

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy

PRESENTED BY



HOLDING REDLICH



Grant Thornton

Impressive employment scene continues in Cairns

As Robert Ince from Grant Thornton notes in his commentary on page xx of this month's *Cairns Report*, the business community is ready for long-term solutions on a raft of pressing issues facing the nation. With inflation running hot (see our special report on page xx) and interest rates being forced up as a result, it's a delicate balancing act ahead. Instead of short-term stunts to feed the news cycle, business wants the Albanese Government to address matters such as industrial relations, skills and training reform, skilled migration and input costs like energy, all while tackling the massive debt and deficit caused by the pandemic and natural disasters. Thankfully, the recent Budget contained projects and funding previously promised for FNQ. Now on to the job of reform.

UNEMPLOYMENT RATE

3.5% 3.6% 4.3%

NATIONAL QLD CAIRNS

PEOPLE EMPLOYED

↑ 13,608,200 ↑ 2,779,300 ↑ 141,800

NATIONAL QLD CAIRNS

PROPERTY PRICES

↑ \$281,000 ↑ \$451,000

+11% y/y +15% y/y
UNITS HOUSES

MEDIAN RENTS

↑ \$388 P/W ↑ \$499 P/W

+5% y/y +8% y/y
2-BED UNIT 3-BED HOUSE

AIRPORT PASSENGERS

430,287 ↓ 386,033

SEPT '19 SEPT '22

CAIRNS AIRPORT

BUILDING APPROVALS

117 APPROVALS IN AUGUST

↑ +12.5%

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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Far North Queensland economy

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Cover: Cane train
south of Cairns

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Grant Thornton

HOLDING REDLICH

Here in Cairns, Trend employment lifted just slightly (up 100) although this does take us to a new record high Trend level after some downward revisions to previous months.

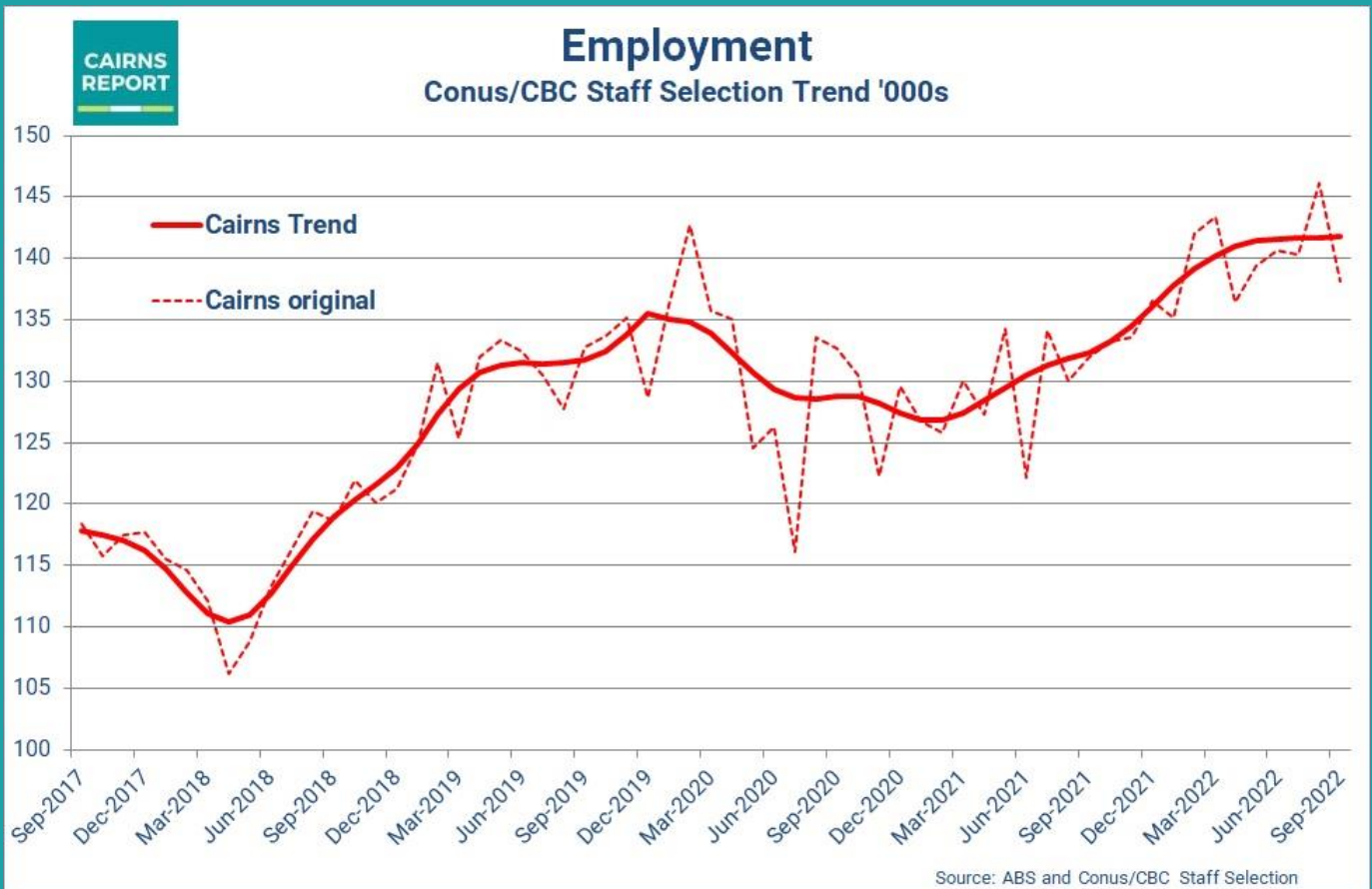
It is worth noting that over the course of the past 12 months while Cairns has added 9,400 to the number employed the number of full-time positions has increased by 9,500. Across Australia, once again the labour market strengthened in September with an additional

PEOPLE EMPLOYED

13,608,200	2,779,300	141,800
NATIONAL	QLD	CAIRNS
↑	↑	↑
LAST MONTH		
13,592,800	2,775,500	141,700

15,400 employed added across Australia.

In Queensland too things improved; here we added 3,800 to employment over the month. The pace of employment growth in Queensland (+4.5% pa) remains well above the national rate (+3.6% pa).



