Labour market

- Despite an exceptional increase in labour force participation, the State’s unemployment rate has fallen 1.7 percentage points over the past year, to be 4.4% in March 2005. Queensland’s unemployment rate has been the lowest of any State for two consecutive months and has been below the national rate since August 2004.

Retail turnover

- In trend terms, nominal retail turnover in Queensland fell 0.2% in February 2005, but was 0.7% higher over the year. In the rest of Australia, retail turnover was up 0.1% in March and 1.5% over the year.

Overseas visitors

- According to the International Visitors Survey published by Tourism Research Australia, there were 1.96 million international visitors to Queensland in 2003-04, an increase of 7.7% on 2002-03. This represented 42% of the total number of international visitors to Australia in 2003-04.
Trend monthly employment growth in Queensland eased 0.1 percentage point, to be 0.4% in March 2005, following growth of 0.5% or 0.6% in each month since June 2004. Similarly, jobs growth in the rest of Australia eased 0.1 percentage point, to be 0.2% in March. Over the twelve months to March 2005, Queensland recorded outstanding jobs growth of 6.3% (or 117,000 jobs), more than double that in the rest of Australia (2.5%) and the largest increase of any state.

Part-time employment growth in the State of 5,400 jobs in March exceeded full-time jobs growth (3,100). However, total jobs growth over the year was driven by full-time employment growth of 82,000 jobs, which accounted for 41% of national full-time jobs growth. Part-time jobs growth over the year of 35,000 accounted for 31% of national part-time jobs growth. Both full-time and part-time jobs growth in Queensland represented growth well above Queensland’s 19.3% share of the national population.

The trend labour force participation rate rose by 0.1 percentage point above Queensland’s 19.3% share of the national population. For 41% of national full-time jobs growth. Part-time jobs growth over the year of 35,000 accounted for 31% of national part-time jobs growth. Both full-time and part-time jobs growth in Queensland represented growth well above Queensland’s 19.3% share of the national population.

The trend labour force participation rate rose by 0.1 percentage point to be 66.1% in March, the highest rate in the current series. The State’s participation rate has risen 1.3 percentage points over the twelve months to March 2005.

Despite this exceptional increase in labour force participation, the State’s unemployment rate has fallen 1.7 percentage points over the past year, to be 4.4% in March 2005. Queensland’s unemployment rate has been the lowest of any State for two consecutive months and has been below the national rate since August 2004.

### Retail turnover

In trend terms, nominal retail turnover in Queensland fell 0.2% in February 2005, but was 0.7% higher over the year. In the rest of Australia, retail turnover was up 0.1% and 1.5% respectively. Trend data in the retail trade survey continue to partly reflect sampling variation due to the rotation of smaller retailers into the retail survey. This occurred in October 2004 and coincided with a significant seasonally adjusted fall in the level of retail turnover for that month.

In seasonally adjusted terms, Queensland retail trade rose 0.7% in February and 1.9% over the year. Furthermore, seasonally adjusted retail turnover in the rest of Australia grew 0.6% and 2.1% respectively. In terms of industry groups, most sectors continued to record declines in trend retail growth in February. However, Department stores and Recreational goods experienced monthly growth of 0.4% and 1.4% respectively.

Retail turnover growth in coming months is expected to be relatively subdued, consistent with some economic trends that are expected to have a negative impact on household disposable income. Specifically, the recent rise in official interest rates by the RBA and continuing high oil prices are likely to have an adverse effect on discretionary spending and, therefore, retail trade. Moreover, the recent moderation in house price growth may also affect wealth-related spending.

Conversely, a number of indicators provide underlying support for Queensland consumer spending going forward. These include excellent labour market conditions characterised by a record low unemployment rate, continued strong population growth, driven by interstate migration, and a high level of business confidence.

### Dwelling approvals

The total number of dwelling approvals (trend) in Queensland decreased by 2.6% in February 2005. The number of approvals in trend terms has been generally falling for almost a year and a half, to be 15.4% lower over the year to February. The fall has been driven by a decline in private sector house approvals, which have been falling over the past 15 months, to be 21.4% lower over the year to February. Approvals of other residential buildings (apartments, townhouses, etc.) fell by 3.2% in February, following similar falls over the previous six months, but remain at the same level as they were in February 2004.

