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Economic snapshot

March quarter 2017

A return to business investment growth is the celebration we have been waiting to have. With investment up 3.4%, it looks like we've turned the corner.

Growth in the economy is solid. While Cyclone Debbie has had a negative impact, its effect on growth will be temporary. Looking ahead, gas exports continue to drive growth and provide a substantial dividend to Queensland's economy, with growth forecast at 3.1% each year to 2021.

Great news for Queenslanders, employment is also up 1.9% and the future for jobs is looking up, with job vacancies trending higher.

After a period of substantial rises in home building, particularly of units and apartments, housing construction has fallen over the past year. Overall, housing investment is down, which in some part is as a result of Cyclone Debbie. All eyes are on the actions of the Reserve Bank of Australia over the coming year as it seeks to gently cool the housing investment market.

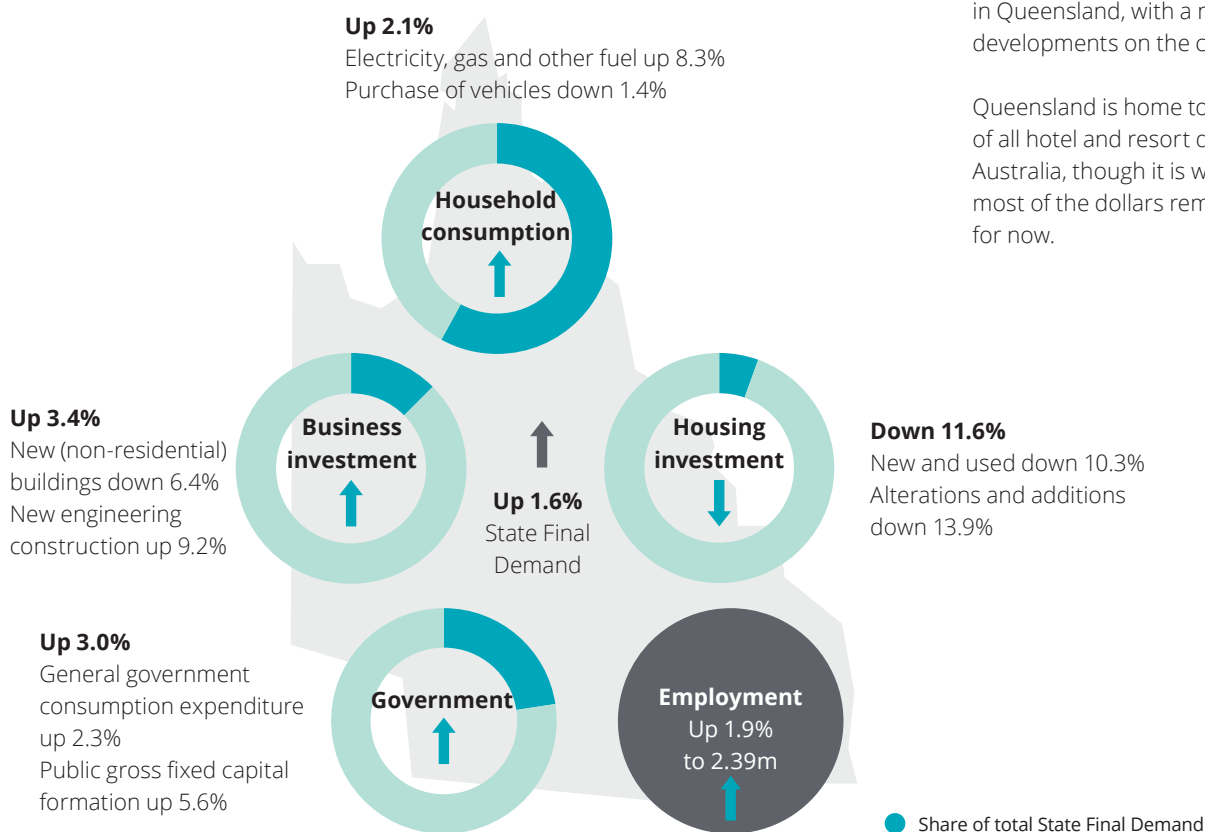
Growth in retail spending is broadly back to matching national gains – a considerable improvement after an extended period of underperformance. Small business confidence has shown sustained recovery since 2015 off the back of an improvement in retail spending.

