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Notes for Contributors

The Queensland Economic Review (QER) invites articles from organisations and individuals on a broad range of topics suitable for inclusion in future issues of the publication. Three or four issues are published each year and 16 pages are set aside in each issue for articles. Some of the articles are prepared by officers of Queensland Treasury.

To get an idea of the types of articles that are published, please peruse previous issues. Please note aspects such as length and style of articles. Each article is usually two, three or four pages in length. Allow about 750 words per QER page, without headings or illustrations. Articles should be written in a style that is understandable to a diverse range of readers, and should include tables/charts/diagrams and one or two levels of headings.

Completed articles or ideas for articles can be emailed to oesr@treasury.qld.gov.au. Text should preferably be in Word. All tables, charts and diagrams should be in Excel, Illustrator, etc. as appropriate rather than imported into the Word document. Some editing of articles may occur. A typeset copy will be sent to authors for approval before printing.
Summary

International Economy

The global economic outlook has improved in recent months, with increased confidence in the sustainability of the economic recovery in the US, and the Japanese economy displaying initial signs of an improvement.

National Economy

Economic growth in Australia continued to ease in June quarter 2003 to 0.3%, with the detraction from growth by net exports almost completely offsetting the strong contribution from domestic final demand.

Exchange Rates

The value of the $A appreciated 13.7% against the $US and 9.6% on a trade-weighted basis over the three month period to early December.

Monetary Policy

The RBA raised the official cash rate by 25 basis points on 5 November, the first monetary tightening in Australia for 17 months. This was followed by a further 25 basis points increase on 3 December, taking the official cash rate to 5.25%.

Bond and Bill Yields

Bond and bill yields continued their upward trend over the two months to early December.

Queensland Economy

The State’s economic performance in 2002-03 was characterised by very strong domestic demand, more than offsetting the weak performance of the trade sector.

Employment

Employment conditions in Queensland strengthened considerably in the September quarter, with employment increasing by 0.7% in trend terms.

Unemployment

Continued strong jobs growth in Queensland resulted in the State’s quarterly average trend unemployment rate falling to 6.5% for the September quarter, its lowest rate in 21 years (since September quarter 1982).

Job Vacancies

Growth in the Queensland ANZ Job Advertisement Series strengthened in the September quarter, providing a positive outlook for employment growth.

Employment by Industry

Growth in employment in Queensland over the year to the September quarter was again driven by the services sector, with employment continuing to decline in the primary and secondary sectors.

State Economic Growth

Queensland recorded economic growth of 4.2% in 2002-03. Household consumption, dwelling investment and business investment all grew strongly, however net exports detracted substantially from growth.

Consumption

Household consumption expenditure in Queensland rose by 5.4% in 2002-03, almost double the growth rate of 2.8% recorded in 2001-02.

Housing Investment

 Dwelling investment continued to grow rapidly in Queensland in 2002-03, rising 23.1%.

Business Investment

Business investment in Queensland increased a further 34.0% in 2002-03, after rising 13.7% in 2001-02.

Business Conditions

Business conditions in Queensland showed a marked improvement in September quarter 2003, as the negative impacts of SARS and the war in Iraq subsided.

Agricultural and Mining Trends

Crop production continues to be largely dependent on weather conditions, while the outlook in the mining sector remains positive.

Overseas Merchandise Exports

The impacts of the drought and the appreciation of the $A contributed to a further decline in the nominal value of Queensland’s overseas merchandise exports in September quarter 2003.

Commodity Prices

The Queensland Commodity Price Index increased by 3.0% in $A terms in the September quarter, reflecting steady gains in prices for many of Queensland’s major commodities.

Tourism

In trend terms, short-term visitor arrivals to Australia rose 2.0% in September quarter 2003, as the impacts of the war in Iraq and SARS dissipated.

Inflation

Consumer prices rose 1.1% in Brisbane in the June quarter, to be 2.9% higher over the year.

Wages

Growth in Average Weekly Ordinary Time Earnings (AWOTE) for full-time adult workers in Queensland rose for the third consecutive quarter in the September quarter, to 2.3%, representing the highest quarterly growth rate since September quarter 1990.

Population

Queensland’s population continued to surge in March quarter 2003, with the State’s estimated resident population increasing by 23,700 persons (0.6%) to 3,774,300. This represents the highest quarterly increase since March quarter 1993 and resulted in growth of 88,000 persons (2.4%) compared with March quarter 2002.
International and National Economies

International Economy

Confidence in the sustainability of the economic recovery in the United States has been boosted by the strong economic growth recorded in September quarter 2003. Annualised quarterly growth in the US was 8.2%, the strongest quarterly outcome since March quarter 1984. However, it is clear that the September quarter outcome was distorted by the rebates that were provided to taxpayers in the US under the Jobs and Growth tax relief package.

The outlook for the Japanese economy has also displayed marked improvement in recent months following the release of better than expected growth in gross domestic product for June quarter 2003. Furthermore, leading indicators present a more optimistic outlook for the manufacturing sector in Japan. As a result, economic growth forecasts for Japan for 2003 and 2004 have been upgraded significantly in recent issues of the Consensus Forecasts report, with the October 2003 forecasts of 2.4% and 1.3% growth in 2003 and 2004 respectively being 1.5% points and 0.7% point higher than the forecasts published in June 2003.

However, the Japanese economy is still constrained by the weakness in the banking sector. Without decisive measures to dispose of non-performing loans and to re-build the balance sheet of the banking sector, any economic recovery in Japan may prove to be short lived. Another risk to the recovery of the Japanese economy is the recent appreciation of the Japanese yen, which has strengthened more than 7% since early August 2003. Further appreciation of the Japanese yen will have a negative impact on corporate profits and may contribute to consumer price deflation.

National Economy

The rate of economic growth in Australia rose slightly in June quarter 2003. While trend growth in household consumption remained robust, dwelling investment eased further to 0.1% quarterly growth, the lowest rate of growth since March quarter 2001. With net exports detracting 1.0% point from overall growth, almost completely offsetting the contribution from domestic final demand, GDP rose a relatively modest 0.6% in June quarter 2003.

Household consumption continued to grow strongly in the June quarter, increasing 1.3%. In contrast, dwelling investment grew by only 0.1% in the quarter. Business investment continued to rise but its rate of growth has eased, reflecting a slowdown in the growth of investment in other buildings and structures. The rate of decline in exports of goods and services increased in the June quarter, due to the stronger $A and the outbreak of SARS, while growth in imports of goods and services remained strong. As a consequence, net exports detracted from overall growth for the eighth consecutive quarter.

Employment growth in Australia improved in September quarter 2003, rising 0.1% in trend terms, after falling 0.2% in the previous quarter. An increase in full-time positions of 0.4% more than offset the 0.6% decline in part-time positions. Combined with a 0.3% point decline in the labour force participation rate, the unemployment rate fell a further 0.2% point in the September quarter to 5.9%.
Exchange Rates

The value of the $A appreciated 13.7% against the $US over the three-month period to early December 2003, triggered by strong domestic economic conditions and a widening interest rate differential between Australia and the United States.

After remaining relatively unchanged between May and August, the $A has resumed its upward trend against the $US since early September, rising from US64¢ to US69¢ over the month to early October, before reaching US73¢ in early December. The Reserve Bank of Australia’s decision to raise the official cash rate by 25 basis points on 5 November saw the $A surge above US71¢ for the first time since late October 1997. The further 0.25% official cash rate increase in December saw the $A rise to above US73¢.

Australian Dollar (daily, TWI: May 1970 = 100)

Source: Reuters

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<tr>
<th>TWI</th>
<th>0.50</th>
<th>0.55</th>
<th>0.60</th>
<th>0.65</th>
<th>0.70</th>
<th>0.75</th>
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<td>$US/$A (LHS)</td>
<td>0.50</td>
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The $A also appreciated on a trade weighted basis over the three months to early December, rising by 9.6% against the currencies of Australia’s major trading partners. As well as appreciating against the $US, the strength of the $A over the period was reflected in the 3.8% appreciation against the euro, 4.5% appreciation against the British pound and 4.6% appreciation against the Japanese yen.

