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**“The Northern
Professionals”**

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ECONOMIC UPDATE – WHAT THE LATEST INFORMATION IS TELLING US

Capital of the North’s Leading Region

Population growth figures for 2017-18 indicate the Cairns region continues to lead northern Australia in size of population and growth (see Charts 1 and 2), with the residential population in the wider Cairns servicing region across to the Gulf and up to the Papua New Guinea border steadily approaching 300,000. (In on-the-ground population including visitors, it is now at about 320,000.)

However, the population growth figures for 2017-18 were modest at about 1.1% for the city and about 1% for the region but well above the other northern cities and regions, where, post mining boom, growth rates are down strongly.

Cairns Supported by a Strong Hinterland Growth

What the figures also indicate is that Cairns is benefitting from hinterland population growth much faster than other regions (see Chart 3). This in large part has been due to growth in value of agricultural production, especially in Mareeba and Cook Shire (see Chart 4).

Mareeba has now emerged as the largest urban centre in the region outside of Cairns.

Australian Dollar Remaining Competitive

A positive factor for the Cairns regional economy, especially for tourism, has been Reserve Bank policy keeping interest rates low, helping to keep the Australian dollar competitive in the face of some rises in commodity prices.

Growth Being Sustained

While there have been negative factors of availability of finance affecting housing and areas like motor vehicle sales, of some plateauing of tourism growth (see Chart 5) and lower sugar prices, the indications are that growth is still occurring with registered unemployed in Cairns down in recent times (see Chart 6).

Consumer Spending Constraints

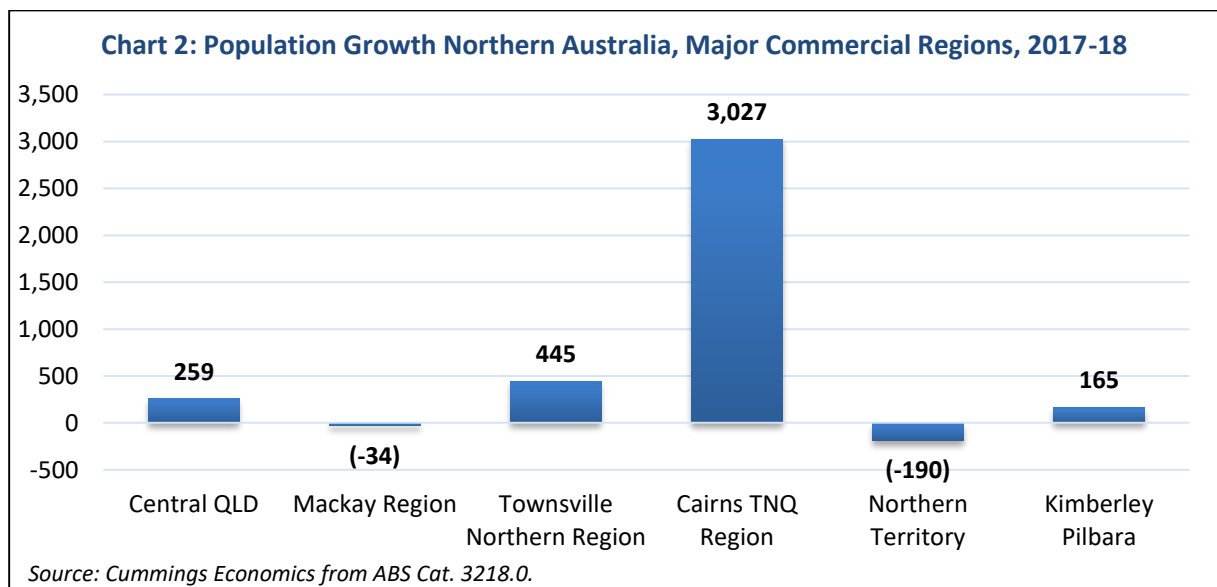
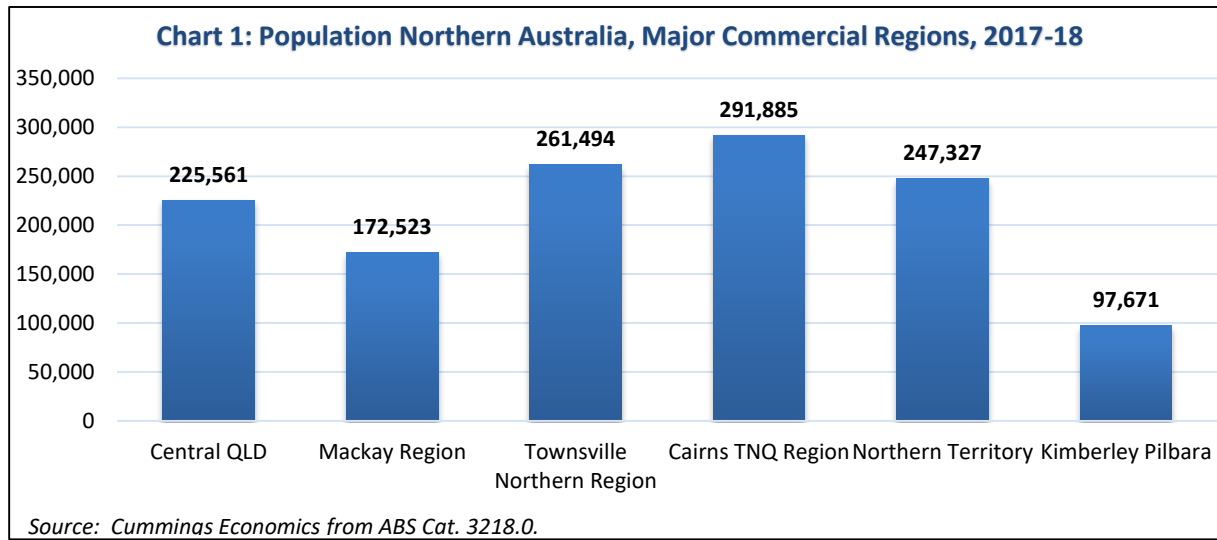
A number of factors appear to have affected local consumer spending in the early part of this year. Nationally, wages growth has been flat following abnormal rises during the mining boom well above productivity growth (see Chart 7). While in the capital cities, the retreat of the housing property bubble has had a negative “wealth” effect, this is not the case in Cairns where property prices have remained relatively steady (see Chart 8). A tight rental market has been seeing some increase in rentals (see Chart 9).

