

# BDO's Business Outlook 2023

Are you catching waves or riding tides?

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## Wondering what's on the horizon for Queenslanders?

BDO held our annual BDO Outlook event this month, bringing together community and industry leaders for a ring-side seat to discuss 'what's next' for businesses, individuals, and the community - tackling the state's rising economic and social pressures.

Moderated by award-winning journalist and commentator, Madonna King, industry leaders faced off to explore the impact of the status quo and future state of play in their markets.

The perspectives flowed thick and fast, spotlighting the big issues driving Queensland's growth.

The discussion quickly highlighted two competing priorities. On the one hand, an accommodation crisis dictating social housing as a political priority. On the other, a date with the Olympic Games and all the infrastructure this will demand.

Navigating these problems requires big thinking and bigger actions.

Incorporating investment legacy, using the government's big levers around funding leading into 2032, and partnerships with businesses will be key to delivering better outcomes for Queensland.

Enjoy these insights into key discussions explored at our BDO Outlook event as we tackle the serious issues facing Queensland on a local, national, and global stage.

Thank you, once again, to our panellists for such a stimulating and thought-provoking discussion.



**Steven Sorbello**  
Office Managing Partner  
Brisbane

# Economic picture



**Brian Parker**  
Chief Economist  
Australian Retirement Trust  
*Economy and finance*



## World-view

- ▶ Higher inflation has prompted unprecedentedly high-interest rates
- ▶ Bringing this inflation under control is likely to result in a mild recession:
  - United States within the next 12 to 18 months
  - Europe to follow and likely the UK.



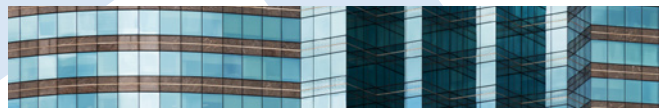
## Interest rates

- ▶ A rate cut isn't expected in Australia until at least late 2024
- ▶ Expect at least one more interest rate rise this year, possibly one more after that.



## Exchange rates

- ▶ Expect the currency to fall a little further over the coming months
- ▶ Recovery is expected over the next year or two, with a high 6's or low 7's in front.



## Vacancy rates in Brisbane

- ▶ How much people will work from home on a permanent basis versus coming back to the office will vary by industry, geography and demographics of the workforce
- ▶ The death of the office is greatly exaggerated, and a big part of the reason is the need for human contact and interaction.



## Rent and house prices in Brisbane

- ▶ There is a massive shortage of accommodation and when you're short of housing and you're short of rental housing, the prices go up.

# Tackling our competing priorities

## Where to start?

### Construction



**Jack Hutchinson**  
Director  
Hutchinson Builders

The issue is the capacity of the construction industry. Construction costs have increased 40% since 2020, leading to very few residential private deals stacking up and higher rents. Some build-to-rent players are coming to town, but we have a lot of social infrastructure that the State's brought forward for the Olympics to free up the industry's capacity. My fear or concern is there will not be enough capacity to build a lot of housing and when we need to build a huge number of hospitals, the industry will be slow. We're not as productive as we were five years ago.

### Infrastructure



**Tim Dighton**  
Partner  
Project and Infrastructure Advisory at BDO

The Government needs to play a bigger and more interventionist role in large projects. Government has some very large levers around funding and never more than with an Olympics coming to Queensland. I think we need to look more at investment legacy, which is a phrase I feel very strongly about, and increasing the sophistication of procurement mechanisms for Government and for large Government projects to enable factors like housing the workforce. Procurement is a bit of a blunt tool in government currently, and there could be a lot more upskilling and sophistication to start solving these problems.

### Small and private business



**Heidi Cooper**  
CEO  
Business Chamber Queensland

Housing is not just a social issue but an economic issue. We know across the state, regardless of the size of the business, workforce is the number one concern. But you can't employ someone if they don't have somewhere to live. We cannot look at these big policy issues in isolation, they must be addressed collectively, and we need to look overall at what we are seeing in our economy and our communities, whether in southeast Queensland or the regions. Where's the growth, where's the economic opportunity, where are the jobs going to be, where do people want to live? We must look at these questions holistically and not in isolation.

