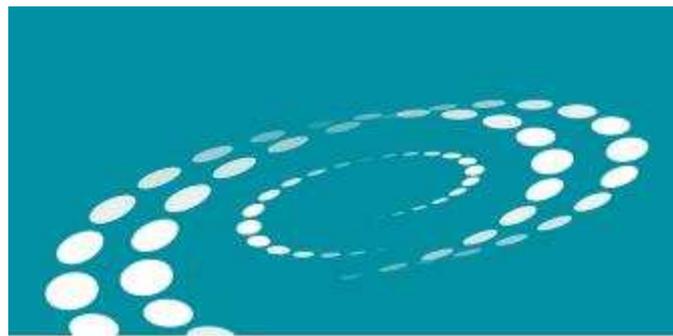




# The CONUS Quarterly

Vol. XIII- Issue 1 - Mar 2021



CONUS

Business Consultancy Services



in this issue.....

## 4th Quarter 2020 GDP

Page 3

The recovery continues

## FNQ Economy Roundup

Page 4

A detailed look at the economy in our own region

### Editor's Note

So 2020 is finally behind us and we can look forward to 2021 being a year of recovery, vaccines and (hopefully) a little more travel.

It's early days yet, but the signs at this stage are looking positive that the worst of the COVID-19 pandemic may be behind us. We'll be closely tracking things in coming months and will do our best to keep you informed and up-to-date with what's happening in FNQ.

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.

Conus Business Consultancy Services

PO Box 441

Mission Beach

QLD 4852

[www.conus.com.au](http://www.conus.com.au) Ruth: 0419 697901 Pete: 0439 490088

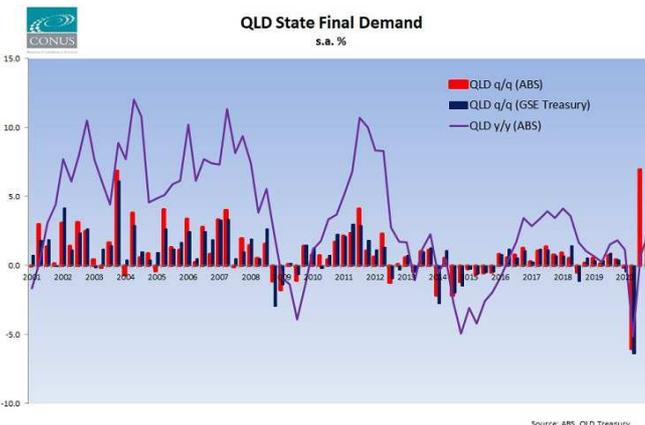
# 4th Quarter Australian GDP

The fourth quarter GDP data released this morning was better than many had been expecting with a 3.1% q/q lift which leaves us just 1.1% down for the year. This comes on the back of some slight upward revisions to the Q3 data. For 2020 GDP was down 2.4% from 2019.



Household consumption (the largest single component of GDP) this quarter saw another solid improvement, up 4.3% and adding 2.3 pts to growth. For only the first quarter in the last eleven Private CAPEX added to GDP (+0.6 pts). Public sector consumption and investment (which added 0.2 pts and 0.1 pts respectively) provided some additional growth to offset a negative result from net exports which deducted 0.1 pts.

With household spending continuing to recovery it is perhaps not surprising to see the household savings rate fall again to 12.0%, although historically this remains elevated.



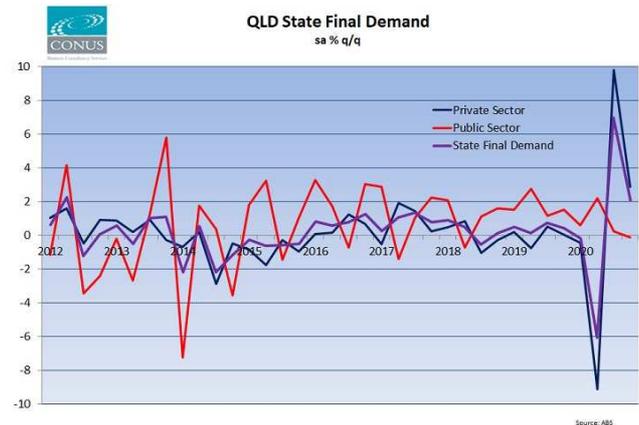
The ABS provide us with quarterly data for State Final Demand, which is the domestic component of the state's economy. Data for Gross State Product (which includes the international and inter-state elements) is only available from the ABS on an annual basis; the most recent data for 2019-20 showed an annual decrease of 1.1%. However, the QLD Treasury provide quarterly estimates for Gross State Product (albeit rather delayed) and we are still waiting to see their Q3 data. See the QLD Roundup on the next page for more details.

The ABS Q4 data has State Final Demand up 2.0% q/q for a year-on-year increase of 2.4% (after a 7.0% q/q rise in Q3).

