

Australia: Investment Project Pipeline

Economic Update

2016 Q3

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Andrew Hanlan
Senior Economist
Westpac Economics



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1. Australia's investment project pipeline: *an overview*



Key themes

- The end of the mining investment downturn, which remains the dominant dynamic shaping Australia's investment project pipeline, is in sight.
- The 5 remaining mega gas projects under construction, with a combined value of \$172bn, are due to be completed by end 2017.
- This will see the value of definite mining projects (those under construction or committed) fall sharply, down from \$201bn currently.
- The other key dynamic, albeit less powerful, is the upswing in public transport projects.
- Definite public transport projects are now valued at \$100bn. This represents a sharp increase on a year ago, up \$45.4bn, including a \$5.3bn rise in June
- State by state, there is a stark divide. The mining investment downturn is being felt in Qld, WA and the NT. While it is the state governments in NSW and Victoria, which are benefitting most from the housing boom, that are leading the way on public investment.

The investment pipeline: September 2016

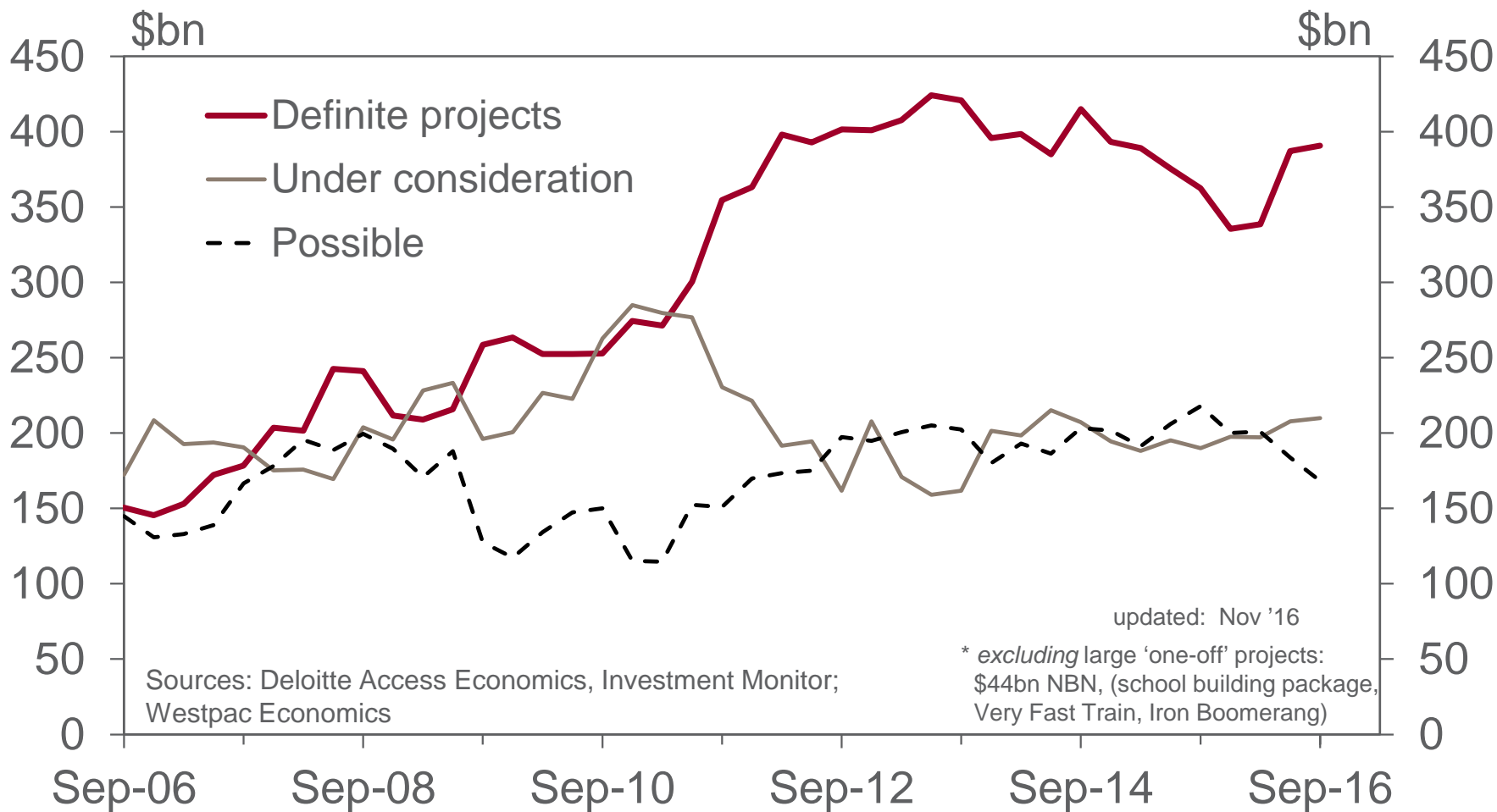
- Australia's investment project pipeline was \$812.8bn in September 2016, as reported by Deloitte Access Economics in their *Investment Monitor*. The database includes 1,102 investment projects valued at \$20mn or more.
- This is \$9.7bn lower than three months ago. Projects completions were worth \$6.8bn in the quarter, while project deletions were \$18.1bn, including the cancelling of the 'possible' \$12bn Port Hastings development in Victoria.
- 44 new projects were added to the database, with a value of \$6.3bn.
- Cost revisions added \$8.9bn, including WestConnex, which increased to \$16.8bn from \$11.5bn following an updated strategic business case.
- The value of definite projects (under construction or committed) increased to \$434.7bn in September, +\$3.6bn on June and \$28.2bn above a year ago.
- Note, the Wheatstone LNG project, valued at \$29bn in the database, has reportedly experienced a cost blowout of \$6.6bn.
- Note: the database includes the full value of a project until it is completed or deleted. This differs from the ABS notion of the 'work pipeline', which is the value of work yet to be done on projects currently under construction.

Australia's investment project pipeline

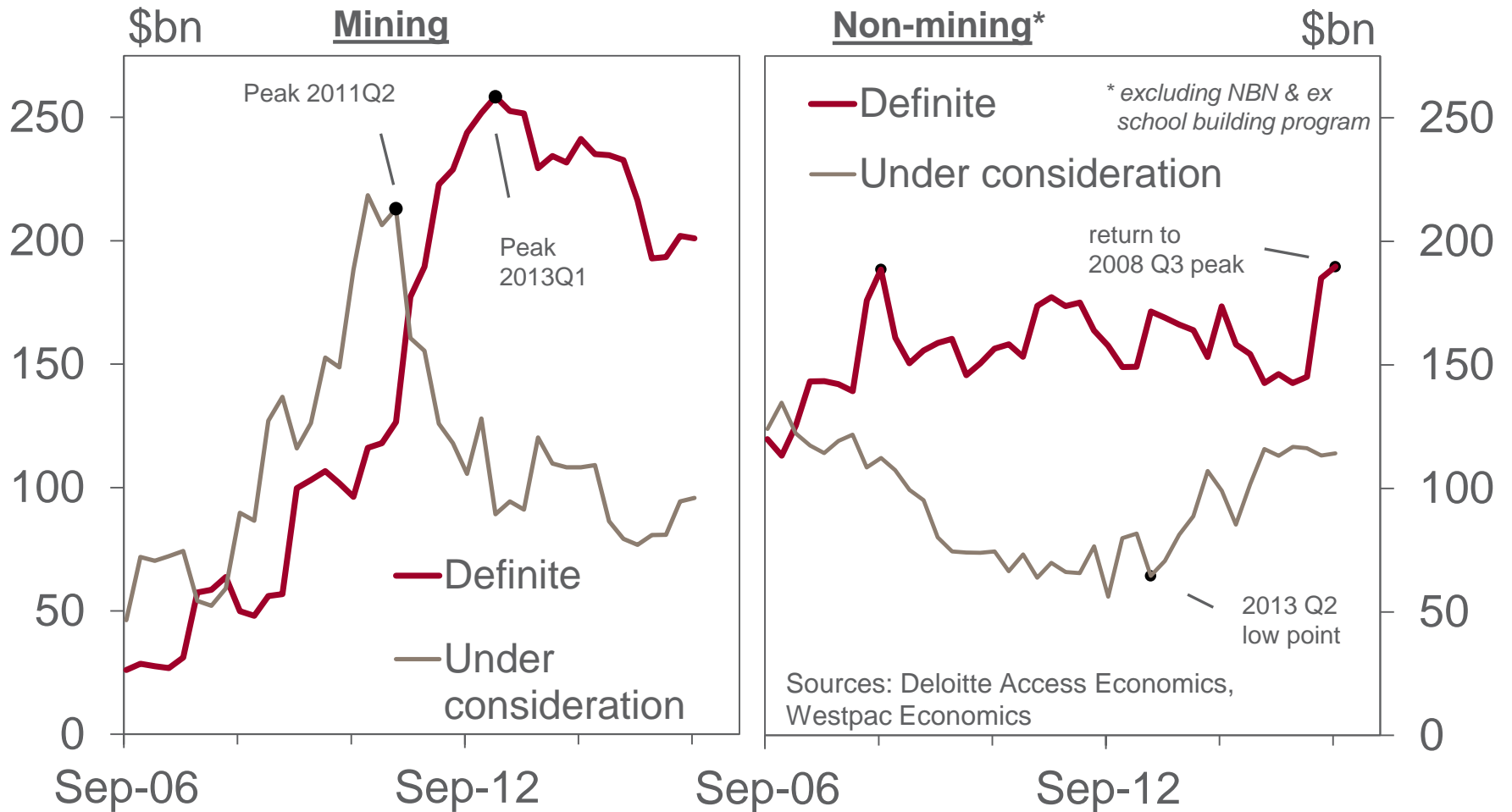
	Sep-13	Sep-14	Sep-15	Jun-16	Sep-16
Under construction	394	413	383	358	361
Committed	70	46	24	73	74
Under consideration	162	207	190	208	210
Possible	247	248	218	184	168
Total	874	914	814	822	813
Definite projects, total	465	459	407	431	435
Mining	252	241	216	202	201
Transport & storage	82	87	69	105	110
Non-mining, ex T&S	131	131	122	124	123

