

COVID-19, THE ECONOMIC DOWNTURN AND SOME OF ITS CONSEQUENCES FOR YOUNG PEOPLE IN TASMANIA

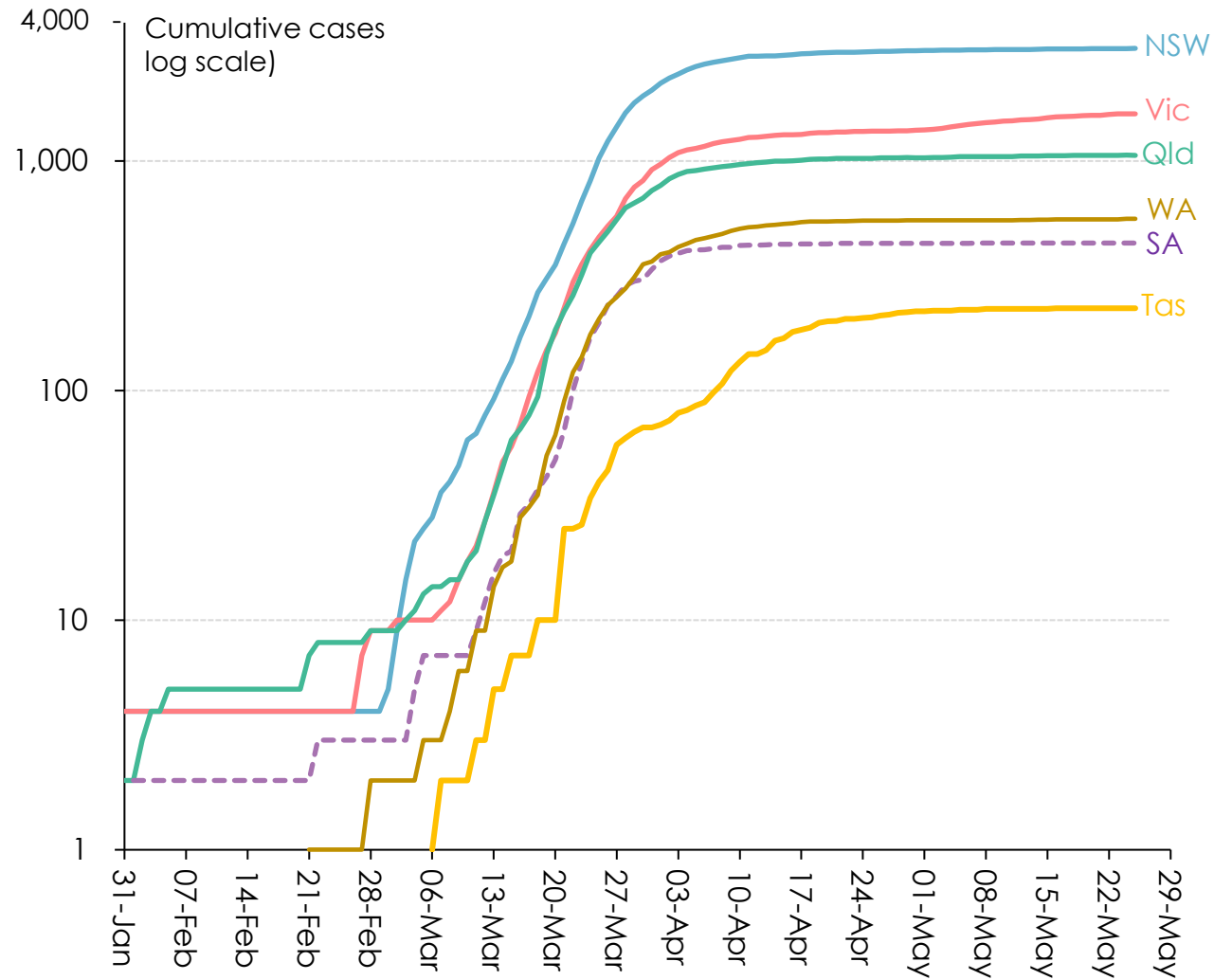
PRESENTATION TO AN ONLINE FORUM HOSTED
BY THE YOUTH NETWORK OF TASMANIA

25TH MAY 2020

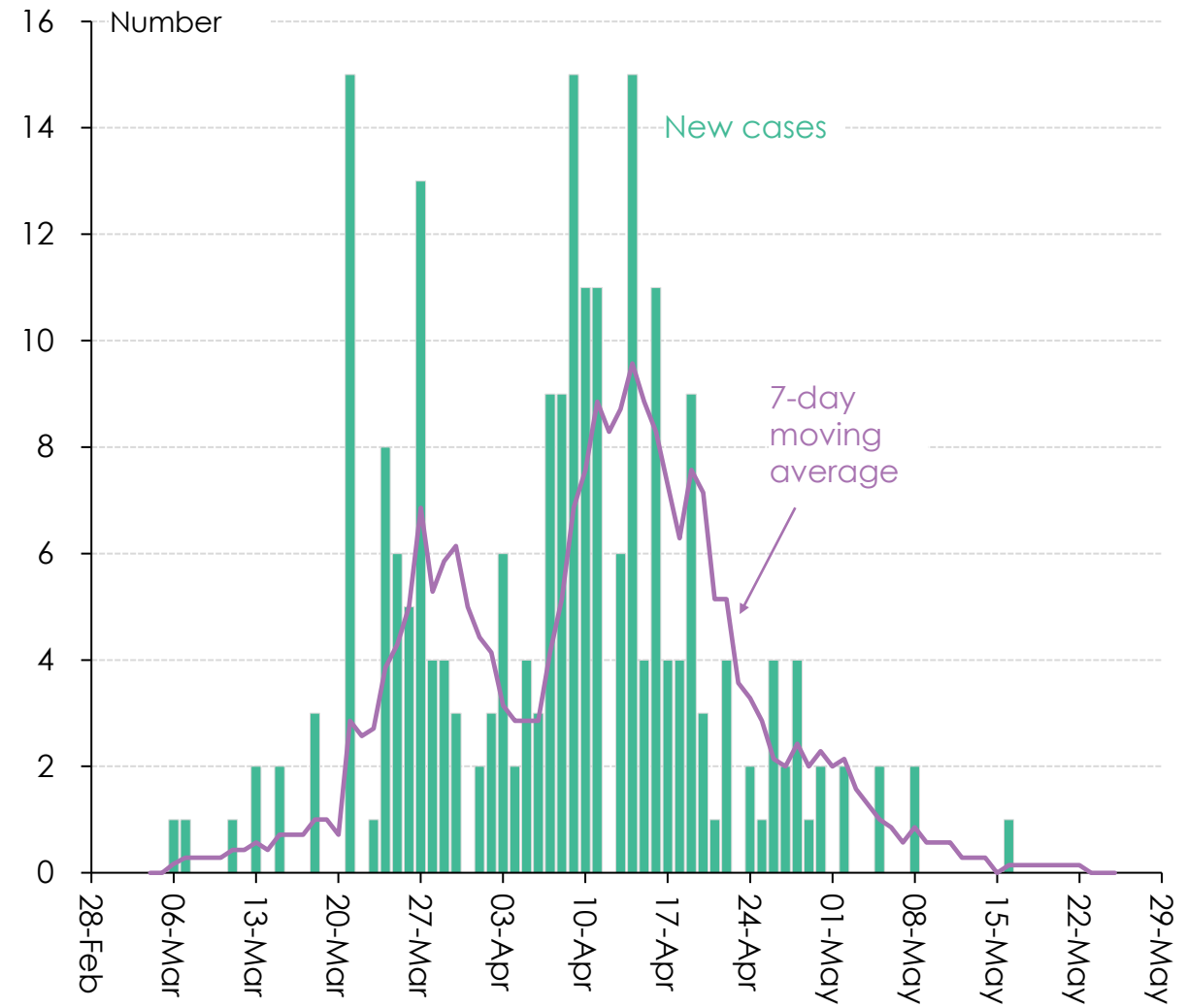
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY PTY LTD

Tasmania, along with other states, seems now to have succeeded in stopping the spread of Covid-19 ...

Cumulative confirmed cases, by State



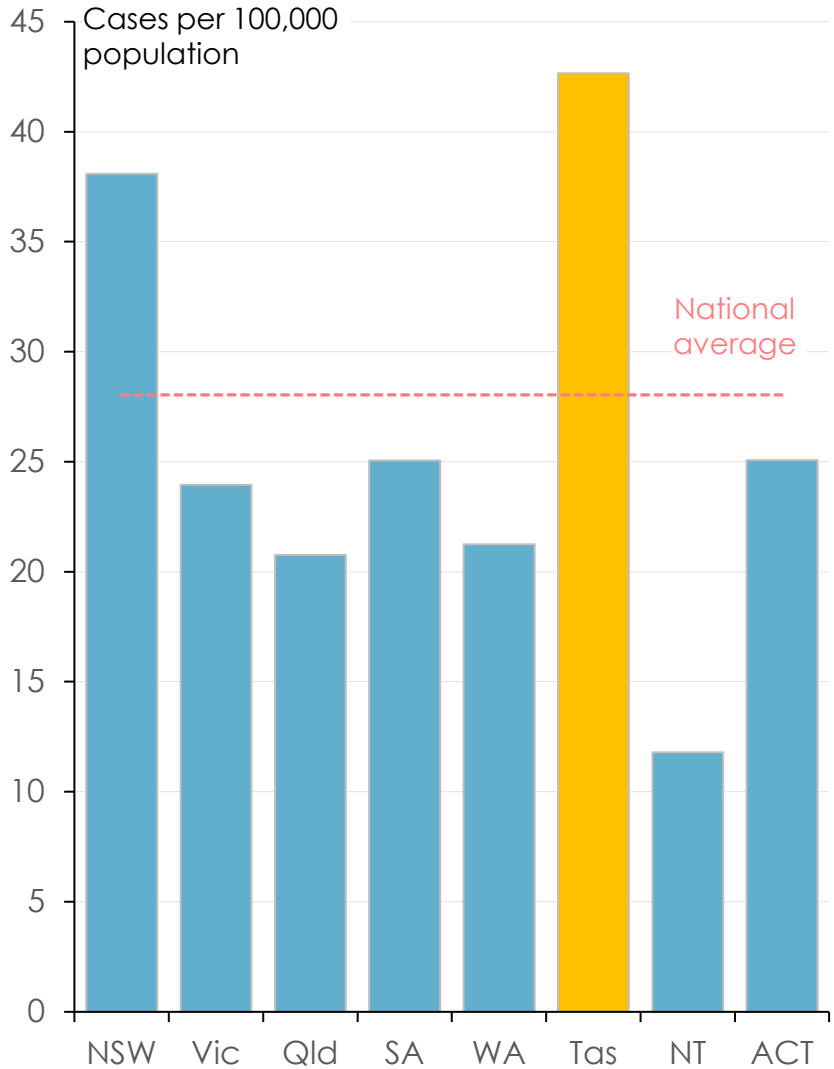
Daily new cases, Tasmania



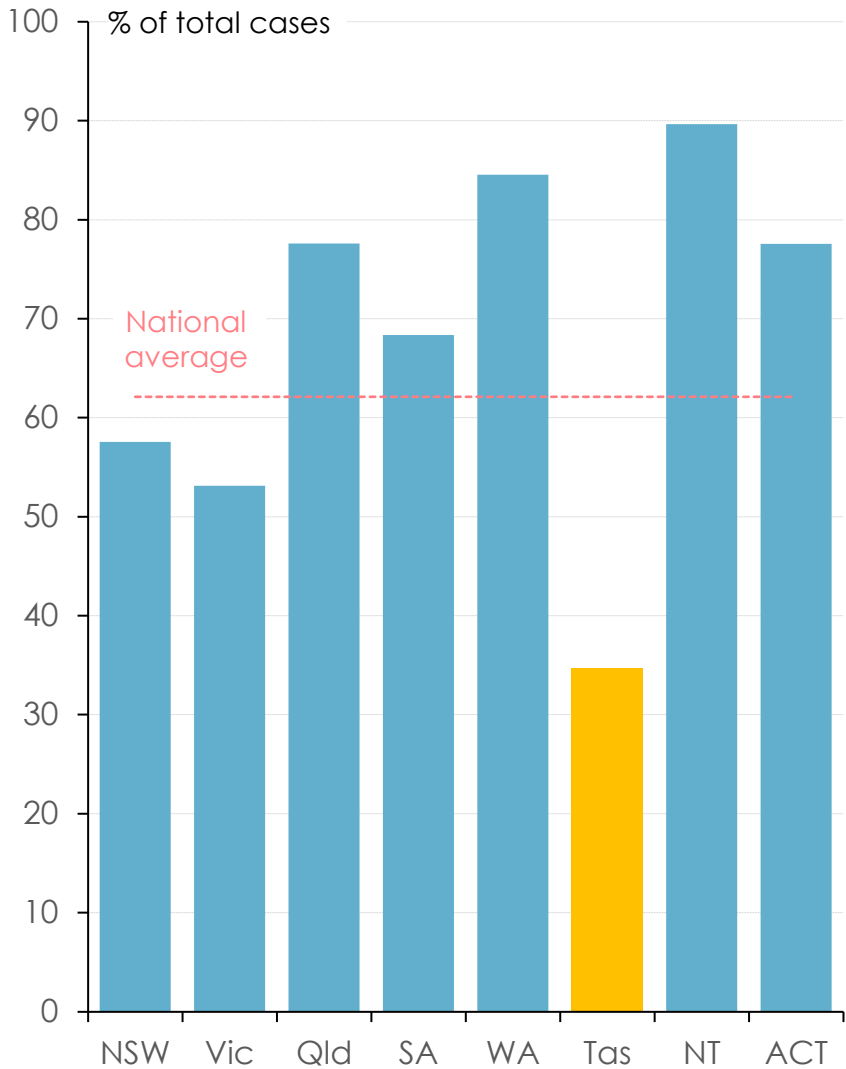
Note: Data up to 25th May. Source: covid19data.com.au.

... but our experience of Covid-19 has been tougher than that of other states and territories