This quarter the private sector again saw some good increases with household consumption up 2.3% q/q and private CAPEX up 4.9% q/q (Private CAPEX has been stronger in QLD than nationally in the last 2 quarters after a very sharp fall in Q2).

The Public sector contracted a little this quarter (down 0.1% q/q) which highlights that it's been the private sector that has been the driver behind Queensland's recent recovery, as it was in the falls earlier in the year.

As the chart below makes clear, growth in recent years (such as it had been) in the domestic QLD economy had been coming almost exclusively from the Public Sector and these last 2 quarter's result does little to change that story. The total private sector is now just 2.2% above the level seen two years ago. The Public sector (which is equal to almost 40% of the Private sector), over the same period, has increased by 10.2%.



As the country has eased restrictions in recent months we were always going to see a significant rebound in GDP in the second half of 2020. 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 still looking at a slow grind up throughout 2021.

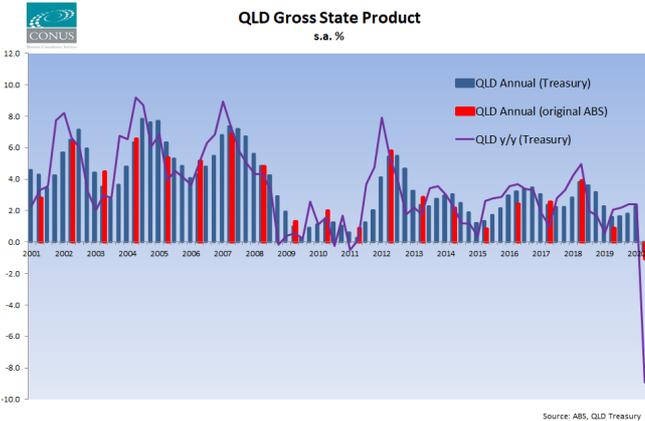
The idea of a 'snap-back' or V-shaped recovery is not on the cards and it appears likely that a much slower Nike-swoosh type move in coming quarters is the more plausible outcome.

How the recovery plays out from here will continue to depend on future health outcomes and the roll-out and up-take of 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 have already been wound back and the end of JobKeeper is now only weeks away) 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 seen Q2 2020 Gross State Product data released by the QLD Treasury, and are still waiting for the imminent release of their Q3 data.

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 the Queensland Budget released last quarter estimated GSP as having fallen 0.4% in 2019/20 and the Treasury data showed their estimate as a 0.5% reduction for the fiscal year. It is likely we will see this apparent difference largely revised away in coming quarters.

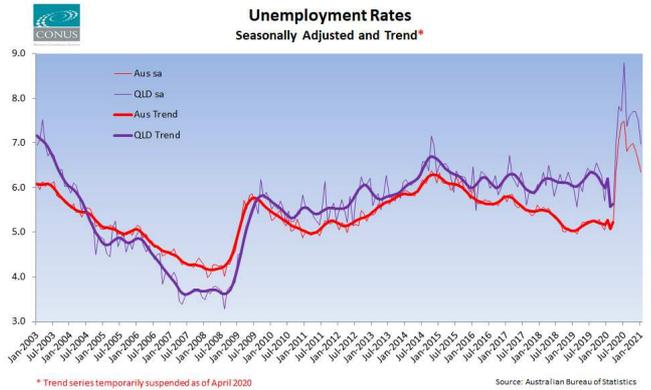
## Employment

This quarter has been one of recovery for the Australian labour market. Since June the headline unemployment rate has fallen from 7.4% to 6.4% in January. However, the real improvement is only seen when we consider the fact that the level of employment is up 586,600 (+4.7%) in that time and the participation rate has risen by 2.1ppts. Nevertheless we remain still just below the pre-COVID level and there is further to go.

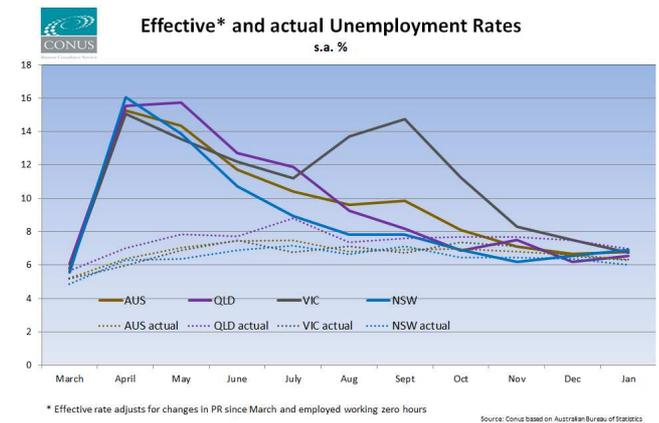
While employment has risen it is clear that many are still working reduced hours as the hours worked per capita measure remains well below the level from earlier in the year. Victoria has been the main drag on this and, now that Melbourne is returning to something closer to 'normal' we can hope to see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

Queensland, at least partly due to its better health outcomes, has seen an even more impressive recovery with employment up 153,400 since June (+6.3%). However, due to a very steep rise in participation (up 3.0ppts) over that time the employment gains have not been fully reflected in a lower unemployment rate which remains stubbornly high at 7.0%.

