



Weekly Economic Indicators: Queensland and Australia

Week Ending 11/10/13

Summary

The local market last week endured a second consecutive week of losses, characterised largely by light trade volumes and cautiously downcast sentiment; as a Monday public holiday in much of the country and uncertainty surrounding the US political deadlock manifested in both an evident early bent towards subdued trade, and a marked air of investor apprehension and gloom.

Market dealings were quiet from the outset as a number of states observed the Labor Day holiday; and the light volumes meant that when fresh concerns about the progression of US debt ceiling negotiations rattled investors late in the day, the market's decline was decidedly pronounced.

While the descent later slowed, the slightly downcast trade patterns and outlook persisted for much of the week, with a number of domestic economic releases ultimately playing second fiddle to the US developments, and failing to significantly alter the market's course.

With Tuesday came the news that Business confidence in September jumped higher following the Federal election, with the NAB index rising to its highest level since March 2010, and approximately 17 points higher than its most recent trough in July. The Westpac-Melbourne Institute Index of Consumer Sentiment in contrast fell back by 2.1% in October, to 108.3; though the modest retreat was deemed a 'solid' outcome by Westpac's Chief Economist, given recent uncertainty in the US, and September's previous 4.6% post-election boost.

The latest ANZ job advertisements release revealed average weekly job ads fell by another 0.9% in trend terms in September, and are now down by 15.3% across the year; though the pace of decline appears to have moderated in recent months and looks now to be stabilising.

National trend unemployment remained flat at 5.7% and 6.0% respectively in Australian and Queensland, for the fourth consecutive month in a row.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↑ \$0.9434
All Ord. Share Index	↓ 5,167.06 pts
Cattle Futures (EYCI)	↓ 309.80 Ac/kg
Sugar (ICE No.11 Futures)	↑ 18.69 USc/lb
Cotton (No. 2 Futures)	↓ 84.82 USc/lb
Iron Ore 62% Fe	↑ 134.00 US\$/t
Mogas95 [#]	↓ 113.85 US\$/bbl
Gold (week-end London PM Fix)	↓ 1265.50 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 8.5% for the June quarter 2013, to number 21.58 million. For the year from June 2012, total guest nights fell 0.5%, down from 21.67 million one year ago.

The combined total guest nights for these two most recent quarters was, at 45.2 million nights, approximately 6.5% lower than the combined 48.3 million guest nights recorded in the September and December 2012 quarters.

Queensland

Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) decreased by 4.8% to 6.1 million in June 2013. The decline followed the normal seasonal bump in September and December 2012, however there was an overall 3.1% decrease in guest nights in 2012.

Combined guest nights for the two months of September and December 2012, at 14.4 million was approximately 13.5% higher than the combined 12.5 million guest nights recorded in the March and June 2013 quarters. In annual terms, the accommodation figures for June 2013 were approximately 1.2% higher than the 6.2 million guest nights recorded in the same quarter last year.

Note: This release of the June quarter 2013 data is the last of the quarterly data collection. On 1 July 2013, the data collection will move to an annual release, on a financial year basis.

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

For the sixth month in a row, trend national unemployment rose very slightly in September 2013, though the marginal increase was not large enough to push the current trend unemployment rate above the 5.7% level it has now occupied for the past four months. The latest, result (with 706,400 unemployed, to a workforce of 11,646,800 employed) is the highest recorded unemployment rate since September 2009, and a significant 0.4% higher than the 5.3% trend rate recorded in September 2012 (647,000 unemployed to 11,530,600 employed). This followed a monthly decline in the number of people employed in Australia

* 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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by around 200 in September (from 11,647,000 to 11,646,800); while the number of unemployed persons rose by around 300 persons (from 706,100 to 706,400), in trend terms.

At an aggregate level, these developments meant the Australian Labour Force was relatively steady across the month, with the approximate 100-person increase (0.0%) taking the overall pool of workers to 12,353,200. For the second consecutive month, the participation rate remained steady at 65.0% (revised) – 0.2% lower than September 2012's 65.2% trend participation rate.

