

- National economic growth rebounded solidly in June quarter 2011, following a sharp contraction in the disaster affected March quarter. Growth was driven by inventory investment, as well as a recovery in commodity exports as previously disaster affected mine and port output rebounded (see Chart 2). Resources related construction also supported growth, while individuals remained cautious regarding dwelling investment in particular.
- Seasonally adjusted (sa) gross domestic product (GDP) rose 1.2% in June quarter 2011, to be 1.4% higher annually, above market expectations of 0.9% quarterly growth and 0.5% annual growth. The June quarterly rise was the largest since March quarter 2007, and recovers the entire March quarter 2011 decline (see Chart 1). The much stronger than expected annual growth in part reflected ABS revisions, with March quarter 2011 revised to a 0.9% fall from a 1.2% fall initially.
- Household spending rose 1.0% in the June quarter. However, this compares with a modest fall in real household disposable income in the quarter. Consequently, the household saving ratio fell in the June quarter, although it remained high at 10.5%.
- Business investment rose for the fifth consecutive quarter in the June quarter, to be 12.1% higher over the year. The strong A\$ and resources projects supported 4.9% growth in machinery and equipment investment. Ongoing strength in the resources sector drove a 2.1% rise in engineering construction, but this was more than offset by 3.2% fall in non-residential construction.
- Following a solid rebound in the March quarter, dwelling investment fell a marginal 0.1% in the June quarter, with a 1.9% fall in new building almost offset by stronger alterations and additions activity.
- After detracting a record 2.1 percentage points from growth in the previous quarter, net exports detracted a more modest 0.5 of a percentage point in the June quarter (see Chart 2). While a recovery from weather induced falls in mineral commodities in the March quarter drove a 2.6% rise in exports, this was offset by a 4.3% rise in imports, in line with stronger machinery and equipment investment.
- The terms of trade (sa) rose 5.4% in the quarter to its highest level in the 50-plus years of the current series. This will continue to support future growth in both household incomes and business investment.
- As federal infrastructure initiatives continue to be completed, public investment fell 3.8% in June quarter 2011, to be 6.9% below its recent peak.
- Looking ahead, the trends evident in the June quarter *National Accounts* data are expected to have continued into the September quarter, with the resources sector continuing to benefit from ongoing recovery in capacity, strong prices for bulk commodities and a further ramp-up in major project construction. However, recent heightened financial market volatility may add to caution in the domestic household and dwelling sectors.

Chart 1: GDP Growth

(% change, seasonally adjusted)

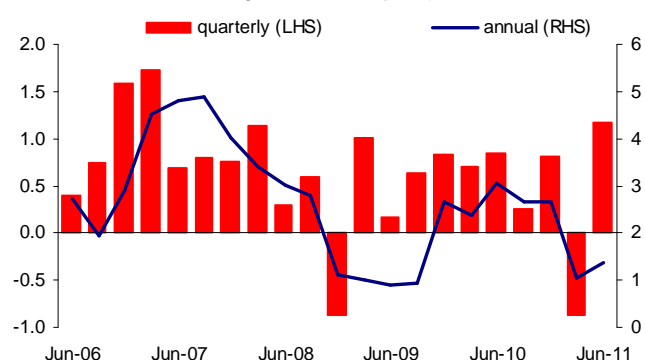


Table 1: Components of GDP*
(June quarter 2011)

Seasonally Adjusted	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Household consumption	1.0	3.2	0.5	1.7
Private gross fixed capital	1.3	6.4	0.3	1.4
Private dwelling investment	-0.1	0.7	0.0	0.0
Business investment	2.2	12.1	0.3	1.5
Machinery and equipment	4.9	14.3	0.3	0.9
Non-dwelling construction	-0.4	10.0	0.0	0.6
Public gross fixed capital	-3.8	-4.6	-0.2	-0.3
Changes in inventories			0.8	1.3
Gross national expenditure	1.5	4.7	1.6	4.7
Net exports			-0.5	-3.4
Exports of goods & services	2.6	-3.7	0.6	-0.9
less Imports of goods & services	4.3	10.5	-1.1	-2.5
Statistical discrepancy			0.1	0.0
Seasonally Adjusted GDP	1.2	1.4	1.2	1.4
Trend GDP	0.2	1.1	0.2	1.1

*Chain volume measure, 2008-09 reference year.

Chart 2: Contributions to GDP Growth

(quarterly % point contribution, seasonally adjusted)

