

# ABS National Accounts: December quarter 2020

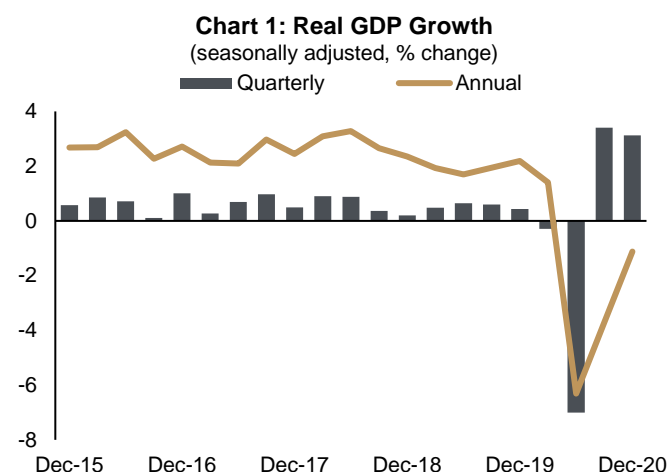
Source: ABS National Accounts, released 3 March 2021, 10:30 am AEST.

**Today's National Accounts** showed the Australian economy continued to rebound in December quarter 2020 but remained lower over the year. Growth in the December quarter was driven by household consumption growth, following the unwinding of COVID-19 restrictions in Victoria.

**Public final demand** rose 1.1% in the December quarter, to be 6.2% higher over the year, driven by *general government consumption* (up 0.8%).

The **terms of trade** rose 4.7% in the December quarter to be 7.3% higher over the year.

**Net exports** detracted 0.1 percentage points from GDP growth in the December quarter, reflecting a 4.9% increase in *imports*, which more than offset a 3.8% rise in *exports*.



Seasonally adjusted (sa) **gross domestic product (GDP)** rose 3.1% in December quarter 2020 but was 1.1% lower than a year ago (**Chart 1**). This followed a rebound of 3.4% in the September quarter and was the first time in the history of the National Accounts that GDP has grown by more than 3% in consecutive quarters

**Household consumption** rose by 4.3% in the December quarter, as COVID-19 restrictions continued to ease, but was 2.7% lower over the year. Victoria recorded the strongest increase in household spending after strict lockdown restrictions were lifted.

Growth in the quarter was driven by spending on *recreation & culture* (up 9.1%), *hotels, cafes and restaurants* (up 17.5%) and *purchases of vehicles* (up 31.8%).

Real gross **household disposable income** fell 3.3% in the quarter, following the reduction in some support payments, but was 4.4% higher over the year. The household saving ratio fell from 18.7% in the September quarter to 12.0% in the December quarter, but remained well above the 2019 average of around 5%.

*Compensation of employees* rose 1.5% in the quarter, in line with improved labour market activity, to be 2.0% higher over the year. *Private non-financial corporations gross operating surplus (GOS)* declined 7.5%, driven by a decline in subsidies received from government with reduced *JobKeeper* and *Boosting Cash Flow for Employers* payments. This was partly offset by a rise in mining GOS driven by very high iron ore prices and strong international demand for LNG. Government subsidies on production fell from \$57.8 billion in the September quarter to \$27.6 billion in December quarter 2020.

**Business investment** rose 2.5% in the December quarter, but was 5.4% lower over the year. Investment in *machinery and equipment* rose 8.9% in the quarter, more than offsetting a decline in *non-dwelling construction* (down 1.9%)

**Dwelling investment** rose 4.1% in the December quarter, to be 0.6% higher over the year. *New & used dwelling construction* (up 3.4%) and *renovation activity* (up 5.2%) both contributed to growth in the December quarter.

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

Chain Volume Measure	% change		ppt contribution	
	quarterly	annual	quarterly	annual
<b>Household consumption</b>	4.3	-2.7	2.3	-1.5
<b>Private investment</b>	3.9	-1.7	0.7	-0.3
<b>Dwelling investment</b>	4.1	0.6	0.2	0.0
<b>Business investment</b>	2.5	-5.4	0.2	-0.5
Machinery and equipment	8.9	-4.3	0.3	-0.2
Non-dwelling construction	-1.9	-6.2	-0.1	-0.3
Non-residential	-2.6	-11.9	-0.1	-0.3
Engineering	0.7	0.2	0.0	0.0
<b>Private final demand</b>	4.2	-2.5	2.9	-1.8
<b>Public final demand</b>	1.1	6.2	0.3	1.5
General government consumption	0.8	7.4	0.2	1.4
Public investment	2.5	1.8	0.1	0.1
<b>Change in inventories</b>			-0.1	0.0
<b>Gross national expenditure</b>	3.2	-0.3	3.1	-0.3
<b>Net exports</b>			-0.1	-0.8
Exports of goods & services	3.8	-11.7	0.8	-2.8
Less imports of goods & services	4.9	-9.6	-0.9	2.0
<b>Statistical discrepancy</b>			0.1	-0.1
<b>GDP</b>	3.1	-1.1	3.1	-1.1
<b>Current Prices</b>				
Compensation of employees	1.5	2.0		
Gross operating surplus	-4.0	7.9		
GDP	4.2	0.6		
<b>Deflators and Prices</b>				
Terms of trade	4.7	7.3		
Household consumption deflator	0.2	0.4		
GDP deflator	1.1	1.7		

\* The reference year for chain volume measure = 2018-19

In calendar year terms, GDP fell by 2.5% in 2020, in line with the fall of 2½ forecast by Australian Treasury in the 2020-21 *Mid-Year Economic and Fiscal Outlook* and the RBA in the February 2021 *Statement on Monetary Policy*. The decline was driven by a 3.2% fall in household consumption (**Chart 2**), following national COVID-19 lockdowns in the June quarter.

**Chart 2: Contributions to real GDP Growth**  
(original, percentage point contribution)

