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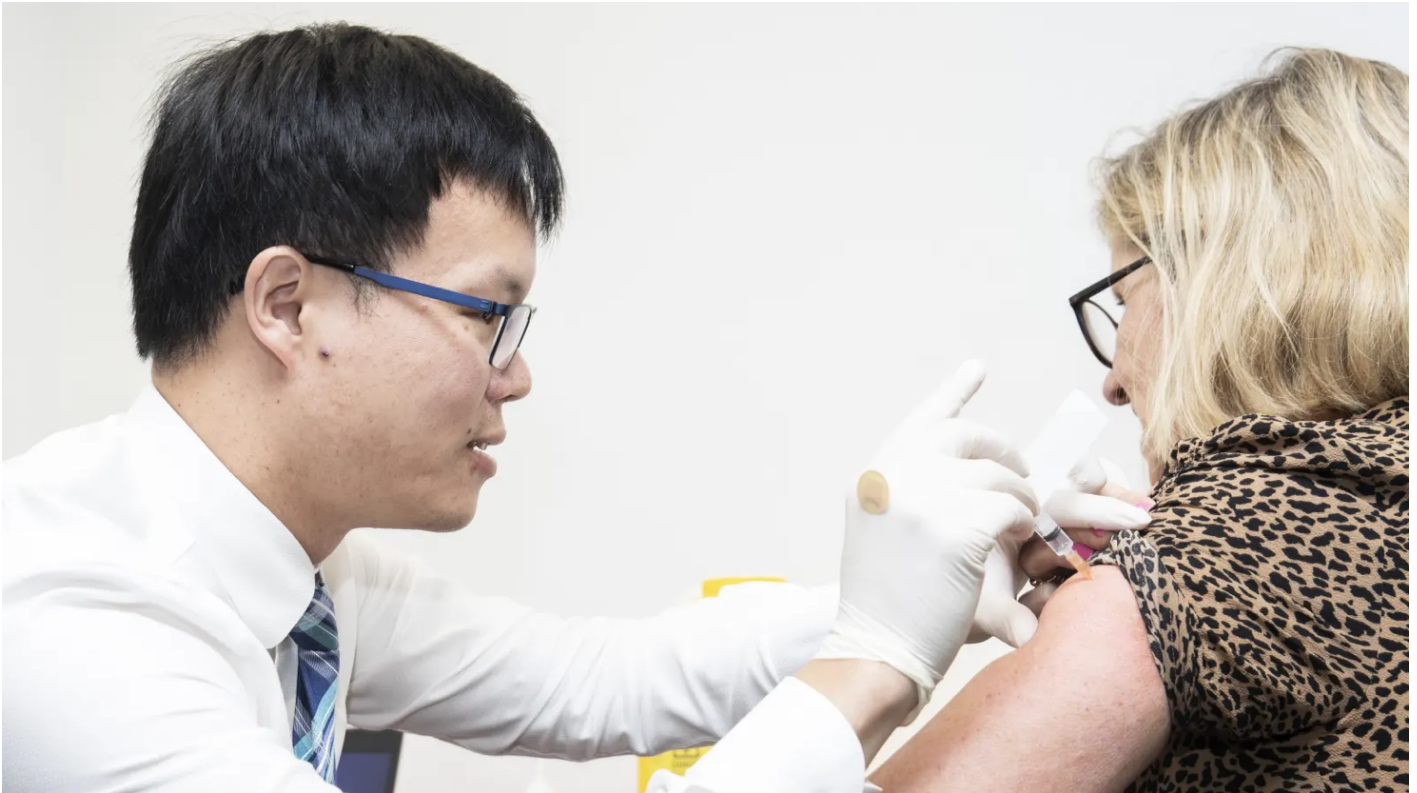
National [Coronavirus pandemic](#)

OPINION

\$20 billion and counting: the economic hit from vaccination delays is a very big deal

The coronavirus vaccines are a modern miracle. Right now, in countries that have been ravaged by the virus, like Israel, Britain and the US, the vaccines are enabling a swift return to normal life. Social distancing can end. Travel can resume. The cloud of uncertainty can lift.

While our earlier performance led the world, the tables have turned rather quickly. Others are gaining protection from the virus even without social distancing, but our delayed rollout leaves us exposed. The government appears to have finally realised this – proposing a target of a million vaccinations a week in the last three months of the year. While many have claimed delays are no big deal, make no mistake: the costs are very real and very large.



