

# Queensland Economic Update

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September 2017

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Chamber of Commerce & Industry



## Queensland Economic Update: Summary



### AUSTRALIAN ECONOMY

- Gross Domestic Output (GDP) of \$1.7 trillion in 2016/17.
- GDP growth slowed to 2.0% in 2016/17.
- 25 consecutive years of economic expansion

### BUSINESS INDICATORS

- Total company gross operating profits of \$305 billion during 2016/17 (+22%)
- \$518 billion in wages paid to workers (2016/17)
- Income from sales of good and services +4.6% (2016/17).

### LABOUR MARKET

- 10,500 jobs added during August.
- Participation Rate has risen to 65.5% - higher than the national average
- Underutilisation rate is also rising, now at 14.9% in August 2017

# Economic Update: National Accounts

## Quarter-Century of Uninterrupted Growth

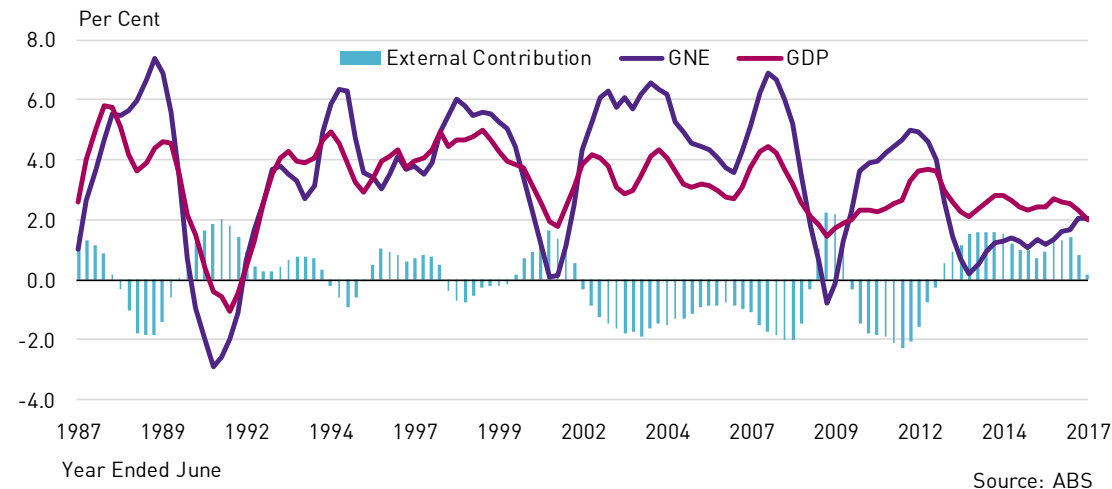
The **Australian economy grew 0.8 per cent during the June quarter** to take total growth for 2016/17 to 2.0 per cent - on par with the expectations of the RBA in its latest Statement on Monetary Policy. With the national economy still performing below potential, the RBA should be in no rush to start hiking interest rates soon.

The export sector continues to be a strength for the Australian economy with net exports contributing roughly half of the growth in the latest quarter. Similarly, **household consumption and the public sector were areas of strength** although the public sector contribution was inflated by the transfer of ownership assets.