Queensland

Queensland's trend unemployment decreased very marginally, but ultimately held at 6.0% for the fourth consecutive month in September 2013 (with 150,600 unemployed persons and 2,370,600 persons employed respectively). The result was a slight 0.1% lower than the trend unemployment rate recorded one year ago in September 2012.

The marginal decrease came as the State's total unemployed population fell by less than 100 persons in trend terms across the month (from 150,600); while the number of employed persons rose by around 4,400 (0.2%), from 2,366,200.

The Queensland Labour Force accordingly increased by around 4,400 persons (0.2%), to 2,521,300 persons; while the trend participation rate remained steady for the third consecutive month at 65.9% – 0.9% higher than the national September trend participation rate. Queensland's Labour Force participation level is now approximately 0.4% below the approximately 66.4% trend participation rate recorded a year earlier in September 2012; and well below the peak participation rate of 67.9% recorded in January/February 2009.

Employment by Industry[§]

As of the August 2013 quarter, there were approximately 2,344,600 employed persons in Queensland – a decline of around 0.5% across the quarter, but up by approximately 0.8% on the 2,326,800 employed persons reported in August 2012. The five industries with the largest number of employed persons were Health Care and Social Assistance (270,900); Retail Trade (265,400); Construction (240,800); Manufacturing (178,300); and Education and Training (171,400). Those industries employing the smallest number of persons included Electricity, Gas, Water and Waste Services (33,200); Information, Media, and Telecommunications (34,200) and Arts and Recreation Services (38,600).

The biggest quarterly employment gains were recorded in the Public Administration and Safety; Manufacturing; and Financial and Insurance Services sectors, which respectively increased their employment numbers by 13.7% (19,700 persons), 10.5% (17,000 persons) and 5.8% (3,200 persons). Administrative and Support Services; Agriculture, Forestry and Fishing; and Accommodation and Food Services and in contrast, suffered the biggest employment losses over the three months from the previous, May 2013 quarter; declining by 16.7% (-15,600 persons), 14.2% (-9,500 persons) and 12.2% (-21,200 persons) respectively.

In annual terms, over the year from August 2012, the largest industry-wide employment gains were recorded in 'Other' industries (up 12.3 % from 88,700 to 99,600); Professional and Scientific Services (up 8.6% from 157,000 to 170,400); and Manufacturing (up 8.5%, from 164,300 to 178,300). The State's largest industry-wide annual declines in employment were recorded in Accommodation and Food Services (-11.0% or 18,900 persons); Agriculture, Forestry and Fishing (-11.0% or 7,100 persons); and Wholesale Trade (-7.7% or 5,500 persons).

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

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Employed Persons by Industry - Queensland: Original

'000	Part Time	Full Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	15.0	42.4	57.4	2.45%
Mining	2.1	75.5	77.6	3.31%
Manufacturing	25.4	152.9	178.3	7.60%
Electricity, Gas, Water and Waste Services	2.1	31.1	33.2	1.42%
Construction	30.3	210.4	240.8	10.27%
Wholesale Trade	14.1	62.8	77.0	3.28%
Retail Trade	122.6	142.8	265.4	11.32%
Accommodation and Food Services	94.6	58.5	153.0	6.53%
Transport, Postal and Warehousing	27.8	102.8	130.5	5.57%
Information Media and Telecommunications	6.7	27.5	34.2	1.46%
Financial and Insurance Services	10.8	47.8	58.5	2.50%
Rental, Hiring and Real Estate Services	12.4	34.1	46.6	1.99%
Professional, Scientific and Technical Services	32.3	138.2	170.4	7.27%
Administrative and Support Services	31.2	46.6	77.8	3.32%
Public Administration and Safety	27.4	136.1	163.4	6.97%
Education and Training	65.5	105.9	171.4	7.31%
Health Care and Social Assistance	115.4	155.5	270.9	11.55%
Arts and Recreation Services	16.5	22.2	38.6	1.65%
Other Services	22.6	77.0	99.6	4.25%
Total	674.7	1670.0	2344.6	100.00%

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

Interest Rates**

RBA Cash Rate

At its 1 October 2013 meeting, the Reserve Bank of Australia decided to leave the cash rate unchanged for the second consecutive month, at 2.5%.

