

Queensland Economic Update

March 2018

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Chamber of Commerce & Industry



Queensland Economic Update: Summary



National Accounts

- GDP expanded 2.3% during calendar year 2017.
- QLD state final demand expanded 0.9% during the December qtr and 2.6% annually.
- Public sector activity has been strong in Qld with all tiers of government recording growth in consumption expenditure.

Business Indicators

- Company profits rose to \$322bn during calendar 2017.
- The mining sector contributes around one-third of all the business profits nationally.
- Mining gross profit margins remain high at 46%. Finance and insurance doubled to 19% in FY2017.

Labour Market

- Unemployment rate rose to 6.1% in February.
- Despite jobs growth over the past quarter, the unemployment rate rose 0.2%.
- The best jobs market region across the state is the Darling Downs – Maranoa region (unemployment rate of 2.8%).

Economic Data – State Final Demand

QLD State
Final Demand

+2.6%

12 months to Dec 2017

Source: ABS

Australian
GDP

+2.4%

12 months to Dec 2017

Source: ABS

Qld Household
Expenditure

+1.5%

12 months to Dec 2017

Source: ABS



Queensland Economic Update: Gross Domestic Product

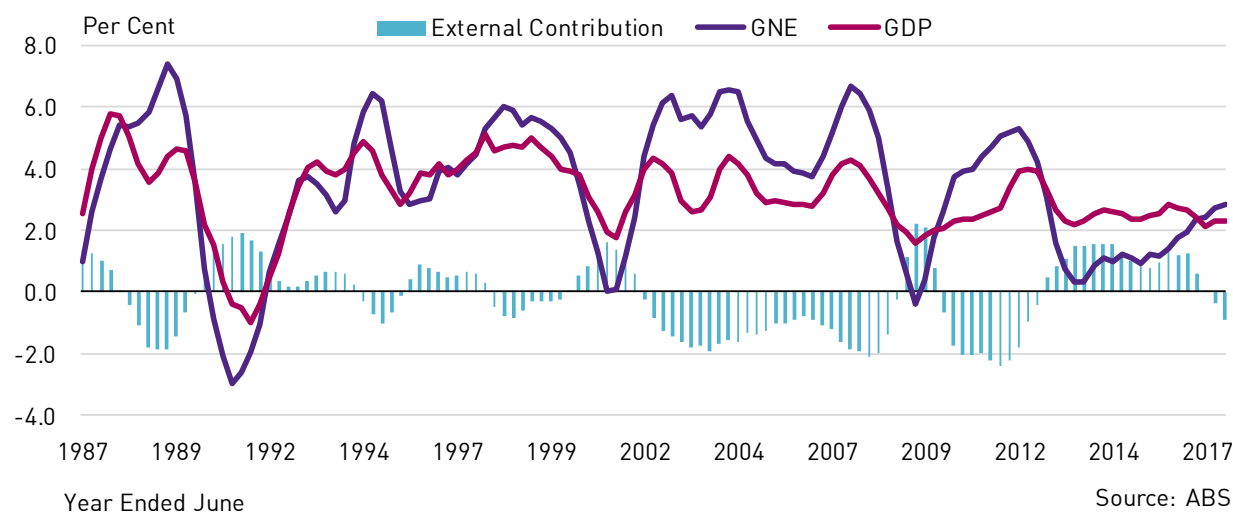
The Australian economy expanded +0.4% during the December quarter, weighed down by private investment and net exports. Annual growth for calendar 2017 slowed to a disappointing +2.3%.

Household consumption expenditure expanded by +1.0% for the quarter and +2.9% through the year. This rate of expenditure growth continues a subdued trend over several years now, restrained by the sluggish pace of household income growth.

Public funded investment grew +2.9% during the quarter, led by state government infrastructure investment. General government expenditure was also +1.7% higher during the December quarter.

Private sector investment was weaker following a -2.2% decline in dwellings and engineering construction. The net exports category weakened with the volume of exports falling during the December quarter.

