



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.

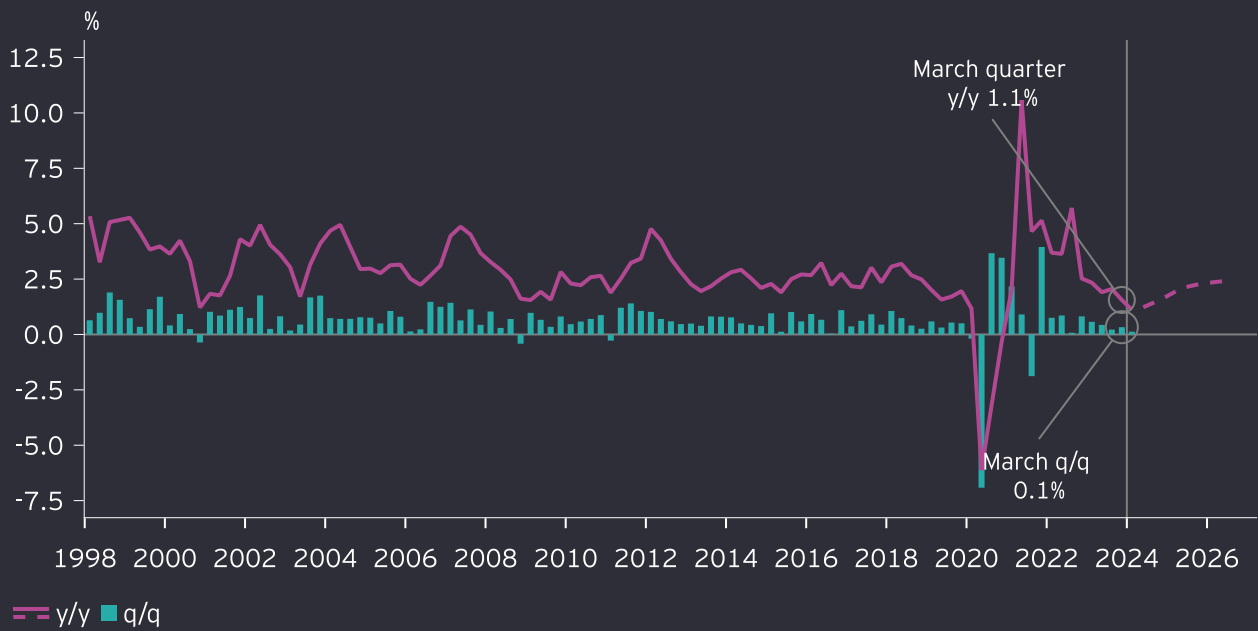
Although the Reserve Bank looks through one off events, it doesn't ignore solid demand indicators. As the year continues and tax cuts, further cost of living measures and positive real wages growth help consumers, consumption may even pick up a little.

