"Getting Things into Perspective"

The Cairns Economy

Recent Movements and Short-Term Prospects

Presentation to the
Cairns Chamber of Commerce Luncheon
November 2008

In retrospect -

The year 2007 / 2008

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

Tourism Growth Phases

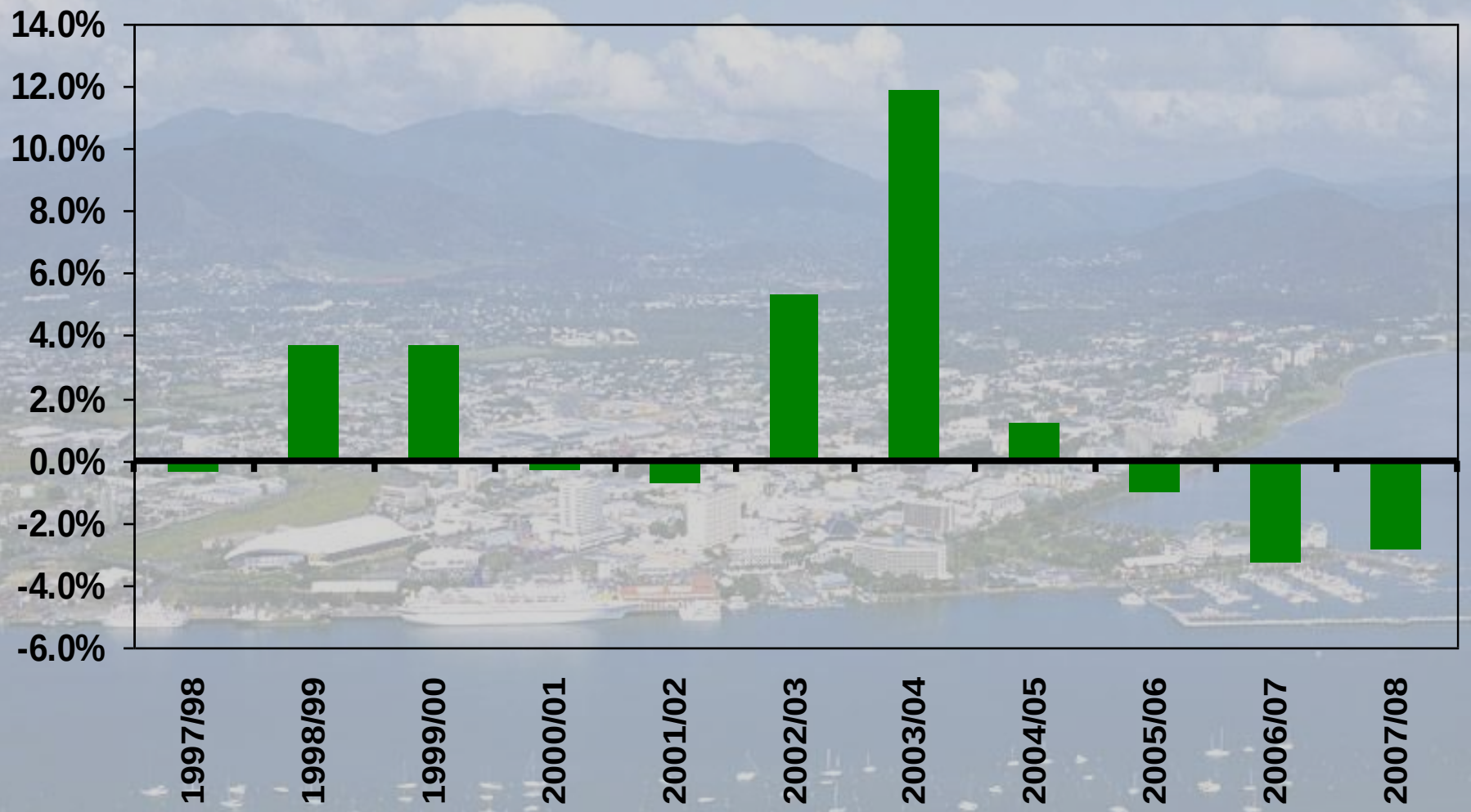
CAIRNS AIRPORT PASSENGER MOVEMENTS

(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



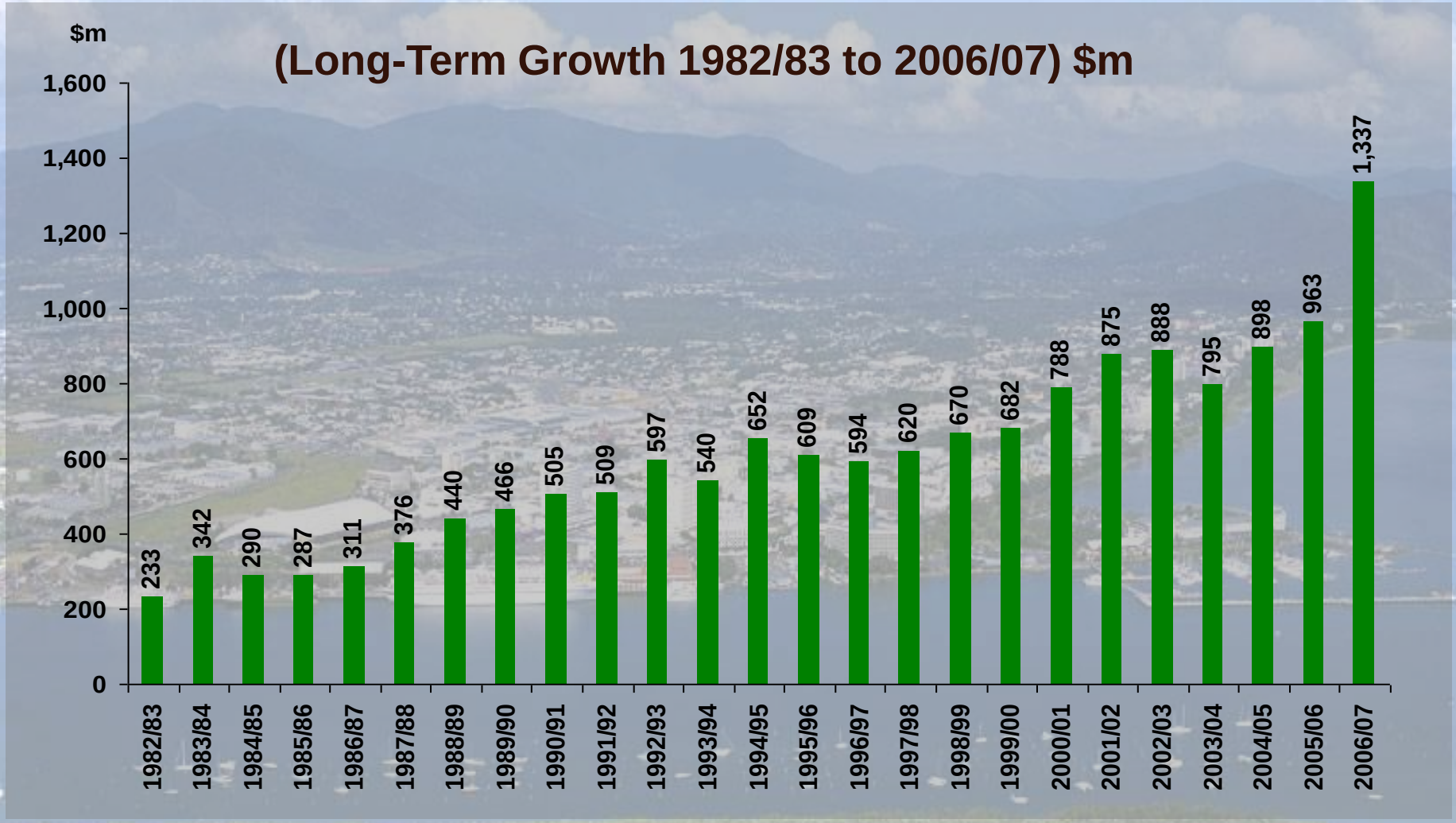
Source : Cummings Economics from ABS data.

