

CAIRNS REGIONAL ECONOMY

PRESENTATION TO CAIRNS FORUM 4 BUSINESS GROWTH
BY W S CUMMINGS



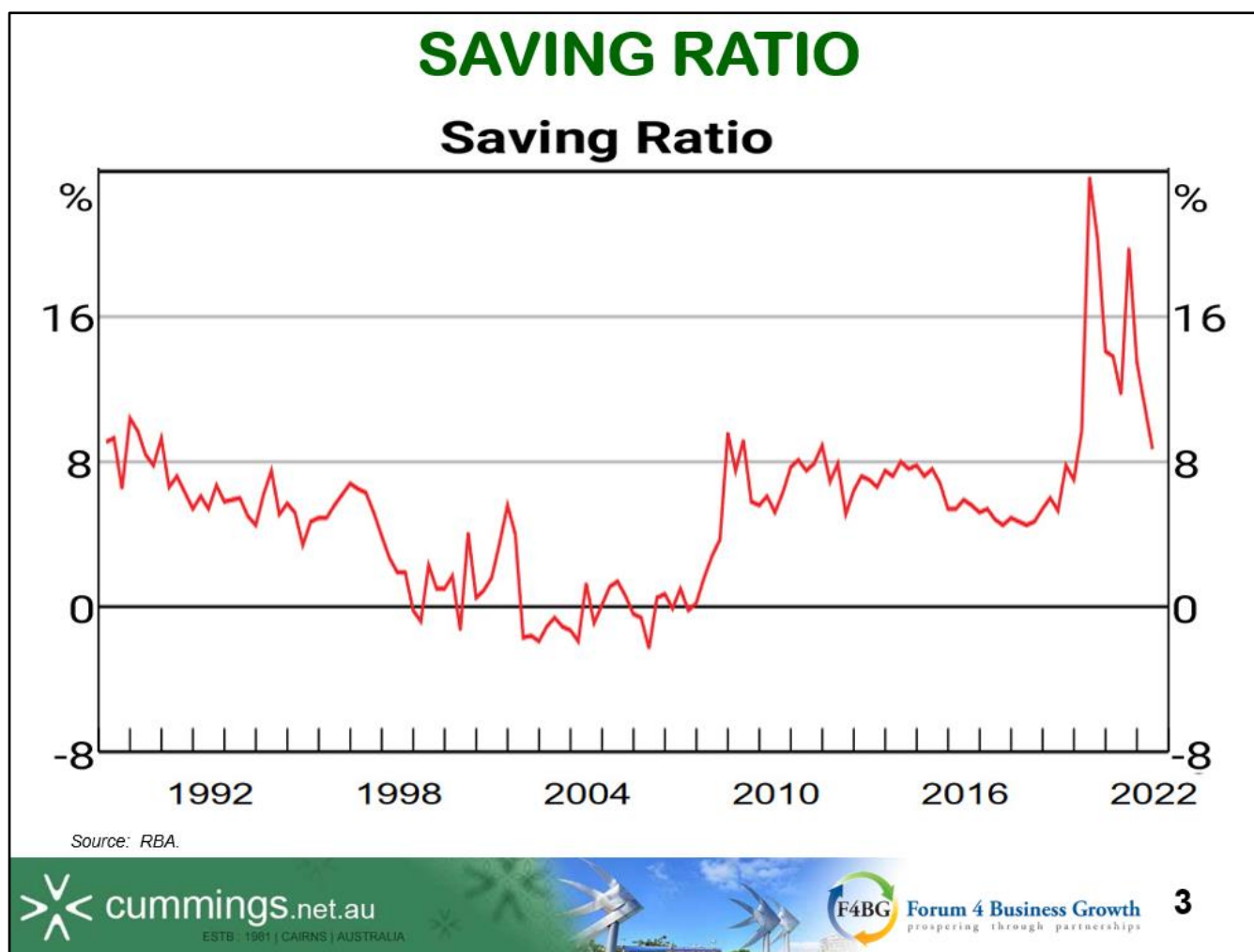
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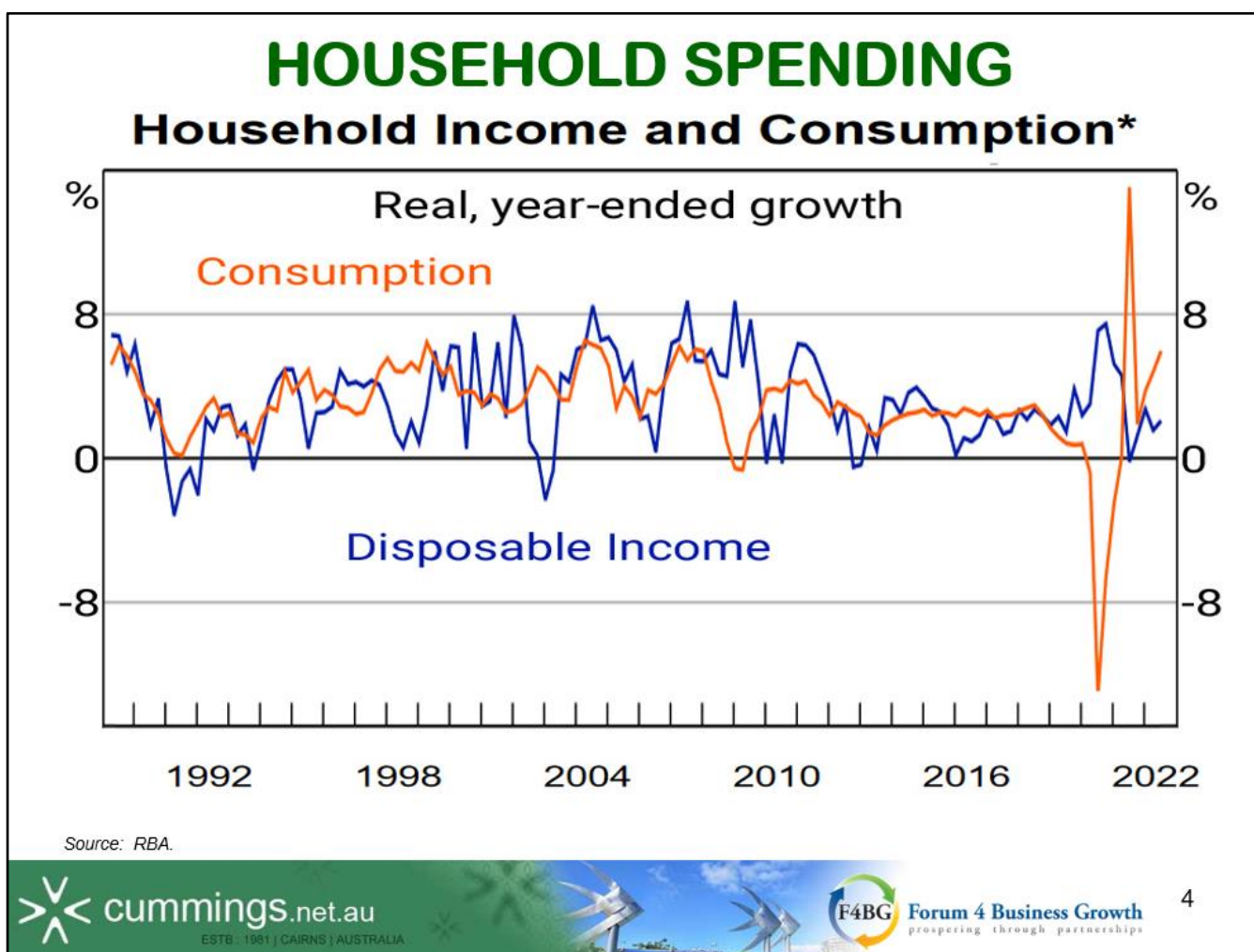
LAST PRESENTATION 2020

