TRENDS AND PROSPECTS FOR THE CAIRNS / TROPICAL NORTH QUEENSLAND ECONOMY

PRESENTATION TO PROFESSIONAL ACCOUNTANTS CAIRNS

CAIRNS & TROPICAL NORTH QUEENSLAND

CUMMINGS ECONOMICS

WS (Bill) Cummings

Ref: J3015 | 26th August 2016

AUSTRALIAN DOLLAR (SEPT)

Year	USD
2012	$1.0464
2013	$0.9309
2014	$0.8752
2015	$0.7010
CHANGE 2012-2015	(-33%)

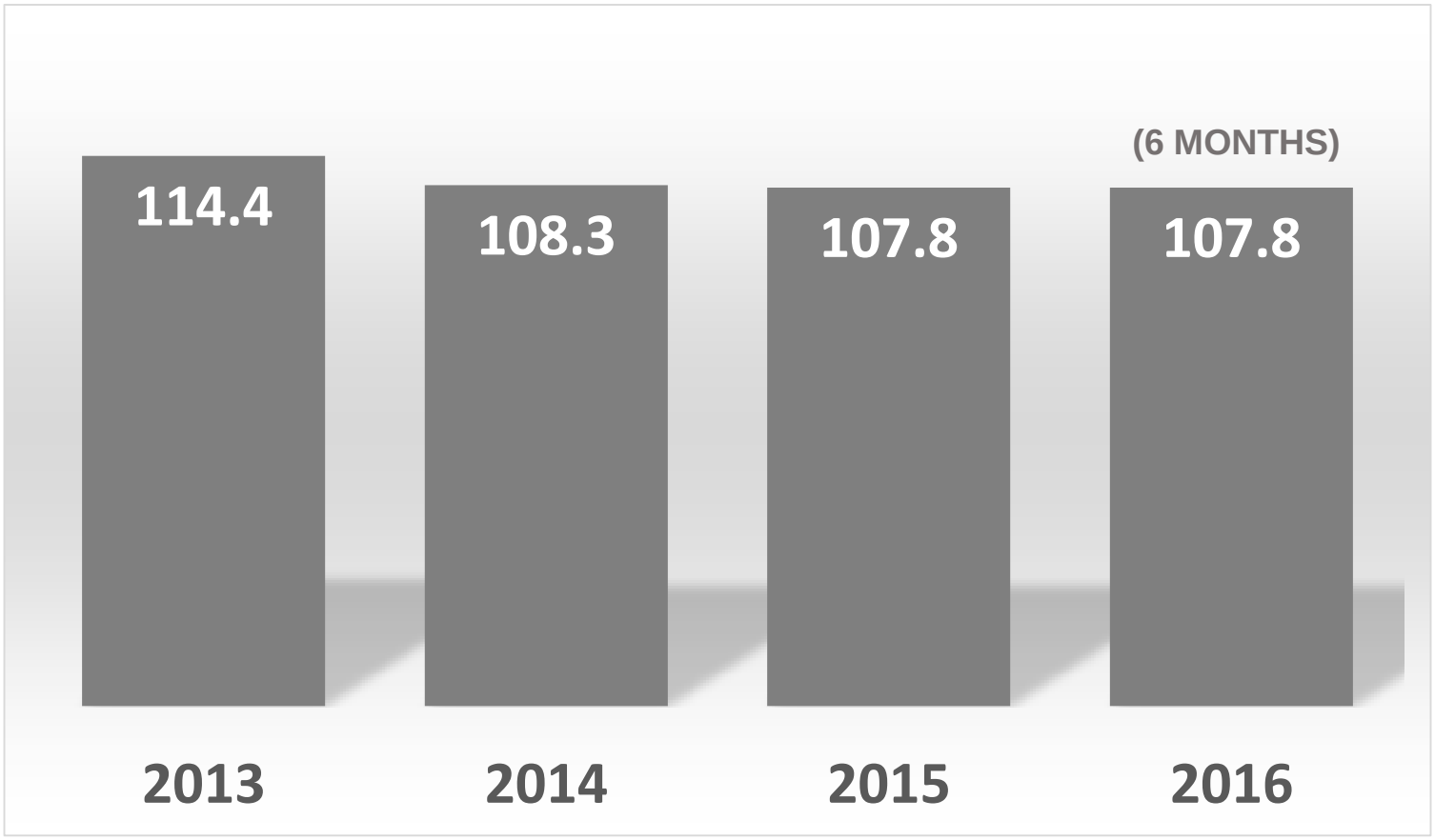
Source: Reserve Bank of Australia

TROPICAL NTH QLD EXPENDITURE BY OVERNIGHT VISITORS

Year	AUD
2012	$2589m
2013	$2522m
2014	$2629m
2015	$3322m
CHANGE 2012-2015	+28% ($730m)

