

ABS National Accounts: December Quarter 2012

(released 6 March 2013, 10:30 am EST)

Macroeconomics Team, Queensland Treasury and Trade

- Today's *National Accounts* show the national economy – excluding the contribution from net exports – is being weighed down by the falling terms of trade and its impact on income growth. The data also show that the strong growth in resources investment may be starting to wane. The results are consistent with subdued labour market conditions, as well as market expectations for one further cut in official interest rates in the remainder of 2013.

- Seasonally adjusted (sa) gross domestic product (GDP) rose 0.6% in December quarter 2012, the third consecutive period of 0.6% growth (see Chart 1). This result was in line with market expectations. Following the release of the *National Accounts*, the A\$ and the ASX 200 rose slightly, to US\$1.0282 and 5,125 points respectively, as at 12.07pm.

- After rising a combined 16.3% in the three previous quarters, business investment fell 6.6% in the December quarter. Abstracting from the decline due to a transfer of ownership of assets from the private to the public sector, there was little, if any, growth in business investment in the December quarter. Driven by major resource projects, engineering construction rose 3.7%, to be 33.8% higher over the year. However, machinery and equipment fell 3.3% in the quarter, to be slightly lower over the year. Due to the transfer of ownership, non-residential building (shops, offices factories, etc.) data were not published.

- Household consumption rose 0.2% in the December quarter, the same rate of growth as in the previous quarter. Real household disposable income growth was flat (0.0%) in the December quarter, following a 0.2% fall in the September quarter. With growth in consumption outpacing growth in income, the household saving ratio fell 0.2 percentage point. However, at 10.1% it remains high, reflecting ongoing consumer caution.

- Dwelling investment rose 2.1% in the quarter, the second consecutive rise following four consecutive quarterly falls. While lower interest rates should support the dwelling sector going forward, investor activity continues to be weighed down by global uncertainty and tight lending criteria.

- In line with fiscal consolidation at both state and national levels, general government consumption fell 0.2%, in the December quarter. While public sector investment rose 24.6%, this strength reflects the above-mentioned asset transfer from the private to the public sector.

- Net exports contributed 0.6 percentage point to GDP growth in the quarter. A 3.3% rise in total exports, which was driven by growth in metal ores and minerals (up 6.4%) and coal (up 14.4%) exports, was partially offset by a 0.7% rise in imports.

- Changes in inventories detracted 0.4 percentage point from GDP growth in the quarter, largely driven by the mining sector. Lower global demand had driven an unanticipated run up in mining inventories in recent quarters, which were run down slightly in the December quarter. As this trend continues, it will also likely drag on growth in coming quarters.

- Reflecting falls in coal prices during the quarter, the terms of trade fell a further 2.6% in the December quarter, to be 16.5% below its 2011 peak.

Chart 1: GDP Growth

(% change, seasonally adjusted)

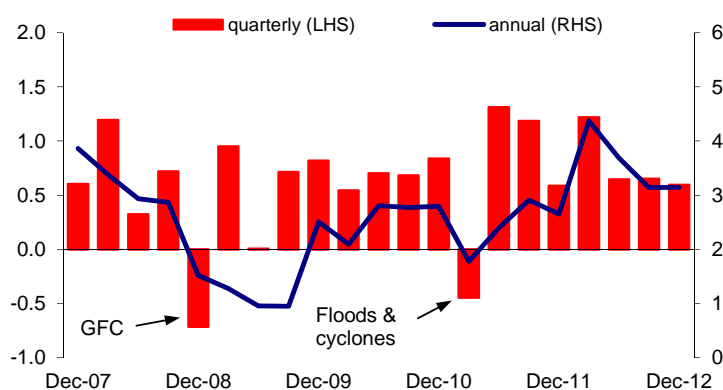


Table 1: Components of GDP*
(Seasonally adjusted, December quarter 2012)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.1	2.5	0.1	1.8
Household consumption	0.2	2.8	0.1	1.5
General gov't consumption	-0.2	1.6	0.0	0.3
Private dwellings	2.1	-0.7	0.1	0.0
Business investment	-6.6	8.6	-1.0	1.2
Machinery and equipment	-3.3	-0.7	-0.2	0.0
Non-dwelling construction	-8.9	16.3	-0.8	1.2
Non-residential building	n.a.	n.a.	n.a.	n.a.
Engineering construction	3.7	33.8	0.3	1.8
Private gross fixed capital	-3.7	5.8	-0.9	1.3
Public gross fixed capital	24.6	6.6	1.1	0.4
Changes in inventories			-0.4	-0.3
Gross national expenditure	-0.1	3.1	-0.1	3.1
Net exports			0.6	0.7
Exports of goods & services	3.3	6.2	0.7	1.3
less Imports of goods & services	0.7	3.2	-0.1	-0.7
Statistical discrepancy			0.1	-0.6
GDP	0.6	3.1	0.6	3.1
Current Prices				
Compensation of employees	1.5	4.8		
Gross operating surplus	-1.5	-4.0		
GDP	0.5	2.0		
Deflators and Prices				
Terms of trade	-2.6	-12.9		
Household consumption deflator	0.5	2.4		
GDP deflator	-0.1	-1.1		

*Reference year for chain volume measure is 2010-11

Chart 2: Contributions to GDP Growth

(quarterly % point contribution, seasonally adjusted)

