



**Presented to 2023 CHDC Economic Futures Forum**  
**Michael Anthonisz, QTC Chief Economist**



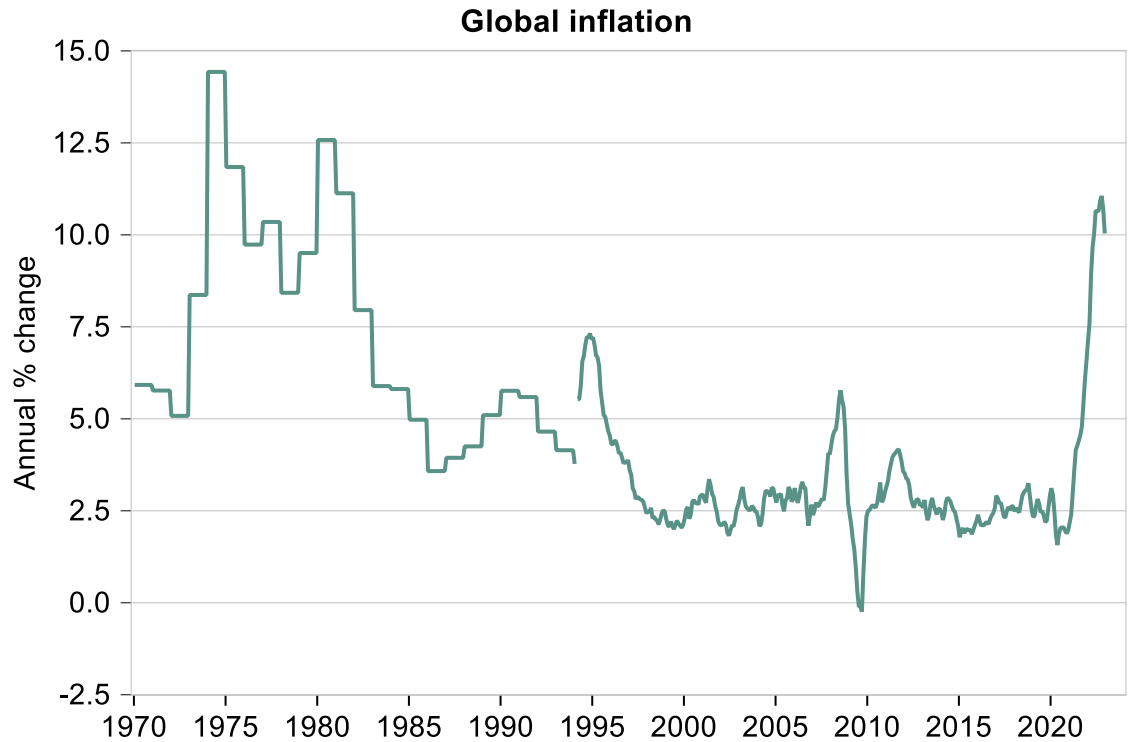
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# Agenda

1. Global economy
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  - ii. Interest rates
  - iii. Activity
  
2. National economy
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  - iii. Inflation drivers
  - iv. Inflation outlook
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3. Issues of specific interest
  - i. Infrastructure
  - ii. Regional economy

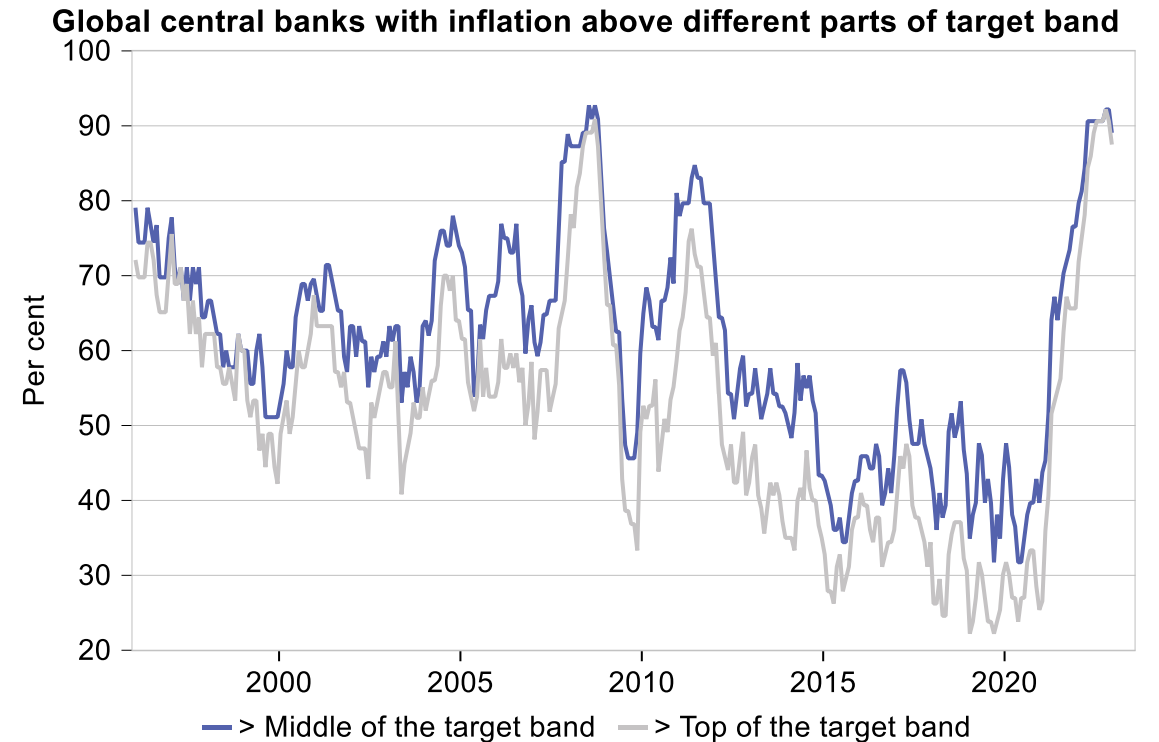
# Global economy

# Global economy – Inflation



Source: World Bank, QTC, Macrobond

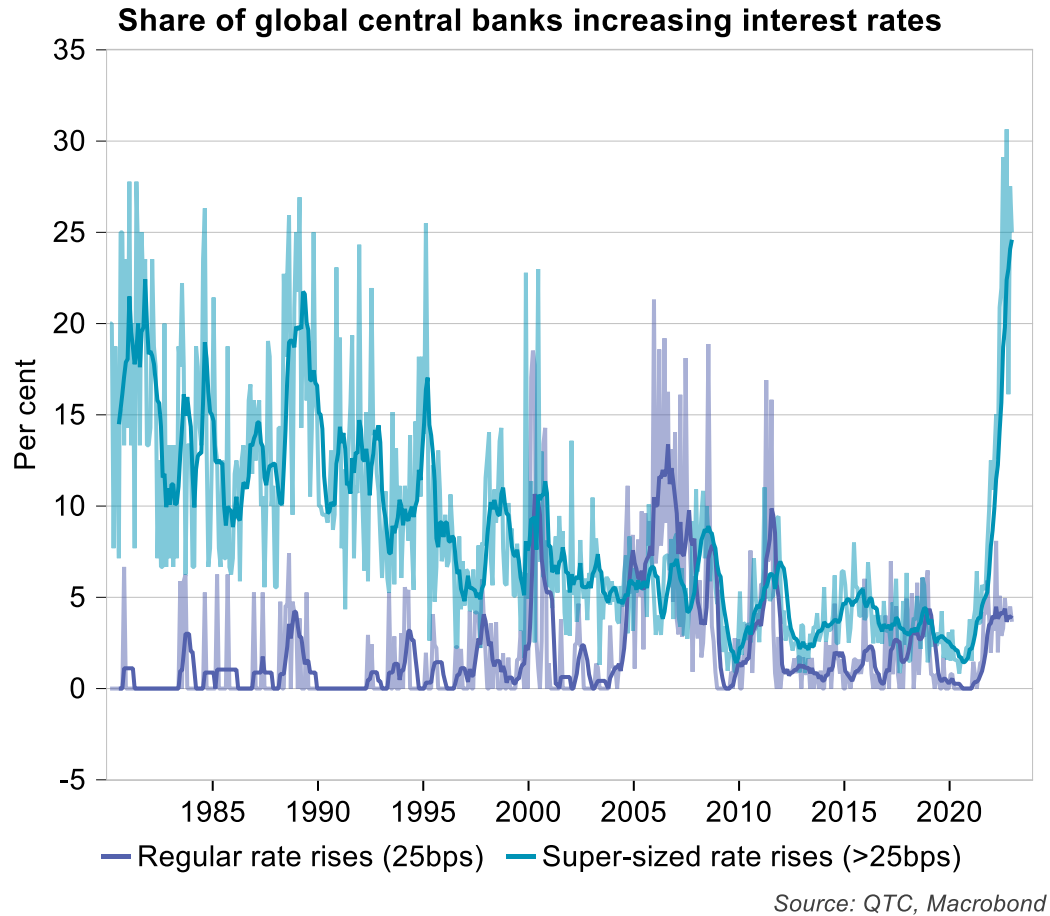
Global inflation looks to have peaked...



