

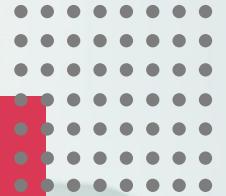
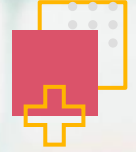


Covid-19, Economic Recovery the Budget and the Sunshine Coast

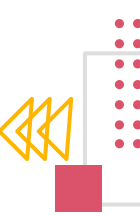
Presentation by Tom Seymour, CEO of PwC Australia,
to Sunshine Coast Business Council

01

Economic impacts of COVID



The economic data is showing a shift towards recovery globally...

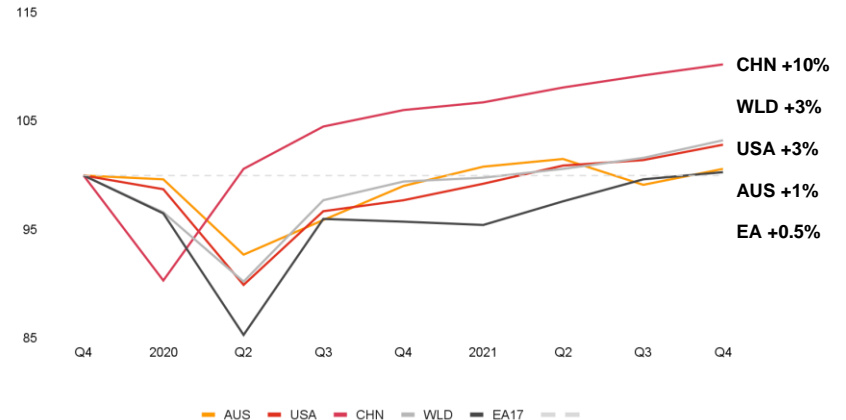


Measure	COVID	Latest data
Global		
World GDP (annual % change)	-3.1% (2020)	+4.9% (2022)
Australia		
GDP (annual % change)	-2.5% (2020)	+4.1% (2022)
Retail sales volume (annual % change)	-2.2% (Q3 21')	+3.6% (Q4 21')
Unemployment rate (%)	7.4% (Jul 20')	4.2% (Jan 22')
ASX200 (index)	4,546	7,628
Residential property prices, national (annual % change)	+4% (Q3 20')	+22% (Q3 21')

Source: IMF, ABS, Yahoo Finance

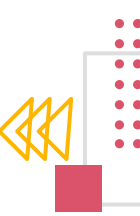


Economies around the world have largely returned to, or surpassed, pre-COVID levels of economic activity



Source: OECD Stat, Real GDP forecast (Projection 2021 Dec)

...however, COVID has left a mark on balance sheets globally



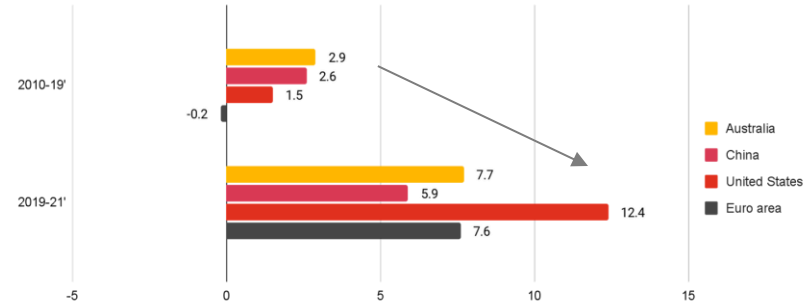
Measure	COVID	Latest data
Global		
US net debt:GDP ratio	83.0% (2019)	100.8% (2022)
Euro Area net debt:GDP ratio	69.3% (2019)	82.8% (2022)
Australia		
Australia net debt:GDP ratio	-2.5% (2019)	43.0% (2022)
States net debt:GDP ratio	8.6% (2020-21')	15.4% (2024-25')
Total Commonwealth fiscal support for COVID-19	\$337 billion equivalent to 16.3% GDP	

Source: IMF, PBO, Department of the Treasury, Department of Finance



Central governments have plugged fiscal gaps with debt, with interest rates at record lows

Average annual increase in general government net debt (av. annual percentage point increase in debt:GDP ratio)



Source: IMF WEO database (2021 Oct)

