

“Getting Things into Perspective”



The Cairns Economy

Recent Movements and Short-Term Prospects

**Presentation to the
Cairns Chamber of Commerce Luncheon
November 2008**

In retrospect -

The year 2007 / 2008

“Some negatives and uncertainties around, but continued solid growth.”

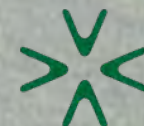


Tourism Growth Phases

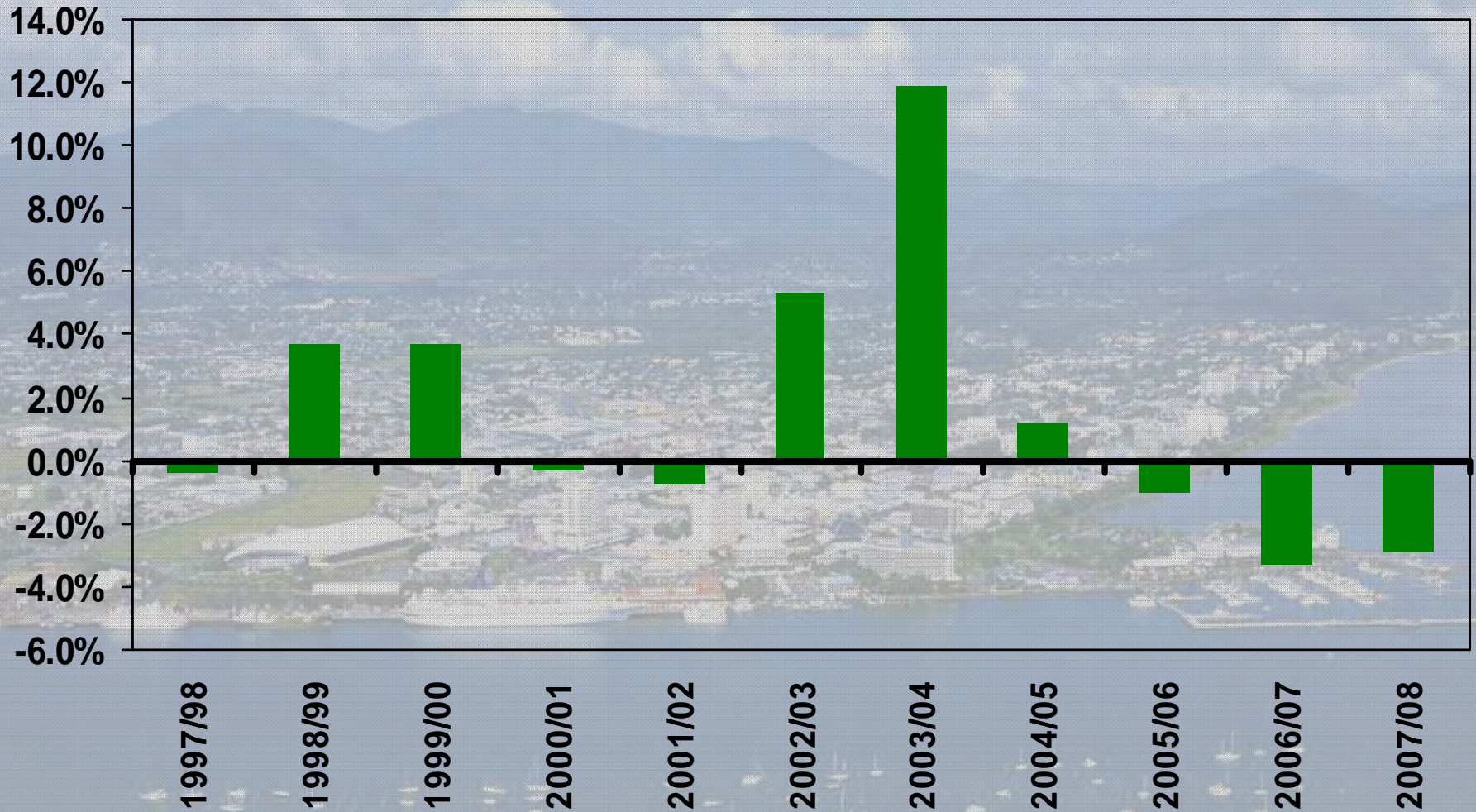
CAIRNS AIRPORT PASSENGER MOVEMENTS (Excluding international transits)

	<u>No.</u>	<u>%</u>	
1997/98	2,725,000	0.4%	Asian crisis
1998/99	2,770,000	1.7%	
1999/00	2,882,000	4.0%	+6%
2000/01	2,972,000	3.1%	
2001/02	2,878,000	(-3.2%)	Ansett collapse
2002/03	3,083,000	7.1%	
2003/04	3,402,000	10.3%	+ 32%
2004/05	3,689,000	8.4%	
2005/06	3,832,000	3.4%	
2006/07	3,889,000	1.4%	High dollar
2007/08	3,936,000	1.2%	

Source : Cummings Economics from Cairns Ports data.



Growth in Room Nights – Hotels/Motels



Source : Cummings Economics from ABS data.



