
TOWNSVILLE NORTH QUEENSLAND QUARTERLY ECONOMIC SNAPSHOT

JULY 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.

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OUTLOOK FOR NORTH QUEENSLAND

1.1 Key Macroeconomic Trends

It has been roughly a year since COVID-19 was declared a global pandemic, impacting economies on a scale and nature we have not experienced before. We now have a stronger perception about the recovery, largely resulting from the global rollout of the COVID-19 vaccine. The International Monetary Fund (IMF) forecasts an increase in global growth of 6% in 2021 and 4.4% in 2022, which is approximately 0.8 percentage points and 0.2 percentage points higher than what was projected in October 2020 (IMF, 2021)¹. This growth is centred around the considerable economic stimulus measures that are being implemented by governments around the world.

The Australian dollar has been showing signs of appreciation against the US dollar, with National Australia Bank and Westpac projecting the Australian dollar to reach \$0.80 USD towards the second half of 2021 (Australian Financial Review, 2020)². The appreciation of the dollar combined with increasing commodity prices including iron ore, coal and copper provides a positive outlook for Australia.

The ongoing trade tensions between Australia and China provide some uncertainties for exports, with restrictions being implemented on beef, barley, wine, timber and coal. However, Australia is the dominant supplier of iron ore to China and is likely to be necessary for China's supply into the future. Further, other significant events in global trade from South America, such as Brazil's poor export performance and Argentina's temporary ban on beef exports (as a measure to reduce domestic prices) and are likely to benefit Australia's exporters.

The outlook for Australia is relatively stable, entering a phase of recovery with a decrease in the unemployment rate, strengthening of the housing market and GDP growth (IMF, 2021).

¹ (2021). World Economic Outlook – April 2021. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

² Financial Review (2020). Australian dollar could surge as high as US 85c. Retrieved from <https://www.afr.com/markets/currencies/australian-dollar-to-surge-as-high-as-us85-20201218-p56om8>



1.2 Regional Outlook

Townsville remains resilient, with a positive outlook regarding economic recovery efforts. Business confidence still remains high into the June 2021 quarter, even with the ending of the JobKeeper and JobSeeker stimulus packages. A number of businesses are either looking to remain at current employment numbers or increase employment over the next quarter. This is positive signs for the Townsville North Queensland labour force, having the potential to further decrease Townsville North Queensland's unemployment rate throughout 2021.

Tourism, Hospitality and Events sector continues to feel the greatest impact from the pandemic. From the December 2019 quarter to the December 2020 quarter, domestic overnight visitor expenditure for the Townsville North Queensland region has declined by 34.8% and overall visitation declined by 38.6%. Sharp declines were recorded across all reasons for travel, with Holiday visitation decreasing by 31.8% over the year to 275,000; visiting friends and relatives decreased by 46.5% to 212,000 and business visitation decreased by 40.5% to 224,000. Post December 2020, the industry started to experience a strong recovery with accommodation occupancy on a strong growth trajectory. More recent border closures and lockdowns are anticipated to impact future occupancy and visitation data.

The residential property market in the region remains tight due to regional migration from southern capital cities, with extremely low vacancy rates and an upward pressure placed on rental prices. As of December 2020, Townsville's vacancy rate dropped to one of the lowest rental vacancies experienced, 0.7% (REIQ, 2020)³. It is expected that Townsville will see a slight relief towards the end of 2021, with a supply increase due to the Government stimulus from the first home builders grant and an increase in investors entering the market (Herron Todd White, 2021).

³ REIQ (2021). *Brisbane rentals bounce back, Gold Coast hits record lows and 90% regional vacancies tighten further.* Retrieved from <https://www.reiq.com/articles/vacancy-rate-report-dec-20/>

1.3 Agriculture

Sugar

In February 2021, sugar prices rose to \$460/Metric Tonne which is higher than the long-term average. These prices are also higher than what has been experienced throughout the initial impact of COVID-19 from March 2020, with prices increasing throughout the back of 2020. The current sugar price is the highest that has been experienced over the period of a year, with an upward trend in future prices expected into 2022.

Currently, sugar prices are being impacted in a number of ways, including:

- › Strengthening of the Australian dollar which is placing downward pressure on sugar prices
- › Decreasing ethanol prices in Brazil resulting partially from COVID-19 restrictions. For production in Brazil to favour sugar, prices need to stay at a more attractive premium to ethanol
- › Poor rains for Brazil's 2021 sugarcane crop
- › Additional lockdowns in India have the potential to decrease domestic sugar demand

The price outlook is currently not positive for Australian producers as the futures markets driven by a number of factors, mainly the strengthening on the Australian dollar.

