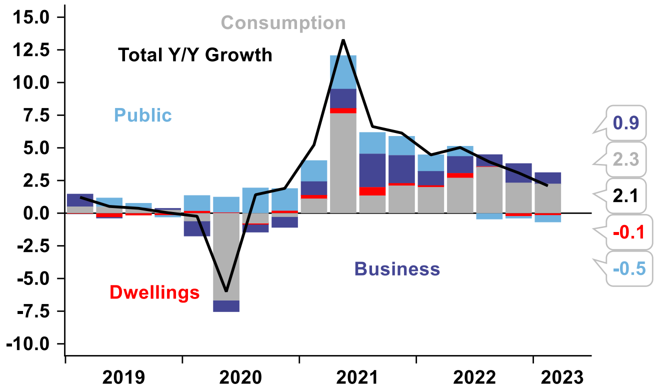
Despite the rebound in population, and slower SFD growth, the labour market remains very tight. The unemployment rate remains very low (albeit higher that other states) and job vacancies very high. Employment growth is robust and the unemployment rate low by historical standards.

The State's 2023-24 Budget sees a delayed return to surplus (to 2023-24), with 2022-23 now expected to be in deficit. The expectation of a 2023-34 surplus is despite almost $1 billion of net policy measures as revenue has been buoyed by the current strength of the economy. Beyond 2024-25, maintenance of the surplus is predicated on greater spending restraint. We are a bit more pessimistic on the outlook for the economy than the Budget assumptions which could put pressure on revenue (relative to expectations), although Budget plans can be adjusted.

Despite the return to an operating surplus, net debt is expected to continue to grow strongly reflecting a large infrastructure investment program. General government net purchases of financial assets are expected to increase 34% in 2023-24 (cash basis) and, as a proportion of GSP, are expected to almost double their 2018-19 level by 2026-27.

**Chart 13: Contributions to SFD growth, SA**

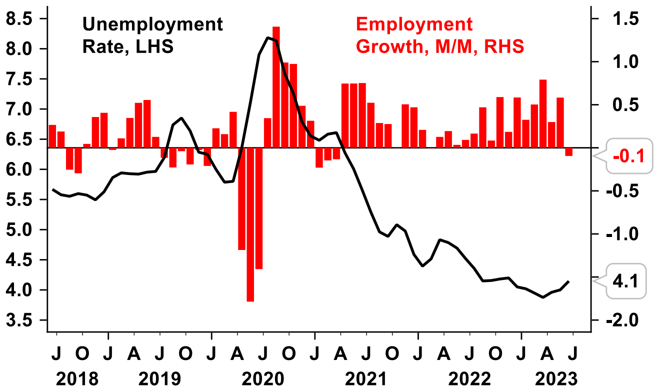
Percent Y/Y




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 14: Labour market conditions (3mma), SA**

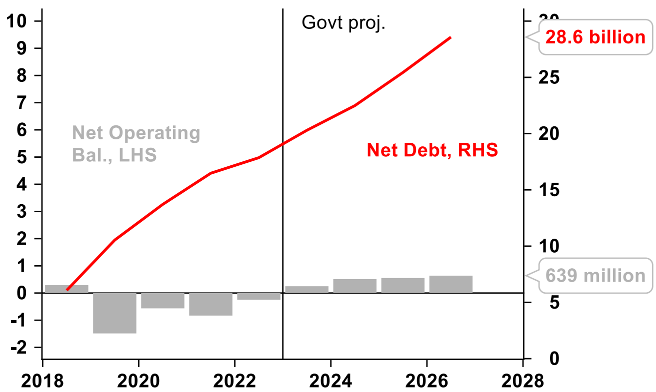
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 15: State budget position, SA**

AUD, billions




Source: National Australia Bank, Government of South Australia

# State by State: Tasmania

**Overall, the Tasmanian economy has held up well after a relatively strong performance through the pandemic period, but growth is expected to slow as high rates and inflation weigh on the consumer, and business investment continues to normalise from high levels. The state has also seen less of a boost from the rebound in migration and in contrast to other states (and pre-pandemic) housing indicators have generally seen softer outcomes through H1 2023.**

Tasmania saw the weakest outcome of the states in Q1, with SFD falling 0.2%, although household consumption saw a relatively robust outcome in the quarter, rising 0.5%. Dwelling investment and government consumption also supported growth, while both public investment (due to completion of major road projects) and private investment (driven by a fall in M&E spending) weighed.

Nonetheless, SFD remains 1.8% higher over the year, and is up 11% over the COVID period. More recent data suggests that consumer spending has slowed further with retail sales around 1% lower in nominal terms over Q2, and both dwelling investment and business investment are expected to soften from the elevated levels seen through the pandemic. That said, while volatile, NAB survey business conditions have generally held up over recent months. Government spending is expected to be a key support with several large projects underway. Services exports (though a small share of total exports) are expected to continue to recover over coming years.

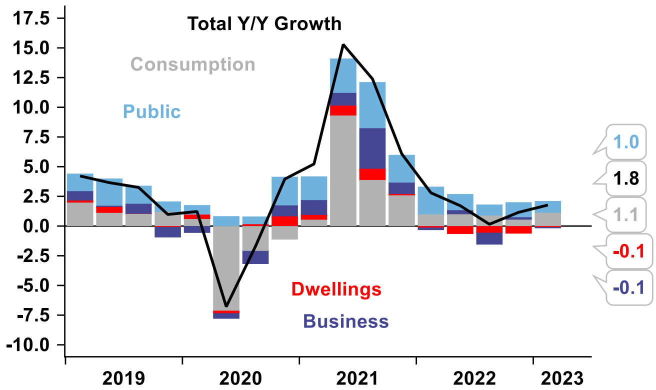
As in other states, the labour market is very tight with unemployment around an historic low at 3.9% - a marked improvement from pre-pandemic levels. Leading indicators of the labour market remain strong with job vacancies around twice their pre-pandemic level despite easing around 8% in Q2, pointing to ongoing near-term strength.

Population growth has also recovered somewhat, rising to 0.5% y/y by the end of 2022. The Tasmanian Treasury estimates ongoing recovery to around the average rate of 0.7% by end FY2023 and then rising slightly above the long run trend to 0.9% in 2023/24.