Building approvals (trend) in the rest of Australia increased by 1.6% in February 2005, but were 11.7% lower over the year. The monthly rise was driven largely by a strong increase in building approvals in New South Wales (up 5.3%) and Western Australia (up 2.2%). Building approvals in all other States fell in February 2005.

With official interest rates having been increased in March, dwelling approvals are likely to continue to fall over coming months. However, there remains a large volume of residential building work still to be done, which is maintaining construction activity at a high level. Furthermore, continued strong population growth in Queensland should provide underlying support for housing construction over the medium term.
Population growth in Queensland remained unchanged at 0.5% in September quarter 2004, with the State’s estimated resident population increasing to 3,899,619 persons (up 17,582 persons). In annual terms, the State’s population increased by 2.1% or 78,568 persons over the year to September quarter 2004. While easing from a recent high of 2.5% in March quarter 2003, Queensland has now recorded strong annual population growth of 2.0% or above for 13 consecutive quarters.

In the rest of Australia (ROA), population growth for September quarter 2004 was unchanged at 0.2%, representing an increase of 39,988 persons. Annual growth in the ROA also remained unchanged at 1.0% (up 158,085 persons). Similarly, Queensland’s share of the national population of 20,168,867 persons was unchanged at 19.3% in September quarter 2004.

Net interstate migration continues to drive population growth in Queensland, accounting for 43.1% (7,570 persons) of Queensland’s total population growth over the quarter. Queensland remains the foremost state in terms of net interstate migration. In annual terms, net interstate migration to Queensland was 35,115 persons, down from 38,502 in the year ending September quarter 2003, but still well above 1999-2000 levels. By comparison, the only other States to record a net gain in interstate migration over the period were Western Australia (1,340 persons) and Tasmania (1,789 persons), while New South Wales (28,830 persons), South Australia (3,067 persons), Victoria (2,503 persons), the Australian Capital Territory (2,348 persons) and the Northern Territory (1,496 persons) all recorded net outflows of interstate migrants.

The September quarter also saw an increase in net overseas migration to Queensland, from 2,365 persons in June quarter 2004, to 3,939 in the current quarter, while natural increase (births minus deaths) added 6,073 persons to the Queensland population in the September quarter. Over the year to September quarter 2004, natural increase and net overseas migration contributed 25,191 and 18,262 persons respectively to the Queensland population.

Overseas visitors

In recent years, the number of international visitors to Queensland has been adversely affected by several major international shocks including terrorist attacks, the war in Iraq and the outbreaks of Severe Acute Respiratory Syndrome (SARS) and Avian influenza (otherwise known as “bird flu”). However, the effects of these negative shocks have largely passed, restoring confidence in international travel.

According to the International Visitors Survey published by Tourism Research Australia, there were 1.96 million international visitors to Queensland in 2003-04, an increase of 7.7% on 2002-03. This represented 42% of the total number of international visitors to Australia in 2003-04. While forecasts of international visitor numbers are not available at the state level, the Tourism Forecasting Council estimates moderate growth of 5.9% in the number of international visitors coming to Australia in 2005.

More than 60% of international visitors to Queensland in 2003-04 came from just four countries – Japan (23%), New Zealand (17%), the UK (14%) and the US (7%). The past decade has seen a change in the composition of Queensland’s international visitors, with the number of Japanese visitors easing while the number of visitors from China has increased. For example, the number of visitors from China has increased from 32,000 in 1999-2000 to 103,800 in 2003-04. Further, while the number of visitors from Korea increased from 58,000 to 71,900 over the same period, the number of visitors is yet to return to the level (above 100,000) recorded before the Asian financial crisis in 1997.