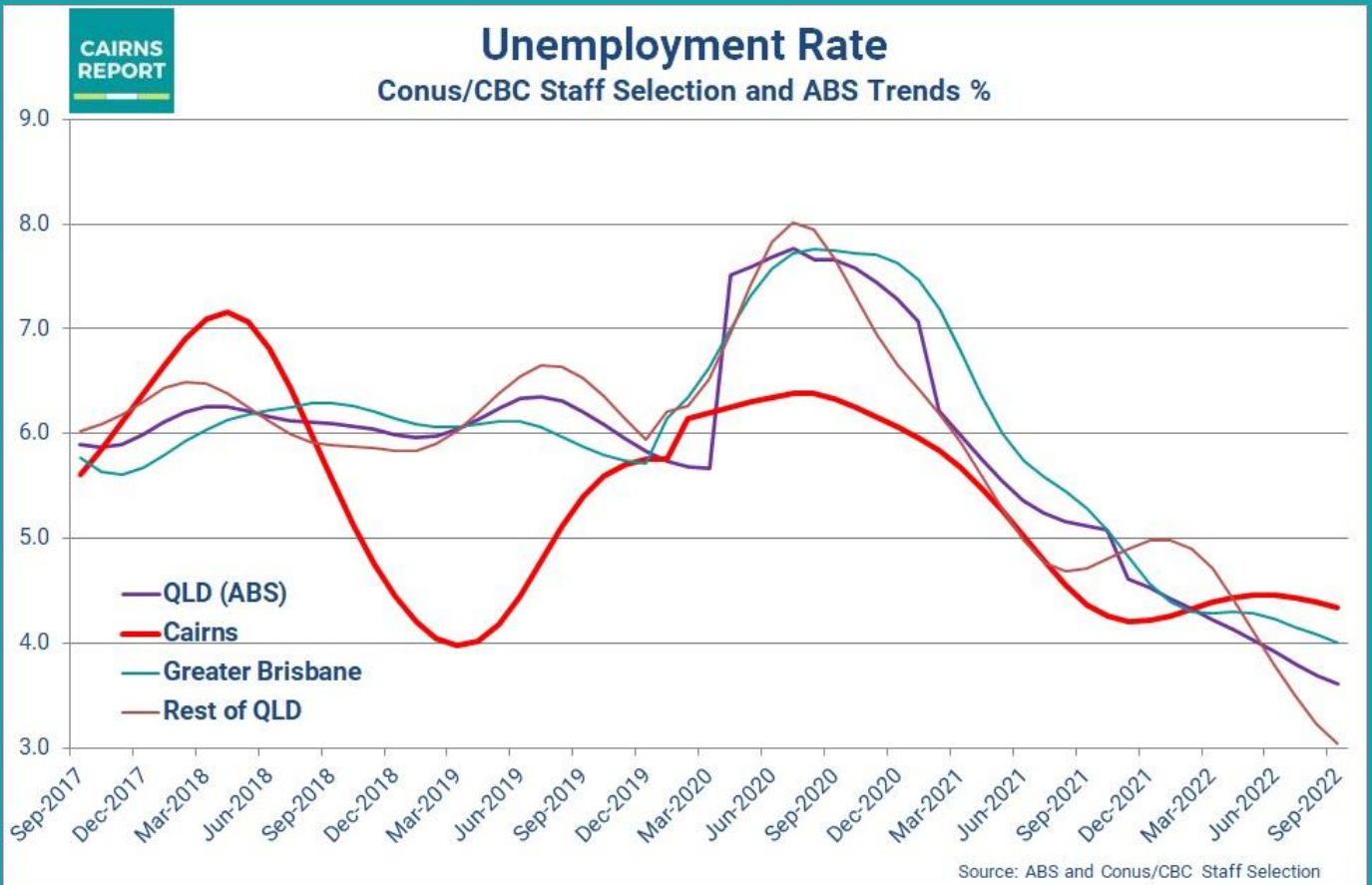
With a slight move down in participation in Cairns from what had been record high levels, the Trend unemployment rate remained stable at 4.3%

The unemployment rate in Cairns has been stable between 4.2% and 4.5% for each of the last 12 months. As we noted in the Cairns Report last month, it is full-time employment which is driving employment growth. Over the past 12 months Cairns has added 9,400 to the number employed and yet the number in full-time employment has lifted by 9,500. This improvement has been driven largely by the female cohort where the unemployment rate now sits at

UNEMPLOYMENT RATE

3.5% NATIONAL	3.6% QLD	4.3% CAIRNS
↑	↓	⊖
3.4%	3.7% LAST MONTH	4.3%

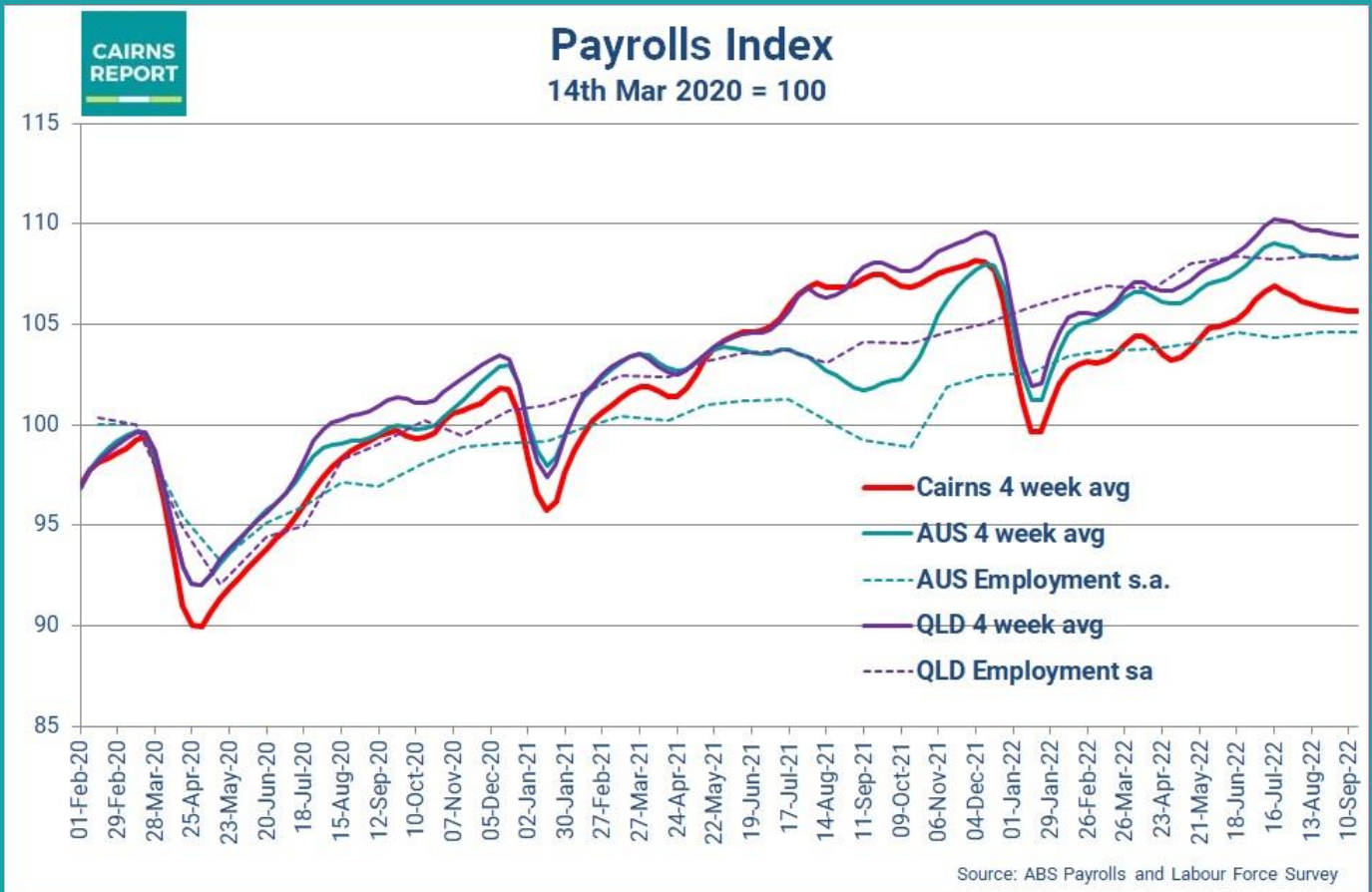
just 2.6% while male unemployment remains at 6.0%. Nationally, the unemployment rate remained stable at 3.5% as the pace of employment growth slowed a little. State-wide, a small increase combined with a stable participation rate saw the Trend unemployment rate drop to 3.6% which is its lowest level since August 2008.



