CONUS

Business Consultancy Services

The CONUS Quarterly

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ABORIGINAL CARBON FOUNDATION

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

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Editor's Note

Economic growth surprised to the upside this quarter, although at just 2.5% for the year it remains sluggish. The challenge will be that the bulk of the impacts from the Iran war are yet to show up in this data (which was for the quarter to end March). With little clarity about how long the conflict might last, any suggestion about the ultimate effect on the Australian and/or Queensland economy is premature at best.

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.

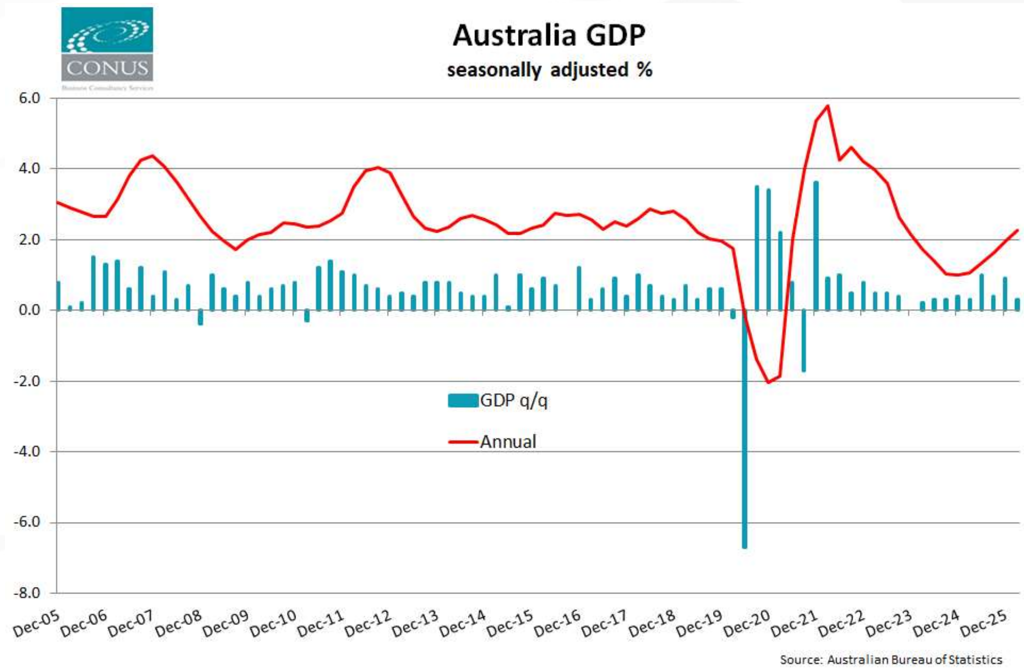
Pete

1st Quarter GDP

The first quarter GDP data came in a little better than market expectations. GDP increased by just 0.3% for the quarter, but with an upward revision to Q4 the annual rate remained at 2.5% (expectations had been for a drop to 2.3%).

However, this result pre-dates the impacts of the Iran war, the subsequent oil price shock, and the flow-through effects that will be having on sentiment and demand. While on the face of it this result is better than expected, it's still clear that there will be more challenges coming in the Q2 data.

For the first time in four quarters the GDP per capita data has turned negative again. This 0.1% q/q drop takes the annual rate of growth to just 1.0%. It is still true that population growth remains the key driver of economic growth in Australia.

