



International

6 June 2023

International Comparisons – OECD GDP growth

OECD Countries	Quarter on Quarter Real GDP Growth					Relative to pre-pandemic levels		Year average
	2022-Q1	2022-Q2	2022-Q3	2022-Q4	2023-Q1	2022-Q4	2023-Q1	2022
Australia	0.6	0.8	0.6	0.6	0.2	7.2	7.4	3.7
Austria	1.3	1.7	0.0	-0.1	0.1	3.4	3.5	4.9
Belgium	0.6	0.5	0.3	0.1	0.5	3.2	3.7	3.2
Canada	0.6	0.9	0.6	0.0	0.8	2.9	3.7	3.7
Chile	-0.6	-0.6	-1.1	0.2	0.8	9.7	10.6	2.4
Colombia	0.7	0.9	0.3	0.4	1.4	9.8	11.4	7.3
Costa Rica	0.6	0.8	0.8	1.5	0.8	8.6	9.5	4.3
Czech Republic	0.6	0.3	-0.3	-0.4	0.0	-1.0	-1.0	2.5
Denmark	-0.5	1.3	0.3	0.5	0.2	7.3	7.6	3.8
Estonia	-0.8	-1.1	-1.1	-1.0	-0.6	3.7	3.1	-1.3
Finland	0.5	0.6	-0.4	-0.6	0.2	2.2	2.3	2.1
France	-0.1	0.5	0.2	0.0	0.2	1.0	1.2	2.5
Germany	1.0	-0.1	0.5	-0.5	-0.3	-0.1	-0.5	1.8
Greece	2.2	1.1	0.4	1.4		6.4		5.9
Hungary	1.5	0.6	-0.8	-0.6	-0.3	4.8	4.5	4.6
Iceland	-1.5	3.2	0.2	2.2	0.3	3.9	4.3	6.4
Ireland	7.9	2.1	2.5	-0.1	-4.6	33.6	27.4	12.0
Israel	-0.8	1.6	0.4	1.3	0.6	13.8	14.5	6.4
Italy	0.1	1.0	0.4	-0.1	0.6	1.9	2.5	3.7
Japan	-0.5	1.1	-0.2	0.0	0.4	0.9	1.3	1.0
Korea	0.7	0.8	0.2	-0.3	0.3	4.9	5.2	2.6
Latvia	1.4	-0.2	-1.2	1.2	0.6	4.5	5.1	2.8
Lithuania	0.2	-0.7	0.7	-0.5	-2.1	6.3	4.0	1.9
Luxembourg	0.2	-0.1	1.5	-3.7	2.0	2.8	4.9	1.5
Mexico	1.0	1.1	0.9	0.6	1.0	0.8	1.8	3.0
Netherlands	0.5	2.6	-0.2	0.4	-0.7	5.6	4.9	4.5
New Zealand	-0.5	1.6	1.7	-0.6		6.7		2.4
Norway	-0.4	1.0	1.2	0.0	0.2	5.0	5.2	3.3
Poland	4.5	-2.5	1.0	-2.3	3.8	7.1	11.2	5.4
Portugal	2.3	0.2	0.3	0.3	1.6	2.7	4.4	6.7
Slovak Republic	0.3	0.3	0.3	0.3		1.1		3.1
Slovenia	1.2	0.7	-1.3	0.7	0.6	7.2	7.8	5.7
Spain	-0.4	2.5	0.4	0.4	0.5	-0.6	-0.2	5.5
Sweden	-0.4	0.2	0.6	-0.5	0.6	5.8	6.4	2.8
Switzerland	0.3	0.3	0.2	0.0	0.3	3.0	3.3	2.0
Turkey	0.7	1.8	-0.1	0.9	0.3	19.4	19.8	5.4
United Kingdom	0.5	0.1	-0.1	0.1	0.1	-0.6	-0.5	4.1
United States	-0.4	-0.1	0.8	0.6	0.3	5.0	5.4	2.1
OECD	0.2	0.4	0.5	0.2	0.4	4.1		2.9

Current as at 06 Jun 2023.

Source: National statistical agencies, Refinitiv and Bloomberg

* Some GDP figures based on flash or preliminary estimates

For some countries, year average growth has been derived from quarterly growth rates where GDP levels aren't available.

Table 1: Expenditure components of GDP (cvm)

	Outcomes					Budget 2023-24		Key Drivers
	per cent change			Contribution to growth (percentage pts)		per cent change		
	Dec	Mar	tty	Dec	Mar	Mar	tty	
Household consumption	0.3	0.2	3.5	0.1	0.1	ss 47E(d) and 47J	Weak discretionary expenditure. Weaker-than-expected. Machinery and equipment and non-dwelling construction stronger-than-expected. Supported by easing supply chain issues. Stronger-than-expected public investment. Continued slowing public expenditure post pandemic. No change in inventory build from Dec Qtr. Strength in travel services, both international students and inbound tourists. Freeing up in supply chains. Stronger-than-expected growth in goods. Weaker-than-expected service imports. Stronger-than-anticipated imports. Growth in domestic economy partially offset by detraction from net exports.	
Dwelling investment	-0.8	-1.2	-4.4	0.0	-0.1			
New business investment								
New mining investment	0.2	2.9	6.6	0.0	0.3			
New non-mining investment	3.0	1.0	4.6	0.1	0.0			
New private final demand	-0.6	3.6	7.3	-0.1	0.3			
New public final demand	0.1	0.5	2.8	0.0	0.3			
Domestic final demand	0.3	0.6	0.7	0.1	0.2			
Change in inventories	0.1	0.6	2.2	0.1	0.5			
Gross national expenditure	na	na	na	-0.5	0.0			
Exports of goods and services	-0.4	0.6	1.4	-0.4	0.5			
Imports of goods and services	1.4	1.8	10.8	0.3	0.4			
Net exports	-4.0	3.2	5.1	0.8	-0.6			
Real gross domestic product	na	na	na	1.1	-0.2			
	0.6	0.2	2.3	na	na			

Source: ABS Australian National Accounts: National Income, Expenditure and Produce, Tables 1, 5, 24 and Treasury

Table 2: Expenditure components of GDP (Implicit Price Deflators)

	Outcomes			Budget 2023-24		Key Drivers
	per cent change			per cent change		
	Dec	Mar	tty	Mar	tty	
Household consumption	1.5	1.2	6.5	ss 47E(d) and 47J		Growth consistent with CPI inflation, goods softening while services strengthens.
Dwelling investment	2.6	1.3	13.2			
New business investment	2.3	0.6	7.5			
New private final demand	1.7	1.0	6.7			Weaker import prices feeding into investment goods prices. Solid public sector wages and bonuses, office rents and contractor expenses. Stronger-than-expected.
New public final demand	0.7	1.3	4.8			
Domestic final demand	1.4	1.1	6.2			
Exports of goods and services	1.4	-1.4	4.2			Lower-than-expected commodity prices.
Imports of goods and services	1.1	-4.0	4.1			Easing supply chain pressures and AUD appreciation.
Terms of Trade (ToT)	0.3	2.8	0.1			Growth driven by strong fall in import prices. Weaker-than-expected due to export prices.
Gross Domestic Product Deflator	1.6	1.9	6.8			Strong domestic price growth and higher ToT.
Consumer Price Index	1.9	1.4	7.0			

Source: ABS Australian National Accounts: National Income, Expenditure and Produce, Tables 1, 5, 24 and Treasury

Table 3: Income-based GDP (current prices)

	Outcomes					Budget 2023-24		Key Drivers
	per cent change			Contribution to growth (percentage pts)		per cent change		
	Dec	Mar	tty	Dec	Mar	Mar	tty	
Compensation of employees	2.0	2.4	10.8	0.9	1.1	ss 47E(d) and 47J		Tight labour market outcomes and stronger-than-expected hours worked in the quarter.
Total gross operating surplus and gross mixed income (GOSMI)	2.3	1.8	8.6	1.0	0.8			Lower-than-expected commodity volumes and prices.
Mining GOSMI	4.5	-3.4	10.2	0.6	-0.4			
Non-mining GOSMI	1.5	3.9	8.0	0.5	1.3			
Gross operating surplus (GOS)	3.0	3.0	11.5	1.1	1.1			Driven by strong rents growth.
Dwelling GOS	2.1	2.7	8.2	0.1	0.2			
General Government GOS	1.3	1.3	5.2	0.0	0.0			
Corporate GOS	3.4	3.2	12.7	1.0	0.9			
Financial GOS	0.6	-0.2	8.3	0.0	0.0			Decline due to softer bank margins. Lower-than-expected due to commodity prices and softer demand in retail and construction sectors.
Private non-financial GOS	3.8	4.0	13.5	0.9	0.9			
Public non-financial GOS	7.2	-1.6	12.6	0.1	0.0			Driven by farm GMI impacted by price decreases in meat and cereal exports.
Gross mixed income	-1.0	-3.8	-4.0	-0.1	-0.3			
Farm	-	-	-	-	-			
Non-farm	16.8	-16.0	-36.0	-0.3	-0.2			
Average compensation per employee	0.9	2.3	6.9					
Average compensation per hour	0.3	1.6	2.8					
Household disposable income	-0.7	0.8	2.3					Solid income receivable. Weaker-than-expected due to stronger income payable. Drags from high inflation. Strong wage growth offset by taxes.
Real household gross disposable income	-2.3	-0.3	-4.0					
Household savings ratio*	4.4	3.7	na					
Profit share of total factor income^	31.7	32.0	na					
Wage share of total factor income^	50.1	50.3	na			Stronger-than-expected growth in CoE.		
Gross national income	2.9	1.9	8.6					
Nominal GDP	2.2	2.1	9.2			Lower real GDP and price outcomes.		



