
TOWNSVILLE NORTH QUEENSLAND QUARTERLY ECONOMIC SNAPSHOT

MARCH 2021



MAJOR SPONSOR



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The Townsville North Queensland Economic Snapshot provides a regional economic outlook and commentary with key quarterly statistics including unemployment, business confidence, building approvals, property, and tourism.

This edition breaks down the Townsville North Queensland region into two Statistical Areas (SA): Townsville SA3 and Charters Towers – Ayr – Ingham SA3.

1

OUTLOOK FOR NORTH QUEENSLAND

1.1 Key Macroeconomic Trends

The COVID-19 pandemic, although still impacting economies around the globe, has experienced positive signs of turnaround with a number of vaccines on the market. Vaccine approvals have raised perceptions around the strength of recovery and economic activity, with some countries (such as the UK) launching vaccination rollouts in December 2020. Largely due to this vaccine rollout, the International Monetary Fund (IMF) forecasts an increase in global growth of 5.5% in 2021, which is an upward revision of 0.3 percentage points from the previous forecast¹. However, there are potential concerns including new strains of the virus, additional lockdowns and distribution logistics.

Although the lockdowns will not last forever, the impacts will change the way businesses operate and think into the future. There has been a spotlight placed on the resilience and security of both local and global supply chain networks. To ensure sustainability into the future, businesses will need to mitigate risks and evaluate their logistics strategies. Other key trends which we are currently experiencing include:

- › A shift towards greater digital adoption
- › An increasing demand for flexibility with travel bookings
- › A focus on innovation and infrastructure development to drive economic activity
- › Movement of residence and business activity away from densely populated capital cities to regional and provincial areas.

Australia's success in controlling the spread of COVID-19 has positioned us to experience a strong economic recovery. This level of recovery is however influenced by vaccine roll-outs and COVID-19 control measures. Australia's vaccinations have started with priority being aged care and disability care residents and workers, frontline healthcare workers and quarantine and border workers (Department of Health, 2021²).

Australia has been supported by strong monetary stimulus throughout the pandemic with both Jobseeker and Jobkeeper. Monetary stimulus over the coming month is set to ease, with the ending of the scheme payments towards the end of March.

¹ IMF (2021). *World Economic Outlook Update – January 2021*. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

² Department of Health (2021). *How COVID-19 vaccines will be distributed*. Retrieved from <https://www.health.gov.au/initiatives-and-programs/covid-19-vaccines/getting-vaccinated-for-covid-19/how-covid-19-vaccines-will-be-distributed>



1.2 Regional Outlook

The resilience of the local community is a testament to our strengths as a region. Despite the once in a hundred-year flooding event and the economic ramifications of the COVID-19 pandemic, business confidence in Townsville is at its highest point in 14 years.

Although business confidence is on the rise, the COVID-19 pandemic has had significant negative impacts on the tourism market. In the Townsville North Queensland region, interstate travel has declined by 74% from September 2019 to September 2020, and international travel has declined by 52% over the same period of time. Tourism Australia has been promoting a 'holiday here this year' campaign to support domestic tourism, with the uncertainty still surrounding the opening of international travel. This is a positive push for the region and our key tourism destinations including Magnetic Island.

Although the tourism market has been negatively impacted by COVID-19, the residential property market has experienced positive signs of growth since the introduction of Federal Government HomeBuilder grant. The demand for vacant land has significantly increased, reflecting the demand for a change in lifestyle living, which has favoured regional Australia compared to larger capital centres (CoreLogic, 2020).

Overall, the Townsville North Queensland region has remained resilient during the economically uncertain time. The easing of restrictions and the upcoming NRL season will see an increase in activity in Townsville's inner city, with the full capacity utilisation of the Queensland Country Bank Stadium. This is likely to further increase hotel occupancy rates and subsequently business revenue within the CBD.

Key infrastructure projects will support business confidence into the future by generating economic activity and job creation. Key underway projects include: The Armoured Vehicle Simulation Centre (\$31 million), Australian-Singapore Military Training Initiative (\$1 billion), Reef HQ Aquarium Refurbishment (\$40 million) and the Townsville Port Expansion (\$193 million).

1.3 Agriculture

Sugar

As of January 2021, sugar prices averaged \$440/Metric Tonne which is above the long-term average of \$400/MT. Although prices have slightly declined from November, these prices are higher than what was experienced during the initial impact of the COVID-19 pandemic. Sugar prices peaked at \$490/MT in February 2020 and hit a low of \$370/MT in April and March which is the lowest recorded price since September 2018.

