

# Queensland Economic Update

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January 2018

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Chamber of Commerce & Industry



# Queensland Economic Update: Summary



## Economy

- State Final Demand (SFD) expanded by 0.2% in the September 2017 quarter
- Household consumption was flat during the quarter while public investment fell 3.1%
- General government expenditure and private investment expanded 0.8% and 0.9% respectively

## Balance of Payments

- Value of exports increased 1.0% in the September quarter to \$21.7 billion.
- Both the goods and services categories recorded healthy growth in volumes.
- The trade surplus remained steady at \$7.0 billion for the quarter and rose to \$32.3 billion in the year to September

## Construction Work Done

- Residential construction fell -3.7% in the year to September 2017
- Similarly, non-residential construction -3.6% in the year to September 2017
- The engineering construction segment grew +8.2% in the year to September 2017

# Economic Update: National Accounts

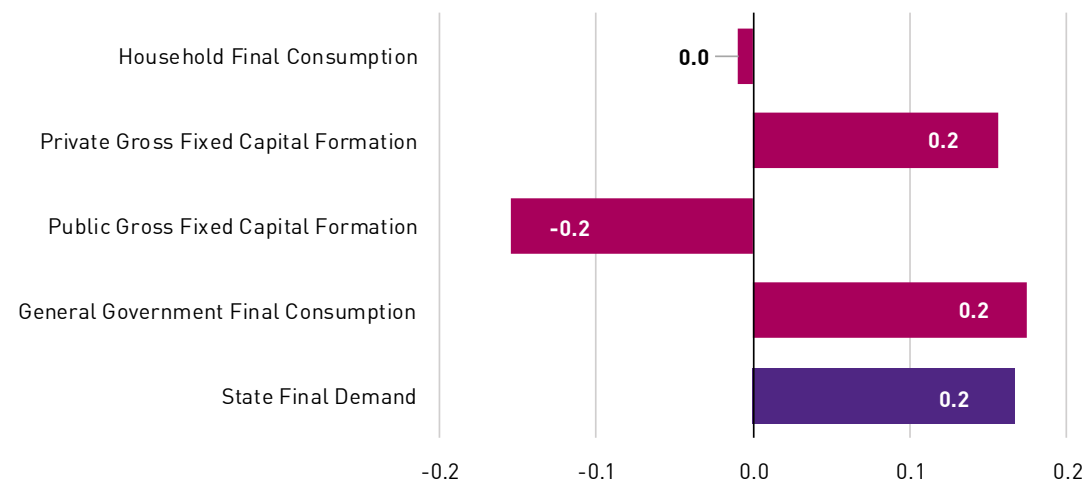
The Australian economy grew 0.6 per cent during the September quarter led by a strong increase in private investment. In contrast, publicly funded investment (-7.5%) fell sharply, although this series has been volatile in recent quarters. The other components of domestic demand such as household consumption (+0.1%) and government consumption (+0.2%) were mostly steady as were net exports (+1.5%).

Queensland state final demand (SFD) grew by 0.2% for the quarter and 2.7% through the year. Private investment has been an area of strength, rising 0.8% in the quarter. The public sector has also contributed to growth with government consumption increasing 4.0% in the past year, while public investment has expanded at a faster clip, growing 8.4%.

Household expenditure has been weak, reflecting weak wages growth and recent poor labour market outcomes. The composition of household consumption continues to trend towards the consumption of services – which now represent 63% of household expenditures.

Key Indicators	Q% Ch	A% Ch
Household final consumption	0.0	1.9
Private Gross Fixed Capital Formation	0.8	2.7
Public Gross Fixed Capital Formation	-3.1	8.4
General Government Final Consumption	0.9	4.0
<b>Queensland State Final Demand</b>	<b>0.2</b>	<b>2.7</b>

Contribution to QLD State Final Demand Growth (%)



