



Queensland Parliamentary Library

Research and Information Service

Weekly Economic Indicators: Queensland and Australia

05/03/12

Summary

The Australian share market recovered from early losses to post gains across the week, with investors encouraged by the European Central Bank's decision to pump billions of euros into the region's troubled banks, and by positive leads from US markets. The All Ord. added an average 47.47 points to reach 4354.70 points at the close, and the Australian dollar was also higher against most major currencies, buying \$US1.0709.

The news was generally positive for commodities, with tapis crude oil, cattle and sugar all posting weekly gains. However, spot gold recorded its biggest weekly loss in two months, falling \$US70.5 to 1707.00 \$US/oz; and cotton also slipped 61 cents to 91.67 USc/lb.

While trend retail turnover rose by a meagre 0.06% in Australia and 0.07% in Queensland in January 2012, the latest investment figures show private new capital expenditure has continued to expand at a more impressive pace. December 2011's increases in expenditure of 5.91% nation-wide and 8.05% in Queensland take the respective year-to-date expenditure growth totals to 32.34% and 74.60%.

In contrast, housing construction has remained relatively stagnant in January 2012, with the country's weakened dwelling approval figures sliding by a further 0.6% across the month. The outlook was slightly more positive in Queensland, where December's modest gain was consolidated with a further 1.1% increase in approvals.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↑ \$1.0709
All Ord. Share Index	↑ 4354.70 pts
Cattle Futures (EYCI)	↑ 389.46 Ac/Kg
Sugar (ICE No. 11 Futures)	↑ 25.14 USc/lb
Cotton (No. 2 Futures)	↓ 91.67 USc/lb
Tapis Crude Oil (week-end Spot)	↑ 134.65 US\$/bbl
Gold (week-end London PM Fix)	↓ 1707.00 US\$/oz

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Tourism Accommodation¹

National

Total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) increased by 9.7% in the September quarter 2011, to number 23.73 million. This marked a significant turnaround on the large declines in guest nights recorded in the previous two quarters, but the improved September accommodation figures are still 0.86% below the 23.94 million guest nights recorded in the September quarter 2010. Accommodation numbers do, however, typically peak in the December quarter (24.06 million), with the combined guest nights for the December 2010 and March 2011 quarters numbering 46.69 million, compared to 45.38 million in the last half-yearly period (June and September quarters 2011).

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Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) increased by a substantial 19.07% in the September quarter 2011, totalling 7.26 million. This is 2.65% below the 7.46 million guest nights recorded in the June quarter 2011. Combined guest nights in the last two quarters totalled 13.10 million, compared to 13.36 million in the December 2010 and March 2011 quarters.

Balance of Payments²

National

Australia recorded a 4.93% trend decline on its November balance of payments surplus in December 2011, slipping \$83 million to a reduced surplus of \$1.60 billion. Exports inched marginally higher to \$27.60 billion – an increase of \$103 million or 0.38%. However, imports rose slightly more across the month (0.72% or \$186 million), increasing from \$25.81 in November 2011 to \$25.99 million in December.

Labour Force³

National

In the latest ABS Labour Force release, the national unemployment rate remained unchanged at 5.2% in January 2012, having shown little appreciable movement in recent months. The trend participation rate also held steady, remaining at the December 2011 level of 65.3%.

¹ ABS Cat No. 8635.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/7F1BCA4FD889E82C CA25775700164667?OpenDocument>

² ABS Cat No. 5368.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/A5FB33BD2E3CC68F CA257496001547A1?opendocument>

³ ABS Cat No. 6202.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/F756C48F25016833C A25753E00135FD9?OpenDocument>

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Queensland's trend unemployment rate decreased by 0.2% in January 2012, to 5.1%. The January trend participation rate also dropped slightly to 73.5% (down 0.1%).

Employment by Industry⁴

There were 2,344,200 employed persons in Queensland as at November 2011. The five industries with the most number of employed persons were health care and social assistance (284,800), retail trade (258,700), construction (235,800), education and training (180,700) and manufacturing (180,200). Those industries employing the least number of persons included information, media and telecommunications (30,200), arts and recreation services (40,900), electricity, gas, water and waste services (43,000), and rental, hiring and real estate services (48,300).

