2007–08
Annual Economic Report
on the Queensland economy – year ended 30 June 2008
Annual Economic Report
2007-08
The Queensland Economy

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Foreword

As the world faces a very difficult outlook for growth into the future, the 2007-08 Annual Economic Report documents the strong pace of economic expansion in Queensland and solid employment outcomes achieved in the last financial year.

The report also highlights Queensland’s ongoing superior economic performance compared with the rest of the nation. It is this performance which provides us with an ability to withstand, to an extent, the downward pressure from the global economic downturn.

The Queensland economy expanded by 5.1% in 2007-08, well above 3.4% growth in the rest of Australia.

This represented the 12th consecutive year that the State’s economic growth exceeded growth nationally.

Strong economic growth resulted in significant job opportunities for Queenslanders, with almost 60,000 persons finding employment in 2007-08.

As a result, the State’s year-average unemployment rate fell to a 34-year low of 3.7%.

Domestic demand continued to drive economic growth in the State.

Household consumption growth strengthened to 4.8% in 2007-08, stimulated by an improvement in housing activity in the previous year, and supported by a tight labour market and solid wages growth.

The private and public sectors also undertook unprecedented infrastructure programs in 2007-08.

The volume of business investment rose 12.1%, the fourth consecutive year of double-digit growth, to reach almost $34 billion, twice the level of investment five years earlier.

Public sector investment also grew strongly, to reach historic peaks, reflecting spending on vital water, energy and transport infrastructure aimed at supporting population growth and facilitating an expanded supply chain for the State’s key commodity exports.

Queensland’s population is estimated to have increased by 2.3% in 2007-08, translating into an average increase of around 1,800 persons per week in 2007-08.

The Annual Economic Report is a part of the State Government’s performance accountability framework and is one of many economic resources produced by Queensland Treasury. This publication and other information on Queensland can be viewed at www.oesr.qld.gov.au.

ANDREW FRASER MP
TREASURER

ii Annual Economic Report 2007-08
1 Overview

A rebound in household consumption growth, combined with an unprecedented infrastructure program in the private and public sectors, saw the Queensland economy expand by 5.1% in 2007-08. This represented the 12th consecutive year in which the State’s economic growth exceeded that nationally (see Figure 1a).

Growth in consumer spending strengthened to 4.8% in 2007-08, reflecting the lagged impact of stronger growth in dwelling investment in 2006-07 and a re-acceleration in house price growth not seen since 2003. Solid employment and wages growth also supported household spending, while income tax cuts helped partially offset the adverse effects of higher interest rates and fuel prices on disposable incomes. In contrast, dwelling investment contracted marginally in 2007-08, the first decline since the introduction of the GST in 2000-01. While a tight rental market continued to support new construction, renovating activity was more immediately affected by four rises in official interest rates by the Reserve Bank of Australia (RBA), combined with independent rate rises by mortgage lenders.

Business investment in Queensland continued to grow in 2007-08, despite tighter credit conditions and moderating global economic activity. The volume of business investment rose 12.1%, the fourth consecutive year of double-digit growth, to reach almost $34 billion, double the level of investment five years earlier. A strong mining sector, tight commercial property market and the highest Australian dollar (A$) exchange rate in more than two decades helped drive further growth in business investment.

Public sector investment also continued to grow strongly, reflecting spending on vital water, energy and transport infrastructure aimed at supporting population growth and facilitating an expanded supply chain for the State’s key commodity exports. Public final demand grew 10.7% in 2007-08, representing its highest rate of growth in the 22-year history of the Queensland State Accounts.

Figure 1a
Economic Growth (annual % change, CVM)

Queensland
Rest of Australia

Source: Office of the Government Statistician, Queensland State Accounts

The volume of exports rose 1.8% in 2007-08, despite a range of adverse influences throughout the year. Mine and refinery expansions supported growth in base metal exports in 2007-08. However, flooding in the Bowen Basin in early 2008 disrupted coal exports. Improved rainfall also encouraged herd rebuilding, resulting in a decline in meat exports. The strong A$, combined with worsening global economic and financial conditions, also dampened tourism exports in the year.

Conversely, a strengthening in household consumption growth and continued growth in machinery and equipment investment drove imports growth of 8.0%. Slower exports growth and unchanged imports growth resulted in the detraction from economic growth by net exports widening to 2.3 percentage points in 2007-08.

Queensland recorded jobs growth of 2.8% in 2007-08, translating into a rise in employment of almost 60,000 persons. The labour force participation rate rose 2.5 percentage points over the three years to 2006-07 to reach an historic high of 67.1%, and remained at this rate in 2007-08. As a result, a rise in the labour force of 2.5% was largely driven by growth in the civilian population during the year. With employment growth again exceeding labour force growth, Queensland’s year-average unemployment rate fell to a 34-year low of 3.7% in 2007-08, below the 4.0% of 2006-07 and well below that in the rest of Australia for the fourth consecutive year.

