# Australian National Accounts

## Waiting for the sequins to be cleared

March 2024 | 5 June

## From the Chief Economist

Just reading the headline numbers might signal an economy that is slowing enough to take pressure off inflation, but there were signals in the March quarter GDP data that inflation is not where it needs to be. Even as the economy flatlined, the measure of household domestic price rises was a very high 4.6 per cent, almost unchanged from the December 2023 quarter.

There was a surge in household demand for travel and accommodation around the Grand Prix and Taylor Swift and Pink concerts – creating an unwelcome pressure point and leading to a stronger than expected 0.4 per cent rise in consumption. Households saved only 0.9 per cent of their income.

Although the Reserve Bank looks through one off events, it doesn't ignore solid demand indicators. As the year continues and tax cuts, further cost of living measures and positive real wages growth help consumers, consumption may even pick up a little.

Business investment was soft, with a decline in mining project activity in the quarter. The completion of some state and local government education projects and slower health projects pulled down government investment. But these reflect the lumpy nature of the data and follow recent high levels of public and private investment. Increased demand for data centres showed through in an uplift in investment in machinery and equipment, early signs of the wave of Ai-related spending in the economy.

Cherelle Murphy | EY Regional Chief Economist, Oceania

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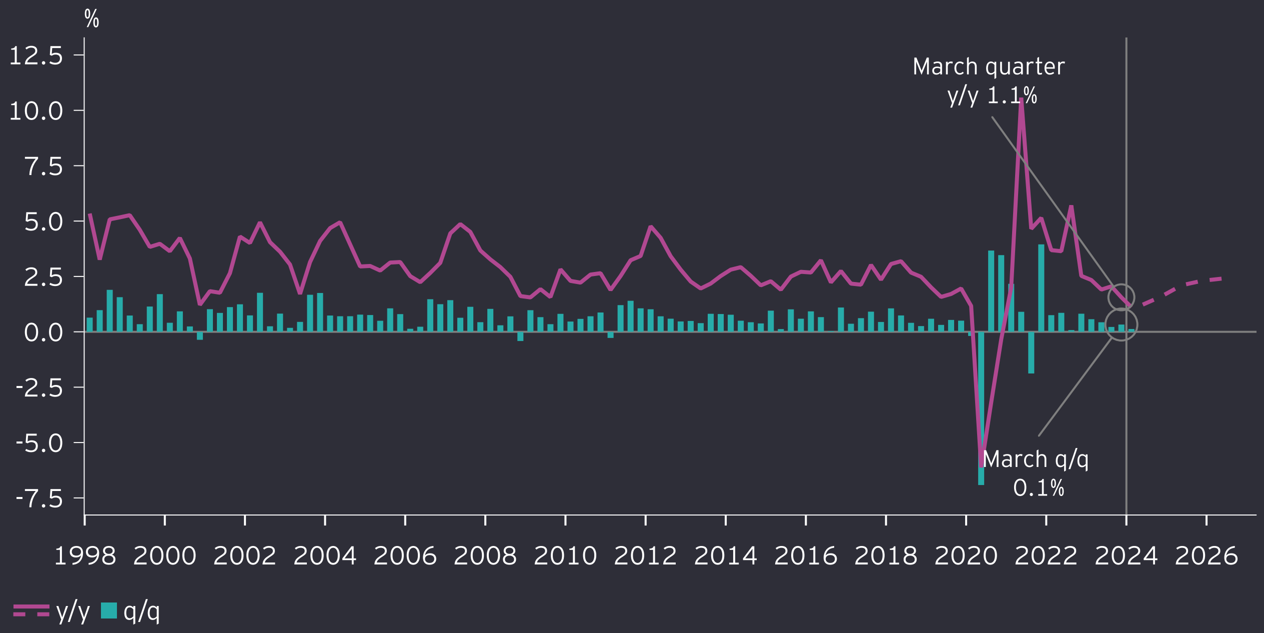
## 1. High interest rates contributed to slow growth in Q1

