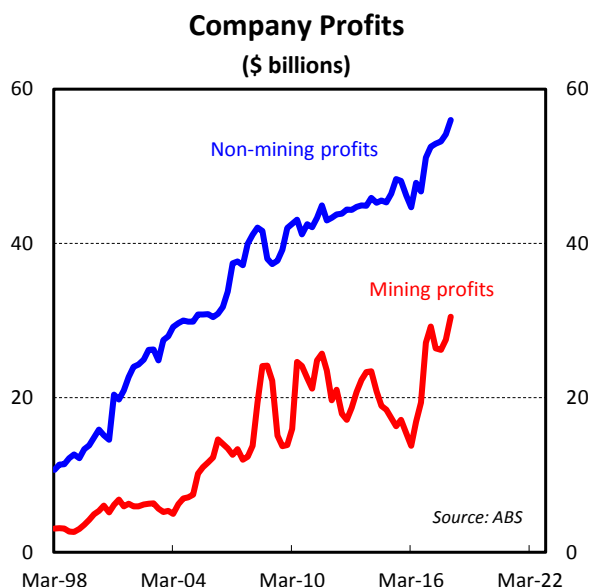
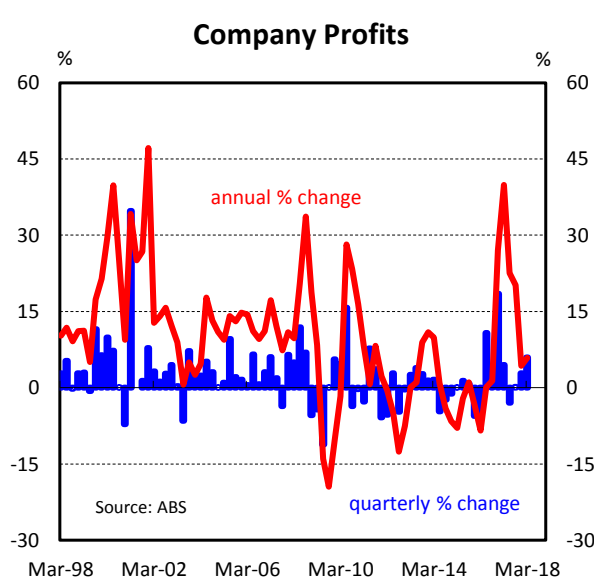


Company Profits

Good Times for Businesses

- Gross company operating profits jumped 5.9% in the March quarter, the strongest quarterly increase in over a year. The strength in profit growth corresponds with elevated business conditions and is indicative of how the business sector has become one of the key positives for the Australian economy.
- A 10.9% surge in mining profits drove overall profit growth higher in the quarter. A recovery in exports in the March quarter, after shipments were hampered previously, and a surge in commodity prices, helped miners. Non-mining sectors also performed well, with profits growing 3.4% in the quarter.
- Wages & salaries rose a moderate 0.8% in the March quarter, but it was the softest quarterly increase in a year.
- Inventories rose 0.7% in the March quarter, and are likely to make a small contribution to GDP growth in the March quarter.
- Strong company profits and the larger-than-expected contribution to economic growth from inventories suggest upside risk to our GDP forecast of 0.9% growth in the March quarter, and 2.8% 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 jumped 5.9% in the March quarter, the strongest quarterly increase in over a year. It exceeded consensus and our forecast for a 3.0% increase. The strength in profit growth corresponds with elevated business conditions, and is indicative of how the business sector has become one of the key positives for the Australian economy.

Annual growth edged up from 4.3% in the December quarter to 5.8% in the March quarter.

A 10.9% surge in mining profits drove overall profit growth higher in the quarter. Mining profits comprised of 34% of profits over the year to March. A recovery in exports in the March quarter after shipments were hampered previously, and a surge in commodity prices, helped miners.

Non-mining sectors also performed well, with profits growing 3.4% in the quarter. Sectors with strong profit growth included arts & recreation services (18.9%), administration & support services (13.6%), electricity, gas, water & waste (11.9%) and construction (10.1%).

Profits fell in the March quarter in financial & insurance services (-14.4%), accommodation & food (-5.3%) and wholesale trade (-4.6%).

Wages

The wages & salaries component of the business indicators rose a moderate 0.8% in the March quarter, but it was the softest quarterly increase in a year.

Nonetheless, thanks to stronger outcomes over 2017, the annual growth rate picked up from 4.4% in the December quarter to 5.1% in the March quarter. It was the strongest annual growth in nearly six years. The strength of the labour market, particularly over last year, has provided support to overall growth in incomes.

Inventories

Inventories rose 0.7% in the March quarter, against the market expectations for a flat result. We had expected a small detractor. Inventories are likely to make a small contribution to GDP growth in the March quarter.

In the March quarter, restocking was driven by electricity, gas water & waste (4.1%), and wholesale trade (3.5%).

GDP Forecasts

Strong company profits and the larger-than-expected contribution to economic growth from inventories suggest upside risk to our GDP forecast of 0.9% growth in the March quarter, and 2.8% 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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