



# Australian National Accounts

A strong report card, but tougher times ahead

June 2022 | 7 September

## From the Chief Economist

Strong spending by the household sector and a lift in exports contributed to the 0.9% rise in GDP in the June quarter, taking year-ended growth to a very solid 3.6%. Two interest rate hikes in the quarter - and the promise of more, plus the rising cost of living - didn't stop households from dining out and returning to the airports of Australia. Simultaneously, prices for major commodity exports continued to rise to new record highs, boosting national income.

Easy monetary and fiscal conditions through COVID-19 lockdowns led to a strong jobs market and contributed to the 2.2 per cent rise in consumption in the quarter. Unemployment fell to a near 50-year-low, as the workforce participation rate rose to a record high - meaning more Australians were bringing home a wage than ever before. Households were also willing to save less to partly fund the rise in consumption.

We expect consumers will ultimately change their spending behaviours, especially as the majority of borrowers on fixed rate mortgages will roll-off very low rates over the next two years, and rates continue to rise. But there is some uncertainty in terms of the timing and magnitude of this change, which will largely depend on how aggressively the RBA acts in the face of stubborn inflation.

In the business sector, very high commodity prices and extensive export capacity - built up over recent years - drove mining profits up 17 per cent in the June quarter. Profits in this industry now total more than all others combined. The agricultural industry also experienced strong price growth and export volumes, especially for wool, meat and cereal.

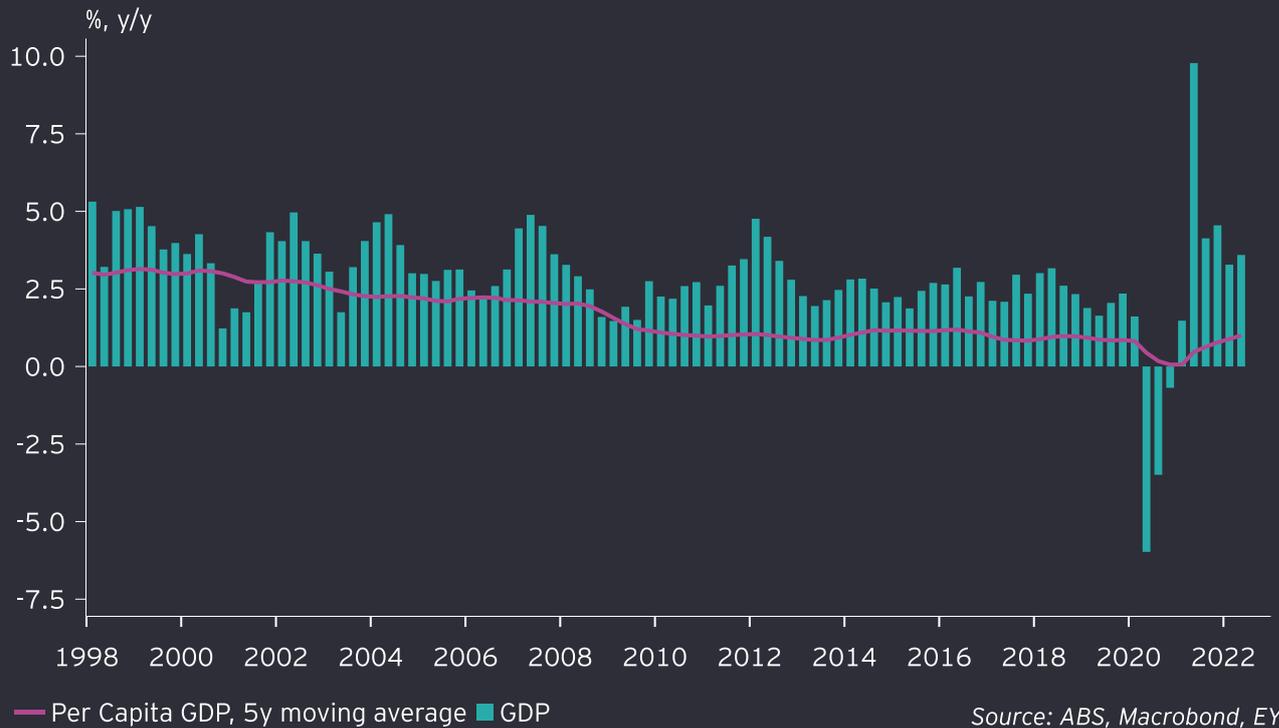
Conditions for consumers and businesses are likely to be tougher in the second half of the year, as interest rates rise and commodity prices come off their peaks.