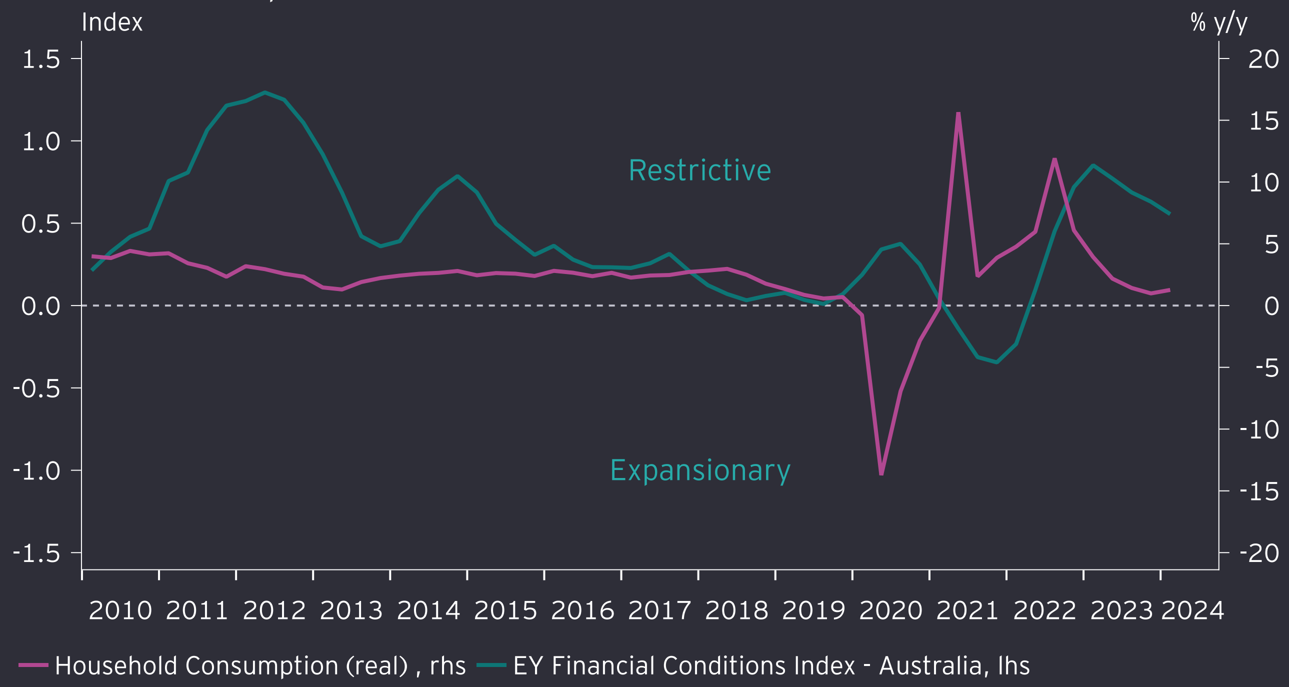
Gross domestic product
Including RBA forecasts




*Source: ABS, RBA (May-24 SMP), Macrobond, EY*

## 2. Financial conditions eased but remain in restrictive territory

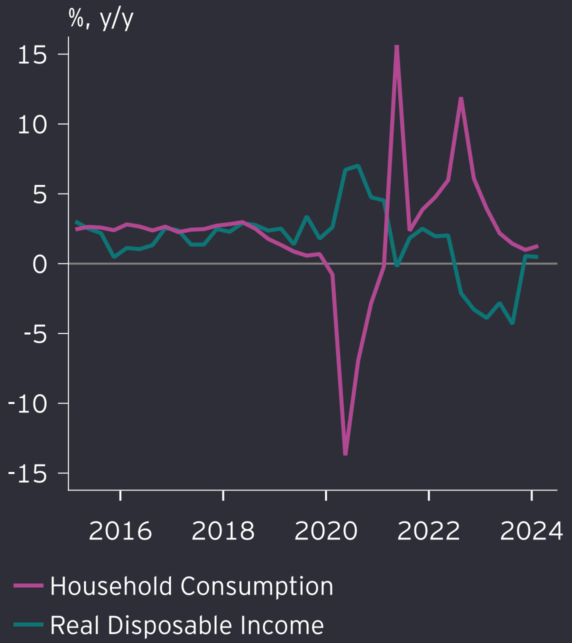
Household consumption and financial conditions




