



# AUSTRALIA'S PATH OUT OF LOCKDOWN PAVED WITH POTHOLE

# Agenda

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- The consensus view is that Australia's economic rebound will be swift once lockdowns ease.
- But there is good reason to believe that recovery will be patchy this time around given we won't eliminate the virus.
- More policy stimulus will be required.

# Consensus view wrong?

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- Treasury and economists are predicting a downturn of between 2% and 4% Q3 2021.
- But then the economy is expected to bounce back swiftly:

*"As for the December quarter, I'm hoping that it rebounds strongly off the back of the easing of (coronavirus) restrictions"*

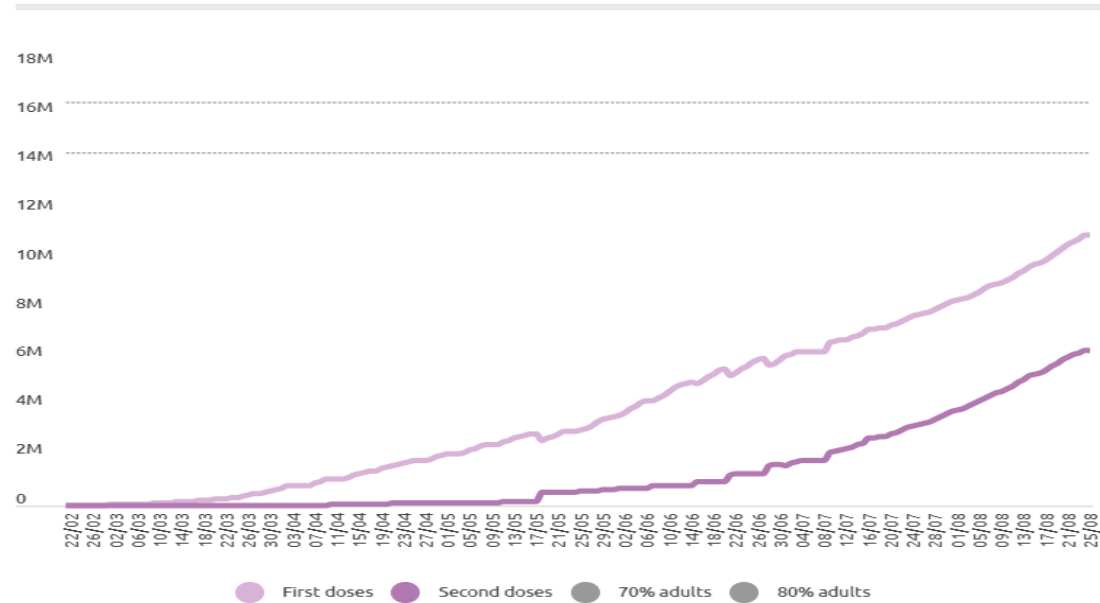
*"We know from our experiences in the economy last year, we rebounded strongly".*

*Treasurer Josh Frydenberg – Wednesday 25 August 2021*

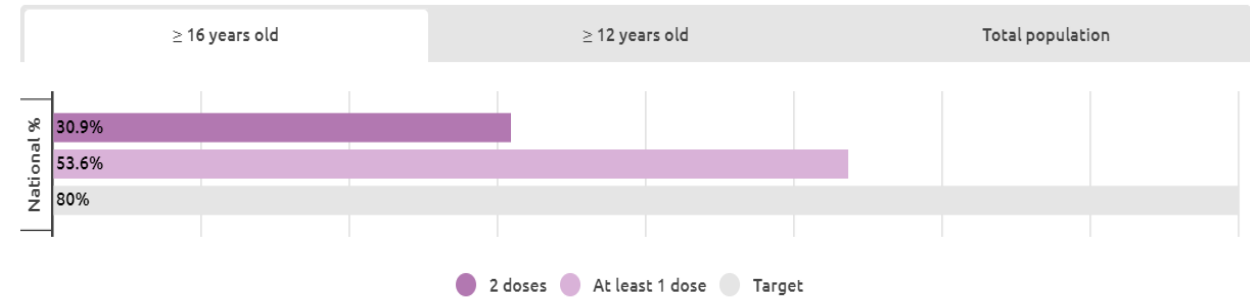
- Economists have formed this view because economic activity snapped back very quickly over the past year each time a lockdown ended.
- But this time is likely to be different and the economic rebound will be weaker.

# Australians will be living with the virus

## Total vaccine doses delivered in Australia



## % population vaccinated (click tab)



- This time around, lockdown won't end because COVID cases are zero, but because a vaccination threshold has been met.
- Cases will likely explode across Australia once we do reopen, resulting in ongoing restrictions.
- Economic recovery will be bumpier.

# Israel a cautionary tale for Australia

## Daily new confirmed COVID-19 cases

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.

