

Townsville & North West Queensland

Economic Outlook

1. Outlook November 2021

1.1 MACROECONOMIC OUTLOOK

The global economy continues to work its way through the COVID-19 pandemic. International borders continue to steadily open as countries work through vaccination programs and other health measures.

Despite the progress, global supply chains continue to be heavily disrupted. Ongoing higher inflation remains a risk to economic activity including price spikes in oil, lumber, food products, and steel.

The recent crackdown on Chinese technology companies and the collapse of major property developer Evergrande highlight the risks still present in the international economy.

The national economy is beginning to reopen after extended delta strain lock-downs across Sydney and Melbourne. When official figures are released GDP will in all likelihood have returned to negative growth over the second half of 2021, creating a double-dip recession.

Indicator	Outcome
GDP Growth (June Qtr. 2021)	0.7%
CPI (12 months to Sept 2021)	3.0%
Unemployment Rate (Oct 2021)	5.2%
Australian Dollar	\$0.75 USD

Table 1.1: Australian Macroeconomic Indicators

Source: RBA (2021), ABS (2021)

1.2 REGIONAL OUTLOOK

The Townsville and North West Queensland economy continues to gather momentum and has performed strongly throughout the COVID pandemic.

Increasing investment interest across residential and commercial property, resources, agriculture, and manufacturing is unlocking a new wave of growth across the region.

However, risks remain as Australia transitions from policies aimed at 'Zero COVID' towards an approach of 'Living with COVID'. Regions such as Townsville and North West Queensland face much greater downside risk from the impending opening up of domestic and international borders, and it is critical that the region continues to build upon recent economic growth.

Key Regional Trends

- **Strong investment pipeline and industry growth are fueling a new phase of confidence.**
- **Housing and labour shortages are currently the major regional constraints.**
- **Policy transition to 'Living with COVID' a key regional risk which needs to be managed to maintain recent momentum.**

2. Key Indicators and Regional Development News

2.1 NORTH QUEENSLAND





Indicator	Townsville	Hinchinbrook	Burdekin	Palm Island	Charters Towers
 Unemployment (June Qtr. 2021)	5.5% ↓ 0.6 ppt quarterly decline	5.6% ↓ 0.5 ppt quarterly decline	5.0% ↓ 0.5 ppt quarterly decline	34.5% ↓ 1.8 ppt quarterly decline	6.1% ↓ 0.5 ppt quarterly decline
 Median House Price (June 2021)	\$351,000 ↑ 6.5% annual growth	\$200,000 ↓ 6.8% annual decline	\$200,000 ↑ 21.2% annual growth	NA	\$220,000 ↑ 14.3% annual growth
 Residential Building Approvals (12 months to Aug 2021)	1,150 ↑ 121.2% annual growth	26 0.0% annual growth	44 ↑ 69.2% annual growth	15 NA annual growth	27 ↑ 170% annual growth
 Tourist Visitor Nights (2019-20)	4.0 million ↓ 18.9% annual decline	NA	NA	NA	313,987 ↓ 30.7% annual decline

Table 2.1: Headline Economic Statistics North Queensland

Source: NIEIR (2021), QGSO (2021), .id (2021)

REGIONAL DEVELOPMENTS

Queensland Pacific Metal's proposed \$650 million battery metals refinery in the Lansdown Eco-Industrial Precinct is scheduled to begin construction next year.

Finance for the development, which would support around 1,000 construction and 250 operational jobs, is currently under due diligence review by the Northern Australia Infrastructure Facility (NAIF).

Construction works on the Ville's new \$80 million hotel development have begun with the project scheduled to be operational by mid-2023.

The project which is situated on vacant land adjacent to the existing Ville Resort-Casino will provide a significant boost to the local tourism industry which is looking to rebuild as borders reopen from the COVID-19 pandemic.

