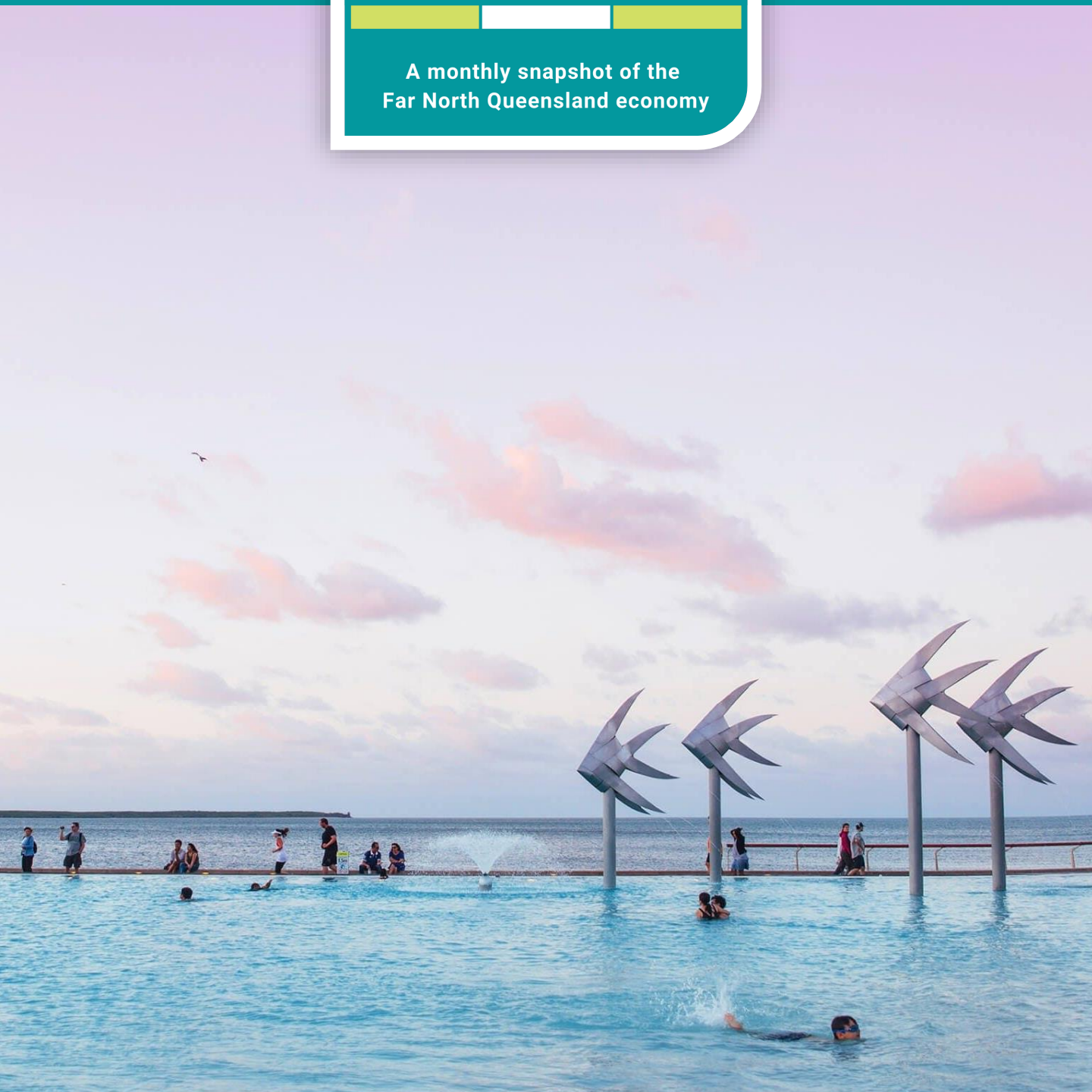


JUNE 2022

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



Special report paints a surprising picture of economic growth

In this edition of The Cairns Report, we take an in-depth look at economic growth in the Cairns region and compare it to state and national growth rates. The results may surprise you, given the dramatic impact of COVID-19 on our international tourism sector, among other effects.

Over the course of the previous eleven years, the Cairns Region has generally underperformed growth at both the State and National level by between 8% and 10%. But when we look at the period since the pandemic struck and compare the 2020/21 result with that of 2018/19, we see that Australian GDP is up just 1.5%, Queensland GSP has grown a little slower at 1.4%, while Cairns Region GRP is up 3.3%! Turn to page 15 and 16 to find out more.

UNEMPLOYMENT RATE

3.9%	4.5%	4.6%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

↑ 13,401,700	↓ 2,706,200	↓ 139,000
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

↑ \$274,000	↑ \$430,000
UNITS	HOUSES

MEDIAN RENTS

↑ \$382 P/W	↑ \$479 P/W
2-BED UNIT	3-BED HOUSE

PASSENGERS

422,000	▼	356,769
APRIL '19		APRIL '22
CAIRNS AIRPORT		

BUILDING APPROVALS

98 APPROVALS IN MARCH

▼ -33%

COMPARED TO A YEAR AGO

All data relates to Cairns unless otherwise stated. The most current data set available before publication is used throughout The Cairns Report. © The Cairns Report 2022. For media or reproduction purposes, please credit The Cairns Report.

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Cover: Cairns Lagoon

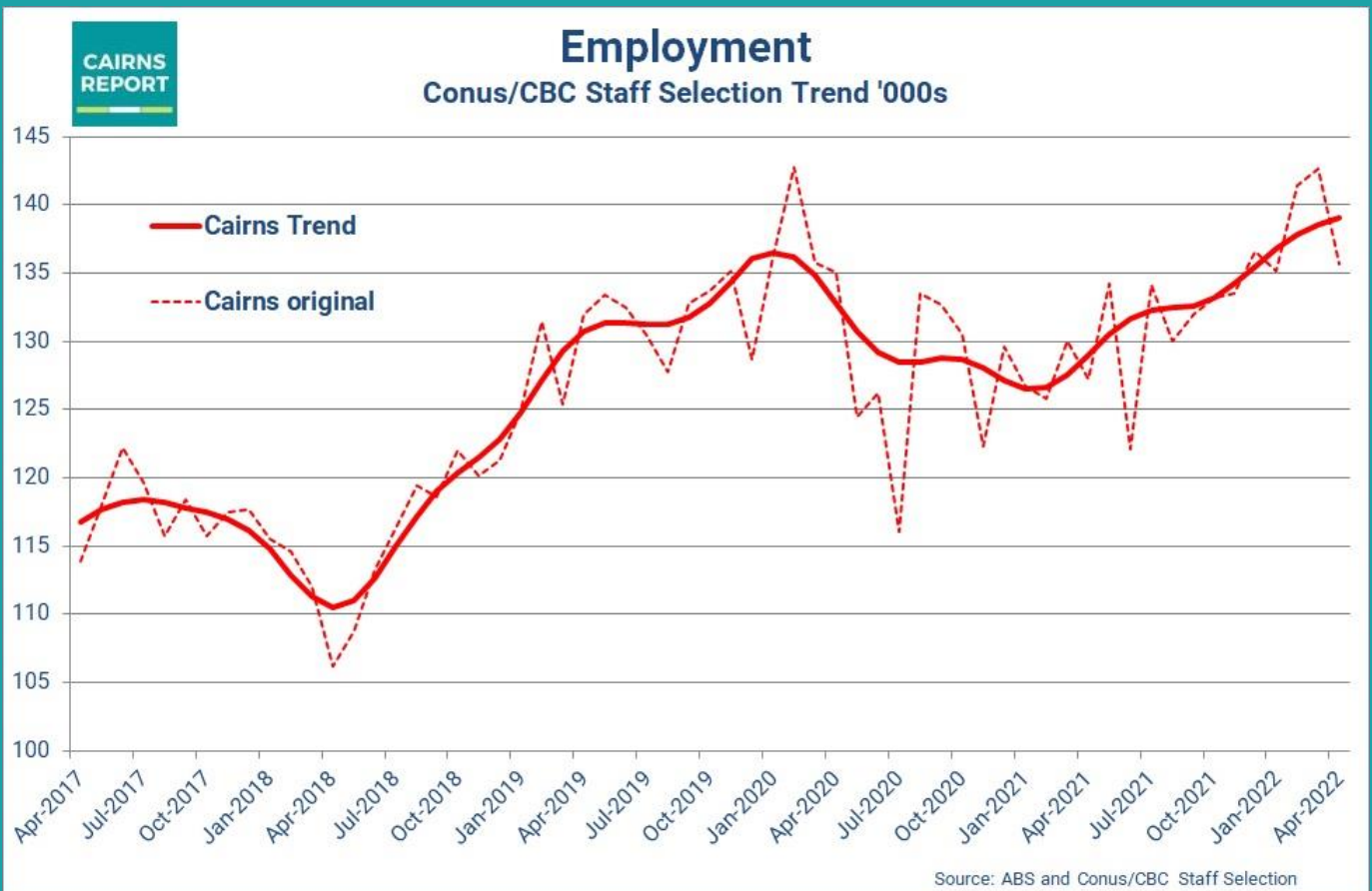
PRESENTED BY

PEOPLE EMPLOYED

13,401,700	2,706,200	139,000
NATIONAL	QLD	CAIRNS
↑	↓	↓
	LAST MONTH	
13,389,900	2,720,400	141,100

Once again, we saw Trend employment lift in Cairns (+500) but some revisions to previous months impacted Trend employment which, while still at record highs, dropped back to just below the magic 140,000 level which previous estimates suggested we broke last month.

