BIS OXFORD ECONOMICS

LONG TERM MACROECONOMIC FORECASTS

FOR AUSTRALIAN ENERGY MARKET OPERATOR

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29th January 2020

OUTLINE

- Central case: Demographic projections
- Central case: Outlook
- Slow change & step change: Demographic assumptions
- Slow change & step change: Key assumptions
- Slow change & step change: Outlook
- Scenarios comparison

CENTRAL CASE: DEMOGRAPHICS

Fig 1. Total Population Change - Australia

CENTRAL CASE: DEMOGRAPHICS

Fig 2. Population Level – NSW, VIC, QLD & WA

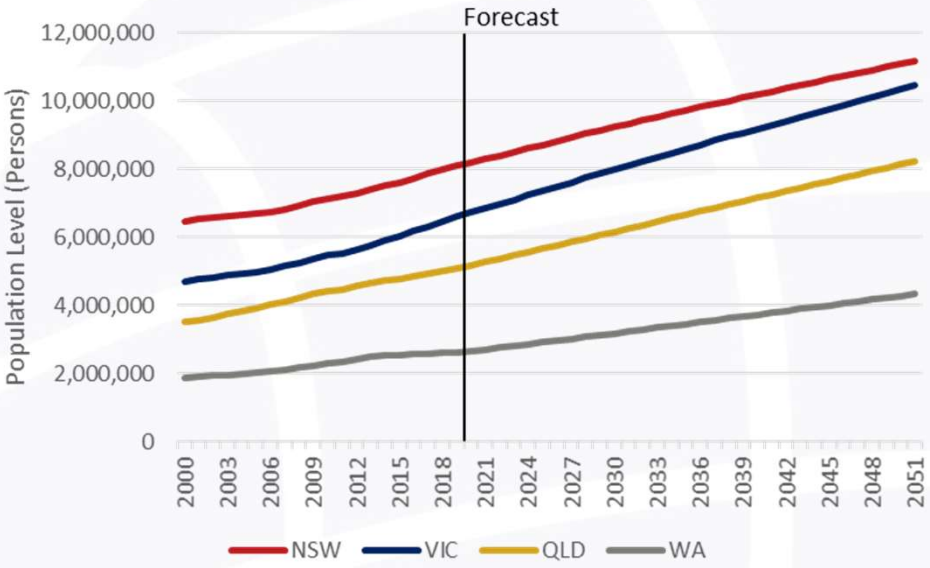


Fig 3. Population Level – SA, TAS, NT & ACT

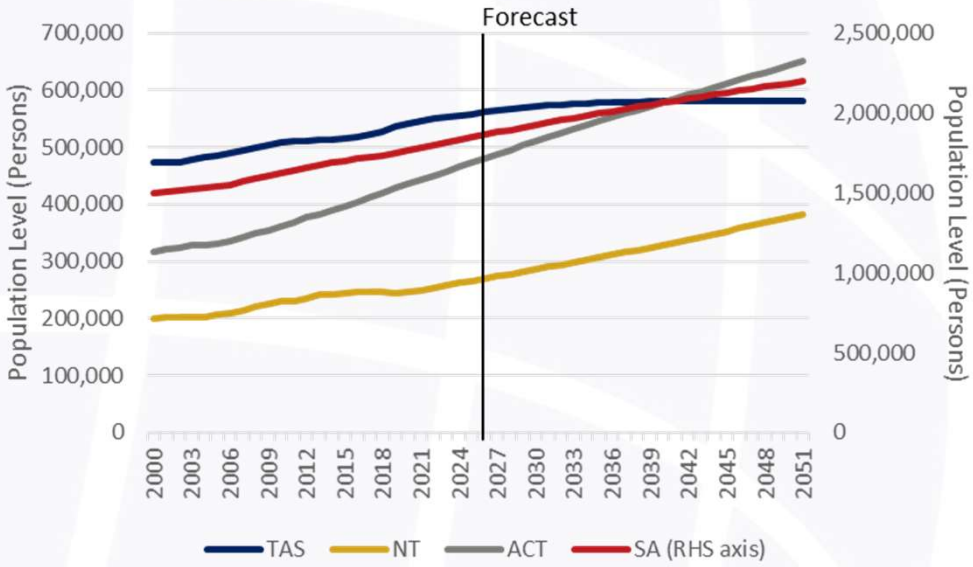
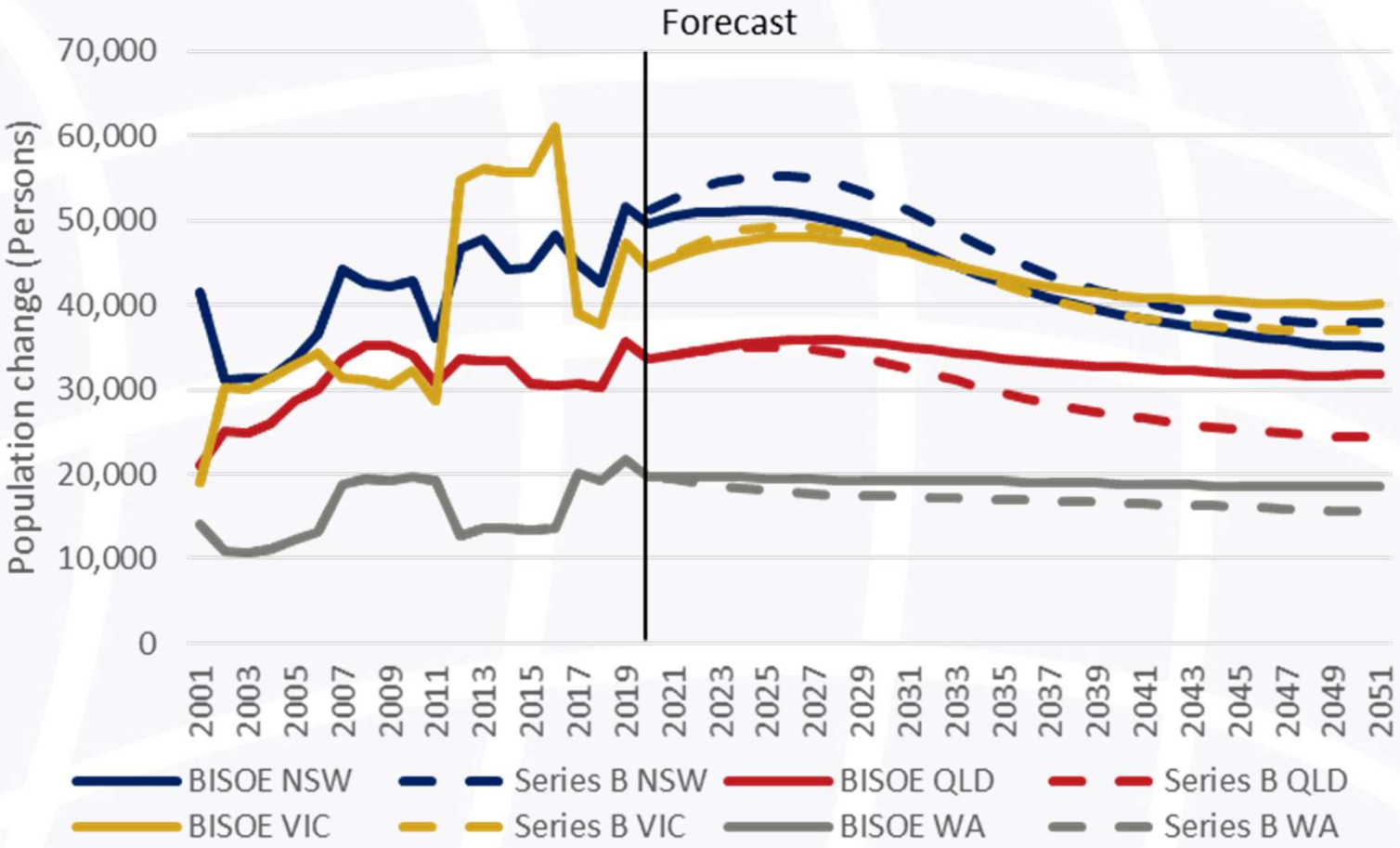


Fig 4. Natural Increase (NSW, VIC, QLD, WA): BIS Oxford Economics vs. ABS Series B