Population growth has also been picking up, which will help to support the State's growth potential. Australians are likely to continue to see Queensland as an attractive location to live, particularly when compared to house prices in Sydney and Melbourne.

Queensland's commercial construction sector has been a notable over achiever for some time now. The past year saw both the 'value of work done' and 'work yet to be done' lift the state. Much of this has been driven by strength in the tourism sector as international visitors continue to flock to Australia in record numbers.

This good news on tourist numbers is starting to flow through to project activity in Queensland, with a number of large developments on the cards.

Queensland is home to almost two-thirds of all hotel and resort developments across Australia, though it is worth remembering most of the dollars remain in planned work for now.



Sources: ABS 5206.0; ABS 6202.0

Notes: Real, year-on-year; Seasonally adjusted figures; Employment to June 2017; State Final Demand to March 2017

Economic outlook

Queenslanders have good reason to be upbeat about the future, with growth in Queensland's economy solid, and this quarter seeing positive growth in business investment and employment.

Despite common perceptions, Cyclone Debbie was another positive for non-rural export earnings. World markets have a very tight balance between demand and supply in key commodities, and the inability of ports in Queensland to ship coking coal for a number of weeks may have reduced the quantity that Australia was exporting, but it had an even bigger impact on price.

Coking coal prices on global markets briefly flirted with returning to their 2011 highs, meaning that coal export earnings remained very high across a period when we weren't shipping much.

This quarter we provide an overview of the \$56 billion value we have placed on the Great Barrier Reef. It is more than a coral reef, it is part of Australia's cultural DNA and integral to the identity of Australia's Traditional Owners. What's more, its status as one the seven natural wonders of the world makes it an international asset.

In light of recent changes in population growth, we also take a look at affordability and liveability. Historically, Queensland has been the benefactor of high interstate migration. While numbers have dropped to about one fifth of what they were in the mid-1990s, high migration levels remain. Queensland attracts 11,000 more people than we lose each year, and housing affordability is seen to be a contributing factor to this trend.

Queensland's place in the national picture of housing affordability is a comparative advantage. In the midst of a housing price boom (or bubble, depending on the commentary you prefer), the cost of living in Queensland remains an affordable option.



Economic growth

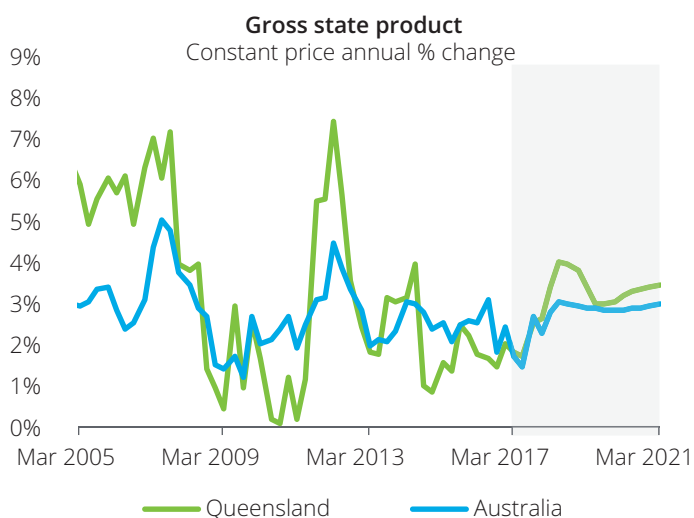
Gross state product

Queensland's gross state product is expected to remain above the national average, growing at 3.1% each year on average across the forecast period to 2021.

