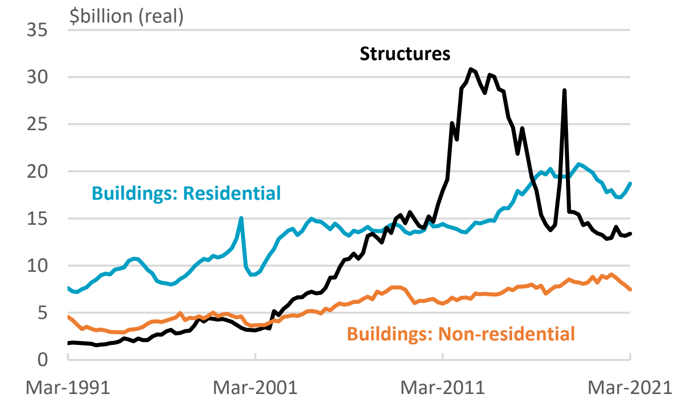
ASFA Economic Snapshot: week ending 28 May

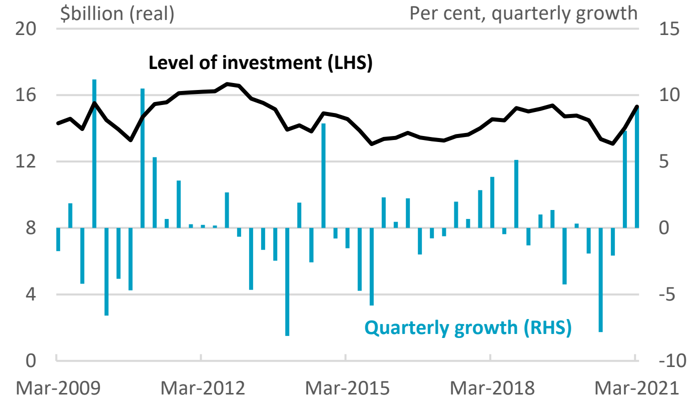
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Construction work is turning-up …



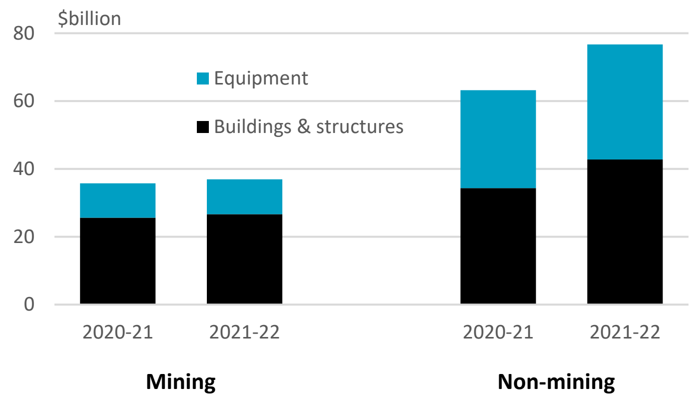
Private-sector investment includes construction work undertaken on structures (such as roads and mines) and buildings (residential and non-residential). Declining (rising) levels of work suggest a shortage (excess) of projects required to support recent levels of activity. In particular, the recent increase in the stock of new residential building projects has led to a pick-up in real residential construction (above).

… and so is investment in new equipment



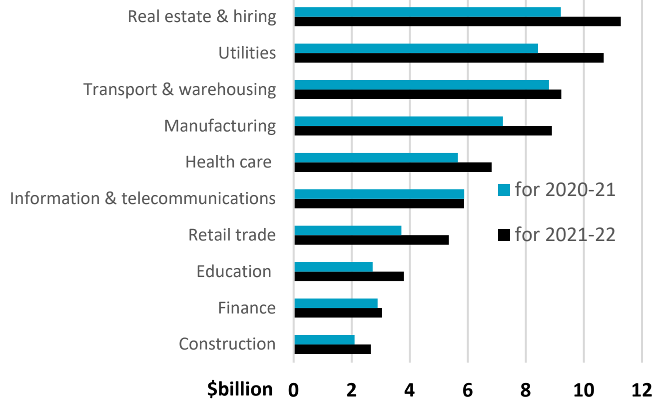
Private-sector investment also includes firms' purchases of new equipment. In the March quarter 2020, real investment in new equipment rose by 9%, to be 4% higher than its pre-crisis level (in December quarter 2019). Together with the outcome for construction work done (Panel 1), total real private-sector investment rose by 6% in the March quarter, and is now only 1% below its pre-crisis level.