**Cherelle Murphy** | EY Oceania Chief Economist

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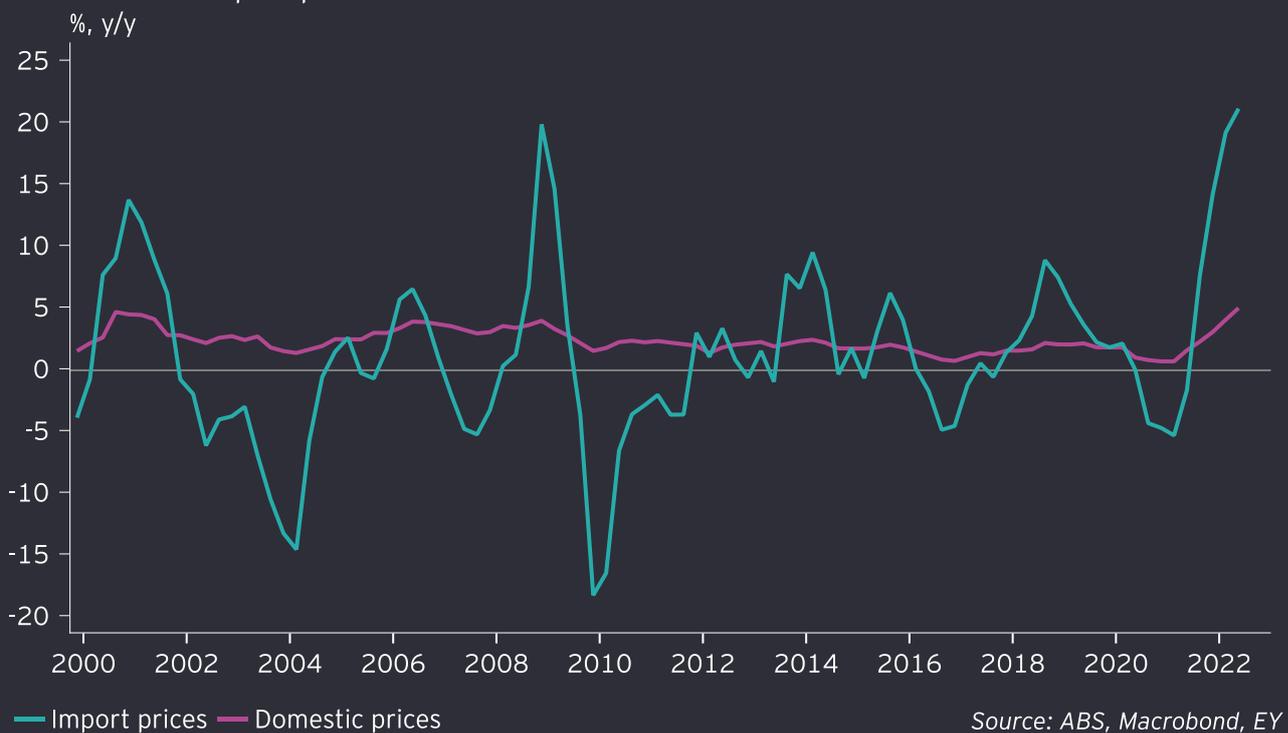
## 1. Economy grew strongly due to exports and household consumption