<table>
<thead>
<tr>
<th>Table 1a</th>
<th>Components of Economic Growth$^{12}$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Queensland</td>
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<tr>
<td></td>
<td>Annual change</td>
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<td></td>
<td>%</td>
</tr>
<tr>
<td>Household consumption</td>
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</tr>
<tr>
<td>Private investment$^{4,5}$</td>
<td>12.2</td>
</tr>
<tr>
<td>Dwellings</td>
<td>8.6</td>
</tr>
<tr>
<td>Business investment$^{4,5}$</td>
<td>16.1</td>
</tr>
<tr>
<td>Other buildings and structures$^{4,5}$</td>
<td>20.1</td>
</tr>
<tr>
<td>Machinery and equipment$^{4,5}$</td>
<td>13.1</td>
</tr>
<tr>
<td>Private final demand$^{4,5}$</td>
<td>6.4</td>
</tr>
<tr>
<td>Public final demand$^{4,5}$</td>
<td>9.9</td>
</tr>
<tr>
<td>Gross state expenditure</td>
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</tr>
<tr>
<td>Net exports</td>
<td>na</td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>2.9</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>8.0</td>
</tr>
<tr>
<td>Gross state product</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Notes:
1. Outcomes for overall economic growth and its components represent preliminary estimates based on the June quarter 2008 Queensland State Accounts. Subsequent releases of the Queensland State Accounts may contain revisions to 2007-08 outcomes.
2. Chain volume measure (CVM), 2005-06 reference year.
3. Sum of component contributions to growth may not add to totals due to rounding.
4. For Queensland and rest of Australia, excludes private sector net purchases of second-hand public sector assets in Queensland.
5. The ABS reclassified Telstra from a public to private company in the second half of 2006-07, following privatisation in late 2006. This reclassification partially inflated business investment growth and detracted from public final demand growth in 2006-07 and 2007-08.

Source: Office of the Government Statistician, Queensland State Accounts
2 External environment

International conditions

Economic growth in Queensland’s major trading partners was 4.1% in 2007-08, below the 4.5% recorded in the previous year, but above the long run average. The moderation in growth was driven by an economic slowdown in Japan and Europe, which offset a slight acceleration in growth in the United States (US) and Non-Japan Asia. However, stronger economic growth in the US largely reflected a depreciation in the US$ and fiscal stimulus, in response to the gradual onset of the US sub-prime mortgage crisis throughout 2007-08.

The sub-prime and ensuing credit crisis was a key influence on global financial markets in 2007-08. In the US, falling house prices and escalating mortgage defaults led to a devaluation of non-transparent mortgage backed financial instruments, bringing interbank lending to a halt and raising wholesale funding costs globally. In response, central banks around the world acted to improve confidence in credit markets by increasing liquidity in the system.

![Economic Growth in Queensland’s Major Trading Partners](image)

Source: Queensland Treasury and Consensus Economics

Global sharemarkets suffered considerable losses over the year, with the US S&P 500 Index and UK FTSE 100 Index both falling 14.9%, and the Japanese Nikkei 225 Index falling 25.7%. Credit markets experienced a structural change in the pricing of, and appreciation for, credit risk in 2007-08. Following the onset of the US crisis, the spread between three month interbank lending and three month overnight indexed swap rates surged in August 2007, averaging about 56 basis points higher in 2007-08 than in the previous year. Further, credit default swap premia increased markedly in early 2008 in the lead up to the collapse of US investment bank Bear Stearns and remained high throughout the rest of the financial year, reflecting considerable strain in credit markets.

Developed economies were the first to be impacted by the effects of financial market turmoil. US economic growth strengthened slightly to 2.4% in 2007-08, following modest growth of 2.0% in 2006-07, but remained below long run average growth. The falling US$ drove a significant contribution from net exports in 2007-08, which was the main cause of the...
strengthening in economic growth. US residential construction fell 19.8% as lower house prices and excess stock deterred investment. Also, worsening labour market conditions and lower asset values led slower private consumption growth, despite the US Government’s US$152 billion stimulus package introduced throughout the year. As a result, the Federal Reserve cut its target rate by 3.25 percentage points over the period.

Weaker economic activity was also seen in Japan and Europe in 2007-08. Economic growth in Japan eased 1.0 percentage point to 1.3% in 2007-08. Lower investment led the downturn, detracting 0.7 of a percentage point from growth, after contributing 0.3 of a percentage point in 2006-07. However, Japan’s consumers remained resilient, with the contribution to economic growth from private consumption in 2007-08 remaining similar to the previous year. Economic growth in the EU15\(^2\) moderated 0.9 of a percentage point to 2.1% in 2007-08. Weak consumer confidence, driven by high oil and low asset prices, hindered private consumption in the year, with growth in investment also moderating. Despite a stronger Euro against the US$, net exports contributed slightly to growth in 2007-08.

Developing economies grew strongly in 2007-08, but slowed towards the end of the period. China raised its prime lending rate and reserve requirements considerably over 2007-08, in an effort to slow the pace of growth and dampen inflation. Likewise, the Chinese Government allowed the Renminbi to continue to appreciate against the US$ over the year, subduing exports growth. As a result of these measures, and slowing global economic growth, annual GDP growth in China eased to 10.1% in June quarter 2008. In India, GDP growth remained strong in 2007-08, at 8.7%, with growth supported by private consumption and investment, as well as a smaller detraction from net exports, reflecting a moderation in imports growth.

Emerging economies have underpinned commodity demand and above trend global economic growth in recent years. While remaining strong, aggregate economic growth in these countries slowed towards the end of 2007-08. The underlying strength of these economies drove higher commodity prices throughout the year, although industrial production slowed in developed countries, weighing on some base metal prices (see Figure 2b).

