

Slump is not so dire: RBA

Australia's economy is in its biggest contraction since the 1930s but it is possible the downturn could be shallower than expected, the Reserve Bank says.

However, the outlook remains uncertain and the pandemic is likely to have long-lasting effects on the economy, according to the central bank's June board meeting minutes released yesterday.

The RBA kept the cash rate at a record low 0.25 per cent at the monthly meeting while assessing the extent of the coronavirus-driven economic downturn.

It had cut rates twice and announced quantitative easing measures in March in an effort to cushion the economy.

According to the minutes, the RBA board recognised the substantial, co-ordinated and unprecedented easing of fiscal and monetary policy in Australia was helping the economy through this difficult period.

Its actions were keeping funding costs low and supporting the supply of credit to households and businesses.

Start-ups fail to get funds

China-focused venture capital firms struggled to raise capital in the first half, culling the number of funds and foreshadowing more pain to come for the country's cash-strapped start-ups.

Funds that invest in the world's No. 2 economy only managed to raise \$US3.7 billion (\$5.3b) as of June 15, down nearly 60 per cent from a year earlier, according to research consultancy Preqin.

The number of Chinese-focused vehicles that completed their funding also fell 61 per cent to 21 in that period.

That helped slash the total number of existing Chinese-based venture capital funds by more than half to 345 as of mid-June, Preqin data showed.

Investment activity in an industry that thrives on face-to-face contact has fallen off a cliff since the pandemic erupted in January.

Owners take early action as September JobKeeper s

PREPARING FOR

MEILIN CHEW

WA business owners say they are preparing for the end of JobKeeper by scrutinising every aspect of their business and building a "war chest".

JobKeeper is set to end in September after Prime Minister Scott Morrison warned on Monday keeping wage subsidies in place for too long would damage the growth needed to pull the country out of crisis.

About 844,000 businesses have accessed JobKeeper, delivering payments to about 3.5 million workers.

Jocelyn Derecourt, owner of South Perth-based Cove Spa, decided to take a hands-on position in the business post-COVID, after stepping away for 10 years.

"Because of the financial situation that we're in after being closed for three months, in order for us to claw our way back, I've had to come back into the business working on the front desk and in the treatment rooms," she said.

"The silver lining is getting back in touch with all the clients and the staff. I think the business will really change direction with me being back at the forefront."

Glenn Callegari, owner of surf shop retailer Hillzeez, said many business owners would have to face a post-stimulus world.

"How I prepare for that is basically try and rebuild the war chest for my

business," he said. "For some of my marginal sites ... basically I haven't renewed the lease position. You get to a point and go, 'If things deteriorate you can just pack it up and leave'."

"It's survival of the fittest and we've got to be the fittest. That doesn't mean cut back your payroll, it just means the value-add has to be there with every team member of your organisation, now more than ever."

Nigel Plowman, pictured below left, the founding director of WA-based accountants and financial advisers McKinley Plowman, said now was the time for businesses to focus on preparing budgets and cashflow models with "best case", "worst case" and "probably case" scenarios.

"Businesses should also be reviewing all costs, with a view of 'trimming the fat' that typically builds up in most businesses over many years," he said.

"Focus should also be on tightening accounts receivable policies, processes and guarantees."

"I have concerns that

businesses will fail when JobKeeper stops, leaving companies with bad debts. It's sad to say, however, company liquidators are expecting to be busy."

Mr Plowman said businesses should not neglect marketing activities, as "often it is a big wheel which takes a while to turn — so start now".

BDO Perth business services partner, Danny Olsen, below right, said accurate cashflow forecasting was one of the most important things to get right before JobKeeper goes.

"Many businesses have changed the way they operate over the past few months," he said.

"Now is the time to look at which of those changes will remain in place, what other changes are needed, and what parts of the pre-COVID model can return."

"It won't be as simple as returning to how things were pre-COVID. Businesses need to maintain separate plans which include the instance that virus cases rise again in the State."

"For example, if you need to close again, can your business withstand a period that may not include the level of government stimulus response that we have seen to date?"

Mr Olsen said now was the time for business owners to safeguard their business, with critical issues including "workforce planning, supply chain planning and financial diligence".



OPENING HOURS

Mon 9.00 - 5.30

Tues 9.00 - 5.30

Wed 9.00 - 8.30

Thurs 9.00 - 8.30

Fri 9.30 - 5.30

Sat 9.00 - 5.00

Sun CLOSED

The silver lining is getting back in touch with all the clients and the staff.

Cove Spa owner JOCELYN DERE

THE NBN AND OUR DIGITAL CONNECTION

The NBN was an idea conceived more than a decade ago and has become one of Australia's key infrastructure projects and been at the forefront of political debate throughout its construction. It has been a long, and at times controversial journey, but NBN Co has now reached its 2019-20 end-of-year target of delivering the broadband network to 11.5 million homes and businesses across Australia. Stephen Rue, CEO of NBN Co, took the top job in September 2018 and has steered the company towards initial rollout completion. Join Mr Rue as he takes you through the challenges of delivering a project of that scale and outlines what's next for the company after hitting its key target. Hosted by 7NEWS presenter Tim McMillan, this discussion is not to be missed.

REGISTER NOW FOR THIS FREE AND LIVE EVENT FOR YOUR CHANCE TO ASK STEPHEN A QUESTION.

UPCOMING EVENT ONLINE TUESDAY 30 JUNE

WATCH LIVE AND FREE 12.00PM TO 1:00PM

REGISTER thewest.com.au/events **INFORMATION** events@wanews.com.au

PRESENTING PARTNER



Curtin University



nbn™

Leadership Matters

The West Australian

7NEWS events