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

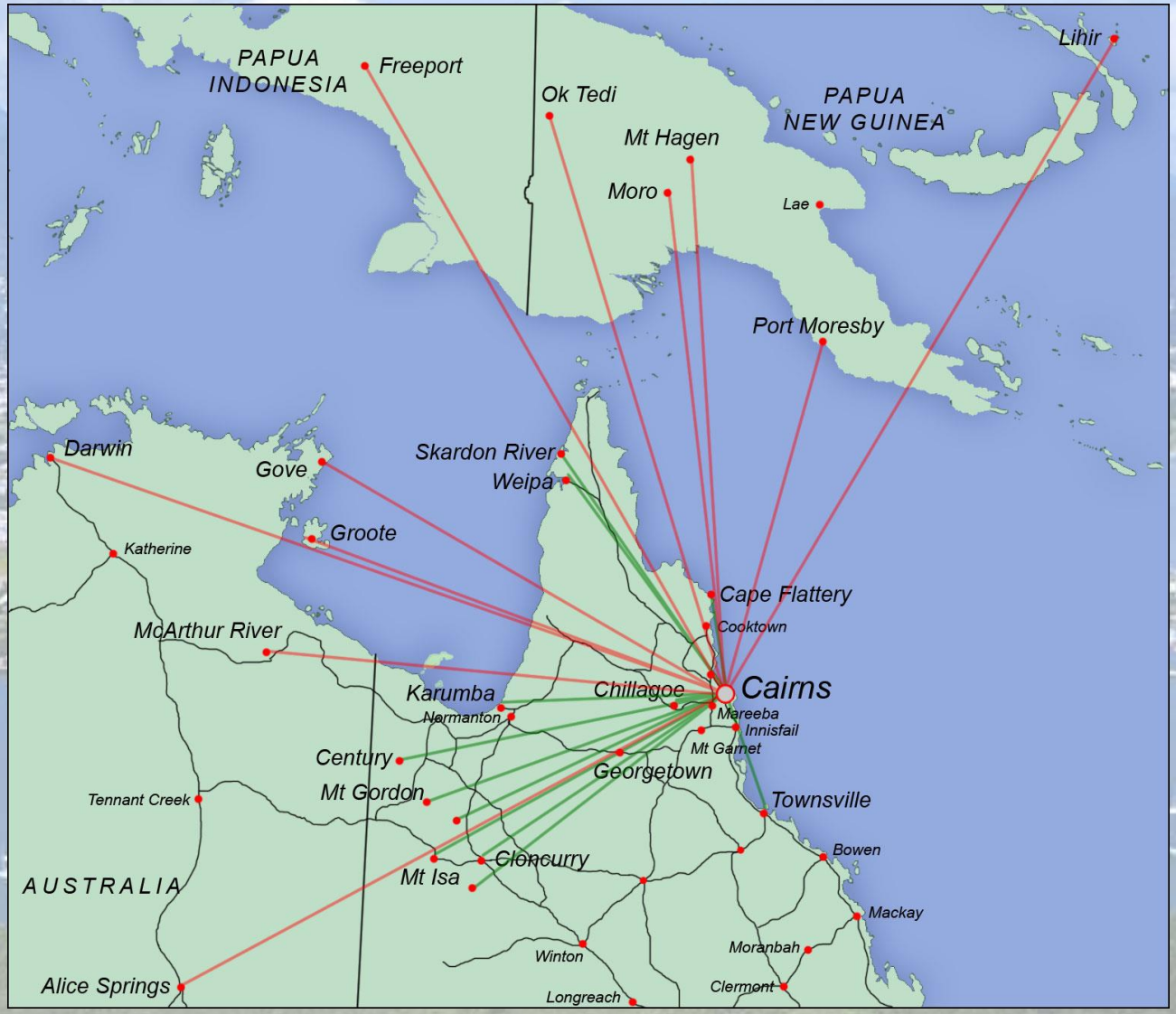
Far North Statistical Division

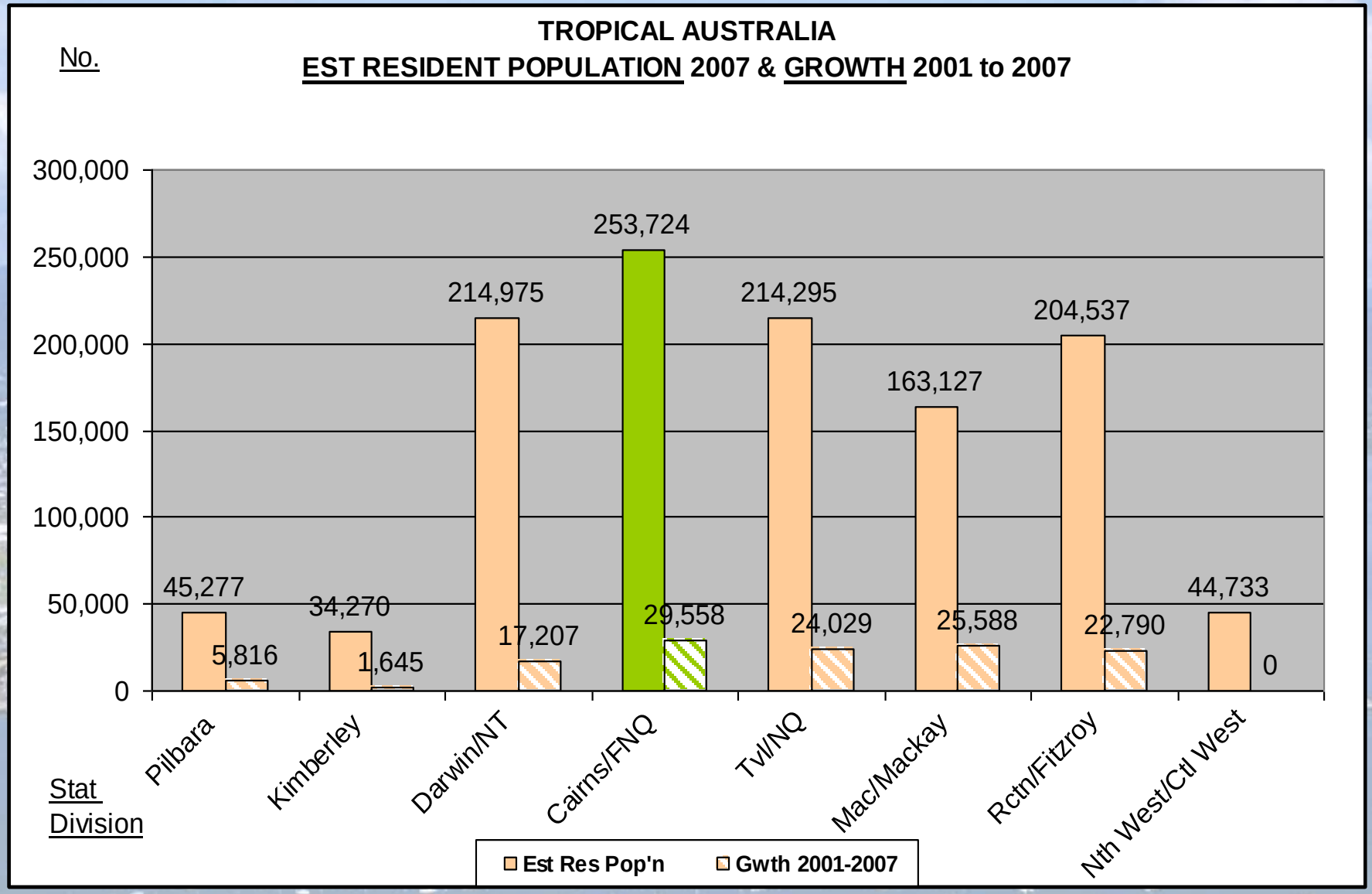
Source: Cummings Economics from Q'ld Dept of Mines & Energy.

