



Queensland Business Outlook

Targeting our advantage

December 2016

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Economic snapshot

September quarter 2016

Recent economic data suggests that Queensland is positioned well for 2017. Despite Australian GDP dropping in the September 2016 quarter – reflecting a ‘confluence of temporary factors’ – overall the ‘economy is in reasonable shape’.¹ National income is rising at the fastest recorded speed since early 2012, in large part due to a sudden leap in commodity prices.

Domestic demand has grown compared to this time last year, with State Final Demand up by 1.2% over the September 2016 quarter. This result was driven by strong performance in household consumption, public final demand and housing investment.

Housing construction was particularly strong and house prices seem set to

continue their rise. The housing market is complex. Apartment prices in Brisbane have fallen and there is a ‘veiled threat of further macroprudential policy action’ and a reluctance to cut interest rates.¹

Growth in Gross State Product (GSP) is driven by Queensland’s exports, as well as strong growth in tourism and a relatively low \$A.

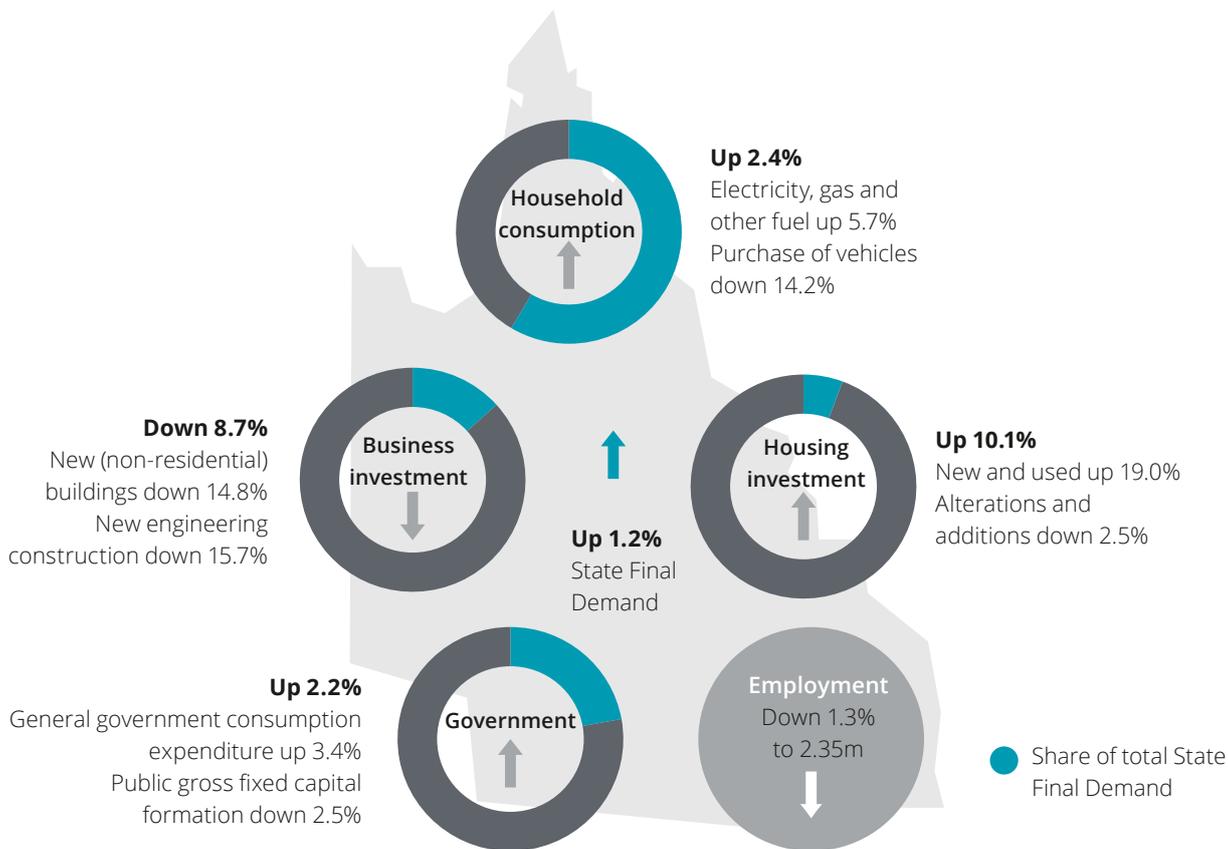
Queensland continued to outperform the nation in international exports (over the year to December 2016), with strong growth in coal exports and earnings from LNG exports.

