

ECONOMIC RECOVERY, COMMUNITY SERVICES AND COVID-19

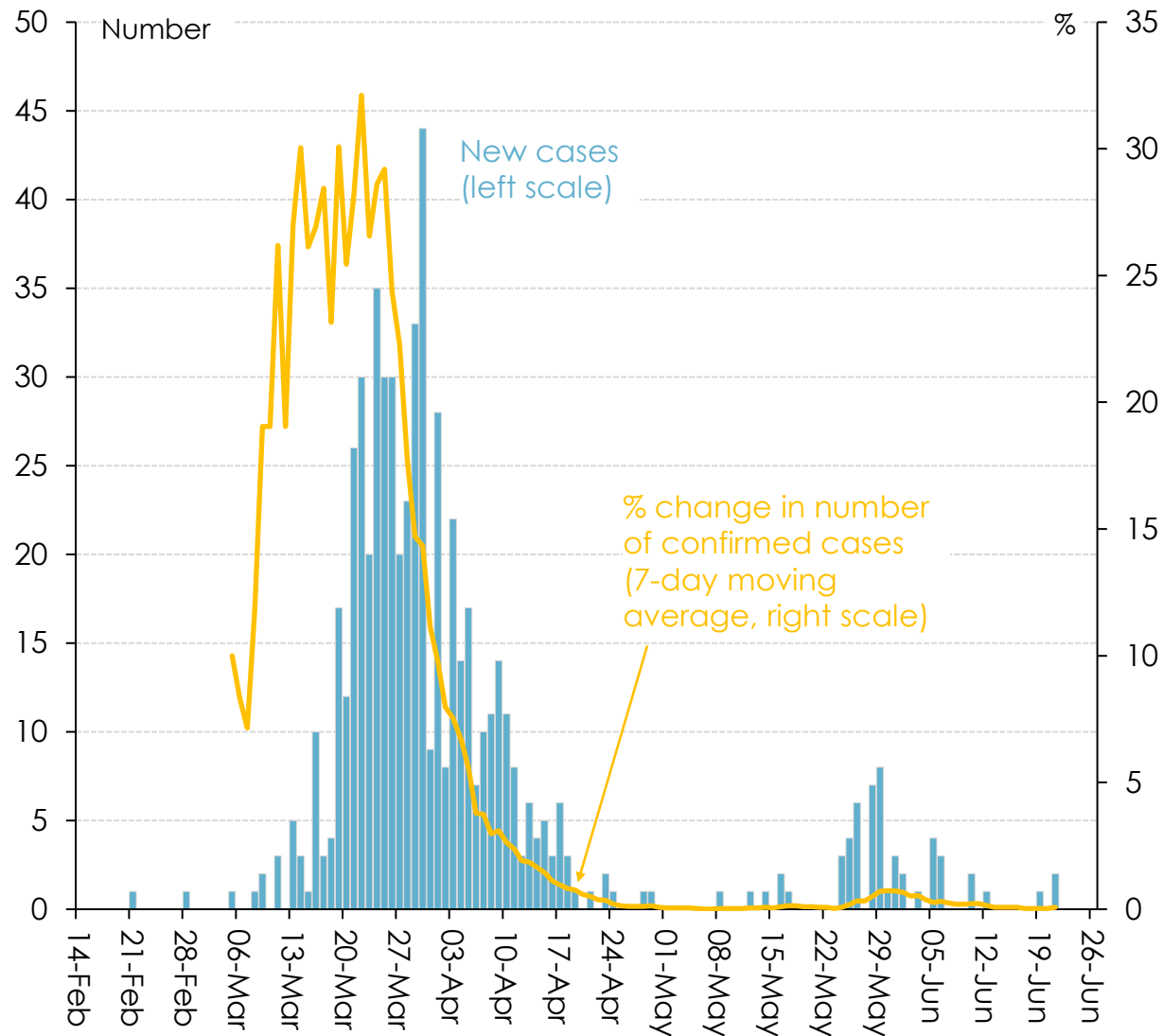
PRESENTATION TO AN ONLINE FORUM HOSTED BY SHELTER WA

25TH JUNE 2020

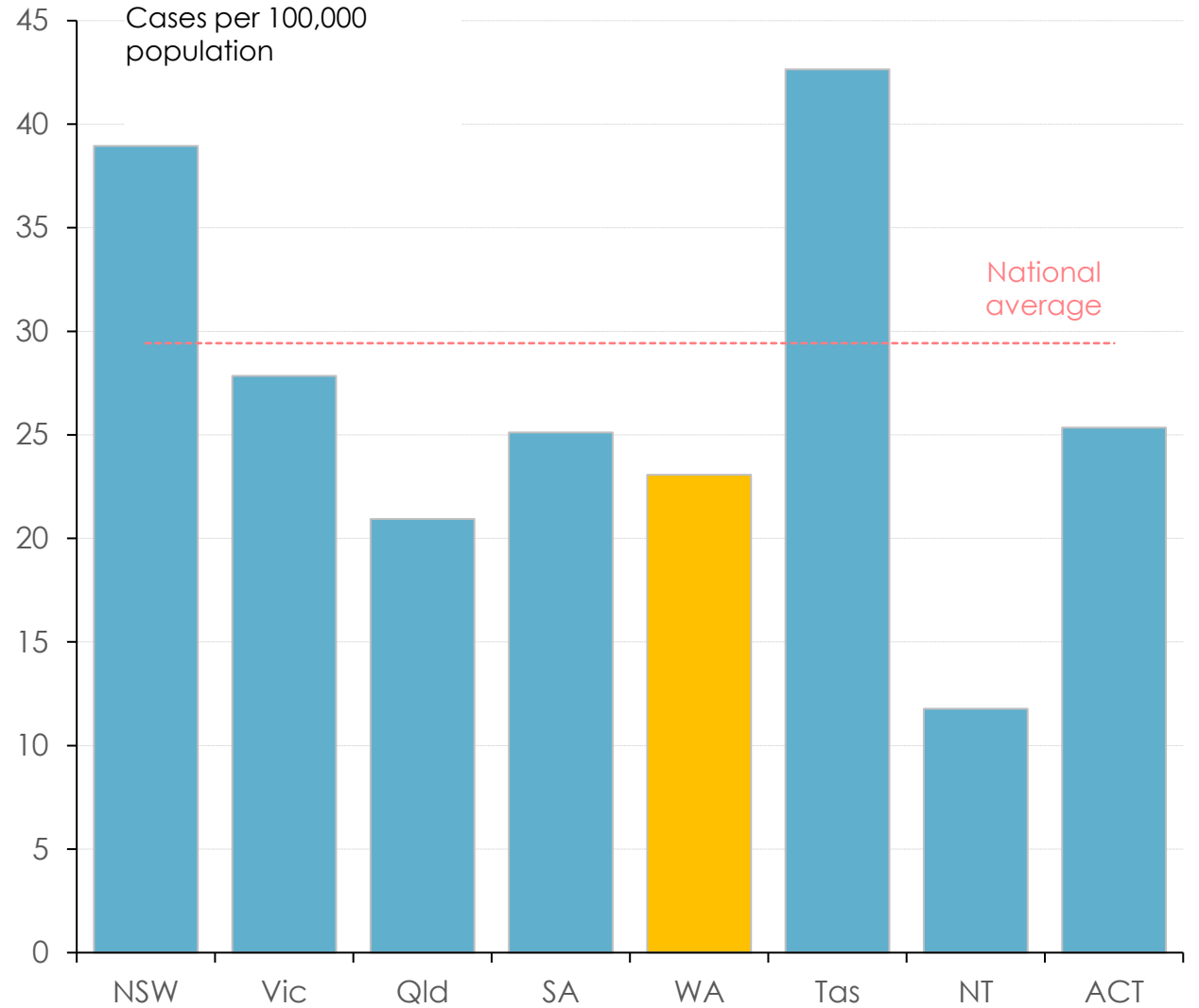
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY PTY LTD

WA has succeeded in containing the spread of Covid-19

New Covid-19 cases in Western Australia



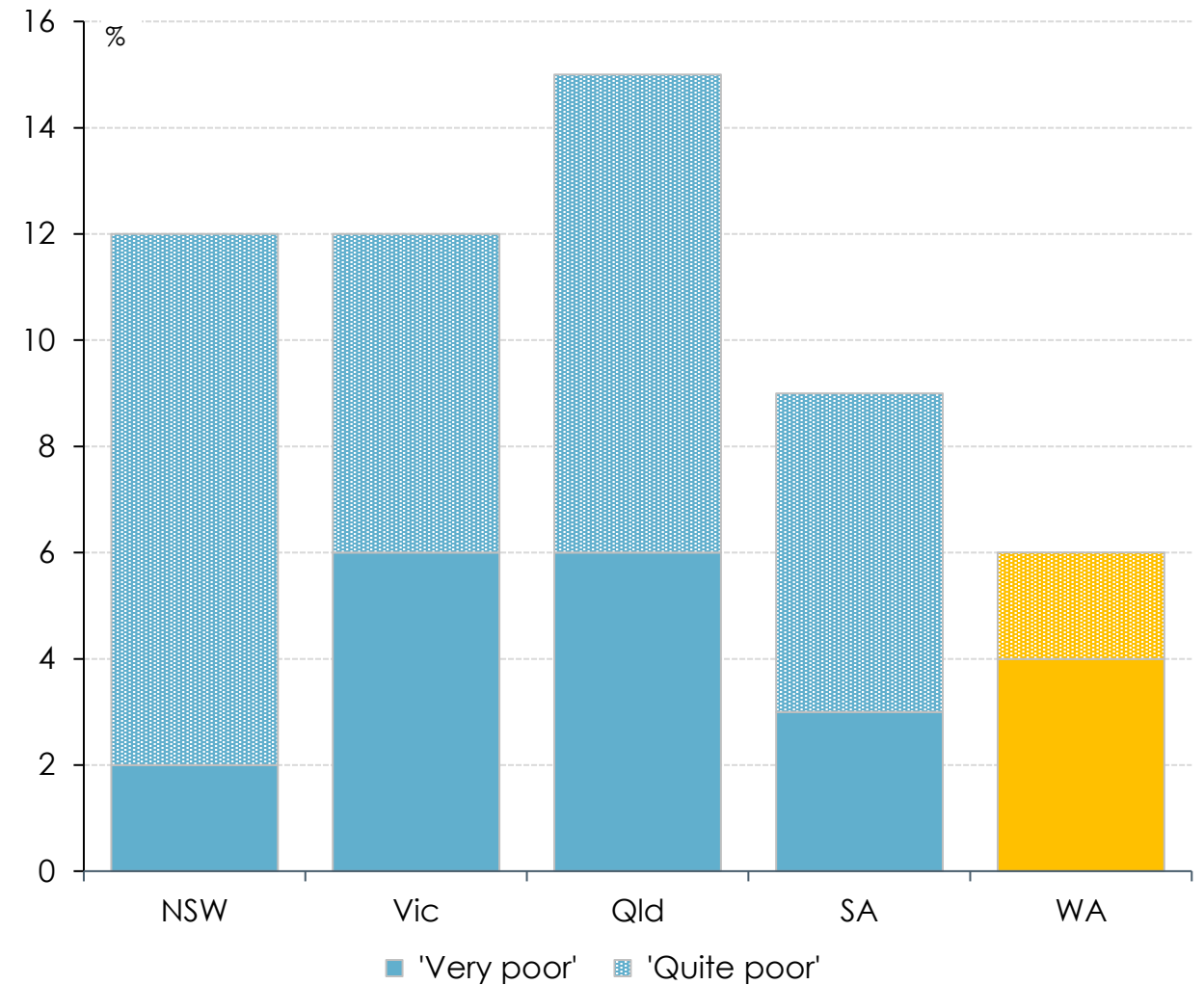
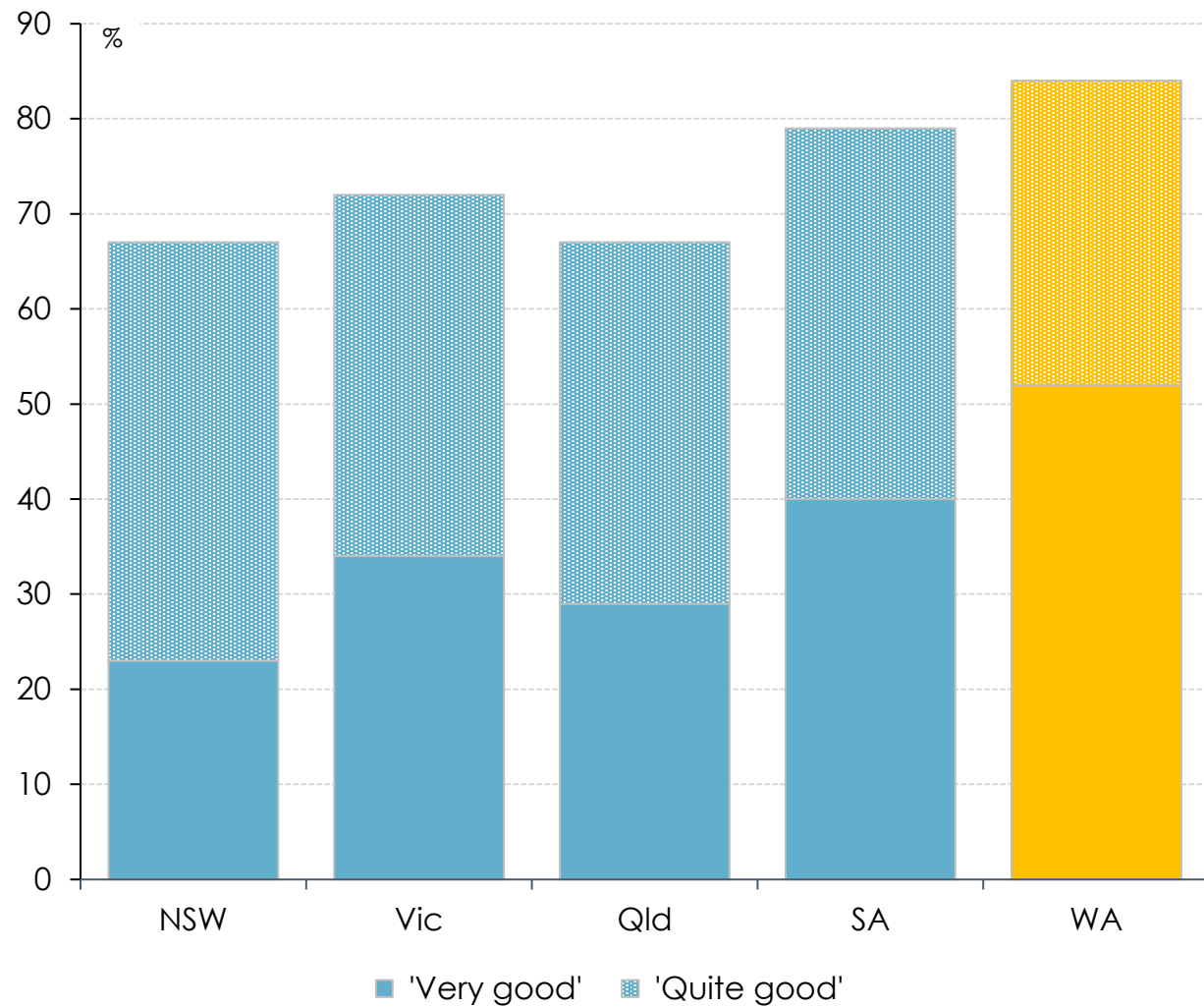
Confirmed cases per 100,000 population



Note: Data up to 21st June. Source: covid19data.com.au

Western Australians strongly approve of the State Government's handling of the Covid-19 outbreak ...

