



Australian National Accounts

In the slow lane

September 2023 | 6 December

From the Chief Economist

There wasn't a lot to like in the September quarter National Accounts. Households were impacted by higher mortgage repayments, taxes and inflation, while profits fell for the second successive quarter and weaker global conditions slowed exports. But domestic price growth was at a 30-year high.

These data won't convince the Reserve Bank that its job is done. But with annual GDP growth at 2.1 per cent, and the per capita equivalent at -0.3 per cent, it's clear their attempts to steer the economy into the slow lane are working.

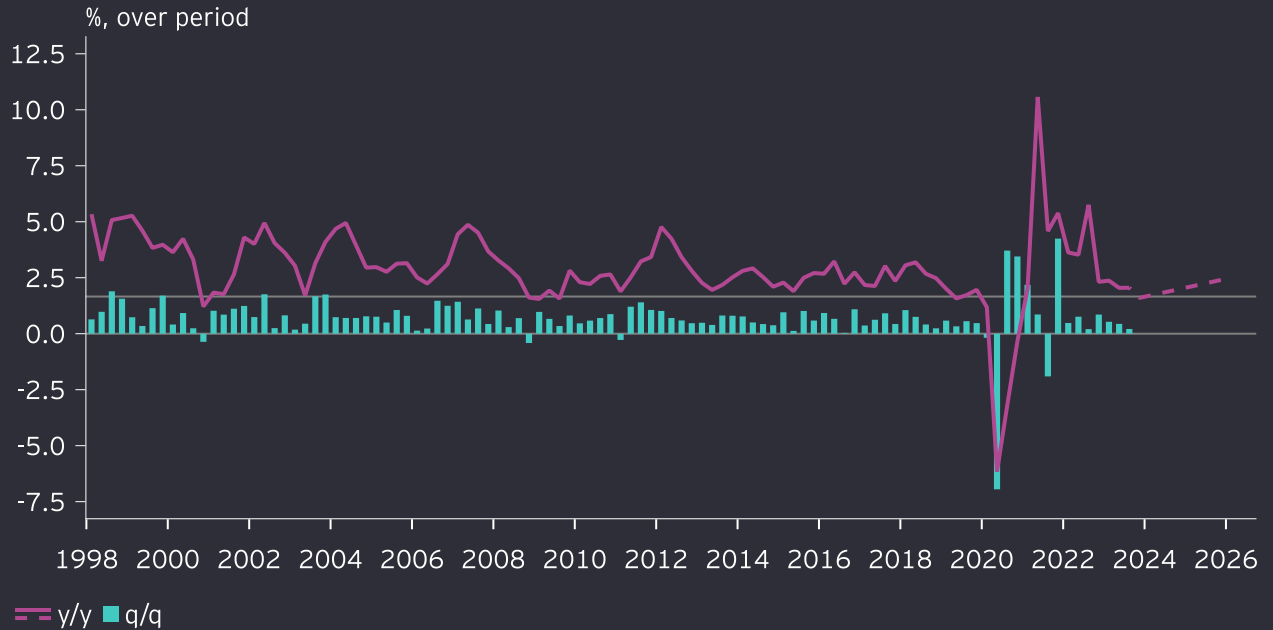
Households, which have been at the frontline of the battle against inflation, not only paid 7.6 per cent more in mortgage interest in the September quarter, but also 7.6 per cent more personal income tax, as employment and wages rose, pushing some into higher (unindexed) tax brackets. These 'automatic stabilisers' have been cooling the economy and working in line with the Reserve Bank's rate hikes. But contrastingly, other parts of government and public corporations have been adding to aggregate demand in the economy, for example by pushing up investment in transport, communication and utilities projects. Energy price relief and the expansion of the Child Care Subsidy were also props to growth.

Exports, which have been a healthy contributor to growth over the last couple of years, fell 0.7 per cent in the September quarter, likely reflecting the fact that many of our trading partners are also slowing down. The prices for some of major exports, including coal and LNG were also down meaning the substantial lift in mining profits has likely come to an end. But after a strong post-pandemic performance, this sector is investing and was partly responsible for lifting private engineering construction.

