EY Economics: A macro snapshot

16 November 2024

The better the question. The better the answer.
The better the world works.

Building a better working world

A macro snapshot

3 Ps of economic growth has become the 5 Ps

1. Population
2. Participation
3. Productivity
4. Pandemic
5. Populism

3 Rs are also important for the Australian economy

6. Renewables
7. Resources
8. Residences

Key takeaways

It used to be sufficient to think about economic growth in terms of the 3 Ps: population, participation and productivity

The role of the macroeconomist has expanded to cover a broad range of topics.

These topics are interrelated, and change permeates through a complex global system with increasing pace.

Ollie Cansdell
Associate Director, EY Economics

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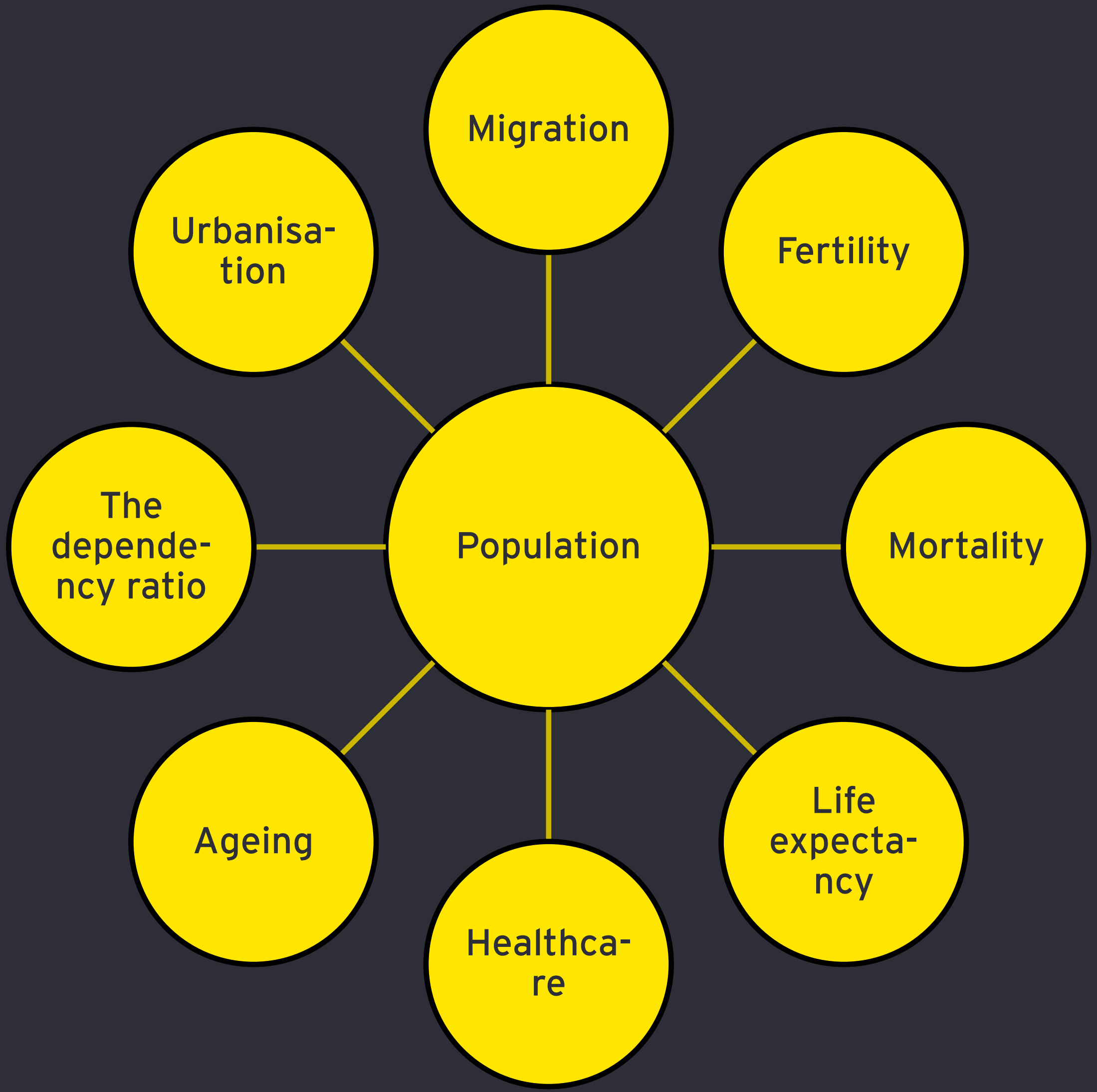
‘The 3 Ps’ are an economist’s mental model for economic growth



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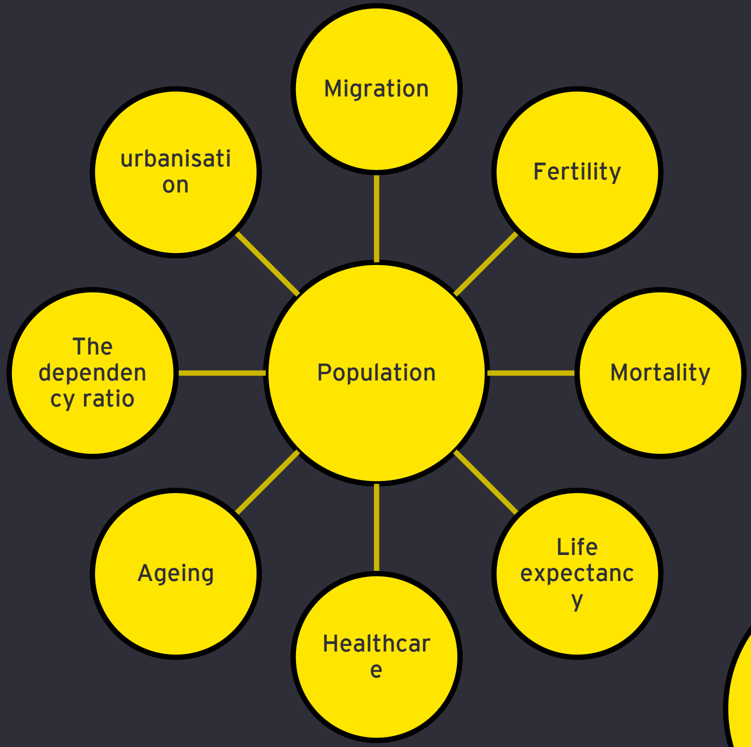

