A further drop in the official unemployment rate, combined with nation leading retail trade figures and rising job vacancies highlights that economic conditions are continuing to improve in Queensland.

Cameron Meiklejohn
CCIQ, Policy Analyst, Advocacy.
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Overall performance of the Queensland economy continues to improve, with recent indicators highlighting that momentum across the state was beginning to take hold in the final months of 2016.

A further drop in the official unemployment rate, combined with nation leading retail trade figures and rising job vacancies, suggest that overall conditions in Queensland were solid leading into Christmas.

The CCIQ Economic Performance Indicator, which measures the overall performance of the Queensland economy relative to the rest of Australia, has also climbed to its highest level since early 2013 providing further evidence of the recovery taking place in this state.

Unemployment has fallen for a third consecutive month, dropping by a further 0.1 points to 5.9 per cent in trend terms, which is the lowest unemployment rate since November 2013. While a low participation rate continues to raise concerns surrounding the overall health of the labour market, the continued decline in unemployment does suggest that there is some sustained improvement in this key indicator of economic performance. The persistent differences in employment opportunities between South-East and Regional Queensland continues to raise concerns however, especially with a new high of 11.0 per cent unemployment being recorded in Townsville. Observed increases in the number of job vacancies across the past six months, especially from the private sector, does offer some hope that labour market conditions could improve in 2017, especially across regional areas.

Retail trade has recorded a second consecutive month of nation leading growth, posting an increase of 4.3 per cent in the twelve months to November 2016, which has seen a return to normal growth in Queensland for the first time in almost three years.

Household goods, and in particular the subcategory of hardware, building and garden supplies, has continued to be a key driver of growth, with turnover increasing by 7.3 per cent in the twelve months to November 2016. It is the category of clothing, footwear and personal accessories however, which continues to lead performance in the retail sector, achieving annual growth of 8.1 percent.

Residential dwelling approvals continue to fall, with unit approvals in particular almost returning to normal levels in November. While legitimate concerns surrounding an oversupply of high-density residential stock, settlement risk, and falling rental yields persist, especially in the inner suburbs of Brisbane, it would appear that residential building approvals have now peaked in Queensland. While this will now result in a similar decline in the number of active residential construction sites, and employment opportunities, it is hoped that a number of non-residential projects, and most notably the Queen’s Wharf development, will have capacity to absorb some of this slack.

Queensland continues to show signs of economic recovery, with a number of key indicators suggesting a growing momentum as the state transitions further from the post-mining investment boom.
Labour Force

30,800

Net jobs lost in 12 months to November ‘16
Source: ABS 6354.0

Economic Performance Indicator

5.7 pts
Above the five-year average
Source: ABS, CCIQ

CCIQ Economic Overview

Key economic figures for November provide further evidence of improving economic conditions as Queensland transitions further from the mining investment boom.

At 5.9%, the unemployment rate is now at its lowest level in three years, although a low participation rate continues to raise questions regarding the overall health of the labour market, especially in regional areas.

Retail trade has recorded a second straight month of nation leading growth however, suggesting that businesses operating in the retail and hospitality sectors were on track for a solid Christmas trading period.
**Business Conditions**

- **Overall economic performance** continues to improve
- **Retail sales** rise by 0.3% in trend terms
- **Economic performance** indicator rises by 1.4 points

**Labour Force**

- **5.9% unemployment rate** is 0.3 points higher than the national rate
- **Unemployment rate** has fallen for three consecutive months
- **28,200 fewer full-time jobs** compared with this time last year

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**Housing Finance**

**3.5%**

Annual increase in owner occupier commitment

Source: ABS 5609.0

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**Job Vacancies**

**6.6%**

Increase in 12 months to November ‘16

Source: ABS 8501.0
Queensland Economic Overview

12 Month Outlook

- **Australian dollar** will remain below US70c.

- **Lower currency** will boost export industries and tourism.

- **Small Business** confidence will accelerate.

