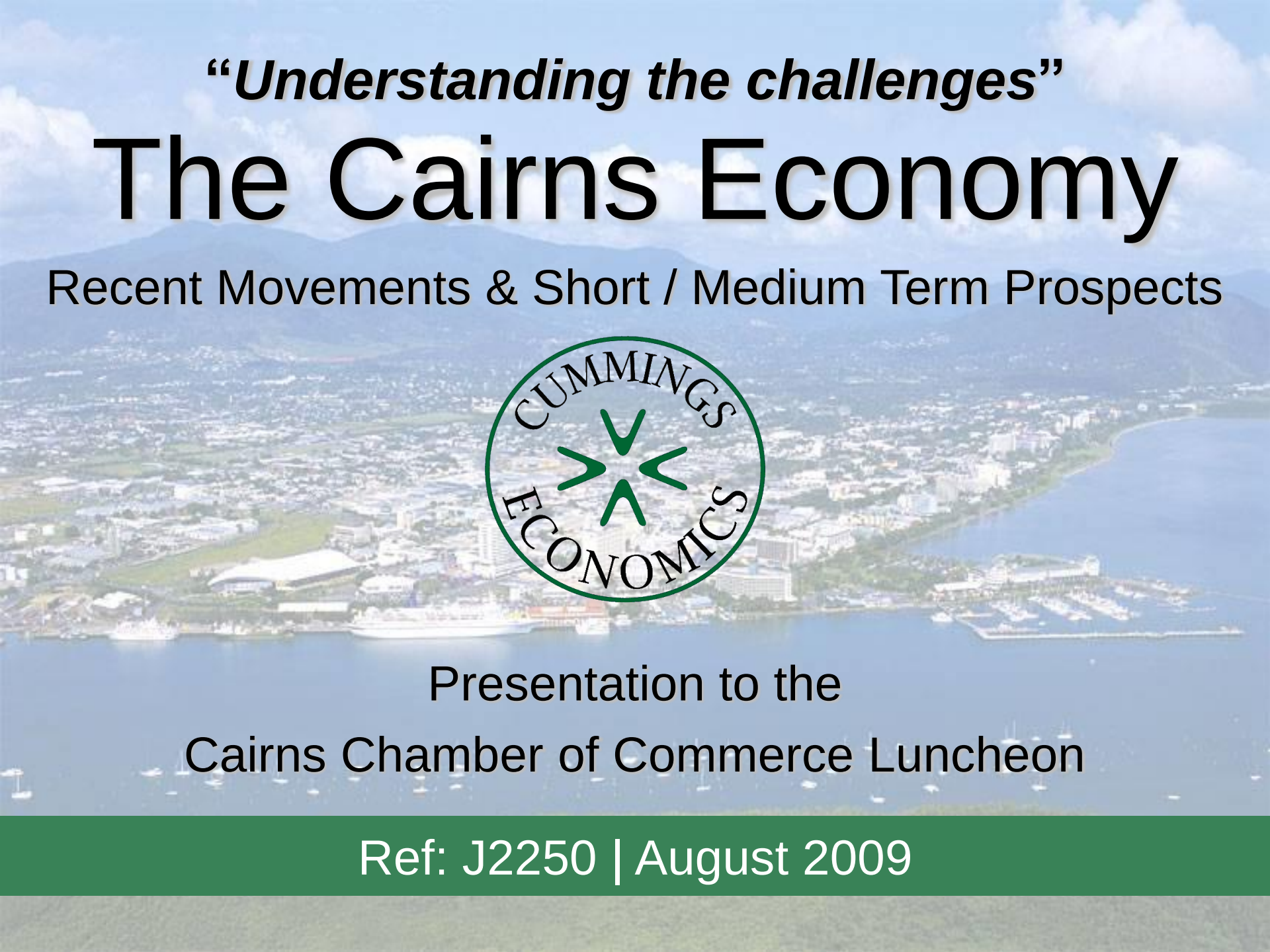


"*Understanding the challenges*"

