

Townsville  
& North West  
Queensland

# Economic Outlook

## 1. Outlook February 2021

### 1.1 MACROECONOMIC OUTLOOK

Entering 2021 the global economic outlook continues to be dominated by the COVID-19 pandemic. The virus and measures implemented to control its spread have resulted in a severe global recession, with GDP shrinking by 4.4% from the previous year (IMF, 2020). The outlook remains highly uncertain, with rising infection rates in the United States and Europe weighing against promising progress towards a vaccine in the first half of 2021. Ongoing political unrest in the US post the presidential elections further clouds the economic outlook.

Equity markets have recovered strongly to new highs despite the downturn, driven by the impending vaccine development and record low interest rates which have moved capital into higher yielding assets. Emergency global monetary policy is likely to continue for some time, as inflation remains low to negative globally.

The Australian dollar has appreciated strongly along with key commodity prices including coal and iron ore as a result of the improved sentiment. However, ongoing trade tensions with China continue to cloud the outlook for Australia's major resource and agricultural exports.

The domestic economy bounced back in the second half of 2020, with **GDP growing by 3.3%** in the September Quarter as COVID restrictions eased.

Unemployment edged lower to 6.6% in December as the nation continues to gradually transition from the Jobkeeper and Jobseeker subsidy programs which have served to boost expenditure and confidence throughout the pandemic.

The outlook is expected to continue to improve through early 2021. However, recent COVID outbreaks in the New South Wales Northern Beaches area and Greater Brisbane's precautionary lockdown are timely reminders of the risks still facing the Australian economy.

The longer term implications of the pandemic are less clear. The significant public debts and deficits generated to fight the pandemic will likely lead to future reductions in expenditure and potential increases in taxation. Key industries such as international tourism will almost certainly take years to recover from the downturn.

The risk of future pandemic outbreaks will also need to be factored into both business planning and public policy given the significant integration of global supply chains.



## 1.2 REGIONAL OUTLOOK

The Townsville and North West Queensland economy benefited from the rising commodity prices and reopening of Queensland's State borders at the end of 2020. While the region has experienced minimal direct COVID cases, the border closures and restrictions on business operations has had a devastating impact on a number of industries.

The tourism sector, including aviation and hospitality as well as international education have been particularly hard hit. However key regional sectors including mining, agriculture, health care and parts of the retail sector were able to continue operations, with some sectors experiencing increased demand due to the pandemic. Sectors such as seasonal horticulture and re-opening hospitality businesses have reported difficulty in securing workers, with regional employers forced to compete with both the increased Jobseeker subsidy and the absence of seasonal international labour.

### TOWNSVILLE & NORTH WEST QUEENSLAND REGIONS

- North Queensland
- Mid-West Queensland
- Western Queensland

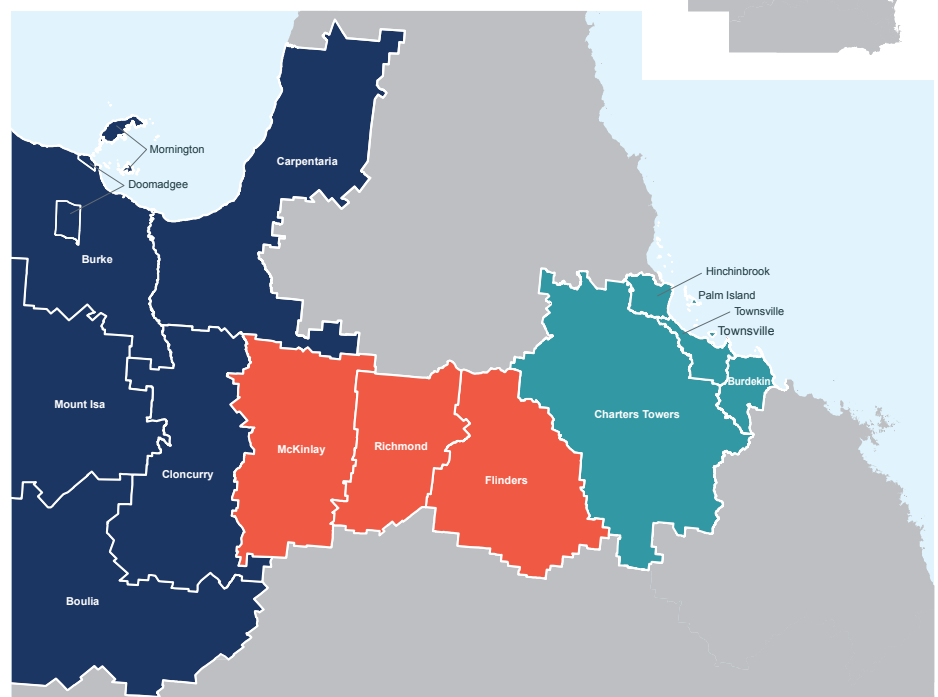
**Total 2018-19 GRP** for Townsville & North West Queensland is \$16.9 billion  
 ↓ -1.1% annual growth