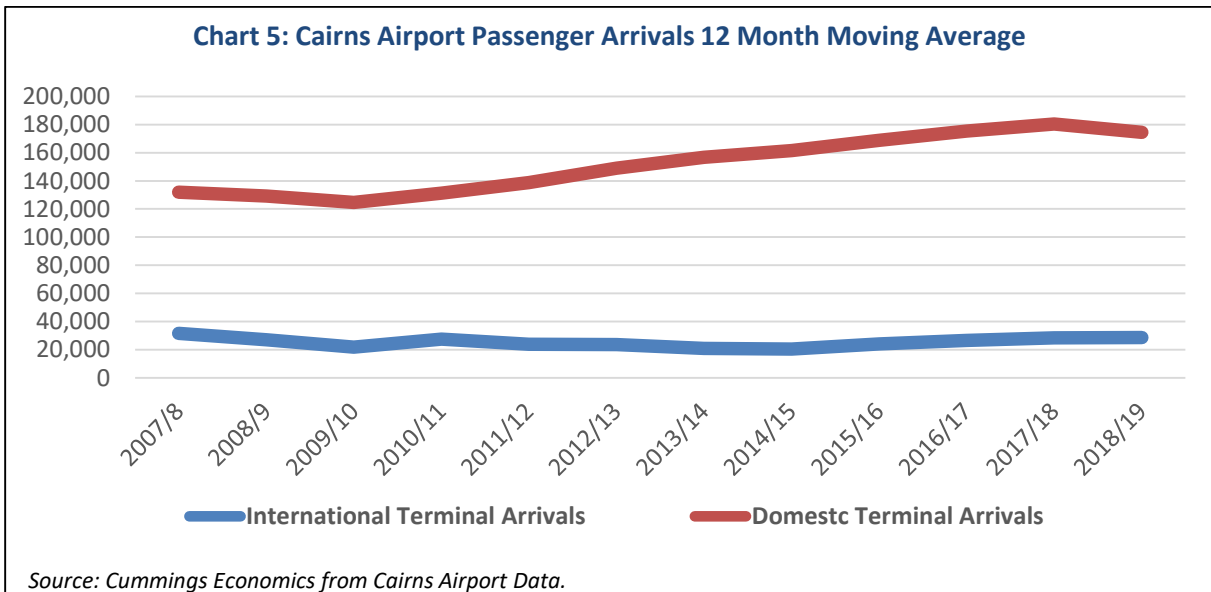
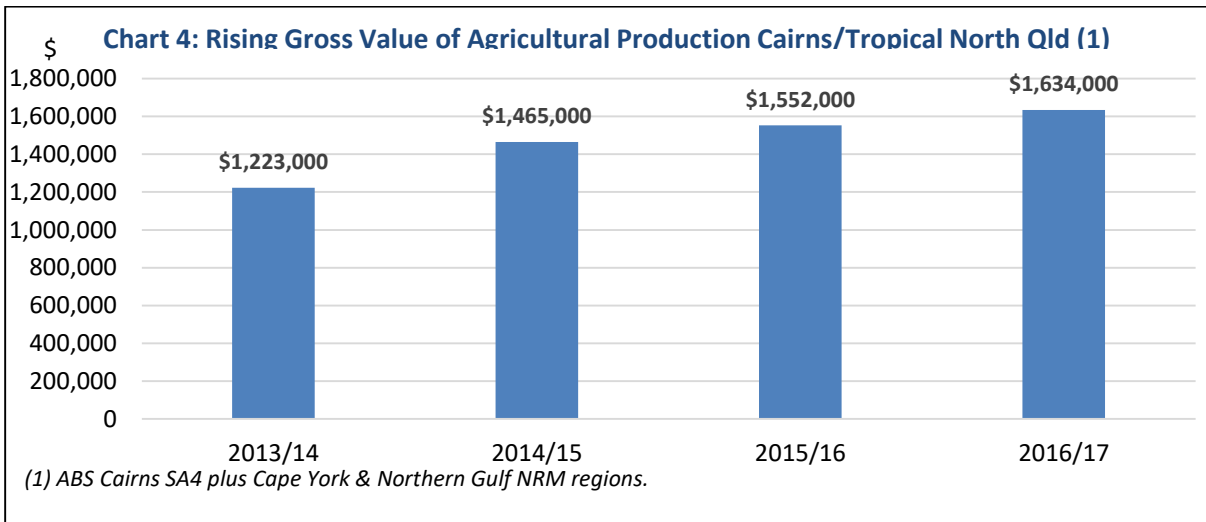
