GDP Q3 2024

Overview

Seasonally adjusted real GDP rose 0.3% in Q3 2024, somewhat less than the 0.5% expected by the markets, but more than the 0.2% registered for Q2.

The annual growth rate unexpectedly decelerated to just 0.8%. Outside of the heights of COVID-19, this was the slowest growth since the early 1990s recession.

Real GDP per capita saw the seventh consecutive quarterly decline of 0.3% and was down 1.5% YoY.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.3	0.8
GDP (Expenditure, Real)	0.3	0.5
GDP (Production, Real)	0.3	1.1
GDP (Income, Nominal)	0.4	3.5
Real Gross Domestic Income	-0.3	-0.1
Nominal GDP	0.4	3.5
Terms of Trade	-2.5	-4.0
GDP Deflator	0.1	2.7

Expenditure

Public spending was again the driver of GDP growth, with general government consumption up 1.4% and public investment rising 6.3%, to add a combined 0.6ppts to headline growth. Private final demand growth was flat, with household consumption unchanged as electricity bill relief shifted a proportion of household spending on electricity to government consumption. Private business fixed investment fell 0.6%, cutting 0.1ppts from growth, while dwelling investment rose 1.2% and contributed 0.1ppts.

The strong positive contribution from public demand was partly offset by a 0.4ppts negative contribution from inventory changes. Net exports added 0.1ppts to growth in Q3.

Production

In the production approach, a 6.6% quarterly increase in agriculture, forestry and fishing activity made the largest positive contribution to growth (+0.2ppts). Eight out of 19 industries saw declines in output, including a 0.8% fall in the mining sector.

Income (Current Prices)

From the income approach, GDP rose by 0.4% in nominal terms, supported by a 1.4% rise in compensation of employees as well as a 4.5% gain in taxes less subsidies. This was partly offset by a 1.5% decline in the gross operating surplus, which reflected a drop in mining profits due to lower export prices of iron ore, lithium and coal.

Hours Worked, Productivity and Unit Labour Costs

Hours worked rose by 0.8% in Q3, with a 0.5% pick-up in the market sector. As a result, productivity dropped by 0.5% if measured by GDP per hour worked and 0.4% if measured by gross value added per hour worked in the market sector. Real non-farm unit labour costs rose by 0.5% in Q3, to be up 1.6% through the year.

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 0.1% in Q3, to be 1.9% down over the year.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, edged up 0.1% in Q3, as the further decline in the terms of trade was more than offset by a 0.7% rise in domestic prices. Growth in the GDP price deflator slowed to 2.7% YoY, while the annual growth in domestic prices slowed to 3.6%, the lowest annual growth in almost three years.

Real Domestic Final Demand

Real final demand rose in all states in Q3, with quarterly growth rates ranging between 0.4% in Victoria and Tasmania, and 0.8% in South Australia. The annual rates varied between 0.4% in New South Wales and 3.0% in Queensland.

Western Australian real state final demand rose by 0.7% in the quarter, to be 2.5% up through the year. The rise was driven by the public sector, with public investment surging by 9.3% and general government consumption rising by 3.5%. The impacts of the Commonwealth and State electricity credits saw household consumption tick up by just 0.1%, while private business investment fell 3.7%, offset partly by a 2.9% rise in dwelling construction and 3.8% increase in ownership transfer costs.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	0.7	2.5
New South Wales	0.6	0.4
Victoria	0.4	1.4
Queensland	0.7	3.0
South Australia	0.8	1.9
Tasmania	0.4	0.8
Australia	0.7	1.7

Comment

The Q3 GDP report was weaker than expected, partly due to a fall in inventories.

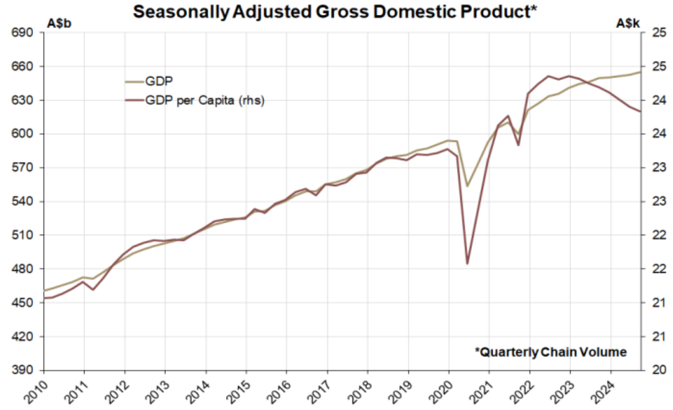
The per capita recession continues, despite the government cost-of-living relief measures. The 0.8ppts increase in the household savings ratio to a still-low 3.2% suggests consumers opted for saving the extra funds provided by relief measures, though there was a rise in spending on discretionary items such as clothing and footwear, and recreation and culture.

