

Highlights (seasonally adjusted terms)

- In seasonally adjusted (sa) terms, gross domestic product (GDP) fell 0.5% in December quarter 2008, well below market expectations of modest 0.2% growth, and the weakest quarterly result since December quarter 2000.
- A contraction in dwelling investment activity and a large run-down in inventories more than offset modest growth in household consumption and business investment, as well as a solid contribution from the trade sector.
- In annual terms, growth in sa GDP of 0.3% was well below market expectations of 1.2% growth. Annual growth in GDP moderated substantially over the course of 2008, to reach its lowest rate since December quarter 1991.
- Following the *National Accounts* release, the Australian Dollar fell from 63.75 US cents to 63.15 US Cents, as at 11.40 am. Similarly, the S&P/ASX 200 index lost 12 points over the same period.

Analysis of GDP Components (trend terms)

- Revised data show that quarterly growth in trend GDP weakened considerably in 2008, with a 0.1% decline in December quarter 2008, following an unchanged (0.0%) result in the September quarter and modest growth of 0.2% in the June quarter. Annual GDP growth eased to 0.7% in the December quarter, the weakest in over 16 years.
- Growth in household consumption remained weak in the December quarter, at 0.1% for the second consecutive quarter. This reflects the lagged effects of substantially tighter monetary policy earlier in the year, as well as weak consumer confidence and declining household wealth.
- Business investment (in sa terms, as trend data are still unavailable) rose 1.0% in the December quarter, to be 11.9% higher over the year, reflecting the large amount of investment projects still to be completed. Investment in machinery and equipment (up 0.3% and 11.3%) and non-dwelling construction (1.9% and 12.7%) rose in quarterly and annual terms respectively.
- Conversely, trend dwelling investment declined 0.2% in the December quarter, the weakest quarterly outcome since September quarter 2007, due to the lagged effect of higher interest rates earlier in 2008 as well as low consumer and investor confidence.

- Exports fell slightly (down 0.1%) over the quarter, while imports fell substantially (down 1.7%). As a result, net exports contributed 0.4 percentage point to overall economic growth in the quarter, the strongest contribution since March quarter 2001.

Table 1: GDP Growth
(December Quarter 2008)

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	-0.5	0.3
Trend	-0.1	0.7

Chart 1: GDP Growth
(% change, trend)

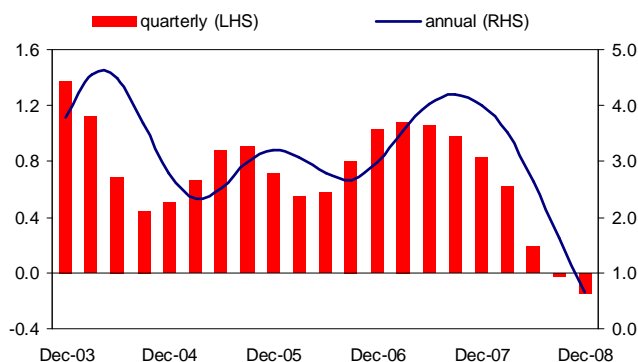


Table 2: Components of GDP
(December Quarter 2008, trend)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.1	1.2	0.1	0.9
Household consumption	0.0	0.7	0.0	0.4
General gov't consumption	0.4	2.8	0.1	0.5
Private dwellings	-0.2	1.9	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	5.7	18.9	0.0	0.0
Intangible fixed assets	1.4	10.5	0.0	0.2
Ownership transfer costs	-7.9	-25.7	-0.1	-0.4
Private gross fixed capital	0.8	6.9	0.2	1.7
Public gross fixed capital [#]	n/a	n/a	n/a	n/a
Changes in inventories			-0.7	-1.5
Private non-farm stocks			-0.6	-1.0
Farm			0.0	-0.2
Public authorities			-0.1	-0.2
Gross national expenditure	-0.3	1.4	-0.4	1.4
Net exports			0.4	-0.4
Exports of goods & services	-0.1	3.8	0.0	0.8
less Imports of goods & services	-1.7	5.2	0.4	-1.2
Statistical discrepancy			-0.2	-0.4
GDP	-0.1	0.7	-0.1	0.7
Current prices				
Compensation of employees	1.8	7.8		
Gross operating surplus	1.2	13.4		
GDP	1.6	9.2		
Deflators and prices				
Terms of trade	0.1	19.0		
Household consumption deflator	0.9	4.1		
GDP deflator	1.7	8.5		

*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