



**CAIRNS
REPORT**

A monthly snapshot of the
Far North Queensland economy

PRESENTED BY



Impressive employment scene continues in Cairns

The Cairns unemployment rate has been stable between 4.2% and 4.5% for each of the last 12 months, reinforcing the potential ‘new normal’ in the local economy we spoke of in last month’s *Cairns Report*.

The very bright news out of the latest jobs data is the fact that full-time employment is driving employment growth. Over the past year Cairns has added 12,100 people to the employment pool, with 10,500 of those being in full-time employment. At the same time, online job vacancies for our city continue to rise and JobSeeker numbers are almost back to pre-COVID levels. More people in work, increasing job vacancies and fewer JobSeekers all adds up to continuing labour shortage problems –with no apparent relief on the horizon.

UNEMPLOYMENT RATE

3.5% 3.2% 4.5%

NATIONAL QLD CAIRNS

PEOPLE EMPLOYED

↑ 13,592,100 ↑ 2,775,400 ↑ 144,000

NATIONAL QLD CAIRNS

PROPERTY PRICES

↑ \$277,000 ↑ \$450,000

+11% y/y
UNITS

+17% y/y
HOUSES

MEDIAN RENTS

↑ \$399 P/W ↑ \$480 P/W

+11% y/y
2-BED UNIT

+7.5% y/y
3-BED HOUSE

AIRPORT PASSENGERS

462,032 ↓ 383,138

AUG '19

AUG '22

CAIRNS AIRPORT

BUILDING APPROVALS

132 APPROVALS IN JULY

↑ +16%

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.
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CAIRNS REPORT

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Cover: Reef Eye at Cairns Esplanade

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After a slight pull-back in employment in July, this month once again sees the labour market improving with an additional 33,500 employed across Australia in August.

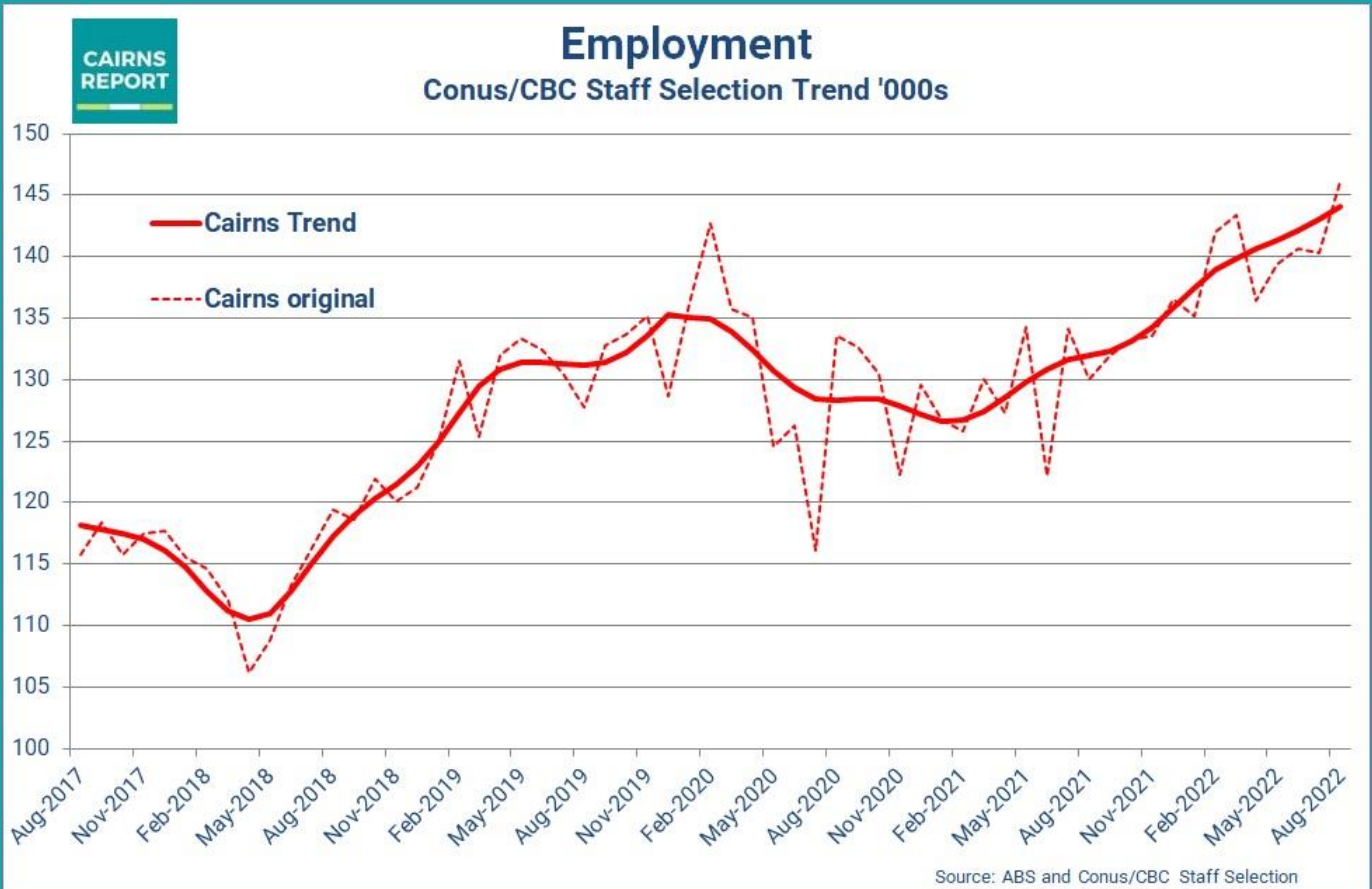
In Queensland, things also improved; here we added just 1,400 to employment over the month but full-time employment lifted a far more impressive 11,900.

The pace of employment growth in Queensland (+5.2%

pa) remains well above the national rate (+4.4% pa). Here in Cairns, Trend employment has again lifted strongly with an extra 1,000 jobs added. This takes us to (yet another) record high.

