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Weekly Economic Indicators:

Queensland and Australia

18/06/12

Summary

The local market finished the trading week on a high on Friday, having fought off concerns about credit downgrades for Spain and Cyprus and the looming weekend elections in Greece, to post gains across a number of sectors. The rising prices sent the All Ords. up 17.20 points to an average 4106.86 points for the week, and the Australian dollar also performed well, and even pushed back above parity with the greenback for a brief period; before settling just below its American counterpart at $US0.9899 on average.

Tapis crude oil continued its decline, with the spot price dropping a further 43 cents to $US105.71 a barrel. However, for other commodities it was mostly good news. Cotton prices surged by a whopping 7.31 cents to 78.82 USc/lb – an increase of more than 10%, secured largely on the back of monster export sales out of the US. Cattle and sugar also consolidated thin gains recorded in the previous week to climb by a respectable 2% and 4%, to 374.56 Ac/kg and 20.31 USc/lb; and spot gold rose by a similar amount, pegging itself back above US$1600 once again to buy at $US1627.25 an ounce (up from $US 1584.00).

The latest industry employment data for Queensland revealed that health care and social assistance, retail trade, and construction, continued to be the largest three sectoral employers in May 2012, engaging a respective 289,600 (12.38%), 243,300 (10.40%) and 222,700 (9.52%) of the State's total employed persons. The largest industry-wide growth in employment occurred in mining, with numbers surging by almost 17% to 75,183 employed persons or approximately 3.21% of State employment overall – up from 64,260 employees or around 2.77% of employment in February 2012. Information media and communications (32,800); arts and recreation services (41,700); and electricity, gas, water and waste services (45,100), remained the smallest industries in Queensland in terms of employment.

Market Monitor

	Price (Last Week)
AUD$/US$	↑$0.9899
All Ord. Share Index	↓ 4106.86 pts
Cattle Futures (EYCI)	↑ 374.56 Ac/kg
Sugar (ICE No.11 Futures)	↑ 20.31 USc/lb
Cotton (No. 2 Futures)	↓ 78.82 USc/lb
Tapis Crude Oil (week-end Spot)	↓ 105.71 US$/bbl
Gold (week-end London PM Fix)	↓ 1627.25 US$/oz

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Tourism Accommodation[1]

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[2]

National

Australia's balance of payments was a deficit in trend terms in April 2012, with a $112 million trend decline on March's deficit to an overall deficit of $1.025 billion. Both imports, at $26,144 billion, and exports at $25,199 billion, showed only slight variation from March figures of $26,126 billion and $25,213 billion, respectively. In seasonally adjusted terms, these losses equated to an overall goods and services deficit of $203 million.

Labour Force[3]

National

In the latest ABS Labour Force release, the national unemployment rate remained steady at 5.1% in May 2012. The trend participation rate also remained steady across the month, at 65.3%, for the sixth consecutive month.

Queensland

Queensland's trend unemployment rate remained steady in May 2012, at 5.5%, for the sixth consecutive month. The May trend participation rate decreased slightly to 66.7%.

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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 Industry[4]

There were approximately 2,339,600 employed persons in Queensland as at May 2012. The five industries with the largest number of employed persons were health care and social assistance (289,600), retail trade (243,300), construction (222,700), education and training (177,300) and manufacturing (170,900). Those industries employing the smallest number of persons included information, media and telecommunications (32,800), arts and recreation services (41,700), electricity, gas, water and waste services (45,100), and rental, hiring and real estate services (53,000).

Employed Persons by Industry - Queensland: Original

'000	Full Time	Part Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	17.7	66.4	84.1	3.60
Mining	2.8	72.4	75.2	3.21
Manufacturing	23.1	147.8	170.9	7.31
Electricity, Gas, Water and Waste Services	2.1	42.9	45.1	1.93
Construction	35.7	187.1	222.7	9.52
Wholesale Trade	11.5	60.2	71.7	3.07
Retail Trade	121.4	121.9	243.3	10.40
Accommodation and Food Services	88.6	73.2	161.8	6.91
Transport, Postal and Warehousing	22.2	99.2	121.4	5.19
Information Media and Telecommunications	7.5	25.3	32.8	1.40
Financial and Insurance Services	12.2	59.5	71.7	3.06
Rental, Hiring and Real Estate Services	13.4	39.6	53.0	2.26
Professional, Scientific and Technical Services	34.8	124.2	159.0	6.80
Administrative and Support Services	30.4	49.3	79.7	3.41
Public Administration and Safety	21.3	124.4	145.7	6.23
Education and Training	73.2	104.1	177.3	7.58
Health Care and Social Assistance	103.8	185.8	289.6	12.38
Arts and Recreation Services	19.2	22.5	41.7	1.78
Other Services	25.4	67.5	93.0	3.97
Total	666.5	1673.1	2339.6	**100.00**

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

Interest Rates[5]

At the RBA meeting on 5 June 2012, the Board voted to lower the cash rate by 0.25% to 3.50%.

The Board decision to lower the cash rate was again influenced by European political uncertainty and weakening economic conditions, as well as continuing moderation of growth in China.

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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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In Australia, inflation is expected to remain in the 2-3 per cent range and the recent decline in the value of the Australian dollar to below parity has also provided the Board with the incentive to reduce the cash rate.

The March quarter National Accounts revealed stronger than expected economic growth data, with recorded growth of 1.3% driven largely by buoyant mining sector investment and strong household consumption. Expectation of further cash rate reductions in coming months has been dampened by the strong economic growth result.

The official cash rate is now at its lowest point since December 2009.

Consumer Price Index[6]

Between the December 2011 and March 2012 quarters 2011 the national CPI rose by 0.1%, resulting in a 1.6% rise overall across the year. The March quarter 2012 CPI for Brisbane increased by 0.2%, bringing the year-to-date increase to 1.3%.

