Annual Economic Report

1998-99

The Queensland Economy
The Queensland Economy

Contents

Foreword ..............................................................................................................................................iii

1 Overview .................................................................................................................................... 1

2 External Economic Conditions ................................................................................................. 2

3 Components of Queensland’s Growth .......................................................................................... 7

4 Queensland’s Trade Performance ...............................................................................................13

  Feature: The Impact of the Asian Crisis on Queensland Overseas Trade .............................. 18

5 Queensland’s Labour Market ....................................................................................................... 20

6 Queensland’s Industrial Structure ..............................................................................................24

7 Prices, Wages and Profits ...........................................................................................................30

8 Queensland’s Population ............................................................................................................34
Foreword

As the official report card on the performance of the Queensland economy, Queensland Treasury’s *Annual Economic Report 1998-99* highlights the extent to which the State’s economy continued to outperform the rest of Australia during the latest financial year.

In the face of a particularly difficult external economic environment, the Queensland economy continued to grow strongly in 1998-99, recording higher economic growth and higher employment growth than the rest of Australia. This strong growth was due primarily to the thriving domestic economy, reflecting an increase in consumer and business confidence within the State.

Queensland’s agricultural and mining sectors once again made substantial contributions to the State’s economy, while the strength of the services sector continued to be underpinned by the State’s tourism and related services, which remained solid despite the significantly weaker external economic conditions.

Most importantly, the prospects for Queensland’s jobseekers continued to improve in 1998-99. The Queensland Government's key priority is job creation, and it is committed to achieving a target unemployment rate for the State of 5% within five years. The State's trend unemployment rate fell throughout the year, from 8.8% in July 1998 to 8.0% in June 1999. This was driven by strong employment growth, particularly in full-time employment, with almost two-thirds of the additional jobs created during the year being full-time jobs.

In addition to providing a detailed overview of the performance of the Queensland economy in 1998-99, this report also includes an analysis of external economic conditions, a review of the recent performance of the Australian economy, and a feature article on a major economic issue of relevance during the year, namely the Asian crisis and its impact on Queensland’s overseas trade.

As in previous years, this *Annual Economic Report* provides its readers, including decision makers and researchers in both the private and public sectors, with a valuable source of detailed information on the recent performance of the major components of the Queensland economy and the factors, both external and internal, which influence that performance.

Further detailed statistical information on the Queensland economy is available in the *Queensland State Accounts, June Quarter 1999*. The contents of this publication, plus additional tables relating to economic accounts of Queensland, are available on the Statistics Queensland website, www.statistics.qld.gov.au.

The Honourable David Hamill MLA
Treasurer and Member for Ipswich
Queensland continued to maintain strong economic growth of 4.7% in 1998-99, with a thriving domestic economy more than offsetting the negative impact of a significantly weaker external environment. However, the strong growth in the domestic economy was not consistent across all sectors, with dwelling investment, in particular, weakening substantially.

The performance of Queensland’s overseas trading partners in 1998-99 was mixed, with continuing recessions in much of Asia, including Japan, contrasting with strong growth in the United States and moderate growth in Europe. The resulting lower level of world demand was reflected in further falls in commodity prices throughout the year, which had major implications for both Australian financial markets and Queensland exporters.

The strongest components of economic growth in Queensland in 1998-99 were household consumption, business investment and public final demand. In contrast, the State’s net exports position was weak and detracted significantly from GSP growth. This reflected a combination of the lowest growth in overseas exports of goods and services in the last decade and strong growth in imports, the latter driven by the strength of the domestic economy.

Employment continued to grow solidly in Queensland in 1998-99, increasing by 2.7%, resulting in the creation of more than 43,000 jobs, including 28,000 full-time jobs. Slower population growth in Queensland and the State’s relatively stable participation rate throughout the year meant that this employment growth led to a substantial reduction in the number of unemployed persons in Queensland, with the State’s average unemployment rate over the year falling by 0.7% point to 8.3%.

The State’s agricultural sector benefited from a further reduction in drought conditions in 1998-99, leading to the increased production of many crops, including wheat and sorghum, and strong growth in meat production. However, growth in the total value of Queensland agricultural production was restrained by a large fall in the production of sugar cane, which was the result of adverse weather during harvesting in major cane-producing regions.

Queensland’s mining and manufacturing sectors also continued to make important contributions to the State economy in 1998-99. Queensland’s mineral exports during the year totalled more than $6,700m, while overseas exports of manufactured goods rose marginally, highlighted by solid growth in exports of processed minerals and metals.

The low inflationary environment evident in Queensland and Australia in recent years continued in 1998-99, characterised by low consumer price inflation, sluggish growth in house prices and building materials, falling commodity prices and moderate wages growth. Meanwhile, Queensland businesses continued to record improved profitability, although the rate of growth in profits moderated in comparison to the previous year.

Queensland’s strong economic growth continued to be underpinned by solid growth in the State’s population, which increased by 1.7% over the year to the June quarter 1999. Queensland’s population growth, which has averaged around 2.3% over the past 25 years, has eased in recent years but remains substantially higher than that of the rest of Australia (1.2%).
International Conditions

Economic conditions in Queensland’s major trading partners as a whole remained weak in the first half of 1998-99, before strengthening considerably in the second half of the year. The Asian financial and economic downturn, which began in mid 1997, spread to other countries in Asia and elsewhere and significantly reduced world economic growth in 1998. As a result, gross domestic product (GDP) of Queensland’s major trading partners fell by an average of 1.2% in 1998, after recording average growth of 3.5% in 1997 (Figure 2a). The volatility evident in world financial markets in 1998 subsided early in 1999, with the outlook for world economic growth improving noticeably. Consensus Forecasts predicts that the economies of Queensland’s major trading partners will grow by an average of 3.1% in 1999.

Growth improved markedly in Japan and non-Japan Asia, and remained steady in most other regions, in the second half of 1998-99. Therefore, with almost two-thirds of the State’s overseas merchandise exports being exported to Asian markets, and around half of these goods going to Japan, Queensland’s export performance is expected to improve in 1999, compared with 1998.

Japan, Queensland’s largest trading partner, experienced a severe recession in 1998, with GDP falling by 2.8%. However, the Japanese economy recovered considerably throughout the second half of 1998-99 and is forecast to grow by 0.9% in 1999. A number of government fiscal packages have helped stabilise the Japanese economy and consumer confidence appears to be improving slowly, with the moderate success of Japanese banking sector reforms contributing to this improved level of confidence.

Non-Japan Asia, which accounts for approximately one-third of Queensland’s overseas merchandise exports, is expected to record strong economic growth of 5.3% in 1999, according to Consensus Forecasts, following a 2.2% decline in GDP in 1998.

There was considerable variation in the pace of economic activity throughout the Asian region in 1998. Within South-East Asia, several countries experienced a substantial decline in GDP, including Indonesia (-13.2%), Thailand (-9.4%) and Malaysia (-7.5%).
Meanwhile, economic activity in the Philippines fell marginally by 0.4% and Singapore’s GDP rose 0.3%. A similar disparity in growth rates was evident in North-East Asia, with South Korea (-5.8%) and Hong Kong (-5.1%) both recording a large fall in GDP, while China and Taiwan continued to record strong economic growth of 7.8% and 4.8% respectively.

The United States, Queensland’s third largest trading partner in terms of overseas merchandise export volume after Japan and South Korea, continued to record solid GDP growth in 1998 and 1999. Following growth of 3.9% in the United States in both 1997 and 1998, Consensus Forecasts predicts growth of 3.8% in 1999.

The instability of world financial markets in the first half of 1998-99 caused the near collapse of a large US hedge fund and partially undermined confidence in the world’s largest economy. However, the US Federal Reserve reduced US official interest rates by 75 basis points (0.75% point) between end of September 1998 and mid November 1998, providing additional liquidity to the US and world financial markets. Having helped ease the financial strains on world markets, and given the improved outlook for world growth, the Federal Reserve has since increased interest rates, which are expected to return to pre-crisis levels in 1999-2000.

Economic growth in the European Union eased slightly to 2.3% in 1998, following growth of 2.6% in 1997. However, there has been considerable disparity in economic growth rates within Europe in recent years. Italy and Germany have been growing more slowly than many other members of the Union, while Spain, the Netherlands, Ireland and, to a lesser extent, France have been growing at higher than average rates. Consensus Forecasts predicts growth in the European Union to ease further to 1.7% in 1999. However, with interest rates remaining low and confidence improving, economic growth is expected to improve beyond 1999, in line with international trends.

Australian Economic Conditions

Despite instability in the world economy, Australia recorded another year of solid economic growth in 1998-99 (Figure 2b), resulting in moderate employment growth and a reduction in the unemployment rate.

Inflation remained subdued, and at near historically low levels, throughout 1998-99. Meanwhile, the current account deficit widened during the year, reflecting the combined impact of continued demand for imports and subdued export demand compared with previous years.

Australia’s GDP increased by 4.5% in 1998-99, compared with growth of 4.8% in 1997-98. Economic activity was underpinned by continued strong growth in private consumption (up 4.5%), government expenditure (up 5.0%) and dwelling investment (up 7.4%). Inventory accumulation, i.e. the build up of stocks, contributed 0.7% point to GDP growth in 1998-99,
External Economic Conditions

Figure 2b
GDP Growth, Australia
(\% annual change, CVM, 1997-98 prices)

while net exports detracted a similar amount from growth, primarily reflecting the reduced demand for Australian exports as a result of the weaker external environment.

