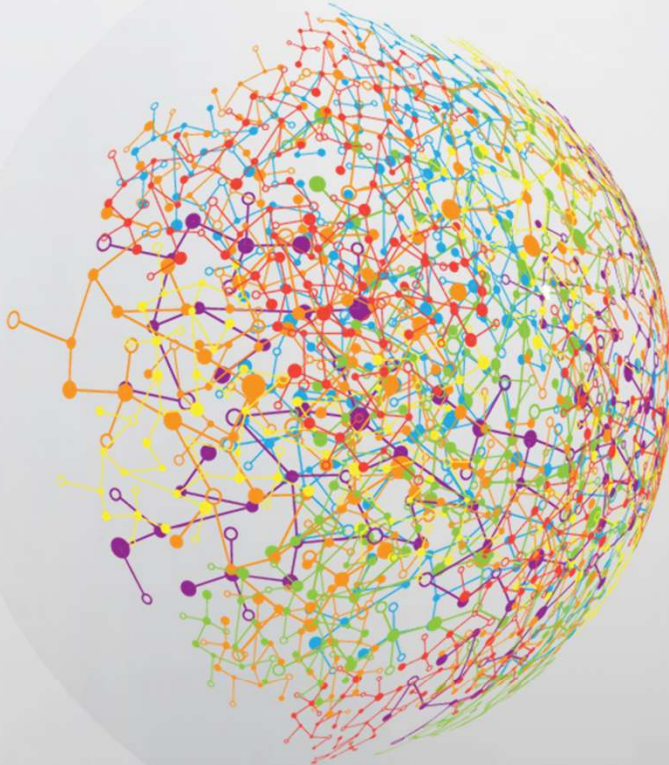


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National investment trends and the economic outlook

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Why is investment important?

Australia's living standards have flatlined. Investment is critical for productivity growth.

Chart 1: Australian prosperity is going sideways

Real economic output per person

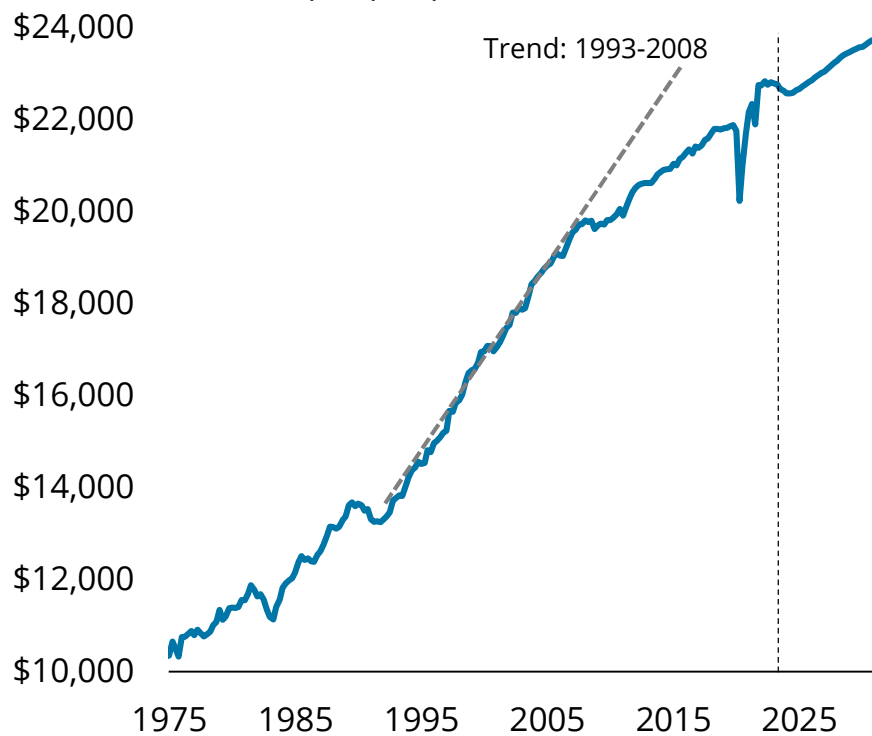
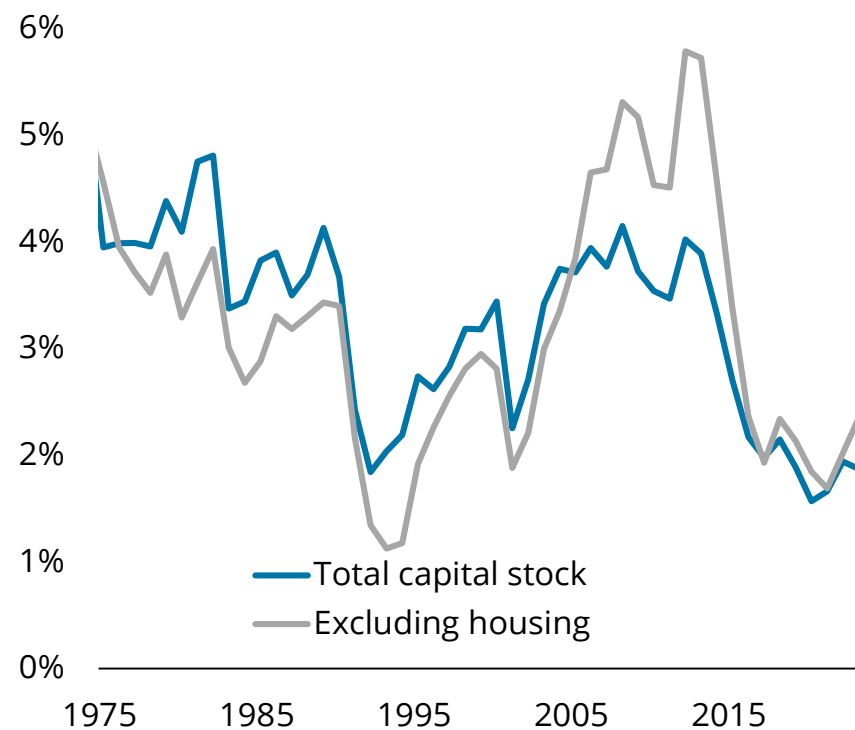


