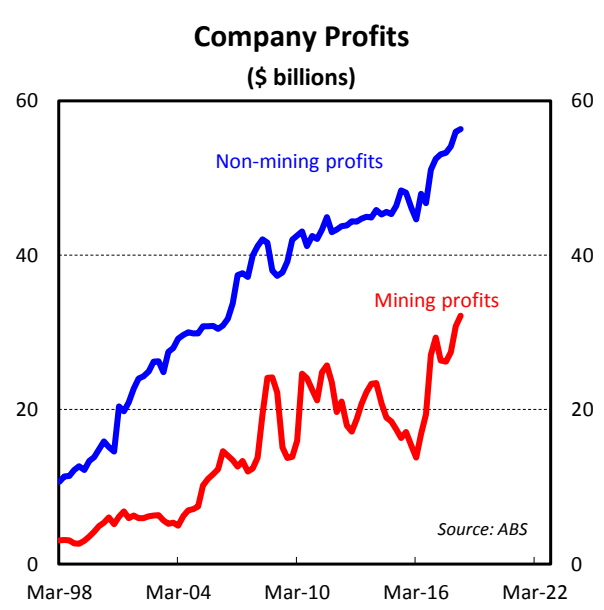
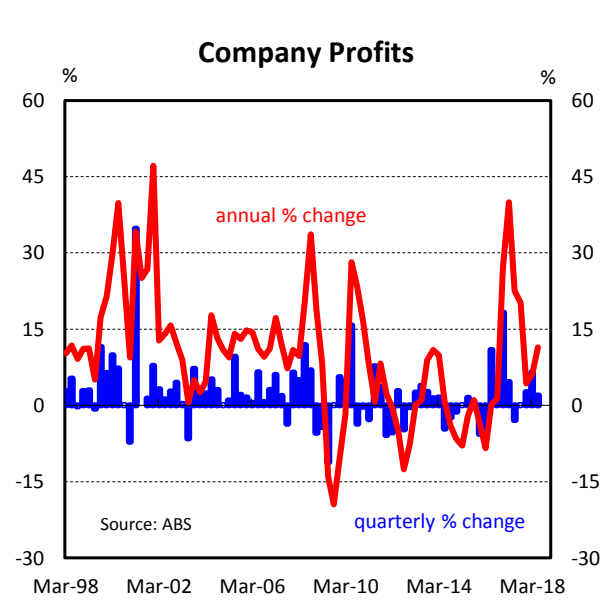


Company Profits

Businesses Buoyant

- Gross company operating profits rose by 2.0% in the June quarter, following growth of 6.5% in the March quarter. The strength in profit growth corresponds with elevated business conditions.
- A jump in mining profits provided the largest contribution to the aggregate growth in gross operating profits, contributing 80% of the total increase for the quarter. Mining profits rose 4.4% in the June quarter, following a 12.2% increase in the previous quarter. Profit growth in non-mining sectors was more subdued, lifting by 0.6% in the June quarter.
- Wages & salaries rose 1.2% in the June quarter and 4.5% over the year.
- Inventories rose 0.6% in the June quarter. This followed an increase of 0.8% in the March quarter. Inventories are likely to detract slightly from GDP growth in the June quarter.
- We remain comfortable with our forecast for a GDP increase of 0.8% in the June quarter and 2.9% in the year. We will receive government spending and net exports tomorrow, before finalising our GDP forecast for Wednesday.



Gross Company Operating Profits

Gross company operating profits rose by 2.0% in the June quarter, following growth of 6.5% in the March quarter. The latest growth in company profits exceeded our own and the consensus forecast. The strength in profit growth corresponds with elevated business conditions, with the business sector now one of the key positives for the Australian economy.

A jump in mining profits provided the largest contribution to the aggregate growth in gross operating profits, contributing 80% of the total increase for the quarter. Mining profits rose 4.4% in the June quarter, following a 12.2% increase in the previous quarter. Exports continued to recover in the June quarter, following weakness earlier in the year.

Profit growth in non-mining sectors was more subdued, lifting by 0.6% in the June quarter. Sectors with strong profit growth included financial & insurance services (rebounding 13.3% after weakness in the previous two quarters), other services (11.1%) and administration & support services (6.5%).

Profits fell in the June quarter in information media & telecommunications (-6.4%), construction (-5.3%) and accommodation & food (-4.7%).

Annual growth jumped from 6.1% in the March quarter to 11.4% in the June quarter.

Wages

The wages & salaries component of the business indicators report rose 1.2% in the June quarter.

The annual pace of growth in wages & salaries eased to 4.5% in the June quarter, from 4.9% in the March quarter, and above the long-term (10-year) average of 3.7%. The strength of the labour market has provided support for incomes growth over the past year.

Inventories

Inventories rose 0.6% in the June quarter. This followed an increase of 0.8% in the March quarter. Given the smaller increase in inventories in the June quarter, inventories are likely to detract slightly from GDP growth in the June quarter.

In the June quarter, restocking was driven by electricity, gas water & waste (3.4%), and wholesale trade (1.1%).

GDP Forecasts

Strong company profits and solid wages & salaries growth suggest upside risk to our GDP forecast, although inventories are now likely to detract slightly from growth in the quarter. We remain comfortable with our forecast for a GDP increase of 0.8% in the June quarter and 2.9% in the year. We will receive government spending and net exports tomorrow, before finalising our GDP forecast for Wednesday.

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The Detail

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