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TREASURER

IMPACT OF THE FIVE-DAY LOCKDOWN

ISSUE

Both the Treasurer and Shadow Treasurer have requested briefings on the economic impact of the five-day lockdown, designed to minimise any spread of COVID-19, as a result of a quarantine guard who was found to have COVID-19 having travelled to various parts of Perth.

RECOMMENDATION

That you note the information provided in this minute, including that the recent lockdown period is expected to have had:

- a negligible impact on Gross State Product, estimated at around \$120 million or less than 0.05%; and
- an impact on hours worked, rather than employment levels.

BACKGROUND INFORMATION

On 31 January 2021, the Premier announced that as a result of the first identified case of community transmission of COVID-19 in around 10 months, the Government was placing the Perth, Peel and South West regions of Western Australia under lockdown from 6.00pm, Sunday 31 January to 6.00pm, Friday 5 February.

While there were limited reasons that people could leave their homes during the period, a broad range of essential providers/workers were eligible to leave their homes to undertake their duties.

As noted in the Pre-election Financial Projections Statement (PFPS), the five-day lockdown is not expected to have a material impact on the State's economic growth.

The economic impact of the five-day lockdown is negligible relative to an alternative scenario outlined in the 2020-21 Budget. Under this alternative six-week lockdown scenario, it was estimated that the State's domestic economy could be reduced by \$5.6 billion and employment could fall by around 30,000 persons.

A key difference between the five-day lockdown and the six-week scenario is that the five-day lockdown is short enough that employers and employees are likely to have sought means (e.g. leave) to have remained connected. As such, there is expected to be a negligible impact on employment under the five-day lockdown. Moreover, businesses and consumers are more likely to be capable of seeing through a short lockdown rather than a more extended lockdown, which would have significant consumer and business confidence effects. Investment by businesses would not be likely to be materially affected under a shorter lockdown, but could be materially affected under a longer lockdown.

Impact of five-day lockdown (excluding social distancing after end of lockdown)

The five-day lockdown is not expected to have a material impact on economic growth in Western Australia, given:

- the short duration of the lockdown;
- activity in significant sectors of the economy is expected to be largely unaffected, with mining, construction, many professional services (which can often be undertaken by working from home), freight and other sectors deemed either essential services or where a substantive proportion of work can be undertaken remotely (i.e. working from home);
 - the mining, construction and professional services industries alone, which are expected to be largely unaffected, account for more than 50% of the Western Australian economy; and
- timing and mode of activity:
 - there was a spike in some purchasing (i.e. food and other perishable items) on Sunday, 31 January 2021, between the announcement and start of the lockdown, bringing purchases forward. Bankwest reported that the anticipation of the announcements alone was enough to lead to sales spikes at supermarkets (ending the day 47% above normal trading) and pharmacies (ending the day 108% above average sales). Sales of liquor and beer were up 200% on a normal day on the Monday of the lockdown;
 - some activity will have been pushed out beyond the lockdown. Likely examples include: purchases of homes, vehicles and durable/non-perishable items; and
 - consumers may have switched some spending from in-store to online spending, although they may not have received items during the lockdown period itself.

Recreational and culture-related activities (such as cafes, restaurants, bars and pubs) and entertainment venues (such as casinos and theatres) are likely to be most impacted.

Quantifying the economic impact of the five-day lockdown requires a large number of simplifying assumptions. The following analysis is based on five days of lockdown only (it assumes an immediate resumption in activity thereafter which is considered reasonable given the brevity of the lockdown). It does not include any post-lockdown catch-up spending. It is also based on assessments of activity that would have been materially impacted.

