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Australia & COVID-19  
The Economic Story So Far  
October 2020

# Australia & COVID-19

## The Economic Story So Far 2.0

### Roy Morgan Update: October 2020

#### What do the key indicators tell us about 2020 so far?

Government and business turn to Roy Morgan for key measures on **Consumer Confidence**, **Business Confidence**, **Inflation Expectations** and real **Unemployment**. Here is what those measures show us about the economic impact of the COVID-19 pandemic in Australia so far.

During the COVID-19 crisis, **the ANZ-Roy Morgan Consumer Confidence Index, Roy Morgan Business Confidence Index** and **Inflation Expectations** all hit new **record lows** and **Unemployment reached its highest level** since Roy Morgan began independently measuring it more than two decades ago.

Although the pandemic is still with us, and its effects are being felt throughout the nation, there has been improvement all four measures — although Inflation Expectations was the last to lift and rose only slightly, and the seeming improvement in Unemployment is deceptive, as explained below.

The latest figures have:

**Consumer Confidence at 99.7**, up from its March low of 63.3;

**Business Confidence at 85.6**, up from its April low of 76.9;

**Inflation Expectations at 3.3%** in September, up from a record low of 3.2% in June;

and **Unemployment at 12.9% of the workforce, with another 9.4% under-employed, for a total of 22.3% or 3.16 million people.**

In this update you will find:

- Australia's COVID-19 timeline
- Consumer Confidence measure
- Business Confidence measure
- CBD movement levels tracked
- Inflation Expectations measure
- The true picture of Employment and Unemployment
- Mortgage Stress measure
- What does it all mean? Michele Levine expert commentary
- Charts for all of the data above

## How events unfolded – Australia’s COVID-19 timeline:

- On January 22 Australia had its first confirmed case of COVID-19.
- On March 19 Australia closed international borders.
- On March 22 the JobSeeker payment was doubled for six months, part of a \$66 billion stimulus package which also allowed those under financial duress to draw down their superannuation.
- On March 23 cafes, restaurants, pubs and clubs around the country closed, except for takeaway.
- On March 28 a daily diagnosis peak was reached, with 469 new cases confirmed.
- On March 30 the \$130 billion JobKeeper package was announced, to run to September 27.
- On April 5 Western Australia closed its borders to the rest of the country.
- On July 8, a day after Victoria recorded 191 new COVID-19 cases in 24 hours, its highest jump to that point, Melbourne entered Stage 3 lockdown and the NSW government closed its border with the southern state.
- On July 21 details of amended JobSeeker and JobKeeper packages were released, confirming the JobSeeker Coronavirus Supplement would drop by \$300 a fortnight from September 25 and cease on December 31, while JobKeeper would be available to fewer people, with payments dropping in September and again in January before ending completely in March 2021.
- On August 2 Victorian Premier Daniel Andrews announced Melbourne would enter a Stage 4 lockdown that week, running until at least mid-September, to combat a renewed outbreak.
- On August 4 Victoria reported 687 new cases and by August 7 had 6,774 active cases. With the state in lockdown to control the spread, this would prove to be the peak of its second wave.
- On August 8 the Queensland government implemented a ‘hard border closure’, adding NSW and the ACT to the entry ban which already applied to people from Victoria.
- On August 17 NSW Premier Gladys Berejiklian apologised “unreservedly” for mistakes made by NSW Health in allowing infected Ruby Princess cruise ship passengers to disembark and travel within NSW, interstate and overseas.
- On September 6 Victorian Premier Daniel Andrews released details of the ‘roadmap’ for easing restrictions across the state, contingent on cases continuing to drop.
- On September 29 WA Premier Mark McGowan said he would not “unnecessarily rush” to lift the state’s hard border closure, with the state’s Chief Health Officer advising the WA government that the step should only be taken following 28 days of zero community transmission in all states and territories.
- From October 12 a phased return to classroom learning began for students across Victoria and on October 18 lockdown restrictions were further eased throughout the state.
- On October 23 Prime Minister Scott Morrison said with the exception of WA, the National Cabinet had “agreed in principle on a framework” for reopening Australia’s internal borders “by Christmas”.
- On October 26, Victoria achieved what has been dubbed a ‘donut day’: 0 new cases and 0 deaths over the previous 24 hours — the first time in the 139 days since June 9 there were zero new daily cases.
- Also on October 26, Tasmania topped CommSec’s quarterly State of the States economic performance league ladder for the second quarter in a row. As of that date, Tasmania had recorded 75 days without a new COVID-19 case, second only to the Northern Territory’s 85 days. Tasmania last topped the state’s economic ladder in 2009.
- As of October 27, there were 9 new cases reported Australia-wide in the previous 24 hours — 4 in NSW, 3 in South Australia and 2 in Western Australia. The Department of Health reported 8.56 million COVID-19 tests had been conducted in Australia since January 22, resulting in

27,527 confirmed cases, with 91% of those recovering. There have been 905 deaths from the virus to that date, 817 or 90% of them in Victoria. Of the total deaths nationally 683, or 75%, have been in aged care facilities, with 653 of these in Victoria.