Firms expect investment to be higher next year …



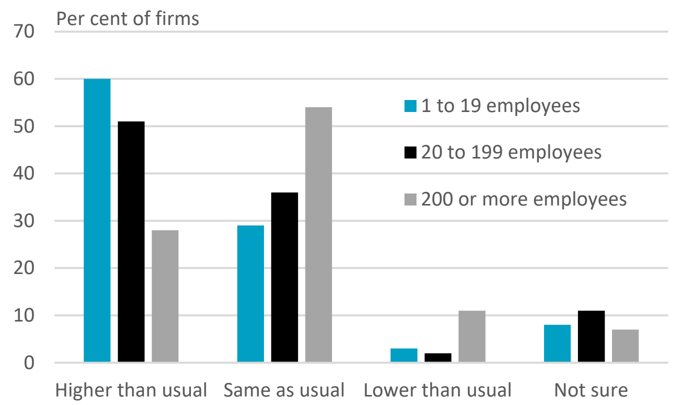
This shows firms' expectations for investment spending in 2021-22 and the equivalent metric for 2020-21. For the mining and the (total) non-mining sector, nominal spending^ is expected to be higher in 2021-22, by 3% and 21% respectively. That said, as this week's lock-down in Victoria demonstrates, firms continue to operate under heightened uncertainty – which exacerbates uncertainty around investment plans.

… across most industries …



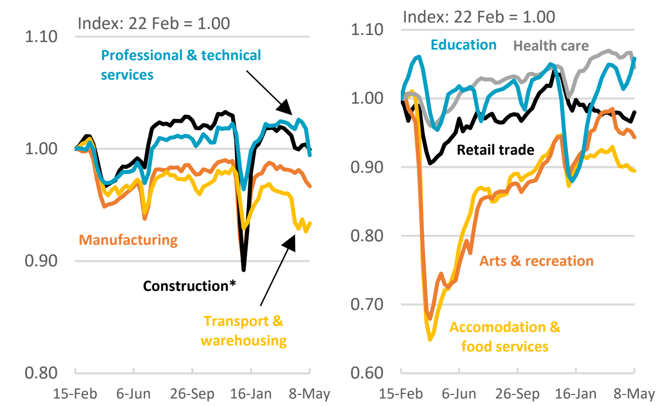
For the (aggregated) non-mining sector, investment spending (unadjusted for inflation) is expected to be higher in 2021-22 for 9 of the 10 largest industries. The expected increases range from a 5% increase for the *transport & warehousing* industry (logistical services) to a 44% increase for *retail trade*. Only the *information & telecommunications* industry shows a slight expected decrease (0.1%).

… and by firm size



A separate survey (conducted in mid-May) shows that for firms that have capital investment plans for the next 3 months, about 90% expect to spend the same or more than is usual for this time of year. For small and medium-sized firms, planned expenditure is likely to have been influenced by Federal Budget measures to encourage investment.

Jobs in construction and related industries will rise



This shows the number of jobs since early-2020. Construction jobs are at pre-crisis levels and, given the investment outlook, expected to rise – as will jobs in related industries (1st chart). While there are diverging trends across industries, the *total* of all jobs is 1% higher than before the crisis – which is supporting labour incomes and SG contributions.

Sources for each panel: (1) ABS, *Construction Work Done,* March and ASFA calculations; (2, 3 & 4) ABS, *Private New Capital Expenditure and Expected Expenditure*, March and ASFA calculations; (5) ABS, *Business Conditions and Sentiments*, May; (6) ABS, *Weekly Payroll Jobs and Wages,* week ending 8 May and ASFA calculations. ^ That is, spending not adjusted for inflation. * The sharp drop in construction jobs (and jobs in some other industries) around December 2020/January 2021 reflects the impact of the Christmas break.