



Why you should have confidence in Australia's future

A demographic outlook for Australia

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This document comprises material from a presentation I delivered to Xero partners across Australia's five biggest cities during February and March 2024 for the Xero Summer Series. This presentation assembles data points that, in aggregate, show a way forward for Australian small businesses. It's not all doom and gloom. In fact, there is every reason to be optimistic about the future for Australian business.

There is strong population growth. The Australian consumer market is aspirational and is continually evolving. As a nation we seem to be committed to housing, to quality of life and to lifestyle. The (substantial) immigrant component of the Australian population influences if not shapes consumer demand. Indeed, immigration has changed the way we live and has contributed to our collective prosperity.

The sectors growing most rapidly over the last four years include healthcare, professional services and construction — all of which help drive the formation of small businesses.

Of course, there are challenges on the road ahead, as there have been in the past, but with a sense of optimism and 'can-do-ism' I remain confident that Australian small businesses will make the most of whatever the future may hold.

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Where do Australians spend their wealth and prosperity?

Australia is the right stage: Here is a snapshot of the world's 15 largest economies as measured by GDP in USD according to the IMF. Australia, with barely 27 million residents, ranks 14th out of 195 countries. There is no country ranked above Australia with a lesser population. We are (really) rich on a per capita basis. So, if Australians are so rich per capita, where do they spend their wealth? I think we spend it on housing, superannuation, travel, and quality of life.