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 mar-

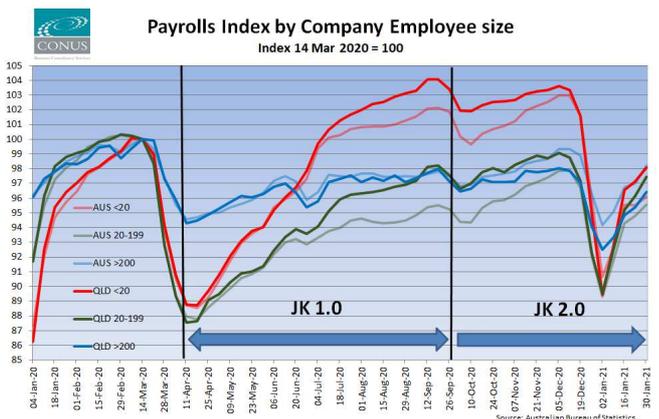


ket altogether and were therefore not showing up in the unemployment data. Making that kind of calculation now shows that the effective rate in Queensland has been below the official headline rate for three months and is well below the national level. As the distorting effects of the JobKeeper policy start to unwind we can see the effective and actual rates converging.



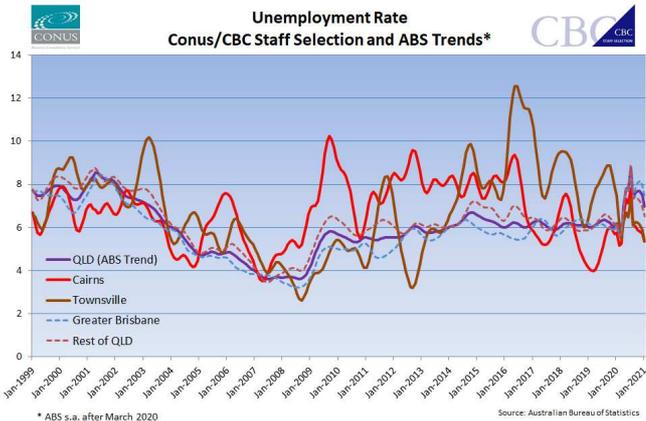
In coming months much attention will be focused on the impact that the end of the JobKeeper scheme will have on the labour market. Much will depend upon what happens to participation, whether there are any other (perhaps more targeted) schemes put in place, and how the recovery already underway continues to play out.

The most recent payrolls data suggests smaller companies are yet to fully recover after the holiday shut-down; although this is likely to be revised up in coming weeks.



# FNQ Economy Roundup cont..

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 estimation. 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 just 700 since June (+0.6%) and the unemployment rate fall to 5.4%. 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.

However, what is clear is that the apparent strength of the labour market is being exaggerated by a sharp fall in participation, which is down 1.1ppts since June and a massive 5.3ppts since March.

## Building Approvals

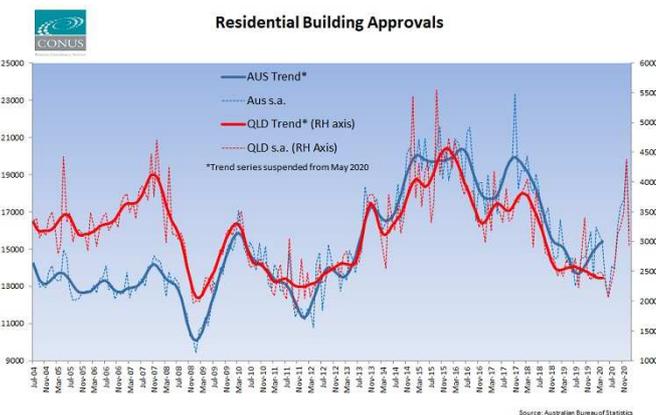
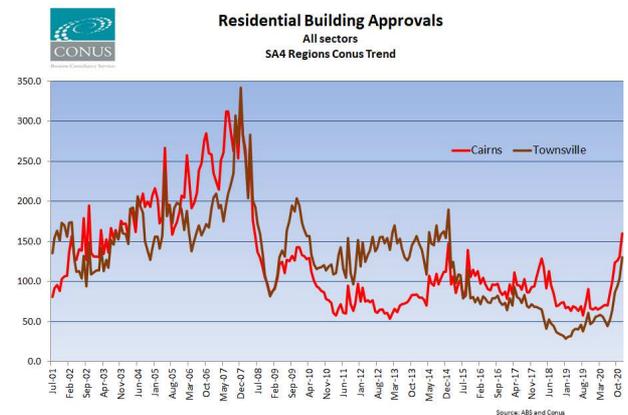
The most recent months data to January showed some improvement in building approvals data at both the national and state level, although they gave back some of the huge gains seen in December.

