"Getting Things into Perspective"

The Far North Queensland Economy

Recent Movements and Short-Term Prospects

Presentation to the
Weipa Chamber of Commerce
December 2008

In retrospect -

The year 2007 / 2008

“Some negatives and uncertainties around, but continued solid growth.”

Tourism Growth Phases

CAIRNS AIRPORT PASSENGER MOVEMENTS

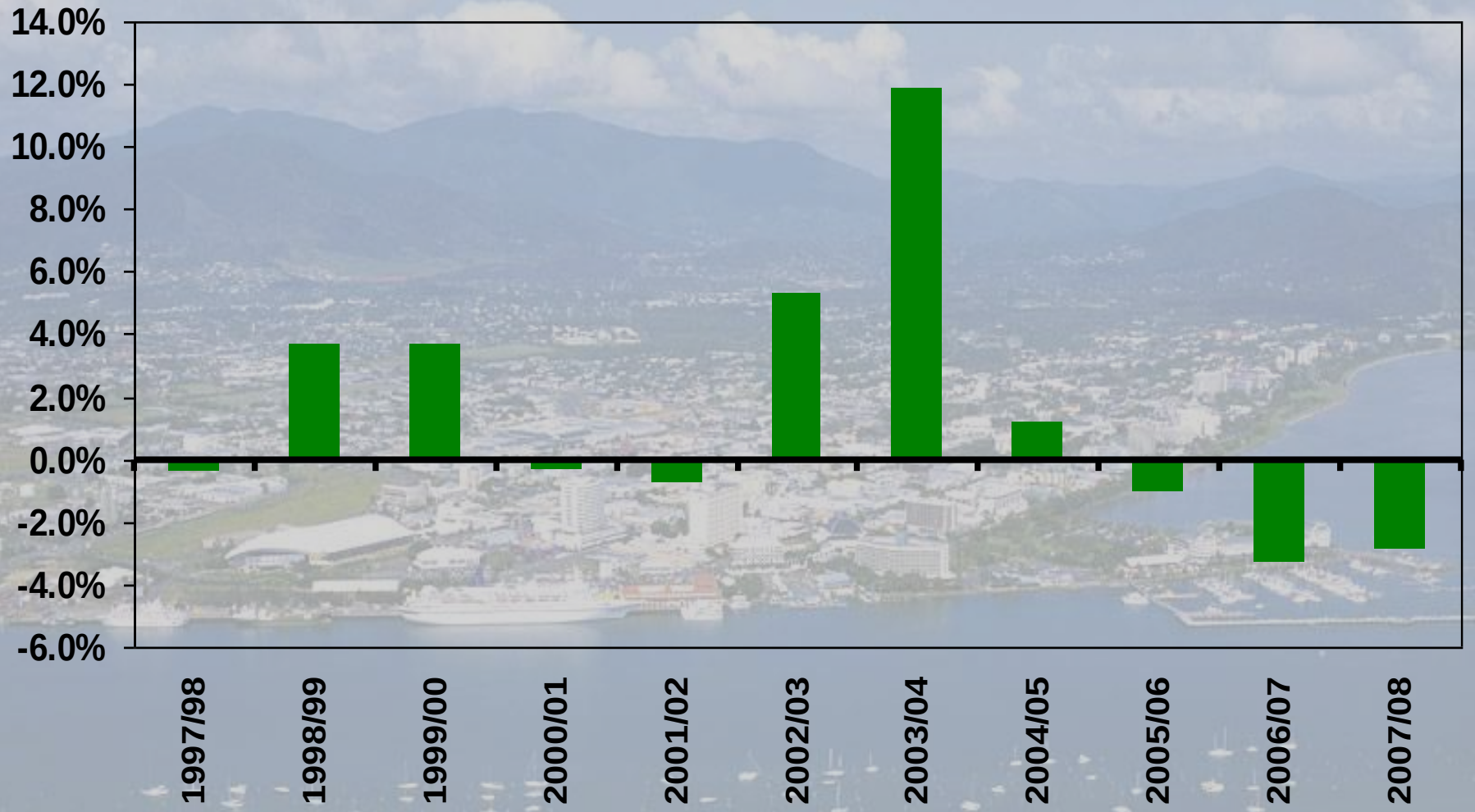
(Excluding international transits)

	No.	%	
1997/98	2,725,000	0.4%	Asian crisis
1998/99	2,770,000	1.7%	
1999/00	2,882,000	4.0%	+6%
2000/01	2,972,000	3.1%	
2001/02	2,878,000	(-3.2%)	Ansett collapse
2002/03	3,083,000	7.1%	
2003/04	3,402,000	10.3%	
2004/05	3,689,000	8.4%	+ 32%
2005/06	3,832,000	3.4%	
2006/07	3,889,000	1.4%	High dollar
2007/08	3,936,000	1.2%	

Source : Cummings Economics from Cairns Ports data.

Growth in Room Nights – Hotels/Motels

Far North Queensland Stat. Division



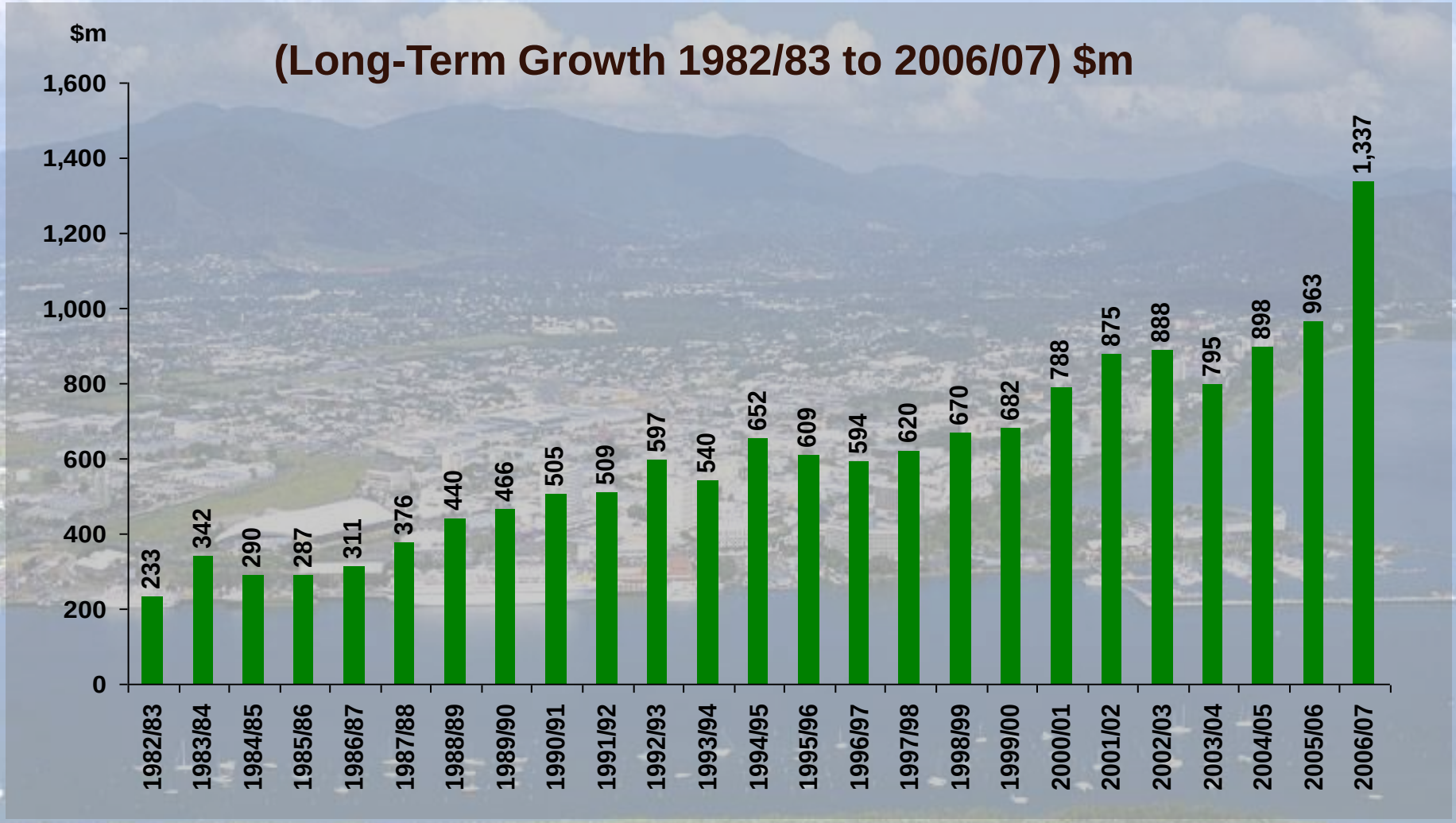
Source : Cummings Economics from ABS data.

