INSIDE

NOVEMBER, 2020

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

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JobKeeper rules, conditions and payment rates have changed

Legislation has been put in place to extend the JobKeeper scheme beyond its original sunset date, although the rates of payment and certain other details have been altered. The scheme is now to run until March next year with one version lasting until 3 January and another version in place from then until 28 March.

Businesses that have been enrolled in JobKeeper do not need to re-enrol to participate in the extended scheme, but the decline in turnover test has now changed from projected GST turnover to actual GST turnover. The decline in turnover percentage remains unchanged at 30% (or 15% for-not-for profits and 50% for entities with more than $1 billion aggregated turnover).

Businesses will need to re-test their eligibility with reference to their actual turnover in the September quarter 2020 to be eligible for JobKeeper fortnights 14 to 20 (28 September 2020 to 3 January 2021).

Businesses are generally expected to assess eligibility based on details reported in their BAS, with alternative arrangements put in place for businesses that are not required to lodge a BAS.

Businesses will need to retest their eligibility with reference to their actual turnover in the December quarter 2020 to be eligible for JobKeeper fortnights 21 to 26 (4 January 2021 to 28 March 2021).

As with the first version of JobKeeper, the ATO will have discretion to set out alternative tests that would establish eligibility in specific circumstances where it is not appropriate to compare actual turnover in a quarter in 2020 with actual turnover in a quarter 2019. The wage condition, based on the tier into which the eligible employee or business participant falls, will continue to be required.

The new JobKeeper is a two-tiered payment arrangement based on average hours worked, on an employee-by-employee basis, in the four weeks of pay periods before either 1 March 2020 or 1 July 2020.

The period with the higher number of hours worked is to be used for employees with 1 March 2020 eligibility.

Payments for eligible business participants will be based on the same two-tiered payment arrangement, however the hours of active engagement to determine the payment rate will be based on the month of February 2020 only.

Businesses will be required to nominate which payment rate they are claiming for each of their eligible employees (or business participants). Employers must notify eligible employees of the payment to which they are eligible within seven days of notifying the ATO.

Other eligibility criteria for employees and eligible business participants will be consistent with the first version of the JobKeeper rules, bearing in mind the "1 July 2020" amendments (about eligible employees).

Jobkeeper is a two-tiered payment arrangement

	20 hours or more	Less than 2hours
JobKeeper fortnights 14 to 20	**$1,200**	**$750**
JobKeeper fortnights 21 to 26	**$1,000**	**$650**

Source: Butler Settineri

Create an 8-week Christmas savings plan

The sooner you start saving for Christmas, the better. But you can do it in just eight weeks – even if you have a tight budget in the lead-up to this year's festive season. Here's how to develop a plan to save money and reach your holiday goals.

Fairy lights twinkling, seafood on the barbie, gifts being wrapped and carols in the background – Christmas can be a magical time of year. It can also be costly, with Australian households traditionally spending up big over the Christmas trading period.

2020 has been a tumultuous year and for many of us, sticking to a budget is particularly important compared with years past. But with a little forward planning and goal setting, you can still have a fabulous festive season without racking up debt.

Here's how to save for Christmas with an 8-week savings plan.

Week 1: Set up your Christmas budget

Gifts account for a large proportion of Christmas spending.

Don't forget to factor in how these other expenses might impact your family:

- **Food:** Every December, our food consumption surges - pricey tropical fruits, extra sausages and $130 per household on seafood alone.
- **Drinks:** Our consumption of alcohol rises in summer to a household average of $453 across the summer period.
- **Entertainment:** School's out and holidays offer more time for movies, hobbies and visits to parks and zoos.
- **Decorations:** Think Christmas trees, festive lighting, oversized Santa statues for the front lawn….
- **Charity donations:** Australians are four times more likely to donate to a charity at the end of the year than the start of the year.
- **Parties:** Aussies spend around $25 a week on parties over the summer, 93% more than other times during the year.
- **Utilities:** Christmas may mean more people visiting your house, more appliances in use and corresponding spikes in consumption of water and electricity.

Week 2: Prepare a Christmas savings plan

With a clearer picture of how much this holiday season could cost you, its time to develop a plan to reach your **savings goals** over the next seven weeks. Calculate how much money you need to put aside each week to meet your December spending surge, then determine whether you can realistically meet your goal.

Once you have an achievable plan in place, consider setting up or repurposing a separate account for your Christmas savings. Automate a weekly transfer from your day-to-day account to your Christmas account, so you don't have to think about moving money around. Keep track of your progress to reach your goals.

