



QUEENSLAND
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A BETTER QUEENSLAND

BETTER IDEAS

**ECONOMIC OUTLOOK
FOR QUEENSLAND**

Better Ideas

ECONOMIC OUTLOOK FOR QUEENSLAND

Wednesday 11 November

7:30am – 9:00am

Customs House, 399 Queen St, Brisbane

PANELISTS:



KATE FARRAR

Chief Executive Officer
LGIA super



DAMIEN FRAWLEY

Chief Executive Officer
Queensland Investment
Corporation



DENNIS MOLLOY

Head of Economics
Queensland Treasury



PETER MUNCKTON

Chief Economist
Bank of Queensland



PHILIP NOBLE

Chief Executive
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**MODERATOR:
PROFESSOR
ANDREW GRIFFITHS**

Executive Dean
Faculty of Business,
Economics and Law
The University of Queensland

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Panel Discussion



Kate Farrar

- Overall, Queensland has been economically resilient throughout COVID-19 relative to other states and the rest of the World. A sector which has been the hardest hit is tourism, which has especially challenged the regions. Indigenous communities have also been severely impacted; two of the most impacted postcodes where 30% of LGIA super members withdrew funds were indigenous communities.
- Government stimulus has assisted the recovery greatly, particularly the \$500 million of Federal funding to local government and \$150M to Queensland universities. However, an overall Pan-Queensland strategy is needed to plan for the long-term and ensure this spending is productive. Support for digital infrastructure, innovation and entrepreneurship will help to ensure economic growth is coordinated across the regions.
- Queensland must continue to address its emissions; the State constitutes 28% of Australia's emissions and 0.3% globally. This must be addressed in both metropolitan areas and in the regions. Funding is becoming more difficult to secure in high emissions intensive industries, so there is now financial incentive to address emissions.



Damien Frawley

- Queensland is handling COVID-19 well despite politically challenging decisions being made by the State Government. This has been due to the diversity of the Queensland economy; while some sectors have been impacted severely, others have continued almost unabated, such as mining. Particularly, metallurgical coal and agriculture are resilient exports which are internationally competitive and therefore help strengthen the economy.
- Geopolitical risk around the international impacts from COVID-19, as well as trade uncertainty with China will continue moving forward.
- Growth in the economy must be supported by infrastructure investment. This is largely dependent on the return of immigration, both internationally and interstate. Infrastructure is an asset class which lends itself well to political considerations around public funding, but this must also be supported by the private sector. Private sector debt and equity must be unlocked and integrated with public funding to enable these projects and help to support the Government's balance sheet.



Dennis Molloy

- COVID-19 economic impacts were heavily concentrated in the June quarter, and the recovery is now being driven by household spending, and public spending. Net exports, particularly service exports remain challenged. The vaccine development being rolled out next year, per Commonwealth Treasury assumptions, will enable international borders to reopen and reduce risks to the international outlook. While a V shaped recovery is expected, this will not be enough to reach the pre-COVID levels of growth.
- Government must set policy to drive competitiveness, productivity and infrastructure investment in order to support the recovery. Beyond traditional economic measures, Queensland is a strong, safe location and offers lifestyle sought by international and interstate migrants, which sets the State as a destination for high wealth and skilled individuals. Supported by the necessary digital infrastructure, this gives Queensland a strong competitive advantage.



Peter Munckton

- The COVID-19 vaccine remains uncertain given the rollout will be staggered, overseas travellers may still bring the virus into Australia, and the virus may mutate.
- Economic impacts of COVID-19 were concentrated in the second quarter, with the third and fourth quarters expected to be stronger. It is important to understand the driver of this recovery; confidence and momentum must remain strong moving forward to ensure a full recovery. This is supported by State and Federal fiscal policy and monetary support from the Reserve Bank, but if confidence does not recover by early - mid next year, further measures will likely need to be taken.
- In terms of sectoral performance: housing and construction are strong sectors, agriculture is also doing well, and tourism has done well to adapt business models to facilitate intrastate travel. Queensland has a competitive advantage in infrastructure investment as the State is in the bottom of the construction cycle and is in a position to develop a long-term infrastructure investment program. Comprehensive long-term planning must target costings to minimise cost overruns. In the short-term, cost effective maintenance programs should be undertaken.
- Digital and communications infrastructure is vital to become internationally competitive and assist the regions. For example, this supports remote working and online shopping. E-commerce now comprises 10% of total retail spending, but this figure is one-third in China, highlighting that Australia has the opportunity to grow.



Philip Noble

- Queensland has the best quality balance sheet of any Australian state due to fully funded liabilities, a strong natural resource endowment, and a public asset base which has not been sold off. This is supported by a diverse economy and the ability to unlock private capital.
- A recent Queensland 2031 green bond issuance closed at \$1.5bn and was the cheapest cost of funds in 32 years, with a 1.1% spread to Commonwealth bonds. This saw international interest due to the strength and diversity of the Queensland economy, stable credit rating and strong COVID-19 performance relative to the rest of the world. The 7 - 10 year yield curve is decreasing, indicating cheap funding and highlighting that there will not be a shortage of investment capital moving forward.
- While there may be some unemployment hurdles when employment support is ended next year, overall, the economy is positioned for growth. In particular, the property market is positioned for growth fuelled by low interest rates and relaxed lending guidelines.

Panel Discussion

Given infrastructure investment has been identified as a crucial component of the recovery, what projects will be the most cost effective?