Estimated Existing Mining Workforce Far North Queensland – Mid 2008

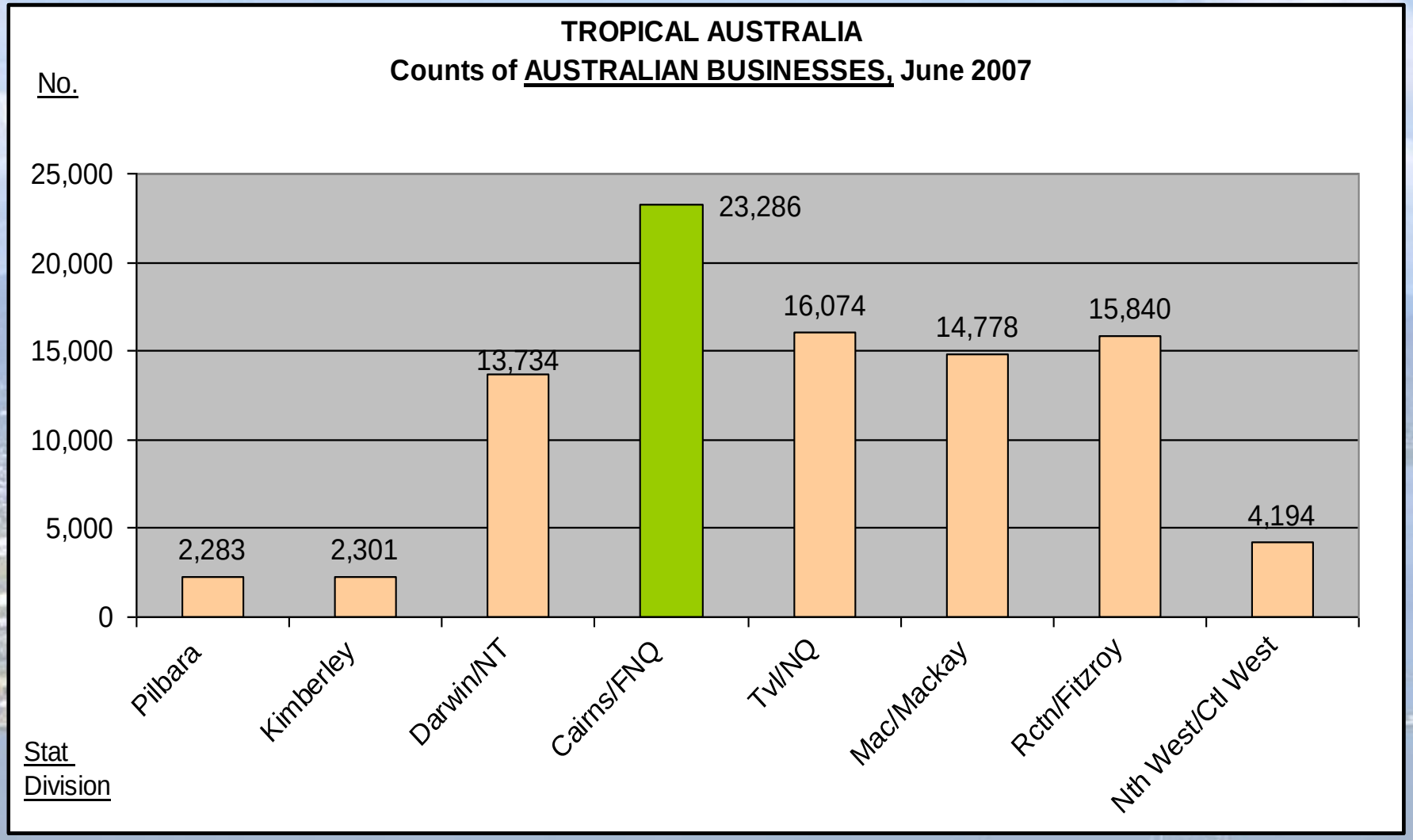
WORKING AT MINES		1,600
FLY-IN TO MINES OUTSIDE REGION		1,900
Construction/Maintenance	500	
Mines North West Q'ld	970	
PNG & NT	460	
TOTAL		**3,500**