Business investment remained subdued compared with this time last year. However the majority of commodity headwinds have largely passed, and it is becoming

easier for the economy to grow. Australia is already 90% of the way through the fall in the mining investment peak.¹ Queensland can take advantage of this, now that the income drag from falling commodity prices is largely over.

The performance of the labour market was mixed. Employment declined over the year to December 2016, compared to national employment growth of 0.8%. This impact was particularly felt in regional Queensland.

Overall, the Queensland economy appears to be in reasonable shape for 2017, and the state forecast is set to outperform the nation over the foreseeable future. But to sustain this, we should ensure we keep a greater focus on our advantages.



Notes: Real, year-on-year; Seasonally adjusted figures; Employment to December 2016; State Final Demand to September 2016
Sources: ABS 5206.0, ABS 6202.0;

¹ Dinner Remarks to A50 Australian Economic Forum, Governor Lowe, 9 February 2017; Governor Lowe speaks at the A50 Forum, CAN Economics Update, 9 February 2017

Economic outlook

There was continued recovery in State Final Demand in the September 2016 quarter following the solid growth in the June quarter. However, private business investment remained subdued.

Queensland outperformed the nation with strong growth in the value of overseas goods exports over the year to December 2016. Encouragingly, the value of overseas coal exports grew over this period to around \$20 billion. A number of large-scale LNG projects reached completion over the period, and export earnings from LNG today are actually lower than those of a year ago – although nonetheless still a substantial export earner.

With growth slowing in the resource industries, Queensland would be wise over the medium to long term to further diversify its export trade adding high value knowledge intensive exports to the mix. The state's strong international education and training sector can create greater prosperity for Queenslanders, particularly in regional areas. The recent \$6 million boost to support Queensland's international education and training sector has recognised the importance of taking advantage of its fourth-largest export sector.²

Tourism is another promising area of growth for Queensland. Tourist numbers are up, a trend that is set to stay due to support from a number of factors.

These include the lower \$A, as well as the falling costs of air travel, and proximity to China, which is also Queensland's largest export destination over the year. The Year of the Rooster is looking promising for Queensland, with tourism-related projects such as the redevelopment of Great Keppel Island Resort in the planning stages.

Forecasts are mixed for the other sectors. Consumption growth is strong, yet unemployment in Queensland is set to hover around the 6% mark for some years yet. The new year provides opportunities for improving productivity to achieve economic growth. One way of achieving this is achieving gender parity on boards. Deloitte Access Economics economic modelling suggests that gender equality on boards would improve the productivity of the Queensland economy by \$87 million.

Housing construction should remain strong in the near-future, with a large amount of work yet-to-be completed. Queensland may be seen as a new start for home ownership in 2017, as housing affordability is still a better option in Queensland than in some other states, given the lack of affordability in Melbourne and Sydney. However, there are signs of a slowdown to come in 2018 and 2019 for a number of reasons, including oversupply of inner-city apartments (particularly Brisbane) and slowing population growth.

² \$6 million boost to Queensland's international education innovators, Queensland Government media release, 9 February 2017



Economic growth

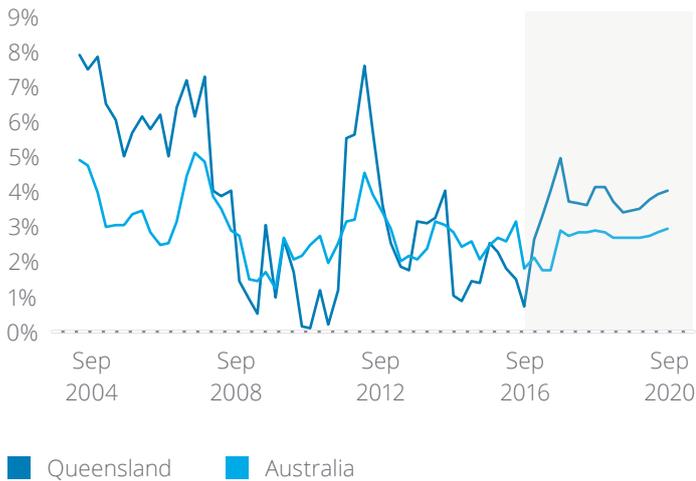
Gross State Product

Queensland's growth continues to be strong, with a growth outlook of 3.5% each year on average across the forecast period to 2020. Queensland is set to outpace New South Wales and Victoria (both hovering at around 2.5% over the forecast period) and the national average.

Queensland's growth continues to be driven by LNG exports, and the surge in commodity prices is helping this along.

Gross State Product

Constant price annual % change



Source: ABS, Deloitte Access Economics

State Final Demand

Queensland's State Final Demand has continued to recover and shows promising signs of growth. Our forecast predicts that State Final Demand will continue to be positive with average growth per year of 2.7%.

