ABS National Accounts: September quarter 2020

Today’s National Accounts showed the Australian economy partially rebounded in September quarter 2020. This was the largest quarterly rise in GDP since March quarter 1976, driven by a surge in household consumption and continued growth in national government consumption.

Seasonally adjusted (sa) gross domestic product (GDP) rose 3.3% in September quarter 2020, but remains 3.8% lower than a year ago (Chart 1). This rebound followed a record decline of 7.0% in the June quarter. Both the quarterly and annual results were lower than market expectations (2.6% rise in the quarter, but 4.4% lower over the year).

In financial year terms, GDP was reaffirmed to have fallen 0.2% in 2019-20, the first financial year fall since 1990-91.

Household consumption rose by an unprecedented 7.9% in the September quarter, but was 6.5% lower over the year. This represented a partial recovery from the largest quarterly decline on record in the June quarter (down 12.5%).

The quarterly rise reflects increased spending with easing of COVID-19 restrictions. Both household spending on goods (up 5.2%) and services (up 9.8%) rebounded in the quarter, following large falls in the June quarter (down 3.4% and 17.9% respectively).

Real gross household disposable income rose 3.3% in the quarter. Compensation of employees rose 2.3% in the quarter, in line with improved labour market activity. Private non-financial gross operating surplus increased 3.8%, driven by a rise in accommodation & food services; transport, postal & warehousing; and, manufacturing, reflecting a rebound in business activity with the easing of COVID-19 restrictions. Despite the net household savings ratio falling 3.2 percentage points to 18.9% in the quarter, it remains at a level not seen since 1975.

Business investment fell 4.4% in the September quarter, to be 11.0% lower annually. Mining investment (down 8.5%), non-mining investment (down 6.1%) and machinery and equipment (down 3.7%) all declined in the quarter.

Dwelling investment rose 0.6% in the September quarter, but was 7.6% lower over the year. The fall in new & used dwelling construction (down 2.1%) was more than offset by increased renovation activity (up 5.1%) in the quarter.

Public final demand rose 1.2% in the September quarter, to be 6.1% higher over the year. The quarterly increase was primarily driven by national non-defence general government consumption (up 6.1%).

Changes in inventories contributed to GDP growth in the September quarter, driven by retail trade and manufacturing inventories.

The terms of trade rose 0.7% in the September quarter but was 2.5% lower over the year.

Net exports detracted 1.9 percentage points from GDP growth in the September quarter, reflecting a 6.5% increase in imports and a 3.2% fall in exports.

The fall in exports was driven by declines in mineral ores, other mineral fuels and travel services. The rise in imports was driven by non-industrial transport equipment, fuels & lubricants and textiles.