Overnight Visitor Expenditure
Far North Queensland

	Domestic $m	International $m	Total $m
2003/04	$1,424	$1,020	$2,444
2004/05	$1,319	$1,106	$2,425
2005/06	$1,468	$1,110	$2,578
2006/07	$1,545	$1,041	$2,586
2007/08	$1,546	$1,030	$2,576

Source : Cummings Economics from NVS & IVS data.

Agriculture
Gross Value Agricultural Production



Source: Cummings Economics from ABS Agstats.

Gross Value of Agricultural Production 2006/07

Statistical Div	Total	(Crops)
Cairns/Far North	$1,337 m	($966 m)
Rockhampton/Fitzroy	$1,067 m	($312 m)
Mackay/Mackay	$937 m	($673 m)
Townsville/North	$740 m	($566 m)
North West	$419 m	($3 m)
Central West	$320 m	($6 m)
Northern Territory	$343 m	($99 m)
Tasmania	$963 m	($404 m)

Source : Cummings Economics from ABS Agstats.

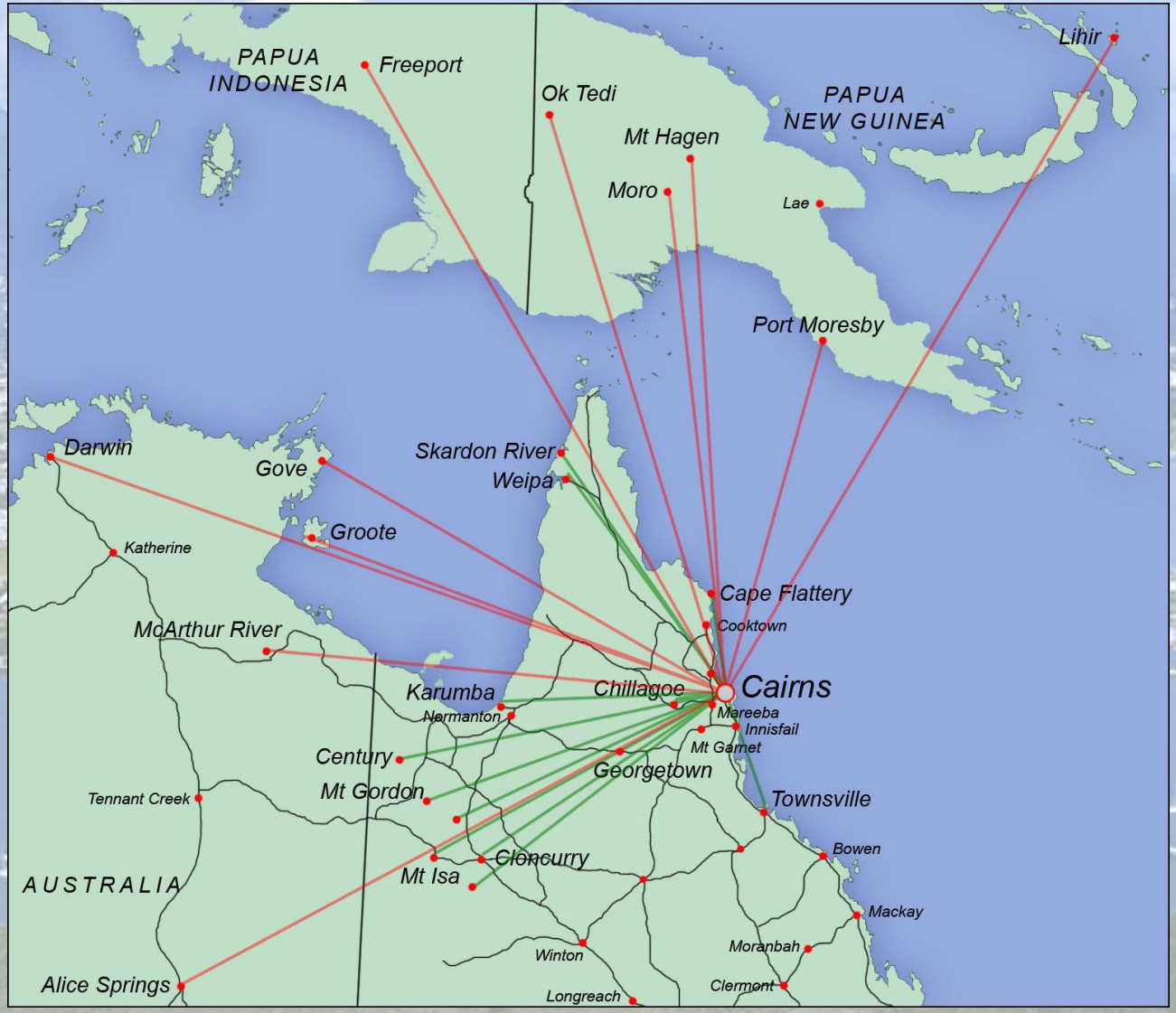
Value of Mining Production
Far North Statistical Division

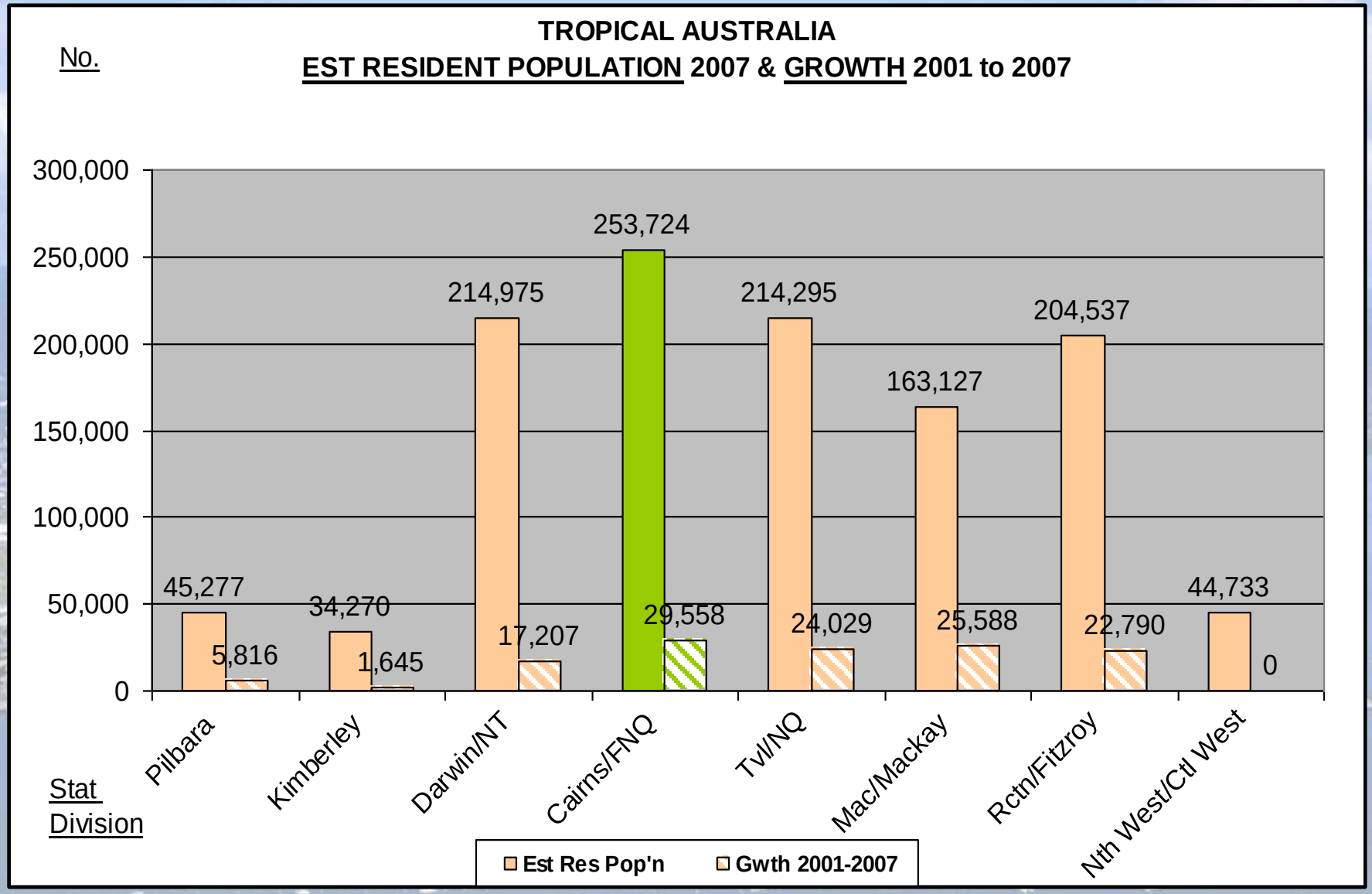
Source: Cummings Economics from Q'ld Dept of Mines & Energy.

