

A close-up photograph of several hands, likely belonging to different people, covered in a thick layer of bright yellow and pink powder. The hands are positioned in a way that suggests they are being held together or are about to be held together, symbolizing unity, support, and the 'challenge accepted' theme mentioned in the text. The background is dark and out of focus, making the vibrant colors of the powder stand out.

Deloitte.

Queensland Business Outlook
Challenge accepted

March 2016

Deloitte Access Economics

Economic snapshot

December quarter 2015

The resource boom was a one in 150 year event and we should think of it as such, not as a hole that needs to be filled. The Queensland economy continues to enjoy the return on investments made during the resource boom. GSP growth is propped up by the volume of our LNG exports.

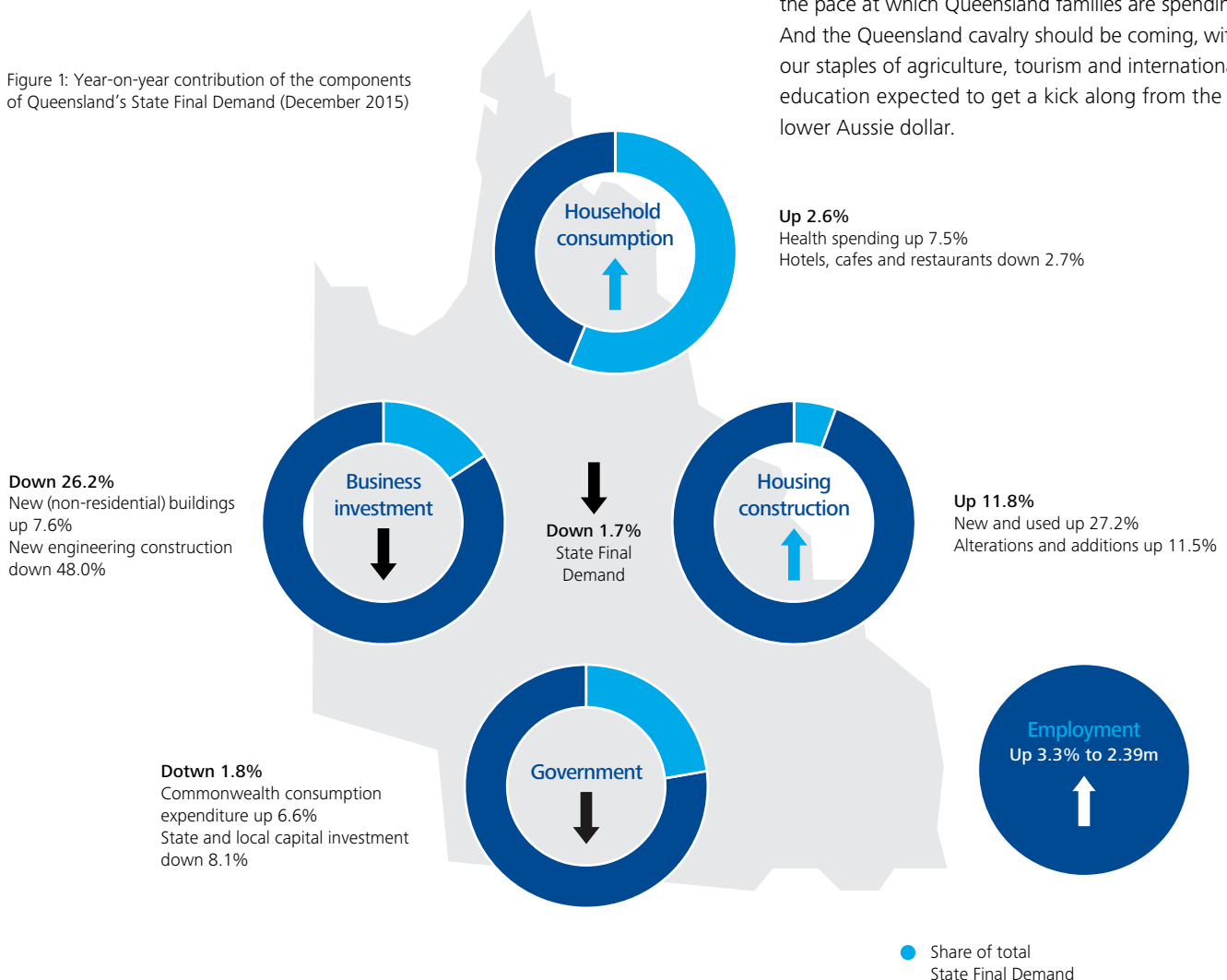
The Queensland economy is reliant on strong LNG exports to sustain growth. But there are some risks: 1. Low oil prices; 2. Slowing global growth; and 3. Excess global supply of LNG and energy substitutes. We're putting export growth firmly on the watch-and-wait list.