Source: Tourism Research Australia

AVERAGE NUMBERS EMPLOYED CAIRNS REGION '000



Source: ABS Cat No 6291.0.55.001

NO SIGN OF GROWTH

ESTIMATED TOURISM EMPLOYMENT

AS A % OF TOTAL

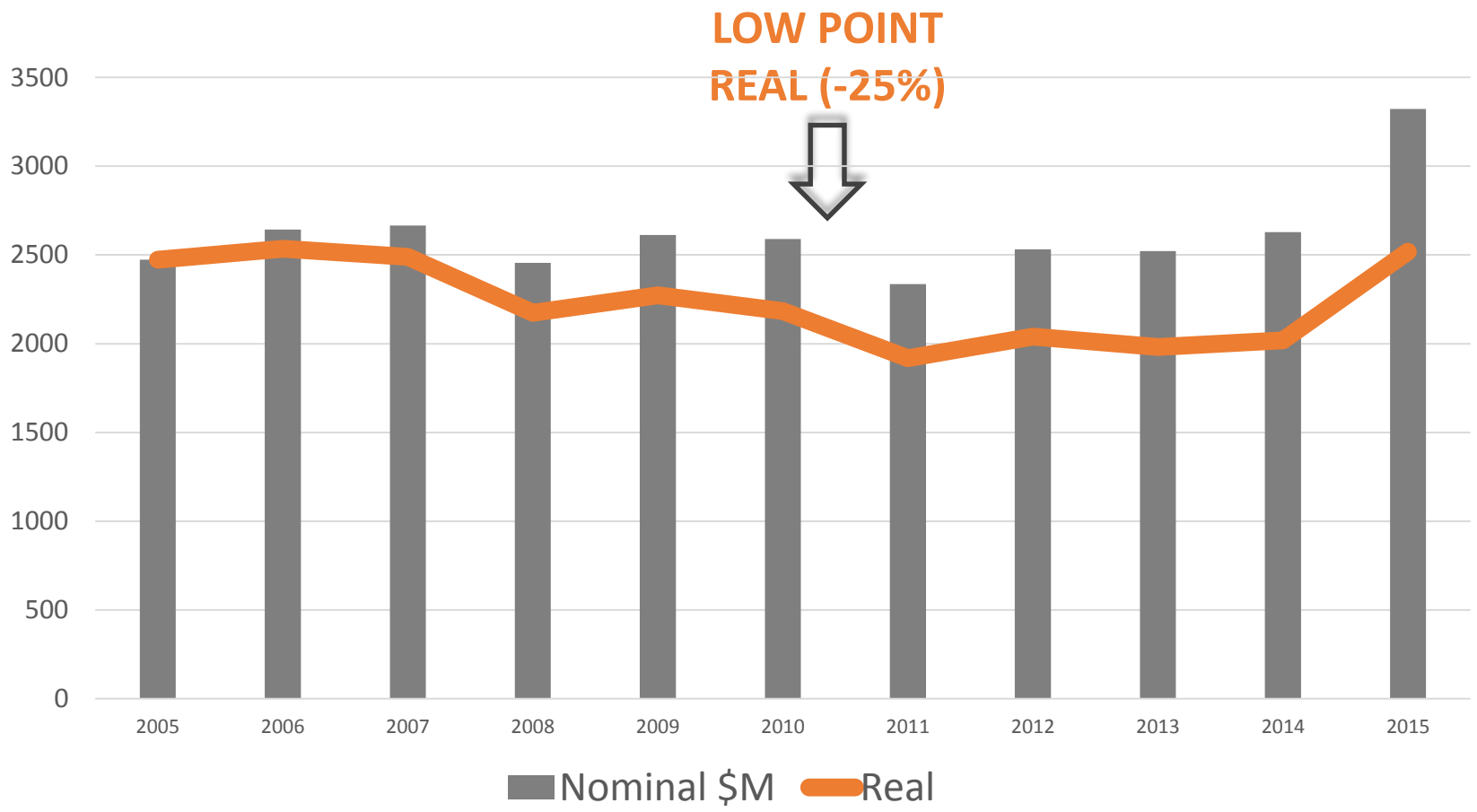
TROPICAL NTH QLD REGION 2014-15

DIRECT 16%

WITH SHORT TERM FLOW-ON 23%

TOURISM EXPENDITURE TROPICAL NTH QLD REGION

OVERNIGHT VISITORS : NOMINAL & REAL



NOTE : REAL (DEFLATED BY CONSUMER PRICE INDEX BRISBANE)

