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Highlights of this Issue
Exports of education represent an important and growing share of Queensland’s international services exports. In addition to generating direct economic benefits for the State, the internationalisation of education strengthens Queensland’s cultural and business ties with the rest of the world, supports the diversification of the State’s export base and provides opportunities for developing new skills, technologies and knowledge.

The feature article in this issue of the Queensland Economic Review examines the contribution of education exports to the State economy. This analysis focuses on the export of education services through foreign students visiting Queensland for the purpose of study, providing a detailed examination of the characteristics of this market and the outlook for the State’s education exports.

The usual detailed updates on the Queensland, national and international economies are also included in this issue of the Queensland Economic Review.

The Queensland economy continues to perform strongly, with gross state product increasing by 1.8% in December quarter 2003, to be 3.6% higher over the year. Household consumption and dwelling investment continued to be the main drivers of growth.
The Queensland Economic Review is also now available through the Queensland Treasury Internet site:
www.treasury.qld.gov.au

For further economic, financial and statistical information relating to Queensland, visit the Office of Economic and Statistical Research Internet sites:

OESR: www.oesr.qld.gov.au
Statistics Queensland: www.statistics.qld.gov.au
Economics Queensland: www.economics.qld.gov.au
Qstats: www.qstats.qld.gov.au

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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 a recovery in the US and Japanese economies now looking more likely.

National Economy
Economic growth in Australia continues to be solid, with trend GDP growth of 1.1% in both September and December quarters, to be 3.5% over the year.

Exchange Rates
The $A continued to strengthen over the three months to late February 2004, rising 6.6% against the $US, while the TWI rose 6.3% over the period.

Monetary Policy
The RBA raised the official cash rate by a further 0.25% point in December 2003 before leaving rates unchanged at 5.25% in February and March 2004.

Bond and Bill Yields
Bond yields fell to 5.6% in late February, while bill yields remained around 5.5% from early December to late February, suggesting that the market expects a further rise in official interest rates.

Queensland Economy
Queensland economic growth in December quarter 2003 continued to be characterised by very strong domestic demand more than offsetting the weak performance of the trade sector.

Employment
Employment conditions have continued to strengthen, with employment increasing by 1.3% in trend terms in December quarter 2003, reflecting strong activity in the housing and retail industries.

Unemployment
Queensland’s continued jobs growth in the December quarter resulted in the State’s quarterly trend unemployment rate falling 0.4% point to 6.2%, its lowest rate since June quarter 1982.

Job Vacancies
Employer hiring intentions continue to be positive, with overall growth in job advertisements in the December quarter, despite growth in advertisements easing substantially from the previous quarter.

Employment by Industry
Jobs growth in Queensland was again driven by the services sector, although this was partially offset by employment declining in both the primary and secondary sectors.

State Economic Growth
The Queensland economy grew 1.8% in December quarter 2003 and 3.6% over the year, with consumption and dwelling investment remaining the major drivers of growth.

Consumption
Household consumption expenditure in Queensland continued to grow strongly in the December quarter, recording growth of 3.3% in trend terms.

Housing Investment
Housing investment in Queensland recorded real growth of 8.6% in the December quarter. Dwelling investment in the State has risen in 11 of the past 12 quarters.

Business Investment
After easing in early 2003, business investment in Queensland rebounded in the second half to show growth of 3.9% in the December quarter.

Business Conditions
Business conditions in Queensland continued to strengthen in the December quarter, with the apparent recovery of the international economy supporting business confidence.

Agricultural and Mining Trends
More favourable weather conditions are expected to lead to significant improvements in crop production in the medium term. The outlook for the mining sector remains positive, despite minor disruptions at several major coal mines.

Overseas Merchandise Exports
The impacts of the drought and the appreciation of the $A saw Queensland’s overseas merchandise exports fall 10.5% over the year to December quarter 2003.

Commodity Prices
World prices of Queensland’s major commodities rose slightly in the December quarter, but the Queensland Commodity Price Index fell by 15.8% in $A terms, as a result of the appreciating $A.

Tourism
In trend terms, short-term visitor arrivals to Australia continued to rise in the December quarter, with the 3.0% rise being the highest increase since June quarter 2000.

Inflation
The Brisbane consumer price index rose 0.6% in the December quarter, with housing costs and food prices the principal drivers of inflation.

Wages
Wages continued to increase in Queensland in the December quarter, with the Wage Cost Index rising by 1.2% and Average Weekly Ordinary Time Earnings recording growth of 2.2%.

Population
Queensland’s population grew by 20,200 persons or 0.5% in the September quarter, to be 2.3% higher over the year. Population growth continues to be largely driven by net interstate migration.
International and National Economies

International Economy

The US economy now appears to be firmly recovering from the downturn experienced in early 2003. Following strong growth in the September quarter, annualised quarterly economic growth in the US was 4.0% in the December quarter. Monetary conditions in the US remain very accommodative, with a falling $US and historically low official interest rates. However, despite solid growth and stimulatory conditions, employment conditions have only improved marginally and inflation remains low. Therefore, it may be some time before the US Federal Reserve is under pressure to raise official interest rates.

The Japanese economy has recovered from a period of decline during early 2002, growing 1.7% in December quarter 2003, more than double the quarterly growth rate in any of the previous three quarters. As a result, Japanese gross domestic product increased by 3.8% over the year to the December quarter. Consensus Economics predicts that the Japanese economy will grow by 2.2% over 2004 and 1.7% in 2005. However, Japan is still experiencing falling price levels, and there appears to be little improvement in the banking sector, which is overburdened by non-performing loans. Nevertheless, the global economic recovery is benefiting Japan, with Japanese exports rising at an annual rate of 11.9% in 2003.

North and South East Asia continue to outperform other regions, with estimated growth in 2003 of 6.2% and 4.2% respectively. With the containment of the Severe Acute Respiratory Syndrome (SARS) virus that affected Asian economies during 2003, the region is forecast to record strong growth over the next two years. In particular, the Chinese economy continues to expand rapidly. Annual GDP growth in China slipped to 6.7% in June quarter 2003, due to SARS, but annual growth subsequently strengthened to 9.1% in the September quarter and 10.5% in the December quarter. Many Asian economies, including China, have maintained their export competitiveness, despite a falling $US, by implicitly fixing their exchange rates against the $US.

Economic activity in the Euro area remains subdued. After recording zero growth in March quarter 2003, the overall level of economic activity fell by 0.1% in the June quarter, before rising 0.4% in the September quarter. Consensus Economics forecasts that Euro area growth will recover, in line with the global recovery, predicting 2.0% and 2.3% growth in 2004 and 2005 respectively. However, labour market conditions in large European economies remain relatively poor, with Eurostat recently recording unemployment rates of 9.5%, 9.2% and 8.4% in France, Germany and Italy respectively.

National Economy

The latest national accounts data show that the Australian economy grew by 1.1% in both the September and December quarters of 2003, to be 3.5% higher over the year. Household consumption grew by 1.6% in the December quarter, a quarterly rate of growth not recorded since 1976. Household consumption grew strongly over 2003, and was boosted in the December quarter by increased spending due to the Rugby World Cup. Business investment increased 2.7% in the December quarter and dwelling investment also grew strongly, accelerating from 1.9% growth in the September quarter to 2.6% in the December quarter. In particular, alterations and additions spending has underpinned dwelling investment growth in recent quarters.

In contrast, net exports detracted from growth in the December quarter as a 0.7% rise in exports was eclipsed by a 2.9% increase in imports. Strong domestic demand, a high $A and the lingering effects of the drought all contributed to the poor performance of net exports in the December quarter.

