



IPA COVID-19 Economic Update – 30 March 2020

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**IPA COVID-19 ECONOMIC UPDATE**

A new daily email by free market think tank the Institute of Public Affairs, providing the latest economic data and policy measures for journalists, commentators and IPA members.

**Comment on wage subsidies, attributable to Andrew Bushnell, Research Fellow at the Institute of Public Affairs:**

“Keeping people in their jobs wherever possible is the best option. Work is a key source of meaning and purpose, and these measures will help provide confidence for individuals and families.”



“If we let businesses fail, they won’t be there to employ people or to produce goods and services when the shutdown ends.”

“The key to a quick economic recovery will be making sure that we do not lose too much of the resources and knowledge embedded in small and medium enterprises. It is easier to destroy value than to create it.”

“For public health reasons, the Government has had to shut down the economy. So the Government must take responsibility for the cost of that decision for businesses. This is not a bailout. It is compensation.”

**Research prepared by IPA Research Fellows Kurt Wallace and Cian Hussey.**

### Australia

- 4,164 cases at 8:30am. Cases increased by 9 per cent on Sunday, down from the daily increase of between 25 and 30 per cent last week.
- The limit on gatherings has been cut from 10 to 2 people.
  - Weddings will still be allowed 5 people and funerals 10.
  - The Victorian government will enforce the rule from midnight on Monday with fines of \$1,600. A \$1,000 fine will apply in South Australia.
- The Morrison government has announced a new wage subsidy to assist employment through the lock down. • Total cost of \$130 billion, based on access by 6 million people for six months
  - To be eligible, businesses have to have seen a decrease in turnover of at least 30 per cent. Businesses with a turnover above \$1 billion have to have seen a 50 per cent decrease in turnover.
  - \$1,500 per employee per fortnight. Flat rate payment for all.
  - Available for casuals employed for at least 12 months at current employer.
  - Legal obligation for businesses to maintain employees (i.e. they’ll have to refund the money received for any employee they fire).
  - Payments will be made from May 1 and will be backdated to today.
- The government will also extend the 50 per cent loan guarantee to larger businesses and has flagged possible partial takeovers of companies to prevent them from closing.
- The foreign ownership threshold that triggers government scrutiny of investment through the Foreign Investment Review Board will be lowered from \$1.2 billion to \$0.
- The major banks are expected to announce loan repayments for almost all businesses will be deferred. All businesses with loans of up to \$10 million will be able to defer their repayments.
- Scott Morrison has flagged state and territory measures to prevent landlords from evicting tenants (both commercial and residential) who are unable to make payments due to financial distress.
- Private health insurers will postpone planned April 1 premium increases for at least six



months.

- \$1.1 billion healthcare and vulnerable Australians package will come into effect today, including:
  - \$669 million for Medicare support at home (such as telehealth services).
  - \$150 million for domestic violence support.
  - \$74 million for mental health support.
  - \$200 million for charities, community organisations and food relief organisations.
- Outdoor gyms and skateparks will be closed from today.
- States are relaxing liquor licensing rules to allow restaurants to sell alcohol with takeaway and delivery meals in an effort to support revenue.
- WA will shut down travel between the state's regions as of midnight tomorrow. Some exemptions for work and compassionate reasons, but \$50,000 fines will apply to those who breach the rules.

## **United States**

### Stimulus details

- Direct payments
  - \$1,200 payment for singles and \$2,400 for couples.
  - An additional \$500 per child under 17.
  - Full payment for those earning up to \$75,000. Phased out up to \$99,000.
- Business loans
  - \$500 billion in loans and loan guarantees.
  - Includes:
    - \$29 billion for airlines.
    - \$17 billion for businesses involved with national security.
    - \$456 billion administered through the Federal Reserve emergency lending facilities.
  - Ban on stock buybacks and restrictions on dividends and layoffs for companies receiving loans.
- Unemployment
  - An additional \$600 a week for four months.
- Student loans
  - Suspension of payment without penalty through to 30 September.
- Retirement plans
  - Removal of some restrictions and penalties for early withdrawal from retirement funds for those economically impacted.
- Health
  - \$130 billion on hospitals and health providers.
- Food stamps
  - \$25 billion on food stamps.
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- State and local governments
  - \$150 billion.
- Miscellaneous
  - \$31 billion on education.
  - \$10.5 billion on defense.
  - \$75 million for public television and radio.
  - \$75 million for the National Endowment of the Arts.
  - \$75 million for the National Endowment of the Humanities.
  - \$25 million for the Kennedy Center (performing arts).

