



Weekly Economic Indicators:

Queensland and Australia

27/05/13

Summary

While Aussie market commenced the week with a positive showing early on Monday, the opening gains ultimately proved to be short lived. As nervous investors anticipated a possible winding down of US stimulus measures, and the release of RBA minutes served to further stymie market optimism; retail, banking and mining services all sustained heavy Tuesday losses that helped initiate a broader, precipitous market decline that would ultimately continue for the remainder of the trading period.

Tuesday's mining services results in particular – which came as sector operators issued new profit warnings and austerity measures – were seized on by commentators as further evidence of a cooling mining boom. Investors, similarly were quick to take note of RBA minutes that revealed businesses are not responding to lower interest rates, with investments declining, offices vacant and new hiring drying up.

No reprieve was to be salvaged from the release of the latest consumer confidence figures either (which disappointed once again); and the decidedly mixed messages received from Federal Reserve Chairman Ben Bernanke's latest address served only to ensure that the emerging, despondent turn to market sentiment was further reinforced.

As investors began to fret that the potential easing of US stimulus measures might be mirrored in a similar turn towards austerity elsewhere in the world, and concerns about Asian and European growth were once more resurgent; Australian shares were hit by a sudden and volatile sell-off that saw the domestic market lose \$53 billion and endure two of its worst days this year (losing \$30 billion Thursday and a further \$22 billion on Friday, to close 54.1 points lower across the week).

Despite some periods of higher trade, the Aussie dollar slipped further below parity to test new 12-month lows, with iron ore prices declining more steadily across the week for a minus \$US2.00 per tonne finish for the week. Sugar and cotton also moved lower, while Singapore petrol prices defied the drop in crude oil and gold also staged a late rally to close up by around 1.6% (\$US21.50).

Market Monitor

	Price (Last Week)
AUD\$/US\$	↓ \$0.9733
All Ord. Share Index	↓ 5,120.08 pts
Cattle Futures (EYCI)	↑ 289.94 Ac/kg
Sugar (ICE No.11 Futures)	↓ 16.78 USc/lb
Cotton (No. 2 Futures)	↓ 84.75 USc/lb
Iron Ore 62% Fe	↓ 126.00 US\$/t
Mogas95 [#]	↑ 115.45 US\$/bbl
Gold (week-end London PM Fix)	↑ 1,390.25 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 and June 2012 quarters. In addition, the December quarter result was approximately 1.2% higher than December 2012's 24.06 million guest nights.

Queensland

Guest nights in Queensland hotels, motels and serviced apartments (larger than 15 rooms) decreased by 1.1% to 7.20 million 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[†]

Australia's balance of payments was a surplus of \$12 million in March 2013 – a turnaround of \$379 million on the \$367 million trend deficit recorded in February 2013, following a similar (\$329 million) monthly reduction in January's deficit. Helped somewhat by a partial rebound in the terms of trade and higher commodity prices, the improved trade balance came as Aussie exports enjoyed another solid monthly export performance; with trend exports increasing by \$241 million (0.9%), to \$25.632 billion. A further weakening of imports also helped contribute to the positive shift, with imports having conversely fallen by \$139 million (0.5%) across the month, to \$25.758 billion. In seasonally adjusted terms, these changes resulted in an overall goods and services surplus of \$307 million – a turnaround of \$418 million on the \$111 billion deficit recorded in February 2013.

Labour Force[‡]

National

The trend estimate unemployment rate remained flat in April 2013, again holding steady at 5.5% for the third consecutive month. This is despite an increase of 50,100 in

* 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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the number of people employed; to 11,663,200. The latest result marks an annual increase of 0.4 points on the 5.1% trend unemployment recorded in April 2012. The trend participation rate moved only marginally for the month, up 0.1% to 65.3%, putting trend participation at exactly the same level recorded 12 months previously.

Queensland

Queensland's trend unemployment remained at 5.7% in April 2013, despite only a small drop in the actual number of unemployed persons (down 900 persons). The trend participation rate remained steady at 65.9% in April 2013, leaving participation levels approximately 0.8 percentage points (approximately 900 persons) below the 66.7% trend participation rate recorded in April 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 7 May 2013, the RBA Board voted to lower the official cash rate by 25 basis points to 2.75%.

The global outlook remains largely unchanged, with the euro zone still in recession and growth in the United States and China remaining moderate and solid, respectively. For another key trading partner, Japan, the outlook has strengthened, with policy changes aimed at increasing demand and curbing deflation.

Australian growth continues to perform at below trend in the first part of 2013, (that is, GDP growth below 3%) however one of the key motivating factors is deemed to be the historically high exchange rate. Of concern is the Australian dollar's presence above parity with the US dollar despite the decline in export commodity prices and previous interest rate cuts.

The latest inflation data has confirmed that it is consistent with the target, with CPI increasing by 2.5% over the past year, and forecast expectations are for inflation continuing to remain within the target range of 2-3% in the next two years.

The Board determined that the decline in the interest rate level was appropriate to achieve the inflationary target, while allowing for potential further monetary easing in the future.

