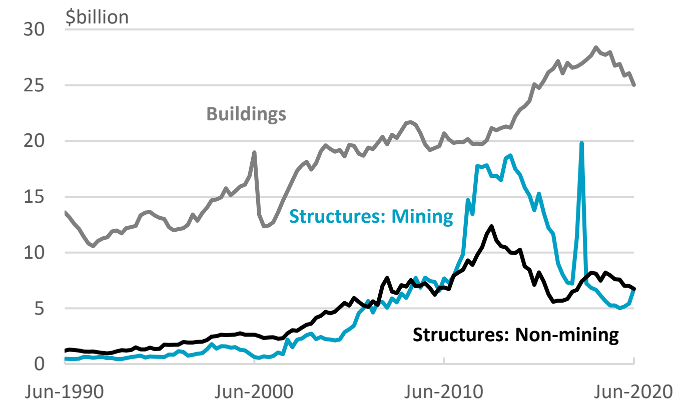
ASFA Economic Snapshot: week ending 28 August

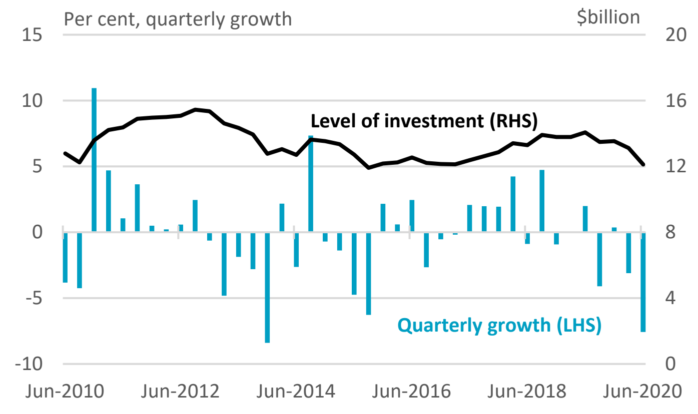
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Non-mining construction is declining …



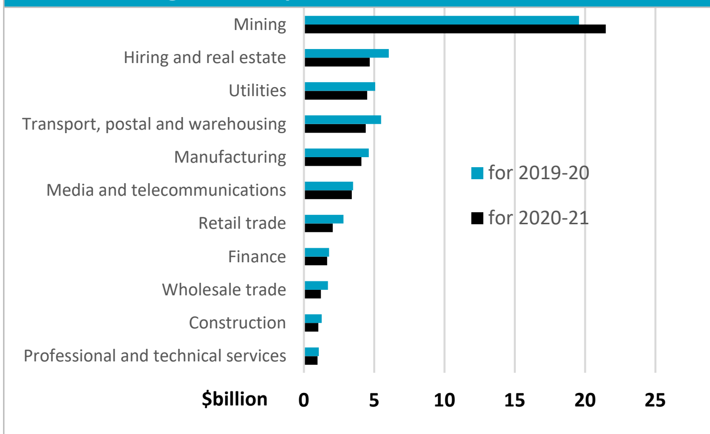
Private-sector investment includes construction work that is undertaken on structures (such as roads and ports) and buildings (residential and non-residential). In the June quarter, work undertaken on structures in the mining sector rose (reflecting activity on major projects), while work undertaken in the (aggregated) non-mining sector fell. For buildings, work undertaken fell by 4% in the quarter.

… and so is investment in new equipment



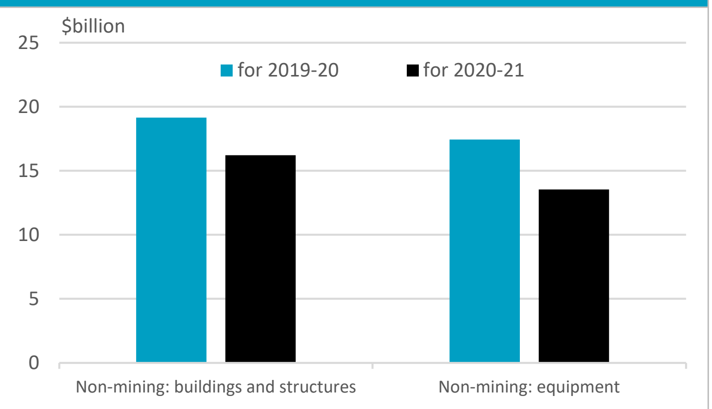
Private-sector investment also includes firms' purchases of new equipment. In the June quarter, new equipment purchases fell by 8% (to be 14% lower than the corresponding quarter last year). Together with the outcome for construction work undertaken (previous panel), total private-sector capital investment fell by about 2% in the June quarter, and by about 7% for the 2019-20 financial year.

