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NEXT ANZ STATEOMETER
September quarter release
at 9:00am AEDT on
21 November 2018

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JUNE QUARTER 2018: MOMENTUM COOLS INTO AUTUMN AND WINTER

Australia's economy lost some of its summer momentum in the second quarter according to the ANZ Stateometer. The four largest states – representing nearly 90% of Australia's GDP – decelerated, slipping below their trend growth rates.

As we highlighted last quarter, the weighty housing sector has had a strong influence on the ANZ Stateometer. Every state, except Tasmania, experienced a drag from this component of their economies in the June quarter. Households have also been affected, with lower momentum in the household (or consumption) sub-indices weakening through the quarter. While nominal retail sales were strong, rising 1.2% q/q, other consumer related indicators were mixed. For instance, personal finance (excluding refinancing and debt consolidation) declined 0.4% q/q, motor vehicle sales declined 2.9% y/y in June and consumer confidence was steady over the quarter.

Encouragingly labour markets maintained above trend growth. Momentum slipped from the eight-year high recorded in the March quarter but this was almost inevitable. The trade sub-indices were positive, with increased momentum across all geographies except Tasmania and the Northern Territory. Queensland and South Australia maintained broadly steady, above trend, trade sector momentum in the June quarter.

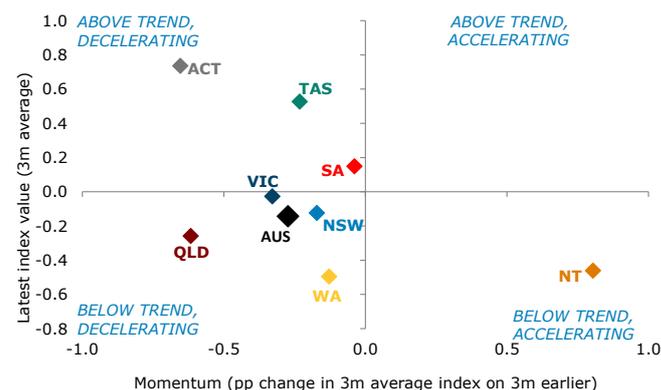
Some downside risks have become more acute. These include trade tensions stemming from the US. Also Australian households are, on average, more vulnerable to changes in housing market sentiment due to high indebtedness. New South Wales and Queensland are also suffering from a drought, which worsened over the June quarter. And, business confidence may be dented by the recent political ructions. But, investment spending indications remain good, interest rates are low, profit growth is solid and the Australian dollar has depreciated further. Public spending growth is also strong. There are upside risks from commodity prices, which could be stronger and therefore more stimulatory for the economy than we currently expect.

The loss of momentum in the June quarter indicated by the ANZ Stateometer does not signal a change of economic direction for any of our states or territories. The Northern Territory may experience further slowing, though, as it adjusts from the end of very high levels of activity with the Ichthys LNG plant. We expect the unemployment rate in all states and territories to fall over the next 12 months and inflation to gradually rise.

THE ANZ STATEOMETER, IN THE JUNE QUARTER, SHOWED:

- New South Wales, Victoria, Queensland and Western Australia growing at a below-trend rate and decelerating.
- ACT, Tasmania and South Australia growing at an above-trend rate, but with slowing momentum.
- The Northern Territory below trend, but accelerating.

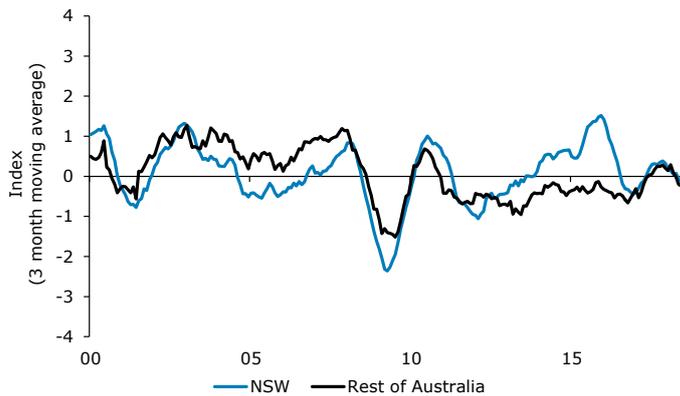
ANZ Stateometer for June quarter 2018



Note: Australia is the Gross State Product-weighted combination of the state and territory indices.
Source: ABS, CoreLogic RP Data, NAB, SEEK, Westpac, ANZ Research

NEW SOUTH WALES

Figure 1. ANZ Stateometer index, NSW



Activity in NSW fell below its long-term average for the first time since the beginning of 2017. The largest drag came from the housing sub-index, which has weakened sharply. The labour market remains well above its long-term average.

The household sector and business sector both slowed mildly, putting them further below trend. Trade was the only sub-index that improved in the quarter.

HOUSE PRICES DOWN, ALTHOUGH ACTIVITY CONTINUES

The housing market has been a key driver of the NSW economy over recent years. So we are not surprised that the change in sentiment in the sector has weighed on the NSW segment of the ANZ Stateometer. Sydney's established dwelling prices fell 1.2% (sa) in the June quarter. While this is small in comparison to previous gains, it reflects changed buyer behaviour.

Households in Sydney are the most highly leveraged and therefore the most susceptible to the tightening lending standards. The slowdown in demand for housing finance has been most pronounced amongst investors. Vacancy rates have increased with additional new supply coming onto the market. As a consequence, there has been a deceleration in rents. Together with tighter credit conditions, this has reduced the attractiveness of housing investment.

Regardless, investment in new high-density residential projects is still at a high level and capacity constraints suggest the pipeline will be flowing for some time. There are nearly 90,000 dwellings under construction in NSW, of which 66,000 are apartments. This backlog is nearly triple the size of the average backlog over the decade to 2012.

Figure 2. ANZ Stateometer, NSW by component

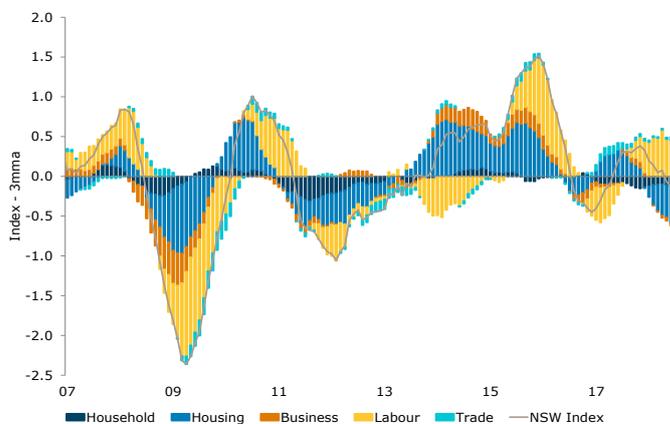
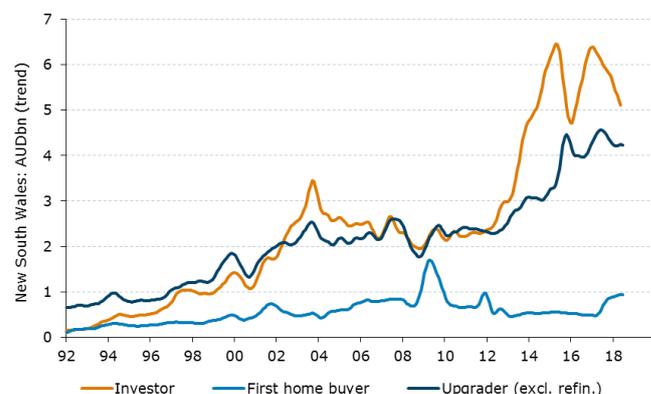