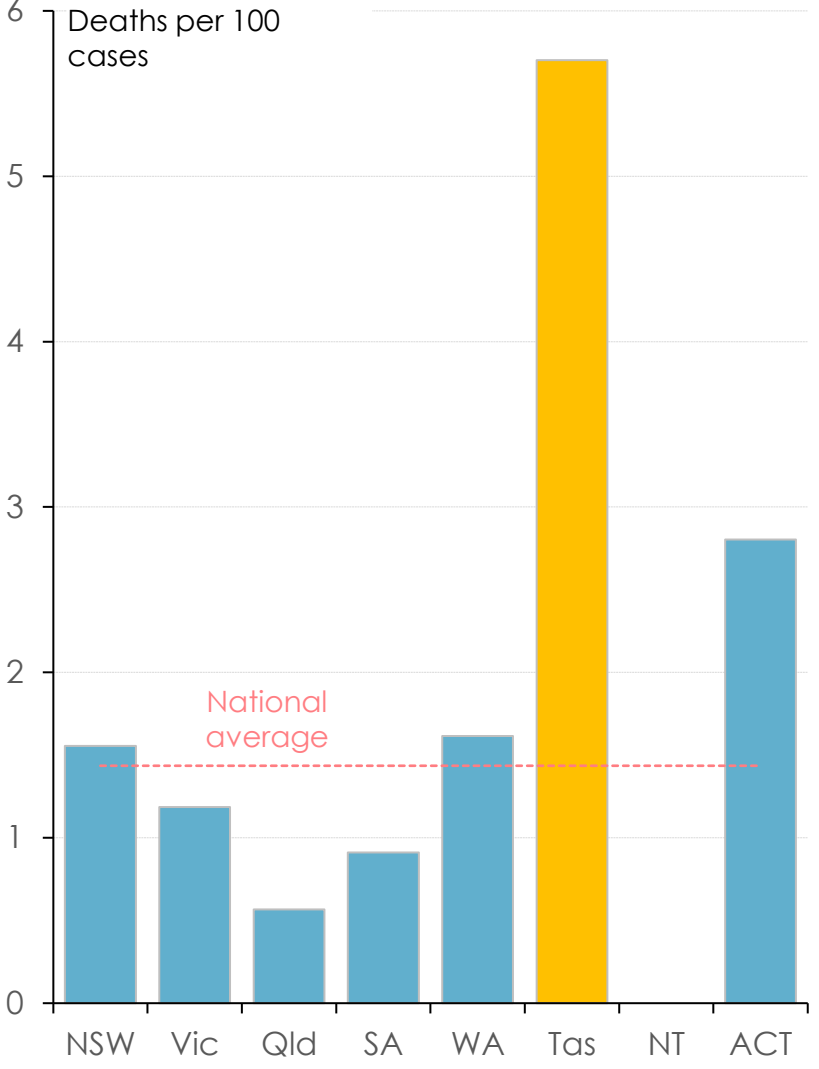
Cases per 100,000 population



Overseas transmissions



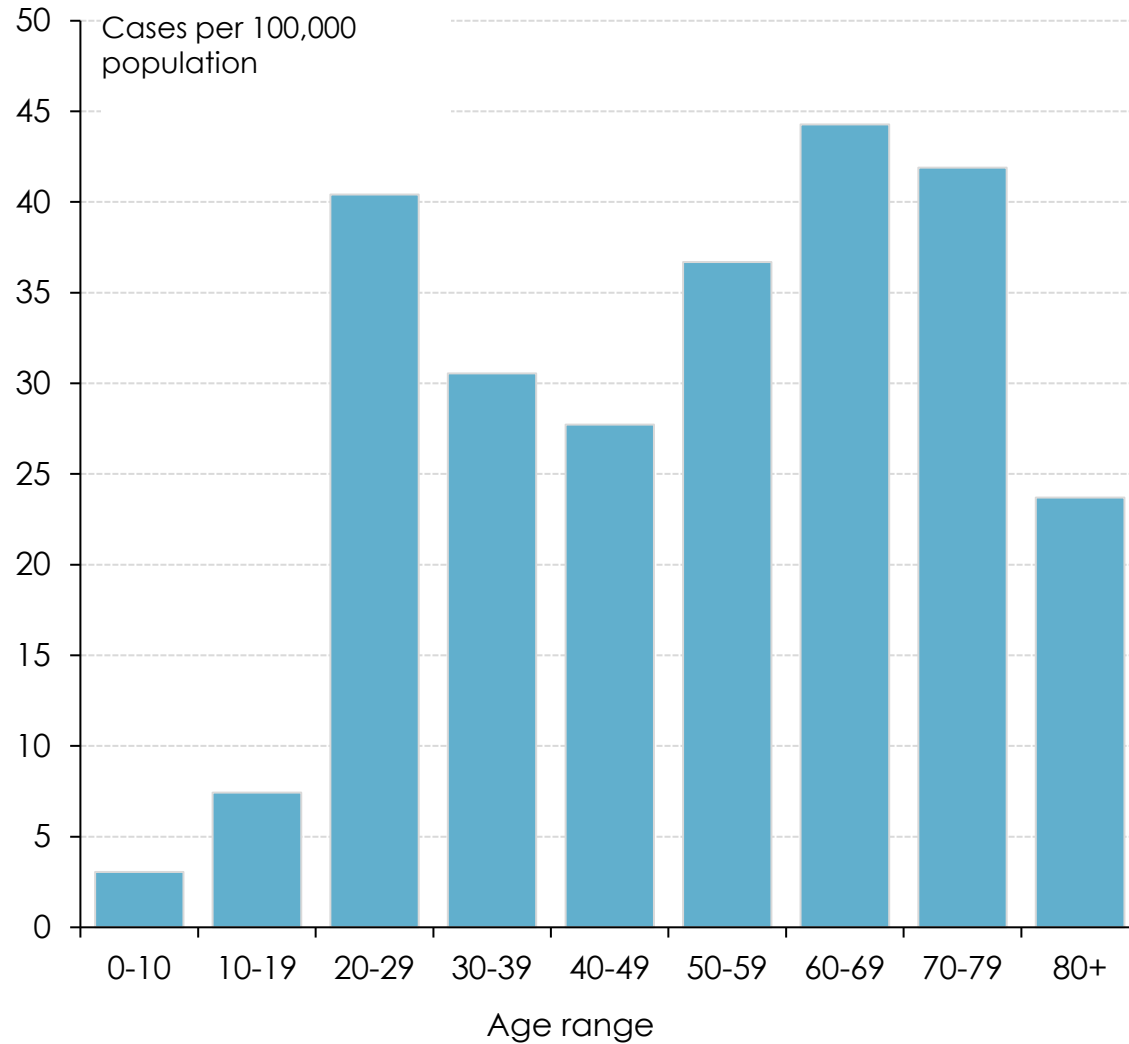
Death rate



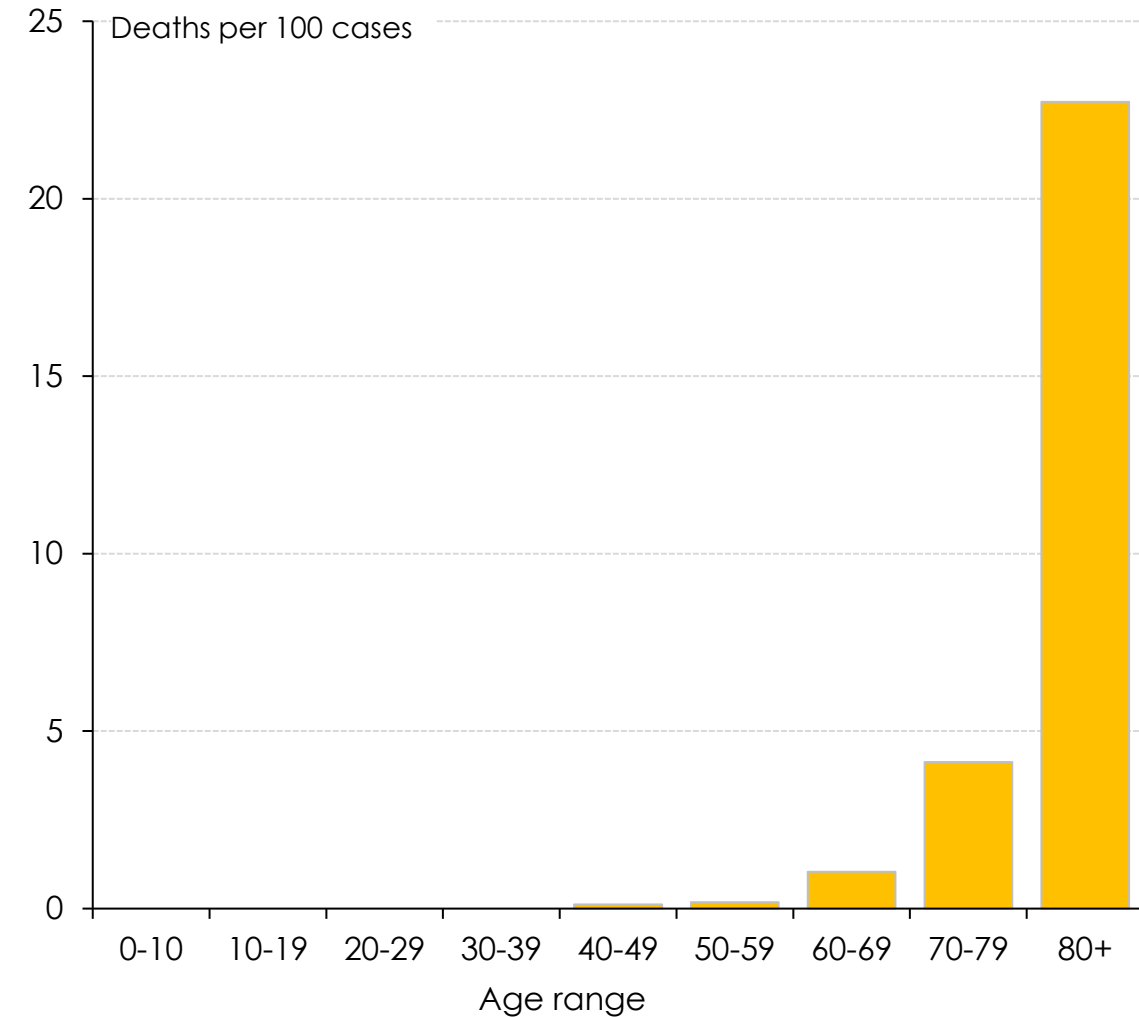
Source: covid19data.com.au. Data up to 25th May.

Younger adults have been as prone to catching Covid-19 as older people, although no-one under 40 has (so far) died from it

National cumulative cases, by age group



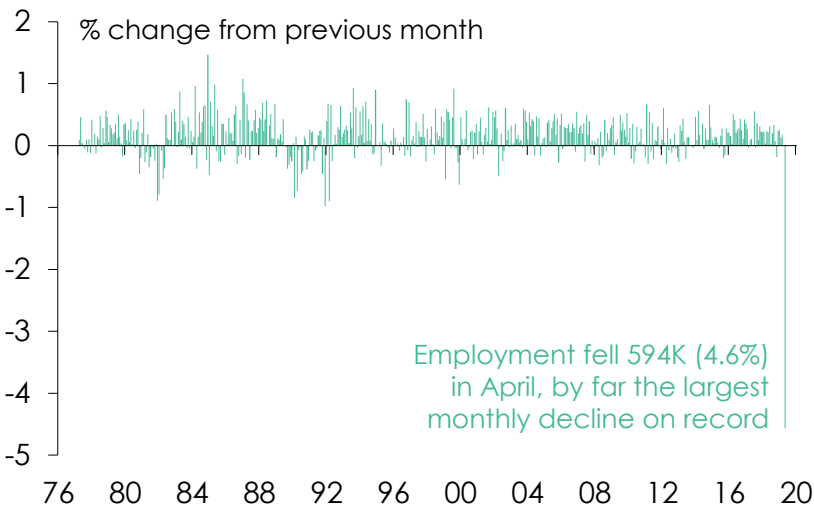
National death rate, by age group



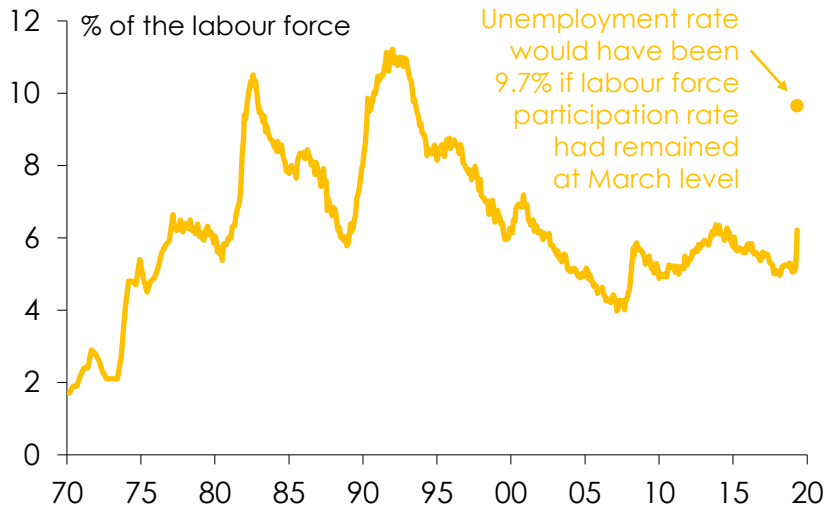
Note: Data up to 23rd May. Sources: Australian Department of Health; National Notifiable Diseases Surveillance System.

Containing the spread of the virus has come at a significant economic cost – especially in terms of jobs

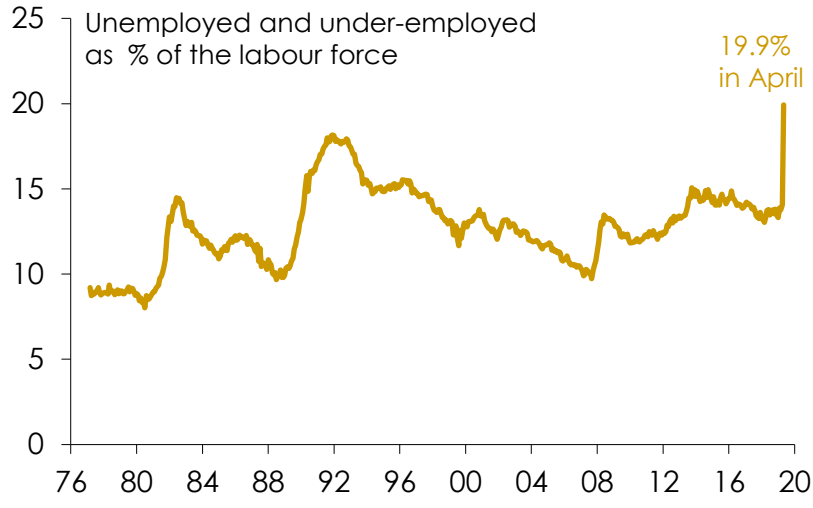
Employment



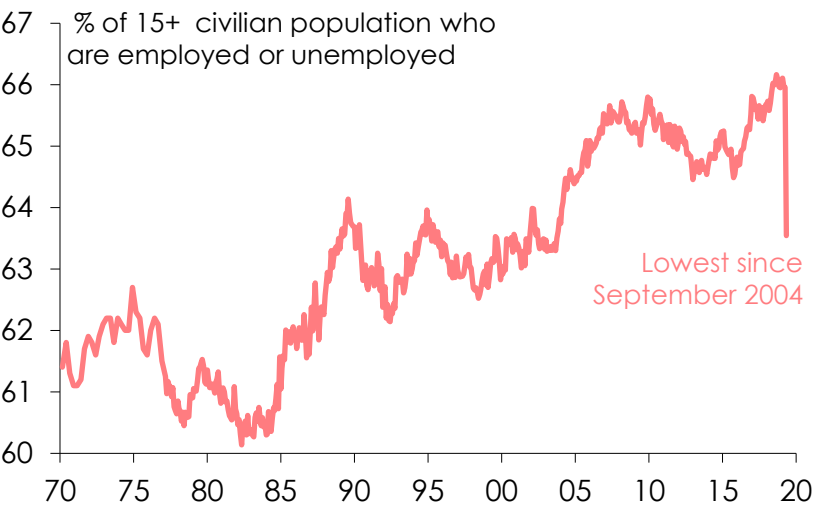
Unemployment rate



'Under-utilization' rate



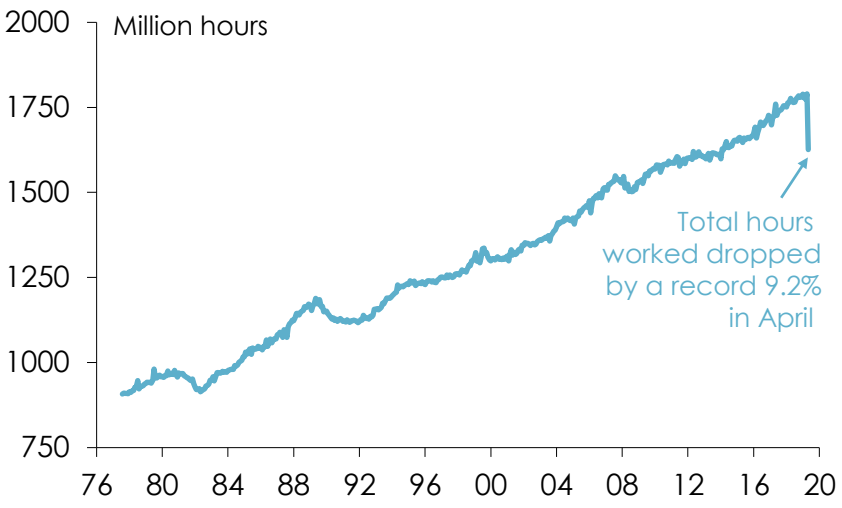
Labour force participation rate



Under-employment ratio



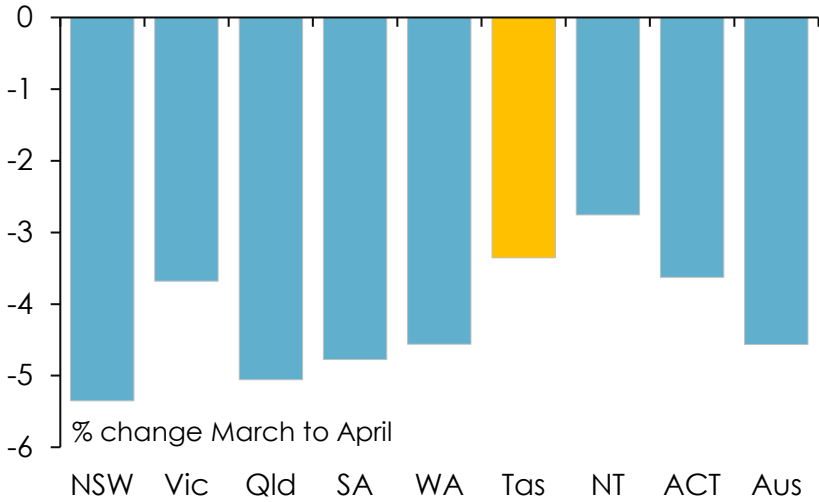
Total hours worked



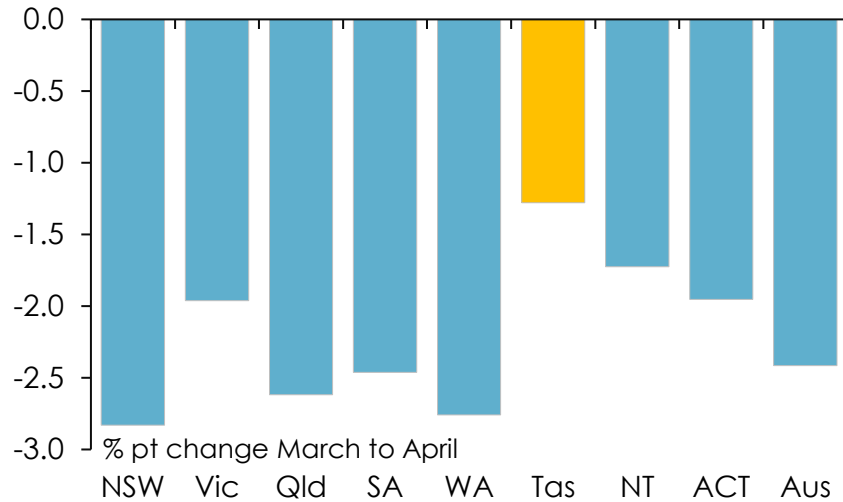
Note: The ABS classifies people on JobKeeper who worked zero hours in the survey week as 'employed'. Had it not done so, the unemployment rate in April would have been 11.7%. The 'under-employment ratio' is the percentage of employed persons who are working fewer hours than they are willing and able to work. The 'under-utilization rate' is the proportion of the labour force who are unemployed or underemployed. Source: ABS.