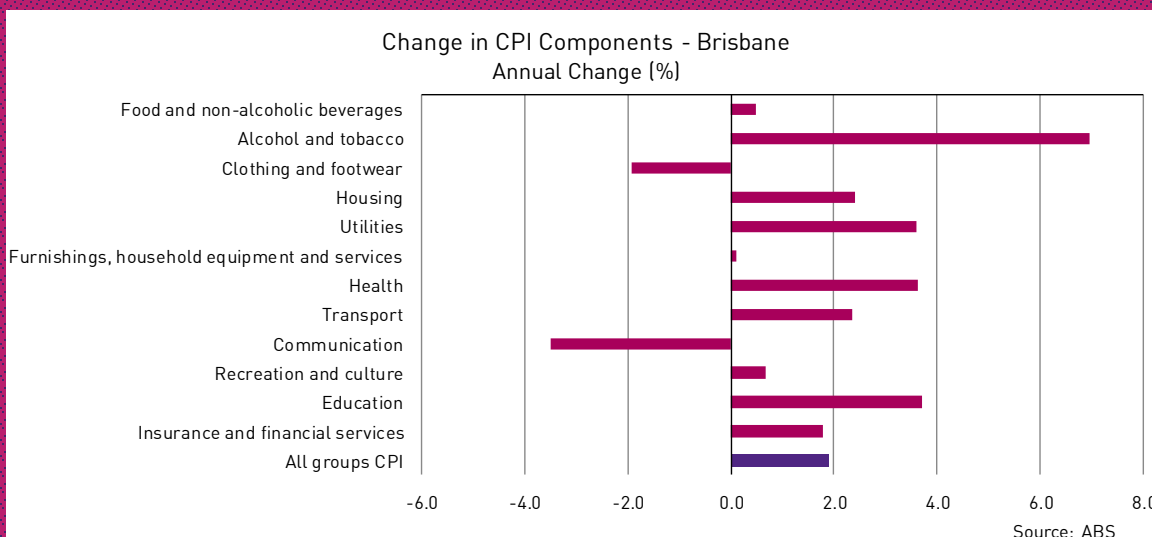
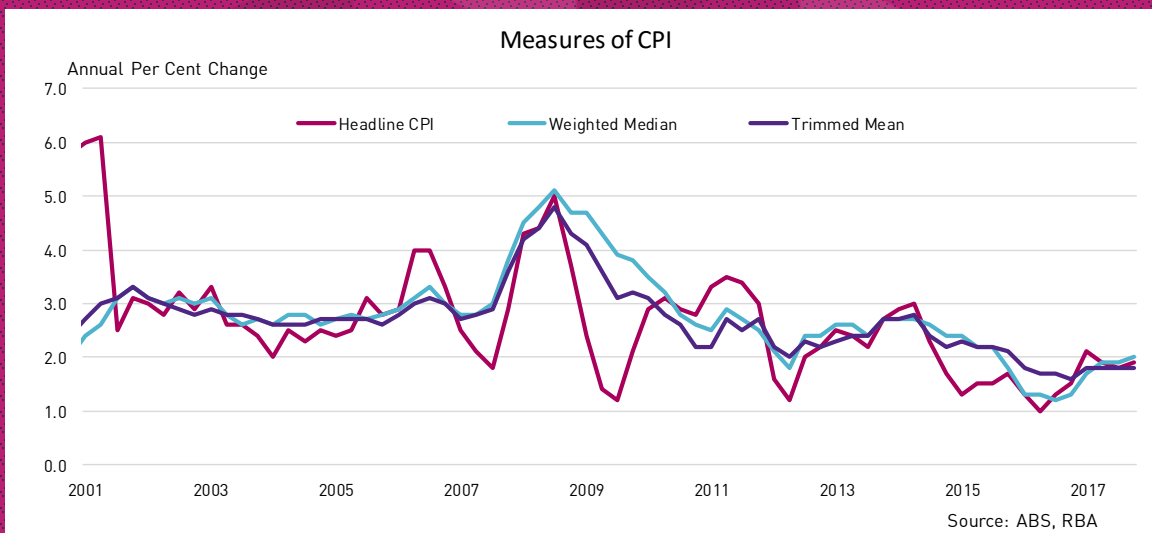
Source: ABS

# Economic Update: Consumer Price Index

Headline CPI grew by 1.9% over the year to December 2017, remaining below the RBA's target band of 2-3%. Core measures of inflation (which strip out the effect of volatile items) also indicate inflationary pressures are currently weak.

A key factor holding back faster inflation is the weak level of wages growth and spare capacity across the economy. With input costs currently contained and strong levels of competition in the retail space, cost pressures are not passing through to consumers in their entirety.

With inflation well contained the RBA will be in no rush to raise the cash rate. We would need to see wages growth start to accelerate before the RBA begins to change policy stance, pushing out the need for an increase to the cash rate into late 2018 at the earliest.



# Queensland Economic Update Balance of Payments

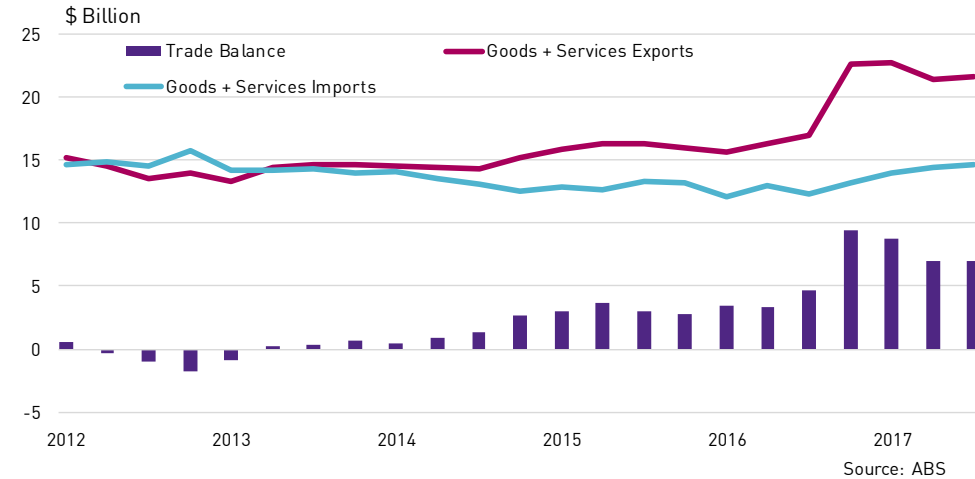
The value of Queensland's exports rose 1.0% during the September quarter to \$21.7 billion, taking the trade surplus for the year to September to a record \$32.3 billion.

