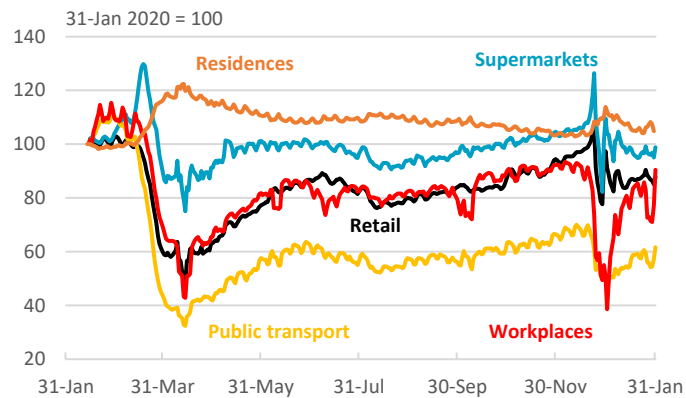


ASFA Economic Snapshot: week ending 5 February

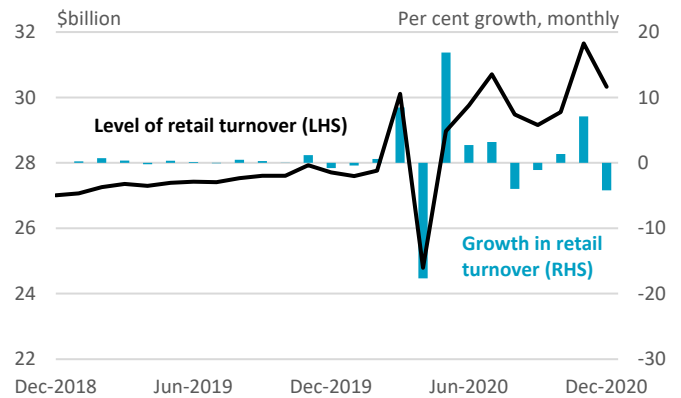
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Australians are getting out and about ...



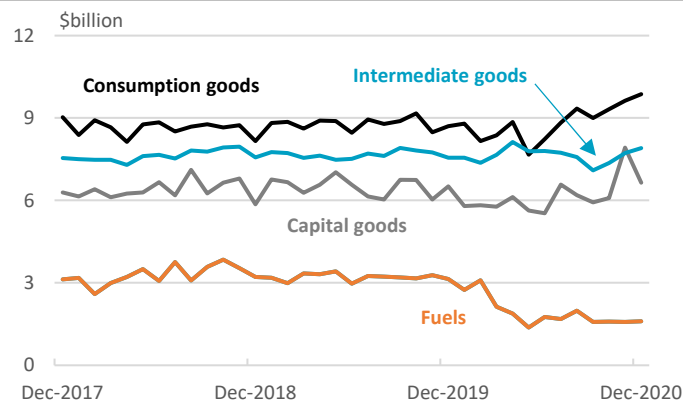
For 5 categories, this chart shows aggregated metrics for the number of visits/amount of time stayed at locations. For Australia, total activity at retail locations is back near pre-crisis levels. The decline in activity at residences, and recent workplace activity (notwithstanding the Xmas effect) indicates a shift away from working-at-home. Conversely, use of public transport remains well down on pre-crisis levels.