Estimated Existing Mining Workforce Far North Queensland – Mid 2008

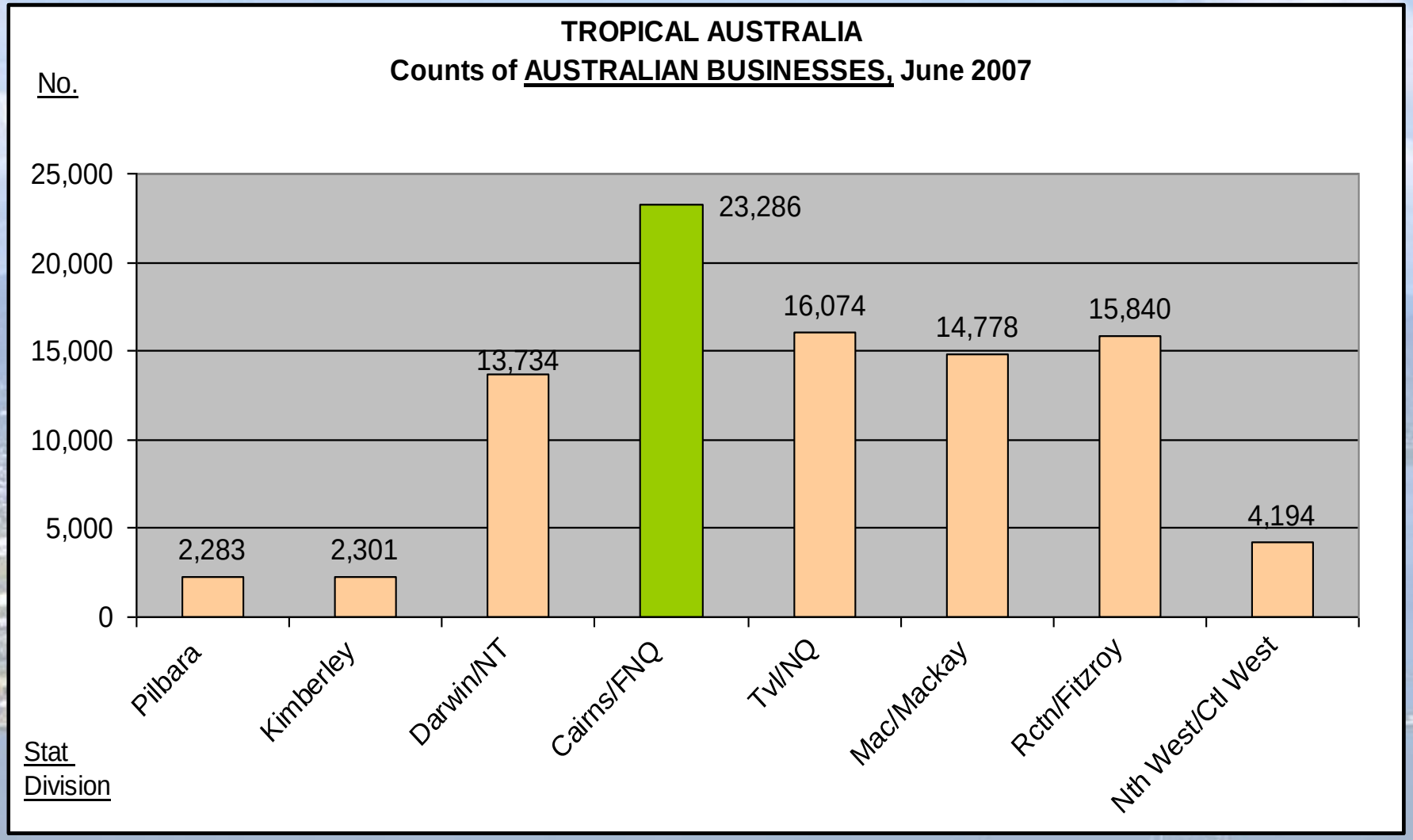
WORKING AT MINES		1,600
FLY-IN TO MINES OUTSIDE REGION		1,900
Construction/Maintenance	500	
Mines North West Q'ld	970	
PNG & NT	460	
TOTAL		**3,500**

AIR SERVICES EX CAIRNS REGION TO MINES, MINING CENTRES AND MAJOR CENTRES NTH QLD, PNG, PAPUA (INDO) & NT





Source: Cummings Economics from ABS data.



