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TRANSCRIPT OF PODCAST

WORK WITH PURPOSE
EPISODE 23

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JESS IRVINE: Hello, and welcome to a very special episode of Work with Purpose. I'm Jess Irvine, Senior Economics Writer at The Sydney Morning Herald and The Age newspapers taking over the mic for this special get together on the economic response to the coronavirus pandemic. And I'm really pleased to be able to bring to you listeners two very special guests and two men who've been intimately involved in the public policy response to the pandemic, particularly from the economic point of view. You can't see this but we're doing it in traditional coronavirus style via some sort of Zoom meeting. I'm in Sydney with Matt at the CBA headquarters. So that is Matt Comyn, who is the Chief Executive of CBA. Welcome to you. And joining us from Canberra from a bunker somewhere I believe underneath the National Press Club is Dr Steven Kennedy, of course, the Head of Treasury. Hello, Steven.

STEVEN KENNEDY: Hi Jess.

JESS IRVINE: So Steven, I'm going to start with you. It's actually a year this month since you took over at Treasury and what a year it's been for you. I'm going to ask you both, but here's a quick fire question. If you had to summarise your 2020 in one word, what would that word be?

STEVEN KENNEDY: Well, the first word that comes to mind is busy Jess but it's not a very interesting word. Adaptive, I suppose. It's been a year where we've just had to adapt to the circumstances that have turned up in front of us constantly throughout the year. So I'd say adaptive but when anyone asks me or anyone at Treasury, how's the year been, we normally say busy. So I've given you two. There's a good start.

JESS IRVINE: That's all right. I was going to say swear words are allowed but it's better if not. And how does it compare because I'm thinking of your career history, you were right there at the forefront of the GFC response as well. Have you had sort of flashbacks to that era when you were in Kevin Rudd's office in designing those sort of stimulus packages?

STEVEN KENNEDY: I have. It has been just as busy. The thing that's been really different this year is how long it's been busy for and how long we've had to adapt to the circumstances. A really big difference between the GFC response and the response to COVID-19 was the GFC, we could see a few things emerging and then it came quickly and we responded through September, October, November then a pause and then we responded again, or the government of the day responded again in February. And then it was very much about implementation. The pandemic is just a constant sort of uncertainty and unknown scenarios if you like. So it's quite different.

STEVEN KENNEDY: It starts fast, faster than the GFC, much faster than the GFC, which perhaps we'll talk about in the podcast. And then it just keeps going. So we're running up to a budget on the 6th of October and we're still responding. And of course we can all see circumstances in Victoria unfolding and on a positive track by the look of things but quite different. It has some similarity starting Jess, but it has stayed with us. So a really remarkable year, unique.

JESS IRVINE: We're definitely going to get into some of the entrails of that. Don't you worry. Matt, for yourself, do you have a word? Because I'm thinking of the context that you've come to this. You've had about two and a half years now at the head of CBA. And of course during that time you've had a banking Royal Commission. You've had few things on. How has the coronavirus sort of stretched and challenged you?

MATT COMYN: Yeah. Well, I mean the first word that came into my mind when you just asked about it was COVID, I'd say a combination like Steven: busy, challenging, probably highly uncertain as well at the moment, really over the last few months and even the year itself if you think about 2020. You're coming into the start of the year, very difficult drought, lots of regions were really suffering. Then we have horrendous bush fires and of course that quite rightly really dominates the start of the year. I think from our customer perspective, obviously from a political perspective as well. And there's a lot of effort in responding to that. And then a couple of months later, we moved into COVID. And as Steven said, it escalated very, very quickly in that first quarter.

MATT COMYN: And then since then, there's been sort of I think, very good constructive work done across business and industry responding. Some of the things that Steven's team have put together through the federal government, we've never seen a response of that sort of scale. And then we've gone through these periods where the health situation looked like it was really under control. Clearly there's been some issues in Victoria. And so I think for most people it's probably been a very uncertain year and that really weighs on I think our people, our customers, you can see that come through very clearly in terms of consumer and business confidence as well.