Confidential credit and debit card data provided by the Commonwealth Bank of Australia (CBA)* (and **not for distribution**), and summarised in the table and charts in **Attachment A**, indicates that:

- total CBA card spending fell by 14.6% in the week ending Friday, 5 February, compared to a 1.8% increase nationally. This decline was from a very high level of spending that has occurred since the initial period of COVID-19 restrictions. Despite the decline in the week, total CBA card spending in Western Australia during the week of the five-day lockdown was the around the level of spending in early January 2020 (i.e. pre-COVID);
- the most notable declines in spending occurred in cafes, restaurants and takeaway services, household goods retailing, and clothing and footwear retailing;
- declines in these categories were partially offset by a rise in food retailing and small increases in some categories such as domestic power and fuel;
- in-store spending fell by 24.9% during the week while online spending rose by 9.8%. Given the relative size of the two modes of activity, the increase in online spending only offset a small proportion of the decline in in-store spending during the week; and
- the decline in weekly card spending has varied by region. For example, spending in inner Perth (which captures the Perth City and Cottesloe-Claremont Statistical Area) fell by 15% in the week and overall spending remains lower than the State average.

Applying the decline in card spending underpinning the CBA data for the week ending 5 February (–14.6%) to retail trade data (using December retail as a base), the value of retail trade in the week would have declined by around \$120 million.

Based on an alternative approach using hours worked data, it is estimated that over the five days of the lockdown:

- hours worked in cafes and restaurants (excluding takeaway), pubs and clubs would have declined by around 1.05 million hours with gross value added estimated to be down \$36 million; and
- in the areas most affected by the lockdown (retail, cafes and restaurants, vehicle rentals, recreational and cultural-related activities, and personal services), an estimated total of 2.8 million hours could have been lost. This equates to around \$120 million in gross value added (this includes the \$36 million from cafes and restaurants above);
 - this equates to less than 0.05 percentage points of annual Gross State Product (worth \$292 billion in 2019-20); and

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- this is based on zero hours of activity in the following areas: motor vehicle and motor vehicle parts retailing; furniture, electrical, recreational, clothing, department store retailing; cafes and restaurants, pubs and clubs; motion pictures and video activities; vehicle rentals; museums, parks, creative performing art activities, sports and physical recreation activities, horse and dog racing, amusement and gambling; as well as personal care services and other personal services.

The lockdown is not expected to reduce employment/increase unemployment, given the short period of the lockdown, the nature of the ABS survey and the way they define 'employment', and given that employers/employees are likely to initiate measures to remain connected post lockdown. The largest impact is likely to have been on casual workers who account for around 21% of Western Australia's workforce, but account for more than half of workers in the Accommodation and Food Services industry and almost 30% of Arts and Recreation Services.

Any changes to ABS labour force respondents' circumstances as a result of the lockdown are likely to be captured in the February Labour Force data, to be released on 18 March. However, the nature of the survey means that the impact of the lockdown, as reported by the ABS, may be somewhat diluted. This reflects that only part of the sample for the month of February will be asked about their circumstances in the week commencing 31 January (i.e. the period capturing the lock-down).¹

Furthermore, any change to a respondent's labour force status is expected to be captured in hours worked, rather than employment. This reflects that the ABS definition of employment includes persons 'not at work' due to temporary absence from a job. Further, to be recorded as unemployed, a person would have to not be employed and be actively seeking work. As such, employees are unlikely to record themselves as meeting these criteria if they have an undertaking from their employer to continue employing them during lock-down.

South Australian lockdown

Consistent with the above analysis, the three-day lockdown in South Australia in November 2020 (19 to 21 November) does not appear to have had a material impact on activity in that State. In particular:

- while consumer confidence experienced a decline following the shutdown, that appears to have been temporary given a subsequent improvement in January 2021. Moreover, the measured decline in confidence did not have a significant impact on retail trade in the month. Retail trade in South Australia only fell marginally during November (−0.2% or −\$4.2 million), which is within the bound of usual variability;

¹ The monthly ABS labour force sample is split and interviewed over two weeks. For the February labour force survey, some of the sample will be surveyed on their labour force status during the week commencing 31 January, and the other part on their status during the week commencing 7 February.

