

In Q1 2020, Australian GDP fell by 0.3% in seasonally adjusted terms, in line with market expectations. This was the first fall in GDP since 2011. Through the year, GDP growth decelerated to 1.4%, the lowest since the global financial crisis.

Seasonally Adjusted Chain Volume	QoQ	YoY
Real GDP	-0.3%	1.4%
GDP (Expenditure)	-0.2%	1.4%
GDP (Production)	-0.3%	1.3%
GDP (Income)	-0.4%	1.4%
Real Gross Domestic Income	0.3%	1.1%
Nominal GDP	0.8%	3.1%
Terms of Trade	2.9%	-0.9%
GDP Deflator	1.1%	1.7%

### Expenditure

The decline in GDP was led by an unprecedented fall in consumer spending on services amid restrictions imposed to contain the COVID-19 pandemic. Goods consumption accelerated on the back of panic buying ahead of the partial lockdown in Australia.

Private sector gross fixed capital formation also declined, albeit at a slower pace than in Q4 2019 thanks to an acceleration in mining investment growth.

The fall in domestic private demand was partly offset by a rise in public spending, related to COVID-19 and the bushfires.

Net exports also contributed positively to Q1 GDP. However, it was mainly due to a [contraction in imports](#) due to supply disruptions and lower demand at home. Exports also posted a decline, dragged down, among other things, by a drop in travel services.

### Production

The deterioration in business conditions was quite uneven across sectors. Almost half of the industries recorded a rise in production. This concerned most notably manufacturing of chemical products, IT services and iron ore mining. Unsurprisingly, the air transport and hospitality sectors posted the largest declines, while coal mining activity also posted a sharp fall.

### Working Hours, Productivity and Unit Labour Costs

Pandemic-related restrictions resulted in a severe reduction in hours worked, unseen since the most severe phase of the global financial crisis. As a result, GDP per hour worked, a measure of labour productivity, picked up somewhat. Unit labour costs stalled in nominal terms and declined in real terms.

### Income

Quarterly income in current prices accelerated, helped by a rise in the gross operating surplus of private non-financial corporations. The fall in hours worked triggered the strongest slowdown in wage growth in more than three years. At the same time, social assistance benefits surged as a result of a rise in unemployment. Growth in non-life insurance claims also accelerated, which the ABS attributes to the impact of bushfires.

### Real Income

In spite of a deterioration in domestic economic conditions, real gross domestic income rebounded in Q1 2020, helped by a rise in terms of trade amid a surge in iron ore and gold prices in global markets. As a result, real net national disposable income, an economic wellbeing measure adjusting real gross domestic income for income flows with the rest of the world and the consumption of fixed capital, picked up after posting a decline in Q4 2019.

### State Final Demand

All states but Western Australia and Tasmania posted a quarterly fall in real state final demand. Western Australia recorded the fastest demand growth, both in quarterly and annual terms, helped by the rise in mining investment. New South Wales was the hardest-hit state by both COVID-19 and the bushfire crises.

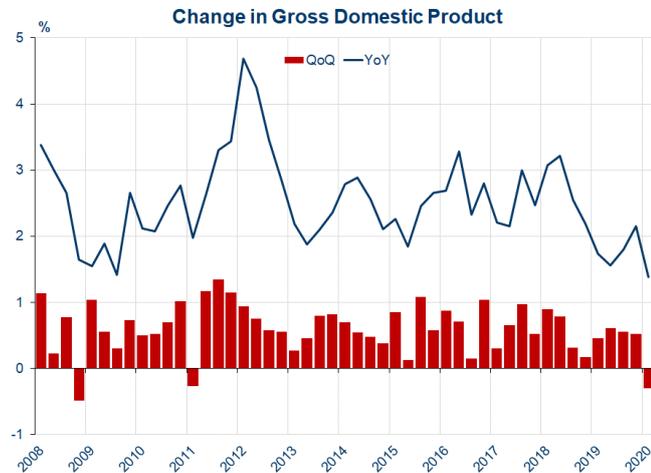
Seasonally Adjusted Chain Volume	QoQ	YoY
Western Australia	0.9%	3.4%
New South Wales	-1.5%	-0.7%
Victoria	-0.1%	0.9%
Queensland	-0.3%	0.6%
South Australia	-1.0%	-1.0%
Tasmania	0.6%	1.2%
Australia	-0.5%	0.5%

### Comment

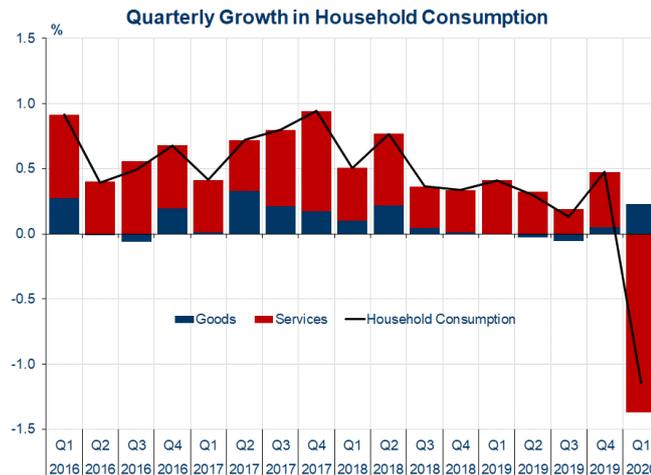
In Q1 Australia was hit by a row of adverse events, from drought and bushfires to COVID-19 crisis and the related containment measures. The resulting contraction in activity, however, is limited compared to many other advanced economies. While the decline is set to deepen in Q2, triggering a technical recession, May saw the first signs of stabilisation in economic activity as COVID-19 restrictions are being lifted. This offers some hope that the current recession will prove not only short-lived, but also less severe than previously feared.

