

Overview

Australian seasonally adjusted real GDP rose 0.6% in Q3 2022, slightly less than the 0.7% expected by the markets. The annual growth rate accelerated to 5.9%, reflecting a low statistical base from the previous year. The market consensus was for a 6.3% YoY gain.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.6	5.9
GDP (Expenditure, Real)	0.6	5.8
GDP (Production, Real)	0.7	5.9
GDP (Income, Nominal)	0.8	13.3
Real Gross Domestic Income	-1.0	5.8
Nominal GDP	0.8	13.1
Terms of Trade	-6.7	-0.4
GDP Deflator	0.2	6.9

Expenditure

Household consumption expenditure again contributed the most to the rise in real GDP in Q3 (+0.6ppts).

A 2.5% rise in business capital investment added 0.3ppts to growth and inventory investment contributed 0.2ppts. Dwelling construction rose 1.0% (+0.1ppts), its first increase in four quarters, as supply and labour constraints eased slightly.

These positive contributions were partly offset by an 11.2% drop in ownership transfer costs (-0.2ppts) as real estate activity slowed, a fall in public sector investment (-0.2ppts), and a 0.2ppts drag from [net exports](#).

Production

The increase in gross value added in Q3 was led by strong increases in transport, postal and warehousing (+3.5%) as well as accommodation and food services (+3.4%). Seven sectors saw a decline in production.

Income (Current Prices)

In the income approach, the Q3 growth was driven by compensation of employees (+1.4ppts), amid a rise in employment and wages. Growth in compensation for employees (of 3.2% QoQ) was the strongest since 2006.

Taxes less subsidies also contributed positively to growth in Q3 (+0.4ppts), reflecting among other factors, a rise in income from the fuel excise tax.

These increases were partly offset by a fall in the gross operating surplus, which detracted 1.2pts from Q3 income growth mainly due to a fall in mining profits.

Hours Worked, Productivity and Unit Labour Costs

Hours worked were flat in Q3. Productivity, as measured by the gross value added per hour worked market sector, rose by 0.7%. Real non-farm unit labour costs rose by 1.7% after three consecutive quarters of declines.

Real Income

Real net national disposable income per capita, an economic wellbeing measure adjusting real gross domestic income for income flows with the rest of the world and the consumption of fixed capital, fell 2.7% from its record high.

GDP Price Deflator

Growth in the GDP price deflator, the broadest measure of inflation in the economy, slowed to 0.2% in Q3, after rising 4.1% in Q2, as a strong increase in domestic prices was offset by a 6.6% fall in the [terms of trade](#).

Quarterly growth in implicit price deflator for domestic demand accelerated to 1.8%.

Real Domestic Final Demand

Real state final demand rose in all states, except for Victoria. Tasmania saw the strongest increase.

Western Australian real state final demand rose 0.6%, to be 3.3% up through the year. Growth was again led by a rise in household consumption (+2.0%) and public investment (+0.5%). These increases were partly offset by a 1.7% decline in private investment.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	0.6	3.3
New South Wales	0.7	11.1
Victoria	0.0	7.9
Queensland	0.7	3.2
South Australia	0.1	4.1
Tasmania	1.6	0.2
Australia	2.5	4.7

Comment

Despite the slight disappointment, the Australian economy remained resilient to multiple unfolding challenges in Q3. However, those headwinds will only become more acute in 2023.

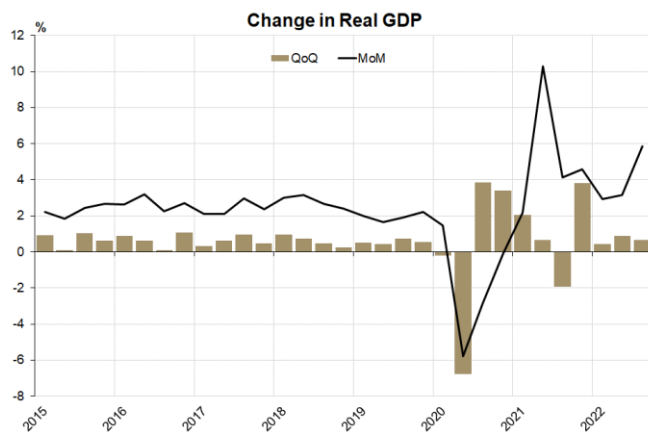
Household consumption growth remained the major driver of growth, supported by a rise in employment and wages. The increase in spending was at the expense of a lower savings rate, which fell to 6.9%, the lowest level since Q4 2019.

The report showed accelerating domestic price pressures continue to rise, with rising labour costs also becoming a factor.

