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Highlights of this issue

This issue of the Queensland Economic Review includes three articles. The first article discusses Queensland Treasury’s 2004-05 forecasts of gross state product (GSP) and its components, as well as other key economic measures. GSP growth is expected to remain strong, at 4% in 2003-04 and strengthening to 41/4% in 2004-05.

The second article outlines the Government’s long-term economic strategy to meet the challenges of ongoing population growth and ageing. The article analyses the expected extent of Queensland’s population growth in coming decades and how the population will age, before examining how the State will position itself for this growth and respond to an ageing population.

This is followed by a third article that discusses the Government’s new population projections for Queensland and its statistical divisions. This article presents details of the projected figures, as well as explaining the model and the assumptions used in arriving at the projections.

The usual detailed updates on the Queensland, national and international economies are also included in this issue. The State economy continues to perform solidly, growing by 0.5% in March quarter 2004 and 3.7% over the year. Household consumption continues to be the main driver 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

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.

The Queensland Economic Review is intended only to provide a summary of the subject matter covered and without assuming a duty of care. Although the information, including commentary, herein has been derived from sources believed to be reliable, Queensland Treasury does not guarantee or make any representations as to its accuracy or completeness or accept responsibility for any loss or damage occurring as a result of its use. Statements and opinions expressed or implied in this publication do not necessarily reflect the opinions or views of the Office of Economic and Statistical Research, Queensland Treasury or the Queensland Government.
The outlook for the global economy continues to improve, with sustained recoveries seemingly underway in the US and Japan and continued strength in North East and South East Asia.

Solid national economic growth continued in March quarter 2004, with trend GDP growth of 0.8% in the quarter and 3.7% over the year. Domestic demand continued to drive growth.

The $A appreciated to around US72¢ in early July 2004, up from US69¢ in mid June. This compares with a recent peak of nearly US80¢ in mid February.

The official cash rate has been unchanged at 5.25% since December. An apparent easing in the housing market suggests rates should stay unchanged in the near term.

Both bond and bill yields have declined slightly in the three months to early July, with yields expected to remain around current levels in coming months.

Strong domestic demand continues to drive the State’s economic growth, with buoyant consumption and investment sectors more than offsetting a continued weak trade sector.

Jobs growth remains solid in Queensland, with trend employment rising 0.8% in March quarter 2004 and 3.1% over the year. Jobs growth in the quarter was dominated by growth in full-time positions.

Continued jobs growth has resulted in the State’s trend unemployment rate falling from 8.7% in June quarter 2001 to 6.2% in March quarter 2004, representing the lowest rate in almost 22 years.

The number of job advertisements continues to grow, with the ANZ trend series increasing 4.1% in Queensland in the March quarter and 20.6% over the year.

Employment growth in Queensland continues to be led by the services sector, with strong increases being recorded in most service industries over the year to March quarter 2004.

Economic growth in Queensland was 0.5% in trend terms in the March quarter, and 3.7% over the year. Household consumption was the main driver of growth in the quarter, while net exports detracted significantly from growth due to a further sharp rise in imports.

Household consumption in Queensland continues to grow strongly, with trend consumption rising 2.9% in the March quarter and 12.1% over the year.

The volume of dwelling investment in Queensland remains at record levels, with trend housing investment increasing a further 2.8% in the March quarter, to be 16.4% higher over the year.

Business investment in Queensland rose a further 3.2% in trend terms in the March quarter and 7.7% over the year.

Recent business surveys reported solid business conditions in the State. The NAB survey found that business conditions in Queensland were the strongest of all mainland states.

Crop production in Queensland is expected to increase significantly with higher rainfall in many areas. The mining industry outlook remains positive, with expected further growth in world demand.

The nominal value of Queensland’s overseas merchandise exports declined 14.8% over the year to the March quarter, largely due to falls in the value of coal and sugar exports, as a result of lower prices and the appreciation of the $A.

World prices of the State’s major commodities rose strongly in the March quarter, with the Queensland Commodity Price Index rising 9.2% in $A terms, mainly due to increases in mineral export prices.

Trend short-term visitor arrivals to Australia fell 1.8% in the March quarter but rose 3.6% over the year. The decline in the quarter reflected the outbreak of Avian influenza in early 2004.

The Brisbane CPI rose 0.8% in the March quarter and 2.5% over the year. Housing costs contributed almost 70% of the annual increase.

Trend wages growth in the State remains solid. The Wage Cost Index rose 1.0% in the March quarter and 3.8% over the year, while Average Weekly Ordinary Time Earnings rose 1.3% and 7.2% in quarterly and annual terms respectively.

Queensland’s population continued to grow rapidly in December quarter 2003, rising 0.6% in the quarter and 2.3% over the year, largely driven by strong net interstate migration.
International conditions continue to improve, despite concerns over the outlook for oil prices. Some of the world’s major economies are now enjoying sustained recoveries, to the extent that global monetary policy is expected to be tighter in the second half of 2004.

The US recovery continues to gather strength, with the US recording annualised quarterly GDP growth of 4.4% in March quarter 2004, compared with 4.1% in the previous quarter. Growth has been largely driven by private household consumption and business investment, particularly in equipment and software. Employment rose by nearly one million persons over the three months to May. However, in response to growing inflationary pressures, the Federal Reserve increased interest rates at its June meeting. This is expected to signal the beginning of a ‘measured’ tightening cycle to return interest rates to a more neutral level.

The outlook for the Japanese economy continues to improve, with Consensus Economics revising their 2004 GDP growth forecast from 2.1% in January to 4.1% in their June survey. Japan’s GDP growth reached 5.0% in the year to March quarter 2004, its highest rate since March quarter 1991. Increases in consumer spending and private investment are now contributing to what was initially an export-led recovery. However, Japan continues to experience falling prices and, as a result, monetary authorities have stressed that official interest rates are likely to remain unchanged in Japan in the near term.

Major trading partner economic growth
(annual % change)
Source: Consensus Economics, Consensus Forecasts (June 2004); and Queensland Treasury

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Japan East Asia (a)</th>
<th>Japan</th>
<th>North America (a)</th>
<th>Europe (a)</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>7.0</td>
<td>4.0</td>
<td>3.0</td>
<td>6.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2003(e)</td>
<td>5.0</td>
<td>4.0</td>
<td>2.0</td>
<td>4.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2004(f)</td>
<td>4.0</td>
<td>3.0</td>
<td>1.0</td>
<td>4.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2005(f)</td>
<td>3.0</td>
<td>2.0</td>
<td>0.5</td>
<td>3.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

(e) estimated
(f) forecast
(a) weighted in terms of Queensland’s overseas merchandise exports

Japan’s ongoing recovery has been partly driven by continued strength in North East and South East Asia, which continue to outperform other global regions. In particular, China recorded annual economic growth of 9.7% in March quarter 2004. However, with annual inflation also strengthening to 3.7% in May 2004, Chinese authorities have attempted to guide the economy to a ‘soft landing’ by raising reserve requirements for banks and restricting credit to sectors most subject to over-lending and over-investment. Such measures appear to be working, with growth in industrial output, fixed asset investment and money supply easing in recent months.

The Euro-zone remains the weak performer globally, although Consensus Economics forecast growth in the region to strengthen to 1.7% in 2004. In contrast, strong consumer spending and a buoyant housing sector continue to drive strong growth in the United Kingdom, with the Bank of England raising interest rates for the fourth time in seven months in June 2004.

National economy

Gross domestic product (GDP) in Australia rose 0.8% in trend terms in March quarter 2004, following 1.0% growth in each of the previous two quarters, to be 3.7% higher over the year. However, in seasonally adjusted terms, quarterly and annual GDP growth of 0.2% and 3.2% were both below market expectations (of 0.5% and 3.6% respectively).

Domestic demand continued to drive overall growth in the March quarter. Private consumption increased 1.6% (trend) over the quarter, following a recent peak of 1.7% growth in the December quarter. Consumer spending has been underpinned by a strong housing sector, with growth in dwelling investment remaining steady at 2.3% in the March quarter. In contrast, growth in business investment eased for the third consecutive quarter, due to a similar moderation in machinery and equipment investment.

The performance of the trade sector continued to partly offset the solid domestic demand, with net exports detracting 0.7% point from overall growth in the March quarter. Export growth strengthened 0.5% point to 2.2% in the quarter, following signs of further improvement in global economic growth. However, import growth also strengthened, to 4.4%, representing the highest quarterly growth in imports since September quarter 1994.

Employment growth nationally eased to 0.6% in June quarter 2004, in line with the slight easing in GDP growth. However, jobs growth continued to outpace labour force growth, with the trend unemployment rate edging down to 5.6% in the June quarter.
Exchange rates

The value of the $A fell by 5.7% (around US4.3¢) over the three months to early July 2004. After peaking in mid February at just under US80¢, the $A traded steadily downwards to reach US69¢ in mid June, then strengthened in early July to around US72¢.

Although the $A received support over recent months from the release of strong domestic labour market data and Australian share market indices reaching record highs, a recovery in the value of the $US was the major force in the depreciation of the $A over this period. Data releases in the US during April and May showed much improved labour market conditions and an acceleration in retail sales and manufacturing production. The resultant change in sentiment about the outlook for the US economy led to significant demand for the $US, with other currencies (including the $A) weakening as a result.

The $A also depreciated against other major currencies over the three months to early July. The $A lost around 7.7% against the euro, 6.7% against the British pound and 3.3% against the Japanese yen. Overall, the value of the $A fell by 4.2% against the trade weighted index (TWI) of Australia’s major trading partners.

The outlook for the $A over the coming quarters will depend heavily upon sentiment surrounding the US economy and the $US. The slower than expected pace of monetary policy tightening in the US has benefited the $A recently. However, if the US Federal Reserve becomes more aggressive in relation to monetary tightening, this may cause the $A to weaken.

Monetary policy

The Reserve Bank of Australia (RBA) has left the official cash rate unchanged at 5.25% since December 2003. The RBA’s focus earlier in 2004 had been firmly on the domestic housing market, having voiced concerns about an overheating housing cycle, as well as the strong inflation in ‘non-tradeable’ items. However, in recent months, clearer evidence has emerged of a slowing in the housing sector, with monthly building approvals declining (although at a modest pace) and the demand for housing finance easing. In addition, data suggest that house price inflation has moderated and auction clearance rates have fallen.

Consequently, recent statements by the RBA indicate that it is satisfied with the softening in the housing market and expects underlying inflation to ease through the remainder of 2004. These developments have largely removed any bias toward raising official interest rates. Despite some concerns that the rate of credit growth is still too high, the RBA appears to have a neutral stance, and recently stated that cash rates are ‘very close to normal’. Implied forward yields suggest the market expects official rates to remain unchanged in the near future.

Bond and bill yields

Australian bond and bill yields both declined only marginally over the three months to early July 2004, despite longer term rates, particularly bond yields, experiencing substantial volatility over the period.

Long-term bond yields followed US yields sharply higher in April and early May following the release of strong US employment data in April. Ten-year Commonwealth Treasury bond yields rose from around 5.3% in late March to peak at around 6.1% in mid May. Domestic yields then eased in late May and June, despite US yields continuing to rise. Australian-US 10-year yield differentials have continued to narrow as the domestic bond market appears to have become more comfortable with the de-synchronised nature of Australian and US economic cycles.

