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Government support critical but long road to recovery ahead, says CPA Australia

Today's economic and fiscal update paints a sobering picture of the state of the Australian and global economy. The huge levels of government support could unfortunately only limit the negative fallout from the pandemic, not keep Australia out of recession.

Dr Gary Pflugrath, CPA Australia's Executive General Manager of Policy and Advocacy said: "The Government's support spending has allowed Australia to escape the worst of the economic impacts of COVID-19, however the negative consequences on jobs and business are likely to be felt for many years, regardless of when Australia begins to regrow."

CPA Australia highlighted that the support the government has injected into the economy has so far saved many Australian jobs, however this is no time to rest on our laurels. While the economy may return to growth soon, consumer spending and business investment is likely to remain subdued over the longer term, impacting jobs.

"While the extension of the JobKeeper scheme has removed the imminent threat of a September 'cliff', it does not mean that businesses in distress can bury their heads in the sand. They need to access professional advice to help them make the best decisions for the future of their business, themselves and their staff. With many businesses remaining in distress, government can encourage them to access that much needed advice through funding a business advice voucher.

"COVID-19 continues to pose a risk to the survival of many businesses, especially small businesses. Widespread failure or closure of such businesses would adversely impact local economies, potentially slowing the national recovery and future job creation.

"In other words, a large and disorderly spike in corporate insolvencies can create a serious problem for the economy and jobs and needs closer management," Pflugrath said.

Much still needs to be done to build the economy of the future so that the nation just doesn't exit this crisis and return to 'business as usual'.

"Even before this current crisis and the bushfires and floods, Australia was faced with anaemic levels of growth. We need an economy that is different, more dynamic and resilient; and one that considers and adapts to the needs of an environmentally sustainable world.

"Such reimagining of the economy will be critical to jobs creation, enhancing the small business sector and hastening the return to stronger GDP growth.



“The nature of the economic recovery that follows the COVID-19 crisis will depend in part on not only on the survival of small businesses, but on whether significantly more digitally-capable small businesses emerge. This requires much higher government investment in building the digital capability of small business owners and the workforce,” Pflugrath said.

Governments at all levels have done a very good job at implementing what was considered unconventional policies at the start of the crisis given the circumstance; however, the crisis should remain front and centre in future policy considerations.

“Policy options that may have been dismissed as complex, need to be revisited. There are many people of goodwill in the community that want to work with government to overcome these obstacles for the good of the nation and jobs,” Pflugrath concluded.

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Media contact: Vanessa Richards on +61 400 395 559 or media@cpaaustralia.com.au