



# Weekly Economic Indicators: Queensland and Australia

Week Ending 23/08/13

## Summary

With no major domestic economic data due out, the market spotlight was last week shared between Tuesday's issuing of the latest RBA Board meeting minutes; the subsequent release of their US-equivalent minutes; and a swag of domestic company profit results.

Things got off to a solid start on Monday, but domestic shares soon lost some of their steam with the announcement of some mixed profit results – most notably including another annual net loss for Australia's biggest steelmaker, BlueScope. Falling profits for a BHP Billiton and a range of other major players – mostly in the mining and retail sectors – weighed further on the market across Tuesday, sending the All Ords. south over the course of the day.

With the release of the RBA Board minutes, the dollar also took a dive in the afternoon, and continued to weaken through until Friday; perhaps in a somewhat obliging turn given the Board's expressed hopes of a further deterioration in the exchange rate to support a 'rebalancing of growth' in the country. The RBA meeting minutes also confirmed that following its 7 August rate cut to 2.5%, the Board has now settled in to a more neutral monetary position, signalling it has no 'imminent intention to reduce rates further' in the coming months; though members agreed they should 'neither close off the possibility'.

While on Wednesday the All Ords. began tracking higher once more, the market promptly backpedalled on Thursday as the latest US Federal Reserve further confirmed the impending tapering of the central bank's economic stimulus, though the timing of such moves remains unclear. An overnight lift in sentiment on global markets helped spark a turnaround early Friday, and solid gains among industrial resources and retail stocks also further advanced the Aussie market cause; but in average terms, the final, week-ending result was a 34.05-point decline in the All Ords., to 5,088.64 points.

Agricultural commodities fell in step with the local index, with the EYCI struggling to reconcile a range of seasonal factors and weak sentiment among Northern producers; while cotton declined on fears of a global oversupply; and the release of the International Sugar Organisation's first full forecasts for 2013-2013 suggested lower prices may be here to stay.

With iron ore sinking and Singapore petrol prices also retreating (by \$US4.00 and \$US0.79 respectively); gold emerged as a rare source of stability this week, following up on its previous impressive gain (US\$60.25) with a steady \$US8.25 improvement at Friday's close.

## Market Monitor

	Price (Last Week)
AUD\$/US\$	↓ \$0.9063
All Ord. Share Index	↓ 5,088.64 pts
Cattle Futures (EYCI)	↓ 321.85 Ac/kg
Sugar (ICE No.11 Futures)	↓ 16.41.16 USc/lb
Cotton (No. 2 Futures)	↓ 88.66 USc/lb
Iron Ore 62% Fe	↓ 139.00 US\$/t
Mogas95 <sup>#</sup>	↓ 116.71 US\$/bbl
Gold (week-end London PM Fix)	↑ 1377.50 US\$/oz

## Tourist Accommodation\*

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

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## 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.

## International Trade<sup>†</sup>

Australia's goods and services trade continued to track in solid positive territory in June 2013, with a further 14%, \$76 million trend increase on the May surplus (revised downward) taking the trade surplus to \$628 million – the largest positive gap since December 2011. The result came as rising imports (up \$89 million or 0.3%, to \$25.523 billion) were overshadowed by the slightly more substantial growth in trend goods and services exports, which respectively rose \$160 million or 0.6%, to \$26.151 billion.

In seasonally adjusted terms a recorded \$95 million, 19% boost to the positive margin (on the back of a larger 1.5% decline in imports in June 2013 relative to the seasonally adjusted 1.1% decline in exports), pushed the balance of payments to \$602 million.

## Labour Force<sup>‡</sup>

### National

The trend estimate unemployment rate remained steady in July 2013, at 5.7%. The latest result is the highest recorded unemployment rate since September 2009, and a significantly higher mark than the rate of 5.2% recorded a year ago in July 2012. Across the month of July 2013 the number of people employed decreased by 8,300 to 11,660,000; while the number of unemployed persons increased by an additional 5,300 persons, to 706,900.

At an aggregate level, the Australian Labour Force held relatively steady; declining by 0.1% in July 2013 (15,900 persons), to be 12,358,600 for the month. For the second consecutive

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\* 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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month the participation rate remained steady at 65.2%, holding at the same level as one year ago in July 2012.

### Queensland

Queensland's trend unemployment increased slightly to 6.1% in July 2013, up from 6.0% one month ago following an increase of 2,100 in the actual number of unemployed persons, to 152,200. The number of employed persons has now remained steady for two consecutive months, at 2,356,000; while the result marked the tenth consecutive month in which the number of employed persons has either remained the same or increased.

The Queensland Labour Force increased by 9,400 (0.4%), to be 2,516,300. The trend participation rate remained steady for the third consecutive month at 65.8% in July 2013 – just higher than the national trend participation rate. This leaves the Queensland participation level 0.7% below the 66.5% trend participation rate recorded a year earlier (July 2013); and well below the peak participation rate of 67.4% recorded in October 2011.

### Employment by Industry<sup>§</sup>

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

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

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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
<b>Total</b>	<b>699.2</b>	<b>1658.3</b>	<b>2357.6</b>	<b>100.00</b>

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

## Interest Rates<sup>\*\*</sup>

### RBA Cash Rate

At its most recent meeting, held on 7 August 2013, the RBA Board voted to reduce the cash rate by 25 basis points to 2.5%, effective immediately. The decision was anticipated by many commentators, with recent data confirming lower than anticipated trend growth in the domestic economy and a softening labour market.