On a state level, there was a slight pull-back in employment driven by a steep fall in part-time positions (full-time jobs increased again and are now up 123,900 over the past 12 months).

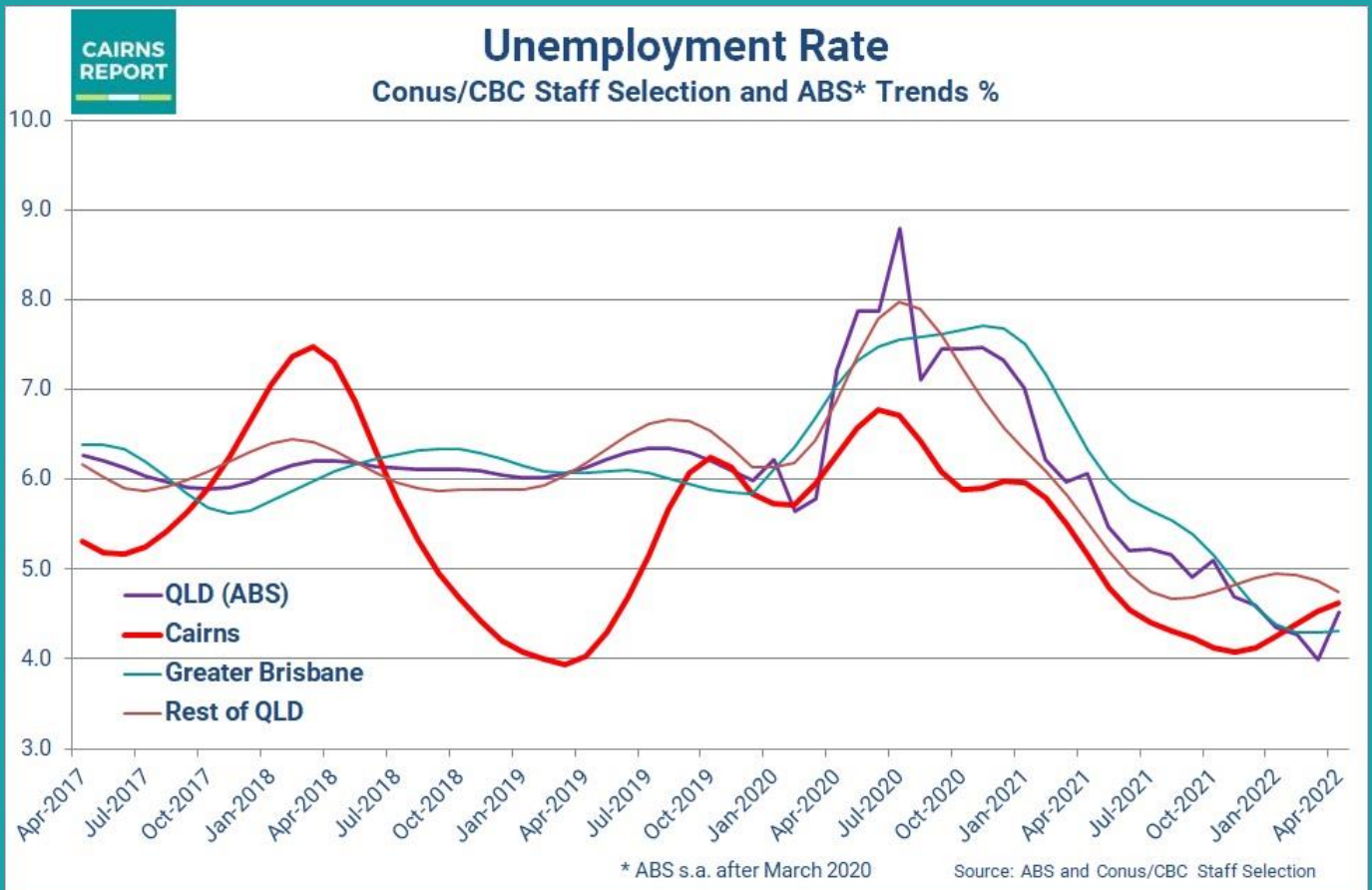


The unemployment rate climbed at a local and state level but dropped slightly nationwide to just 3.9%.

Despite the increase in employment mentioned on the previous page, sharp increases in participation (to their highest levels in almost 12 years), and some revisions to previous months, saw the Trend unemployment rate in Cairns move back up to 4.6%.