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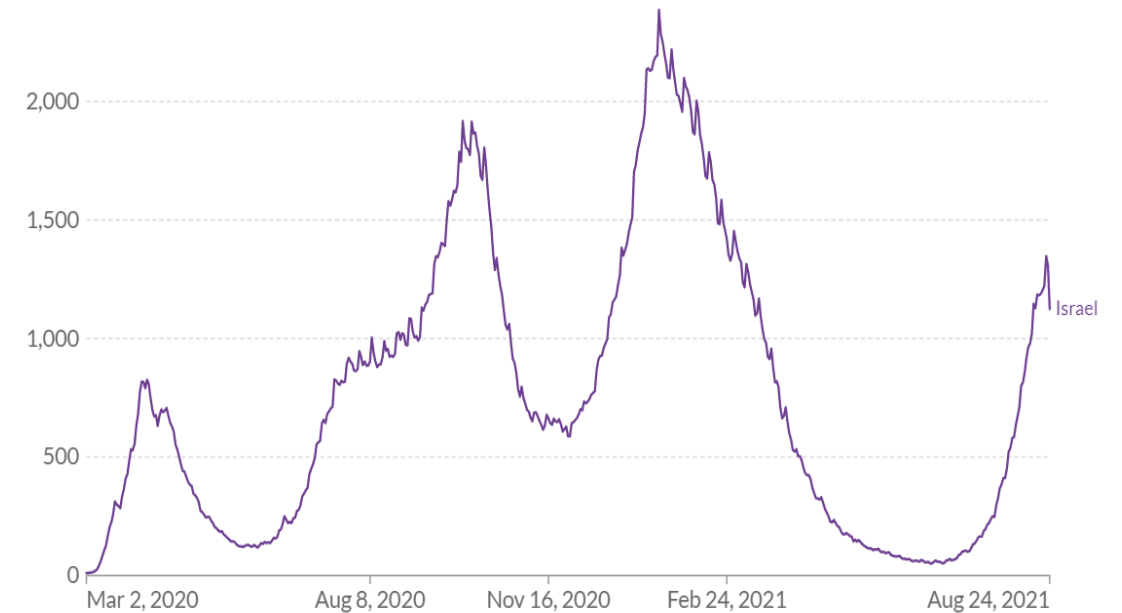
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## Number of COVID-19 patients in hospital

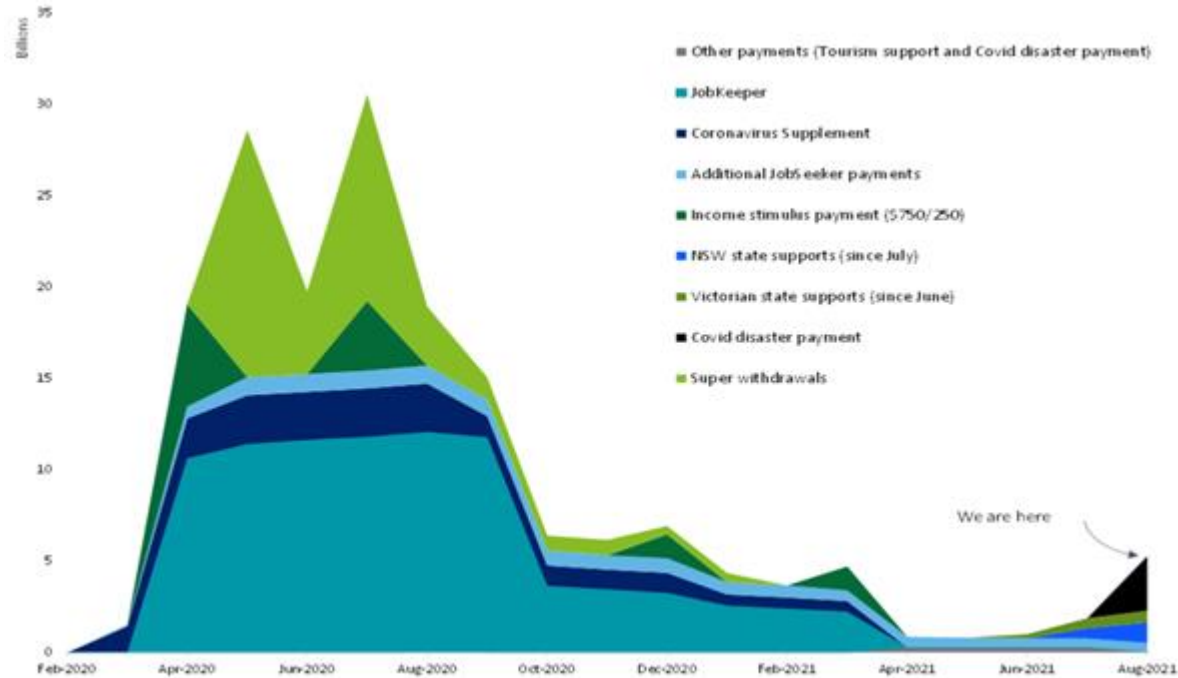
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- Israel was one of the first nations to vaccinate the majority of its population with the Pfizer vaccine (the same vaccine used most in Australia).
- Cases and hospitalisations have exploded in Israel after it opened up. Israel is now reintroducing restrictions and booster vaccines.

# More policy stimulus needed



- Current income support is a fraction of last year's stimulus.
- \$5b pumped into the economy in August compared to \$18b in March and July 2020.
- Economy also facing headwinds from the crashing iron ore price and dwelling construction from 2022.
- Additional policy support will be required to drive the recovery.

## Viewer question of the week:

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**Which of these two scenarios do you believe is more likely?**

**Drop your answers in the comments**

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