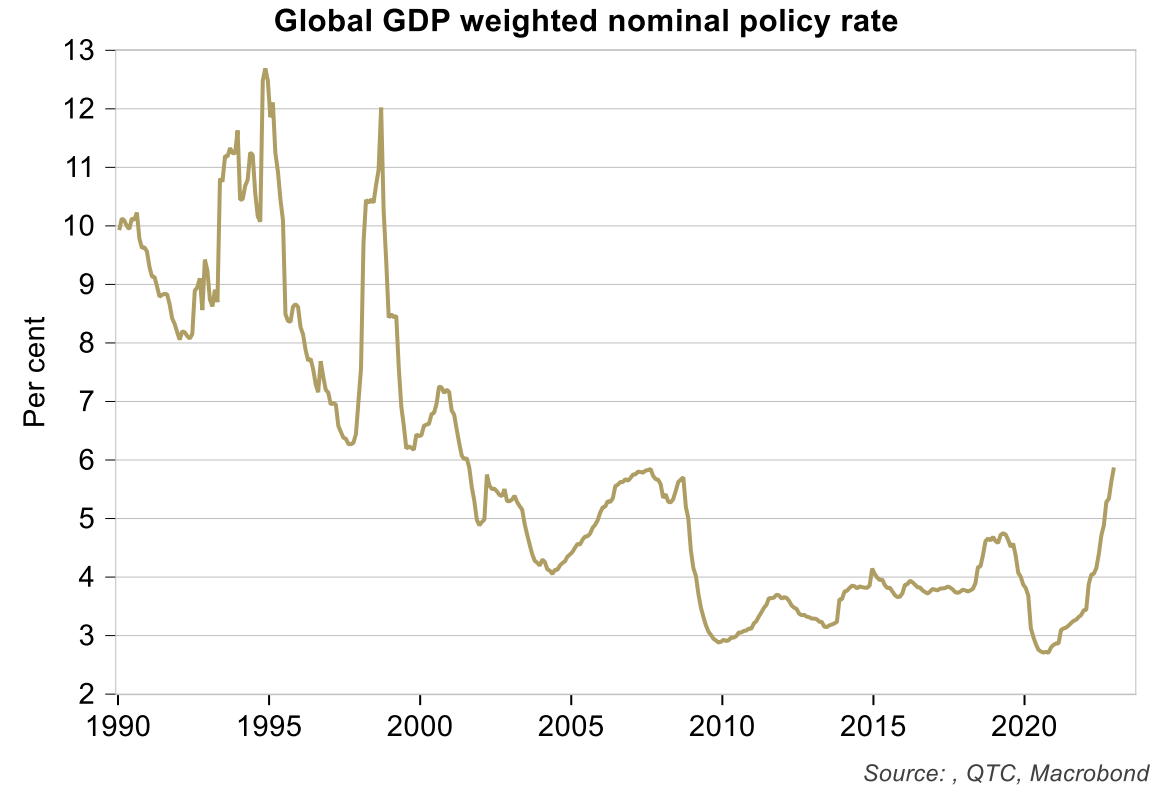
Source: QTC, Macrobond

...but is still uncomfortably high for most central banks...

# Global economy – Interest rates

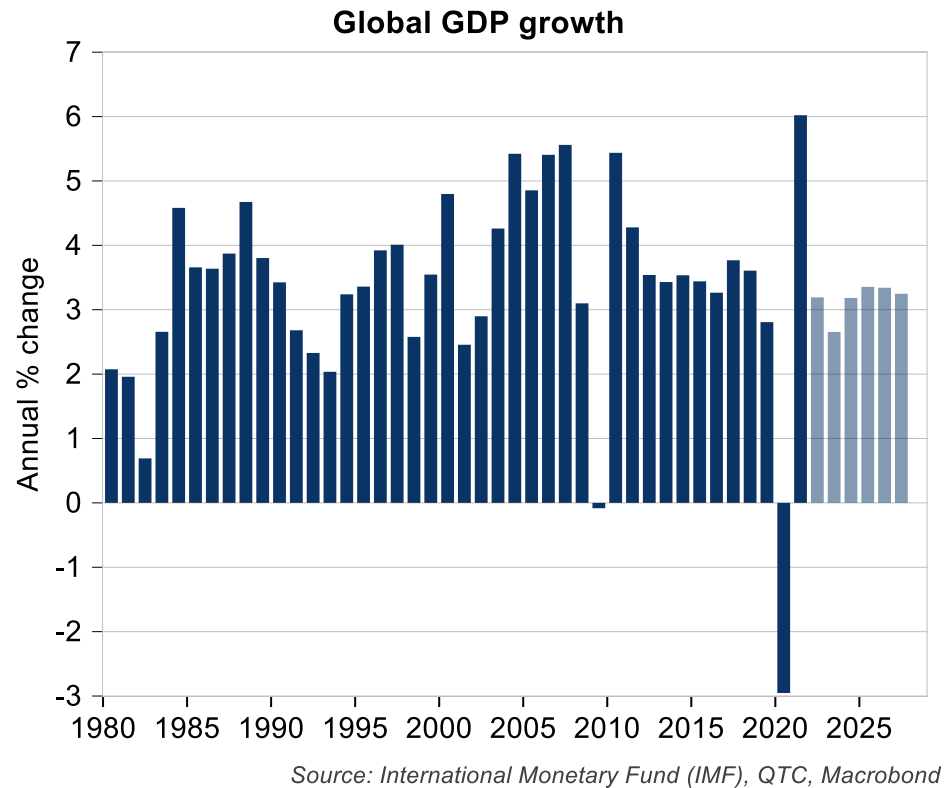


...which has seen active efforts to curb inflation...



...with policy rates reaching multi-decade highs as a result...

# Global economy - Activity



...so, global economic momentum will slow this year...

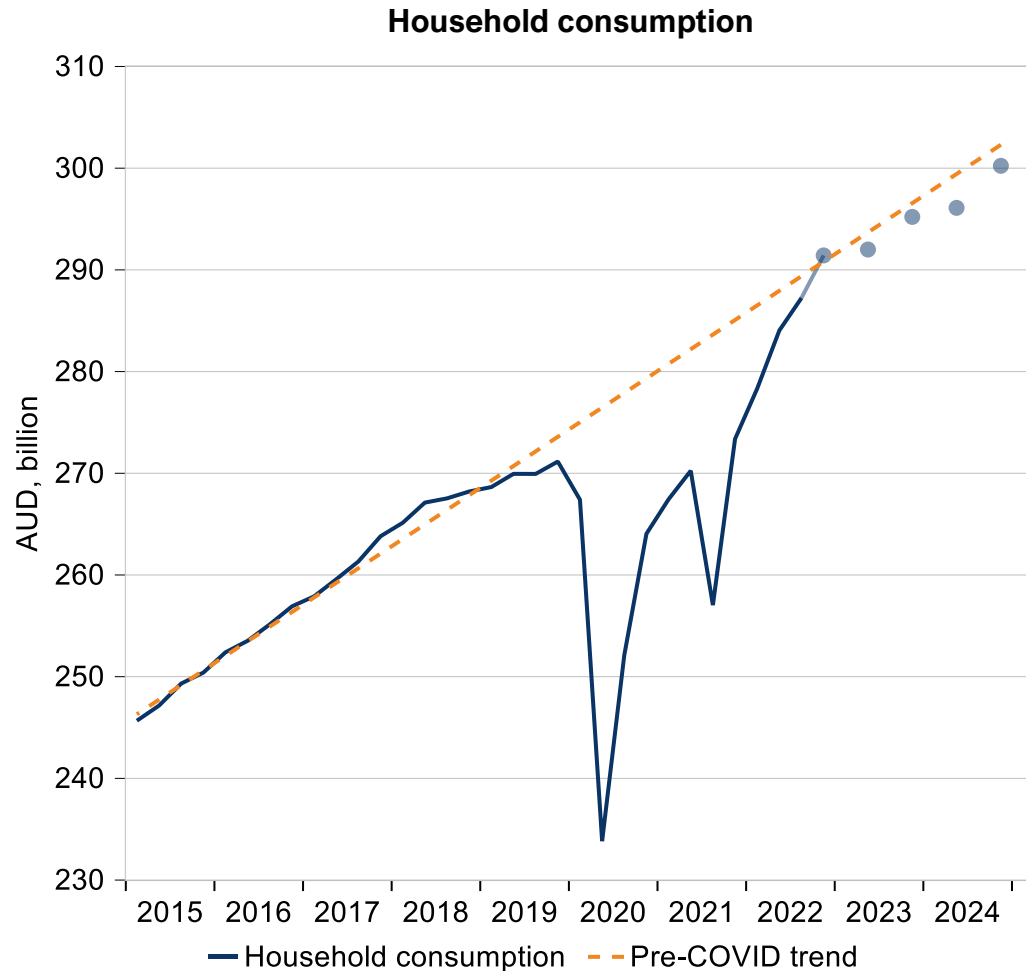
Negatives	Positives
1. Inflation high and more persistent	1. Food & energy prices falling
2. Interest rates elevated	2. Other (goods) inflation slowing
3. Consumption back to trend	3. Excess savings
4. Inventories built-up	4. Past (?) biggest impact of tighter financial conditions
5. Subdued confidence	5. Possibility of labour hoarding
6. Falling asset prices	6. Less fiscal drag
7. Possible financial disruption	7. China re-opening