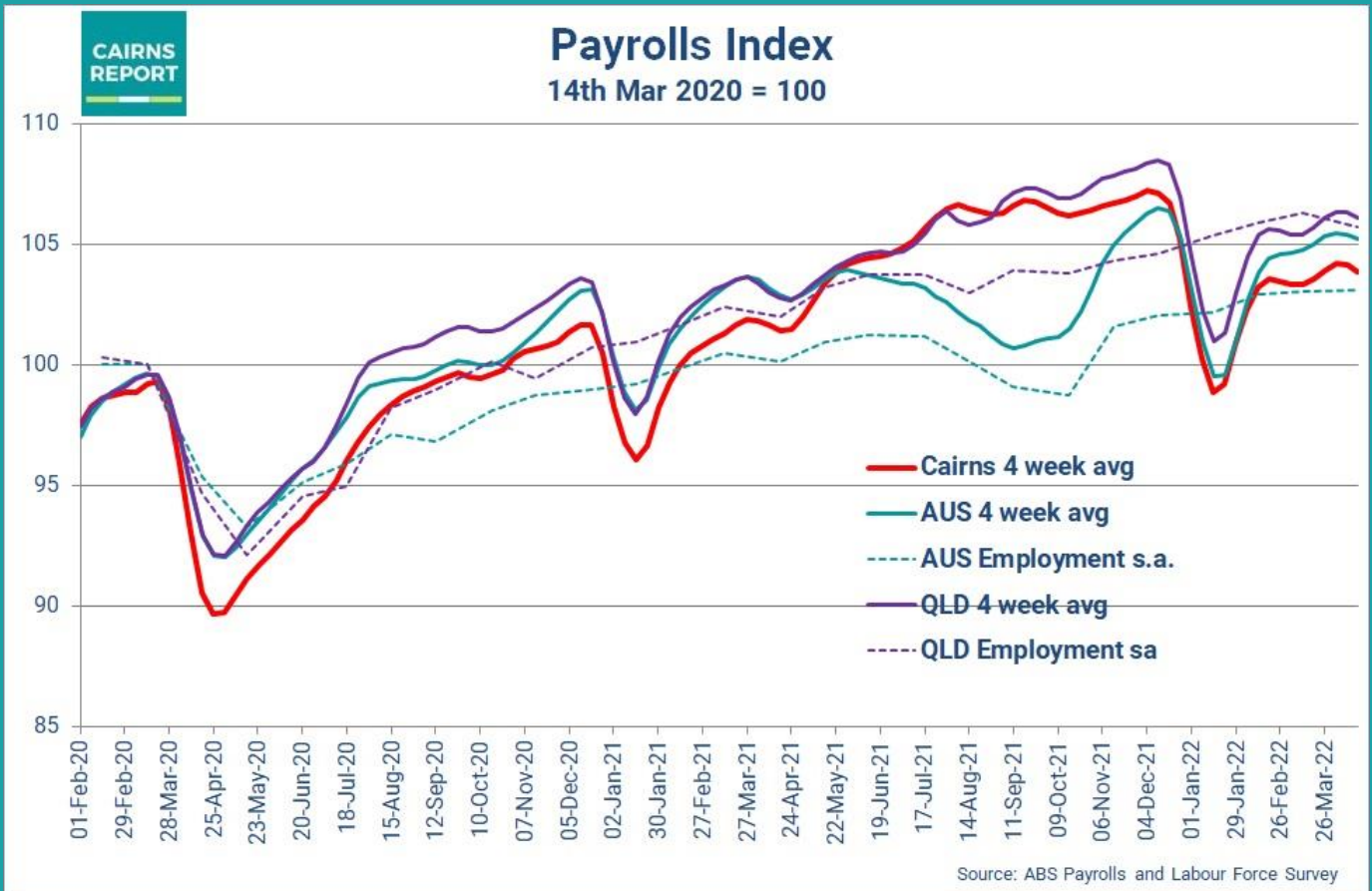
UNEMPLOYMENT RATE

3.9% NATIONAL	4.5% QLD	4.6% CAIRNS
↓	↑	↑
LAST MONTH		
4.0%	4.0%	4.0%



The most recent data (to the middle of April) from the ATO and ABS show that at the national and state levels, Payrolls have continued to improve but remain well below the levels seen prior to the Christmas and New Year holiday period.

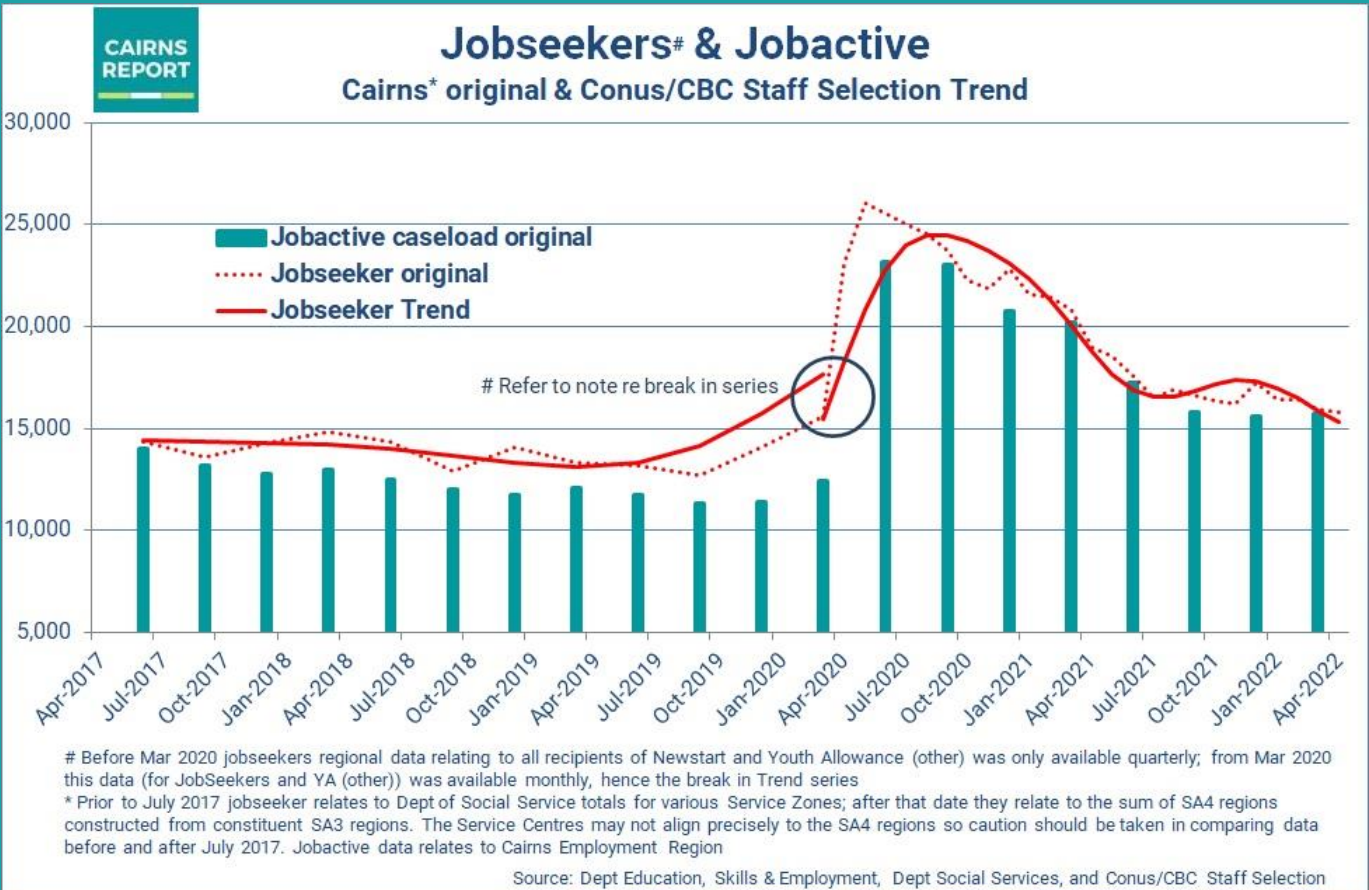
The fact that this data-set is not seasonally adjusted makes it hard to draw many conclusions from this, particularly at a time when the seasonally adjusted labour force data continue to show a generally upward movement.



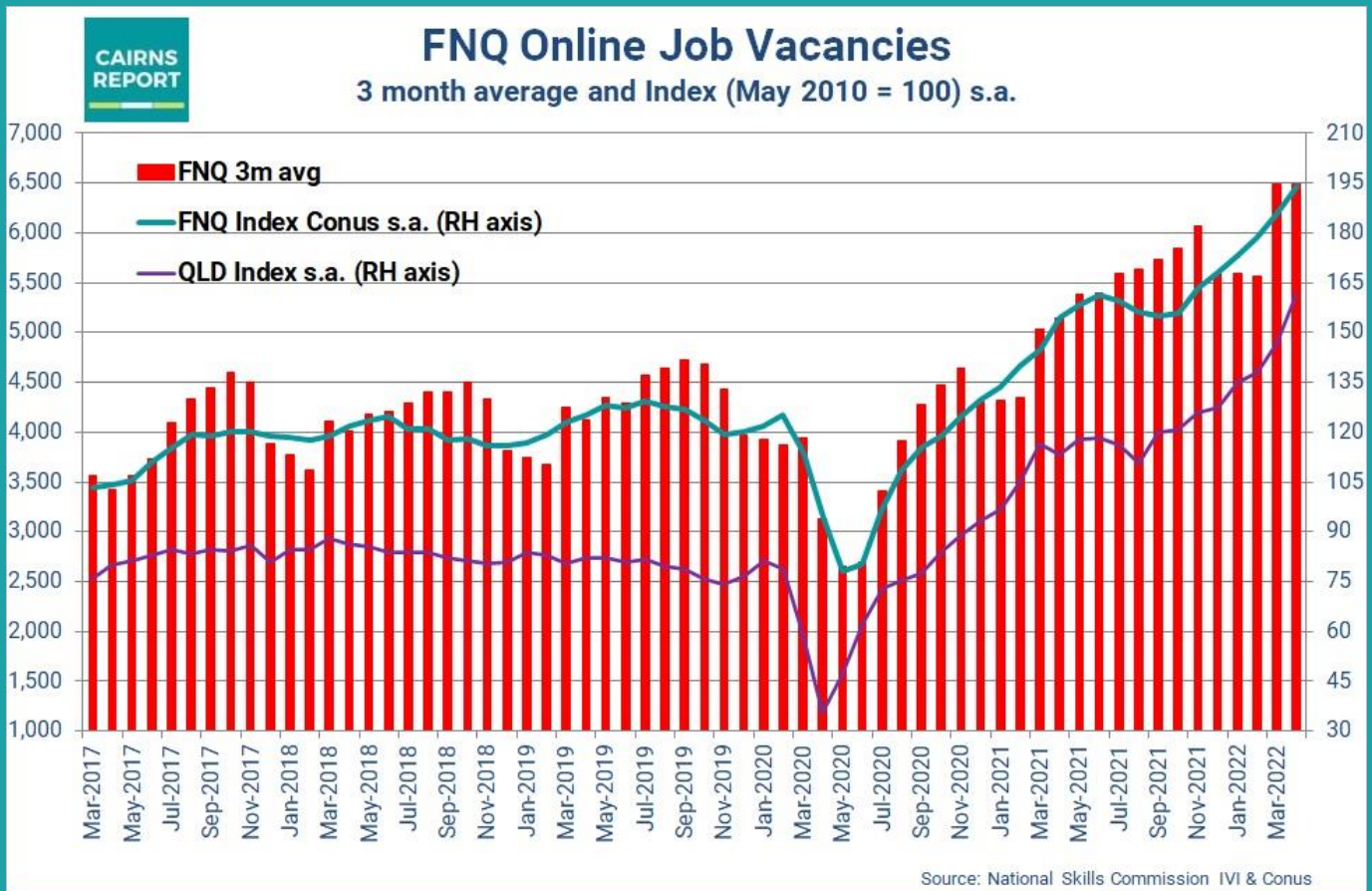
The JobSeeker numbers in Cairns have once again declined to their lowest level since the pandemic struck.

