

ABS National Accounts: March quarter 2021

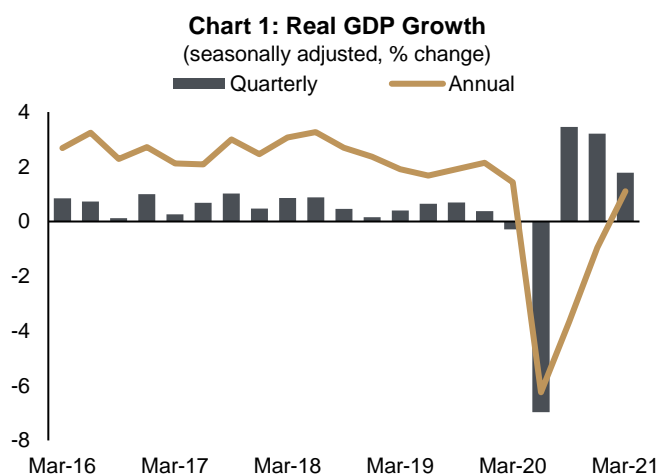
Source: ABS National Accounts, released 2 June 2021, 11:30 am AEST.

Today's *National Accounts* showed the Australian economy continued to rebound in March quarter 2021, to see real GDP back above its level a year ago. Growth in the March quarter was driven by continued strength in private demand, with private investment recording the strongest increase since September quarter 2017.

Public final demand rose 0.2% in the March quarter, to be 4.9% higher over the year, driven by *state and local public investment* (up 5.7%).

The *terms of trade* rose 7.4% in the March quarter to be 15.4% higher over the year.

Net exports detracted 0.6 percentage points from GDP growth in the March quarter, driven by a 3.7% increase in *imports*, which more than offset a 0.5% rise in *exports*.



Seasonally adjusted (sa) **gross domestic product** (GDP) rose 1.8% in March quarter 2021 to be 1.1% higher than a year ago (Chart 1). The speed of the recovery has moderated from strong rebounds in the September (3.5%) and December (3.2%) quarters.

Household consumption rose 1.2% in the March quarter, as COVID-19 restrictions continued to ease, to be flat (0.0%) over the year. Growth in the quarter was driven by spending on services (up 2.4%) such as *hotels, cafes and restaurants* (up 14.8%), *recreation and culture* (up 3.3%) and *transport services* (up 8.8%). However, spending on services remains below pre-pandemic levels, particularly those impacted by the closure of international borders.

Real gross **household disposable income** rose 0.5% in the quarter. The household saving ratio continued to fall, from 12.2% in December quarter 2020 to 11.6% in the March quarter, with the rise in disposable income more than offset by increased household consumption.

Compensation of employees rose 1.5% in the quarter, in line with improved labour market activity, to be 3.0% higher over the year. *Private non-financial corporations gross operating surplus* (GOS) declined by 2.6%, driven by a large 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 strong international demand for iron ore and a rise in commodity prices. Government subsidies on production and imports fell 48.0% in the March quarter, while taxes on production and imports rose 8.2%, driven by payroll taxes, stamp duties and GST.

Business investment rose 4.3% in the March quarter but was 1.8% lower over the year. Investment in *machinery and equipment* rose 11.6% in the quarter, more than offsetting a decline in *non-dwelling construction* (down 1.1%)

Dwelling investment rose 6.4% in the March quarter, to be 7.9% higher over the year, with *renovation activity* (up 10.8%) and new & used *dwelling construction* (up 3.5%) both contributing to growth in the March quarter.

Table 1: Components of GDP*
(seasonally adjusted, March quarter 2021)

Chain Volume Measure	% change		ppt contribution	
	quarterly	annual	quarterly	annual
Household consumption	1.2	0.0	0.7	0.0
Private investment	5.3	3.6	0.9	0.6
Dwelling investment	6.4	7.9	0.3	0.4
Business investment	4.3	-1.8	0.4	-0.2
Machinery and equipment	11.6	8.6	0.4	0.3
Non-dwelling construction	-1.1	-9.3	-0.1	-0.5
Non-residential	-3.8	-16.6	-0.1	-0.4
Engineering	0.7	-1.3	0.0	0.0
Private final demand	2.2	0.9	1.6	0.6
Public final demand	0.2	4.9	0.0	1.2
General government consumption	-0.5	5.0	-0.1	1.0
Public investment	2.9	4.9	0.2	0.3
Change in inventories			0.7	1.0
Gross national expenditure	2.3	2.9	2.3	2.8
Net exports			-0.6	-1.6
Exports of goods & services	0.5	-6.2	0.1	-1.4
Less imports of goods & services	3.7	1.0	-0.7	-0.2
Statistical discrepancy			0.1	-0.1
GDP	1.8	1.1	1.8	1.1
Current Prices				
Compensation of employees	1.5	3.0		
Gross operating surplus	-1.2	7.2		
GDP	3.5	4.0		
Deflators and Prices				
Terms of trade	7.4	15.4		
Household consumption deflator	0.4	0.3		
GDP deflator	1.6	2.9		

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

In calendar year terms, GDP fell by 2.5% in 2020, unchanged from the December quarter 2020 national accounts. In the recent Commonwealth Budget, GDP was forecast to grow by 5¼% in calendar 2021 and by 2¾% in 2022.

Chart 2: Contributions to real GDP Growth
(seasonally adjusted, quarterly, %-pt contribution)

