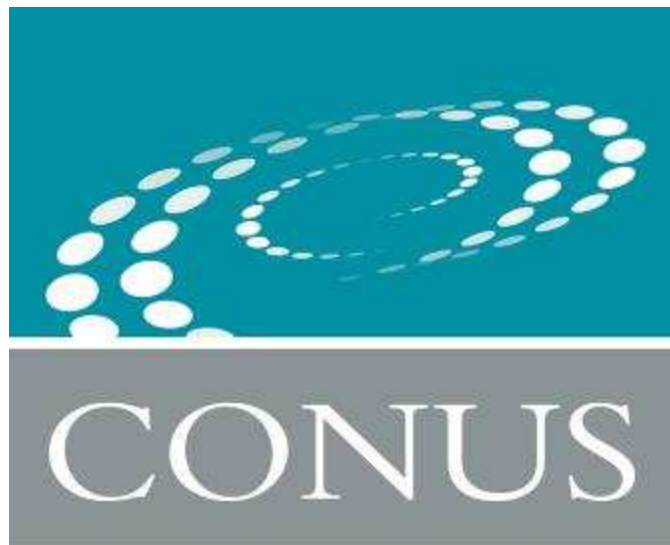


The CONUS Quarterly

Vol. XIV- Issue 1 - Mar 2022



ABORIGINAL
CARBON FOUNDATION

We offset our carbon via ACCUs generated by
Indigenous projects in Australia

Business Consultancy Services

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Editor's Note

Welcome to the first issue of our 14th Volume of the CONUS Quarterly. As we move into a new year we can begin to hope that 2022 may finally see a genuine end to the disruptions caused by the COVID pandemic since early 2020. Who would have thought at the start of this that it would take at least two years to get through to the other side?

We hope that 2022 is a much better year for us all and look forward to continuing to work with all of you over the coming years.

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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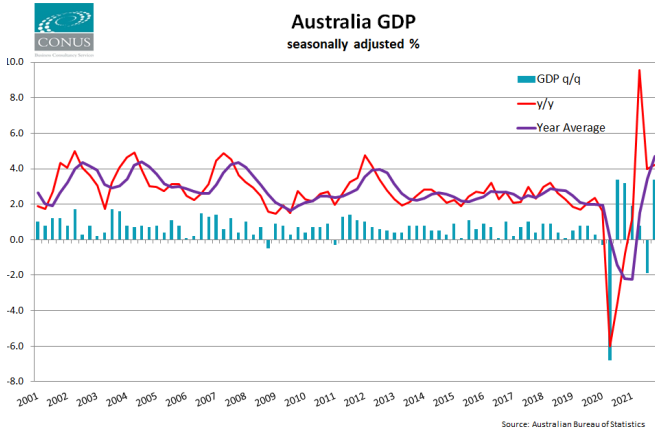
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4th Quarter Australian GDP

The fourth quarter GDP data released this morning was broadly in line with expectations with a 3.4% q/q increase on the back of the previous quarter's 1.9% decline (actually revised slightly better) which leaves us 4.2% up from the same period a year ago. Over the course of 2021 GDP was up 4.7% having been up 3.4% in Q3.



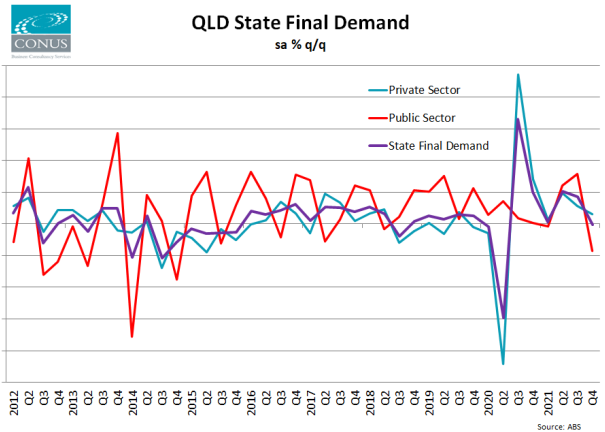
As the lockdowns in the third quarter were unwound it was always inevitable that the fourth quarter would see a sharp spike upwards. Nevertheless, this scale of recovery takes the annual rate of GDP growth to its highest level since the middle of 1999.

