

# NORTHERN EXPOSURE



A FINGER ON THE PULSE OF NORTH  
QUEENSLAND'S ECONOMY

SECOND QUARTER 2014/2015

## 1. REGIONAL DEVELOPMENTS AND NEWS

### 1.1 Mackay Region

#### News

A \$300 million Chinatown development has been proposed for Airlie Beach.

The proposal from Whitsunday Chinatown Investment Pty Ltd includes a high end hotel and short stay accommodation alongside up to 100 retail and dining offerings.

Glencore will suspend operations at its Australian coal business for three weeks at the end of 2014 in a move to reduce oversupply.

The stoppage at Glencore's 13 Australian coal mine operations is expected to reduce coal output by around 5 million tonnes.

#### Outlook

The economic outlook for the Mackay Statistical Division (SD) continued to soften over the September Quarter 2014.

Unemployment levels appear to have stabilised, however business confidence in the region continues to deteriorate.

Glencore's decision to suspend coal production highlights the ongoing difficulties facing the region's resource producers.

Realising major investment and infrastructure projects outside of the coal sector will be crucial to underpinning employment and confidence as the Mackay SD continues to transition into the post-mining boom environment.

### 1.2 Northern Region

#### News

Key Townsville stakeholders are seeking a \$350 million jobs package from the proposed State asset leases in 2015.

The funding commitments being sought include \$210 million towards the CBD Stadium and Convention Centre, \$90 million towards CBD revitalisation along the Ross Creek Priority Development Area (PDA), \$40 million for targeted sporting infrastructure upgrades and \$10

million for leading infrastructure within the Townsville State Development Area.

Townsville recorded the second highest rate of bankruptcy in regional Queensland over the September Quarter.

Australian Financial Security Authority data indicates there were 41 bankruptcies in Townsville, including 10 business-related and 31 non-business-related.

#### Outlook

The Northern SD economy showed further weakness over the September Quarter 2014. Unemployment levels continue to rise as a weak public spending environment combines with the flow-on impacts from the resources sector slowdown.

Major infrastructure projects, such as those proposed to be funded through the State asset leases, will be critical in turning around sentiment and the outlook for the Northern SD.

### 1.3 North West Region

#### News

Hammer Metals has confirmed a new copper deposit at its Scalper Prospect located near Mount Isa.

The junior miner indicated that the new deposit would be potentially suitable for open pit mining.

Minerals and energy sector employees residing in the North West have fallen by almost one quarter over 2013-14.

A new report for the Queensland Resources Council shows full-time equivalent employment in the mining and energy sectors falling from 4,561 to 3,450 over the last financial year.

In a further blow to regional businesses, the purchase of goods and services from these two key sectors has fallen by more than 40%, as the industry has transitioned away from aggressive expansion and exploration towards productivity maximisation and cost control.

#### Outlook

The North West economy experienced further weakness over the September Quarter 2014.

The resources sector slowdown and the ongoing drought have created difficult trading conditions for both of the

Offermans Partners is a specialist practice with offices in Townsville, Cairns and Mackay offering Turnaround and Solvency Solutions, Business Finalisations and Exits, Business Valuations, and Forensic Accounting focused primarily on regional Queensland businesses.

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North West's key economic industries.

Significant investment in leading infrastructure across energy, transportation, and water storage remains the key to unlocking the substantial long-term development potential of the North West SD.

## 1.4 Far North Region

### News

**The Far North tourism industry continues to strengthen, with a 15% increase in international tourist visitation over the last two years.**

In a further positive sign, the data indicates strong growth in Chinese visitation. Tourist arrivals from the key growth market have increased by almost 50% since 2012.

There has also been a strong recovery in some traditional international markets, with visitors from Europe increasing by 13% and 9% growth in visitation from the USA.

**Developers behind the \$8 billion Aquis project have let their option to buy the Reef Hotel Casino lapse.**

Delays in approval of the takeover from Queensland's Office of Liquor and Gaming Regulation have been cited as the reason for the Aquis Group walking away from the \$269 million deal.

The Aquis Group has instead purchased the Canberra based Capital Casino for a reported \$6 million. The group plans to operate the Capital Casino for 12 months to gain experience in the Australian market before listing the Aquis development based at Yorkeys Knob on the Hong Kong Stock Exchange.

### Outlook

The outlook for the Far North SD continues to improve.

The timing and outlook for the Aquis development is now subject to increased uncertainty. However, improved visitation and expenditure outlook mean the region is likely to continue to benefit from the current cyclical upswing after numerous years of difficult economic conditions.

## 1.5 Fitzroy Region

### News

**Peak regional development body, Capricorn Enterprise, is promoting the establishment of a 1,000 seat convention centre in Rockhampton.**

The convention centre proposal has the potential to attract and secure higher level events and visitation in the Fitzroy region.

The development could be combined with the CQ NRL Bid Stadium should an NRL licence be granted to the region.

