COVID-19 Insights: Outperformers and Reopening

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Agenda

Section One: Which industries will benefit during the COVID-19 pandemic?
• Working and living at home
• Online everything
• Short-term and long-term economic changes

Section Two: When can Australia reopen?
• How is Australia’s containment of COVID-19 performing relative to other countries?
• The danger of opening early
• Can Australia completely eradicate COVID-19?
• Which sectors will reopen first?
Which industries will benefit during the COVID-19 pandemic?
The rise of work-from-home

- In 2017-18, 47.3% of businesses enabled employees to WFH.
- 87.9% of large businesses (200+ employees).
- COVID-19 could push smaller businesses to permanently adopt WFH.
- Potential cultural shift in the workforce, similar to the entrance of women into the workplace in World War Two.
• Revenue growth has been adjusted from 6.1% to 12.7% in 2019-20.
• 42.4% of businesses used cloud computing infrastructure in 2017-18, and rising.
• Revenue to grow at an annualised 8.6% over the five years through 2024-25, to $4.3 billion.
Internet publishing and broadcasting

- Revenue is expected to rise by 8.3% in the current year, to total $4.1 billion.
- 14.5 million Australians had access to some form of Pay TV in 2018-19.
- NBN evening usage has increased by 25%, and business hour usage by 70%.
Electronics retailing

Retail Trade:

“March sales were also strong in retail industries selling items related to home offices”
“acceleration in recent weeks as both JB Hi-Fi and The Good Guys provided retail and commercial customers with the essential products they need to respond and to prepare for COVID-19, including technology products that enable remote working, learning and communication, and essential home appliances for food storage and preparation”

- ASX Guidance 23rd March 2020
Online everything

• Social distancing leads consumers to embrace online channels, many for the first time.
• Online channels provide a lifeline for quarantined businesses.
• Buy-now-pay-later to surge for online retail.
Online education

Online learning uptake is expected to accelerate post COVID-19
• The Manufacturing division has dwindled to 5.5% of national GDP in 2019-20, or $104.5 billion.
• Local firms may re-evaluate the risk of relying on foreign suppliers.
• The Prime Minister has spoken of plans to increase Australia’s ‘economic sovereignty’.
When can Australia reopen?
Australia is outperforming other countries

Daily - Canada

Australia

Population 36M

Population: 26M

New cases | New fatalities | 7 day Av | Mortality rate%
---|---|---|---

Canada

Population 36M

New cases | New fatalities | 7 day Av | Mortality rate%
---|---|---|---

Australia

Population: 26M

New cases | New fatalities | 7 day Av | Mortality rate%
---|---|---|---
Australia is outperforming other countries

Note the difference in Y-axis scale!
• The Australian health care system is well equipped relative to other countries.

• We have one of the highest ratios of medical staff and hospital beds per capita.

• IBISWorld has published a white paper on global health systems, ask your CRM for a copy!
Roads to recovery

**Herd Immunity**
COVID-19 spreads in a way that does not overwhelm the healthcare system.

**Elimination**
Complete eradication of the virus, delayed but accelerated restart.

**Suppression**
Begin to reopen now, but maintain some restrictions for a longer period.
Herd immunity?

**Sweden**

Population 10M

**Australia**

Population: 26M

New cases
New fatalities
7 day Av
Mortality rate%
Elimination

- Elimination may allow for a faster relaxation in social distancing, accelerating the reopening of the economy.
- Need local cases to fall to zero, and then maintain this for two incubation periods, i.e. about two weeks.
- Australia would likely have to continue the lockdown beyond mid-May, possibly for another month.
- Asymptomatic carriers (infected, but no symptoms) make this strategy risky.

Timeline to reopening is unclear, but state by state elimination appears to be viable.
• Elimination leads to broader reopening.
• May drive greater consumer confidence if fear of contracting the virus is removed.
• However, some industries will remain closed until a vaccine is available.

<table>
<thead>
<tr>
<th>Example industries to reopen*</th>
<th>Revenue ($m)</th>
<th>Employment</th>
<th>Wages ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports</td>
<td>13,000</td>
<td>68,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Cafes and Coffee Shops</td>
<td>10,400</td>
<td>148,000</td>
<td>2,600</td>
</tr>
<tr>
<td>Restaurants</td>
<td>19,700</td>
<td>180,000</td>
<td>5,200</td>
</tr>
<tr>
<td>Pubs, Bars and Nightclubs</td>
<td>18,000</td>
<td>78,000</td>
<td>3,800</td>
</tr>
<tr>
<td>Hotels and Resorts</td>
<td>12,300</td>
<td>92,000</td>
<td>4,100</td>
</tr>
</tbody>
</table>

*2018-19 data
Suppression

- This strategy accepts a higher number of cases, hospitalisations, and deaths.
- Requires extensive testing and contact tracing, and rapid containment.
- Will more harm be done if restrictions are removed and then reapplied?
- Will people behave differently if they know the virus is still out there?
Suppression

• The faster reopening occurs, the more businesses and employee/employer relationships can be salvaged.
• South Korea has successfully “traced, tested, and treated”.
• The Prime Minister has committed to suppression, not elimination.
Thank you!