INITIAL RESPONSE TO UPSWING

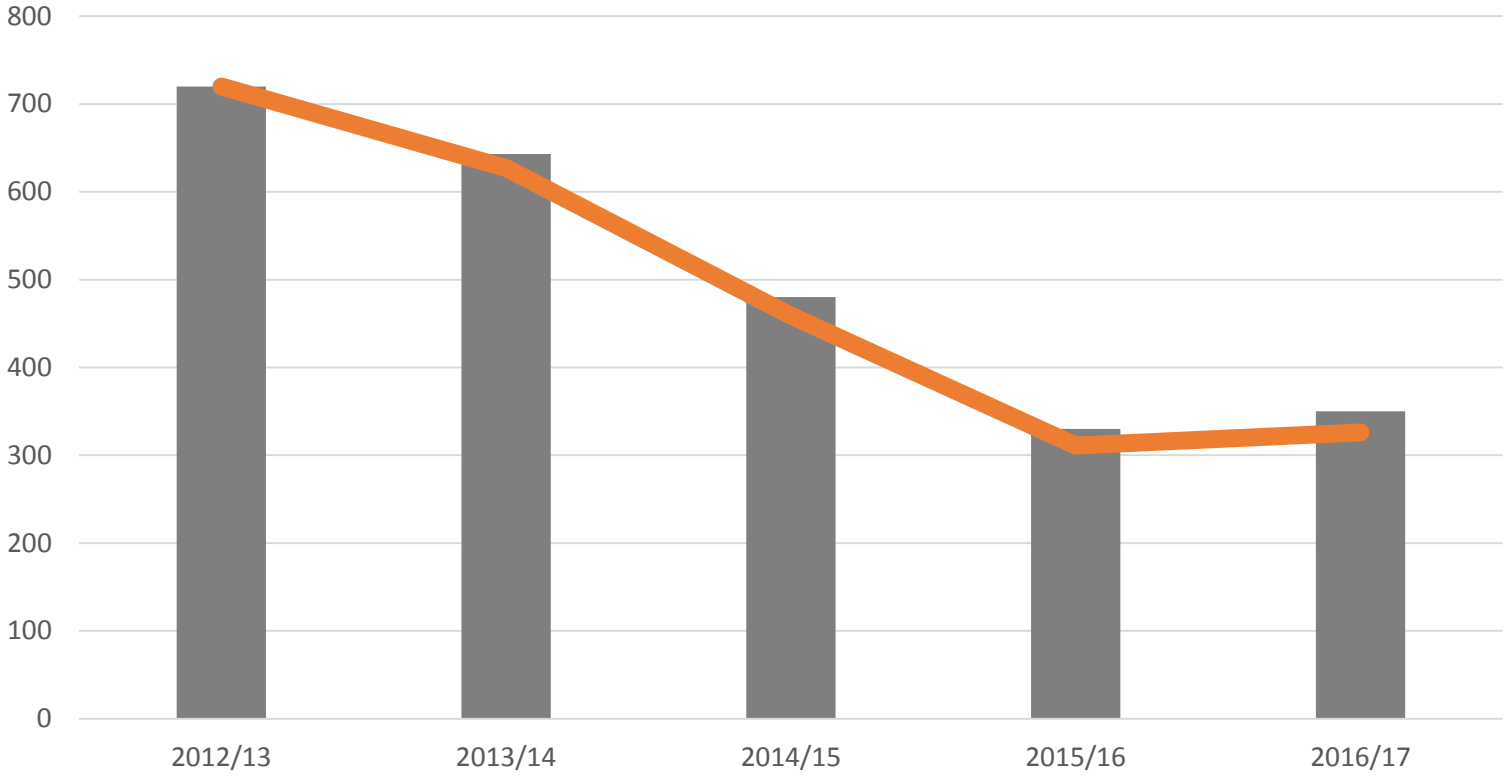
MORE HOURS TO CASUALS RATHER THAN TO EXTRA STAFF

LITTLE JUSTIFICATION YET FOR INCREASING CAPACITY

PAST RESEARCH

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

STATE GOVERNMENT CAPITAL EXPENDITURE
DOWN STRONGLY



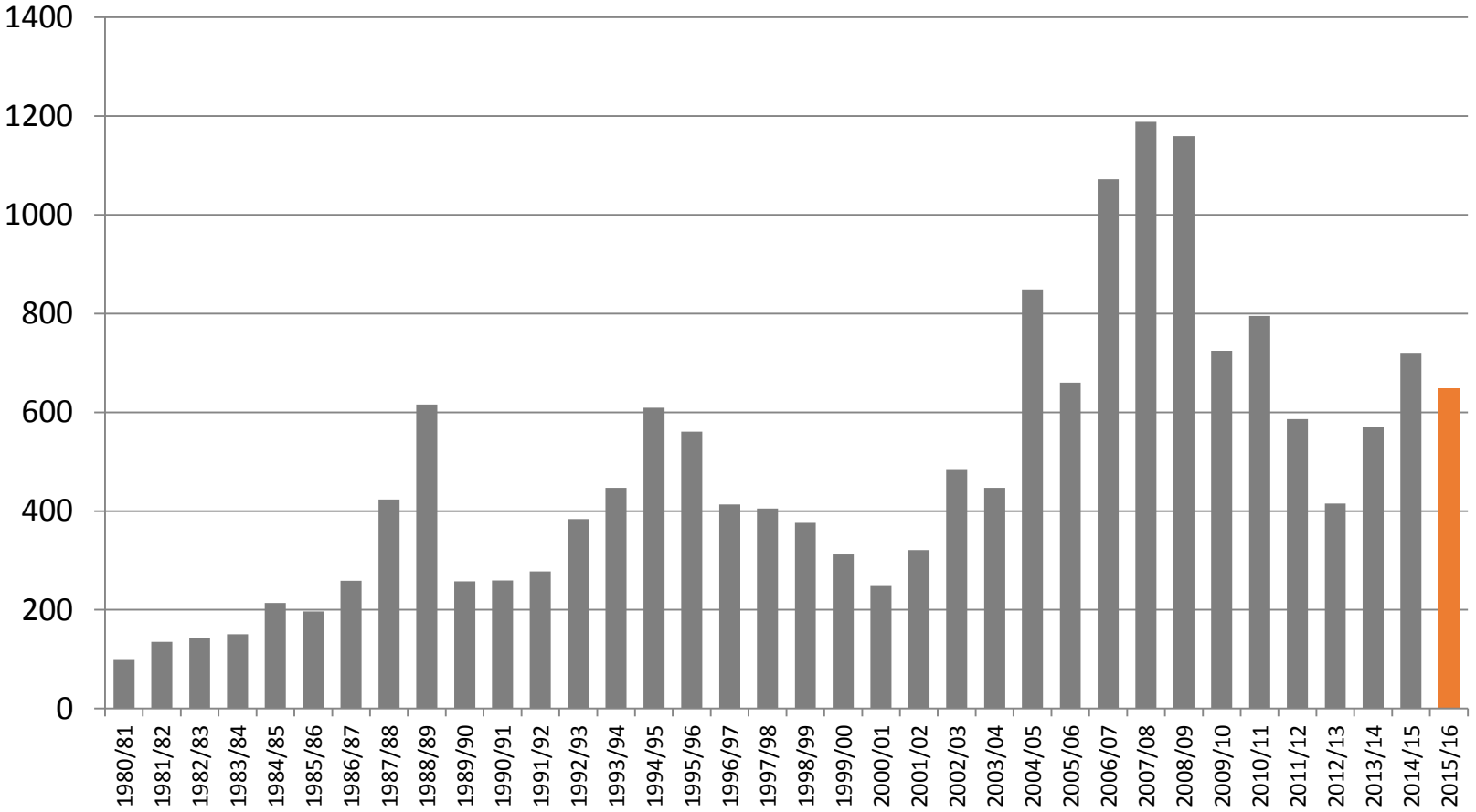