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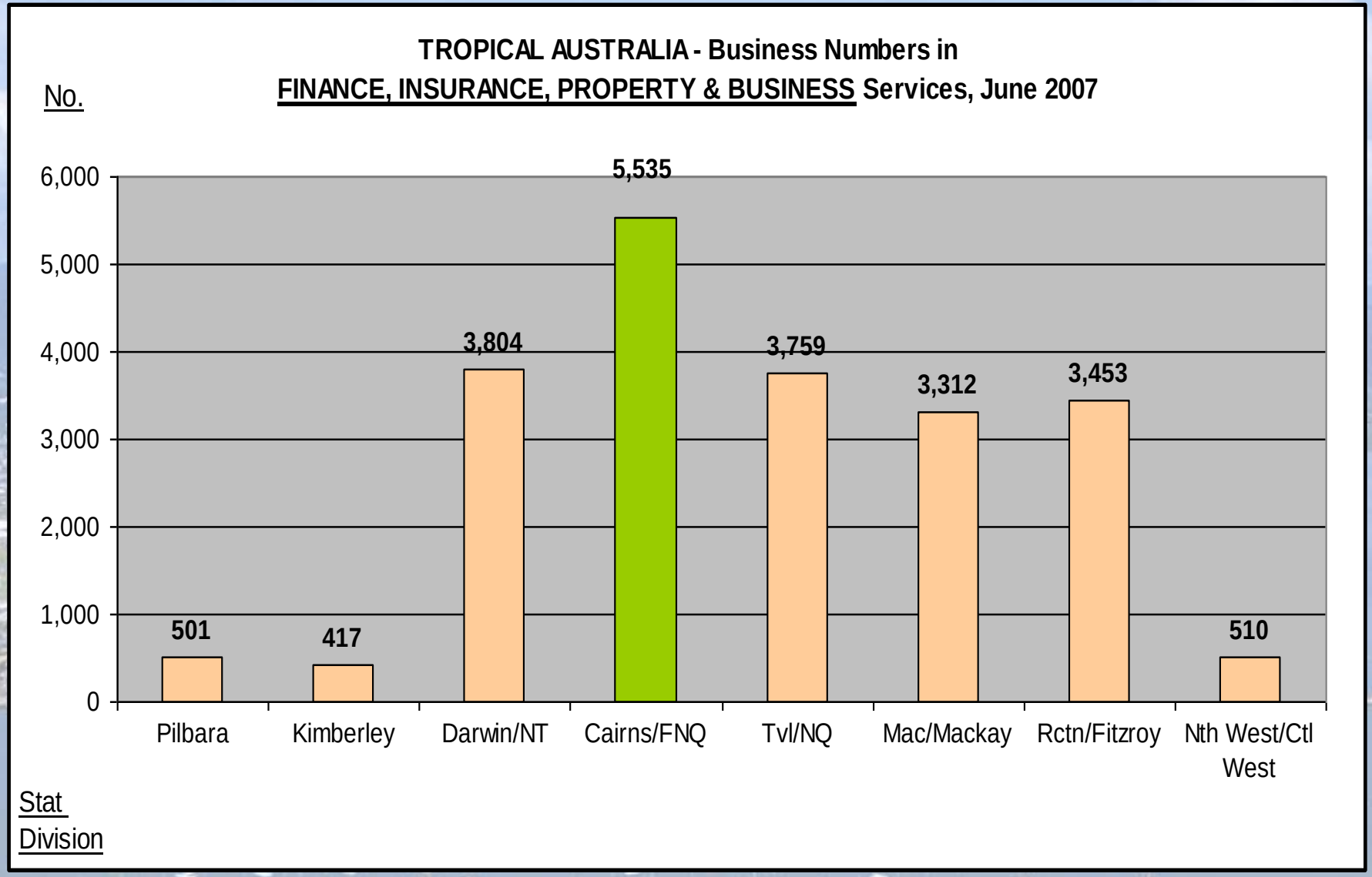
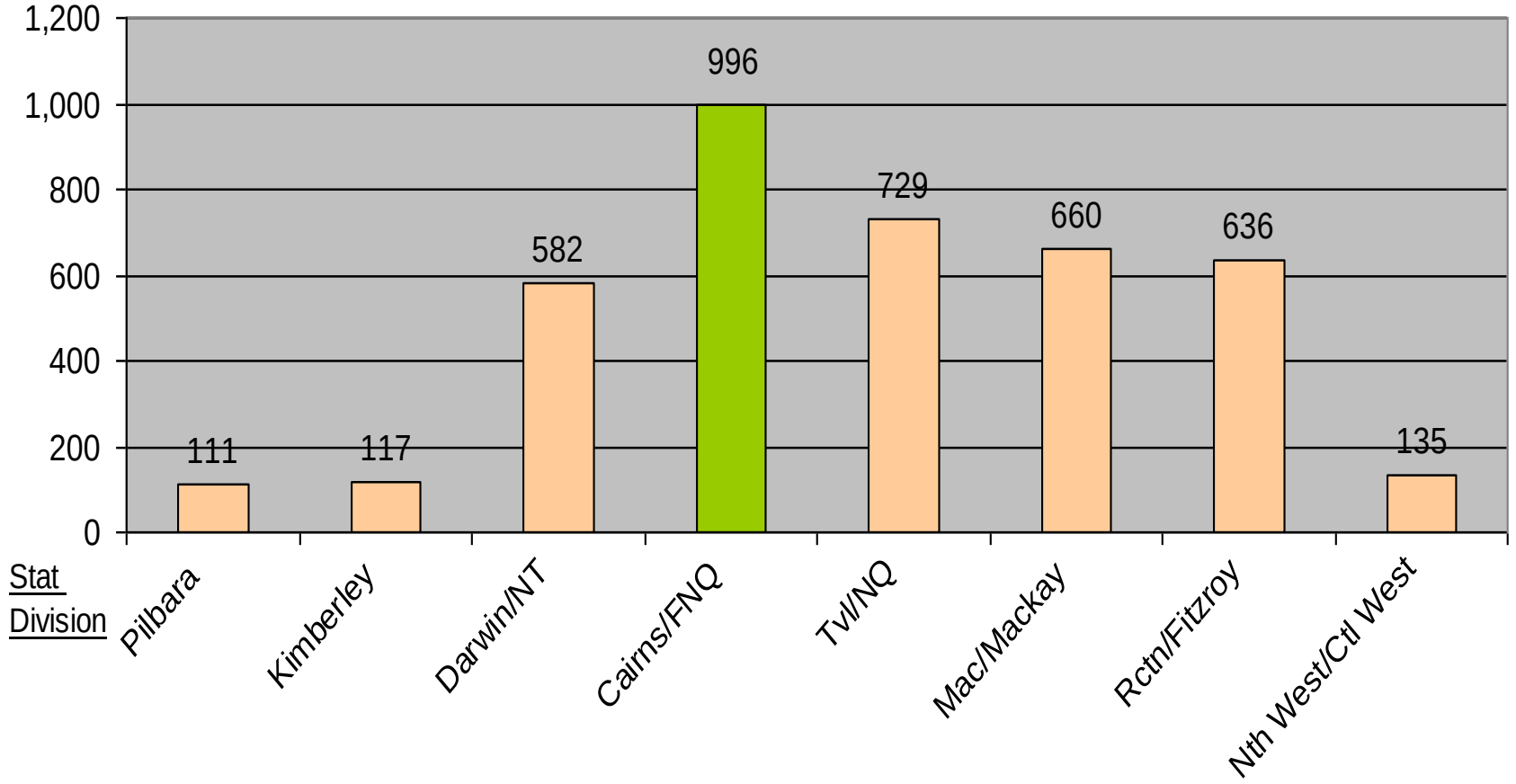
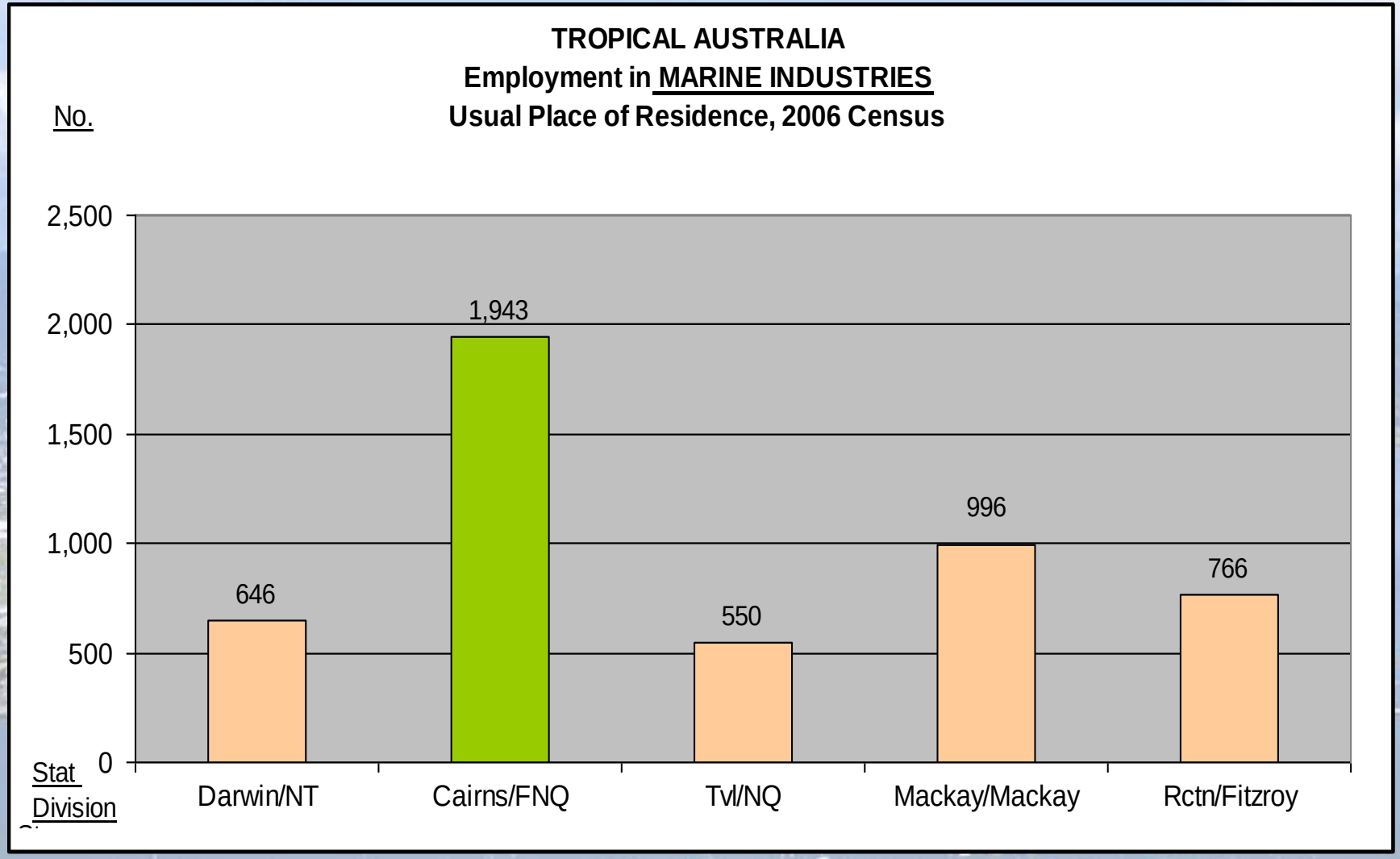