Overnight Visitor Expenditure Far North Queensland

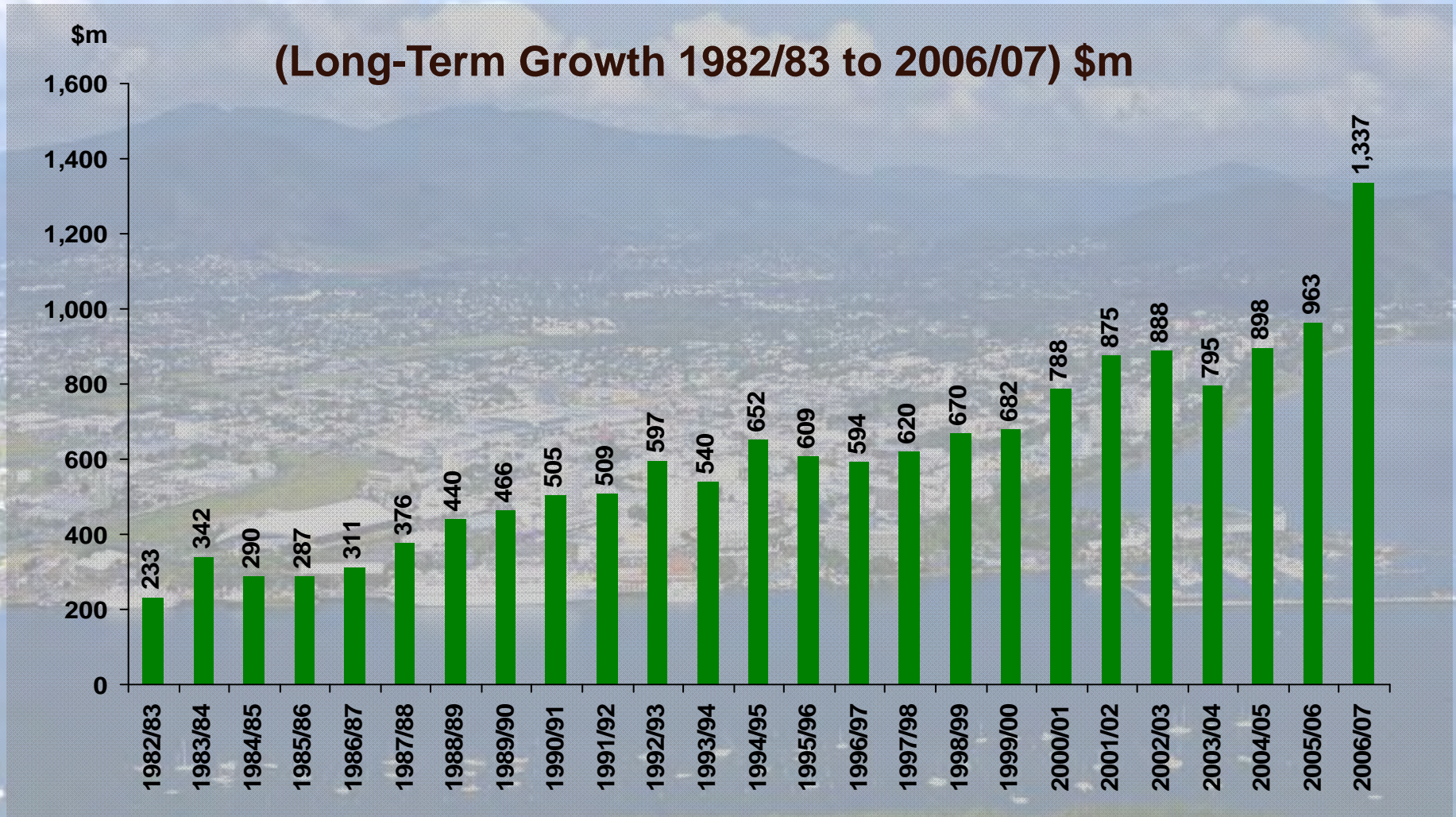
	<u>Domestic \$m</u>	<u>International \$m</u>	<u>Total \$m</u>
2003/04	\$1,424	\$1,020	\$2,444
2004/05	\$1,319	\$1,106	\$2,425
2005/06	\$1,468	\$1,110	\$2,578
2006/07	\$1,545	\$1,041	\$2,586
2007/08	\$1,546	\$1,030	\$2,576

Source : Cummings Economics from NVS & IVS data.



Agriculture

Gross Value Agricultural Production



Source: Cummings Economics from ABS Agstats.



Gross Value of Agricultural Production 2006/07

<u>Statistical Div</u>	<u>Total</u>	<u>(Crops)</u>
Cairns/Far North	\$1,337 m	(\$966 m)
Rockhampton/Fitzroy	\$1,067 m	(\$312 m)
Mackay/Mackay	\$937 m	(\$673 m)
Townsville/North	\$740 m	(\$566 m)
North West	\$419 m	(\$3 m)
Central West	\$320 m	(\$6 m)
Northern Territory	\$343 m	(\$99 m)
Tasmania	\$963 m	(\$404 m)

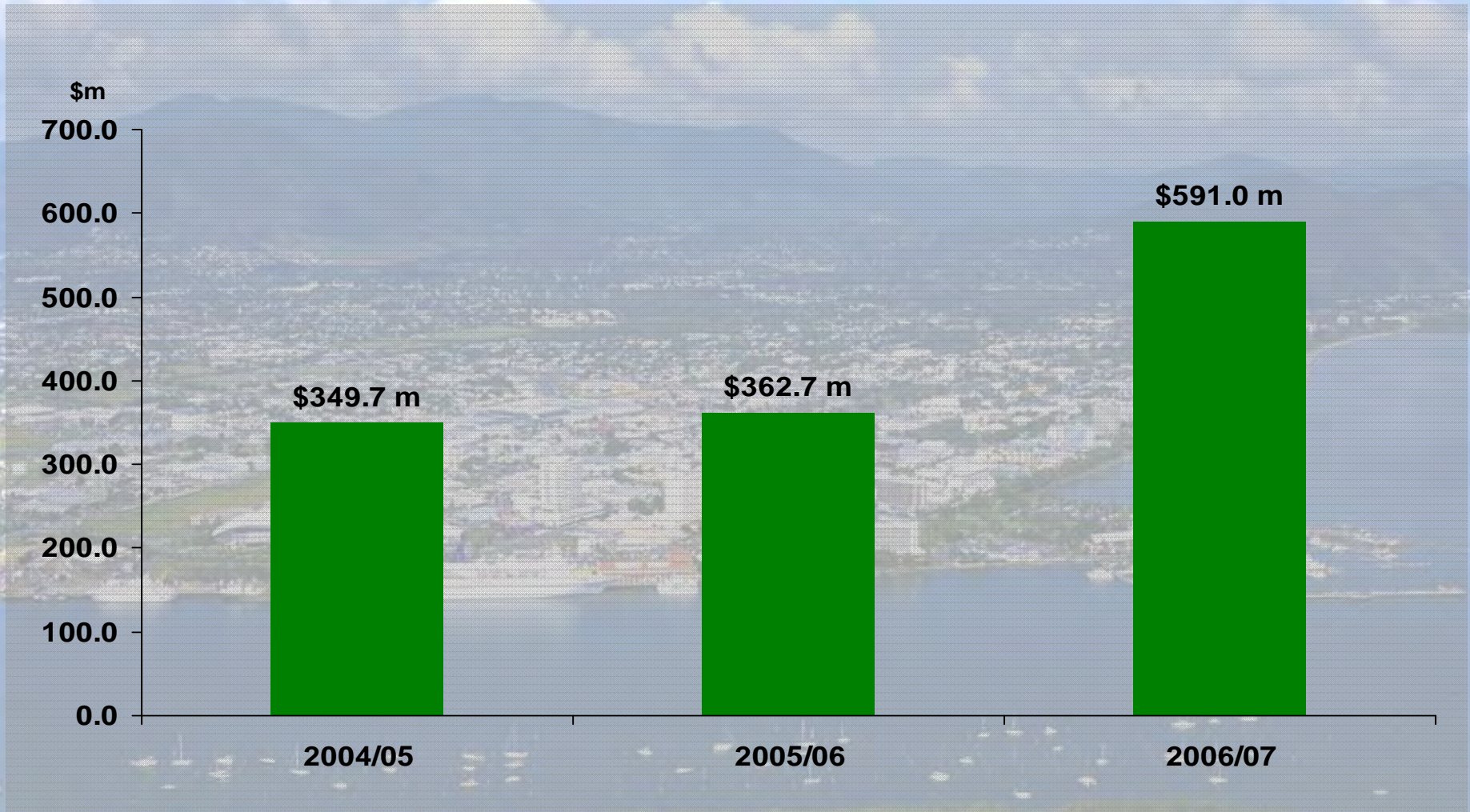
Source : Cummings Economics from ABS Agstats.





Value of Mining Production

Far North Statistical Division

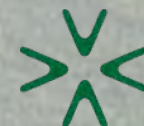


Source: Cummings Economics from Q'ld Dept of Mines & Energy.