1.
United States
26,950



2.
China
17,701



3.
Germany
4,430



4.
Japan
4,231



5.
India
3,732



6.
United Kingdom
3,332



7.
France
3,049



8.
Italy
2,186



9.
Brazil
2,127



10.
Canada
2,118



11.
Russia
1,862



12.
Mexico
1,811



13.
South Korea
1,709



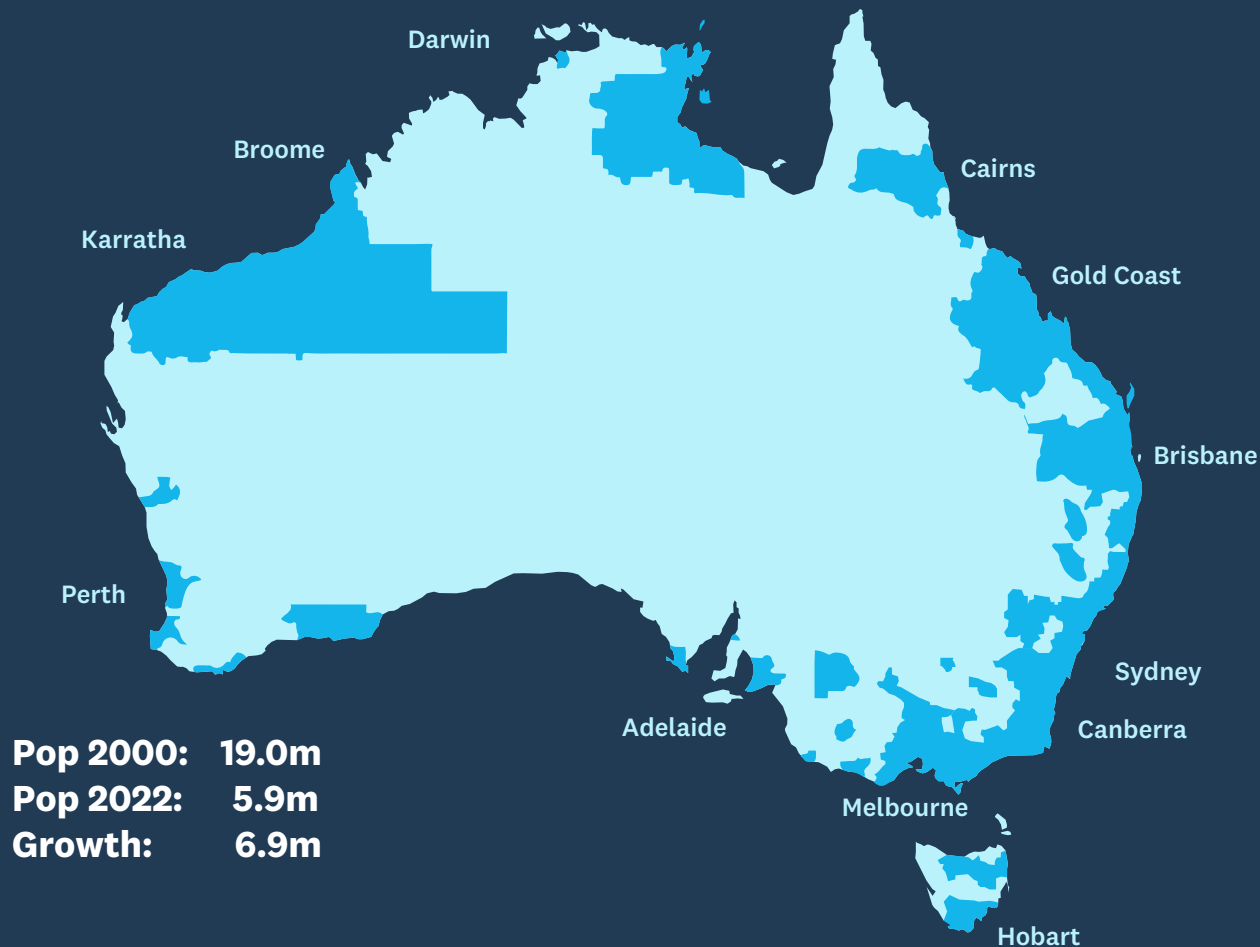
14.
Australia
1,688



15.
Spain
1,582

The obsession of tree change and sea change lifestyle evidenced across Australia

Build a business around core values: This map of Australia shows areas of net population growth (dark blue) and loss (light blue) between 2000 and 2022. Over this period, we have added 7 million people to the Australian continent: 4 million from overseas, 3 million locally. What does this map say? I think it says, “here is a people who are obsessed with lifestyle... they are up the coast and down the coast with seachange, treechange and metropolitan living.” Despite a resources boom from 2008 to 2012, we did not create one new city in the interior. Instead, we created the concept of the fly in fly out (FIFO) worker. And we did this because of our commitment to, our obsession with, big-city, coastal, lifestyle living.



Australia's biggest cities over 100 years reflect values and opportunity

Some cities offer greater growth prospects: This chart tracks the 20 largest cities in Australia between 1954 and 2033, based on official and best-estimate projections. Australia was a colonial outpost of Britain in 1954, and all current major cities had blossomed. The Gold Coast did not exist in 1954. It exists today to fulfil the Australian obsession with lifestyle. All cities will have expanded further by 2033, underpinned by natural increase and immigration. A net extra 3 million Australians over a decade creates opportunities for business as well as for individuals.