The project is one of seven priority projects for the Capricorn region. The remaining priorities include the revitalisation of the Yeppoon foreshore and Rockhampton riverbank, relocation of state and federal government

departments to the region, further development of the region as a food bowl, promotion of the region as a health care hub, development of Rockhampton Regional Airport as an international airport, and implementation of the Capricorn Destination Tourism Plan.

### Outlook

The outlook for the Fitzroy SD remained soft over the September Quarter 2014.

There was some improvement in employment and business confidence in the region. However, further weakness is expected due to soft coal prices and the loss of around 10,000 jobs as Gladstone's three major liquefied natural gas projects transition to operations into early 2015.

The longer-term outlook for Fitzroy remains brighter. In the short-term, new infrastructure projects such as the Rockhampton-based convention centre will be vital in underpinning regional employment and confidence.

## 2. QUARTERLY INDICATORS

### 2.1 Business Confidence

Business confidence levels were mixed across the Statistical Divisions of North Queensland over the September Quarter 2014.

The *12-Month Outlook* was weaker across all Statistical Divisions, driven by a soft consumer spending outlook and uncertainty regarding the impending State election in 2015.

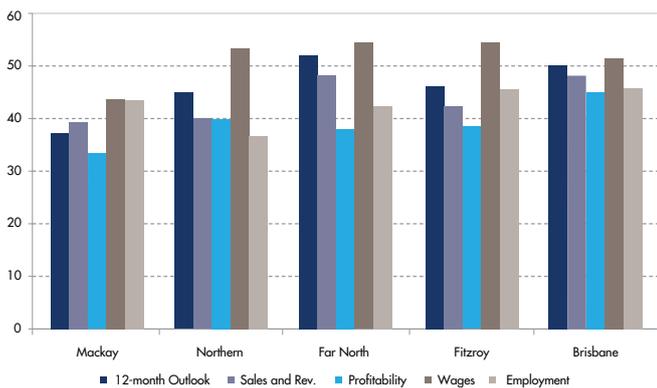
The Far North SD recorded a small decline in confidence of 5.5 ppt. The *12-Month Outlook* recorded the largest fall (-2.5 ppt), while *Profitability* (+0.9 ppt) was the only indicator to rise.

The Northern SD recorded a solid gain totalling 10.7 ppt across all indicators. *Profitability* (+7.5 ppt) recorded the strongest gain, however, this was partially offset by weakness in the *12-Month Outlook* (-5.4 ppt).

Mackay SD registered a decline of 21.4 ppt across all indicators. Weakness in *Profitability* (-7.4 ppt) and the *12-Month Outlook* (-11.2 ppt) were responsible for most of the falls.

The Fitzroy SD recorded higher business confidence totalling 17.5 ppt across all indicators. The *12-Month Outlook* (-2.3 ppt) was the only indicator to fall, with solid gains across all other categories.

Figure 2.1: Business Confidence, Sept Q 2014



Source: CCIQ Pulse Report Sept 2014

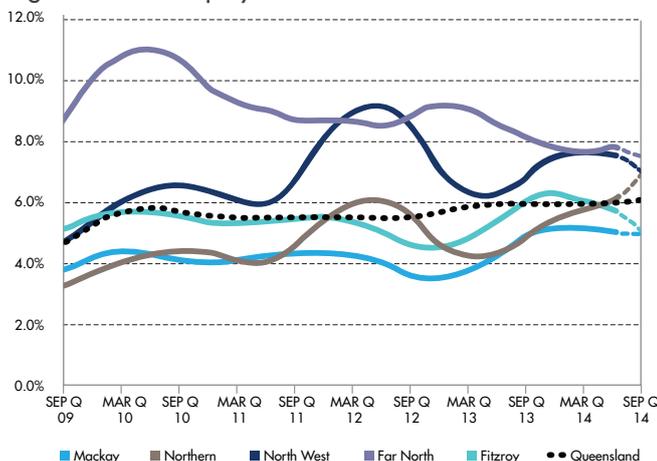
## 2.2 Unemployment

Unemployment was generally lower across North Queensland's Statistical Divisions over the September Quarter 2014.

The unemployment rate fell in the Far North (-0.3 ppt), Fitzroy (-0.7 ppt), North West (-0.6 ppt), and Mackay SDs (-0.1 ppt).

However, the unemployment rate rose sharply in the Northern SD for the second straight quarter (+0.9 ppt). The generally resilient Northern SD continues to struggle with a weak outlook across several key industries tied to resources and public sector spending.

Figure 2.2: Unemployment Rate



Note: Dashed lines are forecasts based on ABS small area labour force statistics  
Source: QRSIS Labour Force Trends

## 3. NORTH QUEENSLAND'S AGRICULTURE, FORESTRY AND FISHING INDUSTRY

Each Quarter the Northern Exposure provides an overview and outlook for a key sector in North Queensland. This quarter, we look at the *Agriculture, forestry and fishing industry*.