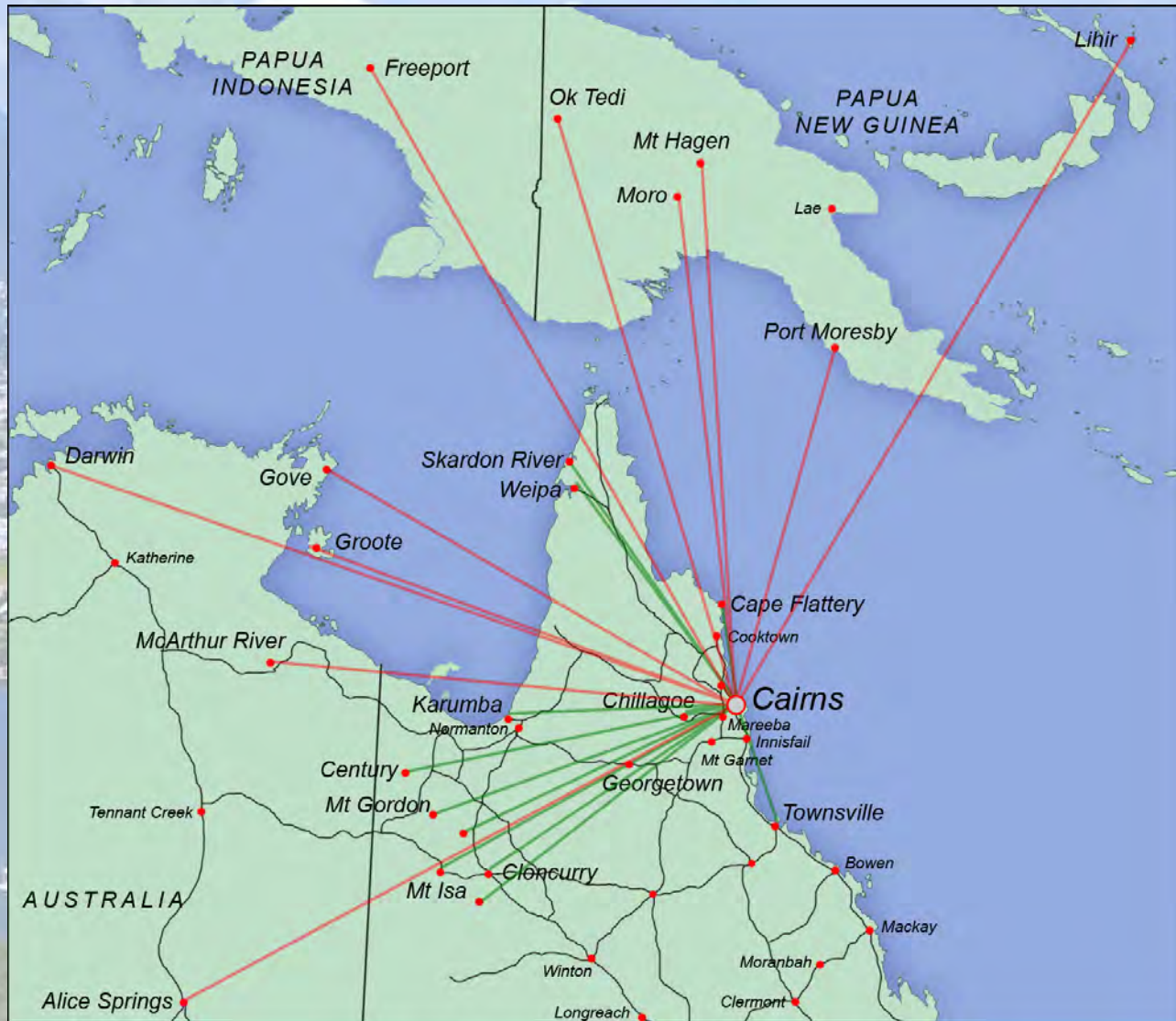


Estimated Existing Mining Workforce Far North Queensland – Mid 2008

WORKING AT MINES	1,600
FLY-IN TO MINES OUTSIDE REGION	1,900
Construction/Maintenance	500
Mines North West Q'ld	970
PNG & NT	460
TOTAL	3,500

