TRENDS AND PROSPECTS FOR THE CAIRNS / TROPICAL NORTH QUEENSLAND ECONOMY

PRESENTATION TO PROFESSIONAL ACCOUNTANTS CAIRNS

WS (Bill) Cummings
Ref: J3015 | 26th August 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

2013: 114.4
2014: 108.3
2015: 107.8
2016: 107.8

Source: ABS Cat No 6291.0.55.001

NO SIGN OF GROWTH

(6 MONTHS)
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
PAST RESEARCH

2 YEAR LAG IN FULL RESPONSE TO UPTURNS (AND DOWNTURNS)
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

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Population 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>TWMB/DD</td>
<td>33945</td>
</tr>
<tr>
<td>FITZROY/CW</td>
<td>40580</td>
</tr>
<tr>
<td>MACKAY</td>
<td>33011</td>
</tr>
<tr>
<td>TVL/MTISA</td>
<td>41846</td>
</tr>
<tr>
<td>CAIRNS/TNQ</td>
<td>44197</td>
</tr>
<tr>
<td>NT</td>
<td>38402</td>
</tr>
<tr>
<td>KIMB/PILB</td>
<td>24018</td>
</tr>
</tbody>
</table>
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*

**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></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>
<tr>
<td>Growth</td>
<td>+34%</td>
<td>+54%</td>
</tr>
</tbody>
</table>

*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

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

![Graph showing the relationship between Cavendish banana production and price per carton from 2010 to 2016. The x-axis represents the years from 2010 to 2016, and the y-axis represents the number of cartons and price per carton in dollars. The graph shows a peak in production and price in 2010, followed by a decline in production and price in subsequent years.]
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
Avocado, $79 million
Blueberries, $11 million
Mango, $51 million
Maize, $11 million
Sugar Cane, $39 million
Lychee, $13 million
Beef cattle, $35 million
Papaya, $15 million
Dairy cattle, $34 million
Potatoes, $16 million
Poultry meat, $30 million
Citrus, $31 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)
## 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>BAXXITE HILLS PROJECT</td>
</tr>
</tbody>
</table>

**RENEWABLE ENERGY PROJECTS**
## MARITIME & AVIATION SERVICING CLUSTERS

### MARITIME

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

### AVIATION

<table>
<thead>
<tr>
<th>POSITIVE</th>
<th>INCREASING OPPORTUNITIES FROM ASIA</th>
</tr>
</thead>
</table>
CONSUMPTION RATIO

LIKELY TO IMPROVE

<table>
<thead>
<tr>
<th>NEGATIVE</th>
<th>ELECTRICITY AND INSURANCE COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSITIVE</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
CONSTRUCTION

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
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