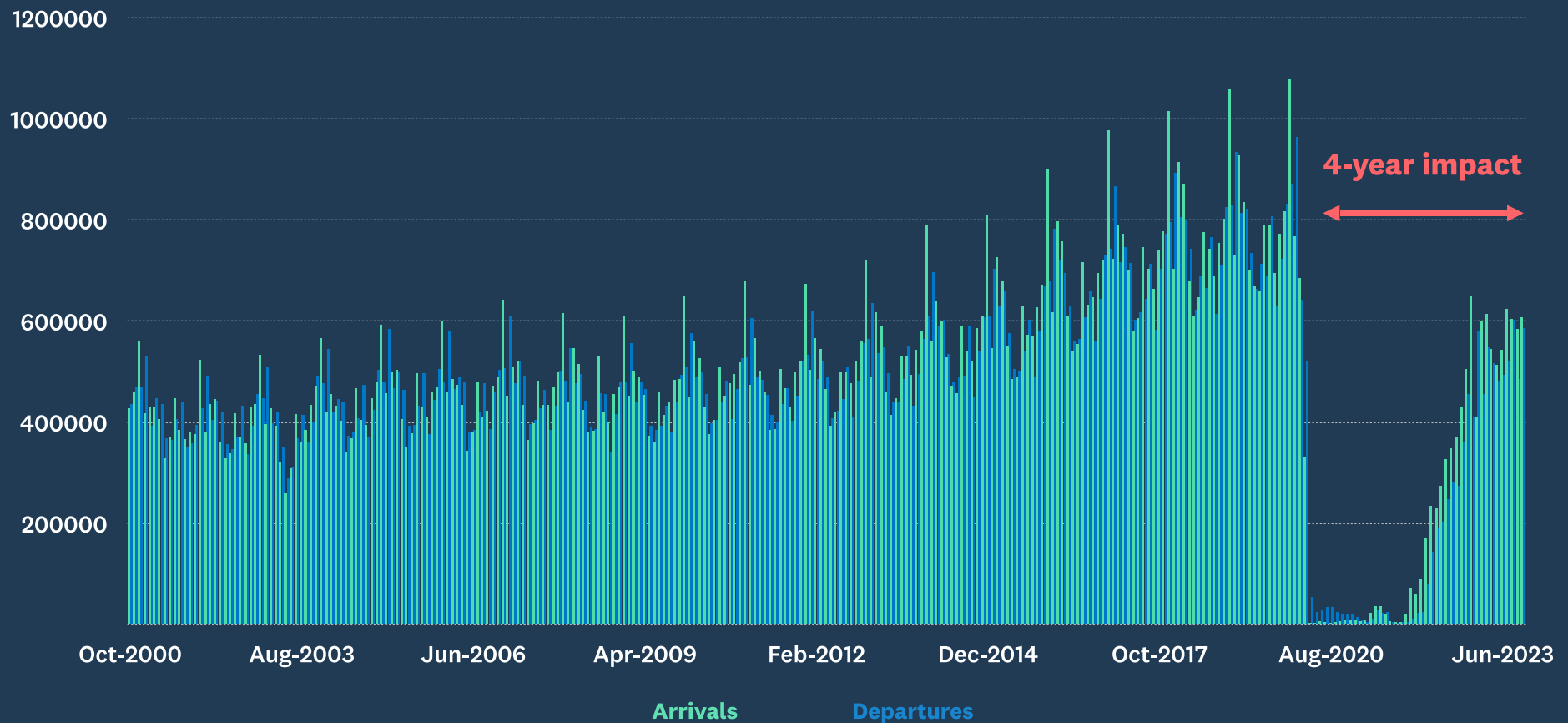
1954	9m	2023	27m	2033	30m
1 Sydney	1,863	1 Greater Sydney	5,369	1 Greater Melbourne	6,136
2 Melbourne	1,524	2 Greater Melbourne	5,112	2 Greater Sydney	6,091
3 Brisbane	502	3 Greater Brisbane	2,665	3 Greater Brisbane	3,130
4 Adelaide	484	4 Greater Perth	2,260	4 Greater Perth	2,547
5 Perth	349	5 Greater Adelaide	1,439	5 Greater Adelaide	1,607
6 Newcastle	178	6 Gold Coast - Tweed Heads	728	6 Gold Coast - Tweed Heads	795
7 Hobart	95	7 Newcastle - Maitland	526	7 Newcastle - Maitland	579
8 Wollongong	91	8 Canberra - Queanbeyan	499	8 Canberra - Queanbeyan	536
9 Geelong	72	9 Sunshine Coast	407	9 Sunshine Coast	494
10 Launceston	49	10 Wollongong	313	10 Geelong	344
11 Ballarat	48	11 Geelong	300	11 Wollongong	340
12 Toowoomba	43	12 Greater Hobart	258	12 Greater Hobart	281
13 Rockhampton	41	13 Townsville	186	13 Townsville	208
14 Townsville	40	14 Cairns	159	14 Cairns	178
15 Ipswich	39	15 Greater Darwin	155	15 Greater Darwin	173
16 Bendigo	37	16 Toowoomba	150	16 Toowoomba	160
17 Broken Hill	31	17 Ballarat	116	17 Ballarat	130
18 Canberra	28	18 Bendigo	105	18 Bendigo	119
19 Blue Mountains	23	19 Albury - Wodonga	100	19 Albury - Wodonga	111
20 Kalgoorlie	23	20 Launceston	94	20 Launceston	98

Source: Based on ABS data (including 2023 Population Projections); relevant State Government planning authorities

At 2023 Regions for capital cities are GCCSA (greater capital city statistical area) and all other cities are SUA (significant urban areas). Central Coast is excluded from the SUA rankings as it falls within GCCSA of Sydney. Note Mandurah now within Perth