Yields on 90-day bank bills are largely determined by expectations for the official cash rate, which has remained unchanged since December 2003. Recent statements by the RBA indicate an almost neutral monetary policy stance, with the bank apparently satisfied with the orderly slowdown in the housing market and comfortable with the inflation outlook. Bill yields have hovered around 5.5% since March, and forward bill yields suggest that yields will remain around current levels over coming months.

Domestic interest rates

<table>
<thead>
<tr>
<th>%, daily</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-year bonds</td>
</tr>
<tr>
<td>6.0</td>
</tr>
<tr>
<td>5.5</td>
</tr>
<tr>
<td>5.0</td>
</tr>
<tr>
<td>4.5</td>
</tr>
<tr>
<td>7-Jul-03</td>
</tr>
</tbody>
</table>

Source: Datastream
**Overview**

Strong domestic demand and employment growth in the March quarter have highlighted the resilience of the Queensland economy, although overall economic growth continues to be constrained by the performance of the trade sector.

The March quarter 2004 Queensland State Accounts show that domestic demand has continued to drive economic growth in Queensland, with recent wealth gains resulting from higher property prices helping to underpin high levels of household consumption. However, Queensland’s net exports continue to detract from growth, due to subdued growth in exports and strong demand for imports.

Growth in household consumption expenditure in Queensland continued to outpace that in the rest of Australia in the March quarter and was the major contributor to Queensland’s economic growth. Strong employment conditions, low interest rates, high population growth and high consumer confidence contributed to Queensland’s exceptional growth in household consumption during the quarter. Dwelling investment and business investment growth also outperformed those components of the economy in the rest of Australia and both contributed to the overall growth in the Queensland economy.

However, the substantial detraction from growth by net exports was more pronounced in Queensland than in the rest of Australia, partially reflecting the negative implications of the higher $A on Queensland commodity exports. Despite the detraction by net exports, Queensland’s domestic economy remains robust, with an additional 13,900 jobs created in Queensland during the March quarter and the State’s quarterly unemployment rate falling to its lowest level in almost 22 years.

**Employment**

Employment growth in Queensland remained strong but eased slightly in March quarter 2004, with employment increasing by 0.8% in trend terms, following growth of 1.3% in the previous quarter. However, Queensland continued to record stronger employment growth than the rest of Australia, which recorded an increase of 0.7% in the March quarter after growth of 0.6% in the December quarter.

Queensland’s easing jobs growth in the March quarter mainly reflected the moderation of growth in activity in the housing and retail sectors, following a period of particularly strong growth in late 2003.

Despite this easing, Queensland accounted for more than one-fifth of all jobs created nationally in the March quarter, with employment rising by 14,400 persons, compared with a rise of 55,300 persons in the rest of Australia.

Growth in full-time employment (up 18,400 persons) in Queensland more than offset a fall in part-time jobs (down 4,000 persons) for the second consecutive quarter. In comparison, the rest of Australia recorded growth in both full-time (up 33,200 persons) and part-time employment (up 22,100 persons) in the March quarter.

In annual terms, employment growth in Queensland remained particularly strong in the March quarter. Despite easing 0.2% point from the previous quarter, annual jobs growth in Queensland (3.1%) was more than double that recorded in the rest of Australia (1.2%) and the strongest employment growth of any mainland state. Further, Queensland accounted for 37% (55,100 persons) of the annual rise in national employment (146,300 persons) in the March quarter.

**Unemployment**

Queensland recorded its twelfth consecutive quarter of employment growth in March quarter 2004, with this consistent jobs growth resulting in the lowest quarterly unemployment rate since June 1982. The State’s unemployment rate has fallen from a recent high of 8.7% in June quarter 2001 to 6.2% in March quarter 2004. In comparison, the rate for the rest of Australia fell 0.8% point to 5.6% over the same period. Consequently, the unemployment rate differential between Queensland and the rest of Australia has narrowed substantially, from 2.2% points in June quarter 2001 to only 0.6% point in March quarter 2004.

The State’s unemployment rate remained at 6.2% for the second consecutive quarter in the March quarter, with employment growth (0.8%) only marginally exceeding labour force growth (0.7%) during the quarter.
Queensland’s labour force growth (0.7%) in the March quarter was driven by sustained civilian population growth of 0.6% (quarterly growth has been at or above 0.6% since September quarter 2001), as well as a 0.1% point increase in the trend participation rate to 64.9%.

In comparison, the labour force in the rest of Australia grew by 0.6% in the March quarter. However, this was driven by a 0.2% point increase in the participation rate to 63.3%, with relatively subdued civilian population growth of 0.3% in the rest of Australia in the quarter.

**Job vacancies**

Job vacancy data for March quarter 2004 indicate that employer hiring intentions remain positive. Growth in the ANZ Job Advertisement Series for Queensland strengthened to 4.1% in the quarter, following growth of 2.3% in the previous quarter. Annually, growth in job advertisements of 20.6% was recorded in the March quarter, the strongest growth since September quarter 2002. In comparison, job advertisements nationally rose only 0.7% in the March quarter and 4.5% over the year.

In contrast, the DEWR Skilled Vacancy Survey index for Queensland declined by 0.3% in the March quarter, following strong growth in the previous two quarters (12.2% in the December quarter and 15.4% in the September quarter). Similarly, the national skilled vacancy index declined 0.8% in the March quarter.

The strengthening in overall job advertisements growth in the March quarter suggests that continued employment growth is likely in Queensland in coming months.

**Employment by industry**

The average number of persons employed in Queensland over the year to March quarter 2004 rose by 57,700 in original terms, compared with a year earlier. Jobs growth over the year continued to be driven by the services sector, which increased by 70,600 persons. However, this growth was partially offset by declining employment in both the primary and secondary sectors, which fell 11,200 persons and 1,600 persons respectively.

Substantial employment growth was recorded in property and business services (up 20,100) and government administration and defence (up 14,300), while the construction, transport and storage, and retail trade industries all experienced solid increases, of 9,400, 9,200 and 8,000 persons respectively.

The ongoing impact of the drought continues to keep employment in agriculture at relatively low levels. Annual average employment in agriculture stood at 76,900 persons in March quarter 2004, down from a recent peak of 94,400 in December quarter 2002. However, the decline in employment in this industry may have halted, with a marginal increase (900 persons) in the average level of agricultural employment in the year to March quarter 2004, compared with the year to December quarter 2003.

**State economic growth**

The Queensland State Accounts report that Queensland’s economic growth slowed slightly in March quarter 2004. Trend gross state product (GSP) rose 0.5% in the quarter, slowing from 0.8% and 1.3% growth in the December and September quarters respectively. This is the first time in three years that Queensland’s quarterly GSP growth has fallen below that for the rest of Australia. However, in annual terms, Queensland’s economic growth over the year to the March quarter was 3.7%, slightly higher than growth in the rest of Australia of 3.6%. Growth in year-average terms for the first three quarters of 2003-04 was 3.9% in Queensland and 3.5% in the rest of Australia.
Household consumption, the largest component of Queensland’s GSP, rose 2.9% in the March quarter, to be 12.1% higher than a year earlier, the highest annual rate of growth since September quarter 1989. The remarkable growth in household consumption in recent quarters has been due to a number of factors including continued population growth, positive employment conditions, low interest rates and the wealth effects associated with the recent rise in property values. Household consumption growth in the rest of Australia was also above average but more subdued, at 1.3% in the March quarter and 5.0% over the year.

**Consumption**

Household consumption expenditure in Queensland continued to grow strongly in March quarter 2004, with growth of 2.9% in trend terms, following exceptional growth of 3.3% and 3.5% in the September and December quarters 2003 respectively. The rest of Australia experienced solid consumption growth of 1.3% for the third consecutive quarter in the March quarter. This recent surge in household consumption in Queensland led to the State recording annual growth of 12.1% in the March quarter, significantly outstripping growth in the rest of Australia, which was 5.0% over the year.

Robust labour market conditions, strong growth in house prices, which has led to increased household wealth, and consistently strong population growth have underpinned the State’s exceptional household consumption growth.

Growth in retail turnover, which accounts for more than 40% of total household consumption expenditure in Queensland, remained high but eased slightly in the March quarter. In trend terms, real retail trade growth eased from 3.3% in the December quarter to 2.5% in the

**Gross state product**

(quarterly % change, CVM, trend)

Source: Office of the Government Statistician, Queensland State Accounts

Dwelling investment rose 2.8% in the March quarter, slightly lower than the 5.2% and 5.8% recorded in the December and September quarters respectively, to be 16.4% higher over the year. In comparison, dwelling investment in the rest of Australia grew 2.1% in the March quarter, to be 4.4% higher over the year.

Meanwhile, business investment grew by 3.2% in the March quarter to be 7.7% higher over the year. Growth in the March quarter was driven primarily by 6.2% growth in other buildings and structures investment. In comparison, the larger component of business investment, machinery and equipment, grew by a more subdued 1.9% in the quarter. In the rest of Australia, business investment rose 0.5% in the March quarter, to be 9.2% higher over the year.

The strength of domestic demand in Queensland continues to be reflected in the strong growth in the State’s imports, which grew by 4.1% in the March quarter. When combined with a 1.0% fall in exports in the quarter, Queensland’s net exports once again detracted heavily from growth.

The composition of Queensland’s economic growth continues to highlight the disparity between the domestic and international sectors of the economy. Net exports detracted 2.2% points from growth in the March quarter, more than offsetting the strong contribution from household consumption (1.8% points). Further, the relative size of these components overwhelmed the smaller positive contributions to growth from both business and dwelling investment in the March quarter.
March quarter. However, annual real retail trade was exceptionally strong in Queensland, growing 13.2% over the year to the March quarter. In comparison, real retail trade in the rest of Australia recorded growth of 1.7% and 1.3% in the December and March quarters respectively, to be 6.6% higher over the year.

**Housing investment**

Housing investment, which consists of construction of new dwellings as well as alterations to existing dwellings, continued to grow at a rapid pace in Queensland in March quarter 2004, rising a further 2.8% in trend terms. Although the quarterly growth rate has eased from the 5.8% recorded in September quarter 2003, the volume of dwelling investment in the State remains at record levels. Dwelling investment in the rest of Australia rose by 2.1% in the March quarter, following relatively modest growth over the previous four quarters.

**Dwelling investment**

(quarterly % change, CVM, trend)

*Source: Office of the Government Statistician, Queensland State Accounts*

In terms of annual growth, Queensland continues to clearly outperform the rest of Australia, with total housing investment in the State rising 16.4% over the year to March quarter 2004 (rest of Australia, up 4.4%). Queensland’s higher growth over the past year is attributable to the State being at a later stage in the property cycle than the other major states, as well as population growth in Queensland running at more than double the pace in the rest of Australia.

The outlook for dwelling investment over the coming quarters remains positive, despite partial indicators suggesting that new dwelling investment should moderate from recent record levels. The number of monthly building approvals have eased since October 2003, the number of housing finance commitments have eased in recent months and there is evidence that house price growth has slowed.