Australia is well behind nations like Israel and the US with its vaccine rollout. LOUIE DOUVIS

There is the ever-present threat of an outbreak, and the renewed lockdowns and border closures that would inevitably bring. That threat continues to cast a pall over consumer and business confidence. If you think our recovery has been strong so far, imagine how much stronger it would be were we all immune to the virus.

But the key source of ongoing damage is our international border. Our first line of defence, the border has been pivotal to saving tens of thousands of lives and preventing even greater economic destruction. And the simple fact remains that our border cannot reopen safely until our population is largely vaccinated.

We ran the numbers to work out just what sort of risk the nation would be running if today we were to immediately resume our normal rate of immigration, while requiring every visitor to be both fully vaccinated and to have received a negative test result. Those are quite strong restrictions, yet even under those circumstances we estimate Australia would welcome more than one COVID-positive visitor per day. This is because even the best vaccines and tests aren't perfect. A massive outbreak would be inevitable. It's untenable.

How we arrived at our COVID-positive visitor estimate

The likelihood of a negative-tested and vaccinated migrant to Australia being COVID-positive depends on three numbers: 1) vaccine efficacy; 2) the false-negative test rate; and 3) the infection rate. Vaccines like Pfizer have around 95 per cent efficacy. This means that, relative to a control group that did not receive the vaccine, symptomatic infection was reduced by 95 per cent. Standard COVID-19 tests have a false-negative rate of 9.3 per cent. This means that around 1 in 10 people who are actually COVID-positive would nevertheless test negative. The current infection rate in the US, based on the positive test rate over a 14-day incubation window and an estimate of test underreporting (given not all COVID-positive people will get tested), is around 1%. In some countries, this rate is even higher. When you multiply these percentages: 5 per cent x 9.3 per cent x 1 per cent, you get a seemingly tiny number: 0.0046500 per cent. But pre-pandemic, we received around 9 million international visitors per year. If we were to go back to that level of openness right away, then we would expect around 419 people per year to come to Australia with COVID-19. That's around 1.2 imported infections per day. And don't forget: the pandemic started with just a single case, growing exponentially from there.

But introducing one case per day into a largely unvaccinated population is a very different proposition to introducing it into an almost-fully vaccinated one. Vaccines don't just prevent you from catching the virus. They also prevent you from passing it on. Were Australia close to fully vaccinated, the likelihood of onward transmission would be radically lower. And any transmission that were to occur would be quickly snuffed out via herd immunity.

Our lack of vaccination is the key remaining constraint on our economic recovery. Any delay to our rollout – at this stage, we're perhaps six to 12 months behind leading countries – is a delay to the reopening of our border, and with it tens of billions of dollars in economic activity.

The closed border keeps out the 9 million visitors we usually welcome each year. The net impact on tourism – though certainly negative and very large – is difficult to pin down as some activity will be replaced by greater domestic travel in lieu of the overseas trips Australians can no longer take.

Similarly, the closed border keeps out the hundreds of thousands of foreign workers we typically welcome each year. But given the pandemic has induced hundreds of thousands of Australians to return from overseas, the net effect on the labour market is difficult to discern. It's clear, though, that labour shortages will put a brake on certain industries, constraining the recovery.

The sector worst affected by the border closure is higher education. Prior to the pandemic, it was our third-largest export, bringing in \$40 billion in 2019. It's a massive industry, employing hundreds of thousands of people, and upon which whole cities are reliant. But all

those jobs in turn rely on the hundreds of thousands of fee-paying international students locked out.

In the first year of the pandemic, we lost about \$10 billion from the sector. But because many students are on multi-year visas, this was only the tip of the iceberg. In 2020, [student visas granted to those outside Australia fell by 150,000, or 63 per cent](#). If we remain closed through the end of 2021, as seems likely, our economy is set to lose another \$20 billion or so from higher education alone.

Ordering initially just 10 million Pfizer doses, rather than the 50 million required to cover our population, saved the government around \$600 million according to US prices. But that's only a tiny fraction of what our economy will lose due to the resulting delay – a false economy if ever there were one.

Having finally admitted the rollout hasn't gone as hoped, the government has begun to send some of the right signals. Given the cost of delay, it should be willing to spend billions to accelerate it. It should move heaven and earth to secure a deal with Moderna. Its new plan to vaccinate a million Australians a week leading into the Christmas holiday period will require a massive logistical feat, tripling our current vaccination rate of about 350,000 a week. But its ambition is at least an acknowledgment of the urgency of returning to normal. The stakes of another missed target are incredibly high.

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