GDP and Per Capita GDP



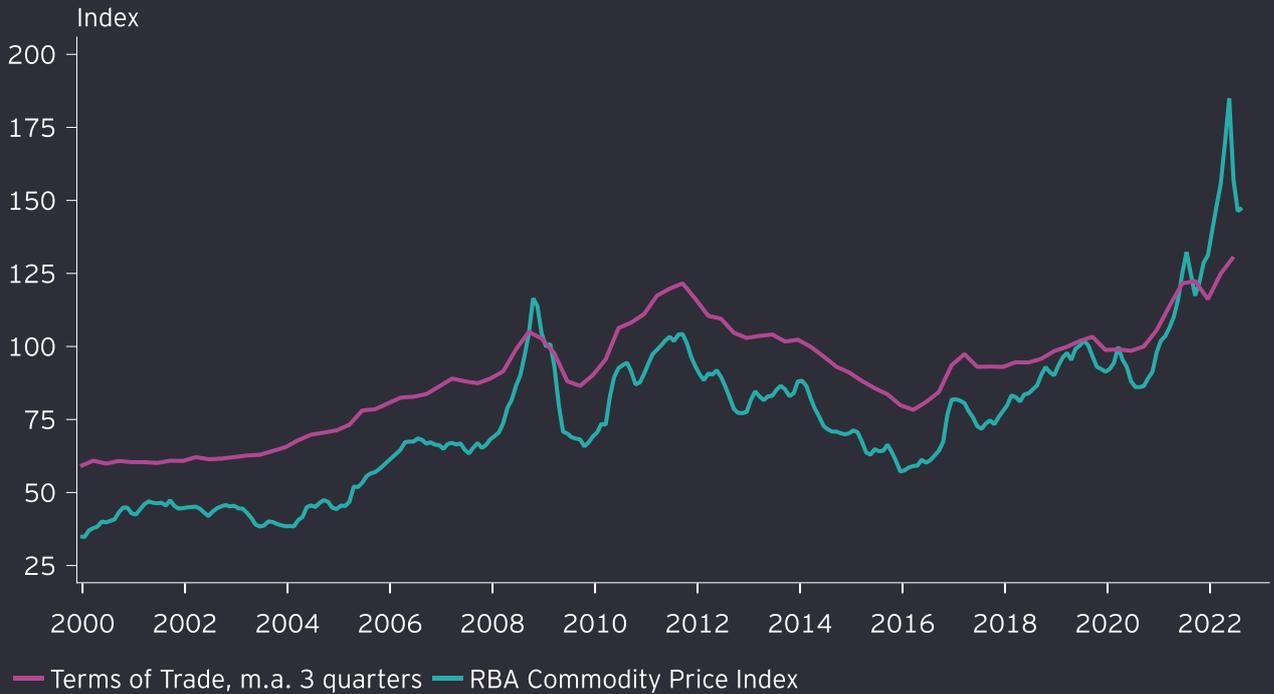
## 2. Inflationary pressures continue to build, especially from international sources

