

Queensland Economic Update

November 2017

cciq.com.au



Chamber of Commerce & Industry



Queensland Economic Update: Summary



Economy

- Gross state product (GSP) expanded by 1.8% in 2016/17
- Agriculture was the fastest growing sector, rising 11%
- Healthcare has been the strongest performing industry over the past decade growing 5.6% annually

Employment

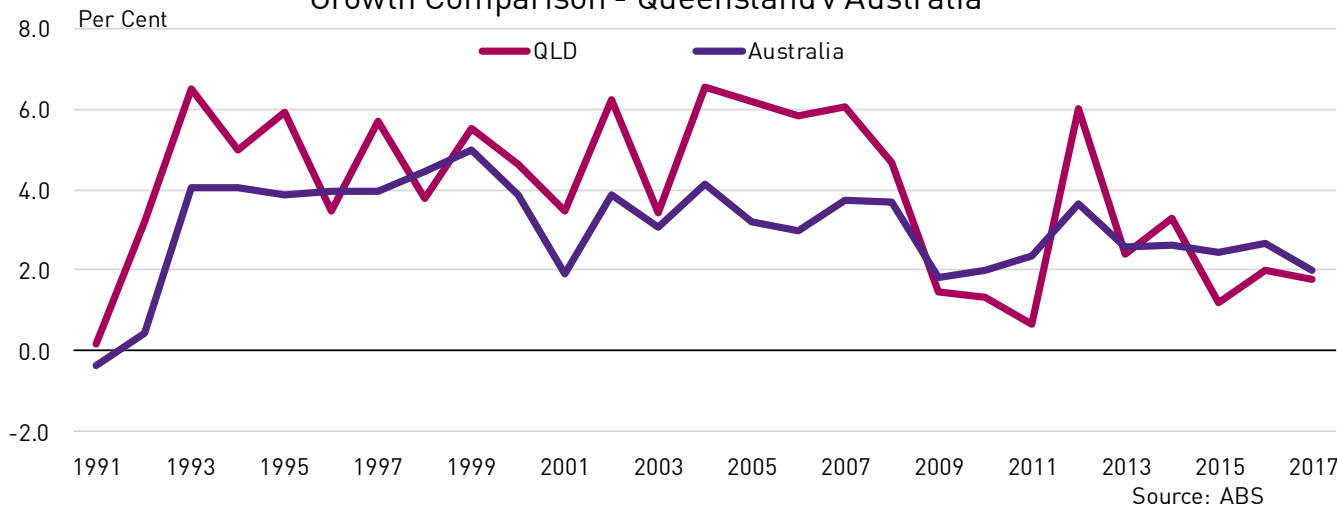
- 7,900 jobs added during the month of October
- Unemployment rate down to 5.9%
- Job vacancies +21% in year to August 2017

Wages

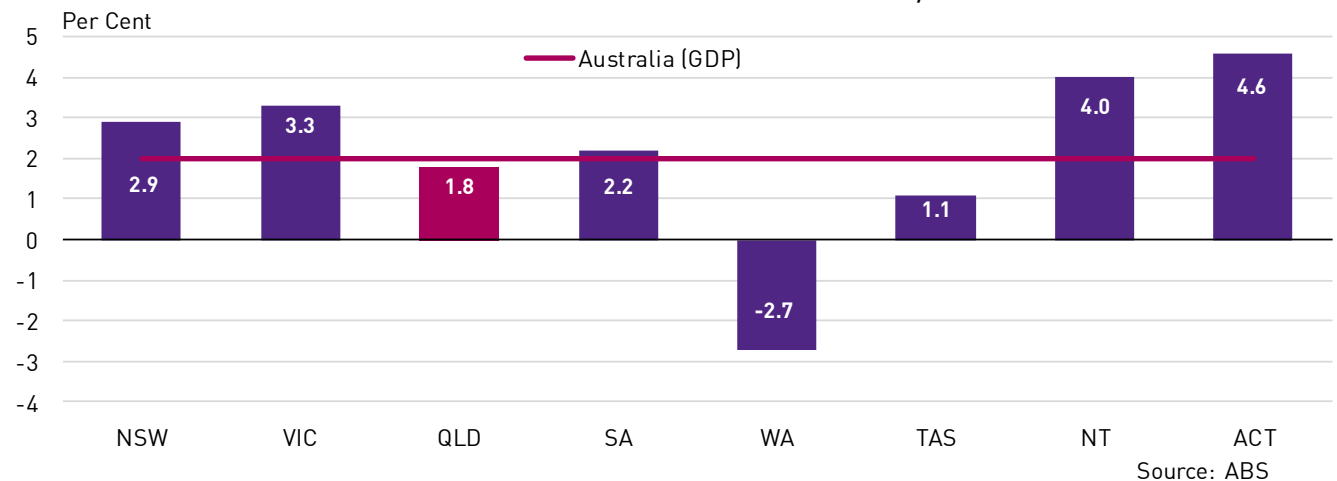
- The wage price index for Queensland increased by 2.2% over the year to September 2017
- Public sector wages grew 2.8%, faster than in the private sector 2.0%
- Adjusting for inflation, real wages in Queensland rose 0.7% over the past year