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2 Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.
Australian economy

Economic growth in Australia was 3.7% in 2007-08, higher than the 3.3% growth recorded in 2006-07. Non-farm output growth moderated slightly, by 0.2 of a percentage point, to 3.7% in 2007-08. However, this moderation was more than offset by a 7.3% rise in farm output in 2007-08, following a drought-related 19.2% fall in 2006-07.

Business investment and public investment continued to underpin growth, increasing by 12.4% and 7.4% respectively in 2007-08. This reflected private sector efforts to expand production capability, particularly in the mining sector, and increased public investment. Household consumption rose 3.9% in 2007-08 compared with 4.0% growth in the previous year. Income tax cuts introduced from July 2007, as well as ongoing solid employment and wages growth over the year, supported incomes. However, over the second half of 2007-08 there was a marked slowing in growth, as rising interest rates and higher petrol prices began to restrain spending. Higher interest rates also resulted in subdued dwelling investment growth of 1.5% in 2007-08.

Imports growth was strong in 2007-08, reflecting solid domestic demand growth and relatively lower prices for imported goods due to a stronger A$. Exports growth strengthened slightly, but remained below imports growth in 2007-08. As a result, net exports detracted from economic growth for the seventh successive year in 2007-08.

The number of persons employed in Australia increased by 2.7% in 2007-08, following similar growth in the previous year. As a result, the year-average unemployment rate fell to a 33-year low of 4.2% in 2007-08, despite the labour force participation rate rising a further 0.4 of a percentage point to 65.2% in the year. The headline rate of Consumer Price Index (CPI) inflation strengthened to 3.4% in 2007-08, significantly stronger than 2.9% in 2006-07 and well above the RBA’s target band of 2-3%. The acceleration in inflation reflected an economy running at close to full capacity for some time, as well as higher growth in energy and food prices and further rises in housing costs.

![Figure 2c: Domestic Demand, Inflation and Unemployment Rate, Australia](image)
3 Components of Queensland’s economic growth

Household final consumption

Household consumption was a major driver of economic growth in Queensland in 2007-08, rising by 4.8% in the year, higher than 3.7% growth in the previous year. This was the strongest growth recorded in the State since 2004-05, following the peak of the preceding housing boom, and above the 3.7% growth in the rest of Australia.

The strengthening in household consumption growth in 2007-08 was largely driven by the lagged impact of stronger dwelling investment growth in 2006-07, as well as strong house price growth over 2007. While higher interest rates and fuel prices in 2007-08 adversely affected household disposable incomes, this was partly offset by income tax cuts introduced in July 2007. Further, household consumption was supported by solid labour market conditions and wages growth.

Spending continued to rise across most consumption categories in 2007-08. Spending on furnishings and household equipment recorded the strongest growth (10.2%), following a pick-up in housing activity in 2006-07. Growth in recreation and culture expenditure was also strong in 2007-08 (7.4%), partly reflecting increased spending on overseas tourism by domestic residents in response to the high A$. Purchases of motor vehicles rose in 2007-08 (6.7%). This largely reflected an increase in purchases in the first half of the year ahead of taxation changes in January 2008, with growth in purchases of motor vehicles moderating in the second half of the year due to elevated oil prices. Higher interest rates had some adverse impact on discretionary expenditure, such as spending on cigarettes and tobacco (down 4.4%) and clothing and footwear (down 2.3%).

Figure 3a
Household Final Consumption
(annual % change)

Notes:
1. The last observation displayed for housing finance commitments is for 2005-06.
Source: Office of the Government Statistician, Queensland State Accounts and ABS 5609.0
Dwelling investment

Dwelling investment in Queensland fell by 0.4% in 2007-08, the first decline since the introduction of the GST in 2000-01. Growth in new housing construction was more than offset by a decline in alterations and additions activity. In the rest of Australia, dwelling investment increased 2.3% in 2007-08. However, the recent flattening out in Queensland housing activity followed a cumulative 92.5% rise in dwelling investment between 2000-01 and 2006-07. In contrast, dwelling investment in the rest of Australia increased only 25.5% over the same period.

Higher interest rates had a considerable impact on dwelling investment in Queensland in 2007-08. The RBA increased the official cash rate by an aggregate 100 basis points to 7.25% over the year, the highest rate since July 1996. Further, bank funding costs in Australia increased due to the impact of the US sub-prime mortgage crisis. This led standard variable mortgage rates to increase a further 40 basis points in addition to the cash rate rise over 2007-08. Despite this, new housing construction increased by a modest 2.6% in 2007-08, supported by low rental vacancy rates, strong population growth from interstate and overseas migration, and the commencement of some sizeable high-rise construction projects.

Alterations and additions activity declined 4.1% in 2007-08, with a notable fall in the second half of the year when interest rates became much more restrictive. Consumer sentiment was dampened considerably by higher interest rates, as well as rising food and oil prices and deteriorating global equity returns. Housing demand from investors and first home buyers was subsequently lower, particularly in the second half of 2007-08. This translated into some easing in Brisbane’s established house price growth toward the end of 2007-08.

