



QUEENSLAND
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A BETTER QUEENSLAND

BETTER IDEAS

ECONOMIC OUTLOOK
FOR QUEENSLAND

Better Ideas

ECONOMIC OUTLOOK FOR QUEENSLAND

Wednesday 25th August

7:30am – 9:00am

Customs House, 399 Queen St, Brisbane

PANELISTS:



KATE FARRAR

Chief Executive Officer, LGLAsuper and Energy Super



PETER MUNCKTON

Chief Economist and Head of Market Strategy, Bank of Queensland



DAMIEN FRAWLEY

Chief Executive Officer, Queensland Investment Corporation



PHILIP NOBLE

Chief Executive, Queensland Treasury Corporation



DENNIS MOLLOY

Deputy Under Treasurer – Economics and Fiscal, Head of Economics, Queensland Treasury



MODERATOR – PROFESSOR SHAUN BOND

Frank Finn Professor of Finance, UQ Business School



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SNAPSHOT

The key theme for the 2021 Queensland Futures Institute Economic Outlook for Queensland was the resilience of the State's economy throughout the COVID-19 pandemic and economic recovery. Queensland has done well and continues to leverage advantages compared to other states and internationally in its economic health and has the opportunity for strong growth in the near future.

SUMMARY OF Ideas

- Queensland must continue to leverage existing strengths and utilise its competitive advantage across sectors such as minerals, mining, infrastructure, tourism and education. This will support a strong and resilient economy moving forward.
- The vaccination rollout will continue to be a determining factor to the speed of recovery.
- Continued strong sectors will be able to support risk allocation across public and private sectors.
- This will be supported by the positive underlying economic drivers that have been seen during the pandemic: strong innovation and digitisation, and pent-up demand. Additional measures supporting the commercialisation of innovation will further bolster economic growth.

Opening comments from Panelists



Kate Farrar, Chief Executive Officer, LGIAsuper and Energy Super

- The disruption from COVID-19 saw 10 years of digital investment occur in two months when businesses shifted their business models online. This shows the resilience and agility of these businesses and their ability to operate in this difficult environment.
- Looking at the international landscape, particularly China and Southeast Asia, as export markets, Australia will experience positive economic growth despite the headwinds posed by border closures.
- The June quarter has shown positive performance across asset classes. Energy and infrastructure have been resilient over the period whilst airports and ports have experienced obvious impacts from border closures. The opening of borders is likely to result in a significant bounce towards the recovery of these assets.
- There have also been a number of large shifts during this period including mounting business, social and regulatory pressure towards sustainability, with many banks committing to emissions targets and boards of multiple companies outlining their own path to being emissions free. Shifting the economy from fossil fuels towards renewable energy will be the way forward for the Queensland economy.
- International markets will play an increased role as we reopen borders. China and India will become major export markets that we will rely on. The announcement of the Olympics in 2032 also have major implications for Queensland on the international stage, and will be a significant boom for Brisbane and infrastructure investment. Moving towards this, vaccinations will be critical to reopen the borders and facilitate these tailwinds for the education and tourism sectors in particular. Collaboration across Southeast Queensland will be essential once this happens so we can enable a successful multi-city Olympic Games.
- Innovation and entrepreneurship will be key for Queensland. These are supported by a strong desire for interstate and international migration to the State to support small and emerging businesses.



Damien Frawley, Chief Executive Officer, Queensland Investment Corporation

- QIC manages a diverse portfolio of assets which have experienced the same mixed conditions as others in Queensland and around the country. QIC has about 800 staff across Brisbane, Sydney and Melbourne who have all been impacted by lockdowns. However, this experience has shown that adversity can lead to opportunity.
- Vaccination rates will dictate the timing and strength of the economic recovery which are critical for Australia to achieve.
- Sydney and Melbourne real estate assets are particularly impacted by the Sydney and Melbourne lockdowns. However, Queensland has experienced an 8.5% lift in visitations and turnover, showing that there is a quick positive response following lockdowns.
- The June quarter has shown positive performance across asset classes. Energy and infrastructure have been resilient over the period whilst airports and ports have experienced obvious impacts from border closures. The opening of borders is likely to result in a significant bounce towards the recovery of these assets.



**Dennis Molloy, Deputy Under Treasurer – Economics and Fiscal,
Head of Economics, Queensland Treasury**

- The strength of the Queensland economy reflects the success in managing the pandemic. The data shows that spending bounces back very quickly from short sharp lockdowns and therefore the outlook for the economy remains very positive. The rollout of the vaccine is critical to the recovery from the pandemic as once threshold coverage is achieved it will increase social and economic resilience and reduce (but not eliminate) the need for lockdowns and other measures.
- The outlook for the state economy remains positive. The housing and retail sectors reflect strong economic performance alongside strong employment figures, and a relatively low unemployment rate highlighting that the labour sector is in a good position moving forward.
- Beyond the recovery, future opportunities include Queensland’s mineral and mining sectors. The International Energy Agency has shown that demand in minerals that feed the renewable energy supply chain will increase four-fold. Along with innovation in energy and renewables, combining this with Queensland’s competitive advantage and potential to add value to resources, this will remain a strong area of the economy.
- Once international borders open, the service economy will return to being a strong component of the Queensland economy, complementing growth in manufacturing and adding value to our resource sector. The attractiveness of Qld as a destination will attract both skilled workers and capital to grow the economy.



