

Synergy's Economic Insights

CPI, BUSINESS AND CONSUMER CONFIDENCE

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



AUSTRALIA’S NATIONAL ACCOUNTS – MARCH 2020

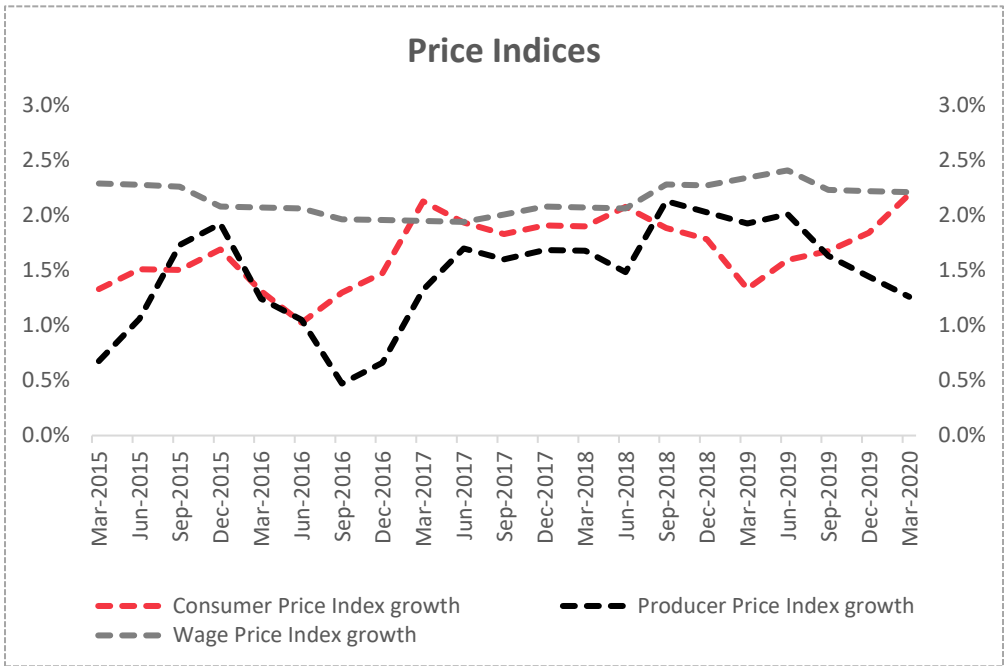
Our objective is to provide key insights and thought leadership on topical issues affecting the economy through considered analysis.

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 – Consumer Price Index

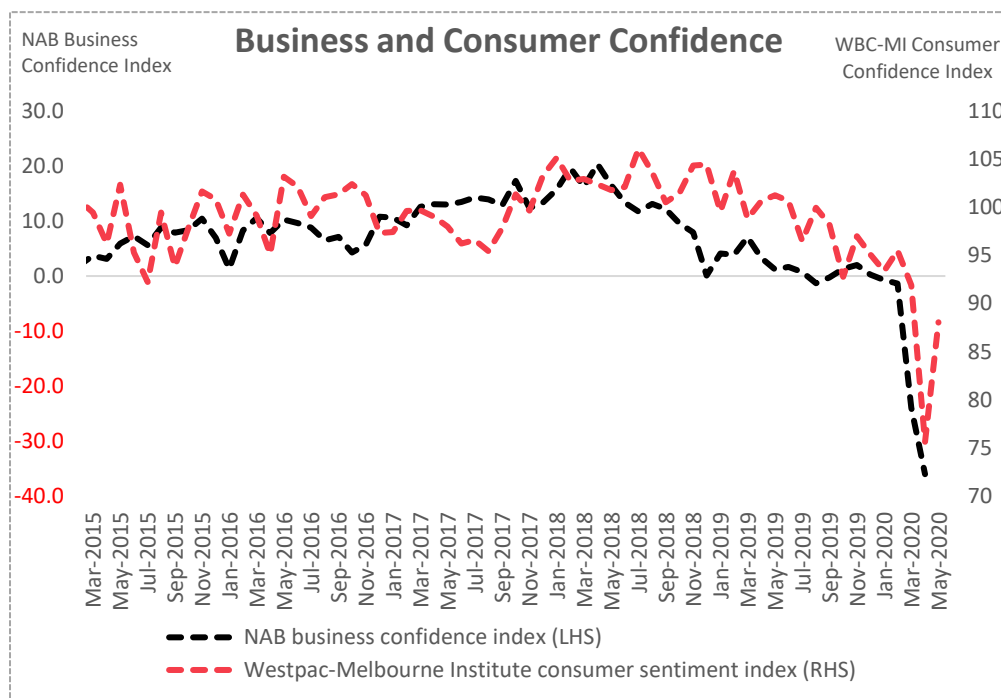
- » Australian CPI continues to recover, while PPI trends below CPI
- » CPI entered the RBA target range (2-3%) for the first time in 2 years. Under current weak economic environment impacted by the bushfires and local as well as international COVID19 production declines.
- » Producer Price Index (PPI) is equivalent to CPI at the business level, declined further as the reductions in global industrial production (led by the reduction of prices of crude oil) have reduced prices of commodity inputs into industrial production coupled with the disruptions in global industry supply-chains on which Australia is heavily dependent.
- » Wage growth remains flat around 2.2% year-on-year quarterly growth rate, matching national inflation rate. This present real wage growth nearly zero, denting economic recovery.



Source: ABS 6401.0, 6345.0, 6427.0, Synergy AMG calculations

Business and Consumer Confidence Performance

- » Australian business and consumer confidence levels reached their lowest levels since 2008 (GFC period)
- » Business confidence survey results continues to be weak, reducing to -36 index points, implying business production capacity utilisation reduced significantly below average. The lowest level previously recorded during GFC of 2008 at approximately half the current value.
- » Consumer confidence leading index plunged to its lowest level in April, significantly rebounded in May, remaining at a substantially lower level.
- » Strong market uncertainty about the length and severity of the COVID19 impact on consumer and inter-industry demand causing weak business confidence domestically and internationally.
 - Domestic Uncertainty Factors
 - COVID19
 - Bushfires and natural disaster recovery
 - Global Uncertainty Factors
 - COVID19 (second wave)
 - US protests
 - On-going Trade war between China and US
- » Consumers are under pressure (unemployment fears) to be more conservative and prioritize their spending on essential items related to the housing, transport and food, so does private investors.



What to look for in the June 2020 National Accounts

- » CPI will be flat if not contracts due to significant household demand reductions under the lockdown and border control between states
- » It is anticipated to see further decrease of business and consumer confidence index.
- » Falling business confidence sentiment will affect the future investment, which might undermine a speedy economic recovery leading to a prolonged and deeper recession.

What We Do

Advanced Modelling Group (AMG), specialises in:

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

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