



Weekly Economic Indicators:

Queensland and Australia

08/07/13

Summary

It may not have been exactly the start to the new financial year that investors would have hoped for; but despite a woeful domestic opening and a second painful wave of turbulence mid-week, the Australian market ultimately closed higher on Friday, adding a solid 56.5 points or 1.2% to its final 2012-2013 weekly average (to finish at 4767.03 points).

The poor start came as the effects of late weakness on Wall Street found expression in sharp losses early on; with sentiments only further depressed by new data inflaming fears of a Chinese economic slowdown. Solid US and Japanese manufacturing news, together with the Reserve Bank's decision to leave the cash rate at its historic low of 2.75 per cent, helped the market stage an impressive resurgence before a series of weak international leads and falling commodity prices delivered the second downward wobble. However, improved US employment figures and news that the Eurozone and British central banks would continue their economic stimulus programs helped spur on the broad gains that ultimately delivered the hard-fought positive finish.

The Australian dollar sunk lower across the week, with disappointing retail data and a misunderstood attempt at humour from RBA Governor Glenn Stevens doing little to aid the currency's tracking against the greenback; though commodities generally steadied somewhat, with Singapore petrol, iron ore and gold all edging higher by the close.

Domestic economic data for the week continued to deliver a mixed picture on the whole, with news of a solid May trade surplus result offset by weak monthly retail data blighted further by the additional downward revision of past retail turnover figures. In addition, while building figures rose by 1.0% in May at the national level, dwelling approvals in Queensland in contrast fell by 0.5% across the month.

New ANZ job advertisements data released today revealed a fourth straight monthly decline in job ads in June both nationally (-2.3%) and in Queensland (2.4%). With June Labour force data, May housing finance figures, and the release of the latest NAB Business Conditions and Westpac Consumer Confidence reports also due out this week, investors will have a lot to process in the coming days.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↓ \$0.9141
All Ord. Share Index	↑ 4,767.03 pts
Cattle Futures (EYCI)	↑ 327.55 Ac/kg
Sugar (ICE No.11 Futures)	↓ 16.48 USc/lb
Cotton (No. 2 Futures)	↑ 84.61 USc/lb
Iron Ore 62% Fe	↑ 122.00 US\$/t
Mogas95 [#]	↑ 120.90 US\$/bbl
Gold (week-end London PM Fix)	↑ 1,212.75 US\$/oz

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

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Tourist Accommodation*

National

Total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) fell 3.2% for the March quarter 2013, to number 23.58 million. The result followed a year-end result of an increase of 1.6% between September and December 2012 quarters.

The combined total guest nights for these two most recent quarters was, at 48 million nights, approximately 4.8% higher than the combined 45.6 million guest nights recorded in the June and September 2012 quarters. For the year from March 2012, the total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) increased very slightly (0.3%) to be just 62,400 higher.

Queensland

Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) decreased by 1.1% to 6.41 million in March 2013, as industry activity began to settle lower following the peak September quarter and December holiday periods. The decline followed a seasonal bump of an impressive 17.8% in September 2012, and a 3.1% decrease in guest nights in 2012.

Combined guest nights for the December 2012 and March 2013 quarters were 13.6 million, approximately 1.1% higher than the combined 13.5 million guest nights recorded in the June and September 2012 quarters. In annual terms, the accommodation figures for March 2013 were approximately 0.6% higher than the 6.38 million guest nights recorded in the same quarter last year.

NEW

Balance of Payments[†]

Australia recorded its third consecutive monthly trade surplus in May 2013, with an impressive \$721 million positive balance of payments result – an increase of 53% on the \$472 million surplus recorded in April; which itself marked a more than doubling of March's turning point \$159 million positive balance. The better-than-expected result came amid a further softening of goods and services imports across the month, to a reduced total of \$25.344 billion (down \$43 million). In contrast, the dividends of the mining boom helped to deliver a \$206 million trend rise in May exports, to \$26.065 billion.

In seasonally adjusted terms the boost to the surplus was more impressive still; with the \$670 million positive margin marking a more than tripling of April's \$171 million surplus result.

