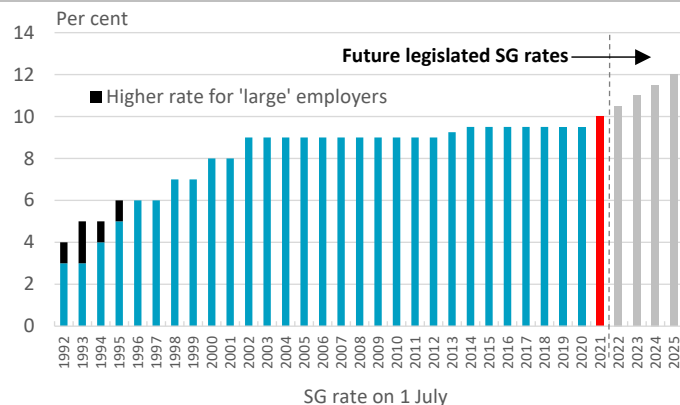


ASFA Economic Snapshot: week ending 2 July 2021

This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

The SG rate has risen, and is scheduled to rise further



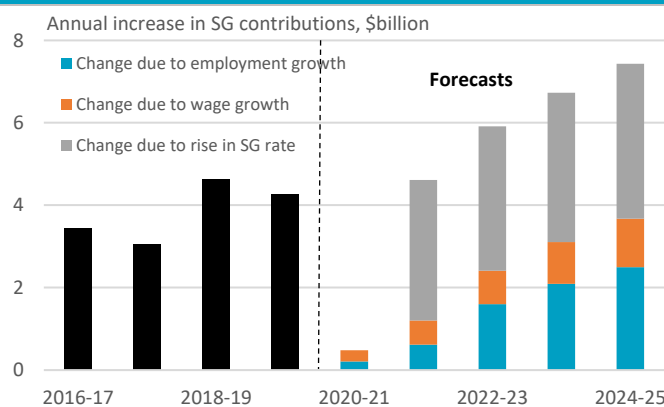
The Superannuation Guarantee (SG) mandates that employers make superannuation contributions on behalf of their employees to a super fund (as a per cent of gross ordinary time earnings). As per current legislation, on 1 July 2021 the rate for SG contributions increased from 9.5 to 10% (red bar). Looking ahead, the SG rate is legislated to rise by 0.5% each year (on 1 July), until it reaches 12% (on 1 July 2025).

SG rate rises will boost individual super balances

	SG remains at 9.5%	Impact of SG rising to 10%, but remaining at 10%	Impact of SG rising to 12% (as scheduled)
NSW	\$463,000	\$482,000	\$551,000
VIC	\$440,000	\$458,000	\$523,000
QLD	\$434,000	\$451,000	\$515,000
SA	\$425,000	\$443,000	\$504,000
WA	\$472,000	\$491,000	\$562,000
TAS	\$410,000	\$426,000	\$485,000
Australia	\$449,000	\$468,000	\$534,000

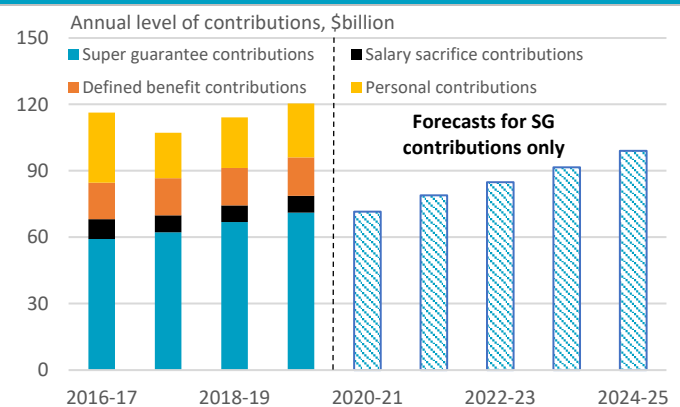
This shows stylised projections for the impact of SG rate rises on super balances at retirement. In each case, projections are for a 30-year old with a starting balance of \$40,000, who earns average career wages (differs between states), and retires at 67.* For the average Australian worker, the recent SG rise to 10% (by itself) means an extra \$19,000 at retirement, while the full rate rise to 12% means an extra \$85,000.