![Graph 1 - Economic Performance Indicator](source)

**Building Approvals**

**22.5%**

Annual fall in total building approvals

**Source:** ABS 8731.0

![Graph 2 - Unemployment Rate (%)](source)

**Unemployment Rate**

**5.9%**

Fall of 0.1 points

**Source:** ABS 6202.0
1. Overall Economic Performance

A further drop in the official unemployment rate, combined with nation leading retail trade figures and rising job vacancies has produced a further rise in the CCIQ Economic Performance Indicator across the past month, with Queensland showing sustained improvement. The indicator recorded a rise of 1.4 points in November, providing further evidence of an acceleration in economic conditions, relative to the rest of Australia. At 56.1, the indicator has risen to its highest level since early 2013, and is now 5.7 points above the five-year average (50.4). The performance of the Queensland economy across the past six months does suggest that a number of key drivers have been combining to produce improved conditions leading into 2017.

Building approvals are returning to normal levels however, and the number of active residential construction sites will decline throughout 2017, although a number of non-residential projects should offset some of the anticipated drop in residential activity. While the boom in residential housing has performed a critical role in maintaining economic activity as the state transitioned from mining investment, there is now a clear opportunity for an increase in infrastructure investment across the state. A focus on other opportunities, especially in tourism, is expected to be another feature in 2017. Providing the Australian dollar remains below US70c, growth in the number of inbound visitors from expanding Asian markets should continue, further driving growth and employment opportunities across this sector.

The outlook for the next twelve months is encouraging for Queensland, and it is anticipated that this will be reflected in improved confidence from the small business community when CCIQ Pulse Survey data for the December Quarter 2016 is released in early February.
2. Labour Force

Trend unemployment has fallen in Queensland for a third straight month with the official level dropping by 0.1 points in November to 5.9 per cent. This returns the Queensland unemployment rate to its lowest level since November 2013, and suggests that labour market conditions could be on the improve in early 2017. The major concern remains the significant variation in employment opportunities between South-East Queensland and regional areas, which has been discussed widely in recent months. In particular, Townsville currently has an unemployment rate of 11.0 per cent, which is the highest level on record for that region, while Wide Bay (9.5 per cent) and Cairns (8.0 per cent) also remain at elevated levels.
The most recent labour force data has revealed some encouraging signs however, especially in those areas that have experienced significant strain, and limited employment opportunities, across the past twelve months. Compared with the same month last year, falls in unemployment have been recorded in Logan, Mackay, Fitzroy, and the Sunshine Coast, with Townsville becoming an increasingly unique case, with unemployment rising by 3.0 per cent in the twelve months to November 2016. It is obviously hoped that announcements made in the final quarter of 2016, including the City Deal, Carmichael coal mine and new stadium project, will produce a renewal of economic activity, encourage further investment, and ultimately drive down unemployment across this region.

Within South-East Queensland, the labour market is currently tracking at more sustainable levels (5.5 per cent), although Ipswich is presenting a unique challenge with an unemployment rate of 8.3 per cent. Despite this elevated level of unemployment, there are reasons for Ipswich residents to be optimistic about 2017, with a number of non-residential projects coming online across the next twelve months. In particular, the construction of a new aged care facility in Eastern Heights, the development of the Ripley Town Centre, and a major facelift for the retail precinct at Redbank Plains will combine to deliver significant employment opportunities in the coming months. The anticipated improvement in labour force conditions in Ipswich, combined with sustained, stable employment levels in Brisbane, the Sunshine Coast and Gold Coast does suggest that the observed geographical divide in labour market conditions could persist between South-East and Regional Queensland throughout 2017.

While it is encouraging that the unemployment rate is falling, it is important to note that this may not necessarily be an indicator of overall labour market health. In particular, falling participation rates
suggest an increasing proportion of unemployed people are becoming discouraged by the lack of available jobs, and as a result, are disengaging from the labour force. As will be discussed in the following section, there is some evidence that the number job vacancies in Queensland is beginning to accelerate however, which suggests further recovery in labour market conditions leading into 2017. Finally, in the twelve months to November 2016 there were fewer full-time positions (28,200) and part-time positions (2,500), producing a total drop of 30,800 in the number of people employed in Queensland.

While the decline in unemployment is encouraging, the fall in the number of people employed, and dropping participation rate, does suggest that there is still room for improvement in the Queensland labour market, although there are signs of recovery.

