

Overview

Seasonally adjusted real GDP rose 0.2% in Q4 2023, to be 1.5% up through the year, in line with the market expectations. Real GDP per capita fell 0.3%, the third quarterly decline in a row, to be down 1.0% YoY.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.2	1.5
GDP (Expenditure, Real)	0.4	1.6
GDP (Production, Real)	0.2	1.8
GDP (Income, Nominal)	1.3	4.3
Real Gross Domestic Income	0.8	0.5
Nominal GDP	1.4	4.4
Terms of Trade	2.3	-3.9
GDP Deflator	1.2	2.8

Expenditure

Net exports was the biggest contributor to the expenditure measure of GDP growth, adding 0.6ppts. This was partly offset by a 0.3ppts negative contribution from inventory investment.

Household consumption growth rose 0.1% in the quarter to have only a marginal impact on GDP growth, as a rise in essential spending was almost fully offset by a decline in discretionary expenditure.

Private business investment rose 0.7% (+0.1ppts), while dwelling investment fell 3.8% (-0.2ppts) and ownership transfer costs rose 3.5% (+0.1ppts). Public sector investment fell 0.2%, having little impact on growth.

A 0.6% rise in general government consumption was driven by spending related to the Voice referendum added 0.1ppts.

Production

The major contributors to the production measure of GDP were mining, professional, scientific and technical services, and public administration and safety which each added 0.1ppts to growth. Accommodation and food services, manufacturing, as well as agriculture forestry and fishing were the major drags, each cutting 0.1ppts from growth.

Income (Current Prices)

From an income approach, nominal GDP rose 1.4%, driven by a 2.6% rise in gross operating surplus and a 1.4% pick-up in compensation of employees. Taxes less subsidies declined by 0.3% in Q4.

Hours Worked, Productivity and Unit Labour Costs

Hours worked fell another 0.3%. As a result, GDP per hour worked rose by 0.5%, but was down 0.5% through the year. Gross value added per hour worked rose by 0.1% QoQ and 1.3% YoY.

Real non-farm unit labour costs fell 0.3% in Q4, to be 3.1% higher than a year ago.

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, rose by 0.8% in Q4, but was down 0.9% through the year.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose by a seasonally adjusted 1.2% in Q4, to be up 2.8% YoY, 0.4ppts higher than in the previous quarter. This slight acceleration reflected a slower annual decline in the terms of trade, while growth in domestic prices slowed to a still elevated 4.6% YoY.

Real Domestic Final Demand

Final demand was mixed across the states.

New South Wales and South Australia each saw declines of 0.4%, while there was no change in Victoria and Tasmania.

Real state final demand rose in Western Australia (+0.8%) and Queensland (+0.6%).

The rise in Western Australian real state final demand was driven by a 0.6% rise in household consumption, 5.9% increase in public sector investment, and 0.7% increase in private business investment.

Western Australian real state final demand was up 5.5% YoY, the highest annual growth of all the states.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	0.8	5.5
New South Wales	-0.4	1.4
Victoria	0.0	2.1
Queensland	0.6	2.3
South Australia	-0.4	1.6
Tasmania	0.0	1.8
Australia	0.1	2.3

Comment

The Q4 national accounts were in line with expectations, confirming weakness of domestic economic conditions.

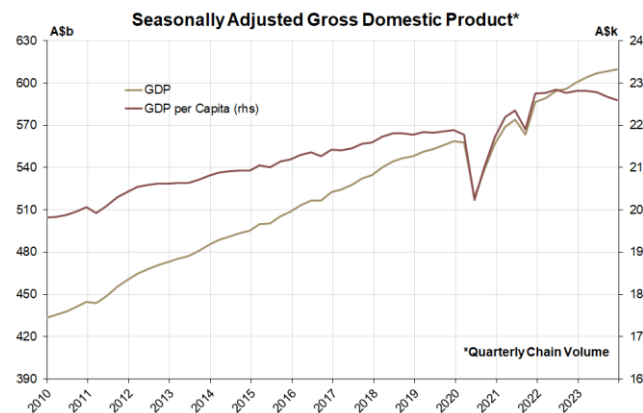
GDP growth stayed positive solely due to the contribution of net exports, which was insufficient to prevent a decline in GDP in per capita terms. The household sector continues to be a key point of weakness, with household spending per capita falling for the fifth quarter in a row.

The report also confirmed further easing of domestic price growth, which however remains elevated.