Tasmania has experienced a relatively smaller loss of jobs, but a larger drop in hours worked

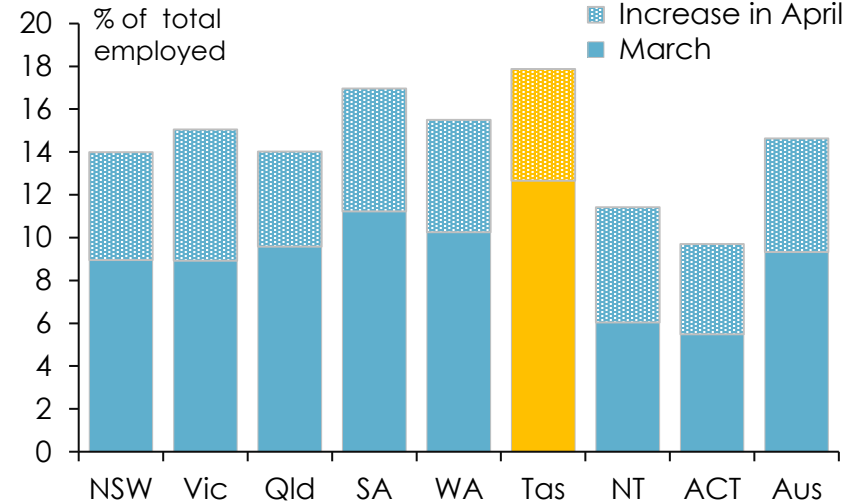
Employment



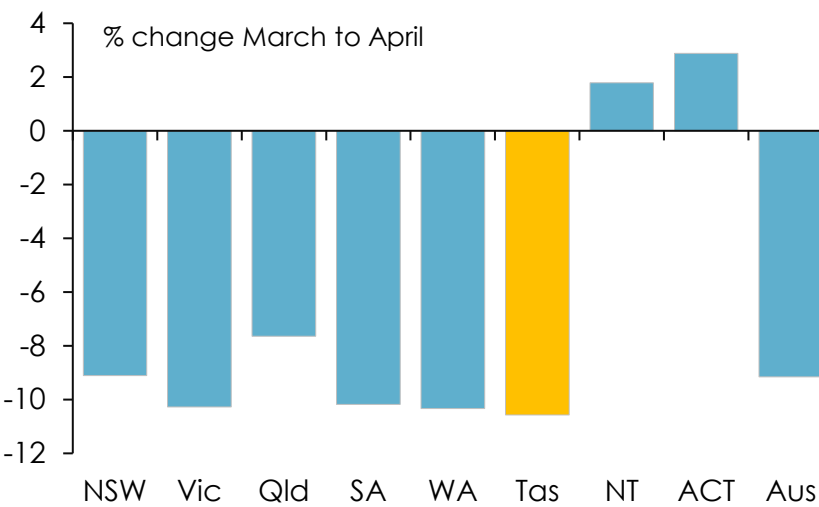
Labour force participation rate



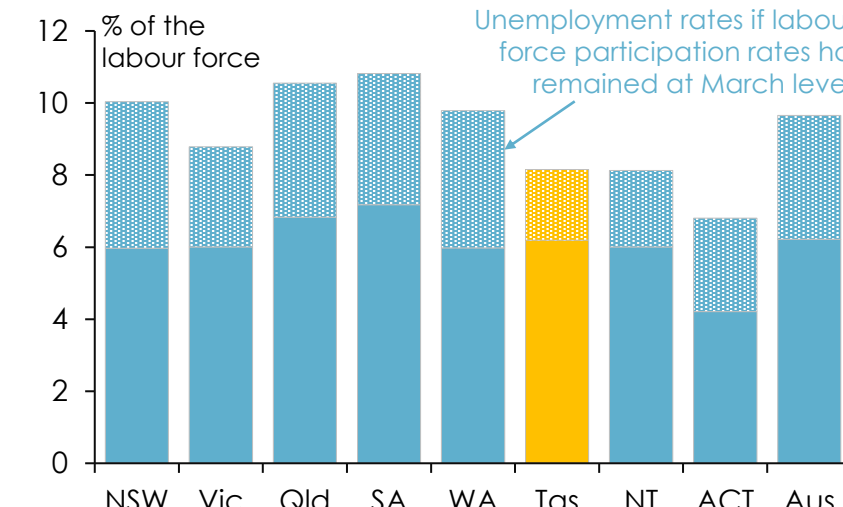
Under-employment ratio



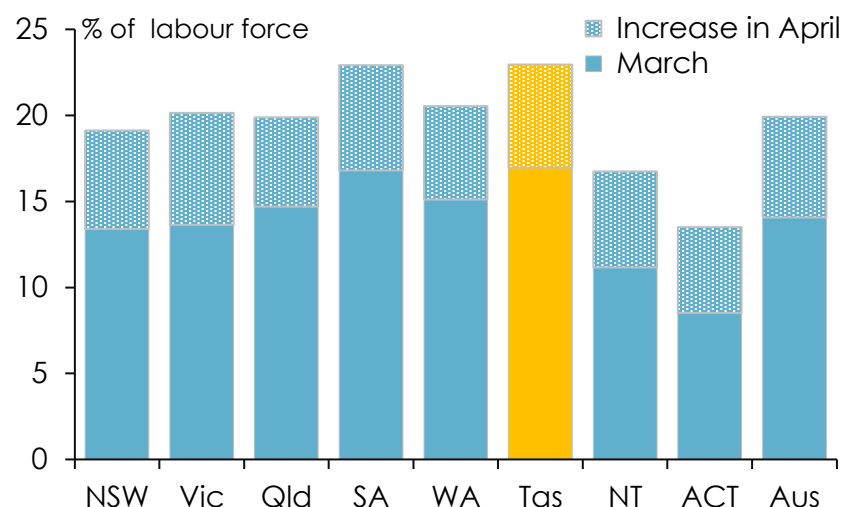
Total hours worked



Unemployment rate



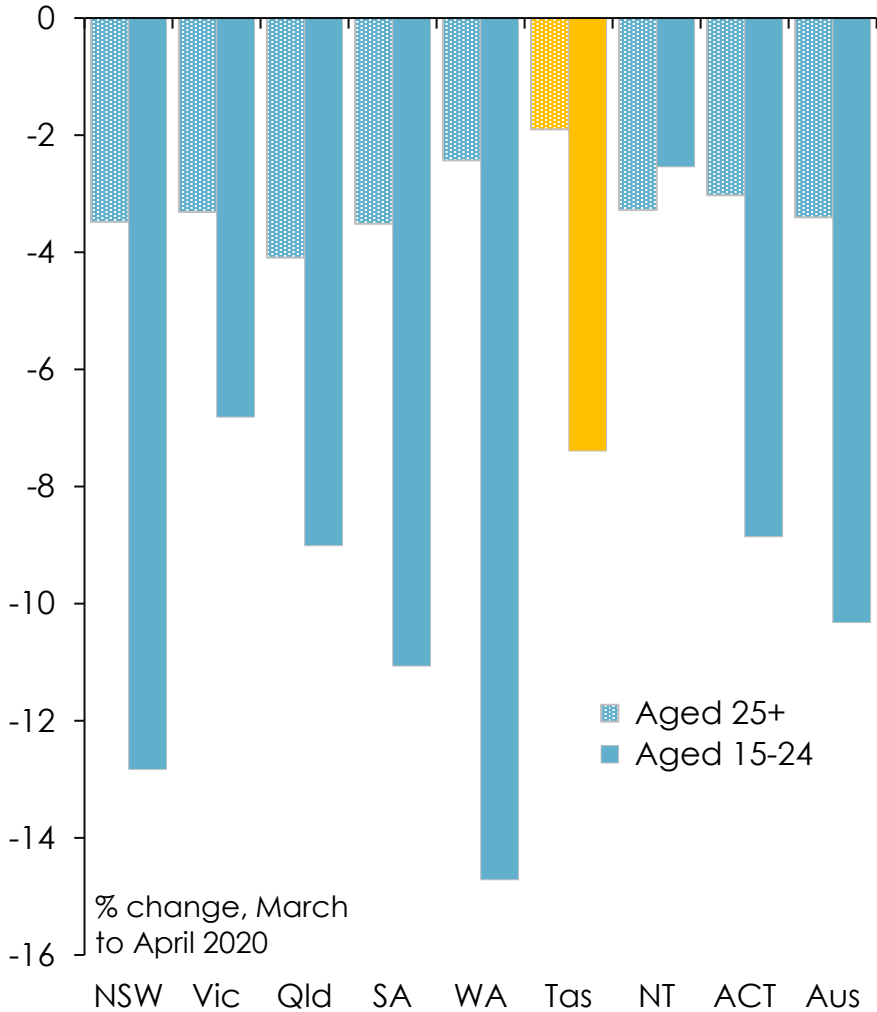
'Under-utilization' rate



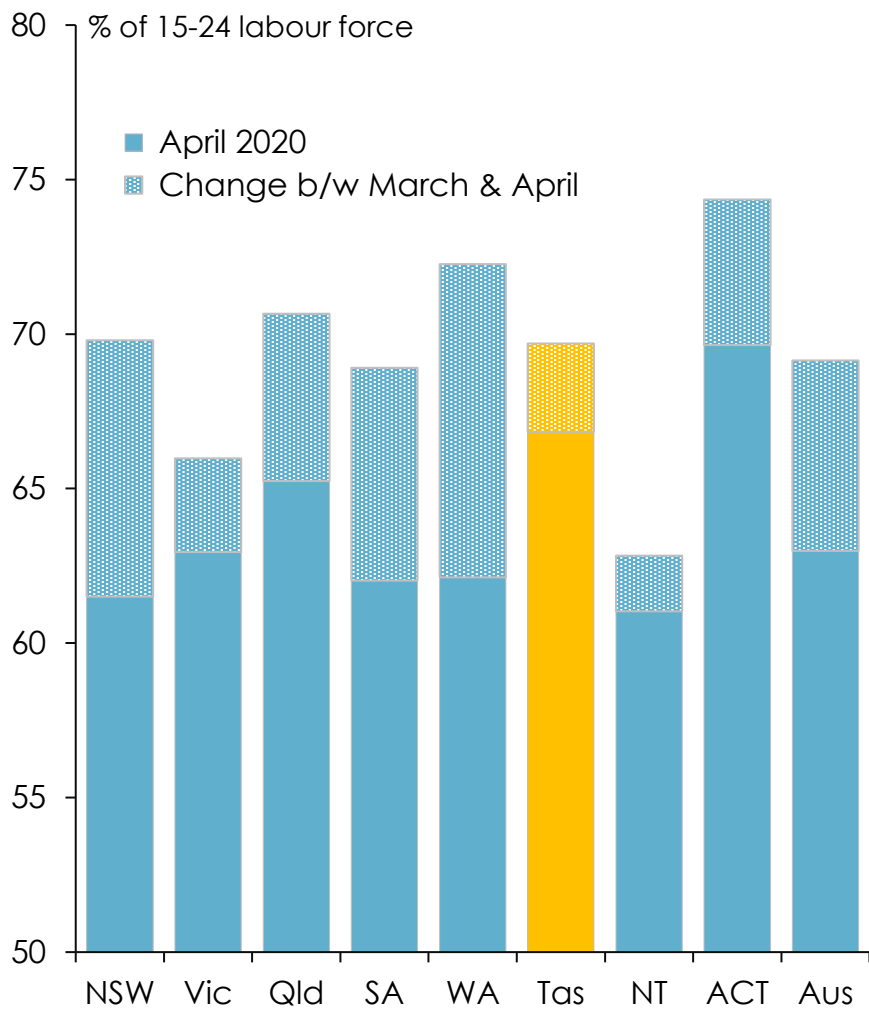
Note: The 'under-employment ratio' is the percentage of employed persons who are working fewer hours than they are willing and able to work. The 'under-utilization rate' is the proportion of the labour force who are unemployed or underemployed. Source: ABS.

As in the rest of Australia, job losses in Tasmania have been much greater among 15-24 yos than among older workers

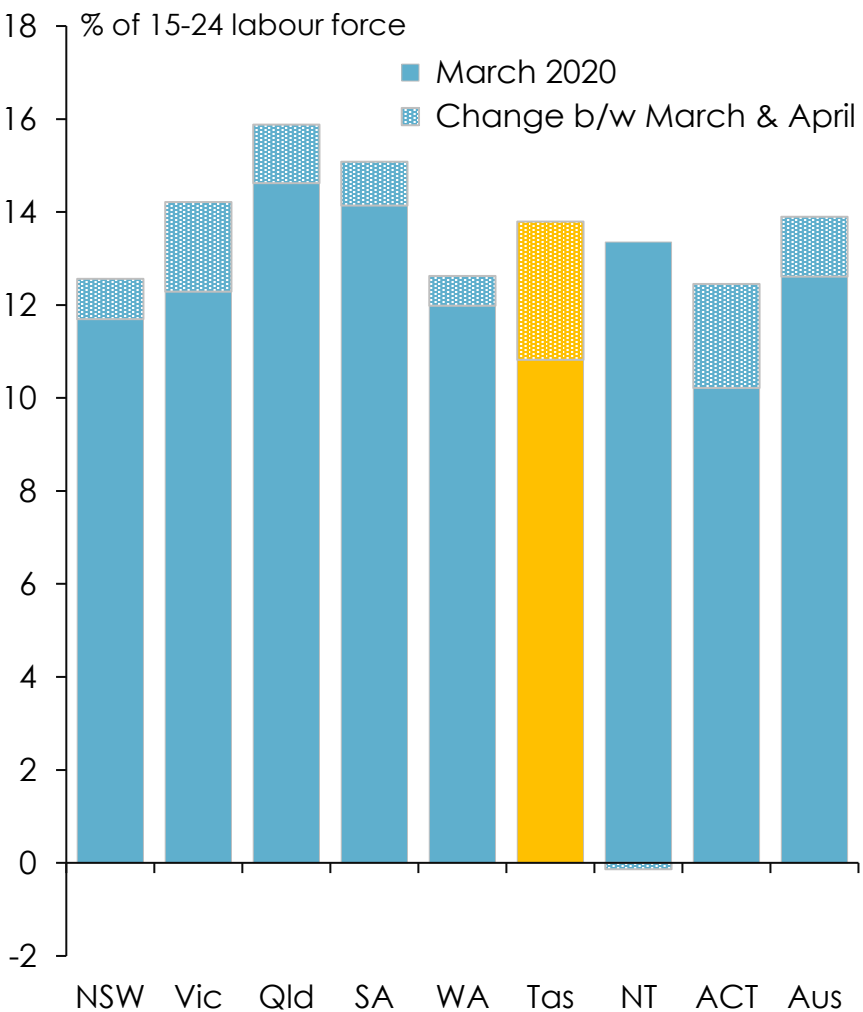
Change in employment between March & April 2020, by age group



Labour force participation rates, 15-24 yos, March & April 2020



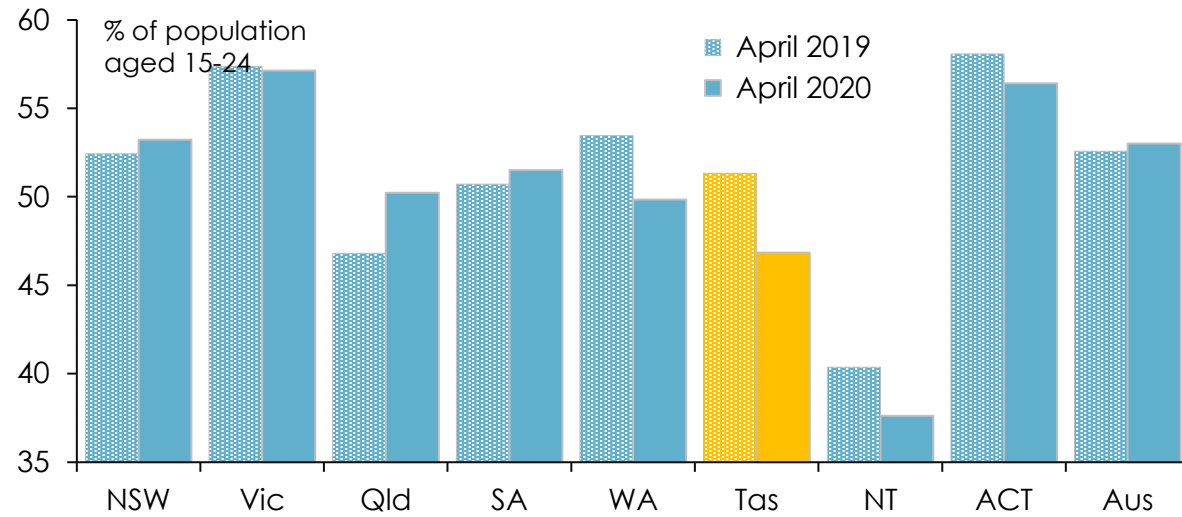
Unemployment rates, 15-24 yos, March & April 2020



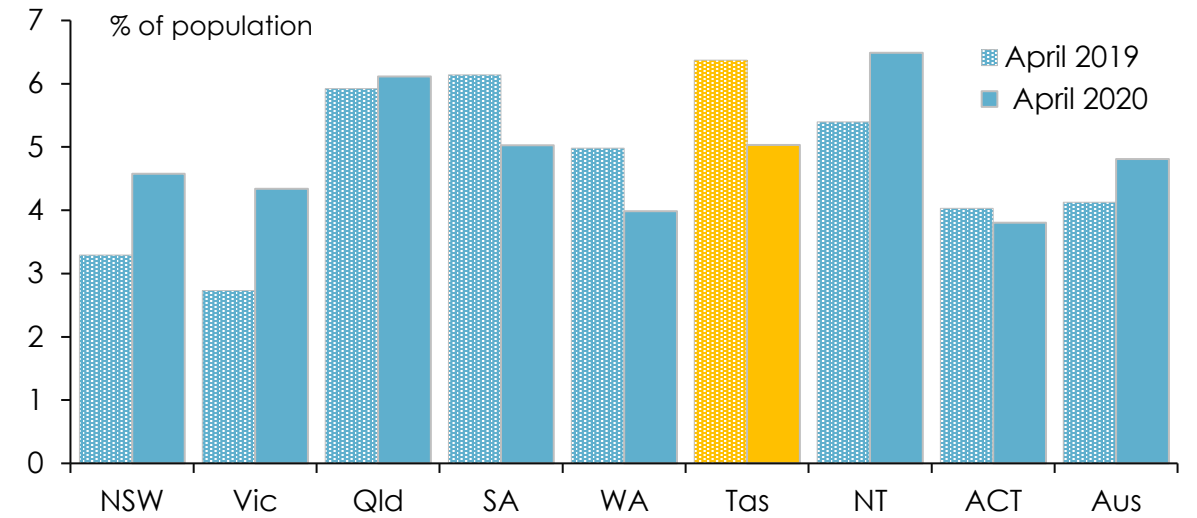
Note: Data shown in these charts are not seasonally adjusted. Source: ABS.

