

ECONOMIC RECOVERY, COMMUNITY SERVICES AND COVID

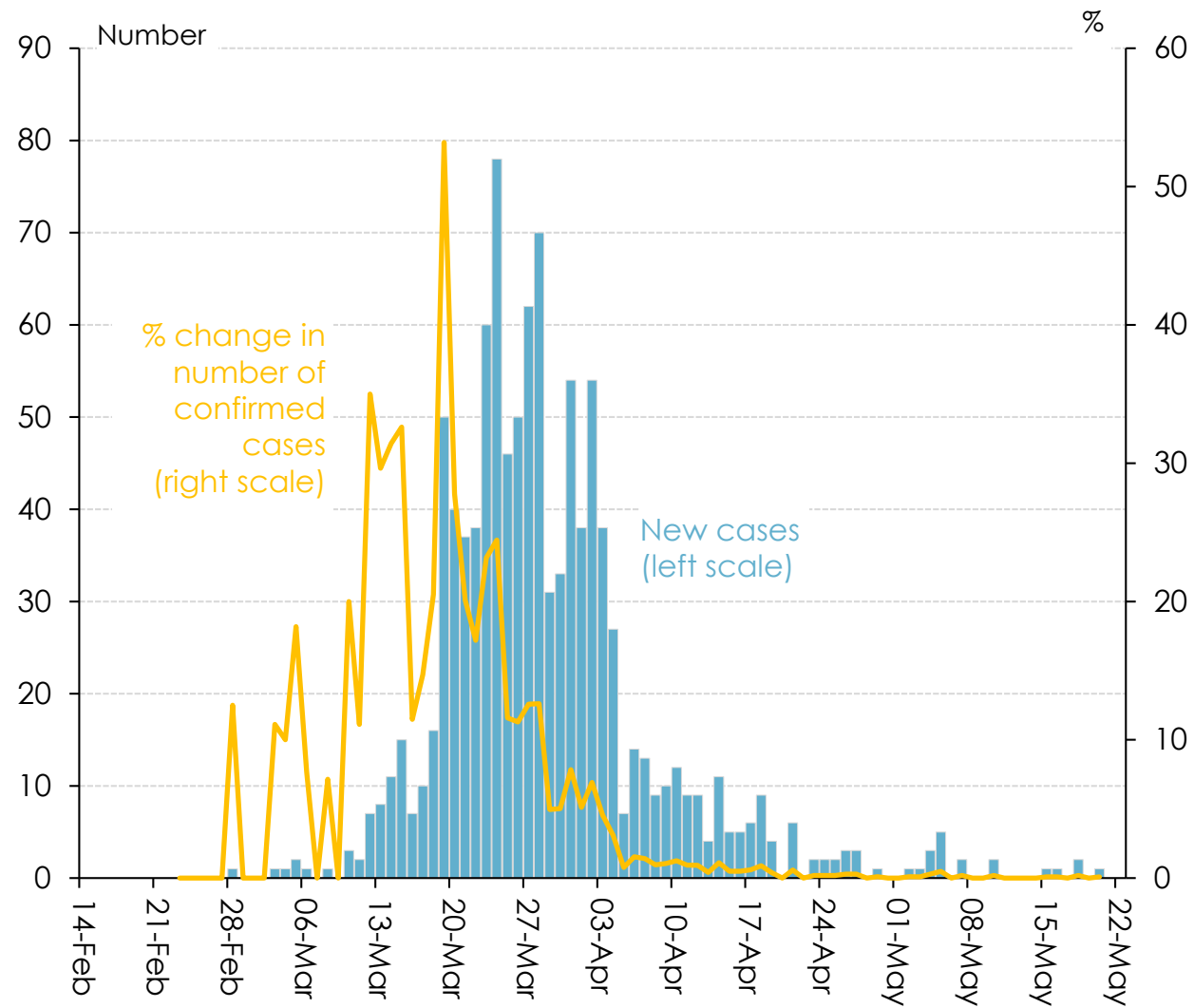
PRESENTATION TO AN ONLINE FORUM HOSTED BY Q SHELTER

21ST MAY 2020

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY PTY LTD

Queensland has succeeded in containing the spread of Covid-19

New Covid-19 cases in Queensland



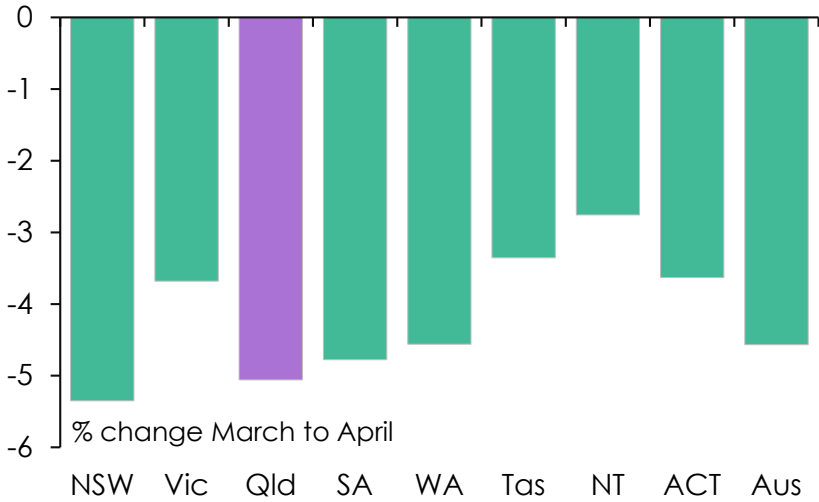
Confirmed cases per 100,000 population



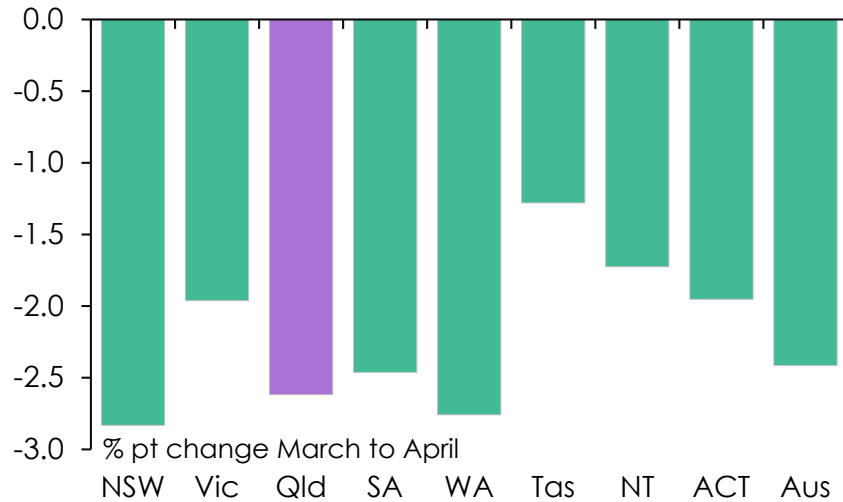
Note: Data up to 20th May. Source: covid19data.com.au