Figure 1.1. Raw Sugar Prices (AU\$/MT Actual) *Source: Index Mundi (2021).⁴*



Beef

After a period of impacts to the red meat industry with bushfires, drought, floods and a global pandemic, the national cattle herd is expected to increase by 2% in 2021 (MLA, 2021a)⁵. The projected increase comes due to a rebuilding phase throughout 2021 as graziers retain more breeding stock.

⁴ Index Mundi (2021). Sugar Monthly Price – Australian Dollar per Kilogram. Retrieved from <https://www.indexmundi.com/commodities/?commodity=sugar&months=60¤cy=aud>

⁵ MLA (2021a). Industry Projections 2021 – Australian Cattle. Meat and Livestock Australia. Retrieved from <https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/cattle-projections/feb2021-mla-australian-cattle-industry-projections.pdf>

The retention of cattle on farms is expected to result in a decrease in slaughter of cattle and calves at 3% and 7% respectively (MLA, 2021a). Prices are rather high, reaching approximately 270c/kg lwt in April 2021. These high prices have the potential to incentivise graziers to feed for a longer period of time to achieve a higher return per head (MLA, 2021a).

Export levels are also projected to increase by 2% in 2021 with the easing of COVID-19 restrictions in some markets. Throughout 2020, the beef cattle industry was impacted by the decrease in the food service industry and market access issues with logistical challenges.

Figure 1.2. Queensland Saleyard Indicators (Sale Price – Medium Cow) Source: MLA (2021b).⁶

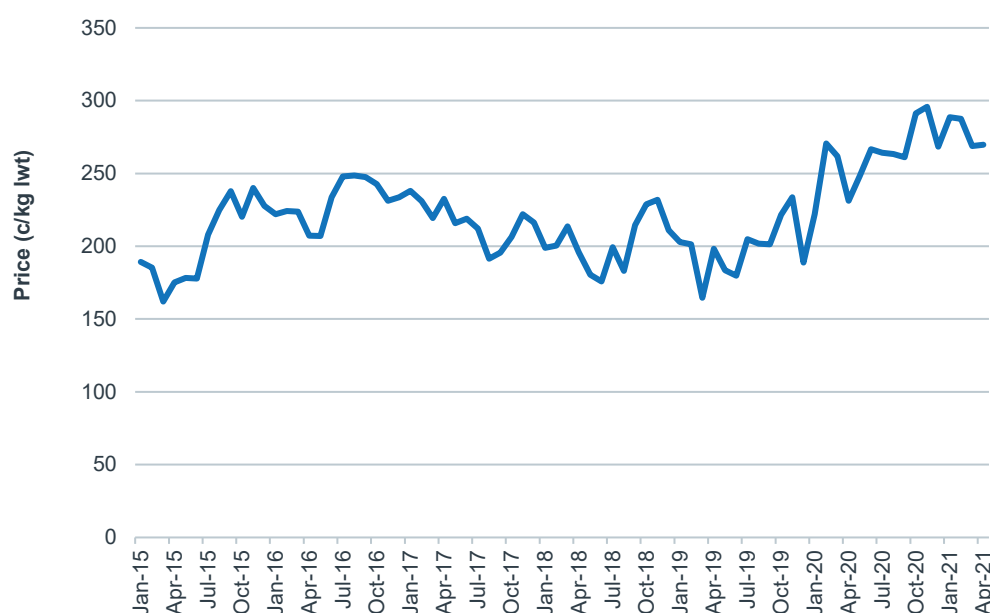
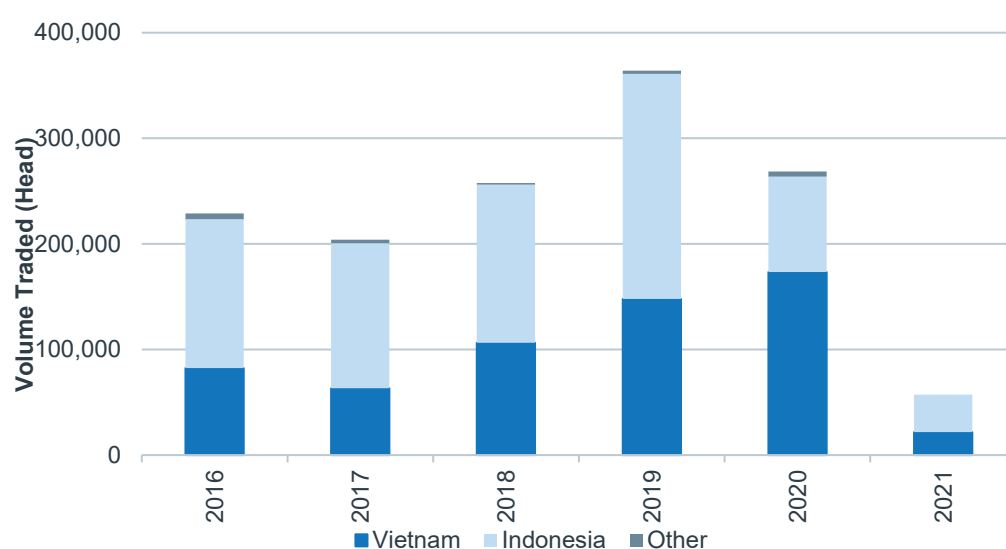