*Source: ABS, Macrobond, EY*

## 3. Consumption ticked up slightly and households saved less

Household consumption and disposable income



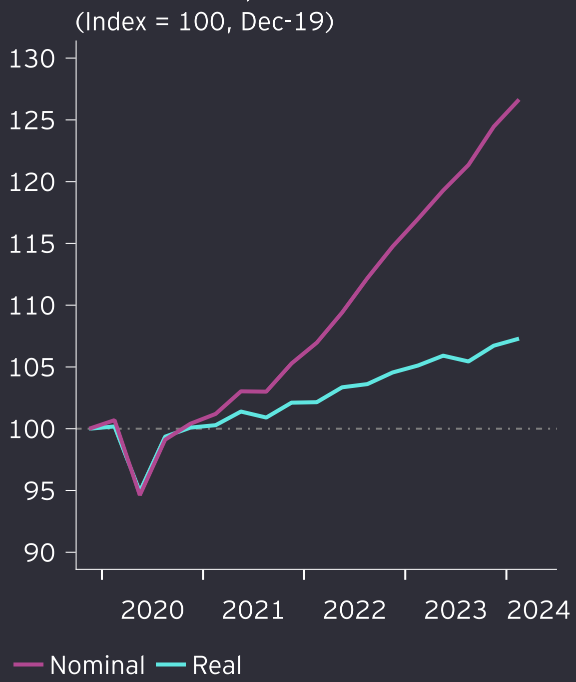

*Source: ABS, Macrobond, EY*

Household saving ratio


*Source: ABS, Macrobond, EY*

## 4. Households were focused on essentials but big events saw a pick up in discretionary spending

Essential Consumption




*Source: ABS, Macrobond, EY*

Discretionary Consumption


*Source: ABS, Macrobond, EY*

## 5. Tax payments (less social assistance benefits) fell and further declines are expected in Q3 given planned tax cuts

Interest on dwellings and income tax payable less social assistance benefits

% of disposable income

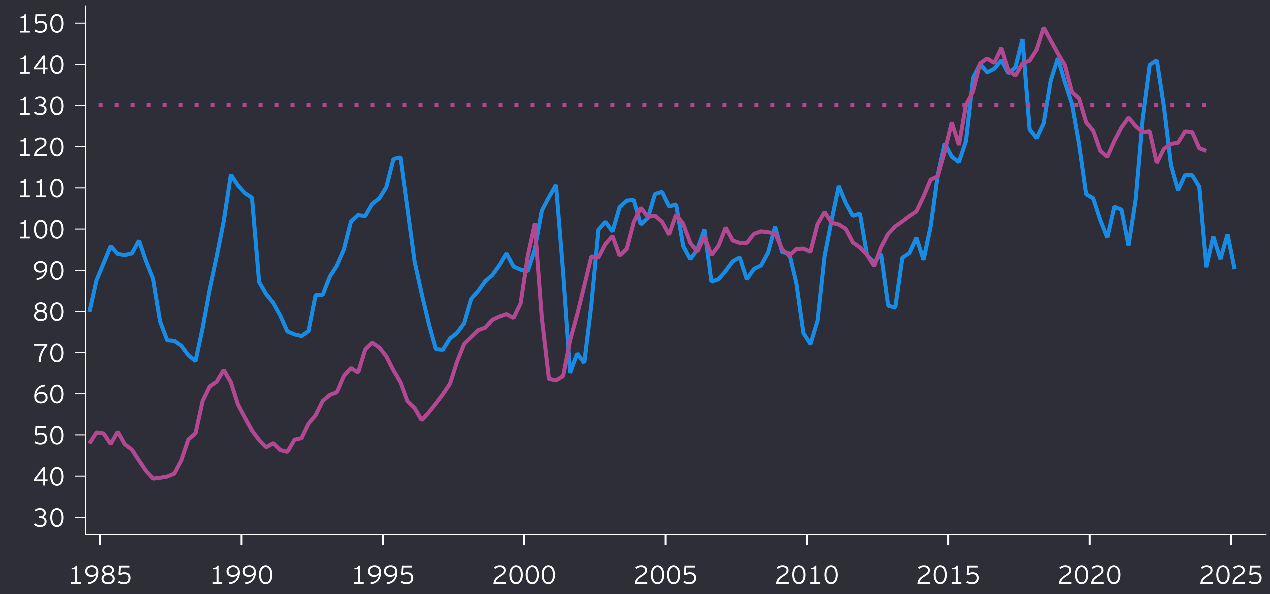

Interest on Dwellings Payable — Income Tax Payable Less Social Assistance Benefits