*Agriculture, forestry and fishing* is one of North Queensland's oldest and most important industries. In 2012-13, the industry contributed \$3.5 billion (or 4.6%) to North Queensland's Gross Regional Product (GRP). *Agriculture, forestry and fishing* is also a major employer in

North Queensland, providing over 35,000 jobs in 2011.

The Far North SD has the largest *Agriculture, forestry and fishing* industry in North Queensland, contributing around \$1.5 billion (9.7% of Far North GRP) in 2012-13 (see Figure 3.1).

The Far North industry is dominated by sugar cane and banana plantations in addition to vegetables, dairy and beef cattle in the Atherton Tablelands area.

The Fitzroy SD is also a significant agricultural producer, through beef cattle operations across the region and cotton production around Emerald. The industry contributes nearly \$600 million (3.1%) to Fitzroy's GRP, providing a key source of diversification around the dominant mining and energy industries.

The Mackay SD has established sugarcane industries at Proserpine, Mackay, and Sarina in addition to major beef cattle operations across the region.

Mackay SD is also one of Australia's most important horticultural regions, with Bowen being Australia's largest tomato and capsicum producer. Overall the industry contributes over \$530 million (2.8%) to the Mackay SD's GRP.

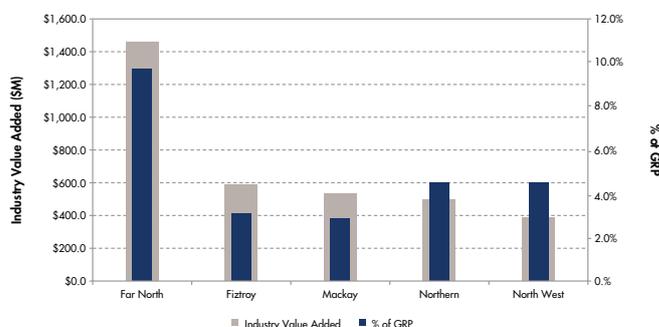
The Northern SD features some of the world's most productive sugarcane industries in Hinchinbrook and the Burdekin, while Charters Towers is a significant beef cattle producer.

*Agriculture, forestry and fishing* contributes just under \$500 million (4.6%) to the Northern SD's GRP as an important part of the region's diverse economy.

*Agriculture, forestry and fishing* in the North West SD consists almost exclusively of beef cattle, through large operations across the Flinders, Cloncurry, Richmond, McKinlay and Carpentaria Shires.

The region has experienced difficult drought conditions in recent times. The industry contributes nearly \$400 million (4.6%) to North West GRP.

Figure 3.1: North Queensland Agriculture, Forestry and Fishing Overview (2012-13)



Source: AEC

*Agriculture, forestry and fishing* is seen as one of Australia's most important growth industries over the coming years. The industry has the potential to provide a key source of exports, employment, and investment post

the mining boom of the past decade.

Food security concerns, combined with rapidly rising incomes and changing food preferences across emerging market economies, are creating valuable market opportunities across a range of food and non-food crop products.

At the same time much of Northern Australia’s prospective agricultural resources have either not been developed or are not utilised to their full potential. Historically there has not been a strong enough market dynamic to make new and expanded agricultural production viable.

The strong long-term outlook for *Agriculture, forestry and fishing* is highlighted in Figure 3.2.

The Commonwealth Treasury forecasts an increased industry share of Gross Domestic Product (GDP) from agriculture from around 2020.

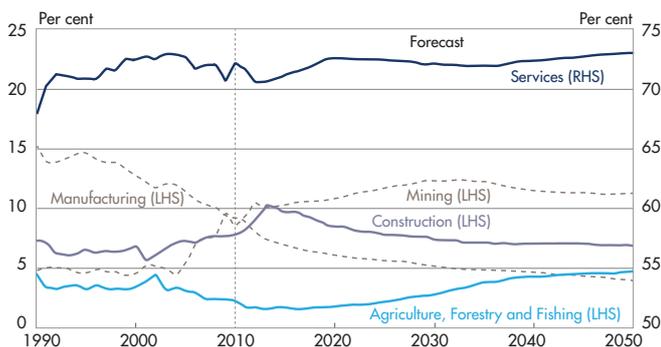
This suggests the *Agriculture, forestry and fishing* industry will grow faster than the broader national economy. This is in stark contrast to the longer-term trend of a declining share of GDP in favour of other sectors such as services, construction and mining.

The key to capturing the future potential of the *Agriculture, forestry and fishing* industry is investment in leading infrastructure including transportation, water storage, and electricity generation to enable expanded and intensified production.

Market development will also be crucial, with Australia’s recent free trade agreement with China removing or reducing tariffs on a range of commodities including beef, wine, horticulture, wool, seafood, and dairy. However, some of Australia’s and North Queensland’s key commodities (including sugar and cotton) were excluded from the agreement.

If the key barriers to market access and expanded production can be overcome, North Queensland is well positioned to benefit from the bright longer-term outlook for *Agriculture, forestry and fishing*.

**Figure 3.2: Australian Historical and Forecast Composition of GDP**



Source: Commonwealth Treasury (2012)

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