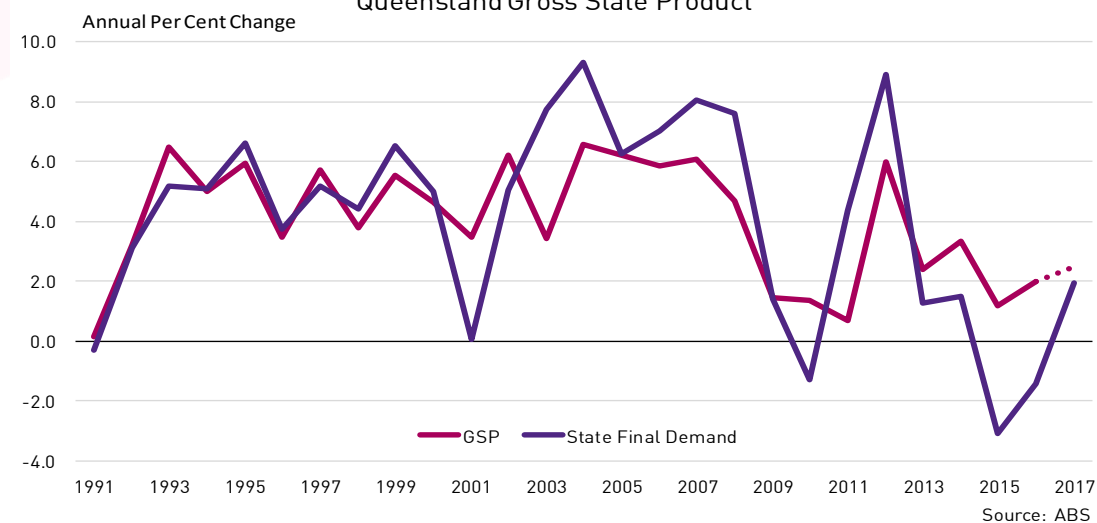
Queensland state final demand (SFD) rebounded in the June quarter by 1.1 per cent with activity in the private sector entirely responsible for the growth in this period. This was a strong response following the weak March quarter where private sector activity was hampered by Cyclone Debbie.

With the strong finish to the end of the 2016/17 financial year, **SFD rose by 2.0 per cent** - a welcome reversal of the trend decline of recent years. Queensland is now starting to emerge from the difficult transition period post-mining boom, which had left unemployment at elevated levels, particularly in regional Queensland.

Australian Gross Domestic Product



Queensland Gross State Product



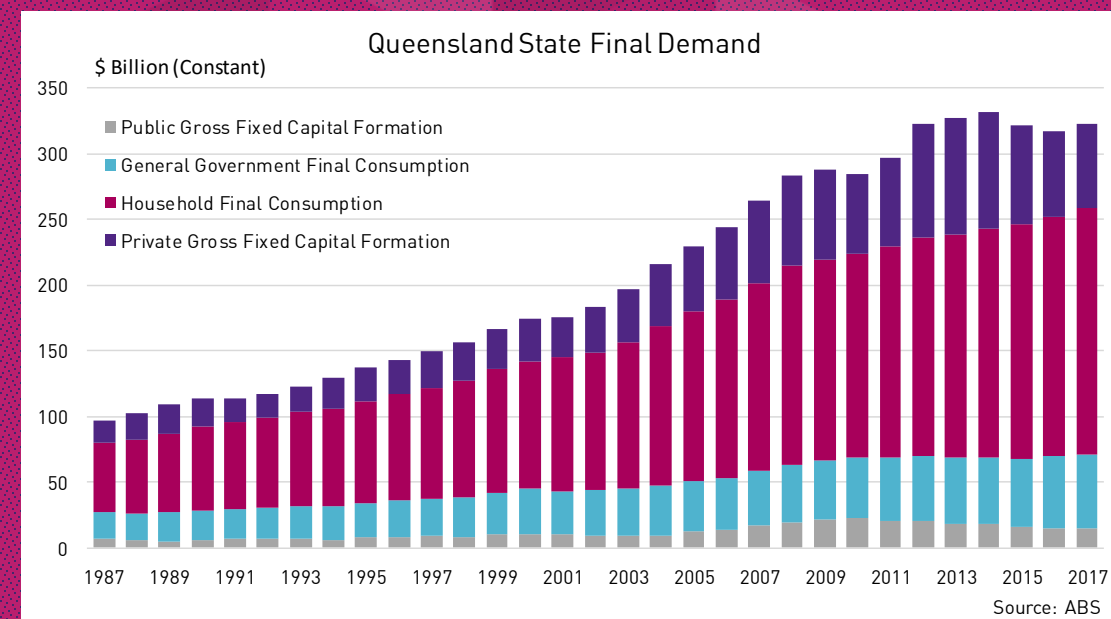
# Queensland Economic Update: National Accounts

The Queensland economy continues to inch forward on the path to recovery, however the strength of the recent June quarter overstates the current trend trajectory for growth.

