Today’s National Accounts showed the Australian economy contracted in March quarter 2020, in line with market expectations. A substantial fall in household consumption due to COVID-19 and the continued fall in private investment more than offset solid growth in public final demand and a contribution from net exports, with imports falling more than exports.

Seasonally adjusted (sa) gross domestic product (GDP) fell 0.3% in March quarter 2020, compared with a 0.5% rise in December quarter 2019. Annual growth moderated to 1.4% (Chart 1). Both the quarterly and annual results were in line with market expectations.

Household consumption fell by 1.1% in the March quarter, to be 0.2% lower over the year. This was the largest quarterly fall in household consumption since March quarter 1986. The decrease in the quarter was driven by falls in spending on Hotels, cafes and restaurants, Transport services and Clothing and footwear.

The ABS note there were impacts on household consumption expenditure from both the bushfires and COVID-19. Early in the March quarter, bushfires and associated smoke haze led to disruptions to domestic travel and reduced retail foot traffic.

This was followed by escalating concerns about the spread of COVID-19 that led to restrictions on overseas travel, bans on indoor and outdoor gatherings and domestic travel, increased work from home, and limits on business trading.

Real gross household disposable income rose 0.9% in the quarter, to be 1.9% higher over the year. As a result, the net household savings ratio rose 2.0 percentage points to 5.5% in the quarter.

Business investment fell 0.6% in the March quarter, to be 4.9% lower over the year. The fall in the quarter was driven by non-mining investment (down 1.7%), which more than offset growth in mining investment (up 3.6%).

Dwelling investment fell 1.7% in the March quarter, to be 9.7% lower over the year. The fall in the quarter was driven by a 2.9% decline in new & used dwelling construction, while alternations & additions rose 0.4%.

Public final demand rose 1.2% in the March quarter, to be 5.4% higher over the year. The increase in the quarter was driven by growth in general government consumption (up 1.8%), which more than offset a fall in public investment (down 0.7%).

Changes in inventories detracted from GDP growth in March quarter 2020, driven by mining inventories. The terms of trade rose 2.9% in the March quarter but was 0.9% lower over the year.

Net exports contributed 0.5 percentage point to GDP growth in the March quarter, driven by a 6.2% fall in imports, which more than offset a 3.5% fall in exports.

Both imports and exports of services fell substantially in the quarter in response to travel bans implemented to combat the COVID-19 outbreak.

The ABS note that the impacts of COVID-19 were reflected in a significant negative contribution to GDP growth in the March quarter but there was a further offset from inventories.

- Household consumption 0.5
- Public final demand 1.2
- Gross national expenditure -0.7
- Net exports 0.5
- General government consumption 1.8
- Public investment -0.7
- Less imports of goods & services -6.2
- Compensation of employees 0.5
- Gross operating surplus 0.9
- GDP 0.8
- GDP deflator 1.1
- GDP deflator 1.7

* The reference year for chain volume measure = 2017-18

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