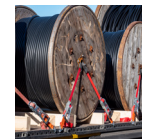
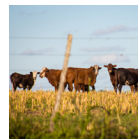
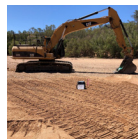


NORTHERN EXPOSURE



A FINGER ON THE PULSE OF NORTH
QUEENSLAND'S ECONOMY

ISSUE: JUNE 2023

Welcome to the latest edition of Northern Exposure brought to you by Regional Economic Advisory and Offermans. The Northern Exposure is your 5-minute guide to the major economies of Regional Queensland.

Regional Snapshot

Townsville:

Townsville has seen a spike in population-led demand as predicted in the previous quarter. Townsville has the opportunity to leverage its status as Australia's top regional in-migration centre to further increase its profile and draw much-needed investment in housing.

Cairns:

Cairns continues to show strong population-led demand alongside increasing cost pressures in one of the tightest housing markets in regional Australia.

Mackay:

Mackay remains a clear standout across demand indicators. Managing growth and cost pressures into a probable resource downturn remain a key challenge for businesses and households.

Rockhampton:

Rockhampton retains its solid competitive position, with a balance between attractive demand and relative affordability.

Mount Isa:

Mount Isa remains unique in its competitiveness indicators, with its remote location impacting relative costs alongside economic activity (GRP) per capita, which is twice that of our other regional centres.



Offermans



CONTENT

Regional Outlook

- North Queensland
- Far North Queensland
- Outback Queensland
- Mackay-Issac-Whitsunday
- Central Queensland

Regional Competitiveness

Regional Focus

- Population

DISCLAIMER

All care and diligence has been exercised in the preparation of this report. Forecasts or projections developed as part of the analysis are based on adopted assumptions and can be affected by unforeseen variables. Consequently, Regional Economic Advisory Pty Ltd gives no warranty that a particular outcome will result and the authors accept no responsibility for any loss or damage that may be suffered as a result of reliance on this information.

REGIONAL OUTLOOK

North Queensland



Unemployment Rate
3.2%
▲ 2.2ppt YoY



12-Month Building Approvals
744
▼ 21.3% YoY



Median House Price
\$380k
▲ 8.6% YoY

Far North Queensland



Unemployment Rate
2.4%
▼ 4.6ppt YoY



12-Month Building Approvals
1,345
▼ 3.1% YoY



Median House Price
\$510k
▲ 13.3% YoY

Regional Developments & News

Townsville City Council has blocked Parmac Property Groups proposed 145-unit self-storage facility at Bushland Beach.

The controversial development received 278 submissions and two petitions with circa 800 signatures raising concerns about increased traffic and noise, and decreased visual amenity which would adversely affect neighbouring residential properties.

Townsville has been named Australia's top regional migration centre for the March Quarter of 2023.

The RAI and Commbank Regional Movers Index shows a stunning >500% increase in net migration to the city from the previous year.

Regional Developments & News

EQ Resources has been approved to begin open pit tungsten mining at their Mt Carbine Mine. EQ Resources expect to spend \$26.3m in capital expenditure over the life of the project.

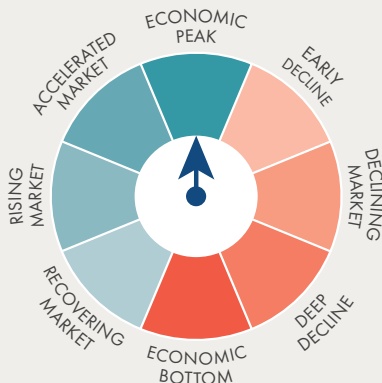
The Mt Carbine Mine is northwest of Cairns and is expected to generate notable flow-on activity in the surrounding region.

A \$250m expansion of the Cairns Hospital will deliver an additional 96 beds by the first half of 2026. The tender for the development has recently been awarded to Hansen Yuncken.

The expansion forms the major component of the larger \$346 million investment in public health facilities within the Cairns region.

