

Townsville & North West Queensland

Economic Outlook

1. Outlook May 2021

1.1 MACROECONOMIC OUTLOOK

After the stark shock that was brought upon by COVID-19, the world is continuing to rebuild. The ongoing roll-out of vaccines has allowed improvement of middle-term outlook of the global economy.

It is expected that remaining domestic and in time international restrictions will ease, allowing a return to more normal levels of economic activity. The IMF currently projects the global economy to grow by a robust 6% during 2021.

Equities markets continued to demonstrate uncanny resilience into early 2021 despite the uncertain conditions. Record low borrowing costs and government stimulus measures persist in driving investment into higher yielding assets.

Investors should pay close attention to any signs of inflation returning or roadblocks to the COVID-19 recovery, such as occurring in India, given the

significant future growth already priced into global stock markets.

Within Australia, the recovery from the initial pandemic-driven downturn has continued despite minor outbreaks, including in South East Queensland.

The Reserve Bank now projects

GDP to grow

approximately 3.5% p.a.

over the next two years after a contraction of 2.0% during 2020.

With unemployment now at a moderate 5.6% and strong labour force participation, the national economy appears to have transitioned well initially from the JobKeeper and JobSeeker subsidy schemes.

The Federal Government's budget commitment to expansionary fiscal policy should continue to underpin activity and confidence. Significant budget deficits are projected each year until 2024-25.

The Australian Dollar sits at around \$0.77 USD, trending over 10 USc higher than 12 months ago. Any further appreciation to above \$0.85 USD may begin to impact the competitiveness of key mining and agricultural exports. This will be a consideration for the Reserve Bank as it considers a potential winding back of monetary stimulus measures over the coming quarters.

While the overall outlook for the national and global economy is positive, it remains subject to significant uncertainty. The record debts and deficits accrued to support economies during the pandemic (estimated at over \$US 16 trillion globally) will require strong and sustainable growth to recover over the coming years. In the meantime, many economies remain vulnerable to any future shocks or setbacks in the recovery.

1.2 REGIONAL OUTLOOK

The Townsville and North West Queensland economy continues to show significant resilience.

Total Gross Regional Product (GRP) declined 2.1% during 2019–20 as a result of COVID-19. However, many areas within the region managed to achieve positive economic and population growth which is a significant achievement.

The unfortunate social distancing restrictions imposed over the Easter travel period was another hit to the hospitality sector. Primary research by the CCIQ estimates losses for small to medium businesses averaging between \$13,000 and \$74,000 due to reduced trade.

Despite this further setback, initial feedback indicates the region has transitioned successfully from the JobKeeper and JobSeeker subsidy

schemes. Continued growth in the labour force will be key to support activity in the region, with many sectors beginning to feel pressure from labour shortages due to restricted access to international labour and skills.

The regional property market has continued its recent resurgence, driven by renewed in-migration and strong affordability compared to Australia's capital cities. The Federal Government's proposed \$10 billion re-insurance pool should continue to support strong interest in home ownership, while also helping to alleviate the cost pressure and insurance risk for many local businesses.

A strong pipeline of projects in and around the region continues to drive a solid outlook.

Recent announcements in the federal budget include a \$400 million

inland freight route from Mungindi to Charters Towers, upgrades to the Bruce and Flinders Highways, \$600 million National Recovery and Resilience Agency, and the announcement of a \$250 million Building Better Regions Funding round for shovel ready infrastructure projects.

These projects will occur alongside proposed regional catalyst developments including the \$1 billion Australia – Singapore Military Training Initiative, \$663 million Agripower Australia fertiliser project, \$450 million The Hive mixed use project, \$193 million Port of Townsville expansion, \$1.5 billion CopperString 2.0 transmission line, \$700 million Kidston pumped hydro scheme, and an \$80 million hotel development by Morris Group adjacent to The Ville Resort-Casino.

