Pandemic and disrupted supply chains bring major problems for Australian economy

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9 September 2021

In line with the government's "reopening" agenda, even as COVID-19 infections, hospitalisations and deaths surge out of control, the Reserve Bank of Australia (RBA) has delivered an upbeat assessment of the direction of the Australian economy.

It was contained in the statement on monetary policy issued by RBA governor Philip Lowe following a meeting of the central bank's board on Tuesday.

Notwithstanding the June quarter data already showed a slowing of growth, Lowe said that, prior to the Delta outbreak, the Australian economy had "considerable momentum," but this recovery was being "interrupted" by Delta. Gross domestic product was expected to "decline materially in the September quarter and the unemployment rate will move higher in coming months."

However, the optimistic assessment continued, the "setback to the economy" was expected to be only temporary. The economy would grow again in the December quarter and was "expected to be around its pre-Delta path in the second half of next year."

The only change the bank made in its monetary policy was to slow its reduction of purchases of government bonds. It will go ahead with an earlier decision to cut its weekly purchases of bonds from $5 billion a week to $4 billion but will delay any further reductions from November until early next year.

It repeated earlier commitments to the financial markets it would not increase its base interest rate of 0.1 percent until inflation was "sustainably" within the range of 2 to 3 percent. This was not expected until 2024.

A somewhat different assessment was set out in an article in the *Australian Financial Review* by Gareth Aird, the head of the Australian economic division at the Commonwealth Bank, published earlier this week.

He began with a pointed remark on methodology, noting that when economists try to predict the future it always looks good "because the problems of the present have essentially been assumed away."

"My overriding sense is that most economists are currently so fixated on the medium term that they are unwittingly downplaying what is an extraordinary negative near-term shock for the Australian economy."

Aird forecast that the Australian economy will contract by a "whopping" 4.5 percent in the September quarter and this "massive loss of production will be accompanied by a huge fall in jobs."

The bank's estimate is employment will decline by half a million, representing 7 percent of NSW and Victorian workers and there will be no immediate bounce in the December quarter.

Taking issue with the "consensus view" that an economic rebound will be very swift once stay-at-home orders are lifted, he said things would look very different when the NSW and Victorian economies exit lockdowns.

"Economic activity and employment will rise because the base will be low. But the reopening will likely be accompanied by a surge in COVID-19 cases—as has been the case overseas.

"It will be simply a matter of time before the virus has spread across the entire country, although some states will try to keep it out for as long as possible."

"Living with COVID-19," he continued, would produce what he euphemistically termed a "significant period of adjustment for households and businesses as the virus circulates within the community in large numbers and hospitalisations rise."

But, in line with his fellow economists, for whom the economy in the final analysis is not concerned with the lives, health and well-being of the population but corporate profits, the "good news" is that by the middle of next year Australians will have "adjusted" to life with COVID.

By that time Australia would be in a similar position to that of the UK—where infections, hospitalisations and infections of children have continued to rise as a result of the reopening of the Johnson government. COVID-19 will be treated "in much the same way as we treat other viruses" and the "economy should start to fire on all cylinders again."

This is a repeat of one of the big lies used to push the reopening program. Society has not "learned to live" with other deadly viruses, such as polio, along with smallpox and others, but has eradicated them. But this policy, entirely possible if scientific measures are undertaken, has been ruled out for COVID because of its impact on profit.

Economic activity in Australia is being impacted by the surge of the pandemic around the world, making clear that eradication has to be a global strategy.

As thousands of workers in warehouses and distribution centres are in isolation because of virus infections, major retailers are reporting that their global supply chains are being increasingly disrupted.

Bernie Brooks, a former CEO of Myer, now running a handbag and jewellery chain, told the *Guardian* that there was a "dramatically bad" supply chain situation across Asia, the source of many of the goods on the shelves of retailers.

"What we continue to see is just this snowball down a hill, a gathering of different [COVID-19 related] influences… that means that probably the supply out of Asia has been the worst I've seen in 40 years of retail history."

Earlier this week, an Australian Broadcasting Corporation (ABC) report said: "Balloons, books, bikes, hair products, game consoles. Name almost any item imported to Australia and you can bet a retailer is struggling to get it, and it's costing a fortune to get it here."

The ABC report quoted a retailer of children's bicycles who said she was now waiting months for some stocks. "Before when we had a sale, we would just call up [the wholesaler] and order it and we would have it within days." Now the supply of cheaper bikes had dropped by 50 percent and the waiting time for high-end bikes was between six and 10 months.

Paul Zahra of the Retailers Association told the ABC that small businesses had been "absolutely decimated by this pandemic" and would be "even more impacted by the supply chain issues that they're currently experiencing."

It is not only a question of supply. Retailers, he said, were paying up to four times the previous cost of shipping products to Australia and this would ultimately impact on prices.

The growing supply chain crisis is not confined to the retail sector but is hitting manufacturing industry as well.

Virtually every manufacturing firm is dependent on the supply of raw materials, such as steel and copper, components and parts, ranging from the most complex to the simplest, from all over the world—China, Southeast Asia, India and Europe. And these suppliers, in turn, are part of other global supply chains, all of which are being disrupted. The result is that orders that used to be filled within days now take weeks or months.

The fiction, promoted by the Reserve Bank and other arms of the economic and political establishment, that the Australian economy can come roaring back if only all public health measures are lifted serves a political purpose. Its aim is to divert the working class from its essential task that the objective situation places before it: the development of a united international struggle to eradicate the pandemic.