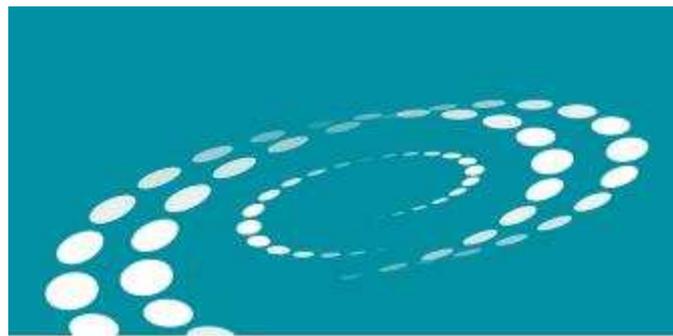




The CONUS Quarterly

Vol. XIII- Issue 2 - June 2021



CONUS

Business Consultancy Services



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Editor's Note

The recovery from the COVID-induced recession is well underway. Our own region appears to have suffered much less than had been originally expected and even the removal of JobKeeper support at the end of March has had only limited impact on the regional economy. The big question now is *'when we will see international borders reopen and our international tourists return'*?

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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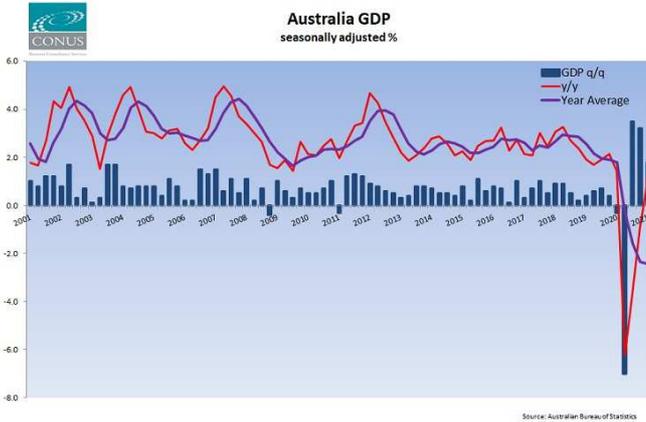
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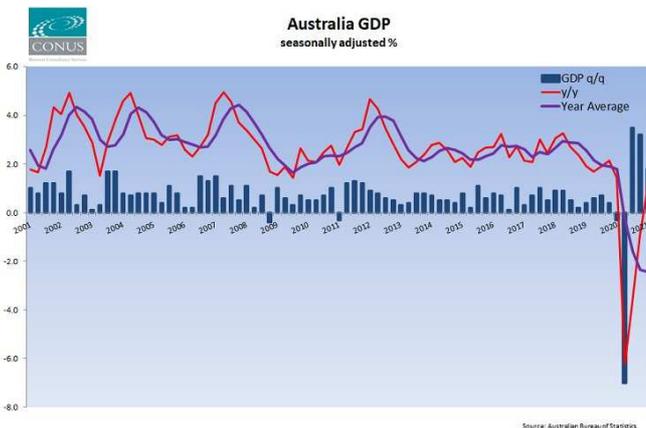
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1st Quarter Australian GDP

The first quarter GDP data released this morning was better than many had been expecting with a 1.8% q/q lift which (after some small upward revisions to previous quarters) takes us to 1.1% up from the same period a year ago. Over the past 4 quarters GDP remains down 2.4%.



Household consumption (the largest single component of GDP) saw a sharp slowdown from the support-led surge in previous quarters but was still up 1.2% q/q which added 0.7 ppts to growth. The recovery in Private CAPEX we noted last quarter continues and has added 0.8 ppts to growth (its highest contribution since Q3 2017 and the 5th highest in a decade). Public sector consumption and investment (which subtracted 0.1 ppts and added 0.2 ppts respectively) provided some small additional growth. This was offset by a subtraction of 0.6 ppts from net exports with imports knocking off 0.7 ppts.



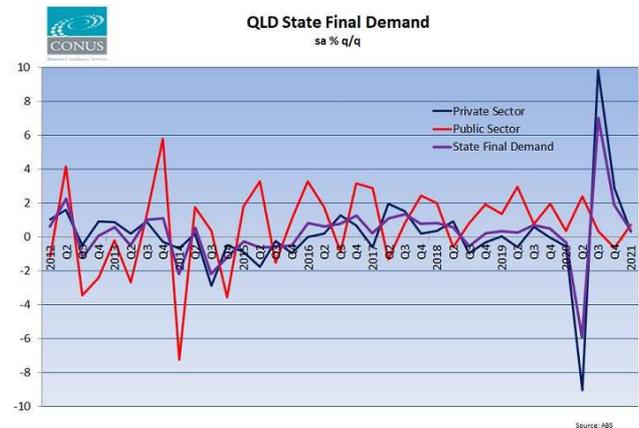
The household savings rate eased a little to 11.6%; but this remains elevated on a historical basis suggesting the potential for further running down of savings contributing to continued household consumption strength in coming quarters.