A significant contrast between Tasmania and the other states has been the outcomes in the housing market. While most other states have now seen solid gains in prices since a Capital-city wide trough in February, Hobart dwelling prices have remained weak. The rental vacancy rate has risen sharply since late 2022 and rents are up just 1.3% y/y – including modest falls in recent months.

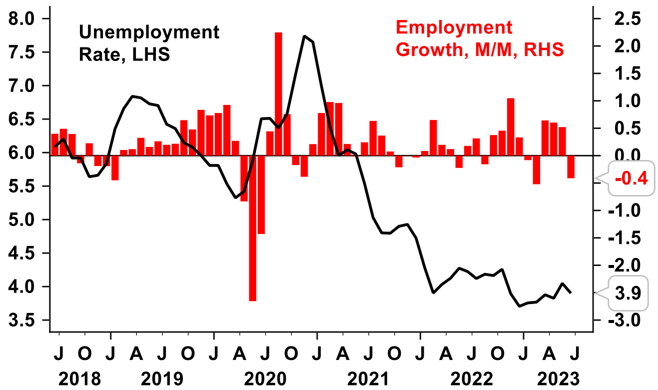
The government continues to focus on budget sustainability and rebuilding fiscal buffers. While the operating surplus came in significantly better than expected for the 2022/23 ongoing deficits are forecast over each of the next two years before a small surplus is achieved in 2025/26 with net debt rising to $5.6bn over the forward estimates.

**Chart 16: Contributions to SFD growth, Tas**
Percent Y/Y



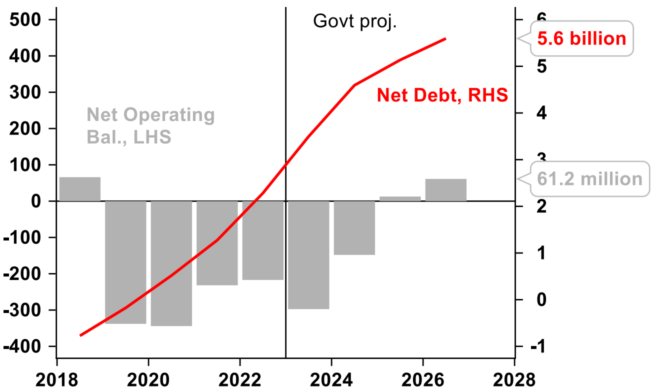

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 17: Labour market conditions (3mma), Tas**
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 18: State budget position, Tas**
AUD, millions (LHS) and billions (RHS)




Source: National Australia Bank, Government of Tasmania

# State by State: Northern Territory

**Flat consumption and disruptions to mining investment and LNG production are weighing on the NT economy, which will likely see a fall for 2022-23 as a whole. Growth should recover as facilities come back online and new projects commence but the Territory remains heavily reliant on mining as well as public sector projects. Unemployment is very low but may soften unless investment picks up.**

SFD for the NT fell 0.4% q/q in Q1, though the Q4 fall was revised up to a 0.4% increase. Household consumption fell 0.7% driven by falls across a number of goods and services categories. Overall, real household consumption in the Territory has been effectively flat for more than a year and recent nominal retail trade data suggest little improvement over recent months.

Business investment also fell in Q1, down 4.8% as engineering construction in the mining sector declined significantly. Still, there was an offsetting increase in machinery and equipment as well as investment in mining exploration. Public sector spending increased in Q1, with flood support spending and investment in utilities and road infrastructure contributing.

Export volumes have been subdued due to disruptions to LNG production. This has significantly weighed on the expected outcome for GSP for 2022-23, now likely to be a fall of around 5% for the year as a whole. Growth should recover somewhat over the following years, particularly once the Barossa field comes online in 2025-26 but the economy will continue to be reliant on mining investment and public sector spending for growth.

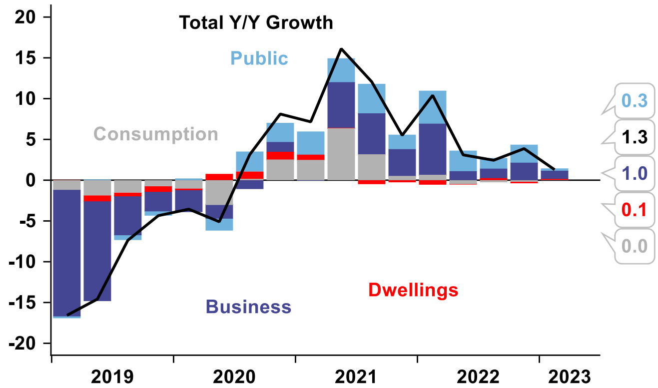
The NT budget reports that a number of major projects are under development but have yet to reach final investment decision – and the outlook for fossil fuels development, in particular, is uncertain as the global climate transition gathers pace.

The Territory's labour market is reasonably tight on the back of strong employment growth related to resources projects, as well as the impacts of COVID on overseas and inter-state migration. The unemployment rate averaged 3.3% in the three months to June, sitting 0.7 percentage points lower than June last year. That said, the level of employment declined over the past quarter, and the labour market may soften over coming years depending on how the economy evolves.

In terms of Darwin's housing market, in contrast to other capital the pipeline of work has remained flat despite supply issues and low vacancy rates. Dwelling prices have also been more stable than elsewhere.

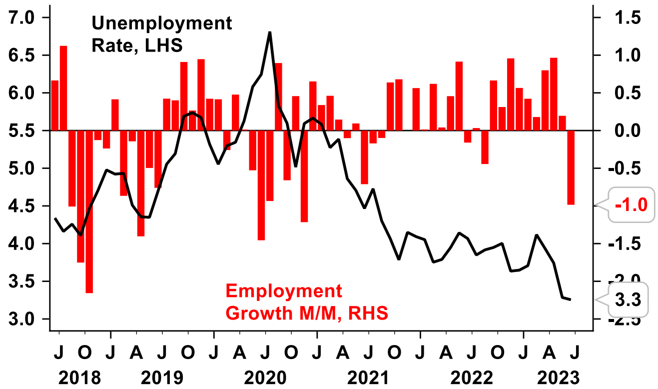
For the Territory government, the budget is expected to see a small operating deficit in 2023-24 followed by a return to small surpluses, with changes in GST payments a key factor. Net debt is expected to rise in the short term before stabilising and while the level of net debt is not trivial as a share of GSP, its nominal value is small.