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

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).



EXPLAINER

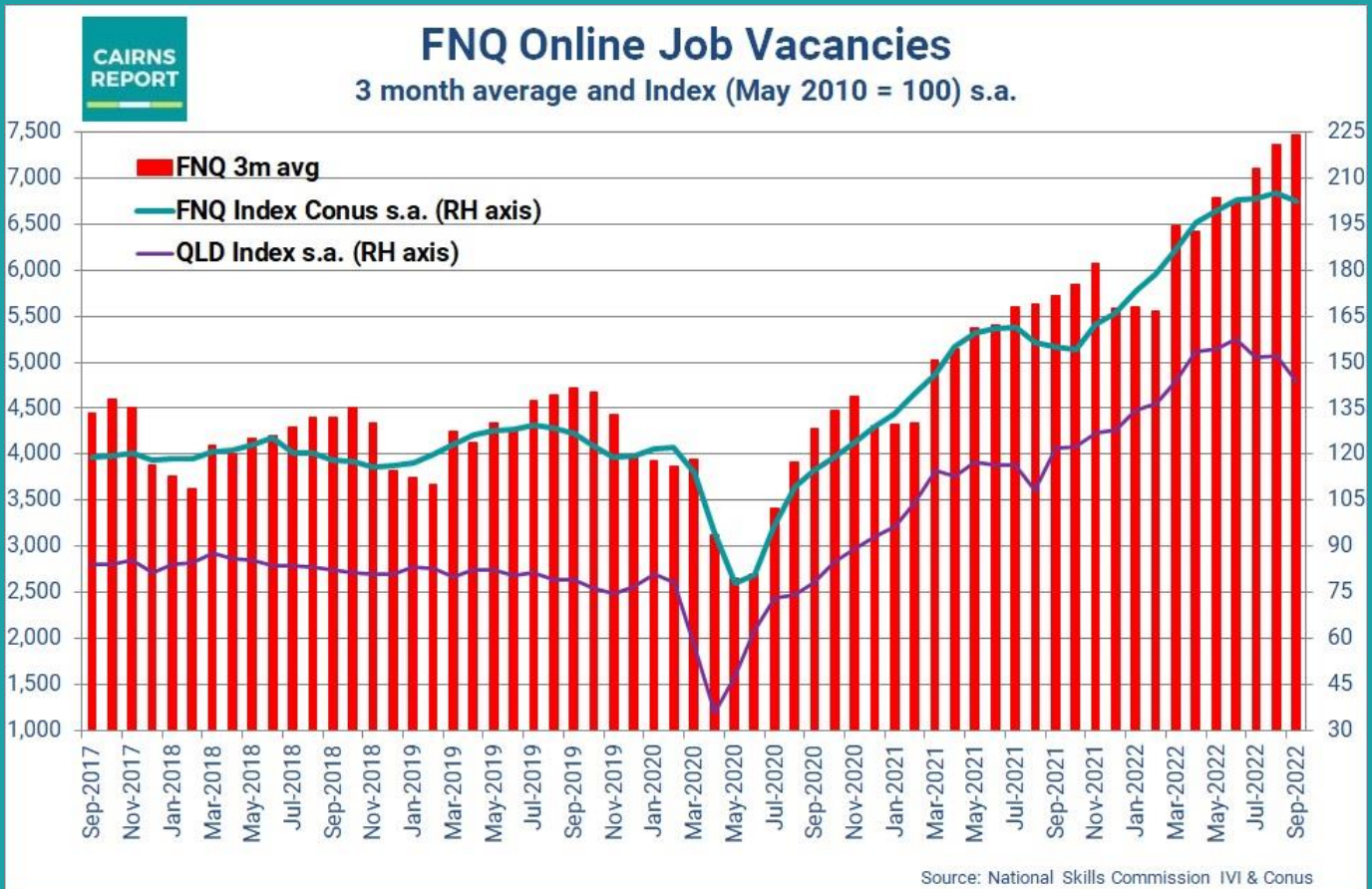
The Australian Taxation Office receives payroll information from employers with Single Touch Payroll (STP) enabled payroll and accounting software each time the employer runs its payroll. The ATO provides selected employer and job level data items from the STP system to the Australian Bureau of Statistics to produce the payroll data featured on this page. Some industries, such as agriculture, forestry, fishing and construction have high proportions of owner managers who are not included in payroll reporting.



Online job vacancy numbers in Queensland have declined somewhat in recent months.

Although the 3-month average data for the Far North is still very high, when we seasonally adjust this

data it does appear that the top may have been reached. Even if that is the case, we are still at very elevated levels with a huge number of online job vacancies still to fill in the region.



The actual total number of residential building approvals in Cairns has eased slightly in recent months and the Trend series reflects that with monthly approvals dipping to 117, its lowest level in the past 5 months.