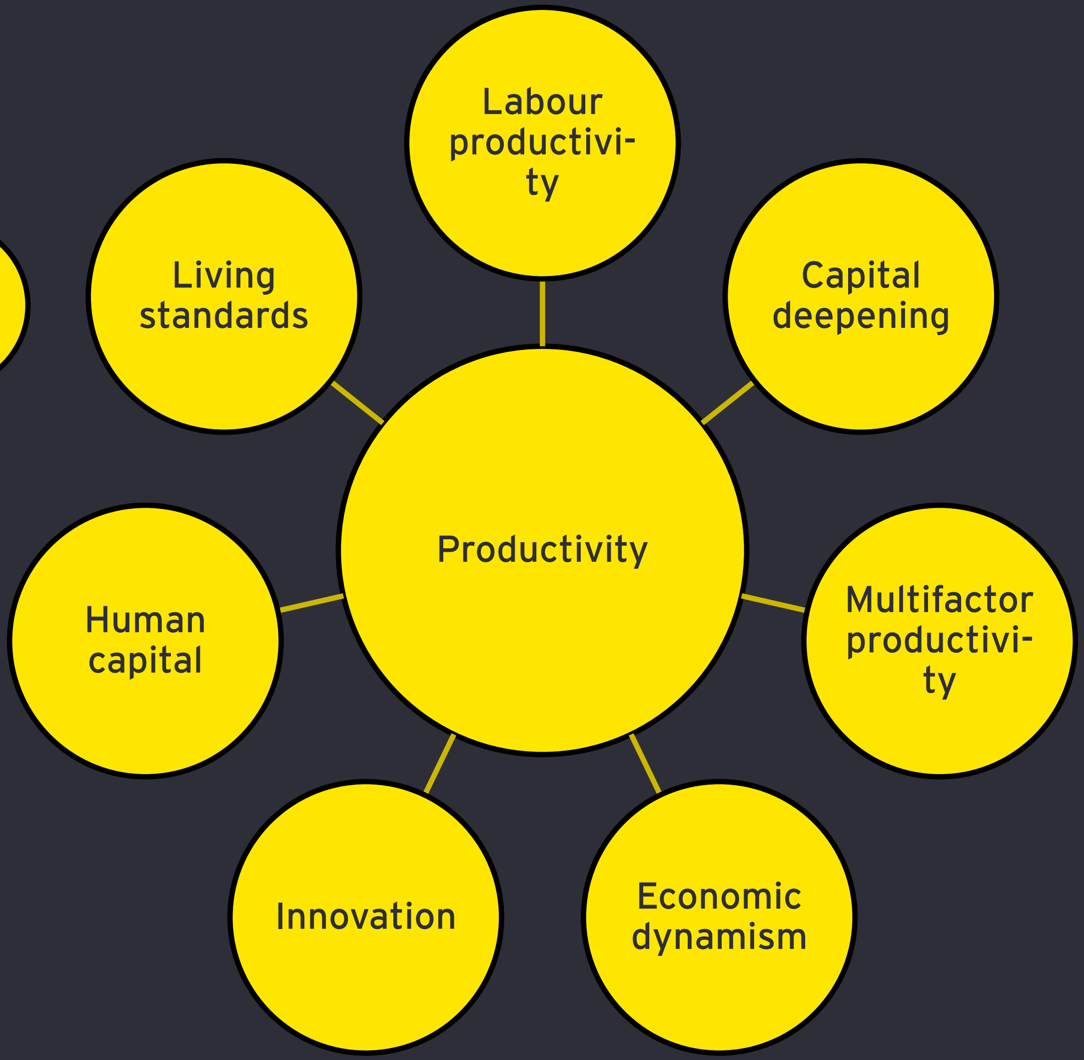

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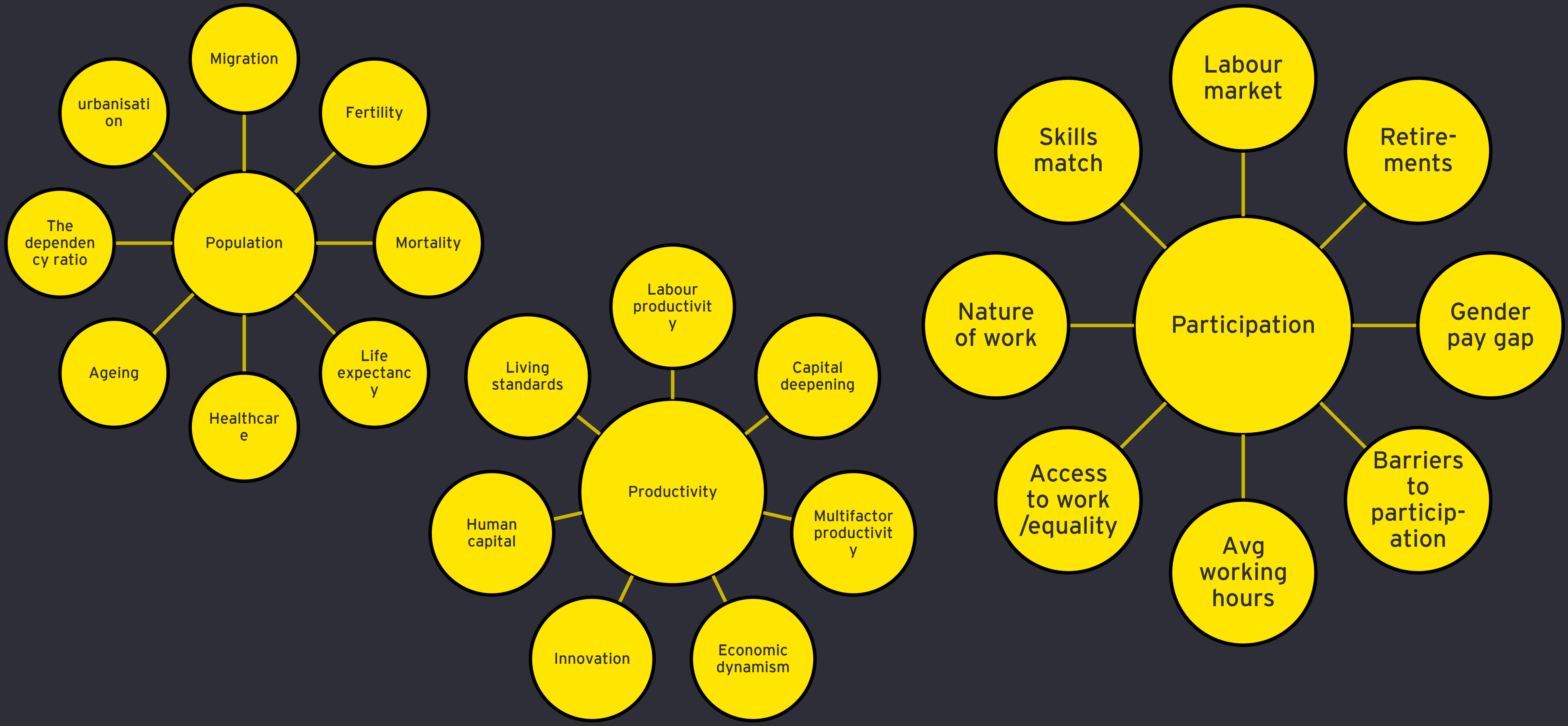

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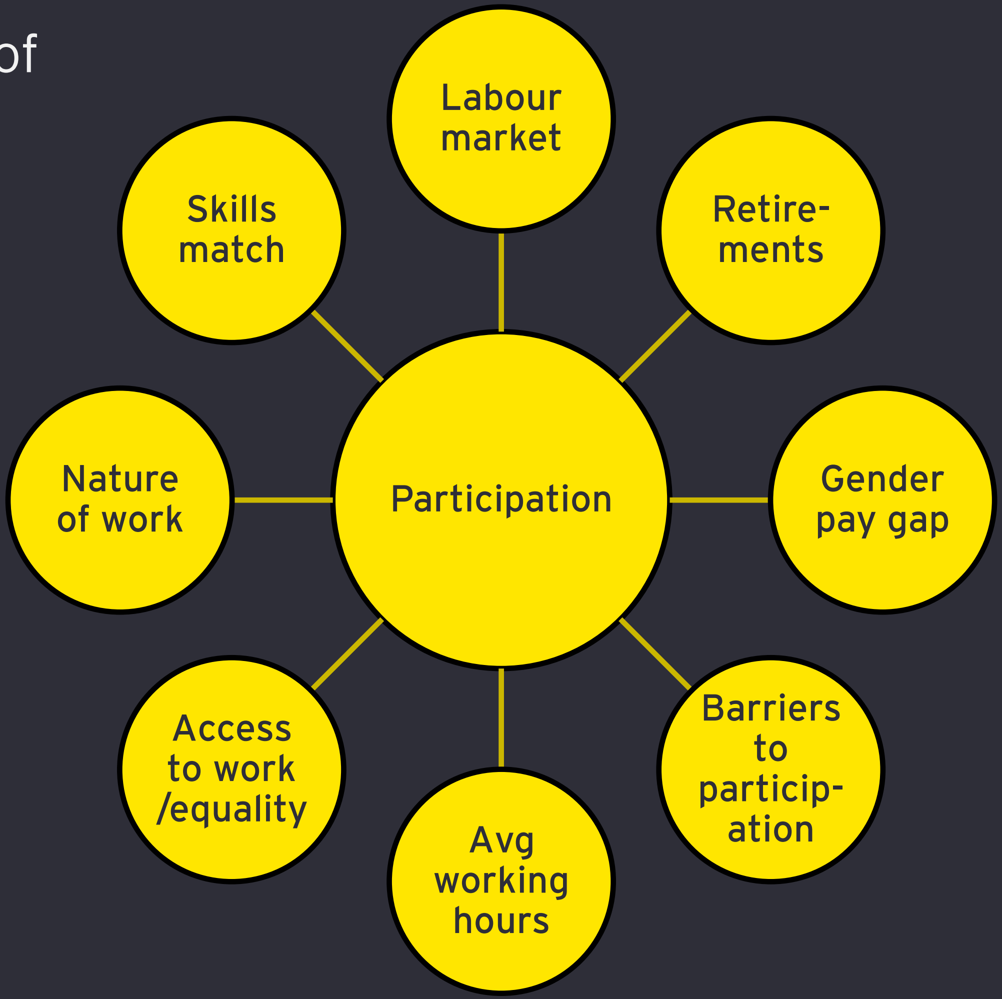
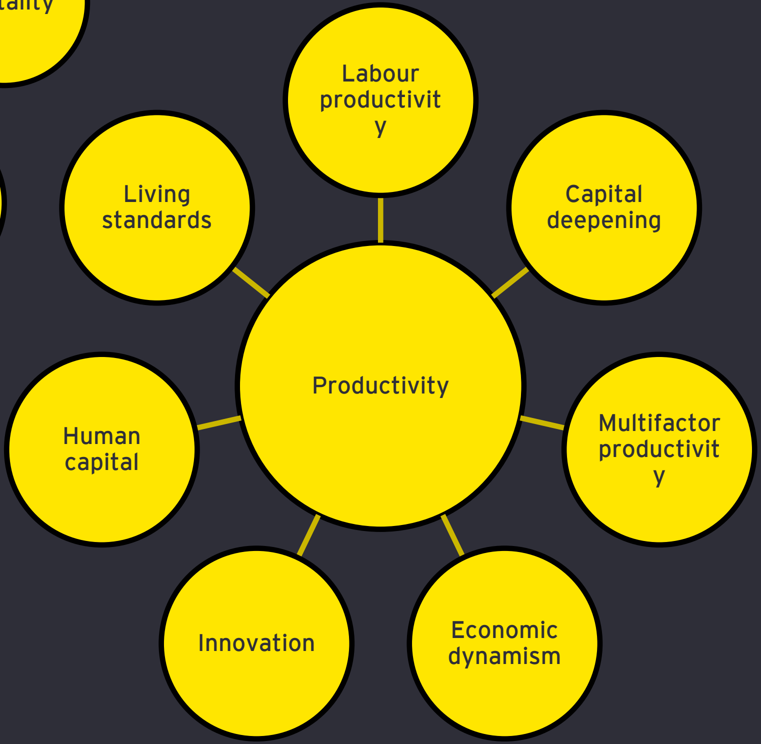
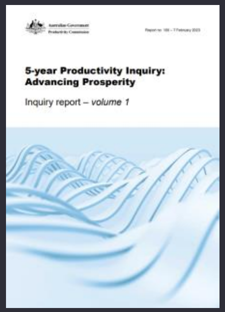
‘The 3 Ps’ are an economist’s mental model for economic growth

…some themes within each of the 3 Ps in Treasury’s Intergenerational Report 2023







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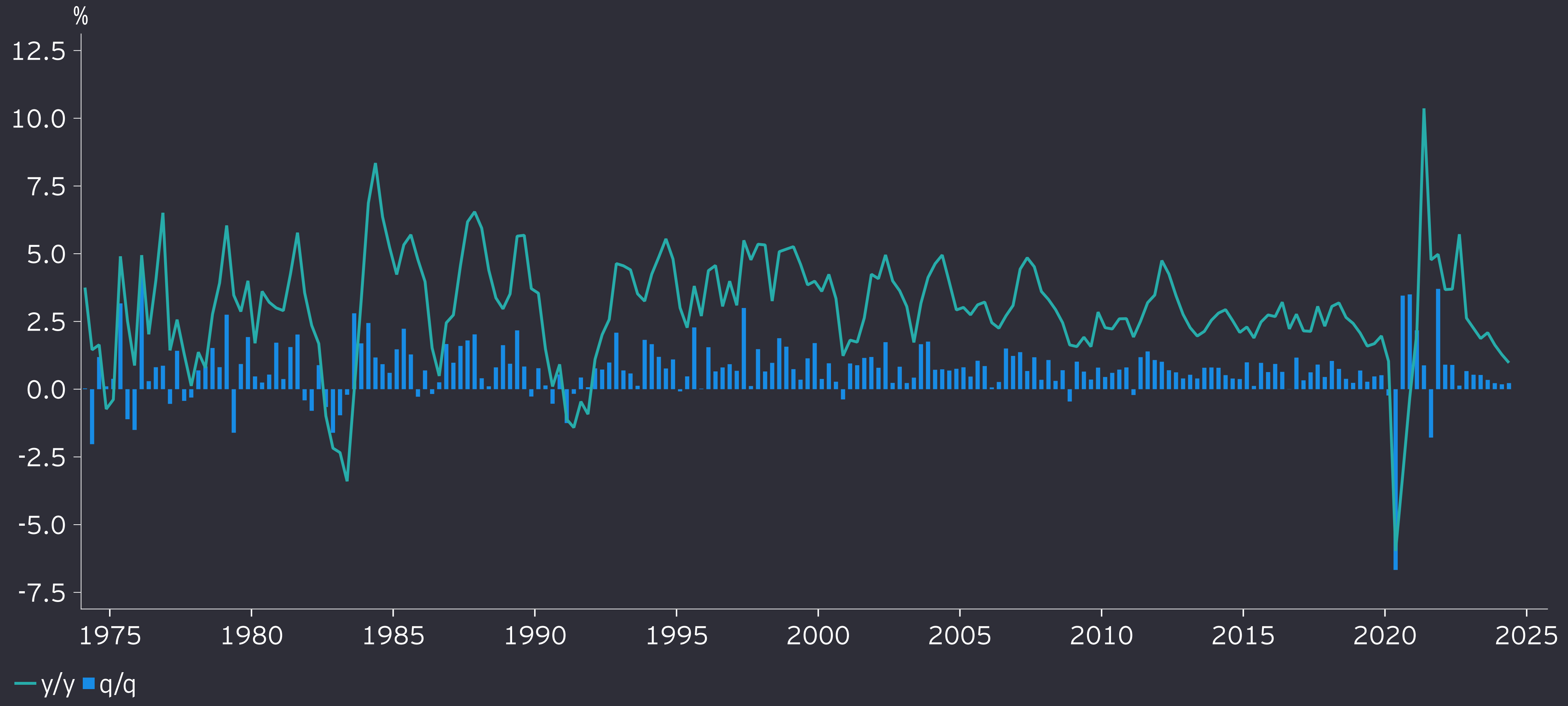
The macroeconomy has woken from a pleasant dream of low but stable growth. We're experiencing turbulence of the 1970s with a modern twist.