... with retail spending rising



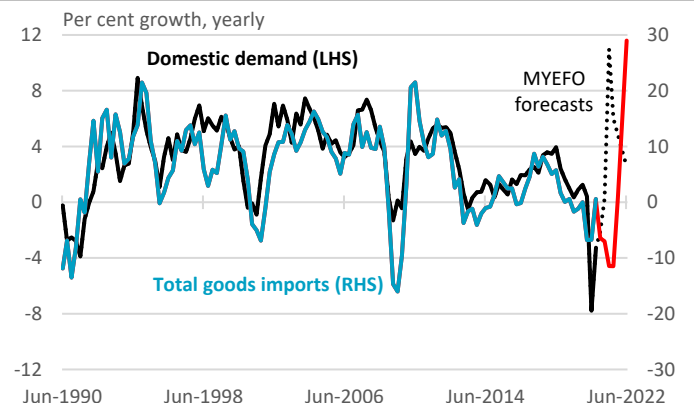
Preliminary data show that while retail spending fell by 4% in December, it remains well above pre-crisis levels. Indeed, the level of retail spending is now 9% higher than at the start of 2020 – driven by purchases of household furnishings and appliances, and hardware supplies. On a quarterly basis, retail spending increased by 2.4% in the December quarter, following a 7.0% rise in the September quarter.

Rising imports suggest a broadening recovery ...



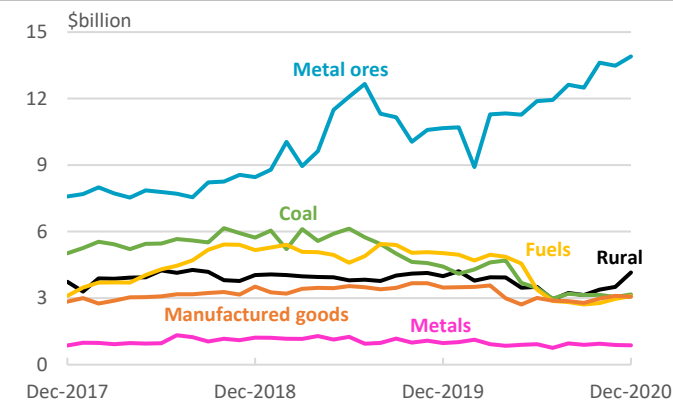
This chart shows the value of goods imports. The rise in retail spending (Panel 2) is reflected in the pick-up in imports of consumption goods. Imports of capital goods have also risen in recent months, in line with improving business sentiment. The sharp drop in the value fuel imports mainly reflects lower global prices (but also lower volumes).

... which is expected to continue



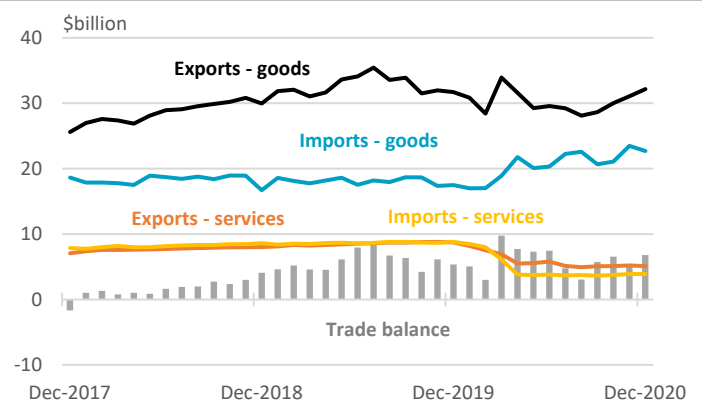
This chart shows the relationship between domestic demand (total consumption and investment) and goods imports. The MYEFO forecasts show a recovery in domestic demand (dotted line), with expected growth of 1.25% in 2020-21 and 4.25% in 2021-22. If realised, this will drive a sharp rise in goods imports (red line).

The export recovery will lag ...



This chart shows the value of goods exports. The crisis led to falls in values of coal, fuels, manufactured goods, rural goods and metals – which, in all cases, reflected falls in prices and volumes. Conversely, the value of ore exports has risen to record highs, which is almost entirely due to rising prices from higher Chinese demand. A broader global recovery will support a broader recovery in Australia's exports.

... and the trade surplus will diminish



The value of goods imports and exports from the above panels are aggregated in this chart. For the value of services, levels of both imports and exports remain low – reflecting ongoing restrictions on international travel (which, for exports, affects in-bound tourism and education). Overall, that imports are expected to recover quicker than exports suggests that Australia's trade surplus will diminish.