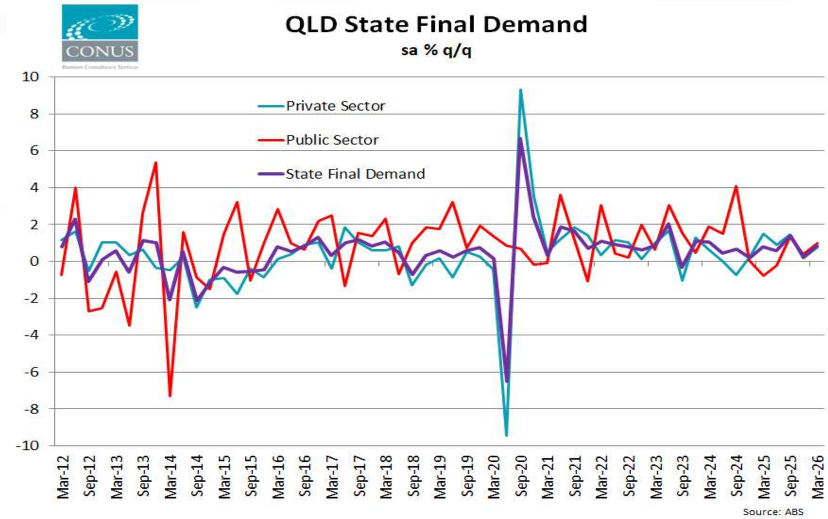


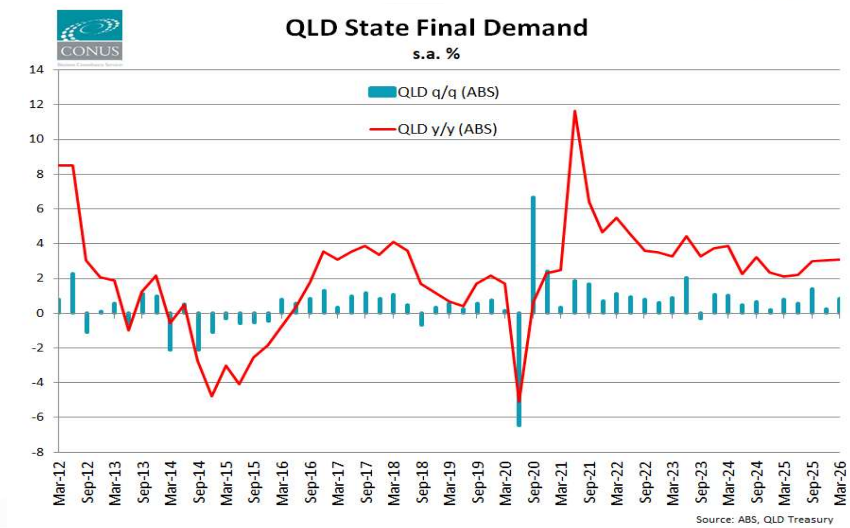
The external sector turned heavily negative this quarter with net exports subtracting 0.8 ppts from growth. The positive came in private sector investment which added 0.6 ppts. This investment leaned heavily towards data centre machinery and equipment, most of which is imported and in turn explains the negative impact from net exports.

1st Quarter GDP

The ABS Q1 data has Queensland State Final Demand showing an increase of just 0.9% q/q and is up 3.1% on the year (after Q4 was revised up from 3.0% to 3.1%). This compares to Domestic Final Demand in Australia which increased 1.0% q/q, and was up 3.5% y/y.

In Queensland Public Sector CAPEX saw the strongest gains over the quarter (+5.0% q/q) but a lack of growth in Public Sector expenditure saw the public sector as a whole up 1.0% q/q, like the much larger private sector which grew at 0.8% q/q. Over the course of the year it has been the private sector leading growth (+3.4%) ahead of the public sector (+2.5%) with public sector expenditure growth particularly weak at just 1.9%

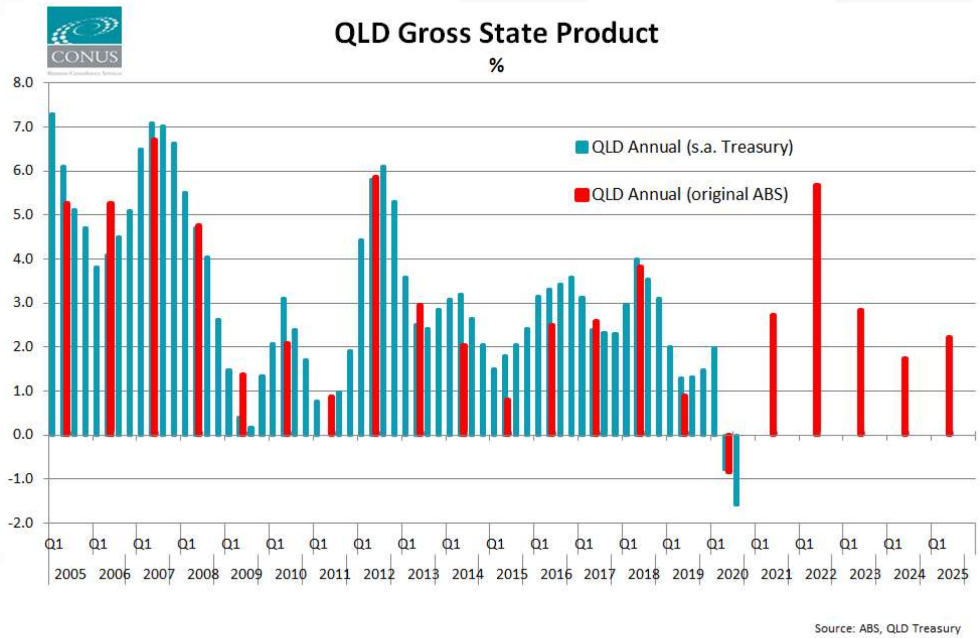




Annual QLD GSP

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.



