



## Australian National Accounts

Consumers binge travel, business gets moving too

September 2022 | 7 December

### From the Chief Economist

The mighty Australian consumer powered through July, August and September, adding another \$3.2 billion to the Australian economy and contributing very strongly to the economy's 0.6 percentage point growth rate in the September quarter.

Combined with solid construction – as firms were able to realise their expansion plans, and house building picked up as supply blockages eased – the economy posted a solid 5.9 per cent growth rate over the year.

The trade sector detracted from growth, with imports arriving in dock after recent hold ups and overseas travel picking up. Export prices consolidated, down 2.8 per cent after a period of unprecedented growth.

We expect the second half of 2022 will be the last hurrah in the post COVID-19 services bounce back.

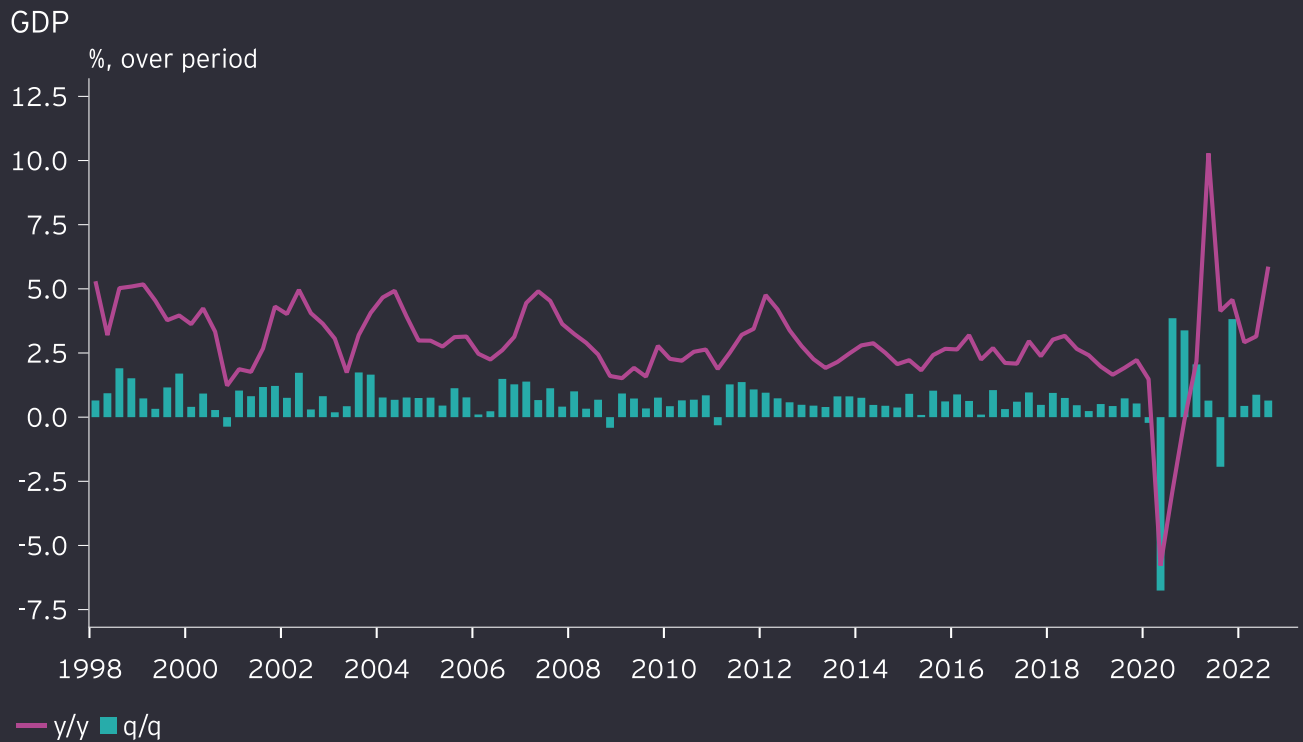
As the RBA continues to increase rates to bring inflation back down, consumers will be left with little choice but to adjust their recent spending binge, and businesses will feel the pinch accordingly. Borrowers, subjected to 3 percentage points of rate hikes in eight months, have experienced the fastest pace of monetary tightening since inflation targeting began in the early 1990s.

