



## Australian National Accounts

Floods and supply disruptions not enough to hold back growth

March 2022 | 1 June

### From the Chief Economist

The economy grew by a stronger than expected 0.8% in the March quarter of 2022, a solid result given Omicron constraints and the severe weather in NSW, Queensland and South Australia.

Unsurprisingly, the nominal measure of GDP grew stronger than the price adjusted measure, given strong price growth in the quarter. Nominal GDP was up 3.7% in the quarter and by 10.2% over the year.

This is an important distinction and is related to particularly strong income effects in parts of the economy. It means we are paying more for many imports and businesses are passing on price increases, no longer absorbing them. But there were also important positives, including our very high export prices.

There was evidence that the consumer bounded out of COVID with vigour. There were improvements in hospitality and other related service industries driven by eased restrictions and border openings. Household spending rose 1.5% in the quarter and discretionary goods and services consumption was up a very solid 4.3%. The household saving rate fell to 11.4% from 13.4% but remained above pre-pandemic levels.

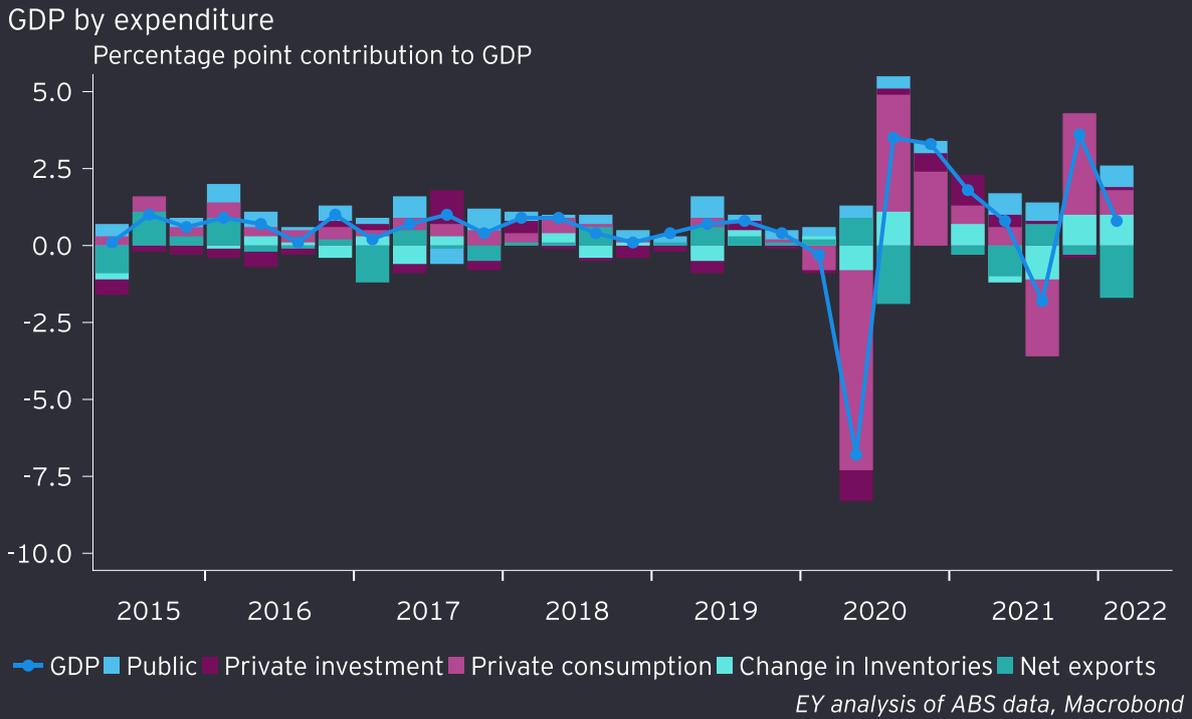
Ultimately, the national accounts show us what we already knew, which is that demand is strong and supply side constraints are the main reasons GDP is not stronger. Australian businesses have faced severe weather and higher input costs and have dealt with labour shortages due to the tight jobs market and COVID-related staff absenteeism. But the terms of trade, I think our most overlooked economic indicator, shows us how elevated our national purchasing power is. While the mining sector is the immediate beneficiary, the flow on effects means the rewards are much more broadly spread.

Dive in to capture our key takeaways in ten charts.

