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Research and Information Service

Weekly Economic Indicators: Queensland and Australia

19/12/11

Summary

The Australian market closed with losses on Friday as Europe's debt woes continued to depress commodity prices, and new profit warnings from some of the country's biggest retailers saw consumer discretionary shares plummet. The All Ords. dropped just over 90 points to 4245.90, and despite clawing back some earlier losses, the Australian dollar finished below parity once again at US \$0.9985. Spot gold continued its decline on September's peak prices and tapis crude oil was also tracking lower, buying US\$114.19 a barrel. While sugar and cotton offered little reprieve for investors, cattle futures were a rare strong performer, continuing their bull run with an increase of 3.8 Australian cents/kg for the week.

The latest Australian balance of payment figures offered little to report, with no significant change recorded across the month (0.004%). Exports and imports both rose only slightly in October to \$27.57 billion and \$25.42 respectively, for a \$2.2 billion surplus. New industry employment figures for Queensland showed that health care and social assistance, retail trade, and construction continued to employ the largest proportion of the state's 2,344,200 employed persons as at November 2011.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↓ \$0.9985
All Ord. Share Index	↓ 4245.90
Cattle Futures (EYCI)	↑ 412.95 Ac/Kg
Sugar (ICE No.11 Futures)	↓ 23.07 Usc/lb
Cotton (No. 2 Futures)	↓ 88.30 USc/lb
Tapis Crude Oil (week-end Spot)	↓ 114.19 US\$/bbl
Gold (week-end London PM Fix)	↓ 1594.00 US\$/oz

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Tourism Accommodation¹

National

Total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) decreased by 4.3% in the June quarter 2011, to number 21.64 million. This is 2.1% below the 21.20 million guest nights recorded in the June quarter 2010. Total national guest nights for the first half of 2011 equalled 44.27 million, compared to 44.05 million in the first half of 2010.

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Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) increased 2.06% in the June quarter 2011, totalling 6.1 million. This is 1.9% above the 5.98 million guest nights recorded in the June quarter 2010. Total national guest nights for the first half of 2011 equalled 12.07 million, compared to 12.16 million in the first half of 2010.

Balance of Payments²

National

Trend estimates of Australia's balance of payments registered little discernable change between September and October 2011, with a recorded increase of just 0.004% to a \$2.2 billion surplus. Exports marginally increased from \$27.41 billion in September to \$27.57 billion in October 2011 in trend estimates terms. Imports also rose slightly over the month, increasing from \$25.26 billion in September 2011 to \$25.42 billion in October 2011.

Labour Force³

National

In the latest ABS Labour Force release, the national unemployment rate remained unchanged at 5.3%, in trend terms for November 2011. The trend participation rate also remained steady, for the seventh consecutive month, at 65.6%.

Queensland

Queensland's trend unemployment rate was steady at 5.8% in November 2011. The November trend participation rate also remained unchanged at 67.6 %.

¹ ABS Cat No. 8635.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/7F1BCA4FD889E82CCA25775700164667?OpenDocument>

² ABS Cat No. 5368.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/A5FB33BD2E3CC68FCA257496001547A1?opendocument>

³ ABS Cat No. 6202.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/F756C48F25016833CA25753E00135FD9?OpenDocument>

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Employment by Industry⁴

There were 2,344,200 employed persons in Queensland as at November 2011. The five industries with the most number of employed persons were health care and social assistance (284,800), retail trade (258,700), construction (235,800), education and training (180,700) and manufacturing (180,200). Those industries employing the least number of persons included information, media and telecommunications (30,200), arts and recreation services (40,900), electricity, gas, water and waste services (43,000), and rental, hiring and real estate services (48,300).

