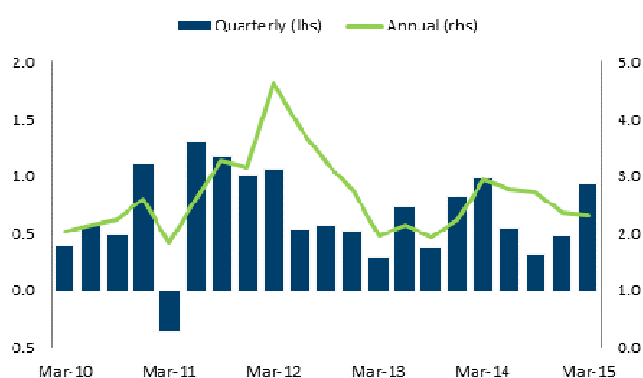


ABS National Accounts: March quarter 2015

Source: ABS 5206.0, released 3 June 2015, 11:30 am AEST

Today's *National Accounts* shows that the Australian economy continues to rebalance, as resource-related projects transition to the production and export phase. While business investment fell, exports and dwelling investment contributed to economic growth. With a subdued labour market, household consumption growth moderated in the quarter.

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



Growth in seasonally adjusted (sa) gross domestic product (GDP) strengthened to 0.9% in March quarter 2015, following 0.5% growth in the previous quarter. This result was stronger than market expectations, but saw annual growth ease slightly to 2.3% (see Chart 1).

Household consumption growth moderated to 0.5% in the March quarter (from 0.8% in the previous quarter). With growth in consumption outpacing a 0.1% rise in real household disposable income, the household saving ratio fell to 8.3%, the lowest ratio since September quarter 2008.

Business investment fell 4.2% in the quarter, driven by a 4.9% reduction in non-dwelling construction and a 2.9% decrease in machinery and equipment investment. Reflecting the ongoing wind-down in resource related investment, engineering construction fell 9.8% in the quarter, to be 21.7% lower over the year.

Following a 3.9% rise in the previous quarter, dwelling investment rose a further 4.7% in the March quarter, to be up 9.2% over the year. Strength in this sector has been in response to a sustained period of very low interest rates and increased interest from investors.

Changes in inventories contributed 0.3 percentage point to GDP growth in the quarter, with a sharp turnaround in manufacturing stocks and further build up in retail inventories.

Consistent with subdued growth in household income, the terms of trade fell 2.9% in the quarter, to be 27.7% below its 2011 peak.

Both exports and imports rose in the quarter, up 5.0% and 3.1% respectively. Net exports contributed 0.5 percentage point to GDP growth in the quarter. The solid trade sector contribution was driven by rises in exports of metal ores and minerals (up 6.4%), other rural goods (up 21.0%) and coal, coke & briquettes (up 5.7%). Meanwhile, key drivers of the increase in imports include a 6.1% rise in the importation of fuels & lubricants and a 27.3% rise in civil aircraft and confidentialised items imports.

Table 1: Components of GDP*
(seasonally adjusted, March quarter 2015)

| Chain Volume Measure* | % Change | | % point contribution | |
|------------------------------------|-------------|-------------|----------------------|-------------|
| | quarterly | annual | quarterly | annual |
| Total Consumption | 0.5 | 2.4 | 0.4 | 1.7 |
| Household consumption | 0.5 | 2.6 | 0.3 | 1.4 |
| General government consumption | 0.4 | 1.7 | 0.1 | 0.3 |
| Private dwellings | 4.7 | 9.2 | 0.2 | 0.4 |
| Business investment | -4.2 | -8.0 | -0.5 | -1.0 |
| Machinery and equipment | -2.9 | 1.8 | -0.1 | 0.1 |
| Non-dwelling construction | -4.9 | -12.9 | -0.4 | -1.1 |
| Non-residential building | 1.7 | 5.5 | 0.0 | 0.2 |
| Engineering construction | -9.8 | -21.7 | -0.5 | -1.3 |
| Private gross fixed capital | -1.0 | -2.2 | -0.2 | -0.5 |
| Public gross fixed capital | -2.4 | -9.1 | -0.1 | -0.4 |
| Changes in inventories | | | 0.3 | 0.6 |
| Gross national expenditure | 0.4 | 1.5 | 0.4 | 1.4 |
| Net exports | | | 0.5 | 1.1 |
| Exports of goods & services | 5.0 | 8.1 | 1.1 | 1.7 |
| Less imports of goods & services | 3.1 | 3.3 | -0.6 | -0.6 |
| Statistical discrepancy | | | 0.1 | -0.2 |
| GDP | 0.9 | 2.3 | 0.9 | 2.3 |
| Current Prices | | | | |
| Compensation of employees | 0.1 | 1.7 | | |
| Gross operating surplus | 0.7 | 0.3 | | |
| GDP | 0.4 | 1.2 | | |
| Deflators and Prices | | | | |
| Terms of trade | -2.9 | -11.4 | | |
| Household consumption deflator | 0.2 | 1.2 | | |
| GDP deflator | -0.5 | -1.1 | | |

*The reference year for chain volume measure = 2012-13

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