Figure 3. NSW housing finance

**INFRASTRUCTURE PROJECTS ONGOING**

Infrastructure work in the state, which remains solid due to an extensive program of mainly road and rail projects, is also testing capacity constraints. The funds for these projects – including the Sydney Metro West and North-South Rail – have come from the sale of state assets, including NSW's share of Snowy Hydro to the Commonwealth. The NSW Budget projects that 2018-19 will be the peak year in the infrastructure build program, although these projections are often revised.

JOB AND MORE WORKERS

Unsurprisingly against this backdrop, employment growth remains the most positive contributor to the NSW Stateometer. The unemployment rate, which averaged 4.9% in the June quarter, has been broadly steady. Jobs growth has been soaked up by new workers entering the market. At 65.1%, the NSW workforce participation rate in June was the highest in the 40-year history of the labour force data. Migration has contributed to a rising working-age population.

THE OUTLOOK

We expect Gross State Product to have risen by an above-average 3% for 2017-18 (the data will be published in November). We also expect NSW to grow at 3% in 2018-19. A slight slowdown to 2.75% is expected in 2019-20. We expect the state's unemployment rate will fall to 4.5% by June 2019 from 4.9% in June 2018.

Figure 4. NSW workforce participation rate

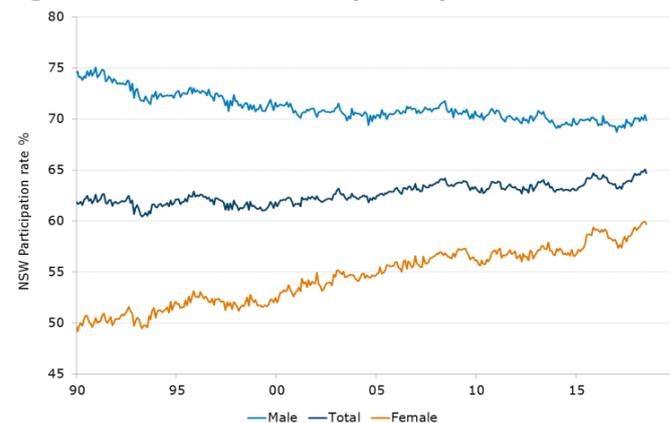
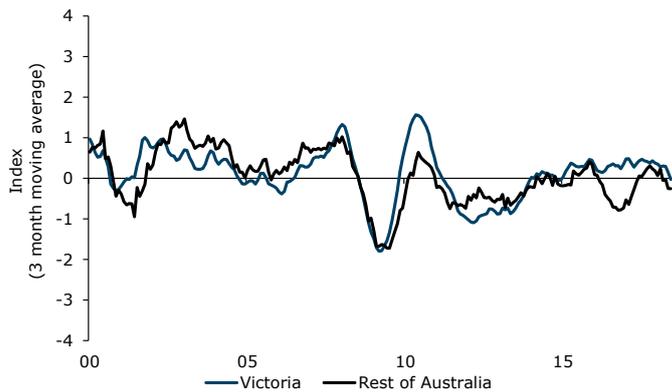


Figure 1. ANZ Stateometer index, Vic



Victoria's economic activity slowed in the second quarter to about its trend rate – the weakest point on the ANZ Stateometer in over three years.

The housing sector was the main drag, as it decelerated to fall below its long-term average. The sub-index that measures household (or consumer) activity also fell below its long-term average.

The labour market eased, but remains above its long-term average. The business sub-index slowed but remains above trend. Trade activity was the only sub-index to improve in the second quarter.

HOUSING SENTIMENT CHANGE

Changed housing market sentiment has weighed on economic activity in the quarter. Established house prices fell 1.6% (sa) in the June quarter, representing the first quarterly fall in six years. Rental price growth also slowed.

The ANZ Property Council survey suggested Victoria (like NSW) has experienced the sharpest decline in the outlook for property prices. Melbourne households are amongst the most highly leveraged and therefore the most susceptible to tightening lending standards.

Households, though, are maintaining reasonably solid retail spending rates, with real growth of 1.7% q/q in the June quarter.

Figure 2. ANZ Stateometer, Vic by component

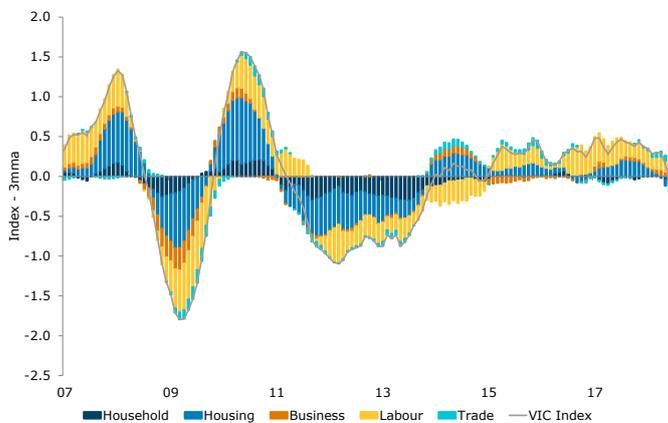


Figure 3. Established dwelling prices

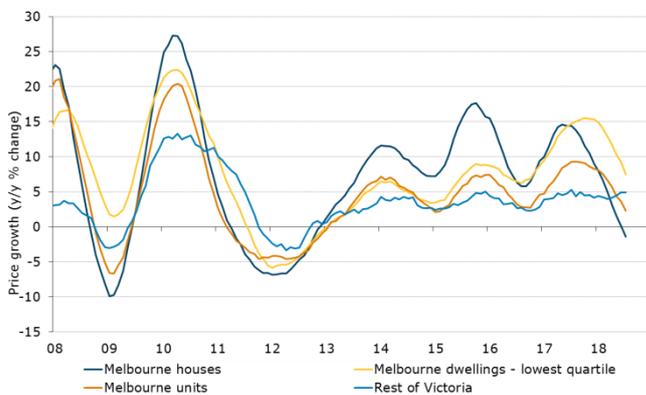
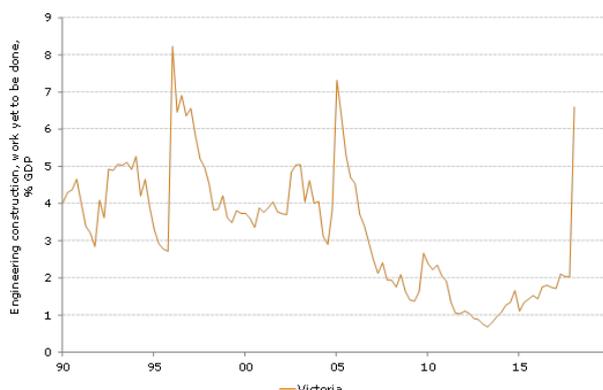