Domestic and import prices



### 3. High export prices supported the economy in nominal terms, but commodity prices have come off their highs

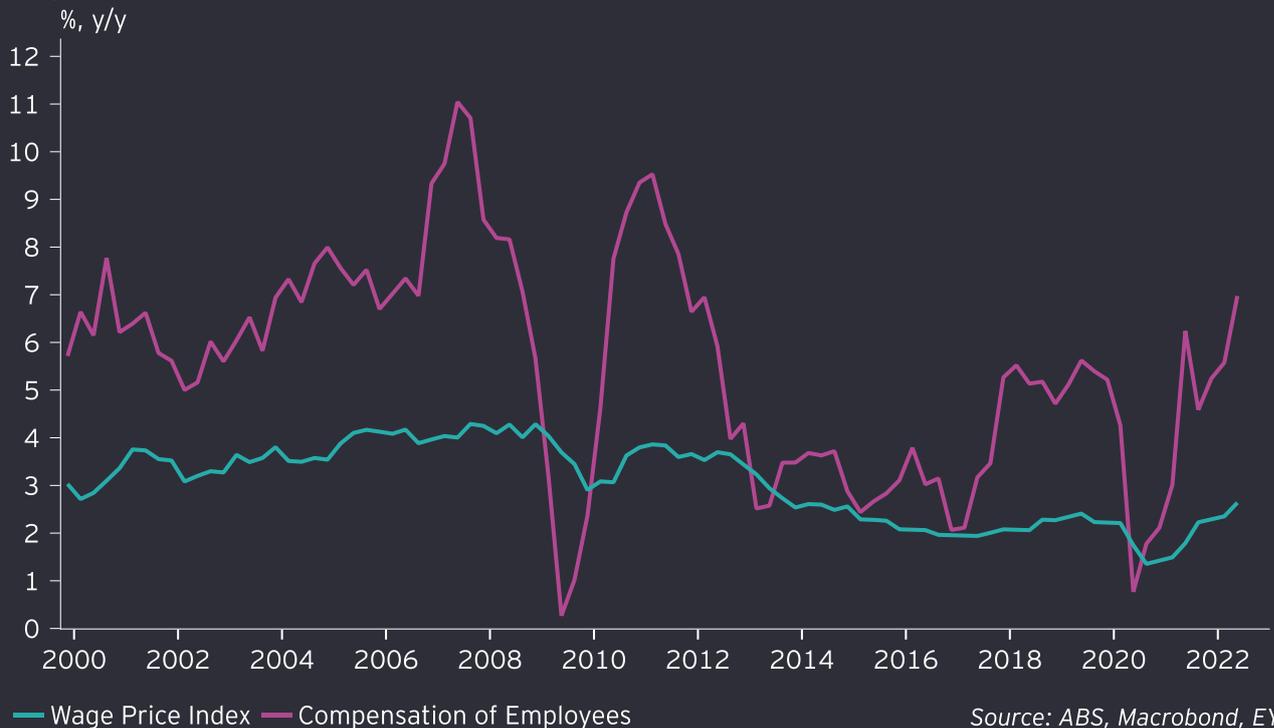
Terms of Trade and RBA Commodity Price Index