Source: Queensland Budget Papers Appendix C Take C1

DECLINE 2012-13 TO 2015-16 : $390M NOMINAL $410M REAL

DECLINE (-54%) LARGEST IN STATE

VALUE OF BUILDING APPROVALS

FAR NORTH QUEENSLAND STATISTICAL DIVISION $M



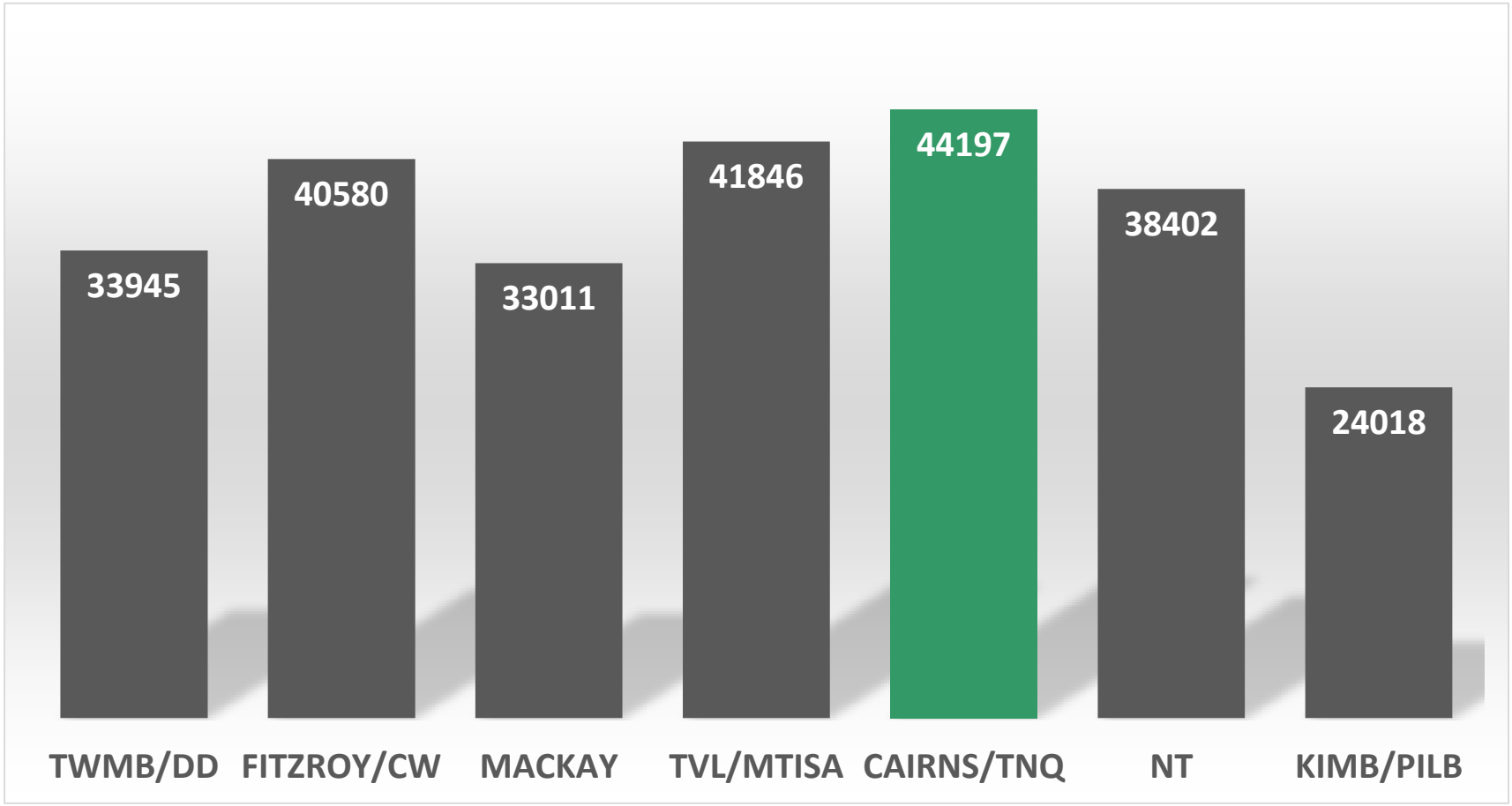
Note : 2015-16 based on 11 months to end May 2016

