

Townsville & North West Queensland

Economic Outlook

Credit: George Pedley

1. Outlook March 2022

1.1 MACROECONOMIC OUTLOOK

The ongoing recovery from COVID-19 has been impacted by Russia's recent invasion of Ukraine.

The situation remains highly volatile and is likely to impact global security, trade, and commodities. Russia is a major oil, gas, and fertiliser producer facing major trade sanctions. Fuel prices have recently reached in excess of \$2 per litre. Further, Ukraine is one of Europe's major food bowls and a leading exporter of grains.

The turmoil puts additional strain on global supply chains still working through staff shortages and international restrictions caused by the pandemic.

Despite global uncertainty the domestic economy continues to recover, with all states (except WA) beginning to pass through the worst of the Omicron variant wave.

Above trend inflation remains a lingering mid-to-longer term concern, with Australia's highly indebted households acutely sensitive to any future increase in interest rates.

Indicator	Outcome
GDP Growth (Dec Qtr 2021)	3.4%
CPI (12 months to Dec 2021)	3.6%
Unemployment Rate (Feb 2022)	4.0%
Australian Dollar	\$0.74 USD

Table 1.1 Australian Macroeconomic Indicators

Source: RBA, ABS

1.2 REGIONAL OUTLOOK

The Townsville and North West Queensland economy has weathered the opening of borders and subsequent Omicron COVID wave well thus far.

The region achieved positive Gross Regional Product (GRP) growth over 2020-21 (0.3%) despite the pandemic and has now recorded two consecutive years of positive growth.

Continued strong housing construction is a positive sign, with the need to facilitate economic and population growth after many years of low investment. The recent announcement of potential insurance savings for businesses and households from the \$10 billion Federal reinsurance pool presents significant further upside for the region.

The potential funding of major regional projects starting with the recent \$5.4 billion commitment to the Hells Gates Dam and Irrigation Scheme (subject to final business case) leading into the Federal election has the potential to stimulate additional new economic growth.

Key Regional Trends

- The region has transitioned through the opening of borders and introduction of COVID-19 well.
- Delivery of major regional projects could underpin a new growth era alongside stronger housing construction and population driven growth.
- Ukraine conflict will have significant implications for the regional economy and impact the global investment environment.

2. Key Indicators and Regional Development News

2.1 NORTH QUEENSLAND





Indicator	Townsville	Hinchinbrook	Burdekin	Palm Island	Charters Towers
 Unemployment (Sep Qtr. 2021)	5.1% ↓ 0.6 ppt quarterly decline	5.2% ↓ 0.5 ppt quarterly decline	4.6% ↓ 0.5 ppt quarterly decline	32.6% ↓ 1.5 ppt quarterly decline	5.4% ↓ 0.5 ppt quarterly decline
 Median House Price (Sep 2021)	\$360,000 ↑ 6.6% annual growth	\$230,000 ↑ 2.3% annual growth	\$200,000 ↑ 14.3% annual growth	NA	\$210,000 ↑ 5.0% annual growth
 Residential Building Approvals (12 months to Dec 2021)	998 ↑ 35.2% annual growth	29 ↑ 38.1% annual growth	41 ↑ 57.7% annual growth	15 NA annual growth	26 ↑ 57.7% annual growth
 Gross Regional Product (2020-21)	\$12.9B ↑ 3.5% annual growth	\$583M ↑ 6.8% annual growth	\$1.3B ↑ 12.3% annual growth	NA	\$652M ↓ 6.9% annual decline

Table 2.1 Headline Economic Statistics North Queensland

Source: NIEIR (2022), QGSO (2022), .id (2022)

REGIONAL DEVELOPMENTS

Queensland Pacific Metal's (QPM's) proposed \$650 million Townsville Energy Chemicals Hub (TECH) Project in the Lansdown Eco-Industrial Precinct is continuing to progress.

In December QPM raised \$30 million towards the project via capital raising efforts and secured \$250 million in conditional debt funding from Export Finance Australia.

The Feasibility Study is due to be delivered mid-2022, aiming to show robust financial returns and reduced technical risk associated with up-scaling key processes to extract metals from laterite ores in an environmentally sustainable manner.

Recently, QPM entered a binding limonite ore supply agreement with Societe Le Nickel, for up to 1M wmt per year for five years plus a five year extension option. The agreement secures a critical input for the project.

