Australia's Households Are Running for Cover

Introduction

What's happening in Australia because of COVID-19 is expected to be replicated across the globe.
Australia is a typical example of how COVID-19 has brought increasing restrictions to everyday life and economic activity as the number of confirmed cases continues to rise. Quantifying the economic impact at this stage is difficult given that most data are monthly and released with a lag. With this in mind, we turned to the ANZ-Roy Morgan Consumer Confidence weekly survey and OpenTable daily dining data.

Both data series show shocking results and begin to quantify the impact of the virus on Australia’s household sector, which makes up 55% of GDP. What we observe for Australia is expected to be broadly replicated across the globe, as similar restrictions on households have been imposed and restrictions are rising. India is the latest example, imposing a nationwide lockdown for 21 days starting Wednesday.

In the week ended 21 March, Australian consumer confidence fell by 28%, according to the ANZ-Roy Morgan sentiment survey. The headline index now sits only slightly above the record low in 1990, around the time of Australia’s last recession. Consumer confidence is 17% lower than the lowest point during the trough during the global financial crisis of 2008-2009. Australia is experiencing recession conditions that are expected to deteriorate further as increasing restrictions are imposed to contain the coronavirus. GDP is on track to contract by 0.7% q/q in the March quarter and a further 1.1% in the June quarter.

Delving deeper, all subcategories sharply deteriorated. The current financial conditions category dropped by 23.9%, while future financial conditions shed 25.8%. Current economic conditions dropped by 37.1% and time to buy major household items was 37.2% lower over the week. Like most economies throughout the Asia-Pacific region, Australia’s consumer sector underperformed through 2019 as broader economic growth fell shy of potential. Now households have run for cover, taking the lead of governments encouraging them to stay home.
OpenTable data show the year-on-year figures of seated diners covered by restaurants that use the OpenTable network. It includes online and phone bookings as well as walk-ins. The numbers eating out at Australian restaurants have collapsed as the virus has progressively infected more of the population. New South Wales and Victoria combined account for almost 60% of Australia’s total population and these states follow the national trend of a slump in dining out expenditure.

It’s been a rough run for Australia’s services sector. It took a beating from the December quarter with the bushfires that caused widespread cancellations of local and international travel plans during the peak summer months and discouraged eating out at restaurants and cafes due to the unprecedented air pollution that lingered from December through February. COVID-19 has been an added and more significant hit.
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