THE QUEENSLAND ECONOMY: PROSPECTS FOR DIVERSIFICATION

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Recent analysis of State economies in Australia has consistently identified Queensland as Australia's strongest economy in terms of both performance and prospects. For example, the consulting firm Syntech (1993) suggests that "Queensland and Western Australia (have) the best growth prospects among Australia's States and Victoria and South Australia ... the worst" (1993: 5). Syntech views beef, coal, rail transport and railway rolling-stock as high growth sectors, likely to deliver favourable economic outcomes in Queensland.

Similarly, the Queensland Government has highlighted the State's recent economic strength in defence of its economic management. It was argued in recent budget papers that:

> Despite a cyclical downturn in economic activity among key overseas trading partners and the effects of continuing drought ... the Queensland economy recorded strong economic growth in 1992-93 relative to the rest of Australia ... In Queensland real gross State product (GSP) grew by 5.4% in 1992-93, compared with national growth of 2.5% (De Lacy, 1993b: 1).

However, the medium to long-term prospects for the Queensland economy are less optimistic than these reports indicate. In particular, Queensland's economy remains committed to vulnerable economic activity and is largely dependent on declining commodity industries. Examining the nature of Queensland's gross state product (GSP), private capital investment, research and development (R&D), and government support for industry provides some insight into the immediate, medium-

term and long-term directions of the Queensland's economy. This suggests that the prospects for economic diversification are poor.

This has important implications for State government economic strategy in Queensland. At present, Queensland government intervention is targeted towards agriculture with respect to both direct assistance and support provided through the provision of public goods such as research and development. Thus, government policy is reinforcing existing and historical industrial development patterns, and further committing Queensland to vulnerable industry sectors.

Indicators of the Nature of Queensland's Economy

Gross State Product

The first source of contrast between Queensland's immediate economic prosperity and its medium- and long-term economic prospects can be found in analysis of GSP. The optimistic analysis of Queensland's economy in recent State budget papers is based primarily on strong growth in GSP. It is argued that "the pace of economic recovery in Queensland has outstripped that of the nation as a whole by a substantial margin ... The outlook for 1993-94 is for Queensland to continue to outperform the rest of Australia" (De Lacy, 1993: 3). Queensland's 5.4% growth in GSP (1992-93) compared to 2.5% national economic growth is highlighted several times throughout these papers (De Lacy, 1993b: 1 & 3; De Lacy, 1993a: 4).

However, Queensland's economic growth also needs to be understood with respect to the components of this increase in GSP. The main components in 1992-93 were an increase in private consumption (4.5%), private dwelling expenditure (16.8%) and public expenditure (3.3%). Business investment declined by 5.5%, with expenditure on plant and equipment declining by 10.6% (De Lacy, 1993b: 5). Recent economic growth has depended on a growing housing market, an increase in government services, and higher consumer spending. Private investment declined over the 12 month period.

Table 1: Queensland GSP at Factor Cost by Industry (constant 1986/87 prices).

	1986/87		1991/92		% Change over period
	$ mill	% total	$ mill	% total	
Agriculture, forestry, fishing & hunting	2174	6.4	1686	4.3	-22.4
Mining	2774	8.2	2616	6.6	-5.7
Manufacturing	4498	13.3	4614	11.6	+2.6
Electricity, gas & water	1426	4.2	1434	3.6	+0.6
Construction	3223	9.5	3407	8.6	+5.7
Wholesale & retail trade	4545	13.4	5967	15.0	+31.3
Transport, storage & communication	3221	9.5	3701	9.3	+14.9
Finance, property & business services	1855	5.5	3141	7.9	+69.3
Public admin., defence & community service	5182	15.3	6511	16.4	+25.6
Recreation, personal & other services	1345	4.0	2167	5.5	+61.1
Ownership of dwellings	2684	7.9	3520	8.9	+31.1
General government	925	2.8	904	2.3	-2.3
Total	33,852	100	39,668	100	17.2

Source: Derived from Australian Bureau of Statistics (ABS) (1993a), *Australian National Accounts: State Accounts*, ABS Catalogue No 5220.0, Table 17. 1991/92 figures adjusted for changes in CPI since 1986/87.