The record trade surplus has been assisted by the high prices the goods and services exports fetched on the world market, rising 30% over the past year.

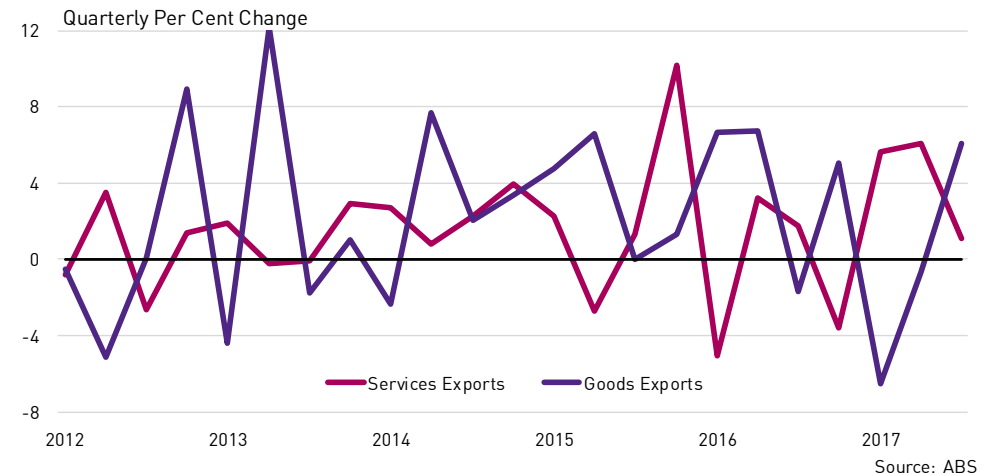
The value of exports were boosted by a rebound in the volume of goods (+6.1%) and services (+1.1%) exported. However, price falls for goods exports in the last quarter dampened the overall increase in the value of exports.

Imports increased in value by 1.3% to \$14.6 billion, leaving the trade balance steady at \$7.0 billion for the quarter. The trade balance has narrowed through 2017 as export performance has been hampered by the impact of Cyclone Debbie.