## Tackling our competing priorities *continued*

### Where to start?

#### Economy and finance



**Brian Parker**  
Chief Economist  
Australian Retirement Trust

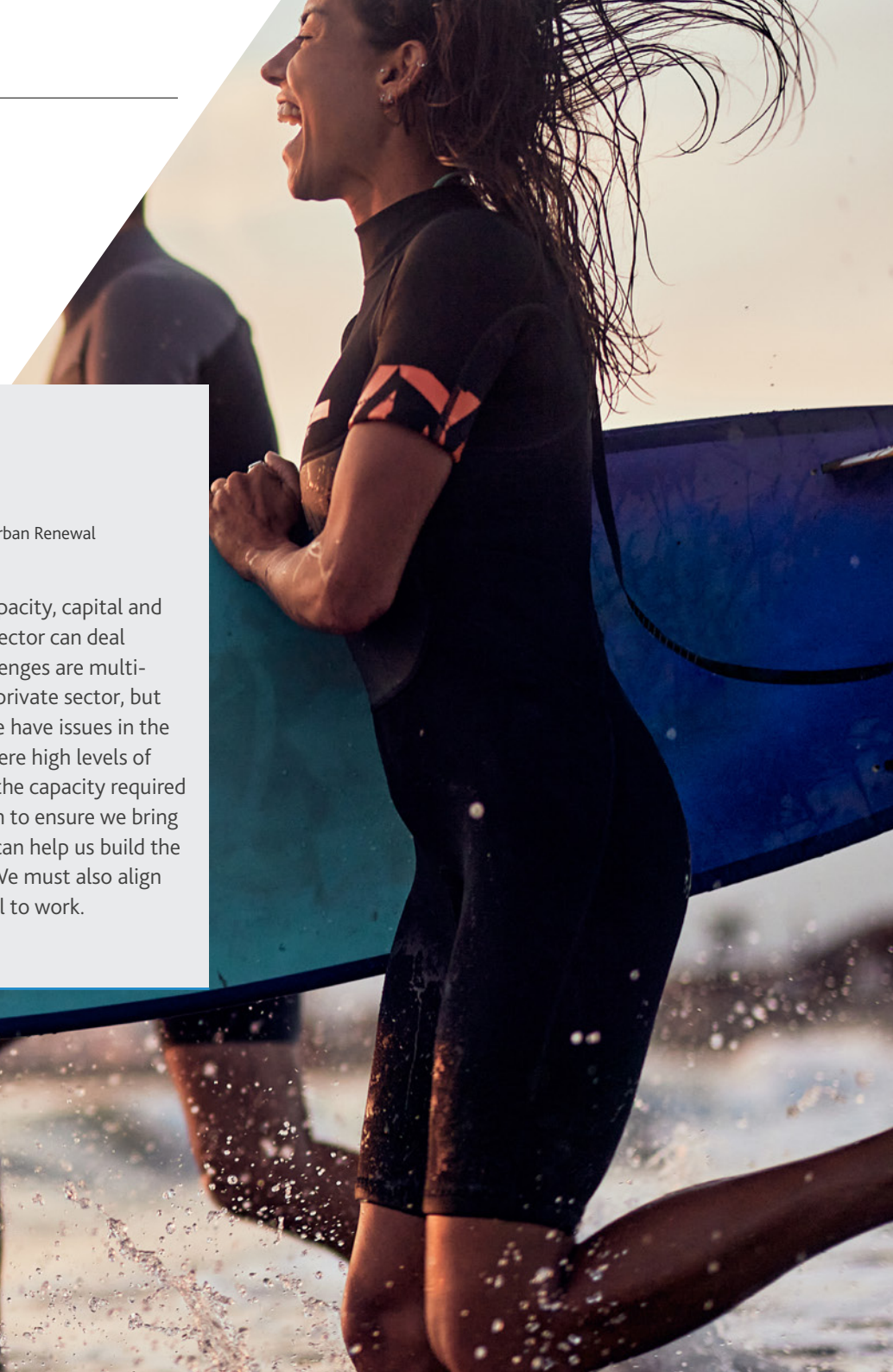
We have infrastructure needs we need to meet and to me, social housing is socially and economically a massive issue. We have under-invested in public housing for the last 40 years and are now paying the price. The number of new housing approvals in the public sector per 100,000 population in the early 1980s was between 25 and 30. This is now down to about two. So to me, I would start with housing because to go the economic argument, if you can't actually house people, you can't get anyone to do anything productive.

