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LONG TERM MACROECONOMIC FORECASTS FOR AUSTRALIAN ENERGY MARKET OPERATOR

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Draft

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CENTRAL FORECASTS



- **Central Scenario: Key changes to the outlook**
- **Central Scenario: Demographic trends & forecast**
- **Central Scenario: Economic outlook & comparison to past projections**
- **Alternative Scenarios: Key assumptions**
- **Alternative Scenarios: Economic outlook & comparison to past projections**

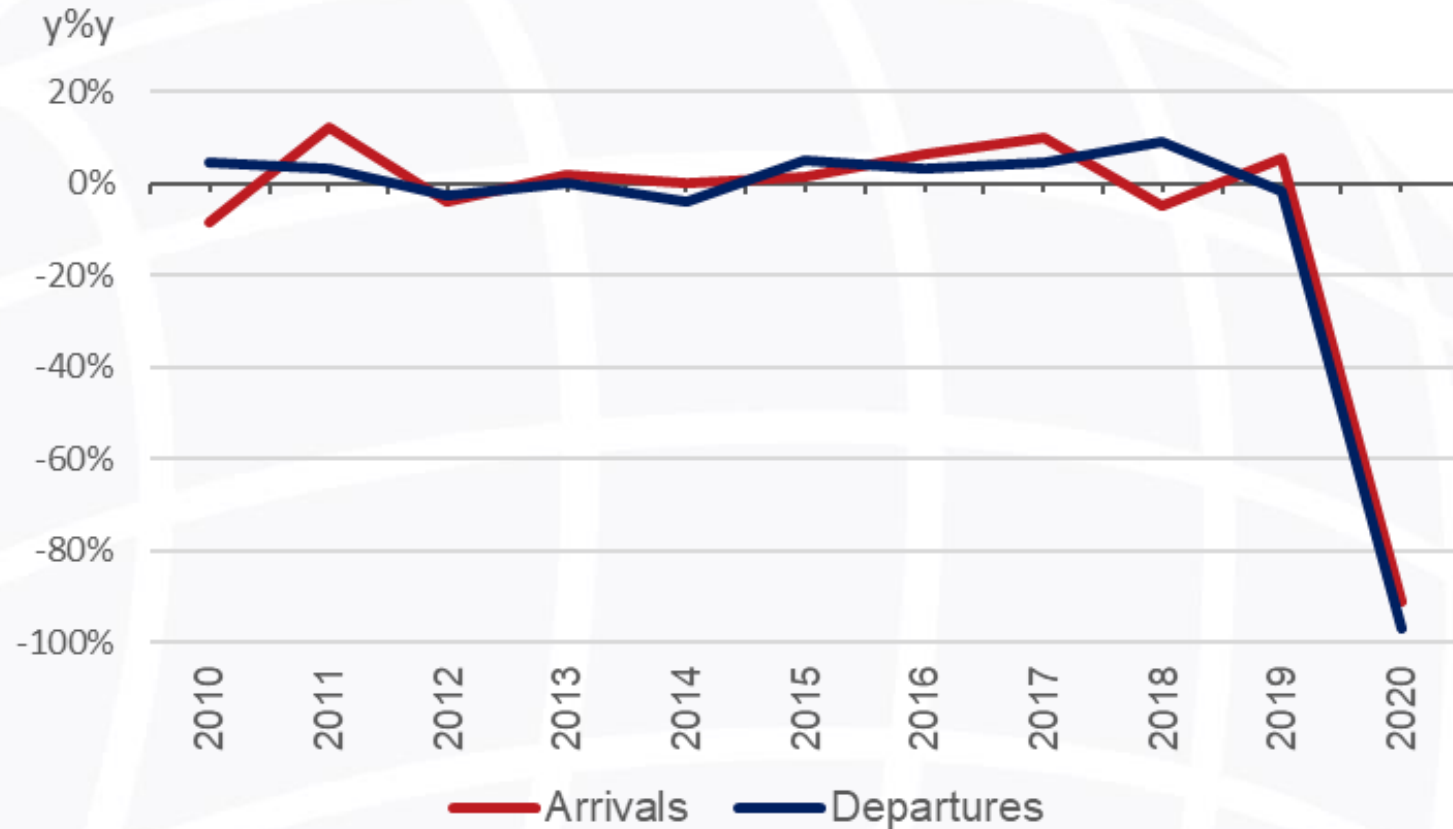


CENTRAL ASSUMPTIONS – KEY CHANGES

- Key changes in assumptions to baseline from early 2020 forecasts:
 - International borders remain closed until mid-2021
 - More permanent loss of migration over this period that is not recovered after borders reopen.
 - While annual migration levels return to our previous projections, this results in permanently **lower** levels of long-run population for a given year than in our pre-COVID forecasts.
 - We have also revised our fertility rate assumptions down to 1.7 births per women.
 - Initial impact of pandemic less severe than anticipated, but recovery more drawn out (not least because of Victoria second wave and lengthy closure of border)
 - Deeper hysteresis effects reduce productive potential relative to pre-COVID forecasts.



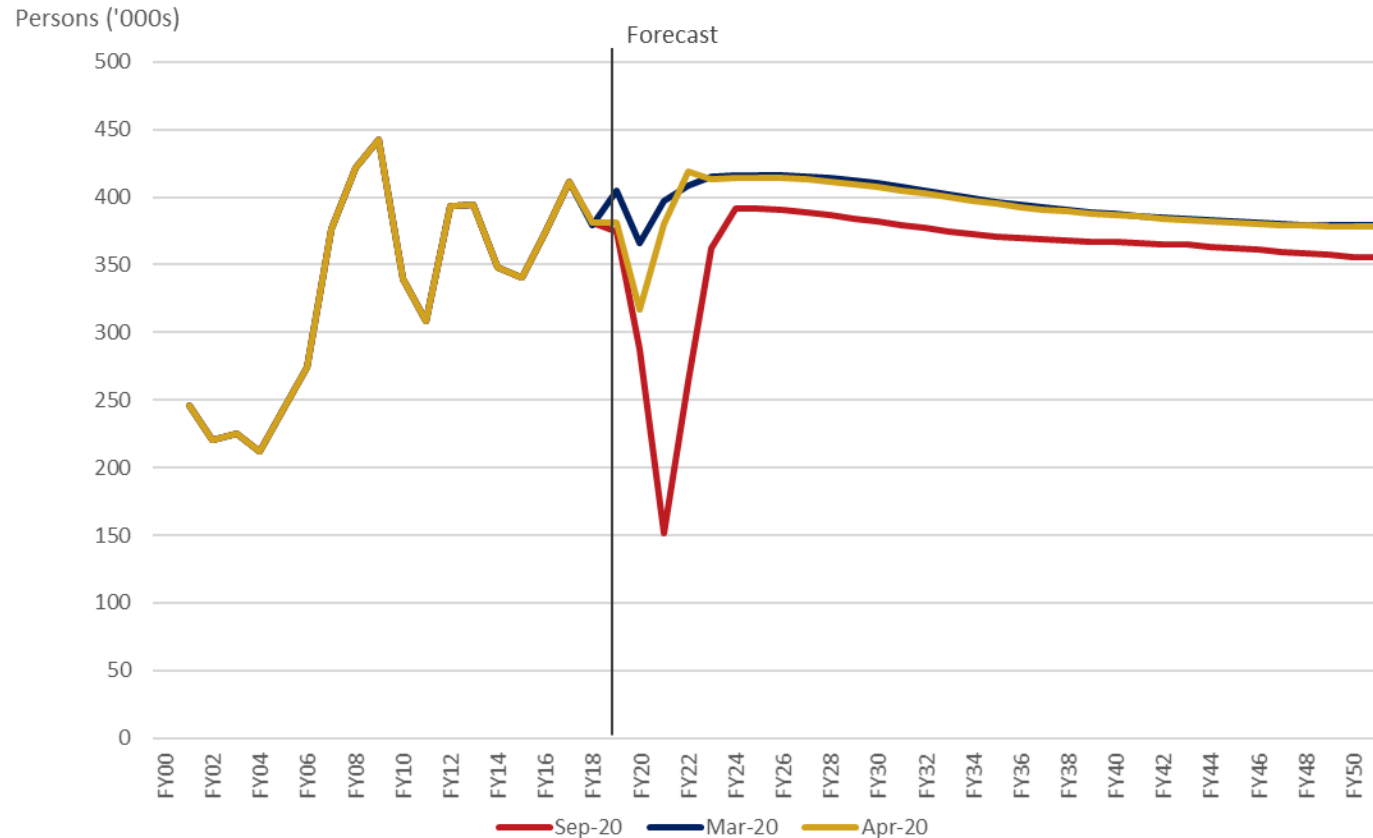
Fig 1. Arrivals and Departures, Australia– recent trends



Source: BIS Oxford Economics/ABS



Fig 2. Population Change, Australia (FY00-50)