The economy continues to transition from its heavy focus on mining investment to a greater distribution of focus and reliance on other sectors of the economy. While commodity prices are lower, they remain historically high.

The Australian dollar has depreciated by 15% since April, hovering just below US\$0.90; although the Board considers that the exchange rate may depreciate further over time as it still remains at historically high levels.

In the global economy, the RBA reports that economic growth is below average, but expected to improve into 2014. Further, the RBA Board expects that the US Federal Reserve will scale back its quantitative easing program in the near future.

The Board indicated that further domestic easing moves may continue in the future, should they be needed to “support demand and to foster sustainable growth.”

Economists have highlighted the possibility of another drop in interest rates to occur in November, depending on the third quarter inflation rate remaining within the desired range when the next round of consumer price index (CPI) data is released in October.

## Consumer Price Index<sup>††</sup>

The national headline CPI increased by 0.4% in June 2013, to be 2.4% higher over the year to June 2013. The strongest contributions in the June quarter 2013 were for the *Housing* (0.15%), *Health* (0.11%) and *Alcohol and tobacco and Clothing and Footwear* groups (both 0.1%).

<sup>\*\*</sup> 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>

<sup>††</sup> ABS Cat No. 6401.0 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

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The June quarter 2013 CPI for Brisbane increased by 0.5% to 102.5, bringing the year-on-year increase for June 2012 to June 2013 to 2.0%. This represented the second-smallest annual percentage increase for an Australia capital city, behind Hobart (at 1.8%).

For Brisbane, the strongest contributions were recorded in the *Housing* (0.23%), *Health* (0.12%) and *Furnishings, household equipment and services* groups (0.1%).

## Private Capital expenditure<sup>##</sup>

### 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).

### 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<sup>§§</sup>

### National

The national trend estimate for total dwelling approvals grew for the fourth consecutive month in June 2013; increasing by 0.1% to a total 13,427 approved units. Approvals for the three months to June were around 0.9% higher than estimates recorded in the first three months of 2013. In year on year terms (i.e. from June 2012 to June 2013), the trend growth in approvals stood at approximately 4.4%.

### Queensland

The Queensland trend estimate for total dwelling approvals also inched upward once more in June, recording a 14th consecutive monthly rise (albeit also one of just 0.1%), to approximately 2,547 approved units. Approvals for the three months to June 2013 were around 0.6% higher than estimates recorded in the January-to-March period. In annual terms, growth in trend approvals stood at 10.5% for the year from June 2012.

## Housing Finance<sup>\*\*\*</sup>

### National

The trend value of Australia's housing finance commitments (owner occupation) rose by 1.5% in June 2013, adding \$229 million, to total \$15.26 billion. Across the three months to April 2013, the national trend estimates for housing finance commitments were

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<sup>##</sup> ABS Cat No. 5625.0  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EACA257235007866B1?O=penDocument>

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

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

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approximately 5.2% higher than equivalent commitments in the previous three months. Over the twelve months from June 2012, housing finance commitments (owner occupied) increased approximately 11.7%, in trend terms.

### Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings increased by 2.3% in June 2013, to \$2.705 billion. This latest result positions trend commitments across the three months to June 2013 approximately 5.5% (around \$433 million) higher than in across the previous three months. Over the year to June 2013, the trend value of Queensland's housing finance commitments is now up by around 11% (up from \$2.402 billion in June 2012).

## Retail Trade<sup>+++</sup>

### National

Australian retail trade was relatively steady in June 2013, increasing by just 0.1% across the month to \$21.865 billion; following recorded increases of 0.2% and 0.1% respectively in April and May. The food and retailing sectors continued to account for the lion's share of the recent growth, with *Cafes, restaurants and takeaway food services* leading the way (up 0.4%); while the household goods; clothing and accessories; and department stores industry groups all conversely continued to battle shrinking sales (down by 0.2% to 0.3% across the month). Across the three months to June 2013, trend turnover was approximately 0.6% higher than in the previous three months; while over the year to June 2013, growth in retail turnover stood at 2.1% (up from a recorded \$21.423 billion in June 2012).

### Queensland

Trend growth in monthly retail turnover in Queensland fell to its lowest level this year in June 2013, increasing by a meagre 0.1%, to \$4.603 billion. While most industry groups contained both winning and losing subgroups, all declined at an aggregate level with the exception of *Cafes, restaurants and takeaway food services*; which rose by 1.4% on the back of solid growth in both its key subgroups (*Cafes, restaurants and catering services* – up 1.3%; and *Takeaway food services* – up 1.5%). The latest result followed trend turnover increases of 0.2% in April and May, which ensured turnover in the three months to June 2013 was approximately 0.8% higher than in the first three months of 2013. In year-on-year terms, the cumulative improvement on the State's June 2012, \$4.436 billion trend turnover value was approximately 3.8% (an increase of \$167 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.<sup>+++</sup> The terms of trade fell by 1.1% across the quarter to be 9.4% lower for the year from March 2012. In seasonally

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

<sup>+++</sup> ABS Cat No. 5206.0  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CACA25768D0021E2C7?opendocument>

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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 2011-12 and 2013-14 growth rates of 3.7% and 3.9%, driven by strong external demand in 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 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.<sup>555</sup> 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

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<sup>555</sup> OESR, Queensland State Accounts, December Quarter 2012.

<http://www.oesr.qld.gov.au/subjects/economy/state-accounts/tables/qld-state-accounts-tables/index.php>

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.

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