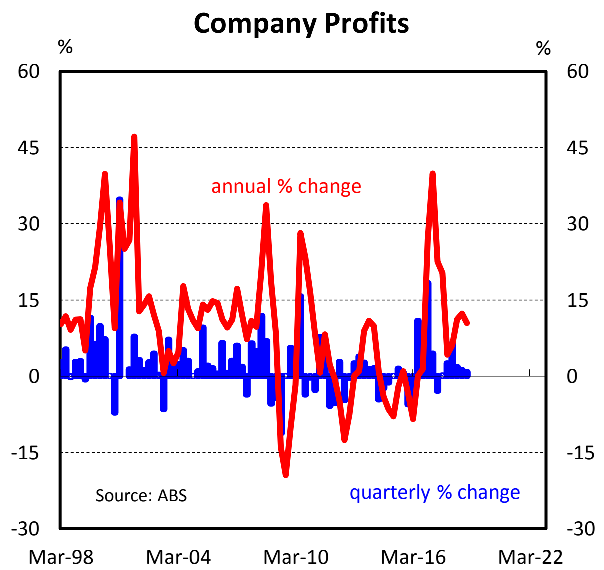
Data Snapshot

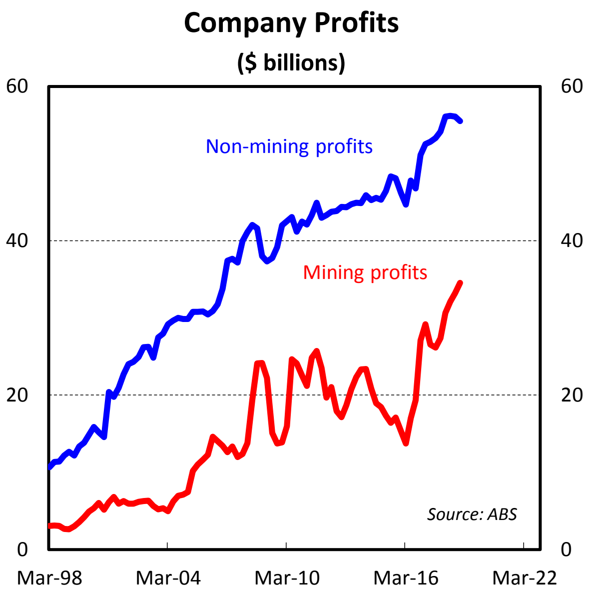
Monday, 4 March 2019

Company Profits

Soft Outcome

- **Gross company operating profits edged up 0.8% in the December quarter, the sixth consecutive quarterly gain. It was the smallest quarterly increase in five quarters.**
- **Higher commodity prices gave support to mining company profits, which rose 4.0% in the quarter, the fifth consecutive quarterly increase. However, profits in the non-mining sector weakened in the December quarter, falling 1.0%, following a 0.2% increase in the September quarter.**
- **The wages & salaries component of the business indicators report rose by 0.8% in the December quarter, the smallest quarterly increase since the March quarter 2017.**
- **The soft increase in profits and wages & salaries leaves us comfortable with our GDP forecast of 0.2% in the December quarter and 2.4% in the year, which is at the lower end of consensus expectations.**





Gross Company Operating Profits

Gross company operating profits edged up 0.8% in the December quarter, the six consecutive quarterly gain. It was the smallest quarterly increase since the September quarter of 2017 and while it was only a little below our forecast (1.0%), it came in below consensus expectations. The annual pace slowed to growth of 10.5% in the December quarter, from 12.3% in the September quarter.

Higher commodity prices gave support to mining company profits, which rose 4.0% in the quarter, the fifth consecutive quarterly increase. However, profits in the non-mining sector weakened in the December quarter, falling 1.0%, following a 0.2% increase in the September quarter.

In the quarter, within non-mining, sectors with strong profit growth included accommodation & food (10.0%), transport, postal & warehousing (8.2%) and professional, scientific & technical (6.7%). Profits fell in the December quarter for financial & insurance services (-26.6%), administrative & support services (-13.8%) and information media & telecommunications (-7.8%).

Wages

The wages & salaries component of the business indicators report rose by 0.8% in the December quarter, the smallest quarterly increase since the March quarter 2017. The annual pace of growth eased to 4.1% in the December quarter, from 4.3% in the September quarter and a recent high of 4.9% in the March quarter 2018. The annual pace remains above the long-term (10-year) average of 3.8%. Despite solid gains in the labour market over 2018, the pace of growth in wages and salaries has eased.

Inventories

Inventories fell by 0.2% in the December quarter, after slipping 0.1% in the September quarter. We were expecting inventories to have a mildly positive impact on GDP growth in the December quarter, although the decline in inventories suggests inventories will make no contribution to growth in the quarter.

In the December quarter, there was destocking in the mining (-2.8%), manufacturing (-0.8%) and electricity, gas, water & waste (-0.6%) sectors. Inventories were rebuilt in the accommodation & food (7.0%), retail trade (0.4%) and wholesale trade (0.4%) sectors.

GDP Forecast

The soft increase in profits and wages & salaries leaves us comfortable with our GDP forecast of 0.2% in the December quarter and 2.4% in the year, which is at the lower end of consensus expectations.

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