For the business sector, supply chain problems have dissipated and delays have shortened. The Transport, Warehousing and Postal sector itself grew 3.5 per cent in the September quarter, particularly due to activity in air and rail transport. Inventories rose, as did imports. Stuff is finally moving again.

We expect the second half of 2022 will show the last of the strong GDP readings for a while. There is no doubt we are facing a rocky and uncertain 12 months ahead.

Cherelle Murphy | EY Oceania Chief Economist

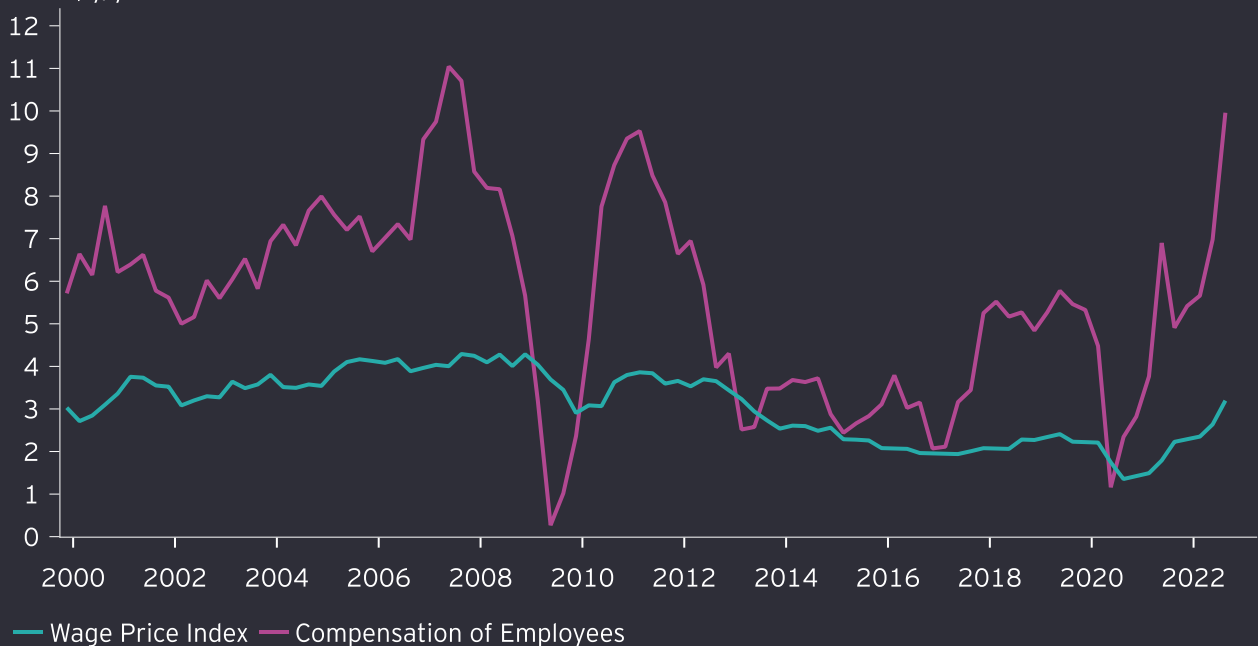
## 1. It's the last hurrah as economic challenges mount