The COVID-19 economy is impacting global sugar prices in two indirect ways. Firstly, sharp reductions in global oil prices are encouraging Brazilian sugar millers to favour sugar production over ethanol. This is increasing the supply of sugar on the market, and subsequently reducing prices in sugar futures markets (e.g. the ICE#11). Secondly, the spot price remains relatively high due to a slow start to the Thai harvesting season and a temporary deficit in global sugar stocks, caused by record Chinese sugar imports.

While prices are currently considerably above average for the 2021 season, the price outlook is currently not positive for Australian producers, as the futures markets are indicating considerable sugar surpluses in 2022 and 2023 (mainly from Brazil), reducing current average futures prices to \$375/MT in 2023. The forecast lower prices should not alarm the industry as many growers now actively hedge price risk through forward contracts and the sugar price is highly volatile and reasonable volumes of Australian sugar will already be priced at above average levels.

Figure 1.1. Raw Sugar Prices (AU\$/MT Actual)



Source: Index Mundi (2020).³

Beef

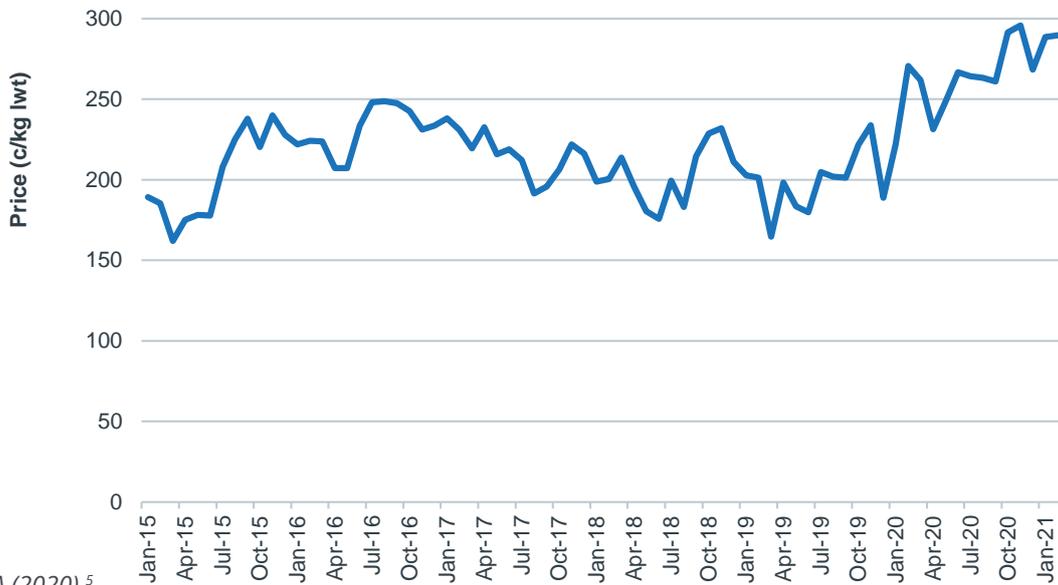
The sale price for a medium cow has been experiencing fluctuations in prices over the years, however it has been on an increasing trend since April 2019. These high prices are reinforced by a tightening market, driven by the loss of cattle in the 2019 North West QLD floods and in contrast the ongoing drought. Paradoxically, the recent rain is encouraging producers to hold and breed cattle, instead of sell, which is pushing prices even higher.

³ Index Mundi (2020). Sugar Monthly Price – Australian Dollar per Kilogram. Retrieved from <https://www.indexmundi.com/commodities/?commodity=sugar&months=60¤cy=aud>

The easing of COVID-19 restrictions and the ramp up in hospitality businesses coming back online should provide support for the industry, however exports/production levels are expected to contract as graziers look to rebuild their herd after a period of destocking.⁴