It's time for Queensland to stop looking back and to start exploiting the positives. What we have to remember is that the decline in State Final Demand has occurred in the context of a once in a lifetime boom in engineering investment, which will shortly drop out of the historical year-on-year growth figures.

Queenslanders are feeling good; we have been driving our new cars to spend more in shopping centres, we are buying homes and renovating them, and health spending is up.

In short, lower interests rates are showing up in the pace at which Queensland families are spending. And the Queensland cavalry should be coming, with our staples of agriculture, tourism and international education expected to get a kick along from the lower Aussie dollar.

Figure 1: Year-on-year contribution of the components of Queensland's State Final Demand (December 2015)



Notes: Year-on-year; Seasonally adjusted; Employment to January 2016; State Final Demand to December 2015

Sources: ABS 5206.0, ABS 6202.0

Economic outlook



The expected growth in Queensland's GSP demonstrates that the economy is responding to the challenges ahead, with the improvement supported by the lower interest and exchange rates. Lower interest rates will continue to boost Queensland's most volatile sector, housing construction, which has experienced an 11% increase in dwelling approvals over the past year.¹



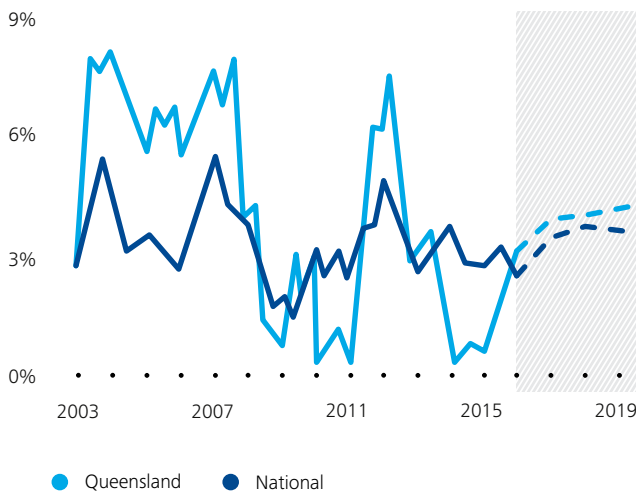
The lower Aussie dollar creates an opportunity for Queensland's tourism industry to win back market share. This is expected to spur investment in some ageing tourism infrastructure assets.



Softer wage growth expectations are underpinning our stable outlook for Queensland employment growth. But with inflation staying within the Reserve Bank's sweet spot, the usual consequence of soft wage growth – less money in the household kitty – shouldn't have too much of an impact on spending.