The table below shows selected characteristics of Queensland’s international visitor market for 2003-04. Visitors in the Holiday/leisure category contribute the majority (60.7%) of all visitors to the State. However, the average length of stay per visitor in this category (8 nights) was much shorter than for the other recreational categories of Backpackers (29 nights) and Visiting friends and relatives (20 nights).

According to Tourism Queensland, the majority (around 70%) of Japanese visitors travel to Queensland for the purposes of holiday/leisure, while visiting friends and relatives was the main reason for coming to Queensland for around a third of visitors from the UK (36.6%) and New Zealand (29.0%).

Queensland Economic Update
Interest rates

- Yields on 90-day bank bills continued to rise over the month to early April, to around 5.85%, consistent with market expectations of a further 25 basis points increase in official cash rates to 5.75% over the next three months. Market analysts have suggested that the rationale for this anticipated increase in official rates is the emerging capacity constraints within the labour and goods markets and the associated risks to inflation in the medium term.

- 10-year bond yields rose from around 5.50% to around 5.75% over the month before falling back to around 5.60% in early April, in line with movements in US 10-year bond yields over the period.

Exchange rates

- The $A traded around US79c for the first few weeks of the month, before falling to below US77c by early April. The fall was due largely to the growing expectation that the US Federal Reserve (the Fed) may have to raise official interest rates by more than previously expected.

- The $US strengthened against most major currencies during the past month. Higher short-term interest rates in the United States seem to be providing some underlying support for the $US. Over the past twelve months, the Fed has lifted the official interest rate from 1.00% to 2.75%. In addition, the Fed has recently lifted its assessment of US output and inflation. This has prompted financial markets to price in further interest rate increases in the United States, above what was previously expected, over the course of 2005, placing upward pressure on the $US.

Sharemarkets

- The Australian sharemarket fell 1.3% over the month to early April, with most of the fall occurring towards the end of the period. The sharemarket was weighed down by the possibility of higher than expected interest rates in the United States.

- Global equity markets also recorded falls over the month, with the US S&P 500 down by 2.8%, UK FTSE down 2.1% and the German DAX down 1.0%. Asian markets fell by a similar magnitude, with the Japanese Nikkei 225 falling 1.0%, the Taiwan weighted index down 3.8% and Hong Kong’s Hang Seng down 3.9%.

Queensland commodity prices

- In March, the weighted index of international prices for Queensland’s major commodity exports rose in $A and SDR terms, by 2.9% and 1.8% respectively.

- The Agricultural index rose by 4.4% and 3.3%, in $A and SDR terms respectively, over the month. An increase in the price of beef exports to Japan drove the rise (up 1.5% in monthly average terms). World prices for cotton and wheat also rose by 6.4% and 3.2% respectively. The world price for sugar increased marginally during the month (up 0.5%) while wool export prices fell (down 1.2%).

- In March, the Minerals index rose in both $A and SDR terms, by 2.2% and 1.1% respectively. In monthly average terms, the world price of nickel and aluminium rose strongly, by 6.2% and 5.2% respectively, while the prices for copper (4.2%) and lead (2.5%) also rose.

Note: The weightings used to construct the Mineral index have been revised this month. Accordingly, the index is not directly comparable with those published previously.

Sources: Data used to construct the charts on financial indicators are sourced from Reuters and Datastream.
Services provided by infrastructure contribute to industry productivity and thereby, output growth. Accordingly, infrastructure investment and the effectiveness with which existing infrastructure is used can influence overall economic growth.

The Queensland Government’s Draft South East Queensland Regional Plan and supporting Infrastructure Plan recognise the importance of effectively networking infrastructure to ensure the maximum benefits are derived from its use.

Defining infrastructure
Infrastructure is commonly defined according to the types of service it provides. The Collins Dictionary defines infrastructure as those ‘essential services and/or facilities which are required or provided for the efficient functioning of a community, region or country.’ Services provided by infrastructure such as road, rail, water, energy, airports, health and education assist in maintaining and enhancing Queenslanders’ living standards.