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

1. High interest rates contributed to slow growth in Q1

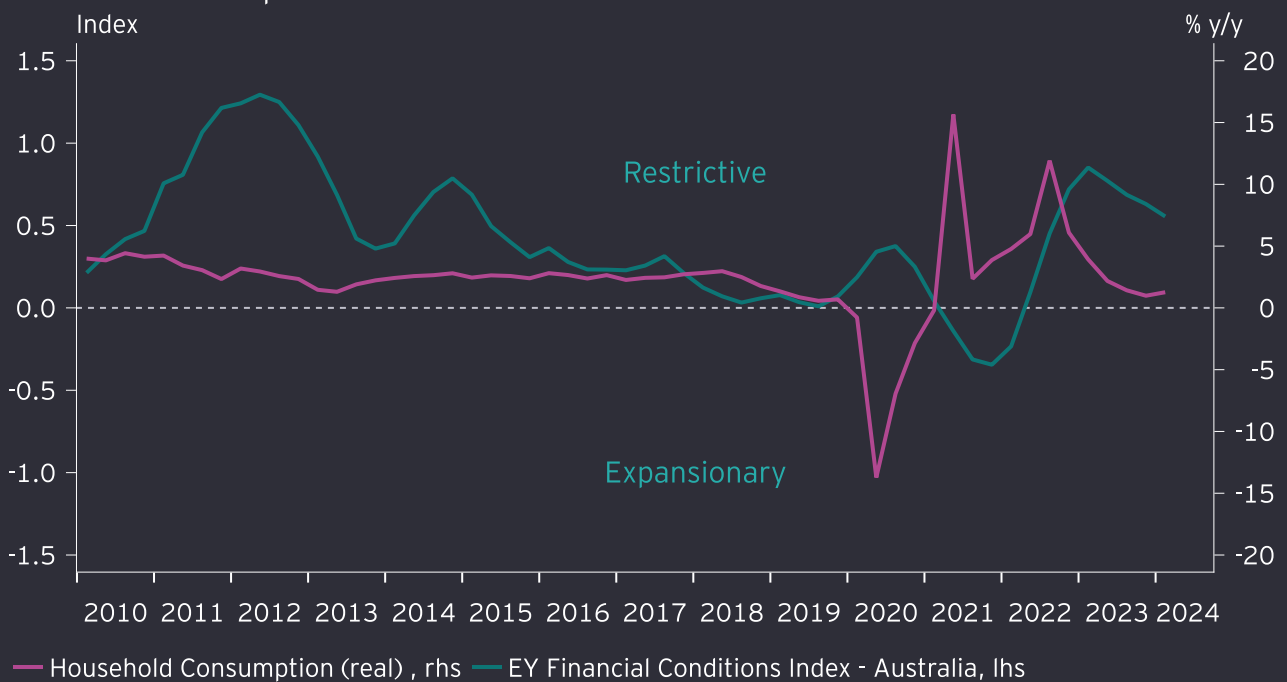
Gross domestic product
Including RBA forecasts



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

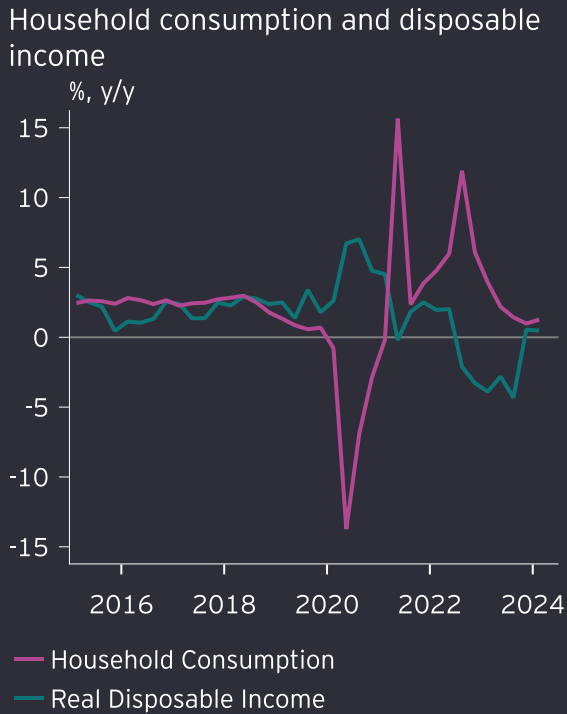
2. Financial conditions eased but remain in restrictive territory