¹ ABS 8713.0

Gross State Product
Constant price, annual % change



Sources: ABS, Deloitte Access Economics

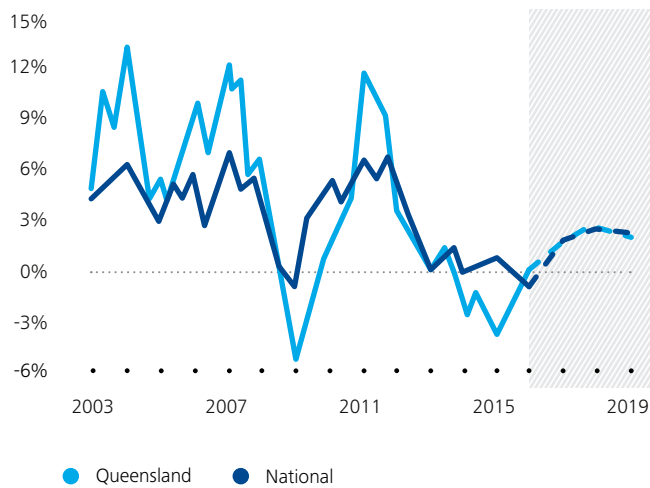
Queensland's economy has already taken a lot of its bumps. Much of the impact from the downturn in mining construction is behind us. And yes there was pain: spending in the State has been shrinking for the better part of two years now as the big LNG projects finish construction and move into their export phase.

But the cavalry is coming.

Export earnings will lift and Sydney's housing prices will eventually send more people back to Queensland. And the lower Aussie dollar provides some handy protection to the State's miners and has helped to underwrite a lift in tourist traffic and student numbers. Plus low interest rates have provided a degree of protection to commercial construction in the State.

On balance, and as this chart shows, we see the outlook for Queensland as sturdy rather than scary.

State Final Demand
Constant price, annual % change

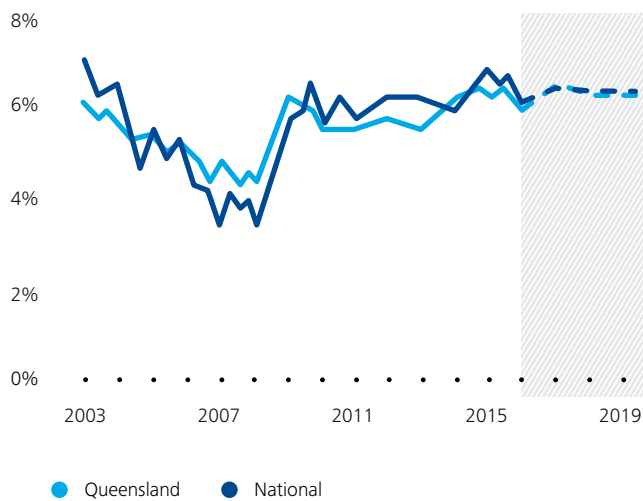


Sources: ABS, Deloitte Access Economics

Engineering construction in Queensland is in freefall as the LNG megaprojects that were massively propping up the sector are finishing up. And that huge gap in investment just can't be filled by other industries. We know this - we're not a State that sticks its head in the sand.

But these numbers will shortly drop out of the year-on-year results for State Final Demand and it will be time for Queensland's economy to regain its footing. By 2018, we expect Queensland's figures to be back in line with the national average.

Unemployment rate
% Labour force

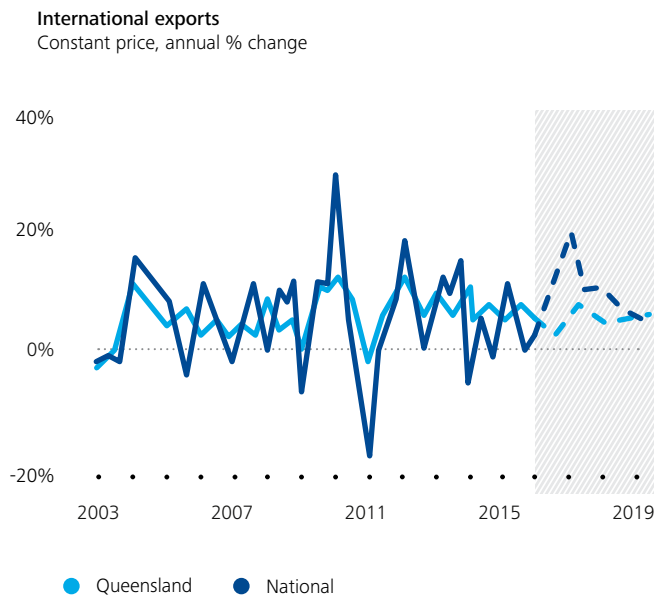


Sources: ABS, Deloitte Access Economics

Labour market conditions have continued to improve in Queensland since April 2015 (noting that there have been month-to-month fluctuations). Weaker wage growth of approximately 2% over the past year combined with improved productivity growth has resulted in cheaper real labour unit costs, which has stabilised employers' demand for labour.