The downside surprise to GDP growth figures was a market-mover. The probability of a cash rate cut in April rose above 90% from around 75% before the release. We remain cautious about this change and will continue to look for further confirmation that underlying inflation is easing in a sustainable manner.

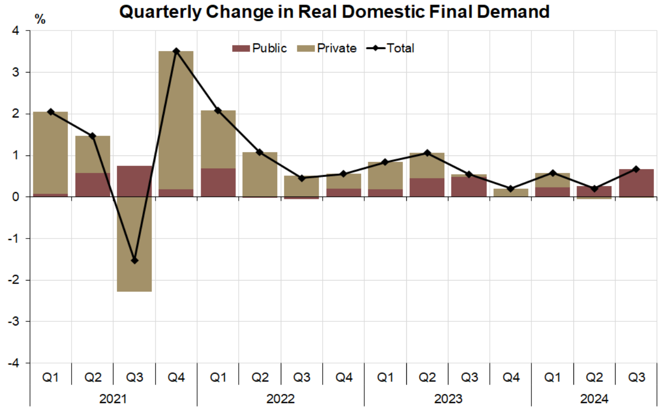
4 December 2024

GDP Q3 2024

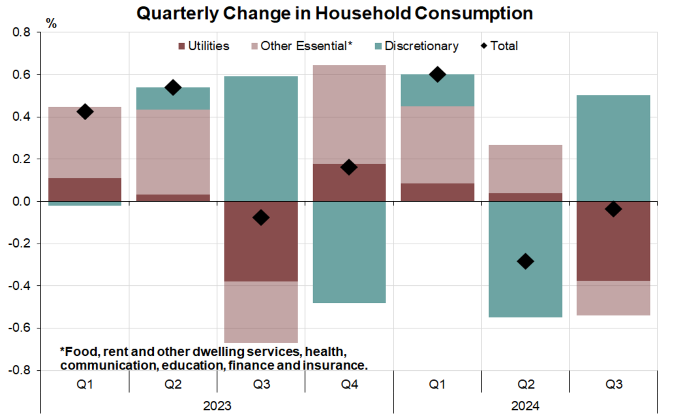
Real GDP continues to climb in absolute terms but has been declining steadily in per capita terms.



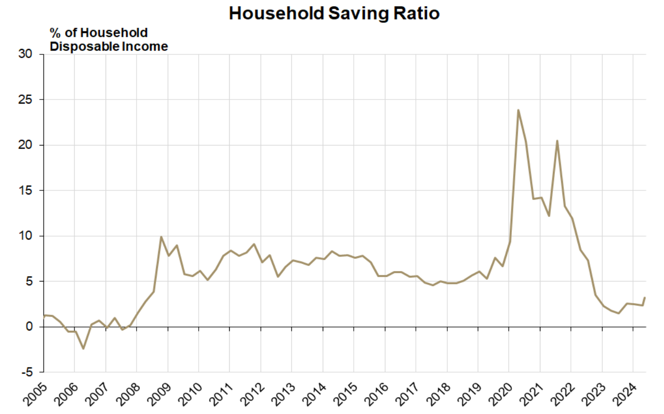
Growth in Q3 remained concentrated in the public sector, partly due to the impacts of electricity credits.



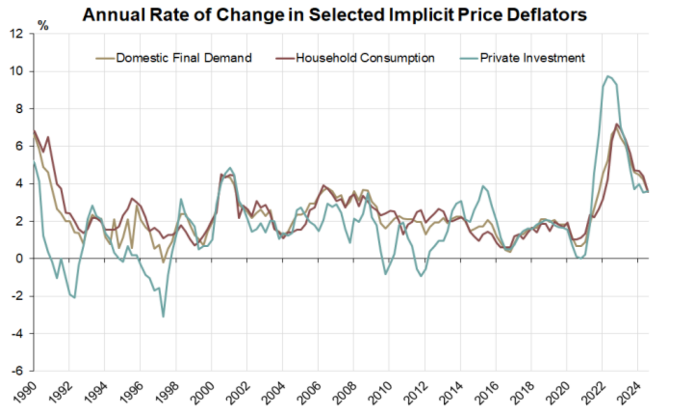
Households opted to spend some of the extra funds on discretionary goods…



… while also saving some of the excess money; despite this, the savings ratio is very low by historical standards.



Domestic price pressures have eased substantially but remain stronger than in the pre-COVID era.



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