- a 17.1% (or \$36.8 million) decline in 'cafes, restaurants and takeaway' retailing as well as smaller declines in 'household goods', 'clothing and footwear' and 'department stores' retailing were almost entirely offset by growth in 'food' retailing (3.7% or \$32.3 million) and 'other' retailing (4.4% or \$13.1 million);
- business confidence may also have been affected, albeit only modestly and briefly with a slight decline of 1.5% in November (the smallest decline in nine months) followed by a large rebound in December; and
- employment declined by 0.1% (or 535 persons) between November and December while the unemployment rate increased 0.2 percentage points from 6.2% to 6.4%, with labour force participation remaining unchanged. These variations are within the normal band of volatility in variables.



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 6551 2553

10 February 2020

Noted

Approved

Not Approved

Noted

Roger Martin
CHIEF OF STAFF

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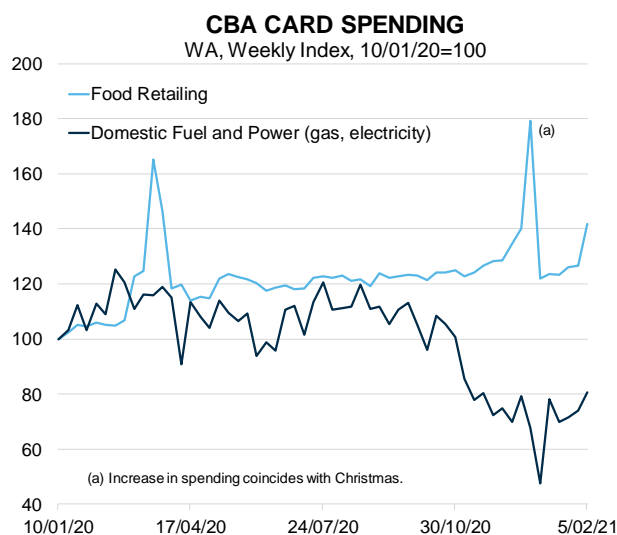
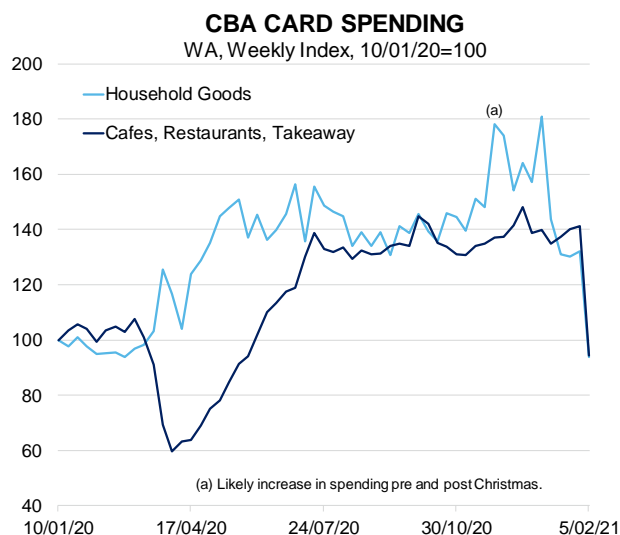
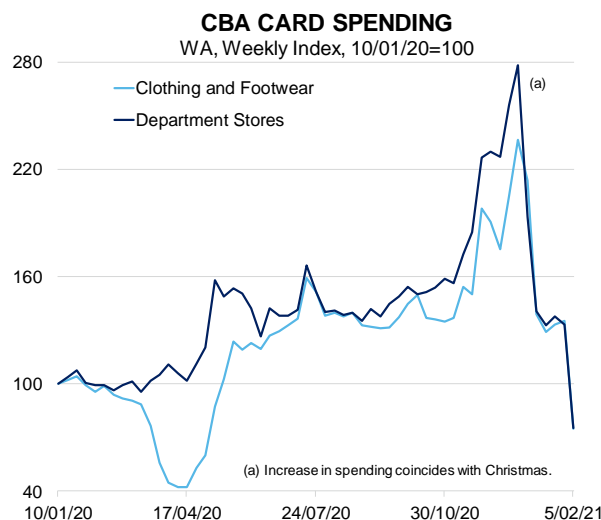
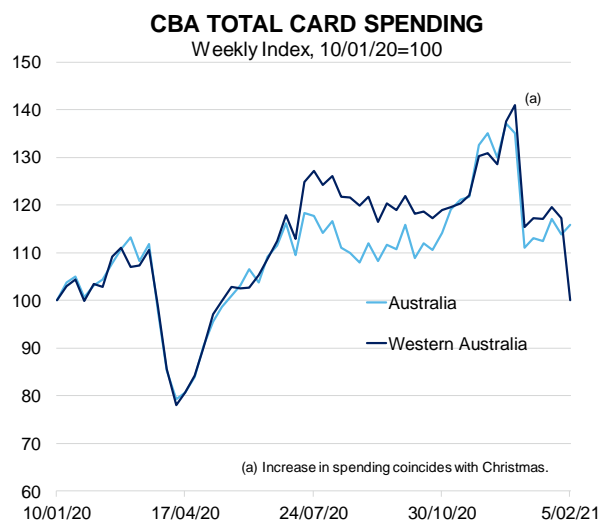
Ben Wyatt MLA
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CONFIDENTIAL CBA CREDIT CARD DATA

