

Queensland Economic Update

February 2018

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Chamber of Commerce & Industry



Queensland Economic Update: Summary



Wage Price Index

- The Australian WPI rose 2.1% in the year to December. The Queensland WPI was slightly stronger at 2.2%.
- Real wages growth remains slightly positive after accounting for inflation
- In Queensland, wages growth in the public sector (2.8%) is rising faster than the private sector (1.9%).

Retail Sales

- Value of retail sales in Queensland grew by 0.5% through the year to December.
- Retailers have held prices flat over the past year, rising by only 0.1%.
- Despite low prices, consumers did not increase purchases, with the volume of sales rising by only 0.3%

Labour Force

- The labour market added a further 3,700 jobs during December.
- Despite adding jobs, the unemployment rate increased by 0.1% to 6.0%.
- The labour market needs to add approximately 6,000 jobs monthly to keep the unemployment rate steady.

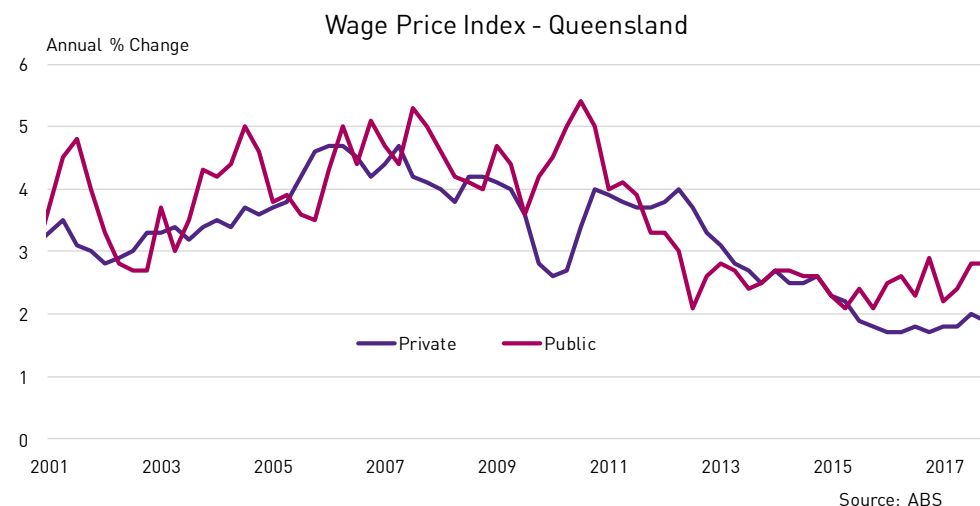
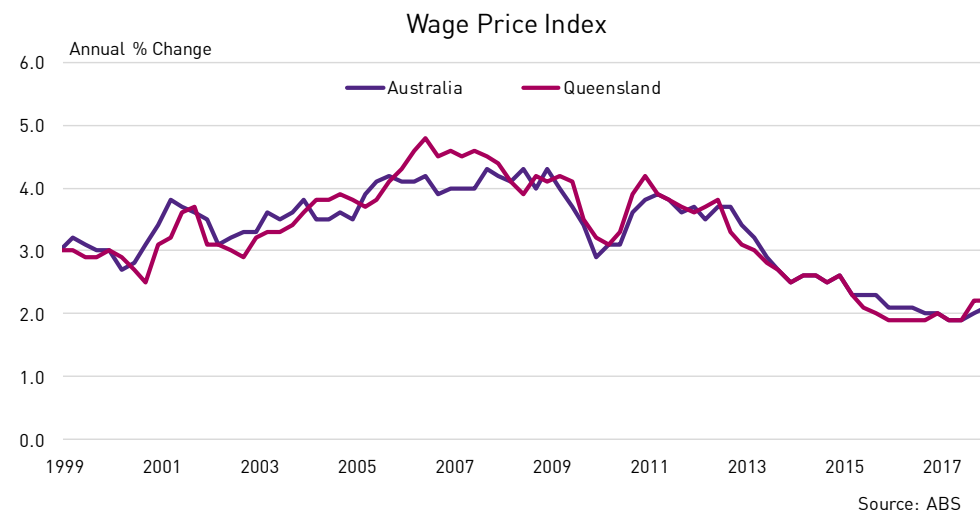
Economic Update: Wage Price Index

The spare capacity in the labour market continues to contribute to the slow pace of growth in wages, both at the national level and in Queensland.