Gross Domestic Product



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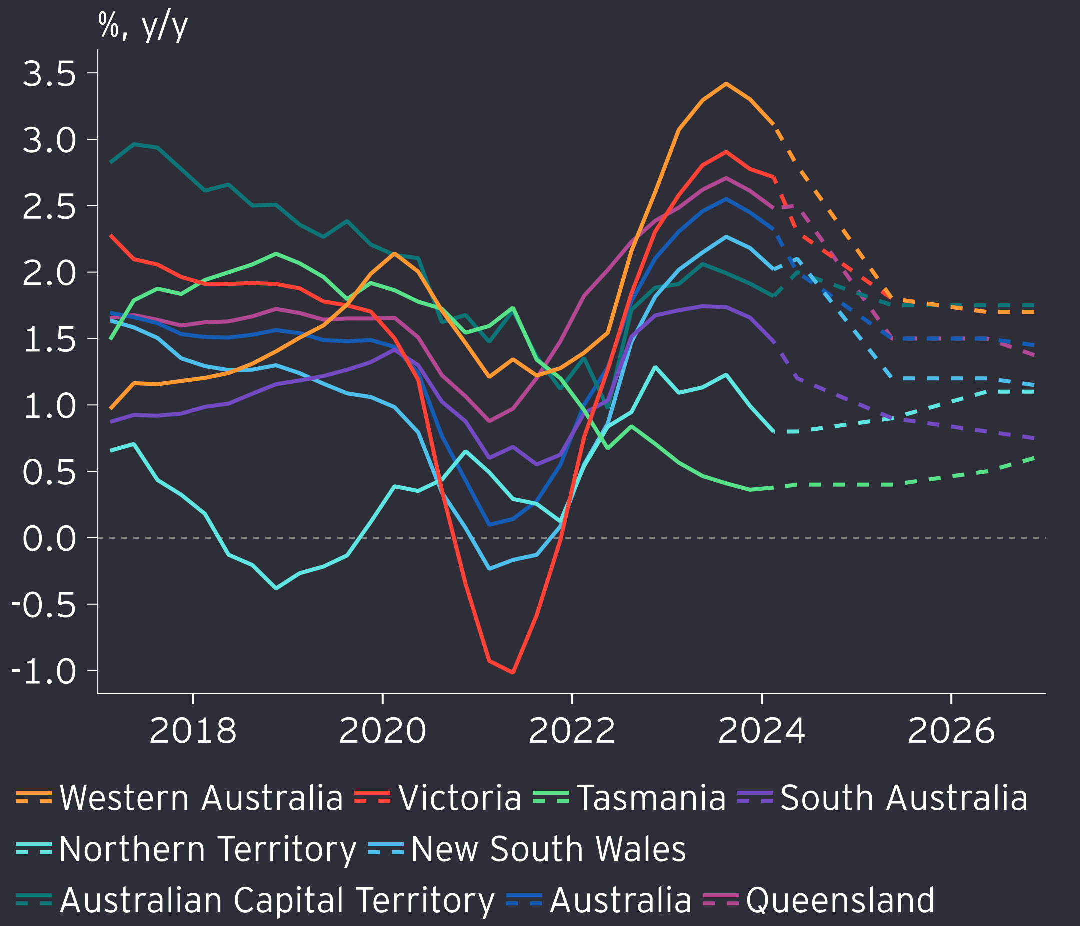
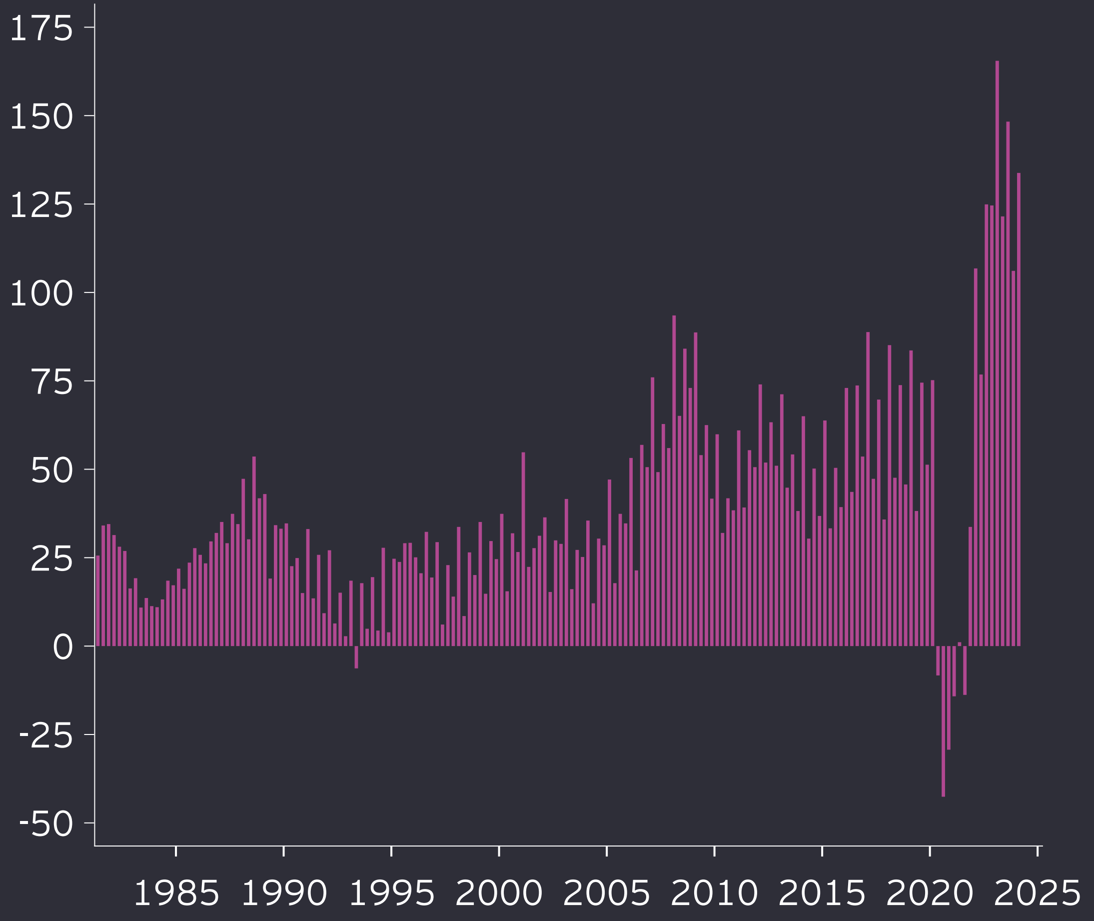
‘The lucky country’ becomes self-fulfilling as migration drives population growth

Estimated resident population, including state budget forecasts



Source: ABS, Macrobond, State Budgets, EY

Net Overseas Migration



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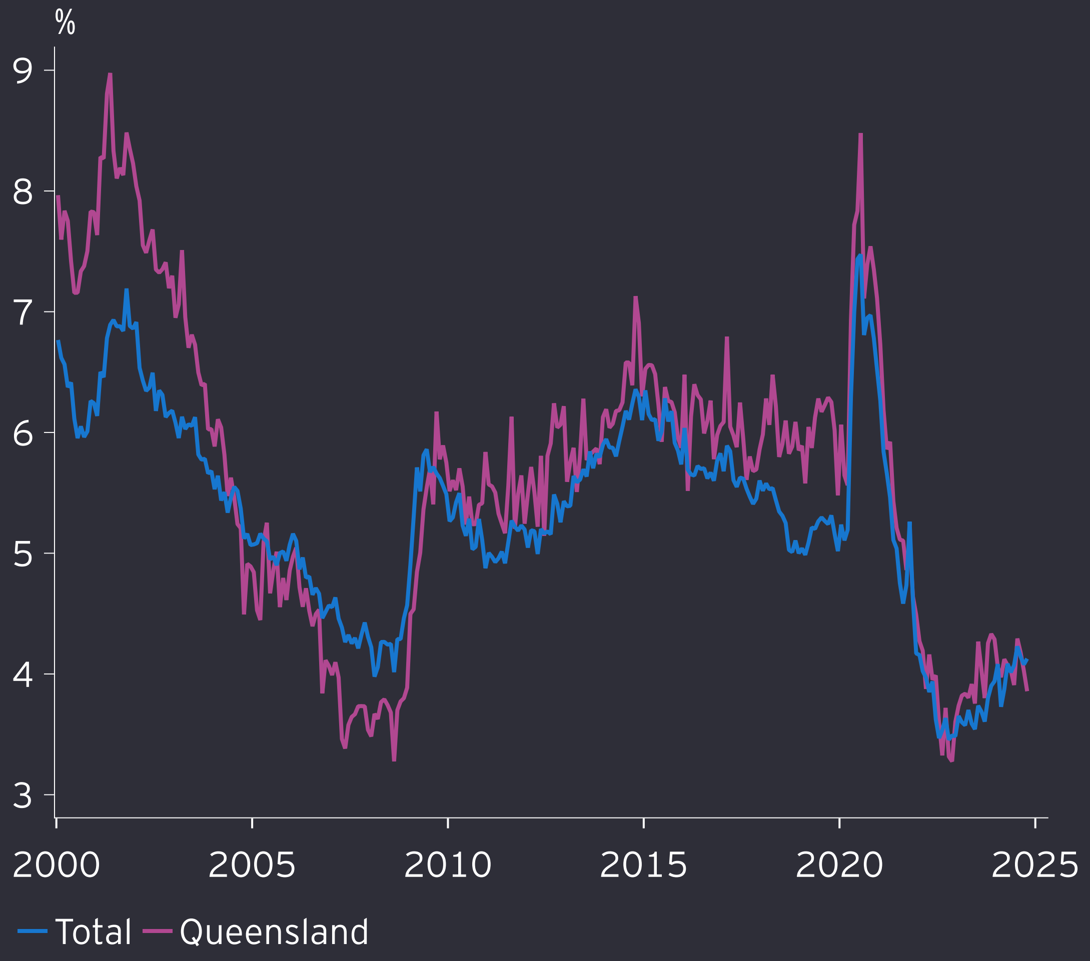
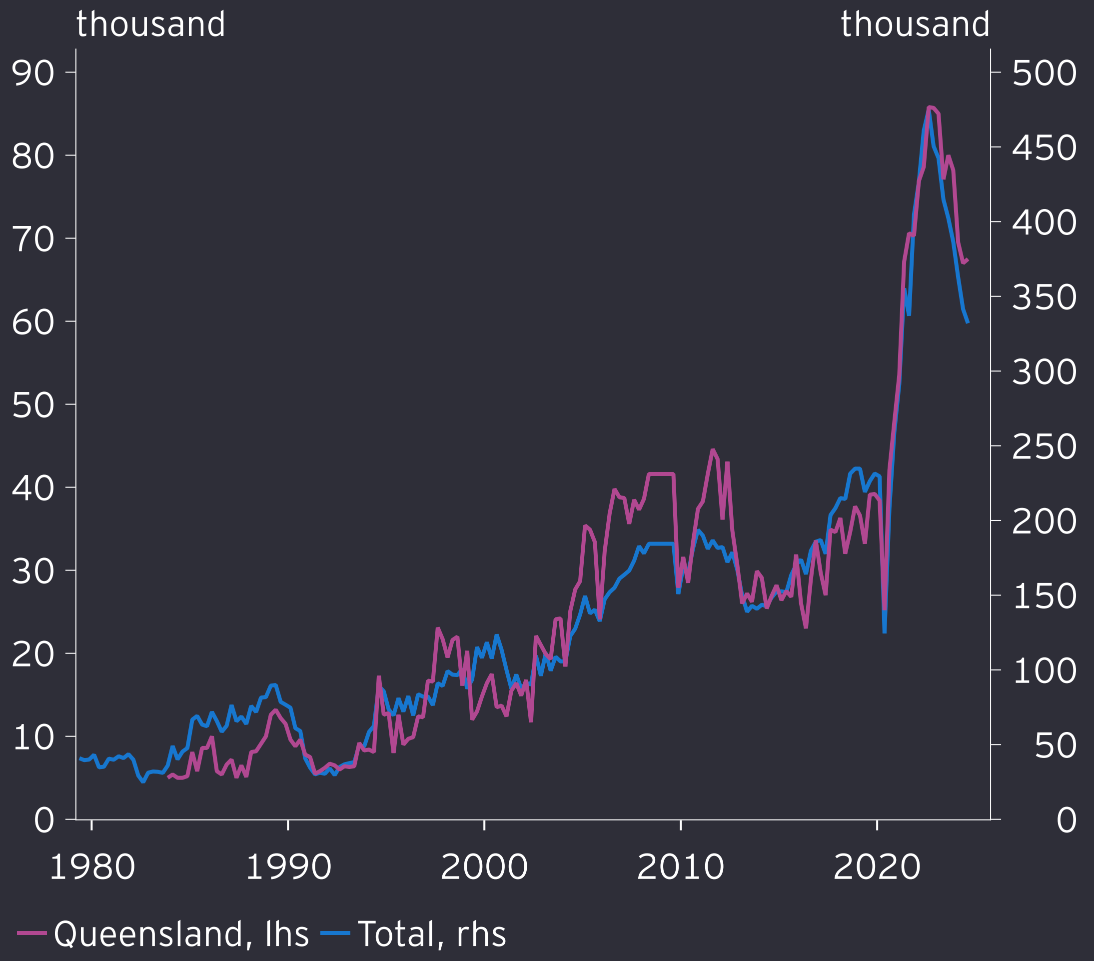
The lockdown-induced spike in unemployment was short-lived. Vacancies quickly rose to double anything seen by the previous generation.