This solid economic growth in 1998-99 resulted in a moderate improvement in employment growth, with the number of persons employed in Australia increasing 2.1\% in the year to June 1999. In year average terms, employment rose by 2.2\% in 1998-99, compared with growth of 1.4\% in 1997-98 (Figure 2c). Jobs growth was constrained in the first half of 1998-99 but improved in the second half as business confidence and the economic outlook improved.

The increase in employment growth in 1998-99 resulted in a significant fall in the national unemployment rate. In year average terms, the unemployment rate fell to 7.6\% in 1998-99, compared with 8.3\% in the previous year. Meanwhile, in trend terms, the unemployment rate had fallen to 7.3\% by June 1999, compared with 8.1\% in June 1998.

Inflationary pressures remained minimal in Australia during 1998-99, but inflation appears to have passed its low point for this cycle. The annual underlying inflation rate averaged 1.7\% in 1998-99, up slightly from an average of 1.5\% in the previous year. This slight rise in year average inflation was mainly due to an increase in prices in the second half of 1998-99, reflecting the improved outlook for world economic growth.

Australia’s current account deficit increased substantially to $32.4b (5.5\% of GDP) in 1998-99, up from a $22.8b deficit (4.0\% of GDP) in 1997-98. While growth in imports eased during
1998-99 in response to the depreciation of the $A, exports growth slowed even further, as the impact of the Asian financial crisis led to lower economic growth in other parts of the world, including many of Australia’s major trading partners.

**Australian Financial Markets**

Australian financial markets were volatile during the first half of 1998-99, largely due to the instability in global financial markets, but were relatively stable during the second half of the year. Both short-term and long-term interest rates fell during the first half of 1998-99, before stabilising and then increasing in the second half (Figure 2d).

The $A exchange rate came under extreme downward pressure during the early months of 1998-99, as the global financial market crisis pushed commodity prices to near historical lows. However, the $A strengthened moderately in the rest of 1998-99, as improvement in the world economic outlook helped to bolster falling commodity prices.

Short-term interest rates were at their lowest levels for many years in 1998-99, but at times were quite volatile. This volatility was particularly evident in the first few months of the year, with the $A depreciating quickly in line with falling commodity prices. This fuelled intense market speculation that the Reserve Bank of Australia (RBA) would increase official interest rates in an attempt to support the currency.

However, as the $A exchange rate stabilised, the RBA did not increase official interest rates. In fact, as the economic outlook improved in late 1998, the RBA took the opportunity to reduce cash rates by a further 25 basis points (0.25% point) to 4.75%, citing concerns over the outlook for economic growth as justification for the reduction in rates.

While short-term interest rates drifted slightly higher throughout the remainder of 1998-99, 90 day bank bill yields finished the year at 4.93%, lower than the 5.32% of a year earlier.
In contrast to short-term rates, 10 year bond yields rose over the year, finishing 1998-99 at 6.27%, compared with 5.58% at the end of 1997-98.

Movements in long-term interest rates followed a similar pattern to those of short-term rates during the period of world financial market instability in the first half of 1998-99, with the reduction in longer-term rates primarily reflecting the fact that bond markets factored in a high probability of world deflation, i.e. a general fall in world prices. However, when market sentiment regarding the outlook for the world economy turned more positive, bond markets reacted quickly, with long-term yields rising more rapidly than short-term yields.

The $A weakened against all major currencies on a year average basis in 1998-99 compared with 1997-98, depreciating by 7.9% against the $US and by 4.0% on the Trade Weighted Index (Figure 2e). The fall in the $A in 1998-99 was primarily due to a steady depreciation of the domestic currency during most of 1997-98 and early 1998-99, reflecting the global financial market instability that caused world growth forecasts to be lowered significantly in mid 1998. As a result, world commodity prices tumbled to near historically low levels (see pp. 31-2), with the $A and other currencies that were deemed to be commodity-based depreciating substantially.

The source of the rapid depreciation of the $A in mid 1998 was rumoured to be aggressive speculative selling from the large investment funds known as ‘hedge funds’. As the $A approached a historical low of just over US55c in late August 1998, speculation intensified that the RBA would increase official interest rates in an attempt to support the currency.

However, the RBA kept to its policy not to use monetary policy to target the level of the $A and the official cash rate was left unchanged. Instead, the RBA used its open market operation channel to buy the local currency at various times in an attempt to ward off speculators.

As financial markets stabilised and the world economic outlook improved, particularly as signs of renewed growth in Asia emerged, commodity prices improved and the $A appreciated in early 1999.
Components of Queensland’s Growth

Overview

The Queensland economy experienced another year of strong economic growth in 1998-99, with real gross state product (GSP) increasing by 4.7%. This followed growth in excess of 5% in each of the previous two years, with Queensland GSP growth having now exceeded 4.5% in all but one year since 1991-92 (Figure 3a).

Despite the slight easing in growth compared with the previous two years, real per capita GSP growth in Queensland in 1998-99 remained as strong as in previous years, reflecting the State’s lower population growth over the last three years.

In the early and mid 1990s, much of the particularly strong growth in the Queensland economy was associated with rapid population growth of around 2.5% per annum. During this period, net interstate migration, primarily from New South Wales and Victoria, averaged about 40,000 a year and total net migration averaged around 50,000 a year. However, over the past two years, the State’s average annual population growth rate has eased to around 1.7%. Nevertheless, underpinned by domestic economic activity, including household consumption and business investment, real per capita growth in GSP continued to grow at around 3% in 1998-99, a similar rate to that recorded earlier in the decade, when population growth rates were higher.

Economic growth in Queensland has now exceeded growth in the rest of Australia in all but two of the past 11 years, although the differential between growth in Queensland and the rest of Australia, which had averaged 1.6% over the 10 years to 1997-98, narrowed to less than 0.5% point in 1998-99.

The strength of the Queensland economy in 1998-99 emanated from a thriving domestic sector, with continuing weak external conditions acting as a brake on overall growth. Gross state expenditure grew by 6.5% in Queensland, compared with a rise of 4.5% in 1997-98, with both business and consumer confidence rebounding in 1998-99, after falling significantly in mid 1998.
Components of Queensland’s Growth

The strongest components of growth in Queensland in 1998-99 were household consumption (5.9%), business investment (10.9%) and public final demand (6.9%) (Table 3a).

However, Queensland’s net exports performance was weak, with net exports detracting 2.2% points from growth in 1998-99, following a 0.9% point contribution to growth in the previous year.

Household Final Consumption Expenditure

Consumption by households remained the largest single component of economic activity in Queensland in 1998-99, accounting for 62.6% of GSP. Household final consumption expenditure grew strongly, increasing by 5.9% (Figure 3b), and contributed 3.6% points to growth in GSP. This followed similarly rapid growth of 6.0% and a 3.7% point contribution to growth in 1997-98.

Household final consumption expenditure remained the largest contributor to GSP growth in Queensland in 1998-99.

In contrast, the pattern of economic activity in the rest of Australia in 1998-99 was not so heavily reliant on the strength of the domestic economy. Gross state expenditure in the rest of Australia grew by 4.8%, a moderation from the 6.3% growth recorded in 1997-98.

In the rest of Australia, household consumption and public final demand also grew solidly (4.2% and 4.1% respectively) during the year. However, business investment fell 4.5% (in contrast to the strong growth of 10.9% in Queensland), while net exports detracted only 0.4% point from growth, following a larger detraction (1.6% points) in the previous year.

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Household final consumption expenditure has historically accounted for a larger share of GSP in Queensland than in the rest of Australia. In fact, since 1984-85, the share of
Queensland’s GSP attributable to household consumption has averaged around 3.5% points more than in the rest of Australia. However, this differential increased to nearly 4.5% points in 1998-99, with household final consumption expenditure continuing to grow more strongly in Queensland than in the rest of Australia.

The rapid growth in household consumption in Queensland in the last two years was the result of solid growth in both household incomes and employment, as well as rising household wealth. The steady increase in equity prices over the past four years, as well as the increased level of shareholding by households, buoyed by successful large share floats of public enterprises such as Telstra and Suncorp Metway, have boosted household wealth in recent years. In addition, the demutualisation of AMP and the subsequent share allocation to policy holders also helped boost household wealth and therefore consumer spending power. Meanwhile, continuing low interest rates and easy access to credit, both partially resulting from the increased competition for household savings and debt, have further encouraged rapid growth in household consumption.

Retail turnover, which accounts for around 40% of household consumption expenditure in Queensland, grew by 4.7% in real terms in 1998-99, slightly higher than the increase of 4.3% in the previous year. The components of retail trade that showed higher than average growth were Household goods, Recreational goods and Clothing and soft goods retailing. However, the less rapid growth in retail turnover, compared with growth in total household consumption expenditure, indicates that household consumption of services grew particularly strongly in 1998-99.

Dwelling Investment

In contrast to the strong growth in 1997-98, dwelling investment in Queensland weakened substantially in 1998-99, falling by 6.4% (Figure 3c) and detracting 0.4% point from the State’s economic growth. In comparison, dwelling investment in the rest of Australia, fuelled by high demand for housing in Sydney and Melbourne, continued to experience strong growth, rising 11.0% and contributing 0.5% point to economic growth over the year.
Construction of a total of 27,395 private residential buildings commenced in Queensland during 1998-99, representing 19.2% of the total number of private residential buildings commenced in Australia over the year. However, the number of private residential buildings commenced in Queensland was 20.6% lower than a year earlier (rest of Australia, up 6.3%), reversing the upward trend in dwelling commencements experienced over the previous two years in Queensland.

The positive impact of favourable housing affordability conditions in Queensland, underpinned by the current low interest rate environment, was more than offset by the negative impact of the State’s continuing excess housing supply. This excess supply was exacerbated by a surge in inner city unit development in Brisbane in 1997-98, while the absorption of this oversupply of existing dwelling stock has slowed in the past two years due to significantly lower net interstate migration to Queensland.