Chart 2: That is partly due to slower investment growth

Annual growth in Australia's real net capital stock



A step back: Australian economic conditions

A return to pre-pandemic rates of growth

- The Australian economy was growing very slowly before the COVID-19 pandemic
- Pandemic stimulus is only just now washing out of the system
- Higher interest rates, a greater level of uncertainty in the global economy, still elevated inflation and broader cost of living pressures mean households remain under pressure
- Housing construction is not gaining any traction – the housing crisis will get worse before it gets better

Chart 3: The Australian economy is set for only modest growth

Change over previous 12 months

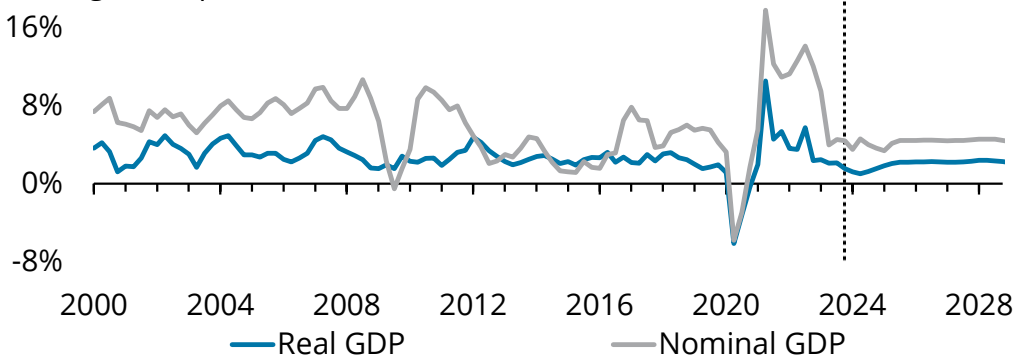
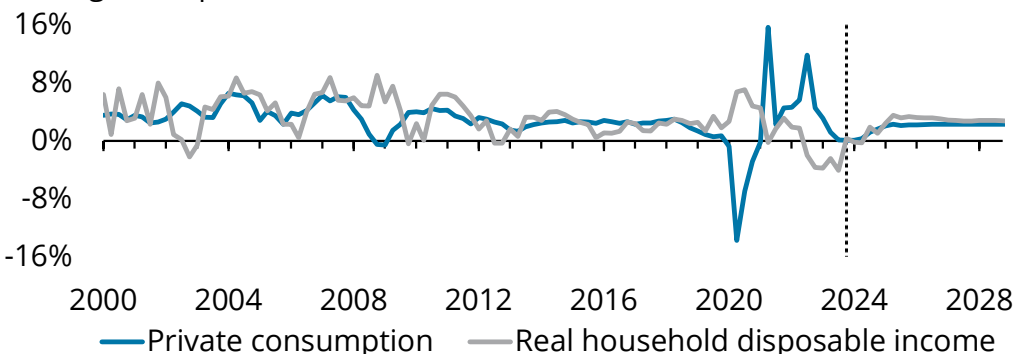


Chart 4: Household income and spending slowly recovering

Change over previous 12 months



A step back: Australian economic conditions

Population growth has been a major driver of the Australian economy. That's even more true today.