Employed Persons by Industry - Queensland: Original

'000	Full Time	Part Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	58.6	15.7	74.3	3.17
Mining	57.2	1.9	59.0	2.52
Manufacturing	156.3	23.9	180.2	7.68
Electricity, Gas, Water and Waste Services	41.2	1.8	43.0	1.83
Construction	202.2	33.6	235.8	10.06
Wholesale Trade	64.0	11.2	75.2	3.21
Retail Trade	136.5	122.2	258.7	11.03
Accommodation and Food Services	67.4	92.7	160.1	6.83
Transport, Postal and Warehousing	109.6	23.8	133.4	5.69
Information Media and Telecommunications	24.4	5.8	30.2	1.29
Financial and Insurance Services	52.5	14.1	66.6	2.84
Rental, Hiring and Real Estate Services	37.8	10.6	48.3	2.06
Professional, Scientific and Technical Services	115.8	31.4	147.2	6.28
Administrative and Support Services	54.2	35.4	89.6	3.82
Public Administration and Safety	132.7	18.4	151.1	6.44
Education and Training	109.9	70.8	180.7	7.71
Health Care and Social Assistance	169.9	115.0	284.8	12.15
Arts and Recreation Services	23.8	17.1	40.9	1.75
Other Services	64.2	21.5	85.7	3.66
Total	1678.2	666.6	2344.2	100.00

Source: ABS Cat No. 6291.0.55.003 Labour Force, Detailed (Nov 2011).

⁴ ABS Cat No. 6291.0.55.003

<http://abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/35006594EB1126B2CA257132000F9189?opendocument>

Interest Rates⁵

RBA Cash Rate

At the RBA meeting on 7 February 2012, the Reserve Bank board voted to leave the cash rate unchanged at 4.25%, to retain the rate at its lowest level since April 2010.

The unexpected decision is based on lower forecasts for world GDP growth this year. Concerns regarding European sovereign debt and banks are continuing, however the RBA considers some progress has been made since early December, particularly in European financial markets.

In Australia, growth is expected to be close to trend and inflation close to the target range of 2-3%. While the exchange rate has risen further, the terms of trade have started to decline, reflecting the fall of the euro against all currencies. The RBA reports that the Australian dollar is somewhat higher than assumptions predicted, and the RBA Board will closely monitor the exchange rate to determine if any future interest rate movements are required.

“The Board noted that interest rates for borrowers have declined to be close to their medium-term average, as a result of the actions at the Board’s previous two meetings. With growth expected to be close to trend and inflation close to target, the Board judged that the setting of monetary policy was appropriate for the moment.”

RBA Standard Variable Housing Loan Indicator Rate

The Reserve Bank’s calculation of the average standard variable interest rate for home loans has remained steady at 7.30% as at the end of January 2012.

Consumer Price Index⁶

Between the September and December quarters 2011 the national CPI remained steady at 0.0%, resulting in a 3.1% annual rise. The December quarter 2011 CPI for Brisbane decreased 0.2%, bringing the year-to-date increase to 2.4%.

Private Capital expenditure⁷

National

Between the September and December 2011 quarters, the Australian chain volume trend estimate of private new capital increased by 5.91%

⁵ Reserve Bank of Australia: Cash Rate Target <http://www.rba.gov.au/statistics/cash-rate.html> and Housing Loan Indicator Lending Rates <http://www.rba.gov.au/statistics/tables/xls/f05hist.xls?accessed=0706-15:44:13>

⁶ ABS Cat No. 6401.0 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

⁷ ABS Cat No. 5625.0 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EA CA257235007866B1?OpenDocument>

to \$38.74 billion. Expenditure on equipment, plant and machinery increased by 2.12%, while expenditure on buildings and structures increased by 8.08%.

Over the twelve months from December 2011 to December 2012, total private new capital expenditure increased by 32.34%. Expenditure on equipment, plant and machinery increased by 14.73% across the year, while expenditure on buildings and structures rose by a solid 47.36%.

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Between the September and December 2011 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 8.05% to \$10.83 billion.

A year-on-year comparison of the December quarters 2011 to 2012 shows Queensland's total private new capital expenditure increased by 74.60%. Expenditure on equipment, plant and machinery increased by a significant 40.71% to \$4.03 billion. However, in line with national developments, spending on building and structures accounted for the largest proportion of expenditure growth in Queensland, having more than doubled across the year (rising from \$3.35 billion to \$6.81 billion).

Building Approvals⁸

National

In January 2012 the national trend estimate for total dwelling approvals declined for the fifteenth consecutive month, down 0.6% to 11,378. While the rate of the national slowdown has begun to decrease, for the three months to January 2012 compared with the previous three months, the trend estimate of dwelling approvals fell 4.1%. Over the year to January 2012, the overall trend decline now stands at 17.3%.