Figure 1.3. Live Export Trade from Townsville



Note: Latest data available until March 2021. Source: Department of Agriculture (2021).⁷

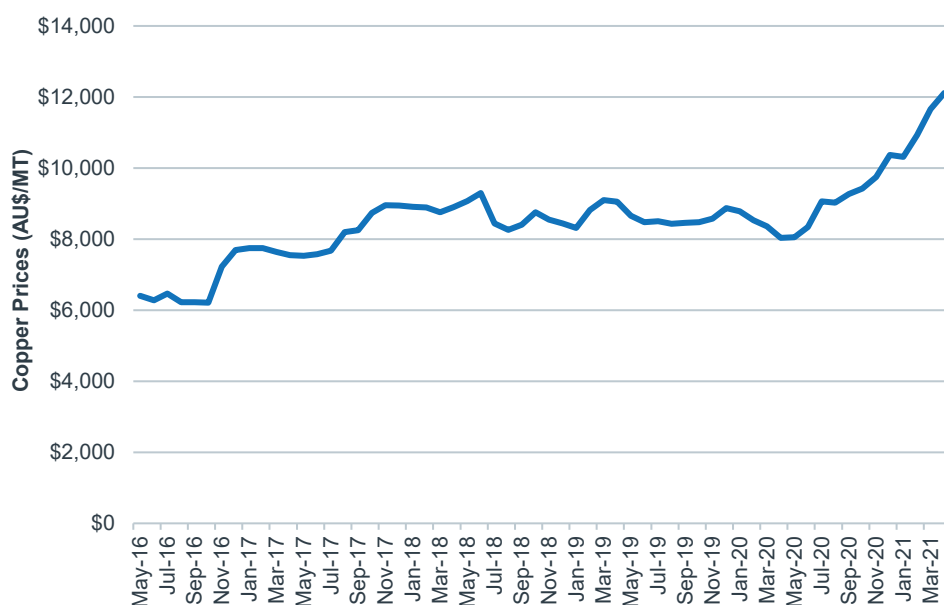
⁶ MLA (2021b). Meat Livestock Australia. Retrieved from <https://www.mla.com.au/>

⁷ Department of Agriculture (2021). All Livestock Exports. Retrieved from <https://www.agriculture.gov.au/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market>

Copper

Since May 2020, Copper prices have been increasing exponentially, from approximately \$8,000/MT to over \$12,000/MT in April 2021. Demand for copper is high due to a number of reasons including COVID-19 government stimulus measures and a global transition to cleaner energy technology as countries look to reduce their emissions. There are also a number of factors influencing the supply of copper, such as logistics and supply chain disruptions from COVID-19.

Figure 1.4. Copper (Grade A Cathode) Price (per Metric Tonne) *Source: Index Mundi (2021).⁸*

