

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

ANZ

ANZ60QON: Mr FALINSKI: Shayne, you previously said that with the models you have about what is going to happen next you draw on people's experiences. The government has been pretty transparent. I think even the Victorian government now is talking about Christmas being more fully open. On the basis of that, where do your models show the Australian economy heading over the next 12 to 48 months?

Mr Elliott: We've never bought the V-shaped recovery argument that people have. And the reason for that is that Australia, for good reasons, is an open, liberal economy and is dependent on the reasonably free flow of goods and people. It's almost impossible to imagine that that totally free flow of goods and people will resume in the short-term, particularly with the obvious ones like tourism and students. So, without them and without immigration, it's very hard to imagine a V-shaped recovery. We imagine it will be a lot more gradual, like a grind out of the recession. We think that GDP in absolute terms—

Mr FALINSKI: Sorry to interrupt. Could you possibly predict when you think that the bottom will be?

Mr Elliott: I will get our economists to come back to you. I think the latest is that we think that the bottom, from an economic point of view, is between now and the end of the year. From the banking point of view—from when do the problems start emerging and people start finding their businesses aren't able to operate?—we think it's probably more like the middle of next year when the crisis will start to hit the banks. We think that GDP recovers, in an absolute sense, at some point in 2022.

Answer: The current view of our economists is that:

- 2020 looks set to record a slightly deeper downturn than they previously thought, but they expect a significant fiscal response over coming months to drive a strong recovery in 2021.
- They forecast the Australian economy to shrink 6.4% through 2020, before rallying strongly next year. Growth in 2021 is expected to reach 5% by year-end, slowing to a still strong 3.2% through 2022. Even with the strong rebound in 2021, they don't expect GDP to return to its pre-pandemic level until the third quarter of 2022.
- The balance of 2020 is likely to show very modest growth, with a positive outcome for Q4 dependent on an expansion of fiscal stimulus.