

Economic growth of 1% in the September quarter

Economic growth by expenditure category

- The Australian economy slowed in the September quarter of 2011 on the back of a sharp drawdown of inventories, a contraction in net exports and the ongoing withdrawal of fiscal stimulus.
- Australia's real gross domestic product (GDP) growth slowed to a seasonally adjusted 1% in the September quarter of 2011 from the 1.4% achieved in the June quarter (Chart 1). Growth through the year to the September quarter reached 2.5%, up from the 1.9% growth recorded in the June quarter, but below annual trend growth of around 3.25%.
- In seasonally adjusted terms, the main contributors to expenditure on GDP were private gross fixed capital formation (adding 2.1 percentage points to growth) and household final consumption expenditure (adding 0.7 percentage points). Partially offsetting these rises were changes in inventories (detracting 0.8 percentage points), net exports (detracting 0.6 percentage points) and public gross fixed capital formation (detracting 0.4 percentage points).
- Domestic demand growth increased to 2.1% in the September quarter, a significant jump from the 0.6% growth recorded in the June quarter. The strong pick-up in domestic demand is largely attributable to the sharp rise in private new engineering construction and stronger growth in machinery and equipment private investments.
- Private new engineering construction increased 31% in the September quarter, a sharp turnaround from the 4.2% contraction in the June quarter. Meanwhile, private investments in machinery and equipment expanded 6.4%, almost triple the growth rate from the preceding quarter.
- Overall, private business investment increased 12.9% in the September quarter, after having remained flat in the June quarter.
- Household consumption held up considerably well. Household consumption rose 1.2% in the September quarter, slightly up from 1% in the June quarter.
- The growth in the volume of exports slowed to 2% in the September quarter from 2.9% in the June quarter, reflecting the renewed slowdown in the United States and Eurozone economies. The growth in the volume of imports, on the other hand, picked-up to hit 4.3% due to the high Australian dollar.

Economic growth by industry

- The construction industry performed the best in the September quarter, growing by a seasonally adjusted 5%. Output from the mining industry increased 3.7%, making it the second fastest growing industry.

National Accounts, September quarter 2011

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- The manufacturing industry was the fifth fastest growing industry in the September quarter, expanding 1.9%, a slowdown from the 2.6% growth in the June quarter.
- The agricultural, forestry and fishing industry performed the worst, contracting 7.3% in the September quarter.

Policy implications

- The September quarter national accounts indicates growth is still below trend and will be weighed by the renewed slowdown in the US and Eurozone economies going forward, as export demand from major developed economies wanes and heightened uncertainty about the global economic outlook impacts Australian households and businesses.
- Whilst domestic demand is holding up well largely due to a robust mining sector, it is plausible that another recession in Europe could dent economic growth in emerging Asian economies and reduce the demand for Australian natural resources. Such an outcome could slow domestic demand in Australia substantially.
- Reflecting a highly uncertain economic outlook and well-contained inflationary pressures, the Reserve Bank of Australia could lower interest rates further in the coming months.

Chart 1: Real GDP growth in Australia

