



Weekly Economic Indicators: Queensland and Australia

Week Ending 27/09/13

Summary

Despite a slow start to the week and some lighter than usual trade volumes, which threatened to initiate a potential comedown from the local market's recent record run; a mid-week turnaround and some solid second-half gains ensured domestic shares were able to maintain their upward bent, sending the All Ords. to yet another five-year-high by Friday's close.

The strong finish was in stark contrast to Monday's faltering start, which revealed the gloss had well and truly worn off the US Federal Reserve's announcement that it would not begin scaling back its stimulus measures; as investors were spooked by speculation that the tapering delay would not extend through October. Positive economic data from China, which showed the Asian giant's manufacturing sector accelerated to its highest level since March, was able to offer only a small temporary, boost before the malign spread across the board; though mining and banking stocks featured most prominently in the decline.

On Wednesday, however, the market did an abrupt turn and, despite any apparent major drivers, delivered an additional 40 points to the All Ords. in average terms throughout the day. While the rally softened early on Thursday on the back of weak overnight leads from Wall Street, by lunchtime the bullish mood appeared fully restored, with rising metals prices boosting mining stocks, and the major banks also closing higher amid growing debate about the potential emergence of a housing bubble in Australia.

The addition of another 0.25 per cent to the All Ords. in a light day of trade on Friday delivered the final winning blow, as the index soared to its new five-year-high mark of 5,302 points, and a week-ending average 5,267.18 points.

The Aussie dollar also inched slightly higher in average terms across the week, while oil prices fell on the back of reduced tensions in the Middle East, and gold prices also declined slightly in subdued trade. Iron ore in contrast rose by \$US 3.00 across the week to \$US 135.00, and wheat and sugar prices also reached multi-month highs; while cotton gave up its previous gains and the EYCI also slid further on recent losses.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↑ \$0.9392
All Ord. Share Index	↑ 5,267.18 pts
Cattle Futures (EYCI)	↓ 314.60 Ac/kg
Sugar (ICE No.11 Futures)	↓ 17.37 USc/lb
Cotton (No. 2 Futures)	↑ 84.97 USc/lb
Iron Ore 62% Fe	↓ 135.00 US\$/t
Mogas95 [#]	↑ 115.55 US\$/bbl
Gold (week-end London PM Fix)	↑ 1341.00 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[†]

After enjoying surplus trade months in April and May, Australia's trade balance slipped further into deficit in July 2013 (after a revised retreat into negative territory in June); with imports exceeding exports by approximately \$169 million in trend terms. Goods and services credits and debits (exports and imports respectively) both rose across the month; but the increase in imports was a slightly more substantial 0.8% (\$216 million), compared to equivalent export growth of 0.5% (\$134 million).

In seasonally adjusted terms the decline was significantly more marked, with the balance falling to minus \$764 million, as exports grew by a paltry \$54 million (0.2%), while imports surged by a massive \$1.062 billion (4.1%).

Labour Force[‡]

National

The trend estimate national unemployment rate remained steady in August 2013, at 5.8% (4,700 persons). The latest result is the highest recorded unemployment rate for four years and an increase of 0.5% on the unemployment rate of 5.3% recorded one year ago in August 2012. Across the month of August 2013, the number of people employed in Australia decreased by 1,500 to 11,648,300; while the number of unemployed persons increased by an additional 4,700 persons, to 712,400, in trend terms.

* 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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At an aggregate level, the Australian Labour Force held relatively steady (0.0%); increasing by 3,200 persons to be 12,360,700 for the month. For the second consecutive month the participation rate remained steady at 65.1%, just 0.1% lower than one year ago in August 2012.

Queensland

Queensland's trend unemployment increased marginally (600 persons) to be 6.0% in August 2013, for the third consecutive month, just 0.1% higher than the trend unemployment rate one year ago in August 2012.

The actual number of unemployed persons for the month is 151,900. The number of employed persons increased by 3,100 (0.1%) in August 2013, to total 2,360,000, in trend terms.

The Queensland Labour Force increased by 3,700 persons (0.1%), to be 2,512,300. The trend participation rate remained steady for the third consecutive month at 65.8% in August 2013 – just higher than the national trend participation rate. The Queensland participation level is now 0.6% below the 66.4% trend participation rate recorded a year earlier (August 2012); and well below the peak participation rate of 67.4% recorded in October 2011.

