



# Weekly Economic Indicators:

## Queensland and Australia

Week Ending 14/03/14

### Summary

The volatile situation in the Ukraine and Crimea region dominated financial markets, with increased risk associated with rising tensions surrounding the Crimean referendum vote to join with Russia. The Aussie dollar fell below US90 cents during the week, but rallied to close out the week at just above that figure. The gold price continued to rise, as investors sought out the safety haven commodity.

In another blow to market sentiment, the latest Chinese economic data revealed weaker than expected industrial output, retail sales and urban investment data for the emerging economy in February 2014, forecasting a period of slower growth as economic reforms continue to be implemented.

The Australian Bureau of Statistics Labour Force data shows that the unemployment rate continued to inch up both nationally and in Queensland in February 2014, increasing to 6.0% and 6.1%, respectively, for the month. The number of unemployed persons increased 8,500 nationally and 900 for the State, while the labour force increased by 15,700 for Australia and 3,000 for Queensland, in trend terms. The trend participation rate was marginally higher in Queensland at 65.7, compared to 64.7 nationally, to be slightly lower than one year ago, at 66.0 and 65.1 respectively.

The latest Housing Finance data for December 2013 shows the value of owner occupied housing commitments (trend) increased \$163 million (1.0%) to \$16.4 billion nationally, with Queensland data showing a 0.1% increase to \$2.8 billion in trend terms.

The Westpac/Melbourne Institute consumer confidence survey for March 2014 reported a drop of 0.7%, to be 99.5, its lowest level since May 2013. The main concerns impacting consumer confidence are reported to be “*the economic outlook and escalating job-loss fears*”, with consumers feeling wary after hits to the Australian manufacturing and airline sectors in recent weeks.

### Market Monitor

	Price (Last Week)
AUD\$/US\$	↑ \$0.9022
All Ord. Share Index	↓ 5407.36 pts
Cattle Futures (EYCI)	↓ 314.69 Ac/kg
Sugar (ICE No.11 Futures)	↓ 17.79 USc/lb
Cotton (No. 2 Futures)	↑ 92.59 USc/lb
Iron Ore 62% Fe	↓ 113.00 US\$/t
Mogas95 <sup>#</sup>	↓ 120.77 US\$/bbl
Gold (week-end London PM Fix)	↑ 1385.00 US\$/oz

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

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## Interest Rates\*

### RBA Cash Rate

At its latest meeting on 4 March 2014, the Board of the Reserve Bank of Australia opted to leave the cash rate unchanged at 2.5%. The result was in keeping with analysts' predictions, and marked the seventh consecutive month rates have been kept at this level.

Governor Glenn Stevens' statement also affirmed that this position of neutrality is likely to continue for some time, with the Board deeming a period of rates stability 'the most prudent course'.

Key points from the decision statement include:

- Prospects of a pickup in the global economy remain reasonable, following 2013's year of below-trend growth. Japan in particular has recorded a significant economic acceleration of late, and the US, China and Euro area continue on their recent expansion/recovery trajectories.
- International financial conditions remain very accommodative, with long-term interest rates low and equity and credit markets generally well-placed to provide adequate funding in most markets.
- Domestic consumer demand is firming and business conditions and confidence improving, though as resources sector spending is set to decline, public spending and investment prospects in other sectors remain subdued.
- With labour demand remaining weak, unemployment has continued to edge higher and is expected to climb further before it peaks.
- Monetary policy remains accommodative and 'appropriately configured to foster sustainable growth in demand and inflation outcomes consistent with the target'.

## Consumer Price Index<sup>†</sup>

The national headline CPI increased by 0.8% in the December quarter 2013, compared to a rise of 1.2% in the previous quarter, to be 2.7% higher over the twelve months from December 2012. The strongest recorded increases were for the *Recreation and culture* group (2.1%), *Food and non-alcoholic beverages* group (1.6%) and the *Alcohol and tobacco* group (1.6%). The *Transport* group (-1.1%) and the *Health* group (-0.5%) both declined over the December 2013 quarter.

The Brisbane CPI rose by 0.8% to 104.6 in the December quarter 2013, bringing the year-on-year increase for December 2012 to December 2013 to 2.6%. This placed Brisbane fourth for the annual percentage increase for an Australia capital city, behind Darwin (4.4%), Perth (2.9%) and Melbourne (2.7%); and slightly behind the 2.7% weighted average of all eight capital cities across this period.

