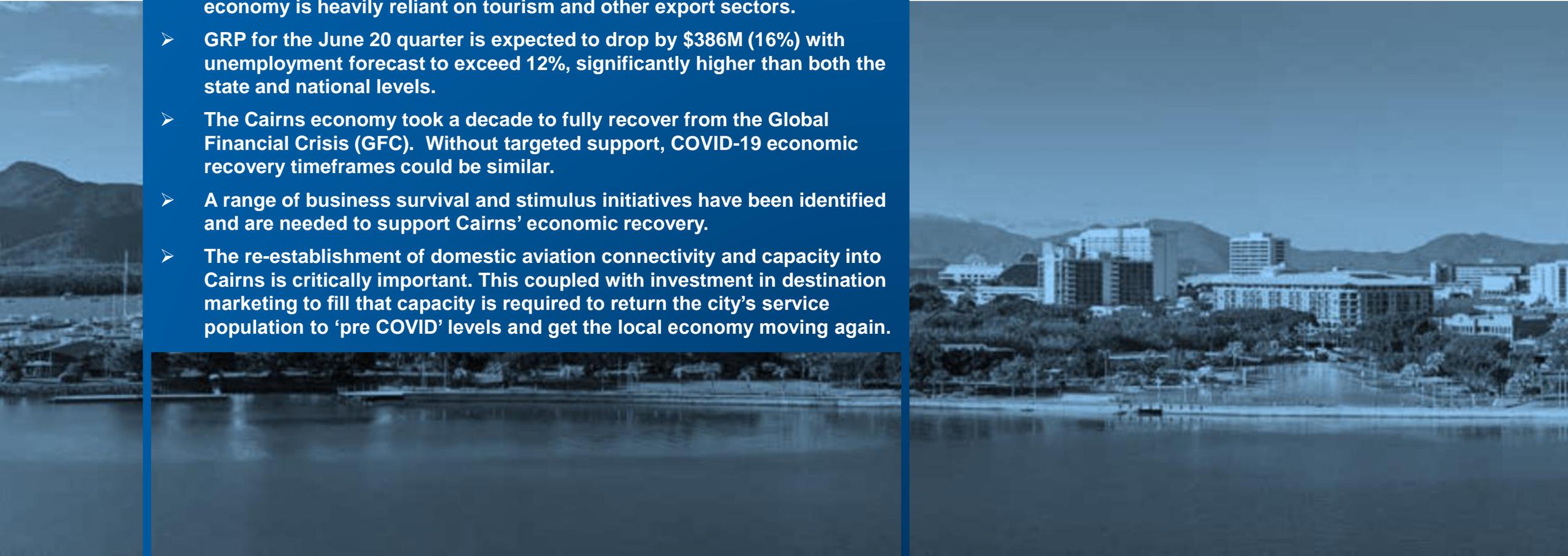


Cairns Economy Impacts from COVID-19

12 May 2020

- Pre COVID-19, the Cairns economy was in a strong position. Gross Regional Product (GRP) growth was above Queensland and Australian averages with unemployment well below both the state and national level.
- Cairns will be one of the most severely affected regions in Australia as its economy is heavily reliant on tourism and other export sectors.
- GRP for the June 20 quarter is expected to drop by \$386M (16%) with unemployment forecast to exceed 12%, significantly higher than both the state and national levels.
- The Cairns economy took a decade to fully recover from the Global Financial Crisis (GFC). Without targeted support, COVID-19 economic recovery timeframes could be similar.
- A range of business survival and stimulus initiatives have been identified and are needed to support Cairns' economic recovery.
- The re-establishment of domestic aviation connectivity and capacity into Cairns is critically important. This coupled with investment in destination marketing to fill that capacity is required to return the city's service population to 'pre COVID' levels and get the local economy moving again.



Cairns Economy pre-COVID-19

- Economic growth leading Queensland and Australia
- Export orientated economy
- Nationally significant airport and seaport

Before Covid-19, the Cairns economy was growing, and its economic indicators led Queensland and Australia.

Major private and public sector investment in infrastructure supported industry development, and unemployment fell significantly.

Cairns normally services a population of more than 198,000, including 167,000 residents and more than 31,000 daily visitors. Cairns is the commercial hub of Far North Queensland, which has a geographical area one-and-a-half times the size of Victoria.

Cairns Airport is Australia's seventh busiest airport for international passengers with direct flights from Tokyo, Osaka, Singapore, Shenzhen, Bali and Port Moresby and seasonal flights to Auckland.