Household consumption and financial conditions



Source: ABS, Macrobond, EY

3. Consumption ticked up slightly and households saved less

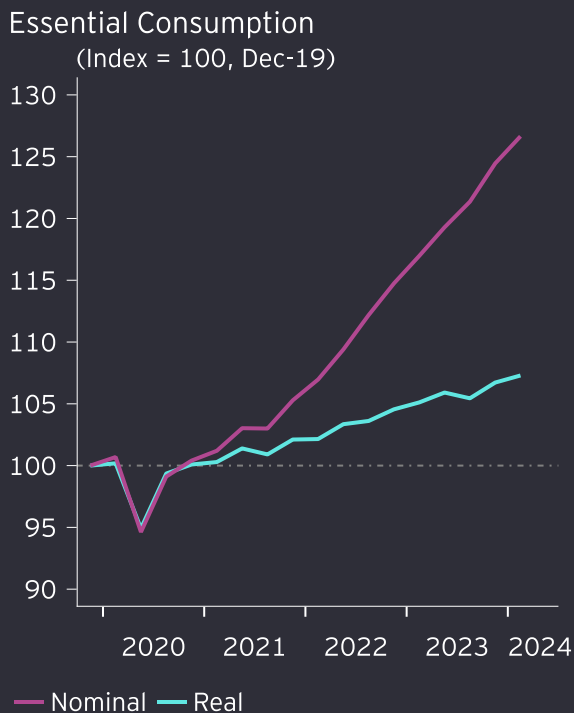


Source: ABS, Macrobond, EY

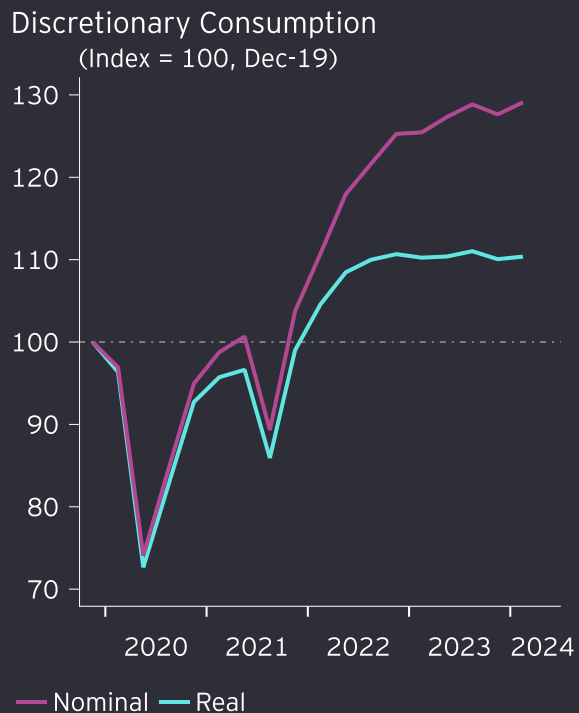


Source: ABS, Macrobond, EY

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



Source: ABS, Macrobond, EY



Source: ABS, Macrobond, EY

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

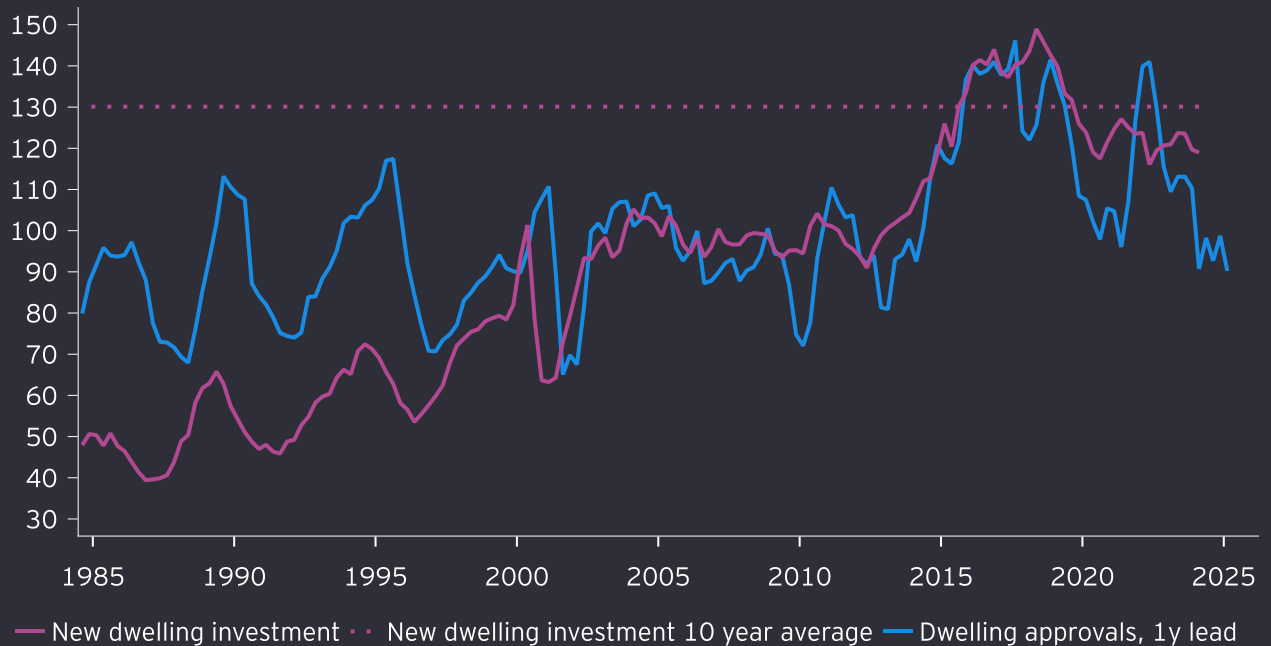
Interest on dwellings and income tax payable less social assistance benefits
% of disposable income