Source: Cummings Economics from ABS data.

TROPICAL AUSTRALIA
MANUFACTURING BUSINESSES, June 2007

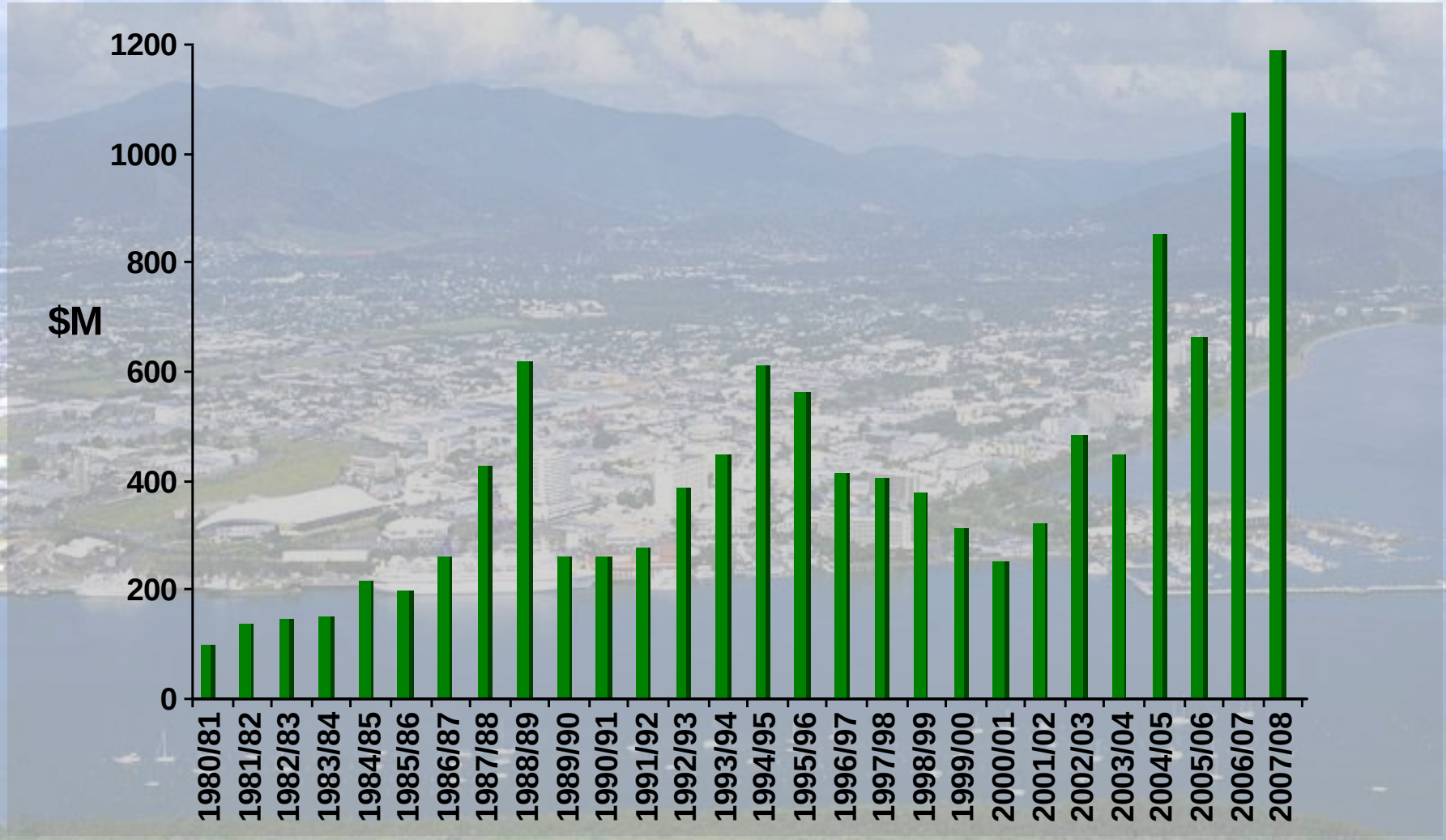


Source: Cummings Economics from ABS data.



Source: Cummings Economics from ABS data.