Source: ABS, RBA, Macrobond

### 4. A tight labour market is feeding into employee compensation more quickly than the wage price index suggests

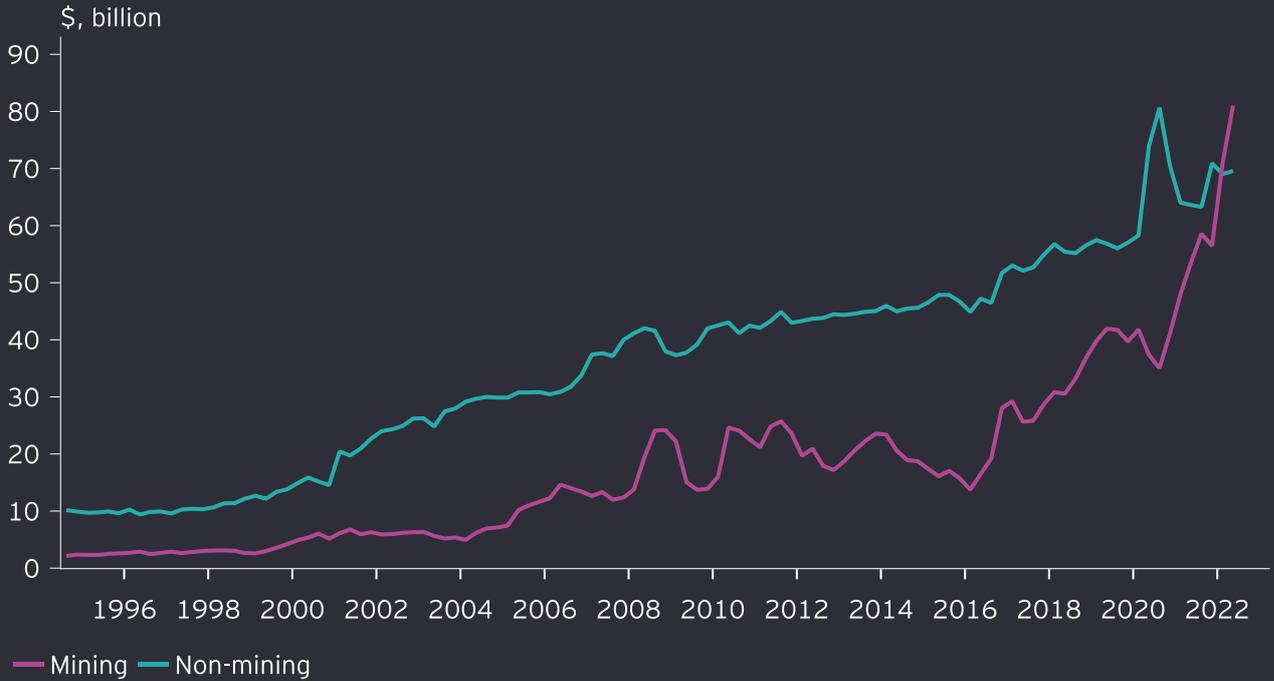
Wages and compensation of employees



Source: ABS, Macrobond, EY