Queensland - Balance on Goods and Services



Quarterly Export Volumes - Queensland



## Economic Data – Construction Sector

Building Approvals

41,054

12 months to Nov 2017

Source: ABS

Construction Pipeline

36,293

Dwellings under construction  
Sep 2017

Source: ABS

Dwelling Completions

11,065

Dwellings completed  
Sep 2017

Source: ABS



## Queensland Economic Data: Building Approvals

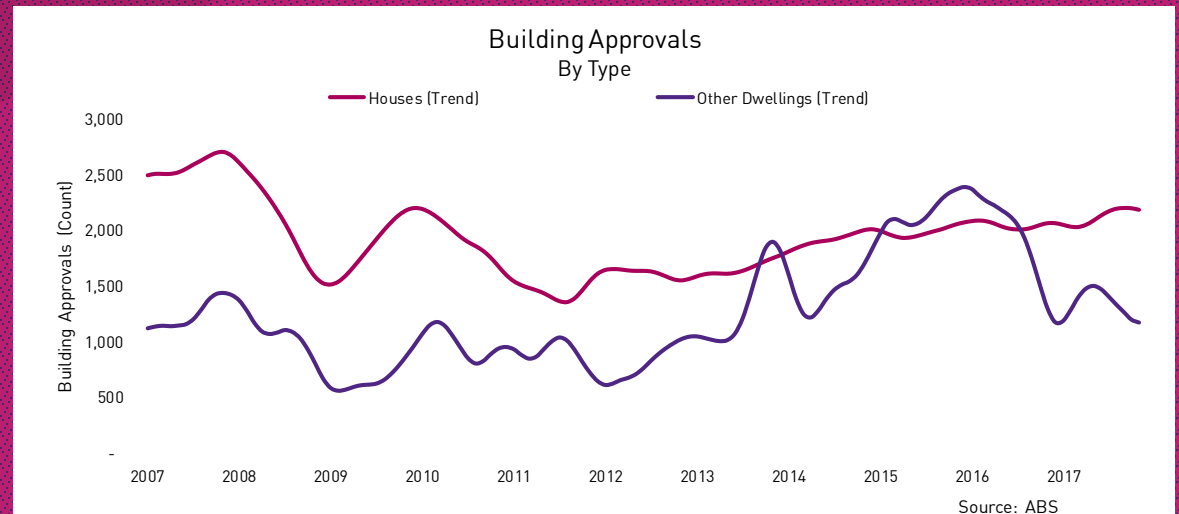
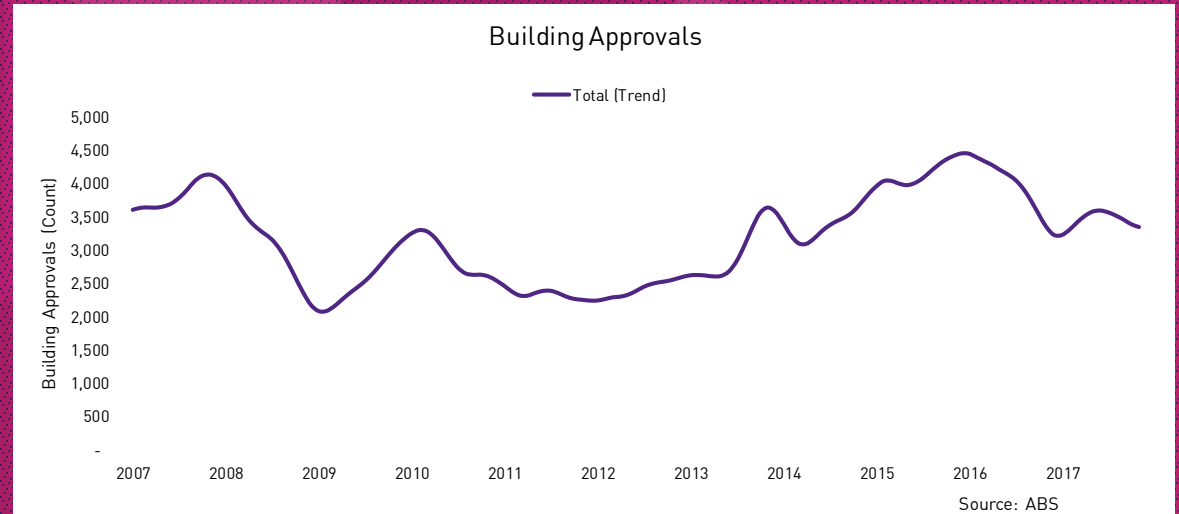
Building approvals have softened through the second half of 2017, continuing a general trend decline since early 2016.

The correction in the Other Dwellings segment has weighed on new approvals.

While the total number of dwelling approvals is falling, the composition between detached houses and apartments (Other Dwellings) has diverged.

The share of new apartment approvals has fallen to 35% of all approvals, down from 54% at the peak in December 2015.

Meanwhile, approvals of Detached Houses has continued to trend upwards with approvals 44% higher than cyclical low in 2012.



# Queensland Economic Update: Building Activity

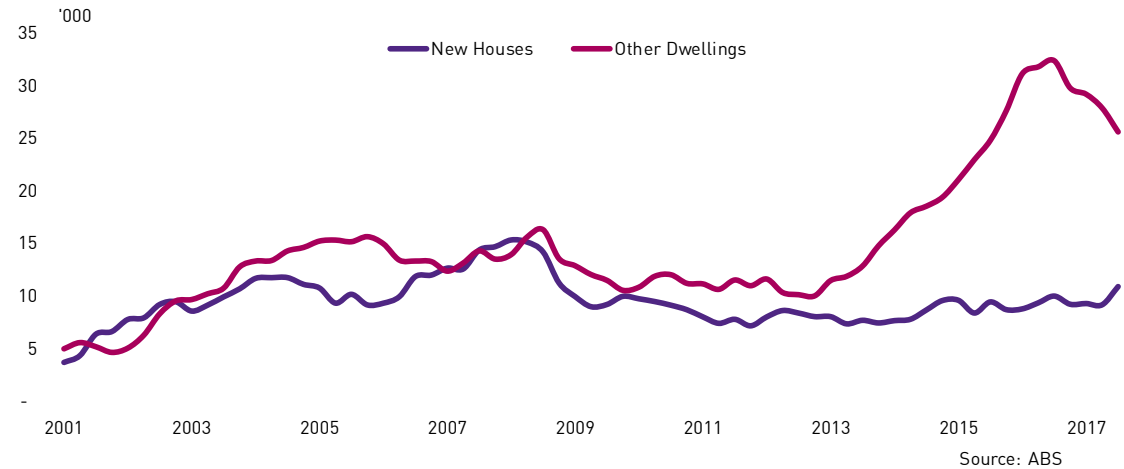
Residential construction activity has declined through 2017 as the slow down in approvals has led to a shrinking pipeline of construction work.

The fall in approvals has led to quite a substantial fall in new commencements over the past year, declining by 20% in the year to September 2017. The number of new houses commenced have increased in the past year, although this has been offset by a significant drop in new apartments.