- Also on October 27, at 11.59pm, almost 16 weeks after Melbourne went into Stage 3 lockdown, the city moves from 'stay home' restrictions to 'stay safe' conditions, with bars and eateries reopening, sport recommencing and social gatherings allowed. The 'ring of steel' separating the city from regional Victoria remains, however the state government has announced it will be lifted on November 8 if new infection numbers stay down.

## The economic impact

### Consumer Confidence:

**On March 28/29, the ANZ-Roy Morgan Consumer Confidence Index bottomed out at 65.3** — lower even than during the Global Financial Crisis, and far below the 2019 average of 114.0.

But then boosted by the government's economic support measures announced in late March and the flattening infection curve, **Consumer Confidence rose steadily throughout April and May, recovering to 98.3 by May 30/31.**

This rise continued through the first three weeks of June, to 97.5, but following a surge of new cases in Melbourne at the end of that month, **it dropped to 93.0 by the end of June** — 25.9 points lower than the same period a year earlier.

It did not climb above 93.0 nationally until 12 weeks later, when it finally reached 93.5 on September 19/20. **On October 24/25 Consumer Confidence was at 99.7**, after eight straight weeks of small increases, taking it to its highest reading since the end of May. However, this is still 10.7pts lower than **the comparable period in 2019, when it was 110.4**. This week's positive developments in Victoria can be expected to result in a broader Consumer Confidence lift.

In the most recent polling, 26% of Australians said their families are 'better off' financially than this time last year and 32% said their families are 'worse off' financially.

### Business Confidence:

As early as March 15, 60% of businesses told us they had already been affected by COVID-19. In **April, the Roy Morgan Business Confidence Index plummeted to an all-time low of 76.9** — the 2019 average was 109.0.

**Business Confidence bounced back to reach 95.0 in June nationally** and 110.5 in WA and 100.7 in NSW. However, the new outbreaks in Victoria and NSW caused an immediate dip with the national measure falling to only **84.3 in July**. Things were even worse **in August when it dropped to 83.1 – the second lowest monthly reading ever** and a full 31.2pts lower than August 2019, and

30.6pts below the long-term August average of 113.7. In both July and August, Public Administration & Defence and Transport, Postal & Warehousing were the only industries with Business Confidence in positive territory (above 100).

While **Business Confidence rose in September** to 85.6, **this is still well below** the 2020 average of 90.7; the reading of 101.6, taken when Australia was gripped by bushfire emergencies across the country; and the decade long average for September of 112.3.

### **CBD Movement:**

**Tracking movement in Australia's capital cities** is an important measure of the damaging effects of the COVID-19 pandemic on businesses. Roy Morgan partners with leading technology innovator UberMedia to aggregate data from tens of thousands of mobile devices in order to provide this data which **shows all of our capital CBDs have been affected**, with Melbourne and Sydney particularly hard hit.

In the latest results, measuring the week of October 18, **Adelaide CBD movement was the closest to pre- COVID levels**, averaging of 78% of its movement levels during January and February — an increase of 7% points since late July. That means Adelaide has pulled **ahead of the Perth CBD**, which is now at 74% of pre-COVID levels.

**Brisbane has the third-highest level** of movement, registering 66% of pre-COVID levels, up 5% points. **It is followed by Hobart** CBD, on 58%.

**Movement in both the Sydney CBD and Melbourne CBD is lower in mid-October than it was in late July** as both cities have dealt with a second wave of COVID-19 in recent months. NSW did not go into a second lockdown but even so movement in **Sydney CBD in mid-October is only 44% of pre-COVID averages**, a decrease of 4% since late July.

With **Melbourne still in Stage 4 lockdown when the October readings** were taken, its **CBD movement is only 15% of the pre-COVID levels** — a full 12% below the levels in late July, when the city was in Stage 3 lockdown.