Sources: Deloitte Access Economics *Investment Monitor*, Westpac Economics

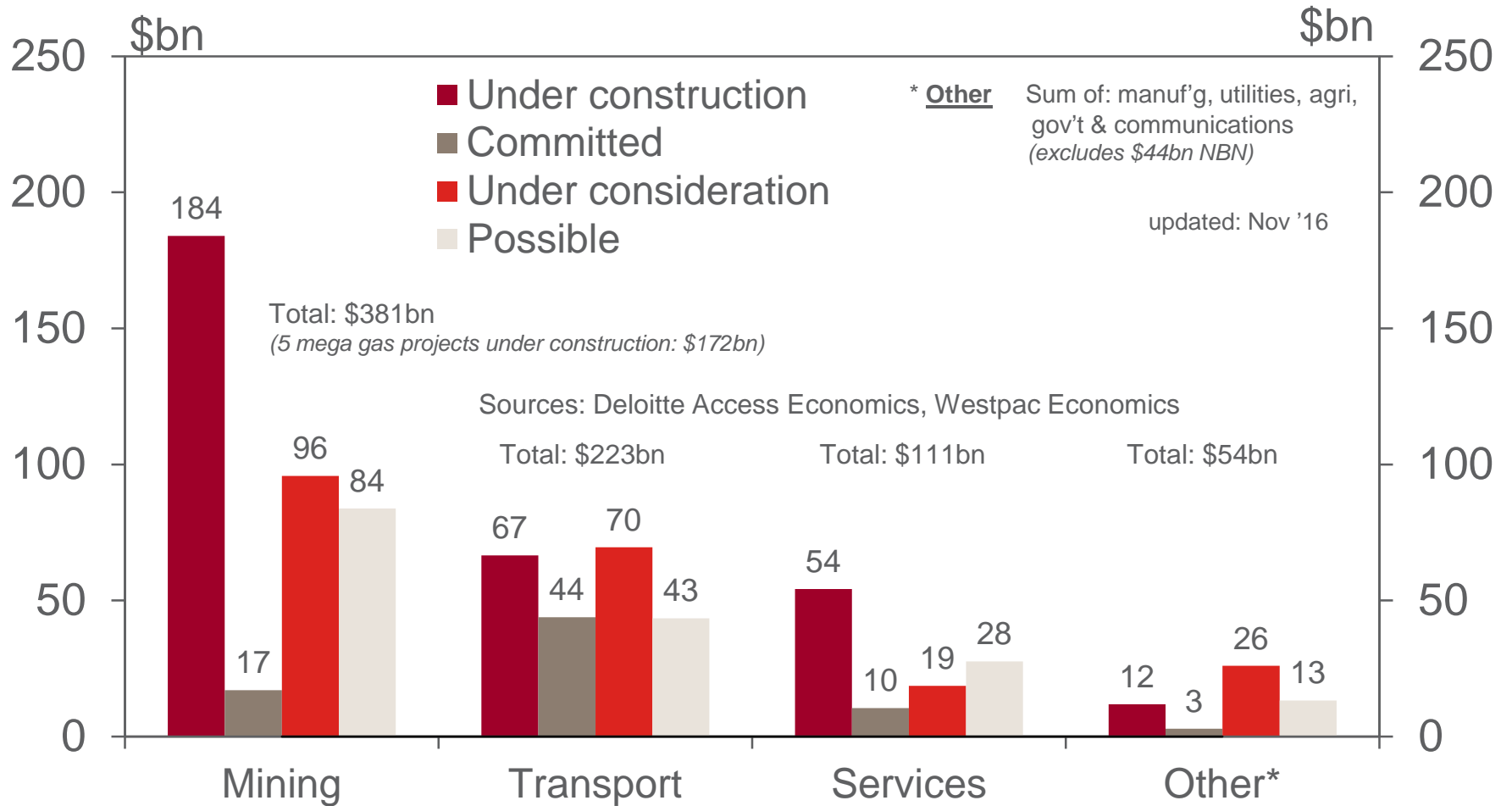
The investment project pipeline*



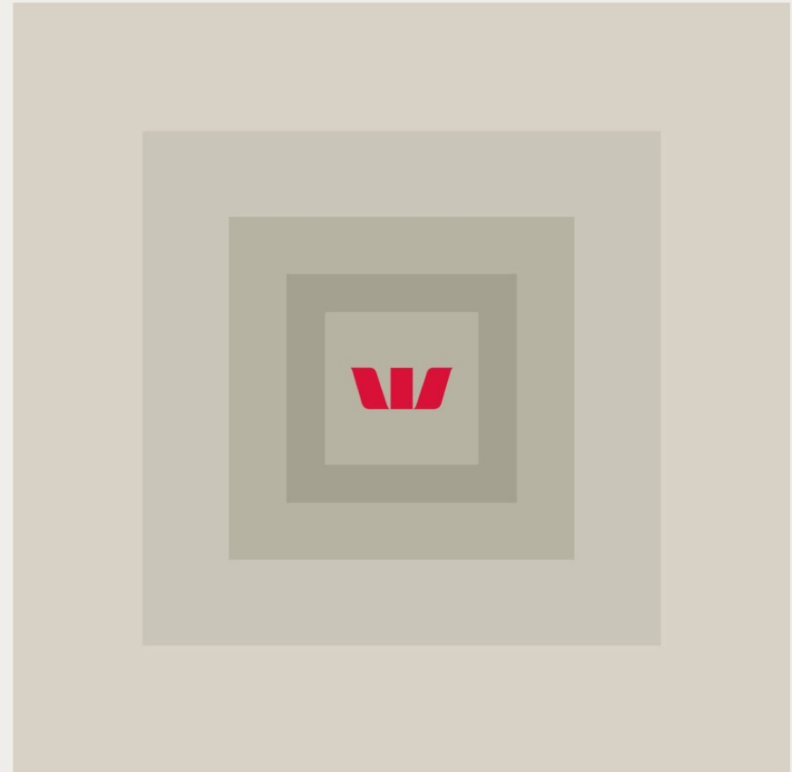
Investment project pipeline: mix



Investment projects: by industry



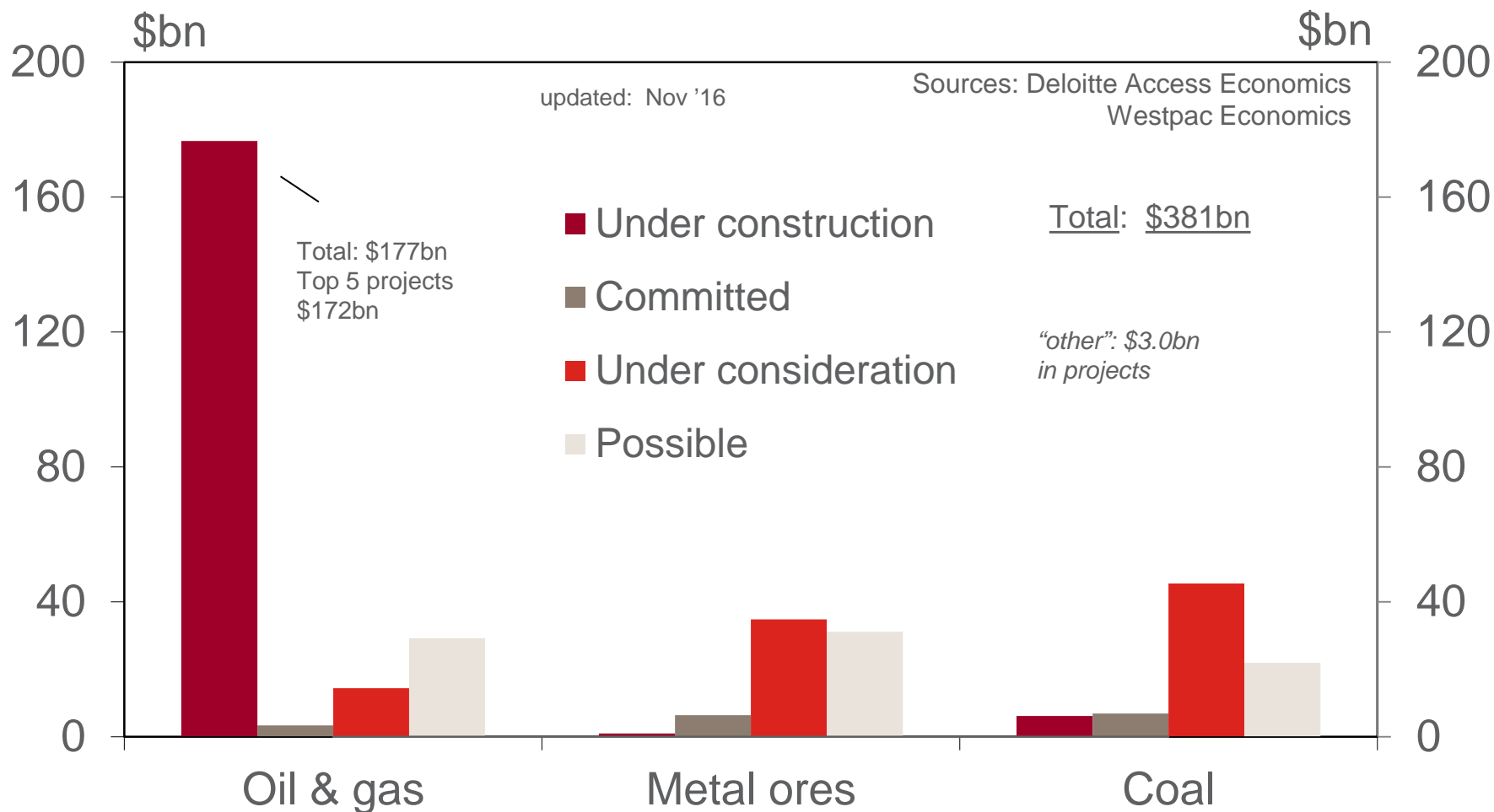
2. Mining
investment pipeline:
end of downturn in
sight



