

Highlights

- Growth in gross domestic product (GDP) in Australia continued to moderate in March quarter 2008, rising 0.7% (trend), following 0.8% and 1.0% growth in the previous two quarters respectively. Weaker growth in private investment and exports continued to drive the moderation.
- Annual growth in GDP also moderated to 3.7% in the March quarter, after peaking at a revised 4.5% in the September quarter 2007 (Chart 1).
- In seasonally adjusted (sa) terms, GDP rose 0.6% in the March quarter, substantially above market expectations of modest 0.3% growth, while annual growth in sa GDP (3.6%) was also well above the market expectation of 2.8%.
- The terms of trade rose 0.9% in the March quarter, following a revised increase of 0.4% in December quarter 2007. With the exception of a marginal 0.1% fall in September quarter, the terms of trade have risen in every quarter since December quarter 2000, to increase a total of 48.3% over the period.

Analysis of GDP Components (trend terms)

- Revised data show that growth in household consumption has remained relatively steady in recent quarters, despite substantially tighter monetary policy and rising fuel prices. Household consumption rose 1.1% in the March quarter, the seventh consecutive quarter of growth of either 1.1% or 1.2%. Consequently, annual growth in household spending was unchanged at 4.6% in the March quarter. Combined with general government consumption, total consumption contributed 3.3 percentage points to the 3.7% GDP growth over the year to March quarter 2008.
- 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. In sa terms, business investment rose 1.2% in the March quarter, following growth of 0.7% in the previous quarter. Nevertheless, annual sa business investment growth moderated to 5.9% in March quarter 2008, from 14.4% in the previous quarter.
- Dwelling investment remained weak in March quarter 2008, rising a marginal 0.1%, to be 0.2% lower over the year.
- Exports of goods and services continued to be adversely affected by high A\$ exchange rates and disruptions to mineral exports, rising only 0.2% over the quarter. Imports of goods and services

continued to grow strongly. As a result, net exports detracted 0.7 percentage point from overall economic growth in the quarter.

Table 1: GDP Growth
(March Quarter 2008)

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.6	3.6
Trend	0.7	3.7

Chart 1: GDP Growth
(% change, trend)

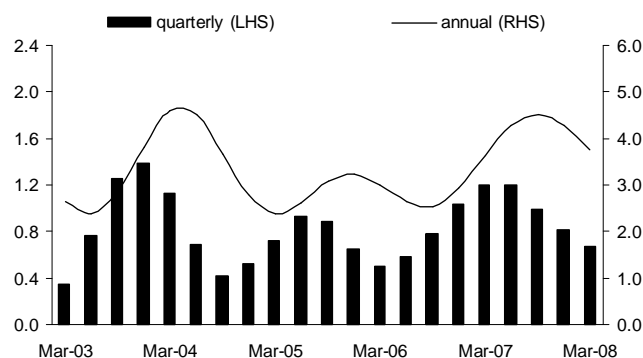


Table 2: Components of GDP
(March Quarter 2008, trend)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	1.1	4.5	0.8	3.3
Household consumption	1.1	4.6	0.6	2.6
General gov't consumption	1.0	3.9	0.2	0.7
Private dwellings	0.1	-0.2	0.0	0.0
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	1.2	11.7	0.0	0.0
Intangible fixed assets	2.3	12.7	0.0	0.2
Ownership transfer costs	-3.6	-1.2	-0.1	0.0
Private gross fixed capital	0.4	4.8	0.1	1.1
Public gross fixed capital [#]	n/a	n/a	n/a	n/a
Changes in inventories			0.0	0.2
Private non-farm stocks			0.0	0.1
Farm			0.0	0.0
Public authorities			0.0	0.1
Gross national expenditure	1.0	4.9	1.0	5.1
Net exports			-0.7	-2.1
Exports of goods & services	0.2	2.6	0.0	0.5
less Imports of goods & services	3.0	11.4	0.7	2.7
Statistical discrepancy			0.4	0.8
GDP	0.7	3.7	0.7	3.7
Current prices				
Compensation of employees	1.3	7.0		
Gross operating surplus	2.1	7.6		
GDP	1.7	7.5		
Deflators and prices				
Terms of trade	0.9	1.5		
Household consumption deflator	0.8	3.1		
GDP deflator	1.0	3.6		

*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