Employed Persons by Industry - Queensland: Original

'000	Full Time	Part Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	58.6	15.7	74.3	3.17
Mining	57.2	1.9	59.0	2.52
Manufacturing	156.3	23.9	180.2	7.68
Electricity, Gas, Water and Waste Services	41.2	1.8	43.0	1.83
Construction	202.2	33.6	235.8	10.06
Wholesale Trade	64.0	11.2	75.2	3.21
Retail Trade	136.5	122.2	258.7	11.03
Accommodation and Food Services	67.4	92.7	160.1	6.83
Transport, Postal and Warehousing	109.6	23.8	133.4	5.69
Information Media and Telecommunications	24.4	5.8	30.2	1.29
Financial and Insurance Services	52.5	14.1	66.6	2.84
Rental, Hiring and Real Estate Services	37.8	10.6	48.3	2.06
Professional, Scientific and Technical Services	115.8	31.4	147.2	6.28
Administrative and Support Services	54.2	35.4	89.6	3.82
Public Administration and Safety	132.7	18.4	151.1	6.44
Education and Training	109.9	70.8	180.7	7.71
Health Care and Social Assistance	169.9	115.0	284.8	12.15
Arts and Recreation Services	23.8	17.1	40.9	1.75
Other Services	64.2	21.5	85.7	3.66
Total	1678.2	666.6	2344.2	100.00

Source: ABS Cat No. 6291.0.55.003 Labour Force, Detailed (Nov 2011).

Interest Rates⁵

RBA Cash Rate

At the RBA meeting on 6 December 2011, the Reserve Bank board voted to lower the cash rate by 25 basis points to 4.25%, only the second decrease in eleven months and the rate's lowest level since April 2010.

⁴ ABS Cat No. 6291.0.55.003

<http://abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/35006594EB1126B2CA257132000F9189?opendocument>

⁵ Reserve Bank of Australia: Cash Rate Target <http://www.rba.gov.au/statistics/cash-rate.html> and Housing Loan Indicator Lending Rates <http://www.rba.gov.au/statistics/tables/xls/f05hist.xls?accessed=0706-15:44:13>

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The decision comes after the failure to map out a solution to the European debt and banking crisis and continued slowing in global growth. Policymakers in China have pulled back growth expectations and trade throughout Asia has also slowed. Businesses and households are maintaining cautionary spending behaviours, with declining commodity prices and CPI inflation rates.

“Growth in the global economy has moderated this year after a strong performance in 2010. Some of the slowing reflected temporary factors, and as these passed, the pace of expansion in the United States and much of Asia began to pick up around mid year. China's growth has been slowing, as policymakers there had intended. Trade in Asia is now, however, seeing some effects of a significant slowing in economic activity in Europe.”

RBA Standard Variable Housing Loan Indicator Rate

The Reserve Bank's calculation of the average standard variable interest rate for home loans has decreased to 7.55%, the first change in the rate for thirteen months, as of the end of November 2011.

Consumer Price Index⁶

Between the June quarter 2011 and the September quarter 2011 the national CPI increased 0.6%, resulting in a 3.5% annual rise. The September 2011 CPI for Brisbane increased 0.3%, bringing the September 2010 to September 2011 annual change to 3.1%.

Private Capital expenditure⁷

National

Between the June and September 2011 quarters, the Australian chain volume trend estimate of private new capital increased by 8.19% to \$36.51 billion. Expenditure on equipment, plant and machinery increased by 3.39%, while expenditure on buildings and structures increased by 11.35%.

Over the twelve months from September 2010 to September 2011, total private new capital expenditure increased by 30.43%. Expenditure on equipment, plant and machinery increased by 17.46% across the year, while expenditure on buildings and structures grew by a strong 41.28%.

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Between the June and September 2011 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 12.67% to \$9.61 billion.

A year-on-year comparison of the September quarters 2010 to 2011 shows Queensland's total private new capital expenditure increased by

⁶ ABS Cat No. 6401.0 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

⁷ ABS Cat No. 5625.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EA CA257235007866B1?OpenDocument>

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65.61%. Expenditure on equipment, plant and machinery increased by 29.82% during this period, while expenditure on buildings and structures almost doubled, increasing from \$2.98 billion to \$5.92 billion (a growth rate of 98.73%).

Building Approvals⁸

National

The national trend estimate for total dwelling approvals was down 2.70% in October 2011 to 11,561, continuing the slowdown in approvals experienced in September. For the three months to October 2011 compared with the previous three months, the trend estimate of dwelling approvals fell 6.00%. Over the twelve months to October 2011, there has been a trend decline of 16.87%.