The facility will produce critical chemicals for the emerging lithium-ion battery and electric vehicle sector.

Construction has begun on the \$60 million Westgate Private Hospital, West End, Townsville.

The site amalgamates six land parcels to provide a five-storey purpose-built property, including four operating theatres, one procedure room, 19 day beds and 22 overnight beds catering to North Queensland's growing population and ageing demographic.

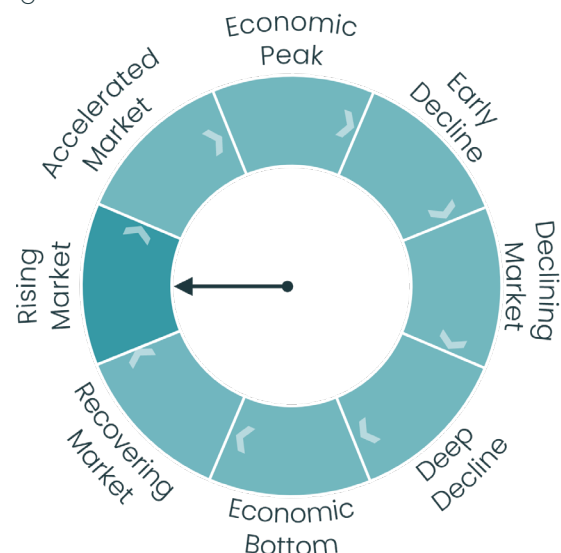
Procedures will focus on orthopaedic surgery, general surgery and wide variety of specialist services.

Westgate Private Hospital construction has begun and is due for completion mid-2023.



OUTLOOK

The Northern regional economy has continued to gather momentum led by the housing construction and agricultural sectors.



2.2 MID-WEST QUEENSLAND





Indicator	Flinders	Richmond	McKinlay
 Unemployment (Sep Qtr 2021)	3.7% ↓ 0.2 ppt quarterly decline	3.7% ↓ 0.2 ppt quarterly decline	3.7% ↓ 0.2 ppt quarterly decline
 Median House Price (Sep 2021)	\$120,000 ↑ 19.2% annual growth	\$130,000 ↑ 52.9% annual growth	NA
 Residential Building Approvals (12 months to Aug 2021)	0 ↓ 100% annual decline	0 ↓ 100% annual decline	0 ↓ 100% annual decline
 Gross Regional Product (2020-21)	NA	\$98M ↓ 0.5% annual decline	NA

Table 2.2 Headline Economic Statistics Mid-West Queensland

Source: NIEIR (2022), QGSO (2022), .id (2022)

REGIONAL DEVELOPMENTS

The Hughenden Irrigation Project (HIPCo) is seeking access to irrigation water allocations from the State Government in order to begin development.

The project has a \$180 million funding committed from the Federal Government and provision of water allocations is one of the final hurdles for the development.

The irrigation scheme involves a 200,000 ML dam and would unlock 11,000 hectares of irrigation for diversified crops on the southern side of the Flinders River.

Record beef prices are supporting increased investment interest across North West Queensland.

The average annual beef price in dollars per kilogram live weight has nearly doubled from \$2 in 2015 to \$3.90 in 2021 (Aggregate Consulting, 2022).

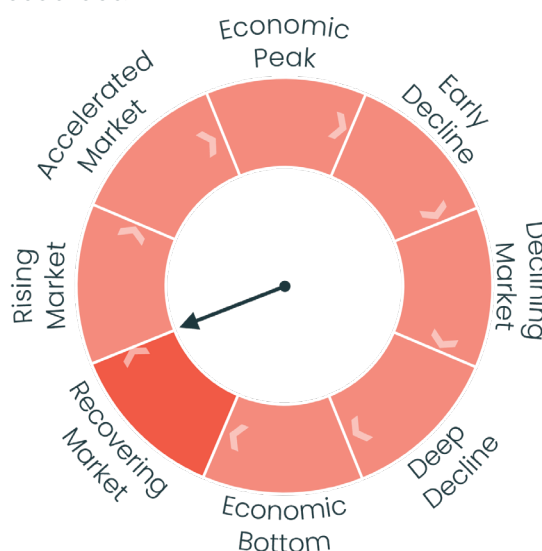
Economic diversification through irrigated cropping and vanadium mining, greater value adding through regional beef processing, and the attraction and retention of employees and families to the region remain the key steps to unlocking a new wave of growth for the Mid-West.



