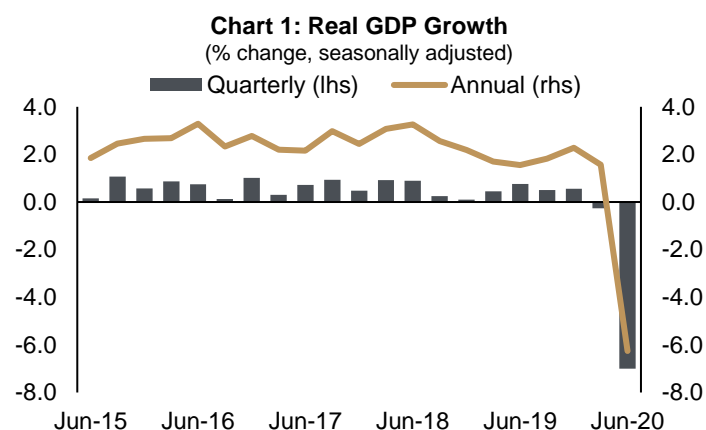


ABS National Accounts: June quarter 2020

Source: ABS 5206.0, released 2 September 2020, 11:30 am AEST.

Today's **National Accounts** showed the Australian economy contracted sharply in June quarter 2020. This was largest quarterly decline in GDP since the inception of the series, driven by an unprecedented fall in household consumption due to the COVID-19 pandemic.



Seasonally adjusted (sa) **gross domestic product (GDP)** fell 7.0% in June quarter 2020, following a decline of 0.3% in the March quarter, to be 6.3% lower over the year (Chart 1). Both the quarterly and annual results were worse than market expectations (5.9% fall in the quarter to be 5.2% lower over the year).

This result also saw GDP decline 0.2% in 2019-20, to be the first financial year fall since 1990-91. This was broadly in line with Commonwealth Treasury (down ¼%) and RBA (0%) forecasts.

Household consumption fell by an unprecedented 12.1% in the June quarter, to be 12.7% lower over the year. This was by far the largest quarterly decrease on record, much larger than the previous record of a 1.9% fall in December quarter 1975. In financial year terms, household consumption fell 2.6% in 2019-20, the first annual fall in history.

COVID-19 restrictions greatly impacted household consumption in the quarter. Household spending on services (down 17.6%) was more affected than consumption of goods (down 2.8%).

Real gross **household disposable income** rose 2.9% in the quarter, reflecting higher non-labour income. Earnings from unincorporated businesses (gross mixed income) rose 21.9% as businesses received government support from the *JobKeeper* and the *Boosting Cash Flow for Employers* policies. Compensation of employees fell 2.5%, due to steep declines in employment and hours worked in the quarter. The net household savings ratio rose 13.9 percentage points to 19.8% in the quarter, the highest ratio since June quarter 1974.

Business investment fell 4.7% in the June quarter, to be 7.2% lower annually. The quarterly fall was driven by *machinery and equipment* (down 6.9%) and *non-mining investment* (down 2.3%), which more than offset growth in *mining investment* (up 1.9%).

Dwelling investment was down 6.8% in the June quarter, to be 11.2% lower over the year. Both *new & used dwelling construction* (down 7.3%) and *renovation activity* (down 6.0%) fell in the quarter.

Public final demand rose 2.5% in the June quarter, to be 6.3% higher over the year. Both *general government consumption* (up 2.9%) and *public investment* (up 1.0%) rose in the quarter.

Changes in inventories detracted from GDP growth in the June quarter, driven by *retail trade* and *wholesale trade* inventories.

The **terms of trade** rose 0.2% in the June quarter but was 1.8% lower over the year.

Net exports contributed 1.0 percentage point to GDP growth in the June quarter, driven by a 12.9% fall in *imports*, which more than offset a 6.7% 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.

Table 1: Components of GDP*
(seasonally adjusted, June quarter 2020)

Chain Volume Measure	% change		ppt contribution	
	quarterly	annual	quarterly	annual
Household consumption	-12.1	-12.7	-6.7	-7.1
Private investment	-6.5	-7.6	-1.2	-1.4
Dwelling investment	-6.8	-11.2	-0.4	-0.6
Business investment	-4.7	-7.2	-0.4	-0.6
Machinery and equipment	-6.9	-14.0	-0.3	-0.6
Non-dwelling construction	-3.1	-1.7	-0.2	-0.1
Non-residential	-2.3	0.3	-0.1	0.0
Engineering	1.9	-1.0	0.0	0.0
Private final demand	-10.8	-11.4	-7.9	-8.5
Public final demand	2.5	6.3	0.6	1.6
General government consumption	2.9	7.5	0.6	1.5
Public investment	1.0	1.8	0.1	0.1
Change in inventories			-0.6	-0.6
Gross national expenditure	-8.0	-7.7	-7.8	-7.6
Net exports			1.0	1.6
Exports of goods & services	-6.7	-10.6	-1.4	-2.4
Less imports of goods & services	-12.9	-19.1	2.5	4.0
Statistical discrepancy			-0.2	-0.2
GDP	-7.0	-6.3	-7.0	-6.3
Current Prices				
Compensation of employees	-2.5	0.4		
Gross operating surplus	8.2	9.9		
GDP	-7.6	-5.9		
Deflators and Prices				
Terms of trade	0.2	-1.8		
Household consumption deflator	-0.7	0.5		
GDP deflator	-0.6	0.3		

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

The fall in Australian June quarter GDP was more modest than for many other developed economies, likely due to our relative success in containing the COVID-19 epidemic (Chart 2).

Chart 2: International comparison of June quarter GDP
(% growth, seasonally adjusted)