The regional property market has also experienced a recent resurgence, with limited rental vacancy, record low interest rates, and improved borrowing conditions combining to drive increased transaction activity and rental/ price growth across many parts of Townsville and North West Queensland.

Despite the improving outlook, the availability and affordability of insurance for businesses and households in the region is an escalating issue and has the potential to derail the economic recovery. Strata titled units and leisure/recreational businesses have been particularly impacted, with rapidly escalating premiums and a highly limited pool of insurers willing to service the region.

The ACCC has released its Northern Australian Insurance Inquiry Final Report and while this focus on the issues has been welcomed, there are concerns that the recommendations do not go far enough.

As with the national economy, the region remains vulnerable to any further COVID outbreaks. Ongoing trade relations with China will need to be monitored for their implications on the key mining and agricultural export sectors as well as broad business confidence.





## 2. Key Indicators and Regional Development News

### 2.1 NORTH QUEENSLAND

Indicator	Townsville	Hinchinbrook	Burdekin	Palm Island	Charters Towers
<b>Gross Regional Product (GRP) (2018-19)</b> Annual Growth Rate	\$10.2 B ↓ -0.8%	\$509 M ↓ -6.2%	\$1.03 B ↓ -4.0%	\$42 M ↓ -7.6%	\$ 680 M ↓ -1.1%
 <b>Unemployment</b> (June Qtr. 2020)	7.1% ↓ -0.2 ppt quarterly decline	8.1% ↓ -0.3 ppt quarterly decline	6.5% ↓ -0.2 ppt quarterly decline	54.9% ↓ -3.1% ppt quarterly decline	8.7% ↓ -0.5 ppt quarterly decline
 <b>Median House Price</b> (2019-20)	\$320,000 ↑ 3.2% annual increase	\$214,000 ↑ 7.0% annual increase	\$165,000 ↓ -0.6% annual decline	NA	\$190,000 ↓ -5.0% annual decline
 <b>Population</b> (June 2019)	195,032 ↑ 0.5% annual growth	10,687 ↓ -1.1% annual decline	16,971 ↓ -0.6% annual decline	2,671 ↑ 1.29% annual growth	11,739 ↓ -0.9% annual decline

Table 2.1: Headline Economic Statistics North Queensland

Source: NIEIR (2020), QGSO (2020)

#### OUTLOOK

The North Queensland economy has begun to pick up momentum in late 2020. Unemployment has come down slightly across the region and building approvals in Townsville have increased dramatically in recent months, albeit from a very low base.

A strong pipeline of projects is expected to see improved economic performance continue through 2021. Economic risks remain, including further fallout from COVID-19 and low projected future prices for the region's key sugar industry.



#### REGIONAL DEVELOPMENTS

**Works are set to begin on the Big Rocks Weir project** north of Charters Towers with the Australian and Queensland governments each committing \$30 million towards the development.

The weir will provide an estimated 10,000 megalitres of water allocations per annum for urban and agricultural use supporting \$35 million per annum in increased agricultural production. The project forms stage one of the proposed \$5 billion Hells Gates Irrigation Scheme.

**North Queensland's Museum of Underwater Art (MOUA) is on schedule to be completed during 2021** following a commitment to the final \$1 million funding by the State Government.



The final installations to be located at Magnetic and Palm Islands will complete the experience alongside

previous stages developed at The Stand and John Brewer Reef. MOUA will serve as a key driver to support the recovery of visitation to North Queensland post-COVID-19, with the potential to generate up to 50,000 visitors per annum and contribute \$22.5 million to GRP.

**The opportunity for a regional hydrogen industry has continued to gather momentum** with Origin Energy announcing plans for a 300MW electrolyser in Townsville with aims to produce 36,000 tonnes of green hydrogen a year for export. The Queensland Government has identified Townsville as a key gateway for hydrogen production, and has committed a further \$10 million over the next four years to support the industry's development. The State's initial \$5 million in funding for the region will be used by local zinc manufacturer Sun Metals to develop the region's first renewable hydrogen facility.