Analysis of Queensland's GSP over a five year period indicates that considerable growth has occurred in service industries while manufacturing industries have failed to develop. As Table 1 shows, the sectors contributing most to Queensland's economic growth are: finance, property and business services; recreation, personal services and other services; wholesale and retail trade; ownership of dwellings; and public administration and community services. Investment in these service industries in Queensland since 1986/87 reflects both population

growth (see Indicative Planning Council for the Housing Industry, 1992) and expansion of Queensland's tourism industry (Queensland Treasury, 1993a). Thus, with respect to GSP over this five year period, service industries have expanded whilst agriculture and mining industries have contracted, and manufacturing industries have remained approximately static.

Capital Investment

A second important indicator of prospects for the Queensland economy is new capital expenditure in Queensland (Table 2). For the years 1990/91 and 1991/92, the mining (about 25%) and other industry categories (about 36%) account for over 60% of private investment in the State. New economic capacity in finance, property and business services (about 20%) and manufacturing (about 18% average) account for a much smaller portion of business investment.

Table 2: Private New Capital Expenditure in Queensland by Industry Sector ($ million)

	1990-91	1991-92
Finance, Property and Business Services	785	713
Mining	963	932
Manufacturing	791	576
Other Selected Industries	1,445	1,310
Total New Capital Expenditure	3,983	3,531

Source: ABS (1993b), State Estimates of Private New Capital Expenditure, March Quarter 1993 Survey, Catalogue No. 5646.0.

Table 3 provides further information relating to investment in 'other industries'. If investment in finance, property and business services is considered separately (as in Table 2), the 'other industries' sub-sectors which have attracted the greatest share of private sector investment are wholesale and retail trade and other non-manufacturing industries. The high growth sub-sectors were electricity, gas and water, retail trade and wholesale trade. Significantly, real total investment in these service industries declined over the five year period 1988-92 by 5.7%, despite their growth in terms of GSP.

Table 3: Private Sector Investment in Other Industries: Queensland 1988-1992 ($ million), constant 1988 figures

	1988	1992	Total investment over period	% of total over period 1988-92	Real average Growth/yr 1988-92
Electricity, Gas & Water	8.5	1.1	89.8	1	+50.0
Construction	192.5	118.3	745.8	7	-10.2
Wholesale	260.5	270.5	1511.9	15	+2.8
Retail	230.1	387.9	1390.7	14	+22.5
Transport	235.8	177.9	1059.0	10	-2.3
Fin., Property & Business Service	945.2	661.3	3893.3	37	-7.9
Other Non - Manufacturing1	537.6	239.6	1635.3	16	-15.1
Total	2410.2	1856.6	10325.8	100	-5.7

Source: Derived from ABS (1993c), *Unpublished State Estimates of Private Capital Expenditure Database*, ABS database, retrieved 1 September, 1993, Canberra. All figures adjusted for changes in CPI since 1988.

Whilst GSP data indicates that the Queensland economy appears to be growing with respect to service industries, this expansion is not reflected in recent investment trends. Over the period 1988-92, there has been a real average decline in private sector investment of 7.9% in finance, property and business services, and 4.3% in all 'other industries' (excluding finance, property and business services) (ABS, 1993c).

1 The sub-sector includes communication, entertainment, recreational & personal services, restaurants, hotels and clubs.

Table 4: Private Sector Manufacturing Investment: Queensland 1988 - 1992[2] ($ million), 1988 constant prices

	1988	1992	Total investment over 5 years	% of total over period 1988-92	Real average Growth/yr 1988-92 (%)
Food, beverage & tobacco	193.8	162.1	958.7	27	-3.6
Textile, clothing & footwear	34.8	14.0	120.3	3	-10.1
Paper & Printing	155.3	32.6	289.6	8	-23.2
Chemicals, Coal & Petroleum	64.8	94.7	629.8	18	+36.9
Basic Metal Products	58.9	47.6	312.8	9	-1.9
Transport Equipment	26.7	7.6	135.9	4	-2.1
Fabricated Metal Products	74.4	50.6	292.6	8	-8.8
Other Manufacturing3	189.4	127.3	824.2	23	-1.6
Total	798.1	629.2	3563.7	100	-7.3

Source: ABS (1993c), *Unpublished State Estimates of Private Capital Expenditure*, ABS database, retrieved 1 September, 1993. All figures adjusted for changes in CPI since 1988.