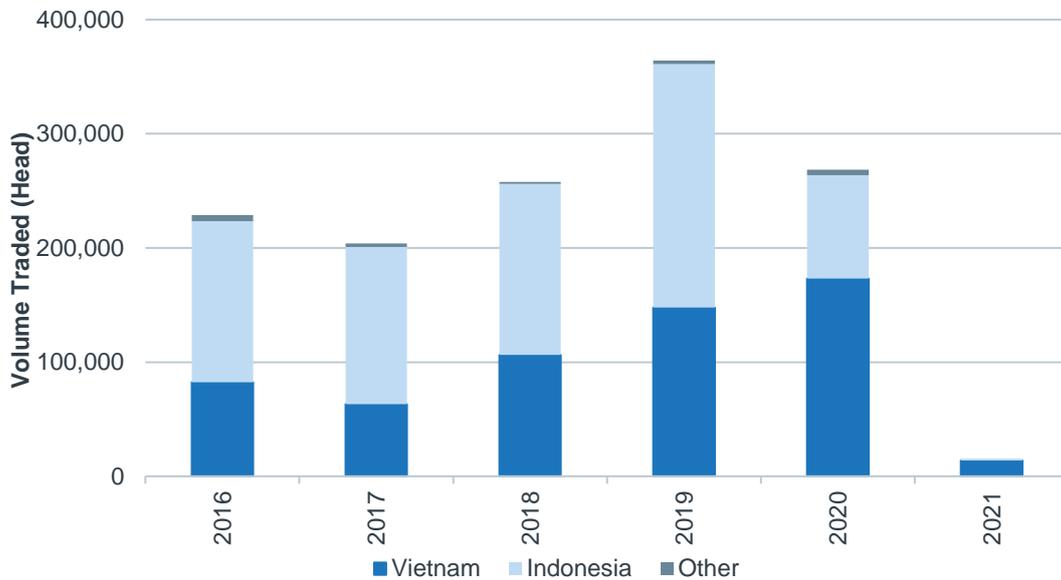
Forecasts from the United States Department of Agriculture highlight that in 2019 Australia accounted for 16% of global beef trade, which is expected to drop to 13% in 2021 (MLA, 2020).

Figure 1.2. Queensland Saleyard Indicators (Sale Price – Medium Cow)



Source: MLA (2020).⁵

Figure 1.3. Live Export Trade from Townsville



Note: Latest data available until January 2021.

Source: Department of Agriculture (2020).⁶

⁴ MLA (2020). Australian Beef Exports Forecast to Decline in 2021. Retrieved from <https://www.mla.com.au/prices-markets/market-news/2020/australian-beef-exports-forecast-to-decline-in-2021/#>

⁵ MLA (2020a). Meat Livestock Australia. Retrieved from <https://www.mla.com.au/>

⁶ Department of Agriculture (2020). All Livestock Exports. Retrieved from <https://www.agriculture.gov.au/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market>

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KEY QUARTERLY INDICATORS

2.1 Labour Market

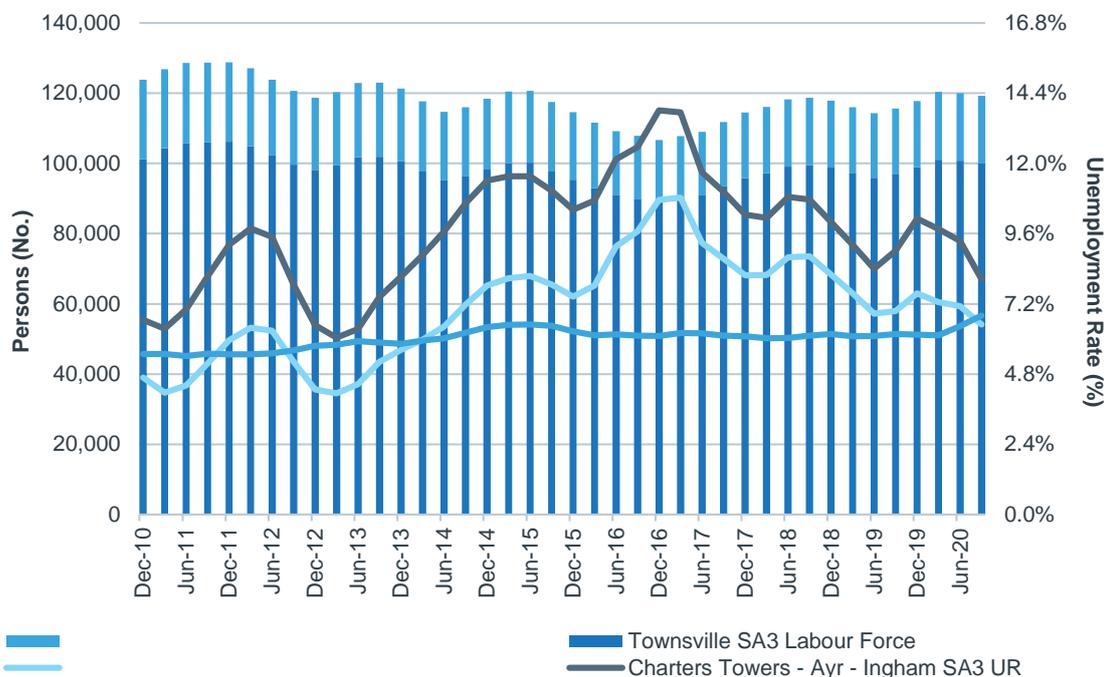
From June 2020 to September 2020, the labour market in the Townsville Statistical Area 3 (SA3) has experienced positive signs of post COVID-19 recovery. The unemployment rate decreased by 0.6 percentage points to reach 6.5%, the lowest unemployment rate experienced since June 2014.

