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Research and Information Service

Weekly Economic Indicators: Queensland and Australia

02/04/12

Summary

Despite a flat close on Friday, the Australian market rose around 40 points across the week to reach 4404.05 points – just a few points off its eight-month high. The Australian dollar remained above parity but continued its recent fallback against its US counterpart, slipping to US\$1.0377.

Tapis crude oil recovered some of its recent losses to reach 133.04 US\$ a barrel, while cotton prices also jumped around four percent or 3.65 cents to 93.33 US cents a barrel. In contrast, signs of rising market supply contributed to drops in cattle and sugar prices, with spot gold also declining marginally to 1662.50 US\$ an ounce (a US\$1.50 loss).

The latest ABS figures show building approvals continued to decline at the national level in February 2012, slipping around 1.5% across the month. Down 5.2% across the three months to February 2012 compared to the previous three months, the recorded decline in approvals now stands at almost 18% for the year (from February 2011).

In contrast Queensland building approval figures rose for the third month in a row, posting a monthly increase of 1.5% and overall growth of 4.5% across the three months to February 2012 compared to the previous three months.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↓ \$1.0377
All Ord. Share Index	↑ 4404.05 pts
Cattle Futures (EYCI)	↓ 393.80 Ac/Kg
Sugar (ICE No.11 Futures)	↓ 24.53 USc/lb
Cotton (No. 2 Futures)	↑ 93.33 USc/lb
Tapis Crude Oil (week-end Spot)	↑ 133.04 US\$/bbl
Gold (week-end London PM Fix)	↓ 1662.50 US\$/oz

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Tourism Accommodation*

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†

National

Australia recorded a 49% trend decline on its December balance of payments surplus in January 2012, slipping \$371 million to a reduced surplus of \$373 million. In seasonally adjusted terms, this equates to a \$673 million deficit for the month, driven by reduced exports in iron ore and coal. Exports declined by 8% to \$25.372 billion while imports were also down (1% or \$281 million), from \$26.326 in December 2011 to \$26.045 million in January 2012, seasonally adjusted.

Labour Force‡

National

In the latest ABS Labour Force release, the national unemployment rate remained unchanged at 5.2% in February 2012, having shown little appreciable movement in recent months. The trend participation rate declined slightly, to be 65.2% (down 0.1%) for the month.

* ABS Cat No. 8635.0

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

† ABS Cat No. 5368.0

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

‡ 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 remained unchanged in February 2012, at 5.5%. The February trend participation rate dropped slightly to 67.1% (down 0.1%).

Employment by Industry[§]

There were approximately 2,320,900 employed persons in Queensland as at February 2012. The five industries with the most number of employed persons were health care and social assistance (282,900), retail trade (249,200), construction (230,100), education and training (179,000) and manufacturing (177,000). Those industries employing the least number of persons included information, media and telecommunications (30,000), arts and recreation services (40,700), electricity, gas, water and waste services (42,200), and rental, hiring and real estate services (58,400).

Employed Persons by Industry - Queensland: Original

'000	Full Time	Part Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	20.8	53.7	74.5	3.21
Mining	1.6	62.7	64.3	2.77
Manufacturing	22.9	154.1	177.0	7.63
Electricity, Gas, Water and Waste Services	2.3	40.0	42.2	1.82
Construction	35.4	194.6	230.1	9.91
Wholesale Trade	10.9	61.1	72.1	3.10
Retail Trade	118.3	130.9	249.2	10.74
Accommodation and Food Services	90.2	64.4	154.6	6.66
Transport, Postal and Warehousing	15.4	113.4	128.7	5.55
Information Media and Telecommunications	7.4	22.6	30.0	1.29
Financial and Insurance Services	11.2	54.0	65.2	2.81
Rental, Hiring and Real Estate Services	15.4	43.0	58.4	2.52
Professional, Scientific and Technical Services	35.2	108.2	143.4	6.18
Administrative and Support Services	30.0	49.9	79.9	3.44
Public Administration and Safety	18.0	134.5	152.5	6.57
Education and Training	68.4	110.6	179.0	7.71
Health Care and Social Assistance	105.7	177.2	282.9	12.19
Arts and Recreation Services	16.0	24.7	40.7	1.75
Other Services	25.6	70.7	96.3	4.15
Total	650.6	1670.3	2320.9	100.00

Source: ABS Cat No. 6291.0.55.003 Labour Force, Detailed (Feb 2012).

[§] ABS Cat No. 6291.0.55.003

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

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Interest Rates**

RBA Cash Rate

At the RBA meeting on 6 March 2012, the Board voted to leave the cash rate unchanged at 4.25%, to retain the rate at its lowest level since April 2010.

