Economic Outlook + COP26 views

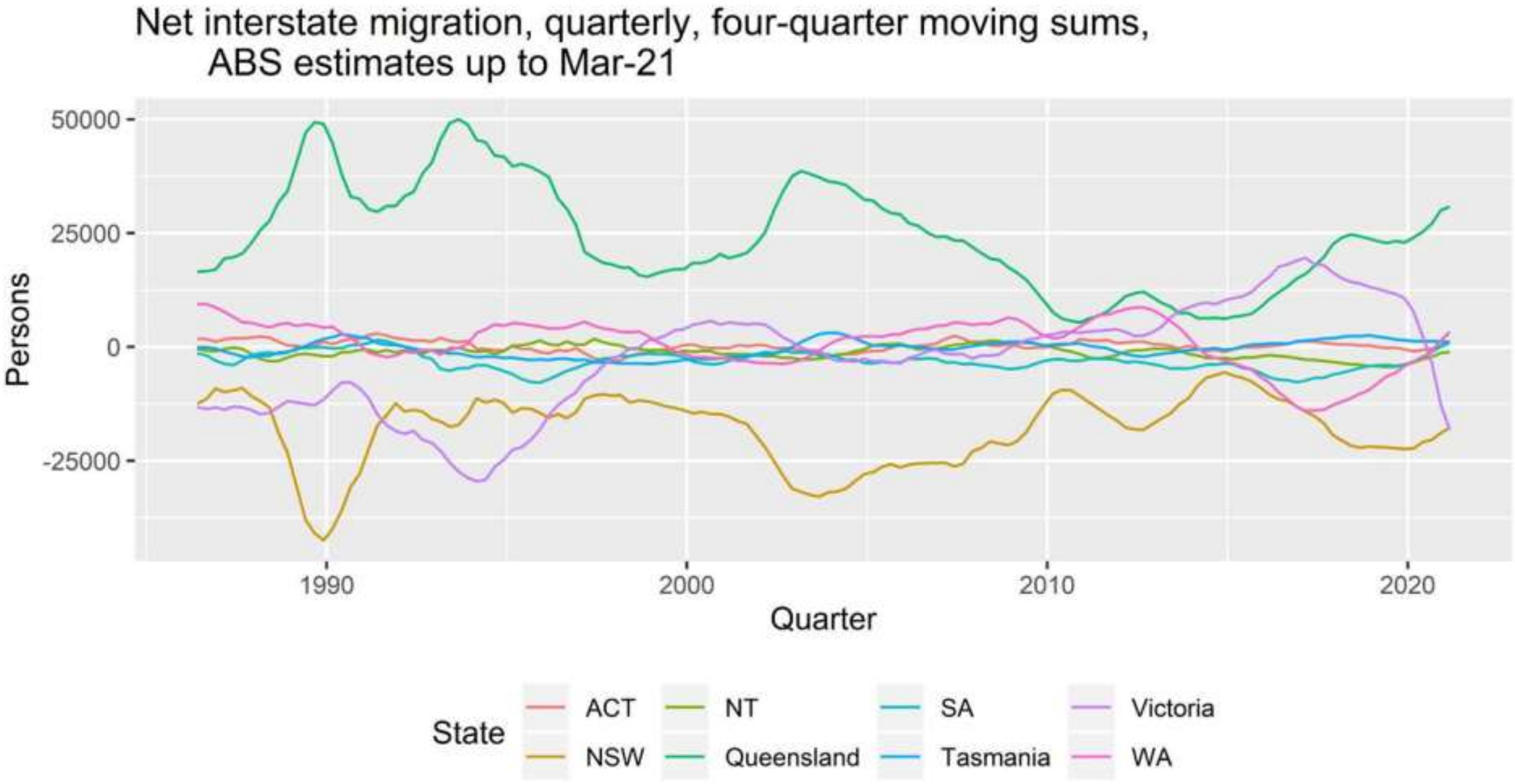
Gene Tunny, 28 October 2021

Adept Economics

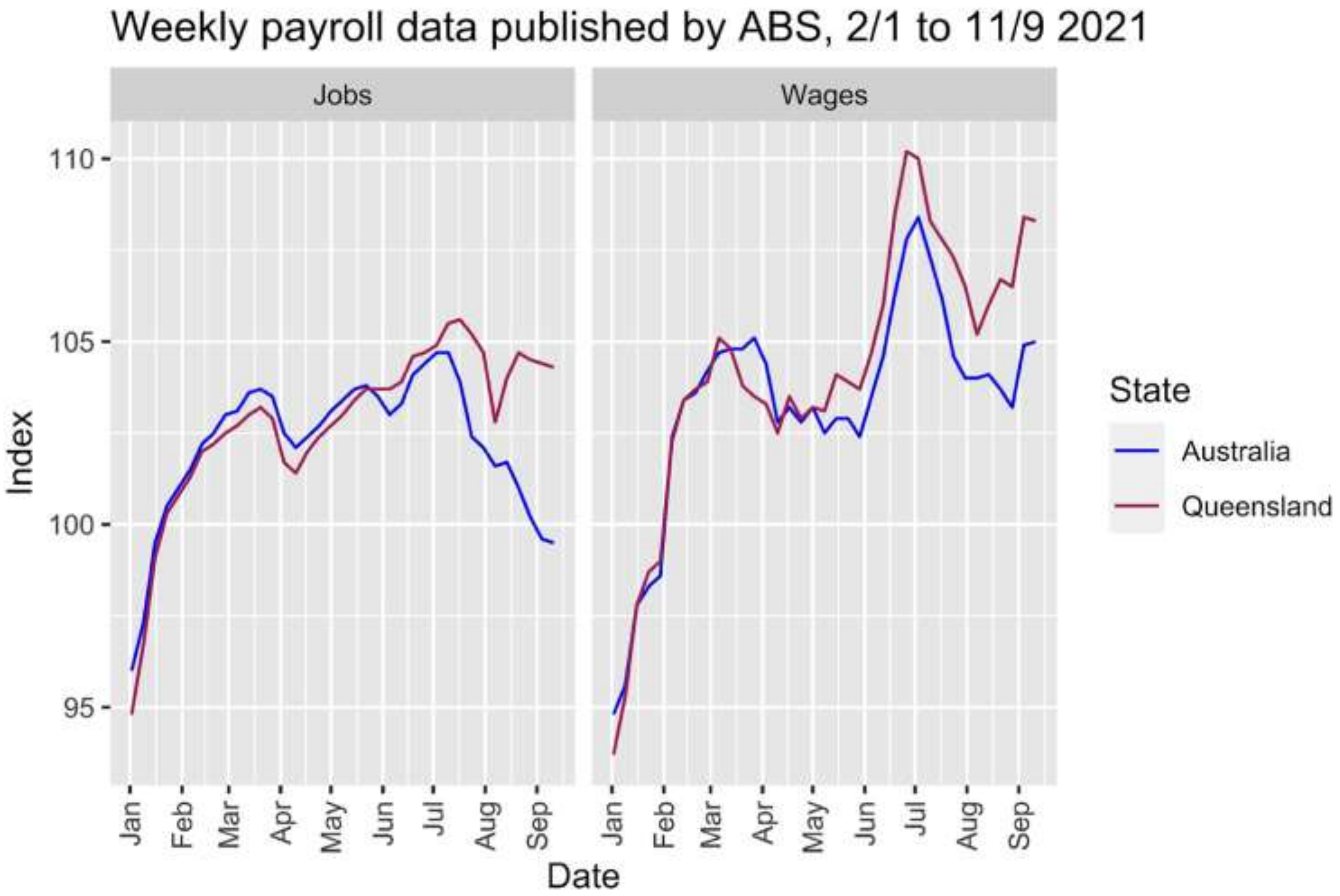
1.

Economic outlook

Migration has picked up a lot in Queensland as Victoria has become a less attractive place to live