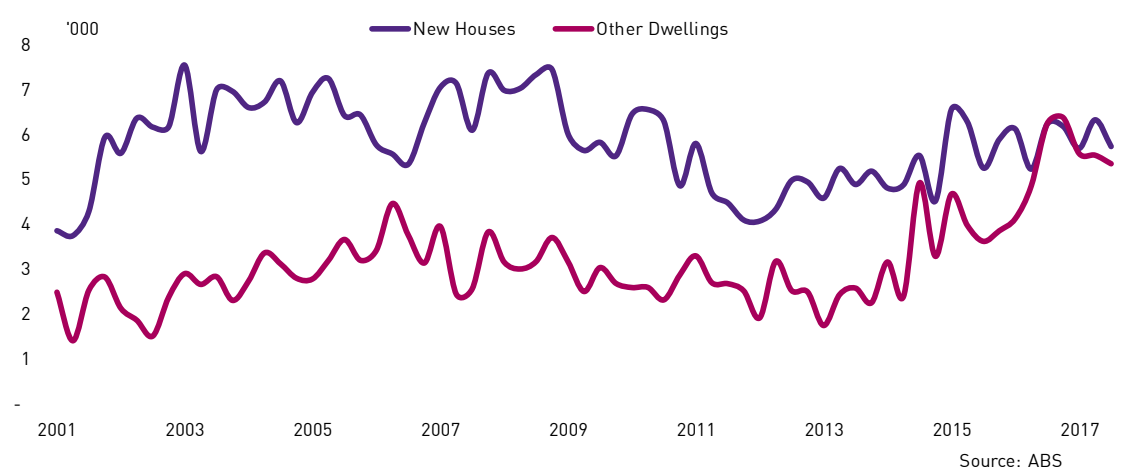
Overall, the number of dwellings under construction has fallen from 42,160 in September 2016 to 36,293 dwelling units in September 2017. Of these, there were 25,498 apartments under construction and 10,795 detached houses.

The number of dwelling completions has remained at historically high levels at 11,065 dwellings for the September quarter, with similar numbers for houses and apartments.

Dwelling Units Under Construction - Queensland



Dwelling Units Completed - Queensland

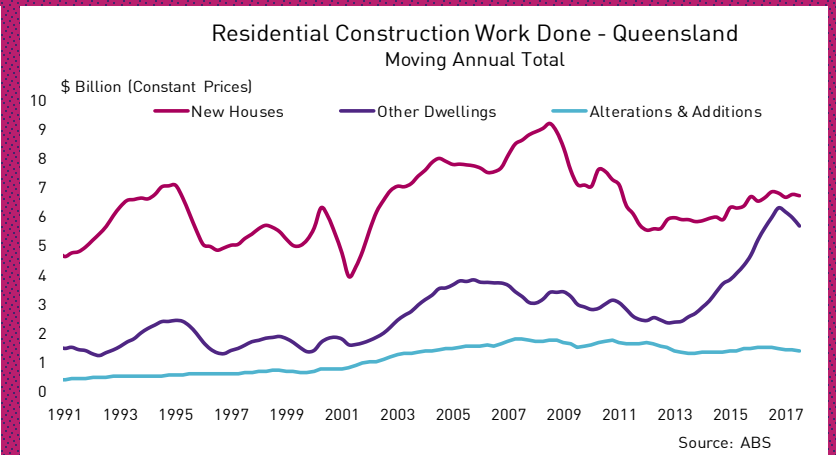
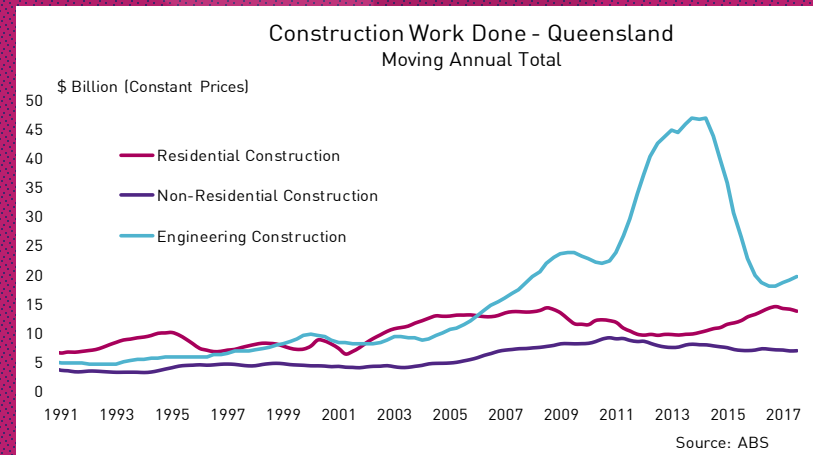
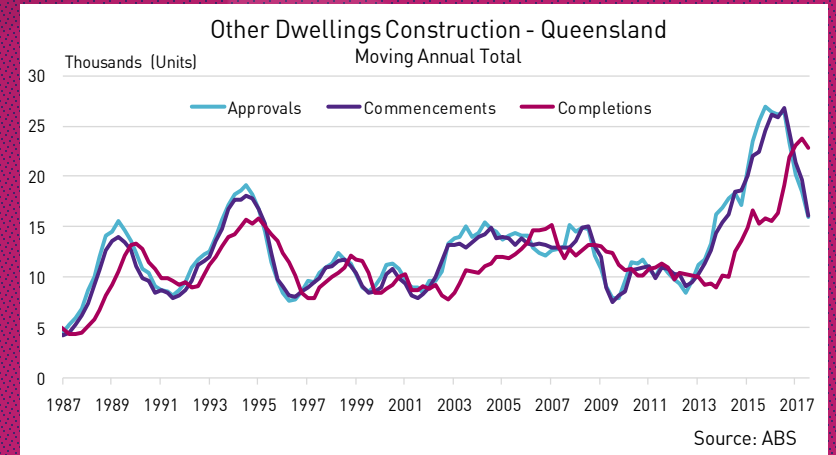
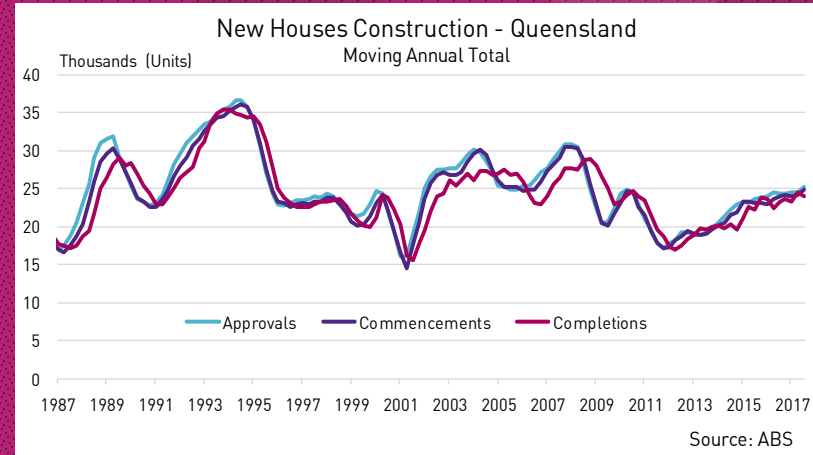