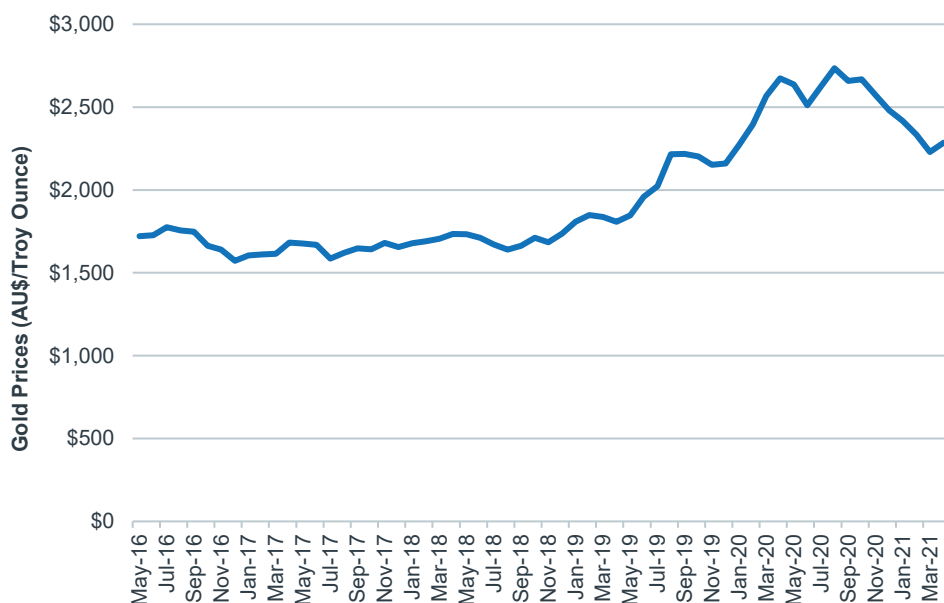


⁸ Index Mundi (2021). Copper – Australian Dollar per Metric Tonne. Retrieved from <https://www.indexmundi.com/commodities/?commodity=copper&months=60¤cy=aud>

Gold

Gold prices have been on the rise since the on-set of COVID-19 as a “safe” investment option, compared to shares, bonds and cash. In August 2020, gold prices peaked at \$2,735/Troy Ounce, however, has since experienced a decline, decreasing to \$2,286/Troy Ounce in April 2021 as global markets have steadied.

Figure 1.5. Gold Price (per Troy Ounce) *Source: Index Mundi (2021).⁹*



Recent reporting also indicated that Australian gold output has increased to levels comparable with China (the world's largest gold producer). In the March 2021 quarter, it was estimated that China produced 74.44 tonnes of gold while Australia recorded a production of 74 tonnes (ABC, 2021).¹⁰

⁹ Index mundi (2021). Gold Monthly Price. Retrieved from <https://www.indexmundi.com/commodities/?commodity=gold&months=60¤cy=aud>

¹⁰ ABC (2021). Australia gives China a run as world's biggest gold producer, with top spot up for grabs. Retrieved from <https://www.abc.net.au/news/2021-05-31/australia-challenging-china-as-world-s-biggest-gold-producer/100178322>

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KEY QUARTERLY INDICATORS

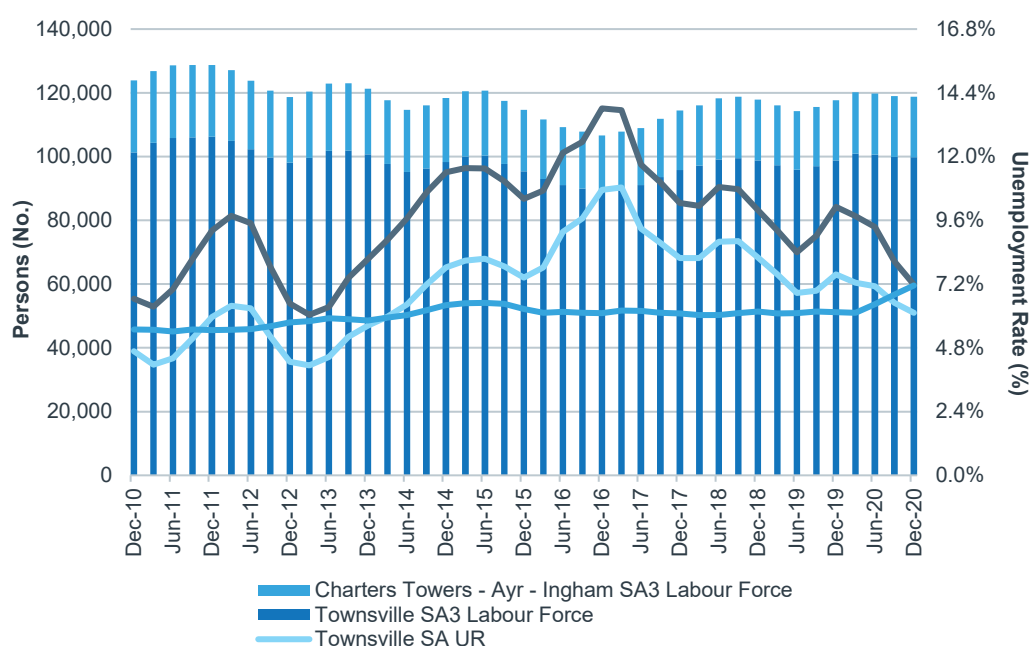
2.1 Labour Market

Since June 2020, Queensland have been experiencing an increase in their unemployment rate while both the Townsville and Charters Towers – Ayr – Ingham SA3 have been experiencing a decline in unemployment. Queensland's unemployment rate grew from 6.4% in June 2020 to 7.1% in December 2020, while Townsville experienced a decline of 1-percentage points and Charters Towers – Ayr – Ingham experienced a 2-percentage point decline.