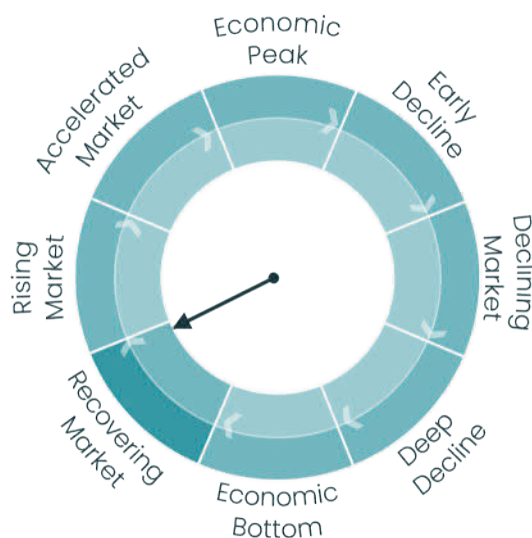
Development works have started on the Greenvale Military Training Area as part of the \$2.25 billion Singapore-Australia Military Training Initiative (ASMTI) project with initial construction contracts awarded.

Local stakeholders including Regional Development Australia Townsville and North West Queensland (RDA) have established a working committee aimed at ensuring local businesses can maximise opportunities associated with the project.

The initiative will see up to 14,000 Singaporean troops utilise Australian-based military training facilities across sites at Greenvale and Shoalwater Bay in Central Queensland.

OUTLOOK

The Northern regional economy continues to strengthen on the back of a strong project pipeline, high beef and sugar prices, and a recovering housing market.



2.2 MID-WEST QUEENSLAND

Hughenden: Outback Town, Endless Horizons
Photo Credit: Jennifer Tasker

Indicator	Flinders	Richmond	McKinlay
 Unemployment (June Qtr. 2021)	3.9% no change	3.9% ↓ 0.1 ppt quarterly decrease	3.9% ↓ 0.1 ppt quarterly decrease
 Median House Price (June 2021)	\$100,000 ↑ 25.0% annual growth	\$120,000 ↑ 23.1% annual growth	NA
 Residential Building Approvals (12 months to Aug 2021)	1 NA annual growth	0 NA annual growth	1 NA annual growth
 Tourist Visitor Nights (2019-20)	NA	NA	NA

Table 2.2: Headline Economic Statistics Mid-West Queensland

Source: NIEIR (2021), QGSO (2021), .id (2021)

REGIONAL DEVELOPMENTS

The State Government has given the final approval for Multicom Resources' proposed \$250 million St Elmo vanadium mine near Julia Creek.

The project includes mine infrastructure, a processing plant, workforce accommodation village, and associated infrastructure including an off-site water supply dam and 20km pipeline to the project site.

The proponents have made a strong commitment to supporting the local community, with around three-quarters of the long-term workforce expected to either live in the McKinlay Shire or to travel from the surrounding communities of Cloncurry, Richmond, and Mount Isa.

Construction is scheduled to begin in 2022.

Flinders Shire Council has launched a major new tourism campaign entitled Hughenden: Outback Town, Endless Horizons.

The initiative focuses on highlighting the Shire's rich history and diverse outback attractions, including the famous Porcupine Gorge (also known as 'Little Grand Canyon'), and the recently developed \$12-million Hughenden Recreational Lake.

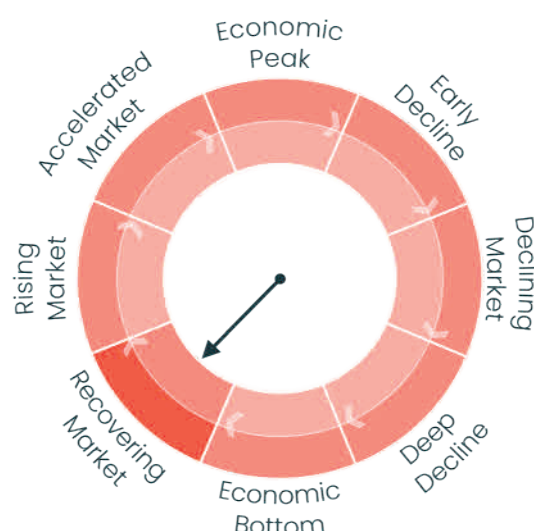
Outback drive-tourism has been one of the few bright spots for the industry through the pandemic and stands to be a key beneficiary of the reopening of interstate borders.