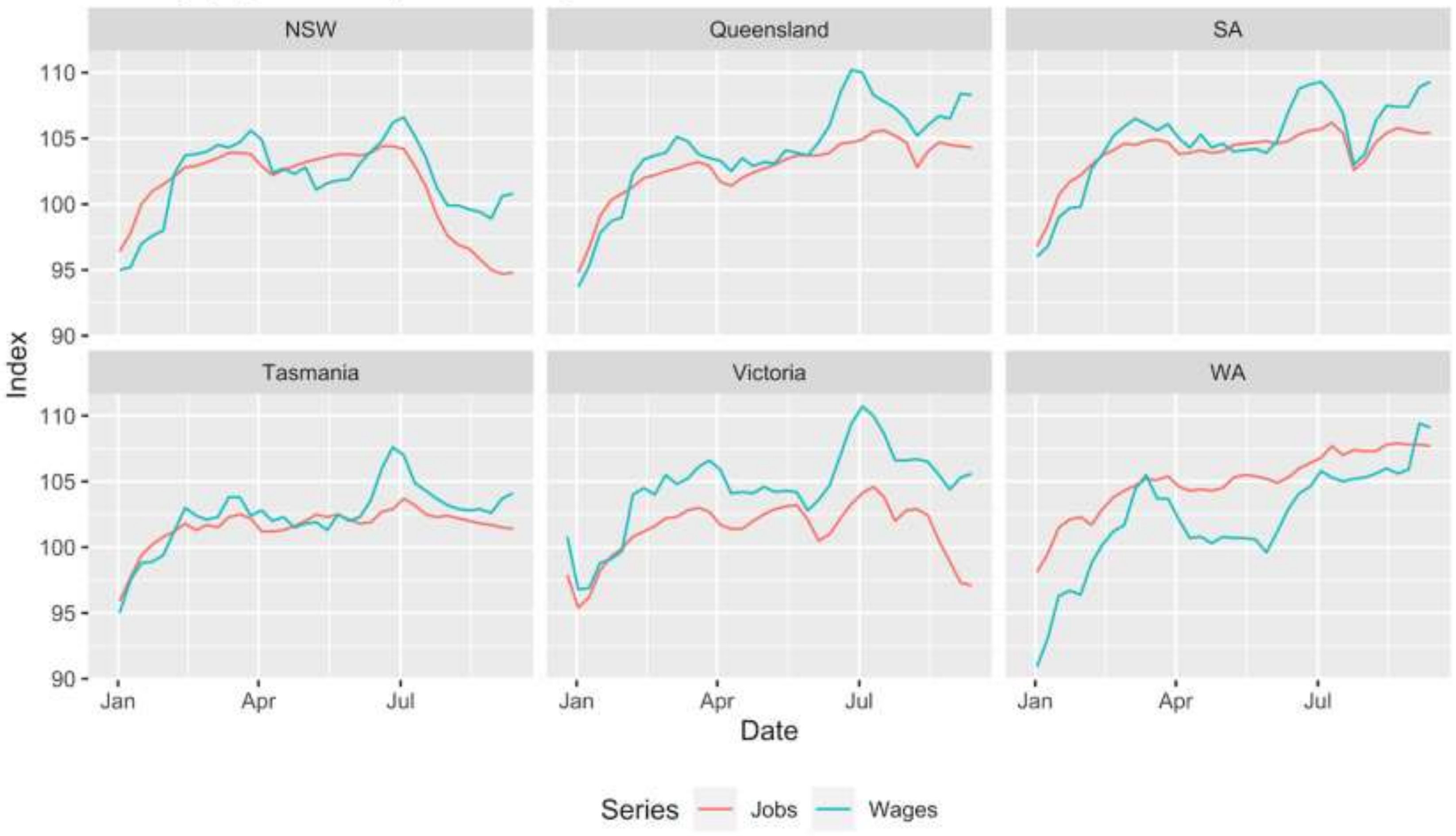


Queensland jobs and wages have benefited from limited time in lockdown

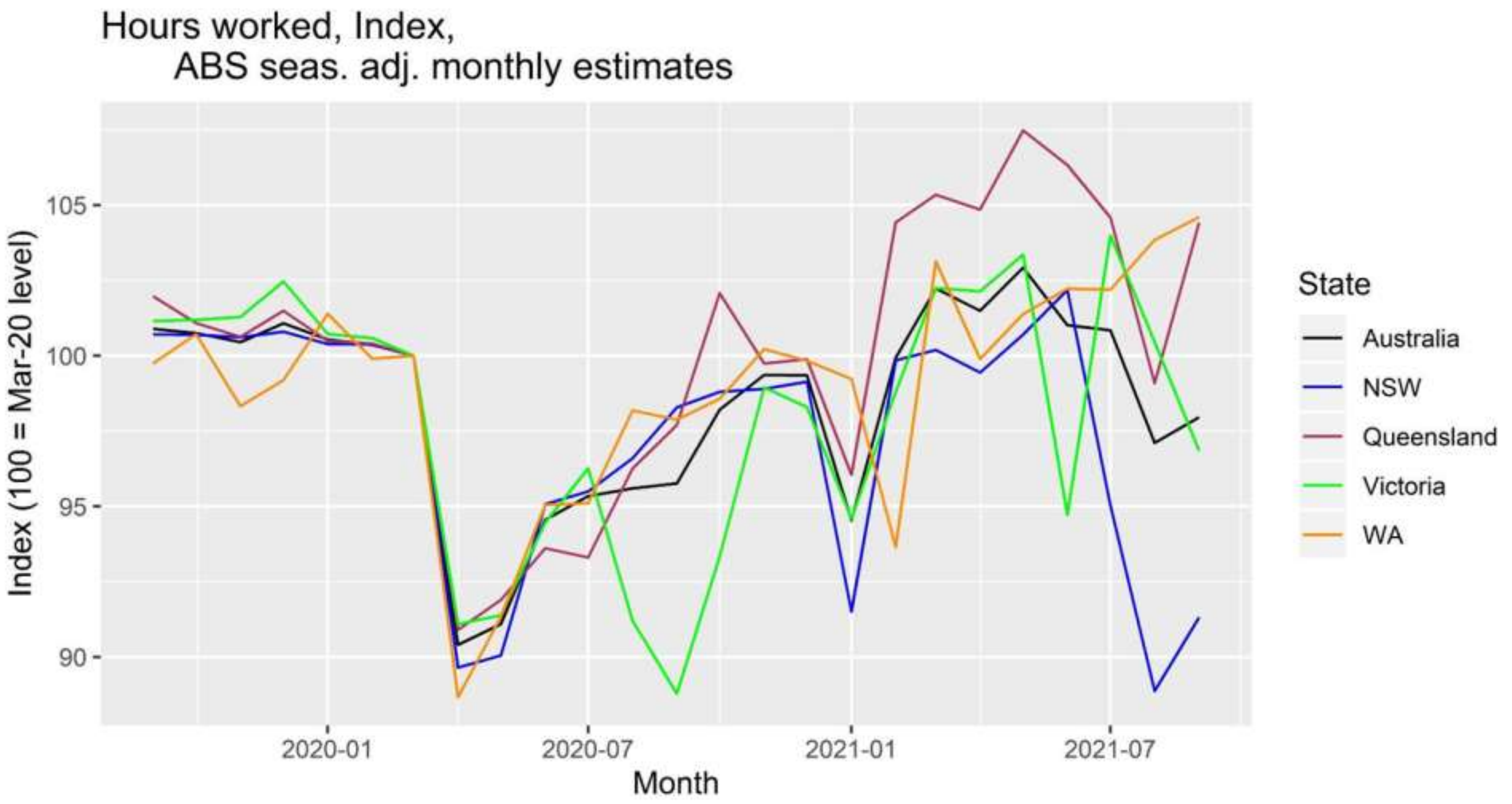


Lockdowns really cost NSW and Victoria

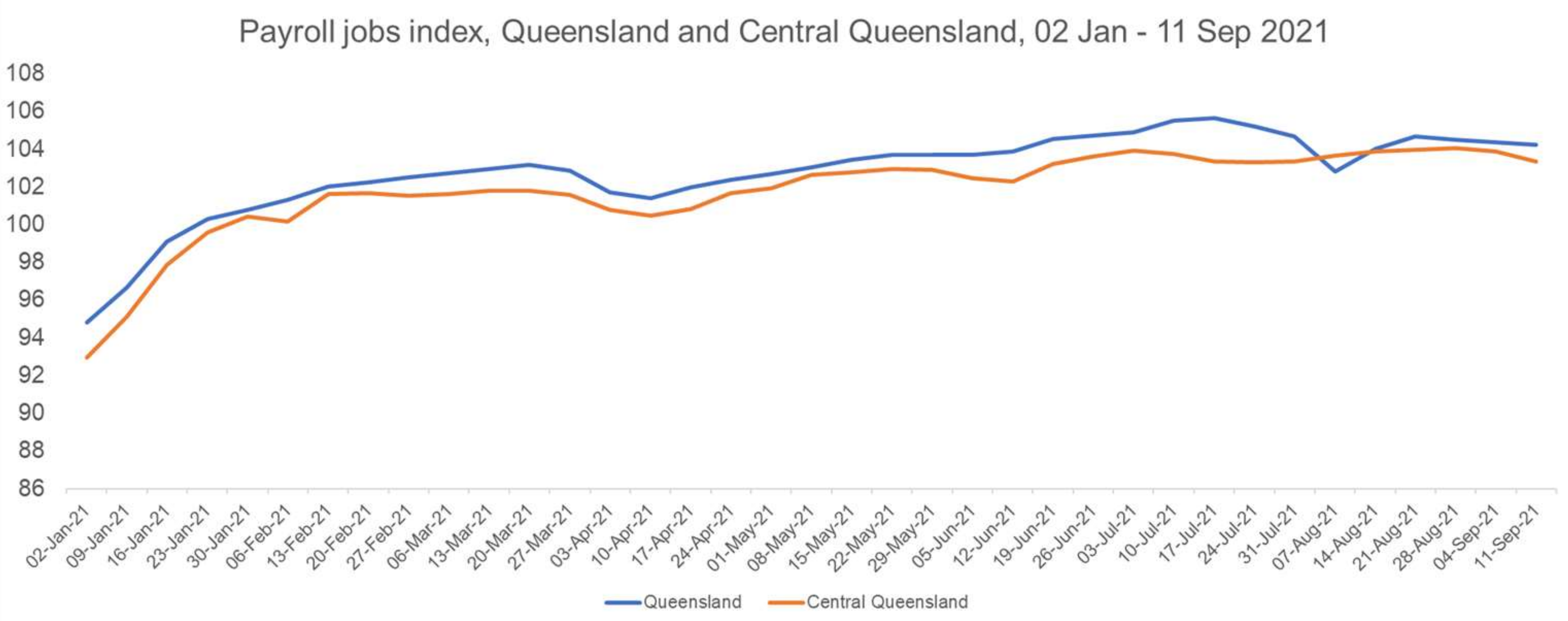
Weekly payroll data published by ABS, 2/1 to 11/9 2021



