



Australian National Accounts

Government handouts hold up GDP but hold down our future growth

June 2024 | 4 September

From the Chief Economist

The economy grew by a paltry 0.2 per cent in the June quarter and by just 1 per cent over the year. A strong public sector was the clear standout, contributing 0.4 percentage points to growth.

Spending by foreign students - scheduled to be capped - was one of the few areas of good news in the private sector.

The use of government spending to prop up the economy has been a factor driving the national statistics for some time, and has pushed public spending to a record 27.6 per cent of GDP. It also meant household consumption and saving probably remained mildly positive, because cost-of-living support propped up household incomes.

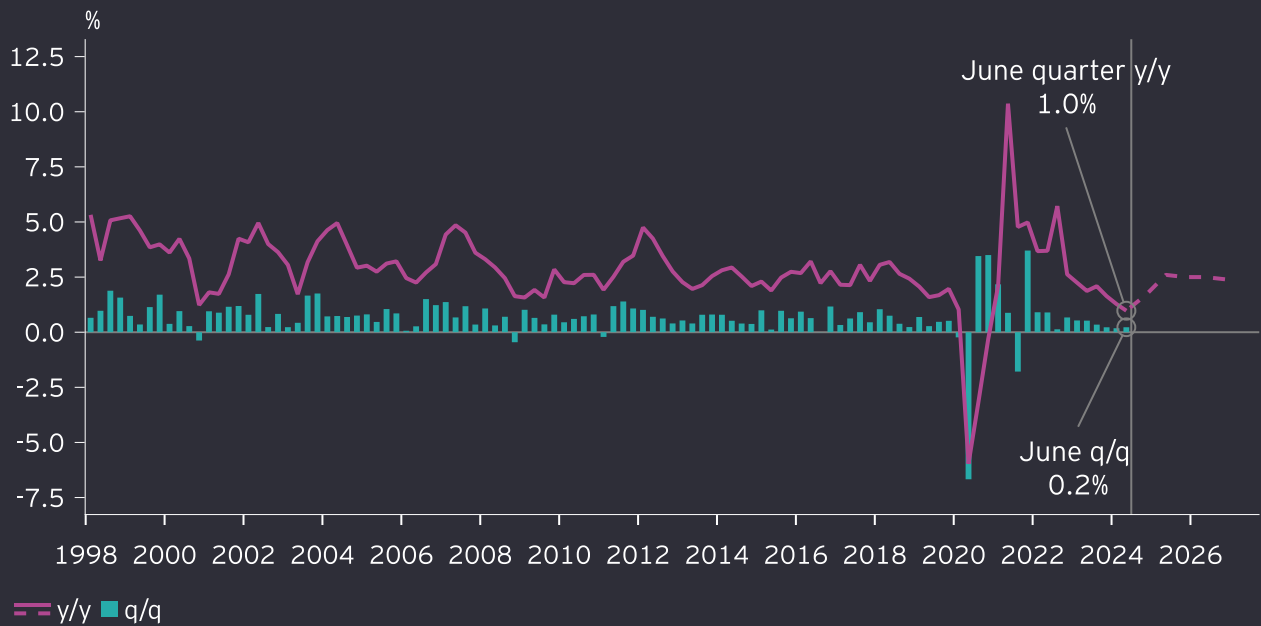
The spending by governments has done nothing to improve productivity, with GDP per hour worked down 0.8 per cent in the June quarter, and only 0.5 per cent higher over the year. For employers, this is bad news. It also contributed to unit labour costs rising 5.4 per cent over the year.

With tax cuts and household income support set to increase even further in the second half of 2024, household consumption, and possibly saving, will likely improve. But we see little for the private sector to encourage business to invest for our long-term prosperity.