Conversely, the contribution of the mining industry to GSP has declined by 5.7% since 1986/87 (Table 1), and yet there has been considerable growth in private sector investment in the sector. In the period 1988 to 1992, new capital expenditure in the mining industry increased by an average of 16.9% per year (in real terms) whilst other sectors experienced real decreases in investment (ABS, 1993c). Investment in

2 This data is only available for calender rather than financial years.
3 This includes industries such as wood, wood products, furniture, non-metallic mineral products and miscellaneous manufacturing.

the mining industry represented 11% of new total capital expenditure in 1988 while it represented 26% in 1992 (calculated from ABS, 1993c).

Capital investment trends with respect to manufacturing are similar to those in 'other' or service industries. Table 4 further disaggregates private sector investment in the Queensland manufacturing sector over the period 1988-92. These data indicate that food, beverage and tobacco; chemicals, coal and petroleum; and other manufacturing industries have attracted the highest proportion of investment in manufacturing.

The only industry in which private investment has continued to grow is chemicals, coal and petroleum. Total investment in all manufacturing industries also declined in this period by 7.3%, with paper and printing, and fabricated metal products sub-sectors experiencing the greatest declines in private sector investment. Whilst there has been small growth in the contribution of manufacturing to the Queensland economy (Table 1), investment data suggests future decline in the sector.

Research and Development

R&D is commonly used as indicator of future economic growth (OECD, 1992: Ch 8), and may provide an indication of future directions in the Queensland economy. Both private and public dimensions of R&D need to be considered as government-funded R&D has historically been an important source of industry support.

Table 5 provides a sectoral disaggregation of industry-supported R&D in Queensland. The sectors best supported by private sector R&D are property and business services (12.5%), wholesale and retail trade (9.9%) and research and scientific institutions (8.3%). There is little concentration of private sector R&D in the manufacturing sector. Investment in appliances and electrical equipment is the only significant sector, attracting 6.8% of total R&D investment in Queensland in 1990-91.

Table 5: R&D Expenditure by Business Enterprises in Queensland 1990-91[4]

Business Enterprise	Expenditure ($m)
Food, beverages and tobacco	6.9
Wood, wood products and furniture	0.9
Paper, printing and publishing	0.6
Chemical, petroleum and coal products	6.7
Basic Metal products	2.5
Fabricated metal products	4.0
Transport equipment	4.6
Photographic, professional and scientific equipment	2.7
Appliances and electrical equipment	9.5
Industrial machinery and equipment	6.1
Miscellaneous manufacturing	2.5
Wholesale and retail trade	13.8
Property and business services	17.5
Research and scientific institutions	11.6
Other	8.4
Total all industries	139.4

Source: ABS (1991a), Research & Experimental Development Business Enterprises Australia, Catalogue No. 8104.0, Canberra.

Table 6 indicates that State and Commonwealth government R&D in Queensland is focussed on agricultural which attracted 58% of government R&D funding in 1990/91. Indeed, agriculture, forestry and other agricultural, forestry and fishing industries account for nearly 70% of government R&D in Queensland whilst R&D support for manufacturing industries is less than 9%.

4 The information for mining, textiles clothing and footwear, non-metallic products and finance is not published. Thus, total business R&D for all industries will exceed the sum of sub-industry categories identified in this table.

Table 6: State and Commonwealth Government R&D Expenditure in Queensland: Economic Development by Socio-economic Objective[5] ($ million), 1986/87 to 1990/91

	1986/87	1990/91
Agriculture	80.7	92.4
Forestry, fishing	15.3	17.1
Other agriculture	not used	0.2
Mineral	4.6	8.6
Energy	4.0	1.6
Manufacturing	5.5	13.7
Construction	.6	4.2
Transport	2.3	1.2
Information, communication services	not used	1.7
Commercial services	not used	0.1
Economy	not used	2.0
Environmental aspects	not used	15.2
Other	0.1	--
Total	113.0	158.0

Source: ABS (1991b), Research and Experimental Development: General Government and Private Non-profit Organisations Australian, Catalogue No. 8109.0, Canberra.

