



# Economic Outlook

November 2009  
Update

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Director



# Michael Chappell

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- Economist of 24 years experience
- Founder and Director of Pracsys Economics
- Research program on urban economics



# Pracsys

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- Offices in Perth, Sydney, Brisbane
- Policy advisor to government
- Investment advice to commercial, resource, retail, infrastructure companies

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# Outline

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- What just happened?
- What will happen next?
- The good news
- The bad news
- The Joondalup news
- Megatrends for cities



# Part 1 – Economic Update Nov 09

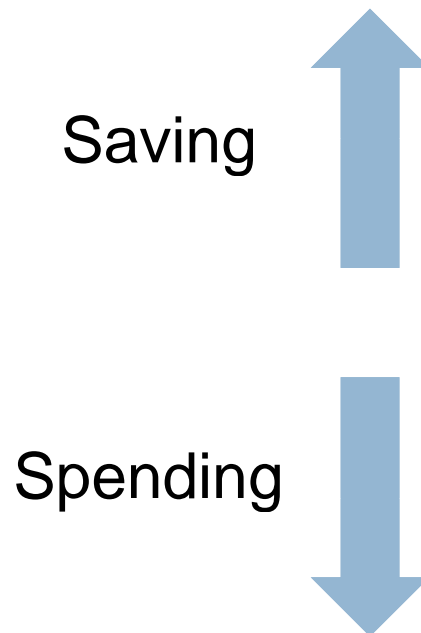




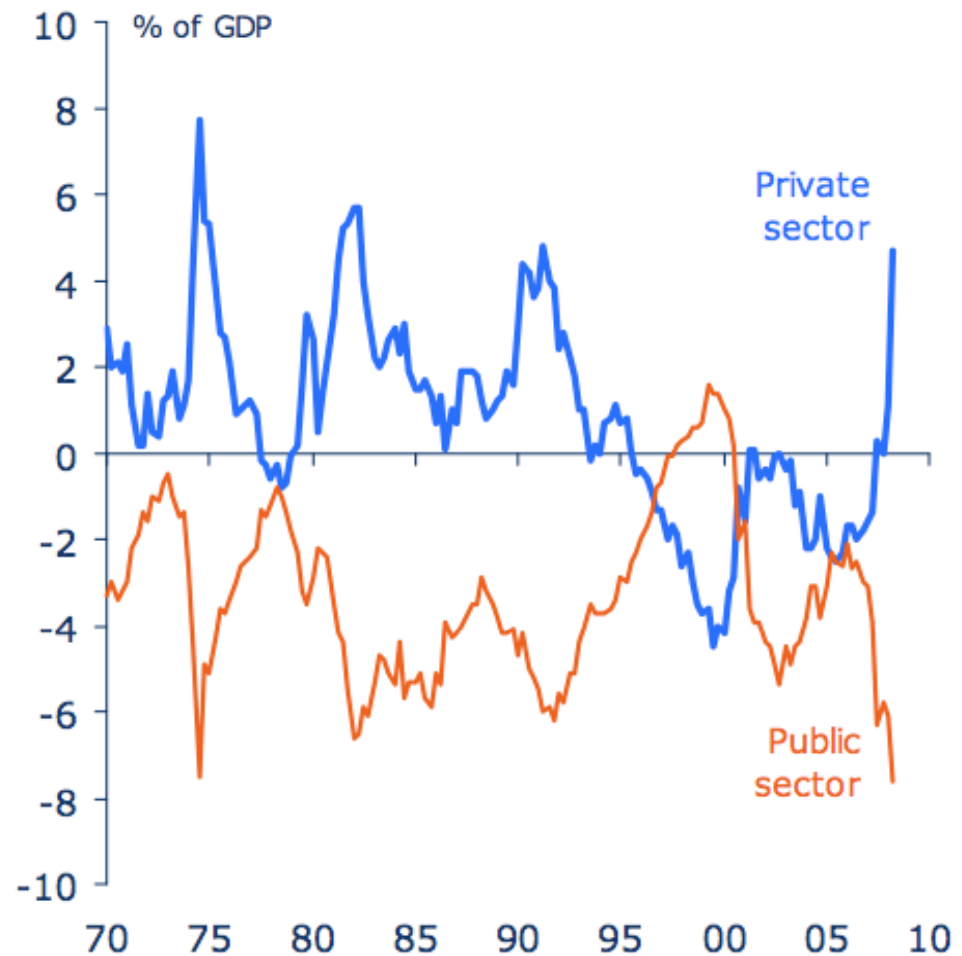
# Private & Public Sector Activity

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## A straight swap?