CENTRAL CASE: DEMOGRAPHICS V. ABS SERIES B

Fig 5. Net Overseas Migration (NSW, VIC, QLD, WA): BIS Oxford Economics vs. ABS Series B

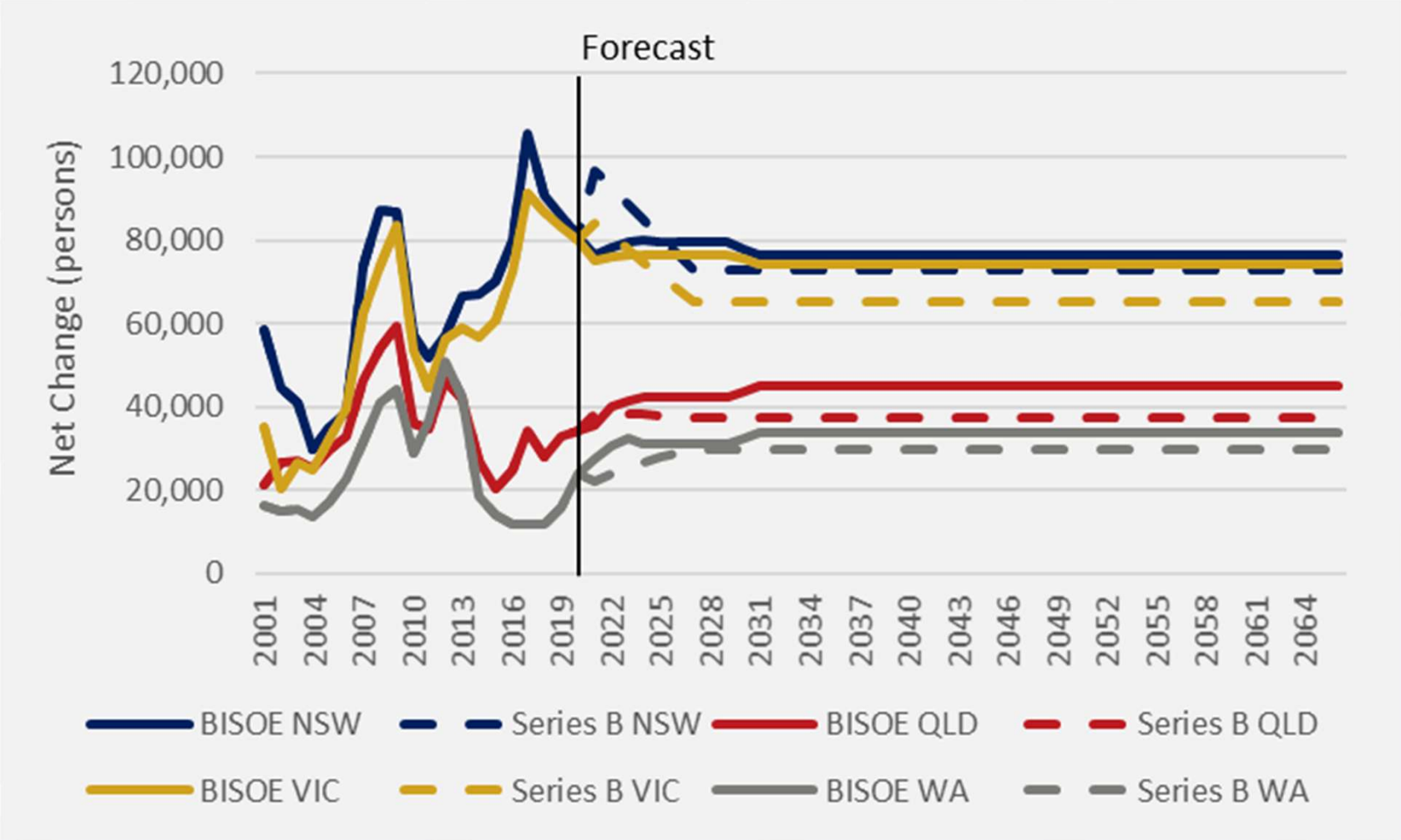
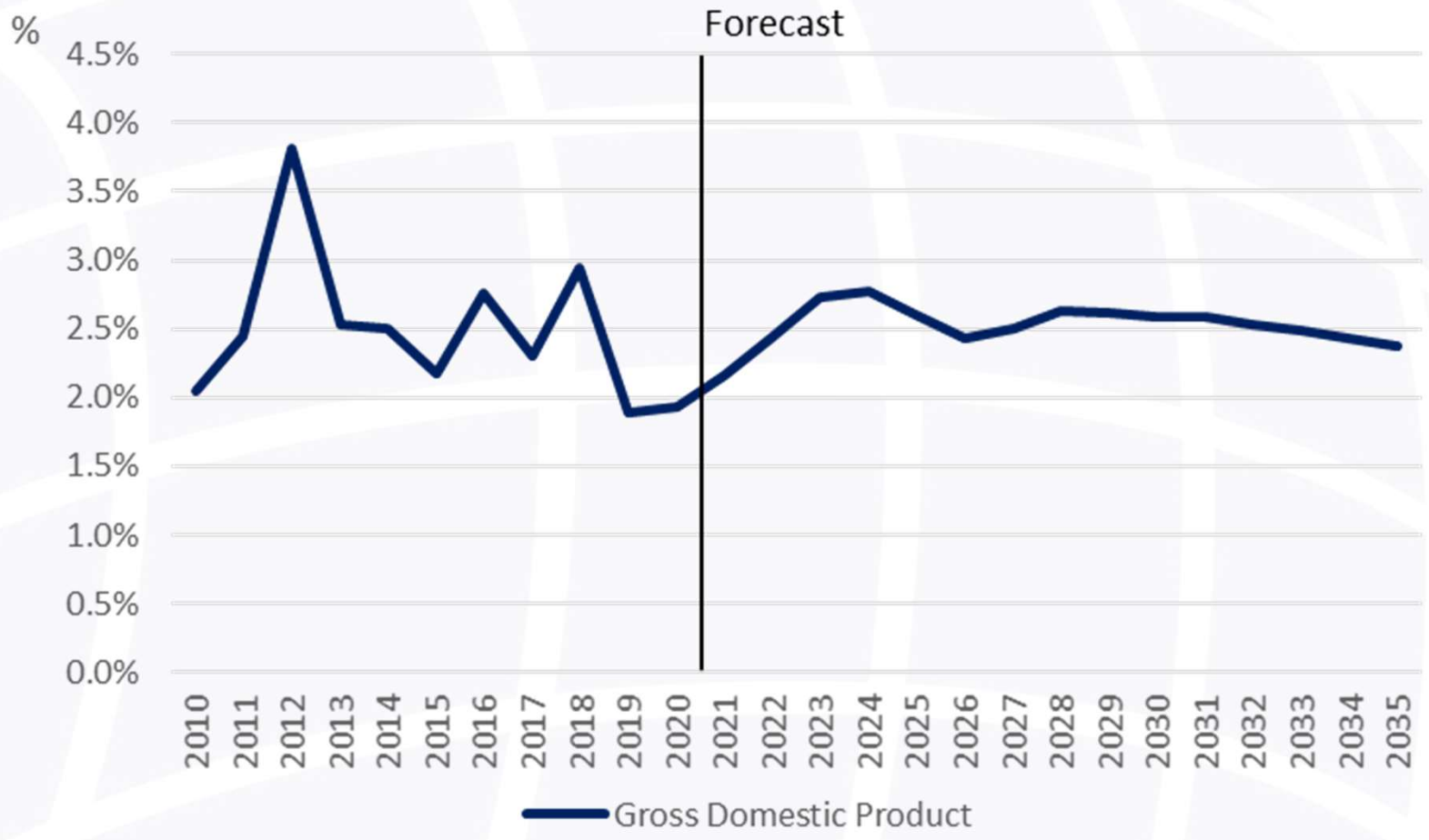