In addition, the increased activity in equity markets by households, induced by the strong performance of both the domestic and some overseas share markets in recent years, may have occurred at the expense of dwelling investment. This phenomenon, accompanied by a slowing in net interstate migration and population growth, has contributed to the moderate increases in house prices in Queensland since 1993.

However, despite the current constraints on housing activity in Queensland, dwelling investment in 1999-2000 is expected to be stimulated by concerns over the potential impacts of the GST on building costs and house prices. This anticipated acceleration in housing activity has already been partly reflected in the strong growth of housing finance commitments in the second half of 1998-99.

**Business Investment**

Business investment in Queensland recovered strongly in 1998-99, rising 10.9% (Figure 3d) and contributing 1.3% points to the State’s annual economic growth. The pessimistic sentiment generated by the Asian financial crisis has largely subsided since the beginning of 1999. The recovery in business confidence, together with the low interest rate environment
and a stronger $A exchange rate, have more than offset the negative impact of depressed commodity prices on business investment in Queensland. As a result, almost all of the growth in investment in Queensland occurred during the second half of 1998-99, reflecting an improvement in business confidence.

Meanwhile, the rest of Australia appears to be in a different phase of the investment cycle to Queensland. In contrast to the strong performance of business investment in Queensland in 1998-99, business investment in the rest of Australia fell 4.5% and detracted 0.5% point from growth.

Both components of Queensland business investment, i.e. investment in machinery and equipment and investment in other buildings and structures, recorded strong growth in 1998-99.

Investment in machinery and equipment, which constitutes around two-thirds of business investment in Queensland, rose 12.7% in 1998-99, after falling 3.0% in the previous year (rest of Australia, down 5.5%, following growth of 11.5% in 1997-98). Investment in other buildings and structures grew by 7.6% in Queensland in 1998-99, in sharp contrast to a substantial fall of 7.1% in 1997-98 (rest of Australia, down 2.3%, after an increase of 21.9% in the previous year). This growth was mainly driven by the strong performance of engineering construction, a major component of investment in other buildings and structures, while investment in private non-residential building construction, another major component of investment in other buildings and structures, remained relatively subdued in 1998-99.

**Public Final Demand**

Public final demand, which is the total of current and capital expenditure by all levels of government (including public trading enterprises), comprised just under 24% of Queensland’s GSP in 1998-99.

Public final demand\(^1\) grew particularly strongly in 1998-99, increasing by 6.9% (Figure 3e) and contributing 1.6% points to overall economic growth. In the rest of Australia, while public

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\(^1\) This series has been adjusted for public asset sales in Queensland.
Components of Queensland’s Growth

final demand also contributed strongly to overall growth (0.9% point), the increase in public final demand of 4.1% was lower than that recorded in Queensland.

The main features of public final demand in 1998-99 were as follows:

- Government final consumption expenditure in Queensland rose 4.3% in 1998-99 (rest of Australia, 2.1%), contributing 0.8% point to growth in GSP. Consumption expenditure by all levels of government increased in Queensland, although expenditure by State and local governments (4.7%) experienced a higher rate of growth than Commonwealth consumption outlays (3.5%).

- Public enterprise gross fixed capital formation rose by 7.1% in 1998-99, following a 15.9% decline in the previous year (rest of Australia, 32.8% and -9.8% respectively). State and local government public enterprises recorded strong growth of 10.9% over the year while gross fixed capital formation by Commonwealth enterprises fell by 2.3%.

- General government gross fixed capital formation increased by 20.4% in 1998-99, following modest growth of 3.0% in the previous year (rest of Australia, 4.2% and -5.2% respectively). The strong increase in 1998-99 was due to growth of more than 20% both in Commonwealth and in State and local government capital formation. In the case of State and local government, this increase followed growth of 3.0% in the previous year, reflecting the high levels of activity under the Queensland Government’s capital works program. In contrast, the increase in the Commonwealth Government’s capital formation followed a decline of a similar magnitude in 1997-98.
Queensland’s Trade Performance

Net exports, i.e. exports minus imports, detracted 2.2% points from Queensland’s GSP growth in 1998-99, a significant deterioration in the State’s trade performance following a 0.9% point contribution to growth in the previous year (Figure 4a). In comparison, net exports in the rest of Australia detracted 0.4% point from growth, following a 1.6% points detraction in 1997-98.

The detraction from economic growth in Queensland reflects the stronger growth in imports of goods and services (5.5%) relative to growth in exports (0.2%) in 1998-99. This higher rate of import growth was the result of strong increases in household consumption, business investment and public final demand.

Exports

Queensland’s overseas and interstate exports of goods and services increased by only 0.2% in real terms in 1998-99, compared with strong growth of 6.5% experienced in 1997-98. This sharp decline in growth was partly attributable to an easing in overseas demand for Queensland merchandise exports in 1998-99, following strong growth in overseas merchandise exports in 1997-98.

The subdued performance of Queensland’s export sector in 1998-99 included the lowest growth (1.4%) in overseas exports of goods and services this decade. This compares with 9.4% growth in overseas exports in 1997-98. Overseas exports of goods, which accounted for 71.7% of total exports in 1998-99, grew by 1.4% over the year, compared with much stronger growth of 11.0% in 1997-98. Similarly, overseas exports of services, other than tourism services, rose 1.5% in 1998-99, compared with growth of 8.8% in 1997-98.

Overseas Exports of Goods and Non-Tourism Services

Overseas exports of goods and non-tourism services contributed 0.3% point to overall GSP growth in 1998-99, considerably less than the 2.2% points contribution in the previous year. This reduction in the contribution to GSP growth was largely attributable to a decrease in the contribution from goods exported overseas, from 1.9% points in 1997-98 to 0.3% point in 1998-99.

Queensland’s net exports balance deteriorated substantially in 1998-99, reflecting a strong increase in demand for imports and weaker growth in exports.
While growth in Queensland overseas merchandise exports was moderate in 1998-99, this partially reflected the strong growth experienced in 1997-98, as countries affected by the Asian economic crisis took advantage of trade credit facilities. Many of these countries purchased an increased volume of raw materials for use in their own production of consumer goods and, subsequently, the demand for Queensland exports rose during this period. The high growth in overseas merchandise exports in 1997-98 was also the result of other economic factors, such as the depreciation of the $A/$US exchange rate, which led to an increase in demand for Queensland commodities. An analysis of export data for 1998-99 suggests that some of the goods exported during 1997-98 may have been stockpiled, which helps explain the moderation in demand from certain countries for Queensland merchandise exports in 1998-99.

Growth in Queensland’s overseas exports of goods was supported by real increases in the value of exports of meat (15.5%), coal (7.0%), cereal grains (3.2%) and non-ferrous metals (27.4%). However, this was offset by decreases in the real value of exports of wool (-14.5%) and sugar (-14.6%).

In contrast to the growth in real terms, the impact of weak commodity prices during 1998-99 led to the nominal value of Queensland overseas merchandise exports falling by 2.7% or $442.0m in 1998-99. The fall in commodity prices reflected oversupply as well as weaker global economic growth in 1998-99, with world demand continuing to be suppressed by weak external conditions.

Detailed commodity information relating to overseas exports of goods and non-tourism services at current prices is presented in Table 4a. Key features of Queensland’s overseas merchandise exports in nominal terms during 1998-99 are as follows:

- **Meat** exports, which accounted for 11.7% of total goods exported, were valued at $1,901m in current price terms, an increase of 17.1% compared with a year earlier. This strong growth was driven by a recovery in the demand for beef in several crisis-affected Asian countries and continuing solid demand from Japan.

- A marginal decrease of 0.1% was recorded in the nominal value of **Crude minerals**, from $6,742m in 1997-98 to $6,738m in 1998-99. While the current value of **Metalliferous ores** rose by $48m (4.9%) over the year, this was offset by decreases in exports of **Coal, coke and briquettes** (-0.1%), **Petroleum, petroleum products and materials** (-25.4%) and **Other crude minerals** (-6.9%). **Coal, coke and briquettes** recorded a minimal decrease in terms of the nominal value of exports. However, falling commodity prices, accompanied by favourable exchange rate conditions, resulted in growth in the volume of Queensland’s overseas exports of coal.

- An increase of 1.8% ($52.1m in nominal terms) was recorded in overseas exports of manufactured goods (comprising **Processed minerals and metals** and **Other manufactures**). This increase was primarily attributable to an 8.4% or $129m
increase in the nominal value of Processed minerals and metals exports, which accounted for nearly 60% of total manufactured goods.

- The upward trend in overseas exports of Services evident in recent years continued, with exports of Tourism and Non-tourism services growing moderately in 1998-99. Exports of Tourism services grew by 2.2% to $1,867m, representing 8.7% of total overseas exports of goods and services. Meanwhile, exports of Non-tourism services grew by 1.7% to $3,277m, representing a 15.4% share of total Queensland exports.

