



Highlights

- Gross domestic product (GDP) rose 0.5% (trend) in September quarter 2004, following 0.6% growth in the June quarter.
- In annual terms, GDP growth (trend) weakened to 3.2% in September quarter 2004, compared with annual growth of 4.0% in the June quarter.
- In seasonally adjusted terms, GDP rose 0.3% in the September quarter, below the market consensus of 0.5%. In annual terms, the annual rate of growth slowed to 3.0%, in line with market expectations.

Analysis (trend terms)

- Quarterly economic growth in Australia moderated to 0.5% in September quarter 2004, following 0.6% growth in the June quarter. Domestic demand, underpinned by private consumption, continued to drive overall growth in the September quarter, while net exports continued to detract from growth.
- Private consumption rose 1.0% over the quarter, slightly lower than the 1.1% recorded in the June quarter. As a result, annual growth in private consumption eased slightly to 5.3%, but remains at a high rate historically.
- Growth in dwelling investment moderated sharply to 0.5% in September quarter 2004, after growth of 1.1% in the previous quarter. This moderation reflects a 1.1% fall in dwelling investment in seasonally adjusted terms, the first such decline since June quarter 2003, possibly signalling that the peak of the housing cycle has passed. Both alterations and additions activity and new and used dwelling investment declined in seasonally adjusted terms in the September quarter.
- Business investment rose by 1.2% in trend terms in the September quarter, with growth in business investment gradually easing from a recent peak of 6.9% in June quarter 2002. Solid growth in machinery and investment (3.1%) continued to drive overall business investment in the September quarter, while investment in other buildings and structures fell 2.5% during the quarter.
- Net exports detracted 0.5% point from overall growth in the September quarter, representing the thirteenth consecutive quarterly detraction.
- The level of exports fell 0.1% in the September quarter, while imports continued to grow strongly, rising by 1.8%. However, the quarterly growth of imports has gradually receded from the recent peak of 4.2% in December quarter 2003, reflecting the gradual slowing in consumption growth.

Table 1
GDP Growth – September Quarter 2004

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.3	3.0
Trend	0.5	3.2

Chart 1
GDP Growth (Trend)

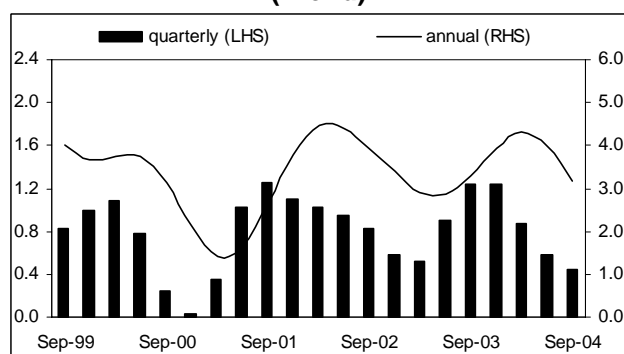


Table 2
Components of GDP
(September Quarter 2004, Trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.9	4.8	0.7	3.7
Household consumption	1.0	5.3	0.6	3.2
General govt consumption	0.6	2.9	0.1	0.5
Private dwellings	0.5	7.3	0.0	0.5
Business Investment	1.2	6.4	0.1	0.7
Machinery and equipment	3.1	8.5	0.2	0.6
Buildings and structures	-2.5	2.5	-0.1	0.1
Livestock	-0.4	9.9	0.0	0.0
Intangible fixed assets	3.1	9.8	0.0	0.1
Ownership transfer costs	-7.3	-20.2	-0.1	-0.4
Private gross fixed capital	0.6	5.0	0.1	1.0
Public gross fixed capital	0.7	7.6	0.0	0.3
Changes in inventories			-0.1	-0.4
Private non-farm stocks			-0.2	-0.4
Farm			0.0	0.0
Public authorities			0.0	0.0
Gross national expenditure	0.7	4.5	0.8	4.7
Net Exports			-0.5	-2.2
Exports of goods & services	-0.1	5.1	0.0	1.0
Less Imports of goods & services	1.8	13.7	-0.4	-3.1
Statistical discrepancy			0.2	0.7
GDP	0.5	3.2	0.5	3.2
Current Prices				
Compensation of employees	1.5	6.2		
Gross Operating surplus	1.5	8.1		
GDP	1.4	6.8		
Deflators and Prices				
Terms of Trade	2.3	11.0		
Household consumption deflator	0.4	1.3		
GDP deflator	0.9	3.6		

*Reference year for chain volume measure is 2002-02

Charts 2-9

Components of Trend GDP

Chart 2
Private Consumption (% change)

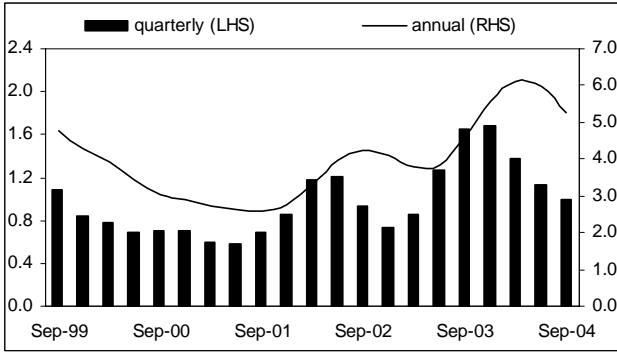


Chart 6
Stocks (% point contribution to growth)

