

Queensland's seasonally adjusted (sa) state final demand (SFD) grew 1.2% in December quarter 2011 (see Table 1), driven by growth in engineering construction. However, growth in SFD was slower than the 3.9% growth recorded in September quarter 2011, reflecting lower machinery and equipment and dwelling investment, as well as moderating household consumption growth.

In particular, concerns over the European debt crisis weighed on confidence and asset prices in the quarter, elevating household and investor caution.

Queensland's SFD growth outpaced that of Australia (see Table 2), with national final demand being restrained by a moderation in consumption growth and a fall in private investment.

Growth in Queensland's SFD was again predominantly driven by *business investment*, up 6.4%, to \$14.3 billion in real terms in the quarter. This was the seventh consecutive quarterly rise, with business investment now 39.8% above its previous historic high. New engineering construction rose 20.2% in the quarter, following a rise of 19.0% in the previous quarter, extending its record peak. The strength in business investment reflects increased activity related to Queensland's emerging LNG industry, with three major projects under construction, as well as broader mining sector investment.

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

Chain Volume Measures*	% Change		Contribution to SFD Growth	
	quarterly	annual	quarterly	annual
Private Final Demand	1.9	14.3	1.5	10.8
Household Consumption	0.3	3.5	0.2	1.9
Private Investment	4.9	41.4	1.3	8.9
Dwelling Investment	-3.6	-4.8	-0.2	-0.3
New Dwellings	-3.0	-9.2	-0.1	-0.3
Alterations and Additions	-4.0	-0.2	-0.1	0.0
Business Investment	6.4	67.3	1.2	8.7
Machinery and Equipment	-7.7	28.9	-0.6	1.8
New Engineering Construction	20.2	134.1	1.7	6.2
New Non-Residential Buildings	-2.4	8.3	-0.1	0.2
Public Final Demand	-1.2	-3.2	-0.3	-0.8
General Govt. Final Consumption	1.2	0.4	0.2	0.1
National	3.5	4.3	0.2	0.2
State and Local	0.1	-1.5	0.0	-0.2
General Govt. Investment	-0.6	1.8	0.0	0.1
National	-6.3	-5.8	-0.1	-0.1
State and Local	0.9	4.0	0.0	0.2
Public Corporation Investment	-23.4	-39.6	-0.4	-0.9
National	-16.5	28.0	0.0	0.0
State and Local	-24.1	-43.0	-0.4	-1.0
State Final Demand (SFD)	1.2	10.0	1.2	10.0
Overseas Exports of Goods	4.1	3.2	n.a.	n.a.
Overseas Imports of Goods	-0.2	10.9	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.

However, machinery and equipment investment (down 7.7%) and new non-residential building investment (down 2.4%) both fell in the quarter. The fall in machinery and equipment reflected some wind back from the growth of 21.5% in the previous quarter, and left the level of investment the second largest on record.

Non-residential construction remained weak, reflecting a weak retail sector and tight credit conditions.

Dwelling investment fell 3.6% in December quarter 2011. This contraction reflected the escalation in uncertainty over the global and domestic economic outlook in the second half of 2011, which weighed on investor activity. By component, both alterations and

additions (down 4.0%) and new dwelling construction (down 3.0%) declined.

In line with lacklustre retail trade growth in the quarter, *household consumption* in Queensland rose a well below average 0.3% in December quarter 2011. While growth in food expenditure contributed strongly (up 2.5%), falls in hotels, cafes and restaurants expenditure (down 3.6%) and recreation and culture (down 1.7%) detracted from growth. Weak consumption growth reflected continued global financial volatility and weaker domestic asset prices, which constrained consumer confidence and employment growth over much of 2011, which in turn encouraged household caution and saving. Somewhat offsetting these factors were two 25 basis point cuts by the RBA to the official cash rate in early November and December 2011.

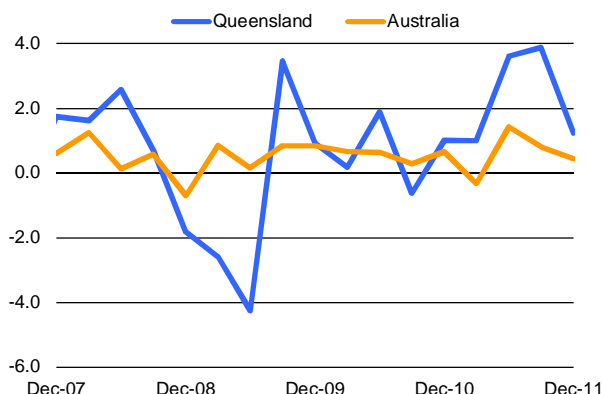
Overseas exports of goods grew 4.1% in December quarter 2011. Coal export volumes continued to recover in the quarter. However, a contraction in activity in Europe and the slowdown in growth in emerging Asia hindered growth in demand for Queensland resources. Further, despite a 3.7% depreciation of the A\$ against the US\$ in the quarter, the still strong A\$ continued to weigh on the competitiveness of the manufacturing sector.

Mirroring the fall in machinery and equipment investment, *overseas imports of goods* fell a slight 0.2% in the quarter, though were 10.9% higher over the year. Strong growth over the year in part reflected the high amount of imported capital items related to ongoing project development in the resource sector, as well as the still strong A\$.

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

	Trend		Seasonally Adjusted	
	Quarterly %	Annual %	Quarterly %	Annual %
	Change	Change	% Change	Change
New South Wales	0.6	1.8	0.8	2.0
Victoria	0.0	1.6	-0.5	1.6
Queensland	2.6	10.7	1.2	10.0
South Australia	-0.3	-0.3	0.2	-0.6
Western Australia	2.2	12.9	-2.4	11.1
Tasmania	0.0	-0.1	-0.9	-0.7
Australia	1.0	4.6	0.2	4.4

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.