Figure 3b

Dwelling Investment

($b, CVM)

Source: ABS 5242.0

<table>
<thead>
<tr>
<th>Year</th>
<th>New and used</th>
<th>Alterations and additions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>4.2</td>
<td>2.1</td>
</tr>
<tr>
<td>1999-2000</td>
<td>5.3</td>
<td>3.2</td>
</tr>
<tr>
<td>2001-02</td>
<td>6.6</td>
<td>4.4</td>
</tr>
<tr>
<td>2003-04</td>
<td>7.9</td>
<td>5.8</td>
</tr>
<tr>
<td>2005-06</td>
<td>9.2</td>
<td>6.7</td>
</tr>
<tr>
<td>2007-08</td>
<td>10.5</td>
<td>7.5</td>
</tr>
</tbody>
</table>
**Business investment**

Despite considerably tighter credit conditions and moderating global economic activity, business investment in Queensland continued to grow strongly in 2007-08. The volume of business investment rose 12.1% in the year, the fourth consecutive year of double-digit growth, to reach almost $34 billion and twice the level of investment five years earlier. Significant momentum in the current investment cycle has been driven by a strong mining sector, a tight commercial property market and the strongest A$ in more than two decades.

Investment in non-dwelling buildings and structures increased 8.3% in 2007-08, following growth of more than 20% in each of the previous two years. Sustained global demand for Queensland’s resource exports and high world commodity prices have underpinned profitability and encouraged strong growth in engineering construction in mines and related transport infrastructure. Low vacancy rates and high rents, particularly in Brisbane, have also stimulated investment in commercial property.

Machinery and equipment investment rose 15.1% in 2007-08, the seventh consecutive year of double-digit growth. Growth in domestic demand, combined with limited spare capacity in the economy drove the rise, while the high A$ encouraged spending on relatively cheaper imported capital goods.

Strong growth in machinery and equipment has also been assisted by a fall in its relative price. The cost of non-dwelling buildings and structures investment rose at an average annual rate of 4.3% over the twenty years to 2007-08, well above the 3.3% growth in consumer prices over the same period. In contrast, machinery and equipment investment prices fell by an average of 1.2% per annum over the period, partly reflecting the positive effects of globalisation and a substantial reduction in domestic tariff protection. As a result, machinery and equipment investment accounted for 57.9% of total business investment in 2007-08 (up from 35.6% in 1987-88), compared with 42.1% for non-dwelling buildings and structures (down from 64.4% in 1987-88).

![Figure 3c](image)

*Figure 3c*  
**Business Investment**  
($b, CVM)

Source: Office of the Government Statistician, Queensland State Accounts
Public final demand

Public final demand is a measure of investment spending by the general government sector and public trading enterprises, as well as government consumption expenditure.

Reflecting the infrastructure needs of strong population growth and global demand for the State’s resources, public final demand has grown at an above average rate in recent years. Public final demand grew 10.7% in 2007-08, representing its highest rate of growth in the 22-year history of the *Queensland State Accounts*. This also followed above average growth of 9.9% in 2006-07.

The volume of State and local investment by public trading enterprises surged by 31.7% to reach $7.4 billion in 2007-08, representing more than a three-fold increase in real terms from $1.9 billion in 2003-04. Investment by this sector has grown at an average annual rate of nearly 46% over the past four years. This has been driven by government-owned corporation investment in electricity generation and related infrastructure, reflecting the energy needs of a fast growing population, as well as investment in rail and port capacity to cater for ongoing global demand for Queensland’s resource exports.

Reflecting significant investment in transport and health, State and local investment by the general government sector rose by 28.7% in real terms in 2007-08, the highest rate of growth recorded for the series.

State and local government consumption expenditure, the largest component of public final demand, recorded growth of 5.0% in 2007-08. This coincides with ongoing solid employment growth in industries associated with public sector service provision, such as health, education and community services.

![Figure 3d](source: Office of the Government Statistician, Queensland State Accounts)
4 Queensland’s trade sector

Net exports

Net exports detracted 2.3 percentage points from economic growth in 2007-08, larger than the detraction of 1.9 percentage points in the previous year. Despite a number of constraints during the year, exports continued to expand. However, a strengthening in growth in both household consumption and machinery and equipment investment drove faster growth in imports relative to exports. As a result, net exports detracted from economic growth for the seventh consecutive year in 2007-08.

The trade sector absorbed a range of adverse external and domestic shocks over the year. Widespread flooding in Central Queensland limited coal production in the second half of 2007-08, while increased rainfall prompted beef producers to retain cattle stock for finishing and rebuilding of herds. Although cereal grains production recovered, exports were limited by the replenishment of wheat stockpiles. A higher A$ and sharp falls in equity prices in many overseas markets contributed to a fall in overseas tourism exports. Interstate tourism exports also declined, as residents in the rest of Australia replaced domestic tourism with overseas tourism, due to the high A$ and a rise in domestic fuel prices relative to international airfares.

Despite these factors, the total volume of goods and services exports rose 1.8% in 2007-08. This was due largely to a surge in base metals exports, reflecting mine expansions, refinery upgrades and a return to full production following disruptions caused by maintenance work in 2006-07.

