

Highlights

- Growth in gross domestic product (GDP) in Australia continued to moderate in September quarter 2008, to 0.2% (trend), following 0.6% and 0.4% growth in the March and June quarters respectively. A stalling in household consumption growth and weaker private investment growth drove the moderation.
- Annual growth in GDP also moderated to 2.0% in the September quarter, after peaking at a revised 4.2% in September quarter 2007 (Chart 1).
- In seasonally adjusted (sa) terms, GDP rose 0.1% in the September quarter, marginally below market expectations of modest 0.2% growth, while annual growth in sa GDP (1.9%) was in line with market expectations. This annual growth outcome is the weakest since June quarter 2001.
- The terms of trade rose a further 1.7% in the September quarter, to be 19.9% higher over the year. With the exception of a modest 1.1% fall in September quarter 2007, the terms of trade have risen in every quarter since December quarter 2000, to be 76.1% higher over the period. However, recent sharp falls in global commodity prices and a considerable depreciation in the A\$, should see the terms of trade decline in coming quarters.

Analysis of GDP Components (trend terms)

- Revised data show that growth in household consumption has weakened considerably in recent quarters, partly reflecting the continued effects of substantially tighter monetary policy and rising fuel prices earlier in the year. Consumer confidence and spending has also been affected by a sharp decline in equity prices and moderate fall in house prices, which have lowered household wealth. Household consumption was unchanged (0.0%) in the September quarter, the weakest result since March quarter 1991. Annual growth in household spending eased 1.0 percentage point to 1.6% in the September quarter, the weakest annual growth since September quarter 1993.
- Quarterly growth in business investment (in sa terms, as trend data are still unavailable) eased to 1.7% in the September quarter, from 5.0% in the June quarter. Similarly, annual sa business investment growth also eased to 13.2%.
- Conversely, dwelling investment recovered somewhat in September quarter 2008, rising 0.6% in the quarter to be 2.7% higher over the year, strengthening from 1.8% annual growth in the June quarter.

- Exports and imports growth eased slightly to 1.5% and 2.6% respectively over the quarter. As a result, net exports detracted 0.3 percentage point from overall economic growth in the quarter, compared with 0.4 percentage point in the June quarter.

Table 1: GDP Growth
(September Quarter 2008)

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.1	1.9
Trend	0.2	2.0

Chart 1: GDP Growth
(% change, trend)

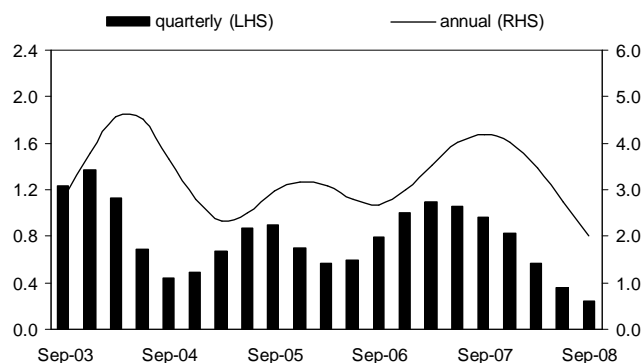


Table 2: Components of GDP
(September Quarter 2008, trend)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.2	2.1	0.1	1.6
Household consumption	0.0	1.6	0.0	0.9
General gov't consumption	0.7	3.7	0.1	0.6
Private dwellings	0.6	2.7	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	1.2	4.3	0.0	0.0
Intangible fixed assets	1.6	11.7	0.0	0.2
Ownership transfer costs	-8.5	-21.6	-0.1	-0.4
Private gross fixed capital	1.7	8.3	0.4	2.0
Public gross fixed capital#	n/a	n/a	n/a	n/a
Changes in inventories			-0.1	-0.2
Private non-farm stocks			-0.1	-0.1
Farm			0.0	0.0
Public authorities			0.0	-0.1
Gross national expenditure	0.6	3.8	0.6	3.9
Net exports			-0.3	-1.8
Exports of goods & services	1.5	6.3	0.3	1.3
Imports of goods & services	2.6	13.5	0.6	3.1
Statistical discrepancy			0.0	-0.1
GDP	0.2	2.0	0.2	2.0
Current prices				
Compensation of employees	2.0	7.3		
Gross operating surplus	4.5	17.5		
GDP	2.7	10.3		
Deflators and prices				
Terms of trade	1.7	19.9		
Household consumption deflator	1.1	4.1		
GDP deflator	2.5	8.1		

*Reference year for chain volume measure is 2006-07

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