02

Key trends

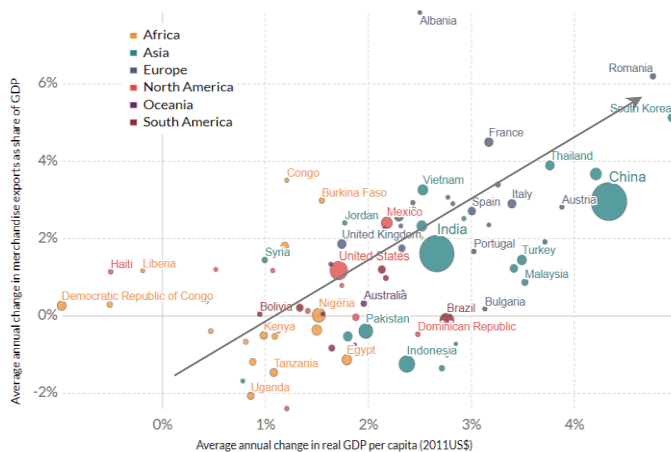
affecting global economy

A movement toward localisation is disrupting the equilibrium multinationals have enjoyed for decades



Openness to trade is a catalyst for wealth, largely driven by multinational enterprises

GDP per capita vs. change in merchandise trade, 1945-2014



Sources: Fouquin and Hugot (CEPII 2016), Maddison Project Database (2018), Population (Gapminder, HYDE (2016) & UN (2019))



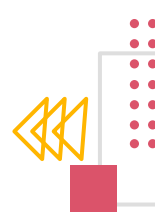
Disputes are not novel - but the currencies of value are changing

Global top 10 companies by market capitalisation

1980 (Jan 1)			2022 (Feb 17)		
Company	HQ	Industry	Company	HQ	Industry
1 IBM	US	Tech	1 Apple	US	Tech
2 AT&T	US	Telco	2 Microsoft	US	Tech
3 Exxon Mobil	US	Energy	3 Saudi Arabian Oil Co.	SAU	Energy
4 BP	US	Energy	4 Alphabet	US	Tech
5 Mobil	US	Energy	5 Amazon	US	Tech
6 General Electric	US	Capital goods	6 Tesla	US	Tech
7 Royal Dutch Petroleum	NLD	Finance	7 Berkshire Hathaway	US	Finance
8 Chevron	US	Energy	8 NVIDIA	US	Tech
9 Atlantic Richfield	US	Energy	9 Taiwan Semiconductor MC	CHN	Tech
10 NXA	CAN	Metals	10 Tencent	CHN	Tech

Sources: Capital IQ

Geopolitical tensions pose a significant risk to the outlook



Russia's invasion of Ukraine

ongoing testing of the rules-based international order, with states projecting power and testing international law



Distrust as an increasingly destabilising force

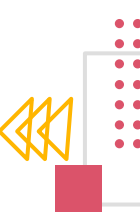
increasingly undermining public institutions



Continued rise of China as a political and economic power

- **Sino-US competition continues to grow in scale and scope** - Australia-UK-US security pact (AUKUS) is a reflection of China's growing military prowess and gradual shifting of the balance of power in the Indo-Pacific.
- **Battle for 'soft power' will continue** - China's diplomacy and external financing strategy has expanded its influence through key economies (net debt payments to China rose by 62% in 2020).

Cybersecurity risks are a top threat to business growth

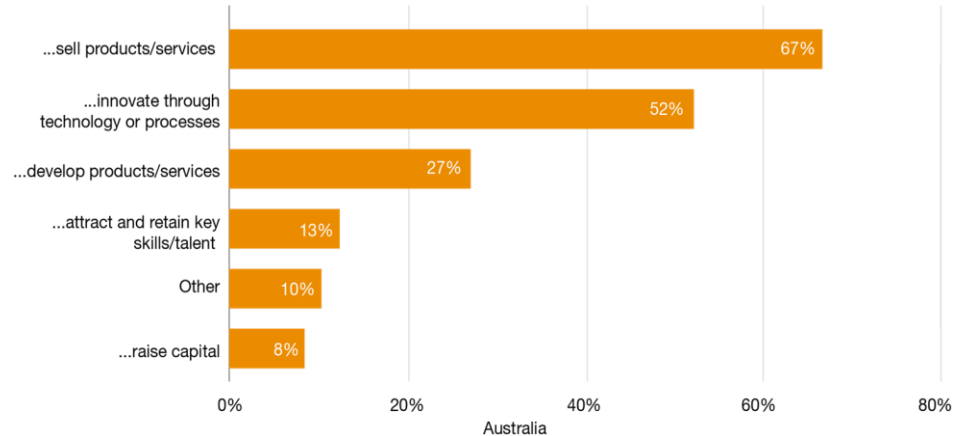


- Developing disconnect between CEOs and their executive teams. While **45% of CEOs believe they provide significant support** to ensure adequate resources, funding and priority, only **30% of non-CEOs agree**.
- 78% of survey respondents say **excessive and unnecessary complexity** poses concerning cyber and privacy risks.
- While dependence on third-parties continues to rise, many organisations have **a blind spot to the risks posed by their supply chains**. Almost **20%** have little to no understanding of these risks and the majority have taken no action to ensure a lasting impact on third-party risk management.
- **Only a third of organisations effectively use data and cyber intelligence** to inform their cyber strategies and investment decisions. Over two-thirds have not mapped their data holdings, and data governance complexity is causing significant concern.