Another important feature of Table 6 is that the concentration of government research on agriculture has not changed since 1986/7 when it represented 71% of total government R&D expenditure in Queensland. It should also be noted that economic development expenditure[6] in government research organisations exceeds total private sector expenditure on R&D.

5 Some of these research categories were not used in 1986/97.

6 R&D in the category of Economic Development represents about 69% of the total R&D expenditure of these organisations in Queensland. Other major categories of expenditure are National Welfare (health, education and training etc.) (27%) and Advancement of Knowledge (4%) (natural sciences, humanities, social sciences etc.). (See ABS (1991b): 7).

R&D expenditure relating to economic development within Queensland higher education institutions is much smaller in magnitude but is still significant. In 1990, economic development R&D within these institutions totalled $54.3 million, or 31% of R&D of these organisations (ABS, 1990: 7). Again, agriculture and related industries benefited from the greatest proportion of this expenditure, accounting for about 37% of higher education R&D expenditure on economic development. Next in importance, the minerals and energy sectors accounted for about 19% of expenditure in this area. Thus, higher education research has also reinforced patterns of public support for agricultural and mining industries.

Table 7: Queensland Government Nominal Services to Industry 1987/88 and 1991/92, (constant 1987/88 prices).

	1987/88		1991/92	
	$ m	$ per capita	$ m	$ per capita
Agriculture and fisheries	84.1	31.1	117.5	39.2
Brucellosis eradication	21.9	8.1	5.4	1.8
Mining, fuel and energy	24.3	9.0	25.8	8.6
Tourism	16.2	6.0	16.1	5.4
Soil conservation	13.2	4.9	23.6	7.9
Other services to industry	23.4	8.7	42.1	14.1
Total services to industry	183.1	67.7	230.5	76.8

Source: Calculated from Commonwealth Grants Commission (1993), *Report on General Grant Relativities*, Volume III - Appendixes, AGPS, pp 74-83. 1991/92 figures adjusted for changes in CPI since 1987/88.

Government industry assistance

A final indicator of future directions for the Queensland economy is the nature of State government support for industry. Table 7 shows State government assistance to industry since 1987/8. Again, support for agriculture and fisheries accounts for the largest portion of government services to industry. From this table it can be calculated that State government expenditure on agriculture and fisheries increased in real terms by 40% (26% per capita) in the period 1987/88 to 1991/92, increasing the sector's share of total government industry assistance from 46% to 51%. During the same period, total services to industry increased in real terms by about 26% (13% per capita).

Queensland's political economy

These recent patterns of economic development in Queensland are consistent with long-term historical trends, reflecting the importance of popular alliances in Queensland's economic development. Populist alliances have been nurtured from both the left and right of Queensland politics. Whilst in government from 1915-29 and 1932-57, the Australian Labor Party (ALP) based its political support on alliances:

> between the state's rural and urban working classes and some of the state's petty bourgeoisie, particularly small family farmers, most of whom were sugarcane growers (Mullins, 1986: 139).

The National Party exploited populist politics over three decades, beginning in the 1960s, and incorporating large and powerful foreign investors (especially in the mining industry), small local investors, and some sections of the petty bourgeoisie and the working class. Importantly, populist politics in Queensland has been symptomatic of a class structure which has a relatively low proportion of its population in wage labour and higher percentages in self-employment and as employers (Mullins, 1986: 139 & 150).

Thus, political parties in Queensland have historically drawn electoral support across class structures, resulting in public subsidies of local economic interests. For example, ALP leaders such as Tom Ryan and Ted Theodore emphasised the party's non-socialist, cross-sectional support base incorporating rural workers, urban workers, self-employed farmers and small town shopkeepers. This was confirmed in the pre-selection of Labor candidates, of which between one-quarter and one-third were farmers, shopkeepers, operators of small businesses and professionals (including self-employed) (Mullins, 1986: 145-6).