The Wage Price Index (WPI) for Queensland increased 2.2% through the year to December, pace slightly faster than wages nationally (2.1%).

Despite the pace of wages growth slowing significantly, real wages (adjusting for inflation) have continued to expand, albeit at a low rate.

Sustained low growth in real wages is a risk to consumption activity going forward with high household debt levels likely to weigh on consumption decisions by consumers.



Queensland Economic Data: Building Approvals

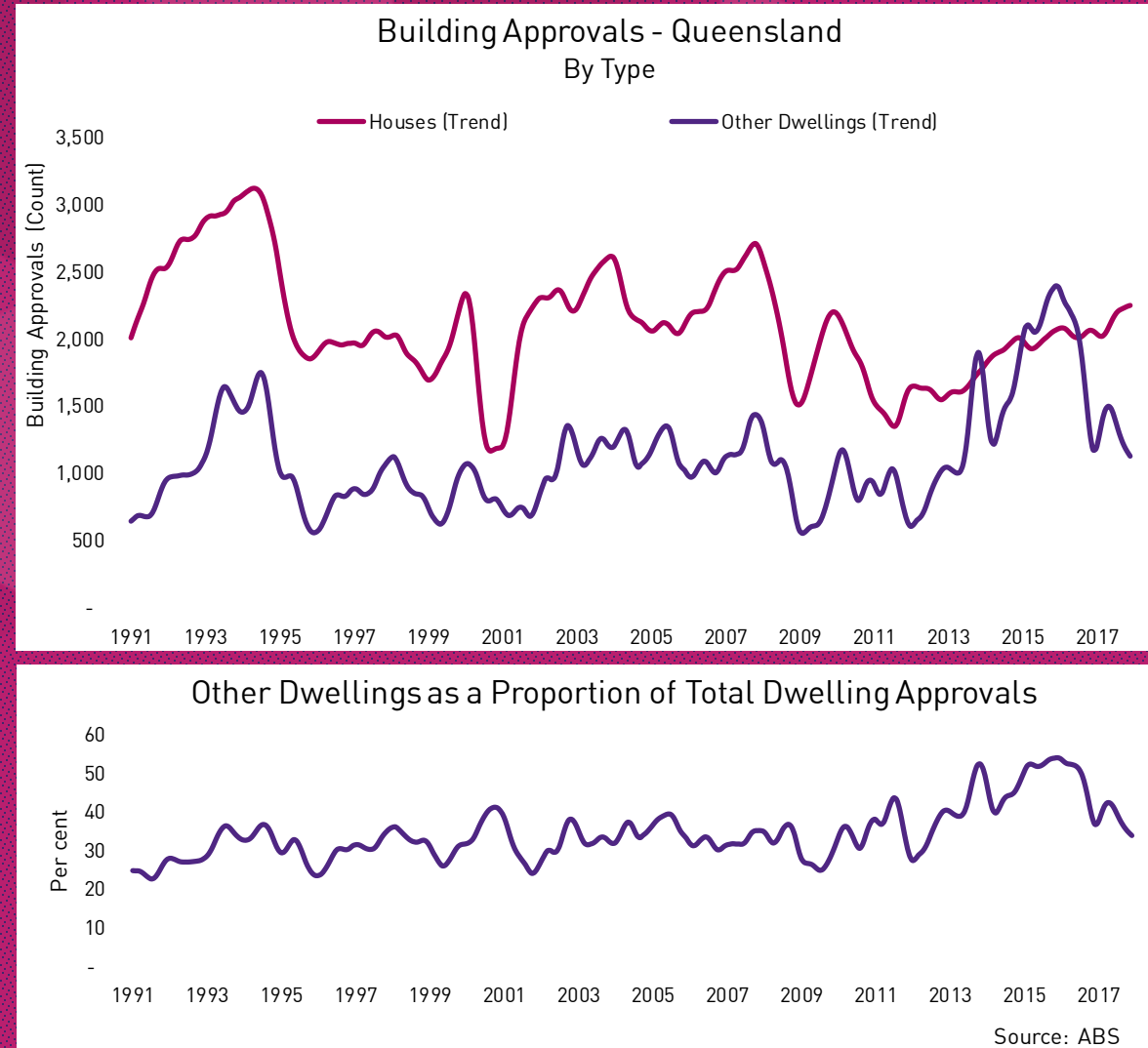
The number of new approvals for detached houses continued to climb, rising to 2,242 in December - the highest level of house approvals since 2008.

