

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB32QW:

Impact of Coronavirus:

(a) Has the bank completed any assessment or modelling of the potential impact of Coronavirus on the bank, or the Australian economy?

(b) If yes, can it please be provided?

Answer:

(a) Has the bank completed any assessment or modelling of the potential impact of Coronavirus on the bank, or the Australian economy?

NAB Group Economics has completed several pieces of research about the potential impact of the COVID-19 on the Australian economy, so is providing an update to our response on this question.

(b) If yes, can it please be provided?

NAB Group Economics finds efforts to contain the Covid-19 virus are having a very sharp impact on the Australian economy, as highlighted by the March NAB Monthly Business Survey. Business confidence plummeted to record lows (around twice as bad as the bottom of the 1990 recession).

Similar un-precedented results were reported for falls in forward orders and, while not quite at record lows, business conditions also collapsed –and no doubt will fall further from here.

The depth and duration of the recession underway will depend on how long the virus takes to get under control, the extent of containment measures and the timing of the phasing back to normal. Given the risks of a second phase of the virus we are expecting a conservative approach by the authorities. Our forecasts essentially assume that the economy will be turning the corner by the fourth quarter and bounce back very strongly in growth rate terms.

NAB expects Q1 GDP growth will be a small negative with supermarket retail hoarding helping to offset losses elsewhere in services and hospitality. The big hit is in Q2 where we can see GDP falling by 7%. The economy is not expected to start growing again until Q4. NAB expects year-average growth of -4.3% in 2020 and 3½% in 2021. Even with the recovery in 2021, these forecasts don't see the level of GDP recorded in Q4 2019 exceeded until early 2022.

Two of NAB Group Economics' most recent reports are attached. NAB is happy to provide the committee with analysis as it is published.