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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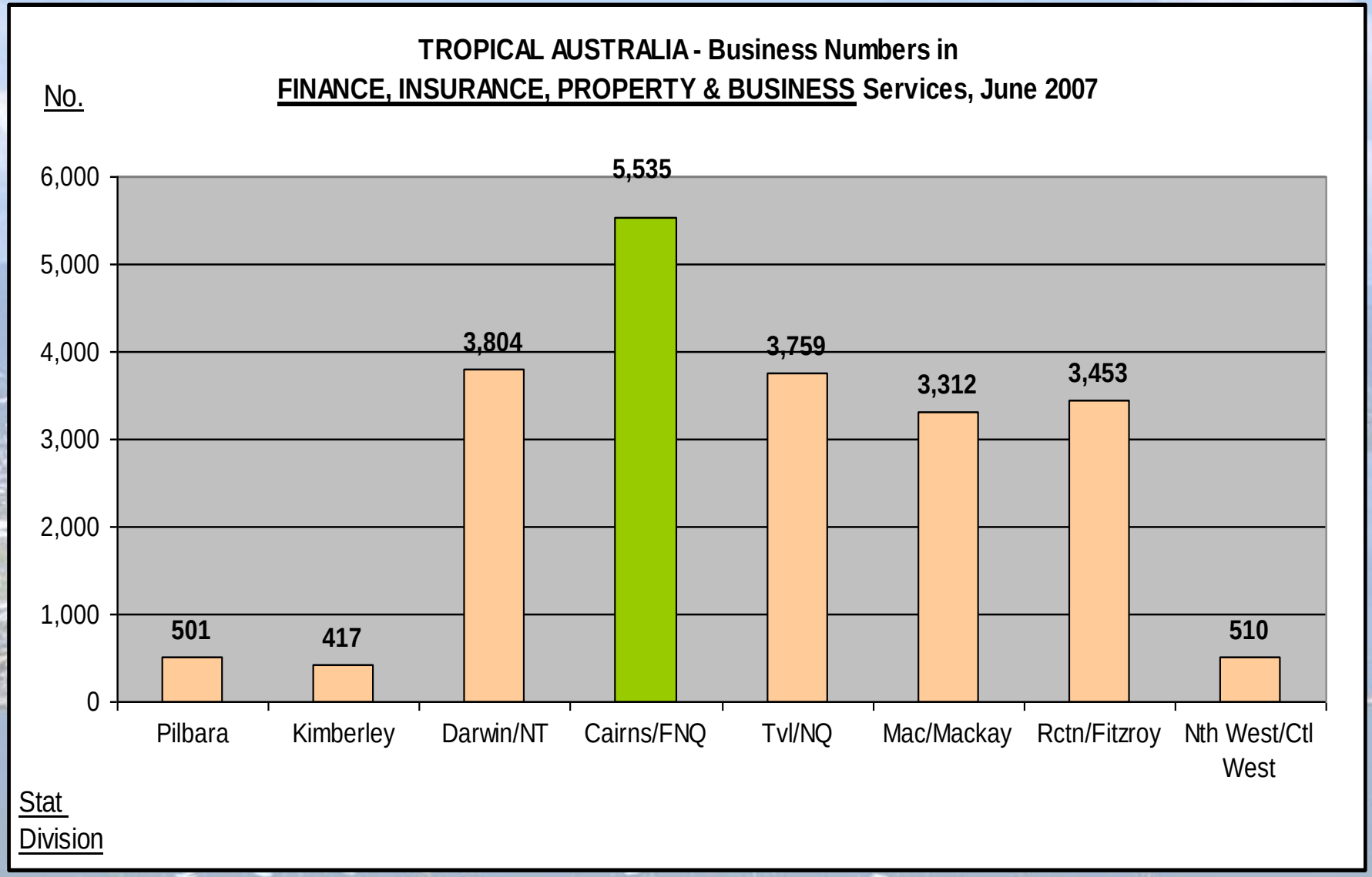

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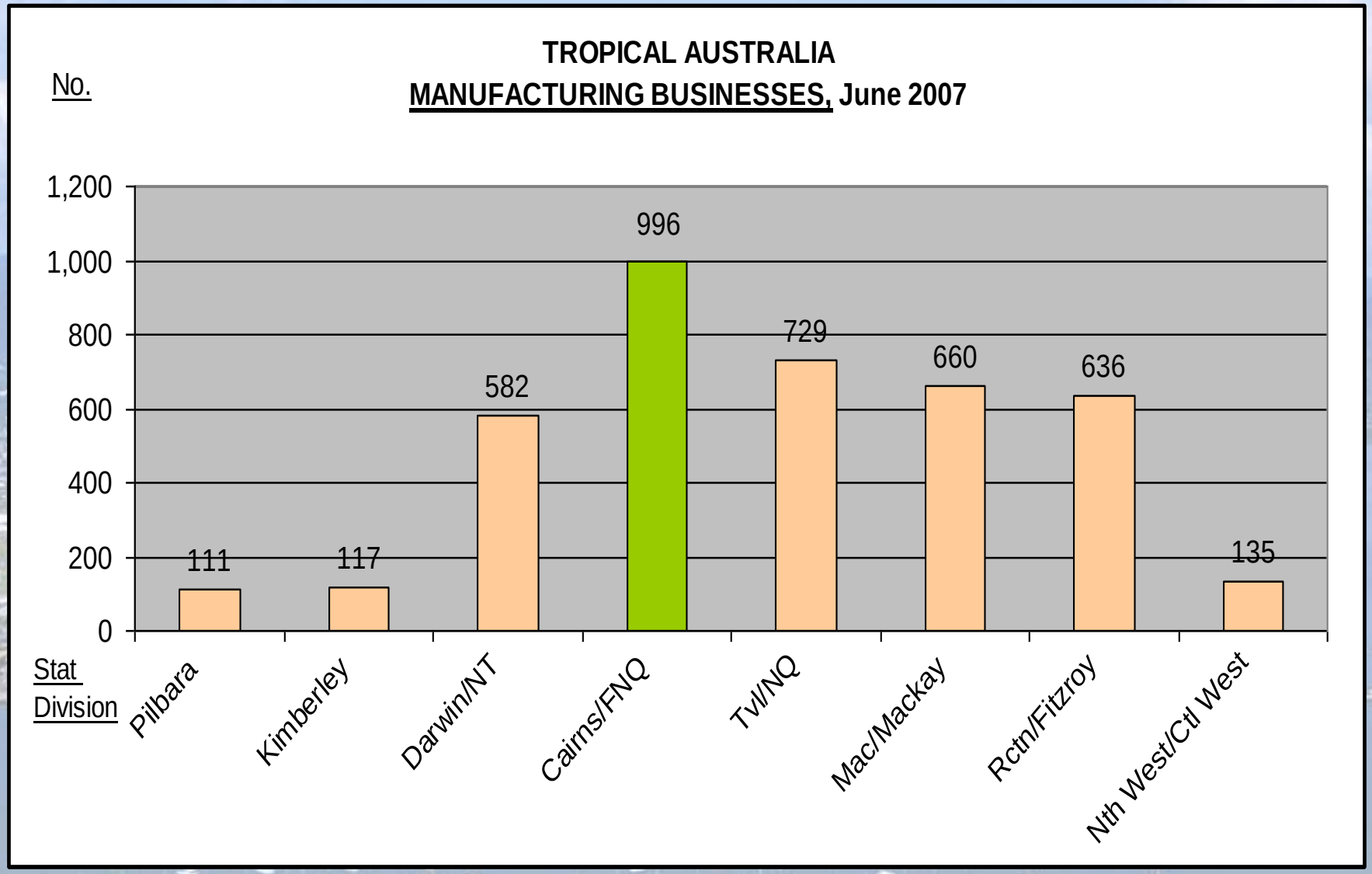