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

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

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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).

Interest Rates ^{**}

RBA Cash Rate

In line with market expectations, the Reserve Bank voted to leave the cash rate unchanged at 2.5% at its 2 September 2013 meeting; following on from the previous, 0.25-percentage-point cut imposed in August.

The Governor's statement covered fairly familiar ground, with no apparent changes to the Bank's assessment of global growth prospects or the currently 'very accommodative' international financial conditions; despite a slight increase in volatility in financial markets, particularly in a number of emerging economies.

The Australian economy is expected to continue to grow at slightly below-trend levels in the near term as the economy adjusts to lower levels of mining investment; and inflation also remains consistent with the medium-term target.

The pace of borrowing remains relatively subdued, though recent rate cuts have been judged to have supported interest sensitive spending and asset values; and a further depreciation of the historically high dollar and with it, the exchange rate, may also help to 'foster a rebalancing of growth in the economy'.

The Board determined that while it would continue to assess the outlook and adjust policy accordingly, the current setting remains appropriate. For the first time in a number of months, however, it no longer sought to emphasise any apparent 'scope to ease policy further, should that be required to support demand'; suggesting a slight watering down of the Bank's recent easing bent.

Consumer Price Index ^{††}

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%).

^{**} 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>

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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^{††}

National

For the June 2013 quarter, the Australian chain volume trend estimate of private new capital expenditure declined by 0.7%, to \$39.176 billion. This came as expenditure on buildings and structures increased by 0.7% across the quarter (\$25.081 billion); with growth in expenditure on equipment, plant and machinery declining by 3.0% (at approximately \$14.098 billion). The total new capital expenditure change since June quarter 2012 was a fall of 4.1% in trend estimates terms.

Queensland

Between the March 2013 and June 2013 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 3.75% to \$11.927 billion. Expenditure on equipment, plant and machinery decreased by approximately 1.2% over the quarter, to \$3.642 billion; while spending on building and structures in Queensland rose by 4.7%, to \$8.178 billion. Over the year from June 2012, total new capital expenditure increased 8.5% in trend estimate terms.

Building Approvals^{§§}

National

The national trend estimate for total dwelling approvals grew for the fifth consecutive month in July 2013; increasing by 0.9% to a total of 13,868 approved units. Approvals for the three months to July were around 2.7% higher than estimates recorded in the previous three months. For the year from July 2012 to July 2013, the trend growth in approvals stood at approximately 6.25%.

Queensland

The Queensland trend estimate for total dwelling approvals increased very slightly in July 2013, following two flat months, to be 0.03% higher (at approximately 2,543 approved units). Approvals for the three months to June 2013 were marginally higher (around 0.24%) than estimates recorded in the February-April 2013 period. In annual terms, growth in trend approvals stood at 9.0% for the year from July 2012.

Housing Finance^{***}

National

The trend value of Australia's housing finance commitments (owner occupation) rose by 1.0% in July 2013, adding \$149 million, to total \$15.414 billion. Across the three months to

^{††} ABS Cat No. 5625.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EACA257235007866B1?Opendocument>

^{§§} 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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July 2013, the national trend estimates for housing finance commitments were approximately 4.8% higher than equivalent commitments in the previous three months. Over the twelve months from July 2012, housing finance commitments (owner occupied) increased approximately 11.9%, in trend terms.

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings increased by 2.3% in July 2013, to \$2.752 billion. This latest result positions trend commitments across the three months to July 2013 approximately 5.8% (around \$474 million) higher than in across the previous three months. Over the year to July 2013, the trend value of Queensland's housing finance commitments is now up by around 12.7% (up from \$2.402 billion in July 2012).

Retail Trade⁺⁺⁺

National

While Australian trend retail turnover typically grows by only a relatively small margin each month, the entrenched pattern has long been that of an uninterrupted upward trajectory. Not so for the month of July 2013, however, with trend turnover declining across the month for only the third time in the last 10 years; with a decrease of 0.1% to \$21.819 billion (December 2004 and October 2010 were the previous regressive months).

Clothing, footwear and personal accessory retailing unseated the consistently-performing *Cafes, restaurants and takeaway food services* industry group as the retail sector's top growth performer for the month, adding 0.3% to its June turnover total, ahead of *Cafes'* rise of 0.2% and growth of 0.1% in each of food retailing and household goods retailing. However, these positive sales results were outweighed by a significant, 1.3% decline in turnover for the *Department Stores* industry group for the second month in a row (and marking the fifth consecutive monthly drop of any margin).