Week 3: start your Christmas shopping research

Rather than wandering aimlessly around a crowed store, make a list of recipients this year and allocate a present idea to each of them. Do online research to determine cost and if it's within your budget. Sometimes less is more – keep your purchases meaningful.

Week 4: Shop local for Christmas gifts

When it comes to buying Christmas gifts for friends and family in another city, state or country, consider retailers with a base in those destinations, to reduce delivery fees. Start planning and purchasing as early as possible. Christmas is an extra busy time of year for deliveries, and growth in demand for online shopping, may mean higher delivery fees for arrival time. If your using Australia Post, familiarise yourself with suggested send by dates to avoid the express fee.

Week 5: Track your savings progress

You're halfway through your 8-week Christmas savings challenge - it's a good idea to review your savings and make sure your goals are on track. If you're falling short, it's time to either:

a) **revisit your budget** and decide were to cut back, or
b) **explore ways to boost your savings.** From selling extra stuff you have lying around the house to discussing different plans with your utility's providers, there are plenty of novel ways to save more in a short period of time.

Week 6: Start researching shopping deals

Take advantage of any pre-Christmas sales – but make sure you research those bargains first. Use the gift list you created in week 3 to avoid spontaneous and potentially budget-busting purchases.

Start by researching which retailers offer the best deals on these items. Do you need to travel across town to find an item (which will cost you time and money), or will a store near you match the price? Take your research digital and you may find a wider range and better deals in online stores. By starting your Christmas shopping early, you might be able to snag some sizable discounts in the Black Friday sales.

Week 7: Finish shopping and wrap your Christmas gifts

You've purchased the seafood, put up the tree, stocked up on drinks, and sent out the cards – let the fun part of the festive season begin. If you discover you've neglected someone but cannot bear the thought of heading back into the stores, consider purchasing gift cards or vouchers online. They can be emailed directly to friends or family members and used for something they really need.

Week 8: Review your budget

With your main purchases out of the way, it's time to review your budget and check your Christmas savings account balance. Do you have enough for extra entertainment? A few more days away on holiday? Perhaps a New Year's Eve gathering?
Source : AMP

Five reasons why this downturn and subsequent recovery are different – and where are we in the Australian recovery now?

Key Points

- The economic downturn and recovery differs from those of the past in that: the downturn was driven by a government shutdown; fiscal and monetary support has been faster and bigger; forced asset sales have headed off; its dependent on containing the coronavirus; and it's seeing more rapid structural change.
- As a result, we have been seeing almost "deep V" downturns and initial rebounds, but the subsequent part of the recovery will be bumpier and slower.
- Australia's recovery is likely to pick up pace again with the reopening of Victoria and should benefit from better control of the virus, better stimulus and a faster recovery in our major trading partners.

From the get-go back in March, as coronavirus lockdown hit, there has been much debate about what this recession would be like: how deep and long would it be? Was it going to be a recession like those in decades past or more like the Great

Depression in the 1390s? Actual data showed a bigger hit to economies than what was seen at the end of **WW2** or the Great Depression and then confusion reigned as much data showed very steep rebounds. One thing that seemed clear at the start was that it would be very different to past downturns and this is now even more apparent.

Five reasons why this time is a bit different

There are basically five reasons why this downturn and subsequent recovery is different to those of the past:

- **First** it was caused by government mandated shutdowns and changed individual behaviour to control the spread of coronavirus. This contracts to normal economic downturns that are preceded by a period of excess (in investment, consumer spending, private debt and inflation) that have to be unwound often with the help of monetary tightening.

- **Second**, we have massive upfront monetary and fiscal easing which has propped up businesses, jobs, incomes and the flow of credit relative to what otherwise would have occurred. Interest rates have gone to record lows, quantitative easing has become the norm and most importantly fiscal stimulus as a share of GDP in developed countries has been at record levels. This is in stark contrast to most post war recessions that have seen policy response come with a lag as it has taken longer to realise the economy needs help. And in the Great Depression, monetary and fiscal policy was tightened.

- **Third**, debt payment holidays, rent moratoriums and a relaxation on insolvency rules have been put in place to avoid the sort of business failures, distressed asset sales, layoffs and hardship that normally occurs in recessions. This has been for example, company insolvencies in Australia run at around half the level of prior years since April. And the lack of forced sales and income protection partly explain why home prices have held up relatively well.

- **Fourth**, it is dependent on containing the virus. This was seen in terms of severity of the economic downturn in the first half being less in countries with less deaths from the virus, like Australia. Likewise getting it under control will play a big role in determining the recovery. There are good prospects for vaccines but assuming a reasonable degree of efficacy, it may take 6-12 months before enough people have had it or develop herd immunity. In the meantime, much will depend on social control's, tracing and quarantining.