The Port of Cairns incorporates the HMAS Cairns naval base and also hosts a tourism fleet that is one of Australia's largest. The Port is also among Australia's busiest cruise destinations and houses one of the country's largest fishing fleets.

Cairns is home to two universities – James Cook University and CQUniversity - as well as specialized marine and aviation training centres. Cairns is a leading international education destination.

Cairns has an export orientated economy with exports totaling \$4.7 billion.

Significant regional economy



\$9.6B
GRP
2018/19



82.5K
Jobs
2018/19



\$4.7B
Exports
2018/19

Source: NIEIR, 2020

Cairns services 19% more than its resident population



198,000
Serviceable
population 2018/19



166,862
Residents 2019



31,006
Average visitors
per day 2018/19

Source: ABS Cat: 3218.0; TRA, 2020

Australia's busiest regional airport



4.2 million
Domestic passengers



660,000
International passengers

Source: BITRE, 2020

Strong growth in past three years



+\$939M GRP
3.5% p.a.

QLD : 2.2%; AUS: 2.2%



+6000 Jobs
2.6% p.a.

QLD : 2.1 %; AUS: 2.3%



+\$263M building approvals
+72% 3 year average

QLD : +12%; AUS: +18%



4.3% unemployment rate (Dec. 19)

QLD : 6.0%; AUS: 5.2%

Source: NIEIR, 2020; ABS Cat: 8731.0; Dept. Employment SALM, 2020

Major cruise and superyacht port



47
Cruise Ship
visits in 2019



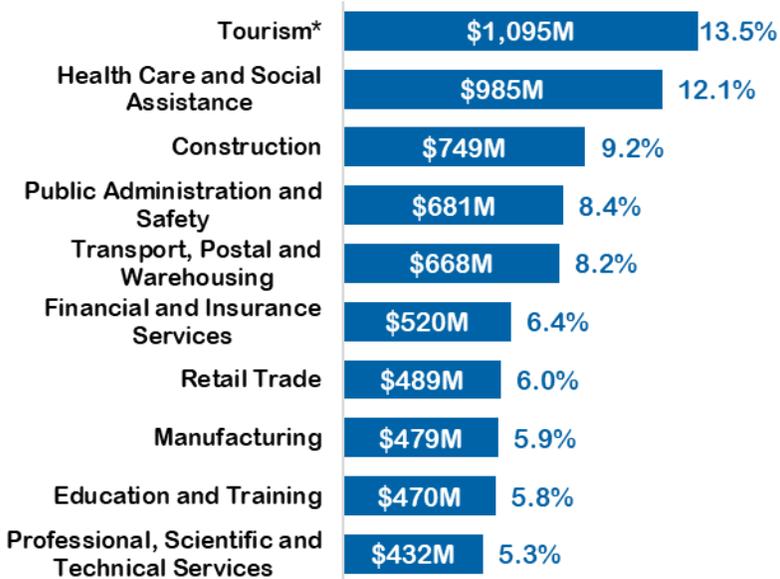
51
Superyacht
visits in 2019

Source: PortsNorth, 2020

Cairns Economy pre-COVID-19

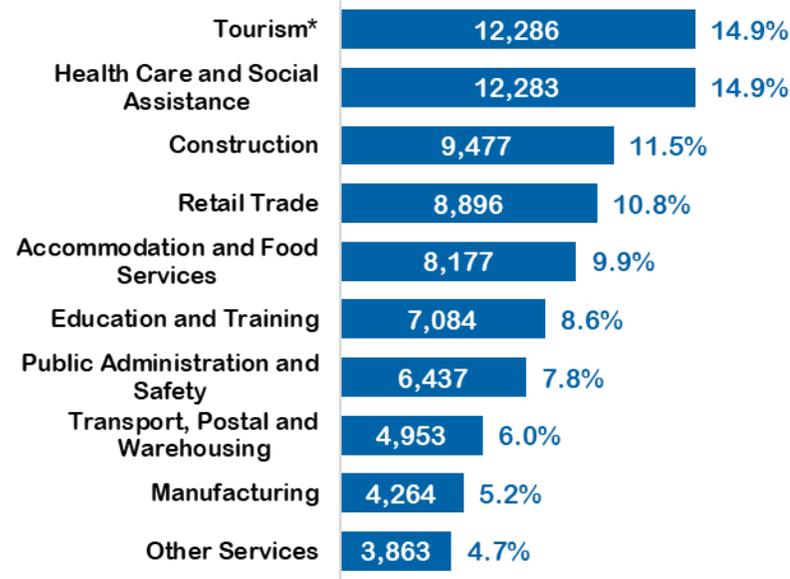
- Diversified economy reliant on export earnings
- Specialisation in marine, aviation and international education
- Tourism is a key industry enabler