Employment conditions in Australia remain positive, with employment growing 0.7% in trend terms in the December quarter. Full-time employment rose 0.9% in the quarter, outpacing growth in part-time employment which grew by 0.3%. As a result, the trend level of unemployment fell to 5.8% in the December quarter, the lowest unemployment rate since late 1989.
Exchange Rates

The $A rose 6.6% against the $US over the three months to late February 2004. The dollar reached a seven-year high of more than US80¢ during February, before slipping back to around US77¢. Australia’s relatively high growth rate and high level of interest rates have had a positive effect on the value of the $A over the three months to late February. However, the continuing weakness of the $US, due in part to the size of the US current account deficit, remained the driving force in currency markets over this period. This weakness in the $US has been reflected in an appreciating $A over this period.

Australian Dollar
(daily; TWI: May 1970 = 100)
Source: Reuters

<table>
<thead>
<tr>
<th>$US/$A</th>
<th>TWI</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.50</td>
<td>50</td>
</tr>
<tr>
<td>0.55</td>
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<td>0.75</td>
<td>75</td>
</tr>
<tr>
<td>0.80</td>
<td>80</td>
</tr>
</tbody>
</table>

The $A trade weighted index also rose over the three months to late February, up by 6.3% against the currencies of Australia’s major trading partners. This rise partially reflects the decline in the $US, which carries the largest weighting in the trade weighted index, but the $A also rose 7.5% against the Japanese yen over the three months to late February. The $A was also marginally higher against the euro, but was slightly lower against the UK pound over this period.

With many market participants expecting a further rise in official interest rates by the Reserve Bank of Australia prior to any move by the US Federal Reserve, the official interest rate differential between Australia and the US may widen further, potentially increasing the pressure on the $A to appreciate further.

Monetary Policy

The Reserve Bank raised official interest rates by 25 basis points in both November and December 2003, before leaving the cash rate unchanged at 5.25% in February and March 2004. The high level of borrowing and household debt in the economy spurred the intervention by the Reserve Bank, particularly since the outlook for global growth has improved markedly.

The recent Statement of Monetary Policy published by the Reserve Bank outlined expectations that strong domestic conditions will continue in the short term. As a consequence, many market analysts are forecasting another rise in the official cash rate in the first half of 2004, despite a subdued outlook for inflation over the next 18 months.

Bond and Bill Yields

After peaking at almost 6.0% in early December 2003, the 10-year bond yield fell to around 5.6% in late February. The gradual downward trend in Australian 10-year bond yields over the three months to late February was mirrored in the US, where 10-year bond yields fell marginally over this period. As a result, the interest rate differential between Australia and the US narrowed over the period, reflecting the growing signs of an economic recovery in the US.

A potential cause of the slightly lower bond yields in recent months may be renewed interest in US bonds from Japan, which has a surplus of US dollars due to continued official intervention in the currency market to contain the value of the yen.

The yield on Australian 90-day bank bills in late February continued to suggest another rise in official interest rates is likely over the next three months. The yield on 90-day bank bills remained around 5.5% from early December to late February, approximately 25 basis points higher than the Reserve Bank’s official cash rate of 5.25%. The yields on 90-day bank bills and 10-year bonds were almost identical in late February, implying that markets anticipate a long period of steady interest rates following the expected 25 basis points rise in the next three months.
As has been the case since early 2001, strong domestic demand, fuelled by household consumption and the ongoing strength of the housing sector, continued to drive economic activity in Queensland in September and December quarters 2003. The release of the December quarter 2003 Queensland State Accounts highlighted the fact that the performance of the Queensland economy continued to be characterised by very strong domestic demand more than offsetting the weak performance of the trade sector.

Growth in Queensland’s domestic economy in the December quarter continued to be underpinned by strong population and employment growth, with Queensland outperforming the rest of Australia in terms of quarterly and annual economic growth in the December quarter.

Household final consumption expenditure continued to be the major contributor to growth in the quarter, with consumption expenditure growth remaining considerably higher in Queensland than in the rest of Australia. Dwelling investment also continued to contribute substantially to growth in the quarter, in contrast to the rest of Australia, where dwelling investment has made a negligible contribution to growth for four consecutive quarters.

The substantial detraction from growth by net exports in both Queensland and the rest of Australia in the December quarter resulted from low growth in exports being more than offset by a further surge in imports. However, both Queensland and the rest of Australia experienced a strengthening of export growth in the quarter. This reflected the improvement in the world economy in late 2003, although export growth has still been constrained by the ongoing impacts of the drought on agricultural production and the appreciation of the $A. In contrast, import volumes once again increased strongly, reflecting the strength of the domestic economy and the more favourable exchange rate.

The underlying strength of the domestic economy has led to a further improvement in labour market conditions in recent months. An additional 24,400 jobs were created in trend terms in Queensland during the December quarter, while the State’s trend unemployment rate fell to its lowest level in more than two decades.

While remaining more subdued compared with Queensland, employment growth in the rest of Australia also strengthened, recording an increase of 0.6% in the December quarter after recording no growth in the September quarter.

Queensland’s strengthening jobs growth in the December quarter reflected the very strong activity in the housing and retail industries, and strong business and consumer confidence prior to the interest rate increases in November and December 2003.

In terms of job creation, employment rose by 24,400 persons in Queensland in the December quarter, compared with a rise of 45,700 persons in the rest of Australia. Full-time employment (up 27,200 persons) drove jobs growth in the State, more than offsetting a fall in part-time employment (down 2,900 persons).

In annual terms, Queensland recorded jobs growth of 3.3% over the year to December quarter 2003, the largest increase in employment of any state, and more than double that in the rest of Australia (1.3%). As a result, Queensland accounted for 37.9% (59,600 persons) of the annual rise in national employment (157,200 persons) in December quarter 2003.

Eleven quarters of continuous employment growth in Queensland resulted in the trend unemployment rate in the State falling to its lowest quarterly rate in over two decades in December quarter 2003. Employment growth (1.3%) exceeded labour force growth (0.9%) during the quarter, causing Queensland’s unemployment rate to fall 0.4% point to 6.2%, the lowest quarterly rate since June quarter 1982.

Jobs growth in the State has equalled or exceeded labour force growth in each quarter since September quarter 2001, resulting in the unemployment rate falling from a recent high of 8.7% in June quarter 2001 to 6.2% currently. In comparison, the unemployment
rate in the rest of Australia fell 0.2% point to 5.7% in
the December quarter, to be 0.7% point lower than in
June quarter 2001. As a result, the differential between
the unemployment rate in Queensland and the rest of
Australia has narrowed considerably.

Unemployment Rate
(%, quarterly average, trend)

<table>
<thead>
<tr>
<th>Year</th>
<th>Queensland</th>
<th>Rest of Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-98</td>
<td>9.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Dec-99</td>
<td>8.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Dec-00</td>
<td>8.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Dec-01</td>
<td>7.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Dec-02</td>
<td>7.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Dec-03</td>
<td>6.5</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Queensland’s labour force growth (0.9%) in the
December quarter was driven by solid civilian
population growth of 0.7% (quarterly growth has
been at 0.7% since September quarter 2002), as well
as an increase in the trend participation rate of 0.1%
point to 64.8%. In comparison, the labour force in
the rest of Australia grew by 0.4% in December quarter
2003, after declining in the previous two quarters.
This growth was driven by solid population growth of
0.4%, while the participation rate remained unchanged
at 63.1%.

Job Vacancies

Job vacancy data for December quarter 2003 indicate
that employer hiring intentions continue to be positive.
Trend growth in the ANZ Job Advertisement Series for
Queensland eased to 2.3% in December quarter 2003,
following strong growth of 8.7% in the previous
quarter. However, job advertisements remained
13.7% higher on an annual basis. Nationally, job
advertisements rose 1.0% over the quarter, but were
marginally lower over the year (down 0.1%).

Growth in the DEWR Skilled Vacancy Survey index for
Queensland eased to 11.2% in the December quarter,
following strong growth of 15.5% in the previous
quarter. Nationally, growth also eased, from 5.0%
in the September quarter to 3.6% in the December
quarter.

