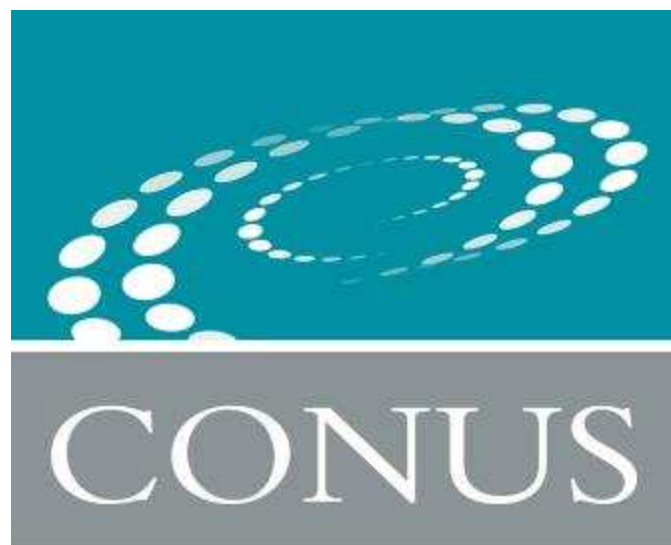


# The CONUS Quarterly

Vol. XII- Issue 4 - Dec 2020



Business Consultancy Services



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### Editor's Note

A challenging year like no other is coming to an end and it's clear that, barring any major surprises, Australia is now well on the way to recovering from the COVID-19 recession. How that recovery plays out through 2021 will be the focus of much work and commentary next year. We hope that you'll find our regular CONUS Quarterlies and the Economics Blog of use as we navigate 2021.

Our [Economics Blog](#) is freely available and will keep you up-to-date with all the latest news as it relates to the FNQ economy. Comments on the blog are often the catalyst to further analysis and discussion, so if there are subjects that you would like to see covered in more depth in The CONUS Quarterly please let me know either by email or via the comments section of the blog.

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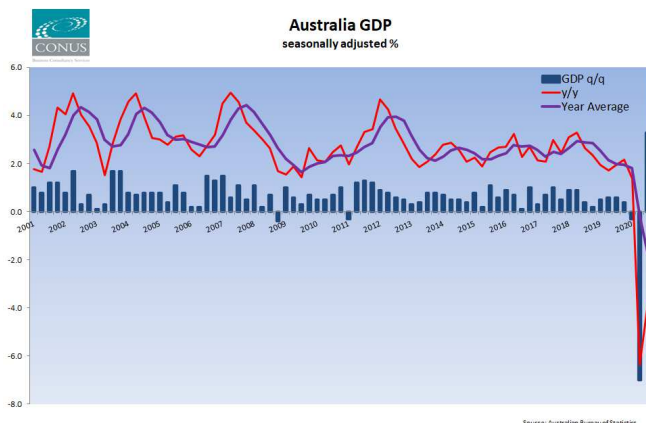
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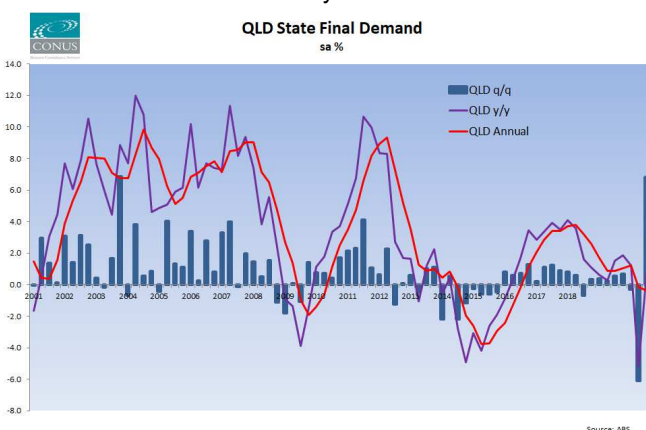
# 3rd Quarter Australian GDP

The third quarter GDP data released this morning was better than many had been expecting with a 3.3% q/q lift which leaves us 3.8% down for the year. This brings to an end the official recession after Q1 and Q2 were both negative. However, it also leaves the economy well below its pre-COVID levels.