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The trend estimate for total dwelling units approved in Queensland increased by 1.1% in January 2012, building on the initial turnaround and rise recorded in December 2011. For the three months to January 2012 compared with the previous three months, the trend estimate of dwelling approvals increased by 0.7%. However, in annual terms, trend approvals are still around 7.2% below figures from a year earlier.

Housing Finance⁹

National

The trend value of housing finance commitments (owner occupation) in Australia increased 0.69% to \$13.9 billion in the month of December

⁸ ABS Cat No. 8731.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0545FFC6A101264DC A25719F007F6F1F?OpenDocument>

⁹ ABS Cat No. 5609.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/05DBCE56402EC566C A25723D000F2999?OpenDocument>

2011, with the modest increases of the previous months continuing. For the three months to December 2011, compared with the previous three months, the trend value of commitments rose by 1.86%. Over the year to December 2011 there has been an increase of 3.78% in the trend estimate for the total value of dwelling finance commitments.

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In December 2011, the trend value of housing finance commitments for owner occupied dwellings increased by 0.48% to \$2.36 billion. The trend value of commitments increased by a slight 0.85% across the three months to December 2011 compared with the previous three months. For the year to December 2011, the State recorded a rise of 0.31% in the trend value of housing finance commitments.

Retail Trade¹⁰

National

Despite experiencing a slight slowdown in growth in January 2012, Australia's trend retail turnover rose by 0.06%, to total \$20.96 billion overall. This latest increase marks the fifteenth consecutive incremental monthly rise in trend turnover. For the three months to January 2012 compared with the previous three months, retail turnover was 0.52% higher in trend terms. Across the year to January 2012, turnover increased by 2.73%.

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After December 2011's first decrease in trend retail turnover in a year, Queensland recovered slightly with retail growth of 0.07% in January 2012, taking trend turnover to \$4.27 billion. For the three months to January 2012 compared with the previous three months, retail turnover was 0.22% higher in trend terms. Compared to January 2011 figures, retail spending was up 3.02%.

Economic Growth Outlook

National

The latest ABS National Accounts data shows Australian Gross Domestic Product increased by 0.8% in chain volume trend terms in the September quarter 2011, to be 2.1% higher over the year.¹¹

Economic forecaster Access Economics, in its latest set of forecasts for the Australian economy (December 2011), projected Gross Domestic Product (GDP) to reach 3.2% for 2011-12 and 3.4% for 2012-13. KPMG Econtech has forecast national growth by 3.7% for 2011-12 in its

¹⁰ ABS Cat No. 8501.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/productsbyCatalogue/3DDA13ECDC094B1CA257734002042F2?OpenDocument>

¹¹ ABS Cat No. 5206.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CA2A25768D0021E2C7?opendocument>

October 2011 forecasts, with the resource rich states experiencing strong external demand.

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The latest Queensland State Accounts show that Gross State Product (GSP) rose 0.8% in the September quarter 2011 in trend terms, following an increase of 0.6 percent in the June quarter 2011.¹² Growth in the Rest of Australia was slightly lower at 0.7% for the September quarter 2011. However, over the year to the September quarter 2011, GSP rose a total 1.4% in Queensland, while gross Rest of Australia product grew by 2.3% over the same period.

While several components have changed in the revised estimates for Queensland's economic performance in 2010-11, Queensland's average growth estimate is unchanged at 0.2%. In contrast, average Rest of Australia growth for the year was 2.4%.

Access Economics (December 2011) recorded 0.2% growth in Queensland's GSP for 2010-11. GSP is forecast to increase by a healthy 5.7% in 2011-12.

Despite significant variation in sectoral performance in the state – including a depressed housing market, embattled tourism industry and mixed retail results – the rebounding resources sector continues to provide a powerful engine of growth. Access Economics acknowledged that while ongoing risks of economic destabilisation in Europe remain, the slew of massive infrastructure and engineering projects that are helping drive the state's economic recovery are now 'truly underway and committed', and may well hold up in the event of further trouble abroad.

In October 2011, KPMG Econtech has increased its forecast growth for Queensland GSP in 2011-12 to 5.3%, in response to expected strong investment coupled with a rebound in coal, agricultural produce and other exports, following the earlier negative impact of the floods.

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¹² OESR, Queensland State Accounts, June Quarter 2011.

<http://www.oesr.qld.gov.au/products/publications/qld-state-accounts/qld-state-accounts-201106.pdf>

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