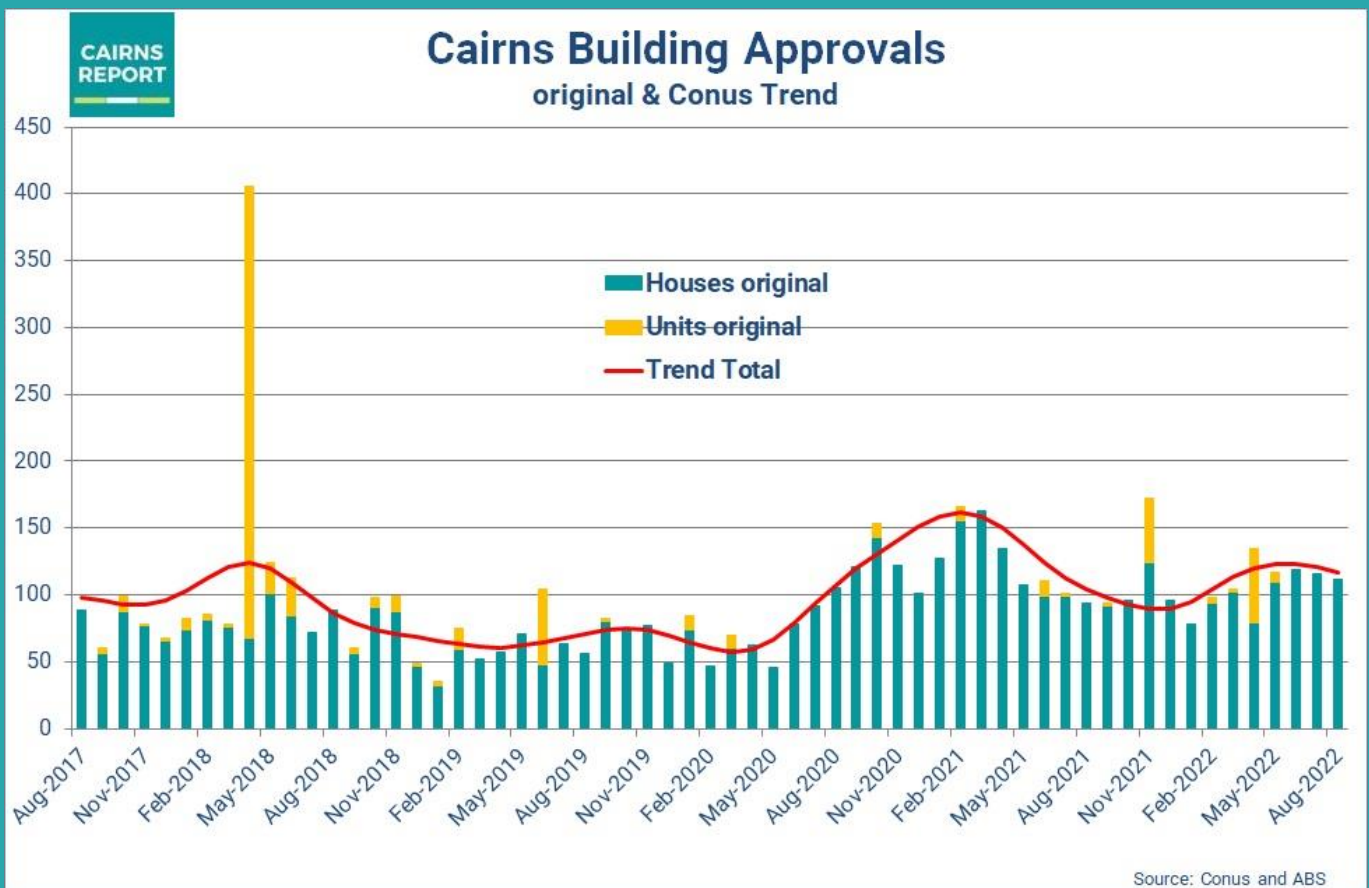
It is perhaps too early to definitively say that this easing is a direct result of the increases in interest rates we have seen, but it is starting to look like that may be the case. Nevertheless, the existing pipeline of residential work

HOUSES

▲ +12.5%

Building approvals change year-on-year
Latest trend approvals = 117

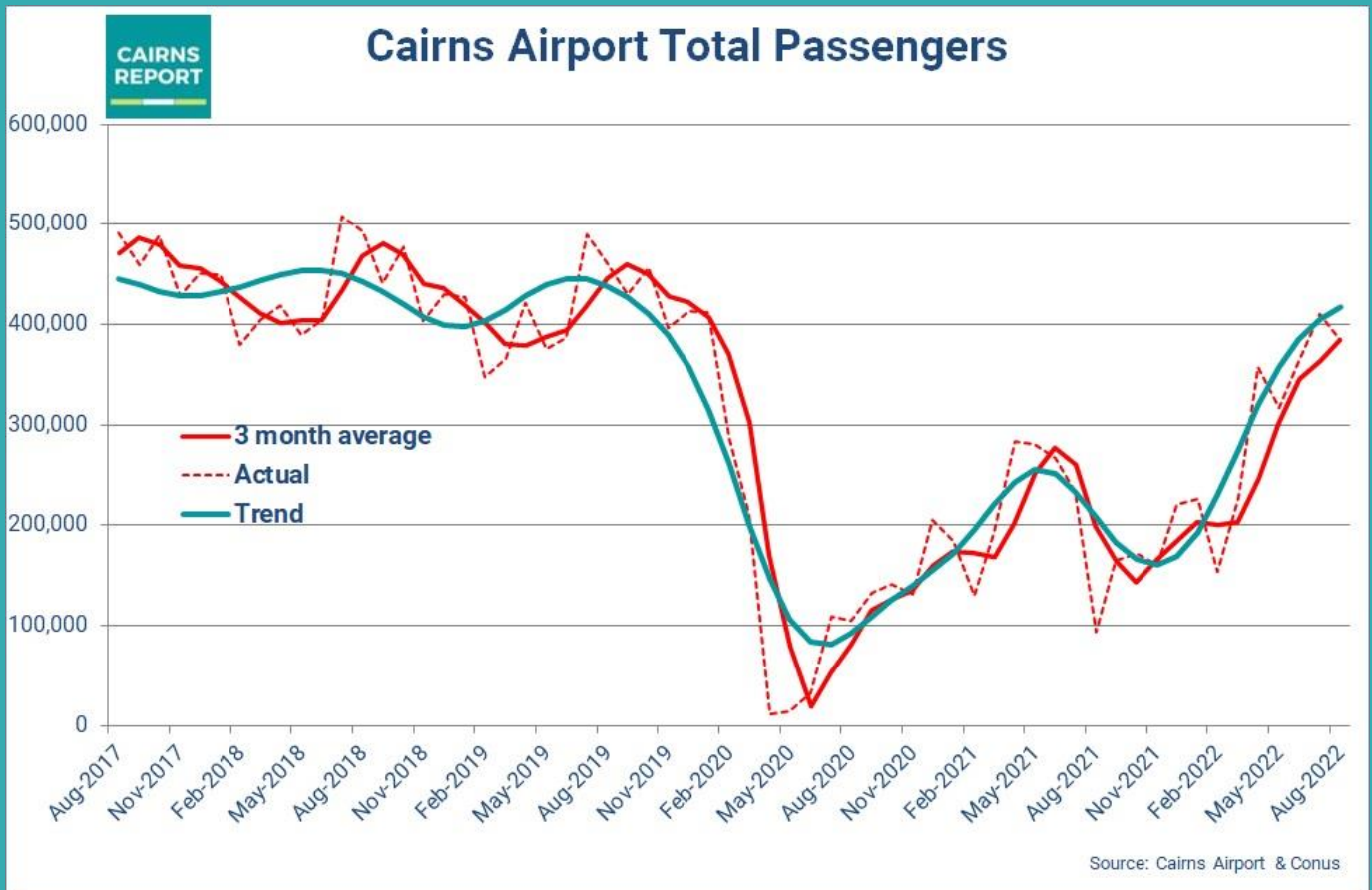
already approved, when combined with a similar pipeline of civil construction, much of which had funding commitments confirmed in the recent Federal Budget, will provide significant support to the construction industry well into 2023 and beyond.