In contrast, the approval of new units fell a further 3% during December, a continuation of the correction in this segment which began in early 2016.

New unit approvals are being weighed down by the large stock of unsold units which are now being heavily discounted by developers.

Overall, total building approvals fell 0.8% in December to 3,364 approvals but is 4.4% higher than the year prior.

The share of new apartment approvals has fallen to 33% of all approvals, down from 54% at the peak in December 2015.



Economic Data – Construction Work Done

Residential Construction

\$13.4bn

12 months to Dec 2017

Source: ABS

Non-Dwelling Building

\$ 7.2bn

12 months to Dec 2017

Source: ABS

Engineering Construction

\$19.8bn

12 months to Dec 2017

Source: ABS



Queensland Economic Update: Construction Work Done

Construction activity fell 3.0% during the December quarter, weighed down by weaker activity in the engineering and residential construction sectors.

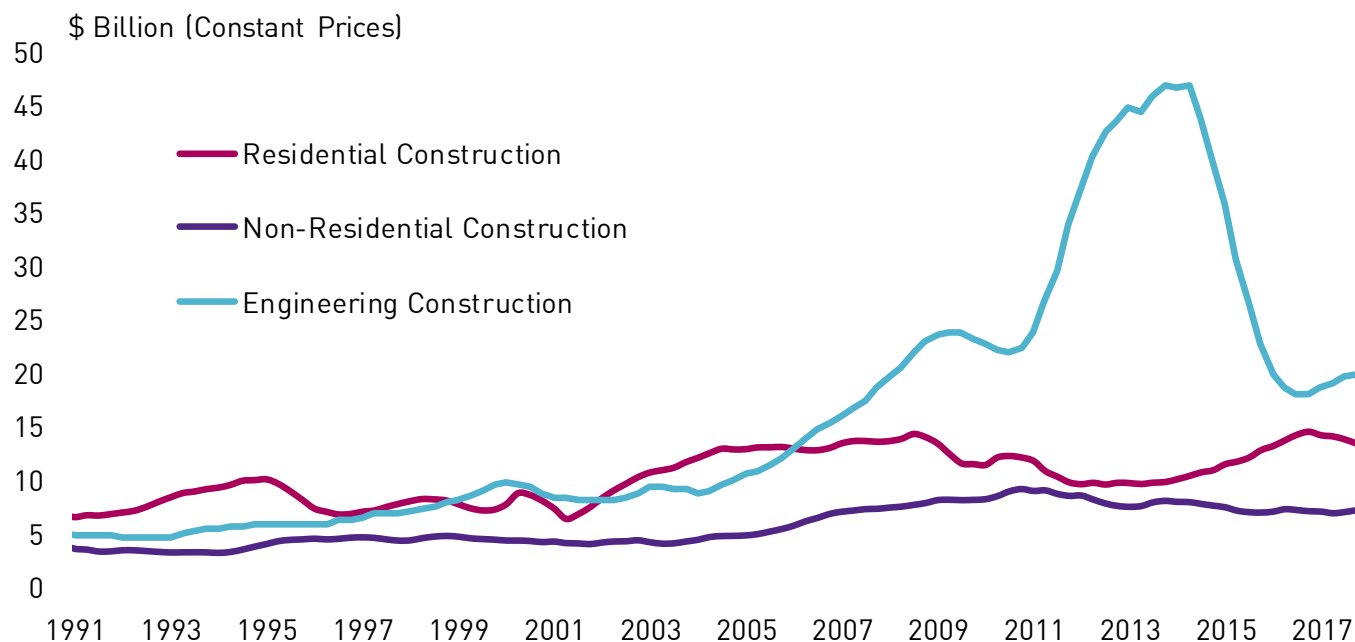
Overall, construction work done finished calendar 2017 higher by 2.1%, arresting the declines of the previous three years.