St Elmo Vanadium Mine

OUTLOOK

The Mid-West region has begun to gather economic development momentum on the back of major vanadium resource and irrigated agriculture developments



2.3 WESTERN QUEENSLAND





Indicator	Cloncurry	Mt Isa	Boulia	Burke	Doomadgee	Mornington	Carpenteria
 Unemployment (June Qtr. 2021)	7.0% ↑ 0.1 ppt quarterly increase	8.8% no change	3.1% ↓ 0.3 ppt quarterly decline	28.9% ↑ 1.0 ppt quarterly increase	28.6% ↑ 0.7 ppt quarterly increase	28.6% ↑ 0.8 ppt quarterly increase	28.6% ↑ 0.8 ppt quarterly increase
 Median House Price (June 2021)	\$187,500 ↑ 59.6% annual growth	\$294,000 ↑ 11.1% annual growth	NA	NA	NA	NA	\$250,000 ↑ 28.2% annual growth
 Residential Building Approvals (12 months to Aug 2021)	2 0.0% annual growth	4 ↓ 50.0% annual decline	0 NA annual growth	0 NA annual growth	6 NA annual growth	0 ↓ 100% annual decline	0 ↓ 100% annual decline
 Tourist Visitor Nights (2019–20)	NA	760,386 ↑ 7.4% annual growth	NA	NA	NA	NA	NA

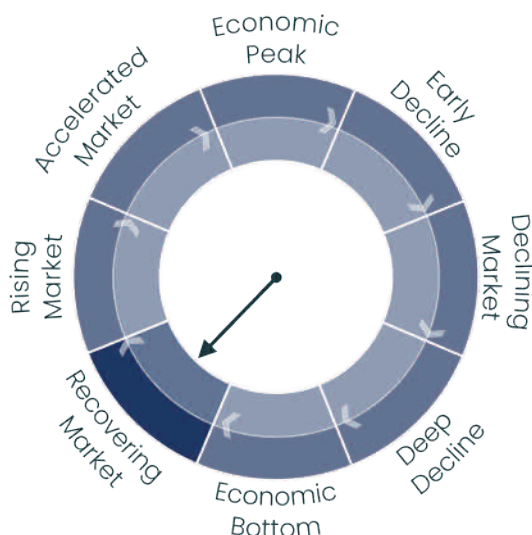
Table 2.3: Headline Economic Statistics Western Queensland

Source: NIEIR (2021), QGSO (2021), .id (2021)



OUTLOOK

Rising base metal and record beef prices have kick-started the recovery phase across Western Queensland.



REGIONAL DEVELOPMENTS

Proponents behind the Ardmore phosphate mine south of Mount Isa have launched their Agriflex business arm aimed at producing and marketing fertiliser products.

The Ardmore project has the potential to produce 800,000 tonnes of raw phosphate a year, with a minimum 10-year mine life.

The project will help decrease Australian farmers' reliance on imported phosphorus and limit rapidly rising prices currently retailing around \$1,250/tonne.

The federal government has announced a \$2 billion fund to help finance critical minerals projects.

The loan facility will be used for new projects to get off the ground for high-demand minerals used in renewable energy, batteries, smart devices, and advanced manufacturing. Key commodities include lithium, magnesium, vanadium, and nickel.

The North West Minerals Province presents a generational opportunity for wealth and economic activity creation across the entire Townsville and North Queensland region.

Opportunities extend across the supply chain from energy generation/transmission and minerals production, logistics, refining/ processing (Glencore, Sun Metals, Queensland Pacific Metals, Incitec Pivot, Agripower Australia) to high end advanced manufacturing and export (lithium-ion batteries, semiconductors, defence contracts).

3. Business Confidence

Business confidence in Queensland's 12-month outlook rose slightly in the June quarter (+0.3 ppt) to a current index of 55.0.

However, most indicators were slightly negative as the delta strain lockdowns across broader Australia during the period detracted from sentiment.

Small declines were recorded across general business conditions (-3.9 ppt), sales and revenue (-4.5 ppt), and capital expenditure (-0.5 ppt).

However, each of these indicators remains in positive territory with an **index above 50**.

Expectations for labour costs continued to increase (+2.4 ppt) with significant labour shortages reported in many sectors. Rising labour costs are beginning to impact employment expectations, with the index dipping (-1.6 ppt) into slightly negative territory.

Profitability levels (-4.4 ppt) remain the biggest area of uncertainty for businesses, with rising inputs costs and disrupted global supply chains impacting many operations.

