



## Australian National Accounts

GDP report has bright spots, but inflation clouds loom

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### From the Chief Economist

The national accounts update of the economy showed 2.1 per cent growth in the year to the September quarter, with a 0.4 per cent rise in GDP in the quarter. On a per capita basis, growth was flat, suggesting economic growth is only reflective of population growth. This was below expectations and comes with unwelcome inflation, as flagged previously in the September quarter and October consumer price index.

But there was better news in the detail.

The run down in inventories and higher capital goods imports dragged GDP down mechanically. But these factors are consistent with an economic recovery.

Any concern that Trump's tariffs would derail our trade sector seem to be short lived - although we are not at the end of that story. China's stimulatory measures provided an offset by keeping demand for iron ore high and its price, healthy.

There was a solid increase in private investment spending related to computer equipment and data center expansions and house building was up.

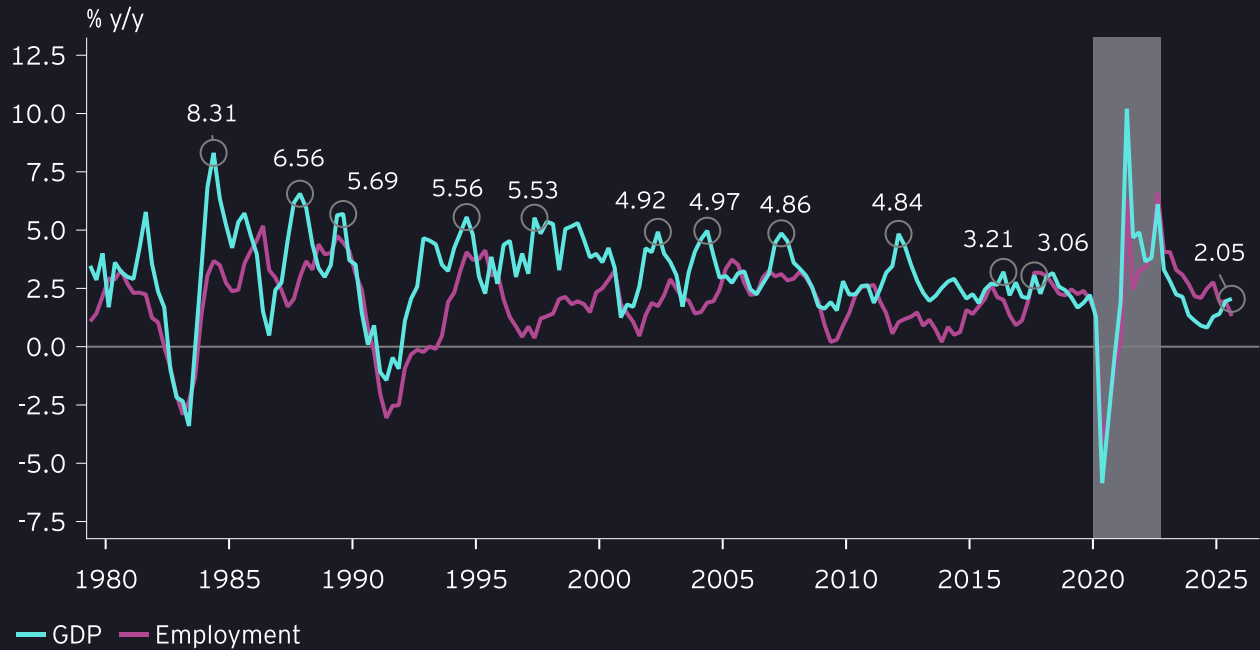
The public sector was also a contributor to growth and continues to grow as a share of the economy, which although a welcome boost to activity, could put further pressure on a capacity constrained economy as private sector investment lifts.

Household consumption showed a reasonable rise, but the expiry of electricity rebates lifted the amount consumers had to pay for electricity. Lower interest rates and improved growth in household disposable income also likely helped though.