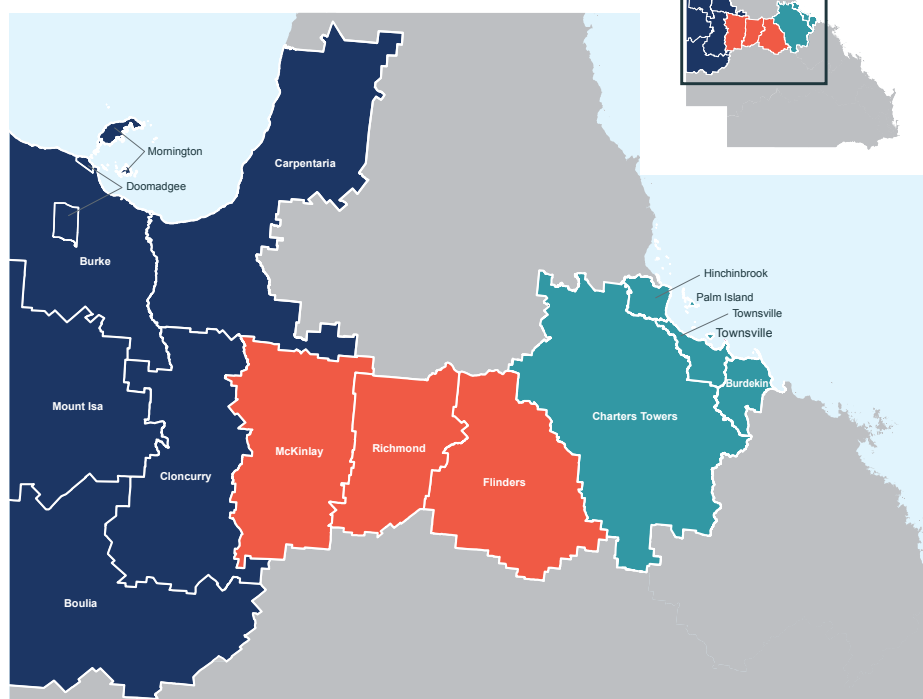
TOWNSVILLE & NORTH WEST QUEENSLAND REGIONS

Total 2019–20 GRP for Townsville & North West Queensland

–2.1% annual decline

Total population growth +0.6%

■ North Queensland
■ Mid-West Queensland
■ Western Queensland



2. Key Indicators and Regional Development News

2.1 NORTH QUEENSLAND




Indicator	Townsville	Hinchinbrook	Burdekin	Palm Island	Charters Towers
Gross Regional Product (GRP) (2019–20) Annual Growth Rate	\$10.6 B ↑ 1.0% annual growth	\$420 M ↓ -5.0% annual decline	\$969 M ↓ -5.1% annual decline	\$43 M ↑ 8.0% annual growth	\$ 685 M ↓ -4.6% annual decline
 Unemployment (Dec Qtr. 2020)	6.1% ↓ -0.4 ppt quarterly decline	6.1% ↓ -0.8 ppt quarterly decline	5.4% ↓ -0.5 ppt quarterly decline	38.2% ↓ -6.3% ppt quarterly decline	6.7% ↓ -0.8 ppt quarterly decline
 Median House Price (2019–20)	\$337,000 ↑ 5.3% annual growth	\$215,000 ↑ 7.5% annual growth	\$170,000 ↑ 0.9% annual growth	NA	\$200,000 ↑ 2.6% annual growth
 Population (June 2020)	196,800 ↑ 0.9% annual growth	10,645 ↓ -0.4% annual decline	16,953 ↓ -0.1% annual decline	2,684 ↑ 0.5% annual growth	11,731 ↓ -0.1% annual decline

Table 2.1: Headline Economic Statistics North Queensland

Source: NIEIR (2021), QGSO (2021)

OUTLOOK

The North Queensland economy continues to gather momentum through 2021. Unemployment has decreased across the region and building approvals have surged in Townsville (quarterly approvals up nearly 80% from a year ago) on the back of the Federal Government Homebuilder Scheme and ongoing Queensland Government support for new home builders.

Tourism remains a significant area of weakness, with regional visitation numbers down by around a third over calendar year 2020 due to the pandemic. The recent federally subsidised flights to Townsville have provided a significant temporary boost to the sector.

A drop in GRP and continued population decline in the key agricultural centres of Burdekin and Hinchinbrook remains a significant concern. Industry diversification is a key goal for both regions, with a number of promising opportunities across grains, protected horticulture, aquaculture, and value adding proposed.

As per the previous quarter, a strong pipeline of projects is expected to see improved economic performance continue. The Charters Towers region has a particularly strong investment outlook, including Big Rocks Wier, Agripower Australia fertiliser project, and the Ravenswood and CitiGold mine expansions.

REGIONAL DEVELOPMENTS

Fertiliser producer Agripower Australia has secured a \$71 million loan through the Northern Australia Infrastructure Facility (NAIF) to develop one of the world's largest resources of biogenic amorphous silica.

The project, which includes a mine near Greenvale and processing located near Charters Towers, has the potential to support 345 Full Time Equivalent (FTE) construction and 171 FTE operational jobs with a projected mine life of up to 200 years.