PEOPLE EMPLOYED

13,592,100	2,775,400	144,000
NATIONAL	QLD	CAIRNS
↑	↑	↑
	LAST MONTH	
13,558,600	2,774,000	143,000



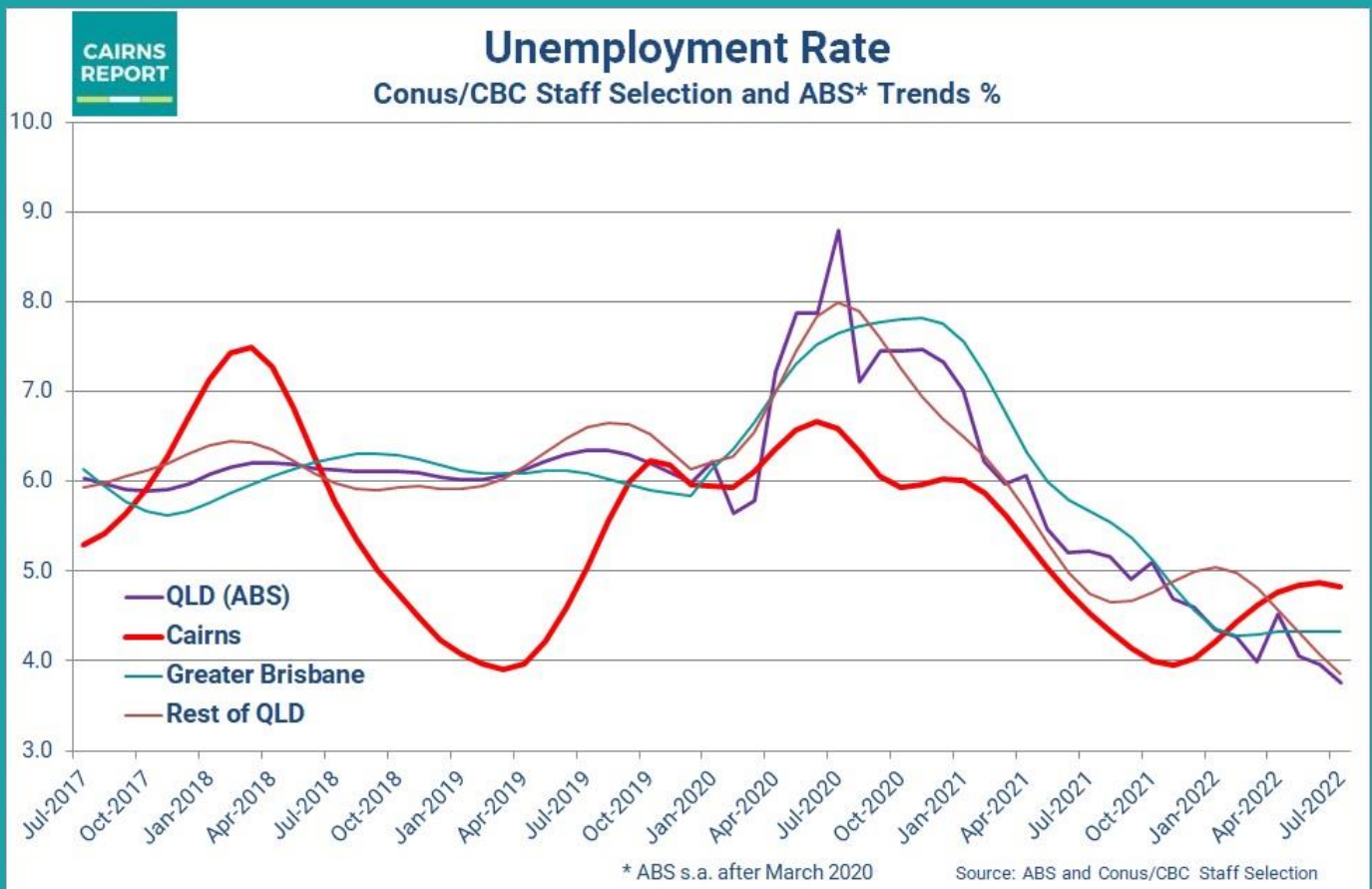
Despite another move up in participation in Cairns, to its highest levels in more than 12 years, the Trend unemployment rate managed to remain stable at 4.5% (after some downward revisions to previous months).

It's worth noting that the strength of the Cairns labour market is being reflected in the fact that it is full-time employment which is driving employment growth. Over the past 12 months Cairns has added 12,100 to the number employed and 10,500 of those have been in full-time jobs. Nationally, the unemployment rate lifted slightly (to 3.5%) as

UNEMPLOYMENT RATE

3.5% NATIONAL	3.2% QLD	4.5% CAIRNS
↑	↓	⊖
3.4%	3.8%	4.5%
LAST MONTH		

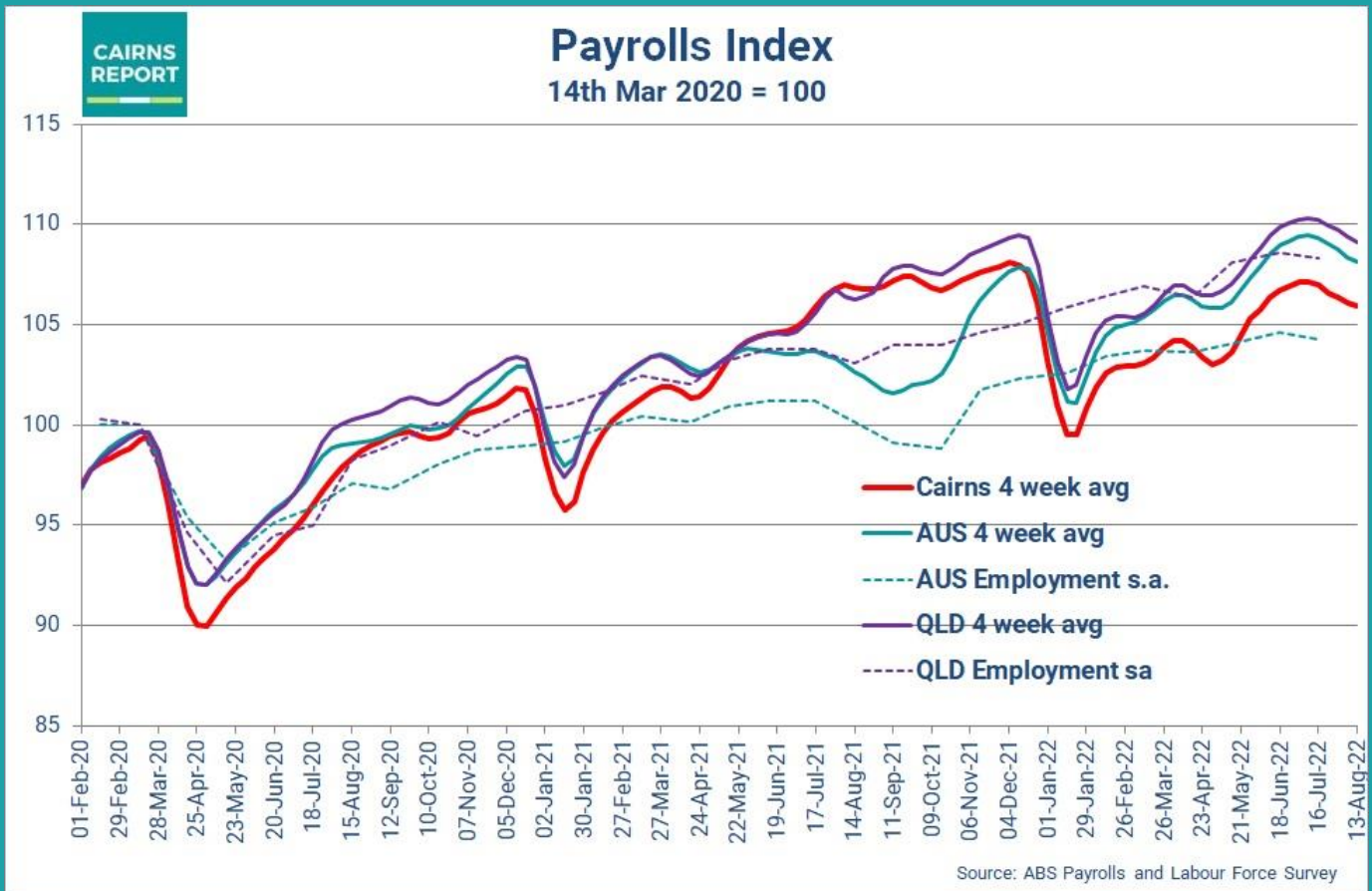
the participation rate lifted a little after falls in the previous month. State-wide, a second month of declines in the participation rate saw the unemployment rate drop sharply to its lowest level since Sept 2008 at just 3.2%... the lowest since ABS monthly records began in 1978.



