

ABS National Accounts: December quarter 2017

Source: ABS 5206.0, released 7 March 2018, 10:30 am AEST.

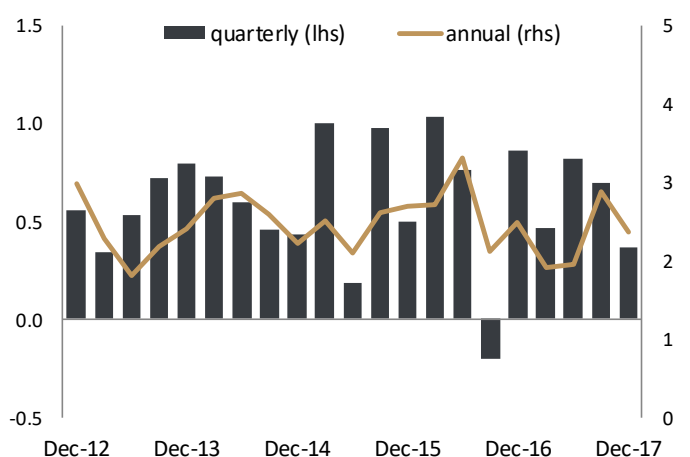
Today's National Accounts showed growth in the Australian economy continued to moderate in December quarter 2017. Growth in the quarter, which was below market expectations, was weighed down by private investment and a detraction from the trade sector. Meanwhile, growth in household consumption picked up and public spending also contributed to growth.

The **terms of trade** rose 0.1% in the December quarter, but were 1.0% lower over the year as the surge in commodity prices unwound somewhat.

With exports falling and imports growing in the quarter, **net exports** detracted from GDP growth for the second consecutive quarter.

Over the year, net exports detracted 1.3 percentage points from overall economic growth. Modest growth in exports was more than offset by a solid rise in imports, particularly consumption goods.

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



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 0.4% in December quarter 2017, moderating from upwardly revised growth of 0.7% in the September quarter and below market expectations of a 0.6% rise. Annual growth softened to 2.4% in December quarter 2017 (Chart 1).

Household consumption grew 1.0% in the December quarter, to be 2.9% higher over the year. With growth in real household disposable income remaining weak, consumption continues to be accompanied by a low household saving ratio (2.7%), which was only slightly higher in the quarter. The acceleration in household spending in the quarter was driven by spending on *health, recreation & culture* and *hotels, cafes & restaurants*.

Business investment fell 3.4% in the December quarter, but was 8.3% higher over the year. The decline in the quarter was driven by engineering construction (down 10.3%). Meanwhile, investment in 'non-residential buildings' and 'machinery and equipment' both rose 3.3% in the December quarter.

Dwelling investment fell 1.3% in the December quarter, to be 5.8% lower over the year. The decline in the quarter was driven by new and used dwelling construction (down 2.5%) which has turned down over the past year. While alterations and additions recorded a modest quarterly gain (up 1.4%), it remains 7.7% lower than a year ago.

Public final demand rose 1.9% in the December quarter, driven by increases across most major public spending categories, but particularly national general government consumption.

Changes in inventories made a neutral contribution to GDP growth in the quarter.

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

Chain Volume Measure	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Household consumption	1.0	2.9	0.6	1.7
Private investment	-2.2	2.8	-0.4	0.5
Dwelling investment	-1.3	-5.8	-0.1	-0.4
Business investment	-3.4	8.3	-0.3	0.8
Machinery and equipment	3.3	8.7	0.1	0.4
Non-dwelling construction	-8.0	8.0	-0.5	0.4
Non-residential building	3.3	12.3	0.1	0.3
Engineering construction	-10.3	-1.2	-0.4	0.0
Private final demand	0.1	2.8	0.1	2.2
Public final demand	1.9	4.1	0.5	1.0
General government consumption	1.7	4.9	0.3	0.9
Public investment	2.9	1.5	0.2	0.1
Changes in inventories			0.0	-0.1
Gross national expenditure	0.6	3.0	0.6	3.1
Net exports			-0.5	-1.3
Exports of goods & services	-1.8	0.8	-0.4	0.2
less Imports of goods & services	0.5	6.6	-0.1	-1.4
Statistical discrepancy			0.2	0.6
GDP	0.4	2.4	0.4	2.4
Current Prices				
Compensation of employees	1.1	4.8		
Gross operating surplus	0.7	4.0		
GDP	0.8	3.5		
Deflators and Prices				
Terms of trade	0.1	-1.0		
Household consumption deflator	0.5	1.3		
GDP deflator	0.4	1.1		

*The reference year for chain volume measure = 2015-16

Chart 2: Contributions to GDP Growth
(% point contribution)