Source: PwC's Digital Trust Insights Survey 2022



How do you anticipate your company could be impacted by cyber risks (including hacking, surveillance, disinformation) over the next 12 months? It could inhibit our company's ability to...



Source: PwC Australia's 25th CEO Survey.

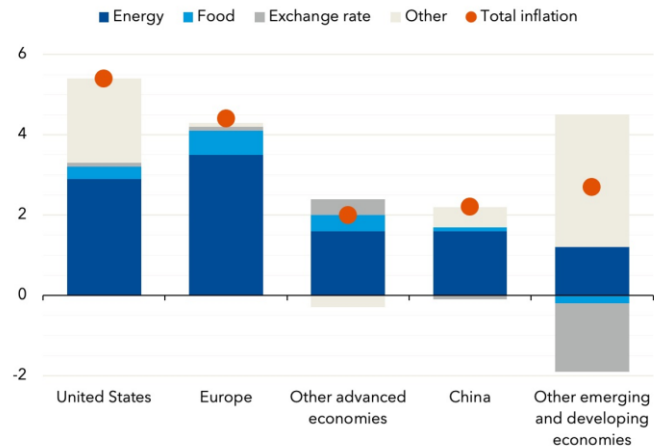
Inflation looks set to remain elevated in comparison to pre-COVID levels

- **Fossil fuel prices** were the biggest driver of inflation in advanced economies, with food prices also a significant contributor.
- **Supply chain disruptions, port bottlenecks, logistical pressures and strong demand for merchandise trade** contributed to price pressures, particularly in the US.
- **Even assuming the pandemic wanes over 2022, the inflation outlook is uncertain.** Supply chain issues, monetary policy, increased demand for services and geopolitical developments are significant sources of risk.
- **The cost of intermediary materials will be a source of continued pressure** on corporate margins.



Rising energy prices have made the greatest contribution to inflation

Inflation, annual % point change from Dec. 2020



Source: IMF, Haver Analytics

The war for talent has been exacerbated by local and global factors

The balance of power has shifted from employers to employees

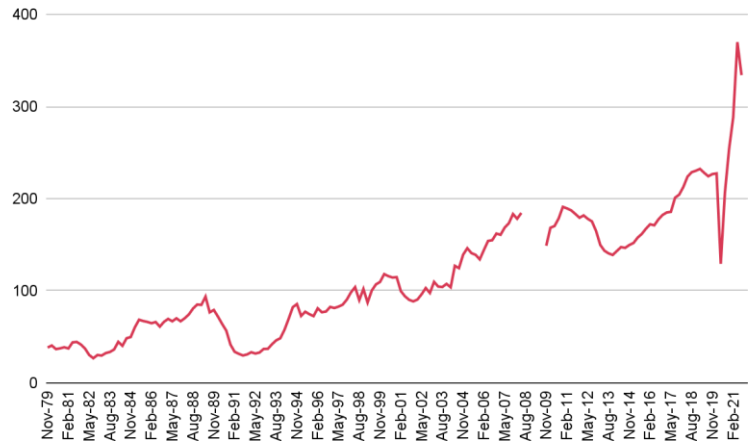
- Australia has yet to realise whether it will experience 'The Great Resignation' as per the US...
- ... but businesses are **experiencing significant challenges** in attracting and retaining talent due to interconnected factors including:
 - Record high **job vacancy** rates
 - Constraints to **skilled and unskilled migration** (and delays to visa processing)
 - **Lower than normal turnover** in some sectors (7.5% as at July 2021 with workers reluctant to change employers in an unstable market)
 - A **skill gap mismatch** in the available labour market (with supply not meeting skill demand)
 - Very **high competition** for some roles/skills (e.g. digital, technology) forcing **strong wages competition**)

Pandemic has resulted in employees:

- **reevaluating priorities**, job and career changes
- rethinking their **relationship with their employers**