Queensland Economic Update: State Accounts

Growth Comparison - Queensland v Australia



Gross State Product Growth - 2016/17



Queensland Economic Update November 2017

Queensland Economic Growth Slows

Growth in the Queensland economy stuttered during 2016/17, expanding by 1.8%. The total size of the Queensland economy grew to \$309 billion.

Treasury estimated Cyclone Debbie's impact could shave 0.75% off growth over the 2016/17 and 2017/18 financial years. Even so, the final growth figure proved to be disappointing and fell short of treasury projections in the budget by almost a full percentage point.

The slower rate of growth undermines job creation, weakens business confidence and will exacerbate the government's debt position. With debt projected to reach \$81 billion by 2020-21, the government will be keen to see growth speed up.

Decomposing Gross State Product into its various components, the growth in State Final Demand contributed 2.6 percentage points to growth, while international trade added a further 0.4 points. A slump in interstate trade severely hampered growth levels, subtracting 1.1 percentage points from overall growth levels.

Growth in Queensland lagged the national average of 2.0%, behind New South Wales, Victoria and the Territories as the fastest growing regions in the past year. As a share of the national economy, **Queensland contributes 18% of the nation's \$1.7 trillion in economic output.**

Queensland Economic Update Industry Composition

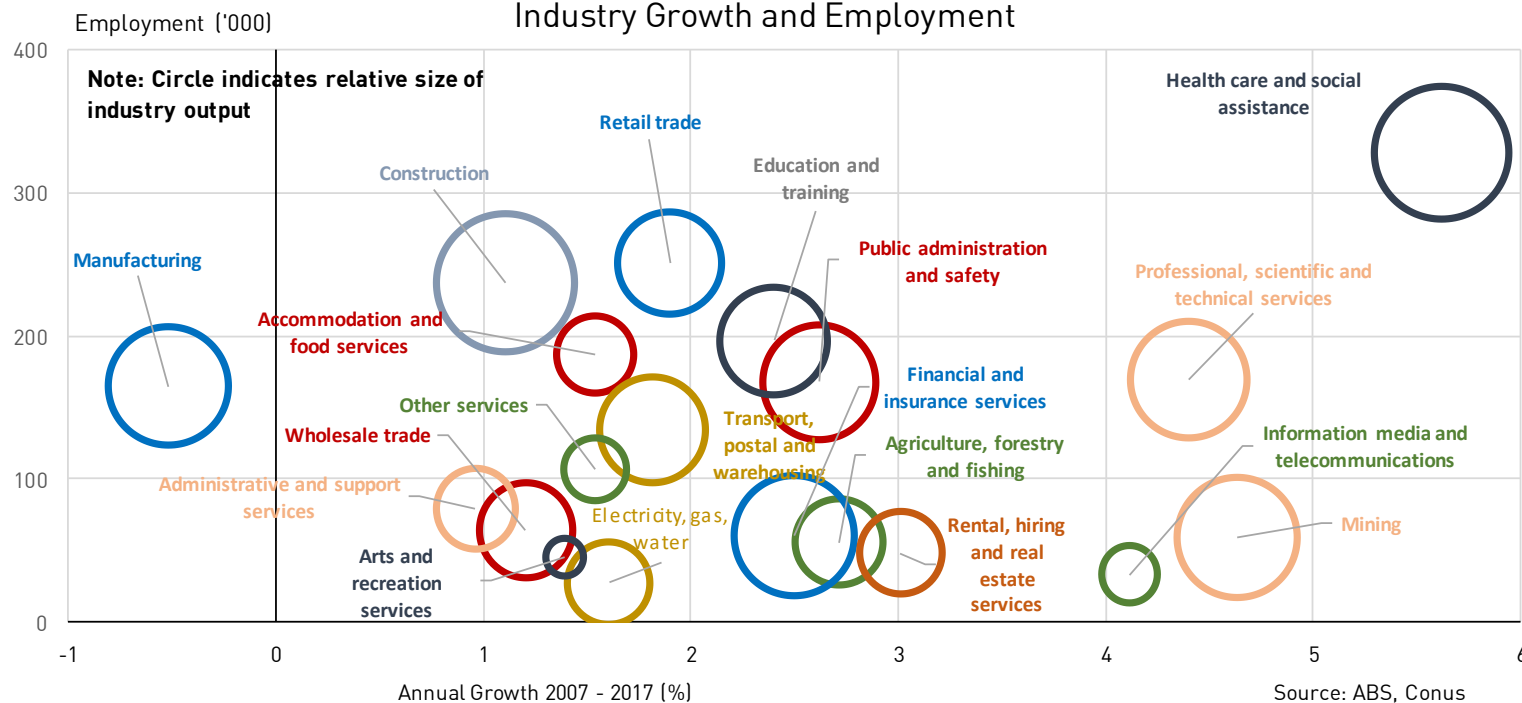
The Queensland economy is diverse with world-class resources and agriculture industries, alongside the services industries which continue to be a major source of growth and employment.

