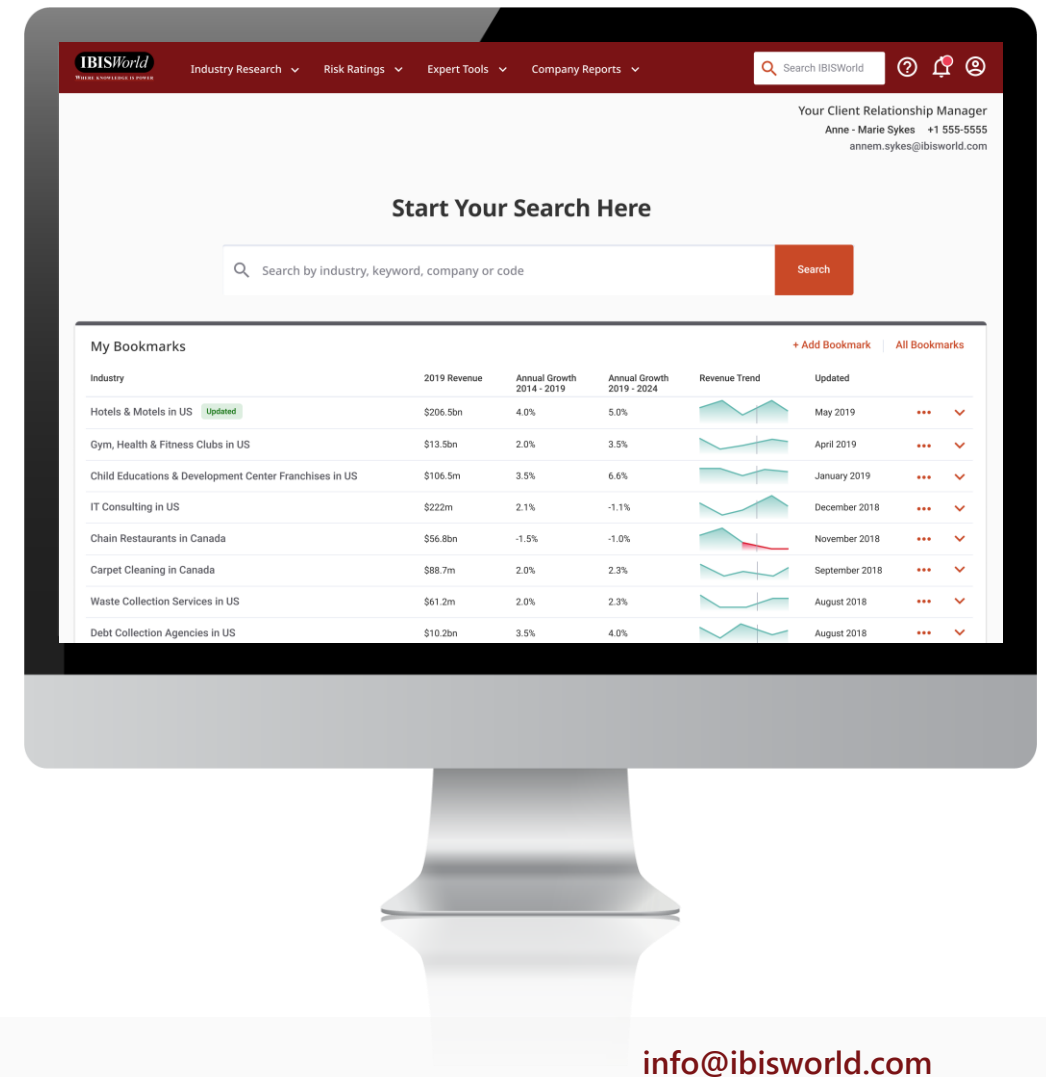


IBISWORLD INSIGHTS

Economic Conditions and Outlook

Tom Youl, Senior Industry Analyst

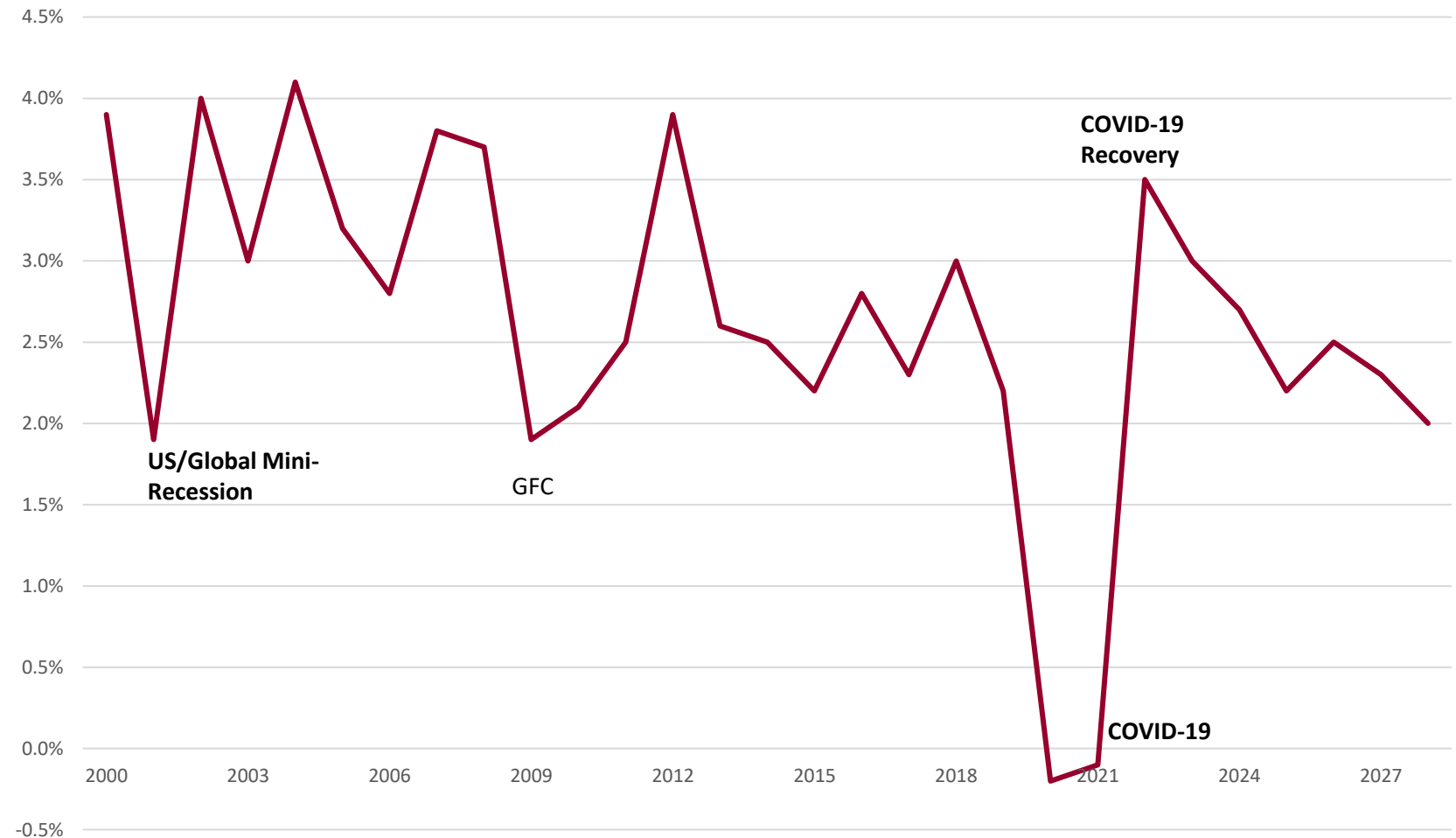
- Economic Overview
- Outlook 2021-22
 - Winners
 - Losers
- Other Topics
 - Lockdown impacts
 - Inflation
 - Pandemic-induced changes



Economic Overview

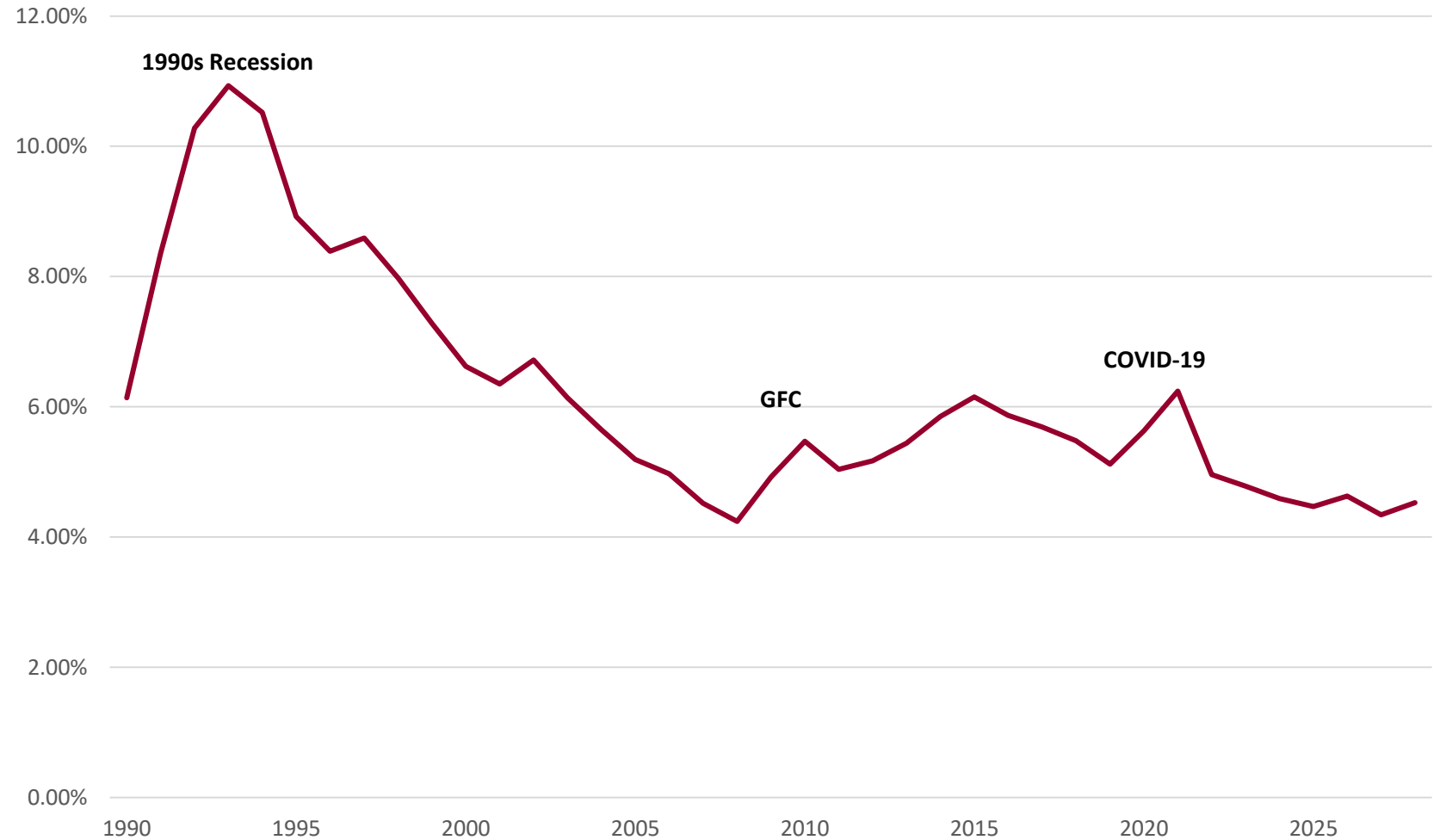
Australian GDP Growth

- 2019-20: **-0.2%**
- 2020-21: **1.3%**
- 2021-22: **3.5%**



Unemployment rate

- 2019-20: **5.63%**
- 2020-21: **6.24%**
- 2021-22: **4.96%**



Employment – International Comparison

- Already recovered:
 - Australia
 - Japan
 - New Zealand
 - Poland
- Strong dips in participation rate artificially lowering the unemployment rate in some countries

How long to return to pre-pandemic employment rates?