## 2.2 MID-WEST QUEENSLAND



Indicator	Flinders	Richmond	McKinlay
<b>Gross Regional Product (GRP) (2018-19)</b> Annual Growth Rate	\$157 M ↓ -4.6%	\$78 M ↓ -2.4%	\$675 M ↑ 9.1%
 <b>Median House Price (2019-20)</b>	\$80,000 ↑ 23.1% annual increase	\$95,000 ↓ -5.0% annual decline	\$90,000 annual change N/A
 <b>Population (June 2019)</b>	1,505 ↑ 0.5% annual growth	810 ↓ -0.5% annual decline	818 ↓ -0.5% annual decline

### OUTLOOK

Economic conditions in Mid-West Queensland have remained steady as key indicators have shown mixed results.

While unemployment statistics are not gathered consistently for these local government areas individually, the Mid West region's unemployment is currently estimated at a very low 3%. The housing market has had significant variation in results which were impacted by the typically low sales volumes.

The return to modest population growth in Richmond and Flinders is a significant milestone, given the long-term trend of population decline. A number of small and large developments including the Kennedy Energy Park, Hughenden Recreational Lake, and the Viper polyethylene pipe manufacturing facility have helped support growth and improved sentiment in the region.

Major irrigation, meat processing, and mining projects proposed for the region have the potential to be game changing over the coming years.

**Table 2.2: Headline Economic Statistics Mid-West Queensland**

Source: NIEIR (2020), QGSO (2020)

### REGIONAL DEVELOPMENTS

Works have continued towards developing major regional irrigated agricultural developments across the Mid-West, including:

#### The 15 Mile Irrigation Project

northwest of Hughenden has been approved and aims to provide water to 300ha of high value agricultural land. Once completed the project is expected to create 165 ongoing jobs for the region.

#### The Hughenden Irrigation Project (HIPCo)

Works continue on the detailed business case for the \$300 million + project which plans to provide 30,000 megalitres of water allocations to irrigate over 2000 ha of agricultural land. The scheme will support high value perennial crops such as citrus and mangoes alongside fodder crops to intensify the regional beef cattle industry. The project has the potential to grow the regional economy by \$72 million per annum and support 490 ongoing jobs.

#### The Richmond Agriculture Project

is a \$210 million project aiming to irrigate 8,000 ha for broadacre cropping. The proposal would support 55 ongoing FTE jobs on the border of the Richmond and McKinlay Shires, using existing infrastructure to transport produce.

**Mineral Resources Grants** of up to \$200,000 were approved by the Queensland Government in 2020 to explore possible new resource sites in a number of areas across the West and Mid-West. The \$200,000 grants will be used to employ an electromagnetic survey to identify base metal deposits. Key opportunities include new gold deposits in McKinlay Shire. The exploration could see continued recovery and growth in the mining sector, which supported the local economy through the COVID downturn.



## 2.3 WESTERN QUEENSLAND




Indicator	Cloncurry	Mount Isa	Boulia	Burke	Doomadgee	Mornington	Carpentaria
<b>Gross Regional Product (GRP) (2018-19)</b> Annual Growth Rate	\$1.1 B ↓ -1.6%	\$2.13 B ↓ -1.2%	\$29 M ↓ -3.5%	\$21 M ↓ -3.19%	\$27 M ↓ -9.6%	\$34 M ↓ -11.3%	\$114 M ↓ -6.3%
 <b>Unemployment</b> (June Qtr. 2020)	5.0% ↓ -0.6% ppt quarterly decline	6.9% ↓ -0.8% ppt quarterly decline	2.3% 0 ppt quarterly change	22.6% ↓ -3.6% ppt quarterly decline	22.4% ↓ -3.7% ppt quarterly decline	22.3% ↓ -3.7% ppt quarterly decline	22.4% ↓ -3.7% ppt quarterly decline
 <b>Median House Price</b> (2019-20)	\$120,000 ↓ -29.4% annual decline	\$250,000 no change	NA no change	NA no change	NA no change	NA no change	\$190,000 ↓ -9.5% quarterly decline
 <b>Population</b> (June 2019)	3,047 ↓ -1.4% annual decline	18,595 ↓ -1.5% annual decline	423 ↓ -0.47% annual decline	354 ↑ 0.6% annual growth	1,526 ↑ 0.5% annual growth	1,230 ↑ 1% annual growth	1,977 ↓ -0.15 quarterly growth

Table 2.3: Headline Economic Statistics North West Queensland

Source: NIEIR (2020), QGSO (2020)

### OUTLOOK

The outlook for Western Queensland regions remained steady entering 2021, with generally lower unemployment offset by weakness in GRP and ongoing population decline in the region's largest centres (Mount Isa and Cloncurry). Despite the labour market improvements, local unemployment remains a major concern at above 20% for the remote communities of Burke, Doomadgee, Mornington and Carpentaria.