“The geographical divide in labour market conditions, between South-East and Regional Queensland, could persist throughout 2017.”

Cameron Meiklejohn - CCIQ, Policy Analyst, Advocacy.
3. Job Vacancies

Although the number of job vacancies has been relatively flat across the past three years, there appears to be signs that this has improved slightly in 2016, with encouraging private sector figures being released for the November Quarter. Compared with November 2015, there were more than 1,800 additional job vacancies in trend terms, with the majority of these position being created by the Private sector. In the November Quarter 2016 there were approximately 26100 job vacancies in the Private sector, and 3,100 in the Public sector, representing a 6.6 per cent increase in the total number of vacancies across the past twelve months.

Despite these increases, the number of job vacancies remains well below the ten-year average of 34,200, suggesting that labour market demand is still soft. In particular, the number of unemployed people, for each vacant job, highlights the level of competition that persist among job seekers, especially for those that are attempting to secure work from outside the labour market. While the average number of unemployed people for every job vacancy has fallen from a peak of 6.1 in November 2014, it remains at elevated levels with there being 5.1 unemployed people for every job vacancy in November 2016.

With unemployment peaking at 6.7 per cent in 2014, following a steady rise from 5.5 per cent across the previous two years, the cooling of labour force conditions has had a significant impact on the number of vacancies being created. Evidence from the CCIQ Pulse Survey would suggest that across the past two years, small business has been engaged in workforce consolidation, with employers reluctant to replace a team member when they leave the business. The recent increase in private sector job vacancies suggests that this strategy could shift in 2017. While it is encouraging that the unemployment rate is below 6.0 per cent, further improvement in the number of job vacancies will also be needed for labour market conditions to return to normal levels.
There appears to be signs that the number of job vacancies in Queensland has improved slightly in 2016, with particularly good private sector figures being released across the past month.

Cameron Meiklejohn - CCIQ, Policy Analyst, Advocacy.
4. Retail

Retail trade data continues to be one of the strongest economic indicators for Queensland, with the November figures highlighting a second straight month of nation leading growth. In the twelve months to November 2016, retail turnover increased by 4.3 per cent in trend terms, and places Queensland well above New South Wales (4.0 per cent), Tasmania (3.8 per cent), Victoria (3.4 per cent) and South Australia (3.4 per cent).

Growth across the retail sector continues to be driven by strong gains in household goods (7.3 per cent) and clothing, footwear and personal accessories (8.1 per cent), which grew above the national average of 3.7 per cent and 5.0 per cent respectively. The latest figures support analysis conducted by CCIQ in the lead-up to the busy Christmas trading period that forecasted solid growth for the retail industry.

Momentum across the retail sector in Queensland has been building since April this year and at 4.3 per cent annual growth is currently performing at its highest level in almost three years. Further, this level of growth
also suggests that the retail industry in Queensland has returned to normal growth, following particularly challenging trading conditions, especially in the first half of 2016.

November also signals the official start of the holiday trading period, with the most recent data suggesting that the CCIQ prediction of $9.13 billion in Christmas sales will be extremely accurate. The growth forecast has been upgraded slightly however, from 3.9 per cent to 4.1 per cent, with the November data slightly exceeding initial forecast figures. Significantly, this means that Christmas sales in 2016 could be better than originally anticipated with the revised figure of 4.1 per cent being a strong result for the retail industry across Queensland, and only marginally below the ten-year growth average (4.2 per cent).

The momentum in retail across Queensland is an encouraging sign that consumer confidence is growing, with an associated shift away from the cautionary spending activity that has been prominent in recent years. At the very least, there is certainly enough evidence to suggest that retail and hospitality businesses experienced a solid performance across the vital Christmas trade period and better than the past two years.
5. Building Approvals

As indicated in the previous edition of the CCIQ Economic Update, it appears that Queensland has now passed the peak in unit approvals, with the total number of non-house dwellings approved for construction at its lowest level since July 2014. In trend terms, unit approvals recorded a monthly fall of 9.7 per cent, while approvals are almost forty-two per cent lower in November 2016, compared with the same month last year. Significantly, with 1360 units approved for construction in November, this is only slightly elevated from the ten-year average of 1248, suggesting that a return to normal levels will be reached in the coming months.

