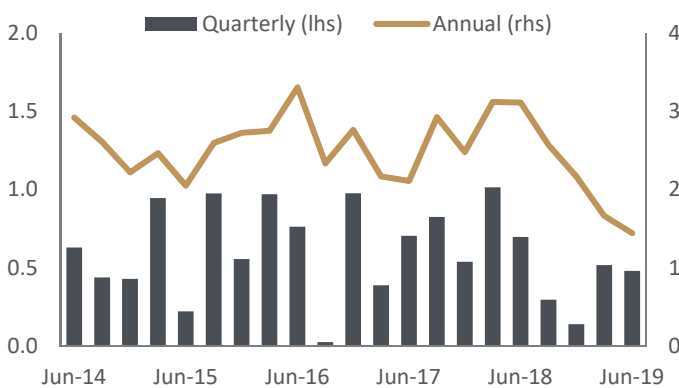


ABS National Accounts: June quarter 2019

Source: ABS 5206.0, released 4 September 2019, 11:30 am AEST.

Today's National Accounts showed growth in the Australian economy slowed over the year to June quarter 2019, in line with market expectations. Subdued growth in household consumption and detractions by business and dwelling investment were offset by strong growth in public final demand and a solid contribution by net exports. The Australian economy grew by 1.9% in 2018-19, down from 2.9% in 2017-18.

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



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 0.5% in June quarter 2019, unchanged from an upwardly revised March quarter 2019. However, annual growth weakened to 1.4% over the year to June quarter 2019 (**Chart 1**), in line with market expectations but below the Reserve Bank of Australia's (RBA) August 2019 *Statement on Monetary Policy*, which forecast economic growth of 1½% over the year to June quarter 2019.

Household consumption grew 0.4% in the June quarter, to be 1.4% higher over the year. With growth in real gross household disposable income weakening further (up 0.6% over the year), the net household savings ratio fell (to 2.3% in the quarter) and is at its lowest rate since the GFC. There were falls in the *purchase of vehicles and electricity, gas and other fuel* components.

Business investment fell 1.8% in the June quarter, to be 2.9% lower over the year. The fall over the year was driven by *engineering construction* (down 14.8%, led by falls in infrastructure and renewables) and non-residential building (down 3.8%), which more than offset growth in *machinery and equipment investment* (up 5.9%). These trends are indicative of increased uncertainty in both the global and domestic economies, which has seen investment in machinery and equipment to expand productive capacity, rather than commitment to large construction projects.

Dwelling investment fell 4.4% in the June quarter, to be 9.1% lower over the year. The fall in the quarter was the result of a decline in both *new & used dwelling construction* (down 5.9%) and *alterations & additions* (down 1.4%). The decline in dwelling investment was broad-based, across both houses and apartments.

Public final demand rose 1.6% in the June quarter, to be 5.1% higher over the year and was a key contributor to GDP growth over the year. The increase over the year was driven by growth in *general government consumption* (up 6.2%), particularly *national consumption*.

Changes in inventories detracted from GDP growth in June quarter 2019. The decline was driven by a run-down in *public authorities, wholesale and retail trade* inventories.

The **terms of trade** rose 1.5% in the June quarter, to be 8.9% higher over the year, supported by higher prices for iron ore exports.

Net exports contributed 0.6 percentage point to GDP growth in the June quarter. This result was due to a 1.4% rise in exports and a 1.3% fall in imports. Over the year, growth in exports (up 2.9%) and a fall in imports (down 2.8%) contributed 1.2 percentage points to GDP growth.

Table 1: Components of GDP*
(seasonally adjusted, June quarter 2019)

Chain Volume Measure	% change		ppt contribution	
	quarterly	annual	quarterly	annual
Household consumption	0.4	1.4	0.2	0.8
Private investment	-1.6	-5.2	-0.3	-1.0
Dwelling investment	-4.4	-9.1	-0.2	-0.5
Business investment	-1.8	-2.9	-0.2	-0.3
Machinery and equipment	3.4	5.9	0.1	0.2
Non-dwelling construction	-5.9	-9.3	-0.3	-0.5
Non-residential	-5.0	-3.8	-0.1	-0.1
Engineering	-4.7	-14.8	-0.1	-0.5
Private final demand	-0.1	-0.3	-0.1	-0.2
Public final demand	1.6	5.1	0.4	1.2
General government consumption	2.7	6.2	0.5	1.2
Public investment	-2.3	0.7	-0.1	0.0
Change in inventories			-0.5	-0.7
Gross national expenditure	-0.2	0.2	-0.2	0.2
Net exports			0.6	1.2
Exports of goods & services	1.4	2.9	0.3	0.6
Less imports of goods & services	-1.3	-2.8	0.3	0.6
Statistical discrepancy			0.1	0.0
GDP	0.5	1.4	0.5	1.4
Current Prices				
Compensation of employees	1.3	5.0		
Gross operating surplus	1.9	9.4		
GDP	1.2	5.4		
Deflators and Prices				
Terms of trade	1.4	8.9		
Household consumption deflator	0.6	1.8		
GDP deflator	0.8	3.9		

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

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