Indicator	Index June 2021	Quarterly Change
12 Month Outlook Queensland	55.0	+0.3
General Business Conditions	54.4	-3.9
Sales and Revenue	53.3	-4.5
Labour Costs	68.2	+2.4
Profitability	40.8	-4.4
Employment	49.7	-1.6
Capital Expenditure	51.4	-0.5

Table 3.1: Queensland Business Confidence June 2021

Source: CCIQ (2021)



The Ville Development. Photo Credit: Mendi Group



St Elmo Vanadium Mine

4. Industry Profile: Rental, Hiring and Real Estate Services

4.1 INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

Townsville and North West Queensland hosts a major Rental, Hiring and Real Estate Services industry contributing \$302.4 million (approximately 2%) to Gross Regional Product (GRP) in 2019-20.

The industry is dominated by the property sub-sector, including residential, commercial, and industrial sales and rental activity.

The Northern Region hosts by far the largest sector (over 90% of total industry activity), with Townsville the major population hub for Townsville and North West Queensland.

However, the sector plays a key role across all the local communities, facilitating residential housing for workers and families, and employment space for business activity. The sector is also a major direct employer, providing over 1,800 regional jobs (NIEIR, 2021).

The industry has endured challenging conditions over the past few years, with high residential and commercial vacancy rates and declining house prices across many centres. Industry activity has declined by approximately 1.8% p.a. (\$23 million) since 2016 (see Table 4.1).

A decade of record-low interest rates alongside strong international and domestic migration has seen a real estate boom across capital city markets. However, a period of high unemployment, slow population growth, tight lending conditions, and natural disasters greatly impacted the local industry.

Macro trends towards consolidation of employment in and around capital cities, the rise of online business models, and remote working have also disrupted the regional industry.

Region	IVA 2019-20 \$M	4 Year Average Growth
Northern	\$279.0	-0.3%
Mid-West	\$3.7	-21.1%
Western	\$19.7	-12.4%
Total Region	\$302.4	-1.8%

Table 4.1: Townsville North West Queensland Rental, Hiring and Real Estate Services Industry Value Added (IVA)

Source: NIEIR (2021)

Over the past 12-18 months, however, the local sector has experienced a significant resurgence.

Growing industry sectors, major construction projects, relative housing affordability¹ and lifestyle factors alongside a desire to escape the COVID pandemic in southern states have seen interest in relocating to Townsville and North West Queensland increase.

Residential sales volumes and rental activity have increased substantially

with strong rental growth, sub 1% vacancy, and sale prices beginning to climb in many areas. The commercial and industrial sectors, while further back in the cycle, have also begun to recover.

Residential building activity levels have also begun to respond to rising demand, with approvals across the region increasing over 100% during the recent Federal Government Homebuilder grants program (see Figure 4.1).

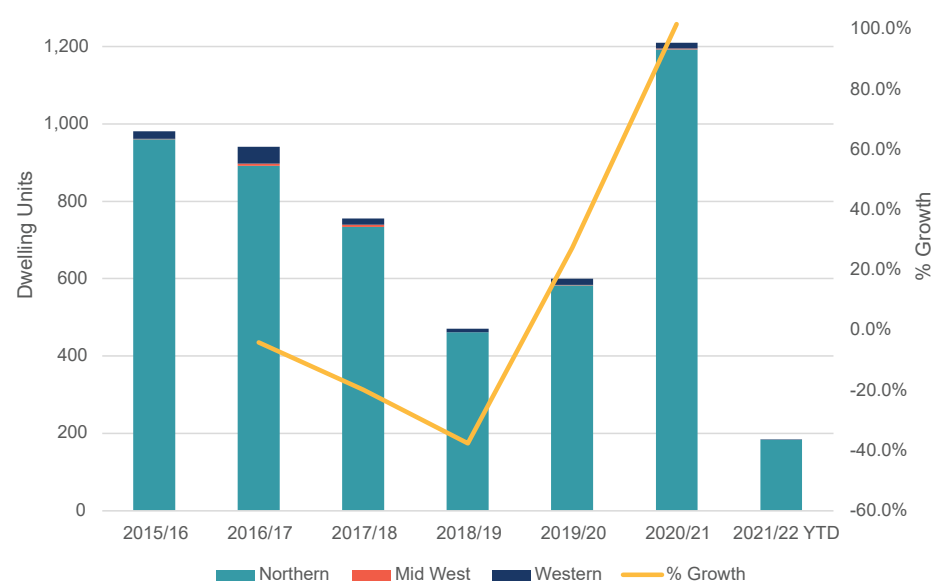


Figure 4.1: Residential Dwelling Approvals

Source: QGSO (2021)

¹ Regional prices generally range between 20%-50% of capital city medians.