Going forward, we expect to see **less impact from dwellings construction, while sluggish wages growth and rising household costs are dampening discretionary spending**. However, the pick-up in the jobs market and population growth, should support household expenditure over the short to medium term.

**Business investment is in a delicate position** given the stages of the residential construction and minerals investment cycles. However other industries are starting to invest, with key labour intensive sectors such as health and aged care, tourism and hospitality, retail and wholesale trade all expanding capacity.

**The Australian dollar remains the big swing factor**. A lower dollar will help spur the transition of growth toward the labour intensive trade exposed industries. The Australian dollar remaining around the US\$0.80 level for an extended period is a significant risk.



Key Indicators	Q% Ch	A% Ch
Household final consumption	0.8	2.7
Private Gross Fixed Capital Formation	3.5	4.9
Public Gross Fixed Capital Formation	-0.3	-2.0
General Government Final Consumption	0.1	2.4
<b>State Final Demand</b>	<b>1.1</b>	<b>2.8</b>

## Economic Data – Business Indicators

Gross Operating  
Profits

**\$305bn**

+21.9% (2016/17)

Source: ABS 5676.0

Mining Industry  
Profits

**\$101bn**

+69.8% (2016/17)

Source: ABS 5676.0

Non-Mining Profits

**\$204bn**

+9.1% (2016/17)

Source: ABS 5676.0



# Australian Business Indicators: Profits rising nationally

Company profits increased 22% during the 2016/17 financial year to \$305 billion, assisted by strong commodity prices.

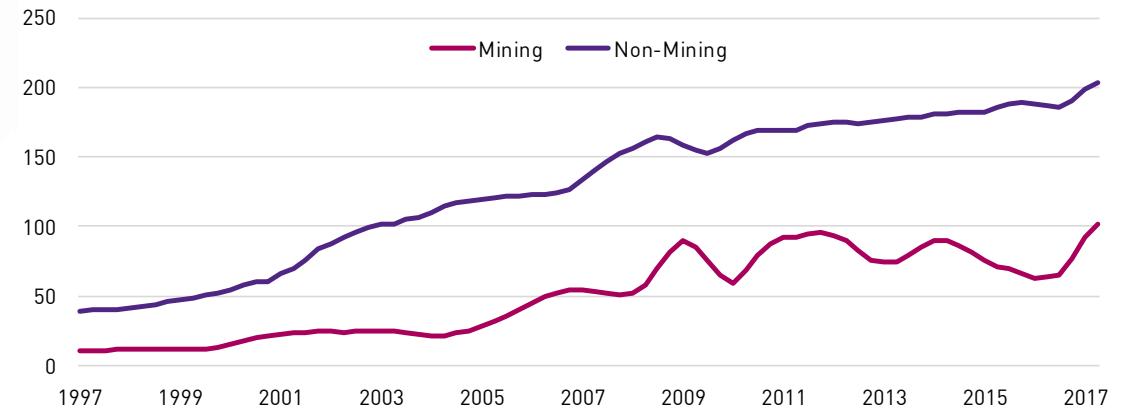
**Mining industry profits soared 60% to \$101 billion** during the latest financial year as prices for Australia's major bulk exports (iron ore, coking coal and thermal coal) all rose sharply on the back of improved demand and global supply complications.

The **non-mining industries also saw profitability rise** in the past year, increasing by 9% to \$204 billion. The improvement in profitability was across most industry segments with construction, manufacturing, utilities and services industries all making substantial gains.