The decision comes as a result of improving conditions both domestically and abroad. In Australia, growth and inflation remain on target in the 2-3% range and unemployment fell slightly to 5.2%. There was better than expected economic data in the US and continuing efforts in Europe to address sovereign debt. China moderated its growth expectation to 7.5%; however the medium to long term outlook for China remains robust.

The Board indicated that conditions would be closely watched and monetary policy may be adjusted to maintain growth and inflation targets.

“The Board will continue to monitor information on economic and financial conditions and adjust the cash rate as necessary to foster sustainable growth and low inflation.”

RBA Standard Variable Housing Loan Indicator Rate

The Reserve Bank’s calculation of the average standard variable interest rate for home loans increased marginally to 7.40% as at the end of February 2012.

Consumer Price Index††

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

Private Capital expenditure#

National

Between the September and December 2011 quarters, the Australian chain volume trend estimate of private new capital increased by 5.91% to \$38.74 billion. Expenditure on equipment, plant and machinery increased by 2.12%, while expenditure on buildings and structures increased by 8.08%.

Over the twelve months from December 2011 to December 2012, total private new capital expenditure increased by 32.34%. Expenditure on

** 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>

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

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

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equipment, plant and machinery increased by 14.73% across the year, while expenditure on buildings and structures rose by a solid 47.36%.

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Between the September and December 2011 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 8.05% to \$10.83 billion.

A year-on-year comparison of the December quarters 2011 to 2012 shows Queensland's total private new capital expenditure increased by 74.60%. Expenditure on equipment, plant and machinery increased by a significant 40.71% to \$4.03 billion. However, in line with national developments, spending on building and structures accounted for the largest proportion of expenditure growth in Queensland, having more than doubled across the year (rising from \$3.35 billion to \$6.81 billion).

Building Approvals^{§§}

National

The national trend estimate for total dwelling approvals continue its decline for the sixteenth consecutive month in February 2012, decreasing 1.5% to 11,064. For the three months to February 2012 compared with the previous three months, the trend estimate of dwelling approvals fell 5.2%. Over the year to February 2012, the overall trend decline now stands at almost 18.0% (17.99%).

Queensland

The trend estimate for total dwelling units approved in Queensland increased for the third month in a row in February 2012, rising by 1.5% to approximately 2,248 approved units. The result further builds on the initial turnaround and rise recorded in December and January, with approvals increasing by 4.5% in total across the three months to February 2012 compared with the previous three months. The recovery means that the current trend estimate for total dwelling units approved in Queensland is now only marginally below the figure recorded a year earlier (0.1%).

Housing Finance^{*}**

National

The trend value of housing finance commitments (owner occupation) in Australia increased by a modest 0.79% in January 2012, to total \$14.07 billion. On the back of a number of similarly slight increases in previous months, the trend value of commitments rose 2.41% across the three

^{§§} ABS Cat No. 8731.0

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

^{***} ABS Cat No. 5609.0

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

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months to January 2012, compared with the previous three months. This latest trend estimate puts the value of the nation's dwelling finance commitments approximately 6.29% higher across the year (as compared with January 2011 estimates).

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings was \$2.44 billion in January 2012, up 1.11% on the December 2011 estimate. The trend value of commitments increased by 2.62% across the three months to January 2012, compared with the previous three months. For the year to January 2012, the trend value of the state's housing finance commitments rose by 6.97%.

Retail Trade^{†††}

National

Despite experiencing a slight slowdown in growth in January 2012, Australia's trend retail turnover rose by 0.06%, to total \$20.96 billion overall. This latest increase marks the fifteenth consecutive incremental monthly rise in trend turnover. For the three months to January 2012 compared with the previous three months, retail turnover was 0.52% higher in trend terms. Across the year to January 2012, turnover increased by 2.73%.

Queensland

After December 2011's first decrease in trend retail turnover in a year, Queensland recovered slightly with retail growth of 0.07% in January 2012, taking trend turnover to \$4.27 billion. For the three months to January 2012 compared with the previous three months, retail turnover was 0.22% higher in trend terms. Compared to January 2011 figures, retail spending was up 3.02%.

Economic Growth Outlook

National

The latest ABS National Accounts data shows Australian Gross Domestic Product (GDP) increased by 0.8% in chain volume trend terms in the December quarter 2011, to be 2.8% higher over the year but below forecast expectations.^{†††}

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

^{†††} ABS Cat No. 8501.0

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

^{†††} ABS Cat No. 5206.0

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

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October 2011 forecasts, with the resource rich states experiencing strong external demand.

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.^{sss} 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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^{sss} OESR, Queensland State Accounts, September Quarter 2011.

<http://www.oesr.qld.gov.au/products/publications/qld-state-accounts/qld-state-accounts-201109.pdf>

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