4.2 OUTLOOK

OUTLOOK

The Townsville and North West Queensland Rental, Hiring and Real Estate Services industry is well placed for a new period of growth.

The return of population and industry growth is likely to combine with continued low interest rates to drive activity. However, despite the upturn, the sector continues to face some notable constraints.

Insurance costs in the region are currently around double Southern Australia (ACC, 2021). Medium and higher density (strata titled) properties are particularly constrained, with very few insurers providing cover. The recently announced \$10 billion re-insurance pool for Northern Australia must deliver affordability outcomes and insurance access to regional households and businesses.

Likewise, lending conditions in the more rural and remote parts of the region remain very challenging, with finance providers currently restricting lending on a post code basis.

A lack of access to finance is limiting new development and constraining supply for many of the region's remote communities.

The recently released Western Queensland Alliance of Councils' Housing Solutions Study has identified a range of measures including:

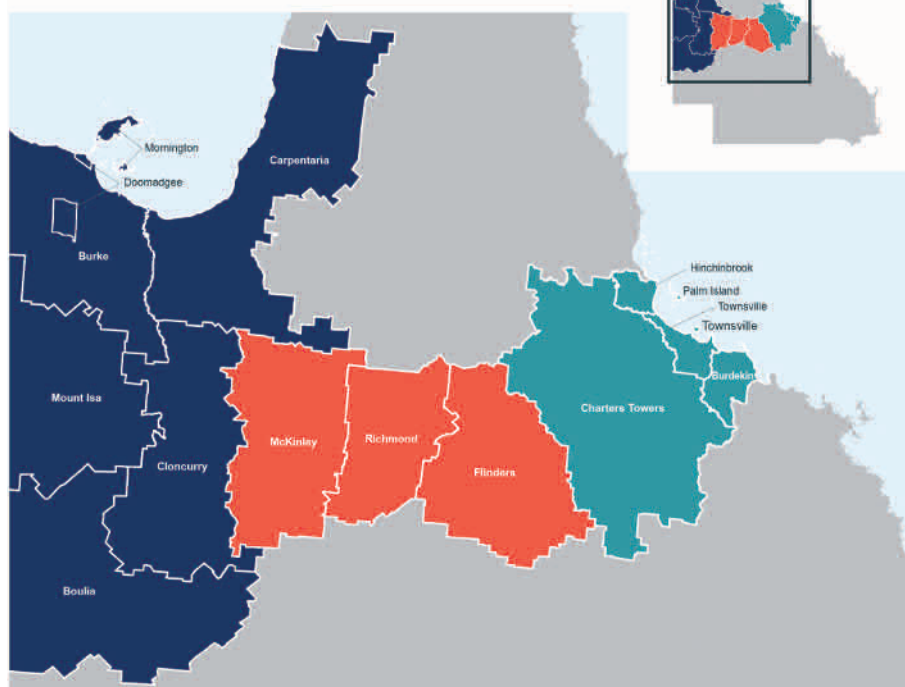
- Establishing an unlisted residential property fund to attract investment into residential property.
- Re-investment into State Government employee housing.
- Introducing a Regional New Home Guarantee to support households looking to build or substantially renovate a home in locations where sales prices are significantly lower than average build costs.

Addressing these key factors will help to ensure that to the extent possible the current property upcycle will result in additional supply to facilitate economic development and population growth across the Townsville and North West Queensland region.



Townsville & North West Queensland Regions

- North Queensland
- Mid-West Queensland
- Western Queensland



For Further Information



Cr Frank Beveridge
Chairman

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

For more information on investment and growth opportunities within our region, please don't hesitate to contact RDA CEO Mr Wayne Chiesa.



Mr Matthew Kelly
Principal Economist

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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