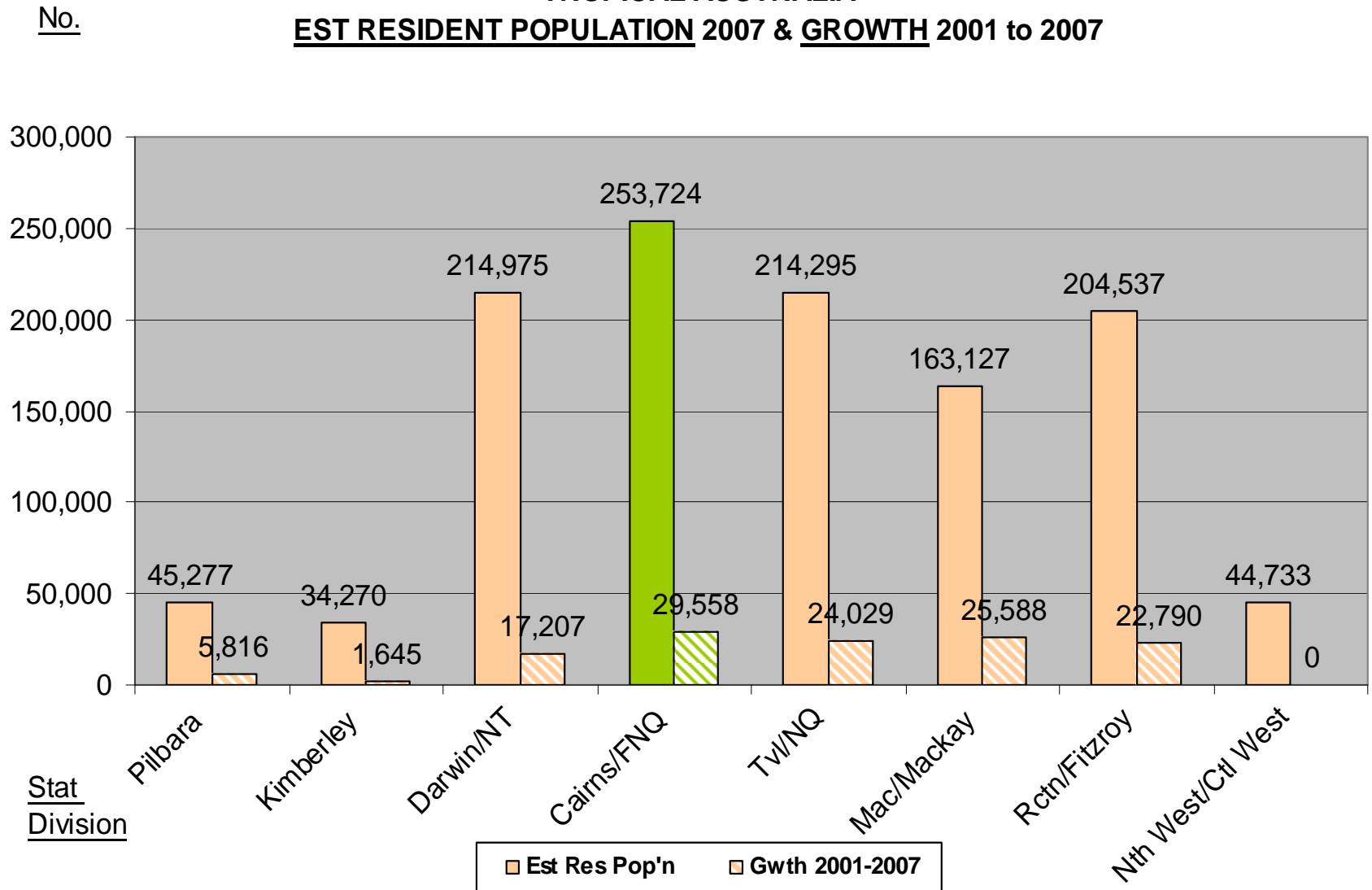


AIR SERVICES EX CAIRNS REGION TO MINES, MINING CENTRES AND MAJOR CENTRES NTH QLD, PNG, PAPUA (INDO) & NT



TROPICAL AUSTRALIA

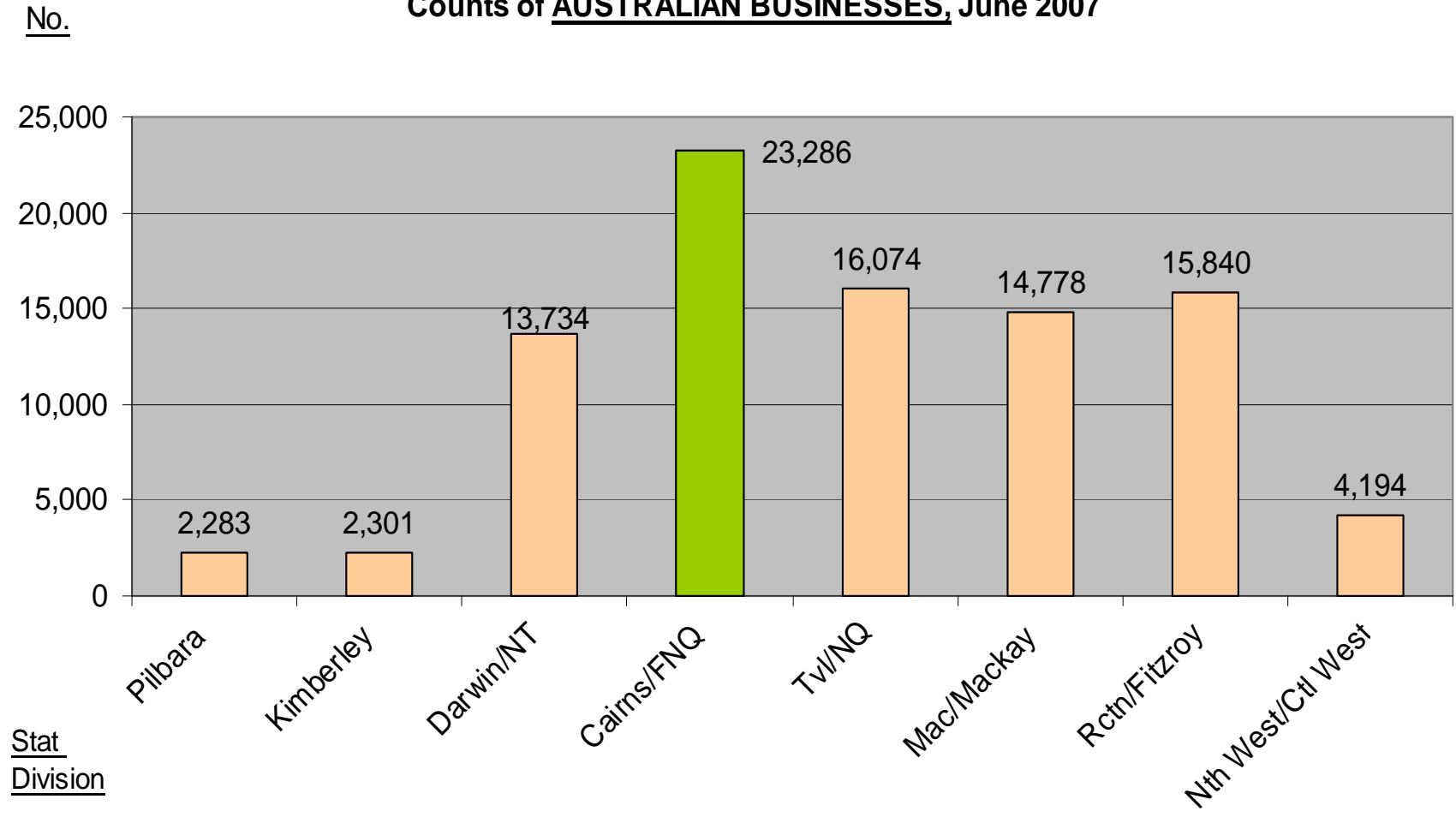
EST RESIDENT POPULATION 2007 & GROWTH 2001 to 2007



Source: Cummings Economics from ABS data.