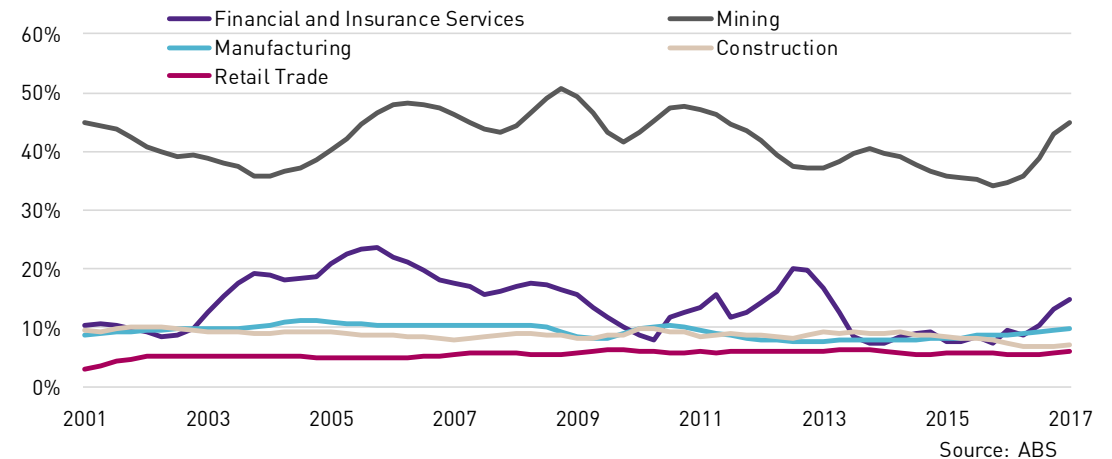
Along with an increase in revenues, wages and employment restraint has been a key factor behind the improvement in profitability, rising by only 1.4% in the past year. **Businesses appear to be consolidating and trying to recover lost productivity.**

Gross operating margins expanded in the mining, manufacturing, finance and insurance, and professional services industries.

Gross Operating Profits, \$ Billion  
Moving Annual Total



Business Gross Operating Margin



# Queensland Data: Labour Force

## The labour market is starting to heat up

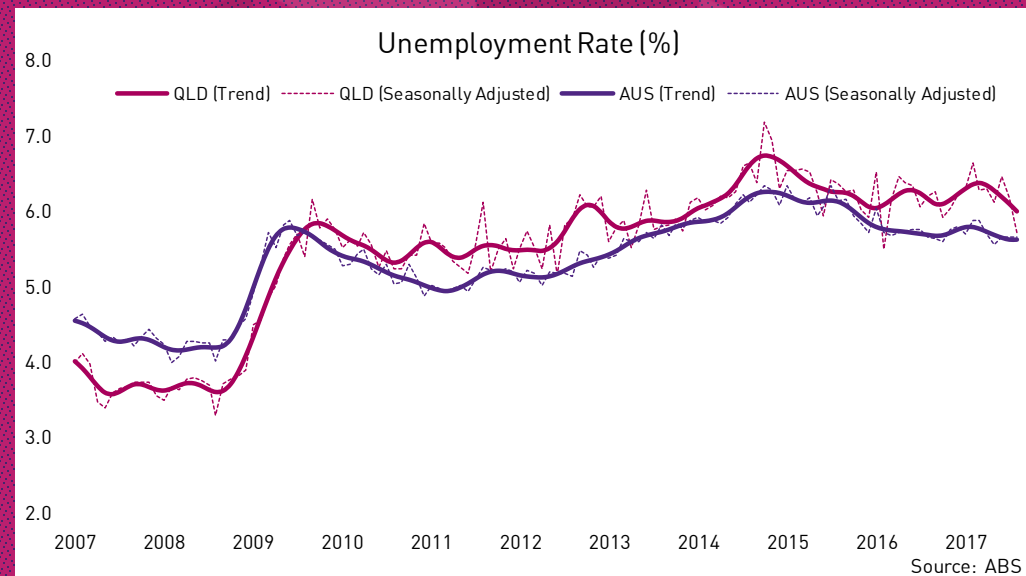
Queensland's labour market added 10,500 jobs during August, taking the total number of jobs added in the past twelve months to 87,000. This equates to an **annual rate of growth of 3.7% - the fastest pace during the past decade.**

The rate of unemployment has continued to trend down from the peak of late 2014 (6.7%) and recent cyclical highs of 6.4%, declining to 6.0% in the latest data release. However, the **Queensland unemployment rate still remains above the national average** (5.6%).