The Trump administration has extended its social distancing guidelines through to the end of April.

### **United Kingdom**

- Boris Johnson was diagnosed with coronavirus on Friday.
- Domestic abuse victims are exempt from the lockdown restrictions and are allowed to leave home to seek help at refuges.
- 750,000 people have signed up as volunteers with the NHS.
- Individuals who ignore restrictions face a £60 fine in the first instance, a £120 fine in the second. For repeat offenders in England, Scotland and Northern Ireland, these fines rise to a maximum of £960 for repeat offences.
- In England, Scotland and Wales, magistrates could impose “potentially unlimited” fines on businesses if they do not close or pay penalty notices.

### **Announced stand-downs and layoffs from large companies**

This is a running count of announced stand-downs and layoffs and is compiled of companies that have made a public announcement including a specific number of employees let go.

Running total – 115,557

- Qantas 20,000
- Crown 20,000 (Crown estimates it has 4,000 small businesses that depend on it)
- Myer 10,000
- Premier Investments 9,000
- Star Entertainment 8,100
- Virgin 8,000
- ALH Group 8,000
- Mosaic Group 6,800
- Country Road Group 5,000
- Accent Group 4,500
- Flight Centre 3,800
- Michael Hill 2,500
- Adairs 1,800

- Helloworld 1,575
- Kathmandu 1,300
- Sussan Group 1,300
- Viva Leisure 1,002
- Lovista 800
- Woodside 650
- Opera Australia 600
- Kikki.k 440
- Colette 210
- Manly Fast Ferry and Captain Cook Cruises 180

Cafes alone employ 150,000 people, pubs and nightclubs 80,000, casinos 30,000, gyms and fitness centres 22,000 and zoos and amusement parks 12,000.

### **Stimulus measures – updated 30 March**

#### **Commonwealth**

- A \$40 billion discretionary fund has been set aside under the control of the Finance Minister.

#### Households (\$25 billion)

- \$14.1 billion welfare
  - expanded eligibility to income support payments
  - additional \$550 per fortnight
- \$1.6 billion welfare expansion to students
  - expands the \$550 per fortnight payment to students not included under the original plan.
- \$8.8 billion handouts
  - two rounds (originally one) of \$750 payments to income support recipients
- \$1.2 billion early superannuation access
  - tax-free withdrawal of up to \$20,000 in superannuation
- Temporary reduction in super drawdown rates
  - reduce minimum drawdown rates by 50 per cent for FY19 and FY20.
- \$876 million lower social security deeming rates

#### Business (\$38.8 billion)

- \$31.9 billion cash flow boost for employers  
total payment between \$20,000 and \$100,000.
- Temporary relief for financially distressed businesses
  - changes to requirements around insolvency
- \$700 million increased instant asset write-off
  - Lifting asset threshold to \$150,000 (was \$30,000)

- businesses eligible with turnover of up to \$500 million (previously \$50 million)
- \$3.2 billion accelerating depreciation deductions
- \$1.3 billion wage assistance for apprentices and trainees
- \$1 billion for affected regions
- \$715 million for airlines and airports
  - relief from a range of government taxes and charges

#### Lending (\$125 billion)

- \$20 billion SME loan guarantee
- \$15 billion from government for SME lending through the banks
- \$90 billion from RBA for SME lending through the banks

More details: [https://treasury.gov.au/sites/default/files/2020-03/Overview-Economic\\_Response\\_to\\_the\\_Coronavirus\\_0.pdf](https://treasury.gov.au/sites/default/files/2020-03/Overview-Economic_Response_to_the_Coronavirus_0.pdf)

Across the country, all pubs, clubs, nightclubs, casinos, gyms, indoor sporting venues, places of worship, cinemas and entertainment venues, beauticians, tattoo parlours, and nail and tanning salons close. Cafes and restaurants to provide delivery or takeaway only. Funerals are limited to 10 people, and weddings to five. All other businesses can remain open, subject to 4 square metre rule.