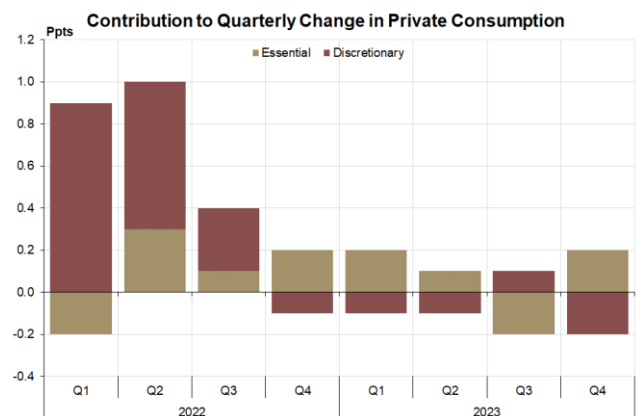
This combination implies that the RBA might be getting closer to dropping the tightening bias, but likely not as soon as the upcoming meeting on 18-19 March.

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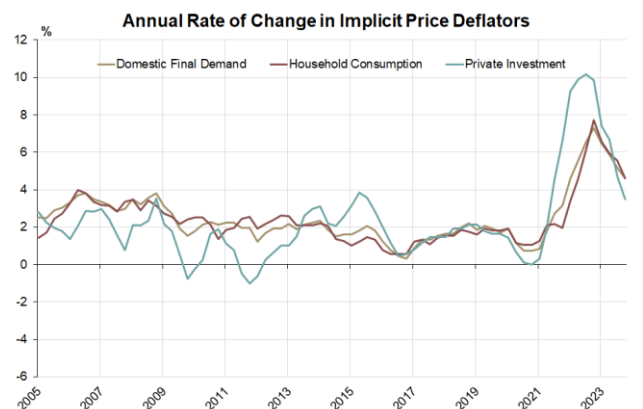
Real GDP continues to climb in absolute terms but has been declining in per capita terms.



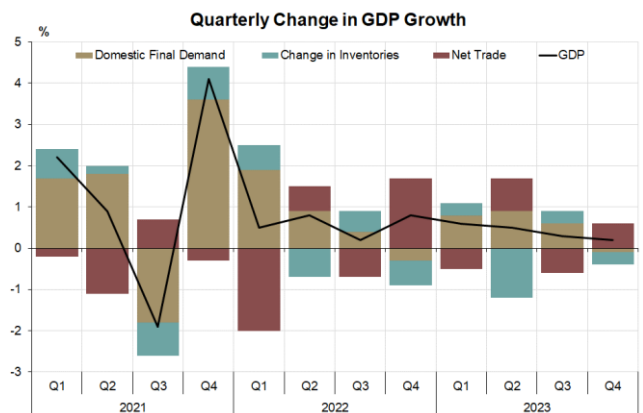
A rise in essential household consumption in Q4 was almost fully offset by a fall in discretionary spending.



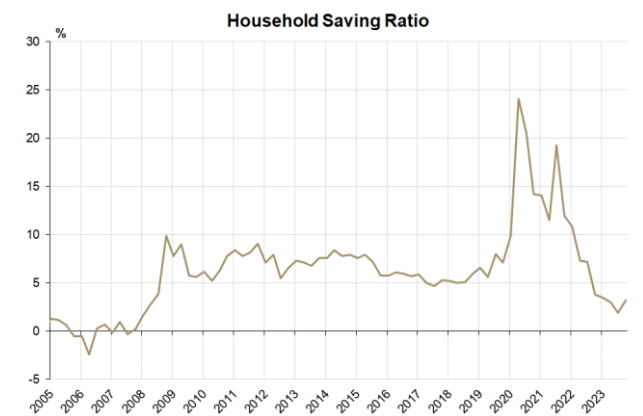
Domestic price pressures have passed their peak but remain elevated, particularly for households.



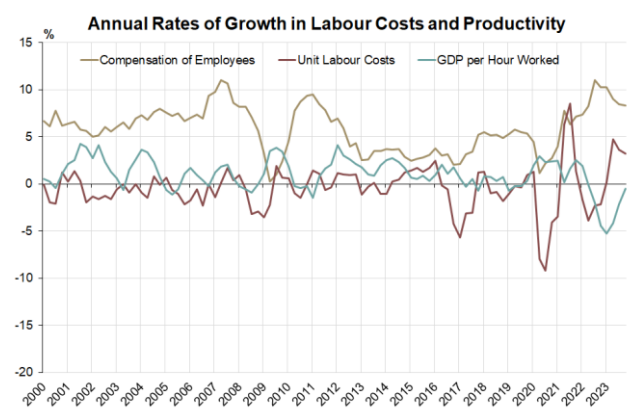
The rise in GDP in Q4 was driven by external demand, while domestic demand was soft.



The household savings ratio picked up from a 15-year low but remains depressed.



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



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