The largest CPI movements for Brisbane in the December 2013 quarter were recorded by the *Recreation and culture* group (0.26%), the *Food and non-alcoholic beverages* group (0.23%) and the *Housing* group (1.8%). The largest detractors from inflation in Brisbane over the December 2013 quarter were the *Health* group (-0.04%) and the *Clothing and footwear* group (0.03%).

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\* 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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**National**

A less than 0.1% increase pushed the trend national unemployment rate up from its previous monthly mark of 5.9% to 6.0% in February 2014, with the number of employed persons having increased by 8,500 across the month to 11,502,200 persons, while the number of unemployed rose by approximately 7,200 persons to 733,700 persons. This latest monthly rate was approximately 0.5 percentage points higher than the 5.5% unemployment rate recorded one year ago in February 2013. The national participation rate remained steady at 64.7% from a revised January 2014 estimate.

**Queensland**

Queensland's trend unemployment rate increased to 6.1% in February 2014, just 0.1% above the national rate. The number of employed persons in Queensland increased 900 persons for the month to 2,322,400 while the number of unemployed persons increased 2,100 persons to 151,100 for the month (trend). This latest monthly mark was approximately 0.3% higher than the 5.8% unemployment rate recorded in February 2013. The participation rate remained steady at 65.7% for the month, to be slightly lower than the 66.0% recorded one year ago in February 2013.

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

As of the November 2013 quarter, there were approximately 2,387,600 employed persons in Queensland – an increase of 1.8% across the quarter, and an increase of 1.4% on the 2,356,000 employed persons reported in November 2012. The five industries with the largest number of employed persons were Health Care and Social Assistance (291,063); Retail Trade (285,559); Construction (239,361); Manufacturing (198,627); and Education and Training (174,893). Those industries employing the smallest number of persons included Information, Media, and Telecommunications (25,008); Electricity, Gas, Water and Waste Services (33,098); and Arts and Recreation Services (42,033).

The biggest quarterly employment gains were recorded in the Manufacturing (11.4%); Arts and Recreation Services (8.8%); Rental, Hiring and Real Estate Services (8.6%); and Administrative and Support Services sectors (8.6%). In contrast, Information, Media, and Telecommunications; Professional, Scientific and Technical Services; and Public Administration and Safety, suffered the biggest employment losses over the three months from the previous, August 2013 quarter; declining by 26.9%, 10.0%, and 8.7% respectively.

In the year from November 2012, the largest industry-wide employment gains were in Arts and Recreation Services (14.6%); Manufacturing (13.0%), and Retail Trade (10.7%). The State's largest industry-wide annual declines in employment were recorded in Financial and Insurance Services (-16.6%); Accommodation and Food Services (-11.6%); and Agriculture, Forestry and Fishing (-9.5%).

**Employed Persons by Industry - Queensland: Original**

'000	Part Time	Full Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	12.3	47.0	59.4	2.49%
Mining	0.9	80.3	81.2	3.40%
Manufacturing	26.0	172.7	198.6	8.32%
Electricity, Gas, Water and Waste Services	3.1	30.0	33.1	1.39%

<sup>‡</sup> ABS Cat No. 6202.0  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/F756C48F25016833CA25753E00135FD9?OpenDocument>

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

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Construction	34.3	205.1	239.4	10.03%
Wholesale Trade	9.6	65.0	74.6	3.12%
Retail Trade	144.0	141.6	285.6	11.96%
Accommodation and Food Services	87.2	61.1	148.3	6.21%
Transport, Postal and Warehousing	28.2	111.3	139.4	5.84%
Information Media and Telecommunications	6.2	18.8	25.0	1.05%
Financial and Insurance Services	11.6	43.1	54.7	2.29%
Rental, Hiring and Real Estate Services	12.4	38.2	50.6	2.12%
Professional, Scientific and Technical Services	35.5	117.8	153.3	6.42%
Administrative and Support Services	34.7	49.7	84.5	3.54%
Public Administration and Safety	28.5	120.6	149.2	6.25%
Education and Training	71.1	103.8	174.9	7.33%
Health Care and Social Assistance	122.9	168.2	291.1	12.19%
Arts and Recreation Services	15.3	26.7	42.0	1.76%
Other Services	22.0	80.9	102.8	4.31%
<b>Total</b>	<b>705.8</b>	<b>1681.8</b>	<b>2387.6</b>	<b>100.00%</b>

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

## International Trade\*\*

In January 2014, trend estimates for international trade in goods and services reported a surplus of \$986 million. This marked a 65.2% increase on the \$597 million trend surplus reported in December 2013, as trend goods and services exports increased by an estimated \$448 million (1.5%) to \$28.972 billion; while the trend estimate of imports of goods and services rose by a lesser \$59 million (0.2%), to \$27.986 billion.