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 waiting to see their Q4 data. See the QLD Roundup on the next page for more details of the most recently available Gross State Product data from the Treasury.

The ABS Q1 data has State Final Demand up 0.4% q/q for a year-on-year increase of 3.0% (after a revised 1.9% q/q, 2.3% y/y rise in Q4).

This quarter the private sector slowed sharply after spiking last year as the recovery took hold and total private sector was up just 0.3% q/q. The public sector took up some of the slack, particularly public sector capital spending which was up 3.4% and saw total public consumption up 0.7% q/q.



As the chart above 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 the final 2 quarter's of last year have done little to change that story. The total private sector is now just 2.4% 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 9.1%.

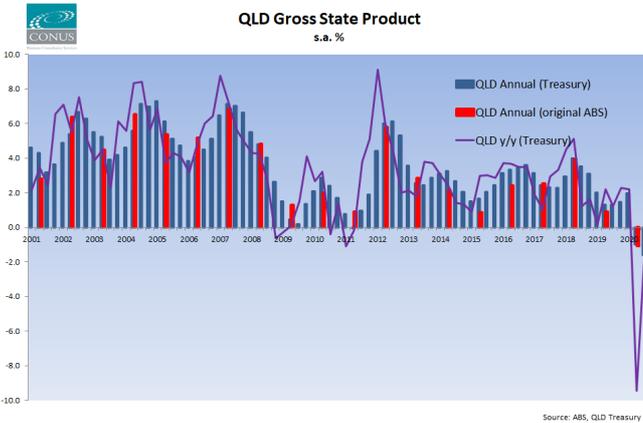
As the country has eased restrictions in recent months we were always going to see a significant rebound in GDP in the second half of 2020. As we noted last quarter, the sugar-hit growth would inevitably slow and the recovery from here on in is likely to see us return to a more 'normal' trajectory over coming quarters.

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 have now been largely wound back and the economy is returning to standing on its own two feet. However, the current lock-down in Victoria will certainly shave some activity off the second quarter data and serves to remind us all that this pandemic, and its economic effects, is far from over yet.

FNQ Economy Roundup

Since our last issue we have seen Q3 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. Previous Treasury estimates of a 0.5% reduction have been revised (as we foreshadowed last quarter) and Treasury now have their estimate as a 1.0% reduction for the fiscal year.

In the third quarter Treasury estimates the annual reduction in GSP at 1.6%. Although this appears as a deterioration the reality is that the third quarter saw a huge recovery from the very large decline in the second quarter (+6.7% q/q). Further significant recovery in the fourth quarter data will be required if we are not to see another weaker number for the annual change in 2020.

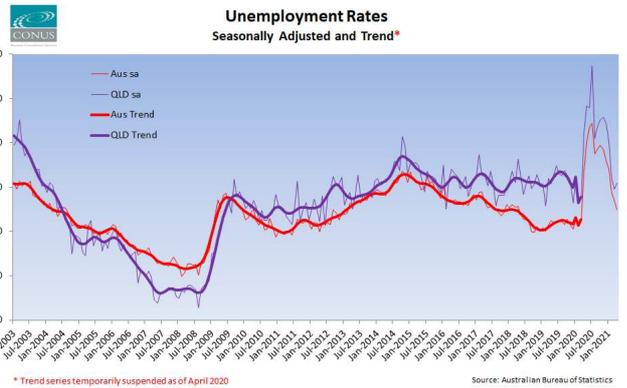
Employment

This quarter has been one of recovery for the Australian labour market. Since June the headline unemployment rate has fallen from 7.4% to 5.5% in April. However, the real improvement is only seen when we consider the fact that the level of employment is up 663,900 (+5.4%) in that time and the participation rate has risen by 1.9ppts. We now sit well above the employment level pre-COVID.

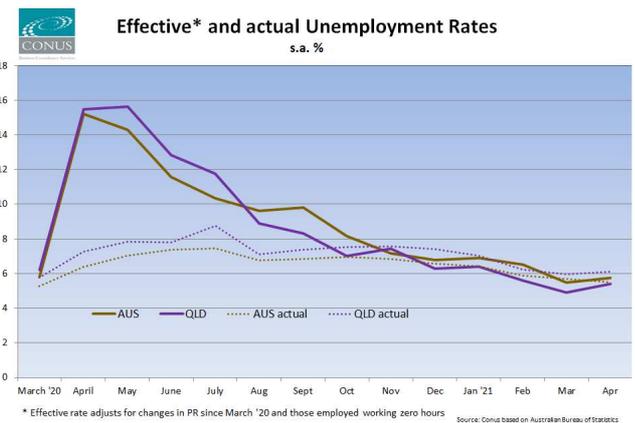
Last quarter we noted that, despite the growth in employment, hours worked per capita remained well below the pre-COVID level as people were clearly working fewer hours. IN the past quarter that situation has now changed and hours worked per capita is now back to pre-COVID levels.