Monetary Policy

The Reserve Bank surprised financial markets somewhat by raising the official cash rate by 25 basis points on 5 November 2003 to 5%. This tightening was the first change in Australia’s cash rate for 17 months, and makes Australia the first industrialised country to tighten its monetary policy stance since 2001. The Reserve Bank’s action marked a shift in monetary policy focus from external conditions to domestic economic activities. In particular, the Reserve Bank indicated it was concerned about the ongoing increase in household debt, which has been fuelled by the strength of the current housing market and associated spending on household goods.

The Reserve Bank lifted the official cash rate a further 25 basis points to 5.25% on 3 December, citing improved economic conditions both in Australia and overseas for its decision. Stronger growth is evident in the US and East Asia, while in Australia, consumer spending has accelerated, business confidence is high, the labour market has firmed, inflation is expected to rise and domestic credit expansion remains rapid. The current market consensus is that the Reserve Bank is likely to tighten monetary policy further in early 2004.

Bond and Bill Yields

After falling to around 4.6% in mid June 2003, the yield on 10-year Commonwealth Treasury bonds surged more than 100 basis points over the next three months, rising above 5.6% in late August. The end of the war in Iraq encouraged investors to shift their portfolios from bonds to equities, resulting in a surge in bond yields around the world. Optimism regarding a sustainable economic recovery in the United States and Japan has strengthened following the release of a number of favourable statistics in both countries since early October. Triggered primarily by improved external conditions, bond yields continued their upward trend over the two months to early December, while yields have also been supported by robust business conditions revealed in recent business surveys.

As the domestic economy continued to strengthen in the second half of 2003, many market observers had been expecting the Reserve Bank to raise the official cash rate either in late 2003 or early 2004. As a result of this speculation, short-term interest rates, represented by the yield on 90-day bank bills, increased steadily over the three-month period to late October. The Reserve Bank’s decision to raise the official cash rate by 25 basis points on 5 November resulted in a surge in the yield on 90-day bank bills to around 5.25%, the highest level for more than two years. Bill rates then gradually increased to more than 5.4% by early December.
State Economic Performance

Queensland Economy

Overview

The recent release of the annual Queensland State Accounts for 2002-03 highlights that the performance of the Queensland economy during the past year continued to be characterised by very strong domestic demand, which more than offset the weak performance of the trade sector.

Underpinned by strong population and employment growth, and prevailing low interest rates, Queensland recorded exceptional growth in both dwelling and business investment during 2002-03. The State's gross state product grew by 4.2% in 2002-03, compared with growth of 2.5% in the rest of Australia. Gross state expenditure, a measure of domestic economic activity, grew by 8.1% in 2002-03, although this was partially offset by a 4.0% point detraction from growth by net exports.

Stimulated by the strength of the housing sector and continuing strong employment growth, growth in household consumption in Queensland accelerated in 2002-03. However, the major contributor to growth was private investment, with all three major components of private investment growing particularly strongly – dwelling investment was up 23.1%, other buildings and structures rose 46.4% and machinery and equipment investment grew by 28.9%.

Meanwhile, the substantial detraction from growth by net exports reflected a combination of subdued export growth and a surge in imports. Export growth was limited by the weakness of the global economy and the geo-political uncertainty that prevailed throughout much of the year, while growth in imports strengthened considerably, reflecting the strength of the domestic economy, particularly consumption and business investment, and the appreciation of the $A.

Reflecting this strong economic growth, particularly in several of the State’s labour intensive service industries, Queensland recorded its highest year-average employment growth (3.3%) since 1994-95. This resulted in the creation of almost 58,000 extra jobs in Queensland throughout the year, while the State’s year-average unemployment rate fell 0.9% point to 7.0%, the lowest year-average rate since the late 1980s.

Employment

Employment conditions in Queensland strengthened considerably in September quarter 2003, with employment increasing by 0.9% in trend terms, following modest growth (0.2%) in the June quarter. In contrast, the level of employment in the rest of Australia was unchanged in the September quarter, following a fall of 0.3% in the June quarter.

The strengthening in jobs growth in Queensland in the September quarter follows the passing of the major impact of the war in Iraq and the SARS epidemic, and coincides with signs of global economic recovery. The resilience of the State’s labour market has also been driven by strong activity in the labour intensive housing and retail sectors of the economy.

In terms of job creation, trend employment rose by 16,400 persons in Queensland in the September quarter, compared with a fall of 2,300 persons in the rest of Australia. Full-time employment (up 14,700 persons) drove jobs growth in the State, while part-time employment (up 1,700 persons) also increased slightly over the quarter.

Queensland recorded trend jobs growth of 3.6% over the year to September quarter 2003, more than double that in the rest of Australia (1.7%). As a result, Queensland accounted for over one-third (62,900 persons) of the national rise in employment (188,500 persons) and recorded the largest increase in employment of any state over the year to September 2003. Full-time employment in Queensland accounted for more than 60% of the total rise in employment during the year.

Unemployment

Stronger jobs growth in Queensland resulted in the trend unemployment rate in the State reaching a new low in September quarter 2003. Employment growth (0.9%) in Queensland exceeded labour force growth (0.5%) during the quarter, resulting in a fall in the unemployment rate of 0.4% point to 6.5%, its lowest rate in 21 years (since September quarter 1982).

Queensland jobs growth has generally either matched or exceeded labour force growth in each quarter since September quarter 2001, causing the unemployment...
rate to fall from a recent peak of 8.6% in June quarter 2001 to its current rate of 6.5%.

In comparison, the unemployment rate in the rest of Australia fell 0.1% point to 5.8% in the September quarter, to be 0.6% point lower than in June quarter 2001. As a result, the differential between the unemployment rate in Queensland and the rest of Australia has more than halved from 2.2% points in mid 2001 to 0.7% point in September quarter 2003.

Queensland’s labour force growth (0.5%) was largely driven by civilian population growth (0.7%) in the September quarter, with the trend participation rate falling a further 0.2% point to 64.7% in the quarter. While interstate and overseas migration continue to fuel population growth, the State’s trend participation rate has fallen 0.7% point from its recent peak of 65.4% in March quarter 2003.

In comparison, the size of the labour force in the rest of Australia fell further (down 0.2%) in September quarter 2003. This was largely due to the fact that, relative to Queensland, the rest of Australia recorded more subdued civilian population growth (0.4%) along with a sharper decline in its participation rate (down 0.4% point to 63.3%) in the September quarter.

Job Vacancies

The latest job vacancy data indicate that employer hiring intentions improved appreciably in Queensland in September quarter 2003. Growth in the ANZ Job Advertisement Series strengthened to 8.8% in trend terms in the State in the quarter, representing the highest growth rate since December quarter 1994. Job advertisements in the quarter were 9.5% higher than a year earlier. Nationally, job advertisements rose 4.2% during the September quarter, but remained 2.3% lower over the year.

The DEWR Skilled Vacancy Survey index rose 11.5% in trend terms in Queensland in the September quarter, following a 10.0% fall in the previous quarter. Growth in this measure of job vacancies has also been more subdued nationally than in Queensland, with the national DEWR index rising 5.5% in the September quarter.

Growth in job advertisements suggests employment conditions in Queensland should remain strong in the December quarter. Stronger job advertisements growth in Queensland relative to the rest of Australia may partly reflect faster population growth, which has driven activity in labour intensive sectors of the State economy.

Employment by Industry

Employment in Queensland rose by 57,300 persons in original terms over the year to September quarter 2003. Jobs growth was again driven by the services sector (up 70,700 persons), with employment continuing to decline in the primary and secondary sectors (down 13,400 persons).

Property and business services continued to exhibit strong annual growth (up 24,200 persons) in the September quarter. Strong growth in this industry, combined with further growth in construction industry employment (up 17,000 persons), reflected the continued high levels of housing and business investment activity.