This highlights the resilience of the labour market in the Townsville North Queensland region compared to the overall State. To date, the region has weathered the impacts of COVID-19 well, it has even been outperforming our pre-COVID-19 unemployment levels. This is a testament to the resilience of the region and our ability to bounce back after significant economic hits (i.e., the Townsville floods and the COVID-19 pandemic).

Business confidence surveying highlights positive signs for the regional labour market. The survey highlights that 94% of respondents will either remain at current employment levels or will look to expand in the next three months from June 2021.

Figure 2.1. Labour Force Activity *Source: DoESE (2020).¹¹*



¹¹ DoESE (2020). *Small Area Labour Markets Publication - September Quarter 2020*. Department of Education, Skills and Employment

2.2 Property

The property market in Townsville continues to remain strong with residential building value up by 54% on levels last year. Residential building approvals were strong in the month of February 2021, reaching Townsville's highest number of dwellings recorded for a single month since June 2015. Non-residential building value on the other hand has experienced a decline since January 2021, reaching \$7.5 million for the month of February 2021. This is the lowest monthly value experienced since March 2020.

Building activity in the Charters Towers – Ayr – Ingham SA3 is down from levels last year, however, has shown strong signs of recovery in the last quarter. From December 2020 to February 2021, residential building value increased by 65% while residential building volume experienced a 22% increase. There has also been a slight increase in non-residential building activity in the region, increasing by over 550% from January to February 2021 (approximately \$0.4 million).

A property market report from Herron Todd White¹² have indicated that throughout 2020, the residential market in Townsville tightened to a point of shortage compared to the level of demand. This resulted in extremely low vacancy rates and an upward pressure placed on rental prices. It is expected that Townsville will see a slight relief towards the end of 2021, with a supply increase due to the Government stimulus from the first home builders grant and an increase in investors entering the market (Herron Todd White, 2021).

The report also highlights the mining industry activity is supporting the industrial market in the Townsville region, with strong demand for southern investor interest in purpose built facilities (Herron Todd White, 2021).

**Table 1.1. Building Approval Activity –
Movement from Year Ending Feb 2019 to Year Ending Feb 2021**

Indicators	Residential Dwelling Units (No.)	Residential Building Value (\$'M)	Non-Residential Building Value (\$'M)
Townsville			
Townsville 12 Months to Feb 21	832	\$298	\$232
Townsville 12 Months % Change	68%	54%	-42%
Charters Towers - Ayr - Ingham			
Charters Towers - Ayr - Ingham	73	\$35	\$19
12 Months to Feb 21	-6%	2%	-39%
Queensland			
Queensland 12 Month % Change	12%	13%	-16%

Notes: (a) 12 Months to February 2021. (b) 12 Months % Change. Source: QGSO (2021).

¹² Herron Todd White (2021). March 2021 Property Report. Retrieved from <https://static.htw.com.au/HTW-month-in-review-March-2021-Residential.pdf>

Figure 2.2. Building Approvals (Townsville SA3) – Mar 2019 to Feb 2021 *Source: QGSO (2021).¹³*