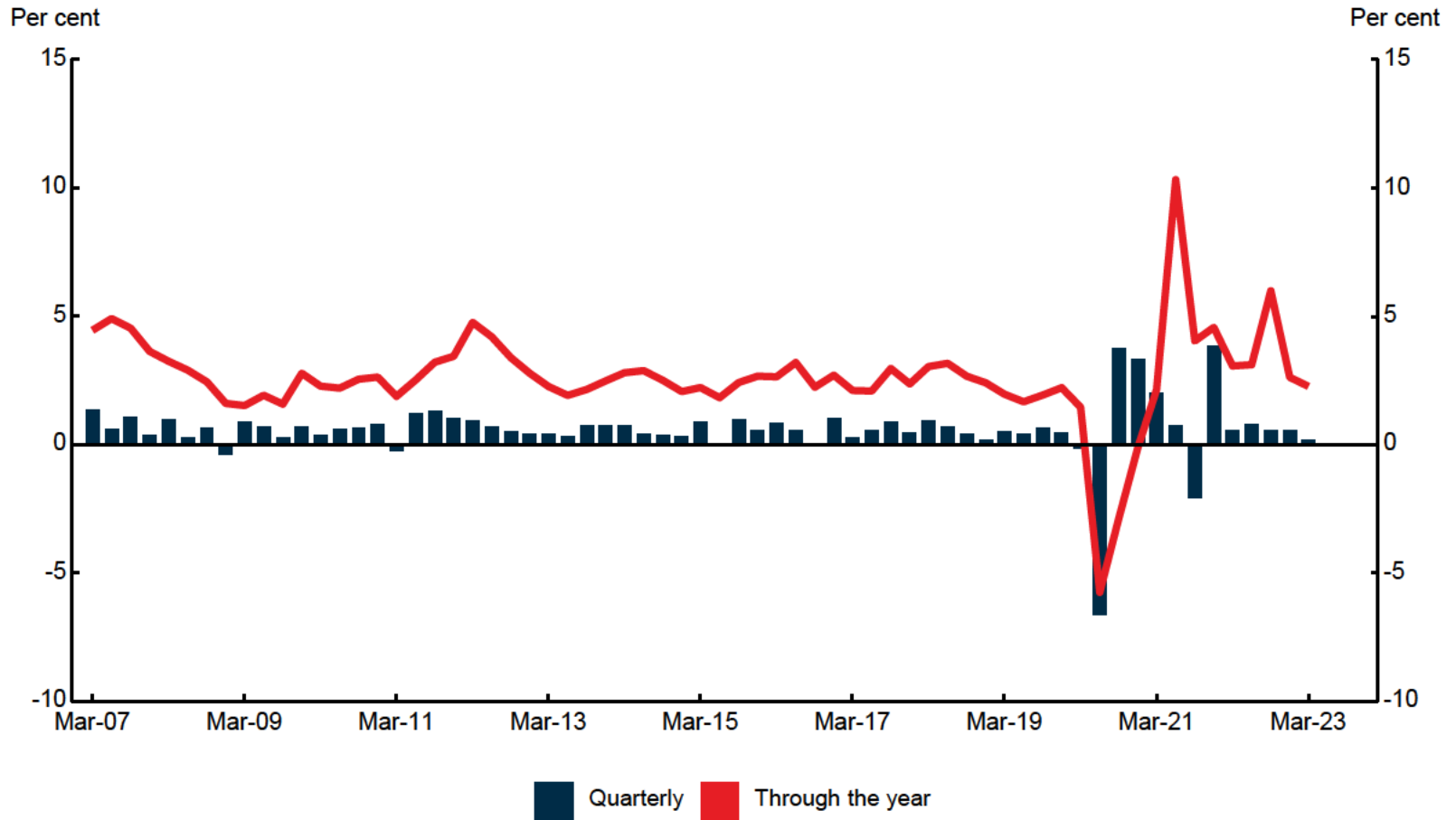
Australian Government
The Treasury



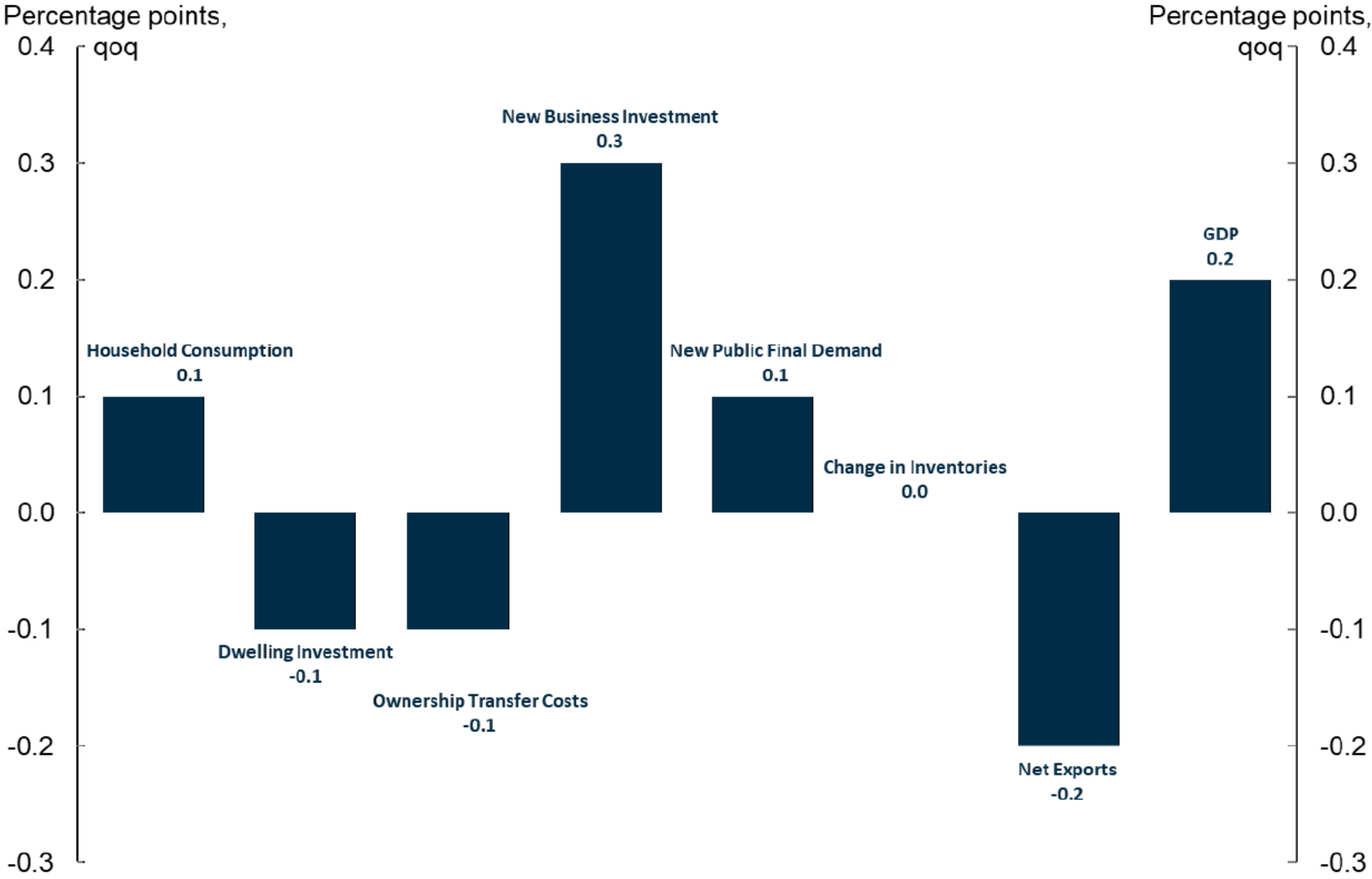
National Accounts

March quarter 2023

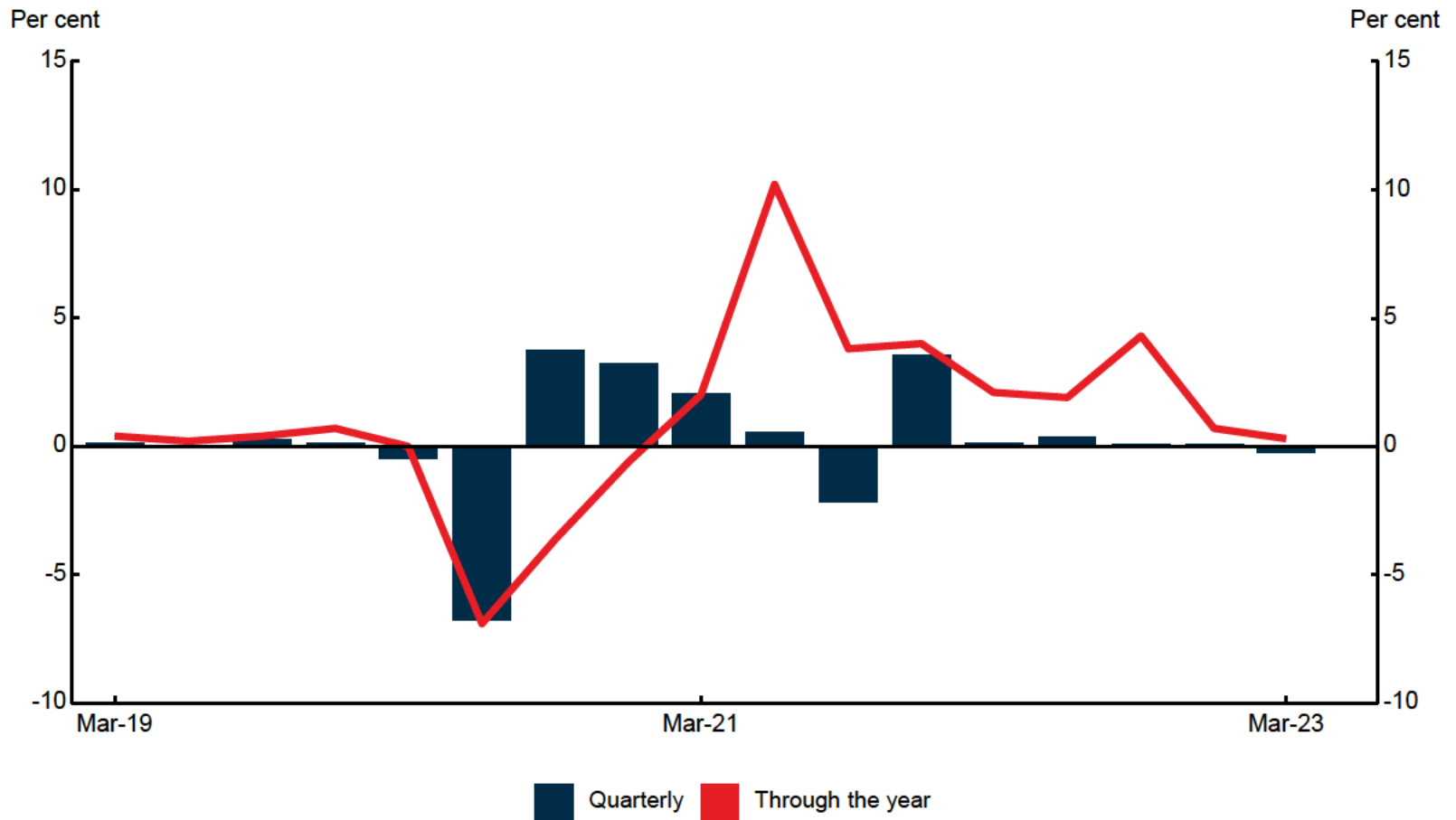
Real GDP growth



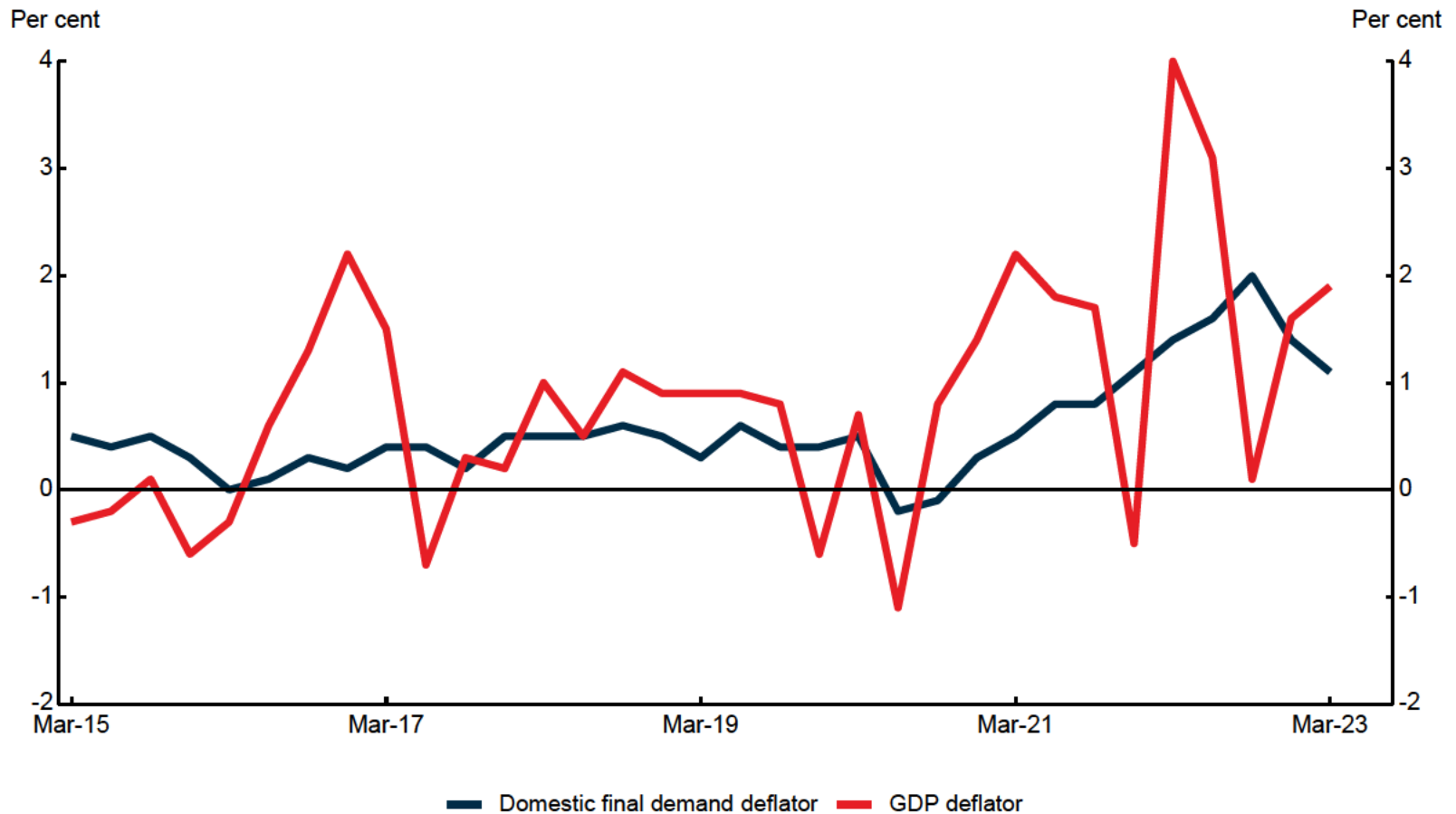
Contributions to real GDP growth



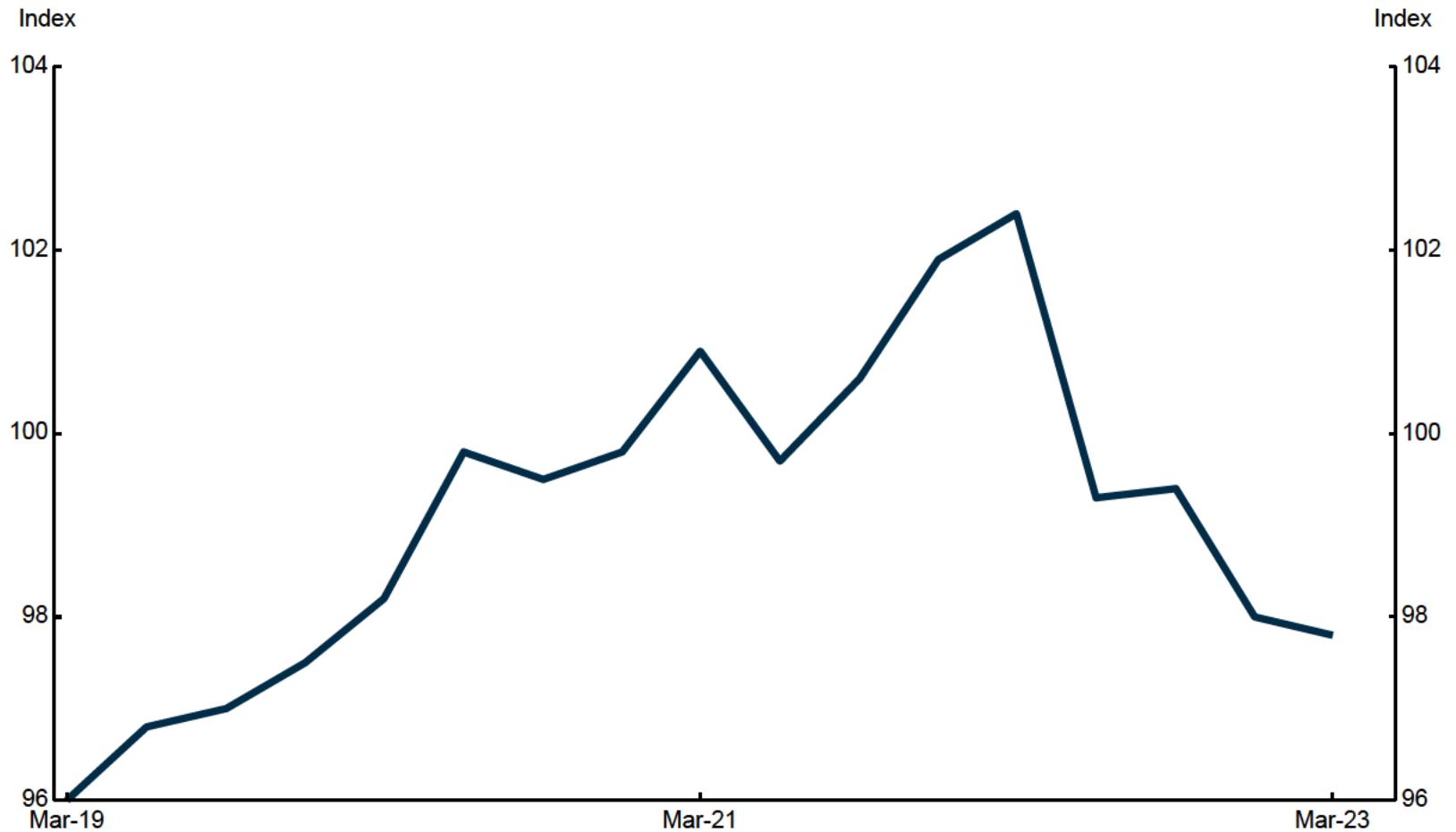
Real GDP per capita



Quarterly growth in prices



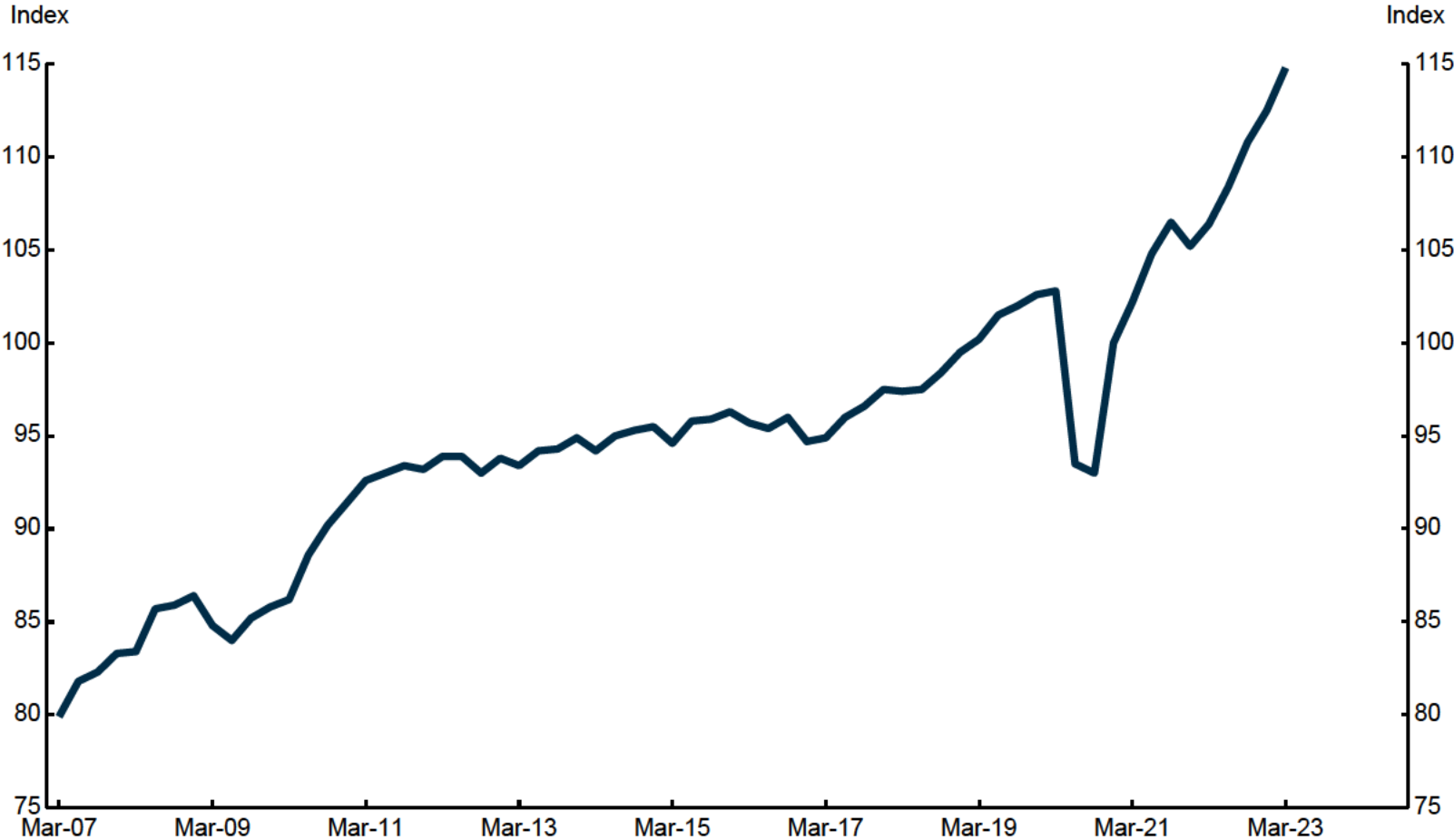
GDP per hour worked



Note: this data is indexed to March 2020 by the ABS