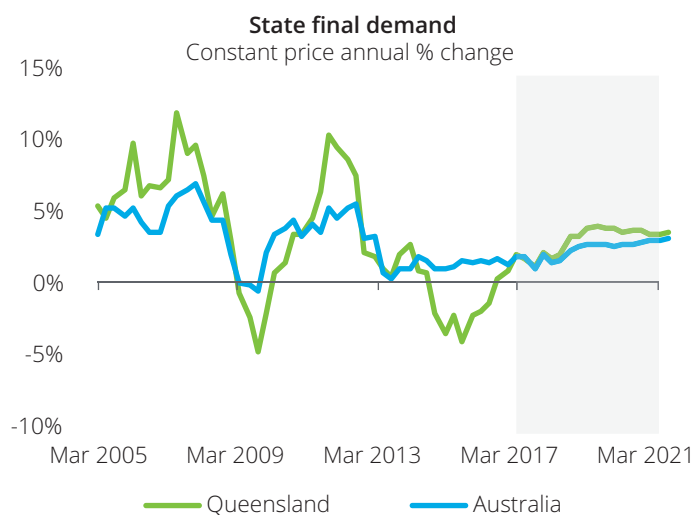
Deloitte expects Queensland to continue to benefit from the surge in gas exports.

State final demand

Queensland's state final demand is also expected to continue recovering and track above the national average at 3.0% each year on average over the forecast period to 2021.



Sources: ABS, Deloitte Access Economics



Sources: ABS, Deloitte Access Economics

Labour markets

Despite strong economic growth, Queensland's unemployment rate remains higher than the national average. A continued focus on employment is key for Queensland's economic outlook going forward.

However, the unemployment rate is expected to reach the national average over the forecast period, at about 5% by 2021.



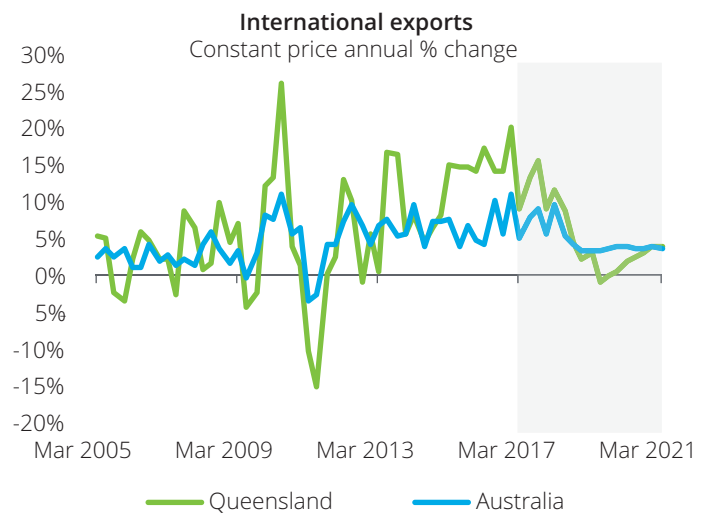
Sources: ABS, Deloitte Access Economics

International exports

Queensland's international exports have grown by \$18.1 billion (or 37.7% in nominal terms) to reach \$65.9 billion over the year to June 2017.¹

This growth in international exports has recently been supported by LNG exports and stronger Chinese demand for coking coal paired with higher prices.

Looking ahead, we expect international exports to continue to be supported by growth in LNG exports.