Labour Force[‡]

National

The trend estimate unemployment rate increased slightly in May 2013, to 5.6% or 4,700 persons; to 687,700. There was an increase of 9,900 (0.1%) in the number of people employed; to 11,664,600. The total labour force increased by 14,600 persons for the month. The latest result marks an annual increase of 0.4 points on the 5.5% trend

* 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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unemployment recorded in May 2012. The trend participation rate remained steady at 65.3%, putting trend participation at exactly the same level recorded 12 months previously.

Queensland

Queensland's trend unemployment remained at 5.7% in May 2013, with only a small drop in the actual number of unemployed persons (down 300 persons). The trend participation rate fell slightly, down 0.1% to 65.8%, in May 2013, leaving participation levels approximately 0.8 percentage points (approximately 900 persons) below the 66.6% trend participation rate recorded in May 2012.

Employment by Industry[§]

As of the May 2013 quarter, there were approximately 2,357,600 employed persons in Queensland – an increase of 0.8% on May 2012 figures. The five industries with the largest number of employed persons were Health Care and Social Assistance (276,700); Retail Trade (252,600); Construction (230,200); Professional and Scientific Services (181,900); and Education and Training (175,800). Those industries employing the smallest number of persons included Electricity, Gas, Water and Waste Services (32,900); Information, Media, and Telecommunications (36,300) and Arts and Recreation Services (40,200).

Over the year from May 2012, the largest industry-wide employment gains were recorded in the Information, Media and Communications category – where employment close to doubled (up 44.1% from 25,200 to 36,360); Electricity, Gas, Water and Waste Services (26.8%); and Administrative and Support Services (16.0%). The State's largest industry-wide annual declines in employment were recorded in Financial and Insurance Services (-14.1%) and Transport, Postal and Warehousing (-10.4%).

Employed Persons by Industry - Queensland: Original

'000	Part Time	Full Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	17.0	49.9	66.9	2.84
Mining	2.3	73.4	75.6	3.21
Manufacturing	17.5	143.8	161.3	6.84
Electricity, Gas, Water and Waste Services	3.0	29.9	32.9	1.40
Construction	36.0	194.2	230.2	9.76
Wholesale Trade	11.4	68.6	80.0	3.39
Retail Trade	122.6	130.0	252.6	10.71
Accommodation and Food Services	106.8	67.4	174.2	7.39
Transport, Postal and Warehousing	22.3	108.3	130.5	5.54
Information Media and Telecommunications	8.8	27.4	36.3	1.54
Financial and Insurance Services	10.0	45.3	55.3	2.35
Rental, Hiring and Real Estate Services	14.7	34.9	49.7	2.11
Professional, Scientific and Technical Services	35.8	146.2	181.9	7.72
Administrative and Support Services	36.4	57.0	93.5	3.96
Public Administration and Safety	23.1	120.7	143.7	6.10
Education and Training	68.0	107.8	175.8	7.46
Health Care and Social Assistance	116.3	160.5	276.7	11.74
Arts and Recreation Services	17.7	22.5	40.2	1.70
Other Services	29.5	70.6	100.2	4.25
Total	699.2	1658.3	2357.6	100.00

Source: ABS Cat No. 6291.0.55.003 Labour Force, Detailed (Feb 2013).

[§] ABS Cat No. 6291.0.55.003
<http://abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/35006594EB1126B2CA257132000F9189?open&document>

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Interest Rates ^{**}

RBA Cash Rate

At its most recent meeting on 2 July 2013, the RBA Board voted to leave the official cash rate unchanged at 2.75%.

Recent information has revealed little change in the economic conditions or outlook either on a global scale or at home; with growth remaining consistent with established expectations of a lower than average year, and 'reasonable prospects' of a pick-up in 2014.

Commodity prices have once more declined but remain at historically high standards, and the moderation of inflation that has occurred in a number of countries of late has continue amid a further easing of monetary policy.

The Board determined that monetary easing implemented over the past 18 months continues to support 'interest-sensitive areas of spending'; and though the pace of borrowing has remained relatively subdued, there have been recent 'signs of increased demand for finance by households'.

It is hoped that the Bank's earlier cuts and the 'easier financial conditions' they have put in place will continue to show up in more visible growth effects in the future; with the Board also highlighting the possibility that depreciation of the Australian currency and exchange rate will also 'help to foster a rebalancing of growth in the economy'.