Fig 6. YoY % Change, Gross Domestic Product, Australia



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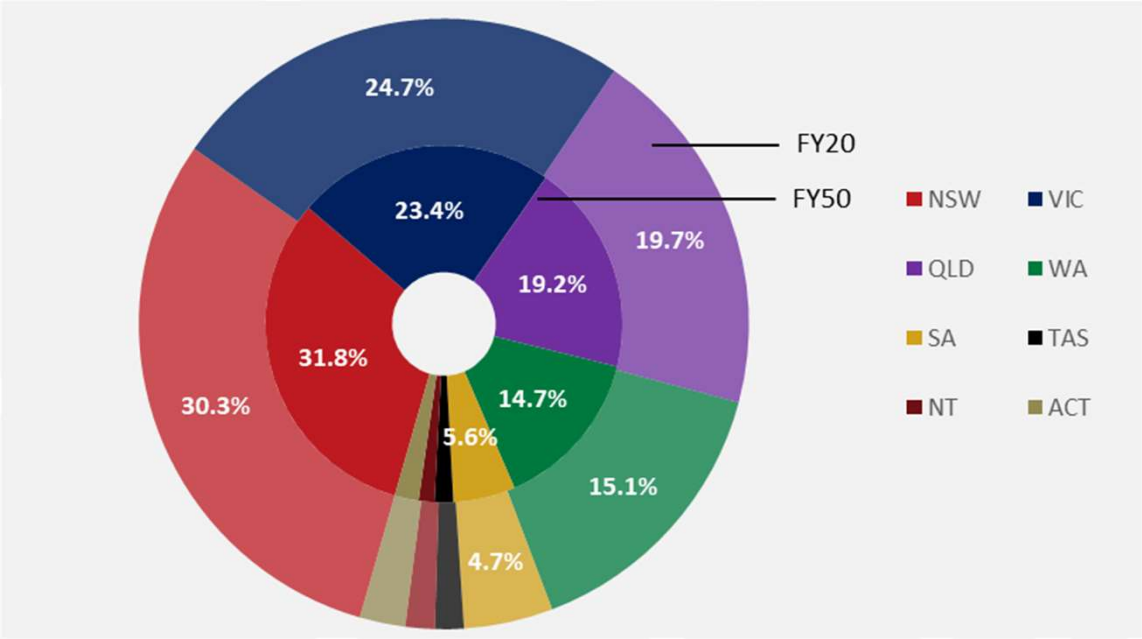
CENTRAL CASE: LONG RUN

Table 1. Gross Domestic Product & Gross State Product, Compounded Annual Growth Rate (CAGR)

	FY20-25	FY25-50
AUS	2.5%	2.2%
NSW	2.1%	2.1%
VIC	3.0%	2.3%
QLD	2.8%	2.3%
WA	2.6%	2.3%
SA	1.9%	1.6%
TAS	2.2%	1.8%
NT	2.4%	2.6%
ACT	2.9%	2.6%