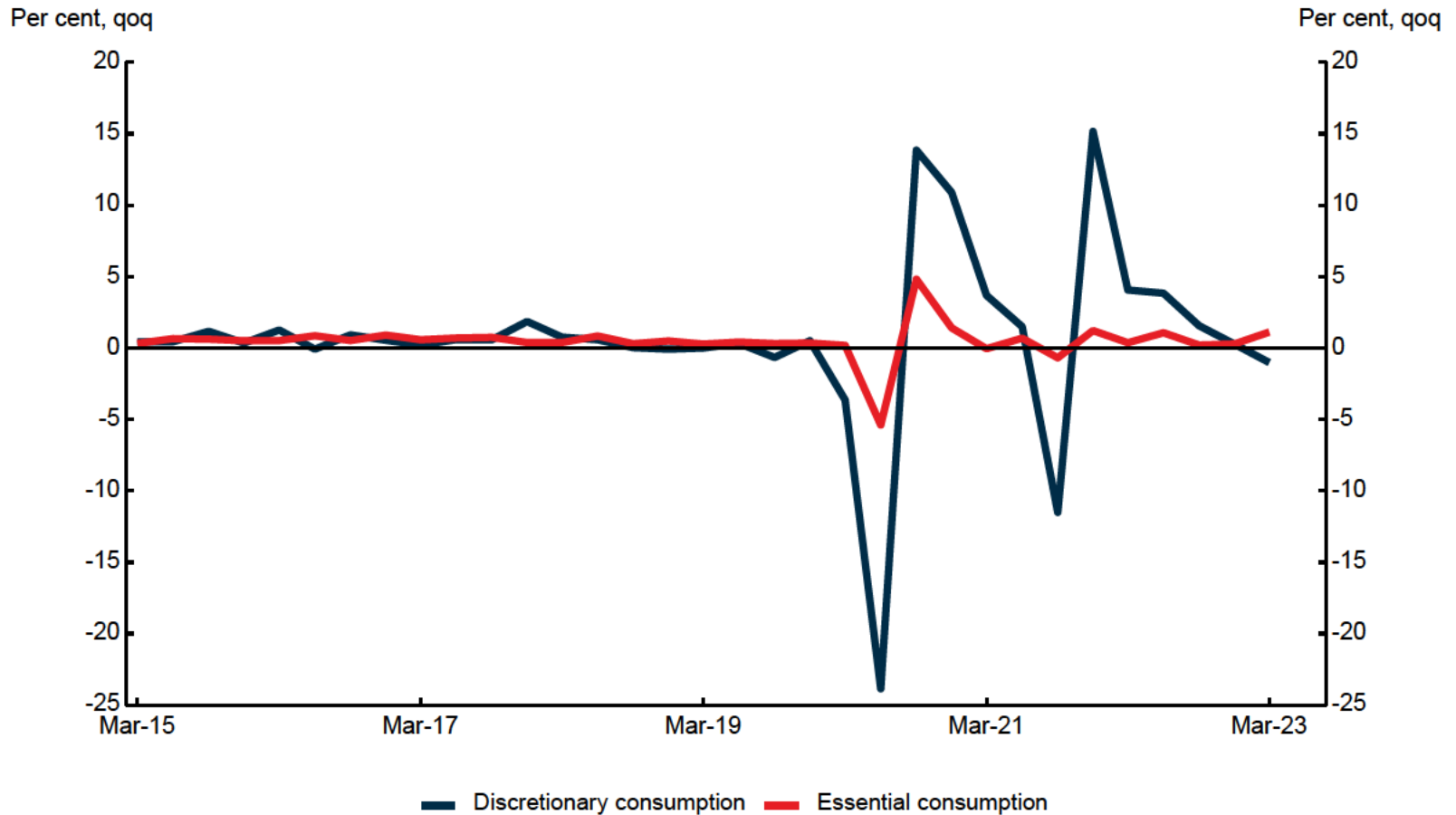


Nominal unit labour costs

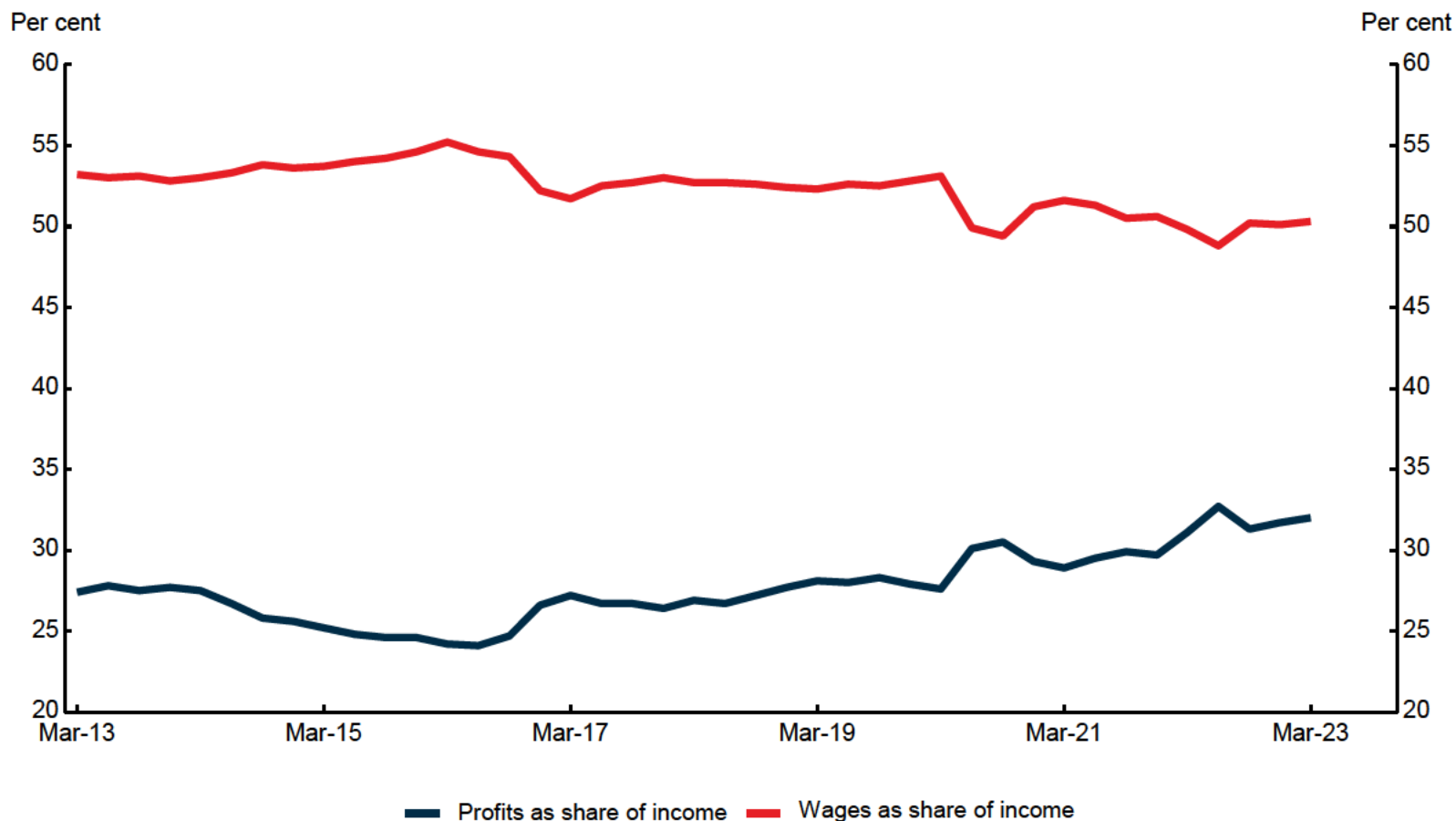


Household consumption

Essential and discretionary consumption



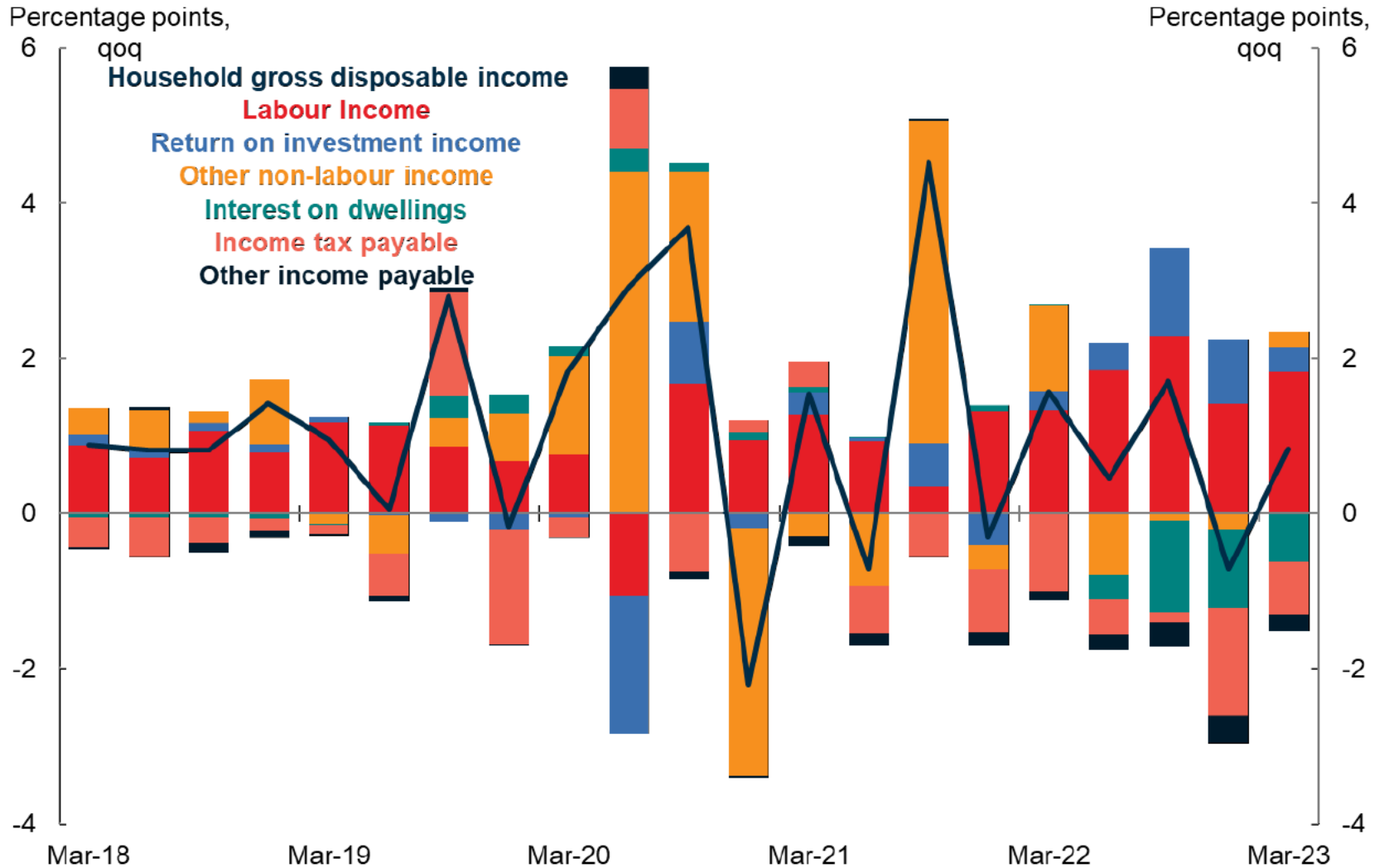
Wages and profits as a share of income



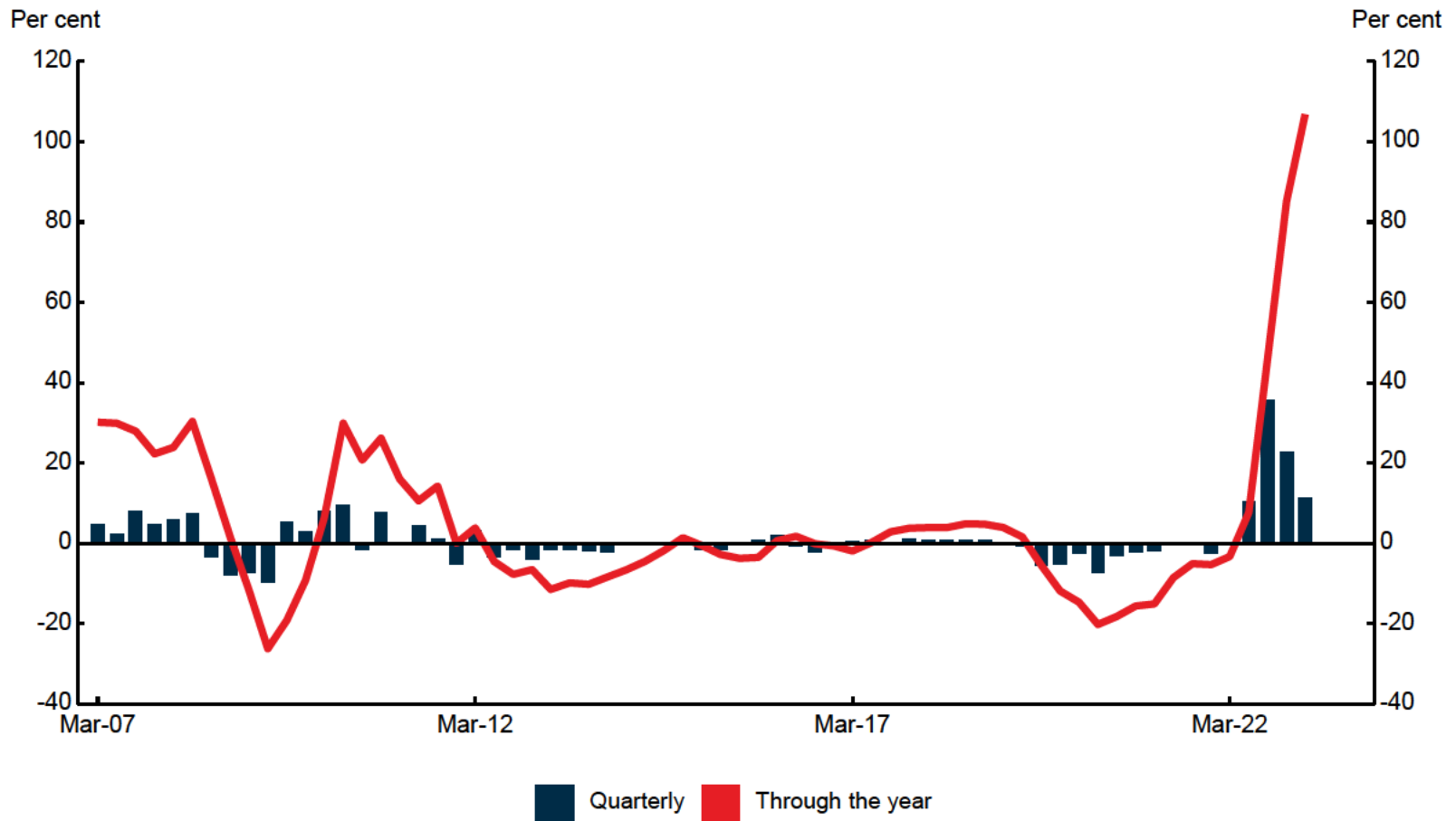
Note: The shares do not sum to 100 per cent due to the exclusion of government gross operating surplus, dwelling gross operating surplus and gross mixed income.



