ABS National Accounts: December quarter 2018

Source: ABS 5206.0, released 6 March 2019, 10:30 am AEST.

Today’s National Accounts showed growth in the Australian economy slowed in December quarter 2018. Growth in public final demand was partially offset by detractions from net exports and dwelling investment.

Seasonally adjusted (sa) gross domestic product (GDP) rose 0.2% in December quarter 2018, moderating from 0.3% in September quarter 2018. Annual growth also weakened to 2.3% over the year to December quarter 2018 (Chart 1), much weaker than the Reserve Bank of Australia’s (RBA) forecast of 2.8% in the February 2019 Statement on Monetary Policy.

Household consumption grew 0.4% in the December quarter, to be 2.0% higher over the year. With growth in real household disposable income remaining weak (up 1.9% over the year), the household savings ratio remained low in the December quarter (at 2.5%) and close to its lowest level since before the GFC. The health, rent and clothing & footwear components were the largest contributors to household consumption growth in the quarter.

Business investment rose only 0.1% in the December quarter, but was 0.4% lower over the year. The fall over the year was driven by engineering construction (down 6.8%) and, to a lesser extent, non-residential building (down 4.6%), more than offsetting growth in machinery and equipment investment (up 4.2%).

Dwelling investment fell 3.4% in the December quarter, but was 2.5% higher over the year. The fall in the quarter was the result of a decline in both new & used dwelling construction (down 3.6%) and alternations & additions (down 3.1%).

Public final demand rose 1.5% in the December quarter, to be 5.5% higher over the year and was the largest contributor to GDP growth. The quarterly increase was primarily driven by growth in general government consumption (up 1.8%), particularly national consumption.

Changes in inventories contributed to GDP growth in December quarter 2018, with a build-up in inventories in public authorities and wholesale trade the largest contributors.

The terms of trade rose 3.2% in the December quarter, to be 6.1% higher over the year. The terms of trade remain elevated despite a partial unwinding of the 2016-17 commodity price surge.

Net exports detracted 0.2 percentage point from GDP growth in December quarter 2018. This result was due to a 0.7% fall in exports and a 0.1% increase in imports. Over the year, growth in exports (up 4.7%) more than offset the moderate increase in imports (up 1.5%) to contribute 0.7 percentage point to GDP growth. The decline in exports in the quarter was driven by a significant fall in the volatile non-monetary gold.