WESTERN AUSTRALIAN
TREASURY CORPORATION

Economic Analysis

GDP Q1 2024

Overview

Seasonally adjusted real GDP rose 0.1% in Q1 2024, slightly less than the 0.2% expected by the markets and the upwardly revised 0.3% registered for Q3 2023 (originally 0.2%). The annual growth rate decelerated 0.5ppts to 1.1%. Real GDP per capita fell 0.4% in the quarter, to be down 1.3% YoY.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.1	1.1
GDP (Expenditure, Real)	0.1	1.2
GDP (Production, Real)	0.0	1.0
GDP (Income, Nominal)	1.4	3.5
Real Gross Domestic Income	0.2	-0.9
Nominal GDP	1.4	3.5
Terms of Trade	0.2	-7.2
GDP Deflator	1.3	2.4

Expenditure

The largest positive contributor to GDP growth in Q1 was change in inventories (+0.7ppts), while other categories had marginally positive or negative contributions.

Household consumption added 0.2ppts to GDP growth, rising by 0.4%.

Gross fixed capital formation declined by 0.9% and detracted 0.2ppts from growth. This was due to lower public investment (-0.9%) as well as dwelling (-0.5%) and non-dwelling construction (-4.3%), partly offset by a 2.2% gain in machinery and equipment.

Net exports detracted 0.9ppts from GDP growth in Q1.

Production

The production measure of GDP was unchanged in Q1, with increases and declines almost equally split across sectors. The strongest rise of 2.7% was recorded for arts and recreation services, while construction saw the biggest decline (-2.6%).

Income (Current Prices)

From the income approach, GDP rose 1.4% in nominal terms, with the strongest contribution from a 2.3% rise in gross operating surplus, despite a fall in mining profits. Compensation of employees saw a 1.0% gain in the quarter, supported amongst others by pay rises and backpay across federal, state and territory governments.

Hours Worked, Productivity and Unit Labour Costs

Hours worked rose by 0.1% in Q1, but there was a 0.7% decline in the market sector. GDP per hour worked was unchanged in Q1, while gross value added per hour worked in the market sector rose by 0.5% but was down 0.5% through the year.

Real non-farm unit labour costs declined by 0.8%, while the annual rate decelerated 0.4ppts to 3.1%, the lowest in a 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 0.7% in Q1, to be down 2.8% through the year.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose 1.3% in Q1, to be up 2.4% YoY. Domestic prices growth slowed to 4.6% YoY, the lowest in two years, though personal consumption price inflation saw a slight 0.1ppts reacceleration to 4.7% YoY.

Real Domestic Final Demand

The final demand was mixed across the states. While there were increases in most states, domestic final demand was flat in Victoria and down in Western Australia.

Despite a 1.0% QoQ decline in Q1, Western Australian state final demand was still up 4.1% through the year, by far the most of all states. The Q1 decrease was caused by a fall in public and private investment following solid gains in the previous quarters. Western Australian private consumption rose by 0.5% QoQ, while general government spending was up by 1.3% QoQ.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	-1.0	4.1
New South Wales	0.5	2.1
Victoria	0.0	1.5
Queensland	0.6	2.8
South Australia	0.2	1.8
Tasmania	0.1	1.5
Australia	0.2	2.3

Comment

The Q1 GDP report was weaker than expected. However, the details of the report were quite unsurprising, with further weakness in household consumption and dwelling construction as well as strength in corporate investment in machinery and equipment.

Australia remains in recession in per capita terms, with GDP per capita falling for the fourth straight quarter, both in QoQ and YoY terms. The pace of the YoY decline was the strongest since Q3 2020.

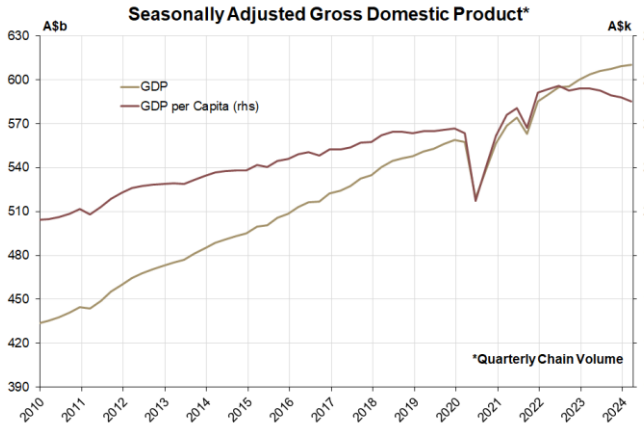
The Q1 report provided a mixed picture for price pressures. Domestic prices rose at the slowest pace in two years.