The Queensland unemployment rate is expected to be steady at around 6% per year over the next five years.

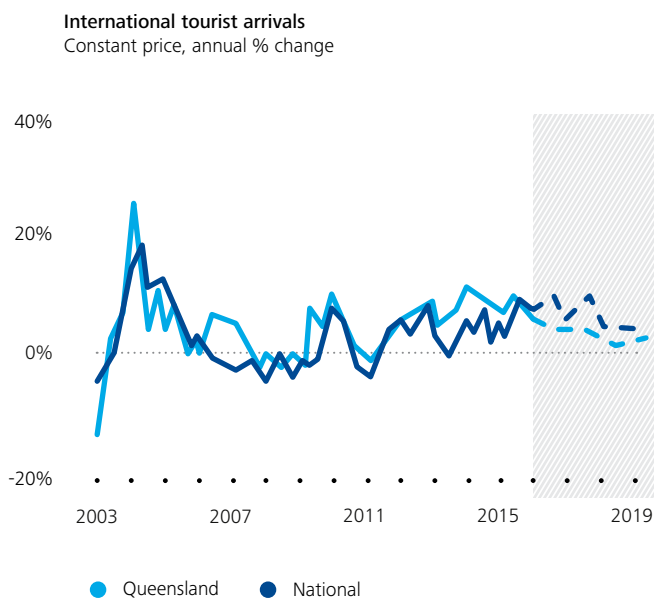
International exports



Sources: ABS, Deloitte Access Economics

International exports are forecast to increase at a greater pace than the rest of the country, primarily driven by the LNG refineries entering production phase. Rising export is one of the contributors of the expected rise in GSP for Queensland in the short term. It is also likely to stop the recent depreciation of the Australian dollar.

Our five year forecast shows that international exports are expected to rise by approximately 7.4% per year. This result is driven by a lower exchange rate, which makes Australia's exports cheaper on the global market. It is expected that overseas education and service exports grow as a result as these exports are not supply constrained.



Sources: ABS, Deloitte Access Economics

Tourism

The AUD has depreciated by approximately 27% against the USD since September 2015. The exchange rate is expected to drive tourism growth as international travel to Australia has become more affordable. Additionally, the recently revised Australia-China Air Services Agreement will increase the total allowable capacity of Chinese passengers to Australian Gateway Cities by approximately 50% by October 2016.

Over the five year forecast, Queensland International tourist arrivals are expected to grow at a rate of approximately 5.7% per year. Most of this impact will occur in 2016 when the Chinese capacity constraints are lifted. The growth in International tourism is expected to improve retail spending as Chinese tourists spend an average of \$4,201 per trip and 31% are repeat visitors.¹

¹Tourism Australia, China Market Profile 2015

Developing the evidence base for informed social impact investment

A practical guide to understanding social costs

Context

Many organisations struggle to define the outcomes they are seeking to achieve, and even fewer know if they are successful. In an increasingly competitive funding environment, organisations are seeking diversified revenue and changing funding and financing models. This demands more comprehensive understanding of the social costs of issues, and increasingly scrutinised demonstration of value and outcomes.