After the sharp decline last quarter in household consumption (the largest single component of GDP) this quarter saw a sharp rebound, up 7.9% and adding 4 pts to growth. For the fourth quarter in a row Private CAPEX subtracted from GDP (-0.1 pts). Public sector consumption and investment (which added 0.3 pts and zero respectively) provided some additional growth to offset a sharply negative result from net exports which deducted 1.9 pts. .

With household spending bouncing it is perhaps not surprising to see the household savings rate fall slightly, although at 18.9% this still remains very elevated.



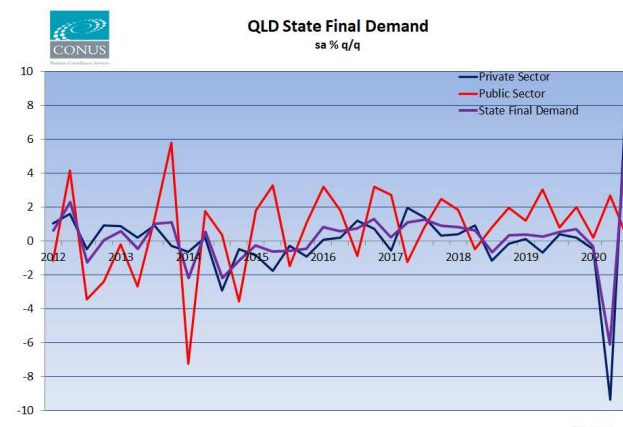
The ABS provide us with quarterly data for State Final Demand, which is the domestic component of the state's economy. Data for Gross State Product (which includes the international and inter-state elements) is only available from the ABS on an annual basis; the most recent data for 2019-20 showed an annual decrease of 1.1%. However, the QLD Treasury provide quarterly estimates for Gross State Product (albeit rather delayed) and although we are still waiting to see their Q2 data yesterday's Budget estimated GSP for 2019-20 at -0.4%. See the QLD Roundup on the next page for more details.

The ABS Q3 data has State Final Demand up 6.8% q/q for a year-on-year increase of 0.7% (after a 6.1% q/q fall in Q2). This result is the best of all the States and supports our contention that QLD has been benefitting from its better health outcomes through the latter part of this year.

This quarter the private sector saw some large increases with household consumption up 11.6% q/q and private CAPEX up 3.5% q/q (reversing a trend of three consecutive quarter of declines and unlike the national decline).

Although the Public sector managed to grow this quarter (up 0.2% q/q) it was the private sector that has been the driver behind Queensland's recovery.

As the chart below makes clear, growth in recent years (such as it has been) in the domestic QLD economy has been coming almost exclusively from the Public Sector and this quarter's result does little to change that story. The total private sector is now 1.2% below the level seen two years ago. The Public sector (which is equal to approximately 40% of the Private sector), over the same period, has increased by 12.7%.



As the country has eased restrictions in recent months we were always going to see a significant rebound in GDP in this quarter. However, all of the data currently available (see our blog for details on specifics such as weekly Payrolls and Google Mobility data) suggests that we are looking at a slow grind up throughout 2021.

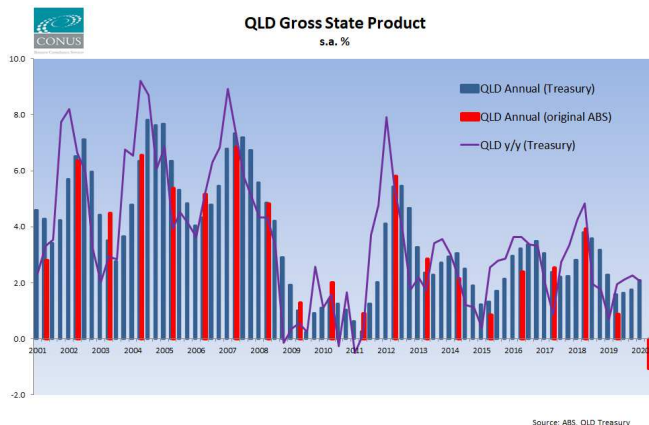
The idea of a 'snap-back' or V-shaped recovery is not on the cards and it appears likely that a much slower Nike-swoosh type move in coming quarters is the more plausible outcome.