**Cherelle Murphy** | EY Regional Chief Economist, Oceania

## 1. Peaks in GDP growth are trending lower

GDP and employment growth



Source: ABS, Macrobond, EY  
\*shaded area denotes COVID-19 lockdown impacts

## 2. The moderation in domestic price pressures has slowed, while CPI has ticked up

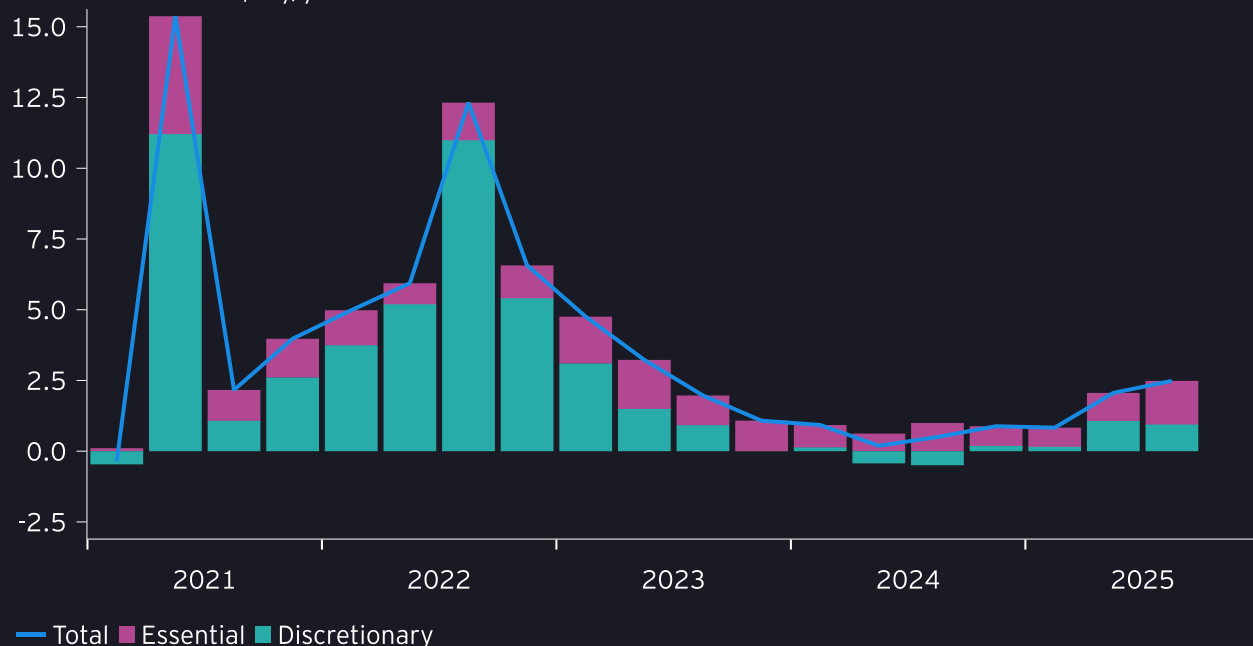
Domestic prices and CPI



Source: ABS, Macrobond, EY

### 3. Strength in 'essential spending' has led the recovery in household consumption growth

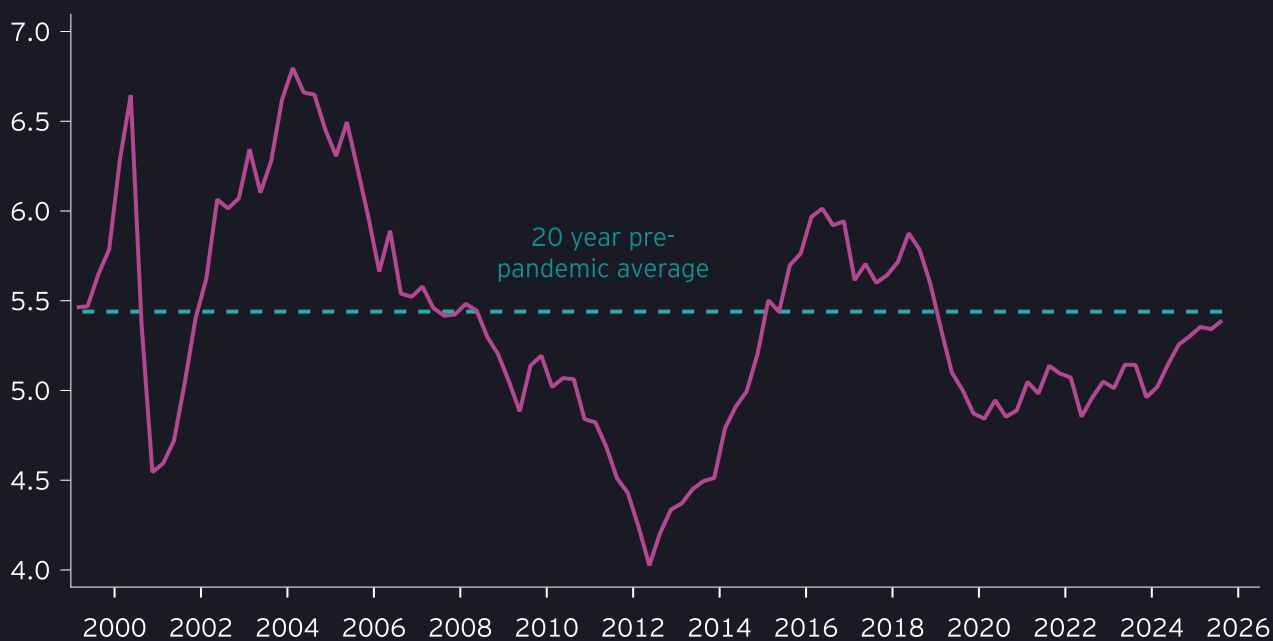
Household consumption growth  
contributions, % y/y