For funds, SG rate rises will boost SG contributions ...



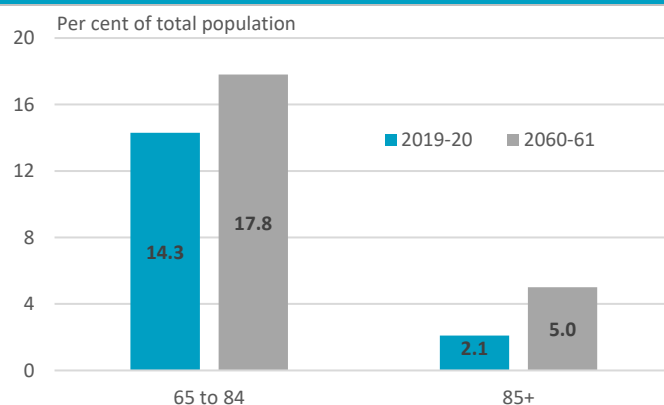
For APRA-regulated super funds, this shows annual *changes* in total SG contributions. The forecasts disaggregate (expected) annual changes into components – due to expected employment growth, expected wage growth, and scheduled SG rate rises. With the recent Federal Budget forecasting low (albeit rising) employment and wage growth, the largest component each financial year is due to SG rate rises.

... and total contributions



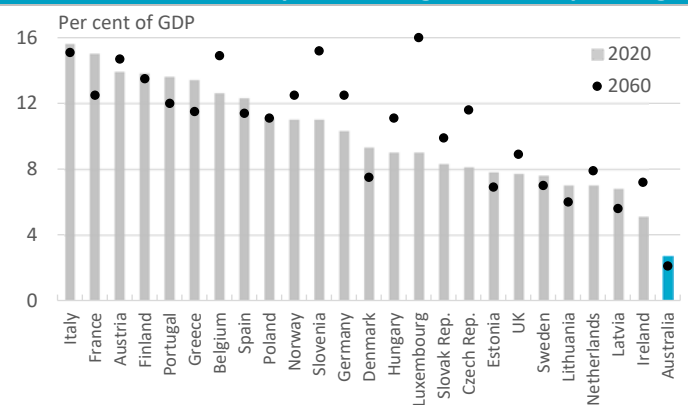
This shows *levels* for total annual contributions to APRA funds, with forecasts for *levels* of SG contributions (from Panel 3). In recent years, SG contributions have averaged about 60% of total contributions. Looking ahead, the SG forecasts suggest total contributions will reach about \$150 billion by 2024-25 (assumes a 30% offset to voluntary contributions from higher SG contributions – due to higher SG rates).^

Government faces budget pressure from an aging population



The latest *Intergenerational Report* (released this week) shows that the share of older Australians in the total population will rise over coming decades. People aged 65+ will rise from 16% of the population in 2019-20 to 23% in 2060-61. This will put pressure on government budgets, including from health, aged-care and Age Pension spending.

SG rate rises will help contain Age Pension spending



For OECD countries, this chart shows government spending on pensions (currently and for 2060). Population ageing and its fiscal implications are a common issue. However for Australia, the Age Pension will remain sustainable – largely due to the maturing compulsory super system, including the scheduled SG rate rises.

Sources for each panel: (1) ASFA; (2) ABS, *Average Weekly Earnings*, November 2020; ATO, *Taxation Statistics*, 2018-19; and ASFA calculations; (3 & 4) APRA, *Quarterly Superannuation Performance*, March 2021; Commonwealth of Australia, *Budget 2021-22*; and ASFA calculations; (5) Commonwealth of Australia, *2021 Intergenerational Report*; (6) OECD, *Pensions at a Glance 2019*; Commonwealth of Australia, *2021 Intergenerational Report*. * Projections for illustrative purpose only. In reality, a worker will not earn average wages throughout his/her career. ^ The assumed offset is consistent with empirical studies. See ASFA, *The Benefits of Australia's Compulsory Superannuation System* (<https://www.superannuation.asn.au/ArticleDocuments/359/2006-The-benefits-of-Australias-compulsory-superannuation-system.pdf.aspx?Embed=Y>).