How the recovery plays out from here will continue to depend on future health outcomes and the emergence, and uptake of, any new vaccines. The fiscal stimuli that the Federal and State governments have put in place will start to be unwound through the early part of 2021 (indeed some are already being wound back) and we will have to watch carefully the effect that might have on recovery. (See comments about employment in the next section as an example)

# FNQ Economy Roundup

Since our last issue we still have not seen Q2 2020 Gross State Product data released by the QLD Treasury.

While the ABS produce Gross State Product data only on an annual basis we must rely on the quarterly estimates from QLD Treasury for the intermediate periods.



The ABS estimated that Gross State Product fell by 1.1% in Queensland in 2019/20. However, although we are yet to see the full Treasury estimates, the Queensland Budget released yesterday estimated GSP as having fallen 0.4% in 2019/20. It is likely we will see this apparent difference largely revised away in coming quarters.

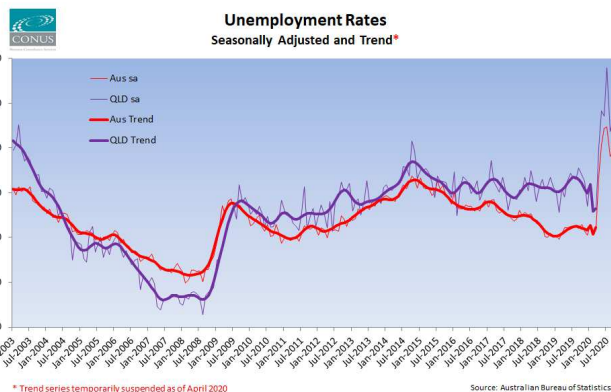
## Employment

This quarter has been one of recovery for the Australian labour market. Since June the headline unemployment rate has fallen from 7.4% to 7.0% in October. However, the real improvement is only seen when we consider the fact that the level of employment is up 420,000 (+3.4%) in that time and the participation rate has risen by 1.7ppts. Nevertheless we remain below the pre-COVID level and there is clearly some way still to go.

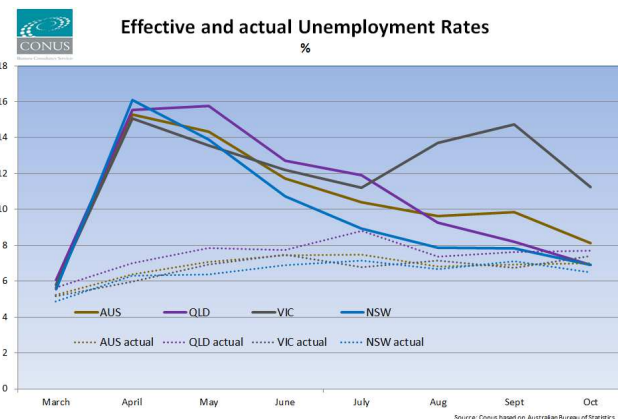
While employment has risen it is clear that many are still working reduced hours as the hours worked per capita measure remains well below the level from earlier in the year. Victoria has been the main drag on this and, now that Melbourne is returning to something closer to 'normal' we can hope to see a steady improvement continue.

Queensland, at least partly due to its better health outcomes, has seen an even more impressive recovery with employment up 140,000 since June (+5.6%). However, due to a very steep rise in participation (up 3.3ppts) over that time the employment gains have not been reflected in a lower unemployment rate which remains stubbornly high at 7.7%.

