

### Highlights

- Gross domestic product (GDP) rose 1.1% (trend) in December quarter 2003, following a similar rate of growth recorded in the previous quarter.
- In annual terms, growth in GDP (trend) strengthened in the December quarter, to 3.5%, compared with the revised 2.9% growth in the September quarter.
- Seasonally adjusted GDP increased 1.4% in the December quarter, which was above consensus expectations of 1.1%. Also, the annual growth in GDP of 4.0% was 0.7% point above the market consensus.

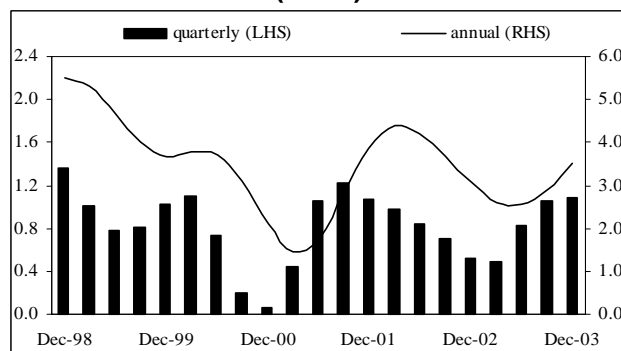
### Analysis (trend terms)

- Economic growth in Australia continued to strengthen in December quarter 2003. Net exports continued to detract from overall growth, but its negative impact on overall economic growth was more than offset by robust domestic demand.
- Household consumption increased 1.6% over the quarter. Revised data show that quarterly growth in consumption has surpassed the previous peak recorded in March quarter 2002, with the December quarter outcome being the highest quarterly growth since September quarter 1976.
- Growth in dwelling investment accelerated in December quarter 2003, to 2.6%, following 1.9% growth recorded in the September quarter. Strong activity in alterations and additions has supported dwelling investment in recent quarters.
- Business investment rose 2.7% in the December quarter, slightly lower than the 3.8% growth recorded in the previous quarter. Machinery and equipment investment rose 2.8%, while other buildings and structures investment increased 2.5% over the quarter.
- Public final demand (government spending) rose 0.7% in the quarter, following similar growth in the previous three quarters.
- Investment in inventories detracted 0.1% point from overall GDP growth.
- Net exports detracted 0.6% point from overall growth in December quarter 2003, the tenth consecutive quarterly detraction. However, the extent of the detraction has eased slightly from the 1.0% point detraction recorded in the June quarter.

**Table 1  
GDP Growth, December quarter 2003**

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	1.4	4.0
Trend	1.1	3.5

**Chart 1  
GDP Growth  
(trend)**



**Table 2  
Components of GDP  
(December quarter 2003, trend)**

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	1.4	4.8	1.1	3.8
Household consumption	1.6	5.4	1.0	3.2
General govt consumption	0.7	3.0	0.1	0.5
Private dwellings	2.6	5.6	0.2	0.3
Business Investment	2.7	13.6	0.3	1.5
Machinery and equipment	2.8	15.7	0.2	1.2
Buildings and structures	2.5	9.3	0.1	0.3
Livestock	14.2	63.6	0.0	0.1
Intangible fixed assets	0.3	2.2	0.0	0.0
Ownership transfer costs	3.2	6.1	0.1	0.1
Private gross fixed capital	2.9	10.4	0.6	2.2
Public gross fixed capital	0.4	1.6	0.0	0.1
Changes in inventories			-0.1	0.8
Private non-farm stocks			n.a.	n.a.
Farm and public authority			n.a.	n.a.
Gross national expenditure	1.6	6.7	1.6	6.9
Exports of goods & services	0.7	-2.2	0.1	-0.5
less Imports of goods & services	2.9	12.0	-0.7	-2.8
Statistical discrepancy			0.2	0.1
GDP	1.1	3.5	1.1	3.5
<b>Current Prices</b>				
Compensation of employees	1.0	5.3		
Gross Operating surplus	2.3	8.1		
GDP	2.2	7.2		
<b>Deflators and Prices</b>				
Terms of Trade	1.6	5.7		
Household consumption deflator <sup>#</sup>	0.6	1.2		
GDP deflator	1.0	3.6		