Unemployment rate



Source: ABS, Macrobond, EY

Job Vacancy Statistics



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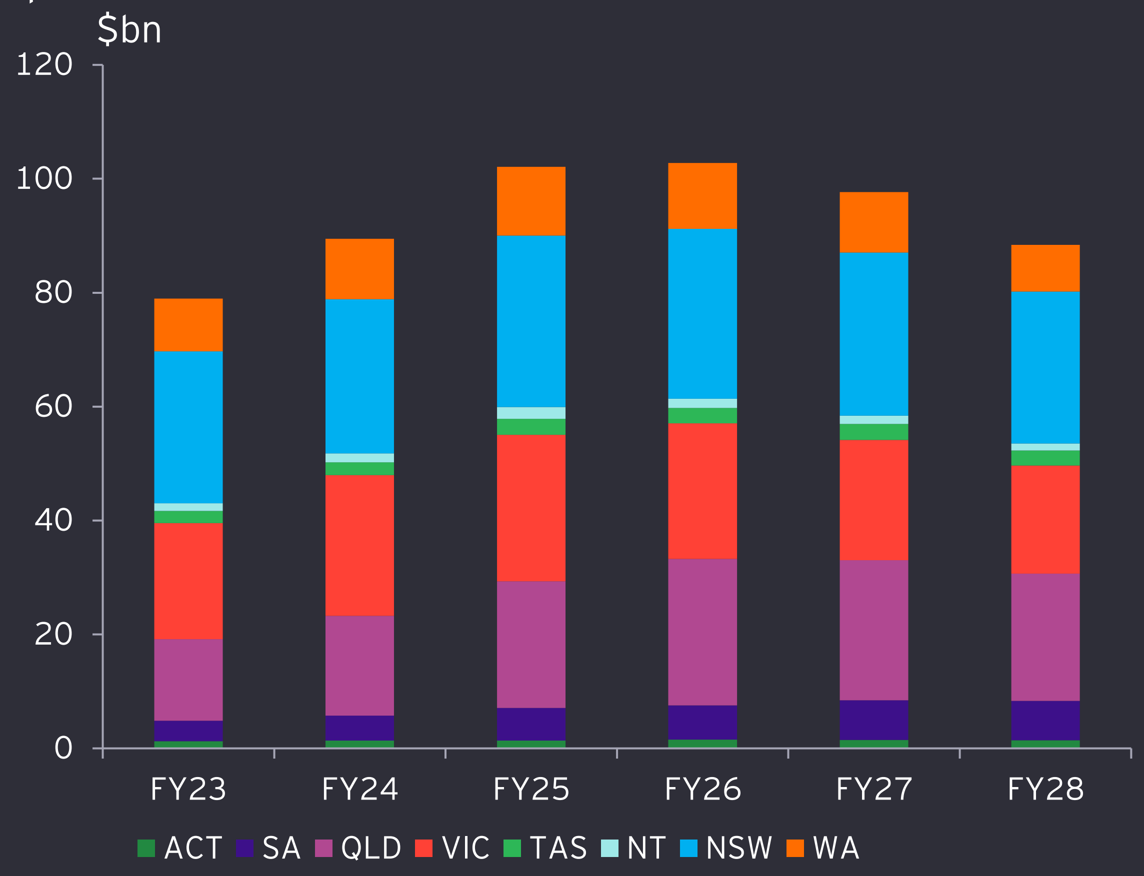
Labour shortages & skills mismatch are stymieing growth, at a time when governments are working through some major infrastructure programs

Jobs and Skills Australia data on skills shortages shows critical shortages in key skills required for the energy transition, housing and critical aspects of Australia's services economy.

Occupation	Shortage Driver	AUS	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Automotive Electricians	Long training gap	S	S	NS	S	S	S	S	S	S
Bakers and Pastrycooks	Retention gap	S	S	NS	S	S	S	S	S	S
Boat Builders and Shipwrights	Retention gap	S	NS	S	S	S	S	S	S	S
Bricklayers and Stonemasons	Long training gap	S	S	S	S	S	S	S	S	S
Bus and Coach Drivers		NS	NS	NS	S	S	NS	S	S	S
Butchers and Smallgoods Makers	Retention gap	S	S	NS	S	S	S	S	S	S
Cabinet and Furniture Makers	Long training gap	S	NS	S	S	S	S	S	S	S
Carpenters and Joiners	Long training gap	S	S	NS	S	S	S	S	S	S
Chefs	Retention gap	S	S	S	S	S	S	S	S	S
Civil Engineering Draftspersons and Technicians	Uncertain/unknown	S	S	S	S	S	S	S	S	S

Infrastructure investment by state; Total public sector*



Source: FY24 Budget papers

* Total public sector data except for SA, QLD, NT and NSW where Total public sector data was not available.

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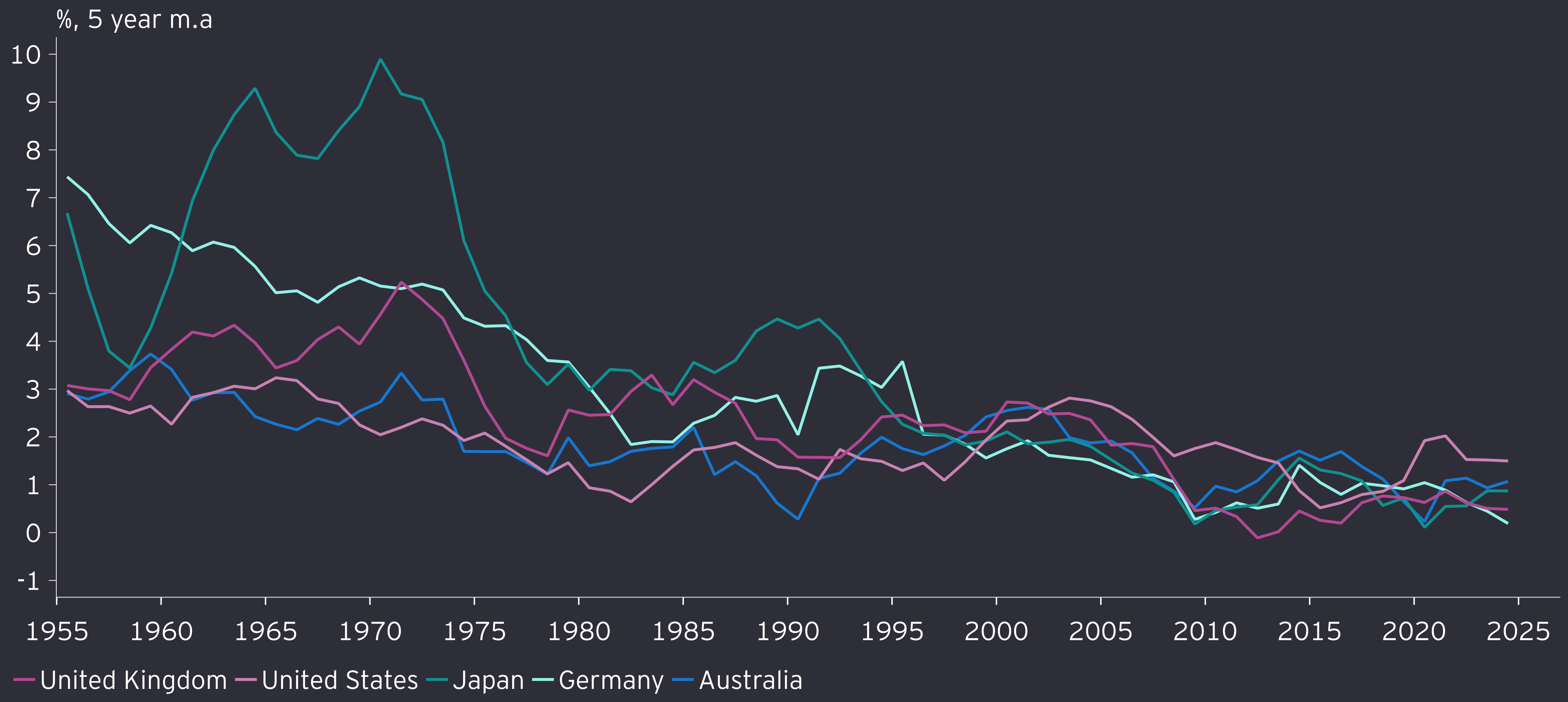
Productivity was present everywhere but the statistics, but where's my hoverboard?