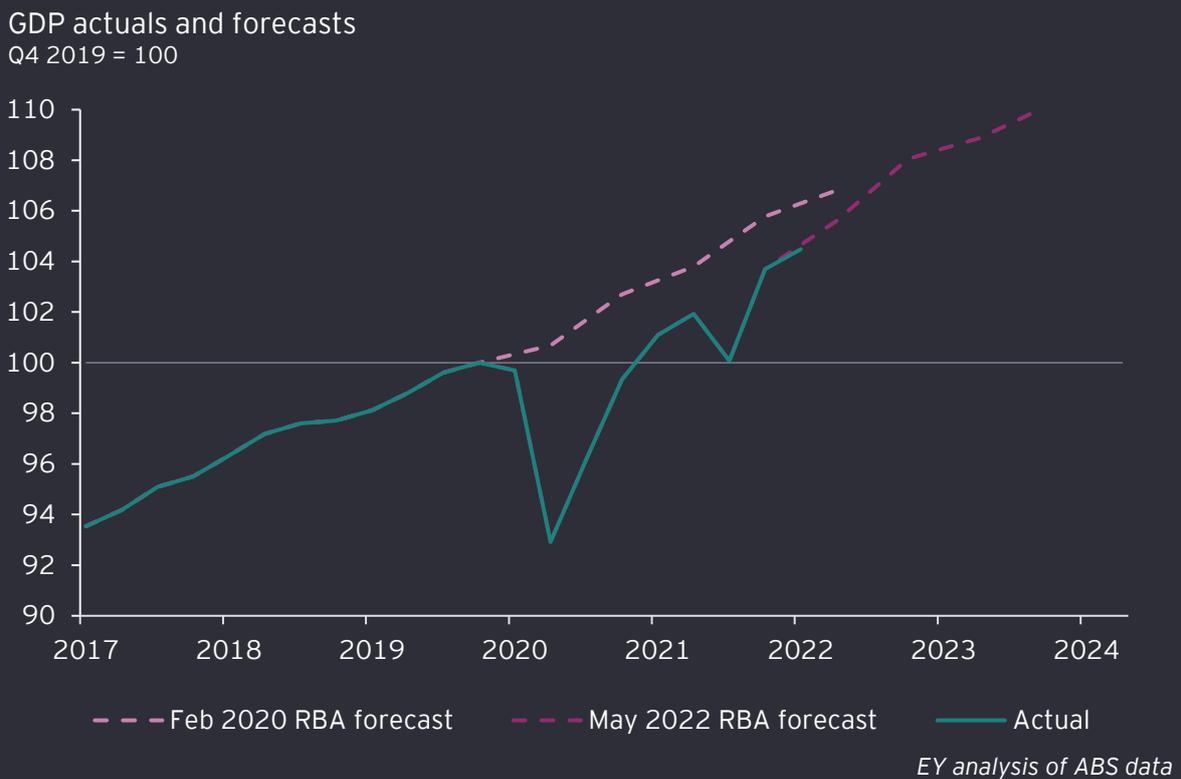
[Cherelle Murphy](#) | EY Oceania Chief Economist