[Cherelle Murphy](#) | EY Regional Chief Economist, Oceania

1. GDP was at its slowest growth rate since the pandemic

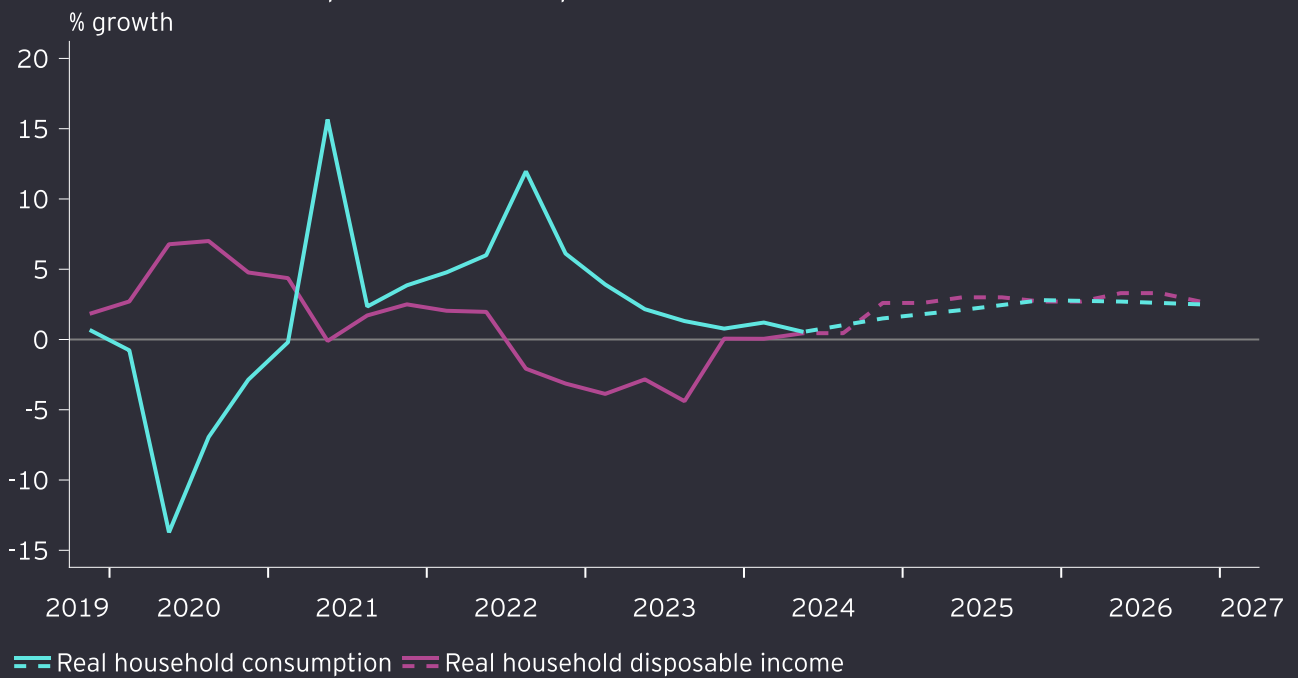
Gross domestic product
Including RBA forecasts



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

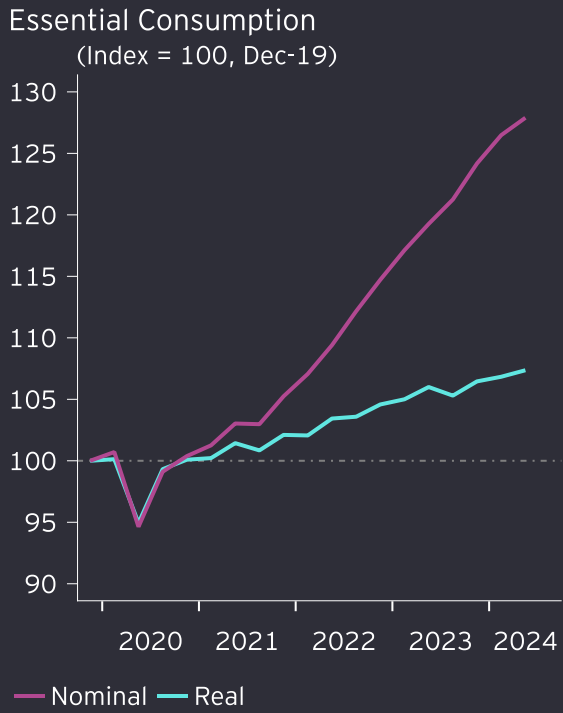
2. Household consumption was very soft but will be helped by real wages growth, tax cuts and ongoing government help