Rising workforce participation following a long trend decline is another positive aspect of the recent jobs story.

By late 2016, participation fell to its lowest levels since the 1990s. The poor performance of the state's economy towards the end of the mining boom led to discouraged workers exiting the labour force. Since November 2016, participation has rebounded, rising 1.5 percentage points to 65.5% - higher than the national levels.

**To keep up with population growth, over 36,000 new jobs will be required annually.**





# Queensland Data: Labour Force

## Part-time jobs keeping underutilisation high

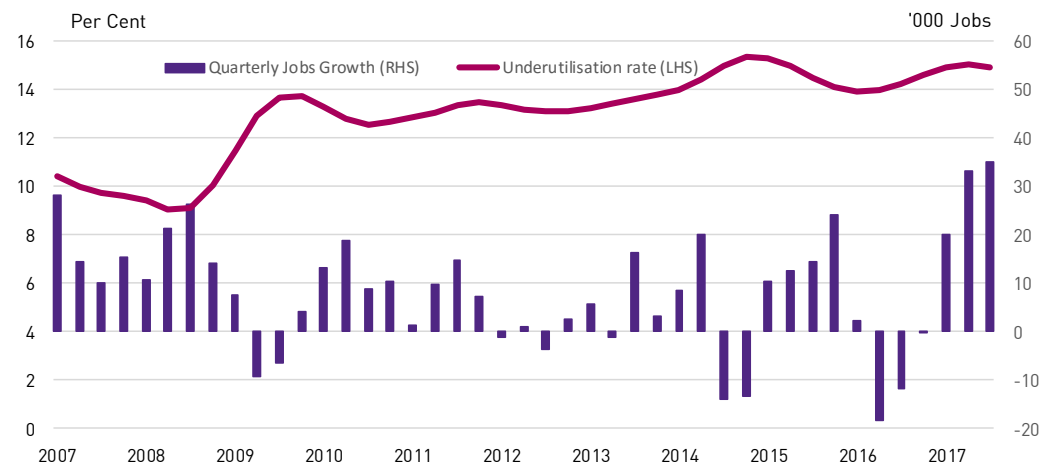
The underutilisation rate is a broader measure of unemployment and indicator of spare capacity in the labour market. The underutilisation rate is a combination of the unemployed and underemployed - employed workers who would prefer more hours.

While the pace of employment growth is at its fastest level in a decade, it is still not making major inroads into underutilisation levels.

In past cycles, underutilisation levels have fallen in periods of strong jobs creation. However, despite a total of 87,000 extra jobs added in the past year, **the underutilisation rate has inched up from 14.2% in August 2016 to 14.9% in August 2017.**