Similarly, the unemployment rate in the Charters Towers – Ayr – Ingham Statistical Area 3 (SA3) experienced a 1.3 percentage point decline over June 2020 to September 2020, reaching 8.0%. This is the single lowest unemployment rate experienced since September 2013.

Queensland on the other hand, has experienced its highest unemployment rate over the past 10 years. As of September 2020, Queensland’s unemployment rate was 6.8%, which is above the long run average of 6.0% (since December 2010).

COVID-19 restrictions in the Townsville North Queensland Region have considerably eased since June 2020. The region is edging closer to business as usual, with local business confidence higher than at any time in the past 14 years of the PVW Partners business confidence survey (see Figure 2.4). A significant portion of businesses are looking at remaining at current employment levels or will be looking to expand within the near future (see section 2.3).

Figure 2.1: Labour Force Activity



Source: DoESE (2020)⁷.

⁷ DoESE (2020). Small Area Labour Markets Publication – September Quarter 2020. Department of Education, Skills and Employment

2.2 Property

In the Townsville SA3, the number of residential dwelling approvals were up by 68% from levels last year, totalling \$272 million in the 12 months to December 2020. Since the Impact of COVID-19 residential building approvals saw a significant increase, increasing from 29 residential dwellings in June 2020 to 79 dwellings in December 2020. Similarly, residential building value increased from \$15 million in June 2020 to \$27 million in December 2020. In October 2020, residential building approvals and residential building value began to decline, however, it is still higher (on average) than what has previously been experienced.

This increase in residential dwelling developments is largely a result of the Federal government incentives with the HomeBuilder scheme. The \$25,000 grant available to existing property owners and first homebuyers seeking to build or improve a home ending the 31st December 2020.

In the Charters Towers – Ayr – Ingham SA3, both the property market and the non-residential market was down in value by 10% and 17% in the 12 months to December 2020. Despite this lower value, residential building approvals have been increasing since government incentives were introduced. In the month of December 2020, residential building approvals totalled approximately 9 dwellings, the single highest monthly figure experienced since September 2019.

CoreLogic (2020⁸) have highlighted that COVID-19 had an initial negative impact on national property values to September, however, it has since resulted in a recovery at the end of 2020. The demand for vacant land since June 2020 has significantly increased, reflecting the demand for a change in lifestyle living, which has favoured regional Australia compared to larger capital centres (CoreLogic, 2020). The economic recovery efforts combined with record low cash rates (0.10% as of December 2020) has the potential to place upward pressure on house prices into 2021 (CoreLogic, 2020).

Table 2.1. Building Approval Activity – Movement from Year Ending Dec 2019 to Year Ending Dec 2020

Indicators	Residential Dwelling Units (No.)	Residential Building Value (\$'M)	Non-Residential Building Value (\$'M)
Townsville			
Townsville 12 Months to Dec 20	440	\$272	\$260
Townsville 12 Months % Change	68%	56%	-27%
Charters Towers – Ayr – Ingham			
Charters Towers – Ayr – Ingham 12 Months to Dec 20	61	\$33	\$33
Charters Towers - Ayr - Ingham 12 Months % Change	-15%	-10%	-17%
Queensland			
Queensland 12 Month % Change	7%	8%	-13%

Notes: (a) 12 Months to December 2020. (b) 12 Months % Change

Source: QGSO (2020).

⁸ CoreLogic (2020). CoreLogic's Best of the Best Report shows 2020's biggest property market winners. Retrieved from <https://www.corelogic.com.au/news/corelogics-best-best-report-shows-2020s-biggest-property-market-winners>