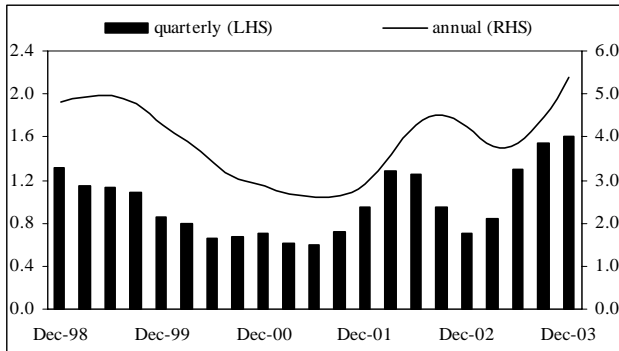
\*Reference year for chain volume measure is 2001-02

<sup>#</sup>This is based on seasonally adjusted implicit price deflator

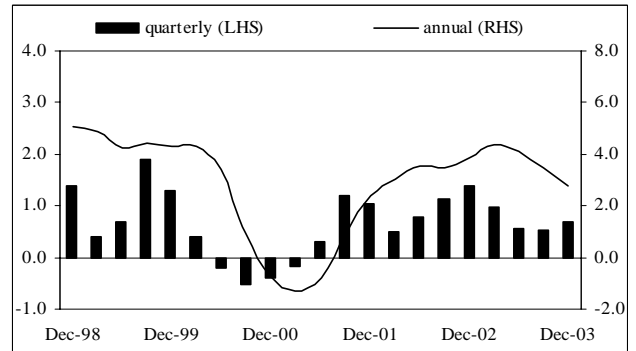
# Charts 2-7

## Components of Trend GDP

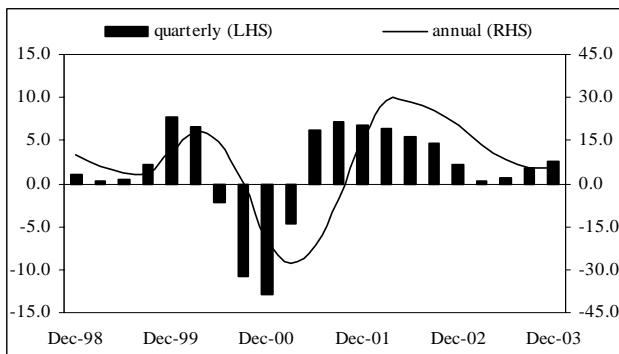
**Chart 2**  
Private Consumption (% change)



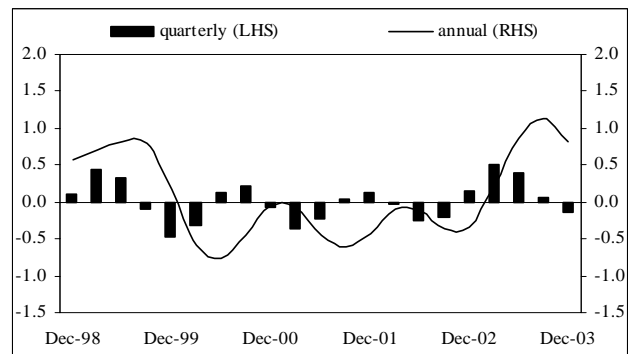
**Chart 5**  
Public Final Demand (% change)



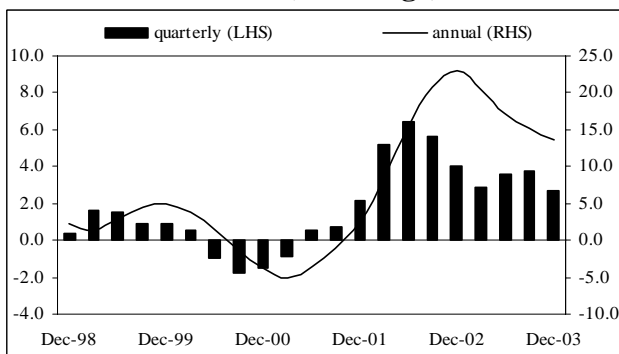
**Chart 3**  
Dwelling Investment (% change)



**Chart 6**  
Stocks (% point contribution to growth)



**Chart 4**  
Business Investment (% change)



**Chart 7**  
Net Exports (% point contribution to growth)