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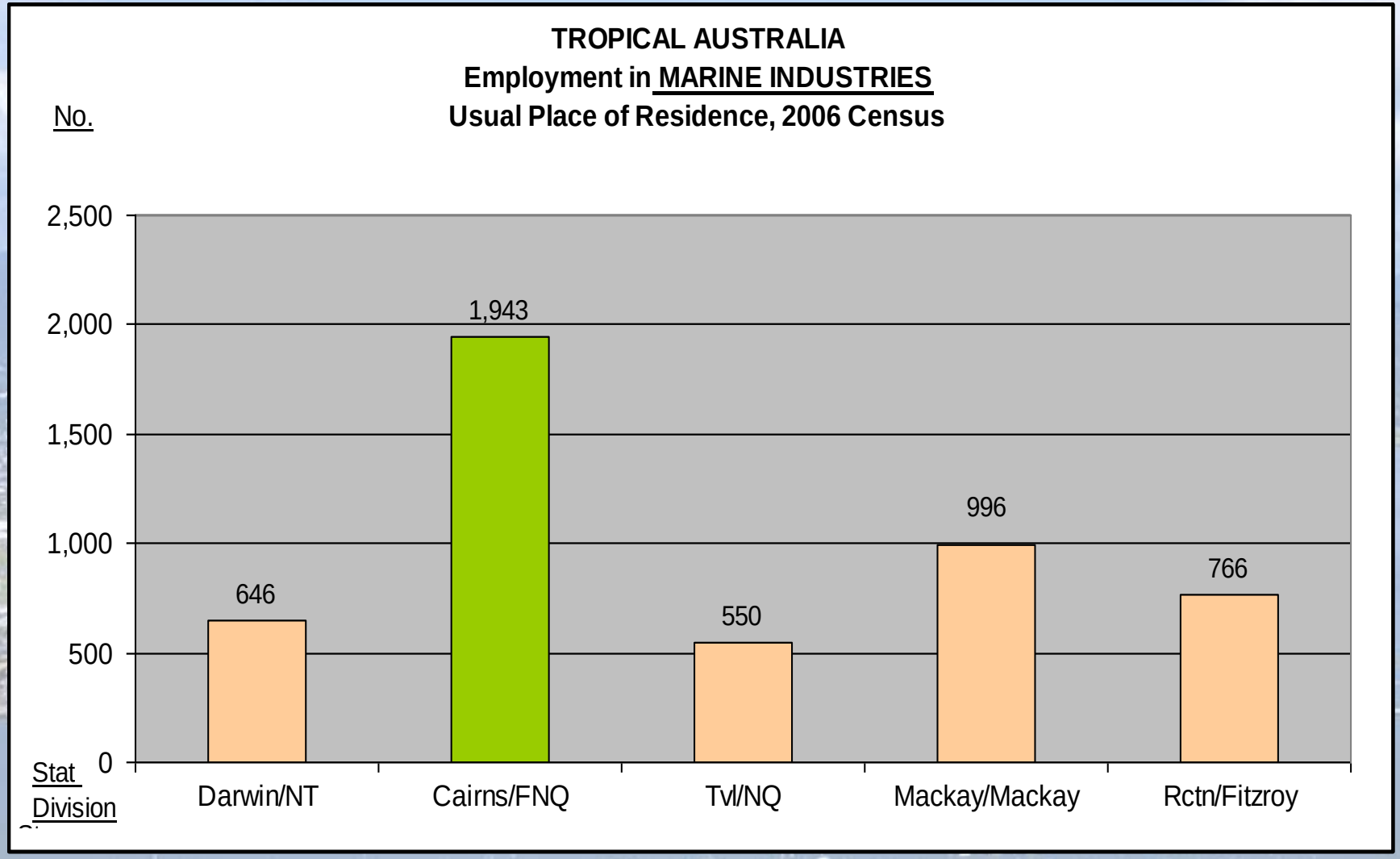