With the first two quarters of 2021/22 showing average annual growth over 4% we can expect to see something of a slow-down in the second half.

We noted last quarter that a large spike up in the household savings rate would likely unwind and lead to increased household spending when the lockdowns ended. That is exactly what we have seen with the savings rate falling from 19.8% in Q3 to 13.6% in Q4. Households went out and spent with household consumption up 6.3% q/q and contributing 3.2 ppts to GDP growth.

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 2020-21 showed an annual increase of 2.0% which was above the national rate of 1.5%. Unfortunately the QLD Treasury, who used to provide estimates of Gross State Product on a quarterly basis, have decided to suspend that series due to the COVID-induced volatility in the data.

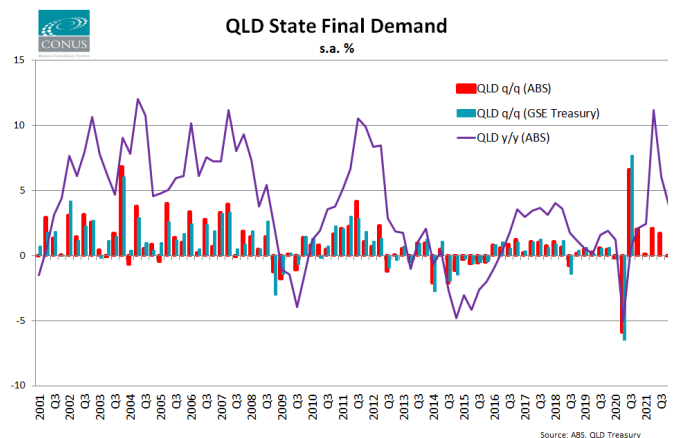
The ABS Q4 data has State Final Demand unchanged q/q for a year-on-year increase of 3.9% (after a revised 1.7% q/q, 6.0% y/y rise in Q3). This compared to Domestic Final Demand in Australia up 2.9% q/q. If we try and look through the fact that Queensland did not suffer from the sharp third quarter slowdown seen elsewhere, then we can see that performance across the last 2 quarters has been very similar (+1.6% nationally and +1.7% in QLD)



This quarter total Private Demand grew 0.6% q/q while Public Demand was down 1.7% q/q. The chart above shows that this continuation of some meaningful growth from the Private sector is encouraging. Over the past two years both Private and Public Sectors have grown at very similar rates (Private +6.1%, Public +6.2%)

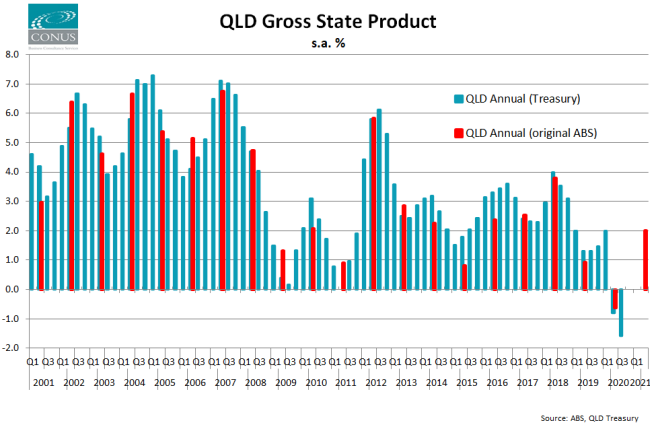
With GSP growth during 2021 running at 5.8% in Queensland we can see that the smaller impact from COVID-induced lockdowns in QLD allowed the State to outperform the national economy (where annual GDP growth was 4.7%) through the year.