- **Finally**, the coronavirus shock is likely to have accelerated structural change by more than normal by driving an even faster embrace of technology in terms of online retailing, working from home, digital meetings, etc. This is not all negative and could mean faster productivity (less time commuting, less time in meetings, less time travelling) but it could result in higher than otherwise structural unemployment (e.g. less jobs associated with commuting and offices, less jobs associated with business travel and less jobs in retailing).

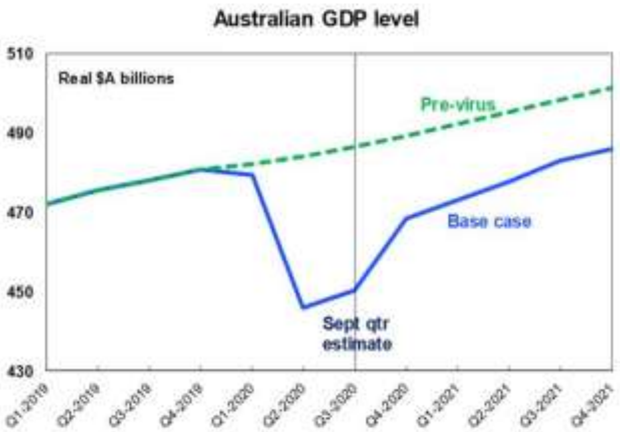
The outworking of all this is likely to be:

- A sharp initial rebound in economic activity as businesses reopen and people return to work.

- Followed by the remainder of the recovery being slower and bumpy reflecting periodic outbreaks of the virus and renewed restrictions, some sectors taking longer to recover (e.g. travel jobs) and as structural change impacts some jobs.

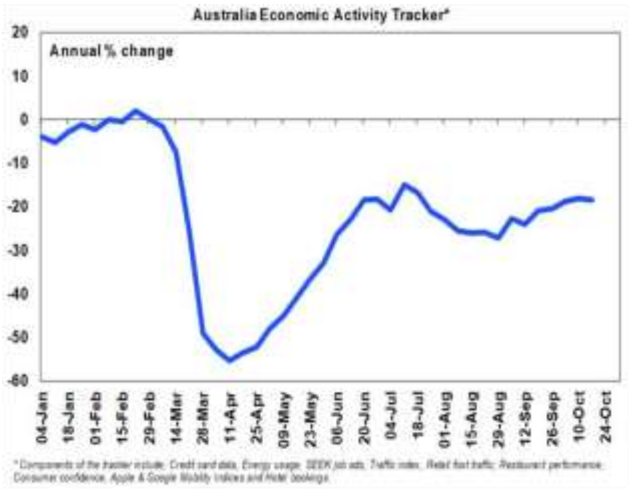
The Australian recession and recovery

This pattern looks to have been what we have seen so far globally with very sharp falls in GDP in the first half followed by a strong rebound in the September quarter. Followed by a more uncertain and gradual recovery going forward – particularly as the resurgence of the virus leads to tightening restrictions in Europe (as we are now seeing in France and Germany) and possibly the US. Our projections for real global GDP, in particular global GDP will take years to get back to its pre-coronavirus level which means a long period of spare capacity and low inflation/low interest rates.



The Australian economy looks to be following a similar pattern, although the initial recovery has been slowed through the September quarter by Victoria's hard lockdown.

As a result, we only expect 1% or so growth in the September quarter, but a stronger rebound in the December quarter as Victoria reopens. Our forecasts for the level of real Australian GPD are shown in the below chart.



Source: IMF, AMP Capital

Note that while a return to growth in the September quarter will mean that technically the recession is over. This really is just a technicality because the level of activity will still be a long way below its pre-coronavirus level.

Australian Economic Activity Tracker and employment have seen a sharp rebound but remain a long way below pre-coronavirus levels. In terms of the jobs market, this is reflected in "effective unemployment" (i.e. adjusting for JobKeeper and reduced participation) of 9.6% and underemployment of 11.4%. So, while Australia has seen some "recovery", we have a long way to go yet to say that we have "recovered". Our assessment is that the recovery will continue but beyond a December quarter bounce fuelled by reopening, this will be more gradual and bumpy for the reasons that some jobs take longer to recover and some won't come back at all due to structural change, and so will need to be replaced by new jobs which will take time, as government supports wind down and as the hit to immigration impacts the property market.

Source: AMP CAPITAL by Dr Shane Oliver

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