Cherelle Murphy | EY Oceania Chief Economist

1. GDP slowed in the September quarter, taking growth to its slowest pace in a year

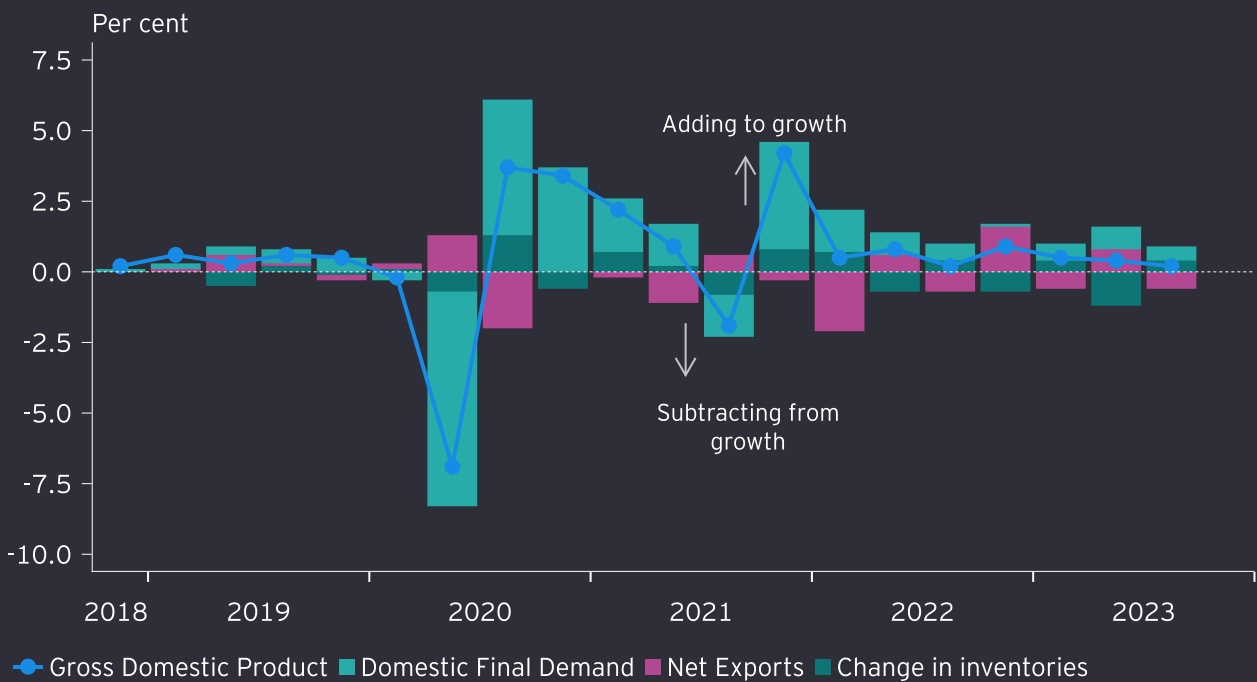
Gross Domestic Product
Including RBA forecasts



