Labour market

Queensland’s trend unemployment rate fell to 5.0% in October, the fourth consecutive month it has been lower than the rate for the rest of Australia, and the lowest rate since the inception of the current series. Queensland recorded strong trend employment growth of 0.5% in October 2004, the fifth consecutive month of growth at or above 0.5%. In comparison, jobs growth in the rest of Australia over the same period has been marginal.

Retail turnover

Nominal retail turnover (trend) rose 0.6% in Queensland for the second month in a row in September 2004, and by 8.1% over the year. In comparison, retail turnover growth in the rest of Australia eased to 0.2% in September, down from 0.3% in August, and was 5.1% over the year.

Investor monitor

The September quarter 2004 Investment Monitor reports that the total value of investment projects (under construction, committed, under consideration and possible) in Queensland increased by 2.8% in the September quarter to $58.1 billion.

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Queensland’s trend unemployment rate fell to 5.0% in October, the fourth consecutive month it has been lower than the rate for the rest of Australia, and the lowest rate since the inception of the current series in 1978. The State’s unemployment rate is now the second lowest of all the states (Western Australia 4.8%). The fall in Queensland’s unemployment rate has occurred despite the participation rate increasing 0.7% point over the year to be 65.5% in October 2004.

Queensland recorded strong trend employment growth of 0.5% in October 2004, the fifth consecutive month of growth at or above 0.5%. In comparison, jobs growth in the rest of Australia over the same period has been marginal (0.0% to 0.1%). Queensland has now recorded the strongest jobs growth of any state in each month since April 2004.

Full-time employment growth (8,400 jobs) in the State in October continued to drive total jobs growth (9,800 jobs), and represented the largest increase in full-time jobs of any state. Similarly, strong full-time employment growth of 90,900 jobs over the year drove total jobs growth in Queensland.

Retail turnover

Nominal retail turnover (trend) rose 0.6% in Queensland for the second month in a row in September 2004. In annual terms, Queensland’s retail trade grew by 8.1% over the year to September, markedly stronger than all other states with the exception of Western Australia. In comparison, retail turnover growth in the rest of Australia over the same period has been marginal (0.0% to 0.1%). Queensland has now recorded the strongest growth of any state in each month since April 2004.

The recent strong growth in monthly nominal data was also reflected in a strong increase in quarterly real retail trade, which rose by 1.5% in trend terms in September quarter 2004. However, this quarterly growth rate represents an easing from a historical high of 4.0% in September quarter 2003. Annual growth in real retail trade also eased, from 12.0% in June quarter 2004 to 9.3% in the September quarter. In the rest of Australia, real retail trade growth (trend) was 1.0% in the September quarter and 5.5% over the year.

Retail trade growth over the past year in Queensland has been underpinned by excellent labour market conditions, high levels of consumer confidence and housing activity, as well as continued solid population growth. These factors are likely to continue to sustain retail turnover growth in coming months, although continued high fuel prices have the potential to adversely affect discretionary incomes and reduce retail spending.

Dwelling approvals

After tentative signs of strengthening over the past several months, the number of dwelling approvals in Queensland weakened in September 2004, declining 1.3%. Trend data now indicate that the total number of approvals has declined in each of the past 12 months, to be 15.4% lower over the year to September. Private sector house approvals have declined for the past 10 months, while approvals of other residential buildings (units, townhouses etc) rose steadily between March and August 2004, before declining in September. In the rest of Australia, a similar pattern has occurred with total approvals declining in nine of the 12 months to September 2004, to be 11.1% lower over the year.

The September data indicate that approvals have now declined steadily for a year, and suggest that new dwelling approvals in the State may continue to moderate in the coming months. Housing finance approval data also suggest that the demand for new housing has flattened, with the number of finance approvals for the construction of new dwellings for the three months to August 2004 remaining around the same as in the previous three month period.

However, the number of dwelling approvals in Queensland remains at a relatively high level, and the large volume of residential building work still in the pipeline should sustain total dwelling investment over the coming quarters. The prospect of imminent interest rate rises now appears less likely, which should underpin confidence amongst home buyers. Dwelling investment also continues to be supported by solid population growth in the State, and by strong growth in alterations and additions activity, which increased 12.5% over the year to June quarter 2004.
The headline Brisbane consumer price index (CPI) rose 0.3% in the September quarter, while annual growth in consumer prices eased substantially from 3.2% in the June quarter to 2.4% in the September quarter. In comparison, the national headline CPI rose 0.4% in September quarter 2004, while the annual inflation rate moderated from 2.5% in the June quarter to 2.3% in the September quarter, remaining within the Reserve Bank’s 2% to 3% target range.