**Peter Munckton, Chief Economist and Head of Market Strategy,
Bank of Queensland**

- There is global empirical evidence that economies have recovered very quickly from pandemic restrictions. This is true in Queensland with economic performance recovering from last year and expected to improve again next year. With the increase in case numbers, there will be differing risk appetites between individuals, business and government throughout this recovery. Despite this, demand should be strong across the economy during this period. However, supply problems will remain an issue owing to international border closures.
- Businesses, particularly small business, have been extremely resilient during this period and will remain strong throughout the recovery. The Queensland economy is strengthened by its competitive advantages in tourism and mining. On top of this, commodity prices are strong, and deficits are being funded at a low cost. These factors will facilitate Queensland’s out performance through the recovery.



Philip Noble, Chief Executive, Queensland Treasury Corporation

- There are a number of very positive drivers of economic health being seen currently. This includes low interest rates and easy access to capital. This, in addition to strong pent-up demand will result in a strong economic recovery from the pandemic, especially relative to other states.
- In the past 12 months, there has been some noise in the economic data and in financial market outcomes. For example, this year the Australian Government’s 10 - year bond yield moved in a range of around 100 basis points, which is significant when yields are so low. Low interest rates and strong demand raise the question about when and how strongly inflation may return. This could have major implications for the long-term cost of borrowing as well as the economy.
- The Queensland economy is well endowed, with access to abundant natural resources, including rare earth metals, which can be leveraged in the coming decades.
- To make the most of these opportunities, innovation and entrepreneurship will be critical and must be supported. We must consider methods of encouraging innovation out of universities and methods to grow, fund and commercialise this.
- The economic uplift from investment in long-term infrastructure will strengthen the economy in the next decade and beyond.

Panel Discussion

In the context of climate change, how you are thinking about the economic and environmental risks moving forward, and are there any opportunities for Queensland in a de-carbonising world?

Kate Farrar, Chief Executive Officer, LGIAsuper and Energy Super

- Everyone has a role to play in addressing these issues. We live in a World where it's increasingly easy to understand carbon impacts as carbon accounting and reporting is becoming easier to access and more mainstream. In this way, it is important that we just get started on addressing our emissions.
- There is need to scenario test real assets from a climate change adaptation perspective to ensure climate risks do not have significant adverse impacts.
- There is also increasing social value in addressing these issues, with public listed assets requiring transparency and emissions reductions in order to achieve capital growth.
- This is important for businesses as they for example, diversify away from coal use, and for households, as they implement energy reduction and efficiency measures.

Damien Frawley, Chief Executive Officer, Queensland Investment Corporation

- There are significant impacts on assets and the off takes from assets. QIC is thinking carefully about the sustainability of its assets and the energy transition. Additionally, QIC is considering the optionality of its assets through the diversification of their revenue streams to make them more resilient to risks.
- Agriculture has a large role to play in QIC's portfolio as part of the problem causing emissions, but also part of the solution in the form of abatement and carbon market opportunities. As one of Queensland's largest sectors, this is a key focus in the transition.
- QIC considers universal carbon markets critical to solving the problems caused by agriculture assets. QIC has also been doing significant work around its natural capital fund to address this issue.

Dennis Molloy, Deputy Under Treasurer – Economics and Fiscal, Head of Economics, Queensland Treasury

- There is certainly a need to understand the climate risks that are being faced today. For example, this is reflected in the stringent hydrology studies that are being required for new dams, which are more complicated and comprehensive than ever before.
- As governments make renewable energy targets and progress towards them, there will be an increase in energy and decrease in prices, which will have positive economic implications.
- Queensland is also in a good position to leverage resource endowments and competitive advantage to add value and participate in the global energy transition.

Peter Munckton, Chief Economist and Head of Market Strategy, Bank of Queensland

- Two things are needed to make significant and meaningful impact from an economic standpoint: relative price changes around carbon and distributed action across countries. Carbon markets have the potential to drive change in emissions, but relative price change is hard to make in a low nominal growth economy. The distributed action refers to some regions, industries and countries being impacted differently by these changes. The best way to address this and mitigate adverse impacts is therefore to ensure the economy is growing strongly with wages rises and unemployment low. This will ensure economies are resilient enough to have strong and sustainable economic growth.

Philip Noble, Chief Executive, Queensland Treasury Corporation

- The green financing market is a growing, large pool of global capital which enables issuance supporting environmental social and governance measures. There is currently a pool of \$16.8bn of green assets to be funded, which can access capital through these bond markets. Investors have great interest in green bonds, showing that government issuance of these is being valued by the market.
- There is strong interest to continuing this funding moving forward by issuing green bonds. But also, there is opportunity for use other public and private capital to achieve desired sustainable outcomes.