In seasonally adjusted terms, there was an almost tripling of the December surplus in January 2014, with an increase of \$842 million (142.5%) to \$1.433 billion. This improved balance was down to a 3.7% increase in seasonally adjusted exports across the month, which exceeded the 0.8% rise in January's seasonally adjusted imports.

## International Tourist Visitors\*\*

### National

The number of international visitors to Australia rose by 1.8% in the year to September 2013, to reach 5.813 million. These visitors spent an estimated \$19.168 billion during their time in the country, representing an increase in spending of \$796 million (4.3%). Holiday travel was the key driver of the spending growth, rising by 10.2% across the year; while expenditure by those visiting friends and relatives (VFR) also rose by 3.2%. International business expenditure in contrast declined marginally.

These spending movements generally corresponded with the recorded changes in visitor numbers for each group, with the number of holiday visitors having increased by 6.8% to 3.047 million, while VFR visitor numbers rose by 5.4% to 2.127 million; and business visitor numbers conversely fell by 1.5%, to 0.933 million.

### Queensland

Queensland saw a healthy improvement in international visitor expenditure in the year to September 2013, with spending increasing by more than \$200 million (5.4%), to \$3.971

\*\* ABS Cat No. 5368.0  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/A5FB33BD2E3CC68FCA257496001547A1?opendocument>

\*\* Tourism and Events Queensland, *International Tourism Snapshot*.  
[http://www.tq.com.au/research/international-source-market-data/international-source-market-data\\_home.cfm](http://www.tq.com.au/research/international-source-market-data/international-source-market-data_home.cfm)

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billion. The increase reflected both the solid upsurge in international visitation to Queensland, with visitor numbers rising by 4.8% to 2.064 million; and also some strong growth in in-State expenditure, particularly from visitors from China, the UK and the US.

In line with national trends, holidaymakers played the central role in Queensland's visitor spending result, with the estimated \$2.1 billion in expenditure by the group – more than half of all state expenditure – highlighting the ongoing importance of the holidaying market. This is likely to be further reinforced as the segment continues to account for the largest proportion of growth in visitor numbers, recording an increase of 7.4%, to 1.405 million visitors over the year to September. This compared to a 1.4% rise in VFR visitors (to 0.500 million) and a -9.5% fall in business visitors, to 0.188 million.

### International Visitors and Expenditure

#### International Visitor Types and Stays

<b>Queensland</b>	<b>Visitors</b>	<b>Annual change</b>	<b>Average stay</b>	<b>Annual change</b>
Holiday	1,405,000	7.4%	14.2	1.4%
Visiting friends or relatives (VFR)	500,000	1.4%	19.5	13.4%
Business	188,000	(-9.5%)	8.3	(-3.50%)
<b>TOTAL</b>	<b>2,064,000</b>	<b>4.8%</b>	<b>22.0</b>	<b>3.3%</b>

<b>Australia</b>	<b>Visitors</b>	<b>Annual change</b>	<b>Average stay</b>	<b>Annual change</b>
Holiday	3,047,000	6.8%	23.0	2.2%
Visiting friends or relatives (VFR)	2,172,000	5.4%	23.5	1.3%
Business	933,000	(-1.5%)	12.6	0.0%
<b>TOTAL</b>	<b>5,813,000</b>	<b>4.8%</b>	<b>36.3</b>	<b>(-0.3%)</b>

#### International Visitor Expenditure

	<b>Expenditure (\$ million)</b>	<b>Annual change</b>	<b>Share of expenditure</b>	<b>Spend per visitor</b>
QLD	\$3,971.1 million	5.4%	20.7%	\$1,913.30
<b>Australia</b>	<b>\$19,168.2 million</b>	<b>4.3%</b>	<b>100.0%</b>	<b>\$3,254.81</b>

Source: International Visitor Survey, Tourism Research Australia. As reported by Tourism Queensland, International Tourism Snapshot, Year ending September 2013.

### Domestic Tourism<sup>††</sup>

#### National

The number of domestic visitors within Australia increased by 1.8% to 75.796 million in the year to December 2013. Holidaymakers accounted for the largest proportion of these visitors and visitor growth, with numbers increasing by 4.0% to 32.977 million; while VFR visitation grew by 0.2% to 26.391 million and business visitation in contrast declined by 0.4% to 13.979 million. While the majority of tourism continues to occur within each traveller's home state (52.704 million intrastate visitors, or around 69.5%), growth in intrastate travel, at 1.2%, was overshadowed by a more significant 2.7% rise in interstate visitors to 24.515 million.