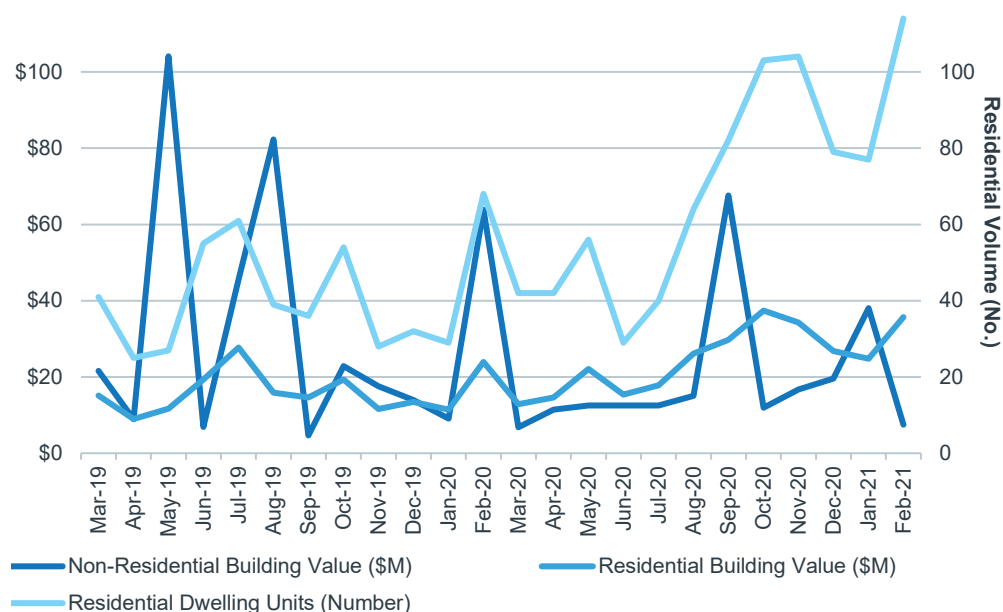
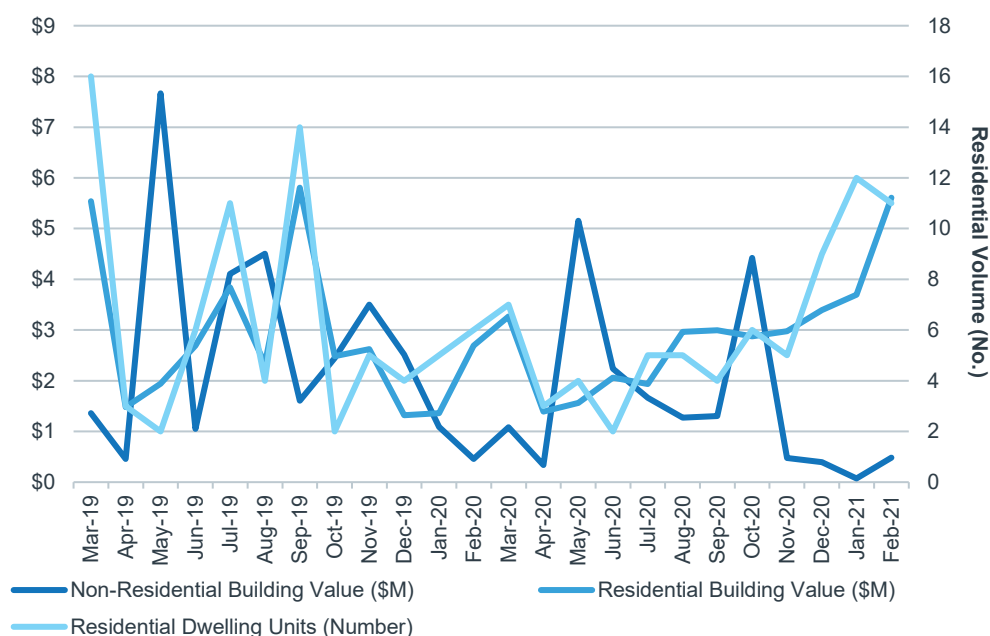


Figure 2.3. Building Approvals (Charters Towers – Ayr - Ingham SA3) – Mar 2019 to Feb 2021

Source: QGSO (2021)⁹



¹³ QGSO (2021). Building Approvals, Australia. Queensland Government Statisticians Office.

2.3 Business Confidence

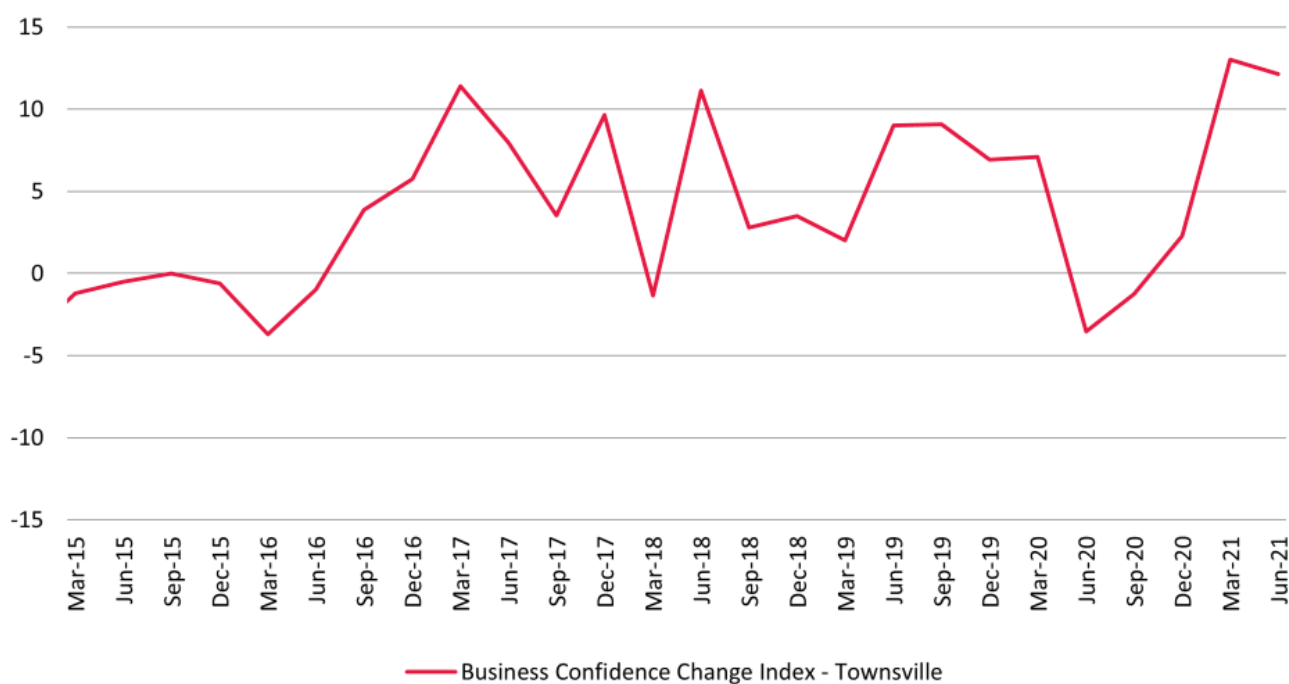
Townsville business confidence has remained strong throughout the June 2021 quarter, staying above 12 index points. The strong businesses confidence since the COVID-19 indicates signs of positivity and economic activity in the region.

