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Research and Information Service

Weekly Economic Indicators: Queensland and Australia

09/01/12

Summary

It was a relatively positive start to the new year for the local market, with Aussie shares slipping slightly from their strong opening early in the week, but still recording gains across a number of sectors. Information and communication stocks took some of the biggest knocks, but some retail and mining stocks recorded gains and the All Ords. closed up almost 60 points on last Friday's 2011 week-ending average, finishing at 4188.95 pts. The Aussie dollar also continued to track solidly against foreign currencies, reaching new heights against the euro and strengthening further against the greenback to \$1.0227.

In commodities, spot gold showed signs of a return to September's winning form, climbing over \$US85 to 1616.5 US\$/oz. Oil prices dipped slightly on news of stronger than expected supply stocklines, but also rose overall across the week, with tapis crude buying at US\$123.34 a barrel. In addition, sugar and cotton also registered price gains, with the first Eastern Young Cattle Indicator for 2012 due out later today.

The latest Australian balance of payments figures show the trade surplus slipped by over 10% to \$21.64 billion in November, on the back of a higher rate of imports across the month. While exports increased by 0.16% to \$27.37 billion during the month, imports rose 0.82% to \$25.77 billion. Retail sector performance was also weaker than expected in November, with modest increases in turnover recorded both at the national level (0.33%) and in Queensland (0.22%). However, the figures did mark the state's twelfth consecutive month of sales growth. Tourism accommodation figures also rose in September 2011, but were down 0.86% and 2.65% respectively on the total guest nights recorded for Australia and Queensland a year earlier.

Market Monitor

	Price (Last Week)
AUD\$/US\$	↑ \$1.0227
All Ord. Share Index	↑ 4188.95
Cattle Futures (EYCI) ¹	↔ 426.75 Ac/Kg
Sugar (ICE No.11 Futures)	↑ 23.84 USc/lb
Cotton (No. 2 Futures)	↑ 96.03 USc/lb
Tapis Crude Oil (week-end Spot)	↑ 123.34 US\$/bbl
Gold (week-end London PM Fix)	↑ 1616.5 US\$/oz

¹ Last recorded indicator (21 December, 2011)

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Tourism Accommodation²

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 Payments³

National

Trend estimates of Australia's balance of payments declined by just over 10% (10.04%) between October and November 2011, with the recorded surplus slipping to \$1.64 billion. Exports marginally increased (0.16%) from \$27.37 billion in October to \$27.41 billion in November 2011 in trend estimates terms. However, imports rose slightly more across month (0.82%), increasing from \$25.56 billion in October 2011 to \$25.77 billion in November.

Labour Force⁴

National

In the latest ABS Labour Force release, the national unemployment rate remained unchanged at 5.3%, in trend terms for November 2011. The

² ABS Cat No. 8635.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/7F1BCA4FD889E82CCA25775700164667?OpenDocument>

³ ABS Cat No. 5368.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/A5FB33BD2E3CC68FCA257496001547A1?opendocument>

⁴ ABS Cat No. 6202.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/F756C48F25016833CA25753E00135FD9?OpenDocument>

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trend participation rate also remained steady, for the seventh consecutive month, at 65.6%.

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Queensland's trend unemployment rate was steady at 5.8% in November 2011. The November trend participation rate also remained unchanged at 67.6 %.

Employment by Industry⁵

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).

⁵ ABS Cat No. 6291.0.55.003

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

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Interest Rates⁶

RBA Cash Rate

At the RBA meeting on 6 December 2011, the Reserve Bank board voted to lower the cash rate by 25 basis points to 4.25%, only the second decrease in eleven months and the rate's lowest level since April 2010.

The decision comes after the failure to map out a solution to the European debt and banking crisis and continued slowing in global growth. Policymakers in China have pulled back growth expectations and trade throughout Asia has also slowed. Businesses and households are maintaining cautionary spending behaviours, with declining commodity prices and CPI inflation rates.

"Growth in the global economy has moderated this year after a strong performance in 2010. Some of the slowing reflected temporary factors, and as these passed, the pace of expansion in the United States and much of Asia began to pick up around mid year. China's growth has been slowing, as policymakers there had intended. Trade in Asia is now, however, seeing some effects of a significant slowing in economic activity in Europe."

RBA Standard Variable Housing Loan Indicator Rate

The Reserve Bank's calculation of the average standard variable interest rate for home loans has decreased to 7.55%, the first change in the rate for thirteen months, as of the end of November 2011.

Consumer Price Index⁷

Between the June quarter 2011 and the September quarter 2011 the national CPI increased 0.6%, resulting in a 3.5% annual rise. The September 2011 CPI for Brisbane increased 0.3%, bringing the September 2010 to September 2011 annual change to 3.1%.

Private Capital expenditure⁸

National

Between the June and September 2011 quarters, the Australian chain volume trend estimate of private new capital increased by 8.19% to \$36.51 billion. Expenditure on equipment, plant and machinery increased by 3.39%, while expenditure on buildings and structures increased by 11.35%.