However, the high level of dwelling construction work approved in Queensland has caused an accumulation of approved building work in the pipeline, while there continues to be substantial demand for alterations and additions, which currently constitute almost half of total dwelling investment. This suggests that a high level of dwelling construction activity will continue for some time.

As a result of these factors, Queensland Treasury forecast in the recent State Budget that the level of dwelling investment in 2004-05 will be similar to that recorded in 2003-04.

**Business investment**

Business investment in Queensland continued to rise strongly in March quarter 2004, increasing 3.2% in trend terms, following similar growth in the previous quarter. In annual terms, growth in business investment has moderated from the very high rates recorded in 2002-03, but still rose 7.7% over the year to March quarter 2004. In the rest of Australia, growth in business investment was more modest, rising 0.5% in the March quarter, following 1.5% growth in the December quarter.

**Business investment, Queensland**

($m, quarterly, CVM, trend)

*Source: Office of the Government Statistician, Queensland State Accounts*

After easing in the second half of 2002-03, investment in other buildings and structures in Queensland has surged in 2003-04, rising 6.2% in the March quarter, building on strong growth in the previous two quarters. Conditions conducive to business investment continued in the March quarter, with strong domestic demand and low borrowing costs driving domestic investment, while improving world economic growth and strong commodity prices drove export-focused investments.

Investment in machinery and equipment rose at a more modest pace in the March quarter, increasing 1.9%, following 2.4% growth in the previous quarter. While the substantial appreciation in the value of the $A during the first half of 2003-04 assisted businesses in the purchase of imported capital items, the recent
above average yields were recorded in most areas of cropping areas early in the growing season. Well as a result of widespread rain across most of the major season is estimated to have increased significantly as Queensland summer crop production for the 2003-04 Agricultural and mining trends remain relatively stable in the June quarter. in the quarter, with business conditions expected to in March quarter 2004. The PBI fell 1.2 points to 58.5 reported a slight decline in overall business conditions The Commerce Queensland which fell 2% points to 61%. indicated that business confidence in Queensland in March quarter surveys, the continued recovery in international economic conditions and strong domestic activity have helped maintain a high level of business confidence within the State. After recording a near-record high in the December quarter, the National Australia Bank Quarterly Business Survey reported a substantial moderation in business conditions in Queensland in the March quarter, with the business conditions index (BCI) falling 16% points to 22%. Despite this decline, business conditions in the State remained at a healthy level, with the Queensland BCI the highest of all mainland states. Of the three components of the BCI, the trading performance index fell 16% points to 30%, the profitability index declined markedly, from 42% in the December quarter to 15% in the March quarter, while the employment intentions index declined only slightly, falling 4% points to 22%. In contrast, the May 2004 Sensis Business Index survey indicated that business confidence in Queensland improved substantially over the three months to April. The net balance of proprietors of small and medium-sized businesses in Queensland who were positive about their business prospects over the coming year rose 9% points to 73%, the highest of the mainland states and substantially above the national average, which fell 2% points to 61%. The Commerce Queensland Pulse Business Index (PBI) reported a slight decline in overall business conditions in March quarter 2004. The PBI fell 1.2 points to 58.5 in the quarter, with business conditions expected to remain relatively stable in the June quarter. 

Agricultural and mining trends

Queensland summer crop production for the 2003-04 season is estimated to have increased significantly as a result of widespread rain across most of the major cropping areas early in the growing season. Well above average yields were recorded in most areas of southern Queensland. However, in central Queensland, very little rain since planting in January and February has meant that many crops have failed. Total sorghum production (Queensland’s main summer crop) is estimated to have increased by 40% from the previous season to 1.35 million tonnes in 2003-04. Meanwhile, cottonseed and cotton lint production is estimated to have increased by 67% on the poor 2002-03 harvest.

Winter crop production is forecast to increase significantly in the 2004-05 season as a result of improved soil moisture, with a relatively large wheat crop having been planted in the western Darling Downs/Maranoa area. However, in central Queensland, where subsoil moisture levels are relatively low, significant rain is required to enable crop plantings. According to the Australian Bureau of Agricultural and Resource Economics (ABARE), Queensland wheat production is forecast to be 1.54 million tonnes in 2004-05 (around 47% higher than in 2003-04), while the State’s barley production is estimated to be 287 kilotonnes, a 33% increase from the previous season.

Queensland sugar cane production resulting from the 2003 harvest fell by 3% from the previous year, to an estimated 34.1 million tonnes, according to the Queensland Department of Primary Industries and Fisheries. Dry weather conditions impacted more severely on production in the central cane growing region than in the remaining regions, where production actually increased.

Rebuilding of the State’s beef cattle herd has been delayed, due largely to buoyant conditions in key export markets. A ban on US beef imports in many countries (following the discovery of BSE or mad cow disease in the US in late 2003) resulted in an initial increase in demand, and consequently prices, for Australian beef.

In Queensland’s mining industry, coal production has increased following supply disruptions at a number of the State’s coal mines in late 2003 and early 2004. There was a major fall in coal export volumes in the March quarter, compared with a year earlier, despite saleable coal production in the March quarter being almost 2% higher than in the previous March quarter. This suggests that coal exports may strengthen in the June quarter and, given the current strength of world demand, the outlook for coal exports remains positive.

Meanwhile, recent exploration activity has resulted in significant resource upgrades at a number of projects in the base metals sector. Greater reserves of copper, lead and zinc have been delineated at projects in the north-west of the State, while further work continues on identifying the extent of lead and zinc deposits at Mt Garnet, north-west of Townsville.
Overall, with further growth in world demand expected, and supply increasing, the outlook for the State’s mining sector remains positive.

**Overseas merchandise exports**

The nominal value of Queensland’s overseas merchandise exports in March quarter 2004 fell 14.8% compared with a year earlier, marking the eighth consecutive quarter of decline in annual terms. However, this decline largely reflected an almost 30% appreciation of the $A over the year to the March quarter, rather than necessarily a decline in export volumes. The decline in the March quarter partially reflects a 21.1% fall in the value of crude mineral exports, of which the majority is coal. Furthermore, the nominal value of exports in the confidential and special category (of which a large proportion is sugar) fell 20.9% over the year.

**Overseas merchandise exports, Queensland**

(source: ABS, unpublished foreign trade data)

<table>
<thead>
<tr>
<th>March quarter</th>
<th>2003</th>
<th>2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total rural</td>
<td>934.1</td>
<td>925.3</td>
<td>-0.9</td>
</tr>
<tr>
<td>Crude minerals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>1,665.7</td>
<td>1,284.4</td>
<td>-23.8</td>
</tr>
<tr>
<td>Other crude minerals</td>
<td>467.7</td>
<td>415.2</td>
<td>-11.2</td>
</tr>
<tr>
<td>Total crude minerals</td>
<td>2,133.4</td>
<td>1,699.1</td>
<td>-21.1</td>
</tr>
<tr>
<td>Manufactures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>468.6</td>
<td>426.7</td>
<td>-8.9</td>
</tr>
<tr>
<td>Other processed minerals and metals</td>
<td>53.5</td>
<td>47.1</td>
<td>-8.4</td>
</tr>
<tr>
<td>Total</td>
<td>520.1</td>
<td>474.4</td>
<td>-8.8</td>
</tr>
<tr>
<td>Other manufactures</td>
<td>77.2</td>
<td>73.8</td>
<td>-4.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>44.7</td>
<td>40.0</td>
<td>-10.6</td>
</tr>
<tr>
<td>Machinery</td>
<td>157.0</td>
<td>169.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>80.6</td>
<td>51.0</td>
<td>-36.7</td>
</tr>
<tr>
<td>Miscellaneous manufactures</td>
<td>57.1</td>
<td>49.6</td>
<td>-13.2</td>
</tr>
<tr>
<td>Other manufactures – other</td>
<td>4.9</td>
<td>5.6</td>
<td>12.4</td>
</tr>
<tr>
<td>Total</td>
<td>421.7</td>
<td>389.8</td>
<td>-7.6</td>
</tr>
<tr>
<td>Total manufactures</td>
<td>941.8</td>
<td>864.2</td>
<td>-8.2</td>
</tr>
<tr>
<td>Confidential and special (a)</td>
<td>896.4</td>
<td>708.7</td>
<td>-20.9</td>
</tr>
<tr>
<td>Total</td>
<td>4,925.7</td>
<td>4,197.3</td>
<td>-14.8</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.

The value of rural commodity exports from Queensland fell marginally, by 0.9%, in the March quarter. A strong rise in the value of cereal exports (up 134.7%) was offset by falls in the value of fish and textile fibre exports (down 26.9% and 13.7% respectively) and other rural exports. The sharp rise in the value of cereal exports reflects an increase in cereal production over the period, resulting from improved seasonal conditions in some of Queensland’s cropping areas in the preceding growing season.

In contrast, the nominal value of coal and processed mineral and metal exports fell substantially in the March quarter. The nominal value of coal exports fell by 23.8% in the quarter, compared with a year earlier, while the value of non-ferrous metal exports fell by 8.9% over the year. However, these sharp falls were driven in part by the relative appreciation of the $A against the $US over the period, which decreased the price received by Australian coal exporters for their products.

The nominal value of Queensland’s merchandise exports to all of the State’s major export destinations declined in the March quarter, compared with a year earlier. The value of exports to Japan fell by 10.3%, largely driven by a 24.3% fall in the value of coal exports. Meanwhile, a fall in the value of meat exports to the US (down 44.1%) drove a 36.3% decline in the overall value of exports to the US in the March quarter. Exports to the UK and the EU also fell significantly, by 29.3% and 27.1% respectively, partially driven by the strengthening of the $A over the year. However, much smaller falls were recorded in the value of exports to New Zealand, South East Asia and North East Asia (down 7.6%, 6.7% and 4.2% respectively).

**Commodity prices**

The Queensland Commodity Price Index rose by 9.2% in $A terms and 10.9% in Special Drawing Rights (SDR) terms in March quarter 2004, driven mainly by rises in the prices of mineral exports.

**Queensland Commodity Price Index**

(source: Queensland Treasury)

<table>
<thead>
<tr>
<th>March quarter</th>
<th>2003</th>
<th>2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All commodities ($A)</td>
<td>120</td>
<td>120</td>
<td>0.0</td>
</tr>
<tr>
<td>All commodities (SDR)</td>
<td>100</td>
<td>100</td>
<td>0.0</td>
</tr>
</tbody>
</table>

In $A and SDR terms, the agricultural index rose by 2.8% and 4.4% respectively in the March quarter. Increases in the quarterly average prices of sugar and wheat (up 7.7% and 3.7% respectively) were partially offset by falls in the prices of beef, wool...
and cotton (down 1.6%, 1.1% and 0.4% respectively). Falling demand in the US for Australian beef partially drove the fall in beef prices. This reflected the fact that restrictions placed on US beef exports to Japan (due to concerns related to BSE or mad cow disease) have resulted in increased quantities of US beef being available for domestic consumption in the US.

The minerals index rose strongly in both $A and SDR terms (up 13.5% and 15.3% respectively) in the March quarter. Strong demand for construction materials, particularly from China, led to higher $US prices for copper, lead and nickel (up 33.4%, 32.8% and 15.9% respectively) in the quarter. The average price of Queensland coal exports also rose over the period, partially reflecting the increased ‘spot market’ activity prior to the commencement of 2004 coal contracts in April.

