

ABS National Accounts: June quarter 2012

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- **National economic growth in June quarter 2012 was driven by higher household consumption and public final demand, as well as contributions from the trade sector and business investment, which were partly offset by detractions from dwelling investment and inventories. However, growth eased from the previous quarter, largely reflecting a slowdown in the rate of growth in business investment and consumption.**
- Seasonally adjusted (sa) gross domestic product (GDP) rose 0.6% in June quarter 2012, easing from growth of 1.4% in the March quarter (see Chart 1). This result was slightly below market expectations of 0.7% quarterly growth. Following the release of the *National Accounts*, the A\$ was largely unchanged at US\$1.025. Similarly, the ASX 200 was stable at around 4,275, as at 12.45pm.
- Household consumption rose 0.6% in the June quarter, easing from strong 1.8% growth in the previous quarter. This was a sharper moderation in spending than an easing in real household disposable income from 1.3% to 0.8% in the quarter. As a result, the household saving ratio rose to 9.2%, reflecting still cautious consumers. The easing in disposable income growth occurred despite an aggregate 75 basis point cut in official interest rates in the quarter, combined with additional payments to families and pensioners in advance of the Carbon Tax.
- After rising strongly in the previous quarter, business investment rose a modest 1.1% in the June quarter. In recent quarters, traditional volatility in business investment data has been exacerbated by difficulties in measuring the timing of LNG project spending (see Chart 2), with engineering construction data in Western Australia and Queensland particularly "lumpy". Engineering construction rose 0.9% in the June quarter, to be 60.0% higher over the year. In comparison, while non-residential building (shops, offices, etc.) rose 2.1% in the June quarter, it was only 16.8% higher annually, reflecting more subdued business confidence and investment outside of the resources sector.
- Dwelling investment fell 1.7% in the quarter, the fifth consecutive quarterly decline, to be 6.7% lower over the year. Despite lower interest rates, the dwelling sector continues to be weighed down by a number of factors, including subdued house prices, global economic uncertainty, investor caution and tight lending conditions.
- Public final demand rose 1.9% in the June quarter, to be 2.4% higher over the year and contributed 0.5 percentage point to GDP growth in the quarter.
- Net exports contributed 0.3 percentage point to GDP growth in the June quarter. Growth in exports of metal ores and minerals (up 6.0%), rural goods (up 6.9%) and (often volatile) non-monetary gold (up 31.2%) more than offset a 10.3% fall in coal exports, to see total exports rise 2.5%. Consistent with the mining investment boom, higher industrial machinery and transport equipment imports drove a 0.9% rise in total imports.
- The terms of trade fell a further 0.6% in the June quarter, to be 9.2% below its September quarter 2011 peak. Recent falls in iron ore and coal prices suggest the terms of trade will continue to decline in the September quarter.

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

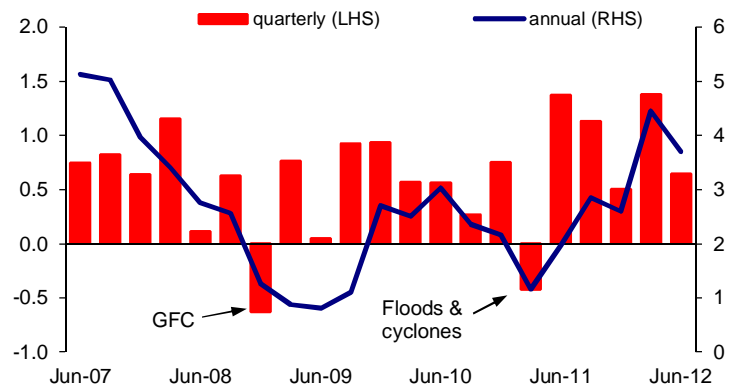


Table 1: Components of GDP*
(June quarter 2012)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.8	3.8	0.6	2.8
Household consumption	0.6	4.0	0.3	2.3
General gov't consumption	1.6	3.1	0.3	0.6
Private dwellings	-1.7	-6.7	-0.1	-0.4
Business investment	1.1	25.4	0.2	3.3
Machinery and equipment	-0.2	3.7	0.0	0.2
Non-dwelling construction	2.1	48.0	0.2	3.0
Non-residential building	1.0	16.8	0.0	0.4
Engineering construction	0.9	60.0	0.1	2.5
Private gross fixed capital	0.6	14.0	0.1	3.1
Public gross fixed capital	2.8	0.3	0.2	0.0
Changes in inventories			-0.3	-0.3
Private non-farm stocks			-0.3	-0.4
Farm			0.0	0.0
Public authorities			0.0	0.0
Gross national expenditure	0.6	5.4	0.6	5.6
Net exports			0.3	-0.8
Exports of goods & services	2.5	6.6	0.5	1.3
Imports of goods & services	0.9	9.1	-0.2	-2.0
Statistical discrepancy			-0.2	-1.1
GDP	0.6	3.7	0.6	3.7
Current Prices				
Compensation of employees	1.4	6.7		
Gross operating surplus	0.0	-0.6		
GDP	1.0	3.2		
Deflators and Prices				
Terms of trade	-0.6	-7.1		
Household consumption deflator	1.8	1.3		
GDP deflator	0.3	-0.4		

*Reference year for chain volume measure is 2009-10

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

