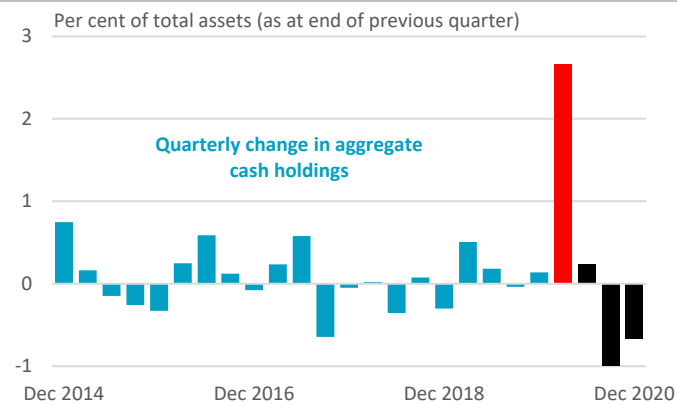


ASFA Economic Snapshot: week ending 16 April

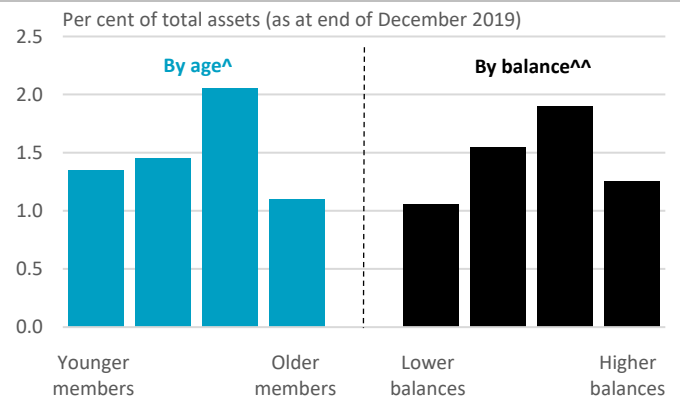
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Big changes in fund cash balances during 2020



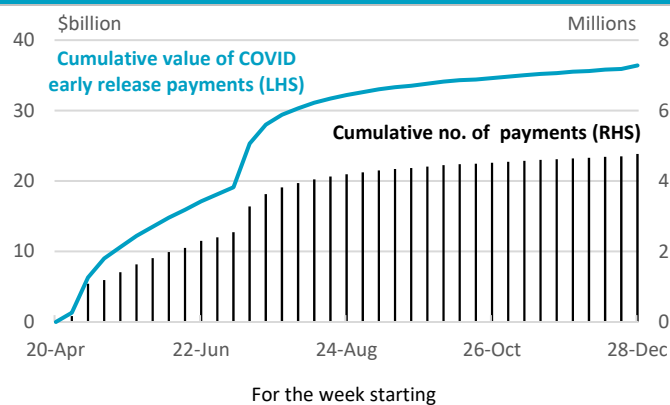
During the COVID crisis, some APRA-regulated super funds (APRA-funds) faced challenges in liquidity management. This is reflected in the unprecedented volatility of aggregate cash holdings of APRA-funds, which surged in the March quarter 2020 (red) and decreased – albeit not to the same degree – over the rest of the year (black).

Some members switched into cash



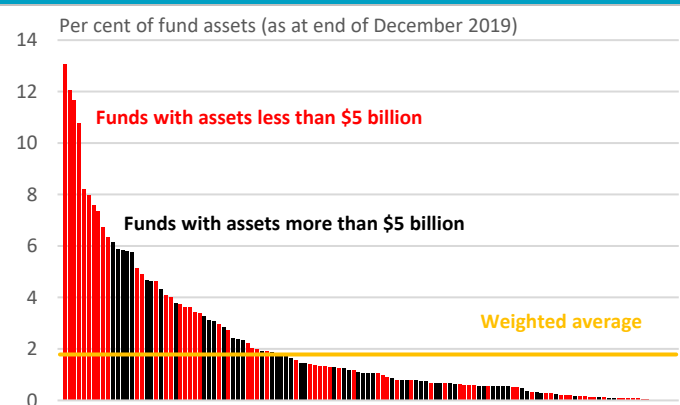
For the March quarter rise in cash (Panel 1), RBA analysis shows that about half was due to members switching out of risky, less-liquid assets – those members tended to be older/have higher balances. With the AUD depreciating, rising cash holdings also reflected fund provisioning to meet settlement obligations from currency hedging.