#### Government and community



**Adam Allan**  
Civic Cabinet Chair  
City Planning and Suburban Renewal

There are three issues at play here: capacity, capital and the issue of collaboration. No single sector can deal with the challenges we face. The challenges are multi-government, federal, state, local and private sector, but it also involves other stakeholders. We have issues in the construction space in Queensland where high levels of activity are occurring. We don't have the capacity required so we need to look at our immigration to ensure we bring skilled workers into the country who can help us build the infrastructure and housing we need. We must also align the private sector and get their capital to work.



# Workforce and productivity

Another core issue at the centre of this clash is workforce and productivity.

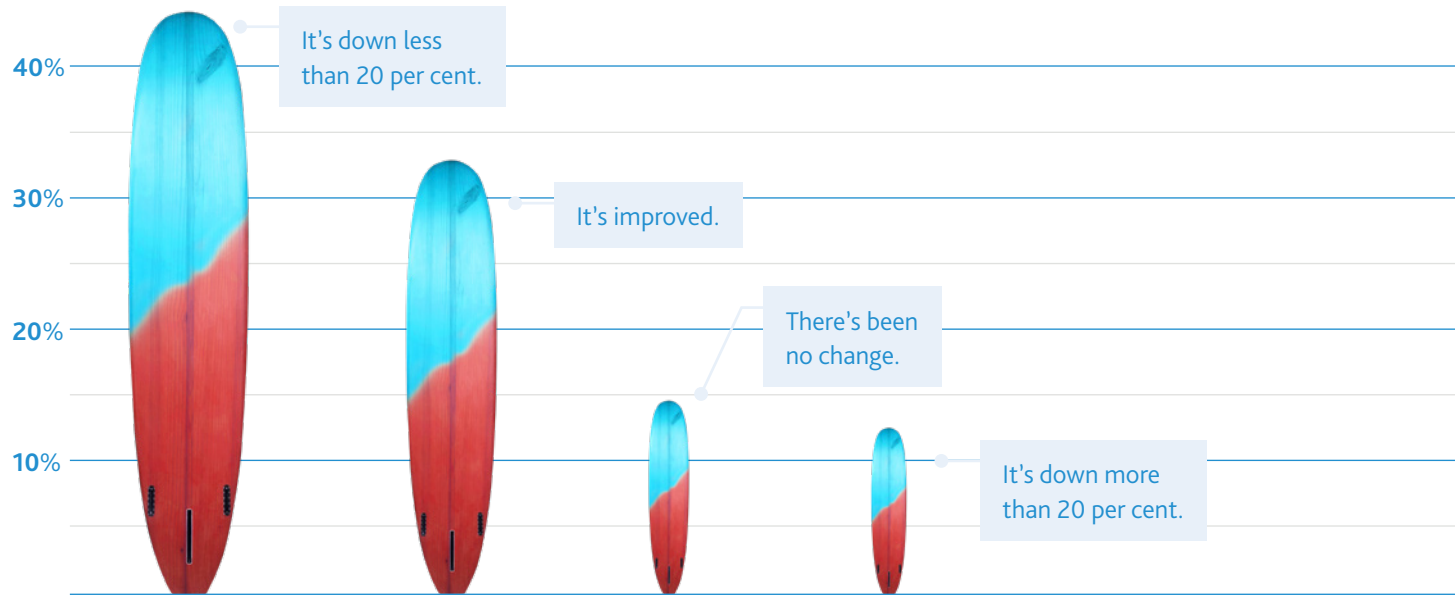
Attitudes to work are changing post-pandemic. People are looking for work-life balance and attitudes towards prioritisation of work are shifting. There is no denying the desire for flexible work has become universal, and a business's flexible work opportunities are now becoming part of the recruitment/interview process.

Working from home provides the opportunity to increase job satisfaction, reduce commute time and improve work-life balance, but is this at a cost to productivity?

When surveyed at the event, our attendees responded:

- ▶ 44% said productivity is down less than 20 per cent
- ▶ 33% said it's improved
- ▶ 14% there'd been no change
- ▶ 11% greater than 20 per cent reduction in productivity

Where does productivity in your business sit now, compared to pre-COVID



## Workforce and productivity *continued*

Many areas are seeing increased productivity from flexibility, but how does this impact at a sector level?