Overnight domestic visitor expenditure rose by 3.0% to \$51.481 billion over the 12-months to December 2013. The increase came largely on the back of spending growth of 5.1% in the holiday market to \$22.570 billion, and 3.2% in the VFR market to \$8.791 billion; offsetting -3.9% fall in the business spend, to \$7.865 billion. The holiday market continues to provide the highest yield by purpose in terms of per-capita tourist spends.

#### Queensland

<sup>††</sup> Tourism and Events Queensland, *Domestic Tourism Snapshot*.

[http://www.tq.com.au/research/summary-visitor-statistics/summary-visitor-statistics\\_home.cfm](http://www.tq.com.au/research/summary-visitor-statistics/summary-visitor-statistics_home.cfm)

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In contrast to the 1.8% national growth, domestic overnight travel visitation to Queensland was down by 2.4% to 17.572 million visitors in the the year to December 2013. While business visitor numbers defied the rest of the market to grow by 0.4% to 3.228 billion; holiday visitation declined by 0.8% to 7.583 million and VFR visitors by 2.9% to 6.143 million visitors.

Most of the decline occurred in the dominant intrastate market which accounts for around 56.9% of all domestic visitors, and fell by 3.3% to 12.210 billion. Interstate visitation, in contrast, declined by just 0.1% to 5.362 million visitors.

However, although overall domestic visitors declined, a slight increase in the average length of stay meant that overall visitor nights were stable. When combined with a higher yield per visitor, this ensured that domestic expenditure still rose by 2.4% over the year to December 2013, to \$13.782 billion.

Queensland's domestic overnight visitor spending total constituted around 26.8% of the overall domestic expenditure share in Australia, compared with 29.4% for New South Wales, 19.6% for Victoria and 24.2% for the combined remaining states.

### Domestic Visitors and Expenditure

#### Domestic Visitor Types and Stays

<b>Queensland</b>	<b>Visitors</b>	<b>Annual change</b>	<b>Average stay</b>	<b>Annual change</b>
Holiday	7,583,000	(-0.8%)	4.2	2.4
Visiting friends or relatives (VFR)	6,143,000	(-2.9%)	3.8	5.6%
Business	3,228,000	0.4%	3.5	6.1%
<b>TOTAL</b>	<b>17,572,000</b>	<b>(-2.4%)</b>	<b>3.5</b>	<b>6.1%</b>

<b>Australia</b>	<b>Visitors</b>	<b>Annual change</b>	<b>Average stay</b>	<b>Annual change</b>
Holiday	32,977,000	4.0%	4.0	(-2.4%)
Visiting friends or relatives (VFR)	26,391,000	0.2%	3.4	0.0%
Business	13,979,000	(-0.4%)	3.1	(-3.1%)
<b>TOTAL</b>	<b>75,796,000</b>	<b>1.8%</b>	<b>3.7</b>	<b>(-2.6%)</b>

#### Domestic Visitor Expenditure

	<b>Expenditure (\$ million)</b>	<b>Annual change</b>	<b>Share of expenditure</b>	<b>Spend per visitor</b>
QLD	<b>\$13,782.3 million</b>	<b>2.4%</b>	<b>26.8%</b>	<b>\$784.35</b>
<b>Australia</b>	<b>\$51,481.4 million</b>	<b>3.0%</b>	<b>100.0%</b>	<b>\$679.21</b>

Source: National Visitor Survey, Tourism Research Australia. As reported by Tourism Queensland, Domestic Tourism Snapshot, Year ending December 2013.

## Private New Capital Expenditure<sup>§§</sup>

### National

The Australian chain volume trend estimate of private new capital expenditure fell by 0.7% in the December 2013 quarter, to \$39.126 billion. This came amid a 4.6% decline in expenditure on *equipment, plant and machinery* (to \$12.506 billion), which exceeded the modest, 1.1% increase in expenditure on *buildings and structures* (to \$12.506 billion)

The aggregate annual terms, the overall change in private new capital expenditure was a 2.7% decrease over the year from December 2012 to December 2013.