We should not forget that growth in Australia pre-COVID was far from booming and therefore a reversion to long-term growth in the 2.5% range will be seen as disappointing. Our hope is that some of the transitions that COVID has forced upon the economy might result in improved productivity growth (which had been weak) which combined with solid population growth as international migration restarts could see a growth trajectory beyond 2024 that looks closer to the 3-3.5% that Australia enjoyed in years gone by.



FNQ Economy Roundup

Since our last issue there has been no additional data on Queensland's Gross State Product. The latest data we have is for the 2020/21 financial year. After a 0.8% fall in 2019/20 (revised from a previous estimate of a 1.1% decline) Queensland bounced back strongly and GSP rose 2.0% in 2020/21.



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

Unfortunately the Queensland Treasury have made the decision to suspend their provision of quarterly State Accounts due to "Ongoing volatility in seasonal factors .." and as a result we have no quarterly data for GSP beyond the Sept 2020 figures. Once Treasury restart this data series we will be updating our analysis. In the meantime we will have to make do with annual ABS data.

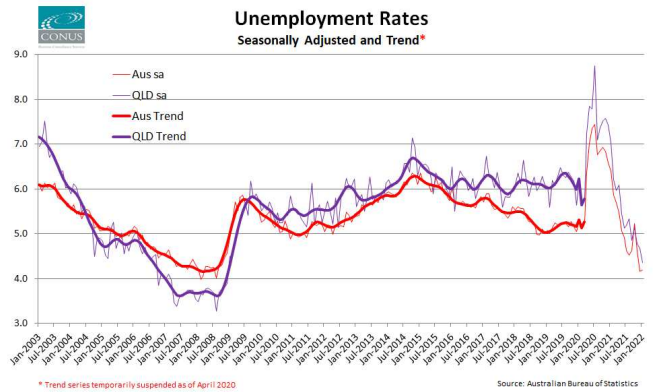
Employment

The past three months have seen significant increases in employment across the country as the effects of the Delta-induced lockdowns in NSW, Victoria and the ACT were unwound and the nation returned to something more approaching 'normal'. From November to January employment in Australia grew by more than 440,000 and the headline unemployment rate fell from 5.2% to 4.2%. Employment now sits more than 2% higher than it was two years ago before the onset of the COVID pandemic.

This fall in the unemployment rate was even more dramatic given that we also saw a sharp rise in participation and people returned to the labour force. This has been particularly marked for females where the participation rate is now at a record high. Five years ago the difference between male and female participation was 11ppts; today it sits at just 8.3ppts.

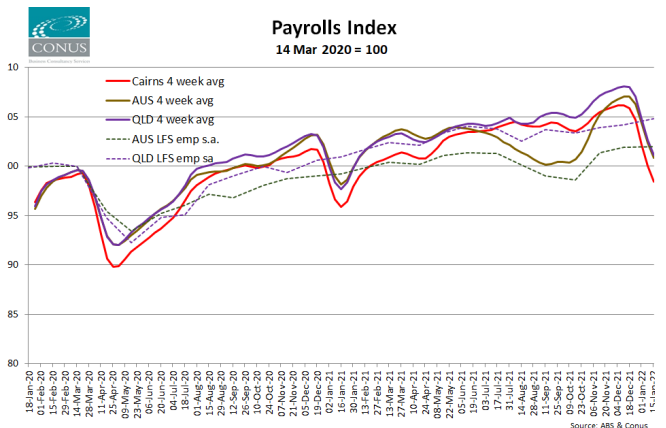
Although this data looks very strong we should also note that the Omicron surge had a sharply negative impact on hours worked in January as many people were forced to isolate.

Since November employment in Queensland has risen a more modest 38,100 and the headline unemployment rate



in the Sunshine State now sits just above the national figure at 4.4%; this is Queensland's lowest unemployment rate in thirteen years.