Assessment of State Governments' responses to the Covid-19 outbreak

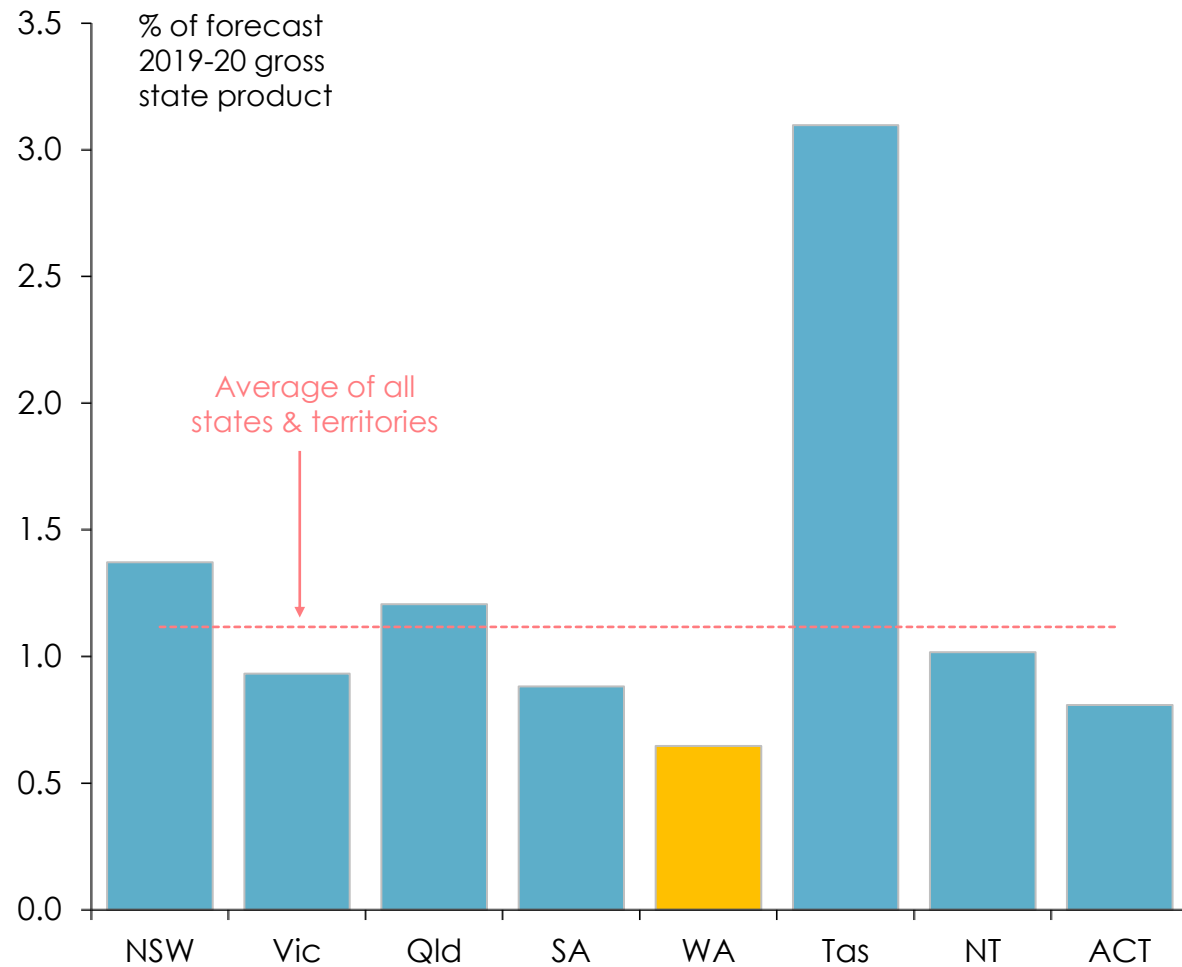


Note: Poll conducted on 10th June. Source: Essential Media Communications (who appear to think Tasmania is not a state: must be getting geography advice from the AFL).

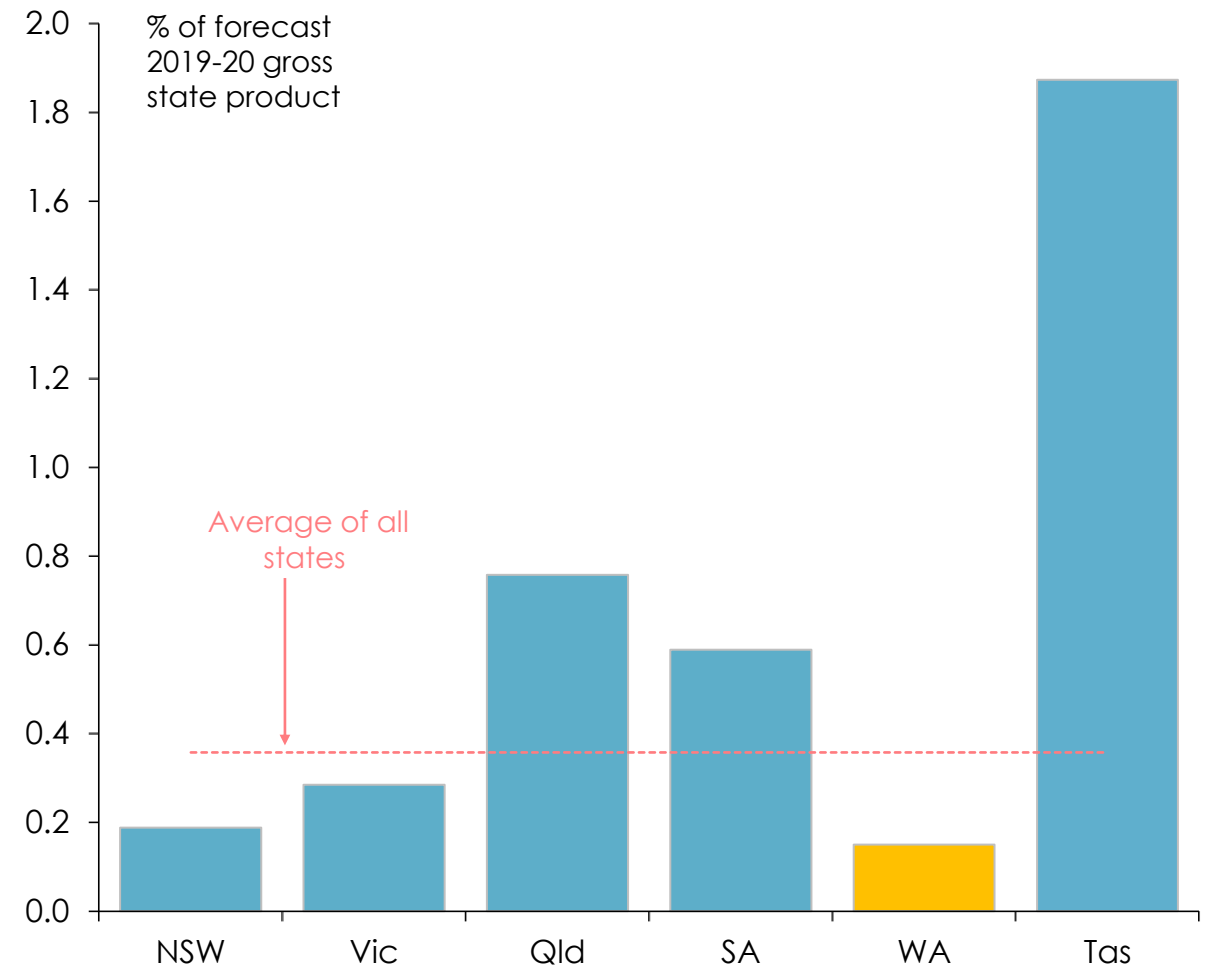
... even though the WA Government has been less 'generous' in its support for households and businesses than any other state or territory

State & Territory Government support packages as a pc of forecast 2019-20 gross state product

National Australia Bank estimates



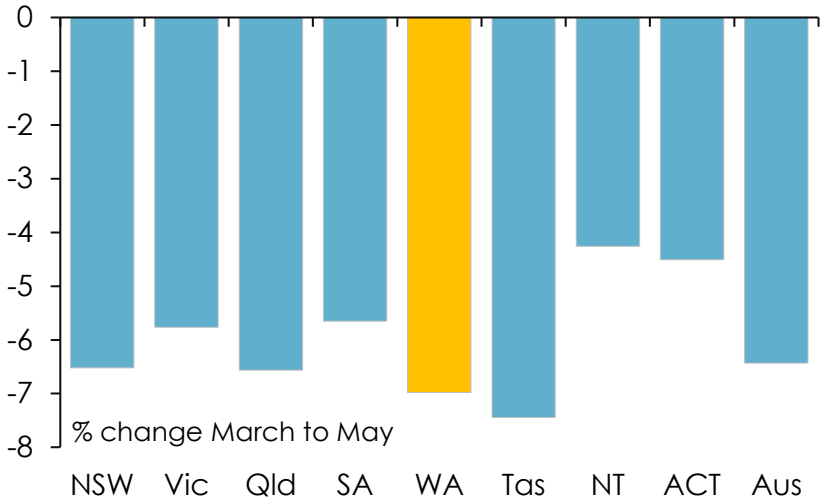
The Australia Institute estimates



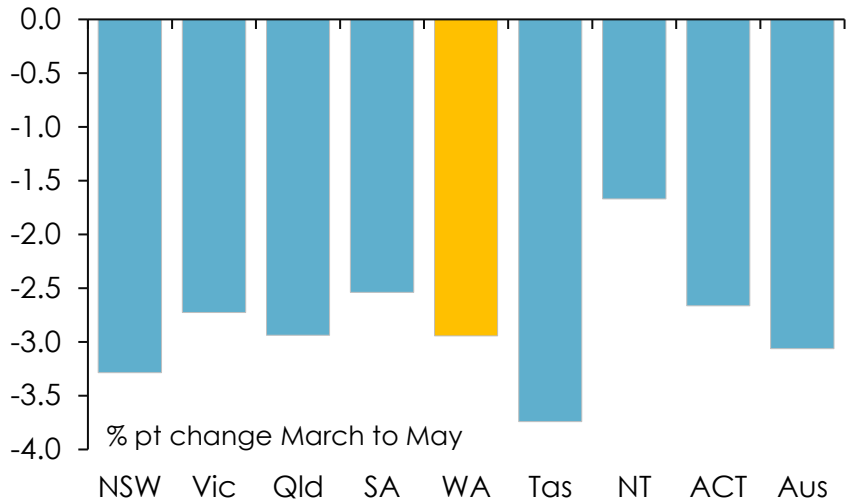
Sources: National Australia Bank, *State Economic Overview*, April 2020 ; The Australia Institute, *Great Southern Hand: State emergency responses to Covid-19*, May 2020.