Nationally, consumer price rises in the September quarter were driven primarily by increases in housing and transport costs. The increase in housing costs was partially a result of increased rent and housing purchase costs, but also included a strong contribution from utilities and rates costs, which regularly increase in the September quarter. Transport costs were boosted by a strong rise in the cost of crude oil in the September quarter which was reflected in a 3.3% increase in automotive fuel costs. However, this rise was partially offset by a 1.8% decrease in the cost of purchasing a motor vehicle. In contrast, food prices (in particular, fruit and vegetable prices) fell markedly in the September quarter, after having contributed substantially to increases in the CPI over the previous year. Brisbane CPI growth in the quarter reflected movements in similar components to that nationally.

Investment monitor

According to the latest Investment Monitor published by Delta Electricity and Access Economics, the total value of investment projects in Queensland increased by 2.8% in September quarter 2004, exceeding growth in NSW, Victoria, and Western Australia. The total value of investment projects in Queensland increased to $58.1 billion in the September quarter, to be 5.3% higher over the year. The value of definite projects (i.e. those under construction or committed) rose 2.0% in the September quarter to $20.3 billion, and was 16.7% higher than a year earlier.

A number of major public infrastructure projects were completed in Queensland during the September quarter, including the Royal Brisbane and Royal Women’s Hospitals redevelopment at Herston, the Cairns Cityport development (stage 1) and the sugar storage and distribution facility at Port of Townsville. In addition, Queensland Alumina completed an upgrade of their Gladstone alumina plant, while Rio Tinto (in conjunction with Queensland Rail) completed construction of a rail line between their Hail Creek coal mine and the Bowen Basin coal fields.

The outlook for major projects investment remains very positive in Queensland’s coal industry, with the Wesfarmers Curragh North coal project upgraded to committed status, while construction has proceeded on Xstrata’s Rolleston open-cut project and BHP Billiton’s coal preparation plant at Blackwater. A number of other significant resource-based projects were proposed in September quarter 2004, including a possible further expansion of Comalco’s Gladstone alumina refinery and a possible upgrade of capacity at Dalrymple Bay coal terminal.

The national price index for market sector goods and services, which excludes the more volatile items, rose 0.3% in the September quarter, to remain 1.2% higher over the year. This equals the lowest annual growth in “underlying” inflation recorded since the inception of the series in 1987. The underlying rate of inflation for Brisbane also increased by 0.3% in September quarter 2004, while the annual rate eased substantially, from 2.2% in the June quarter to 1.5% in the September quarter.

Business surveys

The latest National Australia Bank (NAB) Quarterly Business Survey reported a further improvement in business conditions in Queensland in September quarter 2004, with the State’s business conditions index (BCI) increasing 5 percentage points to 38%. In comparison, the national BCI rose 3 percentage points to be 19% in the September quarter. Queensland’s BCI has now been higher than that recorded nationally for three years and has remained positive for 13 consecutive quarters.

Of the three components which comprise the overall BCI for Queensland, both trading performance (up 9 percentage points to 38%) and profitability (up 10 percentage points to 31%) improved strongly in the September quarter, while the index measuring employment intentions (down 4 percentage points to 21%) declined marginally. All three components of the BCI in Queensland continue to remain well above those reported nationally (trading performance 27%, profitability 19% and employment 10%). Further, all three indexes are expected to improve (in the December quarter) from their already high levels and remain above those nationally.

The NAB reports that the improvement in September quarter business conditions in Queensland was in a large part due to relatively stronger activity in the retail and construction sectors as well as stronger export sales.

The continued improvement in the Queensland business conditions index in the September quarter implies that economic growth is likely to have remained strong during the September quarter, following on from solid growth over the 2003-04 financial year. Additionally, Queensland business confidence remains positive, with a further improvement in business conditions expected for the December quarter.
**Interest rates**

- The recent RBA Quarterly Statement on Monetary Policy reiterated that official interest rates are likely to rise further at some stage in the current economic cycle. However, despite the RBA’s comments, financial markets have priced in little chance of a rise in interest rates in the short term, with the yield on 90-day bank bills remaining below 5.50% throughout the month to early November.