The Cairns Economy

Recent Movements & Short / Medium Term Prospects

CUMMINGS ECONOMICS

Presentation to the

Cairns Chamber of Commerce Luncheon

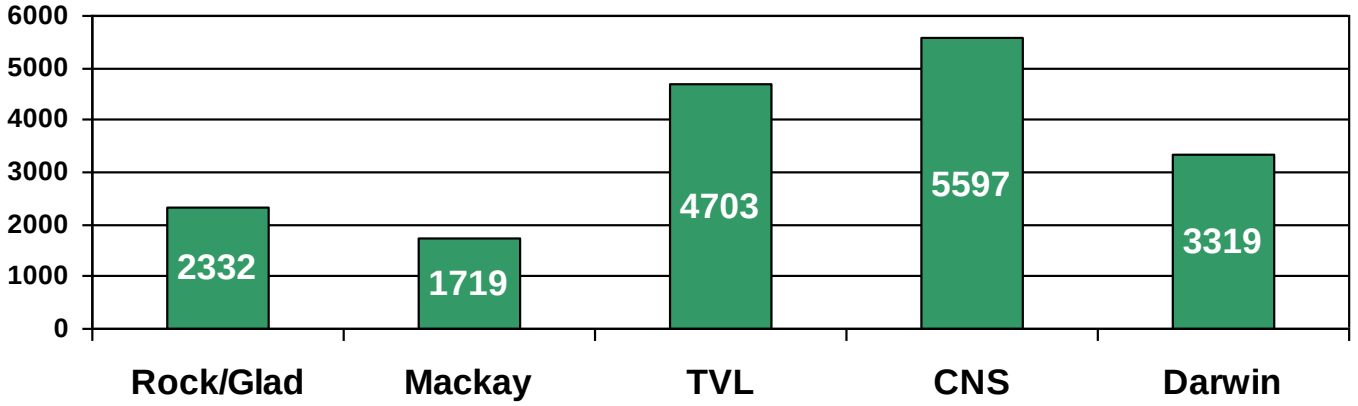
Ref: J2250 | August 2009

RESIDENTIAL POPULATION GROWTH - CAIRNS
GROWTH PEAKS OVER 4000

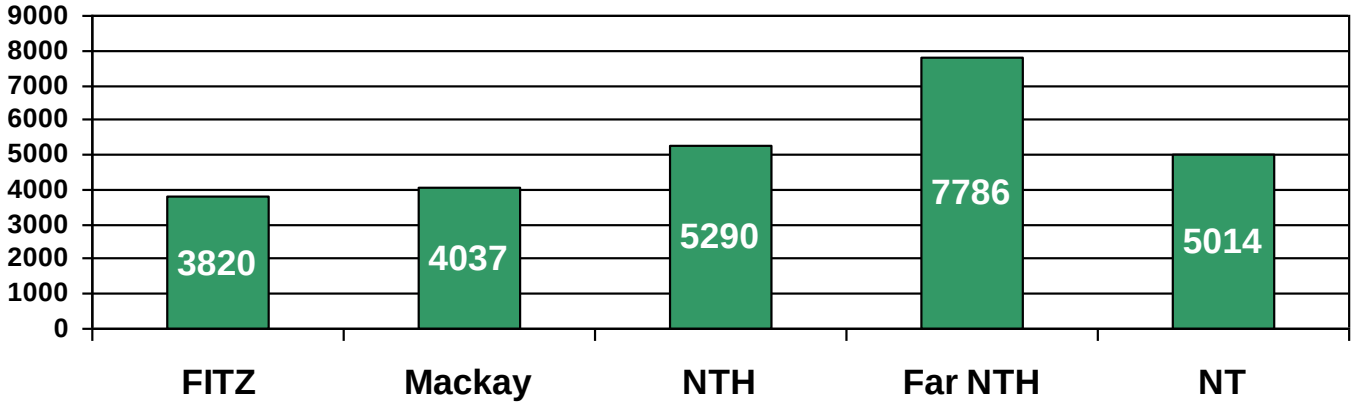
	No.	%
1985/86	4030	5.3%
1992/93	4456	4.6%
1993/94	4375	4.4%
1994/95	5077	4.9%
2004/05	4053	3.7%
2005/06	5217	4.1%
2006/07	4768	3.6%
2007/08	**5599**	**4.1%**

