



The CONUS Quarterly

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In this issue....

- **4th Quarter GDP – Page 3**
 - Growth picks up but runs up against capacity constraints
- **FNQ Economy Roundup – Page 6**
 - A detailed look at the economy in our own region

Conus Business Consultancy Services
PO Box 441
Mission Beach
QLD 4852

www.conus.com.au

Ruth: 0419 697901

Pete: 0439 490088

Editor's Note

Economic growth has picked up and for 2025 was at the fastest pace we've seen since early 2023. However, capacity constraints mean that this more rapid pace of growth has been reflected in inflation remaining higher than the RBA's target; which in turn means the interest rate trajectory is now clearly upwards.

The challenge now is to improve productivity across the economy such that modest growth (as we are currently experiencing) does not immediately lead to capacity constraints and further inflationary impulses.

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.

Pete

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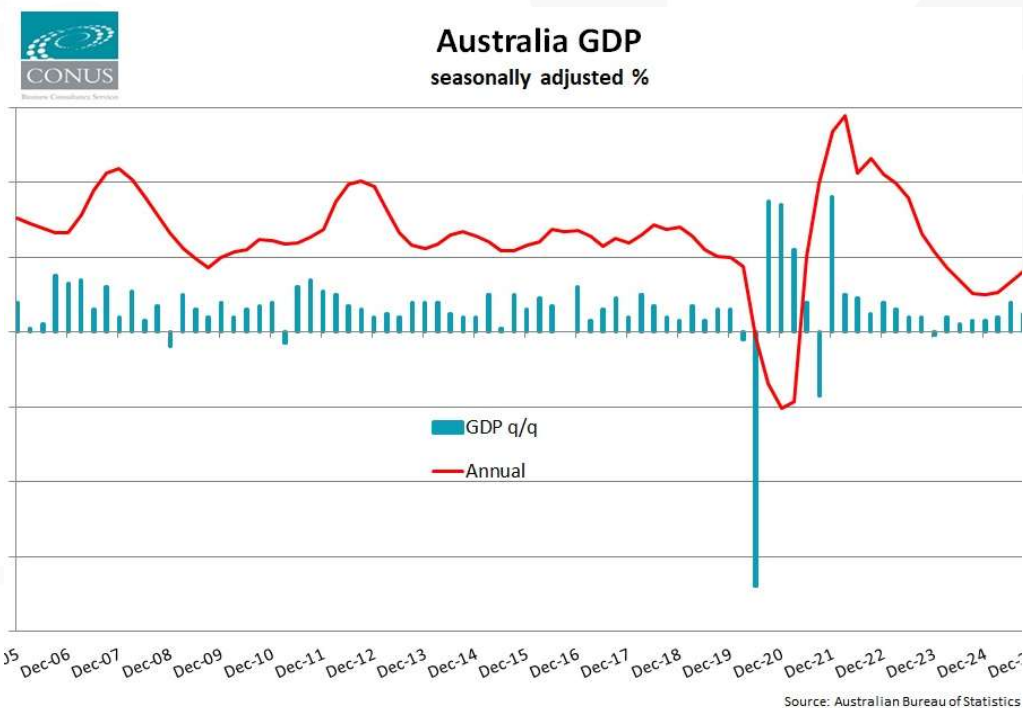
4th Quarter GDP

The fourth quarter GDP data came in a little better than market expectations. GDP increased by 0.8% for the quarter and was up 2.6% for the year.

While this result was at the upper end of expectations it raises a serious question about the capacity within the economy. Even with this (rather modest) improvement in economic growth it is clear that the economy is running up against significant constraints which sees inflation remaining sticky well above the RBA's target range.

The challenge from here will be to ensure that productivity improvements can be found to raise the 'speed limit' on the economy to allow for faster growth without raising inflationary pressures.

We should note that GDP/capita is also now in positive territory; this metric has been positive for the past 4 quarters and is now up almost 1% during 2025.