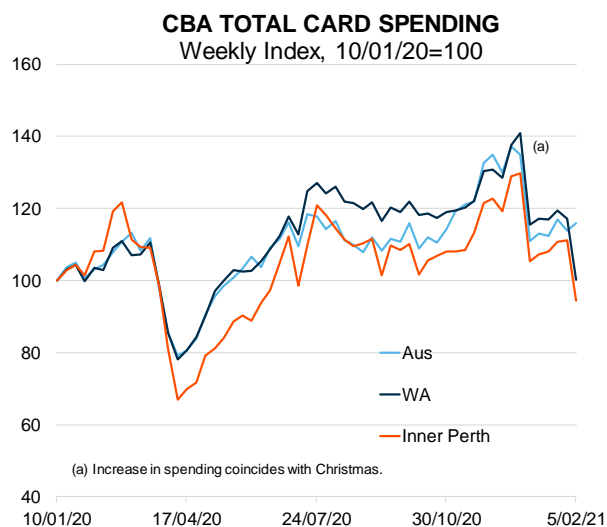
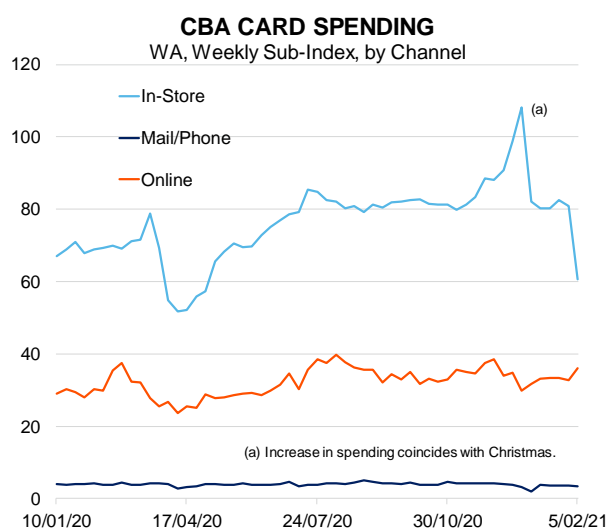
(NOT FOR FURTHER DISTRIBUTION)*

The following charts illustrate trends in total CBA card spend and trends in categories of spend.



Source: Charts based on spend by CBA customers through consumer credit and debit cards.

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The following table highlights weekly change and a comparison of activity relative to the first week of February 2020.

Table 1: Western Australia CBA Card Spend by Category^(a)

	Weekly Change %	Year-ended Weekly Change %
Total Card Spend	-14.6	-3.2
Retail Trade Categories		
Food Retailing	12.1	34.0
Clothing and Footwear	-44.6	-21.6
Department Stores	-43.5	-24.2
Household Goods	-28.9	-1.3
Other Retail Trade	-14.9	6.3
Non-Retail Trade	-16.0	-16.6
Channel		
In Store	-24.9	-11.9
Online	9.8	18.8
Mail/Phone	-5.6	-19.0
Other Categories^(b)		
Travel and Tourism	-44.9	-67.3
Domestic Power and Fuel	9.1	-28.5

(a) It should be noted that CBA card spending is nominal, original data. It does not accurately reflect the Australian Bureau of Statistics' measure for household consumption which uses different data to derive its estimates and also includes spending components not covered by credit and debit card spending (such as cash transactions, transfers for rent, etc).