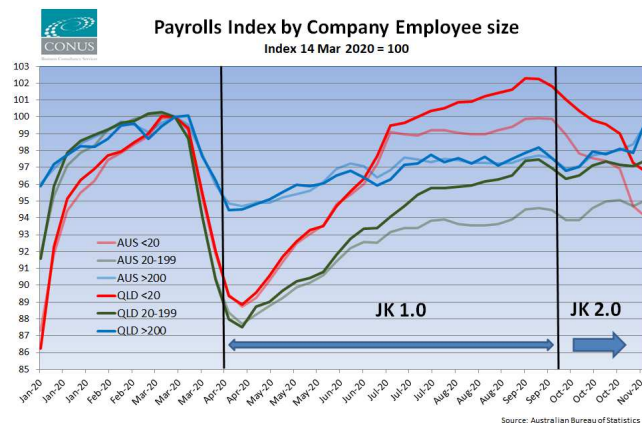
At the height of the COVID induced labour market rout many commentators (including the ABS) began to talk about an 'effective' unemployment rate which accounted for the fact that many were still employed but working zero hours and that many workers had simply left the labour market altogether and were therefore not showing up in the



unemployment data. Making that kind of calculation now shows that the effective rate in Queensland has actually fallen below the official headline rate and is well below the national level. As the distorting effects of the JobKeeper policy start to unwind we can see the effective and actual rates converging.



The shift from JobKeeper 1.0 to JobKeeper 2.0 at the end of Sept has clearly had a greater impact on small business than on medium or large organisations. However, as the chart below makes clear, the results over the year for Queensland are better than the national average across most businesses.

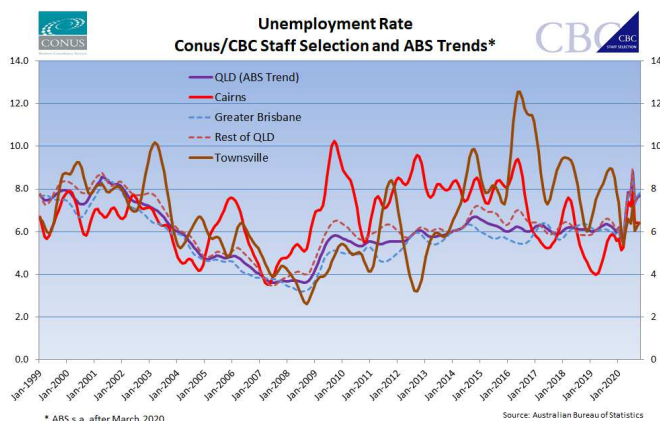


At the regional level the Conus/CBC Staff Selection Trend series will be subject to all of the issues that this period of extreme volatility have caused for the ABS Trend estima-



# FNQ Economy Roundup cont..

tion. Nevertheless we have taken measures to bench-mark our Trend series to some of the components of the ABS seasonally adjusted series at this time and believe that it continues to provide the best estimation of current labour force conditions at the regional level.



In Cairns we have seen Trend employment lift by 5,000 since June (+4.0%) and the unemployment rate fall to 6.4%. Clearly with many workers still on JobKeeper in the region (especially in the tourism sector) we will have to watch carefully the impact of the rolling-back of JobKeeper and the opening of state borders on the Cairns labour market.

Weekly payroll data from the ABS suggests that the recovery in Cairns is still lagging that seen elsewhere in Queensland.