Fig 7. State Breakdown of GDP: FY20 vs. FY50



GDP in FY20: $2.0 trillion
GDP in FY50: $3.9 trillion

Fig 8. Foreign Exchange Rate: USD/ AUD

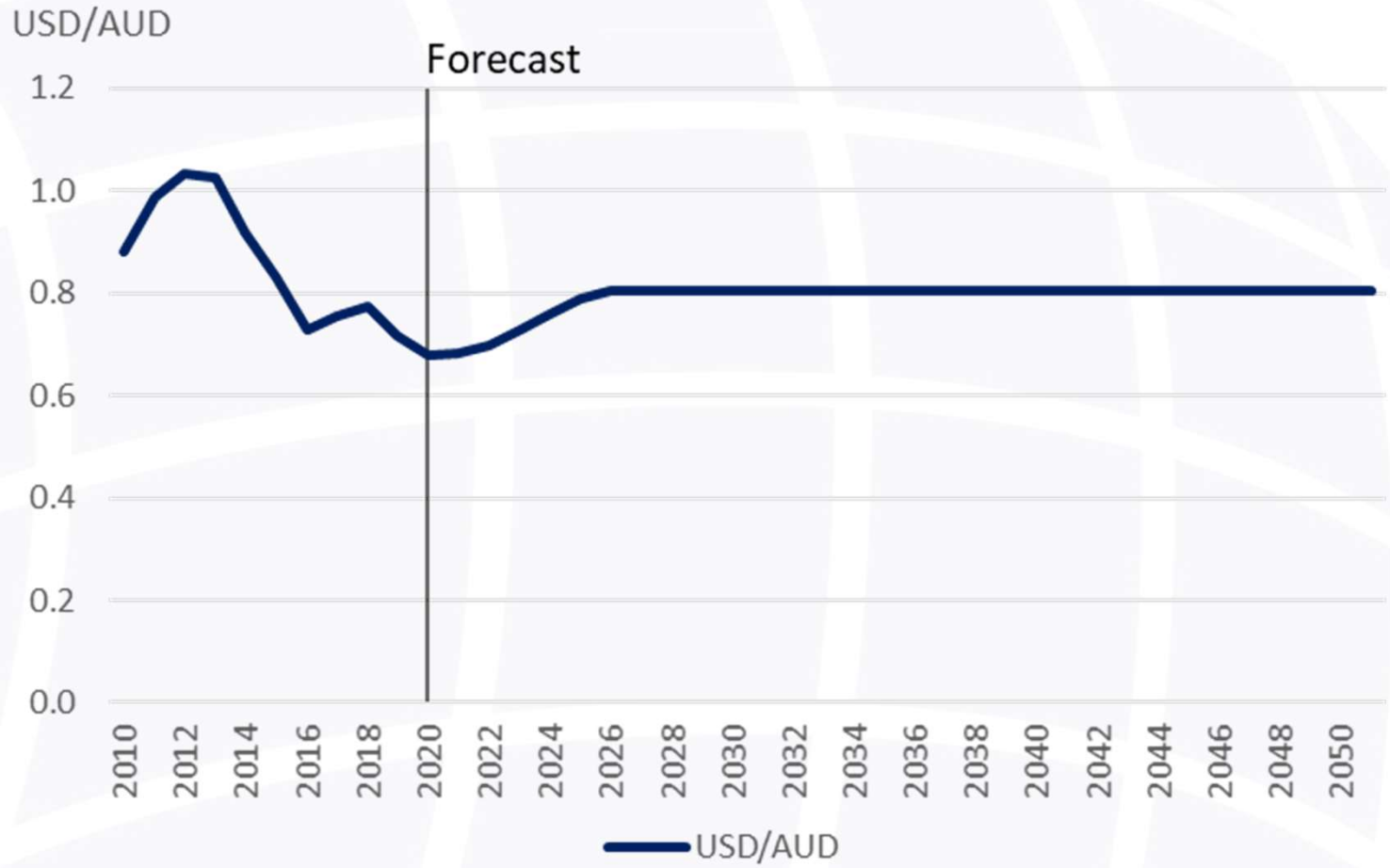


Fig 9. YoY % Gross State Product: NSW & VIC

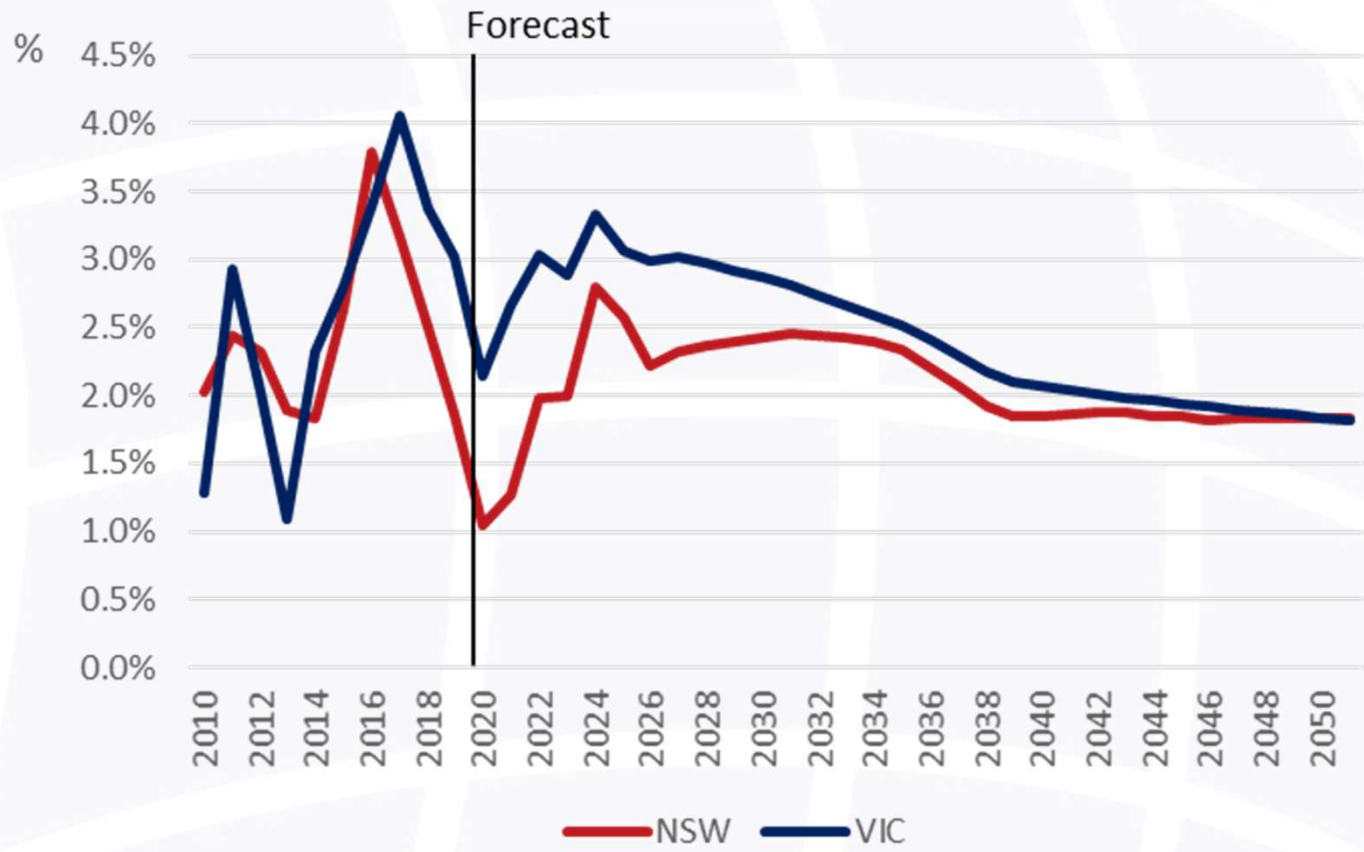
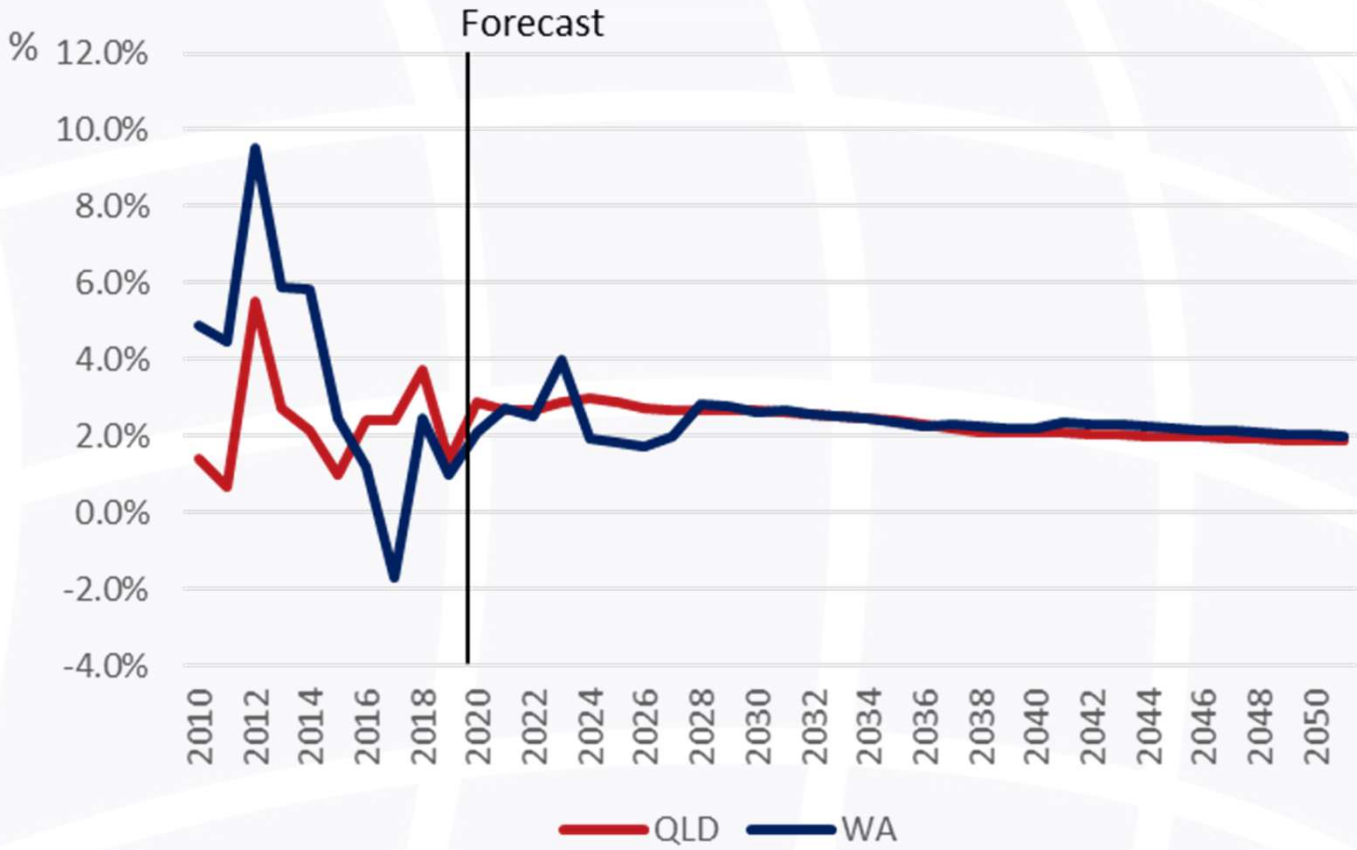
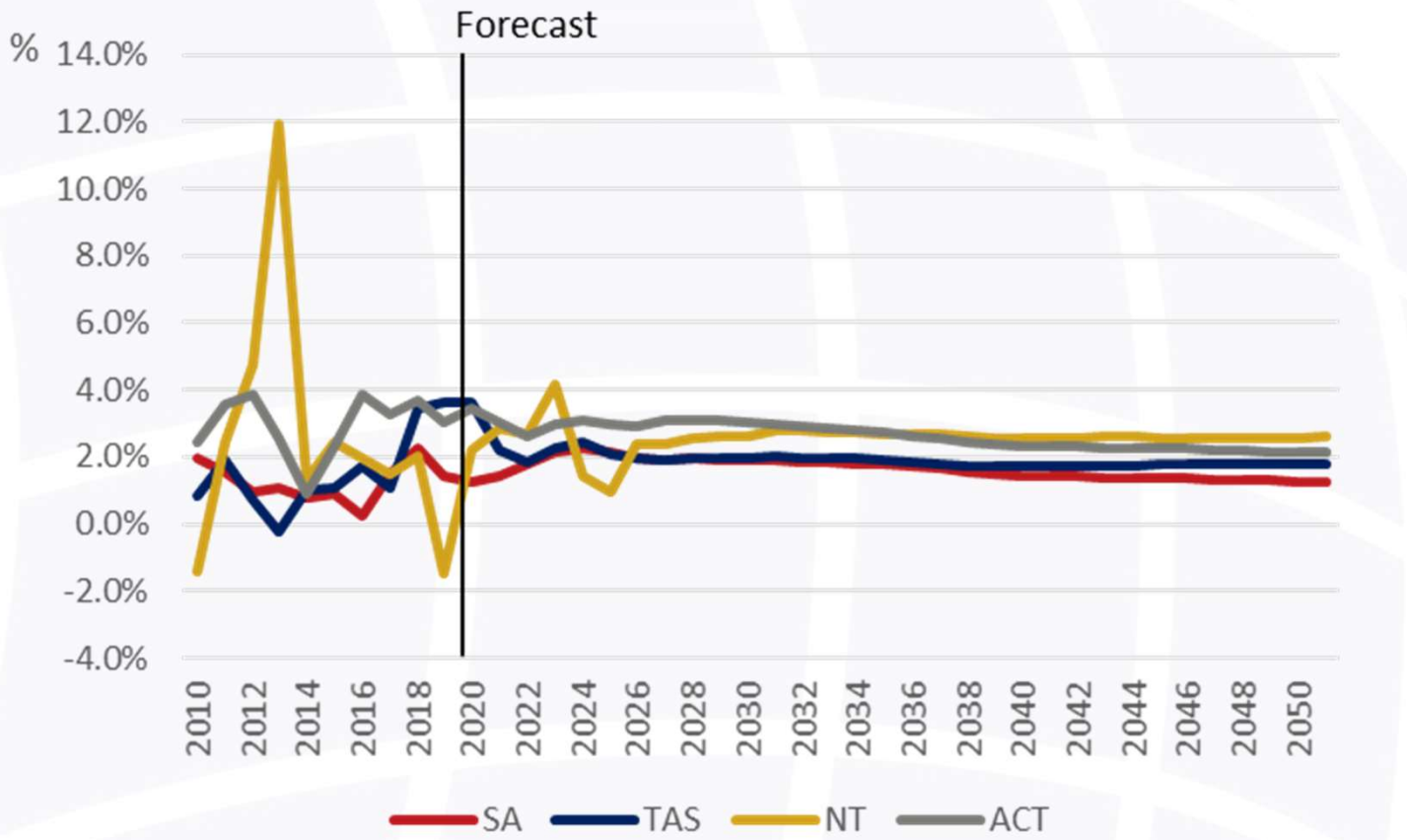