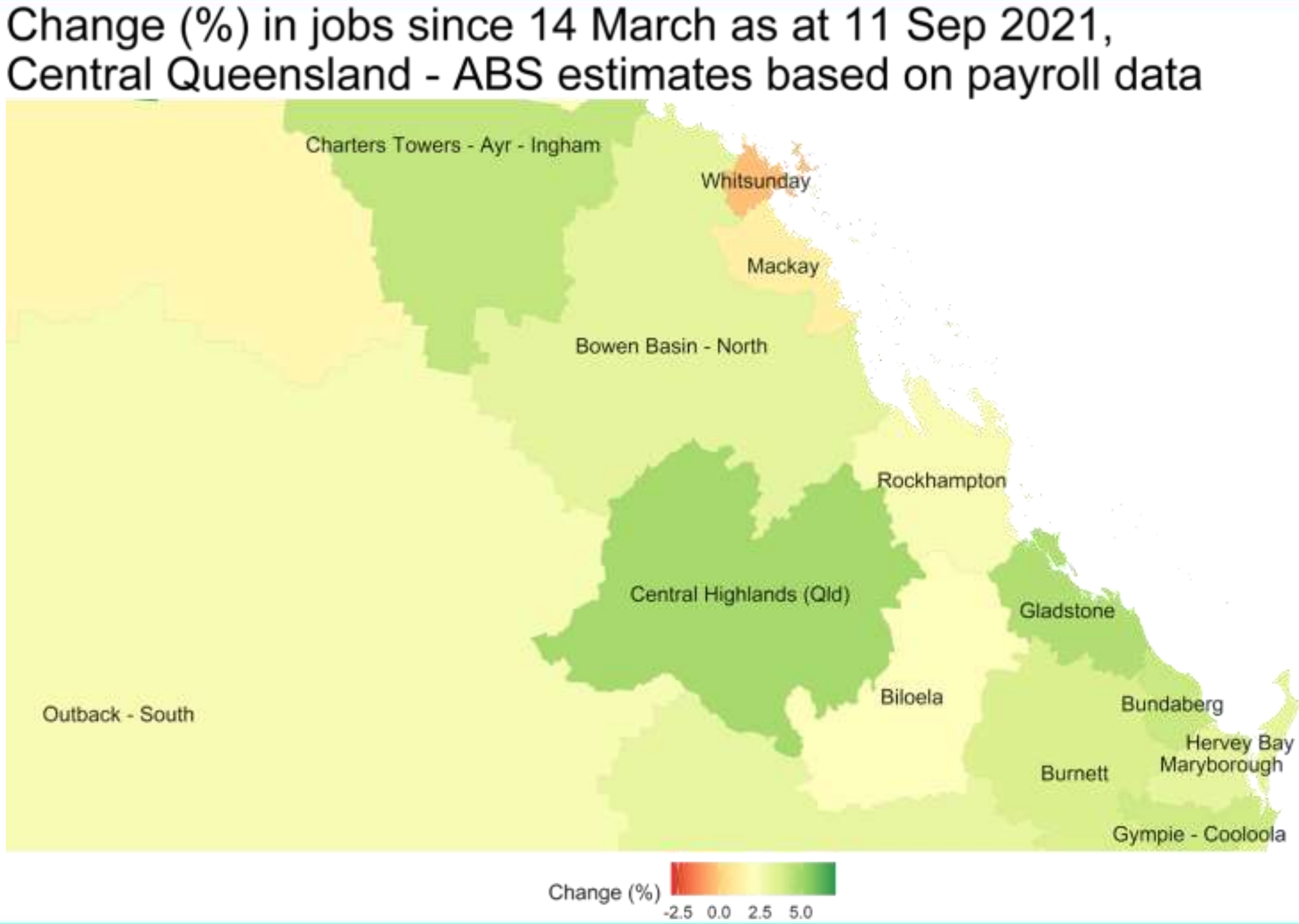
Queensland and WA hours worked higher than pre-COVID levels, NSW much lower



Central Queensland and Queensland payroll jobs index tracking similarly throughout 2021

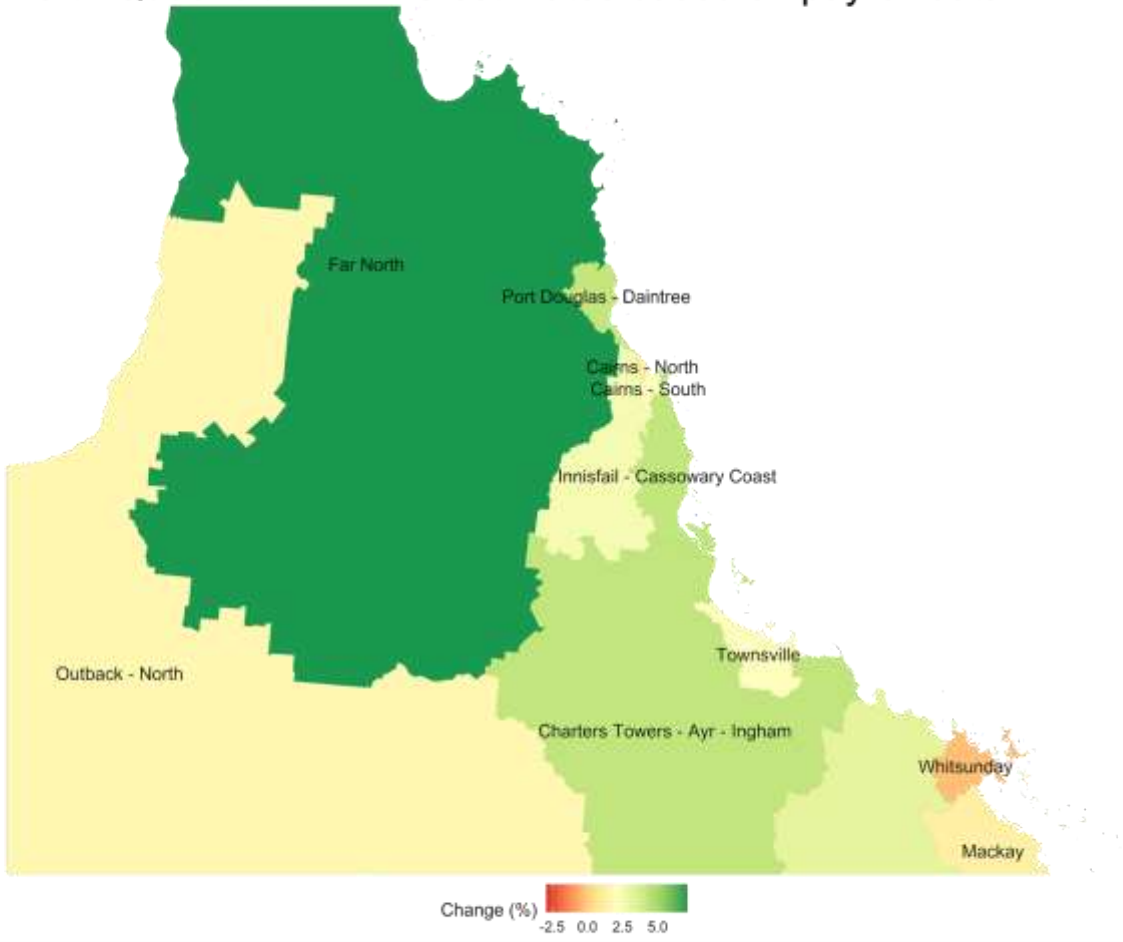


Central Queensland jobs robust but Whitsunday area still suffering from border closures impact on tourism