NORTHERN AUSTRALIA RES POPULATION GROWTH 2007/08

CITIES

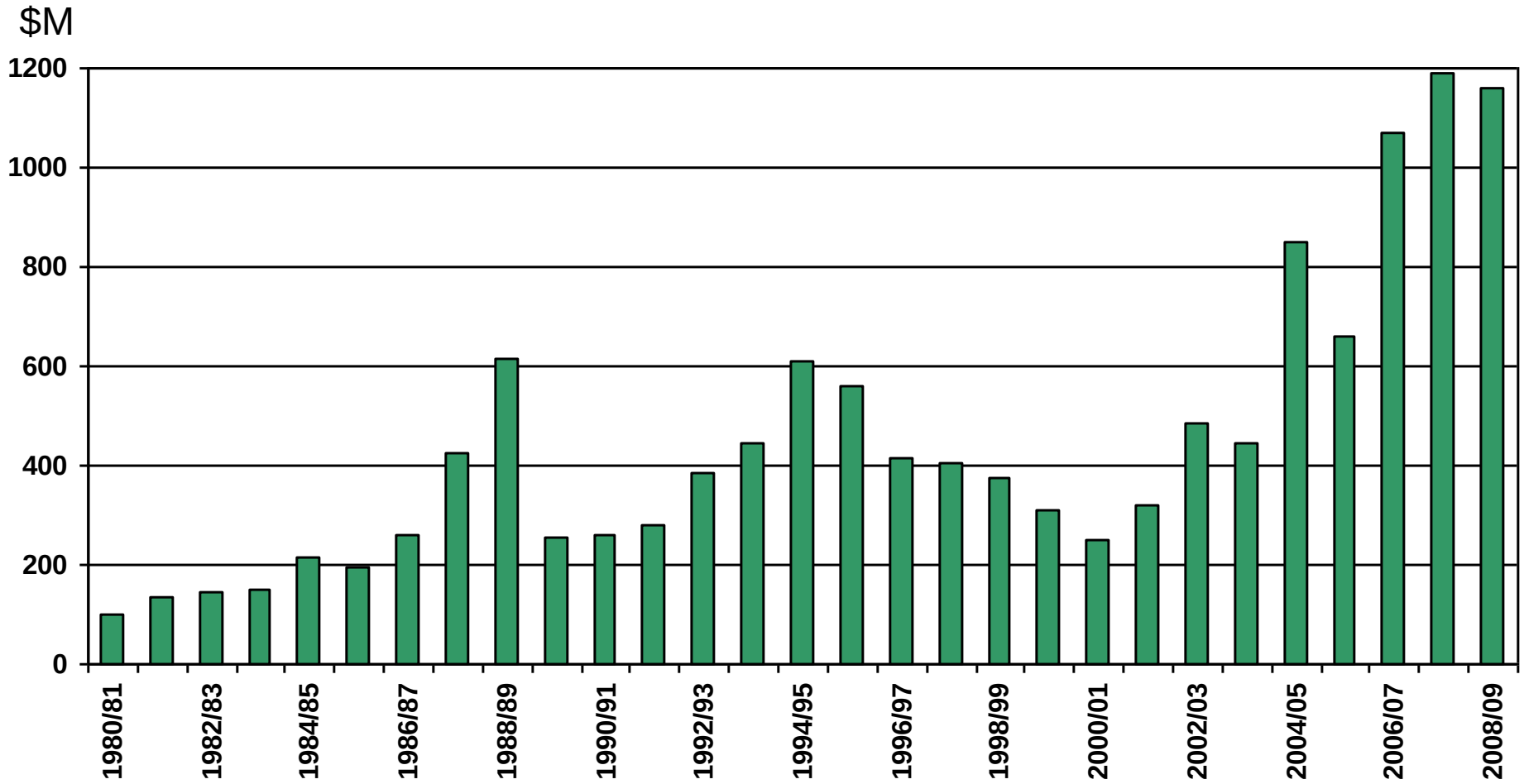


REGIONS



Source: Cummings Economics from ABS Data

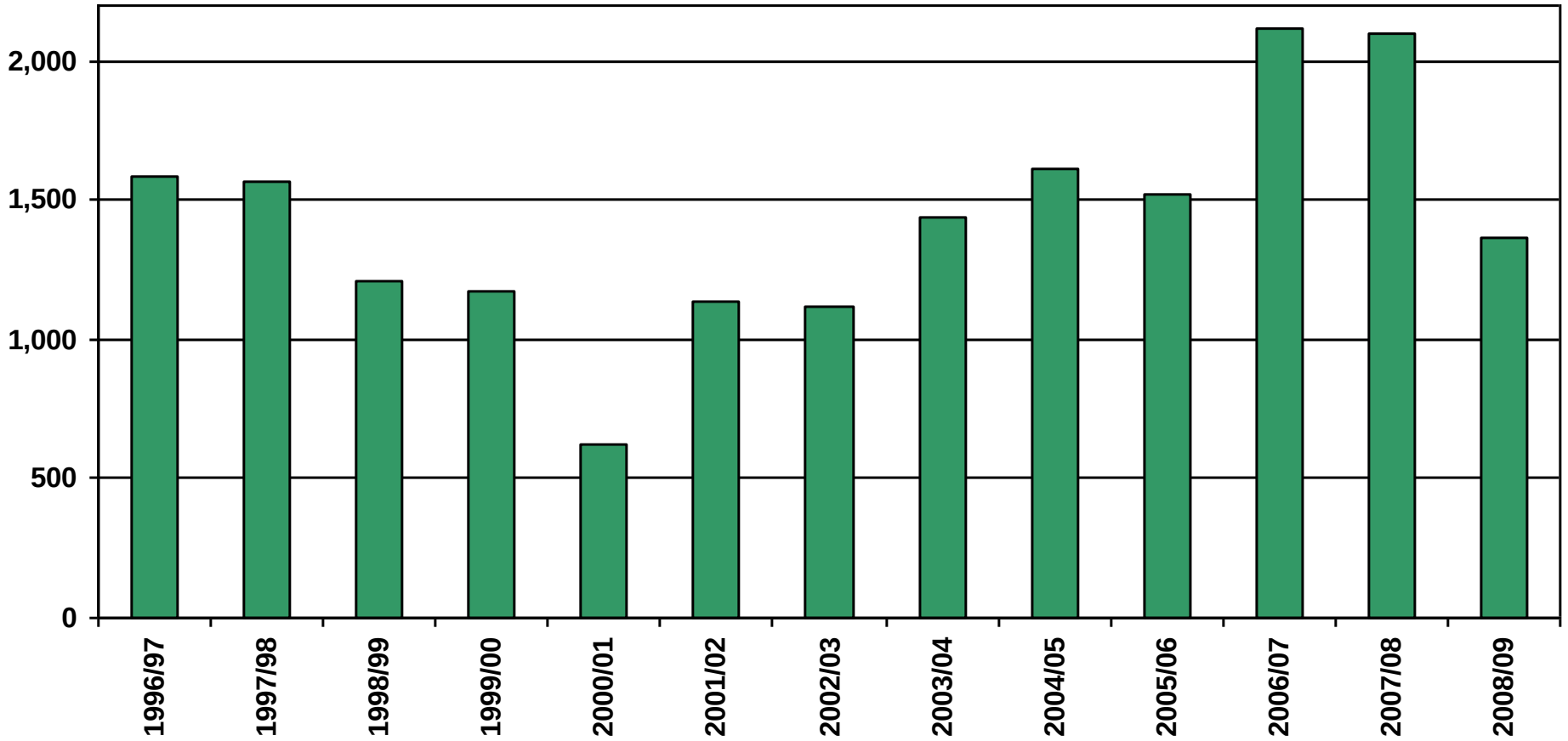
VALUE OF BUILDING APPROVALS
FAR NORTH QLD STATISTICAL DIVISION



Source: Cummings Economics from ABS Data

CONSTRUCTION BUILDING APPROVALS

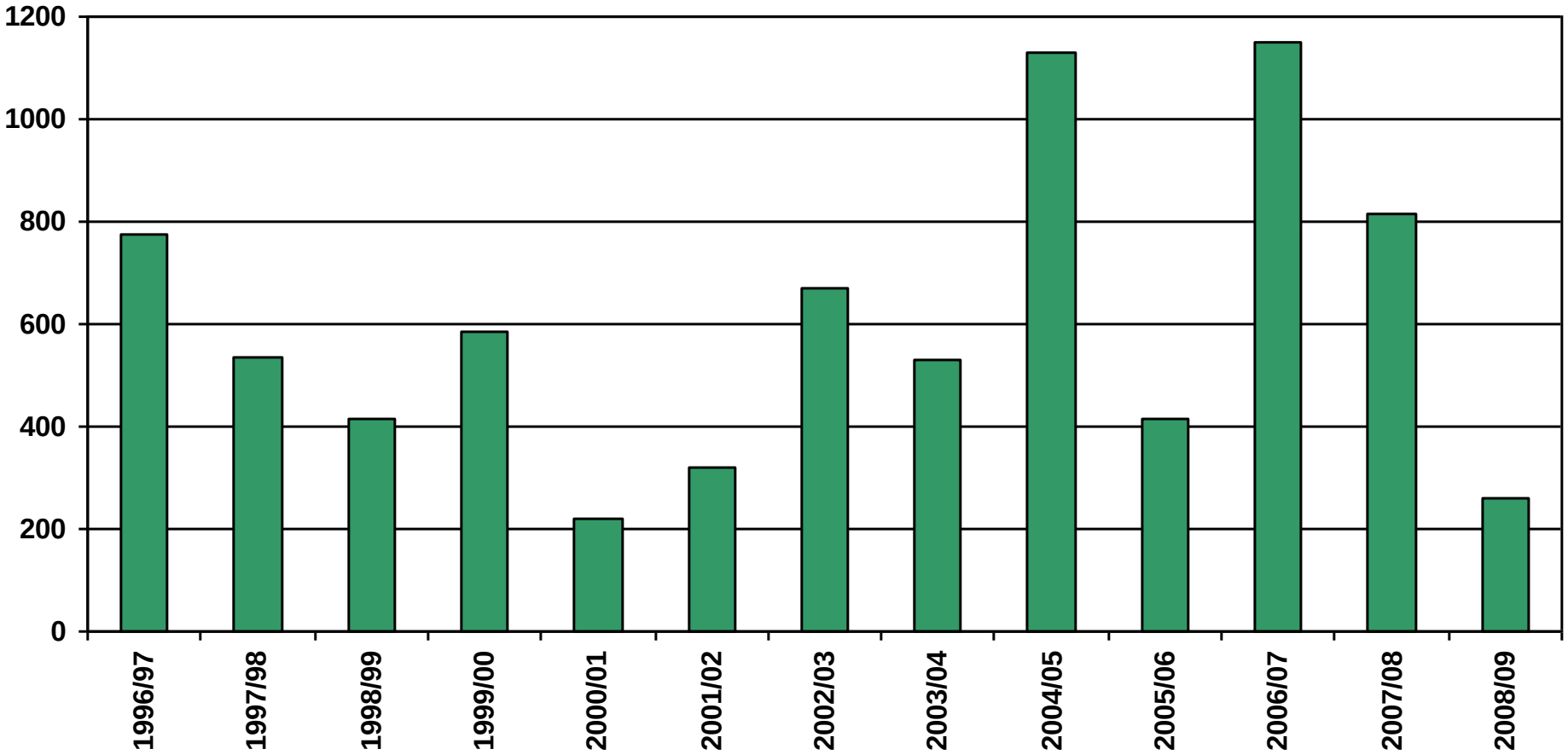
FAR NORTH STATISTICAL DIVISION – DWELLINGS / HOUSES (NUMBER)