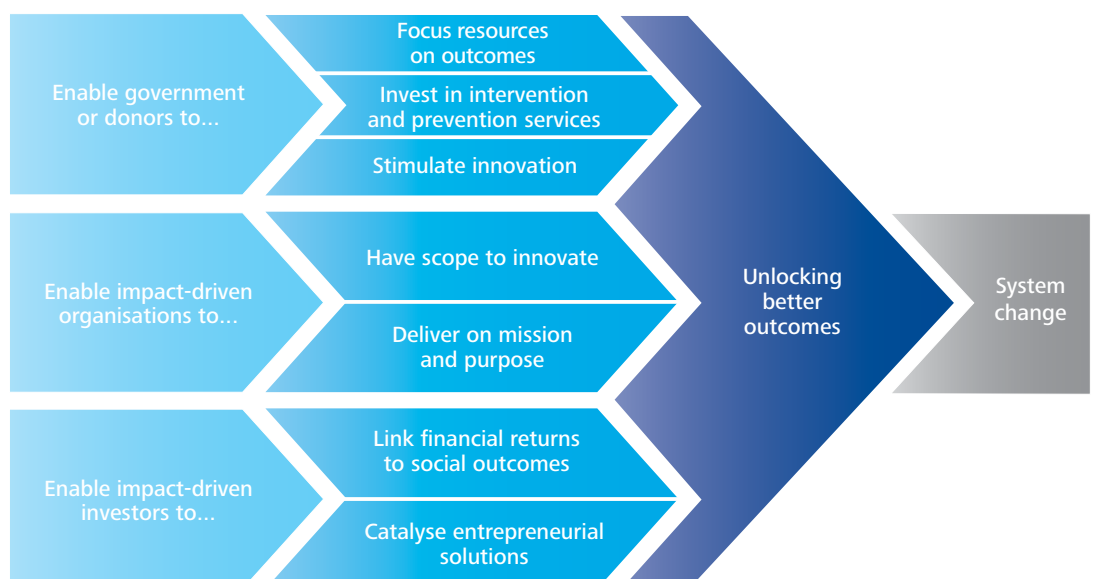
A practical guide to understanding social costs has been developed by Deloitte Access Economics in collaboration with The Australian Advisory Board on Impact Investing. This Guide provides a practical approach to understanding and unlocking cost data as a critical building block for understanding the financial and economic consequences of negative social outcomes.

The case for change

The difficulty in separating outcomes from outputs or activities comes from the complex nature and timeframes usually associated with intangible results. Outcomes can occur at various levels and for a multitude of beneficiaries. A wide array of benefits or outcomes can result from a particular program or an intervention, but deciding which outcomes matter most will ensure the program stays targeted and focused on its core objectives. Some programs have a wider range of beneficiaries, for example, the families or carers of the recipients provided with services, or employers.

The goal of this Guide is to assist in the identification of costs that occur in the absence of achieving desired outcomes.

Value of this Guide to stakeholder groups



Source: Adapted from Bridges Impact+ and Bank of America Merrill Lynch (2014) *Choosing social impact bonds: A practitioner's guide*

The Guide's design principles intend to:

- Provide insight into the process of quantifying the cost of a social issue
- Enable a breakthrough approach in the impact investment market, through the application of the Guide
- Differentiate the costs of each payer in regard to the social issue
- Act as a bridge between those tackling social issues, Government departments, and investors.

Value of Guide for investors

From a funding perspective, more comprehensive information on costs informs assessment of the relative costs and benefits of different approaches. The Guide provides another input to making robust assessments of the cost of social issues rather than programs, along with the impact, risk and return of different service offerings.

This Guide forms one important step in the journey towards implementing more complex social financial tools and options.

Next steps for costing social issues

Costing social issues often highlights where data and evidence gaps exist that, in turn, informs action on how these gaps can be filled.

Over time, investment in increasing the transparency of data and compiling useful longitudinal data sets, as well as mainstreaming and embedding the monitoring and evaluation of social interventions, can help build evidence on understanding the real cost of social issues.

Sharing future applications of this Guide's processes is encouraged. This will help others see the value in its application and inform future social policy and investment choices.