Despite volatility in the monthly job vacancy data
for December, January and February, the continued
overall growth in job advertisements in December
quarter 2003 suggests employment conditions in
Queensland should remain solid in early 2004.

Employment by Industry

Employment in Queensland rose by 65,800 persons
in original terms¹ over the year to December quarter
2003. Jobs growth was again driven by the services
sector (up 107,000 persons), offset by employment
decreasing in both the primary and secondary sectors
down 24,300 and 16,900 persons respectively).

Over the year to the December quarter, strong
employment growth was recorded in the transport
and storage, government administration and defence,
and education industries. Employment growth in
construction and property and business services also
continued to grow strongly over the year to the
December quarter (up 13,700 and 13,000 persons
respectively), in line with the continued solid growth
in housing activity and dwelling investment.

The drought continued to impact on employment in
agriculture (down 21,800 persons) and agriculture
services (down 2,500 persons) over the year to the
December quarter. Manufacturing also recorded a
substantial decline in employment over this period
down 16,900 persons. In particular, there were 9,200
fewer jobs in printing, publishing and recorded media.

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

State Economic Growth

According to the Queensland State Accounts, the
pace of economic growth in Queensland continued
to accelerate in December quarter 2003, following the
strong growth recorded in the September quarter.

Queensland’s trend gross state product (GSP) rose
1.8% in the December quarter, following 1.3% growth
in the September quarter and 0.5% growth in the
June quarter. In comparison, economic growth in the

¹ Total employment figures may differ from those stated in earlier sections as industry employment data are in original terms.
rest of Australia was estimated to have been 1.0% in the December quarter, similar to the 1.0% and 0.9% growth recorded in the September and June quarters respectively.

**Gross State Product**  
(quarterly % change, CVM, trend)  
*Source: Office of the Government Statistician, Queensland State Accounts*

In annual terms, Queensland’s economic growth also accelerated, from 2.6% in the September quarter to 3.6% in the December quarter, similar to the 3.5% annual growth recorded in the rest of Australia.

Strong domestic demand continued to drive economic activity in Queensland in the December quarter. Gross state expenditure rose 3.4% in the quarter and 9.9% over the year, primarily reflecting the continued strength of household consumption and dwelling investment, as well as renewed growth in business investment in recent quarters.

Household consumption, the largest component of GSP, rose 3.3% in Queensland in the December quarter, to be 9.6% higher than a year earlier. Consumption growth accelerated throughout 2003, with annual trend growth in the December quarter being the strongest recorded since December quarter 1989. In comparison, consumption in the rest of Australia rose at a more moderate pace in the December quarter (1.2%), to be 4.5% higher than a year earlier.

Dwelling investment continued to grow strongly in Queensland in the December quarter, rising 8.6% in the quarter and 16.0% in annual terms (rest of Australia, 0.8% and 2.7% respectively).

Meanwhile, the other key component of private investment, business investment, showed some renewed strength in Queensland in late 2003, following a substantial easing in growth earlier in the year. Business investment, which fell 0.4% in June quarter 2003, rose 2.6% in the September quarter and a further 3.9% in the December quarter, to be 7.4% higher over the year. In comparison, business investment in the rest of Australia rose 2.4% in the quarter and 15.1% over the year.

Net exports once again detracted substantially from growth in both Queensland and the rest of Australia in the December quarter, with low growth in exports being more than offset by a further sharp rise in imports. Queensland’s exports of goods and services interstate and overseas rose 1.4% in the quarter, while imports rose 5.6%, the highest quarterly growth in imports recorded since September quarter 1985. As a result, net exports detracted 2.0% points from economic growth in Queensland in the December quarter.

**Contribution to Growth**  
(quarterly % point, CVM, trend)  
*Source: Office of the Government Statistician, Queensland State Accounts*

**Consumption**

Household consumption expenditure in Queensland recorded increased growth in December quarter 2003, with 3.3% growth in trend terms following growth of 3.1% in the September quarter. Queensland consumption growth was significantly higher than in the rest of Australia, which remained stable at 1.2% in both the September and December quarters. In annual terms, consumption growth in Queensland continued to accelerate over the year to the December quarter, recording growth of 9.6% in trend terms, while the rest of Australia recorded annual growth of 4.5%.

**Household Consumption Expenditure**  
(quarterly % change, CVM, trend)  
*Source: Office of the Government Statistician, Queensland State Accounts*
Retail trade, which accounts for more than 40% of total household consumption expenditure, continued to grow in Queensland in the December quarter. In real trend terms, retail trade growth increased from 4.0% in the September quarter to 4.1% in the December quarter. This equated to 12.6% growth over the year to the December quarter. In comparison, real retail trade in the rest of Australia recorded growth of 1.9% and 2.0% in the September and December quarters respectively, to be 6.1% higher over the year.

Strong household consumption growth continued to be supported by positive labour market conditions, as well as strong house price and population growth. The outlook remains positive as population growth is expected to continue to support consumption growth. However, recent interest rate rises and an expected easing in housing activity growth may see household consumption growth moderate in coming quarters.

**Housing Investment**

Housing investment in Queensland continued to grow strongly in December quarter 2003, rising in real trend terms by 8.6%, following 6.3% growth in the previous quarter. This represents a significant increase in the rate of growth, following moderate growth of 1.5% in the June quarter and a fall of 1.0% in the March quarter.

**Dwelling Investment**

(quarterly % change, CVM, trend)

Source: Office of the Government Statistician, Queensland State Accounts

This growth occurred across all major components of the dwelling sector, with the latest ABS data showing that the seasonally adjusted value of construction work done in new houses, other residential dwellings and alterations and additions all grew strongly in the December quarter.

In contrast, trend growth in dwelling investment in the rest of Australia has remained relatively stable, rising 0.8% in the December quarter, following 0.6% growth in the previous two quarters.

On an annual basis, growth in dwelling investment in Queensland continued to significantly outperform the rest of Australia. Dwelling investment in Queensland rose 16.0% in the year to the December quarter, while the rate of growth in the rest of Australia was a more moderate 2.7%.

Total dwelling approvals in Queensland fell 1.7% in the December quarter, partially in response to the recent tightening in monetary policy. However, private sector house approvals, regarded as a reliable indicator of the general direction of housing investment, continued to record solid growth in Queensland, rising 3.5% in the December quarter (nationally, down 1.7%).

It is expected that housing investment in Queensland should remain solid in early 2004. Private house approvals are experiencing a slowing rate of growth and total approvals have eased. However, approvals remain around levels not seen since the early 1990s, and should continue to be underpinned by strong population growth, while alterations and additions activity is at historically high levels.

**Business Investment**

After easing in the first half of 2003, the pace of business investment growth in Queensland accelerated through the second half of the year. Trend business investment increased 3.9% in December quarter 2003, following 2.6% growth in the September quarter. In the rest of Australia, business investment rose 4.1% and 2.4% in the September and December quarters respectively.

Both components of business investment rose in trend terms during the December quarter. Investment in machinery and equipment strengthened modestly, rising 2.2%, after 1.4% growth in the previous quarter. Meanwhile, after declining in the first half of 2003, investment in other buildings and structures recovered strongly, rising 5.3% in the September quarter and 7.8% in the December quarter.
Recent business surveys provide evidence that business conditions in Queensland remain at a high level and business confidence remains strong. The business investment cycle often runs counter to the broader economic cycle. However, business investment by domestic firms should be supported by continuing strong consumption in the State in coming quarters. For exporting firms, the business investment outlook has been strengthened by improving economic conditions in several of Queensland’s major trading partners, in particular Japan and the US.

The impact of the high $A/$US exchange rate on business investment is uncertain. All businesses benefit from reduced $A prices of imported capital equipment. However, the reduced competitiveness of export products that may result, if the current high exchange rate is sustained, may affect capital investment decisions of exporting firms.