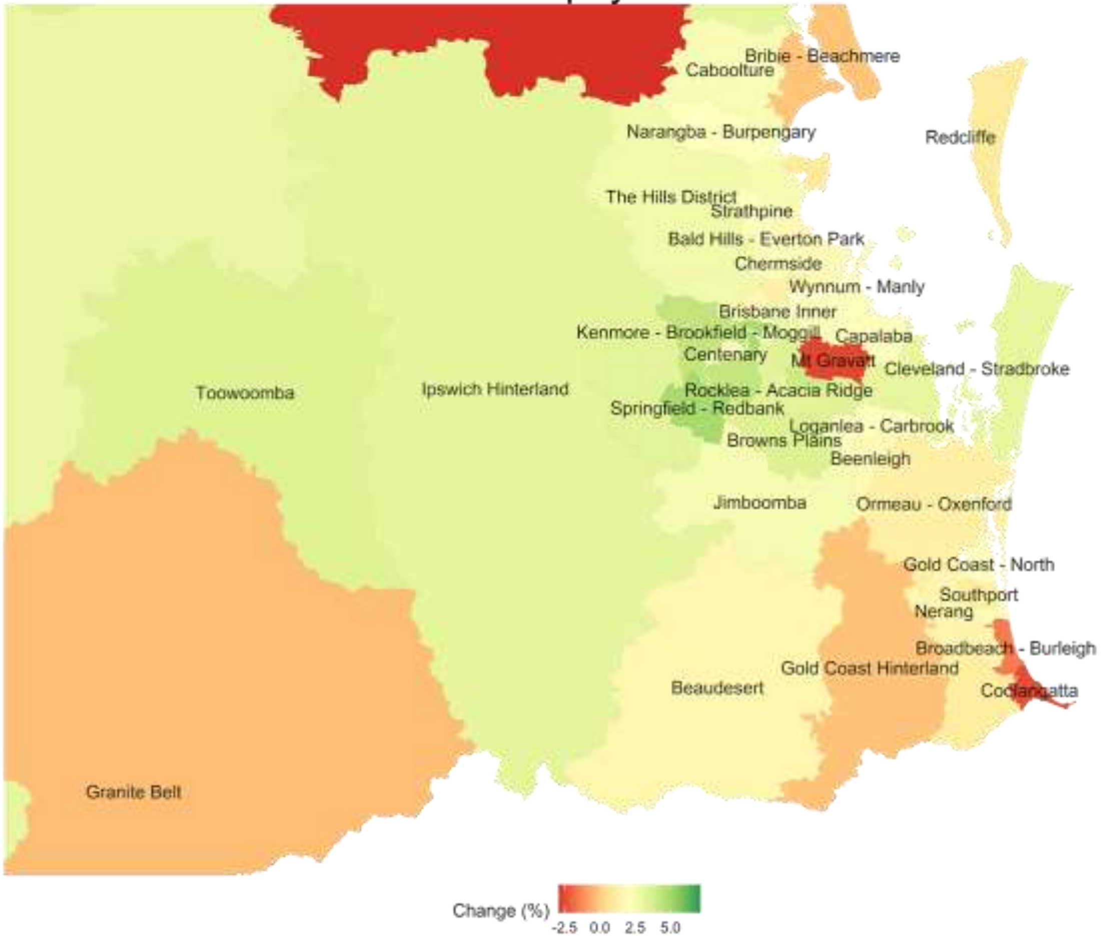
North Queensland performing well

Change (%) in jobs since 14 March as at 11 Sep 2021, North Queensland - ABS estimates based on payroll data

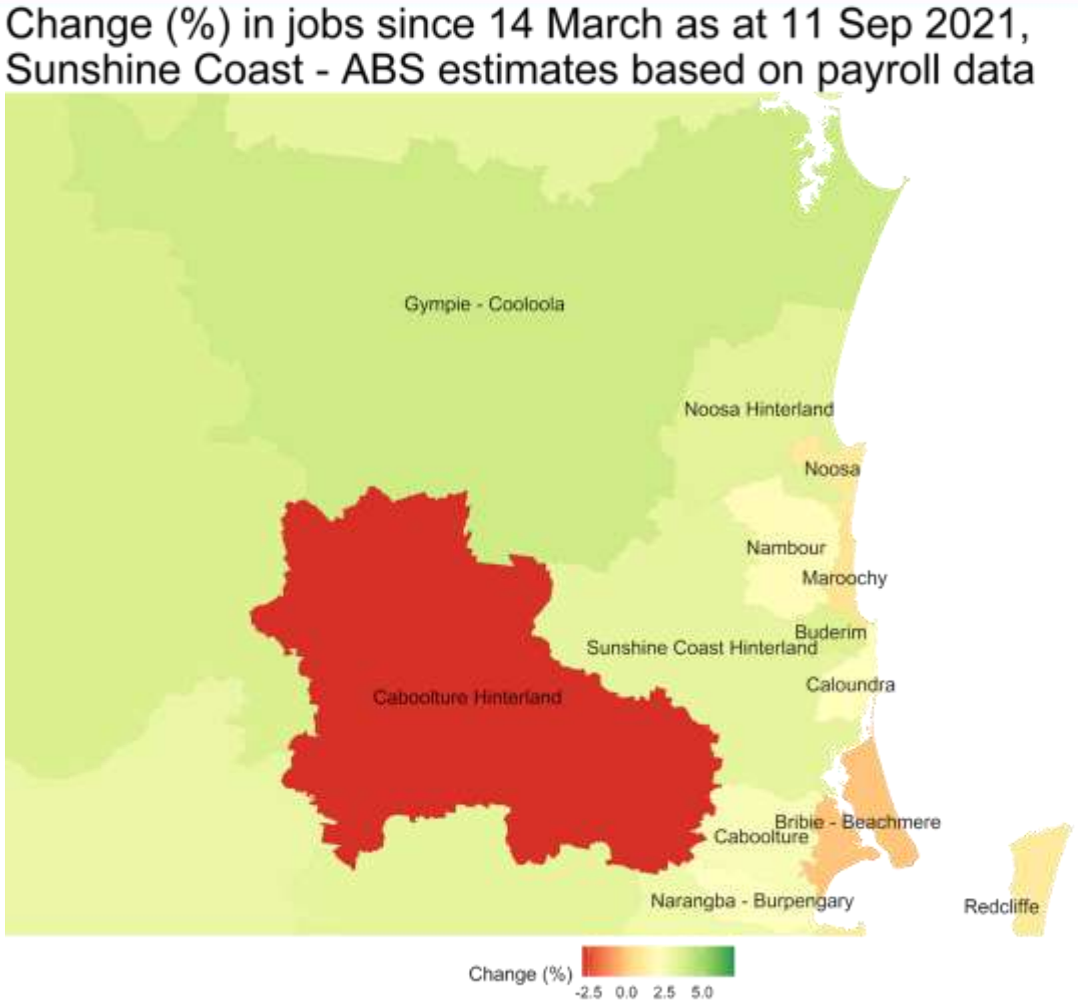


Most of SEQ recovering from pandemic jobs slump, aside from some areas e.g. Broadbeach

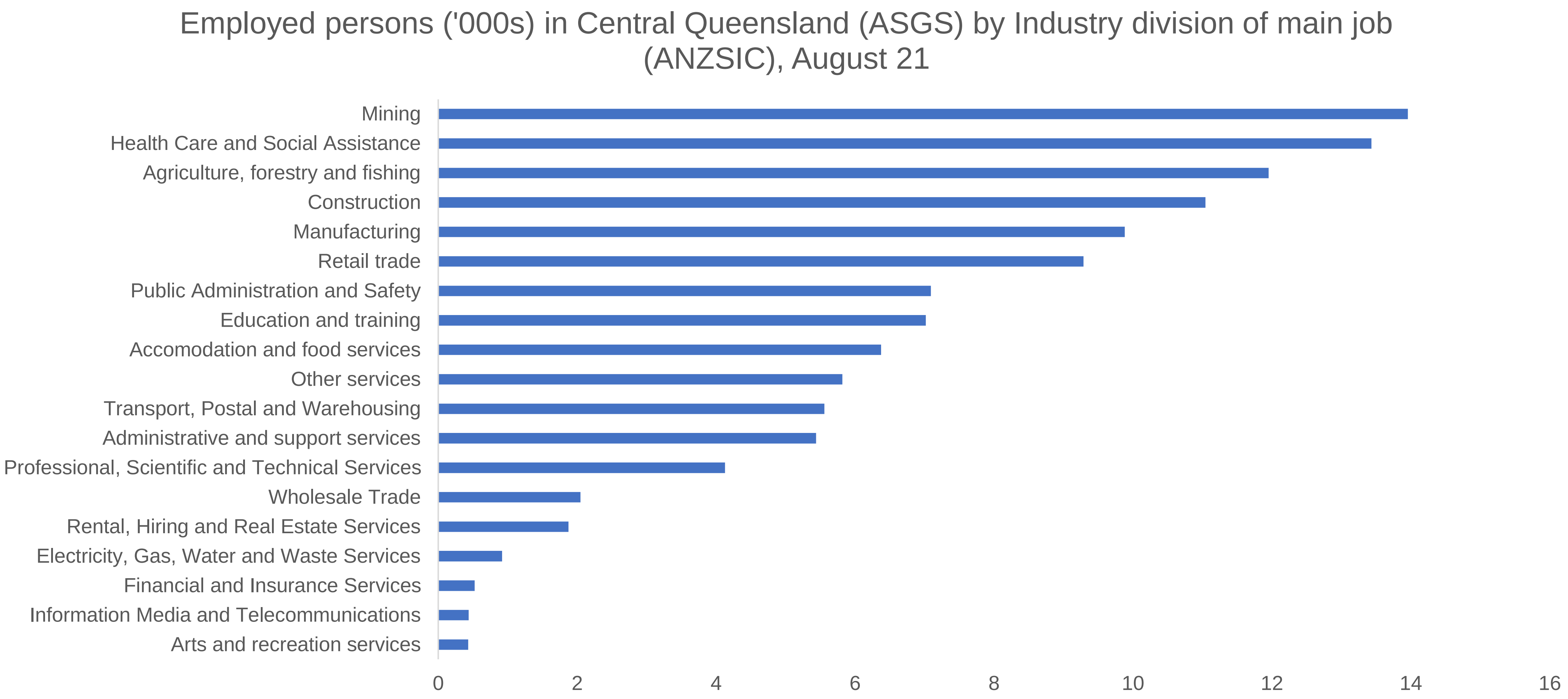
Change (%) in jobs since 14 March as at 11 Sep 2021,
SEQ - ABS estimates based on payroll data