Source: BIS Oxford Economics/ABS



Fig 3. Population Level – NSW, VIC, QLD & WA

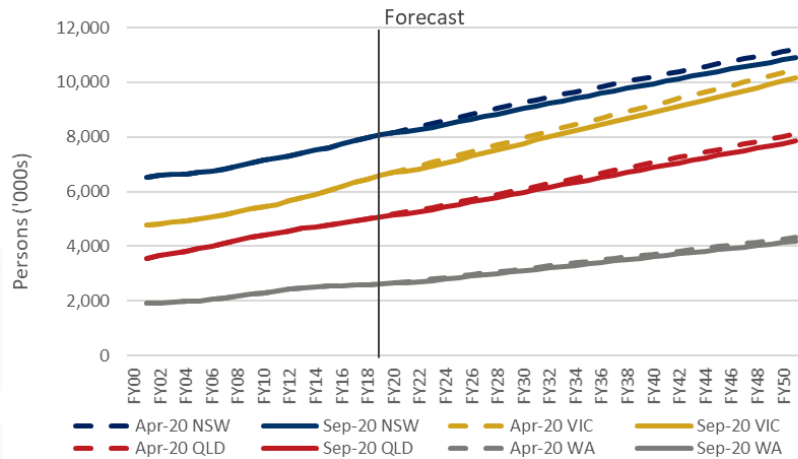


Fig 4. Population Level – SA, TAS, NT & ACT

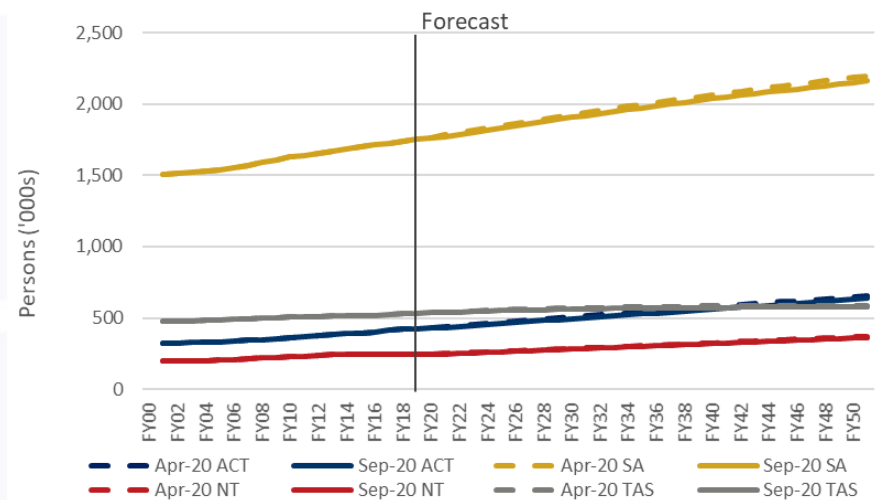
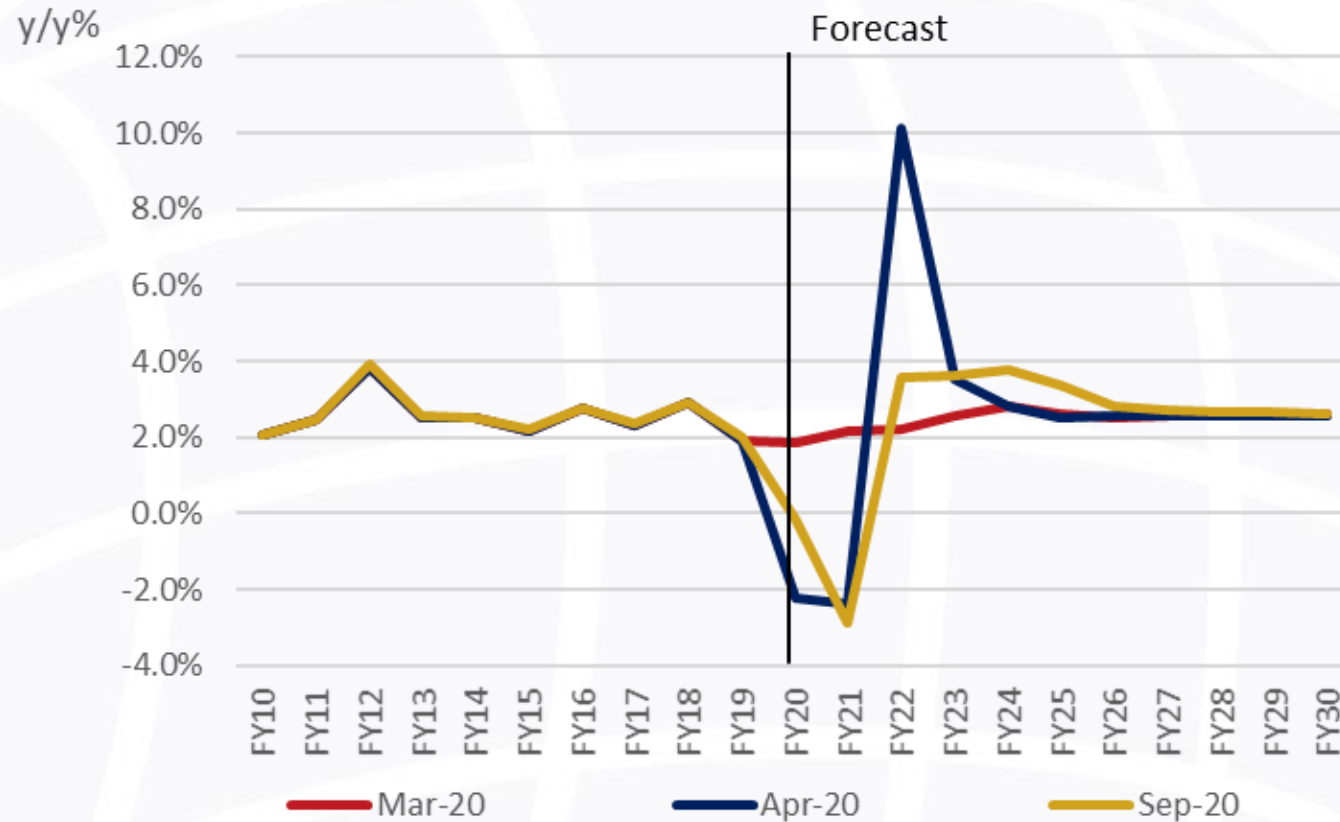