Top sectors by value added 2018/19



Source: NIEIR, 2020; *direct and indirect impacts

Top sectors by jobs 2018/19



Source: NIEIR, 2020; *direct and indirect impacts

Cairns is a leading international visitor destination



4th

Most visited location in Australia by international visitors

Source: TRA, IVS, 2020 – SA2 small areas

Cairns Airport has the highest passenger to population ratio

Rank	Airport	Passengers : Population
1	Cairns	31.6
2	Darwin	14.6
3	Hobart	12.6
4	Brisbane	9.7
5	Gold Coast	9.2
6	Sydney	9.0

Source: BITRE, 2020

Tourism is the leading sector



14.9% jobs

QLD : 8.4%;
AUS: 7.4%



13.5% value added

QLD : 6.6%;
AUS: 6.0%

No.1 in AUS

Scenic and sightseeing transport jobs in Australia

Source: NIEIR, 2020; ABS Census 2016

Industry jobs specialisations

No.1 in QLD

No.6 in AUS

Ship repair services jobs

No.3 in QLD

No.6 in AUS

Aircraft repair services jobs

Source: ABS Census 2016

Cairns is a leading international education destination



3rd

Largest international student destination outside major cities

Source: DESE Feb 2020

Early economic impacts from COVID-19

- Air travel ground to a halt
- The accommodation industry collapsed
- Nine out of 10 businesses impacted

Cairns was one of the first regions in Australia to be negatively impacted by national and global responses to COVID-19. Flights were stopped from China (Cairns' largest international source market), Tokyo, Osaka, Singapore, Shenzhen, Bali and Port Moresby. Travel on domestic routes ground to a halt meaning no more flights to and from the Gold Coast, Sydney, Melbourne, Adelaide, Perth, Darwin, Alice Springs and Ayers Rock (Uluru).

The tourism sector has effectively collapsed. Visitors have disappeared and the impact of this has spread to all industries.

Air travel has fallen to a trickle in recent weeks

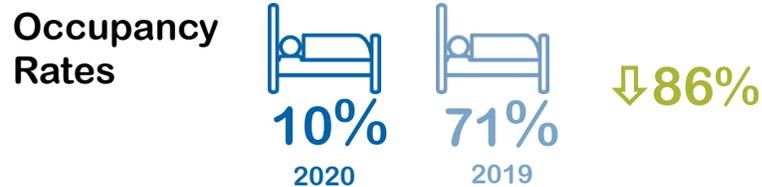
In the four weeks to April 26:



Source: Cairns Airport Pty Ltd, 2020

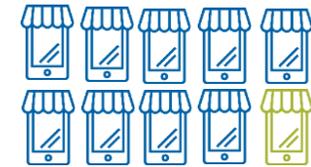
The accommodation industry collapsed to all-time lows (~10,400 rooms)

In the first week of April:

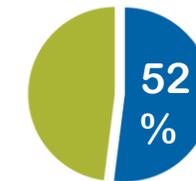


Source: TTNQ, 2020

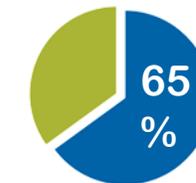
Early business survey results in March showed major impacts



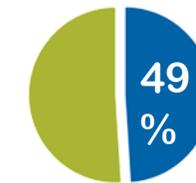
9 out of 10 businesses impacted



Had already recorded a fall in sales **>50%**



Anticipated future sales to fall by **>50%**



Anticipated reducing staff by **>25%**



Source: Chamber of Commerce & Industry Queensland, 2020

Estimated economic impacts - June Quarter 2020

- 2020 annual GRP predicted to be >\$1B less than 2019
- 2020 June quarter GRP to fall 16%
- Accommodation and air transport sectors hardest hit

Cairns' export orientated economy will be severely impacted by COVID-19.

Cairns' GRP in the June quarter of 2020 will be \$386 million (16%) lower than the average quarter in 2018/19. If this loss continues for the rest of the year, annual GRP for 2020 will be over \$1B less than 2019. Accommodation and food services will be the sectors most severely impacted.