Non-mining firms expect investment to fall further …



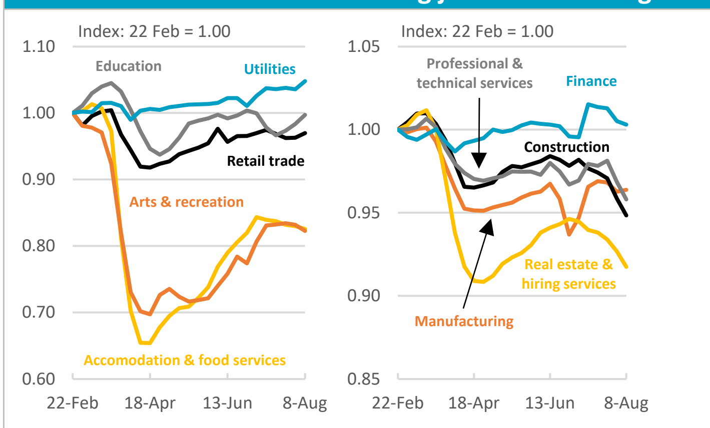
This chart shows firms' expectations for their investment spending in 2020-21 (compared with the equivalent metric for 2019-20). Across all non-mining sectors, investment (unadjusted for inflation) is expected to be lower – ranging from a 3% drop (for media and communications) to a 29% fall (for wholesale trade). In contrast, mining-sector investment is expected to be about 10% higher in 2020-21.

… across both major asset types



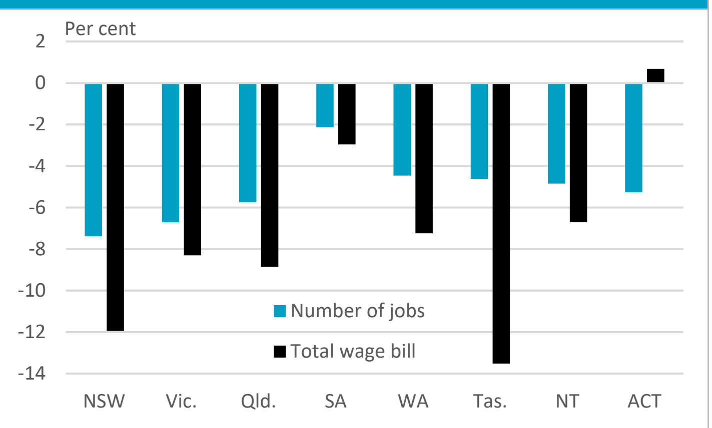
For the (aggregated) non-mining sector, investment in both buildings and structures, and equipment is expected to fall markedly in 2020-21 – by about 15% and 22% respectively (unadjusted for inflation). Lower investment in buildings and structures will directly effect construction jobs, while lower equipment investment will hurt manufacturing jobs (about 15-20% of investment-related equipment is sourced locally).

Construction and manufacturing jobs are declining …



Data for the number of jobs shows divergent trends. The easing of social restrictions (in most jurisdictions) has aided a recovery in certain sectors (e.g. retail and food services). Conversely, the diminishing pipeline of non-mining projects is leading to a fall in construction jobs, which will continue. The number of manufacturing jobs is also easing.

… with the East-coast most affected



This chart shows the cumulative drop in construction jobs from 14 March to 8 August, and the change in the total wages bill for firms (which includes JobKeeper payments). Broadly speaking, the East-coast has experienced the largest falls in both metrics – in part reflecting the relatively lower exposure to the mining sector.

Sources for each panel: (1) ABS, *Construction Work Done*, June and ASFA calculations; (2, 3 & 4) ABS, *Private New Capital Expenditure and Expected Expenditure*, June; (5 & 6) ABS, *Weekly Payroll Jobs and Wages in Australia, Week ending 8 August*.