#### Victoria

- Three-stage, \$1.7 billion stimulus announced
- \$550 million payroll tax refund for 24,000 SMEs with a payroll of less than \$3 million (refunds available from Friday, March 27)
- \$500 million fund for hardship payments, small grants and tailored support
- \$600 million for a range of measures, including waiving liquor licence fees for 12,500 venues.
- \$1,600 fines for those breaking social distancing requirements.

#### New South Wales

- \$3.3 billion stimulus package announced.
- \$1 billion Working for NSW fund to create new jobs.
- \$700 million extra funding for NSW Health.
- \$450 million to waive payroll tax for businesses with payroll of up to \$10 million for the next three months.
- \$56 million to bring forward payroll tax cuts by raising the threshold limit to \$1 million in 2020-21.
- \$80 million to waive a range of fees and charges for small businesses.
- \$250 million to employ additional cleaners of public infrastructure.
- \$250 million to bring forward maintenance on public assets.
- \$500 million to bring forward capital works and maintenance.

- 6 month deferral of gaming taxes for pubs, clubs, hotels and lotteries (with the condition that the money is spent on retaining staff).
- Rents for commercial tenants with fewer than 20 employees in government-owned properties will be suspended until the end of September.
- \$34 million boost in funding to prevent homelessness.
- \$30 million boost for the Energy Accounts Payments Assistance scheme.
- \$10 million to support charities.
- \$6 million additional funding for Lifeline's operations in NSW.
- 24 hour trading allowed for supermarkets and pharmacies.

## Queensland

- \$4 billion stimulus.
- \$300 million household relief package will give households \$200 off their utility bills.
- \$2.5 billion directed towards workers and businesses, including \$500 million to assist workers who lose their job or income. Liquor licence fees are being waived, rent relief for businesses who rent premises from the state government, and sole traders and SMEs will receive a \$500 rebate on their power bill for the year.
- \$1.2 billion expanding fever clinics, emergency department capacity, acute care services and regional aeromedical services for remote communities.
- Includes two months worth of payroll tax refunded to SMEs and a payroll tax holiday for the April-June quarter. Large businesses can apply to access this payroll tax holiday if they are impacted by coronavirus.
- Other measures:
  - \$500 million in 12-month, interest-free loans
  - \$27.5 million Immediate Industry Recovery Package to provide relief to affected industries, businesses and workers.
  - \$17 million vaccine package.
  - \$8 million funding relief for the arts sector.
  - Allowed distribution centres and loading bays to operate 24/7 to allow supermarkets to restock shelves.

## Western Australia

- \$607 million stimulus package.
- \$402 million freeze on household fees and charges, including electricity, water, motor vehicle charges, emergency services levy and public transport fares.
- \$114 million to support SMEs.
- \$91 million to double the Energy Assistance Package to \$600 for eligible concession card-holders.
- \$1 million payroll tax threshold brought forward to 1 July, 2020.
- SMEs can apply to defer payment of 2019-20 payroll tax until 21 July 2020.
- Require all people arriving after 1:30pm Tuesday 24 March to quarantine for 14 days, effectively closing borders.

- Limit on the sale of alcohol to one carton of beer, cider, or pre-mixed spirits, or three bottles of wine, or one litre of spirits, per person per day. The limit will be reviewed after two weeks.

### **South Australia**

- \$1 billion stimulus/support package announced.
- \$650 million “jobs rescue package”.
- \$350 million stimulus package, all spending no tax relief.
  - Major road and hospital upgrades, tourism upgrades, increased funding for Economic and Business Growth Fund.
- 24 hour trading allowed for supermarkets and pharmacies.