Source: QTC Economic Research

...but it becoming less clear how soon and by how much

# National economy

# National economy – Households



Source: Australian Bureau of Statistics, QTC, RBA, Macrobond

It is a pretty challenging outlook for household spending, and thus the economy

## Why household spending should slow?

- Higher interest rates
- Persistent inflation
- Weaker housing market
- Lower asset prices
- Subdued confidence
- Fading employment growth
- Slower rate of savings draw down
- Spending has normalised toward pre-COVID trend

## Why might household spending prove resilient?

- Excess savings still available
- Accelerating wages growth

Source: QTC Economic Research

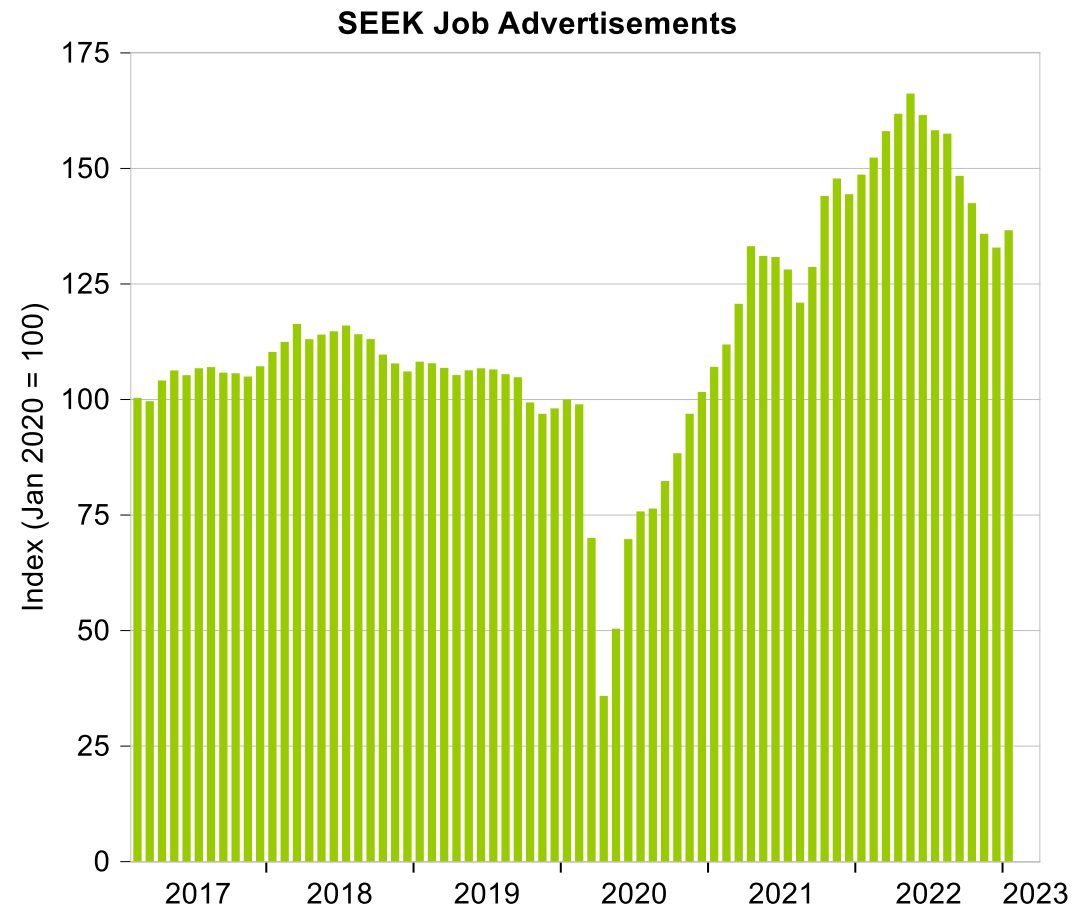


# National economy – Labour markets



Source: Australian Bureau of Statistics, QTC, Macrobond

Labour markets remain very tight...



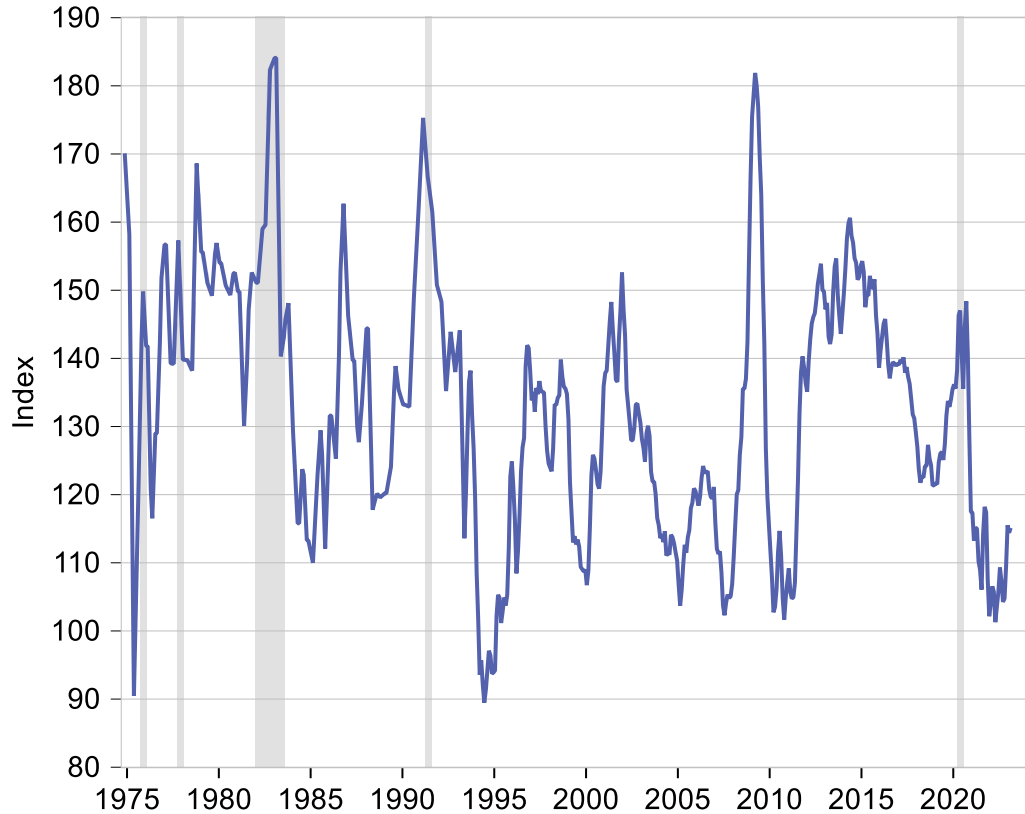
Source: SEEK Australia, QTC, Macrobond

...though have just started to ease...