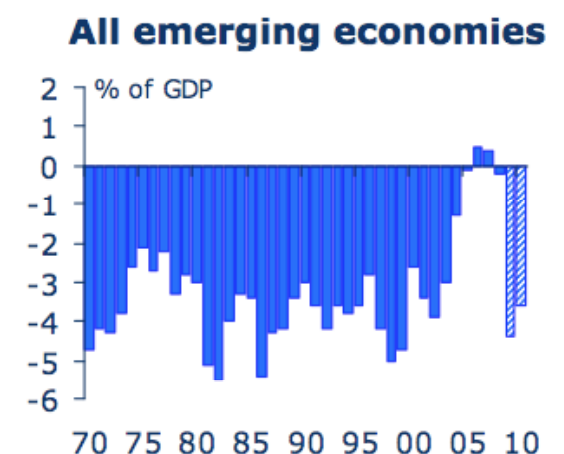
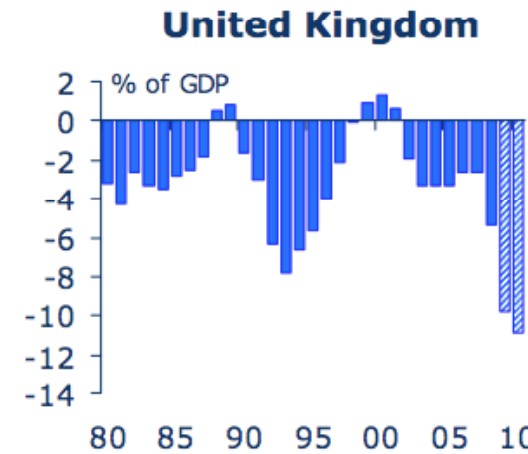
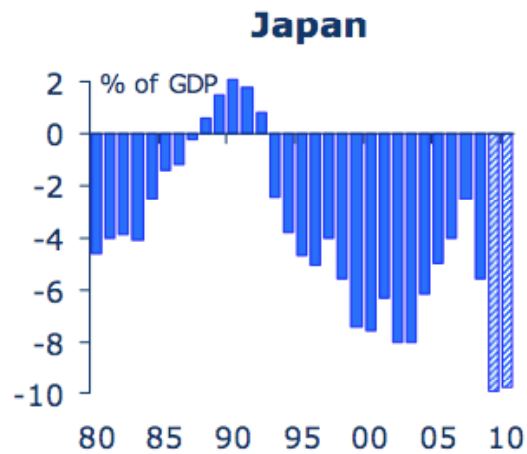
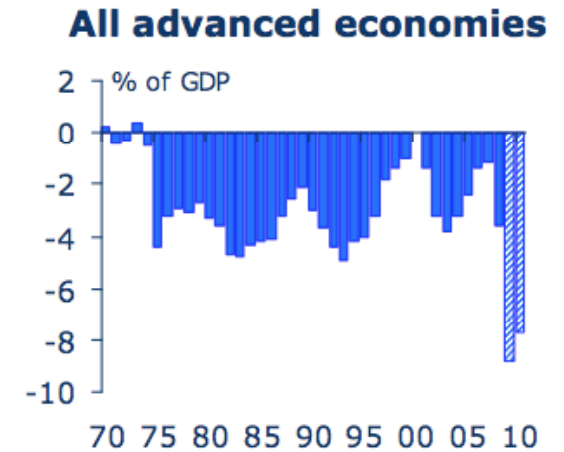
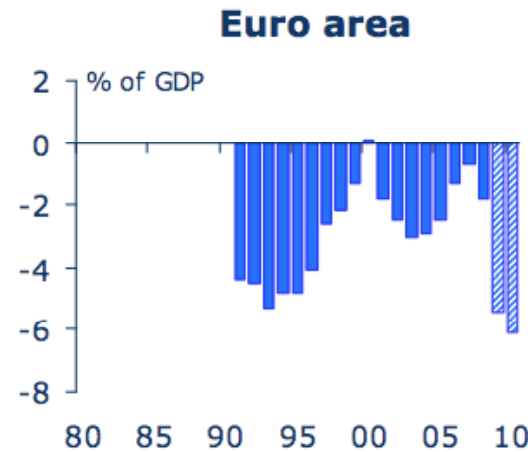
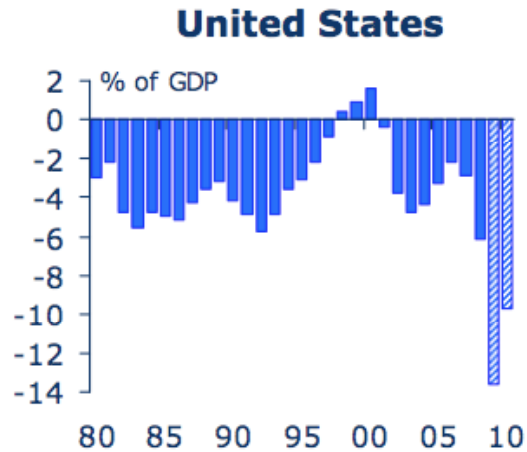
### US private and public sectors