### **Inflation Expectations:**

The huge economic effects of COVID-19 are reflected in Roy Morgan's Inflation Expectations index — a way of 'reading the national room' on feelings about the economy. **In February**, before the pandemic really took hold in Australia, consumers on average expected **4% inflation** over the next two years. **In June**, Inflation Expectations hit a **record low of 3.2%** before rebounding to **3.4% in July**.

But **in August**, with Melbourne in Stage 4 lockdown, repeated low-level outbreaks of COVID-19 in both New South Wales and Queensland, and changes to the JobKeeper wage subsidy and the JobSeeker coronavirus supplement just weeks away, the measure fell to **3.2%** again, **matching the record low** set two months earlier and down a significant 0.7% points on a year earlier.

**September saw an improvement**, with Inflation Expectations rising by 0.1% to **3.3%**.

Unsurprisingly, there are differences across both socio-economic and geographic groupings. Australians in the highest socio-economic AB Quintile have the lowest Inflation Expectations in September at only 2.5%, down 0.9% points since March. This Quintile represents the top 20% of the population based on a combination of the education levels, income and occupation. By contrast, Inflation Expectations for the lowest or FG Quintile are down only 0.4% points to 4.2%, well above the national average.

Meanwhile on a state-by-state basis, Inflation Expectations were highest in Tasmania (3.8%) and Queensland (3.7%), just above the national average in both South Australia (3.5%) and Western Australia (3.4%; the first time in over a year the state's figure has been above the national average), unchanged at 3.3% in New South Wales and down by 0.2% points to 3% in Victoria

#### **The True Picture of Employment and Unemployment:**

Roy Morgan has long measured both unemployment and under-employment and, for a number of methodological reasons we are happy to explain in detail, we are confident **our figures are more accurate than those of the Australian Bureau of Statistics** in this area

Our data shows that **in September 1.83 million Australians were unemployed (12.9% of the workforce), with an additional 1.33 million (9.4%) under-employed**. In total **3.16 million Australians (22.3%)** were unemployed or under-employed. This is **an increase of 1 million people compared to early March**.

These figures show **152,000 fewer people were looking for any kind of work in September** compared to August. However **the decrease in unemployment is caused by a shrinking workforce rather than by the creation of new jobs**.

**In all, two-thirds of the the Australian workforce had their employment impacted by COVID-19** as of August, with Victoria, NSW and Tasmania the hardest hit. Impacts include working from home, reduced work hours, being stood down and, in a minority of cases, having work hours increased. Individuals may have experienced more than one of these changes during the course of the pandemic so far.

On a **state-by-state basis**, in September unemployment was virtually unchanged on the previous month in **locked-down Victoria at 12.1%** with a further 8.7% under-employed. It decreased in other states, with the biggest decreases in the states that are the most open – **New South Wales and South Australia, where unemployment rates are around 11%. Those states** with the toughest border restrictions, **Queensland, Western Australia and Tasmania, all had unemployment rates of at least 15%**.

## **Mortgage Stress:**

Our research shows **an estimated 751,000 mortgage holders (20.2%) were at risk of 'mortgage stress' in the three months to August 2020**. This is **near the record lows of a year ago**, when only 723,000 mortgage holders were considered 'At Risk' in the three months to October 2019. However, **the figure has been driven down by Federal Government financial support** for employees and businesses, and by major **help provided by banks to borrowers** in response to the pandemic, including mortgage pauses. **Both these elements have significantly tapered off and will continue to do so before finishing completely.**

Mortgage holders are considered 'At Risk' if their mortgage repayments are greater than a certain percentage of household income – depending on income and spending, and 'Extremely at Risk' if even the 'interest only' is over a certain proportion of household income. Mortgage stress is significantly higher **among Australians who have experienced negative employment changes due to COVID-19**, with **over a quarter, 26.7%, now in 'mortgage stress'** – 6% points higher than for all mortgage holders, and **16.8% are 'extremely at risk'**.

*[See below for charts presenting all this data in visual form].*

## **What does it all mean, and where to from here?**

### **Roy Morgan CEO Michele Levine says:**

*"We noted in our previous COVID-19: The Economic Story So Far update that as the pandemic progressed, the early sense of 'we're all in this together' had become eroded — something which has become more obvious with every passing week, both politically and economically.*

*On a state level, Victorians have collectively done some very hard yards to quash the second wave of COVID-19 transmission and reach the milestone 'donut days' of zero new infections and zero deaths from the virus. But the impact on businesses and livelihoods has been immense, and amid the widespread joy over this success and the subsequent move out of lockdown comes trepidation about how Melbourne in particular will recover economically.*

