



Weekly Economic Indicators: Queensland and Australia

08/04/13

Summary

While gains from food and finance companies helped see the Australian market to a positive opening on Tuesday's return from the Easter break, the remainder of the trading week was in contrast marked by a string of losses that culminated in the All Ords shedding an average 43.15 points, to a closing 4945.13 pts.

The Reserve Bank's decision to leave the official cash rate on hold at 3.0% once more had provided a small pre-close boost on the first day of trade; but the effect ultimately proved fleeting as sentiment took an early turn for the worse that could not be arrested even by some surprisingly positive trade deficit figures or Thursday's release of better-than-expected retail results (though disappointing building approvals figures may have somewhat countered the effects of the good news).

The data releases in question revealed higher commodity prices in February 2013 helped drive up exports by 1.1% just as imports fell by 0.2% in trend terms across the month; resulting in a significant 33.2% reduction in the trade deficit, to a more modest \$662 million (after January's \$991 million trend deficit). The retail sector, similarly, recorded solid monthly growth in trend turnover at a rate of around 0.4% and 0.6% respectively in Australia and Queensland; while February 2013 dwelling approvals were respectively 0.6% lower and 0.6% higher at the national and state levels.

As the market slid, the majority of the early damage was sustained by the mining sector, though by the time the resources stocks began to recoup some of their losses on the final day of trade, the malaise had already spread to energy, healthcare, food and the banks.

While it rose dramatically against a declining Yen, the Aussie dollar slipped slightly against the euro and a strengthening US dollar. Commodity prices also struggled against a more robust greenback, with gold sinking to its lowest level in almost a year, and oil prices falling sharply to approach four-month lows.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↓ \$1.0449
All Ord. Share Index	↓ 4945.13 pts
Cattle Futures (EYCI)	↑ 325.19 Ac/kg
Sugar (ICE No.11 Futures)	↓ 17.62 USc/lb
Cotton (No. 2 Futures)	↑ 89.27 USc/lb
Iron Ore 62% Fe	↔ 138.00 US\$/t
Mogas95 [#]	↓ 116.50 US\$/bbl
Gold (week-end London PM Fix)	↓ 1568.00 US\$/oz

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

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Tourist Accommodation*

National

Total guest nights stayed in hotels, motels and serviced apartments (larger than 15 rooms) rose by 1.6% in the December quarter 2012, to number 24.36 million. The result followed a typical mid-year pickup and increase of 10.6% in September, after a recorded 7.9% decline in June 2012 – in line with the national seasonal pattern of a softening and upsurge respectively in the first and last halves of the year.

The combined total guest nights for these two most recent quarters was, at 48.33 million nights, approximately 6.9% higher than the combined 45.19 million guest nights recorded in the March 2012 and June 2012 quarters. In addition, the December quarter result was approximately 1.2% higher than the 24.06 million guest nights recorded in December 2012.

Queensland

Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) decreased by 1.1% to 7.20million in December 2012, as industry activity began to settle lower following the peak September quarter. The decline followed a seasonal bump of an impressive 17.8% in September 2012, and a 3.1% decrease in guest nights in 2012.

Combined guest nights for the September 2012 and December quarters were, at 14.49 million, approximately 15.3% higher than the combined 12.56 million guest nights recorded in the March 2012 and June 2012 quarters. In annual terms, the accommodation figures for December 2012 were approximately 1.5% higher than the 7.09 million guest nights recorded in the same quarter last year.

Balance of Payments[†]

National

Australia's balance of payments was a deficit of \$662 million in trend terms in February 2013 – a reduction of 33.2%, or \$329 million on the \$991 million trend deficit recorded in January 2013, after a month of solid export figures and marginally lower imports. In trend terms, exports increased by 1.1% or \$280 million, to \$25.329 billion, while imports fell slightly (by 0.2%), to \$25.991 billion. In seasonally adjusted terms, these changes resulted in an overall goods and services deficit of \$178 million – a fall of a significant 85.3%, or \$1.037 billion, on the \$1.215 billion deficit recorded in January 2013.