- **UNCERTAINTY**
- **GOVERNMENT & RBA
STIMULATION**
- **OVER STIMULATION**
- **CONSEQUENCES**

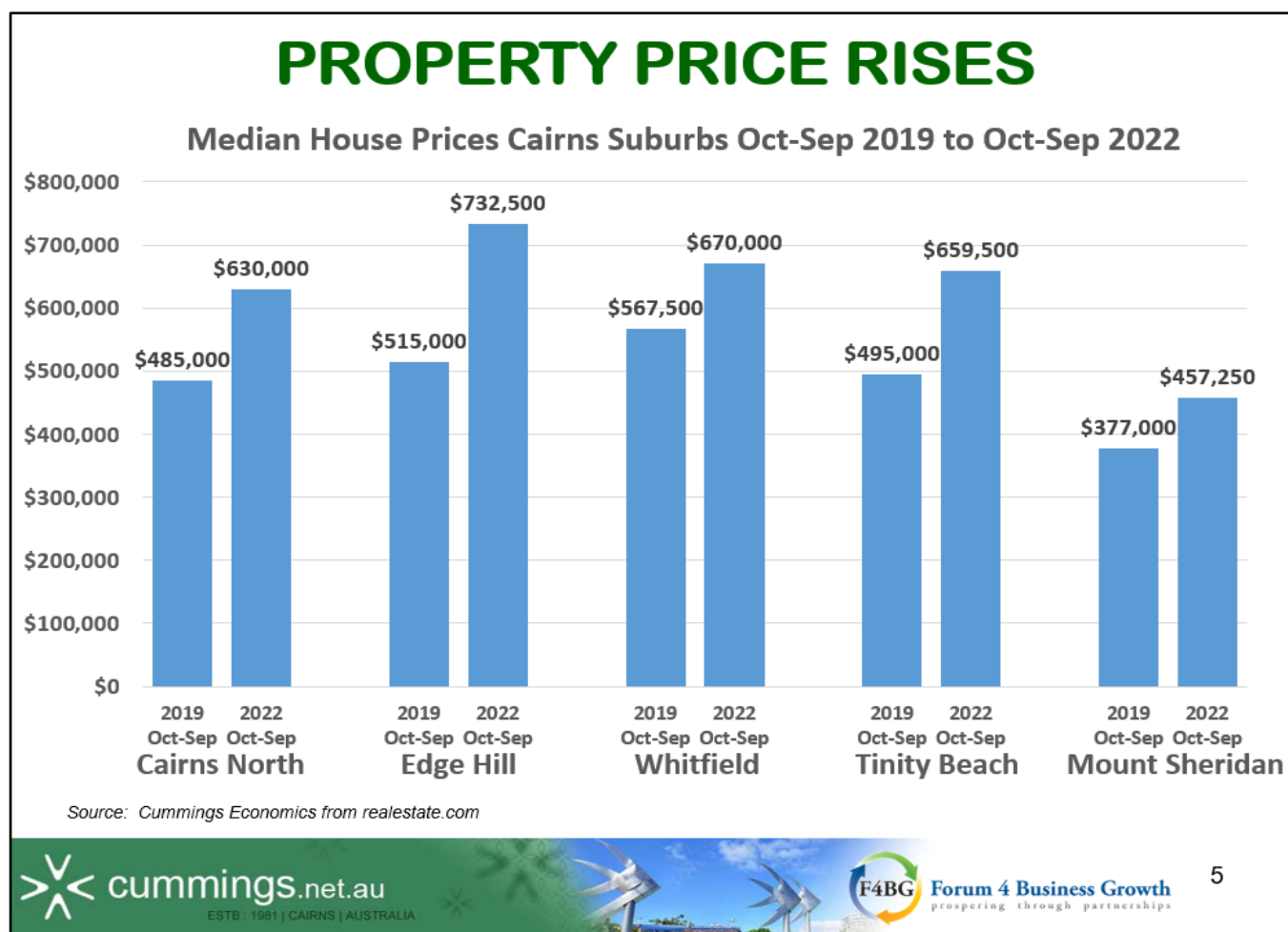
At the time we last presented to this Forum in August 2020, five months into Covid, there was a great deal of uncertainty about the future. However, while some business sectors have taken severe damage, the overall level of activity in the economy came through Covid fairly well - thanks especially to the Federal Government and Reserve Bank's massive stimulatory actions. However, the actions taken have resulted in some important consequences for the current state of this region's economy. In the first place, the Government and Reserve Bank's actions tended to over stimulate the Australian economy.



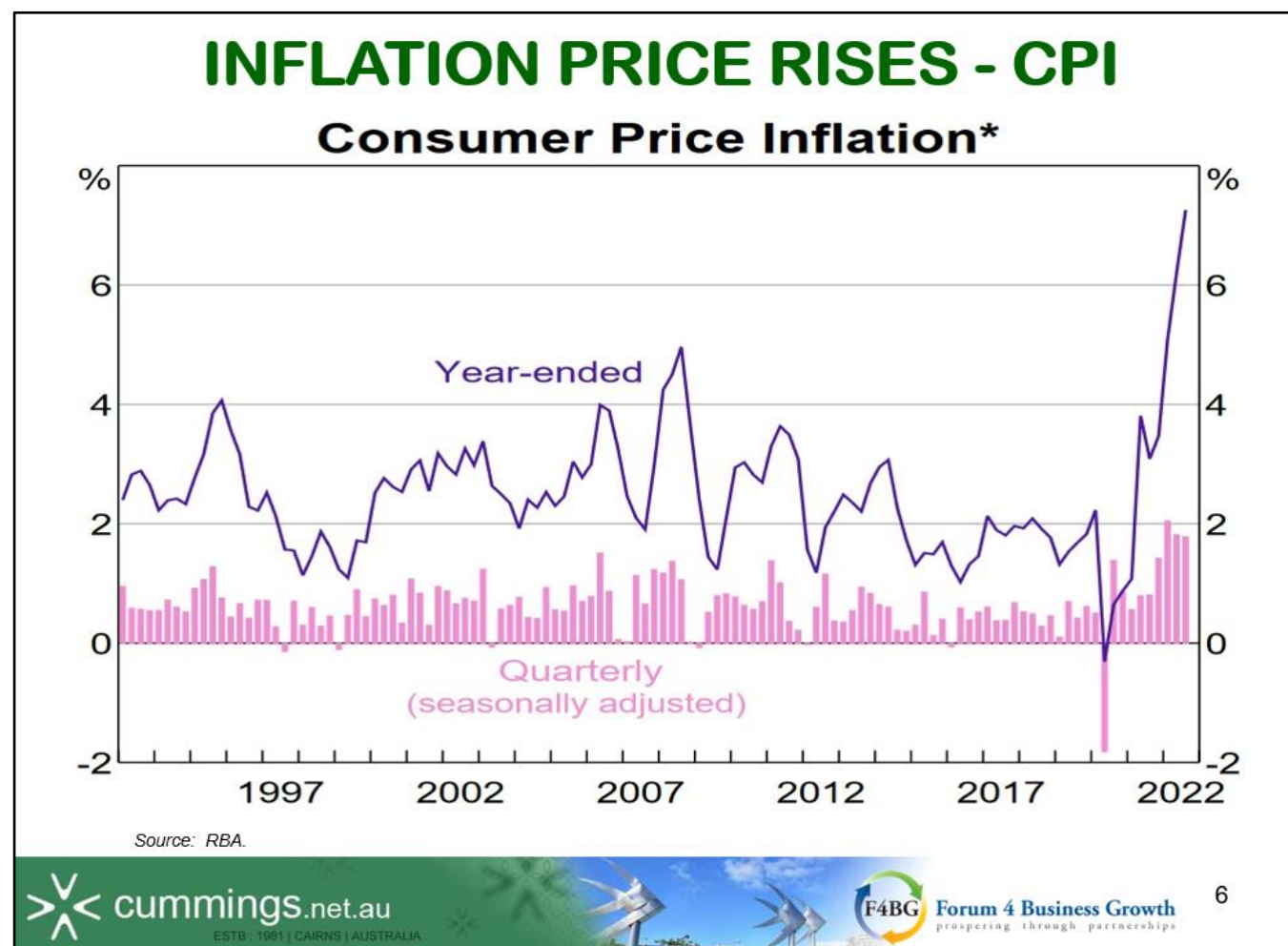
Large amounts of money poured into households, were saved.



As restrictions lifted and the economy returned to normal, households have been cashed up and they came out spending strongly in the aftermath.



Adding to this, the Reserve Bank's extremely low interest rates saw property prices boom, increasing the wealth of households and their willingness to spend.

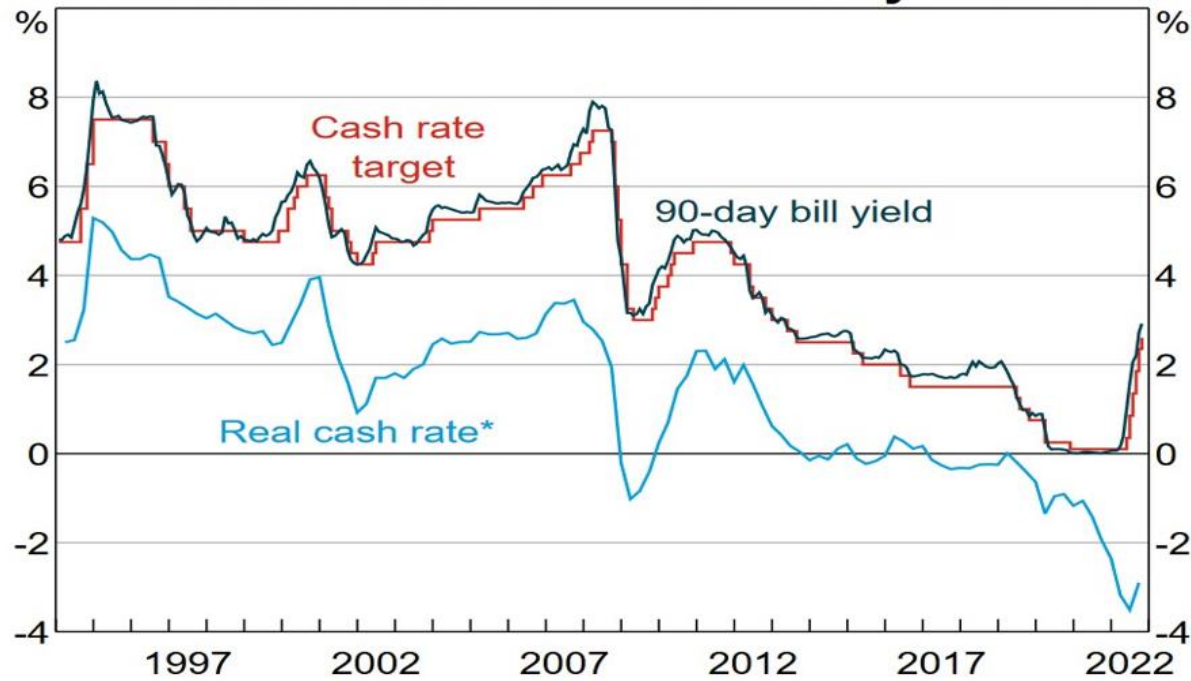


The underlying inflation pressures generated have been made worse by:

- the inflation of house prices with a flow-on consequence for rents,
- the stimulus to the house building sector that resulted in inflation in building materials,
- some continuing effects of Covid restrictions on supply chains and productivity, and
- the impacts of the Ukraine/ Russian war on grain, fertilisers and energy prices.