### Construction



**Jack Hutchinson**  
Director  
Hutchinson Builders

We're building slower and it is less productive (approx. 20 per cent). This needs to be priced in when we sign contracts and allowed for by clients. Part of that is just a lack of people, but there is also a psychological element where attitudes to work have changed.

### Small and private business



**Heidi Cooper**  
CEO  
Business Chamber Queensland

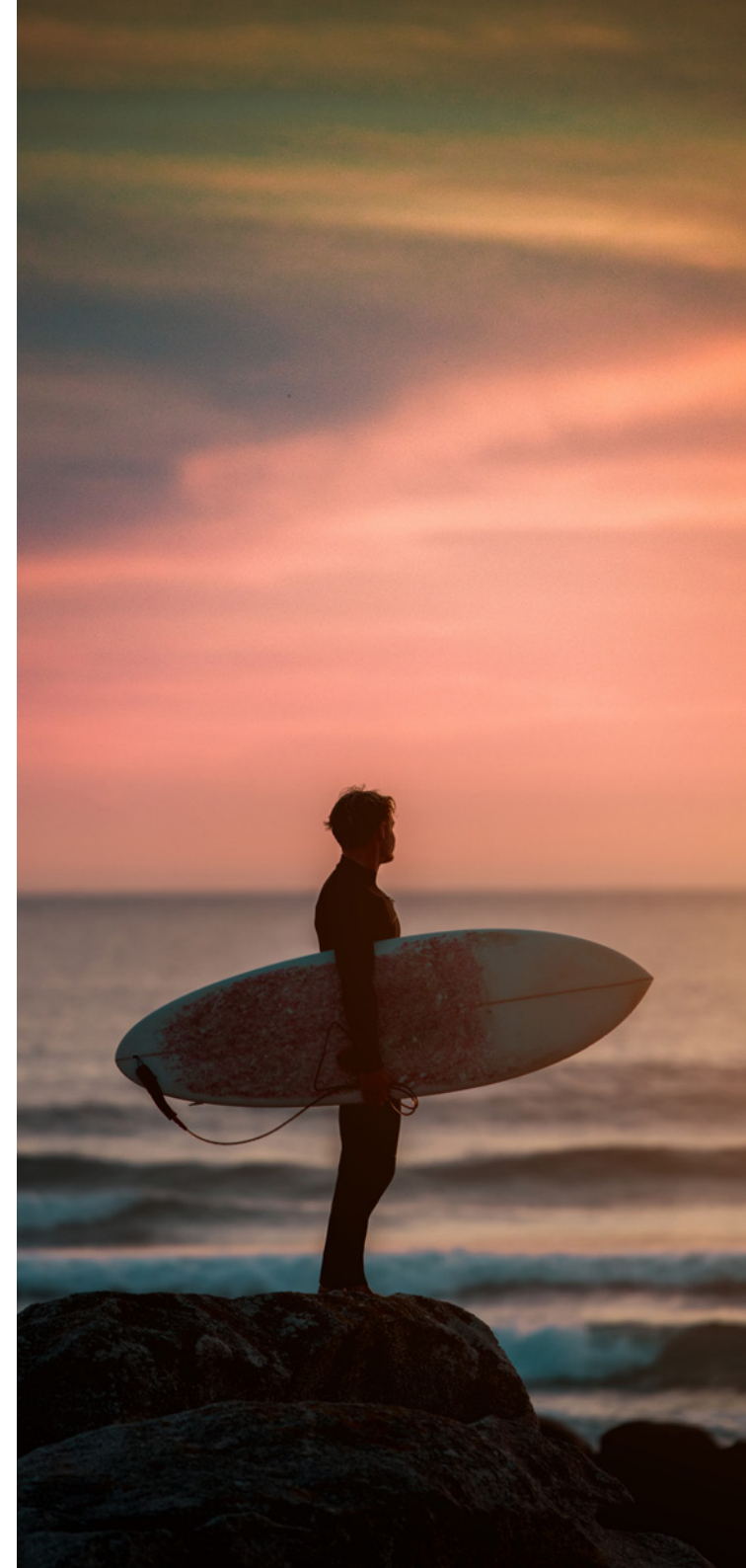
Productivity is a significant issue. We're hearing businesses say they have historically high costs, particularly around labour, operating and input costs. Still, they're not seeing their business perform like they have previously.

