

Synergy's Economic Insights

INDUSTRY 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

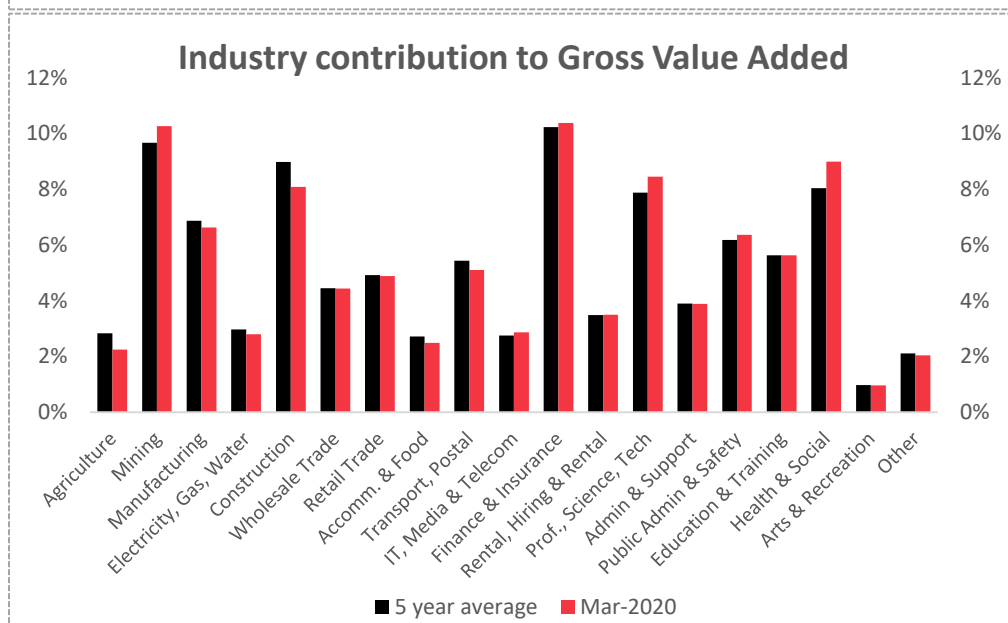
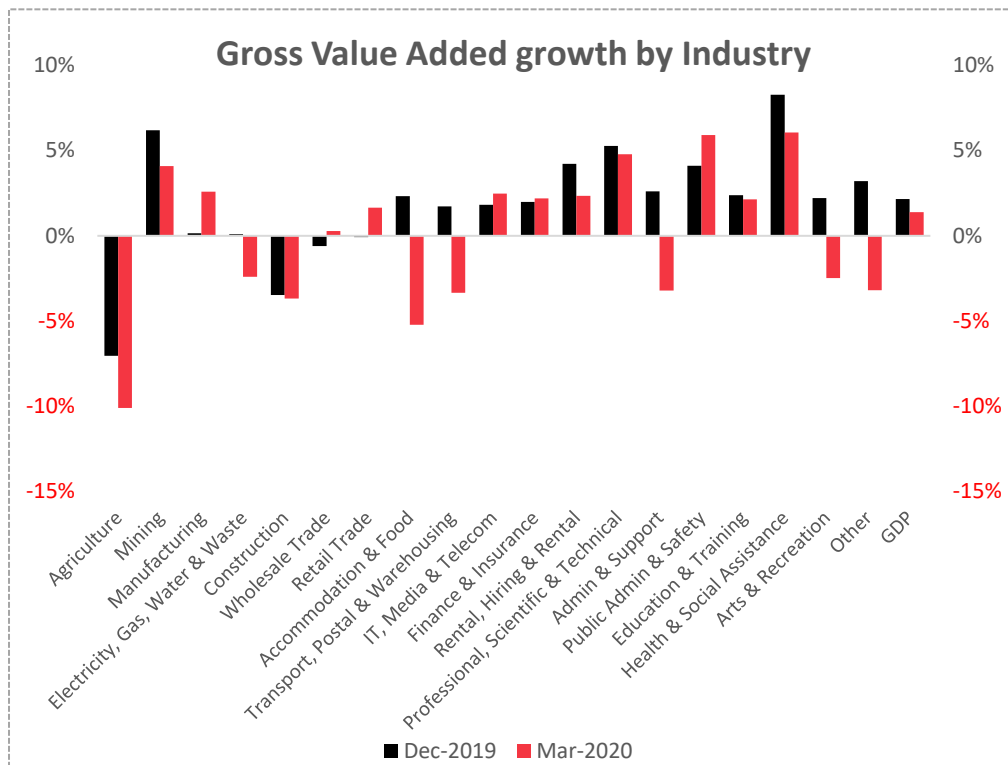
Our objective is to provide key insights and thought leadership on topical issues affecting the economy through considered analysis.

