

Highlights

- Growth in gross domestic product (GDP) in Australia continued to moderate in June quarter 2008, to 0.5% (trend), following 0.6% and 0.7% growth in the previous two quarters respectively. Weaker growth in household consumption and a run down in inventories drove the moderation.
- Annual growth in GDP also moderated to 2.7% in the June quarter, after peaking at a revised 4.4% in the September quarter 2007 (Chart 1).
- In seasonally adjusted (sa) terms, GDP rose 0.3% in the June quarter, marginally below market expectations of modest 0.4% growth, while annual growth in sa GDP (2.7%) was also below market expectations of 2.9% growth.
- The terms of trade rose 10.6% in the June quarter, to be 14.1% higher over the year. This is the largest trend quarterly rise in the terms of trade since the inception the national accounts in 1959, and mostly reflects substantial rises in contract prices for coal and iron ore at the start of the Japanese Fiscal year in April. With the exception of a marginal 0.2% fall in September quarter 2007, the terms of trade have risen in every quarter since December quarter 2000, to be 67.3% higher over the period.

Analysis of GDP Components (trend terms)

- Revised data show that growth in household consumption has eased considerably in recent quarters, reflecting substantially tighter monetary policy and rising fuel prices. Household consumption rose 0.4% in the June quarter, easing for the third consecutive quarter from a recent peak of 1.2% in December quarter 2006. Annual growth in household spending eased 0.6 percentage point to 3.2% in the June quarter.
- Dwelling investment remained subdued in June quarter 2008, rising 0.4%, to be 1.4% higher over the year.
- In contrast to the household sector, quarterly growth in business investment (in sa terms, as trend data are still unavailable) strengthened to 4.9% in the June quarter. Similarly, annual sa business investment growth also strengthened to 10.8% in June quarter 2008.
- Exports growth strengthened slightly to 1.5% over the quarter, while imports growth moderated from 3.4% in the March quarter to 3.0% in the June quarter, partly reflecting the easing in household consumption growth. As a result, net exports detracted 0.5 percentage point from overall

economic growth in the quarter, similar to that in the previous quarter.

Table 1: GDP Growth
(June Quarter 2008)

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.3	2.7
Trend	0.5	2.7

Chart 1: GDP Growth
(% change, trend)

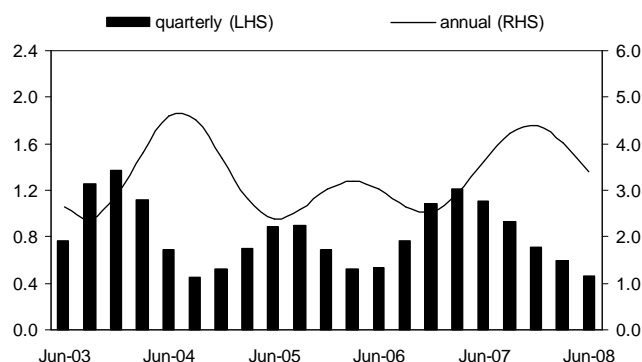


Table 2: Components of GDP
(June Quarter 2008, trend)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.6	3.4	0.4	2.6
Household consumption	0.4	3.2	0.3	1.8
General gov't consumption	0.8	4.2	0.1	0.7
Private dwellings	0.4	1.4	0.0	0.1
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	-0.4	7.0	0.0	0.0
Intangible fixed assets	3.0	13.4	0.0	0.2
Ownership transfer costs	-3.5	-9.9	-0.1	-0.2
Private gross fixed capital	1.8	6.4	0.4	1.5
Public gross fixed capital [#]	n/a	n/a	n/a	n/a
Changes in inventories			-0.2	-0.2
Private non-farm stocks			-0.2	-0.2
Farm			0.0	0.1
Public authorities			0.0	0.0
Gross national expenditure	0.9	4.4	0.9	4.6
Net exports			-0.5	-2.1
Exports of goods & services	1.5	4.7	0.3	0.9
less Imports of goods & services	3.0	12.8	0.8	3.0
Statistical discrepancy			0.0	0.2
GDP	0.5	2.7	0.5	2.7
Current prices				
Compensation of employees	1.6	6.7		
Gross operating surplus	4.4	12.3		
GDP	2.4	8.7		
Deflators and prices				
Terms of trade	10.6	14.1		
Household consumption deflator	0.9	3.6		
GDP deflator	1.9	5.8		

*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