The Australian Economy Rebounds After Taking A Hit From The Pandemic

Japan, Tokyo, Apr 26, 2021 (Issuewire.com) - Australia's economic recovery seems to have accelerated in the first quarter of 2021, according to a survey of businesses that showed profits, trading conditions, and employment all well into expansionary territory.

The first-quarter business survey conducted by the National Australia Bank showed that conditions and confidence among firms had strengthened, both at 17 index points and well above their long-run averages.

"*The survey suggests that the economic recovery built further momentum in the first quarter*," said Alan Oster, NAB's chief economist.

"*What is particularly welcome is that the improvement is broad-based with conditions and confidence improving in most industries*," he said.

The survey is consistent with other indicators that have pointed to a rapid recovery in the economy in recent months, due to surging employment growth. Australia has been able to contain the spread of the Covid-19 virus, making it easy for a more normal running of the economy to emerge.

The Reserve Bank of Australia earlier revealed plans to keep interest rates low for a minimum of another three years. This is to allow time for the economy to absorb spare capacity in the job market, and stir stronger growth in wages and inflation.

RBA Gov. Philip Lowe has stated that he wants to see wages growth rising and inflation sustainably returned to the central bank's target of between 2 and 3% before any possible consideration of increasing the interest rates.

The resource-rich economy has also felt a strong tailwind with iron-ore prices recently at their highest level in a decade. However, the federal government's move to wind back fiscal stimulus including emergence income support measures has been identified as headwinds for the economy. The retreat of government payments is said to be a possible trigger of a temporary jump in unemployment, economists warn.

NAB's measure of capacity utilization has returned to around its pre-Covid levels, remaining consistent with the bank's view that the economy has fully recovered from the pandemic-led shock of early 2020.

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