Labour Force[‡]

National

The trend estimate unemployment rate remained flat in February 2013, holding steady at 5.4% for the fourth consecutive month. This marks an annual increase of 0.2 points on the 5.2% trend unemployment recorded in February 2012. Trend participation also

* 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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held level for the month at 65.1% and just 0.1 points lower than February 2012's recorded rate of 65.2% participation.

Queensland

Queensland's trend unemployment declined by another 0.1 point (1,980 persons) in February 2013 to approximately 5.8%, mirroring a similar monthly decrease in unemployment recorded in January 2013. The trend participation rate remained at 66.1% for the second consecutive month, leaving participation levels approximately 0.9 percentage points (5,930 persons) below the 67.0% trend participation rate recorded in February 2012.

Employment by Industry[§]

As of the February 2013 quarter, there were approximately 2,335,100 employed persons in Queensland. The five industries with the largest number of employed persons were Health Care and Social Assistance (289,700), Construction (251,700), Retail Trade (243,400), Education and Training (174,300) and Manufacturing (161,200). Those industries employing the smallest number of persons included Arts and Recreation Services (30,400), Information, Media, Electricity, Gas, Water and Waste Services (25,900) and Telecommunications (25,200).

Over the year from February 2012, the largest industry-wide employment gains were recorded in the Other Services category (9.1%), the Professional, Scientific and Technical Services Industry (5.2%) and the Health Care and Social Assistance industry (3.6%). The largest declines in industry-wide employment for the State were recorded in Manufacturing (-7.1%) and Retail Trade (-1.2%).

Employed Persons by Industry - Queensland: Original

'000	Part Time	Full Time	Total	% of Total Employment
Agriculture, Forestry and Fishing	17.7	49.2	66.9	2.86
Mining	1.0	73.4	74.5	3.20
Manufacturing	18.4	142.7	161.2	6.90
Electricity, Gas, Water and Waste Services	1.7	24.2	25.9	1.11
Construction	36.1	215.6	251.7	10.78
Wholesale Trade	13.4	66.5	79.9	3.42
Retail Trade	107.2	136.2	243.4	10.42
Accommodation and Food Services	89.6	65.8	155.4	6.65
Transport, Postal and Warehousing	28.4	117.2	145.6	6.24
Information Media and Telecommunications	5.8	19.5	25.2	1.08
Financial and Insurance Services	11.9	52.4	64.3	2.76
Rental, Hiring and Real Estate Services	7.9	39.6	47.5	2.04
Professional, Scientific and Technical Services	37.1	121.4	158.4	6.78
Administrative and Support Services	30.4	50.1	80.5	3.45
Public Administration and Safety	19.1	136.3	155.3	6.65
Education and Training	65.0	109.2	174.3	7.46
Health Care and Social Assistance	124.6	165.1	289.7	12.4
Arts and Recreation Services	11.4	19.0	30.4	1.3
Other Services	30.5	74.6	105.1	4.50
Total	657.2	1677.9	2335.1	100.00

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

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

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Interest Rates ^{**}

RBA Cash Rate

At its meeting on 2 April 2013, the RBA Board voted to leave the cash rate unchanged, at 3.0%.

While global growth is forecast to remain 'a little below average levels for a time' and Europe remains in recession, downside risks appear to have reduced amid signs of stable growth in the United States, China and around Asia generally.

In Australia, large increases in capital investment in the resources sector held growth close to trend over 2012. Though conditions and the near-term outlook remain subdued in some other sectors, the approaching resources peak affords scope for a spreading or shifts in demand; and recent information suggests that private consumption and dwelling investment are beginning to move upwards.

Inflation is currently consistent with the medium-term target and expected to remain so; with contained labour costs and business efficiency measures helping to keep the CPI and other underlying measures in check.

The Board determined that these inflation and growth conditions, together with 'indications that the substantial easing of monetary policy during late 2011 and 2012 is having an expansionary effect on the economy', all supported its decision to maintain its recent 'accommodative stance' for the time being.