Credit: Townsville Enterprise

OUTLOOK

Economic conditions in the Mid-West region have continued to improve, with strong beef cattle prices and a notable investment pipeline across agriculture and resources.



2.3 WESTERN QUEENSLAND





Indicator	Cloncurry	Mt Isa	Boulia	Burke	Doomadgee	Mornington	Carpenteria
 Unemployment (Sep Qtr 2021)	6.9% ↑ 0.3 ppt quarterly increase	8.2% ↓ 0.7 ppt quarterly decline	3.3% ↑ 0.1 ppt quarterly increase	27.6% ↑ 1.0 ppt quarterly increase	28.6% ↓ 0.8 ppt quarterly decline	27.5% ↓ 0.7 ppt quarterly decline	27.5% ↓ 0.7 ppt quarterly decline
 Median House Price (Sep 2021)	\$200,000 ↑ 33.3% annual growth	\$305,000 ↑ 22.5% annual growth	NA	NA	NA	NA	\$200,000 ↑ 5.3% annual growth
 Residential Building Approvals (12 months to Aug 2021)	4 ↑ 100.0% annual growth	5 ↓ 16.7% annual decline	0 NA annual growth	6 NA annual growth	6 NA annual growth	0 NA annual growth	0 ↓ 100% annual decline
 Gross Regional Product (2019-20)	\$745M ↓ 12.0% annual decline	\$1.9B ↓ 17.0% annual decline	NA	\$38M ↑ 6.2% annual growth	NA	NA	NA

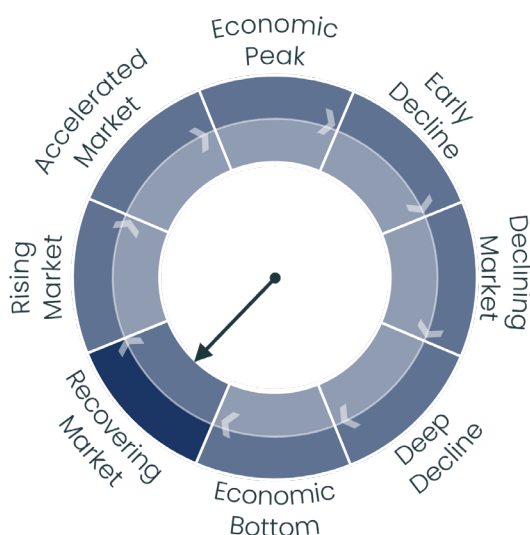
Table 2.3 Headline Economic Statistics Western Queensland

Source: NIEIR (2022), QGSO (2022), id (2022)



OUTLOOK

Renewed investment interest in the regional mining industry has continued to drive a turnaround in the Western region.



REGIONAL DEVELOPMENTS

The \$1.7 billion CopperString 2.0 electricity transmission project has signed a Memorandum of Understanding (MOU) with HyperOne regarding cooperation and coordination of their projects in the region.

HyperOne is constructing a \$1.5 billion national fibre optic transmission cable system in Australia, connecting capital cities and providing connectivity in regional areas including routes in northern and central Queensland.

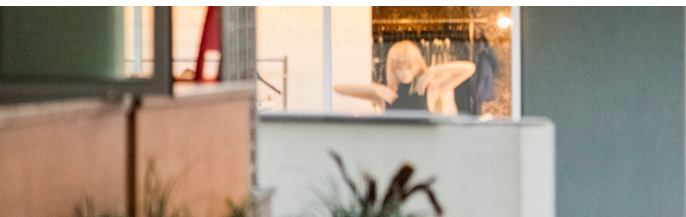
The MOU could result in HyperOne infrastructure appearing on CopperString's towers which could mean a significant boost in digital connectivity for the Western region.

The federal government has announced an additional \$678 million to seal another 1,000 kilometres of the Outback Way.

The Government is committed to sealing the entire 2,720 kilometres of the Outback Way, which runs from Winton in Queensland passing through the Western Region to Alice Springs and Uluru in the Northern Territory and going to Laverton in Western Australia.