Over the twelve months from September 2010 to September 2011, total private new capital expenditure increased by 30.43%. Expenditure on

⁶ 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>

⁷ ABS Cat No. 6401.0 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

⁸ ABS Cat No. 5625.0 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/C6EF1D79E13B24EA CA257235007866B1?OpenDocument>

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equipment, plant and machinery increased by 17.46% across the year, while expenditure on buildings and structures grew by a strong 41.28%.

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Between the June and September 2011 quarters, the Queensland chain volume trend estimate of private new capital expenditure increased by 12.67% to \$9.61 billion.

A year-on-year comparison of the September quarters 2010 to 2011 shows Queensland's total private new capital expenditure increased by 65.61%. Expenditure on equipment, plant and machinery increased by 29.82% during this period, while expenditure on buildings and structures almost doubled, increasing from \$2.98 billion to \$5.92 billion (a growth rate of 98.73%).

Building Approvals⁹

National

The national trend estimate for total dwelling approvals was down 2.70% in October 2011 to 11,561, continuing the slowdown in approvals experienced in September. For the three months to October 2011 compared with the previous three months, the trend estimate of dwelling approvals fell 6.00%. Over the twelve months to October 2011, there has been a trend decline of 16.87%.

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The trend estimate for total dwelling units approved in Queensland in October 2011 was 1977 dwelling units, a decrease of 5.13%. For the three months to October 2011 compared with the previous three months, the trend estimate of dwelling approvals decreased 7.06%. In annual terms, and in line with national developments, the trend declined by substantial 17.66% for the twelve months to October 2011.

Housing Finance¹⁰

National

The trend value of housing finance commitments (owner occupation) in Australia was flat, showing no change (0.0%) in the month of October 2011 at \$14.5 billion. For the three months to October 2011 compared with the previous three months, the trend value of commitments increased by 2.5%. Over the year to October 2011, there was an increase in the trend estimate for the total value of dwelling finance commitments of 3.2%.

⁹ ABS Cat No. 8731.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/0545FFC6A101264CA25719F007F6F1F?OpenDocument>

¹⁰ ABS Cat No. 5609.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/05DBCE56402EC566CA25723D000F2999?OpenDocument>

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In October 2011, the trend value of housing finance commitments for owner occupied dwellings stood at \$2.4 billion, having shown no change (0.0%) from a month earlier. For the three months to October 2011 compared with the previous three months, the trend value of commitments increased by 1.75%. For the year to October 2011, the State recorded a decline of 5.1% in the trend value of housing finance commitments.

Retail Trade¹¹

National

Australia's trend retail turnover rose by 0.33% in November 2011 to total \$20.97 billion, in line with analogous retail growth recorded in September and October (both also approximately 0.3%). For the three months to November 2011 compared with the previous three months, retail turnover was accordingly 0.94% higher in trend terms. Over the year to November 2011, the trend increase in retail turnover was 3.14%.

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The trend estimate of Queensland's retail turnover increased by 0.22% in November 2011 – enough to secure a twelfth consecutive monthly increase and take total turnover to \$4.28 billion. For the three months to November 2011, compared with the previous three months, retail turnover was 0.60% higher in trend terms. Compared to a year earlier, retail spending in Queensland grew 3.74 %.

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.¹²

Economic forecaster Access Economics, in its latest set of forecasts for the Australian economy (Sept 2011), projected Gross Domestic Product (GDP) to reach 3.0% for 2011-12 and 3.5% for 2012-13. KPMG Econtech has forecast national growth by 3.7% for 2011-12 in its October 2011 forecasts, with the resource rich states experiencing strong external demand.

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The Queensland State Accounts for the June quarter 2011 show that Gross State Product (GSP) fell 0.1% in trend terms.¹³ In contrast, growth

¹¹ ABS Cat No. 8501.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/productsbyCatalogue/3DDA13ECDC094B1CCA257734002042F2?OpenDocument>

¹² ABS Cat No. 5206.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/52AFA5FD696482CA25768D0021E2C7?opendocument>

¹³ OESR, Queensland State Accounts, June Quarter 2011.

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in the Rest of Australia increased 0.3% for the June quarter 2011. Over the year to the June quarter 2011, GSP fell 1.7% while gross Rest of Australia product grew by 1.8% over the same period.

Preliminary 2010-11 financial year results show that in average terms, Queensland GSP rose 0.2% in 2010-11, compared with Rest of Australia growth of 2.3%.

Access Economics (Sept 2011) recorded 0.1% growth in Queensland's GSP for 2010-11. GSP is forecast to increase to a healthy 5.5% in 2011-12. The Queensland economy remains at risk with a slowing housing market, a stronger Australian dollar, weak confidence and slowing state government spending. Further risk of economic destabilisation comes from the current financial problems being experienced in Europe. However, Access Economics remains confident of a strong rebound in the Queensland economy due to the massive infrastructure and engineering projects underway in the mining regions.

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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