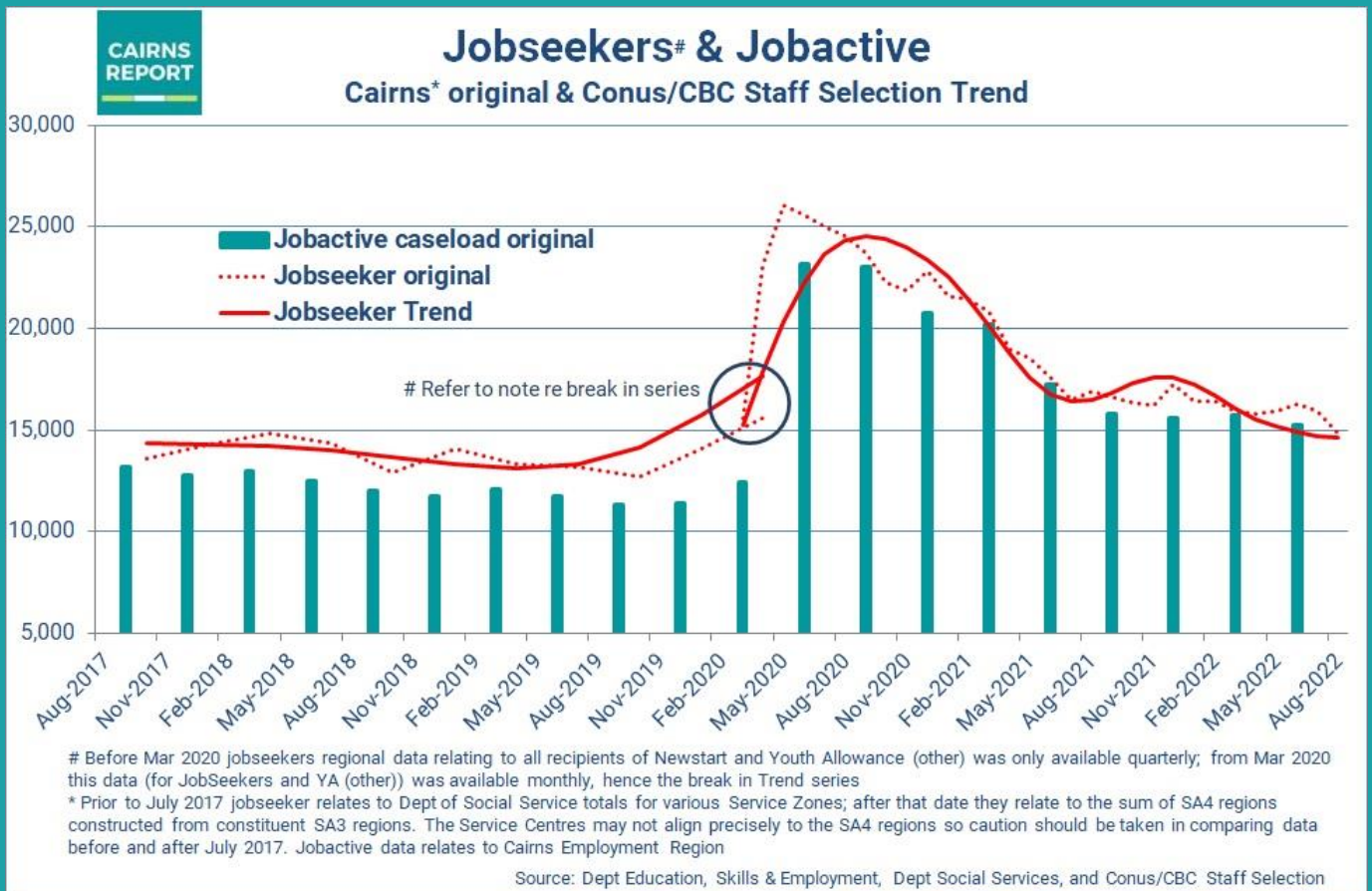
The most recent data (to the middle of August) from the ATO and ABS show that at the national and State levels Payrolls appear to have eased further.

This doesn't seem to match well with the strength of the Labour Force data and

suggests that the variation is largely due to seasonality issues (the payrolls data, unlike the Labour Force, is not seasonally adjusted).