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

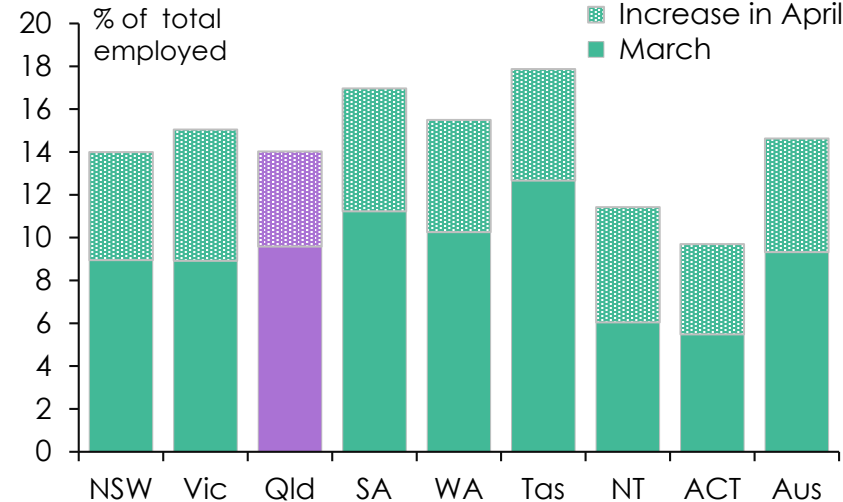
Employment



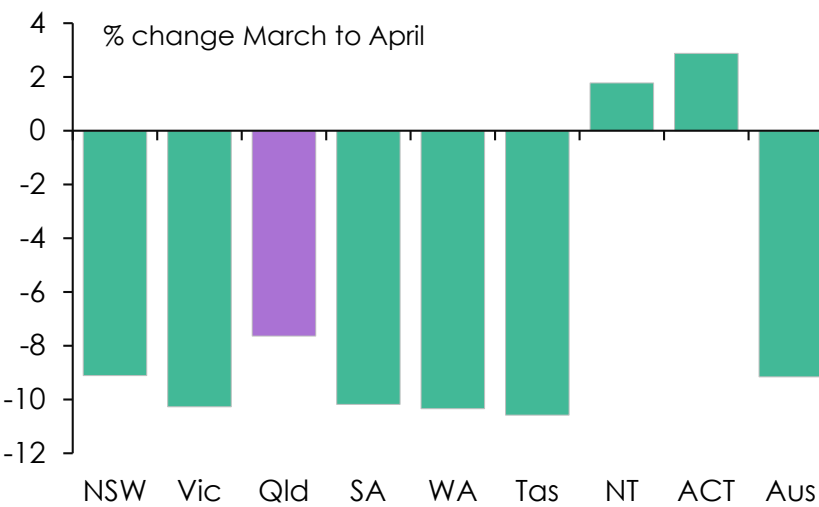
Labour force participation rate



Under-employment ratio



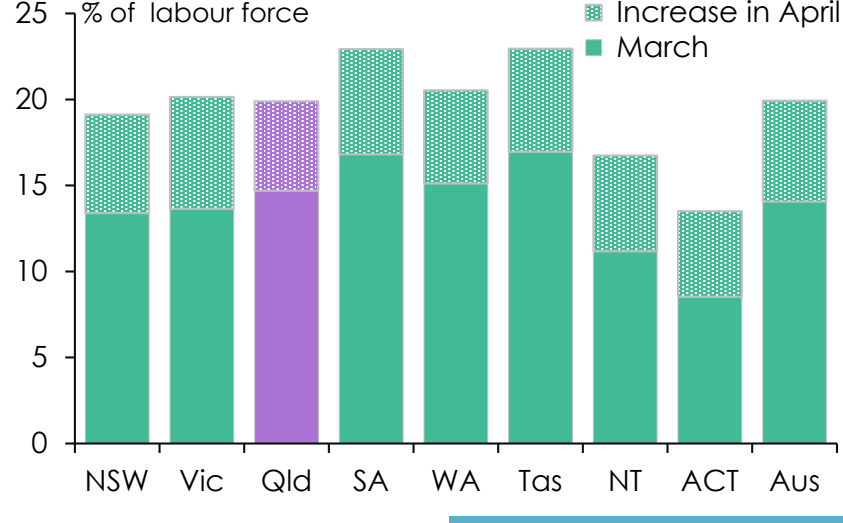
Total hours worked



Unemployment rate



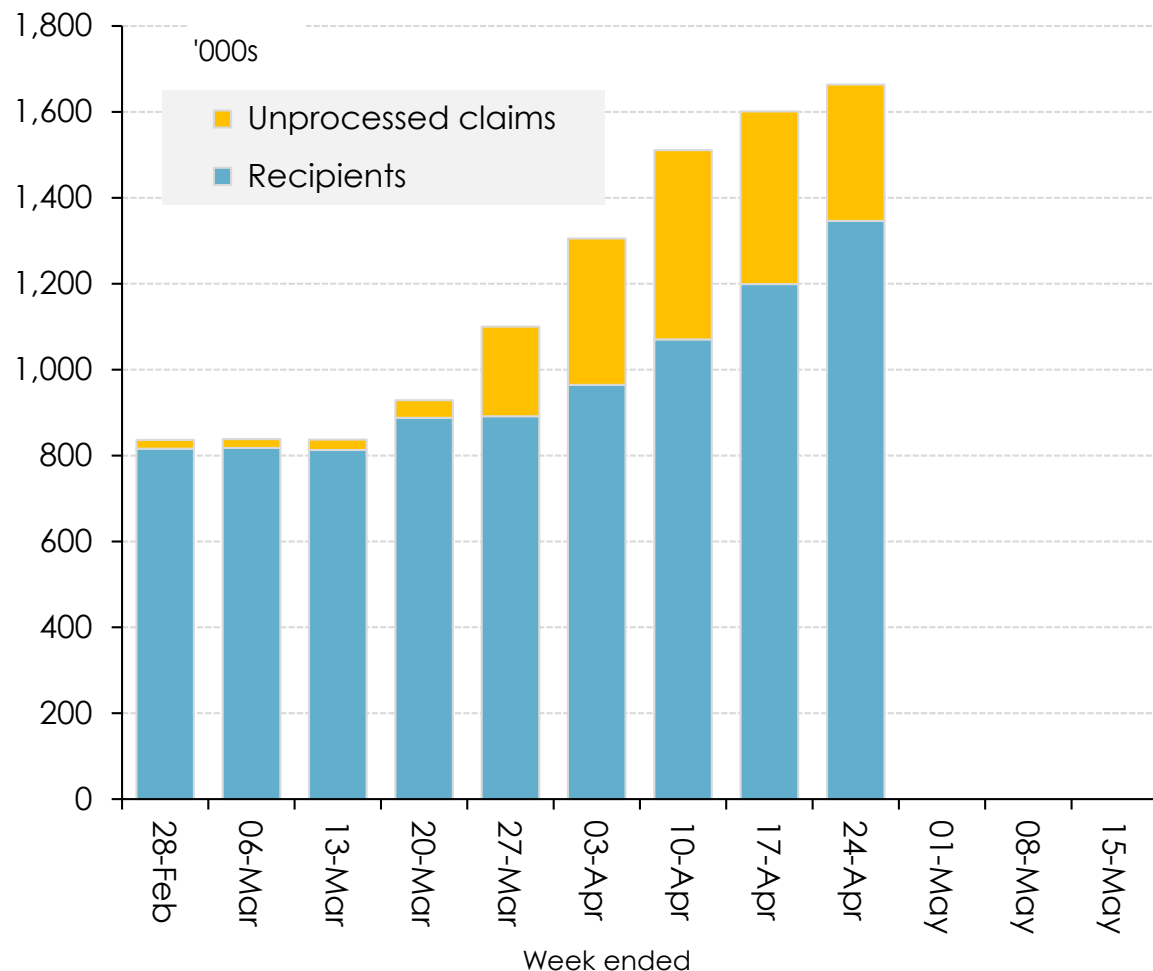
'Under-utilization' rate



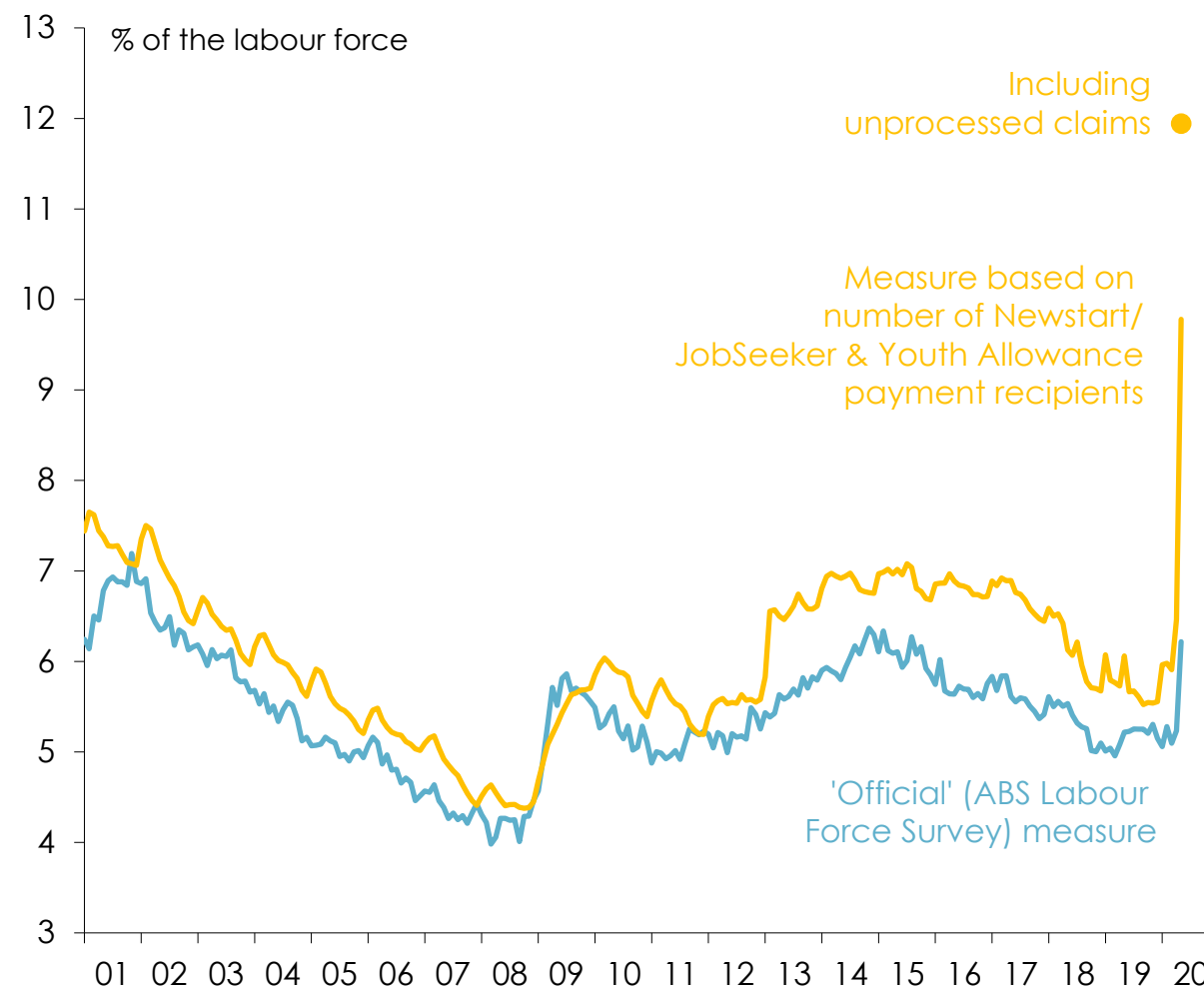
Note: The 'under-employment ratio' is the percentage of employed persons who are working fewer hours than they are willing and able to work. The 'under-utilization rate' is the proportion of the labour force who are unemployed or underemployed. Source: ABS.