Relatively fewer 15-24yo Tasmanians are in full-time education, and an above average proportion are neither working nor in full-time education

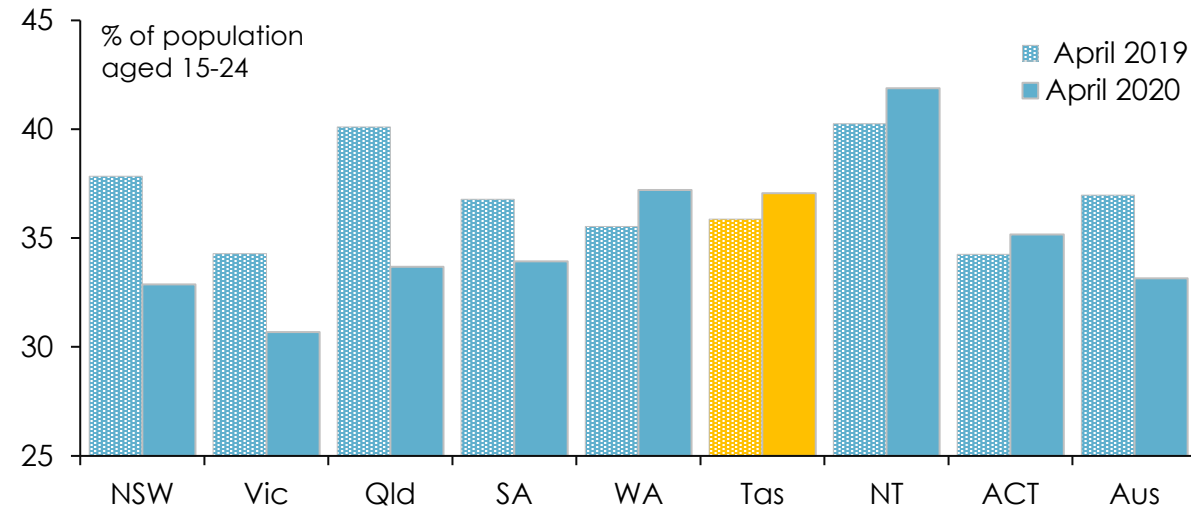
15-24 yos attending full-time education



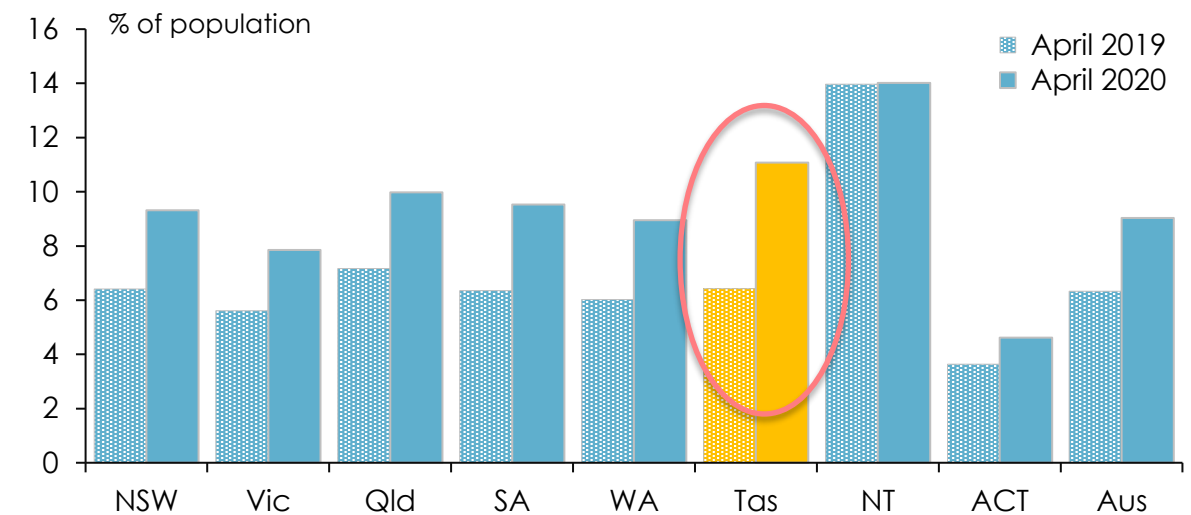
15-24 yos unemployed & not attending full-time education



15-24 yos employed & not attending full-time education

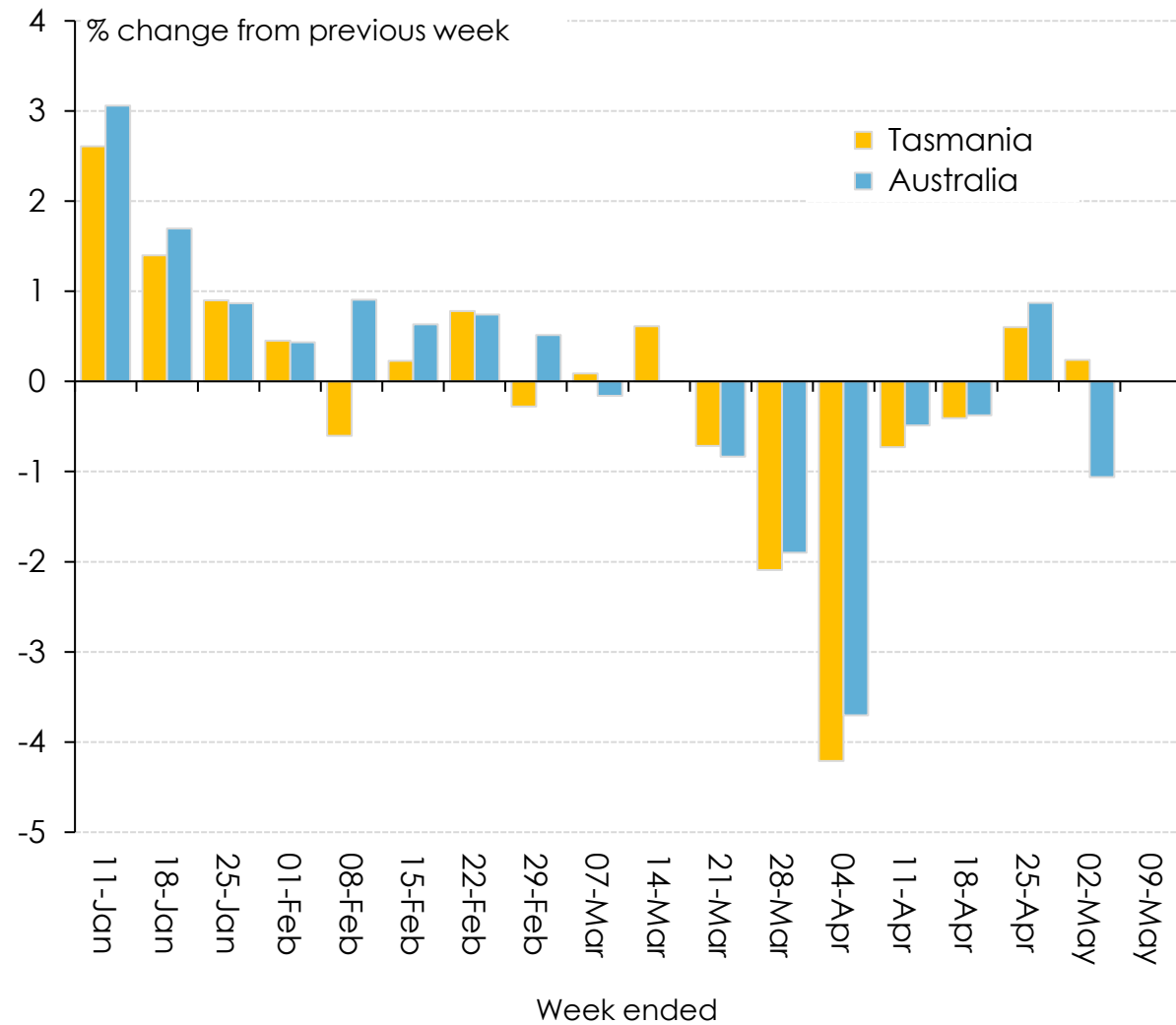


15-24 yos neither in the work force nor attending full-time education

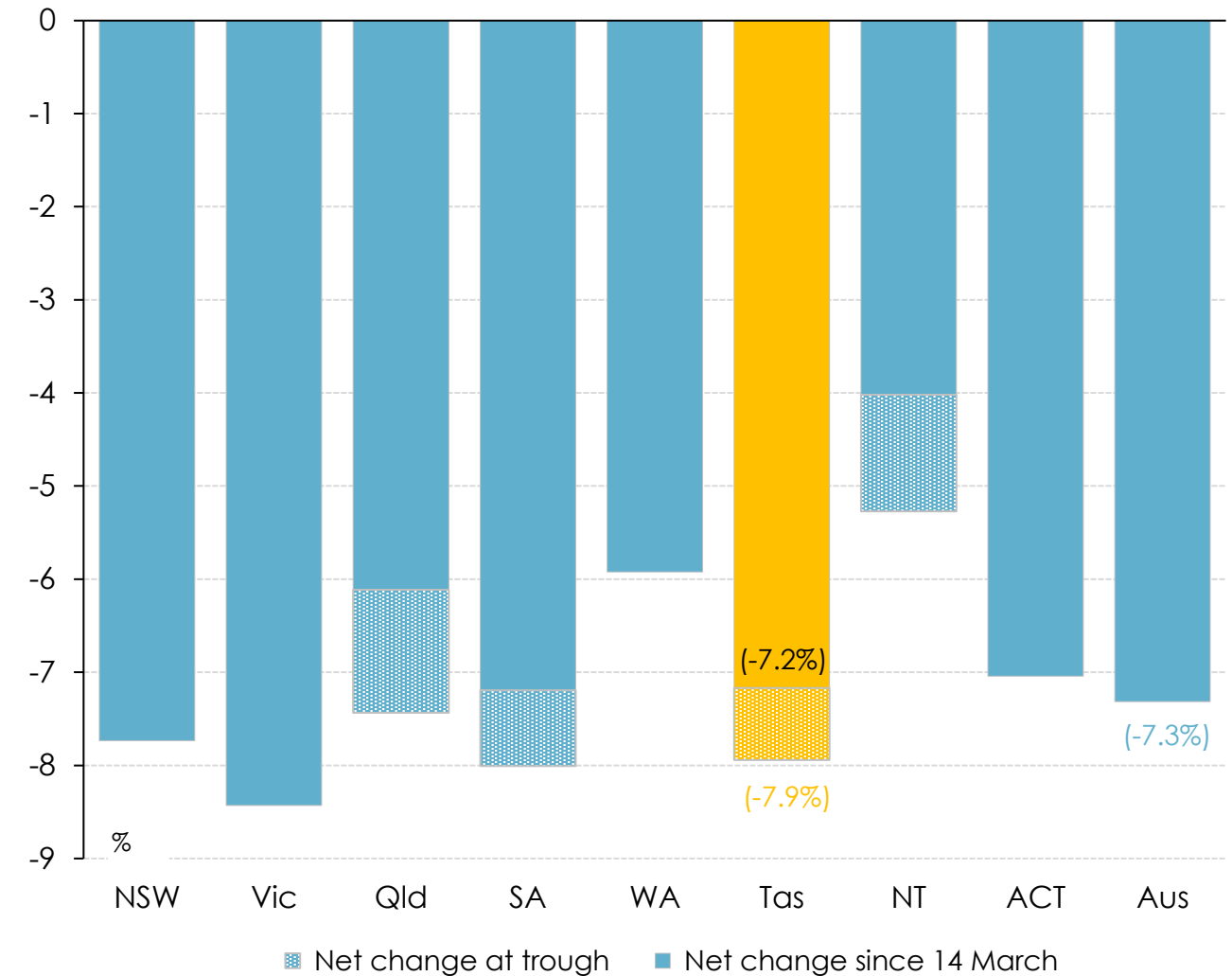


The ABS' weekly payroll jobs series suggests that employment has been picking up in Tasmania since late April

Weekly change in payroll jobs



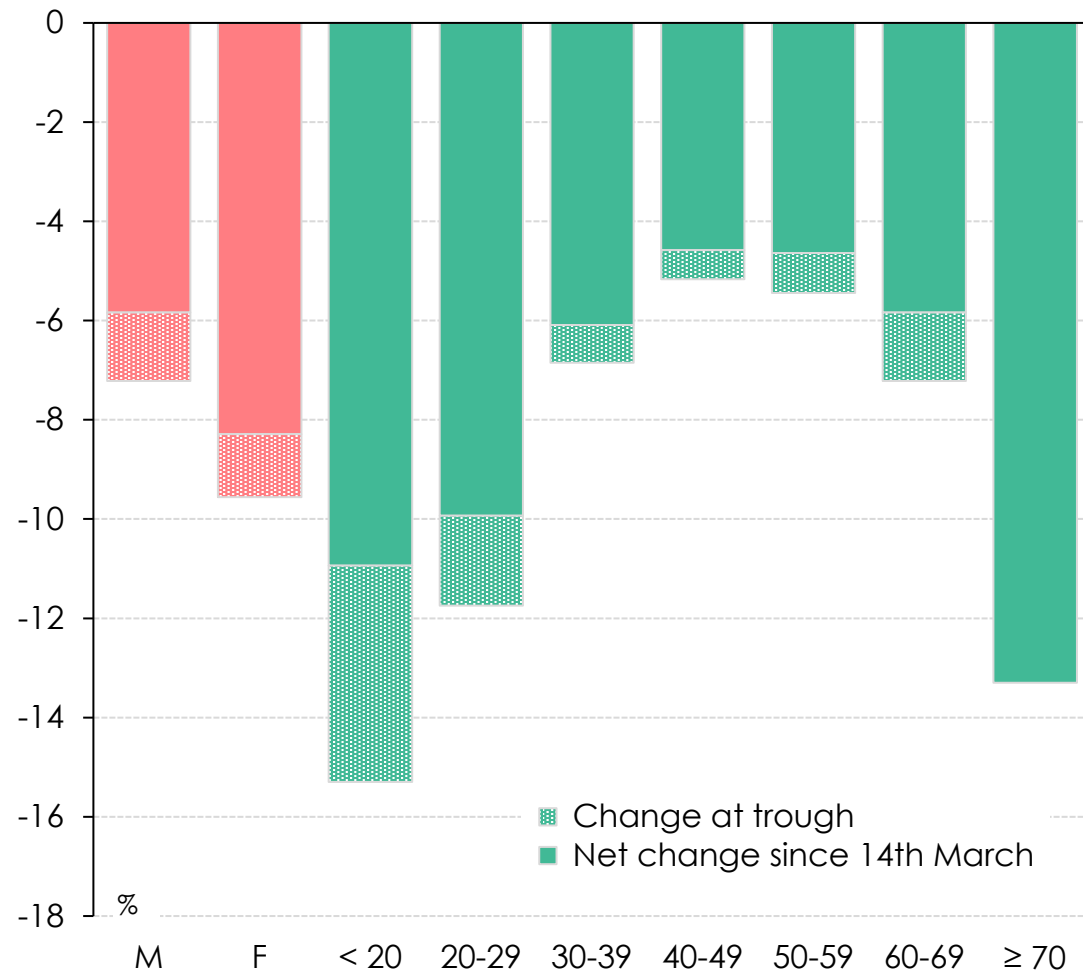
Change in payroll employment since 14th March



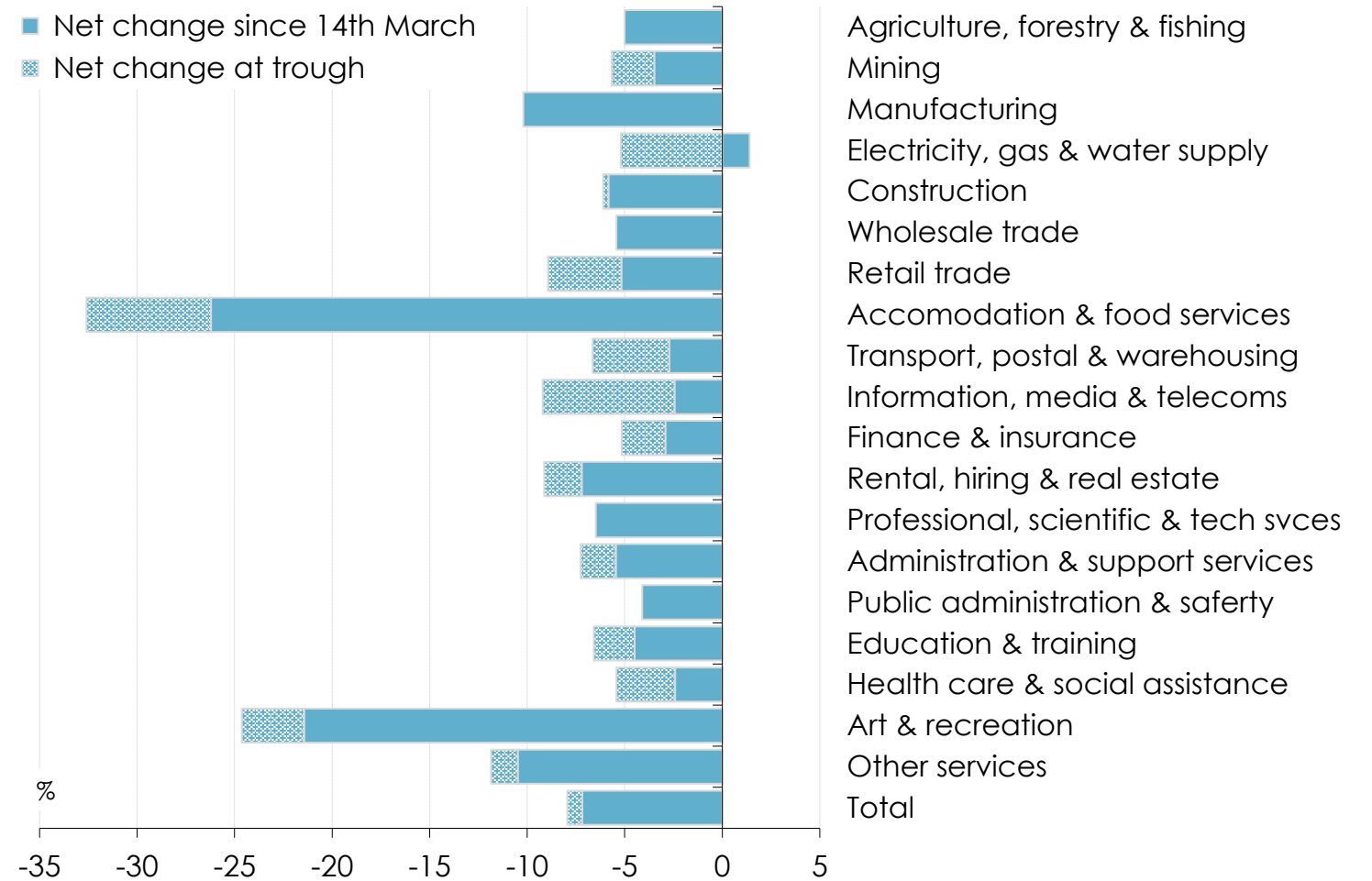
Note: data up to week ended 2nd May. 14th March was the date on which Australia recorded its 100th confirmed case of Covid-19. 'Trough' refers to the week in which employment reached its lowest level, which for Tasmania was the week ended 18th April. Source: ABS.

