Over the past year, the Cairns region stretching west to the Northern Territory border and north to the Papua New Guinea border has continued to be the largest in population and fastest growing region in northern Australia. (See Charts 1 & 2.)

However, a number of factors have been having a retarding effect. While this historically underdeveloped tropical region can be confident about its future, there are a number of issues that need to be addressed.

**Earnings from outside the region**

Those industries that earn income from outside the region, locate activity in the region and are a major determinant of long-term growth but fluctuations also affect short-term economic conditions.

The growth of the largest of these “base” industries, tourism, fuelled much of the region’s rapid growth in the 1980s and 1990s and up to about 2006. A high dollar along with the Global Financial Crisis led to a major check over the period to about 2014 when in real terms, tourism was down about 20%. With the Australian dollar falling back to more competitive levels, a strong recovery took place to levels above those of 2006 (see Charts 3 & 4). However, over recent months, visitor numbers have plateaued along with airport passenger numbers.

Fortunately for the region, a strongly growing agricultural sector offset the decline in tourism over the period to 2014 and has continued to grow (see Chart 5). However, while the sector seems to be holding its own overall, sugar prices have gone into a low period.
Value of mining production in the region took a knock about 2012, but recovered strongly and the sector was buoyed by major investment in recent years in the Auctus base metals project at Mungana and the Amrun and other bauxite projects in the Peninsula.

The winding down of Amrun construction workforce seems likely to be partly offset by a larger mining workforce as output expands.

Thus overall, the region has been facing a plateauing of earnings from its base industries in more recent years.

Construction
Another sector that has a large impact on short-term level of activity, is the construction sector:

There has been a mixed picture in this sector with the major investment of about $350 million in new expanded tourism facilities by Crystalbrook. However, this has in large part, been offset by two factors. Government capital spending in this region remains low. Unfortunately, the region has been caught up in the contraction of bank lending for private dwellings and other development following the excesses of the Sydney and Melbourne property bubble.

Household Consumption Spending
A further retardant has been low wages/income growth – again a hangover from the excesses of the mining boom period when wages growth outstripped productivity increases in the economy. While household savings rate has come down, this is reflecting more a squeeze on household budgets (made worse by elements like high electricity prices and insurance costs), rather than household spending exuberance. On the other hand, employment rates are high and registered unemployment coming down in the region (see Chart 6).

Growth in Services
After a long period of growth faster than most regions of Australia leading to the region’s emergence as the largest in northern Australia in population, a range of government services have still been in a catchup mode, especially in fields like higher education, health services, arts and cultural facilities. Government employment continues to grow (see Chart 7).

Holding on to Growth
Thus, the overall picture over the past year, has been one of holding on to growth at marginally reduced rates rather than a continuation of the upsurge in more recent years. Latest population growth figures for 2017-18 indicate that while the Cairns region’s growth rate has slowed. On the other hand, Reserve Bank policy of keeping interest rates low is helping keep the Australian dollar competitive in the face of some rises in commodity prices.

Although there is some variability, prospects for the primary industry and mining sectors look sound overall.

On the construction front, the next year could be expected to see Crystalbrook construction starting to wind back but there are a number of other smaller projects coming through. The port dredging will take place this year and start of the Smithfield bypass but the Convention Centre expansion continues to be put back. The major road spending on the national highway extension to Smithfield, Peninsula Development Road, Savannah Way and Hann Highway is not likely to impact on the economy for a few years but will increase confidence in the region’s long-term expansion.

Funding towards taking Cairns up to a university hospital level will help address two of those areas where the region is still behind; in higher education and health services compared with its population.

The Cairns region has world class combination and quality of tourism attractions, some 26% of Australia’s water runoff, valuable mineral resources, a strategic location in the Asia Pacific region, falling transport and communication costs connecting the region to the rest of the world, better technology suited to the tropics and a growing level of population, services and infrastructure. The region’s prospects for continuing solid advances remain excellent. But it is vital that infrastructure bottlenecks like the port and Kuranda Range Road continue to be addressed as the region grows, and, that underlying national fiscal and monetary policies are favourable to continuing progress in regional areas.

Looking Forward
While there are good reasons to be optimistic about the region’s long-term progress, the plateauing of tourism and loss of market share, and especially the failure of expected growth in visitation from the Chinese market, means that there are challenges to be met in the tourism sector. While the US economy is growing, slow-downs of growth rates are occurring in Europe and China and the Australian economic growth rate has slowed. On the other hand, Reserve Bank policy of keeping interest rates low is helping keep the Australian dollar competitive in the face of some rises in commodity prices.