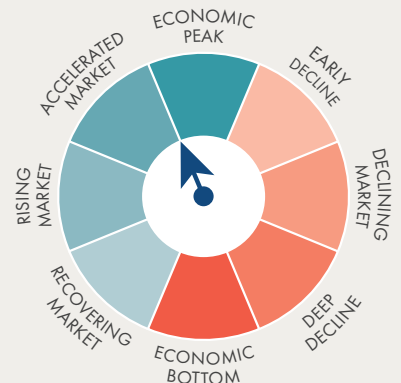
Outlook

The Northern regional economy has continued its recent wave of growth. Balanced against surging in-migration are increasing signs that higher borrowing rates and retreating commodity prices are beginning to impact sentiment.



Outlook

The Far North economy is at a crossroads, with the recovery in international visitation post-COVID running into headwinds from the impending global economic slowdown.



Outback Queensland



Unemployment Rate
10.8%
▼ 13.6ppt YoY



12-Month Building Approvals
91
▲ 1.1% YoY



Median House Price
\$230k
▲ 3.8% YoY

Mackay - Issac - Whitsunday



Unemployment Rate
1.9%
▼ 1.6ppt YoY



12-Month Building Approvals
577
▼ 34.1% YoY



Median House Price
\$425k
▲ 6.3% YoY

Regional Developments & News

Hughenden’s proposed \$200m meat processing plant is reaching a final investment decision for Stage 1 of the project. CNVM Investment is to make the call on Stage 1 in the coming months, which is projected to have the capacity to process 180,000 head of cattle per year with an associated 10,000-head feedlot.

CNVM Investment hopes to gain approval for the project by the end of 2023 to begin construction in 2024.

Cloncurry Shire continues investment of more than \$10.5m on local infrastructure and facilities, recently awarding tenders for a new weighbridge at the saleyards (>\$260k) and components of the Grandstands Project at Eddie Lee Field (~\$293k).

Regional Developments & News

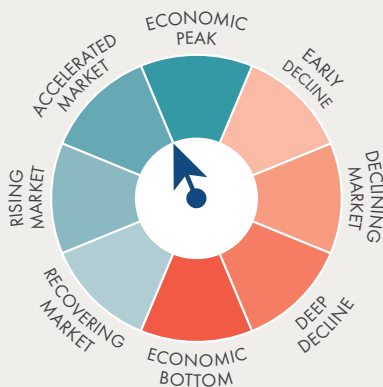
Queensland Pacific Metals (QPM) have purchased the Moranbah Gas Project to avoid the price volatility of the East-Australian gas supply. The purchase is part of QPM’s vertical integration strategy for their Townsville Energy Chemicals Hub (TECH) project.

QPM and Incitec Pivot (IPL) have agreed to funding arrangements (\$80m) for the project’s development, with IPL gaining a key gas supply agreement for ammonia production.

A \$250 million expansion of the Mackay Hospital will provide an additional 128 beds. The project is expected to be completed in the second half of 2026.

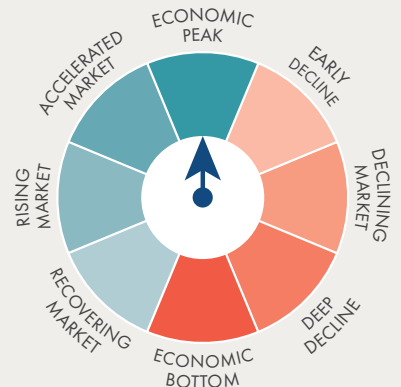
Outlook

The Outback economy has continued to perform well, though the price falls from recent highs in key commodities need to be monitored closely.



Outlook

The Mackay-Isaac-Whitsunday region continues to grow, though recent falls in coal prices on top of royalties increases create greater uncertainty in the outlook.



Central Queensland



Unemployment Rate
4.8%
Oppt YoY



12-Month Building Approvals
710
▼ **9.3% YoY**



Median House Price
\$372k
▲ **6.3% YoY**

Northern Exposure is brought to you by the team at Regional Economic Advisory and Offermans to provide a Central and Northern Queensland-wide regional snapshot on economic trends to facilitate understanding and discussion of the macro issues driving our regions economy.