Job losses have been relatively greater for women and young people, largely reflecting their representation in the hardest-hit sectors

Change in payroll employment in Tasmania since 14th March, by gender and age group



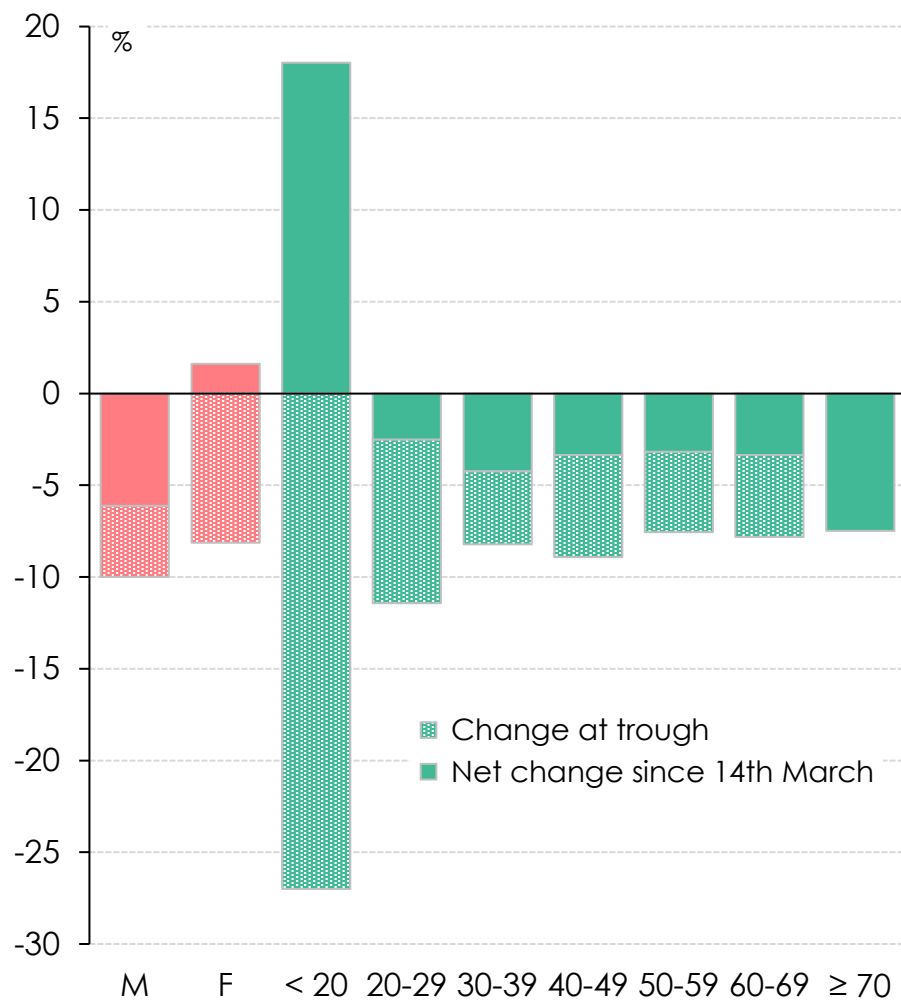
Change in payroll employment in Tasmania since 14th March, by industry



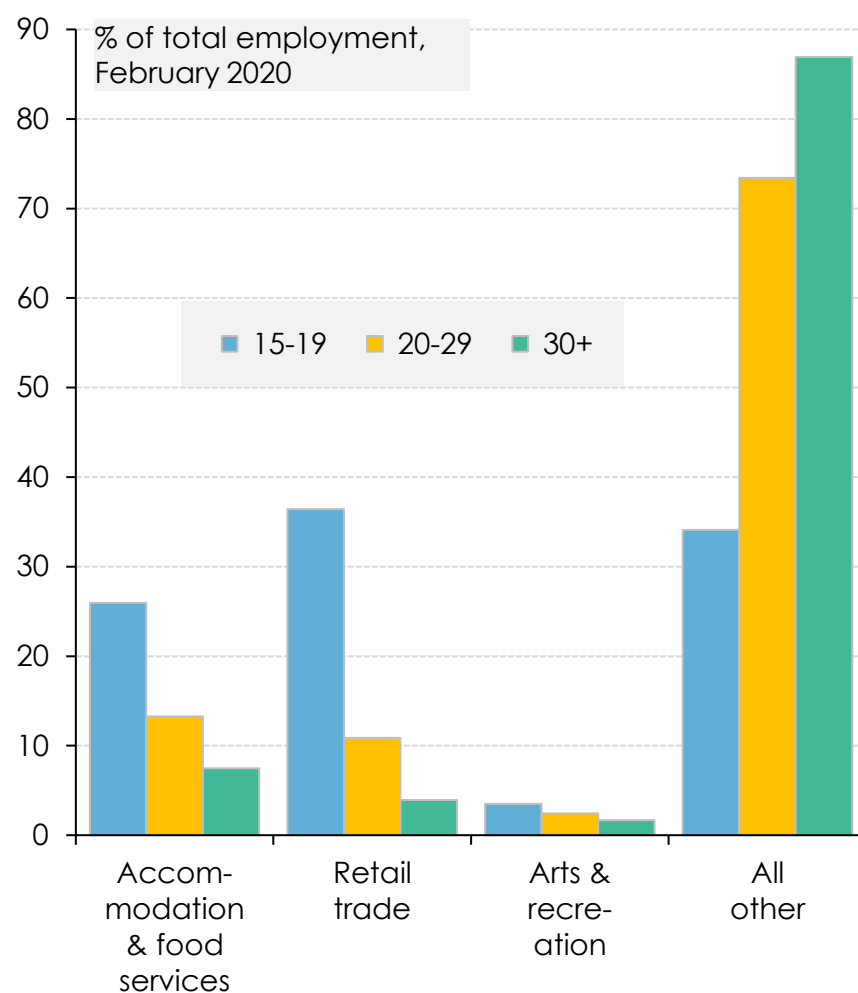
Note: data up to week ended 2nd May. 14th March was the date on which Australia recorded its 100th confirmed case of Covid-19. 'Trough' refers to the week in which employment reached its lowest level, which for Tasmania was the week ended 18th April. Source: ABS.

Wages paid to women and teenagers who've kept their jobs are now actually higher than they were before the shutdown began

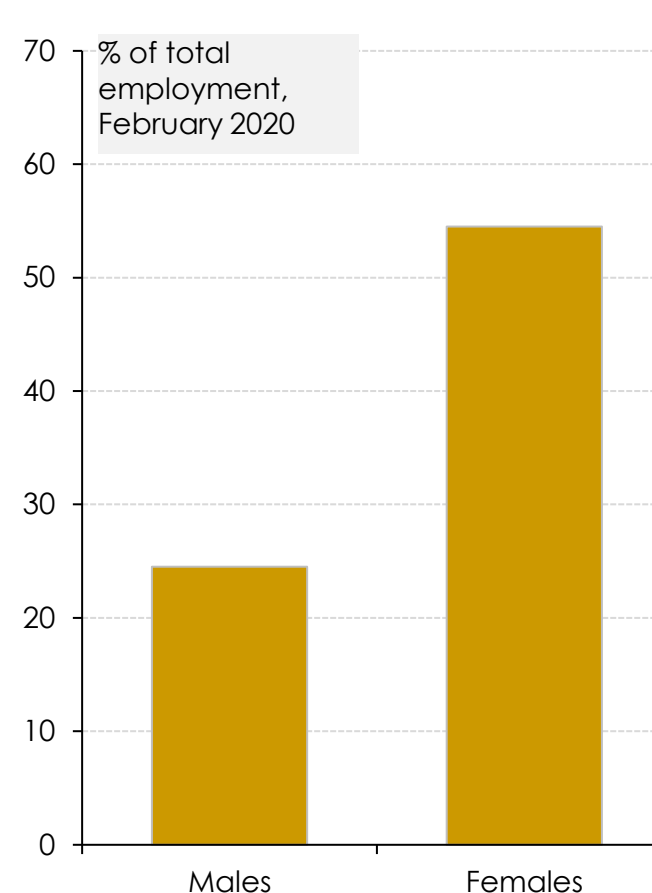
Change in wages paid in Tasmania since 14th March, by gender and age group



Employment by age group, selected industries (national)



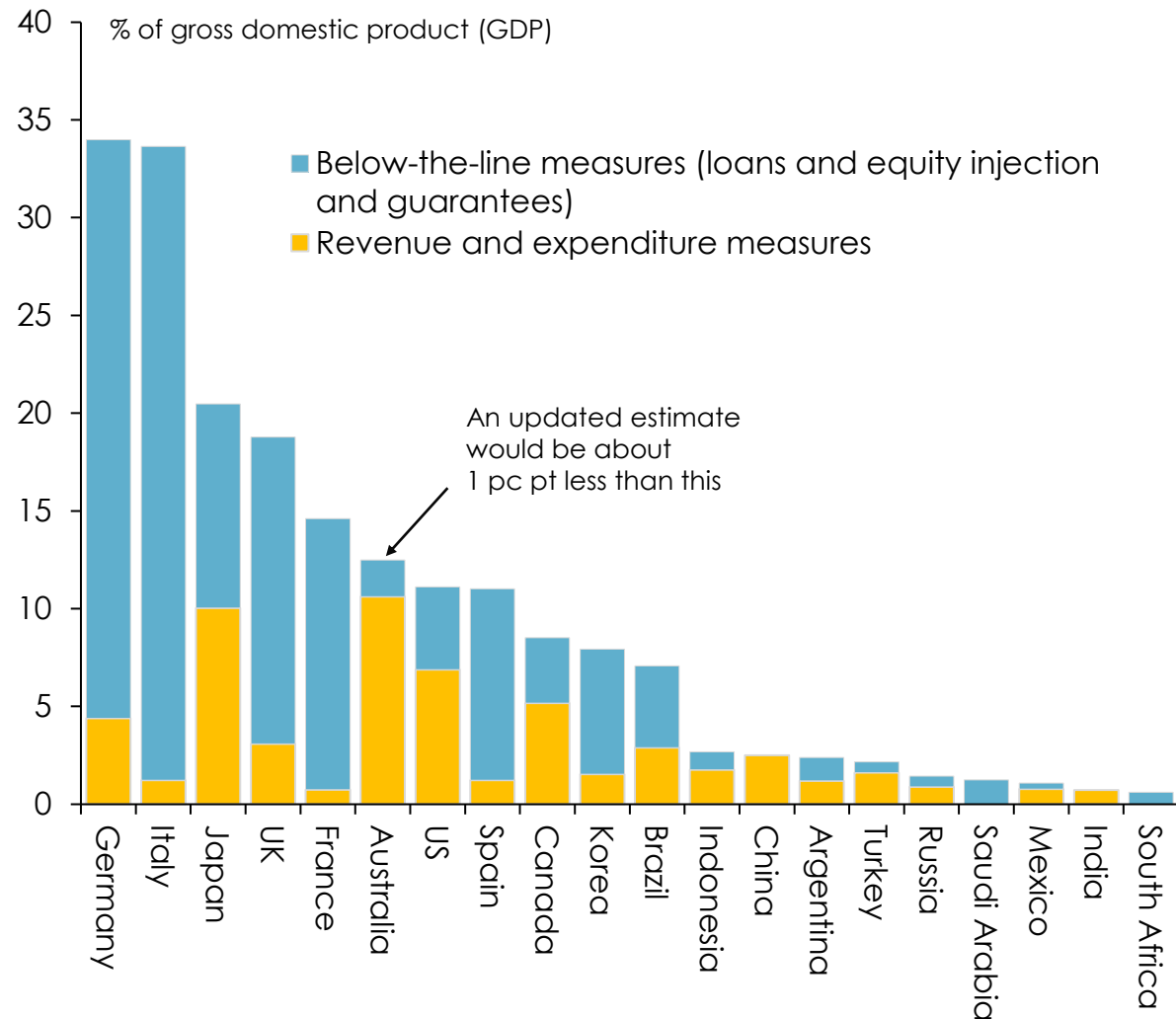
Part-time employment by gender, Tasmania



Note: data up to week ended 2nd May. 14th March was the date on which Australia recorded its 100th confirmed case of Covid-19. 'Trough' refers to the week in which employment reached its lowest level, which for Tasmania was the week ended 18th April. Source: ABS.

The Australian Government's policy measures have been very large by historical and international standards

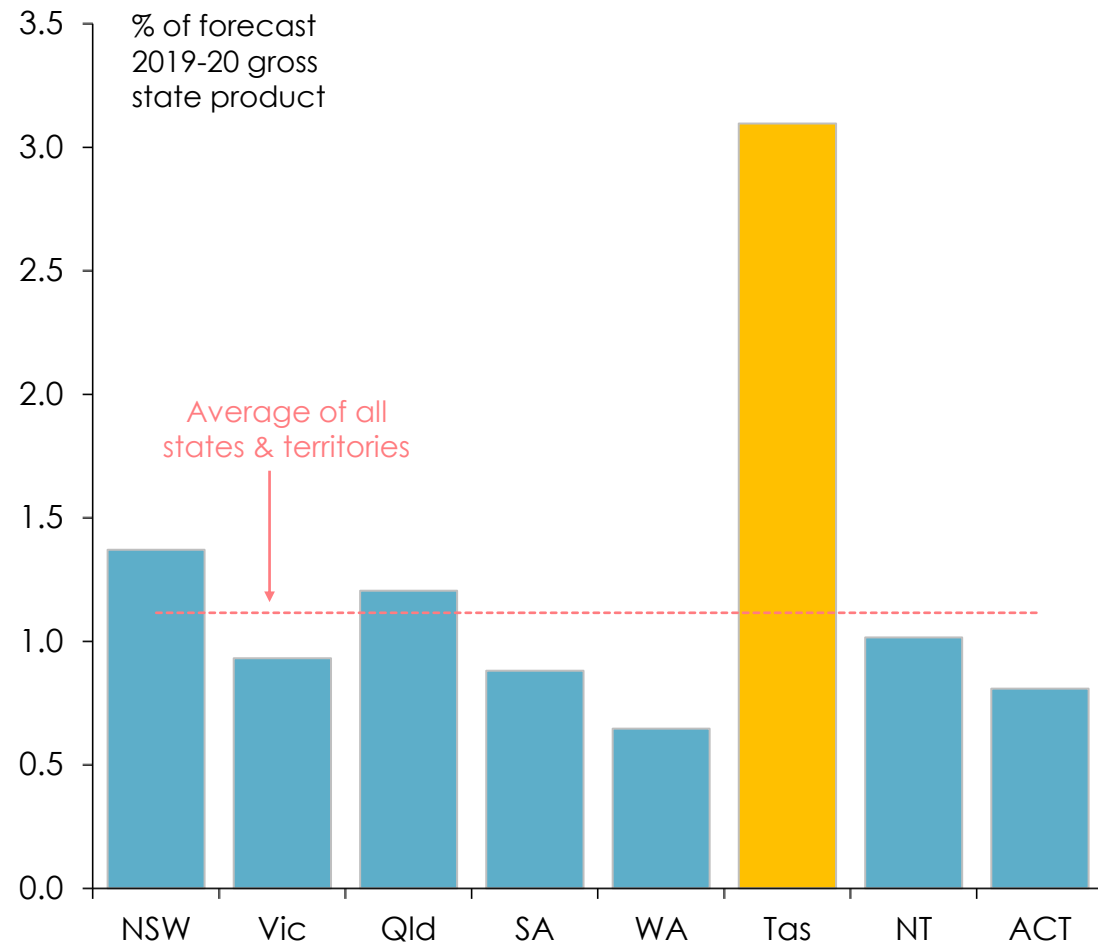
Policy responses to Covid-19 – G20 countries



- ❑ Policy measures announced thus far by the Australian Government total \$180bn (allowing for the downward revision to the cost of JobKeeper), or about 9% of GDP – which is large by international standards (and double what was done during the GFC)
- ❑ Principal objectives of policy measures are to –
 - maximize the ‘survival prospects’ of businesses affected by the shutdown
 - minimize the impact of the shutdown on employment
 - provide additional income support to those who lose their jobs
 - strengthen the capacity of the health care system to cope with increased demand
- ❑ Policy measures have been designed to be ‘simple’ to administer, and to make greatest use of existing systems rather than having to create new mechanisms
 - which has resulted in some anomalies
- ❑ Policy measures also designed to be readily ‘switched off’ once the need for them has passed
 - most of them scheduled to terminate at the end of September
 - which does create some risks of a ‘setback’ at that time

The Tasmanian Government has been relatively more generous than other states and territories in supporting households and businesses

State & territory Covid-19 support and response measures as a pc of gross state product



Selected Tasmanian Government economic and social support measures

- ❑ Rent relief for 11,500 social housing tenants (cost ~ \$7mn)
- ❑ Ban on private rent increases until 30th June and 90-day moratorium on evictions
- ❑ \$513K for additional services to youth at risk of homelessness
- ❑ Payments totalling \$221K to 652 temporary visa holders
- ❑ School levy relief to 11,300 eligible parents (cost \$9mn)
- ❑ An additional \$2.2mn for programs supporting victims of family and domestic violence
- ❑ Waiver of 3 months' electricity water bills for around 34,000 small businesses (cost ~ \$50mn)
- ❑ Payroll tax relief for small businesses and employers in the hospitality, tourism and seafood industries (cost \$11½mn to date)
- ❑ Land tax waiver or deferral for commercial property owners impacted by restrictions or experiencing financial hardship
- ❑ Grants and interest free loans to small businesses
- ❑ Loans to Councils for infrastructure projects and rate relief (over \$110mn in loans applied for)
- ❑ Taxi licence fees waived for 2020-21 (cost \$240K)
- ❑ Subsidized training for 150 Tasmanians who have lost jobs

No-one should be unduly alarmed by the increase in State Government debt, especially while interest rates remain at record lows