# National economy – Labour markets

**Unemployment Expectations**

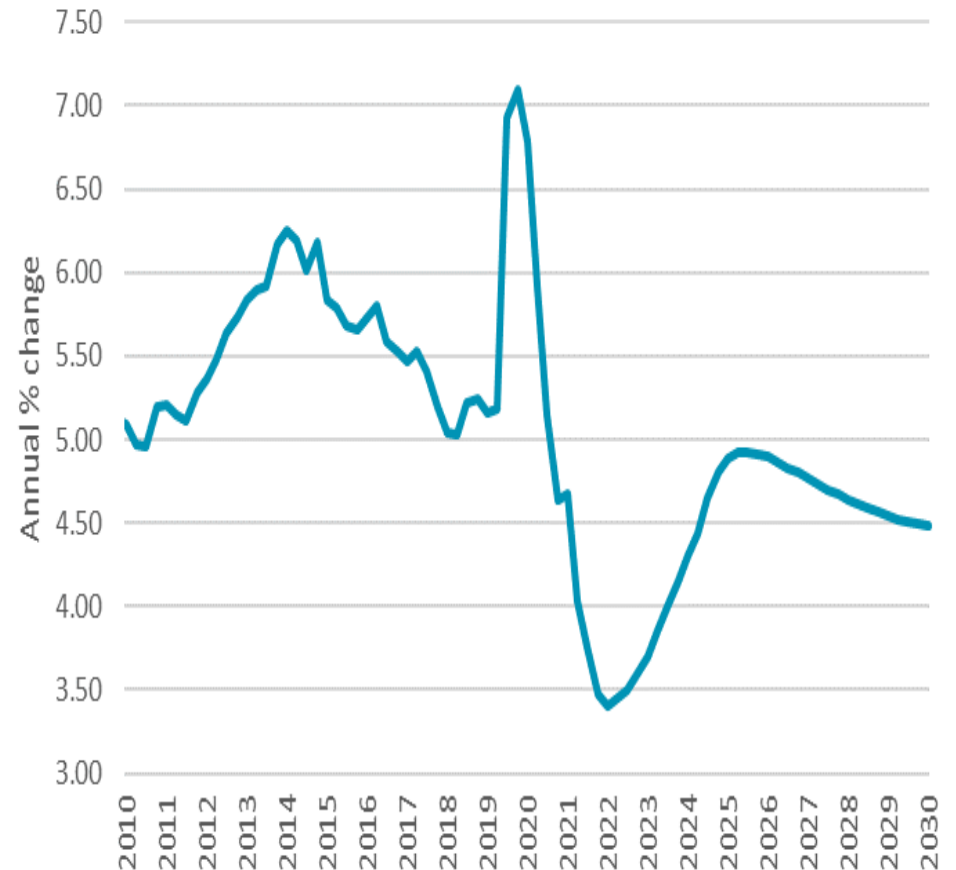
3 month moving average



Source: Melbourne Institute of Applied Economic & Social Research, QTC, Macrobond

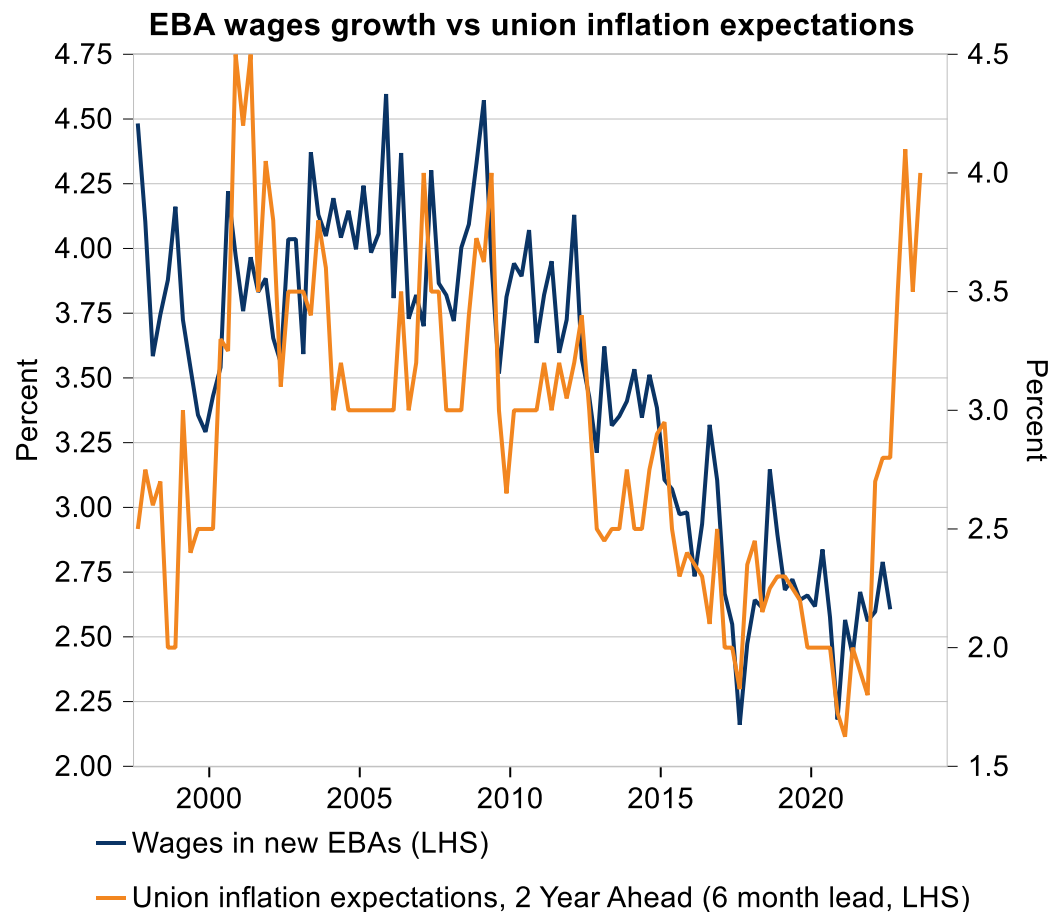
...and with job security fears starting to rise (albeit from low levels)...

**Unemployment rate forecasts**



...we expect the unemployment rate to soon start to rise...

# National economy – Labour markets

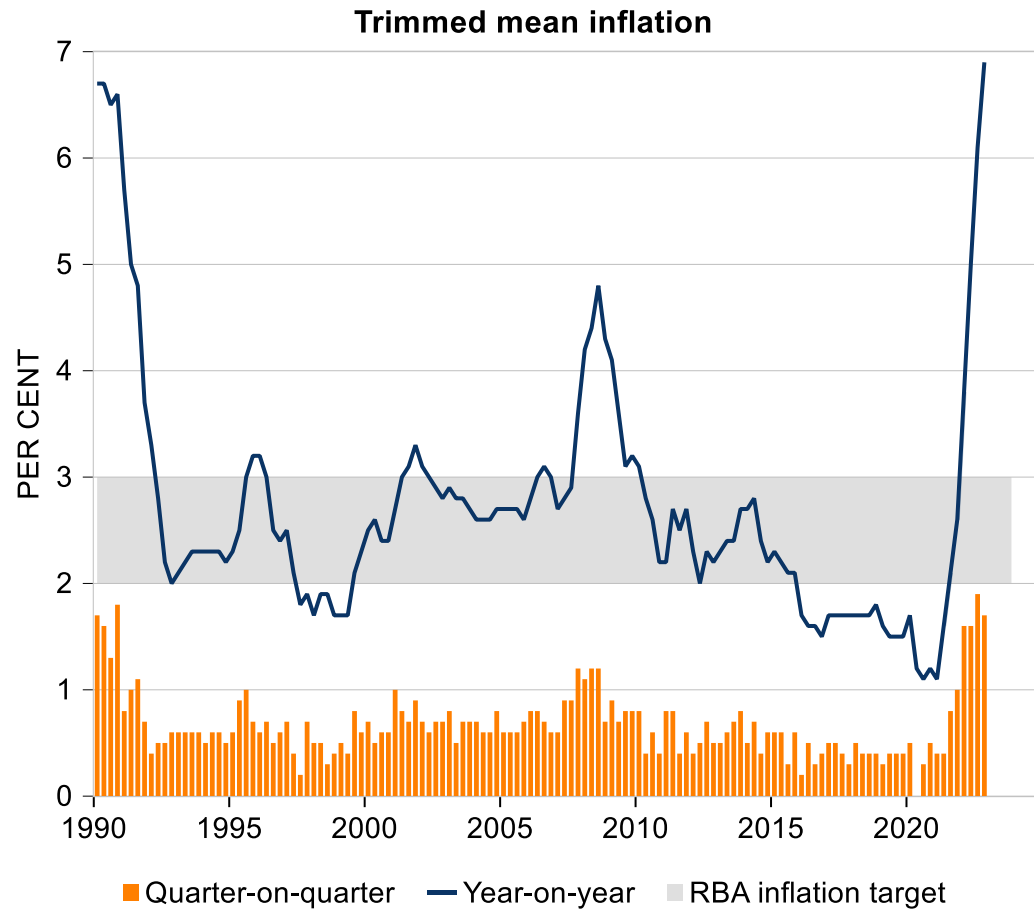


Source: Australian Attorney-General's Department, Reserve Bank of Australia, QTC, Macrobond

Wage growth is set to pick-up this year...