Real household consumption and real disposable income with RBA forecasts

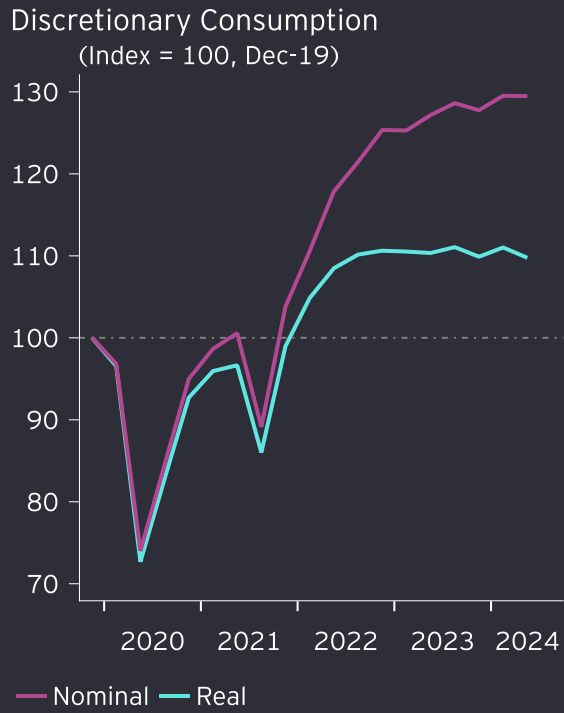


Source: ABS, RBA (Aug-24 SMP), Macrobond, EY

3. Households remained focused on essentials while discretionary spending fell



Source: ABS, Macrobond, EY

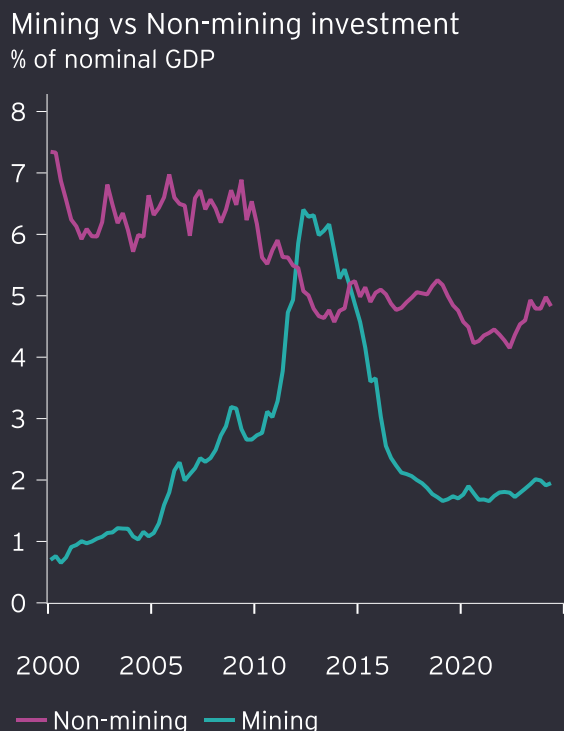


Source: ABS, Macrobond, EY

4. Business investment remained relatively steady