Overall, the volume of goods and services imports rose 8.0% in 2007-08. A key driver was the higher A$, which lowered the price of imports relative to domestically produced goods in 2007-08. In addition, strong growth in spending on household furnishings and equipment caused imports to rise further, while limited spare capacity in the economy drove greater spending on imported machinery and equipment. The substitution from domestic to outbound tourism by Queensland residents saw imports of overseas tourism continue to grow strongly in 2007-08.

Figure 4a

Net Exports Contribution to Growth in GSP
(annual % point contribution)

![Net Exports Contribution to Growth in GSP](chart)

Source: Office of the Government Statistician, Queensland State Accounts
Overseas merchandise exports

Unfavourable weather, supply disruptions, lower world prices for some commodities and a higher A$ all impacted on export returns for Queensland’s overseas exports of goods in 2007-08. As a result, the nominal value of Queensland’s overseas merchandise exports fell slightly, by 0.3% to $35.3 billion in 2007-08.

Detailed commodity information relating to Queensland’s overseas merchandise exports in 2007-08 is presented in Table 4a. Key features are explained below:

- In 2007-08, the nominal value of Queensland’s rural exports fell 5.0% to total $5.1 billion. This decline was driven by an 8.6% fall in the value of meat (primarily beef) and a 38.7% fall in the value of textile fibres (primarily cotton). Meat exports were impacted by substantial summer rains during the year, which encouraged farmers to re-build herds. Further, associated good pasture growth and high feed grain prices prompted farmers to resume grass feeding cattle, delaying cattle supply in the second half of 2007-08. Cotton plantings were dramatically reduced by drought conditions in early 2007-08, followed by damage to cotton crops by heavy rain and flooding in the Emerald region during harvest.

- The nominal value of Queensland’s crude minerals exports fell slightly, by 0.4% in 2007-08 to total $17.5 billion. Coal, the largest component of this category, rose 1.0% to $13.1 billion in 2007-08. Coal production and export volumes were impacted by flooding in the Bowen Basin in early 2008. Further, coal contract prices were lower for much of 2007-08 compared with a year earlier. However, in April 2008, contract prices for thermal and coking coal more than doubled and tripled respectively, precipitating a sharp recovery in the value of Queensland’s coal exports in late 2007-08.

- The nominal value of processed minerals and metals exports rose 12.6% in 2007-08, to $4.3 billion. This was largely due to a 13.3% rise in non-ferrous metals after higher export volumes more than offset lower global prices for most base metals. Other manufactures also increased in 2007-08, by 14.5% to $2.6 billion, mainly due to a 39.2% rise in chemicals exports and a 13.3% rise in machinery exports.

The importance of Asian markets to Queensland’s exports continued in 2007-08. The top five destinations remained Japan, South Korea, India, China and Taiwan, together accounting for nearly half of the total value of Queensland’s overseas merchandise exports. Japan remained Queensland’s largest export market in 2007-08, alone accounting for 25% of total merchandise exports.

The value of merchandise exports to North East Asia (excluding Japan) fell 4.4% to a level of $8.8 billion in 2007-08. This was predominantly due to a 10.6% and 4.9% fall in exports to China and South Korea respectively. Exports to Japan declined 1.7% to $9.1 billion in 2007-08, largely due to a 10.0% decline in the value of meat exports. However, Japan still remained the recipient of nearly half of Queensland’s meat exports in the year.

Indonesia, Malaysia, Thailand and Singapore remained the top destinations for Queensland’s merchandise exports in South East Asia. Exports to the region fell 1.0% in 2007-08, following two years of double digit growth. This was largely due to a 13.1% and 2.0% fall in
exports to Thailand and Indonesia respectively in the year, which only partly offset a 4.3% and 2.2% rise in exports to Singapore and Malaysia respectively.

Queensland’s merchandise exports to the US fell in 2007-08, largely due to a decline in meat exports in the year, but remained high at $1.2 billion. Strong growth in Asian export destinations has seen Queensland’s share of exports to the US decline in recent years, with the share of exports to China and India increasing from 4.9% and 5.5% in 2002-03 to 6.9% and 8.2% respectively in 2007-08.

Queensland’s merchandise exports to Europe rose slightly in 2007-08, by 1.3%. Most notably, exports to the United Kingdom rose 39.2% in 2007-08, largely due to a 122.0% rise in the value of non-ferrous metals exports.