Productivity growth is slowing globally



Source: Conference Board, Macrobond, EY

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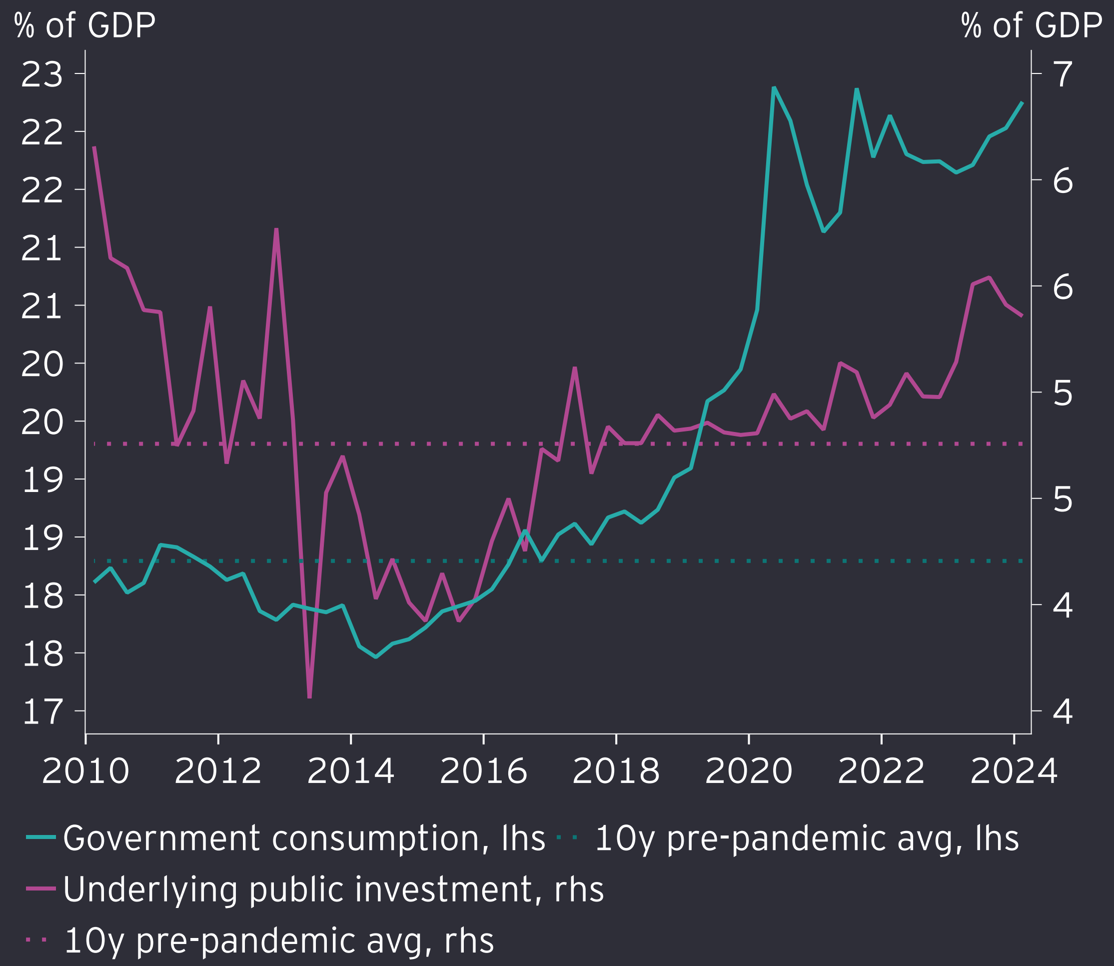
Simultaneous supply- and demand-side shocks characterised the pandemic…as has high levels of government spending

Public Sector Size



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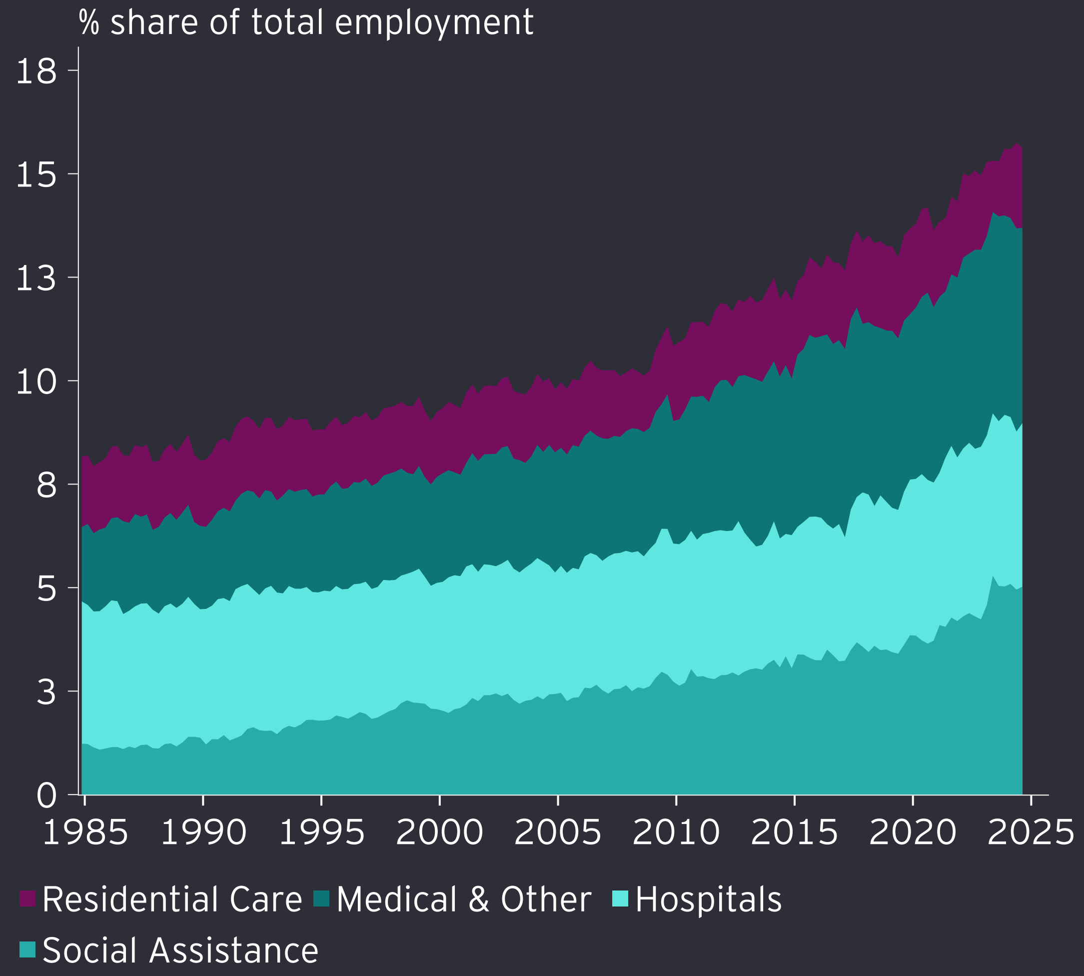
Healthcare and social assistance employment



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We've seen the patterns of the 'Great Election Year', but we're yet to fully understand their consequences

"The direct impact on Australia would be relatively mild, but the broader impact on our major trading partners and on the global trading system might be more significant, and in that regard, that is a little more concerning to us"

- Jim Chalmers, 11/11/2024

"At the moment, there's some uncertainty around what the landscape for investment in the green sector in the US is going to look like under Trump.

Perhaps that flow of capital towards the US will slow, and global investors will look at other markets, including Australia."

- Joanne Spillane, Global Head of Private Capital Markets, Macquarie Group, 10/11/2024

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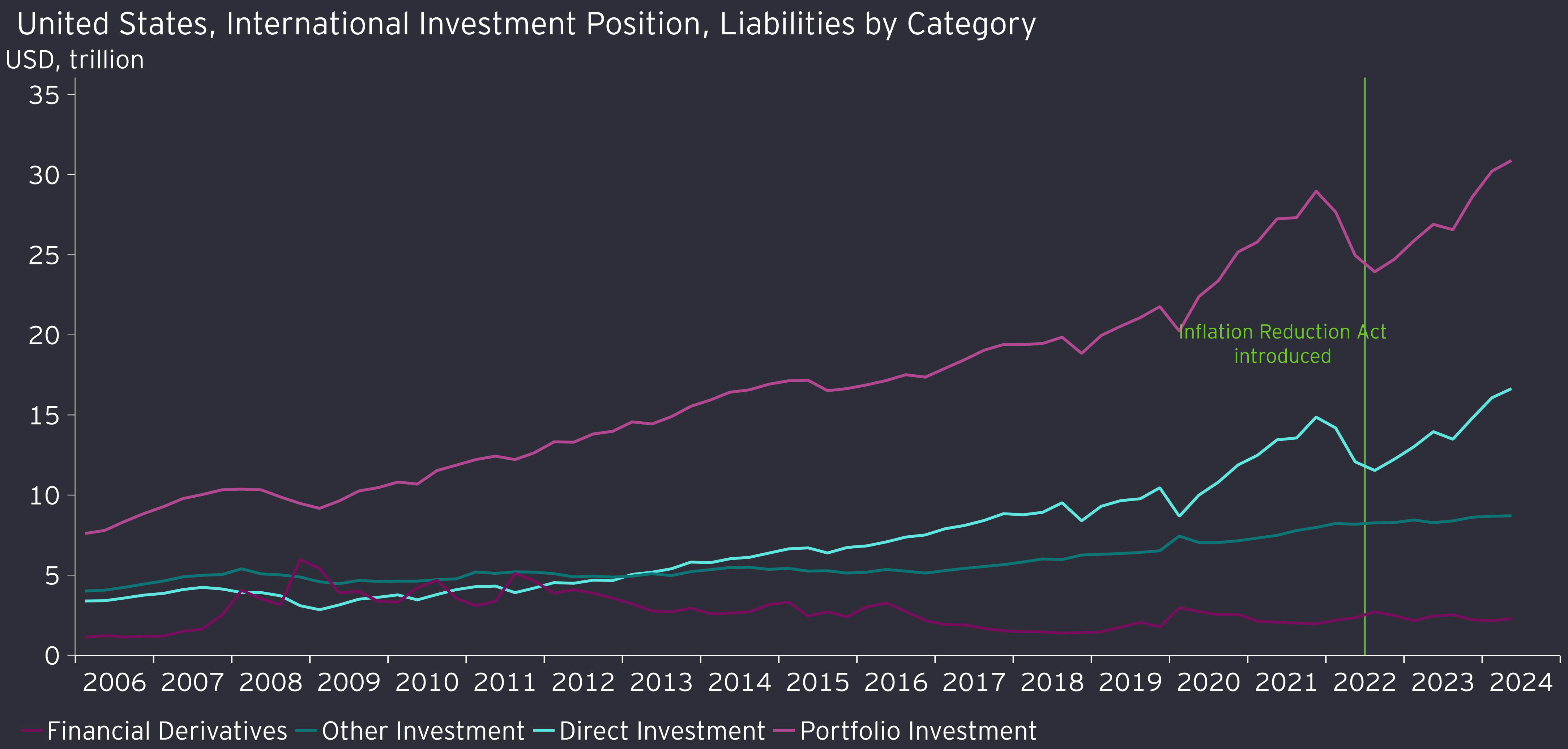
The IRA was designed to crowd-in capital. While we're unlikely to see a full reversal, the tenor of US Government spending will change.



