



Highlights

- Revised data showed that gross domestic product (GDP) in Australia rose 0.5% (trend) in June quarter 2006, similar to that in each of the previous two quarters.
- In annual terms, GDP growth weakened to 2.3% in June quarter 2006, 0.3% point lower than that in March quarter 2006.
- In seasonally adjusted (sa) terms, GDP rose 0.3% in the June quarter, to be 1.9% higher than a year ago. Both quarterly and annual growth in the June quarter were much lower than the market expectations of 0.7% and 2.6% respectively. In line with slower economic growth, the RBA announced this morning to leave the official cash rate unchanged at 6.0% following the Board meeting yesterday.
- The terms of trade continued to rise (up 1.8%) in the June quarter, to be 6.8% higher over the year. The terms of trade recorded double-digit annual growth between June quarter 2005 and March quarter 2006.

Analysis (trend terms)

- Household consumption and business investment continued to be the main drivers of overall economic growth in June quarter 2006.
- Household consumption rose 0.7% over the quarter, similar to that in the previous five quarters. As a result, annual growth in private consumption remained at 2.6%, also similar to that in the previous two quarters.
- Business investment continued to expand, but at a much slower pace than previous quarters. Business investment grew by 1.2% in the June quarter, following 2.0% growth in the previous quarter. Both machinery and equipment investment (up 1.0%) as well as other buildings and structures (up 1.4%) contributed to the rise. The ABS revised down the level of investment in machinery and equipment in December quarter 2005 and March quarter 2006 to correct for the misreporting of expenditure by asset type.
- Dwelling investment continued to decline in the June quarter, falling 0.5% over the quarter, to be 4.6% lower than a year ago. Both new and used dwelling construction as well as renovation activity recorded a decline over the quarter.
- Net exports detracted from overall growth for the 20th consecutive quarter in June quarter 2006, detracting 0.2% point from overall growth over the quarter.

- Exports rose 0.9% in the June quarter, following 0.8% growth in the previous quarter. However, their contribution was more than offset by 1.8% growth in imports over the quarter.

Table 1
GDP Growth – June Quarter 2006

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.3	1.9
Trend	0.5	2.3

Chart 1
GDP Growth (Trend)

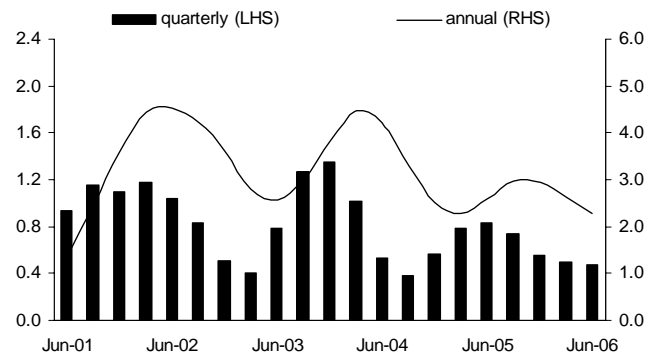


Table 2
Components of GDP
(June Quarter 2006, Trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.7	2.6	0.5	2.0
Household consumption	0.7	2.6	0.4	1.5
General govt consumption	0.5	2.5	0.1	0.5
Private dwellings	-0.5	-4.6	0.0	-0.3
Business Investment	1.2	13.0	0.2	1.6
Machinery and equipment	1.0	13.6	0.1	1.0
Buildings and structures	1.4	12.1	0.1	0.6
Livestock	0.0	0.8	0.0	0.0
Intangible fixed assets	1.7	4.4	0.0	0.1
Ownership transfer costs	5.0	9.3	0.1	0.1
Private gross fixed capital	1.1	7.1	0.3	1.6
Public gross fixed capital	1.5	10.1	0.1	0.4
Changes in inventories			-0.3	-0.6
Private non-farm stocks			-0.2	-0.6
Farm			0.0	-0.1
Public authorities			0.0	0.1
Gross national expenditure	0.6	3.3	0.6	3.5
Net Exports			-0.2	-1.1
Exports of goods & services	0.9	2.2	0.2	0.4
less Imports of goods & services	1.8	7.2	0.4	1.5
Statistical discrepancy			0.1	0.0
GDP	0.5	2.3	0.5	2.3
Current Prices				
Compensation of employees	1.6	6.8		
Gross Operating surplus	1.4	7.7		
GDP	1.4	6.6		
Deflators and Prices				
Terms of Trade	1.8	6.8		
Household consumption deflator	0.8	2.9		
GDP deflator	0.9	4.3		

*Reference year for chain volume measure is 2004-05