"Recovery to pre-pandemic level" refers to a sustained increase in employment level above its Q4 2019 level. • Source: OECD (2021), [OECD Employment Outlook 2021](#)

Household Consumption vs Disposable Income

Consumption

- 2019-20: **-3.0%**
- 2020-21: **1.4%**
- 2021-22: **4.0%**

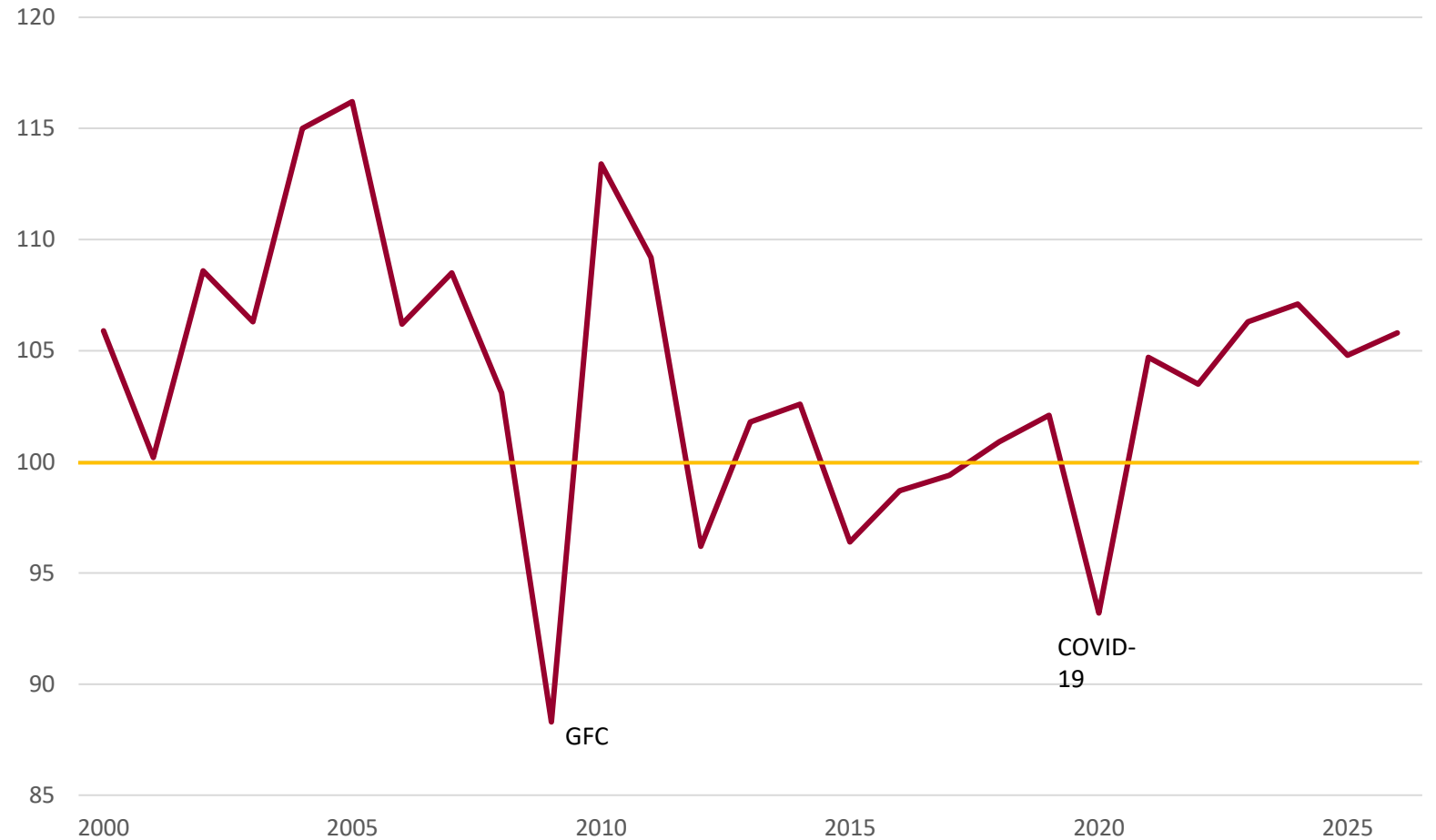
Disposable Income

- 2019-20: **4.0%**
- 2020-21: **2.5%**
- 2021-22: **2.5%**



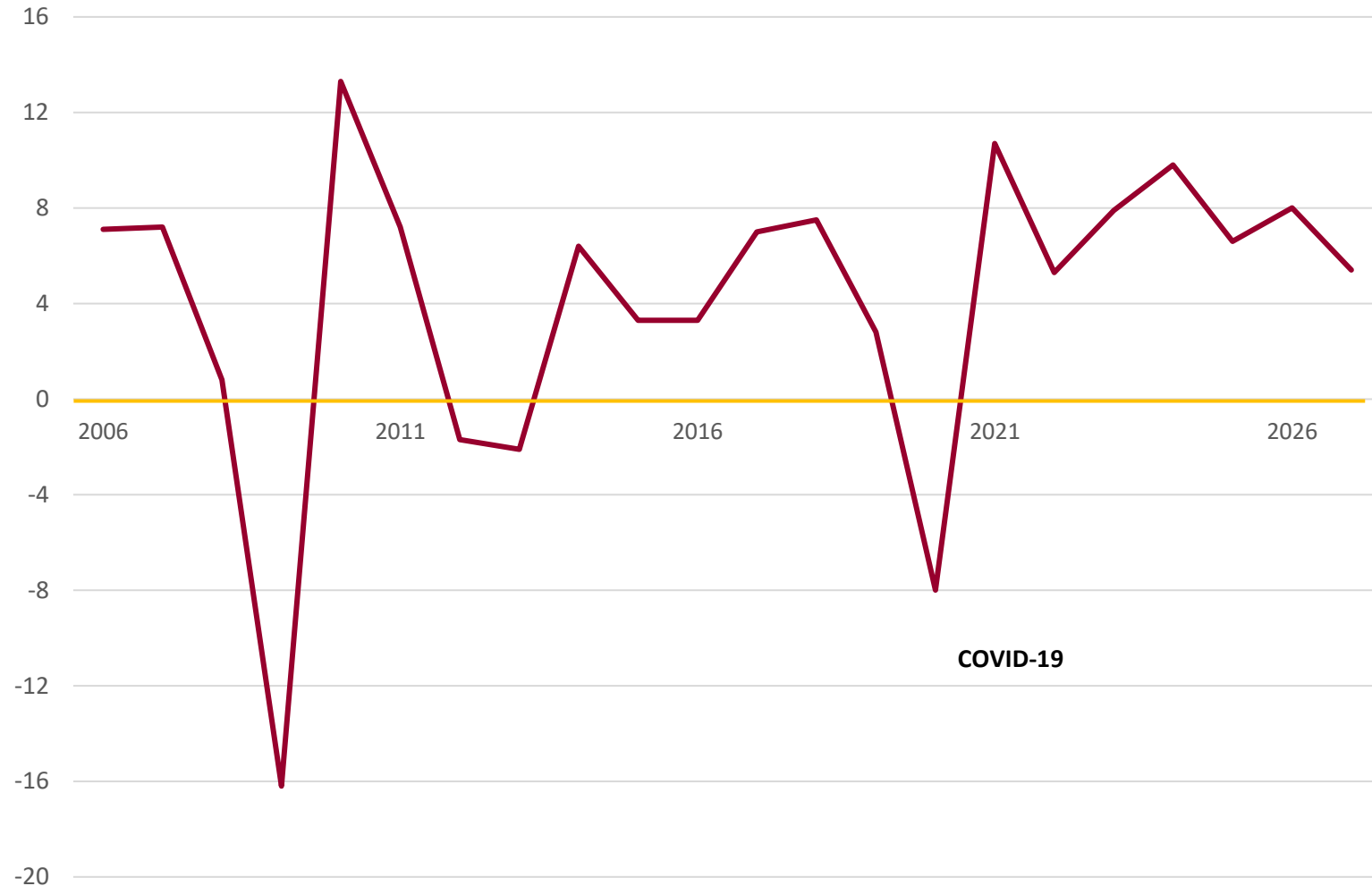
Consumer Sentiment Index

- 2019-20: **93.2**
- 2020-21: **104.7**
- 2021-22: **103.5**



Business Confidence Index

- 2019-20: **-8.0 index points**
- 2020-21: **10.7 index points**
 - April 2021: 26.0
- 2021-22: **5.3 index points**
- *Private Capital Expenditure:*
 - *2021-22: 5.0%*



Winners 2021-22

Tourism

- Domestic tourism **expenditure**, April 2019 to April 2021, 7% growth
 - Despite **trips** being down 9%
- Expenditure in regions up 30%+
- Domestic overnight trips forecast to increase by almost 50% in 2021-22
 - Day trips 60%+

Revenue Growth %, Airlines



Tourism: Adjacent Industries

- Tourism = 3.4% of GDP
 - **Plus another ~3% indirect**
 - 75% domestic, 25% international
- For every \$1 spent directly on tourism services, \$0.81 is spent in other industries
- Share of national employment: 5.2%

Tourism characteristic and connected industries	Employed persons ('000)	Share of total sector employment (%)
Travel agency and information centre services	37.4	100.0
Accommodation	81.5	80.2
Air, water and other transport	38.6	50.9
Cafes, restaurants and takeaway food services	49.7	35.8
Clubs, pubs, taverns and bars	194.0	32.9
Sports and recreation services	28.6	19.2
Road transport and transport equipment rental	25.0	18.1
Casinos and other gambling services	3.8	9.5
Rail transport	2.3	9.0
Education and training	58.5	7.5
Retail trade	114.2	5.9