In the past year, **the agriculture sector was the strongest performing industry**, rebounding by 11% after a difficult year in 2015/16.

Across the services industries, Health Care and Social Assistance continued its remarkable growth trajectory, expanding a further 7.2%. The rapid in **growth in the healthcare industry has been proceeding for several years now, expanding a cumulative 28.8% over the past three years**. Already the largest employing industry, it also had the strongest numbers of jobs growth over the past year. Other services industries were also among the industries contributing with above-average growth.

However, the state's performance was hampered the poor performance of larger industries such as construction and manufacturing which shrunk by 2.8% and 3.0% respectively. Growth in the mining industry also slowed sharply to 1.8% after averaging growth of 4.6% over the past decade.

Composition of the Queensland Economy
Industry Growth and Employment



Economic Update: Wage Price Index

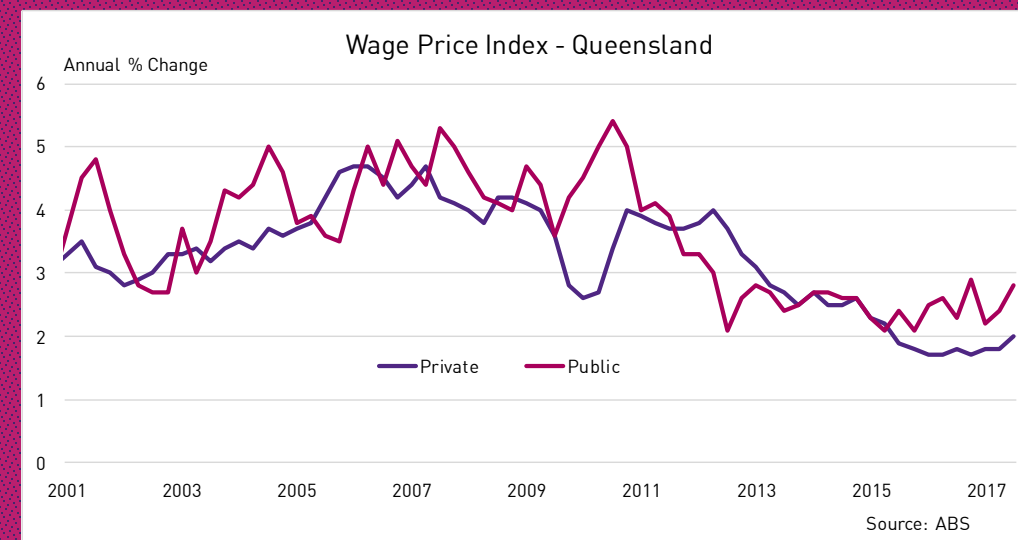
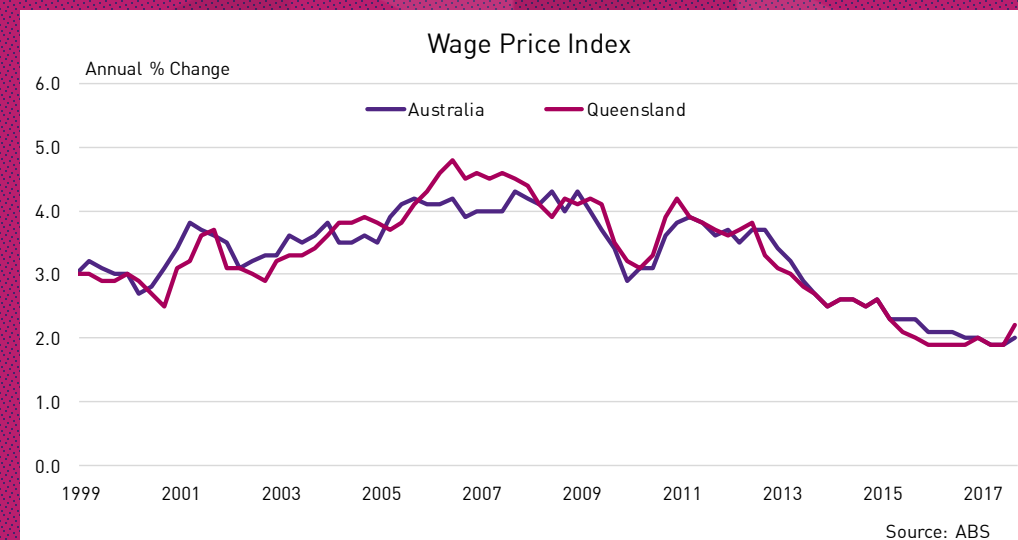
Wages growth across Queensland remains sluggish as the labour market continues to absorb the excess levels of unemployed and underemployed workers. In the year to September 2017, **wages grew by 2.2%, accelerating from sub 2.0% levels of growth through much of 2016.**