*Source: ABS, Macrobond, EY*

## 6. Improvements in housing affordability unlikely, as home building declines amidst strong population growth

New dwelling investment and approvals

(Index = 100, 2005)

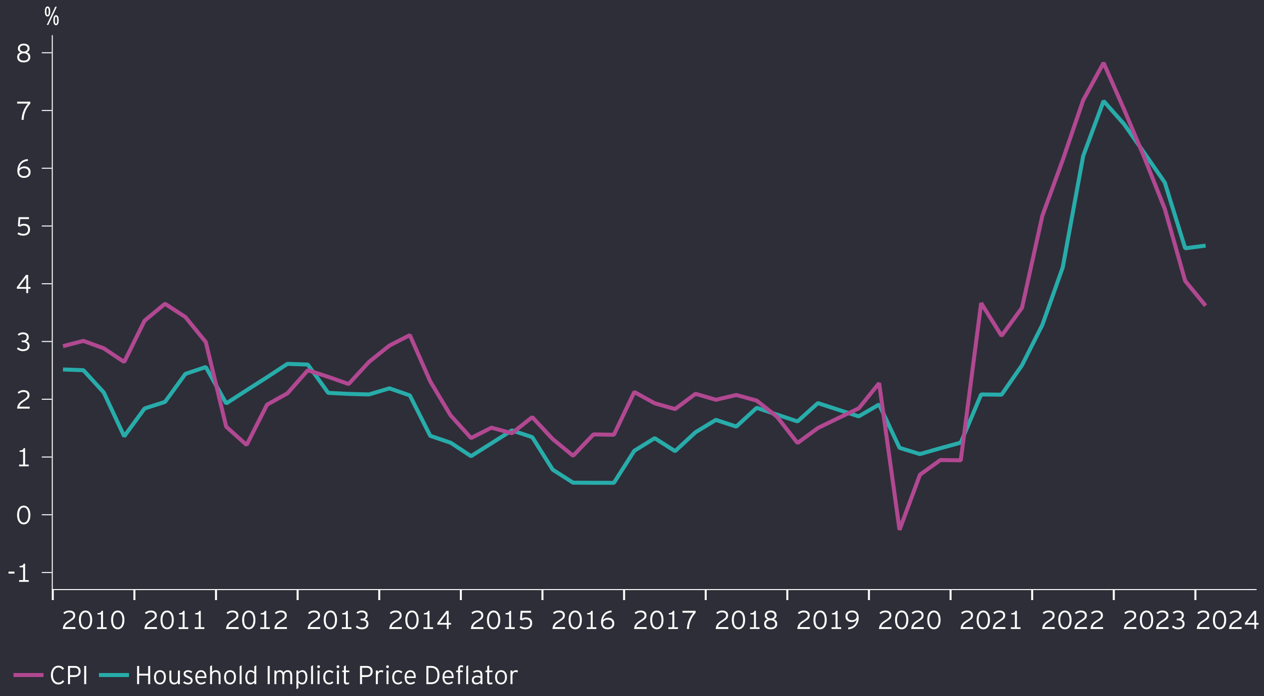



New dwelling investment · · New dwelling investment 10 year average — Dwelling approvals, 1y lead