Tourism

In trend terms, short-term visitor arrivals to Australia fell 1.8% in March quarter 2004. However, short-term visitor arrivals remained 3.6% higher over the year to the March quarter. The decline in visitor arrivals in the quarter reflects the outbreak of Avian influenza (also known as bird flu) in early 2004. This resulted in a decline in visitors to Australia from the Asian region, as well as a decline in visitors from Europe who would have travelled via Asian stopovers.

The ABS Survey of Tourist Accommodation showed an increase in tourism activity in Queensland in December quarter 2003. The number of guest nights in all establishments in Queensland grew 12.1% over the year to the December quarter. The rest of Australia recorded an increase of 6.2% over the same period.

Short-term visitor arrivals to Australia
(annual % change, quarterly, trend)
Source: ABS 3401.0

The stock of guest rooms in Queensland increased over the year to the December quarter (up 5.3%). Room occupancy rates in Queensland also rose over the year, from 64.4% in December quarter 2002 to 67.3% in December quarter 2003.

Inflation

Consumer price inflation, measured by the change in the Consumer Price Index (CPI) for Brisbane, rose 0.8% in March quarter 2004, to be 2.5% higher over the year.

Domestic pressures have driven Queensland inflation, with the current stage of the housing cycle resulting in housing costs contributing almost 70% of the increase in the Brisbane CPI over the year to the March quarter. The impact of the drought on fruit and vegetable prices and increasing health costs also contributed to the March quarter rise in Queensland consumer prices. These trends have been partially offset by a steady appreciation of the $A over the year to early 2004, which has put downward pressure on import prices.

Nationally, headline consumer prices rose by 0.9% in the March quarter, to be 2.0% higher than a year earlier and at the low end of the Reserve Bank’s 2–3% target band. Annual inflation has now moderated steadily from a recent peak of 3.4% in March quarter 2003.

The prices of internationally tradeable goods and services fell 0.5% over the year to the March quarter, due to the appreciation in the $A, while non-tradeable goods and services rose 4.1% over the year. However, the strong rise in non-tradeables was largely due to volatile items. As a result, underlying annual inflation was only 1.3% in March quarter 2004, its lowest rate since December quarter 1997. This low rate of underlying inflation could help temper the speed and magnitude of any monetary tightening by the Reserve Bank.

Wages

The two key measures of wages produced by the ABS show that wages both in Queensland and nationally continued to grow solidly in March quarter 2004.
The preferred measure of wages and salaries is the Wage Cost Index (WCI), as it accounts for productivity improvements (i.e. increases in the quality or quantity of work performed). According to the WCI, the total hourly rate (excluding bonuses) in Queensland increased 1.0% in the March quarter, to be 3.8% higher over the year. Nationally, the WCI rose 0.8% in the quarter, to be 3.6% higher over the year.

Meanwhile, trend Average Weekly Ordinary Time Earnings (AWOTE) for full-time adults in Queensland grew 1.3% in the March quarter. Following strong growth of 1.7% or above in each of the three previous quarters, annual growth in AWOTE remained particularly strong, rising 7.2% over the year. Nationally, AWOTE grew 1.0% in the March quarter, while annual growth eased to 4.9%, down from 5.6% in the December quarter.

Wages growth (WCI)  
(annual % change, quarterly, original)

![Graph showing wages growth (WCI)](image1)

The strong wages growth in Queensland over the last year partly reflects tightening labour market conditions, with the trend unemployment rate remaining at its lowest quarterly level in over two decades in March quarter 2004. It also reflects ongoing improvements in productivity, as evidenced by annual growth in the WCI in Queensland remaining well below growth in AWOTE.

Population

Queensland’s population growth continues to be largely driven by net interstate migration, which totalled 10,400 persons in the December quarter and 37,600 over the year. Net interstate migration accounted for 43.7% of total population growth in Queensland over the year and has been the greatest contributor to annual population growth in Queensland since March quarter 2002.

Net overseas migration to Queensland also remains at high levels, increasing to 6,490 persons in December quarter 2003, an increase of over 1,000 persons on September quarter 2003 and marginally higher than in December quarter 2002. In annual terms, net overseas migration increased marginally from the September quarter, to be 23,600 in December quarter 2003.

Queensland has been experiencing its most consistent period of strong net overseas migration since the inception of the current data series in June 1981, with annual net overseas migration being above 21,000 persons in every quarter since June quarter 2001.

Natural increase (births minus deaths) added a further 6,830 persons to Queensland’s population in December quarter 2003, and 24,800 persons over the year.

Queensland net migration  
(persons, four quarter moving total)

![Graph showing Queensland net migration](image2)
2004-05 State Budget – economic forecasts

The recently released 2004-05 Queensland State Budget highlighted Queensland’s ongoing economic strength, with the State expected to continue to outperform the rest of Australia in terms of population, employment and economic growth in both 2003-04 and 2004-05. This article discusses the economic forecasts for Queensland in 2004-05. It is a summary of Budget Paper No. 2, chapter 2. All numbers related to economic growth and components are as per the Budget paper. Budget papers can be found at http://www.budget.qld.gov.au/budget-papers.

Gross state product

Rapid growth in domestic activity is expected to see Queensland record continued strong overall economic growth in 2003-04, despite a number of factors adversely affecting the economy’s trade sector. Gross state product in Queensland is expected to have grown by 4% in 2003-04, outperforming estimated national growth (3.1%) for the eighth consecutive year.

Queensland’s economic growth is forecast to strengthen to 4.1% in 2004-05, again outstripping national growth, which is forecast to moderate to 3.2% in 2004-05. However, as Figure 1 indicates, the composition of growth in Queensland is predicted to change over the coming year, with a general easing in the growth of domestic activity being more than offset by an improvement in the trade sector. A summary of the 2004-05 forecasts, together with 2003-04 estimates and 2002-03 outcomes, is shown in Table 1.

Household consumption

Household consumption has continued to be one of the key drivers of economic activity in Queensland over the past year and is expected to have grown at a near-record rate in 2003-04. As the largest single component of the Queensland economy, comprising approximately 60% of gross state product, household consumption is expected to have grown by 8.2% over the year, a rate of growth not seen since the late 1980s.

Consumption expenditure has been largely underpinned by strong population and employment growth, as well as the robust housing market, which has resulted in increased household wealth and a higher level of consumer confidence. In addition, continuing low interest rates and a stronger $A, which has made imported consumption goods less expensive, have also contributed to this surge in consumption spending.

Growth in household consumption is forecast to moderate in 2004-05, returning to a more sustainable rate of growth of 4.1%. This reflects an anticipated moderation in the growth of both housing-related consumer purchases and wealth-related spending, in line with the apparent peaking of the housing cycle and the recent stabilisation of house prices. The impact of interest rate increases in late 2003 may also dampen household consumption growth in 2004-05.

Dwelling investment

Following two years of exceptional growth in 2001-02 (32.9%) and 2002-03 (20.8%), dwelling investment is expected to have risen by a further 12.5% in 2003-04, reflecting strong growth in both new dwelling construction and alterations and additions activity. However, in contrast to Commonwealth Treasury’s forecast of a 3% decline in dwelling investment nationally in 2004-05, dwelling investment in Queensland is forecast to remain at its current high level in 2004-05.

A number of factors are likely to support dwelling investment more in Queensland than in the rest of

Table 1: State Budget economic forecasts, Queensland, 2004-05

<table>
<thead>
<tr>
<th>Outcomes 2002-03</th>
<th>Estimates 2003-04</th>
<th>Forecasts 2004-05</th>
</tr>
</thead>
</table>
| **Demand and output**(b)**
| Household consumption | 5.5 | 8 1/2 | 4 1/4 |
| Private investment; (c,d) | 21.4 | 10 1/2 | 4 1/4 |
| Dwellings | 20.8 | 12 1/2 | 0 |
| Total business investment**(c) | 30.6 | 6 1/2 | 8 1/2 |
| Private final demand**(c) | 9.5 | 9 | 4 1/4 |
| Public final demand**(d) | 3.6 | 3 | 5 1/2 |
| Gross state expenditure**(e) | 7.9 | 8 1/2 | 4 1/4 |
| Exports of goods and services | 2.8 | 3 | 5 |
| Imports of goods and services | 12.0 | 15 | 6 |
| Net exports**(f) | -3.6 | -5 1/2 | -1 |
| Gross state product | 4.5 | 4 | 4 1/4 |
| **Other selected economic measures**
| Consumer price index**(g) | 3.2 | 2.9 | 2 1/2 |
| Employment**(h) | 3.7 | 3.3 | 2 1/4 |
| Unemployment rate (% average)**(g) | 7.2 | 6.2 | 6 1/4 |
| Participation rate (% average)**(g) | 65.0 | 64.8 | 64 1/4 |

(a) Percentage change on year earlier unless otherwise stated.
(b) Includes livestock, intangible fixed assets and ownership transfer costs.
(c) Excludes transfers of second-hand assets from the public sector to the private sector.
(d) Includes statistical discrepancy and change in inventories.
(e) Percentage point contribution to growth in GSP.
(f) Figures for 2003-04 represent actual outcomes.
(g) Figures for 2004-05 represent actual outcomes.
(h) Labour force survey basis.

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1. Based on chain volume measure, with 2001-02 as the reference year.
2. Figures for 2003-04 are estimates; 2004-05 figures are forecasts.
3. Source: Queensland Treasury
Australia in the coming year. In particular, recent data suggest that Queensland faces less risk of an over-supply in the housing market than New South Wales or Victoria. Strong net interstate and overseas migration to Queensland continues to underpin dwelling investment.

In addition, Queensland has recorded substantially lower growth in its dwelling stock, relative to population growth, than either New South Wales or Victoria (see Figure 2). Another key factor likely to underpin high levels of dwelling investment in Queensland is the stronger growth in renovation activity in Queensland over the past four years. Recent strong house price growth has increased household wealth and contributed to Queenslanders increasingly re-investing in their own properties. Alterations and additions activity now comprises almost half of total dwelling investment in the State, compared with about one-third of dwelling investment throughout most of the 1990s.

**Figure 2: Dwelling approvals per increase in population**

<table>
<thead>
<tr>
<th>Year</th>
<th>Queensland</th>
<th>New South Wales</th>
<th>Victoria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-95</td>
<td>1.2</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Dec-97</td>
<td>1.0</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Dec-99</td>
<td>0.8</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Dec-01</td>
<td>0.6</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Dec-03</td>
<td>0.4</td>
<td>0.2</td>
<td>0.0</td>
</tr>
</tbody>
</table>

(a) Calculated as four-quarter rolling sum of dwelling approvals as a percentage of four-quarter rolling change in population.

Source: ABS 8733.0 and 3231.0

**Business investment**

Business investment in Queensland is expected to once again record solid growth of 6½% in 2003-04, with economic conditions having remained conducive to continued high levels of business investment. The strength of the domestic economy has supported high levels of business confidence, continuing low interest rates have maintained low borrowing costs and the substantial appreciation of the $A in the first half of the year has assisted businesses in the purchase of imported capital items.