The RBA notes the spare capacity in the labour market continues to contribute to the national slow down in wages, with other factors such as **low job mobility, job security concerns, changes in bargaining power, labour productivity, structural change and international competition** also identified as potentially holding back wages growth.

Public sector wages have outperformed the private sector since 2015.

The adjustment following the end of the mining boom is impacting average wage rates in the private sector, while public sector wages have consistently remained within the 2-3% annual growth band since 2012.

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.



Retail Trade

- **Queensland retail sales** expanded at a weak rate of 0.5% in the year to September 2017.
- **Retail prices** fell 0.3% during the quarter.
- **Food is the largest retail category**, worth \$2.2 billion during September.

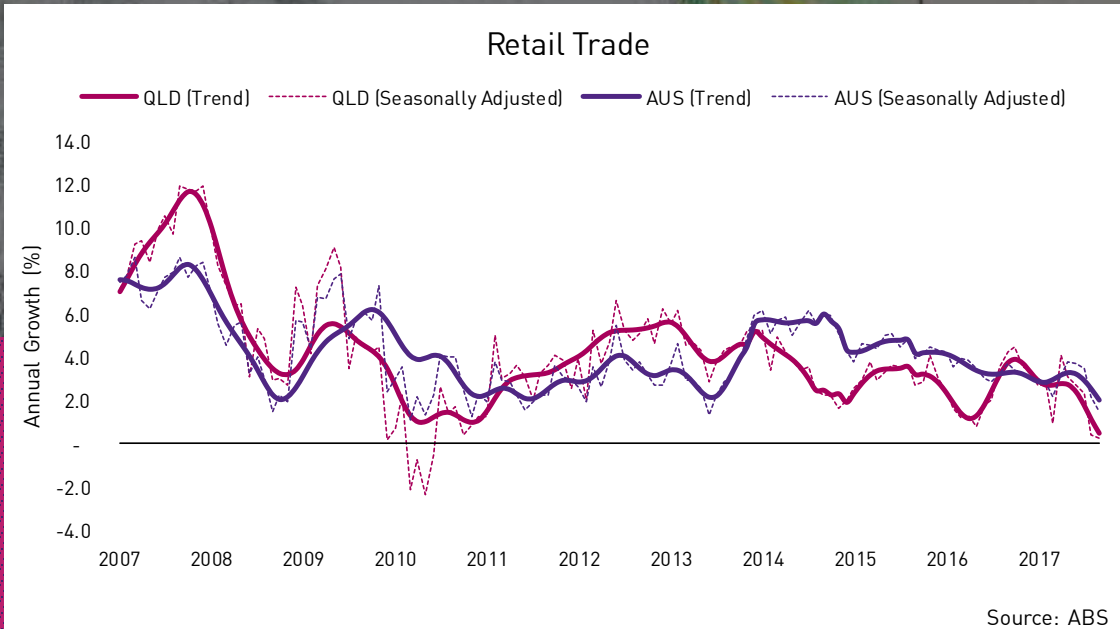
Retail Trade
\$5.2bn

September 2017

Source: ABS

Queensland Economic Update: Retail Sales

Retail sales slowing sharply in Queensland



Growth in retail sales has slowed sharply across Queensland in recent months, with growth over the year to September falling to 0.5%.