<table>
<thead>
<tr>
<th>Export categories ¹</th>
<th>2006-07</th>
<th>2007-08</th>
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<td>$m</td>
<td>$m</td>
<td>$m</td>
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<tr>
<td>Rural ²</td>
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<td>Meat</td>
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<td>Textile fibres</td>
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<tr>
<td>Fish</td>
<td>192.38</td>
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</tr>
<tr>
<td>Vegetables and fruit</td>
<td>312.78</td>
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<tr>
<td>Other rural</td>
<td>821.22</td>
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<tr>
<td>Total</td>
<td>5,408.45</td>
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<td>Crude minerals ³</td>
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<td>Coal</td>
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<td>Manufactures</td>
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<td>Processed minerals and metals</td>
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<tr>
<td>Non-ferrous metals</td>
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<td>Other processed minerals and metals</td>
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<td>Total</td>
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<td>Other manufactures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>395.79</td>
<td>550.93</td>
<td>155.14</td>
</tr>
<tr>
<td>Leather, rubber, etc.</td>
<td>279.11</td>
<td>269.13</td>
<td>-9.98</td>
</tr>
<tr>
<td>Machinery</td>
<td>917.07</td>
<td>1,038.70</td>
<td>121.63</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>355.46</td>
<td>403.89</td>
<td>48.43</td>
</tr>
<tr>
<td>Miscellaneous manufactures</td>
<td>336.75</td>
<td>363.19</td>
<td>26.44</td>
</tr>
<tr>
<td>Other manufactures - other</td>
<td>27.07</td>
<td>21.48</td>
<td>-5.59</td>
</tr>
<tr>
<td>Total</td>
<td>2,311.25</td>
<td>2,647.32</td>
<td>336.07</td>
</tr>
<tr>
<td>Total manufactures ⁴</td>
<td>6,133.00</td>
<td>6,951.55</td>
<td>818.55</td>
</tr>
<tr>
<td>Confidential and special ⁵</td>
<td>6,304.08</td>
<td>5,708.36</td>
<td>-595.72</td>
</tr>
<tr>
<td>Total overseas exports of goods</td>
<td>35,438.50</td>
<td>35,318.25</td>
<td>-120.25</td>
</tr>
</tbody>
</table>

Notes:
1. Based on the Standard International Trade Classification.
2. Due to ABS reclassification, raw cane sugar exports are included in the 'Confidential' export category rather than the 'Rural' export category.
3. Due to ABS reclassification, some coal exports, such as pulverised coal injection (PCI) coal, are now included in the 'confidential' export category rather than the 'crude minerals' export category.
4. Sum of processed minerals and metals and other manufactures.
5. The value of raw cane sugar exports is included in this category.

Source: ABS unpublished foreign trade data, August 2008 release
5 Labour market

Employment

Employment in Queensland increased 2.8% in 2007-08, representing the second highest jobs growth of any state (following Western Australia at 3.6%) and a growth rate stronger than in the rest of Australia as a whole (2.7%) for the seventh consecutive year (see Figure 5a).

Jobs growth of 2.8% in Queensland translated into an additional 59,200 employed persons in 2007-08. Full-time employment drove jobs growth for the sixth consecutive year, increasing by 36,800 persons in 2007-08. However, part-time employment also increased solidly (22,400 persons), with Queensland accounting for nearly a third of the national increase in part-time employment (71,200 persons).

The composition of economic growth has influenced Queensland industry employment trends in 2007-08. In the services sector, job creation in industries such as education (up 13,000 persons), retail trade (up 12,100 persons) and construction (up 9,800 persons) drove overall employment growth. This is in line with strong growth in consumer spending and business investment during the year, as well as the State Government’s commitment to increased service provision. Finance and insurance was the weakest performing private sector industry, with employment declining by 4,100 persons in 2007-08 (see Table 5a). This was partly due to a general downturn in the lending finance sector in the year.

Employment in all three industries comprising the primary and secondary sector grew solidly over the year. Employment growth in mining (up 3,200 persons) reflected a further expansion in the State’s resources sector, while a return to more normal seasonal conditions in much of the State supported a second consecutive year of jobs growth in agriculture, forestry and fishing (up 3,900 persons).
Table 5a

<table>
<thead>
<tr>
<th>Industry/sector</th>
<th>2007-08 ('000 persons)</th>
<th>2007-08 (% of total)</th>
<th>Change ('000 persons)</th>
<th>2007-08 10 year-average</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary and secondary</td>
<td>317.9</td>
<td>14.8</td>
<td>12.4</td>
<td>2.8</td>
<td>4.1 had better, 0.9 worse.</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>81.9</td>
<td>3.8</td>
<td>3.9</td>
<td>-1.5</td>
<td>5.0 had better, -1.6 worse.</td>
</tr>
<tr>
<td>Mining</td>
<td>38.1</td>
<td>1.8</td>
<td>3.2</td>
<td>1.9</td>
<td>9.2 had better, 7.1 worse.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>197.9</td>
<td>9.2</td>
<td>5.3</td>
<td>2.4</td>
<td>2.7 had better, 1.3 worse.</td>
</tr>
<tr>
<td>Services</td>
<td>1,836.0</td>
<td>85.2</td>
<td>49.7</td>
<td>54.6</td>
<td>2.8 had better, 3.6 worse.</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>19.2</td>
<td>0.9</td>
<td>3.2</td>
<td>0.7</td>
<td>20.1 had better, 4.6 worse.</td>
</tr>
<tr>
<td>Construction</td>
<td>233.3</td>
<td>10.8</td>
<td>9.8</td>
<td>10.9</td>
<td>4.4 had better, 6.5 worse.</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>83.1</td>
<td>3.9</td>
<td>2.5</td>
<td>-0.4</td>
<td>3.1 had better, -0.5 worse.</td>
</tr>
<tr>
<td>Retail trade</td>
<td>336.2</td>
<td>15.6</td>
<td>12.1</td>
<td>9.0</td>
<td>3.7 had better, 3.2 worse.</td>
</tr>
<tr>
<td>Accommodation, cafes and restaurants</td>
<td>109.4</td>
<td>5.1</td>
<td>-0.8</td>
<td>2.5</td>
<td>-0.7 had better, 2.6 worse.</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>114.3</td>
<td>5.3</td>
<td>1.4</td>
<td>2.7</td>
<td>1.2 had better, 2.7 worse.</td>
</tr>
<tr>
<td>Communication services</td>
<td>31.8</td>
<td>1.5</td>
<td>1.8</td>
<td>0.6</td>
<td>5.9 had better, 1.9 worse.</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>55.5</td>
<td>2.6</td>
<td>-4.1</td>
<td>0.9</td>
<td>-6.8 had better, 1.8 worse.</td>
</tr>
<tr>
<td>Property and business services</td>
<td>250.5</td>
<td>11.6</td>
<td>4.5</td>
<td>9.3</td>
<td>1.8 had better, 4.7 worse.</td>
</tr>
<tr>
<td>Government administration and defence</td>
<td>97.9</td>
<td>4.5</td>
<td>-5.5</td>
<td>4.3</td>
<td>-5.3 had better, 5.9 worse.</td>
</tr>
<tr>
<td>Education</td>
<td>156.2</td>
<td>7.3</td>
<td>13.0</td>
<td>4.2</td>
<td>9.0 had better, 3.2 worse.</td>
</tr>
<tr>
<td>Health and community services</td>
<td>215.1</td>
<td>10.0</td>
<td>6.3</td>
<td>6.7</td>
<td>3.0 had better, 3.8 worse.</td>
</tr>
<tr>
<td>Cultural and recreational services</td>
<td>58.2</td>
<td>2.7</td>
<td>5.6</td>
<td>2.1</td>
<td>10.6 had better, 4.4 worse.</td>
</tr>
<tr>
<td>Personal and other services</td>
<td>75.5</td>
<td>3.5</td>
<td>-0.1</td>
<td>1.3</td>
<td>-0.2 had better, 1.8 worse.</td>
</tr>
<tr>
<td>All industries</td>
<td>2,153.9</td>
<td>100.0</td>
<td>62.1</td>
<td>57.4</td>
<td>3.0 had better, 3.1 worse.</td>
</tr>
</tbody>
</table>