## 5. Growth in corporate profits has been driven by the mining sector

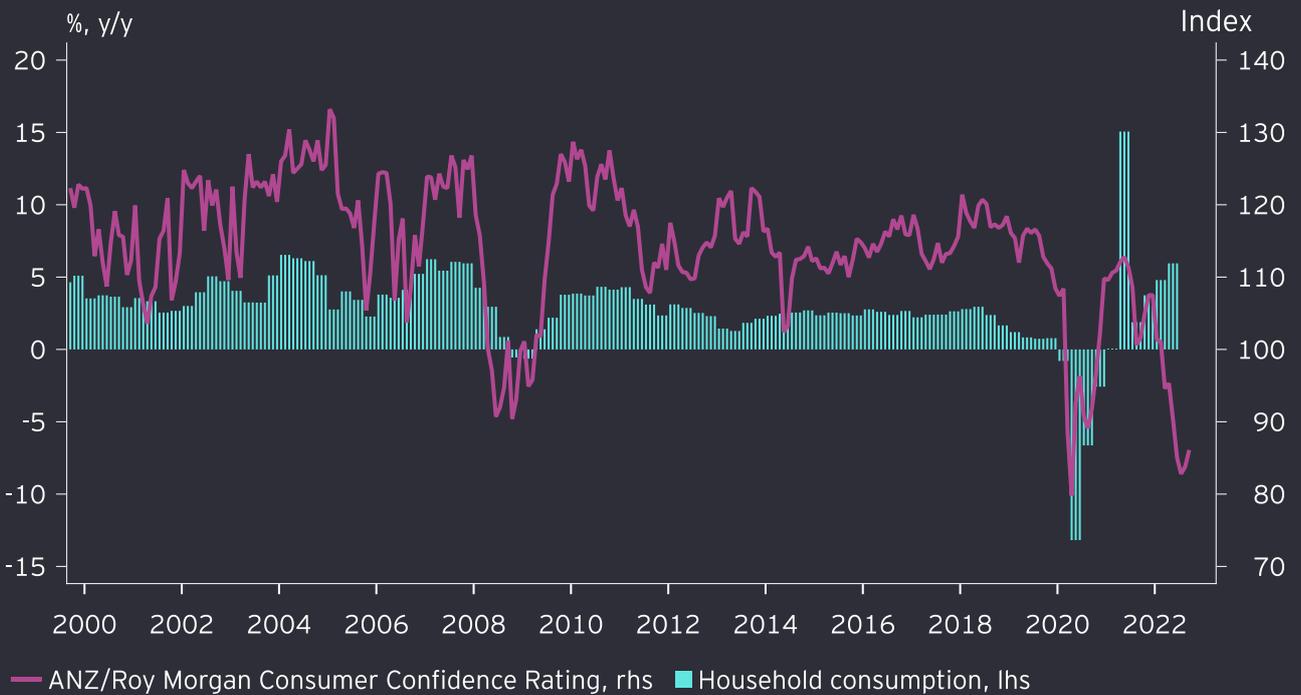
Australia, Gross profit, Current Prices



Source: ABS, Macrobond, EY

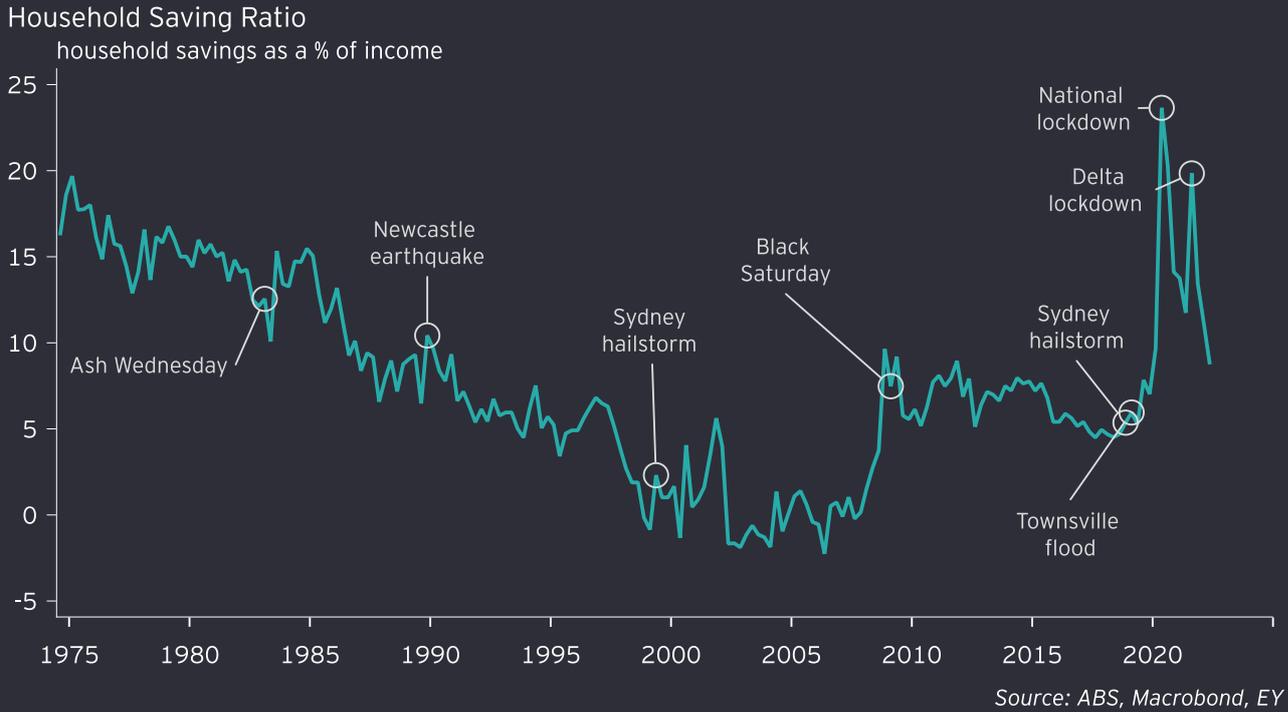
## 6. Consumer spending rises despite historically low confidence