Table 4a
Overseas Exports of Queensland Goods and Services
(current prices)

<table>
<thead>
<tr>
<th>Export Categories (a)</th>
<th>1997-98 ($m)</th>
<th>1998-99 (p) ($m)</th>
<th>= Growth = ($m) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat</td>
<td>1,623</td>
<td>1,901</td>
<td>278</td>
</tr>
<tr>
<td>Fish and other seafood</td>
<td>293</td>
<td>274</td>
<td>-19</td>
</tr>
<tr>
<td>Cereals</td>
<td>400</td>
<td>350</td>
<td>-51</td>
</tr>
<tr>
<td>Vegetables and fruit</td>
<td>167</td>
<td>170</td>
<td>4</td>
</tr>
<tr>
<td>Sugar and honey (b)</td>
<td>1,250</td>
<td>79</td>
<td>n/a</td>
</tr>
<tr>
<td>Textile fibres</td>
<td>674</td>
<td>641</td>
<td>-33</td>
</tr>
<tr>
<td>Animal oils and fats</td>
<td>114</td>
<td>130</td>
<td>16</td>
</tr>
<tr>
<td>Other rural</td>
<td>479</td>
<td>505</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>5,000</td>
<td>4,050</td>
<td>-950</td>
</tr>
<tr>
<td>Crude minerals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metalliferous ores</td>
<td>990</td>
<td>1,039</td>
<td>48</td>
</tr>
<tr>
<td>Coal, coke and briquettes</td>
<td>5,526</td>
<td>5,519</td>
<td>-8</td>
</tr>
<tr>
<td>Petroleum, petroleum products and materials</td>
<td>157</td>
<td>117</td>
<td>-40</td>
</tr>
<tr>
<td>Other crude minerals</td>
<td>68</td>
<td>64</td>
<td>-5</td>
</tr>
<tr>
<td>Total</td>
<td>6,742</td>
<td>6,738</td>
<td>-4</td>
</tr>
<tr>
<td>Processed minerals and metals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>1,298</td>
<td>1,454</td>
<td>157</td>
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<tr>
<td>Other processed minerals and metals</td>
<td>232</td>
<td>204</td>
<td>-28</td>
</tr>
<tr>
<td>Total</td>
<td>1,529</td>
<td>1,658</td>
<td>129</td>
</tr>
<tr>
<td>Other manufactures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals and related products</td>
<td>193</td>
<td>201</td>
<td>9</td>
</tr>
<tr>
<td>Manufactured goods classified by material</td>
<td>191</td>
<td>162</td>
<td>-29</td>
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<tr>
<td>Machinery</td>
<td>544</td>
<td>508</td>
<td>-36</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>203</td>
<td>172</td>
<td>-31</td>
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<td>Miscellaneous manufactures</td>
<td>160</td>
<td>171</td>
<td>11</td>
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<td>Total</td>
<td>1,291</td>
<td>1,214</td>
<td>-77</td>
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<tr>
<td>Total manufactures (d)</td>
<td>2,820</td>
<td>2,872</td>
<td>52</td>
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<tr>
<td>Confidential, special and re-exports (e)</td>
<td>2,080</td>
<td>2,540</td>
<td>460</td>
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<tr>
<td>Total exports of goods</td>
<td>16,641</td>
<td>16,199</td>
<td>-442</td>
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<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>1,827</td>
<td>1,867</td>
<td>40</td>
</tr>
<tr>
<td>Non-tourism services</td>
<td>3,221</td>
<td>3,277</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>5,048</td>
<td>5,144</td>
<td>96</td>
</tr>
<tr>
<td>Total exports of goods and services</td>
<td>21,689</td>
<td>21,343</td>
<td>-346</td>
</tr>
</tbody>
</table>

(p) Preliminary n/a Not applicable
(a) Based on the Standard International Trade Classification (SITC2).
(b) The ABS reclassified raw cane sugar in the second half of 1997-98 from ‘Rural’ into the ‘Confidential’ export category. Therefore, official ABS data on the total value of overseas sugar and honey exports from this period are unavailable. For 1997-98, the figure shown includes total prepared sugar and honey but only half the current value of raw cane sugar exported during that year. For 1998-99, the figure shown only includes prepared sugar and honey.
(c) The apparent fall in total real exports does not reflect the true change in rural exports, as it is a result of the reclassification of sugar from rural to confidential (see footnote (b)).
(d) Sum of processed minerals and metals and other manufactures.
(e) The value of raw cane sugar exports was included in this category in the second half of 1997-98 and in 1998-99.

Source: ABS unpublished foreign trade data; and Office of the Government Statistician, Queensland State Accounts

Demand for Queensland exports remained strong in North Asia (including Japan) in 1998-99, with 47.4% of the State’s total overseas merchandise exports destined for this region (Table 4b). Prior to 1997-98 and the onset of the Asian crisis, there was a clear trend
towards South Asia as a target market for Queensland's exports. However, since the crisis, Queensland exporters have diversified their market portfolio, resulting in a slight shift in exports of goods away from this region towards the more traditional markets of North America and the European Union. These two regions accounted for 23.6% of Queensland’s exports in 1998-99. Meanwhile, Japan continued to be the largest single country destination for Queensland’s merchandise exports, accounting for a 28.0% share of the State’s overseas merchandise exports in 1998-99, down slightly from 28.5% in the previous year.

Table 4b
Major Overseas Markets for Queensland Exports of Goods
(% of total, current prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia</td>
<td>51.9</td>
<td>48.7</td>
<td>45.8</td>
<td>47.0</td>
<td>47.4</td>
</tr>
<tr>
<td>South Korea</td>
<td>8.8</td>
<td>8.2</td>
<td>8.1</td>
<td>8.7</td>
<td>9.3</td>
</tr>
<tr>
<td>China</td>
<td>4.1</td>
<td>3.1</td>
<td>3.2</td>
<td>2.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Japan</td>
<td>31.6</td>
<td>30.4</td>
<td>27.1</td>
<td>28.5</td>
<td>28.0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>4.4</td>
<td>4.4</td>
<td>4.6</td>
<td>5.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2.8</td>
<td>2.6</td>
<td>2.7</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>South Asia</td>
<td>11.7</td>
<td>13.9</td>
<td>15.5</td>
<td>13.4</td>
<td>12.6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.6</td>
<td>3.7</td>
<td>5.1</td>
<td>3.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.9</td>
<td>1.7</td>
<td>1.7</td>
<td>1.5</td>
<td>0.9</td>
</tr>
<tr>
<td>India</td>
<td>3.9</td>
<td>4.5</td>
<td>4.8</td>
<td>4.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.3</td>
<td>2.9</td>
<td>3.1</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.0</td>
<td>1.1</td>
<td>0.9</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>North America</td>
<td>8.7</td>
<td>8.0</td>
<td>8.0</td>
<td>8.9</td>
<td>9.3</td>
</tr>
<tr>
<td>Canada</td>
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<td>3.5</td>
<td>2.8</td>
<td>2.6</td>
<td>2.8</td>
</tr>
<tr>
<td>United States of America</td>
<td>5.5</td>
<td>4.5</td>
<td>5.2</td>
<td>6.4</td>
<td>6.5</td>
</tr>
<tr>
<td>European Union (a)</td>
<td>12.8</td>
<td>12.7</td>
<td>11.9</td>
<td>13.5</td>
<td>14.3</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3.5</td>
<td>4.2</td>
<td>3.9</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>2.5</td>
<td>2.6</td>
<td>3.1</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.5</td>
<td>1.7</td>
<td>1.2</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>7.3</td>
<td>8.1</td>
<td>10.5</td>
<td>9.9</td>
<td>9.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(a) Preliminary

Source: ABS unpublished foreign trade data

Queensland’s Trade Performance

Interstate Exports of Goods

Following seven consecutive years of growth, Queensland interstate merchandise exports decreased by 4.3% in real terms in 1998-99. This fall was characterised by decreases in interstate exports of Manufactured materials (-9.4%), Machinery and transport equipment (-2.9%), Miscellaneous manufactured items (-10.1%) and Other goods (-7.2%). Meanwhile, interstate Meat exports continued to grow solidly, increasing by 16.9%, following extraordinary growth of 43.0% recorded in 1997-98.

Tourism Exports, Overseas and Interstate

Exports of Queensland’s tourism services, both overseas and interstate, recorded moderate growth of 1.5% in 1998-99. This relatively sluggish growth was attributable to the continued weakness in a number of Queensland’s overseas tourism markets. In particular, there was a reduction in visitor arrivals from Japan, Queensland’s largest source market, due to a combination of weak Japanese economic activity, low levels of Japanese consumer confidence and increased competition from cheaper destinations in Asia. Visitor numbers

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Footnote:

(1) Exports of tourism services describes consumption expenditure by visitors to Queensland, whether from interstate or overseas, for the purpose of holiday or visiting friends and relatives. See Office of the Government Statistician, Queensland State Accounts, for description of concepts.
from Korea also fell dramatically in response to the weak economic conditions in that country but showed signs of recovery in the second half of the year.

According to the International Visitor Survey by the Bureau of Tourism Research, a total of 23.7m visitor nights were spent in Queensland during 1998-99, representing a marginal increase of 0.2% compared with the previous year. This estimate includes not only tourists but visitors for business and other purposes. Japan remained Queensland’s largest source of total visitor arrivals, accounting for 27.1% of visitors, although Japan’s share of total visitors fell slightly from 29.7% in the previous year. New Zealand and the United Kingdom were Queensland’s next two largest markets, accounting for 13.9% and 11.2% respectively of total arrivals in 1998-99.

Despite the fall in arrivals from key Asian markets, Australia’s favourable exchange rate in comparison to the US and Europe during 1998-99 attracted visitors from more traditional sources. In particular, significant increases in visitor arrivals were recorded from the United Kingdom (11.2%) and the United States (8.5%). In addition, visitor arrivals also increased substantially from some Asian markets, including Thailand (15.9%) and Taiwan (12.4%).

**Imports**

In response to strong domestic demand, Queensland’s imports of goods and services rose 5.5% in 1998-99, reflecting growth in both household consumption and business investment. The importation of goods and services to Queensland represents a ‘leakage’ from the State economy. Therefore, imports detracted 2.3% points from GSP growth in 1998-99, a greater detraction from growth than the 1.3% points detraction in the previous year.