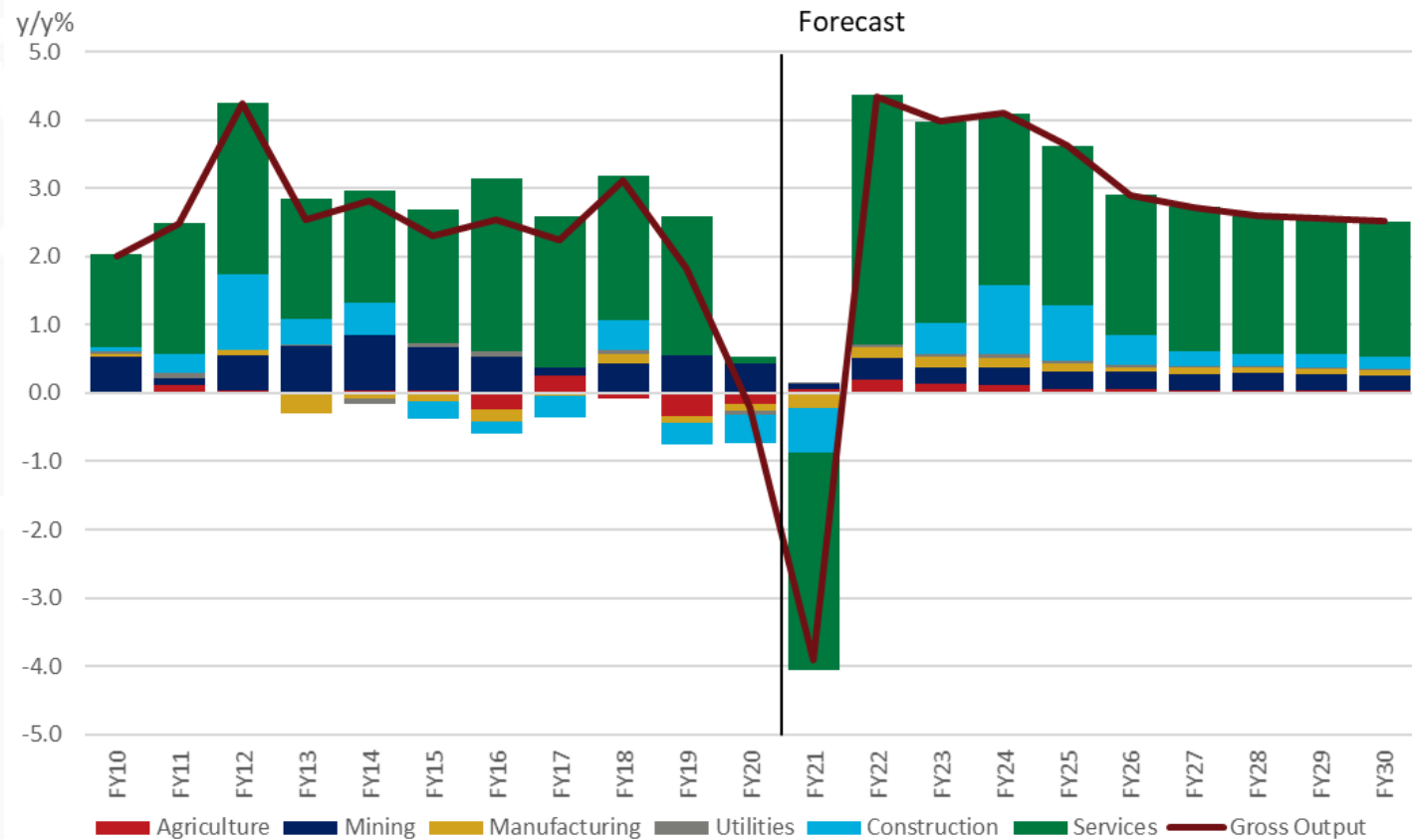
Fig 5. YoY% Change in GDP



Source: BIS Oxford Economics/ Haver Analytics



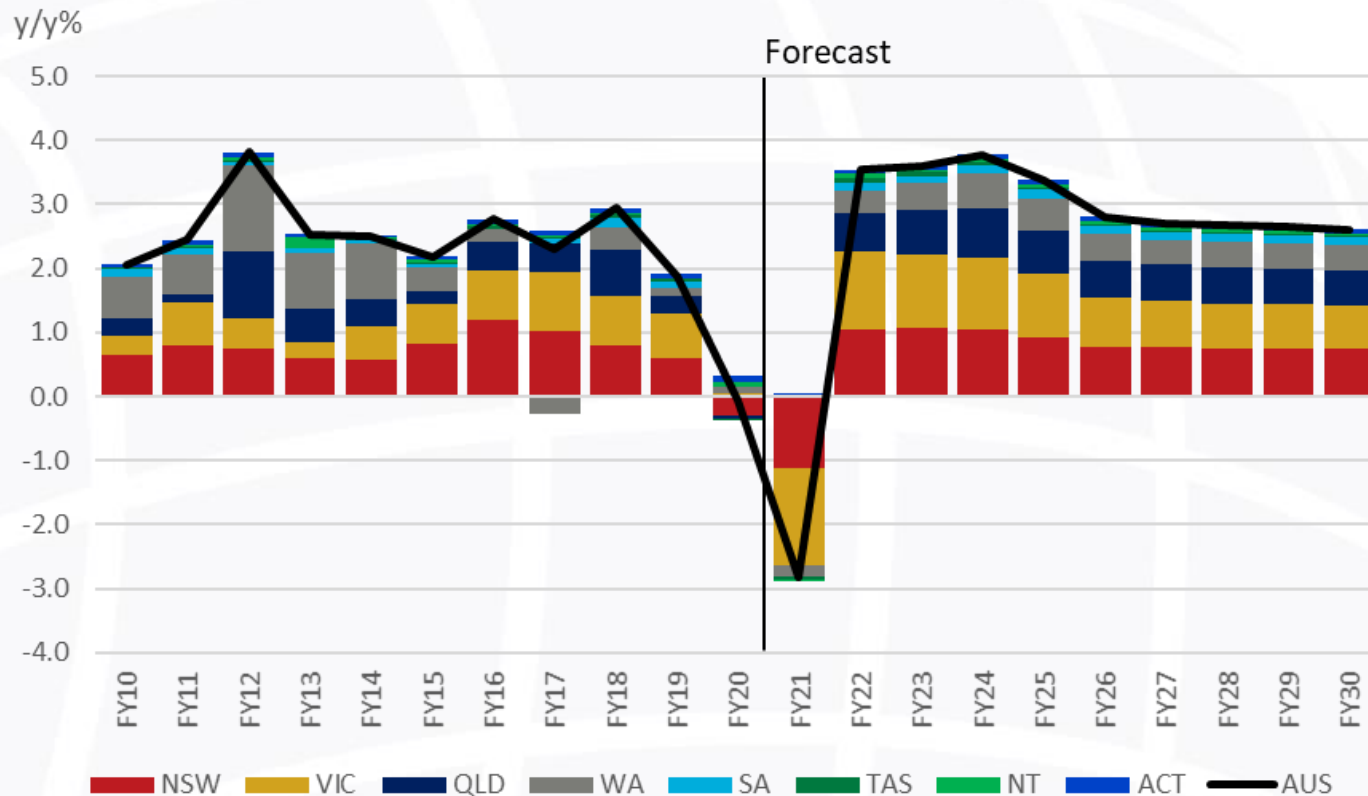
Fig 6. Industrial Sector Contribution to YoY% change in Gross Output



Source: BIS Oxford Economics/ Haver Analytics



Fig 7. State Contribution to YoY% change in Gross Domestic Product



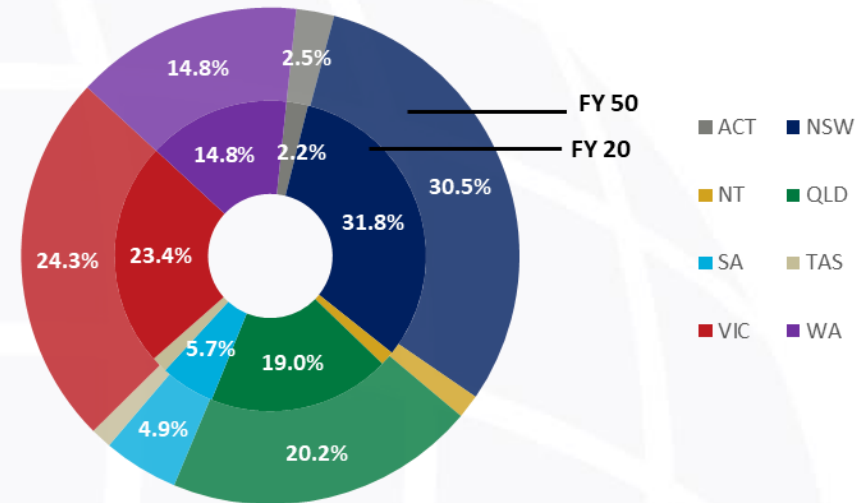
Source: BIS Oxford Economics/ Haver Analytics



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

	FY20-25		FY25-50	
	Mar-20	Sep-20	Mar-20	Sep-20
AUS	2.5%	2.3%	2.2%	2.2%
NSW	2.1%	1.9%	2.1%	2.1%
VIC	3.0%	2.5%	2.3%	2.3%
QLD	2.6%	2.8%	2.2%	2.3%
WA	2.4%	2.2%	2.3%	2.2%
SA	1.7%	1.7%	1.6%	1.7%
TAS	2.1%	2.0%	1.7%	1.5%
NT	2.4%	2.7%	2.6%	2.3%
ACT	3.0%	2.3%	2.6%	2.6%

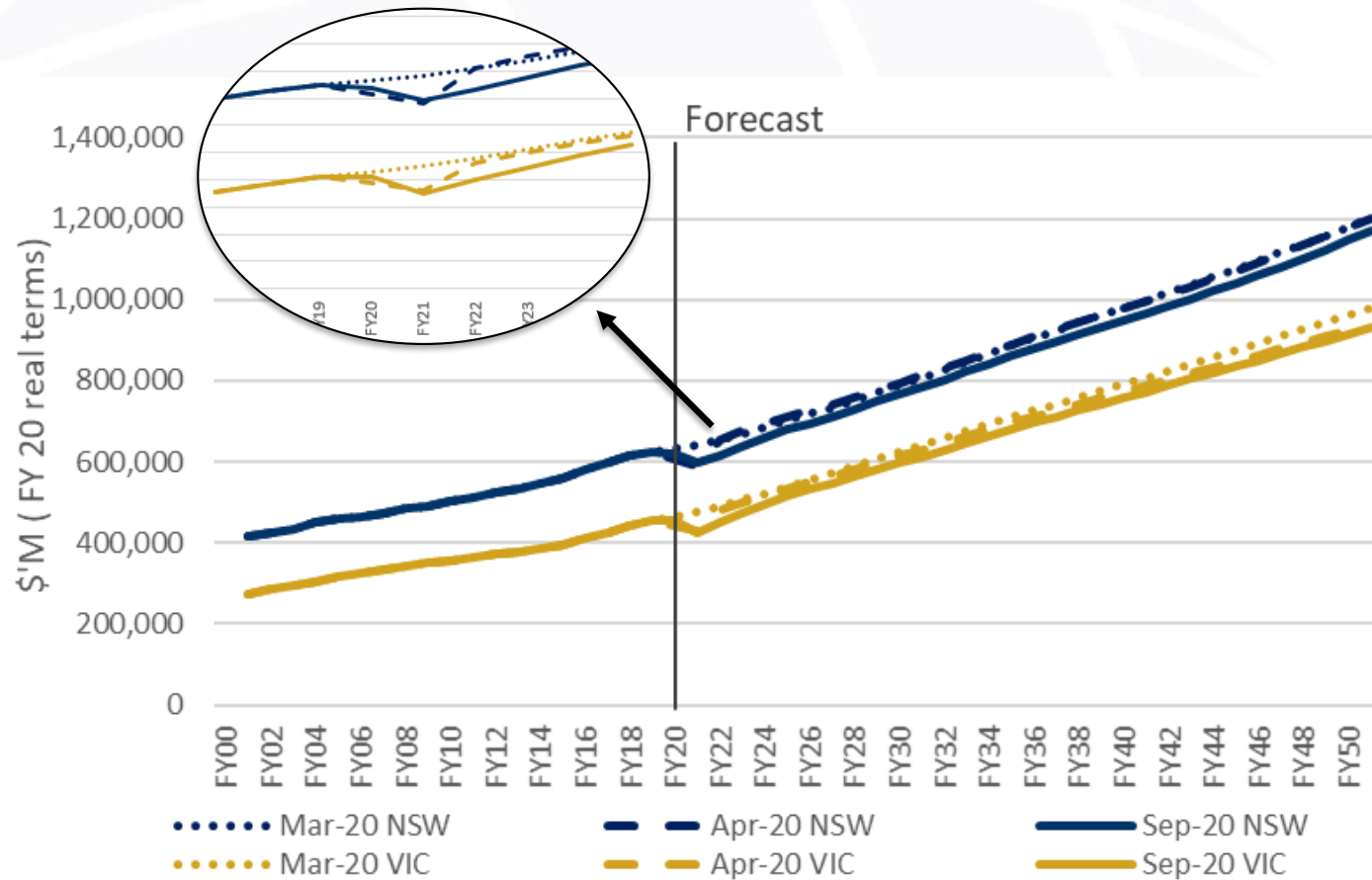
Fig 8. State Breakdown of GDP: FY20 vs. FY50