Funds made COVID early-release payments ...



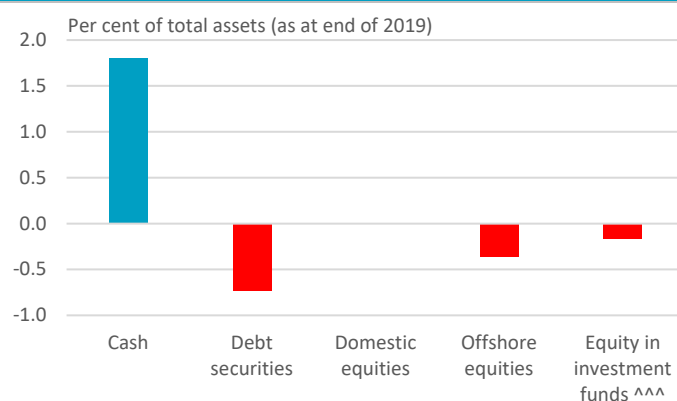
Another key contributor to liquidity challenges was the COVID-19 Early Release of Super scheme – that allowed eligible applicants to withdraw up to \$10,000 from 20 April to 30 June 2020, and up to \$10,000 in the next 6 months. * Fund provisioning contributed to the rise in total cash balances in the March quarter (in Panel 1), ** while scheme payments, particularly in the second half of 2020, drove the fall in cash balances.

... which varied markedly across funds



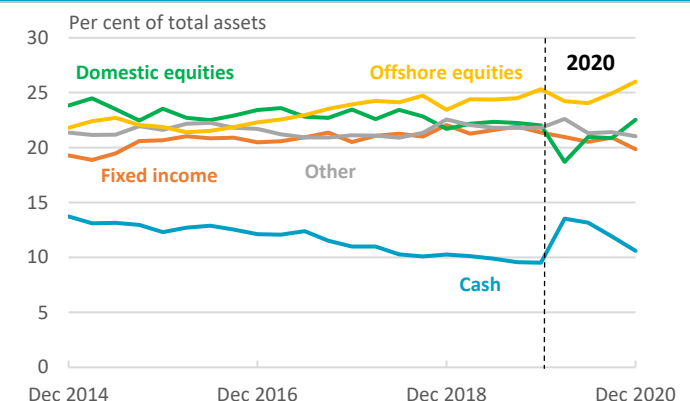
For each APRA-fund, this chart shows payments made under COVID early release (as % of fund assets). The distribution of payments varied significantly – with a number of smaller funds disproportionately affected. Of the larger funds most impacted, these include funds with a relatively high proportion of members in industries most affected by the crisis – such as hospitality, retail trade and construction.

To meet liquidity needs, funds sold securities ...



For the March quarter 2020, this chart shows the total value of transactions undertaken by APRA-funds with respect to key assets classes (as % of total assets). In aggregate, it shows a sharp rise in (net) purchases of cash-like assets, and (net) sales of offshore equities and debt securities – the latter includes where funds did not roll-over maturing bonds. Note, the net figure for domestic equities is about 0.

... but asset allocations are now normalising



Changes in aggregate asset allocations of APRA-funds reflect transactions, but also re-valuations. Following the March quarter increase, cash holdings have fallen (as % of total assets – consistent with Panels 1 & 5). While changes in domestic equities in 2020 largely reflect re-valuations, for offshore equities net sales in the first half of 2020 and net purchases in the second half were also key drivers.

Sources: (1) ABS, *Financial Accounts*, December 2020; (2) RBA, *Financial Stability Review*, April 2021; (3 & 4) APRA, *COVID-19 Early Release Scheme*; (5 & 6) ABS, *Financial Accounts*, December 2020. ^ In terms of average age of fund members. ^^ In terms of average balances of funds. ^^^ Including money-market & non-money market funds. * Initially, the scheme was from 20 April 2020 to 30 June 2020, but extended to 31 December 2020. Applicants were able to withdraw a maximum of \$10,000 in each financial year. ** The scheme was announced on 22 March.