Notes:
1. Industry estimates of employment are compiled on the mid-month of each quarter. Therefore, the level and growth of total industry employment does not match aggregate estimates of employed persons derived from monthly data.
2. The sum of individual industries may not add to total due to rounding.

Source: ABS 6291.0.55.001

Unemployment

With jobs growth of 2.8% outpacing labour force growth of 2.5%, the year-average unemployment rate in Queensland fell 0.3 of a percentage point to 3.7%, to reach a 34-year low in 2007-08. Similarly, the unemployment rate in the rest of Australia declined 0.3 of a percentage point, to 4.4% in 2007-08. Queensland recorded a lower unemployment rate than the rest of Australia for the fourth consecutive year in 2007-08.

Importantly, Queensland’s long-term unemployed have also benefited from the strong labour market over recent years, with the average number of persons unemployed for one year or more in 2007-08 nearly a third of that recorded five years earlier.

The male unemployment rate remained below the female unemployment rate for the sixth consecutive year in the State in 2007-08. In year-average terms, the male unemployment rate fell 0.4 of a percentage point, to 3.2%, while the female unemployment rate fell 0.3 of a percentage point, to 4.2% for the year.
Labour force

The labour force (comprising the number of persons employed and unemployed) in Queensland grew 2.5% in 2007-08, slightly below the average growth recorded over the past decade (2.6%), but above the 2.3% growth in the rest of Australia (see Figure 5c). Queensland’s labour force growth has equalled or exceeded growth in the rest of Australia for the last twenty years, with the annual difference in labour force growth averaging 1.4 percentage points over the period.

Solid population growth and a considerable increase in the participation rate have driven stronger labour force growth in Queensland relative to the rest of Australia in recent years. The State’s higher economic growth, competitive tax environment, and attractive climate and lifestyle have made Queensland a popular destination for many of the nation’s interstate
migrants. Further, increasing numbers of overseas migrants in recent years have also supported labour force growth.

**Participation rate**

The State’s labour force participation rate was unchanged in 2007-08 at an historic peak of 67.1%, after rising 2.5 percentage points to this rate over the three years to 2006-07. In comparison, the participation rate in the rest of Australia rose 0.4 of a percentage point to 64.7%. However, 2007-08 marked the 20th consecutive year that Queensland’s participation rate was higher than the rest of Australia (see Figure 5d).

While the overall participation rate remained steady in 2007-08, specific participation rates for different age groups and genders changed during the year. In particular, the contribution to overall labour force participation from women aged over 55 increased, offsetting falls in the contribution from other age cohorts. Over the three years to 2006-07, the contribution to participation from males aged over 55 and females aged over 35 largely drove the rise in the participation rate.

Two key factors have driven strong increases in Queensland’s participation rate relative to the rest of Australia. First, Queensland has experienced considerably higher net interstate migration relative to other states, supported in recent years by a rising share of national overseas migration. Both interstate and overseas migrants traditionally have a higher participation rate relative to existing residents. According to 2006 Census data, overseas and interstate migrants moving to Queensland over the previous five years had labour force participation rates of 70.1% and 68.1% respectively. Second, Queensland has seen a faster rise in female labour force participation. This rate rose 12.4 percentage points over the 20 years to 2007-08, well above the 7.9 percentage point rise in the rest of Australia.