### Government and community



**Adam Allan**  
Civic Cabinet Chair  
City Planning and Suburban Renewal

We are constantly looking to ensure we're getting productivity. At the end of the day, we're responsible to ratepayers and must ensure all business units are doing what needs to be done. We have nearly 8,000 staff, 10,000 if we include contractors and others. Some of these roles lend themselves more readily to working from home and productivity can be maintained. Being able to work from home depends on the needs of the business unit. Other roles are required to be in the field. For those in the field, we seek to provide flexibility regarding their working hours. We are looking at providing staff with different options, but not all can take advantage of the working-from-home outcomes some workers receive.



# Olympic Games



## Can we deliver the Olympic Games as promised?



**Tim Dighton**  
Partner  
Project and Infrastructure Advisory at BDO

The issue is constraints on the workforce and supply chain, which will reduce the scope of what is delivered for the Olympics. This may not be venues specifically but enabling works such as transport. In my view, we can choose between allowing attrition or intelligently prioritising based on investment legacy infrastructure and what's good for the state, what has longevity and what's important to us.

## What opportunities will the Olympic Games bring to business?



**Heidi Cooper**  
CEO  
Business Chamber Queensland

When we look at what the Olympics will bring to Queensland, we will see about \$8.1 billion in economic and social benefits. We will see \$180 billion spent on Government procurement between now and 2032. We have an enormous opportunity coming out of this. We've got private sector investment, and an energy transition, and export growth. But we do need to think carefully. We do need to plan because we don't want this to be a wasted opportunity...and we need to get on board because it could be one of the most exciting decades we have here in Queensland. It's about looking at the adoption of sustainable business practices, it's about growing digital capability, it's about looking at who you can partner with and really taking up the opportunities. It's about getting ready now, so we are prepared when those opportunities come our way.

## Does an Olympic Games deliver on the economic promise?



**Brian Parker**  
Chief Economist  
Australian Retirement Trust

There is a benefit, but often, these don't live up to the initial hype, and the outcome varies city to city. The cities where we have seen a lasting benefit are where the Olympics have encouraged governments to do things they otherwise would not have done.



*"It's about looking at the adoption of sustainable business practices, it's about getting digital, it's about looking at who you can partner with and really taking up the opportunities, getting ready now so you are ready when those opportunities come our way."*



**Heidi Cooper**  
CEO, Business Chamber Queensland





# Sustainability

The global sustainability movement is becoming critical as part of a business' social licence to trade, with businesses that fail to act in this space risking potential impacts on their corporate reputation, risk mitigation, market opportunities, culture and even employee value proposition.

It is a complex and often expensive area for many businesses to tackle.

Organisations face increasing pressure from stakeholders to address a wide range of sustainability initiatives.



## How can business owners make time for sustainability?



**Heidi Cooper**  
CEO  
Business Chamber Queensland

Adopting sustainable business practices is actually getting the job done and businesses are making it a priority. We now know this is what businesses must do to be competitive in the future. We are seeing an ongoing focus on the importance of sustainability for individual businesses and supply chains. Through sustainability, businesses can attract people, they can attract customers and they can attract investment. So, whether you want to procure to government, or whether you want to continue work with other businesses, sustainability is going to be critical moving forward.

## Is getting sustainability right the entry point to attracting investment?



**Brian Parker**  
Chief Economist  
Australian Retirement Trust

Not yet, but it will be. Speaking from a superannuation fund, superannuation is the longest-term investment any of us will ever have. And if we're investing in a business, we need to work on the assumption that the business is going to grow and prosper and survive over the decades. And if you're not, if you don't have a strategy around sustainability, you won't, and it will be increasingly difficult to get capital in that environment.

# Sustainability *continued*

## What will drive the biggest change to businesses - AI or sustainability?

### Construction industry



**Jack Hutchinson**  
Director  
Hutchinson Builders

We're using some AI tools as predictive forces for cost management. But we will have a lot of regulation coming down the funnel regarding sustainability and we're ready for it. We want to design better buildings.

### Infrastructure



**Tim Dighton**  
Partner  
Project and Infrastructure Advisory at BDO

AI will cause market disruption and volatility, but sustainability is here to stay and needs to be at the core of our thinking.

### Government and community



**Adam Allan**  
Civic Cabinet Chair  
City Planning and Suburban Renewal

We have a big agenda in the sustainability space – such as transport sustainability, and the kind of transport we want in the city, our parks and green spaces. So, sustainability is key for Council, and we are making significant advances.



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