The most recent Payrolls data, collected via the Single Touch Payroll system, is not seasonally adjusted and as a result the effect of the Christmas and New Year holidays shows up as a sharp downturn in the series. The fact that the seasonally adjusted labour market results show such strength should mean that, as more recent data becomes available, we will see the Payrolls numbers return to their upward trend.

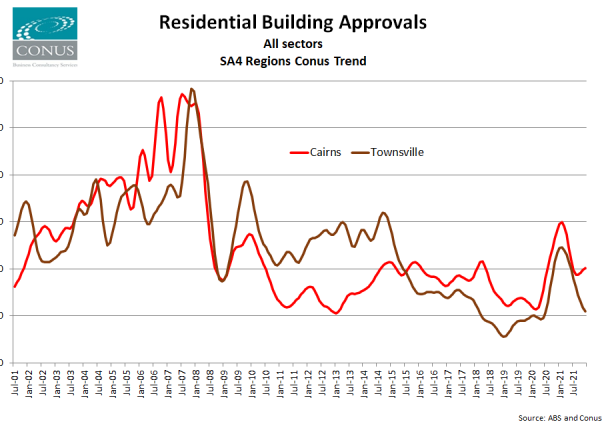
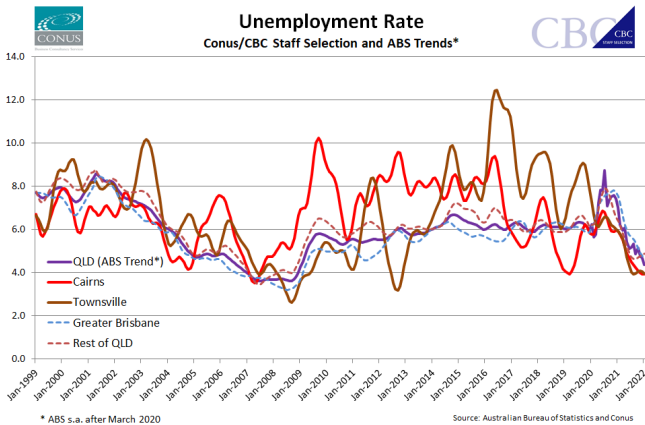


At the regional level the Conus/CBC Staff Selection Trend series will be subject to all of the issues that this period of extreme volatility have caused for the ABS Trend estimation. Nevertheless we have taken measures to benchmark our Trend series to some of the components of the ABS seasonally adjusted 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 increase by 7,400 since Jan last year (+5.9%) and the unemployment rate has fallen to 3.9%. This pace of employment growth is now well above that seen across the State so that despite a strong pick-up in participation the unemployment rate has stayed low.

As the tourism sector starts to recover as travel becomes more feasible again we can expect to see some improvement in the employment data in coming months.

FNQ Economy Roundup cont..



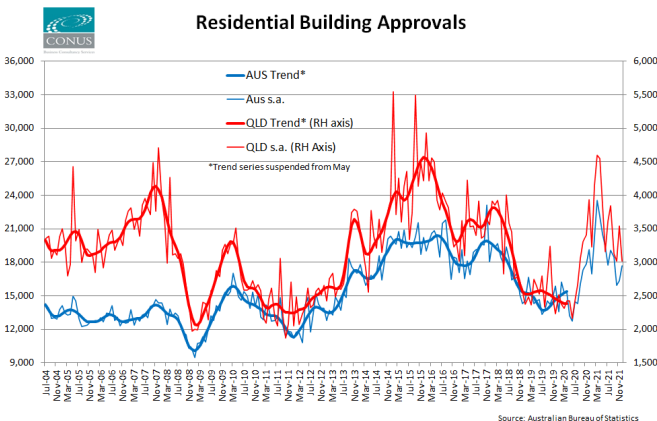
Building Approvals

The most recent months data to Dec showed the surge in building approvals seen at the start of the year easing across both the nation and Queensland.

Dec's data has approvals across the nation down by 7.5% y/y on a seasonally adjusted basis, despite an increase of 8.2% for the month.