JESS IRVINE: Yeah. And you mentioned the sort of discussions that you have at a government level. And I thought I would just contextualise for listeners why it's interesting to have you both together. Because that's the question I asked. I was like, why are we doing a double header interview with these two? And I'm told that you guys just happen to get along pretty well, that you have been in quite regular contact as this sort of was unfolding to the level of... You're friendly and you text message. I was wondering if either of you can remember how you first met. Has your involvement just been since this crisis?

MATT COMYN: Yeah. I mean look, the Treasury Department before Steven took it over, at least from my perspective, there'd always be good dialogue between the banking system. And so typically if I'd go to Canberra I'd meet Steven's predecessor and come to the ABA and sort of had a bit to do with Phil Gaetjens when he was in that role before he went into PM&C. I think what's been really different this year which because of the scale of the challenges as well. I think some of the ways that both between industry and policy areas have worked really closely and we've certainly tried to provide any assistance that we can. And I think one of the advantages of the banking system for people like Steven is we've got a fully high quality and high velocity data.

MATT COMYN: So we've tried to sort of open that up. We've had a number of conversations in different areas. And so I think it's really helped. Overall the Australian sort of business community is not that large. And so if you can sort of tie in and I don't understand government as well but I've seen up close a lot more this year about what goes on and how different areas work together between Treasury and the Treasurer's Office across the different states. And it's just been I guess a scale of different policy decisions that have been required at speeds. And having seen how quickly people have had to respond to that, you have a lot of empathy for, I mean, I didn't understand the welfare system particularly well before this year but as I've seen some of the changes required, we get to see what it's like to put through a significant change and big changes to technology and processes.

MATT COMYN: So I think hopefully on all sides, it's really developed a good rapport but also just a much better understanding of our various businesses and also how we can help. And I think that's been the key. I've seen so many examples of people just genuinely wanting to help because it's just not a situation that there's an easy solution for any business, for any government policy maker either.

JESS IRVINE: Yeah. And Steven for you, is it a situation where you're just actually able to call up Matt on the phone and say, "I need some data on household spending." Or how does that relationship work at your end?

STEVEN KENNEDY: Well, early on Matt offered to share data with us. Actually I have a couple of other banks and other parties. And we took him up on that offer and it's been fantastic because it's another difference with the GFC, Jess, that the use of real time data has been especially valuable through this period. The ABS has also actually really stepped up to the plate with its use of payroll data as well. So the use of real time data from and businesses, from the banks, other businesses. We set up a business liaison unit very early on that is more about developing policy issues but it was a way of also about hearing very early on from business about how things are unfolding. Matt can see in his data how our policies are running through his customers.

STEVEN KENNEDY: And it's really valuable for us to see how the welfare payments are flowing through, how they're being spent. A really important input because this is a real time uncertain, adaptive period. In terms of a meeting, not surprisingly Matt had a higher reputation before I met him and a couple of people had suggested I'm not going to name them all, but people who are really good to talk through issues who take a really genuine interest in public policy. And Matt was one of those people. And as you said, we clicked. Certainly very early on, it was very useful to call people like Matt and just seek a view about how things were going on the ground really, Jess because of, which we'll come to, how rapidly things move through March.

STEVEN KENNEDY: But yeah, Australia is still a relatively small place in your capacity to get out and talk to people. And it's sort of one of the things I've tried to bring to Treasury. There's so much good business intelligence. We always understand business needs to pursue its interests but its capacity to understand how our policies are unfolding is also very valuable input.

JESS IRVINE: So have you got a WhatsApp group?

STEVEN KENNEDY: No. No. Don't want WhatsApp. I'm just joking. I'm just joking.

JESS IRVINE: Okay. You can set one up. You can set one up after this. All right. So let's go to March. I wrote myself a little timeline because things happened fast in March. I thought I would just do the quick summary in case we've all got post-traumatic stress disorder and we can't remember what actually happened in March. It was the Reserve Bank who got out first on March 4 with a rate cut on March 12. We had $17 billion in cash handouts and small business support. March 13, the next day, Scott Morrison restricted gatherings to no more than 500 people. March 19, we officially shut the borders. March 20, the next day, we had another rate cut, quantitative easing. And that's the day that the ABA, the Banking Association announced loan deferrals.