**Business Conditions**

Business conditions in Queensland continued to strengthen in December quarter 2003, following a significant improvement in the previous quarter. A recovery in international economic conditions and continued strength in the domestic economy have helped maintain a high level of business confidence.

The National Australia Bank Quarterly Business Survey reported a further strengthening in business conditions in Queensland in the December quarter, with the Business Conditions Index (BCI) rising 4% points to 38% (the highest of any state). Of the three major components of the BCI, the trading performance index increased 4% points to 46% and the profitability index increased 9% points to 42%, while the employment index remained at 26%. The short-term outlook indicates that the BCI, both in Queensland and nationally, is expected to remain stable in March quarter 2004, at 38% and 23% respectively.

The February 2004 Sensis Business Index survey indicates that business confidence in Queensland declined over the three months to January 2004 but remained at historically high levels. The net balance of proprietors of small and medium-sized businesses in Queensland who were positive about their business prospects over the coming year fell 9% points to 64%, but remained above the national average, which was unchanged at 63%.

**Agricultural and Mining Trends**

Winter crop production in Queensland is estimated to have increased significantly in the 2003-04 season as more favourable seasonal conditions followed the drought conditions of the previous year. Overall, wheat production is estimated by the Australian Bureau of Agricultural and Resource Economics (ABARE) to be 1.05 million tonnes in 2003-04 (around 74% higher than in 2002-03), while the State’s barley production is estimated to be 215 kilotonnes, a 38% increase from the previous season.

Summer crop production for the 2003-04 season is forecast to increase significantly as a result of widespread rain across most of the major cropping areas. Total sorghum production (Queensland’s main summer crop) is forecast to increase by 44% to 1.38 million tonnes in 2003-04. Meanwhile, cottonseed production is forecast to be 178 kilotonnes in 2003-04 (up 48% on the poor 2002-03 harvest), due mainly to an increase in dryland plantings.

Reflecting the relatively dry growing season, estimates of sugar cane crushing and sugar production in 2003-04 are less than in the previous season. Growers in the Mackay and Herbert regions have harvested lower than normal volumes of cane. However, in the irrigated Burdekin region, the cane crush has comfortably passed the previous season’s volume. Meanwhile, conditions in other regions of the State have been generally fair.

Cattle and calf slaughterings continued to increase in Queensland during the second half of 2003 due to poor seasonal conditions over the period, with cow and heifer slaughterings increasing by 6% in the September quarter compared with a year earlier. However, widespread rainfall in late 2003 and early 2004 is thought to have led to some herd rebuilding. This has been tempered, to some extent, by an increase in Japanese demand for Australian beef after reports of ‘mad cow disease’ restricted Canadian and United States beef exports.

In Queensland’s mining sector, disruptions at a number of coal mines have hampered coal production growth over recent months. However, in base metals mining, production from Kagara Zinc’s Mt Garnet operations has increased steadily since mining commenced in early 2003.

**Overseas Merchandise Exports**

The appreciating $A has been the main factor in the 10.5% fall in the nominal value of Queensland’s overseas merchandise exports in December quarter 2003 compared with a year earlier. Measured in annual terms, this is the seventh consecutive quarter of decline in overseas merchandise exports. The decline in the December quarter reflects a fall in the value of all of the major categories of merchandise exports, with the nominal export value of rural goods, crude minerals and processed minerals and metals declining.
by 16.0%, 10.6% and 15.3% respectively over the year. Meanwhile, the nominal value of exports of confidential items (of which a large proportion is sugar) increased marginally (2.2%) over the year.

**Overseas Merchandise Exports, Queensland**

*(nominal)*

Source: ABS, unpublished foreign trade data

<table>
<thead>
<tr>
<th>Rural(a)</th>
<th>December quarter 2002 $m</th>
<th>December quarter 2003 $m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat</td>
<td>810.5</td>
<td>707.0</td>
<td>-12.8</td>
</tr>
<tr>
<td>Cereals</td>
<td>48.3</td>
<td>33.4</td>
<td>-30.8</td>
</tr>
<tr>
<td>Textile fibres</td>
<td>174.3</td>
<td>119.3</td>
<td>-31.6</td>
</tr>
<tr>
<td>Fish</td>
<td>90.4</td>
<td>64.1</td>
<td>-29.3</td>
</tr>
<tr>
<td>Vegetables and fruit</td>
<td>70.0</td>
<td>68.4</td>
<td>-2.3</td>
</tr>
<tr>
<td>Other rural</td>
<td>210.9</td>
<td>187.1</td>
<td>-11.3</td>
</tr>
<tr>
<td>Total rural</td>
<td>1,404.3</td>
<td>1,179.2</td>
<td>-16.0</td>
</tr>
<tr>
<td>Crude minerals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>1,714.6</td>
<td>1,415.5</td>
<td>-17.4</td>
</tr>
<tr>
<td>Other crude minerals</td>
<td>420.5</td>
<td>493.0</td>
<td>17.2</td>
</tr>
<tr>
<td>Total crude minerals</td>
<td>2,135.2</td>
<td>1,908.5</td>
<td>-10.6</td>
</tr>
<tr>
<td>Manufactures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processed minerals and metals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>620.0</td>
<td>518.3</td>
<td>-16.4</td>
</tr>
<tr>
<td>Other processed minerals and metals</td>
<td>54.0</td>
<td>52.4</td>
<td>-3.0</td>
</tr>
<tr>
<td>Total</td>
<td>674.0</td>
<td>570.7</td>
<td>-15.3</td>
</tr>
<tr>
<td>Other manufactures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>117.4</td>
<td>125.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Leather, rubber, etc.</td>
<td>52.9</td>
<td>46.1</td>
<td>-12.9</td>
</tr>
<tr>
<td>Machinery</td>
<td>203.3</td>
<td>187.7</td>
<td>-7.7</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>78.5</td>
<td>45.8</td>
<td>-41.7</td>
</tr>
<tr>
<td>Miscellaneous manufactures</td>
<td>67.7</td>
<td>53.2</td>
<td>-21.4</td>
</tr>
<tr>
<td>Other manufactures - other</td>
<td>4.1</td>
<td>5.4</td>
<td>31.7</td>
</tr>
<tr>
<td>Total</td>
<td>523.9</td>
<td>463.4</td>
<td>-11.5</td>
</tr>
<tr>
<td>Total manufactures</td>
<td>1,977.9</td>
<td>1,094.1</td>
<td>-43.7</td>
</tr>
<tr>
<td>Confidential and special (a)</td>
<td>971.1</td>
<td>937.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>5,648.5</td>
<td>5,059.1</td>
<td>-10.5</td>
</tr>
</tbody>
</table>

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

Drought conditions during recent seasons, resulting in lower levels of agricultural production, substantially reduced the quantity of rural goods available for export in the December quarter. The value of cereals, textile fibres and fish exports each fell by around 30% in nominal terms in the quarter compared with a year earlier. In addition, meat, and vegetable and fruit exports fell by 12.8% and 2.3% respectively. Despite an increase in the demand for Queensland beef products following restrictions placed on Canadian and United States beef exports resulting from the discovery of ‘mad cow disease’ in those countries, much of the gain that would have otherwise accrued to Queensland producers was eroded by the strengthening of the $A.

The nominal value of coal and processed mineral exports fell in the December quarter, with the appreciation of the $A against the $US also reducing returns to mineral producers flowing from recent increases in global metal prices. The nominal value of coal exports fell by 17.4% in the quarter compared with a year earlier, while the value of non-ferrous metal exports fell by 16.4% over the year.

The nominal value of exports of ‘other manufactures’ also continued to fall in annual terms in the December quarter, with a substantial fall in the value of transport equipment (down 41.7%) largely responsible for the overall decline.