Figure 4. Engineering construction work yet to be done



CONSTRUCTION POWERHOUSE

Although price activity has softened in Melbourne, dwelling investment is likely to stay high in Victoria. Additionally, construction work related to transport infrastructure, electricity generation and transmission and telecommunications has also been solid. The forward government infrastructure investment plan suggests spending of around AUD10bn pa for the current and coming four years, which is well above average. Engineering construction work in the pipeline jumped sharply in early 2018 (Figure 4). This showed up in the above-average business component of Victoria's ANZ Stateometer index.

JOBS AND WAGES

The labour market was also a positive contributor to the Victorian ANZ Stateometer in the June quarter, albeit a little softer than in recent quarters. The unemployment rate averaged 5.3%, the lowest in around seven years, suggesting the state's growing working-age population is finding employment. Wages, although not included in ANZ Stateometer, grew more solidly in the year to the June quarter than in any other state or territory except Tasmania. Public sector wage growth was highest, up 3.3% y/y. Overall wage growth was 2.5% y/y.

THE OUTLOOK

We expect Gross State Product to have risen by 3.1% for 2017-18, which is around the long-term average rate. Growth is likely to be slightly higher in 2018-19 at 3.3%. A slight slowdown to 3.0% is expected in 2019-20. We anticipate the state's unemployment rate will fall to 5.0% by June 2019, from 5.3% in June 2018.

QUEENSLAND

Figure 1. ANZ Stateometer index, QLD

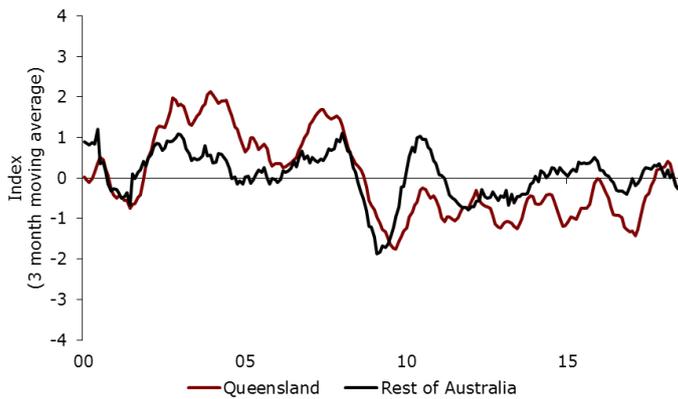


Figure 2. ANZ Stateometer, QLD by component

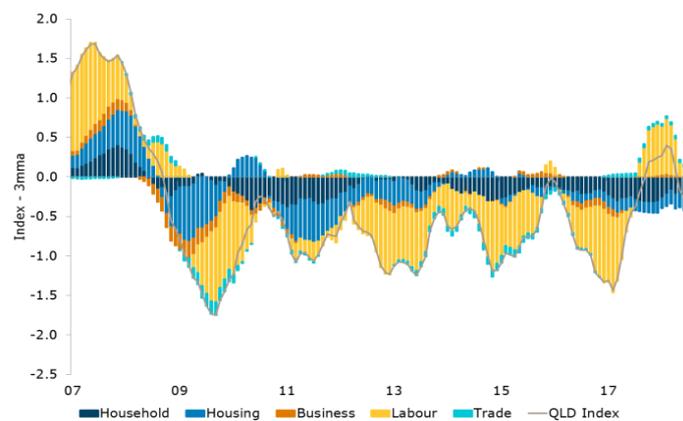


Figure 3. Business conditions by state

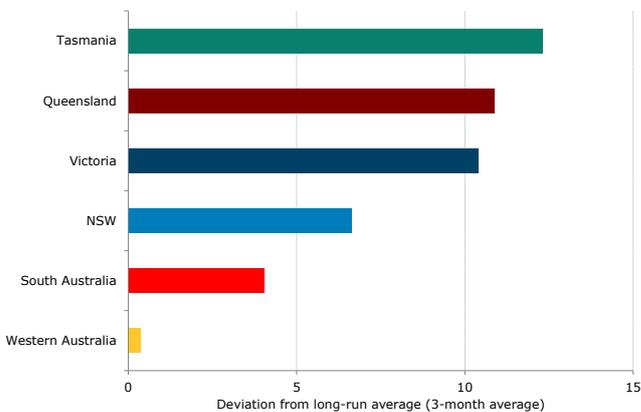
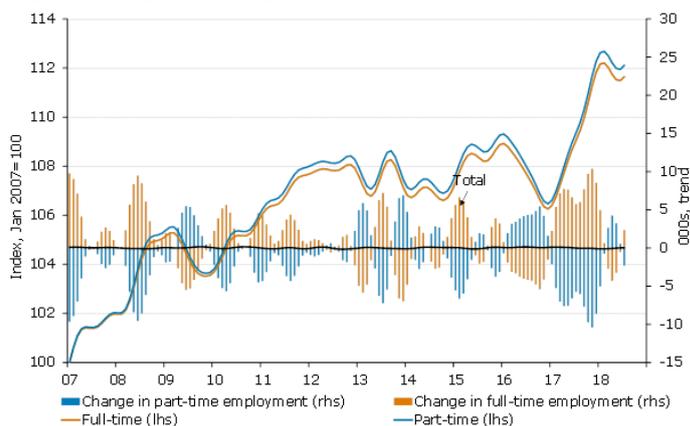


Figure 4. QLD's employment



Source: ABS, CoreLogic RP Data, NAB, SEEK, Westpac, ANZ Research

The ANZ Stateometer indicates that economic activity in Queensland slowed in the June quarter, falling below its long-term average.

The household (or consumer) sector fell further below trend, as did the housing sector. The business and trade sub-indices were both slightly above trend. The labour market sub-index was also above trend, but slowed.

TAKING A BREATH

The ANZ Stateometer indicates that Queensland's labour market conditions eased further in the June quarter after a very solid 2017. Even so, employment growth remained a respectable 2.0% y/y in the year to June 2018, while the unemployment rate fell to 6% in that month (from 6.5% a year earlier). Forward-looking indicators are positive – job vacancies are 20% higher y/y and business conditions are well-above their long-term average.

