Australian national accounts data to provide rationale for deepening cuts

Nick Beams
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The latest Australian national accounts figures, showing a record rise in gross domestic product (GDP) over the last two quarters of 2020, have been hailed as sign that the economy has turned the corner and is now powering out of the recession induced by the COVID-19 pandemic.

But closer analysis of the data, when combined with the significant slowing of the economy before the pandemic struck, shows this to be far from the case. Moreover, remarks by Treasurer Josh Frydenberg on the figures indicate they will be used as the justification for eliminating even the limited support measures introduced by the federal government.

The Australian Bureau of Statistics (ABS) reported that the economy grew by 3.1 percent in the December quarter, following a 3.4 percent expansion in the September quarter. The six-month increase was the largest since quarterly national accounts figures began to be tabulated more than 60 years ago.

The general prediction had been that there would be a 2.5 percent rise in the December quarter, but the figure came in higher than expectations. One of the chief reasons was the marked increase in consumption spending in Victoria—up by more than 10 percent—as a result of the lifting of lockdowns. Overall, household consumption nationally was up by 4.3 percent, the second largest increase since quarterly records were kept.

Another factor in the increase was the ending of drought in rural areas which contributed to a large grain harvest, lifting the gross value added by the farming sector by 26.8 percent.

Private investment increased by 3.9 percent in the quarter, largely as a result of tax and depreciation concessions. Investment allowances introduced by the government last year at a cost of $26.7 billion over two years were described by Frydenberg at the time as "the largest set of investment incentives any Australian government has ever provided."

But despite the recovery, the last quarter of 2020 saw a fall of 1.1 percent in output compared to the final quarter of 2019. Overall, total Australian economic output in 2020 was 2.5 percent lower than in 2019.

The quarterly figures were eagerly seized on by various finance economists. AMP Capital senior economist Diana Mousina said GDP could get back to its pre-COVID level a lot sooner than expected, possibly as early as the March quarter of this year.

The chief economist at accounting and financial firm KPMG, Brendan Rynne, said the results were an "extraordinary comeback from the depths of mid-2020," while others gave the same upbeat assessment.

Australian Financial Review journalist John Kehoe struck a somewhat different tone. He wrote that a V-shaped recovery seemed assured due to the subsidies provided by the government, "But the economy will not coast to a post-virus nirvana, because the pre-COVID challenges of lacklustre business investment, subdued wages and low productivity will likely linger."

The chief economist at JPMorgan Australia, Ben Jarman, warned that the economy would hit a soft patch as government support was withdrawn. "Recent momentum in activity data have been positive," he said, but "extrapolation was inappropriate" because of the scheduled withdrawal of government support at the end of March.

The ending of the JobKeeper wage subsidy program potentially threatens more than one million workers with unemployment. Another 1.6 million are being cast into dire poverty by the withdrawal of the "Coronavirus Supplement" on JobSeeker unemployment payments.

The impact of government reductions in payments so far was reflected in a significant, but little reported, figure in the national accounts. The ABS reported that gross disposable income fell 3.1 percent in the quarter, reflecting "a decline in government support payments."

Another set of data produced by the ABS, not included in the national accounts, shows the level of wages. Last month, the bureau reported that wage growth in December had slowed to just 1.4 percent. A contributing factor was the rise in unemployment, which had increased to 6.6 percent.

But as *Guardian* journalist Greg Jericho noted, up until 2012 a jobless rate of that size would have been associated with wage growth of around 3 percent. Now it is only 1.4 percent. In other words, the fall in wage growth is not simply a product of COVID-19 but the pandemic has accelerated a long-term trend.

And the government intends to intensify this tendency. It has announced that it will only increase the JobSeeker allowance by $50 a fortnight, a rise of just $3.50 per day, in order to force unemployed workers into low-paid jobs which have become a central component of the growing gig economy. And in a particularly vicious move, it has set up a hotline for employers to call in and report to authorities any person who refuses a job they may be offered when they discover the wages and working conditions. Anyone refusing a job can be "breached" and lose benefit payments for six weeks.

The future direction of government policy was set out by Treasurer Frydenberg in his remarks on the national accounts figures in which he made clear that government subsidies would be wound back.

Frydenberg said the recovery was made even more genuine because it was the first quarter in which the JobKeeper program had started to be withdrawn. In the December quarter, he said, government assistance had halved, yet at the same time the economy had grown by 3.1 percent and 320,000 new jobs had been added.

In an interview with the *Financial Times* this week, he said government stimulus had helped stabilise the economy, but the JobKeeper program was no longer needed as economy recovery would be supported by the government's tax cuts announced last year.

Last July, at the depth of the recession provoked by the pandemic, Frydenberg said he was "inspired" by Reagan and Thatcher and their so-called supply side economics which provided major concessions for business while launching deepening attacks on the working class. Frydenberg did not acknowledge at the time, nor has he since, that the Reagan-Thatcher agenda was carried out in Australia by the Hawke-Keating Labor governments.

In a warning as to what the working class can expect, he did not step away from his support for the policies of Reagan and Thatcher in his FT interview. Asked if he thought their economic policies were still relevant, Frydenberg said they had "achieved a lot when in office." They were dedicated to lower taxes and cutting regulation and "that's what I am committed to as well."

These remarks indicate that the so-called recovery in the Australian economy—the vast bulk of which will enhance the profits of major corporations as the slide in wages continues—will be followed by intensified attacks on the working class as the "restructuring" of wages, the destruction of jobs and the demolition of previous working conditions triggered by the pandemic is continued and deepened.