



May 2020

Year 11 and 12

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Consumer spending during COVID-19

Illion (a leading credit bureau), in partnership with the economists at AlphaBeta (part of Accenture), has developed a real time tracker showing economic impact of COVID-19.

May 11-17: Returning to normal; Spending now just 3% below pre-crisis levels

Weekly index of consumption per person, 100 = normal weekly base excluding Xmas



Based on a weekly sample of the transactions of c.250,000 Australian consumers

Chart: Created by illion & AlphaBeta (part of Accenture) • [Get the data](#)

Open the tracker at:

https://www.alphabeta.com/illiontracking?utm_source=illion&utm_medium=email&utm_campaign=real-time-economic-tracker

Investigate the graphs on Tab 1 (Consumer spending) and Tab 2 (Consumer spending by category).





Finding out

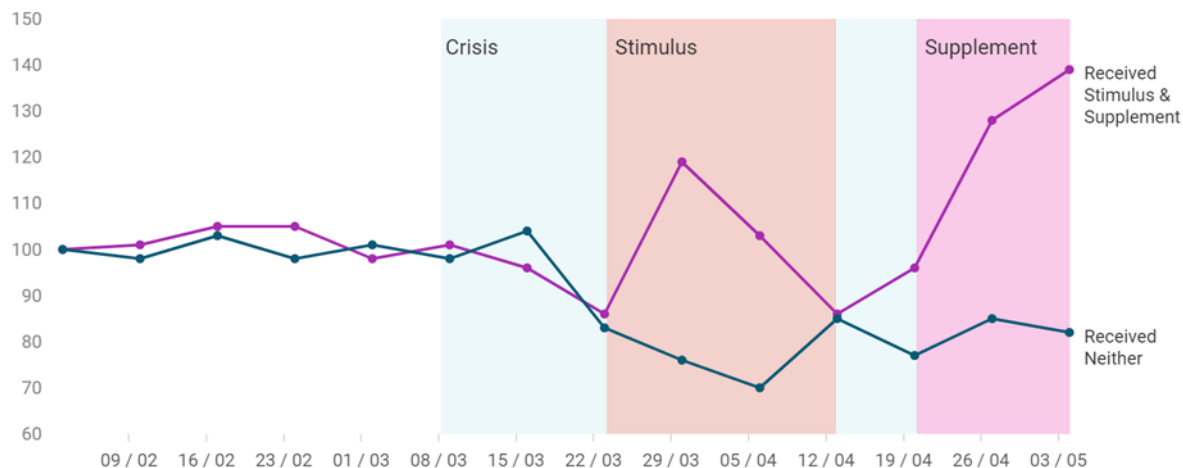
- Use the internet to find the meaning of the economic term 'discretionary spending'.
- Use the Tab 1 graph/chart to:
 - describe the pattern of total consumer spending over the period
 - distinguish between the impact of COVID-19 on essential spending and on discretionary spending
 - identify what percentage discretionary spending fell to at its lowest point over the period
 - describe the impact of the two government payments (the one-off \$750 stimulus payment followed by the ongoing \$550 per week Coronavirus Supplement which doubled the unemployment benefit and the youth allowance)
 - identify which of these government policy actions had the bigger impact on consumer spending
 - describe the impact of the easing of lockdown restrictions (to varying degrees across the country) over the last two weeks shown on the graph
 - predict how many weeks it will take for consumer spending to get back to normal level (where the weekly index of consumption per person is 100)
- Describe what the Tab 2 graph/chart shows about consumer spending.
- Explain why spending on:
 - gyms, travel and cafes has decreased so much?
 - office equipment and furniture has increased?
 - food delivery has increased the most of any category?
- Use the graph on the next page to:
 - describe the difference between the spending of those consumers who received both the stimulus and the Supplement, and those who received neither
 - explain how total consumer spending could be 7% below normal when the spending of those who received both the stimulus payment and the supplement are spending far more than usual.





May 4-10th: Spending growth entirely driven by supplement recipients

Coronavirus supplement is a \$550 fortnightly additional payment for recipients of unemployment and some other payments. Weekly index of consumption per person, 100 = normal weekly base excluding Xmas



Based on a weekly sample of the transactions of c.250,000 Australian consumers
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The next question is for **Year 12 students only**.

- Use either the AE or the AD/AS model to show:
 - the impact of the pandemic on the equilibrium level of income/output
 - the impact of the government's economic policy actions on the equilibrium level of income/output.

Hint: As the impacts are related it could be most effective to show the two impacts on the one graph.

Some politicians and economists are suggesting that the Coronavirus Supplement should be removed before the planned date in late September 2020. Others are suggesting that it will need to be continued beyond September as jobs will be hard to find as the economy recovers.

- Write a blog post taking a position on when to end the Coronavirus Supplement.
- The Coronavirus Supplement has also raised the issue of the need to increase the Newstart Allowance which is supported by many economists and others involved in social welfare. If the government decided to increase the Newstart Allowance (now called JobSeeker) significantly (say an additional \$100 a fortnight) after the supplement finishes, describe the effects on economic activity if this was achieved by:
 - increasing government spending
 - by increasing personal income tax rates to fund the additional government spending.





Teacher notes

Purpose

This 'bite' aims to examine the impact of a 'shock' (the COVID-19 pandemic in 2020) on consumer spending. It also looks at government action to reduce the size of the pandemic on economic activity.

It is a good way to leverage on Year 11 students understanding of a current event with which they are familiar to introduce this Year 11 syllabus content descriptor: the impact of recent domestic and international events on the performance of the Australian economy.

Year 12 students can consider how an economic model can be used to demonstrate the impact on level of economic activity. This is useful in developing understanding of how the AE model can be used to demonstrate the impact of changes in aggregate expenditure on the equilibrium level of income/output AND/OR how the AD/AS model can be used to demonstrate the impact of changes in aggregate demand and aggregate supply on the equilibrium level of income/output.

Prior knowledge

Students need to have been exposed to the following Year 11 ATAR syllabus content before undertaking this 'bite':

- the components of aggregate expenditure (Year 11)
- factors affecting each of the components of aggregate expenditure (Year 11)
- demonstrate the impact of changes in aggregate expenditure on the equilibrium level of income/output using the AE model (Year 12)
- demonstrate the impact of changes in aggregate demand and aggregate supply on the equilibrium level of income/output using the AD/AS model (Year 12).

Follow-up

It would be useful to draw the similarity to the economic impact of other shocks, such as, a domestic event like the 2019-20 'Black Summer' bushfires in Eastern Australia.