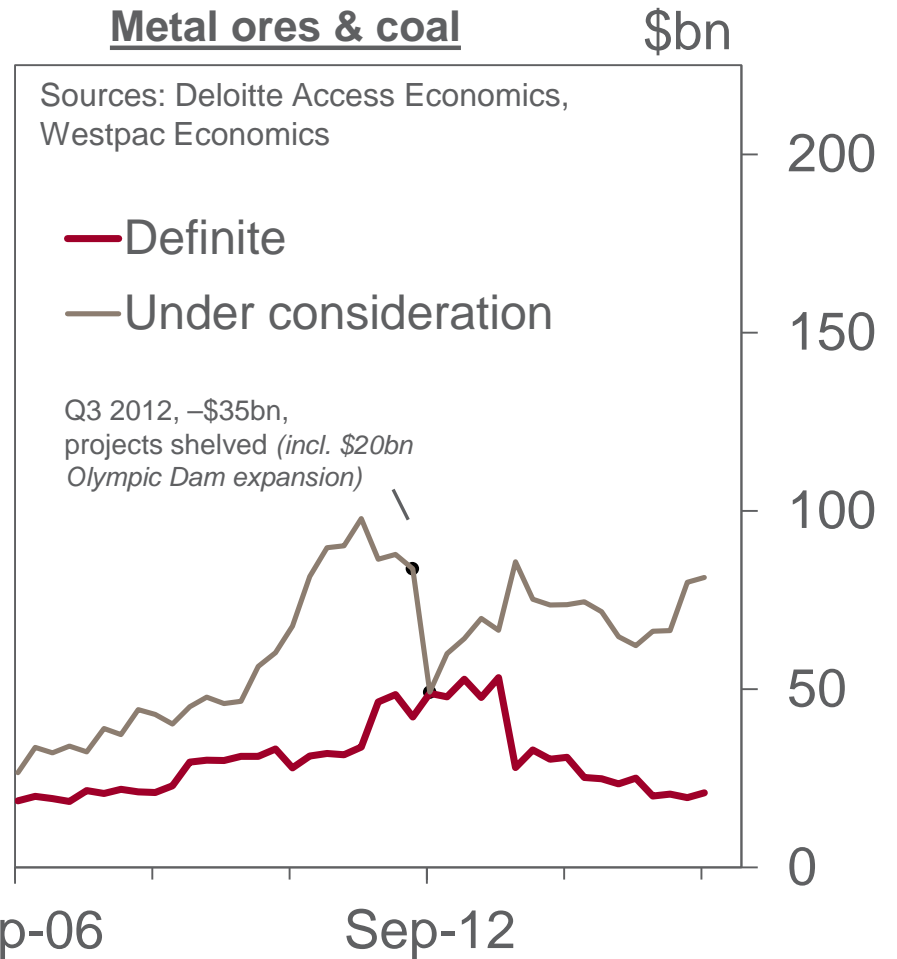
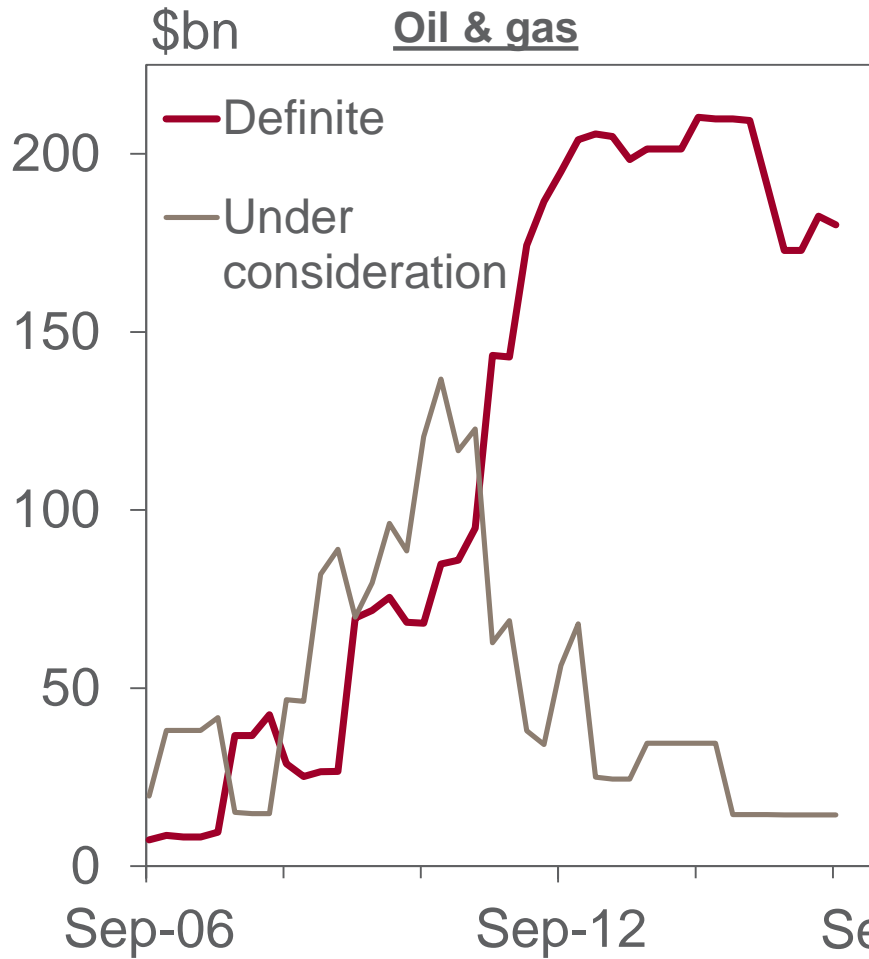
Mining project pipeline

- The mining project pipeline, which continues to trend lower, will fall sharply over the next 18 months as work is completed on 5 mega gas projects.
- Mining projects are currently valued at \$380.6bn. That is \$14.2bn below a year ago and well below the end 2012 peak of \$480bn.
- Mining projects currently under construction or at the committed stage are valued at \$201bn. This is dominated by 5 mega gas projects, together worth \$172bn, all of which are due to be completed by the end of 2017 (with potential slippage into 2018).
- Near-term prospects for mining projects to progress from the planning stage to the definite stage generally remains dim.
- Global commodity prices have rebounded in 2016, including a spike in coking coal prices. However, with temporary supply disruptions a key factor, the current higher prices are unlikely to be sustained.