*Source: ABS, Macrobond, EY*

## 7. Domestic price pressures remain very high

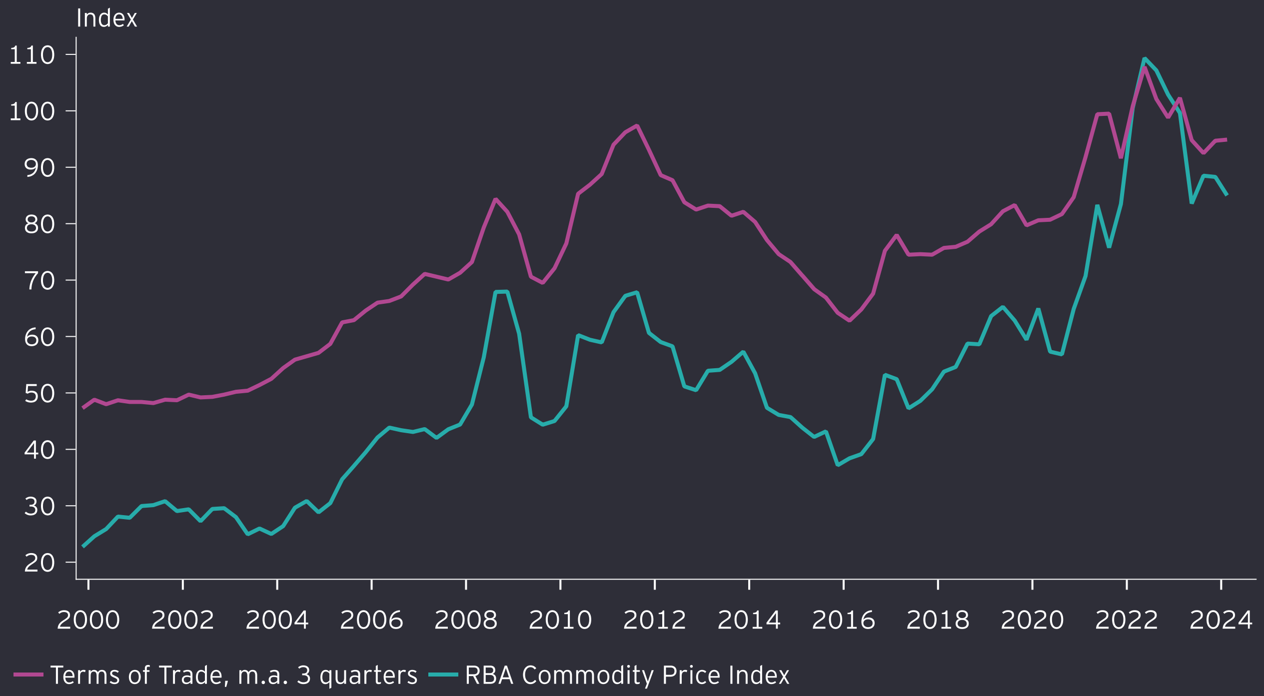
Consumer prices: implicit price deflator vs CPI




*Source: ABS, Macrobond, EY*

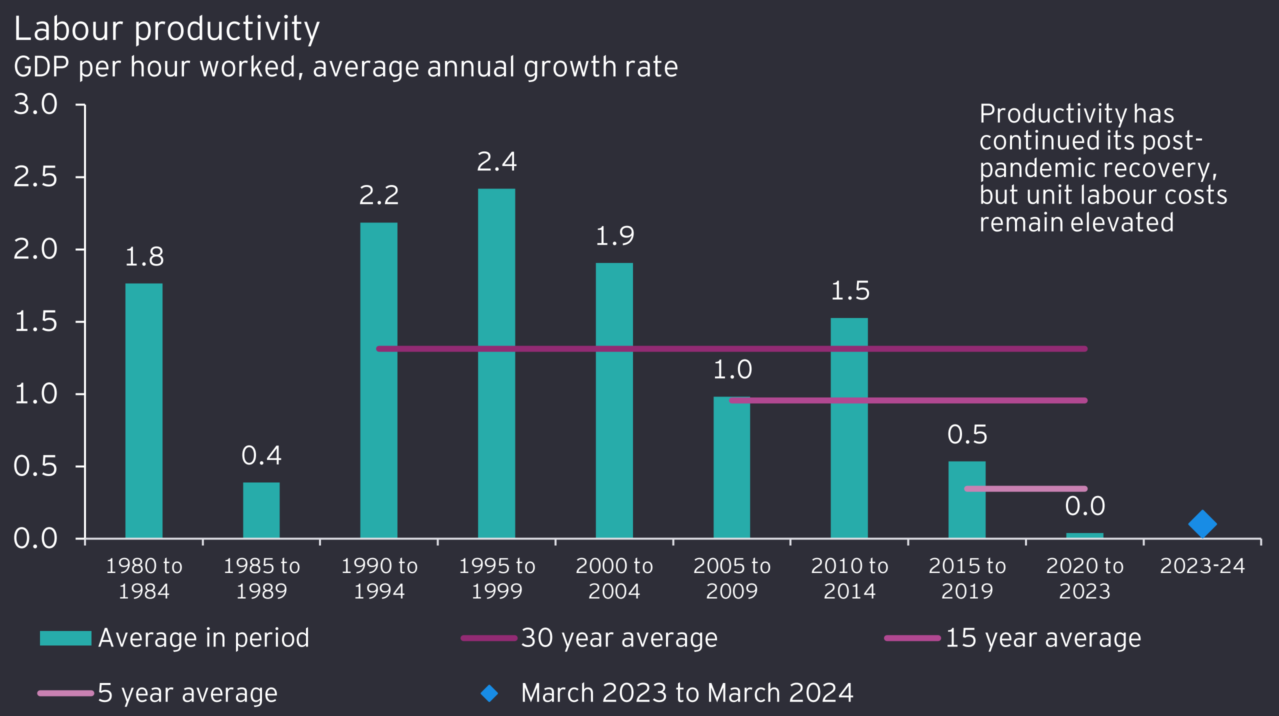
## 8. Falling export commodity prices were offset by larger falls in import prices, lifting the terms of trade slightly