Source: ABS, Macrobond, EY

## 2. Bonus payments and employee movement lifted wages growth strongly in the quarter

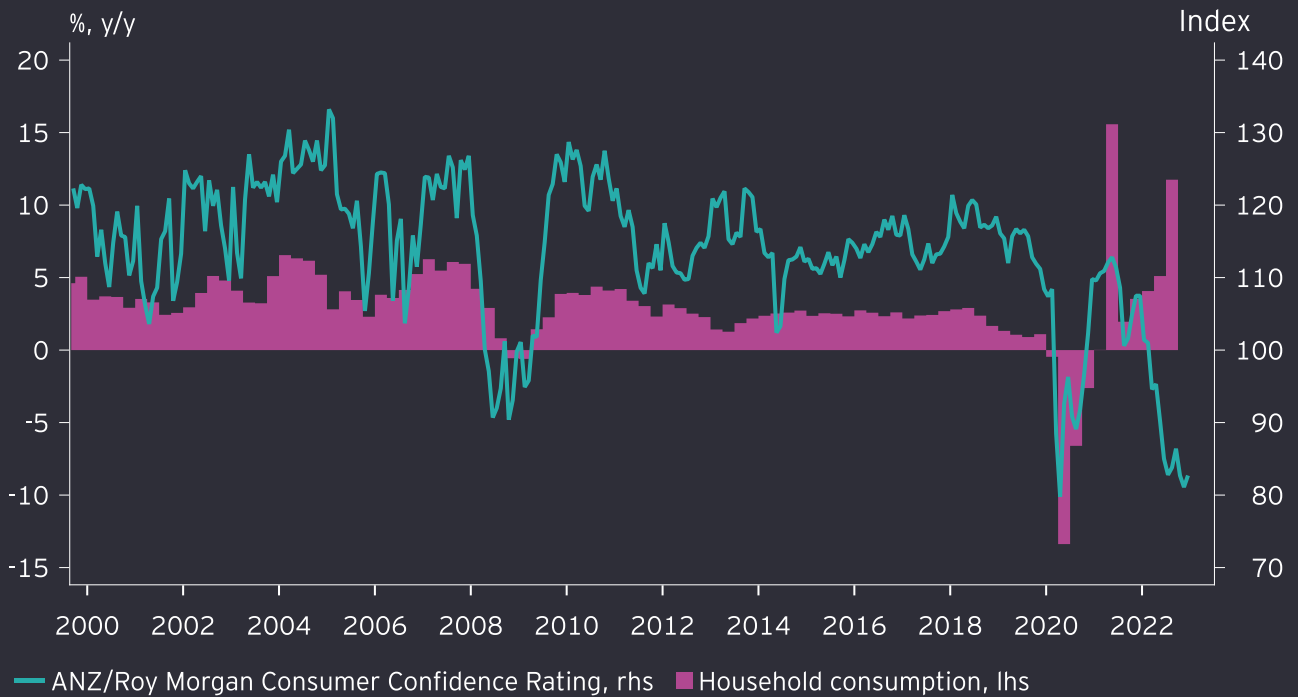
Wages and Compensation of Employees  
%, y/y



Source: ABS, Macrobond, EY

### 3. Strong consumer spending growth was driven by a services binge, but the mood is sour and the day of reckoning beckons