**Chart 19: Contributions to SFD growth, NT**
Percent Y/Y



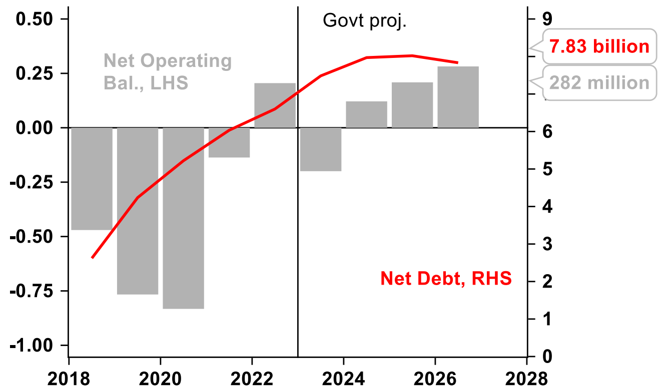

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 20: Labour market conditions (3mma), NT**
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 21: State budget position, NT**
AUD, millions (LHS) and billions (RHS)




Source: National Australia Bank, Government of Northern Territory

# State by State: Australian Capital Territory

**The ACT economy has been experiencing steady, moderate growth. While consumption has held up well for now it is likely to slow from here and some supports from the economy – the rebound in overseas tourists and students – are fading. That said, the Territory's infrastructure program will support the economy and the latest budget also increased operating spending. The labour market remains tight, with the unemployment rate low and plentiful job vacancies, although there are signs of easing.**

State final demand growth has been steady over the last four quarters, with quarterly range in a range of 0.4-0.6%. Over this period, consumption and public investment have grown strongly while public consumption (the single largest component) saw more moderate growth. In contrast, dwelling and business investment declined over this period.

The strength in household consumption is despite pressure on household budgets from high inflation and rising interest rates, although growth did slow over the last two quarters. NAB transaction data points to a further softening in Q2.

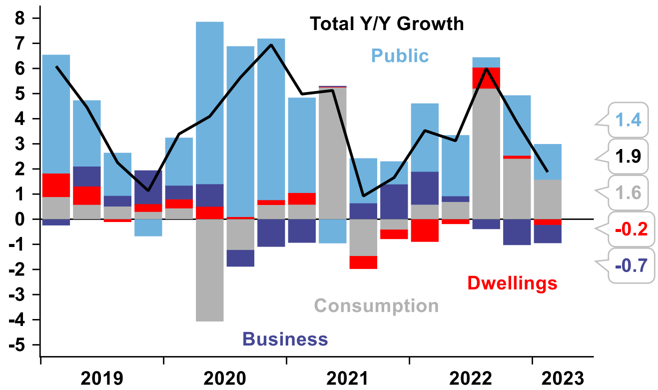
The economy has also been boosted by the recovery in tourism as well as the return of international students. While service sector international export credit growth slowed in Q1, it was still a robust 5% q/q. Overseas visitor arrival numbers are still well below their pre-pandemic level so there is still scope for further gains. That said, the recovery in arrivals appears to be levelling off. On the student side, overseas enrolments have basically recovered so the contribution to growth from here will slow.

The labour market remains tight although there are signs of some easing. The unemployment rate increased in June but remains low at 3.3% (3mth average). Similarly, job vacancies have declined but remain high with more than one vacancy for each person unemployed.

Housing prices declined a bit over 9% between June 2022 to April 2023 but have moved higher in recent months and are still almost 30% above their end 2019 level. However, the ACT has the highest rental vacancy rate of any state; while population growth has rebounded it is still below its pre-pandemic pace and dwelling investment remains high.

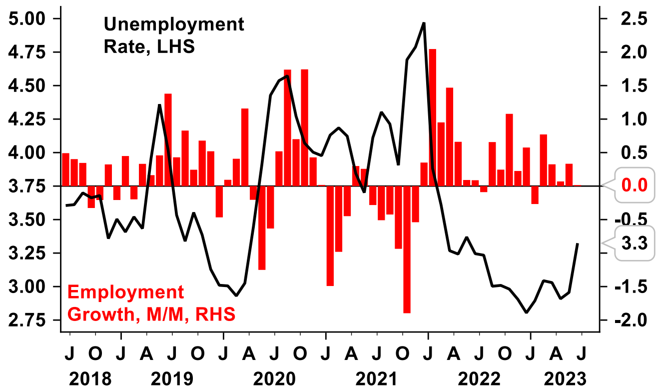
The territory's expected budget deficit (net operating balance) for 2022-23 & 2023-24 has deteriorated since its mid-year review, in part due to new spending initiatives. Further out, the outlook has improved and an easing in the deficit over time is expected. Territory government capital works spending lifted notably in 2022-23 and is expected to rise further in coming years. As a result, general government net debt is expected to rise over the estimates period, from around 10% of GSP in 2021-22 to almost 17% by 2026-27. Our expectations for ACT economic growth are somewhat more pessimistic than assumed in the Budget, which may place some pressure on these fiscal projections, absent the government adjusting policy.

**Chart 22: Contributions to SFD growth, ACT**
Percent Y/Y



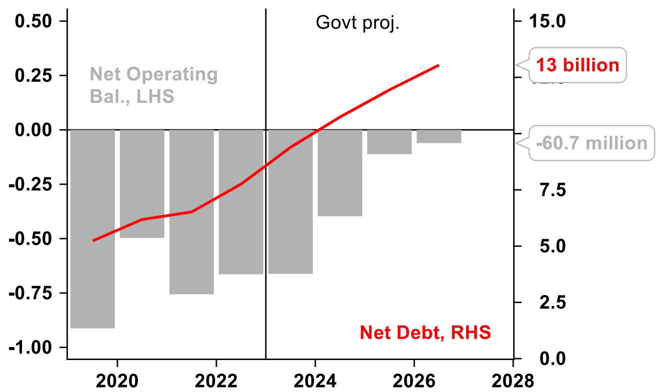

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 23: Labour market conditions (3mma), ACT**
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 24: State budget position, ACT**
AUD, millions (LHS) and billions (RHS)