Terms of Trade and RBA Commodity Price Index



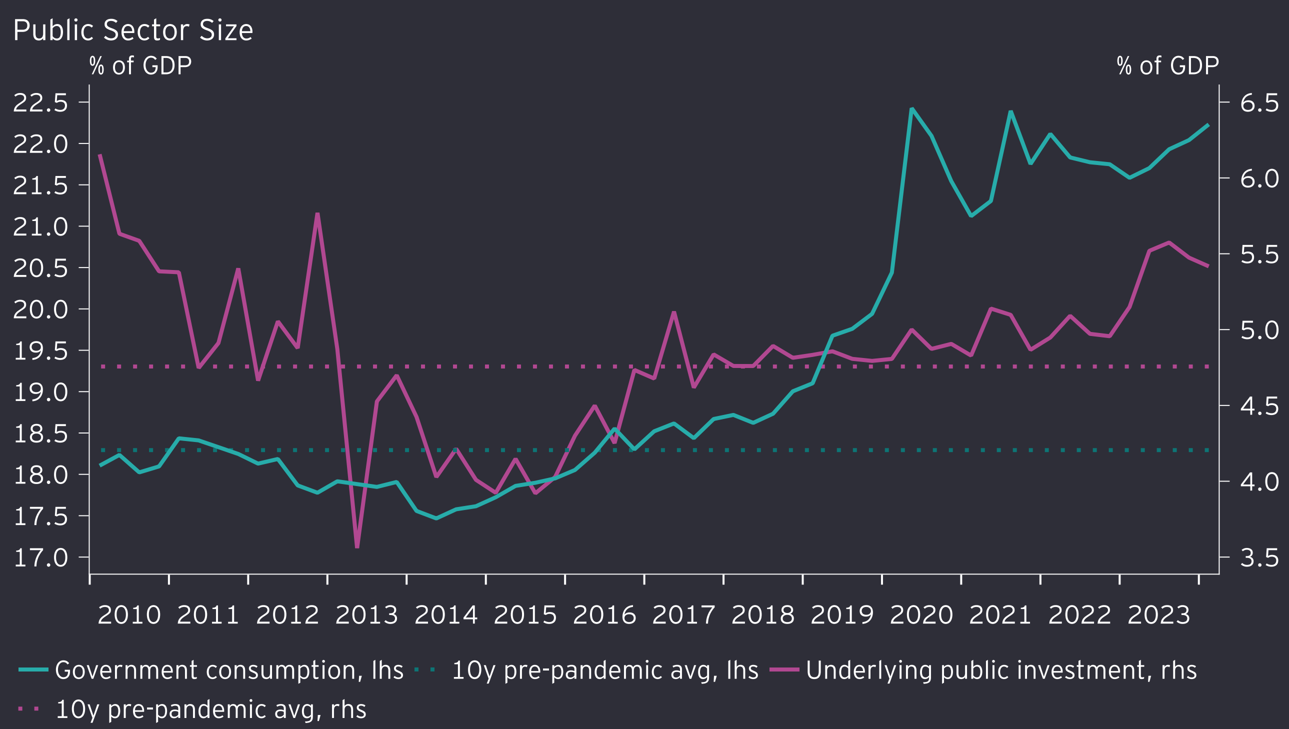

*Source: ABS, RBA, Macrobond, EY*

## 9. There are signs productivity has continued its post-pandemic recovery




*Source: ABS, e61, EY*

## 10. The public sector continues to hold a substantial share of the economy




*Source: ABS, Macrobond, EY*

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