As in the rest of Australia, containing the spread of the virus has entailed a significant economic cost

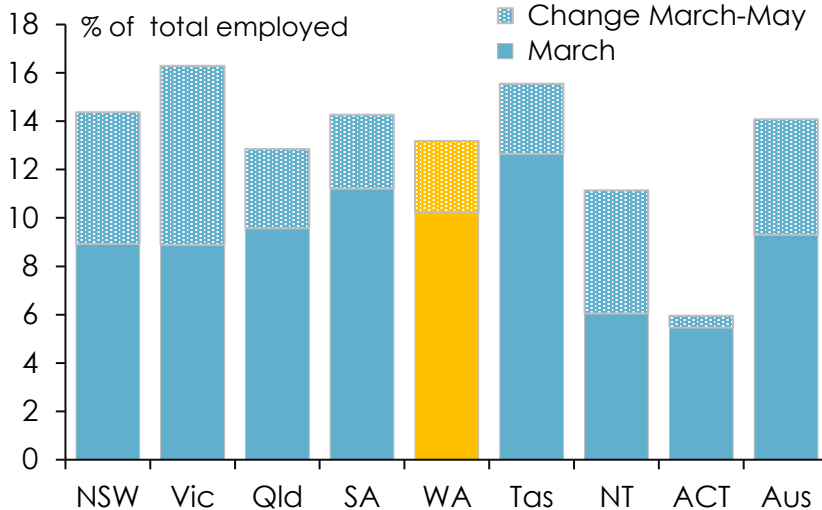
Employment



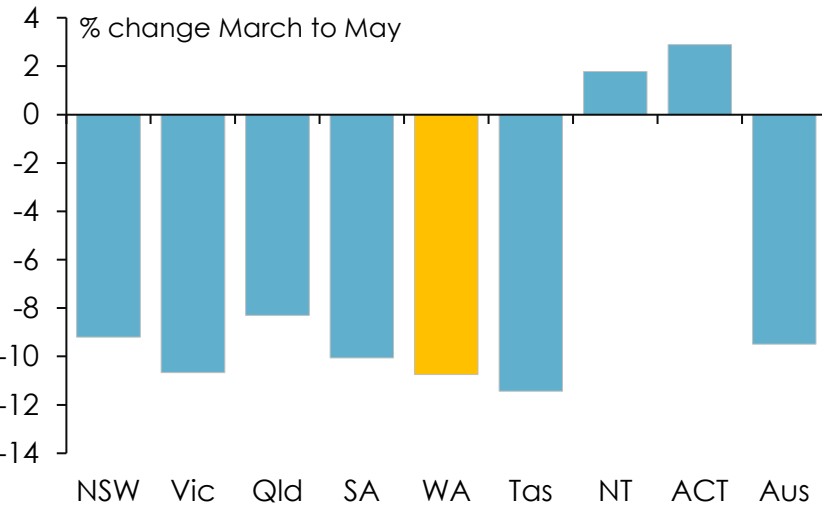
Labour force participation rate



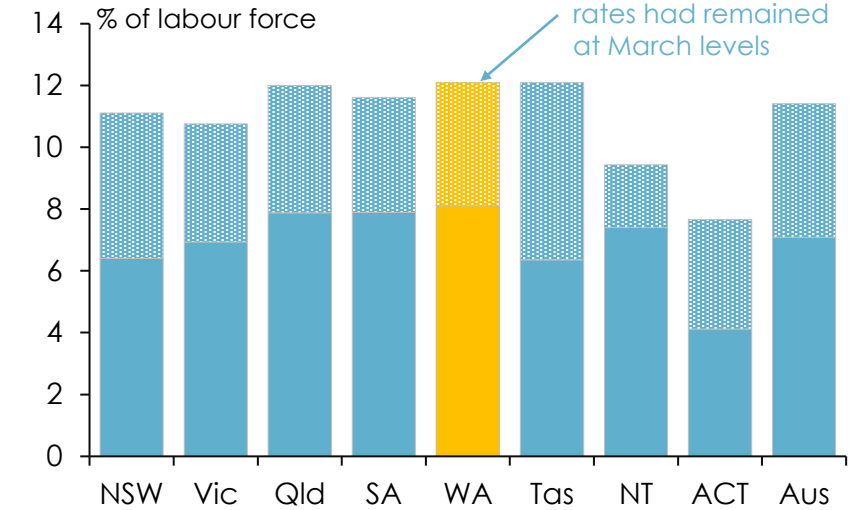
Under-employment ratio



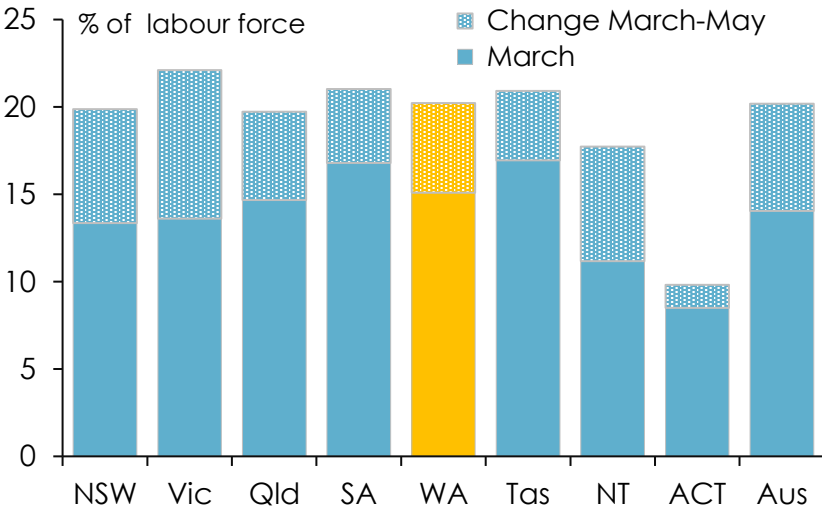
Total hours worked



Unemployment rate



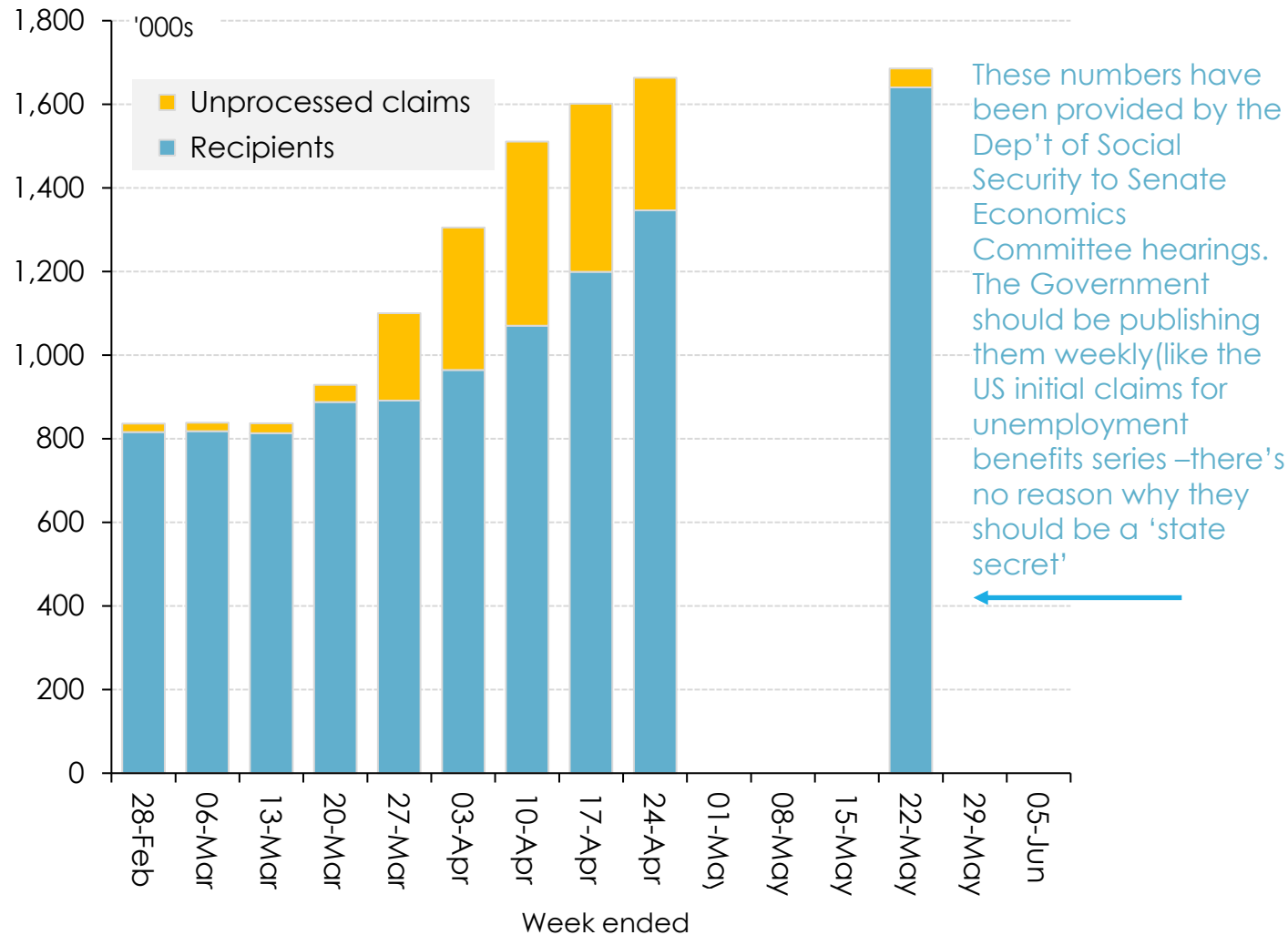
'Under-utilization' rate



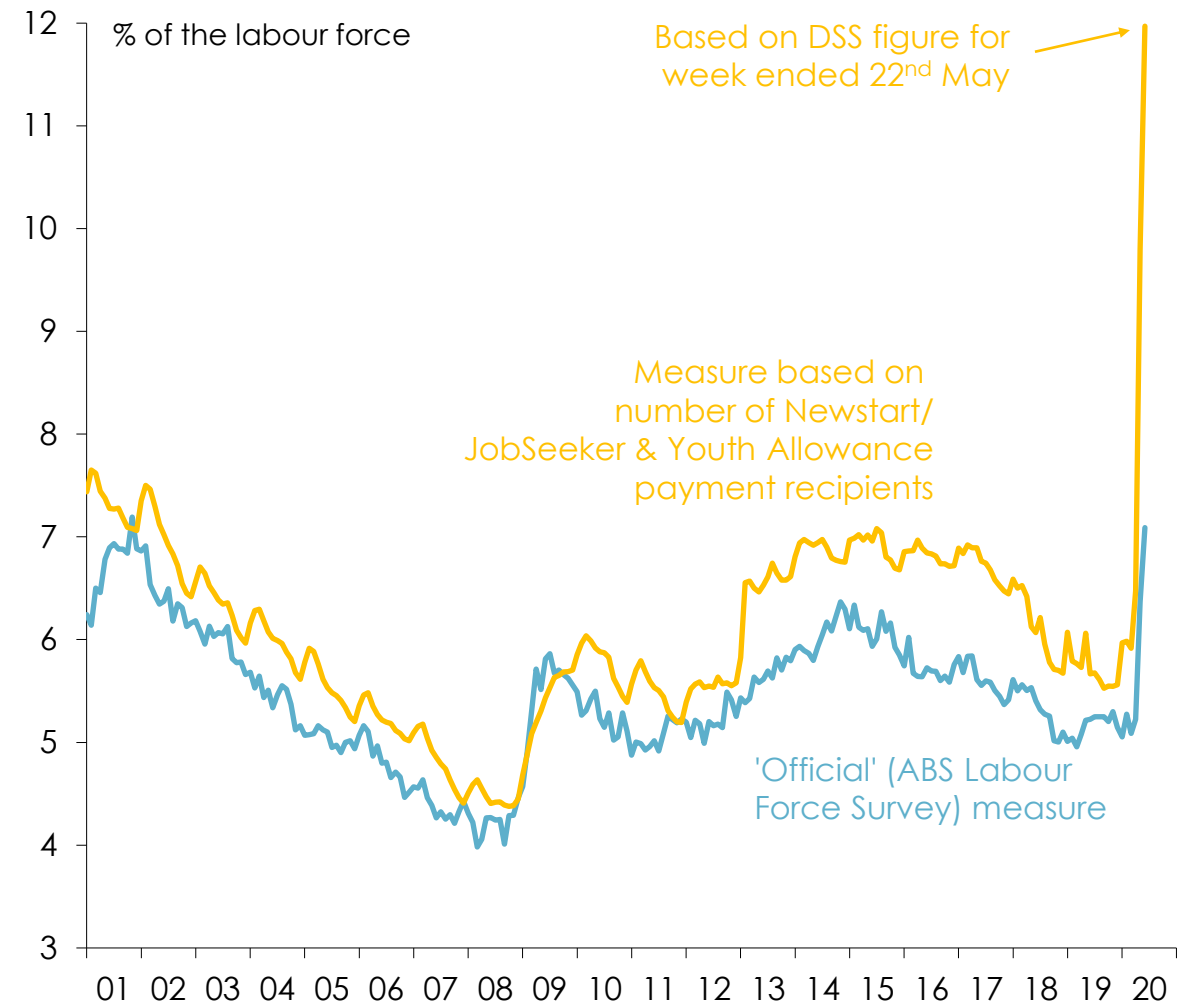
Note: The 'under-employment ratio' is the percentage of employed persons who are working fewer hours than they are willing and able to work. The 'under-utilization rate' is the proportion of the labour force who are unemployed or underemployed. Source: ABS.

The measured unemployment rate is understating the 'true' extent of job losses

Number of people receiving or seeking Newstart/ JobSeeker or Youth Allowance payments



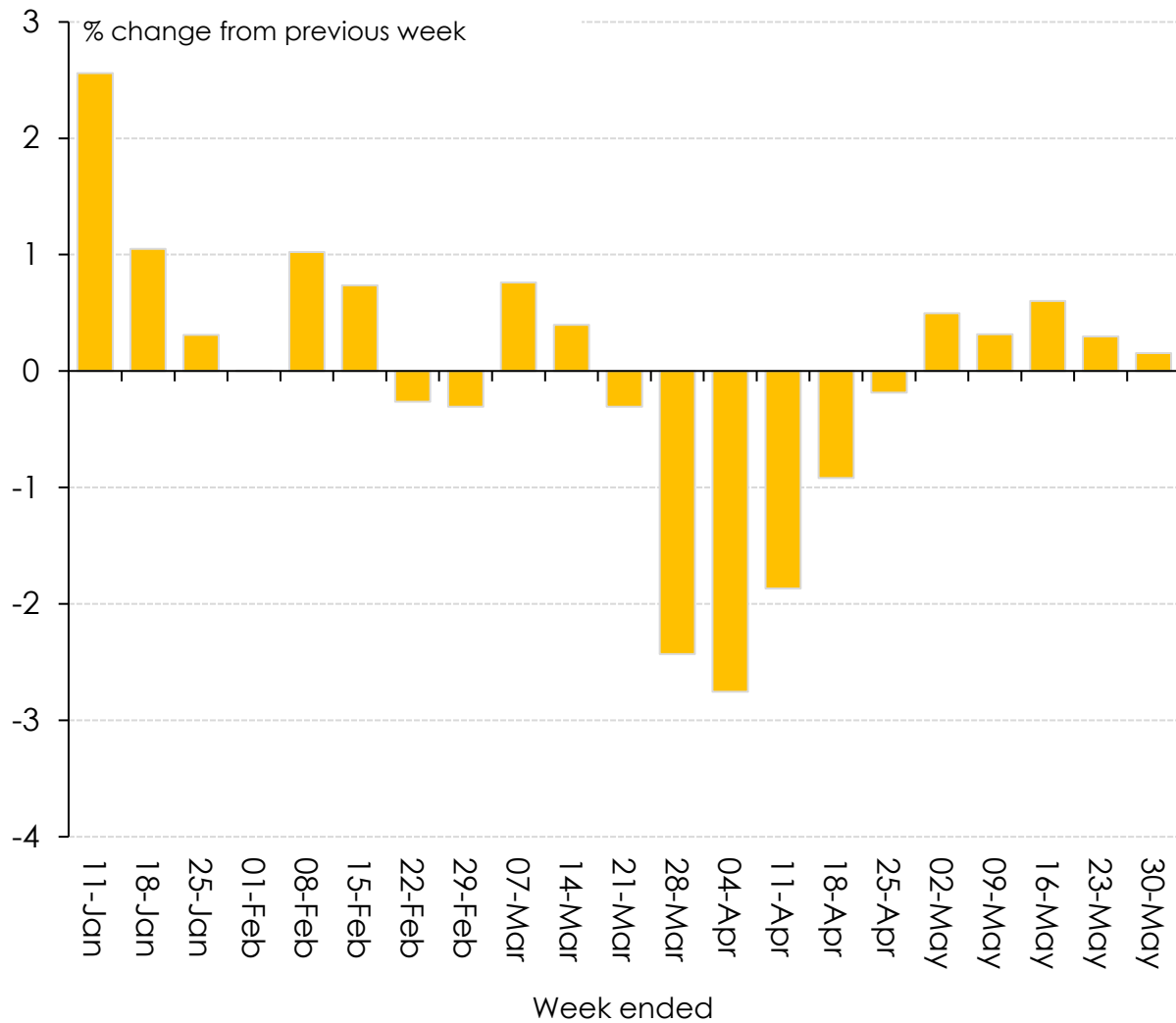
Alternative measures of the 'unemployment rate'