# Queensland Economic Data: Construction Activity

## Residential Construction

- The value of residential construction activity fell 3.7% to \$13.8 billion in the twelve months to September 2017.
- Activity declined across each of the residential construction segments: detached houses, apartments and alterations & additions.
- The latest quarterly data indicates the declines in apartment (other dwellings) construction has accelerated in recent periods and is 18% lower than the same period in 2016.



# Queensland Economic Update: Non-Residential Building

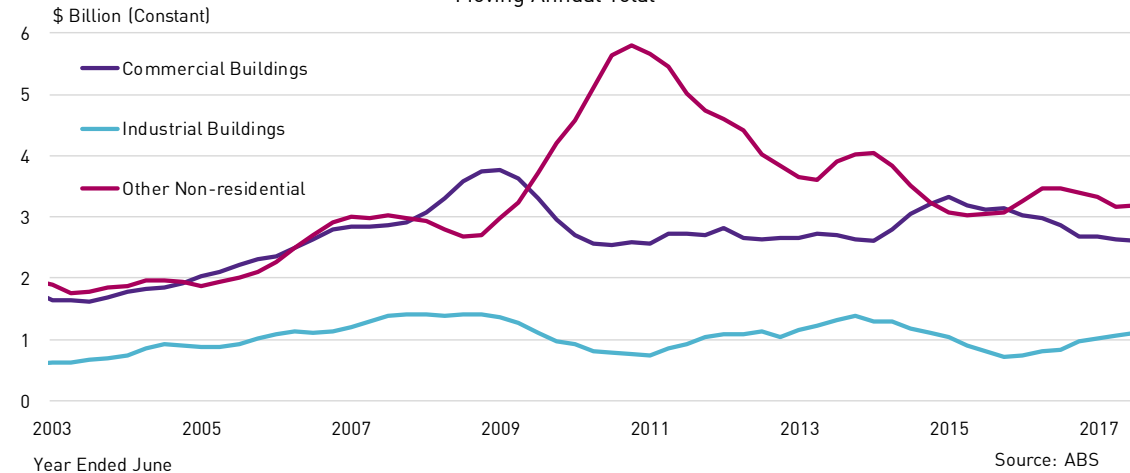
Non-Residential Building construction activity has trended significantly lower since the peak in activity in 2011 – a peak which was fueled by government funded education and health construction work.

Over the twelve months to September 2017, non-residential activity has dipped 3.6%, primarily driven by the completion of the Sunshine Coast University Hospital and weaker investment in an oversupplied office market. Industrial Buildings have been an area of strength with a significant uplift in the Warehouses segment.