Job losses over the year continued to be concentrated in agriculture (down 13,300 persons) and agriculture services (down 1,900 persons), reflecting the impact of the drought. Accommodation, cafes and restaurants also recorded its fifth consecutive quarter of annual job losses (down 7,900 persons), as a result of the impact of uncertain external conditions and SARS on tourism activity.

Employment by Industry, Queensland
('000, annual change, September quarter 2003, original)
Source: ABS 6201.3

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1 Total employment figures may differ from that stated in earlier sections as industry employment data are in original terms.
State Economic Growth

According to the annual Queensland State Accounts, the pace of economic growth in Queensland eased in 2002-03. Although domestic economic activity in the State accelerated in 2002-03, the trade sector made a significant detractor from overall growth.

Gross state product (GSP) rose 4.2% in 2002-03, following 5.0% growth in 2001-02. Despite the slowing in growth, Queensland increased its margin of stronger economic growth over the rest of Australia. Economic growth in the rest of Australia was 2.5% in 2002-03, following 3.7% growth in 2001-02.

Household consumption, the largest component of GSP, rose by 5.4% in 2002-03, following 2.8% growth in 2001-02. Consumption was supported by a strengthening labour market, continuing low interest rates and strong population growth in the State during 2002-03. Consumption in the rest of Australia rose at a more moderate pace, increasing by 3.7%.

Private investment surged 24.1% in 2002-03, building on the 20.8% growth in the previous year. Private investment continued to make the largest contribution to economic activity during the year, contributing 4.8% points to overall GSP growth. Dwelling investment increased a further 23.1% in 2002-03, despite rising 32.4% in 2001-02, and contributed 1.6% points to GSP growth. After strong growth in 2001-02, business investment rose a further 34.0% in 2002-03, with machinery and equipment investment and other buildings and structures investment rising by 28.9% and 46.4% respectively over the year.

Public final demand rose by 2.1% in 2002-03 after declining marginally (down 0.3%) in 2001-02. Government consumption rose 4.2% over the year.

Although economic conditions improved in Queensland’s major trading partners in the latter part of 2002-03, a difficult external environment existed for much of the year. Overseas exports were affected by the steady appreciation of the $A, as well as general uncertainty created by the war in Iraq and SARS. Agricultural exports were limited by drought conditions affecting much of the State. Despite these factors, export volumes rose 2.1% during 2002-03, but were offset by a 12.4% surge in imports. This caused net exports to detract 4.0% points from overall economic growth in 2002-03. Although gross state expenditure, which measures domestic economic activity within the State, increased 8.1% in 2002-03, the detractor from growth from net exports reduced GSP growth to 4.2% for the year.

Consumption

Household consumption expenditure in Queensland rose by 5.4% in 2002-03, almost double the growth rate of 2.8% recorded in 2001-02. Consumption was supported by continuing low interest rates through 2002-03. This more than offset any negative impact of the war in Iraq and the drought on consumer confidence. Although approvals of new dwellings moderated in the middle part of the year, dwelling construction activity remained at a high level, promoting strong growth in dwelling related consumption spending. A strong increase in interstate migration into Queensland during the year also fuelled household consumption, while the further rapid growth in property values through 2002-03 and the resulting wealth effects may have also acted to encourage consumption spending.

Retail trade, which accounts for around 40% of total household consumption, rose 6.2% in volume terms in Queensland in 2002-03, after 3.3% growth in 2001-02. Household goods spending moderated during the middle of the year, then resumed strong growth in the latter part of the year. Hospitality and services spending also contributed strongly to overall retail trade growth over the year.
In the rest of Australia, household consumption grew at a slower pace than in Queensland, rising 3.7% in 2002-03, following 3.3% growth in 2001-02.

**Household Consumption Expenditure**

(annual % change, CVM)

Source: Office of the Government Statistician, Queensland State Accounts

A number of factors have driven the continued strength in dwelling investment in 2002-03. Rapid growth in property values continued throughout the year, with established house prices in Brisbane rising 26.3% over the year to June quarter 2003. This, combined with continuing low home loan interest rates, fuelled a surge in demand for investment properties. While demand from first home buyers moderated in 2002-03, increased approvals of private sector houses throughout the year suggests that demand from non-first home buyers remained strong. The rapid growth in residential property prices through 2002-03 also encouraged many home owners to draw on their increased equity to make improvements to their properties. This caused a large increase in the volume of residential alterations and additions investment, which rose 28.5% over the year, substantially faster than in the rest of Australia.

Housing investment in Queensland has benefited from a surge in interstate migration into Queensland beginning in the last quarter of 2001-02. Over the past year, migration into Queensland has reached levels not seen since 1995, and this has added to the already strong demand for new dwellings.

**Business Investment**

The latest annual *Queensland State Accounts* data show that growth in business investment accelerated in 2002-03. After rising 13.7% in 2001-02, business investment in Queensland increased a further 34.0% in 2002-03. This robust outcome was mainly driven by low interest rates and rising $A exchange rates, counteracting a moderation in business confidence due to the war in Iraq and the outbreak of SARS.

Both components of business investment, namely investment in other buildings and structures and investment in machinery and equipment, recorded strong growth in 2002-03. In particular, investment in other buildings and structures surged 46.4% in 2002-03, after falling 6.4% in 2001-02. Growth in investment in machinery and equipment in 2002-03 was further supported by a substantial appreciation in the value of the $A over the year, lowering domestic prices of imported goods. In year-average terms, prices of machinery and equipment in Queensland fell 3.8% in 2002-03.

The short-term outlook for business investment is positive, with the continued appreciation of the $A, interest rates remaining relatively low, and latest business surveys reporting an improvement in business conditions.
**Business Conditions**

Business conditions in Queensland showed a marked improvement in September quarter 2003, as the negative impacts of SARS and the war in Iraq subsided. Further signs of a recovery in the US and Japanese economies have also helped boost business confidence.

The National Australia Bank’s Quarterly Business Survey reported a substantial improvement in business conditions in Queensland in September quarter 2003, with the Business Conditions Index rising 22% points to 34%. Each of the three major components of this index rose significantly in Queensland in the quarter. The trading performance index increased 26% points to 42%, while the profitability index surged 28% points to 33% and the employment index rose 12% points to 26%. Moreover, Queensland recorded the highest level of each of these components of all the mainland states in the September quarter. Nationally, business conditions are expected to improve over the next three months, with the index expected to rise 9% points to 27%.

Commerce Queensland’s Pulse Survey also indicated that business conditions in Queensland improved in September quarter 2003, after declining in each of the previous three quarters. The Pulse Business Index (PBI), which measures overall business conditions, increased 1.2 points in the September quarter to 57.4. Business conditions are expected to improve further in the December quarter, with the PBI expected to increase to 59.9.

**Agricultural and Mining Trends**

Crop production levels are expected to increase in 2003-04, while production in the cattle industry is expected to remain subdued. Export earnings from agriculture and mining were held back in 2002-03 by a higher $A and subdued commodity prices. However, commodity prices rose in the September quarter.

Wheat production in Queensland is expected to increase significantly in 2003-04 as more favourable seasonal conditions prevailed following drought conditions throughout much of the previous year. The total area sown for wheat in the 2003-04 season is estimated to have increased by 55%, while average to above average rainfall has enabled the establishment of substantial crops in the eastern Darling Downs. In central Queensland, however, drier conditions have persisted and, as a result, wheat production is expected to be below average in that region. Overall, wheat production is forecast by the Australian Bureau of Agricultural and Resource Economics (ABARE) to be 1.0 million tonnes for 2003-04 (around 82% higher than 2002-03 estimates), while the State’s barley production is expected to more than double to 187,000 tonnes.

With a below average winter crop expected in central Queensland, it is likely that a larger sorghum crop will be planted in this region, provided adequate rains eventuate over the latter months of 2003. ABARE has forecast Queensland’s area planted to sorghum to increase by 65% to 560,000 hectares for the 2003-04 season. Meanwhile, the outlook for the 2003-04 cotton crop is less favourable. A lack of irrigation water in the main storage dams is expected to restrict the area planted to around 52,000 hectares according to ABARE, slightly below the drought-affected 2002-03 crop area. Many growers are faced with the option of planting less cotton in line with their water availability, planting no crop and trading their water, or planting an alternative, less water dependent crop.

