

# Media Release



Friday 26 June 2020

## Melbourne Institute reports show Australian economy is now in a recession

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 & Dating the Business Cycle](#) report 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 June 2020 report was released today, with some key findings highlighted below:

- GDP growth projected to be -2.3 per cent in the June quarter, giving a year-end growth rate of -1.6 per cent. The nowcast reflects the sharp downturn associated with COVID-19 on Q2 GDP growth
- Weak labour market conditions were the primary drivers of the negative June-quarter nowcast. The significant deterioration in both hours worked and the number of unemployed is likely to mark the worst quarter of economic growth in the past three decades
- Dwelling approvals and business lending have improved in recent months, although further evidence is required to support a sustained improvement
- Economic activity is deemed to have peaked in February. The Australian economy is now in a recession.

Melbourne Institute Senior Research Fellow Dr Sam Tsiaplias said: “We expect GDP growth to be -2.3 per cent in the June quarter, compared to 0.6 per cent in the June quarter of last year. Although our estimate is not as pessimistic as some others, the fall is still expected to mark the worst quarter of economic growth in the past three decades.

“The fall is driven mainly by a deterioration in labour market conditions, with the unemployment rate expected to further increase over the next few months.”

Today the Melbourne Institute also released its [State Leading Indexes of Economic Activity](#) report for June 2020.

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.

The June report highlights that:

- The Indexes in all major states fell markedly in May with the Queensland Index recording the largest monthly fall of 2 per cent
- The steep fall in the Queensland Index, likely reflects the negative impact of the pandemic on tourism
- Weak household family finances and weak labour market conditions are likely to weigh down on housing market activity across the major states in the coming months.

On this month's State Leading Index, Dr Viet Nguyen from the Melbourne Institute said: "We are now starting to see the significant adverse impacts of the pandemic filtering through the economy, particularly on activity in labour markets.

"The sharp drops in all the State Indexes in May, after temporary lifts last month, resulted primarily from the huge declines in actual retail trade and in monthly hours worked across the major states in April.

"This reflects the disruptions caused by the pandemic to retail sector activity and to labour market conditions across the country at the moment. With the gradual easing of restrictions, economic activity in the major states is likely to pick up towards the end of 2020 and early 2021."

The Nowcast of Australian GDP and State Leading Index of Economic Activity reports for July will be released at 11am Friday 31 July.

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