Source: Cummings Economics from ABS Cat 8731.0

ESTIMATED RESIDENTIAL POPULATION GROWTH

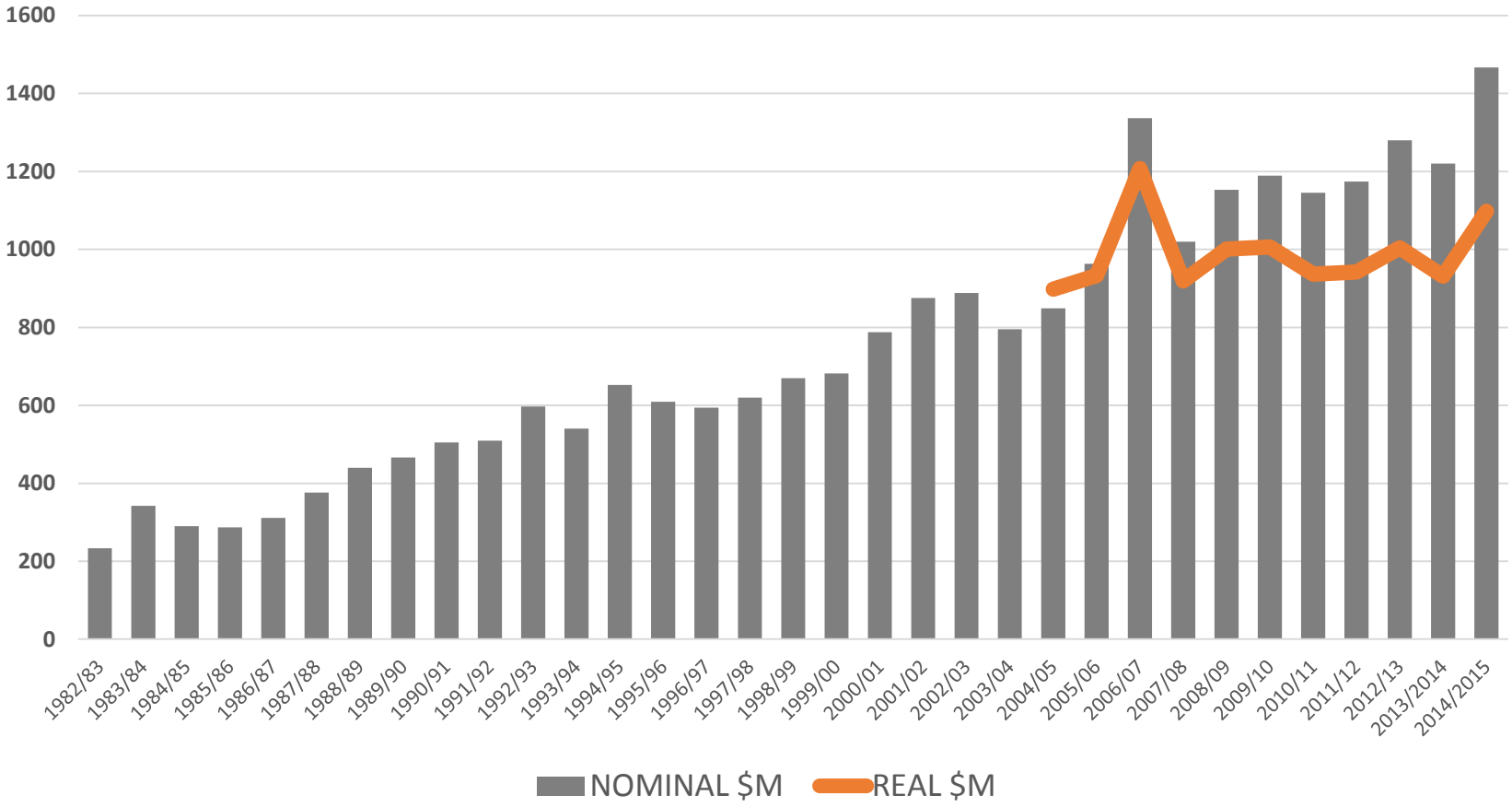
10 YEARS 2005 TO 2015

QUEENSLAND REGIONS AND NORTHERN AUSTRALIA



GROSS VALUE OF AGRICULTURAL PRODUCTION

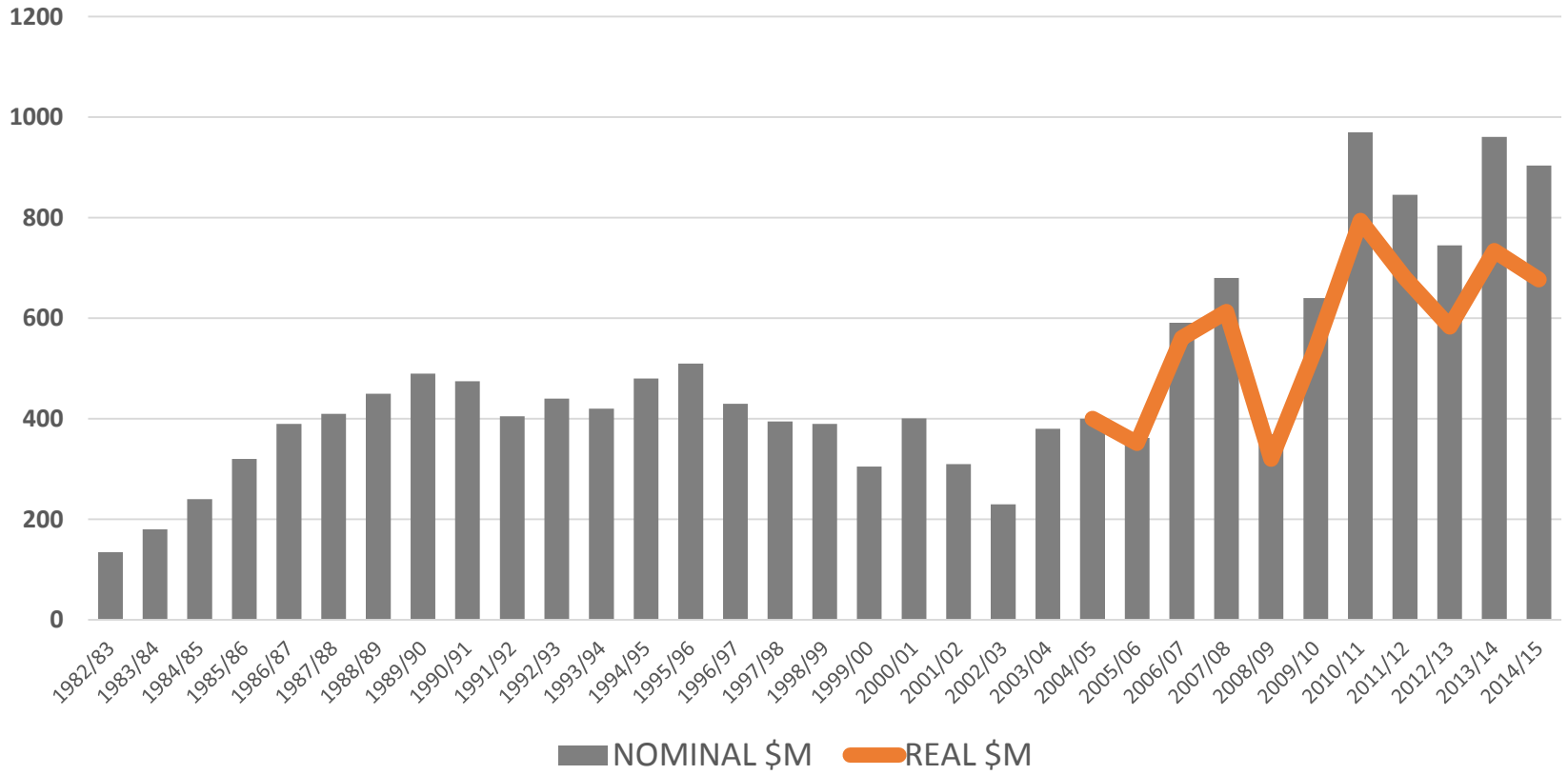
TROPICAL NTH QLD (AT FARMGATE) $M



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

YEAR	EMPLOYMENT
2006	9,959
2011	13,627
CHANGE 2006-2011	+36%

Source: ABS Census Data

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

YEAR	NOMINAL	REAL	GROWTH REAL
2012-13	$627M	$627M	
2013-14	$655M	$639M	+1.9%
2014-15	$726M	$694M	+8.6%
2015-16 (EST)	$810M	$787M	+13.4%

Note: Deflated CPI Brisbane.

