

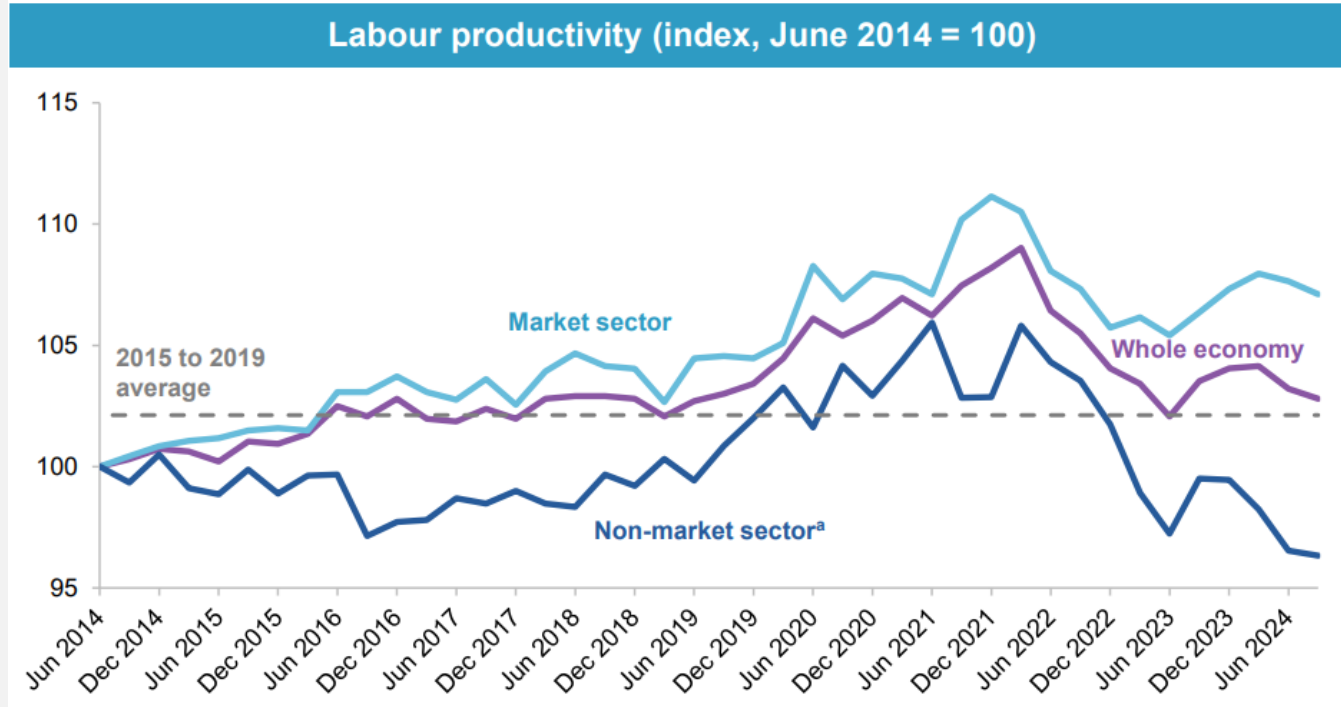


Australian Government
Productivity Commission

Australia's Productivity Outlook

Alex Robson, Deputy Chair
ABARES Outlook Conference
4 March 2025

The COVID Productivity Bubble has Burst



Headline Statistics to September 2024

Table 1 – Whole economy and market sector growth rates^{a,b}

	Latest quarters		Quarterly average		Through the year
	Jun 24 to Sep 24	Mar 24 to Jun 24	Q4 2023 to Q3 2024	Q4 2019 to Q3 2024	Sep 23 to Sep 24
Whole economy					
Output (real GDP)	0.3%	0.2%	0.2%	0.6%	0.8%
Hours worked	0.8%	1.1%	0.4%	0.6%	1.7%
Labour productivity	-0.5%	-0.9%	-0.2%	0.0%	-0.8%
Market sector					
Output (gross value added)	0.1%	0.4%	0.2%	0.5%	0.8%
Hours worked	0.5%	0.7%	0.0%	0.4%	0.1%
Labour productivity	-0.4%	-0.4%	0.2%	0.1%	0.7%