However, even though the number counted by the ABS as unemployed has fallen by about 1,500 since the pre-COVID period JobSeeker

numbers in Cairns are about 2,000 above where they sat prior to COVID. While the two datasets are not directly comparable it is still something of a mystery why JobSeeker numbers appear so high.



The Online Jobs Vacancy data for Far North Queensland continues to show a strong underlying labour market and remains at ten-year highs.



For almost a year Trend residential building approvals in Cairns have settled at about 100 per month.

This is a significant improvement from the level of 60-70 per month seen throughout the two years prior to the pandemic and continues to suggest a robust construction sector. Government incentives for first-home buyers and the shift of population into regional Queensland have both played a part. As we start to see interest rates move higher in coming months, it is likely that some of the heat might be taken out of the property market and therefore ease approvals. However, the fact that there is such a lag between approval

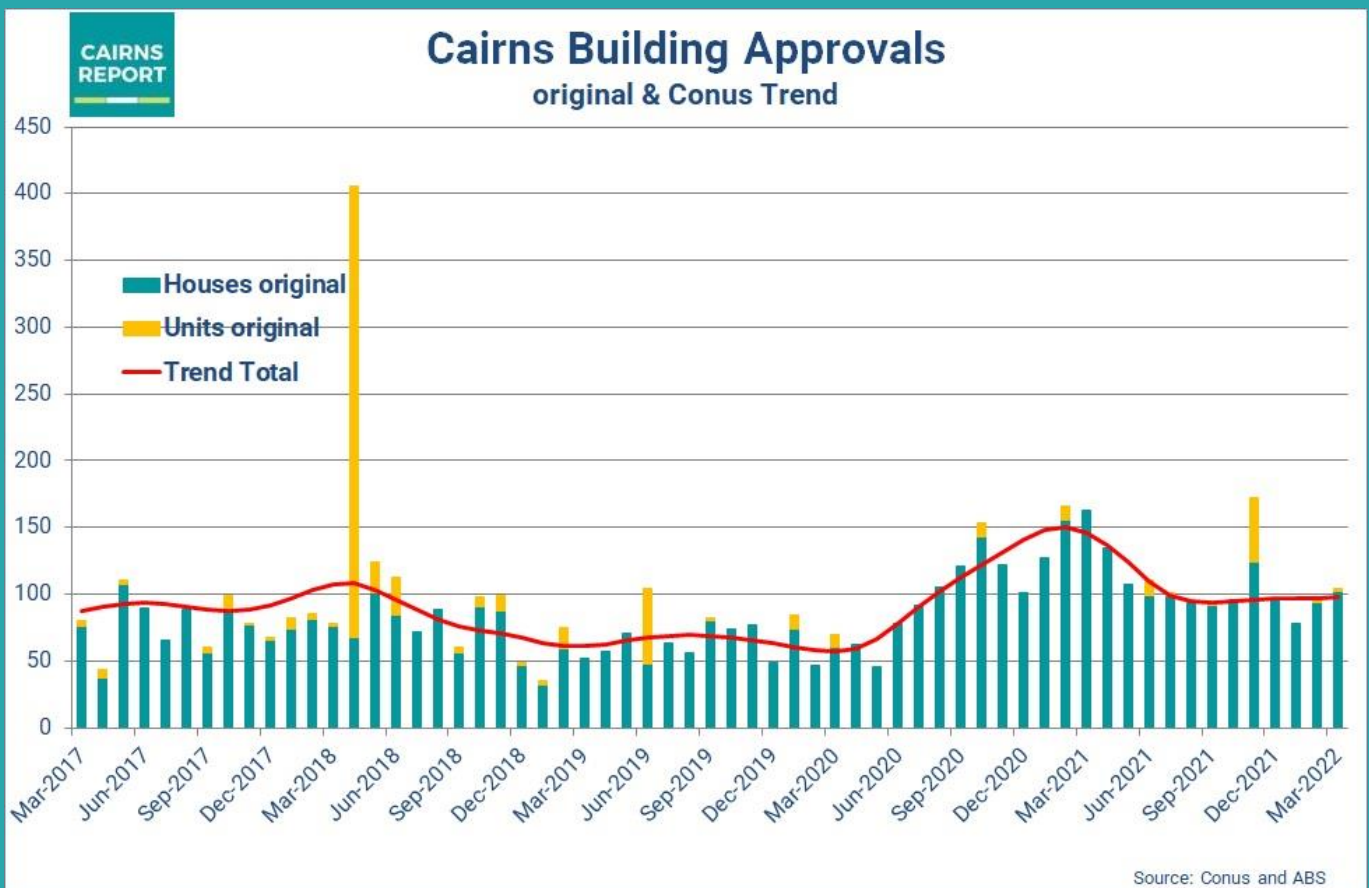
HOUSES

▼ -33%

Building approvals change from a year ago

Latest trend approvals = 98

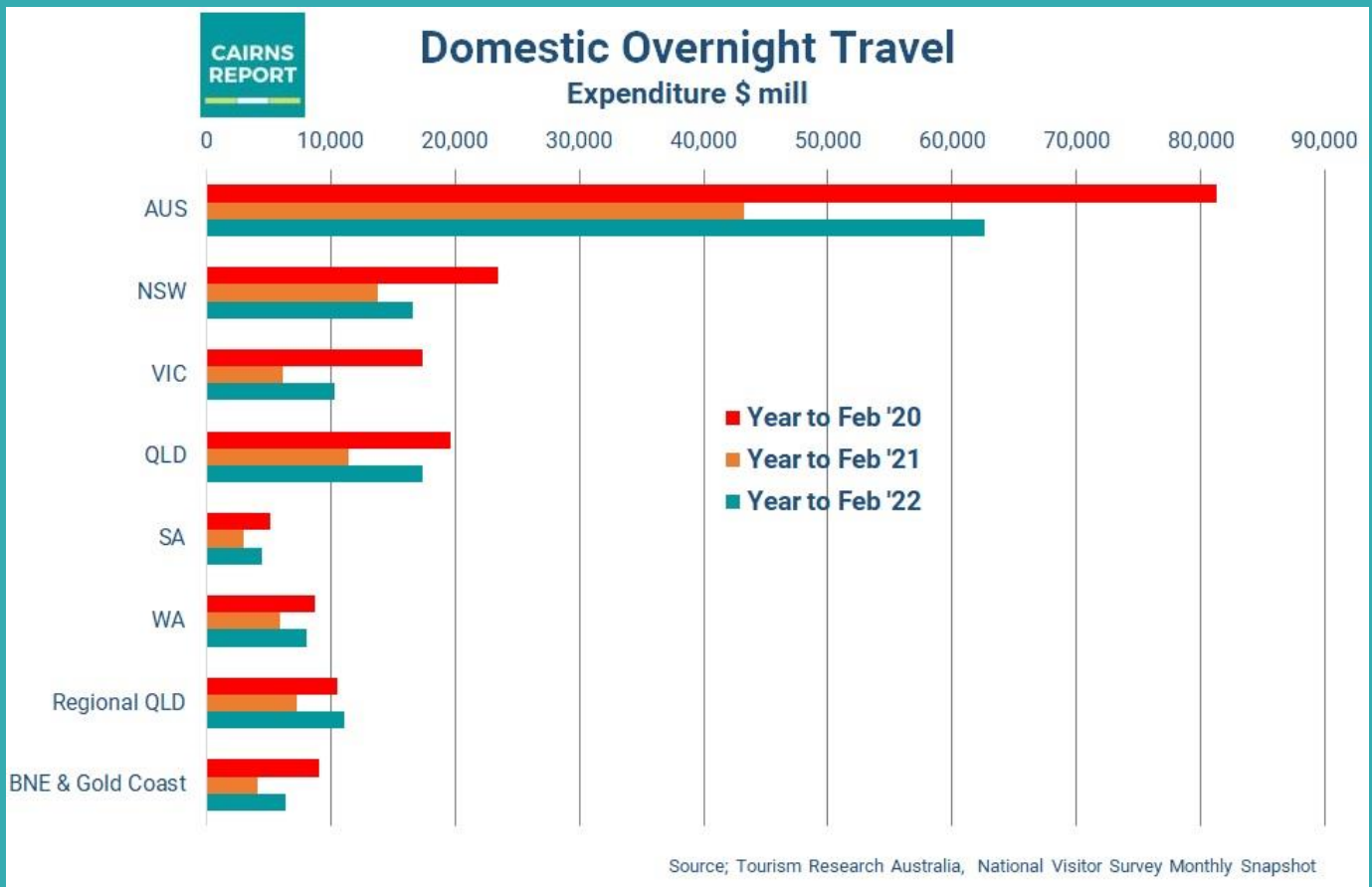
and construction work starting means that the demand for house building in Cairns looks set to remain strong through the rest of 2022. With the Federal election now behind us the promised infrastructure spending on a raft of projects in the region can be expected to add to demand within the construction sector more broadly in coming years.



