

ABS State Details, March quarter 2020

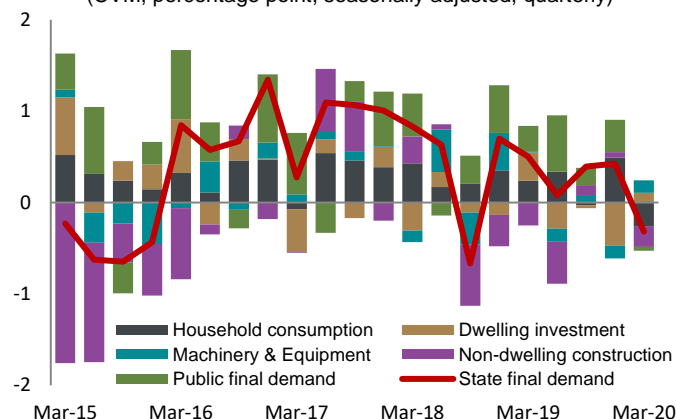
Source: ABS 5206.0, released 3 June 2020, 11.30 am AEST.

Note: ABS 5206.0 only provides data for state final demand and its components. State level estimates of overseas trade in goods and services on a consistent basis to the national accounts are released as part of ABS 5302.0 and these are discussed below. For a complete picture of State economic growth, ABS 5220.0 State Accounts provides annual Gross State Product data.

The ABS has suspended trend data due to COVID-19. Trend data will be reinstated by the ABS when more certainty emerges in the underlying trends in the economy. As a result, all numbers presented in this brief are in seasonally adjusted terms.

Queensland's state final demand (SFD) fell 0.3% in March quarter 2020 but was 0.6% higher annually (Table 1). In particular, COVID-19 has led to the largest seasonally adjusted fall in household consumption since the 1990's recession (Figure 1).

Figure 1: Contribution to SFD growth, Queensland
(CVM, percentage point, seasonally adjusted, quarterly)



Household consumption fell 0.5% in March quarter 2020 but was 1.0% higher annually. Driven by the surge in March when consumers stockpiled essentials ahead of the lockdowns, the *Food* category rose sharply (up 5.9%). However, as COVID-19 containment regulations were ramped up, which severely limited businesses' ability to trade, *hotels, cafes and restaurants* (down 8.5%), *clothing and footwear* (down 7.3%) and *transport services* (down 10.2%) fell sharply.

Given the severe impact of restrictions on spending that occurred in April, household consumption is likely to decline significantly in annual terms in the June quarter. As restrictions are gradually unwound, and Government assistance packages underpin incomes to some extent, consumer spending levels will likely start recovering later in 2020. However, households will continue to exercise a degree of caution, particularly with discretionary spending, amid concerns around health and financial losses.

Dwelling investment rose 2.2% in March quarter 2020, driven by an 8.6% rise in *alterations & additions* (due in part to repair works related to hailstorms on the Sunshine Coast). However, construction of *new dwellings* weakened (down 3.4%), and has now declined for four consecutive quarters.

Following the unwinding of previous oversupply in the Brisbane apartment market, virus containment restrictions, income losses and an environment of heightened uncertainty for households and investors are likely to constrain activity in new housing construction in the coming quarters.

Business investment fell 1.0% in March quarter 2020, to be 5.9% lower over the year. By component, falls in *engineering construction* (down 2.7%) and *non-residential construction* (down 3.5%) were partly offset by a 3.2% rise in *machinery and equipment*. Engineering construction was substantially lower over the year (down 12.9%).

Uncertainties in both the global and domestic economies led to subdued business investment before COVID-19. These trends have since been exacerbated by the pandemic, further discouraging firms from committing to major new investment decisions.

Public final demand fell marginally in the quarter, down 0.2%, but was 4.4% higher over the year. *General government consumption* rose 0.5% in the quarter, while *general government investment* fell 3.1%.

Table 1: Queensland's state final demand by component
(March quarter 2020, CVM, seasonally adjusted)

Chain Volume Measures ^(a)	% Change		Contribution to SFD Growth	
	quarterly	annual	quarterly	annual
Private Final Demand	-0.4	-0.7	-0.3	-0.5
Household Consumption	-0.5	1.0	-0.3	0.5
Private Investment	-0.1	-5.8	0.0	-1.1
Dwelling Investment	2.2	-12.0	0.1	-0.7
New Dwellings	-3.4	-24.4	-0.1	-0.8
Alterations and Additions	8.6	5.8	0.2	0.1
Business Investment	-1.0	-5.9	-0.1	-0.6
Machinery and Equipment	3.2	-1.5	0.1	-0.1
Engineering Construction	-2.7	-12.9	-0.1	-0.5
Non-Residential Construction	-3.5	-2.0	-0.1	0.0
Public Final Demand	-0.2	4.4	0.0	1.1
General Govt. Final Consumption	0.5	5.5	0.1	1.1
National	1.4	9.4	0.1	0.8
State and Local	-0.1	2.8	0.0	0.3
General Govt. Investment	-3.1	-3.2	-0.1	-0.1
National	-7.7	3.3	-0.1	0.0
State and Local	-1.8	-4.8	-0.1	-0.2
Public Corporation Investment	-0.6	12.2	0.0	0.2
National	-5.6	-18.9	0.0	-0.1
State and Local	1.2	29.3	0.0	0.3
State Final Demand (SFD)	-0.3	0.6	-0.3	0.6

(a) Reference year for chain volume measure is 2017-18. Chain volume measures are not strictly additive. As such, there may be discrepancies associated with calculations based on the sum of components.

Table 2: Interstate SFD/DFD growth comparison
(March quarter 2020, % change, CVM, seasonally adjusted)

	NSW	Vic.	Qld.	SA	WA	Tas.	Aust.
Quarterly	-1.5	-0.1	-0.3	-1.0	0.9	0.6	-0.5
Annual	-0.7	0.9	0.6	-1.0	3.4	1.2	0.5

ABS 5302.0 (released 2 June), provided a snapshot of international trade in goods and services. Queensland's *overseas exports of goods and services* (s.a.) fell 2.2% in March quarter 2020, to be 1.9% lower annually. Also, *overseas imports of goods and services* to Queensland fell 3.3%, to be 4.8% lower over the year.

With falling exports offset by a decline in imports, the overseas trade sector likely made a neutral contribution to the State's overall economic growth in the March quarter.