# Big Government Debt

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## Government budget balances



# World Industrial Production

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## Industrial production

### United States



### Japan



### Taiwan



### Euro area



### Korea



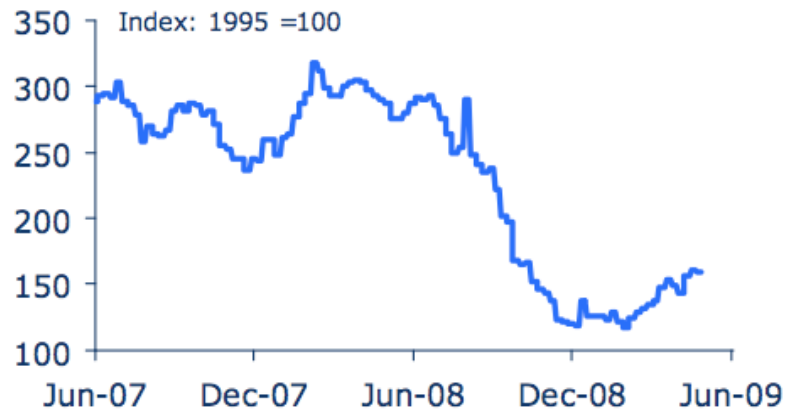
### Thailand



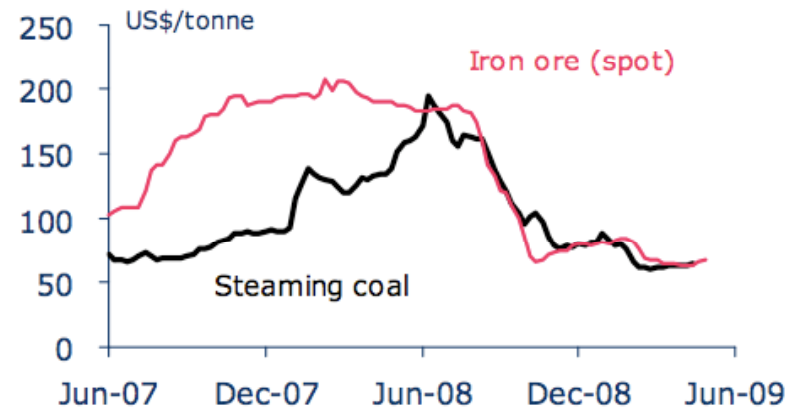
# Commodities

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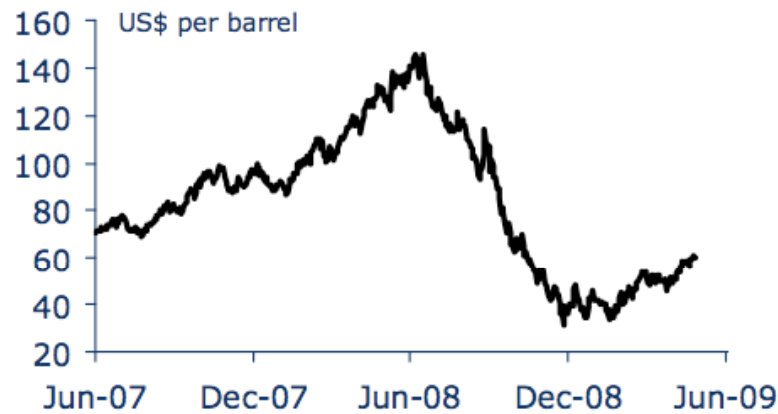
### Base metals