Cattle and calf slaughterings, which represent the single largest rural product in terms of value in Queensland, were relatively unchanged in 2002-03. The number of cattle and calf slaughterings were slightly below that recorded in the previous year, at 3.61 million in 2002-03. The effects of drought and the subsequent preference for live exports of cattle kept the number of cattle slaughtered down. Slaughterings are expected to decline further in 2003-04 as producers begin herd rebuilding following improvements in seasonal conditions.

While rain across all sugar growing districts in February 2003 provided some relief for cane crops and promoted growth, a lack of follow-up rain in some mill areas stunted the growth of crops. In addition, frosts in the Mackay region forced many growers to harvest their crops early, resulting in the likelihood of a decrease in production in the 2003-04 season.

In Queensland’s mining sector, coal production was boosted recently by the commissioning of Pacific Coal’s Hail Creek mine, west of Mackay, during August.

**Overseas Merchandise Exports**

Measured on an annual basis, the nominal value of Queensland’s overseas merchandise exports recorded a sixth consecutive decline in September quarter 2003 (down 14.5%). The nominal value of exports of rural goods, crude minerals, and processed minerals and metals fell by 16.3%, 13.3% and 30.4% respectively compared with a year earlier. Meanwhile, the nominal value of exports of other manufactures and confidential items (of which a large proportion is
sugar and coal) declined at annual rates of 14.5% and 6.3% respectively in the September quarter.

The flow-through effects of recent drought conditions have continued to weigh on agricultural output, and is the major factor behind the decline in the value of rural exports. The overall fall in rural export earnings was partly driven by decreases in the value of cereal and textile fibre exports of 60.0% and 40.9% respectively in the quarter, compared with a year earlier. These declines were partly offset by an increase in the value of vegetable and fruit exports of 11.5%, compared with a year earlier.

**Commodity Prices**

The Queensland Commodity Price Index increased by 3.0% in $A terms in September quarter 2003. This increase was mainly driven by steady gains in prices of Queensland’s major commodities, although this was slightly offset by the effects of an appreciating $A. Measured in Special Drawing Rights (SDR) terms, the Queensland Commodity Price Index recorded a rise of 4.3% in the quarter.

The agricultural index increased by 2.3% in $A terms and 3.6% in SDR terms in the September quarter. Measured in quarterly average terms, declines in world prices for sugar (down 3.5%) and wool (down 6.8%) were offset by gains in the prices of wheat and cotton (up 1.9% and 4.6% respectively). Beef prices were mixed over the quarter, with Japanese prices slightly lower on a quarterly average basis but US prices moderately higher.

World prices for Queensland’s major mineral commodities rebounded in the September quarter as the prospect of stronger global economic growth and higher demand were factored into most markets. Non-ferrous metals prices increased strongly in quarterly average terms over the period. Gains in $US prices for copper (up 6.3%), nickel (up 11.4%), lead (up 12.2%) and zinc (up 6.0%) were partly offset by the continuing appreciation of the $A. As a consequence, the mineral index increased 3.5% in $A terms and 4.8% in SDR terms respectively over the quarter.

The nominal value of exports of other manufactures continued to fall in annual terms in the September quarter. This reflects the pressure on export earnings resulting from the recent appreciation of the $A. Declines in the value of exports of machinery (down 22.8%) and miscellaneous manufactures (down 22.5%) were largely responsible for the overall decline in the quarter compared with a year earlier.

The nominal value of Queensland’s merchandise exports to all major destinations fell in September quarter 2003 compared with the same period in 2002. The value of exports to Japan fell by 16.6% over the year, mostly as a result of an appreciating $A. In terms of the nominal value of exports to other destinations in the September quarter, exports to the United States fell 13.4%, the European Union fell 20.9%, South East Asia fell 24.2%, North East Asia fell 12.0%, the United Kingdom fell 21.5% and the value of exports to New Zealand was down 6.4% compared with a year earlier.

The appreciation of the $A over the year to September quarter 2003 more than offset gains in international prices of base metals over the same period. Combined with the fact that there were weaker shipments of non-ferrous metals, particularly from BHP Billiton’s Cannington mine, this led to a 33.6% decline in the export value of non-ferrous metals in the September quarter, compared with a year earlier. Meanwhile, the continuing rise in the $A adversely affected earnings from coal exports, the prices of which are largely determined by annual contracts.

**Overseas Merchandise Exports, Queensland**

<table>
<thead>
<tr>
<th></th>
<th>September quarter 2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural (a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat</td>
<td>724.0</td>
<td>658.0</td>
</tr>
<tr>
<td>Cereals</td>
<td>45.4</td>
<td>18.2</td>
</tr>
<tr>
<td>Textile fibres</td>
<td>196.3</td>
<td>116.1</td>
</tr>
<tr>
<td>Fish</td>
<td>75.5</td>
<td>70.0</td>
</tr>
<tr>
<td>Vegetables and fruit</td>
<td>77.1</td>
<td>85.9</td>
</tr>
<tr>
<td>Other rural</td>
<td>253.3</td>
<td>200.1</td>
</tr>
<tr>
<td>Total rural</td>
<td>1,371.7</td>
<td>1,148.2</td>
</tr>
<tr>
<td>Crude minerals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>1,736.3</td>
<td>1,490.3</td>
</tr>
<tr>
<td>Other crude minerals</td>
<td>417.7</td>
<td>377.7</td>
</tr>
<tr>
<td>Total crude minerals</td>
<td>2,154.1</td>
<td>1,867.9</td>
</tr>
<tr>
<td>Manufactures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processed minerals and metals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>526.8</td>
<td>350.0</td>
</tr>
<tr>
<td>Other processed minerals and metals</td>
<td>55.8</td>
<td>55.3</td>
</tr>
<tr>
<td>Total</td>
<td>582.6</td>
<td>405.3</td>
</tr>
<tr>
<td>Other manufactures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>112.3</td>
<td>116.7</td>
</tr>
<tr>
<td>Leather, rubber, etc.</td>
<td>53.3</td>
<td>43.2</td>
</tr>
<tr>
<td>Machinery</td>
<td>237.4</td>
<td>183.3</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>84.9</td>
<td>77.2</td>
</tr>
<tr>
<td>Miscellaneous manufactures</td>
<td>71.7</td>
<td>55.5</td>
</tr>
<tr>
<td>Other manufactures – other</td>
<td>4.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Total</td>
<td>563.6</td>
<td>481.6</td>
</tr>
<tr>
<td>Total manufactures</td>
<td>1,146.2</td>
<td>886.9</td>
</tr>
<tr>
<td>Confidential and special (a)</td>
<td>1,103.2</td>
<td>1,033.3</td>
</tr>
<tr>
<td>Total</td>
<td>5,775.2</td>
<td>4,936.3</td>
</tr>
</tbody>
</table>

(a) Most of the value of sugar exports, a major revenue earner for Queensland, is included in the confidential and special category.

Source: ABS, unpublished foreign trade data

The nominal value of exports of other manufactures continued to fall in annual terms in the September quarter. This reflects the pressure on export earnings resulting from the recent appreciation of the $A. Declines in the value of exports of machinery (down 22.8%) and miscellaneous manufactures (down 22.5%) were largely responsible for the overall decline in the quarter compared with a year earlier.

The nominal value of Queensland’s merchandise exports to all major destinations fell in September quarter 2003 compared with the same period in 2002. The value of exports to Japan fell by 16.6% over the year, mostly as a result of an appreciating $A. In terms of the nominal value of exports to other destinations in the September quarter, exports to the United States fell 13.4%, the European Union fell 20.9%, South East Asia fell 24.2%, North East Asia fell 12.0%, the United Kingdom fell 21.5% and the value of exports to New Zealand was down 6.4% compared with a year earlier.
Tourism

In trend terms, short-term visitor arrivals to Australia rose 2.0% in September quarter 2003. This followed the slump that commenced in the March quarter, triggered by the war in Iraq combined with the outbreak of SARS. Short-term visitor arrivals rose 4.2% over the year to the September quarter.