AFFORDABLE HOUSING BENEFIT

The housing sector is growing at a below-trend rate. But this fall has been cushioned by the positive interstate migration to Queensland (particularly from NSW) as buyers seek more affordable housing. In the year to the June quarter, Brisbane house prices were 1.2% (sa) higher, while apartments were up 0.7% (sa). We have written about the peculiarities of this market [previously](#).

The relative outperformance of the apartment segment is unlikely to continue. Our expectation that housing prices will keep falling in Sydney means that Brisbane's affordability advantage is likely to shrink. Also, much of Brisbane's construction activity has been targeted at the investor segment, with a prevalence of relatively small apartments. With demand shifting towards owner-occupiers – who are often looking for larger properties – as credit standards are tightened, this could lead to a mismatch between new demand and new supply.

The easing in the labour market and housing sector appear to have weighed on household spending. Real retail sales growth slowed to 0.2% q/q in the June quarter – the slowest since September 2017. Consumer sentiment also fell 6.1%, on average, over the quarter.

INFRASTRUCTURE SPENDING

In a theme that has resonated among most Australian governments, the Queensland Government focused on infrastructure spending in its 2018-19 Budget. Although not all of it was newly announced, AUD45.8bn in capital works is planned over the coming four years, with AUD11.6bn allocated for 2018-19. A large proportion of this is for road and transport infrastructure, including for the Cross River Rail project.

The Budget projects that the government will run a surplus in each year over the forward estimates, but Queensland will continue to be a large issuer of debt.

THE OUTLOOK

We expect Gross State Product to have risen by a below-average 2.8% in 2017-18 but will increase to 3.3% in 2018-19. A slowdown to 2.5% is expected in 2019-20. We expect the state's unemployment rate to fall to 5.7% by June 2019 from 6.2% in June 2018.

WESTERN AUSTRALIA

Figure 1. ANZ Stateometer index, WA

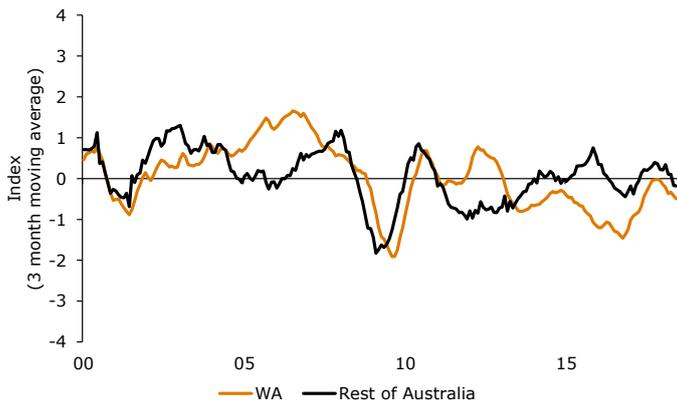


Figure 2. ANZ Stateometer, WA by component

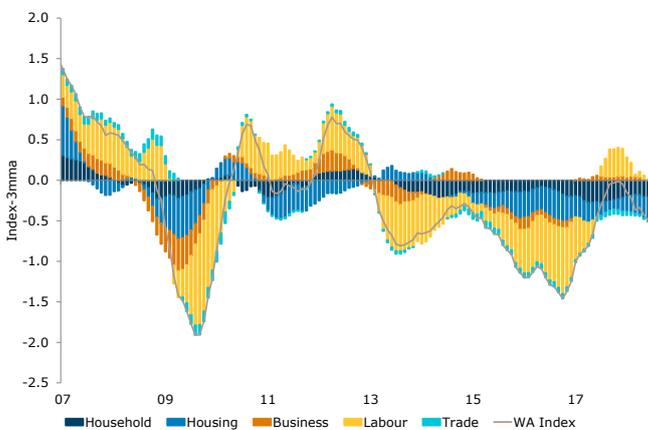


Figure 3. Iron ore exports

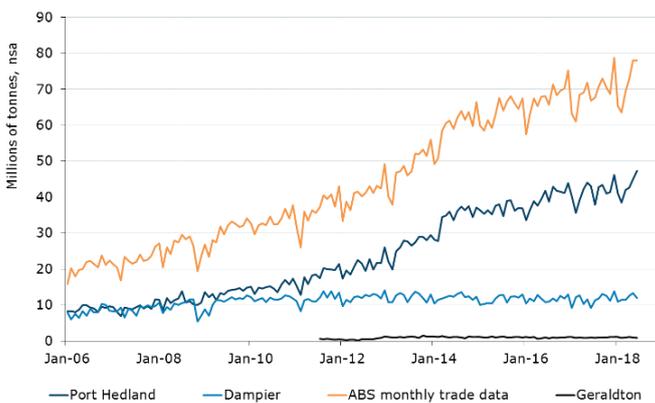
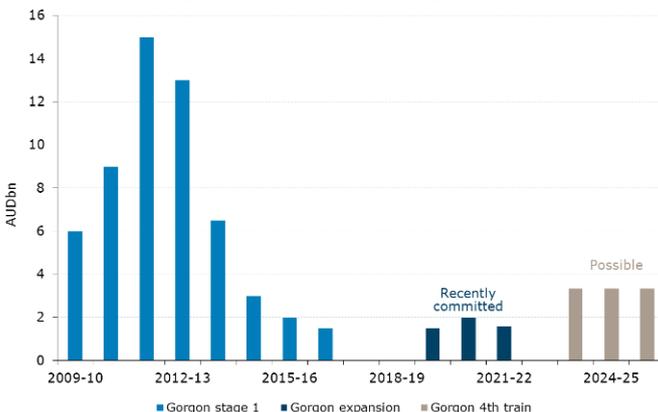


Figure 4. Gorgon LNG capital expenditure



Source: ABS, CoreLogic, Chevron, ExxonMobil, Shell, RP Data, NAB, SEEK, Westpac, ANZ Research

The ANZ Stateometer showed that economic activity in Western Australia slowed in the June quarter. The composite index fell to its lowest in a year.

The main negative for the overall index was the housing sector, which deteriorated. The household and business sectors also performed below their long-run averages.

Labour market activity was slightly above trend, while trade was at its long-term average.

2017 IMPROVEMENT SHORT LIVED

The ANZ Stateometer indicates that the improvement in WA's economy through 2017 paused in 2018, with the index slipping below trend in the March quarter and further in the June quarter.

This was partly due to the continued struggles of Perth's housing market, where prices have been declining in annual terms for more than three years. Building approvals for houses are also down 13.1% y/y and housing finance has slowed sharply. Investor housing finance is 11.6% lower over the year and owner-occupier housing finance was up only 0.7% y/y.

