



## Economic Indicators: Queensland and Australia

As at 16 December 2015

### Market Summary

The economic news was dominated by the released of the Australian and Queensland mid-year budget updates.

The Mid-Year Economic and Fiscal Outlook (MYEFO) has been released by Treasurer, Hon Scott Morrison, with the main take-outs of the budget update as follows: lower forecast economic growth; reduced revenue due to falling commodity prices; a China slowdown; increasing deficit and concern regarding a projected return to surplus.<sup>1</sup>

The Queensland Treasurer, Hon Curtis Pitt, has announced two key initiatives in the state Mid-Year Economic and Fiscal Outlook (MYEFO) – the merger of electricity companies Ergon and Energex and a regearing of several Government Owned Corporations (GOCs).

The newly merged electricity company is to be in operation by mid-2016, with savings of \$680 million expected through network efficiencies, with headquarters located in Townsville and an expected 500 new regional jobs created through the amalgamation.<sup>2</sup>

The MYEFO also announced a reduction in General Government Sector debt through a total of \$1 billion in regearing of Gladstone Ports Corporation, North Queensland Bulk Ports and Sunwater, as well as a special dividend from Stanwell.<sup>3</sup>

### Market Monitor

	Price (Week ending 11 December)
<a href="#">AUD\$/US\$</a>	↑ \$0.7262
<a href="#">All Ord. Share Index</a>	↓ 5,131.90
<a href="#">Cattle Futures (EYCI)</a>	↓ 589.45 Ac/kg
<a href="#">Sugar (ICE No.11 Futures)</a>	↓ 14.90 US\$/lb
<a href="#">Cotton (No. 2 Futures)</a>	↑ 64.43 US\$/lb
<a href="#">Iron Ore 62% Fe</a>	↓ 37.50 US\$/t
<a href="#">Mogas95<sup>#</sup></a>	↓ 56.68 US\$/bbl
<a href="#">Gold (week-end London PM Fix)</a>	↑ 1,072.50 US\$/oz

<sup>1</sup> Australia. Budget 2015, [Mid-Year Economic and Fiscal Outlook, 2015-16](#), 15 December 2015.

<sup>2</sup> C Pitt (Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport), [Electricity company mergers save \\$680 million and drive regional jobs](#), media statement, 15 December 2015.

<sup>3</sup> C Pitt (Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport), [Economic plan on track through Mid Year Review](#), media statement, 15 December 2015.

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

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## Economic Indicators Summary: Latest Results<sup>4</sup>

<a href="#">RBA Cash Rate</a> (December 2015)	↔ at 2.00%	
<a href="#">Unemployment Rate</a> (November 2015)	Qld ↓ at 6.1%	Aust ↔ at 6.0%
<a href="#">Participation Rate</a> (November 2015)	Qld ↔ at 65.6%	Aust ↔ at 65.1%
<a href="#">Retail Trade</a> (October 2015)	Qld ↓ 0.1%	Aust ↔ 0.3%
<a href="#">Housing Finance (value)<sup>5</sup></a> (October 2015)	Qld ↓ 0.3% at \$3.255 billion	Aust ↑ 2.0% at \$20.575 billion

### Commodity prices

Falling commodity prices are considered the main cause of the continuing weakness in the exchange rate, with the Australian dollar slipping as low as US\$0.7169 mid-week before rallying to close at US\$0.7262.

The price of iron ore fell to record lows at US\$37.50 per tonne, with world oversupply as well as a stall in Chinese steel-making driving down the price. The outlook is for further falls in the price of iron ore into the New Year.

Other base metals and oil prices fell over the previous month, with oil prices reflecting increased global production, as the major oil-producing OPEC countries failed to set a new production ceiling at its meeting held on 4 December.

Agricultural commodities reflected mixed results, with wheat, coffee and corn prices higher while sugar, cotton and cattle prices lower for the week. Wheat price increases were the result of increased buying due to lower production output estimates as a result of damage to crops. Sugar price falls followed ABARE price forecasting for 2016, with sharp falls expected in the New Year.

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<sup>4</sup> Unless otherwise indicated, the data referred to in this document is trend data. The Australian Bureau of Statistics (ABS) defines trend data as a seasonally adjusted series that has been further adjusted to remove irregular effects and 'smooth' out the series to show the overall 'trend' of the data over time.

<sup>5</sup> Owner occupied.

