

Overview

Seasonally adjusted real GDP rose 0.2% in Q3 2023, less than the 0.4% expected by the markets and the 0.4% registered for Q2. The annual growth rate edged up to 2.1% from 2.0%. Real GDP per capita fell 0.5% in the quarter to be down 0.3% YoY.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.2	2.1
GDP (Expenditure, Real)	0.3	2.3
GDP (Production, Real)	0.2	2.1
GDP (Income, Nominal)	1.2	4.4
Real Gross Domestic Income	-0.5	-0.4
Nominal GDP	1.2	4.5
Terms of Trade	-2.6	-9.0
GDP Deflator	1.0	2.4

Expenditure

The largest 0.4ppts contribution to the expenditure measure of GDP growth came from a rise in inventories. Private business capital investment rose 1.5% and added 0.2ppts to growth, mostly due to a rise in non-dwelling construction thanks to mining investment. Government consumption rose 1.1% (+0.2ppts) amid increased social benefits.

Household consumption growth was flat in the quarter, partly due to reduced out-of-pocket expenses from social benefits, such as the expanded childcare subsidy and energy relief programs and was up just 0.4% YoY.

Net exports detracted 0.6ppts from growth in Q3.

Production

The production measure of GDP rose by 0.2% in Q3. The strongest 3.5% fall was in agriculture, forestry, and fishing, while mining production fell 1.0%. Information media and telecommunications saw the strongest increase of 2.6%.

Income (Current Prices)

From the income approach, GDP rose by 1.2% in nominal terms, with the strongest contribution from a 2.6% rise in employee compensation amid the minimum and award wage hikes. Taxes less subsidies on production and imports rose 5.4%, driven by a 3.4% rise in taxes, while subsidies on production fell 16.4%.

Hours Worked, Productivity and Unit Labour Costs

Hours worked declined by 0.7% in Q3, with a 0.6% fall in the market sector. As a result, productivity picked up by 0.9% if measured by GDP per hour worked and 0.6% if measured by gross value added per hour worked in the market sector, but remained 2.1% and 0.9% down through the year, respectively.

Real non-farm unit labour costs rose by 1.1% in Q3.

Real Income

Real net national disposable income per capita, an economic wellbeing measure that adjusts real gross domestic income for both income flows with the rest of the world and the consumption of fixed capital, declined by 0.6% in Q3, to be 0.9% up through the year.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose 1.0% in Q3, to be up 2.4% YoY, as a quarterly drop in the terms of trade was more than offset by further solid growth in domestic prices (1.3% QoQ and 5.2% YoY), particularly for household consumption (1.4% QoQ and 5.6% YoY).

Real Domestic Final Demand

The final demand rose in all states except for Queensland. Western Australia saw the strongest increases of 2.4% QoQ and 5.5% YoY, with solid gains in investment and government consumption. Western Australian household consumption spending declined by 0.3% in Q3, reflecting lower out-of-pocket expenses on electricity thanks to the most recent household electricity credit introduced by the Western Australian government.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	2.4	5.5
New South Wales	0.3	1.7
Victoria	0.4	2.1
Queensland	-0.3	1.6
South Australia	0.5	1.7
Tasmania	1.5	1.0
Australia	0.5	2.2

Comment

The Q3 GDP report came out weaker than expected in quarterly terms. The annual rate of growth increased 0.1ppts to the still subdued 2.1% due to base effects.

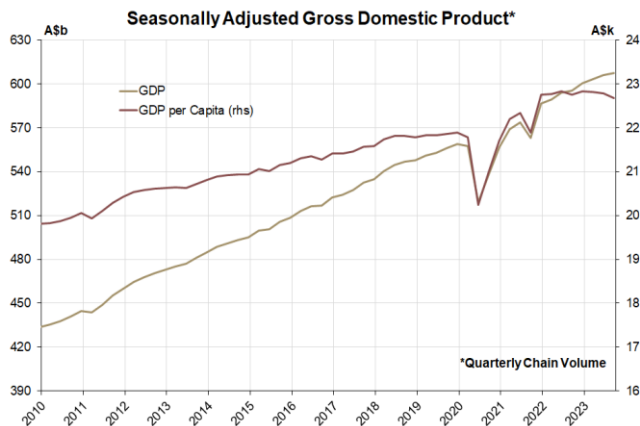
The Q3 report was also distorted by recent policy changes. Increased social benefits slightly reduced the out-of-pocket expenses for households on the one hand but supported government consumption on the other.

The weak 0.2% increase in real GDP in the quarter was largely due to the negative contribution from net exports, while real domestic final demand rose by 0.5%.