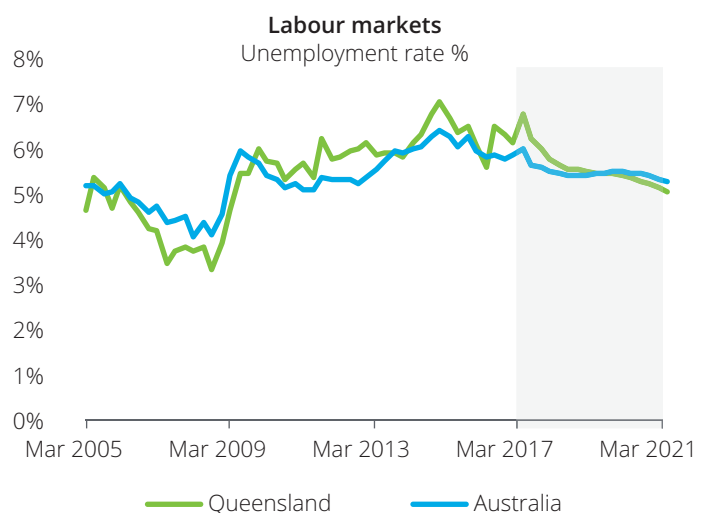
Sources: ABS, Deloitte Access Economics

¹ Exports of Queensland goods overseas, June 2017, Queensland Government Statistician's Office (source ABS 5368.0)

Tourism

Queensland's international tourist arrivals are expected to remain solid over the forecast period, averaging growth of 4.7% out to 2021.

We are seeing international visitors flock to the Sunshine State, encouraged by a number of significant developments including the AirlBeach (Airlie Beach) resort, the redevelopment of the Great Keppel Island resort and the Aquis Great Barrier Reef project. A lower Australian dollar is also helping tourism.



Sources: ABS, Deloitte Access Economics

In focus: At what price?

The economic, social and icon value of the Great Barrier Reef

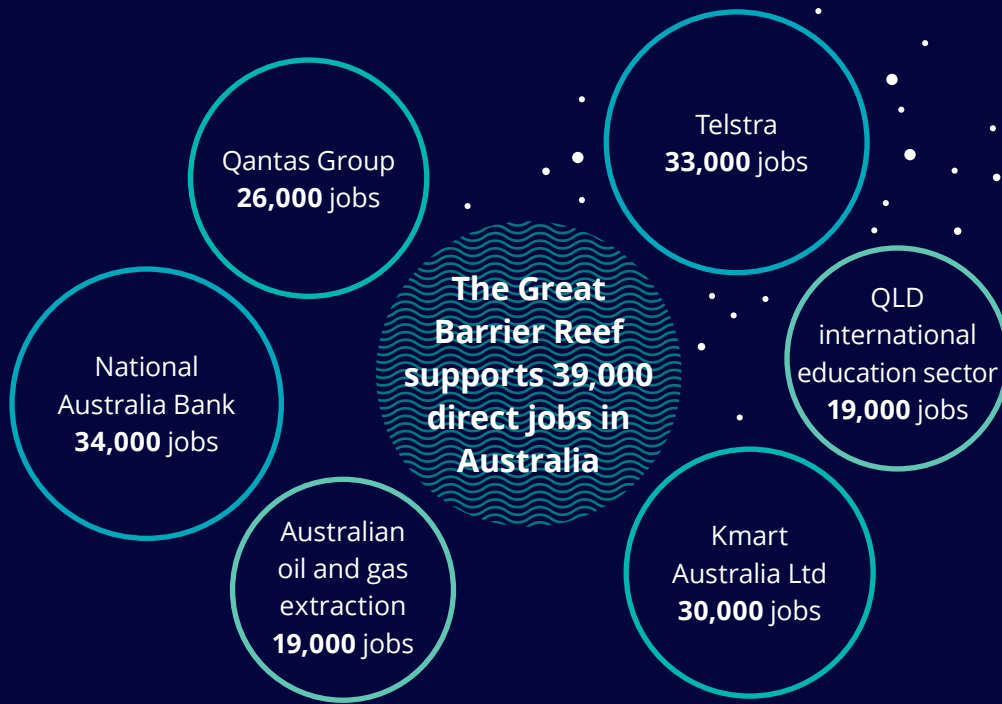
The Great Barrier Reef is more than just a coral reef. It is part of Australia’s cultural DNA and integral to the identity of Australia’s traditional owners. It is also one the seven natural wonders of the world, which makes it an internationally significant natural asset.

At present, the Great Barrier Reef is up against a tight and unforgiving deadline brought about by the effects of climate change.