Private consumption and consumer confidence

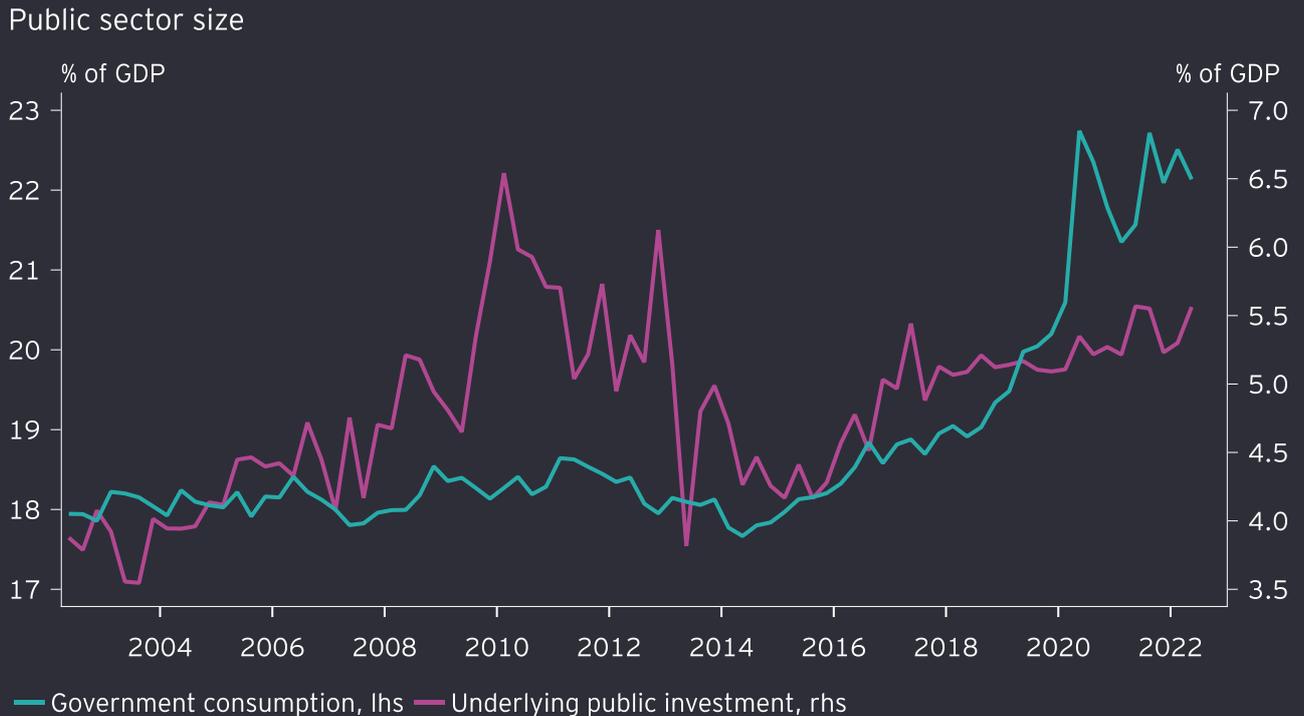


Source: ABS, ANZ, Macrobond, EY

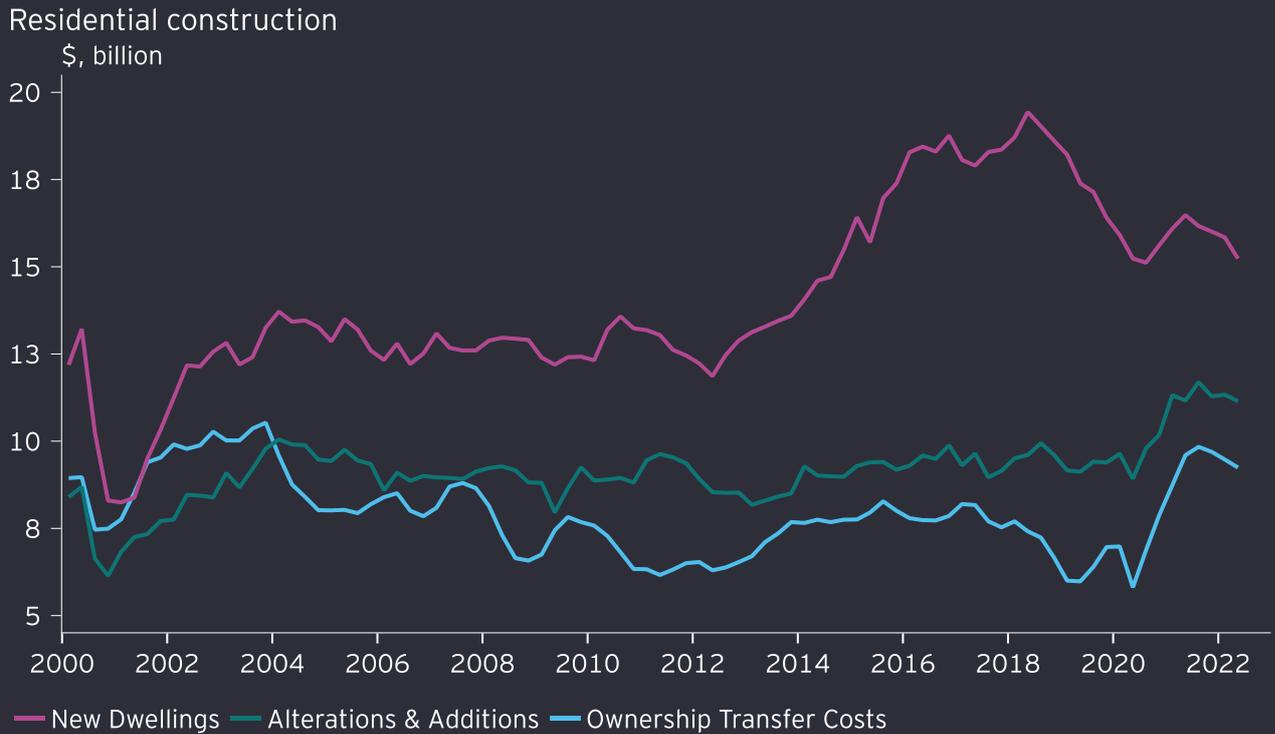
## 7. Households save less as they consume more services, but the savings rate is still elevated