Key Questions about the Australian Economy

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

Economic Overview – March 2020 – Industrial Gross Value Added

- » The negative impacts on industrial performance is dominated by service sectors with health, mining and public administration sectors continuing to grow strongly.
- » Health and social assistance sector leads the growth, aided by the requirements of increased health cares demand as result of COVID19 pandemic.
- » Public admin services sector expanded due to the increased requirements to deliver government support programs and enforce the compliance with COVID19 rules with regards to essential travel.
- » Agriculture sector was recovering from impacts of the drought and bushfires. Further decreases in local demand from the Accommodation and Food sector and strained international supply chains both add to the uncertainty of future demand in the sector.
- » Australian industry contribution to the Gross Value Added (GVA)
- » Mining and health care along with professional, science and technical sectors continue to add most to GVA, construction.
- » Construction, Agriculture and Transport's contribution is reduced in March quarter, suffering from COVID19, drought, bushfires and international supply chain issues.
- » The relatively weak demand for mining commodities (in particular, coal, natural gas and LNG) is supported heavily by the lower foreign exchange rate (depreciation of Australian dollar to lower levels).
- » Tertiary sectors, underpinning the tourism industry, have been shut down because of travel restrictions.
- » Government has implemented and will continue to implement further economic stimulus packages (JobKeeper, JobMaker, HomeBuilder) in order to protect the economy from negative impacts of COVID19 restrictions. These packages, however, do take time to deliver and to make an impact on the economy. The benefits of these fiscal stimulus packages will only emerge over time in economic performance measures.

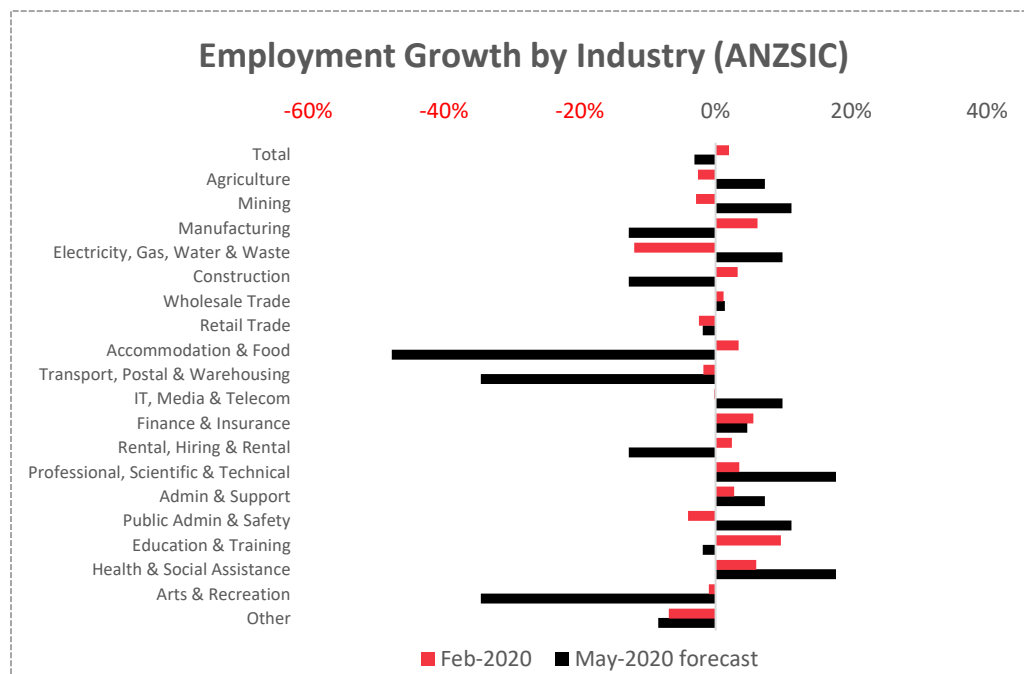


Source: ABS 5206.0, 6291.0.55.003, Synergy AMG calculations

Sector and Industry Employment Performance

- » Unemployment increased to 6% during the March quarter.
 - Labour supply decreased significantly with participation rate falling to 63.5% due to departures of workers out of the workforce as the threat of COVID19 impacts combined with older workforce has caused workers in retirement age to at least temporarily exit the workforce and reconsider their rejoining after the threat of the virus subsides.
 - Despite the reduction in the labour force, the amount of job losses due to the lower economic activity, reached almost 600,000 from previous quarter causing employment growth to reduce from 2% to -3% (a negative impact of 5%) QoQ.

- » Australian employment reductions are concentrated mainly in tertiary service sectors driven by mandatory shut-downs of establishments and by the restrictions of travel domestically and internationally
- » Health care and Professional services as well as public administration sectors grew strongly, due to the increased need of health support during the pandemic and the need for roll out of government support to workers impacted by reduced incomes.
- » Accommodation and Food workforce contracted significantly due to mandatory shut-downs of establishments as well as impacts from the suspended tourism industry resulting from travel restrictions.
- » Travel restrictions further negatively impacted the Transport sector dominated by the operation of airlines. The fate of Virgin Airlines remains uncertain since its collapse with domestic travel remaining significantly restricted for now, the impact on the transport sector will remain significant.
- » Construction sector has also experienced significant reductions in demand for staff with the full impact of the 463,300 job losses expected by Master Builders Australia not yet captured in economic performance data. Demand for construction will remain softer given the uncertainty around future house prices and concerns around international investments in newly constructed dwellings.
- » Arts and Recreation sector suffers from closure of theaters, gyms and other public places where these activities take place.
- » Rentals and Hiring services sector is impacted heavily due to restrictions of movements of persons as well as hiring freezes within businesses.
- » Impact of COVID19 in terms of employment losses varies across industries which are impacted by the pandemic in different ways exposed to the latest national hazards and on-going coronavirus risks increasing uncertainty around industry supply-chain impacts and productivity improvement.



Source: ABS 5206.0 and Synergy AMG calculations

What to look for in the June 2020 National Accounts

- » June Quarterly industry is anticipated to experience further contract of the revenue and job market at the industry level, led by tertiary sectors, e.g. retail trade, air transport, accommodation & food, education etc.
- » Continued weakness in tourism-related and connected sectors, e.g. accommodation & food, transport as the border remains closed.

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

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