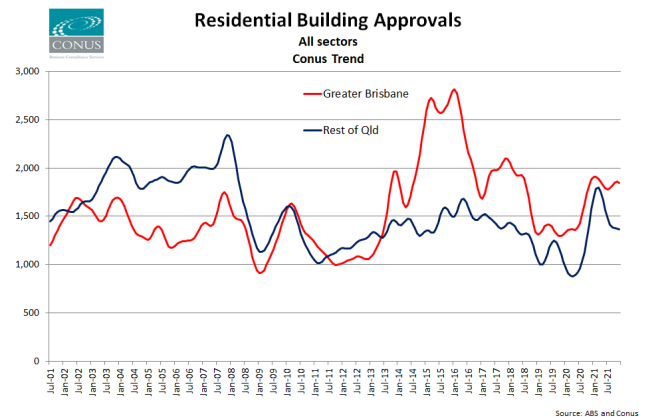
In Queensland approvals were down 14.8% for the month and are now down 23.3% for the year with the decline being seen in both houses (-20.4%) and units (-29.6%).

When we consider the breakdown across the state we have seen approvals fairly stable in Greater Brisbane while across the Rest of Queensland there have been sharp declines. In the year to Dec Trend approvals across Greater Brisbane were down just 1.9% while in the Rest of Queensland approvals were down 13.1% from a year ago. *Note; the Conus Trend series cannot be directly compared to the more volatile ABS seasonally adjusted series.*



gional Council (incl Douglas Shire) on 78 down 25% from a year ago. The Cassowary Coast Regional Council has been stable and now sits at 9; which is 12% below the level of a year ago. Tablelands Regional Council (incl Mareeba Shire) is fell again this month and now sits at 15 which is a 41% fall from a year ago.

Townsville City Council sits at 50 which is 53% below the level of 12 months earlier.



Tourism

Prior to the start of the Delt-induced lockdowns in NSW, Victoria and the ACT domestic tourism in the Far North had been enjoying a very solid recovery from the lows earlier in 2020. That quickly changed as the southern states went into lockdown. Nevertheless, the most recent data, for the Sept 2021 quarter, showed domestic tourism expenditure at just a whisker below the record high recorded in the March 2020 quarter, just before the pandemic impacts took hold.

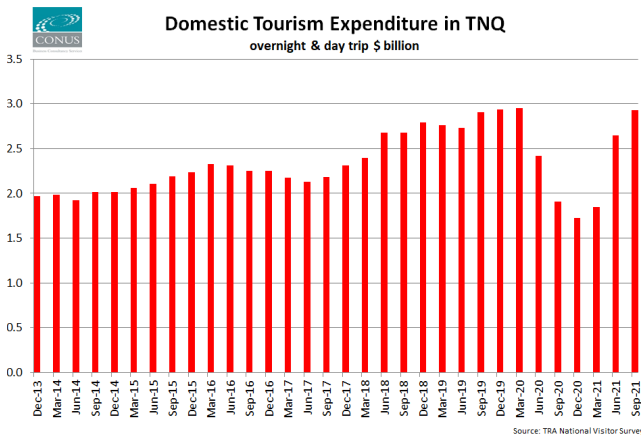
While international borders were closed Aussies were taking their holidays at home, and in particular in the regions. The Delta lockdowns slowed that trend the most recent data suggests the slowdown was only temporary.

Monthly snapshot data from Tourism Research Australia up to November was showing that total domestic expenditure in Regional Queensland for the 12 month period was up 47.6% from a year earlier, compared to 29.1% growth nationally and an increase of 41.3% across Queensland.

Looking at the Conus Trend data for the Cairns SA4 region we see the weaker regional story reflected here. For the year to Dec Trend approvals in Cairns are now down 28.3%, although they remain at levels similar to those seen through 2015-2018. Townsville SA4 has seen a similar pattern of strength and a pull-back, although here the retrenchment has been more marked and in Dec Trend approvals were down 53.0% for the year.

