

Despite escalating concerns over government debt in Europe and its impact on the global and domestic economy, mining led business investment, along with the strongest consumption growth since December quarter 2007, drove growth of 3.5% in Queensland's seasonally adjusted (sa) state final demand (SFD) in September quarter 2011 (see Table 1).

This result followed growth of 0.8% in the natural disaster affected March quarter 2011, and the rebound of 3.5% in June quarter 2011. Queensland recorded the second strongest growth in sa SFD of any state after Western Australia (see Table 2).

Growth in SFD was predominantly driven by *business investment*, up 11.6%, to \$12.8 billion in real terms, in the quarter. This was the sixth consecutive quarterly rise, with business investment now 86.1% above its recent low. New engineering construction rose 11.1% in the quarter, following a rise of 20.5% in the previous quarter, extending its record peak. Machinery and equipment investment rose 18.9%, though new non-residential building investment fell 1.4%. The strength in business investment likely reflects increased activity related to Queensland's emerging LNG industry, with three projects worth \$45 billion already under construction, as well as broader mining sector investment.

Table 1: Queensland's state final demand
(September quarter 2011, sa)

	% Change		Contribution to SFD Growth	
	quarterly	annual	quarterly	annual
Chain Volume Measures*				
Private Final Demand	4.4	12.7	3.4	9.5
Household Consumption	1.9	4.7	1.0	2.6
Private Investment	9.7	32.4	2.4	7.0
Dwelling Investment	6.8	0.2	0.3	0.0
New Dwellings	3.0	-8.3	0.1	-0.2
Alterations and Additions	10.4	9.1	0.3	0.2
Business Investment	11.6	54.7	1.9	6.9
Machinery and Equipment	18.9	47.9	1.3	2.9
New Engineering Construction	11.1	86.1	0.8	3.9
New Non-Residential Buildings	-1.4	7.7	0.0	0.2
Public Final Demand	0.6	-1.0	0.1	-0.2
General Govt. Final Consumption	-2.6	0.0	-0.4	0.0
National	-2.7	3.1	-0.1	0.2
State and Local	-2.6	-1.4	-0.3	-0.2
General Govt. Investment	14.1	7.1	0.7	0.4
National	-1.4	-0.4	0.0	0.0
State and Local	19.5	9.4	0.7	0.4
Public Corporation Investment	-5.7	-22.9	-0.1	-0.6
National	8.4	54.7	0.0	0.1
State and Local	-6.8	-26.3	-0.1	-0.7
State Final Demand (SFD)	3.5	9.3	3.5	9.3
Overseas Exports of Goods	6.8	-7.8	n.a.	n.a.
Overseas Imports of Goods	8.5	18.9	n.a.	n.a.

* Reference year for chain volume measure is 2009-10. Chain volume measures are not strictly additive. As such, there may be discrepancies associated with calculations based on the sum of components.

Dwelling investment rose by 6.8% in September quarter 2011, driven by a 10.4% rise in alterations and additions, which potentially reflected renovation activity associated with the continued rebuilding efforts following the floods and Cyclone Yasi. New dwelling construction investment rose 3.0% in the quarter, following a near decade low. Recent interest rate cuts, an expected improvement in population growth and the *Queensland Building Boost Grant* should provide some support for further improvement in dwelling investment over 2012.

Household consumption in Queensland grew a solid 1.9% in September quarter 2011, well above the historical average growth rate of 1.1%. Growth in discretionary categories of consumption were particularly strong. Growth of 4.8% in recreation and culture expenditure (which includes expenditure on goods such as audio-

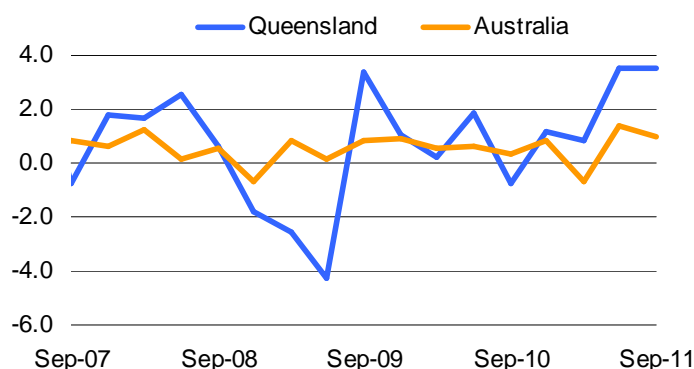
visual equipment and sporting gear, and services such as sporting events) contributed the most to household consumption growth, followed by food (up 2.6%) and hotels, cafes and restaurants (up 3.5%) expenditure. Only clothing and footwear (down 0.9%) and furnishings and household equipment (down 0.2%) provided slight detractions to consumption growth. The strong household consumption growth occurred despite elevated interest rates, subdued employment growth, as well as lower asset prices weighing on consumer sentiment in the quarter.

Overseas exports of goods continued to recover from the impacts of the floods in 2010-11, growing 6.8% in September quarter 2011. This result followed coal export volumes rising an estimated 7.1% to 41.4 million tonnes in original terms in the quarter, despite still elevated hard coking and semi soft/PCI coal contract prices. Meanwhile, the A\$ depreciated 1.2% against the US\$ in the quarter (averaging US\$1.0499 in the period), though continued to weigh on returns to exports, particularly in the manufacturing sector. *Overseas imports of goods* rose 8.5%. Strong growth in imports reflected the higher amount of imported capital items related to ongoing project development in the mining sector, particularly LNG. The strong A\$ has also likely supported the strong growth in imports.

Table 2: Interstate SFD/DFD growth comparison
(September quarter 2011, CVM)

	Trend		Seasonally Adjusted	
	Quarterly %	Annual %	Quarterly	Annual %
	Change	Change	% Change	Change
New South Wales	0.4	1.5	0.5	1.2
Victoria	0.5	2.1	-0.1	1.8
Queensland	2.9	8.2	3.5	9.3
South Australia	-0.2	0.2	-1.6	0.1
Western Australia	4.1	13.0	8.4	16.4
Tasmania	0.0	0.1	1.1	1.0
Australia	1.3	4.2	2.1	4.6

Chart 1: Real State/Domestic Final Demand
(quarterly % change, sa)



Note: The Queensland State Accounts 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.