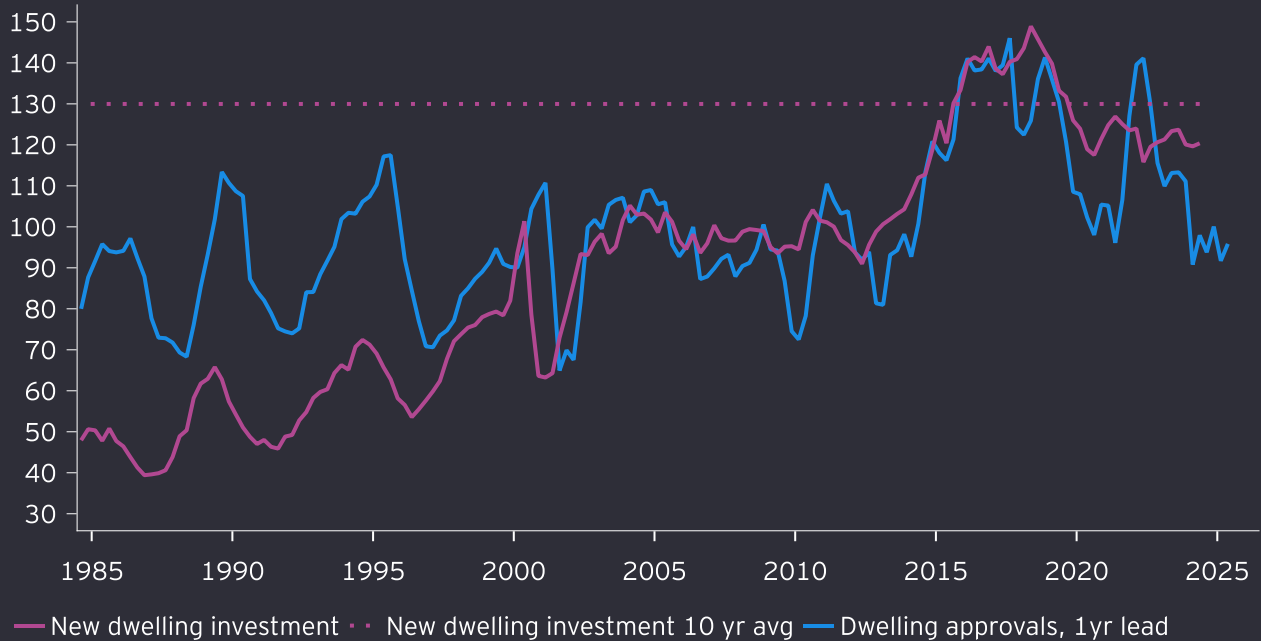
Source: ABS, Macrobond *adjusted for second hand transfers



Source: ABS, Macrobond

5. Improvements in housing affordability are unlikely, as supply continued to be held back by weak home building activity

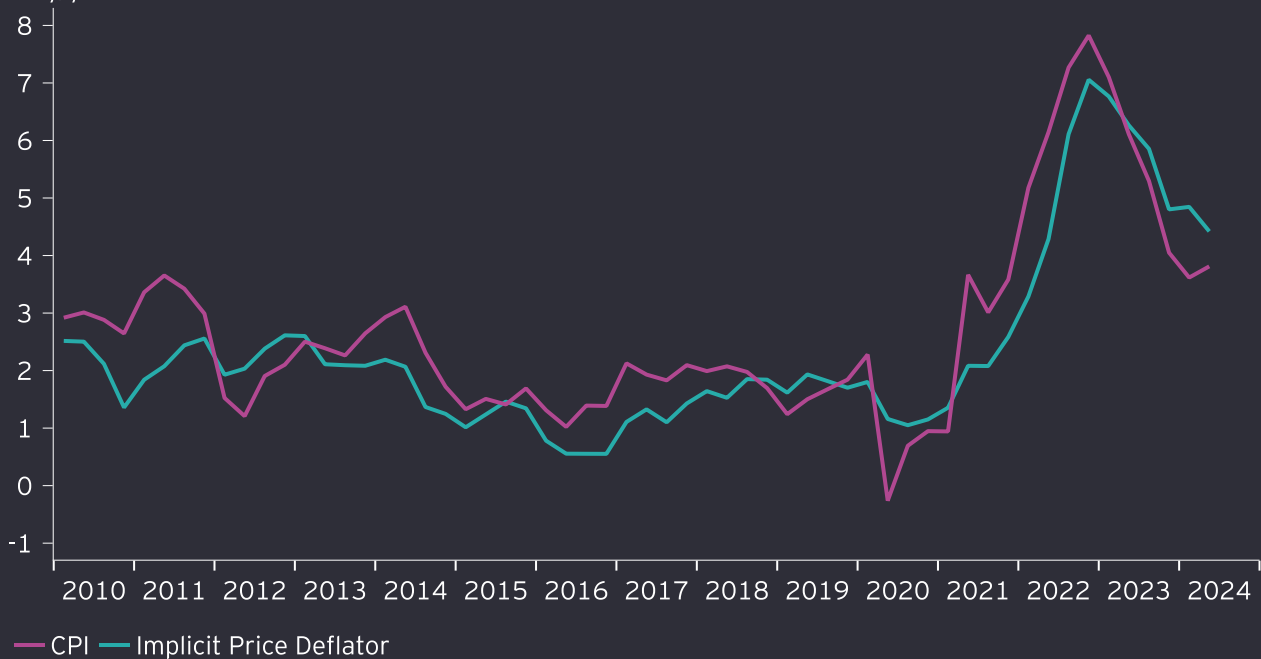
New dwelling investment and approvals
(Index = 100, 2005)