These figures also show Queensland is outpacing the national average.

State Final Demand

Constant price annual % change



Source: ABS, Deloitte Access Economics

Labour markets

Queensland's unemployment rate is higher relative to the national average and is predicted to remain at around 6% well into the forecast period (by 2020).

The labour market remains divided, with the South East corner outperforming regional areas. This division has been recognised by the Queensland Government, with a \$200 million Jobs and Regional Growth Package aiming to provide employment opportunities to Queensland's regional areas.³

Unemployment rate %



International exports

Queensland's international exports are currently growing strongly at 5.8% each year on average over the forecast period to 2020. This performance continues to be supported by the LNG industry, at least in the short term.³ Over the forecast period, the State's international exports growth remain above the national average.

The value of Queensland exports increased \$3.9 billion to \$52.7 billion over the year to December 2016.⁴

International exports

Constant price annual % change



Tourism

Queensland's international tourist arrivals continue to grow strongly in line with national averages. This is aided by the low \$A, lower air travel costs, and proximity to China. Chinese tourists to Queensland increased to 485,000 this quarter, a growth of 33.5% over the year.⁵

A 10.6% growth in international visitor expenditure resulted in \$5.2 billion in the year to September 2016, with Chinese tourists contributing a solid \$1.1 billion. All this is rather impressive, although Queensland expenditure growth is lower in comparison to New South Wales (16.0%).⁵