- High inflation has severely eroded the purchasing power of Australian consumers
- Australia is in a 'per capita recession'. It is only strong population growth that is keeping the economy growing. That is not sustainable

Chart 7: Population growth has supported the economy

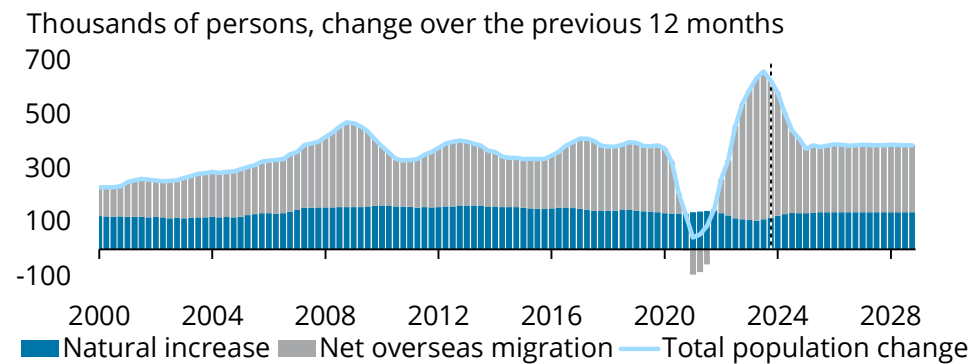


Chart 5: Inflation has decelerated rapidly

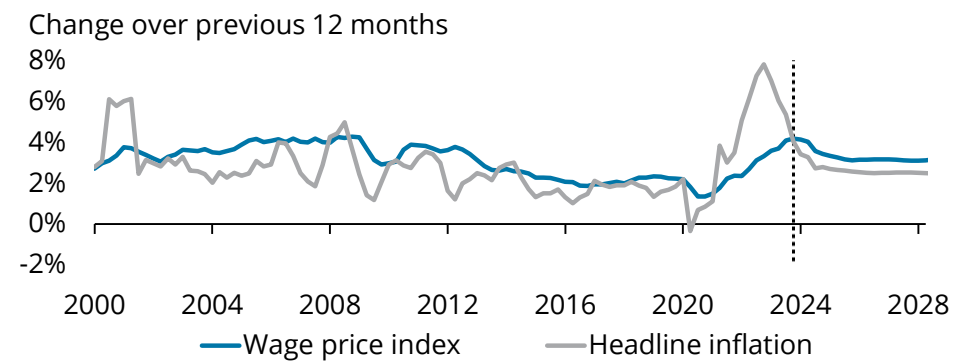
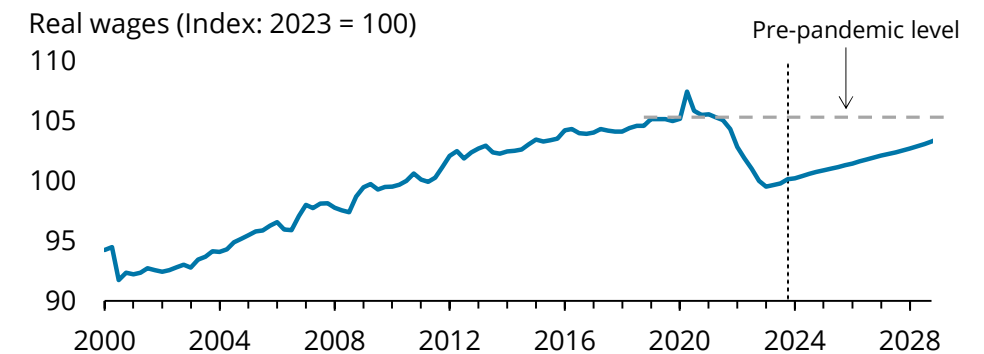