In 2017, Deloitte Access Economics valued the Great Barrier Reef to elevate the debate and national understanding of the reef’s significance in economic decision making circles. The social, economic and iconic value of the Great Barrier Reef was calculated at \$56 billion, or the equivalent of twelve Sydney Opera Houses.

The Great Barrier Reef is priceless and irreplaceable. By identifying, measuring and reporting on the economic and social value of the environment, Deloitte Access Economics is helping to foster the debate that drives policy action.





The Great Barrier Reef (GBR) contributes significantly to the economy through a number of commercial channels, which ultimately contributes to the national accounts of Australia.

Overall, the GBR contributed \$6.4 billion to the Australian economy in 2015–16. Nearly 90% of this economic contribution (approximately \$5.7 billion) was from tourism activities alone.

In terms of employment, the GBR supported more than 64,000 full-time jobs in Australia, which is more than most of Australia's big banks, and many corporates like Qantas or Deloitte Australia.

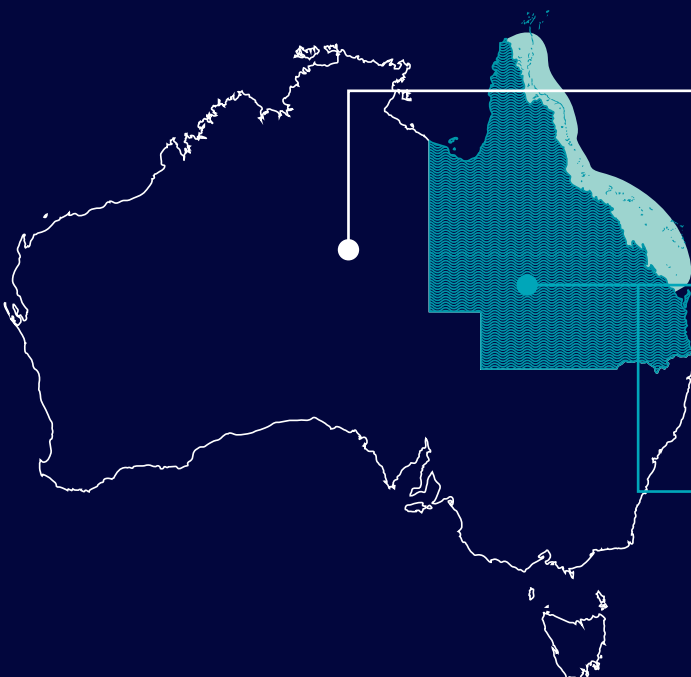
Of the \$6.4 billion added to the economy, over 60% of it came from Queensland, with the remainder coming from other states and territories. Considering this, the Reef is crucial to supporting economic activity and jobs in Australia. In Queensland, over half of the jobs created by the reef are within the State.

Total contribution to Australia

\$6.4B and 64,000 jobs

\$3.9B and 33,000 jobs
within Queensland

\$2.9B and 24,000 jobs
within Great Barrier Reef regions



In focus: Our place

Liveability and housing affordability in Queensland's regions

The world is changing: the population is getting older, digital disruption is changing how we work, and increasing urbanisation is changing where and how we live.

Against this backdrop, concern about the sustainability of Australia's house prices and the cost of living (or at least, avocado on toast) is never too far from the headlines.

Historically, Queensland has been the benefactor of high interstate migration and while numbers have dropped to about one fifth of what they were in the mid-1990s, that is still true: we attract 11,000 more people than we lose each year, in part because of housing affordability relative to other states.

Our place in the national picture of housing affordability is a comparative advantage. In the midst of a housing price boom, living in Queensland remains more affordable than in the southern states. While Sydney and Melbourne house prices have experienced year-on-year growth in the double digits, Brisbane has experienced a modest 3.5% growth.

Housing affordability makes Queensland an attractive place to live and something we can leverage to attract and retain talent, driving productivity gains and economic growth.