Regional Developments & News

The Rockhampton economy registered a record high Gross Regional Product (GRP) of \$5.71 billion based on National Institute of Economic and Industry Research (NIEIR) data.

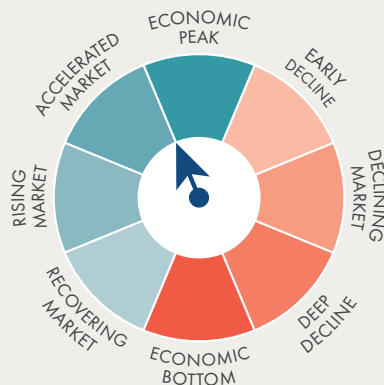
Rockhampton has grown more in the last two years (over 5%) than the previous eight due to high inward migration, strong resources and agricultural sectors, and a multi-billion-dollar major project pipeline.

Works have begun on the \$1 billion Fitzroy to Gladstone Pipeline. The 117-kilometre pipeline will run from the Lower Fitzroy River in Rockhampton and connect to Gladstone Area Water Board's existing water supply.

The project will provide long-term water security for the area and support the burgeoning renewables and green hydrogen industries.

Outlook

The Central Queensland economy remains robust, with the committed multi-billion-dollar project pipeline likely to support the local economy through the impending macro slowdown.