Source: ABS, RBA (Nov SOMP), Macrobond, EY

2. Net exports detracted from growth as mining exports fell and inventories built up

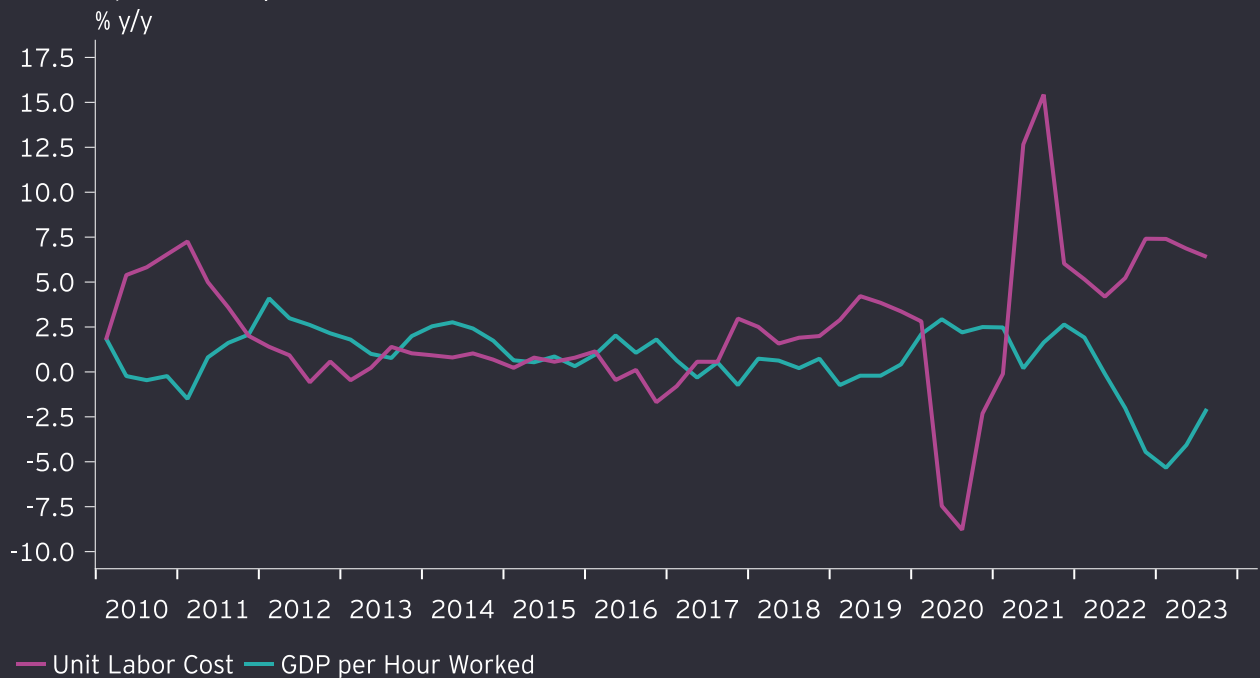
Contributions to Growth



Source: ABS, Macrobond, EY

