



### Highlights

- Trend data show that gross domestic product (GDP) in Australia increased 1.1% in March quarter 2007. Substantial upward revisions were made to historical data in the March quarter release, while the impact of the privatisation of Telstra made some trend series unavailable. ABS data now show a clear trend of accelerating quarterly GDP growth over the past year (see Chart 1).
- In annual terms, GDP grew by 3.5% in March quarter 2007, the fastest rate of growth since June quarter 2004.
- In seasonally adjusted (sa) terms, GDP rose 1.6% in the March quarter, to be 3.8% 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 1.2% and 3.1% respectively.
- The terms of trade continued to rise in the March quarter, increasing 1.5%. The terms of trade has now improved in each of the previous 25 quarters.

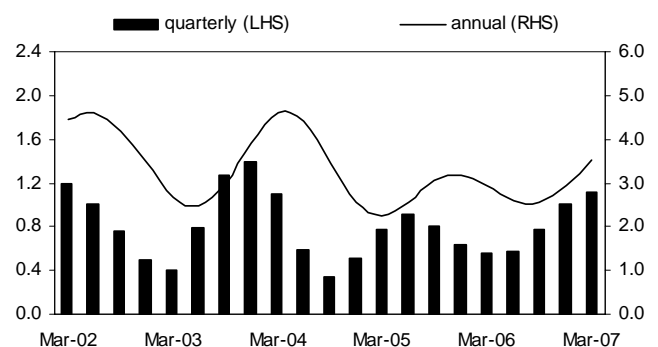
### Analysis (trend terms)

- Household consumption, private investment and a build-up in inventories all contributed to the strong GDP result in the March quarter.
- Household consumption rose 1.2% over the quarter, to be 4.2% higher than that of a year ago. This represents a significant rebound from the 2.6% annual growth record in March quarter last year.
- Dwelling investment rose a solid 1.5% in March quarter 2007, to be 7.1% over the year. Dwelling investment has now grown in annual terms for two consecutive quarters, after recording annual declines in the preceding eight quarters.
- Growth in private investment was artificially inflated by the re-classification of Telstra from a public to a private corporation. Private investment rose 2.6% in March quarter 2007, to be 4.7% higher over the year.
- Trend series on business and public investment are not available due to a trend break in the series as a result of the privatisation of Telstra. However, the volatility caused by the re-classification of Telstra is shown in seasonally adjusted terms, where public investment shows a 16.9% fall in the March quarter, while private investment jumped 5.8%.
- Rapid growth in imports (up 3.2%) overshadowed growth in exports (up 0.8%) in the March quarter, resulting in net exports detracting from overall economic growth for the 23<sup>rd</sup> consecutive quarter.

**Table 1**  
**GDP Growth – March Quarter 2007**

| Chain volume measures | % Change  |        |
|-----------------------|-----------|--------|
|                       | Quarterly | Annual |
| Seasonally adjusted   | 1.6       | 3.8    |
| Trend                 | 1.1       | 3.5    |

**Chart 1**  
**GDP Growth (Trend)**



**Table 2**  
**Components of GDP (March Quarter 2007, Trend)**

| Chain Volume Measure*            | % Change  |        | % Contribution |        |
|----------------------------------|-----------|--------|----------------|--------|
|                                  | quarterly | annual | quarterly      | annual |
| Total consumption                | 1.0       | 3.8    | 0.7            | 2.9    |
| Household consumption            | 1.2       | 4.2    | 0.7            | 2.4    |
| General govt consumption         | 0.1       | 2.7    | 0.0            | 0.5    |
| Private dwellings                | 1.5       | 7.1    | 0.1            | 0.4    |
| Business Investment#             | n/a       | n/a    | n/a            | n/a    |
| Machinery and equipment#         | n/a       | n/a    | n/a            | n/a    |
| Buildings and structures#        | n/a       | n/a    | n/a            | n/a    |
| Livestock                        | -7.3      | -35.9  | 0.0            | -0.1   |
| Intangible fixed assets          | 7.5       | 17.7   | 0.1            | 0.2    |
| Ownership transfer costs         | -1.0      | -6.6   | 0.0            | -0.1   |
| Private gross fixed capital      | 2.6       | 4.7    | 0.6            | 1.1    |
| Public gross fixed capital#      | n/a       | n/a    | n/a            | n/a    |
| Changes in inventories           |           |        | 0.5            | 0.6    |
| Private non-farm stocks          |           |        | 0.5            | 0.7    |
| Farm                             |           |        | 0.0            | -0.1   |
| Public authorities               |           |        | 0.0            | 0.1    |
| Gross national expenditure       | 1.6       | 4.7    | 1.6            | 4.9    |
| Net Exports                      |           |        | -0.6           | -1.7   |
| Exports of goods & services      | 0.8       | 4.1    | 0.2            | 0.8    |
| less Imports of goods & services | 3.2       | 10.8   | 0.7            | 2.4    |
| Statistical discrepancy          |           |        | 0.1            | 0.3    |
| GDP                              | 1.1       | 3.5    | 1.1            | 3.5    |
| <b>Current Prices</b>            |           |        |                |        |
| Compensation of employees        | 2.0       | 7.9    |                |        |
| Gross Operating surplus          | 3.1       | 11.9   |                |        |
| GDP                              | 2.1       | 8.4    |                |        |
| <b>Deflators and Prices</b>      |           |        |                |        |
| Terms of Trade                   | 1.5       | 7.5    |                |        |
| Household consumption deflator   | 0.3       | 2.1    |                |        |
| GDP deflator                     | 1.0       | 4.7    |                |        |

\*Reference year for chain volume measure is 2004-05

# Due to trend break related to the privatisation of Telstra, no trend estimate is available for this series