

GDP vs GDP per capita

Popularity comes with perks

15th May 2024

Immigration: a GDP free kick

GDP has many flaws. Even Simon Kuznets, the man credited with developing the concept, warned, *“the welfare of a nation can scarcely be inferred from a measurement of national income.”*

One major flaw that especially affects Australia is the free hit provided by population growth, which in Australia’s case, means immigration.

Looking back 50 years to 1973 (when the per-capita series starts), population growth has provided nearly 50% of the GDP growth, with GDP growing at a 3.0% compound average growth rate, compared to GDP per capita, which has averaged 1.6%.

Table 1: Population growth has delivered almost half the total GDP growth

Since 1973	GDP	GDP per capita
CAGR	3.0%	1.6%
Negative quarters	25	49
Recessions*	8	15

*Note: A recession is defined as two consecutive quarters of negative growth.

Source: ABS, Venn Brown

GDP per capita has had double the negative quarters

Table 1 shows a similar pattern when looking at the number of negative quarters and recessions (defined as two consecutive quarters of negative growth). Since September 1973, GDP per capita has registered 49 negative quarters compared to GDP, which recorded only 25 over the same period.

Immigration is the magic lever governments (of all colours) have become addicted to in order to boost GDP (and housing prices). If GDP looks to be slowing, just let a few more thousand people into the country and watch the GDP grow.

ASX All Ordinaries

ASX:XAO

Sector	All
Num. constituents	495
Date	14-May-24
Value	8,019
52 week range	6,939 / 8,168
Market cap	\$2,650b
Yield	3.5%

ASX Small Ordinaries

ASX:XSO

Sector	All
Num. constituents	198
Date	14-May-24
Value	3,041
52 week range	2,551 / 3,128
Market cap	\$260b
Yield	2.6%

3-year Price Chart

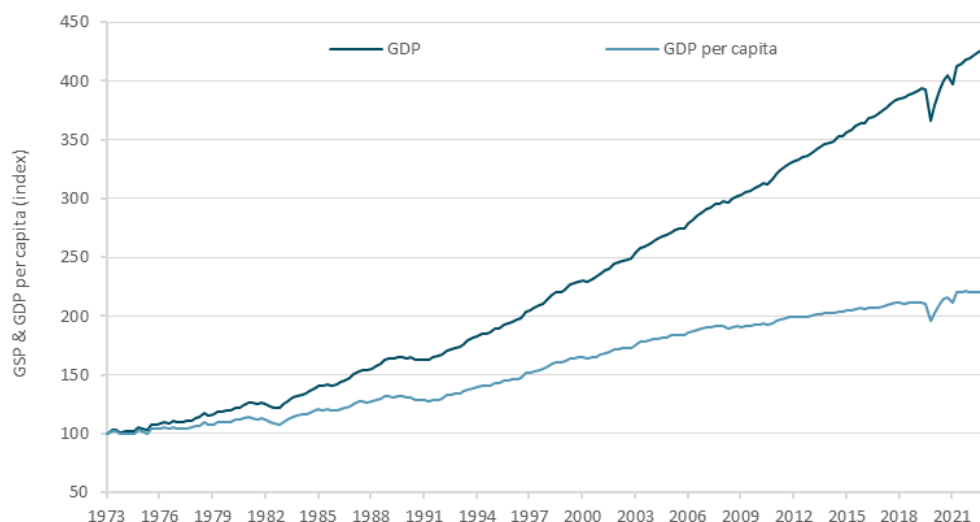


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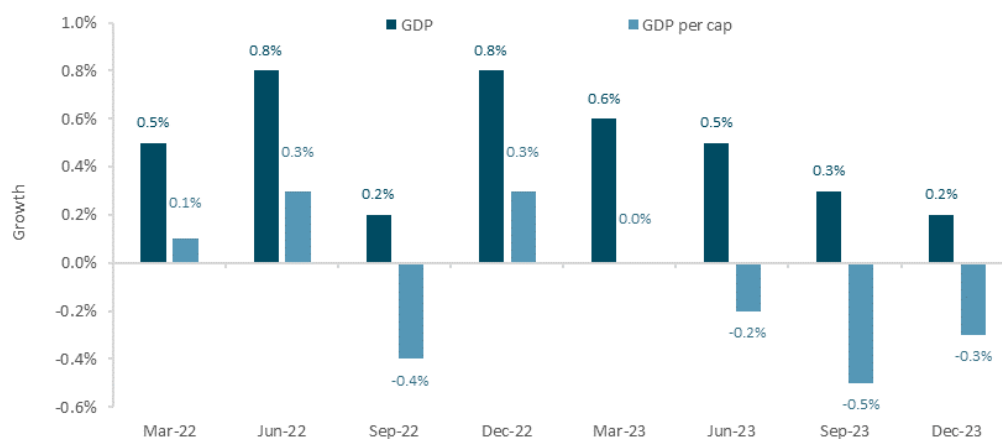
Figure 1: Population growth is responsible for almost half the total GDP growth



Source: ABS, Venn Brown

While all the talk is on cost of living and inflation pressure, it's worth noting that while the government has been proudly reporting unbroken economic growth, on a per capita basis, GDP has been flat or negative for five of the last eight quarters.

