



Highlights

- Gross domestic product (GDP) rose 0.7% (trend) in June quarter 2005, following revised growth of 0.7% in March quarter 2005.
- In annual terms, GDP growth (trend) strengthened to 2.3% in June quarter 2005, compared with annual growth of 2.0% in the March quarter.
- In seasonally adjusted (sa) terms, GDP rose 1.3% in the June quarter, slightly above the market consensus of 1.2% growth. In annual terms, growth improved to 2.6%, also exceeding the market expectation of a 2.3% rise over the year.
- The terms of trade rose by 6.2% in the June quarter, to be 11.9% higher over the year. The rise in the terms of trade was driven primarily by a 5.8% rise in export prices over the quarter.

Analysis (trend terms)

- Domestic demand, underpinned by private consumption and investment, as well as a solid contribution from a rise in inventories, continued to drive overall growth in June quarter 2005, while net exports continued to detract from growth.
- Private consumption rose 0.6% over the quarter, the same as in the March quarter. In annual terms, private consumption growth has slowed to 2.7%, from a recent peak of 6.1% in March quarter 2004.
- Rising inventories contributed strongly to growth in the June quarter, adding 0.2% point to both quarterly and annual GDP growth.
- Business investment continued to expand, but at a slower rate than previously. Total business investment grew by 2.8% in the June quarter, with both machinery and equipment investment and investment in other buildings and structures rising (up 1.4% and 5.3% respectively).
- Dwelling investment increased by 0.4% in the June quarter, following three consecutive quarterly declines. The result was driven by a 0.8% rise in alterations and additions activity, with new and used dwelling construction increasing by only 0.1% over the quarter. Dwelling investment fell 3.4% over the year to the June quarter.
- Net exports detracted 0.3% point from overall growth in the June quarter, with net exports having now detracted from quarterly GDP growth for 16 consecutive quarters.
- Although exports continued to increase (up 1.3% in the quarter and up 2.8% over the year), domestic demand continued to drive stronger growth in imports, which increased by 2.3% in the quarter, to be 10.6% higher over the year.

Table 1
GDP Growth – June Quarter 2005

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	1.3	2.6
Trend	0.7	2.3

Chart 1
GDP Growth
(Trend)

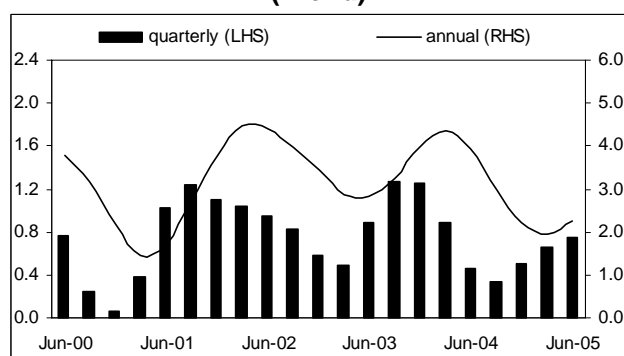


Table 2
Components of GDP
(June Quarter 2005, Trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.6	2.8	0.5	2.2
Household consumption	0.6	2.7	0.4	1.7
General govt consumption	0.7	2.8	0.1	0.5
Private dwellings	0.4	-3.4	0.0	-0.2
Business Investment	2.8	16.2	0.3	1.7
Machinery and equipment	1.4	17.5	0.1	1.2
Buildings and structures	5.3	14.0	0.2	0.6
Livestock	-0.8	13.6	0.0	0.0
Intangible fixed assets	1.9	9.3	0.0	0.1
Ownership transfer costs	1.2	-8.4	0.0	-0.2
Private gross fixed capital	2.1	7.1	0.5	1.5
Public gross fixed capital	0.8	6.5	0.0	0.2
Changes in inventories			0.2	0.2
Private non-farm stocks			0.3	0.2
Farm			0.0	0.0
Public authorities			0.0	0.0
Gross national expenditure	1.2	4.0	1.2	4.1
Net Exports			-0.3	-1.8
Exports of goods & services	1.3	2.8	0.2	0.5
less Imports of goods & services	2.3	10.6	-0.5	-2.3
Statistical discrepancy			-0.1	-0.1
GDP	0.7	2.3	0.7	2.3
Current Prices				
Compensation of employees	1.9	7.3		
Gross Operating surplus	2.7	8.5		
GDP	2.0	6.8		
Deflators and Prices				
Terms of Trade	6.2	11.9		
Household consumption deflator	0.4	1.8		
GDP deflator	1.2	4.4		

*Reference year for chain volume measure is 2003-04

Charts 2-9

Components of Trend GDP

Chart 2
Private Consumption (% change)

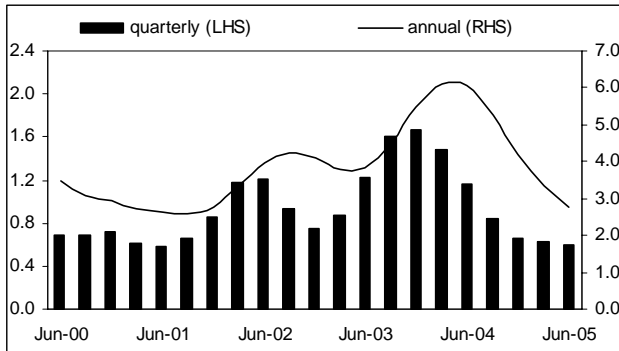


Chart 6
Stocks (% point contribution to growth)