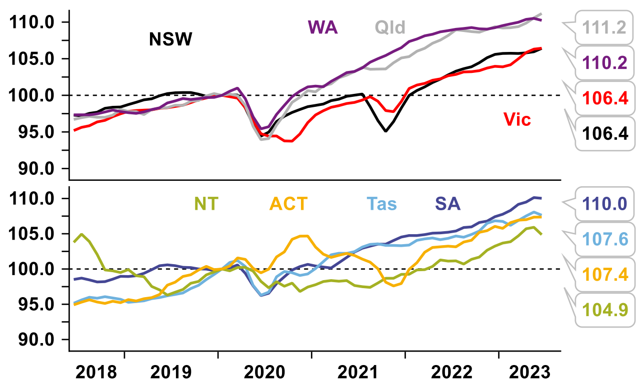

Source: National Australia Bank, Government of Australian Capital Territory

# State comparisons: Labour Market

**Employment growth remains strong and unemployment very low.** The major states have continued to see strong employment growth though employment has slipped in Tas and SA. As a result, the unemployment rate is very low across the board, falling as low as 3.1% over the three months to June in NSW. Participation rates remain elevated with Vic seeing a recent pickup.

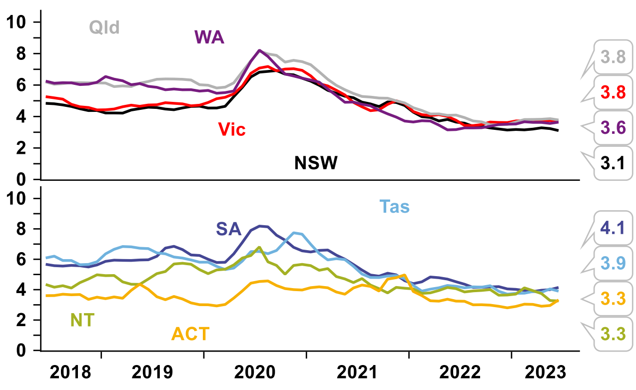
The tight labour market has seen hourly wage continued to strengthen across the country, passing 4% y/y in WA and Tas in Q1 with only NT trailing below 3%. In terms of supply, the surge in population growth from returning overseas migration has particularly benefited NSW and Vic, while Qld continued to benefit from interstate flows through to Q4.

**Chart 25: Employment (3mma)**
Index, Jan 2020 = 100



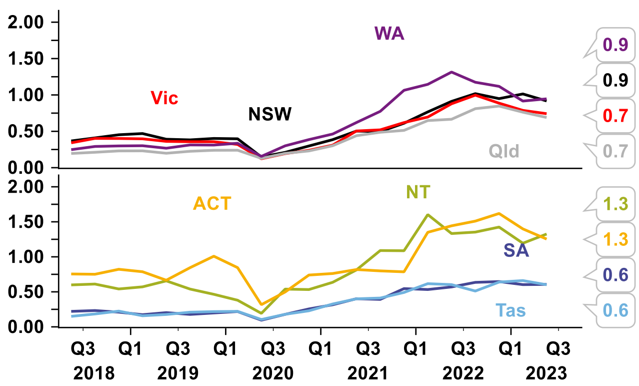

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 26: Unemployment rate (3mma)**
Percent



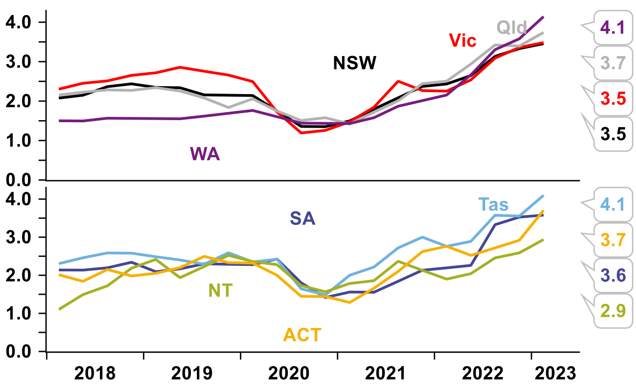

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 27: Job vacancies per unemployed person**
Ratio



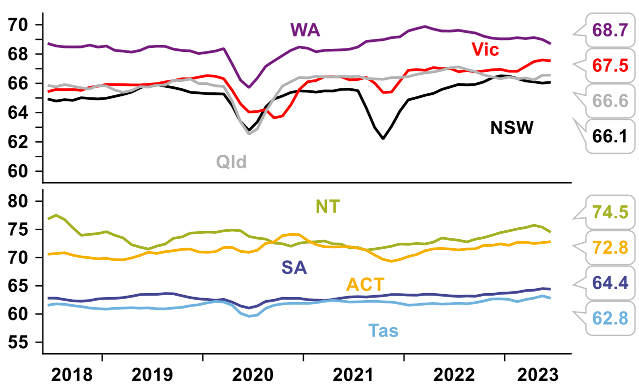

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 28: Hourly wage growth**
Percent Y/Y



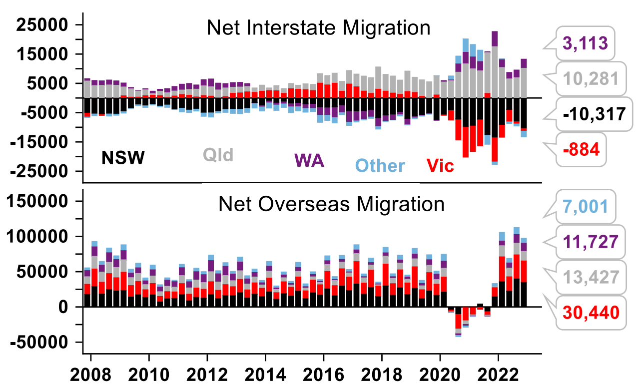

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 29: Participation rate (3mma)**
Percent




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 30: Net migration by state**
Thousands