Fig 10. YoY % Gross State Product: QLD & WA



CENTRAL CASE: SMALLER STATES

Fig 11. YoY % Gross State Product: SA, TAS, NT & ACT



ALTERNATIVE SCENARIOS: DEMOGRAPHICS

Fig 12. Natural Population Change by Scenario: Australia

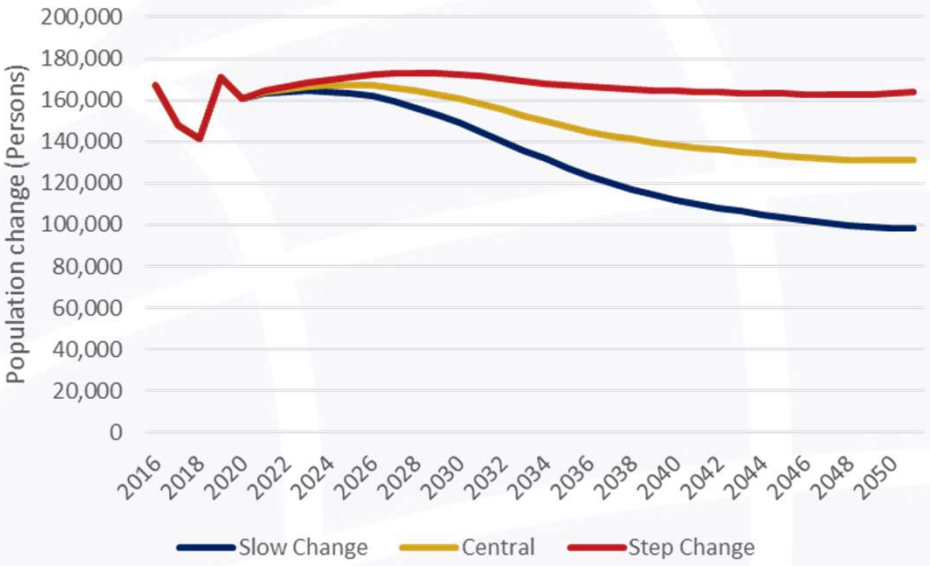
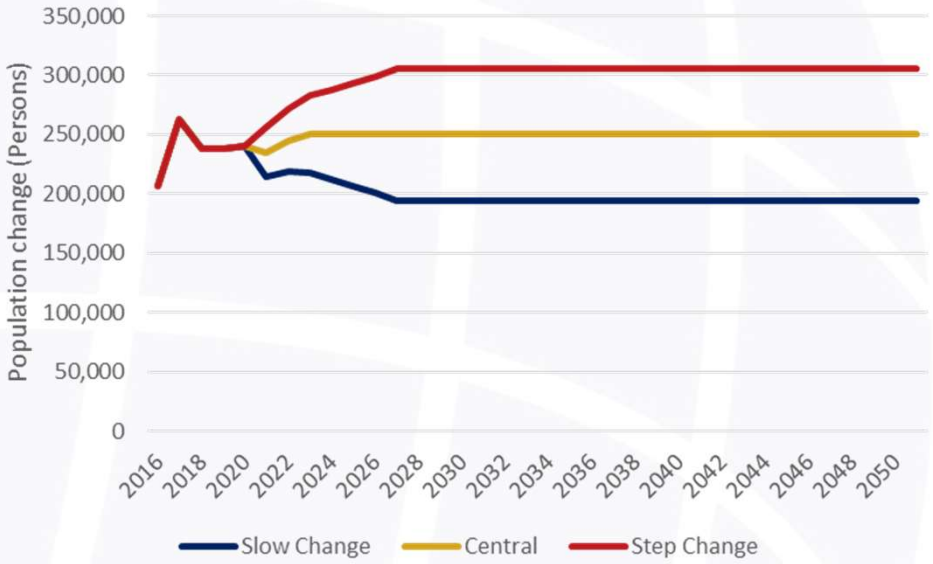


Fig 13. Net Overseas Migration by Scenario: Australia



ALTERNATIVE SCENARIOS: DEMOGRAPHICS

Fig 14. Population (NSW & VIC): Slow Change vs. Step Change

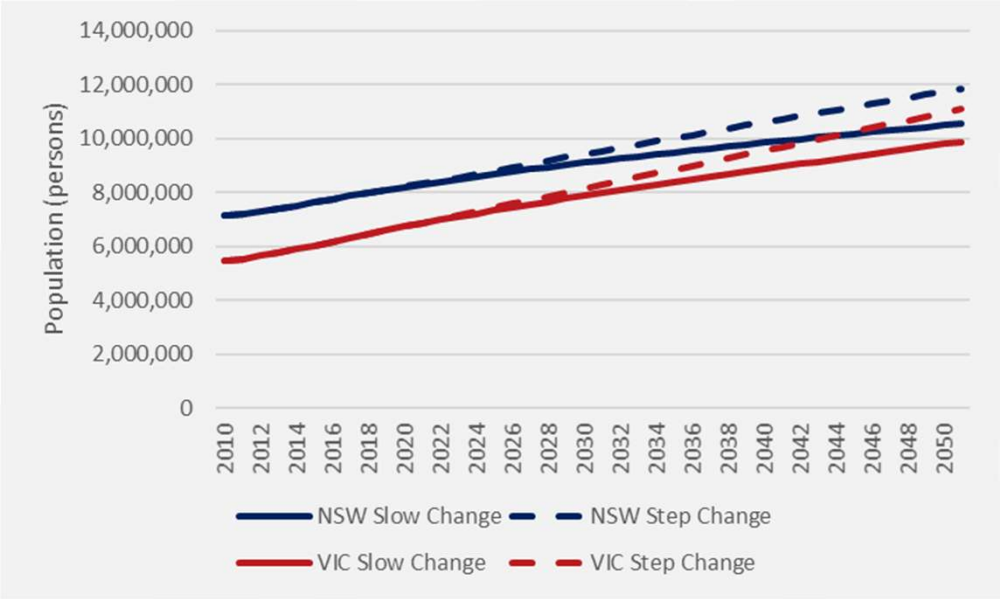
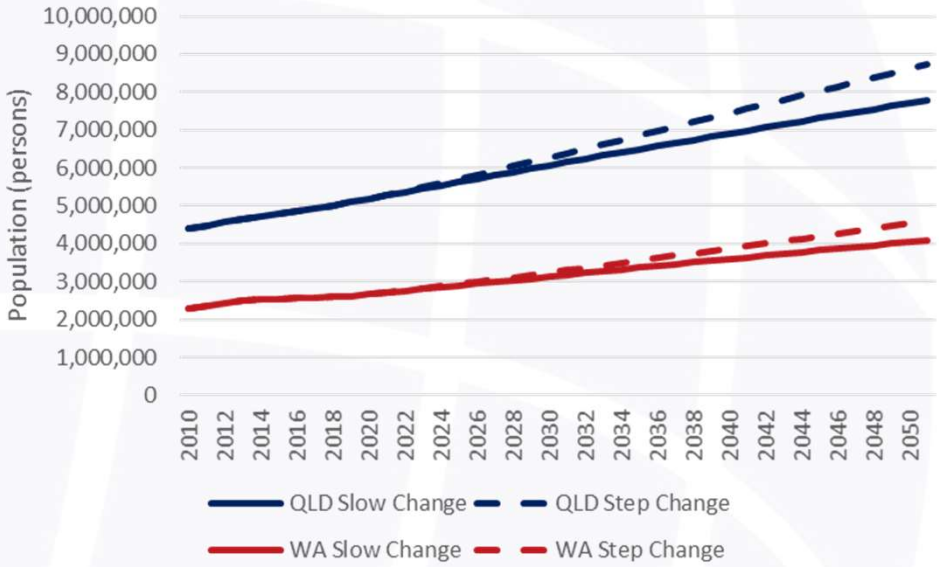