Australian Gross Domestic Product
Moving Annual Total

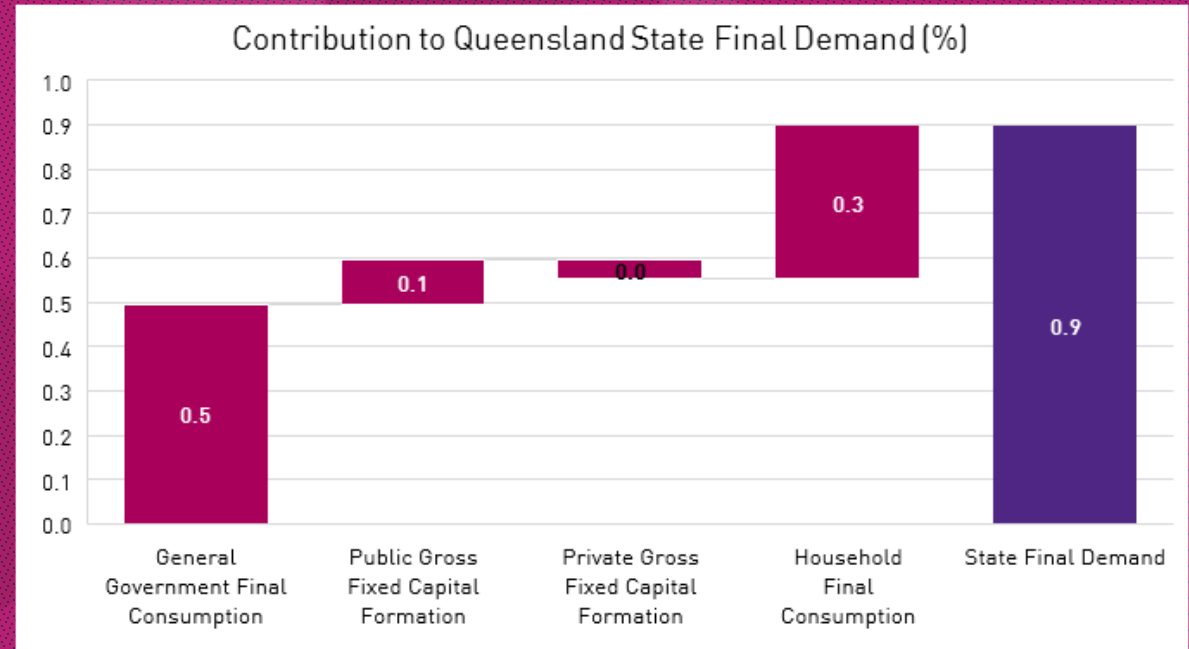


Queensland Economic Data: State Final Demand

State final demand (SFD) lifted by a strong +0.9% during the December quarter. In annual terms, growth in SFD slowed to 2.6%.

Public sector consumption was the largest contributor to growth, responsible for over half of the increase. The growth in public consumption expenditure was strong across all tiers of government. Government funded investment meanwhile rebounded following strong declines in previous quarters.

Expenditure by the private sector was mixed in the past quarter. Household consumption expanded by +0.6% for the quarter and is +1.5% higher through the year to December. Private investment was -0.2% weaker during the quarter, impacted by lower infrastructure investment.



Key Indicators	Q% Ch	A% Ch
Household final consumption	0.6	1.5
Private Gross Fixed Capital Formation	-0.2	3.9
Public Gross Fixed Capital Formation	2.1	-3.3
General Government Final Consumption	2.5	6.4
Queensland State Final Demand	0.9	2.6

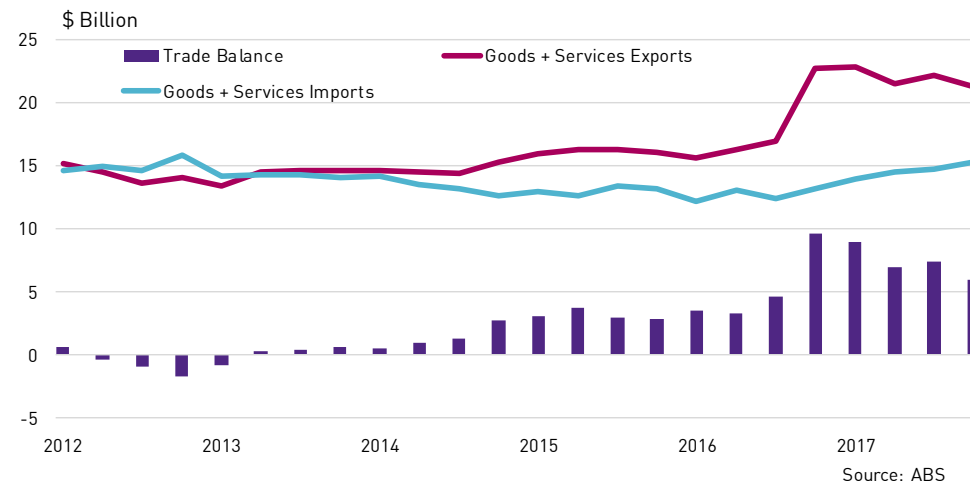
Economic Update: Balance of Payments

Queensland's goods and services trade surplus narrowed to \$6.0 billion during the December quarter. The value of imports rose 3.2% during the quarter, while exports fell -4.1%.