With the end of JobKeeper and JobSeeker in March, business confidence still remains relatively high. Nearly 50% of the respondents have highlighted that they expect some adverse impacts on the regional economy due to the end of government stimulus packages, however business confidence still remained positive (PVW Partners, 2021).

There are still positive signs for the regional labour market, with 94% of respondents highlighting that they will either remain at current employment levels or will look to expand in the next three months. Although this is a slight downward revision from the March survey, optimism is still high under the current circumstances.

Not only are businesses looking to increase employment levels, approximately one third are looking to increase investment throughout the next quarter (PVW Partners, 2021). This increase in investment will provide a stimulus to the regional economy, generating additional revenues for local businesses.

Figure 2.4. Business Confidence Change Index – Townsville *Source: PVW Partners (2021).¹⁴*



¹⁴ PVW Partners (2021). Business Confidence Survey. Retrieved from <https://www.pvwpartners.com/townsville-business-confidence-continues-to-fly-high/>

2.4 Tourism

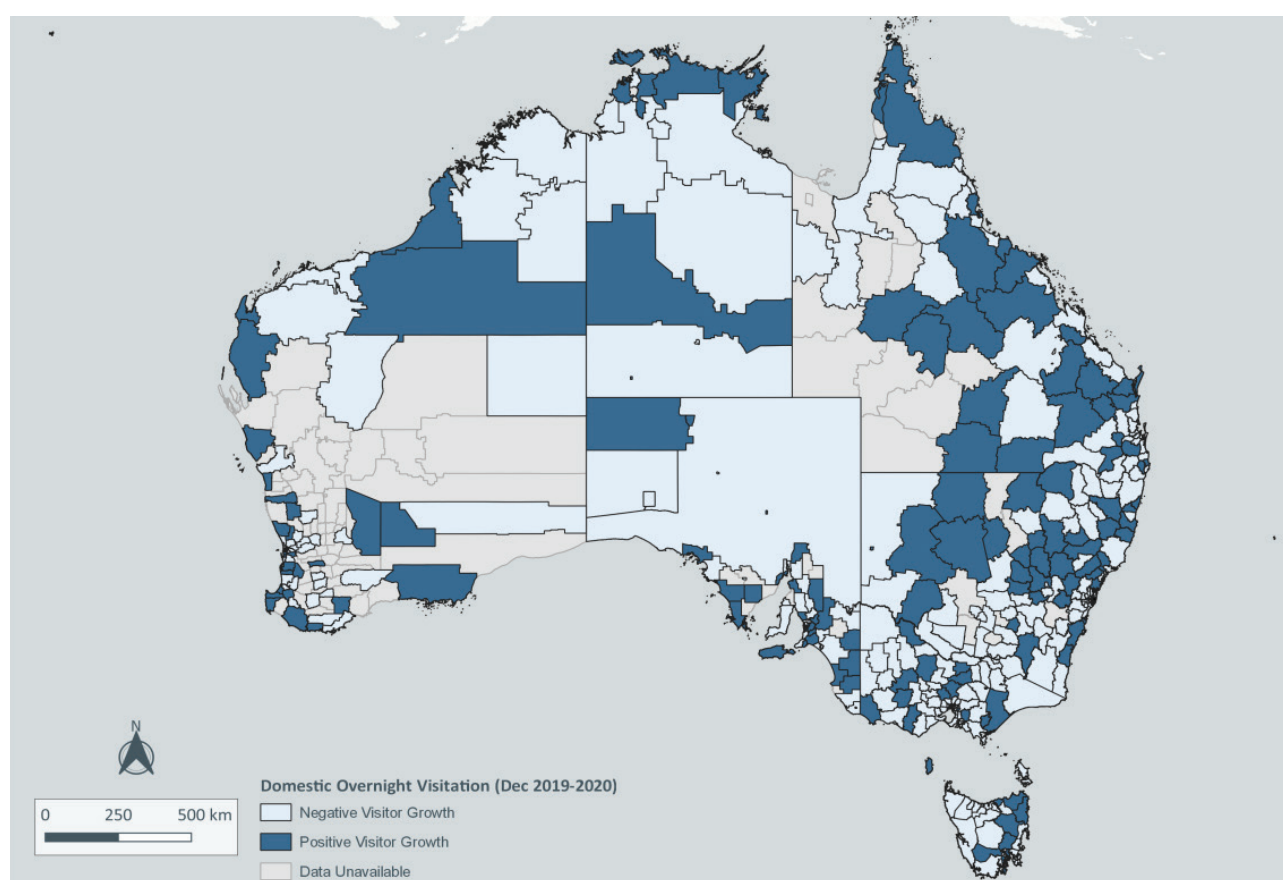
Whilst the international tourism sector continues to be significantly impacted by the pandemic enforced travel restrictions, the Tourism Research Australia data highlights that Australians are embracing the opportunity to explore their own backyard.