### Bulk commodities



### Crude oil



### Shipping freight rates

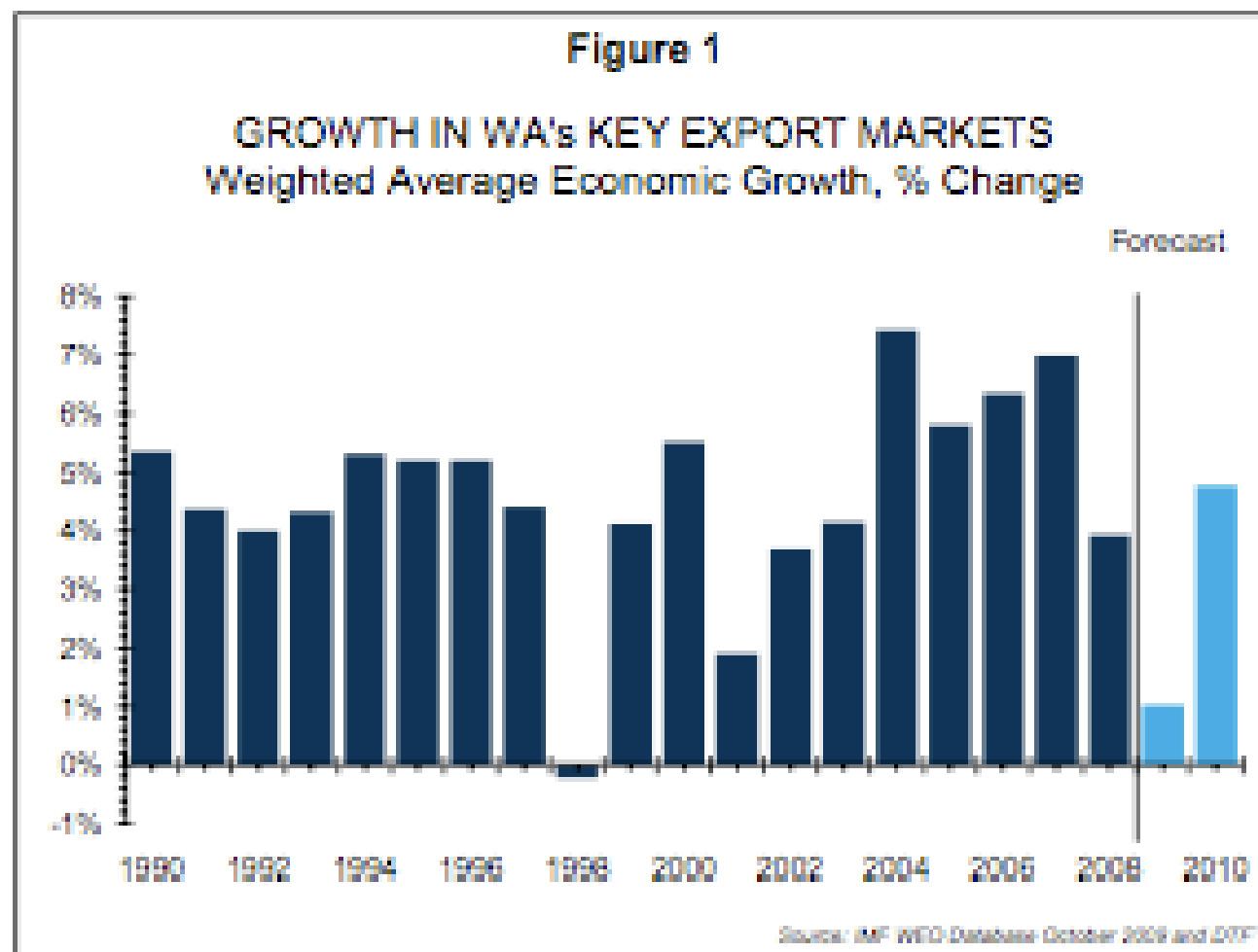


## Part 2 – WA: the Lucky State

# Some good things.....