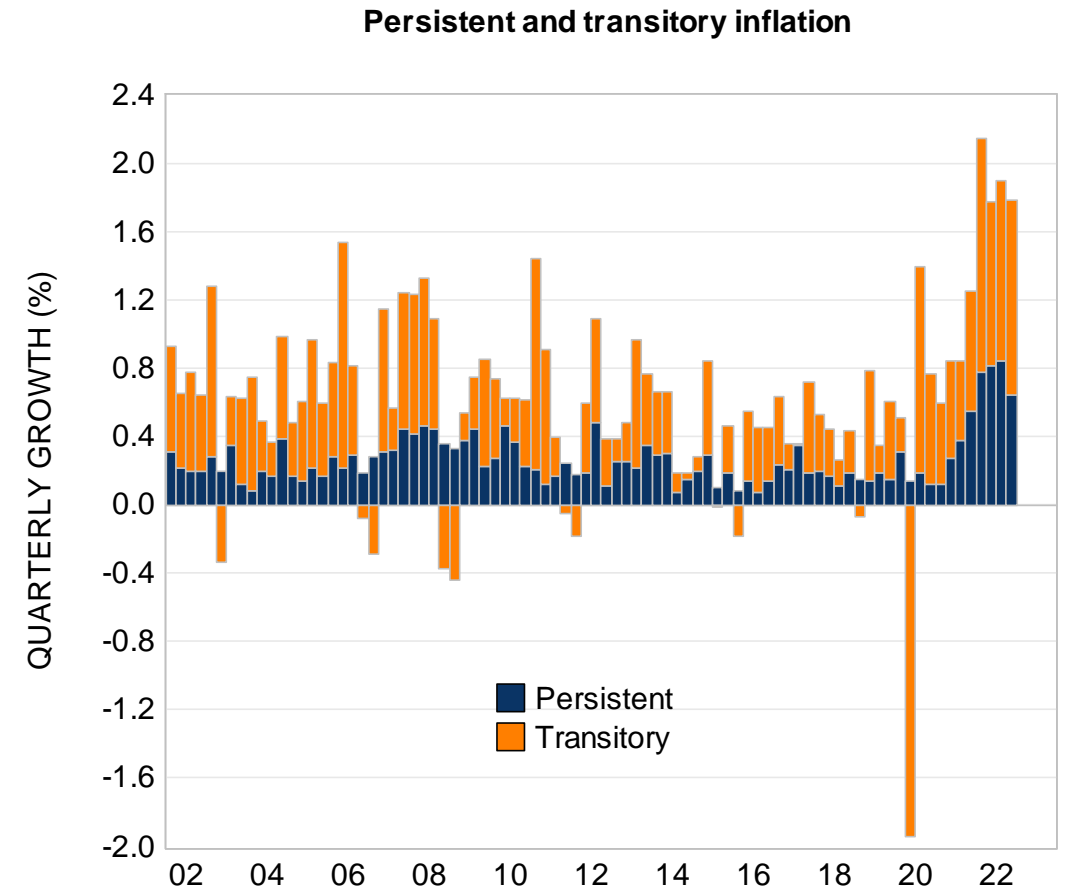
...with it not likely to moderate until early 2025

# National economy – Inflation drivers



Source: Australian Bureau of Statistics, Reserve Bank of Australia, QTC, Macrobond

The rate of inflation...



Source: Macrobond, QTC

...and its composition has been a concern for the RBA

# Inflation – Outlook

Inflation forecast (10-year ahead)



Inflation should head lower in the near-term but be higher than pre-COVID rates in the medium to long-term

Why inflation should moderate in the near-term (<1 year)?

- Lower food, energy and construction costs
- Supply chain pressures to ease further
- Labour market conditions to soften

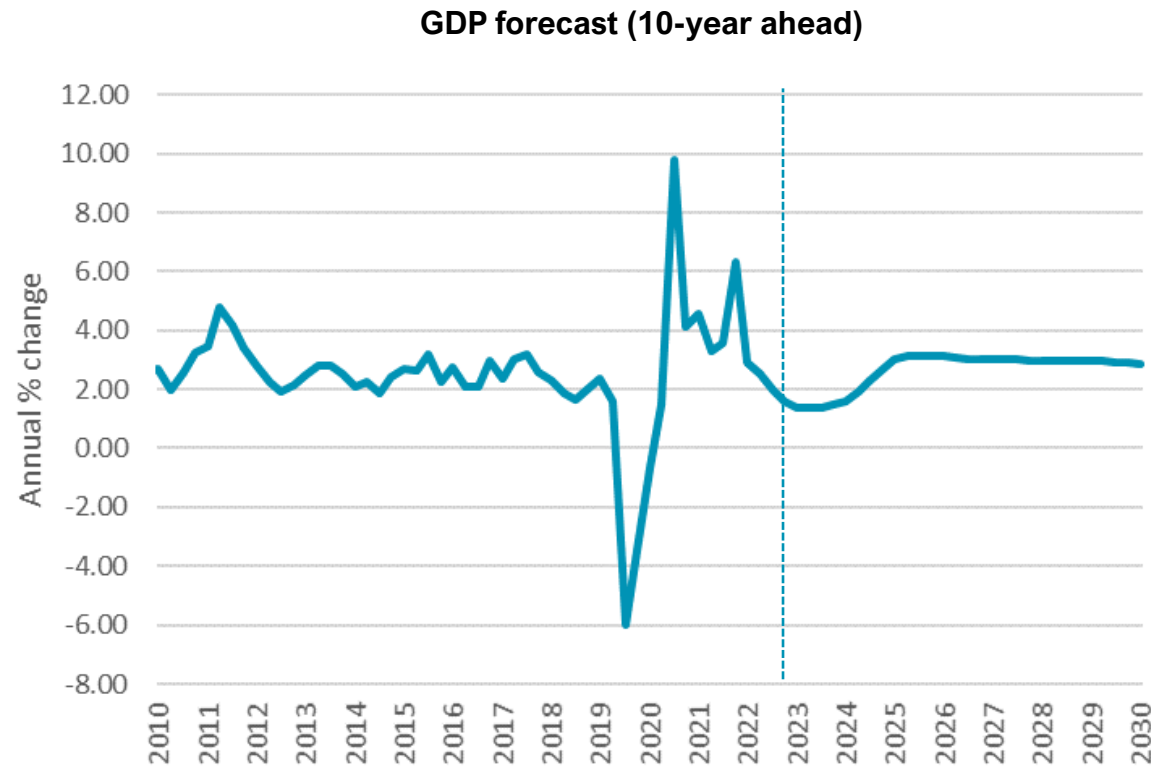
Why inflation should be higher in the medium-term (1 to 3 years)?

- Delayed business pass-through of higher costs + last gasp attempt for margin expansion
- Delayed pass-through of rents and second round impacts of earlier rises in energy and wages
- Higher inflation expectations

Why inflation should be higher in the long-term (> 3 years)?

- Re-onshoring, energy transition, greater weather variability

# Activity – Outlook



Economic growth should slow notably this year, could there be a recession?