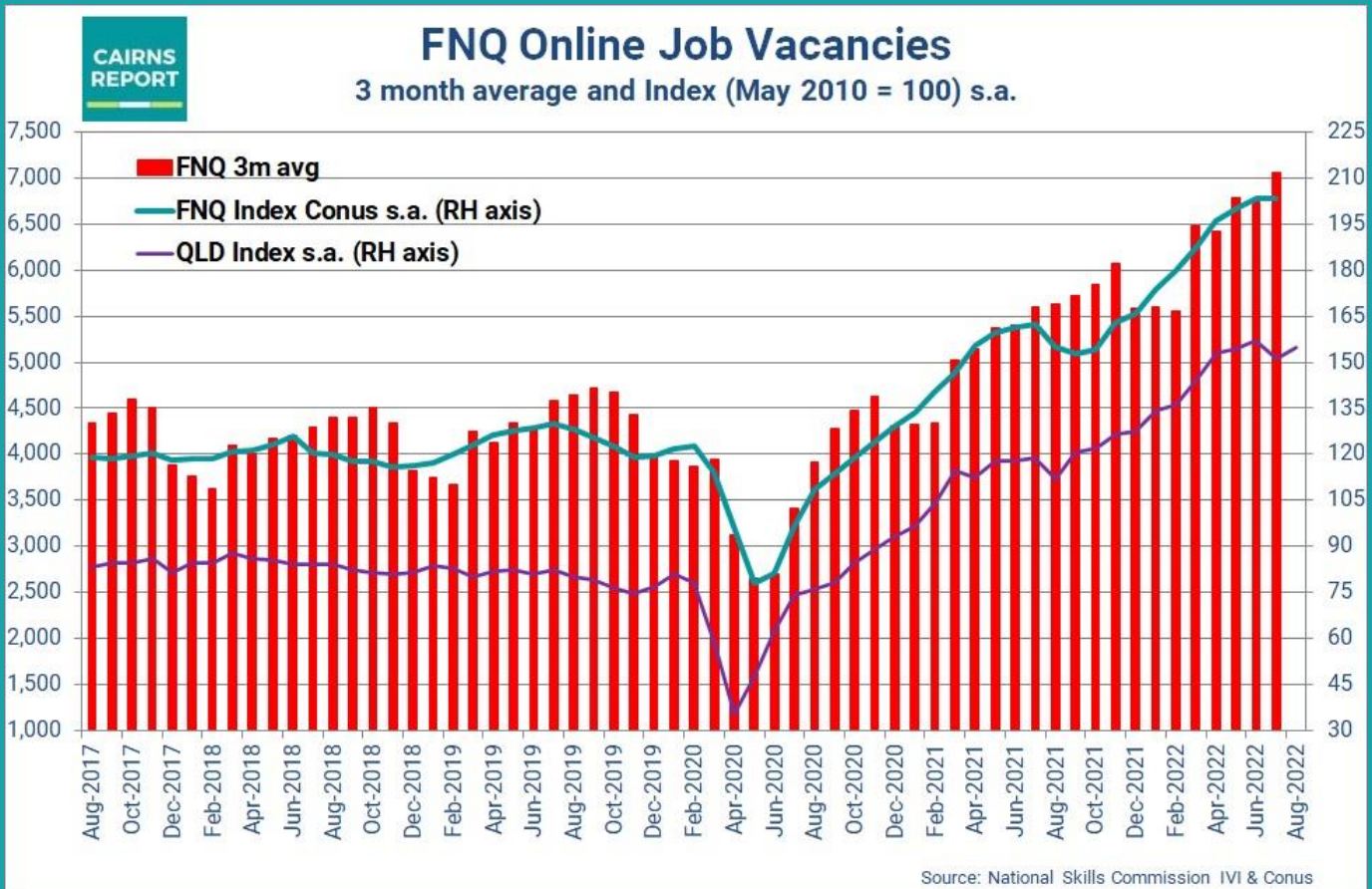


The JobSeeker numbers in Cairns fell slightly in August, and the Trend series now sits at its lowest level since February 2020. However, the pace of decline has clearly slowed as we get close to the level of JobSeekers seen in the pre-COVID period.



Online Job Vacancies are up once again, this time to the highest level in more than 10 years.

The challenges of finding staff to fill the increasing number of vacancies continue apace.



The actual total number of residential building approvals in Cairns over the past three months has been fairly stable at around 120/month.

However, the seasonally adjusted Trend series shows that they are still on an upward trajectory and in July the Trend was 16% higher than at the same time last year.

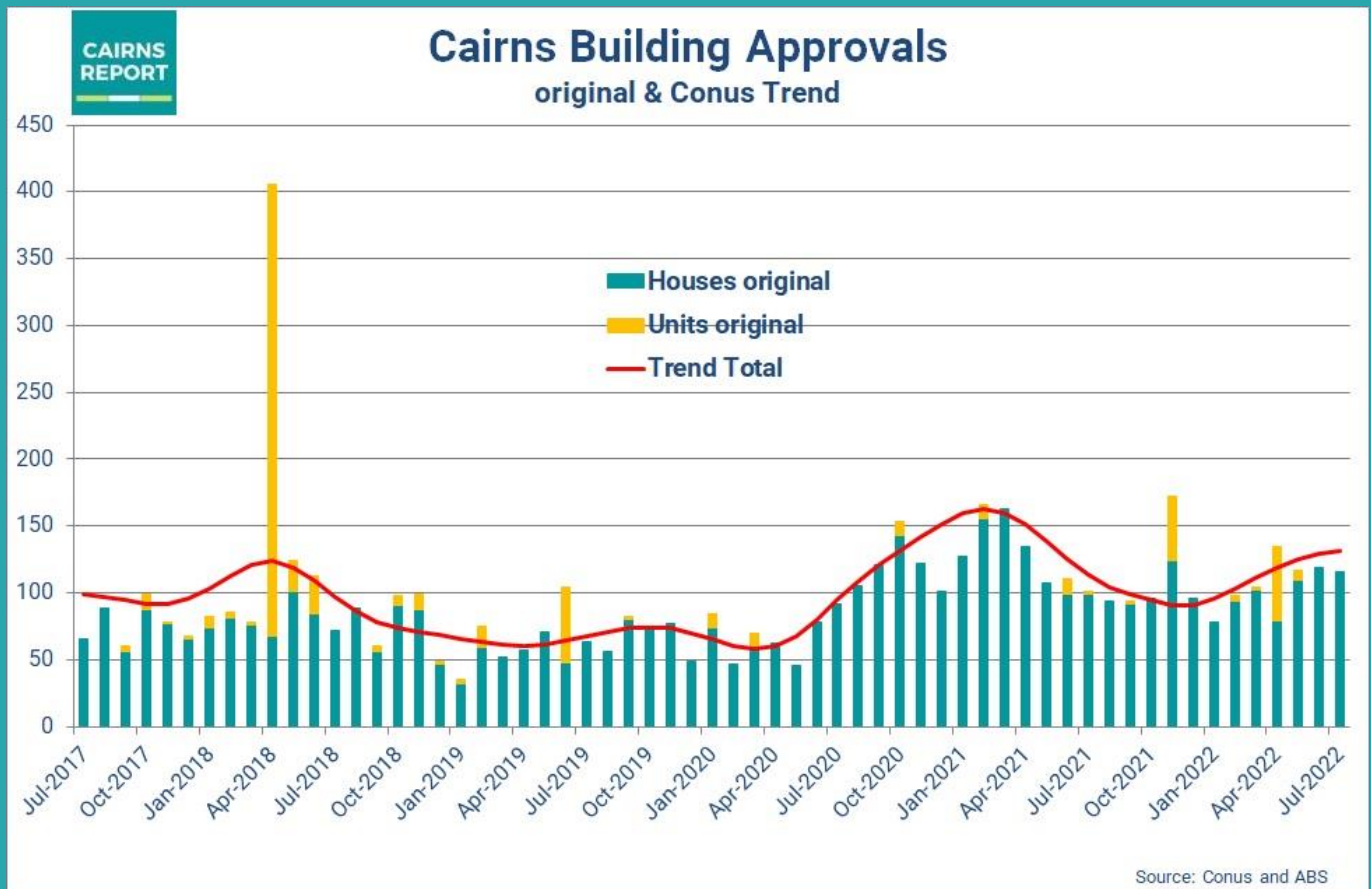
Nevertheless, the pace of increase does appear to be easing, so it may be that we are starting to see the impact of