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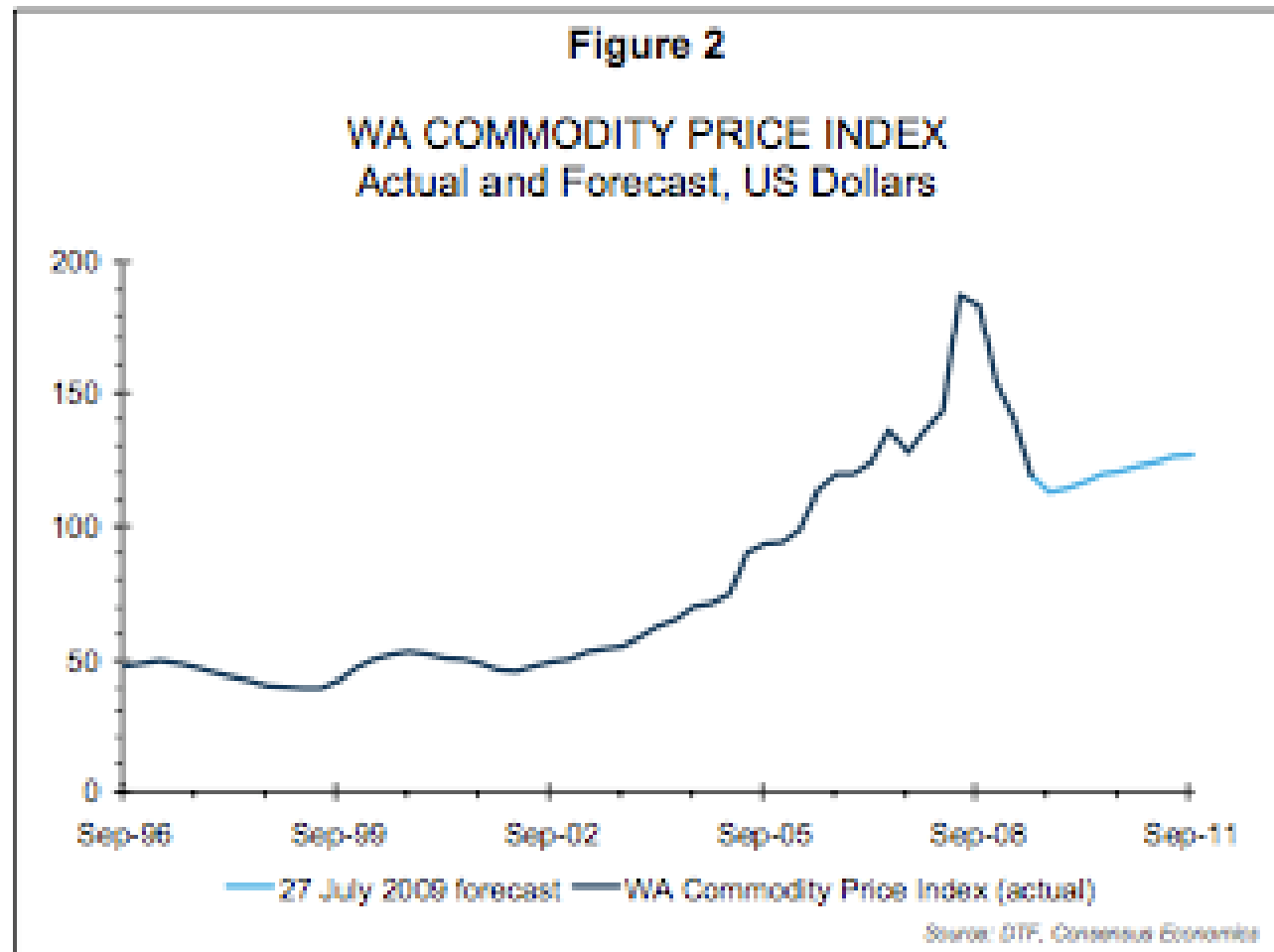
Export markets  
rebounding.....