Figure 2.2: Building Approvals (Townsville SA3) – Jan 2019 to Dec 2020

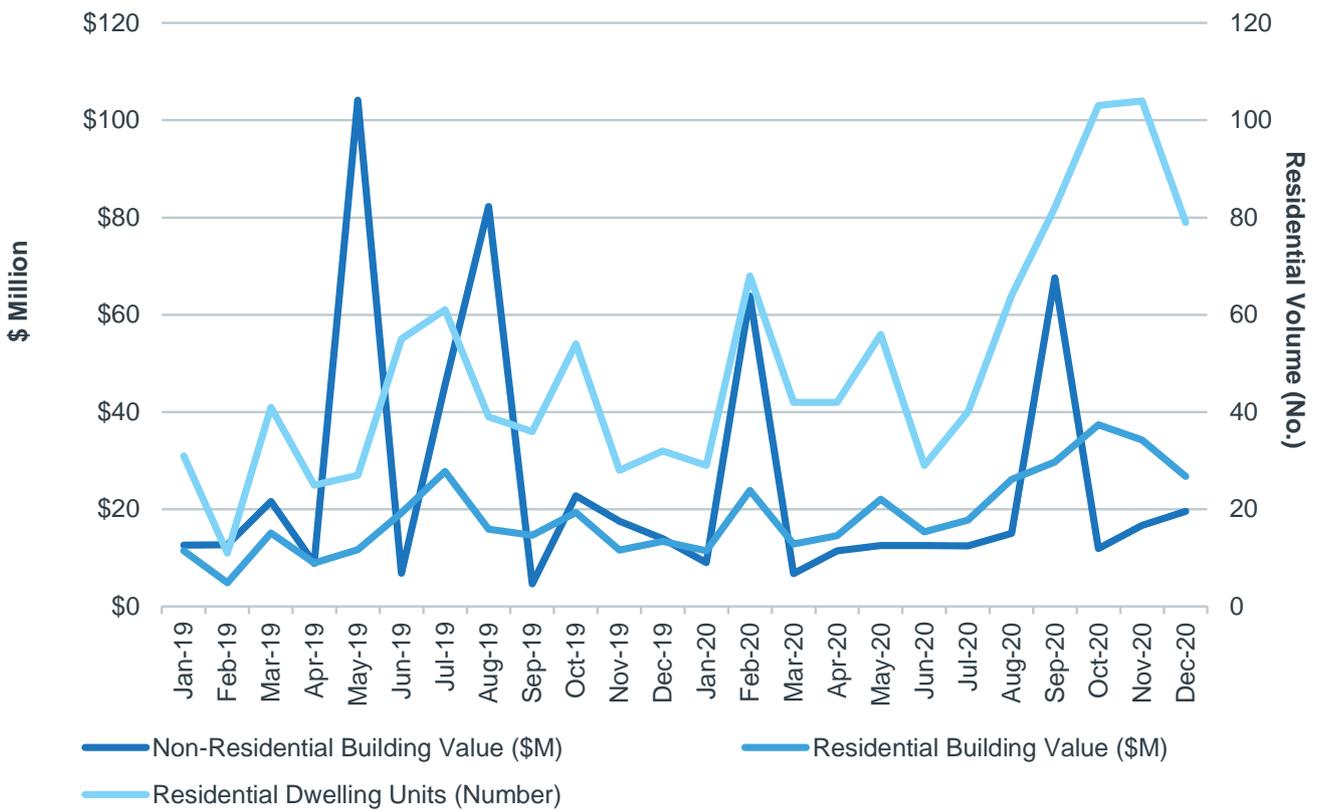
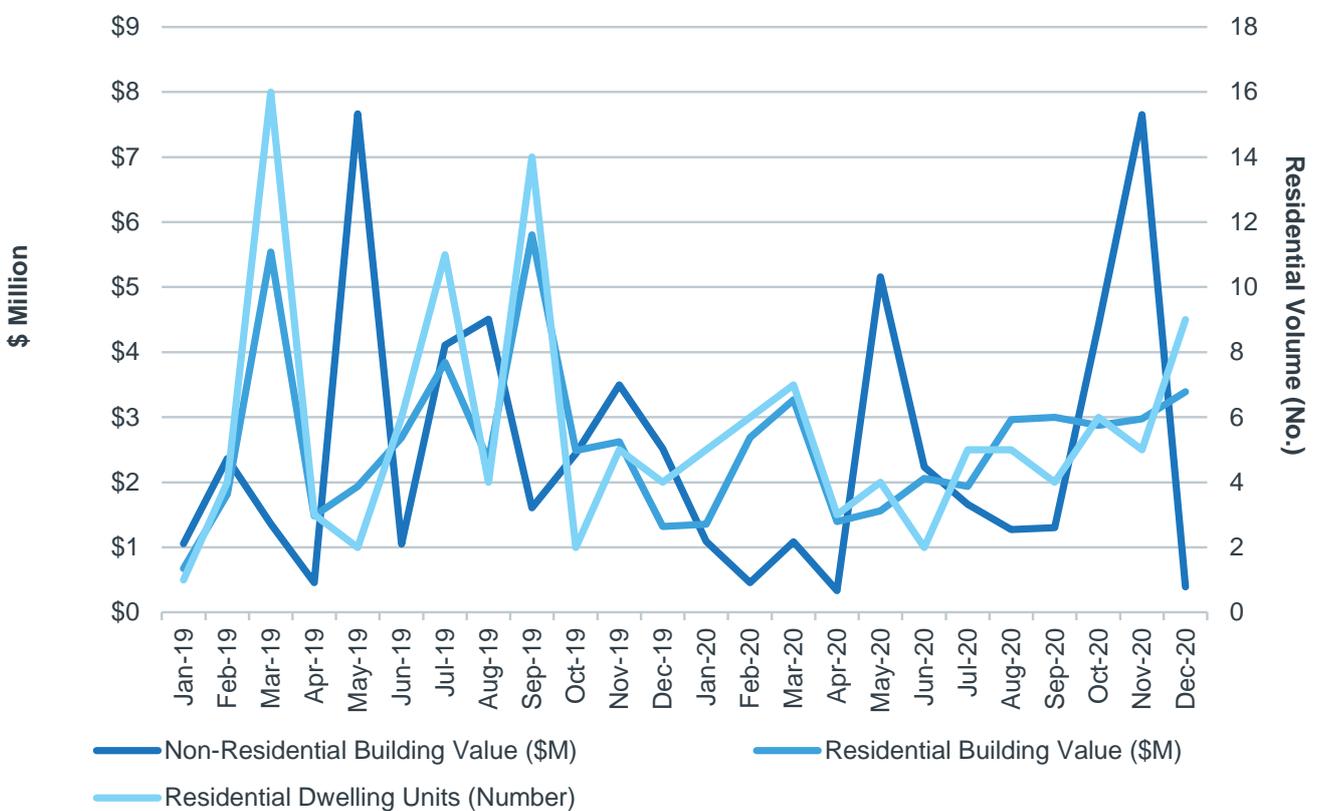