- Long-term interest rates fell slightly over the month to early November, with the yield on the Commonwealth 10-year bond dropping to 5.30% in mid-October before recovering to around 5.50% in early November. Despite the slight recovery, 10-year bond yields remain below the recent peak recorded in May 2004, in part due to concerns about the effect of high oil prices on international economic growth.

**Exchange rates**

- The $A rose above $US75c during the month to early November, as the $US fell against most major currencies following the US presidential election. Currency markets responded to renewed concerns of a worsening of the $US current account deficit, causing the $US dollar to fall against the Japanese Yen, the Euro and the UK Pound over the month to early November.

- The $A trade-weighted index also gained ground over the month, although it did not match the gains in the $A/$US exchange rate, with the $A remaining fairly stable against major currencies other than the $US.

**Sharemarkets**

- The Australian share market continued to improve steadily over the month to early November, extending the upward trend it has experienced since March 2003. The ASX All Ordinaries index has now risen by more than 17% over the past year, and is currently at record highs.

- Global share markets were mixed over the month, with most share indexes falling in mid-October before recovering in early November. As a result, share markets in the US and Europe recorded only marginal changes over the month, while markets in Japan and Taiwan fell slightly.

**Queensland commodity prices**

- The weighted index of international prices for Queensland’s major commodity exports fell in both $A and SDR terms, by 3.6% and 2.0% respectively in October 2004. A 4.3% appreciation in the value of the Australian dollar against the $US dollar (in monthly average terms) resulted in a greater fall in the index in $A terms.

- In $A and SDR terms, the agricultural index fell by 3.1% and 1.5% in October. The average price of beef exports fell in October, driven by declines in the price of beef exports to both Japan and the United States (down 2.5% and 10.2% respectively). World prices of cotton and wool exports also fell by 7.4% and 3.4% respectively. Meanwhile, the world price of sugar rose by 7.7% in October.

- The Minerals Index fell by 3.8% and 2.2% in $A and SDR terms respectively in October, mainly as a result of the impact of an appreciation of the $A on coal prices. World metals prices fluctuated significantly during October. However, in monthly average terms, world prices of aluminium and copper rose by 7.6%, 5.5% and 3.7% respectively. The world prices of silver and zinc also rose, while lead prices remained relatively unchanged in October.

Note: The components of the Queensland Commodity Price Index have recently been re-weighted to reflect their current shares of total Queensland exports. Accordingly, the index is not directly comparable with those published in previous editions of the Queensland Economic Update.

Sources: Data used to construct the charts on financial indicators are sourced from Reuters and Datastream. Charts on commodity price indices are sourced from Queensland Treasury.
In July 2004, Queensland’s trend unemployment rate, at 5.6%, reached the national rate for the first time in over a decade (Figure 1). Since then, the trend unemployment rate in Queensland has fallen a further 0.6 percentage point to 5.0%, compared with a fall of only 0.1 percentage point nationally (to 5.5%). This margin between the national and Queensland trend unemployment rates of 0.5 percentage point has only ever been exceeded once in the history of the current ABS Labour Force series. In addition, the trend unemployment rate in Queensland is now lower than at any time in the history of this series and is 0.7 percentage point below its previous low in June 1981. This month’s FYI reviews the recent performance of the Queensland labour market which has led to this remarkable result.

For example, there needed to be over 70,000 jobs created in Queensland in the year to October 2004 merely to match the number of entrants into the Queensland labour force. (Queensland made up nearly 39% of national labour force growth over the year to October.)

The growth in the labour force is made up of two components: growth in the number of working-age adults in the population (the civilian population); and increases in the proportion of those in work or looking for work (the labour market participation rate). Both of these components have contributed to rapid labour force growth over the past year.

Civilian Population Growth
Queensland’s more rapid population growth over recent years has added to the challenge of reducing the State’s unemployment rate. Queensland’s civilian population has been growing around one percentage point faster than nationally for the past two years.

Labour Market Participation Rates
Compounding this rapid growth in the number of working-age adults in Queensland has been the increase in the proportion of these people who are either in employment or are actively looking for employment. Queensland, in recent decades, has had a higher participation rate than Australia as a whole (Figure 3). This differential has recently increased to nearly 2 percentage points, with Queensland’s participation rate at 65.5% now the highest of any state. This increase is the result of previously discouraged workers re-entering the labour force, actively looking for employment, encouraged by the recent strong employment growth in Queensland. While this is an indicator of a healthy job market, it does make the task of reducing unemployment harder.