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

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



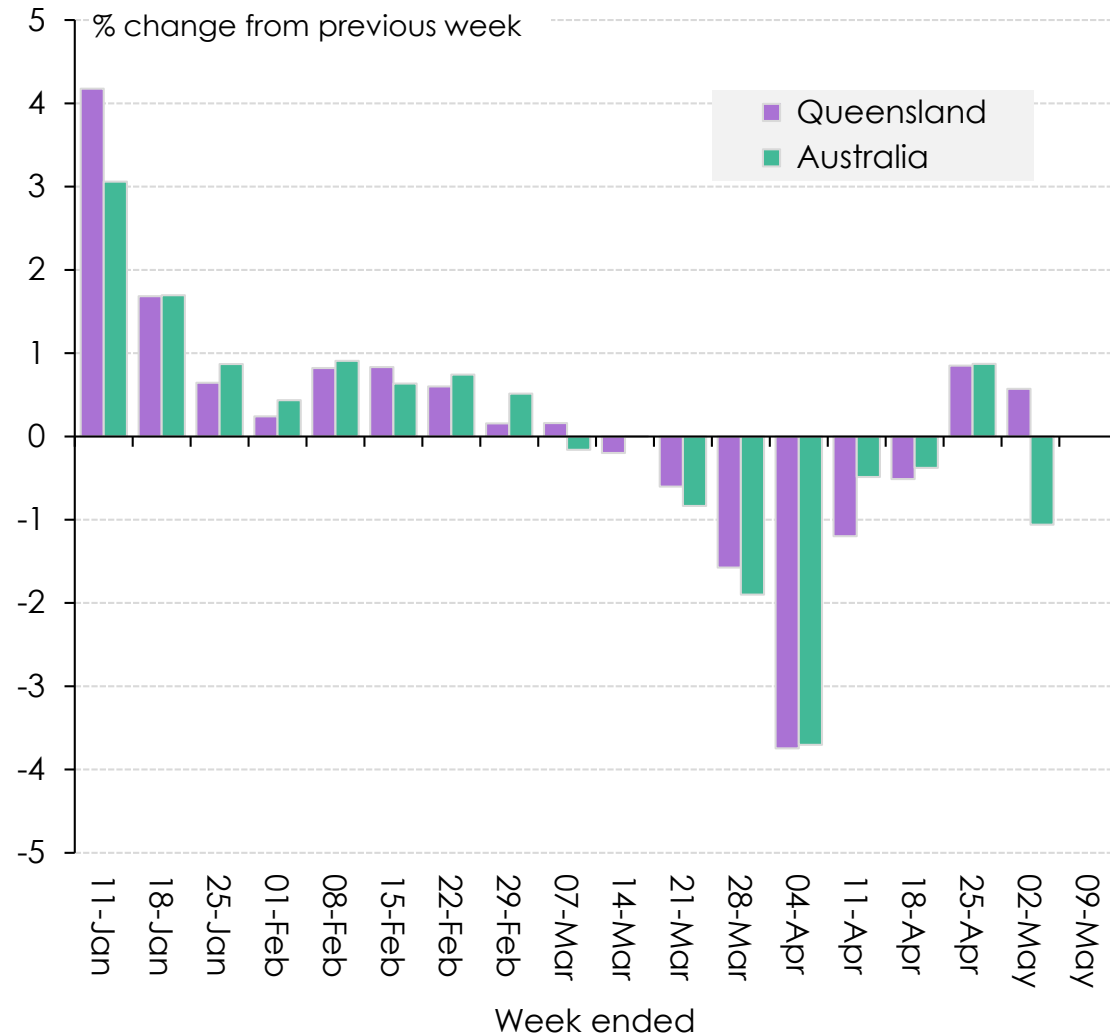
Alternative measures of the unemployment rate



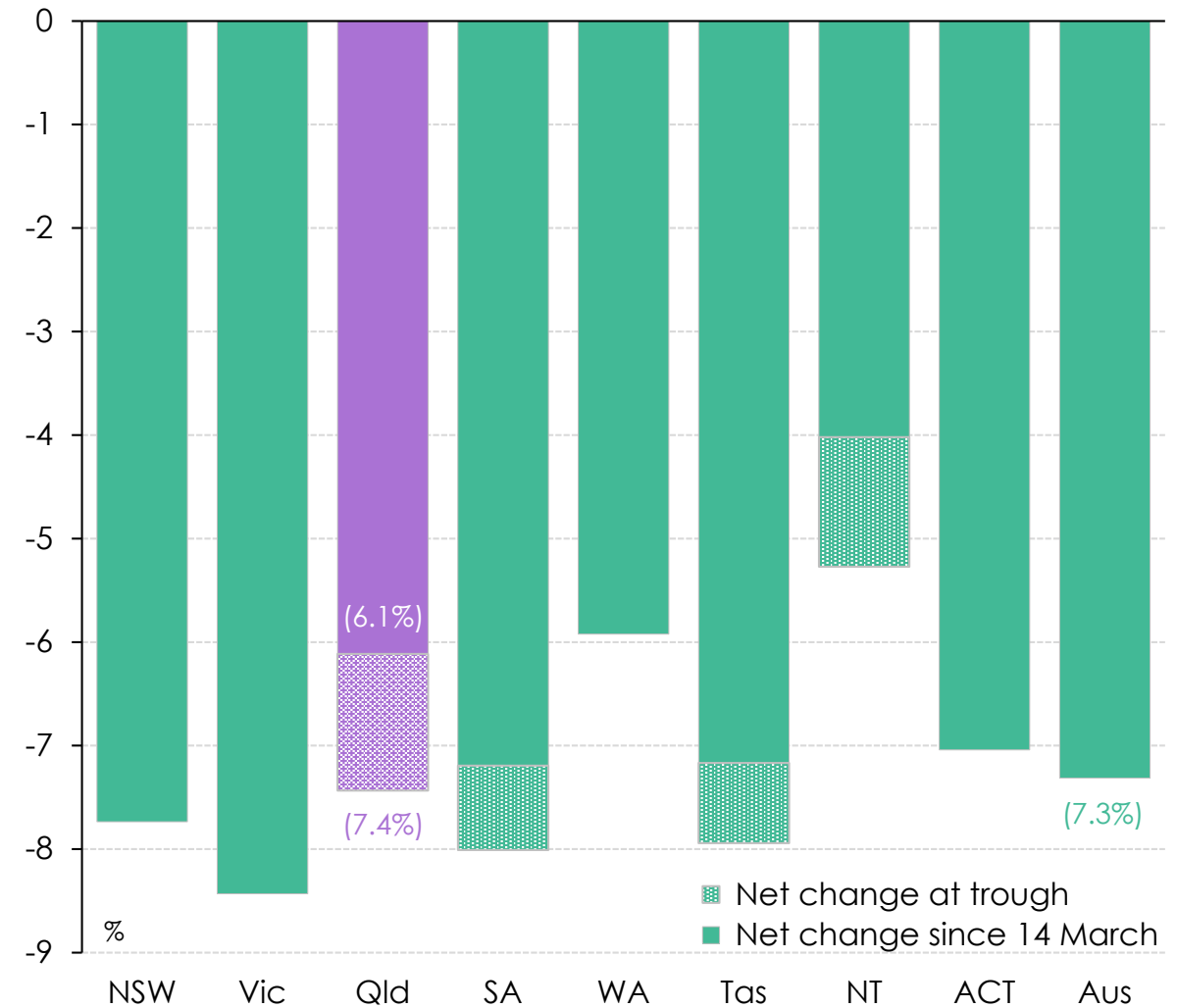
Sources: Department of Social Security; ABS. Note: Youth Allowance recipients excludes full-time students. Number of Newstart/JobSeeker and Youth Allowance recipients is not seasonally adjusted.

The ABS' weekly payroll jobs series suggests that employment has been picking up in Queensland since mid-April

Weekly change in payroll jobs



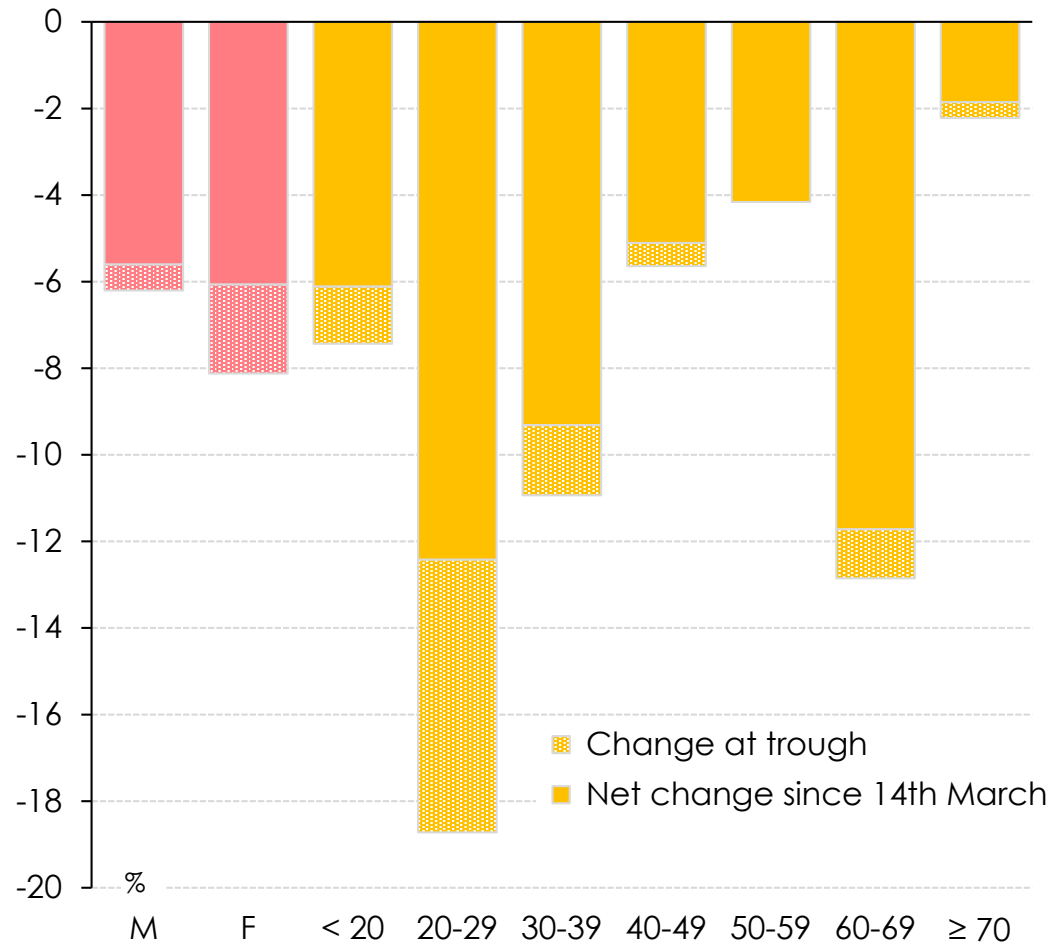
Change in payroll employment since 14th March