# WA Commodity Prices

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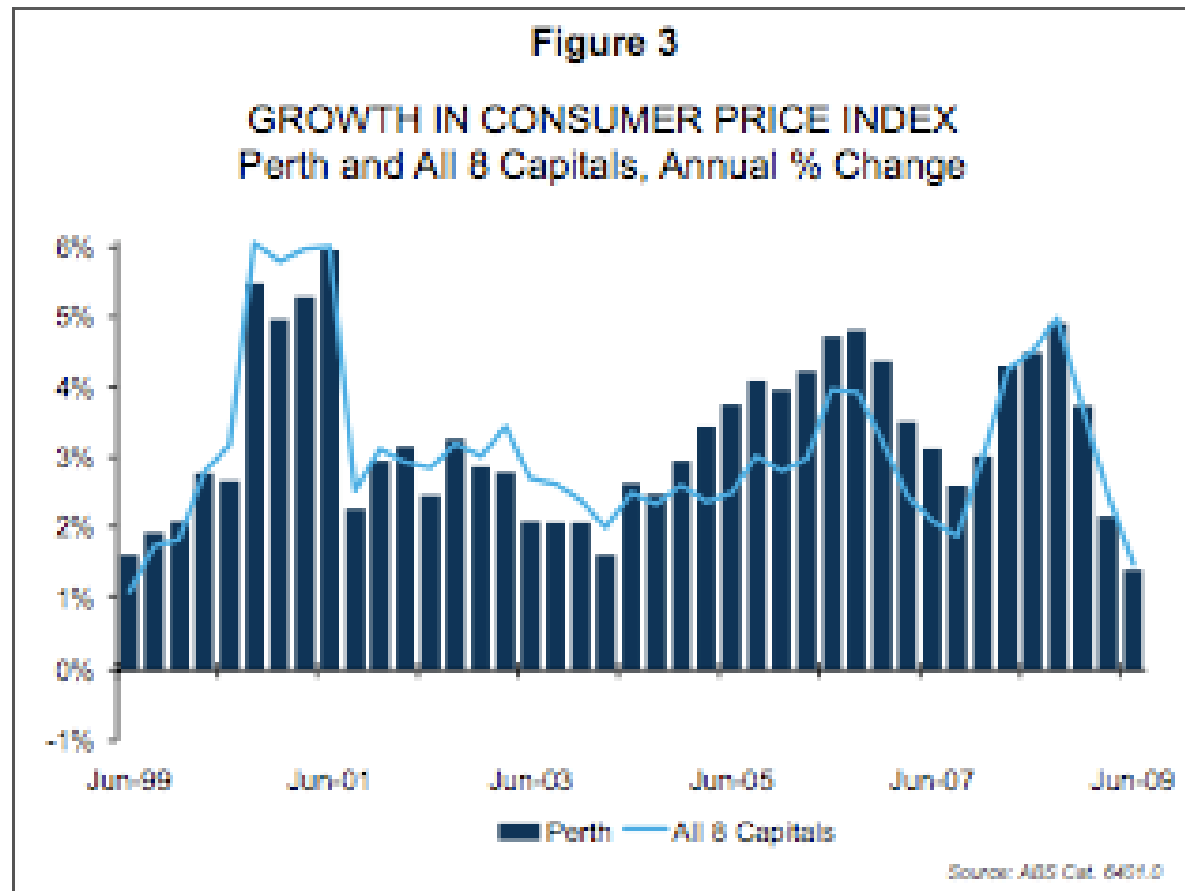
Commodity prices rising...