**Overseas Imports of Goods and Non-Tourism Services**

Overseas imports of goods and non-tourism services rose 6.5% in real terms in 1998-99, highlighted by strong growth (8.1%) in merchandise imports. Growth was particularly high for imports of Live animals, food, beverages and tobacco (7.4%), Chemicals (11.1%) and Other machinery and transport equipment (23.3%). Meanwhile, overseas imports of non-tourism services grew by 2.1% in real terms during 1998-99.

**Interstate Imports of Goods**

Interstate imports of goods increased by 5.0% in real terms in 1998-99. The majority of growth was attributable to Chemicals (6.9%) and Other imports (14.9%), while falls were recorded in imports of Minerals, fuels and lubricants (-22.8%) and Food and live animals (-13.7%).

**Tourism Imports, Overseas and Interstate**

The total of overseas and interstate imports of tourism services increased by 5.0% in real terms in 1998-99. Imports of tourism services interstate grew by 5.1%, reflecting continued solid employment and earnings growth during the year. Similarly, overseas imports of tourism services grew in real terms by 4.8%. In particular, tourism markets in South East Asia continued to attract a substantial number of Queensland tourists, due largely to the favourable exchange rates.

1 *Imports of tourism services* describes consumption expenditure by Queensland residents outside of the State, whether interstate or overseas, for the purpose of holiday or visiting friends and relatives. See Office of the Government Statistician, Queensland State Accounts, for description of concepts.
The Asian crisis of mid 1997 has had a profound impact on the rates of economic growth experienced by East Asian countries. Before the crisis, annual growth rates in excess of 6% were prevalent throughout the region. However, since the crisis, recessions have developed in many Asian economies. Non-Japan Asia is estimated to have experienced a fall of 2.2% in average trade-weighted GDP, while Japan’s GDP slumped by 2.9% in 1998. The United States and European Union, on the other hand, were relatively unaffected by the crisis, growing by 3.9% and 2.3% respectively in 1998.

Asian countries have become increasingly significant destinations for Queensland merchandise exports in the 1990s, with the share of the State’s overseas merchandise exports to East Asian countries (excluding Japan) increasing from 16% in 1988-89 to a peak of 31% in 1996-97. Meanwhile, Queensland’s reliance on its traditional trading partners (the United Kingdom, the rest of the European Union and North America) declined substantially over the period. Therefore, the Asian crisis and the disparity in economic growth rates that developed as a result of it, potentially had major implications for the Queensland economy.

However, despite the large differences in the economic performance of Queensland’s Asian and traditional trading partners since 1996-97, only a slight reversal has occurred in the trade pattern that developed in the early and mid 1990s. The share of Queensland overseas merchandise exports to the East Asian region, comprising South-East Asia and North-East Asia (excluding Japan), fell by only 2.5% points to 28.8% in 1998-99, compared with 1996-97. Meanwhile, Japan increased its share of Queensland merchandise exports, albeit by less than 1.0% point, over the period (Figure A).

Total exports to East Asia and Japan accounted for the majority (56.8%) of Queensland’s overseas merchandise exports in 1998-99. This represented a fall of less than 2% points compared with the region’s 58.4% share in 1996-97, i.e. prior to the crisis. South-East Asia recorded a fall in its share of Queensland’s overseas merchandise exports (12.6% to 9.5%) over this period, while both Japan, Queensland’s largest single export destination, and North-East Asia (excluding Japan) both increased their export shares, from 27.1% and 18.7% before the crisis to 28.0% and 19.3% respectively in 1998-99.

While maintaining its strong trade links with East Asia, Queensland also demonstrated its ability to diversify with respect to export destinations following the Asian crisis. A number
of Queensland’s traditional trading partners increased their share of the State’s total overseas merchandise exports. In particular, North America (8.0% to 9.3%), the United Kingdom (3.3% to 3.7%) and the rest of the European Union (8.6% to 10.7%) became more significant export destinations between 1996-97 and 1998-99, as Queensland’s exporters sought alternative markets to offset the effects of the Asian crisis.

The relative stability of Queensland’s exports to Asia following the crisis was primarily due to the dominance of commodities in the State’s exports to that region. In fact, more than three-quarters of Queensland’s total overseas merchandise exports are commodity based. These commodities are largely inputs into the production process of Asian value added exports, rather than competing directly with the exports of the Asian region. Consequently, the demand for Queensland raw materials remained strong in both 1997-98 and 1998-99, as many Asian economies sought to export their way to renewed growth. In addition, the exchange rate movements that occurred in the wake of the crisis favoured Australia, making Australian commodity exports more competitive compared with those of other key world commodity exporters. This increased competitiveness benefited Queensland commodity exporters, resulting in strong growth in exports to the East Asian region.

The composition of Queensland merchandise exports has also been largely unaffected by the Asian crisis (Figure B). The marked reduction in the shares of exports attributable to Other (including sugar) and Cereals primarily reflects climatic conditions in Queensland and lower commodity prices, which have led to lower production volumes and export values, rather than the economic conditions in the State’s trading partners.

Asia’s strong demand for Queensland commodities following the crisis has been reflected in increases in the shares of major commodity exports, as a proportion of total merchandise exports to both Japan and non-Japan Asia between 1996-97 and 1998-99. Meat exports, as a percentage of total Queensland exports to Japan, increased from 18.1% to 21.9% over the two years, while meat’s share of exports to non-Japan Asia increased from 4.1% to 5.5% over the period. The share of exports to Japan and non-Japan Asia attributable to non-ferrous metals increased from 8.5% and 7.3% to 11.8% and 11.3% respectively. Exports of metalliferous ores, as a percentage of total Queensland exports to non-Japan Asia, also increased substantially over the period, from 6.9% to 10.9%.
Queensland’s Labour Market

Queensland’s employment environment continued to improve in 1998-99, with the State experiencing sustained employment growth, stable labour force participation and a significant improvement in the unemployment rate. Key features of the performance of the Queensland labour market in 1998-99 are discussed below.

Employment

Strong average employment growth of 2.7% was recorded in Queensland during 1998-99, building on the rapid growth of 3.2% recorded in the previous year. Employment in Queensland continued to grow at a faster rate than in the rest of Australia, where the number of persons employed grew by 2.0%. Employment growth in Queensland has now exceeded that in the rest of Australia in nine of the last 10 years (Figure 5a).

In trend terms, Queensland recorded reasonably consistent growth in employment over the year, with monthly employment growth peaking in October 1998 at 0.4%, before easing over the remainder of the year to 0.1% in June 1999. Meanwhile, annual trend employment growth remained relatively strong throughout the year, easing only slightly from 3.1% in July 1998 to 2.8% in June 1999.

In year average terms, 43,200 jobs were created in Queensland in 1998-99, representing 23.4% of all jobs created in Australia over the period. Queensland therefore continued to be over-represented in terms of its contribution to national employment growth, given that the State’s share of Australia’s total employment was only 18.7% in 1998-99.

Full-time employment was the major driver of jobs growth in Queensland in 1998-99, with more than 65% of all jobs created in the State during the year being full-time jobs.

Full-time employment in Queensland grew by 2.4% in 1998-99, compared with 1.5% in the rest of Australia. In contrast to 1997-98, when the number of part-time jobs created in Queensland exceeded the number of full-time jobs created, this was reversed in 1998-99. More than 65% of all jobs created in the State during the year were full-time jobs, while Queensland accounted for around 27% of the total number of full-time jobs created in Australia during the year.
However, part-time employment, which constituted 26.6% of total employment in Queensland in 1998-99, continued, as it has now done for five years, to grow at a faster rate (3.6%) than full-time employment (2.4%). In comparison, part-time employment in the rest of Australia grew at 3.8% in 1998-99.

Of the 43,200 jobs created in Queensland in 1998-99, the distribution of these jobs between males (61%) and females (39%) was similar to their respective labour force shares (56.5% and 43.5% respectively). However, females continued to account for approximately two-thirds of part-time employment creation.

**Employment by Industry**

As shown in Table 5a, Queensland’s major employment providing industries in 1998-99 were *Retail trade, Manufacturing, Health and community services, Property and business services, Construction* and *Education*. These industries employed a total of 996,200 persons, providing 61.5% of all jobs in Queensland.