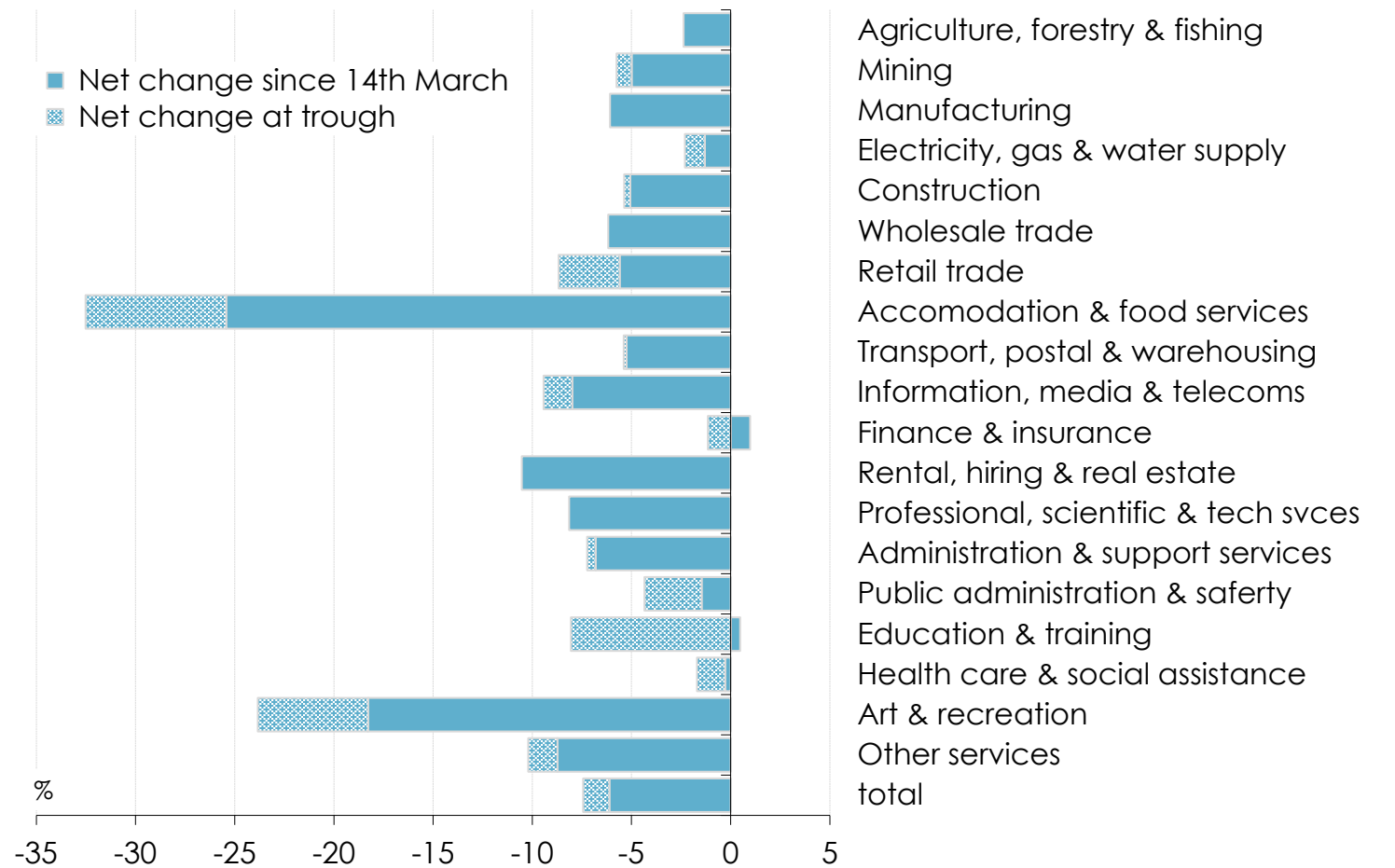
Note: data up to week ended 2nd May. 14th March was the date on which Australia recorded its 100th confirmed case of Covid-19. 'Trough' refers to the week in which employment reached its lowest level, which for Queensland was the week ended 18th April. Source: ABS.

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 Queensland since 14th March, by gender and age group



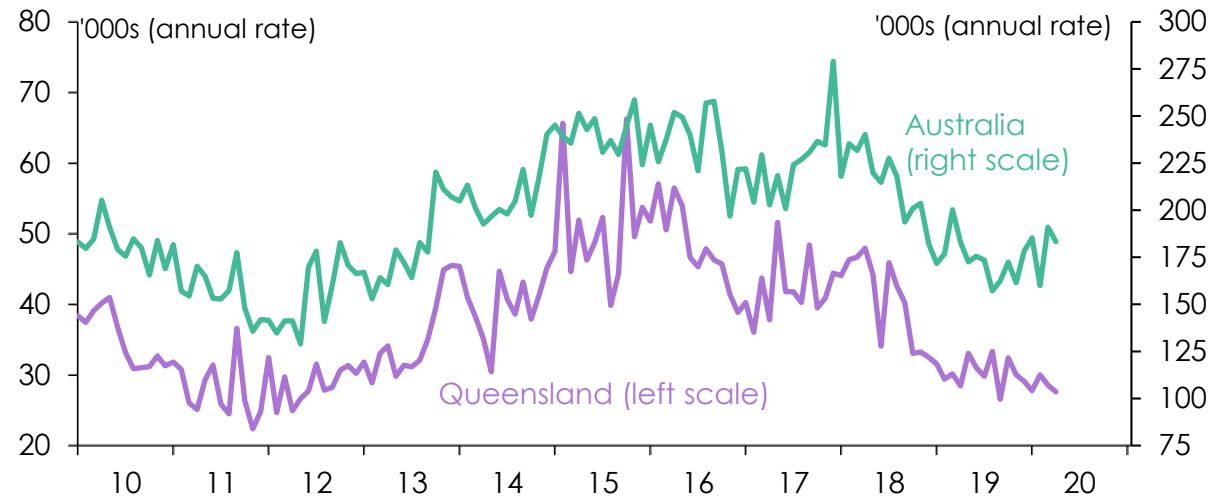
Change in payroll employment in Queensland since 14th March, by industry



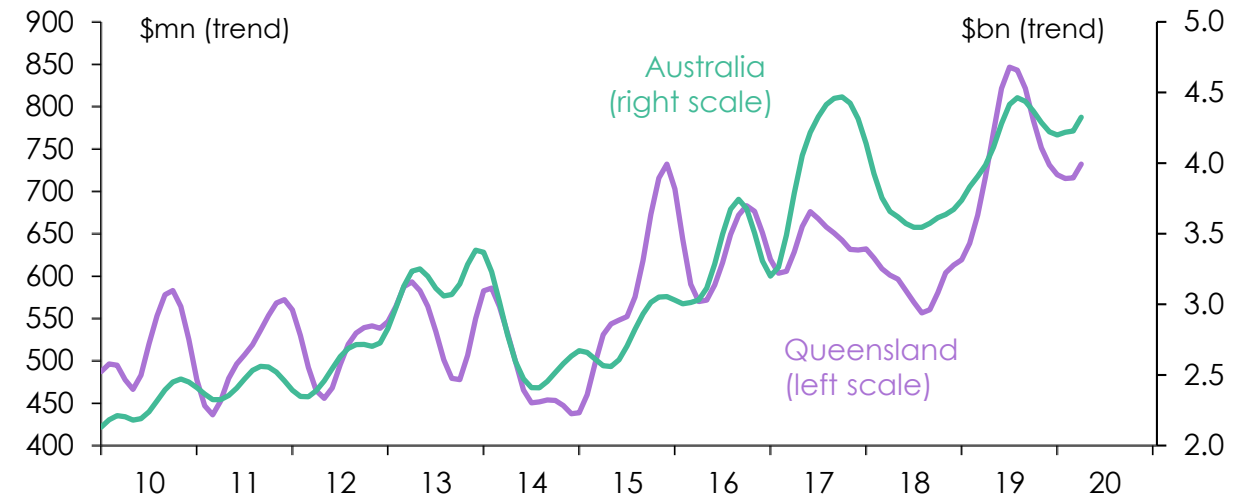
Note: data up to week ended 2nd May. 14th March was the date on which Australia recorded its 100th confirmed case of Covid-19. 'Trough' refers to the week in which employment reached its lowest level, which for Queensland was the week ended 18th April. Source: ABS.