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.

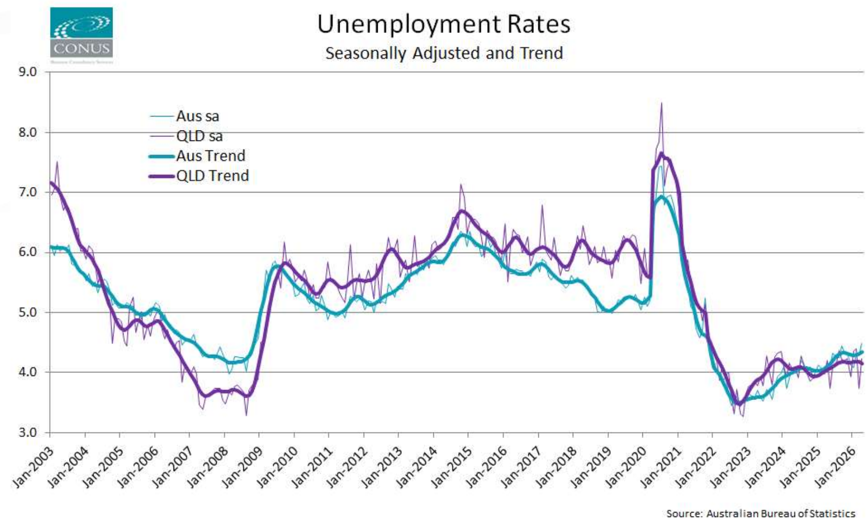
FNQ Economy Roundup

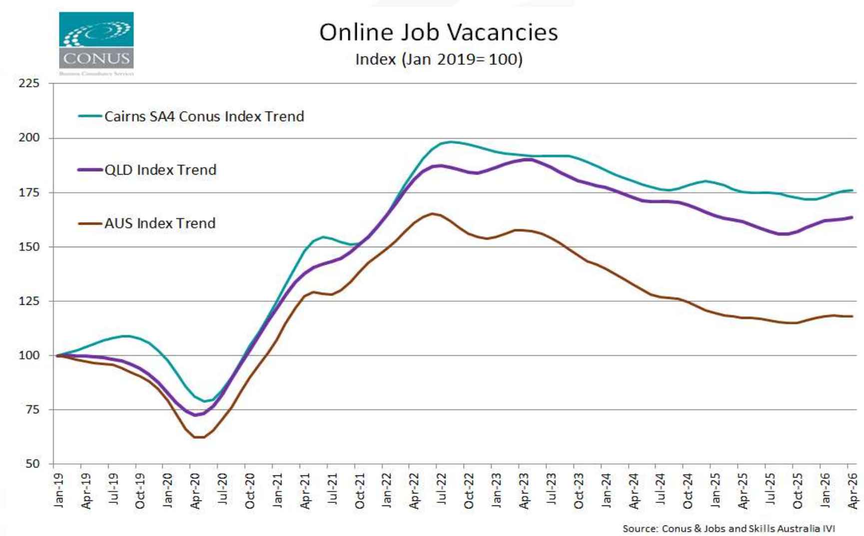
Employment

Since last quarter, the gradual easing that had been anticipated by both RBA and Treasury has started to become manifest, albeit slowly. The Trend unemployment rate has eased (after some slight upward revisions) to 4.3% and the noisier seasonally adjusted series now sits at 4.5%. Trend employment growth, on the other hand, has accelerated a little after the slowdown seen towards the end of last year.

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 9 months). Employment growth here too has accelerated a little but not to the extent that the unemployment rate is moving any lower.

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) despite sings elsewhere of a gradual easing.