<sup>§§</sup> ABS Cat No. 5625.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EACA257235007866B1?OpenDocument>

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## Queensland

In contrast to the declining national trend, the Queensland chain volume trend estimate of private new capital expenditure rose by approximately 1.2% in December 2013, to \$12.222 billion. As at the national level, expenditure on *equipment, plant and machinery* declined across the month, falling by 2.4% to \$3.203 billion. However, expenditure on *buildings and structures* grew by a greater 2.6%, to \$9.020 billion. Over the year from December 2012, total new capital expenditure growth stood at 10.3% in trend estimate terms.

## Building Approvals<sup>\*\*\*</sup>

### National

The national trend estimate for total dwelling approvals grew by 1.3% to 17,104 in January 2014, and has now risen for 15 consecutive months. Over the year from January 2013, the trend growth in dwelling approvals was a solid 28.4%.

### Queensland

The latest monthly rise in Queensland's trend estimate of approved dwelling units – an increase of 2.6% to 3,639 units – takes the sunshine state to a total of 24 months straight growth. In annual terms, the trend increase in approved units for the year to January 2014 was approximately 45.2% (up from 2,506 approved units in January 2013).

NEW

## Housing Finance<sup>+++</sup>

### National

The trend value of Australia's housing finance commitments (owner occupation) rose by \$163 million (1.0%) in December 2013, to total \$16.415 billion. Over the year from December 2012, housing finance commitments (owner occupied) increased by approximately 18.5% (up \$2.565 billion) in trend terms.

### Queensland

Housing finance in Queensland grew at a slower rate than the national level in December 2013, with the value of commitments climbing by 0.1%, to \$2.838 billion (up from \$2.822 billion in November). In annual terms, the latest result means the annual trend growth in owner occupied housing finance now stands at around 15.0%, up by approximately \$371 million on the \$2.467 billion in trend commitments reported in December 2012.

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

### National

In January 2014, national trend retail turnover increased by 0.7%, to total \$22.837 billion, following similar 0.7% monthly rises in both November and December 2013. Over the year from January 2013, the increase in trend retail turnover stood at 5.6%.

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\*\*\* 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>

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

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The industries experiencing the largest increase in turnover across the month included *Cafes, restaurants and takeaway food services* (1.4%); *Food retailing* (0.8%) and *Department stores* (0.7%).

### Queensland

Queensland trend retail turnover growth increased 0.6% in January 2014, to total, \$4.750 billion, placing Queensland fourth in growth terms, behind Tasmania (1.3%), New South Wales (1.0%) and Victoria (with 0.8% growth). The latest result marked the third consecutive month of turnover growth at this rate (0.6%), signalling a relatively constant pace of expansion in sales expenditure for the state. Over the year to January 2014, the increase in trend retail growth stood at 4.7%.

The Queensland industry groups with the largest contributions to January's monthly retail turnover growth were *Cafes, restaurants and takeaway food services* (1.3%), *Department stores* (0.6%) and *Food retailing* (0.5%).

## Economic Growth Outlook

### National

Third quarter National Accounts data has revealed Australian Gross Domestic Product (GDP) increased by 0.7% from the September quarter to the December quarter 2013 in chain volume trend terms, to be 2.7% higher over the year from December 2012.<sup>555</sup> In terms of the respective gross value-added contributions of industry to the national income and the 0.7% trend growth, the most significant percentage point contributions came from the *Mining* (1.4%), *Rental, hiring and real estate services* (1.5%), and *Transport, postal and warehousing* and *Financial and insurance services* (both 1.3%). The largest trend declines in gross value-added terms were recorded by the *Accommodation and food services* (-0.8%), *Wholesale trade* (-0.8%), and *Professional, scientific and technical services* (-0.4%) industry groups.

Australia's terms of trade fell by 0.9% in trend terms in December 2013 (to 87.8), as the prices of Australia's imports fell at a faster rate than the country's exports. The import price index declined by 0.3% in trend terms, compared to a smaller, 0.1% decrease in the export index. The resulting terms of trade drop implies a small reduction in the real purchasing power of domestic production, such that the volume of imports that can currently be purchased with 100 units of Australian exports has declined to 87.8 import units (down from 88.7 in September 2013). In annual terms the latest decline means the terms of trade have now declined by 2.6% over the year from December 2012, and by a more moderate 1.2% in seasonally adjusted terms.

The December 2013 Deloitte Access Economics Business Outlook has revised down its GDP growth expectations for 2013-14 to 2.5% (from a previously forecast 2.6%), in anticipation of a below-trend result for the national economy. The growth rate is forecast to increase over the next four years.