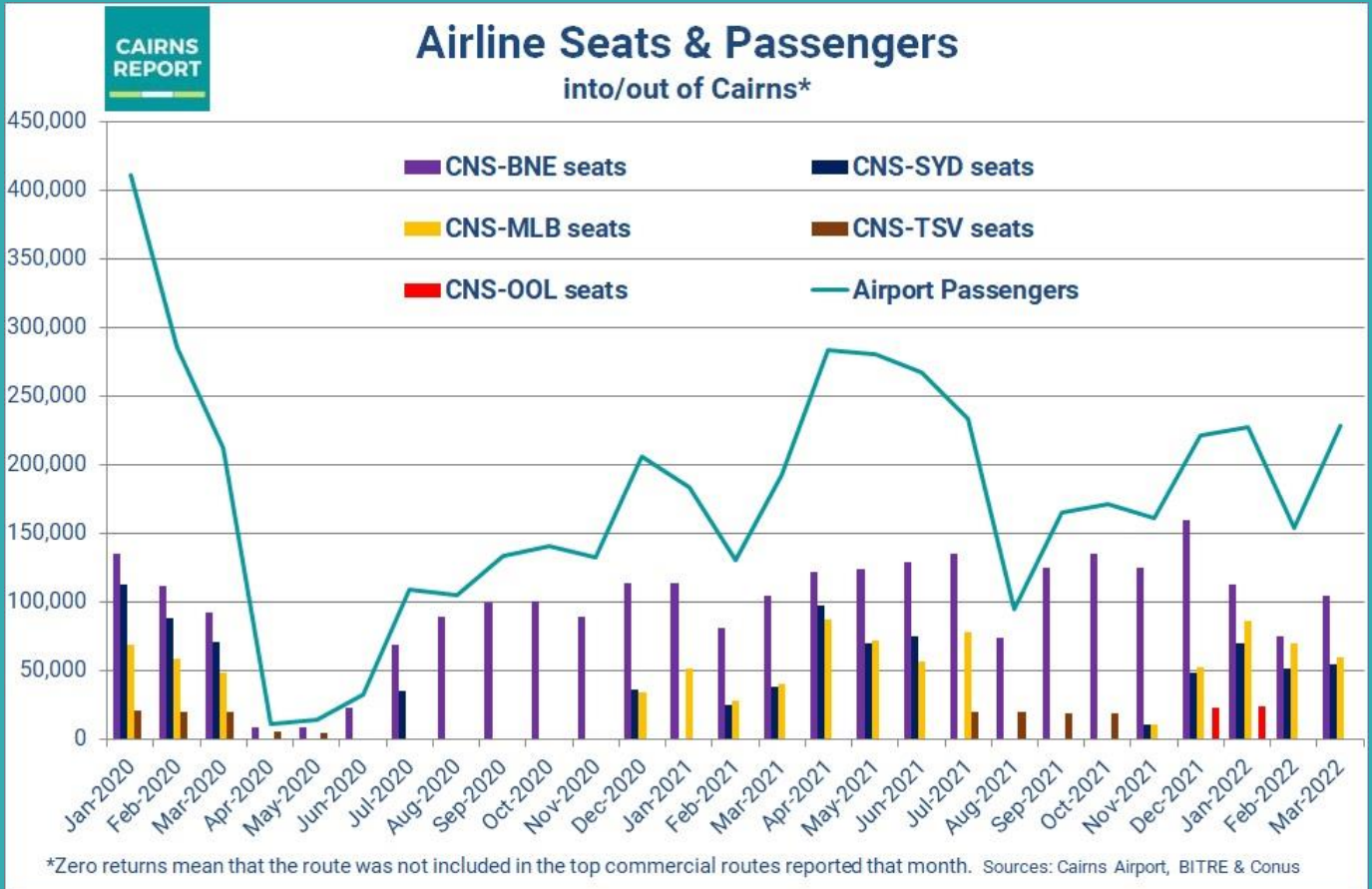
The latest Tourism Research Australia data showed that domestic tourists spend 11% more in Australia in February 2022 than they did in February 2020.

In Regional Queensland the change is even more dramatic with domestic expenditures up 36% over the same period. Once again we see clear evidence of the boom in domestic tourism that regional Queensland has enjoyed over the COVID period.

If we consider this monthly data totalled over the 12 months to Feb in 2020 and 2022 we see total domestic expenditure is down 23% across Australia, down 11% in Queensland but up 5% in Regional Queensland.



Over coming months, we will start to see more data on how international tourism is recovering and that will determine, to a significant extent, how the tourism sector in the Far North fares through the rest of this year and into next.