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REGIONAL COMPETITIVENESS

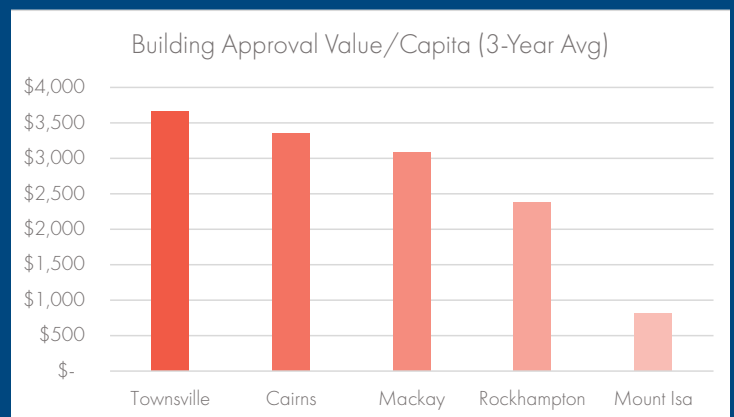
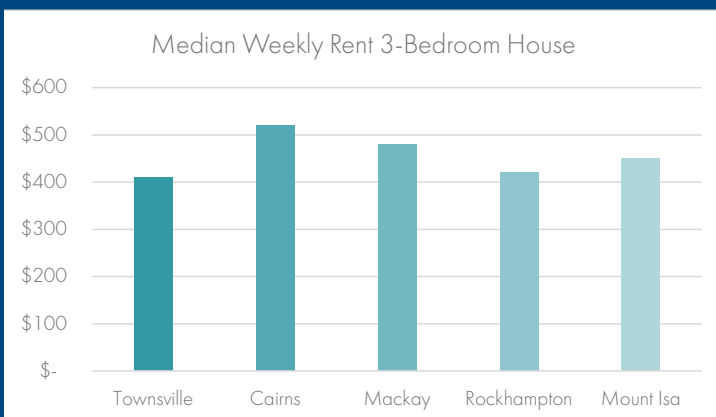
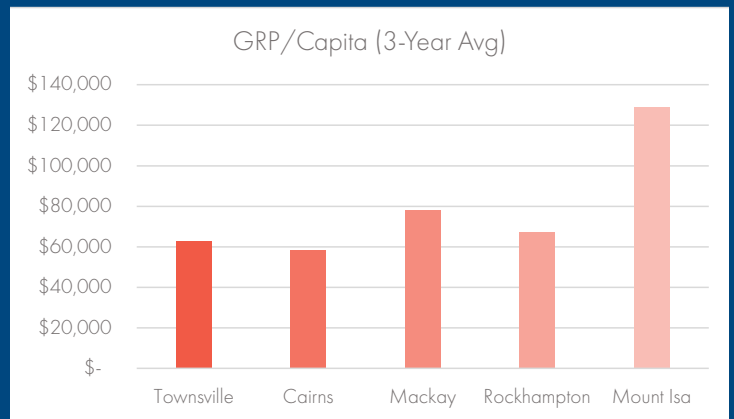
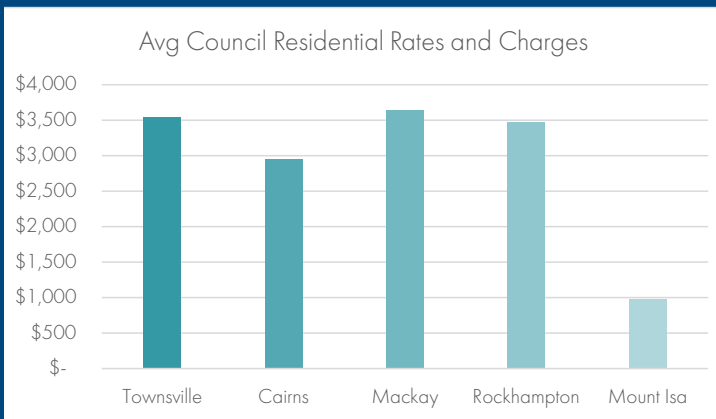
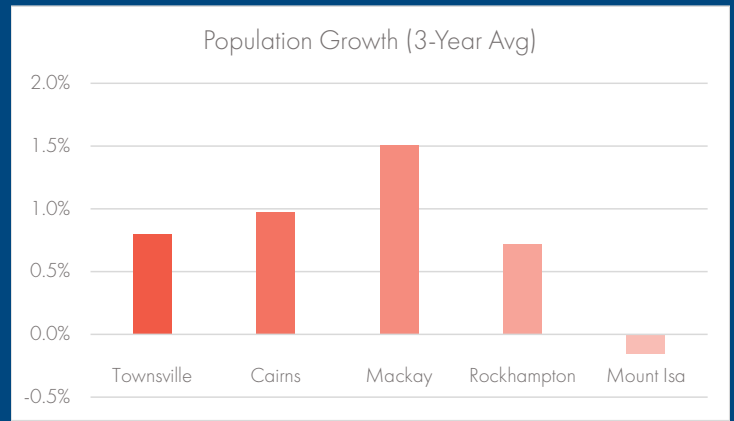
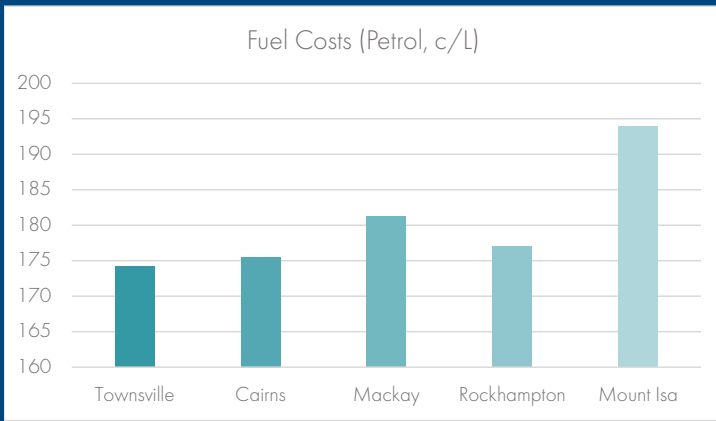
The Northern Exposure reviews key indicators of regional investment competitiveness benchmarked to the population centres across Townsville, Cairns, Mackay, Rockhampton and Mount Isa. Cost and demand factors were examined and compared for each regional area.