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



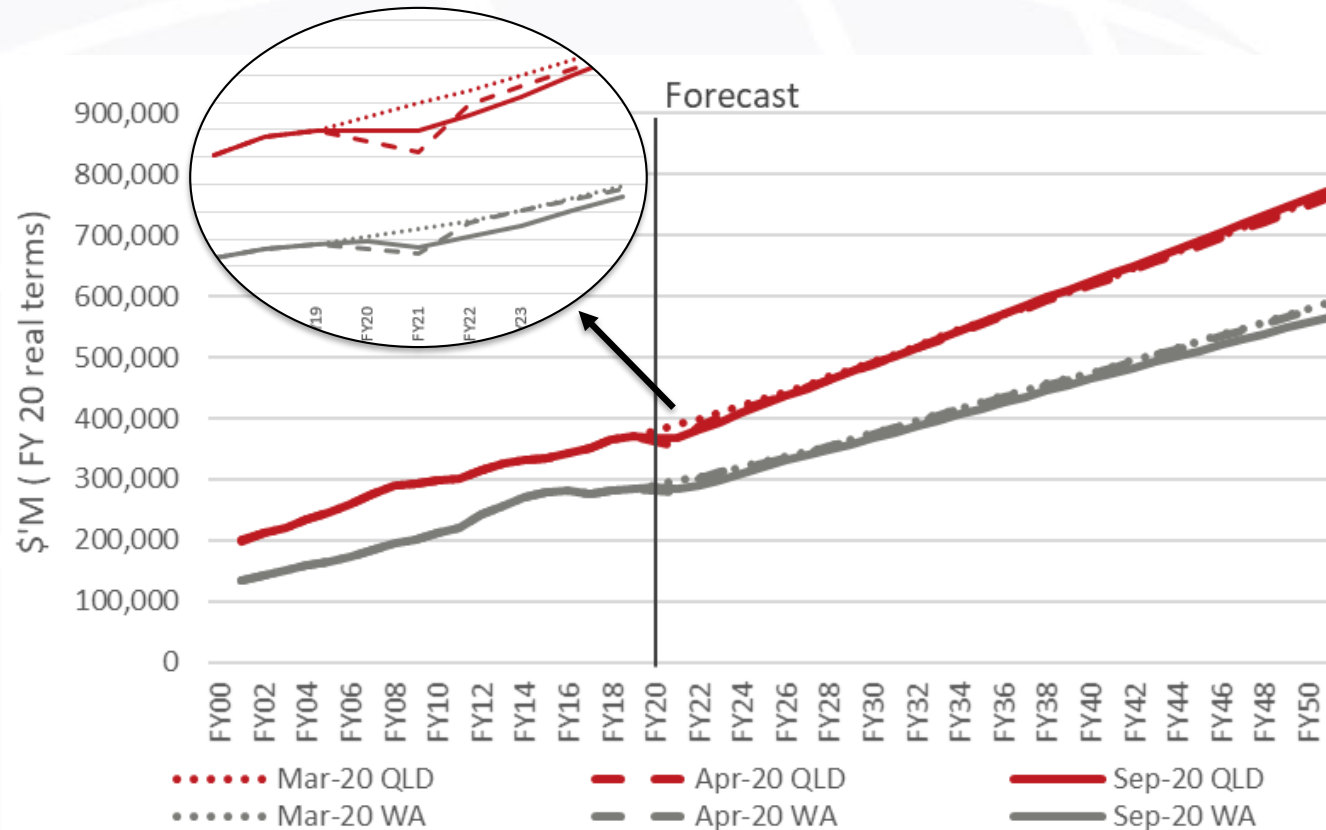
Fig 9. Gross State Product, NSW & VIC, FY00-50 (FY 20 Real terms)



Source: BIS Oxford Economics/ Haver Analytics



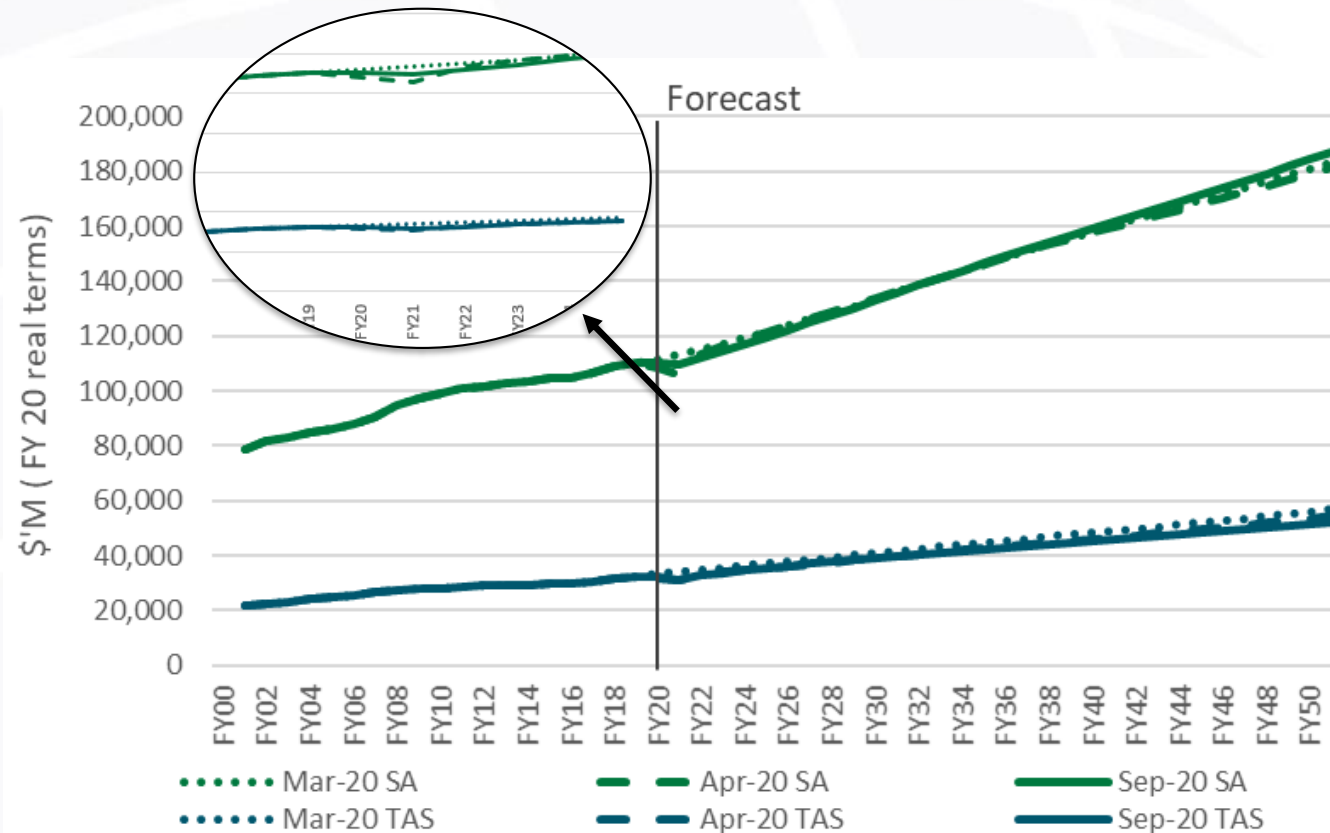
Fig 10. Gross State Product, QLD & WA, FY00-50 (FY 20 Real terms)



Source: BIS Oxford Economics/ Haver Analytics



Fig 11. Gross State Product, SA FY00-50 (FY 20 Real terms)



Source: BIS Oxford Economics/ Haver Analytics



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ALTERNATIVE SCENARIO FORECASTS



Health Outcomes



Policy Response



Demographic Shock



Economics Outcomes

- **Step Change:** Globally cases are brought under control; vaccine is available and mass administered quicker than baseline.
- **Slow Change:** Globally cases continue to rise; domestically cases re-erupt and managed through repeated partial lockdowns.

- **Step Change:** Faster unwinding of state and international borders restrictions.
- **Slow Change:** Delayed unwinding of state and international border restrictions.

- **Step Change:** Faster rebound in net overseas migration and normalisation of interstate migration patterns. Higher levels of permanent overseas migration.
- **Slow Change:** Slower normalisation of migration patterns. Lower levels of permanent overseas migration

- **Step Change:** Higher population growth and limited hysteresis effects drive higher output and higher income growth than baseline.
- **Slow Change:** Lower population growth and more profound and longer lasting hysteresis effects driver lower output and income growth than baseline.