# Inflation

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Inflation falling...

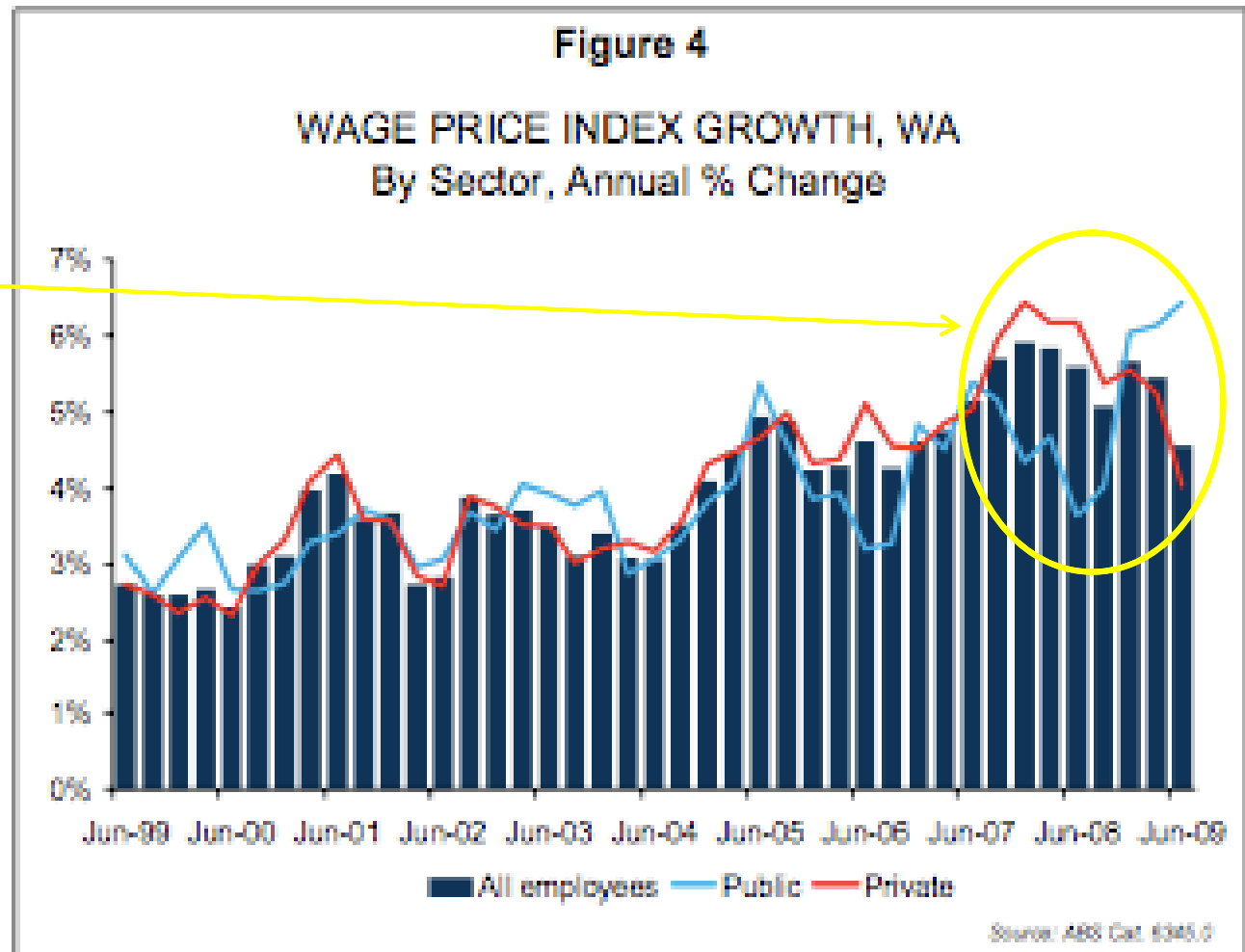


# Wages

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Labour costs ok...