Private consumption and consumer confidence

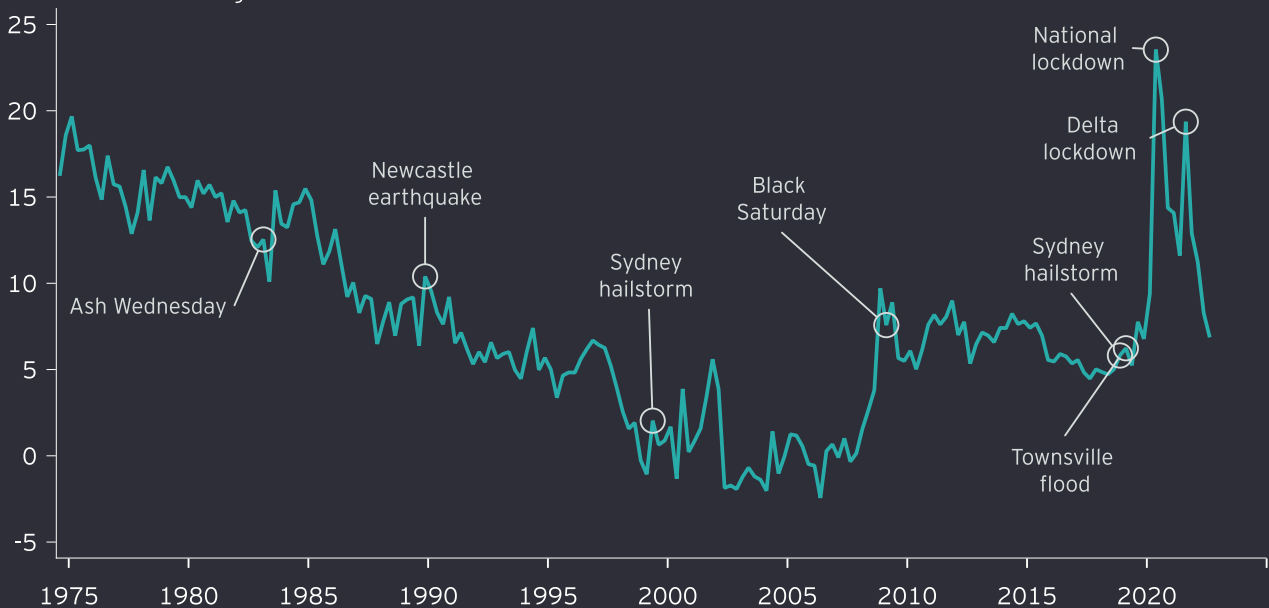


Source: ABS, ANZ, Macrobond, EY

### 4. Government support payments and lockdowns boosted saving during the pandemic, but that started to normalise in Q3

Household Saving Ratio

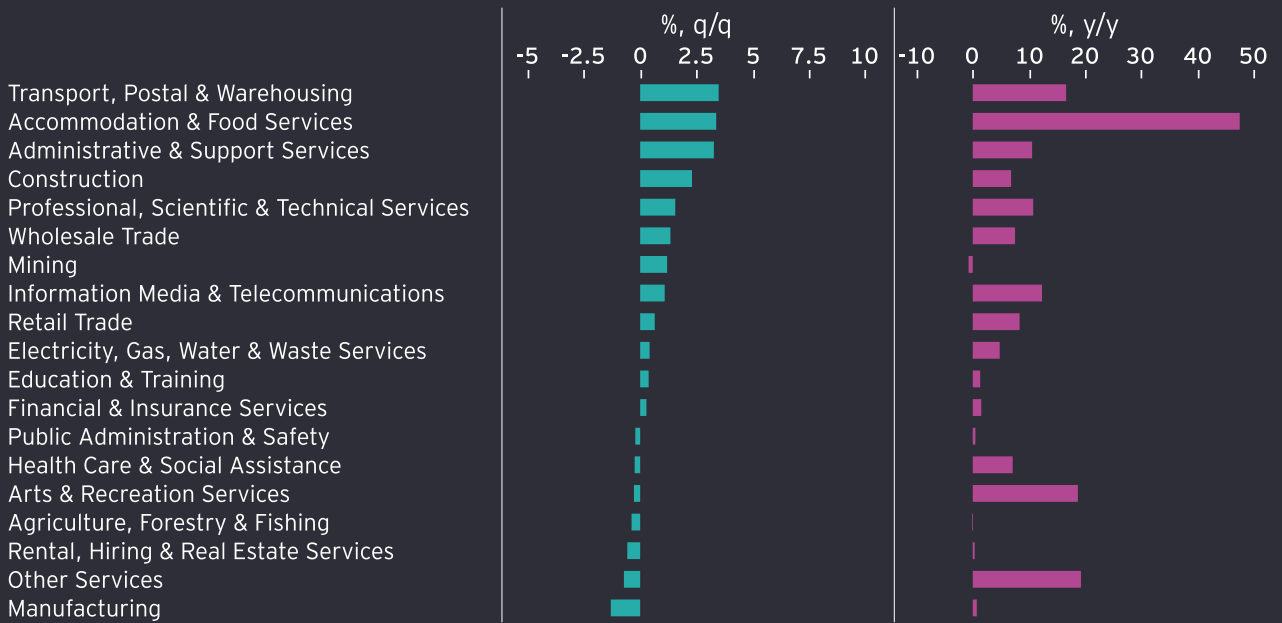
household savings as a % of income



Source: ABS, Macrobond, EY

## 5. The accommodation and food services industry plus transport lifted the economy, as travel played a paramount role in Q3