A practical guide to understanding social costs is available online from <http://www2.deloitte.com/au/en/pages/economics/articles/practical-guide-understanding-social-costs.html>

Addressing domestic and family violence

The role of business



800,000

women in workforce experiencing violence



\$13.6b

cost to Australia



\$15.6b

if no action taken

DFV is not just a private or personal issue. It is also not just an issue for the government to address. There is an important role for government, community and business to work together to help identify and implement solutions. This is not just about responding in isolation but about a truly collaborative response that is coordinated.

Why business?

In the 2008/09 financial year, the cost of intimate partner violence to the Australian economy overall was estimated to be \$13.6 billion.¹

If no preventive action is taken, this cost is projected to rise to \$15.6 billion annually by 2021/22.²

It is estimated that 800,000 women in the workforce are currently or have previously experienced violence.³

DFV can have a significant impact on attendance at work, performance and safety and wellbeing. Not only does this impact the survivors of DFV but also the perpetrators of violence and their co-workers.

The perpetrator who is in employment and may be absent from work, using work resources and time to be abusive, or be underperforming due to distraction, anxiety, or tension.

Research in the US suggests that this hidden layer can be a cost to the workplace on par with the impact on the abused person.

Impacts on productivity

Workforce related costs associated with DFV include:

- Reduced productivity of the survivor
- Absenteeism of the survivor, perpetrator and family members
- Costs of replacing lost output through overtime by other workers
- Reduced productivity of the survivor's and perpetrator's co-workers and friends and family
- Additional administrative costs of employers
- Loss of unpaid household and voluntary work by the survivor, perpetrator, and family and friends.¹

Australian initiatives

There are a number of initiatives that business can support and implement to address DFV.

Australia's CEO Challenge: This program was developed in response to a gap in DFV awareness throughout the corporate sector. Australia's CEO Challenge encourages business to support DFV services and promote awareness of this issue in their organisation and in the wider community. The program aims to raise awareness in a way that also benefits the DFV sector through the formation of mutually beneficial partnerships. For example, business may support a women's refuge through goods' drives or fundraising, in return for which businesses receive awareness training and support to develop policies around DFV in their workplace.

Leave allowances: A number of Australian businesses, such as Telstra, National Australia Bank and McDonald's, have started offering 10 days paid leave per year for full time workers who experienced DFV. More recently, the Queensland Premier announced on White Ribbon Day 2015 a new DFV paid leave policy for public service workers.

Banking: There are a range of financial products for low income earners which may be of value to women affected by DFV including bank loans with reduced fees, matched savings accounts and interest free or low interest loans. A range of organisations in Australia offer such products in conjunction with banks, the best known being the Good Shepherd Youth and Family Service's No Interest Loans Scheme (NILS) and the Brotherhood of St Laurence's SaverPlus scheme.

Male Champions of Change: In Australia the Male Champions of Change use their individual and collective leadership to elevate gender equality as an issue of national and international social and economic importance. This group of business leaders is making a stand against DFV.

¹ Access Economics, The Cost of Domestic Violence to the Australian Economy: Part I. Available at: <https://www.dss.gov.au/our-responsibilities/women/publications-articles/reducing-violence/the-cost-of-domestic-violence-to-the-australian-economy>

² National Council to Reduce Violence against Women and their Children, The Cost of Violence Against Women and Their Children (2009)

³ Australian Bureau of Statistics, Personal Safety, Australia, 2005 (Reissue), Cat. No. 4906.0, 35

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Our team produces a number of highly regarded subscription publications aimed at giving clients a leading edge by providing in-depth economic analysis. A description of each publication is presented below.

Budget Monitor

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.

Investment Monitor

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.

Retail Forecasts

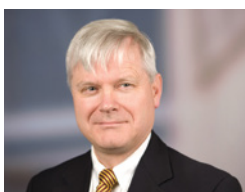
Retail Forecasts, produced quarterly, provides detailed analysis of current retail sales and consumer spending. Included are National retail forecasts, retail sector forecasts, State retail forecasts, disposable income, non-income influences on retail spending and broader macro-economic influences. An annual subscription includes four quarterly reports plus Excel spreadsheets including 10 year forecasts and charts.

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