International tourist arrivals

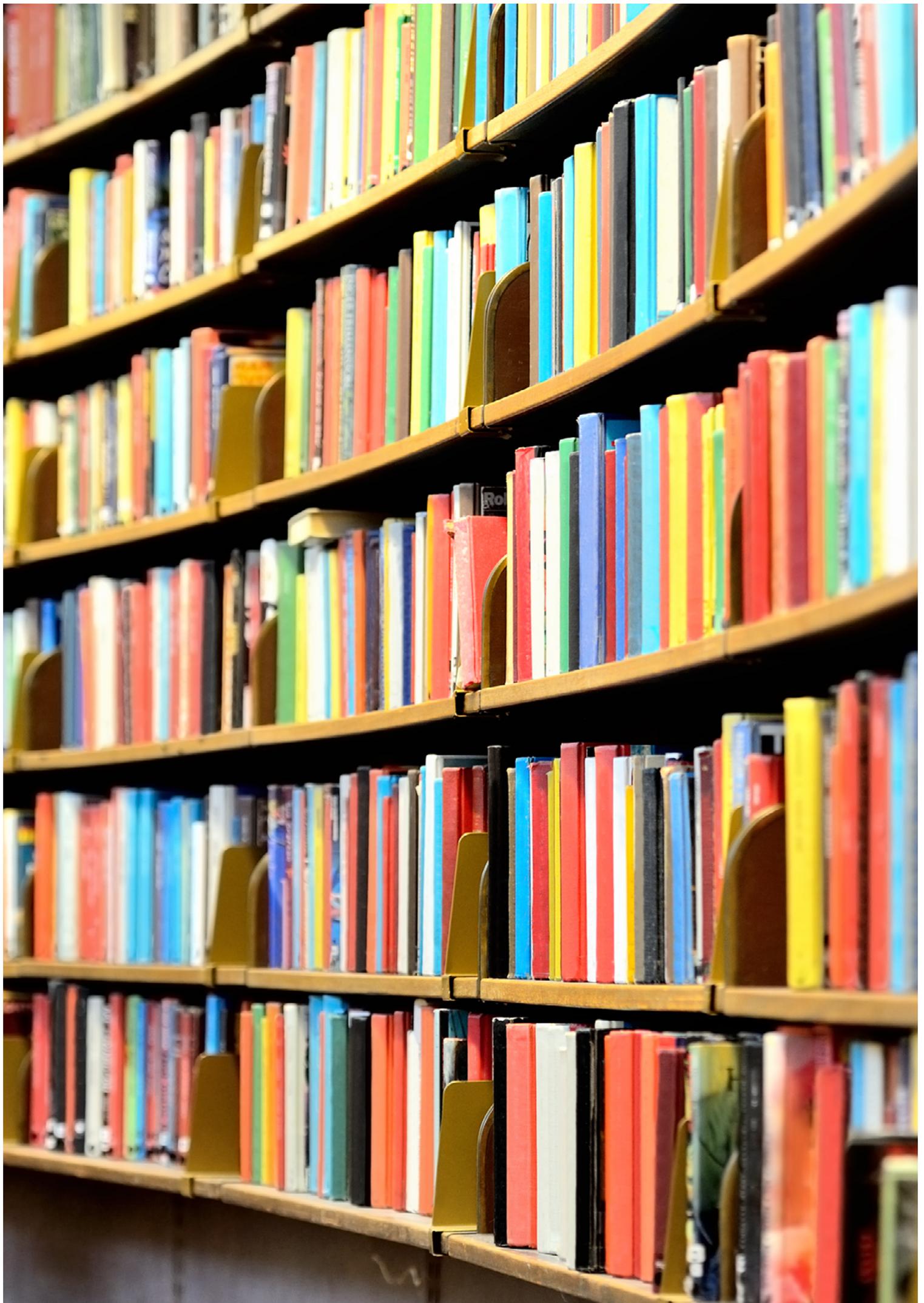
Annual % change



³ Mid Year Fiscal and Economic Review, 2016-17 – Queensland Government

⁴ Exports of Queensland goods overseas, December 2016, Queensland Government Statistician's Office (source ABS 5368.0)

⁵ International Tourism Snapshot – Year ending September 2016 – Tourism and Events Queensland



In focus

International education

As the State's fourth largest export sector (and second-largest services export), international education and training is a major contributor to the Queensland economy today. In 2015, international students contributed \$2.3 billion in total value added to the Queensland economy.

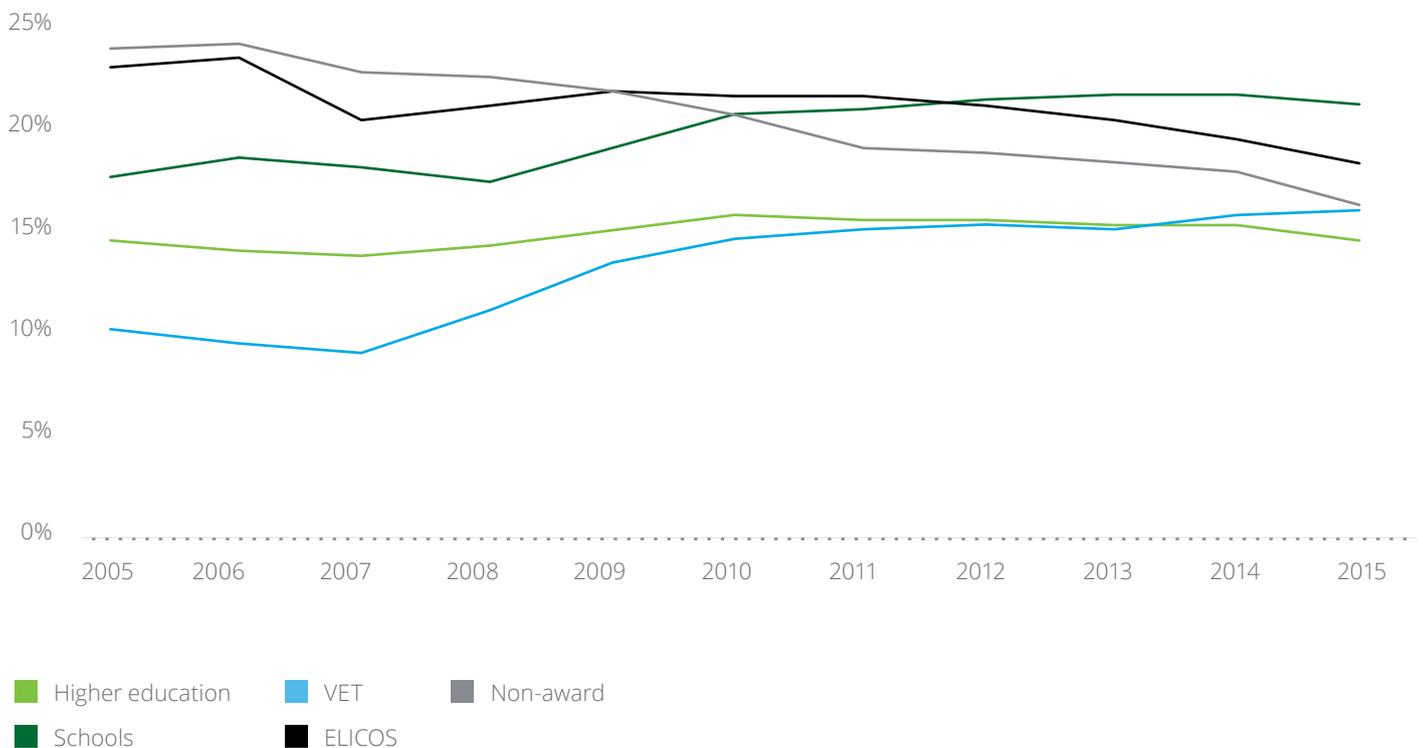
The scope for international education to make an even greater contribution into the future is underwritten by the burgeoning demand for education being generated by the rapidly expanding middle class populations in Asia. This demand for international education and training is projected to become one of the fastest growing global sectors over the next two decades.