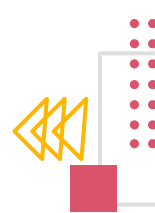


Job vacancies over time



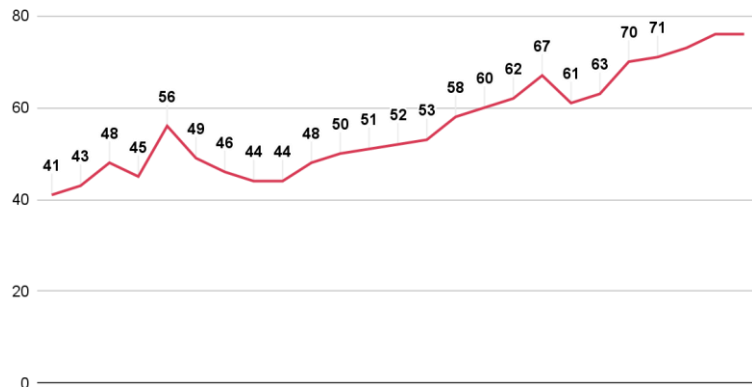
Source: ABS Job Vacancy Data (released Jan 22)

Overloaded global networks are impacting supply chains



Time for freight to enter the US has almost doubled during COVID

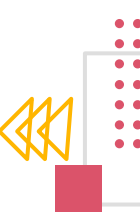
Shipping times China to US (less than container load), days



Source: Freightos

- **COVID** has impacted the workforce, with key supply chain workers out sick or in isolation
- **The shift to goods consumption, particularly in advanced economies, overloaded global supply chain networks**
- **Transportation bottlenecks exist throughout the supply chain** - truck drivers, warehousing and shipping all in short supply
- **Capacity constraints have proven persistent** - Goods consumption has remained high in advanced economies, in part due to monetary and fiscal policy boosting household budgets

The meteoric rise of ESG is fundamentally reshaping global markets, and it is not slowing down



89% of

investors say their firm has changed its voting and/or engagement policy to be more attentive to ESG risks

50% of

investors say lack of comparability of ESG data across companies inhibits ESG investing

53

= number of companies BlackRock took voting action against for lack of action & disclosure on ESG issues in 2020

42%

of the ASX 200 had insufficient reporting on ESG performance, according to PwC analysis

\$649bn

was poured into ESG-focused funds worldwide in 2021

2/3

of institutional investors believe ESG will become "industry standard" within 5 years

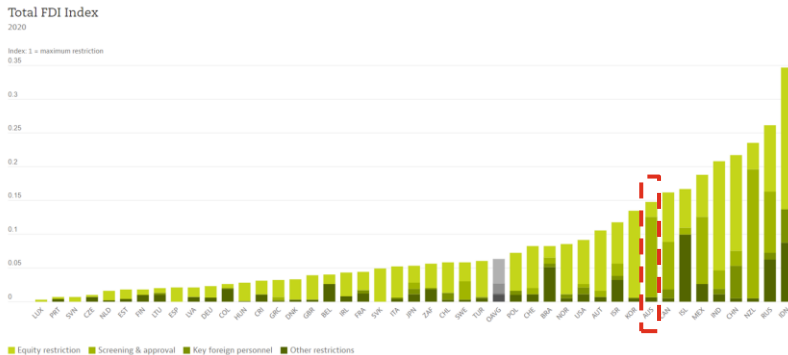
- **IPCC's second report on Climate Change (released this week)**
 - Highlights links between climate, biodiversity and inequality
 - Signals imperative for organisations, investors, policymakers and regulators to focus on ESG
- **Regulation and reporting standards accelerating**
 - Regulations in place in the EU, and planned for NZ & Hong Kong
 - Nature and climate-related disclosure frameworks to become de facto standard on ESG disclosure
 - EU directive on corporate sustainability due diligence will have implications for Australian businesses
- **Investor-driven ESG momentum**
 - Institutional investors will vote against ESG laggards; demand more than climate commitments; and expect data on net-zero commitments, hiring practices, pay equity and leadership diversity
- **Capital markets**
 - Capital markets are reshaping their views on earnings potential, creditworthiness and risk
 - Banks are scrutinising exposure to carbon-intensive assets, with many restricting new project financing
- **Stakeholder primacy and shareholder activism**
 - Shift from primacy of shareholder to 'stakeholder capitalism'; companies must act in best interests of all stakeholders
 - Increased shareholder activism; increasing votes against directors for lack of climate action plans

Smarter regulation and digital regulation would deliver tangible efficiencies for Australian regulators and businesses



Australia ranks 9/44 among OECD countries for the most stringent requirements for inward foreign direct investment

