

Media Release



Friday 29 May 2020

Melbourne Institute reports reveal economic impact of COVID-19 for May

Two reports released today by the Melbourne Institute: Applied Economic & Social Research reveal the continued economic impact of the coronavirus (COVID-19) pandemic in Australia at a state level.

The Nowcast of Australian GDP uses monthly information regarding labour market conditions, housing and business lending, retail sales, housing approvals, consumer expectations, trade conditions and commodity prices to gauge current economic conditions.

The May 2020 report was released today, with some key findings highlighted below:

- GDP growth is projected to be -0.2 per cent in the March quarter, giving a year-end March quarter growth rate of 1.5 per cent. The Nowcast only partially reflects the ongoing impact of COVID-19 (up to Q1), with Q2 growth expected to be significantly worse than Q1
- There was a relatively strong growth of hours worked and business lending conditions up to March are the primary positive contributors to the March quarter nowcast, whereas trade in goods and services and housing conditions are the primary contributors that dragged the Nowcast down
- Notwithstanding a small rebound in May, consumer sentiment has declined dramatically since March. The effects of falling sentiment are likely to be observed in the nowcast for Q2.

Melbourne Institute Senior Research Fellow Dr Sam Tsiaplias said: “Although the nowcast points to negative GDP growth in the March quarter, it is more concerning that recent data suggest a large decline in consumer sentiment and hours worked post-March. This does not bode well for Q2 growth with the data to date suggesting that conditions in the June quarter will be even worse than those in the March quarter.”

[Download the full report.](#)

Today the Melbourne Institute also released its State Leading Index of Economic Activity report for May 2020. The report highlights that:

- The Indexes across the major states reported surprising increases in April, though the next several readings will reveal whether these increases are sustainable
- Strong, and probably temporary, spikes in retail trade and housing finance commitment in March were the main contributors to growth in the Indexes
- Declines in aggregate monthly hours worked were the biggest detractor from growth in the Indexes, reflecting the adverse impacts of COVID19 on labour markets across the major states.

On this month’s State Leading Index, Dr Viet Nguyen from the Melbourne Institute said: “The April readings in the State Leading Indexes indicate surprising lifts in economic activity across the major states from the March levels. A closer look reveals that the increase in economic activity is mainly driven by strong, and likely temporary, spikes in retail sales and housing finance commitment in March as households stocked up for the lockdown and took advantage of the low mortgage rates. The next several readings in the Indexes will inform if the April lifts are sustainable.”

[Download the full report.](#)

The Nowcast of Australian GDP and State Leading Index of Economic Activity reports for June will be released at 11am Friday 26 June.

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