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Summary

Significant economic developments in Australia this week included:

- The unemployment rate rose to 6.2 percent in April and is expected to continue rising
- The federal Government announced further support for SMEs looking to access new export markets, and for tourism operators in the Great Barrier Reef area.
- Australian and Chinese authorities exchanged public statements on market access for Australian barley and beef exports
- Health Minister Greg Hunt released a national mental health and wellbeing pandemic response plan
- Energy Minister Angus Taylor announced government funding of several renewable energy projects
- The Queensland Government directed the state's investment arm to make an offer for Virgin Australia

Report/findings

Macroeconomic impacts and outlook

The Australian Bureau of Statistics (ABS) reported that Australia's **unemployment rate rose to 6.2 percent in April**, a 1 percent rise from the March figure, and the highest rate since September 2015 (see [here](#)). During the Global Financial Crisis, Australia's unemployment rate peaked at 5.8 percent. Treasury forecasts that unemployment will peak at around 10 percent in June remain. Without the JobKeeper wage subsidy scheme, unemployment was forecast to peak at around 15 percent.

- The ABS also indicated that almost 500,000 people left the Australian labour force in the last month. Around 750,000 more people remained technically employed but had not worked an hour in the last month. The number of hours worked in April fell 9.2 percent, the largest fall ever recorded in the labour force survey. As a result the underemployment rate was also at a record high of 13.7 percent. Commentators were quick to point out that these statistics are not reflected in the unemployment rate.
- Prime Minister Morrison and Treasurer Frydenberg on Thursday publicly acknowledged these statistics made it "a very tough day" for Australia (see press conference [here](#)) and that "in the months ahead, we can brace ourselves and must brace ourselves for further hard news for Australians to take".

Government announcements

- PM Morrison confirmed that Treasury continues to review the operation of the **JobKeeper** wage subsidy scheme and that issues identified to date have been “relatively modest”. He gave no indication that substantial changes (such as significant expansions to eligibility criteria, as called for by the Opposition) are likely.
- The federal Government will invest further in an existing **SME Export Hubs Initiative** to “back small and medium sized Australian businesses to tap into new markets around the world” (see [here](#)). Ten “export hubs” across five states will receive more than \$4.9 million under the initiative (see [here](#)), with a focus on industries where Australia has “large growth potential including food and agribusiness, energy, advanced manufacturing and mining services.”
- Additional support will be provided for **Great Barrier Reef tourism operators**. An estimated \$3 million in further fee relief from the Minister for Environment’s portfolio will be provided to local tourism businesses, as well as an additional \$2.6 million from the \$1 billion COVID-19 Relief and Recovery Fund to upgrade Reef HQ’s tourism infrastructure. Tourism and Trade Minister Simon Birmingham said “We want to ensure that tourism businesses can continue to operate on the other side and play a major role in helping the industry, and ultimately our economy, to recover from this” (see [here](#)).
- Minister Taylor announced government funding of several **renewable energy projects** through the Australian Renewable Energy Agency (ARENA). ARENA will provide \$1.71 million to BP Australia to evaluate the feasibility of building a renewable hydrogen and ammonia production facility in Western Australia (see [here](#)). ARENA will also provide \$1.1 million in funding to APA Group to build a modular demonstration plant in outback Queensland. The plant will produce around 620kg of hydrogen per year, which will be converted into 74 gigajoules of renewable methane. APA has partnered with Southern Green Gas to develop the \$2.2 million project to develop the renewable methane process. Methane will be generated using solar-generated electricity, water and CO2 from the air, and can then be stored in existing natural gas pipelines (see [here](#)).
- Health Minister Greg Hunt released a **national mental health and wellbeing pandemic response plan** ([here](#)), with a \$48 million budget. “The stress of concerns about health, the loneliness of isolation, anxiety about a job, a small business’s set of finances, the mortgage – all of these pressures which come with the pandemic have created specific mental health challenges...so one of the most important things we can do is to provide mental health support.”
- PM Morrison indicated that the current **free provision of childcare** is “not a sustainable model for how the childcare sector should work, and nor was it intended to be”. Education Minister Dan Tehan has been tasked with reviewing how childcare will operate after the programme expires on 28 June (see [here](#)).

Major business developments

- Earlier this week **China indicated that it was considering imposing tariffs of up to 80.5 percent on Australian barley** as soon as 19 May, as a result of an anti-dumping investigation

initiated in November 2018. Separately, China's Foreign Ministry spokesperson confirmed that **market access for four large Australian export beef abattoirs had been suspended** because of "repeated violations of inspection and quarantine requirements".

- In response, Trade Minister Simon Birmingham said that Australia will respond "thoughtfully, respectfully to China on the issues they've raised around beef and barley...addressing those compliance issues, addressing the economic arguments" and that he hopes China "will make their decisions based on the evidence as it relates to those issues". Earlier in the week he issued a statement saying the Australian Government is "deeply concerned by reports that unjustified duties may be levied on Australian barley imports into China." He said Australia will use the remaining time before China finalises its decision to "continue our efforts to resolve this matter satisfactorily and will seek to uphold the integrity of our world-leading barley producers" (see [here](#)). Minister Birmingham also publicly advised every Australian exporter to understand labelling requirements and quarantine and customs processes and ensure they are "dotting their i's, crossing their t's".
- The Queensland Government has directed the state's investment arm to make an offer for **Virgin Australia**. The deadline for initial offers on the struggling airline is 6pm on 15 May, and at least three other serious offers are also expected. Queensland Treasurer Cameron Dick has focused on saving Virgin's 5000 jobs in the state. Federal (Coalition) Ministers have openly criticised the state (Labor) Government's decision (see [here](#)).

Restriction wind-downs

- Australia's states and territories (including Victoria and New South Wales) have relaxed various restrictions on gatherings and business operations this week.

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