Source: Destinations NSW

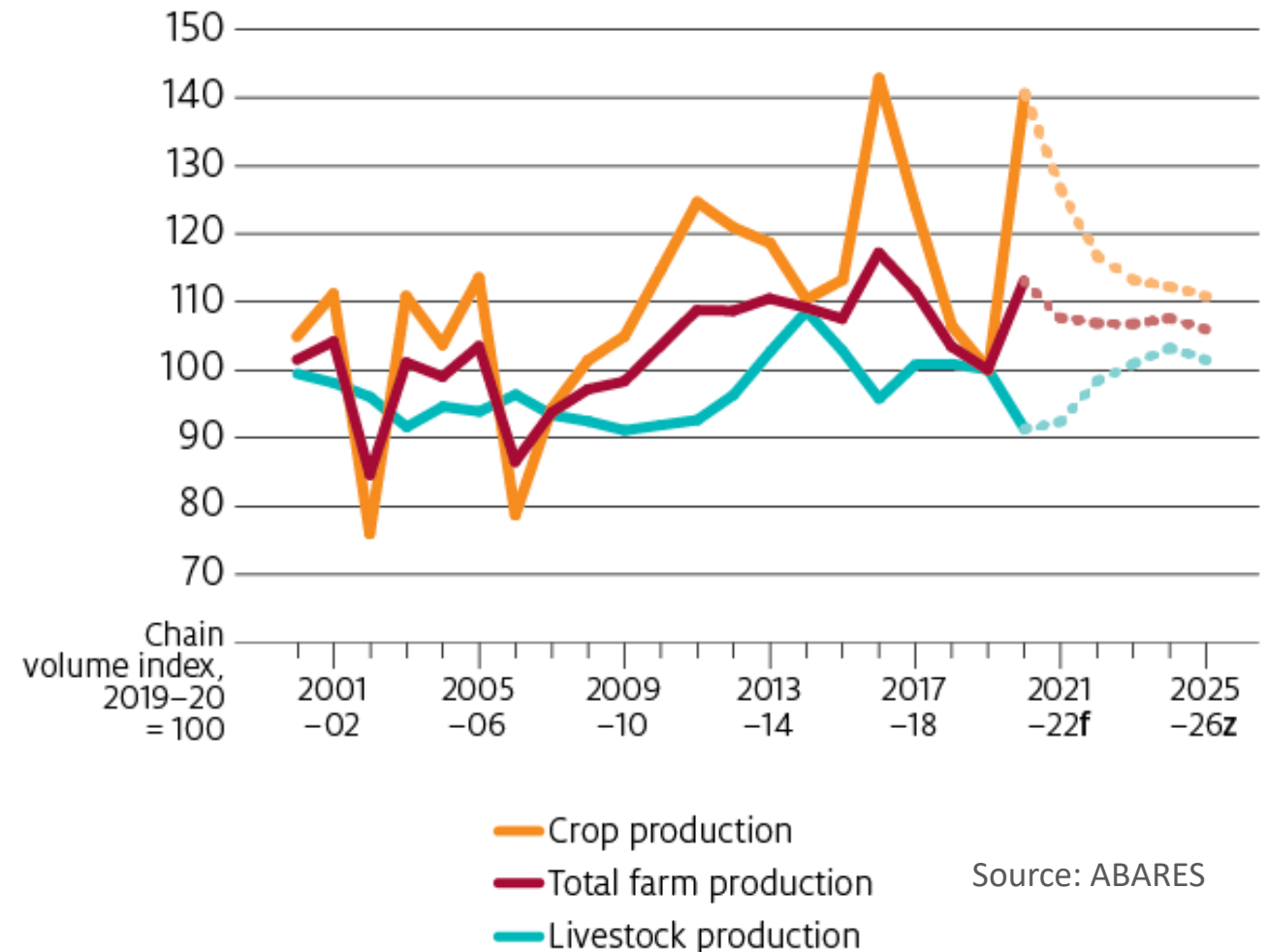
Services Industries

Industry	Revenue growth in 2021-22 (%)	Employment growth in 2021-22 (%)
Cinemas	69.6	25.4
Airport Operations	67.9	20.4
Travel Agency and Tour Arrangement Services	67.1	12.1
Hotels and Resorts	66.6	11.5
Scenic and Sightseeing Transport	45.1	8.4
Motels	43.0	7.5
Pubs, Bars and Nightclubs	35.6	7.0
Social Clubs	34.1	10.9
Travel Insurance	27.6	9.5
Wine Bars	24.3	11.7

Agriculture

- Drought-breaking rainfall resulted in crop output growing by 40% in 2020-21
- Crop output is likely to remain high in 2021-22, as water availability remains solid
 - E.g. on-farm dams and rivers
- Fruit and vegetable prices are forecast to remain low
- Meat prices are expected to decrease