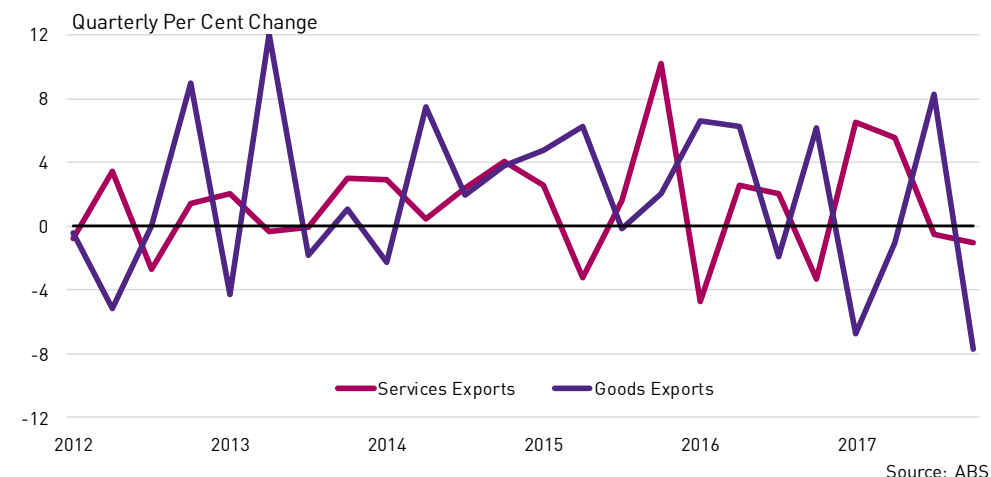
The value of exports slumped due to a strong drop in the volume of exports (-6.4%). Disruptions to the supply of coal was a key factor behind this fall in volumes, with media reports suggesting up to 70 coal ships were queued at the Dalrymple Bay Coal Terminal in December. The volume of services exports also declined during the quarter (-1.1%)

The value of imported goods has been trending upwards since December 2016 after several years of weakness. As the Queensland economy has emerged from its economic slump, the value and volume of imports has started to rise in conjunction with economic activity.

Queensland - Balance on Goods and Services



Quarterly Export Volumes - Queensland



Queensland Economic Data: Mining exploration

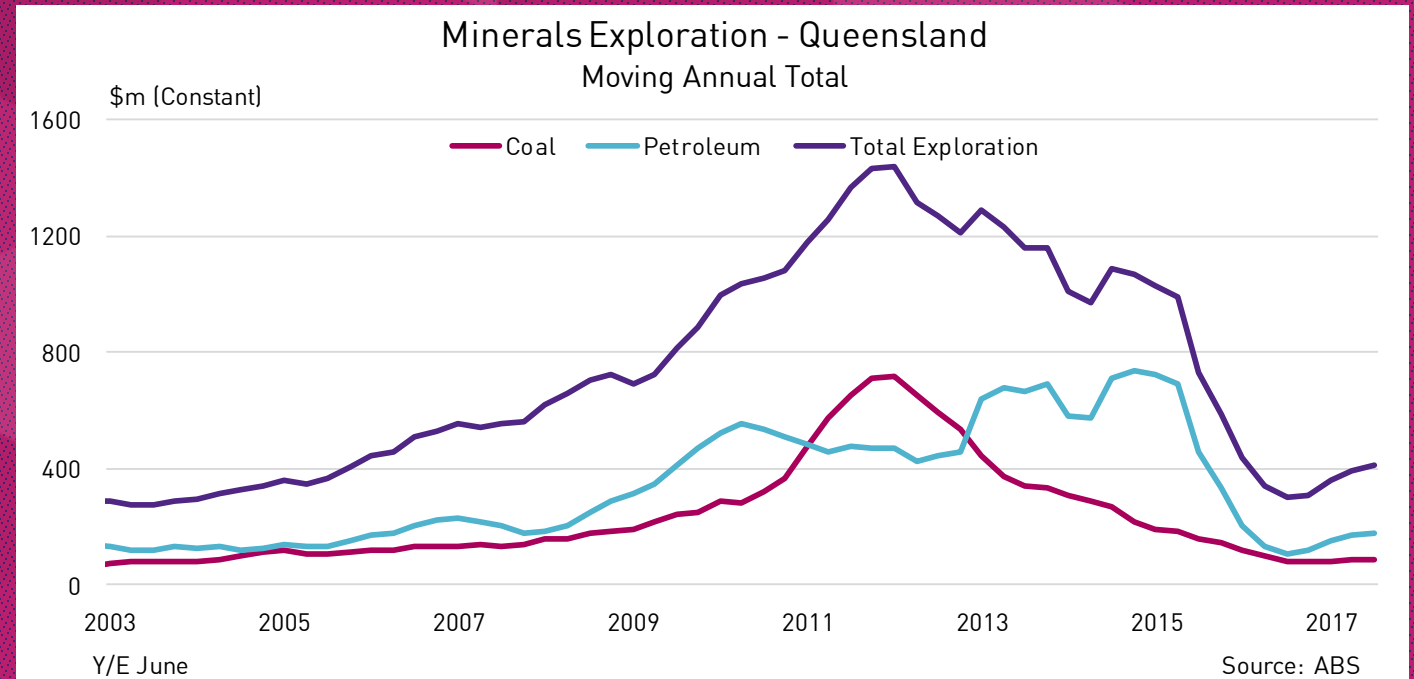
Minerals exploration expenditure across Queensland has slumped since its peak in 2012. Activity has recently begun to stabilize, rising from the second half of 2016.

