



Weekly Economic Indicators:

Queensland and Australia

17/12/12

Summary

The Australian market looks set to finish the year with a bang, after soaring local shares last week sent the All Ords. hurtling to an impressive 17-month high.

Despite falling just short of a 4600-point finish in average weekly terms, the index's peak, Wednesday mark of 4608.80 points was its highest since July 2011 – and around 15.6% higher than levels recorded this time last year.

Strength in mining and resources stocks in particular helped secure the strong result; though various spurts of growth in energy and utilities and other sectors also contributed to the market-wide surge. Market commentators also pointed to a pick-up in Chinese manufacturing and optimism regarding the prospect of Chinese stimulus measures and a resolution to US debt negotiations in the new year; together with general expectations of modest growth in most international economies.

Australia's dollar also continued to rise, despite a National Australia Bank survey showing business confidence slipped by eight points in November to minus one – the lowest point since the global financial crisis in 2009. The result followed the announcement of a surprise, 4.1-point decline in the Westpac-Melbourne Institute Index of Consumer Sentiment in December (to 100.00 points, and signalling an equal number of optimists and pessimists); despite the Reserve Bank's recent rate cuts and a recorded rise in confidence in November.

Retailers will no doubt be hoping that these signs of pre-Christmas gloom do not derail the current pattern of trend growth in sales, or the around 3.0% increases in sectoral employment recorded in the Australian Bureau of Statistics' latest industry labour force figures.

Together with health care and social assistance and construction, retail trade continued to rank as one of the State's top three sources of employment in November 2012.

Market Monitor*

	Price (Last Week)
AUD\$/US\$	↑ \$1.0458
All Ord. Share Index	↑ 4584.71 pts (average)
Cattle Futures (EYCI)	↓ 331.00 Ac/kg
Sugar (ICE No.11 Futures)	↓ 18.75 USc/lb
Cotton (No. 2 Futures)	↑ 75.04 USc/lb
Iron Ore 62% Fe	↑ 126.00 US\$/t
Mogas95 [#]	↑ 117.14 US\$/bbl
Gold (week-end London PM Fix)	↓ 1696.25 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

Australia's balance of payments was a deficit of \$1.936 billion in trend terms in October 2012 – an increase of 14%, or \$241 million on the lesser, \$1.695 billion trend deficit recorded in September 2012. Exports fell by 1% or \$346 million (to \$24.228 billion) while imports recorded a very slight decline of \$105 million (to \$26.164 billion), continuing a downward trend. In seasonally adjusted terms, these changes resulted in an overall goods and services deficit of \$2.088 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 revised trend estimate unemployment rate remained the same as the previous month; at 5.3% in November 2012. The increase for the year from November 2011 to November 2012 was a margin of approximately 0.2%. The trend participation rate remained steady at 65.1% in November 2012, compared with a trend rate of 65.4% recorded 12 months earlier.

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 revised trend unemployment rate grew by 0.1% (1,200 persons) across the month, to approximately 6.2%. The trend unemployment rate is now at its highest rate since November 2003, and approximately 0.6% higher than the 5.6% trend unemployment rate recorded in November 2011. The trend participation rate remained at 66.4% in November 2012, for the fifth consecutive month. This is still 0.9% below the 67.3% trend participated rate recorded one year ago.

Employment by Industry⁴

As of the November 2012 quarter, there were approximately 2,351,200 employed persons in Queensland. The five industries with the largest number of employed persons were health care and social assistance (279,000), retail trade (257,800), construction (238,400), education and training (187,700); and manufacturing (175,700); which reclaimed its spot in the top five on the back of quarterly employment growth of around 6.9%, after slipping in the previous, August 2012 quarter. Those industries employing the smallest number of persons included information, media and telecommunications (28,900), electricity, gas, water and waste services (45,100), arts and recreation services (36,700); and rental, hiring and real estate services (51,300).

The largest industry-wide employment declines were recorded in electricity, gas, water and waste services; information, media and telecommunications and public administration and safety, which respectively slipped by 18.0%, 17.1% and 12.0% across the quarter. The largest increases in employment, conversely, were in 'other services', wholesale trade, and financial and insurance services (11.5%, 10.5% and 9.1% growth).