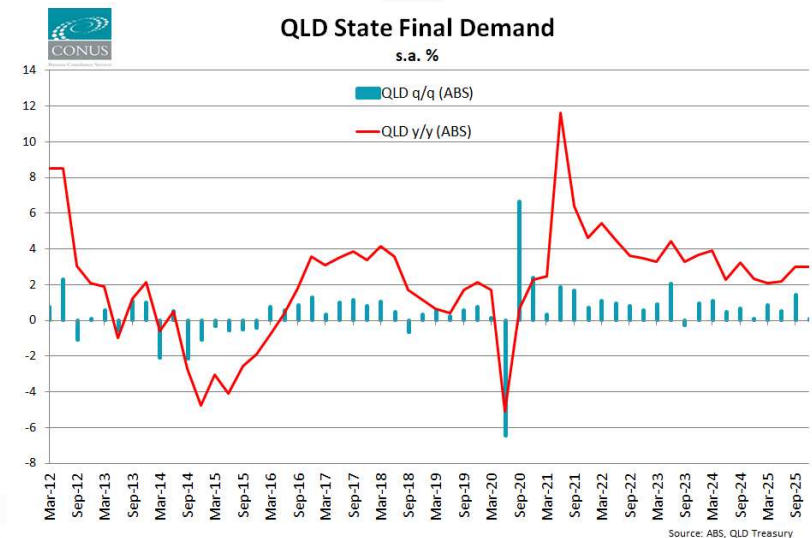
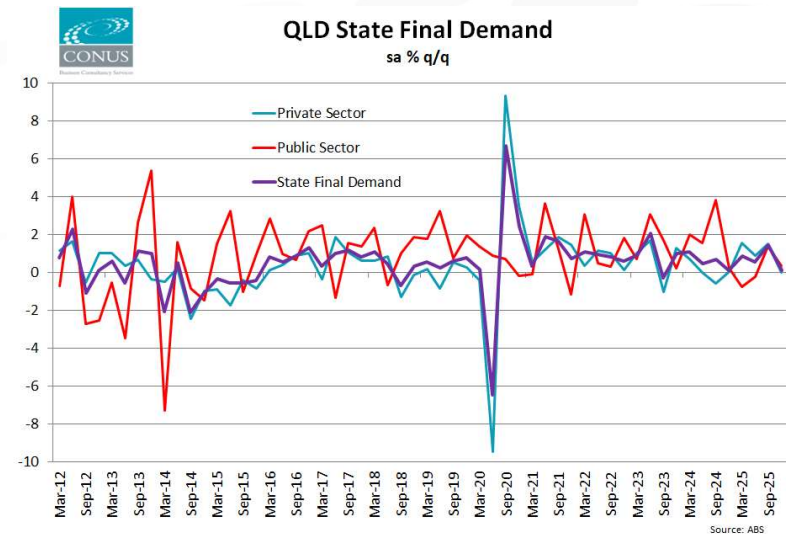


It is also encouraging to see that it has been the Private Sector driving the bulk of growth through 2025. Both Household Consumption and Private Sector capex have been significant contributors to growth during the year, making up about three-quarters of the improvement. The Public Sector accounted for the rest with Inventories and Net Exports broadly unchanged over the year.

4th Quarter GDP

The ABS Q4 data has Queensland State Final Demand showing an increase of just 0.1% q/q and is up 3.0% on the year (after Q3 was revised down from 3.1% to 3.0%). This compares to Domestic Final Demand in Australia which increased 0.5% q/q, and was up 2.9% y/y.