Value of Building Approvals
Far North Qld Statistical Division

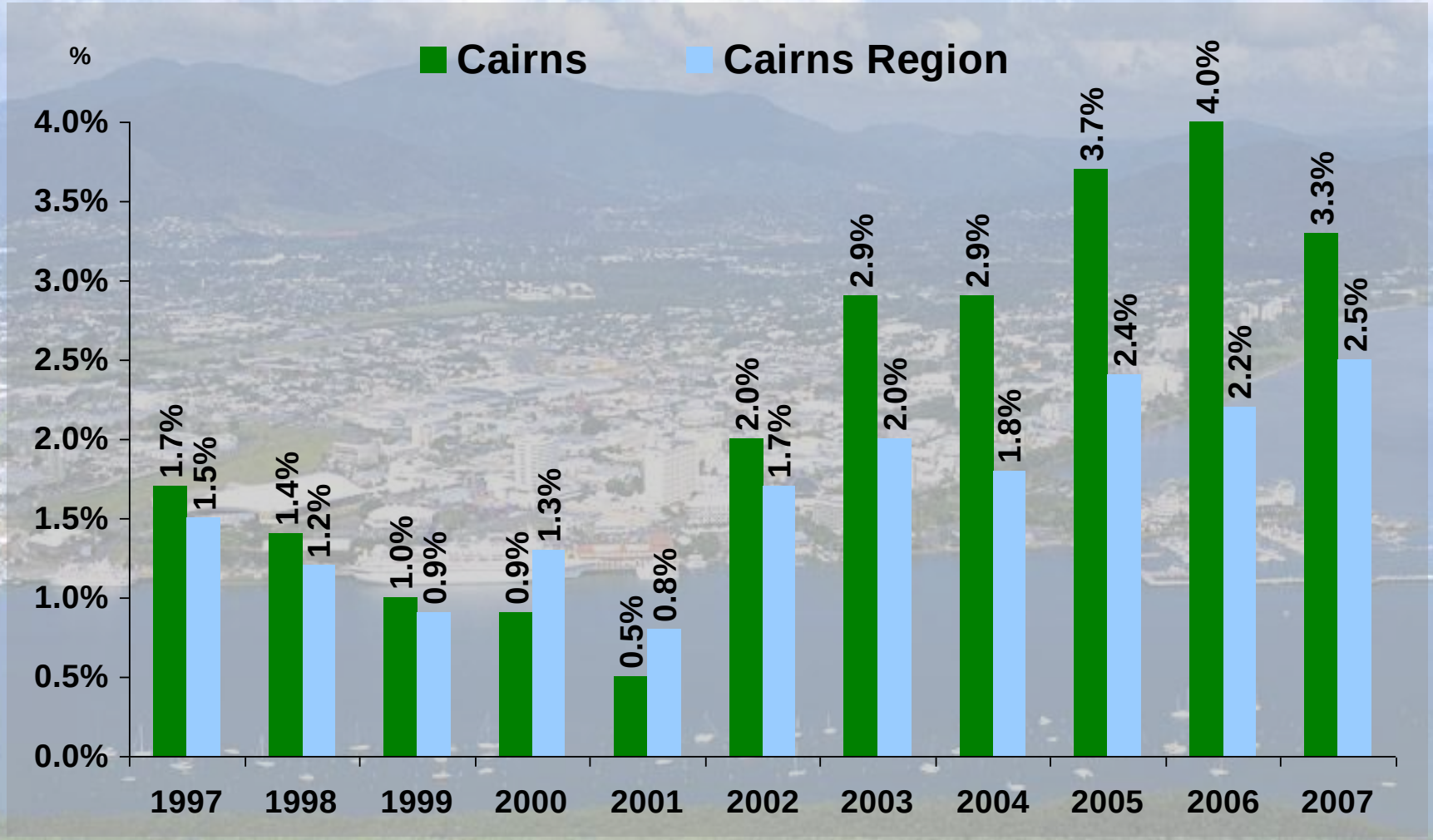


Source : Cummings Economics from ABS data.

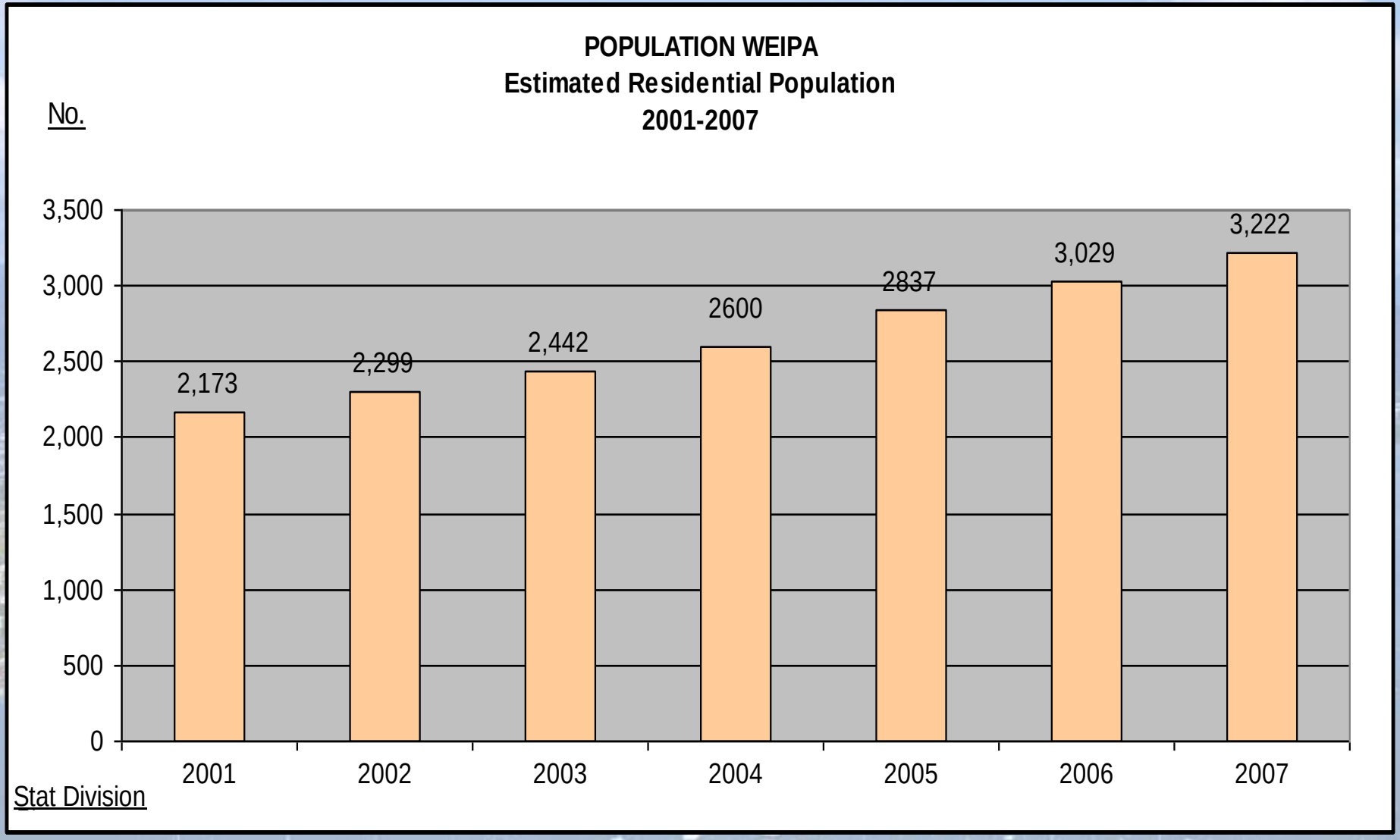
Population - Growth

Growth on Previous Year - Cairns Region

(Estimated Residential)



Source : Cummings Economics from ABS data..



Source: Cummings Economics from ABS data.

Problems “Wall St” spread to “Main St” and rest of the world.

Cairns Region Economy already impacted – NOT ALL BAD.

FINANCIAL CONFIDENCE

- Some evidence stabilised late October.
- Harder to borrow money / more scrutiny.
- But interest rates down.

COLLAPSE OF WEALTH

- Stock Exchange / Property Markets discounting prospects of future earnings.
- Some evidence stabilising.
- Impacts on spending patterns.

FALLING DEMAND

- COMMODITIES (falling prices)
- AUSTRALIAN DOLLAR (devaluation)
- LABOUR (less overtime, unemployment)

GOVERNMENT ACTION

FINANCIAL CONFIDENCE

PUMP PRIMING

CHANGES IN REAL GDP USA

	June Qtr	Sept Qtr
Personal Consumption	**+1.2%**	**-3.1%**
Durables	-2.8%	-14.1%
Non - Durables	+3.9%	-6.4%
Services	+0.7%	+0.6%
Private Investment		
Non - Residential	+2.5%	-1.0%
Residential	-13.3%	-19.1%
Net Exports		
Exports	+12.3%	+5.9%
Imports	-7.3%	-1.9%
Government		
Federal	+6.6%	+13.8%
State/Local	+2.5%	+1.4%
Total	+2.8%	-0.3%

LOCAL ECONOMY

- OUTSIDE EARNINGS
- CONSUMER BEHAVIOR
- INVESTMENT

TOURISM POSITIVES

- FALL IN AUSTRALIAN DOLLAR
- FALL IN FUEL PRICES
- AIRLINE CAPACITY CONSTRAINTS PASSING

QUESTION IS

- EXTENT OF DOWNTURN IN PROPENSITY TO TRAVEL IN SOURCE MARKETS

Domestic Airline Travel - Australia
Total Airline Passenger Growth

2001/02	(-6.6%)
2002/03	+8.0%
2003/04	+11.5%
2004/05	+11.4%
2005/06	+6.4%
2006/07	+8.0%
2007/08	+7.8%
(July)	(+8.6%)
(August)	(+5.7%)
(September)	(+3.5%)

Source: Cummings Economics from BITRE – Aviation Statistics.