...but look



# and other good things....

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- Resource exploration increasing
- Non-residential construction booming (federal and state infrastructure spend)



# Some bad things....

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- ❑ Residential property market stalled (due more to finance shortage than land shortage - project LVRs)
- ❑ Home mortgages stretched (it ain't 2007 anymore)
- ❑ Financial services flat
- ❑ Retail flat (rents down, savings up, unemployment up, residual pessimism)
- ❑ Banks have written off \$13 billion bad debts

# The Joondalup News

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- ❑ Retail/consumer services economy
- ❑ Historical growth fuelled by residential construction
- ❑ Small export economy
- ❑ Underdone for strategic infrastructure
- ❑ Little knowledge infrastructure (smart growth?)
- ❑ Big daily exodus of workers

# The Joondalup News

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- Designated a *Primary Centre*
- Focal point for future infrastructure investment
- Look to Commonwealth funding
- Heaps of basic infrastructure investment (20 year history & amenity potential)
- Accessible to major employment centres

# Quick Summary

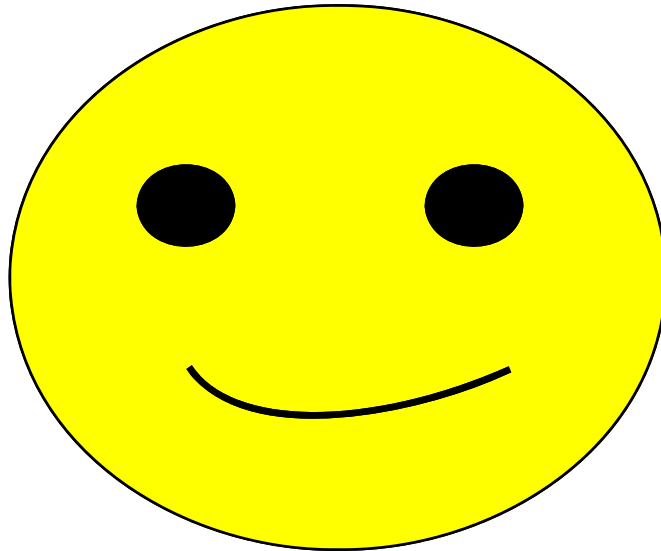
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- Recovery will be patchy
- Economic exposure to Asia positive
- Still too much private debt
- Banks gun-shy
- Retail and residential construction to remain weak for two-three years
- Joondalup must position for strategic infrastructure growth – more export and knowledge industries

# Newsflash!!

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- Economists are fully employed



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## PART 2 – City Megatrends



# Megatrends – Abundance to Scarcity

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- Food
- Water
- Transport
- Energy
- Finance

# Food

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- Access to protein will shape cities in future
- Protein comes from beef, pork, chicken
- Most feed for livestock comes from fishmeal
- Fishmeal is nearly gone!

| Food Conversion Ratio |      |
|-----------------------|------|
| Beef                  | 12:1 |
| Pork                  | 8:1  |
| Chicken               | 6:1  |
| Fish                  | 1:1  |

## **Critical for cities:**

***secure local food production  
close to population using  
renewable inputs  
(aquaculture, grains..)***



World Food Organisation, 2007

# Water

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- Most drinking water goes on lower order uses
- Reuse, recycle, repurpose
- Innovation in decentralised capture, storage and use of water will reshape cities

***Critical for cities: Diversification of water sources, improved reuse across all user types and zero liquids discharge from industrial estates***

# Energy

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- Fossil fuels for power generation in decline
- Decentralised power generation from renewables is rising – but peak load capacity is weak
- We need better portable storage (eg: nonobatteries vs NiMeHi) and fixed storage (vanadium flow batteries)

***Critical for cities: power storage innovation has lagged (car companies?) and new efficient technologies are needed***



# Transport

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- Urban sprawl has separated people from city amenities and jobs (particularly smart jobs)
- Car use has grown based on cheap fuel
- Public transit systems work best serving dense urban agglomerations

***Critical for cities: private transport based on renewable energy and public transport serving dense, diverse activity centres***