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October 2022 / CE Ref-J3447

AUSTRALIAN ECONOMY RIDING ON THE NORTH'S BACK

Article For Connect FNQ Magazine

Back in the 1950s and 1960s, it was common to describe the Australian economy as, "Riding on the sheep's back". At that time, pastoral industry exports of wool and meats were accounting for over half of the value of Australia's exports.

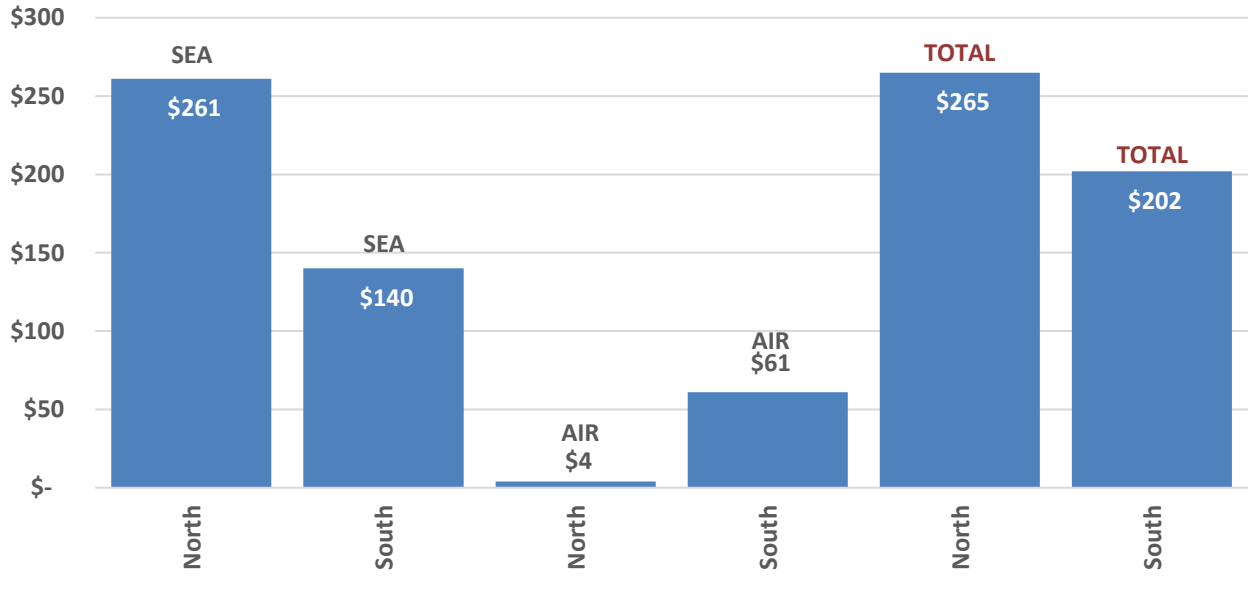
All that has changed. Today, it can be claimed that the Australian economy is "Riding on the North's back".

North Dominates Export Earnings

Today, some 65% of Australian merchandise exports by sea come out of the seaports in northern Australia with the North defined to include Queensland from the central Queensland region north, the Northern Territory and Western Australia from the Pilbara region north, i.e. Tropical Australia (see Figure 1).

Air exports are 94% out of southern airports. When this is taken into account however, total merchandise exports out of Australia by value are still 57% out of the North.

Figure 1: Australia Merchandise Exports Value 2021 North vs South ($Billion)