The nominal value of Queensland’s merchandise exports to virtually all of the State’s major export destinations fell in the December quarter compared with a year earlier. The value of exports to Japan fell by 15.5%, despite increased demand for Australian beef, largely reflecting the impacts of the rise in the $A/$US exchange rate. The nominal value of exports to the United States fell 6.1%, while exports to the European Union were down 28.9%. Meanwhile, the value of exports to South East Asia, North East Asia and New Zealand fell 8.0%, 8.5% and 3.8% respectively.

In contrast, the value of merchandise exports to the United Kingdom increased by 8.9% in the December quarter when compared with a year earlier, driven mostly by increases in the value of coal exports to that region.

**Commodity Prices**

The Queensland Commodity Price Index fell by 15.8% in $A terms in December quarter 2003. Gains to producers from rises in global commodity prices were offset by the appreciation of the $A against the $US during the quarter. However, measured in terms of Special Drawing Rights (SDR), which removes some of the impact of the rising $A/$US exchange rate on prices, the commodity price index rose marginally (up 2.3%) over the quarter.

**Queensland Commodity Price Index**

*(index base 2001-02 = 100, quarterly)*

Source: Queensland Treasury

The agricultural index fell by 5.7% in $A terms, yet rose 0.3% in SDR terms in the December quarter. Japanese beef prices rose over the quarter, as a result of increased demand for Australian beef following the discovery of ‘mad cow disease’ in Canada and later the United
States. Cotton and wheat prices also rose, by 19.9% and 7.3% respectively in the quarter. However, quarterly average wool and sugar prices fell by 11.5% and 3.9% respectively, a result of weakening global demand for wool and the supply of cheap sugar from Brazil.

Measured in $A terms, the minerals index rose modestly (up 0.5%) in the December quarter. However, the increase in mainly $US denominated metal prices resulted in a 6.9% rise in the minerals index when measured in SDR terms. On a quarterly average basis, prices of nickel, lead and zinc rose over the period, supported by strong global demand for construction materials, particularly from China. However, given that most of Queensland’s coal exports are based on fixed contract prices, gains to exporters have been reduced by the strengthening of the $A against the $US.

**Tourism**

Short-term visitor arrivals to Australia rose 3.0% in trend terms in December quarter 2003, to be 6.0% higher over the year. This is the highest quarterly increase in short-term visitor arrivals since June quarter 2000 and reflects the regained confidence in international travel to Australia following the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome (SARS) in early 2003.

**Short-term Visitor Arrivals to Australia**

Source: ABS 3401.0

Of the components of inflation, housing costs and food prices were the principal drivers of price increases in Brisbane in the December quarter. In contrast, transport costs and the price of clothing and footwear detracted marginally from consumer price inflation over this period.

Looking back over 2003, the widespread drought drove food prices higher, particularly for fruit and vegetables. Additionally, the rise in housing costs reflected the strength of the housing sector during the year.

Nationally, headline consumer prices increased 0.5% in the December quarter, to be 2.4% higher than a year earlier. Similar to Queensland, the increase in prices nationally was driven primarily by higher housing and food costs. While headline inflation remains comfortably within the Reserve Bank’s target band of 2–3%, market sector goods and services prices, which exclude the more volatile items such as automotive fuel, increased only 1.8% over the year to the December quarter.

Despite strong domestic demand, inflation has remained contained during 2003, largely as a result of the strong appreciation of the $A against both the $US and on a trade weighted basis.

**Wages**

Wages both in Queensland and nationally continued to increase solidly in 2003, according to the two key measures of wages produced by the ABS.

The preferred measure of wages and salaries is the Wage Cost Index (WCI), as it takes account of wage rises due to changes in the quality and quantity of work performed. In
December quarter 2003, the total hourly rate (excluding bonuses) WCI rose by 1.2% in Queensland, to be 3.7% higher over the year. Nationally, the WCI rose 0.9% in the quarter, to be 3.7% higher over the year.

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

Meanwhile, trend growth in Average Weekly Ordinary Time Earnings (AWOTE) for full-time adult workers in Queensland eased marginally in the December quarter (down 0.1% point to 2.2%). However, the increase in the previous quarter represented the highest quarterly growth rate since September quarter 1990. Therefore, annual growth in AWOTE in Queensland remained strong, at 7.8% over the year to December quarter 2003. Nationally, AWOTE rose by 1.1% in the December quarter, down from a peak of 1.6% in the March quarter, while annual growth eased slightly to 5.6%, down from 5.9% in the September quarter.

The strength of wages growth in Queensland partly reflects a tightening in labour market conditions, with the trend unemployment rate falling to its lowest quarterly rate in over two decades in September quarter 2003, and ongoing improvements in productivity, with annual growth in the WCI in Queensland remaining well below growth in AWOTE.

**Population**

The rate of population growth in Queensland eased 0.1% point to 0.5% in September quarter 2003, with the State’s estimated resident population increasing by 20,200 persons to 3,817,000. In annual terms, population growth remained strong, rising 86,100 persons or 2.3% over the year to the September quarter. Queensland has now recorded eight consecutive quarters of annual population growth in excess of 2%, representing the strongest period of sustained population growth since the early to mid 1990s.

Population growth in the rest of Australia also remained steady in the September quarter, totalling 39,700 persons or 0.2%. Over the year, population growth in the rest of Australia remained at 1.0% (163,700 persons).

Queensland’s population growth continues to exceed that in the rest of Australia and this growth continues to be largely driven by net interstate migration, which totalled 9,140 persons in the September quarter. The level of net interstate migration in the September quarter declined slightly compared with both the previous quarter and the same quarter a year earlier. However, it remained the largest contributor to population growth in Queensland, contributing 9,140 of the 20,200 increase in the September quarter and 38,500 of the 86,100 increase over the year.

Net overseas migration to Queensland also remains at high levels, totalling 23,500 persons during the year to September quarter 2003. This was a marginal increase from the 23,400 net overseas migrants who arrived in the State during the previous year. However, this figure was down from the peak of 27,500 persons in calendar year 2001, which marked the highest level of overseas net migration to Queensland in any four quarter period since the commencement of the quarterly data series in 1981.
Queensland’s International Exports of Education Services

Exports of education represent an important and growing share of Queensland’s international services exports. In addition to generating direct economic benefits for the State, the internationalisation of education strengthens Queensland’s cultural and business ties with the rest of the world, supports the diversification of the State’s export base and provides opportunities for developing new skills, technologies and knowledge.

What are education exports?

Education exports involve the cross-border provision of education services. Although education exports are most commonly associated with overseas students travelling to Australia for study, there are actually four modes through which education services can be delivered:

1. cross-border trade – where the service crosses the border, e.g. distance education delivered by the internet, mail or television;
2. consumption abroad – where a student travels overseas to study;
3. commercial presence – where an education provider establishes an offshore campus; and
4. presence of natural persons – e.g. where an academic travels offshore to deliver a lecture.

The Australian Bureau of Statistics (ABS) measures international exports of education services as part of its Balance of Payments (BOP) statistics. However, not all of these modes constitute an export of education services in terms of the Balance of Payments. Following international standards, education services delivered offshore by commercial presence (mode 3 above) are excluded from the measure of education exports, as the service is provided by an institution that is not resident in Australia to another non-resident (ABS 2001).

The export of education services through foreign students visiting Australia for the purpose of study (mode 2) is measured in the BOP statistics as an education-related travel service credit. Education-related travel services cover expenditure on tuition fees, course materials and living expenses. Although travel services defined in the BOP statistics normally only capture expenditure on goods and services by travellers who stay in Australia for less than one year, this rule does not apply to overseas students.

Education services delivered by distance education (mode 1) or by an Australian resident lecturer travelling overseas (mode 4) are included in the BOP statistics as an export of other personal, cultural and recreational services. This component is small, comprising under 5% of Australia’s exports of education services. Accordingly, the export of education services through foreign students visiting Queensland for the purpose of study forms the focus of this article.