Consumer Price Index ⁺⁺

Between the December 2012 and March 2013 quarters the national CPI increased by 0.4%, contributing to an overall annual increase of 2.5% over the year to March 2013.

The March quarter 2013 CPI for Brisbane increased by 0.1% to 102.0, bringing the year-on-year increase for March 2012 to March 2013 to 2.1%. This represented the second-smallest quarterly price increase for an Australia capital city (equal with Canberra) and ensured Brisbane retained its third-lowest CPI position.

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 more modest twelve-monthly result than 19.8% annual rise recorded to September

^{**} 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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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 decreased by 1.2% to approximately 12,835 approved units in March 2013. Approvals for the three months to March 2013 are around 1.5% lower than estimates recorded in the previous three months. In year-on-year terms, this latest result puts trend monthly approvals approximately 5.6% higher than dwelling approvals recorded in March 2012.

Queensland

In Queensland the trend estimate for total dwelling units approved rose by 2.5% in March 2013 to 2,612 units, having now risen for five consecutive months. At a combined 7,645 units, approvals across the three months to March were around 6.6% higher than the dwelling units in the previous three months. Annual growth in dwelling approvals now stands at approximately 13% for the year from March 2012 to March 2013 in trend terms.

Housing Finance^{***}

National

The trend value of Australia's housing finance commitments (owner occupation) increased 1.1% in March 2013, increasing to \$14.336 billion. Across the three months to March 2013, the national trend estimates for housing finance commitments were approximately 2.5% higher than equivalent commitments in the previous three months. In the twelve months from March 2012, the growth in the nation's dwelling finance commitments stands at approximately 6%.

Queensland

Queensland's trend value of housing finance commitments for owner occupied dwellings increased marginally (0.3%) in March 2013, to \$2.505 billion. This latest result positions the trend value of commitments across the three months to March 2013 very slightly higher (up 0.9% or \$71 million) than commitments recorded across the previous three months. Over the year to March 2013, the trend value of Queensland's housing finance commitments was up by around 2.5%

^{§§} 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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Retail Trade⁺⁺⁺

National

The estimated trend value of Australian retail turnover rose by 0.4% in March 2013 to total \$21.854 billion, following increases of 0.4% in January and February 2013. Overall turnover was up by 1.02% or \$671.5 million in the three months to March 2013, compared with the previous three months. Nationally, the *Food retailing* sector displayed the largest turnover contribution, with 0.19%, followed by the Household Goods retailing sector at 0.10%. The lowest level of retail turnover contribution was the *Clothing, footwear and personal accessory retailing* sector with 0.01%. Across the year to March 2013, Australian retail turnover increased by 3.3% in trend terms.

Queensland

Retail trade in Queensland increased by 0.6% in March 2013, taking trend turnover to \$4.597 billion. The increase reflected higher spending across most industry groups, with the two largest recorded contributions to trend growth the *Cafes, restaurants and takeaway food services* industry group, which contributed 0.20% in trend terms, and the *Household goods retailing* sector which contributed 0.16%. The *Clothing, footwear and personal accessory retailing* sector sustained the only group-wide loss, with a trend decline contribution of 0.01%. Over the three months to March 2013 compared with the previous three months, trend retail turnover was up by 1.7%. In year-on-year terms, the State added around 4.95% to the \$4.369 billion in trend value retail turnover recorded in March 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 (March 2011), economic forecaster Deloitte Access Economics revised down its forecast GDP growth expectations for 2012-13 from 3.0% to 2.8%, with GDP growth expected to hold at this level throughout 2014-15; before inching back up to 3.1% in 2015-16. 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.

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.

⁺⁺⁺ 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 Gross State Product (GSP) increased by 0.8% in trend terms (chain volume measures) in September 2012 to be \$71.913 billion.⁵⁹⁵ 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), State growth of 4% can be expected 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 (March 2013) pointed to a slightly less optimistic GSP growth result for the 2012-13 financial year, with growth revised down from a forecast 4.0% to 2.3%; and moderated forecasts of 4.4%, 4.5% and 4.4% respectively slated for 2013-14, 2014-15 and 2015-16.

The report noted that the State has slipped in its position as a contender for the title of 'Australia's fastest growing State' of late, with the summative impact of a smaller resources spend, more State Government cutbacks, and a drop in coal prices wiping something akin to 'three-quarters of the pace off the peak in spending growth seen in late 2011'.

In light of these negatives, the job market has also somewhat disappointed and the resource construction boom has remained largely concentrated in the mining regions, with housing and commercial construction activity generally lacklustre elsewhere.

However, it is expected that 'concentrated pain' from State Budget cutbacks is already peaking and soon to pass; and population growth and a recent fall in vacancy rates suggest a sustained upswing in construction levels may soon be helping provide fuel for the national recovery.

Further, while coal and other resource developments have seen a number of cost 'blowouts' and planning stage 'casualties', there are also a number of new developments entering the planning pipeline; and the State's massive LNG projects will continue to lead the engineering and construction charge and keep investment dollars flowing fast up until their scheduled completion in 2016.

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⁵⁹⁵ 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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