The latest numbers

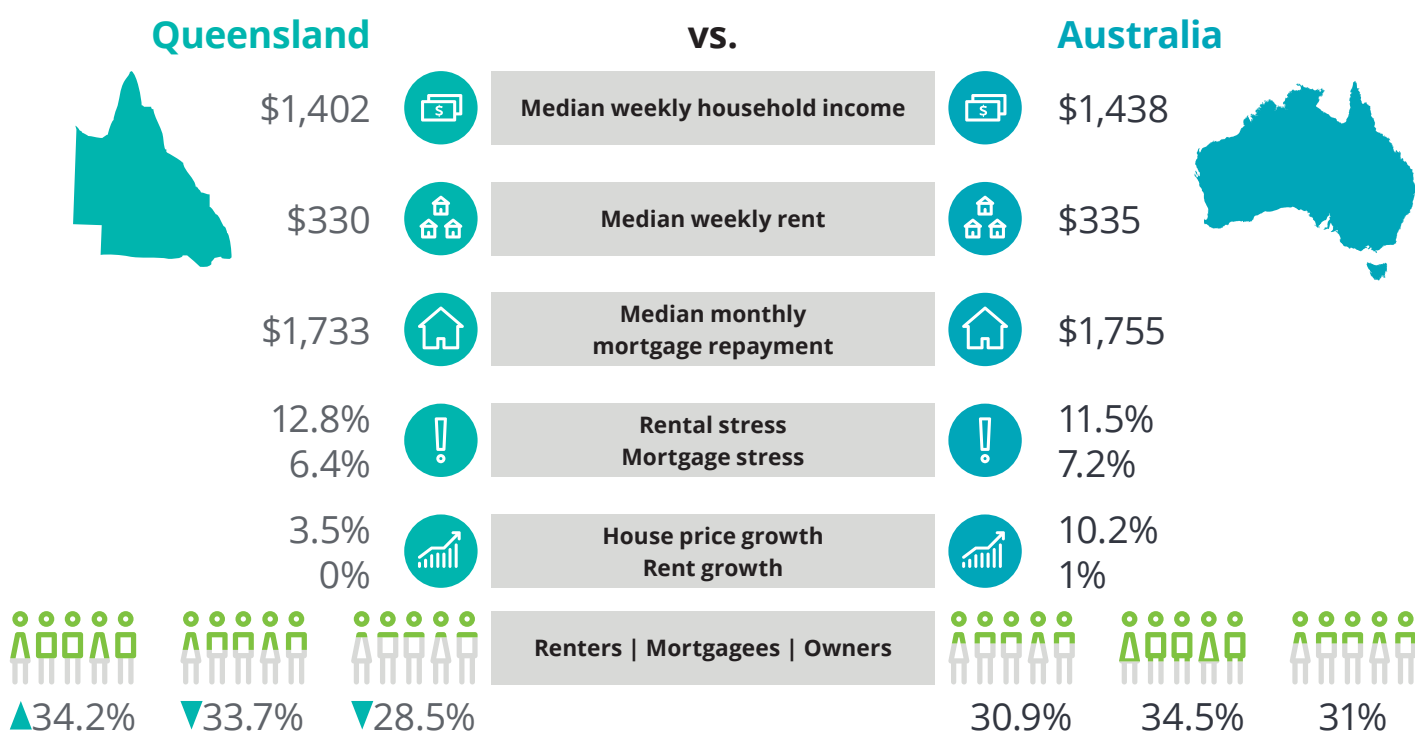
As we all know and the 2016 Census confirms that it is much cheaper to buy a house in Brisbane than it is in Sydney.

Mortgage stress is higher in Sydney and Melbourne, with Queensland as a whole coming in under the Australia-wide rate.

Despite this, and mirroring the national trend, there has been a slight decline in outright home ownership and owners who have a mortgage.

We are a state of renters:

- more Queenslanders rent than own their own home compared to the rest of the country
- rental stress in Queensland is higher than the national average
- But with a modest decline in rent in the June quarter CPI figures, increasing vacancy rates, and new supply from an easing residential construction boom the conditions could result in Brisbane becoming a renter's market.