Source: ABS, Macrobond, EY

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

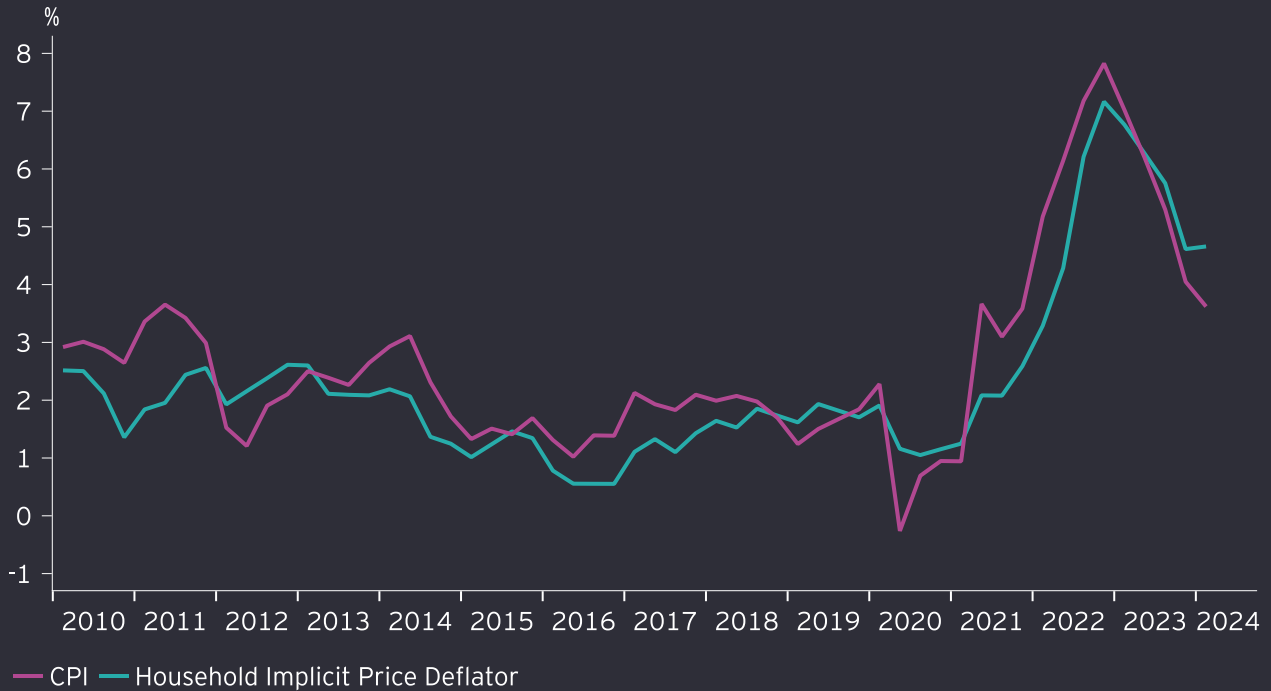
New dwelling investment and approvals
(Index = 100, 2005)