PROPENSITY TO TRAVEL

US	Some reduction?
UK	Some reduction?
EUROPE	Some reduction?
JAPAN	Yen very high?
CHINA	Continue Growing?
INDIA	Continue Growing?

JAPANESE FLIGHT LOSS

INCOME LOSS $130 Million

= 5 to 6% of TOURISM EARNINGS

= 1 to 1.5% of GROSS REGIONAL PRODUCT

AGRICULTURE

ELEMENTS COMPETING ON WORLD MARKETS

- PRICES HOLDING UP
- DEVALUATION BOOST
- DOHA ROUND HOPES

AGRICULTURE

FRUIT DOMESTIC MARKET – SHELTERED MARKET

BANANA BIOSECURITY THREAT - BIGGEST THREAT TO LOCAL ECONOMY

- POTENTIAL LOSSES 3 TIMES

LOSS OF JAPANESE FLIGHTS

FISHING INDUSTRY

SAVED BY LOWER DOLLAR AND FUEL COSTS

24hr Aluminium
US$0.7748/lb ▼ -0.0014
0.770
0.760
www.kitco.com
03:25 09:25 15:25 21:25 03:23
Dec 01, 2008 03:24 NY time

30 Day Aluminium
USD / lb
0.950
0.900
0.850
0.800
0.750
www.kitco.com
30Oct 05Nov 11Nov 17Nov 21Nov 27Nov

60 Day Aluminium
USD / lb
1.200
1.100
1.000
0.900
0.800
0.700
www.kitco.com
30Sep 10Oct 22Oct 03Nov 13Nov 25Nov

6 Month Aluminium
USD / lb
1.600
1.400
1.200
1.000
0.800
0.600
www.kitco.com
02Jun 04Jul 07Aug 11Sep 15Oct 18Nov

1 Year Aluminium
USD / lb
1.600
1.400
1.200
1.000
0.800
0.600
www.kitco.com
Nov07 Feb08 Apr08 Jun08 Sep08 Nov08

5 Year Aluminium
USD / lb
2.000
1.500
1.000
0.500
www.kitco.com
Dec03 Nov04 Nov05 Oct06 Oct07 Sep08

MINING
Percent Fall in Metal Prices
July 21 to November 24 in $US and $Aust

	% Decline	
	$US	**$Aust**
Aluminium	-46%	-15%
Copper	-61%	-38%
Lead	-47%	-16%
Nickel	-54%	-28%
Zinc	-41%	-7%
GFMS Index	**-48%**	**-18%**

Source: US Prices – KITCO Base Metals; Exchange Rates – RBA.

Estimated Additional Mining Jobs in Pipeline Queensland Mackay North – Mid 2008

FAR NORTH	1,600
NORTH WEST	2,000
MACKAY/ CHARTERS TOWERS	3,100
TOTAL	**6,700**

OTHER SERVICE OUTSIDE EARNINGS

- MARITIME SERVICES
- AVIATION SERVICES
- INTERNATIONAL EDUCATION

DROP IN AUST $ RESTORES COMPETITIVENESS

CONSUMER SPENDING

- CONSUMER DURABLES DOWN

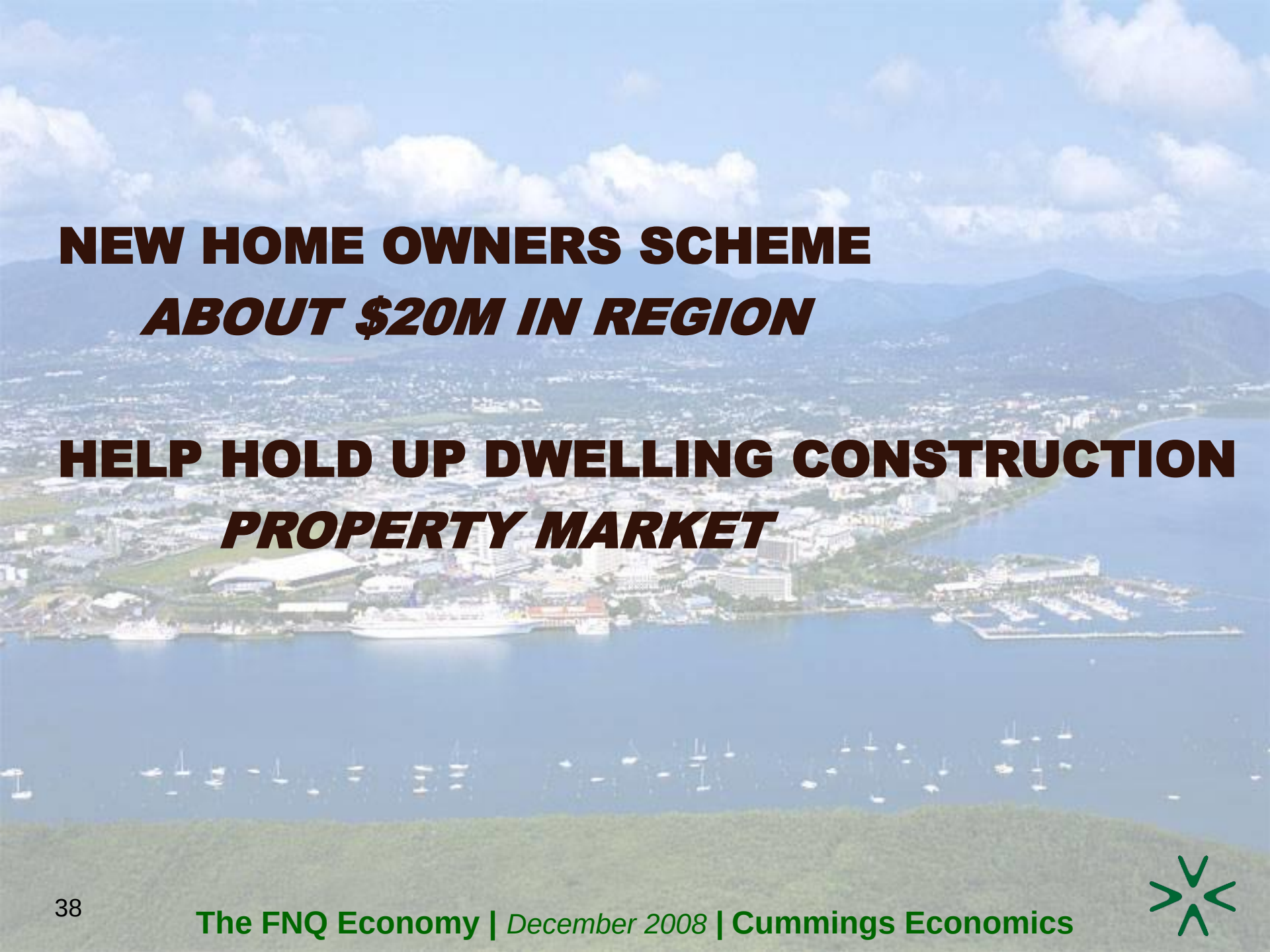
- $100 Million PUMP PRIMING
  EARLY DECEMBER
  PENSIONERS - FAMILIES

INVESTMENT

- **VALUE OF BUILDING APPROVALS**
  1st Quarter 2008/09 = $500 m
  (cf – Total 2007/08 = $1.2 bn)
- **GOVT SPENDING NEXT FEW YEARS**

Lotus Glen	$455 m
Hospital	$450 m
Dental School	$48 m
Office Block	$80 m
CLOSE TO	**$1 billion**

