

Intergenerational Report

On the 24th of August, during his National Press Club Address, Treasurer Jim Chalmers released the 2023 Intergenerational Report (IGR).

The report can be accessed in full [here](#).

The IGR functions as a mechanism to evaluate the efficacy of present governmental policies in shaping the upcoming four decades, providing a pivotal glimpse into the future landscape. It also analyses variables that wield influence over the workforce and productivity, offering insights and prognostications spanning the forthcoming 40 years.

While the IGR must be produced every five years, the 2023 IGR report was published just two years after the 2021 IGR report. The Treasurer has conveyed that he intends to increase the frequency of the releases to once every three years.

The central theme of the report is empowering the Australian population to be beneficiaries of impending economic and societal changes.

Key Statistics

- The average annual population growth rate is projected to slow to 1.1 per cent in the next 40 years, compared to 1.4 per cent in the past 40 years.
- The population is projected to hit 40.5 million by 2062–63.
- The number of people 65 and over is projected to more than double, while the number 85 and over is projected to more than triple by 2062–63.
- Real incomes are expected to be around 50 per cent higher by 2062–63.
- Cumulative net overseas migration won't catch up to pre-pandemic levels until 2029/30, based on current forecasts.
- Life expectancy is forecast to reach 87 for men and 89.5 for women by 2062-63

Shifts in the Economy

During his address, the Treasurer identified 5 major shifts in the Australian economy:

- Globalisation to fragmentation;
- Hydrocarbons to renewables;
- IT to Artificial Intelligence;
- A transition from a younger to an older population;
- A shift from an industrial to a care economy.

The five main spending pressures – health, aged care, NDIS, defence and interest payments on debt - are projected to grow from one-third to one-half of total Commonwealth government spending.

Consistent with past IGRs, total income support and education payments are projected to continue to grow in real terms per person but decline as a share of GDP as the population ages.

Spending on age and service pensions is projected to fall as a share of GDP despite the ageing population, with superannuation increasingly funding people's retirement.

The net-zero Economy

Anticipated repercussions of escalating temperatures are poised to lead to a decline in productivity. This shift, attributed to hotter conditions, could result in a substantial economic impact ranging from \$135 billion to \$423 billion in present-day currency. If the temperature surge reaches 3°C, the GDP toll might escalate by an additional \$155 billion, accompanied by a potential loss of 16-41 million work hours.

A warming climate is expected to cast a shadow over the tourism sector as well, with approximately 50% of the nation's sandy coastline facing vulnerability due to rising sea levels. Moreover, the report underscores the susceptibility of several of Australia's prime attractions to natural disasters, thereby risking travel disruptions and reputational harm.

Critical Minerals

Critical minerals are projected to play a pivotal role in the global shift towards a net-zero target by 2050 as Australia possesses all essential components of the aluminium industry.

A 350% surge in global demand for these minerals is forecasted by 2040, with Australia poised to shoulder significant responsibility to meet this demand. The IGR emphasises Australia's unique position to bolster its budget as the nation steers away from coal, anticipating a reduction in revenue from fuel excise due to the shift towards electric vehicles.

Energy Transformation

Through initiatives such as the Rewiring the Nation and Capacity Investment Scheme and the Net Zero Authority, the government is focused on stimulating investment in renewable energy generation and transmission.

The government has also indicated its intention to position Australia as a renewable Energy Superpower through co-investment via the National Reconstruction Fund, Clean Energy Finance Corporation, Rewiring the Nation and a \$2 billion investment in hydrogen.

Government Reform

The Treasurer has identified multiple avenues, such as targeting inflation and implementing budget repair measures, to meet the expected increased cost pressures. These approaches are hinged on

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strategies encompassing budget repair, inflation management, energy transformation, human capital and migration strategies, a broader and deeper industrial base, stimulating investments and

These strategies align with the Government's overarching principles: fostering a more productive and dynamic economy, directing attention to people, participation, and local impact, and embracing a sense of ownership over the nation's future.

The Government has indicated numerous reforms to boost productivity and drive investment including:

- Strengthening competition laws
- Overhauling the migration system with the Government's migration plan to be released imminently
- Removing barriers to work including putting aged care and the NDIS in more sustainable settings.
- Ensuring sufficient housing availability across Australia.
- Attracting overseas capital by streamlining the FIRB process and rebuilding foreign relationships.
- Enhancing cost-effective infrastructure through project plan evaluation and improving the NBN.

The Government has proposed a range of tax reforms including multinational tax reform, ensuring compliance among high-balance superannuation, revisiting taxes on cigarettes, and making adjustments to the petroleum resource rent tax.

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