Australian GDP Preview Q3 2022

Slowing growth as consumption, trade normalise

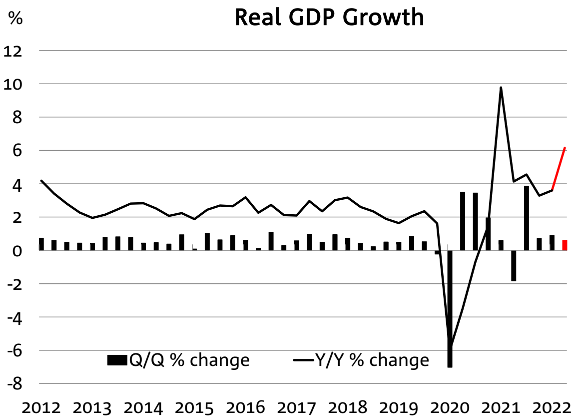
NAB Group Economics

Overview

NAB expects a 0.6% q/q GDP print for Q3 2022, with consumption growth slowing and net exports weighing heavily. That would leave GDP up around 6.2% y/y, partly reflecting base effects from lockdowns in 2021. Goods consumption likely fell slightly (but remained high) while services consumption continued to recover at a slower pace. The detraction from trade will likely be driven by a strong rise in imports – including a notable recovery in services imports – out pacing the rise in exports. While the release will provide a detailed update on the composition of household spending, as well as how the household savings rate is tracking, as always, these data are dated and higher frequency data show consumption may be actually slowing now. Still, the accounts will likely reflect the price and cost pressures which have been evident in the headline CPI and wage data as well as our business survey, supporting a further increase in rates next week. Looking ahead, it is likely GDP growth will slow sharply in 2023 and 2024 as the impact of higher rates cools the economy and the rebound from COVID fades.

Details

- **GDP is expected to have risen by 0.6% in Q3 (6.2% y/y).** Retail sales (excluding cafes & restaurants) were softer at -0.3% for the quarter, but services likely continued growing based on cafes & restaurants (up 3.3%) and indications from NAB's monthly transaction data. Partials on the investment side suggest dwelling investment was flat while business investment picked up only marginally, with weather and supply constraints still a factor. Net exports will likely detract considerably with services imports up sharply and only modest growth in exports. Government spending is also at a high level and while we expect it to eke out a small rise, it may be volatile.
- **Consumption and trade remain areas of uncertainty.** Elevated domestic inflation makes it difficult to be sure how much of the strong growth in nominal consumption data is reflective of increased volumes. Likewise, the partial data for trade have been volatile with goods export values down as commodity prices softened in the quarter. The large nominal increase in services imports (~18%) likely also reflects some price inflation. Mapping these impacts to the price deflators is difficult when there are large price and volume movements.
- **Looking forward**, GDP growth is likely to track at a slower pace as the rebound in services consumption fades and goods demand normalises, while both higher interest rates and inflation weigh on household spending. In the near-term, monthly data suggest that spending growth has slowed in early Q4 with goods demand easing slightly. Through 2023 and 2024 we see GDP growth tracking below 1% y/y as the impact of higher rates weighs on household budgets, dwelling investment falls from very high levels and business investment only ekes out moderate gains.



Real GDP Forecasts

	Q/Q		Y/Y	Contribution to Q/Q
	Jun-22	Sep-22	Sep-22	Sep-22
Household Consumption	2.2	1.3	12.7	0.6
Dwelling Investment	-2.9	-0.6	-5.8	0.0
Underlying Business Investment	0.8	1.2	3.2	0.1
Underlying Public Final Demand	0.0	0.4	3.2	0.1
Domestic Final Demand	**1.0**	**0.8**	**7.4**	**0.8**
Stocks (a)	-1.2	0.3	0.5	0.3
GNE	**-0.2**	**1.2**	**8.6**	**n.a.**
Net exports (a)	**1.0**	**-0.6**	**-2.2**	**-0.6**
Real GDP	**0.9**	**0.6**	**6.2**	**n.a.**

(a) Contribution to GDP growth

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