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Research and Information Service

Weekly Economic Indicators: Queensland and Australia

23/01/12

Summary

It was another strong week for Australian shares, as the market enjoyed broad-based gains amid positive international market data, and growing optimism surrounding the prospects for economic recovery in the United States and Europe. Disappointing Australian unemployment figures did little to dampen the mood, with the all Ords. closing up almost 50 points to an average 4269.75 pts. In all, 141 of the index's 200 benchmark shares rose, with resources and energy stocks among the biggest winners. The Australian dollar continued also to hold its own against the greenback, inching slightly higher to \$US 1.0315.

In commodities, tapis crude oil slipped slightly this week, buying 121.56 \$US a barrel. Cattle futures also continued their sombre start to the year, with prices retreating further on last week's modest opening. The news was brighter for spot gold, which continued its bull run to climb another 17.5 \$US across the week to 1653.0 \$US an ounce. Sugar and cotton also rallied, posting gains of 1.35 \$US a pound and 1.76 \$US a pound respectively.

The latest ABS figures show national trend unemployment remained unchanged at 5.3% in December 2011. Despite a slight decrease in the trend participation rate to 65.4% (down from 65.6% in November), there was also a drop in the number of people looking for jobs, which helped secure the flat result. In Queensland, trend unemployment decreased by 0.2% to 5.6%. The latest (December 2011) forecasts from Access Economics show resources sector growth is anticipated to help increase Queensland's GSP by a healthy 5.7% in 2011-12.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↑ \$1.0315
All Ord. Share Index	↑ 4269.75 pts
Cattle Futures (EYCI)	↓ 406.70 Ac/Kg
Sugar (ICE No.11 Futures)	↑ 24.84 USc/lb
Cotton (No. 2 Futures)	↑ 98.71 USc/lb
Tapis Crude Oil (week-end Spot)	↓ 121.56 US\$/bbl
Gold (week-end London PM Fix)	↑ 1653.0 US\$/oz

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Tourism Accommodation¹

National

Total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) increased by 9.7% in the September quarter 2011, to number 23.73 million. This marked a significant turnaround on the large declines in guest nights recorded in the previous two quarters, but the improved September accommodation figures are still 0.86% below the 23.94 million guest nights recorded in the September quarter 2010. Accommodation numbers do, however, typically peak in the December quarter (24.06 million), with the combined guest nights for the December 2010 and March 2011 quarters numbering 46.69 million, compared to 45.38 million in the last half-yearly period (June and September quarters 2011).

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Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) increased by a substantial 19.07% in the September quarter 2011, totalling 7.26 million. This is 2.65% below the 7.46 million guest nights recorded in the June quarter 2011. Combined guest nights in the last two quarters totalled 13.10 million, compared to 13.36 million in the December 2010 and March 2011 quarters.

Balance of Payments²

National

Trend estimates of Australia's balance of payments declined by just over 10% (10.04%) between October and November 2011, with the recorded surplus slipping to \$1.64 billion. Exports marginally increased (0.16%) from \$27.37 billion in October to \$27.41 billion in November 2011 in trend estimates terms. However, imports rose slightly more across month (0.82%), increasing from \$25.56 billion in October 2011 to \$25.77 billion in November.

Labour Force³

National

In the latest ABS Labour Force release, the national unemployment rate remained unchanged at 5.3% in December 2011, having shown little appreciable movement in recent months. The trend participation rate, similarly, declined only slightly in December to 65.4%, after seven consecutive months at 65.6%.

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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Queensland's trend unemployment rate decreased by 0.2% in December 2011, to 5.6%. The December trend participation rate also dropped slightly to 67.3% (down 0.3%).

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).

⁴ ABS Cat No. 6291.0.55.003

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

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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.

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 the lowest rate since April 2010, with a decline of 25 basis points to 7.30% as at the end of December 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%.

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>

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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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 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 2.2% in November 2011 to 11,328, continuing the slowdown in approvals experienced in the previous thirteen months. For the three months to November 2011 compared with the previous three months, the trend estimate of dwelling approvals fell 6.9%. Over the twelve months to November 2011, there has been a trend decline of 18.8%.

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The trend estimate for total dwelling units approved in Queensland in November 2011 was 1895 dwelling units, a decrease of 4.15%, continuing a five month decline trend. For the three months to November 2011, compared with the previous three months, the trend estimate of dwelling approvals decreased 10.2%. In annual terms, the trend declined by 22.1% for the twelve months to November 2011.

Housing Finance⁹

National

The trend value of housing finance commitments (owner occupation) in Australia was up just 0.22% to \$13.66 billion in the month of November 2011, with the modest increase signalling a slowing of growth for the fifth consecutive month. For the three months to November 2011, compared with the previous three months, the trend value of commitments rose by 1.45%. Over the year to November 2011 there has

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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been an increase of 2.45% in the trend estimate for the total value of dwelling finance commitments.

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In November 2011, the trend value of housing finance commitments for owner occupied dwellings decreased by 0.37% to \$2.31 billion. Similar slow downs were recorded in September and October, and the trend value of commitments dropped by 0.17% overall across the three months to November 2011 compared with the previous three months. For the year to November 2011, the State recorded a decline of 4.85% in the trend value of housing finance commitments.

Retail Trade¹⁰

National

Australia's trend retail turnover rose by 0.33% in November 2011 to total \$20.97 billion, in line with analogous retail growth recorded in September and October (both also approximately 0.3%). For the three months to November 2011 compared with the previous three months, retail turnover was accordingly 0.94% higher in trend terms. Over the year to November 2011, the trend increase in retail turnover was 3.14%.

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The trend estimate of Queensland's retail turnover increased by 0.22% in November 2011 – enough to secure a twelfth consecutive monthly increase and take total turnover to \$4.28 billion. For the three months to November 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 3.74 %.

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 (December 2011), projected Gross Domestic Product (GDP) to reach 3.2% for 2011-12 and 3.4% 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.

¹⁰ ABS Cat No. 8501.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/productsbyCatalogue/3DDA13ECDC094B1CCA257734002042F2?OpenDocument>

¹¹ ABS Cat No. 5206.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CA25768D0021E2C7?opendocument>

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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%.

Access Economics (December 2011) recorded 0.2% growth in Queensland's GSP for 2010-11. GSP is forecast to increase by a healthy 5.7% in 2011-12.

Despite significant variation in sectoral performance in the state – including a depressed housing market, embattled tourism industry and mixed retail results – the rebounding resources sector continues to provide a powerful engine of growth. Access Economics acknowledged that while ongoing risks of economic destabilisation in Europe remain, the slew of massive infrastructure and engineering projects that are helping drive the state's economic recovery are now 'truly underway and committed', and may well hold up in the event of further trouble abroad.

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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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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