### **Tasmania**

- Total stimulus/support package of \$1 billion.
- \$580 million support package includes:
  - \$150 million boost to health spending, a freeze on all power, water and electricity prices for homes and small businesses and the waiving of first quarter utility bills for all small businesses.
  - Interest free loans and tax and charges waivers for businesses shut-down or severely impacted.
  - \$40 million small business grants program and extension of payroll tax relief for hospitality, tourism, seafood and other impacted companies.
  - Plan to negotiate with councils to freeze rates.
- \$420 million stimulus package
  - \$1 million over next three months to organisations such as Salvation Army, Red Cross to support self-isolated individuals.
  - One off payments of \$250 for individuals and up to \$1,000 for families who are required to self-isolate.
  - \$1 million emergency accomodation support for people who must self-isolate but cannot return to usual residence.
  - \$4 million for primary health and mental health sectors.
  - \$20 million interest free loans for small businesses in certain sectors with a turnover of less than \$5 million
  - Payroll tax waived for hospitality, tourism and seafood industry businesses. Other businesses must apply for payroll tax waiver.
  - \$50 million to fast track maintenance on public buildings.
  - Other small business grants, payroll tax rebates and funds to support training and employment.
- Ordered all visitors to the state to leave by midnight on Sunday 29 March.

### **Australian Capital Territory**

- \$137 million stimulus.



- \$150 rates rebates for every household, \$200 rebate for those on utilities concession.
- Vehicle registration, public transport fares and parking fees frozen.
- \$2,622 credit to commercial rates bill.
- \$750 rebate to small businesses through the next electricity bill.
- Businesses paying up to \$10 million in wages can defer payroll tax for 12 months. “Affected” industries receive a one-off six month waiver.
- Taxi and rideshare fees waived. Food and liquor license fees waived.
- \$20 million fund for simple infrastructure works on public buildings.
- \$500,000 in arts grant funding brought forward.
- \$7 million for non-government organisations to meet increased demand for social services.

### **Northern Territory**

- \$65 million stimulus.
- \$30 million home improvement scheme.
- \$20 million business improvement grant.
- \$5 million immediate work grant.
- \$5 million structural adjustment package.
- All regular increases to government fees and charges, including electricity costs, put on hold.
- Payroll tax exemption for hiring Territory employees extended to 30 June 2021.

### **United States**

- \$2 trillion (\$3.47 trillion AUD) stimulus package
- Include cash payments to American families with \$1,200 per adult, or \$2,400 per couple, with an additional \$500 per child under 17. Payments will be phased out started at annual incomes of \$75,000 for individuals or \$150,000 per couple.
- \$500 billion for loans to businesses, including \$25 billion for passenger airlines, \$4 billion for cargo airlines, and \$17 billion for companies that are deemed “critical to maintaining national security”. Remaining \$454 billion to be disbursed through government loans and loan guarantees. Distributions will be overseen by an inspector-general and a five-person congressional panel. Businesses tied to President Trump and his family, members of Congress, and heads of executive agencies will not be eligible for government help.
- \$367 billion in loans and grants to small businesses with fewer than 500 employees.
- Unemployment benefits will increase by \$600 a week for four months. Benefits have been extended to include the self-employed and workers in temporary jobs within the ‘gig economy’.
- Extra \$150 billion in funding for hospitals, personal and protective equipment for healthcare workers, testing supplies, increased workforce and training, and new construction to house patients.

### **United Kingdom**

- £350 billion government-backed loans, grants and tax cuts for companies.
- £10 billion to pay workers who lose their jobs up to 80% of their wages.



- VAT (GST equivalent) payments suspended for April-June, a £30 billion tax holiday.
- Unlimited 12-month, interest free loans for businesses.
- £7 billion additional welfare support, including increase in universal credit payments.
- £1 billion support for renters.
- £9 billion bailout for nearly 4 million self- employed workers announced.
- Self-employed will be able to claim up to £2,500 a month over a three-month period.
- Open to those with trading profits of up to £50,000 a year and those who earn the majority of their income from self-employment.
- The scheme won't become available until June, and the chancellor has warned that the self-employed will face an increase in national insurance contributions in the future.