### Table 5a

**Employment by Industry, Queensland (a)**

<table>
<thead>
<tr>
<th>Industry</th>
<th>1997-98 ('000 persons)</th>
<th>1998-99 ('000 persons)</th>
<th>Difference ('000 persons)</th>
<th>Annual Growth (%)</th>
<th>Contribution (% points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>96.4</td>
<td>102.3</td>
<td>5.9</td>
<td>6.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Mining</td>
<td>19.1</td>
<td>19.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Manufacturing</td>
<td>173.9</td>
<td>178.0</td>
<td>4.1</td>
<td>2.4</td>
<td>0.3</td>
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<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>12.2</td>
<td>11.9</td>
<td>-0.3</td>
<td>-2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Construction</td>
<td>123.7</td>
<td>136.6</td>
<td>12.9</td>
<td>10.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>86.8</td>
<td>93.2</td>
<td>6.4</td>
<td>7.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Retail trade</td>
<td>245.8</td>
<td>259.0</td>
<td>13.2</td>
<td>5.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Accommodation, cafés and restaurants</td>
<td>84.5</td>
<td>87.4</td>
<td>2.9</td>
<td>3.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>87.2</td>
<td>82.2</td>
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<td>-5.7</td>
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<tr>
<td>Communication services</td>
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<td>23.9</td>
<td>-2.3</td>
<td>-8.8</td>
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<tr>
<td>Finance and insurance</td>
<td>46.6</td>
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<tr>
<td>Property and business services</td>
<td>157.6</td>
<td>151.8</td>
<td>-5.8</td>
<td>-3.7</td>
<td>-0.4</td>
</tr>
<tr>
<td>Government administration and defence</td>
<td>54.9</td>
<td>60.1</td>
<td>5.2</td>
<td>9.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Education</td>
<td>114.2</td>
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</tr>
<tr>
<td>Health and community services</td>
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<tr>
<td>Cultural and recreational services</td>
<td>37.3</td>
<td>42.9</td>
<td>5.6</td>
<td>15.0</td>
<td>0.4</td>
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<tr>
<td>Personal and other services</td>
<td>62.9</td>
<td>58.7</td>
<td>-4.2</td>
<td>-6.7</td>
<td>-0.3</td>
</tr>
<tr>
<td>Total Services</td>
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<td>1,320.4</td>
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<td>2.6</td>
<td>2.1</td>
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<tr>
<td>TOTAL (b) (c)</td>
<td>1,576.9</td>
<td>1,619.8</td>
<td>42.9</td>
<td>2.7</td>
<td>2.7</td>
</tr>
</tbody>
</table>

(a) Given the volatility in data relating to changes in employment by industry for Queensland, due to sampling error, considerable caution should be exercised when interpreting these data.

(b) Year average industry estimates of employment are based on estimates compiled in the mid-month of each quarter. Therefore, total industry employment, and consequently changes in the total, do not necessarily match aggregate year average estimates of employed persons, which are based on monthly estimates.

(c) Components may not sum to totals due to rounding.

Source: ABS 6201.3

A number of these same service industries were also among the major contributors to growth in total employment in 1998-99, with the services sector as a whole accounting for 77% of employment growth during the year. In particular, *Construction, Retail trade and Health and community services* made substantial contributions to employment growth. With regard to Queensland’s primary and secondary industries, *Agriculture, forestry and fishing* recorded the strongest employment growth and *Manufacturing* recorded a considerable increase in employment. However, the level of employment in *Mining* remained unchanged over the year.  

Service industries were the major contributors to employment growth in 1998-99, although the rural sector and manufacturing also recorded solid increases in employment during the year.
In contrast to those industries that recorded strong employment growth in 1998-99, the number of persons employed in Property and business services fell by 5,800, compared with a year earlier, resulting in a substantial detraction from employment growth in Queensland. Other industries in which employment fell considerably in Queensland in 1998-99 included Transport and storage, Finance and insurance and Personal and other services.

The private sector continued to be the main driver of employment creation in Queensland in 1998-99, accounting for over 90% of new jobs created during the year.

Labour Force
Queensland’s labour force grew by 2.0% in 1998-99 and continued to increase at a faster rate than in the rest of Australia (1.4%) (Figure 5b).

The stronger labour force growth in Queensland in 1998-99 reflected the State’s continued strong population growth and a stable labour force participation rate.

Queensland has consistently experienced stronger labour force growth than the rest of Australia over the past 10 years, with the growth differential averaging 1.7% points per annum.

Participation Rate
Queensland’s participation rate averaged 65.0% in 1998-99, virtually unchanged from the previous year, but still 2.2% points above that of the rest of Australia, which rose 0.1% point during the year to 62.8%. The only state to record a higher participation rate than Queensland in 1998-99 was Western Australia (66.5%).

The two primary features of Queensland’s labour market that have contributed to the State’s high participation rate over the past 10 years, strong employment growth and high levels of net migration, were once again evident in 1998-99. Queensland’s strong employment growth continued to encourage many people to remain in the labour force and many others, previously outside the labour force, to search for employment.
In particular, the large number of migrants coming to Queensland from both interstate and overseas, the majority of whom are of working age, continued to contribute to the State's relatively high participation rate and strong labour force growth.

Both male and female labour force participation rates remained reasonably stable in Queensland in 1998-99, with the male participation rate remaining unchanged at 74.3% and the female participation rate rising 0.1% point to 55.9% (rest of Australia, 72.4% and 53.4% respectively). This continued the phenomenon that has been evident throughout the last decade, which has seen Queensland's male participation rate fall from 76.0% to 74.3%, while the female participation rate has increased from 49.8% to 55.9%. As a result, the State's total labour force participation rate has increased from 62.8% to 65.0% over the decade.

**Unemployment Rate**

Queensland's year average unemployment rate improved markedly in 1998-99, falling by 0.7% point to 8.3% (rest of Australia, down 0.6% point to 7.5%). This was the lowest annual average unemployment rate recorded in Queensland since 1989-90.

Employment growth continued to drive the reduction in Queensland's unemployment rate in 1998-99, with employment growth of 2.7% exceeding the State's labour force growth of 2.0%.

In trend terms, the Queensland unemployment rate declined sharply during the first half of the year, from 8.8% in July 1998 to 8.0% in February 1999, before remaining stable throughout the remainder of the year (Figure 5c). In comparison, the trend unemployment rate in the rest of Australia fell relatively steadily throughout the year, from 7.9% in July 1998 to 7.1% in June 1999.

Despite Queensland's strong employment growth throughout the year, further reductions in the State's unemployment rate were constrained by Queensland's persistently stronger labour force growth.
Queensland’s Industrial Structure

Overview

Despite Queensland’s traditional focus on agriculture and mining production, and the State’s continued strength as a commodity producer and exporter, service industries have made an increasing contribution to the Queensland economy and now account for more than three-quarters of GSP.

The industrial structure of the Queensland economy continued to change gradually in 1998-99, with small changes in the shares of total output attributable to major industry sectors reinforcing the trends that have been clearly evident in the State in recent decades.

Figure 6a shows the shares of GSP, measured in terms of total factor income, for Queensland’s four major industrial sectors and highlights the changes in these shares in recent years. The increasing dominance of the services sector is clearly evident, with the shares of GSP attributable to both the agricultural and mining sectors having declined throughout the 1990s. Meanwhile, in terms of manufacturing, the broad trend in recent years has seen the share of GSP attributable to this sector increase slightly over the decade.

A more detailed analysis of the distribution of output by industry in 1998-99 compared with 1990-91, and including comparable data for the rest of Australia, is shown in Table 6a.

Some of the key points to note from the table are as follows:

- The shift toward the services sector evident in Queensland in recent years has also been experienced in the rest of Australia, where the shares of GSP attributable to agriculture and mining have both declined since the start of the decade.

- The manufacturing sector continues to account for a smaller share of GSP in Queensland than in the rest of Australia. However, Queensland’s share of total manufacturing production in Australia has increased from 11.9% to 13.6% over the period. A decline in manufacturing’s share of GSP in the rest of Australia over the
period has resulted in a narrowing of the differential between the contribution of this sector to total output in Queensland and the rest of Australia.

- Queensland’s dependence on service industries, which constituted 79.6% of GSP in 1998-99, was greater than in the rest of Australia (79.0%). This represents a reversal of the position compared with the start of the decade, when the services sector accounted for a greater share of GSP in the rest of Australia (77.8%) than in Queensland (77.4%). The substantial growth in service industries in Queensland throughout the 1990s has been largely driven by the continued expansion of industries which produce goods and services which are sold, i.e. exported, to tourists and also by the State’s strong population growth, with Queensland generating 16.4% of total service industry output in Australia in 1998-99, compared with only 14.9% in 1990-91.

- Between 1990-91 and 1998-99, Queensland’s share of national GDP at total factor income increased from 15.0% to 16.3%.

### Agriculture

Preliminary estimates from the Australian Bureau of Statistics show that the gross value of agricultural commodities produced in Queensland in 1998-99 was $6,028m, an increase of 4.2% compared with the previous year (Table 6b). The drought conditions which had hampered the performance of the Queensland agricultural sector in recent years eased in 1998-99, with the State officially declared drought-free in May 1999.

Queensland’s agricultural production in 1998-99 was comprised primarily of meat, sugar, horticultural crops and cereals, which accounted for 76.6% of total agricultural production during the year. Beef remained the most valuable rural industry in Queensland, accounting for 27.3% of the total value of agricultural production, while sugar (16.2%) remained the second most valuable agricultural commodity produced in the State.
Cereal production in Queensland increased substantially in 1998-99, with significant growth in the volumes of wheat and sorghum.

Both the volume and value of beef produced in Queensland increased substantially in 1998-99. A recovery in the demand for beef in several crisis-affected Asian countries and continuing solid demand from Japan supported a moderate increase in Pacific Rim beef prices, which led to a higher level of beef production in 1998-99.

The stronger performance of the agricultural sector in Queensland in 1998-99 was also the result of a significant increase in the production of wheat, although wheat’s contribution to growth in the value of agricultural production was partially offset by a substantial decline in the production of sugar cane.

- The gross value of cereal production increased 28.2% in 1998-99 compared with a year earlier, reflecting a substantial increase in the production of wheat, one of Queensland’s major cereal crops. The volume of wheat produced in 1998-99 is estimated to have been 2.2m tonnes, an increase of 47.4% compared with 1997-98. The volume of sorghum production, another of Queensland’s major cereal crops, increased 41.5% compared with the previous year.

- In contrast, the gross value of sugar cane cut for crushing in 1998-99 was significantly lower (-16.9%) than that recorded in 1997-98. This result was due to a lower volume of production resulting from adverse weather conditions during harvesting, as well as a sharp decline in world sugar prices during the year. However, with sugar exports contracts generally denominated in $US, the negative impact on returns to local producers of continued low world sugar prices was partially offset by the substantial depreciation of the $A against the US dollar in 1998-99.

