

Economic overview (incl. GST distribution)

Current issue

- *The June quarter National Accounts confirmed that the Australian economy is growing at below trend rates, amid headwinds from higher interest rates, ongoing cost of living pressures and a slowing global economy.*

Brief talking points

- The latest National Accounts showed that momentum in the Australian economy is moderating largely as expected, with growth in household consumption slowing further.
- Inflationary pressures and rising interest rates are weighing on disposable incomes and placing strain on household budgets.
- While Australia's inflation rate has passed its peak, it remains high and it will be some time yet before it is back in the target range.
- Australia's labour market remained resilient, with the unemployment rate standing at 3.7 per cent in October.
- The Australian economy is forecast to slow further in the coming year as slower global growth, cost of living pressures and rising interest rates take effect.

Key facts

- *Australia's real GDP grew by 0.4 per cent in the June quarter, and 2.1 per cent through the year, down from an annual growth of 2.4 per cent in the March quarter. Growth in the June quarter was underpinned by increases in investment and net exports.*
- *Household consumption growth eased further, with growth of 0.1 per cent in the June quarter, down from 0.3 per cent in both March and December quarters and 0.8 per cent in the September quarter 2022.*
- *Australia's annual headline moderated to 5.4 per cent in the September quarter, down from 6.0 per cent in the previous quarter and a peak of 7.8 per cent in the December quarter, and is expected to fall further in the coming year. Government policies play a role in lowering inflation in the September quarter.*
- *The unemployment rate stood at near record lows of 3.7 per cent in October, while the participation rate returned to its record high of 67.0 per cent.*
- *At its November Board meeting, the RBA raised the cash rate by 25 basis points to 4.35 per cent after a four month pause. The RBA has increased the cash rate target by 425 basis points since May 2022.*

Sensitivities

- *There are significant challenges facing Australia's economy. Recent economic data point to a softening in economic conditions as higher interest rates and cost of living pressures take effect.*

Background

- *The Australian economy grew by 0.4 per cent in the June quarter 2023, to be 2.1 per cent higher through the year.*
 - *Household consumption growth softened to 0.1 per cent in the June quarter, the lowest quarterly growth in more than 18 months and a marked decline from the strong rates seen in late 2021 and early 2022.*
 - *The household saving ratio fell to 3.2 per cent in the June quarter, its lowest level since June quarter 2008.*
 - *While private business and public investment made solid contributions to GDP growth in the June quarter, the largest contribution came from net exports with exports rising for a fifth consecutive quarter, led by travel services and mining commodities.*

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Inflation

Current issue

- *Inflation has passed its peak, and continues to moderate, but remains high.*
- *Cost of living pressures are straining household budgets.*

Brief talking points

- The Government has committed \$23 billion towards cost of living relief that's targeted and aimed at easing the impact of cost of living for Australians.
- This cost of living package includes:
 - Energy relief for households and small businesses;
 - Funding to increase the bulk billing incentive for GPs which will reduce out-of-pocket health costs;
 - And cheaper childcare.
- The Government's measures to deliver cost of living relief directly reduce CPI growth in 2023-24 and are not expected to add to broader inflationary pressures in the economy. The ABS shows these measures reduced inflation by ½ of a percentage point in the September quarter 2023.
- We have an economic plan to respond to the inflation challenge:
 - Cost-of-living relief that is responsible, and which is positive for the economy.
 - Further efforts to repair the supply side of our economy to better bolster us against future global price-shocks.
- And restraint in our spending, with a majority of revenue upgrades banked to help improve the budget bottom line.

Key facts

- *Annual inflation continues to ease from the peak of 7.8 per cent in the December quarter 2022 to 5.4 per cent in the September quarter 2023.*
- *Government policies on cost of living relief lowered inflation in the September quarter.*
 - *Without Government policies for childcare, electricity and rents, CPI growth would have been ½ a percentage point higher through the year in the September quarter.*
- *While a tight labour market has seen nominal wages growth pick up, it has not kept pace with inflation. Real wages fell by 1.4 per cent in annual terms in the September quarter 2023 – the smallest annual decline since the December quarter 2021.*

- *In response to higher inflation, the RBA has increased the cash rate target by 425 basis points since May 2022 to 4.35 per cent.*

Sensitivities

- *While inflation continues to moderate, cost of living pressures may exacerbate as the labour market softens. The unemployment rate is forecast to increase from current near record lows of 3.7 per cent to 4½ per cent by mid-2025, while underemployment is expected to increase as economic growth slows.*

Background

- *Annual inflation eased further from 6.0 per cent in the June quarter of 2023 to 5.4 per cent in the September quarter, reaffirming that inflation peaked in the December quarter of 2022 at 7.8 per cent.*
- *In its latest forecast, the RBA expects annual inflation to return to the target band by the end of 2025.*
- *In the 2023-24 Budget, annual headline inflation was forecast to moderate to 3¼ per cent by the June quarter of 2024 and then further to 2¾ per cent by the June quarter of 2025.*
- *Near term strength in CPI growth is expected to continue with high goods inflation giving way to a pick-up in services inflation, underpinned by a tight labour market and rising wages.*
 - *Rental costs are also expected to continue increasing as higher advertised rents flow through to existing lease agreements. This reflects a record-low vacancy rate of 0.9 per cent.*
 - *Material and labour constraints have limited the capacity for housing supply to keep up with growing demand.*
- *Consumption growth has softened amid cost-of-living pressures and rising interest rates.*
 - *To date, the vast majority of borrowers have continued to service their debts as required, including by adjusting their spending and saving patterns, and gaining additional work. Some households have been able to draw on the large savings buffers they accumulated during the pandemic.*

In its recent Article IV Staff Statement on Australia, the IMF recommended further monetary policy tightening to ensure that inflation returns to the target range by 2025 and minimise the risk of de-anchoring inflation expectations. It also emphasised that continued coordination between fiscal and monetary policy is key to achieving a soft landing, while alleviating the impact of policy tightening on vulnerable households.