Sunshine Coast jobs faring well apart from Caboolture Hinterland

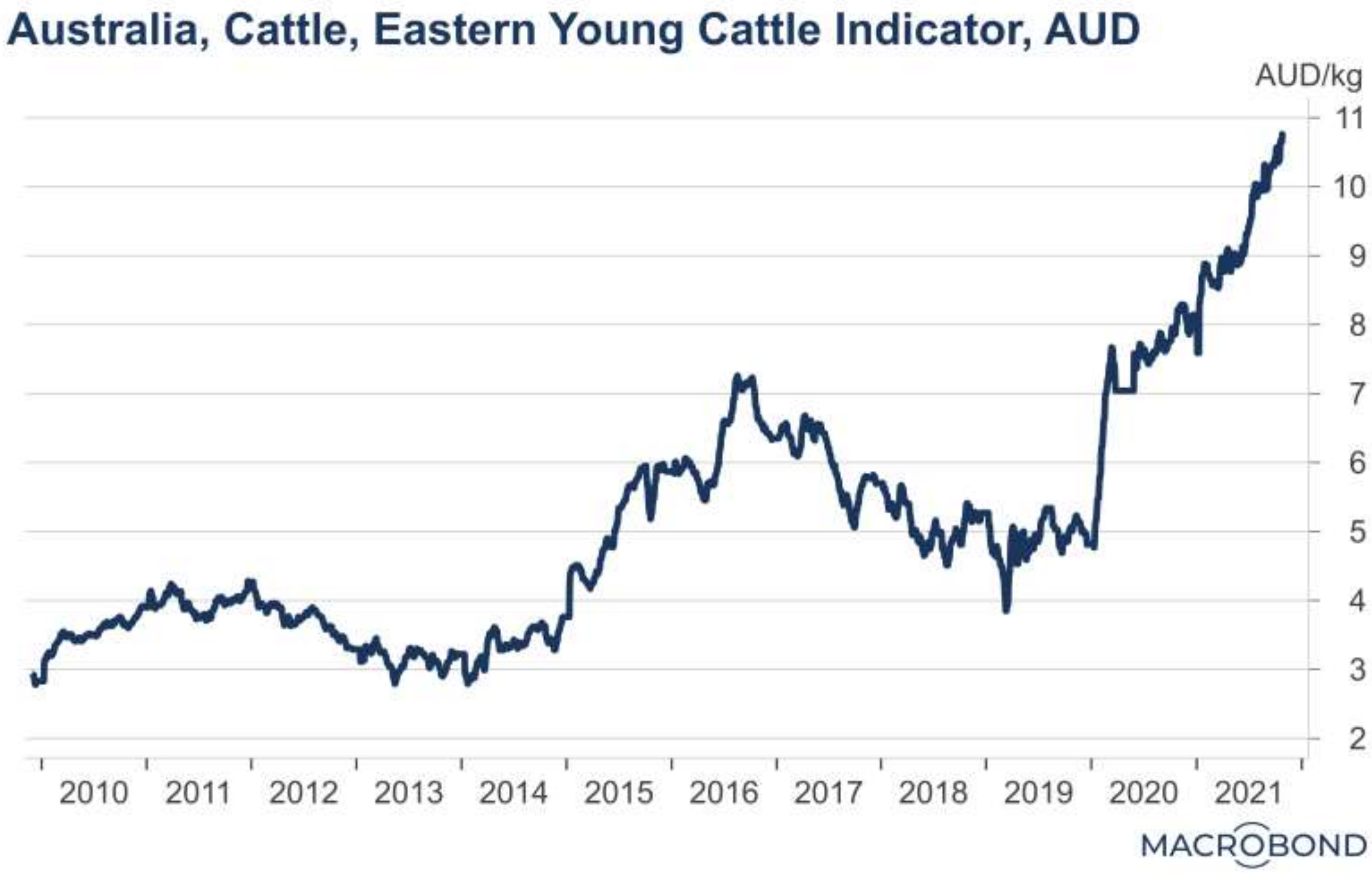


Mining, health care, and ag. big drivers of CQ economy

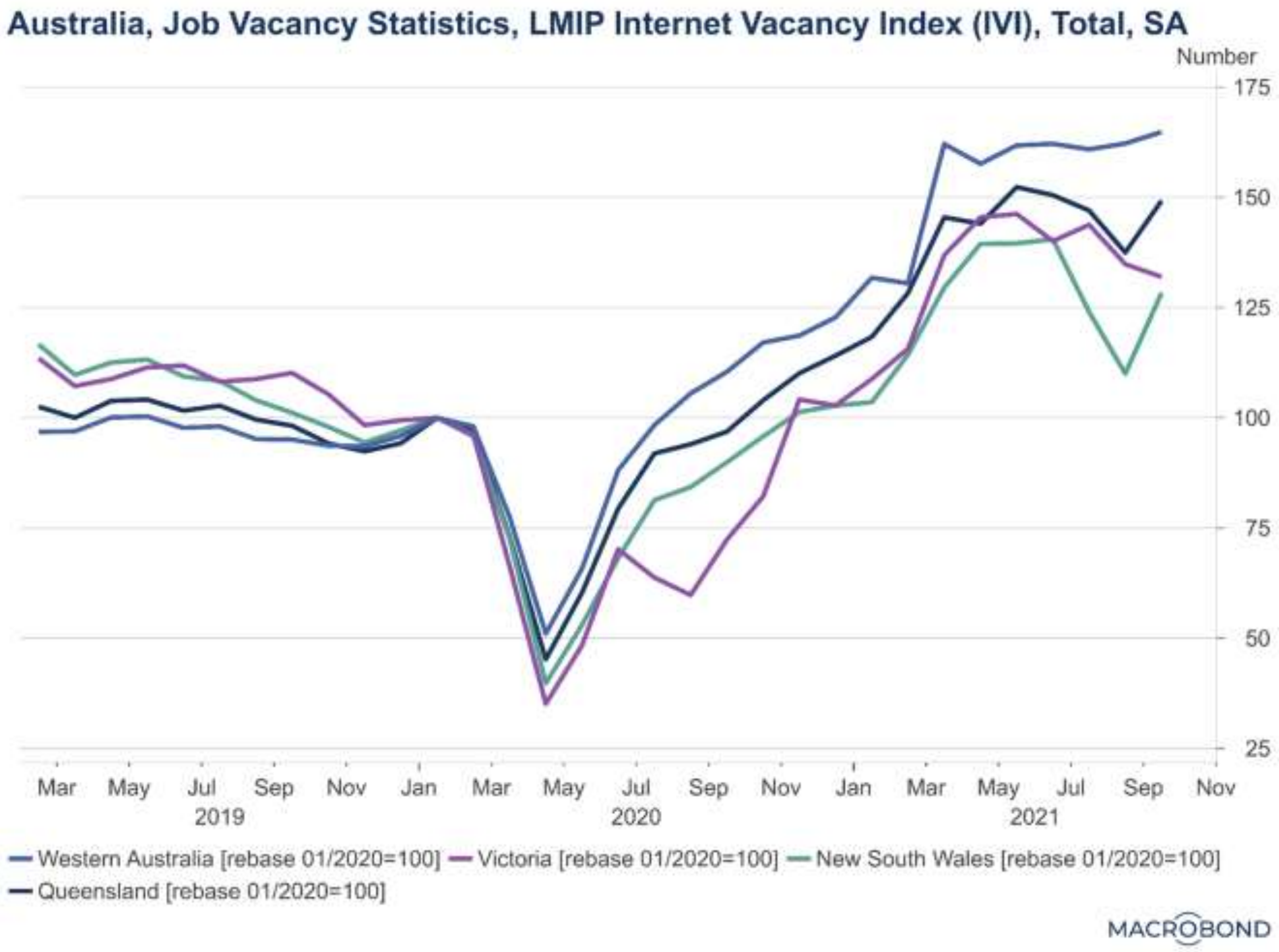


Coal prices are super high

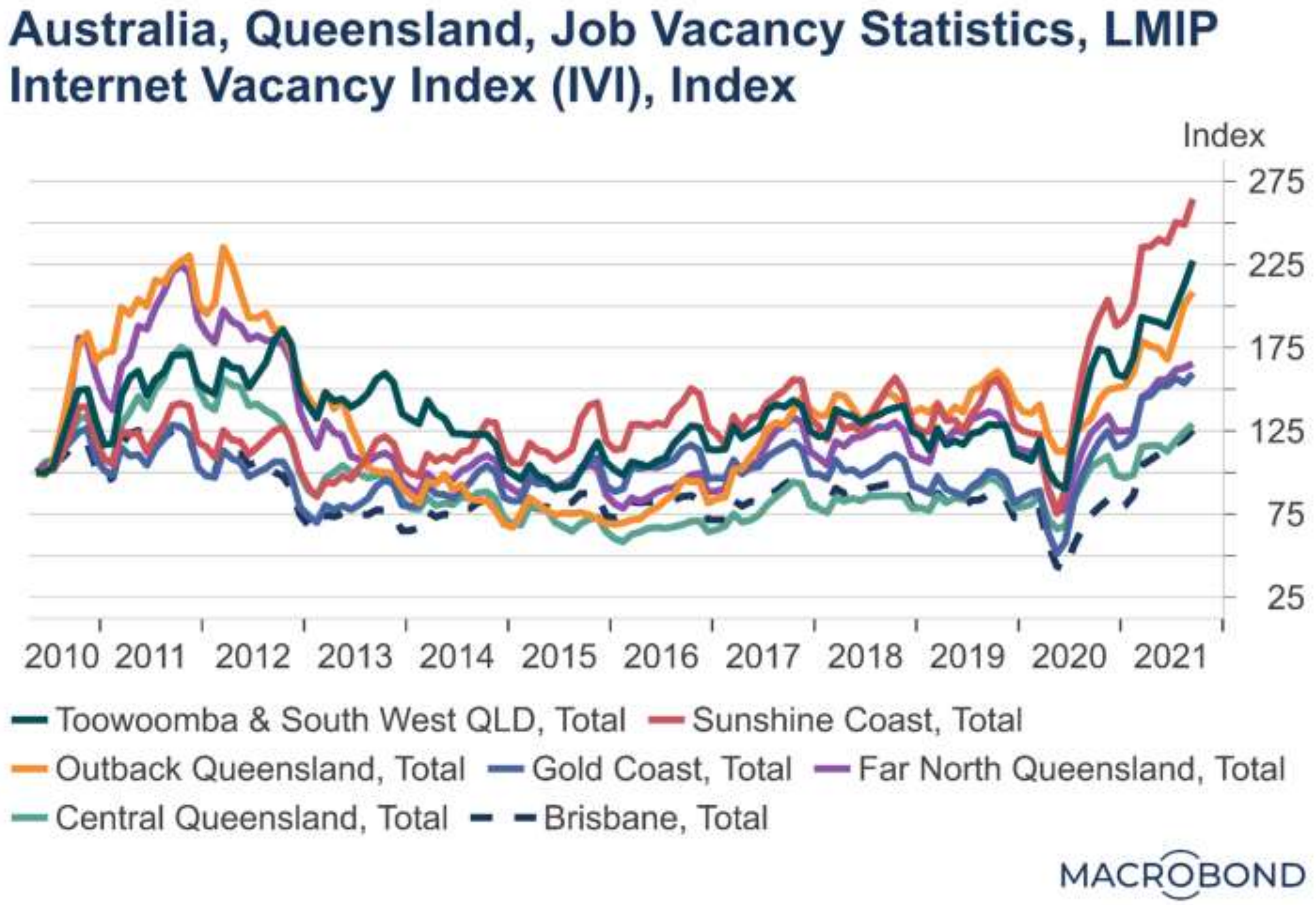
Cattle/beef prices are also high