3. Productivity and unit labour costs moved in the right direction, but more improvement needed to lower inflationary pressures

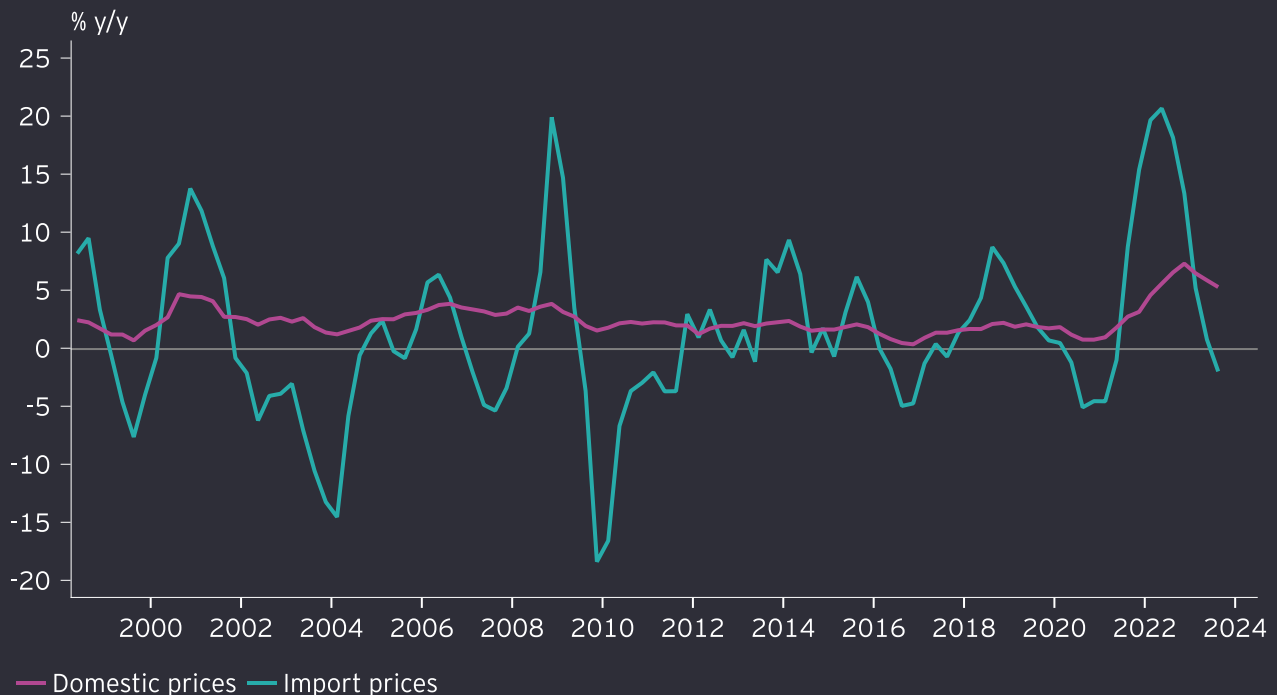
Labour productivity and unit labour costs