Arrows indicate how Queensland compares to national figures.

Housing stress is defined as proportion of households spending more than 30% of their income on mortgage repayments or rent.

Source: ABS, Census 2016.

Where we live

Queensland is not immune to the global trend of increasing urbanisation.

We have 4.7 million residents spread across the State, with more than half living outside of the capital city. But the South East corner – Brisbane, the Gold Coast and Sunshine Coast – has experienced growth at twice the rate of the rest of the state. As a result, 66% of the State's population live in just 0.6% of its area.

Why we live where we do

In a recent survey, we asked 6,000 Australians:

- what the best and worst factors that impact on the liveability of their local area were
- what would make them move, and
- what they thought about their State's identity now and in the future.

Queenslanders identify our State as the 'lifestyle capital' and our farmers are also particularly proud of our rural industry. Looking forward, we would like that lifestyle to be more affordable, and for economic success to be a more important part of our identity.

We value our natural environment and climate, two of the biggest contributors to liveability.

In terms of trade-offs, our main concern nationwide when choosing a place to live is housing affordability and cost of living. These are the top two reasons we would move, both now and in ten years, which could be good news for Queensland's regions.

Affordable and liveable?

To some extent, liveability and affordability are a compromise. A high liveability score on our Liveability Index is generally associated with a higher cost of housing, both for renters and owners with a mortgage. This isn't surprising, just a practical example of supply and demand.

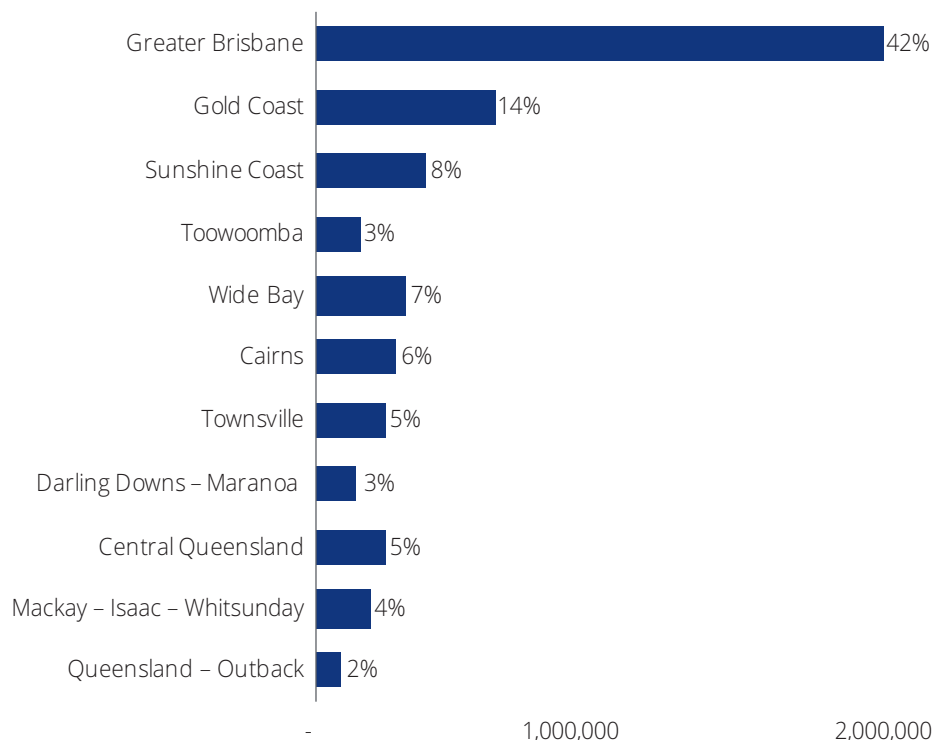
But Queensland has many regions with high liveability and costs of housing that are below the national median, mostly clustered along the coast.