Chart 6: Real wages will take a long time to recover



Investment spending peaked in 2013, and is only just now reaching those levels again
 Investment in the Australian economy is dominated by the services sector

- Investment in Australia has been disappointing over the past decade
- Most of the non-dwelling investment spending that occurs in Australia is on building new mines, roads, office blocks, shopping centres, etc
- Machinery and equipment, research and development, and ICT investment spending is smaller, but growth has been more encouraging of late
- Services account for more than 70% of the Australian economy, and a similar share of investment

Chart 8: Structures, buildings, roads dominate investment

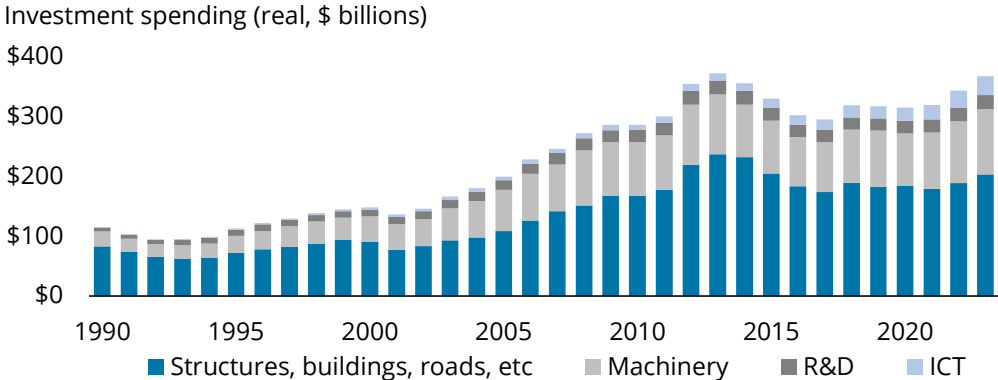
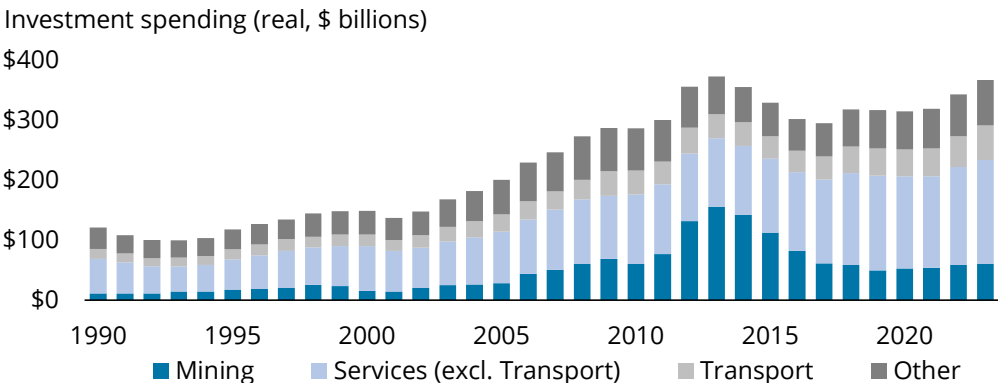


Chart 9: Services underpin investment (and the economy)



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 Source: Australian Bureau of Statistics; Deloitte Access Economics

The value of major projects underway in Australia and Queensland

The mining boom has come and gone. Transport is now leading growth thanks to gov't spending

- Spending on transport projects has increased significantly in the past few years.
- Almost all the spending on transport projects is done by the public sector, and (in part) reflects a catch up on previous under investment.
- Queensland data highlights the time that has passed since the last mining boom.
- Transport is also important in the state. But so too is clean energy, manufacturing, social infrastructure, the Olympic Games