*Victoria has been the hardest hit state, but nowhere is unaffected, with a total of 3.16 million Australians (22.3% of the workforce nationally) either unemployed or under-employed. Up to this point, financial relief measures from government have cushioned the blow for many people, but with JobSeeker supplements and JobKeeper payments now reduced and set to end completely in coming months, the recession we are in and the damaging effects of the COVID-19 pandemic will be with us for a considerably time, regardless of developments into finding a vaccine.*

*On first glance, the fact that the number of mortgage-holders in Australia who are considered to be either 'At Risk' or 'Extremely At Risk' is near a record low may seem like good news. But these*

figures are the result of the Federal Government assistance mentioned above, in combination with the mortgage pauses and other loan reductions provided by banks. The last of those bank-provided relief measures will come to an end around the time the JobKeeper payments finish in April 2021. That casts a very different light on the current figures of 751,000 mortgage-holders 'At Risk' and 433,000 'Extremely At Risk'.

Unemployment is a key factor in whether or not people can pay their mortgages and so avoid losing their homes, just as it is in every other part of our national economic health. The September decrease in national unemployment figure (from 13.8% to 12.9%) is not good news, because it is the disturbing result of more people ceasing to look for work not the result of new jobs emerging.

With jobs being held open and the economy held up by Government support, metrics the 'unemployment', 'employment' and 'the workforce' take on very different meanings. JobKeeper and JobSeeker were both reduced at the end of September, with the JobKeeper wage subsidy for full-time workers lowered by \$300 to \$1,200 per fortnight and cut in half to \$750 per fortnight for part-time workers. That reduction is forcing businesses that have relied upon these payments to continue trading over the last few months to assess how many of their employees are vital to the business and which may be too costly to continue to employ without the Government payments.

The first tapering of the JobKeeper wage subsidy brought these pressures into sharp relief and highlighted the importance of opening up economies when it is safe to do so. The most open State economy – New South Wales – has the lowest unemployment of around 11% and the second most open State – South Australia – is only slightly higher. In contrast, the highest unemployment rates are in Queensland, Western Australia and Tasmania – all States which have had hard border closures for months. The unemployment rates in all three States is above 15% for a second straight month.

Roy Morgan's national unemployment figure of 12.9% for September is obviously significantly higher than the latest ABS estimate of 6.8% for August. However, the ABS figure counts 152,000 Australians who worked zero hours in August as 'employed'; people who 'had no work, not enough work available, or were stood down'. If these non-workers are added the ABS unemployment estimate for August increases to 1.33 million (9.7%). Even then, we believe the Bureau's methodology leads to a crucial underestimation in the true number for this vital measure.

Employment, Consumer Confidence and Business Confidence are the most critical measures signalling economic recovery. Roy Morgan will continue to do the important work of tracking this data and making the results publicly available, as we have done for 80 years. We're here for business and the nation as a whole, just as we have always been."

**Michele Levine is available for interview.**

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Read on for the data in chart form

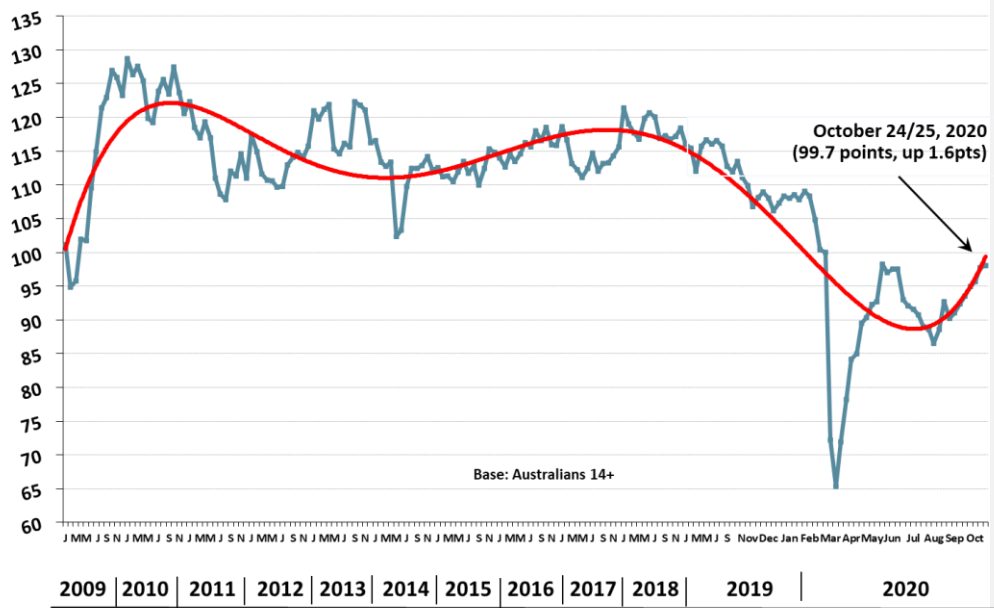
## Key charts tracking the Economic Impact of COVID-19