Building activity is likely to continue slowing – even after restrictions are eased – unless some stimulus is provided

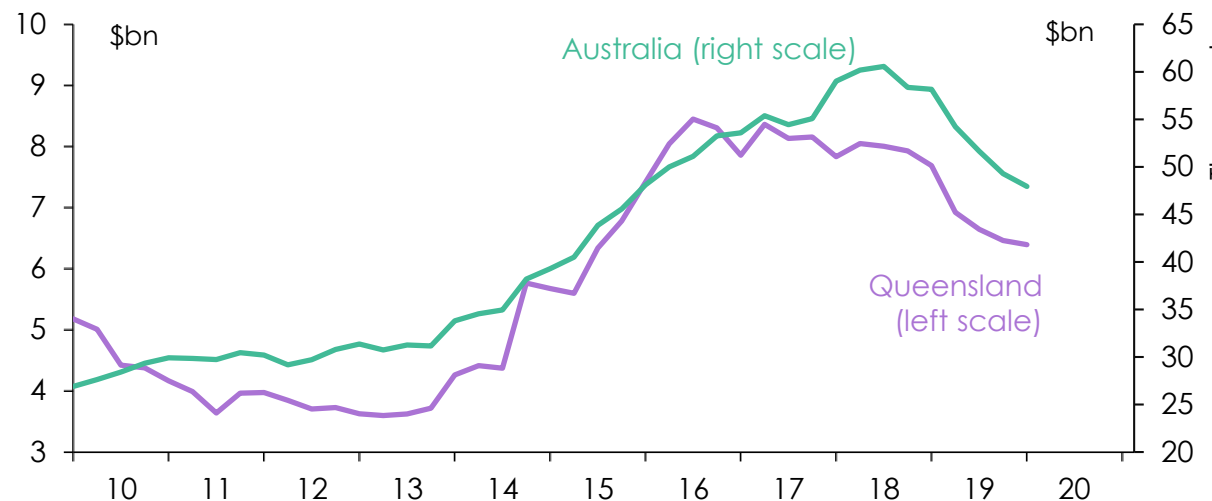
Residential building approvals



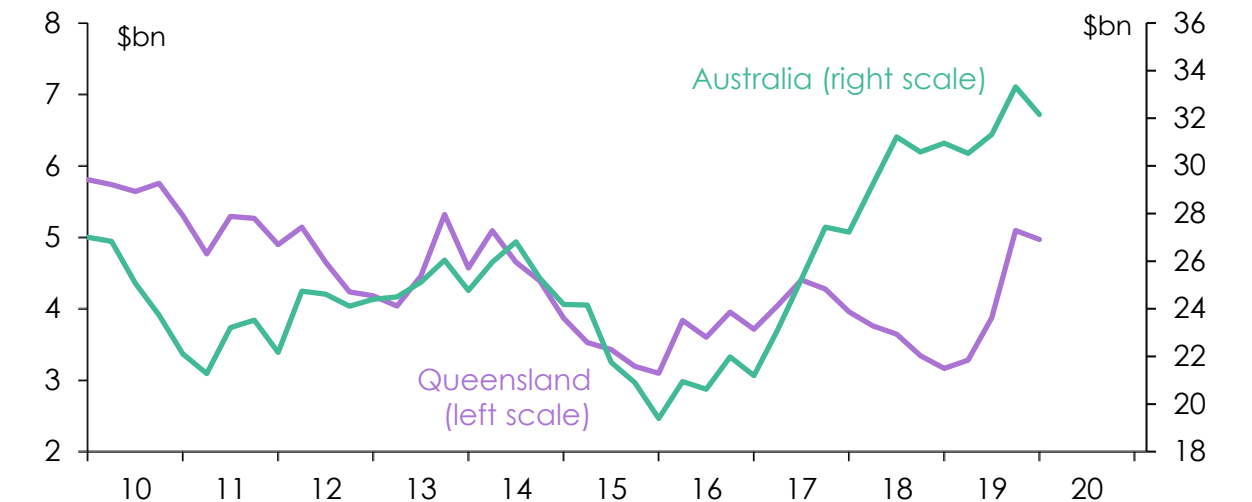
Non-residential building approvals



Residential building pipeline



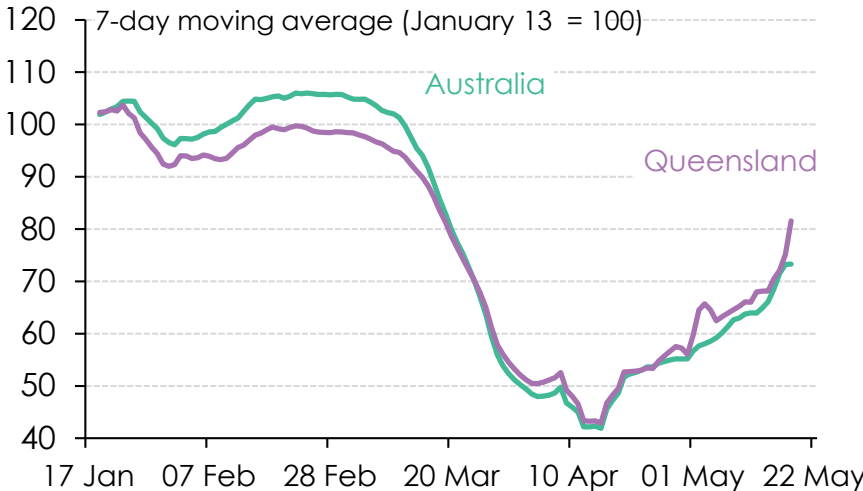
Non-residential building pipeline



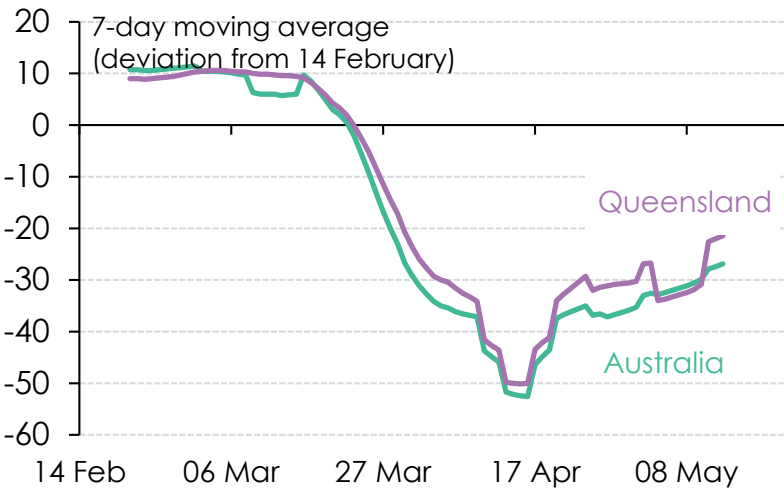
Note: 'Pipeline' is the sum of work yet to be done on projects under construction, and projects approved but not yet commenced. Source: ABS.