From the 1960s to the 1980s, conservative electoral support introduced ascendant foreign mining powers into a coalition of rural bourgeoisie, small business and workers benefiting from economic development in Queensland. Whilst foreign investment in Queensland during this period resulted in rapid economic growth, the economy remained economically vulnerable (Mullins, 1986: 155).

These interest groups remain an important influence in modern Queensland politics and on patterns of state intervention. Levels of agricultural support are probably influenced by the number of rural and provincial electorates in Queensland. Unlike other Australian States, the majority of Queensland's parliament is elected from outside the capital city, with 51 of the State's 89 House of Assembly seats representing non-Brisbane electors (Queensland Electoral Commission, 1992). The importance of the rural sector to the election of the Goss government has been clear in the Party's policy and election rhetoric.

At the 1989 election, Labor was careful not to challenge existing State economic interests and patterns of intervention. Labor's State economic policy statement criticised the National Party's economic document, "Quality Queensland" (Queensland Government, 1988) for giving insufficient attention to "the traditional backbones of the state economy (our rural and mining sectors)", and concentrating on new 'sunrise' industries (ALP, 1988: 60). The economic policy statement of the Goss Government (Goss, 1992) proposes that:

- primary industries are the mainstay of the State's regional and rural communities, and vital to Queensland's prosperity (p. 72);
- economic prosperity requires an expansion of mining industries (p. 78); and
- economic diversification in Queensland will primarily be achieved through an increase in tourism activity (p. 86).

This document proposes a continuation of public support for existing economic interests in primary industries, in particular, but also in mining and tourism industries. Non-interventionist, liberal market policies are applied to manufacturing industries, and service industries, except for Commonwealth funded schemes although there is considerable support for a local film and television industry (Goss, 1992: 83-95).

Future prospects for the Queensland economy

The preceding analysis indicates few prospects for economic diversification in Queensland. Analysis of GSP indicates that recent economic growth in the State has been supported by population growth and a corresponding expansion in the housing market and private consumption (Table 1). Private capital expenditure increased over the past five years in real terms in sectors such as mining; electricity, gas and water; wholesale and retail trade (Table 3; ABS, 1993c). The only manufacturing sector to increase private investment over this period has been chemicals, coal and petroleum (Table 4). These industries either reinforce the State's dependency on resource exploitation, or have resulted from continued population growth.

Public policy in Queensland appears to have committed Queensland to further dependence on its agricultural sector. This is indicated by high levels of support for agriculture in both State and Commonwealth Government and Higher Education research institutions (Table 6). Furthermore, State government support for agricultural industries has increased considerably over the past 5 years (Table 7). Commodity-based goods already account for more than 90% of Queensland's merchandise exports (Queensland Treasury, 1993a: 10).

The medium and long-term problems associated with dependency on mining and agricultural industries are highlighted in Tables 8 and 9. World prices for food, beverages, agricultural raw material, metals and minerals have fallen considerably since 1988 (Table 8). It can be calculated from this Table that the world prices for non-fuel commodities have fallen by about 14% since 1988. Furthermore, world prices for these commodities have risen by only 9.9% since 1985.

Thus, although the decline in prices indicated in Table 8 may have a cyclical component, the longer-term trend (since 1985) is a real decline in the value of commodities. In general, this is also the case for the commodities upon which Queensland is most reliant. Rural exports

represent about 31% of Queensland merchandise exports. The main components of Queensland rural production are meat (36%)[7] sugar (16%) and wool (10%) (Queensland Treasury, 1993a: 10 & 25).

Table 8: World Commodity Prices 1988 - 1993 (1985 = 100)

	1988	1989	1990	1991	1993 (1st qtr)
Food	118.5	108.1	107.2	108.9	106.7
Beverages	68.9	60.3	56.2	49.3	50.4
Agriculture Raw Materials	144.7	138.9	135.4	138.8	142.8
Metals, Minerals	164.4	150.0	135.5	130.0	118.5
Total non-fuel Commodities	127.4	117.5	112.2	112.1	109.9

Source: International Monetary Fund (1993), *International Financial Statistics*, June, p. 69.