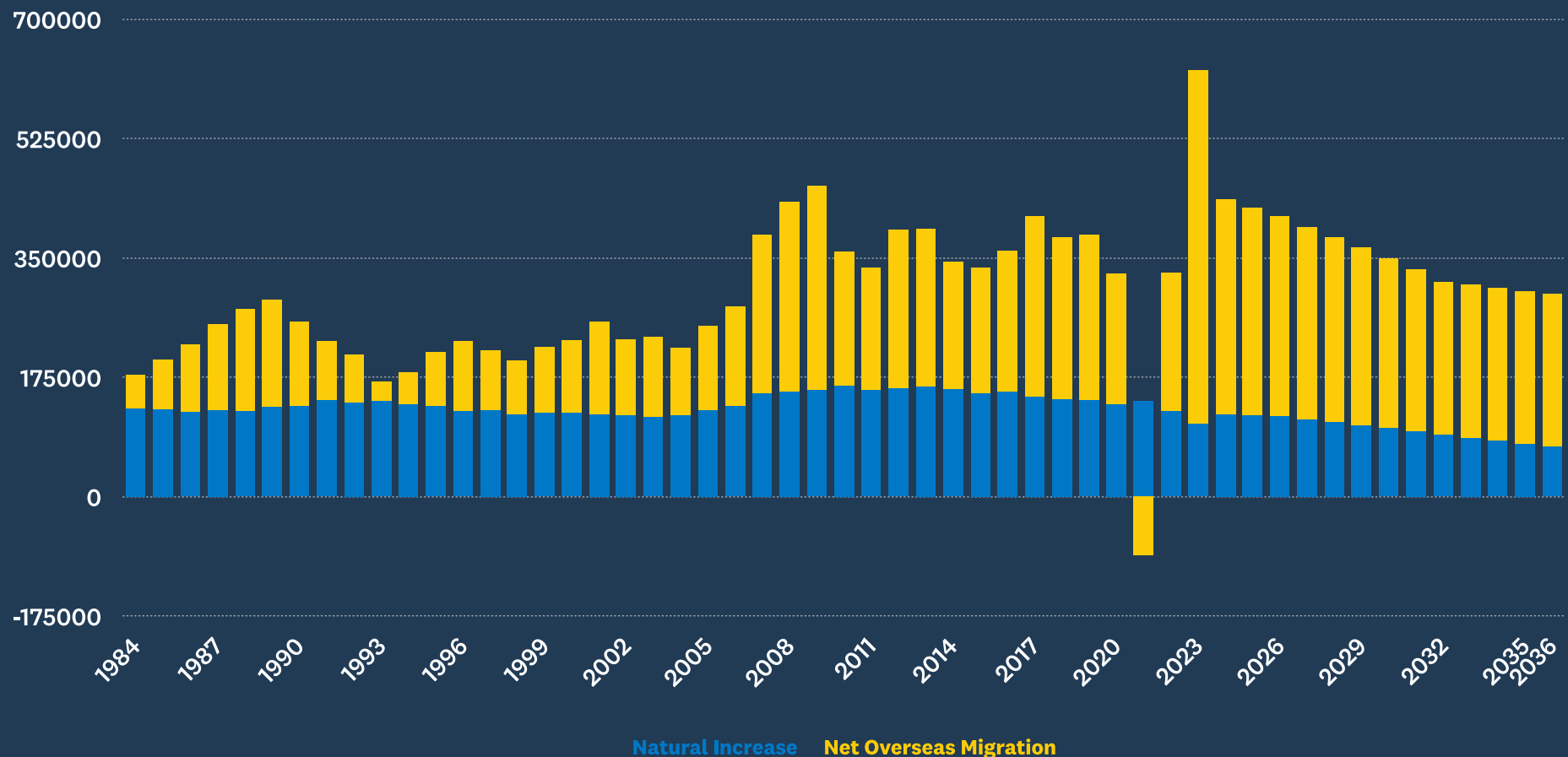
The pandemic is a 4+ year event that is changing the way we live

Australians are looking for something fresh, more aligned to the way we want to live, work, play: The number of people arriving and departing the Australian continent in the 21st century (2000-2023) shows the power of demography. The market for aviation and related services jumped from 400,000 per month in 2000, to 1.2 million per month just prior to border closures. The recovery since borders reopened (early 2022) suggests there's still a way to go. It also suggests the pandemic is akin to a war — it impacts a four to five year period and changes consumer and business behaviour. Consumers, workers, and businesses think differently after a calamity of this scale. Click and collect, the use of QR codes, downloading apps, the rise of WFH and four day work weeks.




Peak immigration is projected to scale back to historic levels

Australia, still a place of opportunity: The number of people added to Australia every year over 50 years has increased despite declining birth rates. The “settled” post-Covid immigration level is projected at 250,000 per annum, whereas in the early 2000s this figure was closer to 120,000 per annum. Australia is one of the few high-growth developed nations offering opportunity to immigrants and locals alike.



Immigrants and workers seek access to ‘the Australian quality of life’