Fig 12. Natural Increase, Australia – all scenarios

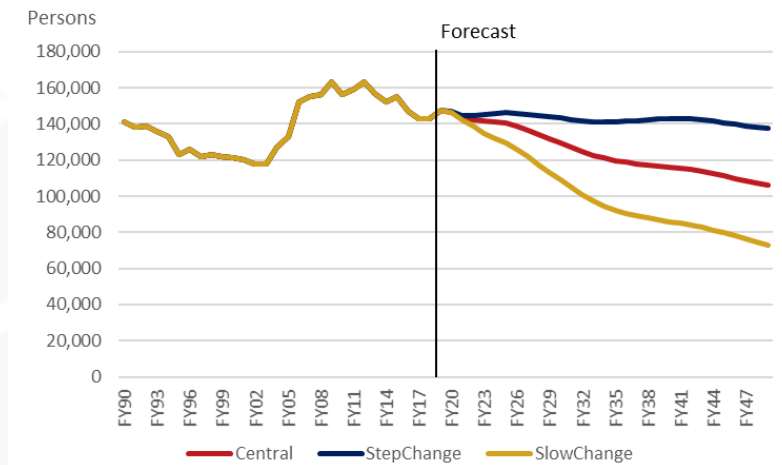


Fig 13. Net Overseas Migration, Australia – all scenarios

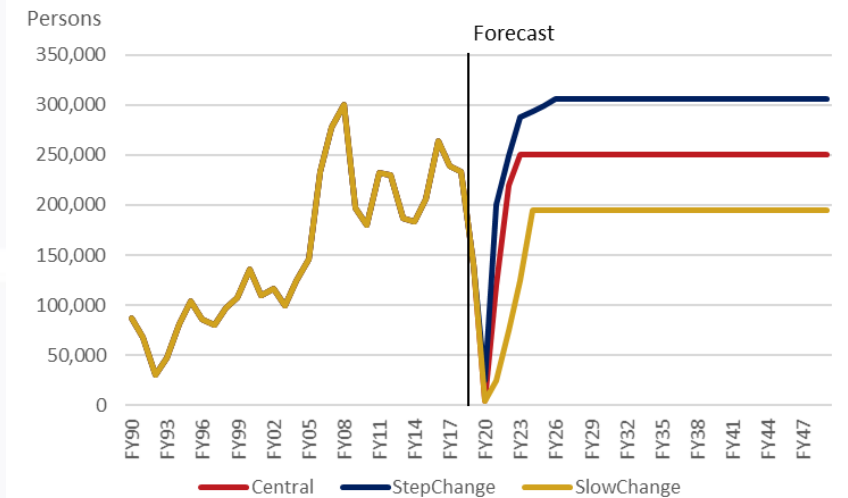
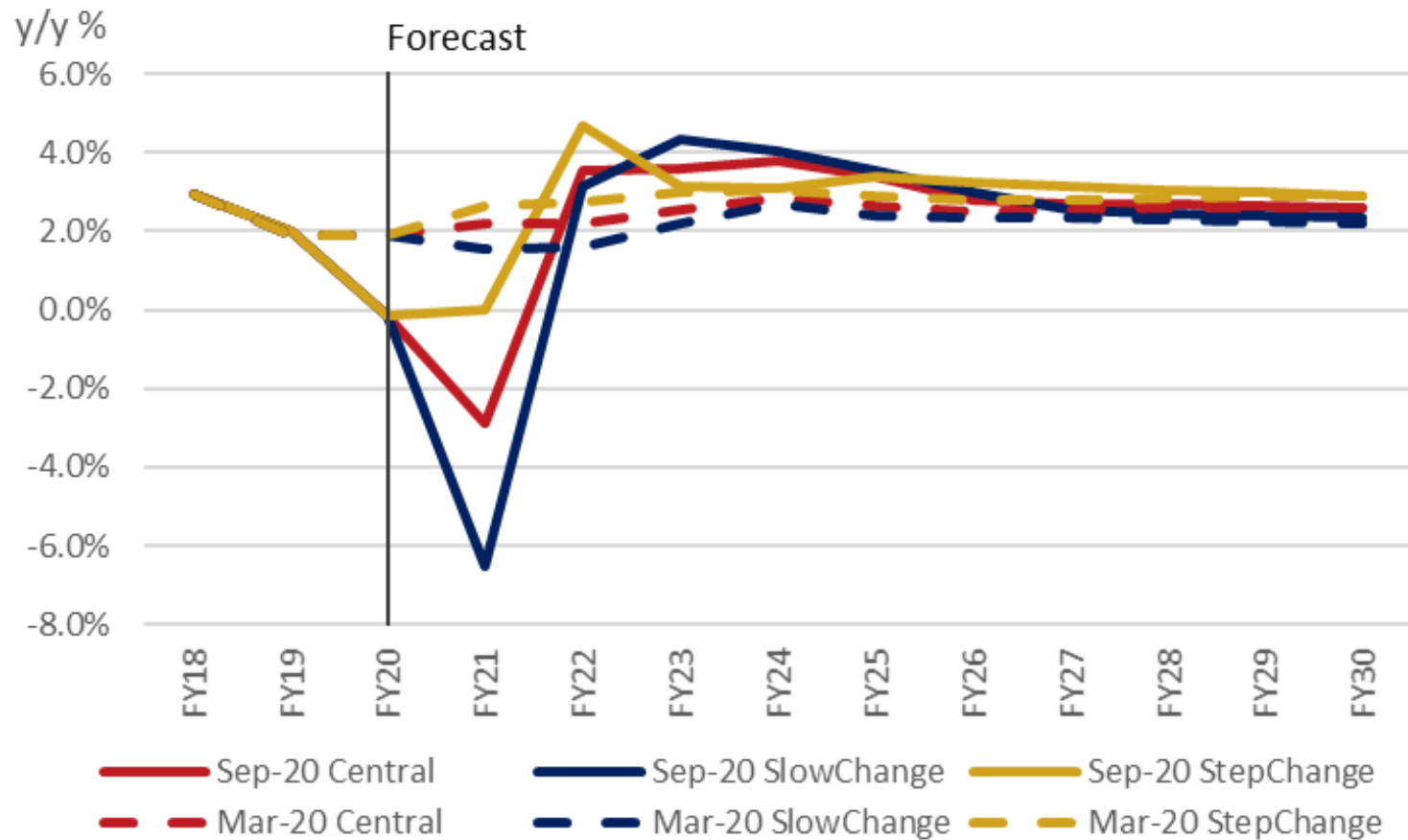




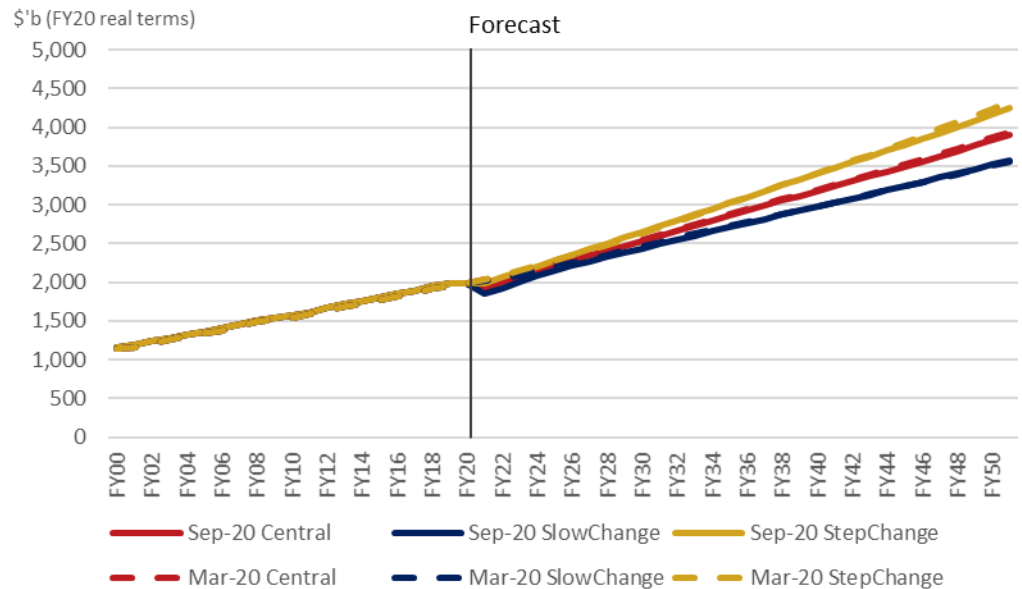
Fig 14. YoY% Change in GDP by scenario (FY18-30)



Source: BIS Oxford Economics/ Haver Analytics



Fig 15. GDP projections by scenario (FY00-51)



Source: BIS Oxford Economics/ Haver Analytics

Table 2. Cumulative GDP from FY20 : Mar-20 vs. Sep-20

		FY20 \$'M	FY25 \$'M	FY50 \$'M
Mar-20	Central	1,983,772	12,634,544	89,403,223
	Slow Change	1,983,772	12,484,300	84,481,487
	Step Change	1,983,772	12,771,736	94,329,523
Sep-20	Central	1,983,055	12,333,169	88,592,565
	Slow Change	1,983,055	11,972,786	83,673,133
	Step Change	1,983,055	12,671,899	93,965,465



