



# Queensland Parliamentary Library

Research and Information Service

## Weekly Economic Indicators: Queensland and Australia

20/02/12

### **Summary**

The Australian sharemarket rebounded from mid-week losses to close higher on Friday but lower across the week, with disappointing corporate earnings reports and ongoing uncertainty surrounding the Greek debt bailout putting a dampener on investor sentiment. The All Ords. dropped just over 45 points to close at 4307.23 pts for the week, and the Australian dollar also slipped slightly to US\$1.0666.

Growing concerns about Middle Eastern supply lines saw international oil prices rise, with Tapis crude trading up US\$3.64 for the week at US\$129.84 a barrel. Spot gold also recovered from last week's opening loss for the year to close at US\$1723.00 an ounce (up US\$11.5); while sugar, cotton and cattle were all down slightly for the week.

The latest Queensland State Accounts showed that Gross State Product rose to 0.8% in the September quarter 2011, exceeding growth in the Rest of Australia (0.7%) and building on the June quarter 2011's recorded 0.6% increase. Over the year to the September quarter, GSP growth stands at 1.4%. However, revised estimates for Queensland's economic performance in 2010-11 showed an average growth rate of 0.2% as a result of the adverse impacts of natural disasters in the March quarter, and in contrast to average Rest of Australia growth of 2.4%.

New employment figures showed the national trend unemployment and participation rates remained unchanged in January 2012 at 5.2% and 65.3% respectively. Queensland's trend unemployment and participation rates both decreased slightly across the month to 5.1% and 73.5% (down 0.2% and 0.1%).

### **Market Monitor**

	<b>Price (Last Week)</b>
AUD\$/US\$	↓ \$1.0666
All Ord. Share Index	↓ 4307.23 pts
Cattle Futures (EYCI)	↓ 390.30 Ac/Kg
Sugar (ICE No.11 Futures)	↓ 23.65 USc/lb
Cotton (No. 2 Futures)	↓ 94.03 USc/lb
Tapis Crude Oil (week-end Spot)	↑ 129.84 US\$/bbl
Gold (week-end London PM Fix)	↑ 1723.00 US\$/oz

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## Tourism Accommodation<sup>1</sup>

### 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).

### Queensland

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 Payments<sup>2</sup>

### National

Australia recorded a 4.93% trend decline on its November balance of payments surplus in December 2011, slipping \$83 million to a reduced surplus of \$1.60 billion. Exports inched marginally higher to \$27.60 billion – an increase of \$103 million or 0.38%. However, imports rose slightly more across the month (0.72% or \$186 million), increasing from \$25.81 in November 2011 to \$25.99 million in December.

## Labour Force<sup>3</sup>

### National

In the latest ABS Labour Force release, the national unemployment rate remained unchanged at 5.2% in January 2012, having shown little appreciable movement in recent months. The trend participation rate also held steady, remaining at the December 2011 level of 65.3%.

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<sup>1</sup> ABS Cat No. 8635.0

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

<sup>2</sup> ABS Cat No. 5368.0

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

<sup>3</sup> ABS Cat No. 6202.0

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

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## Queensland

Queensland's trend unemployment rate decreased by 0.2% in January 2012, to 5.1%. The December trend participation rate also dropped slightly to 73.5% (down 0.1%).

### Employment by Industry<sup>4</sup>

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
<b>Total</b>	<b>1678.2</b>	<b>666.6</b>	<b>2344.2</b>	<b>100.00</b>

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

<sup>4</sup> ABS Cat No. 6291.0.55.003  
<http://abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/35006594EB1126B2CA257132000F9189?opendocument>

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## Interest Rates<sup>5</sup>

### **RBA Cash Rate**

At the RBA meeting on 7 February 2012, the Reserve Bank board voted to leave the cash rate unchanged at 4.25%, to retain the rate at its lowest level since April 2010.

The unexpected decision is based on lower forecasts for world GDP growth this year. Concerns regarding European sovereign debt and banks are continuing, however the RBA considers some progress has been made since early December, particularly in European financial markets.

In Australia, growth is expected to be close to trend and inflation close to the target range of 2-3%. While the exchange rate has risen further, the terms of trade have started to decline, reflecting the fall of the euro against all currencies. The RBA reports that the Australian dollar is somewhat higher than assumptions predicted, and the RBA Board will closely monitor the exchange rate to determine if any future interest rate movements are required.