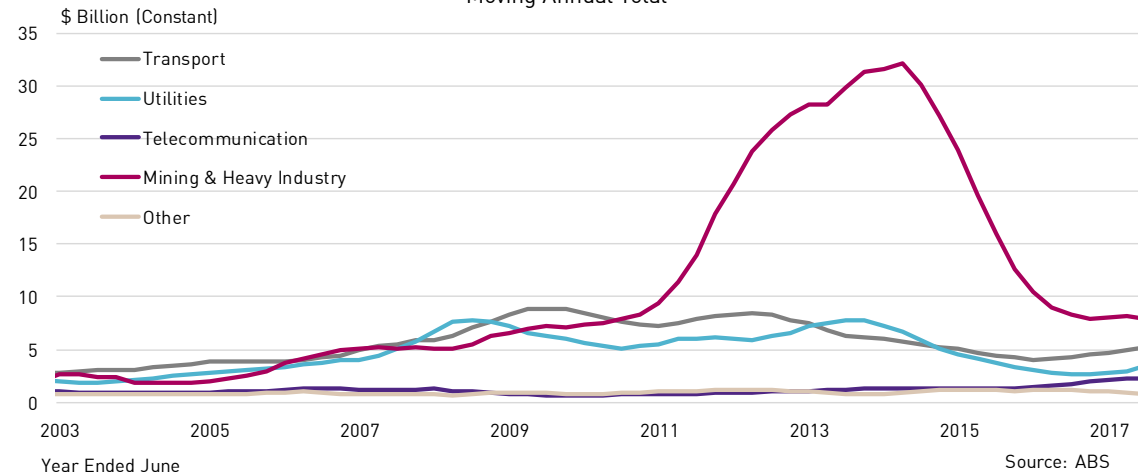
Meanwhile, Engineering Construction has begun to recover following the end of the mining investment boom. Activity rose 8.2% in the year to September 2017, led by a strong lift in roads and utilities infrastructure investment.

This upturn represents an increase in publicly funded infrastructure, however, public infrastructure remains 32% lower than peak levels in 2008.

Non-Residential Building Work Done  
Moving Annual Total



Engineering Construction Work Done  
Moving Annual Total

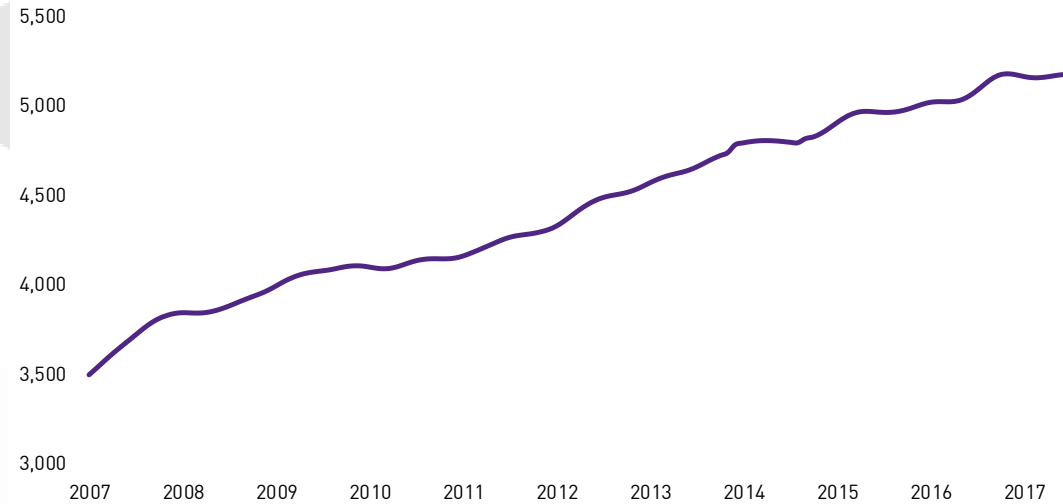


# Queensland Economic Update

## Retail Trade

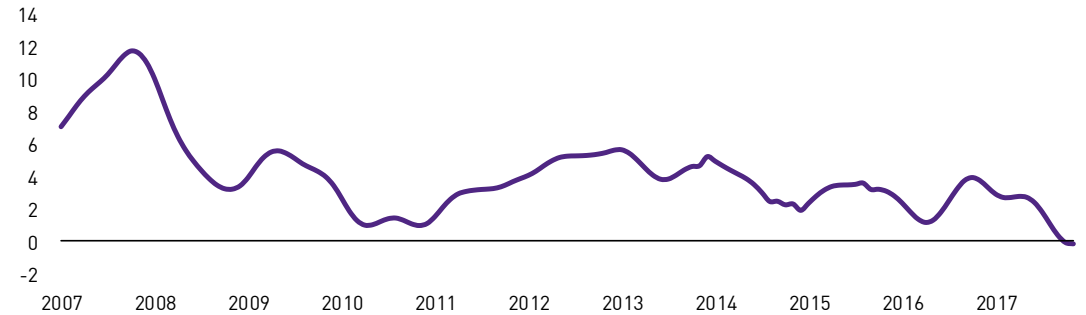
- Monthly retail sales in Queensland has remained flat through most of 2017. In the year to November 2017, monthly retail trade figures were 0.2% lower than in 2016.
- The annual decline in retail activity is the first occasion in the ABS data set which stretches back to 1982.
- Consumers in Queensland have cut expenditure on Cafes, Restaurants and Takeaway food as well as Other Retailing (which includes pharmaceuticals, books, newspapers and other recreational goods).

