



# Synergy's Economic Insights

CHRONIC RECESSION WITH HIGH UNEMPLOYMENT

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.**

The Treasurer confirmed Australia had entered its first recession in 29 years, following ABS figures showing the economy shrunk by 0.3% in the March quarter. This recession could be very different as it may be chronic while the recession in the past (Great Depression in the 1930s and the recession in the early 1990s) was cyclical – the economic system itself broke down and it took years of policy trial and error to rebuild it...

## Key Questions about the Australian Economy

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

## Chronic Recession with High Unemployment

- » GDP contracted in March quarter; however, **this quarter does not capture the fundamental economic impact of COVID-19**. The full effect will be seen in the June 2020 National Accounts.
- » **The contraction in the March 2020 accounts are most impacted by economic disruption of the national bushfire crisis.**
- » Border control and lockdown restrictions were introduced from mid-March when the economy was affected from national bushfire crisis. There were some early economic impacts from the COVID-19 pandemic due to reduced tourism from China and Europe and the beginning of major disruptions to global supply chains.
- » The unemployment rate was moderate according to the ABS. The impact on the unemployment rate was buffered by a shrinking labour force. For example, migrants holding temporary visas to go back their home countries and older workers exiting from the workforce due to health concerns.
- » The underemployment rate and part-time worker ratio are increasing significantly. Reduced number of work hours implies high shadow unemployment rate.
- » Reduced demand, due to the lockdown restrictions domestically and globally, has resulted in the price of crude oil collapsing and slower growth in housing prices.
- » The cash rate is at historically lowest level since records began in January 1990 which means that government focus on jump starting the economy and recovery moves from monetary to fiscal policy.
- » This shift is evident in the Australian government's introduction of sequential, and unprecedented, economic stimulus packages to save the economy through the support of job market. These are: upgraded Jobseeker, Jobkeeper (initially budgeted in \$130 billion, now revised to \$70 billion), Jobmaker (under planning) and Homebuilder programs totalling approximately \$84.68 billion.

## Opportunities for Australian Industries and Economy

- » The crises of 2020 also present a series of important new opportunities for Australia's already established as well as developing industries to diversify the base of our exports within the region while continuing to build the quality name of Australian Made products and services locally and internationally.
- » This also brings supply-chain and sovereignty of industries to the top of Australia's industry and economic reform priority list.

### R&D

- » Australian firms in the Human Pharmaceutical industry possess the production capacities of national importance to support the production of new vaccines and deploy highly efficient medication delivery devices.
- » Research into new medicines and the provision of new medical equipment present important opportunities for Australia's highly developed and capable advanced manufacturing industry.

### Education

- » While our educational institutions are facing immediate challenges in responding to the current travel restrictions. Concurrently, these institutions urgently need to adapt to on-line learning and industrialise the processes to support online learning for current and potential students.
- » With the sustained reduction in new COVID-19 infections, Australian schools and universities will be the safest place to attract more international students when border controls ease. This opens opportunities to attract a more diversified student body.

### Agriculture

- » Globally, Australian farmers have an excellent opportunity to offer reliable agriculture exports and explore new markets where they may not have competed in the past.

### Trade Diversification

- » There is an opportunity to establish new international markets by actively engaging with new trade partners allowing Australia to diversify its trade flows (especially exports) among current and new trading partners and provide new products on the international markets.

## What to look for in the June 2020 National Accounts

- » Education sector will be hammered significantly due to travel restriction – domestic and international
- » Health sector expands significantly due to current treatment and preparedness for future demand – hospital (including ICU), home-care, aged-care etc.
- » Further expansion and more opportunities for professional service R&D on vaccine-related research to fight against COVID-19
- » More trading opportunities with neighbouring countries, e.g. new agriculture export to India, at the same time maintain trade relationship with current trading partners
- » June Quarterly GDP is anticipated to further contract – annual GDP loss up to 11% from OECD Economic Outlook

## What We Do

Advanced Modelling Group (AMG), specialises in:

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

## Contact Us

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