In the residential construction sector, the construction of houses and apartments softened by around 4% on the previous quarter. The slowing in approvals also led to falls in activity over the previous year.

Engineering construction activity also dropped (-5.7%) during the final quarter of 2017. This result was surprising weak, with more detailed data to be released at the end of March.

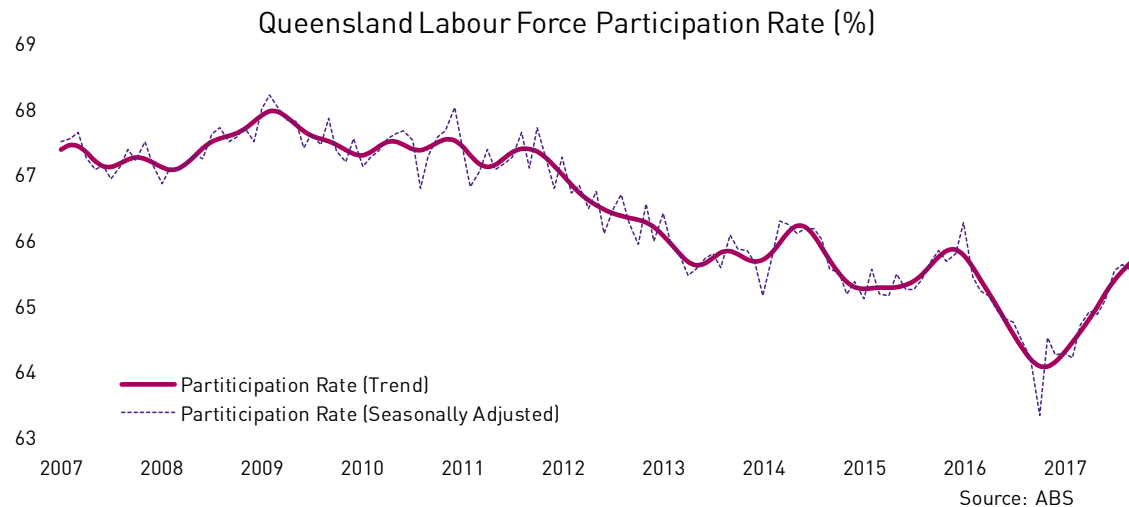
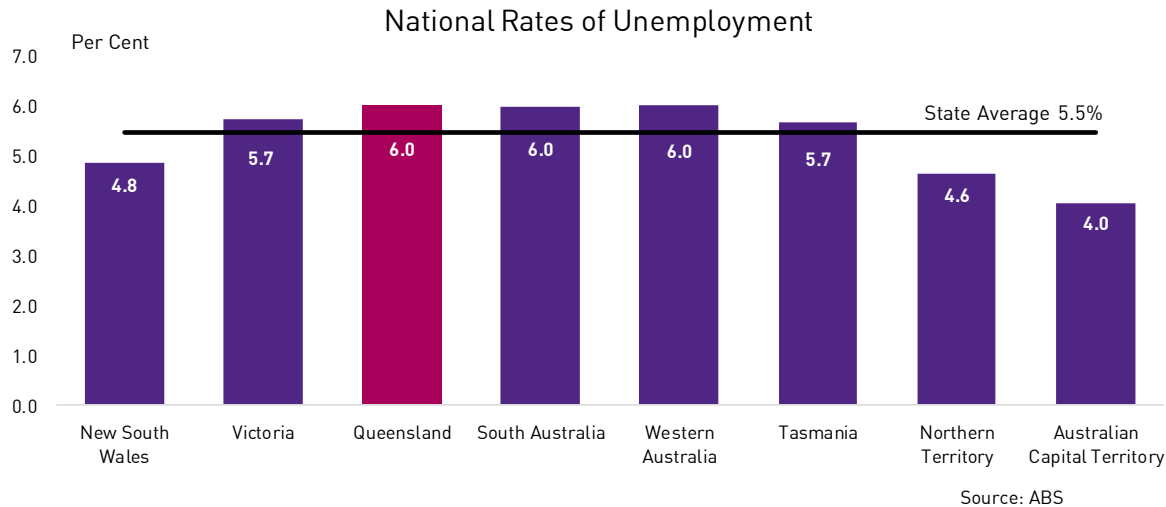
Non-dwelling buildings was the only construction segment to expand during the latest quarter, rising by 3.8%.