**Comment [HF1]:** All charts still to be updated.

(New) order needs to be:

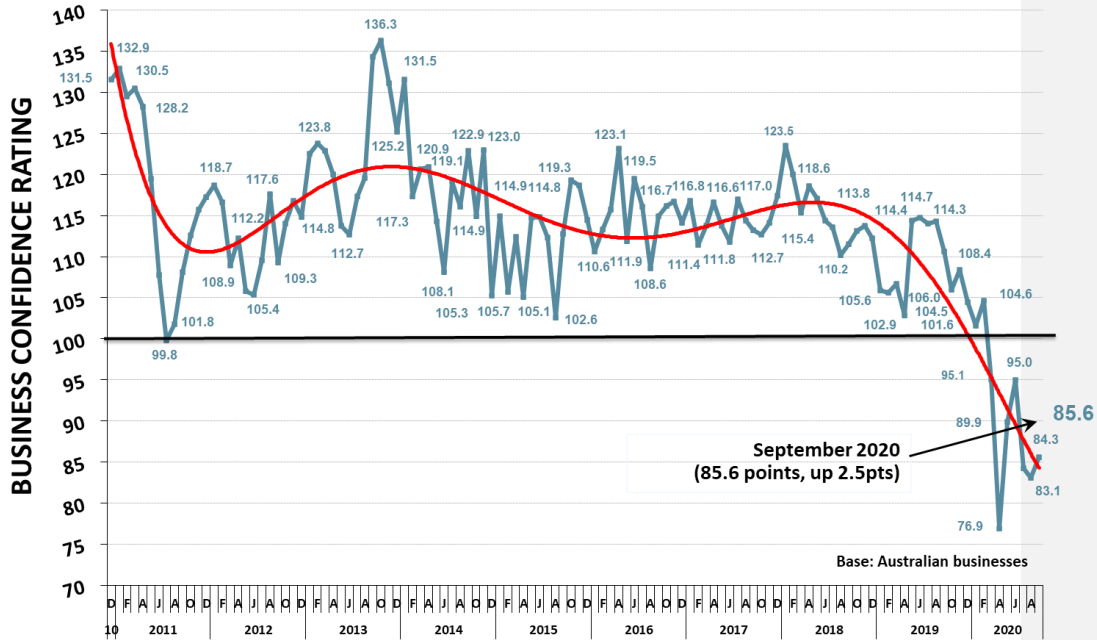
- Consumer Confidence
- Business Confidence
- CBD movement
- Inflation Expectations
- Employment and Unemployment
- Mortgage Stress

ANZ-Roy Morgan Consumer Confidence Rating: 1998-2020



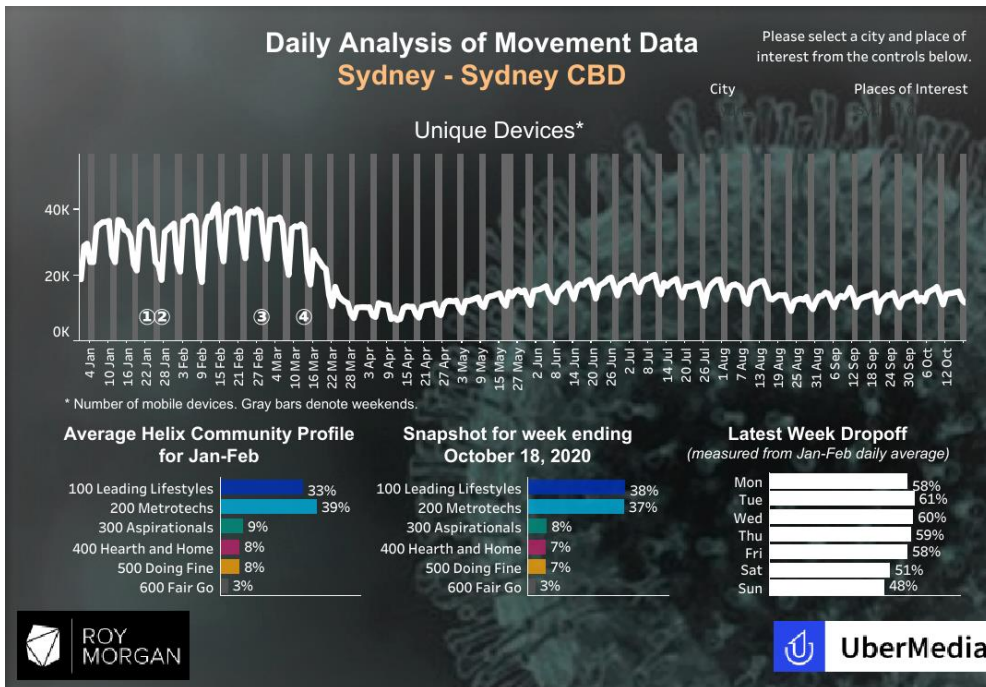
Source: Roy Morgan Single Source, January 1998 – October 2020. Average weekly sample over the last 12 months=1,316.