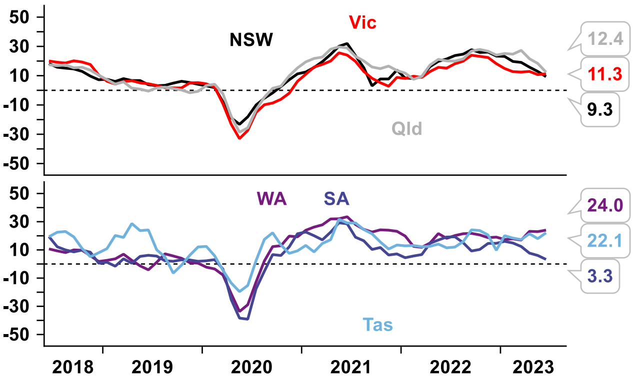

Source: National Australia Bank, Australian Bureau of Statistics

# State comparisons: Business Sector

**Business conditions are easing but still above average.** Conditions in the NAB Business Survey have declined from elevated levels in NSW, Vic, Qld and fallen to below-average levels in SA – though conditions have remained elevated in WA and Tas. Business confidence is weak across the board and capacity utilisation has normalised somewhat.

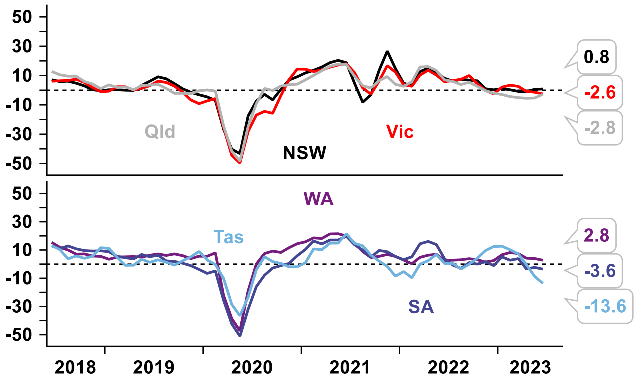
Real business investment remained robust in Q1 with NSW, Vic and Qld all seeing a material pickup, while NT saw a fall due to a decline in mining construction activity. New business registrations have ticked down in WA, Qld, Vic, and the ACT but remain elevated. The number of companies entering administration has been volatile with NSW now above pre-COVID levels but Vic and Qld seeing sharp falls in recent months.

**Chart 31: NAB survey business conditions (3mma)**
Net Balance



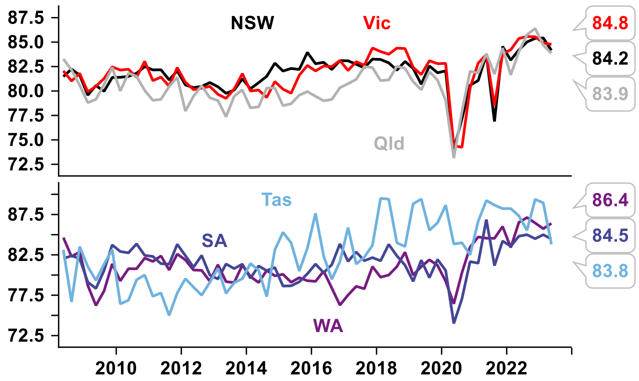

Source: National Australia Bank

**Chart 32: NAB survey business confidence (3mma)**
Net Balance



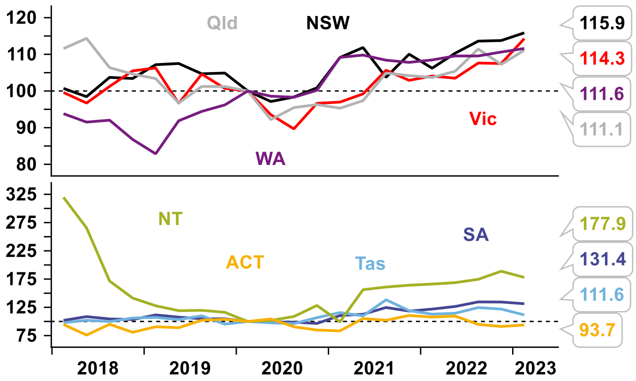

Source: National Australia Bank

**Chart 33: NAB survey capacity utilisation**
Percent



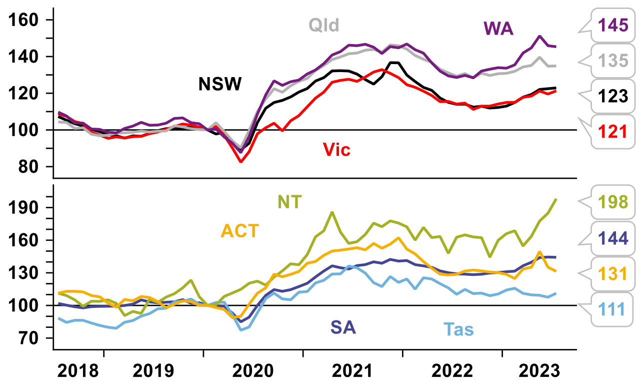

Source: National Australia Bank

**Chart 34: Real business investment**
Index, Q1 2020 = 100



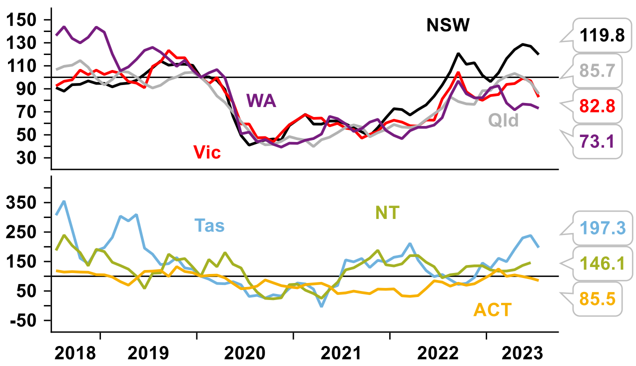

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 35: New business registrations**
Index, Jan 2020 = 100




Source: National Australia Bank, Australian Securities & Investments Commission

**Chart 36: Companies Entering Administration**
Index, Jan 2020 = 100




Source: National Australia Bank, <Seasonal adjustment could not be made. See report for this series.>