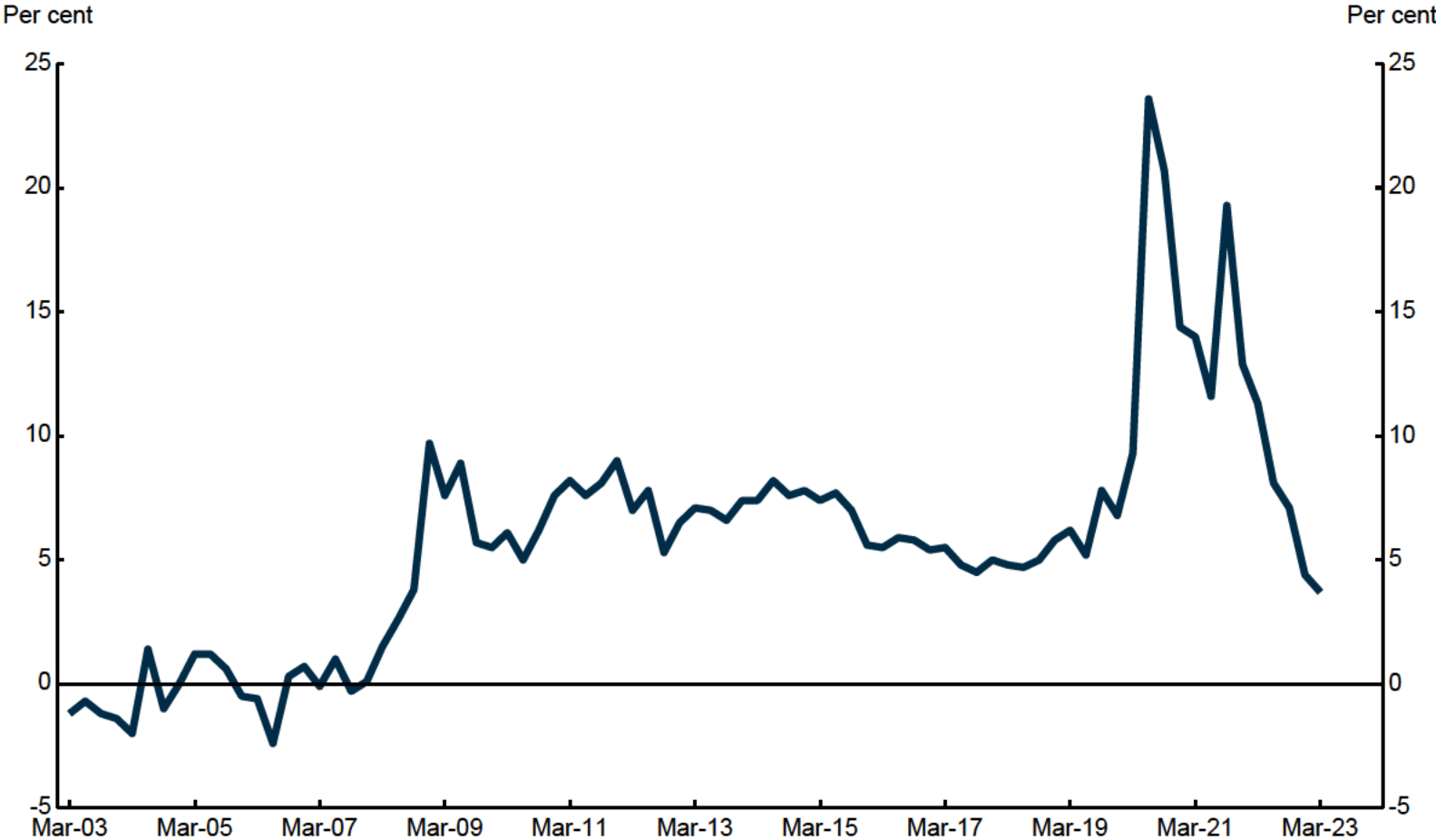
Household disposable income



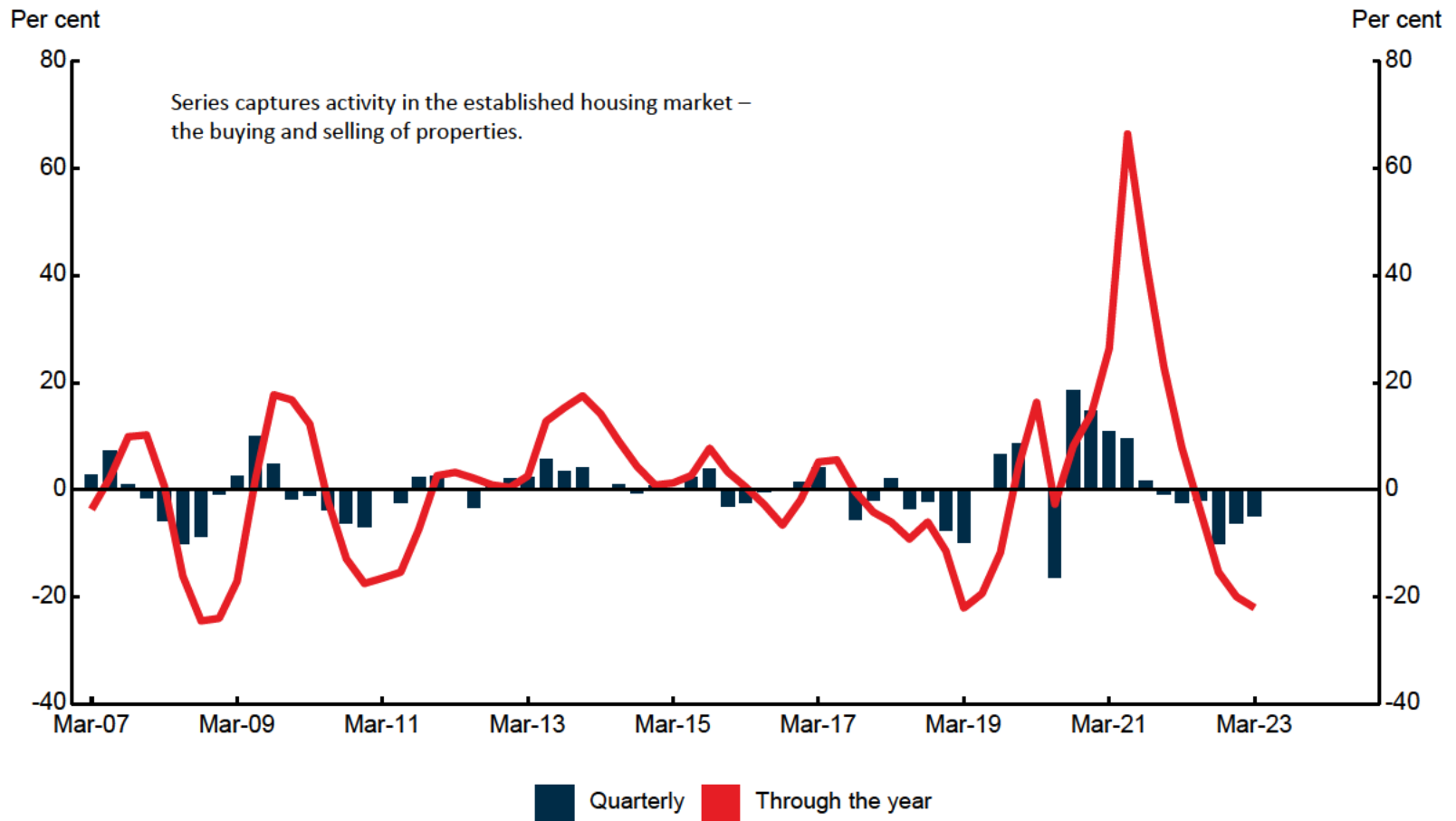
Property income payable - interest on dwellings