In sectoral terms, stronger growth is expected to occur in areas that were previously well behind par, such as manufacturing, retail, tourism and utilities, based on the lower Australian dollar exchange against the greenback. According to Deloitte, wealth is increasing as a result of higher housing and share prices, as well as the more subdued increases to electricity prices.

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<sup>555</sup> ABS Cat No. 5206.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CACA25768D0021E2C7?opendocument>

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The mining sector is expected to remain strong as the resources companies move further into the production phase and away from the investment phase, while the engineering construction sector is likely to continue its slide into 2014, as the 'construction cliff' unwinds.

GDP growth of 2.7% is forecast in 2014-15, increasing to 3.0% in 2015-16 and 3.2% by 2016-17; before an anticipated slowing to 3.0% growth in 2017-18. The anticipated expansion through to 2016-17 will be fuelled by both strong resource exports volumes and investment transition from the resource sector to the non-resource sectors. The forecasts present a slightly more subdued growth picture than was offered in the previous, September 2013 Deloitte Access Economics report; which in contrast pointed to anticipated stable growth of 2.5% through 2013-14 and 2.6% for 2014-15; rising 2.9% in 2015-16; 3.2% in 2016-17 and 3.0% growth in 2017-18.

## Queensland

The Australian National Accounts, State Final Demand, chain volume measures (CVM) data for December 2013 revealed Queensland State Final Demand (SFD) increased by 0.1% over the quarter, to be 1.0% higher over the year from December 2012, in trend terms.\*\*\*\* This modest result placed Queensland just above bottom-ranked South Australia in trend growth terms (0.0%), compared to a much more impressive 3.7% trend growth recorded in the Northern Territory and 0.7% trend growth in Western Australia and Tasmania. New South Wales, the Australian Capital Territory and Victoria also outperformed the sunshine state with their respective SFD growth rates of 0.6%, 0.4% and 0.3%.

Queensland's slight improvement in SFD was driven by improved exports of goods and services (at 2.2% growth in trend terms), together with increases in both general government and household consumption expenditure (0.4% and 0.5% respectively).

The latest *Australian National Accounts, State Accounts 2012-13* from the ABS reported that four states exceeded the national Gross domestic product (GDP) growth rate of 2.6% in 2012-13: the Northern Territory (5.6%), Western Australia (5.1%), Queensland (3.6%) and the Australian Capital Territory (2.7%), with Victoria (1.6%), New South Wales (1.8%), South Australia (1.3%) and Tasmania (-0.6%) below the national GDP rate.

The December 2013 Deloitte Access Economics Business Outlook reported forecast GSP growth of 3.6% for the 2013-14 financial year, up from its preliminary growth estimate of 3.4% reported in its previous, September 2013 report. The forecast is based on optimism around the falling value of the Australian dollar, which will benefit exporting sectors, continued low interest rates and stronger exports of natural gas through 2015 and 2016.

The State's outlook for the coming years shows a solid upward trajectory driven largely by natural gas projects and other resources in the short term, but with an anticipated shift in emphasis to the non-resource sectors over the coming decade; with tourism, agribusiness and international education all garnering a mention as potential future drivers of the State's growth.

With GSP anticipated to rise by 3.6% in 2013-14 and 3.6% in 2014-15, before hitting its strides with growth of 5.0% in 2015-16, before declining slightly to 4.6% in 2016-17 and 4.1% in 2017-18; Queensland is well placed to exceed the national trends in its economic growth outlook.

The December 2013 Business Outlook suggests that the key developments fuelling the State's steadily improving prospects include:

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\*\*\*\* ABS Cat No. 5206.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5206.0Main+Features1Sep%202013?OpenDocument>

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- Reduction in the impact of coal mine closures and stalled projects, as well as reduced effect of the State Government cutbacks;
- Queensland's solid population growth, which continues to track above the national average, and which should also contribute to a recovering state housing construction outlook, with low vacancy rates and growing demand set to prompt a sectoral turn-around;
- Strong retail sector growth for Queensland, again tracking above the national average although with a slightly reduced margin than previously;
- Positive growth for the engineering construction sector, particularly in coal and natural gas projects, as well as commercial and infrastructure projects;
- The impact of the lower Australian dollar on inbound tourism, with some encouraging travel and hotel occupancy rates for the Gold Coast and north Queensland already emerging;
- Large scale gas and LNG developments throughout Queensland; and
- A stronger employment position, with the State's job gains falling back in line with national trends and showing continuing momentum.

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