The recovery in key base metals prices at the end of 2020 has helped to strengthen the regional outlook entering 2021.



### REGIONAL DEVELOPMENTS

**The CopperString 2.0 project has continued to progress** with the draft Environmental Impact Statement released for public consultation and a further commitment of \$11 million from the Australian government to fast track the project.

The \$1.5 billion transmission line aims to connect the community of Mount Isa and the North West Minerals Province to the National Electricity Grid. Economic modelling estimates 3,500 regional jobs and \$79 billion in economic activity will be created over 30 years due to additional resource projects made viable through lower electricity costs.

A final investment decision for CopperString 2.0 is expected during 2021.

**Grand Central Industries are continuing to progress the Cloncurry Intermodal Terminal.** The project is shovel ready and finalising project finance. The debottlenecking rail infrastructure will increase the capacity of the Great Northern Rail Line by up to 4 million tonnes per annum and provide greater rail access for junior miners.

### 3. Business Confidence

Confidence in Queensland's 12 month outlook significantly improved in the September quarter (+8.3ppt), as the state economy continues its recovery from COVID-19.

While there is increased optimism for the coming quarters, caution remains due to the recent domestic outbreaks of COVID 19 and the impending finalisation of the Jobkeeper and Jobseeker subsidy programs.

#### OVERALL QUEENSLAND BUSINESSES REPORTED IMPROVEMENTS IN:

- **Sales and revenues (+15.5ppt)**
- **Profitability (+7.8ppt)**
- **Operating costs (+7.4ppt)**

Positive results were also reported in regard to labour costs and employments levels, which was driven largely by a decrease in the Jobseeker supplement and the reopening of the domestic Queensland economy.

Political and economic stability, as well as the level of demand remain the most significant concerns (particularly for small businesses) across the state.

Indicator	Index Sep 2020	Quarterly Change
12 Month Outlook Queensland	33.3	+8.3
General Business Conditions	40.1	+9.7
Sales and Revenue	45.9	+15.5
Labour Costs	51.6	+8.1
Profitability	38.2	+7.8
Employment	45.4	+6.1
Capital Expenditure	43.6	+3

**Table 3.1: Queensland Business Confidence Sep 2020**

Source: CCIQ (2020)



Image credit: Cam Laird



## 4. Industry Profile: Agriculture Forestry & Fishing



Each Quarter the Townsville and North West Queensland Economic Outlook profiles a key regional industry sector. This quarter reviews the Agriculture, Forestry and Fishing industry.

### INDUSTRY OVERVIEW

The Agriculture, Forestry and Fishing industry is a major economic sector in Townsville and North West Queensland, contributing \$867 million to GRP (5.1%) in 2018-19 and supporting over 4,500 regional jobs. North Queensland (specifically Burdekin and Hinchinbrook) is one of Australia's most productive sugarcane regions alongside diversified broadacre cropping (cotton, legumes). North Queensland also hosts a notable aquaculture industry including black tiger prawns, redclaw crayfish, barramundi, and cobia.

The Mid-West and Western regions currently specialise in extensive cattle grazing.

The industry also supports a significant value add manufacturing sector, including six regional sugar mills and the 1,800 head per day JBS Townsville Meatworks.

### OUTLOOK

The Agriculture, Forestry and Fishing industry has seen significant investment interest over recent years, with rising incomes in emerging market economies and a growing global population driving demand for high quality agricultural produce.

The outlook varies significantly between commodities. The region's traditional sugar crop has been impacted by stagnating global demand due to increasing health concerns associated with excess consumption. Beef on the other hand has continued to see strong demand and price growth, predominantly driven by changing consumer preferences in Asia. Local horticultural production continues to be constrained by the limits of domestic demand and increasing export access will be key to realising future growth.

Despite these macro trends, all of Townsville and North West Queensland's major agricultural industries have experienced significant periods of growth and decline in recent years (see Figure 4.1). The fluctuations which are common to the industry have been driven by weather events (including the 2019 floods which saw approximately 500,000 head of cattle lost across the region) and market fluctuations.

