



Highlights

- Gross domestic product (GDP) rose 0.4% (trend) in March quarter 2005, following revised growth of 0.4% growth in December quarter 2004.
- In annual terms, GDP growth (trend) weakened again to 1.5% in March quarter 2005, compared with annual growth of 2.0% in the December quarter.
- In seasonally adjusted terms, GDP rose 0.7% in the March quarter, below the market consensus of 0.9% growth. In annual terms, growth slowed to 1.9%, also disappointing the market expectation of a 2.2% rise over the year.
- Due to ABS revisions to retail trade, capital expenditure and the balance of payments, quarterly growth in seasonally adjusted terms in December quarter 2004 was upgraded by 0.2% point, to 0.3%.

Analysis (trend terms)

- Domestic demand, underpinned by private consumption and a strong contribution from a rise in inventories, continued to drive overall growth in March quarter 2005, while net exports continued to detract heavily from growth.
- Private consumption rose 0.7% over the quarter, moderating slightly from 0.8% growth recorded in December quarter 2004. In annual terms, private consumption growth has slowed to 3.6%, from a recent peak of 6.1% in March quarter 2004.
- Rising inventories contributed strongly to growth in the March quarter, adding 0.3% point to quarterly GDP growth.
- Business investment continued to expand but at a slower rate than previously. Total business investment grew by 1.6% in the March quarter, with both machinery and equipment investment, and investment in other buildings and structures rising (up 1.2% and 2.3% respectively).
- Dwelling investment continued to fall in the March quarter, declining by 2.0%. This represents the third quarterly decline in dwelling investment, driven by falls in both alterations and additions activity, and new and used dwelling construction. Dwelling investment is now 4.6% lower over the year to the March quarter.
- Net exports detracted 0.6% point from overall growth in the March quarter, representing the fifteenth consecutive quarterly detraction.
- Although exports continued to increase marginally (up 0.5%), strong domestic demand continues to drive growth in imports, which increased by 2.6% over the quarter, to be 11.2% higher over the year.

Table 1
GDP Growth – March Quarter 2005

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.7	1.9
Trend	0.4	1.5

Chart 1
GDP Growth
(Trend)

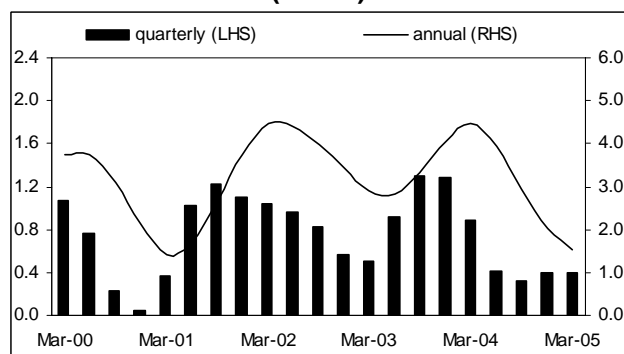


Table 2
Components of GDP
(March Quarter 2005, Trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.6	3.4	0.5	2.7
Household consumption	0.7	3.6	0.4	2.2
General govt consumption	0.3	2.7	0.1	0.5
Private dwellings	-2.0	-4.6	-0.1	-0.3
Business Investment	1.6	13.5	0.2	1.5
Machinery and equipment	1.2	19.2	0.1	1.4
Buildings and structures	2.3	3.1	0.1	0.1
Livestock	1.3	8.2	0.0	0.0
Intangible fixed assets	1.0	9.0	0.0	0.1
Ownership transfer costs	-2.6	-18.9	0.0	-0.3
Private gross fixed capital	0.5	5.1	0.1	1.1
Public gross fixed capital	0.5	4.5	0.0	0.2
Changes in inventories			0.3	-0.1
Private non-farm stocks			0.2	-0.3
Farm			0.0	0.1
Public authorities			0.0	0.0
Gross national expenditure	0.8	3.6	0.9	3.8
Net Exports			-0.6	-2.5
Exports of goods & services	0.5	1.3	0.1	0.3
less Imports of goods & services	2.6	11.2	-0.7	-2.7
Statistical discrepancy			0.1	0.3
GDP	0.4	1.5	0.4	1.5
Current Prices				
Compensation of employees	1.8	7.0		
Gross Operating surplus	1.3	5.7		
GDP	1.4	5.7		
Deflators and Prices				
Terms of Trade	1.4	8.0		
Household consumption deflator	0.5	1.8		
GDP deflator	1.0	4.1		

*Reference year for chain volume measure is 2002-03

Charts 2-9

Components of Trend GDP

Chart 2
Private Consumption (% change)

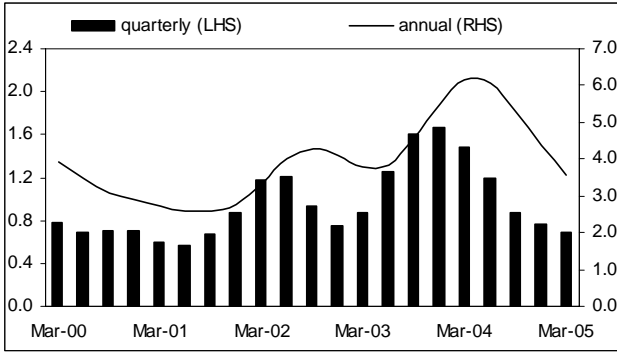


Chart 6
Stocks (% point contribution to growth)