Chart 10: Total value of projects underway, Australia

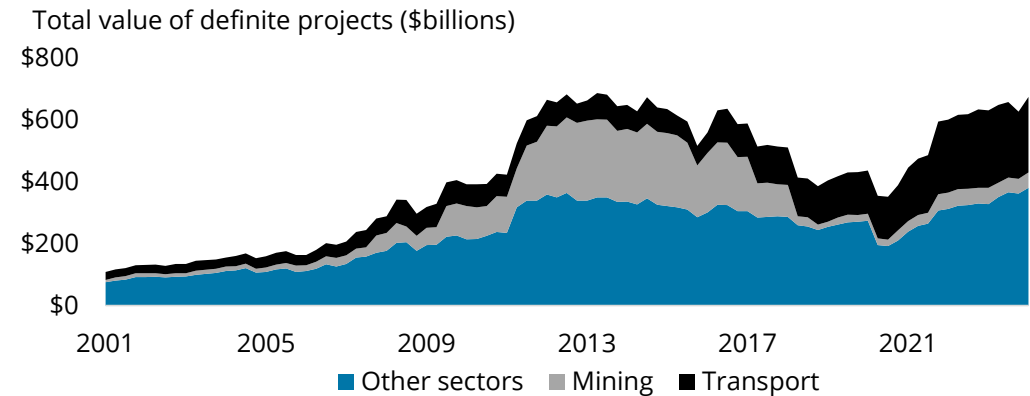
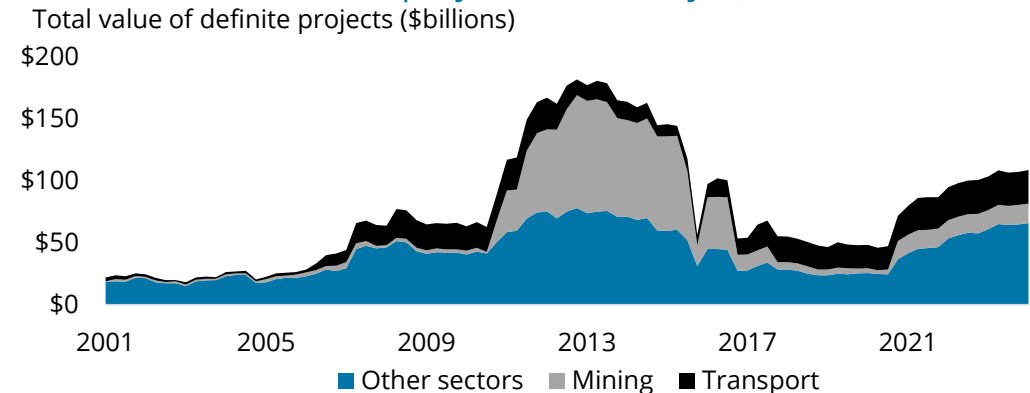


Chart 11: Total value of projects underway, Queensland



The outlook for business investment

The nature of and incentives for business investment may be about to change

- Businesses invest when they believe they can earn a good return...
- The outlook for business investment is not particularly inspiring because earning a good return in a low growth environment is hard across many parts of the Australian economy
- In Queensland, non-dwelling investment as a share of the economy is lower than the equivalent ratio Australia-wide. That is notable given the historical trend
- Will the *Future Made in Australia* policy be a positive turning point for business investment, or a policy debacle?

Chart 12: Australian business investment by type

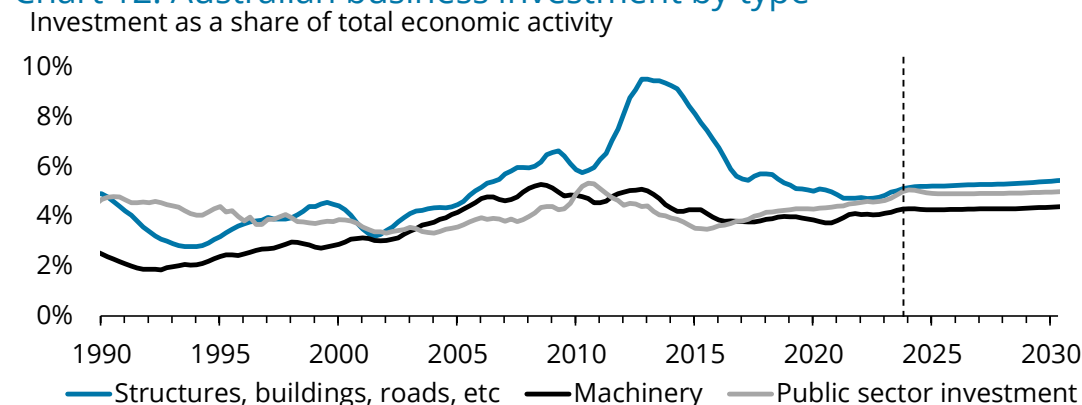
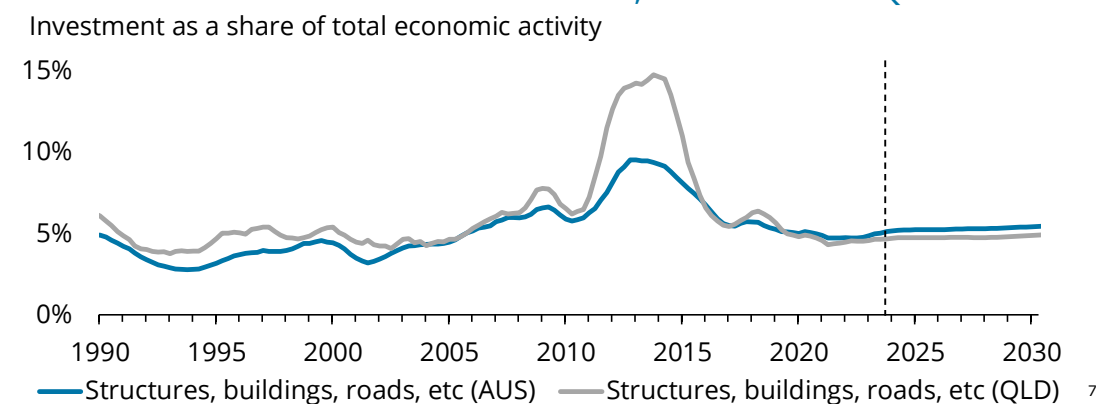


