

\$63b of travel spending has to go somewhere

Simon Evans

Australians spent about \$63 billion a year on international travel and domestic travel before the COVID-19 pandemic and stockbroking house UBS says a large chunk of that is now being diverted elsewhere, which should help underpin a solid 2021 for most retailers.

UBS analyst Aryan Norzoi and a team of economists have closely scrutinised the spending habits of people before the pandemic. They say that with international travel banned and domestic travel still restricted, about 85 per cent of the funds previously spent on travel will find its way into extra consumer purchasing power.

They conclude that despite the rising unemployment levels and the staged phasing out of federal government spending programs such as JobKeeper, the spending outlook for consumers is broadly "neutral" for next year when all the factors are taken into account.

UBS forecasts that an 85 per cent reallocation of travel spend suggests consumers have \$52 billion in extra purchasing power.

Mr Norzoi said stimulus was waning but he estimated about 15 per cent of the combined \$50 billion in cash handouts by the government, home loan deferrals by customers and with-



Retail is likely to benefit as holidays are postponed. PHOTO: JASON SOUTH

drawals of \$10,000 tranches from superannuation funds was spent on discretionary retail products between April and September.

UBS economists are expecting a 5 to 10 per cent decline in house prices and Mr Norzoi said the direction of house prices was a "key driver" of retail sales because of the wealth effect. People feel better and more confident when the value of their house is rising, and the converse applies.

Mr Norzoi also estimates there is a large amount of "pull forward" in elevated retail spending between May to December this year.

UBS feedback for August and

September is for strong retail sales outside of Victoria, which has been in stage four lockdowns. The stockbroking house said a \$74 billion build-up in household deposits from February to July this year made it more likely that much of the annual travel spend would find its way to the retail sector.

Mr Norzoi said the preferred picks in the retail sector were manchester and towels retailer Adairs, electronics retailer Harvey Norman, fashion retailer Premier Investments, supermarket chain Woolworths and grocery wholesaler Metcash.

Consensus earnings for listed discretionary retailers were priced on a "muddle-through scenario", with calendar 2021 sales and earnings estimates between 5 per cent and 9 per cent ahead of pre-COVID-19 levels.

"On the whole, we believe retailers' share prices are factoring robust trading conditions," he said.

The "buy" ratings on Woolworths, Harvey Norman, Adairs, Metcash and Premier Investments were built around attractive valuations and structural shifts towards online, and a rebalance in the retail and landlord relationship when it came to the sharing of profits.

UBS also factors in medium and long-term growth opportunities.

Bis finds mate to accelerate resources automation drive

Peter Ker

Logistics company Bis Industries says its new partnership with the Israeli government's aerospace and defence company will speed up its adoption of automation in the resources sector beyond the existing focus on big driverless haul trucks.

Bis will this week emerge as a 50 per cent owner of a joint venture called Auto-Mate, which will combine its deep connections in the resources sector with the technology of Israel Aerospace Industries.

The adoption of autonomous vehicles and equipment in the mining sector has typically been limited to large-haul trucks supplied to the big iron ore and coal miners by manufacturers such as Komatsu and Caterpillar.

But Bis chief executive Brad Rogers said there was an opportunity to automate other parts of the mine that were not being targeted by the big manufacturers, such as dozers, water carts and other ancillary vehicles.

"These are assets that are not main-line production assets but are valuable to automate all the same for safety and productivity reasons," he said.

Mr Rogers said there were also many medium-sized and smaller miners that had not started shifting towards automation, and Auto-Mate would be a nimble, more incremental way for them to start automating without



Bis chief Brad Rogers sees opportunity for growth. PHOTO: TREVOR COLLENS

needing to replace their entire fleet.

The technology would not replace human operators in every instance but would be a support device for human operators.

"The most logical application for, say, road train operations is where there is still a driver but the vehicle knows what it should be doing, and therefore if the operation of the vehicle moves too far away from that best practice then the vehicle itself will take an adjustment," he said.

Bis is a supplier to big companies such as AGL, Roy Hill and Glencore, and is mostly owned by private equity firms Carlyle and Varde Partners.

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