

## Media Release



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## Economy to contract three per cent in June with significant uncertainty about future growth

The Australian economy is estimated to have contracted three per cent in April-June, after shrinking 0.3 per cent in the January-March quarter, [new analysis](#) reveals.

The latest Melbourne Institute Nowcast predicts that the economy contracted 2.3 per cent in the year to June.

Increasing unemployment, despite rebounding work hours, and falling retail sales were the primary causes of the decline.

The [Melbourne Institute Nowcast of Australian GDP & Dating the Business Cycle](#) report is a monthly projection of current economic conditions, using experimental methodologies and data from a number of sources.

Researchers found falling commodity prices and fewer housing approvals also contributed to the contraction. But business lending and consumer sentiment have improved in recent months.

Report author Dr Sam Tsiaplias said: “Although our Nowcast indicates a significant economic decline in the June quarter, it is on the optimistic end of the forecast spectrum. A reason for this is recent improvement in key areas such as hours worked and consumer sentiment.

“That said, economic conditions remain bleak and there is significant uncertainty about future growth, with the prospect that conditions will continue to weaken in the September quarter.”

In a [second report](#) released today, analysis shows that activity in the major states has improved compared to the past several months as restrictions lifted. Among the mainland states, Queensland recorded the lowest year-ended growth of -0.5 per cent in its leading index, reflecting substantial negative impact of the pandemic on Queensland’s economy, particularly losses from tourism.

The [Melbourne Institute State Leading Indexes of Economic Activity](#) report is a summary of growth prospects for mainland states in the coming months, based on various measures of markets and consumer expectations.

Dr Viet Nguyen said: “Even though all the state indexes rose in June, signalling an improvement in future activity, the seesaw in their readings in the past several months reflected considerable uncertainty about future activity and the course of economic recovery across the major states.

“Given the second lockdown in Victoria and with both state and national border restrictions in place, the pace of recovery is likely to be gradual and to vary across the major states.”

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*The Melbourne Institute Nowcast of Australian GDP and the Monthly Index used to date the business cycle use monthly information regarding labour market conditions, housing and business lending, retail sales, housing approvals, consumer expectations, trade conditions and commodity prices in order to gauge current economic conditions. We note that the nowcast and the dating methodology are currently in the experimental stage.*

*The Melbourne Institute State Leading Indexes of Economic Activity are summary measures of the growth prospects of the mainland states. They include state-specific information from a number of markets, such as housing, retail trade and labour, and state-specific information from consumer expectations about activity, unemployment and their assessment of current family finances. These are complemented by financial factors, and commodity prices for the resource intensive states. These indexes assess the likely path of growth relative to trend in three to nine months' time.*