Exploration investment has dropped by 75% since the peak in 2012, responding to steep declines in commodity prices – particularly coking coal and oil.

The rebound in commodity prices over the past year has helped arrest the declines in exploration expenditure.

As a leading indicator of future investment and production activity, the recent lift in activity is a positive sign that the mining industry has turned the corner and is looking to invest in new capacity.

While signs are pointing to future activity increasing, the recovery in exploration has only been modest and miners will not necessarily be rushing to accelerate major projects developments in the short term.



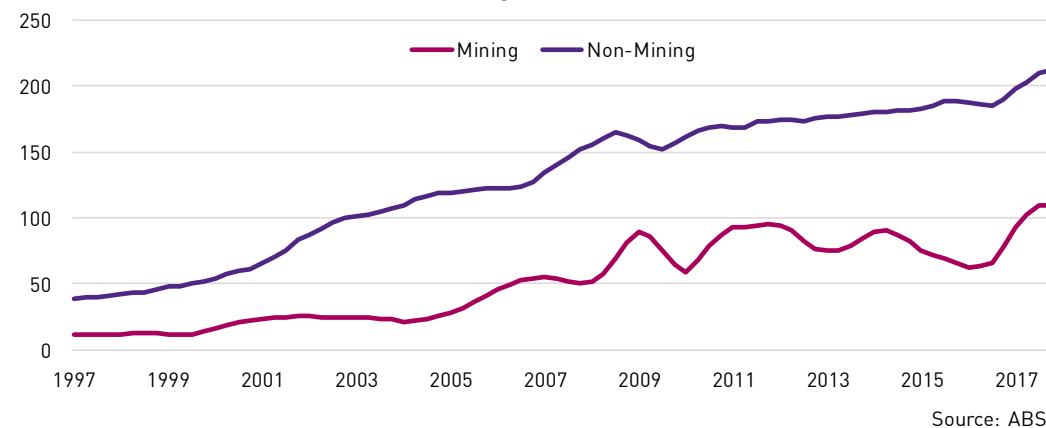
Queensland Economic Update: Business Indicators

The latest business indicators data showed company profits nationally rose 2.2% for the December quarter on a 1.5% lift in sales income. Overall, company profits rose to \$322 billion for calendar 2017 (+20.6%).

