

ABS National Accounts: March quarter 2017

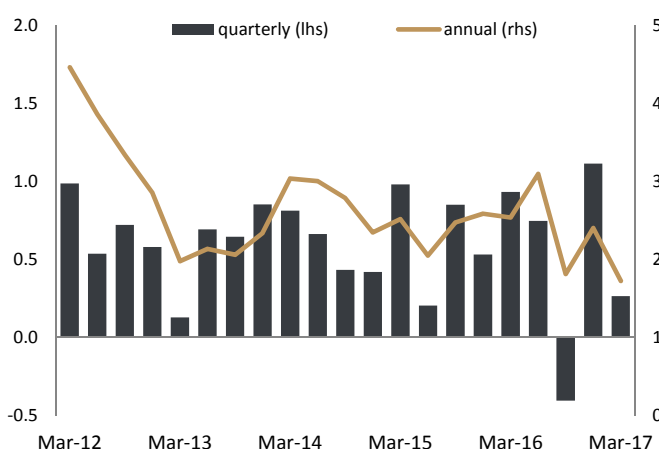
Source: ABS 5206.0, released 7 June 2017, 11:30 am AEST.

Today's *National Accounts* shows growth in the Australian economy moderated in the March quarter, with detractions from net exports and a decline in dwelling investment. Growth in the quarter, which was slightly above market expectations, was driven by a rise in household consumption, a build-up in inventories and the statistical discrepancy. Meanwhile, engineering construction recording the first increase in over three years.

With a decline in exports and a rise in imports, **net exports** detracted 0.7 percentage point from GDP growth in the March quarter.

Over the year, net exports detracted 0.4 percentage point from overall economic growth. Strong growth in exports was more than offset by a rise in imports, particularly capital goods.

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



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 0.3% in March quarter 2017, moderating from 1.1% increase in the previous quarter. This result was stronger than market expectations of a 0.2% rise. Annual growth softened to 1.7% (see Chart 1).

Household consumption grew by 0.5% in the March quarter, following 1.0% in the previous quarter. With growth in real household disposable income remaining weak, consumption continues to be accompanied by a decline in the household saving ratio, to the lowest level recorded since the GFC (4.7%).

Business investment rose 1.1% in the March quarter, but was 8.4% lower over the year. Quarterly growth was driven by engineering construction (up 4.3%) and to a lesser extent non-residential building (up 0.2%), while machinery and equipment investment fell 3.0%. This marked the first quarterly increase in engineering construction in over three years as the drag from resource-related project completions eased (previously reported growth in December quarter 2016 was revised to a small decline in today's release).

Dwelling investment fell 4.4% in the March quarter, following a 1.9% increase in the previous quarter. Investment in both new dwellings and renovation activity recorded sharp declines in March quarter 2017, down 4.0% and 5.2% respectively. Dwelling investment was 2.5% lower over the year.

Changes in inventories contributed 0.4 percentage point to GDP growth in the quarter, driven by a build-up in mining stocks.

The **terms of trade** rose 6.6% in the March quarter, driven by a surge in commodity prices, particularly coal. As a result, the terms of trade were 24.8% higher over the year.

Table 1: Components of GDP*
(seasonally adjusted, March quarter 2017)

Chain Volume Measure	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Total Consumption	0.6	2.5	0.5	1.8
Household Consumption	0.5	2.3	0.3	1.3
General gov't consumption	1.0	2.9	0.2	0.5
Private dwellings	-4.4	-2.5	-0.3	-0.1
Business investment	1.1	-8.4	0.1	-0.9
Machinery and equipment	-3.0	-1.8	-0.1	-0.1
Non-dwelling construction	4.4	-12.8	0.2	-0.8
Non-residential building	0.2	-4.6	0.0	-0.1
Engineering construction	4.3	-11.4	0.1	-0.4
Private gross fixed capital	0.0	-3.8	0.0	-0.8
Public gross fixed capital	-2.7	15.3	-0.1	0.7
Changes in inventories			0.4	0.6
Gross national expenditure	0.8	2.4	0.8	2.3
Net exports			-0.7	-0.4
Exports of goods & services	-1.6	5.6	-0.4	1.1
less Imports of goods & services	1.6	7.9	-0.3	-1.6
Statistical discrepancy			0.2	-0.2
GDP	0.3	1.7	0.3	1.7
Current Prices				
Compensation of employees	1.0	1.5		
Gross operating surplus	4.6	16.5		
GDP	2.3	7.7		
Deflators and Prices				
Terms of trade	6.6	24.8		
Household consumption deflator	0.3	1.3		
GDP deflator	2.0	5.8		

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

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