Source: ABS, Macrobond, EY

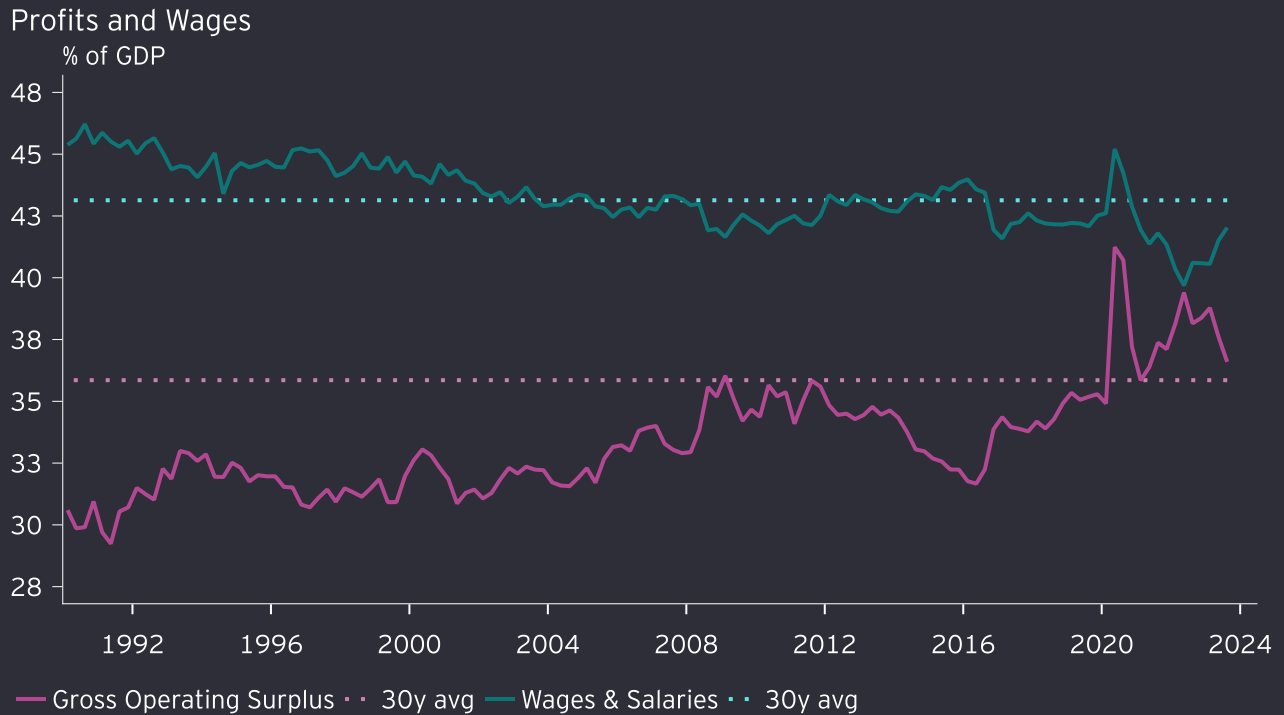
4. Inflation is home-grown, not imported