TROPICAL AUSTRALIA
Counts of AUSTRALIAN BUSINESSES, June 2007

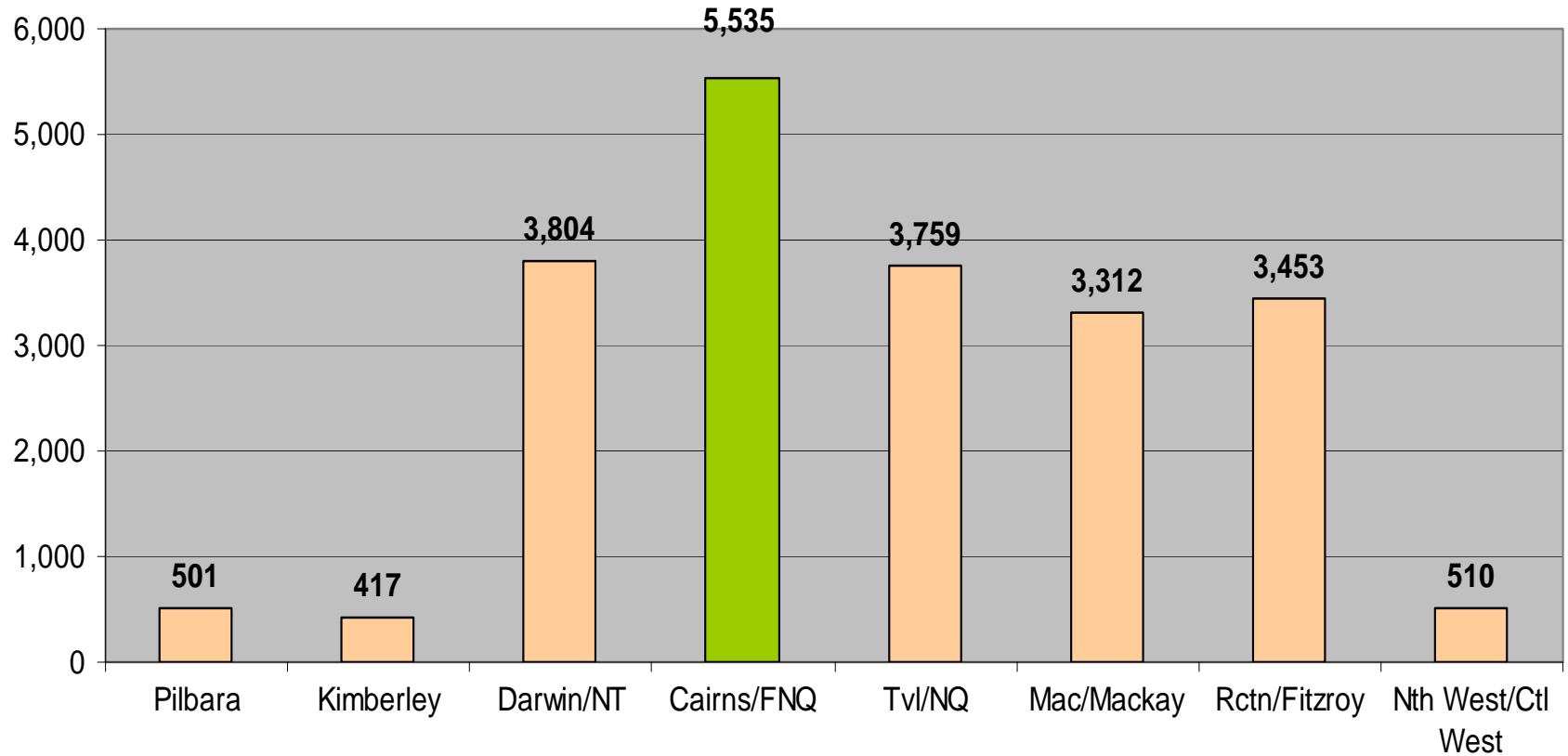


Source: Cummings Economics from ABS data.



**TROPICAL AUSTRALIA - Business Numbers in
FINANCE, INSURANCE, PROPERTY & BUSINESS Services, June 2007**

No.

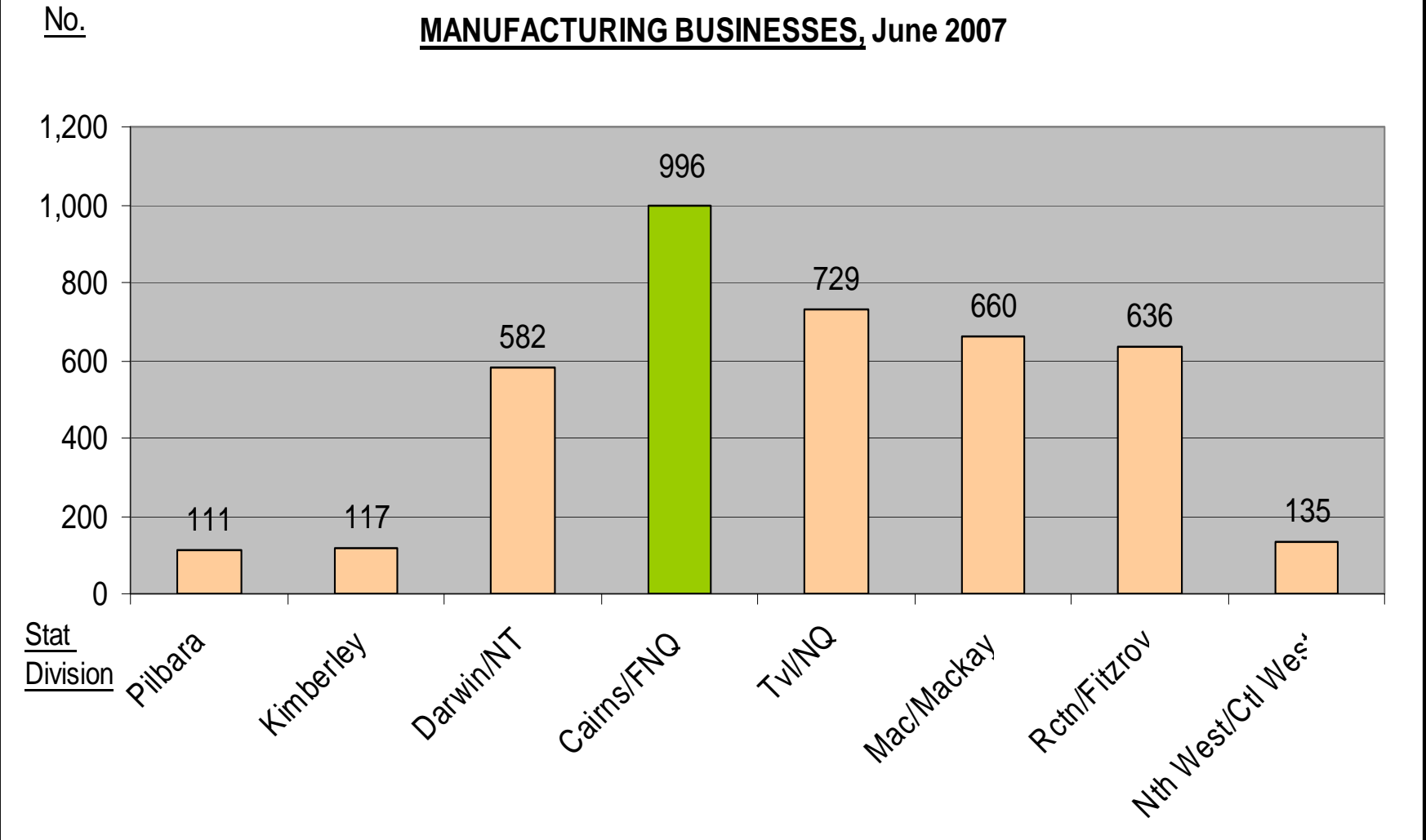


Stat
Division

Source: Cummings Economics from ABS data.