Passenger numbers through Cairns Airport were largely unchanged in September, although the seasonally adjusted Trend series suggests that the recent ramp up in numbers may have stalled. Certainly the growth in international numbers to date is less than impressive; just over 16,000 this month out of a total of 386,000. As Aussies start to travel abroad for their holidays

PASSENGERS
430,287 ▼ **386,033**
 SEPT '19 SEPT '22

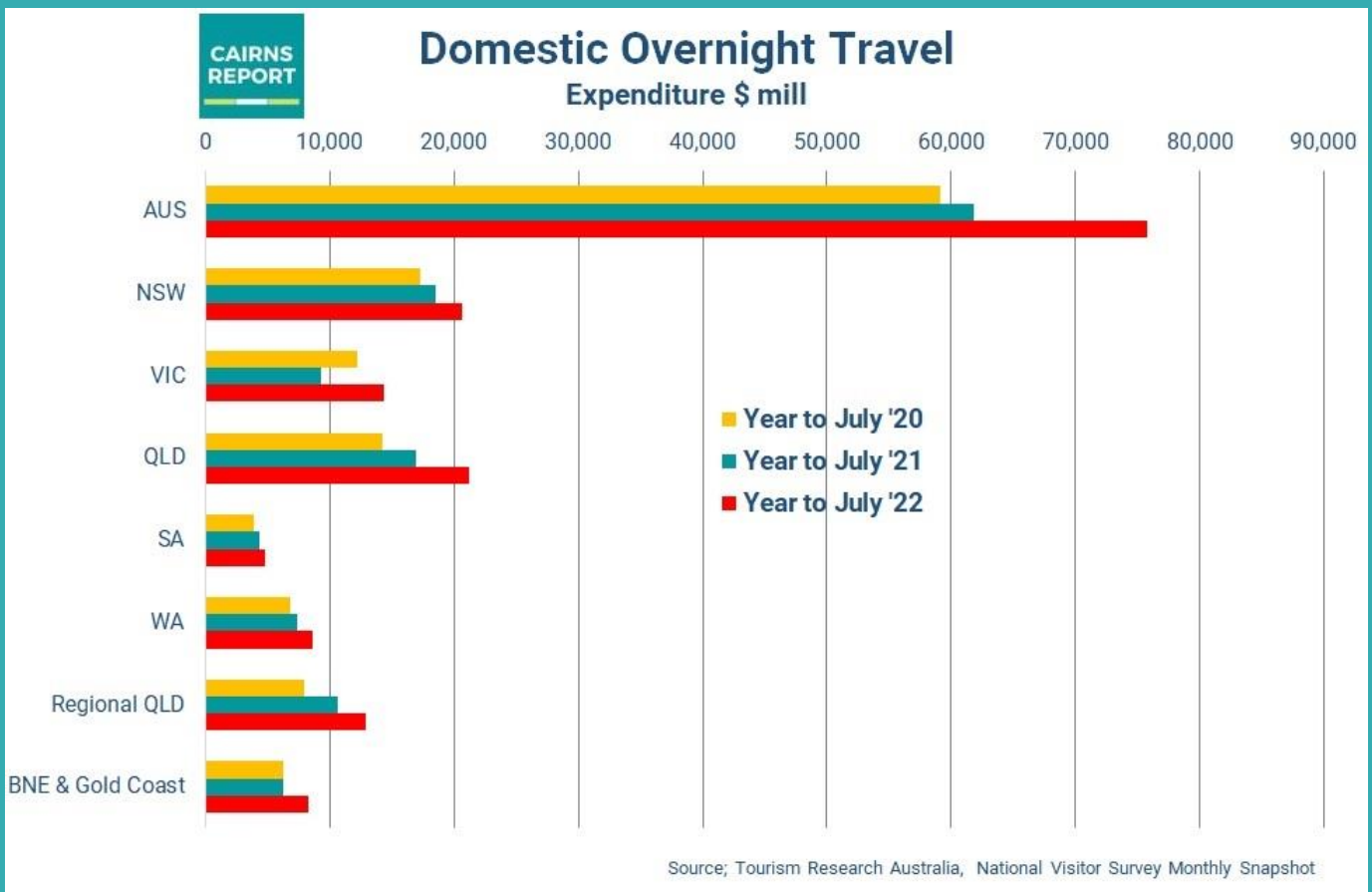
again we might expect to see numbers flying domestically ease off; to date that shift has been only quite limited as international travel by Australians remains at only about 60% of where it was pre-COVID.



Domestic tourism expenditures across Australia remain very strong in the monthly domestic tourism data to July this year.

Last month we noted the particularly strong performance in regional Queensland over the past 2 years; this month that out-performance is even more dramatic. Since July 2020, annual domestic tourism expenditure across Australia is

up 28%, in Queensland the increase is 48% and in regional Queensland it's been an extremely impressive 62%. Nevertheless, international tourism, as evidenced by the quarterly data to June, is yet to come back at any real scale in the regions; we would hope to see that change in coming months.