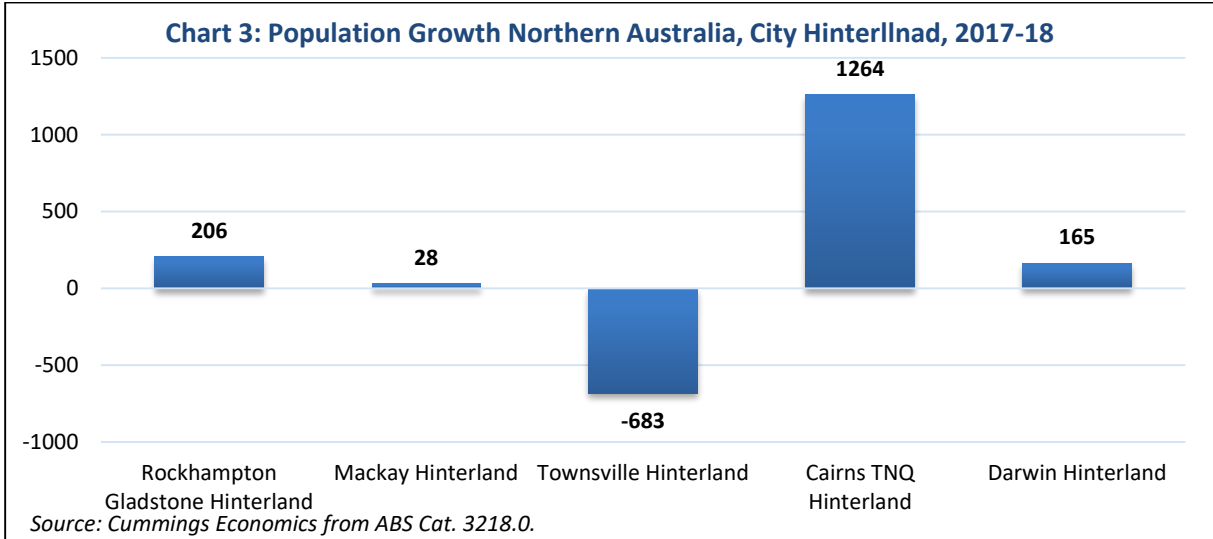
Looking Forward