January showed that approvals growth in the nation currently sits at +19.0% y/y on a seasonally adjusted basis. Although approvals were down 19.4% for the month.

In Queensland approvals fell 33.3% in the month but remain up 18.5% for the year with unit approvals being the main drag, down 28.8% year-on-year.



When we consider the breakdown across the state (with data only available to Dec at time of writing) we have seen approvals recover in both the regions and Greater Brisbane. In the year to Dec approvals across Greater Brisbane were up 93.0% and in the Rest of Queensland up 76.2% from a year ago. However, as the January national data makes clear, these figures are likely to fall when we see the January regional data next week.

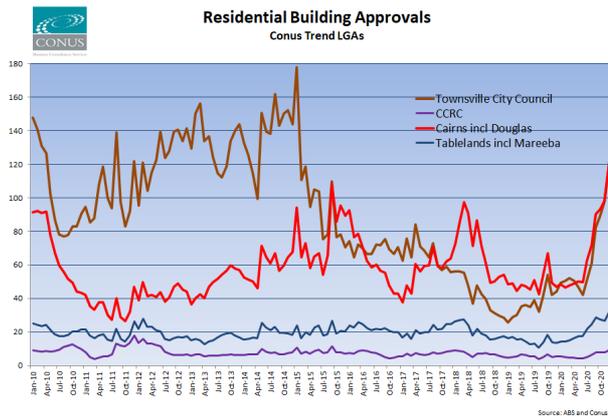


Looking at the Conus Trend data for the Cairns SA4 region we see the pick-up reflected here too. Trend approvals have recovered well and although they remain below those seen during the pre-GFC period, are at nearly 13 year highs.

For the year to Dec Trend approvals in Cairns are up 147%, although January data suggest this may fall somewhat when we see next week's data.

Townsville SA4 has also recovered strongly, indeed even stronger than seen in Cairns, although only to 6 year highs. In Dec Trend approvals were up 164% for the year.

# FNQ Economy Roundup cont..

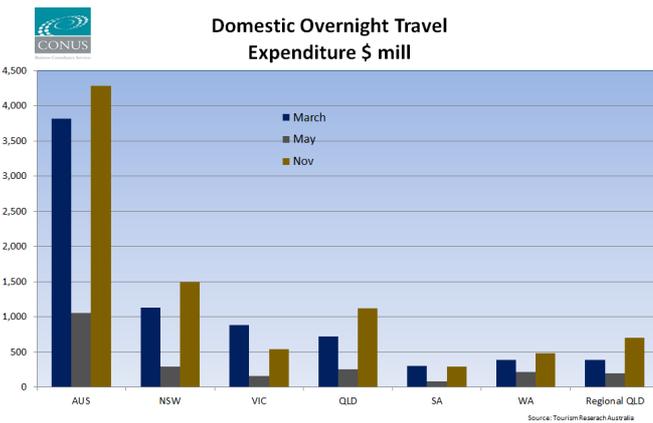


The Conus Trend data at the LGA level shows Cairns Regional Council (incl Douglas Shire) on 121 up 90.8% from a year ago. The Cassowary Coast Regional Council has also improved and now sits at 9; which is 73.4% above the level of a year ago. Tablelands Regional Council (incl Mareeba Shire) is also up this month and now sits at 31 which is an impressive 131.3% increase from a year ago.

Townsville City Council has increased to 121 which is now 120.7% above the level of 12 months earlier; bearing in mind that a little over two years 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 November) shows that domestic tourism expenditure across Australia is up by 12% between

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March and November. In Queensland, however, there was a 55% increase and in Regional Queensland a staggering **79% increase!** Clearly Queenslanders have been getting out and about within their own state in large numbers, particularly into the regions.

If we consider the data on a year-on-year basis then we see a drop of 34% across Australia between November 2019 and 2020. That decline was just 25% in Queensland and across regional Queensland just 12%. 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 12% 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 Sept quarter.

This shows that total domestic expenditure across Australia was down 31% from the previous year while Queensland saw a 32% decline. The result for TNQ was a 35% decline which is a disappointing outcome given the monthly snapshot data showing such solid performance for the QLD regions. This highlights the struggle that the TNQ region has, even for domestic tourism, with flights so limited and uncertainty about borders.

However, 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 in the Far North will continue to struggle to make up the slack left by the absence of international visitors.