FDI restrictiveness index

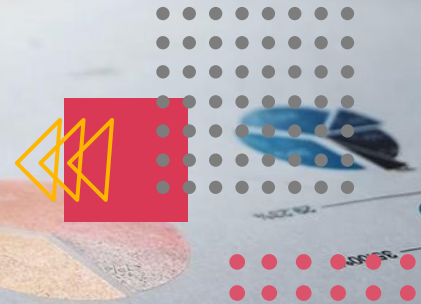


Source: OECD

- In 2014, Treasury estimated the **direct cost of compliance with regulation across Australia was equivalent to more than 5% of GDP** each year.
- Australia requires economy-wide reform across **tax, industrial relations and energy markets**.
- Regulator culture needs revisiting for the world in 2022 - reassessment of the trade-off between **regulatory speed and the modernisation of regulatory frameworks** required to remain fit for purpose.
- Specifically, regulations could be smarter across talent, immigration, tax and by removing duplication and simplification across Federal and State jurisdictions.

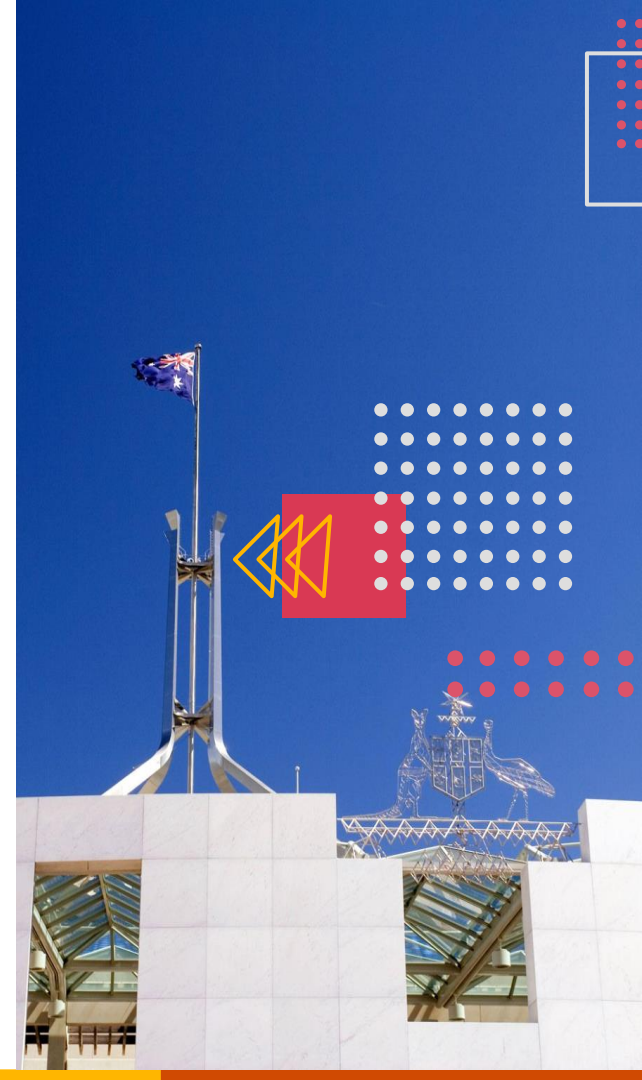
03

Federal Budget 2022-23: Caretaking & Caregiving



What is the Government saying?

- Talking up the resilience of the economy and its response to COVID
- Confident the economy will rebound without further major crisis spending initiatives
- Josh Frydenberg's recent address to the Australian Industry Group reinforced the Government's existing economic plan:
 - Lower taxes and cutting red tape
 - Investing in infrastructure and skills
 - Delivering affordable and reliable energy
 - Making Australia a top ten data and digital economy by the end of the decade
 - Securing manufacturing capability to unlock future-focused jobs