![Figure 5d](image-url)

**Labour Force Participation Rate**

(%, year-average)

- Queensland
- Rest of Australia

Source: ABS 6202.0
6 Prices and wages

Consumer prices

Consumer price inflation in Queensland accelerated in 2007-08, with the Brisbane CPI increasing 4.1%, compared with 3.3% in 2006-07. Inflation was driven by both international factors, which impacted the transportation and financial and insurance services components of the CPI, and domestic factors, which affected the housing component in 2007-08.

Housing accounted for one-third of the increase in the Brisbane CPI in 2007-08, driven by higher rents and construction costs. Growth in rents strengthened to an 18-year high in 2007-08, as strong population growth kept rental vacancy rates low. Transportation costs were another significant contributor to growth in the Brisbane CPI in 2007-08, reflecting a 50% rise in global oil prices in the year.

Global credit scarcity also affected a considerable portion of the Brisbane CPI in 2007-08, by increasing funding costs for the domestic financial sector. These costs were then passed on to borrowers by widening the spread between lending and deposit rates, leading to a rise in the financial and insurance services component of the CPI. Household contents and services was the only component of the Brisbane CPI to marginally detract from inflation in 2007-08.

Nationally, average CPI increases across the eight Australian capital cities also strengthened, to 3.4% in 2007-08, following 2.9% in 2006-07. Similar to Brisbane, increases in the cost of housing, transportation and financial and insurance services were the major contributors to national inflation. Broad-based nationwide inflationary pressures drove underlying measures of inflation well above the RBA’s 2-3% target range in 2007-08. Reflecting these pressures, the official cash rate was raised four times over the year.

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Figure 6a
Components of CPI, Brisbane and Australia
(% of total change in CPI, 2007-08)

<table>
<thead>
<tr>
<th>Component</th>
<th>Brisbane</th>
<th>Australia¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial and insurance services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alcohol and tobacco</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household contents and services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Weighted average of capital cities.
Source: ABS 6401.0
Wages

Wages growth in Queensland moderated slightly in 2007-08, but remained solid, after generally strengthening over the decade to 2006-07. The continued strength of wages growth in Queensland was largely reflective of solid labour market conditions in the year, characterised by a generational low unemployment rate of 3.7%.

The total wage bill in Queensland, as measured by the *Queensland State Accounts* definition of compensation of employees, rose 8.2% in 2007-08 (rest of Australia, up 7.5%), following 11.3% growth in the previous year. Queensland’s solid labour market conditions in 2007-08 were reflected in a 3.0% increase in the number of wage and salary earners in Queensland in 2007-08, higher than the 2.6% growth in the rest of Australia. As a result, the average wage per employee in Queensland rose 5.0% in 2007-08, following 5.7% growth in the previous year, and higher than the 4.7% growth in the rest of Australia.

The ABS Wage Price Index (WPI) removes the increase in wages due to measurable productivity improvements and provides a more accurate gauge of growth in actual labour costs. In Queensland, the WPI rose by 4.2% in 2007-08 (nationally 4.2%), weakening slightly from 4.5% (nationally 4.0%) in the previous year.

The public sector WPI rose 4.8% in 2007-08, compared with 4.0% growth in private sector wages. Public sector wages have grown at an average annual rate of 3.9% over the past ten years, stronger than 3.5% growth recorded for private sector wages over the same period.

At the national level, wages rose solidly across most sectors in 2007-08. In particular, wages growth was strongest in the mining, property and business services and construction industries.

![Figure 6b](image)

**Figure 6b**  
**Wage Price Index, Queensland**  
(annual % change)
7 Resident population

Queensland’s resident population is estimated to have risen 2.3% in 2007-08, translating into an average increase of around 1,800 persons per week. In comparison, the resident population in the rest of Australia is estimated to have increased by 1.3% in the year. Queensland’s share of the national population also reached 20% during 2007-08.

Queensland has recorded faster resident population growth than the rest of Australia in every year since 1971. Queensland’s resident population growth averaged 2.3% per year over the past two decades, more than double the 1.1% average annual growth recorded in the rest of Australia.

In terms of the working age civilian population, which measures the population aged 15 and over, Queensland recorded growth of 2.6% in 2007-08, well above 1.6% growth in the rest of Australia.

Faster population growth in the State is largely attributable to a high rate of net interstate migration, supported by Queensland’s considerable employment opportunities, relatively low cost of living, competitive tax environment and idyllic climate and lifestyle.

While net interstate migration has been the main driver of the State’s stronger population growth historically, net overseas migration has increased in importance in recent years. Net overseas migration is estimated to have been the largest component of population growth for the third consecutive year in 2007-08 (see Figure 7a). Higher net overseas migration reflects continued increases in the Federal Government’s migration quota since 2003-04, as well as Australia’s relative economic strength compared with countries which traditionally supply most of Australia’s overseas arrivals, such as the United Kingdom and New Zealand. According to 2006 Census data, overseas migrants to Queensland have been highly skilled, with 60.5% of working age arrivals having completed post-school qualifications, compared with 44.7% for the incumbent population.

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Figure 7a
Contribution to Resident Population Growth
(average weekly increase, persons)

Notes:
1. 2007-08 data are estimates only.
Source: ABS 3101.0 and OESR Population Projections 2008
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