

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

Division: Macroeconomic Conditions Division
Topic: Lockdown forecasting
Reference: Written (20 August 2021)
Senator: Katy Gallagher

Question:

1. Has Treasury updated their forecasting assumption from 2021-22 Budget of one week of lockdown per month until the end of the year? If yes:

- What is the new assumption?
- What is the intensity of lockdown assumed?
- What proportion of the economy does it apply to?

2. Has Treasury modelled the anticipated job losses and hours worked reduction based on the scale and duration of the current lockdowns? If yes, please provide that modelling.

Answer:

1. The Government will release updated forecasts and assumptions that underpin them in the 2021-22 Mid-Year Economic and Fiscal Outlook (MYEFO).

2. The Treasury continually monitors labour market conditions and considers a range of factors that may impact forecasts. Labour market impacts of lockdowns depend heavily on the length, location and exact nature of restrictions imposed. Ongoing changes to many of these factors make the recent lockdowns particularly challenging to determine precise impacts on the labour market. Experiences to date shows that the first several weeks of lockdowns generally have minimal employment impacts, with impacts being seen through reduced hours rather than through a fall in employment. Historically, falls in hours worked in areas under significant lockdowns have been in the range of 10-12 per cent. As lockdowns lengthen, the likely extent of employment losses increases. However, the unemployment rate is unlikely to increase to the same extent, as participation also declines, in line with job search activities being curtailed by restrictions. A consolidated outlook will be presented in the 2021-22 (MYEFO).