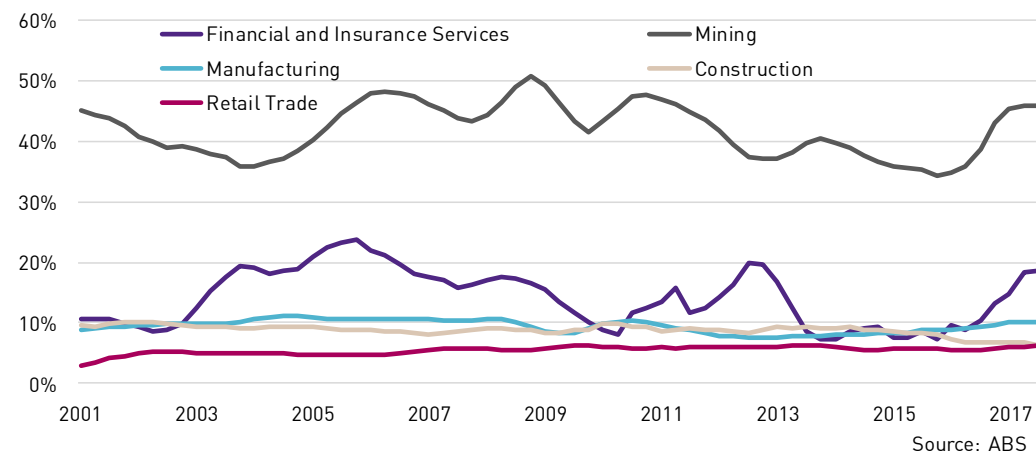
The mining sector (+42%) was the biggest contributor to the higher level of company profits, representing 60% of the increase during 2017. The combination of higher commodity prices, rising export volumes and lower expenditure on capital investment led to the stronger outcome for the mining sector.

Other industries with double digit profit growth included Manufacturing, Utilities, Wholesale trade, Financial & insurance services, Rental, hiring & real estate services, Professional, scientific & technical services, and Administrative & support services.

Gross Operating Profits, \$ Billion
Moving Annual Total



Business Gross Operating Margins



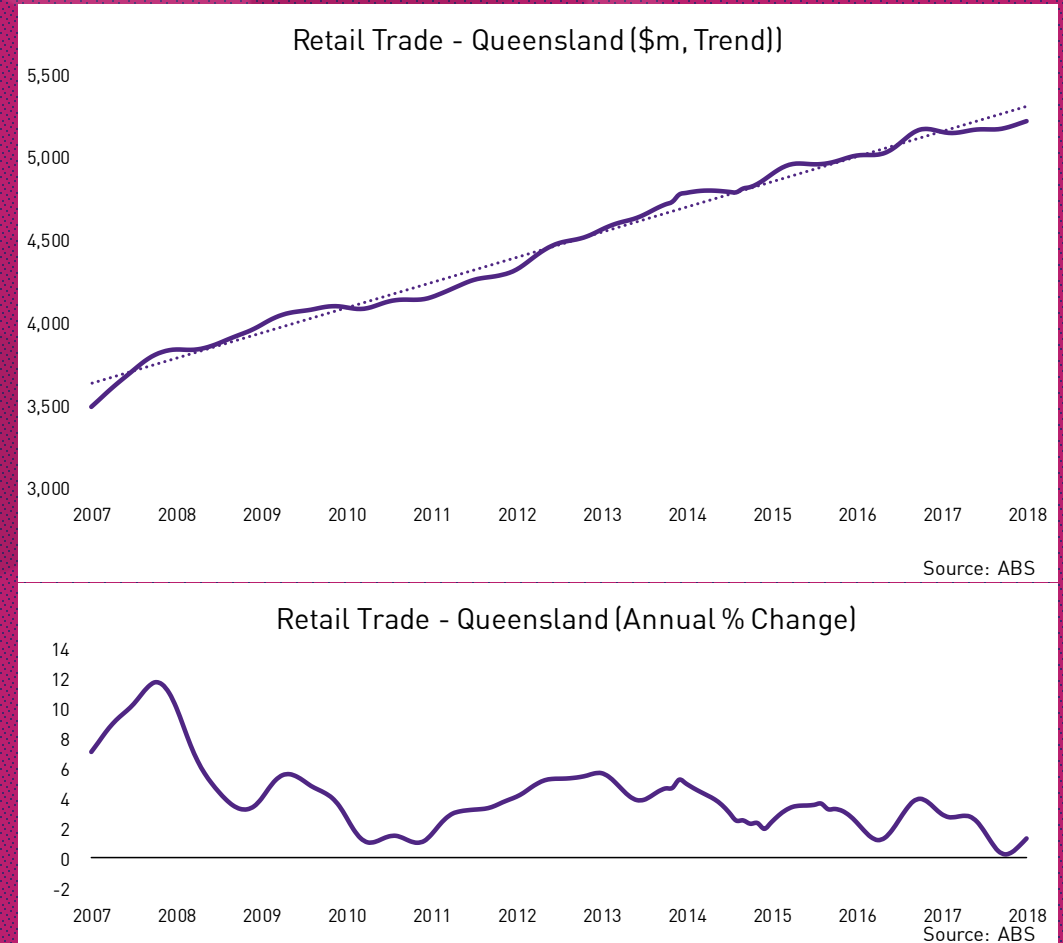
Queensland Economic Data: Retail Trade

The Christmas and Boxing Day sales period provided a small boost to retail spending. The annual rate of growth accelerated from a very low rate of 0.2% in October, rising to 1.3% by January.