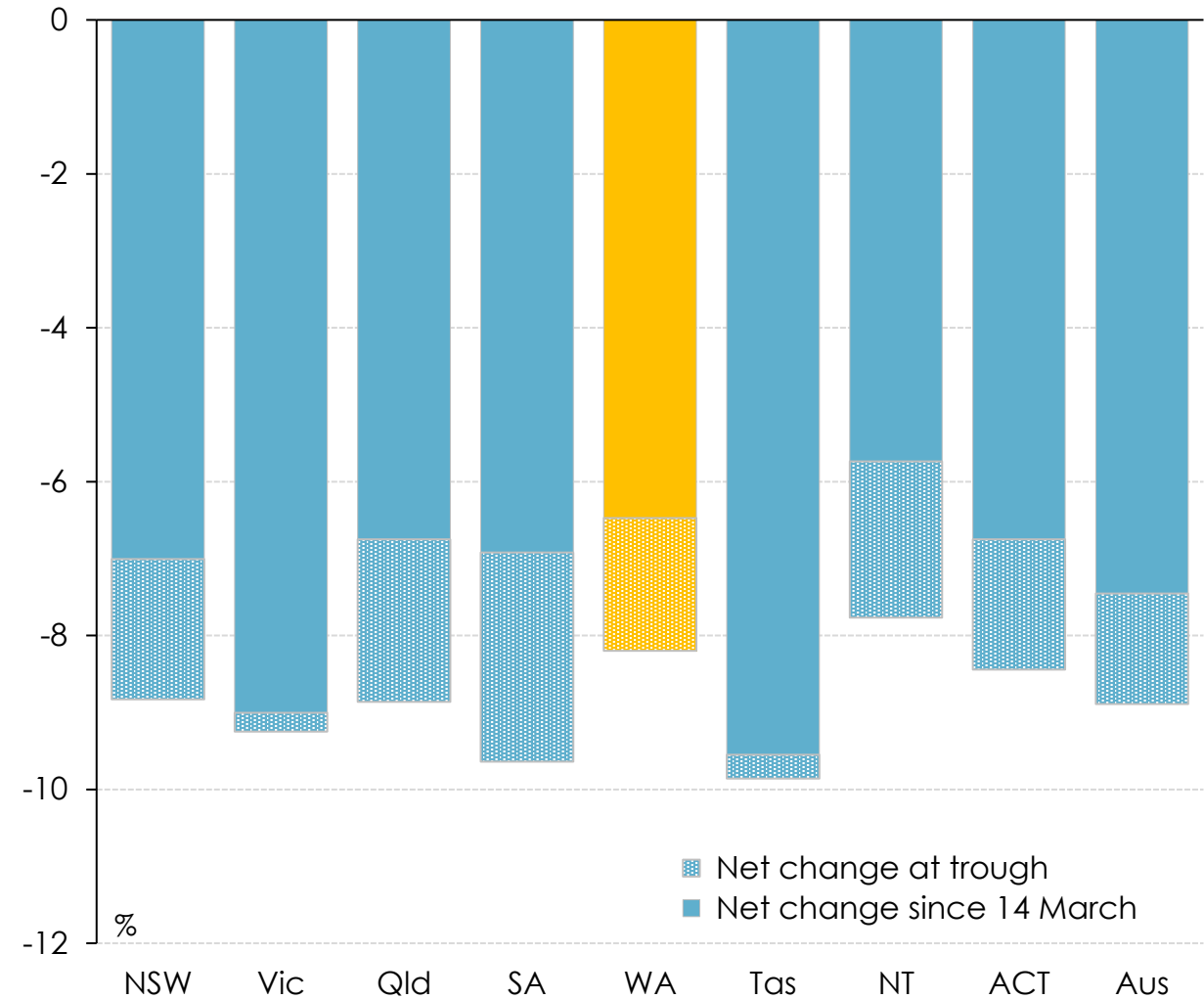
Sources: Department of Social Security; ABS. Note: Youth Allowance recipients excludes full-time students. Number of Newstart/JobSeeker and Youth Allowance recipients is not seasonally adjusted.

The ABS' weekly payroll jobs series suggests that employment has been picking up in WA since the beginning of May

Weekly change in payroll jobs, Western Australia



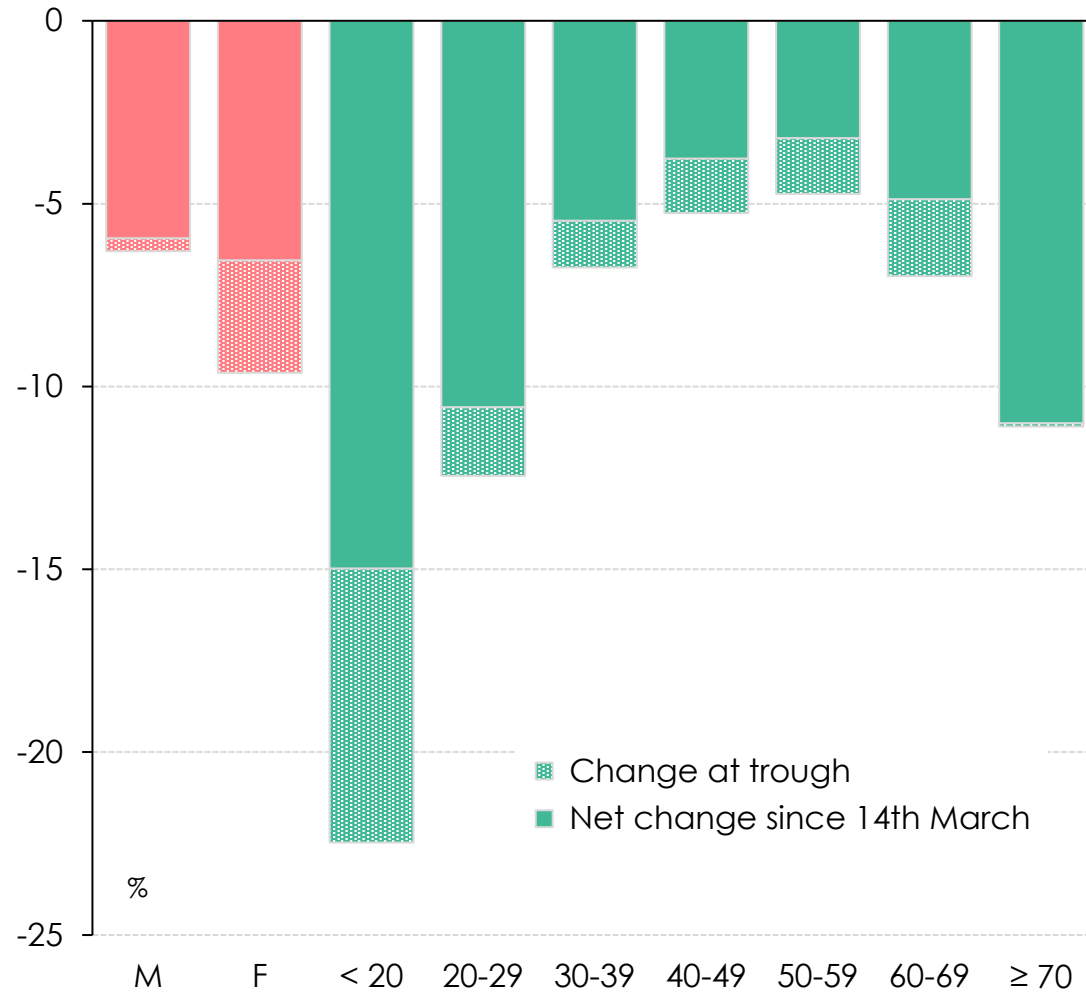
Change in payroll employment since 14th March



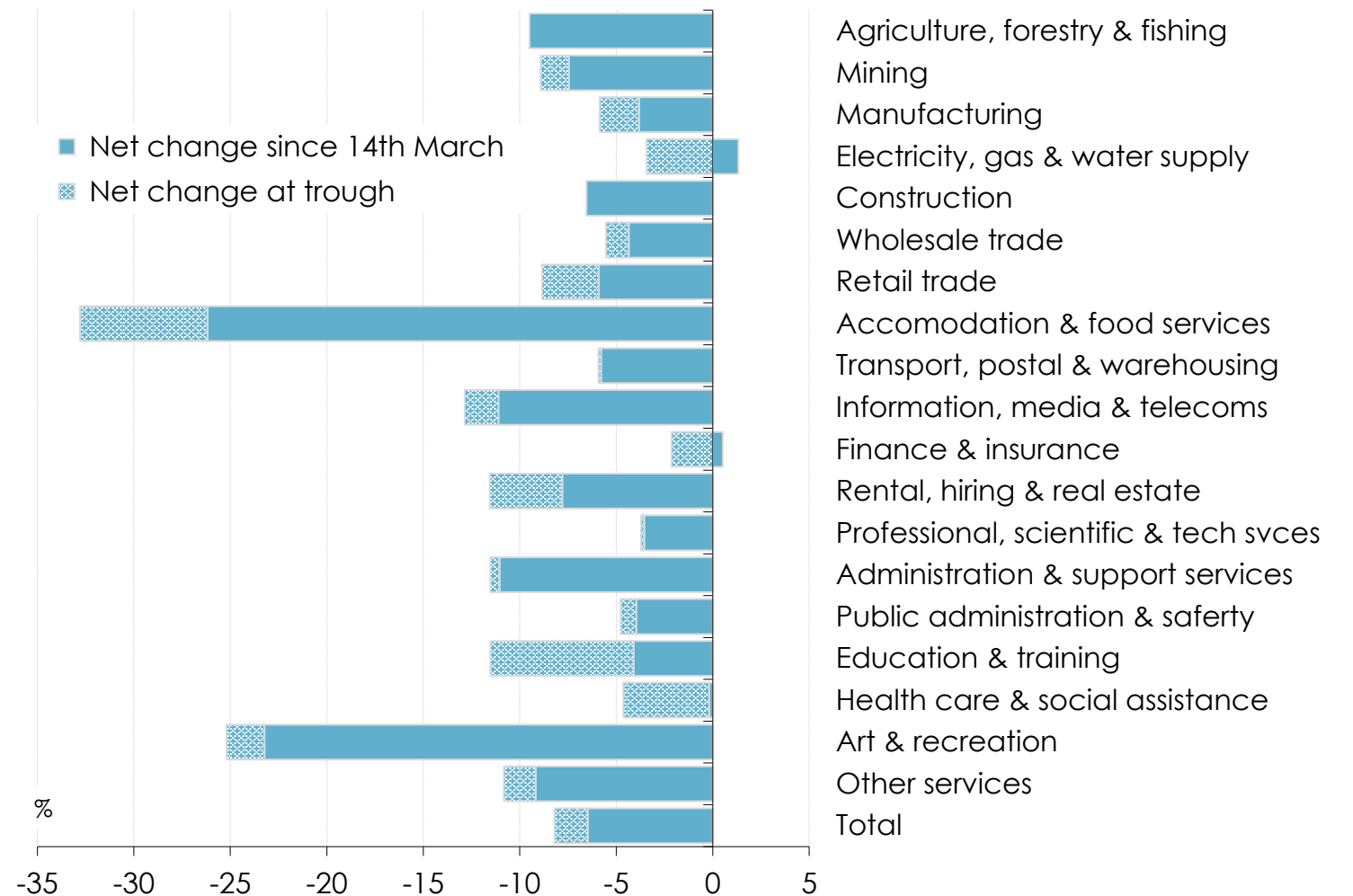
Note: data up to week ended 30th May. 14th March was the date on which Australia recorded its 100th confirmed case of Covid-19. 'Trough' refers to the week in which employment reached its lowest level, which for Western Australia was the week ended 25th April. Source: ABS.