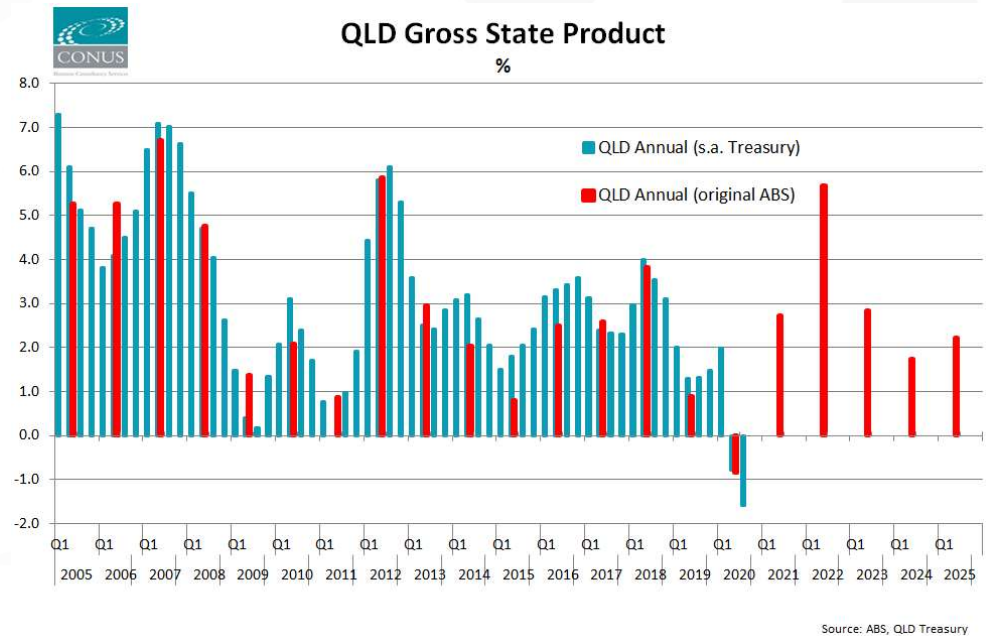
In Queensland Private Sector CAPEX reversed some of the strong gains from last quarter with a fall of 1.3% q/q, which still equates to a strong 5.7% y/y increase. Household consumption was also strongly positive, and the net result is that over the year the Private Sector grew 4.0% while the Public Sector was up just 0.7% (with Private Sector CAPEX declining 2.2% y/y).



Annual QLD GSP

The ABS estimate of Gross State Product for the 2024/25 year was released in November. The 2024/25 data shows that Queensland's economy grew 2.2% for the year (after 2023/24 grew by 1.7%), compared to national GDP growth of 1.3%. Queensland's better performance can be linked to stronger population growth, a strong resources sector and a solid contribution from the Public Sector. If we consider the period from 2018/19 to 2024/25 then we see national GDP growth of 13.0% while Queensland GSP has grown by a higher 15.1%.

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.



Source: ABS, QLD Treasury

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. If Treasury restart this data series, we will be updating our analysis. In the meantime, we will have to make do with annual ABS data.

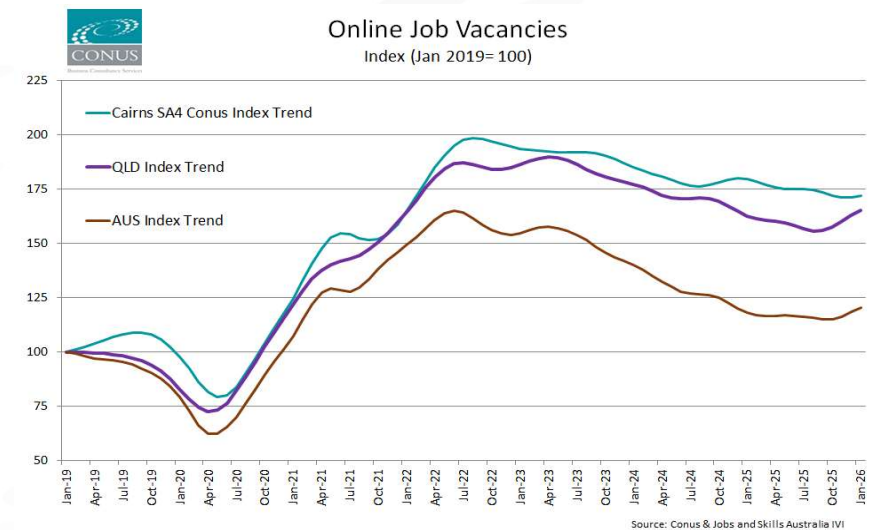
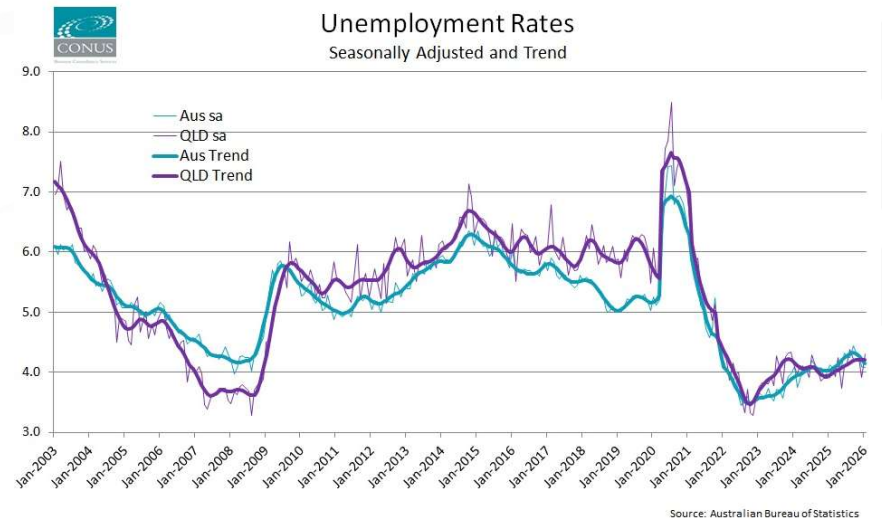
FNQ Economy Roundup

