



Weekly Economic Indicators:

Queensland and Australia

05/11/12

Summary

Australian shares closed lower last week, after a tumultuous trade period that had investors responding variously to a number of domestic data releases; the closing and re-opening of US markets due to Hurricane Sandy; and the latest European corporate earnings and Chinese manufacturing figures.

The market enjoyed some early gains on Monday, but with the temporary cancellation of US trade, exchange volumes quickly constricted. A run of shareholder-friendly European news subsequently provided the necessary impetus to re-energise trade until Wall Street came back online; but the resulting gains proved temporary, as the market declined further, despite solid manufacturing data from China.

The All Ords. closed out the week approximately 37.82 points lower, at 4500.75 points; while a steady Aussie dollar rose slightly to \$US1.0312 (up \$US0.0028).

Iron ore and oil also capped off a reasonably stable week with some modest gains; while the agricultural commodities in contrast headed south, and gold also tumbled below \$US1700 for the first time in around two months.

In a month of declining trade all-round, a relatively larger decrease in exports saw Australia's trend balance of payments deficit grow by over 8% in September 2012. Job advertisement figures also fell by 4.6% in October, marking the seventh consecutive monthly decrease, and a year-on-year decline (on October 2011 figures) of around 15%.

Retail trade and building approvals were slightly more promising, however, with incremental growth recorded at both the State and national levels.

While market opinion remains divided, economists are tipping a possible 25 percentage point interest rate cut at the Reserve Bank's Melbourne Cup day meeting.

Market Monitor*

	Price (Last Week)
AUD\$/US\$	↑ \$1.0312
All Ord. Share Index	↓ 4500.75 pts (average)
Cattle Futures (EYCI)	↓ 342.50 Ac/kg
Sugar (ICE No.11 Futures)	↓ 19.45 USc/lb
Cotton (No. 2 Futures)	↓ 71.84 USc/lb
Iron Ore 62% Fe	↑ 122.00 US\$/t
Mogas95 [#]	↑ 115.85 US\$/bbl
Gold (week-end London PM Fix)	↓ 1685.00 US\$/oz

* ABARES Market Monitor. http://www.daff.gov.au/abares/market_monitor/emarketmonitor.xls

[#] Mogas 95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

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Tourism Accommodation¹

National

Total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) decreased by 7.9% in the June quarter 2012, to number 21.67 million. The result followed a decrease of 2.3% in the March quarter 2012, in line with the national seasonal pattern of a softening in the first half of the year, prior to the typical upsurge in the September and December quarters.

The combined total guest nights for these two most recent quarters was, at 45.19 million, approximately 5.5% below than the combined 27.8 million guest nights recorded in the September 2011 and December 2011 quarters. Despite the drop, however, the June quarter 2012 result was still marginally (approximately 0.1%) higher than the 21.64 million guest nights recorded in June 2011.

Queensland

Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) decreased by 3.1% in June 2012, to 6.18 million. The decline marked the third consecutive quarterly decline in figures, after falls of 10.1% and 2.3% respectively in the December 2011 and March 2012 quarters.

As a result, the combined guest nights for the March and June quarters were, at 12.56 million, approximately 12.5% lower than the combined 14.35 million guest nights recorded in the September 2011 and December 2011 quarters. However, accommodation figures for June 2012 are up by 1.4% on the 6.10 million guest nights recorded at the same time a year earlier (in the June quarter 2011).

Balance of Payments²

National

Australia's balance of payments was a deficit of \$1.555 billion in trend terms in September 2012 – an increase of 8.4% or \$130 million on the lesser, \$1.425 billion trend deficit recorded in August 2012. In a month of reduced trade volumes all round, the retreat came as exports slipped by a relatively larger 1.4% or \$326 million (to \$24.560 billion), compared to the 0.9%, \$236 million fall in imports (to \$26.114 billion respectively). In seasonally adjusted terms, these changes resulted in an overall goods and services deficit of \$1.456 billion – a reduction of \$420 million (28.8%) on the deficit recorded in August 2012.

Labour Force³

National

In the latest ABS Labour Force release, the trend estimate national unemployment rate remained steady at 5.3% in September 2012. The trend participation rate also remained steady across the month, at 65.2%.

¹ ABS Cat No. 8635.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/7F1BCA4FD889E82CCA25775700164667?OpenDocument>

² ABS Cat No. 5368.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/A5FB33BD2E3CC68FCA257496001547A1?opendocument>

³ ABS Cat No. 6202.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/F756C48F25016833CA25753E00135FD9?OpenDocument>

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Queensland

Queensland's trend unemployment rate rose for the fourth month in a row in September 2012, increasing from 5.9% to 6.1%. The trend participation rate also remained in step with recent results, holding steady at 66.4% for a third consecutive month. The participation rate has been in overall trend decline for the past year.