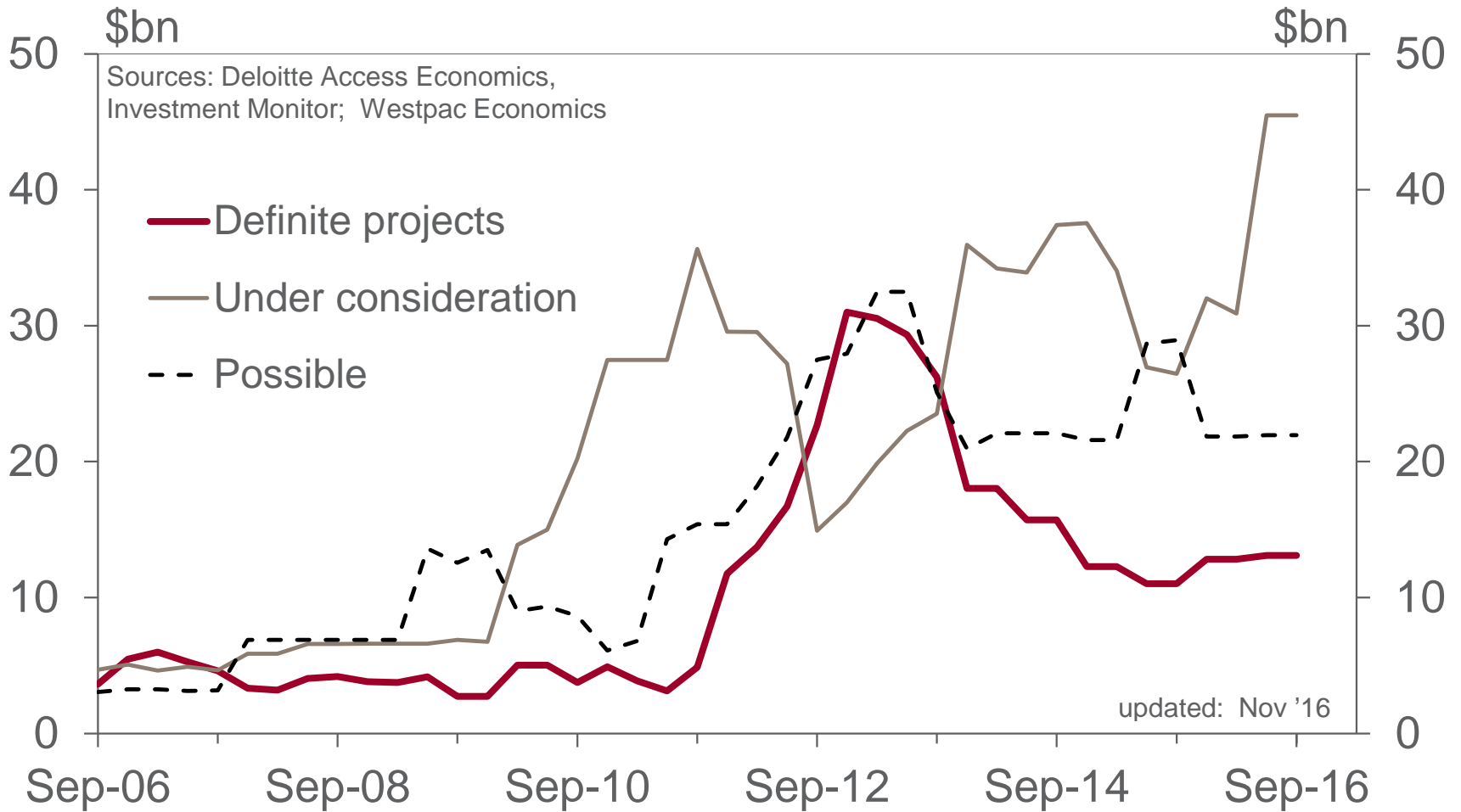
Mining project pipeline: detail



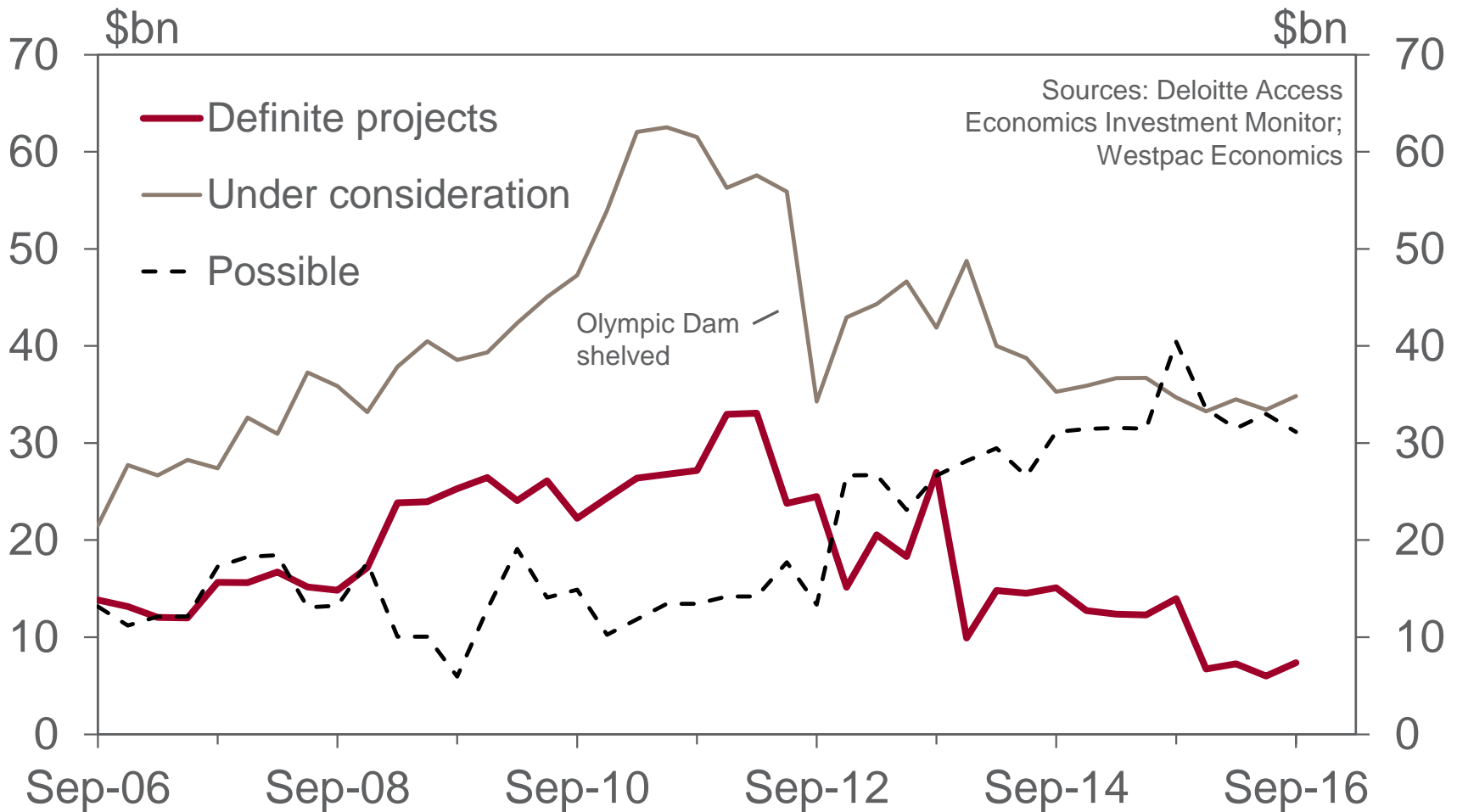
Mining project pipeline



Coal projects



Metal ore projects



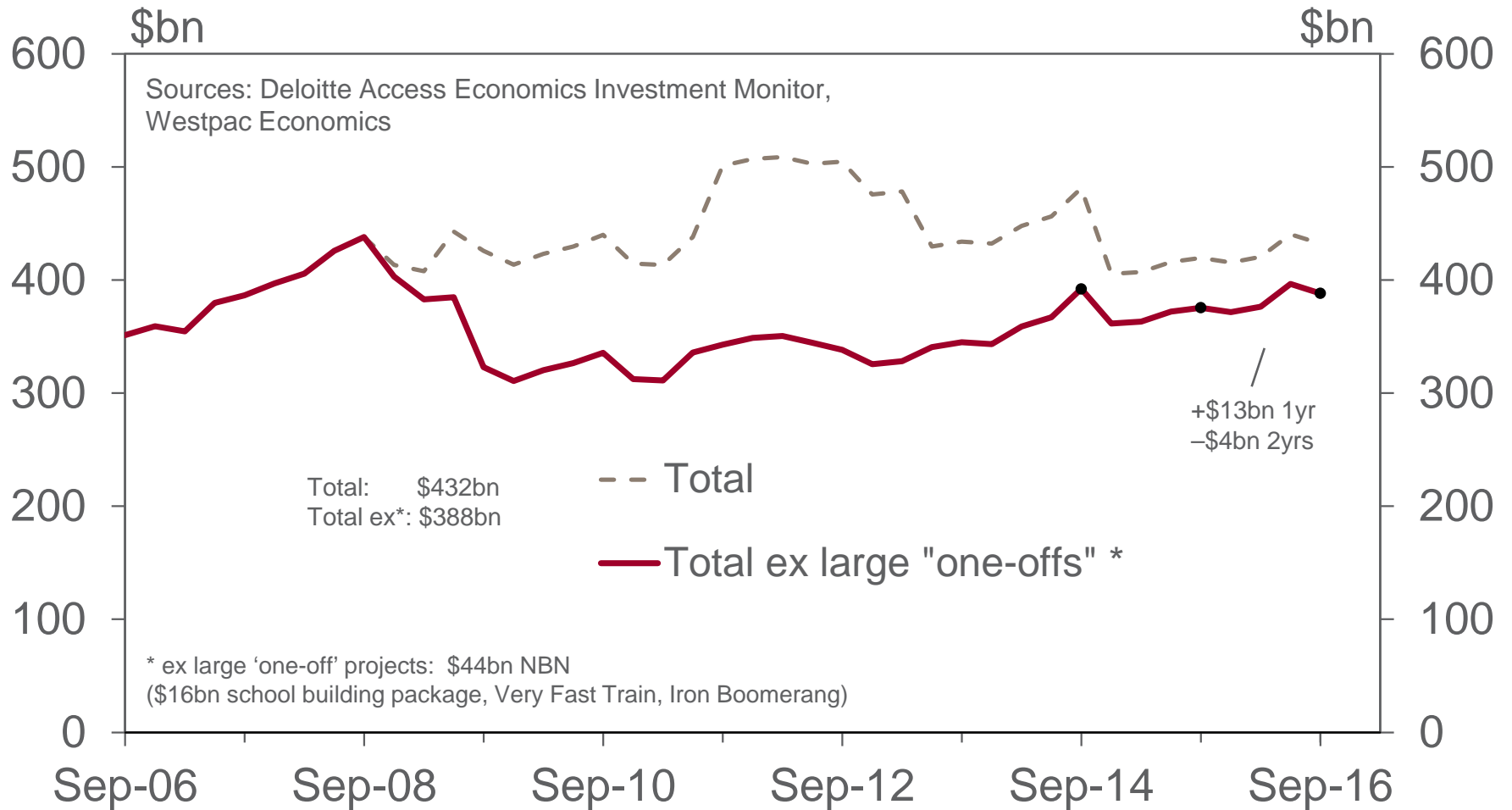
**3. Non-mining
investment pipeline:
*led higher by public
transport***



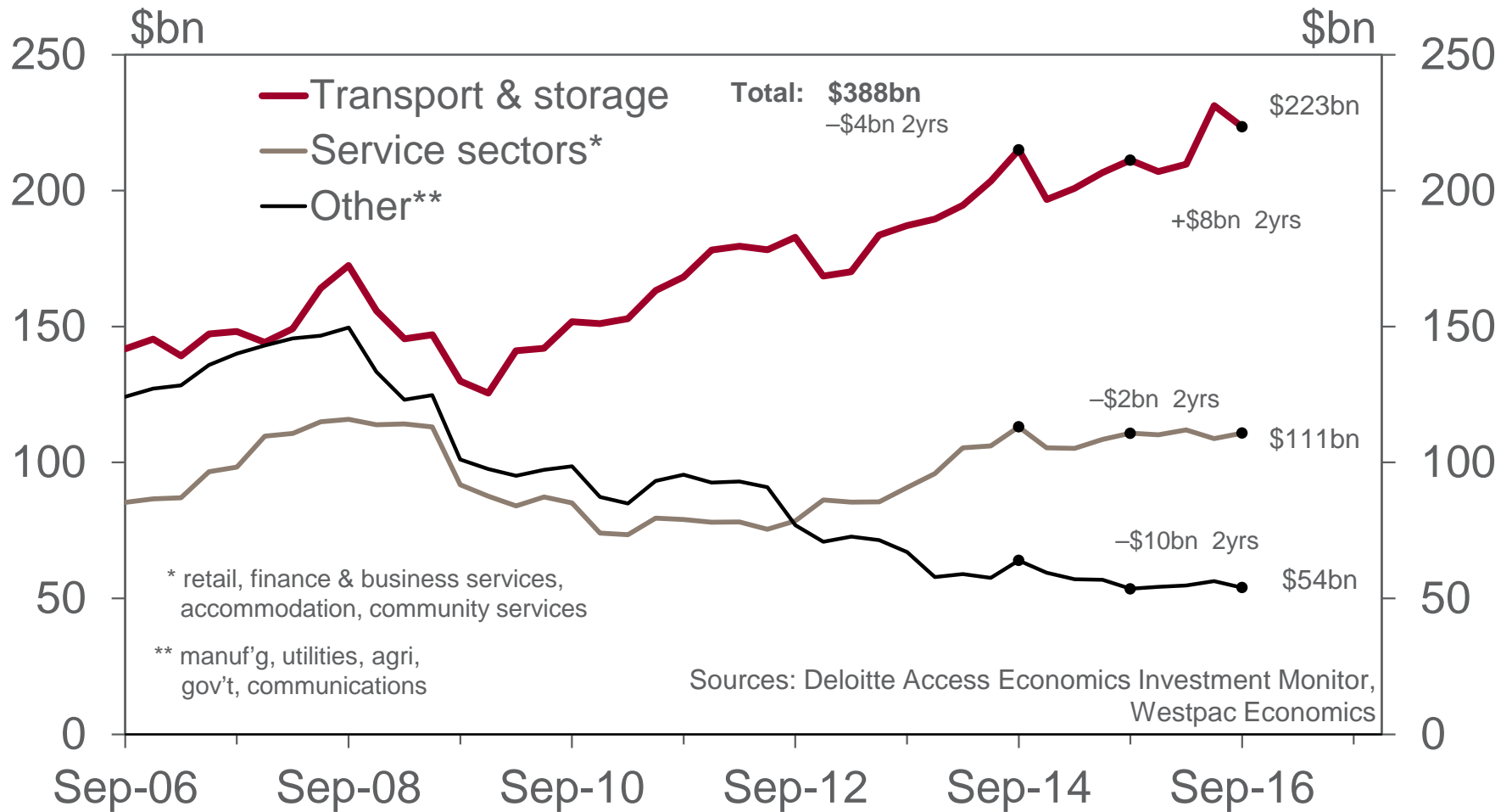
Non-mining: public transport leads the way

- The transport & storage sector has re-emerged as a driver of the investment pipeline as state governments, particularly in NSW and Victoria, commit to new public transport initiatives.
- Total non-mining projects are valued at \$432.2bn. Of that, \$233.8bn are at the definite stage, which is \$4.6bn higher than in June and \$43.5bn above the level of a year ago.
- Definite public transport projects are now valued at \$100bn. This represents a sharp increase on a year ago, up \$45.4bn, including a \$5.3bn rise in June.
- NSW leads the way in public transport projects, with \$37bn worth under construction and a further \$18.5bn at the committed stage.
- Victoria has \$22.1bn in definite public transport projects, although \$13.3bn of these are at the committed stage (the \$11bn Metro project starts in 2018).
- For services (*retail, finance & business services, accommodation, community services*) the definite project pipeline is \$64bn, up from a 2010 low of \$39bn but flat over the past two years. Projects at the planning stage total \$46bn, including a number in the tourism sector, which is a potential bright spot.