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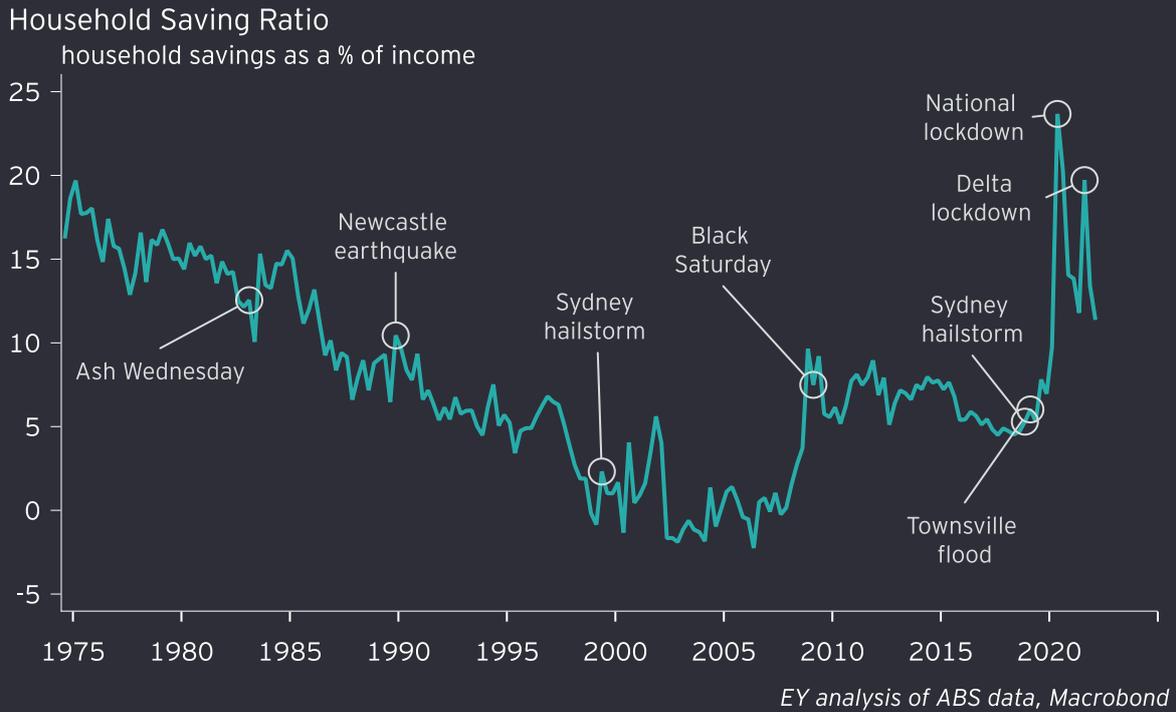
## 1. Consumers have been important to the recovery, while businesses build inventories and net exports detract



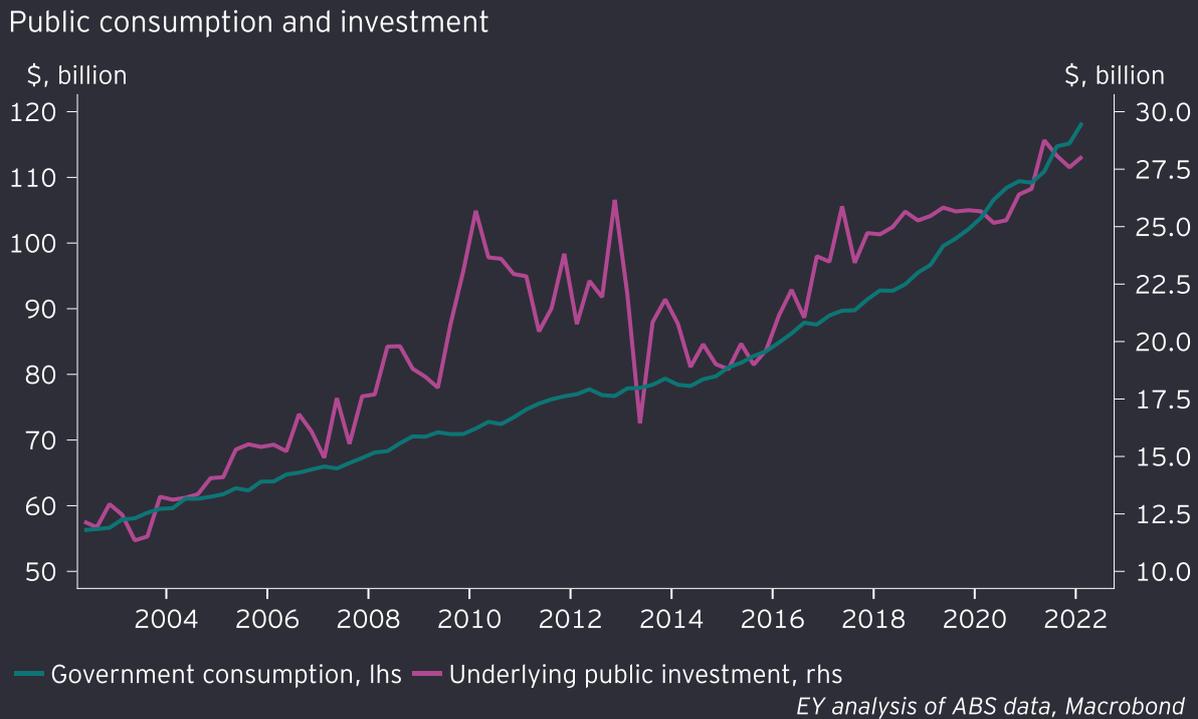
## 2. GDP is on track to return to its pre-pandemic growth path over the coming year (RBA forecast)