Employment by Industry⁴

There were approximately 2,326,800 employed persons in Queensland as at August 2012. The five industries with the largest number of employed persons were health care and social assistance (287,300), retail trade (250,500), construction (224,200), education and training (185,800); and accommodation and food services (171,900), which displaced a declining manufacturing industry (at 164,300, down around 6,600 employees or 3.9% on May 2012 figures). Those industries employing the smallest number of persons included information, media and telecommunications (32,800), electricity, gas, water and waste services (45,100), arts and recreation services (41,700); and rental, hiring and real estate services (50,400).

The largest industry-wide declines were recorded in agriculture forestry and fishing; electricity, gas, water and waste services; and financial and insurance services, which respectively slipped by 23.4%, 21.6% and 16.2% on May 2012 figures (down by 19,700; 9,700 and 11,600 employed persons respectively). The biggest employment growth industries, conversely, were transport, postal and warehousing; public administration and safety and information, media and telecommunications.

Employed Persons by Industry - Queensland: Original

'000	Part Time	Full Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	16.0	48.4	64.4	2.77
Mining	2.5	69.1	71.6	3.08
Manufacturing	17.6	146.7	164.3	7.06
Electricity, Gas, Water and Waste Services	3.0	32.3	35.3	1.52
Construction	27.8	196.4	224.2	9.63
Wholesale Trade	12.2	59.2	71.4	3.07
Retail Trade	109.6	140.9	250.5	10.77
Accommodation and Food Services	86.9	85.0	171.9	7.39
Transport, Postal and Warehousing	24.2	109.2	133.5	5.74
Information Media and Telecommunications	6.8	28.1	34.9	1.50
Financial and Insurance Services	13.2	46.9	60.0	2.58
Rental, Hiring and Real Estate Services	12.9	37.5	50.4	2.17
Professional, Scientific and Technical Services	35.1	121.9	157.0	6.75
Administrative and Support Services	32.8	44.1	76.8	3.30
Public Administration and Safety	21.2	138.3	159.5	6.85
Education and Training	75.8	110.0	185.8	7.98
Health Care and Social Assistance	112.6	174.9	287.4	12.35
Arts and Recreation Services	16.3	22.9	39.2	1.68
Other Services	26.8	61.9	88.7	3.81
Total	653.3	1673.5	2326.8	100.00

Source: ABS Cat No. 6291.0.55.003 Labour Force, Detailed (August 2012).

⁴ ABS Cat No. 6291.0.55.003
<http://abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/35006594EB1126B2CA257132000F9189?open=document>

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Interest Rates⁵

At the RBA meeting on 2 October 2012, the Board voted to lower the cash rate by 25 basis points to 3.25%.

The decision, which marked the third cut to rates this year, came amid growing concerns about a softening international economy and slowing growth in China in particular, which stands to dampen demand for Australian exports.

Given these developments, together with the recent decline in key commodity prices and the persistently higher-than-expected exchange rate; and with inflation expected to be consistent with the target over the next one to two years; the Board saw room 'for the stance of monetary policy to be a little more accommodative'.

The Board acknowledged that there were some 'tentative signs' that previous cuts imposed in May and June were starting to have some of the expected stimulatory effects. However, it also noted that construction activity and the take-up of new loans remain subdued, and that the labour market also appears to have generally softened in recent months.

It is hoped the cut will help to ensure that as the peak in resource investment approaches in the coming year, 'the forecast strengthening in some other components of demand starts to occur'.

Consumer Price Index⁶

Between the June 2012 and September 2012 quarters the national CPI increased by 1.4%, contributing to an overall annual increase of 2.0% over the year to September 2012. The September quarter 2012 CPI for Brisbane also increased by around 1.1%, bringing the September 2011 to September 2012 year-on-year increase to 1.7%. Brisbane recorded the same percentage increase as Perth and Darwin for the quarter – 1.1%, placing it equal second lowest for CPI growth, ahead of only Hobart.

Private Capital Expenditure⁷

National

Between the March 2012 and June 2012 quarters, the Australian chain volume trend estimate of private new capital increased by 3.6% to \$41.74 billion. The rise was secured on the back of a sizeable 5.8% increase in expenditure on buildings and structures across the quarter (to \$26.06 billion), which offset a 0.5% decline in expenditure on equipment, plant and machinery (to \$15.59 billion).

The latest increase takes the overall annual growth in total private new capital expenditure from June 2011 to June 2012 to 23.7%. Expenditure on equipment, plant and machinery contributed a modest 2.3% to this total; while expenditure on buildings and structures grew by a robust 40.81%.

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/C6EF1D79E13B24EACA257235007866B1?OpenDocument>

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Queensland

Between the March 2012 and June 2012 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 4.6% to \$11.55 billion.

In year-on-year terms, the State's total private new capital expenditure increased by approximately 35.4% on June 2011 figures. Expenditure on equipment, plant and machinery decreased by approximately 3.2% over the year, to \$3.34 billion. However, spending on building and structures Queensland rose by 6.18%, to \$8.19 billion.