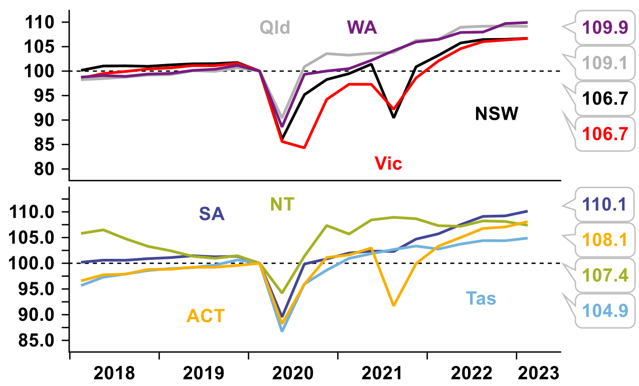
# State comparisons: Consumption

**Household consumption has been resilient but is beginning to slow.** Real consumption growth slowed overall in Q1, albeit at an elevated level. More recent nominal retail sales data show only limited growth through Q2 including a notable drop in June, suggesting real consumption may have contracted in the quarter.

There are some positives, with inflation trending down since Q4 though it remains over 5% y/y in all capitals aside from Perth. Wage growth, rents and electricity prices are all likely to keep putting upward pressure on inflation in Q3 but the improvement to date is nonetheless encouraging. Consumer sentiment remains well below neutral as high inflation and rising interest rates weigh on household budgets.

**Chart 37: Real household consumption**

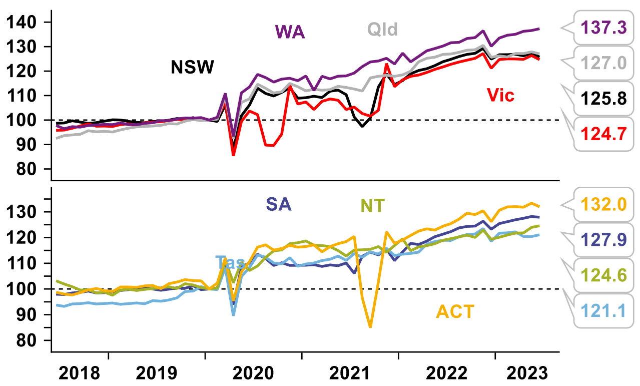
Index, Q1 2020 = 100




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 38: Nominal total retail sales**

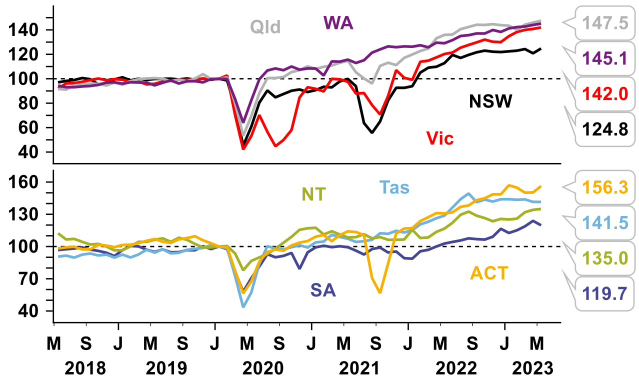
Index, Jan 2020 = 100




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 39: Nominal cafes & restaurant sales**

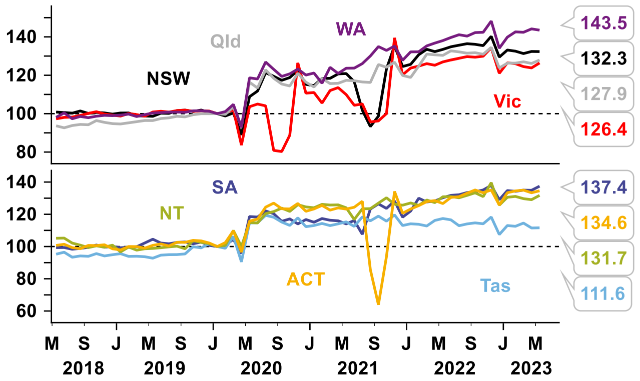
Index, Jan 2020 = 100




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 40: Nominal retail sales ex. food, cafes etc**

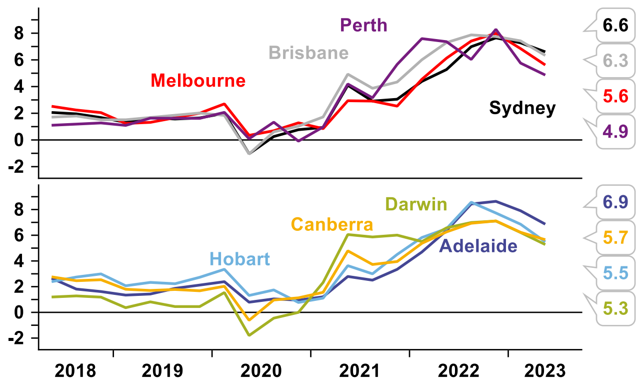
Index, Jan 2020=100




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 41: Inflation by capital city**

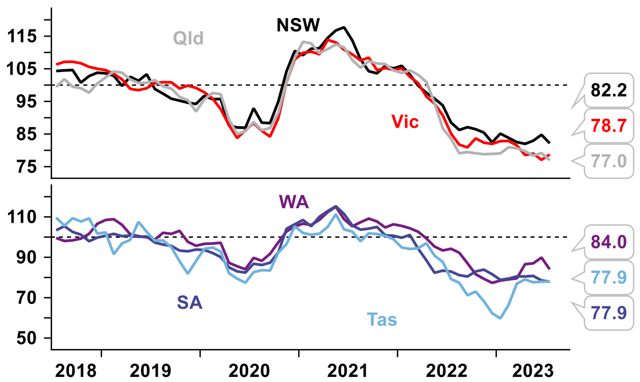
Percent, Y/Y




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 42: Melbourne Institute consumer sentiment**

Index, 100 = Neutral




Source: National Australia Bank, Melbourne Institute of Applied Economic & Social Research

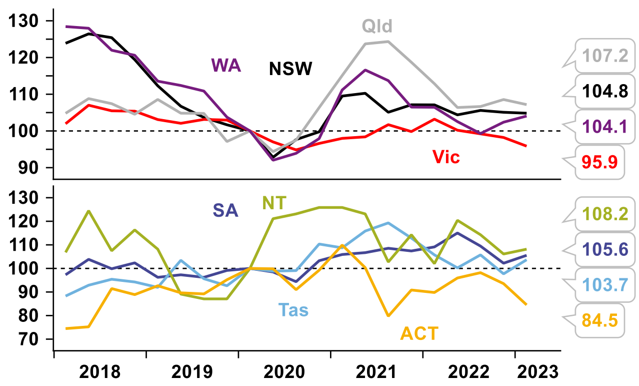
## State comparisons: Housing Market

**Housing markets have stabilised despite the ongoing impact of higher rates.** Dwelling investment declined in Vic and the ACT in Q1 but picked up in WA and was broadly steady elsewhere. Despite improving supply issues, the pipeline of work to be done remains elevated with only WA seeing much progress. Likewise, the cost of new dwelling construction has stabilised in most cities but remains very elevated and has not yet begun to normalise.