JESS IRVINE: March 22, $66 billion of stimulus, including that boost to JobSeeker. March 22, the same day, that evening of that day after a National Cabinet meeting, Scott Morrison shut pubs and gyms. And then March 30, we turned around and we produced the biggest single policy in Australian policymaking history, that of JobKeeper, the JobKeeper payments. So what a whirlwind it was. And I wanted to ask both of you this question, but Steven first, do you have a defining moment where you sort of looked at this and thought this is very serious. We're going to have to pull out the guns. Was it something that you saw that really scared you?

STEVEN KENNEDY: My defining moment was back in February. Because as Matt said, we had a really rapid start to the year. I really time this year from the 2nd of January, which was when I cancelled my leave for January to work through on the bush fires when the government was developing its $2 billion response to the bush fires, I cancelled leave and we just had a lot of Cabinet meetings and National Security Cabinet meetings through that period. And then as we track through January into February and we began to think about the pandemic as it was unfolding in China, my key timing point was I was asked in one of those meetings about a paper I wrote in 2006 about pandemics, the macro economic impacts of pandemics. And I remember saying to that person because that person said, "Is that going to guide what we're going to do?"

STEVEN KENNEDY: And I said to that person, "I hope not." Because that paper was about a very serious pandemic, the type of pandemic that's unfolded. And back in February, we're still thinking maybe this will be a SARS like, maybe this will be contained in China. But it was at that point, I suppose in my mind, I actually went back and read the paper again because I wrote it a long time ago, 2006, and started to think if this goes big, if this goes everywhere, what's this going to look like? And so that really switched it on for me. And then in that March period, the first stimulus package is really a package that's responding to a very large international shock. And the next two are about a very large international shock with a domestic shock now, very significantly rolling over the top.

STEVEN KENNEDY: And what I had in my mind, Jess knows in those early phases was yes, it was going to be really uncertain. It was going to be really unclear about how things would unfold. And so whatever we began to design after the first package had to operate like a stabiliser, had to operate as if it would respond to any circumstance that arose. And so that's why JobSeeker and JobKeeper are demand driven programmes because they will rise and fall with the extent of the shock that we're facing rather than being, unlike the GFC where we see a shock and then we calibrate a shock 1% of GDP or shall we do another 2% of GDP? As Matt said, we're in such uncertainty, we need to put in mechanisms that really will stabilise society and the economy.

STEVEN KENNEDY: And it was a very quick clip as you read out through March. I remember seeing Matt at our offices. I think he called in with some colleagues in March. And I do remember saying to him, "This is going really fast." And he agreed. And it did.

JESS IRVINE: Matt, how about for you? When was the sort of point where you thought this is actually going to require us to do this unprecedented sort of loan deferrals and all the things that you've had to do?

MATT COMYN: Yeah. Look, I mean, Steven said, it clearly escalated very rapidly in March. I think in that week, the week of the second RBA rate cut, I think there were numbers together with the governor. I think Steven was on a video conference. I think the governor opened up with words along the lines of this is a national emergency. I think it was in that week. That was before JobKeeper but it was the week of the second RBA rate cut, huge numbers of... We were starting to then process deferrals. So that definitely stood out to me.

JESS IRVINE: That's the private sort of hook-up between policy makers.

MATT COMYN: Yeah. There's the gravity of the moment with some of the banks as well about the sorts of things. And I think as you can imagine, the regulators were just trying to work out what things we're going to put in place. And they also wanting to make sure that the banking system is going to continue to support the economy. And then the meeting that Steven's referring to, which he very kindly, we went up to the Treasury Offices and had a few ideas but novices know very little about the welfare system, because we're also just trying to sort of glean anything we could internationally. And what about this, or what about that? And as Steven patiently explained about the constraints that you're working within as well.