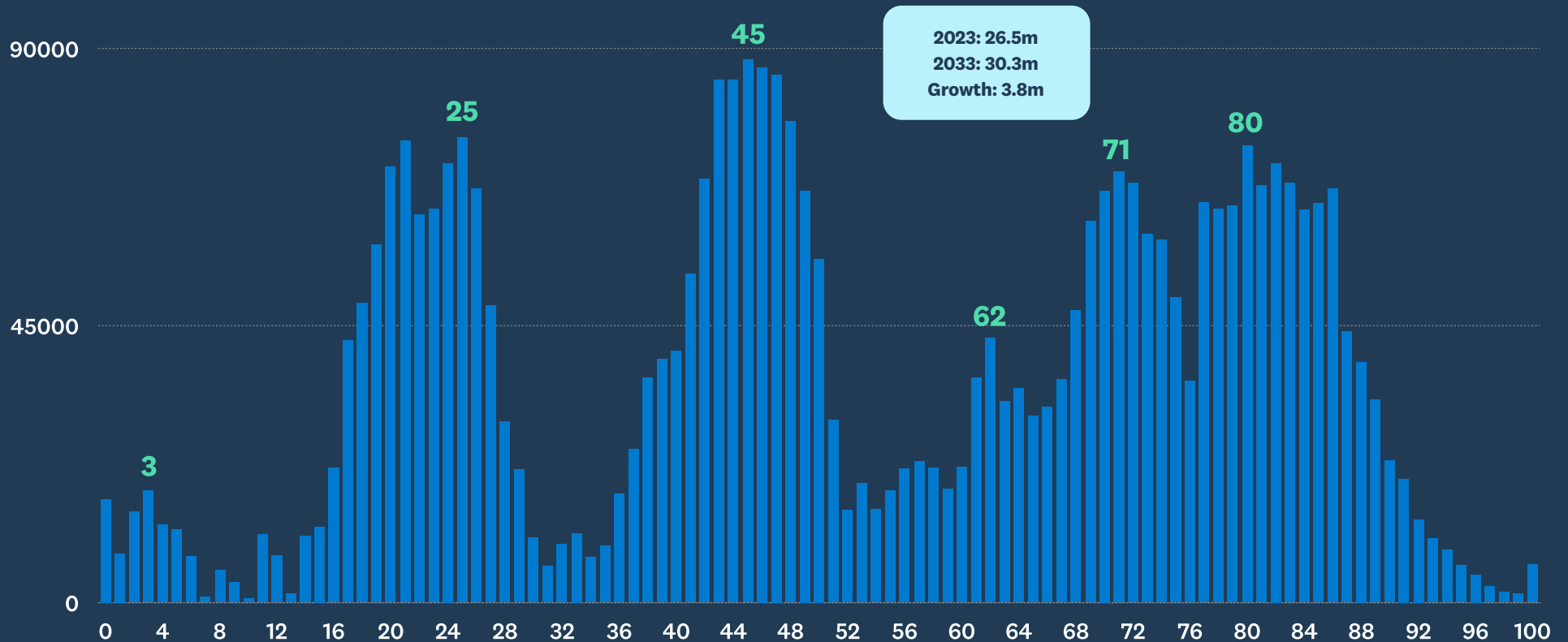
Australia is multicultural, a mix of Anglo, Asian, Mediterranean influences: Around 30% of the Australian population was born overseas. The biggest immigrant groups include those born in the United Kingdom (1.1m), India (673k), and China (550k). Most growth is being added by those from India (up 48% in five years), Nepal (up 124% in five years) and the Philippines (up 26% in five years). Australia is shifting closer to Asia.

Country of birth	2021	Change 2016-2021
 United Kingdom	1,108,000	2%
 India	673,000	48%
 China	550,000	8%
 New Zealand	530,000	2%
 Philippines	294,000	26%
 Vietnam	258,000	18%
 South Africa	189,000	16%
 Malaysia	166,000	20%
 Italy	163,000	-6%
 Sri Lanka	132,000	20%
 Nepal	123,000	124%
 South Korea	102,000	3%
Total	25 million	9%

Population
AU 2021 born
O/S 28%

Strong immigration supports workforce and spending growth

Business opportunities likely to expand around future surge points: This is an important chart. It tracks the population's net change by single year of age, between 2023 and 2033. There will be more Australians in every year of the lifecycle in a decade. But there are surge points which will shape demand. A bump in the 20s means more students and demand for cafes, bars and the like. The bump in the 40s shows millennials moving into the 'forever home' stage in their lifecycle. The series of bumps later in life show Gen X and baby boomers tumbling into the lifestyle years.



