



### Highlights

- Trend gross domestic product (GDP) in Australia rose 0.9% in September quarter 2007, easing slightly from the 1.0% growth recorded in the June quarter, but stronger than the 0.7% recorded in September quarter 2006. As a result, annual growth in GDP edged up 0.1 percentage point to 4.0%, the highest rate of growth in over three years (Chart 1).
- Seasonally adjusted (sa) GDP rose 1.0% in the September quarter, in line with market expectations. In annual terms, sa GDP growth strengthened to a three-year high of 4.3%, well below the market expectation of 4.8% growth. However, this was largely a result of revisions to previous data, which resulted in GDP growth in June quarter 2007 being revised down 0.2 percentage point.
- The terms of trade declined 0.2% in the September quarter, the first decline since December quarter 2000. However, the terms of trade remained 3.3% higher over the year.

### Analysis of GDP Components (trend terms)

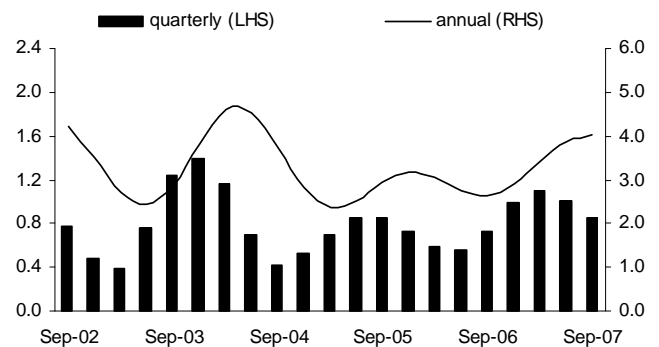
- Following a period of surging investment, consumption spending returned as the key driver of growth in the September quarter.
- Household consumption rose 0.9% in September quarter 2007, to be 4.1% higher than a year ago, its strongest rate of annual growth in almost three years. Combined with the general government sector, consumption expenditure contributed 2.7 percentage points to the 4.0% GDP growth over the year to September quarter 2007.
- However, with the economy running at near full capacity, private investment remained a substantial contributor to the strong GDP result in the September quarter, reflecting continued efforts to expand the economy's productive capacity.
- Trend private investment rose 1.7% in the quarter, to be 10.7% higher over the year. Trend series on business and public investment remain unavailable, due to a break in the series as a result of the full privatisation of Telstra in late 2006. However in sa terms, business investment rose 11.9% over the year to September quarter 2007..
- In contrast, growth in dwelling investment stalled in the September quarter, remaining unchanged. A 0.2% decline in new construction was offset by a 0.2% rise in renovation activity.

- Imports growth of 1.6% outpaced growth in exports of 1.4% in the September quarter, leading to a marginal detraction (0.1%) from growth by the trade sector.

**Table 1: GDP Growth**  
(September Quarter 2007)

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	1.0	4.3
Trend	0.9	4.0

**Chart 1: GDP Growth**  
(% change, trend)



**Table 2: Components of GDP**  
(September Quarter 2007, trend)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.8	3.6	0.6	2.7
Household consumption	0.9	4.1	0.5	2.3
General gov't consumption	0.6	2.0	0.1	0.4
Private dwellings	0.0	2.8	0.0	0.2
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	16.1	7.4	0.0	0.0
Intangible fixed assets	3.9	20.8	0.1	0.3
Ownership transfer costs	3.1	10.4	0.1	0.2
Private gross fixed capital	1.7	10.7	0.4	2.4
Public gross fixed capital#	n/a	n/a	n/a	n/a
Changes in inventories			0.0	0.8
Private non-farm stocks			0.0	0.8
Farm			0.0	0.0
Public authorities			0.0	0.0
Gross national expenditure	1.1	6.2	1.2	6.3
Net exports			-0.1	-1.5
Exports of goods & services	1.2	3.7	0.2	0.8
less Imports of goods & services	1.6	10.2	-0.4	-2.3
Statistical discrepancy			-0.1	-0.7
<b>GDP</b>	<b>0.9</b>	<b>4.0</b>	<b>0.9</b>	<b>4.0</b>
<b>Current prices</b>				
Compensation of employees	2.1	9.1		
Gross operating surplus	0.9	7.1		
GDP	1.6	7.6		
<b>Deflators and prices</b>				
Terms of trade	-0.2	3.3		
Household consumption deflator	0.8	2.5		
GDP deflator	0.7	3.4		

\*Reference year for chain volume measure is 2005-06

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