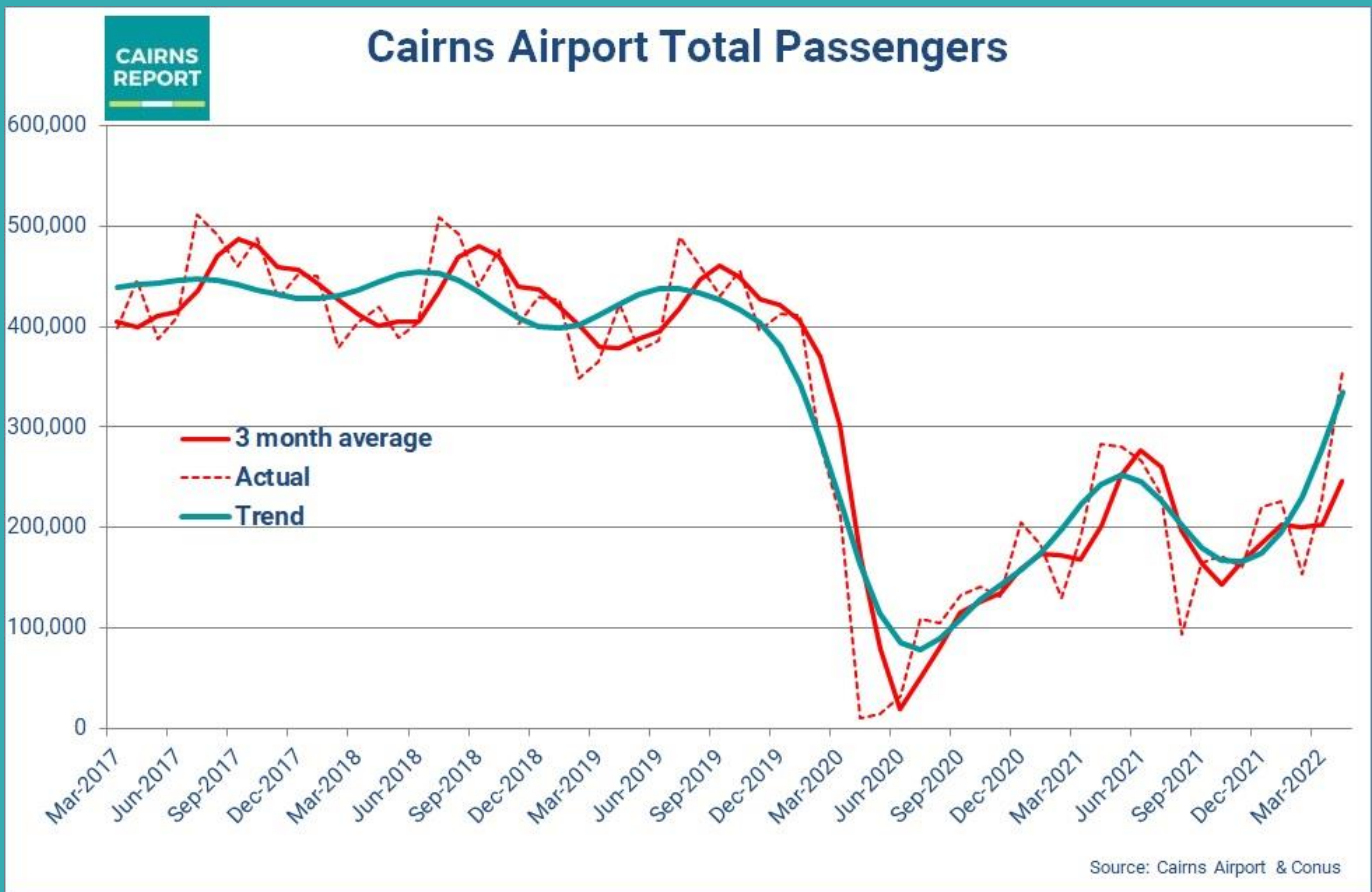


As we noted last month, the surge of visitors into FNQ over the Easter provided a massive boost to tourism in the region. The latest data from Cairns Airport shows that the number of passengers passing through the airport in April was the highest it's been since January 2020, before the pandemic hit. Obviously, the vast bulk of these were domestic visitors (domestic passenger numbers

were less than 2% below the level of April 2019!) but we are starting to see the return of international travellers. There were a total of 3,182 international passengers through Terminal 2 in April; which is almost as many as for the previous ten months combined.

PASSENGERS

422,000	▼	356,769
APRIL '19		APRIL '22

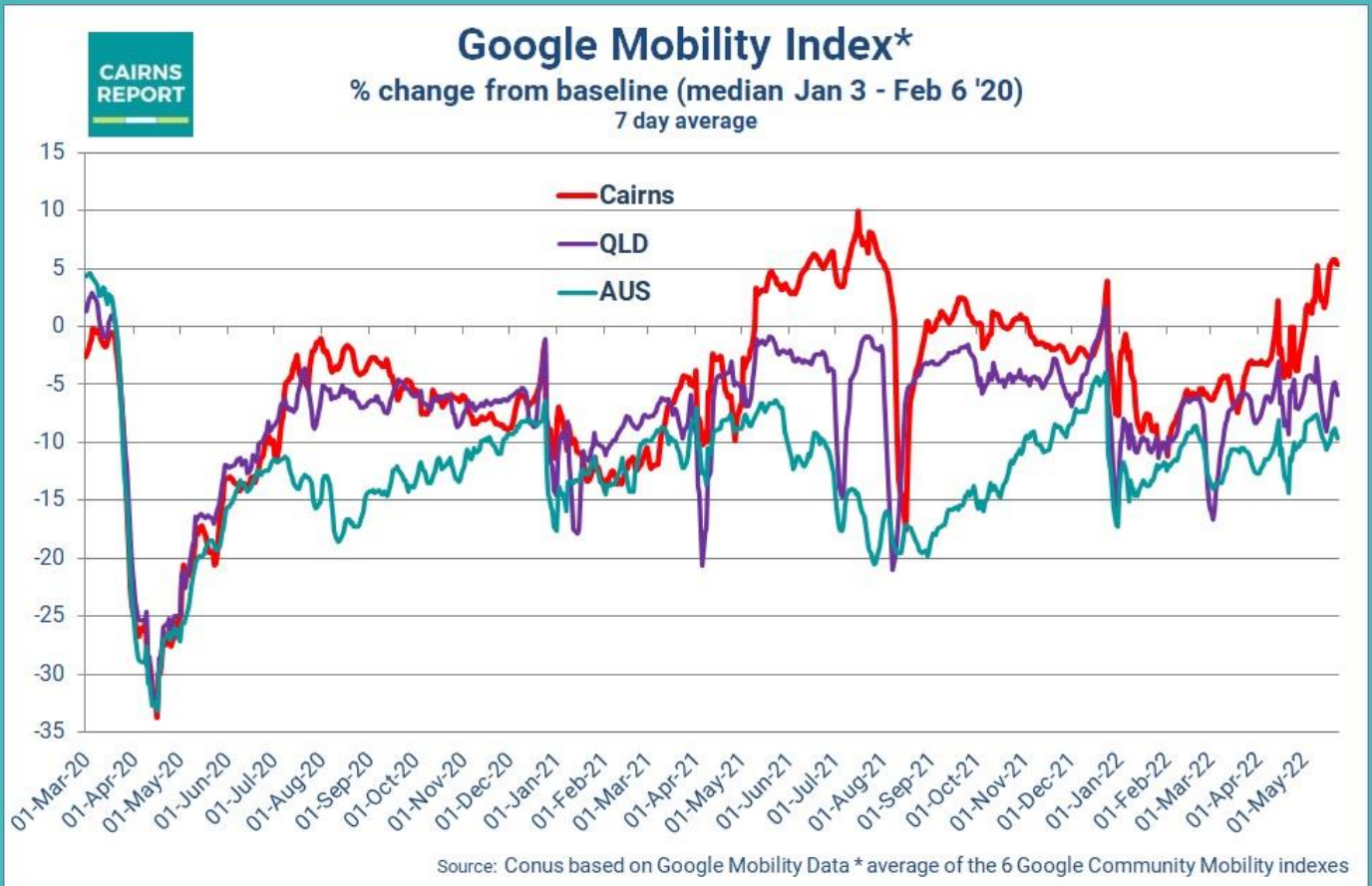


The Google Mobility data to May 23rd shows the continued improvement in Cairns, with the index here significantly above the levels being seen across Queensland and Australia.

Part of the reason for this is undoubtedly the fact that, at least for the time being, infection rates in the region appear to be lower than in the metropolitan cities and people are feeling more confident about moving around.

MOBILITY INDEX EXPLAINED

Google mobility data tracks people's phones (those who have location history enabled) and records locations by various classifications such as residential, work, transport, and shops. That data is aggregated and then compared to an index point which was the median level through January 2020. Google Mobility Index reports are created with aggregated, anonymised sets of data from users who have turned on the Location History setting, which is off by default. The Index was created by Google to provide insights into what has changed in response to policies aimed at combating COVID-19.



Sale prices for units appear to have taken a breather this month (although prices are still up 10% for the year) while house prices continue to move higher, now up 14% from a year ago.

Although the data on sales volumes is rather delayed, it appears clear that sales volumes have softened a little but still remain elevated on a historical basis. The start of the rate-hiking cycle may take some of the heat out of the property market as we move through the year.