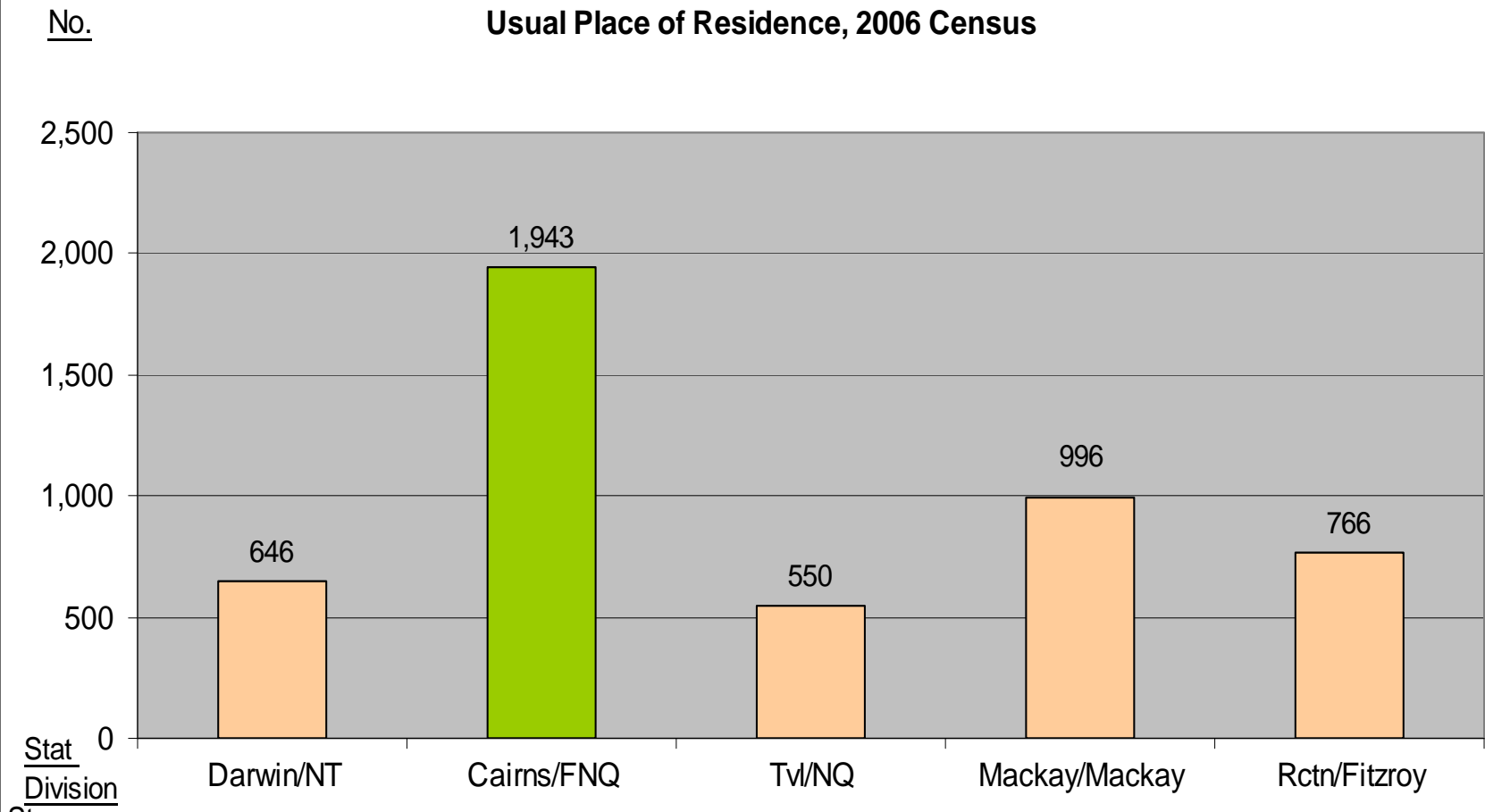
TROPICAL AUSTRALIA
MANUFACTURING BUSINESSES, June 2007



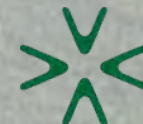
Source: Cummings Economics from ABS data.



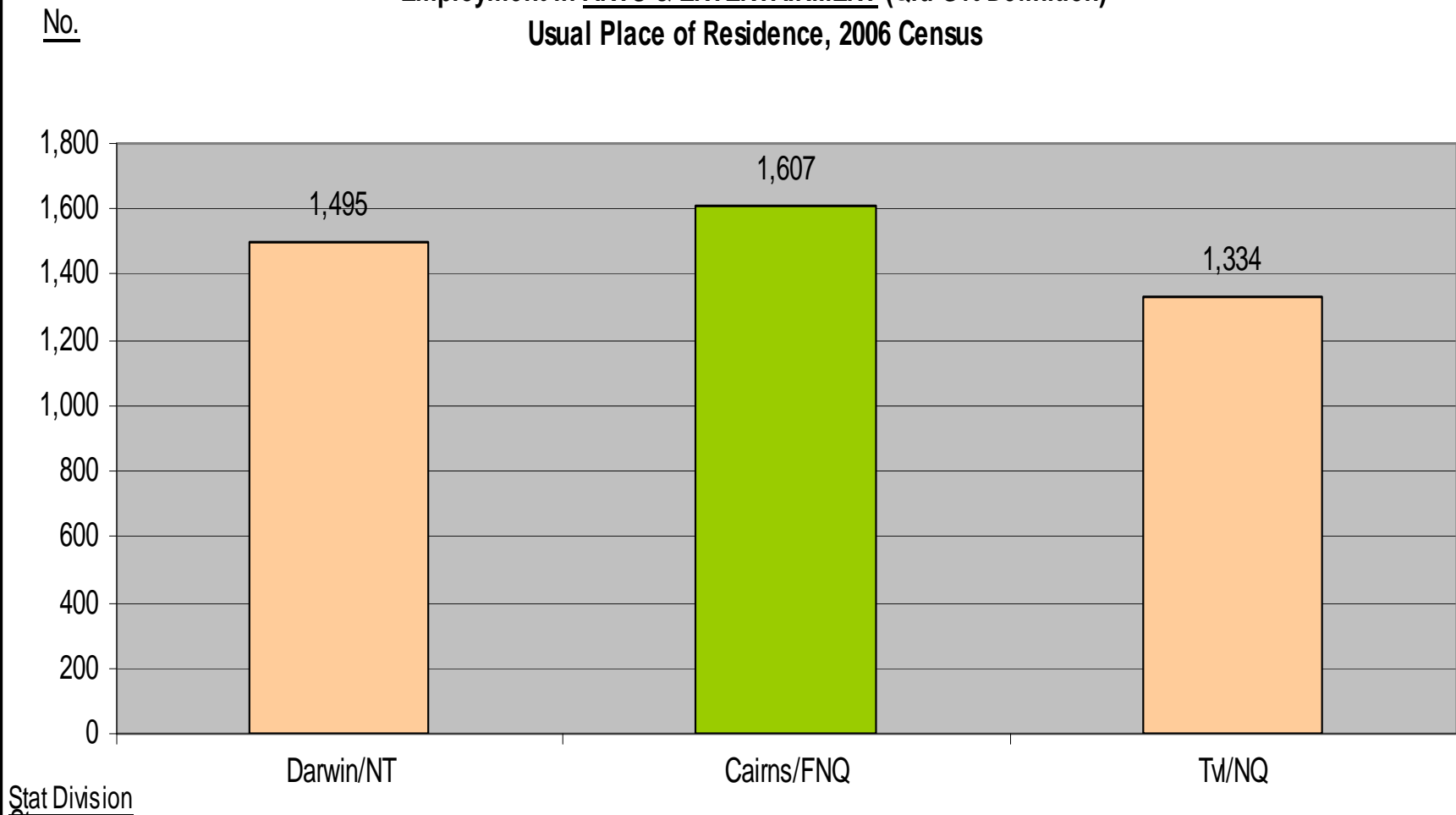
TROPICAL AUSTRALIA
Employment in MARINE INDUSTRIES
Usual Place of Residence, 2006 Census



