QUEENSLAND TREASURY
MACROECONOMICS TEAM

NATIONAL ACCOUNTS: SEPTEMBER QUARTER 2011

Source: ABS 5206.0, released 7 December 2011, 10.30am (AEST).

- **The national economy grew solidly in September quarter 2011. Growth was largely driven by a resources-related surge in business investment and solid growth in household consumption, which was partly offset by weaker inventory investment, the ongoing wind back in public infrastructure spending and a further detraction by the trade sector (see Chart 2).**
- Seasonally adjusted (sa) gross domestic product (GDP) rose 1.0% in September quarter 2011, the same as market expectations of 1.0% quarterly growth, to be 2.5% higher annually (see Chart 1).
- Business investment surged 15.3% in the September quarter, the largest quarterly rise in almost twelve years and contributed 2.0 percentage points to GDP growth. The surging resources sector drove a 31.0% rise in engineering construction, which was complimented by a 9.2% rise in non-residential construction. The strong A$ and resources projects also supported 6.7% growth in machinery and equipment investment. Capital expectations data suggest this trend will continue throughout 2011-12, as LNG projects in Western Australia and Queensland ramp-up construction.
- Household consumption rose 1.2% in the September quarter, strengthening slightly from 1.0% in the June quarter. With consumption growing below real household disposable income the household saving ratio rose to 10.1%. Spending growth was solid across most categories, with purchase of vehicles rising 7.2%, partly reflecting a recovery from disaster induced supply disruptions from Japanese manufacturers in the June quarter.
- Dwelling investment rose 0.9% in the September quarter, but was 2.9% lower over the year. A general easing in population growth and slightly restrictive interest rates have restrained owner occupied housing demand in 2011.
- A strong build up in inventories in the June quarter was largely unwound in the September quarter, detracting 0.8 percentage point from GDP growth.
- Net exports detracted 0.6 percentage point from growth in the quarter. A further recovery in exports of metal ores and minerals (up 6.6%), rural (up 5.8%) and coal (up 5.1%) led a 2.0% rise in total exports, but was more than offset by a 4.3% rise in imports, in line with stronger equipment investment.
- With GFC-related federal infrastructure spending winding down, public investment fell 6.6%, to be 13.8% below its March quarter 2010 peak.
- Looking ahead, some trends evident in the September quarter *National Accounts* data are expected to have continued into the December quarter, as more major resources projects reach FID. While mining exports should benefit from continued recovery in capacity, this is likely to be partly offset by a weakening in the outlook for industrial production in key export markets. Despite a second cut in interest rates, household demand may remain constrained by ongoing financial market volatility and weak asset prices.

Chart 1: GDP Growth

(% change, seasonally adjusted)

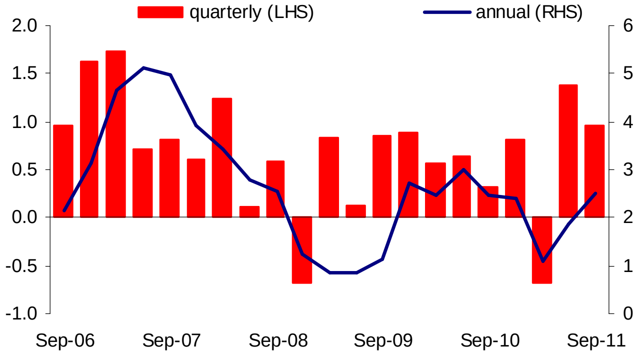


Table 1: Components of GDP*

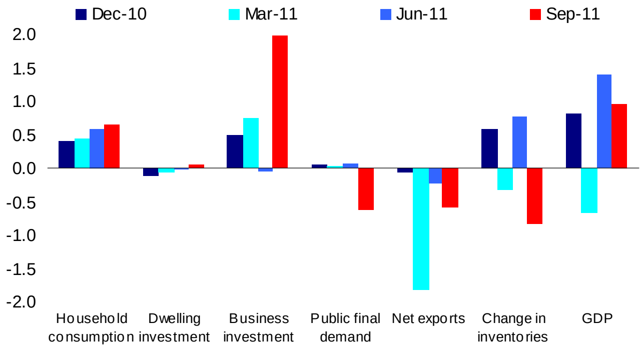
(September quarter 2011)

Seasonally Adjusted	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Household consumption	1.2	3.8	0.7	2.1
Private gross fixed capital	9.5	14.3	2.1	3.1
Private dwelling investment	0.9	-2.9	0.0	-0.2
Business investment	15.3	26.9	2.0	3.2
Machinery and equipment	6.4	20.9	0.4	1.2
Non-dwelling construction	24.4	32.7	1.5	2.0
Public gross fixed capital	-6.6	-10.2	-0.4	-0.7
Changes in inventories			-0.8	0.2
Gross national expenditure	1.2	4.7	1.3	4.8
Net exports			-0.6	-2.7
Exports of goods & services	2.0	0.8	0.4	0.2
less Imports of goods & services	4.3	13.8	-1.0	-2.9
Statistical discrepancy			0.3	0.4
Seasonally Adjusted GDP	**1.0**	**2.5**	**1.0**	**2.5**
Trend GDP	**0.8**	**2.1**	**0.8**	**2.1**

*Chain volume measure, 2009-10 reference year.

Chart 2: Contributions to GDP Growth

(quarterly % point contribution, seasonally adjusted)



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