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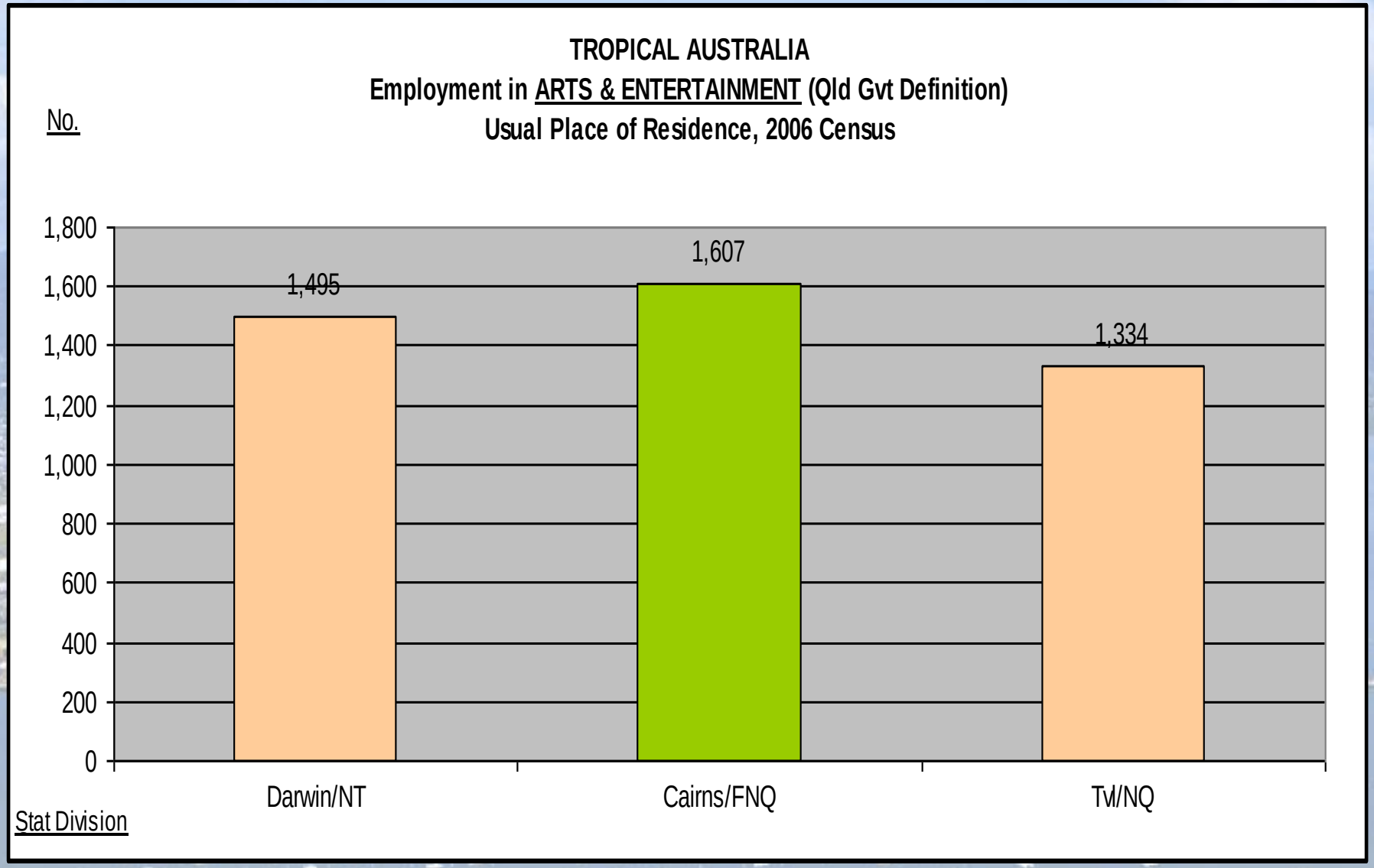
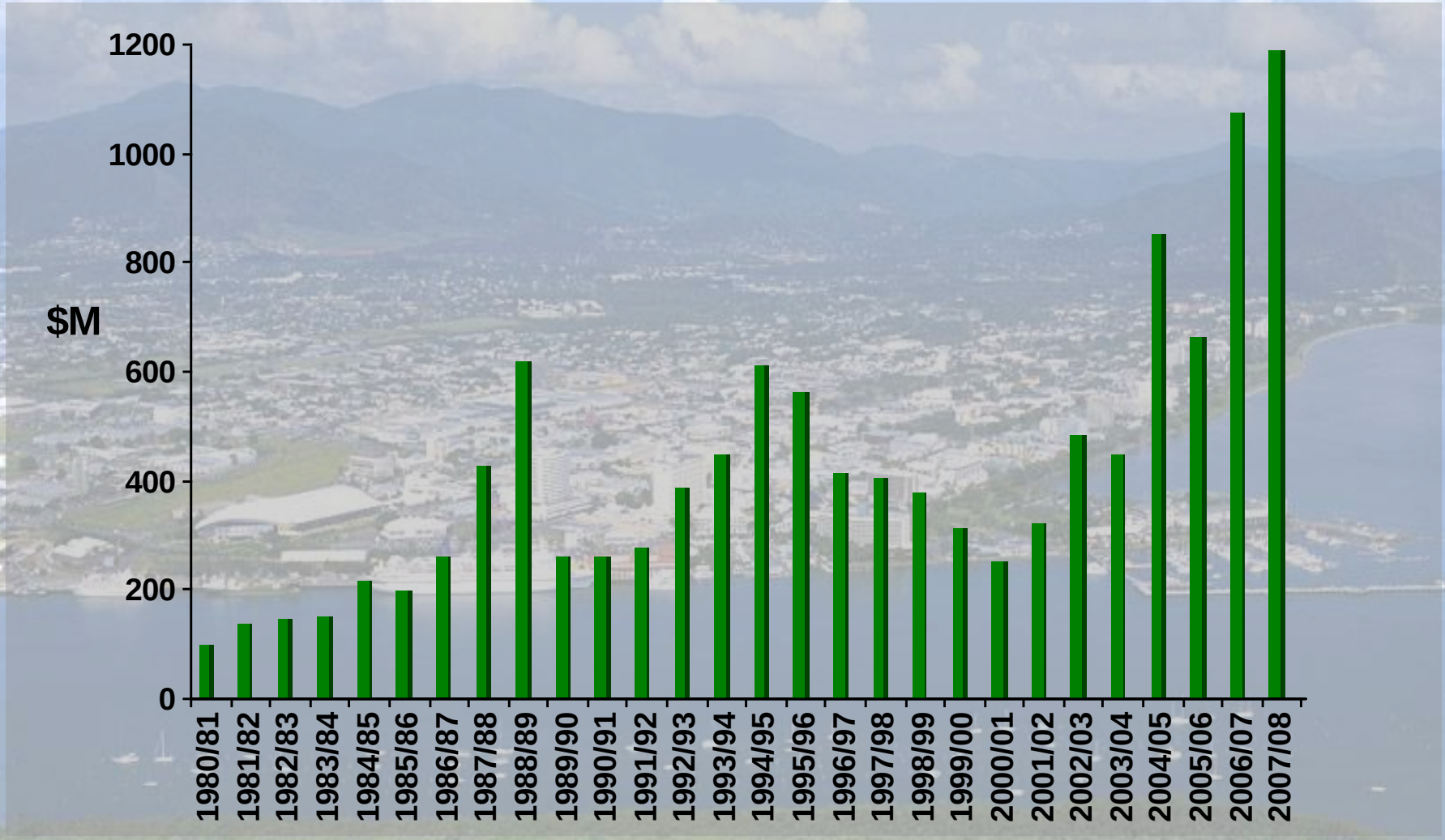


