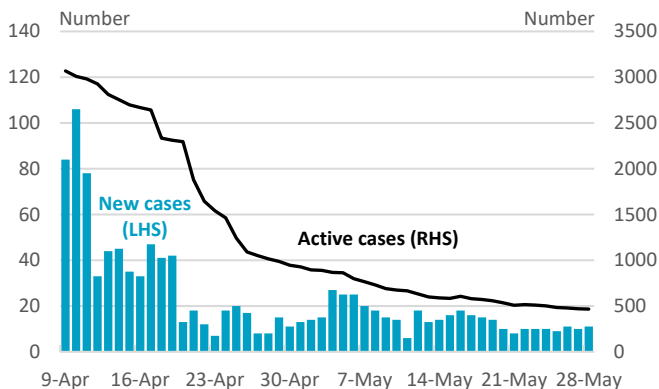


ASFA Economic Snapshot: week ending 29 May

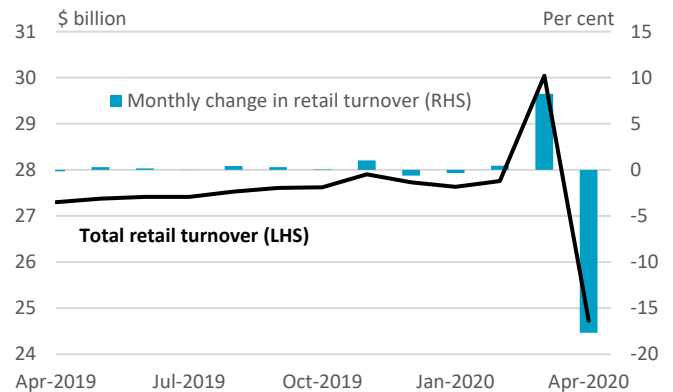
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Active cases stabilising?



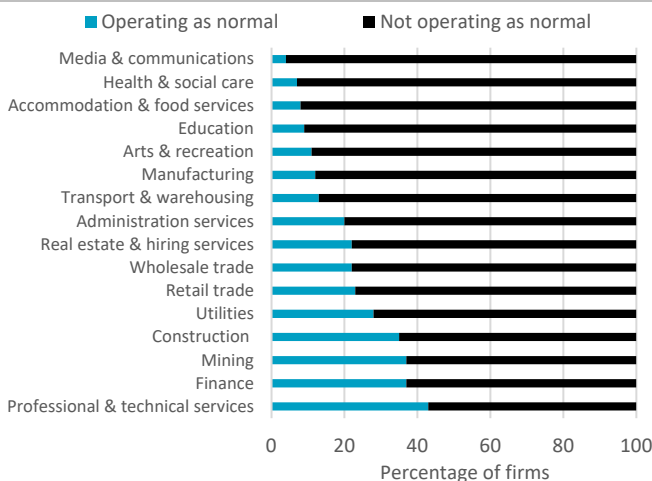
The number of active cases continues to fall – but only by around 5 per day during the past week. The number of recoveries averaged 15 per day during the week, while new cases averaged 10 per day. Given that governments are now (slowly) easing social and travel restrictions, the current number of active cases may represent something of a floor.

Household spending drops in April



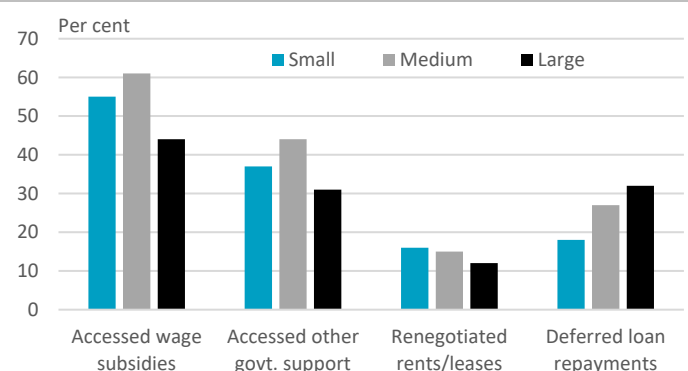
Following a spike in March, preliminary data show that total retail turnover fell by 18% in April. For groceries, the sharp rise in March was almost fully unwound in April – such that the April level is around 5% higher than a year ago. In contrast, spending on clothing and on dining-out in April was around half the level of a year ago.

Business conditions have bottomed-out ...



During May, virus-related conditions have affected 74% of firms – unchanged from April. Despite the easing of restrictions, about 70% of firms consider they will continue to be affected for the next 2 months.

... and business is accessing support



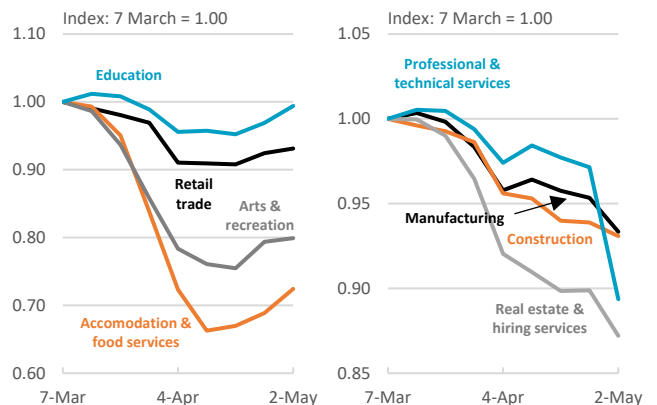
To cushion the impact of the crisis, around 55% of firms have accessed government wage subsidies (JobKeeper, but also apprenticeship subsidies), while 38% of firms have accessed other government measures. The data also suggests that SMEs have been more affected by the crisis than larger firms. A significant minority of firms have successfully renegotiated rents and/or loan repayments.

Business is trying to retain staff ...



To manage the impact of weaker conditions, firms have tended to reduce staff hours rather than cut the number of employees. This, in part, reflects the impact of the JobKeeper scheme on incentivising firms to retain staff. These outcomes are in-line with other data which shows that employment fell by 590,000 in April, while the number of people working less-than-normal hours rose by about 1.4 million in the month.

... while labour markets are diverging



Indexes for the number of jobs (for selected sectors) are shown above. As restrictions have started to ease, employment in sectors hit hardest by the crisis has started to recover (e.g. cafes). In other sectors, employment is still falling. For construction and professional services, the pre-crisis pipeline of work is diminishing. Recovery in these sectors will be crucial for the health of the wider labour market.