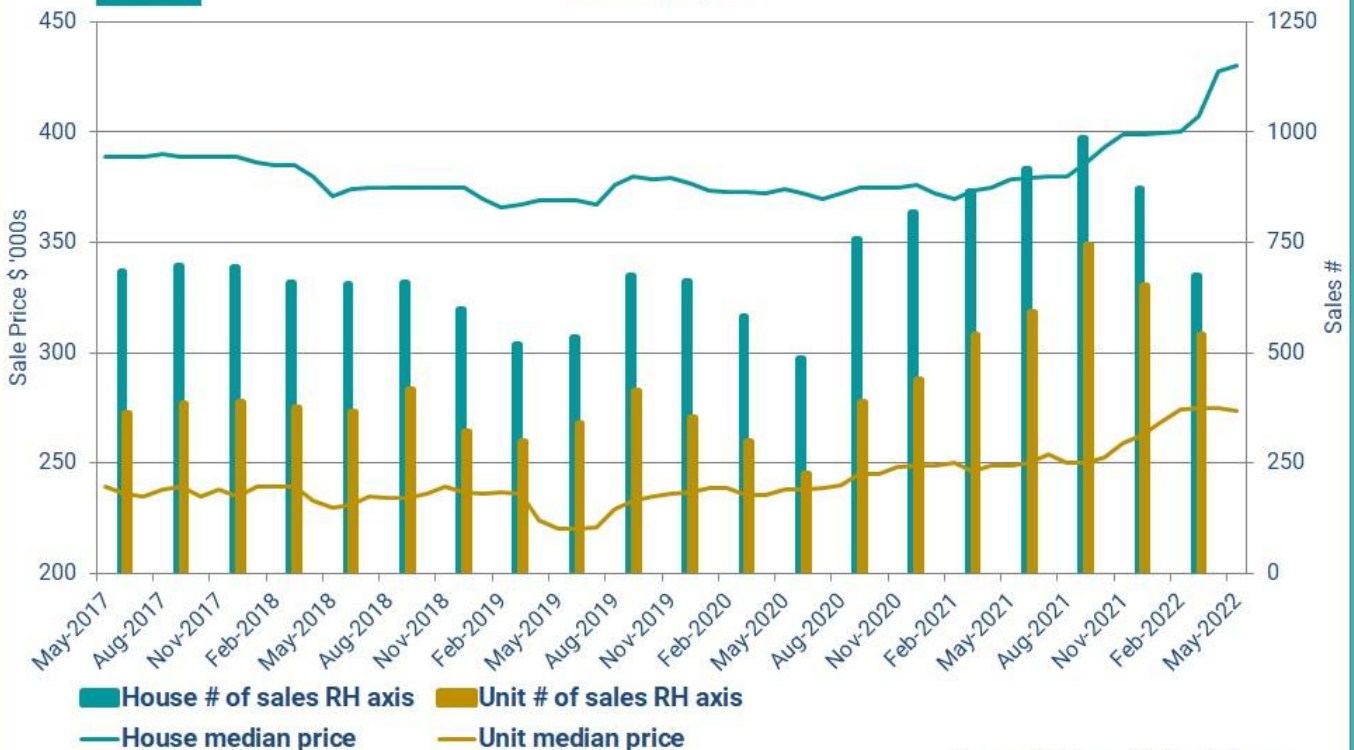
Analysis from ANZ suggests that more than 40% of mortgage holders would see no increase in mortgage payments until rates increase by at least 2%; even in a fairly aggressive rate-hiking phase that is a scenario that is unlikely to happen much before year-end.

MEDIAN PRICES

▲ **\$274,000** UNITS **+10% year on year**
 ▲ **\$430,000** HOUSES **+14% year on year**

Source: SQM Research

Real Estate; Sales and Prices
Cairns region



Source: SQM Research & Pricefinder.com.au



For the fourth consecutive month the vacancy rate in Cairns remains stuck at the record low level of 0.6% in April.

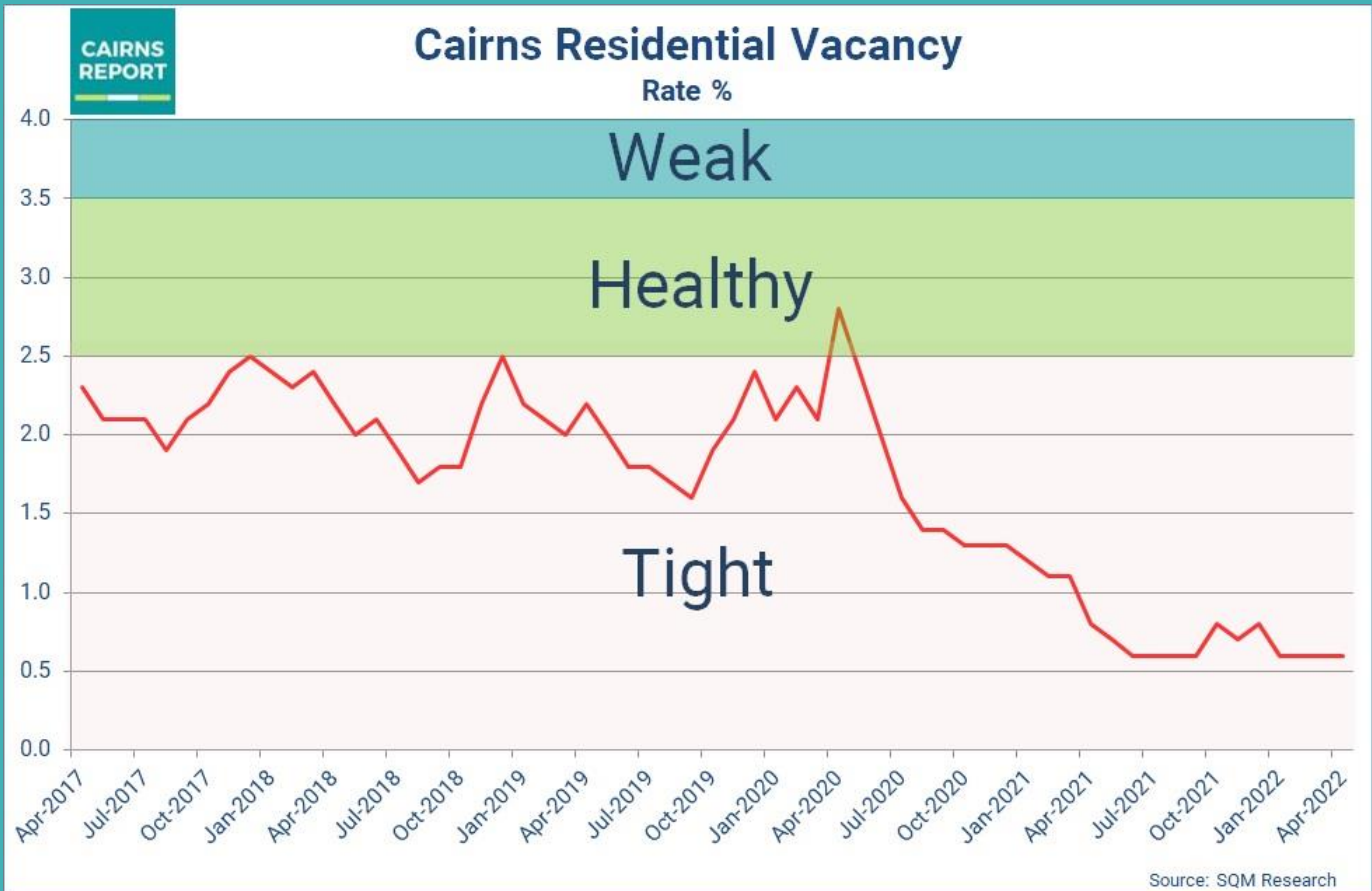
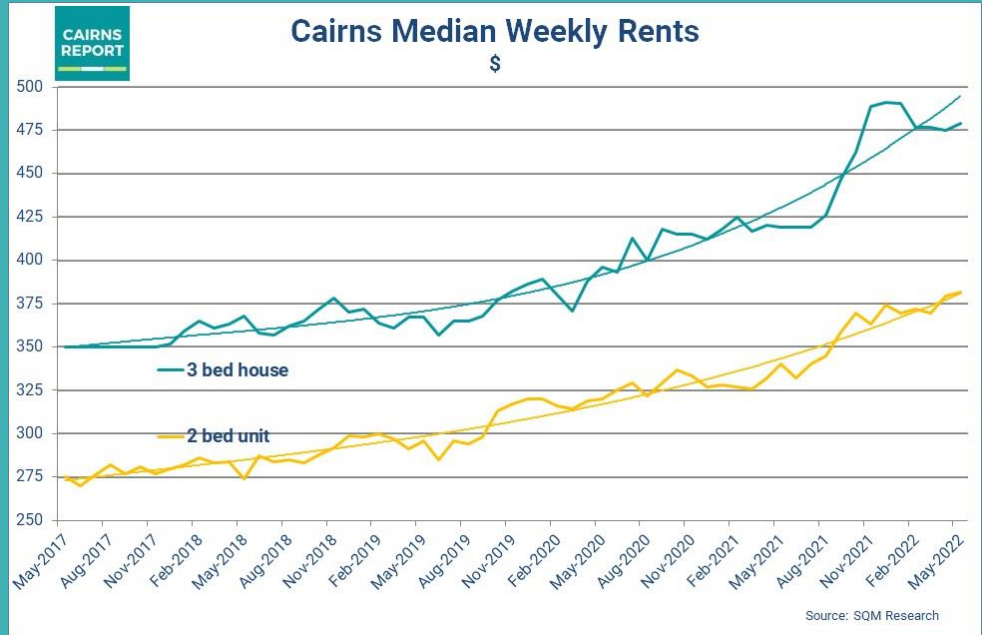
Rents continue their upwards trajectory with houses easing a little from their recent highs to be 14% higher than a year ago, while unit rents look more stable, fetching 12% more than they were a year ago.

