

Tabled 4 June 2014 No. 10
Dr Gruen - opening statement

March quarter, 2014 National Accounts

4 June 2014

Real GDP rose 1.1% in the quarter, and 3.5% over the year. This result was somewhat stronger than the market had expected.

The March quarter accounts provide further evidence of the major transitions underway in the economy.

New business investment fell modestly in the quarter (by 1.2%). The national accounts, along with latest CAPEX survey, released just a few days ago, confirm that business investment in the resources sector is beginning to fall, and is expected to decline significantly further over the coming financial year, while a modest pick-up in investment is expected in the non-resources sector.

The volume of exports is ramping up strongly, rising 4.8% in the quarter and 10.4% over the year, the strongest outcome on both measures since September 2000. The strength of particularly resource exports is consistent with the large (0.9%) contribution to growth contributed by the mining sector in the quarter.

Dwelling investment also grew strongly, by 4.7% in the quarter and 8.0% over the year, again highlighting the extent to which other parts of the economy are taking the place of mining investment as contributors to growth.

The terms of trade fell modestly in the quarter, continuing the trend that has been evident since the terms of trade peaked in 2011.

Along with the national accounts, results were released for State final demand. Almost exactly a year ago, the national accounts for the March quarter, 2013 were released. They showed that state final demand for WA had fallen for two consecutive quarters. On the basis of that result, the next day several newspapers reported that WA was in recession. When Dr Parkinson and I appeared before Senate Estimates on that day, we both explained that no such conclusion could be drawn from the State final demand outcomes, because they ignored the exports that were being produced from the largest mining investment boom in Australia's history.

The accounts released this morning again show that State final demand in WA has fallen for the past two quarters. But as we have also seen, they also show that exports, particularly resource exports, are running at record levels.

It is to be hoped that the newspapers tomorrow will have learned from the experience of a year ago, and will not propagate the myth that WA is in recession.

David Gruen
Executive Director
Macroeconomic Group
Treasury