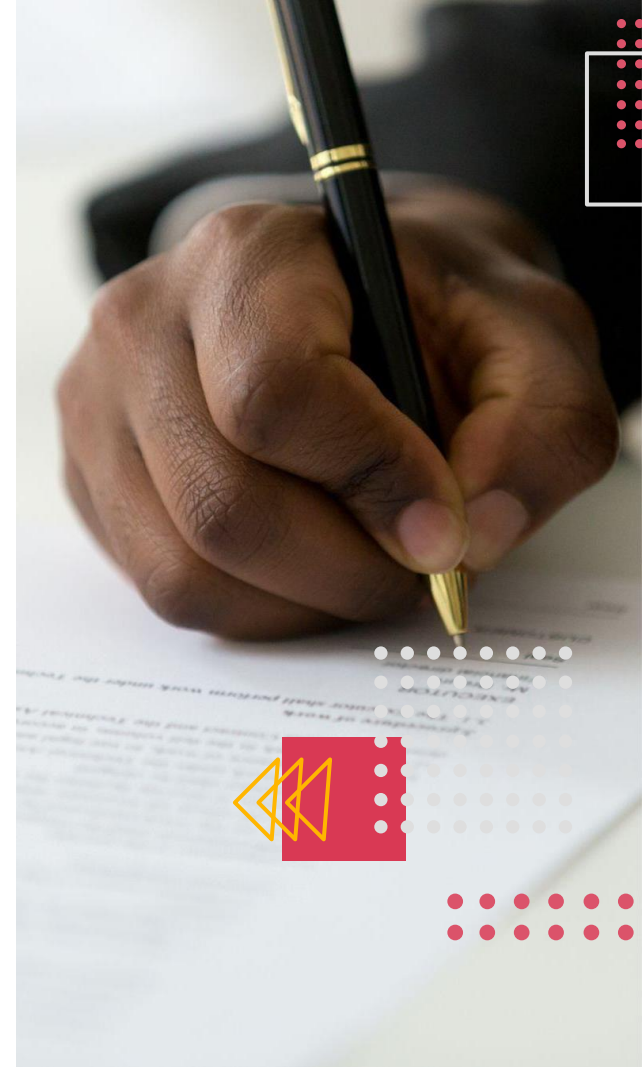
What can we expect to see in the Budget?

- Workforce policies – addressing shortage and participation
- “Technology not taxes” – particularly in relation to energy policy
- Stability and security - policy settings encouraging technology, manufacturing, supply chain, infrastructure and productivity
- Pre-election “caregiving” – minor announcements and tax breaks in line with policy settings



What can we not expect to see in the pre-election Budget?

- No new COVID “crisis level” spending initiatives
- No fundamental reform packages - including critical tax reform, regulatory reform, workplace reform and energy market reforms
- De-emphasis of shorter term Budget repair
- No contentious or divisive new policy announcements
- Election caretaker mode means little opportunity to pass legislation



What we would like to see in the context of a pre-election Budget?

- Regulatory system digitisation - reform of Federal/State/Local government regulation to speed up and reduce the cost of doing business
- Policies to attract professionals from overseas
- Tax changes aligned to net zero emissions commitments
- FBT changes aimed at supporting hospitality sector and worker wellbeing
- Further extending temporary full expensing for small and medium businesses.
- Making the loss carry-back regime permanent across the board

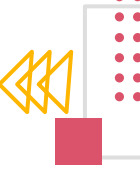


04

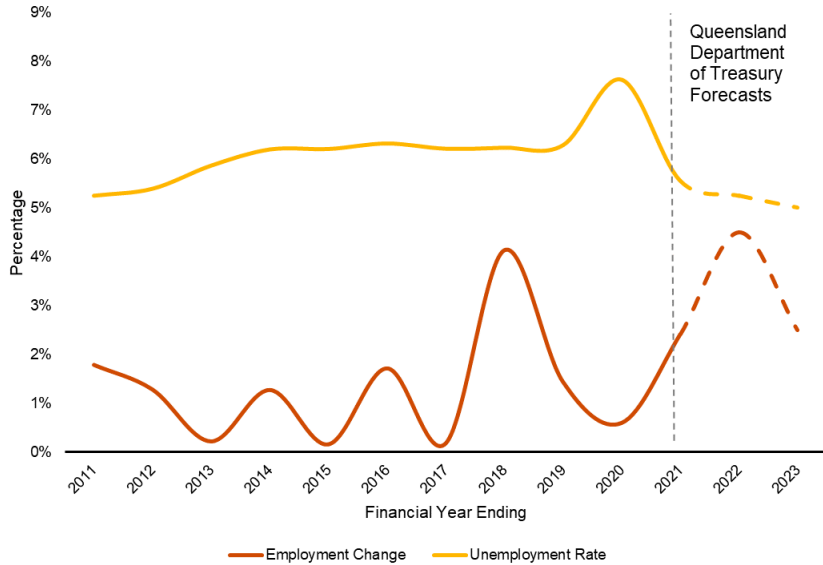
Sunshine Coast – key challenges and opportunities



