



Weekly Economic Indicators:

Queensland and Australia

22/07/13

Summary

The Australian market finished up by just over 60 points on its previous closing average on Friday, following a very quiet domestic economic data week which saw shares trade within a relatively stable range, having been spared any major swings or reactionary wobbles.

While a strong conclusion to the previous week on Wall Street provided the leads for a slightly higher opening on Monday; the market registered mostly slim gains amid thin trade volumes early on. Official Chinese figures indicated GDP growth in the transitioning economy was on target at 7.5% in the second quarter; and prompted what could be described as a minor relief rally. However, the news failed to keep the market engaged for long, and things flattened out as investors went quiet in the lead-up to the latest testimony of US Federal Reserve chairman Ben Bernanke.

Chairman Bernanke's suggestion that a winding down of US stimulus measures was not 'set in stone' ultimately had a soothing effect that served to boost markets globally through much of Thursday; though, the gains were subsequently moderated by the release of some weak profit and production reports that weighed on Aussie shares as week's end approached.

The Wednesday release of the minutes from the latest RBA meeting revealed the Bank has softened its tone on the chance of a rate cut because the falling Australian dollar – identified as 'the most significant change' in the economy in recent months – could begin to stoke inflation and lift consumer prices over time. Despite the depreciation, however, it expects prices will still remain within their target growth range of 2% to 3%; and that the inflation outlook "could still provide some scope for further easing" if required to support demand.

The minutes also offered further confirmation that the mining boom looks to be "close to, if not past its peak"; and though investment will likely remain high for several months given the volume of firmly committed work; a more rapid decline can be expected beyond that time.

It was a sentiment mirrored in the latest Deloitte Access Economics Business Outlook (June 2013), which signalled that the combination of the slow-down in mining investment and falling commodity prices are likely to hurt the construction sector. The "construction cliff" is expected to weigh on national income growth and will likely put a dent in jobs growth as well. However, it seems there is still little chance of recession; and that the falling exchange rate at least looms as "great news" for "dollar dependent" sectors like manufacturing, agriculture and tourism.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↑ \$0.9175
All Ord. Share Index	↑ 4,967.40 pts
Cattle Futures (EYCI)	↓ 319.44 Ac/kg
Sugar (ICE No.11 Futures)	↓ 16.14 USc/lb
Cotton (No. 2 Futures)	↓ 85.52 USc/lb
Iron Ore 62% Fe	↑ 132.00 US\$/t
Mogas95 [#]	↔ 124.61 US\$/bbl
Gold (week-end London PM Fix)	↔ 1,279.75 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.

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 June 2013, up 0.1% from 5.6% in May 2013, to 5.7% or 5,200 persons; to 699,700. The latest result is the highest unemployment rate since September 2009. There was an increase of 7,400 (0.07%) in the number of people employed; to 11,668,300. The national Labour Force trend data showed

* 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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an increase of 0.1%, or 12,600 persons. The participation rate remained steady at 65.3%, for the fifth consecutive month and matching the participation rate from June 2012.

Queensland

Queensland's trend unemployment remained steady at 6.0% in June 2013 (after a revised upward movement of 0.3 % in May 2013 to 6.0%) with an increase of 2,100 in the actual number of unemployed persons. There was a decrease of 500 persons (0.0%) in the actual number of employed persons. The Labour Force for the state increased 0.1%, or 1,600 persons in the month. The trend participation rate remained steady 65.8% in June 2013, leaving participation levels approximately 0.7 percentage points below the 66.5% trend participation rate recorded one year earlier.

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 (May 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 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).

** 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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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.

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 1.4% in May 2013, adding \$205 million, to total \$14.909 billion. Across the three months to April 2013, the national trend estimates for housing finance commitments were approximately 4.5% higher than equivalent commitments in the previous three months. Over the twelve months from May 2012 to May 2013, housing finance commitments (owner occupied) increased approximately 10%, in trend terms.

