

Prepared by the New Zealand Embassy in Canberra, 1 July 2020

Summary

Significant economic developments in Australia over the month of June to 1 July include:

- The Government has announced it will spend up to A\$270 billion towards defence capability over the next ten years.
- A A\$250 million package of grants and loans has been announced for the arts and entertainment sector.
- The government's Consumer Data Right framework has been officially launched with the banking sector already included (enabling Open Banking) and recent inclusion of the energy sector.
- The Government has made a series of large spending announcements towards "shovel-ready" transport and infrastructure projects across states and territories.
- A number of economic measures and extensions of measures came into effect on 1 July. These include lowering the company tax rate for SMEs to 26 percent, providing tax relief for low-middle income earners, extending the instant asset write off scheme, and extending the first home buyers scheme.
- The Grattan Institute (a prominent Australian Think Tank) has published a report ([here](#)) outlining its assessment of what the Australian Government should do to recover the economy.
- Four initiatives worth \$86 million will support the forestry industry, wine producers and apple growers hit by the bushfires and COVID-downturn.
- A deal has been struck for the sale of Australian airline, Virgin Australia, to US private equity firm Bain Capital.
- We report a number of prominent jobs losses by sector announced in recent weeks.

Report

Government announcements

- The Government announced on 1 July it has committed A\$270 billion towards **defence capability** out to 2029-30 ([here](#)). In maintaining its current defence funding trajectory over the next decade, this represents a further A\$75 billion in capability funding beyond the A\$195 billion committed for the ten years from the 2016 Defence White Paper. All up, Defence will be receiving approximately A\$575 billion in total funding over the next decade. Up to \$183 billion will be spent over ten years acquiring and upgrading 23 classes of Navy and Army vessels. New areas of investment under the budget include:
 - Long range strike capability: the purchase of Long-Range Anti-Ship Missiles (A\$800 million).
 - Area denial: A\$9.3 billion in research and development into long-range weapons including hypersonic weapons.
 - Ballistic missile defence: A\$15 billion towards deployable defensive systems.
 - Cyber and information: A\$15 billion across a range of cyber capabilities; command and control systems; and electronic warfare systems.
 - Space: A\$7 billion, including Australia's own satellite communications network.
 - Underwater: A\$5-7 billion for smart sea mine systems and underwater surveillance, potentially including unmanned systems.

- The Government announced on 25 June ([here](#)) a capped \$250 million package of new grants and loans over 12 months for the **entertainment, arts and screen sectors**, as part of its “JobMaker” policy. This will comprise:
 - \$75 million for the Restart Investment to Sustain and Expand (RISE) Fund to provide capital to help production and event businesses to put on new festivals, concerts, tours and events as social distancing restrictions ease;
 - \$90 million for concessional Show Starter Loans to assist creative economy businesses to fund new productions and events that stimulate job creation and economic activity;
 - \$50 million for Screen Australia for a Temporary Interruption Fund that will support local film and television producers to secure finance and start filming again;
 - Up to \$35 million to support the sustainability of Sector-Significant Organisations to provide direct financial assistance where systemically important arts and entertainment businesses and organisation are facing threats to their viability due to COVID-19;
 - Establishing a Creative Economy Taskforce to partner with the Government and the Australia Council to implement the JobMaker plan for the creative economy.
- The Government formally launched its [Consumer Data Right](#) framework on 1 July enabling Australians the right to share their data between service providers using automated data technology ([here](#)). This is an opt-in service governed by the Government and delivered through accredited providers. The scheme began with the banks to achieve Open Banking, but will grow as more providers become accredited. The Government announced the extension of the Consumer Data Right to the energy sector on 29 June ([here](#)).
- The Government has committed A\$1.5 billion to boost “shovel-ready” **infrastructure and transport projects** within states with smaller-scale projects in Victoria and NSW that can be started quickly announced as a priority. Government figures show by the end of this financial year, the Commonwealth would have invested \$24 billion in infrastructure by bringing forward \$7.8 billion in investment on priority projects not scheduled to occur until later years. In the last week the Government has announced A\$1 billion in NSW; A\$223 million in Western Australia; A\$415 in Queensland; A\$145 million in South Australia; \$53 million in Northern Territory; A\$46 million in Tasmania; A\$35 million in ACT.