Source: Cummings Economics from ABS Data

CONSTRUCTION BUILDING APPROVALS

FAR NORTH STATISTICAL DIVISION – FLATS / UNITS (NUMBER)



Source: Cummings Economics from ABS Data

CONSTRUCTION IN THE ECONOMY

CONSTRUCTION 14% OF WORKFORCE

ALSO PART MANUFACTURING,
TRANSPORT DISTRIBUTION & BUSINESS SERVICES

INITIALLY HANGOVER OF WORK FROM 2007/08

GOVERNMENT RESPONSE – SCHOOLS
GOVERNMENT PROJECT, FIRST HOME OWNERS

% Drop in building approvals 3 months Mar / Apr / May 2009 on same period previous year.

	Cairns	Tablelands
Dwellings No.	-63%	-30%
Total Value	-60%	Nil

Source: Cummings Economics from ABS Data

CONSUMPTION SPENDING

LARGEST SECTOR – OVER 50% OF GDP

POSITIVES

- LOWER INTEREST RATES
- LOWER PETROL PRICES
- REDUCED INFLATION
- GOVERNMENT STIMULUS PAYMENTS $250M
- POPULATION GROWTH

ALL INDICATIONS - CONTINUED TO GROW

CONSUMER DURABLES - DOWN BUT STABILISED

GOVERNMENT EMPLOYMENT UP

- ADMINISTRATION
- DEFENCE
- HEALTH
- EDUCATION

GROWTH IN EMPLOYMENT
2001 – 2006 CAIRNS

	No.	%
AGRICULTURE, MINING, MANUFACTURING & ELECTRICITY	255	3%
CONSTRUCTION	2328	29%
RETAIL & WHOLESALE TRADE	596	7%
ACCOMMODATION & FOOD	(-239)	(-3%)
TRANSPORT & COMMUNICATIONS	425	5%
BUSINESS SERVICES	1279	15%
GOVERNMENT & DEFENCE	1073	13%
HEALTH SERVICES & EDUCATION	**1876**	**23%**
OTHER SERVICES	67	1%
NOT STATED	562	7%
TOTAL	**8271**	**100%**

Source: Cummings Economics ABS Data

THE “BASE” INDUSTRIES

- EARN OUTSIDE INCOME
- MAINLY DEPEND NATURAL ATTRIBUTES, RESOURCES FOR COMPETITIVE ADVANTAGE
- LOCATE ACTIVITIY IN REGION
DRIVE LONG TERM GROWTH – SHORT TERM EFFECTS
- SERVICE STRUCTURE FOLLOWS.
MAINLY IN DISTRICT TOWNS & REGIONAL CITIES
- RATIO TO GDP NATIONAL ABOUT 25%, FNQ ABOUT 50%

TOURISM 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

TOURISM RESOURCES - TOURISM GROWTH

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	3,846,000	(-0.8%)	
2008/09	3,703,052	(-4.0%)	Loss of Japanese flights

Source: Cummings Economics from CPA & Cairns Airports

TOURISM

INTERNATIONAL DOWN

- LOSS OF JAPANESE FLIGHTS
- GFC - LONGER DISTANCE
- SMALL SWINE FLU JAPAN & CHINA
- DOLLAR CREEPING BACK UP
- DREAMLINERS – NON ARRIVAL
- BACKPACKERS – LACK OF JOBS