Infrastructure is often defined according to two broad categories – economic and social infrastructure. Economic infrastructure (or core infrastructure) include the physical networks, facilities and services which enter as inputs into production processes. In comparison, social infrastructure encompasses those services which enter less directly as inputs into production processes, such as education and health, but are still very important to productivity, employment and economic growth.

Infrastructure and economic growth
Infrastructure can facilitate economic growth by encouraging firms to produce goods and services more efficiently (i.e. promoting productivity improvements). Productivity can be defined as the rate at which productive input/s are transformed into output/s.1 Services provided by infrastructure can assist firms to produce more efficiently by:

- facilitating resource flows to their highest valued use (allocative efficiency);
- reducing the rate at which input/s are used to produce output/s (productive efficiency); and
- improving the responsiveness of production to changes in production costs (dynamic efficiency).

Academic studies
Policy economists and academics broadly agree that a positive relationship exists between infrastructure investment, productivity and economic growth.

Seminal work by Aschauer in 1989 provided the foundation for the body of literature which examines the relationship between infrastructure and economic growth. Aschauer’s study found that a positive and statistically significant relationship existed between investment in non-military infrastructure in the United States and economic growth, with a 1% increase in public capital generating a 0.39% rise in private output.2

Specific studies related to Australian infrastructure formed similar conclusions (Table 1). Recent research suggests public infrastructure investment may induce permanently higher levels of output and private investment in both the short and long-term.3

Moreover, improvements in the efficiency with which existing infrastructure is used can confer productivity benefits on an economy. It has been argued that the benefits derived from using infrastructure more effectively can be larger than those associated with undertaking further investment, particularly if existing infrastructure are currently utilised inefficiently. Efficiencies in the utilisation of infrastructure can be fostered by:

- ensuring the connectivity of infrastructure networks is maximised to facilitate goods and services flows between hubs of economic activity;
- effective and coordinated infrastructure planning; and
- appropriate regulation and pricing policies.

Role of government
Historically, government has largely assumed responsibility for funding, constructing, regulating and maintaining key economic infrastructure, reflecting in part some of the fundamental characteristics of infrastructure investment. Partially, this reflects important economic characteristics of infrastructure such as high upfront fixed costs and economic returns that may not be reflected in prices.

Government also has a key role in planning for future infrastructure demand. Through legislative mechanisms, Government assumes a key role in coordinating infrastructure investment. However, policy makers are continually challenged in planning given inherent uncertainties, particularly related to infrastructure which rapidly becomes obsolete (e.g. information technology).

The Draft South East Queensland Regional Plan, released in October 2004, reflected in its planning strategy for SEQ the significant benefits which can accrue from utilising infrastructure more effectively. One key objective of the plan is to ensure maximum benefits are derived from utilising infrastructure most effectively by coordinating and networking infrastructure services in South East Queensland. The Plan will be supported by the release of the South East Queensland Infrastructure Plan and Program on 27 April 2005.

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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>Economic Growth (a) (cvm)</td>
<td></td>
<td></td>
<td></td>
<td>QLD</td>
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<td>Household Final Consumption Expenditure</td>
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<td>State/National Final Demand</td>
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<td>Annual</td>
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<tr>
<td>Private Consumption</td>
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<td></td>
<td>QLD</td>
<td></td>
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<td>Retail Trade</td>
<td>8501.0</td>
<td>Feb-05</td>
<td>Monthly</td>
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<td>-0.2</td>
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<td>New Motor Vehicle Sales</td>
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<td>Feb-05</td>
<td>Annual</td>
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<td>Dwelling Approvals (no.)</td>
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<td>Dwelling Commencements (no.)</td>
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<td>Non-residential Building Approvals (o)</td>
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<td>49.0</td>
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<td>Engineering Construction Commencements (v)</td>
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<td>New Equipment (v)</td>
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<td>Unemployment Rate (l)</td>
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<td>Labour Force</td>
<td>6202.0</td>
<td>Mar-05</td>
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<td>DEWR (b) Skilled Vacancy Survey</td>
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<td>ANZ Job Advertisement Series</td>
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<td></td>
<td></td>
<td></td>
<td>Annual</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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