

ABS National Accounts: December quarter 2019

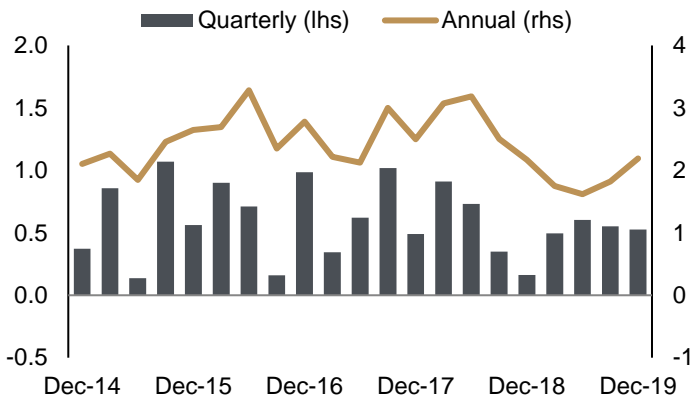
Source: ABS 5206.0, released 4 March 2020, 10:30 am AEST.

Today's National Accounts showed annual growth in the Australian economy slowed marginally in December quarter 2019, but was above 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 terms of trade fell 5.3% in the December quarter, but was only 0.6% lower over the year, driven by falls in commodity prices. Weak commodity prices reduced non-financial corporations gross operating surplus, which fell for the first time since June 2017.

Net exports contributed 0.1 percentage point to GDP growth in the December quarter, driven by a 0.5% fall in imports. Over the year, growth in exports (up 3.4%) and a fall in imports (down 1.5%) contributed 1.1 percentage points to GDP growth.

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



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 0.5% in December quarter 2019, compared with an upwardly revised 0.6% in September quarter 2019. Annual growth improved to 2.2% over the year to December quarter 2019 (Chart 1), slightly above the Reserve Bank of Australia's (RBA) forecast of 2% in the February 2020 *Statement on Monetary Policy*.

Household consumption grew by 0.4% in the December quarter, to be 1.2% higher over the year. Real gross household disposable income fell 0.7% in the quarter, but was still up 1.8% over the year. The fall in gross disposable income in the quarter was driven by a rebound in income tax payable following the introduction of the low and middle-income tax offset in the September quarter. As a result, the net household savings ratio fell to 3.6% in the quarter (down from 4.8%). Household consumption growth was driven by consumption of discretionary goods and services, which rose 0.5%, the largest increase since June 2018.

Business investment fell 2.5% in the December quarter, to be 3.4% lower over the year. The fall over the year was driven by *engineering construction* (down 12.6%), which more than offset growth in *non-residential construction* (up 4.6%).

Dwelling investment fell 3.4% in the December quarter, to be 9.7% lower over the year. The fall over the year was the result of a decline in both *new & used dwelling construction* (down 12.2%) and *alterations & additions* (down 5.0%). The decline in dwelling investment was broad-based, across both houses and apartments.

Public final demand rose 0.5% in the December quarter, to be 5.0% higher over the year and was a key contributor to GDP growth. The annual increase was driven by growth in *general government consumption* (up 5.3%), particularly *national consumption*.

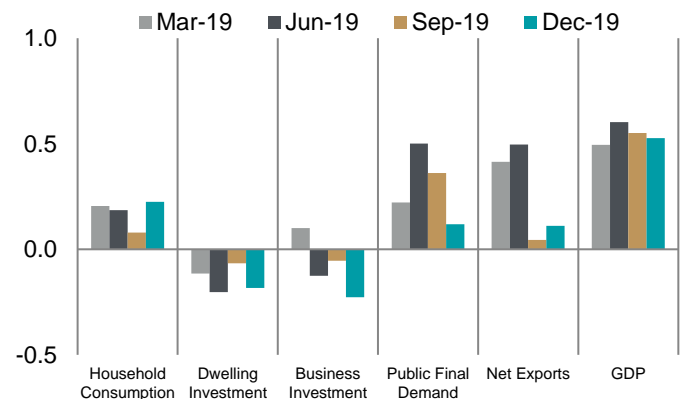
Changes in inventories contributed to GDP growth in December quarter 2019, driven by *mining inventories*.

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

Chain Volume Measure	% change		ppt contribution	
	quarterly	annual	quarterly	annual
Household consumption	0.4	1.2	0.2	0.7
Private investment	-1.1	-3.4	-0.2	-0.6
Dwelling investment	-3.4	-9.7	-0.2	-0.6
Business investment	-2.5	-3.4	-0.2	-0.3
Machinery and equipment	0.1	-0.9	0.0	0.0
Non-dwelling construction	-4.5	-5.2	-0.2	-0.3
Non-residential	-3.0	4.6	-0.1	0.1
Engineering	-3.6	-12.6	-0.1	-0.4
Private final demand	0.0	0.1	0.0	0.1
Public final demand	0.5	5.0	0.1	1.2
General government consumption	0.7	5.3	0.1	1.0
Public investment	-0.4	4.1	0.0	0.2
Change in inventories			0.2	-0.1
Gross national expenditure	0.3	1.2	0.3	1.2
Net exports			0.1	1.1
Exports of goods & services	0.0	3.4	0.0	0.8
Less imports of goods & services	-0.5	-1.5	0.1	0.3
Statistical discrepancy			0.1	-0.1
GDP	0.5	2.2	0.5	2.2
Current Prices				
Compensation of employees	1.0	5.1		
Gross operating surplus	-1.1	4.3		
GDP	-0.3	4.1		
Deflators and Prices				
Terms of trade	-5.3	-0.6		
Household consumption deflator	0.3	1.8		
GDP deflator	-0.8	1.9		

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

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



In **year-average** terms, GDP growth was 1.8% in 2019, down from 2.7% in 2018. This was in line with the RBA's forecast of 1¼% in the February 2020 *Statement on Monetary Policy*.