

Largely due to the impacts of natural disasters, Queensland's domestic economy, as well as overseas goods exports, weakened in March quarter 2011. Trend state final demand fell 0.1% in the quarter, but remained 0.9% higher in annual terms. Meanwhile, seasonally adjusted (sa) state final demand fell 0.6%. Going forward, mining production is expected to return to normal following the floods, which will boost exports into 2011–12. Further, business investment is expected to surge further as major resource sector projects ramp up production.

Business investment rose 0.7% in the quarter, the fourth consecutive quarter of recovery. New engineering construction rose 2.7% in the quarter. However, machinery and equipment investment fell 1.0%, while new non-residential building investment fell 2.9%.

Household consumption growth in Queensland continued to strengthen in March quarter 2011, to be 0.7%. Going forward, although consumption expenditure may be impacted by higher interest rates, improving household incomes, as well as further spending associated with the recovery and rebuilding from the floods, will support growth.

In line with four cash rate rises, modest population growth and the passing of the *First Home Owners Boost* in 2010, dwelling investment fell by 5.9% in March quarter 2011, driven by falls in both alterations and additions (down 4.8%) and new dwelling investment (down 6.2%). This result may also partly reflect heavy rain and floods over summer 2011, which impeded construction work. However, dwelling investment is likely to recover later in 2011 in line with stronger income growth and some recovery in underlying demand. However, expectations of future interest rate rises may weigh on this outlook.

Overseas exports of goods fell 8.8% (trend) in the March quarter. The fall was more pronounced in sa terms, at 18.3%. This fall reflected the impact of natural disasters on commodity production and transportation in the quarter. Reflecting this, Queensland's overseas goods exports fell more than other states in the quarter (see Table 1). However, exports are expected to recover in coming quarters, as mines continue to recover towards full capacity, reflecting a return to normal weather conditions. Meanwhile, good irrigation water availability should support agricultural production and exports. Still, the effect of the strong A\$ on domestically priced exports is likely to weigh on the outlook for manufacturing and services exports.

**Table 1: Overseas Trade,  
March quarter 2011, CVM, sa, quarterly % growth**

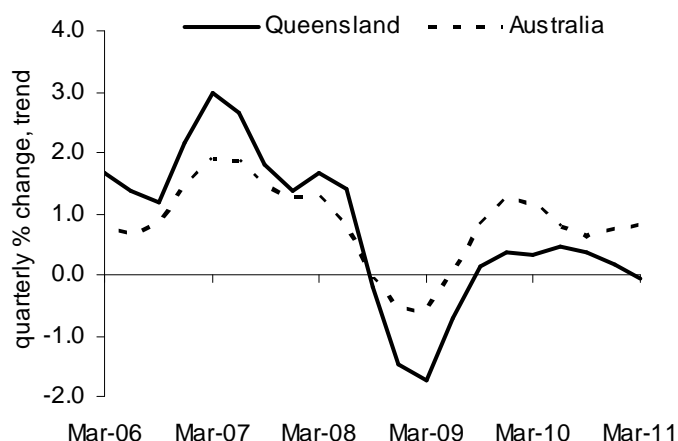
	NSW	Vic.	Qld	SA	WA	Tas.
Overseas Exports of Goods	-0.5	4.4	-18.3	19.2	-4.6	-4.6
Overseas Imports of Goods	-0.1	1.0	1.2	13.9	0.5	12.5

**Table 2: Components of Queensland's state final demand, March quarter 2011**

	% Change		Contribution to SFD Growth	
	quarterly	annual	quarterly	annual
Chain Volume Measures (trend)*				
<b>Private Final Demand</b>	0.0	1.2	0.0	0.9
Household Consumption	0.7	2.3	0.3	1.2
Private Investment	-1.4	-1.1	-0.3	-0.2
Dwelling Investment	-5.9	-17.4	-0.4	-1.2
New Dwellings	-6.2	-20.0	-0.2	-0.8
Alterations and Additions	-4.8	-13.6	-0.1	-0.4
Business Investment	0.7	10.5	0.1	1.3
Machinery and Equipment	-1.0	12.8	-0.1	0.7
New Engineering Construction	2.7	15.6	0.1	0.7
New Non-Residential Buildings	-2.9	-6.1	-0.1	-0.2
<b>Public Final Demand</b>	-0.2	-0.1	-0.1	0.0
General Govt. Final Consumption	1.2	5.5	0.2	0.9
National	2.7	15.0	0.1	0.7
State and Local	0.6	2.0	0.1	0.2
General Govt. Investment	-1.9	-7.9	-0.1	-0.5
National	-3.2	-8.5	0.0	-0.1
State and Local	-1.5	-7.7	-0.1	-0.4
Public Corporation Investment	-4.7	-14.5	-0.1	-0.4
National	11.3	4.7	0.0	0.0
State and Local	-4.5	-14.7	-0.1	-0.4
<b>State Final Demand (SFD)</b>	-0.1	0.9	-0.1	0.9
<b>Overseas Exports of Goods</b>	-8.8	-16.8	n.a.	n.a.
<b>Overseas Imports of Goods</b>	1.4	4.0	n.a.	n.a.

\* Reference year for chain volume measure is 2008-09. Chain volume measures are not strictly additive. As such, there may be discrepancies associated with calculations based on the sum of components.

**Chart 1: Real State/Domestic Final Demand**



**Table 3: Interstate SFD/DFD Growth Comparison,  
March quarter 2011, CVM**

	Trend		Seasonally Adjusted	
	Quarterly % Change	Annual % Change	Quarterly % Change	Annual % Change
New South Wales	0.5	2.6	0.4	2.8
Victoria	0.6	2.8	1.6	3.5
Queensland	-0.1	0.9	-0.6	1.2
South Australia	0.4	2.0	-0.8	1.9
Western Australia	1.6	5.6	3.2	6.8
Tasmania	1.3	4.5	1.7	4.9
<b>Australia</b>	<b>0.8</b>	<b>3.0</b>	<b>1.3</b>	<b>3.3</b>

**Explanatory Note:** The Queensland State Accounts, produced by the Office of Economic and Statistical Research, provide a comprehensive quarterly estimate of Queensland gross state product by incorporating additional data on interstate trade in goods and services including tourism transactions. The Queensland results from the ABS Australian National Accounts: National Income, Expenditure and Product report only state final demand and international trade in goods.