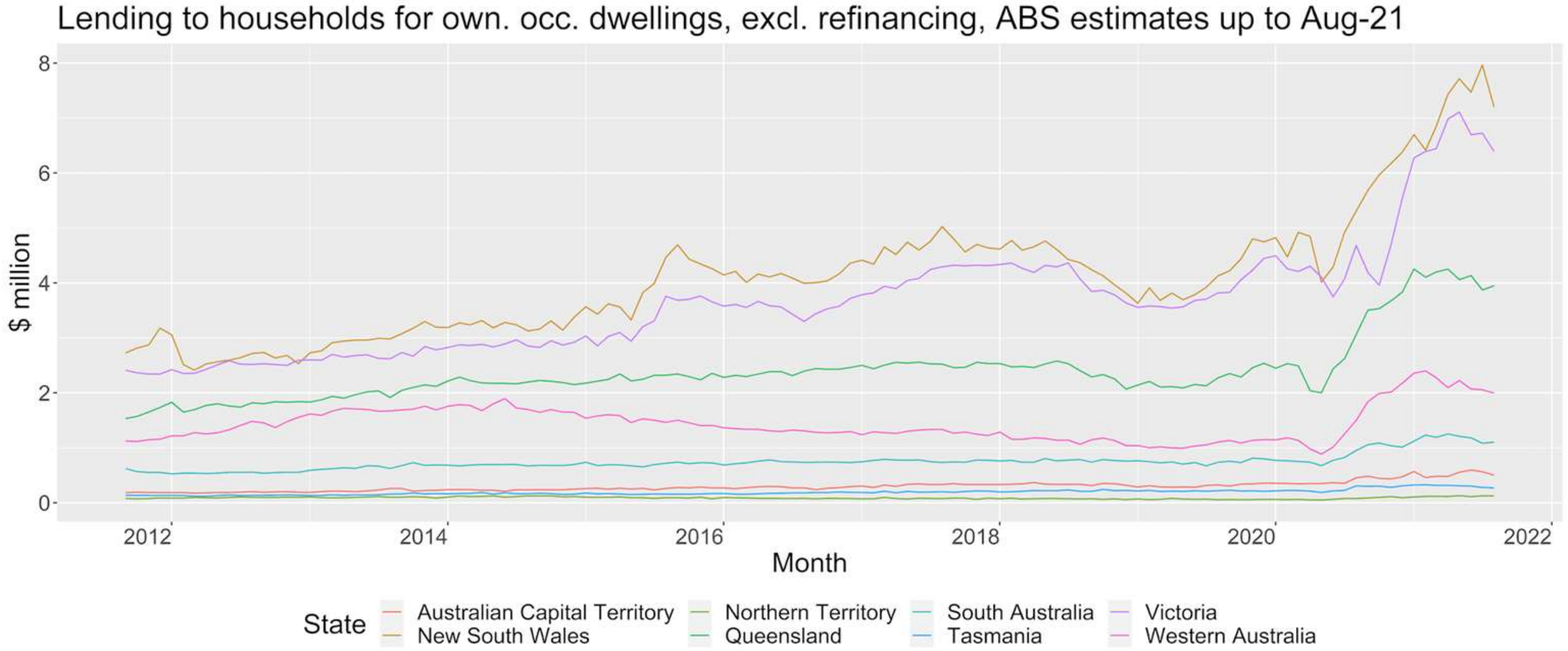
Vacancies are high relative to pre-COVID



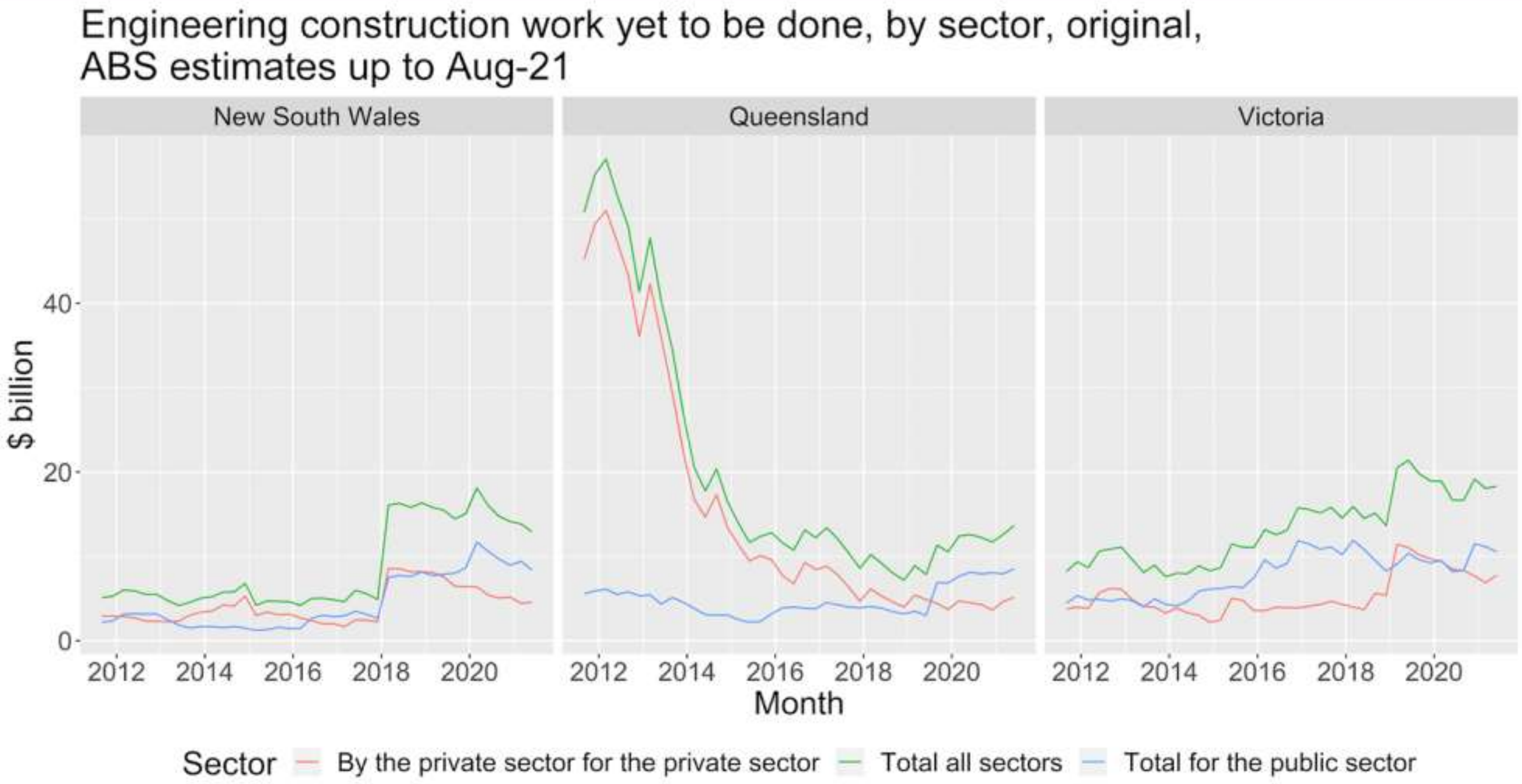
Vacancies across the state are rising quickly



Surge in housing loans across the country, with signs of peaking



Engineering construction work pipeline buoyant in major states due to public projects