Source: ABS, Macrobond, EY

7. Domestic price pressures remain very high

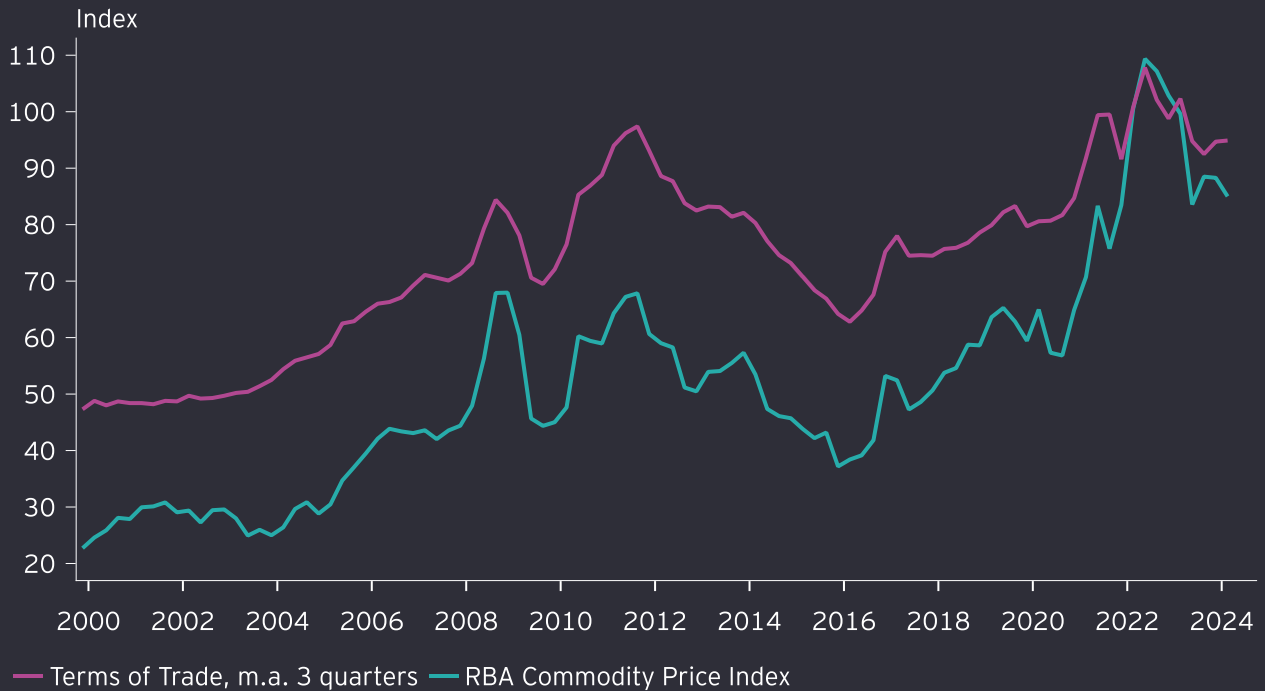
Consumer prices: implicit price deflator vs CPI