The Liveability Index also identifies policy targets that would improve liveability in regional areas. Poor telecommunications and transport infrastructure reducing liveability emerge as common themes outside South East Queensland.

Economic modelling by Deloitte shows that improving liveability in regional communities will help stabilise the population of South East Queensland and increase net migration.

Strategic investment in liveability is part of a three part strategy to add grow our population, stimulates jobs and businesses, and grow Queensland's economy.

Queensland's population by region.



Source: ABS, Census 2016.

Notes on the liveability index:

As a complement to the Shaping Future Cities survey, the Liveability Index uses a range of indicators to measure the liveability of regions across Queensland. Specifically, it draws on research on contributors to liveability. It assigns each 2011 SA2 in Queensland a liveability score based on the following ten indicators:

01. Rates Of Crime
02. Natural Environment
03. Community Cohesion
04. Health Care
05. Education
06. Transport Links
07. Cultural Activities

08. Recreational Activities
09. Amenities, and
10. Telecommunications.

The methodology for calculating the overall score can be found in the Appendix to **Confidently Queensland**.

The index was constructed using SA2s from the 2011 edition of the Australian Statistical Geography Standard (ASGS). In this figure, census data based on the 2016 edition of the ASGS has been aligned to liveability scores on the basis that the updates to Queensland's SA2s in the 2016 ASGS were minor (<1% difference in area between old and new boundaries.)

Geographical differences in the Shaping Future Cities survey results.

Best aspect	Worst aspect	Reason to move	State identity
Greater Brisbane	Climate	Telecommunications	Cost of living
			The lifestyle capital
Gold Coast	Climate	Cultural activities	Cost of living
			The lifestyle capital
Sunshine Coast	Climate	Cultural activities	Friends and family
			The lifestyle capital
Toowoomba	Natural environment	Cultural activities	Cost of living
			The lifestyle capital
Coastal Cities	Climate	Cultural activities	Cost of living
			The lifestyle capital

Best aspect	Worst aspect	Reason to move	State identity
Rest of QLD	Climate	Telecommunications	Cost of living
			Industries
Rest of NSW	Natural environment	Amenities	Cost of living
			Industries
Sydney, Wollongong, Newcastle	Low rates of crime	Telecommunications	Cost of living
			Economy
Rest of Victoria	Natural environment	Cultural activities	Cost of living
			The cultural capital
Melbourne, Geelong	Low rates of crime	Telecommunications	Cost of living
			The cultural capital



Liveability score



Least liveable

Most liveable

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Budget monitor	Business outlook	Employment forecasts	Investment monitor	Retail forecasts
Budget monitor is the leading source of accurate and independent private sector projections of Federal budget trends in Australia. Budgets are analysed and projections made, including detailed estimates of future spending and revenue levels. Budget Monitor is prepared twice a year, prior to the Mid-Year Review and the Budget itself.	Business outlook, released quarterly, is specifically designed for business analysts and strategic managers. Subscribers to the standard hard copy or electronic subscription are also eligible to purchase the Business Outlook on CD. The CD subscription contains forecasts out ten years, in quarterly, calendar and financial year formats as well as detailed history and charts, all in excel.	Employment forecasts, released quarterly, provides forecasts and commentary for each industry, plus white collar, blue collar and office demand index (where the latter draws on the 'office intensity' of each industry). There are three levels of data available: State, City and CBD. Employment Forecasts is particularly useful in the analysis of property market demand.	The quarterly Investment monitor lists around 900 Australian investment projects, each valued from \$20 million. Projects are divided by State, sector and status (i.e. possible, under consideration, committed, under construction). The publication also contains commentary on industry trends, and company contact details for those companies involved in the projects.	Retail forecasts, produced quarterly, provides detailed analysis of current retail sales and consumer spending. Included are National retail forecasts, retail sector forecasts, State retail forecasts, disposable income, non-income influences on retail spending and broader macro-economic influences. An annual subscription includes four quarterly reports plus Excel spreadsheets including 10 year forecasts and charts.

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