Regional destinations, particularly those located within a few hours drive of capital city markets, have experienced growth in the domestic overnight visitor market from the December 2019 quarter to the December 2020 quarter. Domestic tourism growth has been particularly strong in Queensland, with a number of Local Government Areas experiencing an increase in domestic tourism.

There has been a push in domestic tourism throughout 2021, with flight subsidies for key tourism destinations.

These schemes have been designed to support and further grow the tourism industry throughout Queensland.

Figure 2.5. Domestic Tourism (December 2019 Quarter to December 2020 Quarter)



Source: TRA (2020) DataAU.

From the December 2019 quarter to the December 2020 quarter, domestic overnight visitor expenditure for the Townsville North Queensland region has declined by 34.8% and overall visitation declined by 38.6%. Sharp declines were recorded across all reasons for travel, with Holiday visitation decreasing by 31.8% over the year to 275,000; visiting friends and relatives decreased by 46.5% to 212,000 and business visitation decreased by 40.5% to 224,000.

	Visitors	Holiday	VFR	Business	Expenditure (\$M)
Domestic Overnight	797,000	275,000	212,000	224,000	\$515.2
Annual % change	▼ -38.6%	▼ -31.8%	▼ -46.5%	▼ -40.5%	▼ -34.8%
3yr trend & change	▼ -7.7%	▼ -6.2%	▼ -5.8%	▼ -11.7%	▼ -10.5%
International Overnight	23,000	17,000	n/p	n/p	n/p
Annual % change	▼ -81.7%	▼ -83.5	n/p	n/p	n/p
3yr trend % change	▼ -30.1%	▼ -29.7%	n/p	n/p	n/p
Total	820,000	292,000	n/p	n/p	n/p
Annual % change	▼ -42.4%	▼ -42.4%	n/p	n/p	n/p
3yr trend % change	▼ -9.9%	▼ -11.3%	n/p	n/p	n/p

Source: TRA, 2020

Within this reporting period, the industry was subject to ongoing and significant COVID-19 travel restrictions and border closures including:

- Queensland's borders closed on 3 April and all non-essential travel was banned soon after.
- Intrastate overnight travel was permitted within Queensland from 1 June
- Interstate borders were reopened to all states except Victoria on 10 July but were reclosed to New South Wales and ACT a month after.
- Borders reopened to ACT as of 25 September, all regional NSW by 3 November and Victoria and Greater Sydney on 1 December.
- Restrictions were put in place on Greater Sydney again on 20 December

Accommodation occupancy across the last twelve months has experienced mixed results across, directly correlating to the pandemic environment at any point in time. Growth throughout the winter months (peak tourism season) where looking positive with average occupancy in both May and June sitting at above 77%. However, impacts from Townsville's recent lockdown (30 June – 3 July) and the subsequent border closures across the country is anticipated to impact accommodation results for July and August.

YEAR	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC
2021	56.5	66.4	64.2	69.7	77.5	77.7	-	-	-	-	-	-
2020	53.6	60.7	46.4	20.1	25.9	36.2	58.3	65.5	71.6	68	66.3	71.4
2019	50.6	80.4	81.3	72.3	76.2	82.6	89.3	79.4	75.5	75.1	70.8	62.1

Source: STR Global, 2021



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