Despite the recent pick-up in the rate of growth, retail sales activity is still behind long run trends levels.

Behind the slow growth numbers is the slow growth in household incomes. As wages have stagnated, consumers in Queensland have cut back on discretionary spending – expenditure on the takeaway food and department store categories amongst the weakest performers.

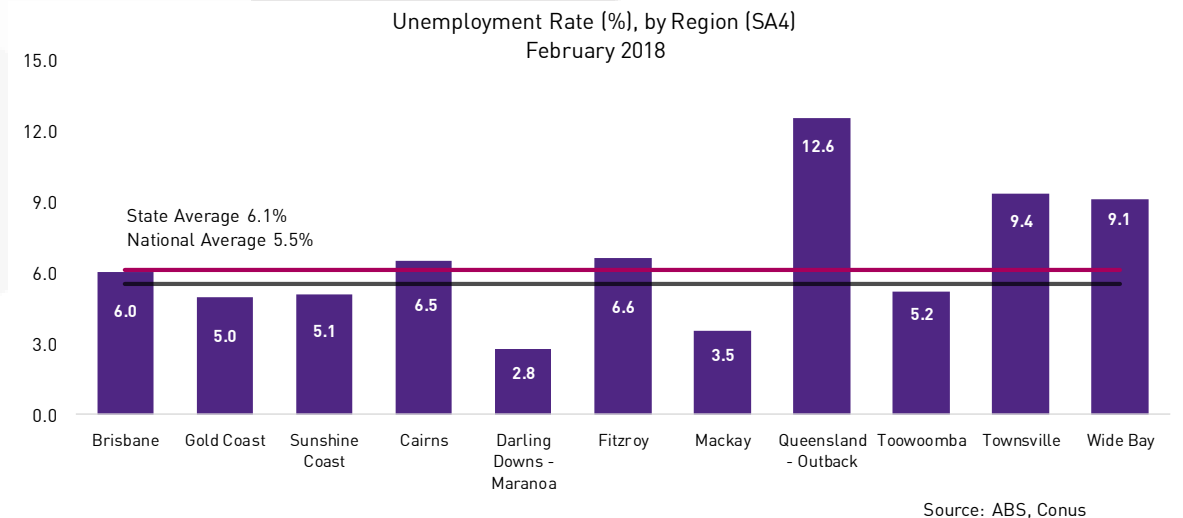
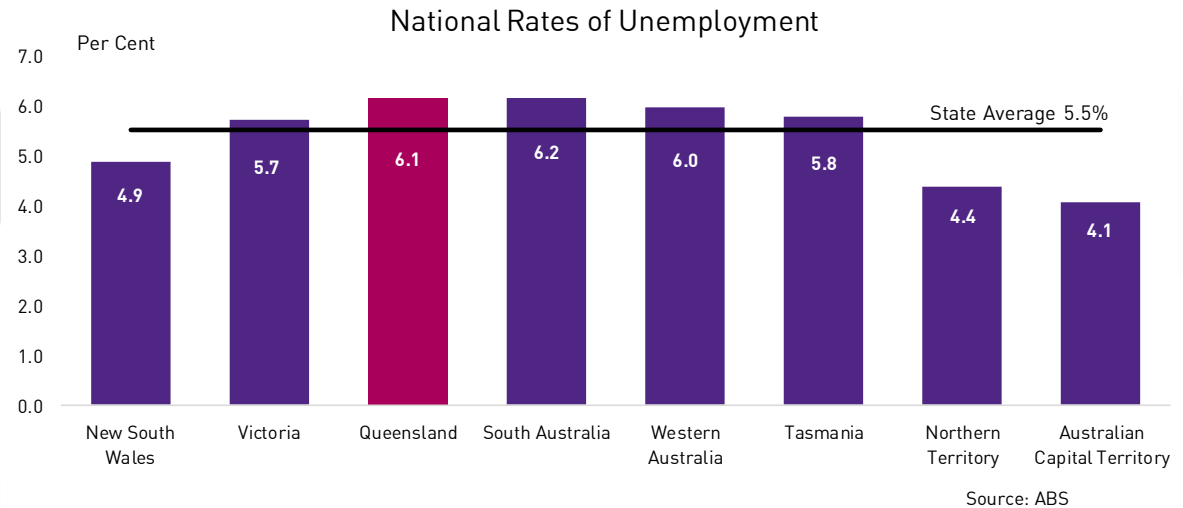
With the rise in the number of people employed and the faster pace of population growth, we should see stronger retail numbers through 2018. An acceleration in wages growth would be another welcome boost.



