ACHIEVING “LIFT OFF”
TRENDS AND PROSPECTS FOR THE CAIRNS / TROPICAL NORTH QUEENSLAND ECONOMY
PRESENTATION TO CAIRNS CHAMBER OF COMMERCE

WS (Bill) Cummings
Ref: J2992 | 26th July 2016
### AUSTRALIAN DOLLAR (SEPT)

<table>
<thead>
<tr>
<th>Year</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1.0464</td>
</tr>
<tr>
<td>2013</td>
<td>$0.9309</td>
</tr>
<tr>
<td>2014</td>
<td>$0.8752</td>
</tr>
<tr>
<td>2015</td>
<td>$0.7010</td>
</tr>
</tbody>
</table>

**CHANGE 2012-2015** *(−33%)*

*Source: Reserve Bank of Australia*

### TROPICAL NTH QLD EXPENDITURE BY OVERNIGHT VISITORS

<table>
<thead>
<tr>
<th>Year</th>
<th>AUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$2589m</td>
</tr>
<tr>
<td>2013</td>
<td>$2522m</td>
</tr>
<tr>
<td>2014</td>
<td>$2629m</td>
</tr>
<tr>
<td>2015</td>
<td>$3322m</td>
</tr>
</tbody>
</table>

**CHANGE 2012-2015** *(+28% ($730m))*

*Source: Tourism Research Australia*
AVerage numbers employed Cairns region ‘000

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>114.4</td>
<td>108.3</td>
<td>107.8</td>
<td>107.8</td>
</tr>
</tbody>
</table>

(6 months)

Source: ABS Cat No 6291.0.55.001

No sign of growth
ESTIMATED TOURISM EMPLOYMENT
AS A % OF TOTAL
TROPICAL NTH QLD REGION 2014-15

DIRECT 16%
WITH SHORT TERM FLOW-ON 23%
TOURISM EXPENDITURE TROPICAL NTH QLD REGION
OVERNIGHT VISITORS : NOMINAL & REAL

LOW POINT
REAL (-25%)

NOTE : REAL (DEFLATED BY CONSUMER PRICE INDEX BRISBANE)
INITIAL RESPONSE TO UPSWING

MORE HOURS TO CASUALS RATHER THAN TO EXTRA STAFF

LITTLE JUSTIFICATION YET FOR INCREASING CAPACITY
STATE GOVERNMENT CAPITAL EXPENDITURE DOWN STRONGLY

DECLINE 2012-13 TO 2015-16: $390M NOMINAL $410M REAL DECLINE (-54%) LARGEST IN STATE

Source: Queensland Budget Papers Appendix C Take C1
VALUE OF BUILDING APPROVALS
FAR NORTH QUEENSLAND STATISTICAL DIVISION $M

Note: 2015-16 based on 11 months to end May 2016
Source: Cummings Economics from ABS Cat 8731.0
ESTIMATED RESIDENTIAL POPULATION GROWTH

10 YEARS 2005 TO 2015

QUEENSLAND REGIONS AND NORTHERN AUSTRALIA

TWMB/DD  FITZROY/CW  MACKAY  TVL/MTISA  CAIRNS/TNQ  NT  KIMB/PILB

33945  40580  33011  41846  44197  38402  24018
GROSS VALUE OF AGRICULTURAL PRODUCTION
TROPICAL NTH QLD (AT FARMGATE) $M

GROWTH 2004-05 TO 2014-15: 4.4%PA NOMINAL 2.0%PA REAL
$310M INCLUDING POST FARM GATE
VALUE OF MINING PRODUCTION
TROPICAL NORTH QUEENSLAND

Source: Cummings Economics from Queensland Mines & Energy data.