HOUSES

▲ +16%

Building approvals change year-on-year
Latest trend approvals = 132

higher interest rates on this data series. Whatever the case, the existing pipeline of residential work already approved, when combined with a similar pipeline of civil construction to come funded from State and Federal Budgets, will support the construction industry well into 2023.



Passenger numbers through Cairns Airport moved slightly lower in August, although the seasonally adjusted Trend series continued to show improvements and now sits at its highest level since Sept 2019.

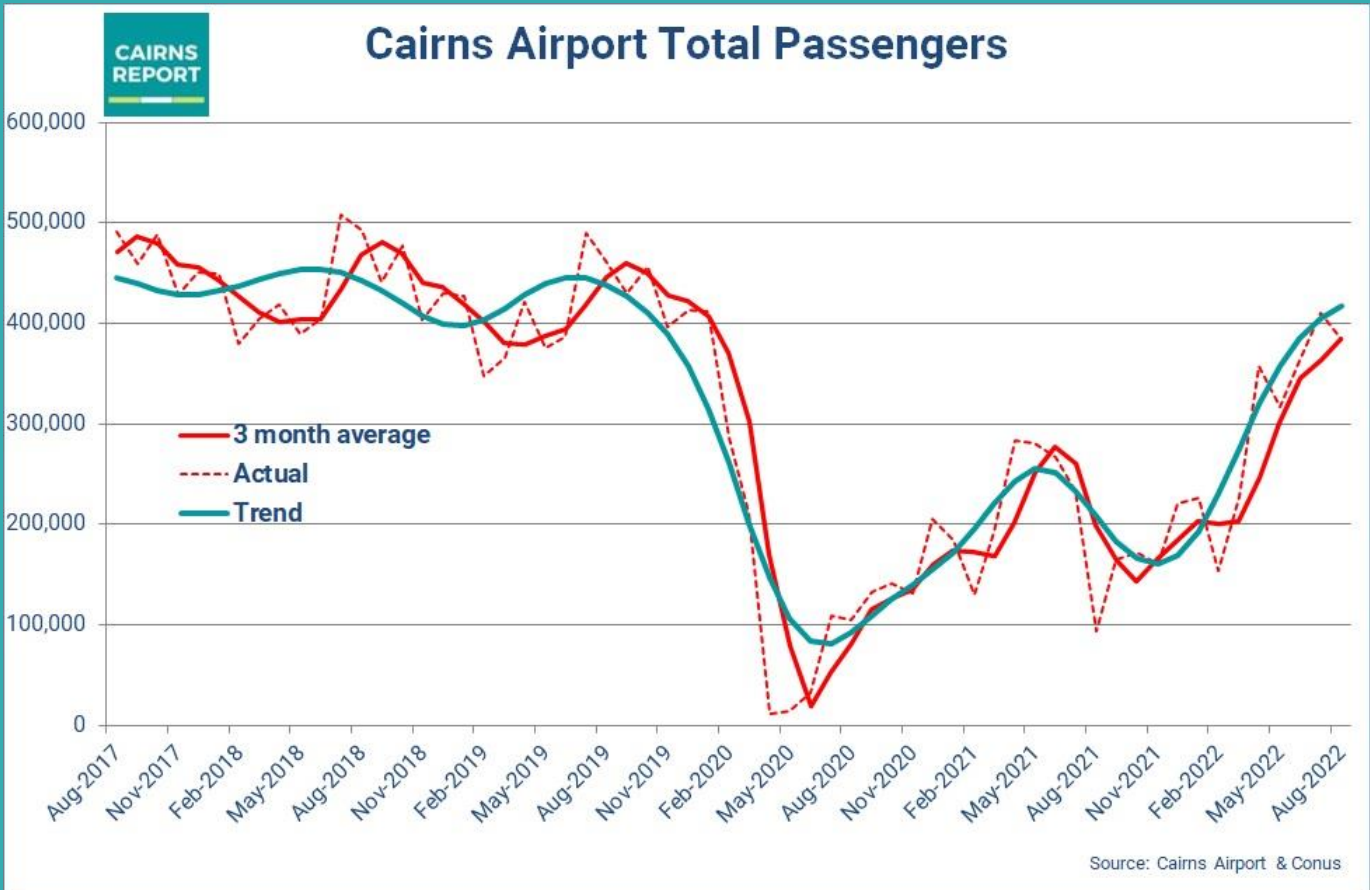
Despite international passenger numbers still being very low (slightly more than 23,000 out of a total 382,000 for the month) they are slowly starting

to improve. Last month we noted that, even with virtually no international flights, Trend passenger numbers through the Airport were back to almost where they were long before the COVID pandemic struck; this month that move back towards 'normality' has continued.