**Roy Morgan Business Confidence Rating: 2010-2020**



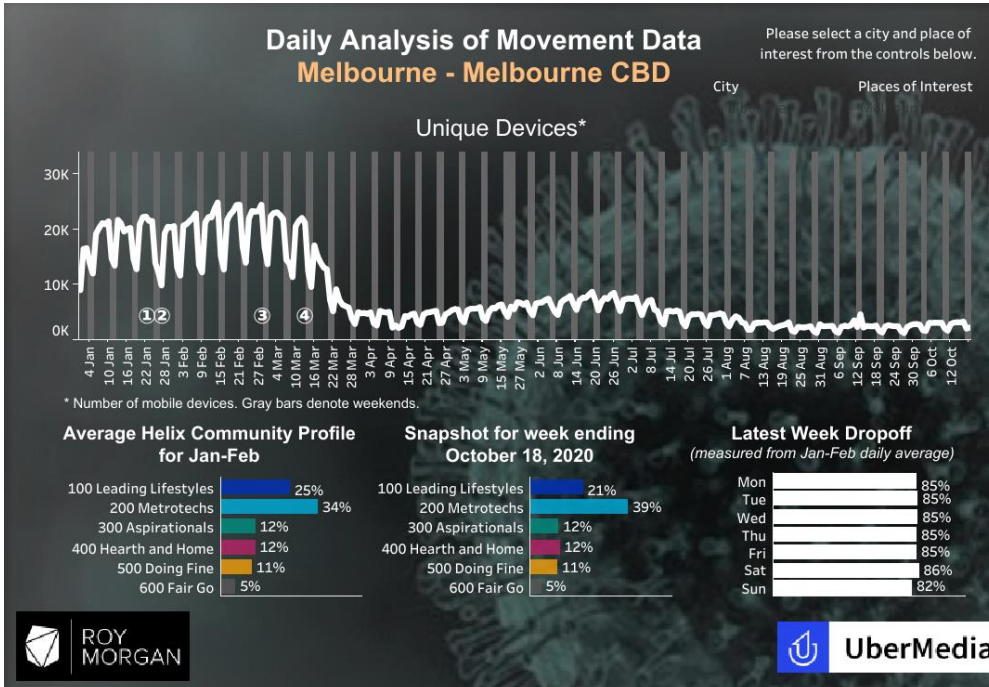
Source: Roy Morgan Business Single Source, Dec 2010-Sept 2020. Average monthly sample over the last 12 months=1,196.

