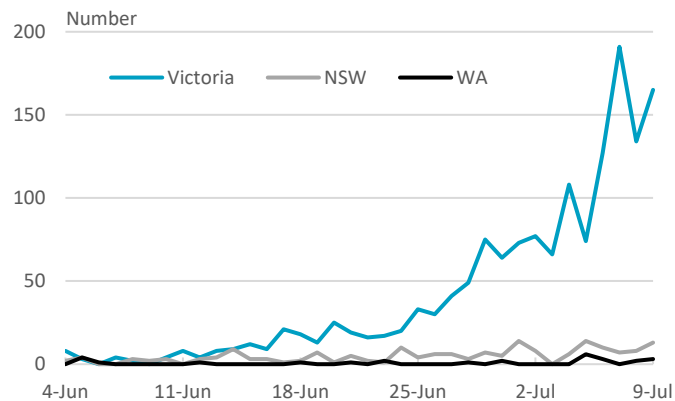


## ASFA Economic Snapshot: week ending 10 July

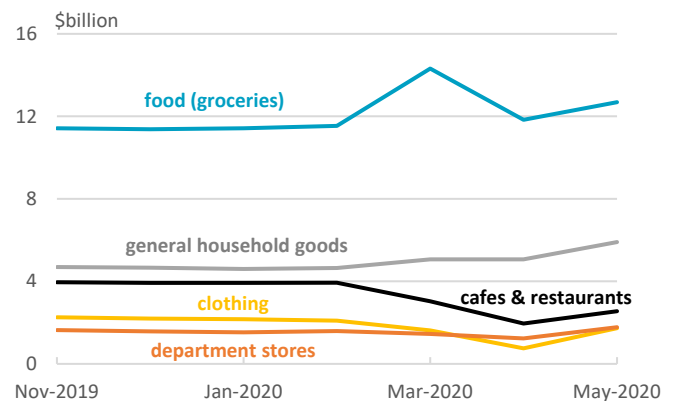
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

### Victoria struggles to contain community transmission



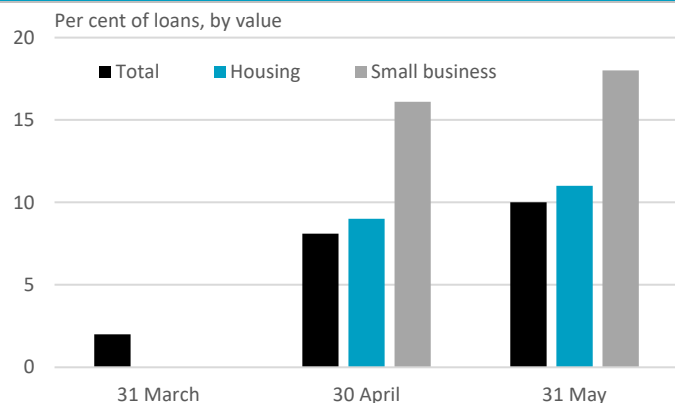
For the fourth week in succession, new cases in Victoria doubled from the previous week. For the week to 9 July, 865 new cases were recorded – preceding weeks saw 409, 143, and 81 new cases respectively. In NSW, new cases have also risen week-on-week, but at a slower rate. Unlike in Victoria, most new cases in NSW are returned travellers (in quarantine), rather than due to community transmission.