INTEREST RATES

Australian Cash Rate and 90-day Bill Yield



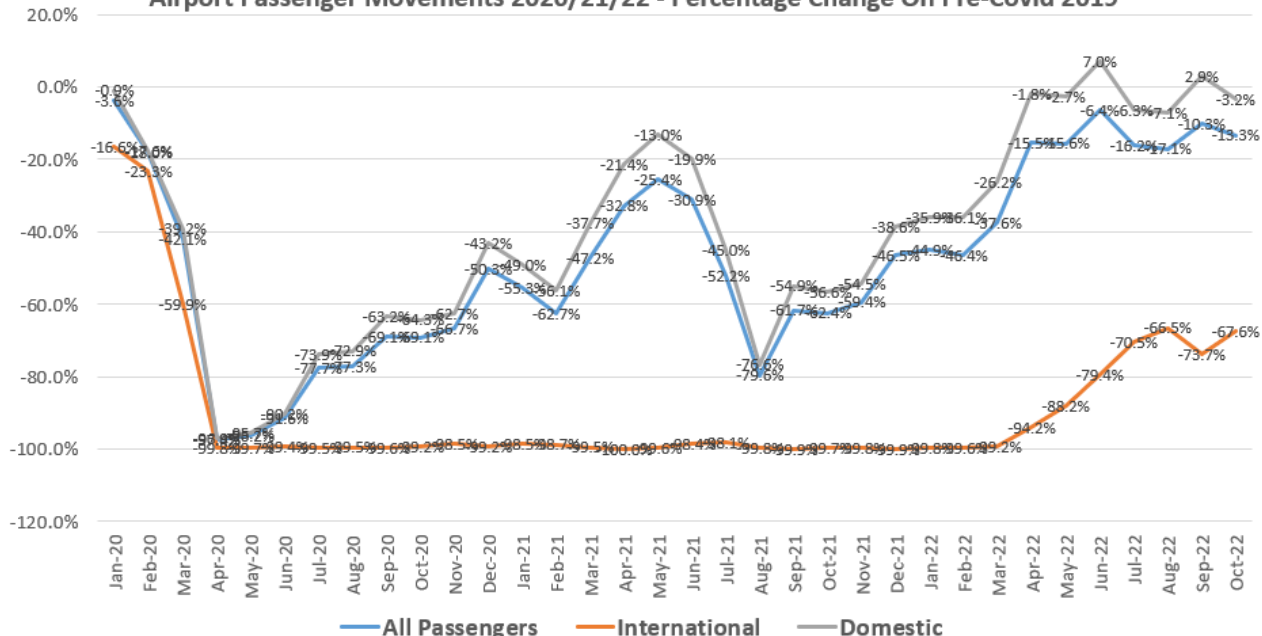
Source: RBA.

Clearly the situation has required fiscal and monetary action to dampen the economy. However, with governments failing to take strong fiscal action, the burden has been falling on monetary authorities to sharply raise interest rates. In Australia, despite a windfall stimulus to the Australian Government's budget of higher grain and energy prices, the Federal Government will still run a large deficit this fiscal year. In the Cairns region, these effects have manifested themselves in the following fields.

AIRPORT

CAIRNS AIRPORT

Airport Passenger Movements 2020/21/22 - Percentage Change On Pre-Covid 2019

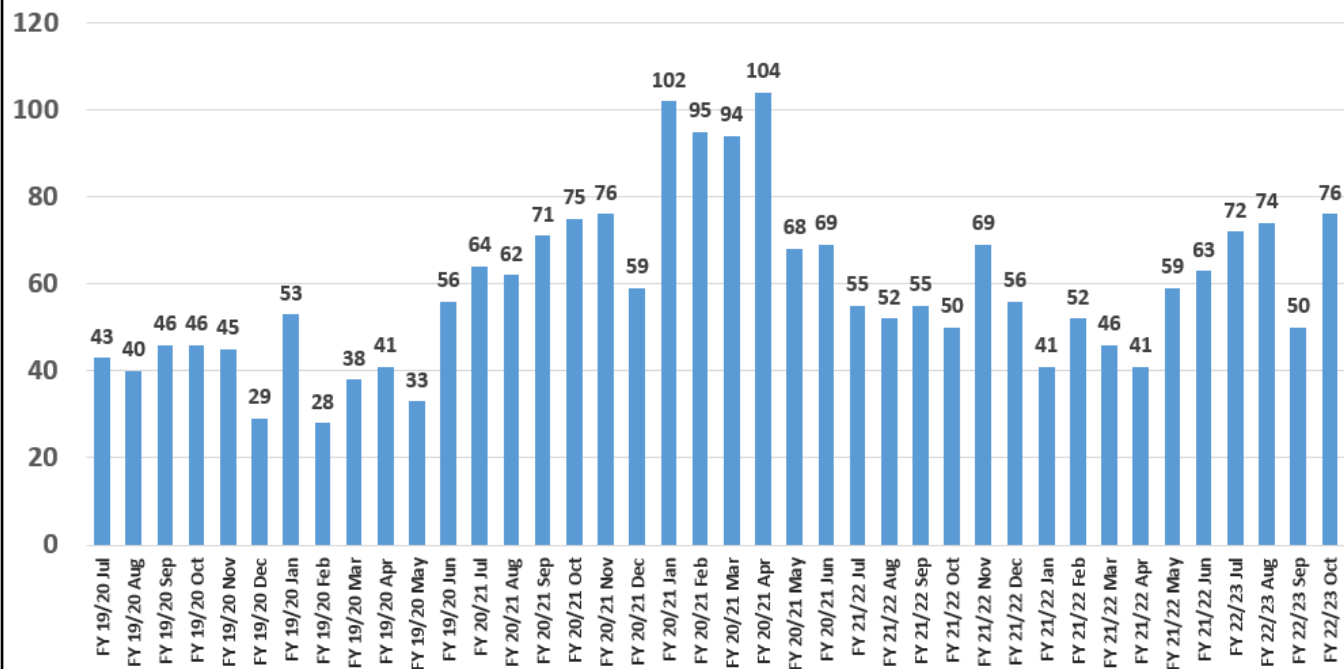


Source: Cummings Economics from Cairns Airport.

As Covid restrictions lifted, domestic tourism first bounced back with record car-borne visitation and more recently in air-borne visitation that has almost offset the loss of international visitors. Latest overall passenger movements through the airport are now only about -10% down on 2019 figures.

DWELLING APPROVALS

Dwelling Approvals Cairns Regional Council

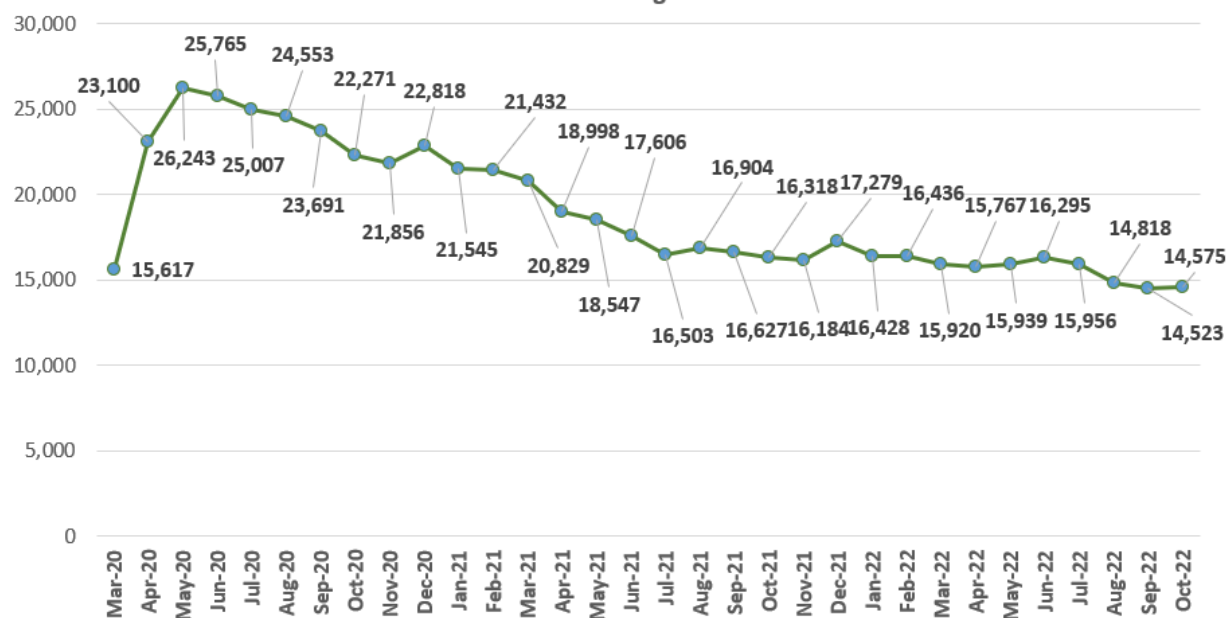


Source: Cummings Economics from Cairns Regional Council.

A spike in dwelling approvals and construction activity went a long way towards offsetting the tourism losses in 2020-21. With the economy firing back in 2021-22, latest Cairns Regional Council dwelling approval figures are up again to relatively high levels.