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 WA since 14th March, by gender and age group



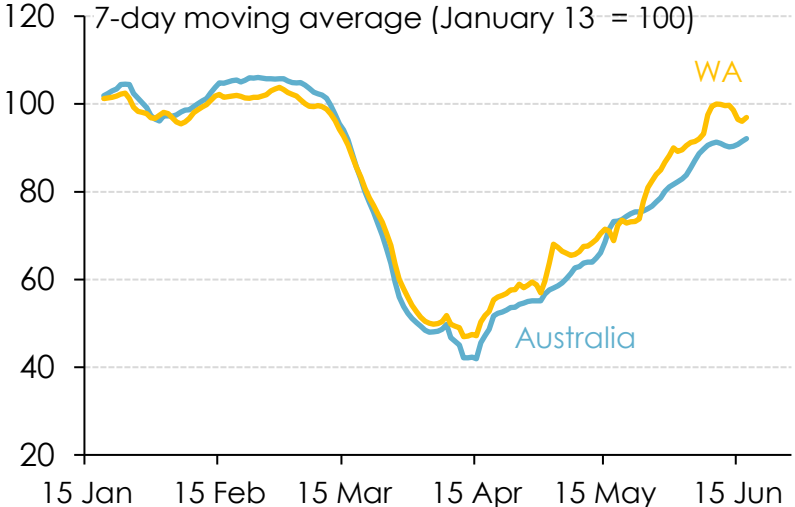
Change in payroll employment in WA since 14th March, by industry



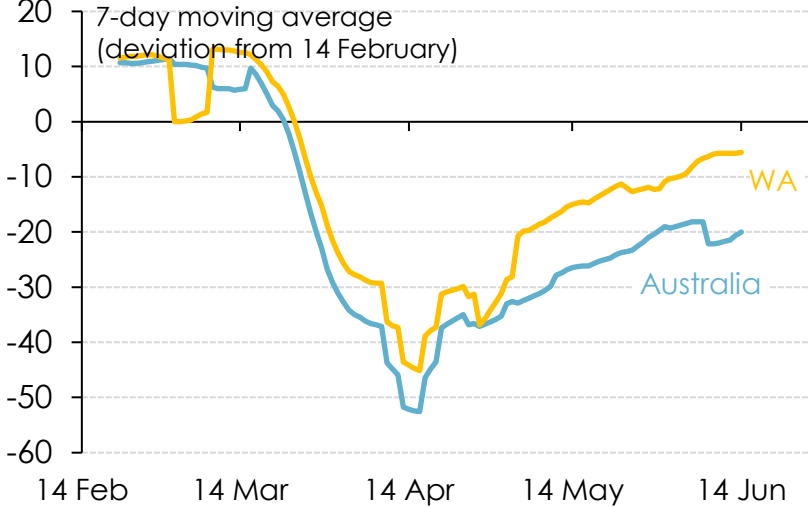
Note: data up to week ended 30th May. 14th March was the date on which Australia recorded its 100th confirmed case of Covid-19. 'Trough' refers to the week in which employment reached its lowest level, which for Western Australia was the week ended 25th April. Source: ABS.

As restrictions start to ease people are starting to go back to work, and to shop, and spending – but they are shunning public transport

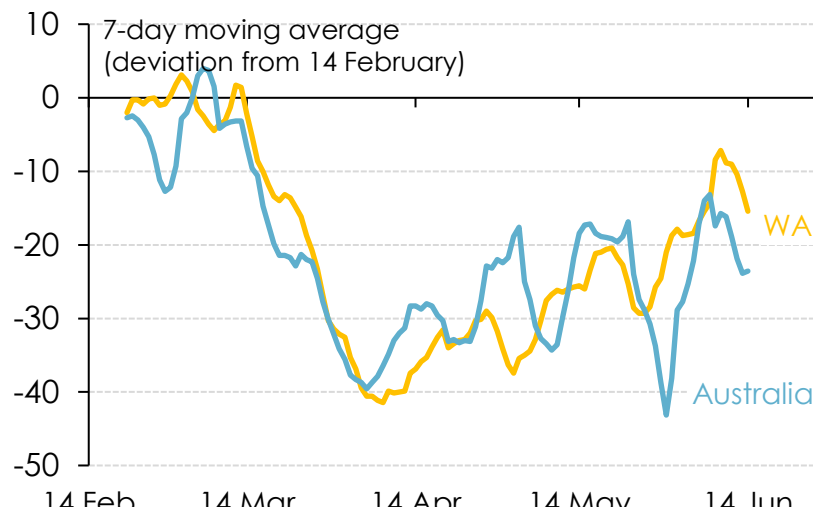
Time spent driving



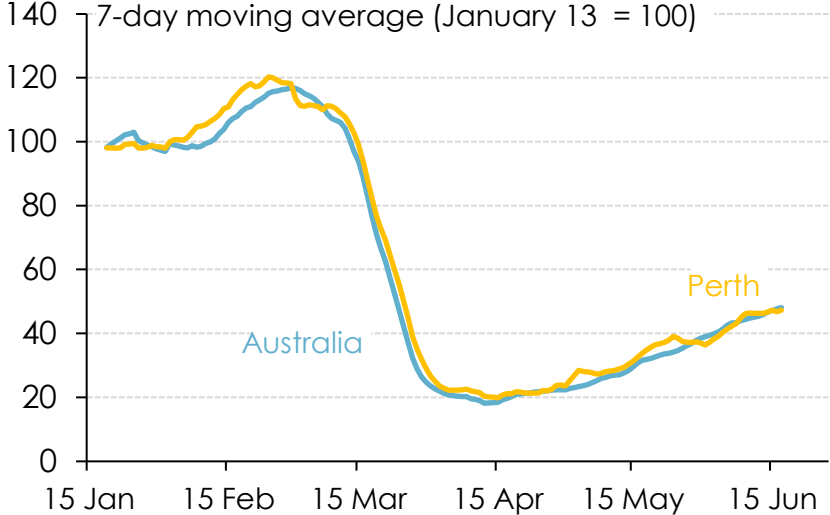
Time spent in work places



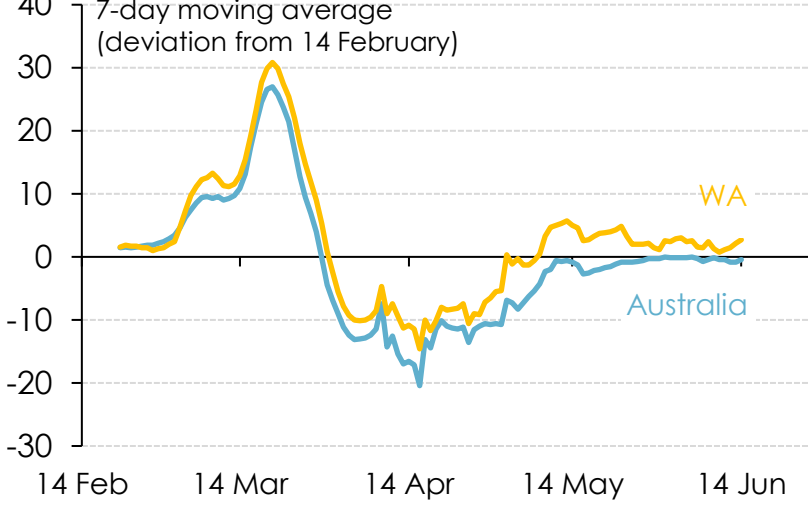
Time spent in parks



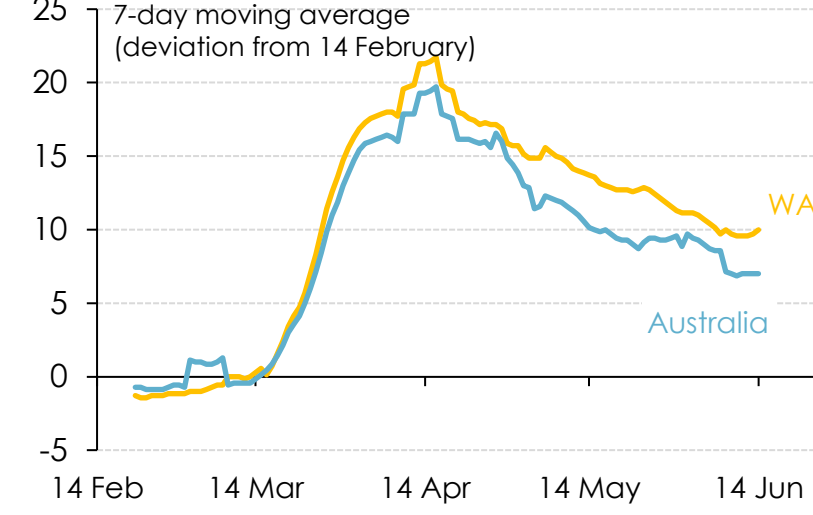
Time spent in transit



Time spent shopping



Time spent at home



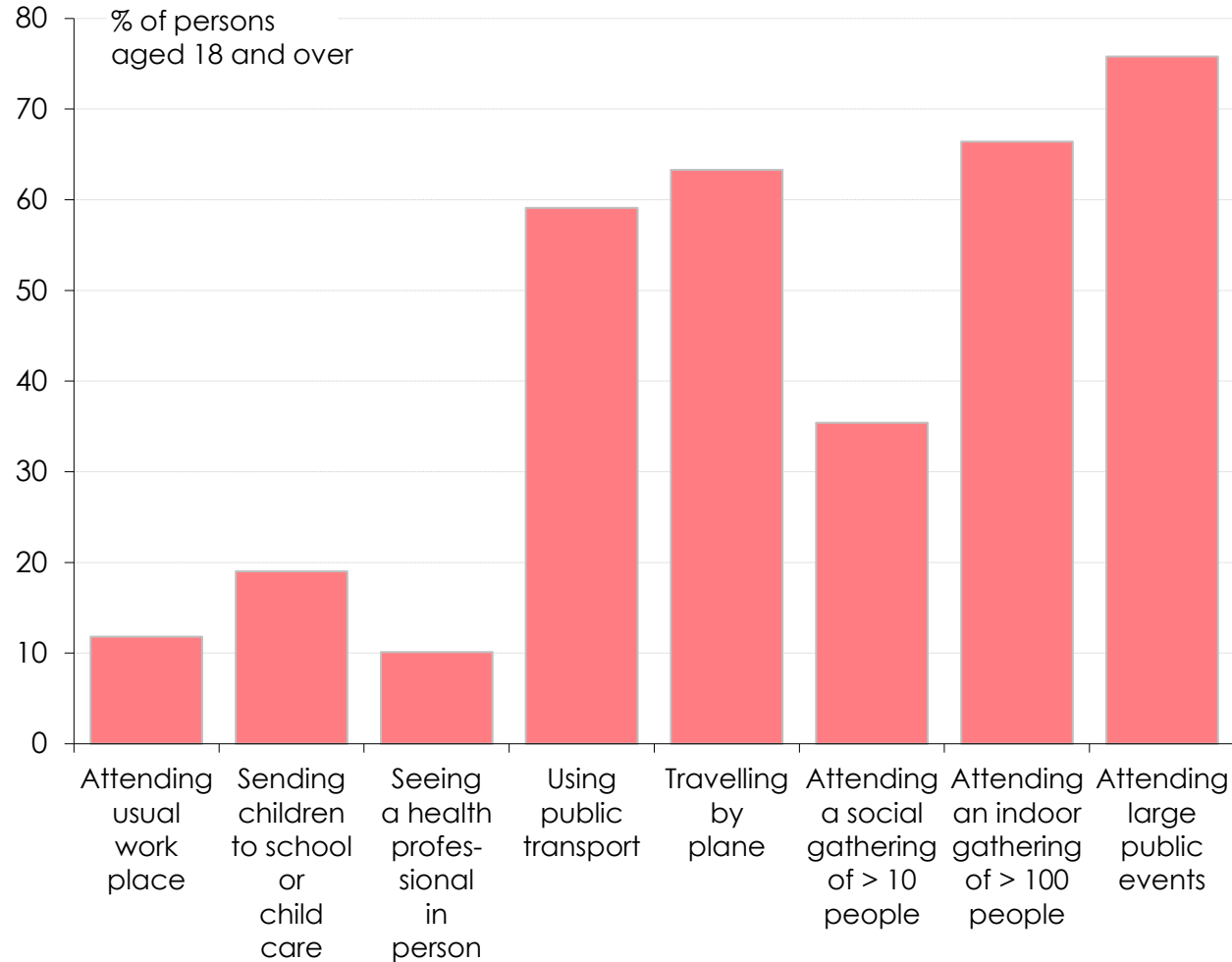
Note: 'transit' means using public transport. Sources: Apple (data up to 17th June), two left-hand charts; Google (data up to 14th June), four remaining charts.

The path out of the hole our economy is now in won't be as steep as the path into it was

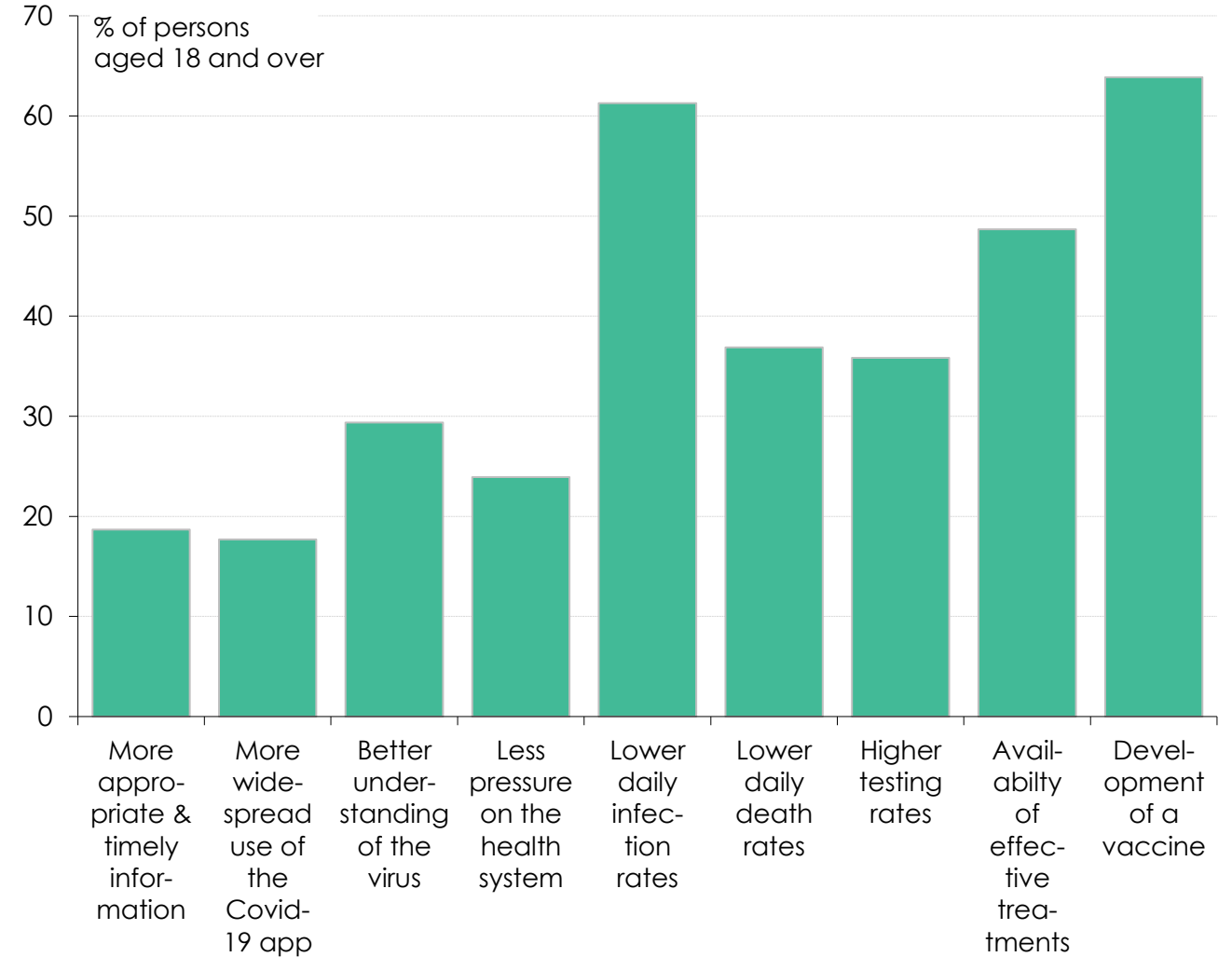
- ❑ **'Social distancing' requirements are being relaxed gradually rather than 'all at once'**
 - and many people may remain wary of exercising all of their newly-regained 'freedoms'
 - new health and safety regulations inevitably limit the number of employees and customers who can be 'on premises' (which 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 (currently most of them are scheduled to terminate at end-September), or if restrictions 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)**