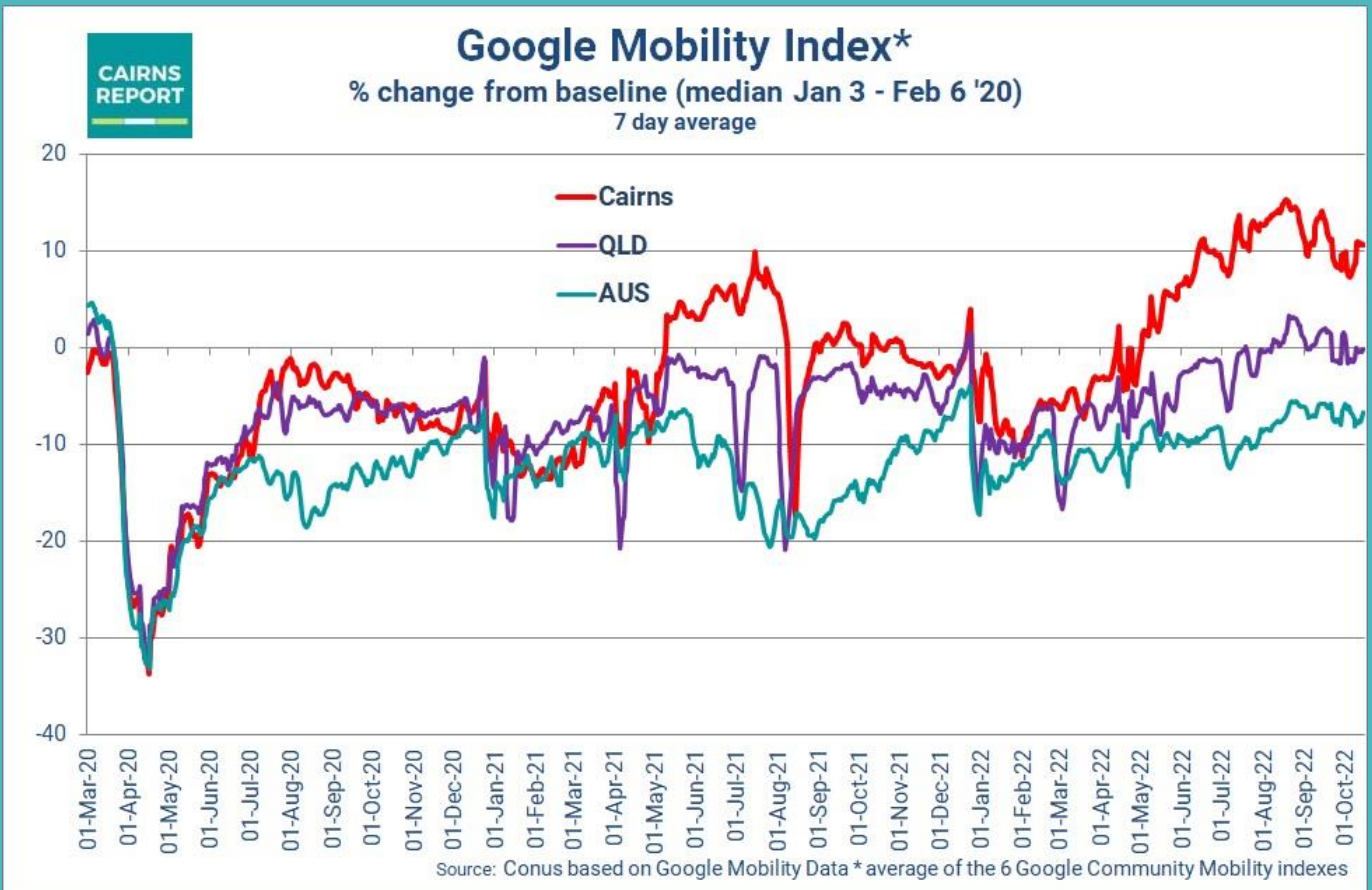


The Google Mobility data to October 15th shows that the peak in mobility seen in August has eased somewhat over the past month or so.

Nevertheless, mobility remains well above State and National averages reflecting the strength in the tourism sector and the continued 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.



We noted in last month's *Cairns Report* that the effects of interest rate hikes were slow to appear in the Cairns market.

That seems to still be the case and, even though there has certainly been a noticeable reduction in sales volumes, prices are showing no signs of reversing gains. Median house prices remained around \$450,000, which still represents

an increase of 15% over the course of the past year. Median unit prices also appear to have stabilised around \$280,00 which represents 11% growth over the past 12 months.