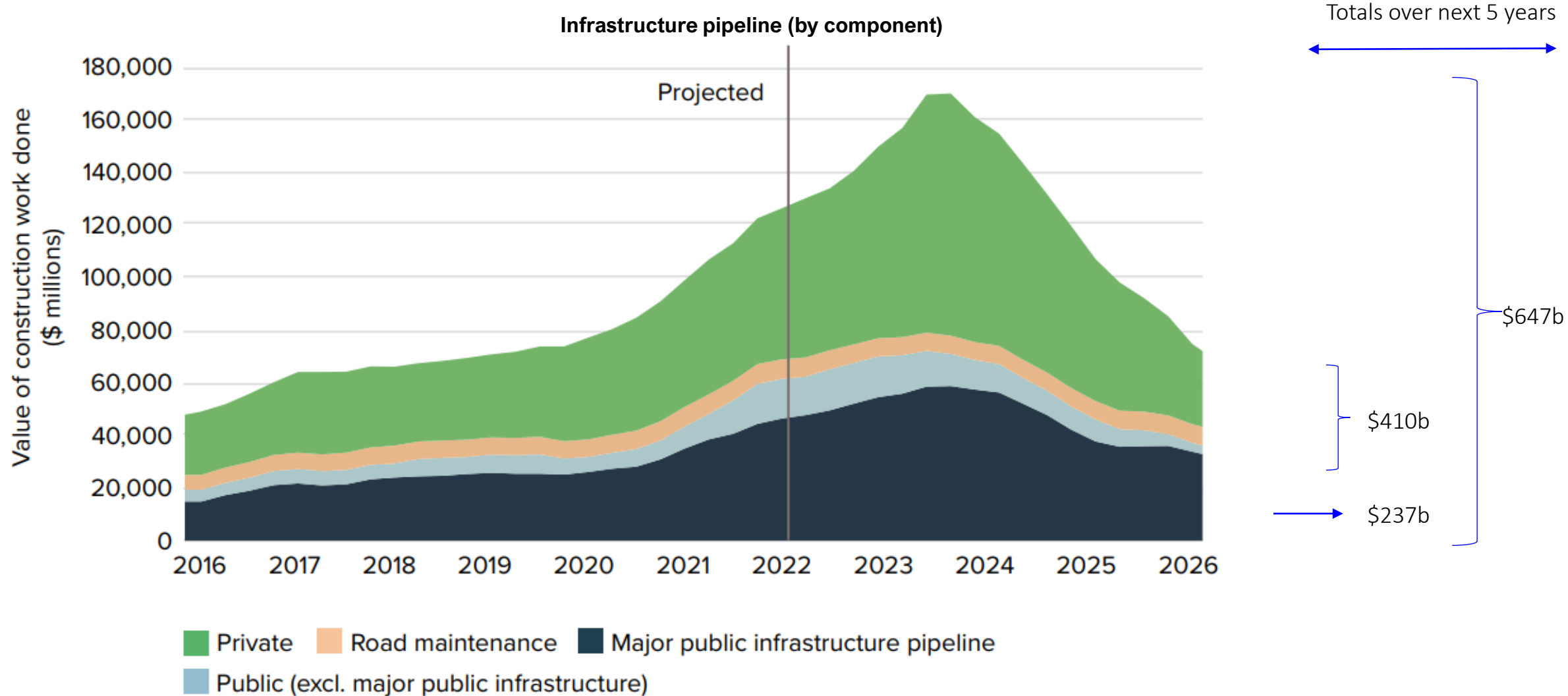
## Why might we not see a recession in Australia

- RBA not taking rates as high as elsewhere
- Housing may be finding a bottom
- Strong household savings buffers
- Tax cuts legislated for 1 July 2024
- Solid budget positions give governments scope to provide additional support if needed
- Prospect of labour hoarding
- Accelerating population growth
- China rebound

Source: QTC Economic Research

# Issues of specific interest – Infrastructure

# Infrastructure

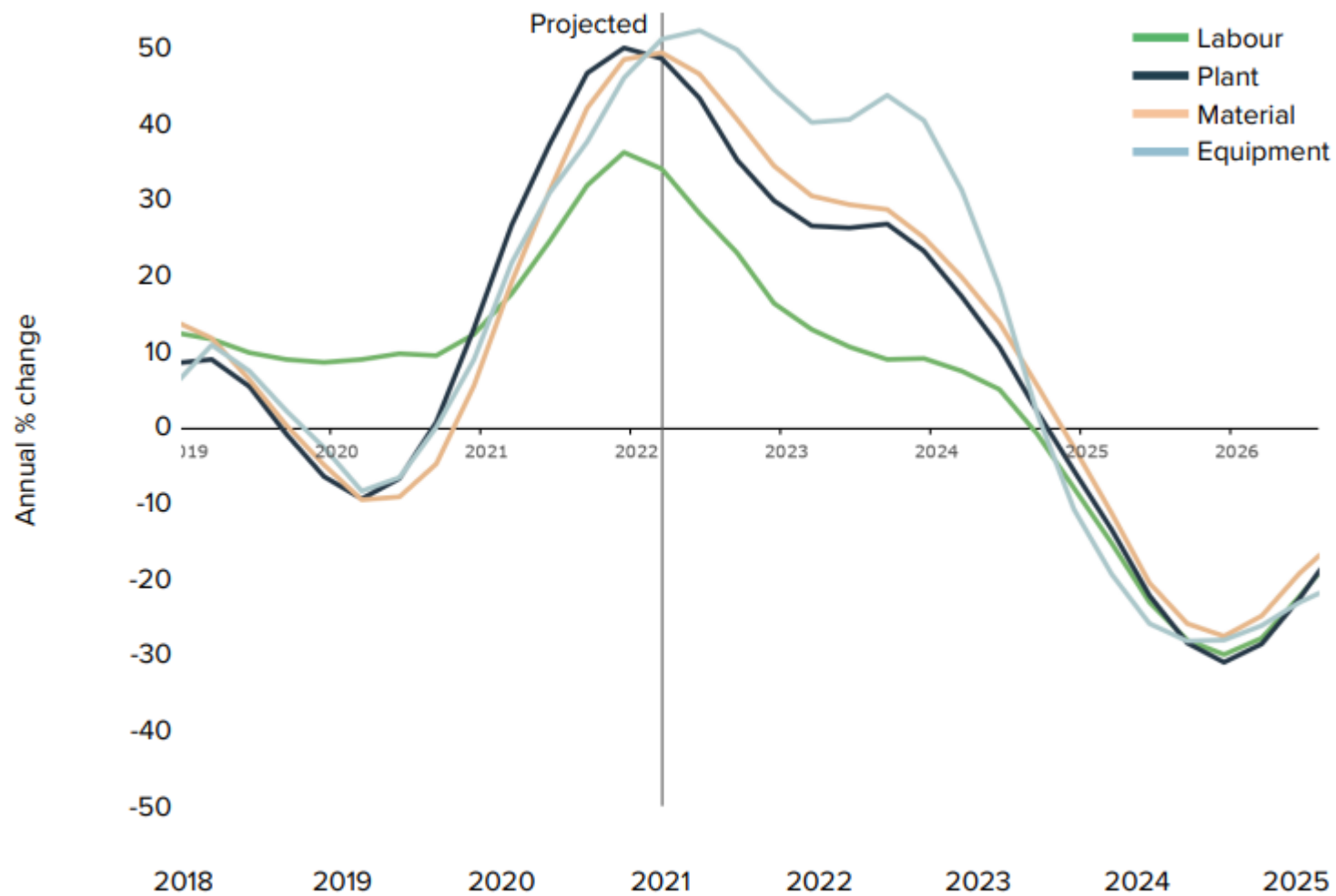


Source: Turner & Townsend and BIS Oxford Economics commissioned by Infrastructure Australia (2022)