UNEMPLOYMENT

Number Receiving JobSeeker & Youth Allowance (Other) Payments, Cairns SA4 Region



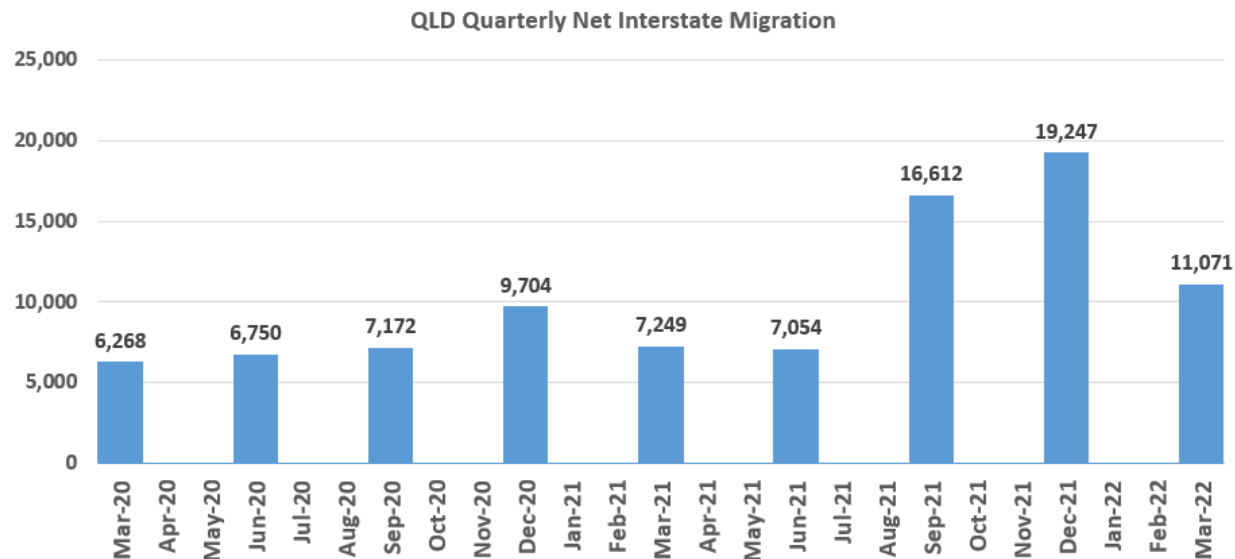
Source: Cummings Economics from Australian Department of Social Services.

The indications are that after taking a hit in 2020, the level of employment has come back to pre-Covid levels. In recent months, numbers on unemployment benefits have dipped below pre-Covid levels.

POPULATION

QUEENSLAND POPULATION GROWTH

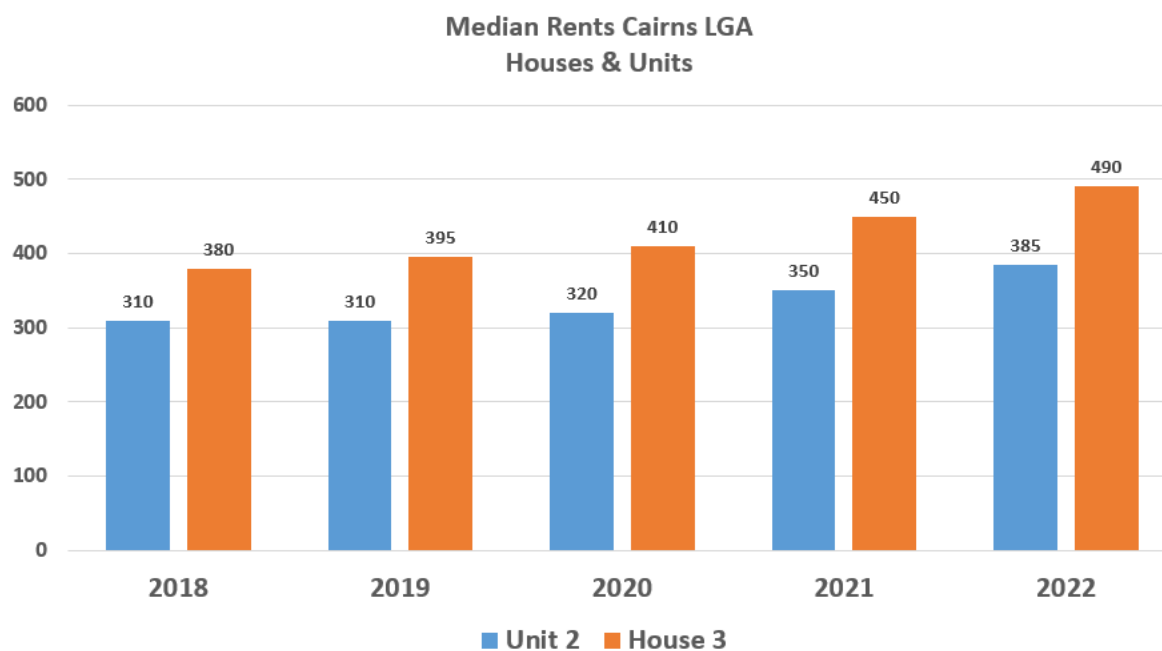
QUARTERLY NET INTERSTATE MIGRATION



Source: Cummings Economics from Australian Bureau of Statistics.

In the years leading up to Covid, population growth in Cairns had fallen to less than 1% per annum. Understandably in 2020-21, with Covid lockdowns, population growth as recorded by the Australian Bureau of Statistics fell to record low levels. While the figures are not available yet for 2021-22, there is evidence in the economy that population growth has rebounded strongly with indications that some of the population in the major metropolitan centres has been moving to country areas. Available statistical data on net interstate migration to Queensland shows a large rise took place in the second half of last year (2021).

HOUSES & UNITS MEDIAN RENTALS

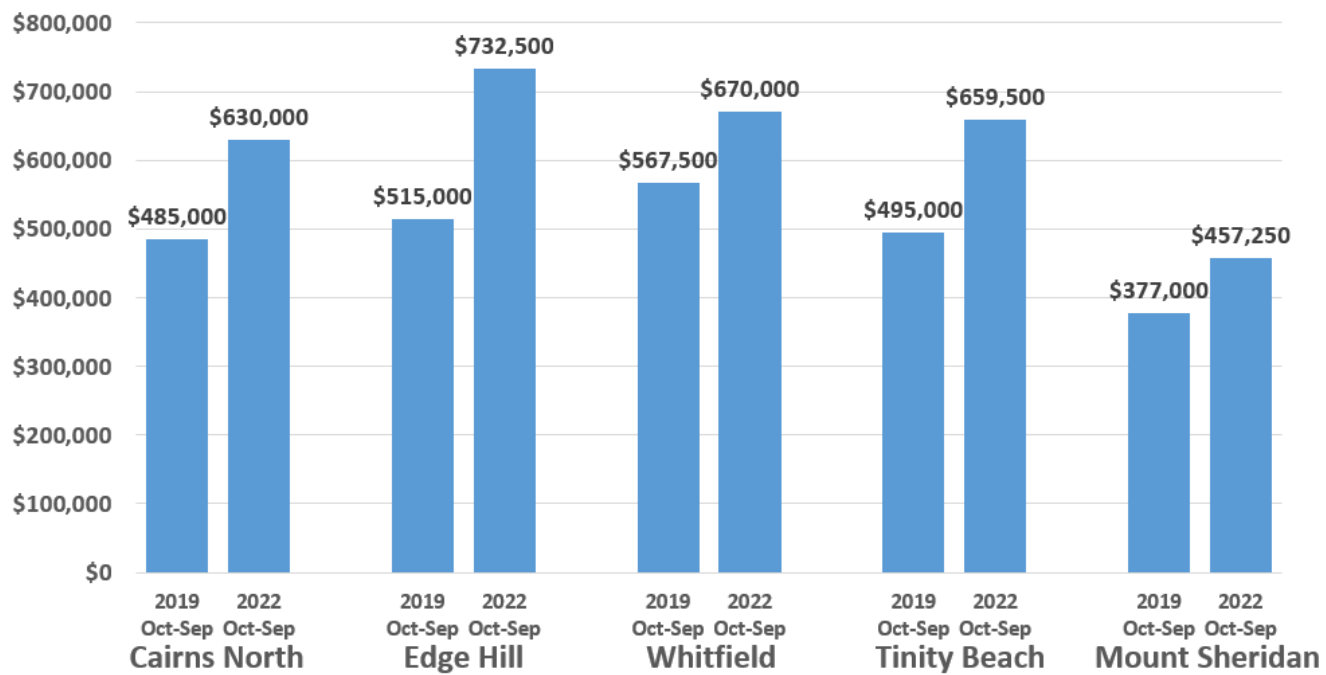


Source: Cummings Economics from Qld Rental Tenancy Authority.

After many years of fairly low and stagnant house and unit prices, rates of building approvals of units had been very low. The recent rebound in population growth has led to rental shortages.