The upgrades will provide 2,197 jobs while cutting travel times for freight and tourists, and improving access and safety for local residents.

3. Business Confidence



Credit: Roslyn Budd

Business confidence in Queensland was at its lowest since the emergence of the economic impact of the COVID pandemic during December 2021 as the State entered the Omicron wave.

While the region has coped relatively well, the fear and uncertainty associated with re-opening, rapid rises in local cases and staff shortages had a notable impact on sentiment.

Business confidence in Queensland's 12-month outlook fell 16.9 ppt to a current index of 38.3.

The majority of indicators were lower, including general business conditions (-7.4 ppt), sales and revenue (-6.9 ppt), profitability (-4.5 ppt), and employment levels (-5.6 ppt).

Capital expenditure (-3.5 ppt) and operating costs (-0.6 ppt) registered smaller declines while labour costs (+0.1 ppt) was the only indicator to rise.

Labour and operating costs are currently the only two indicators in positive territory with an **index above 50**.

While there has been significant positive progress made through the COVID pandemic since the survey was taken, the recent Russian invasion of Ukraine and severe flooding in South East Queensland and New South Wales are likely to have a substantial impact on macro business confidence.



Indicator	Index	Quarterly Change
12 Month Outlook Queensland	38.9	-16.9
General Business Conditions	38.8	-7.4
Sales and Revenue	38.9	-6.9
Operating Costs	67.9	-0.6
Labour Costs	65.8	+0.1
Profitability	30.3	-4.5
Employment	40.5	-5.6
Capital Expenditure	44.6	-3.5

Table 3.1 Queensland Business Confidence Dec 2021

Source: CCIQ (2021)



4. Industry Profile: Health Care and Social Assistance

4.1 INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

Health Care and Social Assistance is one of Townsville and North West Queensland's largest and most important economic sectors, contributing \$1.8 billion to GRP in 2020-21 and providing 20,581 jobs (the largest employment sector in the region, 14.5% of total employment).

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

However, the sector has a significant presence across the region, with public and private health care providers servicing the region including the Townsville Hospital and Health Service, Mater Private Hospital, Townsville Aboriginal and Islanders Health Services (TAIHS), and North West Hospital and Health Service (NWHHS).

In recent years the health care industry has experienced significant strain, serving as the front line of defence against the COVID-19 pandemic.

Acute workforce shortages have been experienced across the spectrum of health care and social assistance services, from general practice and hospitals to residential aged and child care.

Increased demand for care, combined with employee COVID cases and pre-existing staff shortages have stretched the capacity of the sector which may have strategic and planning consequences for the industry over the short-to-medium term.

Indicator	Result (2020-21)	Regional Industry Rank	5 Year Avg Annual Growth
GRP	\$1.8B	3rd	6.8%
Jobs	20,581	1st	3.1%
Key Sub Sectors	Hospitals - 33.1% of total industry employment Medical & Health Services - 29.5% of total industry employment Social Assistance Services - 27.6% of total industry employment Residential Care Services - 9.8% of total industry employment		

Table 4.1: Townsville North West Queensland Health Care and Social Assistance Industry

Source: NIEIR (2022), id (2022)

The industry has been one of Australia and the region's key economic growth sectors, with increasing health care needs and expectations within the community, a growing population and aging demographic driving increased health care spending:

- Nationally, **the industry supports over 1.9 million jobs** and is the largest employment industry in Australia. Over the past five years industry employment has grown by approximately 350,000 (4.2% p.a.)
- Regionally, industry **GRP has grown by over \$500 million** (6.8% p.a.) over the past five years and added nearly 2,900 jobs (3.1% p.a.).



4.2 OUTLOOK

OUTLOOK

Over the long-term, the Health Care and Social Assistance sector will in all likelihood remain one of the region's strongest growth sectors.

Townsville and North West Queensland's population is projected to grow by nearly 77,000 persons over the next 20 years (27.8%) while the proportion of residents aged over 65 years is projected to increase from approximately 1 in 6 residents currently, to just under 1 in 4 by 2041.

Key agricultural centres within the region including the Burdekin and Flinders (44 years median age) and Hinchinbrook (50 years median age) already host some of the oldest demographics in Queensland.

The local population is also likely to continue to live longer and expect greater levels of care which will continue to serve as significant drivers of industry growth.