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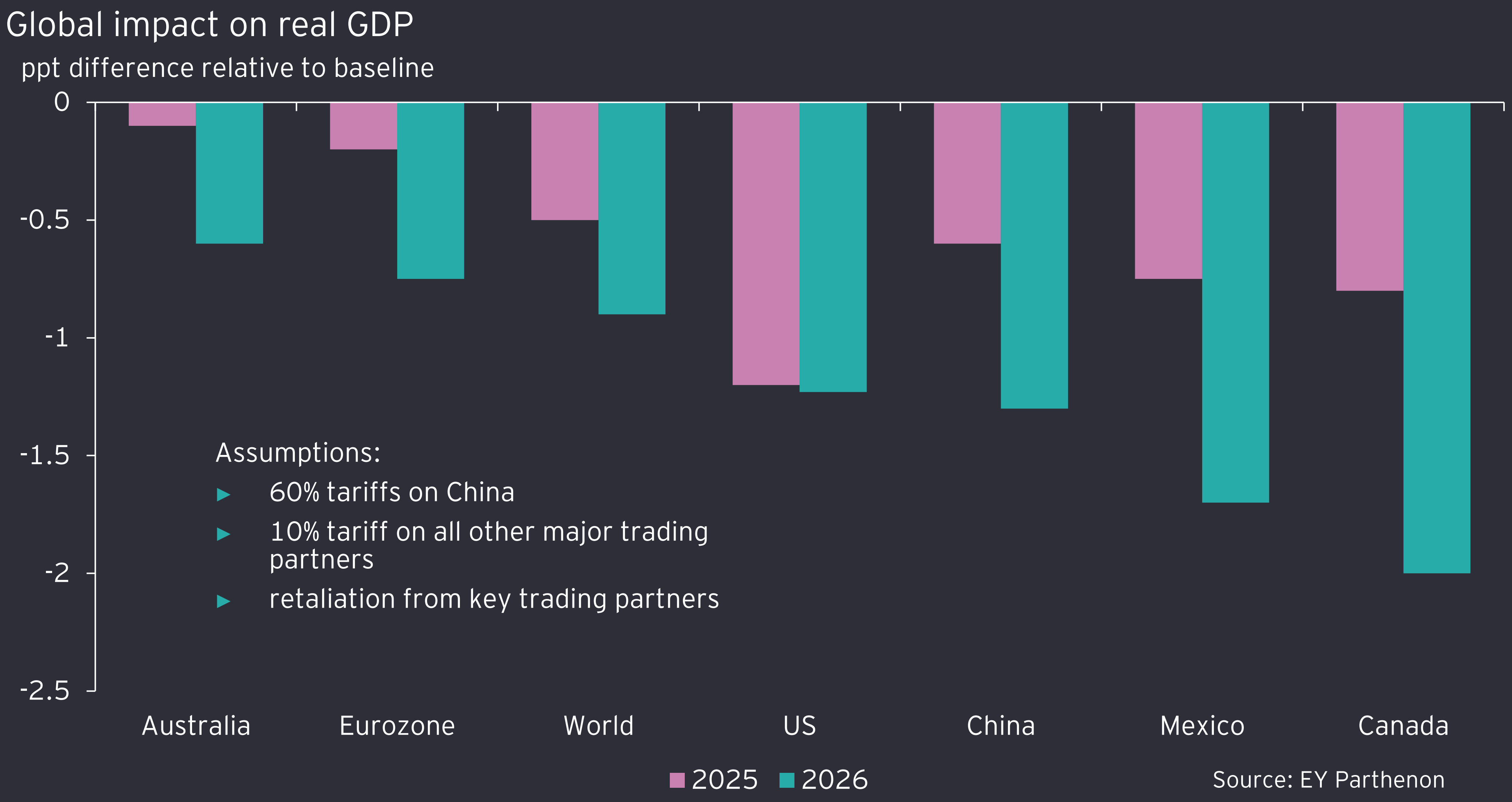
An approach to trade that is more scattergun than scalpel



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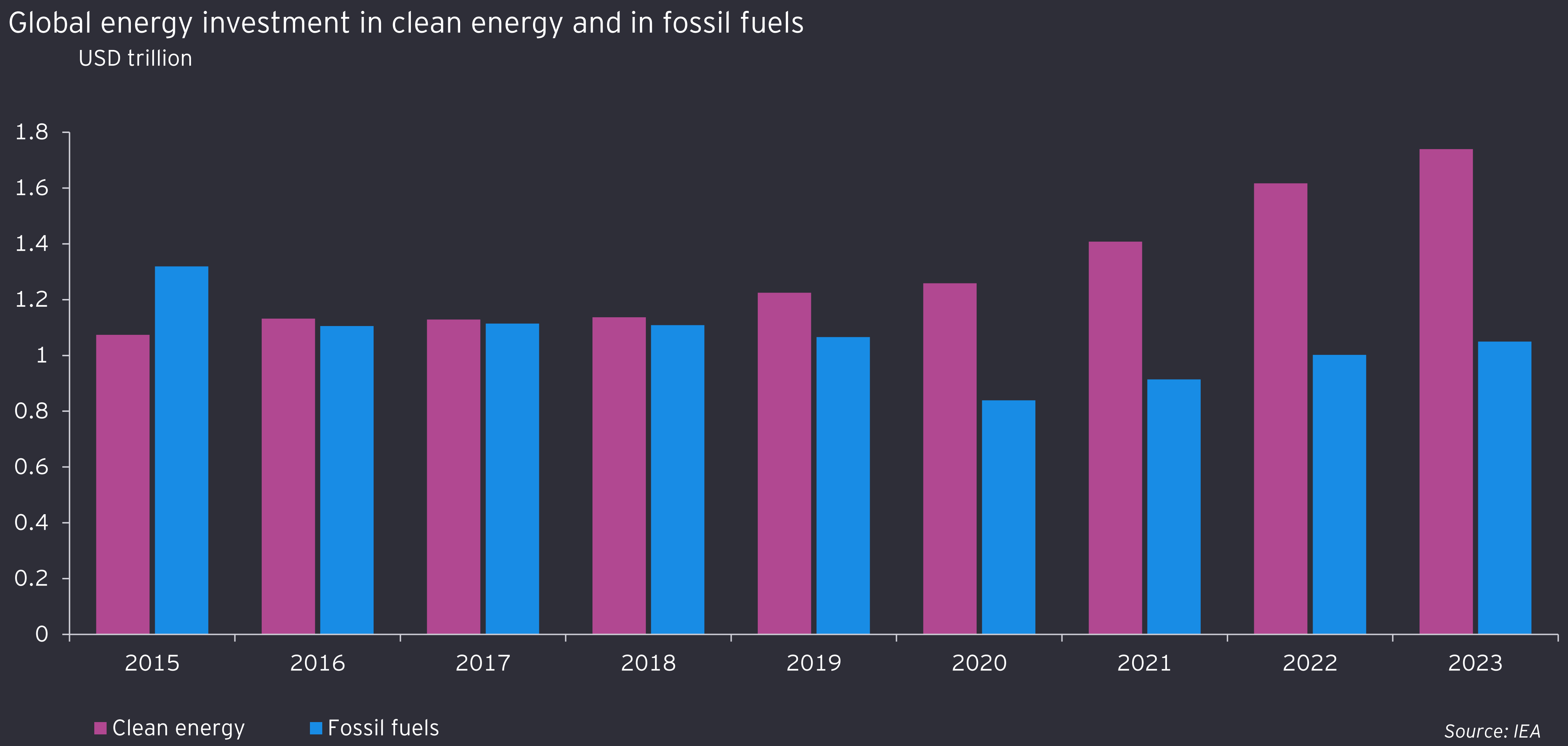
Development of renewables will need to increase to meet our targets. There is capital available, but it's not quite the USD$5 trillion we need