HOUSE PRICES

Median House Prices Cairns Suburbs Oct-Sep 2019 to Oct-Sep 2022

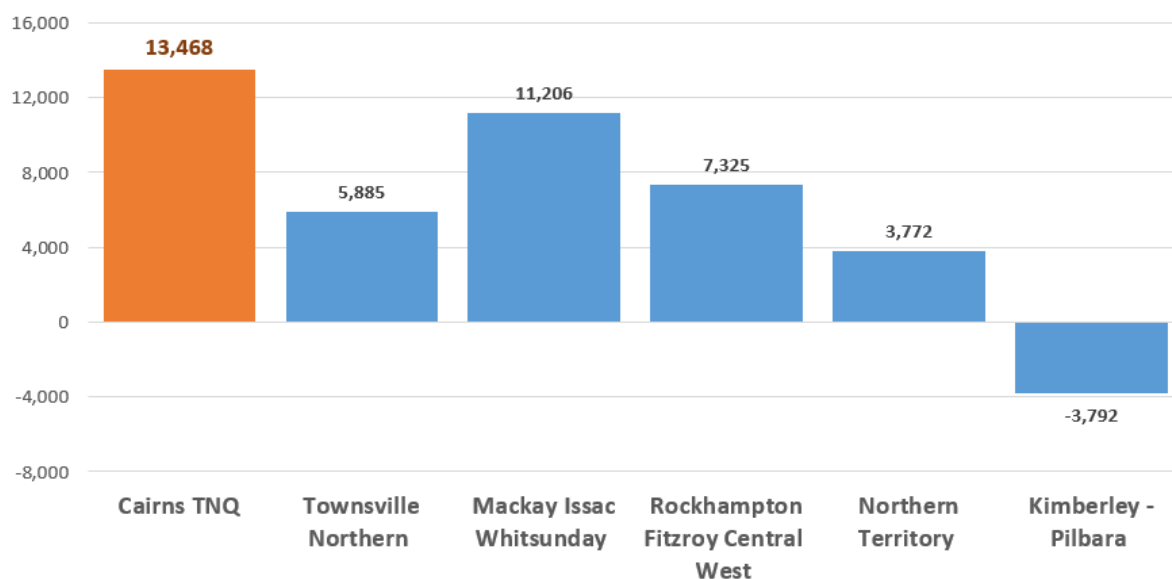


Source: Cummings Economics from realestate.com

While the sharp rises in interest rates will inevitably lead to downward pressure on property prices, the bounce back in population growth plus the attractiveness of house prices in the area being low compared with metropolitan prices should see the region avoid the strong dip in house prices currently taking place in the metropolitan centres.

POPULATION GROWTH LEADING NORTH

Northern Cities & Region Census Population Growth 2016 - 2021



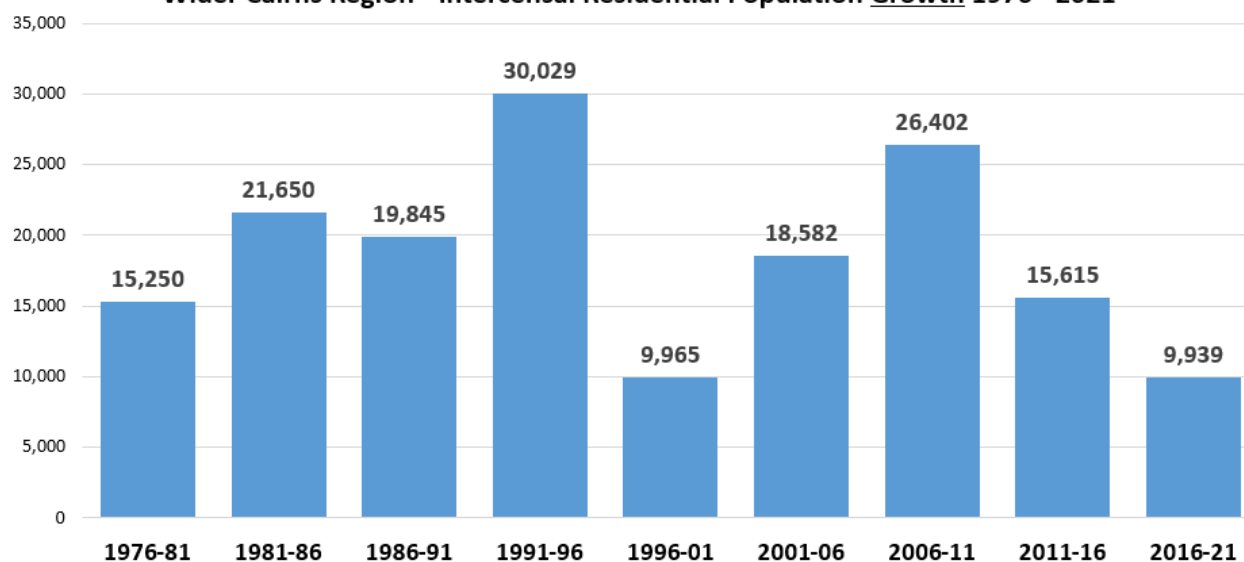
Source: Cummings Economics from ABS Census data.

Turning now to longer-term trends and population for the regional economy, the availability from October of a great deal of the 2021 Census data gives us a picture of regional trends 2016 to 2021. In terms of population growth, as has been happening for a long time now, the Cairns region outstripped other regions of the North in growth and is now clearly the largest.

POPULATION

BUT SLOWEST GROWTH FOR DECADES

Wider Cairns Region¹ Intercensal Residential Population Growth 1976 - 2021

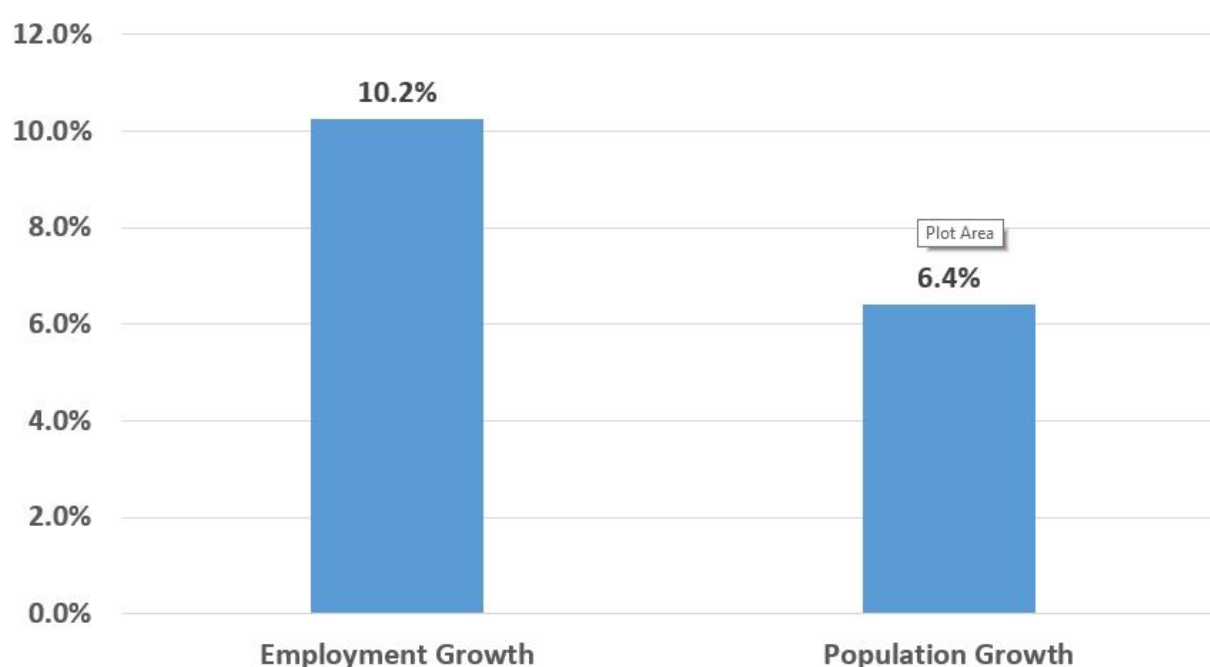


Note¹: Includes Cairns SA4 plus Gulf & Peninsula & Torres area.
Source: Cummings Economics from ABS Est Residential Population data.

A matter of concern is that the growth in the last intercensal period in the Cairns region and across Northern Australia generally has been the lowest for decades, especially for the Cairns Local Government Area.

