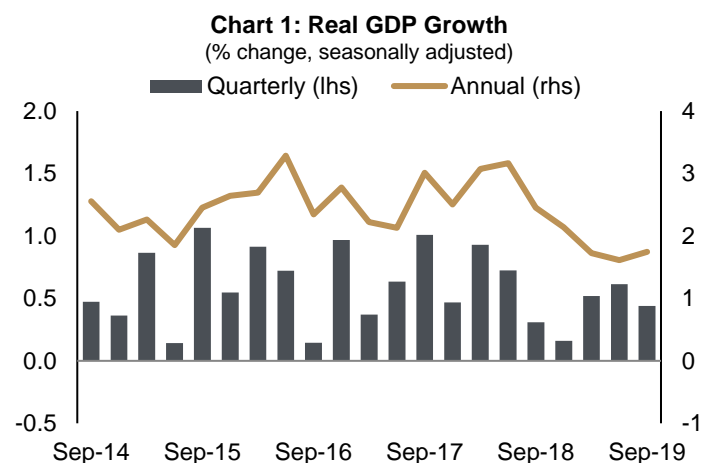


ABS National Accounts: September quarter 2019

Source: ABS 5206.0, released 4 December 2019, 10:30 am AEST.

Today's *National Accounts* showed annual growth in the Australian economy improved marginally in September 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.



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 0.4% in September quarter 2019, down from an upwardly revised 0.6% in June quarter 2019. However, annual growth improved marginally to 1.7% over the year to September quarter 2019 (Chart 1), in line with market expectations.

Household consumption grew by only 0.1% in the September quarter, to be 1.2% higher over the year. This was despite strong growth in real gross household disposable income (up 2.1% in the quarter and 3.2% over the year), driven by income tax cuts and lower mortgage rates. Instead, households opted to save the increase in income, with the net household savings ratio rising to 4.8% in the quarter (up from 2.7%) to be at its highest rate since March quarter 2017. Falls in discretionary consumption components weighed on consumption growth in the quarter.

Business investment fell 1.5% in the September quarter, to be 2.8% lower over the year. The fall over the year was driven by *engineering construction* (down 12.2%, reflecting the transition of LNG projects in WA & NT from investment to production) and *machinery & equipment investment* (down 1.1%), which more than offset growth in *non-residential building construction* (up 4.2%).

Dwelling investment fell 1.7% in the September quarter, to be 9.6% lower over the year. The fall over the year was the result of a decline in both *new & used dwelling construction* (down 11.0%) and *alterations & additions* (down 7.1%). The decline in dwelling investment was broad-based, across both houses and apartments.

Public final demand rose 1.1% in the September quarter, to be 4.8% higher over the year and was a key contributor to GDP growth. The annual increase was driven by growth in *general government consumption* (up 6.0%), particularly *national consumption*.

Changes in inventories contributed to GDP growth in September quarter 2019, driven by *wholesale trade* and *mining* inventories.

The **terms of trade** rose 0.4% in the September quarter, to be 7.8% higher over the year, supported by higher prices for iron ore exports.

Net exports contributed 0.2 percentage point to GDP growth in the September quarter. This result was due to a 0.7% rise in exports and a 0.2% fall in imports. Over the year, growth in exports (up 3.3%) and a fall in imports (down 1.5%) contributed 1.1 percentage points to GDP growth.

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

| Chain Volume Measure | % change | | ppt contribution | |
|-----------------------------------|-----------|--------|------------------|--------|
| | quarterly | annual | quarterly | annual |
| Household consumption | 0.1 | 1.2 | 0.1 | 0.7 |
| Private investment | -0.7 | -4.8 | -0.1 | -0.9 |
| Dwelling investment | -1.7 | -9.6 | -0.1 | -0.6 |
| Business investment | -1.5 | -2.8 | -0.1 | -0.3 |
| Machinery and equipment | -4.2 | -1.1 | -0.2 | 0.0 |
| Non-dwelling construction | 0.6 | -4.1 | 0.0 | -0.2 |
| Non-residential | 3.0 | 4.2 | 0.1 | 0.1 |
| Engineering | -5.9 | -12.2 | -0.2 | -0.4 |
| Private final demand | -0.1 | -0.3 | -0.1 | -0.2 |
| Public final demand | 1.1 | 4.8 | 0.3 | 1.1 |
| General government consumption | 0.9 | 6.0 | 0.2 | 1.1 |
| Public investment | 1.9 | 0.2 | 0.1 | 0.0 |
| Change in inventories | | | 0.1 | -0.3 |
| Gross national expenditure | 0.3 | 0.6 | 0.3 | 0.6 |
| Net exports | | | 0.2 | 1.1 |
| Exports of goods & services | 0.7 | 3.3 | 0.2 | 0.7 |
| Less imports of goods & services | -0.2 | -1.5 | 0.1 | 0.3 |
| Statistical discrepancy | | | -0.1 | 0.0 |
| GDP | 0.4 | 1.7 | 0.4 | 1.7 |
| Current Prices | | | | |
| Compensation of employees | 1.1 | 5.0 | | |
| Gross operating surplus | 1.2 | 8.3 | | |
| GDP | 1.1 | 5.5 | | |
| Deflators and Prices | | | | |
| Terms of trade | 0.4 | 7.8 | | |
| Household consumption deflator | 0.4 | 1.9 | | |
| GDP deflator | 0.7 | 3.7 | | |

* The reference year for chain volume measure = 2017-18

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