Questions

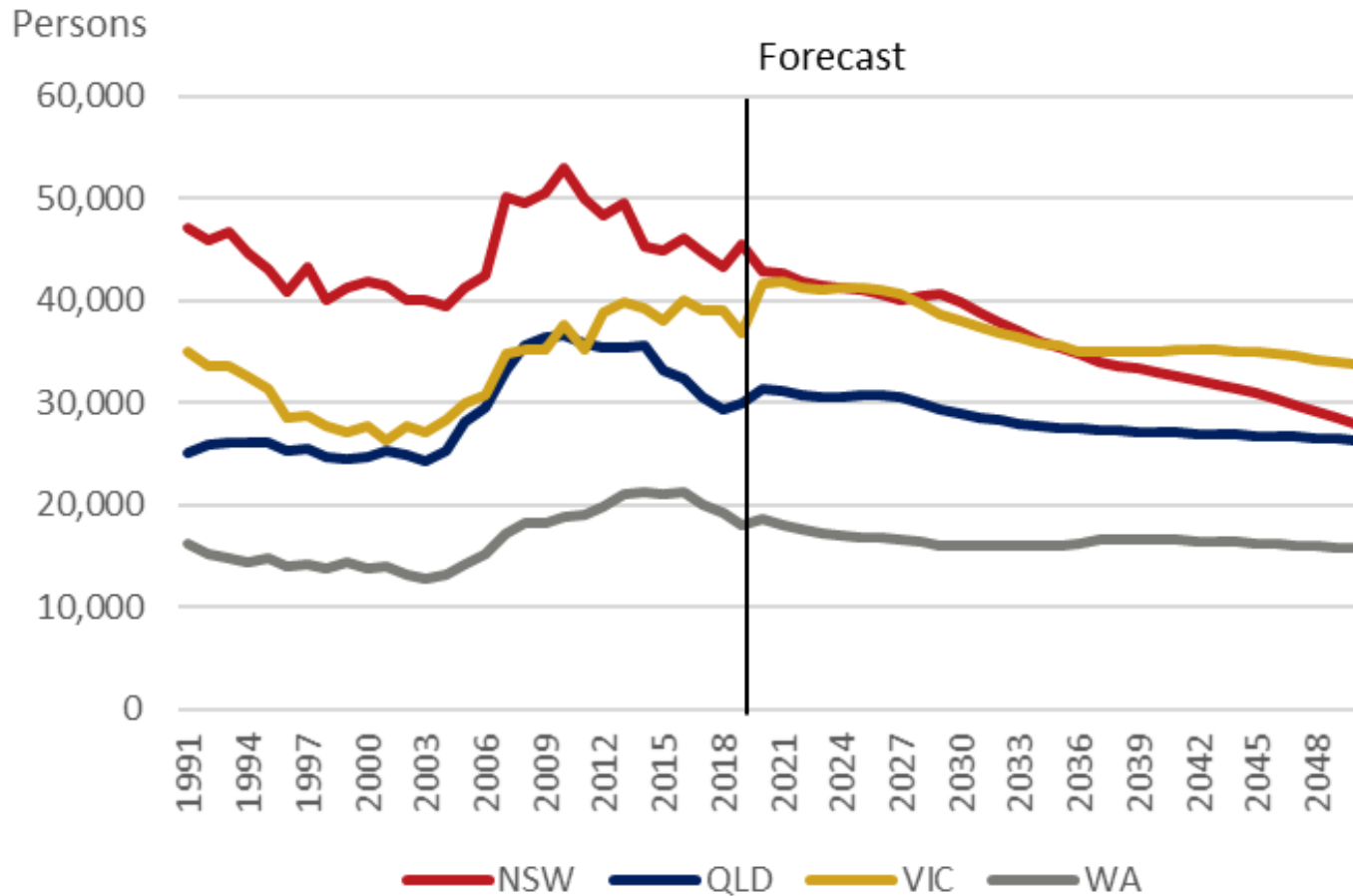


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APPENDIX OF CHARTS



Fig 16. Natural Increase, NSW, QLD, VIC & WA



Source: BIS Oxford Economics/ ABS



Fig 17. Net Overseas Migration (NOM), NSW, QLD, VIC & WA

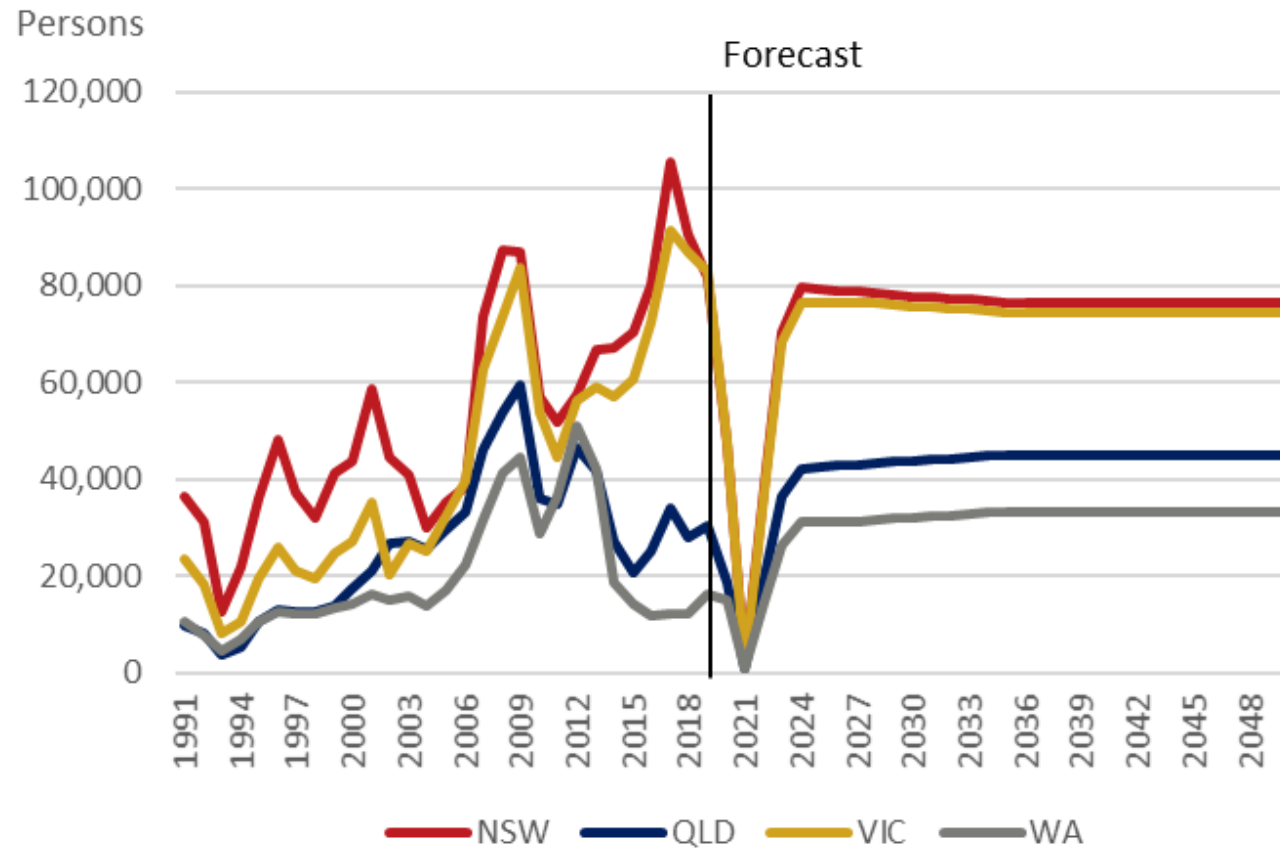
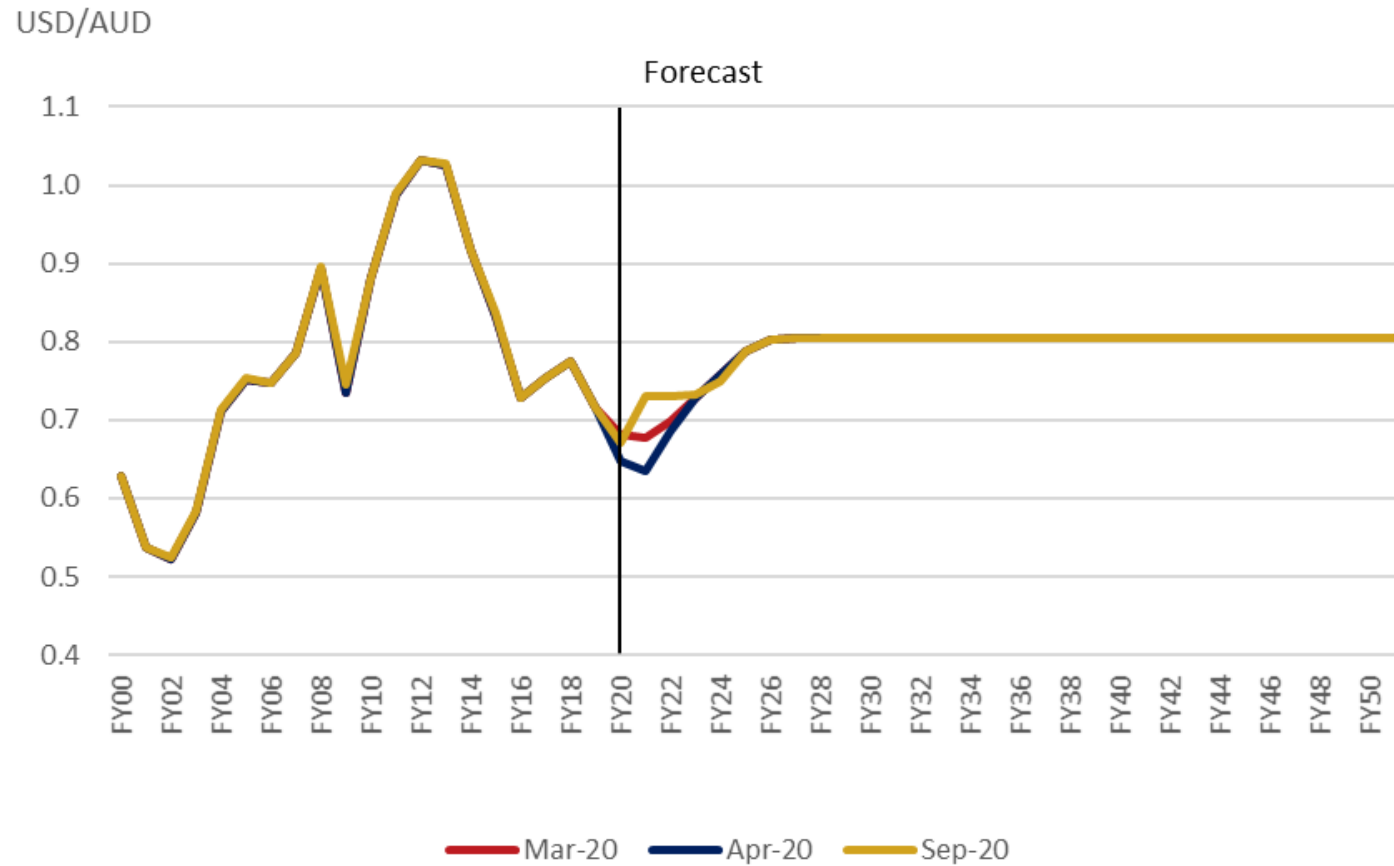