Employment

Since last quarter we have seen remarkable resilience in the labour market. While employment growth has slowed slightly the **Trend unemployment rate remains at just 4.1%**, having fallen from 4.3% in recent months. The RBA and Treasury are both still expecting unemployment to edge higher, but it is currently sitting below their previous projections for this time.

It is a similar story in Queensland where the **Trend unemployment rate sits at 4.2%** (where it has been for each of the last 6 months). Employment growth has slowed but not to the extent that the unemployment rate is moving higher.

Online job vacancies have been slowly improving over the past quarter, and this also points to the continued resilience in the labour market (both nationally and in Queensland).

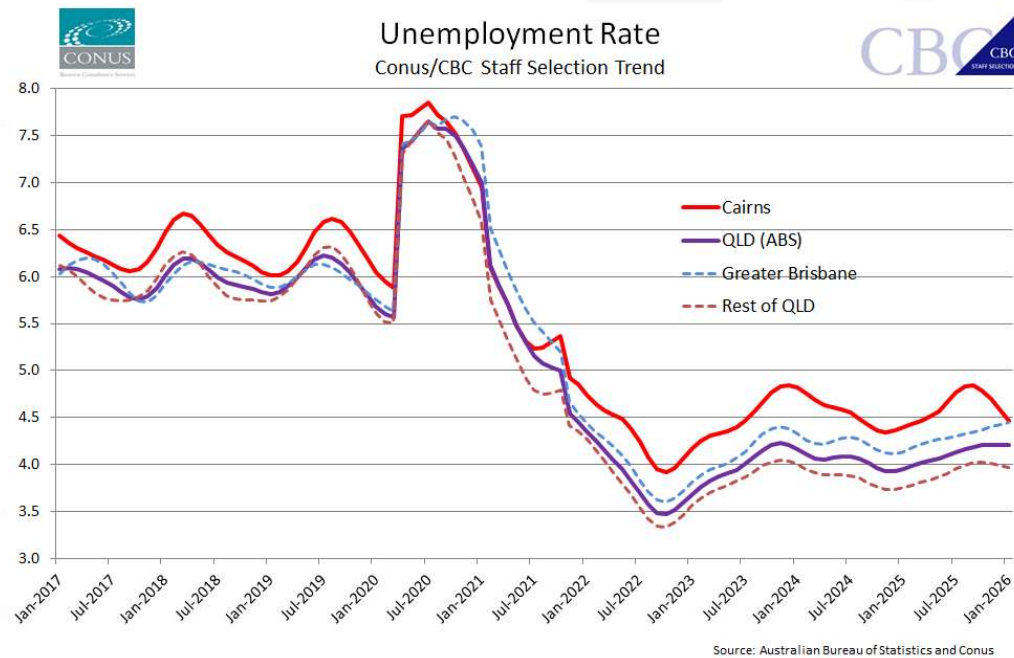


FNQ Economy Roundup

Employment...cont

We have been able to utilise the new and improved ABS regional labour force data for more than a year, and it has now been extended back to Jan 2012.

