



# Harnessing new growth in financial services: Queensland finance sector profiling

Queensland Finance Council

14 August 2023

# Release Notice

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# Introduction

## The Queensland Finance Council plays a key role in driving the Queensland finance sector

In 2022, the Queensland Futures Institute (QFI) established the Queensland Finance Council (QFC), which forms a single voice for the financial services industry in Queensland. The QFC advocates for the finance sector in Queensland, by promoting Queensland as a location for financial services and canvassing opportunities to grow the sector, engaging with stakeholders, coordinating activities to support sector growth, creating pathways for careers in the sector, ensuring residents and businesses have access to high quality financial services, and promoting financial literacy and understanding.<sup>1</sup>

## One of the roles of the QFC is identifying opportunities for the Finance Sector

The finance sector is a significant sector in Queensland, both in terms of its size and linkages to other sectors in the economy – it underpins the operation of all other sectors, enabling access to capital and liquidity.

Growing the finance sector in Queensland has the potential to facilitate growth in the broader economy. EY worked with the QFC to analyse the finance sector in Queensland, to assist in shaping the strategic direction of the QFC. The analysis will assist in developing a strategy and action plan for the QFC to implement, promoting advancement of the finance sector in Queensland.<sup>2</sup>

### What is the finance sector?

The Australian Bureau of Statistics (ABS) definition of the Financial and Insurance Services ANZSIC category has been adopted for this analysis, and has been referred to as the “finance” sector. The industry includes businesses and workers engaged in financial transactions involving the creation, liquidation, or change in ownership of financial assets, and/or in facilitating financial transactions. Firms undertake a range of activities, including raising funds by taking deposits and/or issuing securities and incurring liabilities; investing funds in financial assets; underwriting insurance and annuities; separately constituted funds engaged in the provision of retirement incomes; and specialised services facilitating or supporting financial intermediation, insurance and employee benefit programs; and regulating financial activities.

## Method and approach

Understanding the current state of the sector, its growth, challenges and opportunities is key to advancing the sector into the future.

The following approach has been undertaken to understand opportunities for the sector:

-  **01 Profiling:** The finance sector in Queensland was profiled by undertaking research and analysis using publicly available data (notes and sources are located on pages 30 and 31).
-  **02 Scan of macroeconomic environment:** Key macroeconomic factors influencing the current and potential future state of the sector were identified through research and confirmed with stakeholders within the sector.
-  **03 Industry sound boarding:** To obtain perspectives on the sector, industry sound boarding was undertaken through a questionnaire responded to by approximately 10 participants. These questionnaires were used to confirm the state of the sector, its macroeconomic environment and the opportunities and challenges for the sector.
-  **04 Opportunity assessment:** The above processes were considered and distilled into the identification of five potential opportunities for the sector. In consultation with the QFC, a sub-sector of focus was identified as the key opportunity to support in the immediate term, with other opportunities to be investigated in future stages.

This document provides a profile of the Queensland finance sector and is a supporting document to the *Building Queensland's future together: Harnessing new growth in financial services* report released by QFI in June 2023.

# 1

What is the current state of the finance sector in Queensland?



# A catalytic sector in Queensland

Finance is a major driver of Queensland's economy, and is the seventh largest sector in the state. In Australia, Queensland is the third largest of the states and territories, comprising 13.3% of the national finance sector, aligning with its position as the third most populous state.<sup>3</sup> The economic growth of the sector has been supported by strong productivity growth of 5.4% from FY2013 to FY2022.<sup>4</sup>

## A strong performing sector in the state

The finance sector in Queensland is a significant contributor to the state's economy. In 2021-22, the sector directly supported \$21.3 billion in direct real gross value added activity in the Queensland economy. This equated to 6.5% of industry value add in the state in the year and positioned the sector as Queensland's seventh largest.<sup>5</sup> Over the past five years, economic activity of the sector has increased by 8%, with year on year growth outperforming New South Wales and Victoria in 2021.

## Underpinned by historically strong growth

Underpinning the strength of the sector has been innovation and advances in productivity. The finance sector has made a greater advancement in multifactor productivity over the last ten years than the rest of the economy nationally (at 5.4% growth compared to 4.9% for all market sector industries).<sup>6</sup> This has been driven by capital productivity which has increased significantly compared to other industries, more than compensating for a simultaneous decrease in the sector's labour productivity. However, measuring the productivity of the sector is more complex than other industries, as output of the sector is often measured through imputed values of cost of production.<sup>7</sup>

## A sector with catalytic impacts throughout the economy

Beyond its direct contribution to Queensland's economy, the sector also makes an indirect contribution, facilitating economic growth in other sectors, enabled through access to capital and liquidity.

Finance sector Gross Value Added activity<sup>8</sup>



# The sector employs over 81,000 people across the state... and growing

## Employment is significant and growing

The Queensland sector employs approximately 81,500 people (February 2023) and is growing at a faster rate (38% over the last five years) than Australia nationally (22%), as well as New South Wales (17%) and Victoria (28%).<sup>9</sup>

The Queensland's finance sector:

- comprises **3%** of Queensland's total workforce
- captures **15%** of Australia's finance sector workforce
- grew by **38%** in employment over the last five years

## Dispersed across the state, not just Brisbane

Workers are dispersed over Queensland, with over a third of employees in the finance sector employed outside of the Greater Brisbane<sup>10</sup> region in 2023. By comparison, approximately 15% of the sector's employment in New South Wales is employed outside of Greater Sydney and only 9% of Victorian employment is outside of Greater Melbourne.

## Each Queensland employee contributes to the economy

The divergence between the industry's contribution to total employment (2.9%) and its contribution to gross value add (6.5%), reflects the high value added nature of employment in the sector. Each Queensland finance worker contributes over **\$300,000** in value-add to the economy, more than double the average of other Queensland sectors (\$120,000).<sup>11</sup>



**38% of finance employees in 2021 were in occupations requiring the highest skill level**, compared to 30% for employees in other sectors in Queensland.<sup>12</sup>



**42% of workers in 2021 were university qualified** (Bachelor Degree, Graduate Diploma and Graduate Certificate or Postgraduate Degree Level). This is higher than the same share in other sectors, at 31%.<sup>13</sup>



Average ordinary time weekly earnings (wages) per person in the Australian finance sector are \$2,200, as at November 2022. This is the **third-highest wages of all industries**, after mining and information media and telecommunications.<sup>14</sup>



Approximately **90% of workers in 2021 were employed in South East Queensland** (including Greater Brisbane, Gold Coast, Sunshine Coast and Toowoomba).<sup>15</sup>



**Over half of the workforce is female (57%)**. The top occupation for females is bank worker (12%), whereas the top occupation for males is financial broker (11%). The finance sector is the sixth-most female-dominated sector in the Queensland economy.<sup>16</sup>



The **average age** of an employee in the Australian finance sector is **40.9 years old**, similar to the average age in other sectors at 40.3 years.<sup>17</sup>

# The sector is characterised by prominent subsectors along with many small businesses and several very large businesses

## Three subsectors dominate

In 2021, three subsectors employed around three-quarters of workers in Queensland's finance sector. These included:

- 27% Banking
- 23% General Insurance
- 24% Other auxiliary finance and investment services<sup>18</sup>

General insurance and other auxiliary finance and investment services are more prominent employers in Queensland, and have recorded stronger growth rates over the five years to 2021, than both New South Wales and Victoria. These attributes suggest a degree of labour specialisation (and opportunity) in these sub-sectors.

## There continues to be significant business entrances

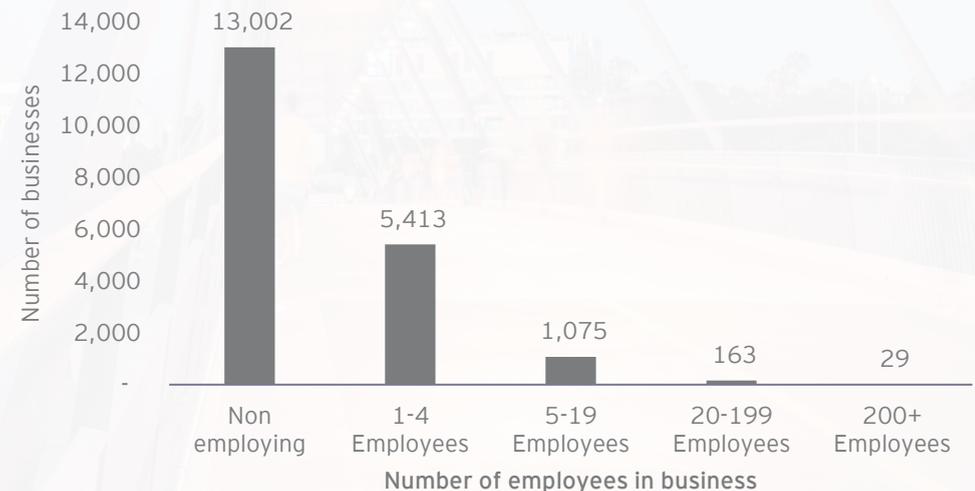
As at June 2022, approximately 19,700 finance sector businesses were operating in Queensland. Over the last year, approximately 3,200 businesses entered the sector, and the sector experienced a net increase of approximately 1,100 businesses. This was slightly higher than the year prior (2021), where 2,900 businesses entered for a net increase of 1,000 businesses. Outside of the three key subsectors, financial asset investing (738 business entrances) has recorded strong growth and other smaller subsectors are recording high levels of business growth.<sup>19</sup>

## With over 90% of businesses employing four workers or less

Queensland's finance sector has a large pool of small businesses, with around two-thirds characterised as non-employing<sup>20</sup> and over a quarter of firms employing between 1 and 4 workers. The sector also recorded a small number of businesses employing 200 or more workers (0.1% of businesses), operating across a range of subsectors.

Consistent with the large number of small businesses, 94% of these businesses recorded an annual turnover of less than \$2 million, whilst 1.5% of firms reported annual turnover of \$10 million or more (the largest category).

## Business count by employees in the Queensland finance sector, June 2022<sup>21</sup>



A large, stylized white question mark is centered on a solid orange rectangular background. The background of the entire slide is a long-exposure photograph of a city street at night, showing light trails from cars and a tram, with a dense urban skyline in the background under a twilight sky.