Despite the improvement in the employment data, retail spending has not accelerated. Households remain cautious with rising cost of living appears to be impacting consumer confidence and discretionary spending.

Queensland Economic Update November 2017



Households are spending a greater proportion of their budgets on services rather than retail items.

A lack of wages growth and rising cost of living pressures, we are likely to see the discretionary retail consumption categories continue to struggle with growth compared to food retailing.

Queensland Economic Update Retail Sales

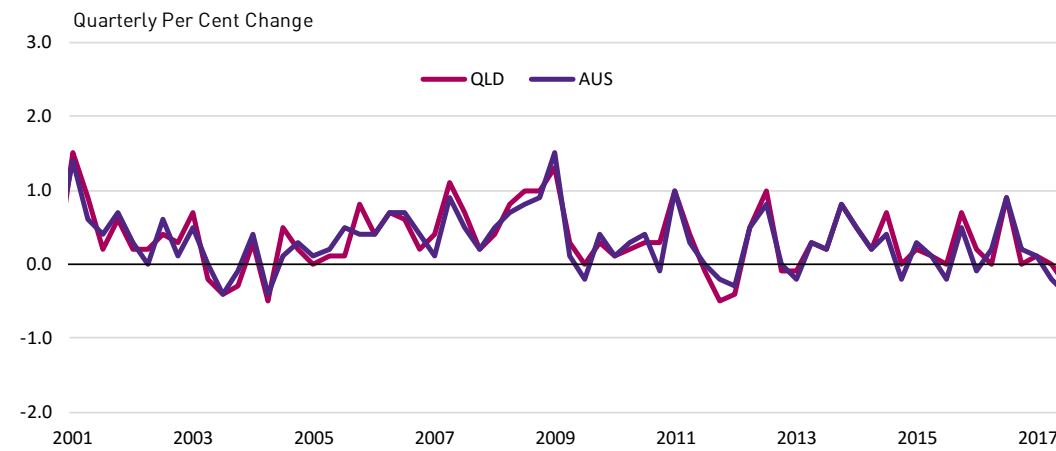
Discounting cycle not boosting sales

Retailers in Queensland and across the country have been discounting heavily. At the national level, **retail prices fell 0.4% during the September quarter**, while in Queensland, prices fell 0.3% during the period.

Despite the lower prices on offer, the volume of retail sales only increased by 0.1% during the quarter (Queensland and nationally). **This is a poor result for retailers who have slashed prices but have not been able to recover revenues through higher volumes.**

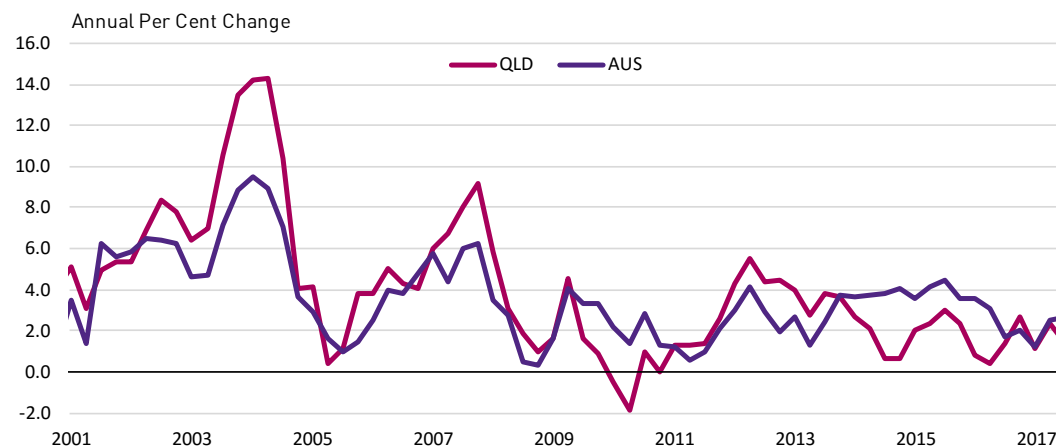
In previous cycles, retailers cutting prices would typically stimulate a strong consumer response with consumption volumes rising significantly. However, the lack of a response to the current retail discounting indicates a more fundamental issue for household budgets.

