

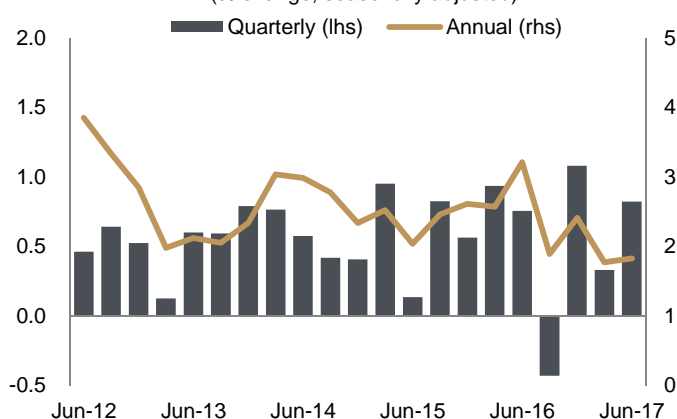
ABS National Accounts: June quarter 2017

Source: ABS 5206.0, released 6 September 2017, 11:30 am AEST.

Today's *National Accounts* shows growth in the Australian economy accelerated in June quarter 2017. Growth in the quarter, which was in line with market expectations, was driven by a rise in public investment, household consumption and net exports. Meanwhile, engineering construction fell, after its first increase in over three years in the March quarter.

Chart 1: Real GDP Growth

(% change, seasonally adjusted)



Seasonally adjusted (sa) **gross domestic product** (GDP) rose 0.8% in June quarter 2017, strengthening from 0.3% growth in the March quarter and in line with market expectations of 0.9%. Annual growth strengthened slightly to 1.8% (Chart 1).

Household consumption grew 0.7% in the June quarter, to be 2.6% higher over the year. 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 (4.6%).

Business investment fell 3.2% in the June quarter, to be 4.4% lower over the year. The decline in the quarter was driven by non-dwelling construction (down 7.7%), while machinery and equipment investment rose 2.9%. Engineering construction fell 1.9% in June quarter, after recording growth for the first time in over three years in the March quarter, as the drag from resource-related project completions started to ease.

Dwelling investment rose 0.2% in the June quarter, but was 2.5% lower over the year. Growth in the quarter was driven by alterations and additions (up 2.2%) more than offsetting a decline in new and used dwelling construction (down 0.8%).

Public Final Demand rose 3.4% in the June quarter, driven by a rise in state and local general government capital spending.

Changes in inventories detracted 0.6 percentage point from GDP growth in the quarter, driven by a draw down in wholesale trade and mining stocks.

The **terms of trade** fell 6.0% in the June quarter, as the surge in commodity prices unwound slightly. However, the terms of trade remained 14.9% higher over the year.

With exports growing faster than imports, **net exports** contributed 0.3 percentage point to GDP growth in the quarter.

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

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

Chain Volume Measure*	% change		% point contribution	
	quarterly	annual	quarterly	annual
Household consumption	0.7	2.6	0.4	1.4
Private investment	-1.1	-1.3	-0.2	-0.3
Dwelling investment	0.2	-2.5	0.0	-0.1
Business investment	-3.2	-4.4	-0.3	-0.4
Machinery and equipment	2.9	0.9	0.1	0.0
Non-dwelling construction	-7.7	-8.3	-0.4	-0.5
Non-residential building	0.3	-0.1	0.0	0.0
Engineering construction	-1.9	-4.1	-0.1	-0.1
Private Final Demand	0.2	1.5	0.2	1.2
Public Final Demand	3.4	5.2	0.8	1.2
General government consumption	1.2	2.7	0.2	0.5
Public investment	11.9	14.7	0.6	0.7
Changes in inventories			-0.6	-0.3
Gross national expenditure	0.4	2.1	0.4	2.1
Net exports			0.3	-0.4
Exports of goods & services	2.7	4.3	0.6	0.9
less Imports of goods & services	1.2	6.5	-0.2	-1.3
Statistical discrepancy			0.1	0.2
GDP	0.8	1.8	0.8	1.8
Current Prices				
Compensation of employees	0.7	2.1		
Gross operating surplus	-1.6	12.7		
GDP	-0.1	6.3		
Deflators and Prices				
Terms of trade	-6.0	14.9		
Household consumption deflator	0.4	1.4		
GDP deflator	-0.9	4.4		

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

In **financial year terms**, GDP rose 1.9% in 2016-17, the lowest growth since the GFC. The result was in line with the RBA's August *Statement on Monetary Policy* forecast of 2% and slightly above Australian Treasury's *2017-18 Budget* forecast of 1¾%. Household consumption and public final demand were the largest contributors to growth in the year (Chart 2).

Chart 2: Contributions to GDP Growth

(% point contribution)

