

ECONOMIC UPDATE

4 September 2019

GDP growth was 0.5% in the June quarter 2019 to be up just 1.4% over the year. That's the slowest pace of yearly growth since September 2009. Yearly GDP growth has now been below 2 per cent for two quarters, something that has only happened five times before in the past 40 years.

The weakness in GDP growth reflects weakness in the 'private sector' economy (private final demand in economists' parlance). Household consumption is growing at its slowest pace in six years (this data pre-dates the receipt of income tax cuts by household), while business investment fell slightly over the past year.

Dwelling construction has shown considerable weakness over the past year. Government spending has made the largest contribution to growth over the past year closely followed by net exports (with the mining production boom now in full swing).

There were positive signs for wages growth with average compensation per employee in the National Accounts 2.5% higher over the year. If we adjust for changes in hours worked and rises in prices paid by consumers, the real consumer wage rose by 1.4% since June 2018, the strongest growth in over four years. However, wages growth can only sustainably improve if productivity growth also picks up – productivity is lower today than a year ago and productivity has fallen in seven of the last 12 quarters.

June Quarter National Accounts

Real GDP growth continued to slow at the start of 2019. Growth is up 1.4% through the year to June 2019, the slowest rate of growth since September 2009. The economy grew 0.5% in the June quarter.

The largest contributors to growth through the year were government spending, net exports and household consumption.

Household consumption is just 1.4% higher than June 2018 – the slowest rate of growth in six years.

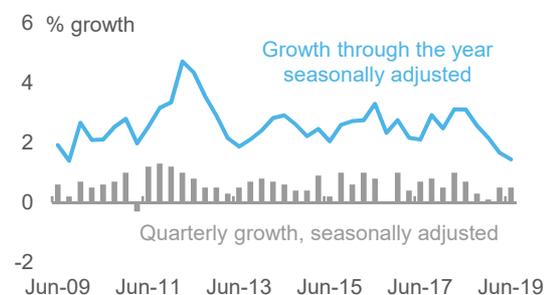
New business investment fell 0.4% in the quarter and was also down 1.6% through the year.

Real GDP per person was flat in the quarter and fell 0.2% through the year to June.

Real net national disposable income per person rose 1.0% in the quarter and 2.7% through the year to June 2019.

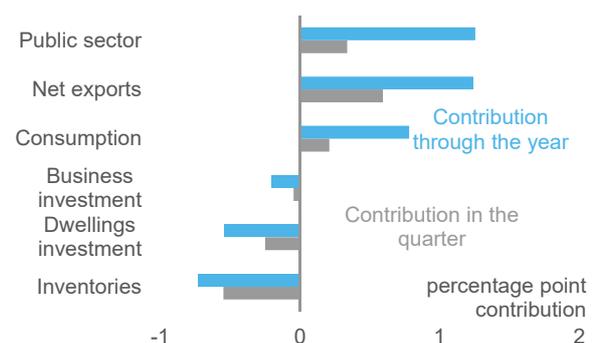
- The improvement in commodity prices over the past few years has seen average real net national disposable income per person reach a peak of around \$59,400 in 2018-19.

Figure 1: Real GDP growth has slowed



Source: ABS cat. no. 5206.0

Figure 2: Government spending the largest contributor to growth over the year



Source: ABS cat. no. 5206.0