

ABS National Accounts: December quarter 2022

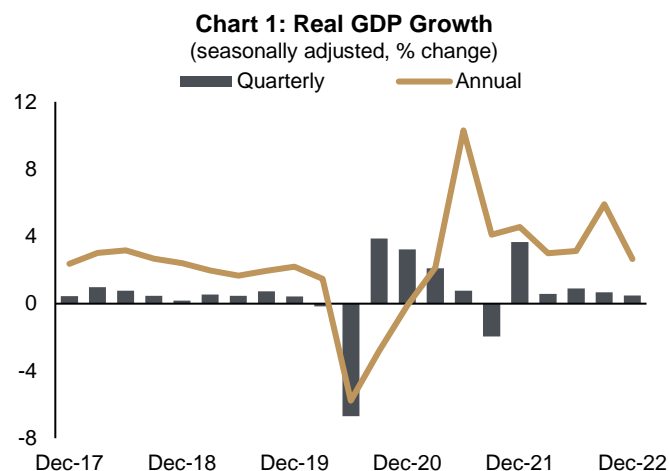
Source: ABS National Accounts, released 1 March 2023, 10:30 am AEST.

Today's *National Accounts* showed GDP grew by 0.5% in December quarter 2022, weaker than market expectations of 0.8%. Net exports and household consumption drove growth in the quarter.

Public final demand rose 0.4% in the quarter to be 2.5% higher over the year. A rise in *General government consumption* (up 0.6%) more than offset a decline in *Public investment* (down 0.7%).

The **terms of trade** rose 0.6% in the quarter, as export prices outpaced import prices. Mining commodities drove the rise in exports prices, while the depreciation of the A\$ contributed to the rise in import prices.

Net exports contributed 1.1 percentage points to GDP growth in the quarter, reflecting both a decline in imports (down 4.3%) and a rise in exports (up 1.1%).



Gross domestic product (GDP) rose 0.5% seasonally adjusted (sa) in December quarter 2022, weaker than market expectations of 0.8% (Chart 1). Growth in the quarter was driven by net exports and household consumption, while changes in inventories and business investment detracted from growth. GDP was 2.7% higher over the year, in line with market expectations and the RBA's latest forecast. GDP is now up 7.4% on its pre-COVID level.

Household consumption rose 0.3% in the quarter, driven by spending on *Food, Hotels, cafes & restaurants* and *Transport services*. The ABS noted, 'Spending on discretionary services drove the rise in household consumption, however growth markedly slowed in comparison to the September quarter.'

Real gross **household disposable income** fell 2.2% in the quarter, due a 0.7% fall in gross disposable income and a 1.5% rise in the household consumption deflator. The household saving ratio fell from 7.1% in September quarter 2022 to 4.5% in the December quarter (the lowest since September 2017), driven by increased interest payable on dwellings, income tax payable and increased spending

Compensation of employees rose 2.1% in the quarter, consistent with tight labour market conditions. *Gross operating surplus* rose 2.9% in the quarter, driven by *Mining* (due to increased production and higher commodity prices), *Retail trade* (due to strong prices and moderation in cost pressures) and *Professional services* (as operating costs fell with less services imported from overseas).

Business investment fell 1.4% in the quarter but was 3.1% higher over the year. The decrease in the quarter was broad-based across components (Table 1).

Dwelling investment fell 0.9% in the quarter, to be 3.7% lower over the year. *Alterations & additions* (down 4.2%) declined for the fifth consecutive quarter from record levels of activity in 2021 which was supported by *HomeBuilder* and similar incentives during the pandemic. *New & used dwelling construction* (up 1.4%) increased for the second consecutive quarter, as materials supply constraints continued to ease.

Table 1: Components of GDP* (seasonally adjusted, December quarter 2022)

Chain Volume Measure	% change			ppt. contribution		
	quarterly	annual	pre-COV	quarterly	annual	pre-COV
Household consumption	0.3	5.4	7.8	0.2	2.7	4.0
Private investment	-1.7	-1.3	8.1	-0.3	-0.2	1.4
Dwelling investment	-0.9	-3.7	3.0	0.0	-0.2	0.2
Business investment	-1.4	3.1	10.1	-0.2	0.3	1.1
Machinery and equipment	-1.2	4.6	19.2	0.0	0.2	0.7
Non-dwelling construction	-2.7	2.7	2.0	-0.1	0.1	0.1
Non-residential building	-3.8	-0.5	-7.1	-0.1	0.0	-0.2
Engineering construction	-0.8	5.1	9.2	0.0	0.1	0.2
Private Final Demand	-0.2	3.7	7.8	-0.1	2.5	5.4
Public Final Demand	0.4	2.5	13.7	0.1	0.7	3.6
General government consumption	0.6	2.4	15.0	0.1	0.6	3.2
Public investment	-0.7	2.8	8.2	0.0	0.1	0.4
Changes in inventories				-0.5	-0.1	0.3
Gross national expenditure	-0.5	3.2	9.8	-0.5	3.1	9.3
Net exports				1.1	-0.5	-2.1
Exports of goods & services	1.1	7.7	-1.6	0.2	1.6	-0.4
less Imports of goods & services	-4.3	12.1	9.4	0.9	-2.1	-1.7
Statistical discrepancy				-0.1	0.0	0.1
GDP	0.5	2.7	7.4	0.5	2.7	7.4
Current Prices						
Compensation of employees	2.1	10.4	18.5			
Gross operating surplus	2.9	15.8	35.0			
GDP	2.1	12.0	25.0			
Deflators and Prices						
Terms of trade	0.6	7.2	24.4			
Household consumption deflator	1.5	6.9	9.4			
GDP deflator	1.6	9.1	16.4			

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

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