The Great Barrier Reef Marine Park Authority (GBRMPA) has announced plans to relocate into The Hive development in Townsville's CBD.

GBRMPA will be the anchor tenant for the up to \$450 million mixed use project which will redevelop an entire city block bounded by Flinders Street, King Street, The Strand, and Wickham Street.

The project forms another key step in the revitalisation of Townsville's CBD alongside Queensland Country Bank Stadium and the \$40 million under construction Reef HQ redevelopment.

The establishment of a regional hydrogen industry continues to gather momentum with the Port of Townsville and Origin Energy signing a Memorandum of Understanding (MOU) to export green hydrogen.

The deal assists in establishing the supply chain as part of Origin Energy and Japan's Kawasaki Heavy Industries proposed 36,500 Tpa liquid hydrogen project.

2.2 MID-WEST QUEENSLAND



OUTLOOK

Economic conditions in Mid-West Queensland have continued their recent trends, with key indicators showing mixed results.

All three Local Government Areas showed slight upticks in the unemployment rate, however local labour markets remain very tight at under 4%. GRP data was highly volatile, with the large decline in Flinders Shire impacted by the conclusion of major developments including stage one of Kennedy Energy Park.

The tourism sector has also fared better than most through the pandemic due to a focus on domestic travel. The Outback tourism¹ region still recorded an annual visitor decline of approximately 25% during calendar year 2020. Anecdotally visitation levels have improved in recent months, with the easing of restrictions and increased interest in domestic travel.




Indicator	Flinders	Richmond	McKinlay
GRP (2019-20) Annual Growth Rate	\$128 M ↓ -31.4% annual decline	\$100 M ↓ -10.3% annual decline	\$523 M ↓ -2.1% annual decline
 Unemployment (Dec Qtr. 2020)	3.6% ↑ 0.3 ppt quarterly increase	3.7% ↑ 0.4 ppt quarterly increase	3.7% ↑ 0.4 ppt quarterly increase
 Median House Price (2019-20)	\$100,656 annual change N/A	\$85,000 ↓ -20.3% annual decline	\$110,000 annual change N/A
 Population (June 2020)	1,512 ↑ 0.6% annual growth	813 ↑ 0.4% annual growth	823 ↑ 0.6% annual growth

Table 2.2: Headline Economic Statistics Mid-West Queensland

Source: NIEIR (2021), QGSO (2021)

REGIONAL DEVELOPMENTS

The 2020 financial year has seen the Mid-West region return to population growth. All three Local Government Areas registered

growth of approximately half a percent representing a significant milestone.

Population decline has been a major challenge for the region dating back to the 1990s when the agricultural industry transitioned from labour intensive wool production to extensive beef cattle grazing. New investments in mining, energy, and irrigated agriculture have been the major drivers drawing new residents to the region.

Multicom Resources proposed 10,000 tonne per annum vanadium project near Julia Creek has received conditional

environmental approval from the Federal Government.

The approval includes a requirement for environmental offsets to protect against potential impacts on habitat of the rare Julia Creek Dunnart.

The mine which has the potential to provide 250 construction and 150 operational jobs still requires State Government approval to proceed.

Strategic Minerals Corporation has proposed a \$200 million gold mine north of Richmond.

The Woolgar project is now seeking for a lease extension to allow for the construction of a processing plant and associated infrastructure.

If it proceeds the project has the potential to employ up to 350 FTE.

¹ The Outback tourism region covers Mid-West, Western as well as South West Queensland.

2.3 WESTERN QUEENSLAND




Indicator	Cloncurry	Mount Isa	Boulia	Burke	Doomadgee	Mornington	Carpentaria
GRP (2019–20) Annual Growth Rate	\$938 M ↓ -8.9% annual decline	\$2.1 B ↓ -8.8% annual decline	\$34 M ↓ -6.1% annual decline	\$31 M ↓ -12.6% annual decline	\$34 M ↓ -26.8% annual decline	\$33 M ↓ -22.1% annual decline	\$132 M ↓ -12.7% annual decline
 Unemployment (Dec Qtr. 2020)	6.2% ↑ 0.9 ppt quarterly increase	8.3% ↑ 0.8 ppt quarterly increase	3.1% no ppt quarterly change	25.9% ↑ 2.9% ppt quarterly increase	25.7% ↑ 2.6 ppt quarterly increase	25.7% ↑ 2.5 ppt quarterly increase	25.6% ↑ 2.4 ppt quarterly increase
 Median House Price (2019–20)	\$150,000 ↑ 27.7% annual growth	\$245,000 ↓ -3.9% annual decline	NA no change	NA no change	NA no change	NA no change	\$190,000 ↓ -16.3% annual decline
 Population (June 2020)	3,004 ↓ -1.4% annual decline	18,578 ↓ -1.0% annual decline	416 ↓ -1.7% annual decline	354 0.0% annual growth	1,534 ↑ 0.5% annual growth	1,231 ↑ 0.1% annual growth	1,970 ↓ -0.3% annual decline

