Data Snapshot

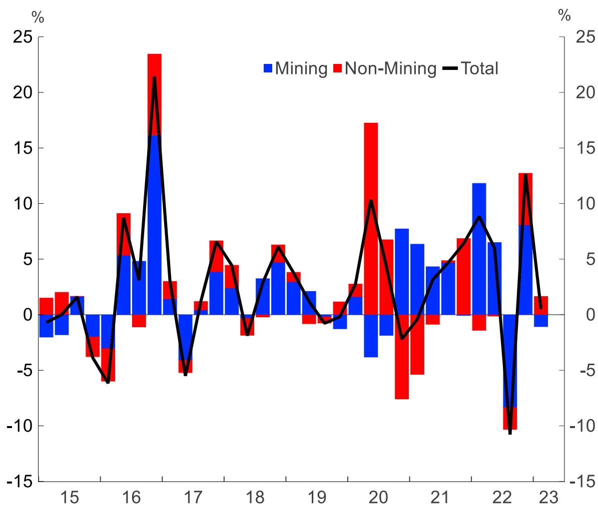
Monday, 5 June 2023

Business Indicators

Conditions Solid. But For How Long?

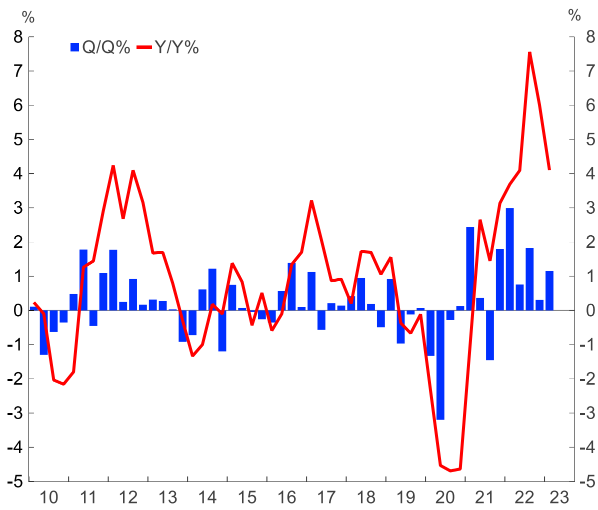
- **Business profits rose 0.5% in the March quarter, slowing substantially from a 12.7% gain in the December quarter. The slowdown was underpinned by a contraction in mining profits as commodity prices came off the boil. Non-mining profits were up 3.3% in the quarter. Annual profit growth remains robust for both mining and non-mining sectors.**
- **Inventories expanded a solid 1.2% in the first quarter of 2023, while a revision to Q4 secured six consecutive quarters of inventory growth. Inventory accumulation was concentrated in accommodation & food services and wholesale trade. Inventory-to-sales ratios were broadly up across industries, increasing the risk of discounting if demand slows quickly.**
- **The change in inventories should add 0.3 percentage points to March quarter GDP growth.**
- **Wage and salary expenses rose 1.8%, the slowest quarterly increase since the September quarter of 2021. This likely reflects slowing employment growth but may also be a sign that wage pressures are moderating alongside some modest softening in the labour market.**
- **There is some early evidence that conditions are turning. Profit margins were slightly softer in the quarter; utilities, financial and other services, and mining were notable exceptions. Note, this data is in original terms and can be volatile from quarter to quarter. Softer profit margins are a sign that businesses may be losing pricing power.**

Gross Operating Profits
Conbribution to Quarterly Growth



Sources: ABS, Macrobond

Company Inventories
Quarterly, Chain Volume Measures



Sources: ABS; Macrobond

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