Fig 15. Population (QLD & WA): Slow Change vs. Step Change



ALTERNATIVE SCENARIOS: DEMOGRAPHICS

Fig 16. Population (SA & TAS): Slow Change vs. Step Change

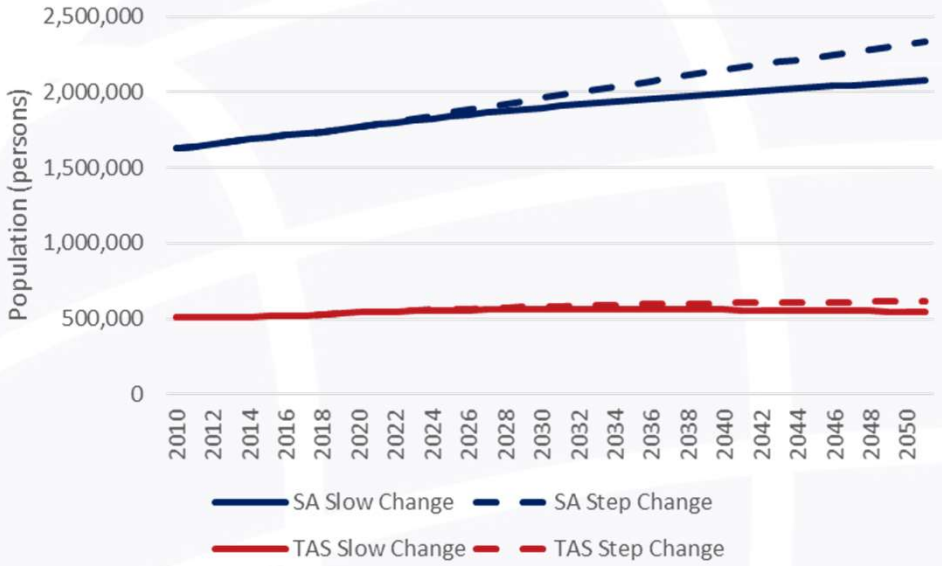
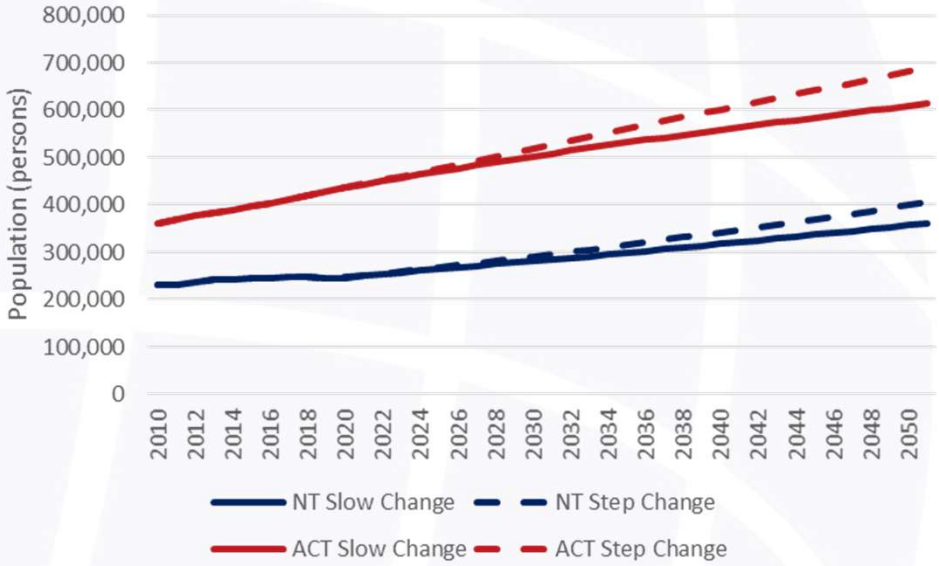


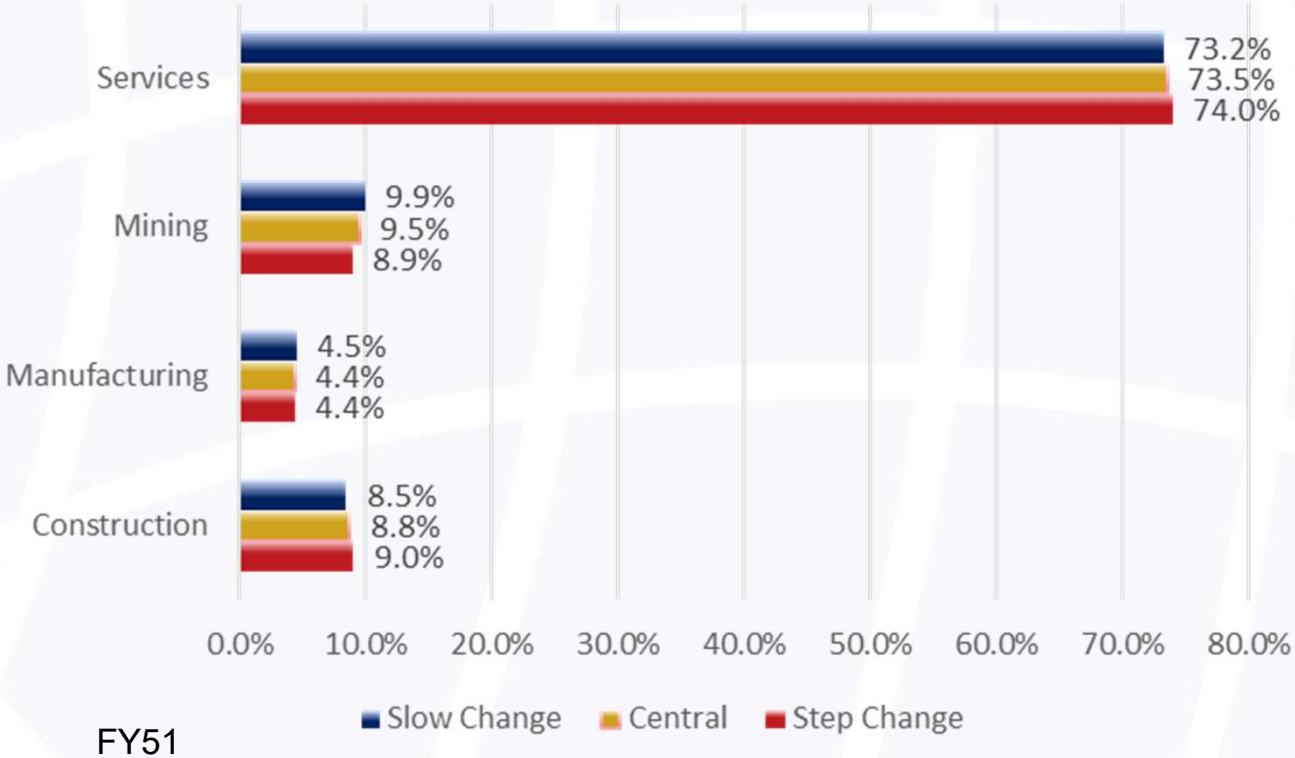
Fig 17. Population (NT & ACT): Slow Change vs. Step Change



ALTERNATIVE SCENARIOS: ENERGY TRANSITION

- Slower energy transition (slow change scenario) prolongs economic lifecycle of emissions intensive mining. This is captured by Mining GVA, contributing a greater *share* of GDP. The reverse is true for step change scenario.
- Low technological progress (slow change scenario) increases commodity intensity globally, requiring greater levels of commodity production for a given level of output. Mining sector has greater activity, raising its share of GDP in a slow change scenario. Conversely, mining loses share in a step change scenario.