### Household spending is recovering ...



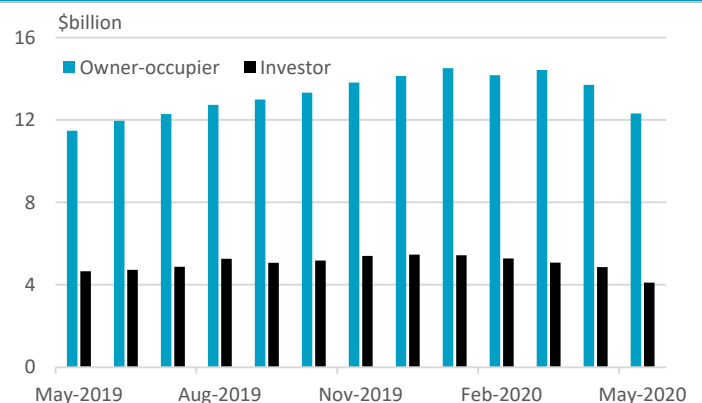
In aggregate, retail turnover is now slightly above pre-crisis levels, largely reflecting trends for household spending on food and general items. With social restrictions easing across much of the country, spending on dining out increased by 40% in May, but is still around half of pre-crisis levels. Other data show a shift to on-line purchases during the crisis – from 7% of total retail spending in March to 11% in April.

### ... but many households are under stress ...



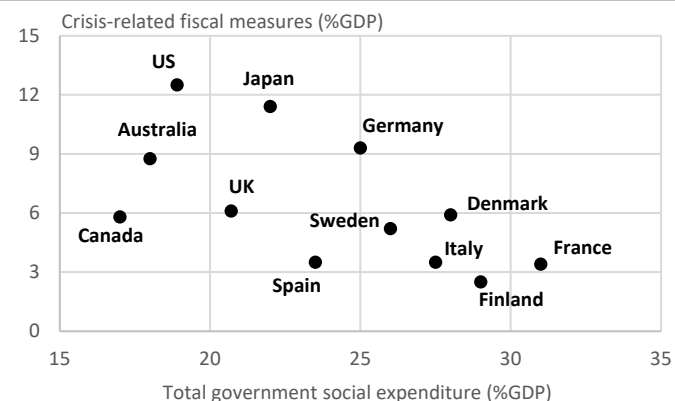
That a significant minority of households are under financial stress is reflected in the rising share of loans for which banks have granted deferrals on loan repayments (disaggregated data not available for March). Deferrals are disproportionately higher where loan-to-valuation ratios are greater than 90%, and for interest-only loans.

### ... and new household borrowing falls sharply



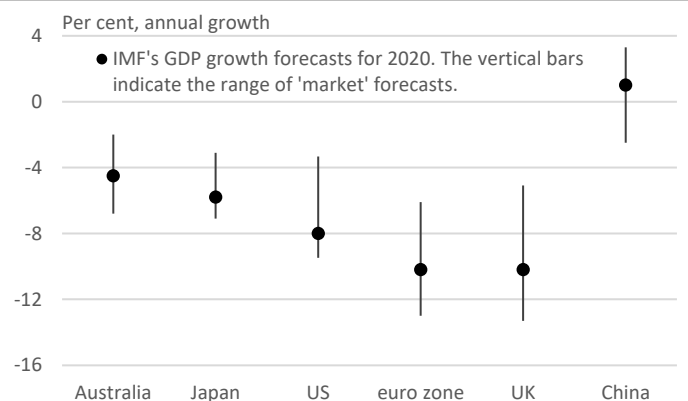
The combination of still-weak household conditions and heightened uncertainty around the outlook for the housing market has led to a sharp fall in new housing loans. For May, the total value of new loans for owner-occupiers was 15% lower than for January, while the total value of new investor loans was almost 25% lower.

### Australia's large fiscal response justified ...



For selected countries, this chart shows the size of fiscal responses to the crisis, compared with typical (or structural) social spending (including pensions and unemployment benefits). While a country's response reflects many factors, the chart suggests that countries with higher structural social spending, and thus stronger 'automatic stabilisers', have relied less on discretionary fiscal measures.

### ... and more may be required



As noted last week, Australia's outlook is better than for most advanced economies. That said, there is significant uncertainty around growth for 2020. The bars in the chart show the range for forecasts provided by key financial institutions. This highlights the downside-risk of a resurgence of cases and the economic impacts, and thus the need for government to remain ready to provide further policy support.