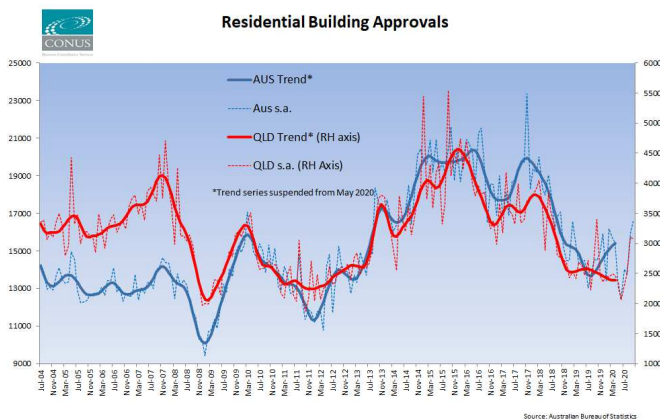
Townsville, where the impact from the tourism shut-down has been much less felt, has also seen a solid recovery in employment (up 5,200, or 4.8%, since June) and their unemployment rate now sits at 6.4%.

## Building Approvals

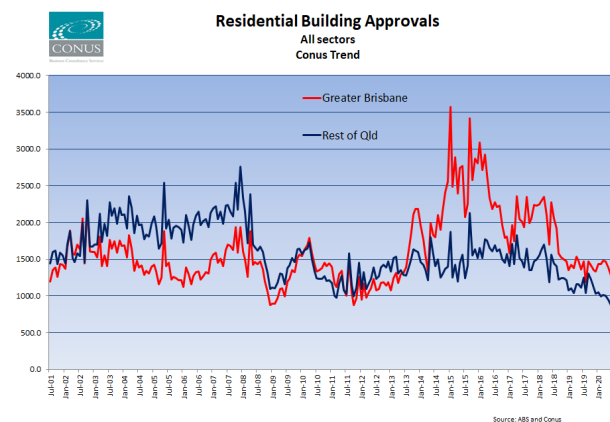
The most recent months data to October showed some improvement in building approvals data at both the national and state level.

October showed that approvals growth in the nation currently sits at +14.3% y/y on a seasonally adjusted basis. Approvals were up 3.8% for the month.

In Queensland approvals fell 0.8% in the month and remain

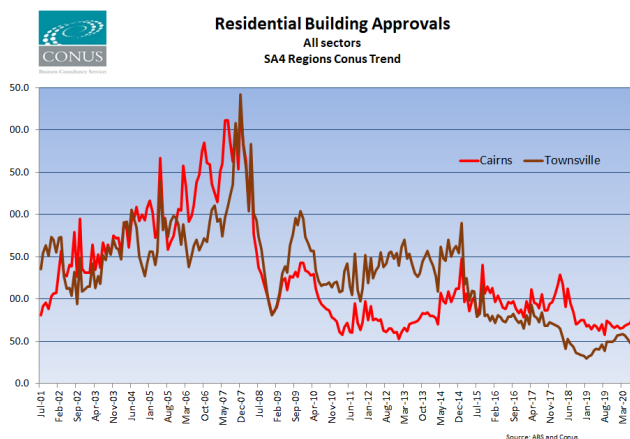


down 9.3% for the year with unit approvals being the main driver, down 47.9% year-on-year.



When we consider the breakdown across the state (with data only available to Sept at time of writing) we have seen approvals recover in both the regions and Greater Brisbane. In the year to Sept approvals across Greater Brisbane were up 22.4% although in the Rest of Queensland, despite improvements in recent months, they remain 10.1% below their level of a year ago.

Looking at the Conus Trend data for the Cairns SA4 region we see the pick-up reflected here too. Trend approvals have recovered well but still remain nothing like those seen during the pre-GFC period.



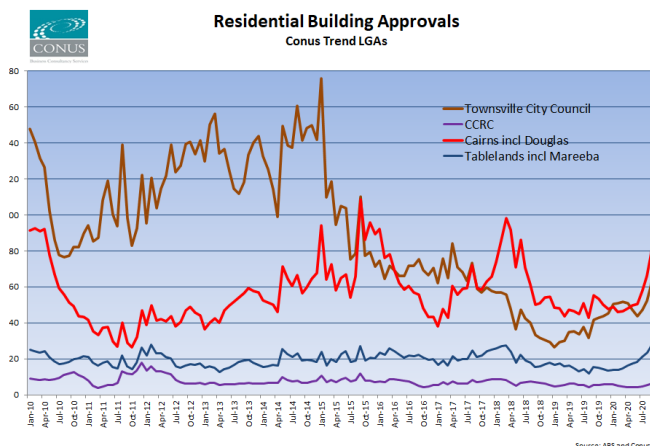
For the year to Sept Trend approvals in Cairns are up 54% and at their highest level in almost two-and-a-half years.

