

AUSTRALIA ECONOMY GROWS MORE THAN WAS FORECASTED



Australia's economy grew faster than was estimated during the last quarter on consumer spending and business investment, spurring the local currency as investors pared bets on the pace of interest-rate cuts in the next year. A Bureau of Statistics report released in Sydney yesterday showed that the gross domestic product advanced 1 percent in the three months through September after a revised 1.4 percent expansion the previous quarter that was the fastest since the first quarter of 2007. The result compared with the median of 24 estimates in a Bloomberg survey for a 0.8 percent rise. The report reflects an economy that the central bank predicted would accelerate before Europe's sovereign-debt crisis prompted the Reserve Bank Governor Glenn Stevens to lower rates at consecutive meetings for the first time since 2009. After the data, interbank cash futures showed investors reduced the odds for a 50-basis-point rate reduction at RBA's February 7 meeting. "There are still strong drivers of growth from capital expenditure, and the household sector is still doing well," Tony Morriss, who is the head of interest-rate research in Sydney at Australia & New Zealand Banking Group Ltd. (ANZ), said in an interview. At 12:43 pm in Sydney, the Australian dollar rose after the report, buying \$1.0266 from \$1.0243 before the data. Yesterday's report showed that, compared with a year earlier, the economy expanded 2.5 percent in the third quarter. Economists forecasted a 1.9 percent year-over-year gain. Yields on interbank cash-rate futures for the next five months raised, with the April contract gaining 8 basis points to 3.35 percent, to the highest level in almost a month. Yesterday's report showed that the household spending rose 1.2 percent in the third quarter, adding 0.7 percentage point to GDP growth. The report also showed that the non-dwelling construction jumped 24.4 percent adding 1.5 points. The machinery and the equipment advance 6.4 percent, contributing 0.4 point to the expansion. "The economy is certain not weak," said Adam Carr, who is a senior economist in Sydney at ICAP Australia Ltd., a unit of the world's biggest interdealer broker. China is Australia's biggest trading partner and its demand for iron ore, coal and energy drove the nation's terms of trade-- a measure of export prices relative to import prices-- to a new record this year. Today's report showed that mining increased 3.7 percent, adding 0.3 points. Resource projects valued at A\$457 billion (\$468 billion), which is driven by companies such as BHP Billiton Ltd. (BHP), have cushioned a slump in manufacturing and services hit by a record currency and subdued consumer spending. "The strong investment outcomes are further evidence of the massive pipeline of planned investment in Australia," said Treasurer Wayne Swan in a statement after the data was released. The report also showed that the government spending dropped 1.2 percent, subtracting 0.2 point from GDP growth. The imports rose 4.3 percent, subtracting 1 point.

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