According to the International Visitor Survey prepared by the Bureau of Tourism Research, about 1.8 million international visitors came to Queensland in 2002-03. The majority came from Japan (24%), New Zealand (16%), the United Kingdom (14%) and the United States (8%). Nearly three-quarters (73%) of international visitors came to Queensland for a holiday, 13% were visiting friends and relatives, 8% were on business and 4% came to Queensland for education purposes.

Inflation

Consumer price inflation in Brisbane, as measured by the quarterly change in the ABS Consumer Price Index, rose to 1.1% in September quarter 2003, following no increase in consumer prices in the previous quarter.

As a result, Brisbane’s annual rate of inflation increased by 0.2% point to 2.9% in the September quarter. This slight re-acceleration in inflation in the September quarter followed a substantial easing in the annual inflation rate from 3.4% to 2.7% between the March and June quarters.

The increase in the Brisbane CPI in the September quarter was largely fuelled by rises in housing costs (in particular, house purchase prices and electricity prices) and increases in transport costs, reflecting higher automotive fuel prices. In contrast, food prices fell slightly for the second successive quarter, partially reversing the strong increase in food prices recorded in the March quarter, due largely to higher vegetable prices resulting from the impact of the drought.

Wages

Growth in Average Weekly Ordinary Time Earnings (AWOTE) for full-time adult workers in Queensland rose for the third consecutive quarter in September quarter 2003 to 2.3%, representing the highest quarterly growth rate since September quarter 1990. The pick-up in wages growth partly reflects a tightening in labour market conditions in Queensland, with the trend unemployment rate falling to a 21-year low in September quarter 2003. National wages growth

Note: The Australian Bureau of Statistics has advised that because of data problems there will be no June quarter 2003 issue of Tourist Accommodation, Australia, cat. no. 8635.0. This is the publication usually used in this section to report on changes in guest nights, guest rooms and room occupancy rates in Queensland.
has also been strong, with AWOTE rising by 1.5% in the September quarter, following June quarter growth (1.6%) that matched the highest growth rate since December quarter 1990. AWOTE in both Queensland and nationally rose by 6.1% over the year.

The preferred measure of wages and salaries is the Wage Cost Index (WCI), as it takes account of wage rises due to improvements in the quality and quantity of work performed. The total hourly rate (excluding bonuses) rose by 1.0% in Queensland in the September quarter, to be 3.4% higher over the year. Nationally, the WCI rose 1.2% in the quarter, to be 3.6% higher over the year. The fact that growth in WCI remains below AWOTE growth in Queensland indicates that the growth in overall wages in the State continues to reflect productivity improvements, in addition to the current tightening in labour market conditions.

Wages Growth (WCI)
(annual % change, quarterly, trend)
Source: ABS 6345.0

Population
Queensland’s population growth continued to surge in March quarter 2003, with the State’s estimated resident population increasing by 23,700 persons to 3,774,300. This represents growth of 0.6% over the previous quarter and 2.4% (88,000 persons) compared with March quarter 2002. Queensland’s population growth in March quarter 2003 was the highest quarterly increase since March quarter 1993.

Population growth in the rest of Australia increased in March quarter 2003, with total population rising 0.4% (64,700 persons) in the quarter following 0.2% growth in December quarter 2002. Over the year to the March quarter, the population in the rest of Australia grew 1.1% (174,000 persons). Queensland accounted for around a third (33.6%) of the national population increase of 262,000 persons over the year to March quarter 2003.

Recent strong growth in interstate and overseas migration to Queensland has total population growth in Queensland continuing to outpace that in the rest of Australia. Over the five years to March quarter 2003, annual population growth in Queensland has risen steadily, from 1.6% to 2.4%. In comparison, the population in the rest of Australia has risen by around 1.1% a year for most of this period.

Population
(annual % change, quarterly)
Source: ABS 3101.0

Net overseas migration was the largest contributor to Queensland’s population growth in March quarter 2003. Net overseas migration contributed 10,700 persons during the quarter, while net interstate migration accounted for 7,730 persons and natural increase (births minus deaths) accounted for 5,340 persons. Over the year to March quarter 2003, net interstate migration (37,800 persons) made the largest contribution to population growth, followed by net overseas migration (27,600 persons) and natural increase (22,600 persons). Overseas migration into Queensland in the year to the March quarter was the largest annual increase on record, while net annual interstate migration into Queensland was at a level not seen since 1996. In contrast, annual natural increase in population in Queensland has been moderating over the past two years.

Queensland Net Migration
(persons, four quarter moving total)
Source: ABS 3101.0
The Economic Significance of Small Business in Queensland

Small business is an integral part of the Queensland economy, comprising more than 96% of private sector businesses and employing about half of the State’s total non-agricultural private sector workforce. As a key driver of entrepreneurial activity, the small business sector also makes a positive contribution to creating a knowledge or ‘Smart’ State.

What is a Small Business?

The Australian Bureau of Statistics (ABS) defines a small business as a business employing fewer than 20 people.1 This includes:
• non-employing businesses – sole proprietorships and partnerships without employees;
• micro-businesses – businesses employing less than five people, including non-employing businesses; and
• other small businesses – businesses employing five or more people, but less than 20 people.2

In addition, small businesses may be distinguished by the following management or organisational characteristics:
• they are independently owned and operated;
• they are closely controlled by owners/managers who also contribute most, if not all, of the operating capital; and
• the principal decision-making functions rest with the owners/managers.

Small Business and the Queensland Economy

There were 216,800 small business operators based in Queensland in 2000-01 (the latest year for which data are available), representing nearly one in five Australian small businesses (see Table 1). In terms of numbers, small businesses dominate the State’s business sector, representing 96.5% of Queensland’s private sector businesses. However, the contribution of small business to economic output is lower, reflecting the average size of small businesses. According to the Business Longitudinal Surveys conducted by the ABS, on average, small business contributed 39% of output in Queensland over the period 1994-95 to 1997-98.3 This compares with 31% nationally over the same period.

Small business is an important source of employment, reflecting the concentration of small businesses in labour-intensive industries. Table 2 shows small business employment by state. In 2000-01, there were 611,700 people employed in small businesses in Queensland, or 50.2% of the total non-agricultural private sector workforce (nationally, 47.2%). On average, small businesses in Queensland employed 2.8 staff, compared with 2.9 nationally. Around 65% of people employed in small businesses in Queensland in 2000-01 were employees, with the balance being owner-operators.

Table 1: Small Business in Australia, 2000-01

<table>
<thead>
<tr>
<th>State or territory</th>
<th>No. of small businesses '000</th>
<th>Proportion of all businesses %</th>
<th>No. of all businesses '000</th>
<th>Proportion of small businesses in Australia %</th>
<th>Proportion of Australian population %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>372.5</td>
<td>97.0</td>
<td>384.1</td>
<td>33.2</td>
<td>33.9</td>
</tr>
<tr>
<td>Victoria</td>
<td>273.9</td>
<td>95.7</td>
<td>286.2</td>
<td>24.4</td>
<td>24.8</td>
</tr>
<tr>
<td>Queensland</td>
<td>216.8</td>
<td>96.5</td>
<td>224.6</td>
<td>19.3</td>
<td>18.7</td>
</tr>
<tr>
<td>South Australia</td>
<td>80.0</td>
<td>95.8</td>
<td>83.5</td>
<td>7.1</td>
<td>7.8</td>
</tr>
<tr>
<td>Western Australia</td>
<td>126.0</td>
<td>96.5</td>
<td>130.5</td>
<td>11.2</td>
<td>9.8</td>
</tr>
<tr>
<td>Tasmania</td>
<td>23.7</td>
<td>95.8</td>
<td>24.7</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>9.1</td>
<td>93.1</td>
<td>9.8</td>
<td>0.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>20.0</td>
<td>96.7</td>
<td>20.7</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Australia</td>
<td>1,122.0</td>
<td>96.4</td>
<td>1,164.1</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: ABS 1321.0