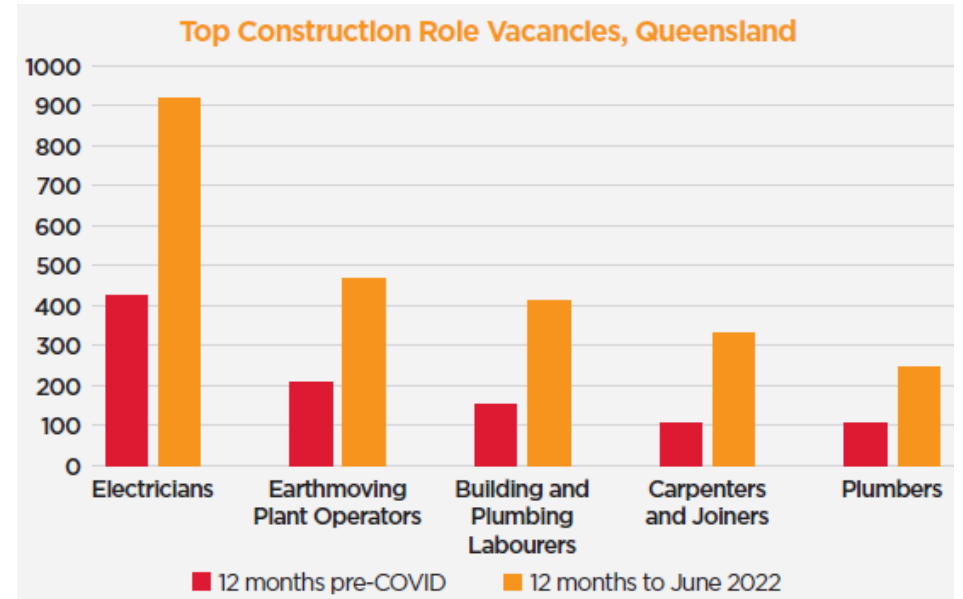
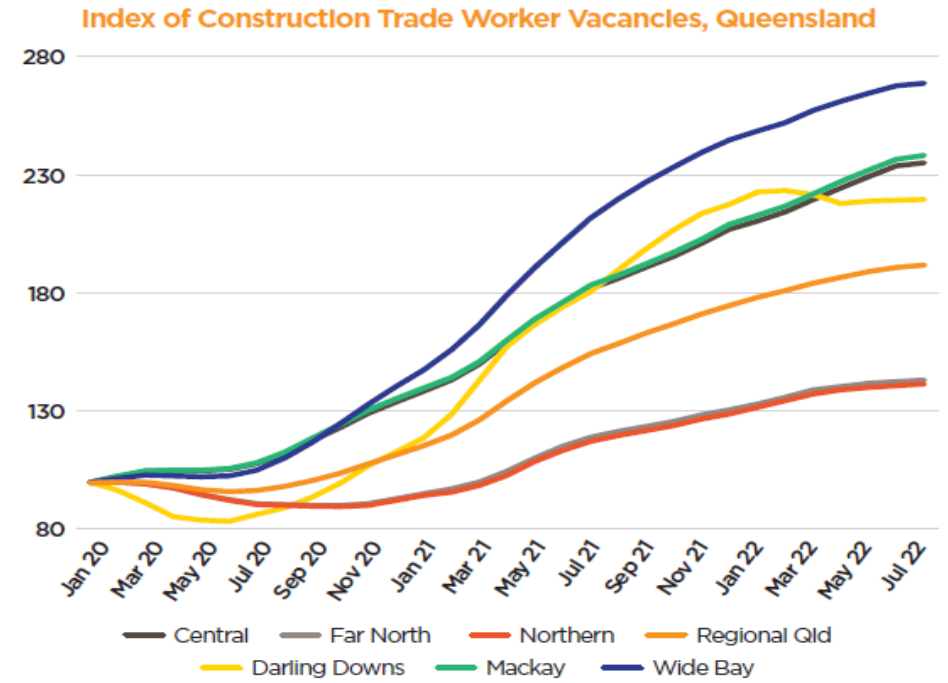
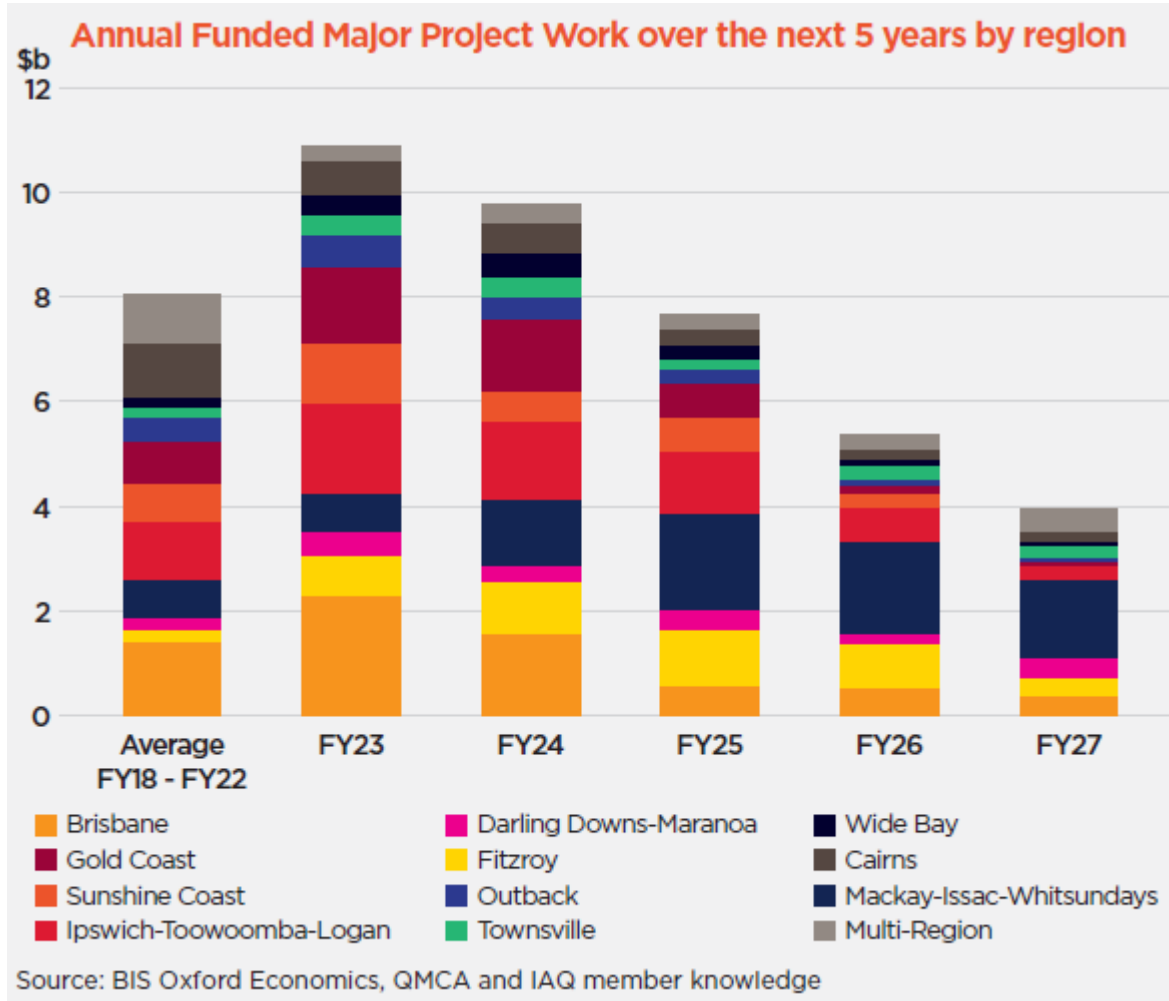
# Infrastructure

Major public infrastructure – plant, labour, equipment and material demand growth

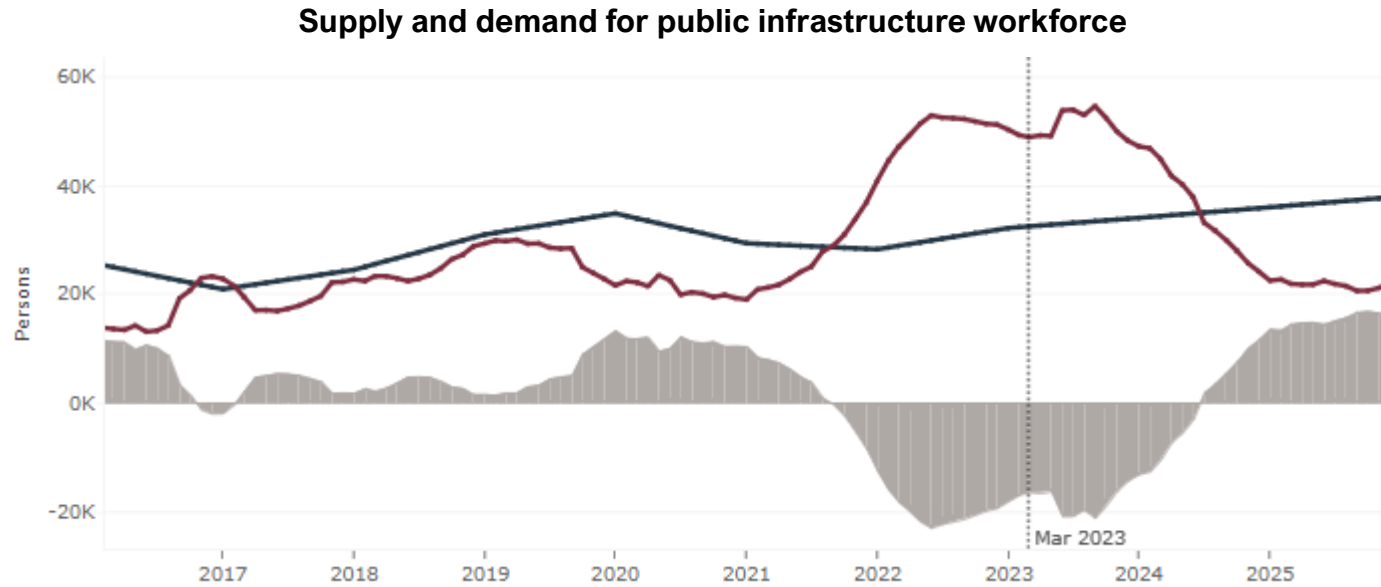


Source: Turner & Townsend and BIS Oxford Economics commissioned by Infrastructure Australia (2022)