While the above is some soothing news for the RBA, the central bank will maintain its tightening bias for some time.

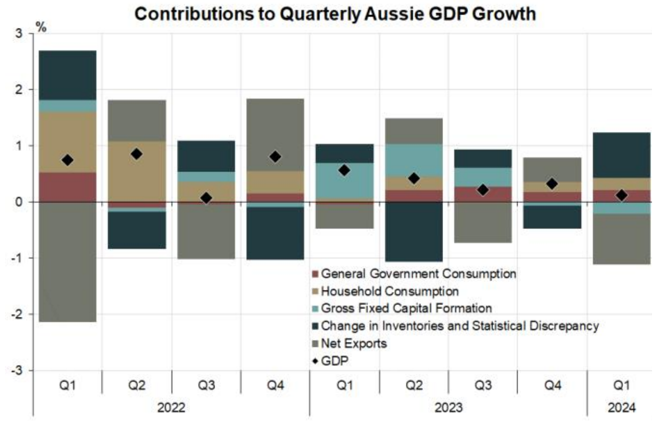
5 June 2024

Economic Analysis GDP Q1 2024

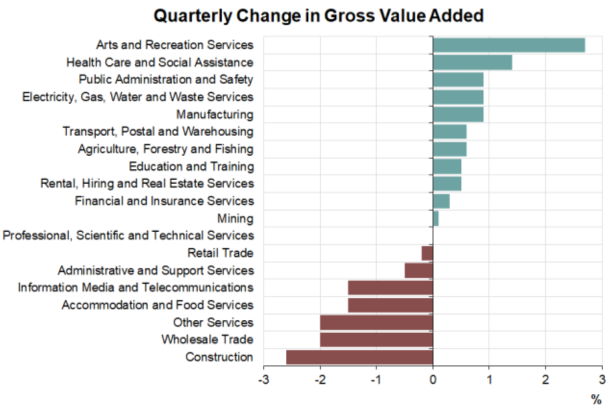
Real GDP continues to climb in absolute terms but has been declining steadily in per capita terms.



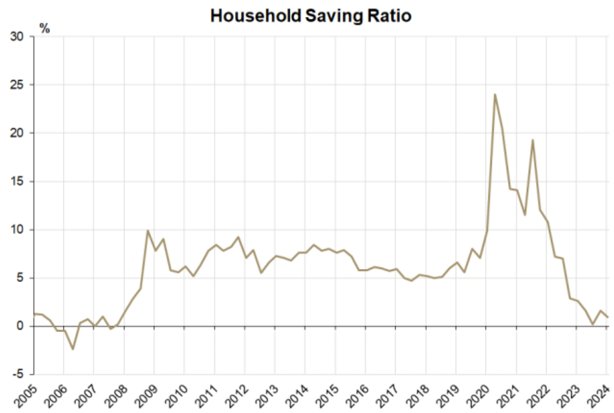
The largest contribution to GDP growth came from changes in inventories.



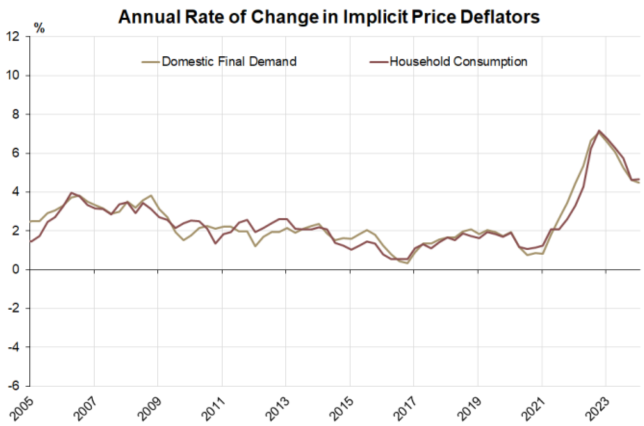
Large events helped arts and recreation services higher, but the picture across industries is mixed.



The household saving ratio has declined again and remains very low.



The implicit price deflators for the domestic economy confirm that disinflation has stalled.



Unit labour cost growth has slowed but remains faster than before COVID-19 hit.