Once the elections are out of the way and the normal seasonal uplift kicks in, it can be expected consumer spending will improve. There is an expectation that as the Banking

Royal Commission and its impacts diminish, recent very tight lending conditions will relax to some extent over the next year or so. An encouraging sign has been the emergence of a number of smaller projects in the city involving local investors. It is also likely that after years of being down, the State Government expenditure will see some lift.

This year will see the long-awaited port dredging begin and commencement of the Smithfield by-pass although the Convention Centre expansion has been delayed. Overall, it would seem that while there are negative factors around, on balance, the city and region will continue to record growth over the rest of the year.





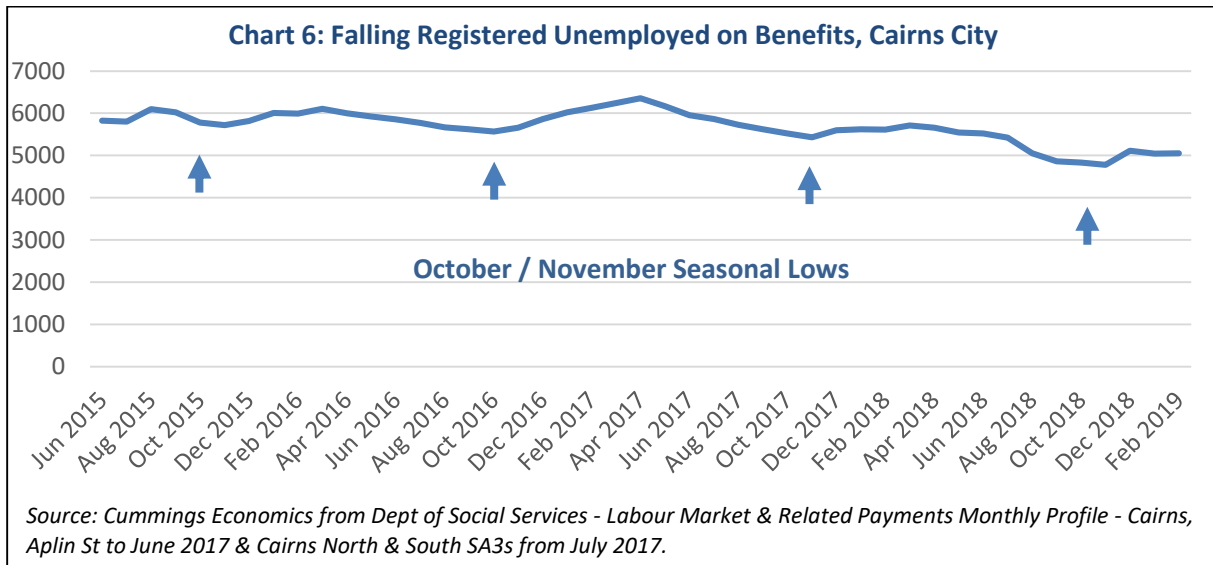


Chart 7: Mining - Boom – Aust Wages Expand Faster than Productivity