In terms of employment, the number of persons employed in the agricultural sector grew strongly by 8.0% in 1998-99, following the high growth of 5.7% in 1997-98. This strong growth in recent years contrasts with weak growth throughout the early part of the...
decade, which saw employment in agriculture decline in the early 1990s before growing moderately by around 2-3% per annum between 1993-94 and 1995-96. The increase in employment in the agricultural industry in recent years reflects the recovery of the sector from the devastating impacts of the severe drought conditions in the early and mid 1990s.

Mining

Data relating to mineral production in 1998-99 are not yet available. However, recent export data indicate that earnings from Queensland mineral exports totalled $6,738m in 1998-99, a decline of 0.1% compared with the previous year, but highlighting the important contribution that the sector continues to make to the Queensland economy.

Meanwhile, the most recent mineral production data showed that Queensland’s mining industry strengthened in terms of both the value and volume of production in 1997-98. The total value of mineral production in Queensland during the year increased 15.3% to $7,058m, with the most substantial increases in production value being recorded for lead (up 97.5%), mineral sands (72.7%), zinc (35.9%) and coal (20.0%). In contrast, the value of production fell noticeably for crude oil (-36.0%) and copper (-7.3%) (Table 6c).

Table 6c

<table>
<thead>
<tr>
<th>Value and Volume of Production of Mineral Commodities, Queensland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black coal (a)</td>
</tr>
<tr>
<td>Copper concentrate</td>
</tr>
<tr>
<td>Gold bullion (b)</td>
</tr>
<tr>
<td>Bauxite</td>
</tr>
<tr>
<td>Lead concentrate (c)</td>
</tr>
<tr>
<td>Crude oil</td>
</tr>
<tr>
<td>Zinc concentrate</td>
</tr>
<tr>
<td>Mineral sands</td>
</tr>
<tr>
<td>Natural gas</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Black coal (’000 tonnes)</td>
<td>85,301</td>
<td>85,739</td>
<td>94,496</td>
<td>93,763</td>
<td>99,437</td>
<td>105,752</td>
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<tr>
<td>Copper concentrate (’000 tonnes)</td>
<td>827</td>
<td>838</td>
<td>749</td>
<td>1,008</td>
<td>1,069</td>
<td>941</td>
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<tr>
<td>Gold bullion (kg) (b)</td>
<td>24,011</td>
<td>42,128</td>
<td>38,108</td>
<td>39,281</td>
<td>42,679</td>
<td></td>
</tr>
<tr>
<td>Bauxite (’000 tonnes)</td>
<td>9,770</td>
<td>9,616</td>
<td>9,335</td>
<td>9,179</td>
<td>9,149</td>
<td>9,247</td>
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<tr>
<td>Lead concentrate (’000 tonnes) (c)</td>
<td>393</td>
<td>413</td>
<td>299</td>
<td>359</td>
<td>320</td>
<td>412</td>
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<tr>
<td>Zinc concentrate (’000 tonnes)</td>
<td>508</td>
<td>535</td>
<td>382</td>
<td>446</td>
<td>411</td>
<td>383</td>
</tr>
<tr>
<td>Crude oil (megalitres)</td>
<td>1,056</td>
<td>936</td>
<td>910</td>
<td>826</td>
<td>805</td>
<td>690</td>
</tr>
<tr>
<td>Mineral sands (’000 tonnes)</td>
<td>269</td>
<td>255</td>
<td>313</td>
<td>309</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Natural gas (gigalitres)</td>
<td>171</td>
<td>616</td>
<td>1,616</td>
<td>2,164</td>
<td>2,117</td>
<td>2,479</td>
</tr>
</tbody>
</table>

(a) Value of production does not include transport or handling costs or other by-products such as coke or briquettes.
(b) Includes alluvial gold.
(c) Includes a significant component of silver.
Source: Queensland Department of Minerals and Energy; and Queensland Coal Board

In terms of production volumes, most of Queensland's major mineral commodities recorded higher production levels in 1997-98 than in the previous year. In particular, coal, gold and natural gas production increased substantially, by 6.3%, 8.6% and 17.9% respectively. Lead production also made a significant recovery, increasing 28.8%, following a substantial fall in the volume of production in 1996-97.

Coal remains clearly the single most important mineral commodity produced in Queensland, constituting around two-thirds of the total value of the State's mineral production in 1997-98. The State's coal mining industry produced a record of 105.8m tonnes of saleable coal, valued at $4,735m, during the year.

1 Data and analysis relating to mineral production are based on 1997-98 figures, which were the latest available at the time of preparation of this report.
Demand for Queensland coal is expected to remain solid in the short to medium term, particularly in light of the improved outlook for economic growth in the Asian region. However, previous growth estimates for production beyond 2000 have been revised slightly downward in the wake of the ongoing impact of the Asian crisis and an anticipated increase in production from competitors such as Indonesia and Colombia.

Manufacturing

The manufacturing sector accounted for 11.1% of Queensland’s GSP at total factor income in 1998-99. This represented a slight decline from the 11.4% of the State’s GSP attributable to the sector in 1997-98, but the broad trend throughout the 1990s has seen a slight increase in the contribution of manufacturing to the Queensland economy over the decade.

Meanwhile, in common with many other industrialised economies, the relative importance of manufacturing in Queensland has been declining in recent years relative to service industries. However, the manufacturing sector’s share of GSP at factor income has been declining less rapidly in Queensland than in the rest of Australia. As a result, Queensland’s share of national manufacturing output at total factor income has risen from 12.0% in 1989-90 to 13.6% in 1997-98.

This partially reflects the traditional concentration of Queensland manufacturing activity in comparatively unsubsidised and internationally competitive manufacturing industries, rather than the highly protected forms of manufacturing undertaken in other states. This has allowed Queensland’s manufacturing sector to cope more readily with national policies that have reduced tariffs and other trade barriers in recent years.

While comprehensive State-based manufacturing production data are unavailable for 1998-99, an analysis of manufacturing employment data, as a proxy for manufacturing output, shows that the manufacturing sector continued to grow more strongly in Queensland than in the rest of Australia during the year. Employment in manufacturing in Queensland grew by 2.3% in 1998-99, compared with a 4.5% decline in the rest of Australia. Throughout the 1990s, manufacturing employment in Queensland has grown at an average annual rate of 2.3%, while employment in this sector in the rest of Australia has fallen by an average of 1.2% per annum over the period.

Overseas exports of Queensland manufactured goods, including processed minerals and metals, totalled $2,872m in 1998-99, an increase of 1.8% compared with the previous year. The latest available Queensland manufacturing data show that the State’s manufacturing turnover increased by 8.1% to $31,651m in 1997-98 and grew at an average of 6.0% per annum over the five years to 1997-98 (Table 6d). High rates of growth have been recorded across a wide range of manufacturing industries, particularly Machinery and equipment, Chemical, petroleum and coal products and Metal products in recent years.

1 Data and analysis relating to manufacturing turnover are based on 1997-98 figures, which were the latest available at the time of preparation of this report.
Services

The services sector, which comprises all industries except agriculture, mining and manufacturing, continued to increase its contribution to Queensland GSP in 1998-99. The sector accounted for 79.6% of GSP at total factor income, representing a 0.6% increase in its share of GSP compared with 1997-98.

Employment data also highlight the significance of this sector to overall economic growth in Queensland, with service industries employing approximately 1.32 million persons, on a year average basis, in 1998-99. This represented 81.5% of total employment in the State.

Employment data also provide a good indicator of the growth of this sector over the past decade. Average annual employment growth in the services sector in Queensland over the decade was 2.9%, more than twice the 1.4% average growth per annum in the rest of Australia. Employment growth in all Queensland service industries, except the communication industry, exceeded the respective growth rates in the rest of Australia over the 10 years to 1998-99. The strongest average annual employment growth rates among the State’s service industries in the 10 years to 1998-99 were recorded in Property and business services (4.2%), Health and community services (5.1%), Cultural and recreational services (4.2%) and Accommodation, cafes and restaurants (3.7%).

The strength of Queensland’s services sector continued to be underpinned by the State’s specialisation in tourism exports and related services, with the Queensland State Accounts estimating that gross tourism expenditure contributed 7.9% of GSP in 1998-99.

In particular, overseas tourist numbers have rebounded strongly following the weakness created as a result of the Asian financial crisis. While overseas arrivals and departures data for 1998-99 show that the Asian crisis continues to have some ongoing impact on the number of visitors coming to Australia from Asia, the total number of overseas visitors in 1998-99 recovered to a level similar to that experienced prior to the onset of the Asian crisis. In fact, preliminary trend data show that the number of short-term overseas visitors to Australia in the June quarter 1999 was 949,100, an increase of 2.2% compared with a year earlier. Meanwhile, the number of visitors in the last month of 1998-99, i.e. June 1999, was only 0.2% below the record monthly number of visitors, which was recorded in August 1997.
Prices, Wages and Profits

Consumer Prices

Consumer price inflation, as measured by the change in the Brisbane consumer price index, increased to 1.0% in 1998-99, from 0.5% in 1997-98 (Figure 7a). A slightly more pronounced inflation outcome was experienced nationally, with the consumer price index for Australia rising 1.3% in year average terms. Sydney (1.6%) and Perth (1.8%) were the only capital cities to record inflation above the national average.

The moderate increase in prices in Brisbane and Australia in 1998-99 was partly due to reductions in the prices of motor vehicles and health services. The strength of the $A against Asian currencies led to lower imported vehicle prices, while the introduction of the Commonwealth Government’s rebate lowered the cost of private health insurance. In addition, productivity improvements in Queensland and the rest of Australia during the year contributed to improved corporate profitability, which allowed for the accommodation of higher average earnings without the higher cost of labour having to be passed directly on to consumers.

