

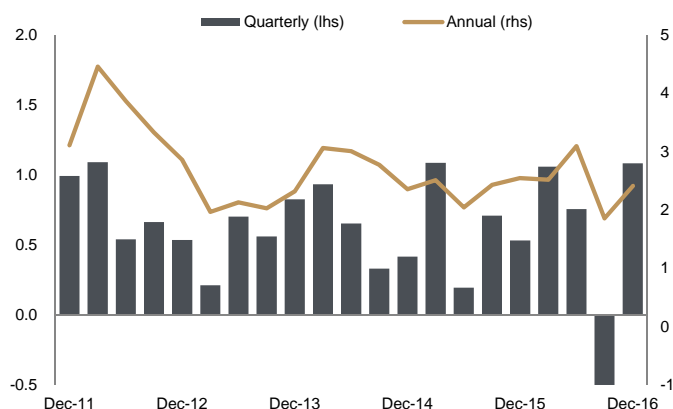
ABS National Accounts: December quarter 2016

Source: ABS 5206.0, released 1 March 2017, 10:30 am AEST.

Today's National Accounts indicates the Australian economy rebounded in the December quarter, driven by growth in household consumption. Engineering construction also rose in the quarter, recording the first increase in over three years. However, non-dwelling construction continued to detract from growth in annual terms as resource-related projects transitioned to the production and export phase.

Over the year, net exports contributed 1.1 percentage points to overall economic growth. This was driven by increased exports of 'other mineral fuels' (which includes LNG) and coal, coke and briquettes.

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



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 1.1% in December quarter 2016, rebounding from a 0.5% fall in the previous quarter. This result was much stronger than market expectations of a 0.7% rise, and saw annual growth strengthen to 2.4% (see Chart 1).

Household consumption grew by 0.9% in the December quarter, up from 0.4% in the previous quarter. With real household disposable income falling marginally in the quarter, the household saving ratio fell to 5.2%, the lowest level recorded since the GFC.

Business investment rose 1.7% in the December quarter, but was 8.9% lower over the year. Quarterly growth was driven by non-residential building (up 5.0%), while engineering construction and machinery and equipment investment also rose, up 1.3% and 1.0% respectively. This was the first quarterly increase in engineering construction in over three years, as the drag from resource-related project completions starts to ease.

Dwelling investment rose 1.2% in the December quarter, following a 1.3% decline the previous quarter. This saw dwelling investment rise 5.6% over the year, supported by a sustained period of very low interest rates and increased interest from investors.

Changes in inventories detracted 0.2 percentage point from GDP growth in the quarter, driven by a run down in mining stocks.

The **terms of trade** rose 9.1% in the December quarter, driven by a surge in commodity prices, particularly coal. As a result, the terms of trade were 15.6% higher over the year.

With growth in exports outpacing growth in imports, **net exports** contributed 0.2 percentage point to GDP growth in the December quarter.

Table 1: Components of GDP*
(seasonally adjusted, December quarter 2016)

Chain Volume Measure*	% change		% point contribution	
	quarterly	annual	quarterly	annual
Total consumption	0.7	2.8	0.5	2.1
Household consumption	0.9	2.6	0.5	1.5
General government consumption	0.0	3.2	0.0	0.6
Private dwellings	1.2	5.6	0.1	0.3
Business investment	1.7	-8.9	0.2	-1.0
Machinery and equipment	1.0	2.1	0.0	0.1
Non-dwelling construction	2.3	-15.7	0.1	-1.1
Non-residential building	5.0	-9.4	0.1	-0.3
Engineering construction	1.3	-19.5	0.0	-0.8
Private gross fixed capital	1.5	-2.6	0.3	-0.5
Public gross fixed capital	7.7	11.9	0.3	0.5
Changes in inventories			-0.2	0.2
Gross national expenditure	1.0	2.2	1.0	2.2
Net exports			0.2	1.1
Exports of goods & services	2.2	8.9	0.5	1.8
less Imports of goods & services	1.4	3.3	-0.3	-0.7
Statistical discrepancy			-0.1	-0.9
GDP	1.1	2.4	1.1	2.4
Current Prices				
Compensation of employees	-0.5	1.5		
Gross operating surplus	8.3	10.4		
GDP	3.0	6.1		
Deflators and Prices				
Terms of trade	9.1	15.6		
Household consumption deflator	0.3	0.9		
GDP deflator	1.9	3.6		

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

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