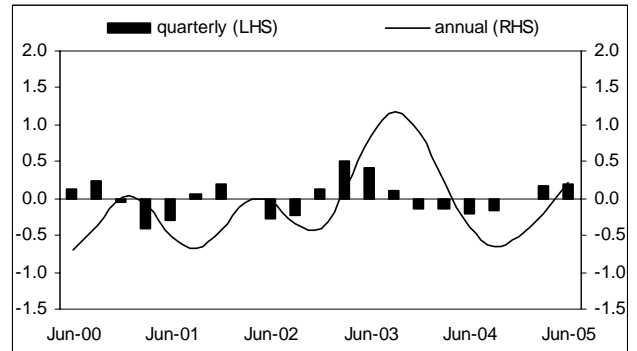


Chart 3
Dwelling Investment (% change)

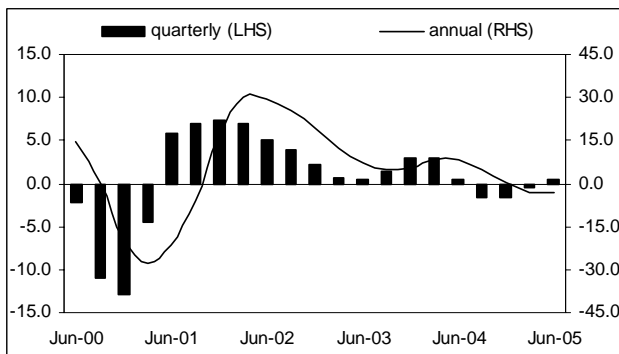


Chart 7
Exports (% change)

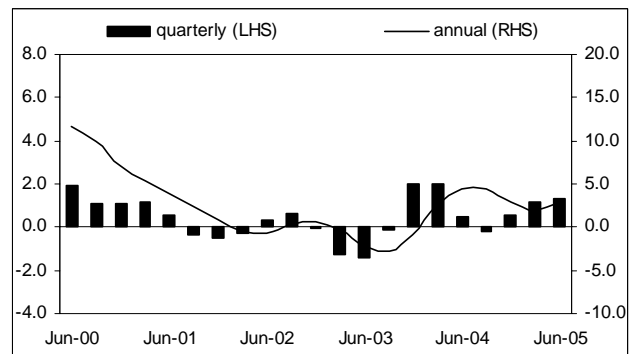


Chart 4
Business Investment (% change)

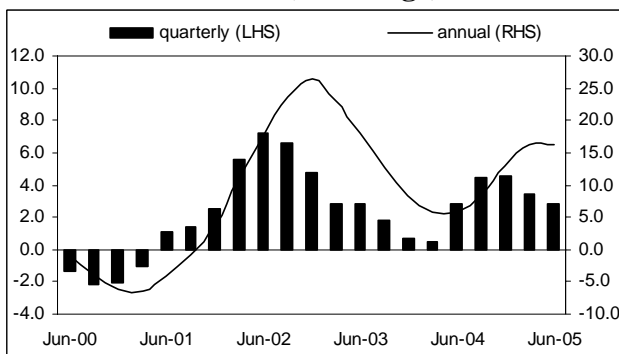


Chart 8
Imports (% change)

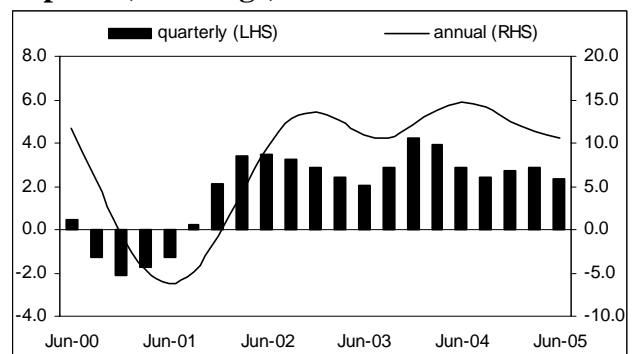


Chart 5
Public Final Demand (% change)

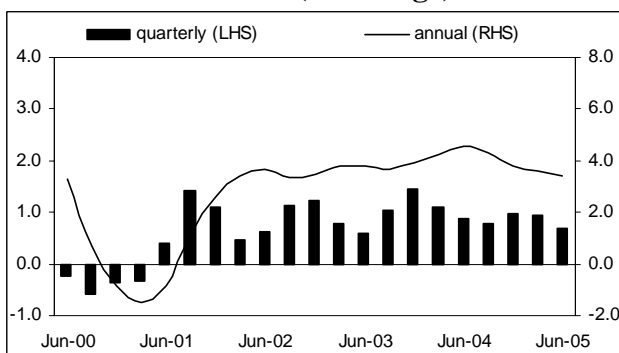


Chart 9
Net Exports (% point contribution to growth)