The imperative for Queensland to harness this growth – and translate it into increasing prosperity for the State's economy and community – is amplified by the fact that growth in the State's resources industries is slowing and the ability of these sectors to continue to spur growth in living standards is diminishing.

In 2015, 62,300 onshore international students commenced education in Queensland and 103,300 students were currently enrolled. Both figures put Queensland's current market share at 16% of the Australian total (increasing from 10% in 2005).

Over the last ten years, the number of onshore international education and training enrolments in Queensland grew at an average pace of 6.3% annually. While this rate of growth is healthy, it is slower than that observed nationally. Consequently, the State's share of the Australian onshore international education and training market fell from a peak of 16.7% in 2010.

Figure 1. Queensland share of onshore enrolments in Australia by sub-sector, 2005-2015



Source: DET (2015); Deloitte Access Economics (2016)

Value and contribution of the sector

International education and training contributes to the Queensland economy in a variety of ways including students' tuition fees, their study materials, as well as their expenditure on accommodation, transport and living costs.

International education and training also stimulates tourism, particularly of friends and relatives who travel to Australia to visit the international student. It also fosters post-study visits and word of

mouth promotion that can produce longer term impacts.

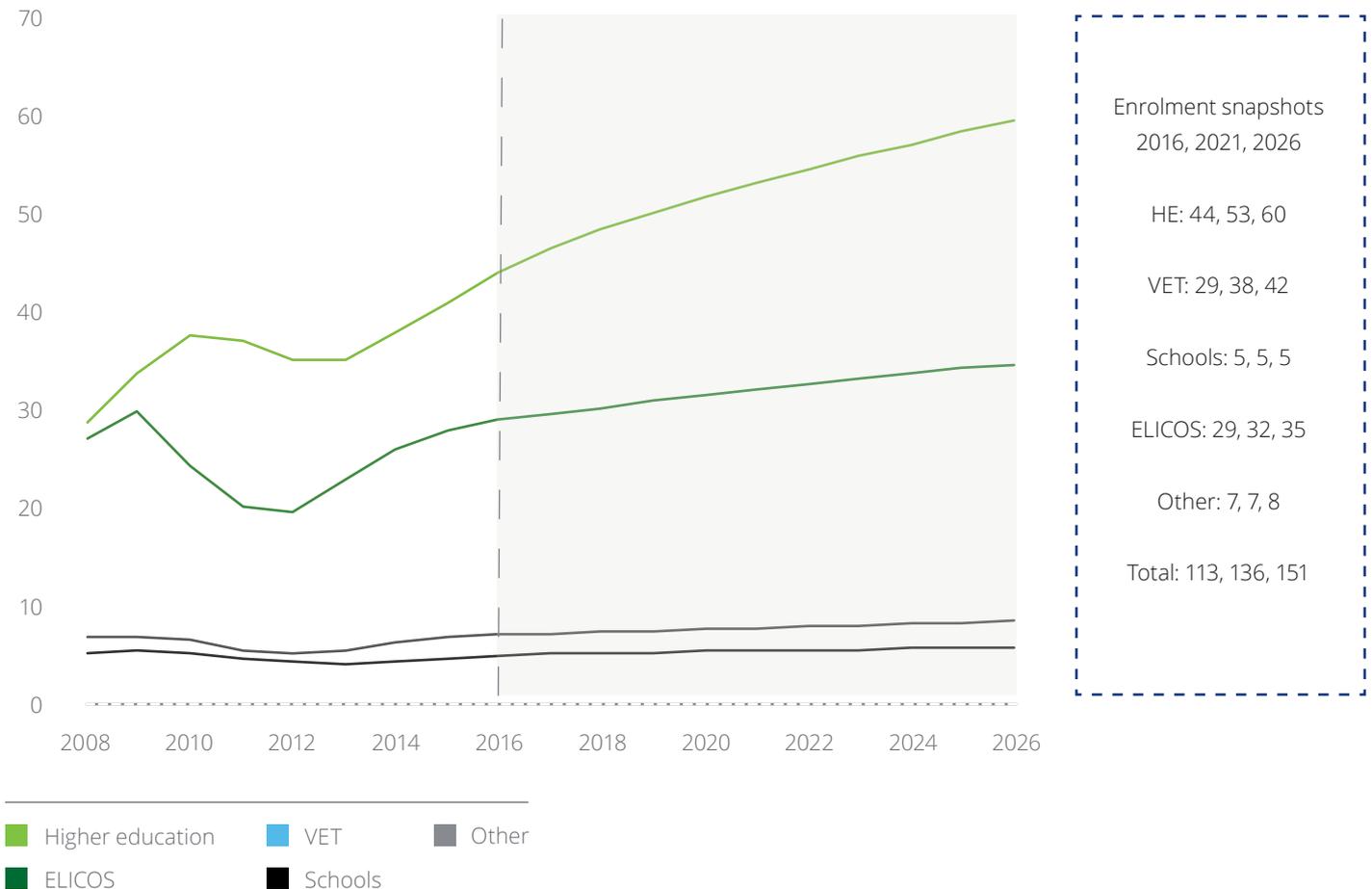
The most readily measurable component of the sector's economic contribution to the Queensland economy is the activity generated by international students on student visas studying in Queensland. Modelling by Deloitte Access Economics indicates that, in 2015, the combined **\$2.9 billion of expenditure by these students contributed \$2.3 billion in total value added to the Queensland economy**, supporting around 18,651 full-time equivalent (FTE) jobs.