Retail Trade - Queensland (\$m, Trend)



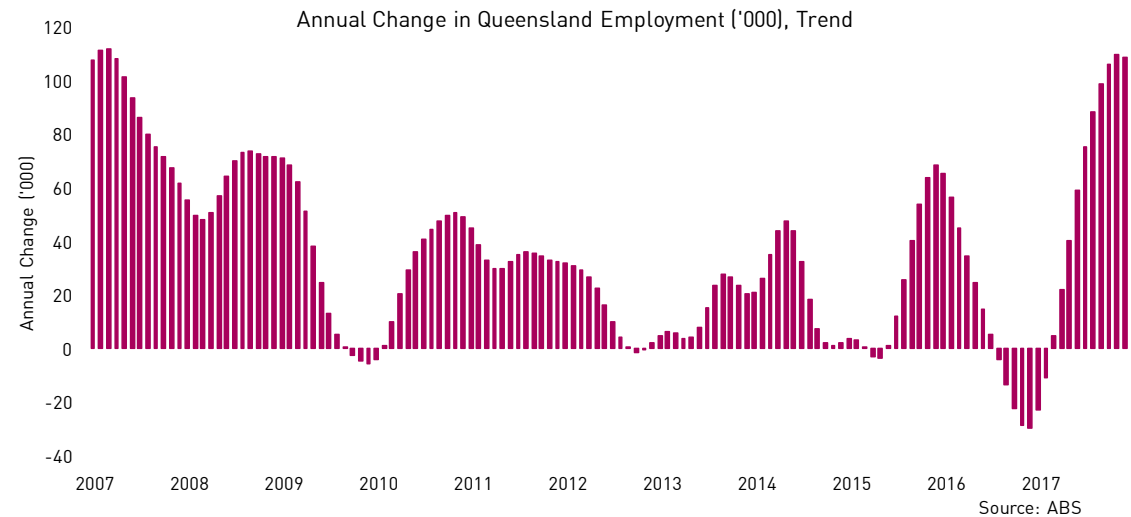
Source: ABS

Retail Trade - Queensland (Annual % Change)



Source: ABS

# Queensland Economic Data: Labour Force



## 109,000 jobs created in 2017

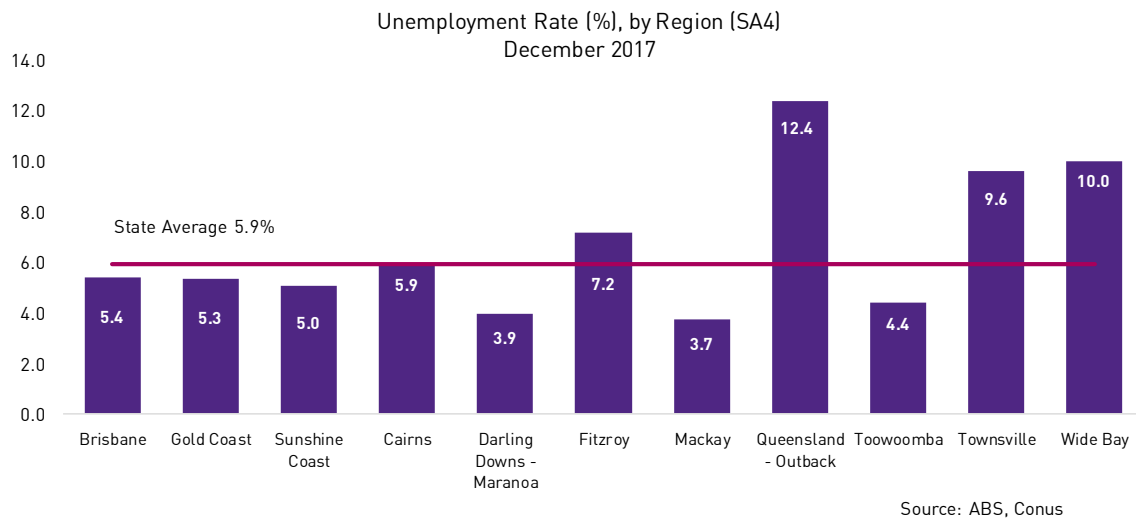
Queensland's labour market had an excellent year during 2017.

Key indicators such as employment levels, unemployment rate, participation rate, and the employment to population ratio all recorded substantial improvements over the course of the year.

Overall, the economy added over 108,900 jobs in the past year, with two-thirds of those roles full-time jobs.

The jobs created helped reduce the unemployment rate down to 5.9% in December, which was the lowest level since 2013.

While jobs growth has improved in Regional Queensland there is still a divergence between outcomes in the SEQ and regional labour markets.



# Queensland Economic Update

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## Contact Us



375 Wickham Terrace, Spring Hill,  
Brisbane, QLD, 4000.



1300 731 988



[sgosarevski@cciq.com.au](mailto:sgosarevski@cciq.com.au)



[www.cciq.com.au](http://www.cciq.com.au)