Tasmanian 'general government' net debt

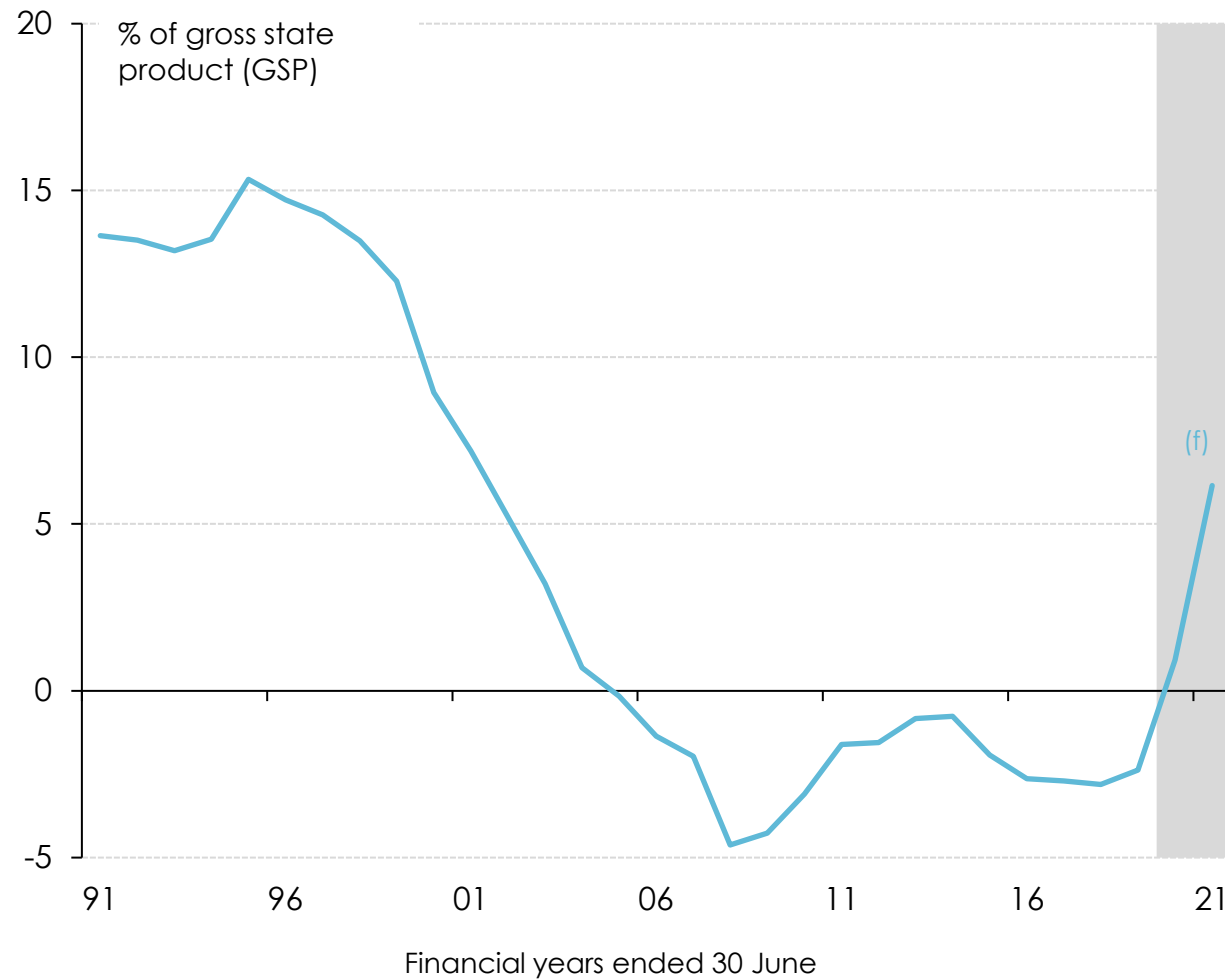
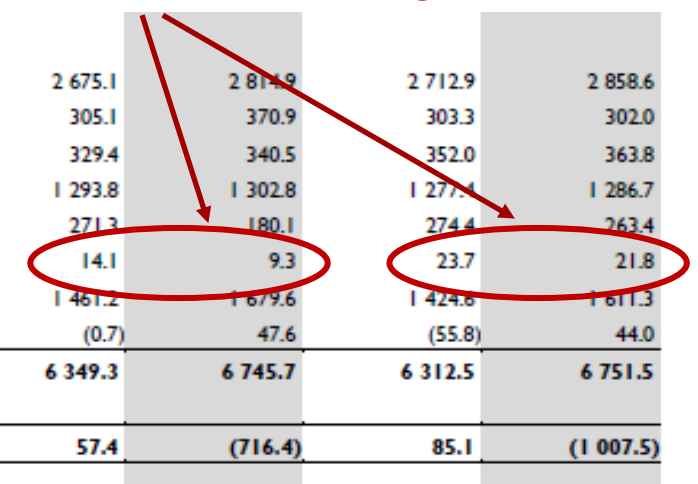


Table 4.2: General Government Income Statement

	Original 2019-20 Budget	2019-20 Estimated Outcome	Original 2020-21 Forward Estimate	Revised 2020-21 Forward Estimate
	\$m	\$m	\$m	\$m
Revenue from transactions				
Grants	3 973.3	3 686.9	4 075.4	3 846.5
Taxation	1 215.5	1 139.2	1 251.6	968.4
Sales of goods and services	416.0	404.6	421.3	423.0
Fines and regulatory fees	103.1	100.7	104.3	99.2
Interest income	16.8	18.7	16.6	16.2
Dividend, tax and rate equivalent income				
Other revenue				
Less Expenses from transactions				
Employee expenses	2 675.1	2 814.9	2 712.9	2 858.6
Superannuation	305.1	370.9	303.3	302.0
Depreciation	329.4	340.5	352.0	363.8
Supplies and consumables	1 293.8	1 302.8	1 277.4	1 286.7
Nominal superannuation interest expense	271.3	180.1	274.4	263.4
Borrowing costs	14.1	9.3	23.7	21.8
Grant and subsidy expenses	1 461.2	1 679.6	1 424.8	1 611.3
Other expenses	(0.7)	47.6	(55.8)	44.0
	6 349.3	6 745.7	6 312.5	6 751.5
Equals NET OPERATING BALANCE	57.4	(716.4)	85.1	(1 007.5)

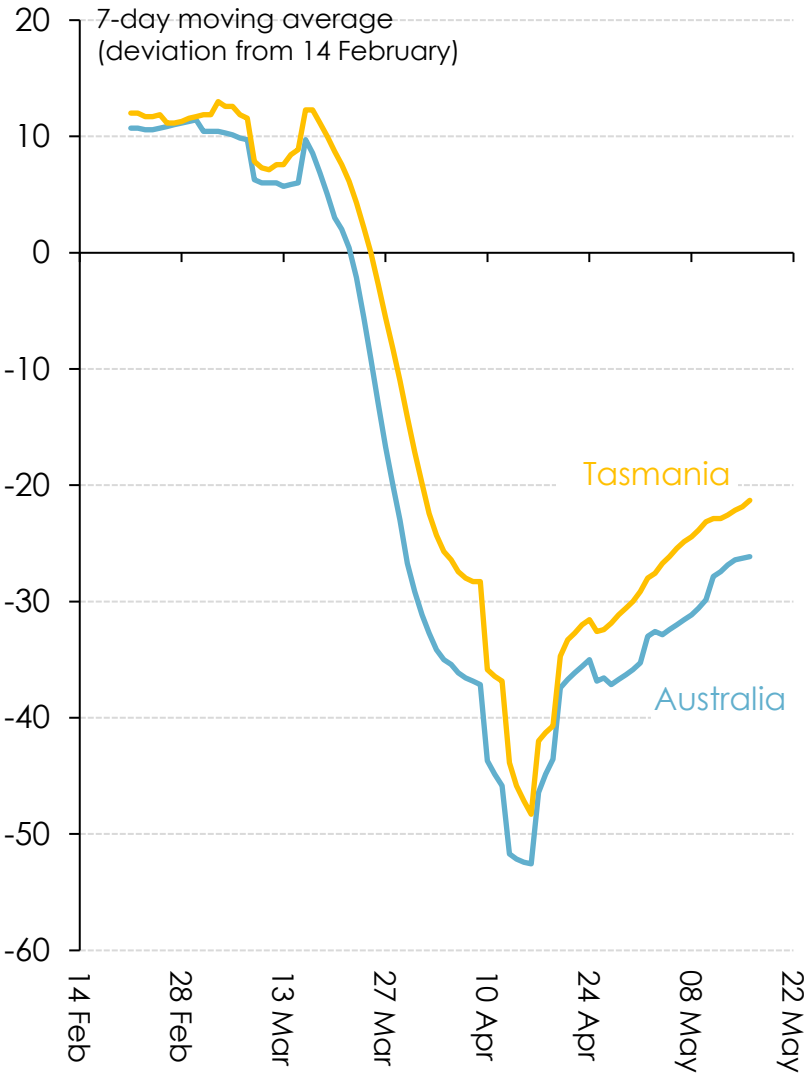
Gov't expects to spend less on interest despite having more debt



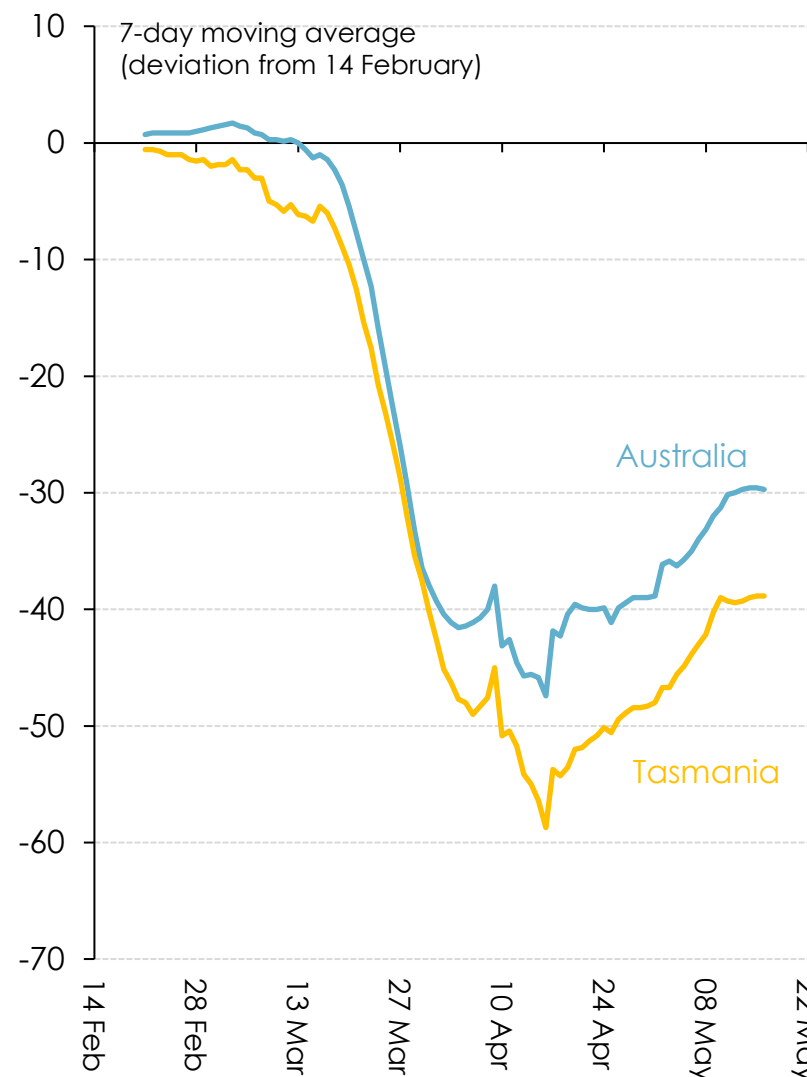
Sources: Tasmanian Government, *Economic and Fiscal Update Report*, May 2020, and previous Budget Papers; ABS.

As restrictions start to ease people are beginning to go back to work, to go shopping, and to spend less time at home

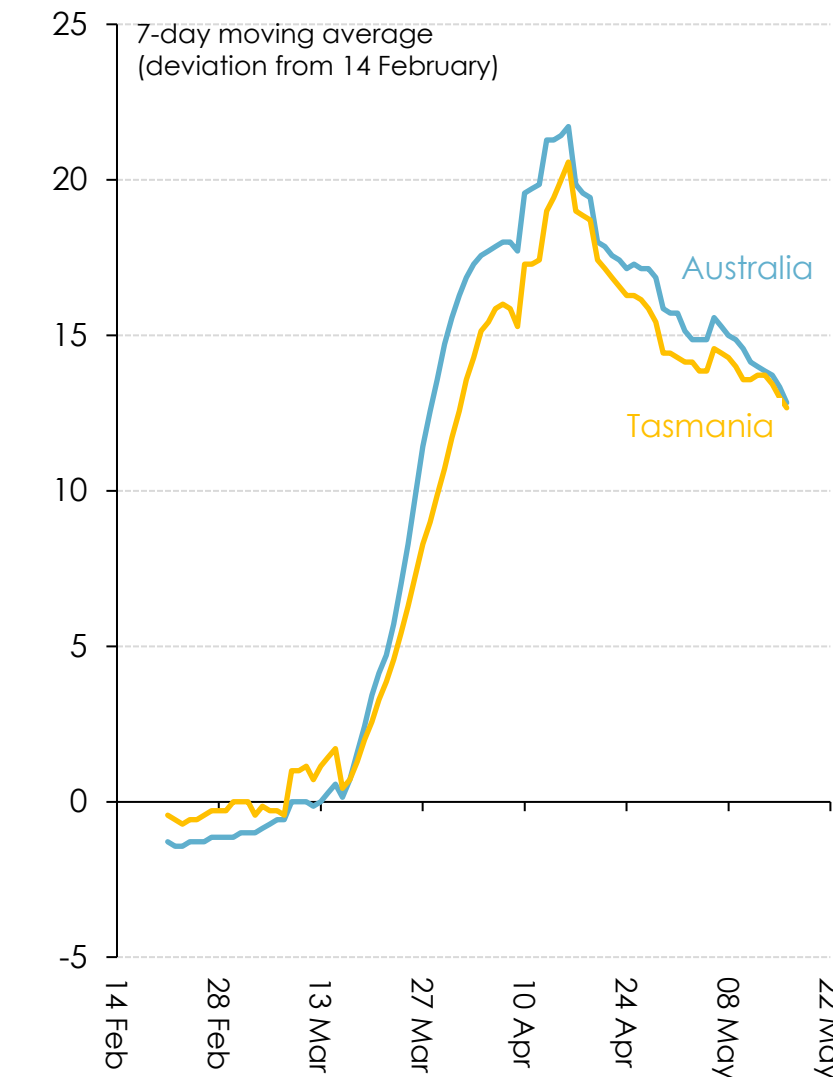
Time spent in work places



Time spent on retail & recreation



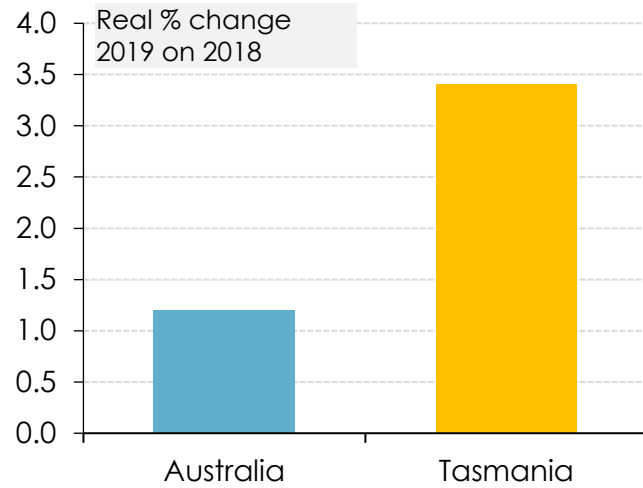
Time spent at home



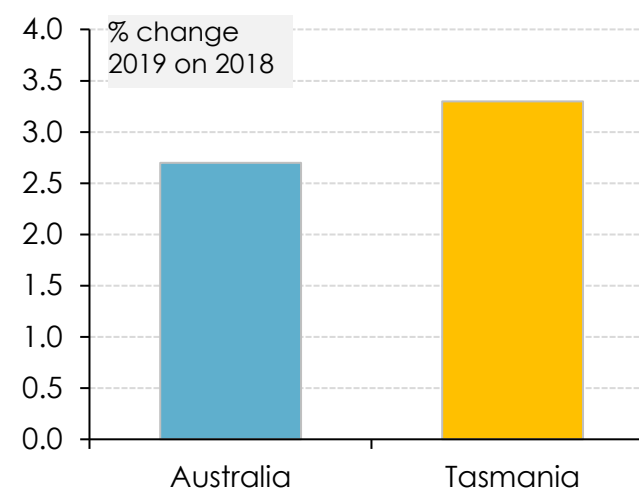
Source: Google Covid-19 Community Mobility Reports (data up to 16th May).

Tasmania's economy was doing well, by most measures, heading into this downturn – but that doesn't guarantee a more rapid recovery