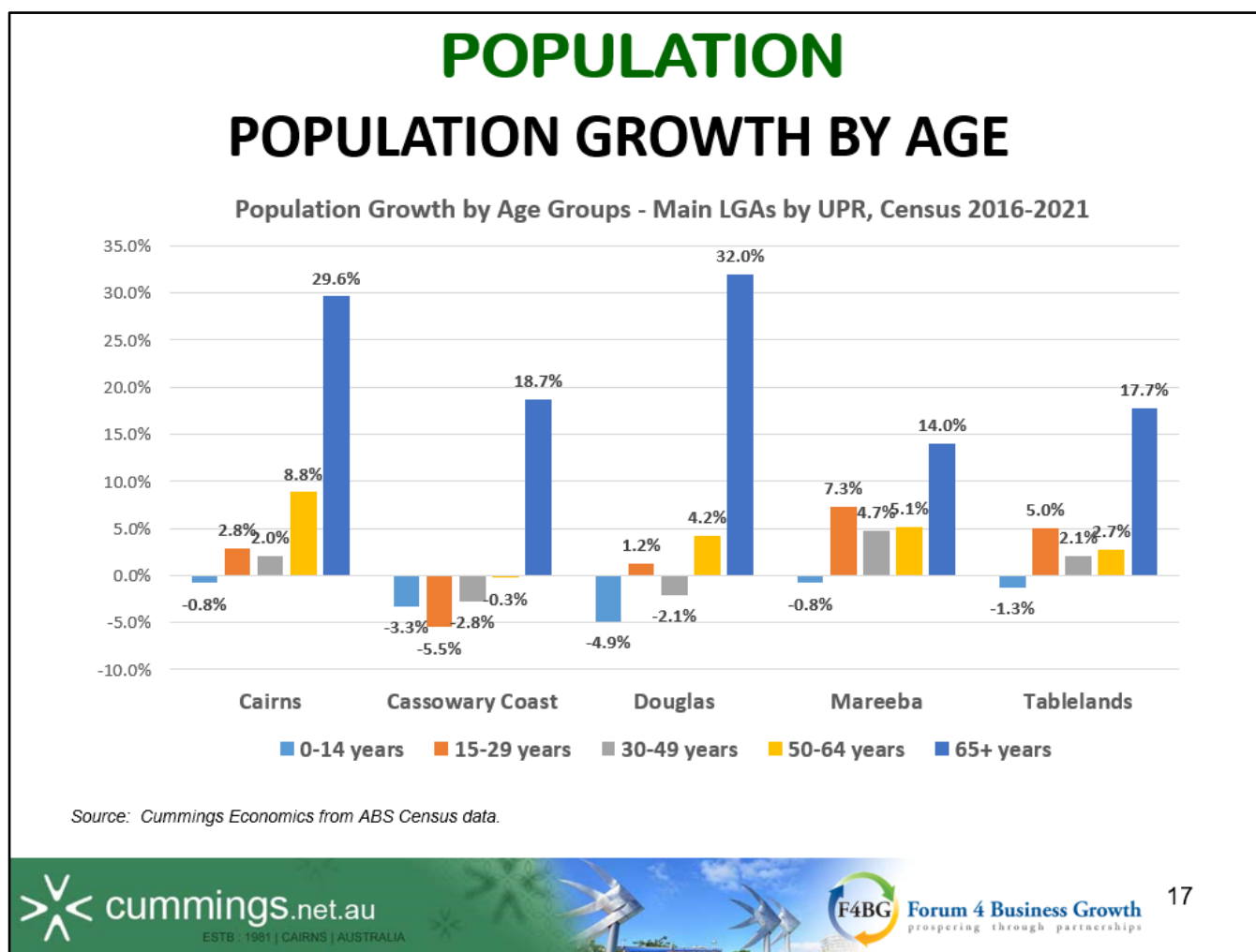
POPULATION/ WORKFORCE

Population & Employed Workforce Growth, Cairns LGA, Census 2016-2021

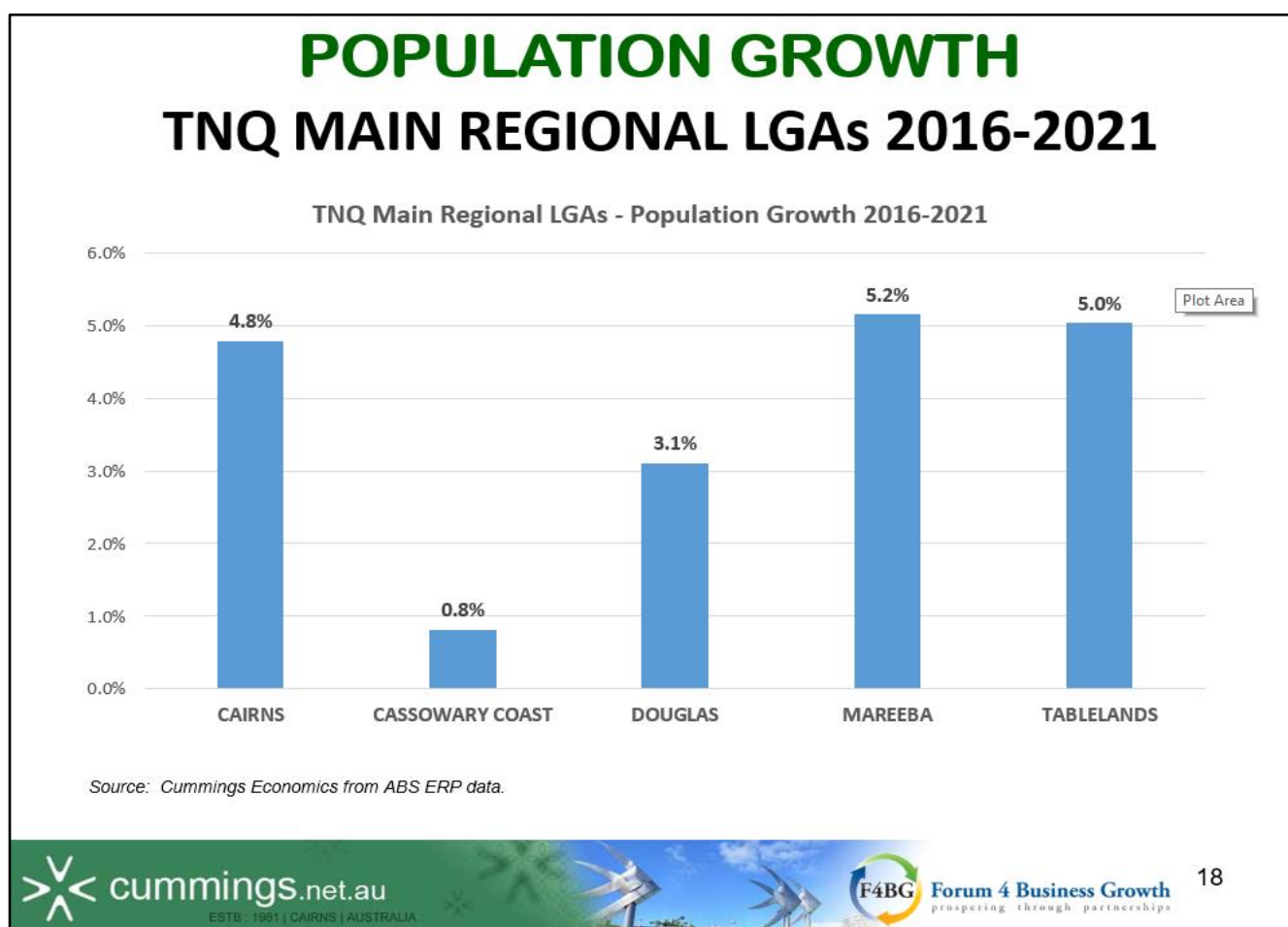


Source: Cummings Economics from ABS Census data.

However, of some comfort, the growth of employment was much stronger than growth of population. Although, at the time of the 2021 Census, there was still a relatively high proportion of the workforce part-time or employed but away from work.



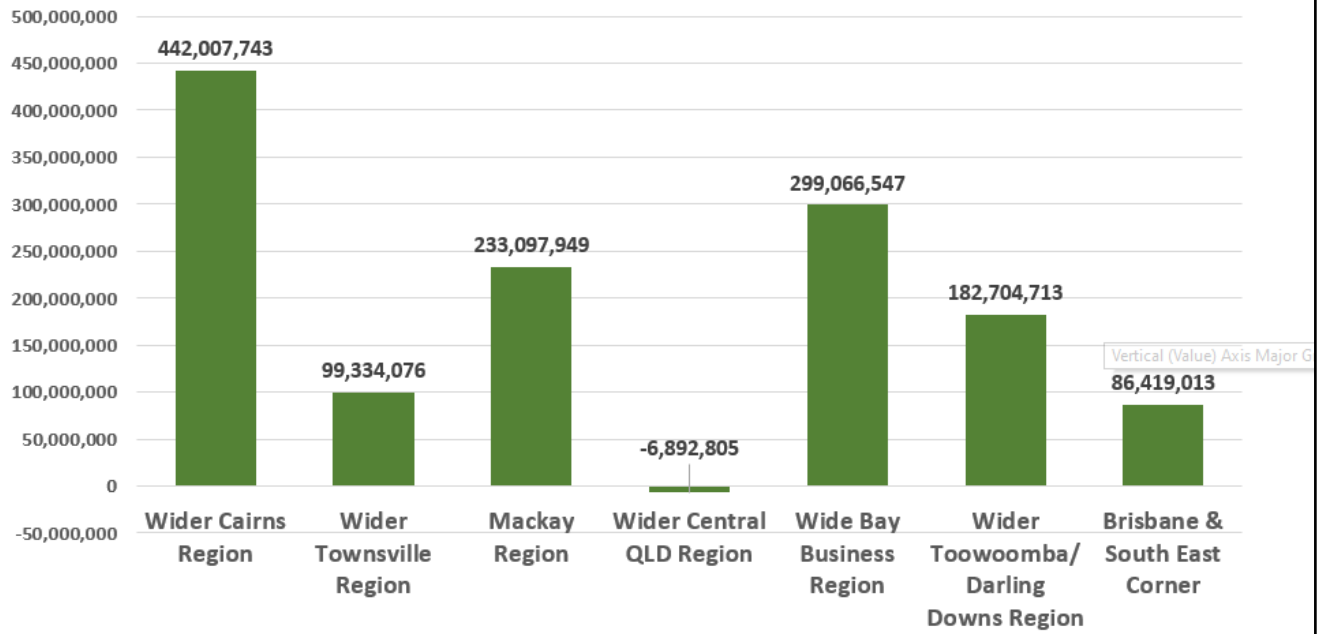
Why the higher growth in employment than population can be largely explained by the chart showing growth of local government area populations in the region by age. The chart shows a fall has taken place in the 10 to 14 age group who are not in the workforce, but a large rise in the 65 plus age group as the post-war baby boom generation moves into the 65+ age group. Further investigation has indicated a relatively high proportion of 65+ have remained in the workforce.