Source: ABS, Macrobond, EY

### 4. Dwelling investment continues to increase and is edging closer to the 20-year pre-pandemic average share of GDP

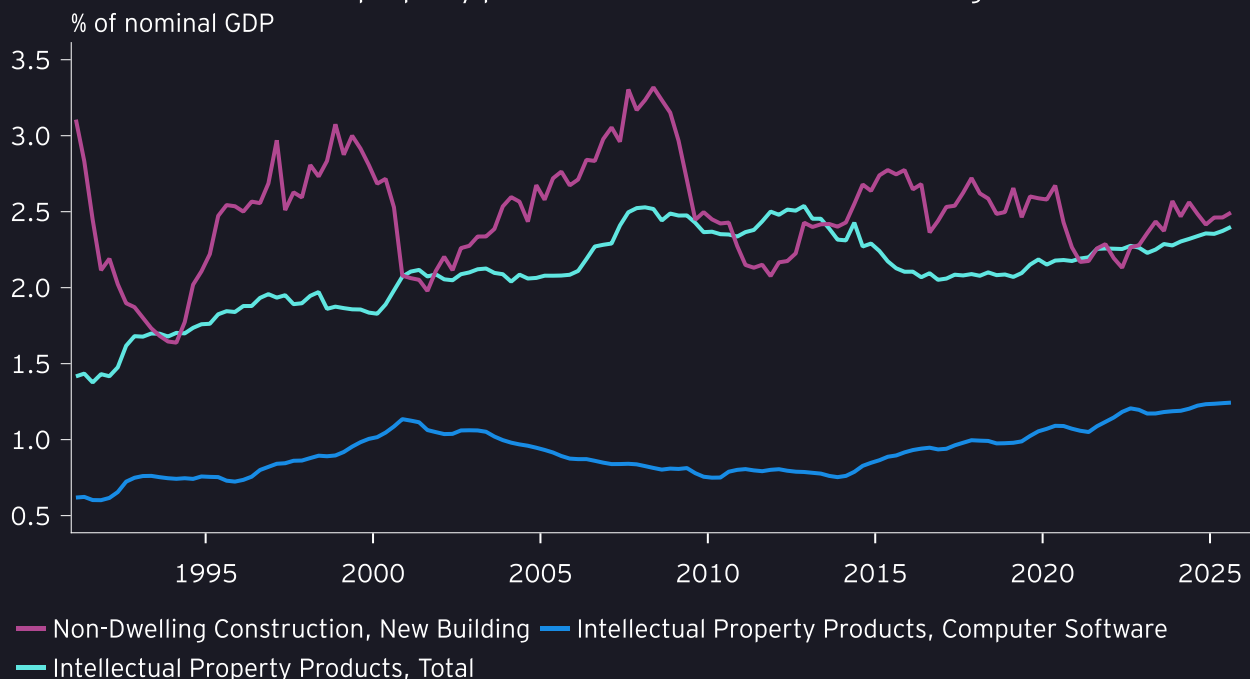
Dwelling investment  
% of nominal GDP



Source: ABS, Macrobond, EY

## 5. Investment in intellectual property has risen, with rising software investment. The total almost matches non-dwelling construction

