Queensland’s trend state final demand (SFD) rose 0.1% in September quarter 2019, to be 0.9% higher over the year (Table 1). Private sector investment continued to soften in the quarter, however, this has been offset by continued growth in public final demand and a modest rise in household consumption (Figure 1).

A modest 0.4% (trend) increase in household consumption contributed to the marginal growth in SFD in the September quarter. By component, rent and other dwelling services (up 0.6%) and recreation and culture (up 0.5%) were the main contributors. Expenditure on Cigarettes and tobacco (down 2.0%) and purchase of vehicles (down 1.3%) were the main detractors. Over the year, consumption rose by a modest 2.0%, as consumers continue to exercise caution. A substantial proportion of savings to households from recent interest rate cuts and income tax offsets are likely being used to reduce household debt, rather than for consumption.

Dwelling investment fell 2.1% in September quarter 2019, driven by a further fall in the construction of new dwellings (down 3.5%) and a marginal fall in alterations & additions (down 0.4%). Total dwelling investment was 4.0% lower over the year. New dwellings investment is now 26.2% lower than the recent peak in September quarter 2016. A range of factors have contributed to this slowdown, including the oversupply of units and apartments (which has begun to unwind), household and investor uncertainty, introduction of regulatory measures and tightening credit, previous uncertainty due to the Banking Royal Commission, and the impact on sentiment from previous declines in property prices in Sydney and Melbourne.

Business investment fell 3.1% in September quarter 2019, to be 12.1% lower over the year. By component, engineering construction (down 29.8%) and non-residential buildings (down 9.3%) were substantially lower over the year, while machinery and equipment investment rose 1.7% (despite falling 1.0% in the quarter).

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Public final demand continues to be the main driver of SFD growth, up 1.0% in the September quarter, to be 5.6% higher over the year. General government consumption rose 1.1% in the quarter, with this quarter’s trend estimate still impacted by flood remediation expenditure earlier in the year.

ABS 5302.0 (released on 3 December), provided a snapshot of international trade in goods and services. Queensland’s overseas exports of goods and services (trend) rose 1.5% in September quarter 2019, to be 5.3% higher over the year. Meanwhile, overseas imports of goods and services to Queensland were unchanged in the quarter, but were 1.7% lower over the year. These results suggest the overseas trade sector continued to make a solid contribution to overall economic growth in the September quarter.