Australians seem likely to continue to be wary of travel and large gatherings, at least until a vaccine for Covid-19 is developed

Proportion of adults feeling 'uncomfortable' with selected activities as restrictions are eased



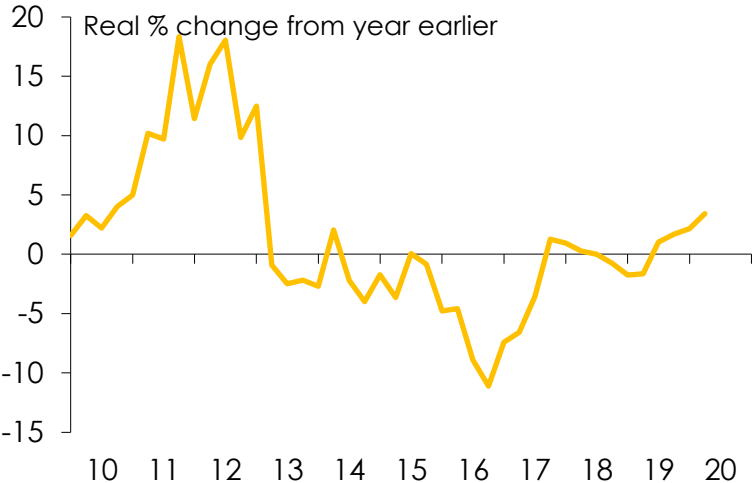
Actions that would improve people's comfort with activities as restrictions are eased



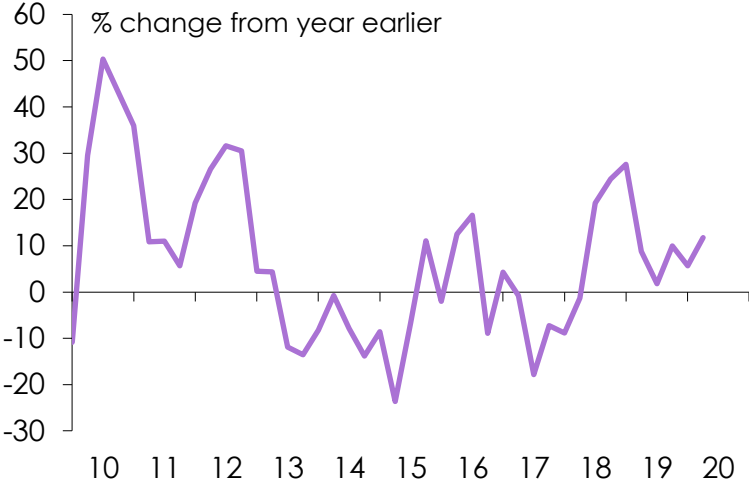
Source: ABS, Household Impacts of Covid-19 Survey, 26th-29th May (published 15th June).

WA's economy had been recovering before the Covid-19 outbreak hit, led by a gradual turnaround in mining

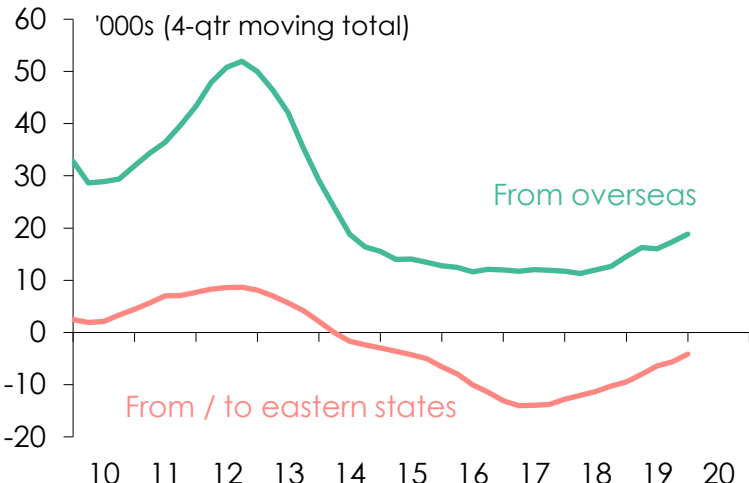
WA 'state final demand'