Fig 18. Industry Share of GDP: Central Scenario vs. Alternative Scenarios



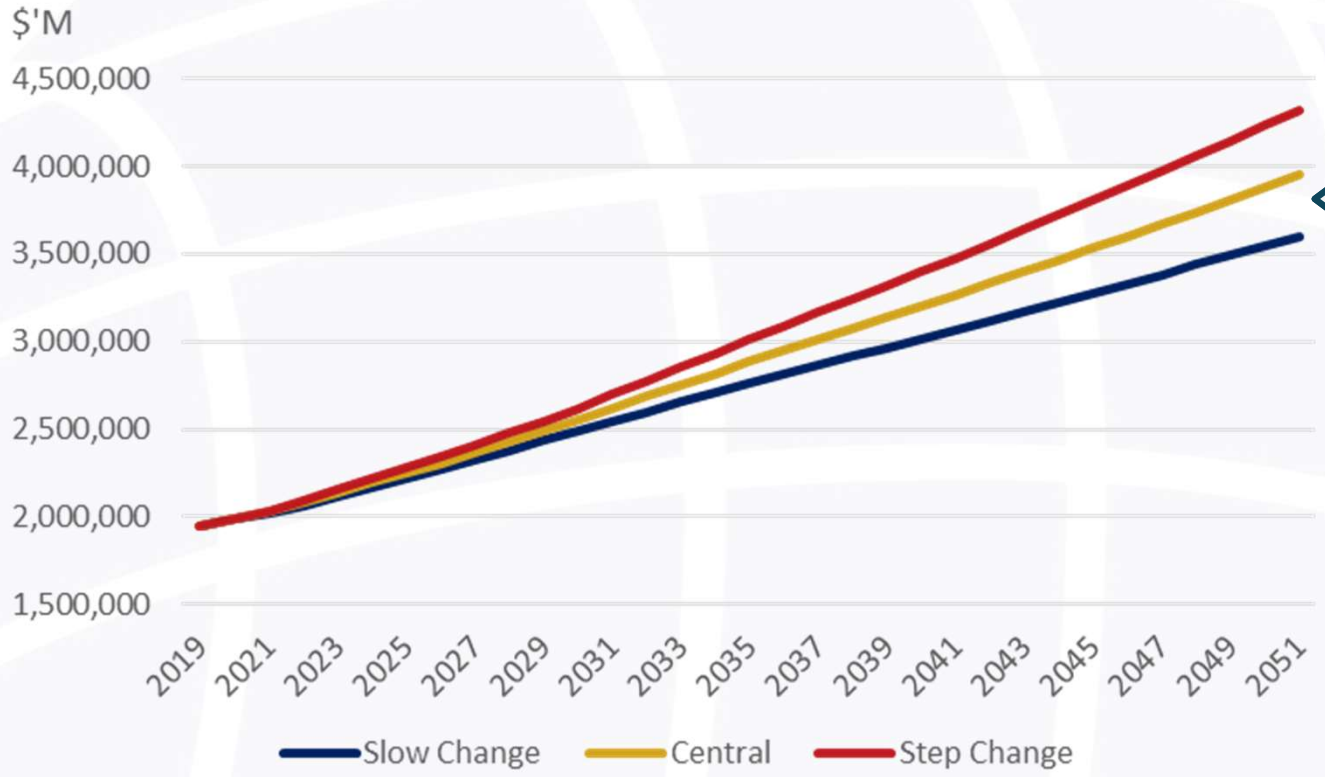
FY51

ALTERNATIVE SCENARIOS: SHORT RUN

Fig 19. YoY % Gross Domestic Product: Central Scenario vs. Alternative Scenarios

ALTERNATIVE SCENARIOS: LONG RUN

Fig. 20 Gross Domestic Product for Central vs. Alternative Scenarios



FY 50 GDP

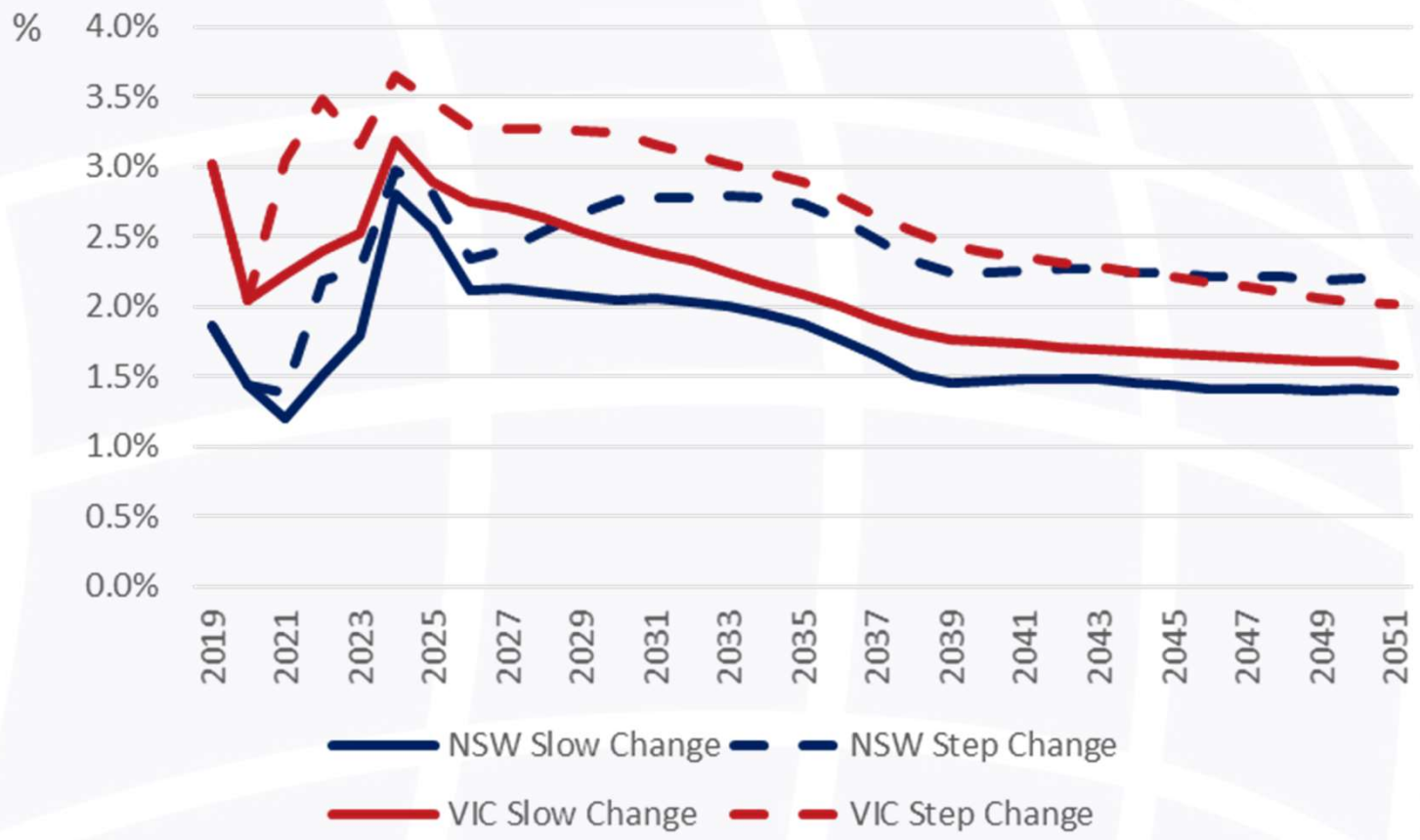
- Central: $3.9 trillion
- Slow Change: $3.6 trillion
- Step Change: $4.2 trillion

Table 2. Short Run and Long-Run CAGR of GDP: Central vs. Alternative Scenarios

	GDP Central	GDP Slow Change	GDP Step Change
FY20-25	2.5%	2.3%	2.8%
FY25-50	2.2%	1.9%	2.5%