Contribution to the Queensland economy

Exports of education services through foreign students visiting Queensland for the purpose of study are an important and growing component of the State’s international services exports (see Figure 1). The State’s overseas education exports, as measured by education-related travel services exports, totalled $801 million in 2002-03, making Queensland the third largest exporter of education services after New South Wales and Victoria (see Figure 2).

Figure 1: Queensland’s international education exports (current prices)

Source: ABS (2003), unpublished data

1 This article was prepared by Karen Hooper of Economic Policy Branch, Queensland Treasury.
2 These modes of supply are identified in the General Agreement on Trade in Services (GATS) (see WTO 1999).
3 Based on published data for 2000-01.
Over the ten years to 2002-03, Queensland’s exports of education-related travel services have grown at an average annual rate of 15.7%, compared with growth in total services exports of 7.2%. The only year in which the State’s education exports declined over this period was in 1998-99, reflecting the impact of the Asian financial crisis on key student markets. As a result of this superior growth performance, education exports have doubled as a proportion of the State’s services exports over the past decade. In 2002-03, education represented 14.1% of Queensland’s services exports, making education the State’s third largest services export after leisure-based travel services (other travel services) and transportation services (see Table 1). Significantly, education has now become a higher overseas export earner than either wool or wheat.

In calendar year 2002, around 3% of short-term overseas visitors nominated education as their main purpose of travel to Queensland, compared with the 62% of overseas visitors who travelled to the State for a holiday (see Table 2). Although comprising a relatively small share of the State’s short-term overseas visitors, overseas students record the highest level of average expenditure of all short-term overseas visitors, reflecting their longer average length of stay.

---

**Table 1: Queensland’s international services exports, 2002-03**

<table>
<thead>
<tr>
<th>Category</th>
<th>$m</th>
<th>Share of total services exports %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel services</td>
<td>3,782</td>
<td>66.8</td>
</tr>
<tr>
<td>Business travel</td>
<td>316</td>
<td>5.6</td>
</tr>
<tr>
<td>Education-related travel</td>
<td>801</td>
<td>14.1</td>
</tr>
<tr>
<td>Other(a)</td>
<td>2,665</td>
<td>47.1</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,372</td>
<td>24.2</td>
</tr>
<tr>
<td>Communication services</td>
<td>166</td>
<td>2.9</td>
</tr>
<tr>
<td>Other business services</td>
<td>115</td>
<td>2.0</td>
</tr>
<tr>
<td>Personal, cultural and recreational services</td>
<td>108</td>
<td>1.9</td>
</tr>
<tr>
<td>Computer and information services</td>
<td>63</td>
<td>1.1</td>
</tr>
<tr>
<td>Royalties and licence fees</td>
<td>44</td>
<td>0.8</td>
</tr>
<tr>
<td>Other(b)</td>
<td>11</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,661</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(a) Mainly leisure-based travel.

(b) Includes construction, insurance, financial and government services nie (not included elsewhere) and confidential items.

**Source:** ABS (2003)

In calendar year 2002, around 3% of short-term overseas visitors nominated education as their main purpose of travel to Queensland, compared with the 62% of overseas visitors who travelled to the State for a holiday (see Table 2). Although comprising a relatively small share of the State’s short-term overseas visitors, overseas students record the highest level of average expenditure of all short-term overseas visitors, reflecting their longer average length of stay.

---

**Table 2: Short-term overseas visitors by purpose of travel, Queensland, 2002**

<table>
<thead>
<tr>
<th>Purpose of travel</th>
<th>Share of overseas visitors %</th>
<th>Share of total visitor nights</th>
<th>Average length of stay (nights)</th>
<th>Average expenditure (a) $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>62</td>
<td>57</td>
<td>9.8</td>
<td>2,020</td>
</tr>
<tr>
<td>Visiting friends and relatives</td>
<td>12</td>
<td>18</td>
<td>17.8</td>
<td>1,636</td>
</tr>
<tr>
<td>Business(b)</td>
<td>7</td>
<td>7</td>
<td>11.5</td>
<td>1,970</td>
</tr>
<tr>
<td>Education</td>
<td>3</td>
<td>14</td>
<td>46.8</td>
<td>11,523</td>
</tr>
<tr>
<td>Employment</td>
<td>1</td>
<td>1</td>
<td>29.0</td>
<td>8,359</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>3</td>
<td>13.7</td>
<td>1,256</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>12.5</strong></td>
<td><strong>2,549</strong></td>
</tr>
</tbody>
</table>

(a) National data only; excludes package tours and prepaid international airfares.

(b) Includes convention/conference travel.

**Sources:** Bureau of Tourism Research (2003); Australian Bureau of Statistics, unpublished data

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4 A short-term visitor is classified as a visitor who stays for less than one year.
The propensity to travel to Queensland for study is much higher for long-term arrivals, and for many years this has been the main reason that overseas visitors have stated for their long-term stays in the State. In 2002, around 42% of long-term overseas visitors nominated education as their main reason for travel to Queensland (see Figure 3). The increasing number of overseas students coming to Queensland is one of the factors underpinning growth in overseas migration to the State. For instance, the number of long-term visitor arrivals coming to Queensland for education has more than doubled since the mid 1990s, with the number coming to Queensland increasing by 66% between 1999 and 2002.

**Figure 3: Overseas visitors to Queensland by purpose of travel, 2002**

(share of total visitors, per cent)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Short-term visitors</th>
<th>Long-term visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business(a)</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Work(b)</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Holiday</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Employment Education</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>22%</td>
<td>25%</td>
</tr>
</tbody>
</table>

(a) Business travel includes conference and convention travel. 
(b) Visiting friends and relatives.

Source: Australian Bureau of Statistics, unpublished data

The economic benefits of overseas students visiting Queensland for the purpose of study are not confined to the education sector. Students studying in Queensland benefit many of the State’s industries by generating demand for a diverse range of good and services, such as food, accommodation and transport services. The composition of overseas student expenditure is provided in Figure 4 and is based on the latest available national survey data for 1997.

**Figure 4: Composition of overseas student expenditure in Australia, 1997**

- **Education fees and related expenses**: 54%
- **Transport**: 6%
- **Food and groceries**: 9%
- **Housing**: 14%
- **Other**: 17%

(a) Includes clothing and footwear, household goods, utilities and entertainment expenses.


Education exports also represent an important part of the State’s engagement with the rest of the world. Relationships facilitated through exports of education strengthen social and trading ties between Queensland and other countries, generate greater cultural understanding and awareness and provide opportunities for sharing new skills, technologies and knowledge. Overseas students also enhance the educational experience of Queensland students, adding to the richness and diversity of the State’s education system and ensuring the State is well placed to participate on the global stage. Exposure to global competition through education exports is also likely to support innovation in the education sector and the development of quality courses and curricula to the benefit of Queensland students and local industry competitiveness.

**Education exports by sector**

Queensland’s four major education sectors are engaged in the export of education services:

- school education;
- vocational education;
- higher education; and
- English language intensive courses for overseas students (ELICOS).

Additionally, there are a range of study tours linking education with tourism that form part of Queensland’s ‘educational tourism’ market. Study courses, which can include scuba diving courses, golf instruction and English study, are typically provided over a period of less than three months, for which a student visa for travel to Australia is not required. For instance, a survey of the ELICOS market by English Australia found that just over 40% of all ELICOS students in 2002 held a tourist visa.

In 2001, the latest year for which published data are available on overseas student enrolments by sector, there were 33,990 overseas student enrolments in Queensland educational institutions and an additional 5,399 student enrolments in courses delivered offshore. These statistics are published by Australian Education International (AEI) (2003b) and are derived from data supplied by the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA) and the Higher Education Statistics Collection (HESC). The DIMIA data are used to count visaed overseas students studying in Australia in private higher education courses, vocational education courses, school courses and ELICOS. Data for students undertaking a course...
of study with a public higher education provider are obtained from the HESC. Students from overseas not included in these statistics are:

- New Zealand citizens since they do not require a visa to study in Australia;
- students on institutional exchange programs who do not pay full fees and are not subsidised; and
- students from overseas who do not enter Australia on student visas and generally undertake courses of less than three months.