Australian agricultural production, chain volume measures, 2000–01 to 2025–26

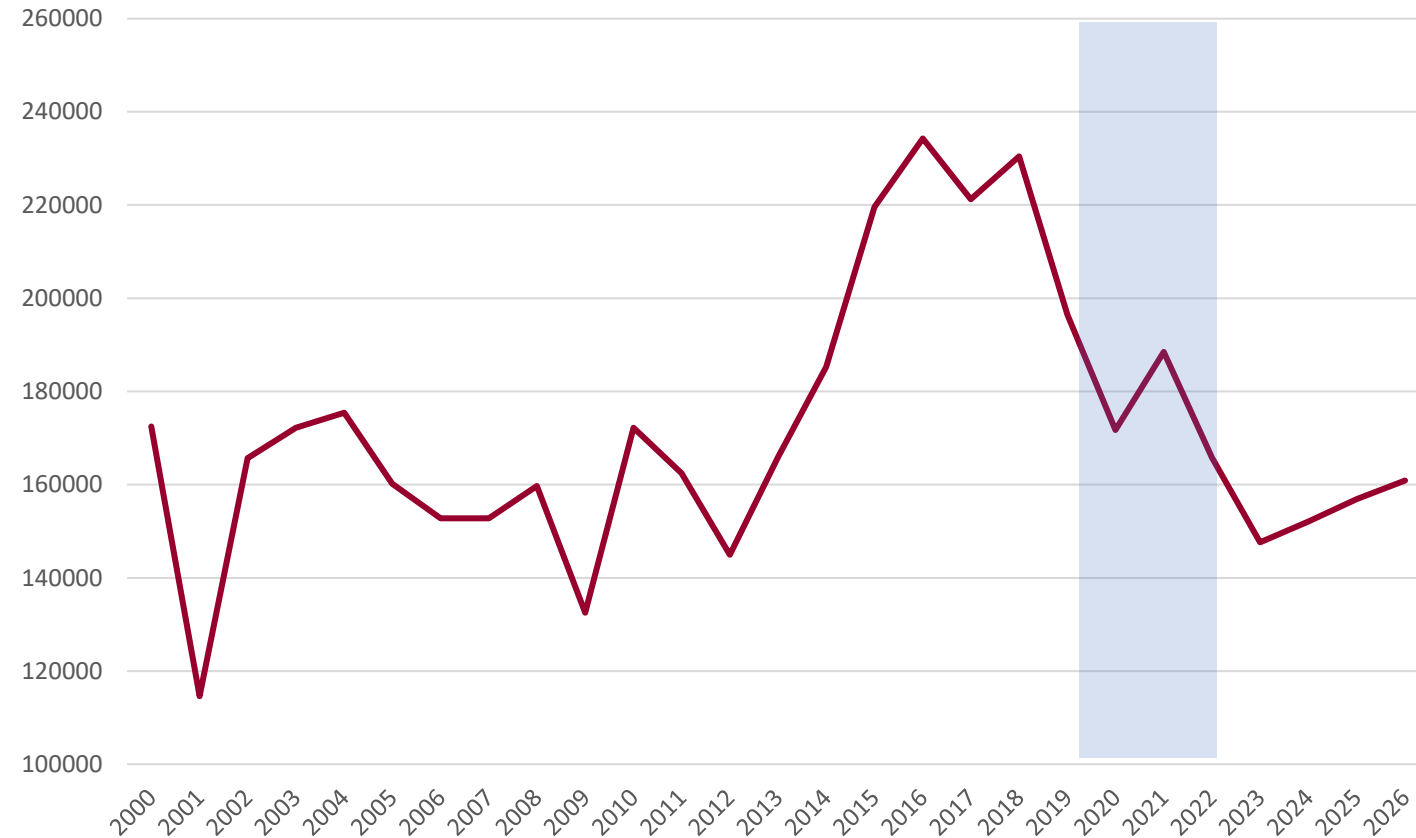


Losers 2021-22:

Residential Construction

- Mixed effects of HomeBuilder
 - The scheme has prompted \$30bn worth of residential construction activity since June last year
 - Renovation value increased by 6.0% in 2020, after declining by 3.5% in 2019.
 - **Robust renovation activity has been reported, forecast to continue into 2021-22**
- New-dwelling construction has grown, but is forecast to contract in 2021-22
 - 12.1% decline in dwelling commencements during the year

Dwelling Commencements



Hospitality

Industry	Businesses having difficulty finding suitable staff (%)	Businesses not having difficulty finding suitable staff (%)	Don't know (%)
Accommodation and Food Services	38	55	6
Electricity, Gas, Water and Waste Services	37	62	1
Other Services	36	64	0
Manufacturing	35	60	5
Construction	32	67	0
Transport, Postal and Warehousing	30	69	1
Health Care and Social Assistance	26	70	4
Education and Training	25	70	5
Administrative and Support Services	24	71	5
Mining	22	77	1
Wholesale Trade	22	78	1
Information Media and Telecommunications	22	78	0
Professional, Scientific and Technical Services	22	72	7
Arts and Recreation Services	22	78	0
Rental, Hiring and Real Estate Services	19	80	0
Retail Trade	18	82	0
Financial and Insurance Services	18	82	0

Homewares (and liquor) Retailing

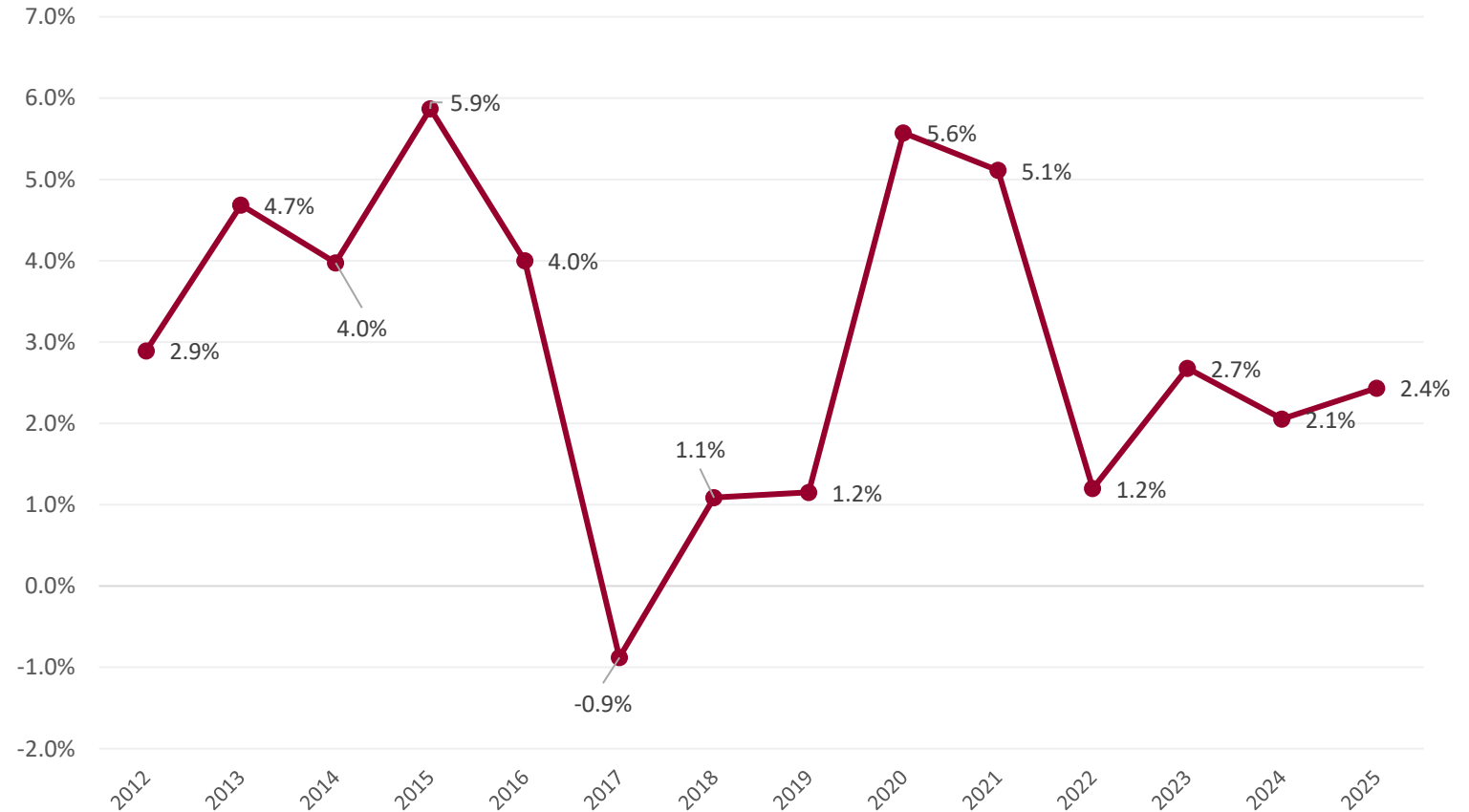
- Return-toward-mean for many retail industries that grew strongly during the COVID-19 pandemic
 - Revenue still likely to be partially elevated compared with pre-pandemic trends
- In contrast, clothing and footwear industries are projected to expand in 2021-22