Queensland, at least partly due to its better health outcomes, has seen an even more impressive recovery with employment up 188,300 since June (+7.8%). However, due to a very steep rise in participation (up 3.1ppts) over that time the employment gains have not been fully reflected in a lower unemployment rate which remains stubbornly above 6% (6.1% in April).

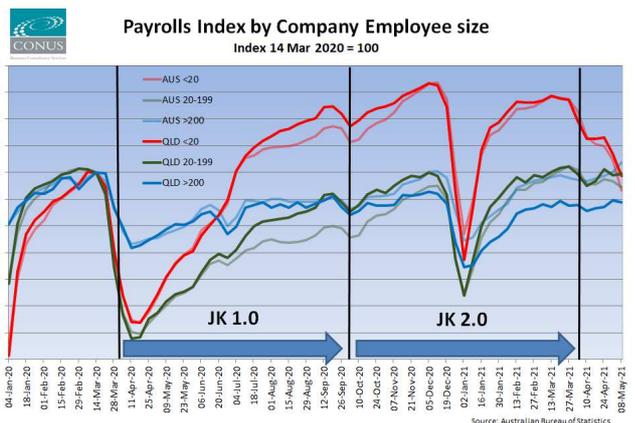
At the height of the COVID induced labour market rout many commentators (including the ABS) began to talk



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 been below the official headline rate for seven months and is well below the national level. The 'effective' rate of unemployment in Queensland is now 5.4% compared to the actual rate of 6.1%



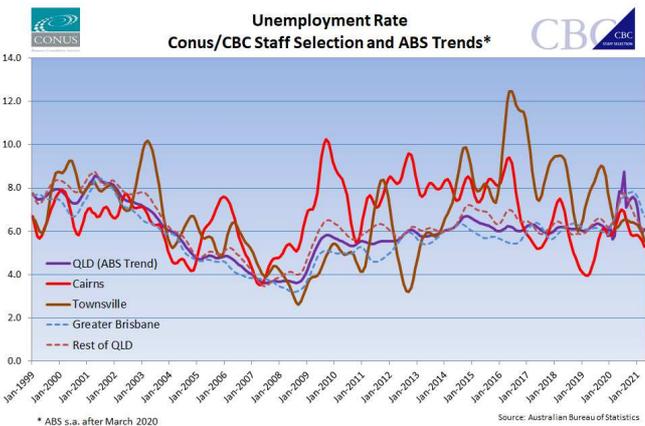
This quarter also saw the removal of the JobKeeper support and the April data was the first month of post-JobKeeper numbers. Despite concerns about the effect that the removal would have on employment, at this early stage it appears to have been only limited. Although employment fell slightly in April the effect of JobKeeper appeared to be only muted.



FNQ Economy Roundup cont..

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

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.



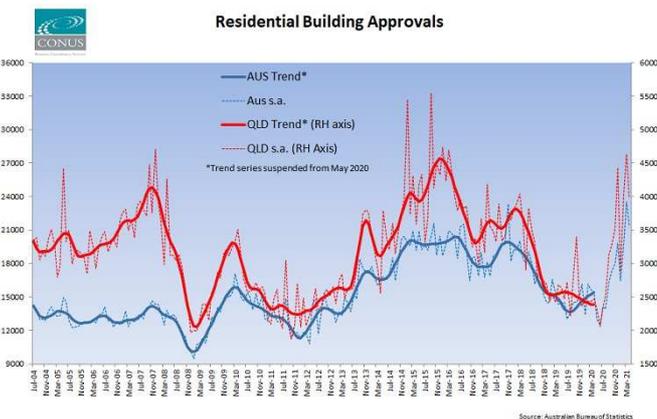
In Cairns we have seen Trend employment decline by 800 since June (-0.6%) but the unemployment rate has fallen to 5.3%. This apparent paradox is explained by the fact that a decline in participation has seen the labour force has contract by 3,300 since June as people (particularly young people) have left the labour force.

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

Building Approvals

The most recent months data to April showed some improvement in building approvals data at both the national and state level, although they have eased a little this month.