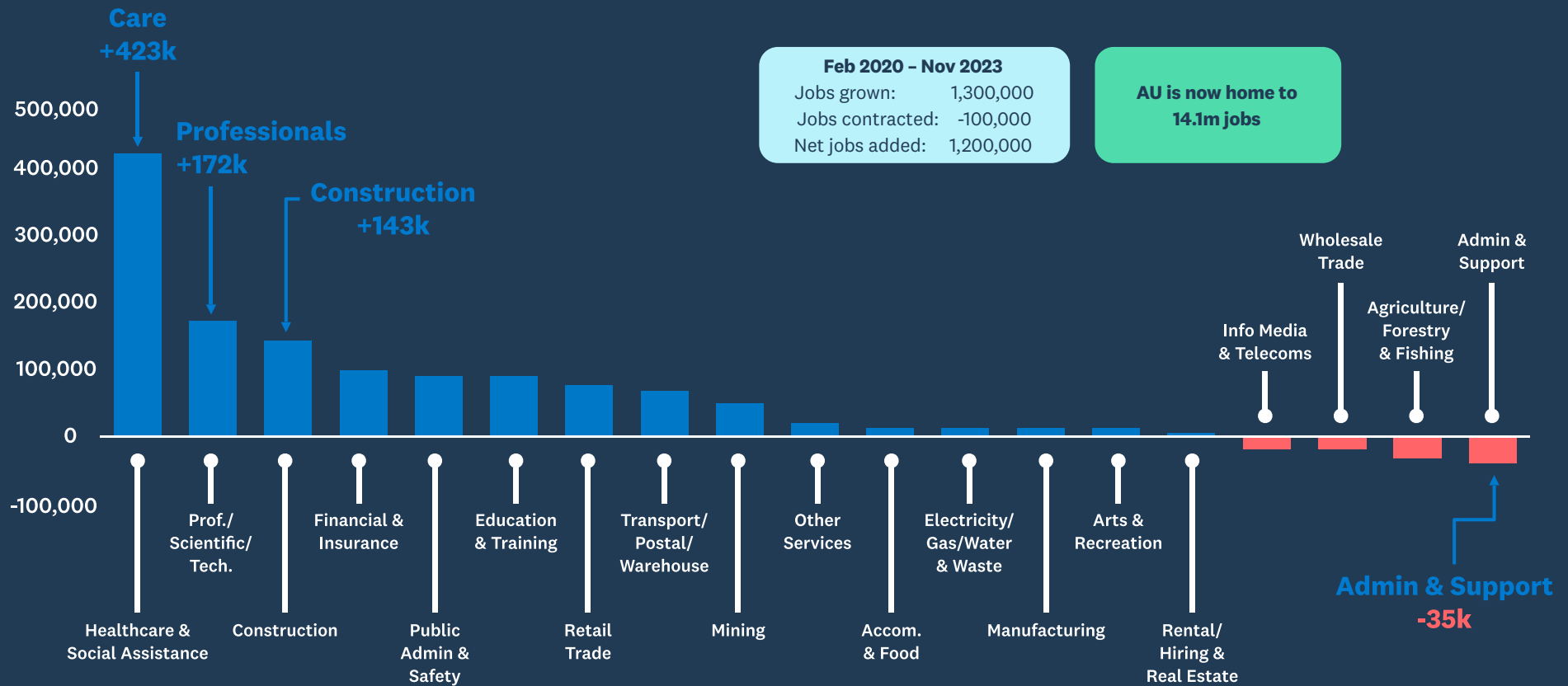
Milestones throughout the lifecycle shape consumer behaviour

We think we're unique, but in reality, we're all quite predictable: At various times throughout the lifecycle, there are life events or milestones that can trigger a shift in thinking and needs. Drawing on the census, it is evident that most Australians are in a de facto relationship at 23, get married at 28, record peak income at 43, deliver peak unpaid care at 57, experience peak belief at 88. Businesses will evolve to deliver aged-based life-event services (e.g. first home, estate planning, in-home care) associated with these events.