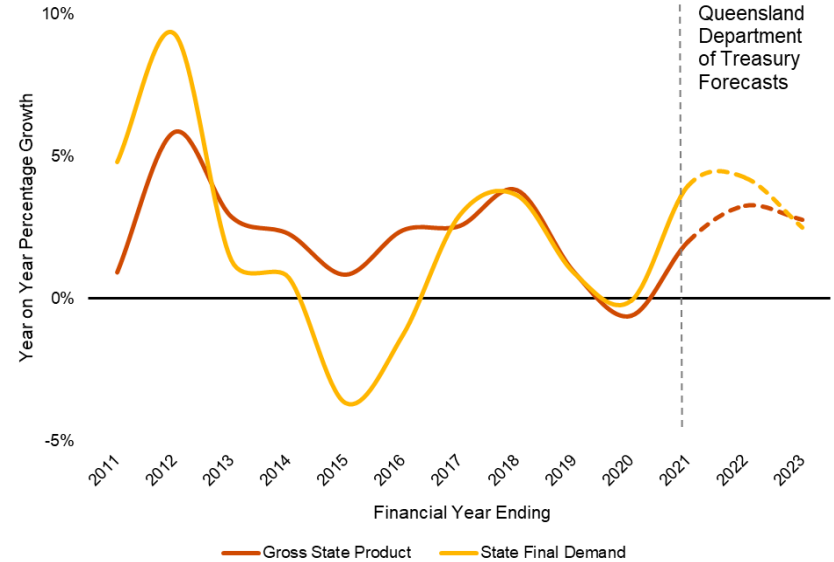
Queensland - positive economic indicators exist



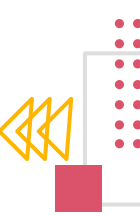
Queensland Employment Growth and Unemployment Rate Forecasts



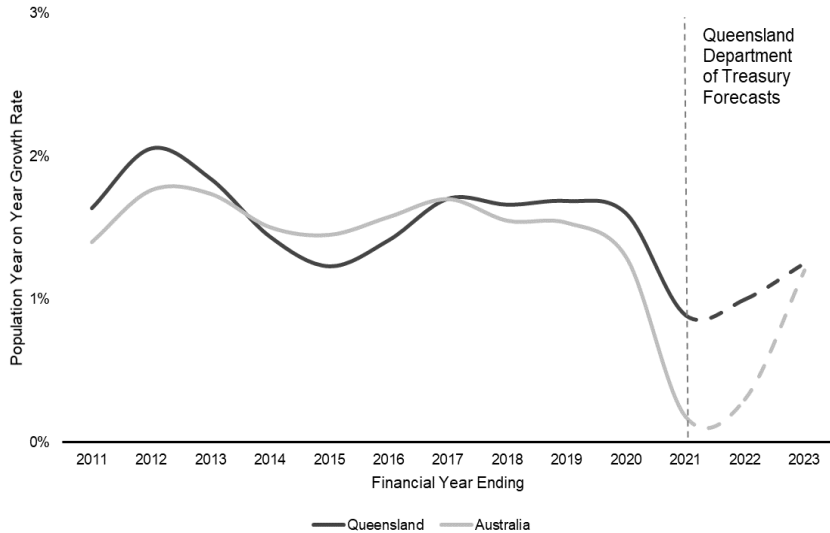
Queensland Gross State Product and State Final Demand Forecasts



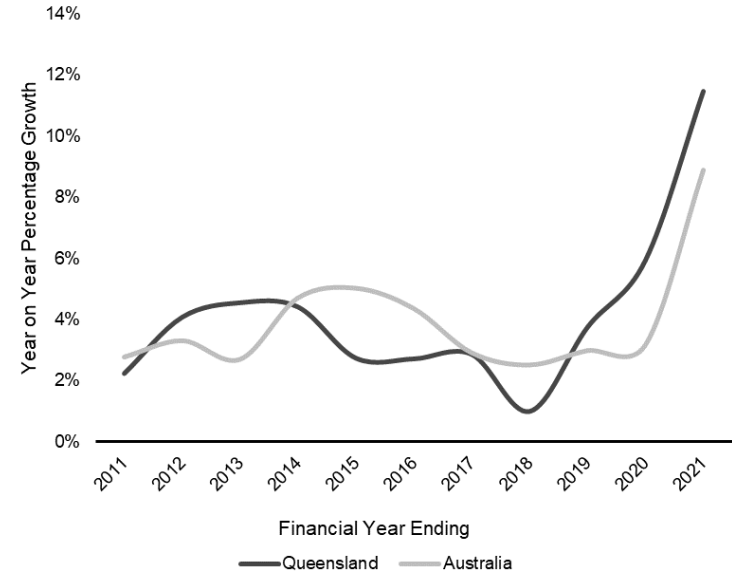
Queensland - positive economic indicators exist



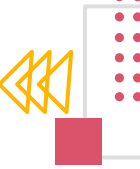
Queensland and Australia Population Growth