COVID recovery: summary

- Queensland is performing better than most states across most economic indicators, but rest of Australia will improve with Aussie Reopening
- That said, border restrictions have been harsh and costly to many tourism and interstate business and disproportionately felt in tourism-reliant areas
- Vacancies are rising quickly, a good sign for 2022, but near-term outlook affected by low vax rates in some regional areas
- Border closures, particularly to overseas migrants, could be contributing to labour shortages in Queensland and the rest of Australia
- Property market boom driven by big increase in credit (home loans) to owner occupiers and businesses
- Indicator to watch is CPI inflation which could prompt RBA tightening of monetary policy earlier than expected and hence higher interest rates

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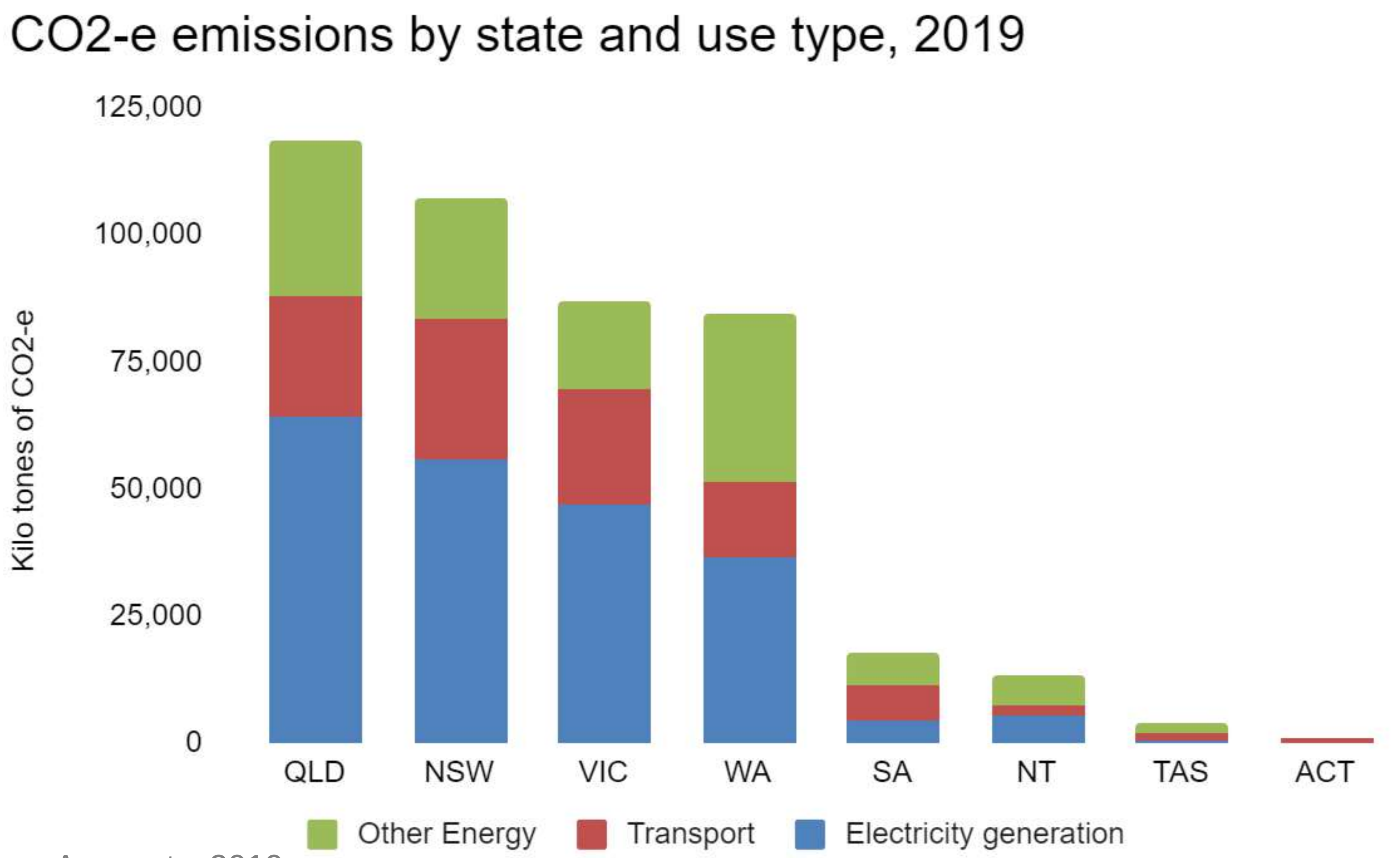
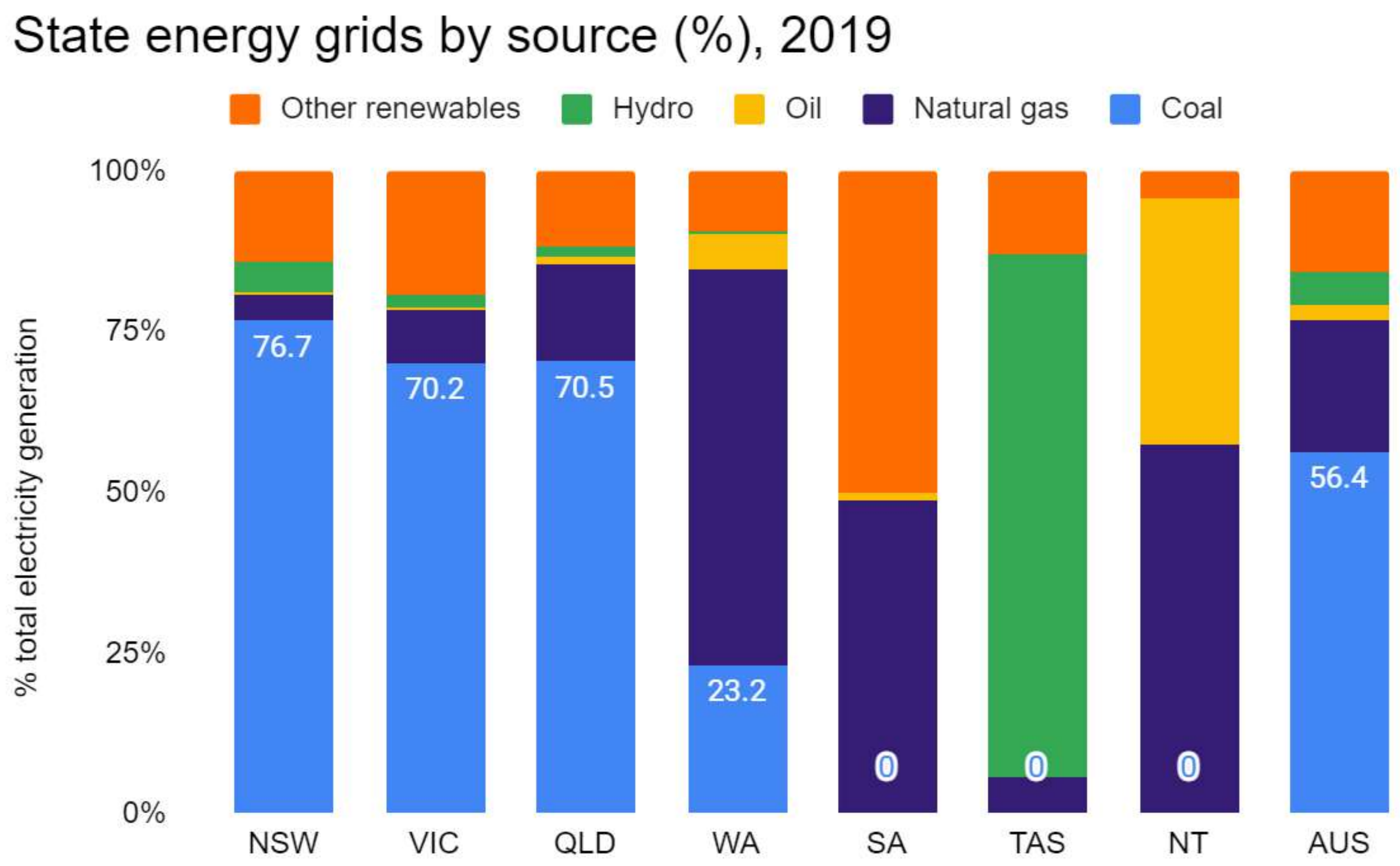
COP26 and Decarbonisation

