



### Highlights

- Trend gross domestic product (GDP) in Australia rose 1.2% in June quarter 2007, representing the third successive quarter of growth above 1.0%. As a result, annual growth in GDP improved to 4.4%, the highest rate of growth in three years (Chart 1).
- Driven largely by a rise in business investment, seasonally adjusted (sa) GDP rose 0.9%, higher than the market consensus of 0.6%. As a result, annual sa GDP growth strengthened to a three-year high of 4.3%, higher than the market expectation of 3.8% growth.
- The main market reaction was a rise in the \$A, from US82c at 11:30am to around US82.4c by 12:30pm.
- Trend growth in market sector labour productivity improved for the fourth consecutive quarter, to be 1.2% in the June quarter.
- The terms of trade rose a 1.0% in the June quarter, although growth has slowed over the past year.
- Revised data show that the household savings ratio turned positive (0.1%) in the first half of 2007, after gradually improving from a trough of -3.9% in 2003 during the national housing boom.

### Analysis of GDP Components (trend terms)

- With the economy running at near full capacity, private investment was the main driver of the strong GDP result in the June quarter, reflecting efforts to expand the economy's productive capacity.
- Trend private investment rose 4.1% in the quarter, to be 11.0% higher over the year. Trend series on business and public investment are not available due to a break in the series as a result of the privatisation of Telstra in late 2006. However, in sa terms, private machinery and equipment investment (up 6.2%) and public investment (up 15.4%) recorded strong rises in the June quarter.
- Household consumption rose 1.0% in June quarter 2007, to be 4.2% higher than a year ago. Annual growth has now been strengthening since a low of 2.5% in March quarter 2006.
- However, growth in dwelling investment eased for the third consecutive quarter, to 0.6% in June quarter 2007. This growth was driven entirely by a rise in new construction, with the level of renovation activity remaining unchanged during the quarter.
- Imports growth of 2.6% to outpaced growth in exports, which improved only marginally to 0.8% in the June quarter. Net exports have now detracted from economic growth for the six years in a row.

Table 1  
GDP Growth – June Quarter 2007

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.9	4.3
Trend	1.2	4.4

Chart 1  
GDP Growth  
(Trend)

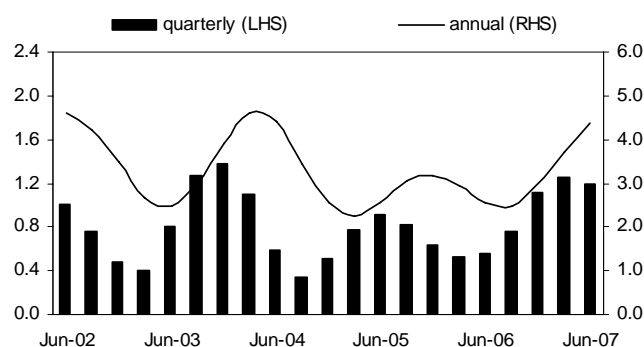


Table 2  
Components of GDP  
(June Quarter 2007, Trend)

Chain Volume Measure*	% Change		% Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.9	3.6	0.7	2.8
Household consumption	1.0	4.2	0.6	2.4
General govt consumption	0.3	1.7	0.0	0.3
Private dwellings	0.6	5.5	0.0	0.3
Business Investment <sup>#</sup>	n/a	n/a	n/a	n/a
Machinery and equipment <sup>#</sup>	n/a	n/a	n/a	n/a
Buildings and structures <sup>#</sup>	n/a	n/a	n/a	n/a
Livestock	2.5	-25.5	0.0	-0.1
Intangible fixed assets	4.0	21.4	0.1	0.3
Ownership transfer costs	7.3	5.9	0.1	0.1
Private gross fixed capital	4.1	11.0	1.0	2.6
Public gross fixed capital <sup>#</sup>	n/a	n/a	n/a	n/a
Changes in inventories			0.2	1.0
Private non-farm stocks			0.2	1.0
Farm			0.0	0.0
Public authorities			0.0	0.0
Gross national expenditure	1.8	6.3	1.9	6.6
Net Exports			-0.5	-2.1
Exports of goods & services	0.8	3.1	0.1	0.6
less Imports of goods & services	2.6	11.8	0.6	2.6
Statistical discrepancy			-0.1	-0.1
GDP	1.2	4.4	1.2	4.4
<b>Current Prices</b>				
Compensation of employees	2.3	8.7		
Gross Operating surplus	1.9	10.8		
GDP	1.8	8.5		
<b>Deflators and Prices</b>				
Terms of Trade	1.0	6.4		
Household consumption deflator	0.6	2.2		
GDP deflator	0.6	4.0		

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

<sup>#</sup> Due to trend break related to the privatisation of Telstra, no trend estimate is available