Despite the interest rate rises in late 2003 and the recent depreciation of the $A, business investment in Queensland in 2004-05 is forecast to be buoyed substantially by the improved outlook for world economic growth and the recent increase in world commodity prices. As a result, machinery and equipment investment and other buildings and structures investment are forecast to grow by 8% and 10% respectively, resulting in forecast growth of 8½% for total business investment in 2004-05.

**Net exports**

Net exports are estimated to have detracted 5¼% points from Queensland’s economic growth in 2003-04. Export growth has remained relatively subdued, due to the stronger $A and the impact of the drought on agricultural production, while imports are expected to grow by a near-record 15%, reflecting the almost unprecedented strength of domestic demand.

However, a substantial turnaround in the trade sector is expected in 2004-05. Higher world economic growth is expected to lead to increased global industrial production, with coal and non-ferrous metal exports expected to drive Queensland’s stronger export growth. Coupled with higher commodity prices, this should increase the income earned by the State’s commodity exporters. A further recovery in agricultural production in Queensland should boost rural exports while a lower $A should help underpin overall export growth in 2004-05, including international tourism to Queensland. As a consequence, export growth is forecast to strengthen to 5% in 2004-05.

Conversely, in line with the anticipated moderation in domestic economic activity, growth in imports is forecast to ease considerably, down 9% points to 6% in 2004-05. As a result of this stronger export growth and more sustainable import growth, net exports are forecast to detract only 1% point from overall growth in 2004-05.

**Employment**

The number of persons employed in Queensland increased by 3.3% (almost 60,000 jobs) in 2003-04, compared with national jobs growth of 1.8%, while the State’s year-average unemployment rate fell to 6.2%, the lowest since 1981-82. With economic activity in Queensland expected to switch from labour-intensive domestic sectors to more capital-intensive export-orientated industries over the coming year, the State’s employment growth is forecast to ease to 2¼% in 2004-05, in line with the State’s strong population growth. However, Queensland’s employment growth is still expected to remain well above the 1¾% employment growth forecast nationally.

Queensland’s forecast employment growth is expected to result in the creation of more than 40,000 additional jobs in Queensland in 2004-05. Furthermore, with employment growth and labour force growth expected to be similar in 2004-05, the year-average unemployment rate is forecast to remain unchanged at its two decade low of 6¼%.
The Queensland Government’s economic strategy


Key points

- Queensland’s economic strategy targets the key drivers of economic growth – productivity and participation – by fostering innovation and investment in infrastructure and human capital.
- A focus on drivers of growth will generate higher rates of sustainable economic growth and living standards to support the State’s strong population growth and, over the longer term, the ageing of the population.
- Queensland’s strong population growth is projected to continue, with the State’s population expected to increase from 3.8 million people in 2003 to around 5.3 million people in 2026. As a result, Queensland is projected to increase its share of Australia’s population from 19% to around 22% by 2026.
- To accommodate this expected population growth, the Government is investing in new infrastructure, improving urban growth management and infrastructure planning, and encouraging private sector investment.
- Through the economic strategy, the Government is raising the State’s capacity for sustainable growth in economic activity and living standards to ensure Queensland is well placed to respond to population ageing.

Positioning Queensland for future growth

The Queensland Government’s economic strategy aims to enhance Queensland’s economic performance and provide a better quality of life for all Queenslanders, in keeping with the Government’s key economic and social policy priorities outlined in its Charter of Social and Fiscal Responsibility.

The economic strategy not only supports Queensland’s economic performance over the medium term but positions the State for solid growth in the future. Increasing the capacity of the economy to generate sustainable, long-term rates of growth will support future improvements in living standards and increased employment opportunities for all Queenslanders.

The economic strategy will also ensure the Queensland economy is well placed to respond to the State’s immediate population pressures and the longer-term challenge of population ageing.

This article discusses how the economic strategy frames the Government’s response to the demographic challenges facing the State.

Queensland’s demographic challenges

Population growth

Queensland has been Australia’s fastest growing state since the mid 1970s. A comparison of population growth rates over the past 20 years is shown in Figure 1. Queensland recorded an average annual rate of population growth of 2.1% over the two decades to June 2003, compared with growth in the rest of Australia of 1.1%. As a result, Queensland has accounted for an increasing share of Australia’s population, rising from 16.1% in 1982-83 to 19.0% in 2002-03.

Queensland’s strong population growth is expected to continue over the short-to-medium term: by 2010 the State’s population is projected to increase by around 13%, nearly double the national rate of population growth. Long-term growth projections indicate that although the number of deaths is projected to exceed the number of births from the 2040s, this is expected to be more than offset by continuing net gains from migration.1 Under specific assumptions relating to future levels of fertility, mortality, overseas migration and interstate migration, Queensland’s population is expected to rise from 3.8 million people in 2003 to around 5.3 million people in 2026, increasing the State’s population share from 19% to around 22%. If future fertility and migration outcomes are at the high end of expectations, Queensland’s population could more than double from its current level over the next half century.

Figure 2 compares projected population growth rates across a range of developed countries. Queensland is projected to grow at an average annual rate of around 1.4% over the 50 years to 2050, well exceeding the growth projected in other developed economies and the State’s key trading partners.

**Figure 2: Projected population growth, selected countries and Queensland, 2000 to 2050, average annual growth rate**

Queensland has absorbed more than one million people in the past 25 years and population growth of a further one million people is projected within the next 20 years.

While this rapid population growth offers opportunities, there are also many challenges. The State’s growing population increases demand for infrastructure, goods and services, including government-provided education and health services. As the population becomes increasingly concentrated in South East Queensland, there is also a need for an effective and coordinated approach to urban management to respond to the environmental and infrastructure pressures created by a growing population.

**Population ageing**

Population ageing is a global trend that is increasing the proportion of older people in the population. It is the result of three beneficial trends shared by developed countries – longer healthier lives, higher material living standards and increased participation of women in the labour force – which have combined to reduce fertility and mortality rates.

The aged dependency ratio – the ratio of persons aged 65 years and above, to persons aged between 20 and 64 – is expected to double in the majority of OECD countries, including Australia, by 2050 (Figure 4). A rising ratio indicates a growing aged population being supported by relatively fewer people of working age. Queensland’s population is projected to age at a similar rate to that of the rest of Australia.

**Figure 4: Aged dependency ratios for selected OECD countries, 2000 and 2050**

Reflecting the anticipated ageing of the State’s population, the median age of Queenslanders is projected to increase from 35.5 years in 2003, to 40.2 years by 2021, and then to 47.3 years by 2051. Queensland’s current, past and future age profiles are shown in Figure 5, which also shows the progression of the ‘baby boom’ age groups (those born between 1946 and 1965).
While Queensland’s total population in 2051 is expected to be 78% larger than in 2001, there are marked differences in the growth patterns across age cohorts. Over this 50 year period, the fastest growing cohorts are those aged 65 years and over – projected to increase more than fourfold (324.2%) — and the older working age group (45 to 64 years) — projected to almost double (92.8%). In contrast, those aged less than 15 years are projected to increase by only 18.6% and those of young working age (15 to 44 years) by only 34.3%.

**Implications for the economy**

The changing age structure of the population is expected to have implications for the growth of the Queensland economy. The pace of future economic growth depends on the rate at which the workforce grows, and on the growth of output per worker (productivity). While the impacts of population ageing on future productivity growth are uncertain, the potential rate of workforce growth going forward is more readily analysed, given its links with population growth and current information on age-specific participation rates.

Labour force participation currently declines sharply after 54 years of age (Figure 6). As a result, the age groups that are projected to grow the most rapidly in the future are those that currently participate least in the workforce. Accordingly, based on current patterns of labour force participation, an ageing population is projected to result in a slower pace of labour force growth in Queensland.

Assuming labour productivity continues to grow at its historical average rate and without any associated change in government policy, slower labour force growth would be accompanied by a slower rate of economic growth. During the 1990s, Queensland’s real gross state product (GSP) grew at an average of 4.5% per annum. With the projected slowing of labour force growth, GSP growth could moderate to around 3% per annum by 2020, and then slow further to around 2½% per annum by 2040. Under these projections, growth of real GSP per capita, a measure of material living standards, could also slow from 2.4% per annum over the 1990s to around 1¾% per annum in the 2030s.

With the potential to slow economic growth, population ageing raises concerns about future improvements in living standards and governments’ capacity to pay for the services consumed by older people. Without policy intervention, population ageing is expected to put pressure on the states’ fiscal position as a result of higher expenditure growth associated largely with increased demand for health services and, to a lesser extent, slower revenue growth.

It is important to note that most projections of the impact of ageing represent a ‘worst case scenario’, in the sense that they assume no change to government policy settings. However, governments have an important role to play in responding to the challenges of an ageing population. Through the economic strategy, the Queensland Government is implementing pre-emptive policies to raise the State’s long-run, sustainable rate of economic growth.

**Responding to Queensland’s demographic challenges**

The Queensland Government’s response to these short and long-term demographic trends is underpinned by the State’s economic strategy. Through a focus on increasing productivity growth and labour force participation — the key drivers of economic growth — the strategy aims to generate higher rates of sustainable economic growth and real incomes to
support the State’s population growth and ageing population. Raising real per capita incomes is important to addressing the fiscal pressures associated with strong population growth and ageing. Higher incomes raise the revenue base of government, providing the means to increase spending on core services, such as health, education and infrastructure, without the need for increased tax rates. The strategy aims to achieve this by fostering innovation and investment in human capital and infrastructure (see Figure 7).

**Figure 7: Queensland’s response to demographic challenges**

Despite increased capacity for private provision in recent years, infrastructure development remains a core policy priority of the Government. Public investment in capital works continues to provide much of the key infrastructure used by the private sector in the production of goods and services. Through the investments of Government-owned corporations in key infrastructure, such as energy and transport infrastructure, the Government has an important influence on the performance of the State’s business and industry.

The Government’s commitment to improving the State’s infrastructure base is reflected in the scale of the State’s capital program over the past decade and its priority in this term to support Queensland’s regions through statewide infrastructure development. Capital outlays are estimated to be around $6.049 billion in 2004-05, representing a 19% increase on 2003-04 estimated actual capital outlays. Budget Paper No. 3 – Capital Statement details the Government’s proposed capital outlays in 2004-05.

Purchases of non-financial assets by the General Government sector are expected to represent around 47% of total State purchases in 2004-05. On a per capita basis, the Queensland Government will continue to fund the largest capital program of any state (Figure 8).

**Figure 8: General government purchases of non-financial assets by state, $ per capita**

Over recent years, State Government investment has returned to its long-term trend following the completion of a number of major capital works programs, such as the Pacific Motorway upgrade and Statewide Health Building Program. Significant capital expenditure will occur over the next few years, reflecting new spending programs announced in the 2004-05 Budget and capital commitments under the $1.4 billion Smart State Building Fund and $400 million Priority Infrastructure Package.

Queensland compares well against other states in terms of holdings of General Government assets per capita (Figure 9). The majority of these assets are...
roads, schools, hospitals and other infrastructure used to provide services to Queenslanders. In 2004-05, per capita levels of non-financial asset holdings in the General Government sector are expected to be $14,890 in Queensland, compared with the all states’ average of $11,621. General Government non-financial assets are projected to total $58.479 billion at 30 June 2005.