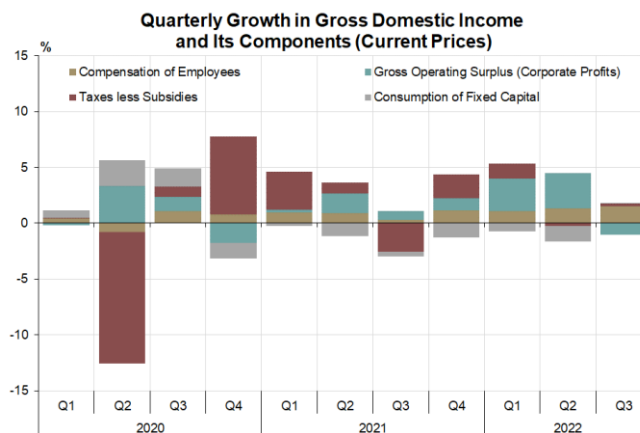
The Q3 national accounts report confirmed that Aussie households are struggling under the weight of high cost-of-living, however, with domestic price pressures remaining strong the RBA is unlikely to drop its tightening bias, but the probability of another hike is low.

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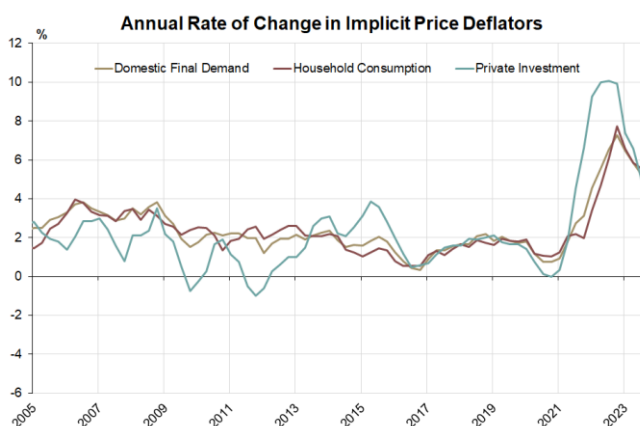
Real GDP continues to climb in absolute terms but has been declining steadily in per capita terms.



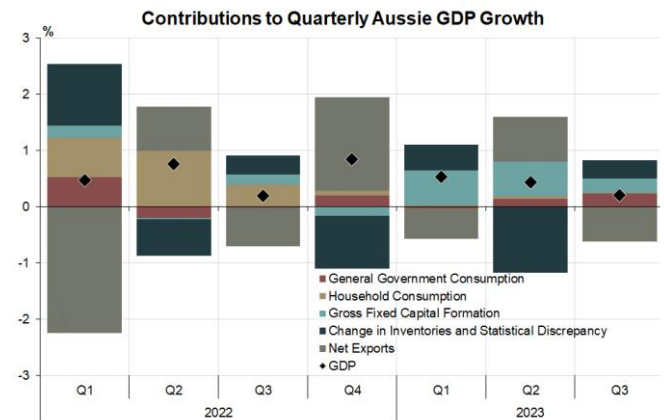
Income growth was driven by compensation of employees after the minimum and award wage hikes.



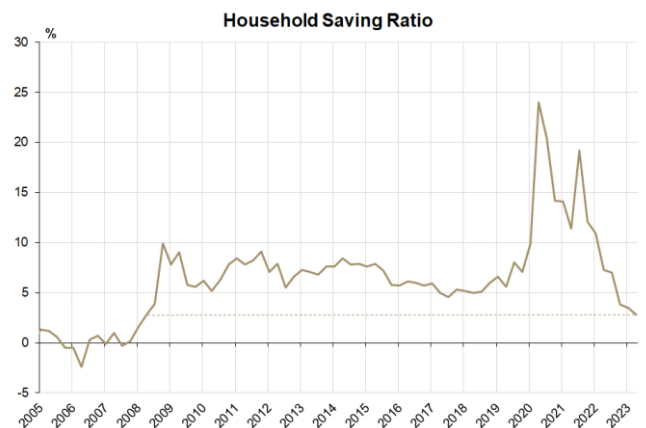
Domestic price pressures have passed their peak but remain acute, particularly for households.



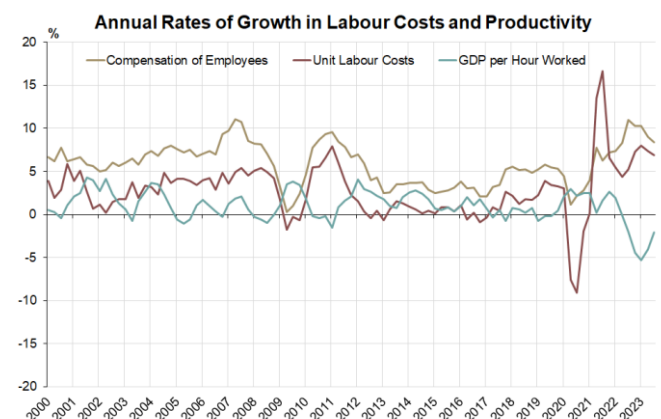
Q3 GDP growth was dragged down by net exports but boosted by capital investment and restocking.



Despite this, household savings ratio dropped to the lowest level since 2007 amid cost-of-living pressures.



Unit labour costs continue to rise briskly amid further sluggishness in productivity and solid wage gains.



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