Domestic vs International Prices



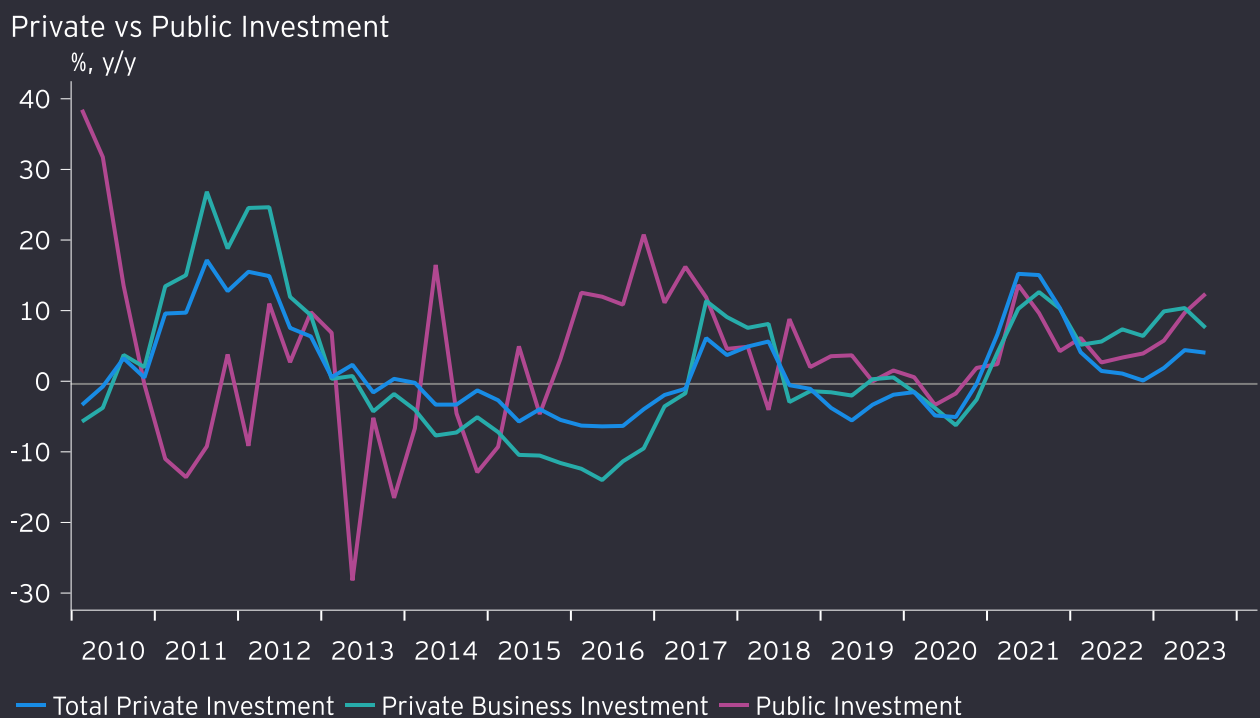
Source: ABS, Macrobond

5. Profits fell further and wages continued to increase, both converging to their long-term average



Source: ABS, Macrobond, EY

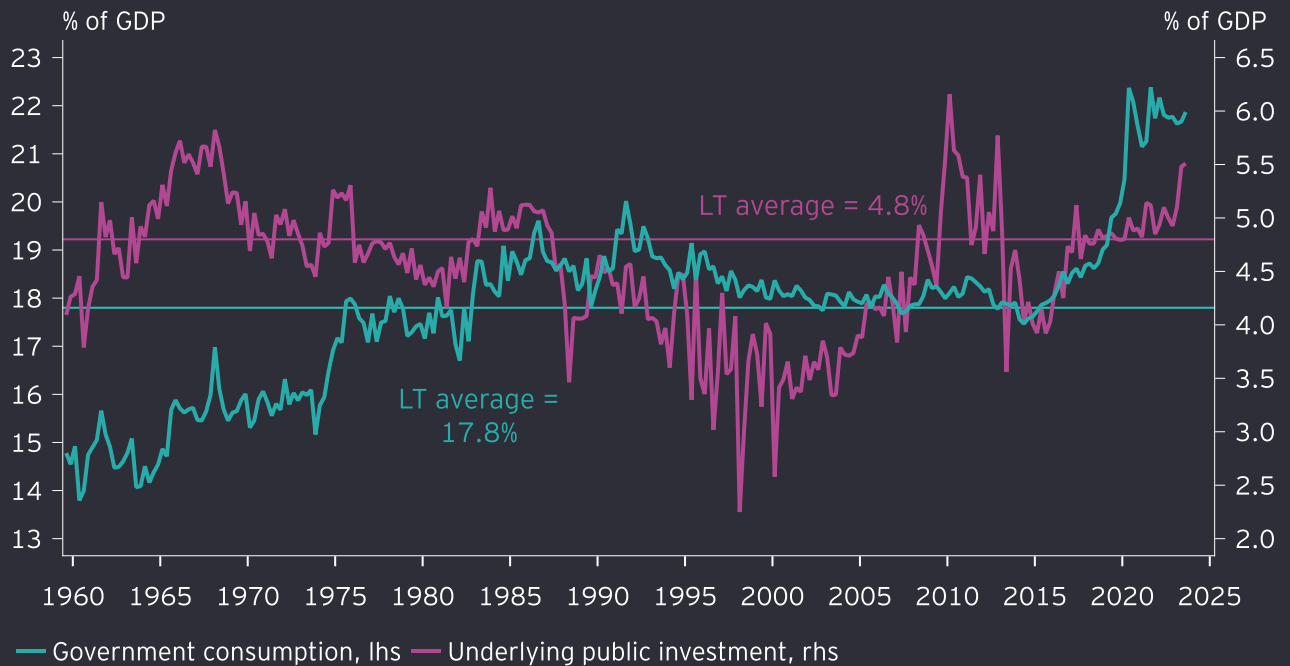
6. Public sector investment rose above that of the private sector



