TRENDS AND PROSPECTS FOR THE CAIRNS & REGIONAL ECONOMY

PRESENTATION TO CAIRNS CHAMBER OF COMMERCE
WS (Bill) Cummings | Cummings Economics

Ref: J3262 | 23rd July 2019
## TIME OF 2005 PRESENTATION

**CAIRNS FLYING HIGH**

<table>
<thead>
<tr>
<th>POPULATION GROWTH</th>
<th>2007/08</th>
<th>4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUILDING APPROVALS</td>
<td>2006/07</td>
<td>OVER $1BN</td>
</tr>
<tr>
<td>DWELLING APPROVALS</td>
<td>2006/07</td>
<td>OVER 3000</td>
</tr>
</tbody>
</table>
TROUBLE WAS BREWING

COMMODITY PRICES & INTEREST RATES UP: RISING AUST $

JAPANESE VISITOR NUMBERS: DECLINING

JUNE 2008 QANTAS: SLASHES SERVICES FROM JAPAN

LATE 2008 GFC HITS: PRIVATE INVESTMENT COLLAPSES
CAIRNS POPULATION GROWTH

CAIRNS LOWEST DECADE OF POPULATION GROWTH SINCE 1960’S

Source: Cummings Economics from ABS Data.
OUTSIDE EARNINGS

TOURISM

OVER $3BN
TOURISM UPSURGE NOT BEING SUSTAINED

CAIRNS AIRPORT PASSENGER ARRIVALS 12-MONTH MOVING AVERAGE
TOURISM LOSS OF MARKET SHARE

INTERNATIONAL HOLIDAY VISITOR NUMBERS AS % AUST. TOTAL

DOMESTIC VISITOR NUMBERS AS % AUST. TOTAL

Source: Cummings Economics from Tourism Research Australia IVS & NVS.
DIFFICULTIES WITH CHINESE MARKET

VISITORS TO TNQ FROM CHINA

Source: Cummings Economics from Tourism Research Australia IVS.

CHINA OUTBOUND TOURISM YEAR-ON-YEAR GROWTH

Source: Travel China Guide.

TRENDS AND PROSPECTS FOR THE CAIRNS & REGIONAL ECONOMY
TOURISM LOOKING FORWARD

WEATHER EFFECT PASSED

CRYSTALBROOK: NEW PRODUCT AGGRESSIVE MARKETING

ADDITIONAL CAPACITY SINGAPORE

AUSTRALIA DOLLAR IN CHECK
(US RESERVE INTEREST RATE?)
(COMMODITY PRICES?)

HOUSEHOLD INCOME METROPOLITAN AREAS

CRUISE SHIPS

MAJOR NEGATIVE: PERCEPTIONS OF STATE OF REEF
PRIMARY INDUSTRIES APPROX $2BN

GROSS VALUE OF AGRICULTURAL PRODUCTION TROPICAL NORTH QUEENSLAND

Source: Cummings Economics from ABS Data Cat. 7503.0.
This is a whole-of-season ICE 11 price chart for the 2019 Season, based on the current 3:2:1 pricing ratio applicable to QSL Target Price Contract growers. Source: Bloomberg
CATTLE PRICES

EYCI ($/kg cwt)

EYCI (c/kg cwt)