Table 9 indicates both the demand for these commodities (1987 to 1991), and their declining value (1985 to 1993). Over these periods, world demand for beef and veal, and sugar increased although the real value of these commodities declined significantly. With respect to beef and veal, this can partially be explained by the large increase in meat available for export (34%) compared to a smaller demand for these commodities (18.9%). The decline in world consumption of wool by the textile industry corresponded to a very large decline in the real price of wool.

Similar patterns emerge with respect to mineral commodities which are important to the Queensland economy. Crude mineral exports represent 45.4% of Queensland's merchandise expos. The major components of these exports are coal (57%), copper (10%) and gold (9%) (Queensland Treasury, 1993a: 10 & 24). Table 9 also indicates that the prices of these commodities are in decline.

7 Beef represents 85% of red meat production in Queensland (Queensland Treasury, 1993: 25).

Table 9: Statistics for Commodities Important to the Queensland Economy (1985 = 100).

		1987	1991	% change in trade	Real Price Change 1988-93 (%)[8]
OECD Coal Consumption (kt)		136,639	136,964	+0.2	-8.8
World Copper Consumption (kt)		8,012	8,888	+10.9	-32.1
World Gold Demand (t):		2,311	2,985	+29.2	-40.0
Beef and Veal (kt):	Exports	3,201	4,318	+34.9	-23.1
	Imports	2,537	3,016	+18.9	(Beef only)
World Sugar Consumption.[9] (Mt)		107.0	110.1	+2.9	-24.5[10]
World Wool Consumption (kt) by textile industry		1,754	1,627	-7.2	-57.7

Sources: OECD (1993), *Energy Statistics for OECD Countries 1990-91*, IEA States, OECD, Paris; Australian Bureau of Agricultural and Resource Economics (1992), *Commodity Statistical Bulletin*, 11/1992; and Changes in commodity prices calculated from International Monetary Fund (1993), *International Financial Statistics*, June, 1993.

Over the period 1988 to 1993, there have been falls in the real price of coal (8.8%), copper (32.1%) and gold (40.0%) World consumption of coal remained static over the period. Furthermore, concerns over global warming is likely to result in a decrease in coal consumption in the future. Whilst world demand for gold and copper has increased, prices for these commodities declined over the period as a response to increasing world production (Australian Bureau of Agriculture and Resource Economics, 1992: 283 and 292).

Thus, the Queensland economy is directed towards a continued dependence on mining (reflected in private sector investment) and agriculture (reflected in public expenditure on R&D and services to industry). The result appears to be an increasing dependence on industries (and commodities) which have declining markets. This emphasises the long-term need for economic diversification in Queensland, yet public and private activity continues to be directed towards commodity-based industries.

8 Calculated on average commodity prices for 1988 and average commodity prices for the first quarter of 1993, or most recent 1993 figures available. 1993 commodity prices have been discounted by consumer price index changes (from ABS) since 1988 to the March quarter 1993.

9 Consumption figures are for financial years 1987/88 and 1991/92.

10 Calculated on the Australian sugar price.

The failure tc develop manufacturing industries in Queensland is an important concern with respect to economic diversification. Manufacturing represents about 18% of private capital investment in Queensland (Table 2). Importantly, private sector investment in manufacturing has declined in real terms since 1988 by 7.3% (Table 4). On the basis of current data, there appears few prospects of a more substantial manufacturing sector being developed in Queensland.

The industries which have received the greatest portion of private investment in Queensland's manufacturing sector are food, beverages and tobacco, other manufacturing (wood, wood products, furniture, non-metallic mineral products) and chemicals, coal and petroleum. Of these industries, chemicals, coal and petroleum was the only sub-sector to attract an increase in private sector investment over the period 1988-92 (Table 4). There is little business, government or higher education investment in R&D within these manufacturing sub-sectors (Table 5 and 6).

The sector which does appear to provide positive prospects for economic diversification is service industries. Several service industries such as finance, property and business services, and recreation, personal and other services demonstrated strong growth in recent years (Table 1). Similarly, finance, property and business services represent about 20% of private capital expenditure in Queensland (Table 2), with retail trade experiencing considerable growth in recent years (Table 3). Wholesale and retail trade, and property and business services are also the best supported industries with respect to business-funded R&D (Table 5). Finally, the service sector has become important with respect to Queensland exports over the past 10 years, increasing its share of total exports from 10.9% to 16.8% (Queensland Treasury, 1993b: 39).

