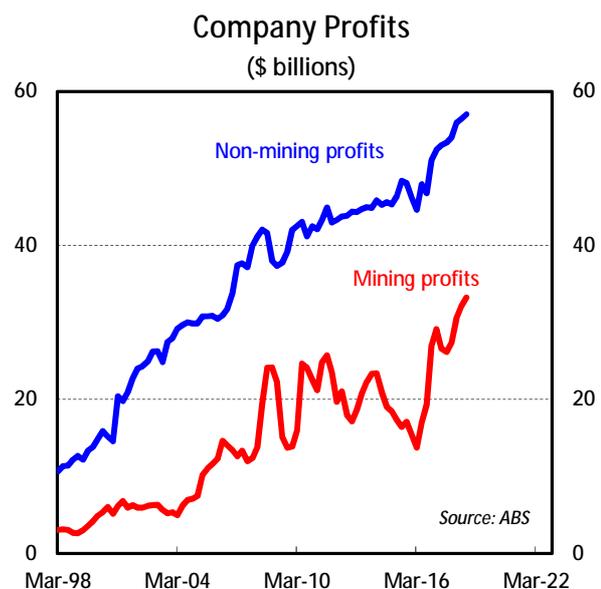
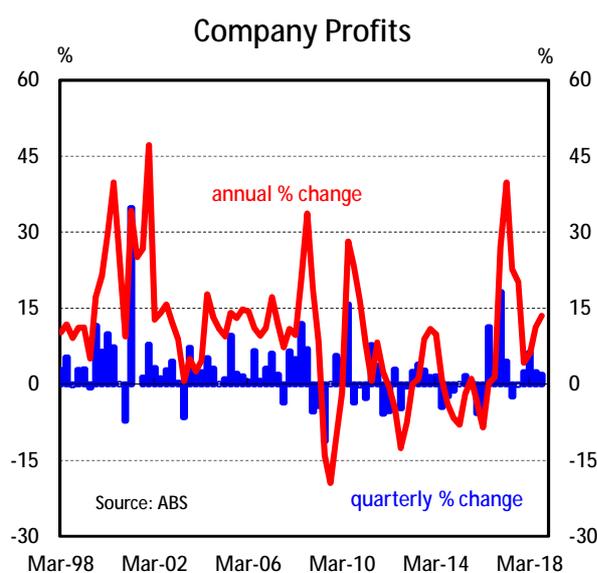


Company Profits

Profits Growing Steadily

- The run of good news in the business sector is continuing. Gross company operating profits rose by 1.9% in the September quarter, the fourth consecutive quarterly gain. The annual pace lifted from 11.3% in the June quarter to 13.5% in the September quarter, the strongest in a year.
- Higher commodity prices gave support to mining company profits, which rose 3.4% in the quarter. However, profits in the non-mining sector also rose, and have been steadily increasing in recent quarters.
- The wages & salaries component of the business indicators report rose a relatively firm 0.9% in the September quarter, although annual growth edged down from 4.5% to 4.3% in the quarter.
- The steady growth in company profits and wages & salaries will be supportive of incomes. However, the flatlining of inventories suggests a detraction from GDP growth in the quarter. It provides some downside risk to our GDP forecast of 0.7% in the quarter and 3.4% in the year. We will receive government spending and net exports tomorrow, before finalising our GDP forecast for Wednesday.



Gross Company Operating Profits

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quarterly gain. The annual pace lifted from 11.3% in the June quarter to 13.5% in the September quarter, the strongest in a year.

Higher commodity prices gave support to mining company profits, which rose 3.4% in the quarter. However, profits in the non-mining sector also rose, and have been steadily increasing in recent quarters. In September quarter, they rose 1.0% for an annual pace of 6.8%. In the quarter, within non-mining, sectors with strong profit growth included accommodation & food (13.5%), construction (9.7%), arts & recreation services (9.7%) and electricity, gas, water & waste (7.0%). Profit growth, above-average business conditions in surveys and improving prospects for business investment are painting a positive story of the business sector.

Profits fell in the September quarter for other services (-8.1%), manufacturing (-5.1%), transport, postal & warehousing (-2.7%) and retail (-2.0%).

Wages

The wages & salaries component of the business indicators report rose a relatively firm 0.9% in the September quarter, although annual growth edged down from 4.5% to 4.3% in the quarter. The annual pace remains above the long-term (10-year) average of 3.6%. The strength in the labour market is boosting overall wage incomes.

Inventories

Inventories were flat in the September quarter, after an increase of 0.7% in the June quarter. Weaker-than-expected inventories suggest a modest detraction from GDP growth in the quarter.

In the June quarter, there was destocking in most industries including accommodation & food services (-3.3%) electricity, gas water & waste (-2.4%), mining (-0.9%) and wholesale trade (-0.7%). Retail trade was the only industry recording an increase in inventories.

GDP Forecasts

The steady growth in company profits and wages & salaries will be supportive of incomes. However, the flatlining of inventories suggests a detraction from GDP growth in the quarter. It provides some downside risk to our GDP forecast of 0.7% in the quarter and 3.4% 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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