

- National economic growth strengthened in March quarter 2012, with stronger growth in household consumption and a rebound in business investment more than offsetting a fall in dwelling investment, as well as detractions from both the trade sector and inventories. After pausing in the December quarter, business investment was again a key contributor to GDP growth in the quarter, driven largely by resources sector activity in Western Australia.
- Seasonally adjusted (sa) gross domestic product (GDP) rose 1.3% in March quarter 2012, strengthening from upwardly revised growth of 0.6% in December quarter 2011 (see Chart 1). This result was well above market expectations of 0.5% quarterly growth, and much stronger than the disaster-induced decline in March quarter 2011, resulting in annual growth strengthening to 4.3%. Following the release of the *National Accounts*, the A\$ rose 0.7 cent to US¢98.4, while the ASX 200 rose around 20 points to 4055, as at 12.30pm.
- Business investment rose 6.4% in the March quarter. This growth largely reflected a further surge in resources-driven engineering construction, predominantly in Western Australia. Excluding WA, business investment in the rest of the nation fell 1.3%. Reflecting weaker business confidence and investment outside of the resources sector, non-residential building (shops, offices, etc.) and machinery and equipment investment both fell.
- Household consumption rose 1.6% in the March quarter, strengthening from 0.6% growth in the previous quarter. The aggregate 50 basis point cut in official interest rates in late 2011, combined with a temporary easing in global financial volatility and strong discounting from retailers supported consumer spending in the March quarter.
- This stronger consumer sector was also reflected in an unwinding of the December quarter's strong build-up in retail trade inventories. This more than offset a further build-up in mining stockpiles, as resource demand eased, to see overall inventories detract 0.1 percentage point from quarterly growth.
- Dwelling investment fell 2.1% in the quarter, to be 6.2% lower over the year. The dwelling sector continues to be weighed down by a number of factors, including a weak house price outlook, global economic uncertainty and weak jobs growth driving consumer and investor caution, as well as tighter lending criteria.
- Net exports detracted 0.5 percentage point from GDP growth in the quarter. An easing in exports of metal ores and minerals (down 3.9%), rural goods (down 2.8%) and (often volatile) non-monetary gold

(down 22.9%) more than offset a 6.8% rise in coal exports, to see total exports fall 1.3% in the quarter. A 1.2% rise in total imports, driven by stronger transport and travel services imports, detracted 0.3 percentage point from GDP growth.

- In line with a continued easing in bulk commodity prices in the quarter, the terms of trade (sa) fell a further 4.2% in the March quarter, to be 9.8% below its September quarter 2011 peak.

Chart 1: GDP Growth
(% change, seasonally adjusted)

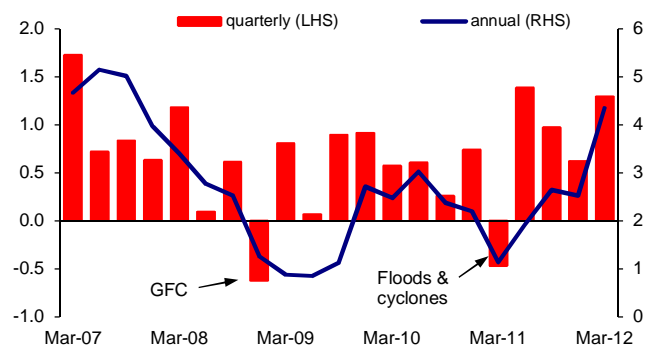


Table 1: Components of GDP*
(March quarter 2012)

Seasonally Adjusted	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Household consumption	1.6	4.2	0.9	2.4
Private gross fixed capital	3.5	13.1	0.8	2.9
Private dwelling investment	-2.1	-6.2	-0.1	-0.3
Business investment	6.4	23.8	0.9	3.1
Machinery and equipment	-0.8	7.5	-0.1	0.5
Non-dwelling construction	12.6	39.9	1.0	2.6
Non-residential building	-1.4	11.8	0.0	0.3
Engineering construction	19.7	53.1	1.1	2.4
Public gross fixed capital	0.5	-6.0	0.0	-0.4
Changes in inventories			-0.1	0.5
Gross national expenditure	1.7	5.5	1.7	5.7
Net exports			-0.5	-1.3
Exports of goods & services	-1.3	6.3	-0.2	1.2
less Imports of goods & services	1.2	11.5	-0.3	-2.5
Statistical discrepancy			0.1	0.0
Seasonally Adjusted GDP	1.3	4.3	1.3	4.3
Trend GDP	0.9	3.6	0.9	3.6

*Chain volume measure, 2009-10 reference year.

Chart 2: Contributions to GDP Growth
(quarterly % point contribution, seasonally adjusted)