Industry	Revenue growth in 2021-22 (%)
Liquor Retailing	-14.2
Floor Coverings Retailing	-5.4
Video Game, DVD and Recorded Music Retailing	-4.9
Furniture Retailing	-2.9
Houseware Retailing	-1.5
Department Stores	-1.5

Supermarkets and Grocery Stores

- Expenditure to shift toward food services industries
- Low population growth in 2021-22
- Slight uptick in price-based competition

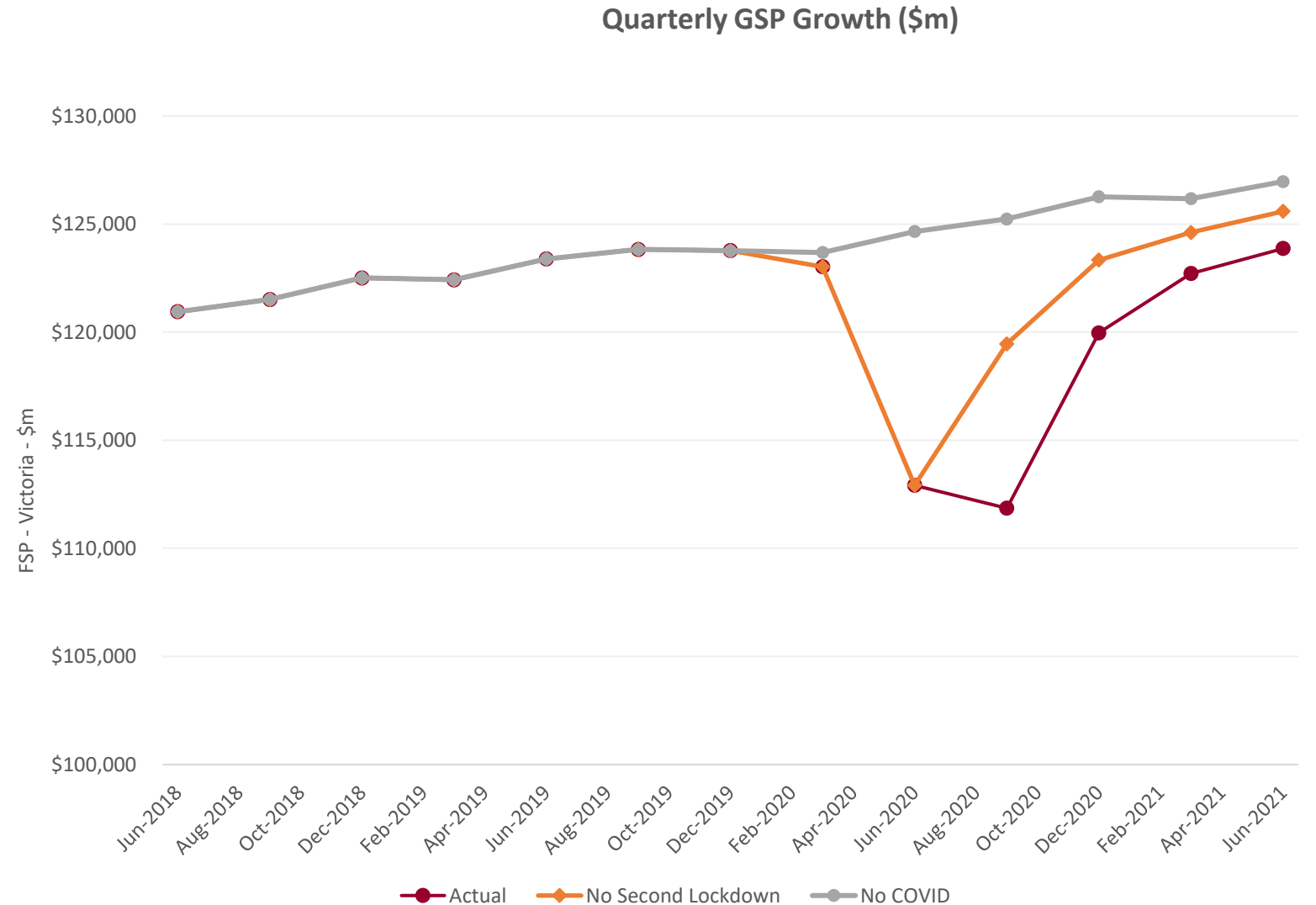
Supermarket and Grocery Stores Industry: Revenue Growth %



Post COVID-19 Economy

Case Study: Victorian Lockdown

- Second lockdown:
 - Estimated economic loss: \$181 million per day
- Total lockdown impact
 - Cumulative loss \$38bn
 - Almost grown to expected pre-pandemic totals, in quarterly terms