What are the factors influencing the sector?

# Queensland's finance sector is responding to key global and local macro-factors

Core to supporting the local sector reach its potential is identifying, monitoring and responding to emerging and ongoing global and local factors. These factors have the potential to impact on the ability of Queensland to be attractive to investors, shape future opportunities, and, when unmitigated, pose headwinds to growth. Each of these key macro-factors are outlined in more detail over the following pages.



The state of Queensland was the focus of this analysis. In many instances, analysis was undertaken at a more detailed level, examining the smaller regions in Queensland (SA4 regions). Some comparisons were undertaken between Queensland and New South Wales and Victoria, being two major Eastern states with advanced finance sectors.

# Details of key macro-factors

## Skills availability

Job mobility has increased both nationally and in Queensland in recent years, reflecting the current tight labour market. Over 261,000 people changed jobs during the year ending February 2022, equating to a job mobility rate of 9.5% of all employed people changing jobs during the year, the highest rate of job mobility for some time. The finance sector was not immune, with a national job mobility rate of 9.9%.<sup>28</sup>

Vacancies across Australia have also lifted, with the finance sector recording a peak in the vacancy rate in June 2022. However, the number of vacancies is decreasing and is not as acute as the number of vacancies observed in other industries, such as health care. For key finance-specific occupations, Queensland has recorded strong increases in vacancies, growing by 51% in 2022 and 15% in 2023, compared to NSW and VIC which recorded growth of 55% and 65% in 2022 and 1% and 8% in 2023, respectively.<sup>29</sup>

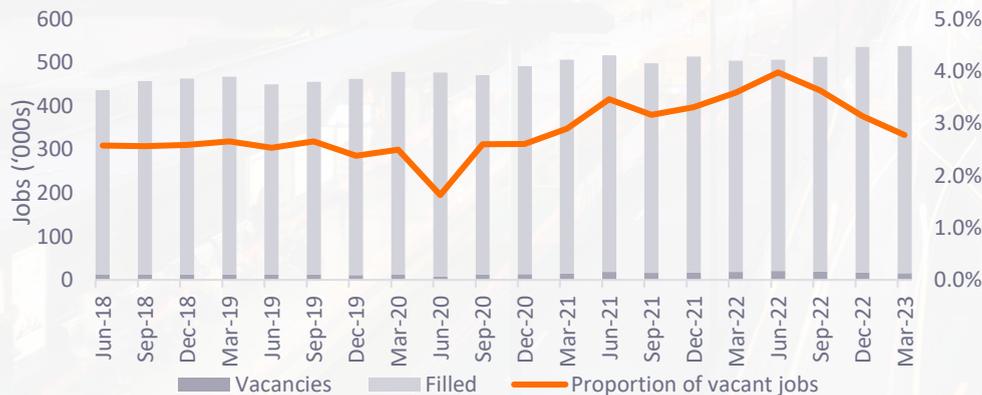
## Infrastructure demand

Queensland is experiencing strong economic and population growth. The state's population is growing by the strongest annual growth rate in Australia, largely driven by interstate migration. The state has also been announced as the host of the 2032 Olympic Games. To support growth and future visitation, the state and federal governments have made significant budget commitments to infrastructure investment in Queensland:<sup>31</sup>

**\$3.4 billion** over ten years to support venue infrastructure for 2032 Brisbane Olympic and Paralympic Games from the federal government

**\$89 billion** 'The Big Build' state government capital program towards infrastructure projects including transforming the state's energy system over the next four years

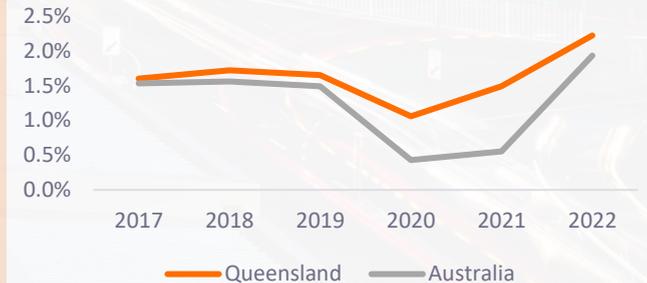
Job vacancies in the finance sector, Australia<sup>30</sup>



Over the past three years (June 2020 quarter to March 2023 quarter) Queensland has recorded an actual expenditure on Buildings and Structures of \$38.7 billion.<sup>32</sup>

The infrastructure spend will help position the state to attract the finance sector.

Annual population growth rates<sup>33</sup>



# Details of key macro-factors

## Digitalisation

As of December 2021, Queensland had more than 1.6 million premises connected to the national broadband network, the third largest of any state or territory in Australia. Additionally, the Sunshine Coast has Australia's fastest telecommunications connection to Asia and the second fastest to the United States.<sup>34</sup> More broadly, Australians have widely adopted digital in every day finance:

13%

Cash payments accounted for only 13% of consumer payments in 2022, reducing significantly from 2007 when the cash share was 69%.

18%

The share of the total number of payments made online was 18% in 2022, up from 12% in 2019 and just 4% in 2007.<sup>35</sup>

As a result of digitisation, purchases from industries which include IT services, such as Information, media and telecommunication services (including data processing and internet publishing) and Professional, scientific and technical services (particularly computer systems design and related services) have increased significantly over the past 20 years.<sup>36</sup>



A \$200 million investment has been made by the Queensland government over three years to grow the state's digital economy, alongside key strategic action plans.<sup>37</sup>

## Regulatory changes

Changes in the Australian regulation landscape is expected to impact on the finance sector's cost and competition landscape in Queensland (and Australia). Some of these recent changes include:



### Superannuation

Incremental increase in superannuation rate to 12% in July 2025 as well as the Your Future, Your Super initiative focused on increasing transparency and accountability of superannuation accounts<sup>38</sup>



### Minimum wage

Increase in the National Minimum Wage to \$882.80 per week or \$23.23 per hour (5.75% increase to minimum award wages)<sup>39</sup>



### Emissions reduction

Legislation passed to tie Australia to a 43% reduction in emissions and net zero emissions achievement by 2050<sup>40</sup>



### Queensland initiatives

State-specific initiatives such as the \$5.84 billion Queensland Jobs Fund, including Invested in Queensland Program and Made in Queensland, various regional investment action and reforms to information privacy regulation.<sup>41</sup>

# Details of key macro-factors

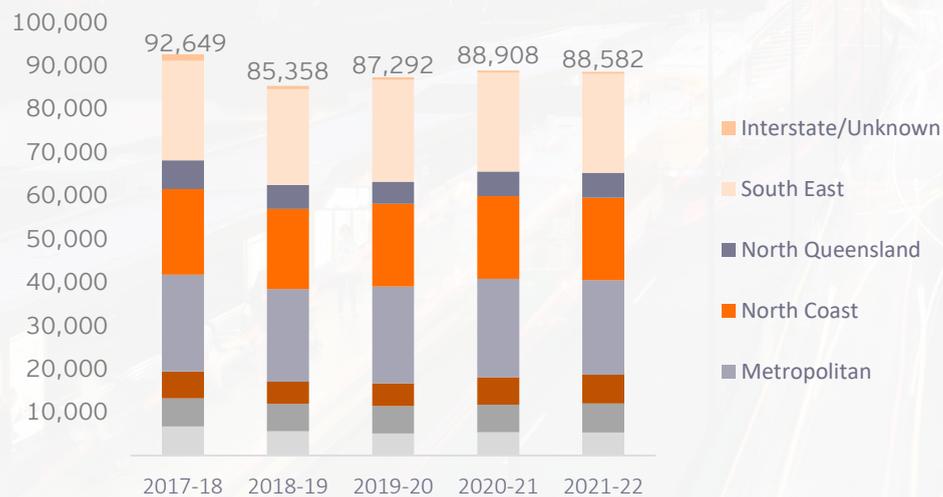
## Skills development

Queensland has a strong university presence, with a total of 11 universities. The state also houses a large number of Registered Training Organisations providing Vocational Education and Training (VET) courses, with the main public provider TAFE Queensland hosting over 50 locations across the state.

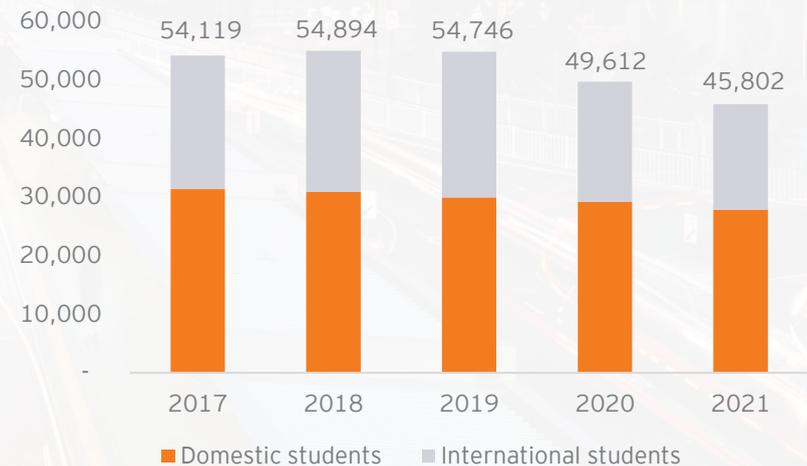
VET completions have been stagnant in Queensland over the last five years. Popular fields of study include society and culture, management and commerce and engineering and related technologies. A majority of training happens in the South East, the North Coast and metro areas. Enrolments in banking and finance has been increasing, however specific courses such as computer science and information systems has been decreasing (-78 and -41% 2017 - 2021), and were doing so even prior to COVID.<sup>42</sup>

University completions have been steadily increasing. The majority of courses are in the management and commerce and health fields, with a strong proportion in society and culture. Queensland's university sector in total continues to attract relatively strong participation from overseas students. However, enrolments in management and commerce have been decreasing, by 15% in five years to 2021, with slow growth recorded in the period to 2019 and decline in the COVID impacted years of 2020 and 2021.<sup>43</sup>

VET completions in Queensland



Queensland enrolments in management and commerce courses



# Details of key macro-factors

## Lifestyle and affordability

Queensland has recorded strong population growth in recent years, supported by strong and positive net interstate migration. Migration into the state is supported by many factors, including Queensland's liveability, housing affordability and favourable macroeconomic landscape.