# Infrastructure



# Infrastructure



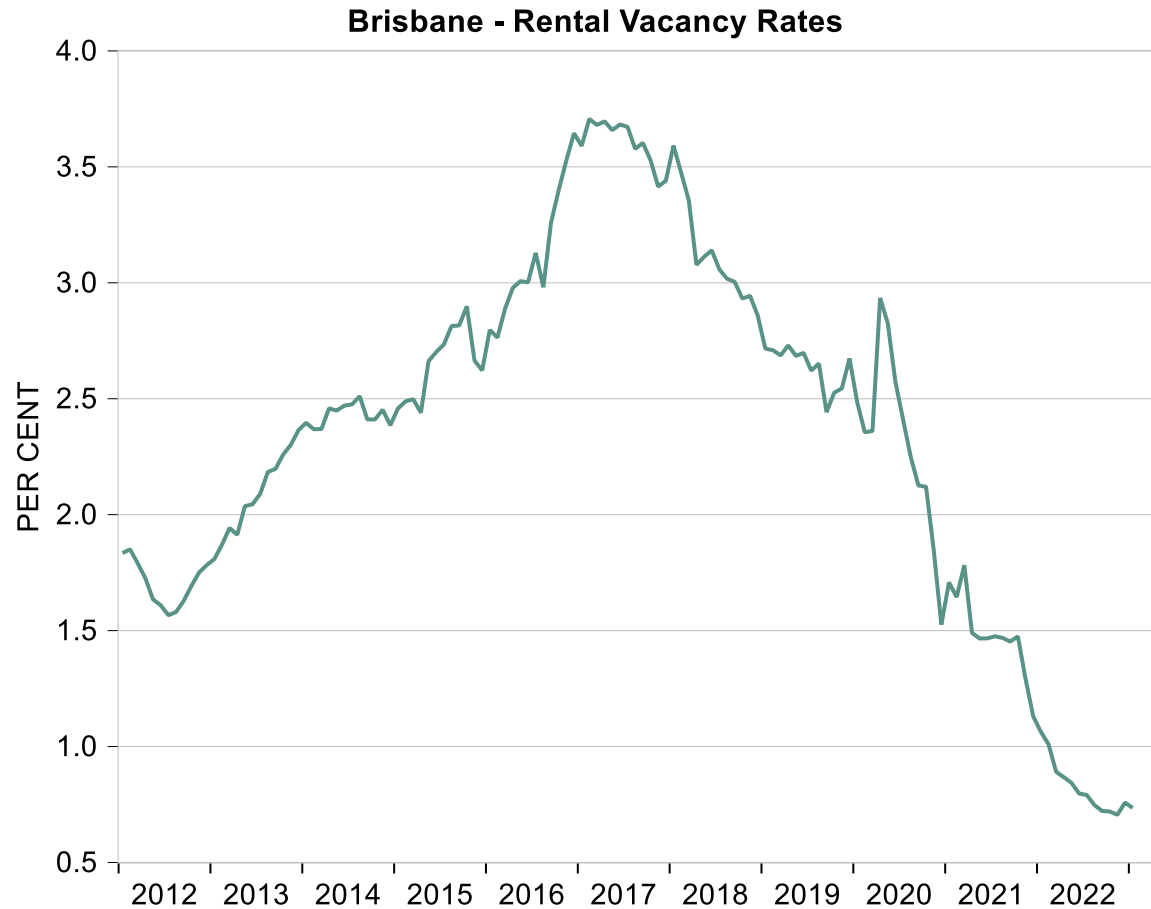
Currently there is an estimated shortfall of 16.4k workers in the infrastructure sector in QLD

At its peak (Sep 2023), the shortfall will be 21.2k and be concentrated in:

- Structural engineers (-1.2k) & civil engineers (-1.9k)
- Plant operators (-1.3k) & road based civil plant operator (-2.8k)
- Land surveyors (-1.7k) & project managers (-1.9k)
- Labourers (-5.8k)

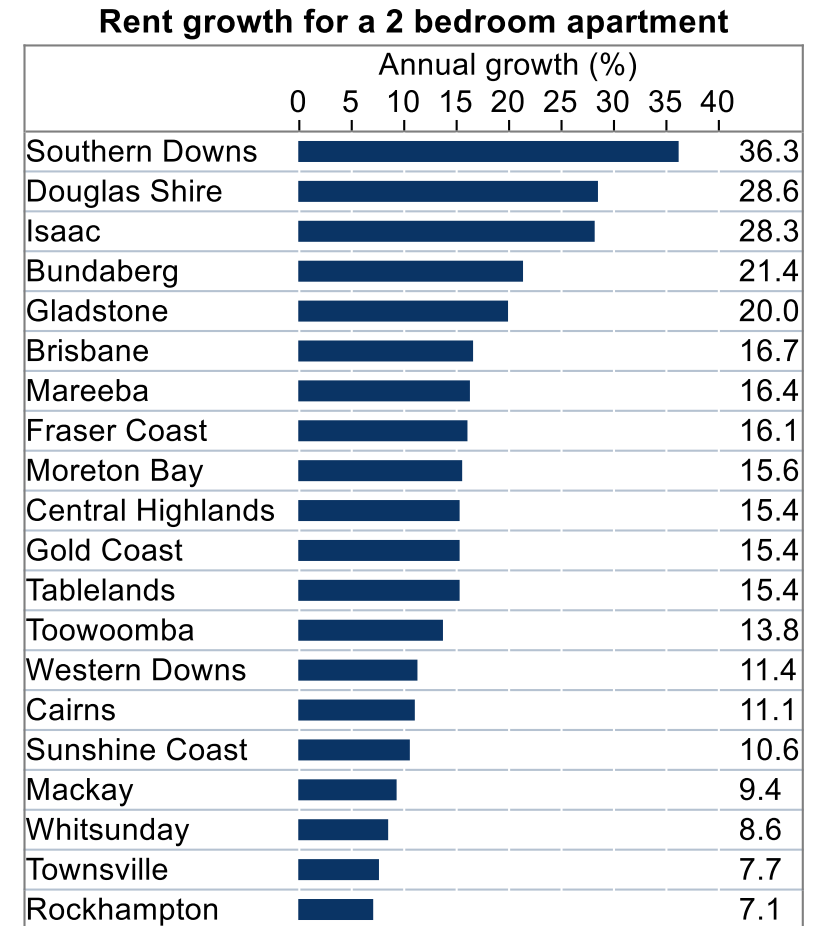
# Issues of specific interest - Regional economy

# Rental markets



Source: SQM Research, QTC, Macrobond

Rental markets across the state remain incredibly tight...



...which has led to soaring rents

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## Inflation

- How tight is the Australian labour market? And what does it mean for wages and inflation?
- Oil prices and inflation: Is Australia facing a crude shock?
- Assessing the probability of different inflation outcomes
- What to expect when you're expecting inflation
- What's down with Australian inflation?



## Economy

- What effect will higher interest rates have on the Australian economy?
- The demand-supply imbalance in the Australian economy
- Re-assessing Australia's economic recovery
- Where are we in the economic cycle?
- Assessing US recession risks
- Daily nowcasting of global and Australian GDP growth



## Economy & interest rates

- 2030 Vision: Outlook for the economy and interest rates
- An RBA hiking cycle: Some paths less travelled
- Estimates of the neutral and terminal rate in Australia
- How tight is monetary policy in Australia?

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