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The trend estimate for total dwelling units approved in Queensland in October 2011 was 1977 dwelling units, a decrease of 5.13%. For the three months to October 2011 compared with the previous three months, the trend estimate of dwelling approvals decreased 7.06%. In annual terms, and in line with national developments, the trend declined by substantial 17.66% for the twelve months to October 2011.

Housing Finance⁹

National

The trend value of housing finance commitments (owner occupation) in Australia was flat, showing no change (0.0%) in the month of October 2011 at \$14.5 billion. For the three months to October 2011 compared with the previous three months, the trend value of commitments increased by 2.5%. Over the year to October 2011, there was an increase in the trend estimate for the total value of dwelling finance commitments of 3.2%.

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In October 2011, the trend value of housing finance commitments for owner occupied dwellings stood at \$2.4 billion, having shown no change (0.0%) from a month earlier. For the three months to October 2011 compared with the previous three months, the trend value of commitments increased by 1.75%. For the year to October 2011, the State recorded a decline of 5.1% in the trend value of housing finance commitments.

⁸ ABS Cat No. 8731.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0545FFC6A101264CA25719F007F6F1F?OpenDocument>

⁹ ABS Cat No. 5609.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/05DBCE56402EC566CA25723D000F2999?OpenDocument>

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Retail Trade¹⁰

National

Australia's trend retail turnover increased by 0.32% in October 2011 to \$20.92 billion. For the three months to October 2011 compared with the previous three months, retail turnover was 0.96% higher in trend terms. Over the year to October 2011, the trend increase in retail turnover was 2.84%.

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The trend estimate of Queensland's retail turnover increased by 0.09% in October 2011 – enough to secure an eleventh consecutive monthly increase and take total turnover to \$42.63 billion. For the three months to October 2011, compared with the previous three months, retail turnover was 0.60% higher in trend terms. Compared to a year earlier, retail spending in Queensland grew 3.35%.

Economic Growth Outlook

National

The latest ABS National Accounts data shows Australian Gross Domestic Product increased by 0.8% in chain volume trend terms in the September quarter 2011, to be 2.1% higher over the year.¹¹

Economic forecaster Access Economics, in its latest set of forecasts for the Australian economy (Sept 2011), projected Gross Domestic Product (GDP) to reach 3.0% for 2011-12 and 3.5% for 2012-13. KPMG Econtech has forecast national growth by 3.7% for 2011-12 in its October 2011 forecasts, with the resource rich states experiencing strong external demand.

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The Queensland State Accounts for the June quarter 2011 show that Gross State Product (GSP) fell 0.1% in trend terms.¹² In contrast, growth in the Rest of Australia increased 0.3% for the June quarter 2011. Over the year to the June quarter 2011, GSP fell 1.7% while gross Rest of Australia product grew by 1.8% over the same period.

Preliminary 2010-11 financial year results show that in average terms, Queensland GSP rose 0.2% in 2010-11, compared with Rest of Australia growth of 2.3%.

¹⁰ ABS Cat No. 8501.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/productsbyCatalogue/3DDA13ECDC094B1C CA257734002042F2?OpenDocument>

¹¹ ABS Cat No. 5206.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CA CA25768D0021E2C7?opendocument>

¹² OESR, Queensland State Accounts, June Quarter 2011.

<http://www.oesr.qld.gov.au/products/publications/qld-state-accounts/qld-state-accounts-201106.pdf>

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Access Economics (Sept 2011) recorded 0.1% growth in Queensland's GSP for 2010-11. GSP is forecast to increase to a healthy 5.5% in 2011-12. The Queensland economy remains at risk with a slowing housing market, a stronger Australian dollar, weak confidence and slowing state government spending. Further risk of economic destabilisation comes from the current financial problems being experienced in Europe. However, Access Economics remains confident of a strong rebound in the Queensland economy due to the massive infrastructure and engineering projects underway in the mining regions.

In October 2011, KPMG Econtech has increased its forecast growth for Queensland GSP in 2011-12 to 5.3%, in response to expected strong investment coupled with a rebound in coal, agricultural produce and other exports, following the earlier negative impact of the floods.

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