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Australia's Economic Update: Key Insights from the June Quarter 2024 ABS Data

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On September 4, 2024, the Australian Bureau of Statistics (ABS) released its latest data on the Australian economy for the June quarter 2024, revealing modest growth amid ongoing challenges. Here's a summary of the key findings that shape the current economic landscape:

Modest GDP Growth Amid Slowing Per Capita Performance

The Australian economy grew by just 0.2% in the June quarter of 2024, contributing to a 1.5% increase over the 2023-24 financial year. This marks the eleventh consecutive quarter of GDP growth, but also the sixth straight quarter of declining GDP per capita, which fell by 1.0% over the year. The fall in GDP per capita highlights a slowing pace of economic growth when adjusted for population increases.

Inflation Dynamics: Headline Inflation Rises, Underlying Inflation Eases

The latest data showed mixed signals on inflation. The Consumer Price Index (CPI) rose by 1.0% in the June quarter, pushing annual inflation to 3.8%, the first increase since December 2022. However, underlying inflation (trimmed-mean inflation) continued to fall, indicating that some inflationary pressures are beginning to moderate. Notably, prices were higher for goods such as new dwellings, fuel, and fresh produce like fruits and vegetables.

Wage Growth Persists, but Momentum Slows

Wages continued to grow, with the Wage Price Index rising by 0.8% for the June quarter and 4.1% over the year to June 2024. Private sector wages increased by 0.7%, marking the equal lowest quarterly rise since December 2021. This data suggests that while wages are growing, the pace of increase is slowing, reflecting a tightening labour market.

Labor Market Remains Tight, but Unemployment Edges Up

The labour market stayed tight, but there were signs of slight softening. The unemployment rate rose to 4.1% in June, up slightly from March. Meanwhile, total hours worked increased by 1.1% during the quarter, although this growth was below the levels seen in the June quarter of 2023. These figures indicate that while employment remains strong, the rate of expansion is slowing.

Decline in Household Spending and Savings

Household spending fell by 0.2% in the June quarter, following a 0.6% rise in the March quarter, as consumers cut back on discretionary spending, particularly for events and travel. Spending on essentials like food also declined by 1.0%, reflecting efforts to reduce grocery bills amid rising costs.

Household savings remained low, with only 0.9% of income saved over the year — the lowest rate since 2006-07. This decline in savings reflects the challenge of household incomes growing slower than spending.

Government and Trade Contributions to Growth

Government spending on frontline services rose, adding 0.2 percentage points to economic growth in the June quarter. This increase was largely due to higher spending on government benefits for households, particularly in expanding health services.

Trade also contributed positively to growth. Exports rose by 0.5%, led by a strong recovery in travel services, which surged by 9.9%. Meanwhile, imports fell by 0.2%. However, a decline in bulk commodity prices and increased payments to non-residents resulted in the largest current account deficit since June 2018.

Capital Investment Weakens

Total capital investment fell by 0.1% in the June quarter, driven by a 1.6% decline in business investment in new machinery and equipment, particularly in the agriculture and retail sectors. Despite the decline, business expectations indicate that capital investment may rise moderately next financial year.

Conclusion: A Complex Economic Landscape

The latest ABS data highlights a complex economic picture, with modest GDP growth, rising inflation, wage growth, and a tight labour market counterbalanced by declining household spending, low savings, and weaker capital investment. The mixed signals suggest that while the Australian economy continues to expand, significant challenges remain.

At Natloans, we understand the importance of navigating these economic complexities. Whether you're looking to refinance, purchase a home, or explore investment opportunities, our team is here to help you make informed financial decisions. Contact us today to learn more about how we can support you in achieving your financial goals amidst changing economic conditions.

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