

Queensland's seasonally adjusted (sa) state final demand (SFD) contracted 0.8% in March quarter 2012 (see Table 1), following a 0.7% rise in December quarter 2011. The March quarter 2012 result was the largest fall in Queensland's SFD since June quarter 2009 (see Chart 1), and was driven by a significant fall in business investment, after it surged to a record level in the previous quarter. Household consumption growth contributed strongly to SFD, recording its highest growth since December quarter 2007, while dwelling investment also showed some improvement.

Table 1: Queensland's state final demand (March quarter 2012, sa)

	% Change		Contribution to SFD Growth	
	quarterly	annual	quarterly	annual
Chain Volume Measures*				
Private Final Demand	-0.9	10.1	-0.7	7.8
Household Consumption	1.9	4.7	1.0	2.5
Private Investment	-6.2	23.2	-1.7	5.2
Dwelling Investment	5.0	5.4	0.2	0.3
New Dwellings	5.1	-1.1	0.1	0.0
Alterations and Additions	4.9	12.7	0.1	0.3
Business Investment	-8.6	31.7	-1.6	4.6
Machinery and Equipment	-7.9	7.5	-0.5	0.5
New Engineering Construction	-9.5	59.5	-0.9	3.6
New Non-Residential Building	3.9	23.3	0.1	0.5
Public Final Demand	-0.4	-1.1	-0.1	-0.3
General Govt. Final Consumption	0.8	0.0	0.1	0.0
National	0.9	2.9	0.0	0.2
State and Local	0.7	-1.4	0.1	-0.2
General Govt. Investment	-7.1	-0.7	-0.4	0.0
National	7.5	7.3	0.1	0.1
State and Local	-10.8	-3.1	-0.4	-0.1
Public Corporation Investment	12.1	-12.2	0.2	-0.2
National	40.9	49.0	0.1	0.1
State and Local	8.4	-17.8	0.1	-0.3
State Final Demand (SFD)	-0.8	7.5	-0.8	7.5
Overseas Exports of Goods	2.8	31.1	n.a.	n.a.
Overseas Imports of Goods	7.4	20.0	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.

Household consumption rose 1.9% in March quarter 2012, driven by strong growth in food (up 3.4%), recreation and culture (up 2.9%) and hotels, cafes and restaurants (up 3.1%). Purchase of vehicles (down 2.3%) was the only notable deduction from consumption. Household consumption in the quarter was likely buoyed by strong growth in nominal compensation of employees and the aggregate 50 basis point cut in the official cash rate in late 2011.

Dwelling investment rose 5.0% in March quarter 2012, with both new dwelling construction (up 5.1%) and alterations and additions (up 4.9%) contributing to this result. However, dwelling investment remained 30.5% below its September quarter 2008 peak, reflecting weak house prices weighing on investor decisions, whilst slower population growth, a subdued labour market and generally weak consumer confidence have weighed on demand for new housing more broadly.

After reaching an historic high in December quarter 2011, business investment fell 8.6% in March quarter 2012, but was still 31.7% higher over the year. By component, both non-dwelling construction (down 8.9%) and machinery and equipment (down 7.9%) drove this result.

Within non-dwelling construction, new non-residential building (shops, offices, etc) rose 3.9%, although remaining below pre-GFC levels, reflecting an extended period of weakness in the retail sector and tight credit conditions. The growth in new non-residential building in the quarter was more than offset by a fall in new engineering construction. However, despite falling 9.5%, new engineering construction was 59.5% higher over the year, reflecting intense activity related to Queensland's emerging LNG industry (with three major projects under construction), as well as broader mining sector investment.

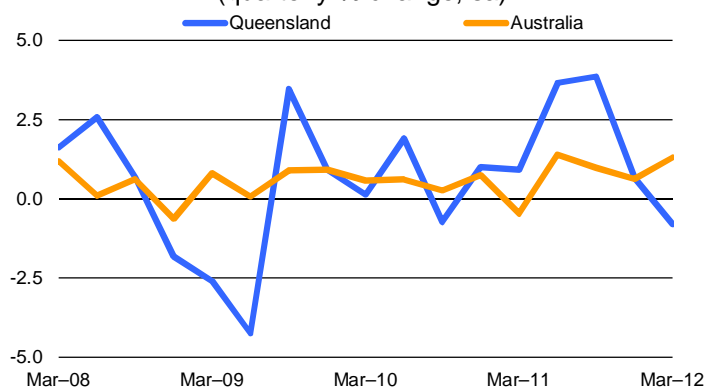
Overseas exports of goods rose 2.8% in March quarter 2012. The strong A\$ in the quarter continued to weigh on the competitiveness of the manufacturing sector and other A\$ denominated exports.

Overseas imports of goods rose 7.4% in March quarter 2012. The high levels of imports recorded recently have in part reflected the high amount of imported industrial items, as well as the strong A\$.

Table 2: Interstate SFD/DFD growth comparison (March quarter 2012, CVM)

	Trend		Seasonally Adjusted	
	Quarterly %	Annual %	Quarterly %	Annual %
	Change	Change	% Change	% Change
New South Wales	0.5	2.1	-0.3	1.9
Victoria	0.5	1.9	1.8	2.7
Queensland	0.5	7.8	-0.8	7.5
South Australia	0.5	0.7	1.7	2.3
Western Australia	3.1	13.6	7.8	14.5
Tasmania	-0.3	-0.2	-0.9	-0.8
Australia	1.2	5.0	1.8	5.0

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



Note: The ABS Australian National Accounts: National Income, Expenditure and Product report only state final demand and international trade in goods. The ABS Australian National Accounts: State Accounts (5220.0) provide Gross State Product data on an annual basis.