



Synergy's Economic Insights

OVERALL ECONOMIC PERFORMANCE

YOUR CONSIDERED BRIEFING ON
THE AUSTRALIAN NATIONAL ACCOUNTS
BROUGHT TO YOU BY SYNERGY'S
ADVANCED ECONOMIC MODELLING GROUP



AUSTRALIA'S NATIONAL ACCOUNTS – MARCH 2020

Our objective is to provide key insights and thought leadership on topical issues affecting the economy through considered analysis.

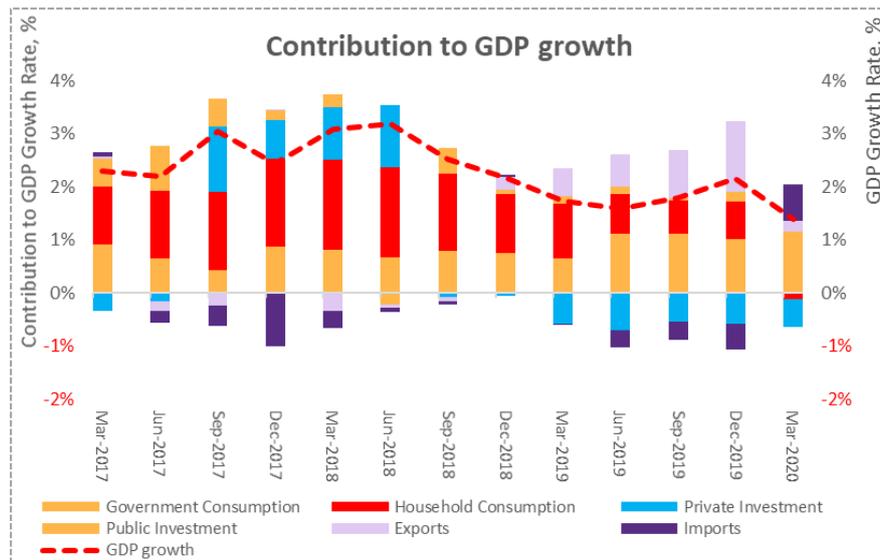
Key Questions about the Australian Economy

- » How do we kick-start economic recovery post-COVID19?
- » How do we uplift workforce skills?
- » How do we jump-start productivity to speed up economic recovery?
- » How do we avoid chronic economic recession?

Economic Overview – March 2020

...Coronavirus restrictions are easing across states/territories gradually as social-distancing measures remain in force. It is anticipated that relaxing the guidance will help kick-start economic recovery – post-COVID19...

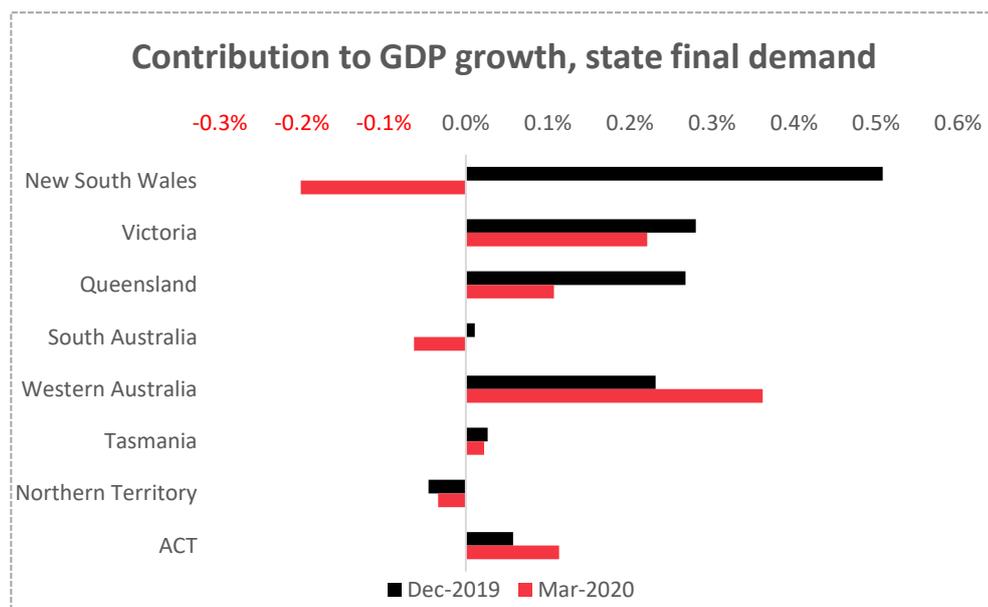
- » Australia's economic performance is heavily supported by government consumption and is significantly negatively impacted by the reductions in private investment.
- » Strong declines in household consumption has contributed significantly to a decline in GDP growth (below 1% per quarter) with a significant reduction from its 2018 contributions.
- » Private investment continues to negatively impact on GDP growth. The past five quarters show a continuing decline in private investments. This is driven by already significant debt of Australian households.
- » Under ordinary circumstances, we would expect to see exports adding to GDP growth while imports would reduce GDP growth driven by the worsening nature of the Balance of Payments resulting in depreciating Australian dollar. This pattern has been disrupted in the most recent quarter due to the supply chain constraints and changes in directions of international trade.
- » **For the first time since March quarter of 2017, there is a positive impact to GDP growth by imports.**
- » Australian balance of trade has deteriorated significantly in the last quarter mostly due to the COVID-19 impact on global demand for basic commodities. This effect would have been much deeper were it not for the relative price resilience of mining commodities which can be easily stored for later use.
- » Australia has a favourable foreign exchange rate which remains the lowest it has been in 11 years. This increases the price competitiveness of Australian exports on the commodity markets once supply chains are restored.



Source: ABS 5206.0, Synergy AMG calculations

State and Territory Economic Performance

- » Australia’s macro-economic performance is heavily driven by large states on the east coast.
 - The contribution of New South Wales to the national GDP growth rate was significantly impacted by the COVID19 pandemic as service and transport sectors were severely constrained in their operations.
 - Victoria and Queensland fared better with marginally lower growth due to their diversified economies with larger proportions of activity in the mining sector providing stability to their economic performance.
 - Western Australian economic performance improved significantly due to continued mining activities.
 - Growth in the ACT has increased due to increased Public Administration requirements in delivery of new government support programs.



Source: ABS 5206.0, Synergy AMG calculations

What to look for in the June 2020 National Accounts

- » Full COVID-19 impact and government economic stimulus package/program (e.g. Jobseeker, Jobkeeper) will be presented in June quarterly ABS National Accounts
- » Unemployment is estimated to go up to 8% and underemployment rate (or shadow unemployment) is rising substantially
- » June Quarterly GDP is anticipated to further contract significantly, led by large states (e.g. NSW, VIC and QLD) – annual GDP loss up to 11% from OECD Economic Outlook
- » Effective working hours are expected to contract, implying labour productivity might contract if the economic growth is not falling faster than reduced working hours (due to Jobkeeper stimulus package)

What We Do

Advanced Modelling Group (AMG), specialises in:

- Labour Market, Workforce and Demographic Modelling
- Macroeconomic Modelling and Economic Impact Analysis
- Circular Economy
- Cyber Security/Risk Economy
- Energy Modelling and Forecasting
- Supply-Chain Modelling
- Critical Infrastructure Modelling

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