Table 3 shows the composition of Queensland’s overseas student enrolments by sector. Around 18% of all onshore overseas student enrolments in Australia in 2001 were in educational institutions based in Queensland. The largest sector, by number of enrolments, was higher education, which comprised just over half of all overseas student onshore enrolments in Queensland.

**The higher education sector**

The importance of higher education, mainly universities, to the State’s education exports is evident in expenditure data. Latest estimates suggest that overseas students in the higher education sector account for some 60% of total overseas student expenditure in Queensland (see Table 4).

A measure of the internationalisation of Queensland universities is provided by the share of overseas students in the total student population (see Table 5). In 2002, overseas students accounted for some 19.6% of all students enrolled in Queensland universities, compared with 20.6% nationally. However, the relative weight of overseas students in the total student population varies significantly by university.

International comparisons confirm that Australia’s tertiary sector is one of the most internationally oriented among member countries of the Organisation for Economic Co-operation and Development (OECD). Comparative data published by the OECD (2003), shown in Figure 5, indicate that Australia is surpassed only by Switzerland in terms of overseas student enrolments relative to total enrolments.

### Table 3: Overseas student enrolments in Queensland, 2001

<table>
<thead>
<tr>
<th>Sector</th>
<th>Enrolment numbers</th>
<th>Share of Queensland enrolments</th>
<th>Share of Australian enrolments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education</td>
<td>18,487</td>
<td>54.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Vocational education</td>
<td>3,640</td>
<td>10.7</td>
<td>9.1</td>
</tr>
<tr>
<td>School education</td>
<td>2,801</td>
<td>8.2</td>
<td>18.5</td>
</tr>
<tr>
<td>ELICOS</td>
<td>9,062</td>
<td>26.7</td>
<td>18.4</td>
</tr>
<tr>
<td><strong>Total onshore enrolments</strong></td>
<td><strong>33,990</strong></td>
<td><strong>100.0</strong></td>
<td><strong>17.8</strong></td>
</tr>
</tbody>
</table>

*Memo item:*

- Offshore enrolments in higher education: 5,399
- - 12.6%

Source: Australian Education International (2003b)

### Table 4: Expenditure by overseas students in Queensland, 2000(a)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fees $m</th>
<th>Goods and services $m</th>
<th>Total $m</th>
<th>Share of total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education</td>
<td>171</td>
<td>187</td>
<td>358</td>
<td>59.3</td>
</tr>
<tr>
<td>Vocational education</td>
<td>33</td>
<td>31</td>
<td>63</td>
<td>10.4</td>
</tr>
<tr>
<td>School education</td>
<td>23</td>
<td>28</td>
<td>51</td>
<td>8.4</td>
</tr>
<tr>
<td>ELICOS</td>
<td>69</td>
<td>63</td>
<td>133</td>
<td>22.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>295</strong></td>
<td><strong>309</strong></td>
<td><strong>604</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(a) Latest published data.
Source: Australian Education International (2002)

### Table 5: Internationalisation of Queensland universities, 2002

<table>
<thead>
<tr>
<th>University</th>
<th>Overseas students</th>
<th>Share of all students %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond University(a)</td>
<td>24</td>
<td>47.1</td>
</tr>
<tr>
<td>Central Queensland University</td>
<td>7,274</td>
<td>42.2</td>
</tr>
<tr>
<td>Griffith University</td>
<td>5,035</td>
<td>17.3</td>
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<tr>
<td>James Cook University</td>
<td>1,363</td>
<td>10.5</td>
</tr>
<tr>
<td>Queensland University of Technology</td>
<td>4,874</td>
<td>12.9</td>
</tr>
<tr>
<td>The University of Queensland</td>
<td>5,551</td>
<td>14.9</td>
</tr>
<tr>
<td>University of Southern Queensland</td>
<td>6,406</td>
<td>26.4</td>
</tr>
<tr>
<td>University of the Sunshine Coast (a)</td>
<td>413</td>
<td>10.5</td>
</tr>
<tr>
<td><strong>Total Queensland</strong></td>
<td><strong>30,940</strong></td>
<td><strong>19.6</strong></td>
</tr>
</tbody>
</table>

(a) Higher degree research courses only.

---

7 For more information on these statistics, see Australian Education International (2002).

8 Students are allocated to educational sectors on the basis of the course of study undertaken, rather than on the basis of the type of education provider.
The most popular field of study in higher education for overseas students in Australia is management and commerce, in which nearly 45% of overseas students were enrolled in 2002. When compared with the share of overseas students in the total student population (20.6%), overseas students are over-represented in management and commerce, information technology, and non-award courses. As shown in Figure 6, nearly 35% of students enrolled in management and commerce courses and around 41% of students enrolled in information technology courses in 2002 were from overseas.

Although geographical proximity may be one factor underpinning the significance of Asia as a key education export market for Queensland, a survey by Australian Education International (2003a) found that the most significant factors in students’ decisions to come to Australia to study were:

- the attraction of studying in an English-speaking country;
- the quality of Australian education;
- the importance of Australian qualifications to enhancing their job prospects;

In 2001, Japan (11.1%) – Queensland’s largest trading partner, South Korea (10.3%) and Taiwan (8.2%) were the States’s largest individual markets for overseas student enrolments (see Table 6). In contrast, the most significant markets nationally for education services were China (12.7%), Indonesia (9.5%) and South Korea (9.4%).

**Table 6: Top five education export markets by enrolments, 2001**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Country</th>
<th>Share of overseas enrolments</th>
<th>Country</th>
<th>Share of overseas enrolments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Japan</td>
<td>11.1%</td>
<td>China</td>
<td>12.7%</td>
</tr>
<tr>
<td>2</td>
<td>South Korea</td>
<td>10.3%</td>
<td>Indonesia</td>
<td>9.5%</td>
</tr>
<tr>
<td>3</td>
<td>Taiwan</td>
<td>8.2%</td>
<td>South Korea</td>
<td>9.4%</td>
</tr>
<tr>
<td>4</td>
<td>China</td>
<td>7.7%</td>
<td>Japan</td>
<td>6.6%</td>
</tr>
<tr>
<td>5</td>
<td>India</td>
<td>5.5%</td>
<td>Hong Kong</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Source: Australian Education International (2003b)
Australia’s reputation for the kind of educational course they were interested in; and
- Australia’s safe and friendly environment.

**Outlook for education exports**

Exports of education services are expected to continue to grow strongly over the next ten years, fuelled by the growth in global demand for international education. These trends reflect the effect of rising per capita incomes and aid programs in lifting participation in education and the increased globalisation of trade and investment, which has raised the importance of language training and gaining overseas educational experience to enhance job prospects. China, Malaysia and Indonesia are expected to be among the leading growth markets for education services.

There are expected to be significant opportunities for growing education exports to developing economies, where imports of education services will be required to meet rising levels of demand that are well beyond the capacity to service domestically. For instance, it is reported that China expects a shortage of over one million teachers and 100,000 academics by 2005 (Nelson 2003). Increasing global demand for English language training and professional development and corporate training is also expected to support growth in exports of education.

The delivery of education services will also continue to evolve, in part necessitated by the expected growth in demand. The establishment of offshore campuses and distance education will facilitate greater opportunities for the overseas delivery of education services to meet demand for service provision to students in the country in which they reside.

With its proximity to growth markets in the Asian region, a reputation for quality and safety and being English-speaking, Queensland is well placed to benefit from the expected growth in the export market for education. Australian Education International, the Commonwealth Government’s international education body, predicts average annual growth in Australia’s exports of education of up to 10.4% over the next ten years.9 Queensland’s export earnings from education are predicted to reach $1 billion by 2005.