Post-pandemic, increasing normalisation of hybrid working practices have enabled greater population mobility, and encouraged population flows into regions with strong liveability. Queensland benefits from strong amenity assets, with the state home to beaches, national parks, rainforests, tropical reefs and waterways.

In 2021, Brisbane ranked as the 10<sup>th</sup> most liveable city in the world in the Economist's Global Liveability Index. The city scored highly in terms of education, health care and stability.<sup>44</sup>



**300**  
Queensland has 300 days of sunshine per year <sup>47</sup>

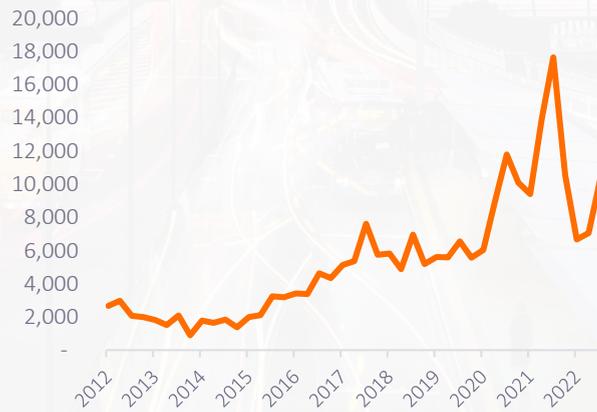


**30%**  
Almost a third of Queensland's population growth in 2022 was from interstate migration <sup>48</sup>

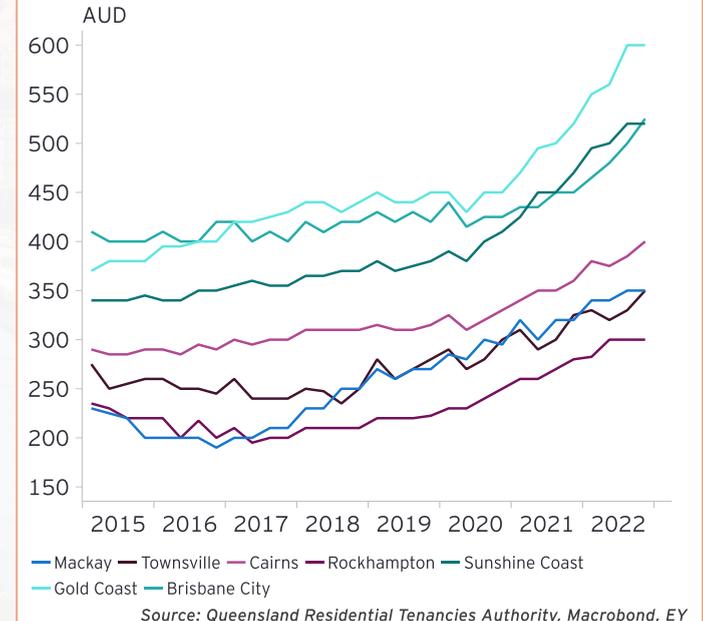
Net interstate migration 2022 <sup>45</sup>



Net interstate migration Queensland 10 Years <sup>46</sup>



Median weekly rental prices for 2 bedroom flats



# Details of key macro-factors

## Climate change

Climate change is becoming increasingly more prevalent in business decision making as its consequences begin to take their toll, governments take sustainable legislation more seriously and investors consider risk.

### The Issue

Rising temperatures and the increased frequency of extreme weather events impact all industries in different ways. The finance sector, and its sub-sectors, is not immune. The RBA has suggested that a small share of housing in regions exposed to extreme weather events could experience price falls and potential subsequent credit losses and default risk on housing lending products. Insurance companies are exposed to greater levels of claims and may respond to increased risks by raising premiums which will impact affordability for consumers. More broadly, climate change will also impact investment decisions, geographical considerations for conducting business and bank exposure (i.e. to transition risks from lending to emissions-intensive industries).<sup>49</sup>

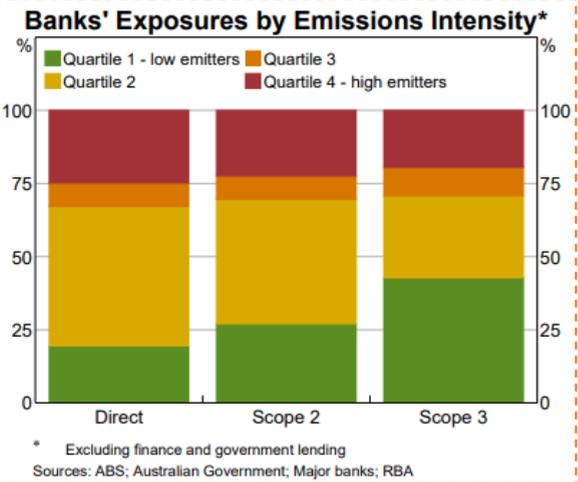
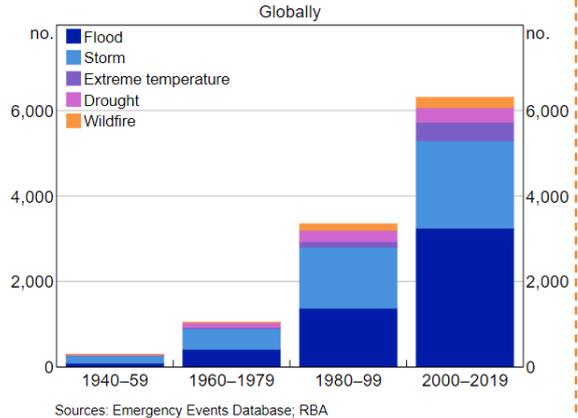
*There is significant uncertainty about the magnitude of risks to banks from climate change. This is because of the uncertainty about how climate change will alter future weather patterns, how policies will change globally and how economies adapt - RBA*

### Potential Responses

Every industry has a part to play in the solution to climate change, with the banking industry positioned to play a vital role.

- ▶ Green financing such as green bonds will help fund projects which help the state reach climate change targets, and an increase in transparency will further push the agenda
- ▶ Queensland's large coal mining industry provides an opportunity for financial institutions to incentivise those companies to shift towards less carbon-intensive activities
- ▶ Need to leverage private capital alongside public funding to achieve goals aligned to Queensland's Climate Action Plan, committing to net zero emissions by 2050 e.g. RBA estimates that the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA) investment of \$8.5 billion into clean energy-related projects has encouraged a further \$25 to \$30 billion of additional private sector investment<sup>50</sup>

## Extreme Weather Events



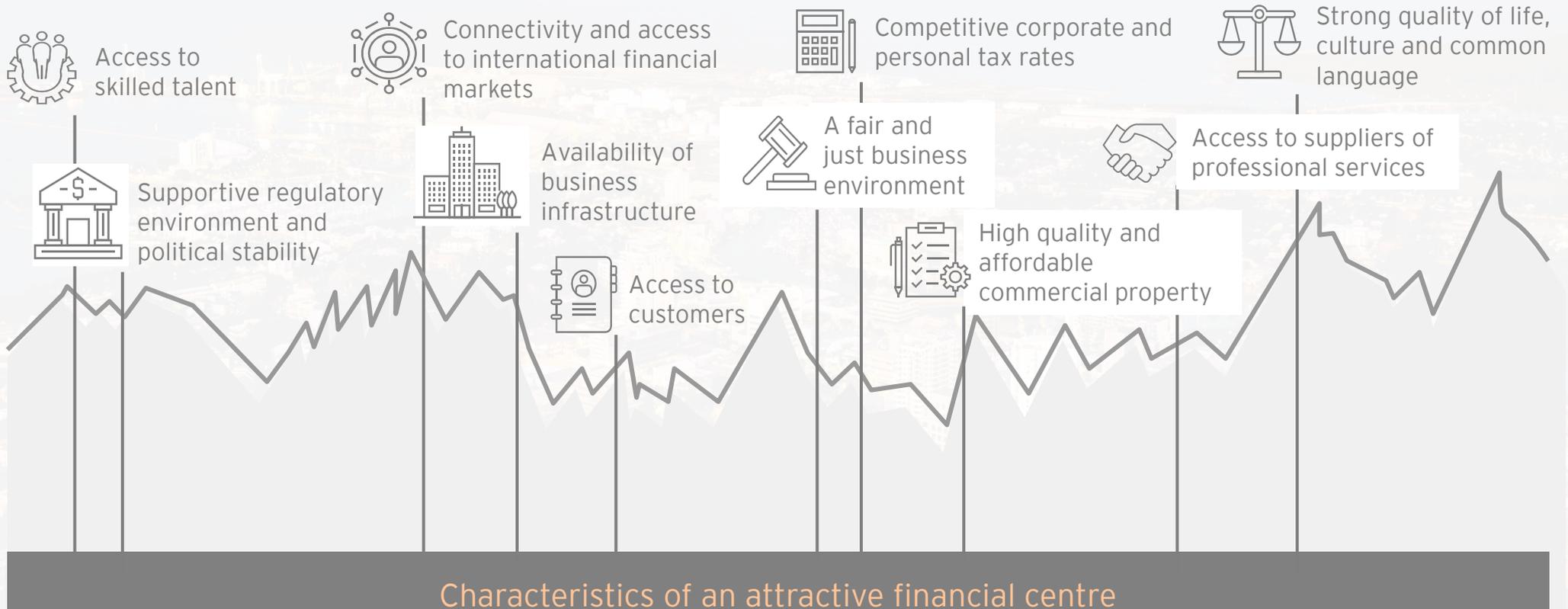
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How can the sector grow in Queensland?



# The finance sector needs a range of characteristics to be successful

The Global Financial Centres Index outlines a range of characteristics that determine the attractiveness of a financial centre, with the most successful rating high against a balance of them. The Index lists out these determinants and performs a weighted calculation to rank the competitiveness of the world's leading financial centres.<sup>51, 52</sup> These characteristics can be summarised as follows:



# Queensland has key strengths which contribute to meeting these needs - supporting its attractiveness for investment

Indicative data sets measuring the attractiveness determinants for Queensland have been compared to New South Wales and Victoria, and are summarised below.

