



Weekly Economic Indicators:

Queensland and Australia

03/12/12

Summary

Commodity prices including iron ore and gold fell across the week, while the Aussie dollar increased very slightly against the greenback, as the US 'fiscal cliff' end date moved a week closer with no sign of agreement between the opposing Democrat and Republican parties.

While the economic outlook for Europe remains close to recession, the economic data from China supports the encouraging view that growth levels will improve in 2013, which will potentially provide a boost for Australian resource commodities and equities.

The Australian Bureau of Statistics released its latest Retail Trade data for October 2012, with weak data showing only a slight increase in the trend estimate for Australia of 0.2%, to be \$21.58 billion. In Queensland, trend retail spending also increased just 0.2% over the month, with other States and Territories recording only modest growth or no growth at all.

The ANZ Job Advertisement series showed that for November 2012, the number of job advertisements fell 2.9%, following eight months of consecutive downward movement, to be 17% lower than one year ago.

The disappointing job advertisement data, as well as the soft Retail Trade data, will add to the speculation that the Reserve Bank of Australia Board will cut interest rates at its December meeting tomorrow, possibly by as much as 50 basis points.

As the end of year economic reporting season commences, this week will see major economic data released, including National Accounts, GDP growth, unemployment rates and trade data.

Market Monitor*

	Price (Last Week)
AUD\$/US\$	↑ \$1.0397
All Ord. Share Index	↑ 4477.53 pts (average)
Cattle Futures (EYCI)	↓ 331.90 Ac/kg
Sugar (ICE No.11 Futures)	↓ 19.24 USc/lb
Cotton (No. 2 Futures)	↓ 71.89 USc/lb
Iron Ore 62% Fe	↓ 121.00 US\$/t
Mogas95 [#]	↓ 120.06 US\$/bbl
Gold (week-end London PM Fix)	↓ 1726.00 US\$/oz

* ABARES Market Monitor. http://www.daff.gov.au/abares/market_monitor/emarketmonitor.xls

[#] Mogas 95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

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Tourism Accommodation¹

National

Total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) decreased by 7.9% in the June quarter 2012, to number 21.67 million. The result followed a decrease of 2.3% in the March quarter 2012, in line with the national seasonal pattern of a softening in the first half of the year, prior to the typical upsurge in the September and December quarters.

The combined total guest nights for these two most recent quarters was, at 45.19 million, approximately 5.5% below than the combined 27.8 million guest nights recorded in the September 2011 and December 2011 quarters. Despite the drop, however, the June quarter 2012 result was still marginally (approximately 0.1%) higher than the 21.64 million guest nights recorded in June 2011.

Queensland

Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) decreased by 3.1% in June 2012, to 6.18 million. The decline marked the third consecutive quarterly decline in figures, after falls of 10.1% and 2.3% respectively in the December 2011 and March 2012 quarters.

As a result, the combined guest nights for the March and June quarters were, at 12.56 million, approximately 12.5% lower than the combined 14.35 million guest nights recorded in the September 2011 and December 2011 quarters. However, accommodation figures for June 2012 are up by 1.4% on the 6.10 million guest nights recorded at the same time a year earlier (in the June quarter 2011).

Balance of Payments²

National

Australia's balance of payments was a deficit of \$1.555 billion in trend terms in September 2012 – an increase of 8.4%, or \$130 million on the lesser, \$1.425 billion trend deficit recorded in August 2012. In a month of reduced trade volumes all round, the retreat came as exports slipped by a relatively larger 1.4% or \$326 million (to \$24.560 billion) to imports' 0.9%, \$236 million decline (to \$26.114 billion respectively). In seasonally adjusted terms, these changes resulted in an overall goods and services deficit of \$1.456 billion – a reduction of \$420 million (28.8%) on the deficit recorded in August 2012.

Labour Force³

National

In the latest ABS Labour Force release, the trend estimate national unemployment rate increased by 0.1% to 5.4% in October 2012. The trend participation rate declined slightly across the month, to be 65.1% in October 2012.

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

Queensland's trend unemployment rate rose for the fifth month in a row in October 2012, increasing from 6.1% to 6.2%. The trend unemployment rate is at its highest rate for nine years. The trend participation rate continued its decline, to be 66.2% in October 2012. The participation rate is at its lowest level since March 2006.