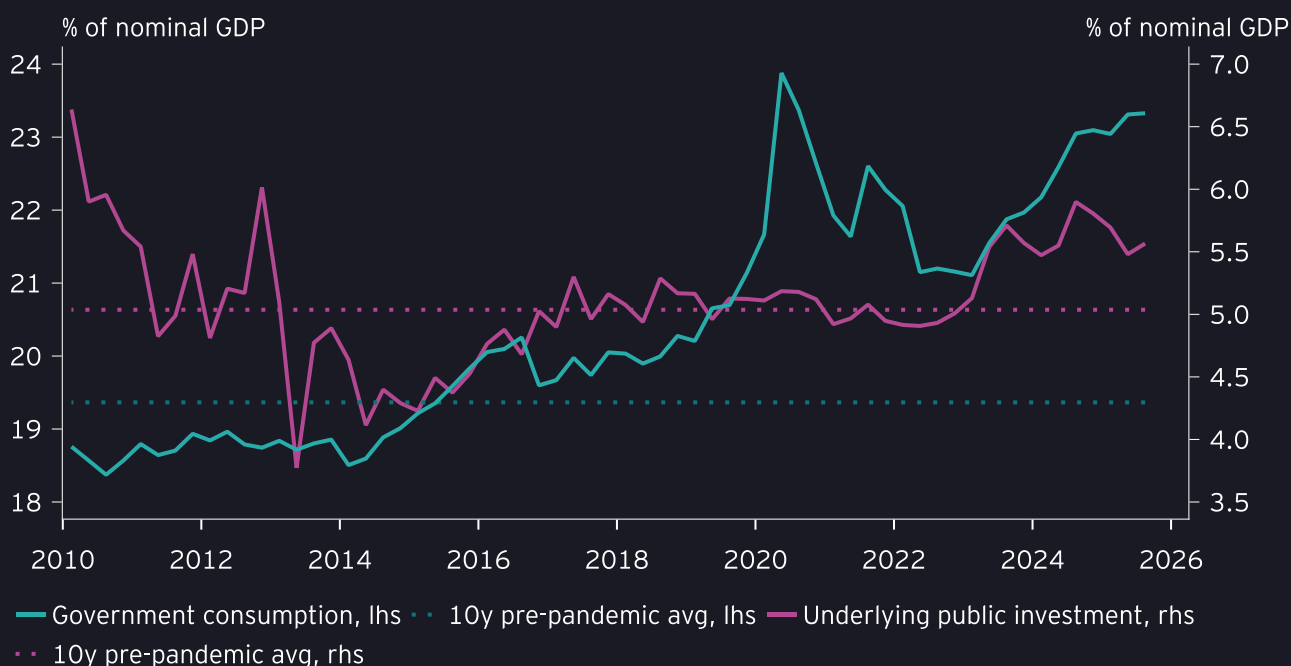
Investment in intellectual property products and non-residential building



