

NORTHERN EXPOSURE



A FINGER ON THE PULSE OF NORTH
QUEENSLAND'S ECONOMY

FOURTH QUARTER 2015/16

1. REGIONAL DEVELOPMENTS AND NEWS

1.1 Mackay Region

News

The Queensland Government has approved mining leases for the \$21.7 billion Carmichael Coal Mine and rail project in the Galilee Basin.

Adani Enterprises Australia announced Mackay would be a hub for the Carmichael Coal Mine along with Rockhampton, Townsville and Bowen. This announcement ruled out speculation the mine would be 100% FIFO from Brisbane.

Figures on mortgage defaults released by the global financial firm Moody's revealed Mackay as the worst performing region in Australia. The Mackay delinquency rate of 2.78% compares to the national average of just 1.34% as the coal sector downturn continues to impact on the regional economy.

Outlook

Economic activity in the Mackay Statistical Division (SD) continued to slow over the March Quarter 2016.

Unemployment levels continue to rise and business confidence remains subdued.

The Adani Carmichael project has the potential to create significant economic stimulus. However, developing new drivers of economic growth outside of the coal sector will be critical for a sustained recovery in the Mackay SD.

1.2 Northern Region

News

The Federal Government has announced the Cooperative Research Centre for Developing Northern Australia will be headquartered in Townsville.

\$75 million in funding has been allocated for the facility over 10 years, which is expected to be based at James Cook University.

The Cooperative Research Centre will conduct research projects dedicated to Northern Australia's economic prosperity partnering governments and the private sector for work in areas including agriculture and tropical/remote health.

The Townsville-based Yabulu Nickel Refinery has been

placed in liquidation. Creditors of Queensland Nickel voted to liquidate the company, as recommended by the administrators due to unsustainable debt.

The refinery's 800 workers are owed more than \$70 million. However, it is understood almost \$60 million will be covered by the Federal Government's entitlements scheme.

Outlook

The closure of Yabulu Nickel Refinery has created significant further downside risk for the Northern SD economy.

Key regional developments including the Integrated Stadium and Entertainment Centre and Cooperative Research Centre will be crucial to underpin economic activity in the Northern SD over the coming quarters.

The longer term outlook for the region remains strong, driven by a diverse economic base including defence, services, agriculture and resources.

1.3 North West Region

News

More than 40,000 head of cattle have moved through the Cloncurry Saleyards this year, the second highest throughput for a cattle-handling facility in Queensland.

Strong throughput has been driven by record prices and increased demand from the live export sector.

Lighthouse Minerals has announced plans to reopen the former Gunpowder Copper Mine north of Mount Isa.

The renamed Capricorn Copper Mine is expected to produce approximately 30ktpa of copper in concentrate per annum once fully operational and create around 200 to 230 direct jobs.

Outlook

The outlook for the North West SD was mixed over the March Quarter 2016. The region's dominant resources sector continues to adjust to weak operating conditions with implications for regional confidence and employment moving forward.

However, a much improved wet season for some key cattle producing areas combined with record prices will help underpin economic activity.

1.4 Far North Region

News

The Northern Australia Infrastructure Facility (NAIF) will be based in Cairns. The NAIF is a core component of the Northern Australia White Paper and will provide \$5 billion in concessional loans for key infrastructure projects across Northern Australia.

Cairns was selected as the NAIF base due to its position as a regional hub for agriculture, tourism, education and resources, its connectivity to major centres and significant population base.

Global miner Rio Tinto recently cut 40 jobs at its Weipa bauxite operations as the company responds to falling aluminium prices. The operation employs 1,400 staff and contractors and it is likely some of the workers will be transferred to the company's Amrun mine.

Outlook

The outlook for the Far North SD improved over the March Quarter 2016.

While unemployment remains stubbornly high, business confidence levels have risen strongly heading into the peak winter tourism season.

Capitalising on new opportunities for development such as those presented through the NAIF will be key to a sustained economic recovery in the Far North.