Queensland performs well on:



In comparison to other countries around the world, Australia, and Queensland, particularly benefits from:

- ▶ Supportive regulatory environment and political stability
- ▶ A fair and just business environment
- ▶ Strong quality of life, culture and common language

Queensland also has a strong infrastructure pipeline, including in preparation for hosting the 2032 Olympics.



## Population growth

*Providing access to customers and has potential to support the availability of skilled talent*

Queensland's population has grown by 8.2% over the past five years, much faster than New South Wales (4.0%) and Victoria (5.2%).<sup>53</sup>



## Commercial rents

*Supporting the affordability of operations in Queensland, compared to key competitors*

Brisbane has a lower commercial rental cost per sqm in Q4 2022 (\$645) than Sydney (\$1,254) and Melbourne (\$699).<sup>55</sup>



## Current business conditions

*Supporting investment and business expansion appetite*

Queensland ranked higher on the NAB Business Conditions Index (20) than New South Wales (16) and Victoria (12).<sup>54</sup>



## Housing affordability

*Supporting the attraction of required workforce to Queensland*

The mean dwelling price in Queensland is \$738,800, substantially below New South Wales (\$1,130,500) and Victoria (\$894,400) in 2022.<sup>56</sup>



## Payroll taxes

*Reducing the ongoing cost of operating in Queensland by comparison to key competitors, and incentivising the attraction of business operations to Queensland*

Queensland's payroll tax rate compares favourably to New South Wales and Victoria across most annual taxable wage brackets. Queensland sets a rate of 4.75% for up to \$6.5m and 4.95% for over this, with a 1% discount for regional employers. Victoria has a set rate of 4.85%, although with a significant discount for regional employers, whilst New South Wales is set at 5.45%.<sup>57</sup>

# Queensland institutions highlight significant local strengths for the sector

Institutions in Queensland's finance sector were asked, through industry sound boarding, to rate potential strengths and challenges for the sector. Their responses highlighted:

## Key strengths in the sector

Finance institutions in Queensland ranked **liveability as the state's greatest strength for the sector**, followed by housing prices and cost of living. This demonstrates Queensland's ability to attract labour to support the growth and viability of the sector.

## Key challenges to growth

Cybersecurity and staff retention were ranked equal highest for challenges facing organisations, followed by attracting skilled labour and keeping pace with digital transformation. Regulation and macroeconomic factors were also highlighted as key barriers.



## Queensland's greatest strengths for the finance sector\*



\* Calculated through a survey of Queensland finance sector institutions, asked to rank strengths on a scale of Not a strength at all (1) to Significant strength (5).

# Case study - What are the options for growing the sector?

In assessing options for growing the sector, two regions from the top 10 most competitive Global Financial Centres Index were selected for case studies, developed through desktop analysis. Both regions have taken a strategic approach to enhancing and developing their financial sector and provide a useful benchmark for comparison.

## Case study 1: Singapore - financial centre for the Asia Pacific region (ranking #3)

### About Singapore's finance sector

Singapore's finance sector and reputation on the international stage has developed over the last five decades. It is a leading international financial centre in Asia, home to a diverse range of financial institutions offering products and services across diverse asset classes. Singapore has attracted over 1,200 financial institutions, with a positive business environment including effective regulation, proactive government policies, quality infrastructure and a strong talent base. The main industries include banking (investment banking, wealth management and treasury activities), insurance and capital market (securities, futures and derivatives) services.<sup>58</sup>

### Competitive advantages of Singapore for business

A number of broader factors supported the expansion of the sector:<sup>59</sup>

- ▶ Geographical location in central Southeast Asia
- ▶ Attractive tax regime
- ▶ Strong export and trade sector and supporting built infrastructure
- ▶ Lack of corruption and reputation for good governance
- ▶ Strong availability of skilled workers

### The evolution of the sector - Outward looking strategy

Government policy was a key contributor to industry development, following a vision to make Singapore a financial centre for the region. The small size of domestic market limited growth potential, so there was a need to look outside the country for growth. Singapore focused on financial liberalisation and reforms from the 1960s, building up from its initial status as a trading hub. It quickly established the Asian dollar market (ADM).

This attracted multinational companies to Singapore and provided greater access to foreign participants, propelling its growth. The country has continued to implement a risk-focused approach to regulation and supervision - to facilitate innovation and development while guarding against systemic risk.<sup>60</sup>

### Review of the financial sector

Reviews of Singapore's financial sector commenced in 1997.

Three broad strategies emerged:<sup>61</sup>

- ▶ Promote asset management - provide variety of investment products to reach a greater number of market segments:
  - ▶ Streamlined regulations to make it easier for fund managers to enter
  - ▶ Provided seed money to fund managers with proven track record
  - ▶ Substantial funds from Singapore's national pension scheme an opportunity
- ▶ Develop deep and broad capital markets in debt, equity and derivatives
- ▶ Develop a competitive banking industry

Changes were implemented incrementally, to minimise risk.

### Key features of success for Singapore and learnings for Queensland:

- ✓ Pro-business environment
- ✓ Supportive regulatory environment and political stability
- ✓ Connectivity and access to international financial markets
- ✓ Availability of business infrastructure
- ✓ Availability of skilled talent
- ✓ Time zone well-suited for trading in Asia

# Case study - What are the options for growing the sector?

## Case study 2: The finance sector in Boston (ranking #9)

### About Greater Boston's financial services sector

Boston is the centre of banking in the New England region, with Massachusetts employing 169,800 finance and insurance workers (as at September 2022). Many of the country's leading financial services are located in Boston, comprising some of the largest employers within the City of Boston.<sup>62</sup>

- ▶ Banking, Insurance and Investment management are all important components. Boston has a strong asset management sector, attracted through favourable conditions.
- ▶ Birthplace of the mutual fund (*Massachusetts Investors' Trust* in 1924).

### Evolution of the sector

Following the second world war, Boston transitioned to a service and finance based economy. The region's world renowned colleges and universities supported attraction of businesses and skilled talent to the area. In addition, tax breaks were offered on commercial office projects to encourage development and taxes laws were simplified for mutual fund operators in the state.<sup>63</sup>

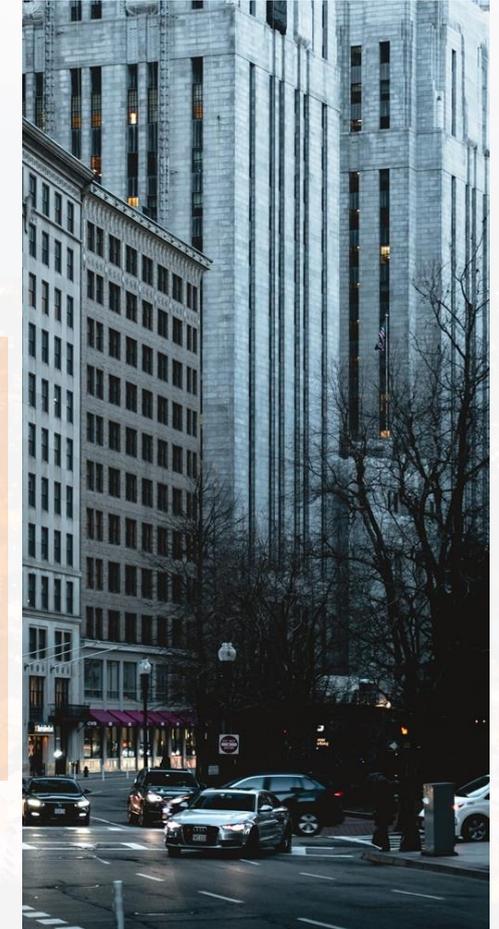
Boston's finance sector is supported by its significant education network and skilled worker base.

Boston hosts 35 universities, colleges and community colleges, including world-renowned higher education institutions such as MIT, which provided the first graduate-level course in financial technology applications in the US. In aggregate, Boston observes nearly 140,000 student enrolments annually.<sup>64</sup>

The sector is also supported by a strong local technology and innovation economy. A result of the high concentration of intellectual capital created by the leading finance employers and educational institutions.<sup>65</sup>

### Key features of success for Boston and learnings for Queensland:

- ✓ Pro-business environment
- ✓ High quality and affordable commercial property
- ✓ Implementation of incentives to attract desired infrastructure
- ✓ Access to suppliers of professional services
- ✓ Availability & development of skilled talent

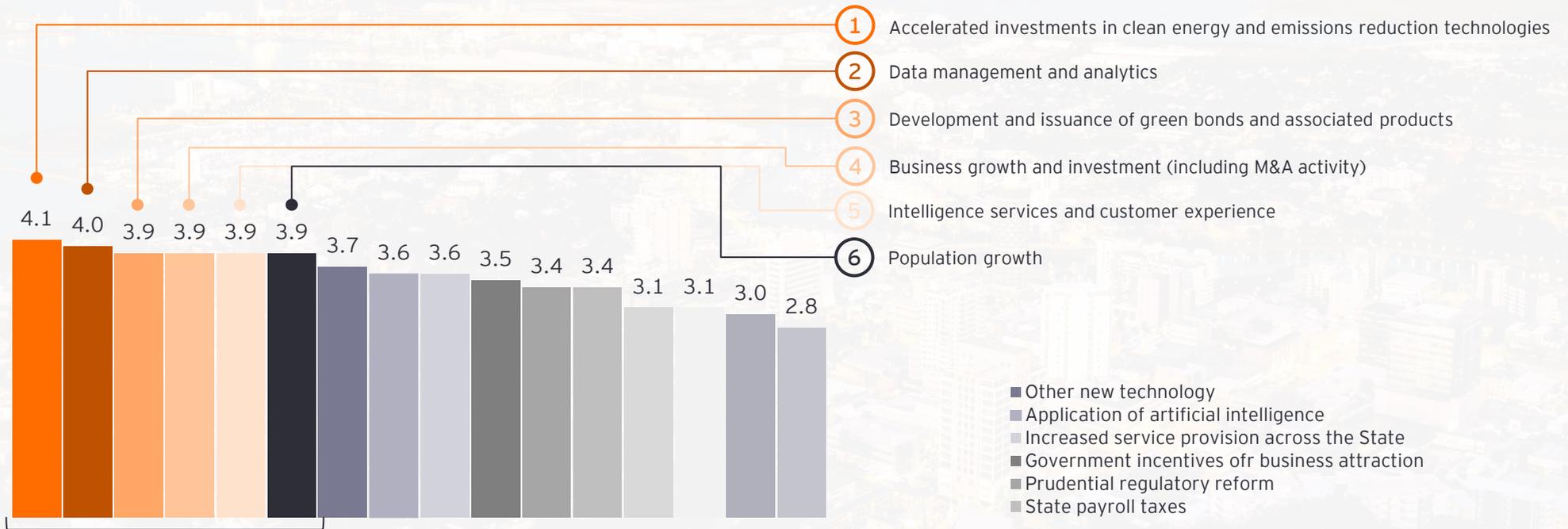


# Opportunity assessment - Queensland institutions agree there are many opportunities that warrant consideration for the future of the sector

## Key opportunities in the sector

Institutions in Queensland's finance sector were asked to rate a number of potential future opportunities for the state's finance sector.