HIGHER EDUCATION CATCH-UP

10-YEAR GROWTH STUDENTS AND EXPENDITURE

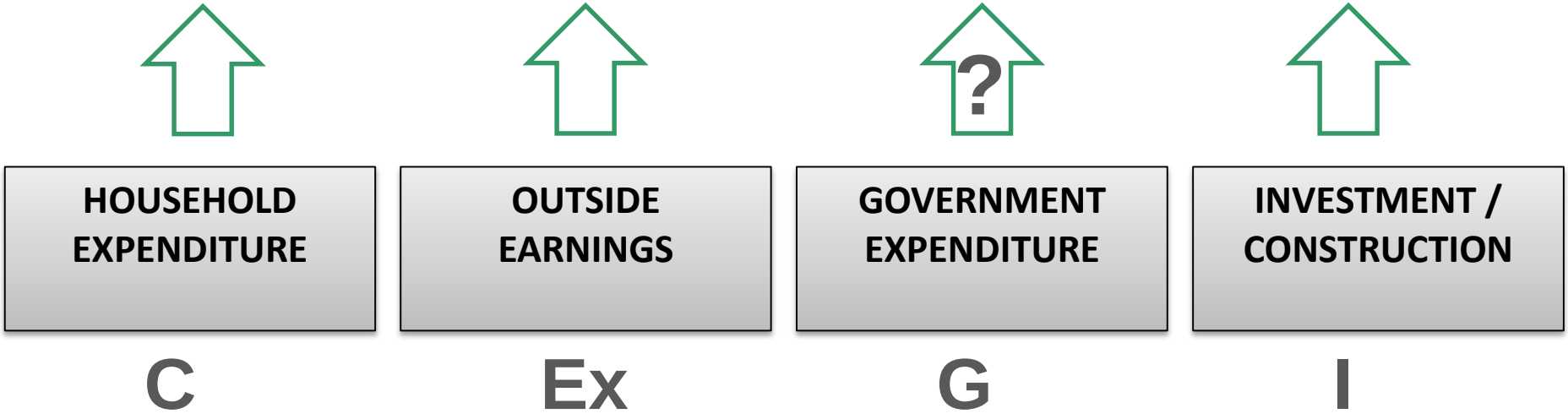
	STUDENT NUMBERS	EXPENDITURE
2005	3,519	$86M
2015	4,717	$137M
GROWTH	+34%	+54%

Source: James Cook University

INVESTMENT IN BUILDING & INFRASTRUCTURE PROJECTS $137M

LOOKING FORWARD

ALL MAJOR SECTORS IN REGIONAL ECONOMY LOOKING UP



CONDITIONAL	LOWER DOLLAR REMAINS
	WORLD ECONOMIC GROWTH
	FAVORABLE GOVERNMENT POLICIES

INTERNATIONAL TOURISM

SITUATION SIMILAR TO LATE 1980s

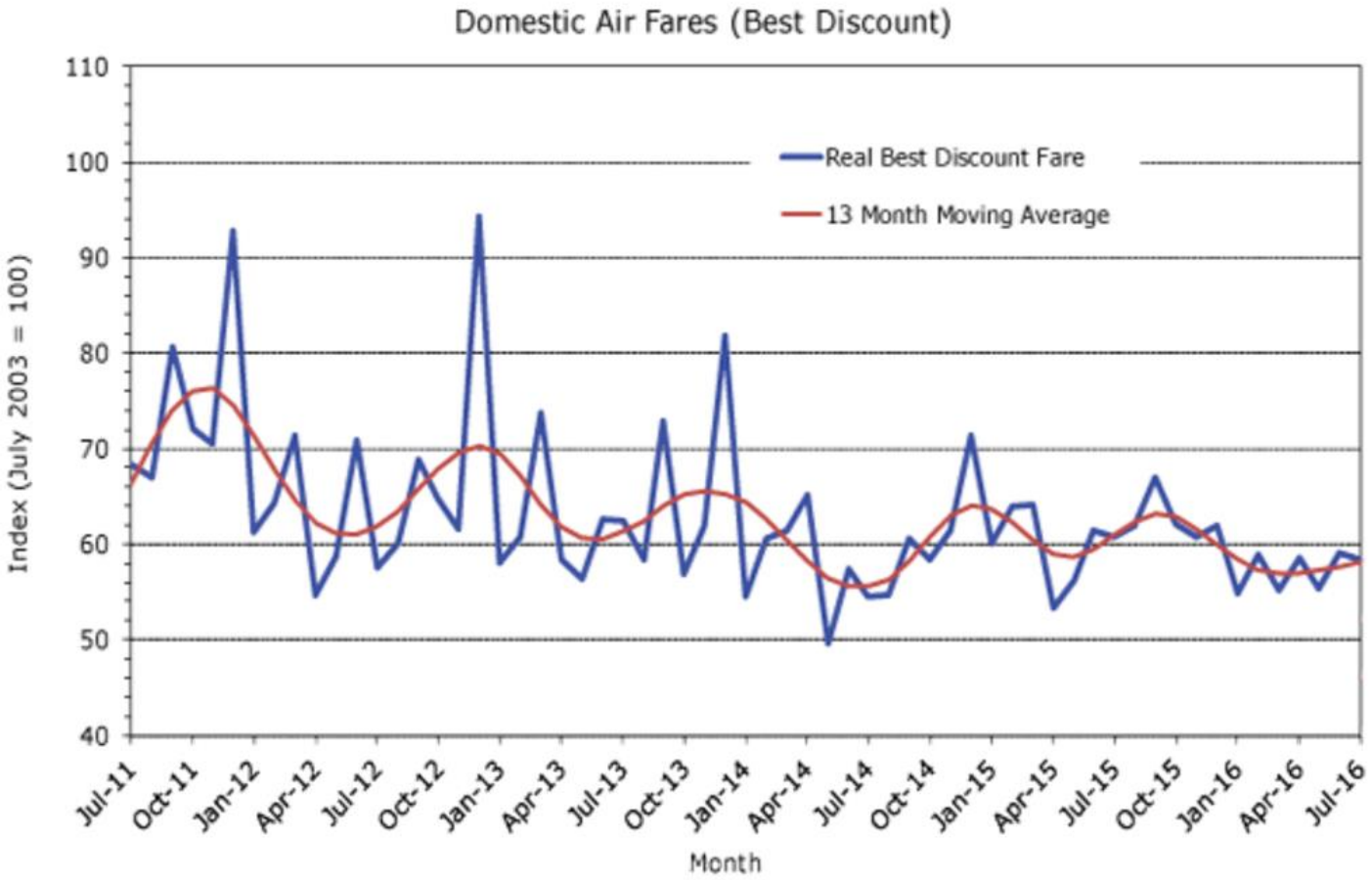
- LOWER DOLLAR
- MAJOR NEW MARKET DEVELOPING
  - JAPAN 1980s
  - CHINA TODAY

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

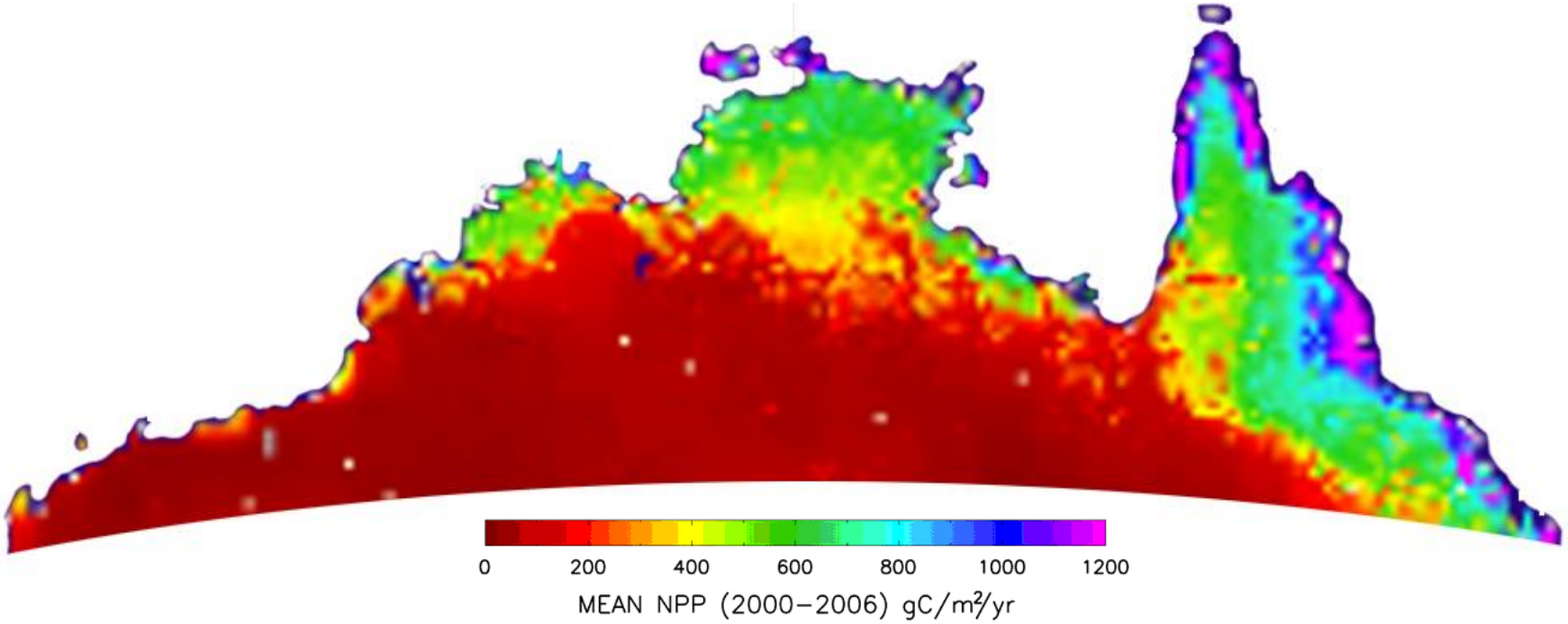
NON-CORE TOURISM GROWING OPPORTUNITIES

CRUISE SHIPS, SUPER & CRUISING YACHTS

CONFERENCES : CULTURAL EVENTS, SPORTS & MEDICAL