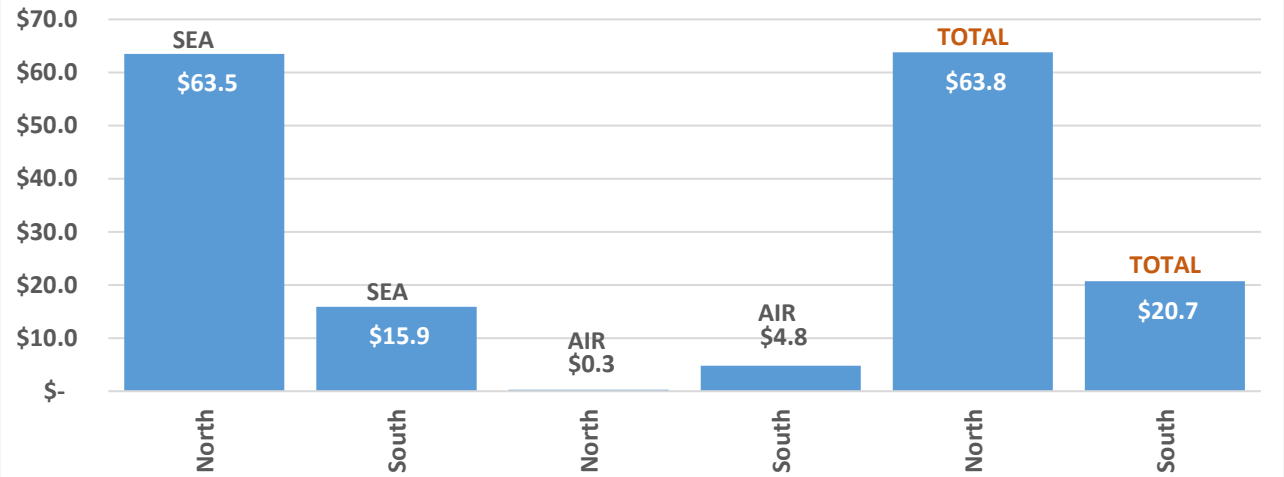


Source: Cummings Economics from Australian Government: National Freight Data Hub.

In Queensland the North Even More Dominant

Seaports and airports located in what we have defined as the 'Reef Regions' (i.e. central Queensland north), account for 76% of the State's exports (see Figure 2). With substantial amounts especially of beef and primary products and some high value mineral originating in the North being exported via Brisbane, and in the case of air exports even Sydney, actual proportion is likely to be higher than 76%.

Figure 2: QLD Merchandise Exports Value 2021 North Vs South ($Billion)



Source: Cummings Economics from Australian Government: National Freight Data Hub.

Major Contribution to the Economy

The 1.3 million population who live in the North (approximately 5% of the nation's total), make a massive contribution to Australia's economic viability.

With local manufacturing and service capacity in the North poorly developed and most imports from overseas coming into southern ports, the North imports the bulk of its manufactured goods and service needs from the south. In the case of mining, this can extend to importation of workforce through 'fly-in/fly-out' arrangements.

Although accurate data is not readily available, the North represents a major market for goods and services produced in the south – a market in excess of any single overseas export market for goods and services produced in southern Australia.

By contrast, the value of the North's goods and services provided to the south are relatively small, with the Cairns region leading with substantial domestic tourism earnings and fruit and vegetables and fishery products supplied to southern markets.

Historical Balance of Payment Problems

Back in the 1960s when I was a young graduate working in the Department of Trade in Canberra, and then with the Canberra Secretariat of the Australian Chamber of Commerce, there were strong concerns at a national policy level about Australia's balance of payment problems and the nation's ability to expand its exports. This even led at one stage to the introduction of import licensing to pull back the level of imports in an attempt to reduce balance of payment problems.

The Menzies Government nearly lost an election over the issue and a following major inquiry into the economy recommended a number of drastic negative actions to address the problem.

However, in a Treasury Bulletin, authored by John Stone, subsequently Secretary of the Treasury, the argument was put forward that in a 'lucky country', things turn up. And as the 1960s and 70s progressed, they certainly did turn up and they largely turned up in the North.

Rescuing Australia's Balance of Payments

Prior to the 1960s, the government had placed an embargo prohibiting iron ore exports in a belief that Australia's iron ore resources were limited. Lang Hancock, a station owner in the Pilbara region of North Australia, knew differently. The lifting of the embargo saw the massive iron ore resources of that area suddenly being developed for export followed over time, by development of massive offshore gas reserves.

In the early 1950s, one of my school teachers had told her class about the massive barely developed coal seams in central Queensland. Sir Leslie Thiess and others saw the potential to open up exports to a rapidly growing and industrialising Japanese economy.

Sailing along the western side of the Peninsula, geologist Evans remarked about the mile on mile of low red cliffs along the shores, "If all this is bauxite, there must be something wrong with it." There wasn't anything wrong with it. It turned out to be, at that time, rated as the world's largest deposit of commercial grade bauxite. On the other side of the Gulf of Carpentaria at Gove, there were also large bauxite deposits.

Going on the similarities of the Gulf of Carpentaria to the Gulf of Mexico, CSIRO's discovery of large prawn resources saw a strong boost take place in Australia's fisheries exports.

With two of Australia's iconic great tourism triangle of the Reef, the Rock and the Opera House being in the northern part of Australia, the North came to play a major role in the leap in international tourism earnings that took place especially in the 1980s and 90s.

Clearly, the Nation's economy has been greatly advantaged by the progress in Northern Australia.