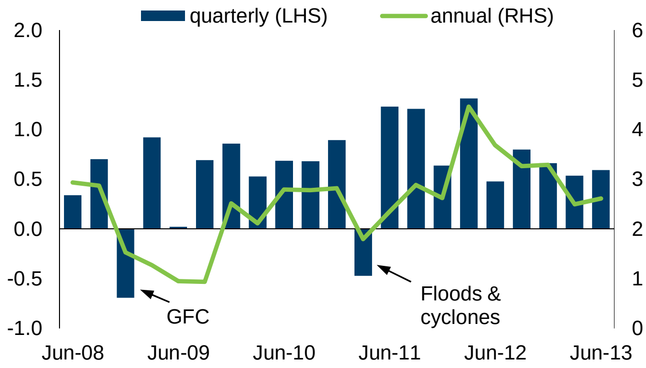
ABS National Accounts: June quarter 2013

Source: ABS 5206.0, released 4 September 2013, 11:30 am AEST

Today's *National Accounts* show the drivers of national economic growth in transition. While the resources investment boom is likely to have peaked, business conditions and investment outside the sector remain subdued. While low interest rates are supporting growth in household income, consumer caution and saving are limiting growth in consumption and recovery in the dwelling sector.

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



Seasonally adjusted (sa) gross domestic product (GDP) rose 0.6% in June quarter 2013, strengthening slightly from 0.5% growth in the previous quarter (see Chart 1). This result was in line with market expectations and saw annual growth also strengthen slightly, to 2.6%. In financial year terms, GDP growth slowed from 3.4% in 2011-12 to 2.8% in 2012-13, in line with Australian Government and Reserve Bank forecasts of 2¾%.

Household consumption growth eased to 0.4% in the June quarter, underpinned by a 0.8% rise in real household disposable income. With income growth outstripping spending growth, the household saving ratio rose 0.3 percentage point to 10.8% in the quarter, underlining ongoing consumer caution.

Headline business investment rose 8.7% in the June quarter, although this included a large asset transfer from the public to the private sector (most likely NSW ports). Abstracting from this, underlying investment fell in the quarter. In line with the subdued business environment outside of the resources sector, non-residential construction and machinery and equipment investment both fell, as did engineering construction, in line with expectations that the resources investment boom has peaked earlier than previously anticipated.

Despite low interest rates, dwelling investment fell 0.6% in the quarter, with a 1.9% rise in alterations and additions activity more than offset by a 2.1% fall in new and used construction.

With exports (up 1.3%) and imports (up 1.6%) rising at similar rates, net exports made no contribution to GDP growth in the quarter. Exports growth was driven by rises in rural (up 4.6%) and metal ores and minerals (up 3.0%) exports, more than offsetting a 3.6% fall in coal exports. Capital imports rose 8.8% in the quarter after falling 12.5% in the March quarter.

Public investment fell 28.7% in the June quarter, although this largely reflected the above-mentioned asset transfer.

Changes in inventories contributed 0.2 percentage point to GDP growth in the quarter, largely driven by recovery in wholesale trade inventories following a sharp run-down in the March quarter, as well as a further build-up in mining stocks.

The terms of trade edged up 0.2% in the June quarter. While a 4.5% depreciation in the A$ in the quarter would have cushioned the impact of lower world commodity prices for exporters, it also made imports relatively more expensive.

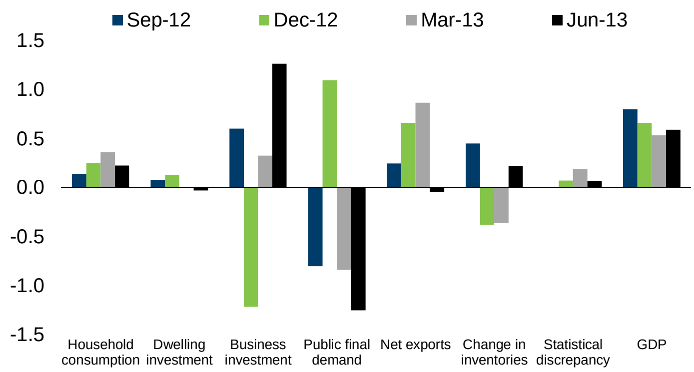
Table 1: Components of GDP*
(Seasonally adjusted, June quarter 2013)

Chain Volume Measure*	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.5	1.5	0.4	1.0
Household consumption	0.4	1.8	0.2	1.0
General gov't consumption	0.8	0.3	0.1	0.1
Private dwellings	-0.6	4.0	0.0	0.2
Business investment	8.7	6.6	1.3	1.0
Machinery and equipment	-1.4	-8.2	-0.1	-0.5
Non-dwelling construction#	14.9	16.5	1.3	1.5
Non-residential building	-1.6	2.9	0.0	0.1
Engineering construction	-0.8	1.0	-0.1	0.1
Private gross fixed capital	5.9	6.1	1.4	1.4
Public gross fixed capital	-28.7	-34.8	-1.4	-1.9
Changes in inventories			0.2	-0.1
Gross national expenditure	0.6	0.5	0.6	0.5
Net exports			0.0	1.8
Exports of goods & services	1.3	6.4	0.3	1.4
less Imports of goods & services	1.6	-1.8	-0.3	0.4
Statistical discrepancy			0.1	0.3
GDP	**0.6**	**2.6**	**0.6**	**2.6**
Current Prices				
Compensation of employees	1.0	2.6		
Gross operating surplus	0.7	3.1		
GDP	0.9	3.0		
Deflators and Prices				
Terms of trade	0.2	-4.8		
Household consumption deflator	0.1	1.9		
GDP deflator	0.3	0.4		

*Reference year for chain volume measure is 2010-11

 # The large increase in total non-dwelling construction in June quarter 2013 partly reflected a large asset transfer from the public to the private sector (most likely NSW ports), leading to a large contribution by net purchases of 2nd hand assets.

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



Macroeconomics Team
Queensland Treasury and Trade
www.oesr.qld.gov.au