(b) May overlap with retail trade categories in some instances.

All Statistical Area 4 (sa4) regions in WA recorded a decline in spending in the week-ending 5 February.

- This may indicate that sentiment and a heightened fear of contracting COVID-19 had an impact on spending WA-wide.
- However, SA4 areas that were not subject to the lockdown recorded more modest declines over the week than in the Perth and South West region.

Table 2: Western Australia CBA Card Spend by SA4^(a)

	Weekly Change %	Year-ended Weekly Change %
Western Australia	-14.6	-3.2
Statistical Area-4 Regions		
Inner Perth	-15.0	-12.6
Perth - South West	-14.8	-4.6
Perth - South East	-15.3	-1.1
Perth - North West	-16.7	-5.9
Perth - North East	-15.8	-1.8
Mandurah	-13.7	0.3
Bunbury	-17.1	-5.7
Wheatbelt	-7.9	8.4
Outback (South)	-5.4	9.1
Outback (North)	-7.5	6.4

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

SUPPLEMENTARY INFORMATION NO. A2

Department of Treasury

Hon NICK GOIRAN: The Treasurer's special purpose accounts, how many of them exist at the moment?

Mr BARNES: I would have to get back to you on that one, member. There is a number. The two examples that I mentioned, the ones off the top of my head, are around royalties for regions and the future health research and innovation fund. But they are listed in Treasury's annual report, so I am happy to provide that list to you, if that would be helpful.

Hon NICK GOIRAN: We can take that on notice.

The CHAIR: What was it for?

Hon NICK GOIRAN: The number of special purpose accounts that are held by Treasury at the moment.

Answer: There were 23 Treasurer's Special Purpose Accounts as at 30 June 2021, as listed in the table below.

#	Account Name
1	Accrued Salaries
2	Bankwest Pension Trust
3	Commonwealth Payments For Specific Purposes Account
4	Debt Reduction Account
5	Departmental Receipts in Suspense
6	Independent Schools – General Building Grants
7	Independent Schools – Recurrent Grants Schools Assistance Acts
8	Jervoise Bay Infrastructure Development Trust Account
9	Local Authorities Tax Sharing Entitlements Account
10	Mortgage Moneys Under the Transfer of Land Act 1893
11	National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse
12	Non-government Schools – Other Recurrent Grants
13	Noongar Land Fund
14	Perry Lakes Maintenance Account
15	Perth Children's Hospital Account
16	Perth's New Major Stadium Construction Account
17	Public Bank Account Interest Earned Account
18	Royalties For Regions Fund
19	Statutory Authorities Investment Account
20	Strategic Alliance Fund
21	Tariff Equalisation Fund
22	Western Australian Future Health Research and Innovation Fund
23	Women and Newborn Health Service Reallocation Account

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

SUPPLEMENTARY INFORMATION NO. A3

Department of Treasury

Hon NICK GOIRAN: Further to that, in your presentation you mentioned that you have got delegated authority to approve exemptions from *Treasurer's instructions* requirements. How many of those exemptions are currently in place?

Mr BARNES: Not many, member. They are few and far between. Where an agency does successfully get an exemption, they have to report it in their annual report, but they are few and far between.

Hon NICK GOIRAN: Are there any examples of exemptions that have been provided for more than one financial year, so it is a recurring exemption for any particular reason?

Mr BARNES: Nothing-I cannot recall off the top of my head any in that category, but I can take that on notice, if you like.

Hon NICK GOIRAN: If we can take that on notice.

Answer:

Under Treasurer's instruction (TI) 104 *Exemptions*, agencies may seek an exemption from one or more TIs by preparing a written application which states the reasons for applying and any proposed alternative actions or procedures.

