



Highlights

- Trend data show that gross domestic product (GDP) in Australia increased 0.6% in December quarter 2006. Upward revisions to historical data in the December release have resulted in a change in the profile of GDP growth. The December quarter outcome is now the fifth consecutive month of 0.6% quarterly growth in GDP, representing a stabilisation of the previous downward trend.
- In annual terms, GDP grew by 2.4% in December quarter 2006, equal to the growth recorded in the previous quarter, but below the recent peak of 3.2% recorded in December quarter 2005.
- In seasonally adjusted (sa) terms, GDP rose 1.0% in the December quarter, to be 2.8% higher than a year ago. The combination of strong quarterly growth and upward revisions to history mean that these results are substantially above market expectations of 0.6% and 2.0% respectively.
- The terms of trade continued to rise in the December quarter, increasing 1.7%, following 1.6% growth in the September quarter. The terms of trade has now improved in each of the previous 24 quarters.

Analysis (trend terms)

- Household consumption, and to a lesser degree public investment, were the main drivers of overall economic growth in December quarter 2006.
- Household consumption rose 0.9% over the quarter, to be 3.4% higher than that of a year ago.
- Dwelling investment has recovered since March quarter 2006, rising 1.8% over the December quarter. This solid growth was largely a result of an increase in renovation activity.
- Business investment fell for the second consecutive quarter in the December quarter. This was due to a decline in machinery and equipment investment (down 1.9%), which more than offset 2.2% growth in investment in other buildings and structures.
- Public investment rose 3.9% in December quarter 2006, slightly lower than the 4.2% growth recorded in the September quarter. Annual growth in public investment reached 14.0% in the December quarter, the highest annual growth rate since June quarter 2004.
- Net exports continued to detract from overall growth in the December quarter (-0.5 percentage point), representing the 22nd consecutive quarterly deduction from growth. This was due to a modest rise in exports (up 0.7%) being outweighed by a strong increase in imports (up 2.6%).

Table 1
GDP Growth – Dec. Quarter 2006

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	1.0	2.8
Trend	0.6	2.4

Chart 1
GDP Growth (Trend)

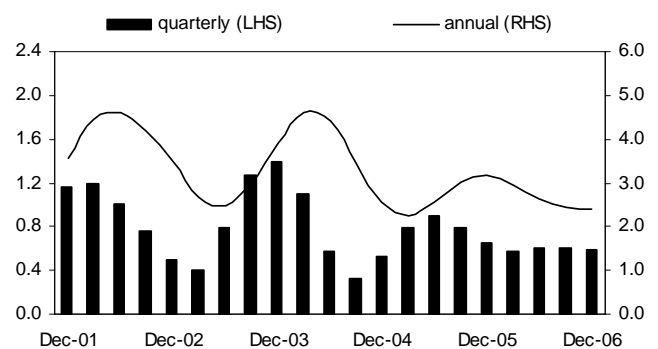


Table 2
Components of GDP
(Dec. Quarter 2006, Trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.8	3.5	0.6	2.7
Household consumption	0.9	3.4	0.5	2.0
General govt consumption	0.5	3.7	0.1	0.7
Private dwellings	1.8	3.6	0.1	0.2
Business Investment	-0.1	1.5	0.0	0.2
Machinery and equipment	-1.9	-3.5	-0.1	-0.3
Buildings and structures	2.2	8.8	0.1	0.5
Livestock	-15.5	-35.0	0.0	-0.1
Intangible fixed assets	2.9	12.9	0.0	0.2
Ownership transfer costs	-5.8	-5.8	-0.1	-0.1
Private gross fixed capital	0.0	1.7	0.0	0.4
Public gross fixed capital	3.9	14.0	0.2	0.6
Changes in inventories			0.1	-0.5
Private non-farm stocks			0.1	-0.5
Farm			0.0	0.0
Public authorities			0.0	0.1
Gross national expenditure	0.9	3.0	0.9	3.1
Net Exports			-0.5	-1.1
Exports of goods & services	0.7	4.5	0.1	0.8
less Imports of goods & services	2.6	8.7	0.6	1.9
Statistical discrepancy			0.1	0.3
GDP	0.6	2.4	0.6	2.4
Current Prices				
Compensation of employees	1.9	7.3		
Gross Operating surplus	2.4	9.4		
GDP	1.9	7.4		
Deflators and Prices				
Terms of Trade	1.7	6.8		
Household consumption deflator	0.5	2.6		
GDP deflator	1.3	4.9		

*Reference year for chain volume measure is 2004-05