Figure 2.3: Building Approvals (Charters Towers – Ayr - Ingham SA3) – Jan 2019 to Dec 2020



Source: QGSO (2020)⁹

⁹ QGSO (2020). Building Approvals, Australia. Queensland Government Statisticians Office.

2.3 Business Confidence

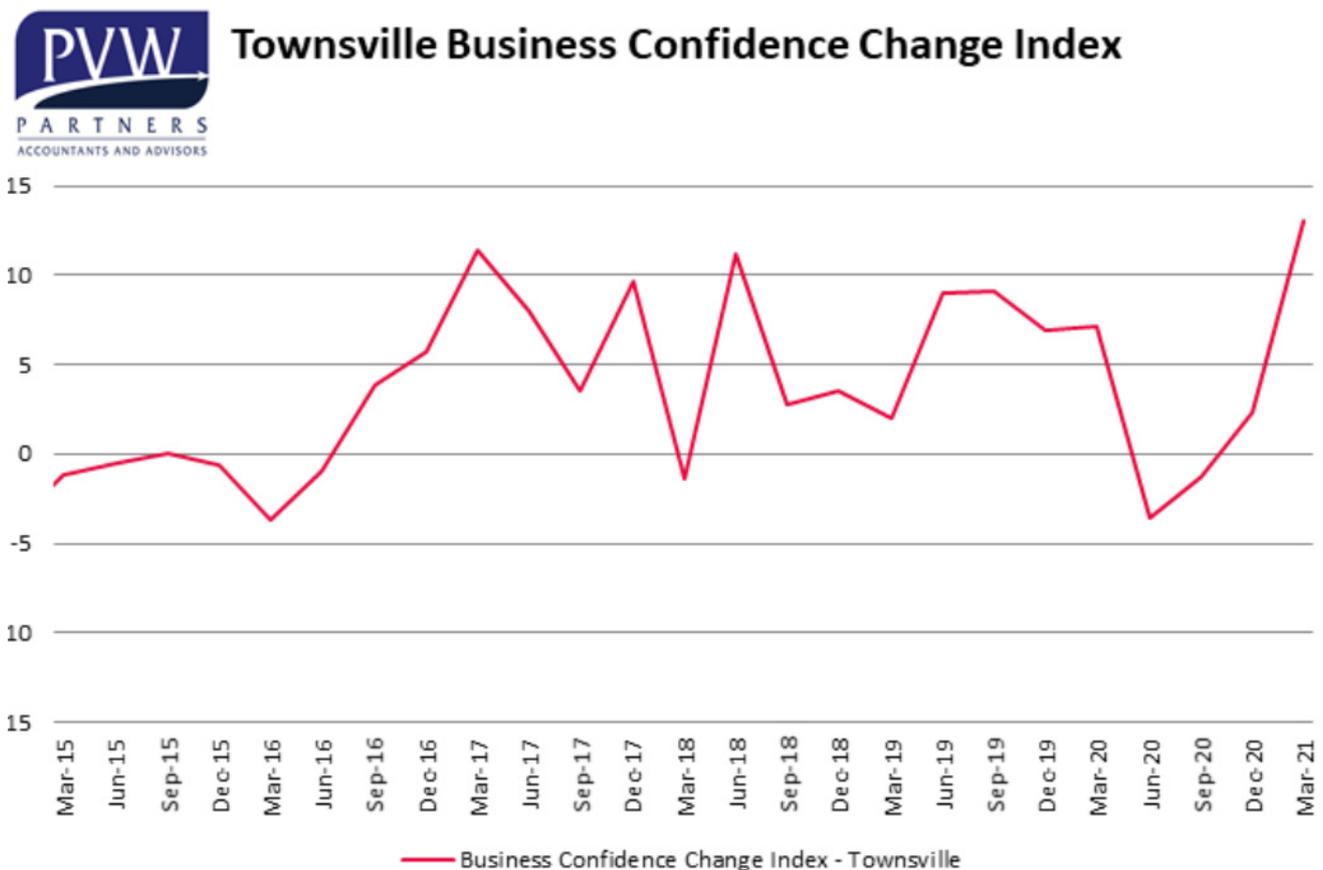
Townsville business confidence has skyrocketed since June 2020, peaking at its highest point in the 14 year survey. After a long period of economic uncertainty with the COVID-19 pandemic and the significant monsoonal flooding event before that, Townsville businesses are significantly increasing their optimism and prospects for future economic recovery.