Source: ABS, Macrobond, EY

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

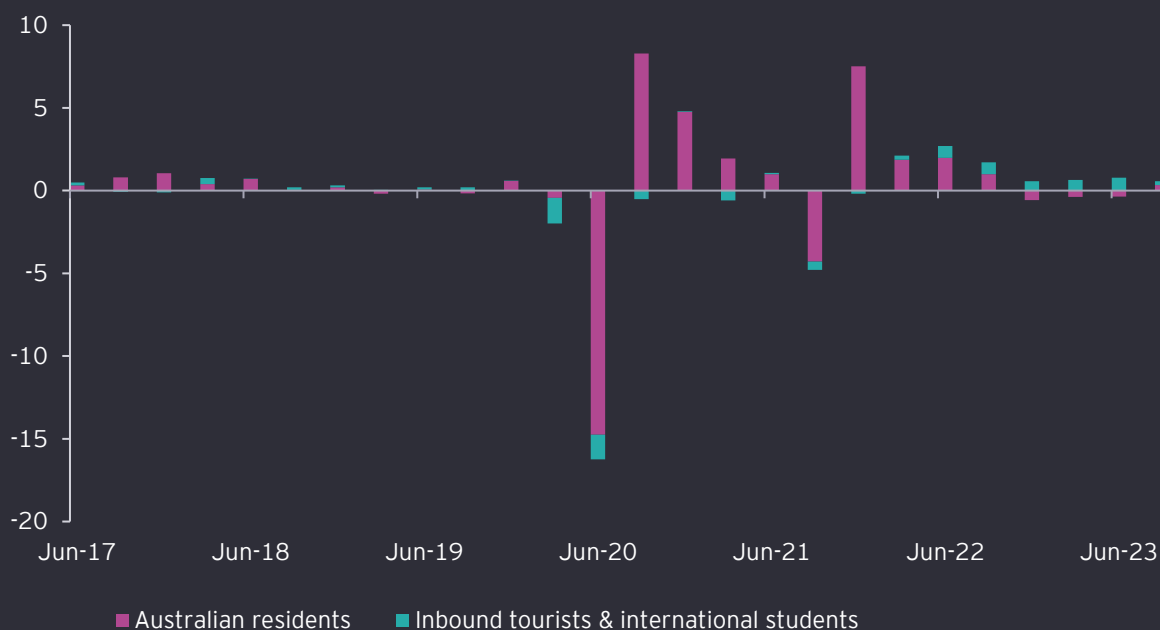
Public Sector Size



Source: ABS, Macrobond, EY

8. Consumer demand was weak with tourists and international students adding as much to growth as Australian residents

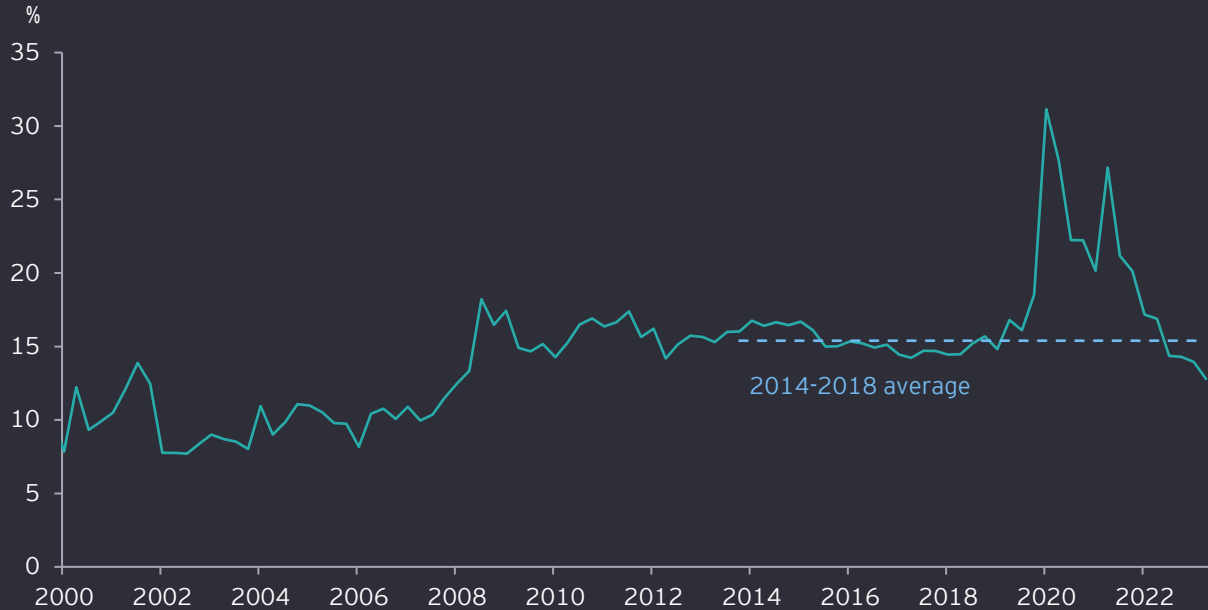
Consumer Demand in Australia
Quarterly growth with contributions



Source: ABS, EY

9. Households' excess pandemic savings are now being used up

Additional Household Savings
Gross Savings Rate



Source: ABS, EY

10. Tax payments (less social assistance benefits) have risen very sharply as a share of disposable income

Interest on Dwellings and Income Tax Payable Less Social Assistance Benefits
% of disposable income



Source: ABS, Macrobond, EY

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EYSCORE 011465-23-AUNZ

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