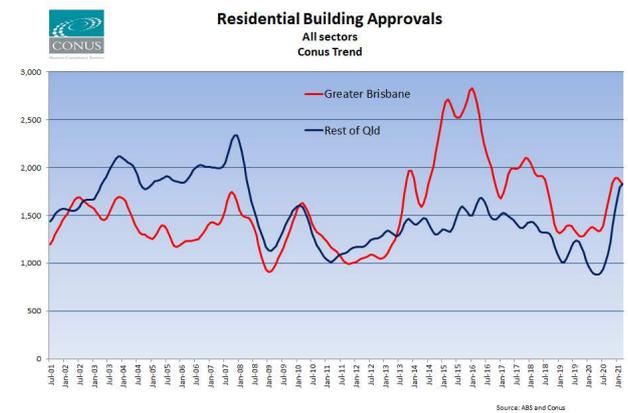
April's data has approvals growth in the nation currently at +39.2% y/y on a seasonally adjusted basis. Although ap-



provals were down 8.6% for the month.

In Queensland approvals fell 14.3% in the month but are now up 61.0% for the year with house approvals as the main driver, up 75.7% for the year.

When we consider the breakdown across the state (with data only available to March at time of writing) we have seen approvals recover in both the regions and Greater Brisbane. In the year to March approvals across Greater Brisbane were up 32.8% and in the Rest of Queensland up 104.5% from a year ago.

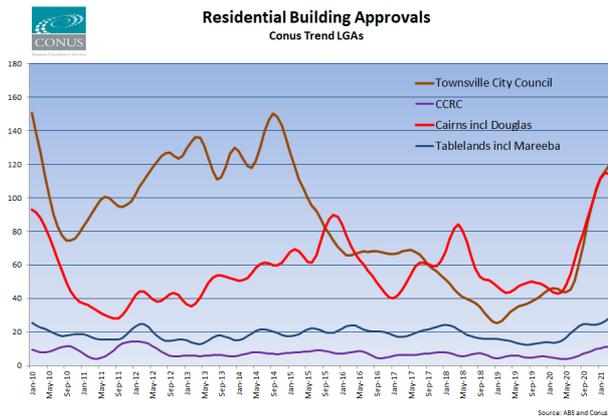


Looking at the Conus Trend data for the Cairns SA4 region we see the strong regional pick-up reflected here too. Trend approvals have recovered well and although they remain below those seen during the pre-GFC period, are at 13 year highs. For the year to March Trend approvals in Cairns are up 177%. Townsville SA4 has also recovered strongly, although only to 6 year highs. In March Trend approvals were up 154% for the year.



The Conus Trend data at the LGA level shows Cairns Regional Council (incl Douglas Shire) on 114 up 166% from a year ago. The Cassowary Coast Regional Council has also improved and now sits at 11; which is 172% above the level of a year ago. Tablelands Regional Council (incl Mareeba Shire) is also up this month and now sits at 28 which is an 106% increase from a year ago.

FNQ Economy Roundup cont..



Townsville City Council has increased to 120 which is now 162% 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 monthly snapshot data (to February) shows that domestic tourism expenditure across Australia is up by 7.6% since March 2020. In Queensland, however, there was a 34% increase and in Regional Queensland a 25% increase (after some previous months had shown incredibly strong numbers). Clearly Queenslanders have been getting out and about within their own state in large numbers, and as borders have opened they have been joined by large numbers from other states.

Data for February allows us, for the first time with this dataset, to make annual comparisons. When summing all the monthly data for the past 12 months we see that total domestic tourism expenditure across Australia fell 47%. In Queensland it was down 42% while regional QLD fell just 31%. 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 31% 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

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National Visitor Survey, the latest version of which covers data up to just the Dec quarter. *March quarter data is due for release at the end of next week.*

This shows that total domestic expenditure across Australia was down 41% from the previous year while Queensland saw a 37% decline. The result for TNQ was a 41% decline which is a disappointing outcome given the monthly snapshot data showing better performance than this for the QLD regions as a whole. This highlights the struggle that the TNQ region has, even for domestic tourism, with flights so limited and uncertainty about borders.

As state borders have progressively opened and restrictions have eased the monthly snapshot data suggests that the March quarter data will show a significant spike up in domestic expenditures.

However, with the international border still closed, and with the recent Federal Budget making it clear that the Government is not expecting it to open in any meaningful way to international tourism until the middle of next year, the tourism sector in the Far North will continue to struggle to make up the slack left by the absence of international visitors.

The recent shut-down in Victoria will obviously not help with domestic tourism certain to take another backward step. Not only will people be forced to reconsider immediate travel plans but this might also make travellers be more cautious about future travel plans. Hopefully a speedier vaccine roll-out will start to make these kind of lock-downs less likely.