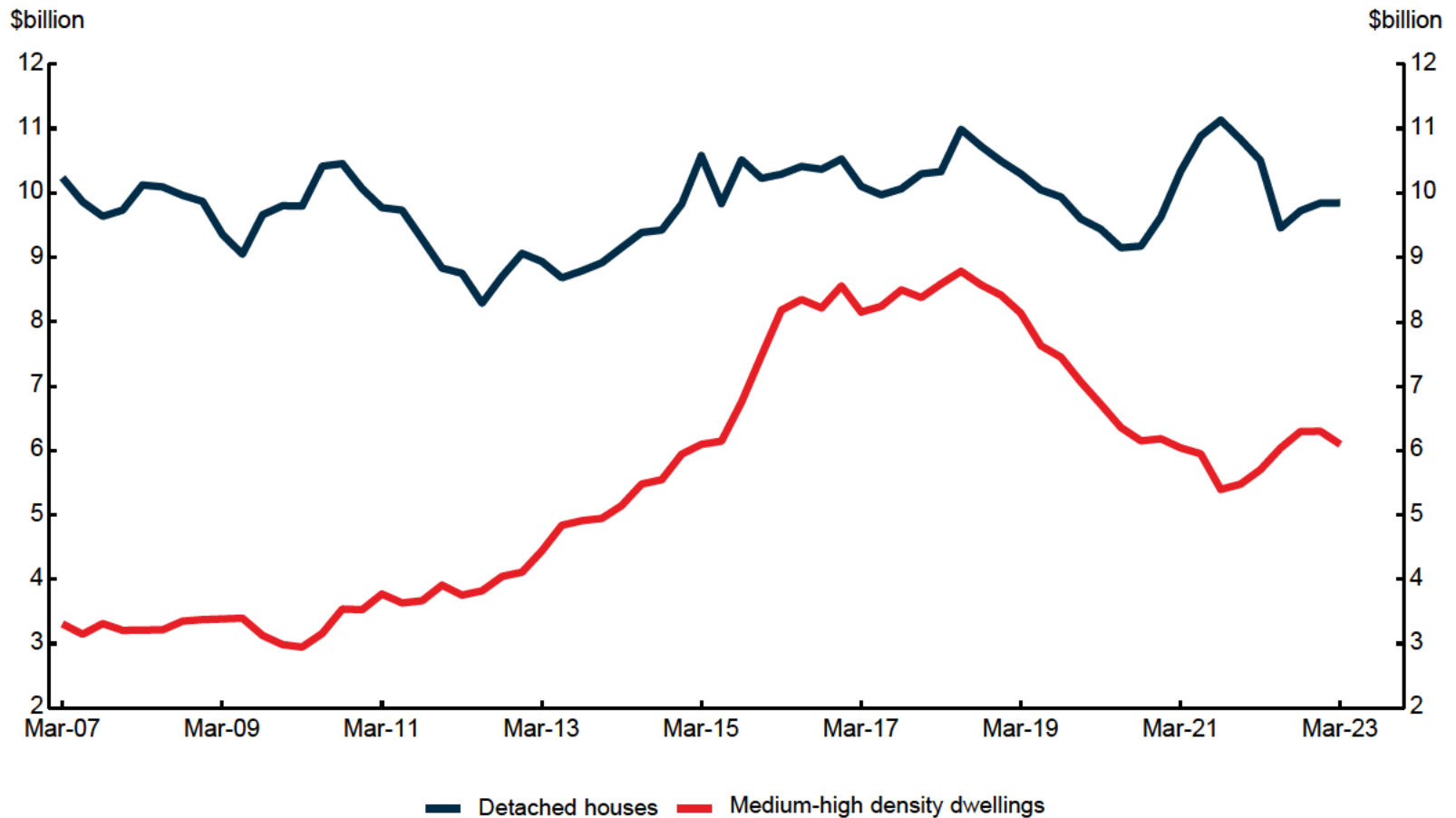
Household saving ratio



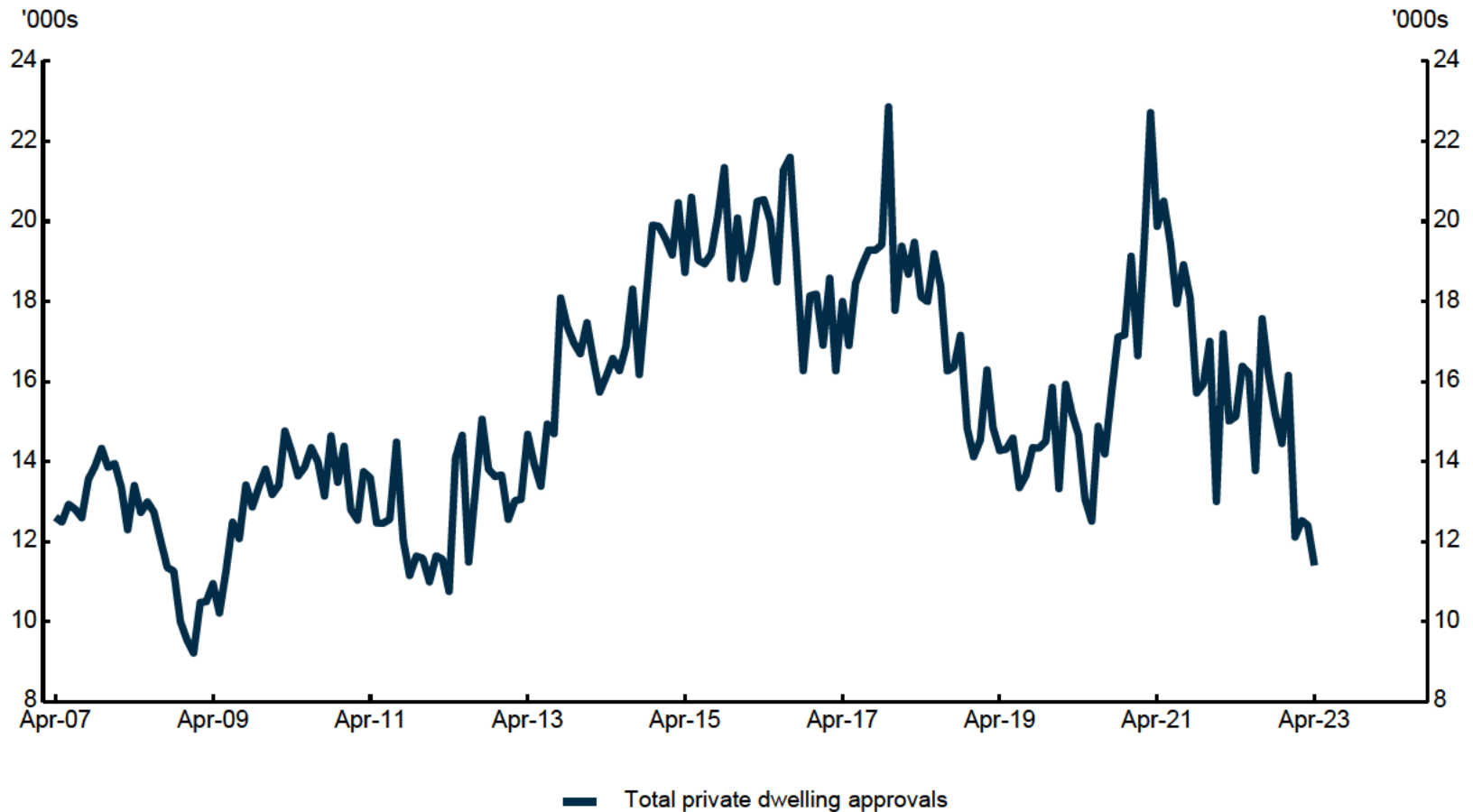
Ownership transfer costs



Dwelling investment by component

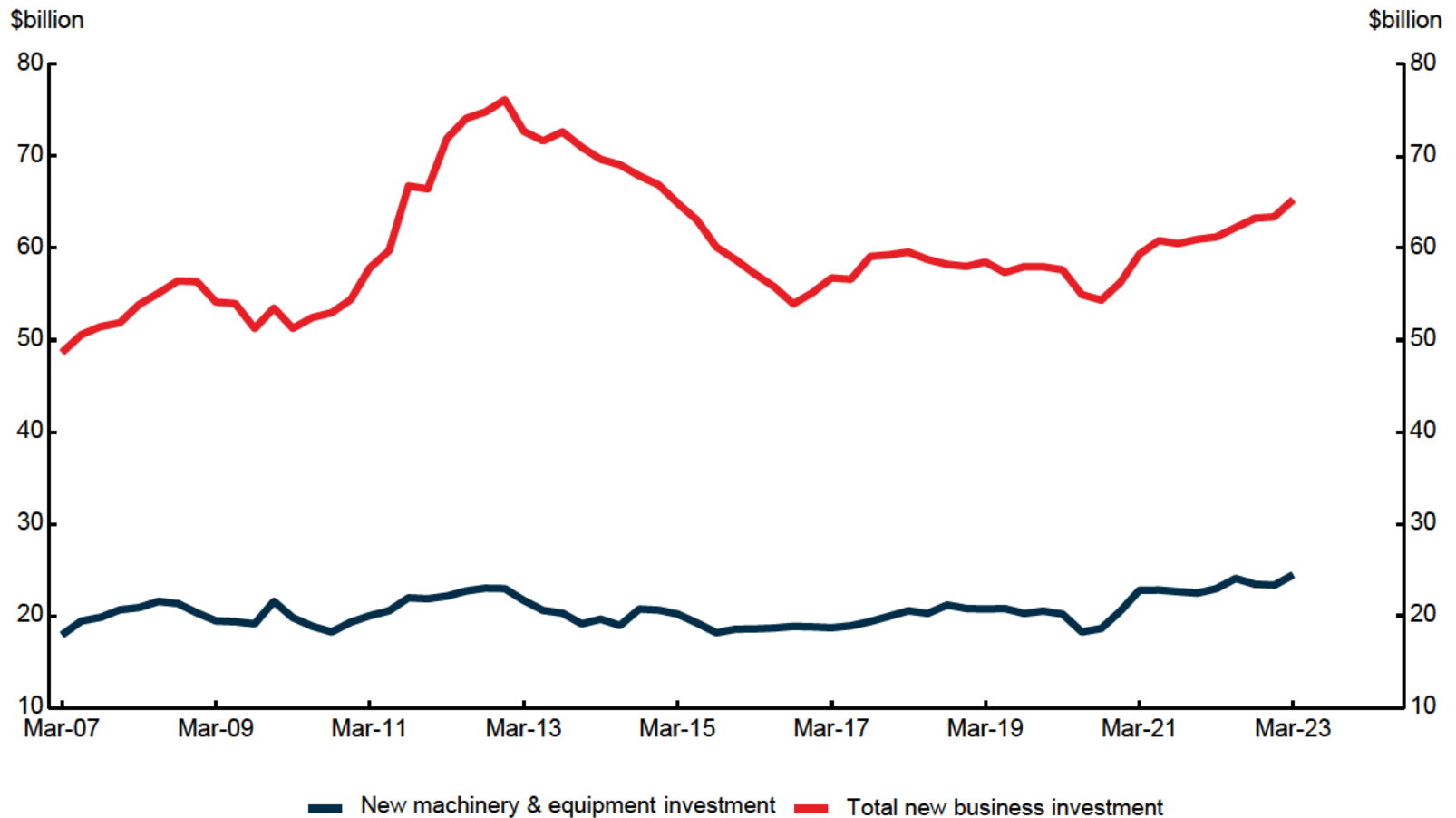


Dwelling approvals

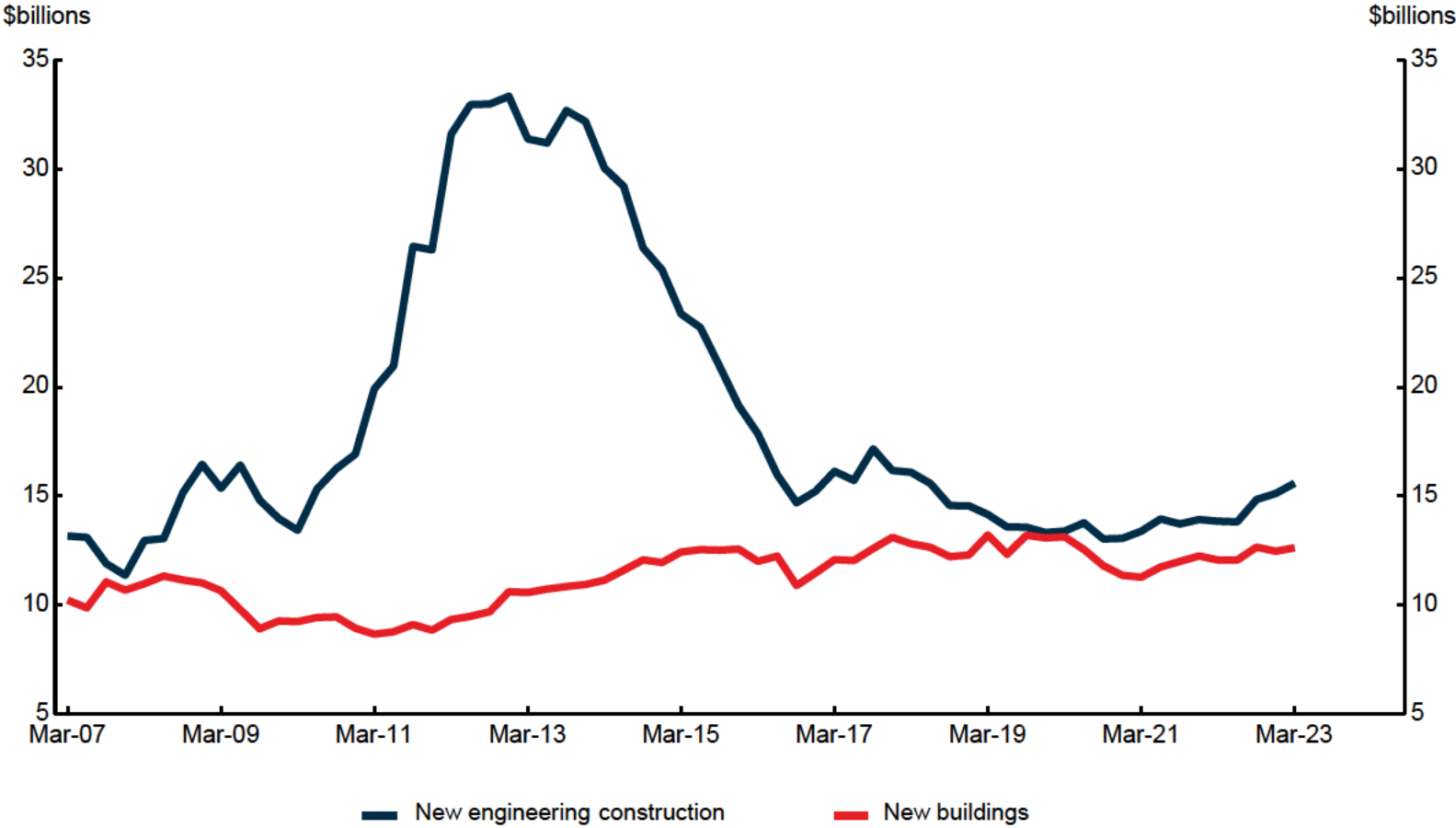


Source: ABS, Building Approvals.

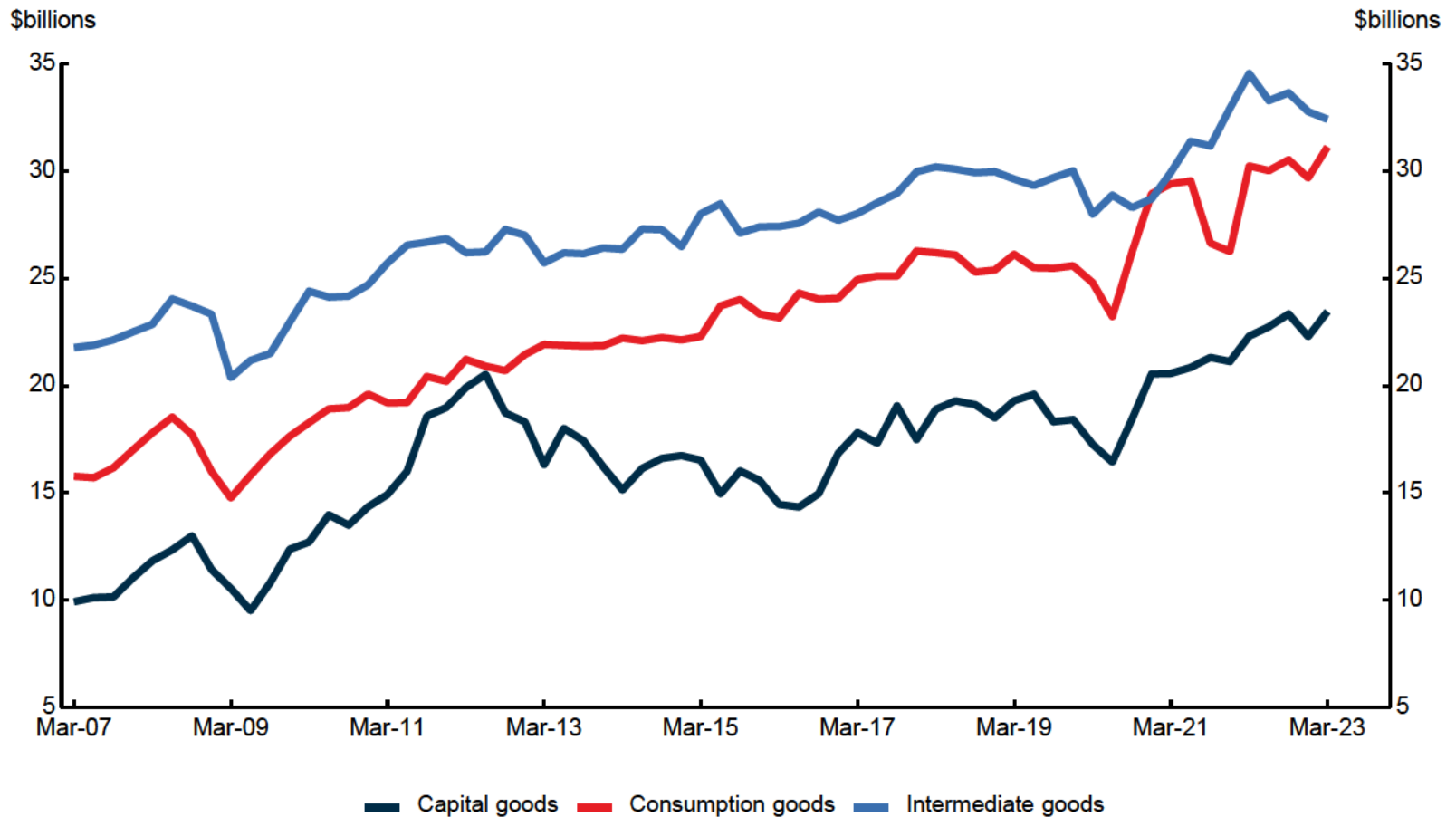
Business investment - total and machinery



Non-dwelling construction



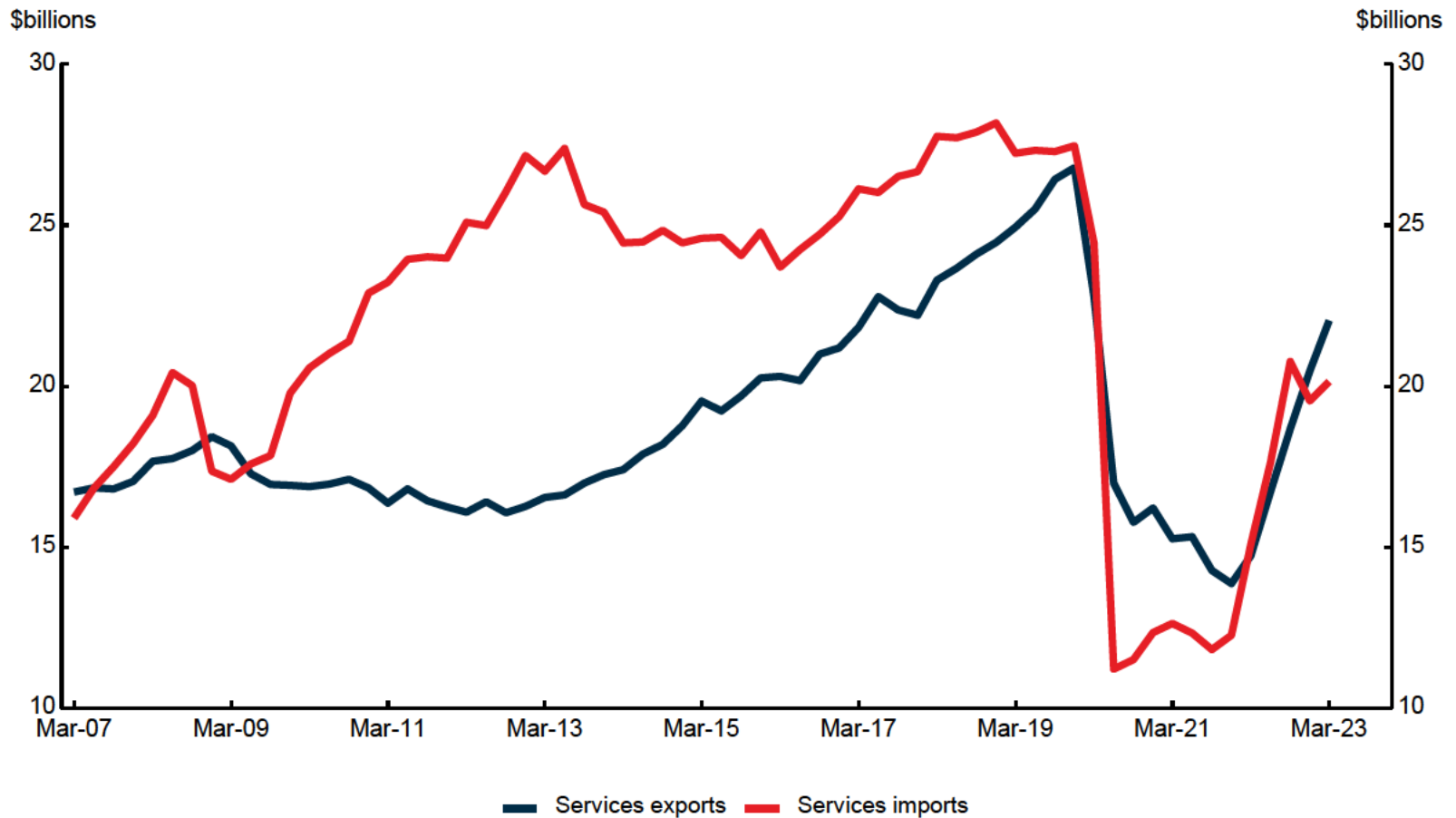
Goods imports



Source: ABS, Balance of Payments.



Services exports and imports



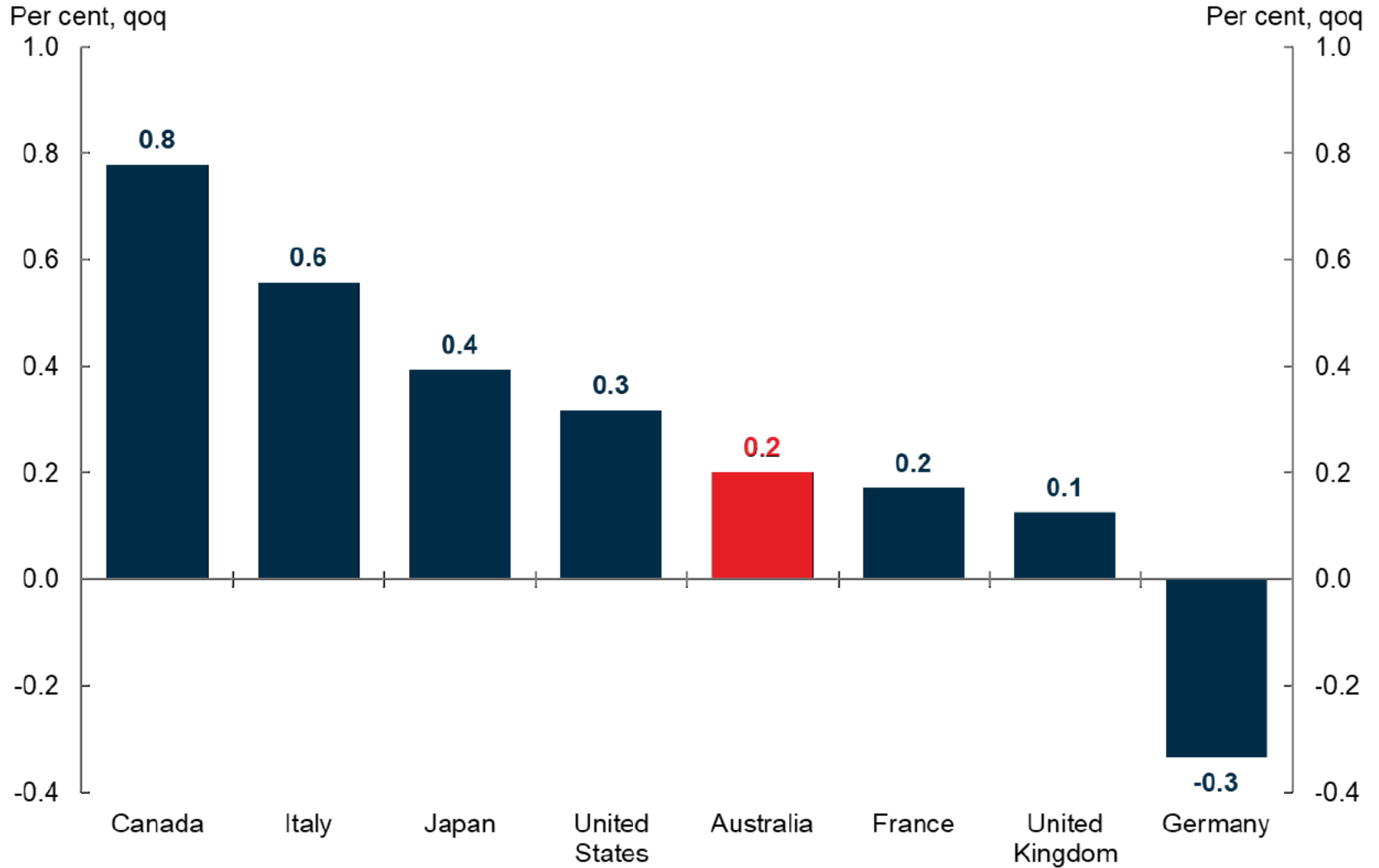
Source: ABS, Balance of Payments.