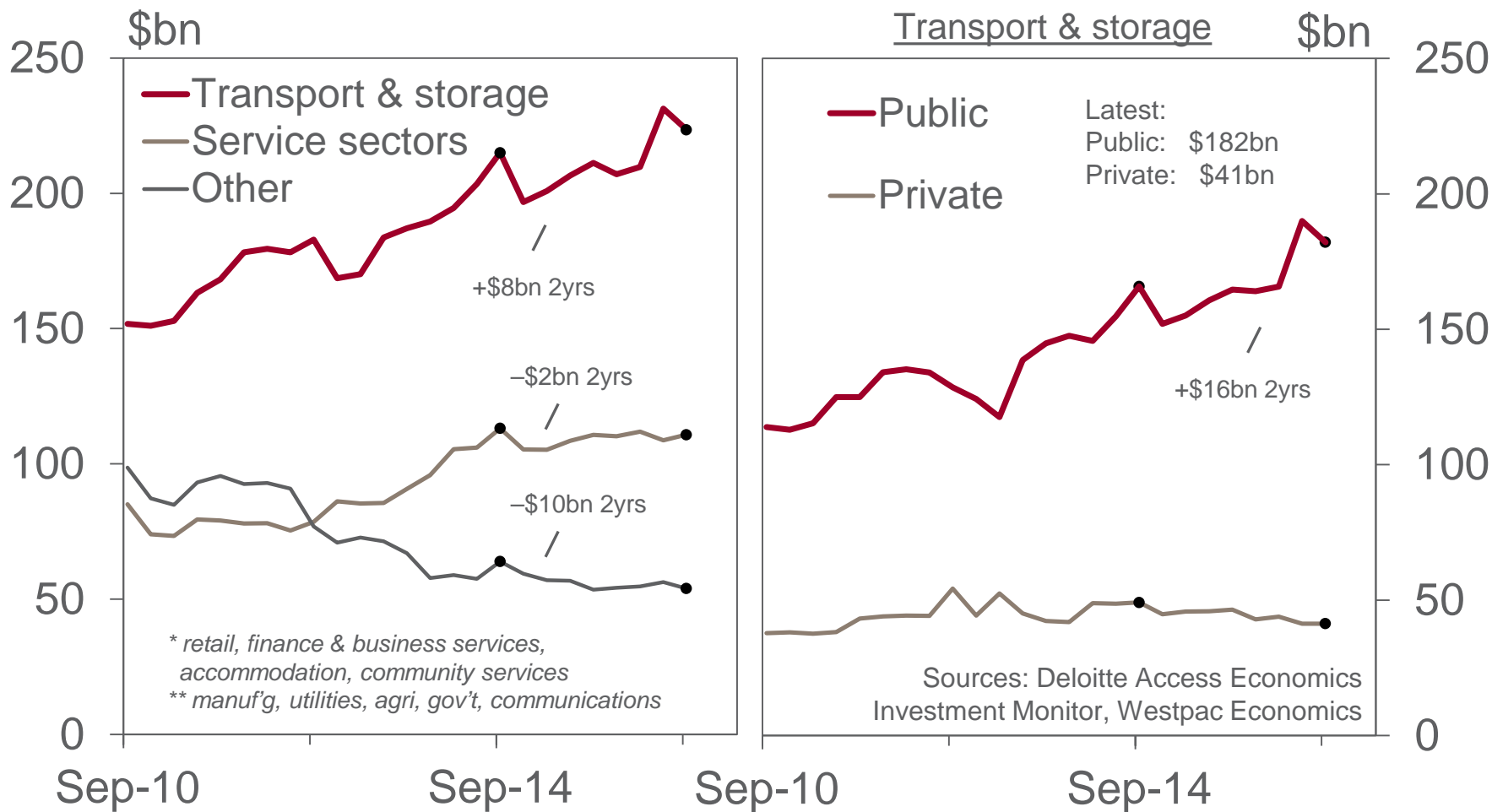
Non-mining project pipeline



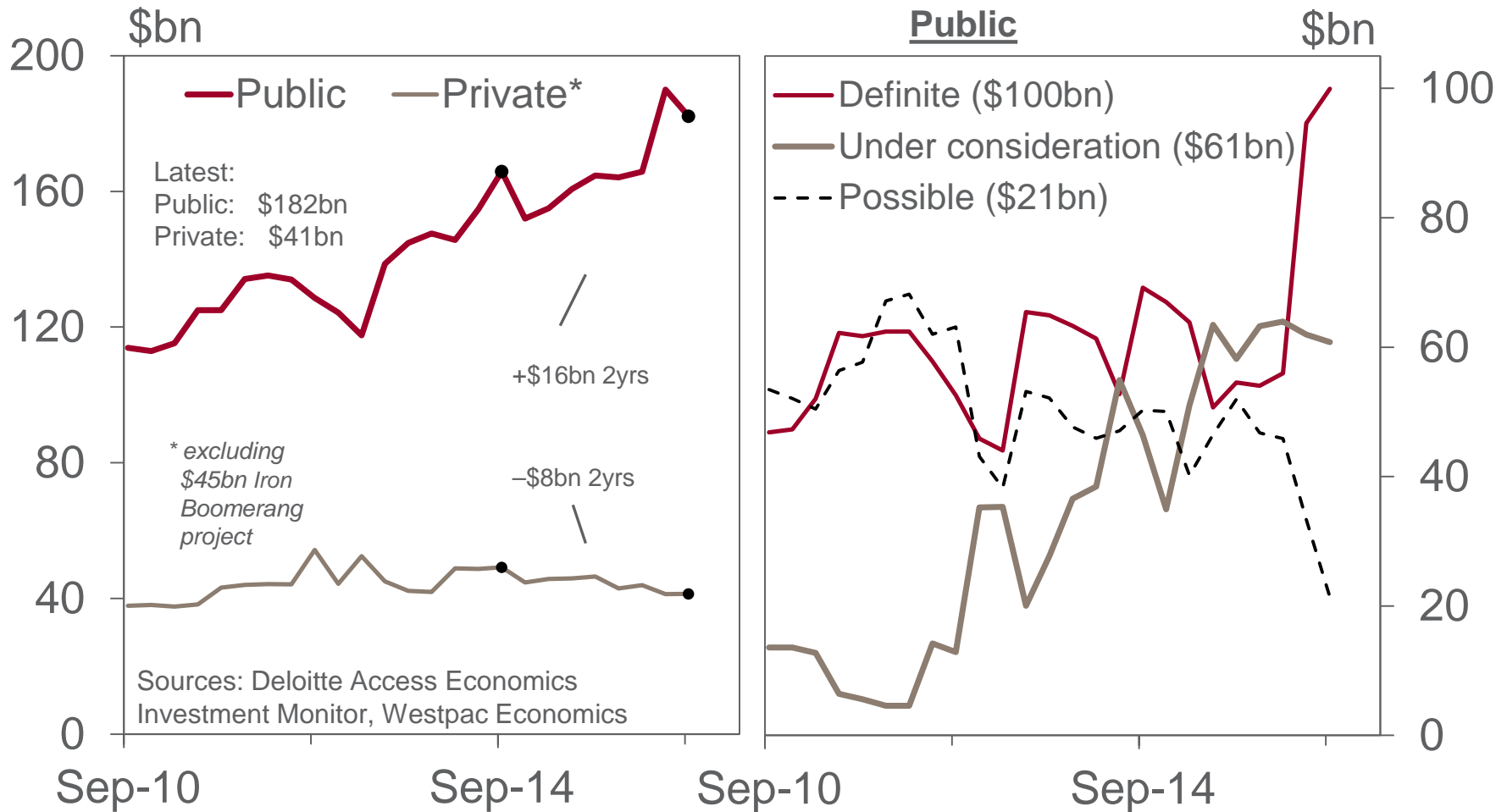
Non-mining project pipeline: by broad industries