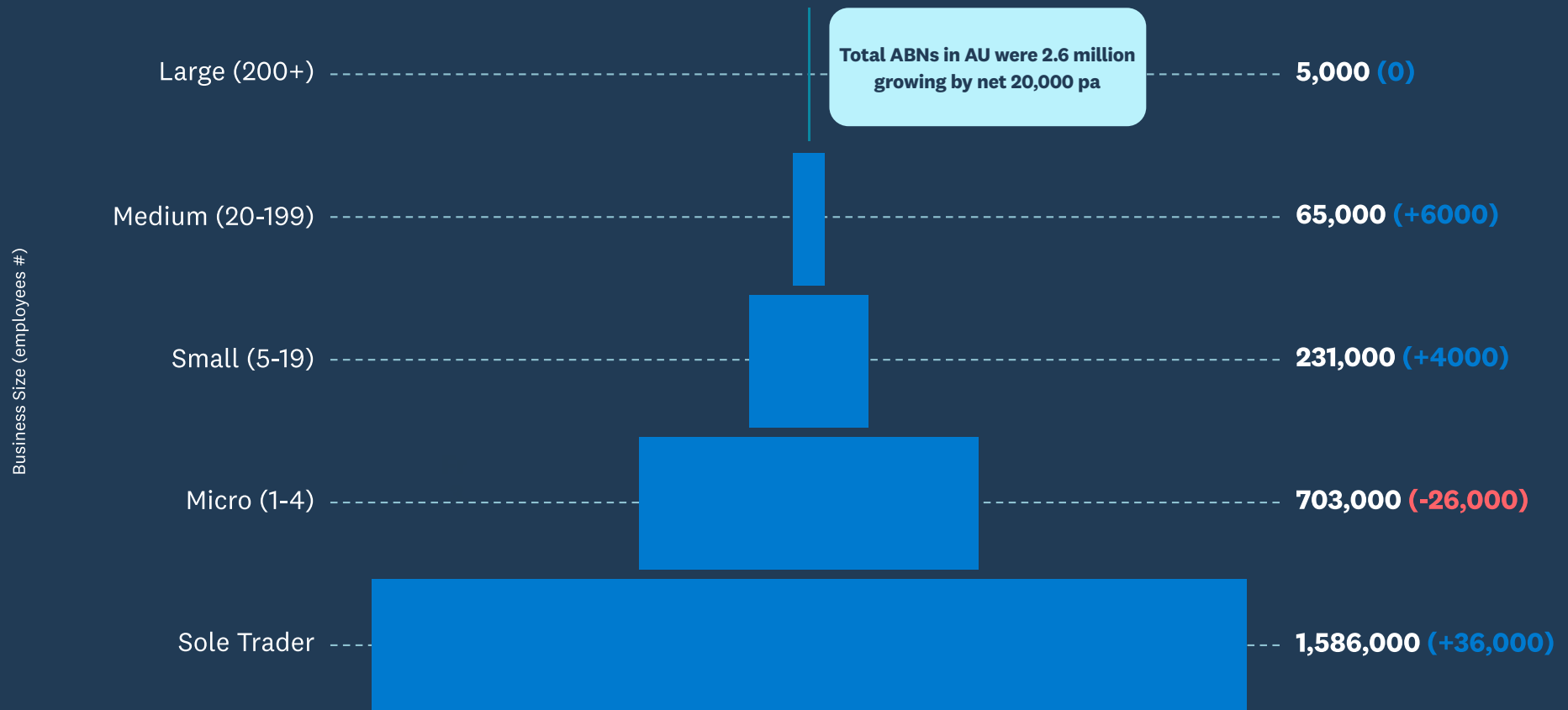
The job market is skewing towards care, construction and professions

Some sectors are strong performers; they can be expected to generate business growth: Over 44 months between February 2020 and November 2023, the Australian workforce increased by 1.2 million net jobs. Most job growth occurred in care (up 423k), professional services (including accountants, up 172k) and construction (up 143k). Care, perhaps underpinned by the NDIS, is clearly a growth industry as is knowledge work and jobs associated with population growth.



Sole traders (based at home) and small businesses are booming

The sole trader market has scale, and is growing rapidly: There were 2.6 million businesses in Australia at June 2023, up 20,000 over the previous 12 months. Around 1.6 million ABNs comprise sole traders, many of whom are likely to be sending invoices on the go.. This sector alone is growing by 36,000 per annum. With the exception of micro businesses (1-4 employees), all other business forms are expanding in net aggregate terms.



Aged and hospital care up... cleaners and checkout operators down

The pandemic accelerated underlying change in the workforce: Every quarter the ABS publishes estimates of the workforce. The jobs subject to most change between February 2020 and November 2023 include aged and disabled carer (up 74,000), registered nurses (up 52,000). On the other hand, commercial cleaners are down 37,000 jobs and checkout operators are down 37,000.



