

- Widespread flooding and cyclones at the start of 2011 drove sharp falls in commodity exports and saw the national economy contract substantially in March quarter 2011. A slowdown in inventory investment and the winding back of federal government stimulus also detracted from growth in the quarter. However, looking through the weak overall result, domestic demand continued to grow, with household consumption, dwelling investment and business investment all rising in the quarter, suggesting the transition from a public to private driven recovery continues.
- In seasonally adjusted (sa) terms, gross domestic product (GDP) fell 1.2% in March quarter 2011, but was 1.0% higher over the year. These results were in line with market expectations of a 1.1% quarterly fall and a 1.0% annual rise. The decline in GDP in the March quarter was the largest since the early 1990s recession and exceeded the 0.9% fall recorded in December quarter 2008, at the depths of the global financial crisis.
- Net exports detracted 2.4 percentage points from GDP growth in the quarter, with an 8.7% fall in exports and a 1.3% rise in imports both detracting from growth. The fall in exports largely reflected weather-induced falls in mineral commodities, with exports of goods in Queensland falling 18.3%, the largest quarterly decline on record, reflecting declines in coal exports in particular. Exports of goods in Western Australia and New South Wales also fell.
- Household consumption (sa) rose 0.6% in the March quarter, to be 3.4% higher over the year. This is in line with solid labour market outcomes throughout the course of 2010. Ongoing consumer caution was reflected in the sa household saving ratio rising 1.8 percentage points to 11.5% in the March quarter, to a rate similar to that following federal cash stimulus payments in 2008-09.
- However, the terms of trade (sa) rose 5.8% in the quarter to its highest level in the 50-plus years of the current series. This will support future growth in both household incomes and business investment.
- Following two consecutive falls, dwelling investment rebounded 4.6% in March quarter 2011, to be 6.6% higher over the year. Both new building (up 4.5%) and alterations and additions activity (up 4.9%) rose in the quarter.
- Business investment rose 3.6% (sa) in the March quarter, the third consecutive rise, to be 7.2% higher over the year. Likely reflecting ongoing strength in the resources sector, engineering construction rose 2.5%, more than offsetting a 3.6% fall in non-residential construction (offices, shops,

factories, etc.). A strong A\$ supported 6.0% growth in machinery and equipment investment. Looking ahead, the latest ABS *Capital Expectations* data suggest double-digit growth in business investment in 2011-12, driven largely by mining-related activity.

- Reflecting the maturation of federal infrastructure initiatives, total public investment (sa) fell 0.7% in March quarter 2011, to be 6.0% below its March quarter 2010 peak.
- In trend terms, GDP fell 0.2% in March quarter 2010, but was 1.2% higher over the year.

Table 1: Components of GDP*
(March quarter 2011)

Seasonally Adjusted	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Household consumption	0.6	3.4	0.3	1.8
Private dwelling investment	4.6	6.6	0.3	0.4
Business investment	3.6	7.2	0.5	0.9
Machinery and equipment	6.0	5.7	0.4	0.4
Non-dwelling construction	1.3	8.7	0.1	0.5
Private gross fixed capital	3.4	5.0	0.7	1.1
Public gross fixed capital	-0.7	-6.0	0.0	-0.4
Changes in inventories			-0.5	-0.2
Gross national expenditure	0.8	3.1	0.8	3.1
Net exports			-2.4	-2.8
Exports of goods & services	-8.7	-3.4	-2.1	-0.8
less Imports of goods & services	1.3	9.0	-0.3	-2.1
Statistical discrepancy			0.4	0.7
GDP	-1.2	1.0	-1.2	1.0
Trend	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Household consumption	0.6	3.1	0.3	1.6
Private dwelling investment	1.0	2.5	0.1	0.1
Business investment	2.4	5.5	0.3	0.7
Machinery and equipment	3.9	2.6	0.2	0.2
Non-dwelling construction	0.9	8.6	0.1	0.5
Private gross fixed capital	1.5	3.0	0.3	0.7
Public gross fixed capital	-0.2	-0.7	0.0	0.0
Changes in inventories			0.1	0.2
Gross national expenditure	0.9	3.1	0.9	3.1
Net exports			-1.1	-2.4
Exports of goods & services	-2.9	-2.3	-0.7	-0.5
less Imports of goods & services	1.9	8.2	-0.5	-1.9
Statistical discrepancy			0.1	0.6
GDP	-0.2	1.2	-0.2	1.2

*Chain volume measure, 2008-09 reference year.

Chart 1: GDP Growth

(% change, trend)

