

## If Queenslanders vote on economic issues the Labor government is looking good

Written by The Conversation

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The idea that the economy matters (probably more than anything else) in deciding electoral destinies is backed by a [significant body of research](#) . When voters perceive that the economy is strong, they are more inclined to vote for the incumbent.

There are some things for the Queensland government, led by Labor's Annastacia Palaszczuk, to crow about ahead of the election. Economic growth is stronger in Queensland than in the rest of Australia, and the net operating surplus (the difference between revenue and expenses) is now [A\\$2.8bn](#) , the largest since 2005-06.

On the other hand, the rate of employment growth in Queensland has been weaker than in the rest of the country, and the improvement in state finances is to some extent due to temporary factors, such as a surge in mining royalties.

Queensland public sector borrowing in 2016-17 has also been [contained to 111% of revenue](#) . This is significantly below projections of 130% in the 2014-15 budget.

But in the absence of more "revenue surprises", the net operating surplus is [expected](#) to decline, and government borrowing is projected to increase to A\$81.1bn by 2020-21.

### How does Queensland compare?

The following chart provides a snapshot of Queensland economic outcomes over time. The data shows annualised percentage growth rates over periods corresponding to the Palaszczuk government and its two predecessors (the two Anna Bligh governments are collapsed into one period).

The data suggests that economic outcomes are better (i.e. faster growth in Gross State Product and employment) during the Palaszczuk government than during the two previous governments. The only exception is the rate of full time employment growth, which was faster under the Bligh government.

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The Palaszuzck government has also seen good news on the unemployment rate, which [recently dropped](#) below 6% for the first time since November 2013.

According to the [September Labour Force Survey](#), the trend unemployment rate in Queensland has declined by approximately 0.5 points (from 6.4% to the current 5.9%) since Palaszuzck replaced Campbell Newman.

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But the positive outcomes under the the Palaszuzck government might reflect trends that are outside the state government's control. Over the period since Palaszuzck took power, for example, the unemployment rate in Australia has declined by 0.6 points, from 6.1% to 5.5%. This is why it pays to compare these indicators to other states.

The next chart shows the differences in growth rates between Queensland and the rest of Australia. Positive values mean that Queensland's outcomes are superior, in a given period, to those elsewhere in Australia. The reverse is true for negative values.

We can see that in the periods under the Bligh and Newman governments Queensland was outperformed by the rest of Australia. Again, the only exception is full time employment growth during the Bligh government.

The economic performance during the Palaszuzck government is comparatively stronger in terms of GSP growth, which is more robust in Queensland than elsewhere in Australia. Liquefied natural gas investments and shipments significantly contributed to this result.

However, similarly to what we observed during the two previous governments, employment has

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grown more slowly under the Palaszczuk government than in the rest of the country.

This is likely due to two complementary dynamics. Queensland's economic growth has been driven by low labour-intensive sectors (such as energy), so that further investments only have a marginal impact on employment. At the same time, hiring in other, more labour intensive sectors has been affected by the reluctance of businesses to invest without a sustained pickup in household demand.

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Inflation is another relevant outcome as it can be an indicator of unstable economic conditions.

The higher the inflation rate, the more value is eroded for those who hold their wealth in bonds, or whose incomes is not automatically adjusted to the inflation rate.

While high inflation has costs, low and declining inflation (e.g. inflation below 2% and declining) might also be a concern as it could be a sign of a stagnant economy. In fact, most countries [target](#) an inflation rate between 2% and 3%.

While inflation targeting is the purview of the Reserve Bank of Australia, state governments can still influence it through actions that affect prices of widely consumed goods and services. The Queensland government's [electricity affordability package](#) is an example of such type of intervention.

Comparing [data between Brisbane and Australia](#), we can see that under the Palaszczuk government, inflation increased very moderately, from 1.4% to 1.5%. This increase was smaller

than the increase observed at the national level (from 1.3% to 1.8%).

During the Newman government, inflation in Brisbane increased modestly (from 1.3% to 1.4%) at the same time it declined nationally.

During the Bligh period, inflation dropped both in Brisbane and nationally, reflecting the decreased pace of economic activity in the aftermath of the global financial crisis. However, the decrease in Brisbane was significantly larger than in the rest of the country.

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In the end, while state finances reflect the quality of economic management, the purpose of economic policy is not to balance the budget. In fact, the budget is just a tool that governments should use to improve real economic outcomes.

For instance, an obvious way to improve state finances is to cut government expenditure. However, [research shows](#) that a 1% decrease in Queensland government expenditure results in a loss of approximately 9,500 jobs and a 0.3% decline in gross state product.

Therefore, the assessment of government's economic performance cannot be limited to a discussion of if and when the budget is going to be balanced and by how much expenditure needs to be reduced. Instead, performance should also be considered in terms of outcomes.

Of course, economic outcomes, such as growth and employment, are determined by a combination of factors, some of which are outside the control of the government (e.g. international shocks or the price of primary commodities).

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This means that for a fair assessment, we should not just look at the level of growth and employment at a given point in time, but instead compare growth and employment in Queensland over time and against other states.

While there is scope for more analysis and discussion in the weeks to come, it appears that during the Palaszuzck government, Queensland has achieved better economic outcomes than during the previous two governments.

*Fabrizio Carmignani receives funding from the Australian Research Council for a project on the estimation of the piecewise linear continuous model and its macroeconomic applications.*

**Read more** <http://theconversation.com/if-queenslanders-vote-on-economic-issues-the-labor-government-is-looking-good-86842>