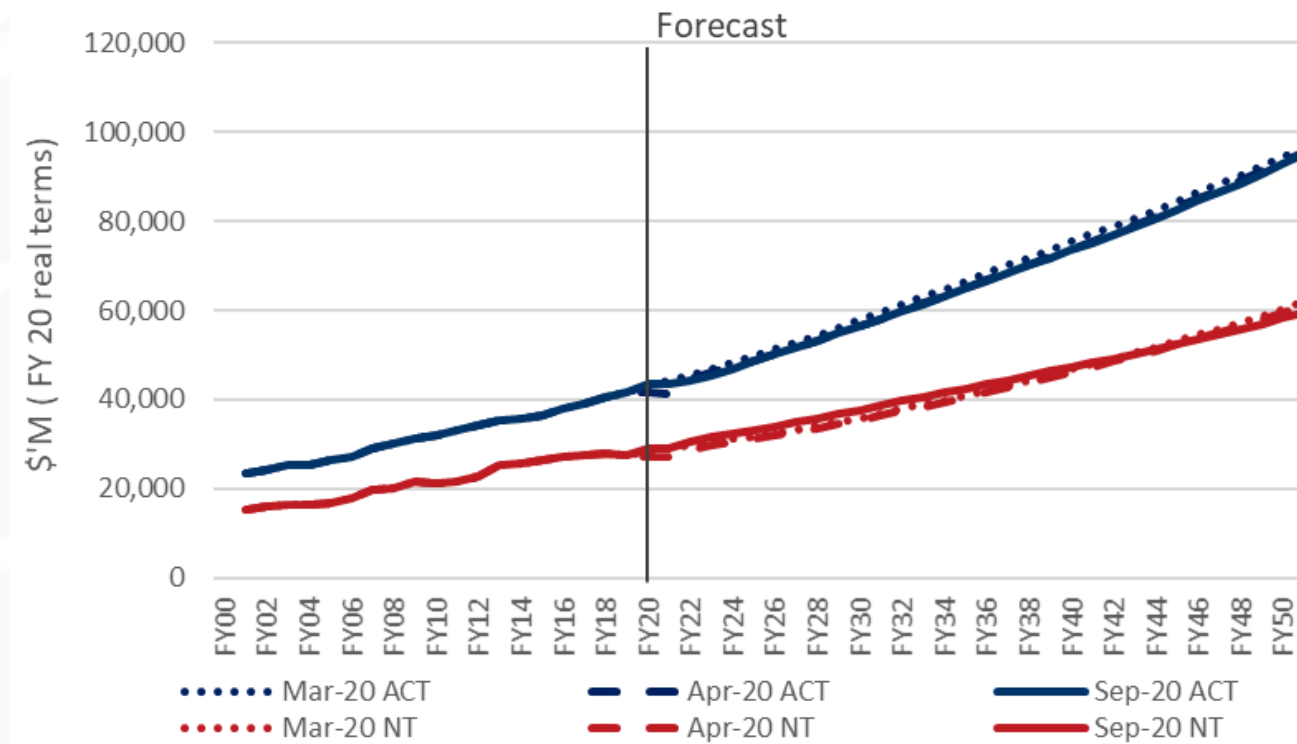
Fig 18. Exchange Rate Forecast



Source: BIS Oxford Economics/ Haver Analytics



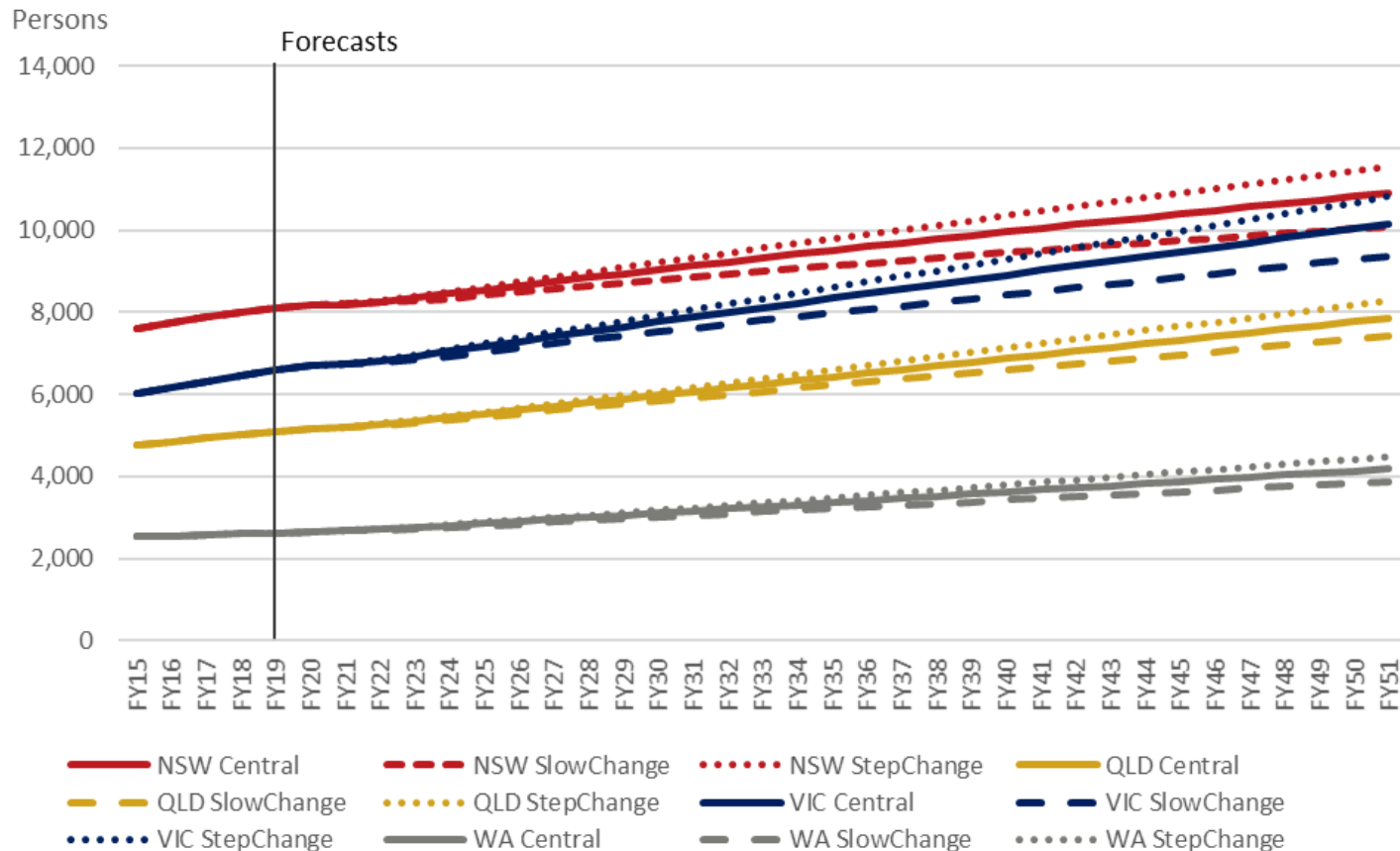
Fig 19. Gross State Product –NT & ACT



Source: BIS Oxford Economics/ Haver Analytics



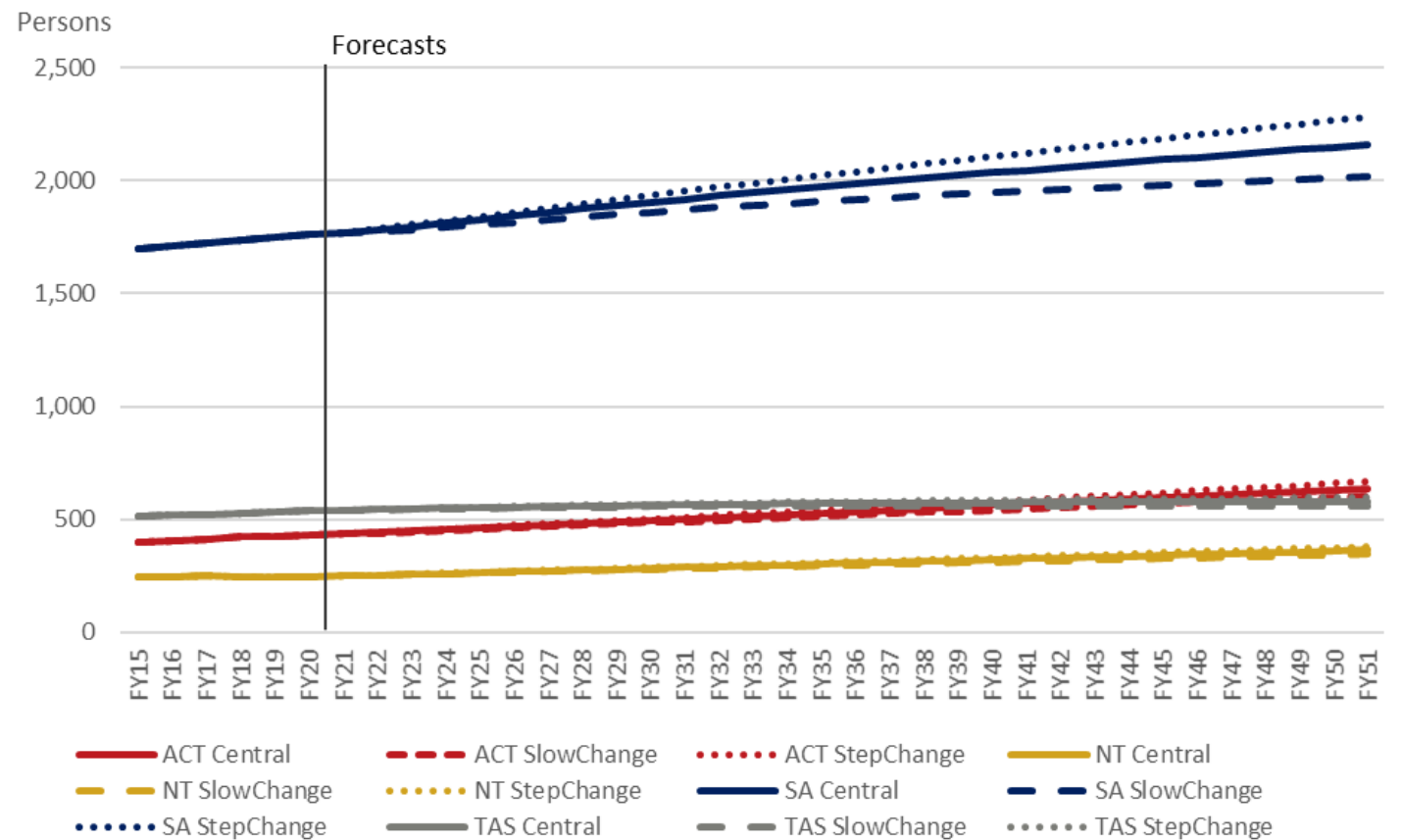
Fig 20. Population Projections, FY00-50 (FY 20 Real terms)