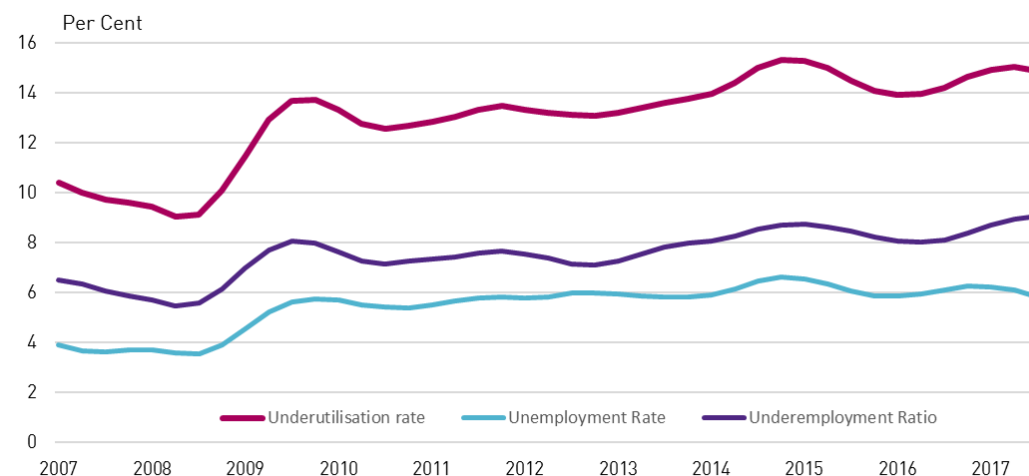
Part of this anomaly can be explained by the **large proportion of part-time roles** which have been filled - representing 70% of the newly created roles in the past year. With a greater proportion of workers in part-time employment, the average total hours worked by an employee has declined by 1.1% over the past year.

Underutilisation Rate - Queensland



Source: ABS

Underutilisation Rate - Queensland



Source: ABS



# Queensland Data: Retail Sales

## QLD activity diverging from national trend

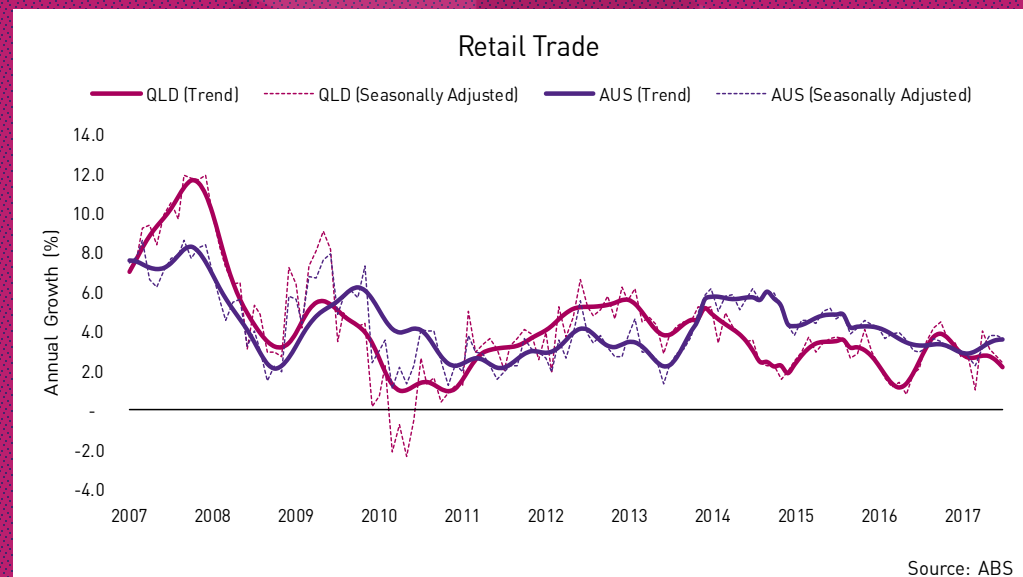
The growth in retail sales expenditure in Queensland has slowed since May, with the **annual growth rate easing to 2.2 per cent** in July.

This slow down in growth has occurred despite employment growth accelerating in recent months. The high concentration of part-time roles in the jobs creation story is likely contributing to the poorer than expected retail figures.

Discretionary categories such as department stores, café's restaurants and takeaway food services, and clothing, footwear and personal accessory retailing have been the largest drag on growth in activity.

In contrast, a gap is emerging between national retail sales activity and Queensland. National activity has accelerated since March, corresponding with the consistent strength in national jobs growth figures.

Compared to other regions, **growth in Queensland is lagging behind most other states.**



# Queensland Economic Update: Building Approvals



## Approvals returning to long-run trends

The number of monthly building approvals have continued to recover through 2017 rising to **3650 dwellings approved in the month of August**. This follows the correction in approvals during calendar 2016 which saw through the year declines of 29%.