The Cairns Region's comparatively strong growth compared with other northern regions becomes evident when one looks at the comparative growth of the main regional local government areas. Unlike most rural areas around Australia, population outside of the regional city of Cairns has been growing strongly, especially in the Mareeba/ Tablelands area where population growth rates have been exceeding that of Cairns. This is in strong contrast to the Townsville region where population outside of Townsville has been falling.

AGRICULTURE

Increase in Gross Value of Agricultural Production 2015-16 to 2020-21
Wider QLD Regions

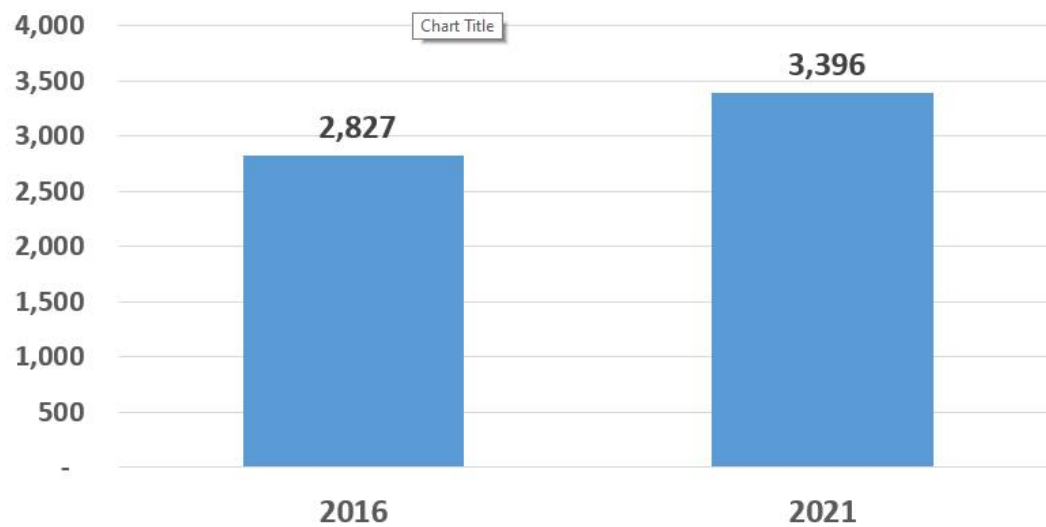


Source: Cummings Economics from ABS – Value of Agricultural Commodities Produced.

Standing behind this regional growth has been very strong growth in value of agricultural production that has led the State's growth and taken the region to the second position in the State behind the Toowoomba/ Darling Downs area.

MINING

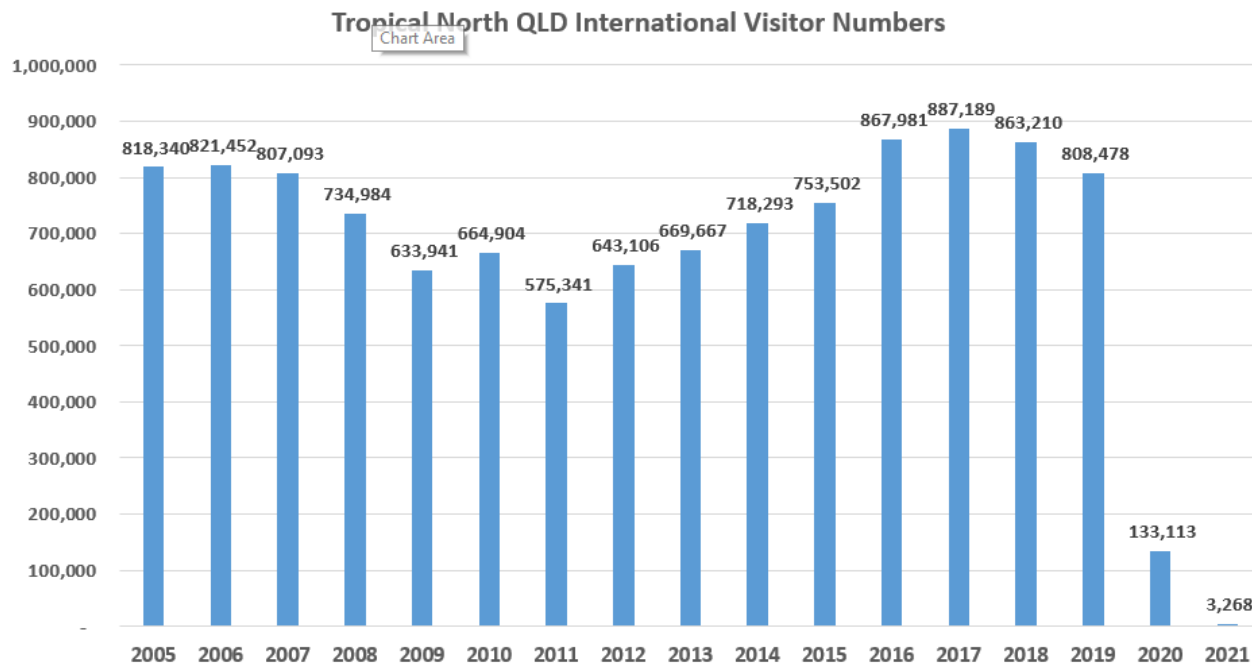
Mining Employment – Wider Cairns Region
Growth - 20%



Source: Cummings Economics from ABS Census data.

Employment in mining, much of it fly-in/fly-out, has also increased strongly over the last intercensal period.

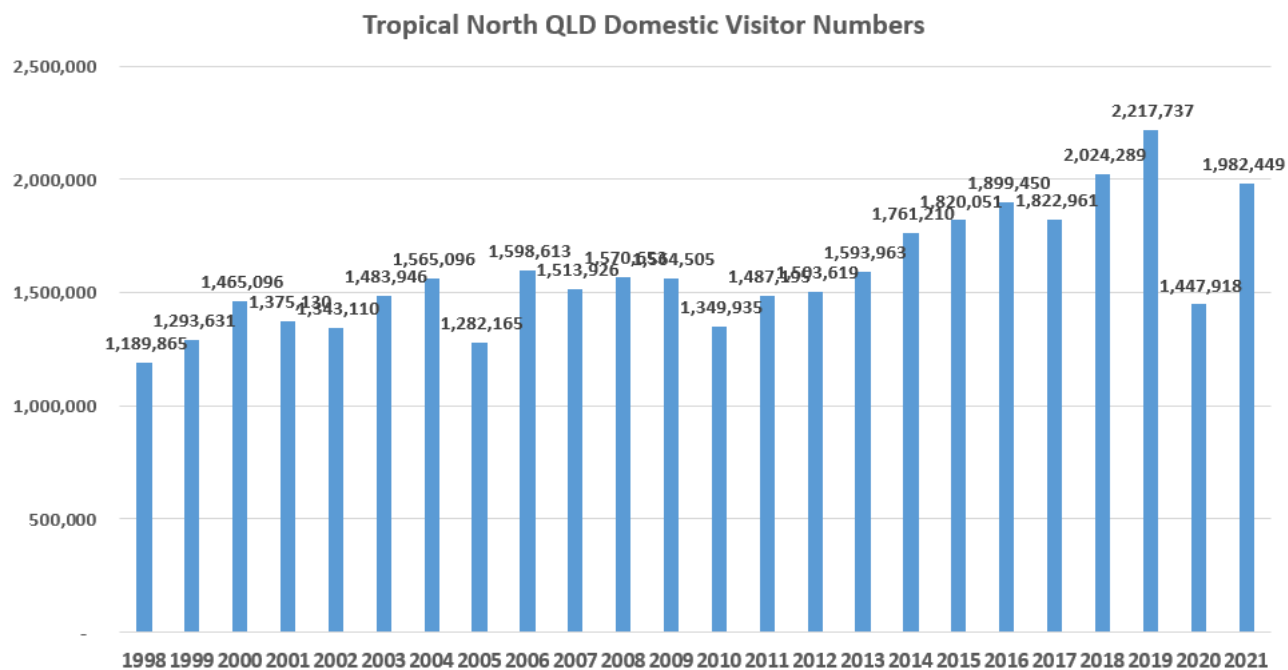
TOURISM INTERNATIONAL VISITOR NUMBERS



Source: Cummings Economics from Tourism Research Australia-IVS.

Especially affecting Cairns city growth over the last decade and especially during and even before the Covid impacts, has been lack of growth in international visitor numbers.

TOURISM DOMESTIC VISITOR NUMBERS



Source: Cummings Economics from Tourism Research Australia-NVS.

Although domestic tourism numbers continue to increase.