Employment by Industry⁴

There were approximately 2,326,800 employed persons in Queensland as at August 2012. The five industries with the largest number of employed persons were health care and social assistance (287,300), retail trade (250,500), construction (224,200), education and training (185,800); and accommodation and food services (171,900), which displaced a declining manufacturing industry (at 164,300, down around 6,600 employees or 3.9% on May 2012 figures). Those industries employing the smallest number of persons included information, media and telecommunications (32,800), electricity, gas, water and waste services (45,100), arts and recreation services (41,700); and rental, hiring and real estate services (50,400).

The largest industry-wide declines were recorded in agriculture forestry and fishing; electricity, gas, water and waste services; and financial and insurance services, which respectively slipped by 23.4%, 21.6% and 16.2% on May 2012 figures (down by 19,700; 9,700 and 11,600 employed persons respectively). The biggest employment growth industries, conversely, were transport, postal and warehousing; public administration and safety and information, media and telecommunications.

Employed Persons by Industry - Queensland: Original

'000	Part Time	Full Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	16.0	48.4	64.4	2.77
Mining	2.5	69.1	71.6	3.08
Manufacturing	17.6	146.7	164.3	7.06
Electricity, Gas, Water and Waste Services	3.0	32.3	35.3	1.52
Construction	27.8	196.4	224.2	9.63
Wholesale Trade	12.2	59.2	71.4	3.07
Retail Trade	109.6	140.9	250.5	10.77
Accommodation and Food Services	86.9	85.0	171.9	7.39
Transport, Postal and Warehousing	24.2	109.2	133.5	5.74
Information Media and Telecommunications	6.8	28.1	34.9	1.50
Financial and Insurance Services	13.2	46.9	60.0	2.58
Rental, Hiring and Real Estate Services	12.9	37.5	50.4	2.17
Professional, Scientific and Technical Services	35.1	121.9	157.0	6.75
Administrative and Support Services	32.8	44.1	76.8	3.30
Public Administration and Safety	21.2	138.3	159.5	6.85
Education and Training	75.8	110.0	185.8	7.98
Health Care and Social Assistance	112.6	174.9	287.4	12.35
Arts and Recreation Services	16.3	22.9	39.2	1.68
Other Services	26.8	61.9	88.7	3.81
Total	653.3	1673.5	2326.8	100.00

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

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

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Interest Rates⁵

At the RBA meeting on 6 November 2012, the Board voted to hold the interest rate unchanged at 3.25%.

Of primary concern is the economic situation in Europe, which continues to contract, while elsewhere growth is more moderate, contributing to an overall positive slant on the economic outlook. The economic situation in China remains uncertain due to the leadership transition, which may remain unsettled for several months.

The downward trend in commodity prices continued for coking and thermal coal, although iron ore prices have recovered somewhat. The terms of trade, while still historically high, have reduced by 13 per cent with further falls anticipated by the end of the year.

The domestic inflation rate remains within the target range of 2-3 per cent, despite the introduction of the carbon price impacting on consumer prices in the September quarter.

The RBA November *Statement of Monetary Policy* has forecast a gradual improvement of economic activity globally, however the outlook for the Euro-zone and the United States is “*expected to remain below potential for some time.*” In Australia, only modest employment growth is anticipated in the short term, in part as a result of the continuing high dollar.

The RBA Board has indicated that they will continue to monitor the outlook for growth and inflation and adjust the monetary policy stance as required, with the final meeting of the year scheduled for December.

Consumer Price Index⁶

Between the June 2012 and September 2012 quarters the national CPI increased by 1.4%, contributing to an overall annual increase of 2.0% over the year to September 2012. The September quarter 2012 CPI for Brisbane also increased by around 1.1%, bringing the September 2011 to September 2012 year-on-year increase to 1.7%. Brisbane recorded the same percentage increase as Perth and Darwin for the quarter – 1.1%, placing it equal second lowest for CPI growth, ahead of only Hobart.

Private Capital Expenditure⁷

National

Between the June 2012 and September 2012 quarters, the Australian chain volume trend estimate of private new capital increased by 3.8% to \$42.72 billion. The increase

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/C6EF1D79E13B24EACA257235007866B1?OpenDocument>

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was in line with the 3.9% increase in expenditure on buildings and structures across the quarter (to \$27.16 billion), and a 3.1% increase in expenditure on equipment, plant and machinery (to \$15.47 billion).

The latest increase takes the overall annual growth in total private new capital expenditure for the year from September 2011 to September 2012 to 19.8%. Over the twelve months to September 2012, expenditure on buildings and structures grew by a solid 28.6% while expenditure on equipment, plant and machinery increased at a more modest 5.9%.

Queensland

Between the June 2012 and September 2012 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 0.13% to \$10.89 billion.