Source: Cummings Economics from ABS data.

Value of Building Approvals
Far North Qld Statistical Division

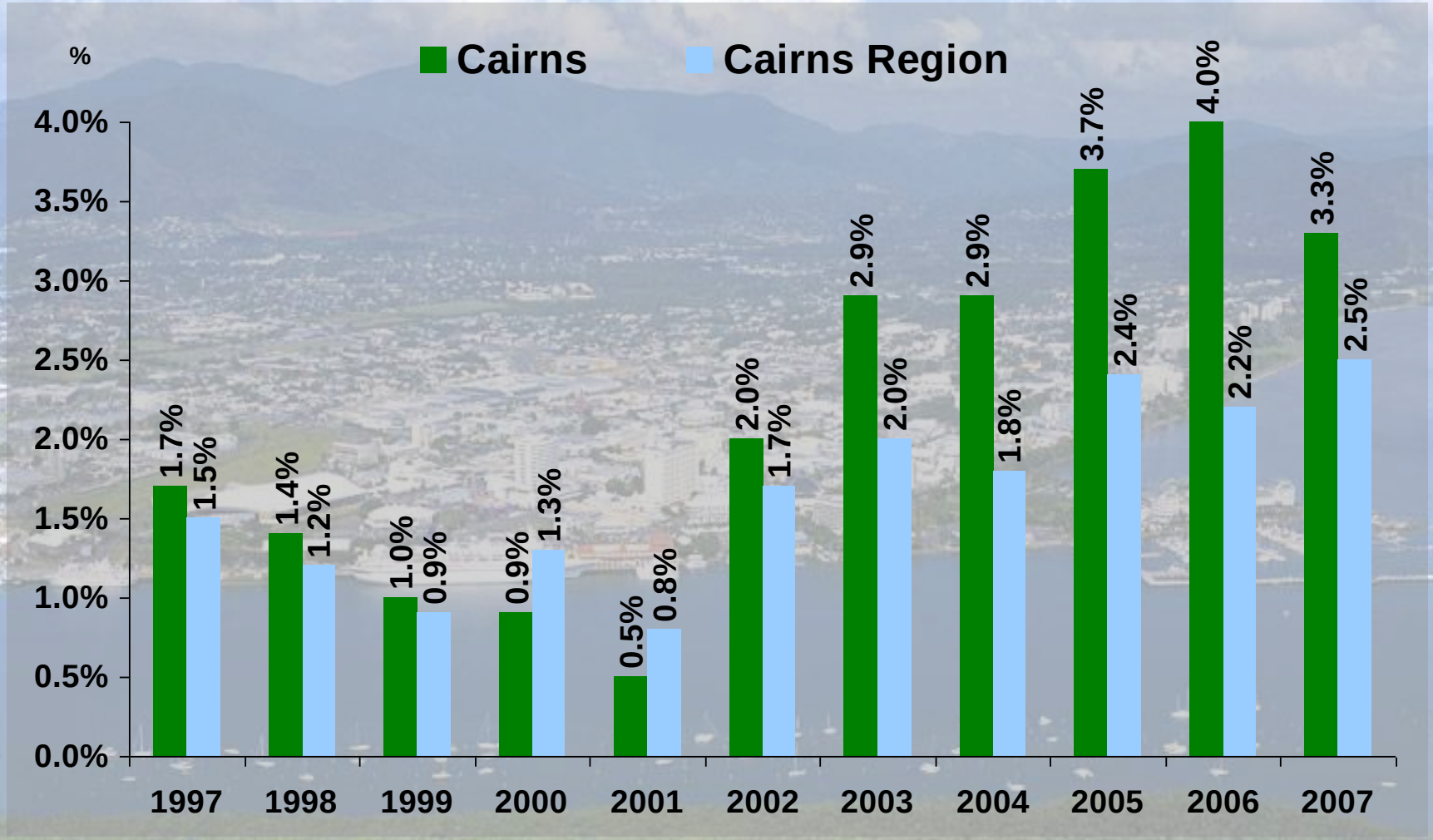


Source : Cummings Economics from ABS data.

Population - Growth

Growth on Previous Year - Cairns Region

(Estimated Residential)



Source : Cummings Economics from ABS data..

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

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.

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