



RBA decision shores up debt market

NEALE PRIOR

The Reserve Bank has moved to bolster Australia's business debt market by allowing top-level corporate bonds to be used as collateral for its institutional liquidity activities.

While keeping the cash rate on hold at 0.25 per cent yesterday, the Reserve ruled that investment-grade debt securities could be used by authorised deposit-taking institutions when borrowing from the central bank.

The broadening of debt securities from government and semi-government securities was unveiled yesterday despite Reserve Bank governor Philip Lowe painting a cautiously optimistic picture in a briefing after the bank's board met.

Dr Lowe said markets were working better than they were a month ago but conditions had not normalised. "This improvement reflects both the decline in infection rates and the substantial measures undertaken by central banks and fiscal authorities," he said.

"Credit markets have progressively opened to more firms and long-term bond rates remain at historically low levels."

The Reserve twice cut interest rates in March as coronavirus anxiety hit financial markets, but it did not follow other central banks in broadening the range of debt securities usable in its domestic market operations.

RBC economist Su-Lin Ong said the Reserve's move had caught her team off guard given the improvement in risk sentiment.

She said the move would be a "sizeable positive" for the Australian dollar corporate debt market.

Dr Lowe said if COVID-19 containment continued to be successful the global economy would start to recover this year.

GSFM adviser Steve Miller said the reserve had drawn comfort from the fiscal responses by Federal and State governments.

"Of course, what the bank had been noting for a while was that additional or conventional monetary policy is close to exhausted and a fiscal response was necessary," Mr Miller said.



FUTURE COULD LACK SKILLED STAFF

ANNABEL HENNESSY

WA could be facing a skills shortage as a result of COVID-19, with advertisements for apprentices down 80 per cent on some websites. The State had been struggling with a decline in apprentices over the past five years, but industry figures fear if the decline is exacerbated, there will be an increased reliance on overseas workers.

Data from Global Apprenticeship Network which tracked the number of apprenticeships promoted on job-searching sites. Indeed found just 14 new apprentice-ship ads had been advertised on

the site last month. Last year 82 new apprenticeships had been advertised over the same month, a fall of more than 80 per cent.

Across the country the number of new apprenticeships advertised on Indeed had fallen 75 per cent from January, from 1731 to just 468 in April.

On rival employment site Seek.com yesterday just 40 apprenticeships were being advertised in Perth.

WA had already been facing a decline in apprentices, with data from the National Centre for Vocational Education Research showing commencements have fallen from 26,080 in 2015 to 17,200 last year.

East Cannington apprentice chef Vavine Skillbeck, 25, told WestBusiness she was reconsidering her apprenticeship after being stood down.

"I would like to keep working in the industry but there is a lot of uncertainty," she said.

"My dad was a chef so I grew up in the industry and have seen it go through highs and lows... but I've never seen it get this bad."

Ms Skillbeck, pictured right, said many of her friends were also reconsidering their apprenticeships in light of the pandemic, but she was worried whether this would create a skills shortage longer term.

"We need to have a serious conversation about hospitality and trades in general, Australia almost runs off trades, but where are we going to be in three to five years," she said.

Iain McDougall, pictured right, who is general manager at Hospitality Group Training WA and board member of the Australian Industry Skills Committee, said he was fearful the pandemic was going to add to the State's existing shortage of chefs and cooks.

Mr McDougall's business employs 100 apprentice chefs

who work in restaurants and cafes across Perth. He said 80 of them had to be stood down after Prime Minister Scott Morrison announced venues would be limited to takeaway only.

While Mr McDougall has been able to provide his employees with JobKeeper, their apprenticeships are in suspension.

"The biggest problem is going to be getting them back into work once restrictions are lifted," he said.

He was fearful this would lead to lower apprentice completion rates and a long-term shortage of trained chefs and cooks in WA, meaning a greater reliance on overseas workers.

"Within three years the State will need 2000 cooks and chefs," he said.

Mr Morrison said yesterday that after successfully flattening the coronavirus curve, Australia's next challenge was tackling unemployment.

He said National Cabinet would make a decision on Friday about COVID-19 restrictions, which were estimated to be costing the economy \$4 billion for each week they continued.

"That cost will continue so long as we have Australia-



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Apprentice chef Vavine Skillbeck

lians in a position where they are unable to open their businesses and able to go back to the offices, children unable to go back to school, and the many restrictions in place," he said.

"But to get Australia back to work, we have to get Australians back to work in a COVID-safe economy. The National Cabinet is working very hard to define what that national COVID-safe economy looks like, so we can move towards that."

A spokesman for Employment Minister Michaela Cash said the JobKeeper payment

would help many apprentices stay connected with their employers and the Government would monitor what additional assistance was going to be necessary.

Support is also being provided through the \$1.3 billion Supporting Apprentices and Trainees initiative, which gives small businesses a 50 per cent wage subsidy to retain their apprenticeship up to September 30.

As at April 30, claims for 15,562 apprenticeships and traineeships had been finalised, resulting in a total of \$72.7 million in payments.

Dire figures show 160k unemployed

JOSH ZIMMERMAN & ANNABEL HENNESSY

Grim new payroll data suggests 160,000 West Australians are now jobless, with the unemployment rate barreling past 11 per cent.

The figures, released by the Australian Bureau of Statistics yesterday, suggest 90,000 WA jobs (6.6 per cent) disappeared in the five weeks to April 18 following the introduction of stringent COVID-19 restrictions.