Queensland Economic Update

Labour Market

- Queensland's unemployment rate is one of the highest across Australia at 6.1%.
- Despite over 15,000 jobs being created since November 2017, the unemployment rate has crept up by 0.2% during this period of jobs growth.
- Population growth and rising workforce participation have led to growing numbers of unemployed.
- The best jobs market region across the state is the Darling Downs – Maranoa region (unemployment rate of 2.8%), while improvement needed for Queensland – Outback (12.6%).



Queensland Economic Update: Labour Market

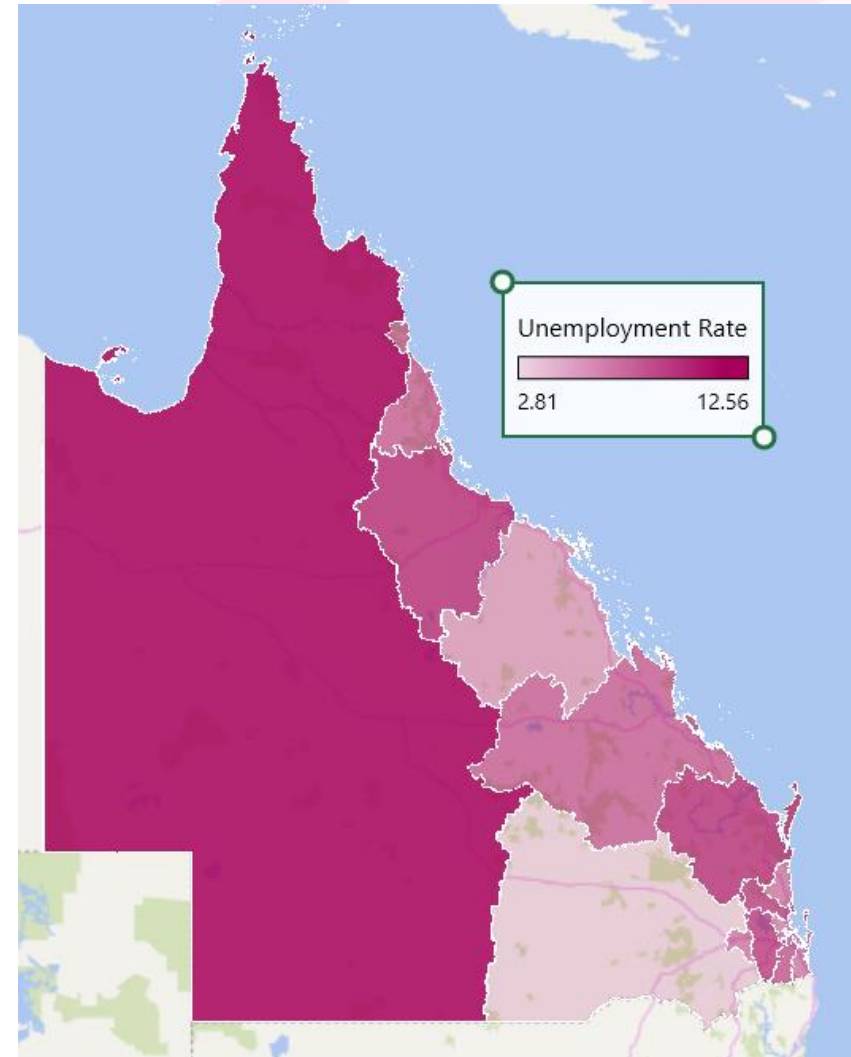
With the number of jobs on the rise, the recent publication of the Conus Trend Industry Employment data (which is based on the ABS employment data) helps identify the regions and industries which have contributed to the strong labour market outcomes.

Jobs growth remains heavily concentrated in the SEQ region, registering 75% of the jobs growth in the past year and forms 70% of the total workforce.