Figure 9: General Government non-financial assets by state, per capita, 2004-05

The Queensland Government also supports infrastructure provision by local government through grants for capital works. These grants include capital works subsidies provided towards the costs of local public infrastructure, and road subsidies for local roads, networks and drainage. In 2004-05, the Queensland Government will provide around $300 million in capital grants to local governments.

Managing urban growth and infrastructure planning

Infrastructure planning and coordination have a central role in the Government’s strategy for managing urban growth and ensuring the State has the infrastructure base to support the needs of a growing population. As infrastructure is typically lumpy and long-lived, infrastructure needs to be provided within a strategic and forward-looking planning framework that anticipates demographic, environmental, industry and technological change and appropriately manages risk to maintain economic growth and standards of living.

The State Government is committed to regional planning throughout Queensland. In support of the integrated plans for seven key growth regions outside the South East Queensland metropolitan region, $3.6 million has been committed over the next four years to carry out regional plan implementation strategies. This funding recognises the increasing importance of regional plans in informing both infrastructure and service delivery strategies.

The Government has also recently established an Office of Urban Management, responsible for the development and coordination of regional planning and infrastructure provision in South East Queensland. The establishment of the Office reflects the Government’s priority to ensure that accelerated growth in South East Queensland is managed in an integrated and coordinated manner (refer Box 1).

Transport planning is a key priority in South East Queensland and the Government continues to invest in roads and public transport infrastructure to ensure that population growth does not compromise the region’s liveability.

Through initiatives such as TransLink and bus corridor infrastructure, the Queensland Government is seeking to manage urban transport demand and the challenges associated with the region’s growing population, such as traffic congestion and declining air quality. The newly opened Inner Northern Busway and the already successful South East Busway are recent examples of the Queensland Government’s commitment to improving public transport infrastructure.

The Queensland Government is introducing integrated ticketing and improved coordination of transport services across South East Queensland to increase the number of public transport users as a means of reducing pressure on the State’s road infrastructure.

From 1 July 2004, TransLink will provide one single public transport network covering South East Queensland, transforming the region’s public transport system with cheaper and integrated fares and new regional services. By improving transport choice, access and flexibility, TransLink is expected to lead to a 5% increase in public transport use over the next two years.

Private sector investment in infrastructure

The private sector plays a significant role in providing the necessary infrastructure and services to support the State’s population growth, with the private sector contributing nearly 80% of the State’s fixed capital investment on average over the past five years (Figure 11). The maintenance of a stable, supportive economic environment is important to enabling Queensland’s industries and businesses to make effective and efficient investment decisions.

Accordingly, the Queensland Government recognises its responsibility in providing a sound business environment and efficient tax and regulatory arrangements to support capital investment by the private sector.
The Office of Urban Management (OUM) has been established to manage urban growth and infrastructure provision in South East Queensland (SEQ) in recognition of the region's very strong population pressures and the need for a more coordinated approach to infrastructure planning, management and delivery to meet the region's future infrastructure requirements. The Office will progress the completion and implementation of the SEQ regional planning process and review, and where necessary, recommend amendments to the Integrated Planning Act (IPA) to ensure State Government agencies and local governments in South East Queensland take proper account of the SEQ Regional Plan in their infrastructure programs and (local government) planning schemes (Figure 10).

Operating as a separate entity within the Department of Local Government, Planning, Sport and Recreation, the Office reports directly to the Deputy Premier, Treasurer and Minister for Sport on all regional planning and policy matters.

The Office will work with local governments in the region, through the Regional Coordination Committee and the South East Queensland Regional Organisation of Councils, and with business and community groups to develop the new SEQ Regional Plan.

The Plan will identify areas suitable for urban development, and regional business/economic centres, as well as areas of regional importance (to the landscape) such as rural areas to be retained as non-urban, regional open space, water catchments and land that is of high environmental or scenic value. The amendments to the IPA will protect these regional landscape areas (areas of regional importance). The amendments to the IPA will also provide the Minister responsible for urban management in SEQ with legislative powers to ‘call in’ development applications that are inconsistent with the SEQ Regional Plan.

A draft of the Plan is expected to be completed by the end of October 2004 for stakeholder and public consultation prior to finalisation by mid 2005.

The Office will also prepare a regional infrastructure plan and have the power to ensure that major capital works and infrastructure programs of State agencies and local governments align with, and support implementation of, the Regional Plan. To better coordinate infrastructure planning and development with the Budget process, the Office will work with Queensland Treasury to ensure major infrastructure projects are programmed into Budget Forward Estimates sufficiently ahead of time to ensure infrastructure is delivered when required by the Regional Plan.

Figure 11: Composition of gross fixed capital formation in Queensland, five-year average, 1998-99 to 2002-03

<table>
<thead>
<tr>
<th>Description</th>
<th>Capital Formed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>(21.9%)</td>
</tr>
<tr>
<td>Private</td>
<td>(78.1%)</td>
</tr>
<tr>
<td>State &amp; local</td>
<td>(18.2%)</td>
</tr>
<tr>
<td>Commonwealth</td>
<td>(3.7%)</td>
</tr>
<tr>
<td>Business</td>
<td>(52.2%)</td>
</tr>
<tr>
<td>Housing</td>
<td>(12.8%)</td>
</tr>
<tr>
<td>Other</td>
<td>(15.0%)</td>
</tr>
</tbody>
</table>

The Government’s policy role in the reform of key infrastructure industries, such as water and energy, also represents a critical factor in generating economy-wide productivity improvements and encouraging investment in infrastructure. For example, the Queensland Government’s Office of Energy is participating in the Ministerial Council on Energy’s review of gas market arrangements to support private sector investment in gas infrastructure to meet rapidly growing demand.

In order to meet the infrastructure needs of the State’s growing population, the Queensland Government also continues to encourage private sector investment in public infrastructure delivery, when it can be shown the State will achieve a better value for money.
outcome. There are currently eight major infrastructure projects that have progressed beyond the preliminary assessment stage of the Government’s Public Private Partnership Policy and Value for Money Framework, including the Southbank Education and Training Precinct. (See Budget Paper No. 3 for more information on the private sector’s contribution to the delivery of public infrastructure.)

**Responding to population ageing**

Population ageing raises the importance of increasing real per capita incomes to address the potential fiscal pressures associated with ageing. Real incomes can be increased by raising productivity (output per hour worked) or by increasing workforce participation (total hours worked). By identifying these key drivers of growth – productivity and participation – the economic strategy plays a significant role in informing the State Government’s response to population ageing. The Queensland Government is pursuing a number of complementary policies and initiatives to increase productivity and labour force participation through a focus on innovation and human capital.

**Innovation**

Innovation is a core part of the Government’s Smart State vision and broader economic strategy, reflecting the role of innovation as a primary source of productivity growth and improved living standards. Innovation, the process of converting ideas and knowledge into goods and services valued by the community, will represent a critical source of economic growth as the population ages.

The Queensland Government’s innovation strategy has three elements – providing research and development infrastructure to increase the innovative capacity of the economy, promoting public-private joint ventures where public sector innovations are developed into commercial products of broad community benefit, and ensuring an environment conducive to innovation.

In August 2003, as part of *Queensland the Smart State – Investing in Science: Research, Education and Innovation*, the Government announced an additional $100 million in investment towards research and development infrastructure and research projects over four years. This Budget supports the Government’s commitment to innovation with $43 million allocated to new programs and projects over the five years commencing in 2004-05.

**Human capital**

The Queensland Government recognises the importance of investing in human capital as a means of raising labour force participation and productivity. Increases in human capital – the stock of knowledge, skills and attributes available in the workforce – represent a significant driver of improved employment outcomes, productivity growth and higher living standards (Table 1). The Government is playing a proactive role in increasing the State’s human capital by investing in education, training and health, implementing measures to increase the capacity for people to participate in the labour force, and encouraging skilled migration to Queensland.

![Table 1: Labour force outcomes by education level, Australia, 2003](https://example.com/table1)

<table>
<thead>
<tr>
<th>Highest level of education</th>
<th>Labour force outcomes Participation rate</th>
<th>Unemployment rate</th>
<th>% with gross weekly income &gt;$1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postgraduate degree</td>
<td>89.4</td>
<td>3.1</td>
<td>45.4</td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>86.5</td>
<td>3.1</td>
<td>29.2</td>
</tr>
<tr>
<td>Advanced diploma / diploma</td>
<td>82.6</td>
<td>4.2</td>
<td>16.9</td>
</tr>
<tr>
<td>Certificate III / IV</td>
<td>87.2</td>
<td>4.1</td>
<td>11.3</td>
</tr>
<tr>
<td>No post school qualification</td>
<td>66.9</td>
<td>8.6</td>
<td>4.4</td>
</tr>
</tbody>
</table>


Sources: ABS 6227.0, ABS Census of Population and Housing 2001, unpublished data

**Investing in education and training**

The Government’s commitment to education and training is reflected in the Queensland State Education – 2010 strategy and Queensland the Smart State – Education and Training Reforms for the Future (ETRF) package. Recognising the link between education and employment outcomes, the strategy aims to lift the Year 12 completion rate from 68% in 1998 to 88% in 2010. The ETRF package introduces a range of initiatives to ensure young people complete at least a Senior Certificate or Certificate III vocational qualification. The reforms also include a full-time preparatory year of schooling prior to Year 1, along with improved curriculum, teaching and assessment in the Middle Phase of Learning. Queensland has allocated significant funding to senior school initiatives over the next four years to expand senior schooling pathways that lead to further education, training and work. Vocational education and training (VET) in schools is an important component of Queensland’s ETRF package.

In the context of population ageing, the ETRF package makes a significant contribution by developing the skills and capacity of the current generation of youth who will reach their prime working age as the baby-boomer generation retires.

**Investing in a healthy workforce**

Health can affect the ability of Queenslanders to participate fully in all areas of the community, including employment. The Queensland Government is committed to providing high-quality health care and supports the need to invest in preventative health and early intervention to improve the health outcomes.
of all Queenslanders and manage health care costs into the future. It is well recognised that many of the health gains over the next 20 years are to be made by targeting lifestyle factors and by influencing socioeconomic factors that have a significant role in determining people’s health and wellbeing.

The Smart State: Health 2020 Directions Statement provides a broad overview of the key directions for the Queensland health system and establishes the objective of Queensland Health, which is to promote the health and wellbeing of Queenslanders. Central to this objective is the provision of health promotion and illness prevention services, acute treatment and rehabilitation services, and health maintenance activities directed to people with chronic conditions.

**Providing quality workplaces**

The Queensland Government recognises the importance of quality workplaces to raising labour force participation and productivity. A quality workplace is one that is safe, supports effective relationships between management and employees, provides meaningful work, and supports a balance between work and other commitments, such as family responsibilities.

The Government supports quality workplaces through an industrial relations system that provides social justice for all employees and employers, assists in balancing work and family life, and ensures wages and employment conditions provide fair standards that are conducive to job creation and labour force participation.

