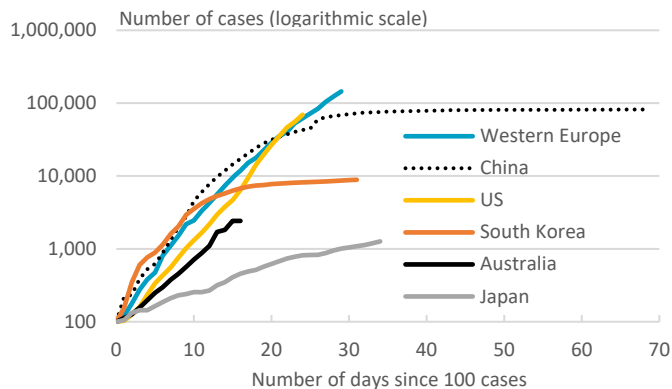


ASFA Economic Snapshot: week ending 27 March 2020

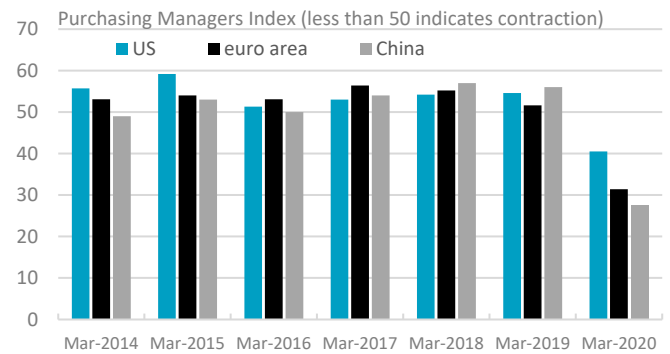
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Countries having mixed success in flattening the curve



This chart shows the trajectory of reported COVID-19 cases. In much of western Europe infection rates remain high, but are slowly diminishing. A more dramatic slowing of infection rates has occurred in China, Japan and South Korea. In contrast, the US infection rate appears to be increasing – most acutely in New York. Infection rates have also increased somewhat in Australia in the past week.

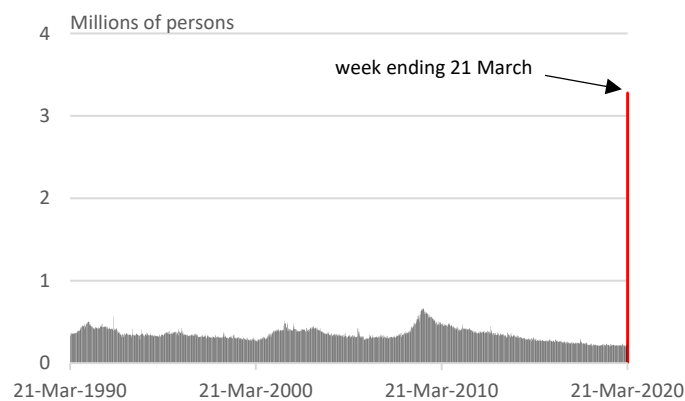
Global economic activity has contracted



Note: For China the latest outcome is for February 2020.

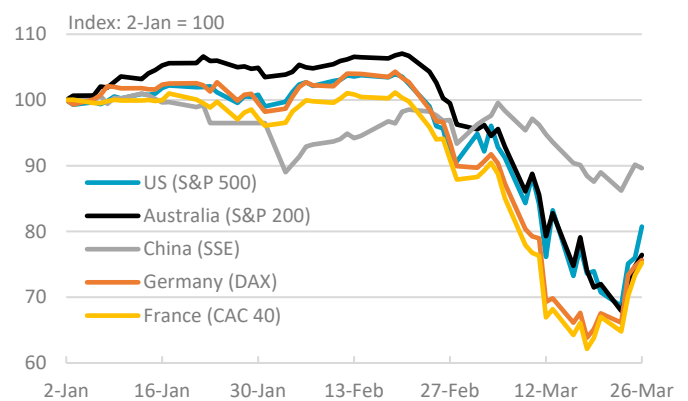
Economic conditions have deteriorated sharply across the globe. Purchasing Managers Indexes (PMIs) compile views of supply-chain managers about prevailing market conditions – where a reading of less than 50 indicates a contraction. Encompassing manufacturing and services sectors, the latest (composite) PMI outcomes suggest large, broad-based falls in economic activity across major economies.

The number of newly-unemployed Americans surges



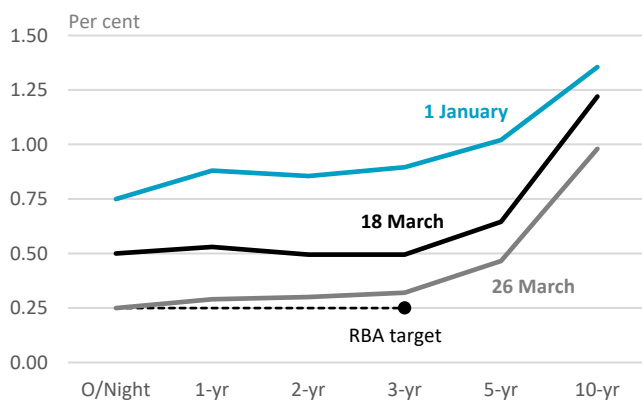
In the week ending 21 March a total of 3,283,000 Americans became unemployed and filed for unemployment benefits – which equates to an increase in the unemployment rate of around 2 percentage points. This is the largest weekly amount of new jobless claims since records began (in 1967). By comparison, during the US recession of 2008 and 2009 new claims averaged around 600,000 per week.

Global equity markets rebound on stimulus news



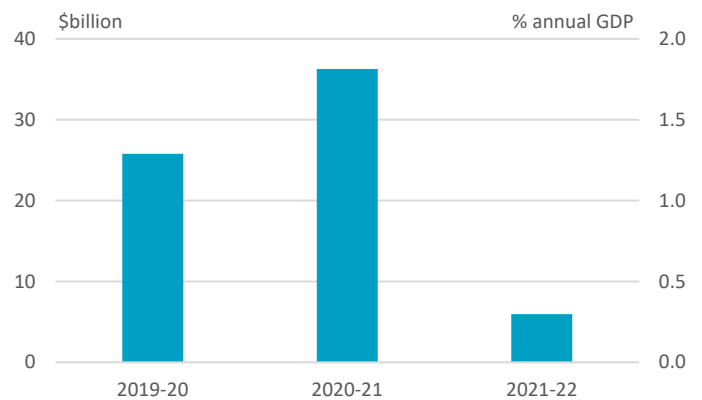
Global equity markets rallied this week. In particular, the US S&P500 rose by about 10% as Congress continued to negotiate details of a US\$2 trillion fiscal package. Other major equity markets followed suit. However, advanced-economy markets remain about 25% below mid-February peaks. Uncertainty about the economic impact of the virus and the effectiveness of policy will ensure ongoing market volatility.

The RBA's bond-buying has driven down yields...



The RBA, along with other central banks, is taking aggressive policy action. As foreshadowed last week, the RBA has been buying government bonds across the yield curve to reduce rates – with a target of 0.25% on 3-year bonds. The RBA hopes that lower bond rates will translate into lower lending rates and higher real activity.

...and fiscal measures are rolling out



Globally, governments have announced a raft of fiscal measures. The Australian government's package includes direct support for individuals and SMEs totalling about \$66 billion (see chart) and guarantees for bank lending to SMEs (of up to \$40 billion). In addition, state governments have announced around \$10 billion of measures.