PASSENGERS

462,032 ▲ **383,138**

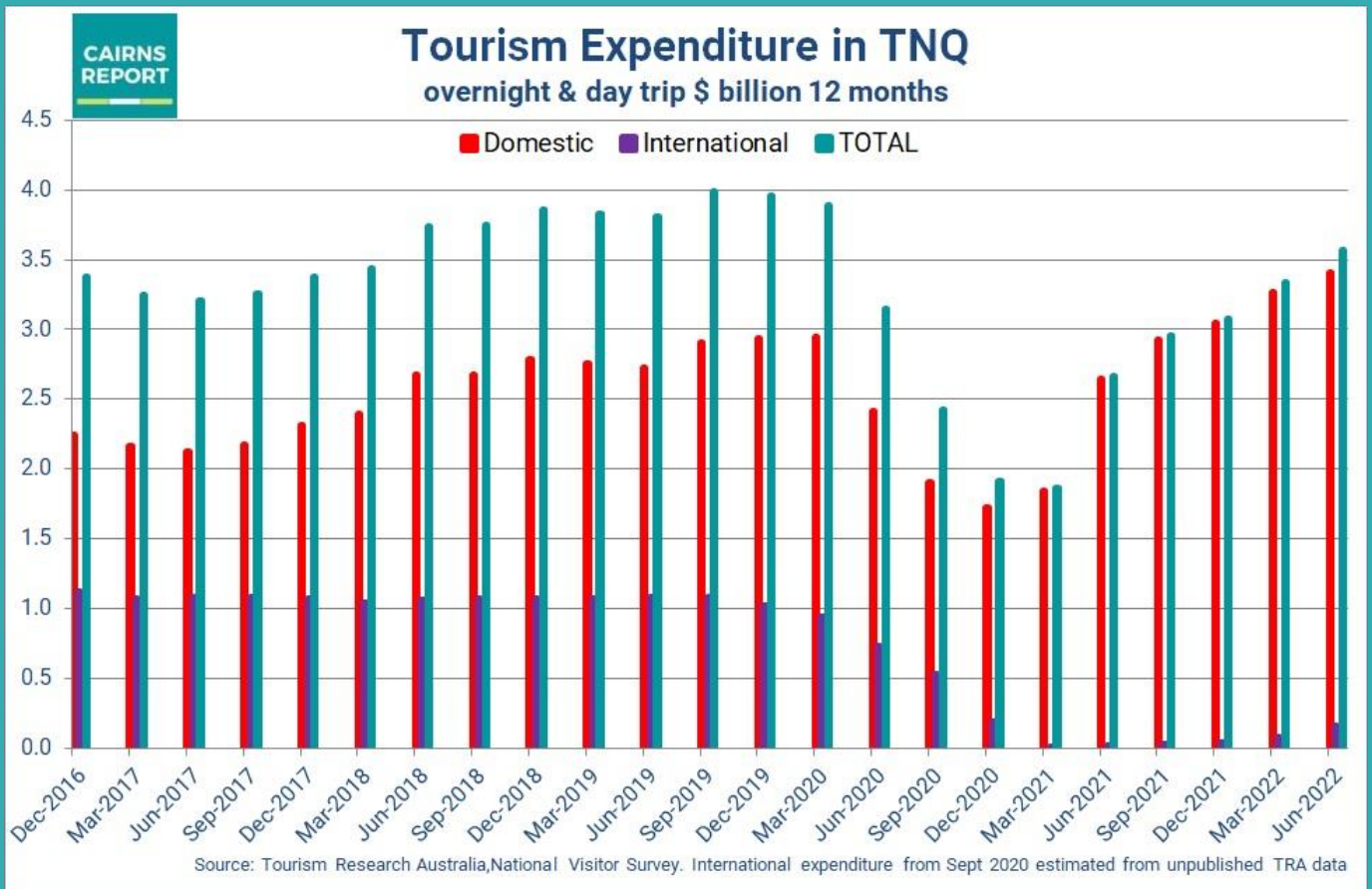
AUGUST '19 AUGUST '22



The monthly domestic tourism data to June this year show domestic tourism expenditures across Australia remain very strong.

Nowhere is that strength more evident than in Regional Queensland where expenditures across the previous 24 months are up 44%; this compares to a 11% increase across Australia as a whole and a 29% increase for Queensland. The data for the year to June shows

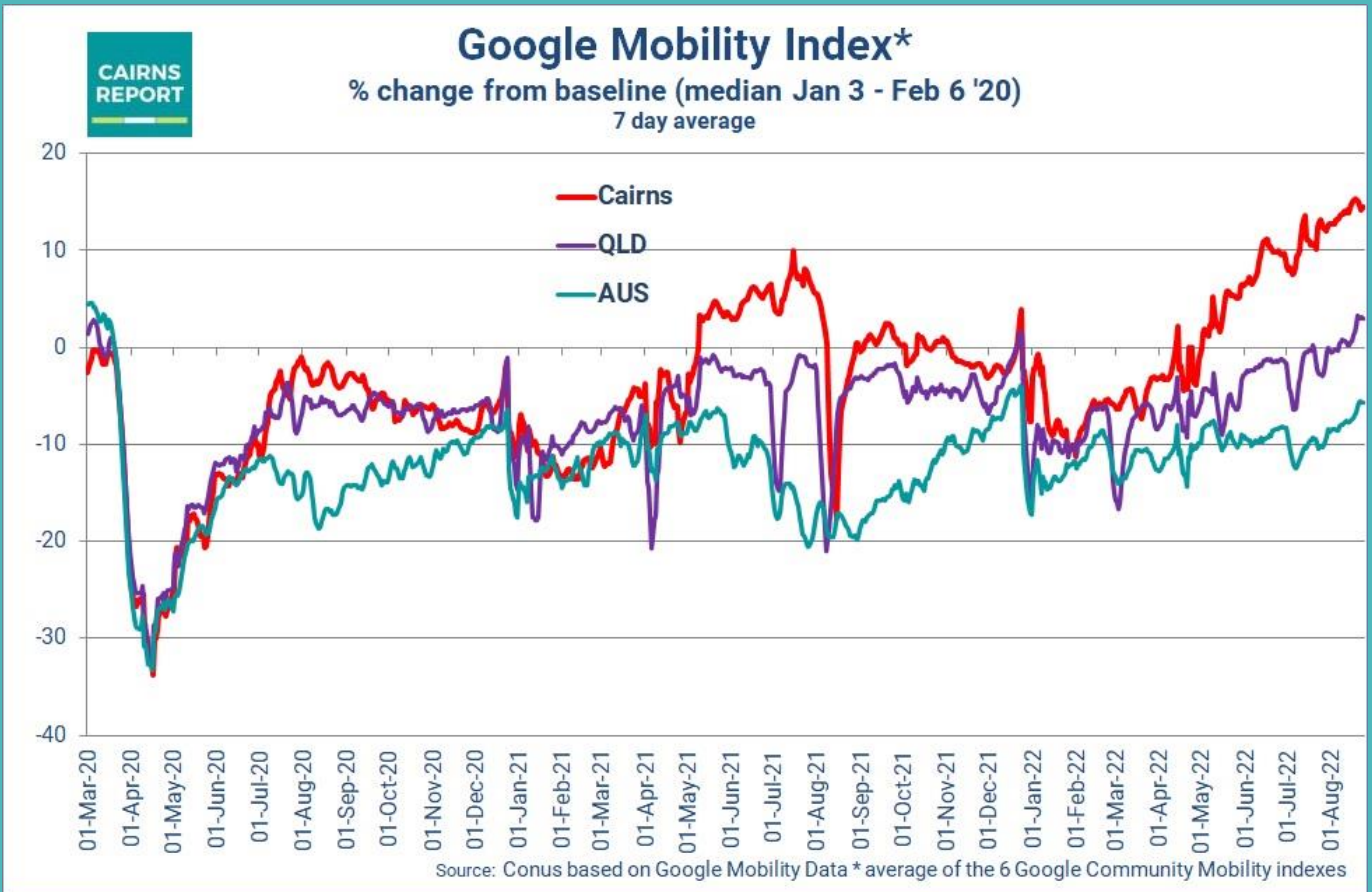
domestic expenditure in TNQ rose by 29% over the year and are up 41% for the 24 months. International tourism data remains sketchy, but for the year to June expenditures across Australia were at about one 3rd of their level to June 2019; in Queensland they sit at about one 6th and we estimate (regional data for international tourism is not available) a similar level for TNQ.