MATT COMYN: And I think what really impressed me during that period and since is, it takes a lot to make big policy decisions very quickly and to move away from even between those different packages, there's so much that happened in that time. It was an international demand shock. Then we were moving into a very substantial sort of containment measures that were here. And it's not easy to roll out something of that significance. I mean, there's this scale of the measures that we'll put in place, that combination particularly of JobKeeper and JobSeeker. It's not easy for a government of the day to do that and all the policy makers. So I'll let Steven talk about the exact timeline. But it was very compressed to try and get that from scratch and you could see how much effort it would take from the ATO and others just to technically go and implement it. And yeah.

MATT COMYN: So a lot of as I said earlier, empathy for how hard it is to build something like that from scratch when you're really just in chartered territories. And you can look at a lot of the international schemes and one of the considerations was all that sort of looks good on paper, but we'll just never operationalise it. It just takes too long. So you've got to get something you can actually implement really quickly. And as you remember, it was basically the end of March and it was sort of the end of April for JobKeeper to really kick off, which is an incredibly short implementation timeframe.

JESS IRVINE: Yeah. Steven, I'd love to know. Can you sort of remember whose idea was JobKeeper? Was it Treasury? Was it the government that said we've really got to just have a massive wage subsidy programme? We've got to staple people to jobs. Who was the first person to really drive that?

STEVEN KENNEDY: In the Treasury itself, the two people who were giving the most consideration to it were Jenny Wilkinson. And my colleague, Jenny is the former head of our Parliamentary Budget Office. She's now a deputy there. And Mark Kelly is one of our senior executives. And I had people calling me about doing a wage subsidy too. Jess, there had been talk about doing a wage subsidy early on particularly because the UK model like the furloughed scheme. So where you pay for people who've been stood down. So I can't remember a specific thing but we had internal people thinking about it, certainly the ministers and their offices were interested in thinking about it because they could see it unfolding and it was in some ways Jess, it's an obvious area to think about, almost every developed country has implemented one of these schemes.

STEVEN KENNEDY: So in some sense, it's not novel. But we had to begin to think about how to implement it. Because unlike for example, in New Zealand where they had an existing scheme, they could scale. We had no existing arrangement on the JobKeeper side to scale. So Matt's picked up a really good point. The reason I and not everyone has agreed with this, but the reason I was very focused on JobSeeker first was the system was there and we could scale it immediately. So that was the 550 supplement on the COVID side. And I also think that part of the argument I put at the time was not only does it stabilise the economy but it stabilises the community because I understand effectively a basic social wage is thrust into the economy.

STEVEN KENNEDY: Then as soon as that is done, we begin to think about do we do a wage subsidy over the top and it's sort of readily apparent that you're going to do something. And then we're thinking through what systems we have at the ATO and how to design. Some people would have wanted us to do a wage subsidy that tracked a person's wage up to a cap, which was a mechanism used in other countries in Canada, for example. But we chose to advise the government and they chose to accept it in the end, a flat payment based scheme, partly for speed, ability to align it with the JobSeeker arrangement.

STEVEN KENNEDY: And then the second thing was, apart from the obvious benefits of attaching people to their employer, the JobKeeper piece, was we had to assist Department of Human Services in being able to make this payment to all these people who would no longer be receiving a payment because JobSeeker goes from about 800,000 to 1.6 million, more than 2 million when you include other cases. Their systems were very stretched. So we had two really powerful systems in the Commonwealth, the tax system and the social security system. We used one. And JobKeeper is not just a wage subsidy. It's actually an income payment as well.

STEVEN KENNEDY: So if you were stood down and you're not working at all, it's basically another way of getting an income payment paid through the tax system, paid through an employer. So it sort of works on a few different levels. And that enables us, it just puts a whole platform underneath the whole economy in very uncertain times and stabilises it. So the last thing I'd say is the other benefit we had by being slightly behind a couple of other countries that went out early with their wage subsidies schemes was we could see what they do. And I wasn't sure, I think the UK system has worked well but I was very unsure to be quite honest and not really in favour of just a scheme that focused only on stood down employees on what they call furloughed employees. I wanted a scheme that also assisted a business for people in employment and continue to work that played that role. And our scheme in the end looked more like the New Zealand scheme which did both those things. Yeah.