International

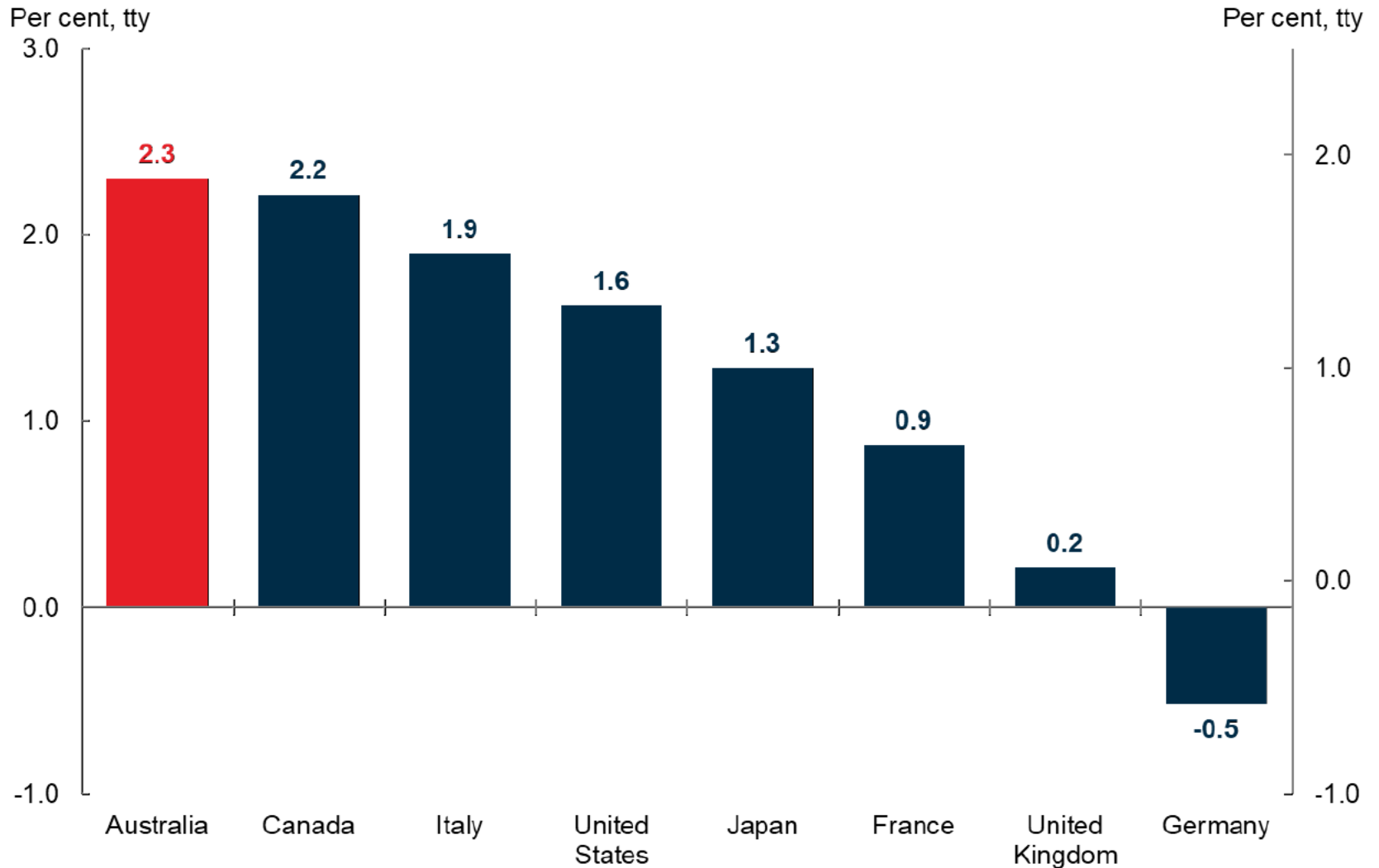


GDP growth (quarter on quarter)



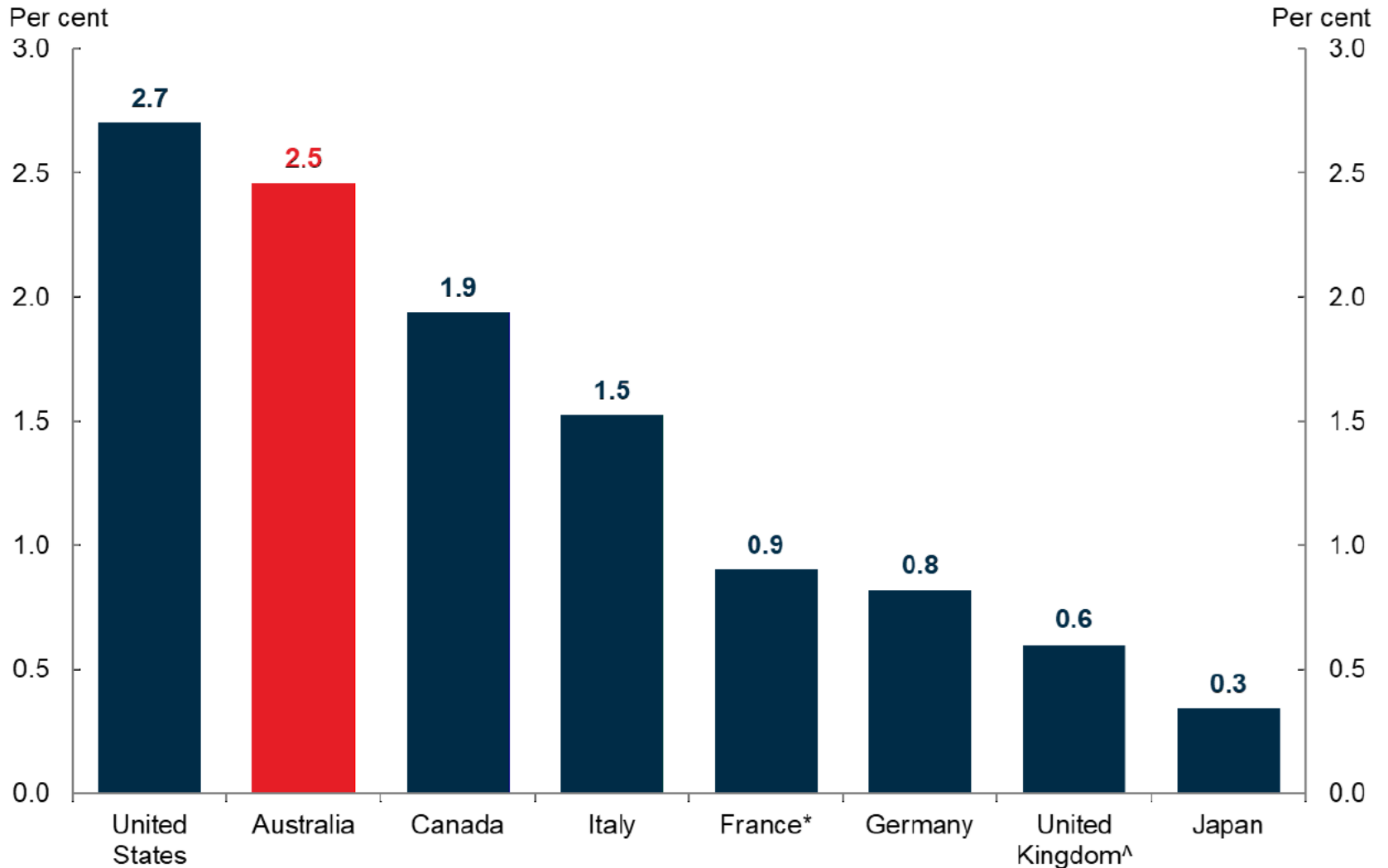
Source: Refinitiv, National statistical agencies.

GDP growth (through the year)



Source: Refinitiv, National statistical agencies.

Employment growth since May 2022



Source: Refinitiv, National statistical agencies.

Note: Latest data for Australia, Canada, Germany, Italy and Japan is to April 2023. Latest data for UK is to March 2023. Latest data for the US is to May 2023.

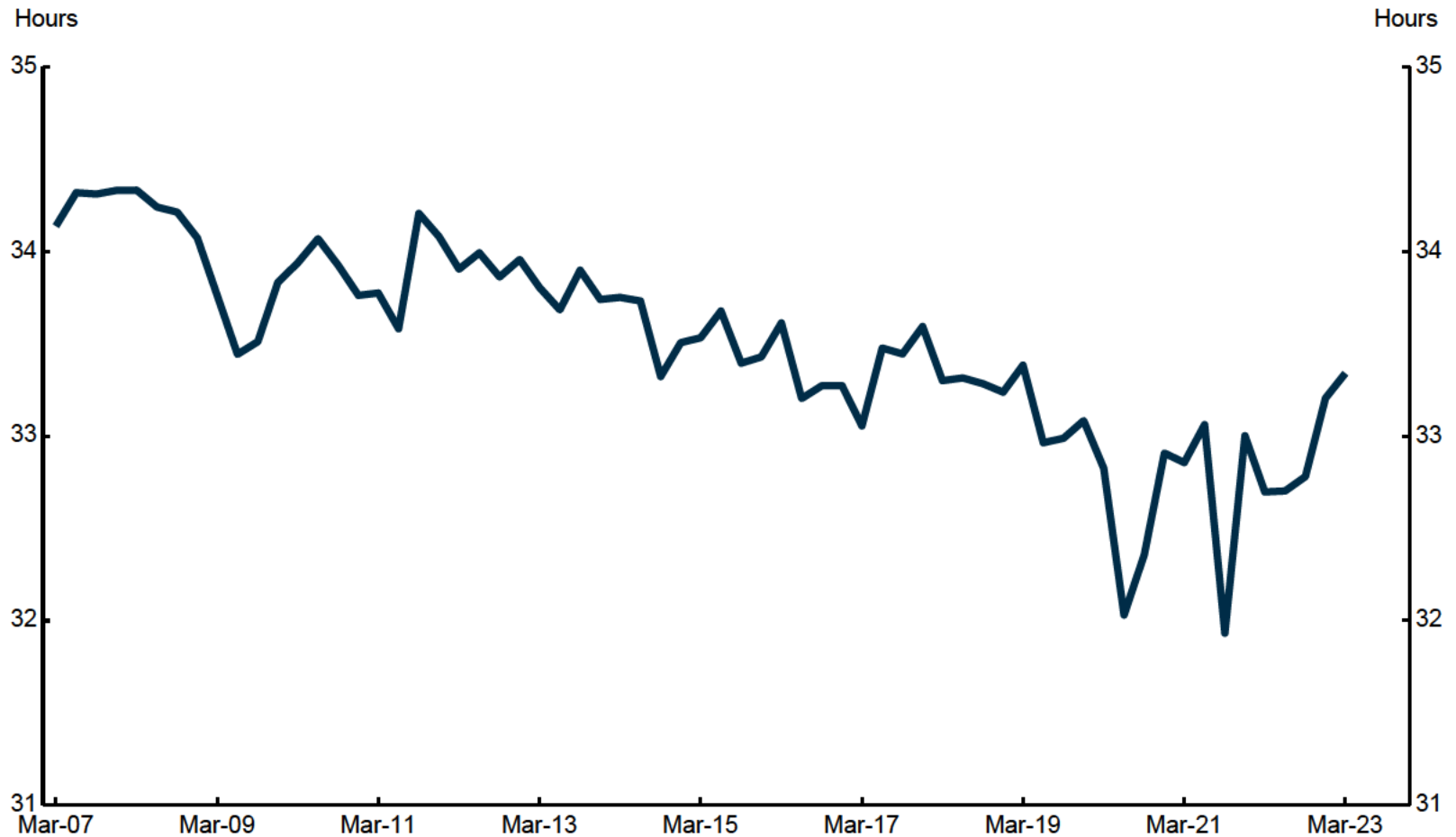
*French data is quarterly and compares March 2023 to June 2022

^The UK Office for National Statistics reports labour market statistics as a three month rolling average. The last month of the three month average is used for calculating growth.

Backpocket



Average hours worked



Note: This only includes the average weekly hours of wage and salary earners.



Real wage levels



Note: data indexed to the December quarter 2019.





ABS, 7 June 2023

Australian National Accounts, March quarter 2023

The Australian economy grew by 0.2 per cent in the March quarter 2023 to be 2.3 per cent higher through the year. This was slightly weaker than the median market expectation of 0.3 per cent quarterly growth (range: 0.1 to 0.6). Growth in the March quarter was driven by private and public investment following falls in the December quarter. Household consumption growth was subdued this quarter as households reduced discretionary spending, reflective of cost-of-living pressures. Net trade detracted from GDP with a rise in imports as supply chains improved.

- Real GDP** grew by 0.2 per cent in the March quarter 2022 to be 2.3 per cent higher through the year. The quarterly increase was driven by growth in business investment, public investment, and household consumption. These increases were partly offset by a deduction from net exports.
- Household consumption** grew by 0.2 per cent in the quarter to be up by 3.5 per cent through the year, adding 0.1 percentage points to real GDP growth in the quarter. Household consumption increased in 11 of 17 categories. Electricity, gas and other fuel (up 5.2 per cent) was the largest contributor to growth this quarter due to the end of Queensland's Cost of Living Rebate in the December quarter. Rent and other dwelling services (up 0.5 per cent) and transport services (up 4.0 per cent) also saw increases this quarter. These rises were partly offset by furnishings and household equipment (down 2.4 per cent), purchase of vehicles (down 2.2 per cent), other goods and services (down 0.7 per cent) and alcoholic beverages (down 1.5 per cent). The household saving ratio fell to 3.7 per cent in March, down from 4.4 per cent in December. This is the lowest level since June 2008, as household consumption continued to outpace gross disposable income.
- Dwelling investment** fell by 1.2 per cent in the quarter, to be 4.4 per cent lower through the year. The contraction was driven by weakness in other residential dwellings (down 3.2 per cent) and alterations and additions (down 0.9 per cent). Private houses remained flat this quarter despite a large backlog of work in the pipeline. Labour and material shortages eased but remained above pre-pandemic levels. This led to continued limitations in work done in some states and lengthening of completion times.
- Ownership transfer costs** fell by 5.0 per cent in the quarter to be down 22.0 per cent through the year. Property market activity was constrained over the quarter due to suppressed buyer demand and interest rate rises.
- New private business investment** rose by 2.9 per cent in the quarter and remained 6.6 per cent higher through the year. The rise was driven by an increase in new machinery and equipment (up 4.9 per cent), led by investment in vehicles, agricultural equipment and automation. New engineering construction (up 3.1 per cent) also contributed to the rise, supported by renewables and electricity infrastructure projects in several states.
- New public final demand** grew by 0.6 per cent in the March quarter, to be 0.7 per cent higher through the year. New public investment rose by 3.0 per cent in the quarter while public consumption increased by 0.1 per cent. The rise in public investment was driven by state and local general government, with large health and transport projects underway across several states.