Table 2.3: Headline Economic Statistics North West Queensland

Source: NIEIR (2021), QGSO (2021)

OUTLOOK

The outlook for Western Queensland is improving following a difficult 2020. Population growth rates were low to declining and GRP declined significantly in the region's largest centres (Mount Isa and Cloncurry).

However, a turnaround in base metal prices and renewed investment interest in the region should see economic indicators improve over the coming months.

Local unemployment continues to be a primary concern at above 25% for the remote communities of Burke, Doomadgee, Mornington and Carpentaria.



REGIONAL DEVELOPMENTS

Planning works for a \$600 million solar–thermal renewable energy project in Mount Isa are underway with an agreement between state-owned Stanwell Corporation and Vast Solar.

The 50-megawatt green energy project is currently under feasibility investigation with development scheduled for 2023.

The \$1.5 billion CopperString 2.0 project continues to progress with a \$17 million investment by Sun Metals Zinc Refinery owner Korea Zinc Company. The transmission line connecting the North West Minerals Province (NWMP) to the National Electricity Grid is of key interest to Korea Zinc as a major energy user and component of the NWMP supply chain.

3. Business Confidence

Business confidence in Queensland's 12-month outlook significantly improved in the December quarter (+9.2 ppt) to a current index of 42.5, continuing the steady recovery from the pandemic's effects.

Businesses have become more optimistic that the worst of the COVID-19 health crisis has passed, with easing social distancing restrictions delivering confidence for a return to smoother business operations.

Whilst there is an overall positive trend, the tourism industry continues to predict a slower recovery as global uncertainty persists. Continued domestic COVID outbreaks have maintained a significant level of uncertainty for many businesses.

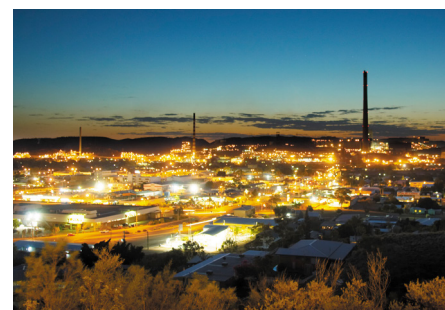
OVERALL QUEENSLAND BUSINESSES REPORTED IMPROVEMENTS IN:

- **Sales and revenues +3.7 ppt**
- **Profitability +2.5 ppt**
- **Operating costs +6.0 ppt**

A strong positive result also reported in regard to labour costs (+7.0 ppt), which was driven largely by the conclusion of JobKeeper and JobSeeker subsidy payments and the reopening of the domestic Queensland economy.

While initial indications for the job market are positive, it remains to be seen how smoothly the economy will transition from the significant wage subsidies.

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



Indicator	Index Dec 2020	Quarterly Change
12 Month Outlook Queensland	42.5	+9.2
General Business Conditions	48.0	+7.9
Sales and Revenue	49.6	+3.7
Labour Costs	58.6	+7.0
Profitability	40.7	+2.5
Employment	46.3	+0.9
Capital Expenditure	46.0	+2.4

Table 3.1: Queensland Business Confidence Dec 2020

Source: CCIQ (2021)

4. Industry Profile: Mining

Each quarter the Townsville and North West Queensland Economic Outlook profiles a key regional industry sector. This quarter reviews the Mining industry.

INDUSTRY OVERVIEW

Townsville and North West Queensland hosts a major mining industry, contributing \$3.2 billion (nearly 20%) to GRP in 2019–20.

The majority of mining activity occurs in the Western region, which hosts the highly productive NWMP. The NWMP produces a majority of Australia's base metals (specifically copper, lead, and zinc) in addition to Incitec Pivot's Phosphate Hill mine.

Mining production in the Northern region comes predominantly from gold operations located around Charters Towers and Ravenswood.

The Northern region also hosts significant value adding activity, including the Sun Metals Zinc and Glencore Copper refinery. Minerals produced in the NWMP are also typically exported via the Port of Townsville. The Northern region supplies significant Fly in Fly Out (FIFO) and Drive in Drive Out (DIDO) labour and expertise to the NWMP and the Bowen and Galilee coal basins located to the south of the region.