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DAILY ECONOMIC DATA PACK (all figures current, other than Budget)	
Unemployment Rate	3.7%
Inflation	
- Headline (September qtr 23)	5.4%
- Monthly (October 23)	4.9%
Budget surplus (\$b, 23/24, Budget forecast)	-13.9
Net Debt (\$b, 23/24, Budget forecast)	574.9
Gross Debt (\$b, 23/24, Budget forecast)	923.0
Taxation (% of GDP, 23/24, Budget forecast)	23.9
Company Tax Rate	
- Less than \$50m turnover	25%
- \$50m and above turnover	30%
Wage Price Index	4.0%
Real Wage Growth (Sept qtr 23)	-1.4%
GDP Growth (through the year)	2.1%
Average Weekly Ordinary Time Earnings (annualised)	\$96k
Median Weekly Wage (annualised)	\$65k
Minimum Wage (Hour)	\$23.23
Minimum Wage (Weekly)	\$882.80
RBA Cash Rate	4.35%
Current Account Balance (\$m, Jun qtr 23)	+7,721
Tax Scales	
<i>Current</i>	
0 - 18.2k	0%
18.2k - 45k	19%
45k - 120k	32.5%
120k - 180k	37%
Greater than 180k	45%
<i>Stage 3</i>	
0 - 18.2k	0%
18.2k - 45k	19%
45k - 200k	30%
200k plus	45%
Child Care National Average Daily Fee (\$)	\$113.50
Child Care Out of Pocket Annual Increase	-6.1%
Age Pension Single Per Day (\$)*	\$78.34
Job Seeker Single (no kids) Per Day (\$)*	\$54.14
Medicare GP Average Co-payment	\$42.55
Medicare Levy	2%
Iron Ore Spot Price (USD/Tonne)	130.1
Oil Spot Price (USD/Barrel)	88.8
Thermal Coal Spot Price (USD/Tonne)	132.2

*with energy supplement

Everyday / Cost of living

Groceries										
Bread – White Loaf			\$3.50							
Milk – 2 Litres			\$3.30							
Milk – 1 Litre			\$1.70							
Eggs – Dozen			\$5.60							
Lettuce – Iceberg			\$1.90							
Petrol – Per Litre			\$1.97							
Rapid Antigen Test – 2 pack			\$21.60							
Electricity bills										
		National	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
Yearly price		\$2,280	\$2,240	\$2,280	-	\$1,740	\$2,510	\$2,580	-	-
Petrol: Average petrol price										
		National	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
\$ per litre	Metro	\$1.97	\$2.00	\$1.91	\$1.96	\$2.15	\$1.81	\$1.92	\$1.99	\$1.90
	Regional	\$1.96		\$1.98	\$2.46	\$1.93	\$1.91	\$1.98	\$1.93	\$1.98
Rent: Median weekly rental										
		National	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
Metro		\$691	\$641	\$819	\$568	\$635	\$550	\$497	\$596	\$661
Regional		\$525		\$538	\$464	\$598	\$442	\$438	\$441	\$524
Mortgages: Average monthly mortgage repayments										
		National	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
Repayments	Metro	\$3,937	\$4,513	\$6,004	\$2,663	\$4,126	\$3,748	\$3,546	\$4,169	\$3,380
	Regional	\$2,706		\$3,787	\$2,298	\$3,186	\$2,075	\$2,706	\$3,013	\$2,388
Based on the median dwelling price sold in the month of October 2023 and the RBA’s indicator of discount variable owner-occupied home loans (series ID: FILRHLBVD) as at October 2023. Mortgage repayments assume: 80% loan of sales prices with a 30-year loan term, repayments paid fortnightly and an interest rate of 7.06% per year. Metropolitan and regional areas grouped by the ABS Greater Capital City Statistical Area (GCCSA).										
House Prices: Median										
		National	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
House prices	Metro	\$735k	\$843k	\$1,121k	\$497k	\$771k	\$700k	\$662k	\$779k	\$631k
	Regional	\$505k		\$707k	\$429k	\$595k	\$387k	\$505k	\$563k	\$446k
Excise rates										
		Petrol (50 Litre tank)	Beer (Keg)	Beer (6 pack)	Brandy (700 ml)		Other spirits (700ml)		Cigarettes (20 pack)	
Excise rate		\$0.488/litre	\$41.62/litre of alcohol	\$59.06/litre of alcohol	\$93.44/litre of alcohol		\$100.05/litre of alcohol		\$1.24335/ stick	
Excise amount		\$24.40	\$71.10	\$4.60	\$26.20		\$28.00		\$24.90	

Everyday / Cost of living

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Milk – 1 Litres	\$1.70
Eggs – Dozen	\$5.60
Lettuce – Iceberg	\$1.90
Petrol – Per Litre	\$1.97
Rapid Antigen Test – 2 pack	\$21.60

Electricity bills		
		National
Yearly price		\$2,280
Petrol: Average petrol price		
		National
\$ per litre		\$1.97
Rent: Median weekly rental		
		National
	Metro	\$691
Mortgages: Average monthly mortgage repayments		
		National
Repayments	Metro	\$3,937
House Prices: Median		
		National
House prices	Metro	\$735k