



Synergy's Economic Insights

GDP AND SECTOR 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

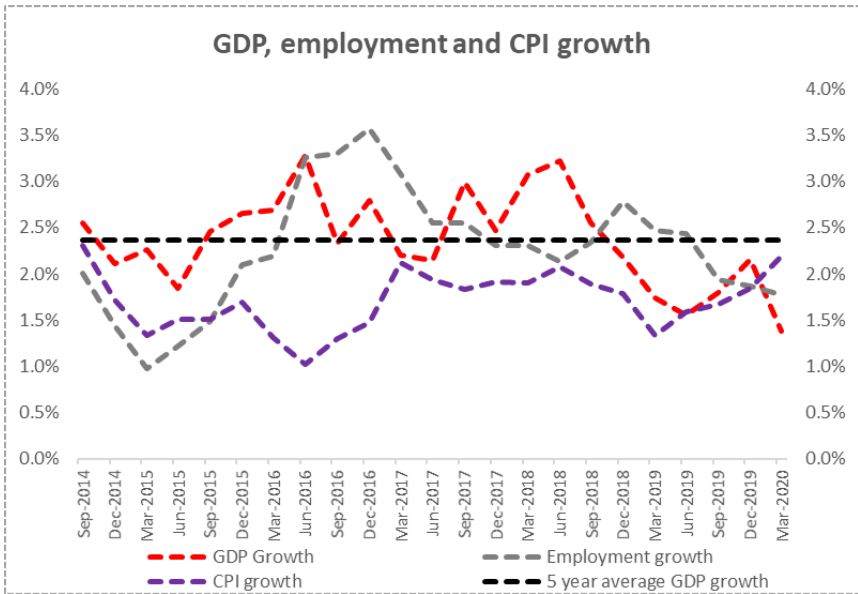
Our objective is to provide key insights and thought leadership on topical issues affecting the economy through considered analysis.

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 – Gross Domestic Product

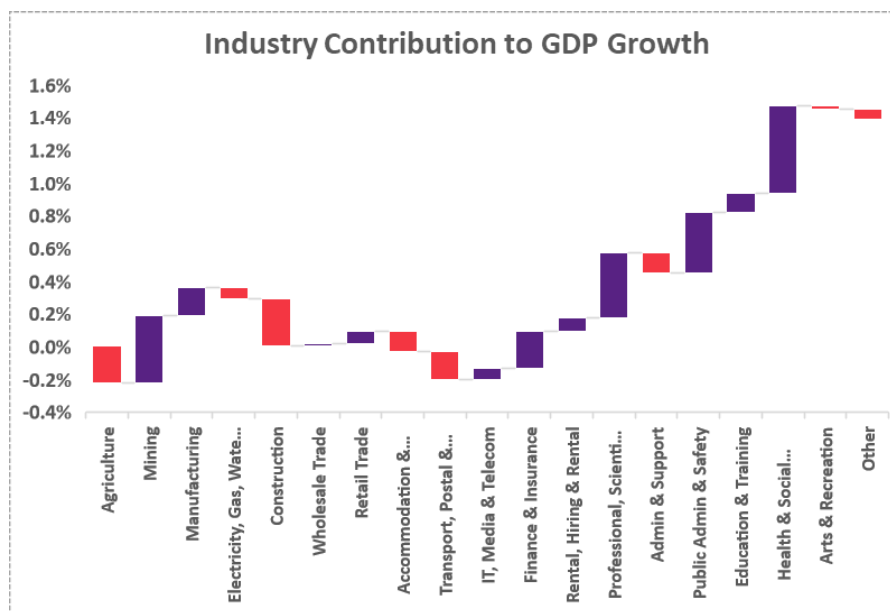
- » Australia's economic performance slowed significantly in the March quarter as the economy started to show the impacts of the national bushfire crisis and the global COVID-19 pandemic.
- » The COVID-19 pandemic affected the final two weeks of the March quarter with the shutdown of the economy and the early impacts of international and local travel restrictions. These restrictions were focused on reducing the spread of the virus in order to reduce the possibility of overwhelming the national health care system, particularly hospitals and intensive care facilities.
- » GDP grew by 1.78%, which is well below long-term 3.0% real GDP growth rate from the previous year. GDP in the March quarter was 0.42% lower than the previous December quarter.
- » Employment growth outperformed economic growth during the last 12 months but continued to improve at a slower pace set during the September quarter of 2019.
- » The Consumer Price Index (CPI) increased significantly from lows of 1.33% last year to 2.19% in March 2020 quarter, reaching the 2-3% Reserve Bank of Australia's target.



Source: ABS 5206.0, 6291.0.55.003, Synergy AMG calculations

Sector and Industry Performance

- » Australia's economic growth was supported by the Mining and Health Care sectors followed by Professional, Scientific and Technical Services and Public Administration and Safety. There was a significant slowdown in activity in Accommodation and Food, Transportation, Construction and Agriculture sectors.
- » Health Care had the highest positive impact on GDP growth driven by the COVID-19 pandemic generating strongly increasing demand for health care services and associated health care activities.
- » The second largest addition to GDP growth was by the mining sector. This sector is the traditional foundation for economic growth for Australia, but it is heavily reliant on exports of commodities counteracting the current economic turndown.
- » Public Administration and Safety has grown substantially, supporting the increased administrative activity across all levels of Australian government.
- » Growth in the Professional and Technical Services is supported by the continued roll out of the National Broadband Network (NBN) and associated investments in technology networks.
- » Construction sector has been significantly impacted by the effects of temporary suspensions of construction of large infrastructure projects due to COVID-19. Social distancing and isolation requirements impacted on the ability of large construction firms to deliver on projects.
- » Agriculture continued to decline due to the ongoing effects of drought and bushfires impacting this industry earlier in the quarter.



Source: ABS 5206.0 and Synergy AMG calculations

What to look for in the June 2020 National Accounts

- » June Quarterly GDP is anticipated to further contract – annual GDP loss up to 11% from OECD Economic Outlook

- » Continued positive support to economic growth in the sectors of mining, professional services, public administrative function and health sector
- » Continued weakness in tourism-related and connected sectors, e.g. accommodation & food, transport as long as the border remains closed.
- » Deflation or noflation is expected due to lack of demand and waterfall of housing price and transport

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
- Critical Infrastructure Modelling

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