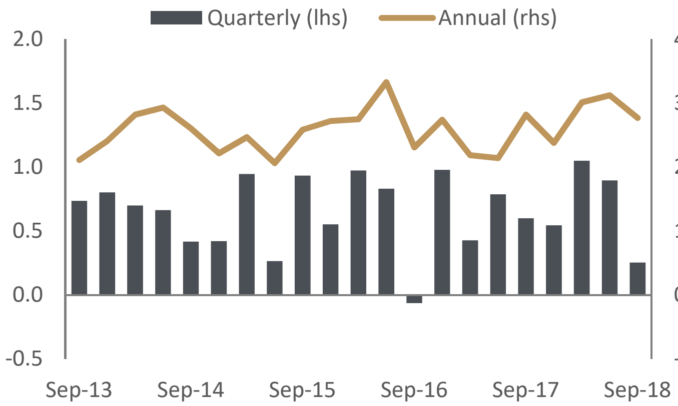
ABS National Accounts: September quarter 2018

Source: ABS 5206.0, released 5 December 2018, 11:30 am AEST.

Today's *National Accounts* showed growth in the Australian economy slowed in September quarter 2018. Growth in public final demand and net exports was partially offset by detractions from changes in inventories and business investment.

Chart 1: Real GDP Growth

(% change, seasonally adjusted)



Seasonally adjusted (sa) **gross domestic product** (GDP) rose 0.3% in September quarter 2018, moderating from strong growth of 0.9% in June quarter 2018. Annual growth also weakened to 2.8% in September quarter 2018 (**Chart 1**), well below market expectations of a 3.3% rise.

Household consumption grew 0.3% in the September quarter, to be 2.5% higher over the year. With growth in real household disposable income remaining weak, the household savings ratio fell again in September quarter (to 2.4%), after upward revisions, and is at its lowest rate in over a decade. The *insurance services* and *rent* components were the largest contributors to household consumption growth in the quarter.

Business investment fell 1.7% in the September quarter, to be 2.7% lower over the year. The fall in the quarter was driven by *engineering construction* (down 8.2%) and, to a lesser extent, *non-residential building* (down 2.4%). Meanwhile, investment in *machinery and equipment* rose 1.3% in the quarter.

Dwelling investment rose 1.0% in the September quarter, to be 7.1% higher over the year. The rise in the quarter was driven by an increase in *alternations & additions* (up 4.5%), which more than offset a decline in *new & used dwelling* construction (down 0.8%).

Public final demand rose 1.1% in the September quarter, to be 4.6% higher over the year. The quarterly increase was primarily driven by an increase in *public investment*, particularly *state and local investment*, with *general government consumption* also contributing to growth.

Changes in inventories detracted from GDP growth in September quarter 2018, with a large drop-off in all components except for *retail trade* inventories and *farm* inventories.

The **terms of trade** rose 0.8% in the June quarter, to be 2.7% higher over the year. The terms of trade remain elevated despite a partial unwinding of the 2016-17 commodity price surge.

Net exports contributed 0.3 percentage point to GDP growth in September quarter. This result was due to a 1.5% fall in imports, with exports (up 0.1%) relatively flat. Over the year, growth in exports offset the moderate increase in imports to contribute 0.6 percentage point to overall economic growth. Annual growth in exports has been drive by solid gains in *other mineral fuels* (including LNG) and *meat and meat preparations*.

Table 1: Components of GDP*

(seasonally adjusted, September quarter 2018)

Chain Volume Measure	% change		ppt. contribution	
	quarterly	annual	quarterly	annual
Household consumption	**0.3**	**2.5**	**0.2**	**1.4**
Private investment	**-0.8**	**0.7**	**-0.1**	**0.1**
Dwelling investment	**1.0**	**7.1**	**0.1**	**0.4**
Business investment	**-1.7**	**-2.7**	**-0.2**	**-0.3**
Machinery and equipment	1.3	4.5	0.1	0.2
Non-dwelling construction	-3.8	-7.6	-0.2	-0.4
Non-residential building	-2.4	-1.2	-0.1	0.0
Engineering construction	-8.2	-11.8	-0.3	-0.4
Private final demand	**0.0**	**2.1**	**0.0**	**1.6**
Public final demand	**1.1**	**4.6**	**0.3**	**1.1**
General government consumption	0.5	4.8	0.1	0.9
Public investment	3.4	3.8	0.2	0.2
Changes in inventories			**-0.3**	**0.1**
Gross national expenditure	**0.0**	**2.7**	**0.0**	**2.7**
Net exports			**0.3**	**0.6**
Exports of goods & services	0.1	4.1	0.0	0.9
less Imports of goods & services	-1.5	1.5	0.3	-0.3
Statistical discrepancy			**-0.1**	**-0.5**
GDP	**0.3**	**2.8**	**0.3**	**2.8**
Current Prices				
Compensation of employees	1.0	4.3		
Gross operating surplus	1.4	6.0		
GDP	1.0	5.2		
Deflators and Prices				
Terms of trade	0.8	2.7		
Household consumption deflator	0.3	1.8		
GDP deflator	0.8	2.5		

*The reference year for chain volume measure = 2016-17

Chart 2: Contributions to GDP Growth

(% point contribution, seasonally adjusted)