House prices fell through the second half of 2022 and early 2023 but have stabilised over recent months in most cities and risen notably in Sydney, with pressure from population growth and supply issues outweighing the impact of rates on borrowing power. Population pressures have also kept rental vacancy rates at low levels and continued to push up rents, although there has been some slight easing in vacancy rates in Sydney, Hobart and Canberra.

**Chart 43: Real dwelling investment**

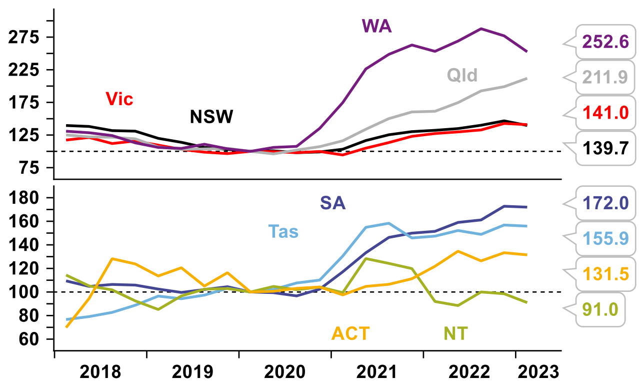
Index, Q1 2020 = 100




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 44: Nominal residential construction pipeline**

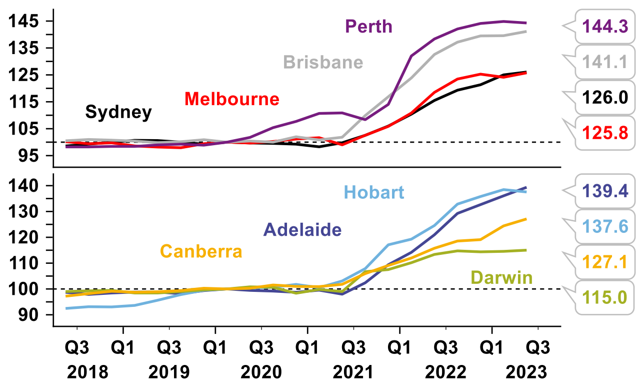
Index, Jan 2020 = 100




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 45: CPI new dwelling prices for owner-occupiers**

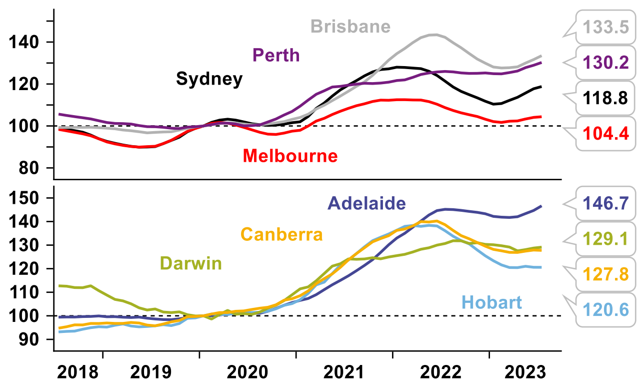
Index, Q1 2020 = 100




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 46: CoreLogic hedonic dwelling price index**