GROWTH 2004-05 TO 2014-15: 8.4%PA NOMINAL 5.4%PA REAL
FIFO PEAKS AT ABOUT $200M
# HEALTH SECTOR CATCH-UP

**HEALTH CARE AND SOCIAL SERVICES: FAR NTH QLD STATISTICAL DIVISION**

**GROWTH EMPLOYMENT CENSUS 2006 TO 2011**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>9,959</td>
</tr>
<tr>
<td>2011</td>
<td>13,627</td>
</tr>
</tbody>
</table>

**CHANGE 2006-2011**

+36%

*Source: ABS Census Data*

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## GROWTH IN TURNOVER: CAIRNS & HINTERLAND 2012-13 TO 2015-16

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NOMINAL</th>
<th>REAL</th>
<th>GROWTH REAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>$627M</td>
<td>$627M</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>$655M</td>
<td>$639M</td>
<td>+1.9%</td>
</tr>
<tr>
<td>2014-15</td>
<td>$726M</td>
<td>$694M</td>
<td>+8.6%</td>
</tr>
<tr>
<td>2015-16 (EST)</td>
<td>$810M</td>
<td>$787M</td>
<td>+13.4%</td>
</tr>
</tbody>
</table>

*Note: Deflated CPI Brisbane.*
# HIGHER EDUCATION CATCH-UP

## 10-YEAR GROWTH STUDENTS AND EXPENDITURE

<table>
<thead>
<tr>
<th>Year</th>
<th>Student Numbers</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3,519</td>
<td>$86M</td>
</tr>
<tr>
<td>2015</td>
<td>4,717</td>
<td>$137M</td>
</tr>
</tbody>
</table>

**Growth**

- +34% (2005 to 2015)
- +54%

*Source: James Cook University*

**INVESTMENT IN BUILDING & INFRASTRUCTURE PROJECTS $137M**
LOOKING FORWARD
ALL MAJOR SECTORS IN REGIONAL ECONOMY LOOKING UP

HOUSEHOLD EXPENDITURE
OUTSIDE EARNINGS
GOVERNMENT EXPENDITURE
INVESTMENT / CONSTRUCTION

C Ex G I

CONDITIONAL
LOWER DOLLAR REMAINS
WORLD ECONOMIC GROWTH
FAVORABLE GOVERNMENT POLICIES
INTERNATIONAL TOURISM

SITUATION SIMILAR TO LATE 1980s

- LOWER DOLLAR
- MAJOR NEW MARKET DEVELOPING
  - JAPAN 1980s
  - CHINA TODAY

OTHER INTERNATIONAL MARKETS UP

2016 BACK TO PRE GFC LEVELS
NEW INTERNATIONAL AIR SERVICES
LOW DOLLAR / FAVORABLE AIRFARES DRIVE MAJOR DOMESTIC TOURISM GROWTH

Source: Bureau of Infrastructure, Transport and Regional Economics
NON-CORE TOURISM GROWING OPPORTUNITIES

CRUISE SHIPS, SUPER & CRUISING YACHTS

CONFERENCES : CULTURAL EVENTS, SPORTS & MEDICAL
FEW REGIONS BETTER PROSPECTS FOR PRIMARY INDUSTRY GROWTH

26% OF AUSTRALIA’S WATER RUN OFF

MEASURE OF PLANT GROWTH POTENTIAL UNIVERSITY OF MONTANA FROM MODIS SATELLITE DATA
BANANAS SHORT TERM GLUT
CAVENDISH BANANA PRODUCTION vs. PRICE/CARTON
SUGAR PRICES BOUNCE BACK UP AGAIN

2016 SEASON

Source: Queensland Sugar
CATTLE PRICES HIGH & LIKELY TO GO HIGHER

EASTERN YOUNG CATTLE INDICATOR

Source: Meat & Livestock Australia
CONTINUING DIVERSIFICATION OF CROPPING

DRAFT: Gross Value of Tablelands Agriculture Industries - 2015.

Total Value = $552 million  
Total Area* = 59,000Ha  
Total Farm Units* = 1830

- Banana, $94 million
- Others, $93 million
- Blueberries, $11 million
- Maize, $11 million
- Lychee, $13 million
- Papaya, $15 million
- Potatoes, $16 million
- Poultry meat, $30 million
- Citrus, $31 million
- Dairy cattle, $34 million
- Beef cattle, $35 million
- Sugar Cane, $39 million
- Mango, $51 million
- Avocado, $79 million

*Figures calculated per crop, therefore may be an overestimate where same area double cropped or same farmer grows multiple crops.