Over the year to the June quarter 1999, the consumer price index for Brisbane rose 0.7%, slightly lower than the 1.0% increase recorded in the previous year. The main contributors to inflation in Queensland during the year were higher prices of Food, Housing, Alcohol and tobacco, and Recreation and education. However, these increases were largely offset by the lower prices of motor vehicles and hospital and medical services.

Other Price Measures

Other indicators of domestic price movements also revealed minimal inflationary pressures in Queensland during 1998-99. For example, the Australian Bureau of Statistics (ABS) established house price index for Brisbane rose by a moderate 1.5% in 1998-99, well below the 6.2% average growth recorded nationally (Figure 7b).

A persistent oversupply of dwellings, moderate underlying demand and higher realised returns from alternative forms of investment continued to constrain growth in established house prices during the year, resulting in a lower increase in prices in Queensland than in
the rest of Australia. However, high levels of housing affordability, underpinned by sustained low mortgage interest rates and rising real incomes, continued to support housing demand, as reflected in the modest recovery in prices that has occurred since the fall experienced in 1995-96.

Price inflation relating to building materials also remained subdued in Queensland in 1998-99, with the ABS price index of house building materials in Brisbane increasing by 0.9%, slightly below the national average of 1.0%. Similarly, the price index for materials used in buildings other than houses for Brisbane rose by 1.0% in year average terms in 1998-99. This was marginally above the national average increase of 0.9%.

Substantial price increases were experienced over the year in relation to a range of building materials, including precast concrete products (2.3%), structural steel (2.7%), aluminium windows (2.4%), builders’ hardware (4.3%) and paint and other coatings (3.1%). However, lower prices were recorded for clay bricks (-0.2%), ready mixed concrete (-2.3%), reinforcing steel (-3.1%), sand and aggregate (-5.7%) and non-ferrous pipes and fittings (-1.8%). These materials are used in both housing and non-housing construction. Therefore, the price falls appear to be attributable to a lower level of demand, resulting primarily from the downturn in housing investment over 1998-99.

Commodity Prices

Commodity prices, as measured by the Queensland Commodity Price Index, continued to fall in 1998-99. In $A terms, the index fell 9.6% during the year, while in Special Drawing Rights (SDR) terms commodity prices were 17.5% lower than in 1997-98 (Figure 7c).

The agricultural index fell 12.1% in $A terms in 1998-99, compared with a 19.9% fall in SDR terms. This was largely due to sharp declines in the prices of sugar (down 33.7%) and wool (down 20.7%), while the fall in the agricultural index was slightly cushioned by a marginal increase in the price of beef (up 1.3%).

The mineral index fell 8.4% in $A terms and 16.4% in SDR terms in 1998-99, with the prices of all of Queensland’s major mineral exports falling compared with the previous year. The
$A price of coal, Queensland’s largest mineral export, fell 7.9% in 1998-99, following a strong increase of 9.6% in 1997-98. The prices of nickel, copper and aluminium all fell substantially, down 22.8%, 20.2% and 15.7% respectively, with nickel prices being particularly volatile during the year.

The general deterioration in commodity prices during 1998-99 reflected weak global economic growth throughout the year and the negative outlook for world demand, which continued to be hampered by the economic crises in Asia, South America and Russia.

**Wages**

Wages growth in Queensland eased but remained reasonably strong in 1998-99, with a moderate rise in average earnings and sustained growth in the number of wage and salary earners in the State. Total compensation of employees, previously known as wages, salaries and supplements, grew by 6.1%, following an increase of 6.9% in the previous year (rest of Australia, 6.7% and 4.0% respectively) (Figure 7d).

Growth in average weekly earnings in Queensland continued to moderate in 1998-99, with earnings growth in the State below that recorded for Australia as a whole. Average weekly ordinary time earnings of adults employed full-time in Queensland rose 2.9%, compared with growth of 4.9% in the previous year (nationally, 3.7% and 4.1% respectively). Total average weekly earnings of all employees in Queensland rose 2.0%, substantially less than the 6.7% growth recorded in the previous year (nationally, 2.4% and 3.2% respectively).

Average weekly ordinary time earnings of adults employed full-time in Queensland in 1998-99 were 5.9% below the national average. However, the differential was less for average total weekly earnings, with the Queensland figure being only 2.9% below the national average.

The ABS wage cost index indicated that total hourly wage rates rose 3.0% in Queensland in 1998-99, with public sector wage rates increasing more rapidly (3.2%) than private sector wage rates (2.8%).
Meanwhile, the number of wage and salary earners (labour force survey basis) in Queensland rose 3.1% in 1998-99. This resulted in the share of total employment attributable to wage and salary earners increasing from 82.8% in 1997-98 to 83.1% in 1998-99.

**Profits**
Queensland businesses continued to experience improved profitability in 1998-99, reflected in a 4.2% increase in the State’s gross operating surplus (rest of Australia, up 4.4%) (Figure 7e). However, growth in business profits moderated significantly from the 8.7% experienced in the previous year, with the lower profit growth being partly due to growth in input costs, in particular labour, exceeding the increase in consumer prices, resulting in a narrowing of realised profit margins.

Queensland’s gross operating surplus contributed 1.9% points to the 5.5% growth in the nominal value of GSP at factor cost (rest of Australia, a 2.0% point contribution to growth). The smaller contribution to growth of gross operating surplus, relative to the contribution of compensation of employees, resulted in the share of GSP at factor cost attributable to gross operating surplus falling 0.4% point to 45.2% (rest of Australia, also down 0.4% point to 45.6%).

Over the past 10 years, gross operating surplus in Queensland has experienced lower average annual growth (5.9%) than compensation of employees (7.3%). This has resulted in the proportion of GSP at factor cost attributable to gross operating surplus falling 3.3% points over the decade, from 48.5% in 1988-89 to 45.2% in 1998-99.
Queensland’s population was estimated to be 3.512 million persons in the June quarter 1999, an increase of 1.7% compared with a year earlier. Queensland’s population growth has fallen in recent years but continues to exceed growth in the rest of Australia, which recorded population growth of 1.2% over the year ending the June quarter 1999 (Figure 8a and Table 8b).

Queensland’s population growth over the year to the June quarter 1999 reflected substantial contributions from all three components of population change: natural increase (excess of births over deaths), net interstate migration, and net overseas migration.

Over the year, Queensland gained around 17,200 persons as a result of net interstate migration. This represented a 4.1% fall in net interstate migration gain compared with the previous year, with the decline primarily reflecting the impact of fewer people coming to Queensland, rather than an increase in the number of people leaving the State.

With state economic conditions a major influence on interstate population flows, the strengthening of employment and general economic conditions during the past two years in other states, particularly New South Wales and Victoria, is considered to have been a major factor in the easing of net interstate migration to Queensland over this period.

<table>
<thead>
<tr>
<th>Persons</th>
<th>Contribution to Population Growth (% point)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-98</td>
<td>Jun-99</td>
</tr>
<tr>
<td>Natural Increase</td>
<td>24,639</td>
</tr>
<tr>
<td>Net Migration</td>
<td>31,767</td>
</tr>
<tr>
<td>Net Interstate Migration</td>
<td>17,967</td>
</tr>
<tr>
<td>Net Overseas Migration</td>
<td>13,800</td>
</tr>
</tbody>
</table>

Net Change in Population | 56,406 | 58,878 | 1.7 | 1.7 |

Queensland’s population share of Australia’s net overseas migration gain during the year fell slightly, from 16.0% to 14.7%, compared with a year earlier. However,
Queensland’s share of the national population gain from net overseas migration has still increased substantially in recent years and remained more than 3% points higher than that recorded five years earlier.

Meanwhile, Queensland’s population grew by 24,500 persons as a result of natural increase in the year to the June quarter 1999. While the shares of Queensland’s population growth resulting from net interstate and net overseas migration have fluctuated in recent years, the share attributable to natural increase (approximately 30-40%) has remained relatively stable throughout the 1990s. Natural increase has made a greater contribution to population growth in Queensland than in the rest of Australia over the last 15 years, reflecting the relatively younger age structure of the Queensland population compared with that of the rest of Australia.

The latest available annual data show that 44.2% of Queensland’s population were under 30 years of age and 21.5% of the population under 15 years of age in 1997-98, compared with 42.8% and 20.8% respectively in the rest of Australia.

Both the Queensland and rest of Australia populations have been ‘ageing’ over the past 10 years, but Queensland’s population has been ‘ageing’ at a slower rate. A major contributing factor to Queensland’s younger age profile has been net interstate migration, which has resulted in Queensland gaining a disproportionately higher share of people aged between 20 and 44 years.

According to 1996 Census data, approximately 75% of net interstate migration to Queensland fell into the ‘working age’ category of 15 to 65 years, while a further 20% were under 15 years of age and, therefore, will contribute to the workforce in future years. In contrast, the proportion of interstate migrants aged 50 years and over was lower than the State’s share of the national population in this age group.

The relatively slower ageing of the Queensland population is highlighted by the aged dependency ratio, defined as the number of persons aged 65 and over expressed as a share of the population aged 15 to 64. The aged dependency ratio for Queensland in 1997-98 was 16.8%, compared with 18.5% for the rest of Australia. Furthermore, this ratio has been increasing more rapidly in the rest of Australia than Queensland over the past 10 years, with the ratio for Queensland and the rest of Australia in 1987-88 having been 16.0% and 16.2% respectively.