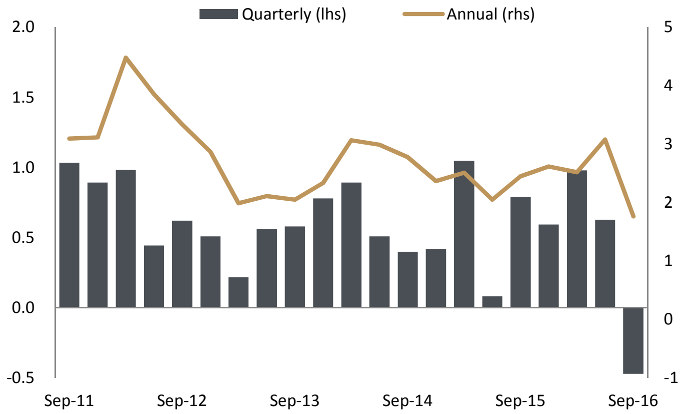
ABS National Accounts: September quarter 2016

Source: ABS 5206.0, released 7 December 2016, 10:30 am AEST.

Today's *National Accounts* indicates the Australian economy weakened in the September quarter, driven by falling investment as public investment, non-dwelling construction and dwelling construction all declined in the quarter. Over the year, non-dwelling construction continued to detract from growth as resource-related projects transitioned to the production and export phase.

Chart 1: Real GDP Growth

(% change, seasonally adjusted)



Seasonally adjusted (sa) **gross domestic product** (GDP) fell 0.5% in September quarter 2016, following 0.6% growth in the previous quarter. This result was much weaker than market expectations of a 0.3% rise, and saw annual growth weaken to 1.8% (see Chart 1).

Household consumption grew by 0.4% in the September quarter (easing from 0.5% in the previous quarter). With growth in consumption outpacing a 0.2% rise in real household disposable income, the household saving ratio fell to 6.3% in the quarter.

Business investment continued to fall, recording a 0.5% decline in the September quarter. The fall was driven by a 1.3% decline in non-dwelling construction, with both non-residential building and engineering construction decreasing in the quarter. This was partly offset by a 0.5% increase in machinery and equipment investment.

Dwelling investment fell 1.4% in the September quarter, following a 2.6% increase in the previous quarter. Despite the quarterly decline, dwelling investment increased 7.2% over the year, supported by a sustained period of very low interest rates and increased interest from investors.

Public final demand was the key driver of the quarterly GDP decline (see Chart 2). In particular, public investment fell substantially in the quarter (down 10.4%), largely reversing gains made in the June quarter.

Changes in inventories contributed 0.1 percentage point to GDP growth in the quarter, driven by a turnaround in retail stocks.

The **terms of trade** rose 4.5% in the September quarter as commodity prices rebounded. As a result, the terms of trade were 1.4% higher over the year. With growth in imports outpacing growth in exports, **net exports** detracted 0.2 percentage point from GDP growth in the September quarter.

Over the year, net exports contributed 0.7 percentage points to overall economic growth. This was driven by increased exports of ‘other mineral fuels’ (which includes LNG) and coal, coke and briquettes.

Table 1: Components of GDP*

(seasonally adjusted, September quarter 2016)

Chain Volume Measure*	% change		% point contribution	
	quarterly	annual	quarterly	annual
Total consumption	**0.3**	**2.8**	**0.2**	**2.1**
Household consumption	0.4	2.5	0.3	1.4
General government consumption	-0.2	3.9	0.0	0.7
Private dwellings	**-1.4**	**7.2**	**-0.1**	**0.4**
Business investment	**-0.5**	**-12.9**	**-0.1**	**-1.5**
Machinery and equipment	0.5	5.7	0.0	0.2
Non-dwelling construction	-1.3	-23.5	-0.1	-1.7
Non-residential building	-11.5	-12.6	-0.3	-0.4
Engineering construction	-5.6	-28.0	-0.2	-1.3
Private gross fixed capital	**-0.8**	**-5.1**	**-0.2**	**-1.1**
Public gross fixed capital	**-10.4**	**10.7**	**-0.5**	**0.4**
Changes in inventories			**0.1**	**0.3**
Gross national expenditure	**-0.3**	**1.8**	**-0.3**	**1.8**
Net exports			**-0.2**	**0.7**
Exports of goods & services	0.3	6.0	0.1	1.2
less Imports of goods & services	1.3	2.3	-0.3	-0.5
Statistical discrepancy			**0.1**	**-0.8**
GDP	**-0.5**	**1.8**	**-0.5**	**1.8**
Current Prices				
Compensation of employees	1.3	3.1		
Gross operating surplus	1.1	1.8		
GDP	0.5	3.0		
Deflators and Prices				
Terms of trade	4.5	1.4		
Household consumption deflator	0.2	1.0		
GDP deflator	1.0	1.2		

*The reference year for chain volume measure = 2014-15

Chart 2: Contributions to GDP Growth

(quarterly % point contribution, seasonally adjusted)