Retail Sales Prices



Source: ABS

Retail Sales Volumes



Source: ABS

Economic Data – Labour Force

Total
Employed

+108k

12 months to Oct 2017

Source: ABS

Participation
Rate

65.7%

As at October 2017

Source: ABS

Unemployment
Rate

5.9%

As at October 2017

Source: ABS



Queensland Economic Update: Labour Force

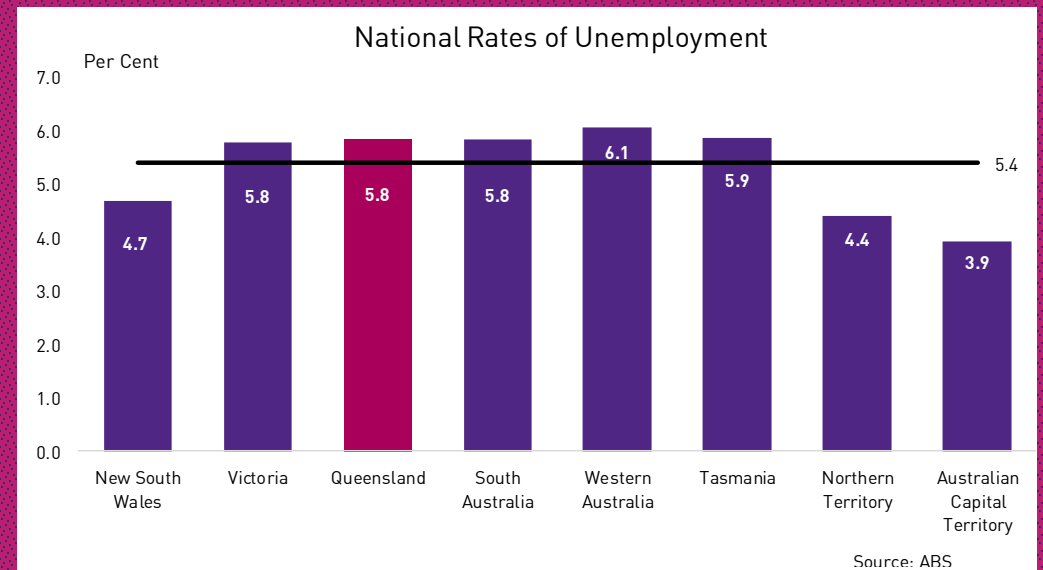
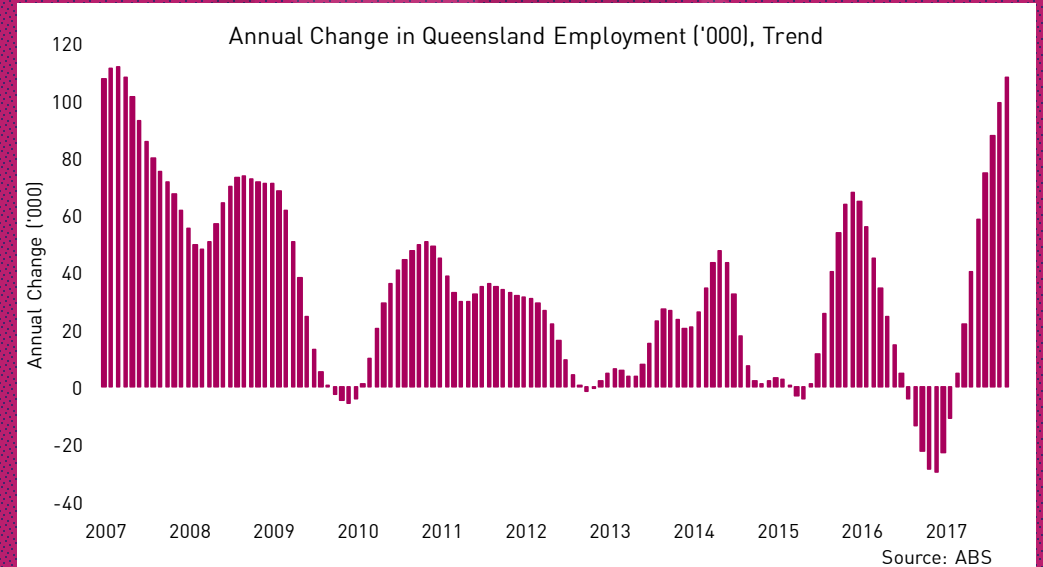
12 consecutive months of employment growth

Another 7,900 jobs were added during October, extending the monthly growth streak to 12 months. These gains extend the **total number of jobs added in the past twelve months to 108,000**, lifting the annual rate of jobs growth to 4.6%.

