



Highlights

- Gross domestic product (GDP) rose 0.7% (trend) in September quarter 2005, representing a slight easing from the 0.8% growth recorded in each of the previous two quarters.
- In annual terms, GDP growth strengthened to 2.8% in September quarter 2005, compared with annual growth of 2.3% in the June quarter.
- In seasonally adjusted (sa) terms, GDP rose 0.2% in the September quarter, well below the market consensus of 0.5% growth. The Reserve Bank's decision this morning to leave official interest rates unchanged also appears consistent with the weaker than expected quarterly result. However, with revisions to previous quarters, annual sa growth of 2.6% in the September quarter was only slightly below the market expectation of 2.7% growth.
- The terms of trade rose by a further 2.1% in the September quarter, to be 12.5% higher over the year. This represents the highest annual growth in the terms of trade since June quarter 1989.

Analysis (trend terms)

- Household consumption and business investment were the main drivers of overall economic growth in September quarter 2005.
- Private consumption rose 0.6% over the quarter, but has eased from a peak of 1.8% in December quarter 2003. As a result, annual growth in private consumption has eased from 6.4% in June quarter 2004 to 2.8% in September quarter 2005.
- Business investment continued to expand, but at a slower rate than previously. Total business investment grew by 3.1% in the September quarter, following 3.9% growth in the previous quarter. Both machinery and equipment investment (up 3.0%) as well as other buildings and structures (up 3.3%) contributed to the rise.
- After falling in each of the three quarters to March quarter 2005, dwelling investment has resumed an upward trend in mid 2005. Dwelling investment increased by 1.0% in the September quarter, representing a strengthening from growth of 0.6% in the June quarter. The September result was largely due to a 1.7% rise in new and used dwelling construction, with renovation activity recording more subdued growth (up 0.2%).
- Net exports detracted 0.2% point from growth in the September quarter. However, the rate of detraction has eased over the past year. As a result, net exports detracted 1.2% points from growth over the year to the September quarter, the smallest annual detraction since June quarter 2002.

- Exports fell by 0.1% in the September quarter, following 0.7% growth in June quarter. However, imports growth moderated further, to 0.6% during the quarter, representing the slowest quarterly rate of growth since December quarter 2001.

Table 1
GDP Growth – September Quarter 2005

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.2	2.6
Trend	0.7	2.8

Chart 1
GDP Growth (Trend)

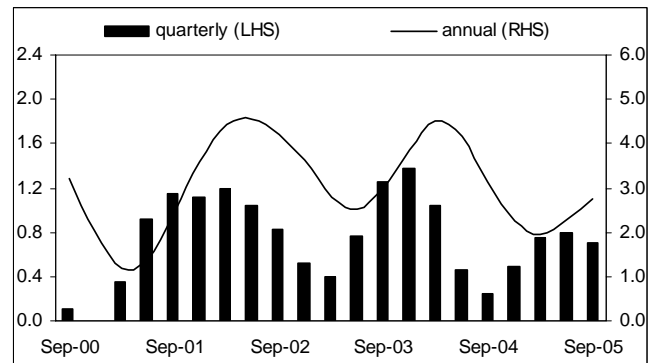


Table 2
Components of GDP (September Quarter 2005, Trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.6	2.7	0.4	2.1
Household consumption	0.6	2.8	0.4	1.7
General govt consumption	0.2	2.1	0.0	0.4
Private dwellings	1.0	-0.7	0.1	0.0
Business Investment	3.1	16.0	0.4	1.9
Machinery and equipment	3.0	14.7	0.2	1.1
Buildings and structures	3.3	18.2	0.2	0.8
Livestock	0.3	1.6	0.0	0.0
Intangible fixed assets	1.4	7.7	0.0	0.1
Ownership transfer costs	-0.4	-2.6	0.0	0.0
Private gross fixed capital	2.2	8.5	0.5	1.8
Public gross fixed capital	-1.6	1.1	-0.1	0.0
Changes in inventories			0.0	0.2
Private non-farm stocks			0.0	0.4
Farm			0.0	0.0
Public authorities			0.0	0.0
Gross national expenditure	0.8	4.0	0.8	4.1
Net Exports			-0.2	-1.2
Exports of goods & services	-0.1	2.2	0.0	0.4
less Imports of goods & services	0.6	7.4	-0.1	-1.6
Statistical discrepancy			0.1	-0.2
GDP	0.7	2.8	0.7	2.8
Current Prices				
Compensation of employees	1.8	7.3		
Gross Operating surplus	3.2	12.9		
GDP	1.8	7.4		
Deflators and Prices				
Terms of Trade	2.1	12.5		
Household consumption deflator	0.5	1.8		
GDP deflator	1.1	4.5		

*Reference year for chain volume measure is 2003-04