

Tourism Economic Update

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Agenda

- Industry
- Economic
- Compliance

Industry

- Domestic and international visitation when comparing 2023 to 2019.
 - Steady increase in international numbers.
 - Western Australia – 79%
 - Australia – 76%
 - Domestic numbers at 91%
 - Business travel has not recovered.
 - Signs leisure travel has plateaued.

Industry

- Supply of labour
 - Signs of improvement but still a lack of a flexible skilled workforce to deliver services.
 - Lack of accommodation to house staff.
 - Significant wages inflation since March 2021.
- Capital investment
 - Significant inflation of capital costs.
 - Supply chain issues still present.

Industry

Insights

- Flat domestic travel numbers are a concern.
- Domestic business travel has not recovered.
- May be replaced by international visitation if the upward trend continues.
- Total visitor spend is up by 28%.
- Possible opportunities in two key economies.
- Tourism Research Australia forecasts a full recovery may take until 2025.

Economic

- Global
 - 3.2% baseline growth forecast.
 - Emerging economies 4% - 4.5%.
 - Advanced economies 1.6% - 1.8%.
 - Inflation expected to decrease from 6.8% to 4.5%.
 - Aggregate demand still outstripping aggregate supply.
 - China's growth will slow.

Economic

- Domestic
 - Sticky inflation
 - Aggregate demand still outstripping aggregate supply.
 - Inflation peaked at 7.8%, currently 3.6%
 - RBA target rate still 2-3% which they hope to achieve by late 2025
 - Forecast economic growth of 1.5%

Economic

- Interest rates
 - Currently 4.35%.
 - 12 months ago, most banks predicted a rate fall by early 2024.
 - Hard to predict but a rate rise is a possibility.
- Unemployment
 - Early signs market may be cooling due to record migration levels.
 - Structural issues remain.

Economic

Insights

- Forecast growth of 1.5% suggests a soft landing.
- Inflation lingering - higher prices for longer.
- Interest rates difficult to predict but the RBA's hand may be forced.
- Federal budget and recent wages increase may see inflation becoming entrenched.
- Unemployment rate trend will be important.
- November RBA meeting will be interesting

Economic

Insights – Challenges for Australia

- China
 - Economic growth to slow.
 - Real estate market has major issues.
 - Central government has instigated a marked shift in their type of economy.
 - Intention to export their debt to the rest of the world, a flood of cheap goods expected.

Economic

Insights – Challenges for Australia

Geopolitical ramifications

- Trade tensions with China.
 - Regional tensions with China.
 - Supply and regional conflicts affecting the crude oil price.
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- Economist's solution
 - We should diversify the type and composition of our economy.
 - We should diversify our trading partners.

Economic

Insights – Opportunities for Australia

- Emerging - India
 - 6.6% growth forecast.
 - 1.4 billion people.
 - Younger demographic compared to China.
 - Australia/India FTA is starting to take effect.

Advanced - United States

- 2.4% growth.
- World's largest economy.
- Strategic geopolitical interests align.

Compliance

- The ATO has a growing debt problem
 - June 2019 \$26.5 billion
 - June 2022 \$44.8 billion
 - June 2023 \$50.2 billion
- An estimated \$37.5 billion tax gap between tax paid and tax owed
- ATO General interest charge(GIC) = 11.34%

Compliance

Insights

- ATO debt collection activity has increased.
- Notices of Intent to disclose tax debt.
- Garnishee notices.
- Director penalty notices.
- Payment plans difficult to arrange.
- ATO audit activity.
- ATO has labour issues as well.

Compliance

Insights

- Employee superannuation
 - Increase from 11% to 11.5% on 1 July 2024.
 - Payday superannuation from 1 July 2026
 - STP 2 has seen the ATO have full clarity on your payroll
 - They already know if you have paid your superannuation late. Make sure you know your obligations

Compliance

Insights

- Federal budget snapshot
 - SBE instant asset write-off(\$20K or \$30K)
 - SBE training & energy incentives
 - Deny deductions for ATO GIC & SIC
 - Stage 3 tax cuts from 1 July 2024
 - Increased tax rate for super balances exceeding \$3 million
 - Various build to rent(BTR) concessions

In summary

- Industry
 - The internationals are coming back steadily.
 - Domestic numbers plateaued.
 - Total spend has increased.
 - Early signs labour market easing.
 - Capital investment affected by inflation and supply issues.
 - Full recovery still a way off.



In summary

- Economic
 - Low economic growth.
 - Inflation still a problem.
 - Interest rate movement, wait for November.
 - Two key challenges in China and geopolitical instability.
 - Potential opportunities in two key markets.



In summary

- Compliance
 - The huge ATO debt is an issue for the economy.
 - Managing tax debt with the ATO becoming more difficult.
 - ‘Boring federal budget’ with not much for business.
 - Manage your compliance risk.
 - Get good advice.
 - Develop good procedures
 - Make good business decisions.



Questions & answers