There are positive signs for the future of the labour market in Townsville, with 98% of respondents highlighting that they will either remain at current employment levels or will look to expand in the near future. This increasing business confidence is a testament to the resilience of the local community.

State and Federal Government assistance with JobSeeker, JobKeeper and the home builder grants have increased confidence throughout the region by supporting community expenditure and allowing local businesses to maintain their workforce. The survey has also identified that approximately 60% of respondents are positive about the next quarter with an anticipated increase in demand from consumers and subsequent sales.

To support and maintain business confidence into the future, all levels of government will need to continue focusing on infrastructure projects which support and generate economic activity.

Figure 2.3: Business Confidence Change Index – Townsville



Source: PVW Partners (2021).¹⁰

¹⁰ PVW Partners (2021). Business Confidence Survey. Retrieved from <https://www.pvwpartners.com/townsville-business-confidence-at-its-highest-in-14-years/>

2.4 Tourism

The impact of COVID-19 has seen significant ramifications for the tourism market, with visitation to Townsville decreasing by a significant 34.9% from September 2019 to September 2020 to reach approximately 1.6 million visitors. Decline was experienced over all visitor types:

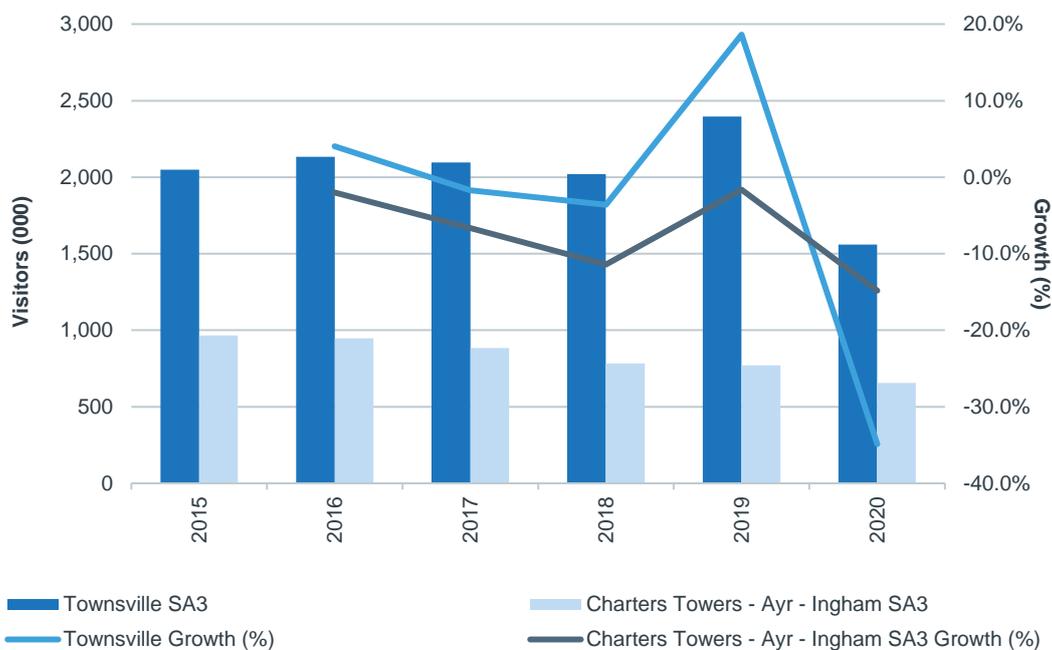
- › Domestic Day – 28% decline
- › Domestic Overnight:
 - › Interstate – 31% decline
 - › Intrastate – 75% decline
- › International – 52% decline