Source: ABS, Macrobond, EY

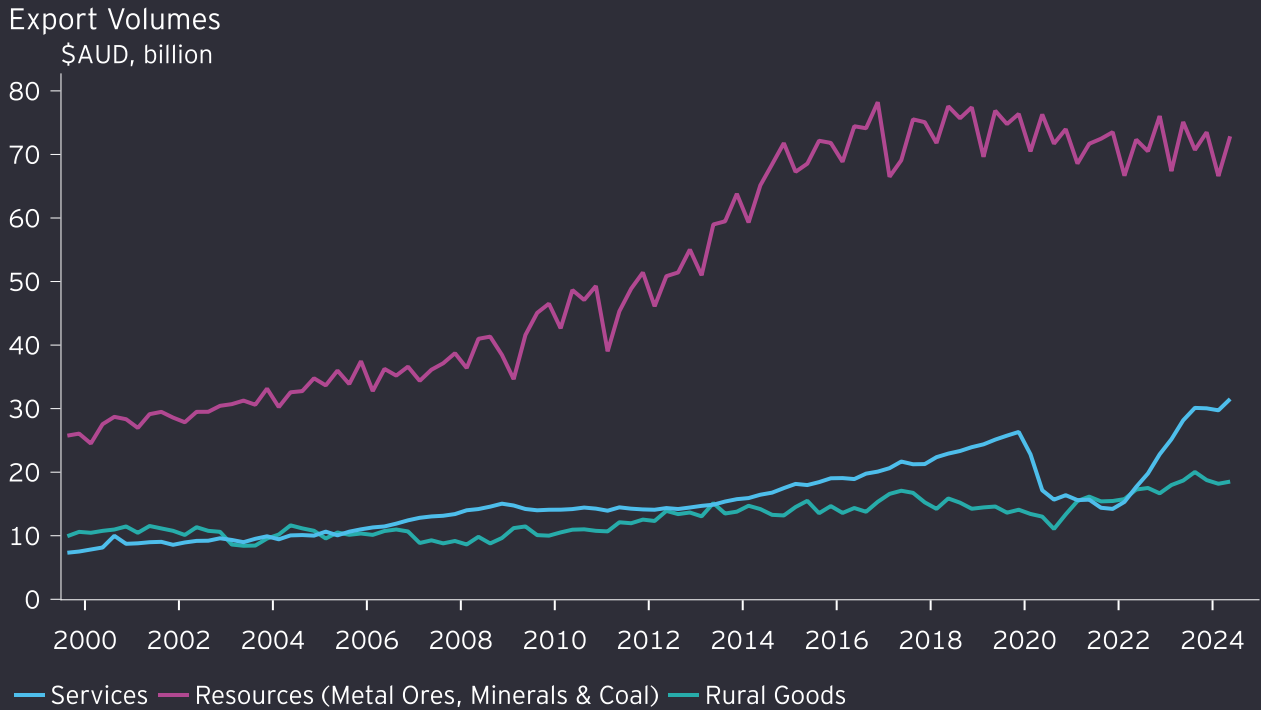
6. Domestic price pressures continued, although cooled a little