Cost factors:

- Council rates and charges
- Fuel costs (average petrol costs across benchmark cities at the time of writing)
- Residential rents (median 3-bedroom house)

Demand factors:

- Population growth
- Gross regional product per capita
- Building approval value (residential + non-residential per capita / 3-year average)



REGIONAL FOCUS: POPULATION

Key Takeaways

- ➔ Regional **population is currently trending upwards**, a key driver of economic growth.
- ➔ Time will tell if this trend continues post COVID-19. However, underlying **employment, affordability and lifestyle drivers remain strong**.
- ➔ Against a **global backdrop of plummeting fertility rates**, relying on an increasing population as a main source of growth will become increasingly difficult over the medium-longer term.
- ➔ At a macro/national level, **infrastructure and housing provision have struggled to keep pace** with international migration-fuelled growth: population-led growth is not free.
- ➔ Going forward, population attraction and retention will remain critical. **Growth will need to maximise economic activity and well-being with the available population and labour force**. Per capita indicators will become much more important for judging positive economic growth.

For full detail - see pages 7-8

Regional Population Change (2021-22)



1.4% Population Growth

8,087 Net Migration

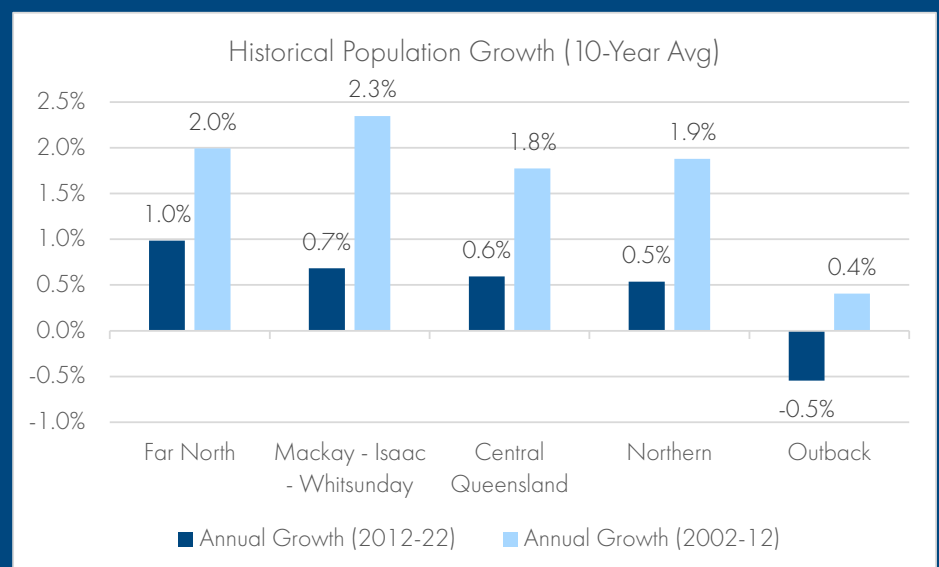
6,033 Natural Increase

Historical Trends

Population growth has long been one of the core economic growth indicators, tied to rising demand for key sectors including construction, retail, and key services (professional, health, education, food and beverage).

The past decade has marked a period of low growth across the regions of Northern and Central Queensland. All regions trended below their long-term growth rates (and well below the Queensland average growth rate of 1.5% p.a.). The Outback region experienced an estimated population decline of over 4,500 persons (approximately 5%) over the period.

There were many drivers causing lower growth over 2012-2022, including periods of high unemployment (both Townsville and Cairns recorded at/near, double-digit unemployment), cyclical downturns in regional resource sectors, and structural employment changes in key industries due to automation, economies of scale, and global outsourcing.



Source: QGSO (2023)

Where are we now?

The recently released preliminary 2021-22 population estimates highlighted a significant return to growth resulting from three key factors:



DOMESTIC IN-MIGRATION

Strong domestic in-migration, with residents relocating from capital cities during the COVID pandemic, teamed with strong regional employment (though the remote Outback continued to see net domestic outflows). The coastal regions each attracted between 1,100-1,600 new domestic residents.



INTERNATIONAL IN-MIGRATION

Notable international in-migration as the worst of the COVID travel restrictions began to pass. The Far North dominated international migration (over 1,200 net inflow) as a key international lifestyle and tourism hub, though each of the regions recorded growth is relative to its total population.