Qld responsible for over 30% of Australia's total emissions



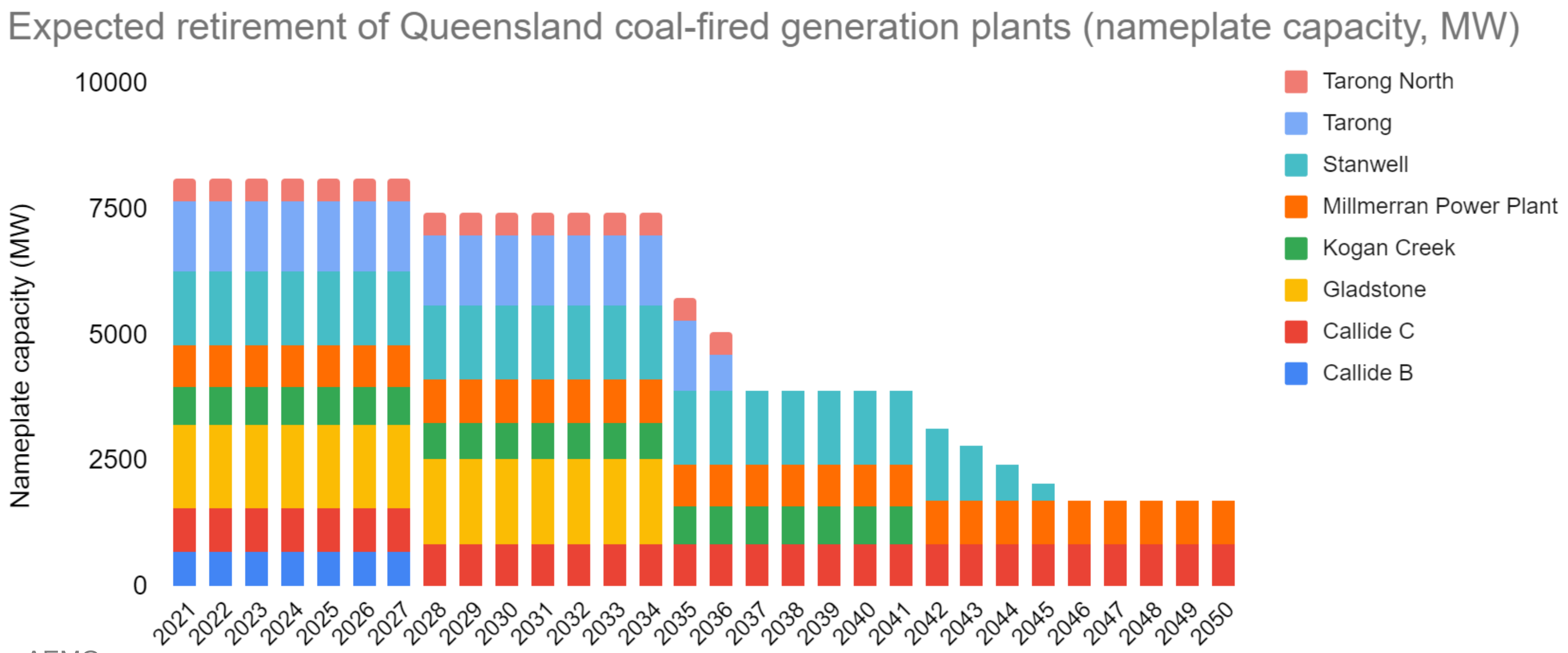
Source: National Greenhouse Accounts, 2019

Coal the largest source of energy in QLD, making up 70% of state’s electricity generation in 2019



Source: National Greenhouse Accounts, 2019

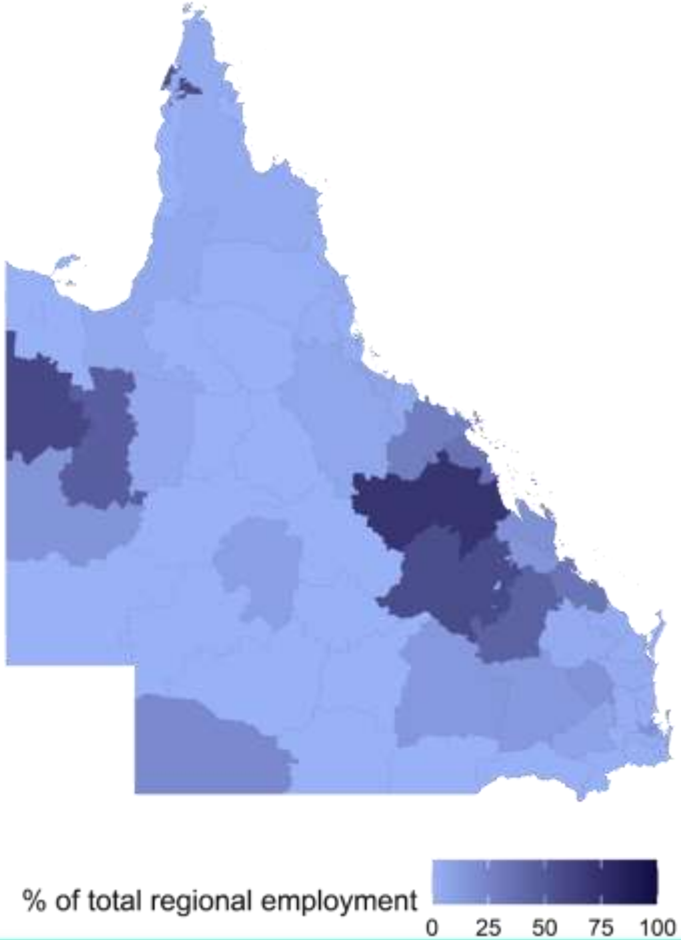
80% of existing coal-fired nameplate capacity expected to retire over the next three decades



Source: AEMO

Regional communities (LGAs) to be affected the most by decline in coal

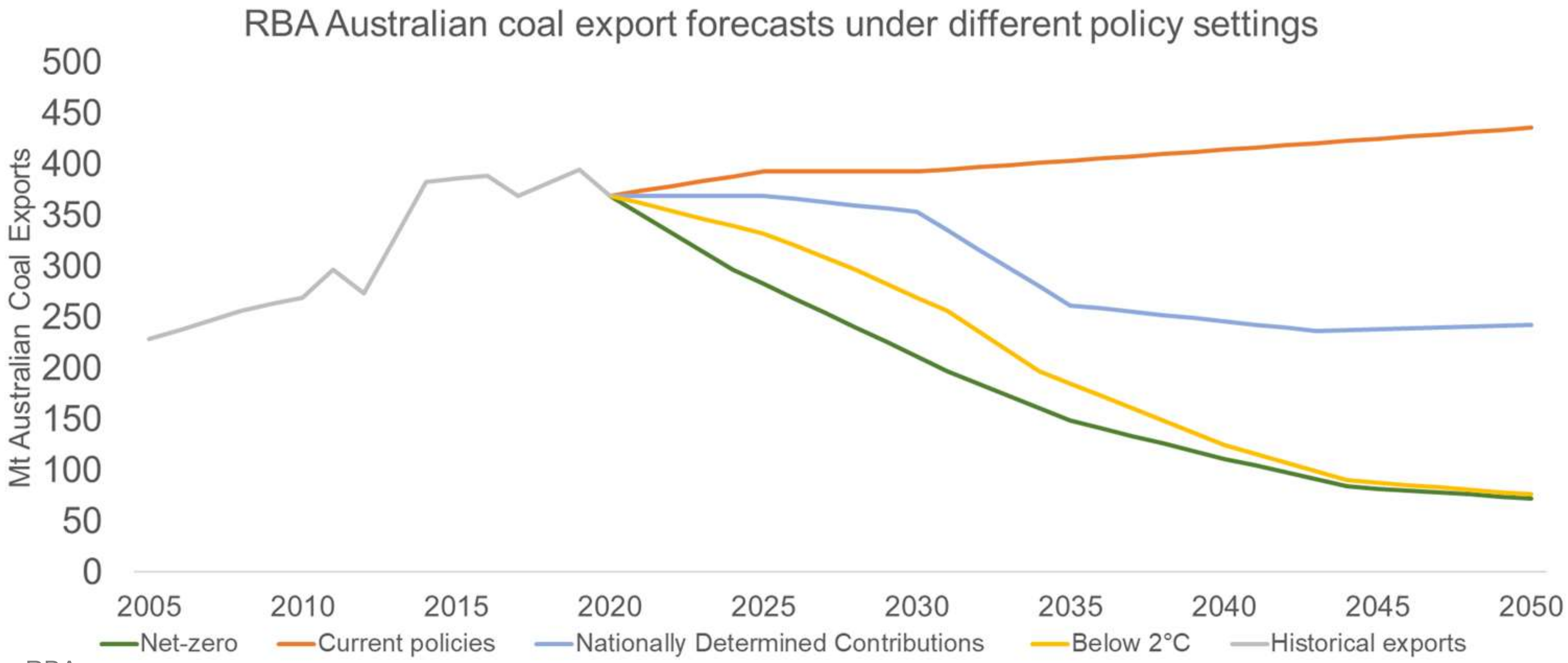
Direct + supply chain employment as % of total employment



Rank	Local Government Area	Direct + supply chain: % total employ
1	Isaac (R)	71.6
2	Mount Isa (C)	59
3	Napranum (S)	57.5
4	Mapoon (S)	57.4
5	Central Highlands (R)	56.2
6	Cloncurry (S)	45.9
7	Banana (S)	43
8	Weipa (T)	36.8
9	Mackay (R)	34.2
10	Gladstone (R)	32.3

Source: QRC

RBA forecasts suggest coal exports will persist under current policy conditions



Source: RBA

Superpower opportunity for QLD in net-zero carbon emissions future

STRENGTHS (S)

- Highly educated population affords greater **labour flexibility**
- **Existing wealth** can go toward investment into clean technologies
- **Suitable conditions for renewables**
- **Large landmass**

WEAKNESSES (W)

- Specialisation in **emissions intensive industries**
- Queensland GOCs **CS Energy and Stanwell** likely unprofitable in the future

OPPORTUNITIES (O)

- Queensland is able to benefit from the so-called **superpower opportunity**
- **Copperstring 2.0** could deliver significant economic returns
- Queensland is positioning itself as a global leader in the **hydrogen economy**

THREATS (T)

- Reductions in **coal royalties**
- Border taxes like EU Carbon Border Adjustment Mechanism
- **Risks to natural attractions** such as the Great Barrier Reef
- General **climate instability** (extreme case)

Thank you. Any questions?

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