MEDIAN RENTALS

\$382
UNITS
+12% y/y

\$479
HOUSES
+14% y/y

Source: SQM Research



In this edition of The Cairns Report we take a closer look at the pattern of economic growth within the Cairns region and how things have changed since COVID.

NATIONAL LEVEL

‘Economic Growth’ is generally measured as the increase (or decrease) in the size of the Gross Domestic Product (GDP). GDP is broadly a measure of the total value of all goods and services created by the national economy. The ABS provides their estimates of this number on a quarterly basis. The latest available data corresponds to the December quarter (or Q4) of 2021 and showed GDP grew by 3.4% from Q3 and was up 4.2% from the same period a year earlier. If we look backwards a little, we see that for the financial year 2020/21 GDP growth was 1.5%.

CONTINUED OVER >



Pete Faulkner
CONUS /
Cairns Report data analyst

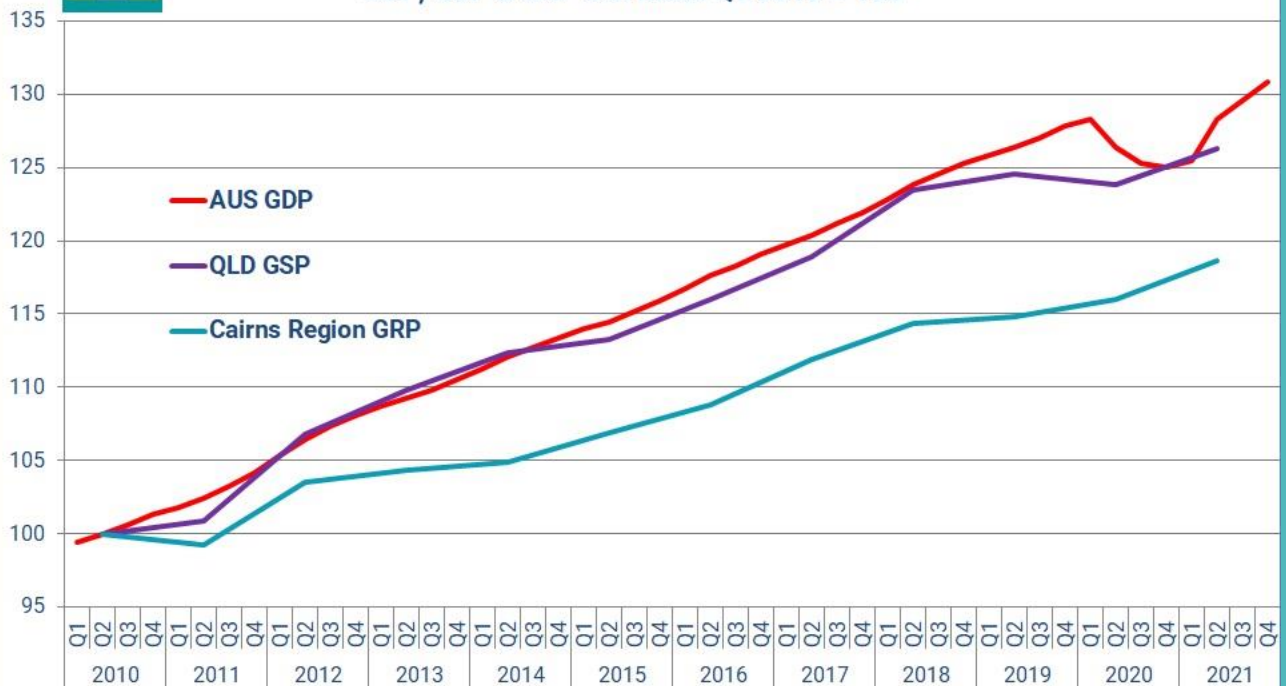
KEY TAKEAWAY

Comparing the 2020/21 economic growth rate with that of 2018/19 (the last full year without any COVID effect) we see that Australian GDP is up just 1.5%, Queensland GSP has grown a little slower at 1.4%, while Cairns Region GRP is up 3.3%



AUS, QLD & Cairns Region Growth

GDP, GSP & GRP s.a. Index Q2 2010 = 100



Source: ABS, NIEIR and Conus



STATE LEVEL

Here we rely on the Gross State Product (GSP) data from the ABS which is only released on an annual basis for the previous financial year. Currently that is for the 2020/21 financial year (i.e. up to the end of Q2 2021) and showed GSP was up 2.0% in Queensland from the previous year. Prior to COVID, the Queensland Treasury used to release their own quarterly estimates of Queensland GSP, but this was suspended from Q3 2020. The Treasury estimates and the ABS annual data often varied by quite substantial amounts but revisions to one, or both, in subsequent releases generally removed most of these differences over time. Since we have had no Treasury estimates, nor revisions to previous estimates, since Q3 2020 we can no longer rely on the previous Treasury data.

CAIRNS REGION LEVEL

At the more local level we must rely upon modelled data for Local Government Areas (LGAs). The National Institute of Economic and Industry Research (NIEIR) provides modelled estimates of Gross Regional Product (GRP) for the LGAs within the 'Cairns Region', by which we mean the area defined by the ABS as SA4 Cairns which is the area used when producing employment, and much other, data. We can add these GRPs to arrive at a Cairns Region GRP. Doing so shows us that GRP rose in the Cairns Region by 2.3% in 2020/21.

TRAJECTORY OF GROWTH

Using data at national, state and local level we can look back at the trajectory of growth since 2009/2010 (using financial years). Doing so shows that Australia's GDP was up 28.3% by the end of 2020/21 (and has improved to be up 30.9% by the end of calendar 2021).

In Queensland over the same period GSP has grown by 26.3%, and in the Cairns Region GRP is up just 18.7%. Over the course of the previous eleven years the Cairns Region has generally underperformed growth at both the State and National level by between 8% and 10%.

However, if we look at the period since COVID and compare the 2020/21 result with that of 2018/19 (the last full year without any COVID effect) we see that Australian GDP is up just 1.5%, Queensland GSP has grown a little slower at 1.4%, while Cairns Region GRP is up 3.3%!

This may come as something of a shock when we consider the effects that the pandemic has had on our tourism sector. However, it also highlights the very real relative benefits that our economy enjoyed as domestic tourism boomed, our region remained largely COVID-free and we saw significant internal migration into the area. The solid economic data discussed in this, and many previous, Cairns Reports is evidence supporting what these growth numbers are telling us; Cairns has done much better throughout COVID than many had predicted or even hoped for.



Welcome to winter in the tropics and what a contrast we have here in Far North Queensland to the cold weather in Sydney and Melbourne.

Domestic tourism continues to grow and April 2022 domestic terminal passenger numbers were close to the last comparable April from 2019 – yes 3 years ago! With lockdowns commencing in March 2020 that really is how far we have to look back now to see what pre-Covid looked like. May and June 2022 look like strong visitor months as anyone who has tried to book a restaurant table will attest to. We may look back and see this month as the first post Covid true growth period for FNQ domestic tourism.

International travellers arriving into Cairns are still 95% down on the same month from 3 years ago and expectations are it could take 3 more years to get back to the pre-Covid levels from this group.

Despite this good news, we also see economic storm clouds around us that a new Federal Government will need to contend with and probably have to provide financial assistance as a result of.

Energy prices for electricity, gas and at the bowser, food inflation, building costs escalating rapidly and big expectations from workers of pay increases, worker shortages, critically low rental vacancy rates, interest rate rises ... I could go on. The good news, for now, is that employment levels in FNQ are robust and the best form of economic security is a job.

For those in business who may not have experienced these conditions before - and being honest, who really has - the best advice I can give you is to take professional advice and get that advice from someone you can trust. Getting good advice may help you make better decisions and help you enjoy this tropical winter a little more.



Andrew Cornes
Grant Thornton

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