JESS IRVINE: And how do you feel we chose that flat payment, that meant that some people actually got a pay rise sort of if they were casual or part time employees, how do you think it stands the test of time if you could go back. Is there anything that you would have designed differently?

STEVEN KENNEDY: Well, since I was so involved in the design, you're probably asking the wrong person because you're always perhaps, going to speak in favour of it! We had to think about how it would interact with the social security system. If we had done a split payment in those days, then we would have had people being able to be on JobKeeper and apply for JobSeeker, Jess. And one of the things we wanted to do in a sense was relieve to the JobSeeker system and keep as many people over on the JobKeeper system as we could. And so that's the flat payment also assisted that. And it goes with that mechanism of putting effectively a flat sort of low social wage across the whole economy.

STEVEN KENNEDY: And the last bit was this wasn't going to be unhelpful towards aggregate demand. This was typically people who are going to spend most of the cash that you're going to pass, pass through. And I think that's been true. We've seen that I think Matt, in a lot of the data of some of those recipients, they've really just pushed that money back through the economy, Jess. And while we had a very significant fall in the June quarter, I think it's been a very useful aggregate demand story. As the programme goes on Jess, then it's reasonable to think about adjustments but in the early days I was quite happy with the flat payment. Because it was really a trade-off between administrative efficiency, aggregate demand, confidence in the community that people were well paid. And yes, some money would spill at the corners but I think if you spend a lot of time trying to track down that type of exceptional case, then you'll be too late in delivering the policy response.

MATT COMYN: Yeah. I think overall the timeframe was so critical for implementation. And when you're implementing something like that, as Steven said, basically from scratch and you're doing it in a matter of days, it's not like the imperfections weren't known. There was always going to be some overpayment. There was never going to be, you can't design anything in that sort of timeframe and try to get all of the perfect implementation that you would otherwise like it. So I guess at the margin, you look back at that and as Steven said, at least we considered data that flowed through our accounts. It's very minor. In the grand scheme of what it's cost the government and the country to try and put that sort of support system in place, some of the imperfections are relatively minor and ultimately it gets recycled back into the economy.

JESS IRVINE: Yeah. And before we move on from JobSeeker. Steven, how did it feel when scurrilous members of the media interpreted the recalculation of the modelling such that the scheme would cost $60 billion less than expected and you had all the headlines about the biggest bungle, the biggest, whatever we were calling, mistake, error, worst mistake in history. I mean, how did that feel when we responded like that?

STEVEN KENNEDY: Not great. I mean, I didn't have any trouble at all with the original costing because effectively, very quickly, the costing was based on a lockdown scenario, a sort of French equivalent lockdown style scenario. The sort of scenario that has seen in some countries, their GDP fall by 20% and as much as 20%. In our case, it was only 7. So we advise the government around that type of scenario because as we put that scheme down right at the end of March and the case load was running in such a way. And the community concern was such that we thought we were drifting towards that. And of course, New Zealand had already moved into that type of arrangement. New Zealand ended up with, I think about 62% of their labour force on their wage subsidy scheme.

STEVEN KENNEDY: We got about half of that. There are some differences in scope but roughly speaking, if we'd shut down in a similar way, then our original costing would have flowed through to be quite honest at roughly the right level. But it was taking me a few seconds to explain that story to you. And so it's hard to get that type of piece out and explain how that unfolded. So I didn't feel good because obviously that's a Treasury responsibility to do that costing, advise the government for the government to make it public. And I thought about, should I have advised a range or done it differently? Colleagues advised me not to worry about it. What did they say? It's fish and chips or something or other. The story will come and go.

STEVEN KENNEDY: But of course I thought a bit about the reputation of the institution because as much as one can, one doesn't want to damage the reputation of the institution. But I was quite happy with the policy. And then as it turns out, the government has to choose to extend it. And we've had a second shut down and we're now heading up towards over 100 billion dollars in its cost. So perhaps Jess upon reflection, I should have been better in my communication around this as Matt said, the sheer uncertainty about how these things would cost, how they would wax and wane with the circumstances as they unfolded.