1.5 Fitzroy Region

News

A **biofuel pilot plant** worth \$16 million has been launched in Gladstone by Southern Oil Refining. If successful, the Gladstone biofuel plant will be expanded to produce 200 million litres of fuel a year for military, marine and aviation use.

The recently released **Federal Government's fifteen year "Australian Infrastructure Plan – 2016"** lists Lower Fitzroy River water infrastructure development as a key growth opportunity to develop industry and agriculture in Fitzroy.

This development is the only Queensland project listed as "Growth Opportunities" and is the only project in this category located in Northern Australia.

Outlook

The outlook for the Fitzroy SD remained soft over the March Quarter 2016.

The region continues to transition away from the resources boom of the past decade, with a lack of clear short term investment drivers.

Key longer term developments such as expanded irrigation through the Lower Fitzroy River provide a solid longer-term outlook for the Fitzroy SD.

2. QUARTERLY INDICATORS

2.1 Business Confidence

Business confidence levels were mostly lower across the SDs of North Queensland over the March Quarter 2016.

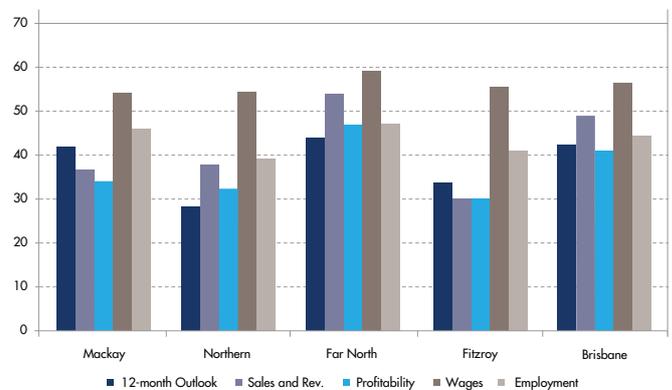
Fitzroy SD confidence fell sharply by a total 37.4 ppt across all indicators. Declining **Sales and Revenue** (-23.5 ppt) and **Profitability** (-12.5 ppt) were responsible for most of the decline, with **Wages** (+5.8 ppt) the only indicator to rise.

Mackay SD business confidence fell by a more modest 6.6 ppt across all indicators. Declines in the **12-Month Outlook** (-8.0 ppt) and **Sales and Revenue** (-6.5 ppt) were partially offset by a 7.3 ppt rise in **Wages**.

Confidence in the Northern SD fell a further 5.7 ppt across all indicators as the region deals with the closure of Yabulu Nickel Refinery. **Employment** (-5.5 ppt) recorded the largest fall while **Wages** (+3.4 ppt) and **Sales and Revenue** (+2.3 ppt) recorded modest gains.

Far North Queensland business confidence rose sharply by 35.6 ppt across all indicators as the lower Australian dollar and impending winter tourism season drive an improved regional outlook. **Sales and Revenue** (+12.7 ppt) and **Profitability** (+9.9 ppt) recorded the largest gains.

Figure 2.1: Business Confidence, March Q 2016



Source: CCIQ Pulse Report March 2016

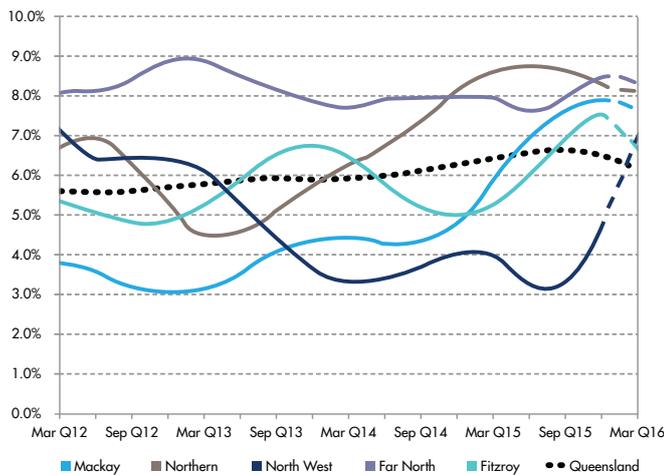
2.2 Unemployment

Unemployment was mostly lower for North Queensland's SDs over the March Quarter 2016.