Consumer Price Index ⁺⁺

Between the September 2012 and December 2012 quarters the national CPI increased by 0.2%, contributing to an overall annual increase of 2.2% over the year to December 2012. The December quarter 2012 CPI for Brisbane increased by around 0.3%, bringing the December 2011 to December 2012 year-on-year increase to 2.2%. For the capital city comparison, Brisbane recorded the same percentage increase as Perth for the quarter – 0.3%, placing it ahead of Sydney and Darwin (0.1% and 0.0% respectively) and behind Melbourne, Adelaide, Hobart and Canberra at 0.4%.

Private Capital expenditure ⁺⁺

National

Between the September 2012 and December 2012 quarters, the Australian chain volume trend estimate of private new capital expenditure rose by only the slightest of margins (0.1%), to \$41.39 billion. The slightly disappointing result came as expenditure on buildings and structures declined by 0.6% across the quarter (\$25.95 billion); with growth in expenditure on equipment, plant and machinery also slowing slightly, to around 1.3% (at approximately \$15.43 billion).

This latest quarterly result takes the overall annual growth in total private new capital expenditure to 8.8% for the year from December 2011 to December 2012 - a decidedly

^{**} 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>

⁺⁺ ABS Cat No. 5625.0 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EACA257235007866B1?OpenDocument>

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more modest twelve-monthly result than 19.8% annual rise recorded to September 2012. Expenditure on buildings and structures for the twelve months to December 2012 grew by 10.9%, while expenditure on equipment, plant and machinery increased at a rate of 5.0%.

Queensland

Between the September 2012 and December 2012 quarters, the Queensland chain volume trend estimate of private new capital expenditure decreased by 0.4% to \$10.88 billion. The result led to a moderation of the annual growth in the State's total private new capital expenditure (chain volume measures), to a level of around 4.5% over the year to December 2012 (down from a recorded 12.1% in the year to September 2012). Expenditure on equipment, plant and machinery decreased by approximately 1.0% over the year, to \$3.34 billion; while spending on building and structures in Queensland rose by 7.1%, to \$7.54 billion.

Building Approvals^{§§}

National

The national trend estimate for total dwelling approvals declined by 0.6% to approximately 13,179 approved units in February 2013, ending a 12-month run of consecutive approvals increases. Despite the February drop, approvals for the three months to February 2013 remain around 1.4% higher (around 537 units) than estimates recorded in the previous three months. In year-on-year terms, this latest result puts trend monthly approvals approximately 11.8% higher than dwelling approvals recorded in February 2012.

Queensland

In Queensland the trend estimate for total dwelling units approved rose by 0.6% in February 2013 to 2,430 units, having now risen for four consecutive months. At a combined 7,235 units, approvals across the three months to February were around 2.2% higher than the 7,077 dwelling units in the September-to-November 2012 period. Annual growth in dwelling approvals now stands at approximately 7.9% for the year from February 2012 to February 2013.

Housing Finance^{***}

National

The trend value of housing finance commitments (owner occupation) was little changed in January 2013 (0.0%), having retreated by only the slimmest of margins to \$13.779 billion (from a recorded \$13.783 billion in December 2012). Across the three months to January 2013, the national trend estimates for housing finance commitments were approximately 0.3% higher than equivalent commitments in the previous three months. In year-on-year terms, growth in the nation's dwelling finance commitments stands at approximately 1.6%.

^{§§} 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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Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings fell by 0.4% in the first month of 2013, with the State's 8,476 recorded dwelling commitments valued at \$2.438 billion (down from a value of \$2.449 billion in December 2012). This latest result puts the trend value of commitments across the three months to January 2013 very slightly lower (down 0.0% or \$150,000) than commitments recorded across the previous three months. Across the year to January 2013, the trend value of Queensland's housing finance commitments is up by around 1.2% (on January 2012 commitments).