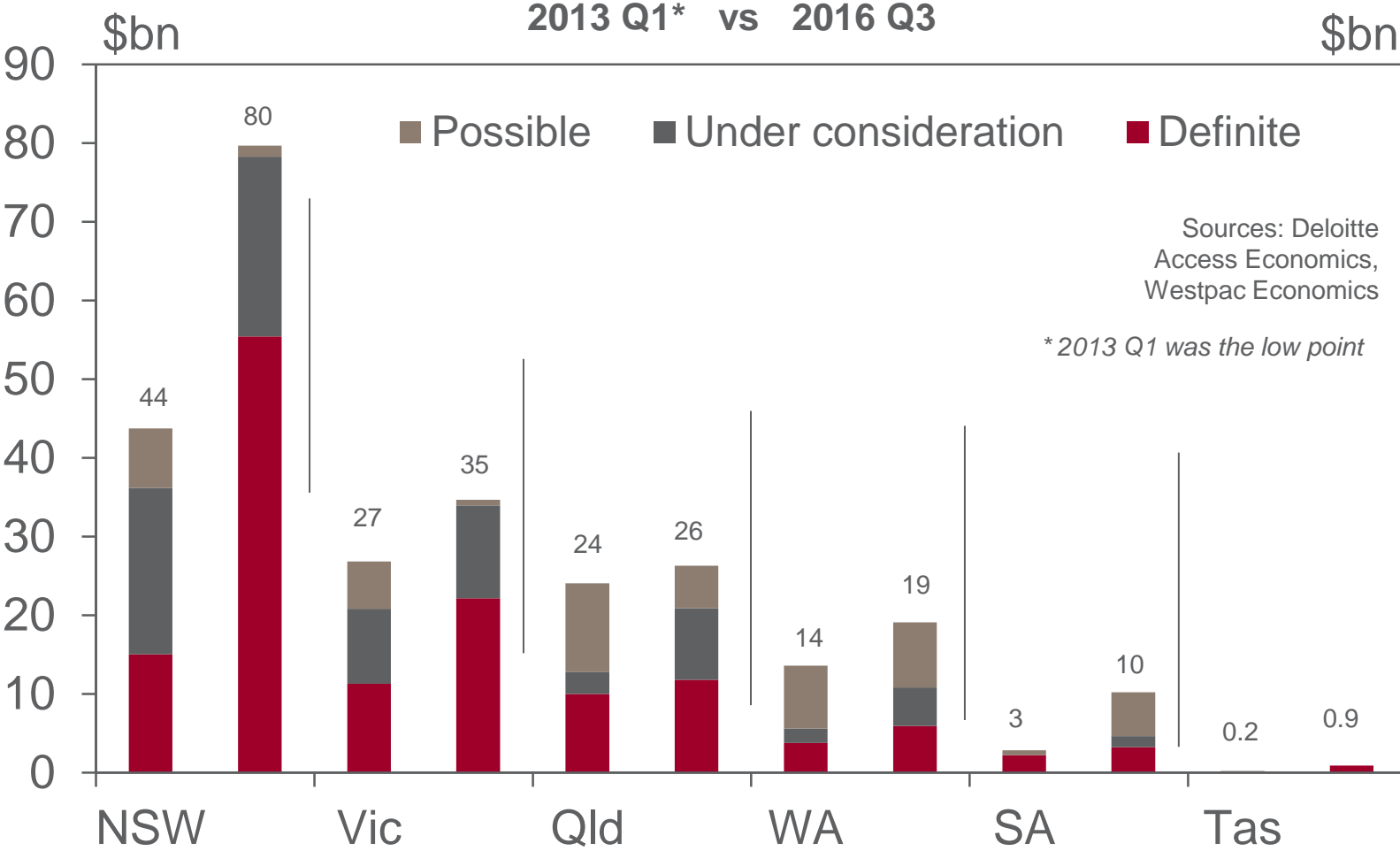
Non-mining project pipeline: detail



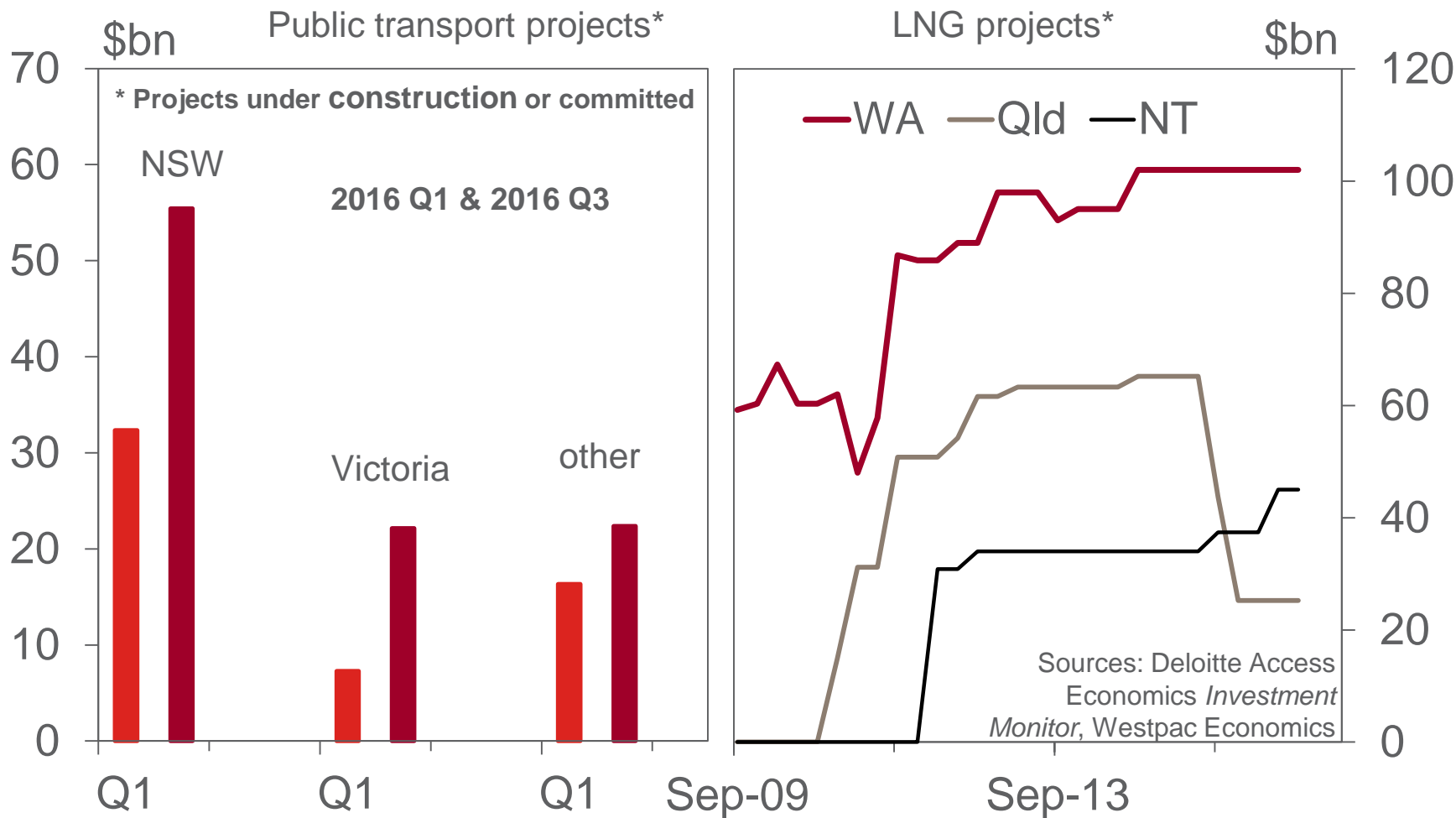
Transport & storage: investment pipeline



Public transport project pipeline: by state



Investment projects*: LNG & public transport

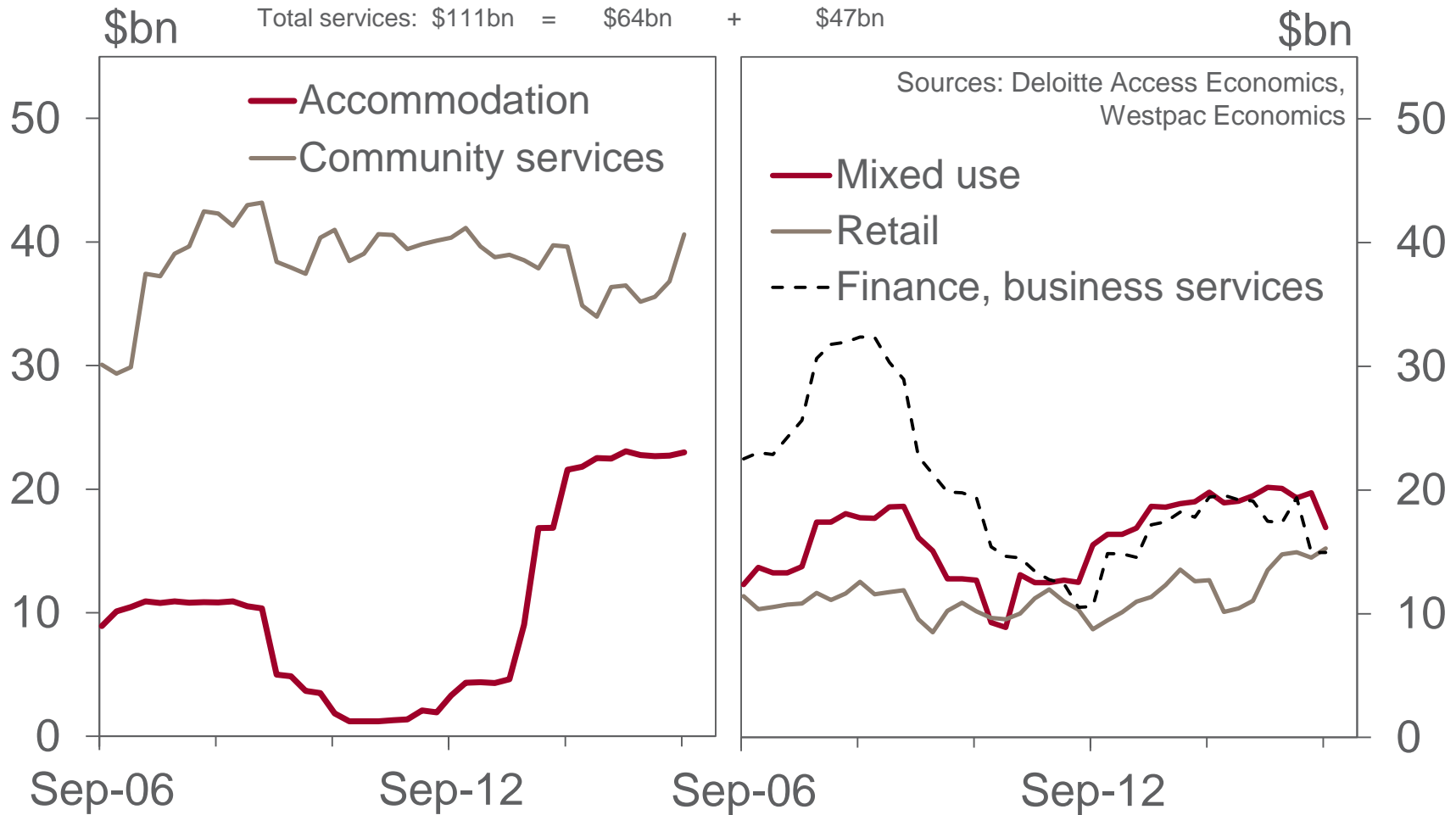


Public transport: 16 major projects (Sep '16)

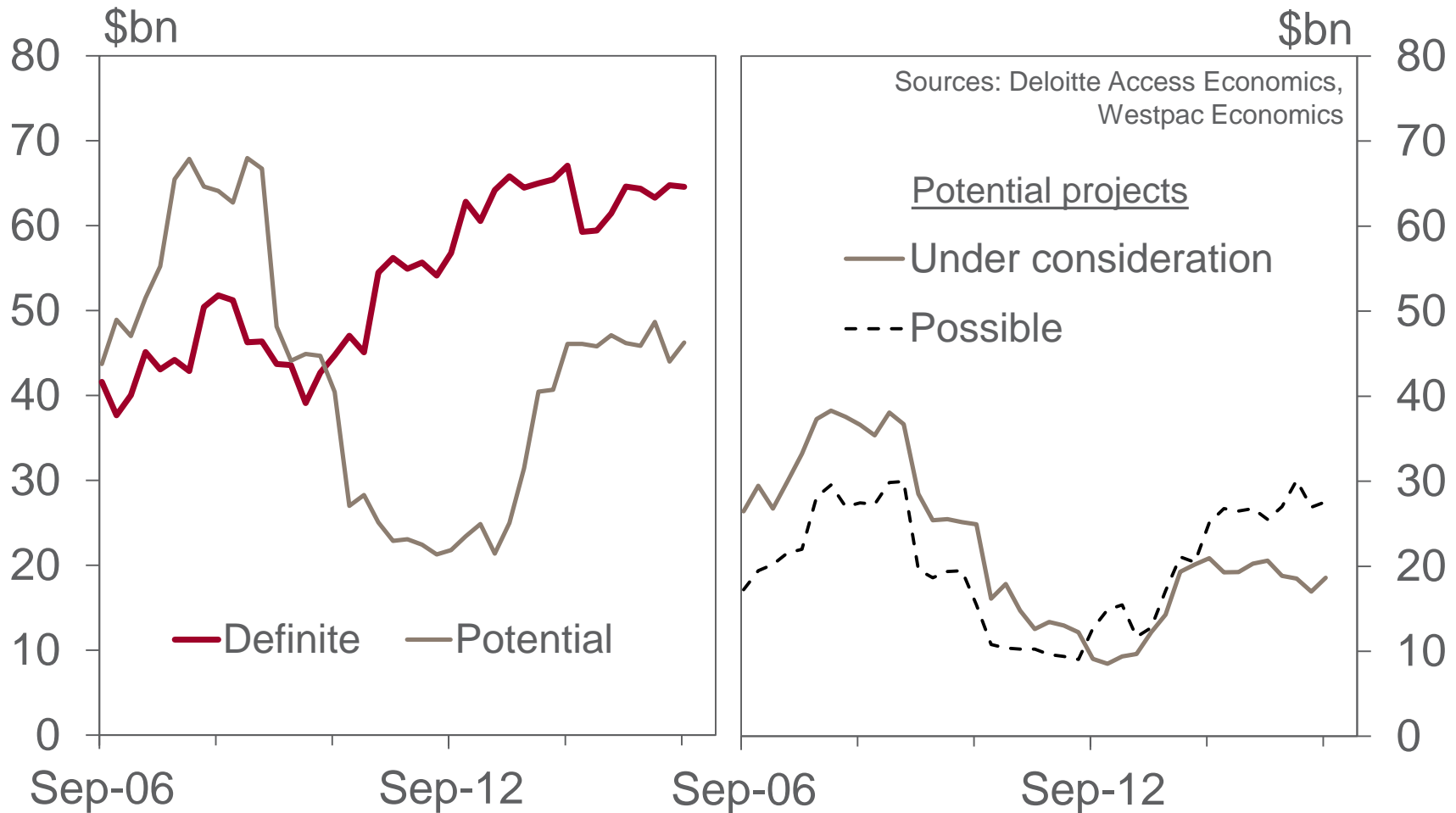
State	Project	Comment	\$bn
NSW	West Connex Sydney, road	Under construction, 2015 Q2 start	16.8
(\$54.9bn)	Sydney Metro Northwest	Under construction, 2014 Q3 start	8.3
	NorthConnex Sydney, road	Under construction, 2015 start	3.0
	Sydney Metro, stage 2	Committed, 2017	12.0
	Pacific Highway upgrade – north coast	Committed, 2017	4.4
	Sydney, rail tunnel under harbour	Under consideration, 2017	10.4
Vic	Melbourne Metro rail project	Committed, 2018	11.0
(\$22bn)	Western distributor, road	Under consideration, 2018	5.5
	North East (missing) Link, road	Under consideration	5.5
Qld	Gateway North upgrade, road	Under construction, 2016	1.2
(\$10.8bn)	Toowoomba bypass	Committed, 2016	1.6
	Brisbane underground train / bus terminal	Under consideration, 2016	5.0
	Abbot Point coal terminal, expansion	Under consideration, 2016	3.0
WA	Airport rail link, Perth	Committed, 2016	2.0
(\$5.8bn)	Perth freight link, road	Under consideration, early 2017	1.9
	Perth light rail	Under consideration, 2017	1.6
Total	<i>* represents 5.5% of annual GDP</i>		94 *