TABLELAND’S VALUE UP 60% ON 10 YEARS AGO (27% REAL)
MAJOR AGRICULTURAL STUDIES AND PROJECTS
## MINING : MIXED PROSPECTS

<table>
<thead>
<tr>
<th>NEGATIVE</th>
<th>POSITIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOME MINE CLOSURES</td>
<td>MUNGANA : $36M PROCESSING PLANT</td>
</tr>
<tr>
<td>FIFO LOSSES</td>
<td>MAGNETITE EXPORTS MOURILYAN</td>
</tr>
<tr>
<td>PNG SLOW DOWN</td>
<td>$2BN AMRUN PROJECT UNDERWAY</td>
</tr>
<tr>
<td></td>
<td>BAXIXITE HILLS PROJECT</td>
</tr>
</tbody>
</table>
# MARITIME & AVIATION SERVICING CLUSTERS

## MARITIME

<table>
<thead>
<tr>
<th>NEGATIVE</th>
<th>LOSS OF PACIFIC PATROL BOATS’ CONTRACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSITIVE</td>
<td>$24M FEDERAL FUNDED SLIPWAY UPGRADES</td>
</tr>
<tr>
<td></td>
<td>PACIFIC PATROL BOAT SERVICE WORK</td>
</tr>
<tr>
<td></td>
<td>RETURNING SUPERYACHT BUSINESS</td>
</tr>
<tr>
<td></td>
<td>INCREASING REEF FLEET ACTIVITY</td>
</tr>
<tr>
<td></td>
<td>CONSOLIDATION OF SEASWIFT’S ROLE IN SERVICING FAR NORTHERN DEVELOPMENTS</td>
</tr>
</tbody>
</table>

## AVIATION

| POSITIVE | INCREASING OPPORTUNITIES FROM ASIA |

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[Logo: cairns chamber of commerce]

26
**CONSUMPTION RATIO**

**LIKELY TO IMPROVE**

<table>
<thead>
<tr>
<th>NEGATIVE</th>
<th>POSITIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELECTRICITY AND INSURANCE COSTS</td>
<td>LOWER INTEREST RATES, FUEL &amp; GENERAL INFLATION</td>
</tr>
<tr>
<td></td>
<td>MORE CONFIDENCE IN EMPLOYMENT</td>
</tr>
<tr>
<td></td>
<td>MORE CONFIDENCE IN PROPERTY VALUES</td>
</tr>
</tbody>
</table>
GOVERNMENT SPENDING UP?

- STATE GOVERNMENT EMPLOYMENT RISING
- STATE GOVERNMENT CAPITAL BUDGET (SO LOW CAN ONLY GO UP)
- COMMONWEALTH BUDGET CONSTRAINTS?
- NORTHERN AUSTRALIA INFRASTRUCTURE FUND?
CONSTRUCTION

- LARGE NUMBER OF DEVELOPMENT APPLICATIONS APPROVED ALREADY
- STRONG RECENT BUILDING APPROVALS: CAPE YORK TORRES
- MASTER BUILDERS’ REPORT UPSURGE IN “COMMENCEMENTS” LAST QUARTER
1. RESPONSE TO ACTUAL ONGOING GROWTH IN REGIONS’ BASE INDUSTRIES: CONTINUING TOURISM GROWTH, RISING ROOM RATES & RETURNS, JUSTIFYING NEW STOCK.

2. IN ANTICIPATION OF MAJOR OPPORTUNITY FOR TOURISM GROWTH FROM CHINA: ELUSIVE AQUIS, FIRST PHASE MID-2017 (?) / $640M KURWORLD EARLY STAGES EIS.

3. “FOLLOW ON” FROM GENERAL GROWTH OF ACTIVITY, WORKFORCE & POPULATION: FOLLOW QUICKLY ON INCREASING EMPLOYMENT, POPULATION & ACTIVITY.
OVERALL EXPECTATIONS

• PACE OF GROWTH TO PICK UP IN COMING YEAR

• UPSURGE TO CONTINUE IN FOLLOWING YEARS AS MULTIPLIER EFFECTS KICK IN