Finance institutions in Queensland rank **accelerated investments in clean energy and emissions reduction technologies as the greatest opportunity** for organisations in the finance sector and more broadly. Green bonds and other sustainable finance products also ranked in the top six.



Queensland's greatest opportunities for the finance sector\*

\* Calculated through a survey of Queensland finance sector institutions, asked to rank opportunities on a scale of Not an opportunity at all (1) to Significant opportunity (5).

# Five key areas of opportunity were identified for Queensland's finance sector to explore

In consultation with the QFC, five prospective growth areas of opportunity have been identified for Queensland's finance sector. These opportunities leverage local labour specialisations, capitalise on macro-economic influencing factors and/or are reflective of feedback from local stakeholders. There are clear synergies and complimentary aspects to these opportunities, resulting in improved outcomes for the finance ecosystem in Queensland from their pursuance. The Sustainable finance sector has been prioritised for immediate support from the QFC.

## Sustainable Finance

- ▶ Alignment with Queensland's brand
- ▶ Alignment with Queensland & Commonwealth Government strategic intent to reduce emissions & increase investment in renewables
- ▶ Queensland already active in green finance markets
- ▶ Broad support from stakeholders

## General Insurance

- ▶ Sector of labour specialisation & prominent representation of National employment in Queensland
- ▶ Opportunity to diversify towards full service provision to clients
- ▶ Clustering evident with Queensland home to several key players
- ▶ Rapid historical growth & future growth potential

## Superannuation Wealth & Asset Management

- ▶ Key employment sector in Queensland, with access to skills
- ▶ An essential service supporting Australians' financial prosperity
- ▶ Clustering evident with Queensland home to several key players
- ▶ Potential to drive capital investment in Queensland

## Digitisation Cybersecurity & Automation

- ▶ Attraction of desired activities already underway
- ▶ Significant, high stakes and increasing challenge for the sector (and others)
- ▶ Alignment with national agenda
- ▶ Expansion of the sector would assist in overcoming barriers to growth
- ▶ Opportunity for purchasing (and import) replacement
- ▶ Broad sector support

## Regional & Mutual Banking Hubs

- ▶ Queensland is home to two of the largest mutually owned banks in Australia
- ▶ Significant presence of regional and mutual banks in Queensland, supporting dispersed employment
- ▶ Regional bank leaders are engaged in the business and community
- ▶ Equity and inclusivity of access to services across the state

# 4

What is the nature of the Sustainable Finance opportunity?



# The global sustainability challenge requires innovative financing and services

Tackling climate change is a challenge for all sectors of the economy. As countries advance a raft of new sustainability requirements, they will require increased investment, underpinned by new methods of financing and new financial services. Green bonds, reef credits, biodiversity credits and carbon credit units may be some of the new products in our financial future and Queensland can get ahead of the game in these emerging markets.

## Sustainable finance is the key to unlocking benefits

Sustainable finance is critical to the risk mitigation side of achieving sustainability. New products and markets can lower energy bills, create jobs, and enhance regional economies. Investment will contribute to new markets and products, including through the growing green bond market and carbon credits.

Green bonds currently account for almost the entirety of the green finance market. Global green bond issuance increased from US\$2.3 billion in 2012 to US\$512 billion in 2021, accounting for 93.1% of green finance.<sup>66</sup> The US and China, both with extremely large financial markets (and economies) dominate the global green finance market. The Asia and Australasia region accounted for approximately 28% of global green lending between 2017 and 2021, with Australia being the third largest market within this region (following North Asia and South East Asia).<sup>67</sup>

In Queensland, the Queensland Treasury Corporation is currently the largest Australian semi-government issuer of Climate Bonds Standard Certified Green Bonds, with \$6.98 billion on issue.<sup>68</sup> In 2021 Australian conglomerate Wesfarmers issued the first sustainability-linked bonds, performance based instruments, in the local market, raising \$1 billion.<sup>69</sup> Australia is already attracting green venture capital investment, reporting the second highest value of green venture capital investment (as an investor country) in the world (following the US) in 2012-2021, comprising 8.9% of total venture capital investment in the period.<sup>70</sup>

## Opportunities and drivers in Queensland

Queensland is dedicated to advancing sustainability and has already made substantial investments in the sector to drive progress.



### Renewable energy

Queensland is powered by 25% renewable electricity<sup>71</sup>



### Electric vehicles

Less than 1% of cars registered in Queensland are electric<sup>72</sup>



### Investment in energy

\$11 billion investment in large-scale renewable energy projects since 2015<sup>73</sup>



### Investment in abatement

\$50 million promised investment in carbon reduction and abatement projects<sup>74</sup>



### Abatement

14.1 million tonnes of CO<sup>2</sup> emissions avoided yearly from renewable energy projects<sup>75</sup>



### Ecotourism

Over 5 million visitors to national parks spending over \$2.64 billion<sup>76</sup>

# Queensland has potential to support sustainability finance markets

## Queensland Finance Council's Vision

*Establishing Queensland as a globally recognised sustainable investment hub in the Asia Pacific*

### Why Queensland:

- ✓ Natural capital base
- ✓ Existing carbon farming activities
- ✓ Large and productive agricultural sector
- ✓ Active green bond market
- ✓ Existing specialised sustainable finance expertise
- ✓ Aligned brand

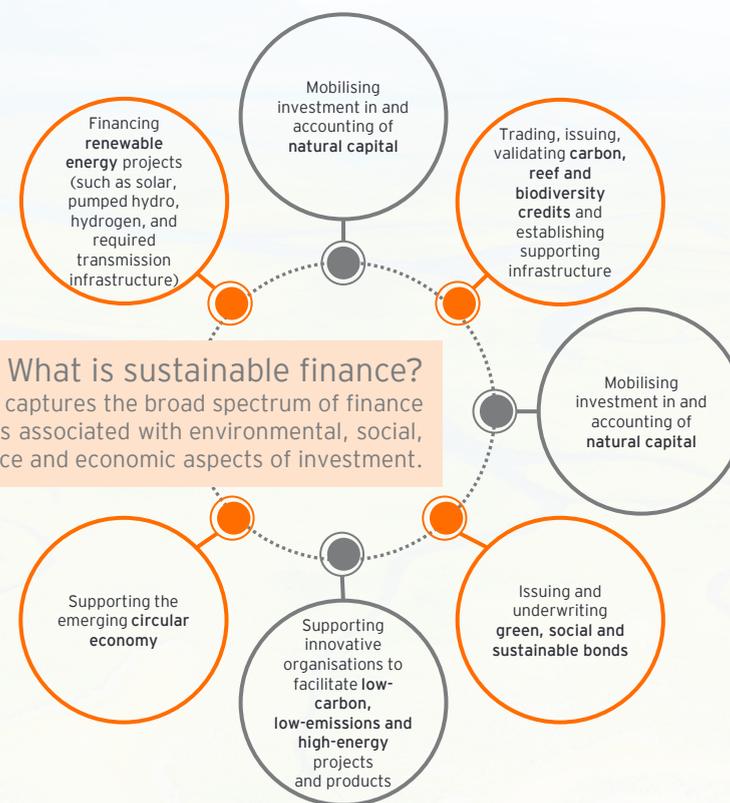
### The sustainable finance sector is a compelling opportunity for the Queensland finance sector

The global sustainability challenge, Queensland's existing strengths and feedback from industry participants in the sound boarding exercise support the view that Queensland faces a unique opportunity to develop into a national and globally recognised sustainable finance hub. Sustainable finance is an emerging sector experiencing strong growth, leveraging the increasing shift towards ESG considerations and could benefit from Queensland's existing capabilities.

The sector is strongly aligned with sustainability objectives to reduce emissions, increase investment in renewable energy sources and storage, and support the emergence of decarbonising industries.

Pursuing this opportunity could enable Queensland to invest in an emerging growth sector at its nascence, and could facilitate further investment throughout the state and nation.

**What is sustainable finance?**  
Sustainable finance captures the broad spectrum of finance activities associated with environmental, social, governance and economic aspects of investment.



# Proven strengths, new capabilities

## A sustainable finance hub

Significant global, national and local investment in renewable energy assets, the growing demand for ESG-linked financial investments and strengthening of ESG reporting will lead to increased demand for specialist sustainable finance skills. Developing Queensland as a sustainable finance hub, home to a range of finance skills, could position Queensland as the sustainable finance hub of Australia.