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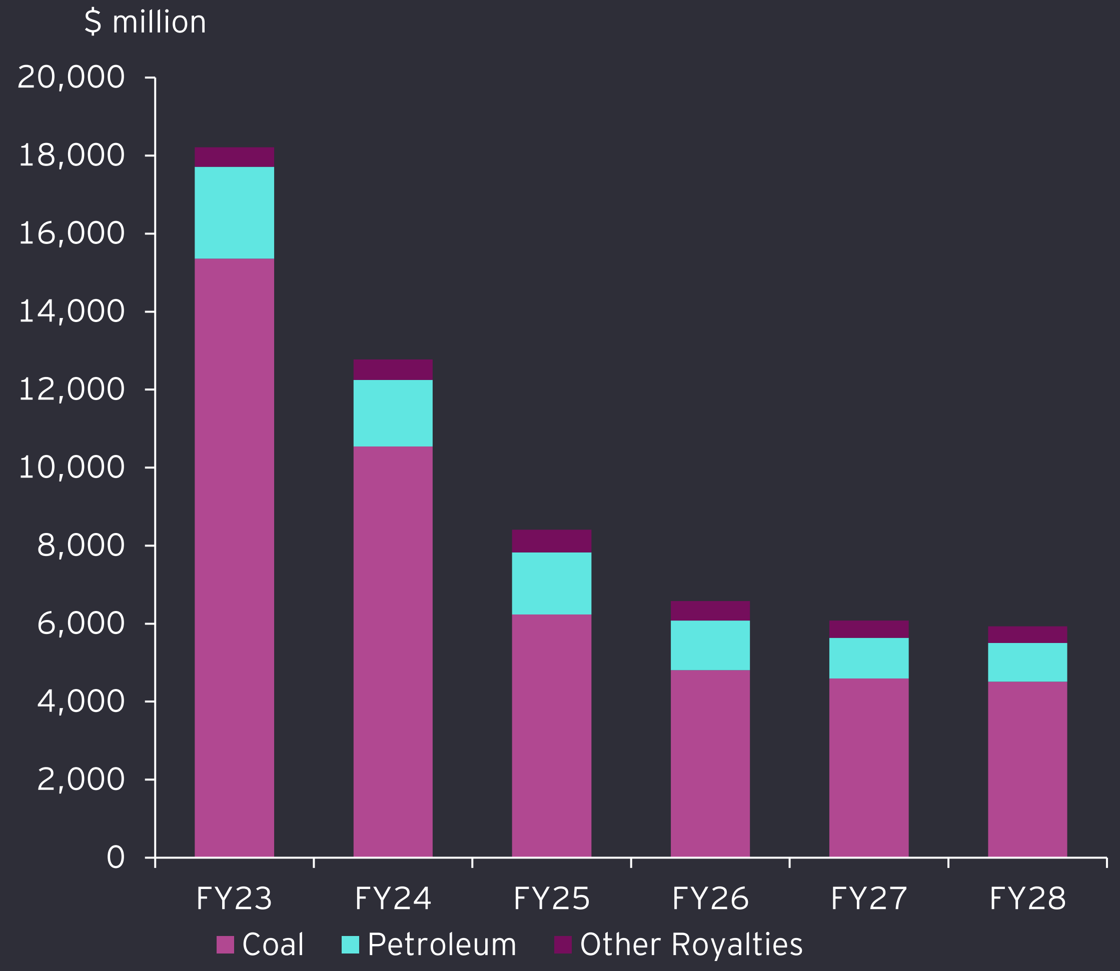
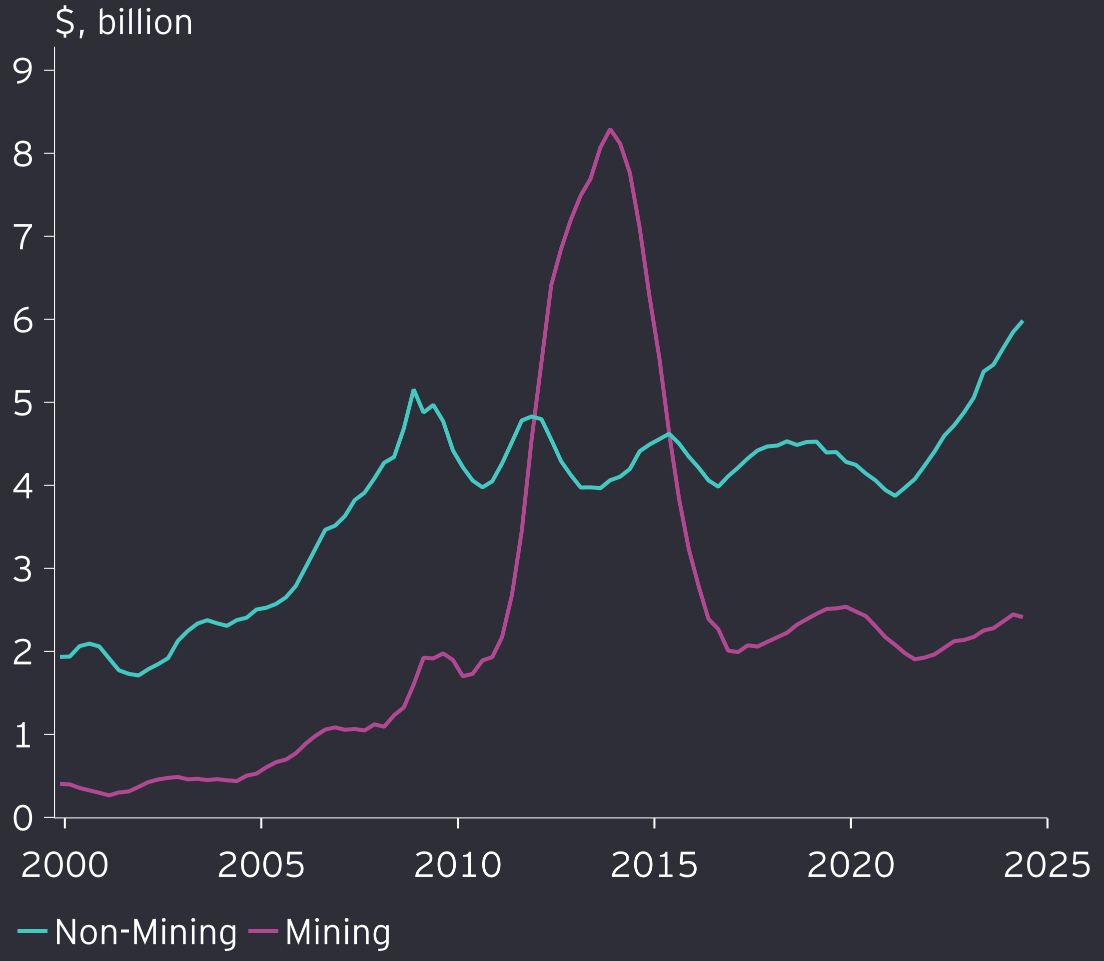
...though the resources sector remains a major employer, exporter and contributor to government revenues (especially in Queensland)

Queensland royalty revenue



Source: Qld Budget, EY

Queensland investment



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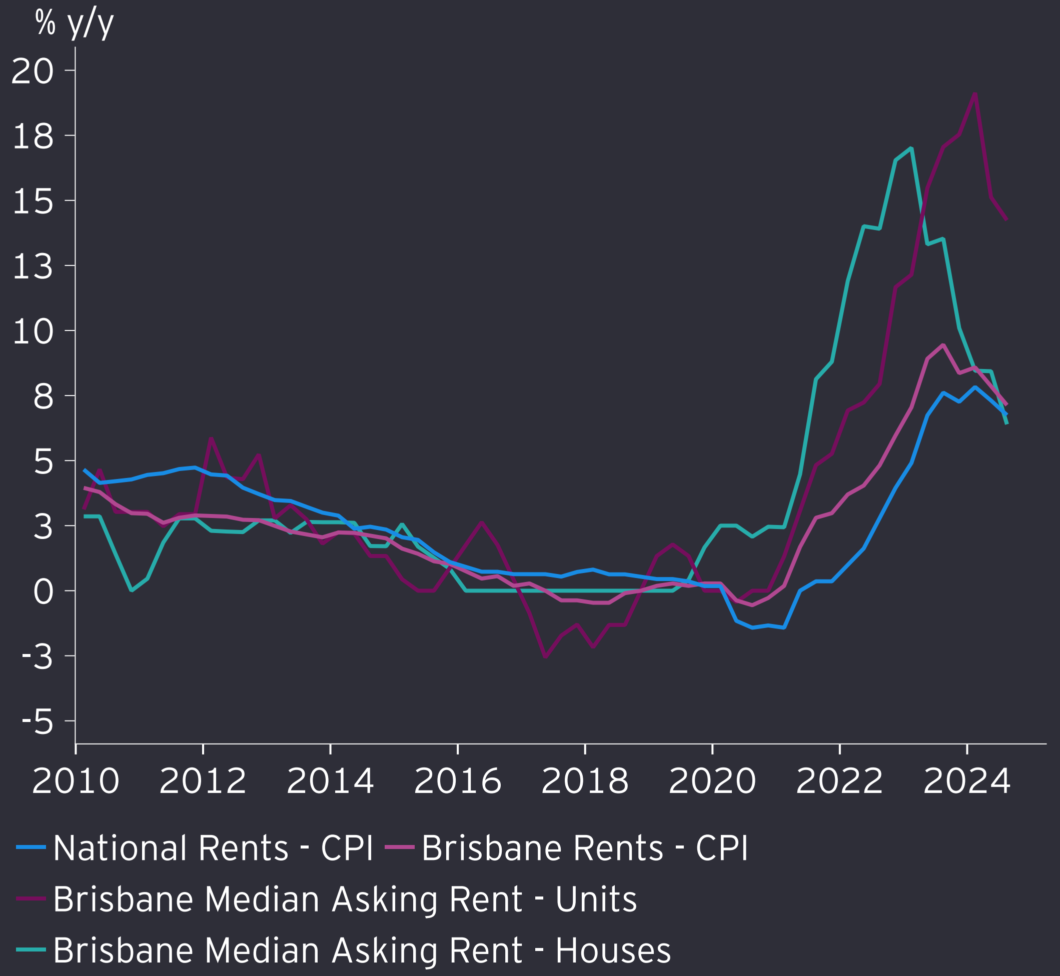
Many of these pressures are squeezing the housing market. How is this influencing students' aspirations of home ownership?

Brisbane rents



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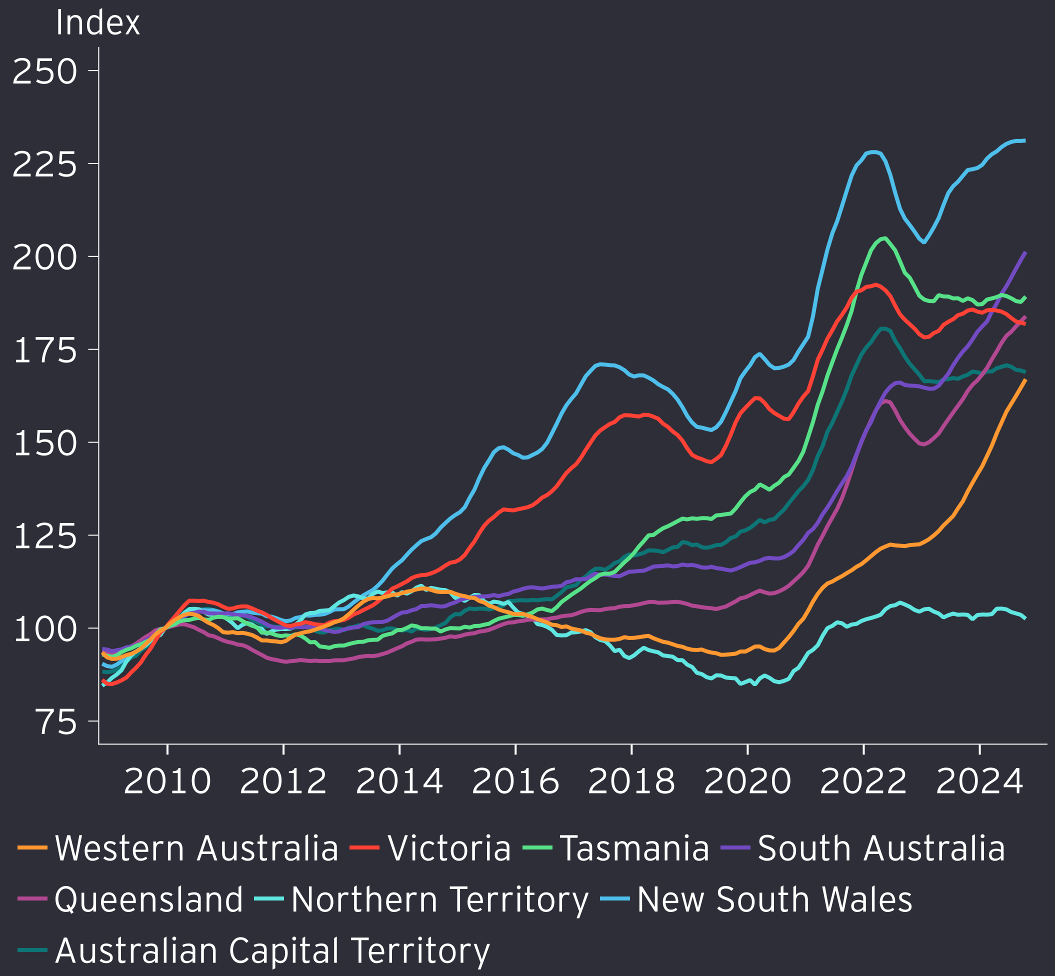
Dwelling prices by state