Harnessing Queensland's comparative strengths

The number of onshore international enrolments in Queensland is projected to increase 33% over the next decade, which would see an estimated 150,600 students enrolled across the State in 2026. This growth is estimated to result in international student expenditure rising from \$2.9 billion in 2015 to \$4.6 billion in 2026 (Figure 2).

Figure 2. Queensland international education enrolments by sub-sector, 2016-2026

[Onshore enrolments ('000)]



Source: DET (2015); Deloitte Access Economics (2016)

Realising the growth opportunities in international education and training requires a strategy that **aligns the comparative advantages of the State, its providers and its regions with the demands and preferences of the growing international student population.**

The Deputy Premier, Minister for Trade and Investment launched the *Queensland Government's International Education & Training Strategy to Advance Queensland 2016-2026* (IET Strategy) on 9 November 2016. The strategy focuses on four key areas:

- Promoting Queensland internationally
- Enhancing the student experience
- Strengthening the regions
- Connecting the industry.

International research shows that the study and destination decisions of potential students are influenced by a variety of factors. These encompass the overall appeal of the destination, and include factors such as cost, proximity, ease of entry (visa conditions), opportunities to work during study and on completion of study, potential migration pathways and perceptions of safety, as well as the appeal of a particular institution (including factors such as cost, perceptions of quality, ranking and the overall study experience).

Queensland has been able to successfully build the third largest international education and training market in Australia so far. In the face of intense and growing competition, both domestically and from traditional and emerging competitors overseas, **State-specific**

comparative advantages need to be maintained and strengthened in order to realise the significant global opportunity that exists for this sector. The 36 initiatives outlined in the IET Strategy aim to build on the State's comparative strengths to support international education and training in Queensland.





In focus

Gender parity on boards

Around the world, interest in the representation of women on boards is at an all-time high. And Queensland is no exception.

Despite the positive changes to women’s status and roles made over the past century, gender inequality persists in our community. This includes women’s representation in senior leadership positions, particularly on boards.

However, the case for change is as much about improving business performance as it is about gender equality. Put simply, **boards perform better** when they include the best people with a diverse range of perspectives and approaches within an inclusive culture.

The Queensland Government set a target of 50% representation of women on government boards by 2020.

Deloitte Access Economics’ *Towards Gender Parity: Women on Boards report* demonstrates that this bold ambitious target would improve the productivity of the Queensland economy by \$87 million.

The report, undertaken on behalf of the Department of Communities, Child Safety and Disability Services, found **four clear insights** (shown below) that quantify the value of gender parity on boards to the Queensland Government.

Figure 3. Key insights from research



INSIGHT 1:

Economic modelling undertaken by Deloitte Access Economics shows that gender equality on boards would improve the productivity of the Queensland economy by \$87 million. This change in value added to the economy is the equivalent of a 0.12% increase in GVA, and a 0.03% increase in GSP. Mining and insurance services are the two largest areas for productivity gains, with remainder of the value spread out across other industries including retail, construction, manufacturing, health, and education.

INSIGHT 2:

Inclusion is a critical success factor, and high board performance is achieved through a focus on both gender diversity and inclusion. For Queensland, **high board performance is related to gender parity (50/50) or at least the representation of men and women**. All board members need to be treated with respect and fairly, and need a sense of value and belonging.

