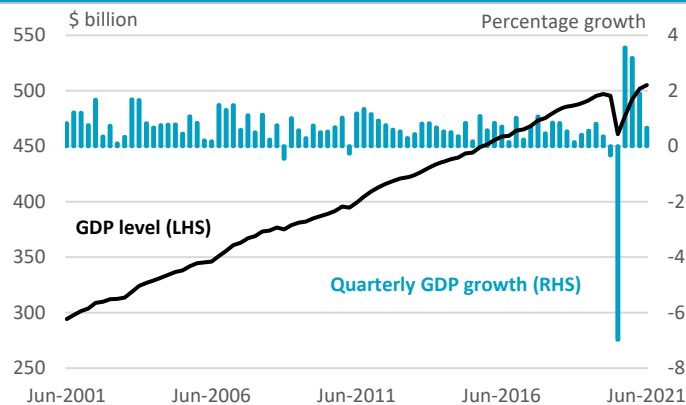


# ASFA Economic Snapshot: week ending 3 September 2021

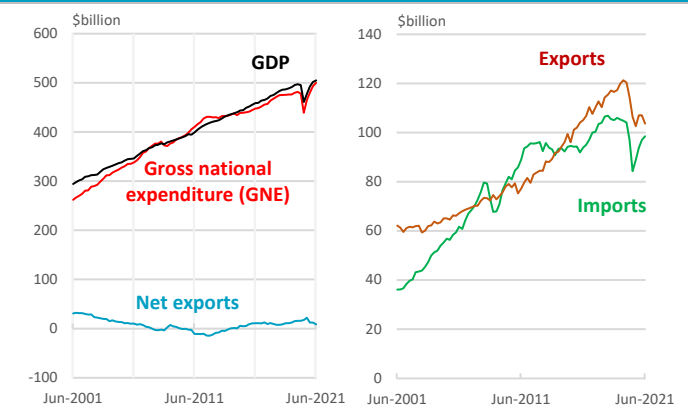
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

## GDP increased in the June quarter ...



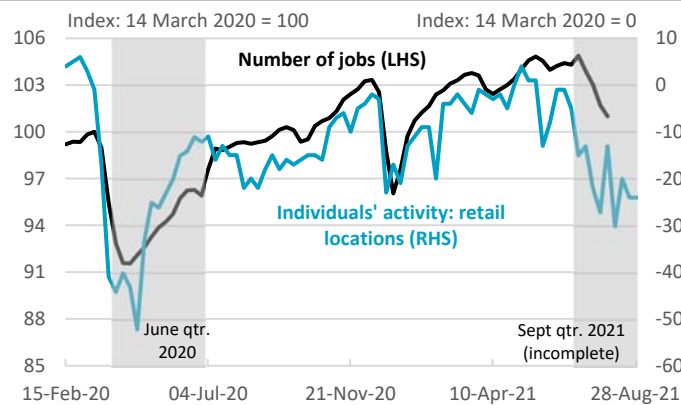
This week's National Accounts show that GDP rose by 0.7% in the June quarter (blue bars), to be 2% higher than pre-crisis levels (black line). The low-growth outcome for the quarter largely reflects the end of the strong rebound in activity from the 2020-COVID shock. Lockdowns in response to Delta-COVID outbreaks came into effect at the end of the quarter – GDP will fall sharply in the September quarter (Panel 4).