The Google Mobility data to September 21st shows that the peak in mobility seen in August has eased a little in recent weeks (the effect of the wet weather earlier in September is also apparent). However, mobility remains well above State and National averages reflecting the strength in the local tourism sector and the optimism and dynamism within the local economy at the moment.

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.



As a result of rising interest rates, it is no surprise to see real estate prices falling from the inflated levels they had reached just a few months ago in most capital cities.

While the impact of these rate increases has been slow to show up in the Cairns market, it does now appear that we may not be completely immune. There has certainly been a noticeable reduction in sales volumes and it does appear that prices may have hit a peak (even if only

temporarily) in recent months. Median house prices remained at \$450,000, which still represents an increase of 17% over the course of the past year. Median unit prices have fallen a little this month to \$277,400 and are now up just 11% over the past 12 months, and barely changed since the first few months of this year.

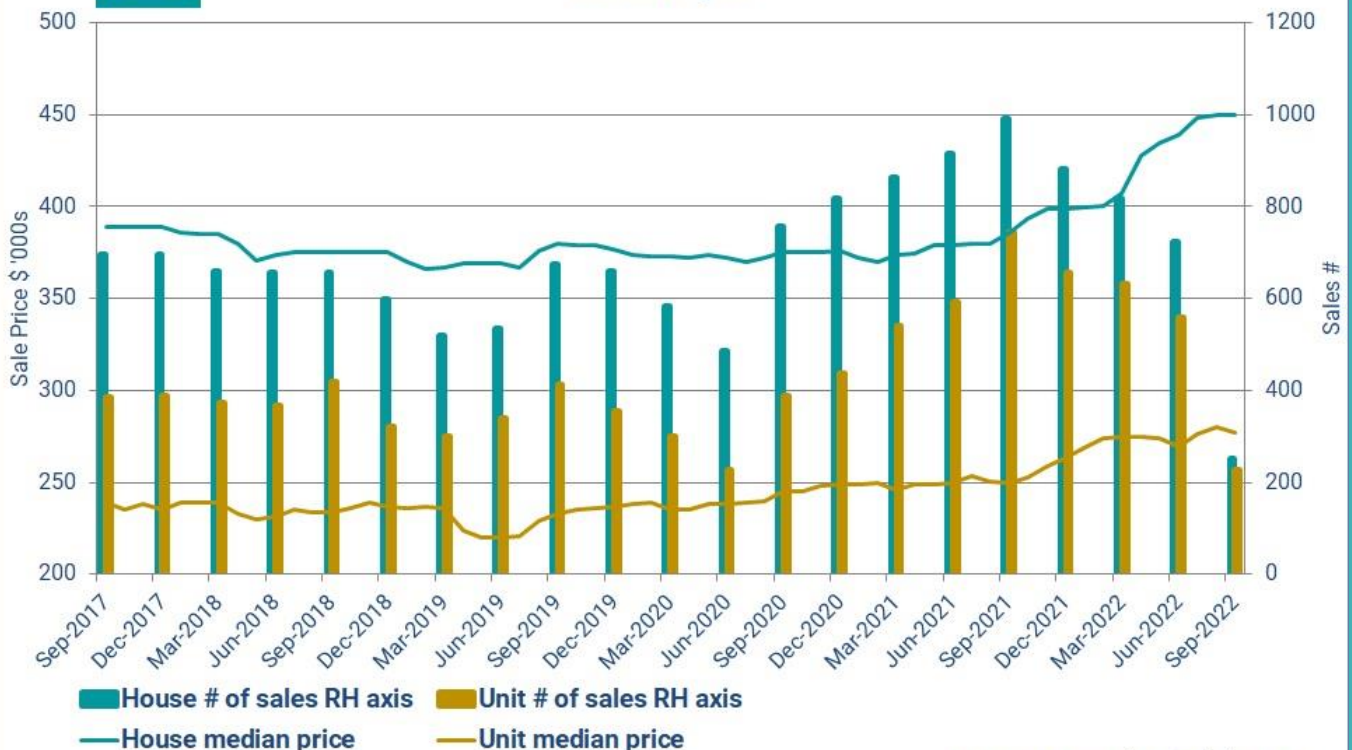
MEDIAN PRICES

▲ **\$277,000** UNITS ▲ **\$450,000** HOUSES
+11% year on year *+17% year on year*