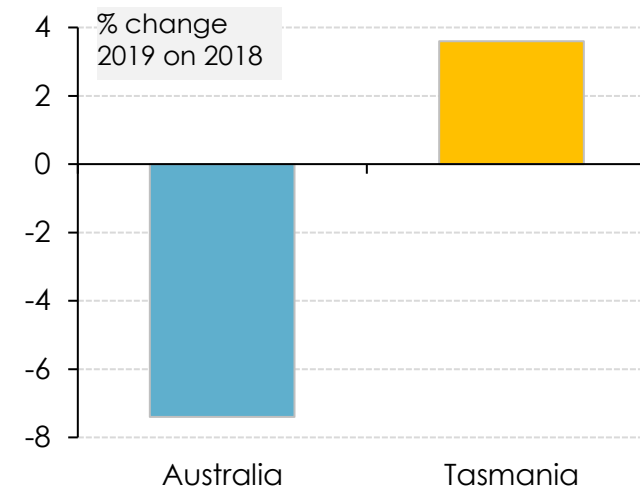
State final demand



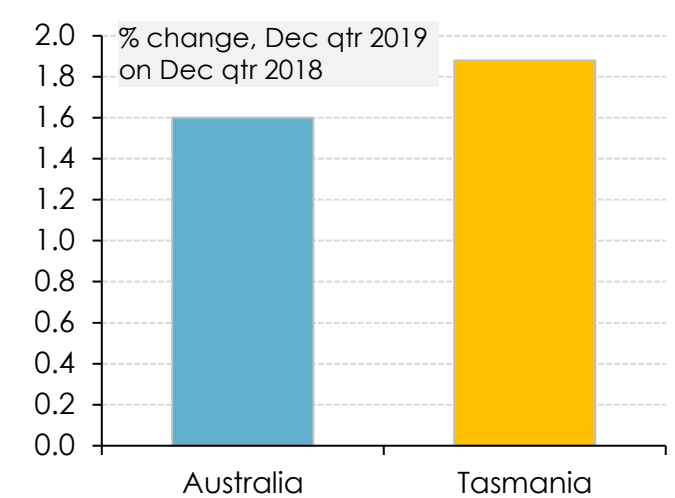
Retail sales



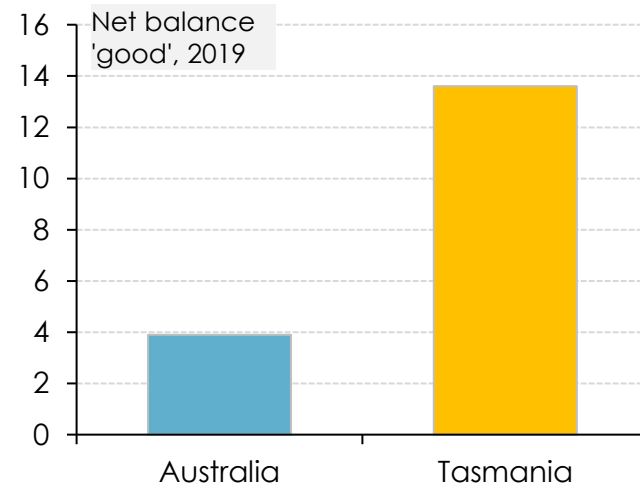
Dwelling approvals



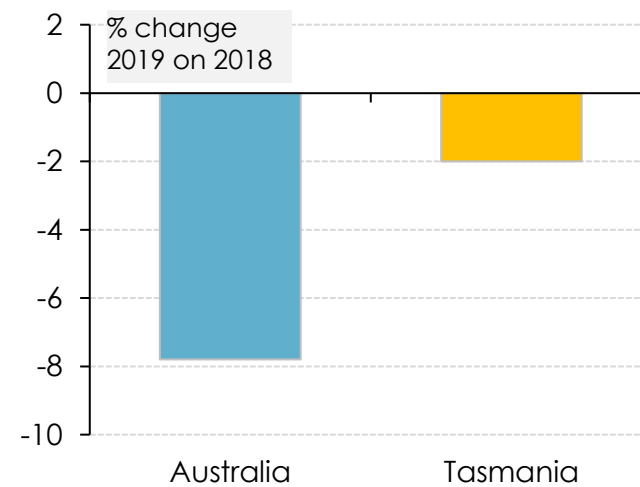
Employment



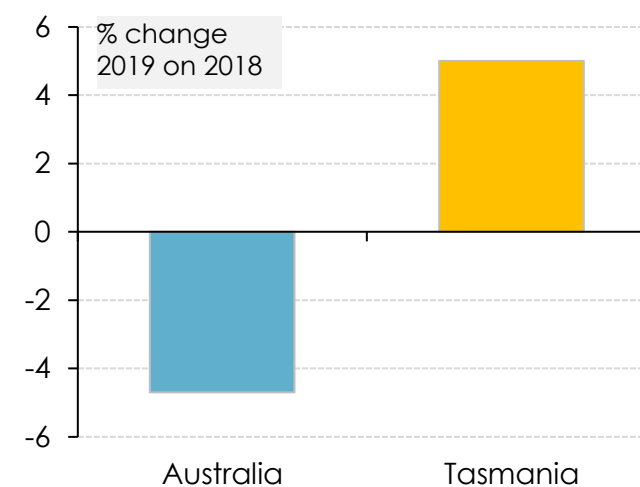
Business conditions



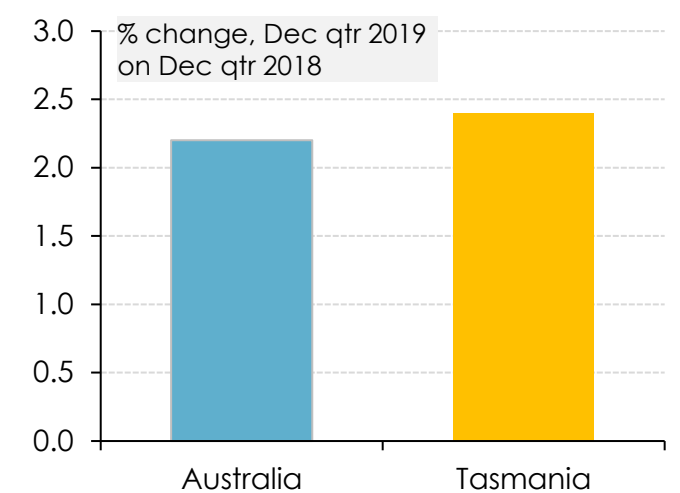
Car sales



House prices



Wages



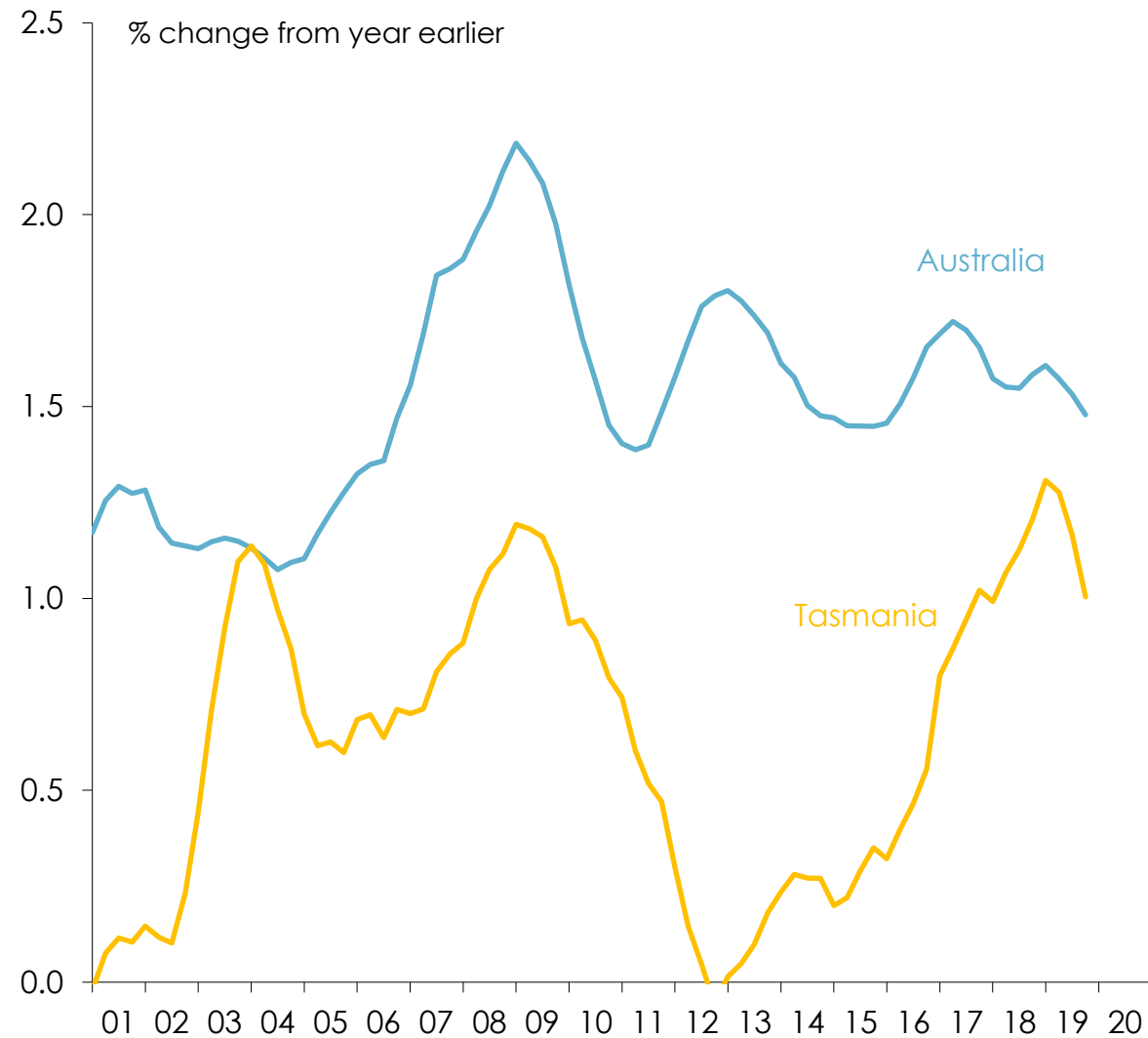
Note: 'State final demand' is the sum of spending by households, businesses and governments Sources: ABS; NAB; FCAI; CoreLogic.

The path out of the hole our economy is now in won't be as steep as the path in has been

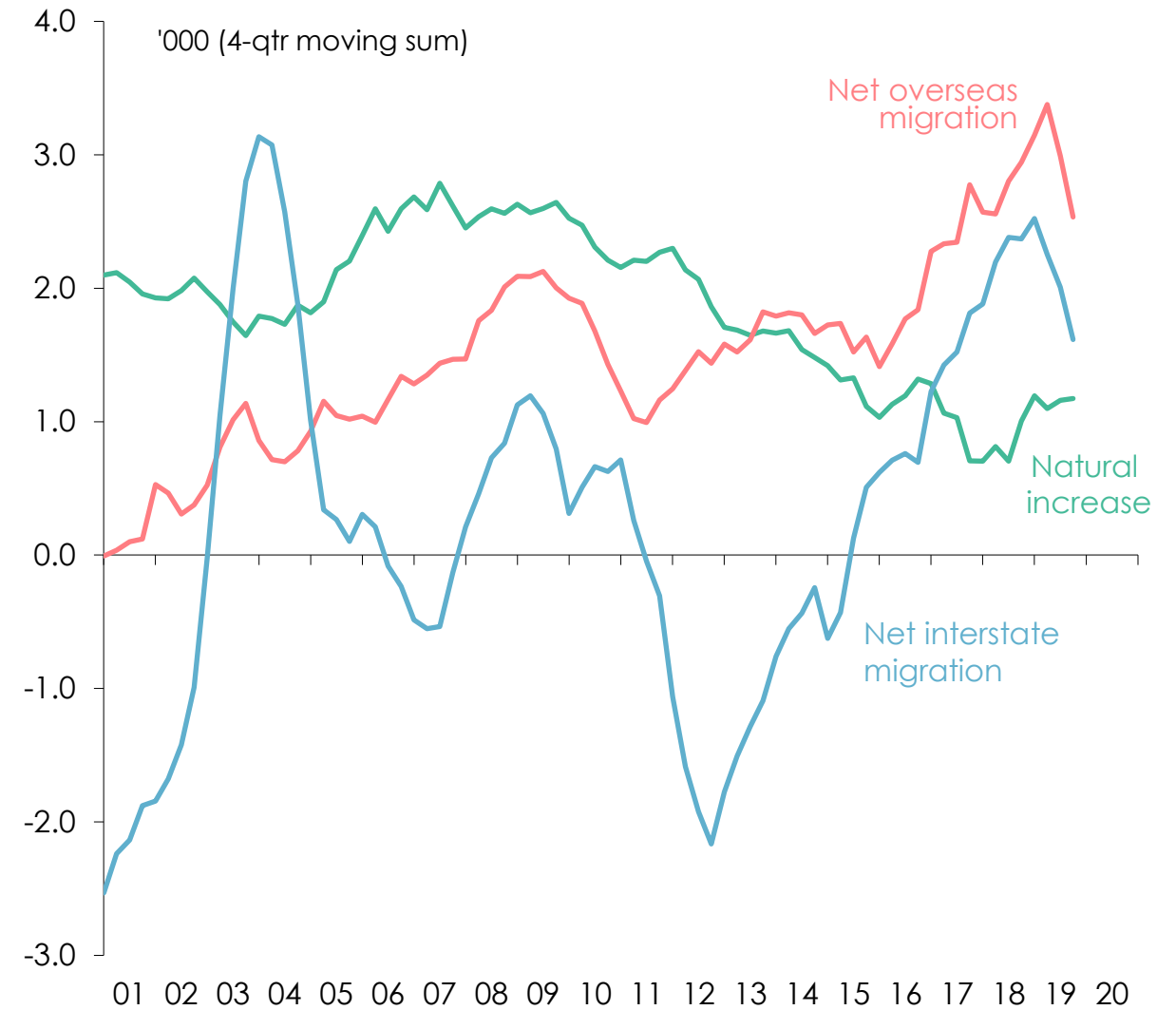
- ❑ **'Social distancing' requirements will be relaxed gradually rather than 'all at once'**
 - and many people may remain wary of exercising all of their newly-regained 'freedoms'
 - new health and safety regulations will likely limit the number of employees and customers who can be 'on premises' (which may make it uneconomic for some businesses to re-open until restrictions are relaxed)
- ❑ **At least some businesses won't have survived the shutdown period, and many of those which do will not immediately return to pre-outbreak levels of employment**
 - so employment will remain below pre-outbreak levels for some time rather than 'snapping back' quickly
 - and those returning to work may work reduced hours (compared with pre-outbreak) for some time
- ❑ **The recovery in household spending is likely to be gradual, rather than rapid**
 - if the recovery in employment is only gradual, so too will be the recovery in household disposable income
 - most households will have run down discretionary savings to at least some extent, as well as having their superannuation balances depleted by market movements and/or withdrawals – and so will likely want to rebuild savings
 - households with mortgages who have deferred repayments will face higher or longer mortgage repayments, constraining their spending capacity to some extent
 - household spending may also be affected by 'negative wealth effects' from lower property prices
- ❑ **There is some risk of a 'setback' when government support programs come to an end, or if restrictions on the movement or gathering of people have to be re-imposed**
- ❑ **International borders (except with NZ) will likely remain closed until a vaccine is widely available – which is in turn likely to be at least 12 months away**
 - implying that there will be no recovery in international tourism or international education
- ❑ **Businesses are likely to be very hesitant about investment spending for an extended period (with some exceptions)**

The improvement in Tasmania's economic performance in recent years owed a lot to the pick-up in migration – will that resume, and when?

Population growth, Tasmania and Australia



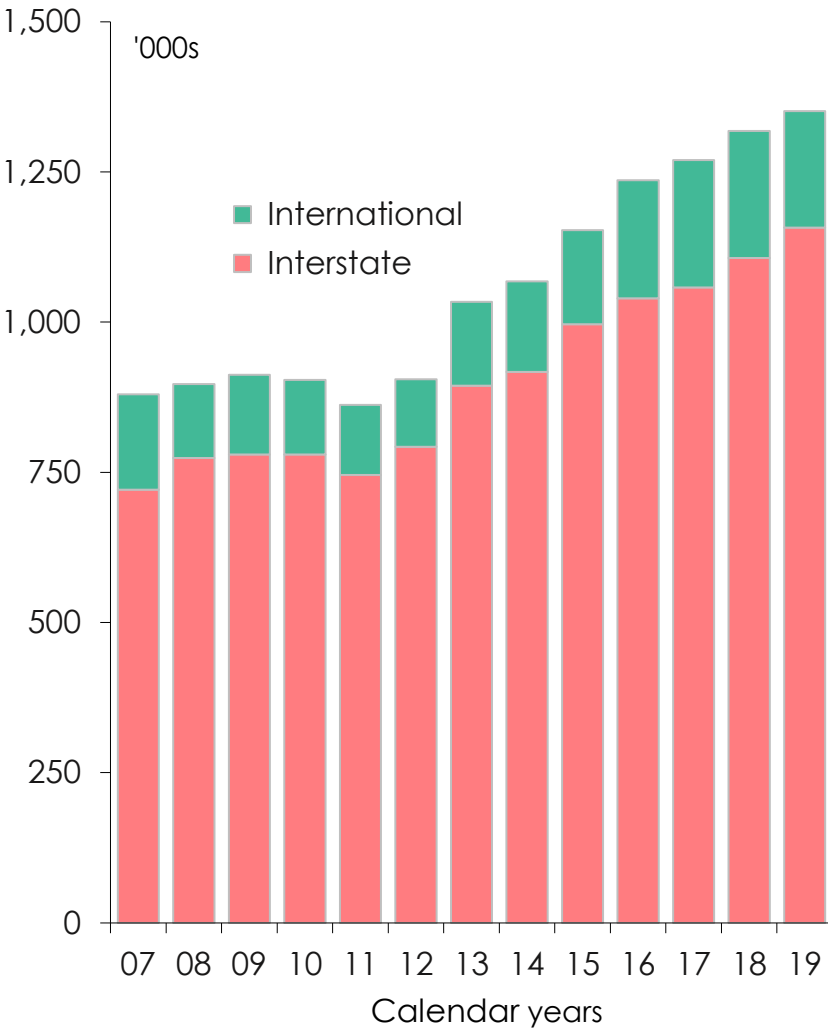
Sources of Tasmania's population growth



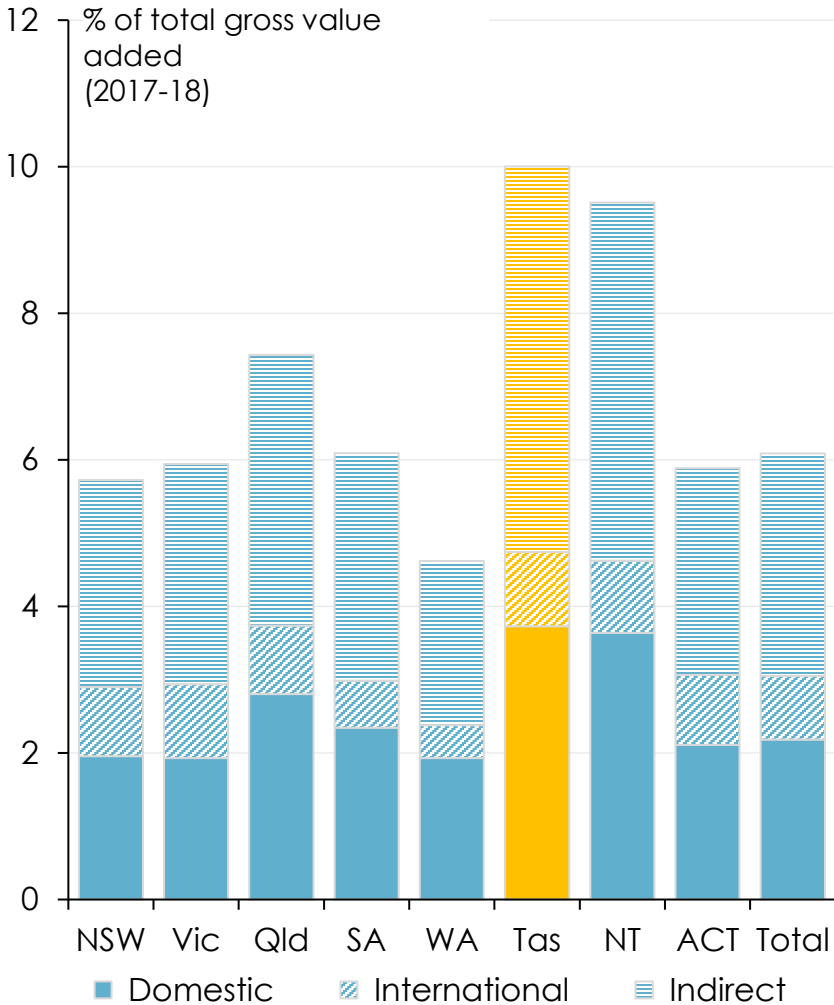
Note: The 'causality' between net migration to Tasmania (from overseas or interstate) and economic performance runs in both directions. Source: ABS.

Tourism is a big part of Tasmania's economy, and had slowed over the past two years – how long before it comes back?