7. **Net exports** (exports less imports) detracted 0.2 percentage points from real GDP growth in the quarter. Import volumes increased by 3.2 per cent in the quarter to be 5.1 per cent higher through the year. This was driven by consumption goods (up 4.9 per cent), capital goods (up 5.3 per cent) and imports of services (up 3.1 per cent). Imports of telecommunications equipment, motor vehicles and machinery drove the rise in imported goods. Export volumes grew by 1.8 per cent to be up 10.8 per cent through the year, driven by services (up 7.7 per cent) and rural goods (up 6.5 per cent). Exports of services was driven by the return of international students, while meat exports rose strongly following recovery from flood impacts to abattoirs in the previous quarter and increased demand from China.
8. **Changes in inventories** as a contribution to growth was unchanged this quarter, with a build-up of \$2.4 billion. The build up was largely driven by wholesale trade. Imports of motor vehicles and agricultural machinery were affected by biosecurity cleaning requirements and subsequent processing backlogs at ports. Wholesale grain inventories also built up after harvest delays in the December quarter. Decreased discretionary spending contributed to the build up in retail inventories. These rises were partly offset by a drawdown in manufacturing inventories.
9. **Industry gross value added** (GVA) increased in 11 out of 19 industries, with the largest contributions coming from manufacturing (up 2.4 per cent), health care and social assistance (up 1.1 per cent) and wholesale trade (up 1.3 per cent). This was partly offset by decreases in professional, scientific and technical services (down 1.2 per cent) and administrative and support services (down 1.4 per cent).
10. **State final demand** increased in 6 out of 8 states and territories. Driving the rises were Victoria (up 0.7 per cent), New South Wales (up 0.4 per cent), Western Australia (up 0.8 per cent), Queensland (up 0.4 per cent), the Australian Capital Territory (up 0.5 per cent) and South Australia (up 0.1 per cent). Offsetting these rises were the Northern Territory (down 0.4 per cent) and Tasmania (down 0.2 per cent).
11. **The terms of trade** rose by 2.8 per cent in the March quarter to be 0.1 per cent higher through the year. The quarterly rise was driven by a 4.0 per cent fall in import prices, partly offset by a 1.4 per cent decline in export prices. The fall in import prices was driven by the appreciation of the Australian dollar, improved supply chains and the fall in oil prices. The fall in export prices was led by grain and beef prices due to increased global supply. Price falls in coal and LNG also contributed, with decreased demand from a milder Northern Hemisphere winter.
12. **The current account** surplus widened to \$12.3 billion in the March quarter (from \$11.7 billion in the December quarter). This reflected a trade surplus of \$41.1 billion (an increase from \$39.0 billion last quarter), and a widening of the net primary income deficit (NID) to \$28.5 billion (from \$27.0 billion last quarter).
13. **Nominal GDP** increased by 2.1 per cent in the quarter to be 9.2 per cent higher through the year. The GDP deflator increased by 1.9 per cent in the quarter, to be up 6.8 per cent through the year. This was driven by a strong rise in the terms of trade (up 2.8 per cent) combined with elevated domestic prices. The domestic final demand deflator grew by 1.1 per cent in the quarter, as services inflation strengthened with higher labour costs, while goods inflation moderated in line with import prices and declining demand for discretionary goods.
14. **Compensation of employees** grew 2.4 per cent in the quarter to be 10.8 per cent higher through the year. Average compensation per employee grew by 2.3 per cent in the March quarter, reflecting the tight labour market as the unemployment rate remained at a low level. Businesses continued to offer higher wage rates and bonuses to retain and attract skilled staff. Compensation of employees per hour worked increased by 1.6 per cent in the quarter. Public sector industries including health care and social assistance, and education and training were large contributors to the rise, reflecting pay increases, bonus payments and government policies introduced to address cost-of-living pressures.
15. **Gross operating surplus** (GOS) increased by 3.0 per cent in the quarter to be 11.5 per cent higher through the year. Non-mining industries drove the rise in GOS as eased supply chains and falls in petroleum prices lowered operating expenses, particularly in the wholesale trade and manufacturing

industries. Dwelling GOS (up 2.7 per cent) also rose this quarter due to increased rental prices. Mining GOS fell in line with lower commodity prices and export volumes.

16. **Taxes less subsidies on production and imports** increased by 1.5 per cent in the March quarter, due to a rise in taxes on production and imports (up 0.9 per cent) and supported by a fall in subsidies (down 2.5 per cent). The increase in taxes on production was driven by payroll tax and excise tax, partly offset by stamp duties. The fall in subsidies was driven by lower renewable energy and apprenticeship subsidies.
17. **The household saving ratio** declined from 4.4 per cent to 3.7 per cent, the lowest level since June quarter 2008. Savings fell as nominal household consumption (up 1.4 per cent) outpaced gross disposable income growth (up 0.8 per cent). The rise in nominal household consumption reflected the impact of inflation on households, while growth in real consumption slowed (up 0.2 per cent). The rise in gross disposable income was driven by gross income (up 1.7 per cent), partly offset by higher income payable (up 4.4 per cent). Compensation of employees (up 2.4 per cent) and interest received on deposits (up 13.0 per cent) were the main contributors to higher gross income. Interest rates increased 50 basis points over the March quarter, which, combined with competition between banks for household deposits, drove the rise in interest received. The rise in income payable was led by income tax (up 3.3 per cent) and interest paid on dwellings (up 11.5 per cent). Increases in income tax reflected higher wage growth, employment, hours worked and returns on investment income. Interest on dwellings rose in line with further interest rate increases during the quarter.
18. **Labour productivity** (GVA per hour worked) continued to be volatile in the market sector due to hours worked. GVA per hour worked increased by 0.9 per cent to be 4.3 per cent lower through the year. The through the year fall was the second largest since the series began, after the 5.3 per cent decline last quarter.

Table 1: Alternative measures of GDP (chain volume)

Per cent change	Quarter (s a.)		tty		(orig.)
	Dec	Mar	Dec	Mar	2021-22
GDP	0.6	0.2	2.6	2.3	3.7
Expenditure-based GDP	0.7	0.3	2.9	2.6	3.5
Income-based GDP	0.5	0.2	2.4	2.1	3.7
Production-based GDP	0.5	0.2	2.6	2.1	3.9
Consensus expectations*		0.3		2.4	

*Median market expectations for real GDP growth.

Source: ABS Australian National Accounts: National Income, Expenditure and Product, Tables 2, 24, 34 and Bloomberg.

Table 2: Expenditure components of GDP (chain volume)

	(Per cent change)			Cont. to growth (percentage pts)	
	Dec	Mar	tty	Dec	Mar
	New private final demand	0.1	0.5	2.8	0.0
Household consumption	0.3	0.2	3.5	0.1	0.1
Dwelling investment	-0.8	-1.2	-4.4	0.0	-0.1
New business investment	0.2	2.9	6.6	0.0	0.3
New building	-1.5	1.3	4.7	0.0	0.0
New engineering construction	1.9	3.1	12.6	0.0	0.1
New machinery and equipment	-0.5	4.9	6.6	0.0	0.2
New public final demand	0.3	0.6	0.7	0.1	0.2
Domestic final demand	0.1	0.6	2.2	0.1	0.5
Changes in inventories				-0.5	0.0
Gross national expenditure	-0.4	0.6	1.4	-0.4	0.5
Exports	1.4	1.8	10.8	0.3	0.4
Imports	-4.0	3.2	5.1	0.8	-0.6
Net exports				1.1	-0.2
GDP (E)	0.7	0.3	2.6		
GDP	0.6	0.2	2.3		

Source: ABS Australian National Accounts: National Income, Expenditure and Product, Tables 2, 24.

Table 3: Production-based GDP (chain volume)

	(Per cent change)			Cont. to growth (percentage pts)	
	Dec	Mar	tty	Dec	Mar
	Ag, forestry & fishing	0.6	-0.2	-6.0	0.0
Mining	3.3	-0.3	5.4	0.3	0.0
Manufacturing	-1.6	2.4	-1.2	-0.1	0.1
Construction	0.3	0.2	1.8	0.0	0.0
Total services	0.3	0.0	2.6	0.2	0.0
Rental, hiring & real estate	1.0	-1.6	-0.9	0.0	0.0
Transport, postal & warehousing	0.8	0.4	10.3	0.0	0.0
Retail trade	-0.7	-0.5	-0.4	0.0	0.0
Financial & insurance	-0.2	0.0	0.7	0.0	0.0
Health care & social assistance	-0.4	1.1	2.8	0.0	0.1
Prof. scientific & technical	-1.6	-1.2	-0.1	-0.1	-0.1
GDP (P)	0.5	0.2	2.1		
GDP	0.6	0.2	2.3		

Source: ABS Australian National Accounts: National Income, Expenditure and Product, Tables 2, 6 and 24.

Table 4: Income-based GDP (chain volume)

	(Per cent)		
	Dec	Mar	tty
Compensation of employees	2.0	2.4	10.8
Gross operating surplus	3.0	3.0	11.5
Private corporations gross operating surplus	3.2	3.3	12.7
Gross mixed income	-1.0	-3.8	-4.0
Average compensation per employee	0.9	2.3	6.9
Average compensation per hour	0.3	1.6	2.8
Household disposable income	-0.7	0.8	2.3
Real household gross disposable income	-2.3	-0.3	-4.0
Household saving ratio*	4.4	3.7	
Profits share of total factor income^	31.7	32.0	
Wages share of total factor income^	50.1	50.3	
Gross national income	2.9	1.9	8.6
Nominal GDP	2.2	2.1	9.2

Source: ABS Australian National Accounts: National Income, Expenditure and Product, Tables 1, 7, 11, 20 and 24.

* shown as ratio, not percentage change.

^ shares do not sum to 100 per cent due to the exclusion of government gross operating surplus, dwelling gross operating surplus and gross mixed income.

Table 5: Price measures (s.a. unless otherwise stated)

	(Per cent change)		
	Dec	Mar	tty
Implicit price deflators			
GDP	1.6	1.9	6.8
Domestic final demand	1.4	1.1	6.2
Household consumption	1.5	1.2	6.5
Exports	1.4	-1.4	4.2
Imports	1.1	-4.0	4.1
Terms of trade	0.3	2.8	0.1
Consumer price index	1.9	1.4	7.0
Labour productivity (a)	-2.0	0.9	-4.3
Non-farm nominal unit labour costs	1.6	2.0	7.9

(a) For the market sector.

Source: ABS Australian National Accounts: National Income, Expenditure and Product, Tables 1, 4, 5 and 42 and ABS Consumer Price Index, Australia, Tables 1 and 2.

Table 6: State final demand (chain volume)

	(Per cent change)		
	Dec	Mar	tty
New South Wales	-0.1	0.4	2.2
Victoria	0.1	0.7	1.9
Queensland	0.0	0.4	2.3
South Australia	-0.3	0.1	2.1
Western Australia	0.5	0.8	2.8
Tasmania	-0.4	-0.2	1.8
Northern Territory	0.4	-0.4	1.3
Australian Capital Territory	0.4	0.5	1.9
Australia	0.1	0.6	2.2

Source: ABS Australian National Accounts: National Income, Expenditure and Product, Tables 2 and 25.

National Accounts Summary Note - March Quarter 2023

~~PROTECTED~~

1. **Real GDP increased 0.2%** in the March quarter, the weakest result since the Delta lockdowns in September quarter 2021. The weak outcome for **real GDP is consistent with the Budget expectation** that cash rate increases and higher cost of living pressures are flowing through to soft consumption growth and housing activity.
 - GDP per capita fell in the March quarter, while consumption per capita fell for the second consecutive quarter – this was the weakest result, outside of a lockdown period, since the September quarter 2008. Consumers continue to spend on essential goods and services such as food, rent and other dwelling services but have pulled back on some discretionary spending such as on furnishings and household equipment.
 - GDP per hour worked fell, and while quarterly productivity has been volatile, weak growth remains a challenge.
2. **Inflation peaked in the December quarter**, but strong inflation continued to impact spending in the March quarter. The rate of increase has begun to moderate in the last two quarters.
 - The National Accounts measure of domestic consumer prices grew by 1.2%, consistent with strong core inflation in the economy, particularly for services. Rent and other dwelling services grew by 1.6%, consistent with the low rental vacancy rates. This is comparable to the 1.4% increase in headline CPI in the March quarter.
 - The GDP implicit price deflator (IPD) increased 1.9% due to weaker import prices and a rise in the terms of trade, as Nominal GDP rose 2.1% in the quarter.
 - Some of the easing in inflation is related to weaker import prices as supply chain issues resolve and an appreciation of the Australian dollar in the March quarter. Import prices fell 4.0% which was the largest decline since the December quarter 2010 as prices for both goods (-3.8%) and services (-5.0%) declined.
3. **Dwelling investment fell** by 1.2% in the quarter following a 0.8% decrease in December.
 - The pipeline of work to be completed is still at elevated levels and will provide some support in the near-term. But we expect dwelling investment to continue falling as the decline in approvals flows through to activity. National accounts data, particularly new and used investment, ss 47E(d) and 47J
4. Despite strong growth in employment, the **household saving ratio** fell to 3.7% from 4.4%, and is now at its lowest level since June 2008.
 - Nominal gross disposable income increased, solidly underpinned by wage growth supporting COE. However, real household disposable income fell 0.3% as higher income tax payable, interest payable on dwellings and strong price growth eroded real disposable incomes.
 - Interest on deposits increased as bank margins narrowed again this quarter as interest rates on deposit accounts (in particular term deposits and savings accounts) increased more than loan products. This reflected increased competition in the deposit market and delayed passing on of previous cash rate increases to deposit accounts, however bank interest margins remain above pre-COVID levels.

~~PROTECTED~~

National Accounts Summary Note - March Quarter 2023

~~PROTECTED~~

- This is broadly in line with forecasts, however ss 47E(d) and 47J

- At the same time, ss 47E(d) and 47J

5. **An upside surprise in new private business investment (2.9%)** was a high-spot, driven by an easing of global supply chain disruptions and continued work on non-dwelling construction projects. Exports of services also contributed to growth, rising 7.7% driven by travel services.

- The continued recovery in supply chains has lifted goods imports and saw new machinery and equipment investment rise 4.9 per cent and new non-dwelling construction rise 2.3 per cent, driven by an increase in engineering construction projects, particularly in renewable energy, electricity and transport.
- While productivity has been weak, strong private investment is encouraging and will support the capital-labour ratio and productivity in the period ahead.
- The rise in exports was driven by the continued recovery in travel services, which is now at around 76% of pre-pandemic levels, compared to 64% in December. Travel services exports increased 17.5% this quarter led by education-related travel, which is stronger than our forecast. Services exports are expected to continue to grow reflecting the ongoing recovery of international students and overseas tourists. Net exports are still expected to make a flat contribution to GDP growth in 2022–23.

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BACKGROUND

Outcome compared to expectations

GDP growth	Mar-23 qoq
ss 47E(d) and 47J	
Market expectations	↓0.3↓
Outcome	0.2

Outcome compared to history

Economic Indicators	Average quarterly growth (%)*		Outcome
	Sep-10 to Dec-19	Sep-01 to Dec-19	Mar-23
Real GDP	0.6	0.7	0.2
Consumption	0.6	0.8	0.2
Domestic final demand	0.6	0.8	0.6
Employment	0.4	0.5	0.5
UE rate*	5.5	5.4	3.6
WPI	0.6	0.8	0.8
CPI	0.5	0.6	1.4

*Refers to average unemployment rate over period. For Mar-23 this is the quarterly average.

GENERAL

To what extent are the national accounts in line with the Budget forecasts?

ss 47E(d) and 47J

The outcome for

the March quarter was 0.2 per cent (2.3 per cent tty).

- The weak outcome for **real GDP is consistent with the Budget expectation** that growth in household spending is slowing as cash rate increases and higher cost of living pressures flow through to slower consumption and housing activity.
- An upside surprise in new business investment (2.9 per cent) was a high spot, driven by easing of global supply chain disruptions and continued work on non-dwelling construction projects.
 - While productivity has been weak, strong private investment is encouraging and will support the capital-labour ratio and productivity in the period ahead.
- Total dwelling investment fell by 1.2 per cent in the quarter and we expect activity to continue falling as the decline in approvals flows through.
- The household saving ratio was ss 47E(d) and 47J 3.7 per cent ss 47E(d) and 47J

What is the evidence in the data of the impact of cost-of-living pressures and interest rate rises on households and the economy?

- Rising inflation and interest rates reduced real household disposable income in the quarter.
 - Real household disposable income fell 0.3 per cent in the quarter as higher income tax payable, interest on dwellings and strong price growth eroded purchasing power.