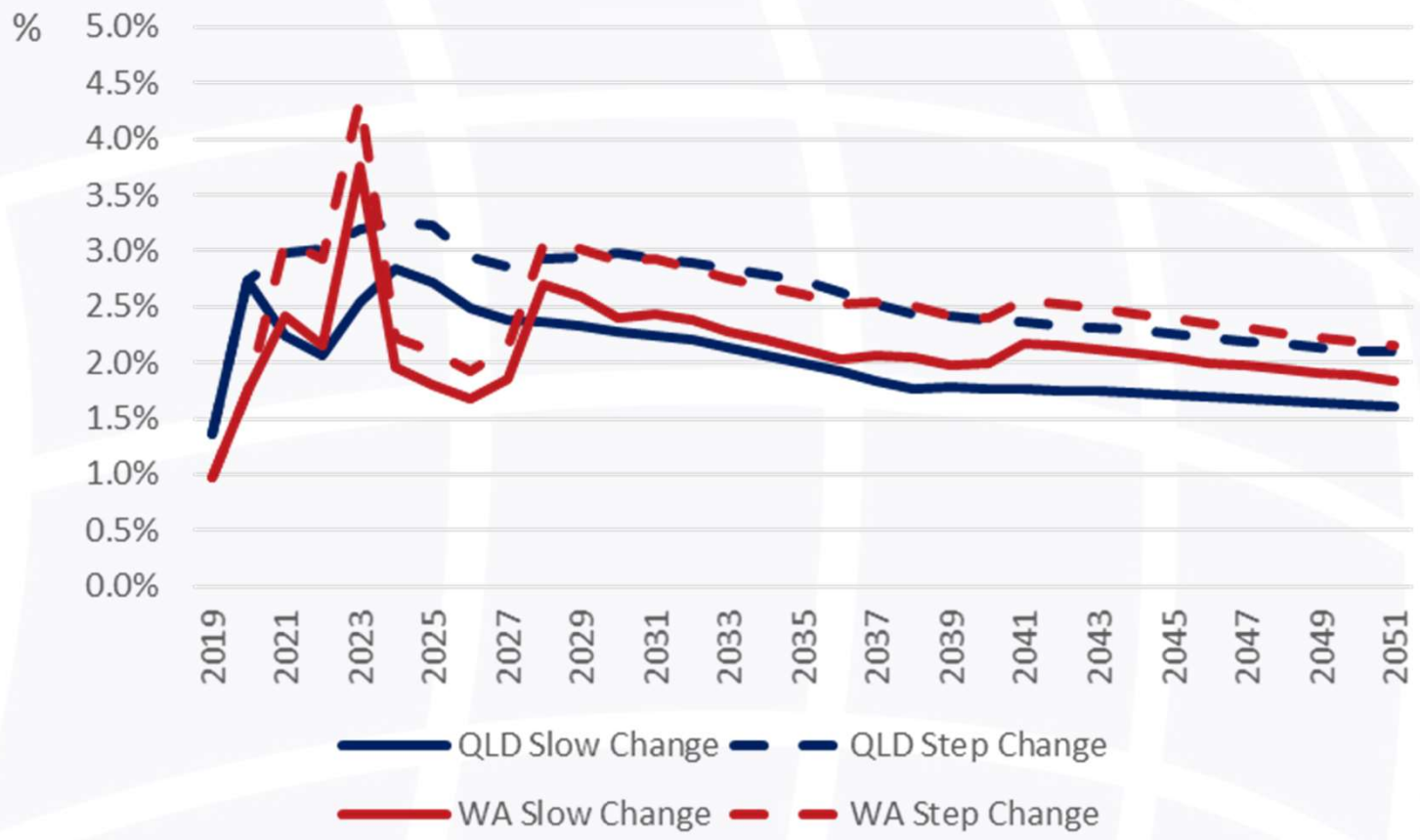
ALTERNATIVE SCENARIOS: NSW & VIC

Fig 21. YoY % Gross State Product (NSW & VIC): Slow Change vs. Step Change



ALTERNATIVE SCENARIOS: MINING STATES

Fig 22. YoY % Gross State Product (QLD & WA): Slow Change vs. Step Change



ALTERNATIVE SCENARIOS: SMALLER STATES

Fig 23. YoY % Gross State Product (SA & TAS): Slow Change vs. Step Change

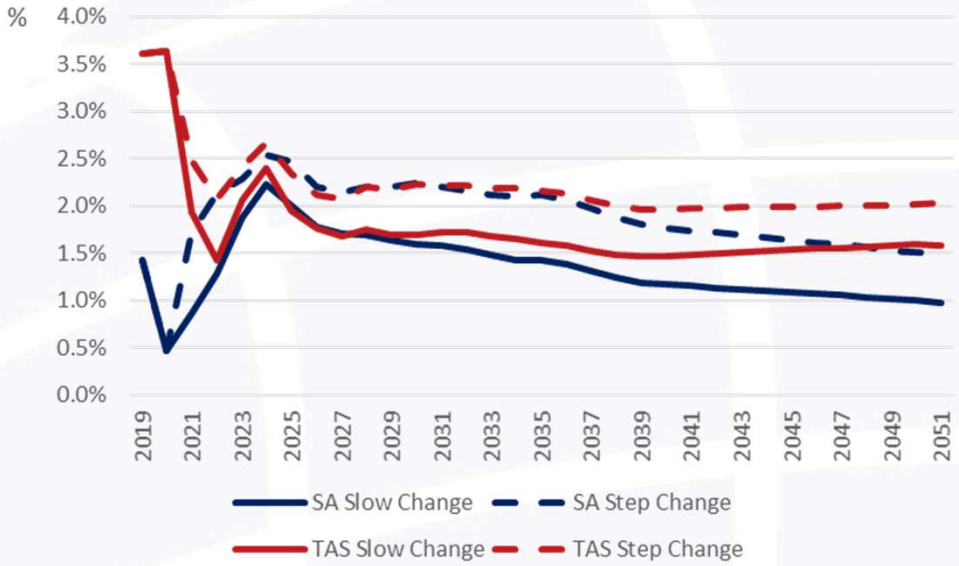
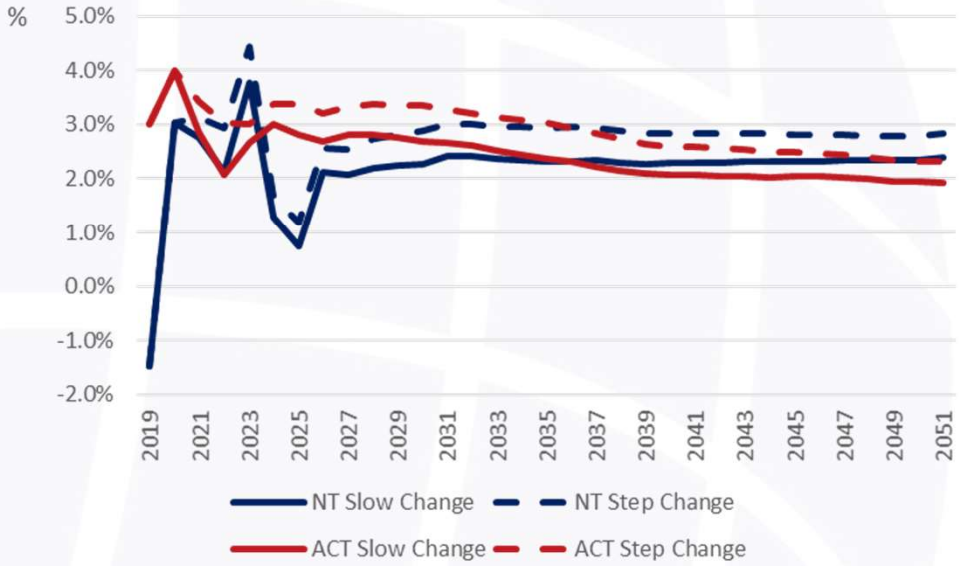


Fig 24. YoY % Gross State Product (NT & ACT): Slow Change vs. Step Change



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KEY TAKEAWAYS

- GDP growth grows 2% p.a in FY20-21, against a subdued global trade backdrop. Economic growth recovers to 2.6% p.a. over mid-2020s, helped by private investment and exports growth, before transitioning to long-run trend (1.9% p.a.)
- Services grows from 69.2% to 73.5% of GDP by FY51 while Industrial Production reduces share from 20.3% of GDP to 15.7% by FY51.
- WA and QLD remain the dominating states for Mining though Services also sees strong growth in QLD. NSW has the fastest transition to Services sector. Continued migration drive Construction and Services sector growth for VIC.
- Pace of economic growth slows to 1.6% p.a. long term, in a Slow Change scenario, with Mining being the relative winner and Construction being the relative loser.
- Economy grows at a faster rate of 2.2% p.a long-term in Step Change scenario. Mining loses share of GDP in this lower emissions, higher commodity productivity world. Conversely, Construction and Services gain share of GDP.

Questions

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