There may be some light at the end of the tunnel though. The ANZ-Property Council of Australia Survey showed that respondent sentiment about housing prices in WA is starting to improve.

EXPORTS IMPROVING

WA's trade activity rose back to trend in the June quarter, after a year of underperformance. This has been driven by the improvement in bulk exports in the year to date. The near-term prospects for WA's exports are also positive. Chinese demand for WA's iron ore remains strong. The ongoing global trade ructions are a threat, but China's recently announced fiscal stimulus and the push towards higher quality ore should assist this crucial export market for WA.

Exports of LNG have also been growing rapidly, as WA's relatively new LNG projects ramp up production.

NEW RESOURCES ACTIVITY

Stronger-than-expected resource prices have contributed to some renewed expansion, which should provide a small boost to construction activity in the state. It will also boost resource export capacity beyond its already very high level. Projects recently announced include AUD5.1bn to expand the Gorgon LNG platform and AUD516m to expand the Greenbushes lithium mine. While this wave of activity is much smaller than the mining investment boom, it provides some positive momentum for WA's economic outlook.

THE OUTLOOK

We expect Gross State Product to have risen by 2.0% in 2017-18 after it fell by 2.7% in 2016-17. Higher growth of 3.3% is expected in 2018-19, boosted by exports and renewed mining construction activity. A high growth rate of 3.75% is also expected in 2019-20. We expect the state's unemployment rate will fall to 5.8% by June 2019 from 6.3% in June 2018.

SOUTH AUSTRALIA

Figure 1. ANZ Stateometer index, SA

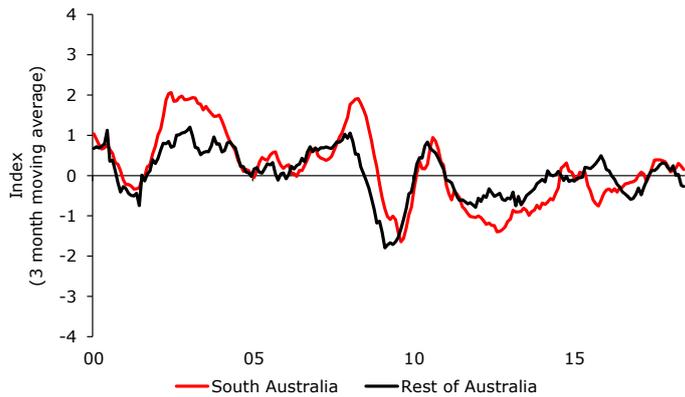


Figure 2. ANZ Stateometer, SA by component

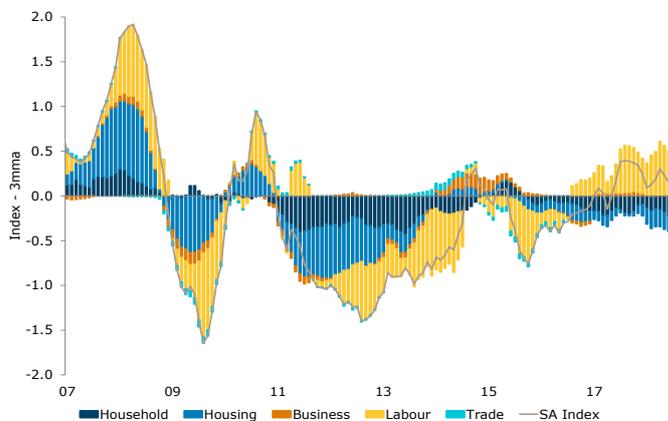


Figure 3. Sensis SME survey, SA

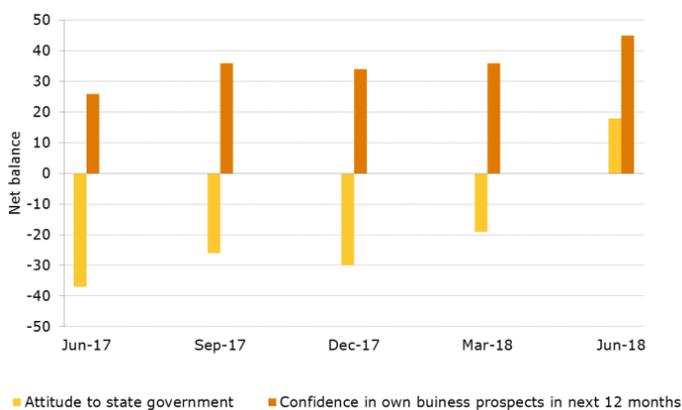
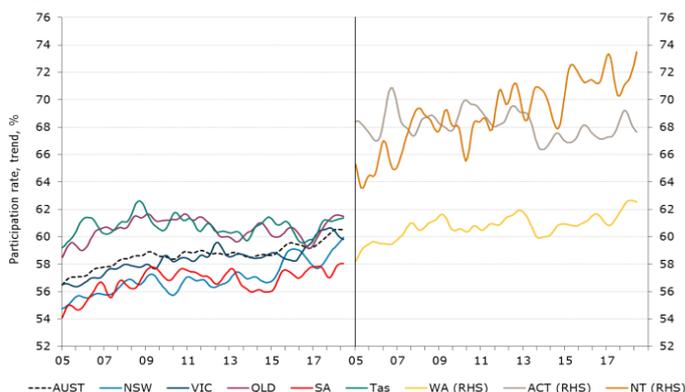


Figure 4. Female workforce participation rates



Source: ABS, CoreLogic RP Data, NAB, Property Council SEEK, Sensis, Westpac, ANZ Research

Economic activity has been above trend for over a year in South Australia according to the ANZ Stateometer. The strength in activity is due to the labour market, which is the only sub-index running above its long-term average.

Business and trade activity rose in line with trend in the June quarter. The housing and household (or consumer) sector were running below trend.

NEW GOVERNMENT GETS APPROVAL

One of the most significant changes in South Australia between the March and June quarters was the change of state government for the first time in 16 years. The Marshall-led Liberal government seems to have met business approval, as a number of surveys have pointed to improved business confidence in the quarter. Property industry confidence in SA rose to the highest in the history of the ANZ-Property Council survey (since 2012). Firms were also more confident than those in any other state or territory, in part reflecting a very positive outlook about the forward work schedule and the general outlook for the SA economy.

A Sensis survey of small- and medium-sized enterprises showed an improvement in business confidence in the quarter and a turnaround in "attitude to state government" (Figure 3).

BETTER JOBS GROWTH BUT LOW PARTICIPATION

SA's unemployment rate is close to a six-year low, lining up with the ANZ Stateometer, which shows that the labour sub-index has been growing at an above average pace for around two years. Despite a below-6% unemployment rate, the workforce participation rate has only increased slightly. It is the second lowest of all state and territories, next to Tasmania, which likely reflects the older demographic. Interestingly, the female unemployment rate has fallen to a very low 4.8%, which may entice more women back into the workforce (Figure 4). Lifting the female participation rate in SA could lift the state's economic potential growth rate.