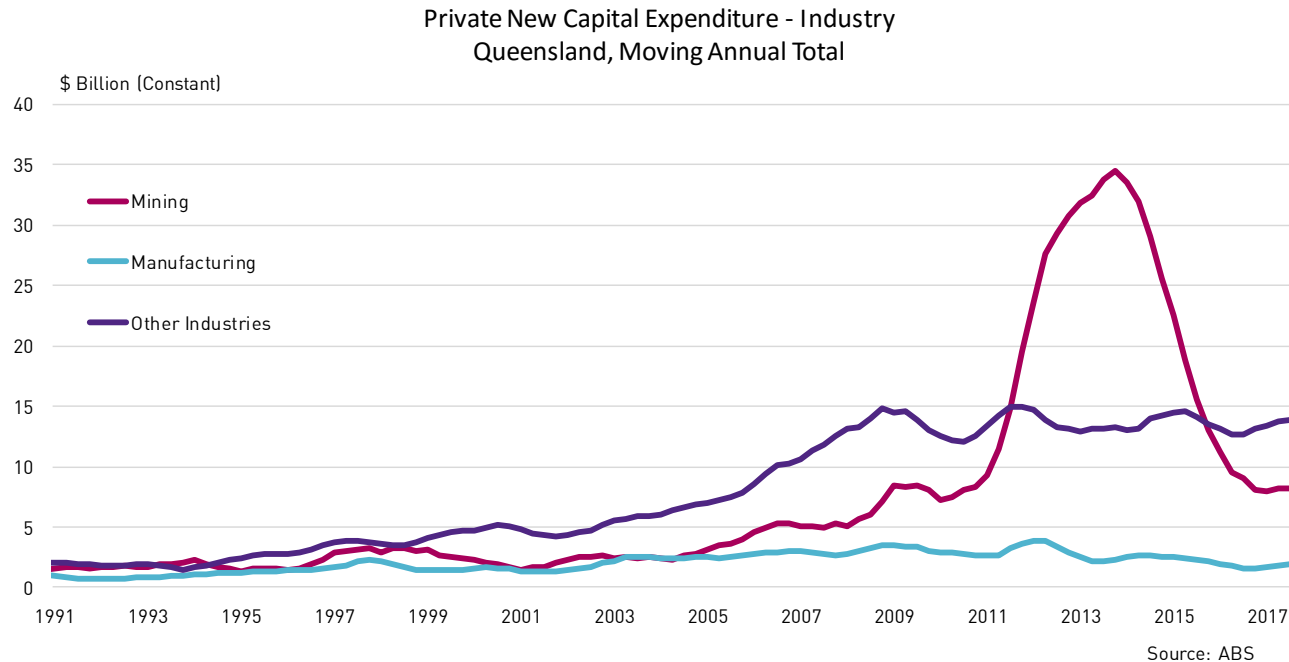
While jobs growth has been strong, almost two-thirds of the new roles created have been part-time employment. Consequently, the underemployment rate has remained elevated whilst the unemployment rate has declined.

Consistent with the improvement in the jobs market has been the **rise in job vacancies, improving by 21% in the year to August 2017**. The higher level of vacancies were in the private sector, with an additional 6,600 roles being reported in the year to August.

The strong jobs growth has reduced the unemployment rate to 5.8%. However, the Queensland unemployment rate still remains above the national unemployment rate of 5.4%.



Queensland Economic Data: New Capex



Business Investment Rising

The Queensland economy endured a sharp slowdown from 2015 as capital expenditure by businesses dried up. The major phase of mining investment had reached its conclusion, which resulted in construction activity across the state plummeting.

The latest data on business investment has provided more evidence that capital expenditure has stabilised. In fact, business investment has begun to lift, rising 2.5% in the 12 months to September 2017.

Among the industries, Manufacturing has recorded the strongest annual growth at 17.9%. Investment by the Other Industries category expanded by 9.3% boosted by electricity, retail, warehouses and telecoms.

Meanwhile, Mining investment is 9.6% lower than a year ago following the completion of the final LNG train in Gladstone.