FEW REGIONS BETTER PROSPECTS FOR PRIMARY INDUSTRY GROWTH

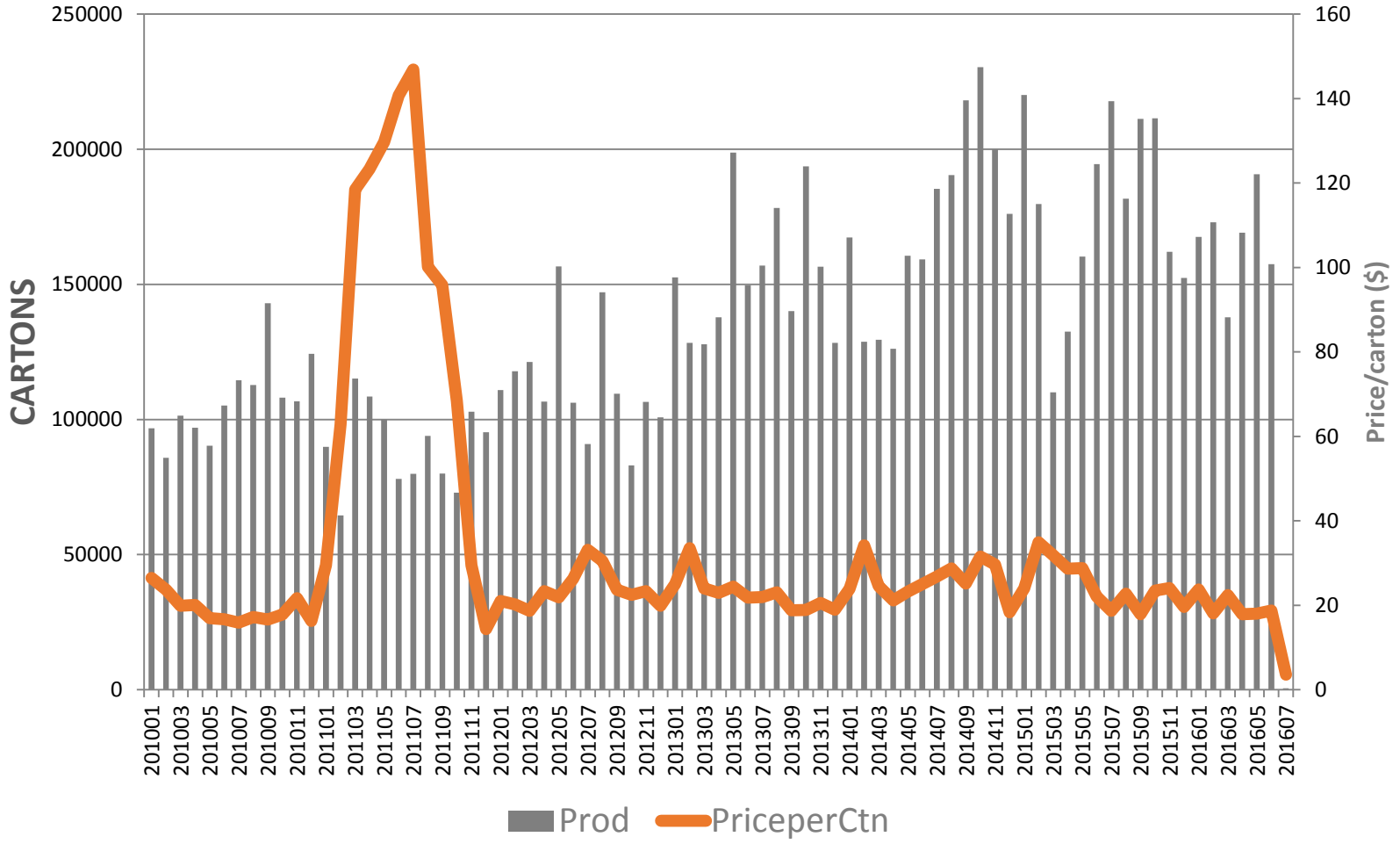
26% OF AUSTRALIA'S WATER RUN OFF



MEASURE OF PLANT GROWTH POTENTIAL UNIVERSITY OF MONTANA FROM MODIS SATELLITE DATA

BANANAS SHORT TERM GLUT

CAVENDISH BANANA PRODUCTION vs. PRICE/CARTON



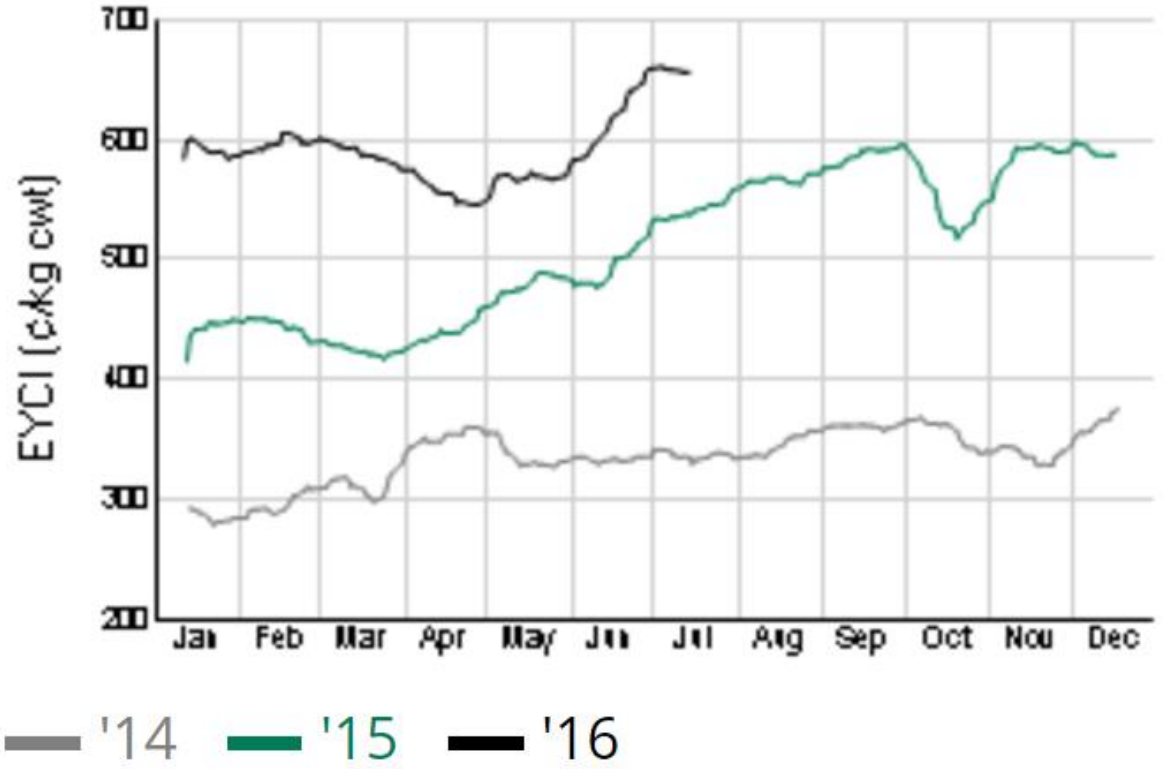
SUGAR PRICES BOUNCE BACK UP AGAIN

2016 SEASON

Source: Queensland Sugar

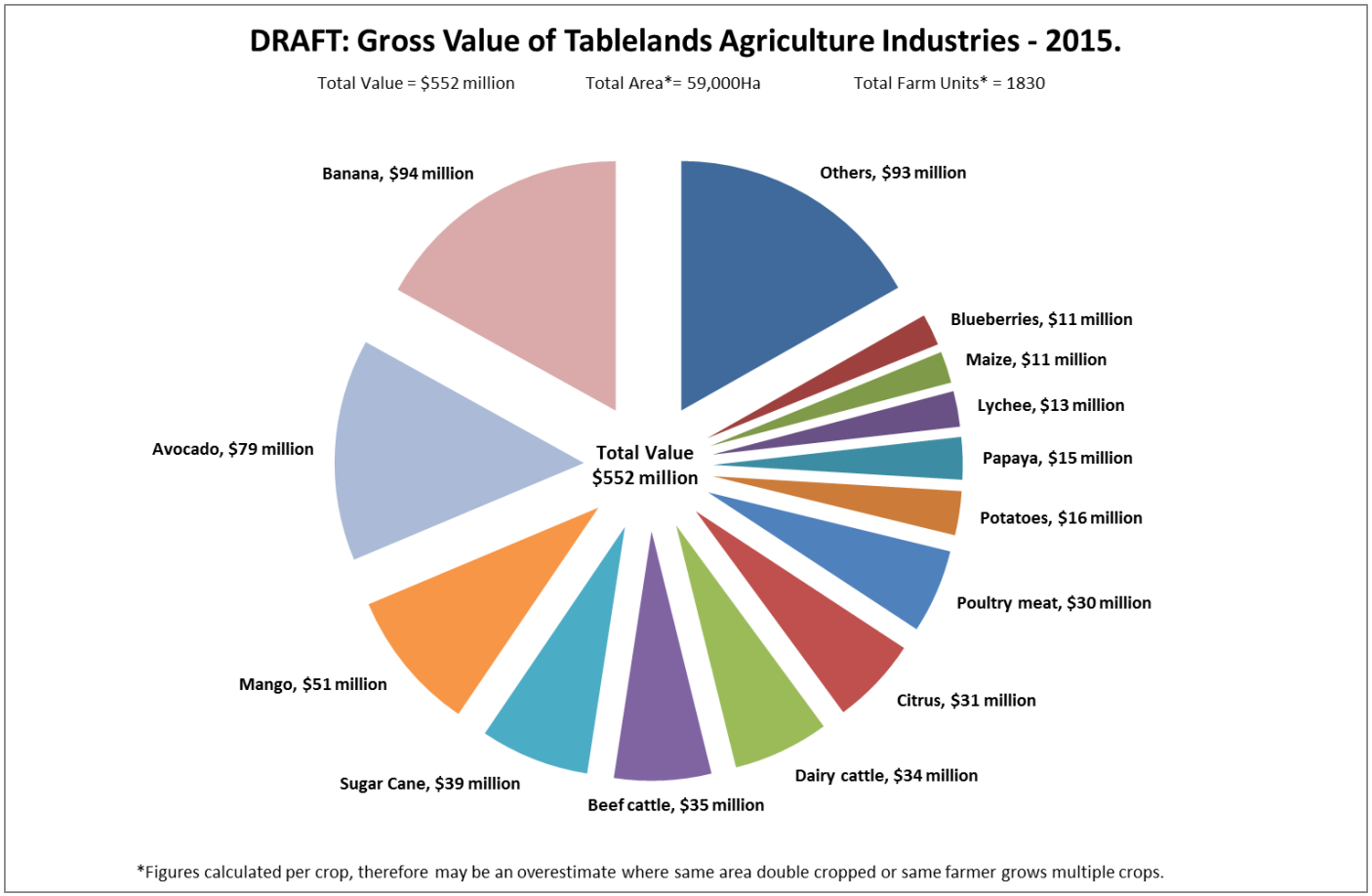
CATTLE PRICES HIGH & LIKELY TO GO HIGHER

EASTERN YOUNG CATTLE INDICATOR



Source: Meat & Livestock Australia

CONTINUING DIVERSIFICATION OF CROPPING



TABLELAND'S VALUE UP 60% ON 10 YEARS AGO (27% REAL)

MAJOR AGRICULTURAL STUDIES AND PROJECTS

MINING : MIXED PROSPECTS

NEGATIVE	SOME MINE CLOSURES
	FIFO LOSSES
	PNG SLOW DOWN
POSITIVE	MUNGANA : $36M PROCESSING PLANT
	MAGNETITE EXPORTS MOURILYAN
	$2BN AMRUN PROJECT UNDERWAY
	BAUXITE HILLS PROJECT

RENEWABLE ENERGY PROJECTS

MARITIME & AVIATION SERVICING CLUSTERS

MARITIME

NEGATIVE	LOSS OF PACIFIC PATROL BOATS' CONTRACT
POSITIVE	$24M FEDERAL FUNDED SLIPWAY UPGRADES
	PACIFIC PATROL BOAT SERVICE WORK
	RETURNING SUPERYACHT BUSINESS
	INCREASING REEF FLEET ACTIVITY
	CONSOLIDATION OF SEASWIFT'S ROLE IN SERVICING FAR NORTHERN DEVELOPMENTS

AVIATION

POSITIVE	INCREASING OPPORTUNITIES FROM ASIA

CONSUMPTION RATIO

LIKELY TO IMPROVE

NEGATIVE	ELECTRICITY AND INSURANCE COSTS
POSITIVE	LOWER INTEREST RATES, FUEL & GENERAL INFLATION
	MORE CONFIDENCE IN EMPLOYMENT
	MORE CONFIDENCE IN PROPERTY VALUES

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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