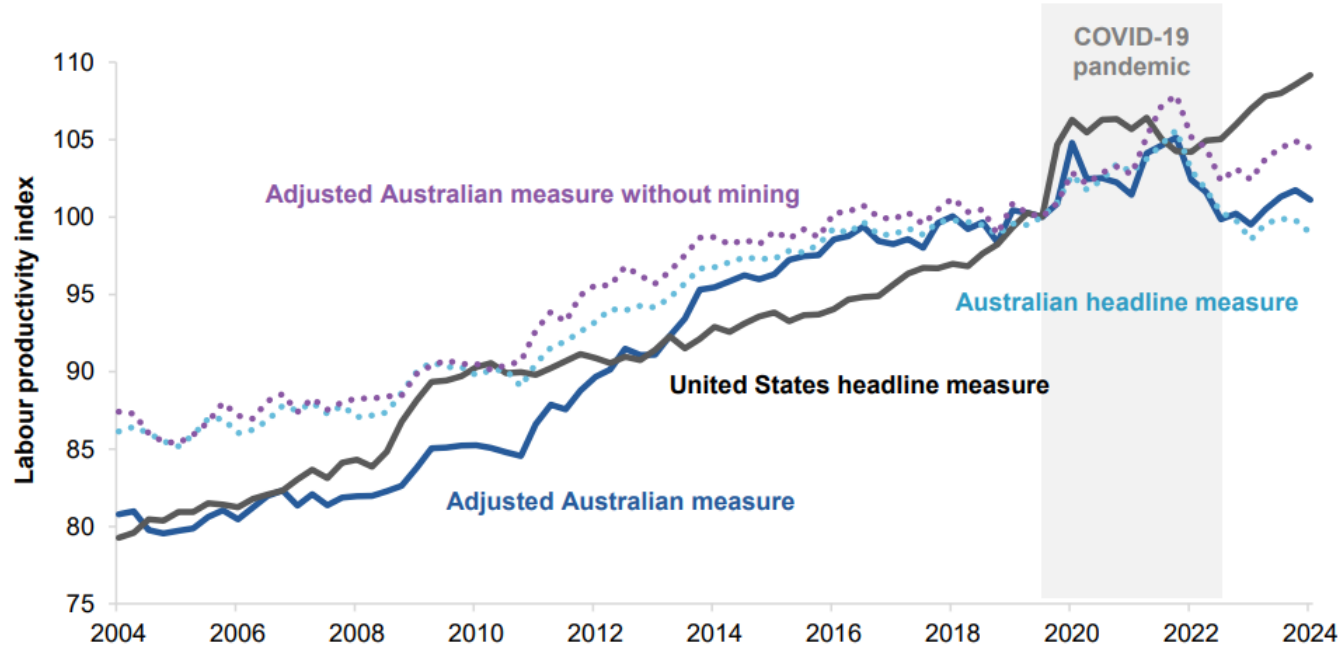
a. Some figures will not appear to add correctly due to rounding to one decimal place. Gross value added (GVA) output is Gross domestic product (GDP) less taxes less subsidies on products and the statistical discrepancy. Labour productivity is the growth in output per unit of labour input. **b.** All values are in real, chain weighted, terms. Through the year estimates show the change between the current quarter and the corresponding quarter of the previous year.

Sources: Productivity Commission (PC) estimates based on: ABS (2024, *Australian National Accounts: National Income, Expenditure and Product*, September 2024, Cat. no.5206.0, table 1).

Losing Ground to the US

Figure 1 – Australian productivity growth has lost ground to the United States

Quarterly real labour productivity (index, Dec 2019=100), June 2004 to June 2024^a



a. The Australian headline measure is for the whole economy. The US headline measure is for the nonfarm business sector. The adjusted Australian measure is for all market sector industries except agriculture, forestry and fishing.

Source: PC estimates based on ABS (2024a, 2024c) and BLS (2024).

Multifactor productivity

- Multifactor productivity (MFP) is a measure of how well labour and capital inputs are combined to produce outputs.
- It is a key determinant of growth in GDP and living standards.
- Market sector MFP rose by a sluggish 0.1% between 2022-23 and 2023-24, below the 20-year average of 0.3% per year and well below the 1.6% per year between 1994-95 to 2003-04 (an MFP boom decade).