In year-on-year terms, the State's total private new capital expenditure (chain volume measures) increased by approximately 12.05% on September 2011 figures. Expenditure on equipment, plant and machinery decreased by approximately 4.5% over the year, to \$3.26 billion, while spending on building and structures in Queensland rose by 19.13%, to \$7.63 billion.

Building Approvals⁸

National

The national trend estimate for total dwelling approvals rose by 0.1% in September 2012, to approximately 12,845 approved units. The trend estimate has now risen for eight consecutive months – and across the three months to August 2012, approvals were up by around 3.0% on approvals in previous three months. The year-on-year results shows a 5.2% trend increase in total dwelling approvals from September 2011 to September 2012.

Queensland

The trend estimate for total dwelling units approved in Queensland was flat at 2351 units in September 2012, following a fall of 0.1% in the previous month (revised). Across the three months to August 2012, compared with the previous three months, the total dwelling units increased by 2.4%. In year-on-year terms, the September 2012 trend estimate for total dwelling units approved in Queensland was a significant 11.2% higher than September 2011's 2,115 approved units.

Housing Finance⁹

National

The trend value of housing finance commitments (owner occupation) in Australia rose by 0.5% (\$73 million) to \$13.78 billion in September 2012. This latest result helped push the trend value of commitments across the three months to September 2012 approximately 1.8% higher than equivalent commitments across the previous three

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>

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months. In year-on-year terms, the nation's dwelling finance commitments were up by approximately 2.4% on the September 2011 estimate.

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings increased slightly, to be 0.2% higher in September 2012, at \$2.44 billion. This latest result marked the third consecutive monthly increase for the State, with the trend value of commitments (owner occupied) across the three months to September 2012 increasing a marginal 0.34% on the previous three months. The trend value of the Queensland's housing finance commitments is up by approximately 6% across the year to September 2012.

Retail Trade¹⁰

National

Australian retail trade continued with its pattern of incremental improvements in October 2012, with national turnover rising by 0.2% to total \$21.58 billion overall. Food retailing and specialised food retailing were the biggest monthly improvers in trend terms in October; and for the three months to October 2012, compared with the previous three months, overall turnover was 0.65% higher in trend terms. Across the year to October 2012, turnover increased by 3.3% in trend terms.

Queensland

Retail trade increased by 0.2% in Queensland in October 2012, taking trend turnover to \$4.479 billion. For the three months to October 2012 compared with the previous three months, retail turnover was 0.75% higher in trend terms. Queensland's trend value for retail turnover increased 4.98%, in the year from October 2011.

Economic Growth Outlook

National

The latest ABS National Accounts data for June quarter 2012 shows Australian Gross Domestic Product (GDP) increased by 0.8% in chain volume trend terms, to be 3.8% higher over the year.¹¹

Economic forecaster Access Economics, in its latest set of forecasts for the Australian economy (September 2012), has revised down its forecast GDP growth expectations for 2012-13 to 3.0%, down from 3.4% in 2011-12, climbing back to 3.2% in 2013-14 and 2014-15. KPMG Econtech has forecast national growth of 3.7% for 2011-12 in its October 2011 forecasts, with the resource rich states experiencing strong external demand.

Queensland

Queensland State Final Demand increased 1.1% for the month of June 2012, to be 7.1% higher for the year from June 2011. This puts the State third behind the Northern

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/52AFA5FD696482CACA25768D0021E2C7?opendocument>

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Territory and Western Australia, which respectively recorded an 8% increase for the month to June 2012 and 28.3% increase for the year; and a 3% increase for the month to June 2012 and 13.4% increase for the year.

The latest Queensland State Accounts (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%.

The latest Deloitte Access Economics Business Outlook for September 2012 has forecast Queensland's GSP to fall from 4.8% in 2011-12 to 4.0% in 2012-13, rebounding in 2012-13 to 4.7% growth before again dipping by 4.4% in 2013-14 and 4.3% in 2015-16.

Deloitte reports that the Queensland coal industry has been negatively impacted by big falls in coal prices, with some coal mines forced to close and others embarking on major cost cutting programs.

The up-side for Queensland remains the gas sector, with a massive pipeline of infrastructure projects and established long-term contracts with Japan. Access Economics does voice concern regarding the long-term outlook for gas pricing, particularly if the pricing structure is not linked to oil pricing.

In its October 2011 outlook report, KPMG Econtech 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, September Quarter 2011.
<http://www.oesr.qld.gov.au/products/briefs/qld-state-accounts/qld-state-accounts-201109.pdf>

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