Sources: Deloitte Access Economics, Investment Monitor; Westpac Economics

Services: investment pipeline – by sector



Services: investment pipeline – by stage



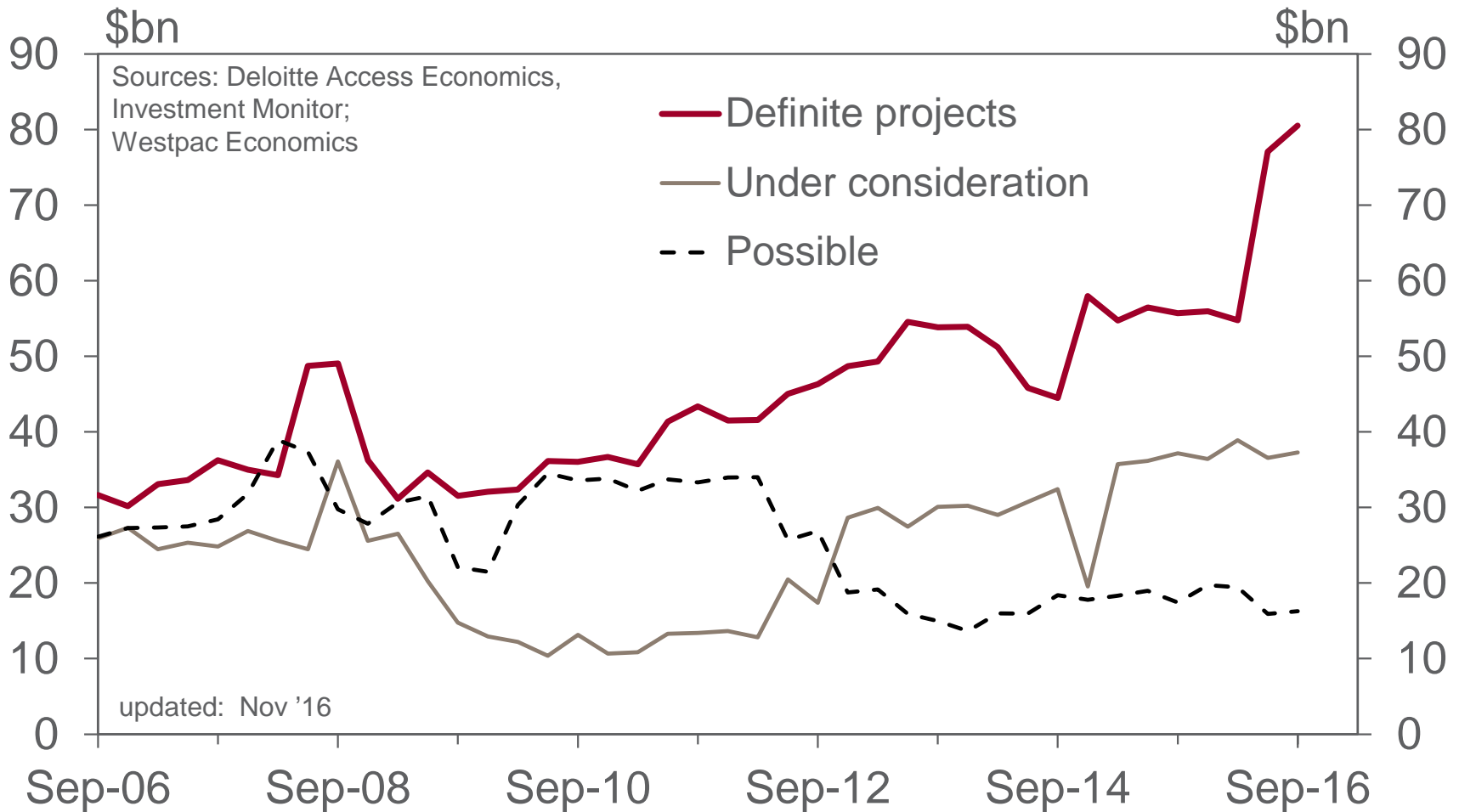
4. State by state: *a stark divide*



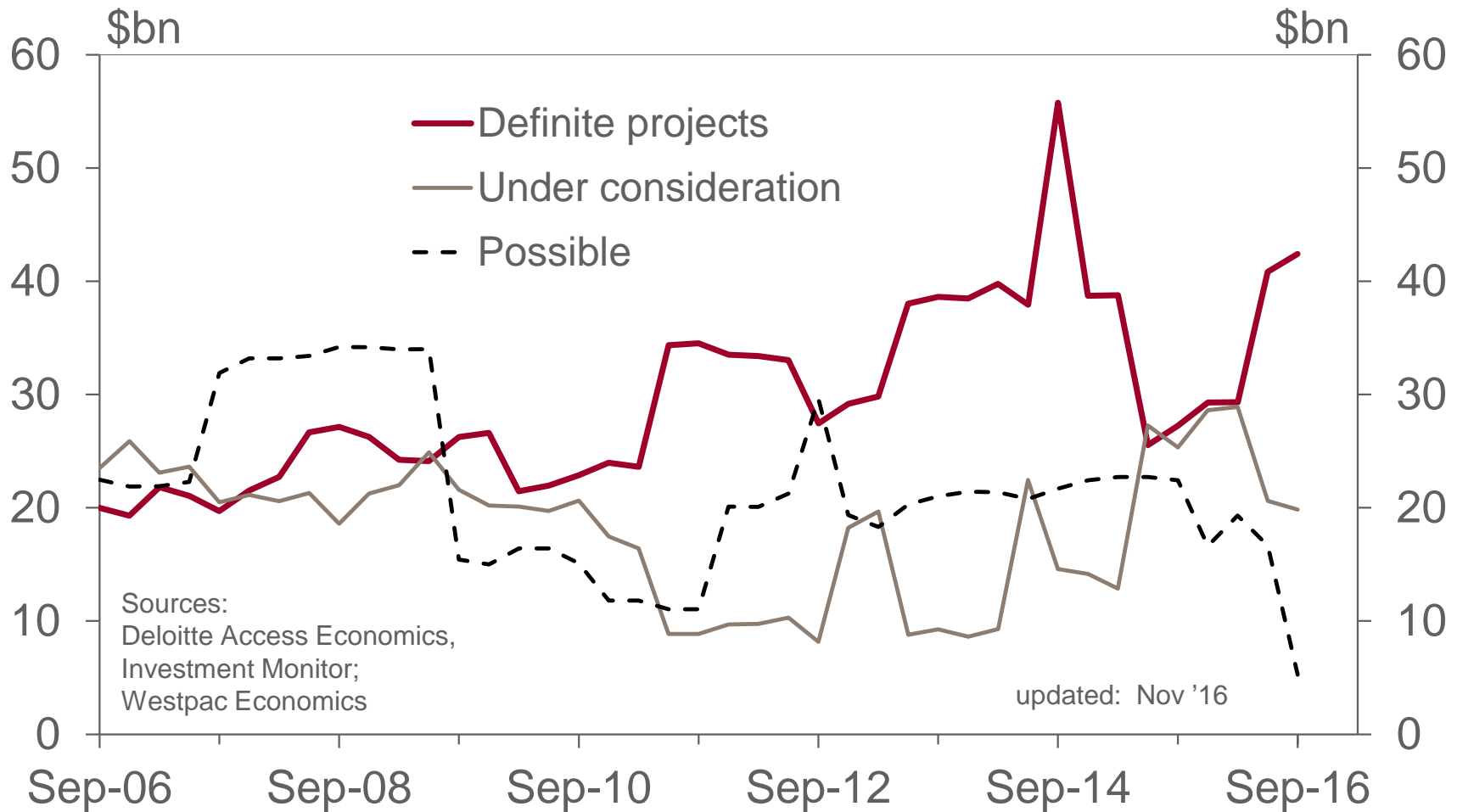
Investment pipeline: state by state

- The investment project pipeline on a state by state basis is heavily influenced by the mining investment downturn (WA, Qld & NT) and by the public transport upswing (NSW & Vic).
- In the mining state of WA, definite projects total \$124bn, a figure that will fall sharply as \$102bn in gas projects are completed by the end of 2017.
- In Qld, definite projects are at \$70bn, including the \$25bn Origin LNG project, due to be completed by late 2016. Key will be whether tourism projects, still at the planning stage, eventually proceed.
- In NSW, the pipeline of definite projects has climbed to \$81bn, up from \$56bn a year ago, with the prospect of additional transport projects to progress from the planning stage.
- In Victoria, projects under construction is relatively stable at \$27bn, although the projects at the committed stage now stands at \$15bn.
- In South Australia, the value of definite projects has risen to \$13bn, up from \$8bn a year ago, boosted by public works.