1 This article was prepared by Debbie Jakins of Economic Policy Branch, Queensland Treasury.
2 Australian Bureau of Statistics, Small Business in Australia; Cat. no. 1321.0, 2001.
3 The ABS defines ‘medium-sized businesses’ as those with 20-99 employees and ‘large businesses’ as those with 100 or more employees.
Table 2: Small Business Employment in Australia, 2000-01

<table>
<thead>
<tr>
<th>State or territory</th>
<th>Total small business employment '000</th>
<th>Total private business employment '000</th>
<th>Small business share of total private business employment %</th>
<th>Proportion of total small businesses employment in Australia %</th>
<th>Average number of employees per small business</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>1,083.4</td>
<td>2,261.3</td>
<td>47.9</td>
<td>33.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Queensland</td>
<td>611.7</td>
<td>1,219.2</td>
<td>50.2</td>
<td>18.8</td>
<td>2.8</td>
</tr>
<tr>
<td>South Australia</td>
<td>235.1</td>
<td>506.6</td>
<td>46.4</td>
<td>7.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Western Australia</td>
<td>364.1</td>
<td>736.4</td>
<td>49.4</td>
<td>11.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Tasmania</td>
<td>71.8</td>
<td>142.1</td>
<td>50.5</td>
<td>2.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>28.7</td>
<td>63.6</td>
<td>45.2</td>
<td>0.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>52.9</td>
<td>99.5</td>
<td>53.1</td>
<td>1.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Australia</td>
<td>3,259.1</td>
<td>6,901.9</td>
<td>47.2</td>
<td>100.0</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: ABS 1321.0

Figures 1 and 2 show the distribution of small business employment across industry in Queensland and Australia in 2000-01. It can be seen that the largest number of small business jobs in Queensland are in retail trade (19.7%) and property and business services (18.0%). Small business employment in Australia is similarly concentrated in property and business services (18.7%) and retail trade (18.3%), but nationally, there is a greater proportion of small business employment in the construction industry (15.3%), compared with that in Queensland (11.1%).

The small business sector represents an important source of employment growth in Queensland. As shown in Table 3, Queensland and Western Australia recorded the fastest average annual growth (4.3% and 4.6% respectively) in small business employment of all the states over the period 1983-84 to 2000-01.

Figure 1: Small Business Employment by Industry, Queensland, 2000-01
Source: ABS 1321.0

Note: ‘Other’ includes the Mining and Electricity, gas and water supply industries.

Figure 2: Small Business Employment by Industry, Australia, 2000-01
Source: ABS 1321.0

Note: ‘Other’ includes the Mining and Electricity, gas and water supply industries.
Table 3: Average Annual Growth in Small Business Employment by Industry, 1983-84 to 2000-01 (%)

<table>
<thead>
<tr>
<th>Industry</th>
<th>NSW</th>
<th>Vic</th>
<th>Qld</th>
<th>SA</th>
<th>WA</th>
<th>Aust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>1.1</td>
<td>0.9</td>
<td>2.5</td>
<td>0.6</td>
<td>2.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Construction</td>
<td>6.8</td>
<td>4.1</td>
<td>4.6</td>
<td>5.7</td>
<td>6.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>1.5</td>
<td>2.7</td>
<td>3.5</td>
<td>1.9</td>
<td>4.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Retail trade</td>
<td>1.2</td>
<td>2.2</td>
<td>2.3</td>
<td>1.7</td>
<td>3.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Accommodation, cafes and restaurants</td>
<td>2.3</td>
<td>3.2</td>
<td>2.8</td>
<td>0.1</td>
<td>3.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>4.2</td>
<td>4.6</td>
<td>4.0</td>
<td>7.2</td>
<td>5.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Communication services</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>-0.6</td>
<td>5.8</td>
<td>8.9</td>
<td>1.9</td>
<td>2.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Property and business services</td>
<td>4.9</td>
<td>6.8</td>
<td>7.2</td>
<td>3.2</td>
<td>7.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Education</td>
<td>6.2</td>
<td>4.7</td>
<td>7.1</td>
<td>4.5</td>
<td>3.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Health and community services</td>
<td>5.9</td>
<td>4.1</td>
<td>8.7</td>
<td>4.8</td>
<td>5.2</td>
<td>5.9</td>
</tr>
<tr>
<td>Cultural and recreational services</td>
<td>1.4</td>
<td>2.3</td>
<td>1.1</td>
<td>-0.4</td>
<td>3.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Personal and other services</td>
<td>4.5</td>
<td>4.5</td>
<td>5.6</td>
<td>1.8</td>
<td>3.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Total small business employment</td>
<td>3.2</td>
<td>3.6</td>
<td>4.3</td>
<td>2.7</td>
<td>4.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Total all private sector employment</td>
<td>2.4</td>
<td>2.9</td>
<td>3.9</td>
<td>2.0</td>
<td>3.9</td>
<td>2.9</td>
</tr>
</tbody>
</table>

na = not available.

Note: Average annual rate of growth in employment for total small business and total all private sector employment between 1983-84 and 2000-01 was 2.2% and 1.6% respectively for Tasmania, 3.5% and 4.5% for Northern Territory, and 3.0% and 3.8% for Australian Capital Territory.

Source: ABS 1321.0

Table 3 also shows that the industries in Queensland with the highest average annual employment growth rates in small business over the period were finance and insurance (8.9%), health and community services (8.7%), property and business services (7.2%) and education (7.1%). This is also true nationally, except in finance and insurance, which recorded small business employment growth of only 3.8%.

Industry Breakdown of Small Business

Figures 3 and 4 show the distribution of the number of small business by industry in Queensland and Australia in 2000-01. Although small businesses operate in all industries, both in Queensland and nationally, small business tends to be concentrated in a few key industries, namely construction, property and business services, and retail trade. More than half of Queensland’s small businesses operate in these industries.

Further, Queensland had a greater proportion of small businesses in retail trade (15.8%) than nationally (14.5%). In contrast, Queensland had a slightly lower share of small businesses in manufacturing (6.6%) and construction (20.3%) compared with nationally (7.9% and 20.6% respectively).

![Figure 3: Small Businesses by Industry, Queensland, 2000-01](Source: ABS 1321.0)

![Figure 4: Small Businesses by Industry, Australia, 2000-01](Source: ABS 1321.0)
Figure 5 shows the concentration of small business in each industry for Queensland and Australia, providing the number of small businesses as a share of total businesses in each industry. The industries with the highest concentration of small business in both Queensland and Australia are communication services (100% and 99.0% respectively), construction (99.5% and 99.4% respectively) and personal and other services (both 98.5%).

Figure 5: Proportion of Small Businesses by Industry, Queensland and Australia, 2000-01
Source: ABS 1321.0

A characteristic shared by all states is the high proportion of small businesses in service-providing industries compared with goods-producing industries. Reasons for this pattern include:

- to achieve economies of scale, goods-producing businesses are generally larger businesses requiring significant capital outlays and a moderately sized workforce;
- there are an increasing number of home-based small businesses that are generally more suited to the services-providing industries; and
- more generally, the relative importance of services-providing businesses in the economy has increased.

Table 4 shows the growth in the number of small businesses by industry across the states and nationally for the period 1983-84 to 2000-01. Over this period, the average annual growth in the total number of small businesses in Queensland was 4.5%, compared with 3.5% nationally. The industries with the strongest average annual growth rates in the number of small businesses in Queensland over the period were all in the services sector: health and community services (8.4%), property and business services (7.6%), finance and insurance (6.8%), education (6.5%), cultural and recreational services (5.5%) and construction (5.4%). The industries that contributed most to growth in the total number of small businesses in Queensland over the period were property and business services (28.3%) and construction (25.3%).
Regional Distribution of Small Business in Queensland

Small business plays an important role in the growth of Queensland’s regions. Although small businesses are by definition small, the cumulative effect of their investment and employment decisions in regional economies can be significant.