With conditions and sentiments largely mirroring last month's overall assessment and mindset, there was thus little impetus for an immediate change in monetary policy; though the Board maintains its general easing bent and position that the inflation outlook may provide scope for a further rate reduction in the future, 'should that be required to support demand'.

Consumer Price Index ^{††}

Between the December 2012 and March 2013 quarters the national CPI increased by 0.4%, contributing to an overall annual increase of 2.5% over the year to March 2013.

The March quarter 2013 CPI for Brisbane increased by 0.1% to 102.0, bringing the year-on-year increase for March 2012 to March 2013 to 2.1%. This represented the second-smallest quarterly price increase for an Australia capital city (equal with Canberra) and ensured Brisbane retained its third-lowest CPI position.

Private Capital expenditure ^{††}

National

For the March 2013 quarter, the Australian chain volume trend estimate of private new capital expenditure declined by 2.7%, to \$39.083 billion. This came as expenditure on

^{**} Reserve Bank of Australia: Cash Rate Target <http://www.rba.gov.au/statistics/cash-rate/> 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/C6EF1D79E13B24EACA257235007866B1?OpenDocument>

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buildings and structures declined by 3.0% across the quarter (\$24.424 billion); with growth in expenditure on equipment, plant and machinery also declining by 1.9% (at approximately \$14.702 billion).

Queensland

Between the December 2012 and March 2013 quarters, the Queensland chain volume trend estimate of private new capital expenditure decreased by 1.8% to \$11.252 billion. Expenditure on equipment, plant and machinery decreased by approximately 2.5% over the year, to \$3.565 billion; while spending on building and structures in Queensland rose by 1.85%, to \$7.65 billion.

NEW

Building Approvals^{§§}

National

The national trend estimate for total dwelling approvals increased by 1.0% in May 2013, to approximately 13,541 approved units. With three months of consecutive rises now recorded, approvals for the March-April-May period were around 1.4% higher than estimates recorded in the previous three months. In year on year terms (i.e. from May 2012 to May 2013); the trend growth in approvals stood at approximately 7.1%.

Queensland

In Queensland the trend estimate for total dwelling units approved fell by 0.5% in May 2013 (to 2,497 units), and is now showing falls for the past two months. The result marked a significant turnaround on what had been a pretty steady run of uninterrupted increases up until March 2013. As a result, approvals across the three months to May (a combined 7,253 units) showed only the slightest of increases (0.1%) on the 7,516 units approvals recorded in the previous three months. In annual terms, growth in approvals now stands at approximately 9.5% for the year from May 2012 to May 2013 in trend terms.

Housing Finance^{***}

National

The trend value of Australia's housing finance commitments (owner occupation) rose by 1.2% in April 2013, adding around \$170 million, to total \$14.530 billion. Across the three months to April 2013, the national trend estimates for housing finance commitments were approximately 3.3% higher than equivalent commitments in the previous three months. Growth in finance commitments over the twelve months from April 2012 to April 2013 stood at approximately 8.4%.

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings increased by 0.6% in April 2013, to \$2.514 billion – the tenth consecutive monthly rise recorded in the State. This latest result positions trend commitments across the three months to April 2013 approximately 1.1% (around \$81 million) higher than in across the previous three months. Over the year to April 2013, the trend value of Queensland's housing finance commitments is now up by around 3.6%.

^{§§} ABS Cat No. 8731.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0545FFC6A101264DCA25719F007F6F1F?Opendocument>

^{***} ABS Cat No. 5609.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/05DBCE56402EC566CA25723D000F2999?Opendocument>

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Retail Trade⁺⁺⁺

National

The estimated trend value of Australian retail turnover rose by 0.2% to \$21.896 billion in May 2013, following increases of 0.2% and 0.3% respectively recorded in April and March. For the three months to May, overall turnover was up by a cumulative 0.9% or \$559 million on recorded turnover for the previous three months; with the largest contributions to growth coming from *Other retailing* (0.5%); *Cafes, restaurants and takeaway food services* (0.3%); and *Food retailing* (0.3%). Across the year to May 2013, Australian retail turnover rose by 2.6% in trend terms.