DOMESTIC UP

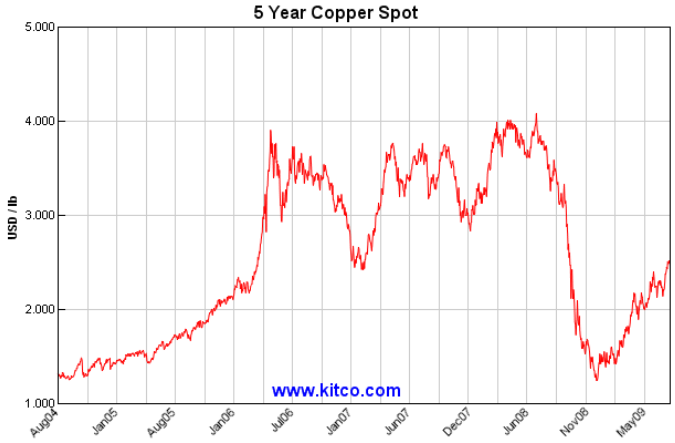
MINERAL SALES – FAR NORTH

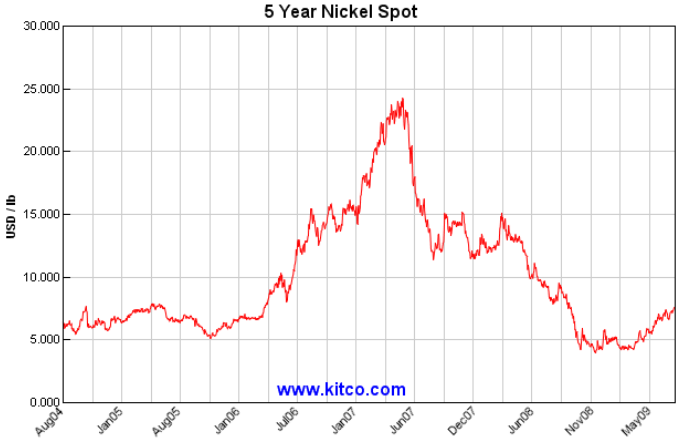
	2005/06	2006/07	2007/08
ETHERIDGE / TABLELANDS	$79m	$301m	$373m
COOK	$358m	$452m	$465m
TOTAL	**$437m**	**$753m**	**$838m**

Source: Cummings Economics from Queensland Department of Mines and Energy

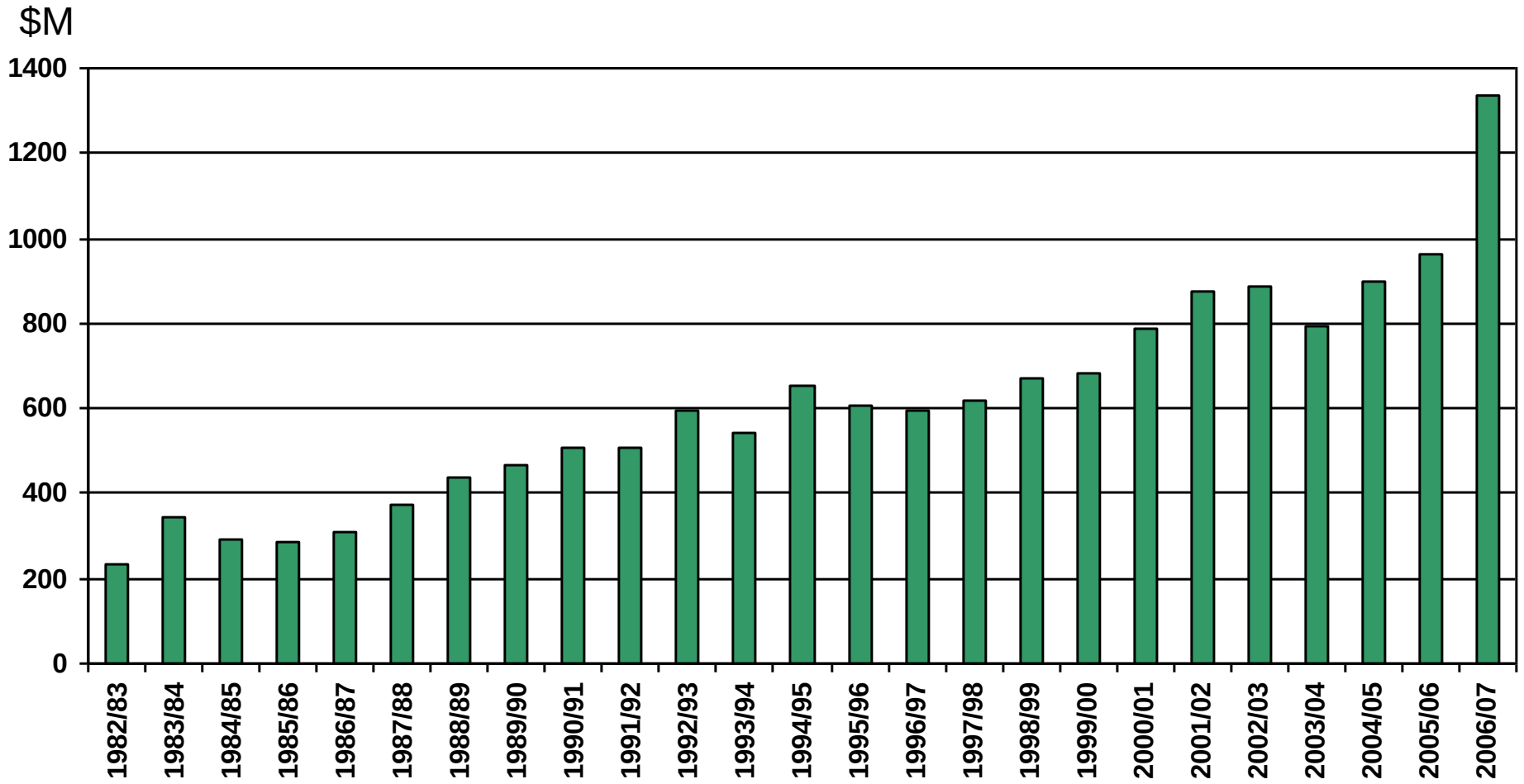
ALSO - FLY IN SERVICES TO MINES ACROSS THE NORTH, PNG & PAPUA INDONESIA

MINERAL PRICES





GROSS VALUE AGRICULTURAL PRODUCTION
(LONG TERM GROWTH 1982/83 TO 2006/07)