The Mackay (-0.2 ppt), Northern (-0.2 ppt) and Fitzroy SD (-0.9 ppt) recorded reduced unemployment over the quarter. The unemployment rate remained steady at 8.4% in the Far North SD.

The unemployment rate rose sharply in the North West SD (+2.3 ppt) as the region continues to feel the impacts of the resources sector slowdown.

Figure 2.2: Unemployment Rate



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

3. NORTH QUEENSLAND’S EDUCATION AND TRAINING INDUSTRY

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

Education and Training is a major economic sector in North Queensland, contributing over 32,000 regional jobs and \$2.6 billion (3.7%) to GRP.

The Northern and Far North SDs possess the largest Education and Training industries in North Queensland, each contributing around \$800 million per annum to GRP (see Table 3.1). The industry is also a significant employer, providing over 8% of total jobs in both regions.

The Fitzroy SD also hosts a significant Education and Training industry, contributing nearly \$600 million per annum to GRP and 7.7% of employment.

The Mackay and remote North West SD’s feature more modest Education and Training industries, contributing \$304 million and \$91 million to GRP respectively.

However, the sector remains a crucial strategic and economic industry, providing over 5% of local employment across the primary, secondary and tertiary education, and other training sectors.

The main tertiary education providers in North Queensland are James Cook University (JCU) and Central Queensland University (CQU).

JCU is Australia’s leading tropical research university and is Queensland’s second oldest university. JCU teaches 19,000 students including around 1,000 international students. JCU’s main campus is based in Townsville with additional campuses in Cairns, Brisbane and Singapore.

CQU has campuses and distance education centres across North Queensland, including the main campus in Rockhampton as well as operations in Gladstone,

Mackay, Cairns, Mackay, Townsville and Charters Towers.

Table 3.1: Education and Training Industry Value Added (IVA) and Employment

Statistical Division	Education and Training IVA (\$M) 2014-15	% of Employment (2011)
Northern	\$807	8.8%
Far North	\$785	8.5%
Fitzroy	\$587	7.7%
Mackay	\$304	5.2%
North West	\$91	5.4%
North Queensland	\$2,573	7.5%

Source: ABS, AEC

The Education and Training sector will be an increasingly crucial economic sector for North Queensland over the coming years.

Directly the sector is a critical catalyst for employment and investment and is a substantial visitation driver, drawing international students from across Asia, Europe and the United States.

The importance of the sector is even more pronounced as traditional regional industries such as mining and manufacturing face significant cyclical and structural change.

This can be seen in the Department of Employment’s recent industry projections to 2020. Education and Training is projected to be the fastest-growing employment sector over the five years to 2020 in three out of the five SDs of North Queensland.

Employment growth is expected to total between 8.4% in the North West SD and 19.0% in the Fitzroy SD over the period.

Table 3.2: Education and Training Projected Employment Growth Five Years to 2020

Statistical Division	Projected % Employment Growth to 2020	Growth Rank (Out of 19 Sectors)
Northern	15.6%	1
Fitzroy	19.0%	1
Mackay	18.9%	1
Far North	18.1%	2
North West ¹	8.4%	4

Note:¹ Based on Outback Queensland region.
 Source: Department of Employment

The importance of the Education and Training sector will only increase further over the longer term.

Enhanced Education and Training from early childhood through to technical colleges and universities will be pivotal to ensure the region’s future prosperity, with increasing technical requirements across a range of key

occupations and industry sectors.

An increasingly educated workforce will ensure North Queensland is well placed to take advantage of the opportunities arising from technological disruption and an increasingly competitive global labour force.

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