

# GDP Q4 2024

## Overview

Seasonally adjusted real GDP rose by 0.6% in Q4 2024 in line with market expectations, following a 0.3% increase in Q3.

Annual growth rate accelerated to 1.3%, the fastest pace in a year.

Real GDP per capita rose 0.1%, the first increase in eight quarters, with the annual rate of decline easing to 0.7% from 1.2% in Q3.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.6	1.3
GDP (Expenditure, Real)	0.7	1.3
GDP (Production, Real)	0.4	1.1
GDP (Income, Nominal)	1.6	3.5
Real Gross Domestic Income	1.0	0.0
Nominal GDP	1.6	3.7
Terms of Trade	1.8	-4.8
GDP Deflator	0.0	2.4

## Expenditure

A 0.4% increase in household consumption was the biggest driver of growth in the quarter, along with exports, each adding 0.2 percentage points (ppts) to the headline. Growth in private business investment (0.7%), government consumption (0.7%), public sector investment (1.8%) and inventories each added 0.1ppts. A 0.4% fall in dwelling investment was a slight drag on growth.

## Production

The production measure of GDP growth was led by agriculture forestry and fishing, which added 0.2ppts to growth. Utilities, transport, postal and warehousing, finance and insurance, and education and training each added 0.1ppts. Declines in manufacturing and construction activity each cut 0.1ppts from headline growth. The remaining industries made little to no contribution.

## Income (Current Prices)

The income measure of GDP rose 1.6% in current dollar terms, mainly driven by a 2.0% increase in employee compensation, which added 1.0ppts to total income growth. Average growth in compensation accelerated to 1.0%, the fastest since Q3 2023. Income from dwellings added another 0.2ppts, as did taxes (less subsidies) and corporation profits.

## Hours Worked, Productivity and Unit Labour Costs

Productivity growth remained soft, with gross value added per hour worked in the market sector falling 0.2% - the third decline in a row - to be down 0.4% YoY. The broader GDP per hour worked measure fell 0.1% in the quarter and 1.2% YoY. Weak productivity helped push real non-farm unit labour costs 1.0% higher in the quarter, to be up 2.8% through the year.

## Real Income

Real net national disposable income per capita, an economic wellbeing measure that adjusts real gross domestic income for income flows with the rest of the world and the consumption of fixed capital, rose 0.2% in Q4, the first increase in four quarters, to be down 2.0% over the year.

## GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose 1.0% in Q4 partly driven by higher export prices. This was the fastest growth in three quarters to be up 2.4% YoY. Growth in the final domestic demand price deflator accelerated 0.1ppts to 0.8%, although annual growth eased 0.2ppts to a three-year low of 3.5%.

## Real Domestic Final Demand

The Western Australian domestic economy saw the strongest growth among all the states in Q4, with real state final demand rising 1.1% to be up 2.7% YoY. Growth was driven by a 3.6% increase in private business investment, a 0.7% rise in household consumption, and 4.4% rise in public sector infrastructure spending. This was partly offset by a 4.8% fall in dwelling investment after a strong Q3.

Real state final demand rose in all the other states except for South Australia, which fell 0.3% after solid growth in the previous two quarters.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	1.1	2.7
New South Wales	0.6	1.5
Victoria	0.6	2.4
Queensland	0.2	2.2
South Australia	-0.3	2.0
Tasmania	0.6	3.0
Australia	0.5	2.1

## Comment

This was the strongest quarterly real GDP growth since December 2022. More importantly, it breaks a run of seven consecutive quarterly declines in per capita real GDP, which was the longest stretch of negative growth since at least 1973.

The report had several positives, including a return to growth for household consumption, although it continued to slide in per capita terms. This, along with the increase in business investment, saw private demand make its first positive contribution in three quarters.

However, there were also some worrying signs regarding the outlook for inflation with productivity growth well and truly in the doldrums. The RBA has been highlighting weak productivity growth as a major threat to the inflation outlook and this report won't give them any comfort.