NATURAL POPULATION RISE

A general rise in the natural population increase (births-deaths). Some regions (Outback, Mackay-Issac-Whitsunday) have experienced a mini 'baby boom' during the COVID period compared to recent historical averages.

Nationally, the resumption of international migration and return of workers and students post-COVID will drive growth back into capital city areas. Around 400,000 arrivals are expected during 2023, before falling towards longer term trends ~250,000 p.a.

It remains to be seen whether the drivers of internal migration to the regions (affordability, lifestyle, increased acceptance of remote working) will continue to drive patterns without the key catalyst of COVID lockdowns in metropolitan areas.

Anecdotally, there has been evidence of reverse migration back to metropolitan centres to friends and family. However, new in-migration remains robust, though impacted by rental housing availability. As highlighted in the Commbank and RAI Regional Movers Index, Townsville and Rockhampton are currently among the top regional host spots for internal migration.

Components of Population Growth 2021-22

	Far North	Mackay-Issac-Whitsunday	Central Queensland	Northern	Outback
POPULATION					
Resident Population	261,079	186,512	234,543	240,758	81,836
Population Growth	1.5%	1.8%	1.5%	1.4%	0.2%
POPULATION CHANGE					
Natural Increase (Births/Deaths)	1,047	1,247	1,504	1,406	829
Net Domestic Migration	1,615	1,443	1,310	1,166	-829
Net International Migration	1,268	553	625	734	202

Future Outlook

It is critical that the regions of Northern and Central Queensland make the most of the current wave of population-based growth to build economies of scale and reach a critical mass for sustainable demand. Strong employment, committed major projects, and relative affordability should continue to entice Australian city dwellers and international residents to regional centres.

There will be an inevitable move back to major capital cities, which are critically short-staffed and have obvious scale benefits for larger organisations. However, the opportunities within the regions that COVID has highlighted will not dissipate entirely.

Marketing and promotion of our regions will be critical in the highly competitive environment for labour and skills, with over-focus on specific negative issues such as youth crime a key deterrent in some centres. Local businesses and the community need to take care of their region's brand (in both perception as well as on the ground).

Longer term, the potential for population growth is rapidly diminishing. Macroeconomic development and demographic trends (specifically smaller families, had later in life) have led to a precipitous fall in global fertility rates.

The recently released QLD Government projections result in

lower growth of around 1% p.a. across our regions to 2046, with the Outback continuing a small decline.

The optimistic and transformational long-term growth projections, which are a key pillar of recent regional economic development strategies/plans, will face inevitable demographic headwinds into the medium term.

While maximising population attraction and retention will remain critical for regions, the era of basic population-led growth will soon run its course.

Longer term regional growth will need to be smarter, maximising wealth and productivity on a per capita basis (making the most of the labour and skills that are available). Rapid advances in AI and automation – partnering with human judgement – create a potential blueprint for future prosperity.

At a macro level, the move away from population-led growth is not all bad, though some of the implications for businesses and governments are obvious negatives: the loss of a growing market and tax base. However, housing and public infrastructure spending have historically struggled to keep up with growth (infrastructure spending increased by less than a third of population growth in the most recent Federal Budget). There are also obvious positive implications for resource consumption and environmental sustainability.



REGIONAL IMPACT OF GLOBAL FERTILITY DECLINE

- ⇒ Over half of the countries listed in the United Nations database are currently below the population replacement rate of 2.1 children per woman.
- ⇒ This will likely lead to a period of global population decline within the next 10-20 years, though projections vary notably.
- ⇒ Countries such as China (after decades of one child policy), South Korea, Japan, Italy, Germany, and Spain are already facing trends of declining (and rapidly aging) population which are projected to continue to accelerate.
- ⇒ Australia currently imports its population growth through international migration and is likely to maintain growth longer than most countries.
- ⇒ However, the clear macro driver of lower and negative global growth will likely be unavoidable and will filter through to regional populations.