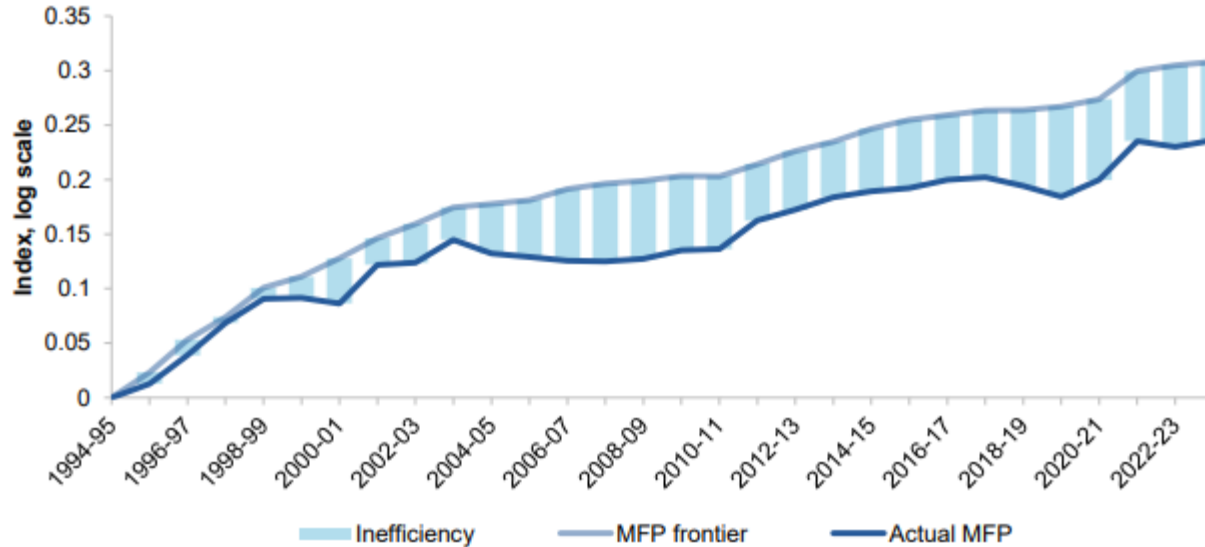
Multifactor productivity

Conceptually, and in practice, MFP growth requires two ingredients:

1. New ideas need to be discovered – the productivity frontier needs to shift outwards.
2. These new ideas need to be applied or used – businesses need to eliminate inefficiency and reach the new frontier

Decomposition of MFP growth

Figure 1 – MFP growth slowed because growth in the frontier slowed and inefficiency crept in
Decomposition of multifactor productivity – market sector excluding mining



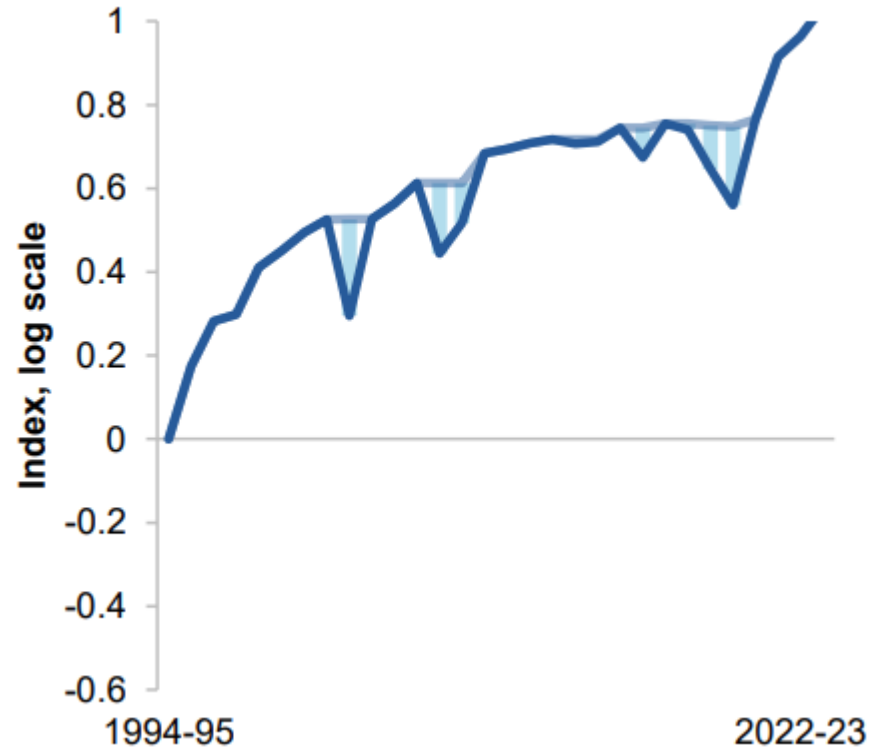
Source: PC estimates based on ABS (*Australian System of National Accounts, 2023-24; Estimates of Industry Multifactor Productivity, 2023-24*).

Agriculture

- Multifactor productivity grew by 7.3% in the last financial year.
- And the frontier has grown rapidly...

Agriculture

a. Agriculture, forestry and fishing



5 Pillars Inquiry

With productivity growth a major target for economic reform, the PC has embarked on a series of inquiries under each of the five pillars of the Australian Government's productivity growth agenda:

1. creating a dynamic and resilient economy
2. building a more skilled and adaptable workforce
3. harnessing data and digital technology
4. delivering quality care more efficiently, and
5. investing in cheaper, cleaner energy and the net zero transformation.

Questions?