Queensland

Following a relatively poor showing in June, which delivered the State its lowest level of trend retail growth since November 2010; Queensland's retail sector followed the national example to retreat further in July 2013, with trend turnover of \$4.590 billion (down 0.05%). *Department Stores* fared the worst of the industry groups in growth terms, falling by 1.6%; while *Cafes, restaurants and takeaway food services* were the best growth performer with a monthly turnover increase of 0.5%. The latest result followed trend turnover increases of 0.1% in May and June, which ensured that turnover in the three months to July 2013 was approximately 0.3% higher than in the three preceding months. In year-on-year terms, retail turnover for July 2013 was approximately 3.2% or \$142.6 million higher than the \$4.447 billion trend total recorded in July 2012.

Economic Growth Outlook

National

National Accounts data for the second quarter of 2013 revealed Australian Gross Domestic Product (GDP) increased by 0.5% from the March 2013 to June 2013 quarters in chain volume trend terms, to be 2.5% higher over the year.⁺⁺⁺ The terms of trade rose by 1.1% across the quarter; but remained down by 3.3% over the year from June 2012. In seasonally

⁺⁺⁺ 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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adjusted terms, the quarterly GDP growth stood at 0.6%; while the terms of trade rose by 0.1% across the three months to July 2013 (for year-on-year growth results of 2.6% and -4.9% respectively from the June 2012 quarter).

While *Agriculture, forestry and fishing* recorded the largest quarterly value-added change with growth of 2.4% across the June quarter; in terms of percentage point contributions to the recorded 0.5% trend GDP growth; the largest contributor was the *Financial and insurance services*, which received credit for 0.2% of the rise. Other major percentage point boosts apparently came from *Agriculture, forestry and fishing* (0.1%), *Mining* (0.1%); *Public administration and safety* (0.1%) and *Health care and social assistance* (0.1%) (with an approximate 0.1% margin of error).

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 2011-12 and 2013-14 growth rates of 3.7% and 3.9% respectively, driven by strong external demand in resource rich states.

Queensland

Queensland State Final Demand increased by 0.6% over the June 2013 quarters, to be 2.5% higher over the year from June 2012, in trend terms. Positive quarterly changes were also recorded in South Australia (0.6%), New South Wales (0.5%), the ACT (0.3%), Victoria (0.2%) and the Northern Territory (0.2%). Western Australia and Tasmania in contrast experienced a weakening of demand in the June 2013 quarter, down 1.4% and 0.5% respectively.

The latest State Accounts (March 2013) show Queensland Gross State Product (GSP) increased by 1.4%, to \$73.214 billion, in the March quarter 2013 (chain volume measures).⁵⁵⁵ Over the year to the March quarter 2013, Queensland's GSP increased by 3.6% (up \$2.568 billion, from March 2012's recorded \$70.646 billion GSP).

According to the latest [Queensland Economic Review](#), dated January 2013, Gross State Product (GSP) for Queensland rose 4.0% in 2011-12; compared to the nation-wide GSP growth average of 3.4%. The result put the State second only to Western Australia, which recorded GSP growth of 6.7% for the same period. Queensland's solid GSP increase was driven primarily by 'record growth' in business investment. However, softening global conditions served to weaken demand for key Queensland commodities, and a flagging labour market and lacklustre consumer sentiment also weighed on growth in consumption.

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, slipped from the previously identified growth rates of 4.4%, 4.5% and 4.4% (2013-14; 2014-15 and 2015-16), 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.

⁵⁵⁵ OESR, Queensland State Accounts, March Quarter 2013. <http://www.oesr.qld.gov.au/subjects/economy/state-accounts/tables/qld-state-accounts-tables/index.php>

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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 manifested in the below-average confidence of small business and families in the State.

Fortunately, 'resource titan' Queensland 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.

Queensland may then, however, hit 'much the same pothole as growth in the rest of Australia (except Western Australia)', as the exports from many of the new gas projects will not come into play until 2015 and 2016 – too late to counteract the winding back of construction spending, and consequently 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 Queensland's resources '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 signal the beginnings of inevitable housing industry rebound.

Further; there are 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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