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## NEW RELEASES THIS MONTH

### Business and consumer confidence

Source	Change	Reasons for change (as noted in publication)
<a href="#">Westpac-Melbourne Institute Index of Consumer sentiment</a>	Fell by approximately 0.8% in December from 101.7 in November to 100.8 in December.  The index is 10.7% higher than one year ago.	The main change was around 'Budget and taxation' with the number of respondents recalling news on this topic almost doubling since September. Presumably the ongoing discussion surrounding GST changes is unnerving respondents.  Westpac noted that other topics that were top of mind with respondents to the survey were 'economic conditions', 'interest rates' and 'international conditions'. Confidence around the housing market continued to decline, and is now 31.5% below the September highs and 5.3% lower than one year ago.
<a href="#">NAB Monthly Business Survey</a>	Business conditions were unchanged at +10 points in the month of November for the fourth consecutive month of well above long-term average (+5 points) gains.  Business confidence increased marginally from +3 to +5 in November, which is still marginally below its long-run average.	The non-mining sector recovery is slowly improving, with solid gains in previously underperforming industries outside of the mining sector.  Relatively subdued business confidence is seen as a reflection of uncertain global economic conditions.
<a href="#">Roy Morgan Research's Business Confidence</a>	Business confidence declined marginally by 0.6% in November to 118.7, but remained above the five-year average (116.9).	The marginal fallback is to be expected following the significant boost in business confidence (increase of 16.3%) following the change of Prime Minister two months ago.
<a href="#">ANZ-Roy Morgan Consumer Confidence</a>	Confidence bounced 3.1% for the first week in December to 116.3.	Increases in consumers' views towards their current finances (5.4% higher) and future finances (3.0% higher) added to overall consumer confidence lifts.  Confidence in the economic outlook also bounced, with the 'economic conditions in the next five years' subindex increasing 4.0% and the 'economic conditions in the next 12 months' subindex increasing 3.3%.
<a href="#">ANZ job ads</a>	Up 1.1% in November in trend terms. Job ads are up 11.5% over the year.	Job advertising has increased for four consecutive months. Overall job advertisement activity is being supported by labour intensive service industries (such as the retail sector).

### Labour Force - November 2015 – released 10 December 2015<sup>6</sup>

#### National

The trend national unemployment rate fell by a small margin, to 6.0%. Unemployment fell by 5,500 persons compared with October, to 752,300 persons.

Employment rose in November by 2.5%, or 25,300 persons, to 11,855,800 persons. The participation rate remained unchanged at 65.1%, to be 0.5% higher than in November 2014.

<sup>6</sup> Australian Bureau of Statistics, [Labour Force, Australia, November 2015](#), cat no 6202.0, ABS, 2015.

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## Queensland

The trend unemployment rate fell 0.1% to 6.1% in November 2015, to be 0.5% lower than the 6.6% recorded one year ago.

Employment rose by 5,100 (0.2%) in November to total 2,366,100, the twelfth consecutive monthly rise. The Queensland participation rate remained unchanged at 65.6% for the month, marginally above the 65.3% recorded in November 2014.

## Retail Trade – October 2015 - released 4 December 2015<sup>7</sup>

### National

Retail trade in Australia rose 0.3% in October, to \$24.607 billion<sup>8</sup>, following rises of 0.3% in September and August. For the year from October 2014, the national estimate of retail turnover increased 3.9%, or \$863.5 million, from \$23.615 billion.

The top performing retail industries for October<sup>9</sup> were *Food retailing* (0.3%), *Household goods retailing* (0.4%), *Other retailing* (0.5%) and *Department stores* (0.7%).

### Queensland

Subdued retail growth continued in October, with monthly estimated retail turnover increasing by 0.1% to be valued at an estimated \$4.943 billion in October 2015. This was \$122.2 million (2.5%) higher than the \$4.821 billion recorded in October 2014.

*Food retailing* (0.09%), and *Household goods retailing* (0.06%) saw the biggest increases in retail turnover in October 2015. The sector with the least impressive monthly retail turnover contribution was *Cafes, restaurants and takeaway food services* (-0.16%).

The table below compares Queensland's trend retail growth with other states and territories.

NSW	Vic	WA	Tas	ACT	Qld	SA	NT
0.4%	0.6%	0.3%	0.5%	-0.1%	0.1%	0.2%	0.1%

## Housing Finance - October 2015 – released 9 December 2015<sup>10</sup>

### National

The value of housing finance for total dwellings remained steady at 0.0% nationally for October, to be valued at \$33.203 billion. The value of owner occupied housing commitments rose 1.9% to \$21.111 billion. Investment housing commitments fell 3.1% to \$12.092 billion for the month.

<sup>7</sup> Australian Bureau of Statistics, [Retail Trade, Australia, October 2015](#), cat no 8501.0, ABS, 2015.

<sup>8</sup> Estimated turnover at current prices.

<sup>9</sup> In current prices.

<sup>10</sup> Australian Bureau of Statistics, [Housing Finance, Australia, October 2015](#), cat no 5609.0, ABS, 2015.

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The number of owner occupied housing commitments rose by 0.8% in October 2015, to 55,568.

## Queensland

The value of housing finance commitments (owner occupied) for Queensland fell -0.6% to \$3.239 billion in October 2015.

The change in the value of owner occupied housing commitments across the states and territories is in the table below.

NSW	Vic	Qld	SA	WA	Tas	ACT	NT
1.8%	1.5%	-0.6%	0.8%	-0.7%	-1.0%	-1.3%	0.1%

## Economic releases due by 15 January 2016:

- Building Approvals, Australia, November 2015 – due for release on 7 January 2016
- International Trade, Australia, November 2015 – due for release on 7 January 2016
- Retail Trade, Australia, November 2015 – due for release on 8 January 2016
- Labour Force, Australia, December 2015 – due for release on 14 January 2016
- Housing Finance, Australia, November 2015 – due for release on 15 January 2016

The Board of the Reserve Bank of Australia (RBA) does not meet in January, with the first scheduled meeting of the Board set for 2 February 2016.

**Merry Christmas and a Happy New Year to all.**

## Research and Information Service

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