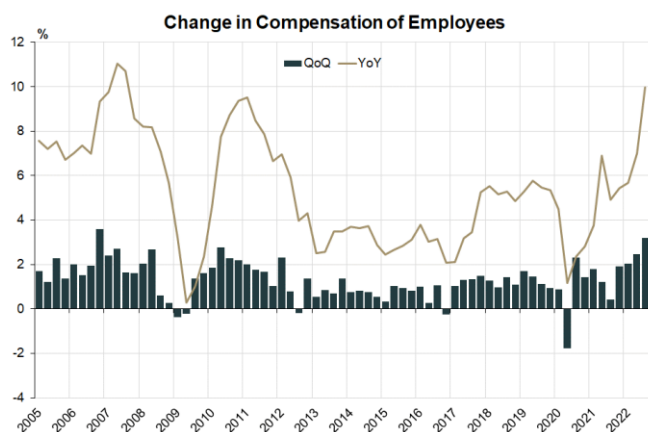
The strong inflationary pulse is supportive of further RBA cash rate increases. However, given the large amount of tightening already in place and monetary policy famously working with long and variable lags, the RBA is getting close to the time when it will be prudent to pause.

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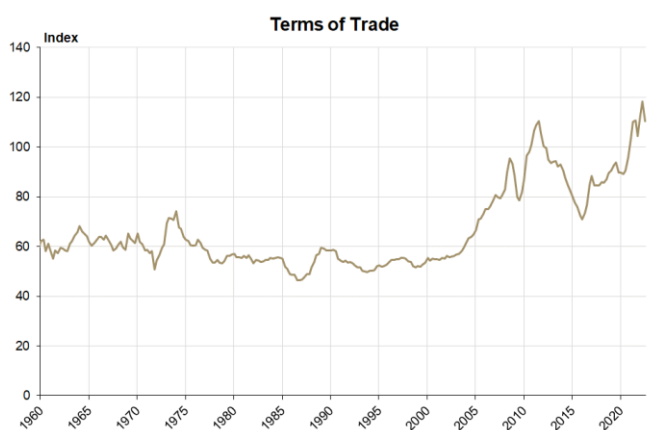
Real GDP rose 0.6%, taking the annual growth rate to 5.9% propped up by the low base from 2021.



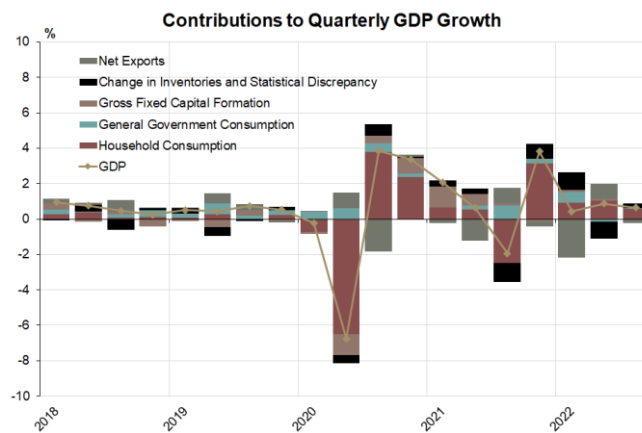
Private consumption was driven by the fastest growth in compensation of employees in over a decade...



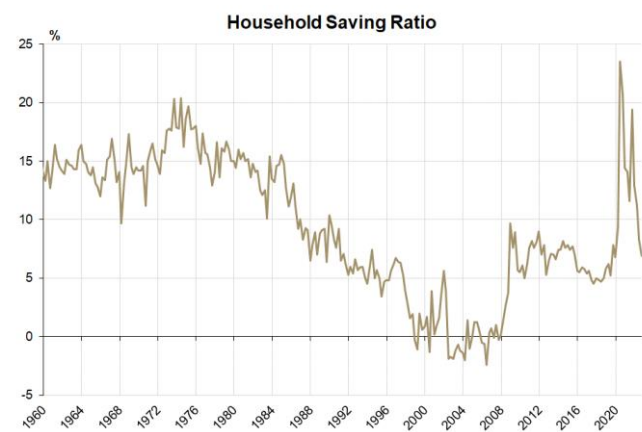
Despite a fall in Q3, the terms of trade remain close to a record high.



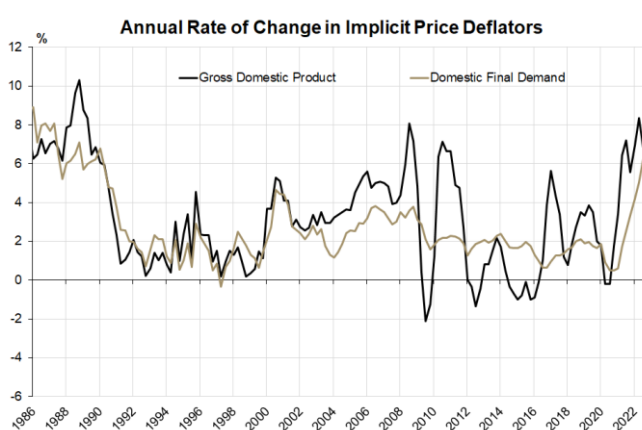
Economic growth continued to be supported by strong gains in household consumption.



... as well as a further decline in the household savings rate.



The rise in GDP deflator eased as a result, but domestic price growth accelerated further in Q3.



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