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

'17 '18 '19

TRENDS AND PROSPECTS FOR THE CAIRNS & REGIONAL ECONOMY
### LARGEST FRUIT PRODUCING REGIONS

**GROSS VALUE OF FRUIT & NUT PRODUCTION $M**

<table>
<thead>
<tr>
<th>MAJOR FRUIT PRODUCING REGIONS</th>
<th>Fruit excl. grapes $m</th>
<th>Grapes $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>VICTORIA'S NORTH-WEST</td>
<td>562.90</td>
<td>379.91</td>
<td>942.81</td>
</tr>
<tr>
<td>SOUTH AUSTRALIA'S SOUTH-EAST</td>
<td>511.81</td>
<td>388.81</td>
<td>900.62</td>
</tr>
<tr>
<td>QUEENSLAND'S CAIRNS REGION</td>
<td>588.31</td>
<td>2.04</td>
<td>690.35</td>
</tr>
<tr>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VICTORIA'S SHEPPARTON</td>
<td>562.90</td>
<td>9.19</td>
<td>572.09</td>
</tr>
<tr>
<td>NEW SOUTH WALES' MURRAY PLUS RIVERINA</td>
<td>274.45</td>
<td>289.94</td>
<td>564.39</td>
</tr>
<tr>
<td>QUEENSLAND'S WIDE BAY</td>
<td>474.94</td>
<td>6.34</td>
<td>481.28</td>
</tr>
</tbody>
</table>

(1) Cairns SA4 Region plus Dimbulah area.

*Source: Cummings Economics from ABS Cat. 7503.0.*
FISHERIES

LIVE CORAL TROUT TRADE

NORTHERN ROCK LOBSTER

AQUARIUM FISH

IMPORTANT TO FIND REPLACEMENT FOR CATHAY AIRFREIGHT CAPACITY
MINING APPROX $1BN

AMRUN : CONSTRUCTION WINDING DOWN : OPERATIONAL UP

METRO BAUXITE HILL : OPERATING

CAPE FLATTERY : CONTINUING

AUCTUS MUNGANA ZINC : OPERATING

NEW SMALL GOLD MINE : FORSAYTH

CONSOLIDATED TIN MT GARNETT: CONTINUING

MT CARBINE WOLFRAM : PROSPECT
AIR SERVICES: FIFO CONTINUING

LOSS OF FREEPORT INDONESIA SHIPPING CARGOES: $170M

PNG MAJOR NEW PHASE TO
DEVELOP LNG PROJECTS & WAFI GOLPU
## OTHER OUTSIDE EARNINGS

### INTERNATIONAL EDUCATION
- Down with Tourism
- New Student Accommodation
- Strong Marketing Push

### AVIATION SERVICING
- Hawker Pacific Expansion

### MARINE SECTOR
- Capacity Expansion Shipyards
- Efforts to Tap New Markets
INVESTMENT : VOLATILE ELEMENT

BUILDING APPROVALS FAR NORTH QUEENSLAND STATISTICAL DIVISION $M

Note: 2017-18 based on 11 months end May 2019. Source: Cummings Economics from ABS Cat 8731.0.

2018/19 SUPPRESSED BANKING ROYAL COMMISSION
AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY CONSTRAINTS
Note (1): Based on 11 months to end May 2019.

Source: Cummings Economics from ABS Cat 8731.0.
• SOME LIFT IN DEMAND FOR DWELLINGS AND COMMERCIAL PROPERTY
• ELECTIONS OUT OF THE WAY: TAX CUTS: LOWER INTEREST RATES: APRA RELAXATION (AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY)
• HOUSE FINANCE & REAL ESTATE INQUIRIES UP
• RENTAL VACANCIES LOW & SOME INCREASES
• VACANCIES IN COMMERCIAL SPACE MAINLY LOW GRADE, GOOD NEW REFURBISHED PROPERTIES MOVING
• LOCAL INVESTORS UNDERTAKING PROJECTS
TRENDS AND PROSPECTS FOR THE CAIRNS & REGIONAL ECONOMY

QLD GOVERNMENT BUDGETED EXPENDITURE

UP BUT ONLY TO REGIONAL AVERAGE

CAIRNS SA4 REGION $M

Source: QLD Budget Papers.