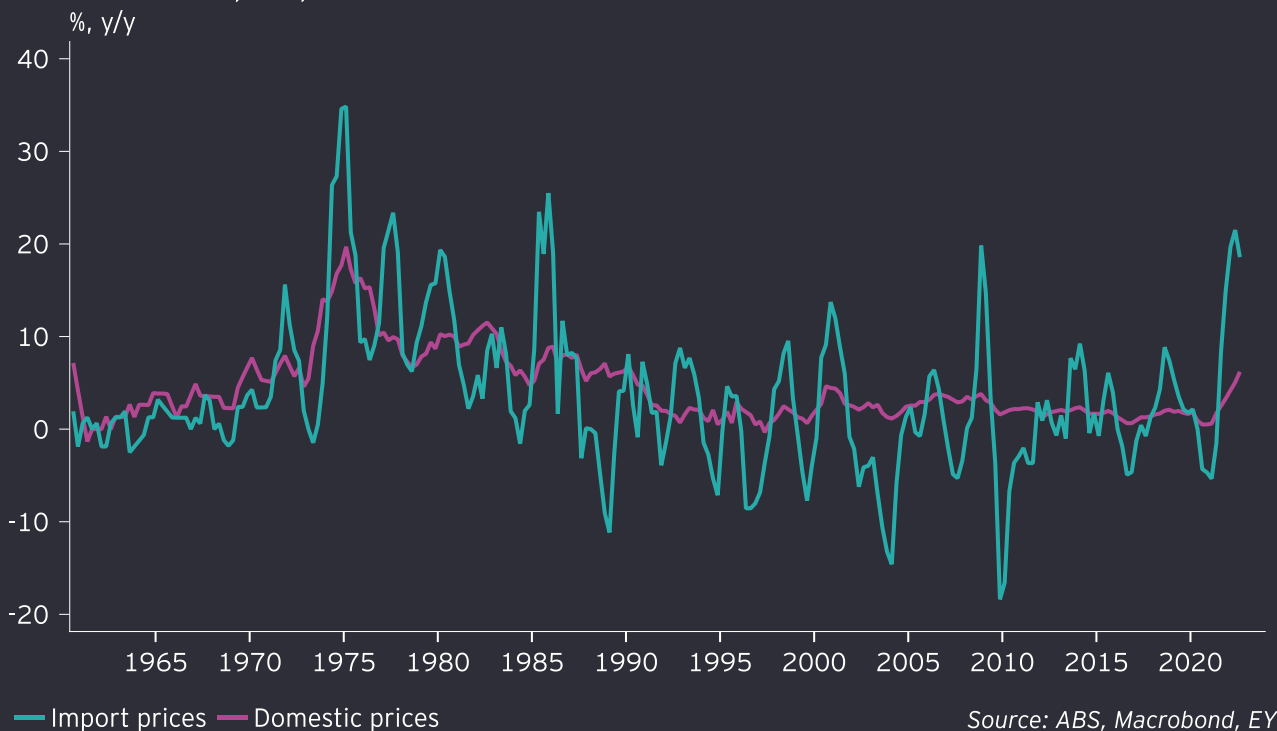
Gross Value Added by Industry



Source: ABS, Macrobond, EY

## 6. Inflationary pressures continue but the peak is yet to come

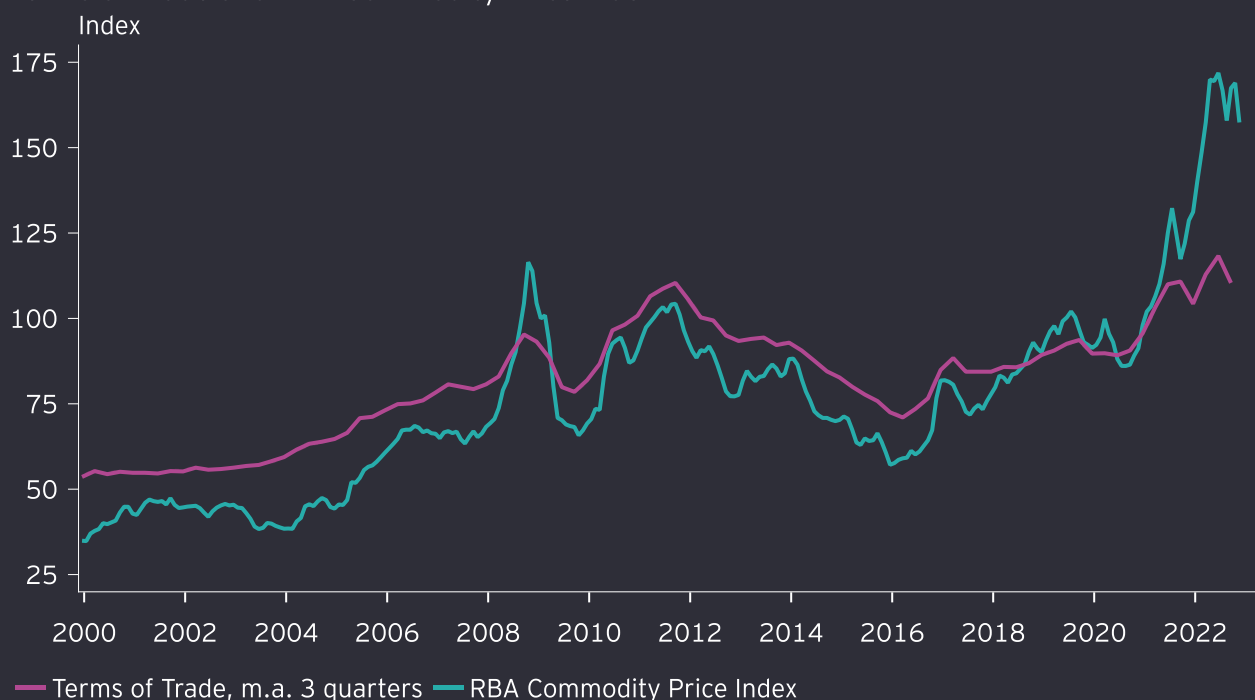
Domestic and import prices



Source: ABS, Macrobond, EY

## 7. The terms of trade (export prices/ import prices) consolidated as commodity prices moderated and import prices rose