The ABS are now producing modelled estimates of labour force statistics for regions which, as well as the previously available Labour Force Survey data, are using 'administrative' data such as ATO Single-Touch Payrolls numbers and DSS data on JobSeekers and Youth Allowance. This means that the extreme volatility, which has up to now been a feature of the original LFS data at the regional level, has become largely a thing of the past and by using this new modelled data our own Conus/CBC Staff Selection Trend analysis is providing us with a more accurate, and consistent, view of our regional labour market.



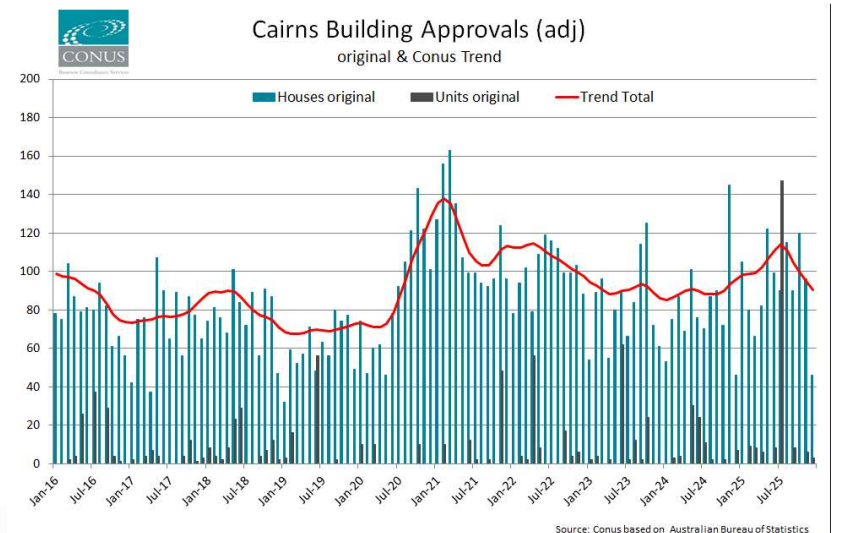
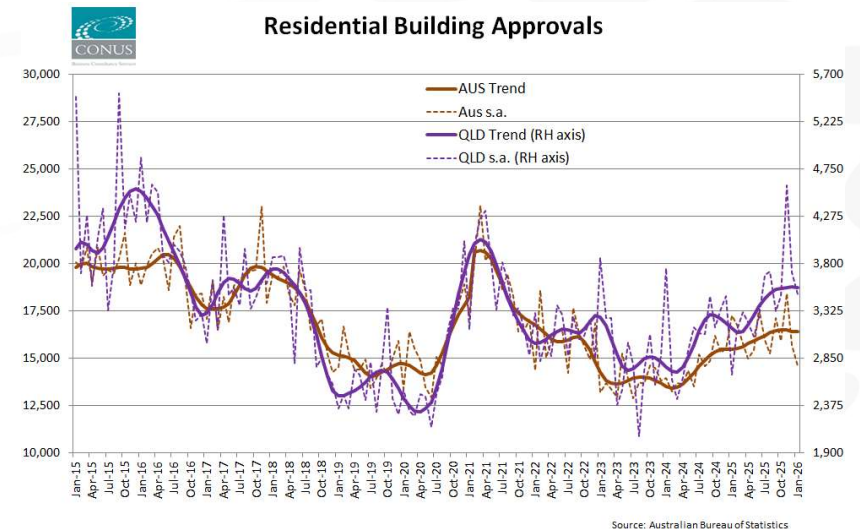
In Cairns, as we are seeing across the nation, the labour market continues to surprise on the upside. Trend employment growth, while still modest, has improved over this quarter and we now see the **Trend unemployment rate back down to 4.5%** having added 1,200 to the number employed in the past 12 months.

FNQ Economy Roundup

Building Approvals

At the National level we are seeing Trend building approvals slowly improving. Nationally Trend approvals are +6.0% y/y with both houses and units increasing at a similar pace. While in Queensland growth is a rather more impressive 12.8% y/y, the growth here is coming from very strong units growth (+20.4%) and more modest houses growth (+8.5%).