## ... driven by domestic demand



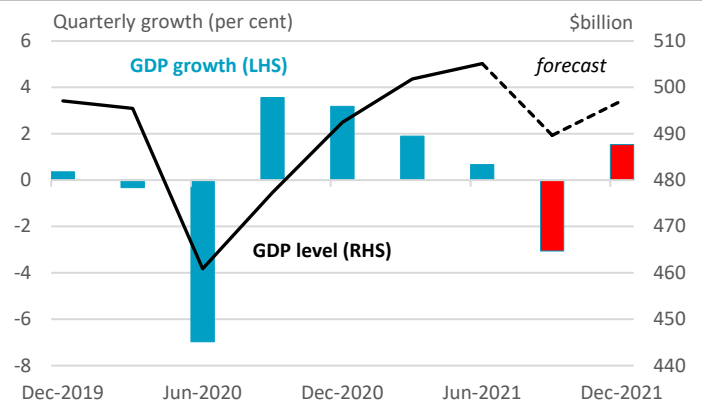
GDP is total *production* in the economy, while GNE is total *spending* (consumption and investment, by the private and public sectors). The fact that (current) production *exceeds* spending reflects the fact that Australia (currently) exports more than it imports (*net exports* are positive). The gap has narrowed recently with a pick-up in imports of capital goods (reflected in higher investment *spending* in GNE).

## Indicators suggest a sharp drop in September quarter GDP



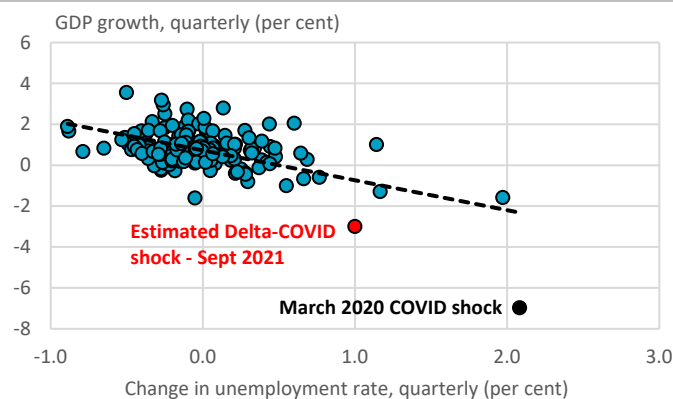
The ABS reports quarterly GDP about 8 weeks after the end of the relevant quarter – September quarter GDP is due on 1 December. More timely data show the scale of the Delta-COVID shock relative to the 2020-COVID shock. From peak to trough, the number of jobs fell by 8% during the initial shock compared with 4% (so far) for the current shock. For retail traffic the corresponding falls are 51% and 30%.

## September quarter GDP will fall



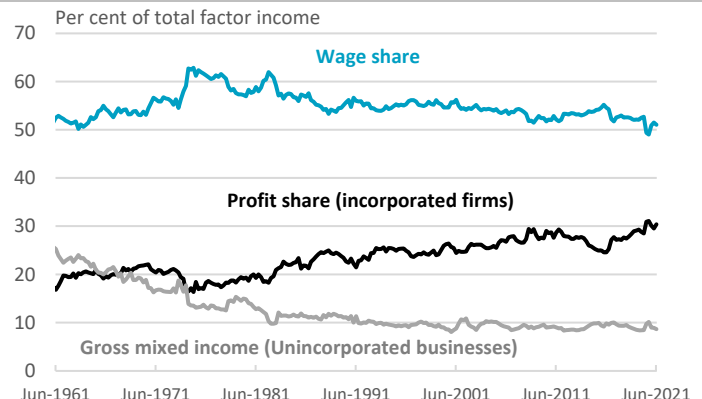
This shows forecasts for GDP growth for the September and December quarters (red bars). Based on the assumption that East Coast lockdowns will be lifted at the end of September, GDP is expected to fall by about 3% in the September quarter and then rebound in the December quarter. This growth profile suggests that the December quarter *level* of GDP (black line) will be about 2% lower than in June.

## Unemployment will rise



Okun's Law is the relationship between cyclical changes in GDP and unemployment. On average, a 1% fall in GDP is associated with a 0.6% rise in unemployment. For the Delta-COVID shock (as with the 2020 shock), government schemes to encourage firms to retain staff will see unemployment rise less than implied by the expected fall in GDP.

## Income shares continue to diverge



This chart disaggregates total (factor) income in the economy. The wage share (employee remuneration including compulsory super contributions) is around record lows. The (current) general weakening of labour market conditions, which will be reflected in wage growth outcomes, will likely see the wage share fall further in the near term.