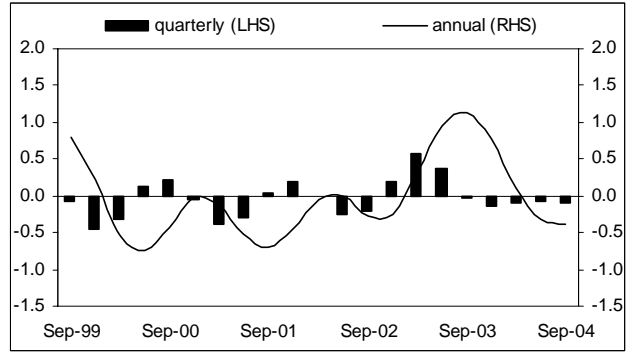


Chart 3
Dwelling Investment (% change)

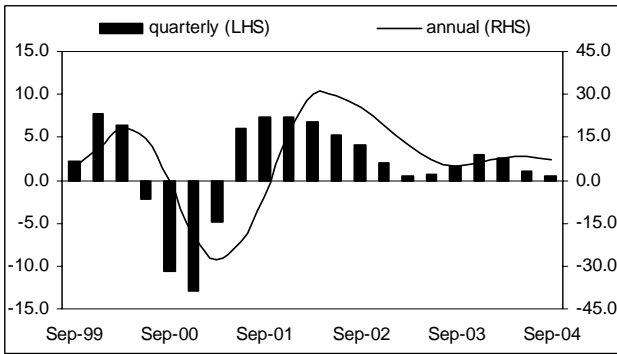


Chart 7
Exports (% change)

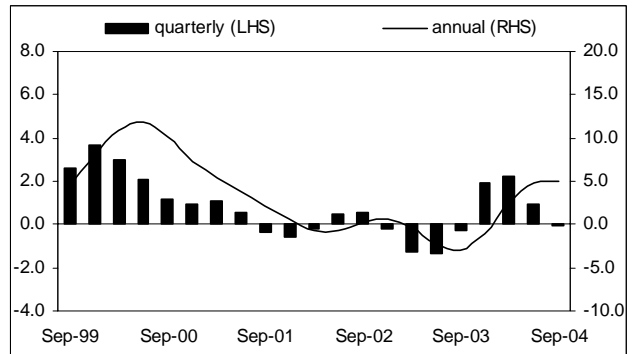


Chart 4
Business Investment (% change)

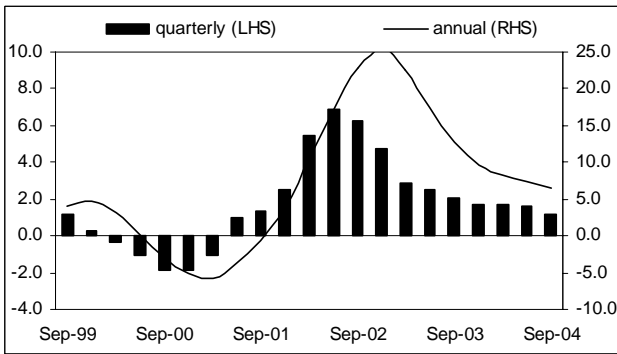


Chart 8
Imports (% change)

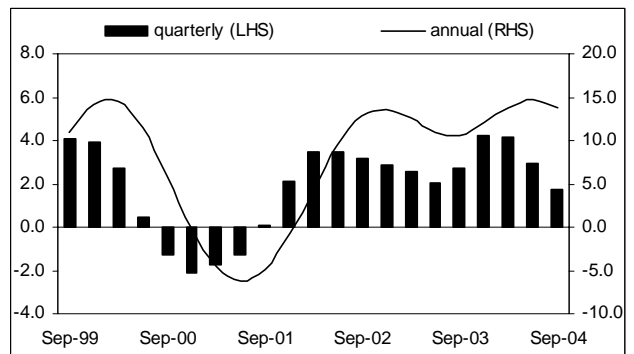


Chart 5
Public Final Demand (% change)

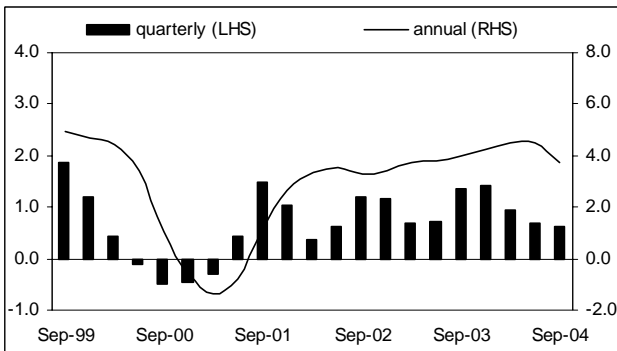


Chart 9
Net Exports (% point contribution to growth)