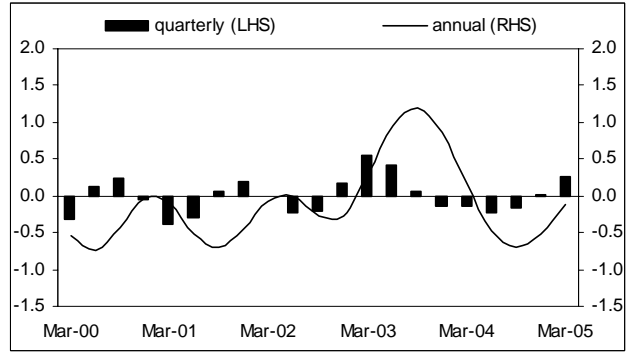


Chart 3
Dwelling Investment (% change)

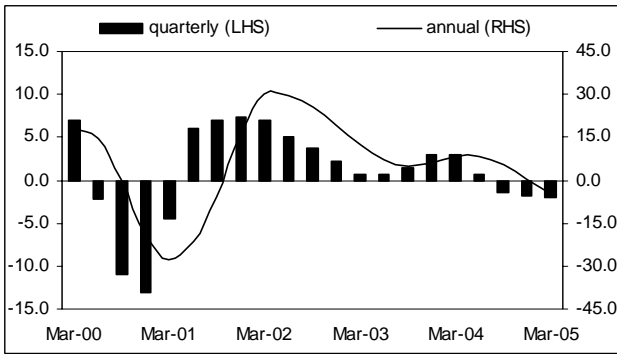


Chart 7
Exports (% change)

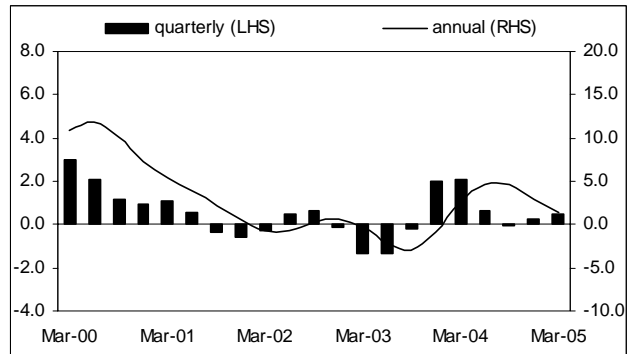


Chart 4
Business Investment (% change)

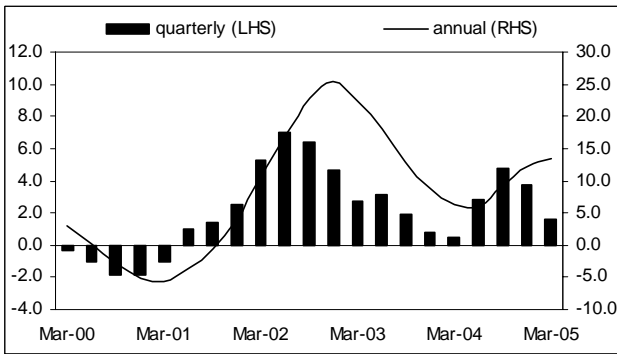


Chart 8
Imports (% change)

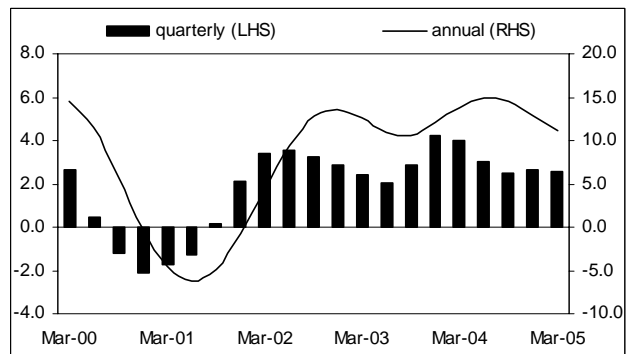


Chart 5
Public Final Demand (% change)

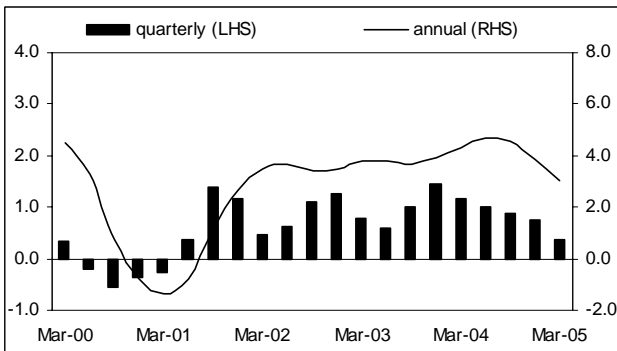


Chart 9
Net Exports (% point contribution to growth)