The Mid-West region also hosts notable mining activity, including South 32 Cannington, one of the world's largest silver and lead mines. The operation is responsible for 6% of global silver production.

The regional industry produced relatively weak GRP during 2019–20 (–4.0% annual growth since 2016), with commodity prices and global supply chains impacted by the COVID-19 pandemic.

Region	IVA (2019–20, \$M)	4 Year Average Growth
Northern	\$519.3	–3.1%
Mid – West	\$262.0	–15.4%
Western	\$2,387.6	–2.7%
Total Region	\$3,168.9	–4.2%

Table 4.1: Townsville North West Queensland Mining Industry Value Added (IVA)

Source: NIEIR (2021)

Mining was Australia's boom sector prior to the Global Financial Crisis (GFC) in 2009. Demand growth driven by industrialisation in emerging markets (particularly China and India) led to rapid price growth and investment in new production capacity.

Infrastructure stimulus post the GFC downturn led to a strong initial recovery. However, in recent years price levels have been much lower. China has moved to a slower and more sustainable growth trajectory, with less focus on infrastructure and manufacturing and greater growth in services. Global growth has been relatively modest with a number of setbacks.

However, the sector appears to have entered a cyclical upswing in early 2021 as global demand recovers post the COVID-19 pandemic. Many countries have delivered significant public infrastructure stimulus which has supported demand for hard commodities.



Figure 4.1: Base Metals Price Index

(Special Drawing Rights, 2019–20 = 100)

Source: RBA (2021)

4. Industry Profile: Mining continued



OUTLOOK

Overall, the regional mining sector is in a strong position over the coming quarters. The recent cyclical upswing has brought forward a number of new and expansion projects across gold, base metals, fertiliser, and new potential resources including vanadium and scandium (see Table 4.2).

There is also strong renewed interest in the value adding sector, including Sun Metals \$400 million expansion and the proposed Pure Minerals (nickel, cobalt and alumina) refinery in Townsville. Growing demand

for lithium-ion batteries has also spurred interest in extraction of rare earths located within the region.

Regional production which focuses on base metals has a reasonably stable outlook, however the cyclical nature and volatility of the industry will in all likelihood continue.

A key trend towards automation of labour within the industry (including driverless vehicles) will likely lead to a decline in the traditionally high paying jobs provided by the sector over time. This trend may have a significant impact on remote mining

communities, which have already been affected by the rise in FIFO and DIDO working arrangements.

It is critical that local communities are able to maximise the economic benefits from regional mining operations, including value adding to raw commodities. Remote communities also need to continue to diversify their economies to assist in smoothing out the boom/bust cycle associated with the mining sector.



Project	Location	Proponent	Commodity	Status	Capex (\$M) ¹
Charters Towers Gold	130km SW Townsville	Citigold	Gold	Publicly announced	\$246
Mount Carlton	150km S of Townsville	Evolution	Gold	Committed	\$60
Ravenswood Expansion Project	92km SSE of Townsville	EMR Capital and GEAR Joint Venture	Gold	Committed	\$300
Agripower Australia Project	Greenvale with Processing at Charters Towers	Agripower Australia	Amorphous Silica	Funding secured	\$663
SCONI (Norinco) Scandium Project	Greenvale	Metallica Minerals	Scandium	Publicly announced	\$1,300
Woolgar Project	120km north of Richmond	Strategic Minerals	Gold	Publicly announced	\$200
St Elmo	25km E of Julia Creek	Multicom Resources	Vanadium	Publicly announced	\$470
Mount Isa North Uranium Project	40km N of Mount Isa	Summit Resources / Paladin Resources	Triuranium Octoxide (U3O8)	Publicly announced	\$600
Walford Creek	350km NW of Mount Isa	Aeon Metals	Copper, Cobalt, Zinc	Publicly announced	\$785
Ardmore	115km S of Mount Isa	Centrex Metals	Phosphate	Feasible	\$58
D-Tree Project (Paradise Phosphate)	110km NW of Mount Isa	Legend International Holdings Inc.	Phosphate	Publicly announced	\$500 – \$1,000
Mount Elliot – Swan Project	Cloncurry	Chinova	Copper- Gold	Publicly announced	\$1,800

Table 4.2: Proposed Mining Developments

Source: Office of the Chief Economist (2021), RDA (2021)

Note: 1 Capital estimates based on publicly available information at the time of writing and may not reflect the most recent project estimates.

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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