Source: Cummings Economics from ABS Data

PRIMARY INDUSTRIES

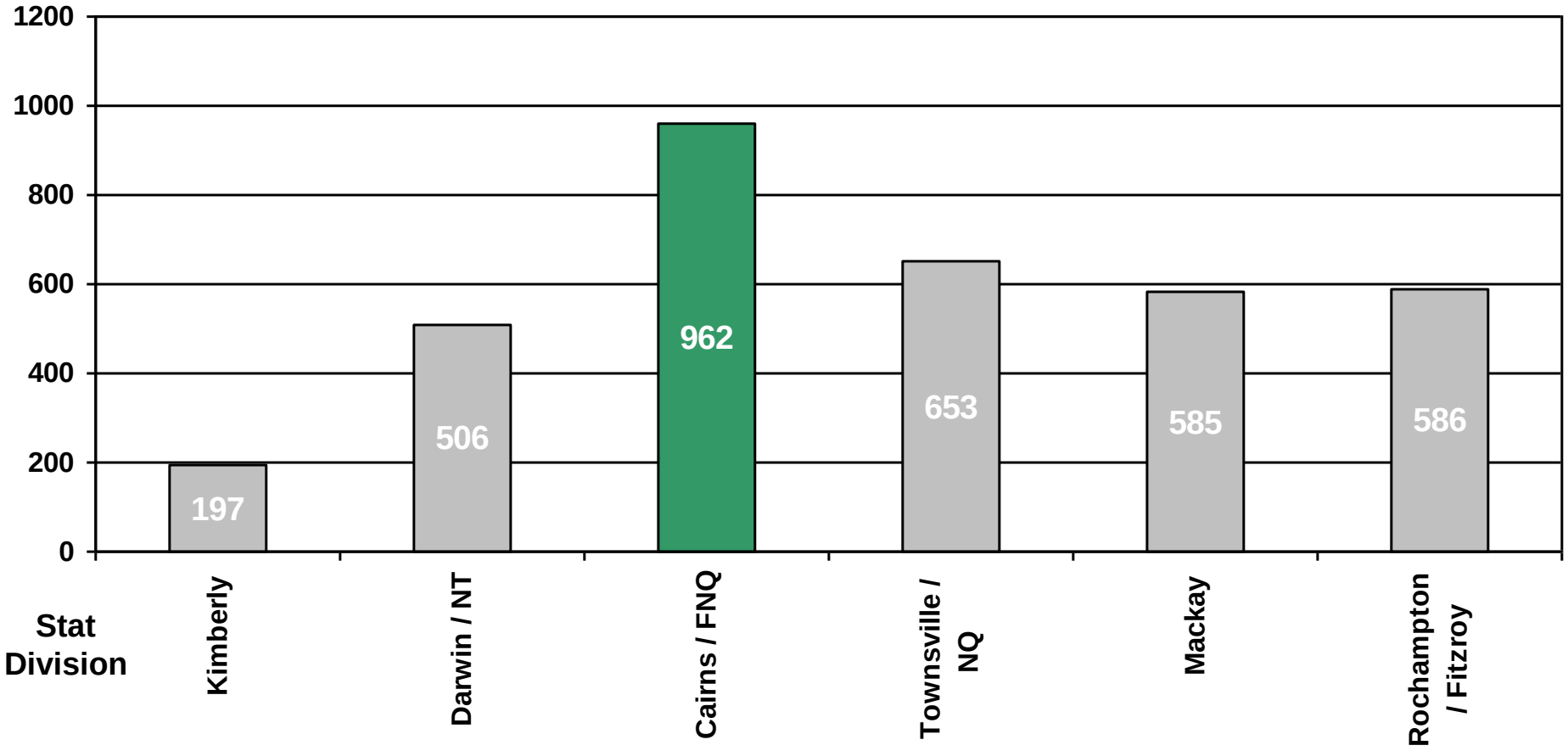
SUGAR = RECORD PRICES

CATTLE = PRICES STILL STRONG

BANANAS = THREAT PASSING

DIVERSIFICATION = CONTINUING

MANUFACTURING LOCATIONS 2006/07



Source: Cummings Economics from ABS Data

MANUFACTURING

2006/07 SALES AND SERVICE INCOME $3.28 Billion

UP 193% ON 2001/02

(INCLUDES VALUE OF PROCESSED MINERALS AND PRIMARY PRODUCTS)

MARITIME SECTOR

ESTIMATED VALUE AND EMPLOYMENT 2007/08

	VALUE $M	EMPLOYMENT No.
VESSEL OPERATIONS	$571	2970
SLIPWAYS, SHIPBUILDING, REPAIR, MAINTENANCE	$105	702
OTHER MARINE INDUSTRY SERVICES	$122	618
TOTAL	**$798**	**4290**

Source: Cummings Economics

AVIATION SECTOR
ESTIMATED TURNOVER AND EMPLOYMENT

	$M	No.
AIRCRAFT OPERATIONS (REGIONAL, AIRLINES, CHARTER, OTHER)	$111	704
AIRCRAFT MAINTENANCE & AVIONICS	$42	229
AVIATION SUPPORT SERVICES	$169	1342
TOTAL	**$322**	**2275**

Source: Cummings Economics from Economic Associates

INCREASE IN UNEMPLOYMENT

NUMBERS RECEIVING NEWSTART & YOUTH ALLOWANCES

	June 2008	June 2009	% Change
Mareeba & Atherton	972	1413	+45%
Cairns	2681	4719	+76%
Townsville	2069	3535	+71%
Total Northern & Central Regions	14281	22469	+57%

Source: Cummings Economics from DEEWR Labor Market & Related Payments Monthly Profile