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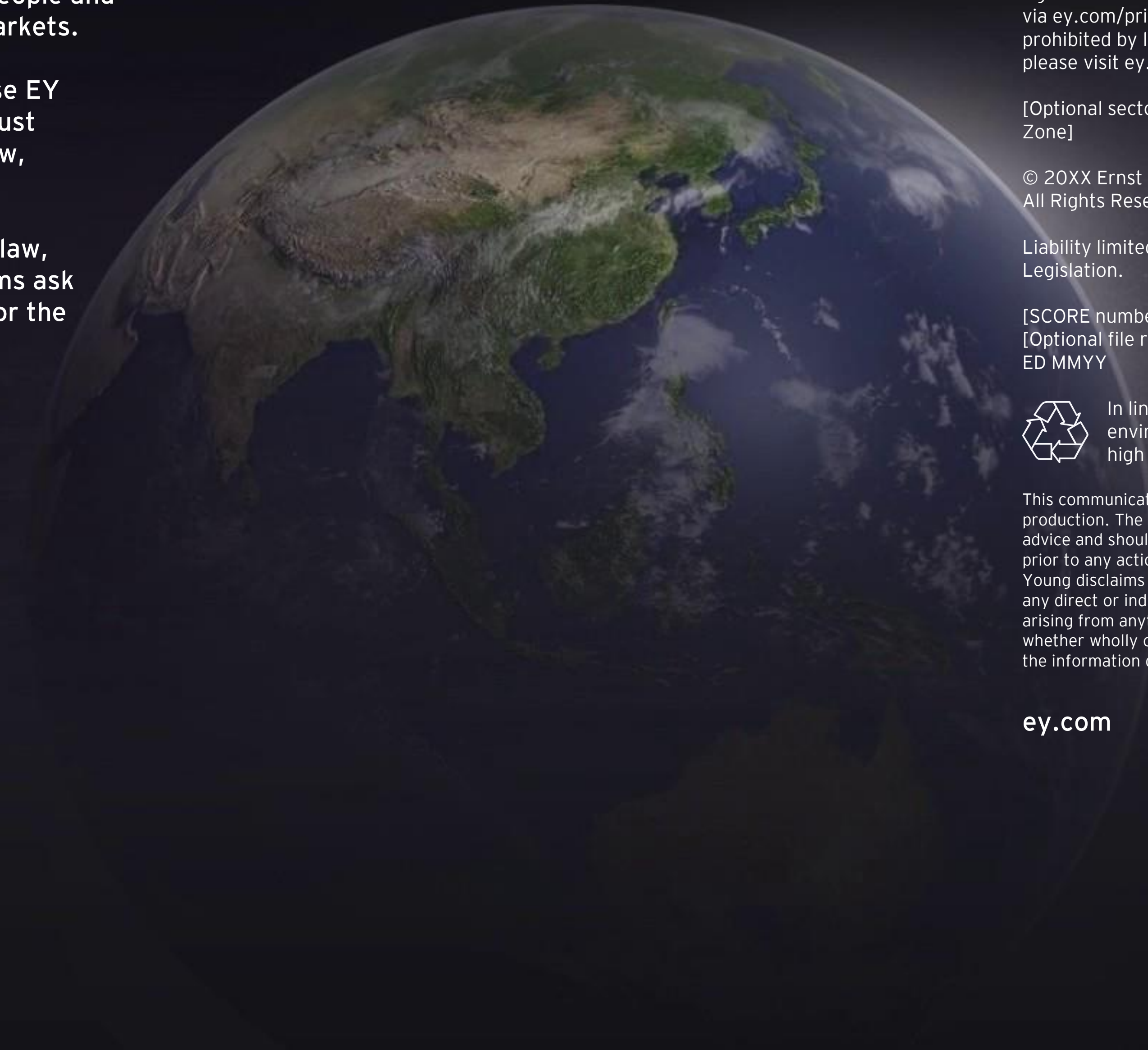

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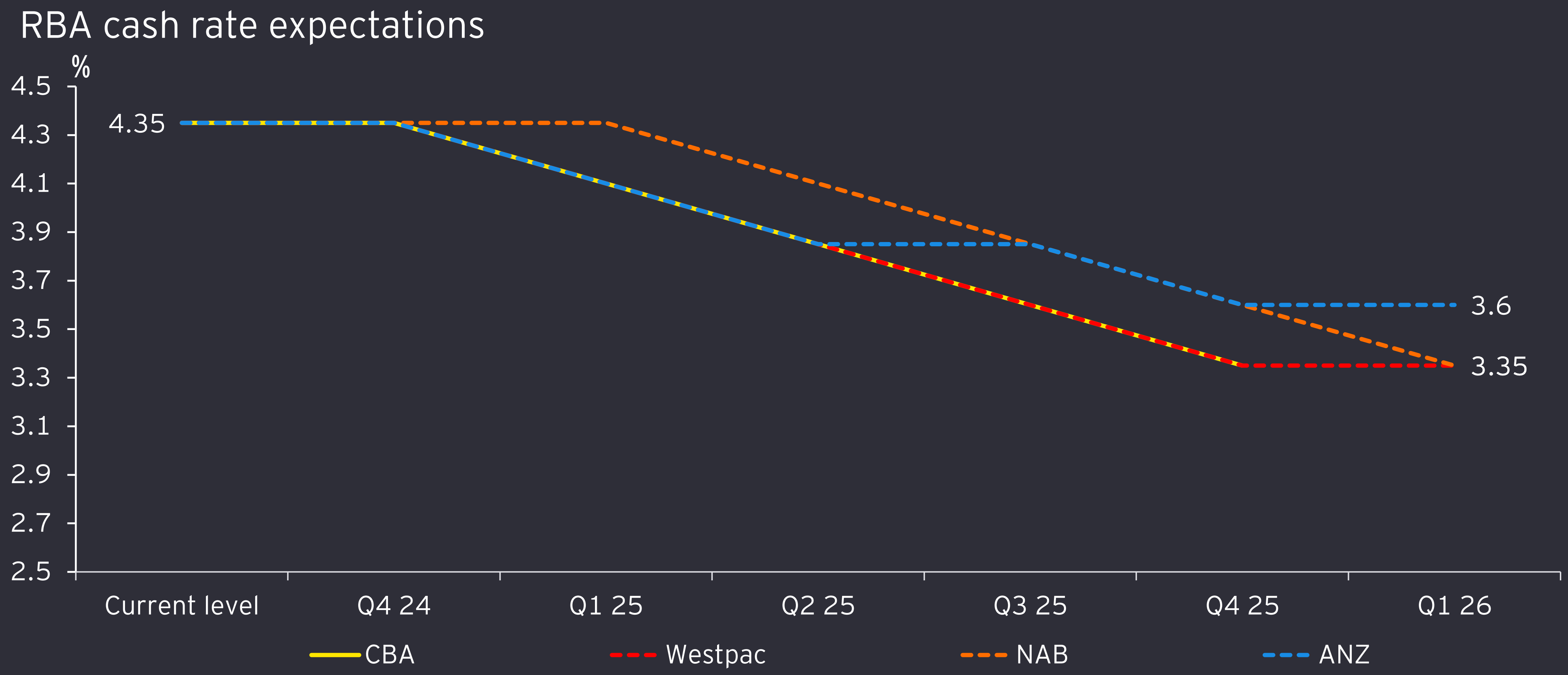
This economist doesn’t know when the interest rates will change, but these ones might…



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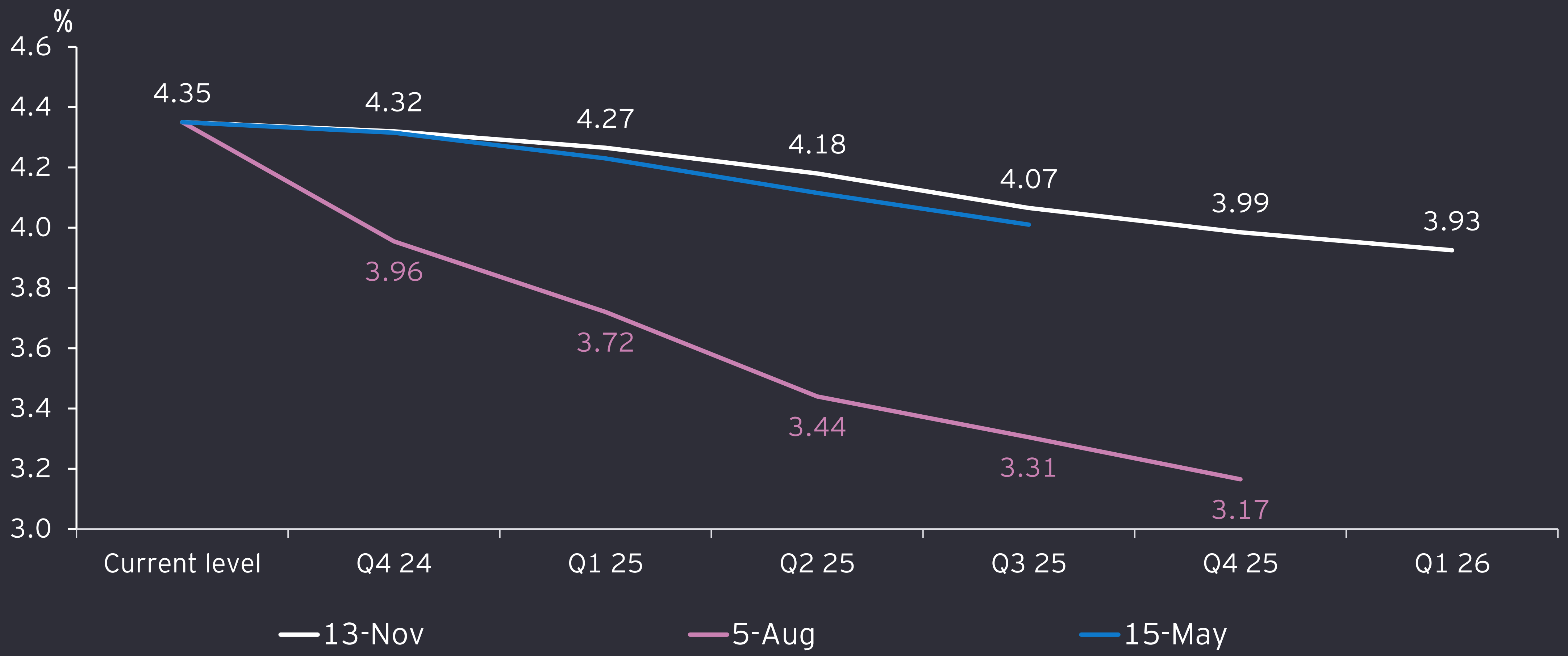
Financial markets pricing has been volatile over recent months given economic data releases. The first 25bp cut is fully priced for August 2025.

RBA cash rate expectations from cash rate futures



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