Construction Work Done - Queensland
Moving Annual Total



Source: ABS

Queensland Economic Data: Labour Force



Faster jobs growth required

The unemployment rate in Queensland edged up to 6.0% in January despite the creation of a further 3,700 jobs during the month.

The lift in the unemployment rate is due to population growth and the rising participation rate. As job creation has picked up over the past year, the participation rate in Queensland has risen 2.0 percentage points since October 2016.

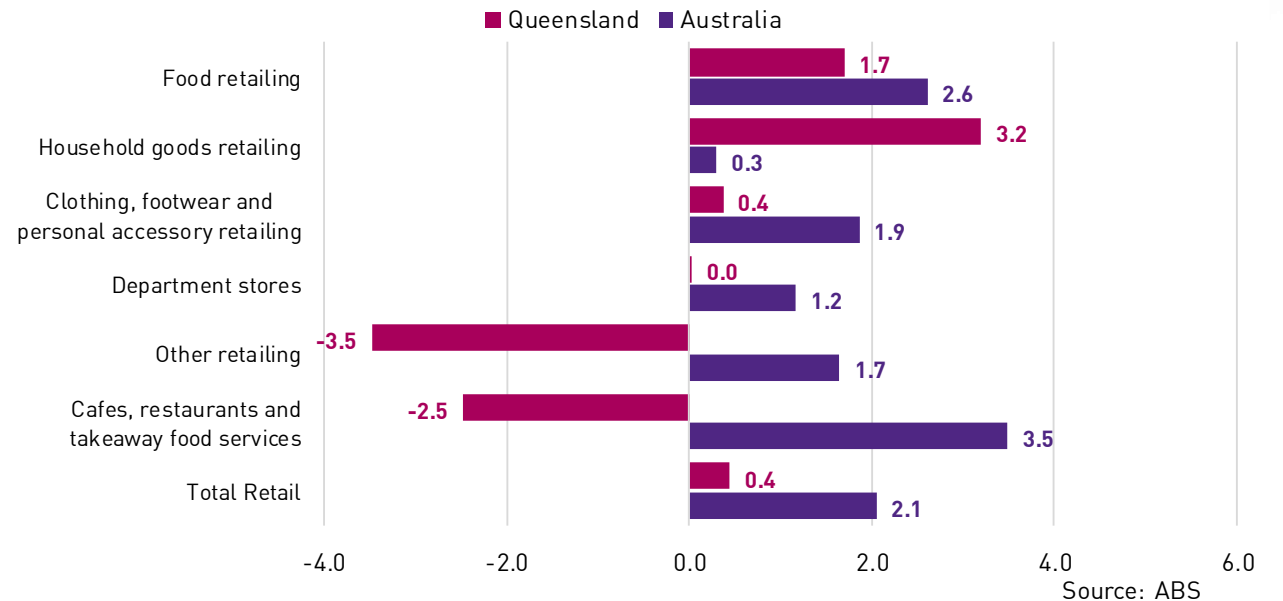
When calculating the labour force data, the ABS has assumed the civilian population (15+ years) is growing at an annual rate of 1.7% in Queensland.