Chart 13: Relative levels of investment, Australia and Queensland



The expected growth of the Sunshine Coast region

The public sector can facilitate transport and service needs. The private sector contributes to jobs.

- Today (2023-24)
 - **433,000 people**
 - 7.8% of Queensland population
 - 31% as many people as Brisbane
- 40 years from now (2063-64)
 - **795,000 people (+362,000, +83%)**
 - **600,000 by 2046 2042**
 - 9.1% of Queensland population
 - 37% as many people as Brisbane
- There are a lot of transport infrastructure projects planned and underway
- That public sector investment is critical to enabling growth and facilitating private sector investment

Chart 14: This region continues to attract other Australians

Growth in population due to net domestic migration, 2022-23

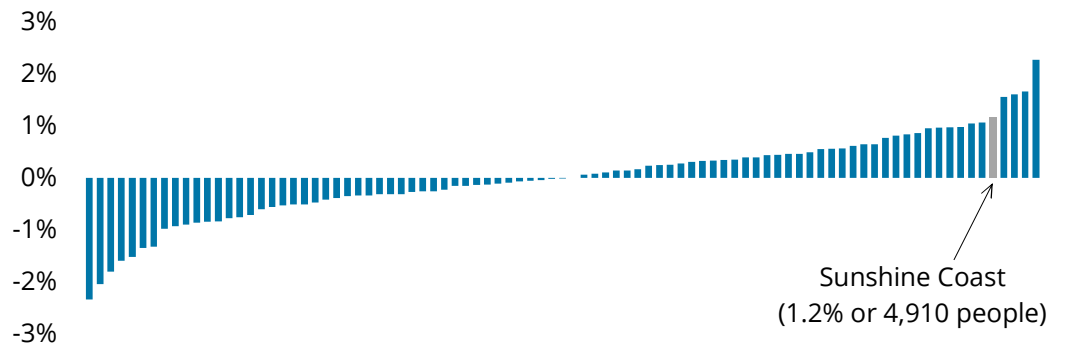
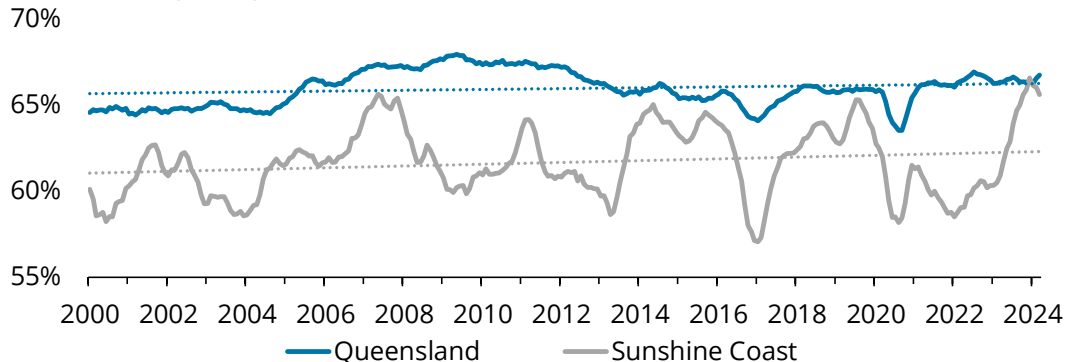