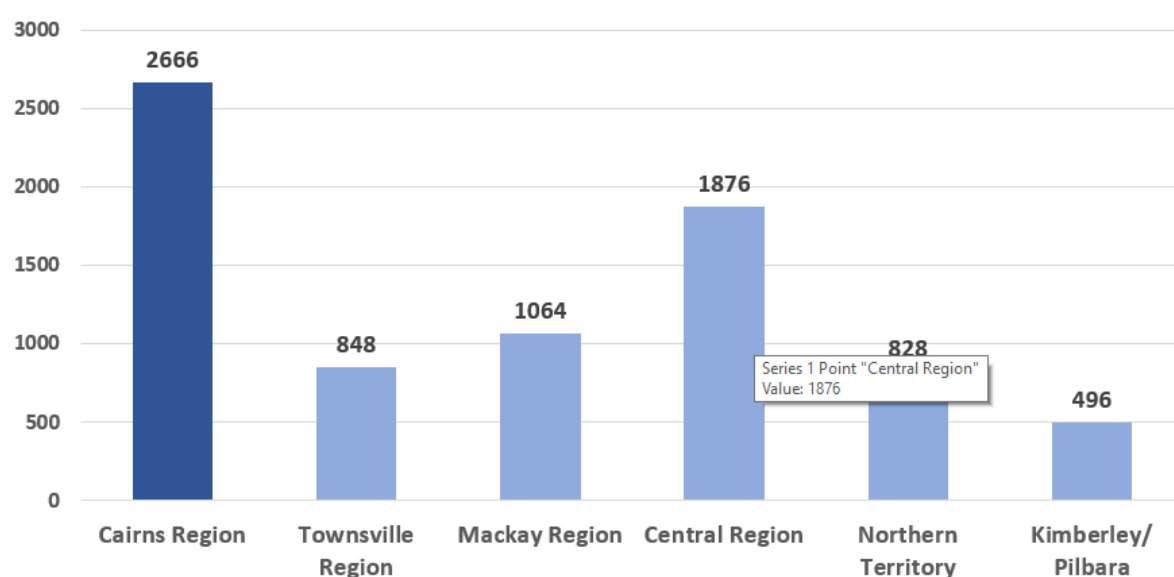
AVIATION SECTOR - 2019

- **TURNOVER/ OUTPUT.....est \$320M**
- **DIRECT EMPLOYMENT.....est 720**
- **TOTAL EMPLOYMENT GENERATED INCLUDING 'FLOW-ON'.....est 1770**
- **OPERATIONS IDENTIFIED.....33**
- **AIRCRAFT OPERATING:**
 - **ROTARY - 40**
 - **FIXED WING - 60**

Latest research into the general and regional aviation sector indicates it is a strong contributor to the regional economy with a direct value of over \$300M and employment of over 700.

PORT & MARINE INDUSTRIES

Port & Marine Related Employment, Northern Australia Regions

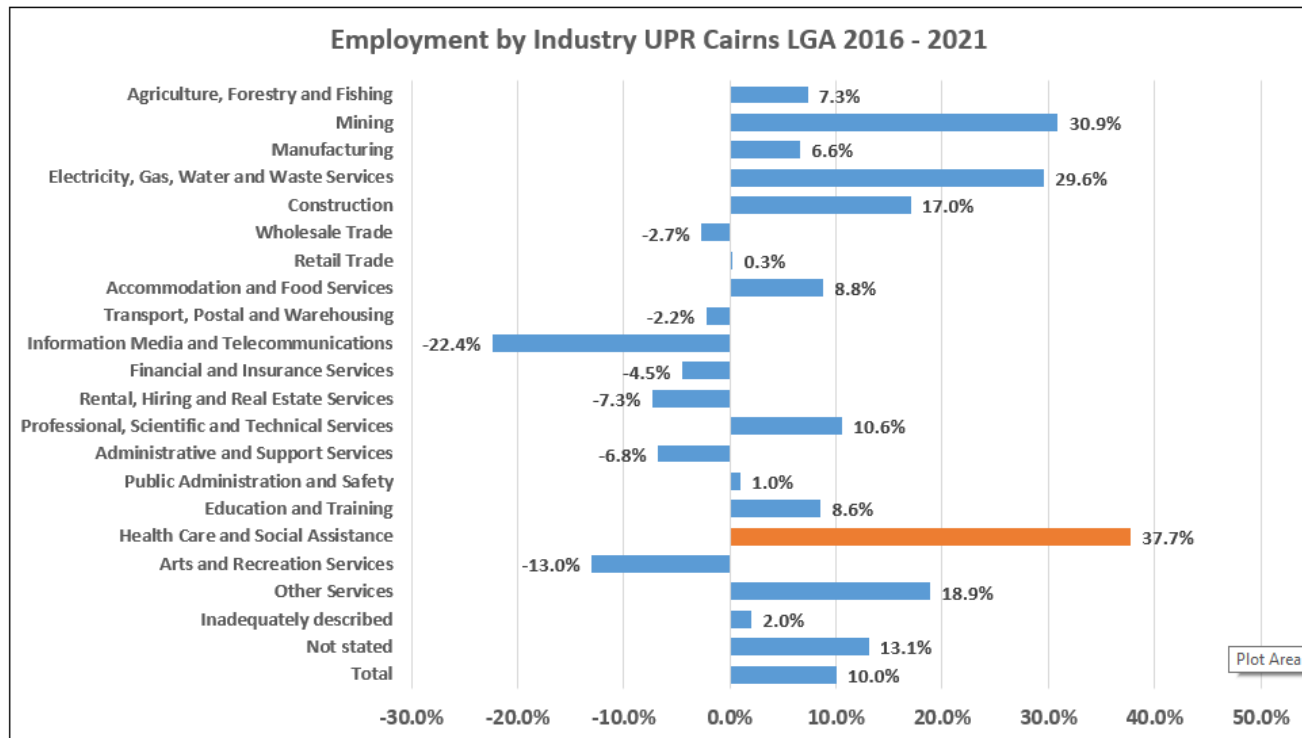


Source: Cummings Economics from ABS Census 2021 data and industry estimates.

Note: Includes estimated navy employment (Cairns – 900, Darwin – 600).

Cairns region remains the largest in the North in terms of employment in port and marine related industries.

SERVICES - HEALTH



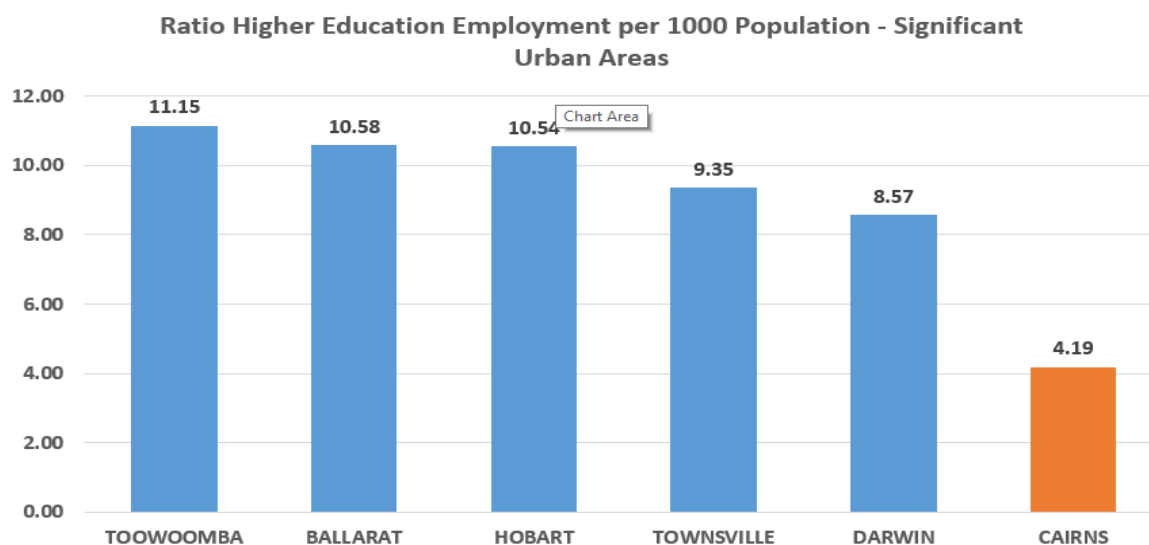
Source: Cummings Economics from ABS Census data.

Among the service industries, not surprisingly, between the impacts of the post-war baby boomers moving into the 65 plus age group; the improvements in medical technology and the impacts of Covid; employment in health and social assistance has led percentage growth. However, there has been a concerning fall in a number of the business services sector:

- Information, Media & Telecommunications
- Financial & Insurance Services
- Rental, Hiring & Real Estate Services
- Administrative & Support Services, and

mainly tourism related, Arts & Recreation Services.

SERVICES HIGHER EDUCATION



Source: Cummings Economics from ABS Census data, 2021.

In the education field, Covid affected higher education figures, in part, due to loss of international students, but number of people employed in Cairns in higher education remains low per head of population, about half the level of other Australian cities in Cairns' size range.

LESSONS

- **STRONG GROWTH NOT ASSURED**
- **BUT DIVERSIFIED ECONOMY LED TO THE CAIRNS REGION TO CONTINUE OUTGROWING OTHER NORTHERN REGIONS**

The relatively slow growth of population in the region in the past intercensal period compared with earlier periods reminds us that strong growth of this previously frontier economy is not assured. In large part, the slow growth was due to a strong check on international tourism, hollowing out of a number of business services and special Covid effects in 2020-21, that especially affected the Cairns and coastal areas. Fortunately, the region's diversified economic base saw strong growth in agriculture and mining employment and its strong position in aviation and marine servicing and defence enabled it to continue outgrowing other northern regions.

DIRECTIONS

- **RESTORATION OF INTERNATIONAL TOURISM IMPORTANT**
- **BUT VITAL THAT PURSUE OPPORTUNITIES IN OTHER DIRECTIONS**

In conclusion, the situation signals that while it is important to vigorously pursue the restoration of international tourism, it is also important that the region strongly pursues opportunities in other directions including continuing expansion of agriculture and mining and other opportunities in the region's hinterland areas. Cairns' key role in this is to provide efficient support services, especially its role as a transport hub, with the capacity and efficiency of its road, rail, air and sea freight facilities and connections of critical importance. The city needs to pursue the development of its hub regional city services role in the North including in areas like aviation and marine servicing, education and health services and exploitation of the city's strategic position in trade and services and defence in the wider South West Pacific region.

THANK YOU



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