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings increased by 1.7% in May 2013, to \$2.589 billion – the eleventh consecutive monthly rise recorded in the State. This latest result positions trend commitments across the three months to May 2013 approximately 3% (around \$226 million) higher than in across the previous three months. Over the year to May 2013, the trend value of Queensland's housing finance commitments is now up by around 6.9% (up from \$2.412 billion in May 2012).

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

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

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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 (June 2013), economic forecaster Deloitte Access Economics has revised down its GDP growth expectations in anticipation of a further slowdown of the national economy from 2012-13's recorded 2.9% rate of growth. In contrast to its March 2013 forecasts of stable growth of 2.8% through 2013-14 and 2014-15, before a rise to 3.1% in 2015-16; the current forecasts suggest a drop to 2.6% growth in 2013-14, and gradual increases to 2.7% and 3.1% growth respectively in 2014-15 and 2015-16. The forecasts also mark a further deterioration from the growth position and conditions identified by KPMG Econtech in its October 2011 forecasts, which tipped growth of 3.7% and 3.9% for 2011-12 and 2013-14, driven by strong external demand in the resource rich states.

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

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⁺⁺⁺ 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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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.

Queensland Gross State Product (GSP) increased by 0.8% in trend terms (chain volume measures) to \$72.685 billion in the December 2012 quarter.⁵⁵⁵ Over the year to the December quarter 2012, Queensland GSP increased by 4.3% (from \$69.688 billion to \$72.685 billion).

According to the latest [Queensland Economic Review](#), dated January 2013, Gross State Product (GSP) for Queensland increased 4% in 2011-12, compared to 3.4% nationally, second only to Western Australia with 6.7% GSP growth for 2011-12. Softening global conditions have weakened the demand for Queensland commodities such as coal.

The most recent Deloitte Access Economics Business Outlook (June 2013) has reported GSP growth of 2.3% for the 2012-13 financial year, in keeping with the March 2013 forecast. The outlook for the coming years, however, has slipped from the previously identified growth rates of 4.4%, 4.5% and 4.4%, in anticipation of an approaching economic slackening. Current forecasts suggest growth of 3.7% and 3.8% in 2013-14 and 2014-15; before climbing to a robust 5.1% in 2015-16.

The June 2013 Business Outlook appraisal contends that typically-fast growing Queensland has been something of a growth 'underperformer' since the global financial crisis; with sluggish tourism growth, depressed housing construction and a weighty natural disaster repair bill (among other factors) combining to check the State's end GSP growth results.

This underperformance has taken its toll on Queensland's job market, with employment gains lagging behind the national average and the unemployment rate also exceeding the Australia-wide mark. In addition, these 'woes' have unfortunately also manifested in the below-average confidence of small business and families in the State.

Fortunately the 'resource titan' State has been able to draw on the benefits of its mega LNG projects and 'some pretty impressive coal projects', which have been doing some heavy lifting in the State's engineering construction sector, and will continue to do so for a while yet. On top of that, growth in the current financial year is also expected to benefit from the recent State Budget decision to delay the path back to surplus, together with signs of improved housing construction.

However, Queensland may then hit 'much the same pothole as growth in the rest of Australia', with the exports from many of the new gas projects not coming into play until 2015 and 2016 – too late to counteract the winding back of construction spending, and marking out 2014-15 as 'a weaker year for State growth'.

On a more positive note, the State's above average population growth may stand to support GSP expansion and offset some of the 'construction cliff negatives'. A halving of vacancy rates during the past two years and signs that house prices are beginning to rise again could also both help spark the inevitable housing industry rebound.

Further, there are also a number of major commercial construction projects underway, including significant 'mixed use' commercial developments in Brisbane and the Gold Coast; and various major health sector projects headlined by the Government's \$1.8 billion Sunshine Coast University hospital development.

⁵⁵⁵ 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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