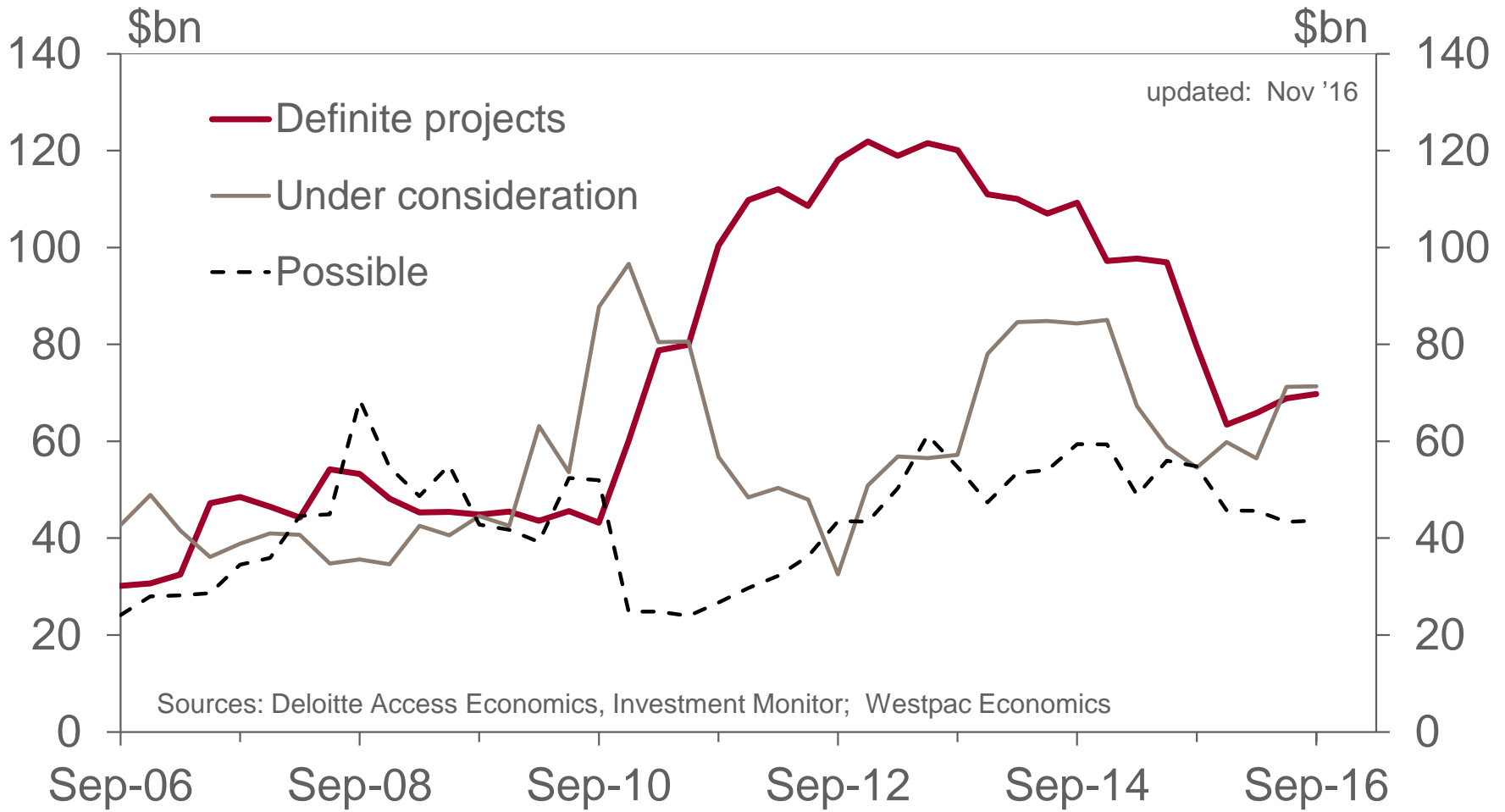
NSW's project pipeline



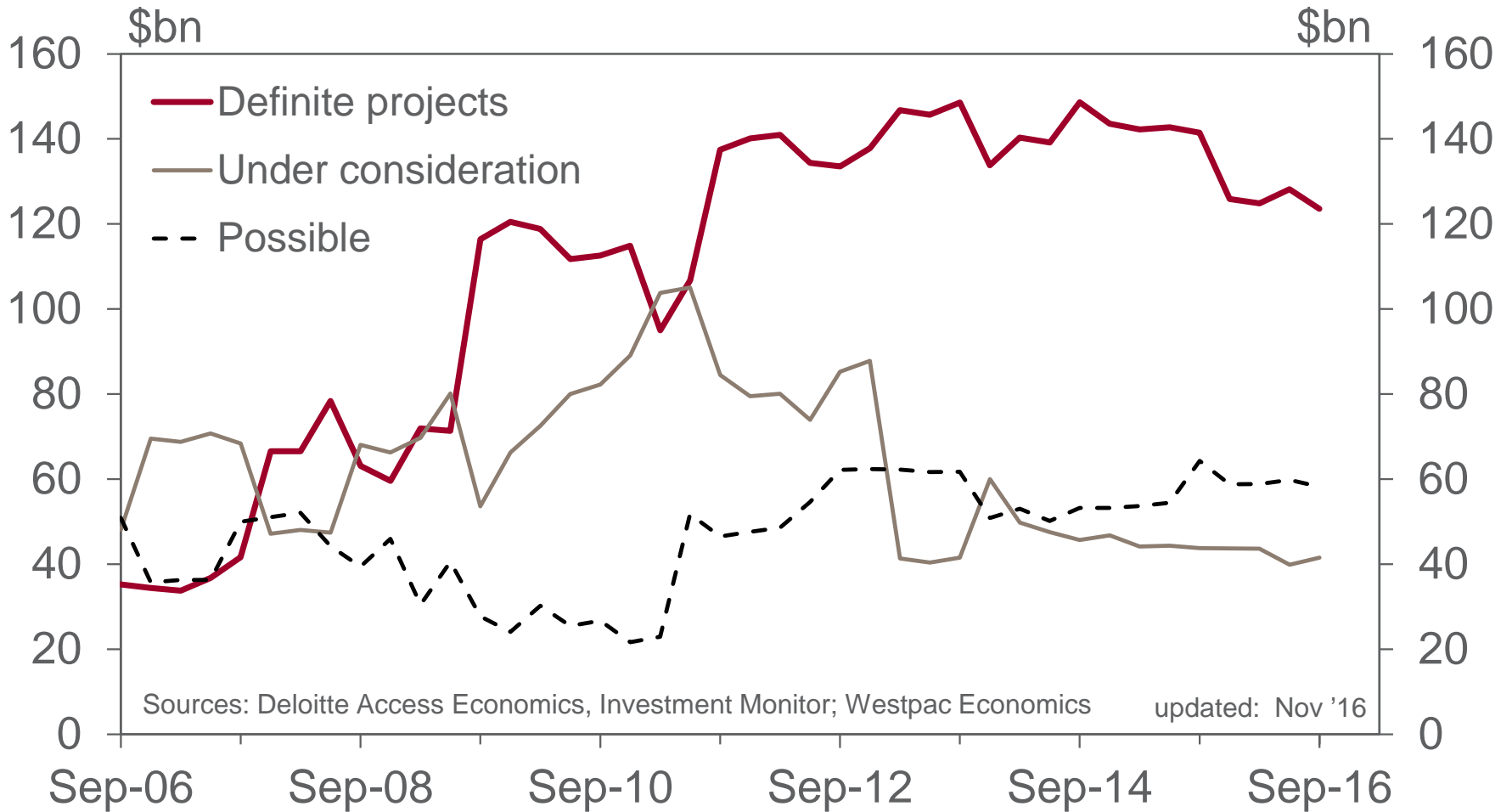
Victoria's project pipeline



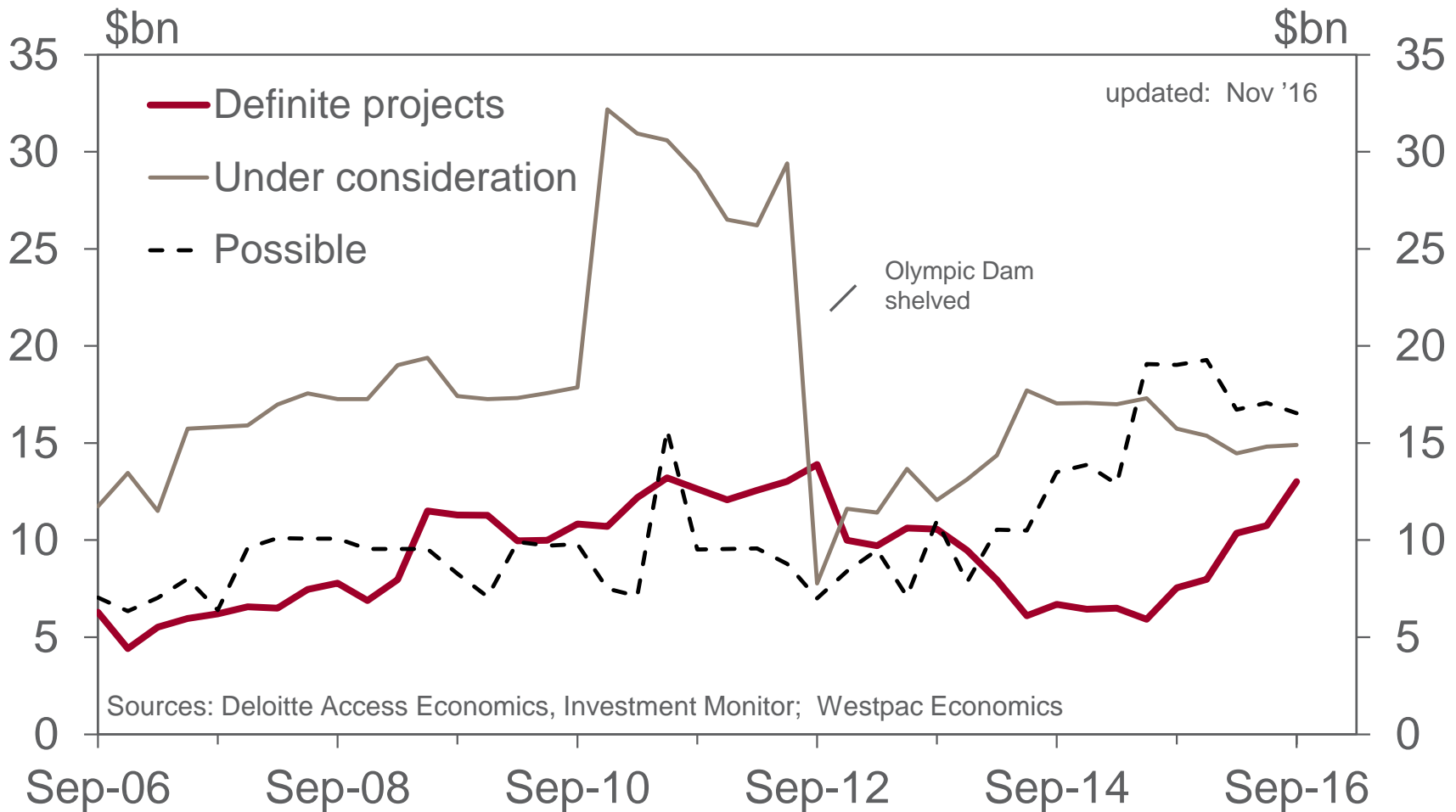
Qld's project pipeline



WA's project pipeline



South Australia's project pipeline



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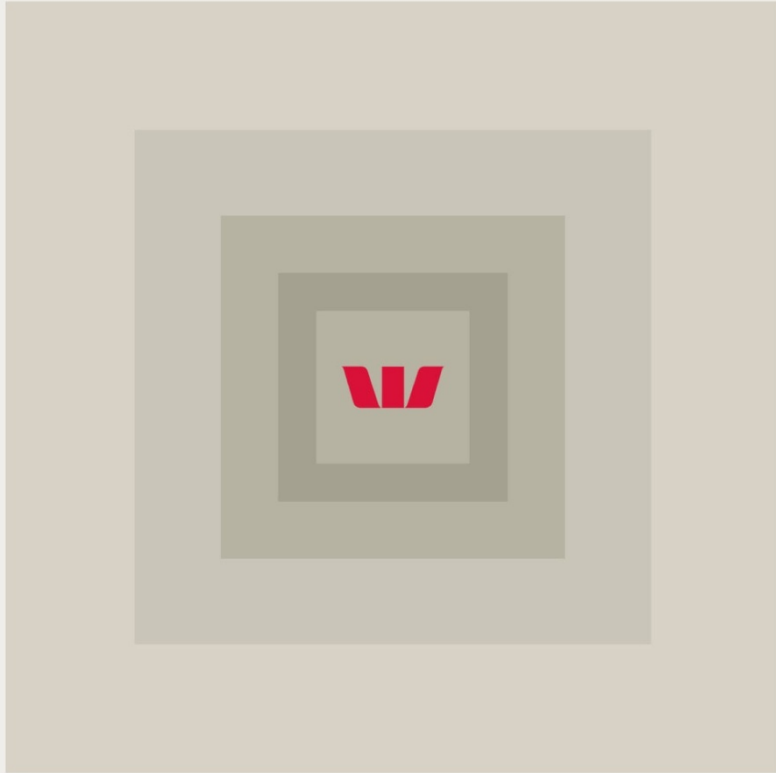
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