

Highlights (seasonally adjusted terms)

- In seasonally adjusted (sa) terms, gross domestic product (GDP) rose 0.4% in March quarter 2009, slightly above market expectations of a 0.2% rise, following a 0.6% fall in December quarter 2008.
- Considerable weakness in private investment was more than offset by a substantial contribution from net exports and a strengthening in household consumption growth. Specifically, a 7.0% fall in imports in the quarter contributed 1.6 percentage point to growth, more than offsetting the 1.3 percentage point deduction from private investment.
- Following the *National Accounts* release, the Australian Dollar rose from 81.90 US cents to 82.30 US Cents, as at 1.30 pm, while the S&P/ASX 200 index rose around 23 points.

Analysis of GDP Components (trend terms)

- Revised data show that quarterly growth in trend GDP has weakened considerably, from a recent peak of 1.1% in March quarter 2007 to a second consecutive 0.1% decline in March quarter 2009 (see Chart 1). Annual trend GDP growth eased to 0.3% in the March quarter, the weakest since the early 1990s recession.
- Growth in household consumption strengthened 0.1 percentage point for the second consecutive quarter, to 0.4% in the March quarter. While consumers remain cautious amid uncertain economic conditions, households have received a considerable boost to income in recent months from sharply lower interest rates and stimulus payments.
- Business investment fell 2.3% in the March quarter, but was 3.1% higher over the year. Investment in machinery and equipment fell 4.1%, the largest decline since June quarter 1991, reflecting a deterioration in business conditions and confidence, as well as the sharp depreciation in the A\$, which made imported capital equipment more expensive. Investment in non-dwelling construction fell a marginal 0.1% in the quarter, but was 7.2% higher over the year, reflecting the large value of construction work still to be completed.
- Trend dwelling investment declined 3.1% in the March quarter, the weakest quarterly outcome since March quarter 2001, reflecting the lagged effect of higher interest rates in much of 2008, lower consumer and investor confidence, as well as tighter credit standards.

- Exports rose slightly (up 0.4%) over the quarter, while imports fell substantially (down 6.1%). As a result, net exports contributed 1.5 percentage points to overall economic growth in the quarter, the strongest contribution in the history of the series (since 1959).

Table 1: GDP Growth
(March Quarter 2009)

Chain volume measures	% Change	
	Quarterly	Annual
Seasonally adjusted	0.4	0.4
Trend	-0.1	0.3

Chart 1: GDP Growth
(% change, trend)

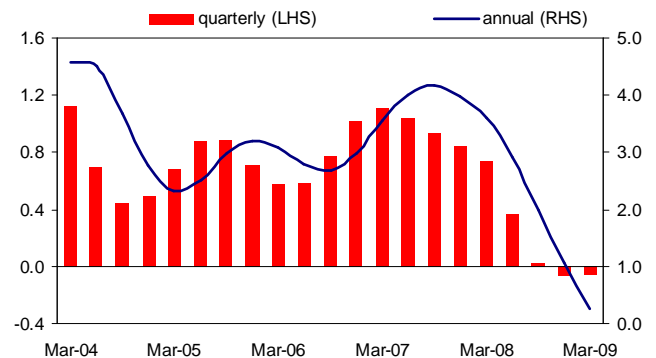


Table 2: Components of GDP
(March Quarter 2009, trend)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.4	1.2	0.3	0.9
Household consumption	0.4	0.9	0.2	0.5
General gov't consumption	0.3	2.1	0.0	0.4
Private dwellings	-3.1	-4.1	-0.2	-0.2
Business investment	-2.3	3.1	-0.4	0.5
Machinery and equipment	-4.1	-0.3	-0.4	0.0
Non-dwelling construction	-0.1	7.2	0.0	0.5
Livestock	2.3	18.8	0.0	0.0
Intangible fixed assets	2.5	10.1	0.0	0.2
Ownership transfer costs	-0.9	-18.2	0.0	-0.3
Private gross fixed capital	-2.1	0.4	-0.5	0.1
Public gross fixed capital	-1.3	2.8	-0.1	0.1
Changes in inventories			-0.6	-2.0
Private non-farm stocks			-0.5	-1.5
Farm			0.0	-0.2
Public authorities			0.0	-0.3
Gross national expenditure	-0.9	-0.9	-0.9	-0.9
Net exports			1.5	-2.6
Exports of goods & services	0.4	2.1	0.1	0.4
less Imports of goods & services	-6.1	-8.9	1.4	2.2
Statistical discrepancy			-0.7	-1.4
GDP	-0.1	0.3	-0.1	0.3
Current Prices				
Compensation of employees	0.5	5.5		
Gross operating surplus	-1.1	6.5		
GDP	0.1	5.7		
Deflators and Prices				
Terms of trade	-3.6	9.4		
Household consumption deflator	0.8	3.8		
GDP deflator	0.1	5.4		

*Reference year for chain volume measure is 2006-07