Retail Trade⁺⁺⁺

National

The estimated trend value of Australian retail turnover rose by 0.4% in February 2013 to total \$21.743 billion, following recorded increases of 0.3% in January 2013 and December 2012. The largest sectoral increase was in the *Clothing, footwear and personal accessory retailing* industry group, which grew by a reported 0.7% in trend terms; while *Department stores* sustained the only group-wide losses with a trend decline of 0.1%. In three-monthly terms, overall turnover was up by 0.7% or \$464.5 million in the three months to February 2013, compared with the previous three months. Across the year to January 2013, turnover increased by 3.2% in trend terms.

Queensland

Retail trade in Queensland increased by 0.6% in February 2013, taking trend turnover to \$4.577 billion. The increase reflected higher spending across all industry groups, though the largest recorded contributions to trend growth were in *Clothing, footwear and personal retailing* (1.8%); *Cafes, restaurants and takeaway foods services* (1.1%); and *Household goods retailing* (1.1% trend growth). Over the three months to February 2013 compared with the previous three months, trend retail turnover was up by 0.6%. In year-on-year terms, the State added around 5.5% to the \$4.338 billion in trend value retail turnover recorded in February 2012.

Economic Growth Outlook

National

The National Accounts data for the December quarter 2012 shows Australian Gross Domestic Product (GDP) increased by 0.6% from the September to December quarters in chain volume trend terms, to be 2.9% higher over the year.⁺⁺⁺ The terms of trade fell by 2.6% across the same period, to be 12.9% lower for the year from December 2011.

In its latest set of forecasts for the Australian economy (September 2012), economic forecaster Access Economics revised down its forecast GDP growth expectations from 3.4% in 2011-12 to 3.0% in 2012-13; 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 in particular expected to experience strong external demand.

⁺⁺⁺ 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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Queensland

Queensland State Final Demand increased by 0.2% from the September to December quarters 2012, to be 2.5% higher over the year from December 2011, in trend terms. In comparison, Western Australia recorded a monthly change of 1.4% (to be 11.1% higher over the year) and NSW recorded a 0.4% increase for the month (to be 2.7% higher over the year). Victoria (-0.7%), South Australia (-1.1%), Tasmania (-1.1%) and the ACT (-0.6%) all recorded negative State Final Demand for the December 2012 quarter.

Queensland Gross State Product (GSP) increased by 0.8% in trend terms (chain volume measures) in September 2012 to be \$71.913 billion.^{§§§} Over the year to the September quarter 2012, Queensland GSP increased by 4.6% (from \$68.584 billion to \$71.913 billion).

Queensland's average growth rate for 2011-12 was 3.8%, compared to the Rest of Australia rate of 3.4%. According to the [Queensland Economic Review](#) (September 2012), the Queensland growth rate is estimated to be 4% in 2012-13, after allowing for a softer outlook for key global economies the United States and emerging Asia.

The most recent Deloitte Access Economics Business Outlook (for September 2012) forecast a fall in Queensland's GSP from 4.8% in 2011-12 to 4.0% in 2012-13; rebounding in 2013-14 to 4.7% growth before again dipping by 4.4% in 2014-15 and 4.3% in 2015-16.

The Deloitte report drew attention to the negative impact of large falls in coal prices on the Queensland coal industry, 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 has, however, acknowledged concerns regarding the long-term outlook for gas prices, particularly if the pricing structure is not linked to pricing for oil.

Lucy Manderson
Research Officer

Research and Information Service

QUEENSLAND PARLIAMENTARY SERVICE

Queensland Parliamentary Library & Research Service
Parliament House
Cnr George and Alice Streets Brisbane Qld 4000
Ph: 07 3406 7502 Fax: 07 3210 0172
mailto: Lucy.Manderson@parliament.qld.gov.au
web: www.parliament.qld.gov.au

^{§§§} OESR, Queensland State Accounts, September Quarter 2012.
<http://www.oesr.qld.gov.au/subjects/economy/state-accounts/tables/qld-state-accounts-tables/index.php>

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