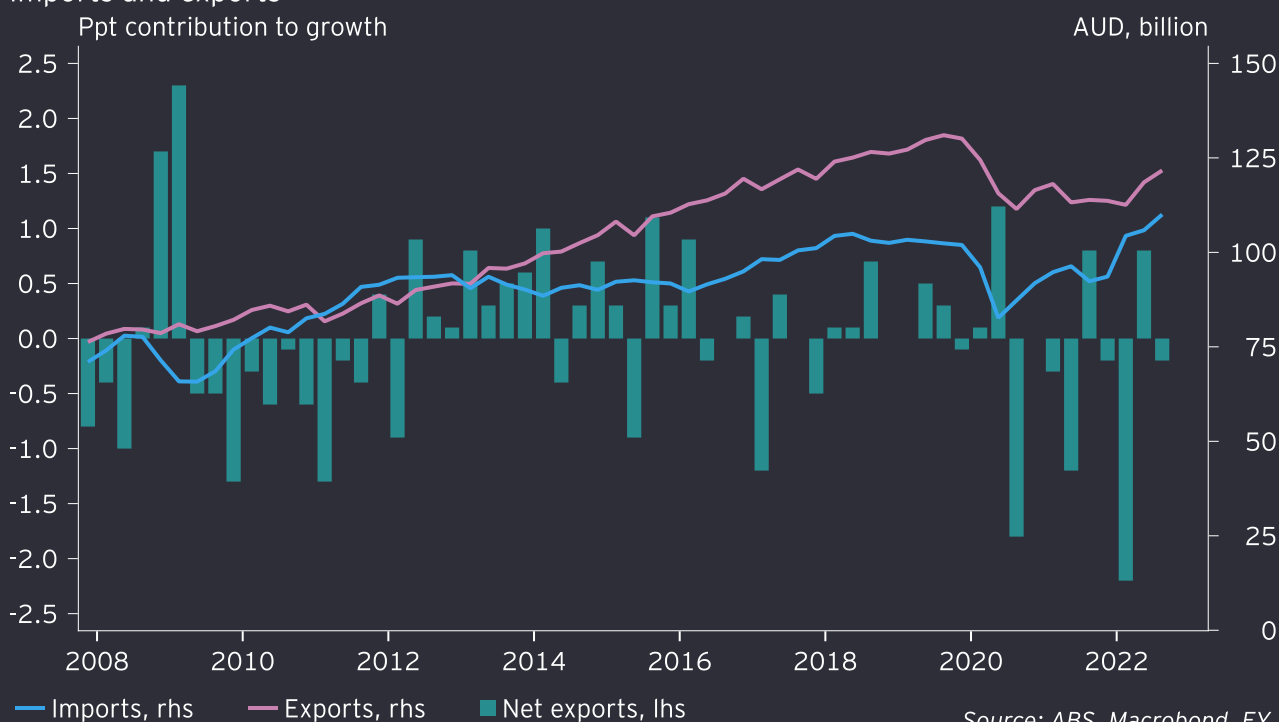
Terms of Trade and RBA Commodity Price Index