Source: ABS, Macrobond, EY

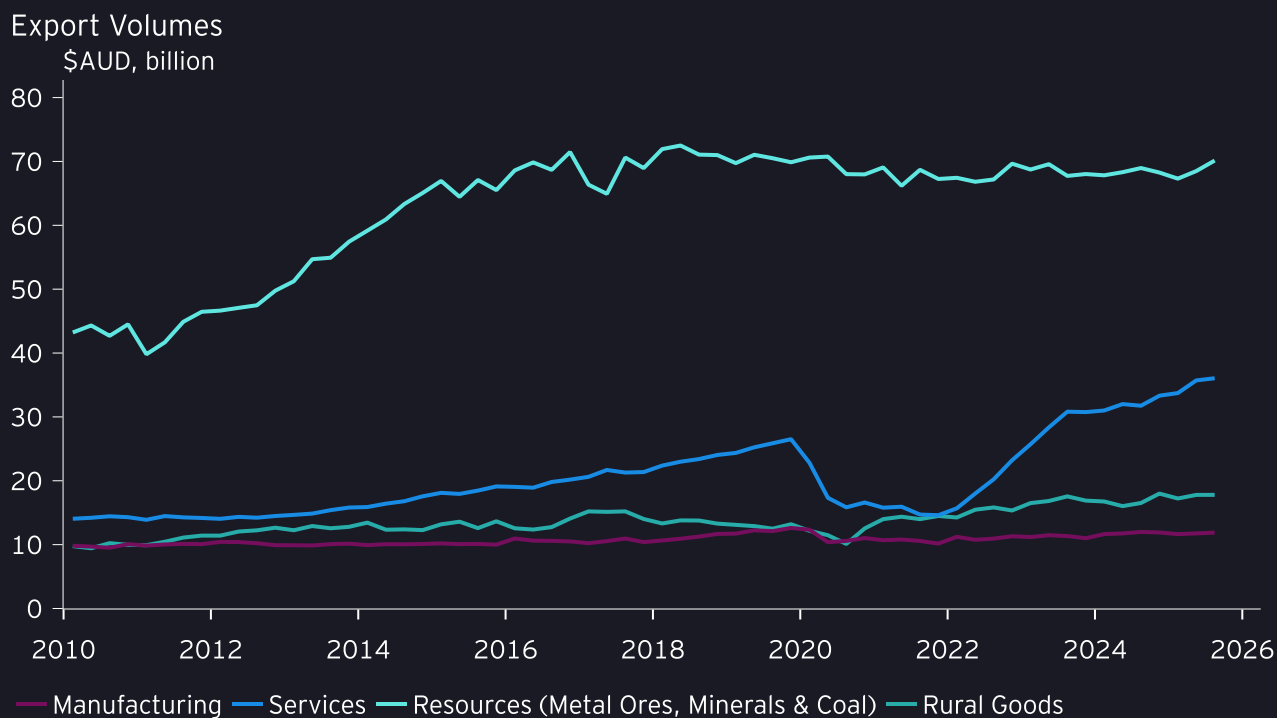
## 6. Government consumption remains well above the long run average share of GDP while government investment is also high

