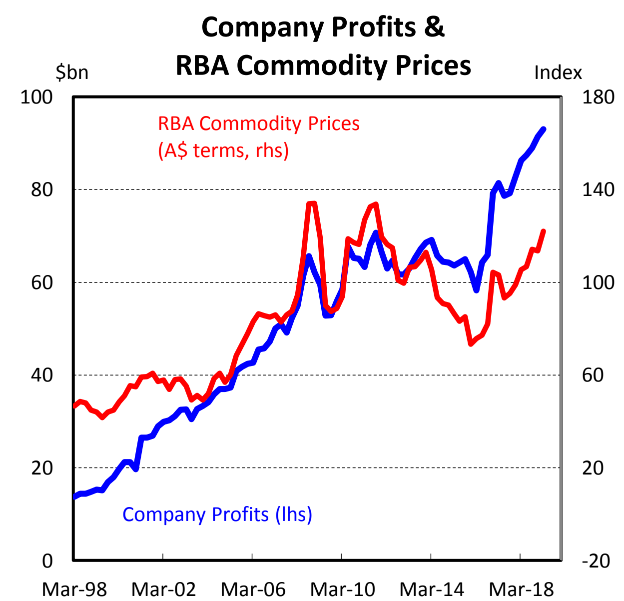
Data Snapshot

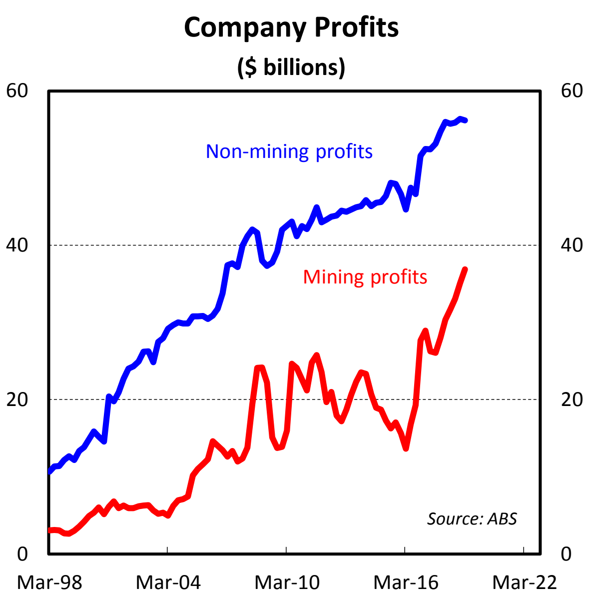
Monday, 3 June 2019

Company Profits

Mining Saves the Day

- **Gross company operating profits lifted 1.7% in the March quarter, following a revised 2.8% increase in the December quarter. The annual rate of growth stepped down from 10.5%, but remained relatively firm at 7.8%.**
- **Much of the growth in profits is being driven by mining. The resource sector is benefiting from a bounce in bulk commodity prices, particularly for prices of iron ore. Mining profits jumped 5.2% in the March quarter, increasing for the sixth consecutive quarter.**
- **Other sectors, however, did not perform so well in the quarter. Indeed, non-mining profits fell 0.4%, the weakest in three quarters. The step down in non-mining profits is being reflected in weaker business conditions and business confidence.**
- **The wages & salaries component rose by 1.1% in the March quarter. Annual growth lifted from 4.0% to 4.4% which was the strongest in three quarters. While wage growth has been slow, the strength of employment gains is providing some support to incomes.**
- **Today's data leaves us comfortable with our GDP forecast of 0.6% and 1.9% in the year. Tomorrow, public spending and net exports will add some further detail, before the GDP release on Wednesday.**





Gross Company Operating Profits

Gross company operating profits lifted 1.7% in the March quarter, following a revised 2.8% increase in the December quarter. The annual rate of growth stepped down from 10.5%, but remained relatively firm at 7.8%.

Much of the growth in profits is being driven by mining. The resource sector is benefiting from a bounce in bulk commodity prices, particularly for prices of iron ore. Mining profits jumped 5.2% in the March quarter, increasing for the sixth consecutive quarter.

Other sectors, however, did not perform so well in the quarter. Indeed, non-mining profits fell 0.4%, the weakest in three quarters. The weakness reflects some of the headwinds in the domestic economy. The downturn in the housing market is impacting profits in sectors such as construction (-7.5%) and rental, hiring & real estate (-10.0%).The loss of momentum in activity in global economy is hitting manufacturing profits, which declined 1.5% in the quarter and have fallen for three consecutive quarters. Profits in sectors tied to consumer spending were also weak, such as retail trade (0.1%) and accommodation & food (-3.8%).

The step down in non-mining profits is unsurprising given that there have been weaker business conditions and business confidence.

Wages

The wages & salaries component of the business indicators report rose by 1.1% in the March quarter. Annual growth lifted from 4.0% to 4.4% which was the strongest in three quarters. While wage growth has been slow, the strength of employment gains is providing some support to incomes.

Inventories

Inventories rose 0.7% in the March quarter, after a flat result in the December quarter. Inventories are therefore expected to add 0.1 percentage points to GDP growth in the March quarter.

Inventories were higher in mining (2.3%), manufacturing (1.4%) and retail (1.9%), while destocking occurred in electricity, gas water & waste (-11.5%) and wholesale trade (-0.6%) industries.

GDP Forecast

Today's data leaves us comfortable with our Q1 GDP forecast of 0.6% and 1.9% in the year. Tomorrow, public spending and net exports will add some further detail, before the GDP release on Wednesday.

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