DEFENCE, RENEWABLES AND CRANES IN THE SKY

The Australian Government's decision to build a new generation of naval frigates and submarines in SA is likely helping economic sentiment, as is increased activity in the renewable energy sector. Construction activity around the CBD is also elevated, and the pipeline is solid with engineering construction work to be done rising at the beginning of 2018.

Indications from housing data also suggest SA is bucking the weaker trend demonstrated on the east coast. Adelaide dwelling prices rose 2.1% q/q in the June quarter and the last year has seen an increase building activity. House dwelling approvals were up 7.6% in the year to June and apartment approvals were up over 40%. Although from a low base, commercial and residential construction has positive momentum.

THE OUTLOOK

We expect Gross State Product to have risen by 2.3% in 2017-18, which is around the state's average. A pick-up to 2.5% is expected in 2018-19 and growth of 2.25% is expected in 2019-20. We expect the state's unemployment rate will be slightly lower at 5.5% by June 2019 from 5.6% in June 2018.

AUSTRALIAN CAPITAL TERRITORY

Figure 1. ANZ Stateometer index, ACT

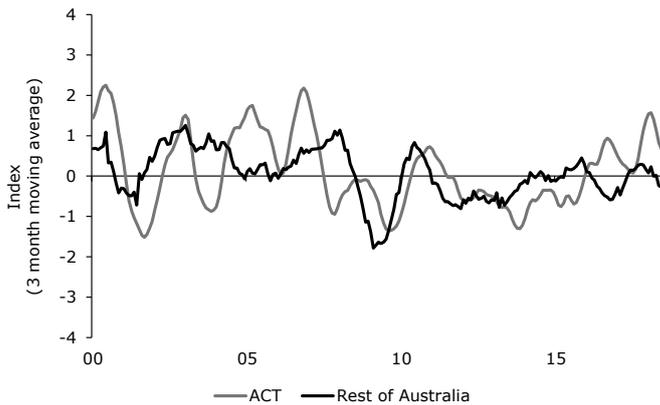


Figure 2. ANZ Stateometer, ACT by component

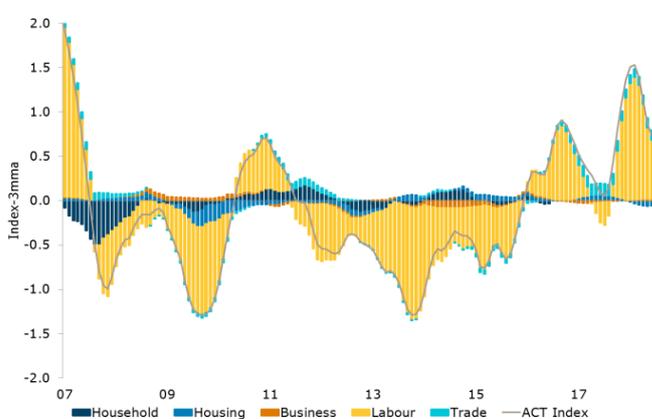


Figure 3. Housing finance, ACT

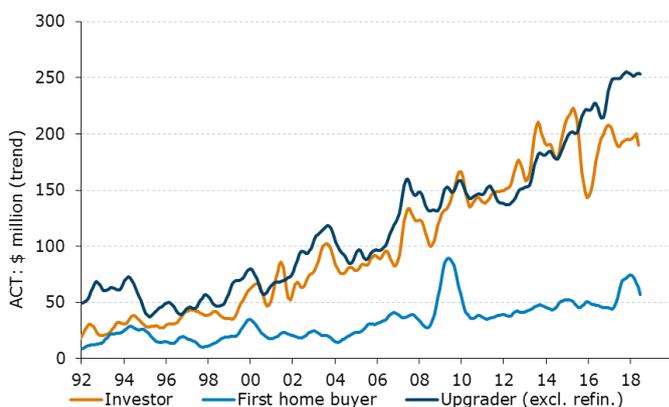
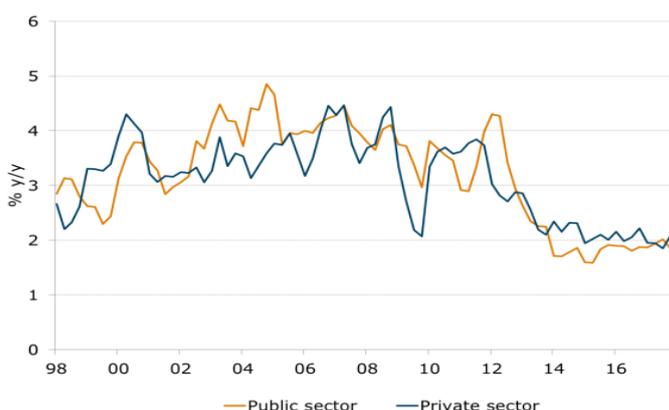


Figure 4. Wage Price Index, ACT



Source: ABS, CoreLogic RP Data, Department of Education & Training, NAB, Property Council of Australia SEEK, Westpac, ANZ Research

Economic activity in the Australian Capital Territory remains above trend, according to the ANZ Stateometer, but slowed in the June quarter.

The main source of strength is the labour market. The international trade and business sub-indices were also above their long-term averages. Household sector activity is at trend, while housing is slightly below trend.

JOBS MOMENTUM SLOWS

The ACT, known for high levels of employment and relatively high wages, maintained the nation's lowest unemployment rate (3.6%) in June. Although still growing, it lost a little momentum in the June quarter, with employment growth at 2.4% y/y. Wages growth at 1.8% y/y in the June quarter was below the national average of 2.1% and the lowest since March 2017, due to slightly weaker results in the public sector rather than the private sector. However, both have showed a significant slowdown in line with the rest of the country over the past decade.

POPULATION GROWTH SOLID

Population growth in Canberra was amongst the strongest of all states and territories in 2017 (it will be some months before June quarter 2018 data are published). But the outlook is not without risk. The Australian Government has relocated some department staff outside the ACT and there is a possibility of more moves. Offsetting this is the possibility of an extended University of NSW campus. International education is the single largest export of the ACT.

RENTS AWAY

ACT housing approvals, which are lumpy in part due to the small size of the Territory, continue to grow in trend terms. Apartment approvals touched a new record high in June 2018, while house approvals were also up strongly.

Canberra house prices rose in the June quarter, by 0.5% (sa). This growth rate has slowed over the last two years. Apartment prices fell a by a mild 0.4% (sa) in the quarter. Like other states and territories, Canberra's housing market has been affected by tighter credit conditions, which, in particular, has slowed investor demand for housing finance.

One peculiarity of Canberra's housing market has been a small acceleration in rents in the past year. Despite strong additions to the housing stock, Canberra rents picked up and grew by 2.7% in the year to the June quarter. This was the fastest pace in five years.