Figure 4. High performing vs low performing Queensland government boards – perceived degree of gender diversity and inclusion on the board and in the broader organisation

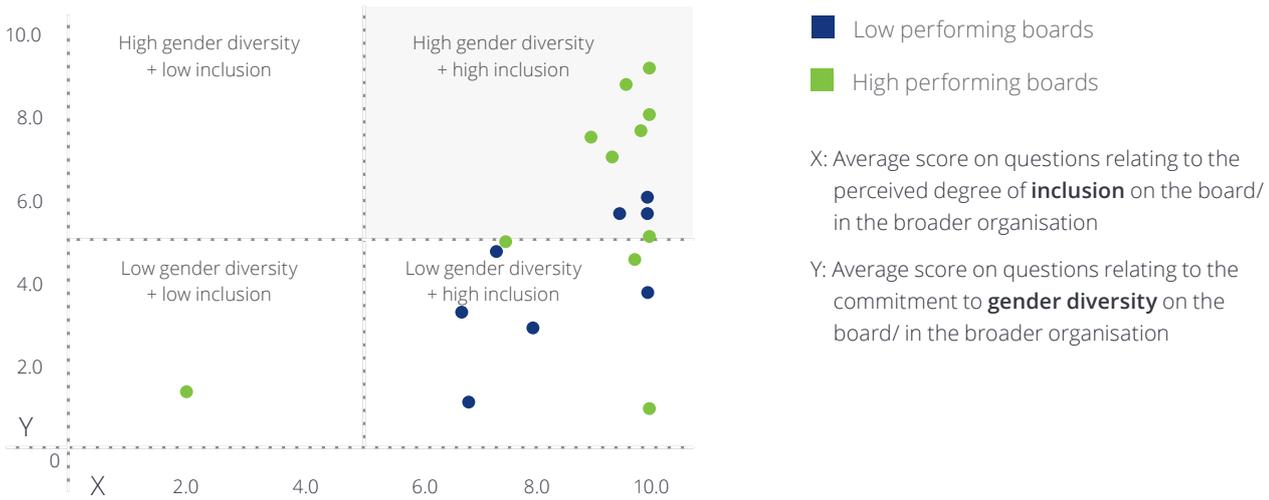


Figure 4 shows Queensland **high performing boards to be ones that are committed to diversity and have an inclusive work environment.**

INSIGHT 3:

There is still work to be done to reach gender targets, despite the proportion of women on Queensland Government boards increasing 8% (from 31% to 39%). Twelve out of 17 Queensland Government portfolios do not meet gender parity. Some of the identified barriers to board gender diversity are:

- Key decision makers are **not genuinely committed** to achieving gender parity and do not see it as their **personal responsibility to create change**
- Decision makers are **not held accountable** for gender diversity and inclusion outcomes
- There are **conscious and unconscious gender biases** that limit women's career progression and undermine personal aspirations

- The **recruitment process** is often confined to traditional corporate pathways or sectors that are dominated by males, and thus disadvantaging women.

INSIGHT 4:

More decision-makers, including board chairs and members, need to step up and change the game by advocating for the value of gender parity and challenging the status quo. The culture of an organisation and board commitment are the most significant predictors of women on boards.

There is a hidden powerhouse in the Queensland economy – it is parity on boards.

Improving gender diversity on boards requires a holistic approach that goes beyond discrete sponsorship and networking activities. Whilst these efforts are laudable, more strategic approaches are needed in order to create significant cultural change.

What does it take?

Meeting the 50/50 target set by the Queensland Government requires:

- **Communicating the business case for change** – this includes communicating the performance benefits and real dollar value
- **Attention to gender parity and gender inclusion** – knowing what drives high performance boards
- **Addressing board-specific barriers** – a holistic approach to change, inclusive systems and behaviours, and accountability
- **Personal leadership** – game changers need to step up and take personal responsibility for improving gender parity in their sphere.

By sharpening our attention to this issue we can harness the benefits of gender parity for the Queensland economy.

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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