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

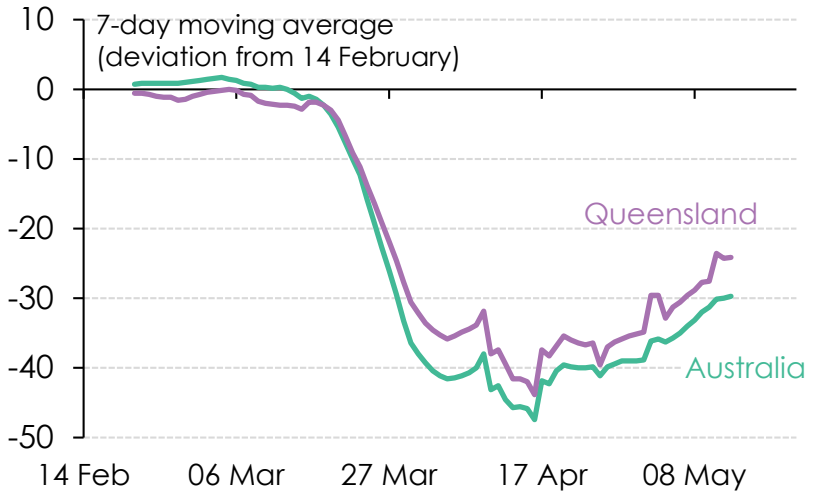
Time spent driving



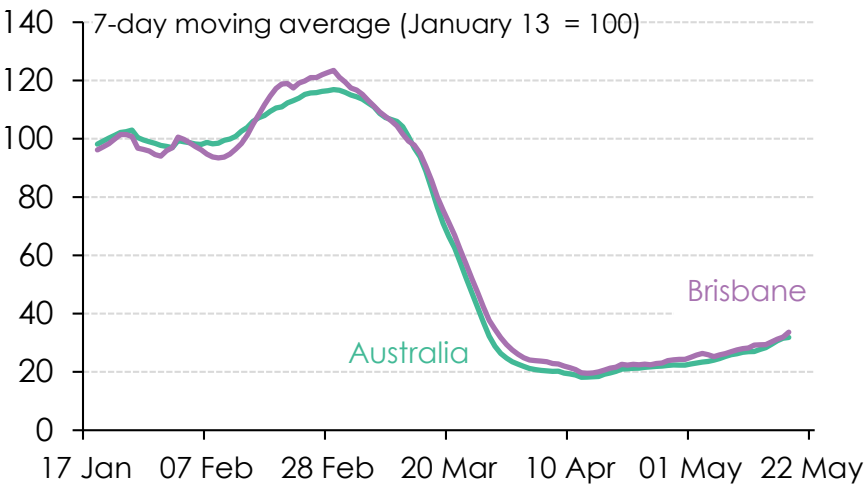
Time spent in work places



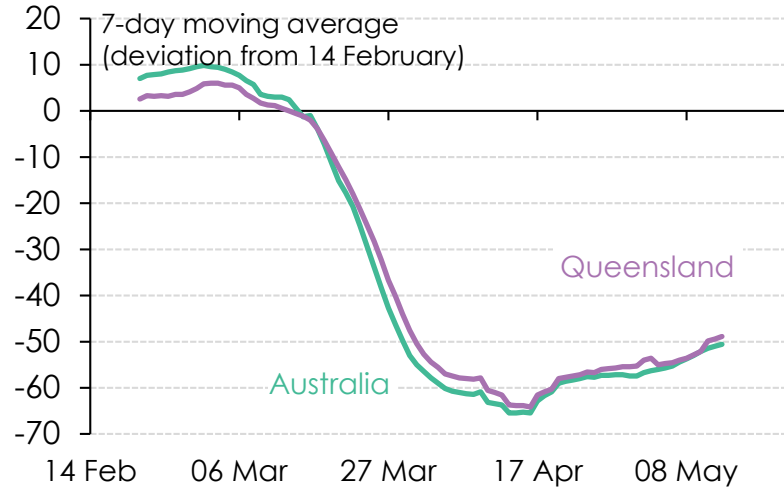
Time spent on recreation & retail



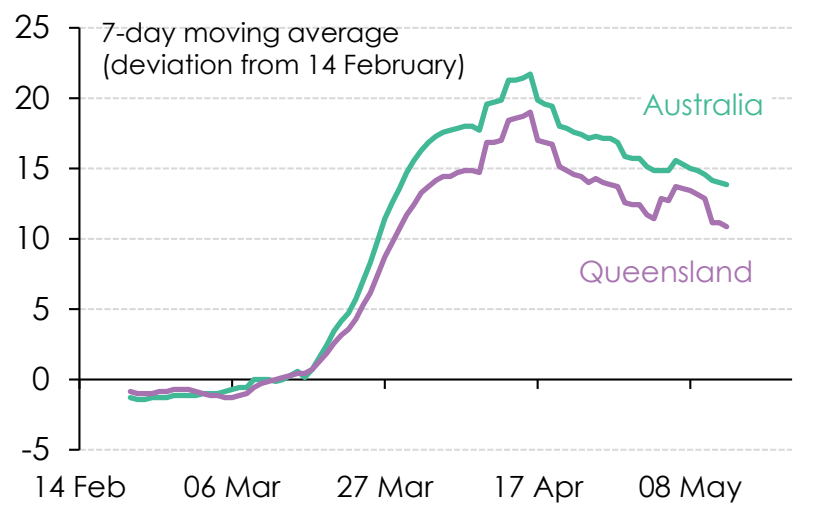
Time spent in transit



Time spent in transit



Time spent at home



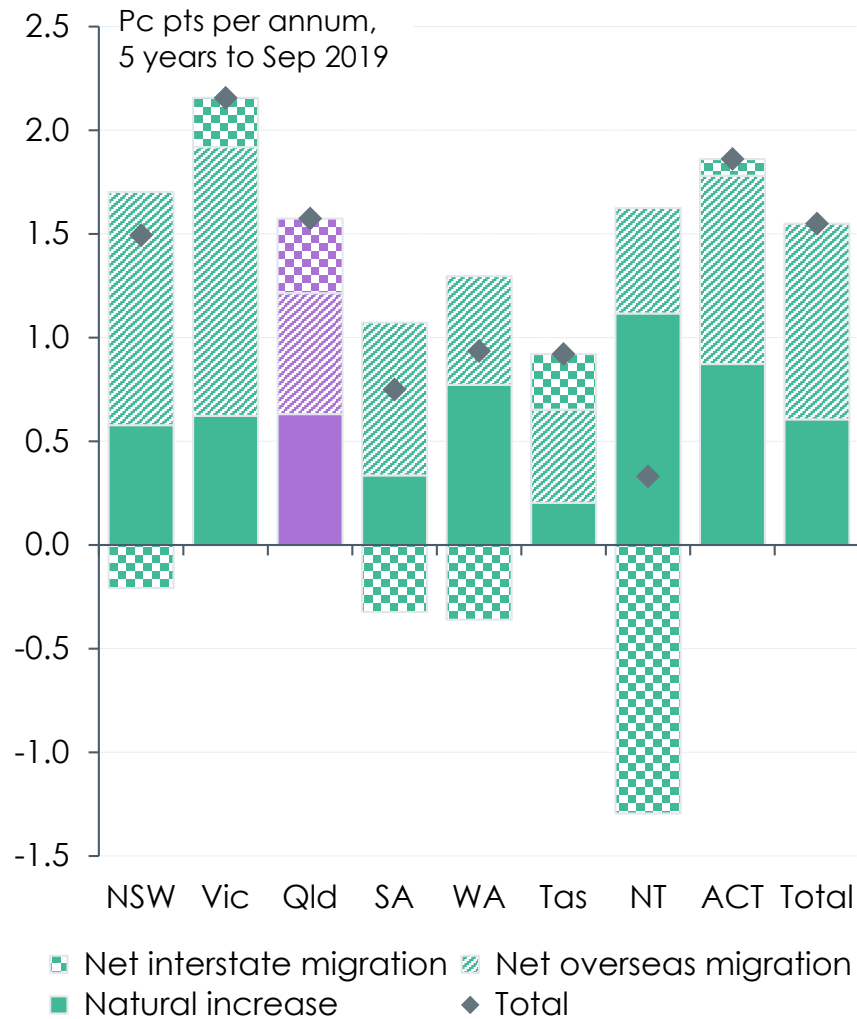
Note: 'transit' means using public transport. Sources: Apple (data up to 18th May), two left-hand charts; Google (data up to 13th May), four remaining charts.

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

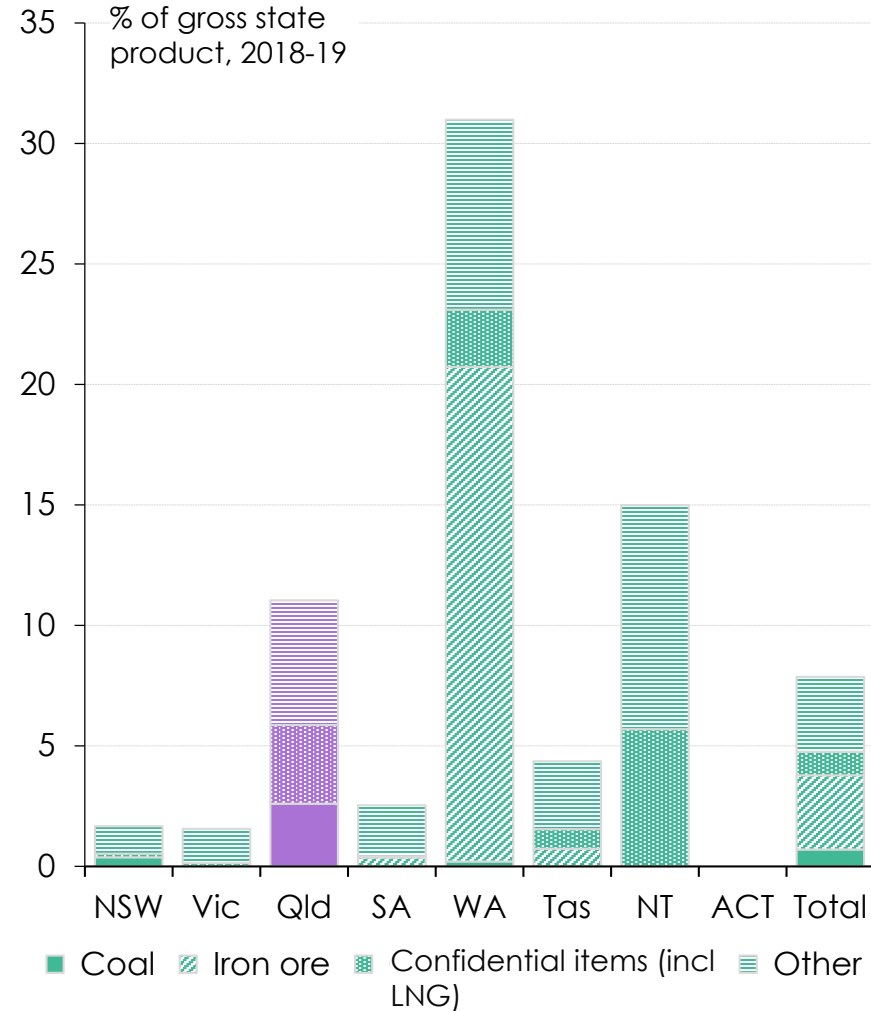
- ❑ **'Social distancing' requirements will be relaxed gradually rather than 'all at once'**
 - and many people may remain wary of exercising all of their newly-regained 'freedoms'
 - new health and safety regulations will likely limit the number of employees and customers who can be 'on premises' (which 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)**

Three short- to medium-term challenges for the Queensland economy in the post-Covid environment