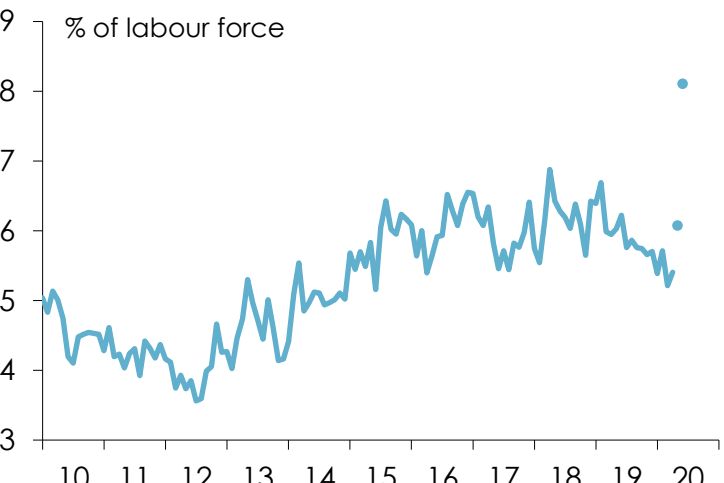
WA mining employment



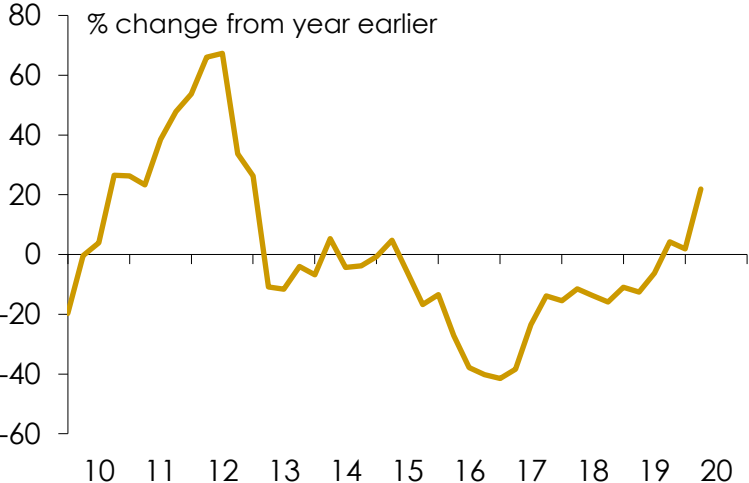
Migration to WA



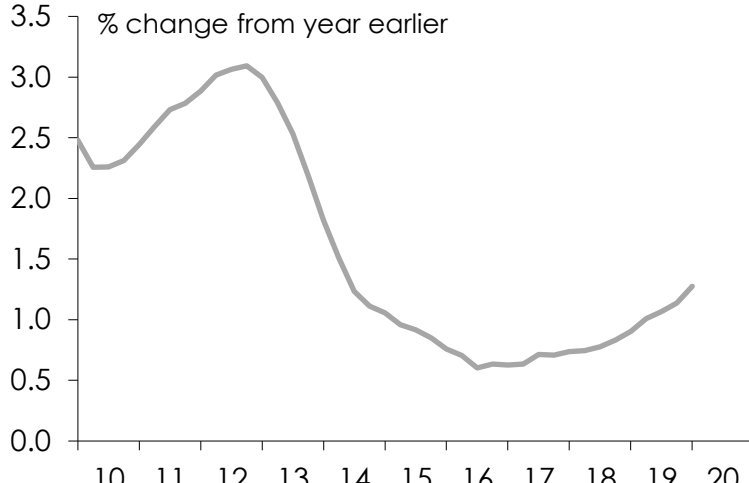
WA unemployment



WA mining capex



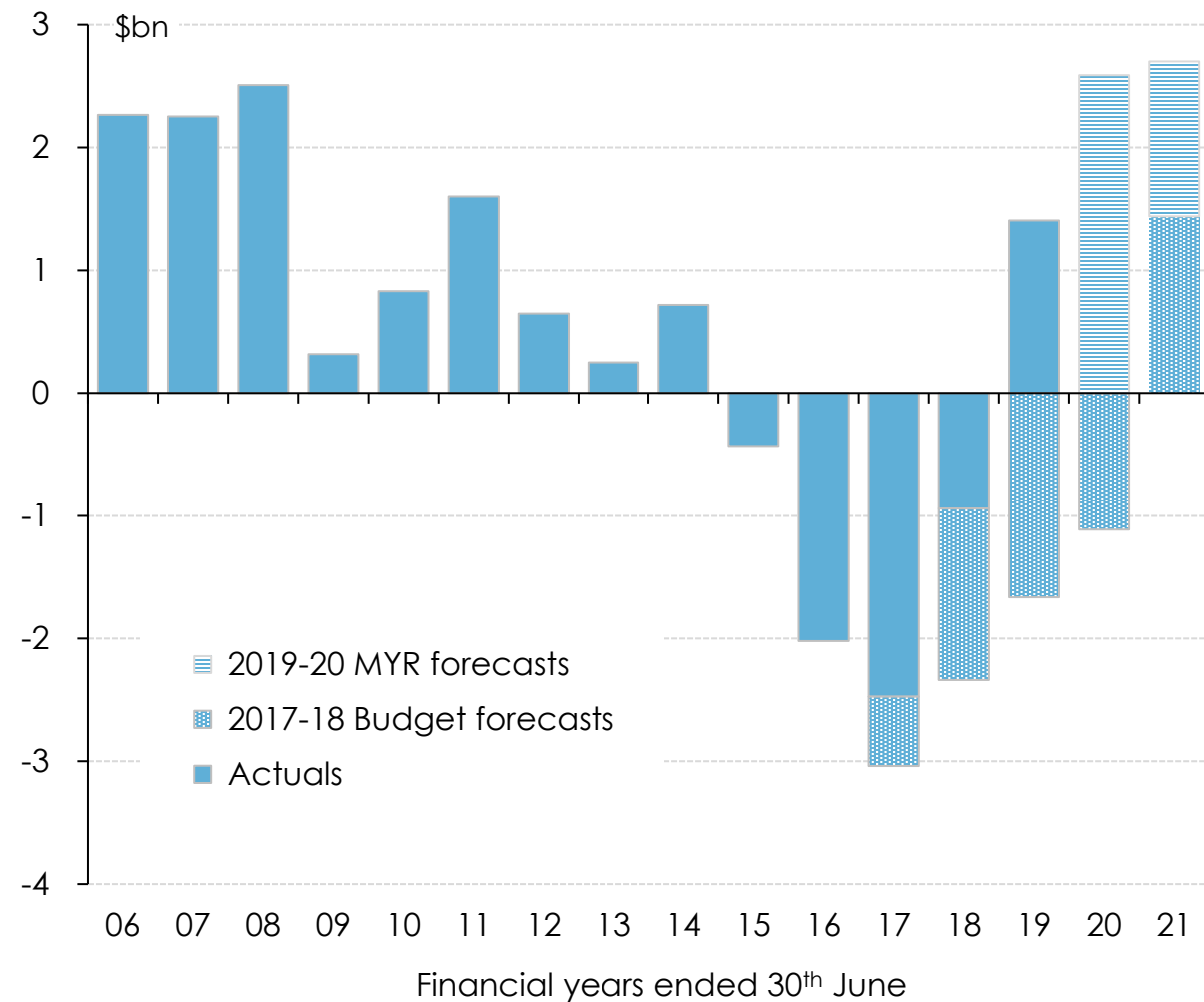
WA population growth



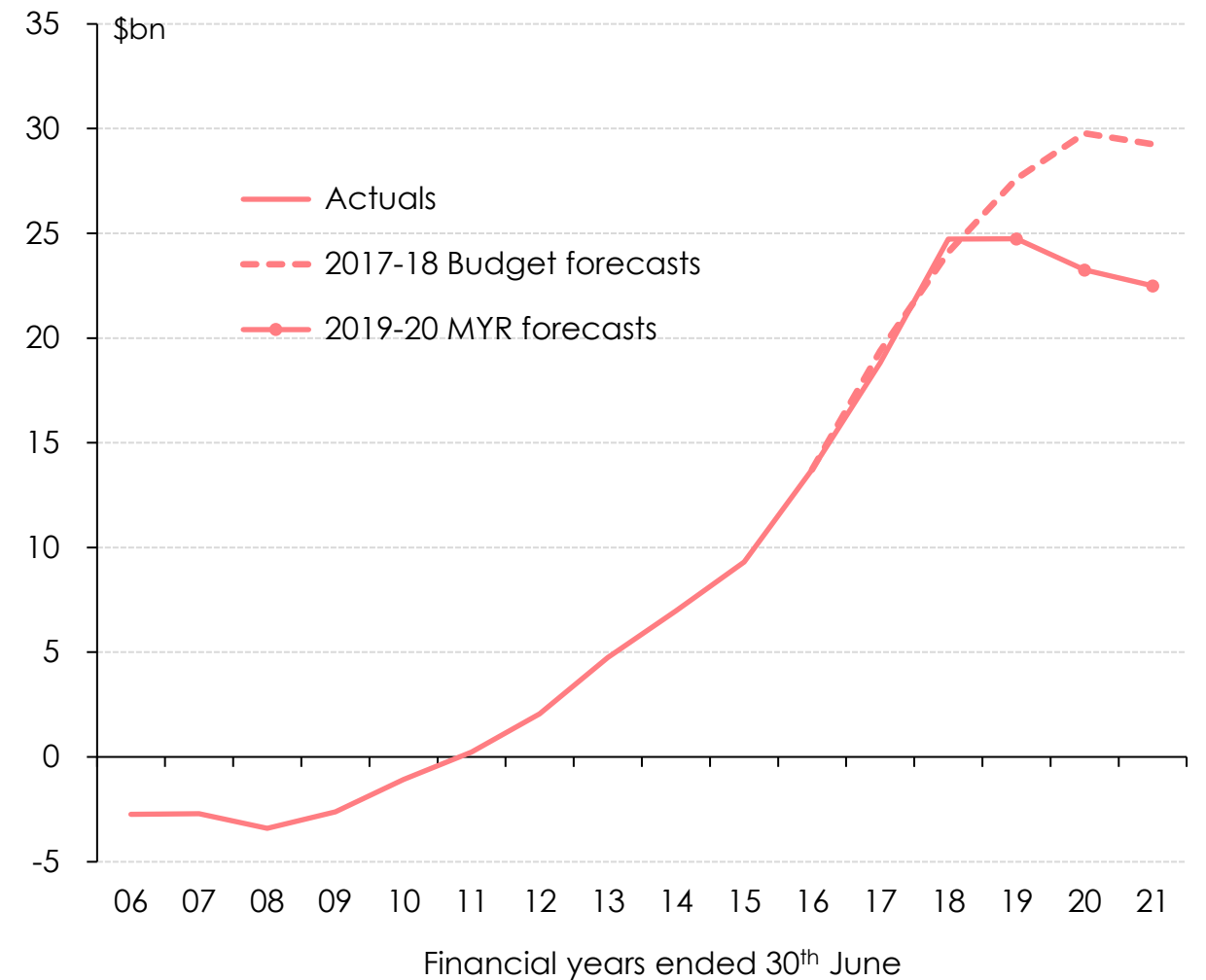
Sources: ABS.

Western Australia's budget was looking in better shape before the onset of the virus-induced downturn than had been expected 3 years earlier

Western Australia 'general government' sector net operating balance



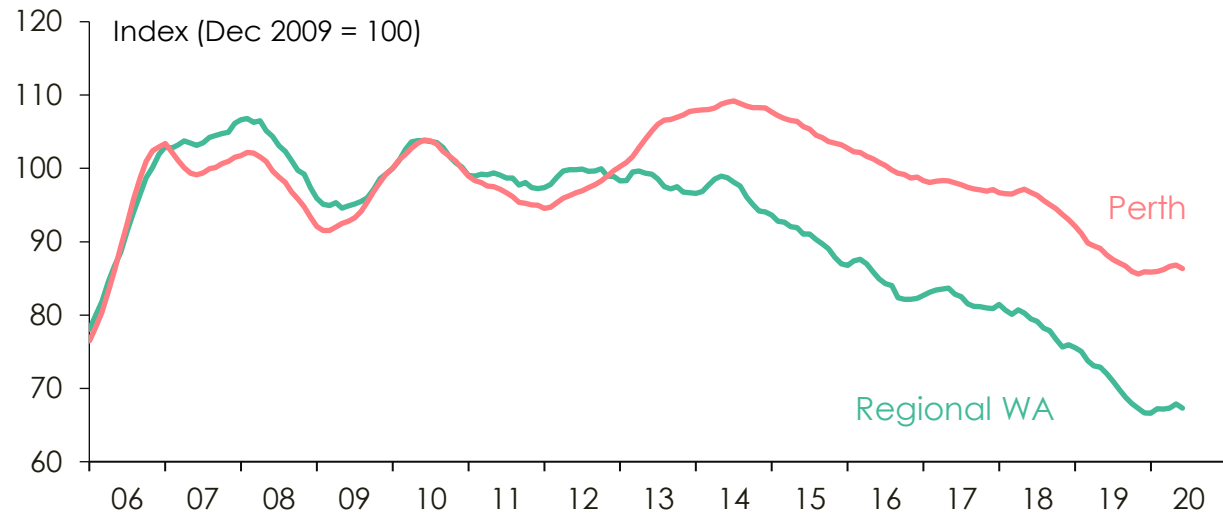
Western Australia 'general government' sector net debt



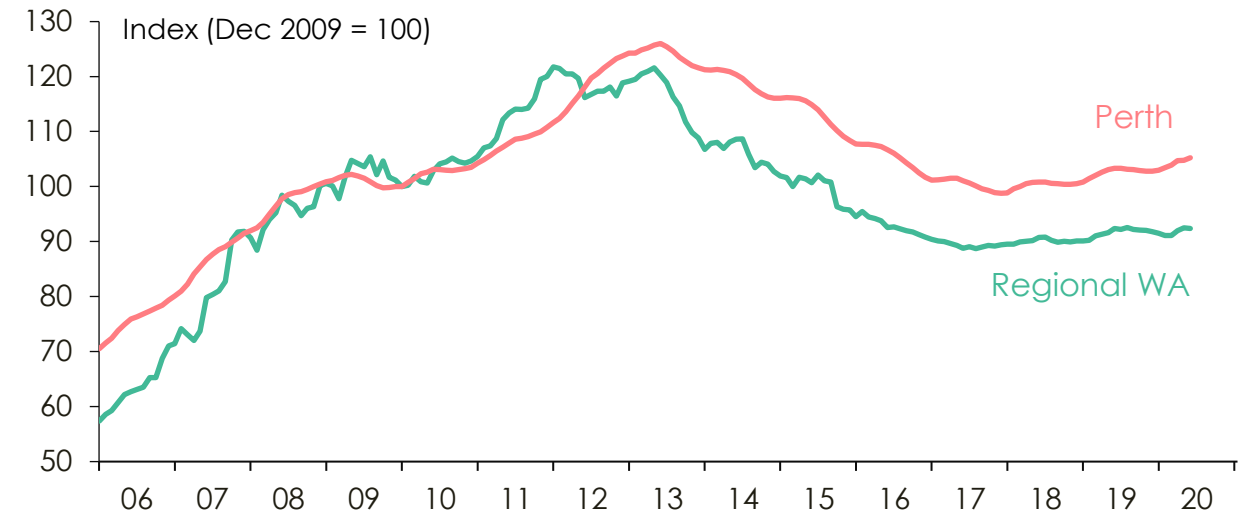
Note: 'General government' comprises departments and agencies funded primarily through taxation and grants revenue, and excludes public non-financial and financial corporations. Sources: Government of Western Australia, Budget Paper No. 3: Economic and Fiscal Outlook, 2017-18 and 2019-20; Mid-Year Financial Projections Statement, 2019-20.

After sliding for more than 5 years, property prices have 'bottomed out' in both Perth and regional WA, and rents are starting to rise again in Perth

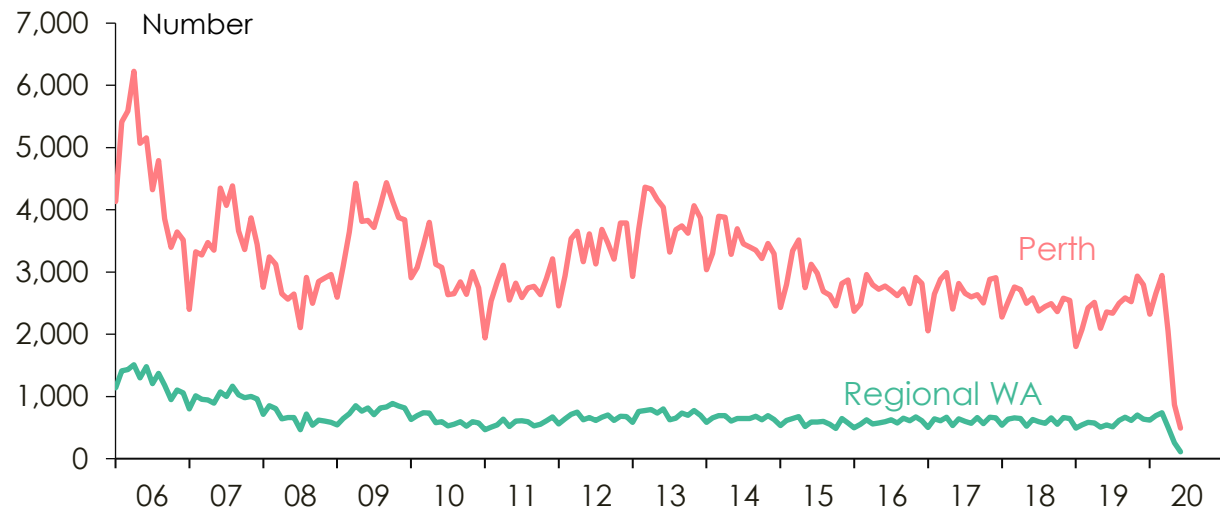
Residential property prices



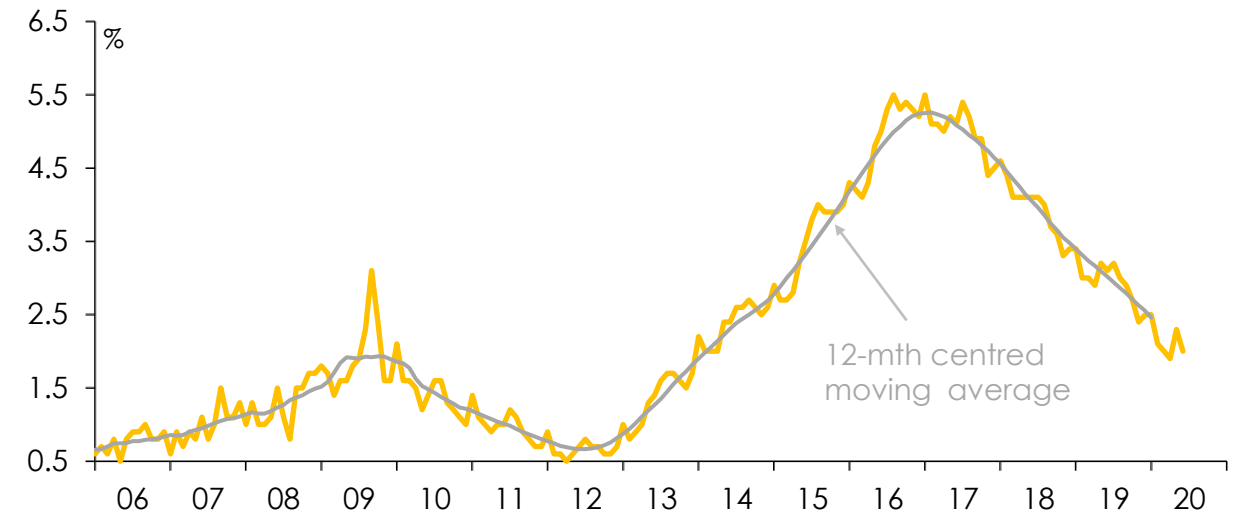
Residential property rents



Residential property sales volumes



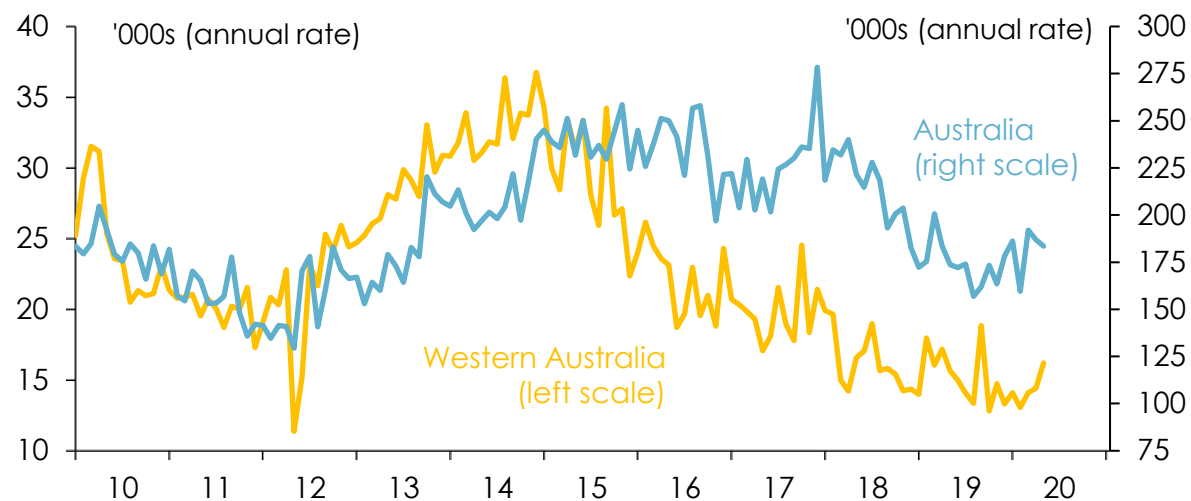
Perth residential rental vacancy rate



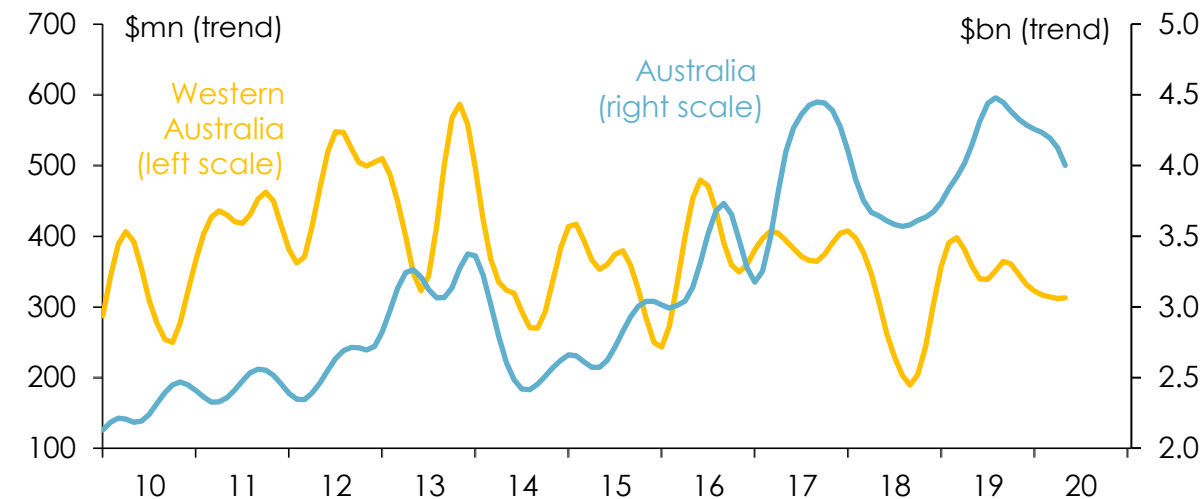
Note: The index of property prices measures the 'organic' change in underlying sales values by using a hedonic regression methodology that takes account of changes in the characteristics of properties being sold from month to month. The index of residential rents uses a similar methodology to measure the 'organic' change in underlying rents. Latest data are for May 2020. Sources: CoreLogic; SQM Research.

