

Highlights

- Trend data show that gross domestic product (GDP) in Australia increased 0.4% in September quarter 2006. The September quarter outcome was slightly lower than growth recorded in the previous two quarters (up 0.5% in each quarter) and represented the lowest quarterly growth since December quarter 2004.
- In annual terms, GDP growth continued to ease in September quarter 2006, rising 2.1%, 0.4 percentage point lower than that in June quarter 2006.
- In seasonally adjusted (sa) terms, GDP rose 0.3% in the September quarter, to be 2.2% higher than a year ago. These results are largely in line with the market expectations of 0.4% and 2.0% respectively.
- The terms of trade continued to rise in the September quarter, increasing 1.1%. However, annual growth in the terms of trade moderated to 6.0% in the September quarter, after recording double-digit growth between June quarter 2005 and March quarter 2006.

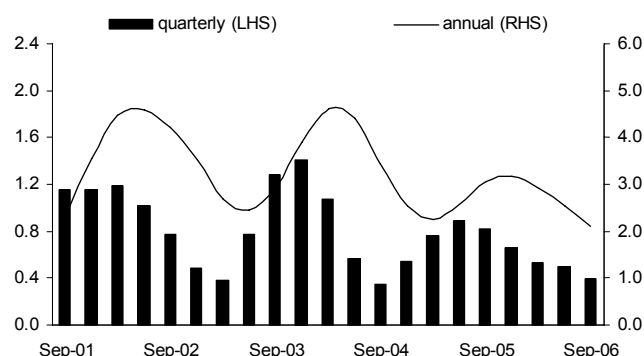
Analysis (trend terms)

- Household consumption, and to a lesser degree dwelling investment, were the main drivers of overall economic growth in September quarter 2006.
- Household consumption rose 0.7% over the quarter, to be 2.9% higher than that of a year ago.
- Revised data show that dwelling investment has recovered since June quarter 2006, rising 1.7% over the September quarter. Both new and used dwelling construction as well as renovation activity rose over the quarter.
- In contrast, business investment fell for the second consecutive quarter in the September quarter. This was due to a decline in machinery and equipment investment (down 2.6%), which more than offset 1.1% growth in investment in other buildings and structures.
- A substantial fall in private non-farm stocks resulted in a 0.4 percentage point deduction from overall growth over the quarter. Changes in inventories have now detracted from growth since December quarter 2005.
- Net exports contributed to overall growth (0.1 percentage point) for the first time since September quarter 2001. Exports rose 1.2% in September quarter 2006, while growth in imports moderated to 0.7% over the quarter.

**Table 1
GDP Growth – Sep. Quarter 2006**

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.3	2.2
Trend	0.4	2.1

**Chart 1
GDP Growth
(Trend)**



**Table 2
Components of GDP
(Sep. Quarter 2006, Trend)**

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.8	3.4	0.7	2.5
Household consumption	0.7	2.9	0.4	1.7
General govt consumption	1.1	4.7	0.2	0.8
Private dwellings	1.7	-0.5	0.1	0.0
Business Investment	-1.0	4.2	-0.1	0.6
Machinery and equipment	-2.6	0.4	-0.2	0.0
Buildings and structures	1.1	9.6	0.1	0.5
Livestock	-0.7	-0.7	0.0	0.0
Intangible fixed assets	3.8	12.6	0.1	0.2
Ownership transfer costs	-1.6	4.1	0.0	0.1
Private gross fixed capital	-0.1	3.3	0.0	0.8
Public gross fixed capital	0.1	4.4	0.0	0.2
Changes in inventories			-0.4	-1.1
Private non-farm stocks			-0.4	-1.2
Farm			0.0	0.0
Public authorities			0.0	0.1
Gross national expenditure	0.2	2.3	0.2	2.4
Net Exports			0.1	-0.6
Exports of goods & services	1.2	4.6	0.2	0.9
less Imports of goods & services	0.7	6.5	0.2	1.4
Statistical discrepancy			0.1	0.3
GDP	0.4	2.1	0.4	2.1
Current Prices				
Compensation of employees	1.7	6.9		
Gross Operating surplus	2.0	8.4		
GDP	1.6	6.8		
Deflators and Prices				
Terms of Trade	1.1	6.0		
Household consumption deflator	0.7	2.9		
GDP deflator	1.2	4.6		

*Reference year for chain volume measure is 2004-05