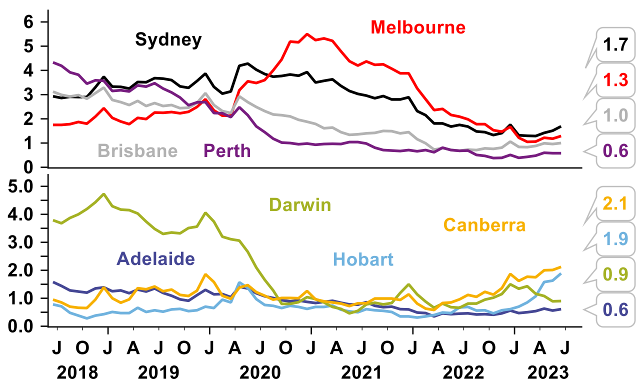
Index, Jan 2020 = 100




Source: National Australia Bank, CoreLogic

**Chart 47: Rental vacancy rate**

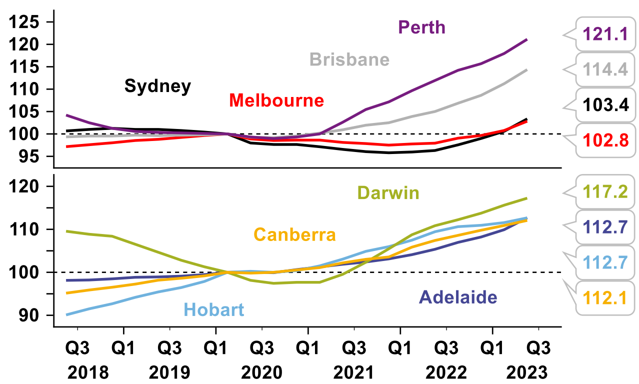
Percent




Source: National Australia Bank, SQM Research

**Chart 48: CPI housing rents**

Index, Q1 2020 = 100



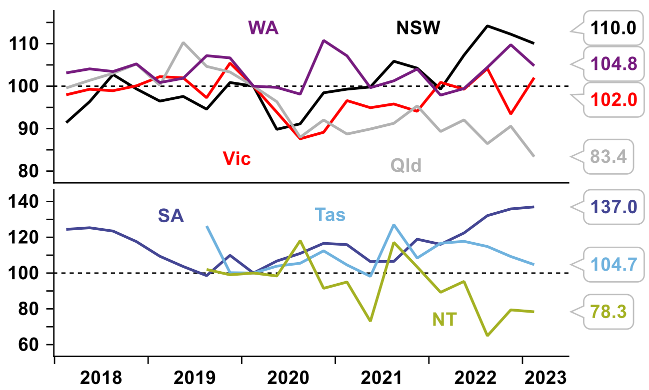

Source: National Australia Bank, Australian Bureau of Statistics

## State comparisons: Export Sectors

**The outlook for exports is mixed with headwinds for some sectors.** Goods exports volumes picked up in Vic in Q1 and remained above pre-COVID levels in NSW, WA, Tas and SA, but remain subdued in Qld and Tas.  Prices for key commodities continued to normalise over recent months though they remain high. Winter crop yields are forecast to decline across the board as La Nina passes and an El Nino system appears likely.

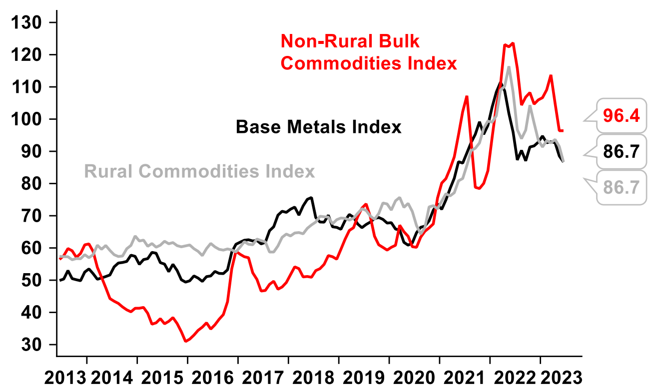
Services exports continue to steadily recover but only NSW and the ACT had returned to pre-COVID levels as of Q1. Short-term visitor arrival levels are still below their pre-COVID levels and recovery appears to have slowed recently, particularly in NSW. The return of international students has been more rapid but also appears to have levelled off.

**Chart 49: Real goods exports**
Index, Q1 2020 = 100



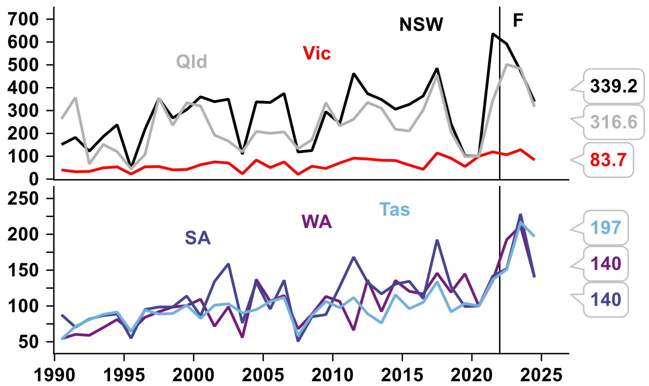

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 50: Commodity export prices**
Index, AUD



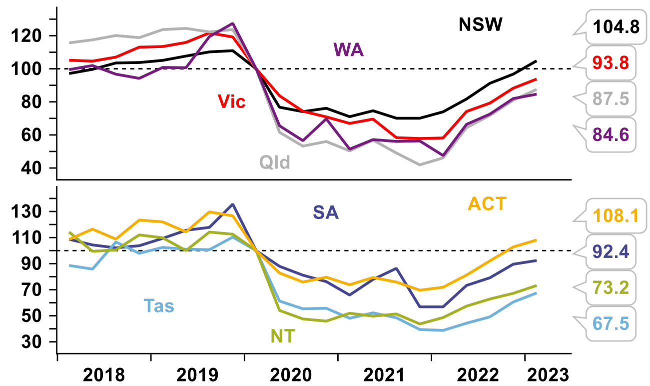

Source: National Australia Bank, Reserve Bank of Australia

**Chart 51: Winter crop production**
Kt



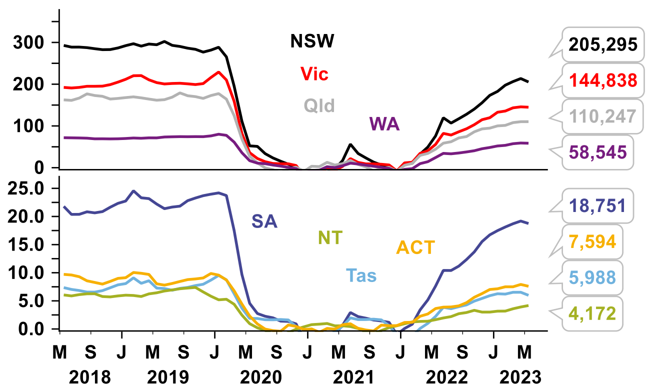

Source: Macrobond, NAB Economics, ABARES

**Chart 52: Real services exports**
Index, Q1 2020 = 100



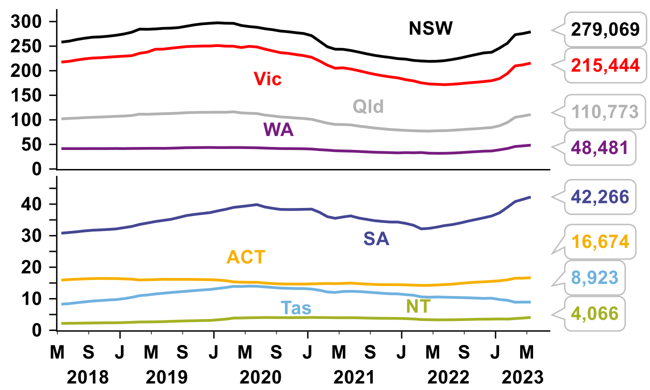

Source: National Australia Bank, Australian Bureau of Statistics

**Chart 53: Short-term visitor arrivals (3mma)**
Thousands, s.a., by intended state of stay




Source: National Australia Bank, Australian Bureau of Statistics

**Chart 54: International student enrolments (3mma)**
Thousands, s.a.




Source: National Australia Bank, Australian Department of Education

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# Important notice