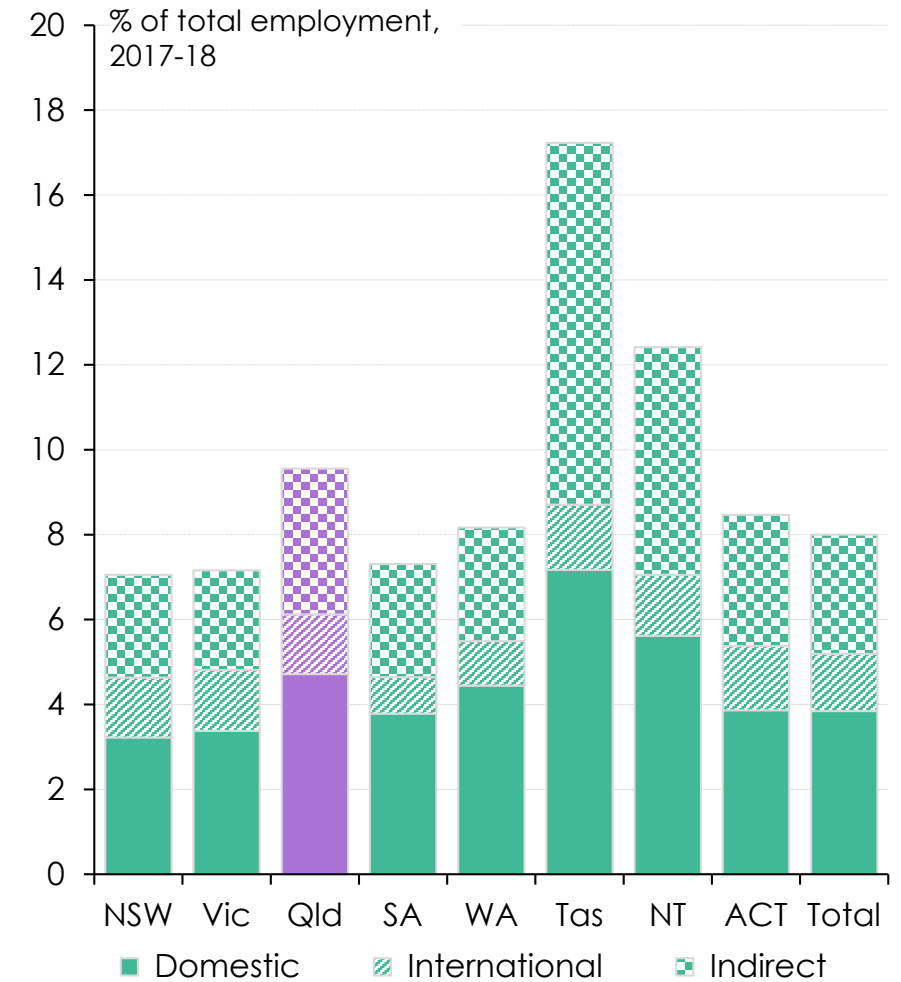
Population growth



Goods exports to China



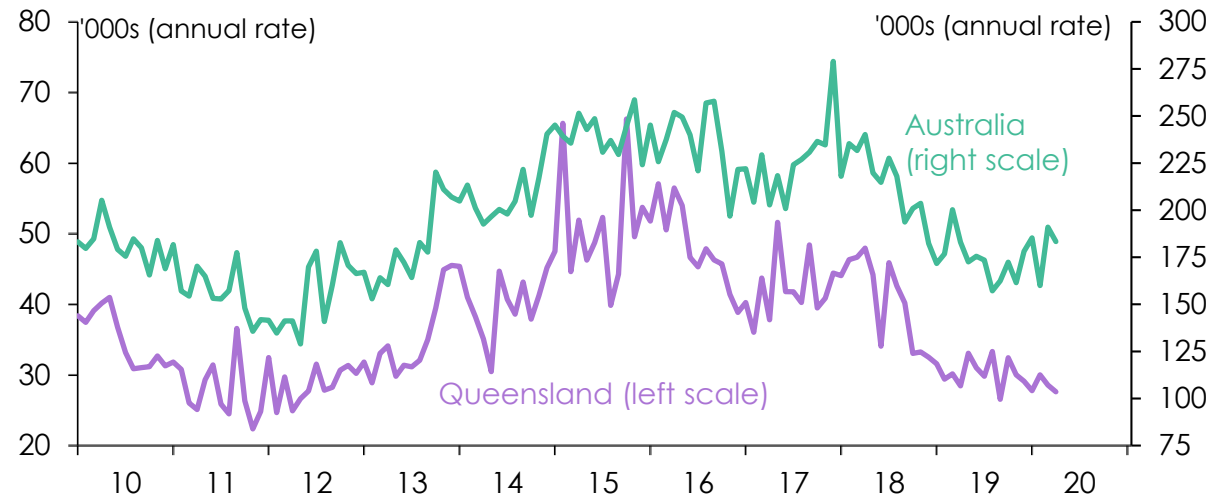
Tourism employment



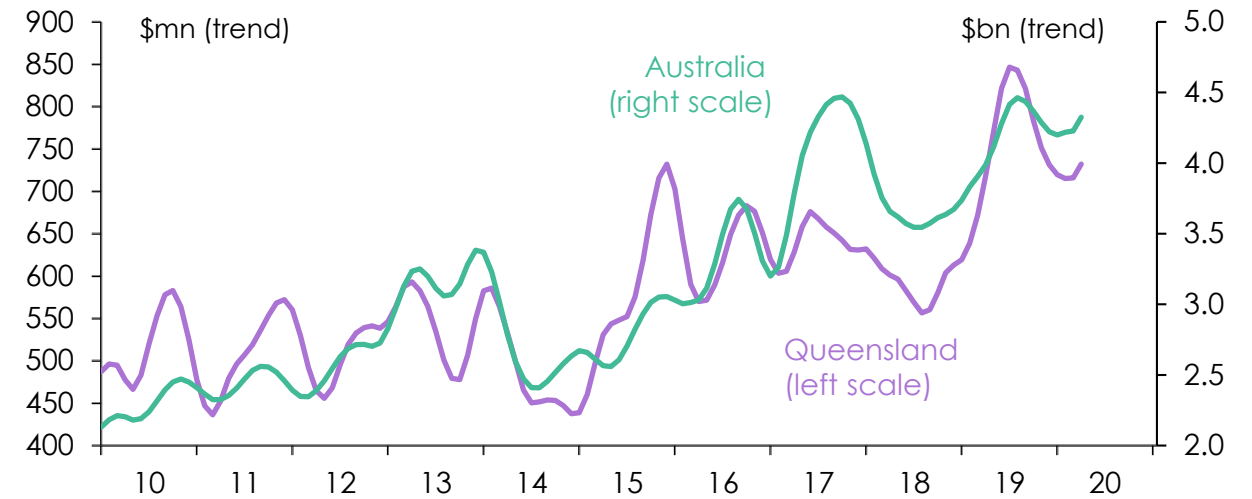
Sources: ABS; Department of Foreign Affairs & Trade; Tourism Research Australia.

Building activity is likely to continue slowing – even after restrictions are eased – unless some stimulus is provided