Positioning Queensland as the hub for sustainable finance has potential to drive real economic outcomes

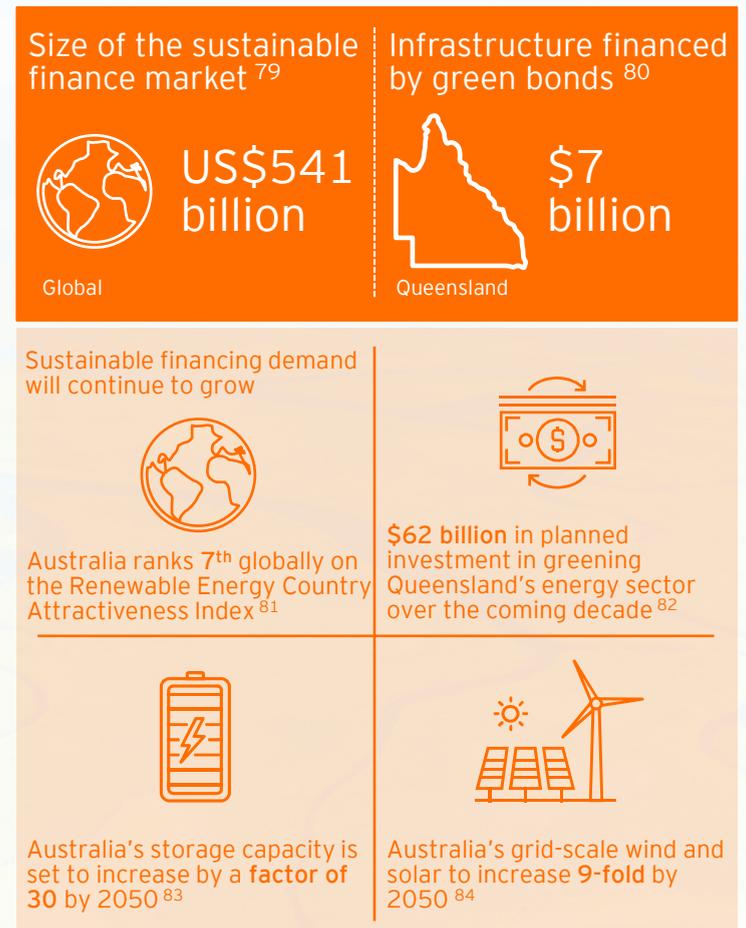
## The Sustainability Catalyst

The sustainable finance sector is an emerging sub-sector expected to record rapid growth in the coming decades. This could present a significant opportunity for growth in Queensland.

The need for green and sustainable finance is significant. Approximately US\$2.8 trillion of investment in energy is estimated to take place globally in 2023 alone, of which US\$1.7 trillion is expected to be invested in clean technologies.<sup>77</sup>

Australia presents an attractive location for renewable energy investment, ranking 7th globally on the Renewable Energy Country Attractiveness Index.<sup>78</sup> Planned investment for greening Queensland's energy sector is significant, and could support Queensland's emergence as a sustainability hub.

The finance sector could play a crucial enabling role in facilitating the capital investment required to achieve net zero. A local sustainable finance sector has potential to make investment in Queensland faster, easier and more attractive to investors and sustainable businesses. Queensland may also capture market share from financing renewable energy investments, social and sustainable projects elsewhere in Australia, and Asia.



# Growth opportunities are strong in the sustainability transition

## Businesses

The investment required to supply the goods and services to meet climate change goals is expected to result in significant flow on impacts to businesses. The UK estimated that the transition to meet global net zero ambitions would be worth up to £1 trillion to their businesses to 2030.<sup>85</sup> A Singapore study estimated that investing in 59 nature-positive business opportunities in the region could generate US \$4.3 trillion and 232 million jobs annually by 2030 - equivalent to 14% of the GDP of the region.<sup>86</sup>

## Exports

Exports within low carbon and renewable energy industries are growing significantly faster than exports from the broader economy. It is estimated that between 2020 and 2021, exports from these sectors increased by 67%, compared to total exports which increased by 6%.<sup>87</sup>

## Green financial markets

Green finance is continuing to become a substantial market. Voluntary carbon markets, which allows credits to be purchased to offset emissions, have grown rapidly in recent years. In 2019 the market was around \$300 million and in 2021 it grew to \$2 billion.<sup>88</sup>

## New sectors, skills and competitive advantage

The green transition is going to create opportunities to develop new industries and a push for new technologies. This will boost productivity and the demand for high-skilled jobs. It will also create a shift in competitive advantage. Australia has advantages in raw materials and renewable energy, with the potential to generate \$40 billion in additional income every year by 2050 if it capitalises on its energy 'superpower'. This makes the country an attractive investment for investors and talent.<sup>89</sup>

# 5

## Summary



# Summary

## The finance sector is a major driver of the Queensland economy

The sector supports economic activity and high skilled employment for Queenslanders across the state. The sector has recorded strong employment growth over the past five years - greater than recorded in both New South Wales and Victoria.

## The state benefits from a number of attributes which are attractive to the finance sector

A number of key attributes desired by the finance sector are present in Queensland, presenting strong potential to support growth of the sector, including strong population growth, housing affordability, supportive business conditions, relatively affordable commercial rents and favourable payroll taxes.

## Macro-economic factors can be leveraged for future growth

Core to supporting the local sector reach its potential is identifying, monitoring and responding to emerging and ongoing global and local factors. These factors have the potential to impact on the ability of Queensland to be attractive to investors, shape future opportunities, and, when unmitigated, pose headwinds to growth. Climate change and sustainability is a significant influencing factor which will present challenges for aspects of the finance sector, but also, significant opportunities which can be attracted and pursued in Queensland.

## There are a number of opportunities which could be leveraged in Queensland

Existing labour and skills, macro-economic factors and views of local stakeholders were considered in identifying a range of economic opportunities for growth of the Queensland finance sector.

These opportunities include expansion and development of:

- ▶ Sustainable finance
- ▶ General insurance
- ▶ Wealth and asset management
- ▶ Digitisation, cybersecurity & automation
- ▶ Regional & mutual banking hubs

## Sustainable finance is the most prominent opportunity for Queensland

Significant global, national and local investment in renewable energy assets, the growing demand for ESG-linked financial investments and strengthening of ESG reporting will lead to increased demand for specialist sustainable finance skills. Developing Queensland as a sustainable finance hub, home to a range of finance skills, could position Queensland as the sustainable finance hub of Australia. There is more work to be done on this opportunity, but key immediate steps to develop the sector could include

- ✓ Partnering with governments and regulators to shape policy, development and regulation
- ✓ Establishing regional forums to help build Queensland's profile and act as a convening mechanism for existing expertise
- ✓ Deepening relationships between the financial services sector and industry to anticipate and align demand and supply
- ✓ Engaging with universities to explore options for developing and improving access to skilled workers
- ✓ Creating sustainability innovation hubs to enable the development of technology, expertise and investment in future technologies.

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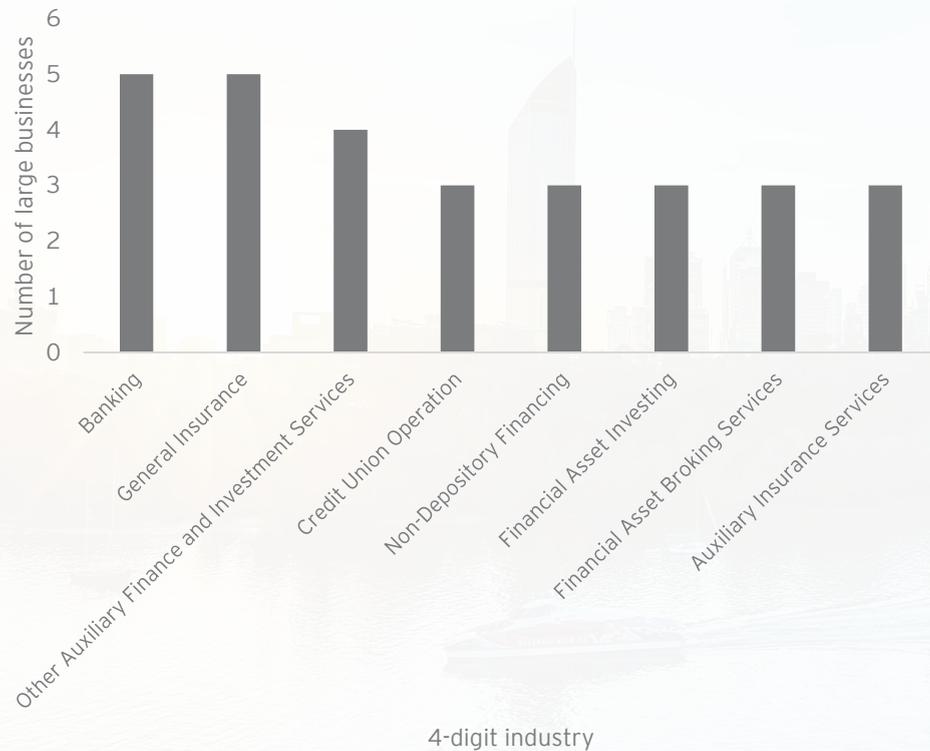
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# Appendix A: Supporting detail

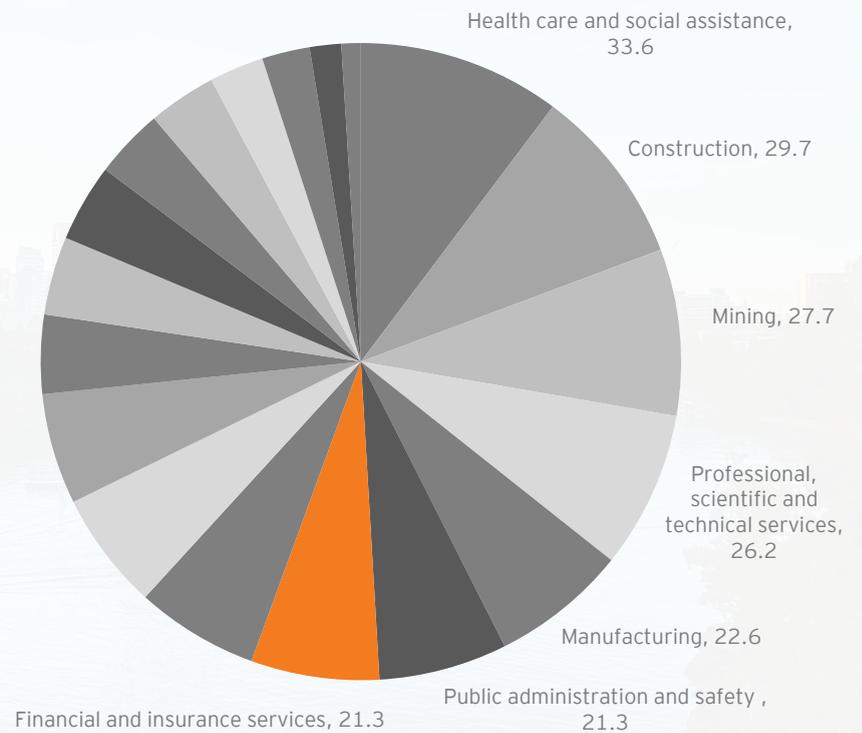
# Additional Content

Number of businesses with more than 200 employees, finance sector, Queensland, June 2022