Townsville was the best performing region outside SEQ, with 10,900 jobs created in the past year. Services sectors such as health care, education and retail trade recorded the largest gains.

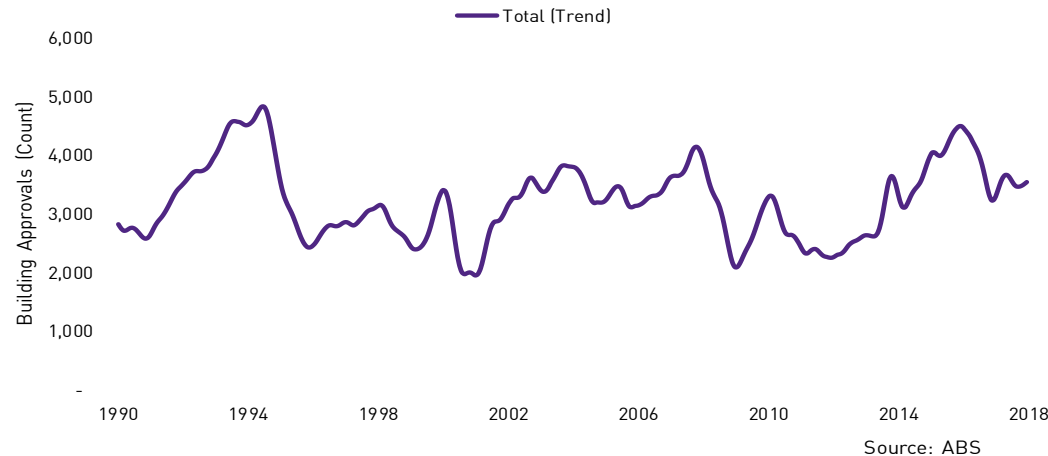
Health care is the engine of growth amongst industry sectors (+36,500 jobs). Most jobs were created in Greater Brisbane (+21,300) with also strong increases in the Sunshine Coast (+7,300) and Townsville (+4,600).

The Public administration and safety sector had the largest job losses over the last year at 7,700 jobs.

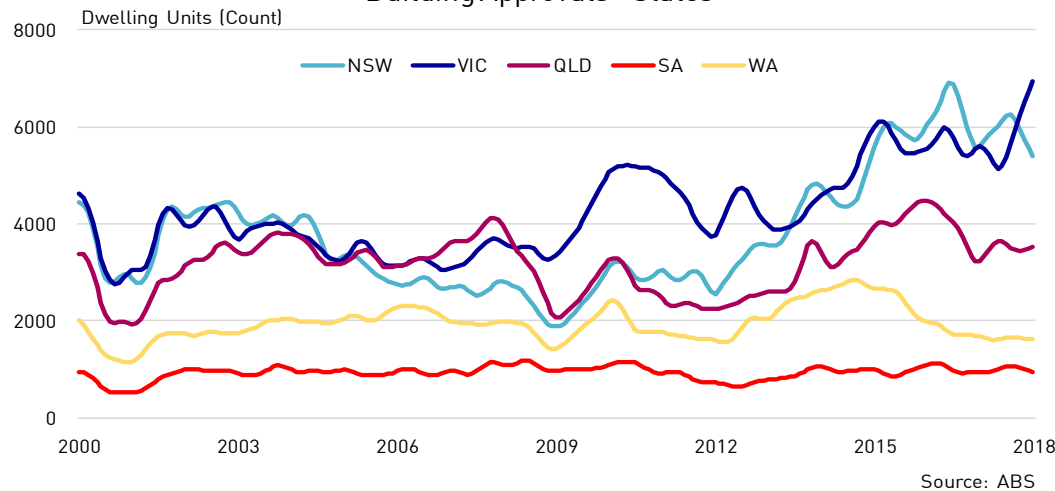


Queensland Economic Data: Building Approvals

Building Approvals - Queensland



Building Approvals - States



Building Approvals Correction

Since peaking through the middle of 2016, building approvals in Queensland have dropped by roughly 20%, averaging 3,500 approvals over the past twelve months.

In the context of the long term historical average, monthly dwelling approvals have averaged roughly 3,200.

The recent lift in population growth will be needed to help absorb the big number of apartments expected to hit the market in the next year.

Nationally, building approvals have also eased off since peaking in mid 2016. New South Wales and Queensland have been the two states driving this outcome.

In contrast, building approvals in Victoria have surged off the back of the apartments segment across inner-city Melbourne.

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