## 8. Healthcare spending and disaster payments decreased, but government spending remained elevated

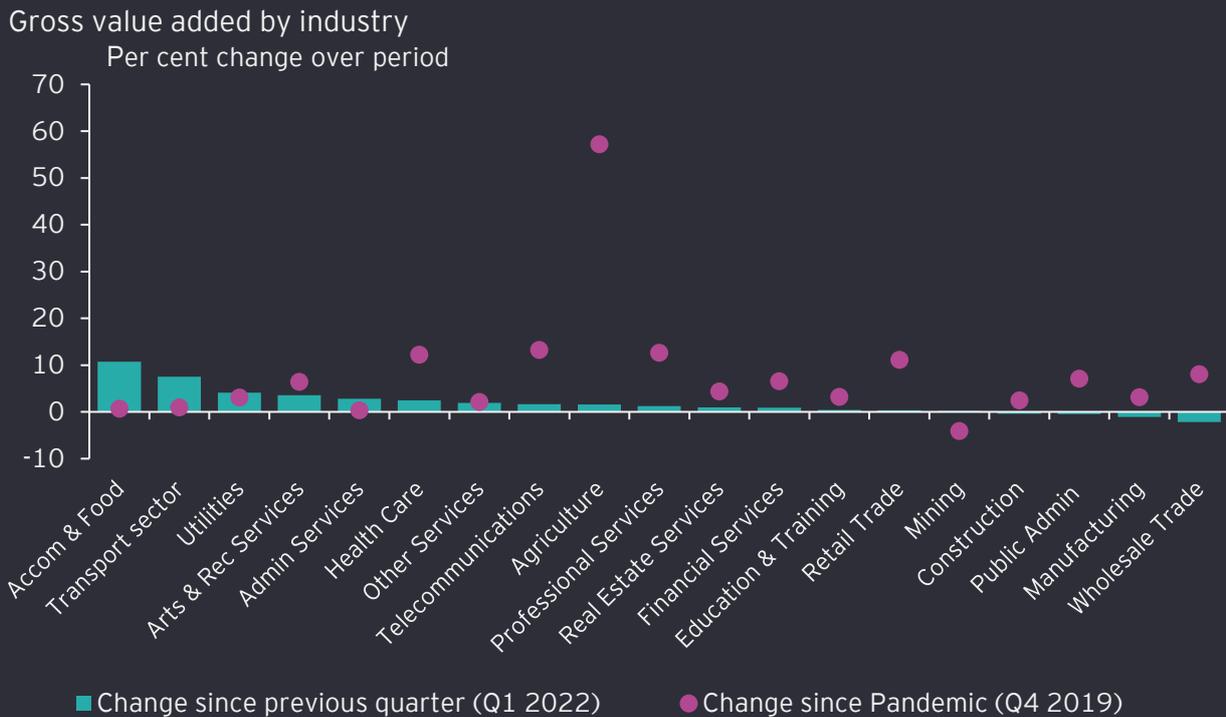


## 9. Residential construction continues to moderate while house prices come off their highs



Source: ABS, Macrobond, EY

## 10. All services industries exceeded pre-pandemic levels for the first time



Source: ABS, EY

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