

ABS National Accounts: June quarter 2021

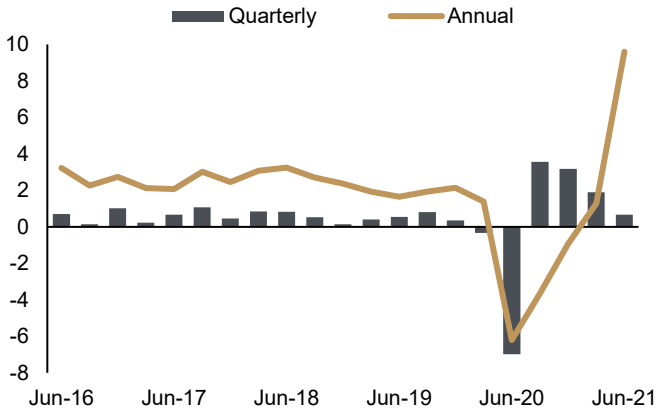
Source: ABS National Accounts, released 1 September 2021.

Today's *National Accounts* showed the pace of the recovery in the Australian economy continued to moderate in June quarter 2021. Growth in the June quarter was driven by continued strength in private demand, while net exports continued to detract from growth.

The terms of trade rose 7.0% in the June quarter, to be at its highest level in history, reflecting strong prices for mining exports.

Net exports detracted 1.0 percentage points from GDP growth in the June quarter, due to both a 3.2% decrease in exports and a 1.5% rise in imports.

Chart 1: Real GDP Growth
(seasonally adjusted, % change)



Seasonally adjusted (s.a.) **gross domestic product (GDP)** rose 0.7% in June quarter 2021 to be 9.6% higher than a year ago (when the economy was impacted by the national lockdown) (Chart 1). Compared to the pre-pandemic March quarter 2020, GDP is now 2.0% higher.

Household consumption rose 1.1% in the quarter (prior to the latest outbreaks across the east coast). Spending on services (up 1.3%), was stronger than spending on goods (0.9%) as the easing of restrictions allowed for higher spending on travel and domestic tourism.

Real gross **household disposable income** fell 0.9% in the quarter, as COVID-19 support payments were wound back. The household saving ratio continued to fall, from 11.6% in March quarter 2021 to 9.7% in the June quarter, but remains at elevated levels.

Compensation of employees rose 1.3% in the quarter, in line with continued strength in labour market activity, to be 4.3% higher than the pre-pandemic level. *Private non-financial corporations gross operating surplus (GOS)* rose by 6.4%, driven by mining (reflecting higher prices for iron ore, LNG and coal) and construction (reflecting housing boom and public infrastructure). These more than offset the decline in subsidies due to the end of *JobKeeper* and reduction in *Boosting cash flow for employers*.

Business investment rose 0.5% in the June quarter to be marginally higher than the pre-pandemic level (up 0.1%). Investment in *machinery and equipment* rose 3.4% in the quarter, more than offsetting a decline in *non-dwelling construction* (down 1.9%)

Dwelling investment rose 1.7% in the June quarter, to be 10.4% higher than the pre-pandemic level, with *new & used dwelling construction* (up 1.6%) and *renovation activity* (up 1.9%) both contributing to growth in the quarter.

Public final demand rose 2.5% in the June quarter, to be 7.6% higher over the year, driven by *state and local public investment* (up 10.7%).

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

Chain Volume Measure	% change			ppt. contribution		
	quarterly	annual	pre-COV	quarterly	annual	pre-COV
Household consumption	1.1	15.4	1.2	0.6	7.9	0.6
Private investment	2.0	13.2	6.4	0.3	2.3	1.1
Dwelling investment	1.7	15.7	10.4	0.1	0.8	0.5
Business investment	0.5	5.4	0.1	0.0	0.5	0.0
Machinery and equipment	3.4	22.7	12.4	0.1	0.8	0.4
Non-dwelling construction	-1.9	-6.2	-8.7	-0.1	-0.3	-0.4
Non-residential building	1.5	-8.9	-12.7	0.0	-0.2	-0.3
Engineering construction	3.0	-0.2	3.4	0.1	0.0	0.1
Private Final Demand	1.3	14.8	2.5	1.0	10.2	1.8
Public Final Demand	2.5	5.8	7.6	0.7	1.6	1.9
General government consumption	1.3	3.7	6.1	0.3	0.8	1.2
Public investment	7.4	14.2	13.2	0.4	0.8	0.7
Changes in inventories				-0.2	1.5	0.8
Gross national expenditure	1.4	13.9	4.6	1.4	13.2	4.5
Net exports				-1.0	-3.7	-2.5
Exports of goods & services	-3.2	-2.6	-9.4	-0.7	-0.6	-2.2
less Imports of goods & services	1.5	16.8	1.5	-0.3	-3.1	-0.3
Statistical discrepancy				0.2	0.0	0.0
GDP	0.7	9.6	2.0	0.7	9.6	2.0
Current Prices						
Compensation of employees	1.3	6.8	4.3			
Gross operating surplus	4.1	1.9	11.7			
GDP	3.2	16.4	7.6			
Deflators and Prices						
Terms of trade	7.0	24.0	23.3			
Household consumption deflator	0.6	1.5	1.0			
GDP deflator	2.5	6.2	5.5			

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

In financial year terms, GDP rose by 1.4% in 2020-21. In the August 2021 RBA Statement on Monetary Policy, GDP was forecast to grow by 1¼% in 2020-21 and by 4½% in 2021-22.

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