Figure 2: GDP per capita has been flat or negative for five of the last eight quarters



Source: ABS, Venn Brown

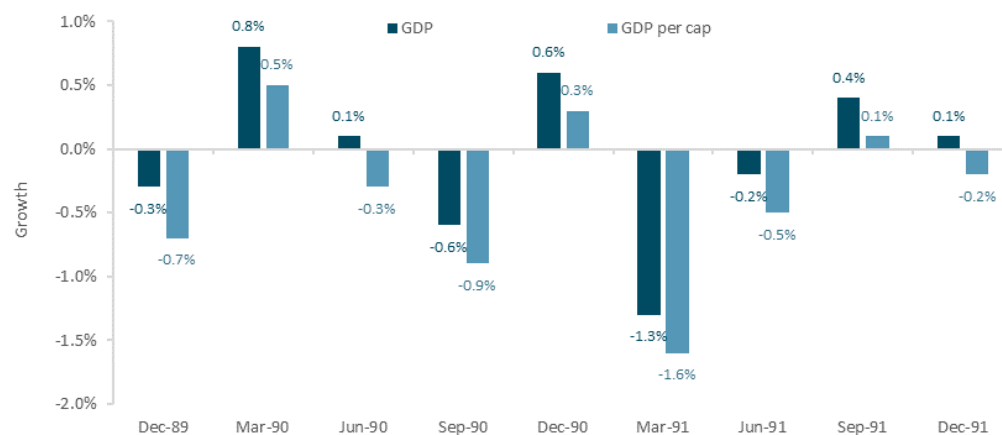
An interesting reference for the current period is the 1990/91 recession (see Figure 3), during which per capita GDP was negative for six of nine quarters, compared to GDP, which was negative for four of the nine.

That's not to say we're even close to a similar economic downturn. Back in 1990/91, there were three key differences to our current environment, the most important of which is unemployment:

- 1) Unemployment reached 11.1% compared to today's persistent, near-record low of 3.9%;

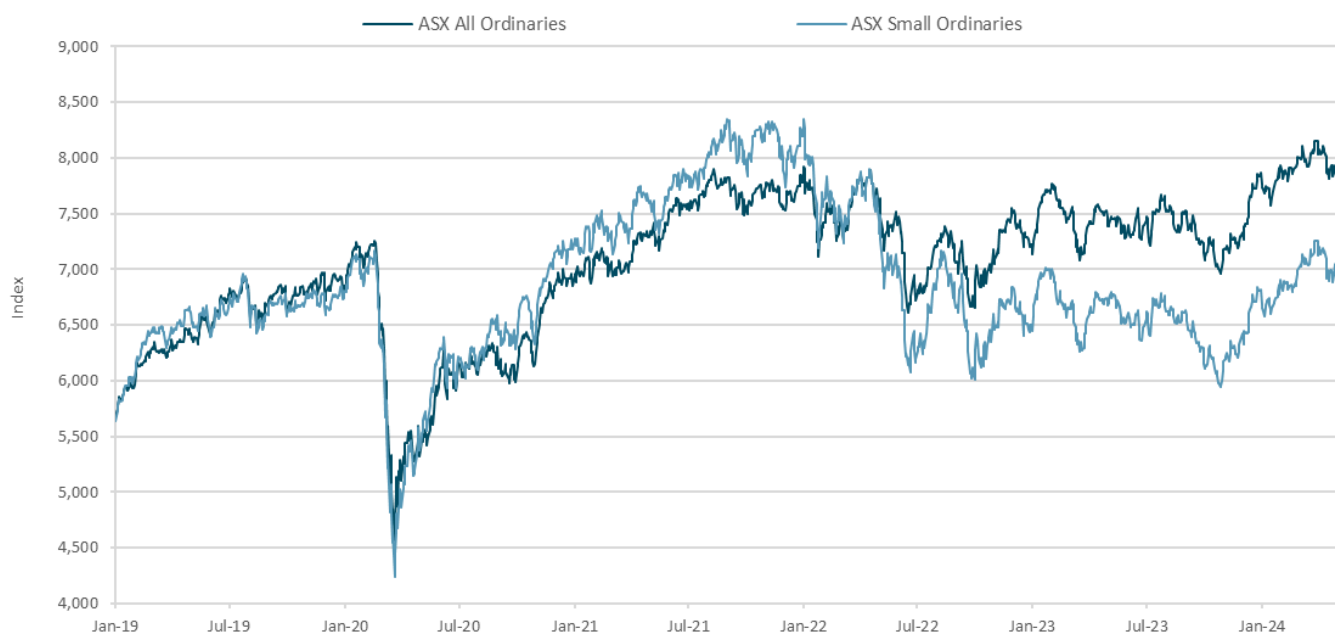
- 2) Actual GDP was negative for three quarters, bottoming with a -1.3% contraction; and
- 3) The magnitude of the negative GDP per capita was double to triple the current level.

Figure 3: 1990/91 recession had six out of nine negative quarters of per capita GDP



Source: ABS, Venn Brown

Index performance



Source: Factset

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