SOLID RETAIL

A healthy labour market plus strong population growth appear to have contributed to a solid rise in retail sales. These were up 2.4% q/q in real terms in the June quarter, the fastest pace in over two years.

THE OUTLOOK

We expect Gross State Product to have risen by an above-average 4.5% in 2017-18 after similarly strong growth in 2016-17. Growth is likely to drop to around 3% growth in 2018-19. We expect 3.5% growth for 2019-20, in line with the Territory's long-term average. We expect the ACT unemployment rate will be slightly lower, at 3.5%, by June 2019, from 3.7% in June 2018.

Figure 1. ANZ Stateometer index, Tas

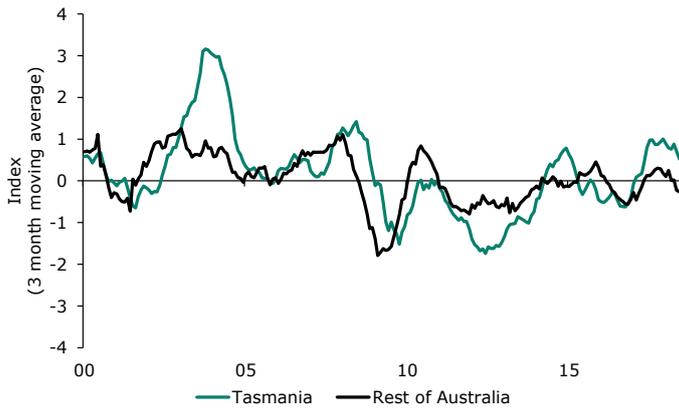


Figure 2. ANZ Stateometer, Tas by component

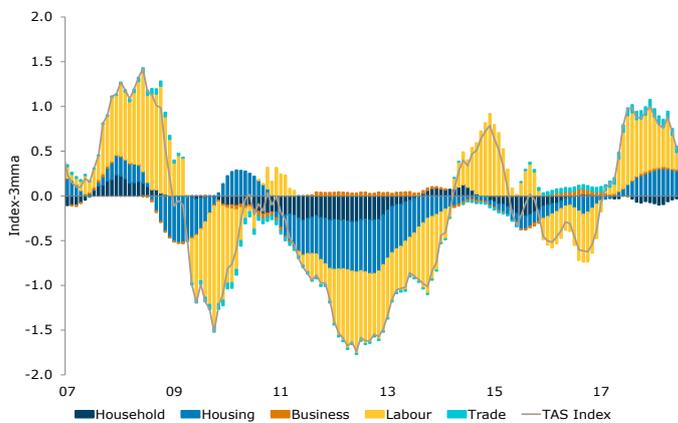


Figure 3. Dwelling rental growth by state

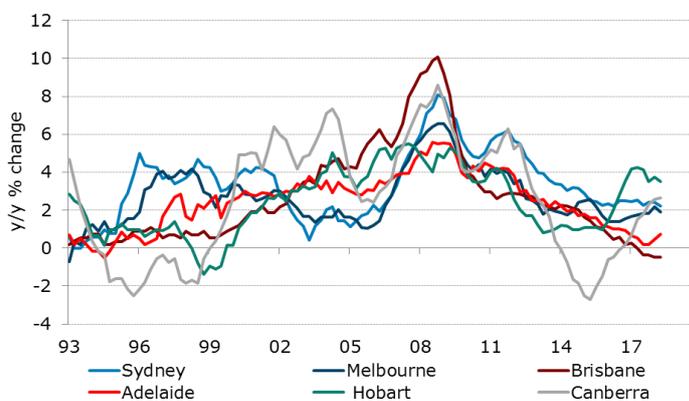
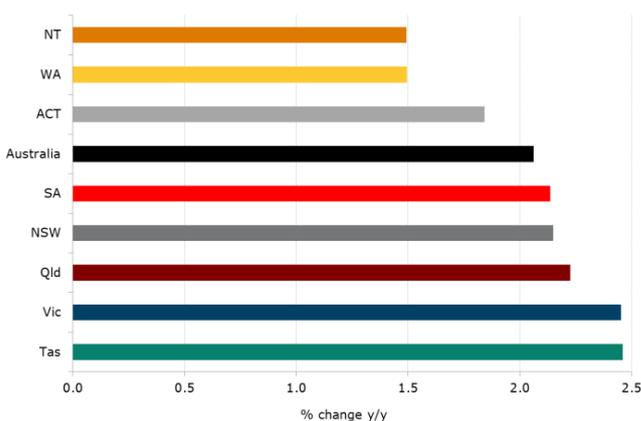


Figure 4. Wage Price Index by state



Source: ABS, CoreLogic RP Data, NAB, SEEK, Tourism Research Australia, Westpac, ANZ Research

Economic activity continues to be above trend in Tasmania according to the ANZ Stateometer. Conditions eased in the June quarter, compared to the prior three months, but are more robust than the rest of Australia.

The housing sector is the best performing sub-index. Labour market conditions, while off their highs, are still above their long term average. The business and trade sub-indices are also above trend, while the household sector is slightly below.

A ROOF OVER YOUR HEAD

The Tasmanian economy is outperforming the rest of Australia, a trend that should continue in the near term.

The main differentiator for Tasmania is Hobart's strong housing market. We've previously noted that this is at least partly attributable to an inflow of interstate migrants, driven by relative affordable housing. House prices were up 2.1% q/q in the June quarter. Rental growth in Tasmania has softened slightly but remains stronger than any other state or territory, at 3.5% y/y in the June quarter.

Hobart's affordability will diminish as the gap between it and the other capitals' housing and rental prices narrows. An increase in residential supply is likely to ease some of the strong price growth. Tasmania's building approvals rose by a very strong 24.3% y/y in June.

TRADE AND TOURISM

The Stateometer also indicates that Tasmania's trade performance is above trend. For goods exports, Tasmania has benefitted from the ongoing strength in demand from China – primarily for non-ferrous metals, seafood and metal ores. Tourism continues to be a growth driver in the state, with the number of tourist arrivals rising 18.4% in the year to June. The falling AUD will provide additional support to the tourism sector.

INFRASTRUCTURE

Following its re-election to a second term, Tasmania's Liberal government released a budget with a focus on infrastructure spending. In total, AUD2.6bn of spending is pegged for the next four years, peaking at AUD752m in 2019-20. This will provide a tailwind to growth. A large portion of this spending (AUD1.1bn) has been allocated to roads and bridges, including the new Bridgewater bridge. The Northern Prison is another new project.

JOBS GROWTH SLOW BUT REMAINS STELLAR

Although labour market growth has softened from a very strong summer, jobs growth continues at a respectable y/y rate of 1.5%. The workforce participation rate has climbed to a four-year high as more opportunities have brought those outside the labour force back in. Tasmanian workers are generally enjoying stronger wage rises than their mainland counterparts, with the state's wage price index up 2.5% y/y in the June quarter.