STILL OWED OVER $1BN

NEXT FEW YEARS: PORT DREDGING: SMITHFIELD BYPASS: CONVENTION CENTRE
<table>
<thead>
<tr>
<th></th>
<th>CAIRNS EXTENSION</th>
<th>PDR</th>
<th>GULF SAVANNAH</th>
<th>HANN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 - 19</td>
<td>-</td>
<td>$0.29M</td>
<td>$0.08M</td>
<td>-</td>
</tr>
<tr>
<td>2019 - 20</td>
<td>-</td>
<td>$3.82M</td>
<td>$1.01M</td>
<td>-</td>
</tr>
<tr>
<td>2020 - 21</td>
<td>-</td>
<td>$7.00M</td>
<td>$1.84M</td>
<td>$5.00M</td>
</tr>
<tr>
<td>2021 - 22</td>
<td>$20M</td>
<td>$9.55M</td>
<td>$2.51M</td>
<td>$5.00M</td>
</tr>
<tr>
<td>2022 - 23</td>
<td>$67M</td>
<td>$31.83M</td>
<td>$8.38M</td>
<td>$20.00M</td>
</tr>
<tr>
<td>LATER</td>
<td>$200M</td>
<td>$137.50M</td>
<td>$36.18M</td>
<td>-</td>
</tr>
</tbody>
</table>

FAIR SHARE OF $100BN ON POPULATION BASIS $1.2BN : SO FAR ABOUT $700M
# QUEENSLAND GOVERNMENT EMPLOYMENT

## CAIRNS SA4 REGION

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Number (FTE)</th>
<th>% Growth on Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar QTR 2015</td>
<td>11,946</td>
<td></td>
</tr>
<tr>
<td>Mar QTR 2016</td>
<td>12,536</td>
<td>+4.9%</td>
</tr>
<tr>
<td>Mar QTR 2017</td>
<td>12,903</td>
<td>+2.9%</td>
</tr>
<tr>
<td>Mar QTR 2018</td>
<td>13,309</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Dec QTR 2018</td>
<td>13,387</td>
<td>+2.7%</td>
</tr>
</tbody>
</table>

Source: QLD Public Sector Workforce Quarterly Report.
CONSUMPTION

TAX CUTS

OF ORDER $150 – $200M COMING THROUGH INTEREST RATES DOWN PROSPECTS FOR SOME LIFT

Household Income and Consumption*

Real, year-ended growth

% 10 5

Consumption

Disposable income

Saving ratio

% 10 5

-5 0 5 10


* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation

Sources: ABS, RBA
Falling Registered Unemployed on Benefits, Cairns City

Source: Cummings Economics from Dept of Social Services - Labour Market & Related Payments Monthly Profile - Cairns Aplin St to June 2017 & Cairns North & South SA3s from July 2017.
OVERALL

PAST FINANCIAL YEAR NOT AS GOOD AS EXPECTED
(TOURISM, FINANCE, ELECTIONS, WEATHER & SUGAR PRICES)

PROSPECTS FOR SOME PICKUP AHEAD TO SEE GROWTH CONTINUING, BUT AT RELATIVELY SUBDUED LEVELS
CONTINUE TO LEAD NORTHERN AUSTRALIA IN GROWTH

Population Growth Northern Australia, Major Commercial Regions, 2017-18

Source: Cummings Economics from ABS Cat. 3218.0.
CONSOLIDATING LEAD AS LARGEST REGION IN POPULATION IN THE NORTH

Population Northern Australia, Major Commercial Regions, 2017-18

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central QLD</td>
<td>225,561</td>
</tr>
<tr>
<td>Mackay Region</td>
<td>172,523</td>
</tr>
<tr>
<td>Townsville Northern Region</td>
<td>261,494</td>
</tr>
<tr>
<td>Cairns TNQ Region</td>
<td>291,885</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>247,327</td>
</tr>
<tr>
<td>Kimberley Pilbara</td>
<td>97,671</td>
</tr>
</tbody>
</table>

Source: Cummings Economics from ABS Cat. 3218.0.
REGIONAL ECONOMY UNDERPERFORMING COMPARED WITH LONG-TERM GROWTH TRAJECTORY

SERIOUS THINKING NEEDED ABOUT APPROACHES TO ACHIEVING PROGRESS THE REGION IS CAPABLE OF
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