Economic forecasting for the Surat Basin and SME responses

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Section 1: Economic forecasting

Focus on projecting indirect employment
Forecasts indirect jobs 2014-2034

• Started with estimates for Direct jobs supplied by Energy Skills QLD
• Estimated indirect jobs based on previous GISERA research
  • Robust multipliers derived for the period 2006-2011 based on Census
• These are the most reliable estimates available because they are specific to CSG industry in QLD
• Numbers in Surat adjusted for FIFO-DIDO
• A total of 10 plausible scenarios were selected, considering :
  • a) No changes to direct employment (Business as usual)
  • b) Reduced direct employment (Slow down)
  • c) Reduced multipliers for a) and b)
CSG Direct employment (QLD)

Assuming 39K wells

Source: Energy Skills Queensland, 2015
Spillover jobs (Surat residents): Business as usual

*Spill-over jobs across all sectors
*Same multiplier as construction phase
*After excluding FIFO
Slow down scenarios

![Graph showing economic forecasting for the Surat Basin and SME responses with scenarios SD1, SD2, and SD3.](image-url)
Slow down scenarios

Spillover jobs from **25% reduced CSG direct employment**

![Graph showing spillover jobs from 25% reduced CSG direct employment over time.](image)
Slow down scenarios

Sc SD1
Sc SD2
Sc SD3

Spillover jobs from 50% reduced CSG direct employment
Slow down scenarios

Spillover jobs from 75% reduced CSG direct employment
Scenarios with reduced multipliers

Business as usual with 50% lower multipliers for construction
Scenarios with reduced multipliers

50% CSG Slow down and 50% lower multipliers for construction
Gradually reducing dependence on CSG over time

BAU with 25% Lower multipliers in all sectors (except recreation and administration)
Gradually reducing dependence on CSG over time

50% slow down with 25% Lower multipliers in all sectors
(except recreation and administration)
Abrupt de-link from CSG

BAU with 75% Lower multipliers in all sectors (except for recreation and administration)
Abrupt de-link from CSG

50% slow down with 75% decrease in construction (and 20% increase in all other sectors)
All scenarios alongside

Becoming less dependent on CSG sector over time is forecast to result in reduced job losses in other sectors in the future.
## Projected changes by sector

<table>
<thead>
<tr>
<th>Industry sector</th>
<th>2006 jobs</th>
<th>2011 jobs</th>
<th>2014 jobs</th>
<th>Jobs from Scenario BAU 2034</th>
<th>Jobs from Scenario SD2 2034</th>
<th>Jobs from Scenario 3.3 2034</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, gas, water and waste management services</td>
<td>591</td>
<td>798</td>
<td>1,250</td>
<td>1,167</td>
<td>1,209</td>
<td>1,002</td>
</tr>
<tr>
<td>Construction</td>
<td>3,577</td>
<td>4,350</td>
<td>6,650</td>
<td>6,291</td>
<td>6,470</td>
<td>6,769</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>2,679</td>
<td>3,215</td>
<td>2,950</td>
<td>2,623</td>
<td>2,787</td>
<td>1,971</td>
</tr>
<tr>
<td>Arts and recreation services</td>
<td>196</td>
<td>303</td>
<td>225</td>
<td>243</td>
<td>234</td>
<td>243</td>
</tr>
<tr>
<td>Other services</td>
<td>1,694</td>
<td>1,919</td>
<td>2,725</td>
<td>2,572</td>
<td>2,649</td>
<td>1,809</td>
</tr>
<tr>
<td>Administrative and support services</td>
<td>711</td>
<td>847</td>
<td>900</td>
<td>830</td>
<td>865</td>
<td>830</td>
</tr>
</tbody>
</table>
Observations

• Direct industry jobs are forecast to rise and fall
• For indirect jobs (spillovers):
  • Some sectors are more strongly linked to the CSG industry than others
  • Therefore some sectors are more affected by change in CSG than others
• Most scenarios have:
  • a general **upward** trend from 2014 to 2024
  • a general **downward** trend from 2024 to 2034
Section 2: Implications for local businesses

Based on interviews with small to medium enterprises
10 Lesson Learned

1. Look after core customers
   - throughout the busy times

2. Be diversified
   • Think carefully about putting all your eggs in one basket.
   • Keep a broad base of customers.
   • Look for new markets with any new capacity developed
3. Understand the industry

• Where you fit in the supply chain
• The ups and downs of activity
• Things change fast
• Prepare for the quieter times
• Big companies think and act differently from SMEs

4. Stay connected

• Supply chain, industry bodies, regional development groups, local Chambers, govt programs
  – possible opportunities
  – possible collaborations
  – prepared for what’s coming
  – learn
5. Keep a close eye on your business
   • Manage your costs for project type work,
   • Understand your contracts,
   • Beware of possible risks
     – Bed debts during slow downs
     – External economic factors

6. Be careful not to overcapitalise

7. Seek business advice early
   • Outside advisor, business mentor, accountant
   • Tough decisions may be needed
   • You may not want to know what you're hearing

8. Seek out reliable information
   • Be wary of spin
9. Personal considerations

• How involved do you want to be?
• Boom times and quieter times can be stressful.
• Consider exiting when you can

10. Take opportunities to learn and grow with the CSG industry

• Position yourself for the next increase in economic activity
What could have helped

• Smoother transition into operations
• Some signals as to when construction finishes
• As much local content in operations as possible
• Clarify the IT systems and platforms
• Not putting wasted investment into compliance training
• Don’t overstate benefits: accurate information is most useful
• Correction misinformation wherever possible
• Steps to avoid a housing bubble
Conclusion

- Forecasting economics is like forecasting the weather
  - Forecasts are projections based on best available info (not predictions)
- The research considered a range of plausible scenarios
- In 2034, most scenarios indicate:
  - lower indirect jobs compared to 2014
  - higher indirect jobs compared with 2006
- Oscillating periods of increase and decrease are likely
- Lessons learned from the construction phase are highly relevant for local businesses during the operations phase