Source: BIS Oxford Economics/ABS



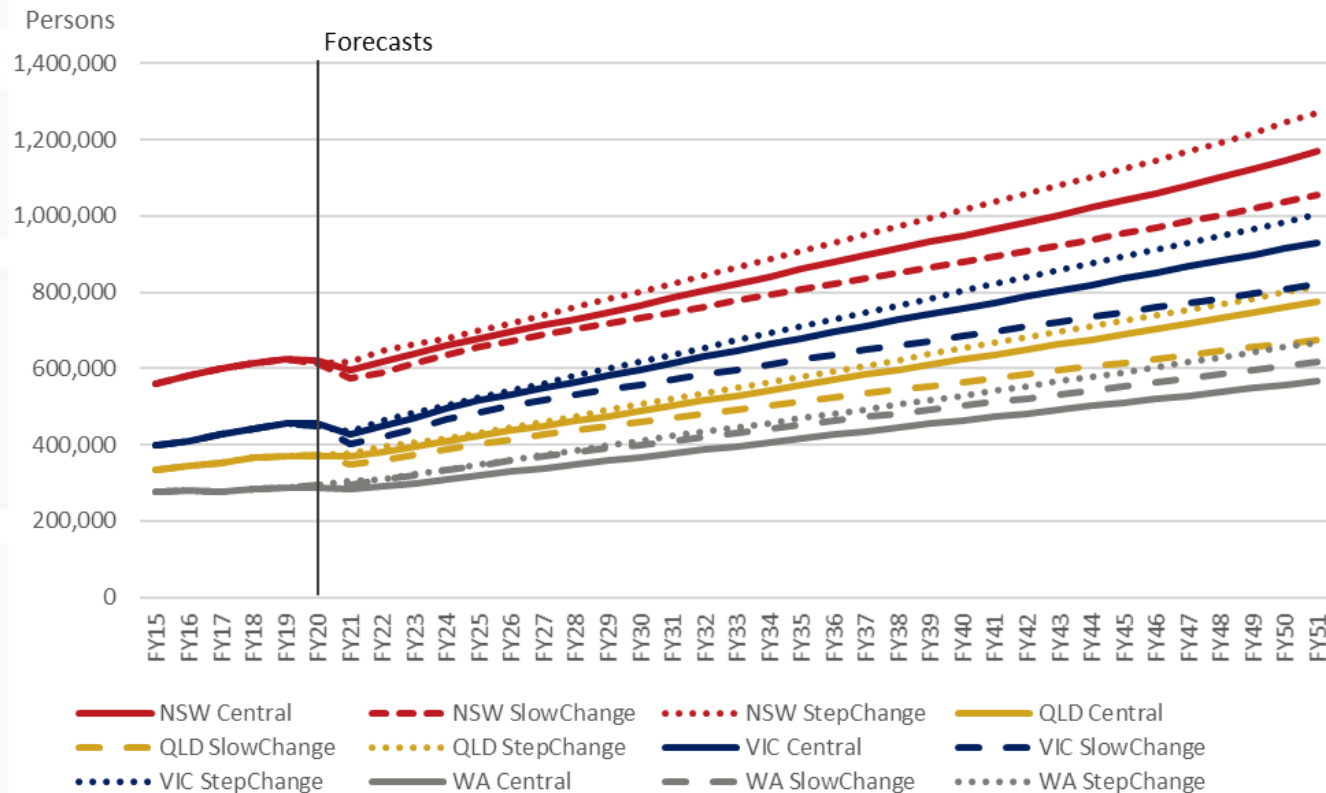
Fig 21. Population Projections, FY00-50 (FY 20 Real terms)



Source: BIS Oxford Economics/ABS



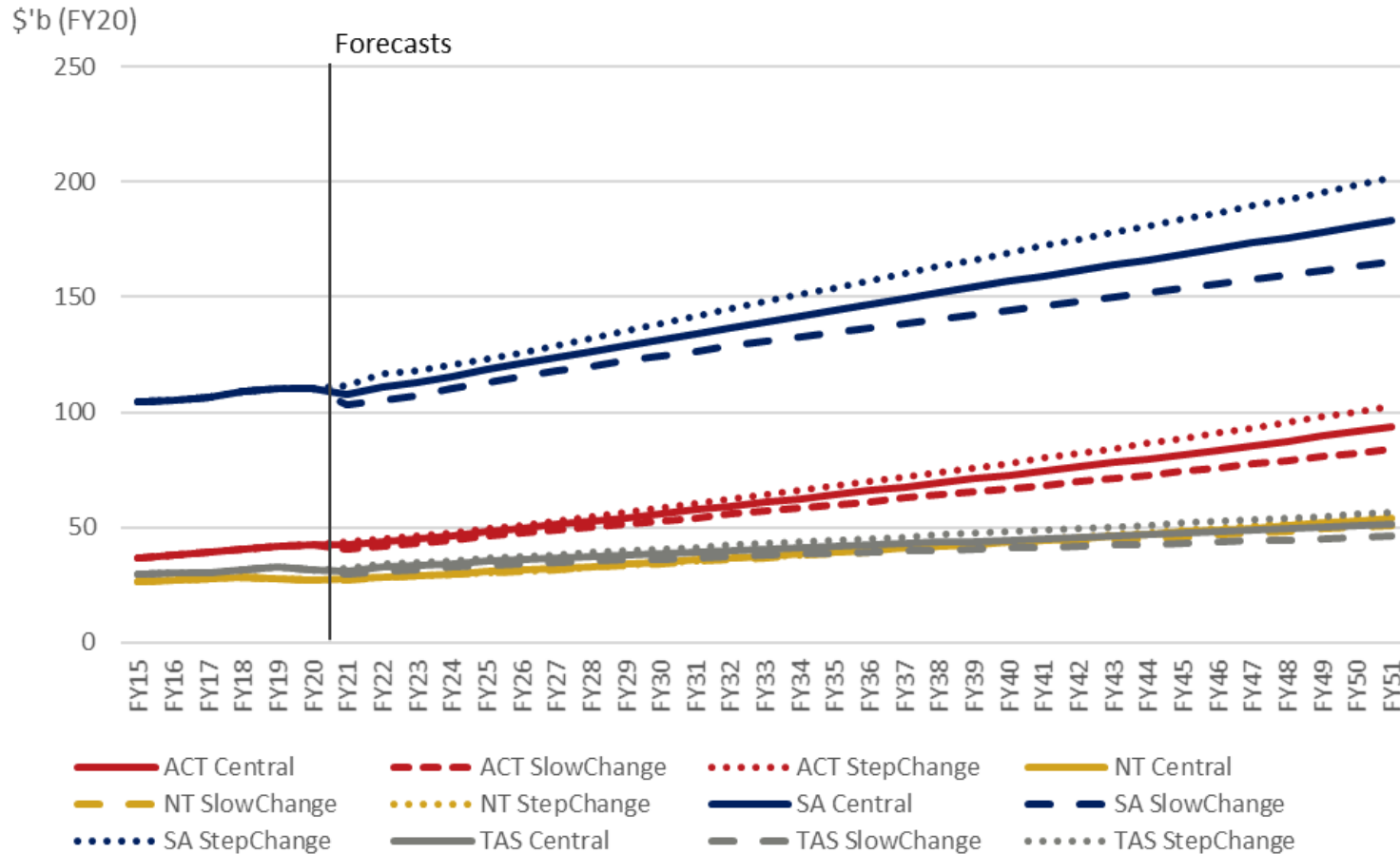
Fig 22. Gross State Product, NSW, VIC, QLD & WA, FY00-50 (FY 20 Real terms)



Source: BIS Oxford Economics/ Haver Analytics



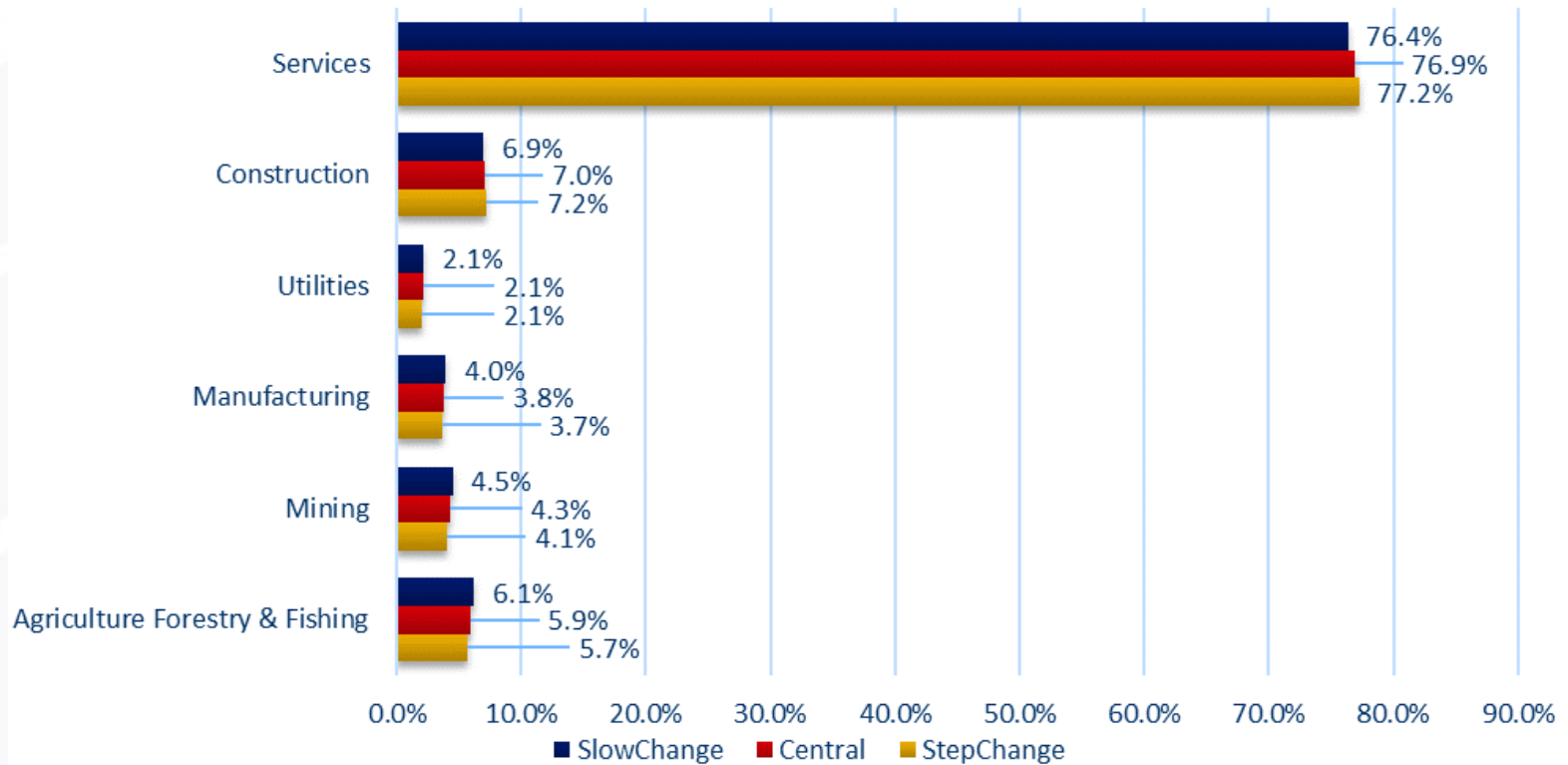
Fig 23. Gross State Product, SA, TAS, NT & ACT, FY00-50 (FY 20 Real terms)



Source: BIS Oxford Economics/ Haver Analytics



Fig 24. Industrial Composition of GDP by Scenario (FY50)



Source: BIS Oxford Economics/ Haver Analytics

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