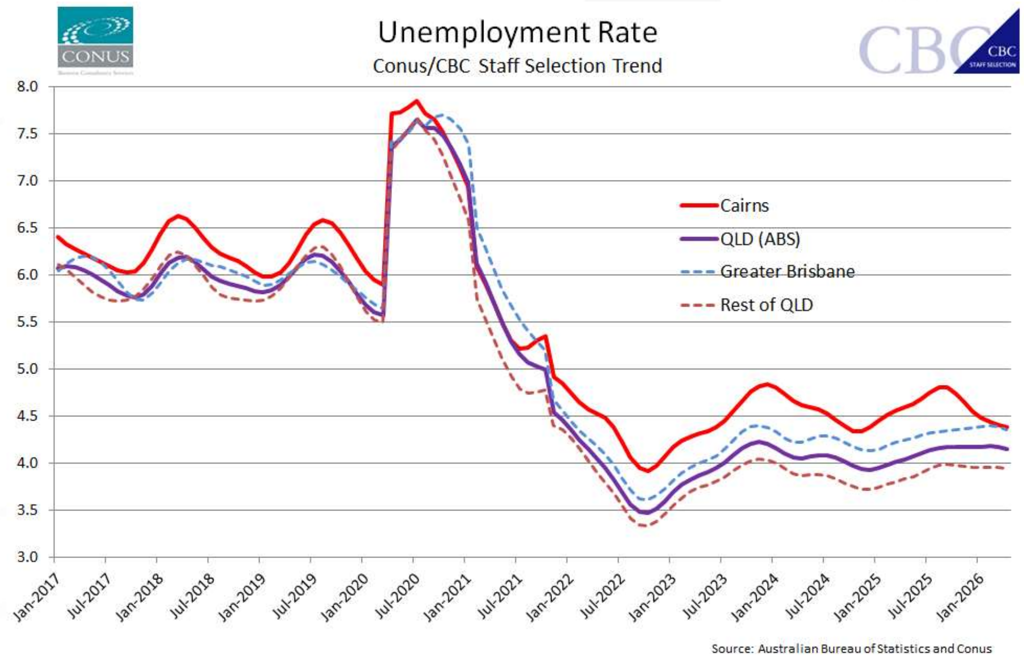


FNQ Economy Roundup

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.



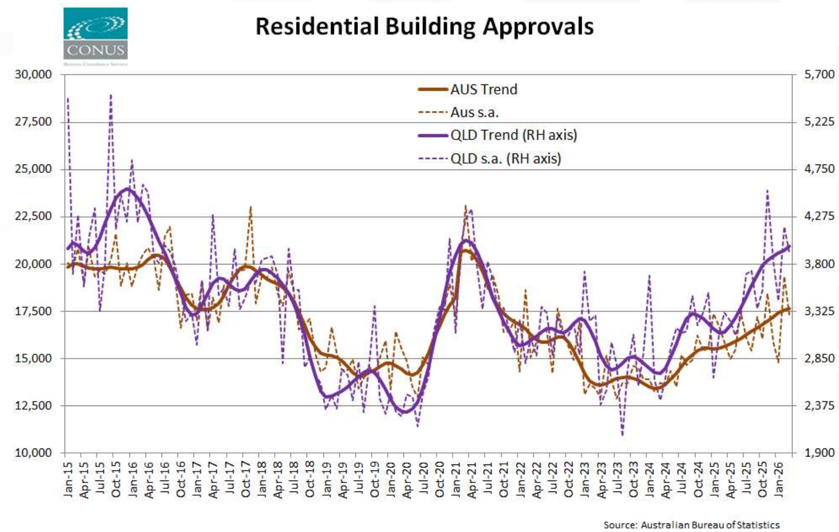
In Cairns, as we are seeing across the nation, the labour market continues to surprise on the upside. Trend employment growth, while still modest, has improved over this quarter and we now see the **Trend unemployment rate back down to 4.4%** having added 1,700 to the number employed in the past 12 months.

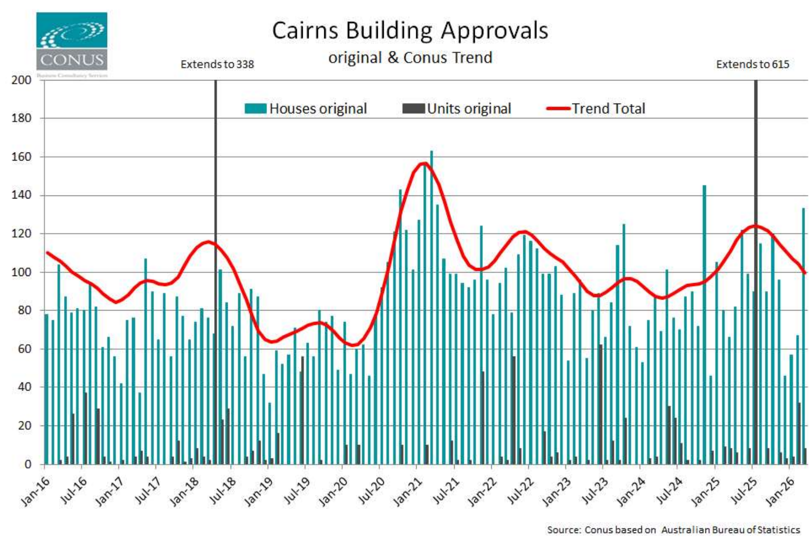
FNQ Economy Roundup

Building Approvals

At the National level we are now seeing Trend building approvals consistently improving. Nationally Trend approvals are +13.1% y/y with houses +9.6% and units +18.3% y/y. While in Queensland growth is a much more impressive 27.5% y/y, the growth here is coming from very strong units growth (+60.4%) and somewhat more modest houses growth (+9.7%).