Aged/Disabled Carers

Up: 74,000 or 33%

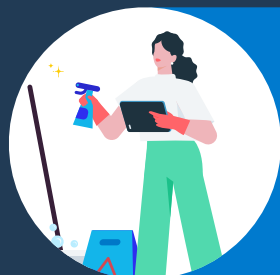
Total: 298,000



Registered Nurses

Up: 52,000 or 18%

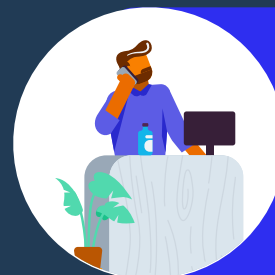
Total: 350,000



Commercial Cleaners

Down: 37,000 or 21%

Total: 138,000



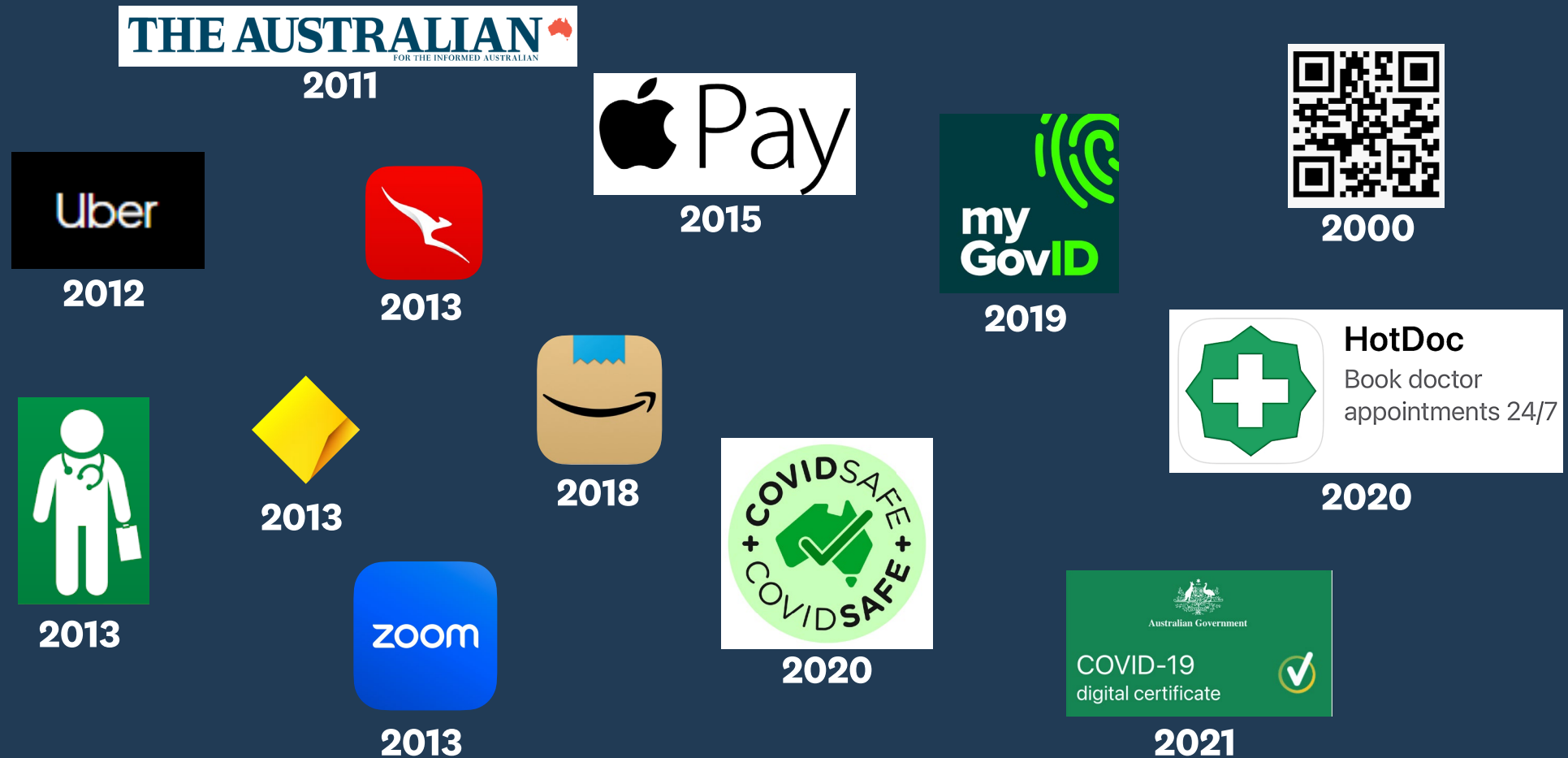
Checkout Operators

Down: 37,000 or 22%

Total: 131,000

How apps have changed consumer (and workplace) behaviour

The Australian consumer is more tech-savvy after the pandemic: The use of apps has accelerated over recent years. Important to this transition was the CovidSafe app downloaded in April 2020, which was supposed to help track the COVID-19 virus. While this app failed in its primary purpose of virus-tracking, it succeeded in teaching many Australians who had no previous experience with apps, on how to download an app. The use of QR codes was also accelerated by the pandemic.



Work, study, shop, Netflix, care... all from the comfort of a 'lifestyle' home

Businesses connected into new living styles are connected to core Australian values: The rising wealth of Australians over the past 30 years has been substantially channelled into housing. Not just the cost, but in the configuration of the everyday house. Out with the Darryl Kerrigan house of the 1960s. In with the 4-bedroom, 2-bathrooms and a kitchen family room. As guests now pass the bedrooms on their way to the kitchen-family room, the bedrooms have upscaled. Beds have gone through a 'pillowfication' process. The kitchen now has an island bench with a waterfall marble benchtop. The back veranda has been reimagined as an alfresco space. Since the pandemic, the fourth bedroom has been given over to what is now being called a 'Zoom room'. Australians allocate wealth and time to their lifestyle house.





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