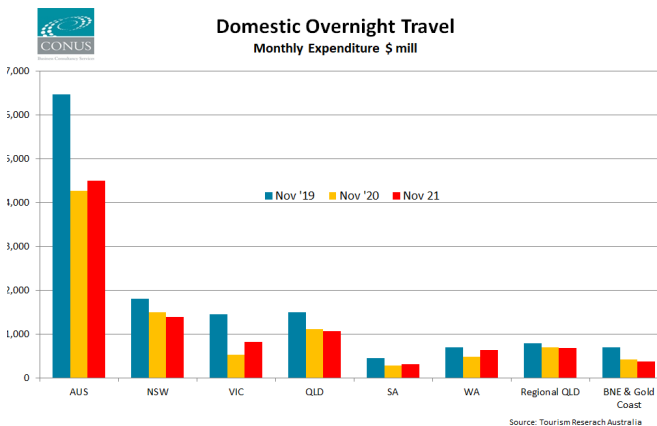
The Conus Trend data at the LGA level shows Cairns Re-

FNQ Economy Roundup cont..

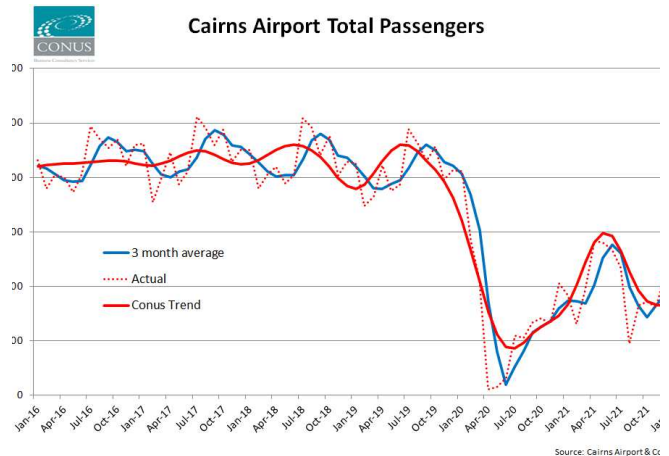


Over the past three months vaccine rates have climbed sharply to the point that most States and Territories have lifted border restrictions and both domestic and international travel is now fairly unrestricted. Nevertheless, there remains some reticence about travelling; both from Aussies going abroad but also foreign visitors coming to Australia. It is likely to be some time before we see international visitation rates back to anything like 'normal'.

We shall have to see if the strong domestic tourism figures are negatively impacted as people return to travelling overseas for their holidays rather than enjoying their own backyard.



The most recent data from the Cairns Airport demonstrates the scale of the impact that the Delta lockdowns had on air travel to the Far North in the third quarter of 2021. As borders have reopened and people can once again travel freely we have seen something of a recovery although, as yet, we are still a long way from the peak seen in mid-2021 as domestic tourism hit its highs.



Although international borders are now once again open a return to 'normal' for international tourism still appears to be some months away (we are certainly not anticipating any international tourism at scale into the Far North until at least the middle of 2022). Unfortunately the domestic tourism boom was never going to be enough to compensate for the loss of the 25-33% of total tourism expenditure in the Far North which the international sector used to provide so the tourism sector will no doubt continue to face headwinds throughout this year.

However, on the plus side of the ledger, there has been some recent good news for the sector with announcements from Cairns Airport of additional routes being opened or reopened, both domestic and international. In coming weeks we will see the reopening of the Jetstar services to Japan and Bali, Air New Zealand's direct flights to Auckland will restart, and Singapore Air will be starting direct flights to Singapore which will bring a major international hub within easy reach of the Far North on a full-service airline for the first time in years.

In addition new discount airline Bonza will be offering a selection of new domestic routes from Cairns.

The immediate future for the tourism sector will still be challenging but we are starting to see the emergence of the green shoots of recovery. We can only hope that those operators who have been able to hang on through the past couple of years are in a good enough shape that they will be able to take advantage of the improvements to come.

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