In Cairns Trend building approvals data has been somewhat distorted by the addition of 468 affordable housing units being approved in July last year, although that distortion is now working its way through the Conus Trend series. The Woree units are a very welcome development for accommodation availability in Cairns (or at least they will be once they are completed). Nevertheless, as the chart makes clear, approvals in Cairns are not increasing at anything like the pace we are seeing at the national or state level. Indeed, Trend approvals in Cairns are now at 100 which is down 10% from a year ago. With a housing crisis still very much in play this is a situation that needs to urgently turn around.





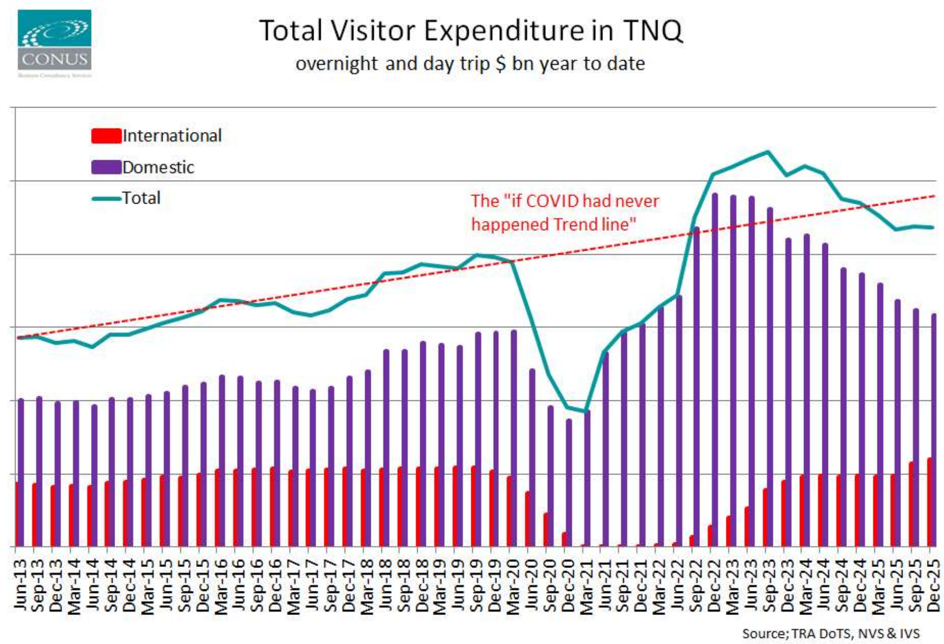
FNQ Economy Roundup

Tourism

Tourism data for 2025 had been compromised by the change-over to a new methodology for estimating the domestic sector from the National Visitor Survey (NVS) to the Domestic Tourism Statistics (DoTS). That change-over meant that for the first three quarters of 2025 we were having to rely on our own modelling to estimate the domestic tourism sector in TNQ. Finally, with the release of the first full year of DoTS data for the year to Dec 2025, we got the official result…and it was not pretty! Domestic tourism expenditure had fallen faster than we had been expecting and, as a result, total tourism expenditure now sits well below our "if COVID had never happened Trend line".

Domestic tourism expenditure in TNQ has fallen to $3.16 bn for the year to Dec 2025 while international expenditure continues to increase and is now well above pre-COVID levels at $1.2 bn.

The data for the first quarter of 2026 will be released in a few weeks time.



The most recent data has confirmed that **many international markets have returned 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 being offset by a weakening domestic sector, the passenger numbers through Cairns Airport have, on a Trend basis, remained relatively flat for the past 18 months at a level which is materially below the level established pre-COVID. There has been some very modest improvement over the past 3 months and we shall wait to see what the peak season figures later in the year tell us about domestic travel. Obviously, the cost-of-living impacts of the Iran-induced fuel price increases are expected to moderate growth in the both the domestic and international sectors through the latter half of this year.

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.