Audience Questions

How will work arrangements continue with regard to working remotely moving forward?

- While workplaces have adapted to remote working, there is certainly still a need to get workers collaborating together and get back to work. Collaboration is 'siloes' from working on video calls and while it is unlikely there will always be five days at the office in the future, there is certainly need for balance.

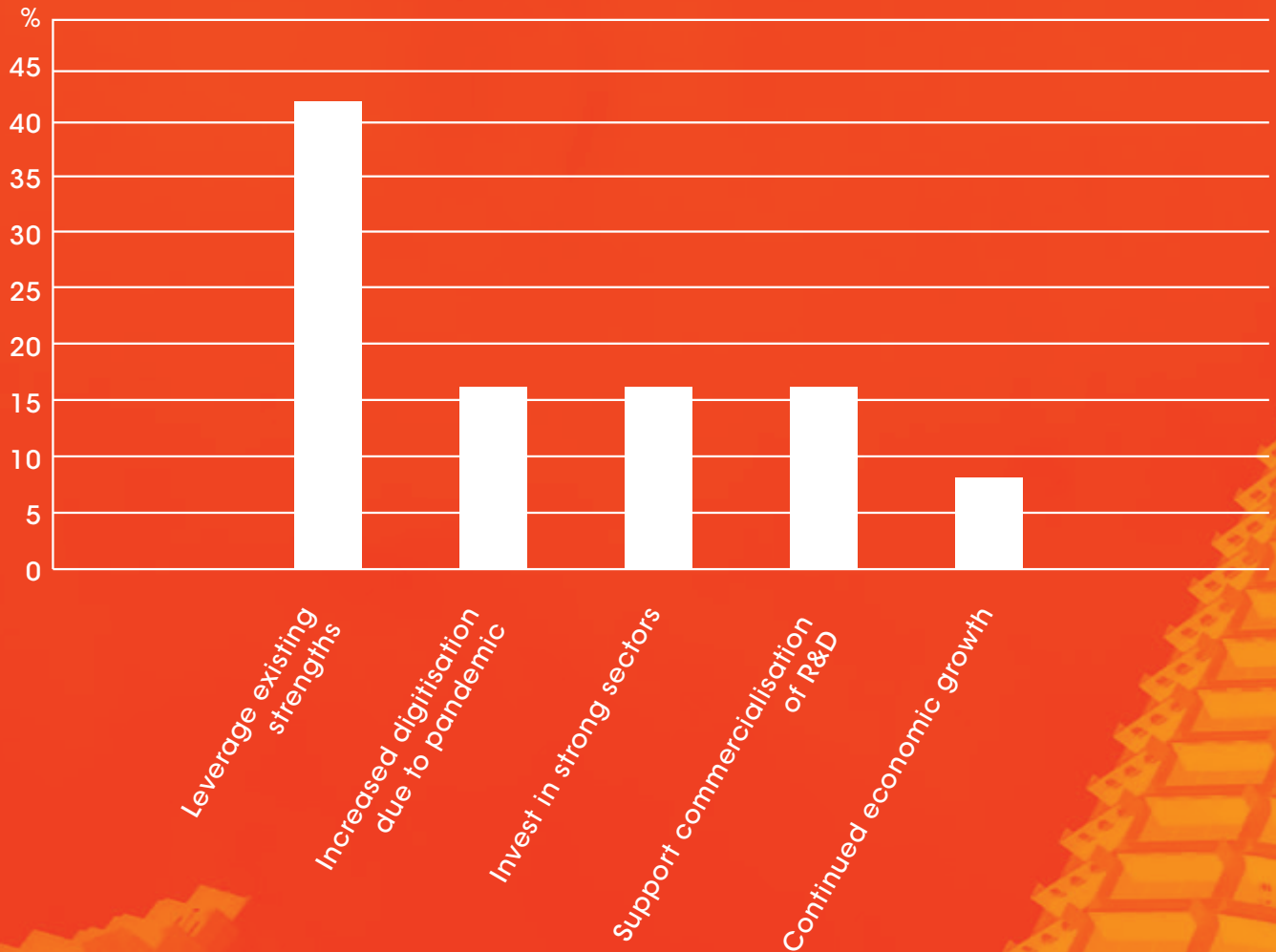
How much does difficulty in funding impact start-ups and impede innovation?

- There is opportunity to improve funding and commercialisation of innovation and start-ups and avoiding a 'brain drain' of talent in this sector to overseas markets.
- Significant amounts of innovation and entrepreneurship are coming out of universities, being supported by institutional start-up hubs etc. However, additional private funding is needed. This balance in funding is achieved in overseas markets but Queensland's private sector must find this balance here. If it does, this will grow new industries and support jobs for Queensland.
- In QIC, there is a pool of funds that can be used alongside other private capital to fund innovative businesses.

SUMMARY OF

Attendee Comments

TOP IDEAS AND INITIATIVES



QFI Members





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FOR FURTHER INFORMATION

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