Unlike the eastern states, WA doesn't have a big 'pipeline' of building work to cushion the fall in demand resulting from lower immigration

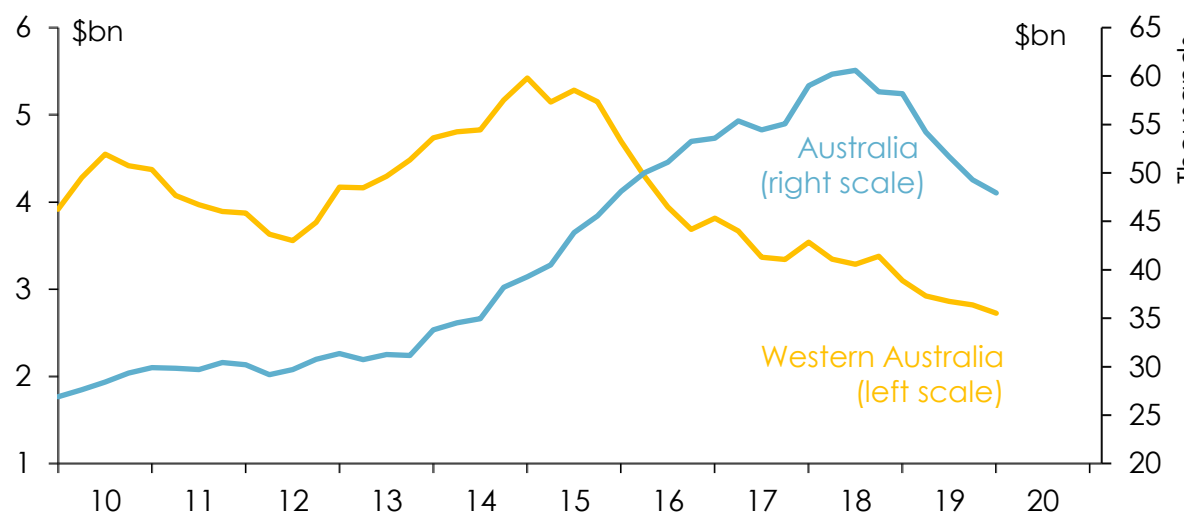
Residential building approvals



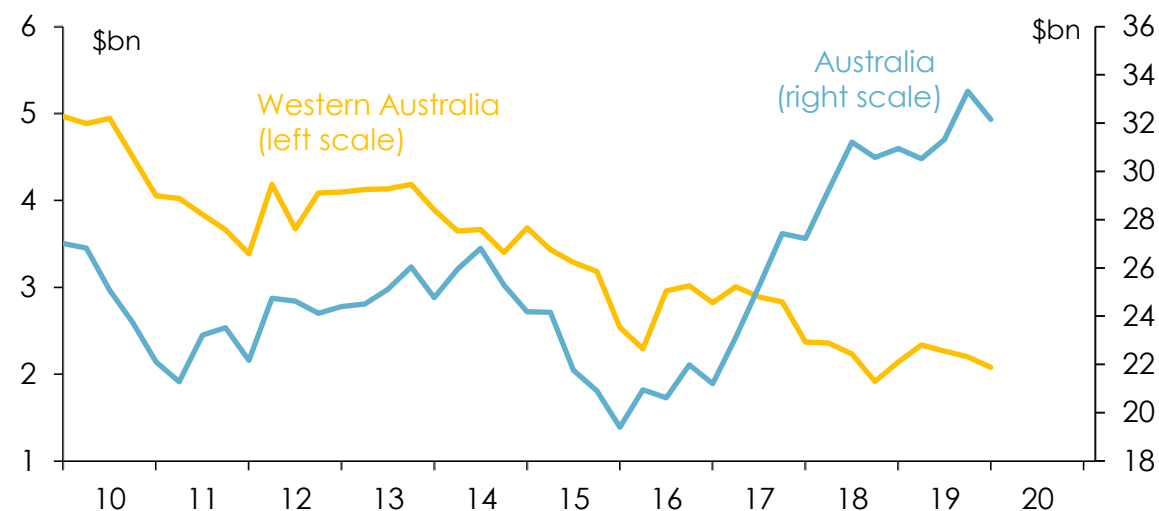
Non-residential building approvals



Residential building pipeline



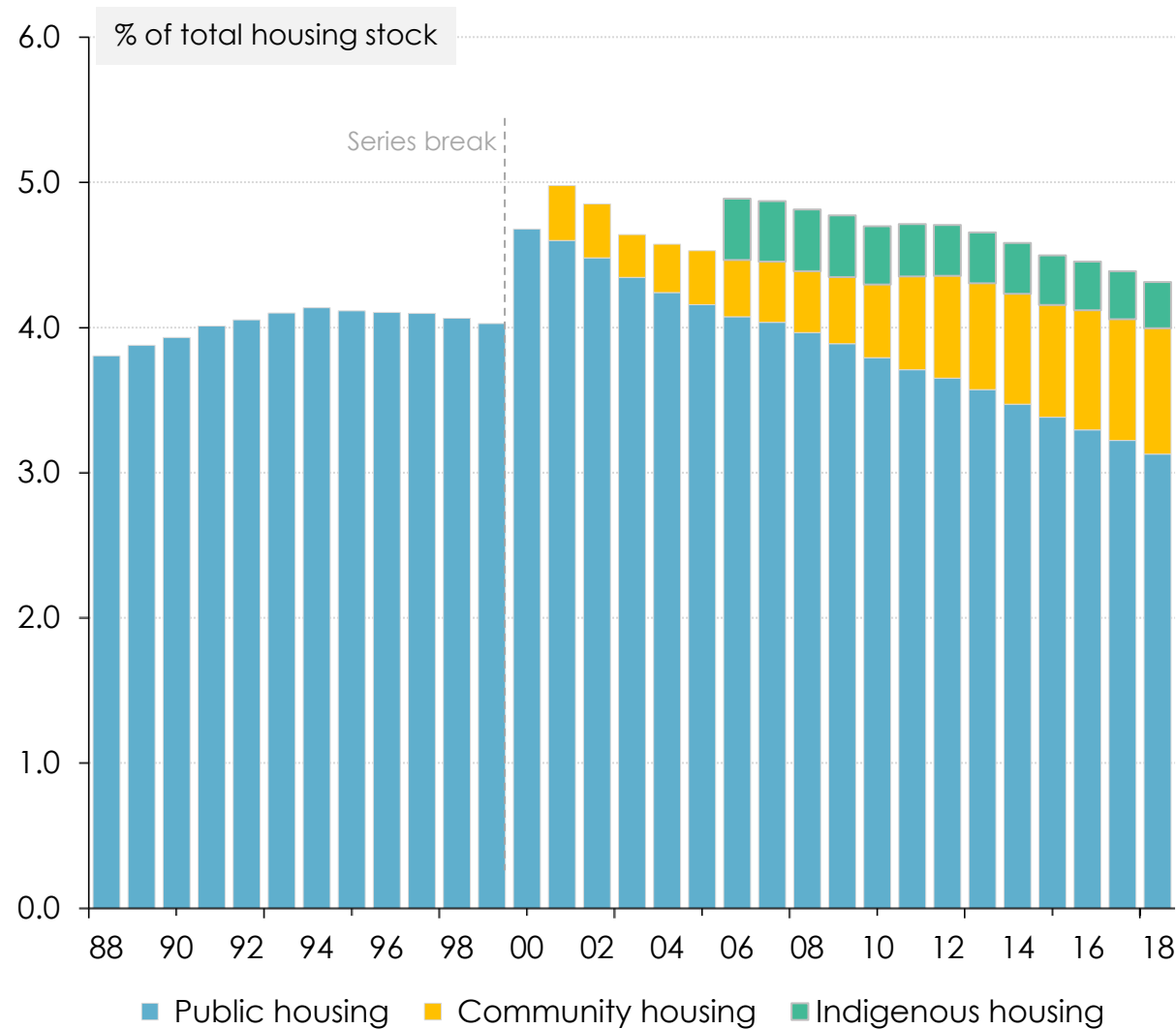
Non-residential building pipeline



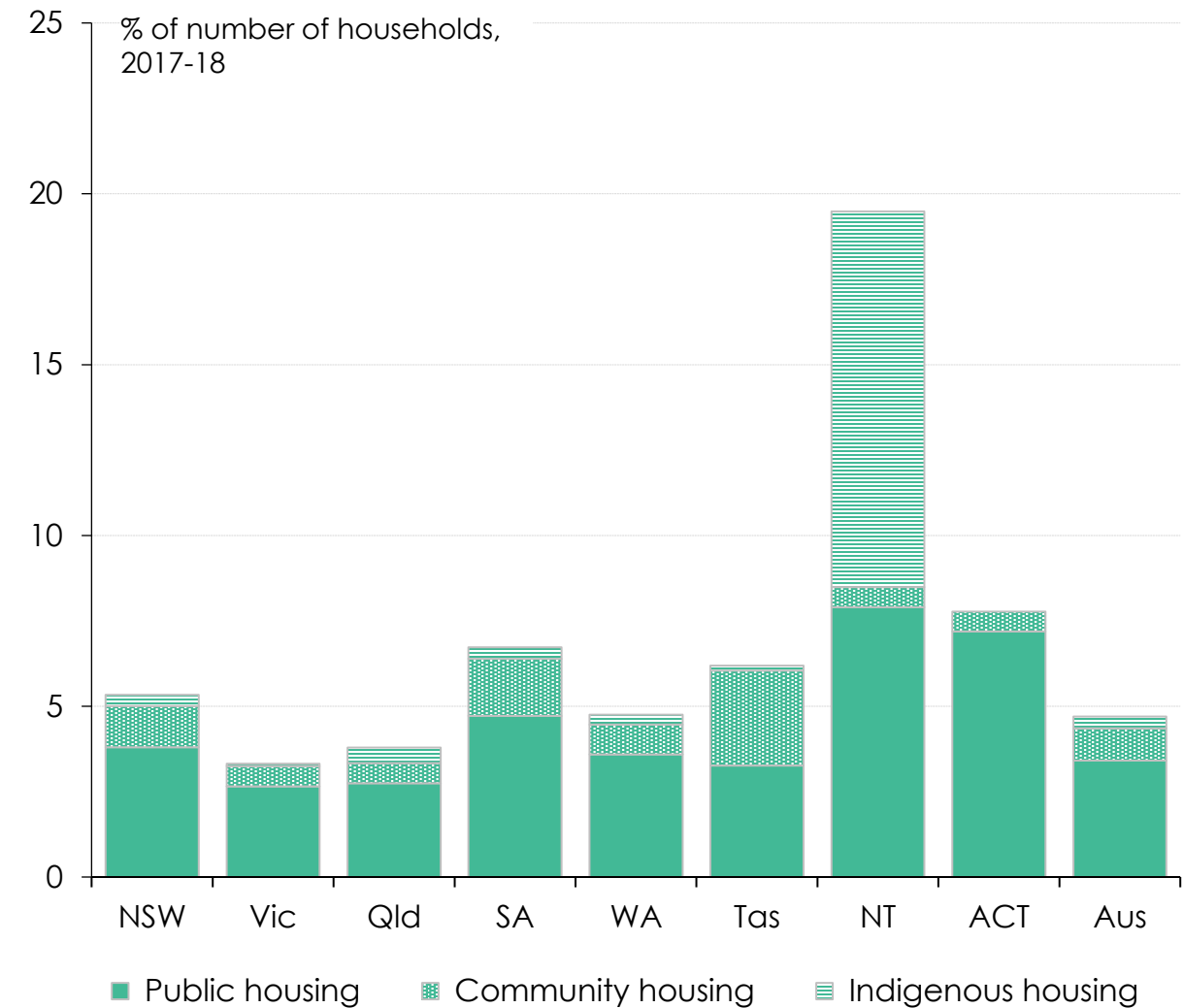
Note: 'Pipeline' is the sum of work yet to be done on projects under construction, and projects approved but not yet commenced. Source: ABS.

Expanding social housing provision would boost building activity, create employment and reduce the backlog of unmet need

National social housing stock



Social housing stock by state & territory, June 2018



Note: 'Indigenous housing' includes state-owned and managed Indigenous housing (SOMIH), Indigenous community housing and (between 2008-09 and 2016-17) NT remote public dwellings. Sources: Productivity Commission, *Housing Assistance and Employment in Australia*, Volume 2 – Research Papers (April 2015), and *Report on Government Services*; Australian Institute of Health and Welfare, *Housing Assistance in Australia 2019*; ABS; RBA.

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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