Source: ABS, RBA, Macrobond

## 8. Net exports detracted from GDP growth, especially due to strong imports as supply blockages eased

Imports and exports

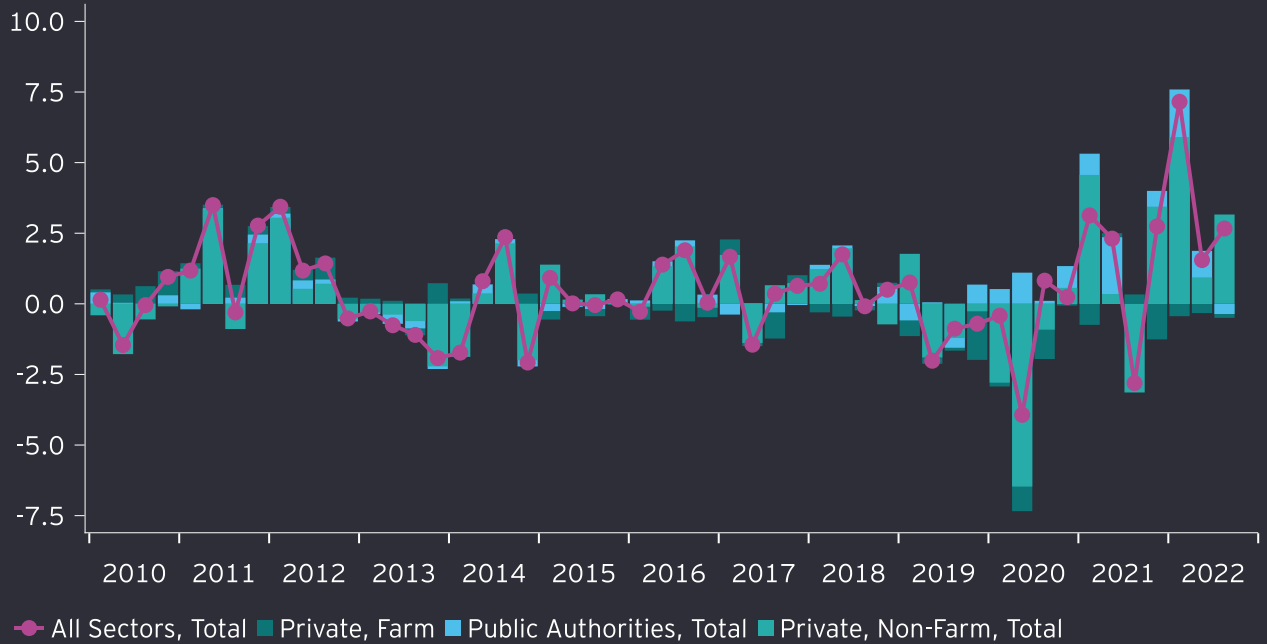


Source: ABS, Macrobond, EY

## 9. A build in Inventories accompanied strong imports. It follows delays and transport problems through pandemic lockdowns

Change in Inventories, Constant Prices

AUD, billion