Employed Persons by Industry - Queensland: Original

'000	Part Time	Full Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	14.2	51.4	65.6	2.79
Mining	2.4	71.3	73.7	3.14
Manufacturing	21.3	154.4	175.7	7.47
Electricity, Gas, Water and Waste Services	2.0	26.9	29.0	1.23
Construction	27.8	210.5	238.4	10.14
Wholesale Trade	14.2	64.8	78.9	3.36
Retail Trade	116.8	141.0	257.8	10.97
Accommodation and Food Services	86.4	81.3	167.7	7.13
Transport, Postal and Warehousing	25.6	114.7	140.3	5.97
Information Media and Telecommunications	5.1	23.8	28.9	1.23
Financial and Insurance Services	13.7	51.8	65.5	2.79
Rental, Hiring and Real Estate Services	11.3	40.0	51.3	2.18
Professional, Scientific and Technical Services	38.5	120.9	159.4	6.78
Administrative and Support Services	32.9	43.4	76.3	3.25
Public Administration and Safety	19.6	120.7	140.3	5.97
Education and Training	73.6	114.1	187.7	7.98
Health Care and Social Assistance	108.5	170.5	279.0	11.87
Arts and Recreation Services	12.2	24.4	36.7	1.56
Other Services	33.9	65.0	98.9	4.21
Total	660.1	1691.1	2351.2	100.00

Source: ABS Cat No. 6291.0.55.003 Labour Force, Detailed (November 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 4 December 2012, the Board voted to reduce the interest rate by 25 basis points to 3.0%.

The decision was driven by lower than anticipated domestic economic growth and reduced terms of trade, as well as lowering prices for Australia's key commodities.

Inflation remains within the goal range of 2-3 per cent; however, a belief persists that headline inflation will rise above 3 per cent in the new year, partly as a result of the impact of the carbon price on consumer prices, before dropping back to within the desired range.

Commentators are anticipating further rate cuts in early 2013, as the RBA attempts to counter the impact of weakening resources sector growth in Australia and continuing global economic stagnation.

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 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

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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\$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 declined by 0.3% in October 2012, to approximately 12,726 approved units. The trend estimate has now fallen for the past two months – and across the three months to October 2012, approvals were up by around 0.8% on approvals in previous three months. The year-on-year results show a 6.2% trend increase in total dwelling approvals from October 2011 to October 2012.

Queensland

The trend estimate for total dwelling units approved in Queensland fell 1.3% to 2,302 units in October 2012, to fall for three consecutive months. Across the three months to October 2012, compared with the previous three months, the total dwelling units increased by 0.2%. In year-on-year terms, the October 2012 trend estimate for total dwelling units approved in Queensland was a solid 8.0% higher than October 2011's approved units.

Housing Finance⁹

National

The trend value of housing finance commitments (owner occupation) in Australia rose by 0.5% (\$64 million) to \$13.842 billion in October 2012, following a rise of \$78 million (0.6%) in September. This latest result helped push the trend value of commitments across the three months to October 2012 approximately 1.7% higher than equivalent commitments across the previous three 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 69 (or 0.8%) higher in October 2012, at 8703 dwellings valued at \$2.46 billion. This latest result marked the third consecutive monthly increase for the State, with the trend value of commitments (owner occupied) across the four months to October 2012, to be 1.34% higher over the previous three months. The trend value of the Queensland's housing finance commitments is up by approximately 6.5% across the year to October 2012.

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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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 National Accounts data for September quarter 2012 shows Australian Gross Domestic Product (GDP) increased by 0.6% from the June to September quarters in chain volume trend terms, to be 3.4% higher over the year.¹¹ The terms of trade fell 4% over the September quarter, to be 13.7% lower for the year from September 2011.

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 0.7% from the June to September quarters 2012, to be 4.4% higher for the year from September 2011, in trend terms. This puts the State third behind the Northern Territory and Western Australia, which respectively recorded a 5% and 3.3% increase for the September quarter 2012, to be 32% and 13.9% higher over the year respectively.

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.

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>

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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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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