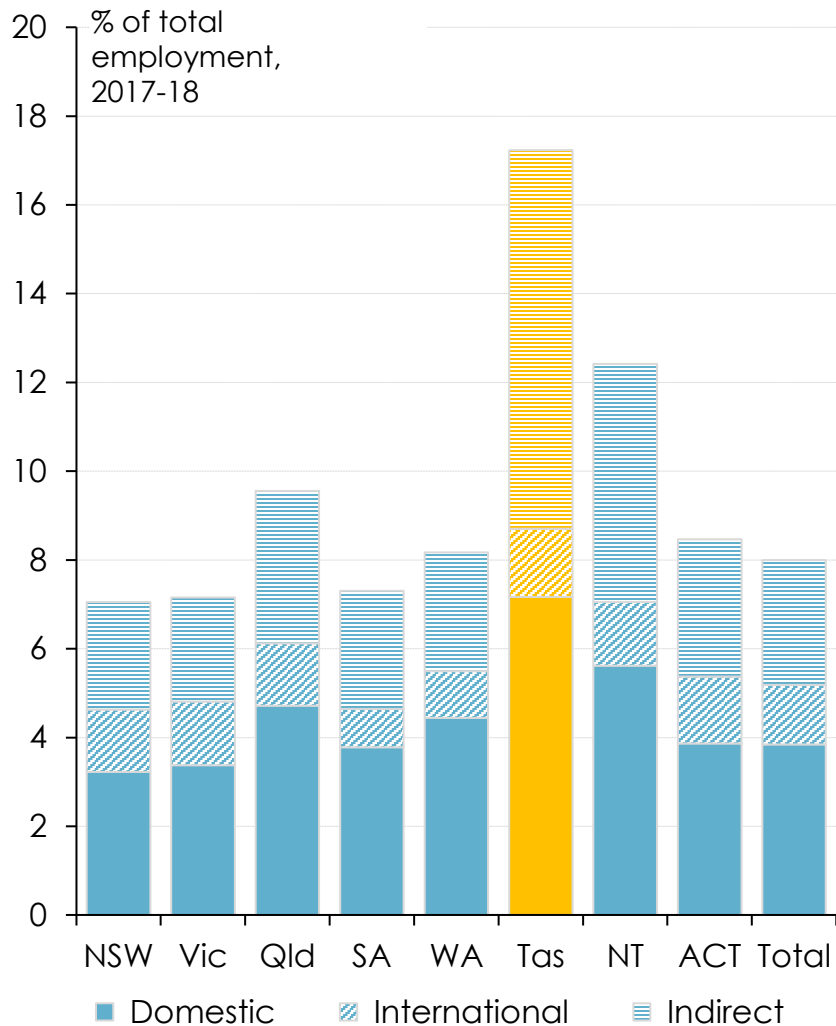
Visitors to Tasmania



Tourism gross value added



Tourism employment



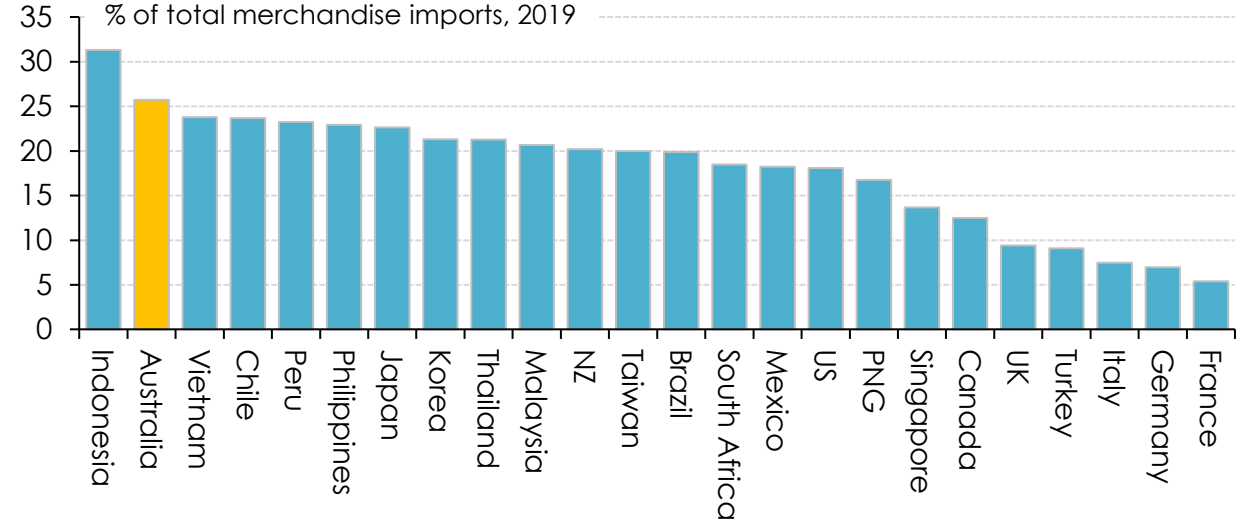
Sources: Tourism Tasmania; Tourism Research Australia.

Australia has benefited enormously from its economic relationship with China, but will that continue to be the case?

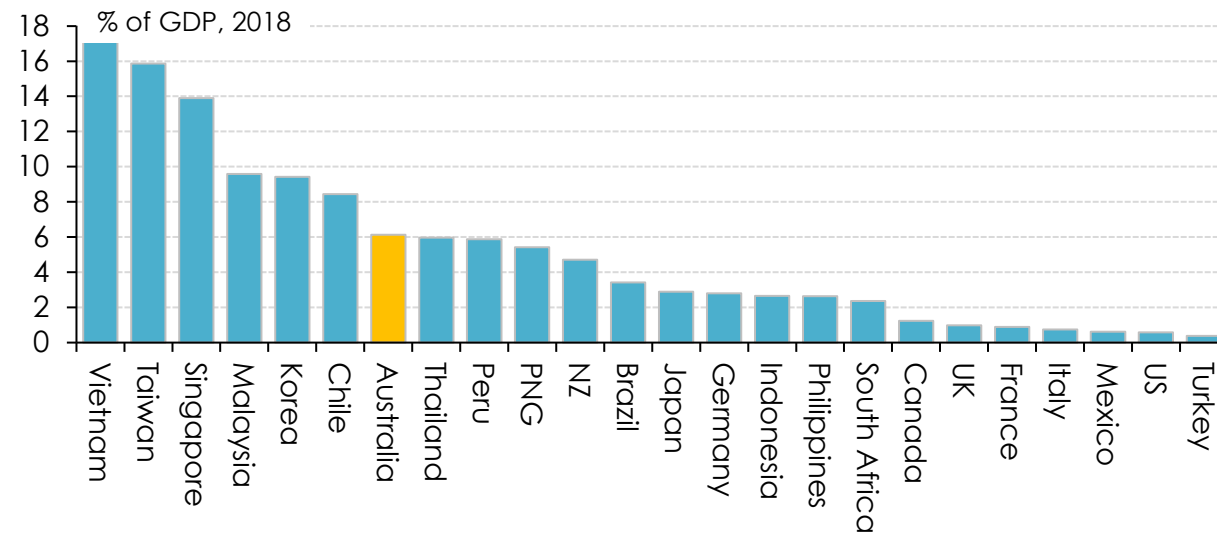
Merchandise exports to China as a pc of total



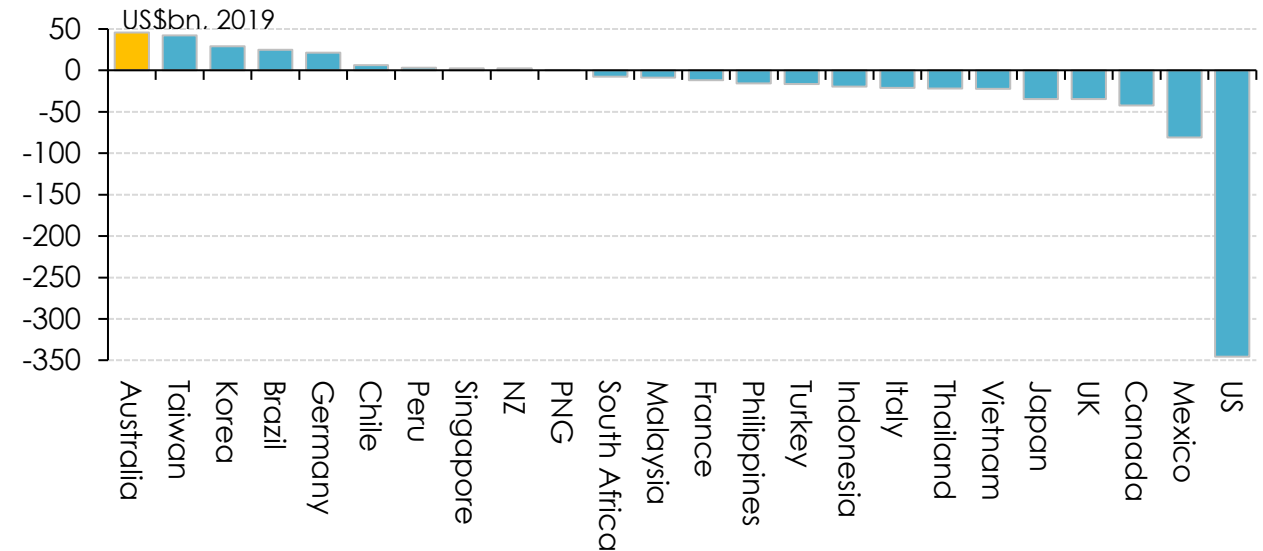
Merchandise imports from China as a pc of total



Merchandise exports to China as a pc of GDP



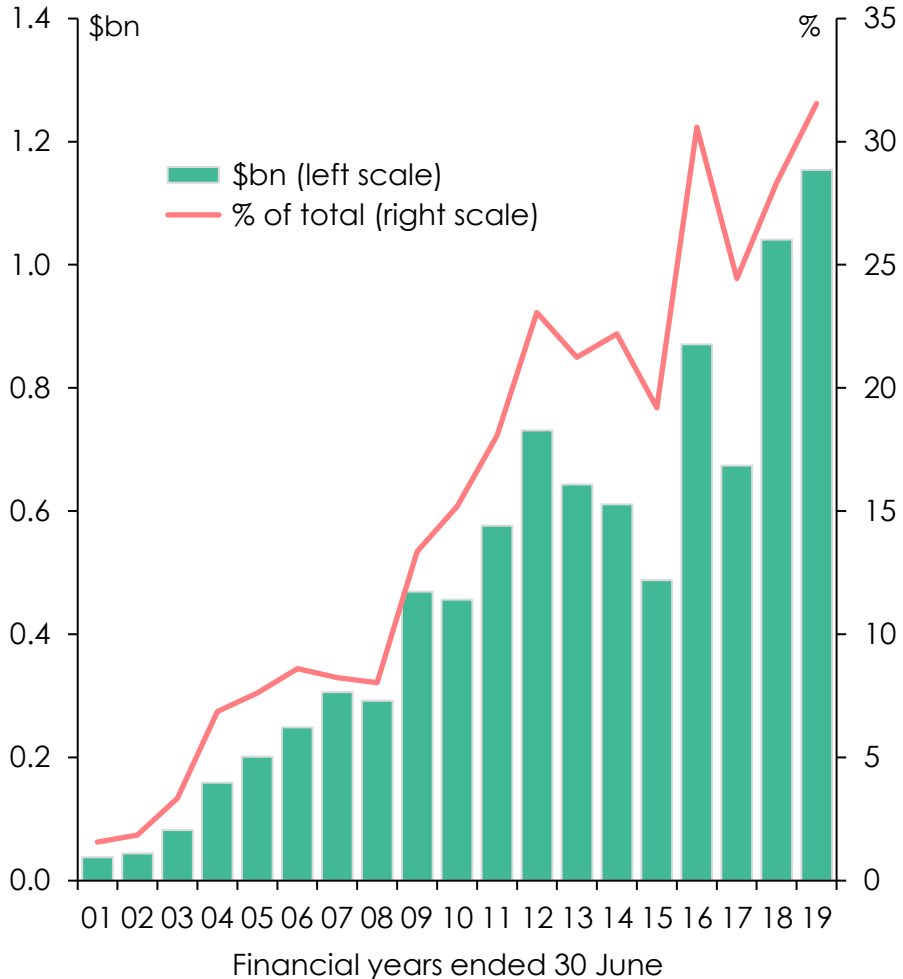
Merchandise trade balance with China



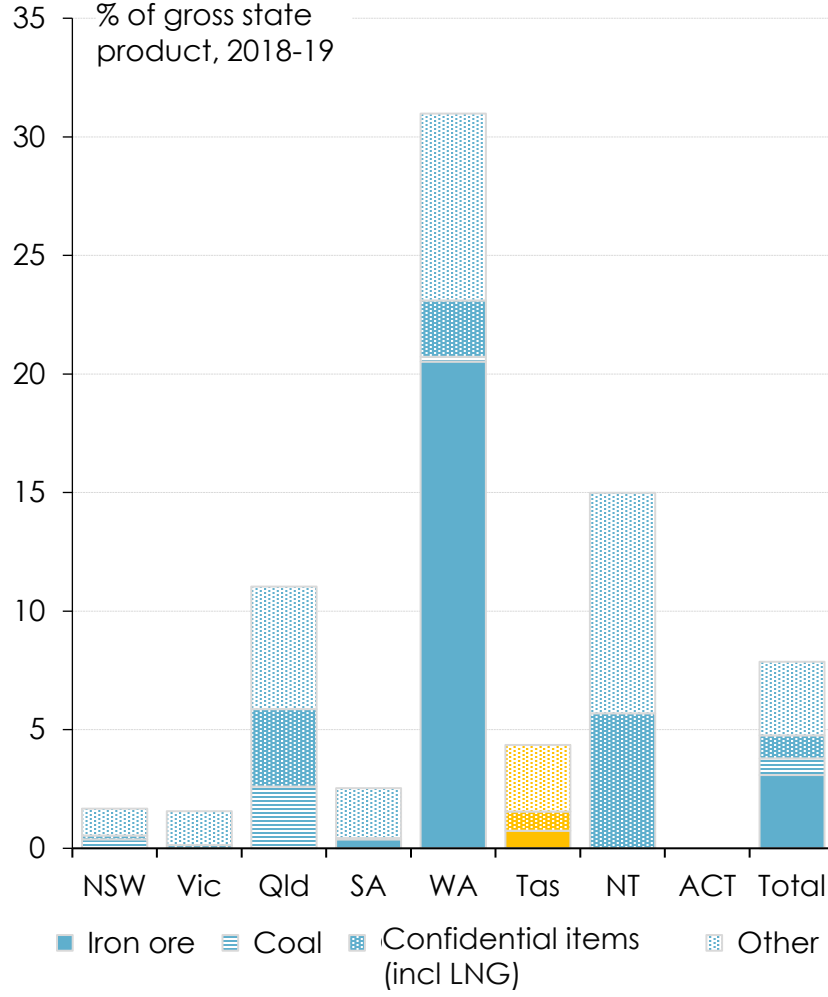
Sources: IMF, Direction of Trade Statistics; Taiwan Ministry of Economic Affairs, Bureau of Foreign Trade.

China takes over 30% of Tasmania's exports, and some of our exports are especially vulnerable to political interference from China's government

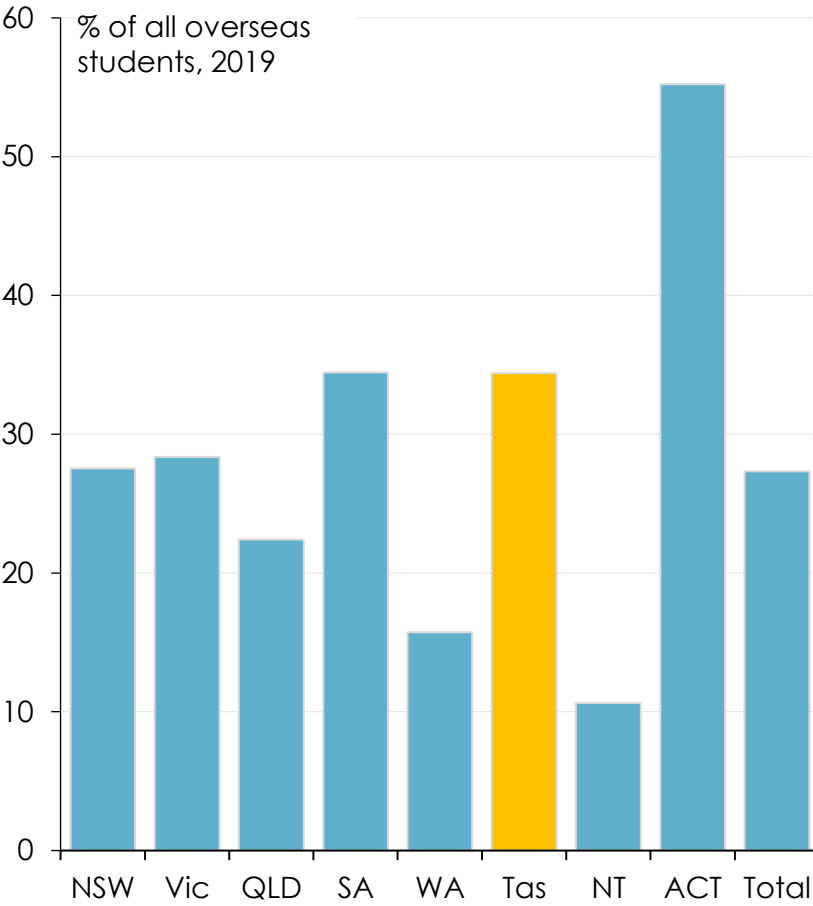
Tasmania's goods exports to China



Goods exports to China as a pc of gross state product



Chinese students as a pc of all overseas students, 2019



Note: 'Overseas students' includes higher education, VET, ELICOS (English Language Intensive Course of Study), school and non-award students. Sources: ABS; Department of Foreign Affairs & Trade; (Australian) Department of Education.

What should governments be doing to support economic recovery, especially for young people?

- ❑ **In the near term, while unemployment remains above pre-Covid levels, governments need to be doing more, to support people and businesses whose incomes or revenues are still affected by government restrictions**
 - extend JobKeeper beyond end-September for businesses in tourism, hospitality, the arts and other sectors still subject to ongoing restrictions (and which are historically large employers of younger people)
 - maintain ‘Coronavirus supplement’ in some form for people who lost their jobs as a result of restrictions and who have yet to return to work (or find new employment), as well as other forms of support (eg for mental health)
 - provide or subsidise training/retraining for people whose previous study or training is less likely to assist them in finding employment in the post-Covid world, and for others lacking relevant skills or experience
 - need to think about mobility for young people given ongoing social distancing challenges for public transport
- ❑ **There are strong arguments for the government to provide targeted, short-term stimulus to labour intensive sectors of the economy or sectors where demand would otherwise remain weak for some time**
 - housing is an obvious area, but this should include increased provision of social housing, not just increases in first home owner grants (and those should be temporary)
 - bringing forward ‘shovel ready’ infrastructure projects is also sensible provided the ‘business case’ stacks up
 - but important to remember that construction is a very male-dominated industry (88% of all jobs held by males)
- ❑ **Over the medium term, the emphasis should be on governments doing things differently (rather than simply doing ‘more’, which governments can’t afford indefinitely)**
 - what have we learned during the shutdown period, eg about different ways of working, that can be applied long-term?
 - how can we make better use of digital and other new technologies to create new business and employment opportunities?
 - how can we apply what we’ve learned during the shutdown period to dealing with other challenges (eg climate change?)
- ❑ **Young people should have a lot to contribute to these conversations!**

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