Exemptions that exceed one financial year include:

Treasurer's instruction	Reason for exemption
TI 206 <i>Banking of Money</i> Paragraph (1) requires a Chief Finance Officer to ensure that monies received are banked on a daily basis.	WA Police is exempt from TI 206(1) to allow found money that is less than \$200 to be held for up to 20 working days before being banked where the owner is known or able to be identified.
TI 322 <i>Debit Cards</i> Debit card facilities are not to be used.	WA Police is exempt from TI 322 to allow the use of debit cards by legally assumed identities in relation to the operations of the <i>Witness Protection Act 1996</i> and the <i>Criminal Investigations (Covert Powers) Act 2012</i> .
TI 323 <i>Timely Payment of Accounts</i> Paragraphs (3) and (4) require that all payments under \$1 million for goods or services and for works or construction will be made within 20 calendar days.	The Department of Education has a partial exemption from TI 323 for the summer school holiday period only when schools are not staffed.

<p>TI 406 <i>Custody of Public Property</i></p> <p>Paragraph (1) requires a complete check of assets against an asset register at least once every three financial years.</p>	<p>The Art Gallery of Western Australia, WA Museum and State Library of WA have a partial exemption from TI 406(1) to facilitate the use of a sample-based stock count methodology given the size of their collections.</p>
<p>TI 824 <i>Chief Finance Officers</i></p> <p>Paragraph (2)(i) requires that the substantive occupant or the occupant acting beyond a period of three months, be suitably qualified.</p>	<p>The Minerals Research Institute is exempt from TI 824(2)(i) for the duration of the current Chief Executive Officer's tenure on the basis that the position continues to receive appropriate professional and technical support from a 'suitably qualified' source such as a professional accounting firm.</p>
<p>TI 904 <i>Key Performance Indicators</i></p> <p>Paragraph (2)(iv) requires an agency to disclose key effectiveness indicators for each agency level government desired outcome in its annual report.</p>	<p>The Department of Finance is exempt from having a key effectiveness indicator for 'Corporate Services to Client Agencies' because it was considered more appropriate and effective to measure performance through Service Level Agreements with clients.</p>
<p>TI 953 <i>Publication and Presentation of Estimates</i></p> <p>Paragraph (5)(ii) requires the annual estimates to be published, as soon as practicable, on an agency's website.</p>	<p>The Legal Contribution Trust is exempt from TI 953 (5)(ii) as the agency does not have a website. The annual estimates will instead be published in the agency's annual report.</p>
<p>TI 1102 <i>Statements of Comprehensive Income</i></p> <p>Paragraph (11)(i) requires that where a liability has been assumed by the Treasurer or another entity, income equivalent to the amount of the liability assumed shall be recognised except where the assumption of the liability is in the nature of a contribution by owners.</p>	<p>The Department of Justice (Justice) is exempt from TI 1102(11)(i) in relation to the Judges Pension Scheme given Justice does not manage the Scheme; the liability fluctuates widely each year which distorts financial indicators; and the liability is reported within the Annual Report on State Finances.</p>

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

SUPPLEMENTARY INFORMATION NO. A4

Department of Treasury

Hon NICK GOIRAN: My last question is quite specific so you may choose to take this on notice: with respect to the consolidated accounts, one of the various pieces of expenditure that comes from it is payments to victims of crime for compensation, but also what happens is that the state has a capacity to recover some of those payments from the convicted perpetrator. I appreciate this is quite specific, but is that information that you would be able to provide to us in terms of perhaps the last financial year, or even the last three financial years, in terms of how many payments have gone out to victims from the consolidated account and how much has been recovered from perpetrators?

Mr BARNES: I believe that we can get that information. We will certainly endeavour to do so.

Answer:

The table below details the number and total value of compensation awards to victims of crime, along with amounts recovered from offenders pursuant to the *Criminal Injuries Compensation Act 2003*.

	2017-18	2018-19	2019-20
Number of compensation awards	1,526	1,829	2,488
Total value of compensation awards (\$'000)	28,552	32,544	45,376
Amount recovered from offenders (\$'000)	1,559	1,637	1,684