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

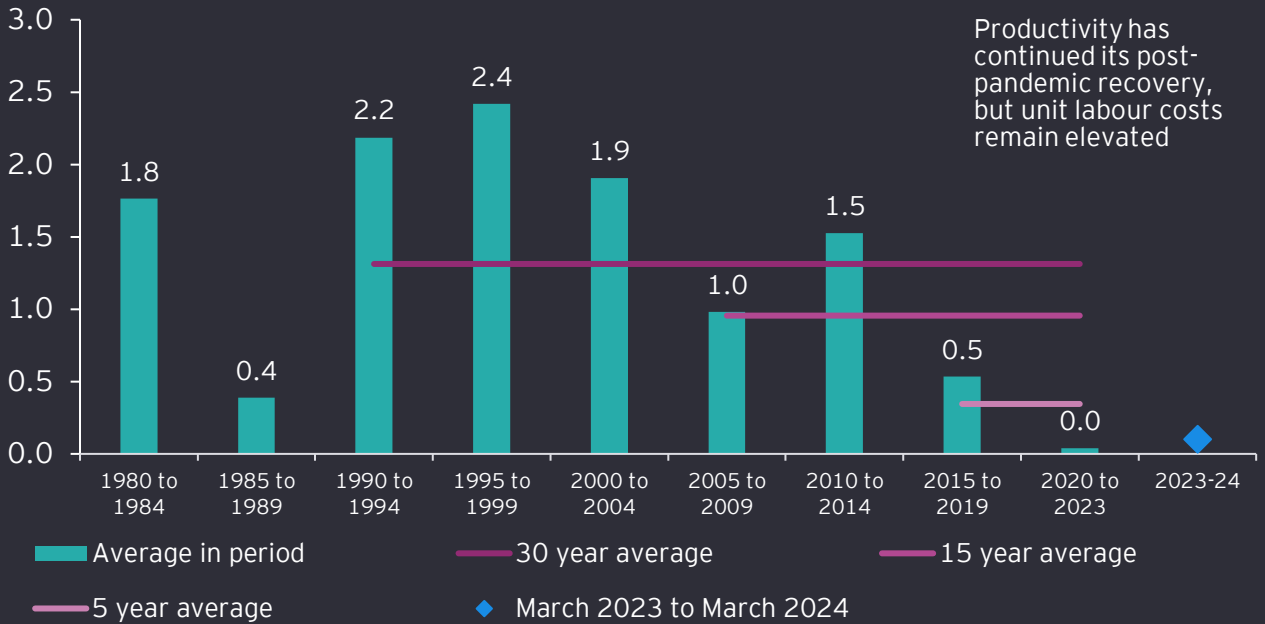


Source: ABS, RBA, Macrobond, EY

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

Labour productivity

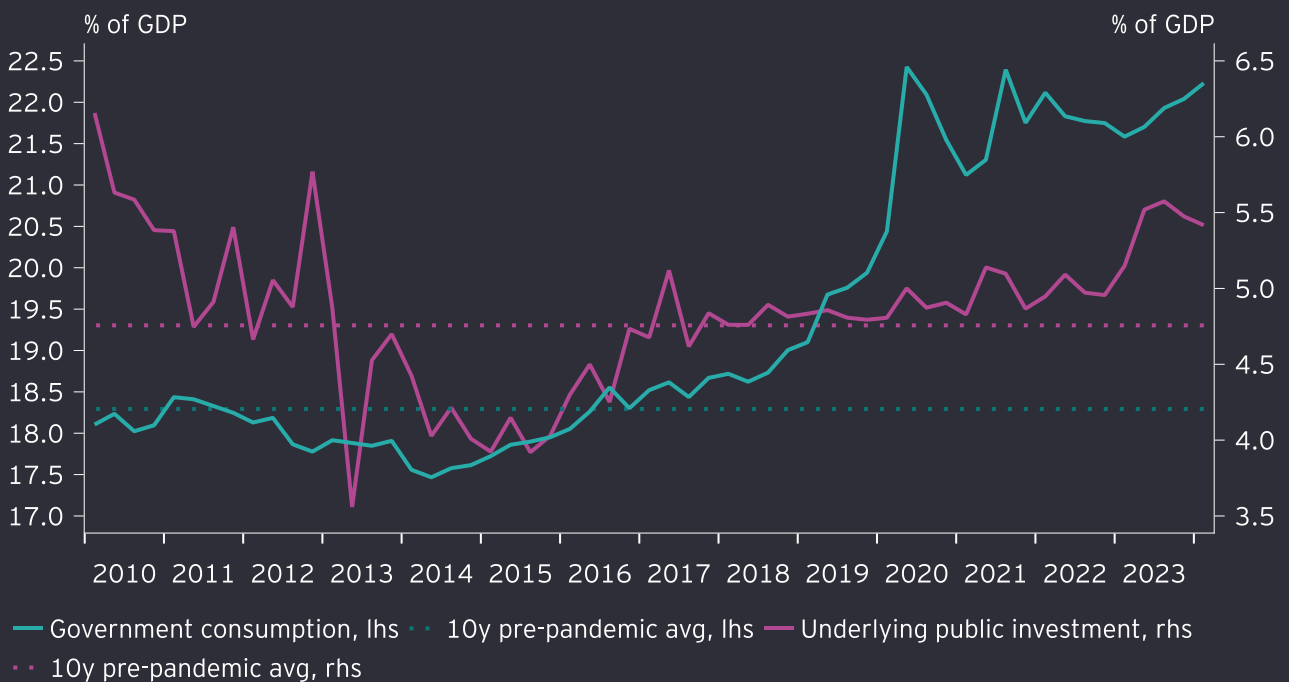
GDP per hour worked, average annual growth rate



Source: ABS, e61, EY

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

Public Sector Size



Source: ABS, Macrobond, EY

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Key contacts



Cherelle Murphy | Oceania Chief Economist
EY Australia | Canberra
cherelle.murphy@au.ey.com



Paula Gadsby | Senior Economist
EY Economics | Perth
paula.gadsby@au.ey.com

Nicholas Hordern | Senior Economist
EY Economics | Sydney
nicholas.hordern@au.ey.com



Neelaabh Gupta | Consultant
EY Economics | Sydney
neelaabh.gupta@au.ey.com

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