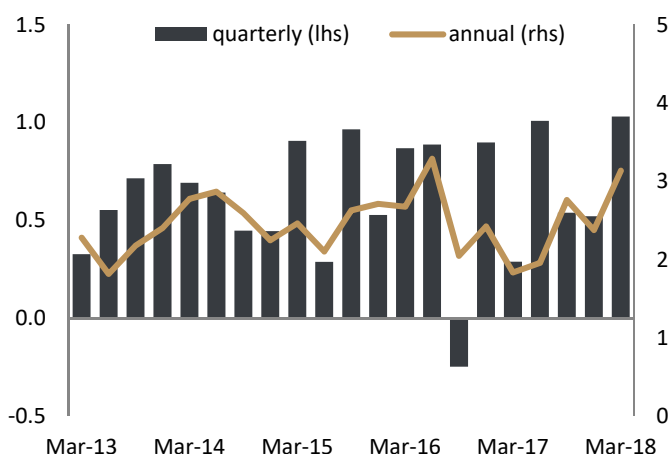


ABS National Accounts: March quarter 2018

Source: ABS 5206.0, released 6 June 2018, 11:30 am AEST.

Today's National Accounts showed growth in the Australian economy picked up in March quarter 2018. Growth in the quarter, which was above market expectations, was led by stronger business and dwelling investment and a contribution from the trade sector. Meanwhile, growth in household consumption and public final demand moderated.

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



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 1.0% in March quarter 2018, accelerating from upwardly revised growth of 0.5% in December quarter 2017. Annual growth strengthened to a solid 3.1% in March quarter 2018 (**Chart 1**), above market expectations of a 2.8% rise.

Household consumption grew 0.3% in the March 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. The savings ratio fell again in the quarter (to 2.1%) and is at the lowest rate in over a decade. Growth in household spending in the quarter was largely driven by non-discretionary items such as *rent and other dwelling services, insurance and financial services, utilities and food*.

Business investment rose 1.4% in the March quarter, following a decline in December quarter, to be 6.0% higher over the year. The rise in the quarter was driven by *machinery and equipment* (up 1.1%), the volatile *net purchase of second hand assets* and, to a lesser extent, *engineering construction* (up 0.7%). Meanwhile, investment in *non-residential buildings* fell 3.8% in the quarter.

Dwelling investment rose 0.9% in the March quarter, but was 1.0% lower over the year. The rise in the quarter was driven by a further increase in *alterations and additions* (up 3.8%) which more than offset a 0.6% decline in *new and used dwelling construction*.

Public final demand rose 0.8% in the March quarter, driven by an increase in general government consumption. Meanwhile, public investment was lower in the quarter (down 2.0%), particularly general government investment which was impacted by a public-private asset transfer.

Changes in inventories made a 0.2 percentage point contribution to GDP growth in March quarter 2018, largely as a result of a strong pick-up in *wholesale trade* inventories.

The **terms of trade** rose 3.3% in the March quarter. The recent rise follows a partial unwinding of the commodity price surge in 2016-17, with the terms of trade 2.6% lower over the year.

With exports rising at a faster pace than imports in the quarter, **net exports** contributed 0.3 percentage point to GDP growth. However, over the year, net exports detracted 0.2 percentage point from overall economic growth. Annual growth in exports has been driven by solid gains in *metal ores and minerals* (iron ore) and *other mineral fuels* (LNG). However, this was more than offset by a broad-based rise across import items.

Table 1: Components of GDP*
(seasonally adjusted, March quarter 2018)

Chain Volume Measure	% Change		% point Contribution	
	quarterly	annual	quarterly	annual
Household consumption	0.3	2.9	0.2	1.7
Private investment	1.2	2.8	0.2	0.6
Dwelling investment	0.9	-1.0	0.1	-0.1
Business investment	1.4	6.0	0.1	0.6
Machinery and equipment	1.1	9.9	0.0	0.4
Non-dwelling construction	1.6	3.2	0.1	0.2
Non-residential building	-3.8	1.9	-0.1	0.0
Engineering construction	0.7	-4.2	0.0	-0.1
Private final demand	0.6	2.9	0.4	2.3
Public final demand	0.8	4.3	0.2	1.0
General government consumption	1.6	5.1	0.3	1.0
Public investment	-2.0	1.1	-0.1	0.1
Changes in inventories			0.2	-0.1
Gross national expenditure	0.8	3.1	0.8	3.2
Net exports			0.3	-0.2
Exports of goods & services	2.4	4.6	0.5	0.9
less Imports of goods & services	0.5	4.7	-0.1	-1.1
Statistical discrepancy			-0.1	0.1
GDP	1.0	3.1	1.0	3.1

Current Prices		
Compensation of employees	1.2	5.1
Gross operating surplus	4.0	4.8
GDP	2.2	3.9

Deflators and Prices		
Terms of trade	3.3	-2.6
Household consumption deflator	0.5	1.6
GDP deflator	1.1	0.8

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

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