The Governor's statement confirmed expectations that the global economy would pick up in 2014.

While US monetary policy remains 'on hold', causing some levels of volatility in global financial markets, interest rates around the world remain at very low levels. Commodity prices have also decreased, though they remain historically high; and inflation is generally within the specified target range.

In Australia, the economy continues to grow slightly below trend, partly as a result of the transition away from peak mining investment. However, the easing in monetary policy that has been implemented since late 2011 is starting to take effect, supporting interest-sensitive spending and asset values in a positive manner.

The Board again determined that while it would continue to assess the outlook and adjust policy accordingly, the current setting remains appropriate.

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 month of August, up 0.1%, to a total of 13,896 approved units. While a small increase, this is the 11th consecutive month of increases for total dwelling approvals. For the three months to August, there were around 2% more approvals than estimates recorded in the previous three months. For the year to August 2013, the trend growth in approvals stood at approximately 5.8%.

Queensland

The Queensland trend estimate for total dwelling approvals increased on a par with Australian levels for the month of August 2013, to be 0.1% higher at approximately 2,584 approved units. Approvals for the three months to August 2013 were marginally higher (around 1%) than estimates recorded in the previous three month period. In annual terms, growth in trend approvals stood at 8.6% for the year from August 2012.

Housing Finance^{***}

National

The value of Australia's housing finance commitments (owner occupation) rose by 0.4% in trend terms in the month of August 2013, adding \$59.3 million, to total \$15.299 billion.

NEW

^{##} 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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Across the three months to August, the national trend estimates for housing finance commitments were approximately 3.2% higher than commitments recorded in the previous three months. Over the twelve months from August 2012, housing finance commitments (owner occupied) increased by 11.9% approximately, in trend terms.

Queensland

Housing finance in Queensland moved in line with national trends in August 2013, with the value of owner occupied commitments increasing by a similar 0.4% (\$10.4 million) across the month in trend terms, to \$2.716 billion. This latest result came as the trend commitments rose by around 4.1% (\$321.6 million) across the three months to August 2013, compared to the previous three months.

Over the year to August 2013, the trend value of the State's housing finance commitments was up by approximately 11.8% (increasing by \$286.4 million) on August 2012's reported \$2.429 billion.

Retail Trade⁺⁺⁺

National

In August 2013, trend retail turnover remained steady at 0.0% to \$21.8163.1billion, following small increases in July and June (0.1% for both months), to be 1.7% higher for the twelve months from August 2012.

In trend terms, *Clothing, footwear and personal accessory retailing* was the highest performing sector, with an increase of 0.5% in August 2013. The *Cafes, restaurants and takeaway food services* industry group added 0.2% to its July turnover total, as did *Housing goods retailing*, while *Food retailing* increased just 0.1% for the month.

Department stores retailing and *Other retailing* fell 0.9% and 0.3% respectively for the month of August 2013.

Queensland

Queensland was relatively unchanged for the month of August 2013, with 0.0% growth recorded, to be valued at \$4.593.6 billion. The year-on-year data was more encouraging, with growth of 3.1% recorded for the twelve months from August 2012.

Queensland reflected the national trend in terms of the specific sectors, with *Cafes, restaurants and takeaway food services* increasing 0.03% and *Food retailing* falling 0.01% for the month.

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%

⁺⁺⁺ 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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across the quarter; but remained down by 3.3% over the year from June 2012. In seasonally 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

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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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 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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