



# Queensland Parliamentary Library

Research and Information Service

## Weekly Economic Indicators: Queensland and Australia

10/04/12

### Summary

The Australian market overcame a last minute dip to record a reasonably flat finish to the shortened Easter trading week, as fresh concerns about European markets and weaker than expected Australian trade figures weighed on investor sentiment. Despite economists forecasting a surplus of around \$1.1 billion, new balance of payments data showed the country recorded a surprise trade deficit of \$451 million in trend terms in February 2012 (\$480 million, seasonally adjusted). Late gains helped ensure the All Ords. still rose across the week to 4415.52 points (up 11.47 points); but the news saw the Aussie dollar sustain further losses against the greenback, slipping to US\$1.0278.

In commodities markets, spot gold was trading lower at US\$1631.00 an ounce, while Tapis crude oil was worth US\$131.30 a barrel – down US\$1.74 across the week. Cotton and sugar also declined as cautious investors looked for further signals from market heavyweights India and Brazil; while the Eastern Young Cattle Indicator fell 2.38 Australian cents to 391.42 Ac/Kg.

At the Reserve Bank meeting on 3 April 2012, the board once again voted to leave the official cash rate on hold at 4.25%, but indicated a cut may be on the way in the near future.

Retail figures for February 2012 showed with lower-than-expected growth in turnover in Australia and Queensland, at just 0.07% and 0.4% respectively. National tourism accommodation figures were slightly more promising, rising both in the December 2011 quarter and across the year. However, guest nights in Queensland hotels, motels and services apartments decreased by 2.35% for the quarter, and were below recorded December 2010 levels.

### Market Monitor

	Price (Last Week)
AUD\$/US\$	↓ \$1.0278
All Ord. Share Index	↑ 4415.52 pts
<a href="#">Cattle Futures</a> (EYCI)	↓ 391.42 Ac/Kg
<a href="#">Sugar</a> (ICE No.11 Futures)	↓ 24.46 USc/lb
<a href="#">Cotton</a> (No. 2 Futures)	↓ 92.72 USc/lb
<a href="#">Tapis Crude Oil</a> (week-end Spot)	↓ 131.30 US\$/bbl
<a href="#">Gold</a> (week-end London PM Fix)	↓ 1631.00 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 1.39% in the December quarter 2011, to number 24.06 million. The result further builds on the turnaround recorded in the September quarter, lifting accommodation figures back above the 24.05 million guest nights recorded in December 2010 for the first time. Total guest nights for the second half of 2011 numbered 47.80 million, compared to a combined 44.27 million for the March 2011 and June 2011 quarters.

### Queensland

Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) decreased by 2.35% in December 2011, to 7.09 million. The decline followed a significant 19.07% rise in accommodation figures in the previous, September 2011 quarter.

The strong September results mean the combined guest nights for the last two quarters are, at 14.35 million, still significantly higher than the combined 12.08 million guest nights recorded in the March 2011 and June 2011 quarters. However, accommodation figures for December 2011 are down 0.44% on the 7.12 million guest nights recorded at the same time a year earlier (in December 2010).

## Balance of Payments†

### National

Australia's balance of payments slipped from surplus to deficit in trend terms in February 2012, with the \$479 million trend decline on January's \$28 million surplus resulting in an overall deficit of \$451 million. While imports, at \$25.63 billion, were down 0.47% across the month in trend terms, exports slipped by a larger 2.33%, to \$25.18 billion. In seasonally adjusted terms, these losses equated to an overall goods and services deficit of \$480 million in February 2012.

## 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

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\* 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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appreciable movement in recent months. The trend participation rate declined slightly, to be 65.2% (down 0.1%) for the month.

### Queensland

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<sup>§</sup>

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
<b>Total</b>	<b>650.6</b>	<b>1670.3</b>	<b>2320.9</b>	<b>100.00</b>

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

<sup>§</sup> 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 3 April 2012, the Board voted to leave the cash rate unchanged at 4.25%, retaining the rate at its lowest level since April 2010.

In Australia, output growth is below trend, with different industry sectors performing at different levels. However, unemployment figures remain largely unchanged. Inflation is expected to remain in the 2-3 percent range for the next few years.

The world economy is growing at below-trend levels, with the US economy expanding moderately and growth in China likely to remain at a “*measured and sustainable pace*” in the future. Conditions in Europe remain a source of concern, and it is expected that this will remain the case throughout the rest of the year.

With major economic and inflation data due out by the end of April 2012, the Board has opted to wait for additional information before moving the interest rate level, possibly as early as the next meeting due on 1 May.

*“The Board judged the pace of output growth to be somewhat lower than earlier estimated, but also thought it prudent to see forthcoming key data on prices to reassess its outlook for inflation, before considering a further step to ease monetary policy.”*

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

The Reserve Bank’s calculation of the average standard variable interest rate for home loans remained steady at 7.40% as at the end of March 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%.

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\*\* 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>

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

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

### Queensland

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<sup>§§</sup>

### 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

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<sup>‡‡</sup> ABS Cat No. 5625.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EA CA257235007866B1?OpenDocument>

<sup>§§</sup> ABS Cat No. 8731.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0545FFC6A101264DC A25719F007F6F1F?OpenDocument>

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in Queensland is now only marginally below the figure recorded a year earlier (0.1%).

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

### **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 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<sup>†††</sup>**

### **National**

Retail trade increased only slightly in February 2012 in Australia, rising by 0.07%, to total \$20.97 billion overall. For the three months to February 2012 compared with the previous three months, retail turnover was 0.38% higher in trend terms. Across the year to February 2012, turnover increased by 2.45%.

### **Queensland**

Queensland retail trade increased 0.4% in February 2012, taking trend turnover to \$4.32 billion. For the three months to February 2012 compared with the previous three months, retail turnover was 0.92% higher in trend terms. Compared to a year earlier, retail spending has increased 3.65%.

## **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

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<sup>\*\*\*</sup> ABS Cat No. 5609.0

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

<sup>†††</sup> ABS Cat No. 8501.0

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

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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 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. 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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## ABS Cat No. 5206.0

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

§§§ 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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