Source: ABS
Approvals for detached housing rose in November however, increasing by 0.4 per cent in trend terms from October, with 2027 projects being approved for construction across Queensland.

As has been mentioned in previous editions of the CCIQ Economic Update, the high level of activity in residential construction has been raising concerns, especially in relation to an oversupply of high-density stock within the inner suburbs of Brisbane. A variety of commentators and analysts have indicated that this level of activity was increasingly unsustainable, and would increase the likelihood of settlement risk and falling rental yields. A return to normal levels of residential property approvals will alleviate these concerns, although a fall in development approvals will eventually produce a similar drop in construction activity. This has the potential to produce slack capacity among construction workers, and could present some labour force challenges across Queensland. It is hoped that an increase in the number of major non-residential construction projects across Queensland, including Queen’s Wharf and the Townsville Stadium and Entertainment precinct will offset some of the expected decline in residential construction jobs.

“A return to a normal levels of residential property approvals will alleviate concerns of an oversupply in high-density accommodation, however, as the level of construction activity also begins to fall, slack capacity in the construction workforce will present some challenges.”

Cameron Meiklejohn - CCIQ, Policy Analyst, Advocacy.
6. Housing Finance

The number of owner-occupiers securing housing finance in Queensland continues to grow in trend terms, recording annual change of 3.5 per cent in the twelve months to November 2016. Although this represents a slight contraction in commitments, from the high of 5.5 per cent that was recorded in August, growth continues to be well above the ten-year average of -0.1 per cent. The rate of housing commitments by owner occupiers in Queensland also continues to grow at a faster rate than the national average, with the relative affordability of property in Queensland being a likely driver of the most recent performance. Specifically, the soft conditions in New South Wales, where the number of housing commitments declined by 8.5 per cent in November, is having a strong impact on the national figure at present. With figures also contracting in Victoria for a second straight month, Queensland is performing strongly on this particular measurement of economic activity, compared to the other Eastern states.

Recent analysis of interstate migration would suggest that the sustained growth of housing finance commitments by owner occupiers is associated with the relative affordability of residential property in Queensland. Given the current position of the property cycle in New South Wales, and Sydney in particular, Queensland is becoming increasingly appealing as an affordable alternative for young families wanting to
enter the property market. This is perhaps unsurprising given that the median house price in Sydney is 77 per cent higher than Brisbane, highlighting the opportunity in this particular market.

7. Summary

The economic indicators that have been released across the past month continue to highlight that a recovery is occurring across Queensland as the state shifts further from the mining investment boom. Three consecutive months of falling unemployment, combined with nation leading retail trade figures, and rising job vacancies, suggest that Queensland was well positioned at the end of 2016, with the CCIQ Economic Performance Indicator also highlighting that the state was improving relative to the rest of Australia. Labour market weakness, particularly in regional areas persist as a challenge and concern however, with the decline in residential construction activity providing some reason for caution in 2017. Maintaining economic activity will be dependent on other sectors of the economy expanding, although a lower Australian dollar should ensure that export industries, and tourism in particular, should perform well across the next twelve months. As momentum continues to build across a number of key indicators, optimism should also return to the small business community, with many owners expecting increases in overall business conditions and revenue during 2017, which will hopefully underpin a return to improved profitability, private sector investment, and job creation.

### QUEENSLAND ECONOMY: KEY ECONOMIC INDICATORS

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<tr>
<th>Indicator</th>
<th>Latest Release</th>
<th>Rate</th>
<th>Change</th>
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<td>State Final Demand</td>
<td>Sep (Q)</td>
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<tr>
<td>CCIQ Pulse Survey 12 Month Outlook</td>
<td>Sep (Q)</td>
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<td>CCIQ Economic Performance Indicator</td>
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<td>Unemployment Rate (Trend)</td>
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<tr>
<td>Building Approvals</td>
<td>Nov (M)</td>
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<tr>
<td>Retail Trade</td>
<td>Sep (M)</td>
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<td>Job Vacancies</td>
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<tr>
<td>Residential Property Price Index</td>
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