Table 5 shows the distribution of small businesses in Queensland by region in 1999-2000. Reflecting the distribution of the population, around 64% of the State’s small businesses are based in the Brisbane-Moreton region (south-east Queensland).

<table>
<thead>
<tr>
<th>Statistical Division</th>
<th>Number of small businesses 1999-2000</th>
<th>Proportion of all Queensland small businesses 1999-2000 (%)</th>
<th>Proportion of Queensland population (%)a</th>
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<tr>
<td>Brisbane</td>
<td>123,283</td>
<td>40.5</td>
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<td>Moreton</td>
<td>70,745</td>
<td>23.2</td>
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<tr>
<td>South West</td>
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<tr>
<td>Fitzroy</td>
<td>13,874</td>
<td>4.6</td>
<td>5.1</td>
</tr>
<tr>
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<td>0.3</td>
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<tr>
<td>Mackay</td>
<td>12,420</td>
<td>4.1</td>
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<tr>
<td>Northern</td>
<td>14,747</td>
<td>4.8</td>
<td>5.6</td>
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<tr>
<td>Far North</td>
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<td>North West</td>
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<tr>
<td>Queensland</td>
<td>304,713</td>
<td>100.0</td>
<td>100.0</td>
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a Based on data for the year 2000.

Source: ABS 5675.0 and 3101.0

Contribution of Small Business to Overseas Merchandise Exports

Small business participation in overseas merchandise export markets is rising, reflecting opportunities for growth, particularly in services exports. The Business Longitudinal Surveys conducted by the ABS over the period 1994-95 to 1997-98 found that the number of small businesses in Australia participating in merchandise export markets grew at an average annual rate of 9.7%. In comparison, over the same period, the number of medium-sized firms participating in merchandise export markets increased at an average annual rate of 4.4%, while the number of large firms exporting contracted at an average annual rate of 3.3%.

However, most of Australia’s merchandise exports are attributed to a relatively small number of very large exporters (Figure 6). Over the year to June 2002, more than 30,200 firms contributed to Australian merchandise exports totalling $119 billion. The 209 firms that each had exports of more than $100 million accounted for around 70% of total exports. In contrast, the 16,600 firms that each had exports of less than $100,000 accounted for less than 1% of total merchandise exports.5

Figure 6: Australian Merchandise Exports by Firm Size, 2001-02 (%)


Note: Small – exports between $10,000 and less than $100,000; medium – between $100,000 and less than $1 million; large – between $1 million and less than $10 million; very large – $10 million and over.

6 These ABS data are based on a different definition of business size, i.e. small business – businesses with fewer than 20 employees and estimated annual turnover of less than $1 million; large business – 200 or more employees or estimated annual turnover of $20 million or more; medium business – all other businesses. As a result, the data do not necessarily equate to the small business data used earlier in this article.
While Figure 6 indicates that a substantial number of small businesses are participating in the export market, latest data published by the ABS (for 1997-98) indicated that only 3.3% of small businesses export. This compares with 13.0% of medium businesses and 32.7% of large businesses participating in the export market. This suggests that the propensity to export increases with firm size, while also possibly reflecting the composition of Australia’s merchandise exports, with commodity exporters needing to achieve substantial economies of scale in order to remain competitive in export markets.

However, a recent study undertaken by the Productivity Commission examined this relationship and found that, while firms with a larger domestic base tend to be more involved in exporting, business size was not the primary determinant of participation in the export market. The study indicated that a range of other firm-specific factors were likely to be much more important in influencing firms to export, such as whether the firm received government export assistance and the extent of foreign ownership.

**Contribution of Small Business to the ‘Smart’ State**

The importance of innovation to raising productivity, and therefore economic growth, is increasingly recognised. This process of innovation generates a greater level of income from given resources and is thus a primary source of productivity growth, improved living standards and enhanced job opportunities. Fostering innovation forms part of the Queensland Government’s Smart State agenda, which focuses on using knowledge to drive economic growth within the State.

Research and development (R&D) represents an important input to the innovation process. In 2001-02, small business accounted for 11% of national R&D expenditure, with the majority of business expenditure on R&D undertaken by large business (70%). The fact that small business contributes only a relatively small proportion of the expenditure devoted to R&D in Australia is partly explained by the concentration of small business in less research intensive industries, such as retailing. Figure 7 shows the distribution of small business R&D expenditure in Australia by industry/area for 2001-02. The figure shows that the majority of small business R&D expenditure in Australia was in the property and business services and manufacturing industries, as well as the scientific research area.

While R&D forms an input into the broader innovation process, it is commercialisation that determines whether R&D efforts lead to successful innovation. Entrepreneurship plays an important role in this process, with commercialisation requiring the creative and risk-taking ability to link new products or processes to marketing opportunities. Small businesses are an important driver of entrepreneurial activity. Small businesses are usually established when operators identify a market niche for a new product or new idea. The creation of small business start-ups is an important way in which new products and services become available and is one indicator of entrepreneurship. Over the period 1983-84 to 2000-01, the number of small businesses in Queensland grew by an average annual rate of 4.5%, one of the highest growth rates of any of the states, providing some indication of the dynamism inherent in the State’s business sector.

**Government Approach to Small Business**

There are many factors that can determine the success or failure of a small business. The Productivity Commission has identified a number of well-recognised factors that affect small business performance, including:

- the use of business advice;
- management and business skills;
- access to finance;
- use of networking; and
- government taxes and regulations.

In recognition of these factors and the importance of the small business sector, particularly to employment, governments have typically treated small business as a specific sector of the economy and have developed a number of programs and services aimed to promote small business growth and development.

The overall approach of the Queensland Government towards the small business sector is focused on providing a positive business environment. For example, the Queensland Government maintains a low tax regime including a payroll tax exemption for employers with annual payrolls of less than $850,000 and a land tax exemption for small business where the value of taxable land is less than $150,000. A number of initiatives, such as the Red Tape Reduction Taskforce and the Retail Shop Leases Registry, have also been introduced to address the compliance issues faced by small business in relation to government taxes and regulations.

More specifically, small business issues in Queensland fall within the charter of the Office of Small Business, which operates within the Department of State Development. The Office has implemented a number of initiatives aimed at improving the operating environment for small business, enhancing small business efficiency and assisting small business start-up, development and growth.12

A recent initiative is the Agenda for Smart Small Business. The Agenda is built on the premise that small business is a significant contributor to the Queensland economy and that targeted services, relevant to the life cycle of individual businesses, are critical to success in the global marketplace. Subsequently, the Agenda includes more than 60 small business services designed to support small businesses from the outset all the way through to expansion and on to export. Examples include one-stop business licensing, management skills development and assistance programs.

Some of the services included in the Agenda are those currently provided to small business by the Department of State Development. However, the Agenda also incorporates some new services, such as the Small Business Accelerator Program, which is an intensive case management service designed to assist small businesses with the potential for high growth to identify their unique challenges and to achieve rapid growth. The program, which is due to commence in January 2004, will offer grants to eligible small businesses to enable them to develop growth plans and access the assistance of private sector specialists to support them through growth phases.

The majority of the programs and services detailed in the Agenda are delivered by the Department of State Development through SmartLicence and the 19 State Development Centres that operate throughout the State. Access to the services is also available by phone or through the recently launched Smart Small Business website at www.smartsmallbusiness.com.au.

References
Australian Bureau of Statistics, 2003, Research and Experimental Development, Australia, Cat. no. 8104.0, ABS, Canberra.