Source: SQM Research

Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricefinder.com.au



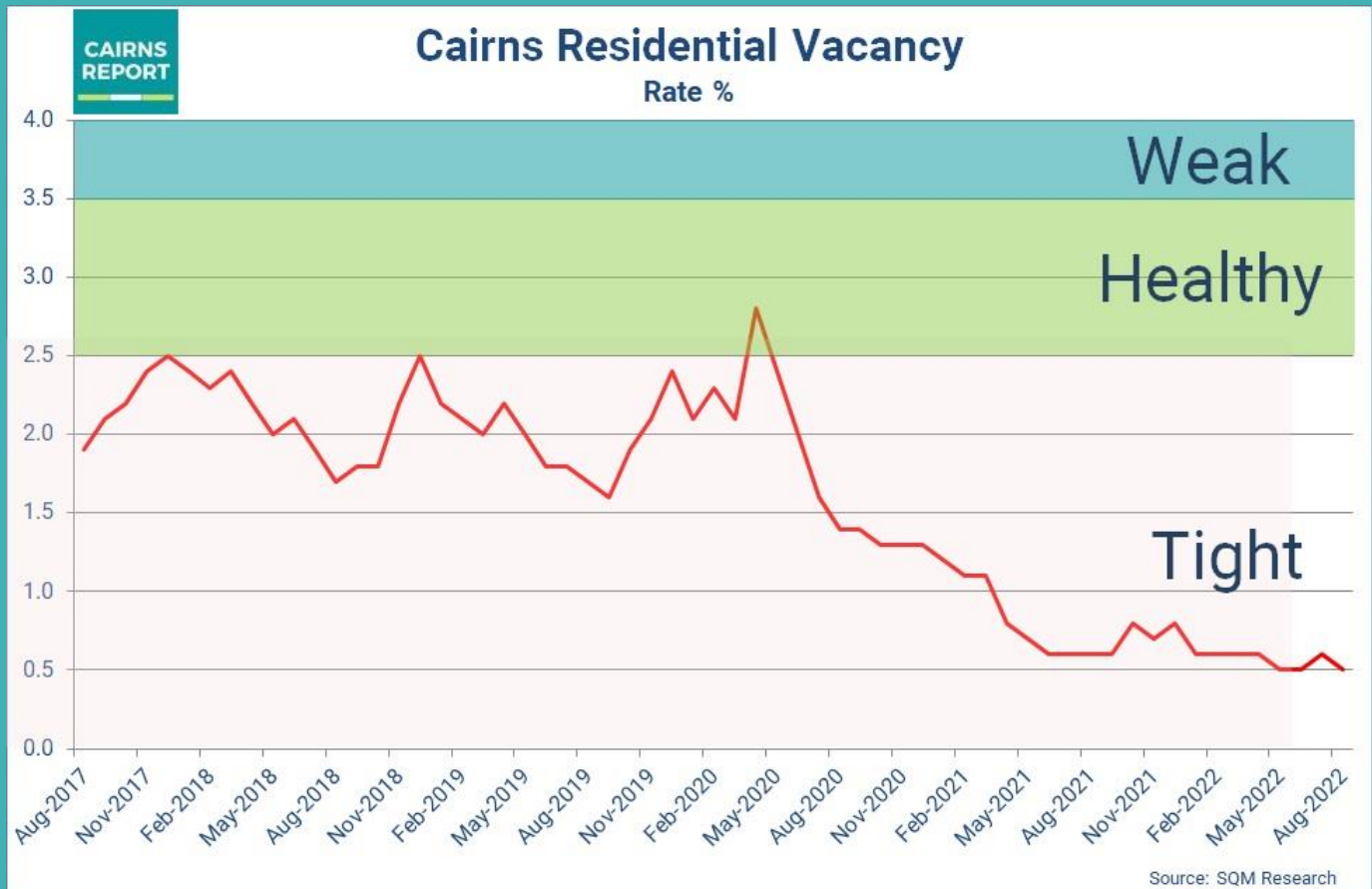
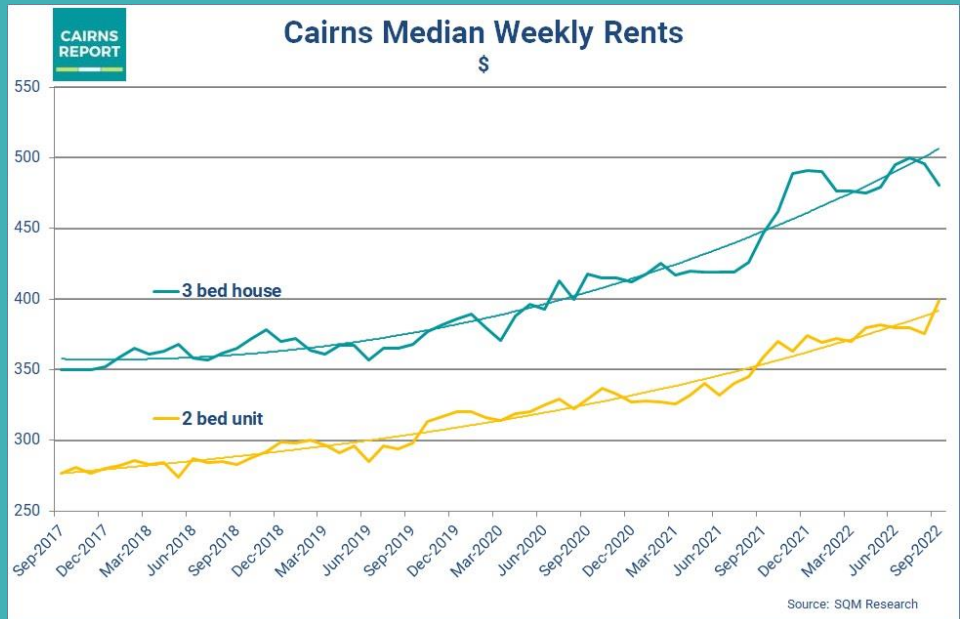
Given the very low rental vacancy rate, it seems certain that whatever happens to interest rates and whatever that impact is on real estate prices, we are unlikely to see any significant weakening in the rental market.

MEDIAN RENTALS

\$399
UNITS
+11% y/y

\$480
HOUSES
+7.5% y/y

Source: SQM Research





With vacancy rates routinely well under 1% throughout the region over the last 12 months, the needle has failed to display any meaningful movement to take pressure off the rental market in recent times.

There has been a slight downshift in sheer volume of applications coming through for advertised properties, however this has not yet impacted vacancy periods. Whether this is down to applicant fatigue or a true minor shift in the market is yet to be seen.

The upper end of the rental market is underpinned by interstate buyers who have recently sold and are looking to buy. Properties in the \$700 - \$1,000/week range are in high demand as buyers struggle with limited inventory in a property market that remains generally undersupplied. Rental yields are extremely strong, with average gross income at slightly over 5%. House rents have experienced price growth of over 16% in the past quarter alone.

Available long-term properties continue to be the biggest single factor influencing the current climate. It is indeed a good time to be investing in the Far Northern region.



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The recent announcement by James Cook University of a new medical school in Cairns, which means aspiring doctors won't need to leave our city to complete their studies, is great but the challenge of keeping our young people here for longer remains active on several fronts.

Finding suitable career opportunities to retain our talented young people and ensuring our liveability offering is as advanced as possible must be addressed to retain our youth. Improving our liveability in particular relies on a combination of factors, more than just lifestyle issues such as our idyllic natural attractions. Everything from arts, culture and music offerings to sporting events and infrastructure, and lots in between, need to be lifted to avoid the brain drain and maintain healthy population growth.

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On 25 October 2022, the new Federal Government will deliver its first Federal Budget since coming into power.

Whilst Budgets are normally delivered in May, the increased cost of living pressures faced by many means this Federal Budget presents an opportunity for the Government to reset the economic agenda.

The Government has already announced that their main focus will be defence, aged care, health and public debt and we are not expecting too much in the way of major economic reform in the Albanese Labor Government's first term Budget.

Many of us though will be hoping the Budget does provide some cost of living relief while we are dealing with higher inflation and rising interest rates.

The other big unknown is whether we will see the proposed tax cuts due to commence in July 2024.

For those of us in this region, an investment in measures to counter the skills shortage and providing more foreign migrants and upskilling existing workers would be welcome.

With a weaker outlook for global economic growth predicted, this Budget will have implications for all aspects of our economy.

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