While the apartments segment has lifted from its December 2016 lows, it is **detached houses which is the growth sector** for new housing approvals in recent months. These new housing approvals are almost equally split between Greater Brisbane and the rest of the state.

Nationally, building approvals are also in a recovery phase following a downturn in approvals through the second half of 2016. The national downturn was not as severe as in Queensland, slumping only 14% in annual growth terms.

The current upturn is being led by Queensland, New South Wales and South Australia.

# Queensland Data: Building Approvals

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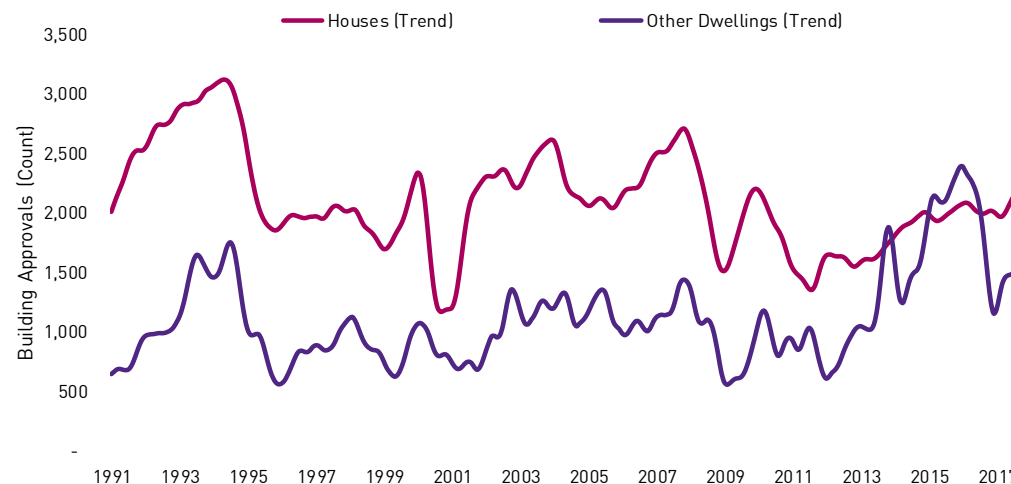
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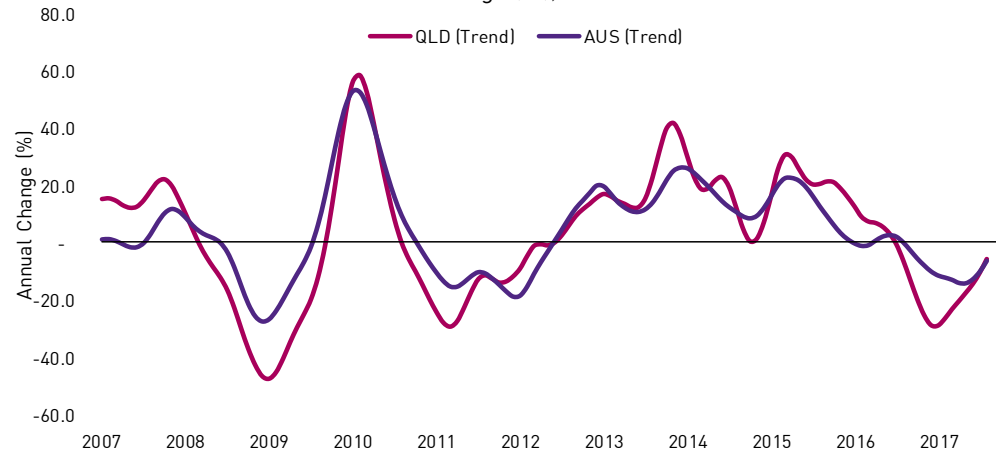
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Building Approvals  
By Type



Building Approvals  
Annual Change (%), Total Sectors



Source: ABS

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