Building Approvals⁸

National

The national trend estimate for total dwelling approvals rose by 0.1% in September 2012, to approximately 12,845 approved units. The trend estimate has now risen for eight consecutive months – and across the three months to August 2012, approvals were up by around 3.0% on approvals in previous three months. The year-on-year results show a 5.2% trend increase in total dwelling approvals from September 2011 to September 2012.

Queensland

The trend estimate for total dwelling units approved in Queensland was flat at 2351 units in September 2012, following a fall of 0.1% in the previous month (revised). Across the three months to August 2012, compared with the previous three months, the total dwelling units increased by 2.4%. In year-on-year terms, the September 2012 trend estimate for total dwelling units approved in Queensland was a significant 11.2% higher than September 2011's 2,115 approved units.

Housing Finance⁹

National

The trend value of housing finance commitments (owner occupation) in Australia rose by 0.6% (\$79 million) to \$13.62 billion in August 2012, following a rise of 0.4% (\$52 million) in July 2012. This latest result helped push the trend value of commitments across the three months to August approximately 0.8% higher than equivalent commitments across the previous three months. In year-on-year terms, the nation's dwelling finance commitments were up by approximately 1.7% on the August 2011 estimate.

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings decreased by 0.1% in August 2012, to \$2.39 billion. This latest result marked the fifth consecutive monthly decline for the State, with the trend value of commitments (owner occupied) across the three months to September 2012 accordingly slipping by 1.1% on figures from the previous three months. Despite the recent decreases, however, the trend value of the Queensland's housing finance commitments is still up by approximately 4.8% across the year to August 2012.

⁸ ABS Cat No. 8731.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0545FFC6A101264DCA25719F007F6F1F?OpenDocument>

⁹ ABS Cat No. 5609.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/05DBCE56402EC566CA25723D000F2999?OpenDocument>

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Retail Trade¹⁰

National

Australian retail trade continued with its pattern of incremental improvements in September 2012, with national turnover rising by 0.2% to total \$21.524 billion overall. Food retailing and household goods retailing were the biggest monthly improvers in trend terms in September; and for the three months to September 2012, compared with the previous three months, overall turnover was 0.9% higher in trend terms. Across the year to September 2012, turnover increased by 3.7% in trend terms.

Queensland

Retail trade increased by 0.2% in Queensland in September 2012, taking trend turnover to \$4.468 billion. For the three months to September 2012 compared with the previous three months, retail turnover was 0.9% higher in trend terms. Over the year to September 2012, the trend growth in the State's retail spending came in at 5.1%.

Economic Growth Outlook

National

The latest ABS National Accounts data for June quarter 2012 shows Australian Gross Domestic Product (GDP) increased by 0.8% in chain volume trend terms, to be 3.8% higher over the year.¹¹

Economic forecaster Access Economics, in its latest set of forecasts for the Australian economy (September 2012), has revised down its forecast GDP growth expectations for 2012-13 to 3.0%, down from 3.4% in 2011-12, climbing back to 3.2% in 2013-14 and 2014-15. KPMG Econtech has forecast national growth of 3.7% for 2011-12 in its October 2011 forecasts, with the resource rich states experiencing strong external demand.

Queensland

Queensland State Final Demand increased 1.1% for the month of June 2012, to be 7.1% higher for the year from June 2011. This puts the State third behind the Northern Territory and Western Australia, which respectively recorded an 8% increase for the month to June 2012 and 28.3% increase for the year; and a 3% increase for the month to June 2012 and 13.4% increase for the year.

The latest Queensland State Accounts (September quarter 2011) show that Gross State Product (GSP) increased 0.8% in trend terms.¹² Growth in the Rest of Australia increased 0.7% for the September quarter 2011. Over the year to the September quarter 2011, Queensland GSP increased by 1.4%, 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%.

¹⁰ ABS Cat No. 8501.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/productsbyCatalogue/3DDA13ECDC094B1CCA257734002042F2?OpenDocument>

¹¹ ABS Cat No. 5206.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CACA25768D0021E2C7?opendocument>

¹² OESR, Queensland State Accounts, September Quarter 2011.
<http://www.oesr.qld.gov.au/products/briefs/qld-state-accounts/qld-state-accounts-201109.pdf>

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The latest Deloitte Access Economics Business Outlook for September 2012 has forecast Queensland's GSP to fall from 4.8% in 2011-12 to 4.0% in 2012-13, rebounding in 2012-13 to 4.7% growth before again dipping by 4.4% in 2013-14 and 4.3% in 2015-16.

Deloitte reports that the Queensland coal industry has been negatively impacted by big falls in coal prices, with some coal mines forced to close and others embarking on major cost cutting programs.

The up-side for Queensland remains the gas sector, with a massive pipeline of infrastructure projects and established long-term contracts with Japan. Access Economics does voice concern regarding the long-term outlook for gas pricing, particularly if the pricing structure is not linked to oil pricing.

In its October 2011 outlook report, KPMG Econtech 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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