The ABS data also found total WA wages had plunged 9 per cent over the same period.

The State's unemployment rate stood at 5.4 per cent at the start of March but the addition of up to 90,000 jobless West Australians would push that figure to 11.6 per cent.

Because some people work multiple jobs, Treasurer Ben Wyatt estimated the actual number of people who lost employment over the five-week period was closer to 80,000, which would suggest an unemployment rate of about 11 per cent.

Even using Mr Wyatt's more conservative estimate, the number of jobless West Australians would have more than doubled from 78,000 to close to 160,000.

"For a Government that has been utterly determined to create jobs at this scale of unemployment, and the impact on hardworking local businesses, is devastating," Mr Wyatt said.

"I am hopeful that, as a result of the discipline shown by Western Australians... we might be able to get these people who have lost their jobs back into work much sooner than we could have hoped for just a few weeks ago."

Chamber of Commerce and Industry WA chief economist Aaron Morey predicted the worst of the job losses were close to over but said some industries had been left devastated.

Mr Morey believes the JobKeeper program will mean the unemployment rate drops more rapidly than in previous recessions, which have taken years to recover from.

At a time when 650,000 and 700,000 Australians (7.5 per cent of all jobs) were pushed out of work, with wages falling 8.2 per cent.

Picture: Nic Ellis

Economy on 'way back' up

Goldman Sachs Group and Morgan Stanley economists said there is evidence the world economy is recovering from the coronavirus and the restrictions on businesses and consumers.

"Economic activity has probably bottomed now," Jan Hatzizis, chief economist at Goldman Sachs, said in a report.

"Lockdowns and social distancing are starting to diminish as many countries are cautiously reopening their economies."

Goldman Sachs predicted advanced economies will contract an average 22 per cent in the current quarter before growing 16 per cent in the next three

months and 13 per cent in the final quarter of the year.

Morgan Stanley chief economist Chetan Ahya said in a report "a number of the high-frequency indicators we track suggest the global economy is in the process of bottoming out."

Consumers' expectations have improved, mobility trends have risen from their troughs and household spending is contracting more slowly, he said.

"Our read is that China's economy bottomed in February, and we think the euro area has likely troughed in April with the US following suit from late April," Mr Ahya said.

Virtual AGMs given official green light

SEAN SMITH

The Federal Government has officially given the go-ahead for companies to hold their annual general meetings online to allay COVID-19 health concerns.

Companies including Woodside Petroleum have already hosted virtual AGMs to allow shareholders or most directors in attendance and questions emailed in advance under relief provided by the Australian Securities and Investments Commission seven weeks ago.

Federal Treasurer Josh Frydenberg said the relief would be temporarily enshrined in the

Corporations Act from today, relieving companies from potential legal action for moving the meetings online.

The Government has also legalised digital signatures to smooth business disrupted by the coronavirus.

"The changes being announced today will allow companies to convene annual general meetings, and other meetings prescribed under the Corporations Act, entirely online rather than face-to-face," Mr Frydenberg said.

"The changes will also give businesses certainty that when company officers sign a docu-

ment electronically, the document has been validly executed," he said.

AGMs must continue to provide shareholders with "a reasonable opportunity" to put questions to board members online and also vote.

"It is this flexible and nimble approach to our regulatory frameworks that we will need to take forward into the recovery phase," Mr Frydenberg said.

The Corporations Act allows hybrid meetings, which comprise physical and online participation, but there was previously no provision for all virtual meetings.

Global financial 'shockwaves to ripple across Australia'

MEILIN CHEW

A former senior Federal Treasury official has warned that Australia will need to prepare for global financial COVID-19 shocks on the economy, even as domestic measures are lifted.

Greg Smith, former Commonwealth Grants Commission chairman, said now was the time to get on with the economic agenda, but warned the impact on Australia would come not just from the policies implemented domestically, but from other countries responded over the next few years.

He said Australia needed to assume that the impact, much like the Global Financial Crisis, would be coming "as much from international problems, as our internal circumstances."

"That creates the probability that we will need fiscal and monetary readiness, not just until we bounce back in a few weeks time from our own shutdown, but we may need to be ready for all types of shocks coming through the world economy to us through the world's financial system," Mr Smith said.

"We have got this rolling

sequence of events hitting different parts of the world economy... we've got the oil industry in a very serious mess, these things will impact on commodity prices, they'll impact on our exports, on people movement."

Mr Smith, addressing a CEDA presentation yesterday, also called on the Federal Government to release an economic statement to address a looming "mismatch" with its stimulus measures and the Budget.

He said a stop to the JobKeeper and JobSeeker programs as planned in September, without some form of replace-

ment in place, would be a sudden "cliff-edge", and clarification regarding the strategy was needed.

"The Budget is set down for October, but the economic crisis response is set down to expire in September," he said.

His warning comes as former Reserve Bank governor Glenn Stevens urged for the economy to be restarted earlier rather than later, in a bid to stem burgeoning government debt.

"For Australia the real economy impact is obviously much bigger than the downturn at the end of 2008 was, because it's a

very different event," he said at a conference yesterday.

Deloitte Access Economics partner Matt Judkins said increasing relaxation of restrictions in less "at risk" but economically important sectors had to be the priority.

"As the economy recovers it is important that broader economic support through JobKeeper, etc, is removed as this reduces any ongoing reliance on handouts — which is not very West Australian," he said.

"Some of the priority areas... include ensuring our workforce is work ready."