Commented [S 22]: Are these correct?

- Consumption per capita fell for the second consecutive quarter, driven by a 1 per cent fall in discretionary spending - the weakest result outside of a lockdown period since the September quarter 2008
- Higher interest rates are evident in data on households' interest payments. It is difficult to pinpoint the impact of interest rate increases on household consumption.
 - Interest payable on dwellings increased 11.5% (+\$2.3b) in the March quarter to reach a record-high level. *As a share of total gross income, interest payable on dwellings was at the highest level in over 9 years.*
 - Higher interest rates also mean some households receive additional income, such as on interest deposit accounts.

What elements of the data point to supply chains or other supply constraints easing?

- Easing global supply chain congestion contributed to the 4 per cent fall in import prices in the March quarter. This result, which also reflects an appreciation of the Australian dollar, is the largest fall in import prices since the December quarter of 2010.
- Easing supply chain congestion has supported strong growth in new business investment (+2.9 per cent), with higher-than-expected growth in new machinery & equipment investment and new non-dwelling construction investment.
- These higher-than-expected outcomes largely reflect easing supply constraints over the quarter, allowing activity to pick up for new building and engineering construction pipelines.

What elements of the data point to continuing impacts of supply side constraints?

- New and used dwelling investment fell 1.3 per cent in March quarter, **ss 47E(d) and 47J**
- Although capacity constraints are easing, work on a large backlog of detached houses was completed at a slower pace than expected as labour and materials supplies remained tight.
 - The average time taken to build a house rose to about nine months in the March quarter, from six months before the pandemic. Construction delays are likely to persist in the near term and apply to houses currently in the pipeline.

What was the outcomes for private and total domestic demand and how do these compare to historical outcomes?

- Domestic final demand grew by 0.6 per cent in the March quarter. This was largely driven by new private final demand (contributed 0.3 percentage points), supported by public final demand (0.2 percentage point contribution).
- This is consistent with growth seen historically, in line with the 0.6 per cent 10-year pre-pandemic average growth (between the September quarter 2010 and December quarter 2019).

HOUSEHOLDS: CONSUMPTION, LABOUR, INCOMES

		QoQ	tty
Prices	Consumer price index	1.4	7.0
	Consumption price deflator	1.2	6.5
Nominal wages	Wage Price Index	0.8	3.7
	Average hourly pay (AENA per hour)	1.6	2.8
	Nominal household disposable income	0.8	2.3
Real wages	Wage Price Index	-0.5	-3.3
	Average hourly pay (AENA per hour)	0.4	-3.6
	Real household disposable income	-0.3	-4.0

Commented § 22 ::

CONSUMPTION

What does the national accounts show for recent consumption patterns?

Household consumption increased 0.2 per cent in the March quarter to be 3.5 per cent higher through the year.

- Inflation and interest rate increases are putting pressure on household budgets, with implications for both consumption growth and the composition of household spending.
 - The increase in consumption was due to an increase in spending on essential goods and services (+1.1 per cent), partially offset by a fall in discretionary spending (-1.0 per cent).
- After recent quarters of strong growth, services consumption growth slowed to 0.3 per cent in the March quarter while goods consumption rose by 0.2 per cent, following falls throughout 2022 as spending patterns normalised.

What does the national accounts show for household savings?

Savings ratio – 3.7 per cent, down from 4.4 per cent in the December quarter.

- The household savings ratio declined to 3.7 per cent in the March quarter, the lowest level in almost 15 years and **ss 47E(d) and 47J**
 - Australians are continuing to add to savings but at a slower rate. Household net saving was \$12.2b in the March quarter, down \$2.1b from December.
- The savings ratio fell as nominal household consumption (+1.4 per cent) increased by more than gross disposable income (+0.8 per cent).
 - The increase in nominal household consumption reflects strong growth in consumption prices (+1.2 per cent) and only a small increase in consumption volumes (+0.2 per cent).

PRICES

What do the key prices measures in the national accounts show and how does it compare to the CPI data? What explains any differences?

The consumption price deflator (PCON) grew 1.2 per cent in the March quarter (6. per cent higher tty), compared to 1.4 per cent quarterly growth (7.0 per cent tty) in the Consumer Price Index.

- National accounts data confirms that inflation peaked in the December quarter, consistent with the quarterly CPI.
- PCON and the CPI are different measures of consumer prices. The CPI captures the pure price change for a fixed basket of goods and services, while PCON reflects changes in both prices and the composition of spending.
- The discrepancy between PCON and CPI growth reflect methodological and coverage differences. The discrepancy between PCON and CPI growth this quarter was driven by methodological differences.
 - Electricity prices rose in the CPI due to the unwinding of state-based electricity subsidies in the March quarter. In contrast, electricity prices fell in PCON as subsidies do not impact this measure.
 - Across 2022, the divergence between PCON and CPI reflected differences in the treatment of housing between the two measures. The largest contributor to CPI growth last year was new dwellings, which is not included in PCON.

WAGES AND INCOMES

What does the national accounts show for nominal and real household disposable income?

Gross disposable income: +0.8 per cent QoQ, +2.3 per cent tty

Real disposable income: -0.3 per cent QoQ, -4.0 per cent tty

- Gross disposable income (GDI) is the amount of income that households have available for spending after deducting income tax, the Medicare levy and the Medicare levy surcharge.
- In nominal terms, GDI grew by 0.8 per cent in the quarter to be 2.3 per cent higher through the year.
- In real terms, GDI fell by 0.3 per cent in the quarter to be 4.0 per cent lower through the year. This is the fourth consecutive quarterly decline in real household disposable income, though the rate of decline appears to be slowing.

How does the COE through the year result compare to history?

- Compensation of employees (COE) grew 2.4 per cent in the quarter to be 10.8 per cent higher through the year. This is the highest through-the-year growth since June 2007.
 - The rise in COE was driven by strong growth in hours worked, as AENA per hour was slightly weaker than expectations.
- COE has been steadily increasing since the September quarter 2021. This follows a trough of 1.2 per cent through the year to the June quarter 2020.

What do the key wages measures in the national accounts show and how does it compare to the WPI data? What explains any differences?

Average hourly earnings (AENA per hour) grew by 1.6 per cent in the March quarter, compared to 0.8 per cent growth in the Wage Price Index (WPI). AENA per hour growth was ^{ss 47E(d) and 47J}

- There are differences in how these measures are calculated that explain the divergence in results.

- AENA is a broader measure of wage growth than the WPI that divides total compensation of employees by either total employees or hours worked. The measure includes non-wage compensation such as bonuses and superannuation contributions.
- The WPI tracks wages for specific jobs and does not include broader compensation.
- AENA is a better guide to cyclical labour market conditions, but it is more volatile than the WPI as it is affected by compositional changes in the labour market. The increase in average hourly earnings reflects ongoing tightness in the labour market.

What are the national account outcomes for real wages?

The national accounts measure of real wages (real AENA per hour) grew by 0.4 per cent in the March quarter but remains 3.6 per cent lower through the year.

- Real wages as measured in the national accounts grew in the March quarter, as average hourly earnings (+1.6 per cent) grew at a faster pace than consumption prices (+1.2 per cent).
- This compares with an 0.5 per cent fall in real wages in the March quarter implied by the CPI and WPI. Note, real wages growth is often approximated by subtracting rounded CPI growth by rounded WPI growth, which yields a fall of 0.6 per cent. This compares with an 0.6 per cent fall in real wages in the March quarter implied by the CPI and WPI.
- The national accounts measure of real wages is significantly more volatile than as measured by WPI and CPI.

What explains the recent rise in income tax payable?

Income tax payable rose 3.3 per cent (+\$2.5bn) in the March quarter

- The continued growth in income tax payable reflected strong COE growth underpinned by wage growth and strong employment as well as higher returns on investment income over the last year.

HOUSING MARKET

How are housing costs and the housing market reflected in the national accounts?

- The national accounts measure of housing costs include interest paid on mortgages (loan service charge and dwelling interest payable), rents (actual and imputed rents) and income earned on dwellings (dwellings gross operating surplus).
 - Dwelling interest payable by households increased 11.5 per cent in the March quarter 2023, reaching \$22 billion and more than double the amount paid a year ago.
 - Nationally advertised rents have risen 9.9 per cent through the year to May 2023
- Income earned on dwellings (dwelling GOS owned by persons) grew 2.7 per cent in the March quarter 2023, the highest quarterly growth since December quarter 2009.
- The national accounts measure of dwelling investment is comprised of new and used dwelling investment and alterations and additions investment. In addition, ownership transfer costs capture fees incurred through the transaction of real estate, including legal fees on transfer, real estate sales commissions, stamp duties on transfer and other government charges.

What do the national accounts show for new dwellings? What is immediate and medium-term outlook and what factors are impacting it?

- New and used dwelling investment fell by 1.3 per cent in the March quarter, driven by falls in other dwellings, which includes medium high density and semi-detached housing (3.2 per cent) and moderated by a flat (0.0 per cent) result in private houses, consistent with recent falls in dwelling approvals.
- This outcome Residential construction activity in the March quarter fell, consistent with recent falls in approvals for houses and other residential dwellings.

The ongoing rebound in net overseas migration, strong rental yields, expected lower interest rates and a reduction in building input costs are expected to drive the recovery over 2025-26, particularly in medium and high-density housing.

What was the National Accounts estimate of rental price growth? How does this compare to the CPI? What differences are there between the two measures?

- Rental price growth in the National Accounts was 1.6 per cent in the March quarter (up 5.0 per cent tty). CPI rents grew 4.9 per cent tty to the March quarter.
- Rents in the CPI reflects the money paid by all tenants to all public or private landlords as their main residence. Rent and other dwelling services in the National accounts reflects market rents and the imputation of rents for owner-occupier dwellings as well as water and sewerage services.
 - The inclusion of imputed rents for owner-occupier dwellings means rents comprise around 20 per cent of consumption in National Accounts, compared to around 6 per cent in the CPI.

How much have interest costs grown in the quarter?

Interest payable on dwellings – 11.5 per cent QoQ, 106.8 per cent tty

- Interest rate increases are seen in net property income receivable in the household income account.
- Interest payable on dwellings increased by 11.5 per cent (+\$2.3 bn) in the March quarter to reach a record-high level. As a share of total gross income, interest payable on dwellings was at the highest level in over 9 years.
- Higher interest rates also mean some households receive more money, such as on interest accounts. Total interest receivable increased by 13.0 per cent (+\$1.8 bn) in the March quarter.
- Financial Gross Operating surplus fell 0.2 per cent in the quarter as bank margins continue to narrow this quarter. Interest rates on deposits accounts increased more than loan products. However, interest rate margins remain 1.3 basis points higher when compared to March quarter 2022.

BUSINESS INVESTMENT

What drove the business investment result? What does CAPEX tell us about future business investment intentions?

- New private business investment grew by 2.9 per cent in the March quarter, driven by strong growth in New machinery & equipment investment (+ 4.9 per cent) and New non-dwelling construction (+ 2.3 per cent).

- New machinery & equipment results were strong across both mining and non-mining industries, driven by an easing of global supply chain disruptions, continued investment in autonomous initiatives and favourable agricultural conditions. New engineering construction led the non-dwelling construction result, reflecting work on non-mining renewable and electricity projects. These results are in line with positive ABS CAPEX and Construction Work Done results for the quarter.
- Looking forward, nominal CAPEX expectations were revised up further in the quarter to suggest a record level of expenditure in 2022-23. However, expectations were slightly downgraded for 2023-24, in line with recent volatility in business confidence results from increased uncertainty about the economic outlook.

PRODUCTIVITY

What was productivity growth in the national accounts? What has driven recent trends and how do these compare to longer term trends?

GDP per hour worked: -0.3 per cent QoQ, -4.5 per cent tty.

- Total GDP per hour worked fell 0.3 per cent in the March quarter to be 4.5 per cent lower through the year.
- Market sector productivity rose 0.9 per cent in the March quarter, though it is still down 4.3 per cent through the year.
 - This estimate excludes non-market industries (Health Care and Social Assistance; Education and Training; Public Administration and Safety) where the majority of output is provided free-of-charge or at prices that are below the cost of provision. Productivity estimates are difficult in these non-market industries.
- In the national accounts productivity is measured as a residual and quarterly movements in productivity can be noisy.
- Whilst GDP per hour worked is below pre-COVID levels (implying falling productivity) it is difficult to discern how much of this is due to structural trends in the economy, cyclical variation and short-term volatility.
- Treasury assumes that productivity grows by 1.2 per cent per annum in the medium term.

What do the national accounts show for unit labour costs? What explains/are the drivers of this?

Nominal unit labour costs: 2.0 per cent QoQ, 7.9 per cent tty.

- This reflects an increase in nominal wages as well as the decline in productivity observed in recent quarters.
- Nominal unit labour costs are the average cost of labour to firms to produce one unit of output. Declines in productivity (i.e. workers producing less) or increases in wage (i.e. the cost of each worker) will result in increases in nominal unit labour costs.
- Nominal unit labour costs are a key determinant of inflation as firms pass through higher input costs on to final prices

OTHER

NET EXPORTS

Why have net exports detracted from GDP in the March quarter?

- Growth in exports was outpaced by growth in goods imports as a freeing up of supply chains led to stronger than expected imports of vehicles and telecommunication goods (including smartphones).
- While mining exports fell slightly over the quarter weighing on exports, there was still a strong recovery in travel services.
- Services imports were **ss 47E(d) and 47J** While Australians continue to travel overseas, Australians are choosing cheaper and closer destinations as cost-of-living pressures affect households' discretionary spending.

WAGE AND PROFIT SHARE OF INCOME

How has the wage share changed from previous quarters? How does this compare to historical standards?

Wage share of income – 50.3 per cent

- The wage share of income grew to 50.3 per cent in the March quarter 2023.
- This is still below the pre-COVID-19 average of around 53 per cent. **ss 47E(d) and 47J**

Is the profit growth result driven by higher input costs? What role has margin setting played?

Mining GOSMI: -3.4 per cent QoQ, 10.2 per cent tty

Non-mining GOSMI: 3.9 per cent QoQ, 8.0 per cent tty

- Total profits (GOSMI) rose 1.8 per cent in the quarter to be 8.6 per cent higher through the year. This result was driven strong growth in private non-financial non-mining corporate GOS partially offset by lower mining and financial GOS. Total GOSMI increased consistent with strong nominal sales noting mixed margin results.
- Private non-financial corporate GOS grew on the back of strong sales and reduced operating costs. The ABS noted that both the wholesale trade and manufacturing sectors had resilient output prices and reducing input costs owing to falling petroleum.
- Other sectors experienced margin squeezes due to falling prices and higher competition. Mining sector margins fell with lower prices as producers in the mining sector are price-takers and margin setting does not play a significant role in their profitability. Financial sector margins narrowed as interest rates rose on deposit accounts by more than loan products.

STATE FINAL DEMAND

What drove any deviations in state final demand?

- State final demand exhibited positive growth in all states except for the Northern Territory (-0.4 per cent) and Tasmania (-0.2 per cent).
 - In both cases, the fall in state demand was driven by a fall in private investment.

- The Northern Territory also experienced a fall in household consumption, offset by strong growth in government consumption.

	QoQ growth	Details
National average	0.6	
New South Wales	0.4	Driven by strong private investment, increases in household consumption and Commonwealth spending.
Victoria	0.7	Strong private and public investment growth partly offset by weak government consumption
Queensland	0.4	Strong private and public investment growth partly offset by weak government consumption
South Australia	0.1	Strong growth in household consumption, partially offset by declines in private investment and government consumption.
Western Australia	0.8	Broad-based strength with increases in government and household consumption, private and public investment.
Tasmania	-0.2	Weak public and private investment growth due to the completion of road projects.
Northern Territory	-0.4	Declines in private investment related to the timing of large projects
ACT	0.5	Growth in consumption partially offset by a decline in private investment.

PUBLIC FINAL DEMAND

What were the drivers of public final demand?

- Public final demand (PFD) grew by 0.6 per cent in the March quarter to contribute 0.2 percentage points to GDP in the quarter.
 - Public investment grew by 3.0 per cent, contributing 0.5 percentage points to growth in PFD as the large pipeline of infrastructure projects and easing capacity constraints supported activity.
 - Public consumption grew by 0.1 per cent, contributing 0.1 percentage points to growth in PFD, down from a quarterly growth rate of 0.6 per cent in the December quarter.