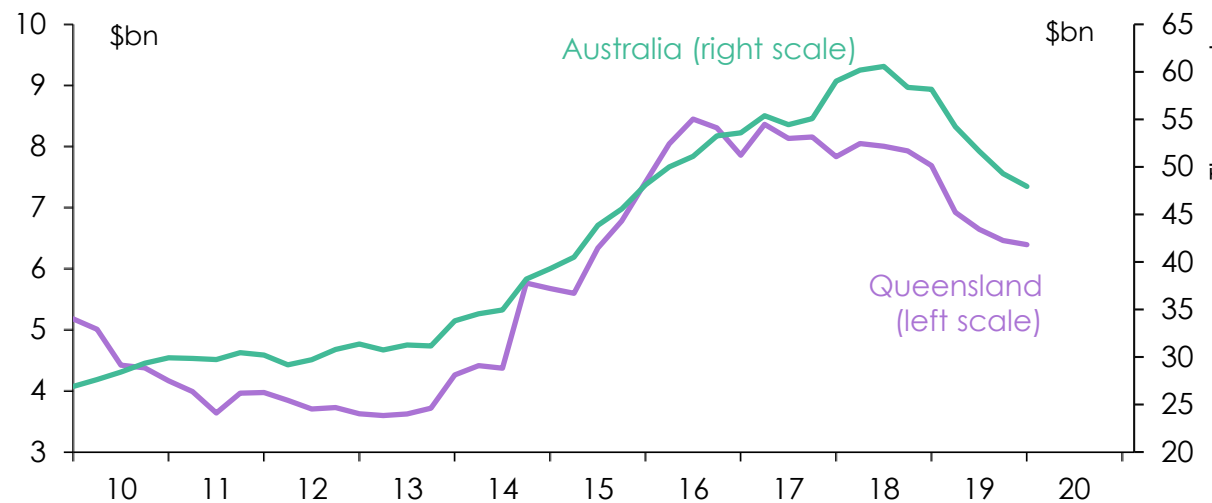
Residential building approvals



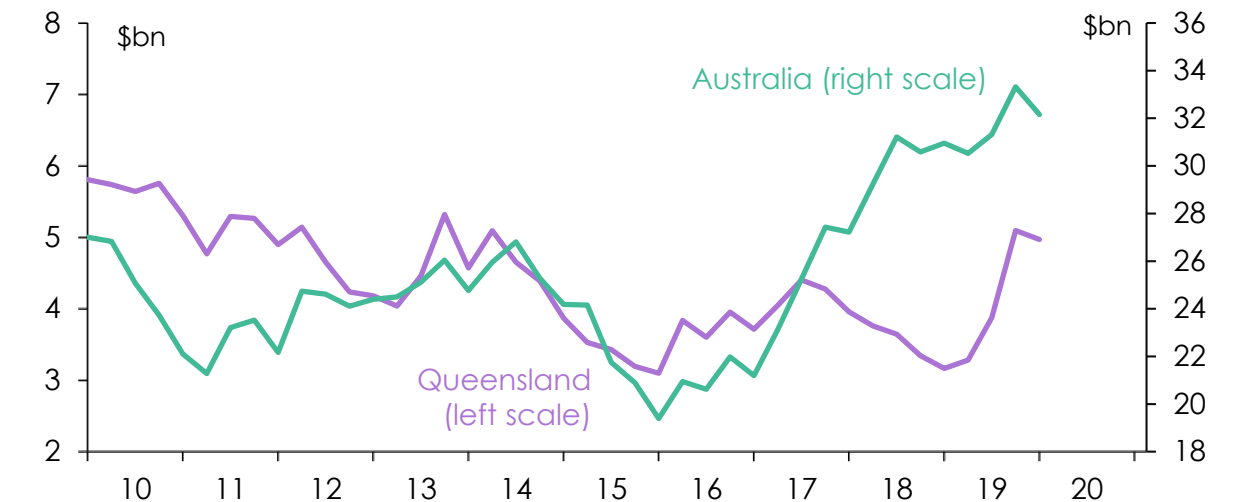
Non-residential building approvals



Residential building pipeline



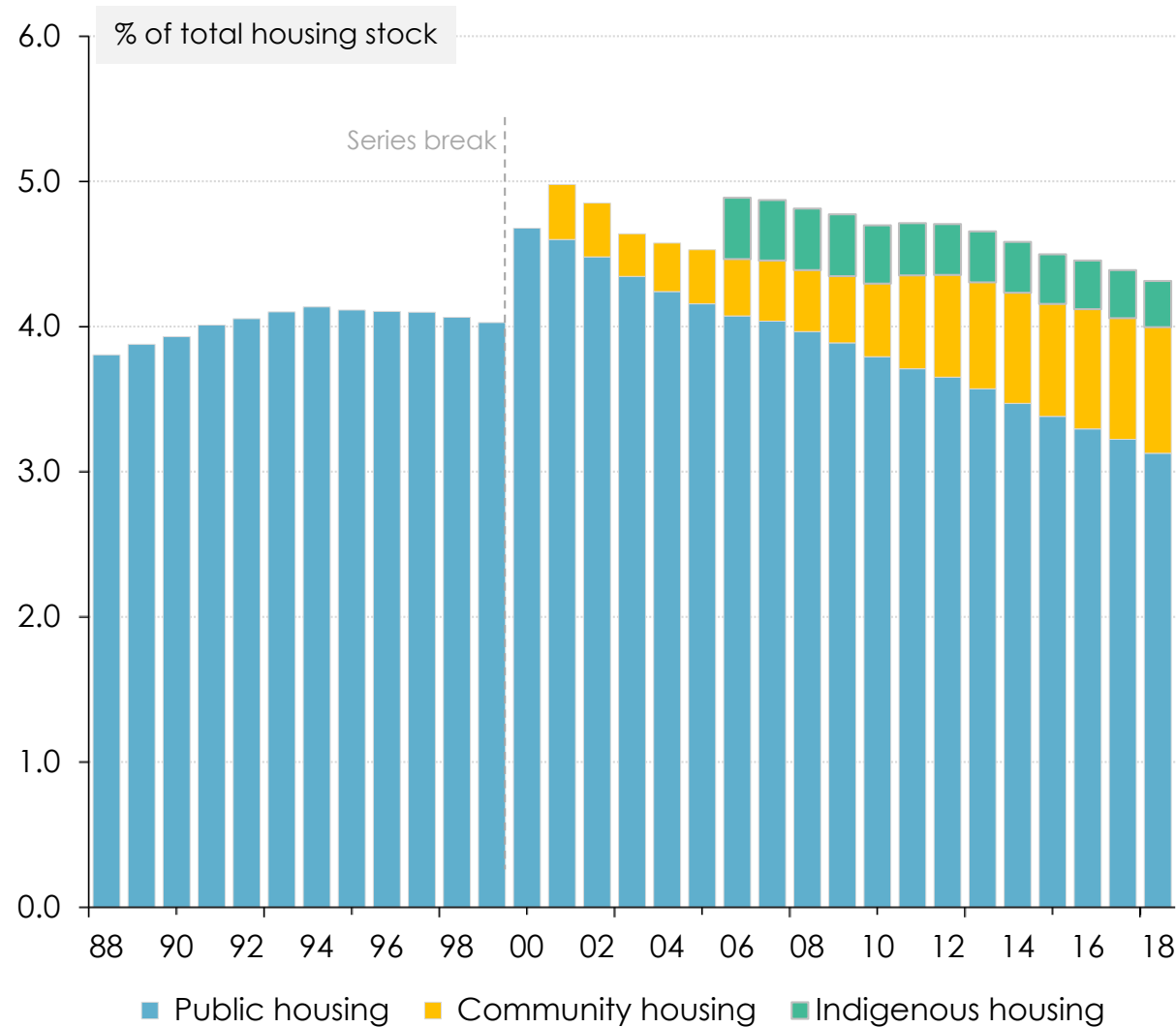
Non-residential building pipeline



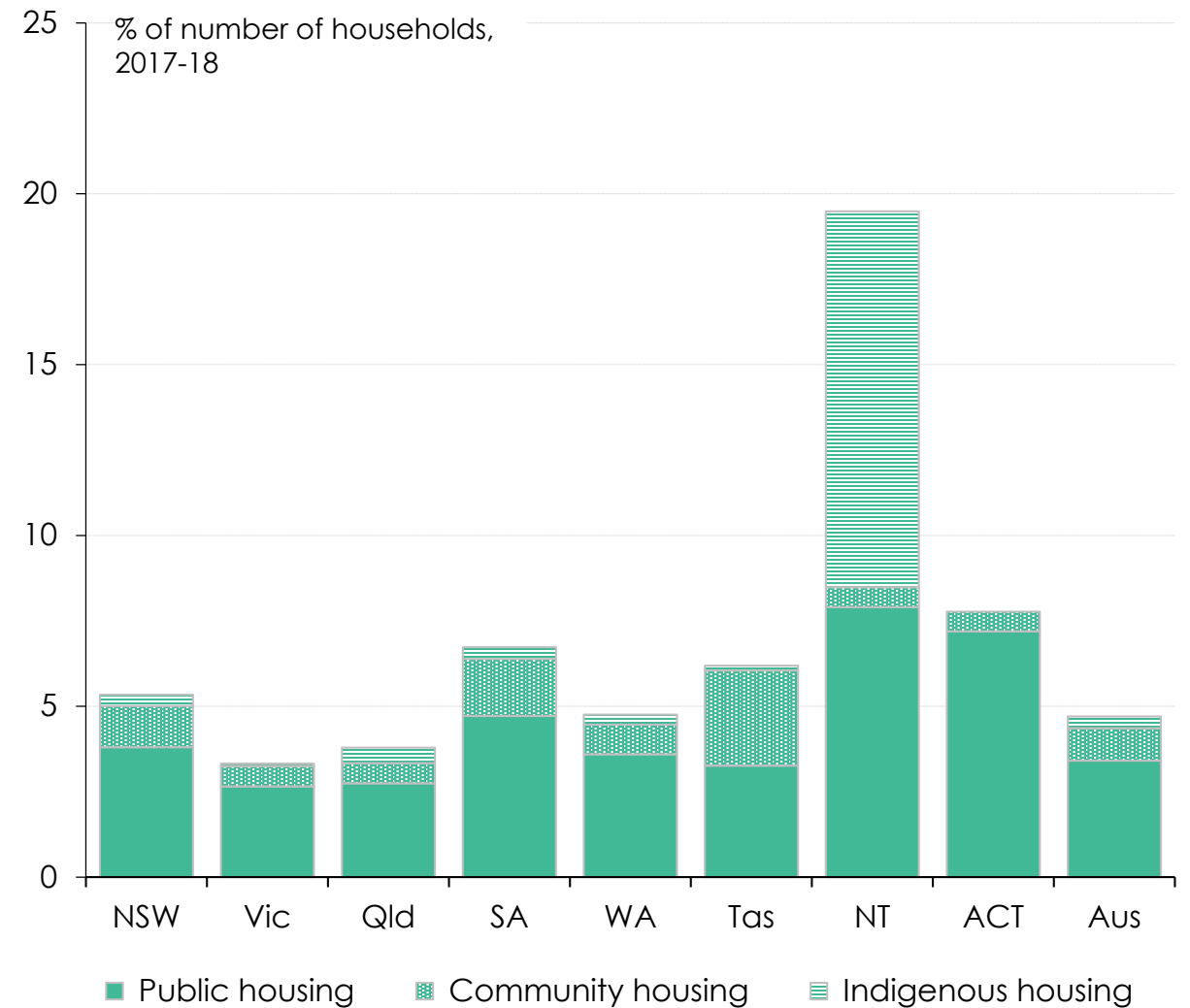
Note: 'Pipeline' is the sum of work yet to be done on projects under construction, and projects approved but not yet commenced. Source: ABS.

Expanding social housing provision would boost building activity and reduce the backlog of unmet need, especially in Queensland

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.