**Supporting employment programs**

Employment programs form a key part of the State Government’s strategy to raise labour force participation. Despite the centrality of education and training to raising labour force participation, some groups within the community are unlikely to participate in the paid labour force without the assistance of targeted employment programs.

The Government’s Breaking the Unemployment Cycle initiative plays a crucial role in increasing the State’s overall human capital and the productive capacity of Queensland’s labour force. The initiative assists those job seekers least competitive in the labour market to develop skills through paid work experience on community projects, job preparation and employment and training assistance. It also helps to alleviate skills shortages through additional apprenticeships and traineeships. Implemented in 1998, the initiative comprises a suite of labour market programs that originally aimed to create over 56,000 apprentice, trainee and job placement opportunities over six years to June 2004 at a cost of $470 million. The Queensland Government has committed a further $278 million in funding, including up to $15 million for the Worker Assistance Program, to extend the initiative to 2006-07.

The initiative has already secured over 71,000 job placements, putting it on track to achieve over 100,000 by June 2007. Mature-age jobseekers will be among those to receive assistance over the next three years. Two new programs – Get Set for Work and the Youth Training Incentive – will target young people as part of the Government’s ETRF package.

**Encouraging labour force participation of older workers**

Encouraging workers approaching retirement to remain in the labour market is a critical strategy to increase labour force participation. However, ensuring older workers have access to the labour market is also important on social equity grounds, since employment provides the opportunity to build the savings necessary to support a comfortable lifestyle in retirement. Although much of the focus in developed economies has been on removing incentives to retire (through changes to retirement ages) and reform of superannuation, pensions and welfare, the Queensland Government supports positive strategies to encourage the participation of older workers in the labour force, such as addressing age discrimination, smoothing the work-to-retirement transition and promoting lifelong learning.

Retention of mature-aged workers is emerging as an important labour market issue and the Queensland public service workforce is not unaffected. The Queensland Government is currently implementing measures to encourage the extended participation of mature-aged workers in the public sector workforce. Encouraging the increased workforce participation of older workers ensures improved transfer and retention of valuable organisational knowledge and skills and increased scope and capacity for Queensland public sector agencies to continue to build highly skilled and committed workforces.

**Improving access to employment for disabled Queenslanders**

Disability can represent a significant barrier to full and inclusive participation in the community, including employment. People with a disability have the same right to work and contribute to society as other people, but they can find it much harder to get a job. For instance, across the OECD, employment rates for working age disabled people are nearly 30 percentage points lower, on average, than for non-disabled people.2

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The Queensland Government is committed to providing appropriate support to disabled Queenslanders with the ability and skills to participate in employment. Programs delivered by the Queensland Government, through Disability Services Queensland, provide valuable social and developmental support to prepare and equip disabled Queenslanders to participate in employment, and to ensure they are better able to sustain employment once employed. These programs offer a range of services, including assistance with the transition from education to work and coordinated access to employment services and work experience.

**Providing access to housing and public transport**

In some communities, lack of appropriate housing and inadequate transport can represent an impediment to labour force participation. The availability of public transport, especially for those without ready access to a car, is clearly important to facilitating access to the labour market. Similarly, secure, affordable, appropriately located housing can provide a stable base for people to participate in the labour force and education and training.

The Queensland Government provides a range of housing products and services to Queensland households and communities, while also seeking to facilitate the provision of affordable housing in the wider housing system. Through Transport 2007, the transport access plan for South East Queensland, and Translink (as discussed above), the Queensland Government is improving access to employment by focusing on the provision of an efficient, cost-effective, safe and equitable transport system. The Queensland Government has also developed several Integrated Transport Plans across the State focusing on modal and service integration and the integration of land use and transport planning.

**Encouraging skilled migration**

Skilled migration forms an important element of the Government’s economic strategy, as skilled migrants can assist in addressing local skills shortages and, by increasing the State’s human capital, support productivity growth. The Queensland Government actively encourages skilled migration and is implementing measures to increase Queensland’s share of net international migration, focusing on highly skilled and professional occupations as part of its Smart State strategy.

**Need for collaboration across governments**

The State Government’s economic strategy provides a significant response to Queensland’s demographic challenges. However, collaboration across all levels of government will be important in delivering a coherent and comprehensive strategy to respond to the pressures of population growth and, over the longer term, population ageing.

The importance of infrastructure as a platform for sustainable economic growth and affordable social service provision demands the effective coordination of infrastructure across tiers of government to ensure infrastructure is appropriately planned and funded. For instance, the new Office of Urban Management will adopt a cooperative model recognising that both State and local government are partners in the process of regional planning.

Inter-governmental coordination will be paramount in preparing coherent national responses to population ageing. The need for cooperation between tiers of government is reinforced by current inter-governmental financial arrangements, where decisions by the Australian Government have the capacity to affect the states’ abilities to afford future expenditure pressures. Accordingly, there is a need for the Australian Government to work with the states and ensure that its decisions do not compromise the capacity of the states to meet the demands of an ageing population.
Population projections for Queensland and its statistical divisions

This article is a summary of an article in People and Place and was prepared by Tom Wilson, Martin Bell, Glen Heyen and Alison Taylor.

The Queensland Government recently released its 2001-based population projections for the State and its statistical divisions. This article reports on the main features of the projections to 2051 at the State level and to 2026 at the statistical division level, the various projection assumptions made, and the new multiregional projection model written specifically for this round of projections. The projections indicate that Queensland is likely to experience substantial population growth in coming decades, an increasing concentration in the south-east, and significant population ageing.

Introduction

Between 1951 and 2001, Queensland’s population grew from 1.2 million to 3.6 million. According to the medium series of the recently released 2001-based Queensland Government population projections, the State’s population is likely to increase by a further 2.9 million over the next 50 years, passing 5 million in 2022, and reaching 6.5 million by 2051. In comparison, the projected growth rate exceeds the United Nations 2000-2050 medium series projection for the world as a whole and also for the world’s less developed regions.

This paper describes the method, assumptions and results of the new projections. It begins with a brief description of the new multiregional projection model used to produce the projections. It then describes the projection assumptions made in each of the low, medium and high series before presenting selected highlights of the future characteristics of Queensland’s population. Table 1 shows summary statistics on the projection assumptions and results.

Further details of the projected populations and components of change for the State and statistical divisions are available from the Office of Economic and Statistical Research (OESR) website at http://www.oesr.qld.gov.au/releases/populationprojections.

The model

For this round of population projections, the Queensland Centre for Population Research (QCPR) at the University of Queensland developed a new population projection model called SPARQ (Subnational Projections for Australia and Regions of Queensland). SPARQ is a multiregional cohort component model that has the capability to provide population projections by sex and single years of age from 0 to 99 and 100+ over a projection horizon of up to 100 years for Queensland, a variable number of substate regions and Australia as a whole.

As a ‘multiregional’ model, it treats internal migration as directional flows rather than as net migration. There are several advantages in using directional flows:

- There is no such thing as a net migrant, so the modelling of place to place migration flows better represents demographic reality. Multiregional models treat states and regions as part of a wider interacting demographic system where the flows of migrants between regions depend, among other factors, on the size and age-sex composition of each region’s population. Since these change over time, it makes little sense to fix the value of net migration.
- In a similar way, many net migration models incorporate fixed age profiles of net migration. However, the age profile of net migration would be expected to change over time with population ageing.
- The third important advantage is a practical one. Multiregional models avoid the potentially embarrassing situation that may arise with a net migration model when it projects more net out-migration in some age-sex groups than there is population, thus giving nonsensical population estimates.

Table 1: Queensland Government population projections 2003, summary statistics

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-run total fertility rate</td>
<td>1.40</td>
<td>1.60</td>
<td>1.80</td>
</tr>
<tr>
<td>Life expectancy at birth</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Males, 2050-51</td>
<td>87.8</td>
<td>87.8</td>
<td>87.8</td>
</tr>
<tr>
<td>Females, 2050-51</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Migration</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net internal migration</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2005-06</td>
<td>27.7</td>
<td>29.3</td>
<td>30.7</td>
</tr>
<tr>
<td>2025-26</td>
<td>17.5</td>
<td>26.5</td>
<td>35.9</td>
</tr>
<tr>
<td>2050-51</td>
<td>11.7</td>
<td>24.5</td>
<td>38.4</td>
</tr>
<tr>
<td>Long-run net international</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2026</td>
<td>28.3</td>
<td>29.5</td>
<td>34.0</td>
</tr>
<tr>
<td>2031</td>
<td>45.4</td>
<td>58.4</td>
<td>53.5</td>
</tr>
<tr>
<td>2041</td>
<td>64.2</td>
<td>71.5</td>
<td>68.7</td>
</tr>
<tr>
<td>2051</td>
<td>79.1</td>
<td>90.0</td>
<td>87.8</td>
</tr>
</tbody>
</table>

| Components of change      | —         | —        | —         |
| Natural increase          | —         | —        | —         |
| 2005-06                   | 20.3      | 22.4     | 24.5      |
| 2015-16                   | 12.4      | 20.2     | 28.3      |
| 2025-26                   | 3.2       | 16.2     | 30.1      |
| 2050-51                   | -23.3     | -2.2     | 24.3      |
| Net migration             | —         | —        | —         |
| 2005-06                   | 45.4      | 48.6     | 51.9      |
| 2015-16                   | 36.0      | 43.7     | 53.3      |
| 2025-26                   | 29.5      | 42.5     | 55.9      |
| 2050-51                   | 23.7      | 40.5     | 58.4      |
| Age structure             | —         | —        | —         |
| Median age                | —         | —        | —         |
| 2026                      | 42.6      | 41.7     | 40.8      |
| 2051                      | 49.1      | 47.3     | 45.6      |
| Persons 65 and over       | —         | —        | —         |
| 2026                      | 20.3      | 20.0     | 19.7      |
| 2051                      | 28.3      | 27.7     | 27.1      |

The way in which internal migration is projected is one of the major distinctions between SPARQ and the ABS subnational population projection model. Like SPARQ, the Australian Bureau of Statistics model projects directional migration flows. However, the ABS model then scales these migration figures to predefined net internal migration totals for each state and region. The consequence is that the age structure of net migration responds to the changing age-sex structures of the regional populations but not to their changing geographical weights. In a series of projection experiments conducted by the first two authors of this article, it has been shown that substantial differences in projected populations may arise by constraining directional migration flows to net totals in this way.

**Projection assumptions**

Three projection series – high, medium and low – were formulated for this round of projections. The fertility, mortality, internal migration and international migration assumptions used in each of the series were prepared by the Queensland Government Population Projections Advisory Group. A number of agencies were invited to participate on this advisory group. Membership of this group was taken up by the Department of Local Government, Planning, Sport and Recreation, the Department of the Premier and Cabinet, Queensland Treasury and Queensland Health. QCPR was also invited to participate on this advisory group. The assumptions are discussed in turn.

**Fertility**

Total fertility rates (TFRs) in Queensland and Australia, and in other developed countries, have been generally trending downward since the 1970s. Recent trends include a sharp fall in fertility rates for women in their 20s being partly offset by rising rates for women in their 30s and 40s. There is little evidence to suggest that this overall downward trend is about to change.