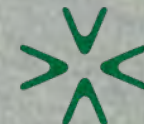
Source: *Cummings Economics from ABS data.*



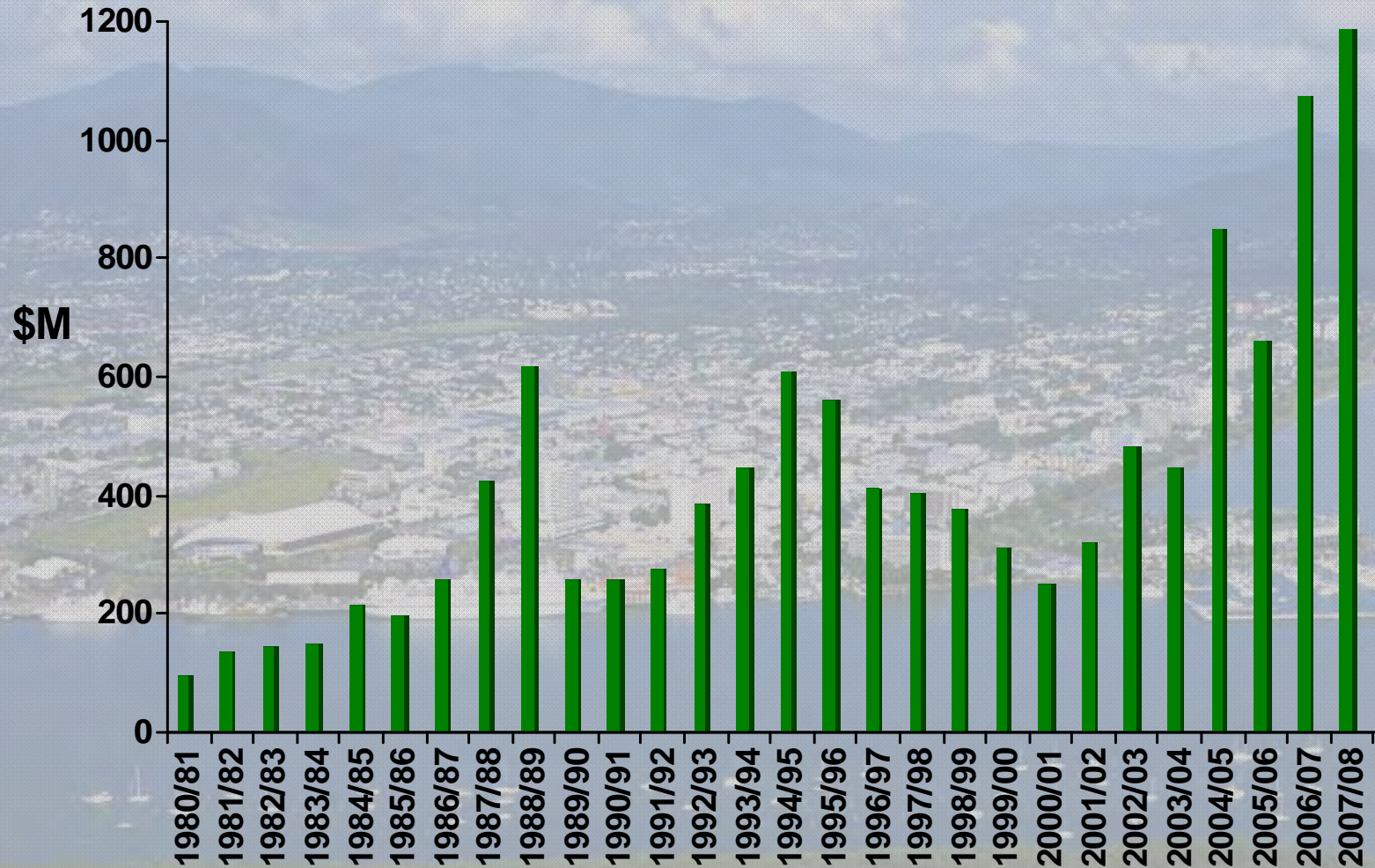
TROPICAL AUSTRALIA
Employment in ARTS & ENTERTAINMENT (Qld Gvt Definition)
Usual Place of Residence, 2006 Census



Source: Cummings Economics from ABS data.



Value of Building Approvals Far North Qld Statistical Division



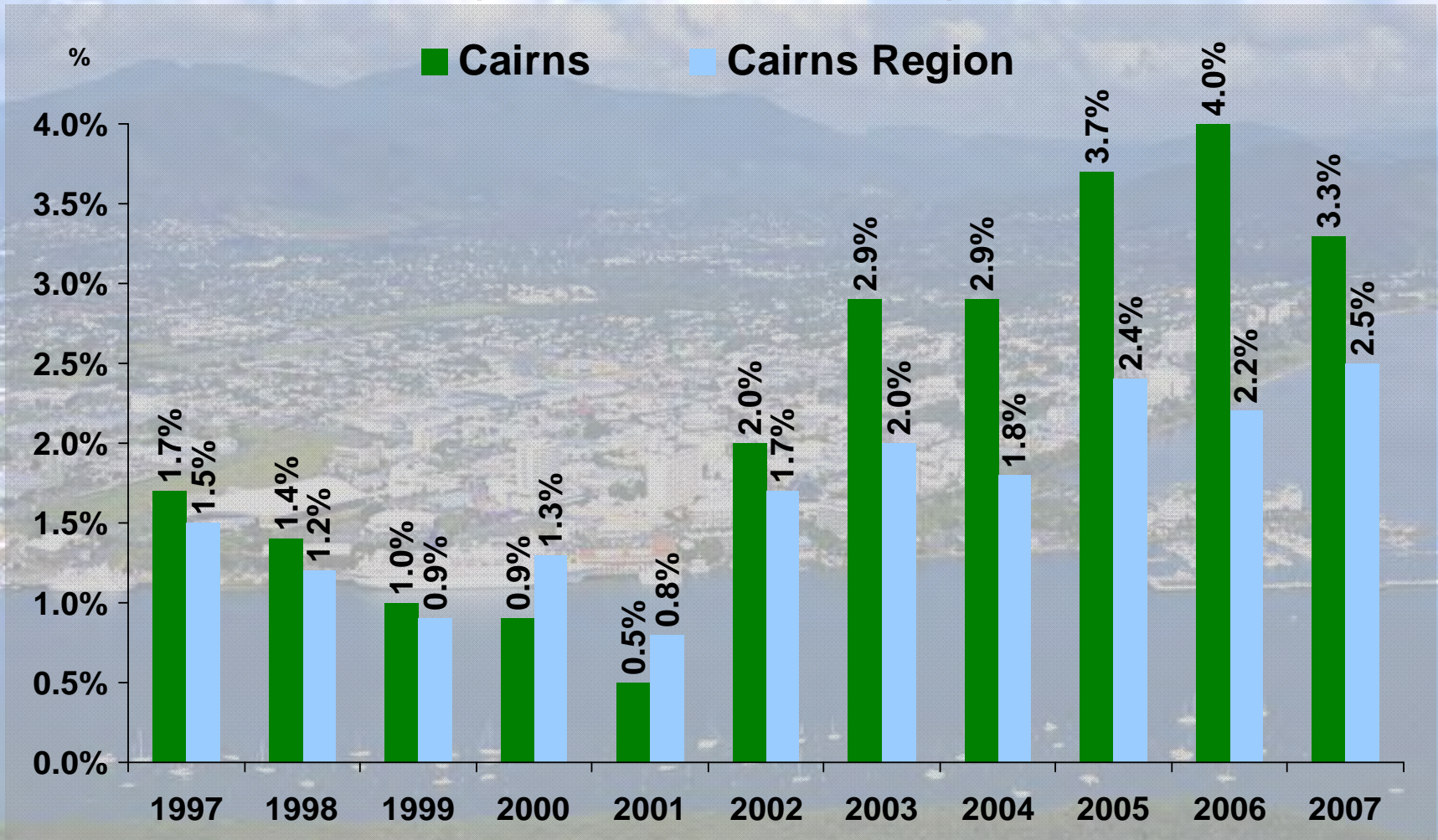
Source : Cummings Economics from ABS data.



