

ABS National Accounts: December quarter 2023

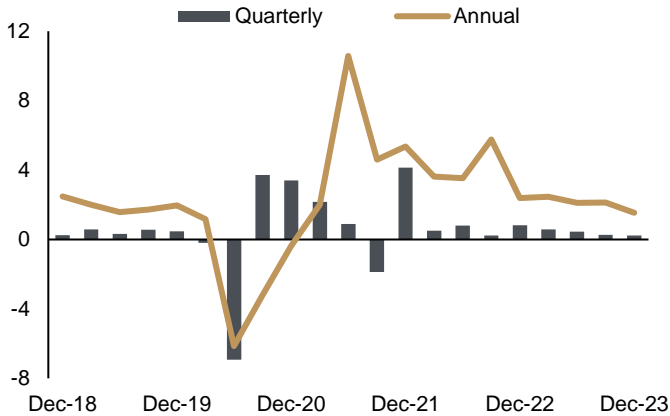
Source: ABS *National Accounts*, released 6 March 2024, 10:30 am AEST.

GDP grew by 0.2% in December quarter 2023, marginally below market expectations of 0.3%, to be 1.5% higher over the year. A decline in overseas imports was the largest contributor to growth in the quarter.

Change in inventories detracted 0.3%-point from GDP in the quarter, driven by a run down in *mining* and *wholesale* inventories.

Net exports contributed 0.6 percentage point to GDP growth in the quarter, driven by a 3.4% fall in *imports*, which more than offset a 0.3% fall in *exports*. The **terms of trade** rose 2.2% in the quarter, driven by *export prices* as commodity prices increased. This was partially offset by a rise in *import prices*, driven by a lower A\$.

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



Gross domestic product (GDP) rose 0.2% (seasonally adjusted) in December quarter 2023 (Chart 1), marginally below market expectations of 0.3%. *Net exports* was the largest contributor to growth in the quarter, with a fall in *imports* more than offsetting a decline in *exports*. GDP was 1.5% higher over the year and 9.3% above its pre-COVID level. In per-capita terms, GDP fell 0.3% in the quarter following declines in the previous two quarters.

Household consumption rose marginally in the quarter (up 0.1%), with an increase in *essential* spending (up 0.7%) more than offsetting a decline in *discretionary* spending (down 0.9%).

Real gross household disposable income rose 1.5% in the quarter following a 1.0% decline in the previous quarter. The *household consumption deflator* (a measure of consumer price growth), rose 0.8% in the quarter to be 4.6% higher over the year. Following eight consecutive falls, the *household saving ratio* rose to 3.2%, up from 1.9% in the previous quarter (the lowest since March quarter 2008).

Compensation of employees (COE) rose 1.4% in the quarter, consistent with a tight labour market. The ABS noted growth has 'remained at elevated levels amid strong competition to attract and retain skilled workers in the tight labour market.'

Gross operating surplus (GOS), a measure of profits rose 2.6% in the quarter, with a rebound in commodity prices driving *mining* profits, more than offsetting a decline in *non-mining industries* GOS, driven by higher operating expenses and falling domestic demand.

Business investment rose 0.7% in the quarter to be 8.2% higher over the year. Growth in the quarter was driven by *non-residential construction* (up 5.0%), which more than offset a 1.6% fall in *machinery & equipment* investment.

Dwelling investment fell 3.8% in the quarter to be 3.1% lower over the year. Both *new & used dwellings* (down 3.5%) and *alterations & additions* (down 4.2%) were lower in the quarter.

Public final demand rose 0.4% in the quarter to be 4.8% higher over the year. Quarterly growth was driven by *public consumption* (up 0.6%) with more spending on medical products & services and higher employee expenses across commonwealth departments.

Table 1: Components of GDP

(seasonally adjusted, December quarter 2023)

Chain Volume Measure	% change		ppt. contribution	
	quarterly	annual	quarterly	annual
Household consumption	0.1	0.1	0.0	0.0
Private investment	-0.2	4.7	0.0	0.8
Dwelling investment	-3.8	-3.1	-0.2	-0.2
Business investment	0.7	8.2	0.1	0.9
Machinery and equipment	-1.6	7.4	-0.1	0.3
Non-dwelling construction	2.7	9.1	0.1	0.4
Non-residential building	5.0	11.5	0.1	0.3
Engineering construction	0.4	7.5	0.0	0.2
Private Final Demand	0.0	1.3	0.0	0.9
Public Final Demand	0.4	4.8	0.1	1.3
General government consumption	0.6	2.7	0.1	0.6
Public investment	-0.2	13.6	0.0	0.7
Changes in inventories			-0.3	-0.9
Gross national expenditure	-0.2	1.3	-0.2	1.2
Net exports			0.6	0.4
Exports of goods & services	-0.3	4.2	-0.1	1.1
less Imports of goods & services	-3.4	3.5	0.7	-0.7
Statistical discrepancy			-0.2	-0.1
GDP	0.2	1.5	0.2	1.5
Current Prices				
Compensation of employees	1.4	8.4		
Gross operating surplus	2.6	1.4		
GDP	1.4	4.4		
Deflators and Prices				
Terms of trade	2.2	-3.9		
Household consumption deflator	0.8	4.6		
GDP deflator	1.2	2.8		

Chart 2: Contributions to real GDP Growth

(seasonally adjusted, quarterly, %-point contribution)