The Townsville and North West Queensland region hosts a number of proposed major agricultural developments. Key current opportunities under investigation as identified in the Townsville and North West Queensland Economic Recovery and Growth Strategy (2020-2030) are summarised in the table below.

Combined the economic impact of these projects could be game changing for the region. If all projects were to go ahead they would be estimated to create up to 20,000 Full Time Equivalent (FTE) jobs during construction and contribute nearly \$4 billion dollars to GRP (including direct and flow on construction impacts).

Potential ongoing impacts from increased agricultural output total approximately 5,000 direct and 2,000 indirect jobs and \$1.1 billion p.a. in GRP (direct and flow on).

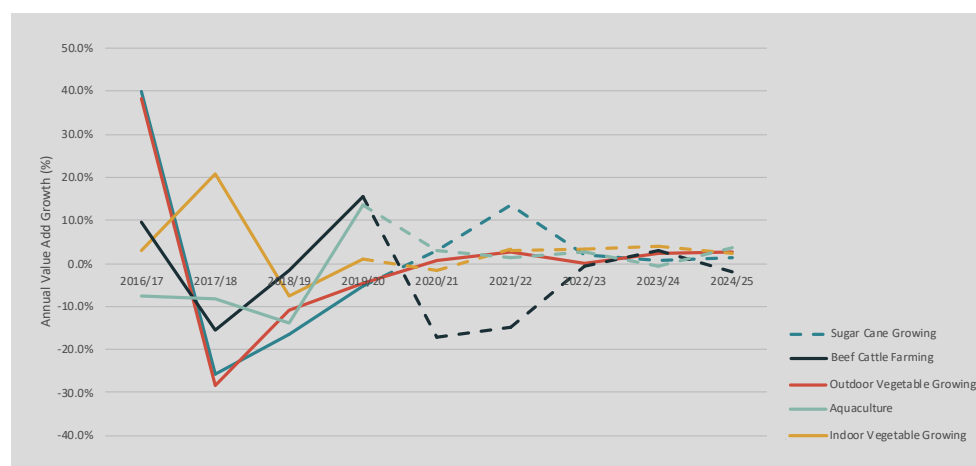


Figure 4.1: Historical and Projected Industry Growth

Source: IBISWorld (2021)

Project	Description	Proponent	Status	Capex
Cave Hill Dam	140,000 ML dam and distribution network supporting irrigated agriculture.	MITEZ	Detailed Business Case Completed	\$460 million
Burdekin Falls Dam Raising	Unlocking an additional 150,000 ML per annum of water allocations for agricultural irrigation, mining and urban use.	SunWater	Detailed Business Case Under Investigation	\$358 – \$665 million, depending on the final height
Richmond Irrigated Agriculture Project	8,000 ha irrigated agricultural project.	Richmond Shire Council	Awaiting Confirmation of Water Allocations	\$210 million
Big Rocks Weir	Irrigated agriculture and urban water storage for the Township of Charters Towers.	Charters Towers Regional Council	Funding Committed	\$60 million
Hells Gates Dam	50,000 ha long-term irrigation scheme.	Townsville Enterprise Limited	Detailed Business Case Under Investigation	\$5.5 billion
HIPCo Irrigated Agriculture Project	10,000 ha irrigated agricultural development for hay, fodder and high value food crops.	HIPCo	Final Stages of Design and Business Case Underway	\$300 million
15 Mile Irrigated Agriculture Project	918 hectare irrigated agriculture precinct growing high value table grapes and citrus crops.	Flinders Shire Council	Stage 1 Development Approved	\$47 million
Hughenden Feedlot and Abattoir	50,000 head feedlot and 800–15,000 head/day abattoir.	CVNM Investments	Development Approved	\$100 million

Table 4.1: Proposed Agricultural Developments

Source: RDA (2020)

## For Further Information



**Cr Frank Beveridge**  
Chairman

The Regional Development Australia Townsville and North West Queensland (RDA) Committee is pleased to partner with Regional Economic Advisory on this initiative to provide a quarterly update on the region's Economic Outlook.

For more information on investment and growth opportunities within our region, please don't hesitate to contact RDA CEO Ms Glenys Schuntner.



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Regional Economic Advisory (REA) provides specialised economic consultancy services to the communities of Central, Northern, North West, and Far North Queensland.

REA is passionate about unearthing new, evidence-based opportunities that help regional centres prosper long into the future.



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