

The Queensland Productivity Update series provides information on productivity trends in Queensland.

Productivity growth has slowed in Queensland, in line with national and global trends.

Across the market sector, both labour productivity and multifactor productivity (MFP) growth averaged 0.3 per cent each year between 2016–17 and 2018–19. This compares to 2.1 per cent and 0.7 per cent average growth, respectively, over the preceding complete productivity cycle (2011–12 to 2016–17).

There is a long-term trend towards slowing productivity, outside of the mining sector. For non-mining industries, both labour productivity and MFP growth has declined over the last two complete productivity cycles, as well as over the most recent incomplete cycle (Figure 1).

Key factors contributing to the market sector slowdown include:

- **Declining investment levels**—capital deepening (the amount of available capital per worker) has been making a smaller contribution to labour productivity growth across the entire market sector, and there is recent evidence of capital 'shallowing' across non-mining industries. This is occurring across Australia, not just in Queensland.
- **Slowing output in the mining sector**—while strong growth in mining output has previously supported productivity growth, output growth is now slowing.
- **Reduced agricultural output** due to **drought** and **declining demand in the construction industry** has been felt strongly in Queensland.

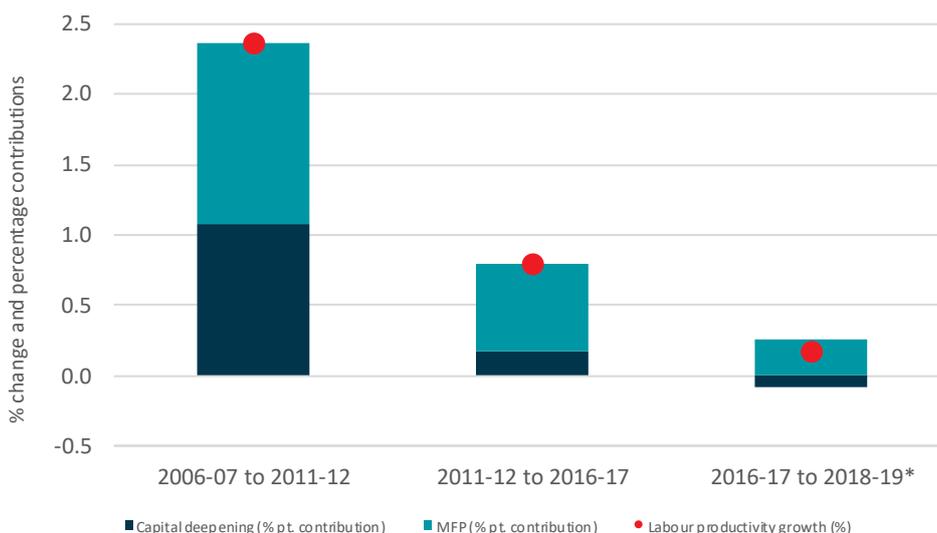
Table 1 Queensland market sector annual average growth rates, all industries

	2011–12 to 2016–17	2016–17 to 2018–19
Output	1.9%	2.0%
Labour productivity	2.1%	0.3%
Multifactor productivity	0.7%	0.3%

Source: ABS, cat. no. 5260.0.55.002; QPC estimates.

Although productivity growth is slowing, there is evidence that **productivity in Queensland has converged** (that is, **caught up**) with levels in the rest of Australia. In 1998–99 labour productivity was approximately 8 per cent lower than the Australian average—in 2018–19 it was only 2 per cent lower.

Figure 1 Qld market sector labour productivity decomposition, without mining



Note: \* denotes incomplete productivity cycle. Source: ABS, cat. no. 5260.0.55.002; QPC estimates.

A **feature article** explores the relationship between labour productivity and wages. Despite some recent commentary, there is little evidence to suggest wage growth has systematically decoupled from labour productivity growth in Queensland.



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