Queensland

Growth in monthly retail turnover in Queensland slightly exceeded the average national rate in May 2013, rising by 0.3% in trend terms, to \$4.608 billion. The largest monthly increases in spending were recorded in the aggregated *Other retailing* (1.8%); and *Takeaway food services* (1.5%) industry groups; while the *Department stores* and *Clothing, footwear and personal accessory retailing* both recorded reduced spending totals with declines of 0.2% and 0.5% respectively. Over the three months to May 2013 compared with the previous spending quarter, trend retail turnover was up by 1.2%. In year-on-year terms, the cumulative improvement on the State's May 2012, \$4.421 billion trend turnover value stood at 4.2%, or \$187 million.

Economic Growth Outlook

National

The National Accounts data for the first quarter of 2013 shows Australian Gross Domestic Product (GDP) increased by 0.6% from the December 2012 to the March 2013 quarters in chain volume trend terms, to be 2.6% higher over the year.⁺⁺⁺ The terms of trade fell by 1.1% across the quarter to be 9.4% lower for the year from March 2012. In seasonally adjusted terms, however, this latest result marked a positive bump of 2.7% in terms of trade in March 2013 (for a year-on-year adjusted decline of 6.2%).

In its latest set of forecasts for the Australian economy (March 2013), economic forecaster Deloitte Access Economics revised down its forecast GDP growth expectations for 2012-13 from 3.0% to 2.8%, with GDP growth expected to hold at this level throughout 2014-15; before inching back up to 3.1% in 2015-16. KPMG Econtech has forecast national growth of 3.7% for 2011-12 in its October 2011 forecasts, with the resource rich states in particular expected to experience strong external demand.

Queensland

Queensland State Final Demand increased by 0.2% from the September to December quarters 2012, to be 2.5% higher over the year from December 2011, in trend terms. In comparison, Western Australia recorded a monthly change of 1.4% (to be 11.1% higher over the year) and NSW recorded a 0.4% increase for the month (to be 2.7% higher over the year). Victoria (-0.7%), South Australia (-1.1%), Tasmania (-1.1%) and the ACT (-0.6%) all recorded negative State Final Demand for the December 2012 quarter.

⁺⁺⁺ 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/52AFA5FD696482CACA25768D0021E2C7?opendocument>

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Queensland Gross State Product (GSP) increased by 0.8% in trend terms (chain volume measures) to \$72.685 billion in the December 2012 quarter.^{§§§} Over the year to the December quarter 2012, Queensland GSP increased by 4.3% (from \$69.688 billion to \$72.685 billion).

Queensland's average growth rate for 2011-12 was 3.8%; compared to the Rest of Australia rate of 3.4%. According to the [Queensland Economic Review](#) (September 2012), State growth of 4% can be expected in 2012-13, after allowing for a softer outlook for the United States and other key global economies in emerging Asia.

The most recent Deloitte Access Economics Business Outlook (March 2013) pointed to a slightly less optimistic GSP growth result for the 2012-13 financial year, with growth revised down from a forecast 4.0% to 2.3%; and moderated forecasts of 4.4%, 4.5% and 4.4% respectively slated for 2013-14, 2014-15 and 2015-16.

The Deloitte report noted that the State has slipped in its position as a contender for the title of 'Australia's fastest growing State' of late, with the summative impact of a smaller resources spend; more State Government cutbacks; and a drop in coal prices, wiping something akin to 'three-quarters of the pace off the peak in spending growth seen in late 2011'.

In light of these negatives, the job market has also somewhat disappointed and the resource construction boom has remained largely concentrated in the mining regions, with housing and commercial construction activity also generally lacklustre outside of the sector and its key locations.

However, it is expected that the 'concentrated pain' from State Budget cutbacks is already peaking and soon to pass; and population growth and a recent fall in vacancy rates suggest a sustained upswing in construction levels may also soon be helping provide fuel for the national recovery.

Further, while coal and other resource developments have seen a number of cost 'blowouts' and planning stage 'casualties', there are also a number of new developments entering the planning pipeline.

The State's massive LNG projects in particular will continue to lead the engineering and construction charge, and should keep investment dollars flowing fast up until their scheduled completion in 2016.

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^{§§§} OESR, Queensland State Accounts, December Quarter 2012.
<http://www.oesr.qld.gov.au/subjects/economy/state-accounts/tables/qld-state-accounts-tables/index.php>

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