JESS IRVINE: I haven't heard the 100 billion dollar figure again. Is that something that has been released or is that what we're going to be updated I guess? I'm thinking about the...

STEVEN KENNEDY: Well, I'm thinking Jess, we went up $15 billion. It's because of the extension. Immediately Jess, that's because it extends now. And then also because it costs an additional amount of money. Sorry. No. That makes 85. But yes, I'll have to go and check my own costing but I thought that's what it was but I think it's somewhere around that. Yeah. Yeah.

JESS IRVINE: So Matt, what is happening for you during March? So, I mean, I sort of see the two of your jobs. Steven's got to keep people in jobs. Matt, you've got to keep people in their homes. When did it sort of become clear to you that you're going to have to give some people some breathing room on their loan payments? And who within the banking sector sort of really led that?

MATT COMYN: Yeah. Well, the Treasurer came to the ABA meeting, which must've been in I think that's around the 10th of March. And obviously things were starting to deteriorate particularly globally, but we weren't at the deferral stage yet. I think that came around that sort of timeframe that you said around the 20th or so. And particularly in the lead up to that, as the containment measure started to come down, obviously a lot of people were being stood down or losing their jobs. People were very distressed. And so on the lead up to that, both at the ABA level. So a number of basic, which is the bank CEOs with appropriate legal support. Because it's not easy to get bank CEOs to be discussing topics. You need understandably competition approval to do so. And with the regulator. So particularly APRA.

MATT COMYN: So there were a couple of iterations with that directly with the Treasurer. And then I think there was probably two or three conversations at the ABA Council level. And then we agreed on a range or a package of measures and they were announced. APRA made a subsequent announcement. And then you probably recall there was a lot of discussion nationally around what happens to rentals during that period at both a commercial level and a personal level. So then there was an extension on the repayment deferrals to basically go up to larger businesses, particularly commercial property, where effectively there was an agreement reached on the rental space.

MATT COMYN: So that was a lot of March. And then obviously seeing the significant support that was coming through from the federal government, seeing how that was all sort of playing through. So I think probably today it's near to Easter sort of where we see 9th, 10th of April, that was really probably the most substantial contraction on economic activity. And then we started to see a rebound later that month and into May and things were travelling along, all things considered, better than we'd expected absent Victoria.

JESS IRVINE: Yeah. So, I mean, I guess looking forward now, it remains your job Steven to keep people in jobs and your job Matt to keep people in homes. We are sort of heading for this fiscal cliff with the generosity of the JobKeeper payment being scaled back. We've now got discussions with banks and their customers about the loan deferrals which can't last forever. And those conversations are being had. So far we've held up pretty well. And actually national accounts show that household income was up. How concerned are you Steven about now... And I'm going to ask you to critique each other and I presume Matt you'll have some thoughts about what Treasury needs to be doing to continue stimulating the economy. And for Steven, how concerned are you about this idea of loan deferrals where you might... If this all starts to wash out, some people can't repay their loans, you do get those fore sales and you get a house price effect and a wealth effect. How concerned are you about that?

STEVEN KENNEDY: Well, it's definitely an issue that we'll need to watch carefully. We have to continue Jess to think about the nature of this our circumstance because we just had Victoria, it's the Victorian outbreak and now coming back under control. There is a sense in which we all start to think, well, the shock has passed through and now we begin to recover. And we can look around the rest of the world and watch other countries. Israel is a good example, just recently locked down their economies again. So we just have to remain nimble if you like and mindful that we continue to live with the pandemic for now. It's incredibly important that the health side of it works effectively. Obviously a state like New South Wales has done very well.

STEVEN KENNEDY: And we're not in any sort of set and forget, okay, we're through the shock. It's all over. Let's just stimulate the economy in the way we go. And I think the banking sector is going to have to think very carefully about that too because some sectors may well be viable depending on how the health side of things unfold. But we're actually not through it. Matt will have to be thinking about his customers in Victoria versus other states and how their circumstances unfold. So, yeah, I think sort of disagreeing with the kind of premise of your question but the sort of novel nature of this shock remains and any response has to be able to continue to adapt to that, that we are going to move towards some sort of normal, which is not even clear. It's not exactly clear when a vaccine turns up and even how widely it's developed and how behaviour changes thereafter.