### 3. Households saved less as restrictions eased, but the saving rate is still elevated

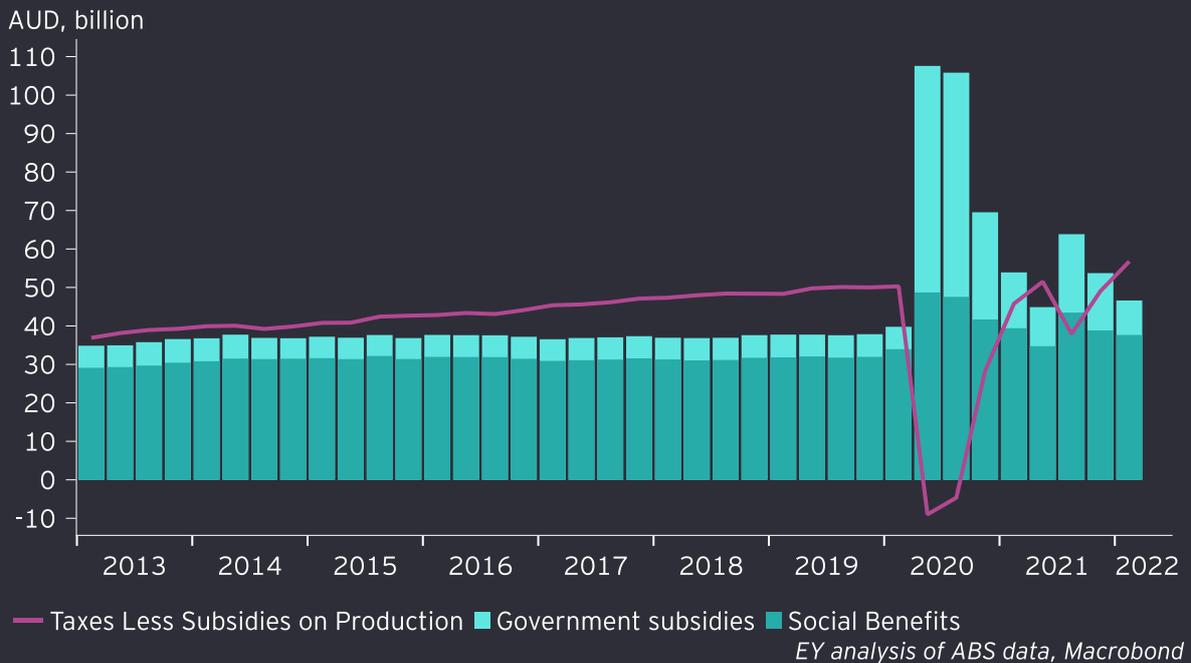


### 4. Public demand came back in the March quarter with a focus on healthcare and flood relief (including defence spending)