Queensland and Australia Retail Trade Growth



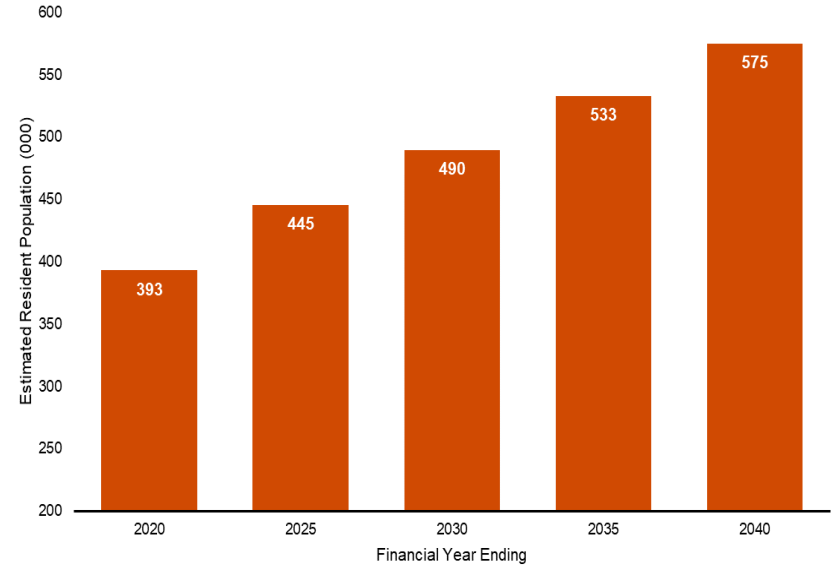
Growth brings opportunities and challenges



Sunshine Coast, Queensland and Australia Population Growth

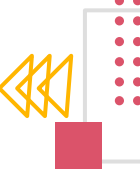


Sunshine Coast Population Growth Projections



Source: ABS, Regional Population; ABS, National, State, and Territory Population; Queensland Government Statistician's Office Population Projections.
Note: SA4 Sunshine Coast Region Area was used for population estimates.

The Critical Role of Catalytic Infrastructure on the Sunshine Coast

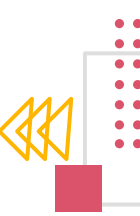


Smart infrastructure investment relieves the pressure of population growth – and establishes a platform for future economic growth



In a tight fiscal environment – investing in the right infrastructure, at the right time, for the right reasons is more important than ever

Examples of Smart Investments in Infrastructure



Sunshine Coast Airport Expansion - extension and realignment of runway

New domestic and international routes and providers (e.g. Bonza Airlines & Alliance Airlines)



Bruce Highway Upgrades

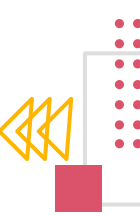
Caloundra Road to Sunshine Motorway - 6 laning and interchanges



Sunshine Coast International Broadband Submarine Cable

Alternative east coast entry point for international data connectivity

Future investment in infrastructure



What specific infrastructure investments would assist the Sunshine Coast to get the most benefit from the 2032 Olympics and Paralympic Games; the rebounding tourism market; and the changing nature of the future of work?

1 Social infrastructure



2032 Olympic and Paralympic Games

2 Sector-specific infrastructure to support business



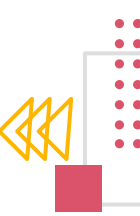
Tourism in the Sunshine Coast

3 Digital infrastructure



Future of Work

Future investment in infrastructure



Strategic infrastructure planning and evaluation of projects that respond to future population growth and domestic and international trends is critical to the future prosperity and sustainability of the Sunshine Coast.



Sunshine Coast Mass Transit

Convenient and easy-to-access public transport system which moves people efficiently and encourages mode-shift from cars



Sunshine Coast Business and Technology Precinct

Development of a business and technology precinct located immediately adjacent to the University of the Sunshine Coast

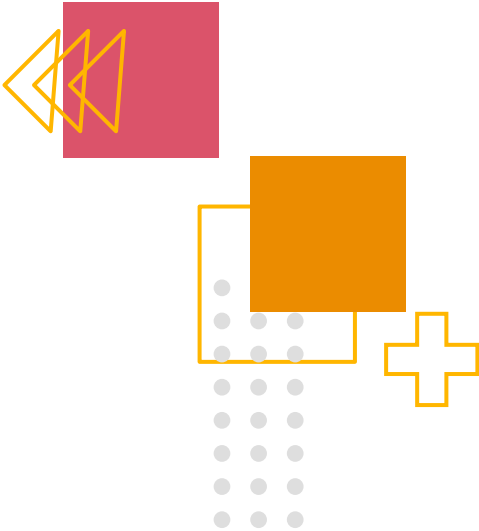


Sunshine Coast Stadium Expansion

A stadium that will have the capacity to stage international and national sporting, recreational and entertainment events



Thank you



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