STEVEN KENNEDY: So we have to begin an adjustment to do some normalisation. I think the ABA and the banking sector more broadly has done a very good job with getting out and engaging those customers who can get back and begin their repayments. And I understand that quite a significant number of businesses have. For those sectors that remain very badly affected, it's going to have to be a very careful adjustment and almost some forbearance and a continuing watching of circumstances Jess would be my perspective.

JESS IRVINE: And Matt, how long can it go on for though? Can you be the CEO of a bank and say, people never have to repay their loans? Is it not inevitable that some people are going to have to be foreclosed on or be moved on from their loans?

MATT COMYN: Yeah. Look, I mean, there's definitely going to be some very difficult circumstance. I think, to go back to the start of your question, I think collectively what we've achieved is a cliff, we've avoided, sorry. So I think we've got now an orderly transition and that avoids a cliff, both at a fiscal level and from a banking perspective. I mean, secondly, one of the things that's really stood out is just how important, I mean, health policy probably is the most important economic policy in the country at the moment. And the interdependency between those two. So in terms of the health outcomes and how that plays out clearly, what happens in Victoria? What happens in borders, tourism? I mean, more than half our population growth comes from net overseas migration. That's a hugely important element of our prosperity going forward.

MATT COMYN: So we've like the federal government tapering their support. We're moving a number of... Hopefully the majority of customers across the industry will be in a strong enough position to restart their repayments, which most people, their initial six months ends around the end of this month. And then when we try to target more of the support to those who need it most. And we're getting more than 60% of requests for assistance at the moment are coming out of Victoria, which makes perfect sense. There's other industries which are disproportionately affected and so it's completely outside of people's control obviously in some of the services sector, hospitality, tourism.

MATT COMYN: So certainly not indefinitely, but the idea would be there's enough flexibility that we have within the financial system and with the regulators to at least provide up to another four months around repayment deferrals going into calendar 2021. But we also have to realistically assess every customer at an individual level and ensure that they will be in a position to restart. And if they're not, then there's no point just kicking that can down the road. And so, I mean, we are in a very important period. I think it felt like that every month since March but I think this month is a lead into the end of the calendar year. And no doubt Steven is very busy advising the Federal Government around the budget. And it's going to be really probably the most important budget in living memory.

JESS IRVINE: What are you hoping to see from Canberra in that budget?

MATT COMYN: Well, I think they will be very focused around job creation.

JESS IRVINE: Do you think tax cuts are [crosstalk 00:35:36]?

MATT COMYN: I suspect that maybe on the agenda. I think the number one, two and three priority for Australia over the next few years is going to be job creation and trying to reduce unemployment. We're going to finish unemployment rate somewhere in the order of 10%, depending on participation, right? That's a significant headwind and also causes real impact socially. So a lot of focus, no doubt at the federal level. And I think also has to go in at the state level to think about that.

JESS IRVINE: And Steven, what's in the budget?

STEVEN KENNEDY: Yeah. Jess, I'll just get my prompts out and read it out for you.

JESS IRVINE: Probably from an economic macro perspective though, would it be responsible to continue having fiscal strategies set at a stimulatory? Because if you don't do anything more now, you've got fiscal strategy set to be contractionary with the withdrawal of these payments. So how appropriate it is for us to meet what's going to be phased out with additional support; is now the time to be turning off the taps?

STEVEN KENNEDY: Well there's two parts to this. One is that monetary policy is accommodative but it's not supporting in the same way that it did in the GFC or in other cycles. So there is more pressure on fiscal policy to support this economic recovery than in living memory. Possibly ever really because of where we are near the zero lower bound with interest rates. And an example that we've used with the Treasurer is that I think interest rates were cut, let's say by around four and a half percentage points in the GFC. And that's equivalent to about 100 billion dollars of fiscal stimulus roughly after about a year.