OVERALL RESULT 2008/09

POPULATION GROWTH DOWN
BUT STILL POSITIVE

CITY DOWN FROM 4.1%
PROBABLY 2-3% RANGE

REGION DOWN FROM 3.1%
PROBABLY 1.5-2% RANGE

RESULT DOLLAR TERMS – LITTLE GROWTH OR DOWN

LOOKING FORWARD 2009/10

AGRICULTURE	GOOD YEAR
MINING	REBOUND
TOURISM INTERNATIONAL	DOWN – SLOW RECOVERY
TOURISM DOMESTIC	UP

LOOKING FORWARD 2009/10

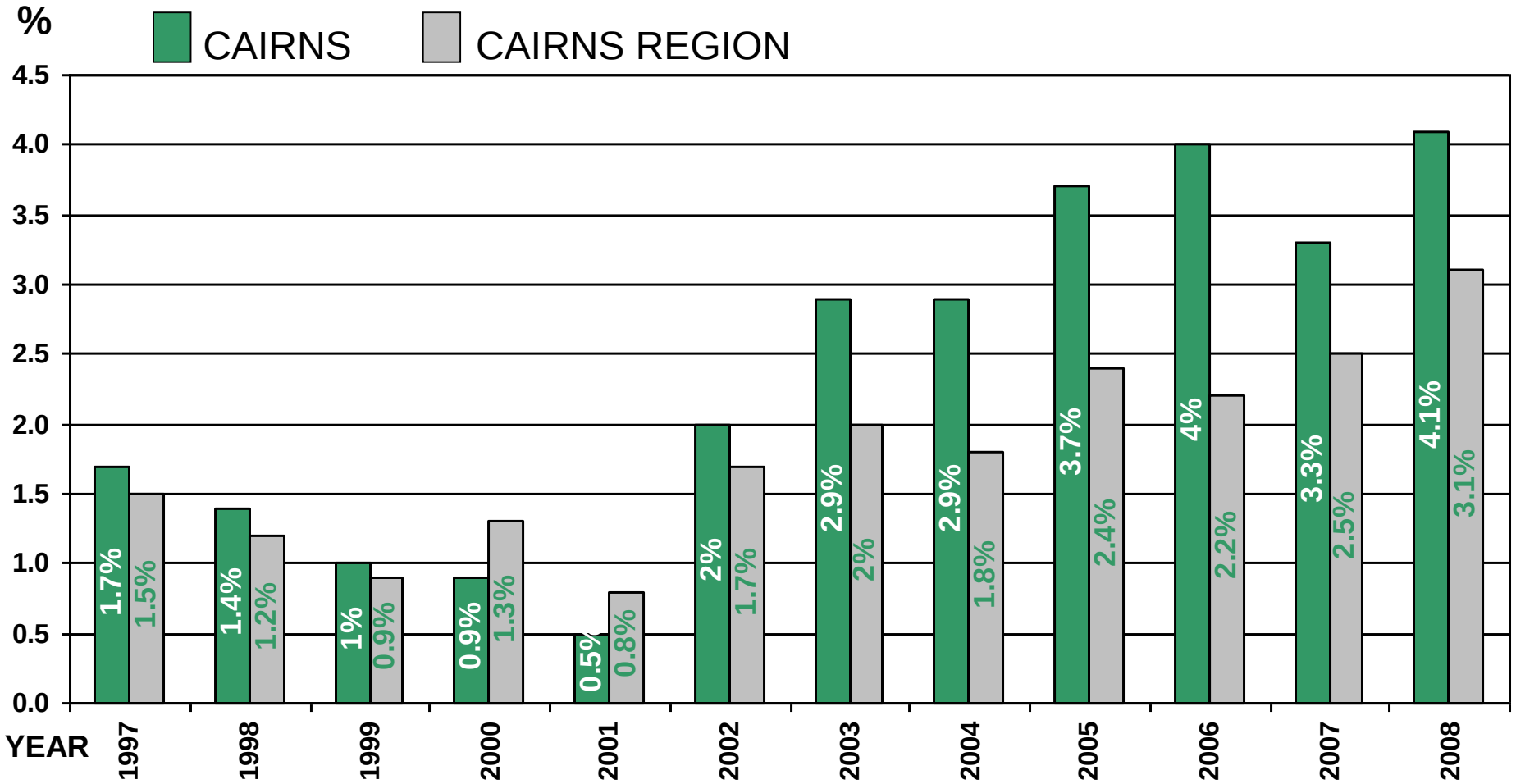
GOVERNMENT	CONTINUING GROWTH
HEALTH & EDUCATION	CONTINUING GROWTH
MARITIME & AVIATION	CONTINUING SOUND
CONSUMPTION SPENDING	MILD GROWTH
GOVERNMENT CONSTRUCTION	UP
PRIVATE CONSTRUCTION	CONTINUING DOWN

LOOKING FORWARD 2009/10

OVERALL	SUBDUED PERFORMANCE
UNEMPLOYMENT	PROBABLY RISE BEFORE FALLING

POPULATION GROWTH

ON PREVIOUS YEARS – CAIRNS REGION (ESTIMATED RESIDENTIAL)



Source: Cummings Economics from ABS Data

IMPACTS ON THE REGION

GLOBAL FINANCIAL CRISIS
DIFFERENT TO ASIAN CRISIS

TOURISM	NOT AFFECTED AS STRONGLY
AGRICULTURE	NOT DOWN
MINING	QUICK REBOUND

GFC MORE AN IMPACT ON FINANCE
AND CONFIDENCE IN AUSTRALIA

LOOKING FURTHER FORWARD
CHALLENGES

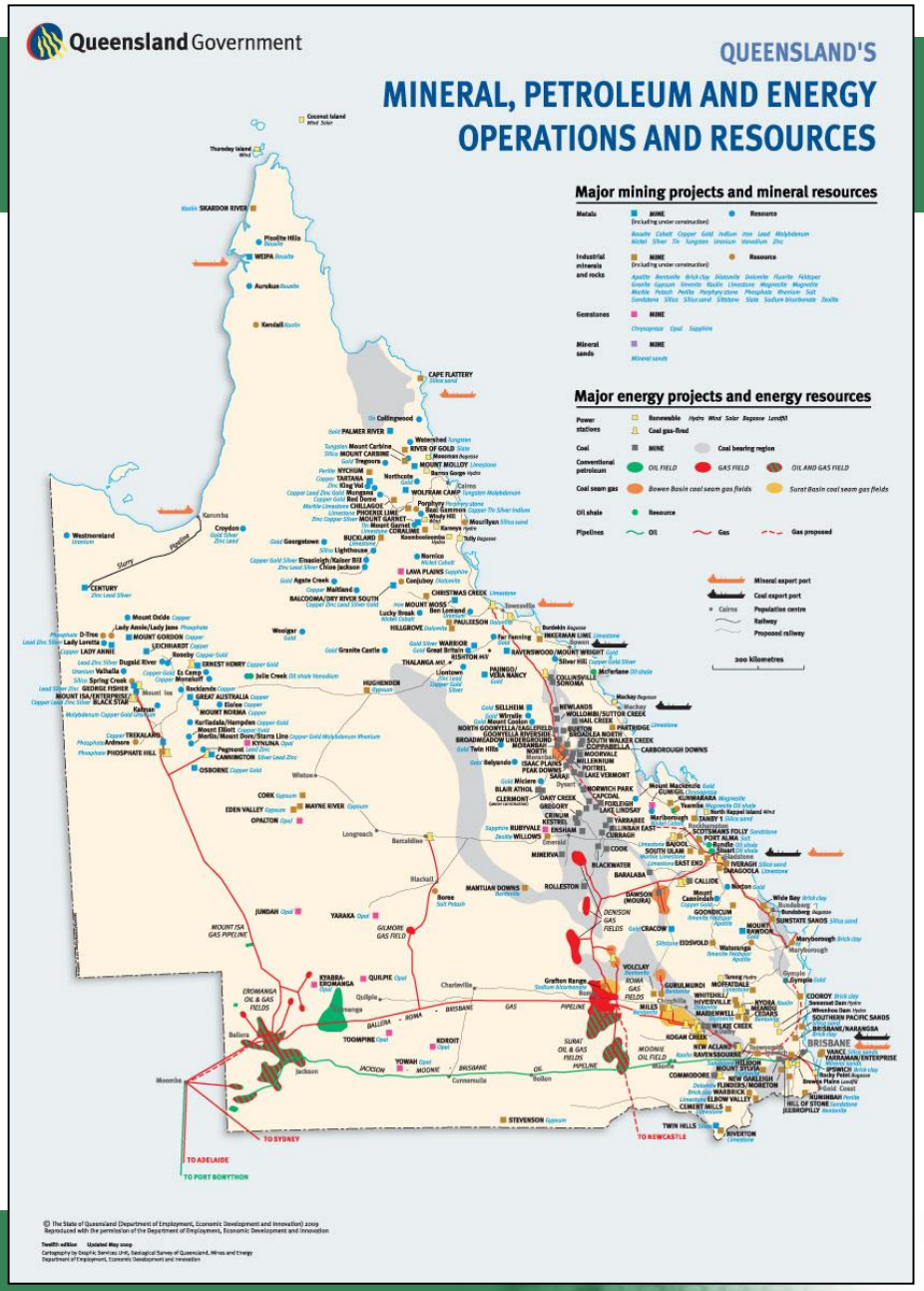
“ But China’s emergence also presents challenges. If commodity prices do stay at their current relatively high levels on the back of strong emerging world demand, the mineral extraction sector and all those parts of the Australian economy that service it and feel its flow-on effects, will expand. Other sectors will, relatively, contract over time..… These sorts of adjustment in the economy have industrial, geographical and social dimensions. ”

