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The Case for Queensland

By Suncorp CFO Steve Johnston

As loyal die-hard Queenslanders, our first instinct is to defend the state of our state, lament that things are really not that bad and conclude for the most part, we're doing OK. And if that fails, remember, we won the Origin, so things are pretty rosy.

However, in recent years, the weight of informed opinion has been squarely biased against Queensland, driven in part by the unwinding of the mining investment boom. However such analysis ignores the inherent diversification of our economy.

The world is operating in a slow growth, low inflation and very low interest rate environment, and the traditional tools of economic management, monetary and fiscal policy simply don't work as they used to.

It's against this backdrop that the performance of the Queensland economy needs to be put into context and while it's true we lag other parts of the nation on several economic indicators, such as employment, there is a sense the worst has passed.

Over the past 12 months, 50,000 dwellings were approved in Queensland and activity in the non-residential building sector has increased. This has been attributed to the commercial, industrial and education sectors, including Commonwealth Games construction projects.

Interstate migration reached a three-year high in 2015 and this trend will drive residential construction for years to come.

Sydney house prices are now 75% above those in Brisbane and in a low-interest rate environment, this means Brisbane offers greater affordability for first home buyers and a superior gross rental yield of 4.1% compared to 2.8% in Sydney and Melbourne.

The Queensland Government has flagged a \$10.7 billion infrastructure spend in 2016-17, including Brisbane's Cross River Rail Project and the Townsville Stadium.

These job-creating projects build confidence in our economy, improve transport links and promote property development.

Tourism is synonymous with Queensland. The industry is benefitting from a lower Australian dollar and this is particularly true in the far north.

The number of domestic overnight visitors to Queensland reached 20.2 million to the year ending June 2016, the highest rate since 1999. Visitors are also spending more with expenditure increasing to \$14.6 billion.

Queensland also had the nation's strongest share of international visitors at 69.2% with visitors spending a record \$5.1 billion.

China is Queensland's prime tourism market, with the number of Chinese visitors increasing 30.5% to 468,000. This provides enormous opportunity for the industry.

To capitalise on our natural assets, the industry must focus on providing unique experiences across the whole State, promoted through innovative campaigns, as well as continuing to invest in world-class tourism infrastructure.

The decline in mining investment has been a drag on the economy and with commodity prices waning since 2011, the lift in export volumes has provided only limited offset.

The RBA claims 'more than three-quarters of the anticipated decline in mining investment is behind us' which implies that mining investment may stabilise over the next 12 months.

Coal prices have recovered and Queensland's oldest coal mine in Collinsville has announced it will recommence production and employ up to 200 workers.

Combined with construction on the Carmichael Coal and Rail Project, and green shoots in base metals, this is excellent news for our regional communities and for the broader State.

In terms of agriculture, sugar remains one of the best performing commodities due to supply concerns. Chickpea prices are at record highs and wheat prices have seen some respite despite oversupply issues.

Global demand for beef is rising, particularly from Chinese buyers and a more competitive Australian dollar, and the implementation of free trade agreements will boost growth.

Cattle prices are performing well and are sitting just below the record highs that were recorded in August. Overall, rural and non-rural commodity prices have lifted since earlier this year, allowing the country's 'Terms of Trade' to increase for the first time in over two years.

Business confidence in Queensland is on the rise and Deloitte is forecasting economic growth to surpass the national average in the next three years.

The Westpac-Melbourne Institute Consumer Sentiment Index for October reports consumer sentiment in Queensland is above the national average, having risen sharply over the past 12 months.

This is reflected in retail sales, where state growth of 3.1% over the year is outpacing the national rate of 2.7%.

Deloitte expects Queensland will record the strongest economic growth in the nation to 2025-26.

It states, 'Queensland has a lovely portfolio of sectors and as some lose steam, others are taking up the slack'.

With a minority government, a divided Parliament and a tendency for debate to focus on the negatives, it is easy to find reasons not to be optimistic. It's time for the business community, at least, to get behind Queensland and help make the State great again.