## 5. Government subsidies and social benefits continued to normalise, while taxes rose above pre-COVID levels

Government subsidies, social benefits and taxes



## 6. Residential construction fell on the back of labour and material shortages and weather interruptions

Residential construction



## 7. Terms of trade continue to support the economy in nominal terms

Terms of Trade and RBA Commodity Price Index

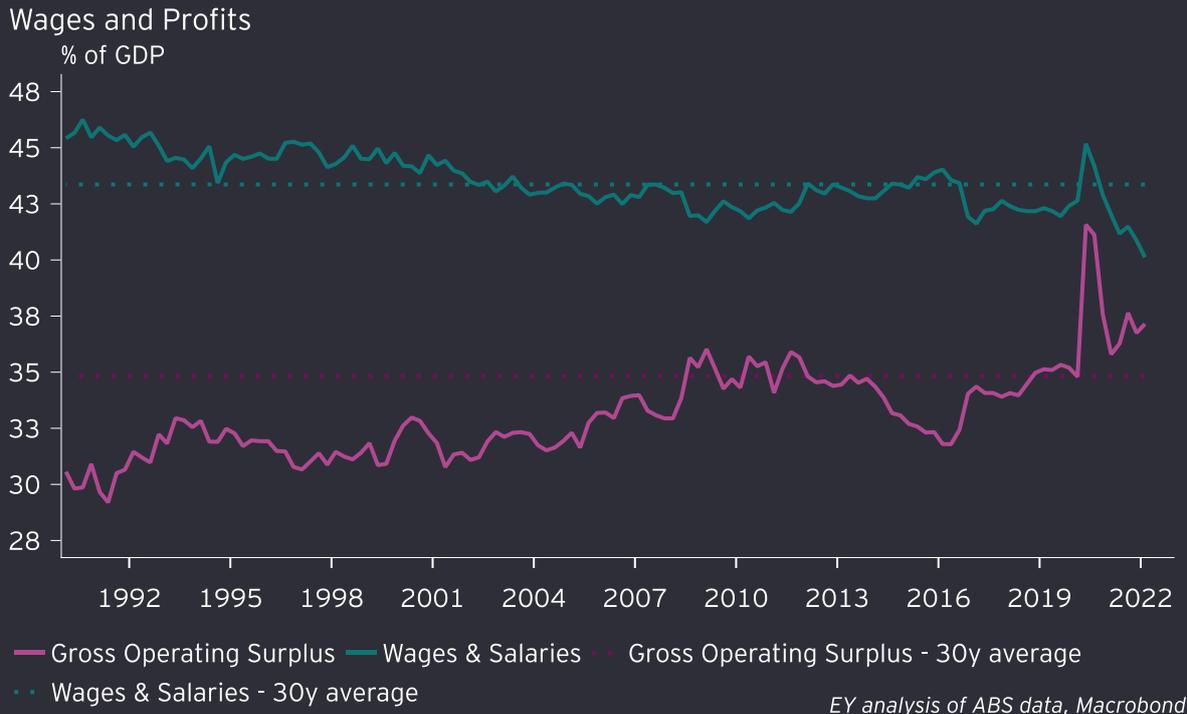


## 8. A tight labour market is feeding through to wages, and more quickly than the Wage Price Index data suggests

Prices



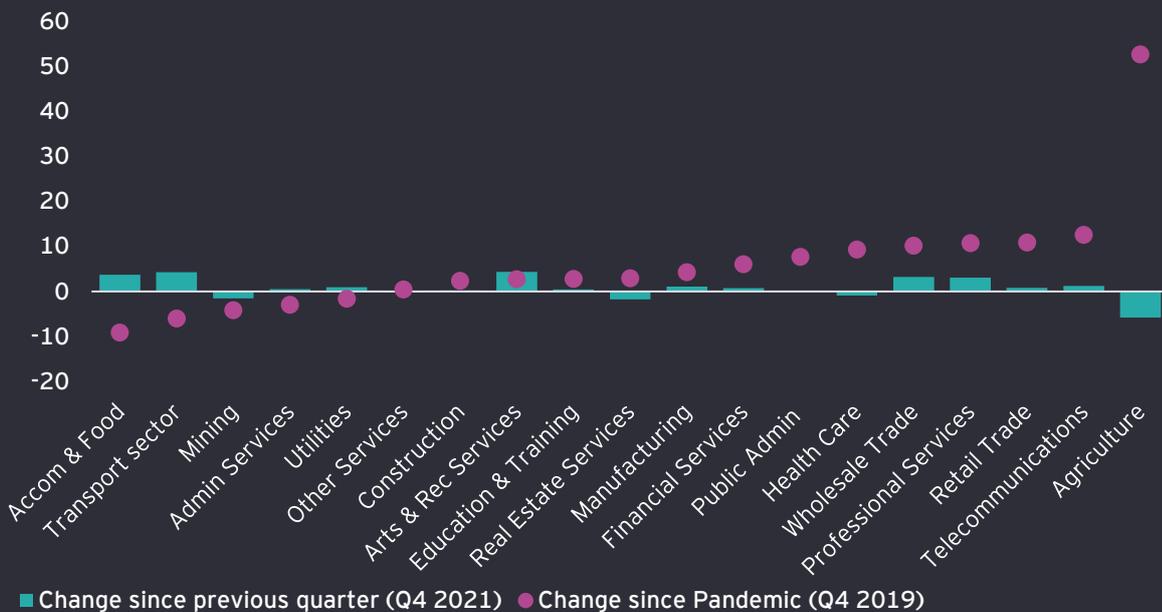
## 9. Wages as a share of GDP continued to decrease while profits rose



## 10. The agricultural industry saw largest decline driven by severe weather events but it also follows a bumper December quarter

### GDP by industry

Gross value added, per cent change over period



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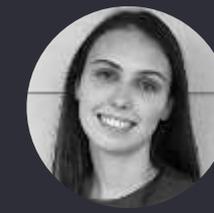
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