MEDIAN PRICES

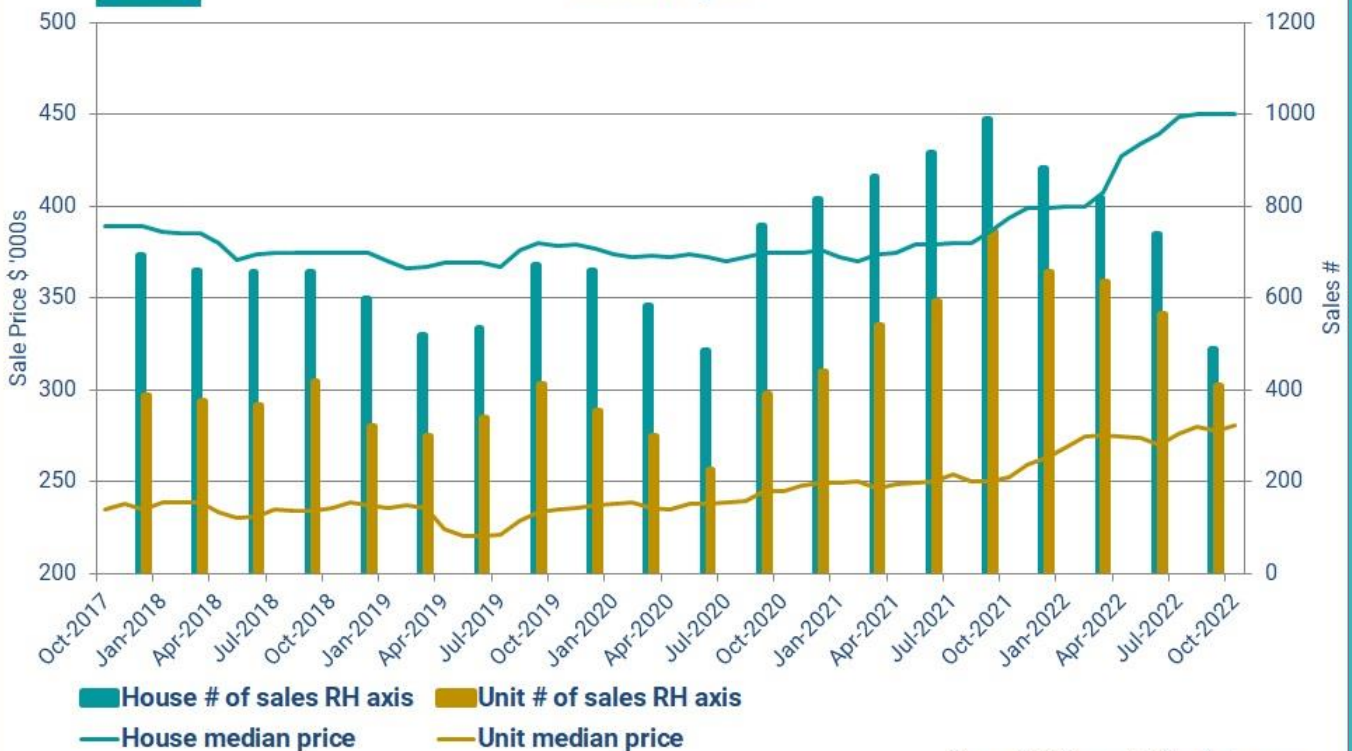
▲ **\$281,000** UNITS
+11% y/y

▲ **\$451,000** HOUSES
+15% y/y

Source: SQM Research

Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricefinder.com.au

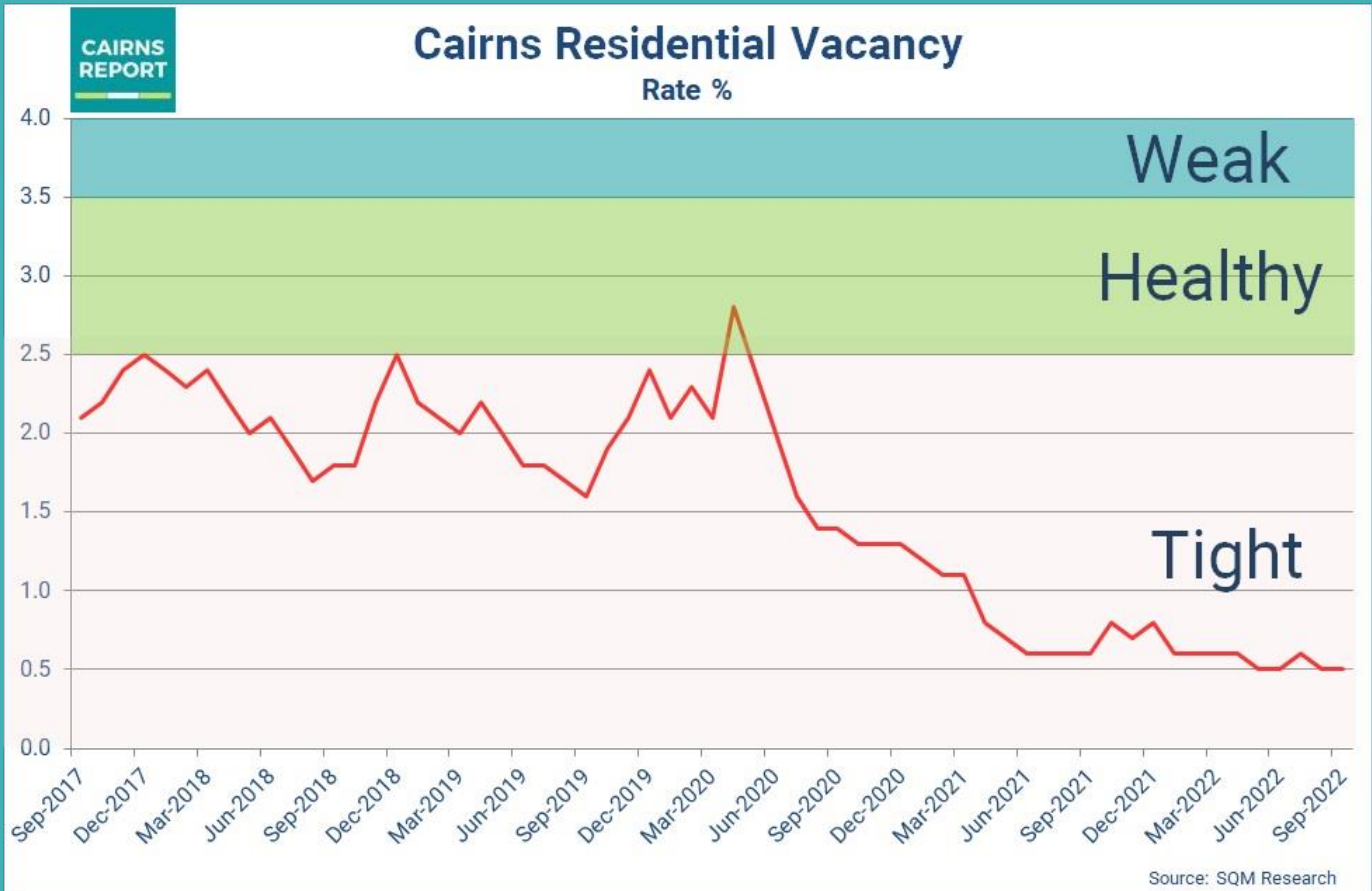
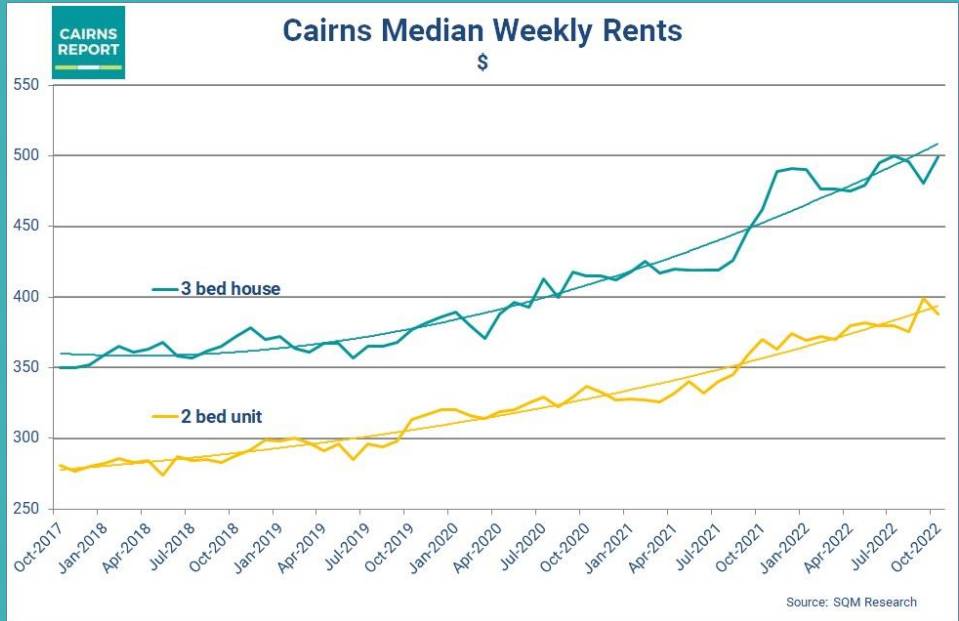
Although median rents for 3-bedroom houses are back up very close to \$500 p/w, the rate of growth has slowed to just 8% y/y while 2-bedroom units are up just 5% y/y having come off last month's record high. The vacancy rate (yet again) remains extremely tight at just 0.5%.

MEDIAN RENTALS

\$388
UNITS p/w
+5% y/y

\$499
HOUSES p/w
+8% y/y

Source: SQM Research



In this edition of *Cairns Report*, we take a closer look at the hot topic of inflation – including how the inflation rate is playing out in regional areas like Cairns.

WHAT DO THE NUMBERS MEAN?

The Consumer Price Index (CPI) is taken by many to be the definitive measure of price inflation in Australia. The ABS calculate the index every quarter as a weighted average of the price of a ‘basket’ of goods and services that the normal household would purchase. The weightings are revised every few years to take account of changes in purchasing patterns over time. The index is calculated in each of the eight capital cities and from that a national average is constructed.