*“The Board noted that interest rates for borrowers have declined to be close to their medium-term average, as a result of the actions at the Board's previous two meetings. With growth expected to be close to trend and inflation close to target, the Board judged that the setting of monetary policy was appropriate for the moment.”*

### **RBA Standard Variable Housing Loan Indicator Rate**

The Reserve Bank's calculation of the average standard variable interest rate for home loans has remained steady at 7.30% as at the end of January 2012.

## Consumer Price Index<sup>6</sup>

Between the September and December quarters 2011 the national CPI remained steady at 0.0%, resulting in a 3.1% annual rise. The September quarter 2011 CPI for Brisbane decreased 0.2%, bringing the year-to-date increase to 2.4%.

## Private Capital expenditure<sup>7</sup>

### **National**

Between the June and September 2011 quarters, the Australian chain volume trend estimate of private new capital increased by 8.19% to

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<sup>5</sup> 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>

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

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

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\$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%.

### **Queensland**

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 Approvals<sup>8</sup>**

### **National**

The national trend estimate for total dwelling approvals declined for the fourteenth consecutive month in December 2011, down 1.8% to 11,189. For the three months to December 2011 compared with the previous three months, the trend estimate of dwelling approvals fell 7.0%. Over the year to December 2011, the long-term slowdown has contributed to an overall trend decline of 19.3%.

### **Queensland**

The trend estimate for total dwelling units approved in Queensland in December 2011 was 2116 dwelling units, an increase of 1.4% on the November estimate, and a reversal of the slowdowns recorded in the previous five months. For the three months to December 2011, compared with the previous three months, the trend estimate of dwelling approvals decreased 3.9%. In annual terms, trend approvals are down 10.3% on the December 2010 estimate.

## **Housing Finance<sup>9</sup>**

### **National**

The trend value of housing finance commitments (owner occupation) in Australia increased 0.69% to \$13.9 billion in the month of December

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<sup>8</sup> ABS Cat No. 8731.0

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

<sup>9</sup> ABS Cat No. 5609.0

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

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2011, with the modest increases of the previous months continuing. For the three months to December 2011, compared with the previous three months, the trend value of commitments rose by 1.86%. Over the year to December 2011 there has been an increase of 3.78% in the trend estimate for the total value of dwelling finance commitments.

### **Queensland**

In December 2011, the trend value of housing finance commitments for owner occupied dwellings increased by 0.48% to \$2.36 billion. The trend value of commitments increased only slightly, by 0.85% overall, across the three months to December 2011 compared with the previous three months. For the year to December 2011, the State recorded a slight increase of 0.31% in the trend value of housing finance commitments.

## **Retail Trade<sup>10</sup>**

### **National**

Australia's trend retail turnover rose by 0.16% in December 2011 to total \$20.96 billion, extending the consecutive run of similarly incremental increases to fourteen months in total. For the three months to December 2011 compared with the previous three months, retail turnover was 0.72% higher in trend terms. Across the year to December 2011, the trend increase in retail turnover reached 2.97%.

### **Queensland**

Queensland recorded its first decrease in retail turnover in a year in December 2011, with the trend turnover estimate decreasing by 0.07% to \$4.25 billion. For the three months to December 2011, compared with the previous three months, retail turnover was 0.10% higher in trend terms. Compared to a year earlier, retail spending in Queensland was up 2.92%.

## **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.<sup>11</sup>

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.

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<sup>10</sup> ABS Cat No. 8501.0

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

<sup>11</sup> ABS Cat No. 5206.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CA2A25768D0021E2C7?opendocument>

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## Queensland

The latest Queensland State Accounts show that Gross State Product (GSP) rose 0.8% in the September quarter 2011 in trend terms, following an increase of 0.6 percent in the June quarter 2011.<sup>12</sup> Growth in the Rest of Australia was slightly lower at 0.7% for the September quarter 2011. However, over the year to the September quarter 2011, GSP rose a total 1.4% in Queensland, while gross Rest of Australia product grew by 2.3% over the same period.

While several components have changed in the revised estimates for Queensland's economic performance in 2010-11, Queensland's average growth estimate is unchanged at 0.2%. In contrast, average Rest of Australia growth for the year was 2.4%.

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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<sup>12</sup> 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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