- Infrastructure maintenance and upgrades are a short-medium term option for investment whilst greenfield projects are longer-term options which therefore face some pricing risk. Private sector funding will play a role in this investment.
- Technology and digital infrastructure, as well as renewables investment are innovative areas for investment. Additionally, investment in physical infrastructure, namely roads, will support population growth. Further, regional development will be advanced with investment in these areas.
- The long-term nature of infrastructure needs to be considered in making investment decisions.
- The low cost of equity and debt will facilitate private investment and competitive returns on projects.

Audience Questions

What are the implications of the new U.S. administration for Queensland?

- Marginalisation and climate change are major thematics which will now see global action – Queensland will play a role in this international discussion.
- Queensland’s international trade arrangements will continue to face geopolitical risk, but does not pose sovereign risk, so is well positioned to align with the U.S.

What is the importance of goods and services exports for the Queensland economy?

- International and interstate trade are a key driver for the Queensland economy; including interstate trade, one quarter of jobs are supported by this trade. Our international trading partners are also critical to driving the state’s economic growth.

How can we address Queensland’s water issues and support the regions?

- Reform of the water system, allocation and infrastructure has been politically difficult since the implementation of the Bradfield Scheme. Drought and other climatic shifts have significantly impacted the regions, and more must be done to support regional development.
- Discussion around demand-side management is needed in addition to infrastructure investment.

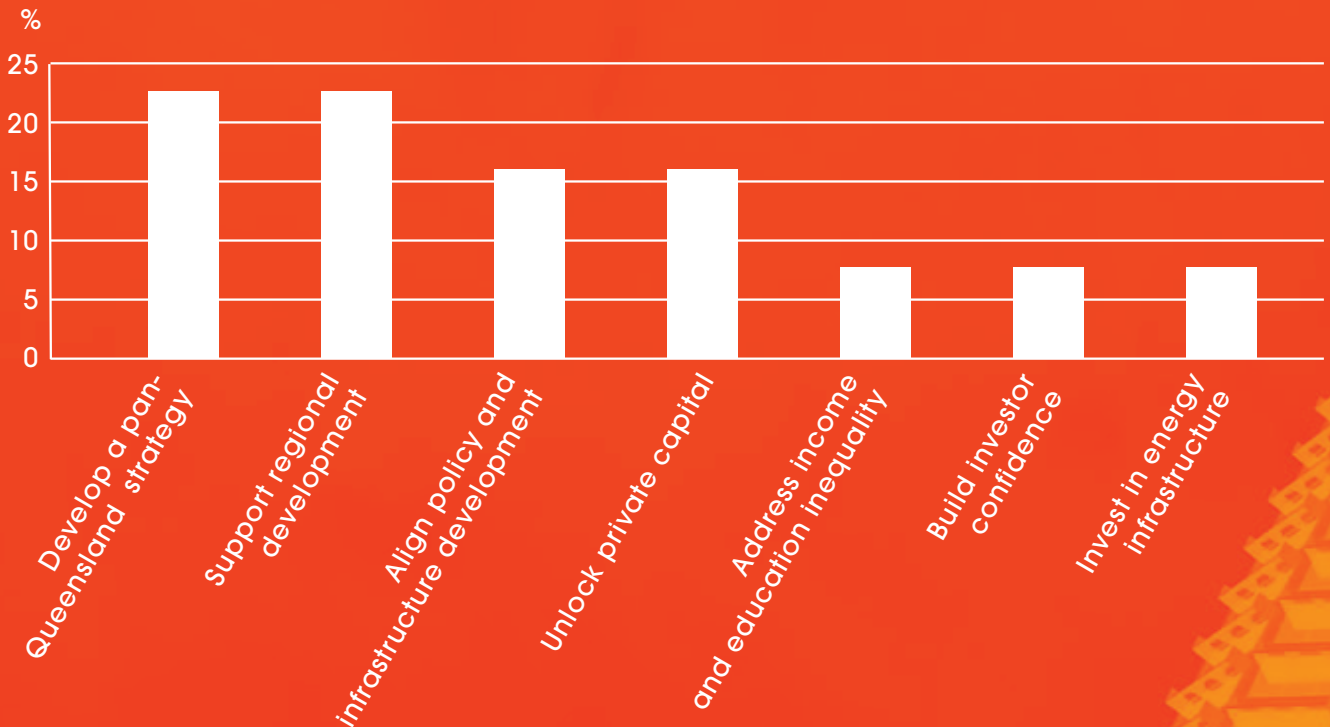
How can we support women and young people, who have been disproportionately impacted by COVID-19?

- Digital infrastructure and support for universities, particularly for STEM subjects, will support young people and women in STEM. Youth unemployment is sticky and may require targeted efforts to address; short courses which target labour market shortages could be tailored for this purpose.
- Mobility for jobs or digital infrastructure which supports telecommuting may also aid in addressing this.

SUMMARY OF

Attendee Comments

TOP IDEAS AND INITIATIVES



SUMMARY OF Ideas

- Long-term, holistic planning which considers the needs of regional areas and supports the diversity of the economy will support development moving forward; a Pan-Queensland plan will clarify the Government's intentions around investment – this will boost investor confidence.
- Infrastructure investment must be targeted and unlock private capital to enable digital infrastructure and assist regional development.
- In the long term, this also creates opportunities for new innovation in infrastructure, such as in renewables development. Short-term infrastructure investment targeting maintenance programs would also assist the recovery.

QFI Members



REGIONAL AFFILIATES





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