Population - Growth

Growth on Previous Year - Cairns Region

(Estimated Residential)



Source : Cummings Economics from ABS data..



Problems “Wall St” spread to
“Main St” and rest of the world.

Cairns Region Economy already
impacted – NOT ALL BAD.



FINANCIAL CONFIDENCE

- Some evidence stabilised late October.
- Harder to borrow money / more scrutiny.
- But interest rates down.



COLLAPSE OF WEALTH

- Stock Exchange / Property Markets discounting prospects of future earnings.
- Some evidence stabilising.
- Impacts on spending patterns.



FALLING DEMAND

- COMMODITIES (falling prices)
- AUSTRALIAN DOLLAR (devaluation)
- LABOUR (less overtime, unemployment)

GOVERNMENT ACTION

FINANCIAL CONFIDENCE

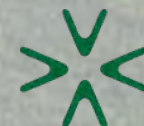


PUMP PRIMING



CHANGES IN REAL GDP USA

	June Qtr	Sept Qtr
<u>Personal Consumption</u>	<u>+1.2%</u>	<u>-3.1%</u>
Durables	-2.8%	-14.1%
Non - Durables	+3.9%	-6.4%
Services	+0.7%	+0.6%
<u>Private Investment</u>		
Non - Residential	+2.5%	-1.0%
Residential	-13.3%	-19.1%
<u>Net Exports</u>		
Exports	+12.3%	+5.9%
Imports	-7.3%	-1.9%
<u>Government</u>		
Federal	+6.6%	+13.8%
State/Local	+2.5%	+1.4%
<u>Total</u>	+2.8%	-0.3%



LOCAL ECONOMY

- OUTSIDE EARNINGS
- CONSUMER BEHAVIOR
- INVESTMENT



TOURISM POSITIVES

- FALL IN AUSTRALIAN DOLLAR
- FALL IN FUEL PRICES
- AIRLINE CAPACITY CONSTRAINTS PASSING

QUESTION IS

- EXTENT OF DOWNTURN IN PROPENSITY TO TRAVEL IN SOURCE MARKETS



Domestic Airline Travel - Australia

Total Airline Passenger Growth

2001/02	(-6.6%)
2002/03	+8.0%
2003/04	+11.5%
2004/05	+11.4%
2005/06	+6.4%
2006/07	+8.0%
2007/08	+7.8%
(July)	(+8.6%)
(August)	(+5.7%)
(September)	(+3.5%)

Source: Cummings Economics from BITRE – Aviation Statistics.



PROPENSITY TO TRAVEL

US	Some reduction?
UK	Some reduction?
EUROPE	Some reduction?
JAPAN	Yen very high?
CHINA	Continue Growing?
INDIA	Continue Growing?



JAPANESE FLIGHT LOSS

INCOME LOSS \$130 Million

= 5-6% of TOURISM EARNINGS

**= 1 to 1.5% of GROSS REGIONAL
PRODUCT**



AGRICULTURE

ELEMENTS COMPETING ON WORLD MARKETS

- PRICES HOLDING UP
- DEVALUATION BOOST
- DOHA ROUND HOPES



AGRICULTURE

FRUIT DOMESTIC MARKET - SHELTERED MARKET

BANANA BIOSECURITY THREAT -
BIGGEST THREAT TO LOCAL ECONOMY

○ POTENTIAL LOSSES 3 TIMES
LOSS OF JAPANESE FLIGHTS





*FISHING INDUSTRY
SAVED BY LOWER DOLLAR
AND FUEL COSTS*



MINING

Percent Fall in Metal Prices

July 21 to November 24 in \$US and \$Aust

	% Decline	
	\$US	\$Aust
Aluminium	-46%	-15%
Copper	-61%	-38%
Lead	-47%	-16%
Nickel	-54%	-28%
Zinc	-41%	-7%
GFMS Index	-48%	-18%

Source: US Prices – KITCO Base Metals; Exchange Rates – RBA.



Estimated Additional Mining Jobs in Pipeline Queensland Mackay North – Mid 2008



FAR NORTH	1,600
NORTH WEST	2,000
MACKAY/ CHARTERS TOWERS	3,100
TOTAL	6,700



OTHER SERVICE OUTSIDE EARNINGS

➤ MARITIME SERVICES

➤ AVIATION SERVICES

➤ INTERNATIONAL EDUCATION

DROP IN AUST \$ RESTORES COMPETITIVENESS



CONSUMER SPENDING

➤ **CONSUMER DURABLES DOWN**

➤ **\$100 Million PUMP PRIMING
EARLY DECEMBER
PENSIONERS - FAMILIES**



INVESTMENT

➤ VALUE OF BUILDING APPROVALS

1st Quarter 2008/09 = \$500 m
(cf – Total 2007/08 = \$1.2 bn)

➤ GOVT SPENDING NEXT FEW YEARS

Lotus Glen	\$455 m
Hospital	\$450 m
Dental School	\$48 m
Office Block	\$80 m
CLOSE TO	\$1 billion

➤ UPGRADE GOVT SERVICES, HEALTH & HOSPITAL

➤ EXTRA EMPLOYMENT





NEW HOME OWNERS SCHEME
ABOUT \$20M IN REGION

HELP HOLD UP DWELLING CONSTRUCTION
PROPERTY MARKET



GETTING THINGS INTO PERSPECTIVE

	<u>Total</u>	<u>Recent Annual Growth</u>
REGIONAL POPULATION	Res 254,000	6,000
REGIONAL WORKFORCE	130,000	3,000
REGIONAL GRP	Approx \$10 bn	\$700 m (\$250m REAL)

**Loss of 600 jobs = 0.5% of workforce.
Japanese Flights = 1% to 1.5% of GRP.**



Next 12 months

*Slowing in pace of growth
But still positive.*





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