At this level of population growth and increases to the participation rate, an additional 6,000 jobs need to be created each month for the unemployment to remain steady.

Retail Trade

- Retail sales activity in Queensland remains sluggish, rising 0.5% through the year to December 2017.
- Poor wages growth continues to hold back consumer expenditure.
- The discretionary spending categories (Takeaway food, Department Stores and Other Retailing) are performing weakest.

Retail Trade - December 2017
Annual Growth (%), by Industry Group

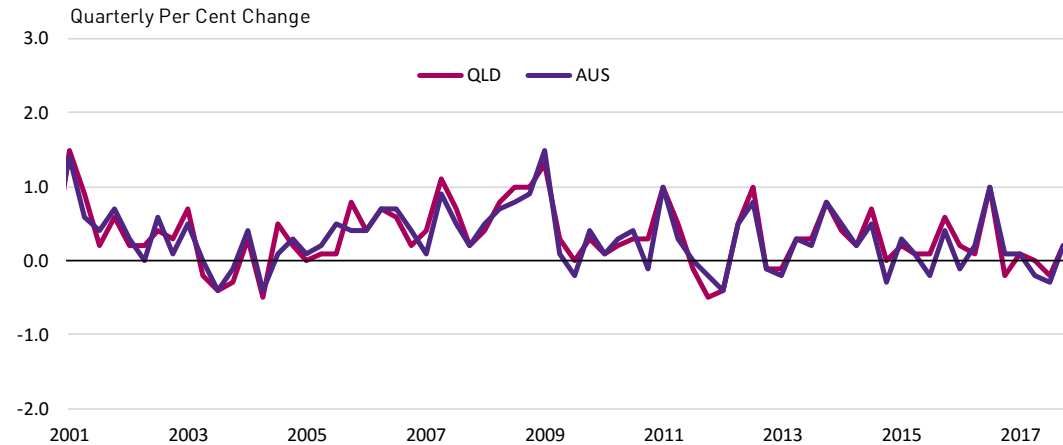


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Retail Trade

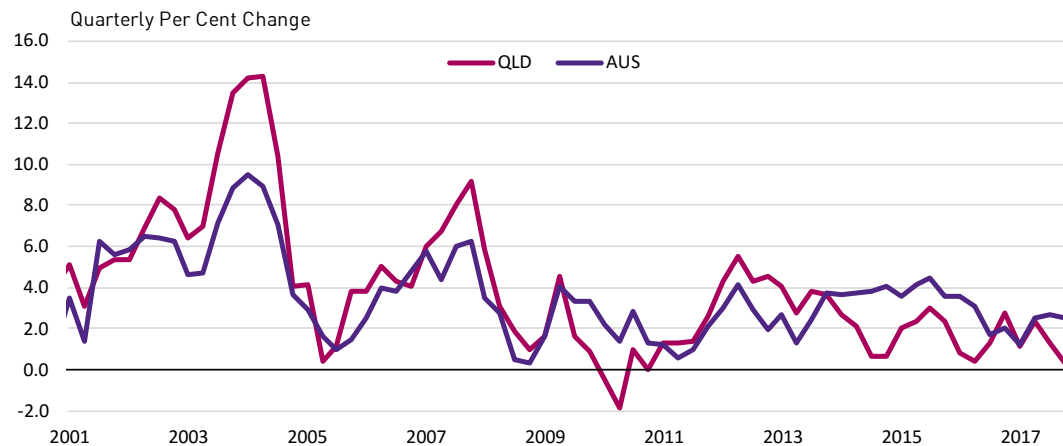
- Over the past 12 months, retailers have been reluctant to increase prices –likely an attempt to stimulate struggling sales volumes.
- At national level, prices fell by 0.2% in the past year, while in Queensland retail prices increased 0.1%.
- Despite retailers holding prices mostly steady in the past year, the volume of retail purchases in Queensland has only increased by a disappointing 0.3% over the past year. This compares with national volume growth of 2.5%.

Retail Sales Prices



Source: ABS

Retail Sales Volumes



Source: ABS

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