Chart 15: Adding workers, not just people, will be critical

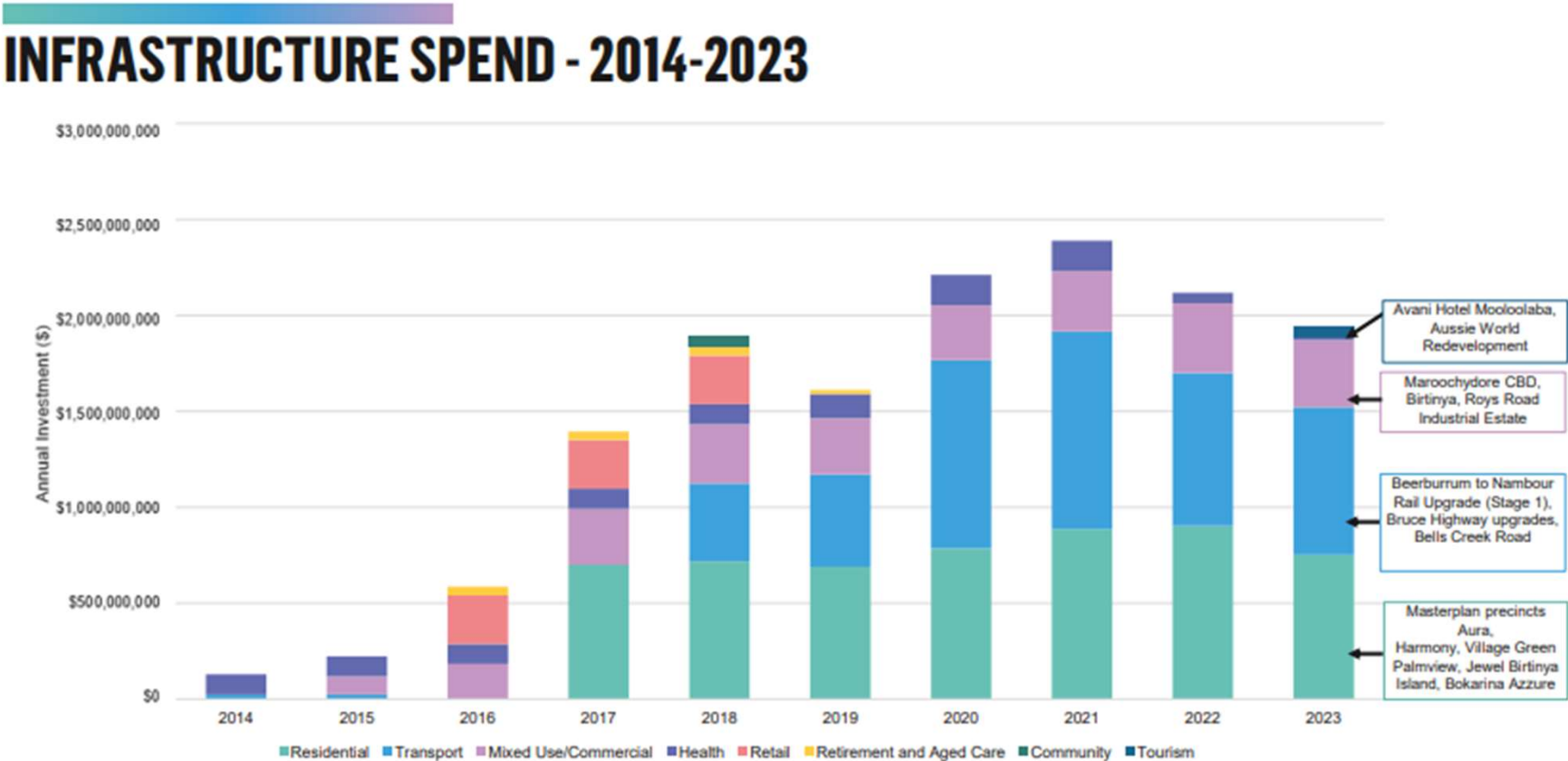
Labour force participation rate



The expected growth of the Sunshine Coast region

Investment in the region appears to have stalled

Chart 16: A growing region needs rising investment...



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Source: Urbis



Questions



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