

ABS National Accounts: March quarter 2023

Source: ABS National Accounts, released 7 June 2023, 11:30 am AEST.

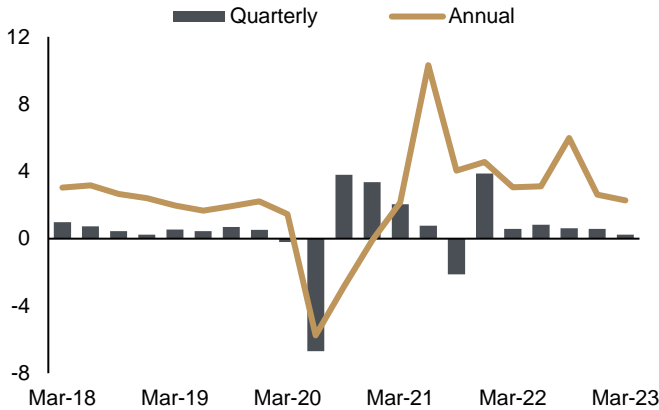
Today's **National Accounts** showed GDP grew by 0.2% in March quarter 2023, slightly weaker than market expectations of 0.3%. Exports and business and public investment drove growth in the quarter.

Public final demand rose 0.6% in the quarter to be 0.6% higher over the year, driven by *Public investment* (up 3.0% in the quarter).

The **terms of trade** rose 2.8% in the quarter. Lower crude oil prices, improved supply chains and the appreciation of the Australian dollar contributed to a fall in import prices, which more than offset a fall in export prices.

Net exports detracted 0.2 percentage point from GDP growth in the quarter, driven by a 3.2% rise in imports which more than offset a 1.8% rise in exports.

Chart 1: Real GDP Growth
(seasonally adjusted, % change)



Gross domestic product (GDP) rose 0.2% (seasonally adjusted, sa) in March quarter 2023, slightly weaker than market expectations of 0.3% (**Chart 1**). Growth in the quarter was driven by exports and business investment, while imports and dwelling investment detracted from growth. GDP was 2.3% higher over the year and is now up 7.7% on its pre-COVID level.

Household consumption rose 0.2% in the quarter, driven by spending on *Utilities, Rent and other dwelling services, Transport services and Operation of vehicles*. The ABS noted, 'Spending on essential goods and services were the main contributors to the rise in household spending, while discretionary categories such as furnishing and household equipment, purchase of vehicles and other goods and services all detracted from growth.'

Real gross **household disposable income** fell 0.3% in the quarter, driven by a 1.2% rise in the household consumption deflator, which more than offset a 0.8% rise in gross disposable income. The household saving ratio fell to 3.7% in the quarter (the lowest since June 2008), driven by higher interest payable on dwellings and increased spending due to the rising cost of living pressures.

Compensation of employees rose 2.4% in the quarter, consistent with tight labour market conditions. *Gross operating surplus* rose 3.0% in the quarter, driven by *Wholesale Trade, Manufacturing, Accommodation and Food Services*, and *dwellings owned by persons*.

Business investment rose 3.4% in the quarter to be 7.1% higher over the year. The increase in the quarter was broad-based across components (**Table 1**).

Dwelling investment fell 1.2% in the quarter, to be 4.4% lower over the year. *Alterations & additions* (down 0.9%) declined for the sixth consecutive quarter from record levels of activity in 2021 which was supported by *HomeBuilder* and similar incentives during the pandemic. *New & used dwelling construction* fell 1.3% in the quarter with ongoing labour shortages causing project delays and extended completion times. According to the ABS, 'Rising interest rates, falling property prices and material and labour constraints all contributed to the dwelling related falls this quarter.'

Table 1: Components of GDP*
(seasonally adjusted, March quarter 2023)

Chain Volume Measure	% change			ppt. contribution		
	quarterly	annual	pre-COV	quarterly	annual	pre-COV
Household consumption	0.2	3.5	7.7	0.1	1.8	4.0
Private investment	1.4	0.9	10.4	0.2	0.2	1.8
Dwelling investment	-1.2	-4.4	1.8	-0.1	-0.2	0.1
Business investment	3.4	7.1	15.1	0.4	0.8	1.6
Machinery and equipment	6.0	7.2	25.7	0.2	0.3	0.9
Non-dwelling construction	2.4	9.5	7.5	0.1	0.4	0.4
Non-residential building	1.3	4.7	-3.8	0.0	0.1	-0.1
Engineering construction	3.1	12.6	16.4	0.1	0.3	0.4
Private Final Demand	0.5	2.8	8.4	0.4	1.9	5.8
Public Final Demand	0.6	0.6	14.3	0.2	0.2	3.7
General government consumption	0.1	-0.1	15.1	0.0	0.0	3.2
Public investment	3.0	3.8	11.3	0.1	0.2	0.6
Changes in inventories				0.0	-0.8	0.6
Gross national expenditure	0.6	1.4	10.7	0.5	1.3	10.1
Net exports				-0.2	1.3	-2.5
Exports of goods & services	1.8	10.8	0.3	0.4	2.2	0.1
less Imports of goods & services	3.2	5.1	13.9	-0.6	-1.0	-2.6
Statistical discrepancy				-0.1	-0.3	-0.1
GDP	0.2	2.3	7.7	0.2	2.3	7.7
Current Prices						
Compensation of employees	2.4	10.8	21.3			
Gross operating surplus	3.0	11.5	38.4			
GDP	2.1	9.2	27.4			
Deflators and Prices						
Terms of trade	2.8	0.1	26.7			
Household consumption deflator	1.2	6.5	10.8			
GDP deflator	1.9	6.8	18.3			

* The reference year for chain volume measure = 2020-21

Chart 2: Contributions to real GDP Growth
(seasonally adjusted, quarterly, % point contribution)

