

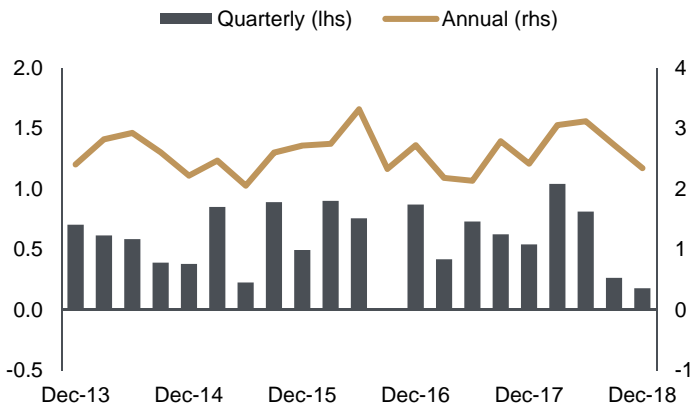
# ABS National Accounts: December quarter 2018

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.**

**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*.

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



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 *alterations & 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.

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

Chain Volume Measure	% change		ppt contribution	
	quarterly	annual	quarterly	annual
<b>Household consumption</b>	0.4	2.0	0.2	1.1
<b>Private investment</b>	-1.3	0.3	-0.3	0.1
<b>Dwelling investment</b>	-3.4	2.5	-0.2	0.1
<b>Business investment</b>	0.1	-0.4	0.0	0.0
Machinery and equipment	0.6	4.2	0.0	0.2
Non-dwelling construction	-0.3	-3.7	0.0	-0.2
Non-residential	0.1	-4.6	0.0	-0.1
Engineering	1.0	-6.8	0.0	-0.2
<b>Private final demand</b>	0.0	1.5	0.0	1.2
<b>Public final demand</b>	1.5	5.5	0.4	1.3
General government consumption	1.8	5.6	0.3	1.1
Public investment	0.3	4.7	0.0	0.2
<b>Change in inventories</b>			0.2	0.0
<b>Gross national expenditure</b>	0.5	2.5	0.5	2.5
<b>Net exports</b>			-0.2	0.7
Exports of goods & services	-0.7	4.7	-0.1	1.0
Less imports of goods & services	0.1	1.5	0.0	-0.3
<b>Statistical discrepancy</b>			-0.1	-0.8
<b>GDP</b>	0.2	2.3	0.2	2.3
<b>Current Prices</b>				
Compensation of employees	0.9	4.3		
Gross operating surplus	2.4	7.7		
GDP	1.2	5.5		
<b>Deflators and Prices</b>				
Terms of trade	3.2	6.1		
Household consumption deflator	0.3	1.7		
GDP deflator	1.0	3.1		

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

In year-average terms, GDP rose 2.7% in 2018, below the RBA's forecast of 3% in the February 2019 *Statement on Monetary Policy*. Modest growth in *household consumption* (up 2.6%), and continued solid growth in *public final demand* (up 3.6%) were the largest contributors to GDP growth in 2018.

**Chart 2: Contributions to year-average GDP Growth**  
(percentage point contribution, original)