Number of unemployed persons
Despite the surge in the labour force which has occurred over 2004, the strong employment growth this year has resulted in a large fall in both the trend unemployment rate and in the number of unemployed in Queensland. With 93,000 jobs created over the year to October 2004, the number of unemployed persons fell by 22,500. Nationally, despite much lower labour force growth, the number of unemployed only fell by 28,400 (jobs growth of 210,800 less labour force growth of 182,400). As a result, Queensland’s share of national unemployment was 18% in October 2004, below its population share. The past few months represent the first period that this has occurred since early 1995.
Major economic indicators by state

<table>
<thead>
<tr>
<th>Indicator</th>
<th>ABS Cat. no.</th>
<th>Data Period</th>
<th>Growth</th>
<th>Qld as % of Aust</th>
<th>Growth Rate</th>
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<tbody>
<tr>
<td>Household Final Consumption Expenditure</td>
<td>Jun-04 (q)</td>
<td>Annual</td>
<td>18.0</td>
<td>11.2</td>
<td>4.4</td>
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<td>Private Gross Fixed Capital Formation</td>
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<td>20.1</td>
<td>12.0</td>
<td>7.9</td>
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<td>Public Final Demand</td>
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<td>5.9</td>
<td>1.6</td>
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<td>State/National Final Demand</td>
<td>Jun-04 (q)</td>
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<td>18.3</td>
<td>10.2</td>
<td>4.5</td>
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<tr>
<td>Exports</td>
<td>Jun-04 (q)</td>
<td>Quarterly</td>
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<td>Imports</td>
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<td>Quarterly</td>
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<tr>
<td>Gross State Product/Gross Domestic Product</td>
<td>Jun-04 (q)</td>
<td>Annual</td>
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<td>na</td>
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<tr>
<td>Private Consumption</td>
<td></td>
<td></td>
<td>20.1</td>
<td>0.6</td>
<td>0.0</td>
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<tr>
<td>Retail Trade</td>
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<td>21.8</td>
<td>0.5</td>
<td>0.1</td>
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<td>New Motor Vehicle Sales</td>
<td>9314.0</td>
<td>Sep-04</td>
<td>12.4</td>
<td>-3.1</td>
<td>-0.4</td>
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<td>Dwelling Approvals (no.)</td>
<td>8731.0</td>
<td>Sep-04</td>
<td>24.7</td>
<td>-1.3</td>
<td>-2.6</td>
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<td>Dwelling Commitments (no.)</td>
<td>8752.0</td>
<td>Jun-04(q)</td>
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<td>3.1</td>
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<td>Non-residential Building Approvals (v) (o)</td>
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<td>23.1</td>
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<td>Engineering Construction Commitments (v) (o)</td>
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<td>1.6</td>
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<td>New Equipment (v)</td>
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<td>Jun-04(q)</td>
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<td>Population</td>
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<td>Mar-04(q)</td>
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<td>Labour Market</td>
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<td>Oct-04</td>
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<td>Unemployment Rate (l)</td>
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<td>Oct-04</td>
<td>5.1</td>
<td>0.6</td>
<td>2.6</td>
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<td>Labour Force</td>
<td>6202.0</td>
<td>Oct-04</td>
<td>6.3</td>
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<td>DEWR (b) Skilled Vacancy Survey</td>
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<td>Oct-04</td>
<td>3.6</td>
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<td>ANZ Job Advertisement Series</td>
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<td>Oct-04</td>
<td>9.2</td>
<td>-1.0</td>
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<td>Average Weekly Ordinary Time Earnings ($)</td>
<td>6302.0</td>
<td>Jun-04(q)</td>
<td>93.5</td>
<td>890.4</td>
<td>995.8</td>
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<tr>
<td>Consumer Price Index (o)</td>
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<td>Sep-04(q)</td>
<td>5.6</td>
<td>3.3</td>
<td>3.8</td>
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</table>

Note: All data are in trend terms unless otherwise indicated. Annual growth rate is the percentage change between the latest period (i.e. month or quarter) and the same period a year earlier. Monthly and quarterly growth rates represent growth on the previous period.

(a) The ABS Australian National Accounts, Cat. no. 5206.0, is the source of all State and Australian data on state/national final demand and its components.
(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

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For further economic and statistical information and analysis relating to Queensland, please refer to the Office of Economic and Statistical Research web site:

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