Gross State Product

	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Northern Territory	Australian Capital Territory
Year end December 2019	1.2%	1.8%	1.1%	0.3%	0.6%	3.3%	-10.9%	3.9%
March 2020	-1.3%	-0.6%	-0.3%	-0.9%	0.3%	0.7%	-1.5%	2.3%
June 2020	-8.6%	-8.2%	-6.0%	-6.0%	-6.0%	-7.9%	-3.9%	-2.1%
September 2020	6.8%	-0.9%	7.0%	7.0%	5.1%	6.0%	6.5%	2.5%
December 2020	2.8%	7.3%	1.9%	0.7%	2.0%	3.7%	4.2%	1.1%
March 2021	1.5%	2.3%	0.4%	1.4%	3.0%	1.6%	-1.9%	0.5%
March 2020 – March 2021	1.9%	-0.3%	3.0%	2.6%	3.8%	2.9%	4.6%	2.1%

The Inflation Debate

OPINION

Don't believe the boys who cry 'interest rates to rise'

Looming economic dangers with inflation on the rise

Australia is unlikely to ever go back to pre-GFC interest rates. We can't afford to

OPINION

Inflation and the problem with supply and demand

RBA dismisses supply chain inflation threat

Australia's inflation rate could skyrocket as US CPI rises

The Inflation Debate

For:

- A hot residential property market has been pushing up rents
- Supply chain disruptions have been pushing up input prices, which will be passed on to buyers
- Tightening labour market will cause wages to rise
- Fiscal stimulus has caused demand to “overheat” – true for the United States
- “US inflation is surging, and Australia usually follows America”

Against:

- Rent prices have bounced off a decline, and low migration will curtail demand
- Supply chain pressures have been easing in line with moderating demand for goods
- Wage growth is far from certain
- Despite fiscal stimulus, household consumption growth in Australia is still only moderate
- Labour market and inflation trends differ between Australia and the US

Source: RBA

The Inflation Debate – All About Wages

Per RBA:

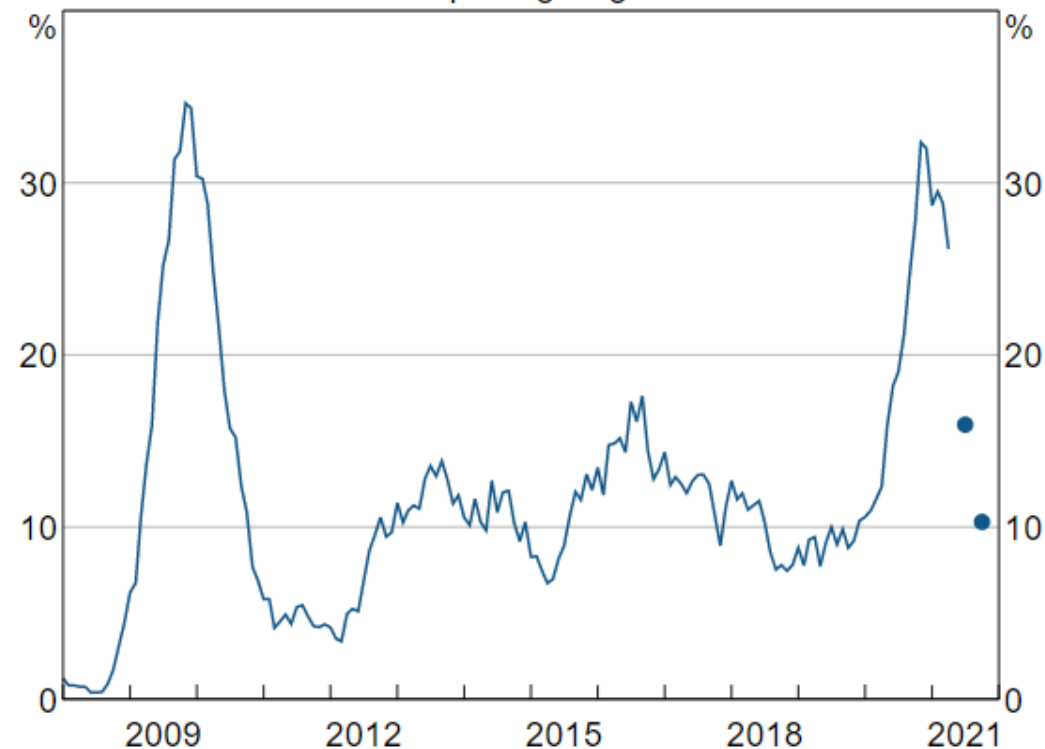
1. Increased competition in goods markets, which makes firms very conscious of cost increases.
2. The trend towards more services being provided internationally.
3. Advances in technology, which have reduced the demand for some types of skills and increased demand for others.
4. Changes to the global supply of labour and regulation of labour markets.
5. Decreased unionisation rates
6. Increase in 'non-monetary' remuneration
 - Flexible work conditions

Wages growth likely to be modest until unemployment falls below 4%

Graph 4.16

Wage Freezes*

Share of firms reporting wage data in liaison



* Smoothed; dots represent expected freezes 3 and 6 months ahead

Source: RBA

Source: RBA

Post COVID-19 Changes

- **Digitisation**

- Online retail grown from 6.6% of online sales, peaking at 11.1%
- Now at 9.2%
- Cloud Storage Services industry revenue forecast to grow by 18% in 2021-22

- **Supply Chain**

- Supply chain disruptions are easing
- Only 10% of Australian businesses have reported moderate (lasting) changes to sourcing practices
- Automated fulfilment centres are becoming more common

- **Workforce**

- US-based survey: 95% of workers are considering changing jobs
- Automation and e-commerce have accelerated job redundancies
- 41% of Australians still working from home

Source: RBA



Thank you!