Glen Stevens, July 2009, Reserve Bank of Australia

TOURISM

SUPPRESSING FACTORS

- NO LONGER “SUNRISE” INDUSTRY DEVELOPED ECONOMIES
- SUBDUED GROWTH DEVELOPED ECONOMIES
- HIGH CARBON FUEL PRICES
- AUST. DOLLAR HIGH / COMMODITY PRICES
- CHINA / INDIA INCOMES STILL NOT HIGH



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MINING
QUICK REBOUND

IMMEDIATE HINTERLAND

MAGNETITE, GOLD, COPPER, TIN,
TUNGSTEN, DIATOMITE, PERLITE, MARBLE

INFRASTRUCTURE CHALLENGE

ROADS, RAIL, SEAPORTS

PENINSULA

BAUXITE

PNG

MAJOR LNG PLANT, OTHER MINES

BIO INDUSTRIES

- DECLINING RAINFALL – SOUTHERN AUSTRALIA
- UNUSED WATER RESOURCES IN THE NORTH
- RISING WORLD DEMAND FOR FOOD & FIBRE
- DEMAND FOR BIOFUELS & BIOINDUSTRIAL PRODUCTS

BIO INDUSTRIAL

IMMEDIATE

CO GENERATION FROM BAGASSE
WIND, SOLAR, OTHER GENERATION

NEXT STEP

ETHANOL FROM SUGAR SYRUP / MOLASSES
(KEY TABLELAND ROLE – INFRASTRUCTURE ISSUES)

FURTHER STEP

ETHANOL FROM BAGASSE
(KEY TABLELAND ROLE)

BIO INDUSTRIAL

BIO REFINERIES
BIO PLASTICS
OTHER BIO INDUSTRIAL PRODUCTS

PROPOSAL TO SELL QUEENSLAND TO GLOBAL PLAYERS AS A LOCATION TO SUPPLY ASIA / PACIFIC

OTHER AGRICULTURAL INDUSTRIES

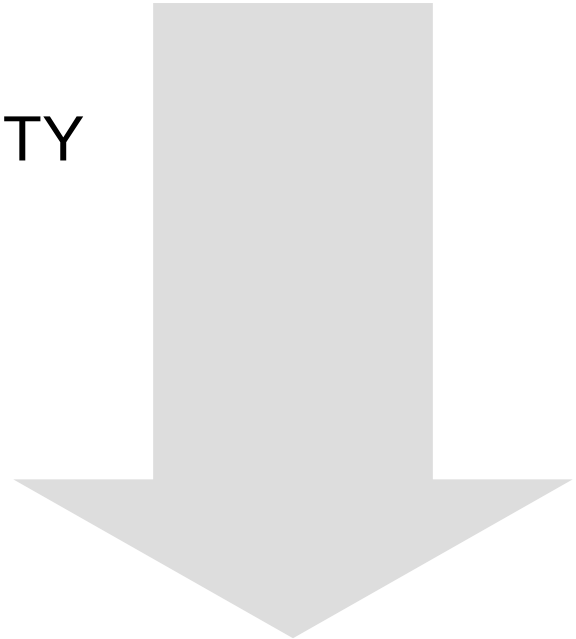
- BIO ENERGY CROPS www.burmanbioenergy.com
- UPLAND RICE, TROPICAL WHEATS, COTTON
- ORGANIC BANANA EXPORTS
- 24,000 HA. REAFFORESTATION OUTPUT
- NEW SHIPPING - BULK & CONTAINER

(MINERAL PRODUCTS, AGRICULTURAL PRODUCTS, FORESTRY PRODUCTS)

CAIRNS AS A CITY

MAIN ROLE
REGIONAL SERVICING CITY

WIDER ROLE
AUSTRALASIA, PACIFIC



CATCHUP - HEALTH & EDUCATION
SERVICE EXPORT POSSIBILITIES

GREEN SHOOTS
WORLD ECONOMY
BUT SOME THREATS

NEXT YEAR SUBDUED

EXCELLENT MEDIUM TERM
BUT NEW THINKING NEEDED

Cummings Economics

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Ref: J2239 | 31 July 2009

www.cummings.net.au

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