Each quarter the ABS provide the change on the previous quarter and the change from the same quarter the year before. In the most recent release for the September quarter the quarterly change was +1.8% while the change over the year came in at +7.3%. That is the ‘headline inflation’ figure that will usually get most of the attention. The Reserve Bank is tasked with helping to manage the economy, as part of that mandate the Bank “has an ‘inflation target’ and seeks to keep consumer price inflation in the economy to 2–3 per cent, on



Pete Faulkner
CONUS/Cairns Report
data analyst

average, over the medium term.” In practice what that means is that the RBA will generally try and use interest rates and other monetary tools to keep inflation in the 2-3% band, although what ‘over the medium term’ means is open to interpretation.

Adding to the confusion is the fact that the RBA generally prefers to look at measures other than the simple CPI to determine where inflation actually sits. In particular, they look at the Trimmed Mean and Weighted Median. These two measures essentially strip out the most volatile items (both at the top and the bottom) of the CPI index to get a sense of underlying, or ‘core’, inflation. The most recent readings of those measures provided a quarterly increase of +1.4% and an annual rate of +5.0%. If we want to get a sense of what the RBA are watching and thinking, it’s often better to keep our focus on ‘core’ inflation.



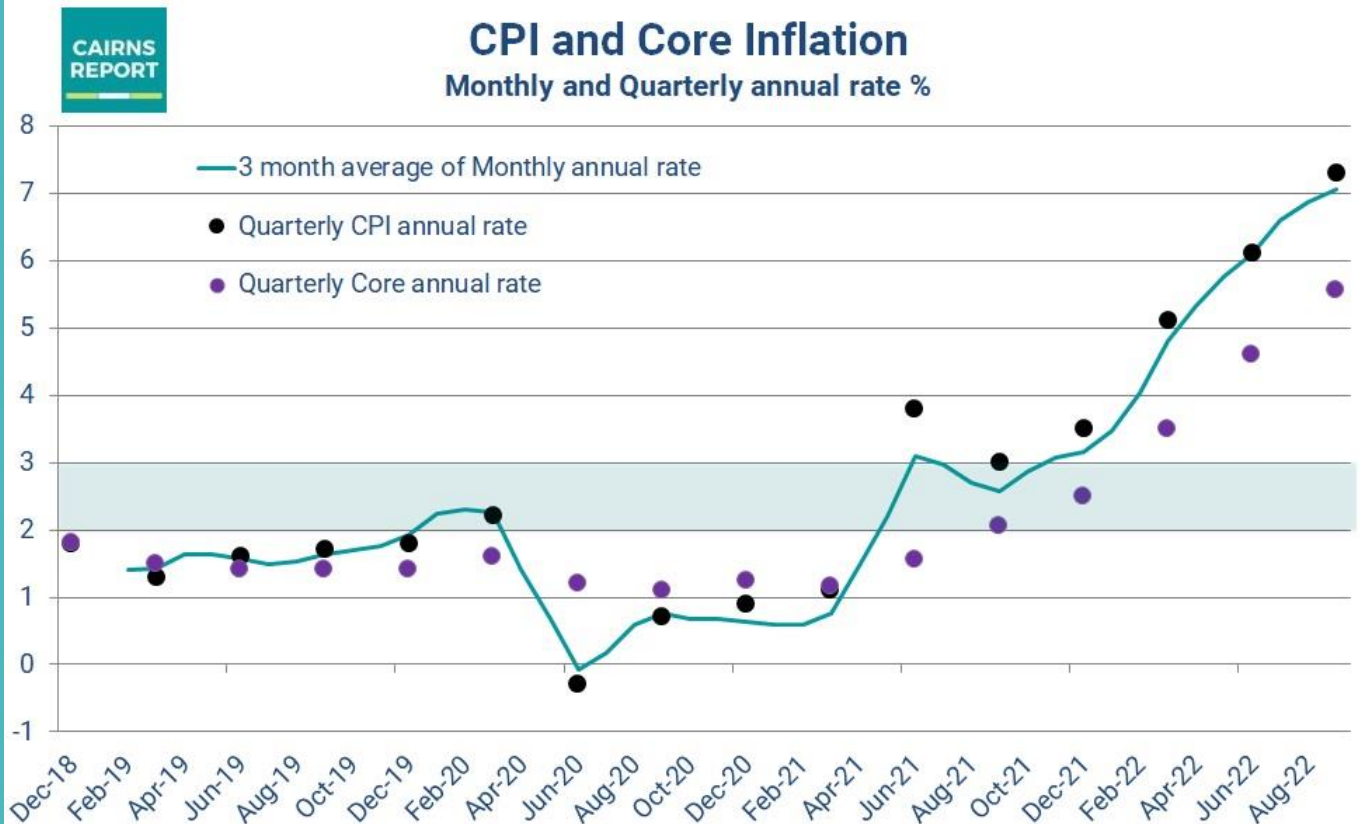
HOW ARE WE TRACKING?

Clearly, we are running well outside the RBA's target band so it's no surprise interest rates are rising in a bid to bring inflation back within the band in the 'medium term'. It's perhaps worth noting that 'core' inflation spent 24 quarters from late 2015 below the target band and has been above the band for just the last 2 quarters! The ABS also provide us with other insights into inflation. For example, discretionary inflation (price inflation on items deemed as discretionary) was at +5.5% while Non-discretionary (the stuff people have little or no choice about buying) was running hot at +8.4%. Tradables inflation (inflation on items traded internationally) was at +8.7% while Non-tradables (essentially domestic produce) was just +6.5%. Very recently the ABS has started to

produce an (experimental) monthly CPI measure. While this does not provide precisely the same information as the quarterly numbers you can see from the chart that taking a 3-month average of these monthly numbers can give us a fairly good idea of where the quarterly CPI data will come in at.

WHAT ABOUT THE REGIONS?

As mentioned, the national CPI data is derived from the capital cities. At Conus, we have derived a measure of CPI for the regional areas of each state, where people generally have different spending patterns to those in the capitals. This shows that across much of Australia CPI is currently running somewhat hotter in the regions than in the capitals, with Queensland regional CPI estimated at +8.2%.





Australia is experiencing the highest inflation in 40 years, driving higher prices, forcing up interest rates and escalating the risk of a recession.

Since March, the economy has shifted at an alarming rate with the cash rate rising from 0.1% in March to 2.85% now, and on its way to 3.1% by the end of the year.

While the Cairns region has been spared the direct impact of natural disasters such as floods and bushfires, they have come at a huge cost to the economy with \$3 billion set aside in the October Budget for natural disaster recovery and future costs to come.

There is no escaping the effects the recent floods will have on inflation with fruit and vegetable prices likely to increase by 8% by the end of the year.

Our economy continues to suffer the effects of talent shortages and wages growth is at its lowest point in ten years.

Businesses are looking for real change and real improvements that go beyond the current news cycle.

It will be interesting to see if the measures announced by the Government in the October Budget will help resolve the budget deficit and keep Australia's economy moving forward.



Robert Ince
Grant Thornton

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