Macroeconomic outlook and responses

- A series of economic measures came into effect on 1 July that have been announced as supporting Australians through the economic impacts of the Coronavirus. Some have been developed following Coronavirus, and some were legislated prior with a view to entry into force on 1 July 2020:
 - **Tax relief for low and middle income earners** of up to \$1080 at the end of the tax year;
 - **Lowering the tax rate for small businesses** structured as companies with turnovers of less than \$50 million: from 27.5 per cent to 26 percent; in addition the unincorporated tax discount will increase from 8 per cent to 13 per cent to ensure that sole traders benefit from the corporate tax cut. These changes were legislated in Oct 2018.
 - **To support the delivery of priority local road and community infrastructure projects** the Government will provide \$500 million to local councils and other bodies.
 - **The Government is providing its second \$750 payment to social security**, veteran and other income support recipients and eligible concession card holders in July (the first payment was announced in March).
 - **Extension of the Instant Asset Write-Off:** The Government has extended the \$150,000 instant asset write-off for six months from 1 July 2020 to 31 December 2020 for Australian businesses with annual turnover of less than \$500 million.
 - **First Home Loan Deposit Scheme:** Extending the earlier scheme, a further 10,000 guarantees will become available to first home buyers from 1 July 2020.
-

- **Temporary early access to superannuation:** Eligible Australian and New Zealand citizens and permanent residents will be able to apply online through myGov to access up to \$10,000 of their superannuation from 1 July 2020 until 24 September 2020.
- **Future Drought Fund:** From 1 July 2020, the Government will draw down \$100 million from the existing Future Drought Fund Special Account for programs and projects to build farmers' and communities' resilience and preparedness for future droughts.
- Independent Australian think tank, the Grattan Institute, released a report on 28 June ([here](#)) outlining its assessment of what the Government should do to recover the economy. It recommends long-term reforms be put on hold while the Government tackles a huge agenda of urgent policies over the next six months, and that the Government should inject \$70-90 billion in economic stimulus, including:
 - expanding the scope and duration of Australia's JobKeeper wage subsidy scheme;
 - increasing JobSeeker (dole) and Commonwealth Rent Assistance;
 - spending on social housing and "shovel-ready" maintenance and infrastructure projects;
 - increasing the Child Care Subsidy to 95 percent of costs for low-income households;
 - transport reforms in spending and charges to reflect changes to work/commuting patterns;
 - refining health policies including expansion of telehealth and video consultations;
 - a \$1 billion six-month tutoring blitz for disadvantaged school students to recover lost learning during lockdowns

Major business developments

- An agreement has been concluded for Bain Capital, an American private equity giant, to purchase the Australian airline, **Virgin Australia** that went into voluntary administration. The deal will require approval by 50 percent of creditors by value and number to be finalised. Purchase terms have not been disclosed, but in a statement by Bain Capital it indicated it had agreed to retain thousands of jobs and would honour employee entitlements.
 - Job losses continue as businesses adjust to the squeeze on their revenues due to the COVID-induced downturn. The Australia Bureau of Statistics has estimated 227,000 jobs were lost in May (in addition to the 594,300 lost in April). Significant announcements in June include:
 - Airlines and Travel:
 - Qantas announced on 24 June it would be cutting 6,000 jobs (of a 29,000 workforce)
 - Flight Centre is temporarily standing down or making redundant 3,800 jobs in Australia
 - Retail:
 - Woolworths supermarket announced 700 job losses due to warehouse automation.
 - In May Wesfarmers announced up to 167 Target and Target Country stores would close or be converted to Kmart stores and expected between 1,000-1,300 roles to go over the next year.
 - Myer announced 90 head office jobs would be cut.
 - Harris Scarfe is reducing from 66 to 44 stores and cutting 500 jobs (of 1800)
 - Finance:
 - Deloitte announced 700 jobs cut in Australia (of a 10,000 workforce)
 - PwC announced 400 jobs in Australia would be cut (of a 8,000 workforce)
 - KPMG announce 200 professional jobs would be cut and its workforce had accepted a 20 percent pay cut for four months.
-

- Media:
 - ABC broadcaster announced on 23 June 250 job losses
 - NewsCorp announced in May it would be cutting jobs. 375 employees would remain in regional and community divisions down from 1,300.
- Arts and entertainment
 - The National Gallery of Australia is offering voluntary redundancies after a reported \$3.6 million funding shortfall.
 - Rugby Australia has announced it will be cutting 40 percent of its staff.
- Education:
 - The National Tertiary Education Union estimates over 20,000 jobs could be cut from tertiary institutions, a range of announcements by individual providers have been made over the past two months.

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To contact the Export Helpdesk

Email exports@mfat.net

Call 0800 824 605

Visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.