STEVEN KENNEDY: So there is going to be a need to continue to provide support for aggregate demand. And Matt is 100% right. The top three priorities of any budget at the moment are jobs, jobs, and jobs. Jess, the only thing to think about with fiscal policy is that stopping it or tapering it and then delivering in another way doesn't necessarily mean everything turns off. A really good example is we saw in the June quarter, the household savings ratio rise to 18%. One of the highest household savings ratios we've seen.

STEVEN KENNEDY: We've actually put an enormous amount of money into the pockets, to the balance sheets, effectively of households and businesses. In some cases, it's just offsetting. In some cases it's even more. And people are being very precautionary. Hopefully if as Matt said, they're confident around the health arrangements, they begin to spend.

STEVEN KENNEDY: And so it's not just the cliff. The money will continue to flow out in a smoother way than what the fiscal estimates suggest. The other parties, additional fiscal stimulus, it builds on top of. So the fiscal impact of spending is not to sort of raise something and then it falls back. It has an impact. It lifts the economy to a point. And then it's a question of whether you need more fiscal stimulus to continue to lift it. It's a little bit like when you hold interest rates at a lower level to keep them accommodative versus sort of taking money back out of the economy. So there's no doubt there's going to be more need for aggregate demand but we also need to make sure every other form of policy be it around credit provision, be it around dealing with the creation, or even in the solvency of businesses, every form of policy that helps the economy adjust to generate more jobs, not just money has to be switched on as much as possible to generate as many jobs as possible.

JESS IRVINE: And is it your view that we do need further fiscal stimulus given the lock down in Melbourne and the situation that there should be further fiscal stimulus on top of what's happened?

STEVEN KENNEDY: It's my view that we're going to need more support for aggregate demand in the period ahead.

JESS IRVINE: And just quickly tax cuts do support aggregate demand, that is one of the policy measures that would work?

STEVEN KENNEDY: Do you want me to get that sheet out with all the policy [crosstalk 00:39:54] Jess and read it out for you?

JESS IRVINE: Okay. Thank you. All right. Well, we are running out of time. We had some fantastic questions come in from the Future Leader Committee of the Institute of Public Administration Australia who has organised this podcast. One from a Megan Aponte-Payne from PM&C, which was about the use of modelling and how important that's been. And I think we have covered that. And second question from Michael Sanese from PwC was about the impact of this crisis, disproportionately hitting low income workers and women. So just quickly, would you both sort of agree that we are sort of seeing that impact being felt by low income people and women. And what if anything, we should do specifically about that?

STEVEN KENNEDY: Very quickly, it's hitting young people, particularly hard, all downturns do. And this one is hitting young people hard. We have actually seen quite significant recovery in women's employment but it did hit women quite hard initially. So a lot of our focus as we think about this next phase of support is around the characteristics of young people and low skill people who are most effected partly because of the nature of the industry's most effected. So I'd agree generally with the premise and it is a focus for us.

JESS IRVINE: And I presume Matt, a focus for you in dealing with your customers.

MATT COMYN: Yeah. Absolutely. I mean, similarly we see it in terms of across different cohorts, definitely skew into some of our younger customers. And I think Steven's explanation is spot on. You can see some of the sectors that have been hardest hit tend to skew towards lower income certainly, a high proportion of female participants in some of those service industries, hospitality, tourism. So clearly trying to restart parts of the economy are going to help there. But as part of that job creation and income inequality as well as been a real focus both for Australia but also globally. And arguably that's gotten worse over the last sort of six months. So I don't think that as an issue is going away anytime soon.

JESS IRVINE: Look, thank you. You've had an interesting 2020 both of you, and I think it's going to be an interesting 2021. And I think we should definitely set up the WhatsApp group and have me in there. And Steven, you can share what's in the budget and we can hash that out together. I've really enjoyed our conversation today. Thanks to both of you and thanks to IPAA for organising this opportunity for us to go over some of the really important machinations behind the public policy response to the coronavirus. And thank you to you both for joining me.

MATT COMYN: Pleasure, Jess. Thanks a lot.

STEVEN KENNEDY: Thanks, Jess. Great to see you.