Source: Australian Bureau of Statistics, 2022, Counts of Australian Businesses, including Entries and Exits

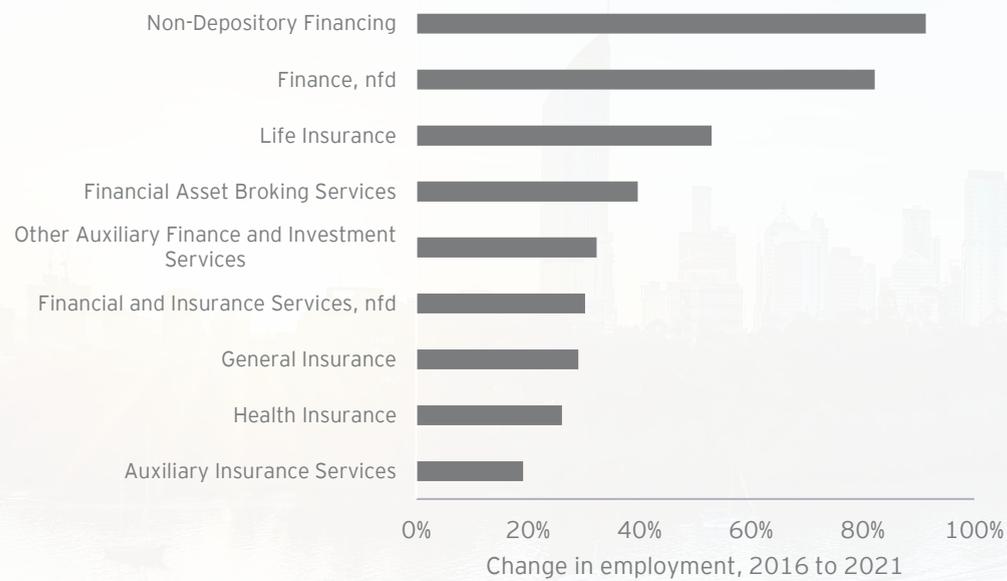
Queensland's finance sector directly generated \$21 billion in state economic activity



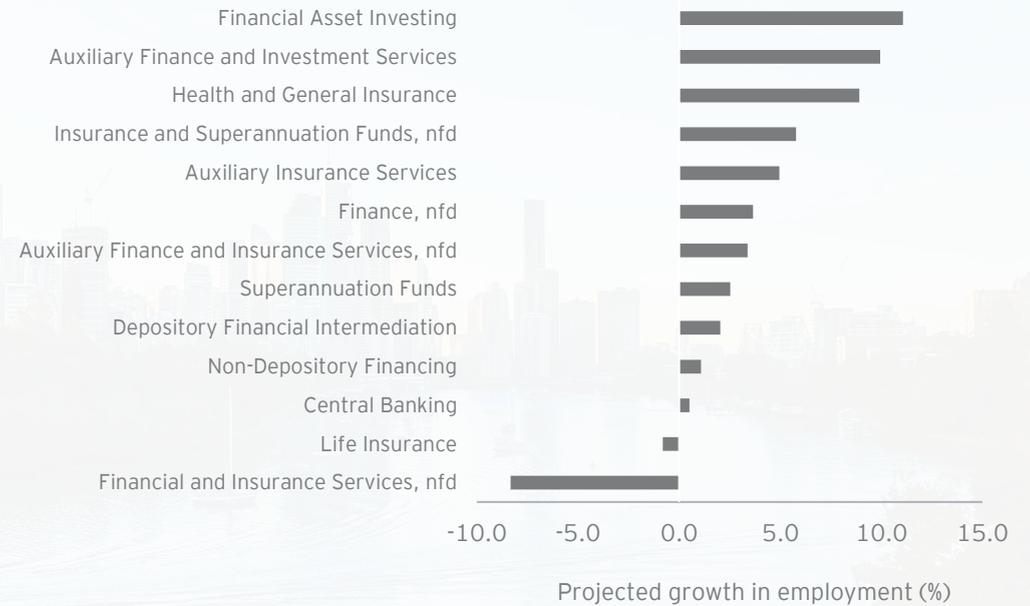
Source: Australian Bureau of Statistics, 2022, GVA current prices

# Additional Content

**Growth in employment, by finance subsector, Queensland, 2016 to 2021**    **Projected change in employment, by finance subsector, Australia, 2021 to 2026**



Source: Australian Bureau of Statistics, 2023, Labour Force



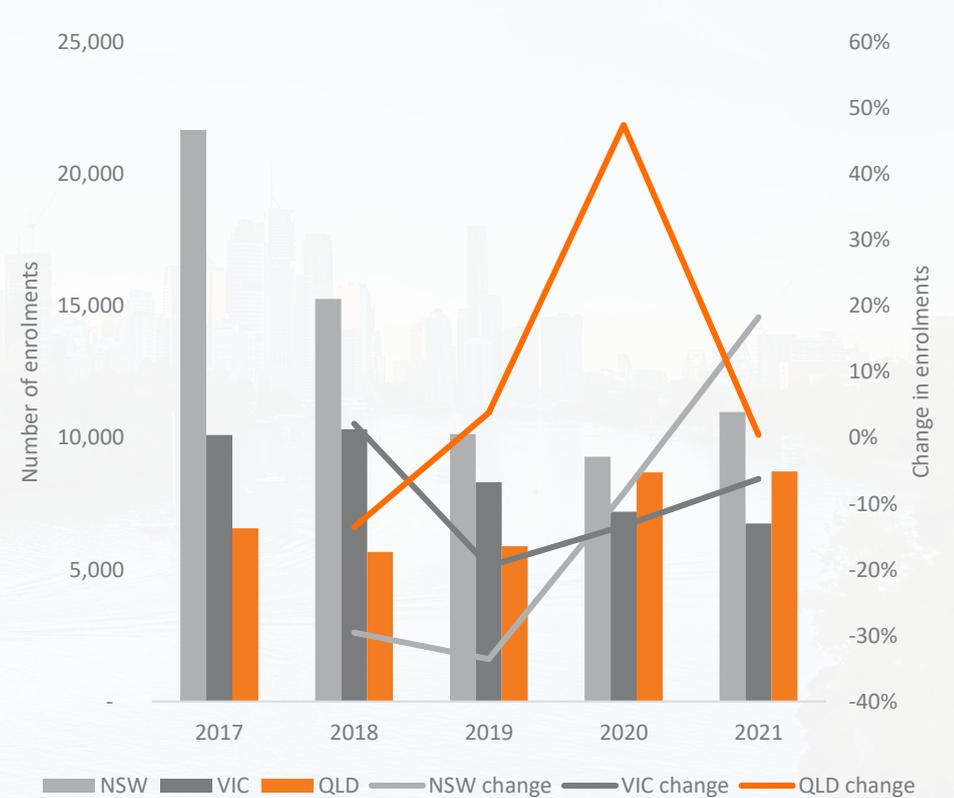
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Number and change in enrolments: Management and Commerce higher education courses



Source: DESE, 2022, Student enrolment pivot table

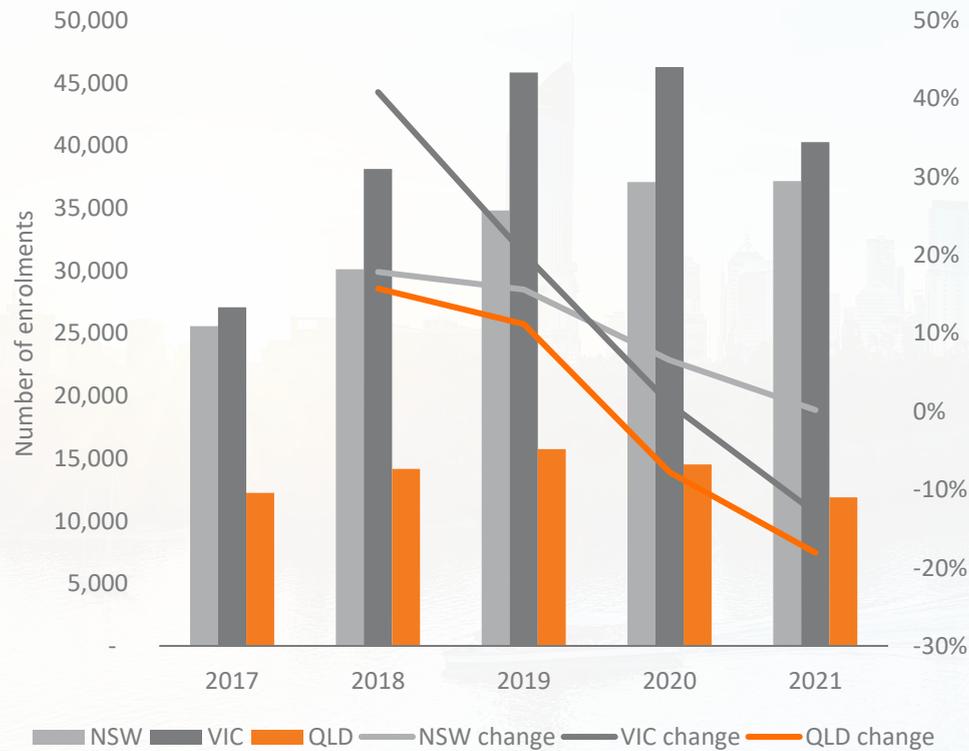
Number and annual change in enrolments: Finance-related VET courses