Private Capital Expenditure[7]

National

Between the December 2011 and March 2012 quarters, the Australian chain volume trend estimate of private new capital increased by 4.25% to $40.07 billion. Expenditure on equipment, plant and machinery rose by 0.32%, while expenditure on buildings and structures contributed the larger share of both overall investment and spending growth, increasing by 6.42% (to $24.15 billion).

Over the twelve months from March 2011 to March 2012, total private new capital expenditure has increased by 28.32%. Expenditure on equipment, plant and machinery increased by 8.15% across the year, while expenditure on buildings and structures rose by a solid 45.32%.

Queensland

Between the December 2011 and March 2012 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 3.55% to $10.73 billion.

A year-on-year comparison of the March quarters 2011 and 2012 shows Queensland's total private new capital expenditure has increased by 90.20%. Expenditure on equipment, plant and machinery increased by a significant 12.10% to $3.51 billion. However, in line with national developments, spending on building and structures also accounted for the largest proportion of expenditure growth in Queensland, having risen by 77.32% across the year to $7.17 billion.

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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/C6EF1D79E13B24EACA257235007866B1?OpenDocument

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Building Approvals[8]

National

After a fleeting, one-month resurgence in March, the national trend estimate for total dwelling approvals returned to its previous, 15-month-long pattern of declines in April 2012, with approvals falling by 1.30% to approximately 10,810. Across the three months to April 2012 compared with the previous three months, the trend estimate of dwelling approvals fell by 4.07%. Over the year to April 2012, the overall trend decline now stands at 16.58%.

Queensland

The trend estimate for total dwelling units approved in Queensland also decreased in April 2012, falling by 0.78% to 2,155 approved units. Across the three months to April 2012 compared with the previous three months approvals were still up by 0.63%, thanks largely to a recorded rise in February. However, the trend estimate for total dwelling units approved in Queensland is down around 1.82% on the April 2011 estimate.

Housing Finance[9]

National

The trend value of housing finance commitments (owner occupation) in Australia decreased by 0.5% in April 2012, to $13.54 billion. The decline followed a similar decrease for the previous five months, and as a result, the trend value of commitments across the three months to April was 0.9% lower than equivalent commitments across the previous three months. The latest trend estimate puts the value of the nation's dwelling finance commitments approximately 3.29% higher across the year (as compared with the April 2011 estimate).

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings was $2.49 billion in April 2012, up 0.45% on the March 2012 estimate. The trend value of commitments increased by 3.09% across the three months to April 2012, compared with the previous three months. For the year to April 2012, the trend value of the state's housing finance commitments rose by 11.13%.

Retail Trade[10]

National

Retail trade increased only slightly in April 2012 in Australia, rising by 0.3%, to total $21.208 billion overall. For the three months to April 2012 compared with the previous

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8 ABS Cat No. 8731.0
http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0545FFC6A101264DCA25719F007F6F1F?OpenDocument

9 ABS Cat No. 5609.0
http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/05DBCE56402EC566CA25723D000F2999?OpenDocument

10 ABS Cat No. 8501.0
http://www.abs.gov.au/AUSSTATS/abs@.nsf/productsbyCatalogue/3DDA13ECDC094B1CCA257734002042F2?OpenDocument

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three months, retail turnover was 0.87% higher in trend terms. Across the year to April 2012, turnover increased by 3.1%.

Queensland

Queensland retail trade increased 0.6% in April 2012, taking trend turnover to $4.388 billion. For the three months to April 2012 compared with the previous three months, retail turnover was 1.7% higher in trend terms. Compared to a year earlier, retail spending has increased 4.32%.

Economic Growth Outlook

National

The latest ABS National Accounts data shows Australian Gross Domestic Product (GDP) increased by 0.9% in chain volume trend terms in the March quarter 2012, to be 3.6% higher over the year. Economic growth is now at its highest point since September 2007.[11]

Economic forecaster Access Economics, in its latest set of forecasts for the Australian economy (March 2012), projected GDP growth of 2.9% for 2011-12, climbing to 3.2% in 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 Queensland State Accounts for the September quarter 2011 show that Gross State Product (GSP) increased 0.8% in trend terms.[12] Growth in the Rest of Australia increased 0.7% for the September quarter 2011. Over the year to the September quarter 2011, Queensland GSP increased by 1.4%, 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 (March 2012) recorded 0.2% growth in Queensland's GSP for 2010-11. GSP is forecast to increase by a healthy 5.1% in 2011-12 – a slight downward revision to the December 2011 growth forecast.

The State's economy remains characterised by significant variation not only in sectoral terms, but also across regions, prompting Access Economics to declare Australia's two-speed economic split to be 'writ large' in Queensland. The high Aussie dollar has had unfortunate impacts on the tourism and manufacturing industries, and the State's housing and construction sectors are also struggling to gain steam, with cities like Cairns and the Gold Coast in particular feeling the effects. At the same time, the post-flood rebound in coal and farm sector production has ensured the State's recovery proceeds apace, with the stunning boom in resource development helping growth to 'roar back into life'. LNG projects have figured heavily in a massive surge in new engineering construction activity recorded in 2011 – accounting for almost 8% of State

[11] ABS Cat No. 5206.0
http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CACA25768D0021E2C7?opendocument

[12] OESR, Queensland State Accounts, September Quarter 2011.
http://www.oesr.qld.gov.au/products/briefs/qld-state-accounts/qld-state-accounts-201109.pdf

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demand, and bringing with it a range of new economic opportunities and employment challenges. As a result, Access Economics concludes that while 'the patchiness in the State's economy is still very evident', Queensland 'as a whole has its mojo back'.

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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