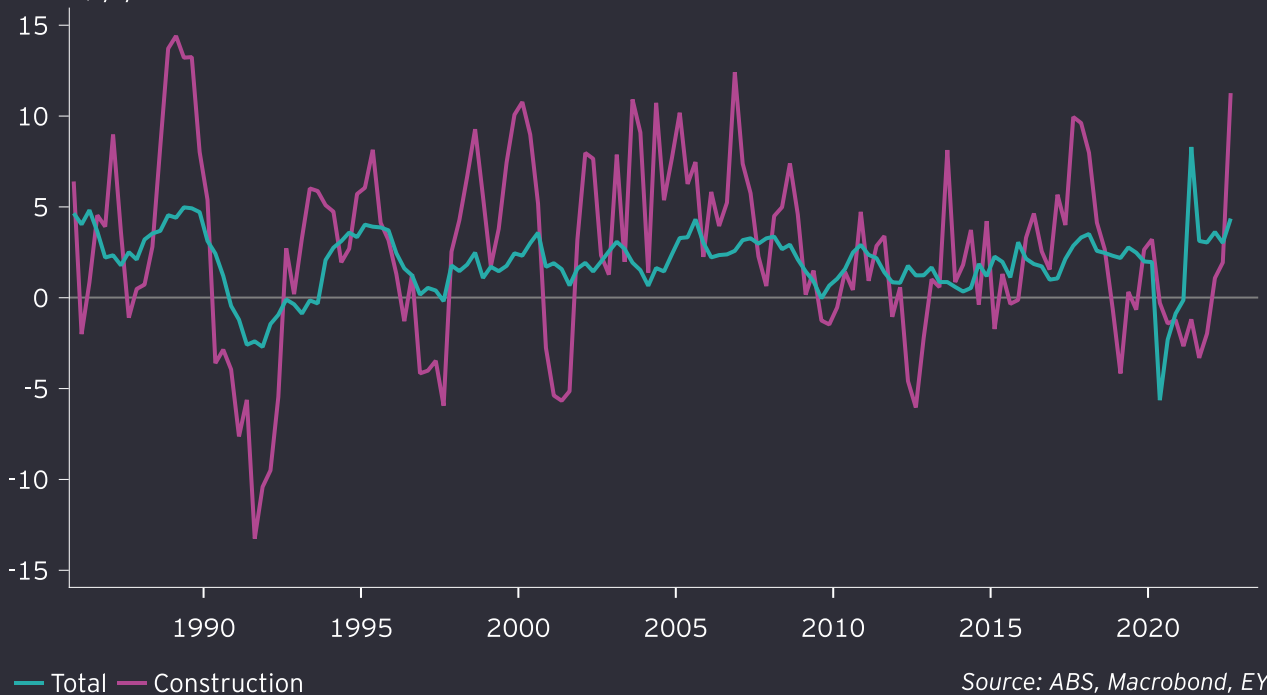


Source: ABS, Macrobond, EY

## 10. Construction was strong. Reduced supply blockages made that possible in Q3, and also boosted construction employment

Employment by industry

%, y/y



Source: ABS, Macrobond, EY

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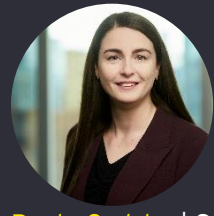
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