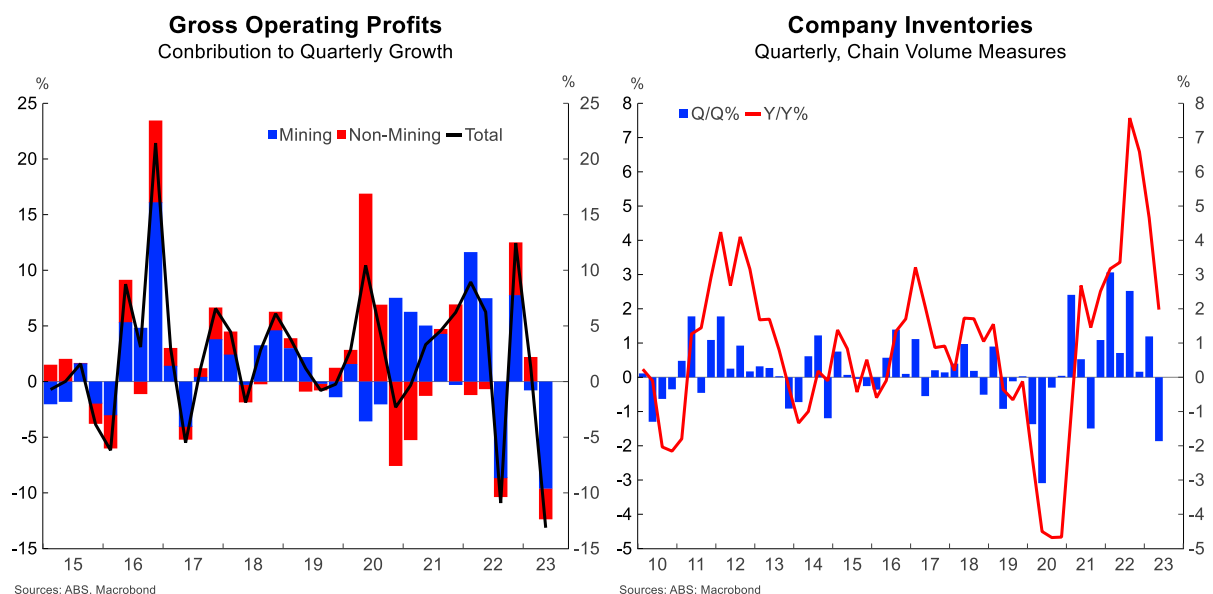


## Business Indicators

### Profits Fall As Inventory Run Down Begins

- Business profits plunged 13.1% in the June quarter in a further sign of a slowing economy. Mining profits plummeted 21.3% as commodity prices dropped sharply (-13.7%). Non-mining profits fell 5.0% in the quarter but were 5.1% higher compared to a year ago.
- Outside the mining sector, manufacturing (-8.9%), transport, postal & warehousing (-11.0%), rental, hiring & real estate (-11.8%), and wholesale trade (-6.8%) were the largest contributors to weakness in the quarter. Nine of 15 sectors reported falls in quarterly profits.
- Businesses began running down the large stock of inventories that have been built up as supply-chain disruptions eased. Inventories fell 1.9% in the quarter – the largest quarterly drop since the June quarter of 2020. This was led by mining (-5.2%), wholesale (-2.3%) and retail (-2.1%) trade, and accommodation & food (-1.0%).
- The change in inventories is expected to detract 1.0 percentage points from June quarter growth. This is material and opens up the risk of a weak or potentially negative GDP print on Wednesday. Other partial indicators released tomorrow will help solidify the picture.
- Growth in wages & salaries continues to moderate – a further sign of an easing in labour market pressures as labour supply continues to outpace demand. Wages & salaries rose 1.8%, the slowest pace since the September quarter of 2021.
- While volatile on a quarterly basis, profit margins for many services industries declined for a second consecutive quarter, including accommodation & food. This suggest businesses are finding it more difficult to fully pass through costs as higher interest rates weigh on demand.



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