- **UPGRADE GOVT SERVICES, HEALTH & HOSPITAL**
- **EXTRA EMPLOYMENT**



NEW HOME OWNERS SCHEME

ABOUT $20M IN REGION

HELP HOLD UP DWELLING CONSTRUCTION

PROPERTY MARKET

GETTING THINGS INTO PERSPECTIVE

	Total	Recent Annual Growth
REGIONAL POPULATION	Res 254.000	6,000
REGIONAL WORKFORCE	130,000	3,000
REGIONAL GRP	Approx $10 bn	$700 m ($250m REAL)

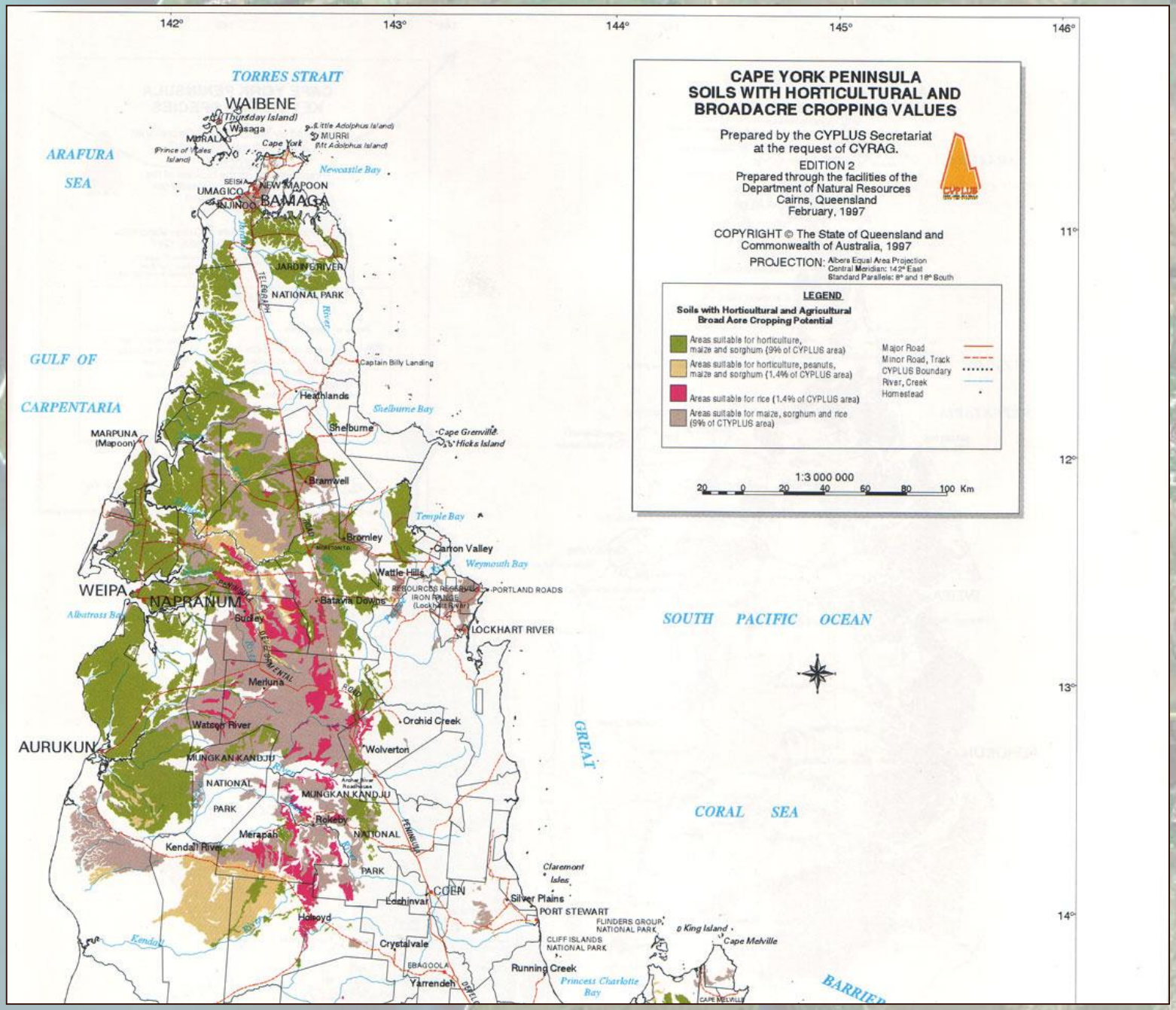
Loss of 600 jobs = 0.5% of workforce.
Japanese Flights = 1% to 1.5% of GRP.

Next 12 months

Slowing in pace of growth
But still positive.

PENINSULA AREA MINERAL PROJECTS

- SOME SHORT TERM DELAYS?
- FUTURE PROSPECTS EXCELLENT


CAPE YORK PENINSULA
SOILS WITH HORTICULTURAL AND
BROADACRE CROPPING VALUES
Prepared by the CYPLUS Secretariat
at the request of CYRAG.
EDITION 2
Prepared through the facilities of the
Department of Natural Resources
Cairns, Queensland
February, 1997
COPYRIGHT © The State of Queensland and
Commonwealth of Australia, 1997
PROJECTION: Albers Equal Area Projection
Central Meridian: 142° East
Standard Parallels: 8° and 18° South
LEGEND
Soils with Horticultural and Agricultural
Broad Acre Cropping Potential
Areas suitable for horticulture,
maize and sorghum (9% of CYPLUS area)
Areas suitable for horticulture, peanuts,
maize and sorghum (1.4% of CYPLUS area)
Areas suitable for rice (1.4% of CYPLUS area)
Areas suitable for maize, sorghum and rice
(9% of CTYPLUS area)
Major Road
Minor Road, Track
CYPLUS Boundary
River, Creek
Homestead
1:3 000 000
20 0 20 40 60 80 100 Km
142°
143°
144°
145°
146°
11°
12°
13°
14°
TORRES STRAIT
WAIBENE
(Thursday Island)
Wasaga
(Little Adolphus Island)
MURRI
(Mt Adolphus Island)
MORALGA
(Prince of Wales Island)
Cape York
Newcastle Bay
ARAFURA SEA
SEISIA
NEW MAPOON
UMAGICO
INJINOO
BAMAGA
JARDINE RIVER NATIONAL PARK
GULF OF CARPENTARIA
Captain Billy Landing
Heathlands
Shelburne Bay
Shelburne
Cape Grenville
Hicks Island
MARPUNA
(Mapoon)
Bramwell
Temple Bay
Bromley
Carron Valley
Weymouth Bay
Wattle Hills
WEIPA
NAPRANUM
Albatross Bay
Batavia Downs
PORTLAND ROADS
IRON KNOB
Gudley
LOCKHART RIVER
SOUTH PACIFIC OCEAN
Merluna
Orchid Creek
Watson River
AURUKUN
Wolverton
MUNGKAN KANDJU NATIONAL PARK
Roseby
Merapah
Kendall River
COEN
Claremont Isles
Silver Plains
PORT STEWART
Lochinvar
Holroyd
Crystalvale
FLINDERS GROUP NATIONAL PARK
CLIFF ISLANDS NATIONAL PARK
King Island
Cape Melville
Running Creek
Princess Charlotte Bay
CAPE MELVILLE
GREAT CORAL SEA
BARRIER

MARINE INDUSTRIES & TOURISM

EXPANSION IN ASSOCIATION WITH NPA / TORRES STRAIT

QUEENSLAND REMOTE REGIONAL POPULATION TRENDS

	1991	2007	Growth	Proj. 2023
Peninsula / Torres	17,492	23,027	+31.6%	(30,317)
Gulf	5,763	6,223	+8.0%	(6,721)
Mt Isa / North West	33,731	28,308	-16.1%	(23,750)
Central West	13,326	11,397	-14.5%	(9744)
South West	29,182	26,161	-10.4%	(23,440)

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