In Townsville SA4 the recent recovery has also recovered although not the quite the extent seen in Cairns. In Sept Trend approvals were up 38.4% for the year.

The Conus Trend data at the LGA level shows Cairns Regional Council (incl Douglas Shire) on 81 up 34.0% from a year ago. The Cassowary Coast Regional Council has also improved and now sits at 6; which is 19.1% above the level of a year ago. Tablelands Regional Council (incl Mareeba Shire) is also up this month and now sits at 27 which is an impressive 75.3% increase from a year ago.

# FNQ Economy Roundup cont..

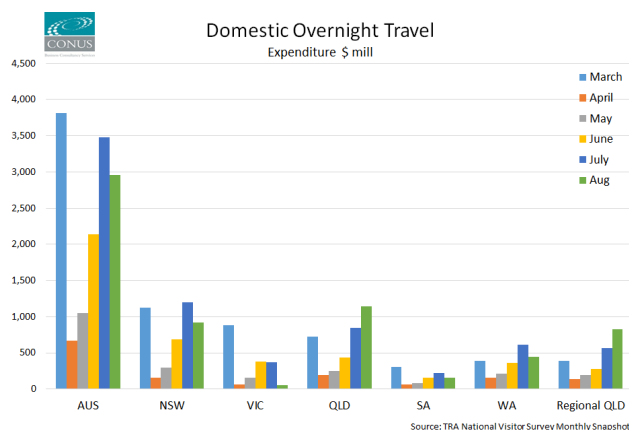
Townsville City Council has increased to 63 which is now 38.4% above the level of 12 months earlier; bearing in mind that a little over a year ago Townsville was just recovering from historical lows.



## Tourism

Our usual focus on tourism is obviously somewhat restricted at present with international borders closed. However, Tourism Research Australia are producing monthly overnight domestic tourism updates which provide us with a more up-to-date (albeit less regionally specific) picture of the domestic tourism sector.

The most recent data (to August) shows that domestic tour-



ism expenditure across Australia fell by 22.6% between March and August. In Queensland, however, there was a 58.7% increase and in Regional Queensland a staggering **111% increase!** Clearly Queenslanders have been getting out and about within their own state in large numbers with intrastate expenditure increasing by 62% for the year to

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August in Queensland.

If we consider the data on a year-on-year basis then we see a drop of 53% across Australia between August 2019 and 2020. That decline was just 24% in Queensland and across regional Queensland just 6%. When we consider that for some portion of that year people were not allowed to move more than a few kms from their home, and that state borders remained tightly closed for about 6 months we can see what an impressive result a 6% fall really is. The potential for domestic tourism taking up at least some of the slack left by the closure of the international market should not be underestimated.

If we want to get data that is more regionally specific to Tropical North Queensland then we have to rely on the TRA National Visitor Survey, the latest version of which covers data up to just the June quarter.

This shows that total domestic expenditure across Australia was down 18.7% from the previous year while Queensland saw a 15.6% decline. The result for TNQ was just an 11.4% decline which supports the suggestion from the monthly snapshot data that the Queensland regions have been performing better than elsewhere in the early parts of the pandemic period.

Given the apparent strength in regional data for July and August (and anecdotal evidence which suggests regional Queensland performing very strongly) we can expect to see the third quarter NVS data confirm that better relative performance continuing.

As state borders have progressively opened the fourth quarter data is almost certain to show a significant spike up in domestic expenditures. However, with the international borders still closed, and with little realistic sign of them reopening anytime soon, the tourism sector will continue to struggle to make up the slack left by the absence of international visitors.