THE OUTLOOK

We expect Gross State Product to have risen by an above-average 3.5% in 2017-18 and to maintain reasonable growth of 2.8% in 2018-19. A slight slowdown to 2.5% is expected in 2019-20. We expect the state's unemployment rate will be lower, at 5.3%, by June 2019, from 6.1% in June 2018. This would be the best outcome in about eight years.

NORTHERN TERRITORY

Figure 1. ANZ Stateometer index, NT

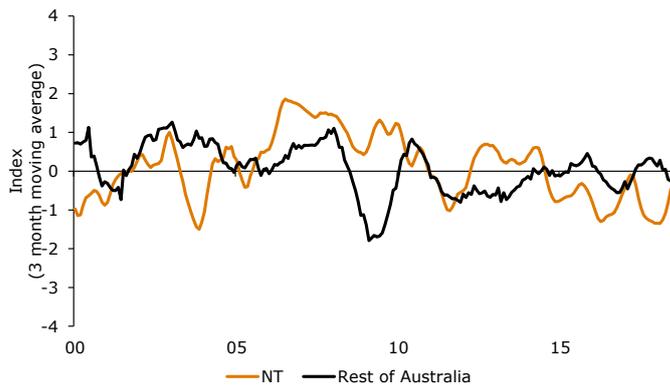


Figure 2. ANZ Stateometer, NT by component

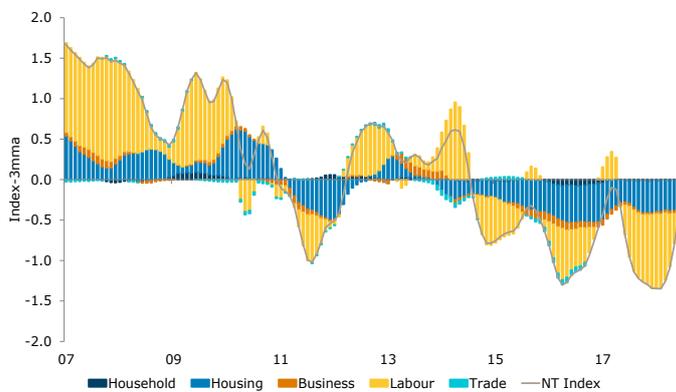


Figure 3. Population growth by state

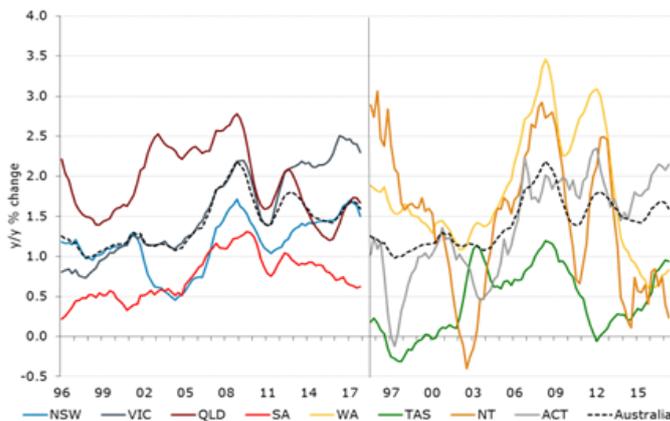
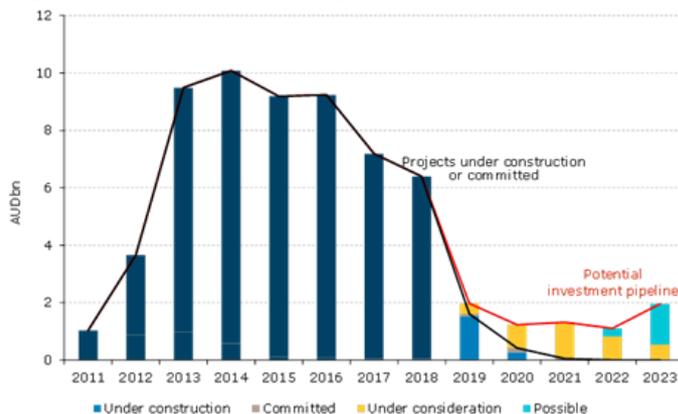


Figure 4. NT investment pipeline



Source: ABS, CoreLogic RP Data, NAB, SEEK, Westpac, ANZ Research

The Northern Territory's economic activity remained below trend in the June quarter, but improved to its highest level in a year.

The improvement in conditions was entirely due to the labour market, which returned to trend levels. The main weak point was the housing market. Activity in the household, labour and trade sectors all stayed around their long-term averages.

SLOWING FROM A HIGH BASE

The small and volatile NT economy appears to be settling. With the investment-heavy, job-creating construction phase of the Ichthys LNG project complete and the project shifting towards production and export, the extreme positive and negative swings in the economy may have past.

The NT's labour market has continued to show unique characteristics due to the project-responsive transient population. Since the beginning of 2017, it has behaved differently from Australia's generally strengthening labour market. Like other states and territories, the unemployment rate edged down a little in the June quarter, but over the year the unemployment rate rose (albeit only to 4.1%). Wages growth has been softer than other states and territories in recent quarters as highly paid mine workers exited the figures.

Although net overseas migration to the NT has been positive, net interstate migration has been negative for 21 quarters in a row. This is a challenge for the NT Government, and is expected to worsen with new job-creating investment lacking. Already total population growth is low (Figure 3) and is expected by the NT Government to turn negative this financial year.

Labour market and population developments have shown up in housing demand. Dwelling prices in Darwin were down 7.7% in the year to June 2018, and rents are lower. NT retail sales grew slower than the national average, up 2.4% in the year to June, compared to a national 2.9%.

FUTURE GROWTH POTENTIAL

Public sector investment – including road projects and indigenous housing and defence helped by Commonwealth funding – is expected to pick up a little. But the collective size of these projects is very small in comparison to Ichthys, which represents most of the dark blue areas in Figure 4. One sector with growth potential – especially if the AUD continues to depreciate as we expect – is tourism. Agriculture is likely to suffer from the winter drought. These industries each represent a low share of the NT's economy, however, compared to public administration, mining and construction. A lifting of the moratorium on hydraulic fracturing may stimulate this industry and bring investment and employment growth.

THE OUTLOOK

We expect Gross State Product will remain below average for some time, with growth of 3.0% in 2017-18, and 2.3% expected in 2018-19. We expect the Territory's unemployment rate to be 3.9% by June 2019.

WHAT IS THE ANZ STATEOMETER?

WHAT IS THE 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 ANZ 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 details on how the ANZ Stateometer is calculated, see [Updating the ANZ Stateometer: Increasing the coverage and extending its history](#), 6 July 2016.

[25.07.2018]

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