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

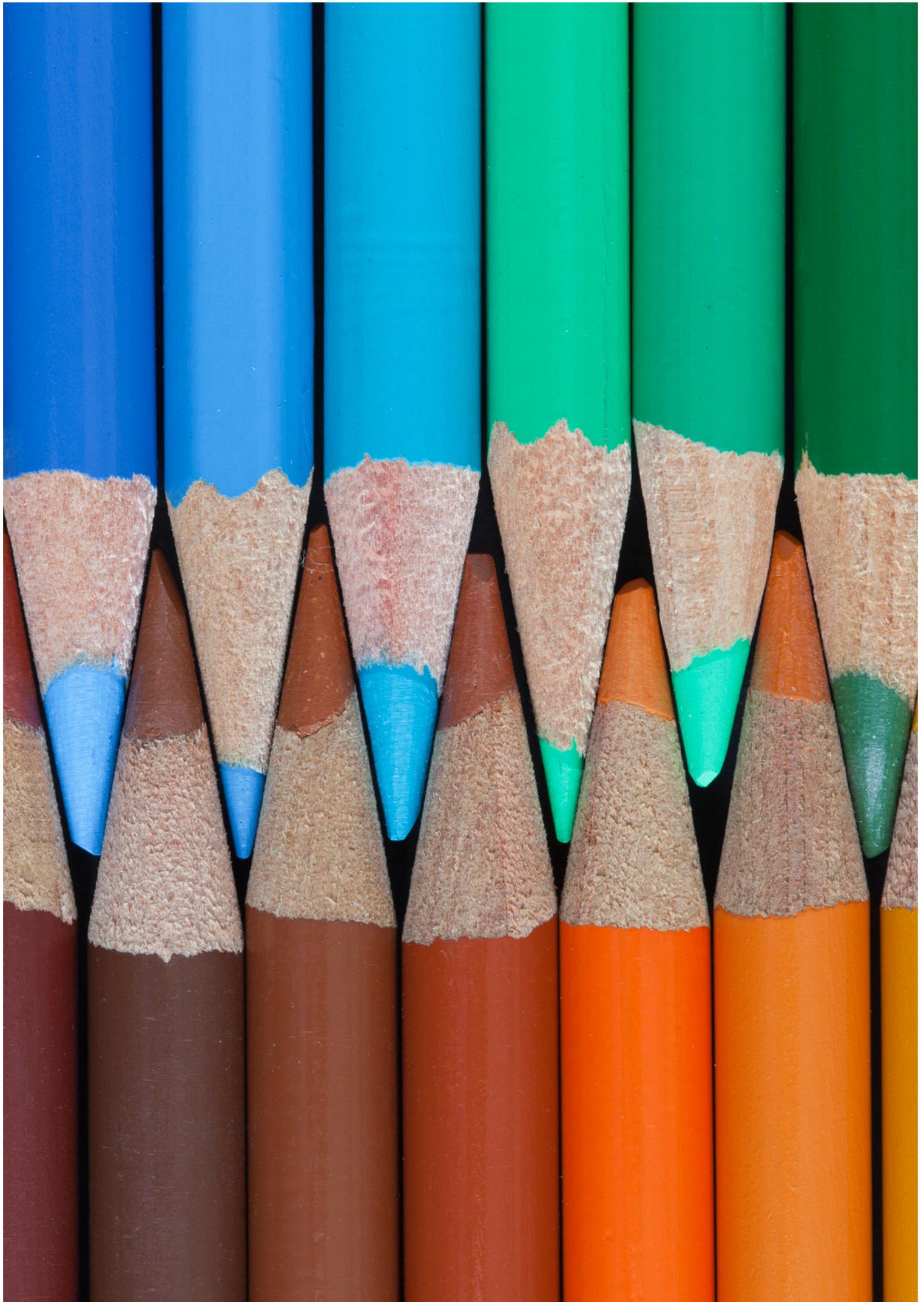
Employment Forecasts, released quarterly, provides forecasts and commentary for each industry, plus white collar, blue collar and office demand index (where the latter draws on the 'office intensity' of each industry). There are three levels of data available: State, City and CBD. Employment Forecasts is particularly useful in the analysis of property market demand.

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The quarterly Investment Monitor lists around 900 Australian investment projects, each valued from \$20 million. Projects are divided by State, sector and status (ie, 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.

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Contacts



Chris Richardson
Partner, Deloitte Access Economics
Email: chrichardson@deloitte.com.au
Tel: +61 02 6263 5075



Mark Ingham
Partner, Deloitte Access Economics
Email: mingham@deloitte.com.au
Tel: +61 07 3308 7206



Natasha Doherty
Partner, Deloitte Access Economics
Email: ndoherty@deloitte.com.au
Tel: +61 07 3308 7225



Luke Baxby
Partner, Deloitte Access Economics
Email: lbaxby@deloitte.com.au
Tel: +61 07 3308 7202



Michael Kissane
Partner, Deloitte Access Economics
Email: mkissane@deloitte.com.au
Tel: +61 07 3308 7246

Contributors

- Claire Atkinson
- Brooke Davies
- George Nix
- Nicholas O'Hara
- Mathew Thomas
- Helene Wells

Deloitte Access Economics

123 Eagle Street
GPO Box 1463
Brisbane QLD 4001 Australia

Tel: +61 7 3308 7000

www.deloitte.com.au

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