Public Sector Size



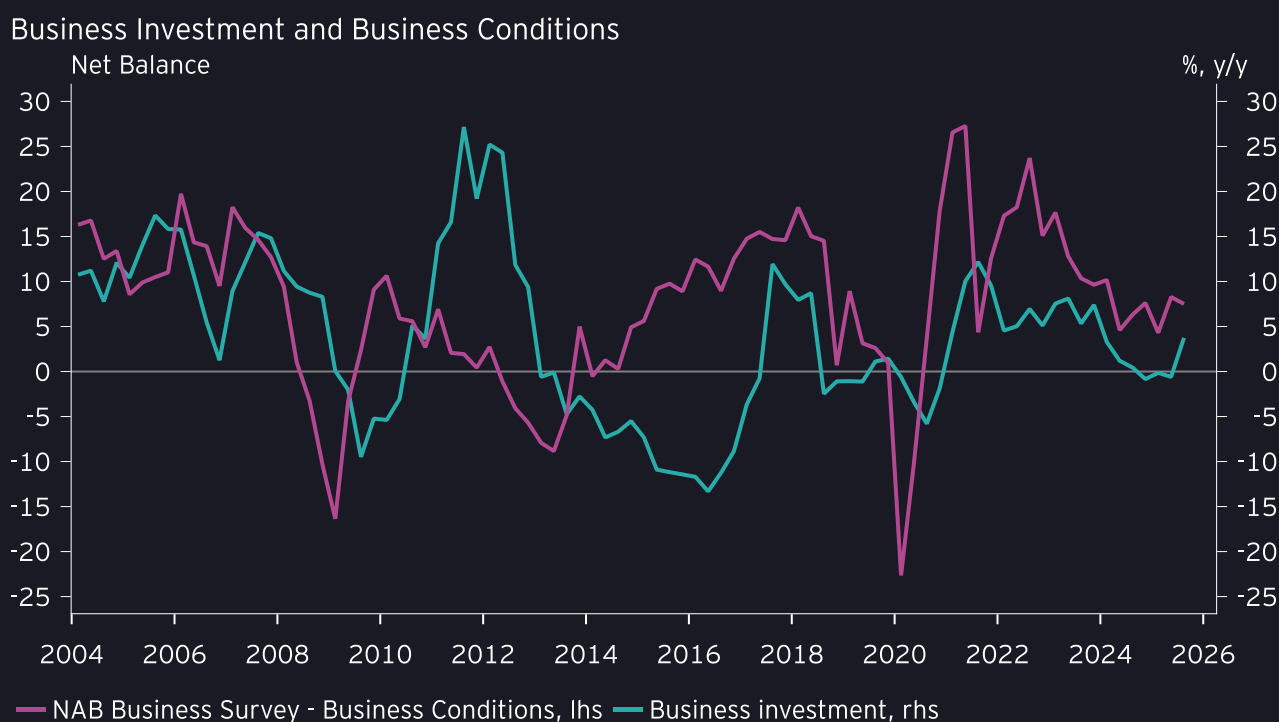
Source: ABS, Macrobond, EY

## 7. Exports remain resilient in the face of US tariffs and elevated geopolitical uncertainty, helped by China economic stimulus



Source: ABS, Macrobond, EY

## 8. Business investment rose as business conditions remain elevated



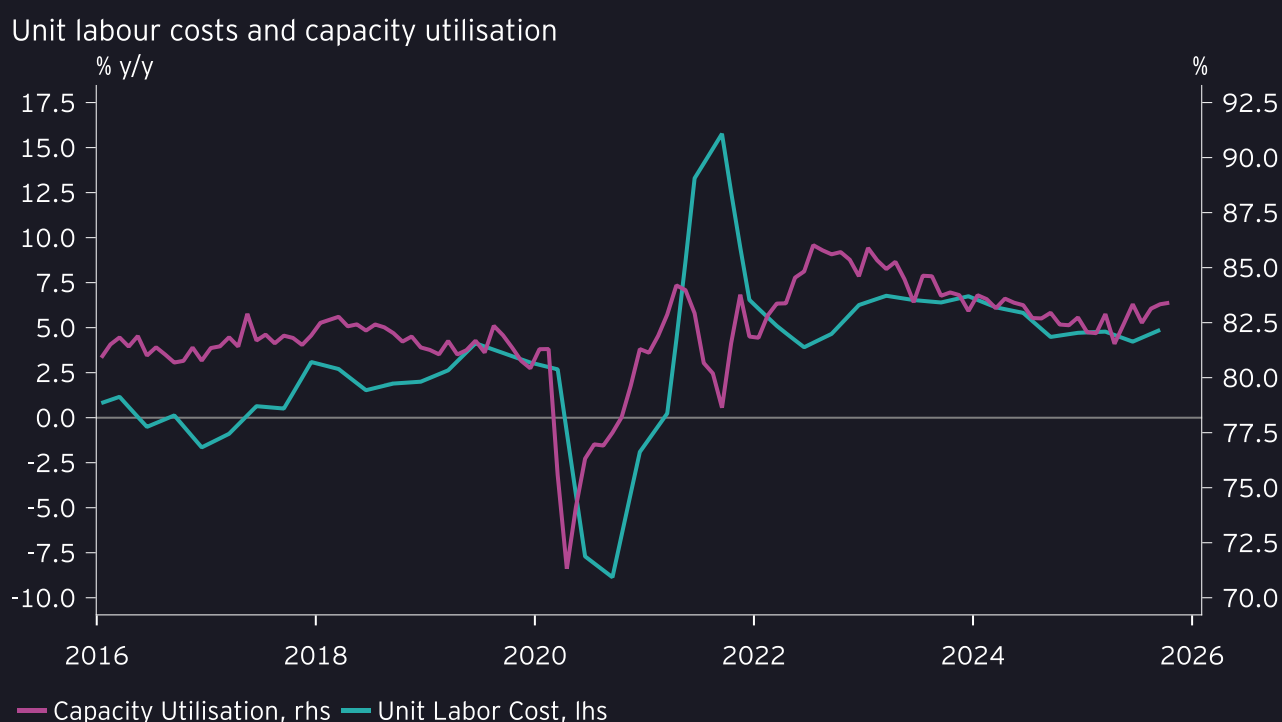
Source: ABS, NAB, Macrobond, EY

## 9. Productivity growth has been dragged down by continued weakness in the non-market sector



Source: ABS, Macrobond, EY

## 10. Capacity utilisation is still above pre-pandemic levels and has picked back up, which may be contributing to inflation



Source: ABS, NAB, Macrobond, EY

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