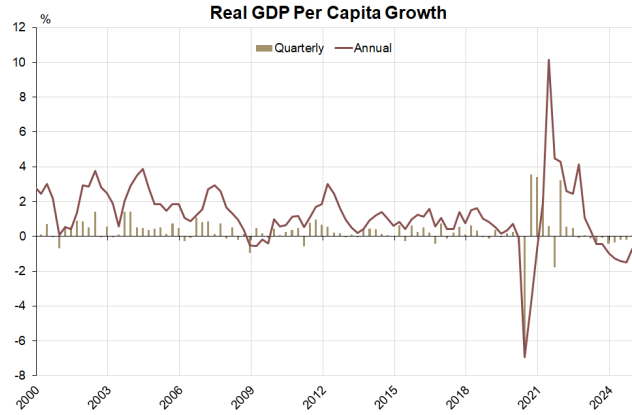
5 March 2025

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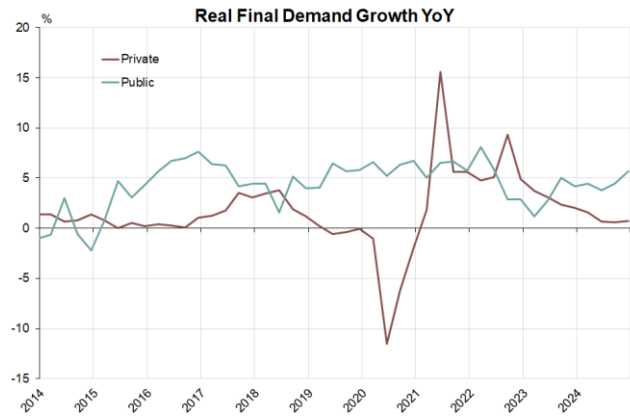
*Aussie real GDP posted its strongest quarter of growth in two years in Q4...*



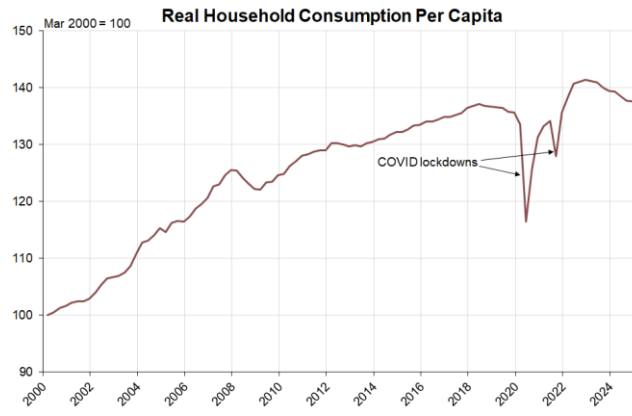
*...with per capita GDP breaking a record run of seven consecutive declines.*



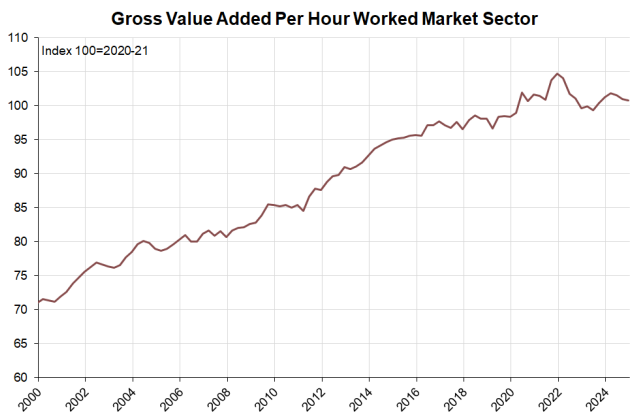
*While private final demand picked up during Q4, the public sector remained a major driver of growth.*



*Household consumption picked up but continued to fall in per capita terms.*



*The RBA has been highlighting weak productivity growth as a threat to the inflation outlook...*



*...and won't be pleased with the rebound in real unit labour cost growth.*