However, the future contribution of service industries to State development need three further qualifications. First, it appears crucial to Queensland that growth in these industries continue to be translated into the export of these services. The importance of foreign trade to the Queensland economy is highlighted in Table 10. It can be calculated from this table that net Queensland's trade surplus (foreign trade surplus less interstate trade deficit) has declined from $178 million in 1987/88 to $23 million in 1991/92.

Table 10: Queensland Interstate and Foreign Balance of Trade, 1987/88 - 1991/92 ($m)

	Interstate trade			Foreign Trade		
	Exports	Imports	Balance	Exports	Imports	Balance
1987-88	318	672	-354	817	285	532
1988-89	364	832	-468	909	379	530
1989-90	408	902	-494	1066	426	640
1990-91	356	868	-512	1080	490	590
1991-92	386	886	-500	1086	563	523

Source: Australian Bureau of Statistics (1993d), *Monthly Summary of Statistics, Queensland*, Catalogue No. 1304.3, August, pp. 17-18.

Historically, the Queensland economy has relied on its trade surplus but this has been diminishing in recent years. Thus, growth in the service sector needs to be increasingly translated into export industries to maintain the State's economic position in the absence of the development of a manufacturing sector. This suggests that future policy with respect to service industries needs to be directed towards satisfying both local population growth and international opportunities for the delivery of these services. This probably requires a reorientation of these service industries[11] since there is some evidence that Queensland industry lacks a developed export culture (Department of Premier, Economic and Trade Development, 1993 :20). Future strategies may

11 Here, the exception is tourism.

need to examine the prospect of exporting services which have been previously considered the domain of domestic markets.

A second qualification is that growth in the service sector depends on continued population growth, particularly in relation to housing and property. Continued population growth in Queensland is a reasonable assumption on current indications. The Indicative Planning Council for the Housing Industry (1992) has predicted an annual average population growth of 2.41% for Queensland over the period 1991-2001.

Third, tourism growth is an important component of expansion in the service sector. Tourism contributed 0.9% points to Queensland's annual growth in State product in 1993. There has been considerable growth in tourism expenditure, international visitation, and occupancy rates. Most indicators suggest that tourism is assisting in diversifying Queensland's economy (Queensland Treasury, 1993a: 27). Indeed, tourism growth is central to the Government's strategy to broaden the State's economic base (Goss, 1992: 86). However, there needs to be further analysis of the extent to which tourism growth increases Queensland's dependence on vulnerable industries (Castles, 1988). For example, gross tourism expenditure and tourism occupancy rate data indicate large fluctuations over a five year period (Queensland Treasury, 1993a: 27), most probably as a consequence of events such as the pilots' strike and Gulf war.

A final outstanding issue to be resolved in relation to Queensland's economic growth concerns the State's dependence on foreign capital to finance development. Foreign investment from Asia has been particularly important in recent years. Foreign investment was used to finance development of Queensland's mining industries (Mullins, 1986; O'Dwyer, 1986), and continues to be an integral element the Goss government's economic strategy (Goss, 1992: 63-64). The government's capacity to extract rents from foreign owned tourism and service industries is one important aspect of issues needing to be addressed with respect to the cost of foreign investment in Queensland.

Conclusions

Queensland's current economic prosperity appears more vulnerable than conceded by the commentators identified at the beginning of this paper, although there have been some recent concerns regarding Queensland's economic structure (Moody's Investment Service, 1994: 17). The State economy and public policy appears committed to mining and agricultural industries which have been declining in terms of world trade. There are few indications that the State is developing a more diversified manufacturing sector.

The best prospects appear to be in the service sector, although some questions remain regarding the vulnerability of some service industries and regarding net benefits accruing from foreign ownership of these industries. Population growth provides an opportunity to develop these industries locally, and in competition with international rivals. However, the long-term value of these industries is greatest as export industries. The future strength of the Queensland economy will depend upon the capacity of the State to reorientate these towards international export markets.

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