**Roy Morgan-Uber Media Analysis of Movement Data in 2020 – Sydney CBD**



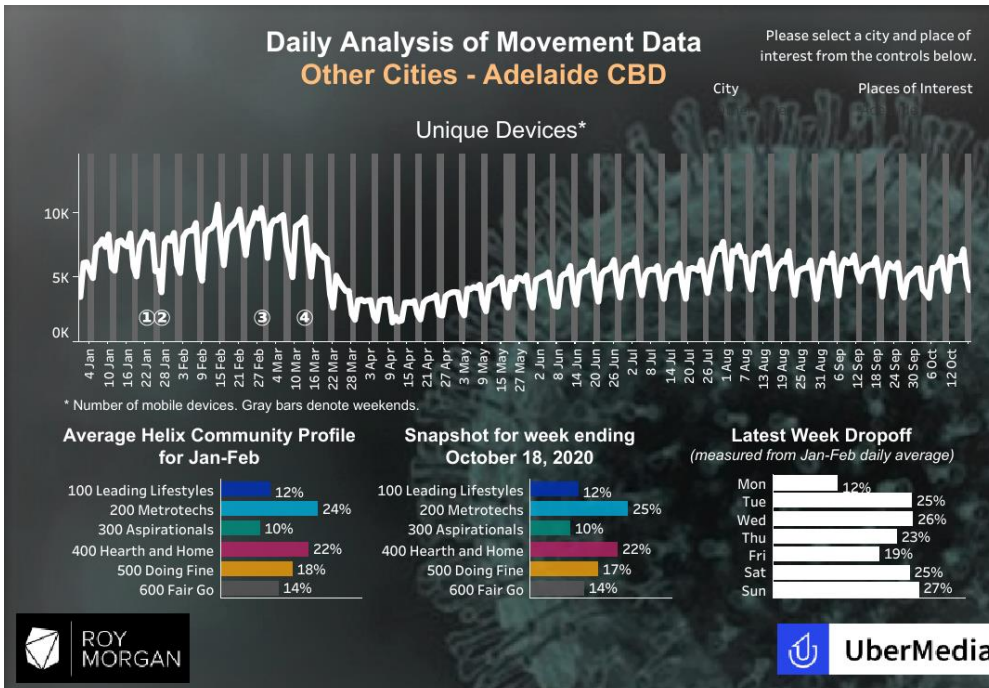
Source: Roy Morgan collaboration with UberMedia who provide anonymous aggregated insights using mobile location data. Note: Movement data for Sydney CBD excludes residents of the Sydney CBD.

Roy Morgan-Uber Media Analysis of Movement Data in 2020 – Melbourne CBD



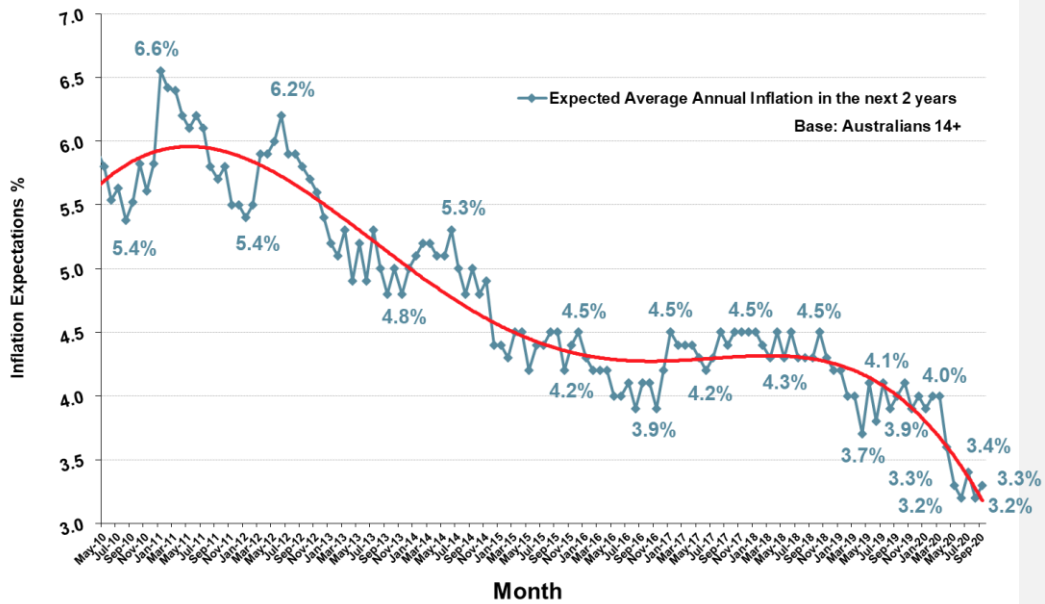
Source: Roy Morgan collaboration with UberMedia who provide anonymous aggregated insights using mobile location data.  
Note: Movement data for Melbourne CBD excludes residents of the Melbourne CBD.