Source: NCVER, 2022, Total VET students and courses 2021: program enrolments

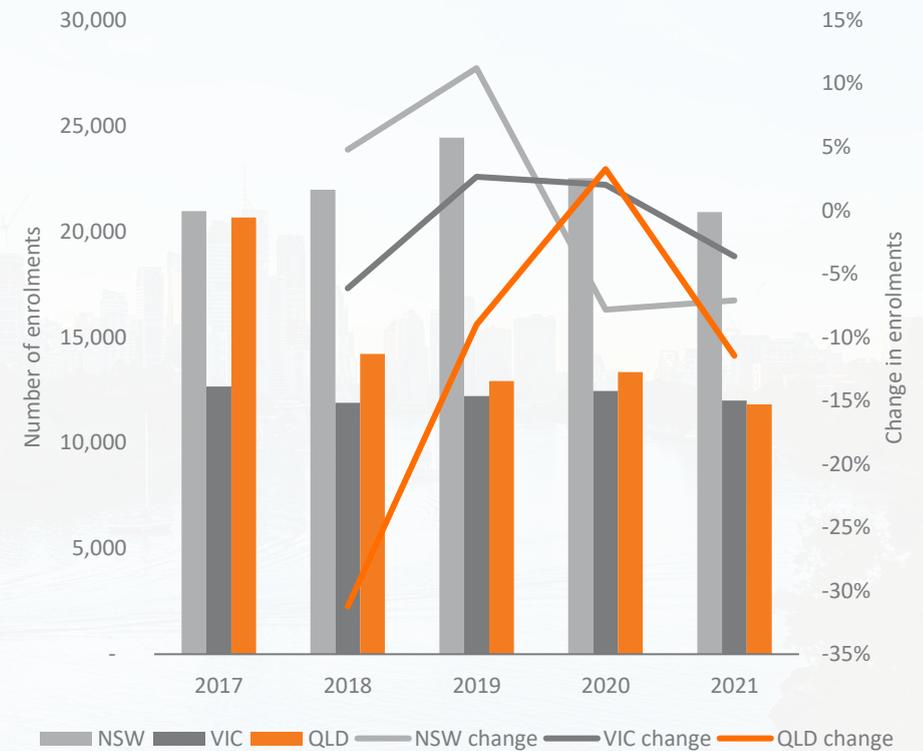
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Number and change in enrolments: Information Technology higher education



Source: DESE, 2022, Student enrolment pivot table

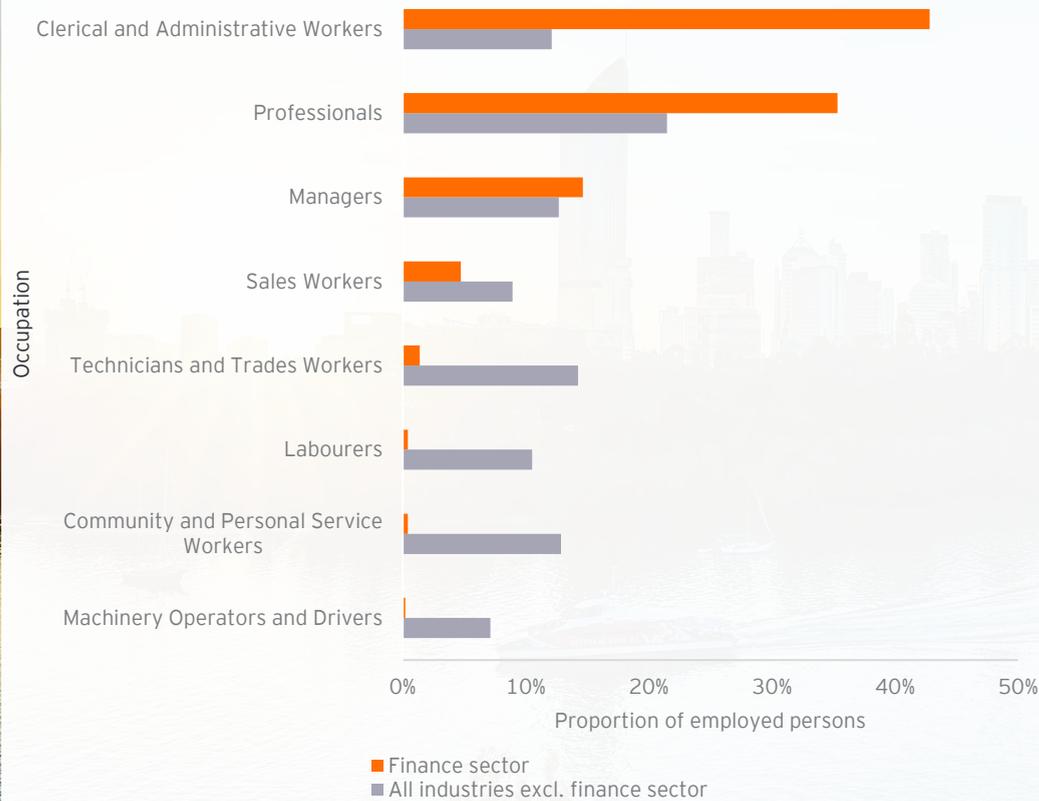
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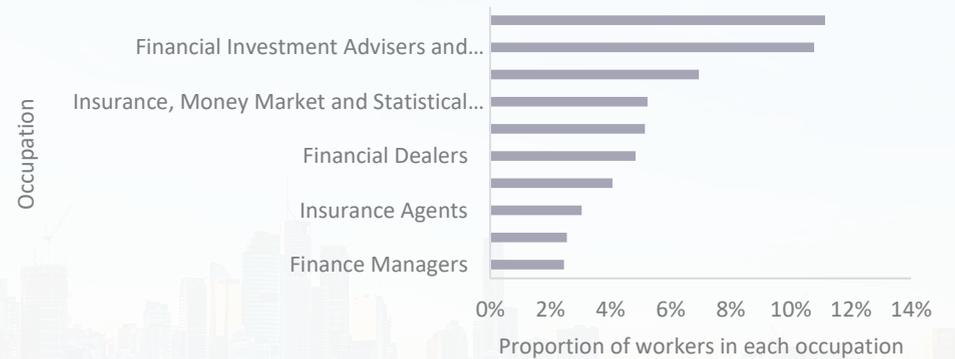
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Occupations in Queensland, finance industry compared to other industries, 2021



Source: Australian Bureau of Statistics, 2021, Census - employment, income and education

Occupations in the finance industry, Queensland, males, 2021



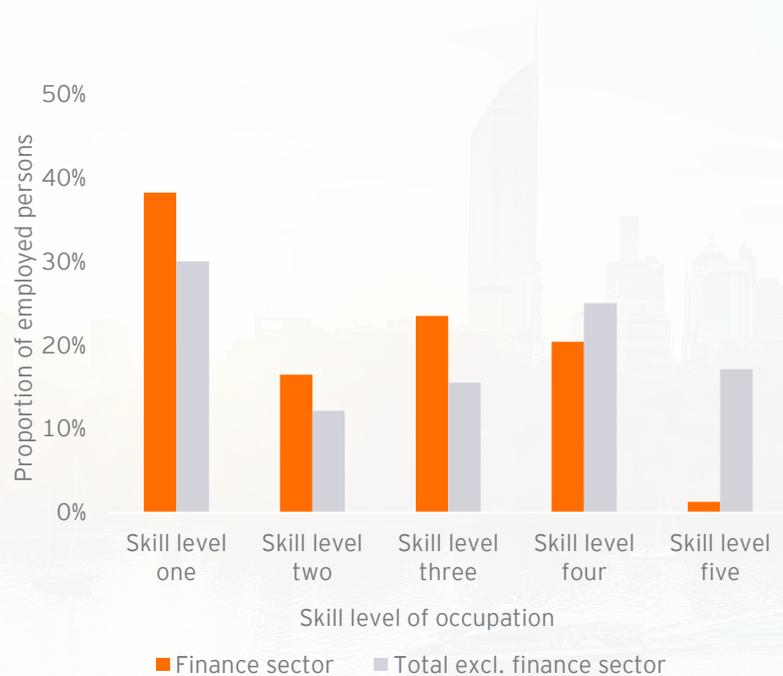
Occupations in the finance industry, Queensland, females, 2021



Source: Australian Bureau of Statistics, 2021, Census - employment, income and education

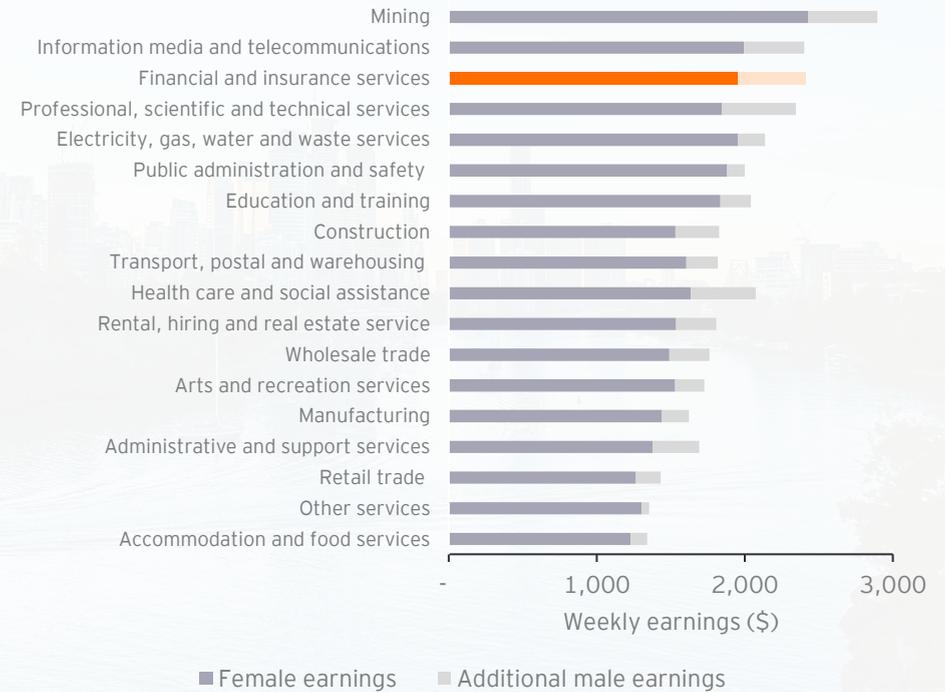
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Skill level of occupation, proportion of employees with a determined skill level, Queensland, finance industry compared to all industries, 2021



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Average weekly ordinary time earnings for full-time adults by industry in Australia, November 2022



Source: Australian Bureau of Statistics, 2022, Average Weekly Earnings

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