Looking further ahead, overseas students may become increasingly important to Queensland as a potential source of skilled labour as the population ages.

**References**


Australian Bureau of Statistics (ABS), 2003, 'International Trade in Services by State 2002-03', in _International Trade in Goods and Services_, Australia, Cat. no. 5368.0, September, ABS, Canberra.


9 Unpublished Australian Education International forecast.
**Economic Indicator Charts**

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

**Residential Building Approvals**
(quarterly % change, trend)
Source: ABS 8733.0

**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 7255.0

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

**Private Non-residential Construction Indicators**
(annual % change, quarterly, Queensland)
Source: ABS 8731.0, 8732.3 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 lags in receiving coal price data.
Source: Department of Natural Resources, 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

Note: All charts show quarterly average data.
### 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>SA</th>
<th>WA</th>
<th>TAS</th>
<th>AUST</th>
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</thead>
<tbody>
<tr>
<td><strong>Gross State Product (a) (cvm)</strong></td>
<td>5206.0</td>
<td>Dec-03 (q)</td>
<td>Annual</td>
<td>17.8</td>
<td>9.6</td>
<td>4.7</td>
<td>4.2</td>
<td>3.4</td>
<td>6.6</td>
<td>7.4</td>
<td>5.4</td>
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<td>Household Final Consumption Expenditure</td>
<td>5206.0</td>
<td>Dec-03 (q)</td>
<td>Annual</td>
<td>19.7</td>
<td>12.3</td>
<td>5.6</td>
<td>1.3</td>
<td>14.6</td>
<td>22.6</td>
<td>9.6</td>
<td>10.4</td>
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<tr>
<td>Private Gross Fixed Capital Formation</td>
<td>5206.0</td>
<td>Dec-03 (q)</td>
<td>Annual</td>
<td>17.5</td>
<td>1.5</td>
<td>3.9</td>
<td>3.2</td>
<td>2.2</td>
<td>0.6</td>
<td>5.2</td>
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<tr>
<td>Public Final Demand</td>
<td>5206.0</td>
<td>Dec-03 (q)</td>
<td>Annual</td>
<td>18.1</td>
<td>8.5</td>
<td>4.8</td>
<td>3.3</td>
<td>5.3</td>
<td>9.3</td>
<td>7.0</td>
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<tr>
<td>State/National Final Demand</td>
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<td>Dec-03 (q)</td>
<td>Annual</td>
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<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
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<tr>
<td>Exports</td>
<td>5206.0</td>
<td>Dec-03 (q)</td>
<td>Annual</td>
<td>na</td>
<td>18.7</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>12.0</td>
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<tr>
<td>Imports</td>
<td>5206.0</td>
<td>Dec-03 (q)</td>
<td>Annual</td>
<td>na</td>
<td>1.8</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
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<tr>
<td>Gross State Product/Gross Domestic Product</td>
<td>5206.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>17.3</td>
<td>3.6</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
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<td><strong>Private Consumption</strong></td>
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<tr>
<td>Retail Trade</td>
<td>8501.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>19.9</td>
<td>3.7</td>
<td>2.2</td>
<td>2.4</td>
<td>2.0</td>
<td>1.4</td>
<td>2.9</td>
<td>2.4</td>
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<tr>
<td>New Motor Vehicle Sales</td>
<td>9314.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>20.0</td>
<td>0.0</td>
<td>-2.7</td>
<td>-1.8</td>
<td>0.1</td>
<td>-1.0</td>
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<td><strong>Housing Sector</strong></td>
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<td>Dwelling Approvals (no.)</td>
<td>8731.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>24.4</td>
<td>-1.7</td>
<td>-6.9</td>
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<td>Dwelling Commencements (no.)</td>
<td>8752.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>27.1</td>
<td>12.1</td>
<td>-4.4</td>
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<td>Non-residential Building Approvals (v) (a)</td>
<td>8731.0</td>
<td>Dec-03 (q)</td>
<td>Annual</td>
<td>19.1</td>
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<td>-38.0</td>
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<td>28.2</td>
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<td>-12.2</td>
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<td>Engineering Construction Commencements (v) (o)</td>
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<td>Sep-03 (q)</td>
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<td>-20.8</td>
<td>-11.3</td>
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<td>-54.0</td>
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<td>-5.1</td>
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<td>New Equipment (v)</td>
<td>5664.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>18.5</td>
<td>1.5</td>
<td>-1.6</td>
<td>7.2</td>
<td>-6.1</td>
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<td>Population</td>
<td>3101.0</td>
<td>Sep-03 (q)</td>
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<td>19.1</td>
<td>2.3</td>
<td>0.8</td>
<td>1.3</td>
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<td>1.3</td>
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<td>Employment</td>
<td>6202.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>19.3</td>
<td>1.3</td>
<td>0.8</td>
<td>0.7</td>
<td>-0.5</td>
<td>0.5</td>
<td>0.8</td>
<td>0.7</td>
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<tr>
<td>Unemployment Rate (%)</td>
<td>6202.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>Yr ago level</td>
<td>6.2</td>
<td>5.5</td>
<td>5.5</td>
<td>6.5</td>
<td>6.0</td>
<td>7.0</td>
<td>5.8</td>
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<tr>
<td>Labour Force</td>
<td>6202.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>19.4</td>
<td>0.9</td>
<td>0.4</td>
<td>0.5</td>
<td>-0.2</td>
<td>0.5</td>
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<td>DEWR (b) Skilled Vacancy Survey</td>
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<td>ANZ Job Advertisement Series</td>
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<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>19.4</td>
<td>2.3</td>
<td>0.0</td>
<td>-0.4</td>
<td>2.5</td>
<td>3.2</td>
<td>3.9</td>
<td>1.0</td>
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<tr>
<td><strong>Wages and Prices</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Average Weekly Ordinary Time Earnings ($)</td>
<td>6302.0</td>
<td>Dec-03 (q)</td>
<td>$ level</td>
<td>93.7</td>
<td>880.8</td>
<td>977.2</td>
<td>948.7</td>
<td>867.1</td>
<td>941.3</td>
<td>835.0</td>
<td>939.6</td>
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<tr>
<td>Consumer Price Index (o)</td>
<td>6401.0</td>
<td>Dec-03 (q)</td>
<td>Quarterly</td>
<td>93.7</td>
<td>7.8</td>
<td>4.5</td>
<td>6.0</td>
<td>5.3</td>
<td>6.4</td>
<td>1.9</td>
<td>5.6</td>
</tr>
</tbody>
</table>

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
l - level or rate, i.e. not rate of change
o - original
q - quarterly data
v - value
na - not available
Index of Articles

2001/2
- Commonwealth Grants Commission 2004 Methodology Review
- The Contribution of the Tourism Sector to the Queensland Economy
- Queensland Household Survey Results

2001/3
- Visitor Expenditure across Queensland Regions: Changes between 1989 and 1999
- Population Change in Queensland
- CensusAtSchool
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- Retail Trade (monthly)
- Consumer Price Index (quarterly)
- National Accounts (quarterly)
- Population (quarterly)
- Queensland State Accounts (quarterly)

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- Various
**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
Background

The Office of Economic and Statistical Research (OESR) was established as a centre of excellence for independent social, economic, statistical and spatial information, advice and research.

The main office is located in Brisbane, with regional offices in Townsville, Rockhampton and Cairns that service the State’s north, central and far north regions.

Core Business

The Office provides the following services:

- Intelligence in the form of current economic and social conditions in the State and its regions
- Advice on economic and statistical methodology
- 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.

Products and Services

Examples of the products and services produced by the Office are:

- Economic information, econometric modelling and statistical information
- Major surveys on social issues such as crime victimisation, internal migration, women, youth, and lifestyle related issues
- Publications and reports on a range of economic and statistical issues important to the growth and development of the State and its regions
- The Queensland State Accounts and state and regional input-output tables.

For more information

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