In Cairns Trend building approvals data has been somewhat distorted by the addition of 468 affordable housing units being approved in July. This very welcome development is good news for accommodation availability in Cairns (or at least it will be once they are completed) but has forced us to adjust our Trend analysis so that we can more clearly see the over-arching trend in approvals. The chart on the right reflects that adjusted series. With this adjustment we can see a **rather disturbing drop in Trend approvals in recent months**. Adjusted approvals now sits at just 91 for the month, perilously close to a 6-year low. This is concerning when we consider the ongoing accommodation shortage the region is already facing.



FNQ Economy Roundup

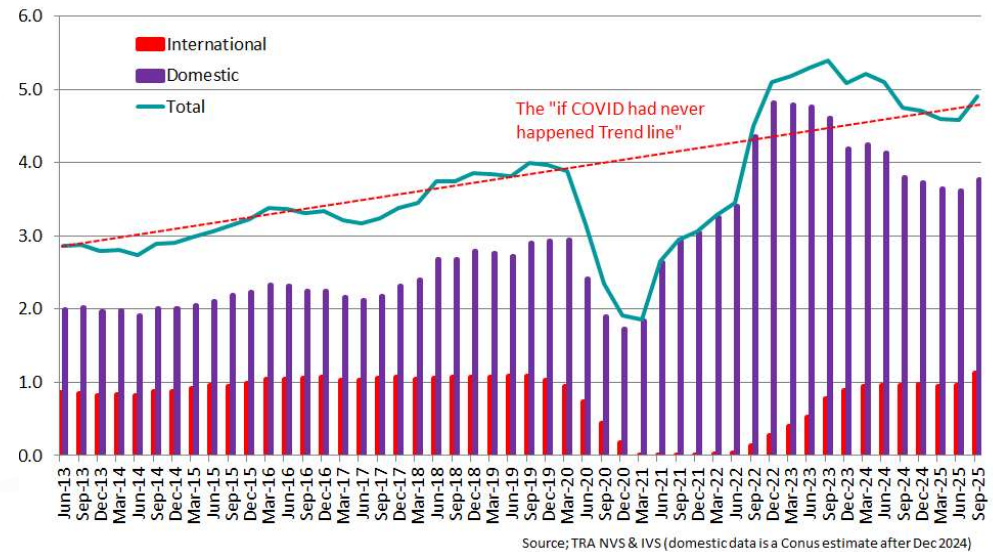
Tourism

Tourism data for 2025 has been rather compromised by the switch in methodologies utilised by TRA for domestic tourism data. As a result, we are having to rely on modelling (which uses data such as occupancy rates, Airport passenger numbers, and overnight visitation figures) to estimate the results for TNQ for the March, June and September quarters this year. Once we have a full year of the new domestic data (this will be later in March 2026) we will be able to judge how accurate these estimates have been.

In the meantime, our estimates suggest that for the year to **December 2025 domestic tourism expenditure will have increased slightly to \$3.94 billion** (from \$3.77 billion in the previous quarter). December quarter tourism data for the international sector will be released in the middle of March, and our estimate is that international expenditure will be largely unchanged at \$1.08bn (after the September quarter was revised lower by TRA last quarter).



Total Visitor Expenditure in TNQ
overnight and day trip \$ bn year to date



Source: TRA NVS & IVS (domestic data is a Conus estimate after Dec 2024)

The most recent data has confirmed that **many international markets are returning to levels consistent with (if not slightly stronger than) levels seen before COVID**. The obvious exception to this has been China. Visitors from China remain well below their 2019 highs although the most recent national data shows a very strong recovery in the final quarter of 2025 which we can hope we see reflected in the TNQ data.

FNQ Economy Roundup

Tourism...cont

Consistent with this pick-up in international tourism arrivals, the data for Cairns Airport total passengers showed improvement in the final quarter of 2025. However, since then the trend has been less encouraging on the back of some weakness in domestic passengers. As the chart on the right makes clear, **total passenger numbers through the Airport remain well below 2018/19 highs** in spite of significant recent improvements in the number of international flights and destinations.

As we have mentioned in previous issues, one of the problems faced by the Airport (and therefore the tourism sector more generally) is a continued lack of capacity from airlines. Work is ongoing to try and address this issue but in the meantime it is clear that a lack of available seats into Cairns Airport is creating capacity constraints for the sector.