## Major Economic Indicators by State

<table>
<thead>
<tr>
<th>Indicator</th>
<th>ABS Cat. no.</th>
<th>Data Period</th>
<th>Growth</th>
<th>Qld as % of Aust</th>
<th>QLD</th>
<th>NSW</th>
<th>VIC</th>
<th>Growth Rate</th>
<th>SA</th>
<th>WA</th>
<th>TAS</th>
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<td>Gross State Product (a) (cvm)</td>
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<td>2002-03</td>
<td>Annual</td>
<td>17.4</td>
<td>5.4</td>
<td>3.5</td>
<td>3.4</td>
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### Private Consumption

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<td>3.1</td>
<td>1.2</td>
<td>1.7</td>
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<td>New Motor Vehicle Sales</td>
<td>9314.0</td>
<td>Sep-03 (q)</td>
<td>Quarterly</td>
<td>19.9</td>
<td>7.9</td>
<td>3.5</td>
<td>4.4</td>
<td>1.8</td>
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<th>NSW</th>
<th>VIC</th>
<th>Growth Rate</th>
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<th>WA</th>
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<tr>
<td>Dwelling Approvals (no.)</td>
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<td>4.9</td>
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### Wages and Prices

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<th>Qld as % of Aust</th>
<th>QLD</th>
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**Note:** All data are in trend terms unless otherwise indicated. Annual growth rate is the percentage change between the latest quarter and the same quarter a year earlier. Quarterly growth rates represent growth on the previous quarter.

(a) The Queensland State Accounts are the source of all Queensland data. Remaining data, i.e. for other states, are sourced from ABS, Australian National Accounts, Cat. no. 5206.0.40.001.

(b) Commonwealth Department of Employment and Workplace Relations.

Cvm - chain volume measure
1 - level or rate, i.e. not rate of change
q - quarterly data
v - value
na - not available
Economic Indicator Charts

Retail Trade
(quarterly % change, CVM, trend)
Source: ABS 8501.0

Residential Building Approvals
(quarterly % change, trend)
Source: ABS 8731.0

Queensland Commodity Price Indices
($A, index base 2001-02 = 100, quarterly)
Source: Queensland Treasury

Red Meat Production and Wool Receivals
(annual % change, quarterly, trend, Queensland)
Source: ABS 7235.0

New Motor Vehicle Sales
(quarterly % change, trend)
Source: ABS 9314.0

Private Non-residential Construction Indicators
(annual % change, quarterly, Queensland)
Source: ABS 8731.0, 8752.3 and 8762.0

Coal Production
(kt, quarterly)
Source: ABARE, Quarterly Mineral Statistics

Overseas Merchandise Exports
(annual % change, 12 month rolling sum, Queensland)
Source: ABS 5422.0
Commodity Price Charts

Note: All charts show quarterly average data.

Sugar Prices
(US cents/lb, quarterly)
Source: New York Commodities Exchange

Wheat Prices
($US/t, quarterly)
Source: Australian Wheat Board

Export Coal Prices*
($A/t, weighted export price, quarterly, Queensland)
* Recent movements in coal prices may not be accurately reflected, due to delays in receiving coal price data.
Source: Department of Mines and Energy; Queensland Treasury

Beef Prices
(index base 2001-02 = 100, $US, quarterly)
Source: Livestock and Meat Authority - Weighted Export Price Index

Wool Prices
($A/kg, quarterly)
Source: Australian Wool Corporation - Wool Market Indicator

Gold Prices
($US/oz, quarterly)
Source: New York Mercantile Exchange

Nickel and Lead Prices
($US/t, quarterly)
Source: London Metals Exchange

Aluminium and Copper Prices
($US/t, quarterly)
Source: London Metals Exchange

Note: All charts show quarterly average data.
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- Structural Mismatch and Unemployment by Philip M. Bodman and Gareth Leeves
- Job Flows in Queensland and Australia

2001/2
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- The Contribution of the Tourism Sector to the Queensland Economy
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- Visitor Expenditure across Queensland Regions: Changes between 1989 and 1999
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2002/1
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- Productivity and Regional Economic Performance in Australia

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Population (quarterly)
Queensland State Accounts (quarterly)

Research Papers
Various
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The Office provides the following services:
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- Data from household and business surveys and administrative systems
- Coordination of information access and whole of government policy information
- Research and development into economic and statistical methodologies, and social issues.

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- The Queensland State Accounts and state and regional input-output tables.

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Visit our website: www.oesr.qld.gov.au
or email: oesr@treasury.qld.gov.au
or contact one of our offices:

Lynn Collins
Level 16, Queensland Minerals & Energy Centre
61 Mary Street
BRISBANE QLD 4000
Phone: (07) 3225 8235

Cathy Ross
1st Floor, State Government Building
Cnr Walker & Stanley Streets
TOWNSVILLE QLD 4810
Phone: (07) 4760 7650

Liesl Harrold
Level 3, State Government Building
209 Bolsover Street
ROCKHAMPTON QLD 4700
Phone: (07) 4938 4486

Geoff Hunter
Level 9, Cairns Corporate Tower
15 Lake Street
CAIRNS QLD 4870
Phone: (07) 4039 8804
Glossary

ABARE
Australian Bureau of Agricultural and Resource Economics

ABS
Australian Bureau of Statistics

annual change, monthly
percentage change between one month and the same month a year earlier

annual change, quarterly
percentage change between one quarter and the same quarter a year earlier

AWE
average weekly total earnings for all employees. Includes overtime earnings and part-time workers’ earnings, in addition to full-time workers’ ordinary time earnings.

AWOTE
average weekly ordinary time earnings for full-time adults. Includes award wages and over award (or ‘drift’) payments.

chain volume measures (cvm)
conversion of prices (by means of an index) in order to abstract from the effects of inflation. Designed to reflect changes in quantity, rather than price, they are often referred to as ‘real’ terms. Chain volume measures are compiled by linking together (compounding) movements in volumes, calculated using the average prices of the previous financial year, and applying the compounded movements to the current price estimates of the reference year.

CPI
Consumer Price Index

current prices
the total value in today’s dollars. Movements reflect both quantity and price changes. Often referred to as ‘nominal’ terms.

DEWR
Department of Employment and Workplace Relations (formerly DEWRSB, DEETYA, DEET)

EMU
European Monetary Union – launched on 1 January 1999. Comprises Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

EU
European Union – comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom

GDP
Gross Domestic Product – the total value of final output produced in the nation in a given period of time

GNE
Gross National Expenditure – the total value of final household and general government consumption spending, gross private and public investment and change in inventories by the nation in a given period of time

GSE
Gross State Expenditure – the total value of household final consumption spending, gross private investment and government spending in a given period of time

GSP
Gross State Product – the total value of final output produced in the State in a given period of time

IMF
International Monetary Fund

leading indicators
statistics or data which provide an early indication of a likely change in the pattern of economic activity

moving average
average value of a series of data calculated over a set period such that, as new data become available, the earliest dated observation is removed from the calculation of the average and the most recent observation added in its place

natural increase
the excess of births over deaths

net exports
exports minus imports. For Queensland, includes interstate as well as overseas trade.

net interstate migration
the excess of interstate migrant arrivals over departures

net overseas migration
the excess of overseas migrant arrivals over departures

OECD
Organisation for Economic Cooperation and Development

original data
raw or unadjusted survey based data

seasonally adjusted data (sa)
original data are adjusted to remove the effect of identifiable movements due to regular seasonal factors, e.g. Christmas, Easter, etc.

SDR
Special Drawing Rights. Calculated by the International Monetary Fund, based on a weighted average of five key world currencies – the $US, German mark, French franc, Japanese yen and Pound sterling.

State Final Demand
the total value of final household and general government consumption spending, and gross private and public investment, in a given period of time

tourism
interstate (overseas) tourism exports refers to interstate (overseas) residents holidaying in Queensland. Imports are Queensland residents holidaying interstate (overseas).

trend data
seasonally adjusted statistical data are smoothed to reduce the impact of irregular factors and allow analysis of the underlying behaviour of the series over time

TWI
Trade Weighted Index

year average growth
percentage change between the average over one year and the average over the previous year

yield curve
plots market yields against the term to maturity for a range of securities. If the yield on longer-term securities is higher (lower) than short-term securities the yield curve is said to be positively (negatively) sloped