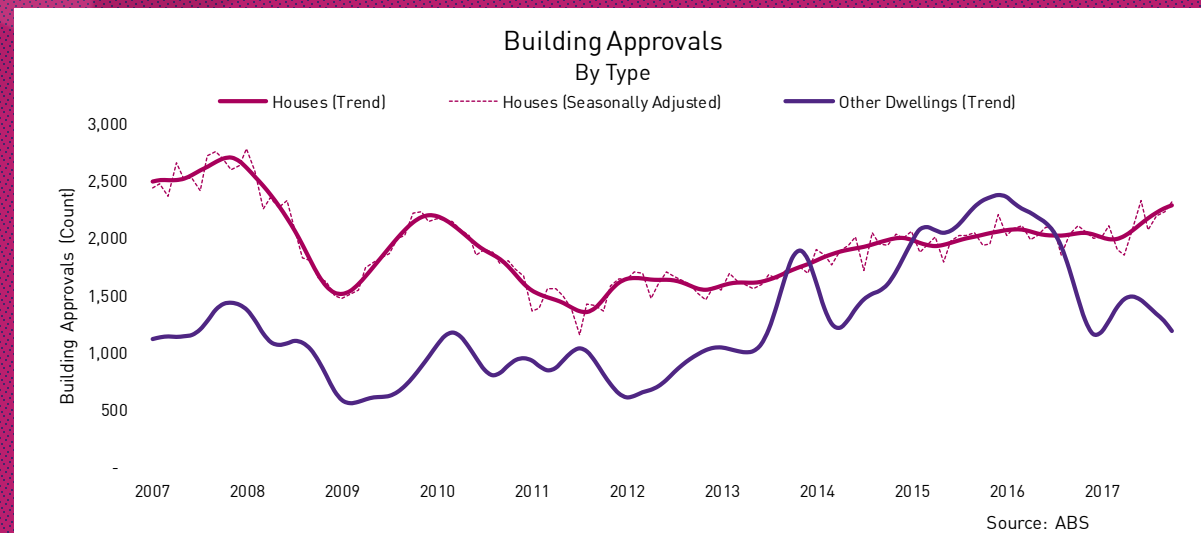
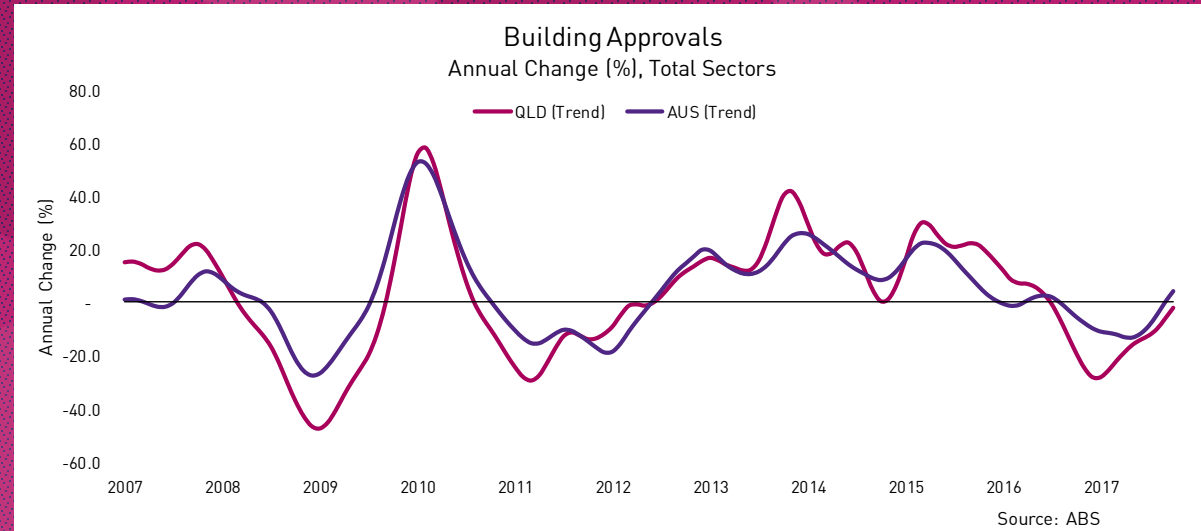
Queensland Economic Data: Building Approvals

The level of new building approvals has stabilised across Queensland and also at the national level.

Monthly approvals peaked in Queensland at 4,429 dwellings in December 2015, declining to a low of 3,173 units in January 2017.

The number of dwelling units approved has stabilized, rebounding to 3,464 in October 2017. This figure is 2.0% lower than the level of approval 12 months prior.

The composition of approvals has started to shift, heavily favouring new detached housing. The number of new houses approved has risen by 12.1% over the last year, while apartments have declined 21.0%.



Queensland Economic Update

November 2017



Chamber of Commerce & Industry

Contact Us



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



1300 731 988



sgosarevski@cciq.com.au



www.cciq.com.au