In the Townsville SA3, business visitors experienced the largest declining (decreasing by 48%), followed by those visiting for holiday purposes (40% decline) and those visiting friends and relatives (39% decline).

The Charters Towers – Ayr – Ingham SA3 region experienced a visitation decline of 14.8% over the 12 months ending September 2020. A decline was experienced across all visitor types apart from domestic day visitors, which experienced an increase of 7.2% over the year. The increase in day trips visitors was largely driven by the increase in business visitors of 72%, despite a decline 31% in overnight business visitation for the same period. Other categories to experience a decline in overnight visitation included visiting friends and relatives (46% decline), and holiday (31% decline).

Since this data was released in September 2020, North Queensland has been successful in controlling the impacts of COVID-19. To date, no additional lockdowns have occurred and there has been a shift towards domestic tourism marketing.

Figure 2.5. Townsville SA3 and Charters Towers – Ayr – Ingham SA3 Tourist Visitation (Year Ending September)



Source: TRA (2020).¹³

3

PROJECT SNAPSHOT

Reef HQ Redevelopment

Reef HQ Aquarium is the Australian Government's National Education Centre for the Great Barrier Reef. The facility was funded as a Bicentennial Commemorative to create a living example of a coral reef on land, a place to showcase science and deliver education about marine science, heritage and other Reef values and make the reef accessible to all. Reef HQ retains the mantle of the world's largest coral reef aquarium and its premier display boasts a 33 year old ecosystem housed in a 2.5 million litre exhibition. Since opening in 1987, more than 4 million visitors have passed through its doors.

Reef HQ aims to strengthen the Great Barrier Reef Marine Park Authority's reputation as a sustainable organisation and showcase actions that lead by example, through sustainable engineering, construction and operational practices. Their commitment is evident in the installation of a revolutionary new thermal energy storage and renewable energy system, coupled with a 950-roof mounted solar panel array and innovative micro-hydro generators, to decrease their energy footprint. Reef HQ showcases innovations that can grow the general understanding about what options and possibilities are available to business and individuals.



Since December 2019, Reef HQ has received \$40.1 million in Australian Government funding to undertake a suite of upgrades to the facility. The aggressive tropical environment and stresses that have resulted from holding in excess of 4 million litres of salt water have impacted the facility since it was built. This funding enables the replacement and improvement to structural, electrical and mechanical infrastructure. The funding will also enrich the visitor experience through:

- › Revitalising viewing windows for unobstructed views
- › Increasing exhibition space including a revamped Turtle Hospital
- › Improving visitor accessibility while creating an iconic, distinctive and clearly identifiable landmark for Townsville
- › Reinvigorating the product offering through innovative and educational content

Reef HQ closed on 1 February 2021 to begin preparing the facility for a Principal Contractor who will manage all future works that are approved under this project. These works will ensure the facility remains a major tourist attraction in North Queensland while continuing to educate people about the Great Barrier Reef, its management and how they can assist with protecting the iconic ecosystem. The all-inclusive concept would transform the facility into Australian's Centre of Excellence for Tropical Coral Reef Education. The reimagined facility would expand the already successful formal education and edu-tourism products and develop new programs associated with vocational education and training (primarily Indigenous traineeships and apprenticeships), corporate social responsibility and international collaboration and capacity building. This project will create jobs, economic growth, investment in local infrastructure, and add to a revitalised urban centre, and a more vibrant and liveable city and supports innovative research and education about the sustainable use and conservation of our oceans.

The redevelopment of Reef HQ Aquarium is a keystone project within Townsville's Waterfront Priority Development Area and supports the Townsville 2020 vision to create world-class experiences to drive economic growth through new investment and greater tourism spending.



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