In the year 2017-18 indicate that while the Cairns region’s growth rate has slowed. On the other hand, Reserve Bank policy of keeping interest rates low is helping keep the Australian dollar competitive in the face of some rises in commodity prices.

Although there is some variability, prospects for the primary industry and mining sectors look sound overall.

On the construction front, the next year could be expected to see Crystalbrook construction starting to wind back but there are a number of other smaller projects coming through. The port dredging will take place this year and start of the Smithfield bypass but the Convention Centre expansion continues to be put back. The major road spending on the national highway extension to Smithfield, Peninsula Development Road, Savannah Way and Hann Highway is not likely to impact on the economy for a few years but will increase confidence in the region’s long-term expansion.

Funding towards taking Cairns up to a university hospital level will help address two of those areas where the region is still behind; in higher education and health services compared with its population.

The Cairns region has world class combination and quality of tourism attractions, some 26% of Australia’s water runoff, valuable mineral resources, a strategic location in the Asia Pacific region, falling transport and communication costs connecting the region to the rest of the world, better technology suited to the tropics and a growing level of population, services and infrastructure. The region’s prospects for continuing solid advances remain excellent. But it is vital that infrastructure bottlenecks like the port and Kuranda Range Road continue to be addressed as the region grows, and, that underlying national fiscal and monetary policies are favourable to continuing progress in regional areas.

Looking Forward
While there are good reasons to be optimistic about the region’s long-term progress, the plateauing of tourism and loss of market share, and especially the failure of expected growth in visitation from the Chinese market, means that there are challenges to be met in the tourism sector. While the US economy is growing, slow-downs of growth rates are occurring in Europe and China and the Australian economic growth rate has slowed. On the other hand, Reserve Bank policy of keeping interest rates low is helping keep the Australian dollar competitive in the face of some rises in commodity prices.

Although there is some variability, prospects for the primary industry and mining sectors look sound overall.

On the construction front, the next year could be expected to see Crystalbrook construction starting to wind back but there are a number of other smaller projects coming through. The port dredging will take place this year and start of the Smithfield bypass but the Convention Centre expansion continues to be put back. The major road spending on the national highway extension to Smithfield, Peninsula Development Road, Savannah Way and Hann Highway is not likely to impact on the economy for a few years but will increase confidence in the region’s long-term expansion.

Funding towards taking Cairns up to a university hospital level will help address two of those areas where the region is still behind; in higher education and health services compared with its population.

The Cairns region has world class combination and quality of tourism attractions, some 26% of Australia’s water runoff, valuable mineral resources, a strategic location in the Asia Pacific region, falling transport and communication costs connecting the region to the rest of the world, better technology suited to the tropics and a growing level of population, services and infrastructure. The region’s prospects for continuing solid advances remain excellent. But it is vital that infrastructure bottlenecks like the port and Kuranda Range Road continue to be addressed as the region grows, and, that underlying national fiscal and monetary policies are favourable to continuing progress in regional areas.

Looking Forward
While there are good reasons to be optimistic about the region’s long-term progress, the plateauing of tourism and loss of market share, and especially the failure of expected growth in visitation from the Chinese market, means that there are challenges to be met in the tourism sector. While the US economy is growing, slow-downs of growth rates are occurring in Europe and China and the Australian economic growth rate has slowed. On the other hand, Reserve Bank policy of keeping interest rates low is helping keep the Australian dollar competitive in the face of some rises in commodity prices.

Although there is some variability, prospects for the primary industry and mining sectors look sound overall.

On the construction front, the next year could be expected to see Crystalbrook construction starting to wind back but there are a number of other smaller projects coming through. The port dredging will take place this year and start of the Smithfield bypass but the Convention Centre expansion continues to be put back. The major road spending on the national highway extension to Smithfield, Peninsula Development Road, Savannah Way and Hann Highway is not likely to impact on the economy for a few years but will increase confidence in the region’s long-term expansion.

Funding towards taking Cairns up to a university hospital level will help address two of those areas where the region is still behind; in higher education and health services compared with its population.

The Cairns region has world class combination and quality of tourism attractions, some 26% of Australia’s water runoff, valuable mineral resources, a strategic location in the Asia Pacific region, falling transport and communication costs connecting the region to the rest of the world, better technology suited to the tropics and a growing level of population, services and infrastructure. The region’s prospects for continuing solid advances remain excellent. But it is vital that infrastructure bottlenecks like the port and Kuranda Range Road continue to be addressed as the region grows, and, that underlying national fiscal and monetary policies are favourable to continuing progress in regional areas.