Consumer prices: implicit price deflator vs CPI
% y/y



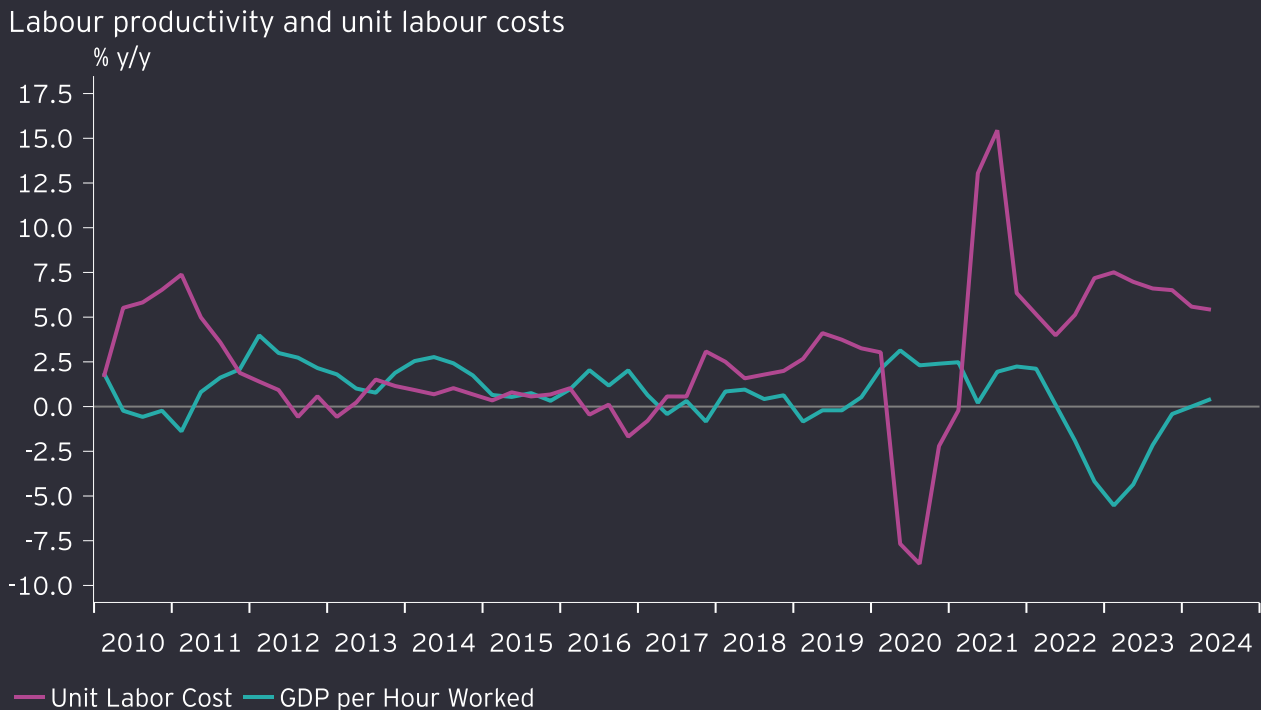
Source: ABS, Macrobond, EY

7. Service exports were a bright spot due to international students



Source: ABS, Macrobond, EY

8. Continued small improvement in productivity fell short of the economy's needs



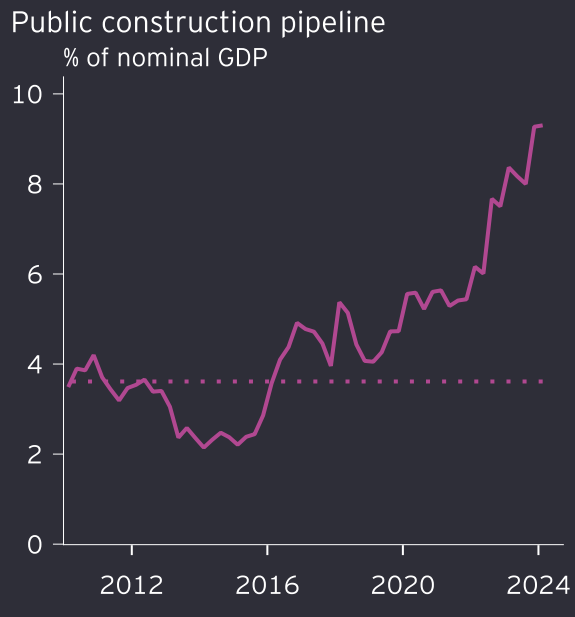
Source: ABS, Macrobond, EY

9. The public sector's spend rose to become a record-high share of the economy, and more spending is likely



••• 10 year pre-pandemic avg