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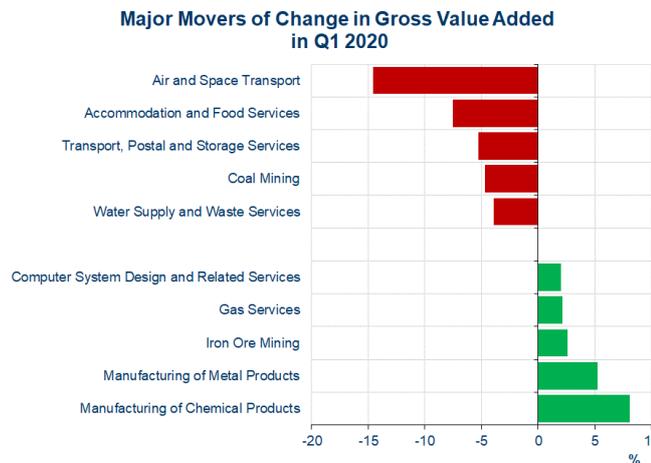
In Q1, real GDP declined for the first time in almost a decade...



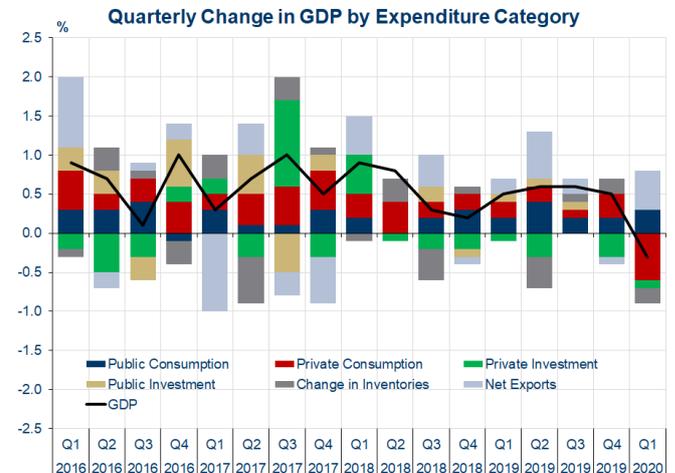
... dragged down by a slump in spending on services.



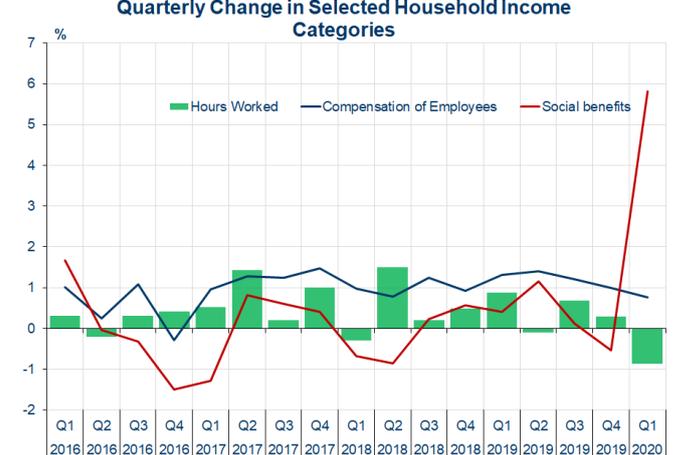
Activity rose in some sectors, including mining...



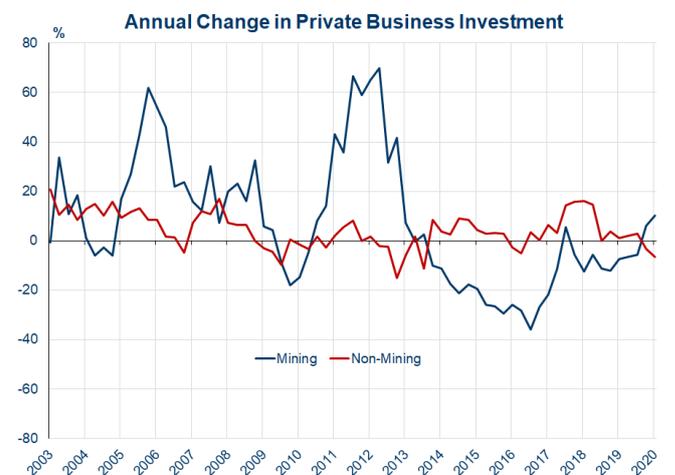
... with a sharp drop in private consumption leading the contraction...



Social benefits have helped cushion the fall in wages.



... and investment in the mining sector continued.



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