In turn, the availability and quality of care will be a critical factor in attracting and retaining residents within the region.

As such, the sector will be a key enabler of growth to unlock the potential of Townsville and North West Queensland and the significant industry development opportunities it possesses across agriculture, resources, advanced manufacturing, education, research, and defence industries.

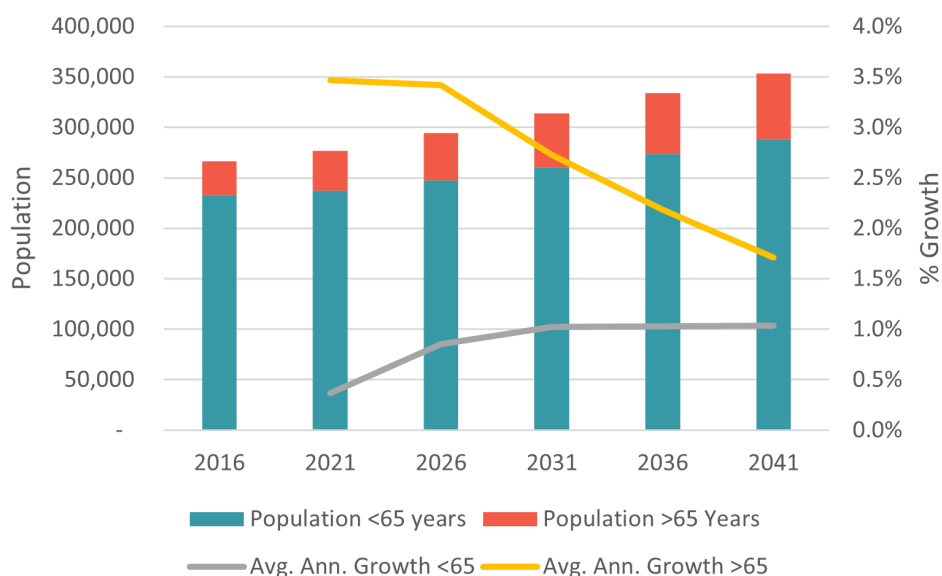
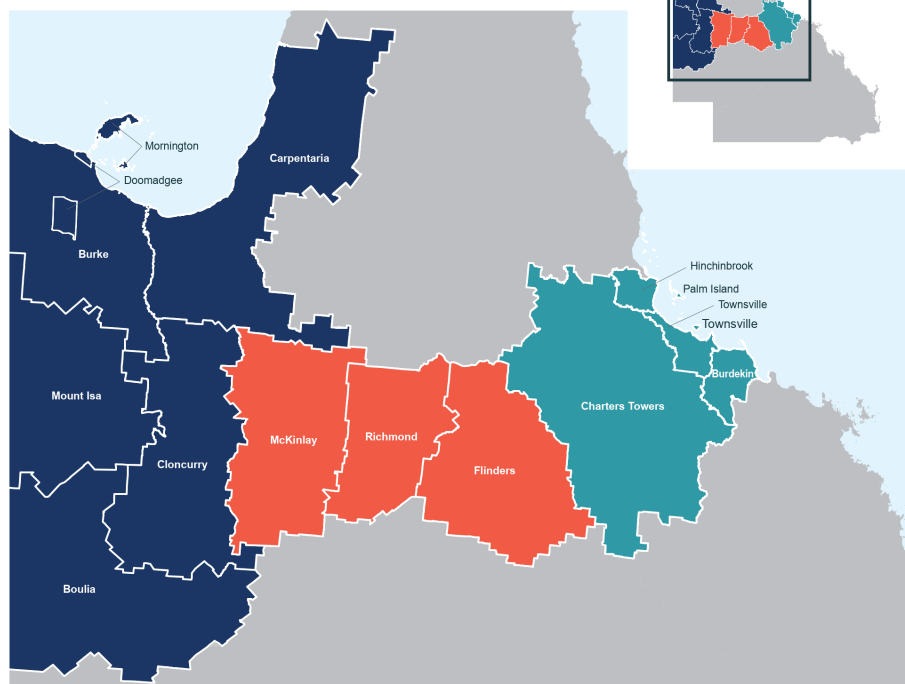


Figure 4.1 Population Growth, Townsville and North West Queensland

Source: QGSO (2022)

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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