— Public demand

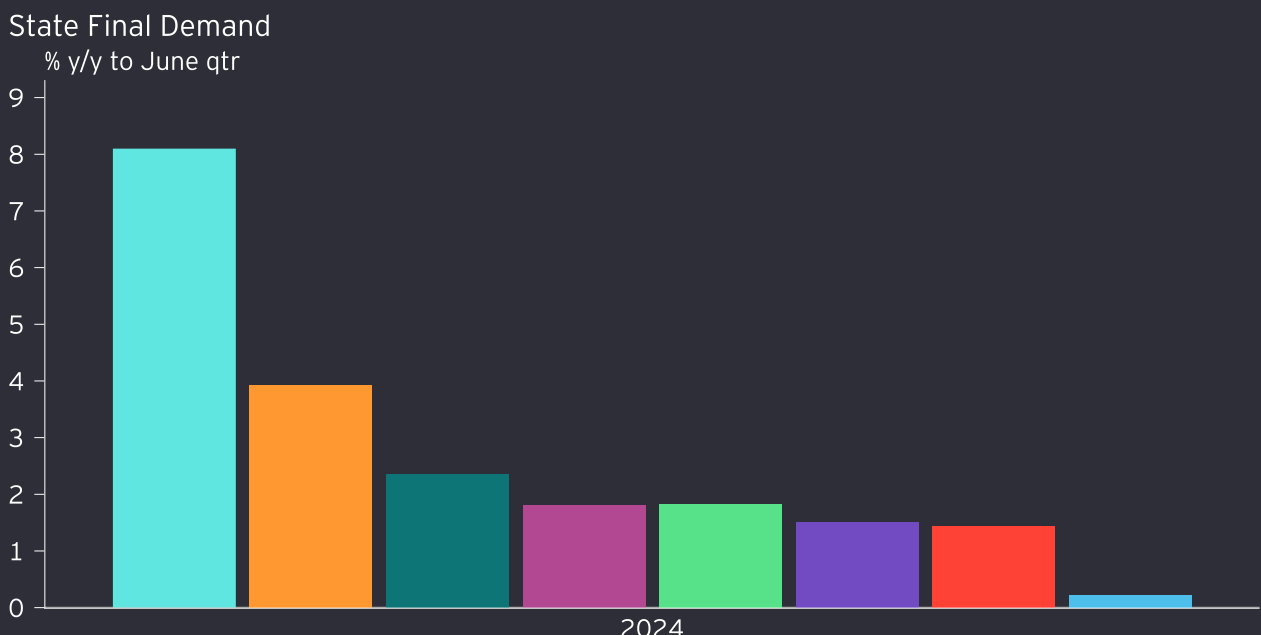
Source: ABS, Macrobond, EY



••• 10 year pre-pandemic avg
— Public construction pipeline

Source: ABS, Macrobond, EY *Construction work yet to be done by the private sector for the public sector.

10. The biggest states were the slowest growing



■ Northern Territory ■ Western Australia ■ Australian Capital Territory ■ Queensland ■ Tasmania
■ South Australia ■ Victoria ■ New South Wales

Source: ABS, Macrobond, EY

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