For the medium series, Queensland’s TFR is assumed to decline to 1.60 by 2020-21, remaining constant thereafter. The low series assumes a faster decline over the next two decades to 1.40, while the high series is set at a constant 1.80 throughout, approximately maintaining recent fertility levels. Projected TFRs for the statistical divisions were prepared by applying scaling factors calculated from the experience of the past decade. These are shown in Table 2. The scaling factors are assumed to remain constant over time.

**Mortality**

Mortality rates fell substantially in the first half of the twentieth century due to the near eradication of infectious diseases. Since the 1970s, rates have mainly fallen due to declining death rates for older people, raising life expectancy at birth from 68.2 years to 77.7 years for males and from 74.7 years to 82.8 years for females over the period 1971-2001. There are signs that further substantial reductions may be difficult to achieve.

For all three projection series, life expectancy at birth is assumed to reach 88 years for males and 90 years for females by 2050-51. As with fertility, projected figures for life expectancy at birth for the statistical divisions were obtained by applying scaling factors based on trends over the 1990s (see Table 2).

**Internal migration**

Net migration to Queensland from other states and territories has trended upwards since the 1970s. A continued modest rise to 2050-51 assumes increasing mobility, with continued professionalisation of the workforce, rising incomes, greater experience of places through wider travel, and an increasingly flexible labour market, where changes of employment are likely to be more frequent.

For the medium series, the rate of out-migration from Queensland to the rest of Australia is assumed to rise by 15% over the period to 2050-51, while the rate of in-migration is projected to decrease by 30%. The larger rise for in-migration assumes that as the population grows, the State will become increasingly attractive to interstate migrants, both for job-related moves and for retirement and lifestyle. The low series assumes the rates of migration to and from Queensland will remain constant, while the high series assumes a 30% rise in the rate of out-migration and a 60% rise in the rate of in-migration over the period.

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Table 2: Total fertility rates (TFRs) and life expectancy at birth (e0) scaling factors by statistical division, Queensland

<table>
<thead>
<tr>
<th>Division</th>
<th>TFR factor</th>
<th>e0 factor Males</th>
<th>e0 factor Females</th>
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For both interstate and intrastate migration at the statistical division level, out-migration is assumed to rise in line with the Queensland rates, while in-migration is assumed to rise faster in Brisbane, Moreton and Wide Bay-Burnett statistical divisions than in the State as a whole. Moreton’s in-migration is assumed to rise faster than Brisbane’s due to land supply constraints in the latter.

**International migration**

Data from the past 30 years shows Sydney as the country’s principal entry point for international migrants and this is unlikely to change. Therefore, relatively low net international migration shares for Queensland are assumed to continue, with net increases set at 12,000, 16,000 and 20,000 persons respectively for the three projection series, equal to 16% of the net increase assumed for Australia in each case. The distribution of net international migration to statistical divisions is based on a combination of census data and qualitative assessment.

**Results**

**Queensland**

Figure 1 shows how Queensland’s population is projected to increase over the first half of this century according to the high, medium and low series. Under the medium series, the State’s population is projected to rise from 3.6 million to 5.3 million over the period 2001–2026, an increase roughly equal to the current population of Brisbane Statistical Division. This 46% increase compares with a 2001-2026 medium series projected growth of 22% for the rest of Australia (from 15.8 million to 19.2 million).

Interstate migration also plays a role in the projected easing in Queensland’s population growth. Although both in-migration and out-migration numbers are projected to rise significantly in the coming decades, the net balance of interstate migration declines slightly under the medium series, falling from 29,000 in 2001-02 to 25,000 by 2050-51. This may seem counter-intuitive for Australia’s growth state. Queensland’s attractiveness to interstate migrants is expected to grow throughout the projection period, with a large rise in in-migration. However, out-migration is projected to grow slightly faster, and this is simply due to Queensland’s more rapid growth generating a proportionally larger population likely to migrate.

Despite this slowdown, under the medium assumption, Queensland’s 18.7% share of the national population in 2001 is set to grow to 21.6% by 2026 and 23.4% by 2051.
As well as being home to a much larger population in the next few decades, Queensland will also have a much older population. Figure 3 depicts the evolving age-sex structure of the State’s population at 25 year intervals: 1976, 2001, 2026 and 2051. The largest absolute increases are in the older age groups, while the largest percentage increases are at the oldest ages. For example, the population aged 90 years and over is projected to grow from just 14,000 in 2001 to 182,000 by 2051. Summary statistics on these age structure changes, including figures for the rest of Australia, are shown in Table 3. These indicate that by mid century Queensland’s population will be slightly older than that of the rest of the country – driven to some extent by a projected retirement element in the State’s age profile of in-migration.

The ageing of the population will undoubtedly have a great variety of consequences for the social and economic life of Queensland in the future – changing patterns of consumer demand, changing health care requirements and a different workforce composition. But ageing also has implications for several demographic indicators. One of these is the sex ratio. Because of differences in male and female mortality and the substantial projected growth of the elderly age groups, the overall sex ratio of Queensland’s population will fall slightly, from 99.1 males per 100 females in 2001 to 98.1 per 100 by 2051.

**Statistical divisions**

Table 4 summarises the projections of total population size at the statistical division level. In terms of total population growth, three groupings of statistical divisions may be distinguished:

- the very high growth regions of Moreton and Wide Bay-Burnett;
- the western Queensland regions, with little projected change in population size (North West, Central West and South West); and
- the moderately high growth of the other coastal and near coastal regions (all other statistical divisions).

The fastest growing region, Moreton, is projected to grow by 81% over the 25 years to 2026 according to the medium series projections. The high growth of Moreton and Brisbane is expected to give south-east Queensland a population in 2026 equivalent to that of the whole of Queensland today. The differences in projected rates of population growth among the statistical divisions result in a shifting geographical distribution of Queensland’s population towards the east coast and the south-east. Figure 4 shows how each statistical division’s share of the State’s population is expected to change over the 2001-2026 period.

In terms of age structure, Queensland’s statistical divisions present a wide variety of profiles, ranging from the youthful North West to the already quite aged profile of Wide Bay-Burnett. Table 5 shows
projected changes in the median ages of the statistical divisions between 2001 and 2026. It shows that all regions are expected to age considerably over the period, averaging 6.7 years according to the medium series. While there are few changes in rankings, Northern and North West are likely to remain the youngest, and Wide Bay-Burnett and Moreton the oldest by quite a margin.

Figure 5 shows the demographic drivers of these projected regional population changes. The figure plots the 2001-2026 averages of the crude rate of natural increase (CRNI) and the crude net migration rate (CNMR). The sum of these rates gives the overall growth rate – represented in the graph by the distance from the diagonal dashed line. Figure 5 largely supports the tripartite classification of the statistical divisions suggested above. The two very high growth regions are projected to grow mostly from migration gains while the healthy natural increase of the three inland regions prevents major population decline from migration losses. The other regions will grow strongly from both the CRNI and the CNMR.

Figure 5: Medium series projected annual average crude rates of natural increase and net migration by statistical division, Queensland, 2001 to 2026

Note: CRNI – Crude rate of natural increase
CNMR – Crude net migration rate (comprises intrastate, interstate and international migration)
Conclusion

Queensland is likely to experience very significant population change in coming decades. Although the future population cannot be predicted with a high degree of precision, particularly more than a generation ahead, the broad features of Queensland’s demography in the first half of this century are certain: substantial population increase, substantial ageing, and an increasing concentration in the south-east and coastal areas. The prospect of a mid-century Queensland population equivalent to that of New South Wales today, and south-east Queensland housing the current population of Sydney, will provide today’s and tomorrow’s policy makers with some challenges.

Acknowledgement

The Queensland Government 2003 population projections were produced through a collaborative research agreement between the Queensland Government’s Office of Economic and Statistical Research (OESR) and the Queensland Centre for Population Research (QCPR). Funding was provided by OESR and the University of Queensland.

Endnotes

1. This article was prepared by Tom Wilson and Martin Bell of the Queensland Centre for Population Research, University of Queensland, Glen Heyen of the Office of Economic and Statistical Research, Queensland Treasury, and Alison Taylor of the Planning Information and Forecasting Unit, Department of Local Government, Planning, Sport and Recreation. The views expressed in this article are those of the authors and do not necessarily represent the official position of the Queensland Government. This article has been summarised from the original article that appeared in People and Place, vol. 12, no. 1, pp. 1-14, 2004.
6. Following standard demographic practice, we use the term ‘internal migration’ to refer to migration within Australia and ‘international migration’ to describe migration exchanges with other countries. A distinction between ‘interstate’ and ‘intraggregate’ internal migration is made. The terms ‘in-migration’ and ‘out-migration’ are used respectively to describe inward and outward internal migration, while inward international migration flows are ‘immigration’ and outward flows ‘emigration’.
15. A. Taylor, op. cit.
17. Authors’ calculations based on ABS mortality counts and estimated resident populations.
18. V. Kannisto, ‘Mode and dispersion of the length of life’, Population: An English Selection, vol. 13, 2001, pp. 159-172. Using a mortality database for 13 industrialised countries judged to have high quality data, the author shows that the increasing modal age of death as measured by the life table function n_d, has been accompanied by a gradual compression of deaths around the mode. Kannisto states that ‘this may be interpreted to mean that the prolongation of life is meeting increasing resistance’ (p. 169). Life tables calculated for 1971-2001 indicate that this modal age at death–compression relationship also holds for Australia.
19. The internal migration assumptions were formulated in terms of gross migration rates (GMRs). The GMR is a single index summary of age-specific migration rates analogous to the TFR. It can be interpreted as the average number of migrations a person would make in their lifetime from one region to another assuming constant age-specific rates and an absence of mortality. See A. Rogers, R. Raquillet & L.J. Castro, ‘Model migration schedules and their applications’, Environment and Planning A, vol. 10, 1978, pp. 475-502.
### Major economic indicators by state

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<tr>
<th>Indicator</th>
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<th>Data period</th>
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<th>NSW</th>
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<th>WA</th>
<th>Tas</th>
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<td>1.8</td>
<td>2.1</td>
<td>1.6</td>
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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, except state final demand. Remaining data, i.e. for other states, Australia, and state final demand for Queensland, 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
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 7315.0

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

Retail trade
Source: ABS 8501.0

Residential building approvals
Source: ABS 8731.0

Queensland commodity price indices
Source: Queensland Treasury

Red meat production and wool receivals
Source: ABS 7315.0

New motor vehicle sales
Source: ABS 9314.0

Private non-residential construction indicators
Source: ABS 8731.0, 8752.3 and 8762.0

Coal production
Source: ABARE, Quarterly Mineral Statistics

Overseas merchandise exports
Source: ABS 5422.0
Commodity price charts

Note: All charts show quarterly average data.

**Sugar prices**
(US cents/pound, quarterly)
Source: New York Commodities Exchange

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

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

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

**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

**Gold prices**
($US/ounce, quarterly)
Source: New York Mercantile Exchange

**Aluminium and copper prices**
($US/t, quarterly)
Source: London Metals Exchange

**Nickel and lead prices**
($US/t, quarterly)
Source: London Metals Exchange
# 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
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- State and National Economics Sites
- International Economics Sites

Research Papers
- Various
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