Roy Morgan-Uber Media Analysis of Movement Data in 2020 – Adelaide CBD



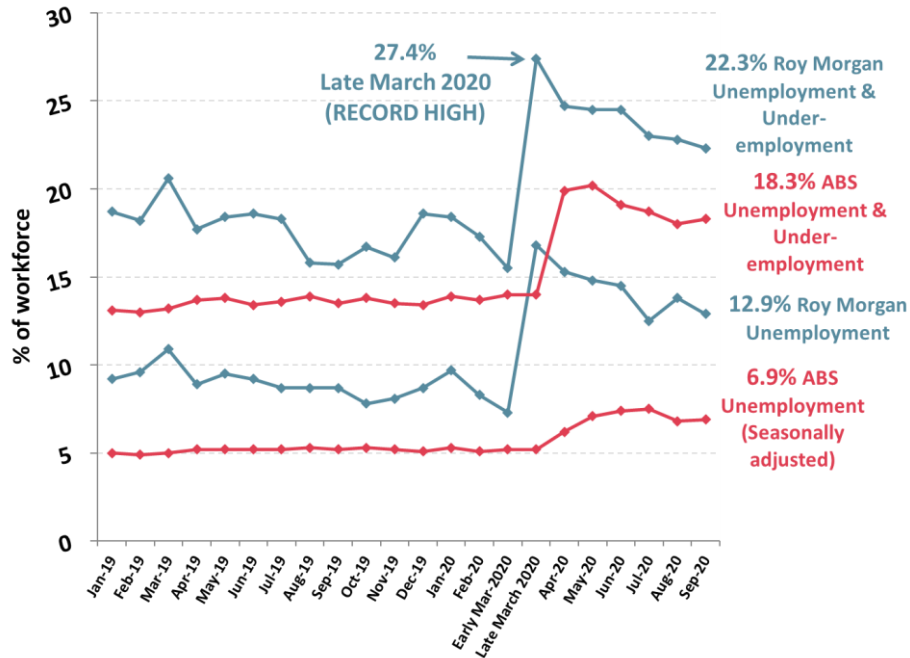
Source: Roy Morgan collaboration with UberMedia who provide anonymous aggregated insights using mobile location data.  
Note: Movement data for Adelaide CBD excludes residents of the Adelaide CBD.

**Inflation Expectations Index long-term trend – Expected Annual Inflation in next 2 years**



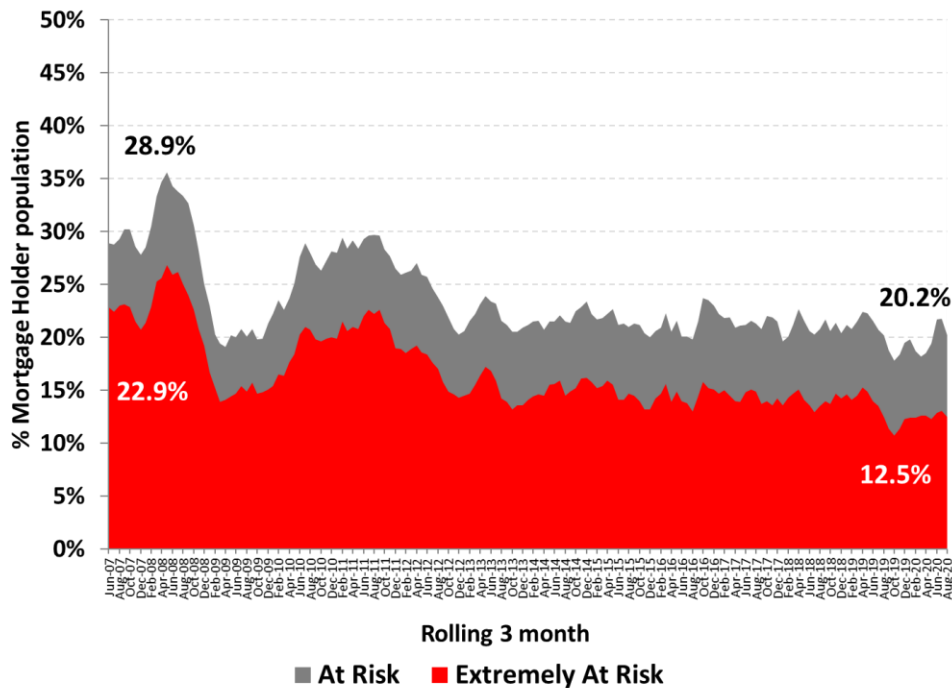
Source: Roy Morgan Single Source: Interviews an average of 4,400 Australians per month aged 14+ (Apr. 2010-Sept. 2020).

**Roy Morgan & ABS Unemployment & Under-employment: January 2019 – September 2020**



Source: Roy Morgan Single Source, January 2019 – August 2020, Average monthly sample size, n=4,400. Base: Australians 14+.

**Mortgage Stress – Owner-Occupied Mortgage-Holders**



Source: Roy Morgan Single Source (Australia), average interviews per 3 month period April 2007 – August 2020, n=2,687. Base: Australians 14+ with owner occupied home loan.

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