Cairns economy will experience a substantial fall in June Quarter GRP well above QLD & AUS



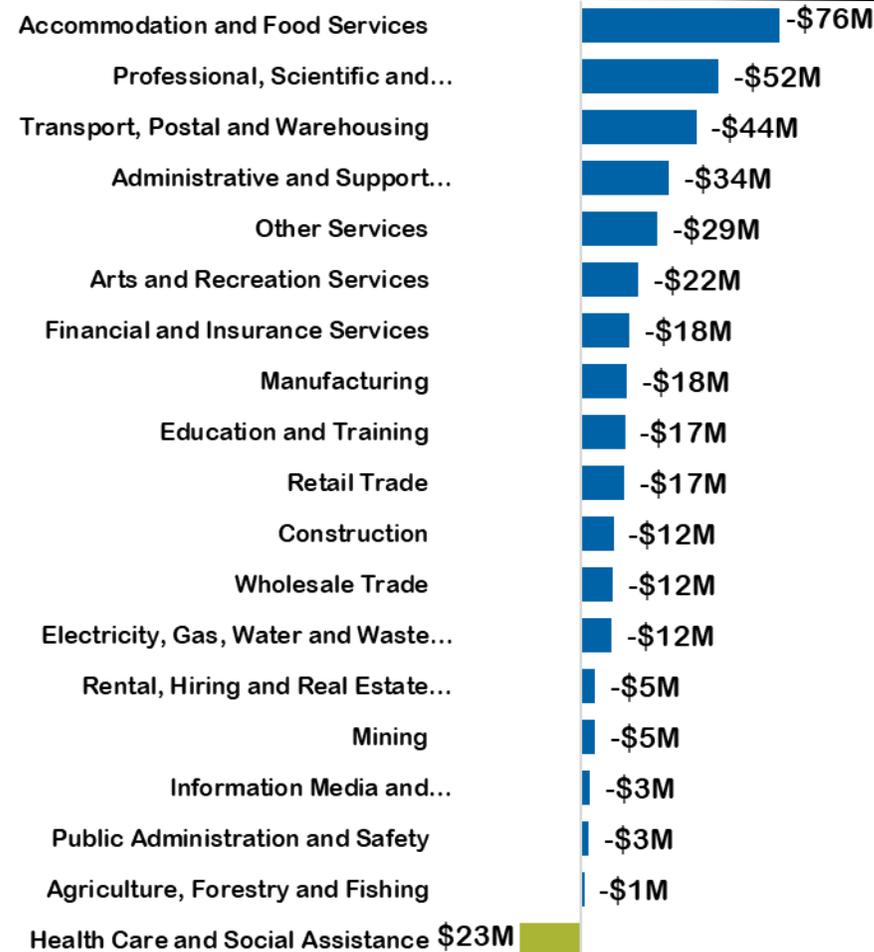
-\$386M

In quarterly GRP from 2018/19

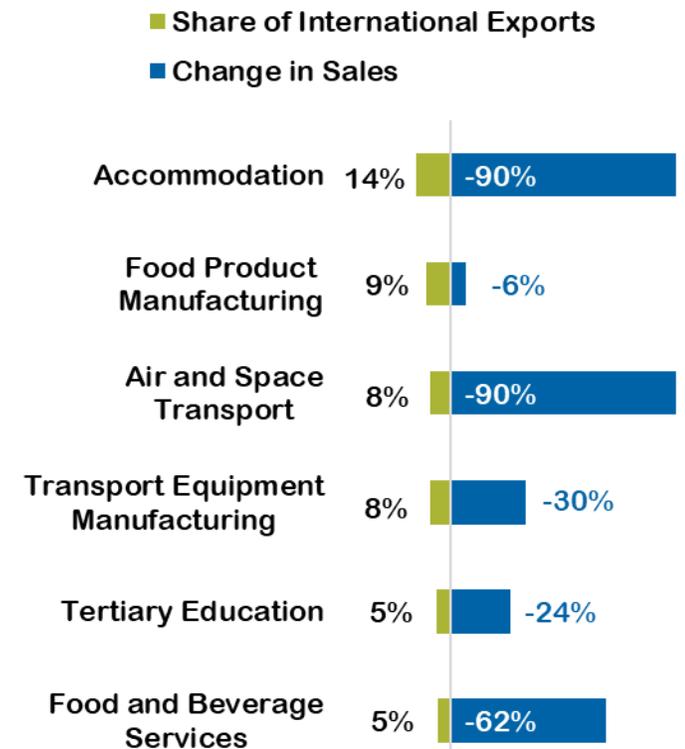
Impact on GRP



Impacts by sector – Change in value Added from average quarter previous year



Cairns' top-six international export industries are expected to see a significant drop in sales



Source: NIEIR, 2020

Estimated economic impacts - June Quarter 2020

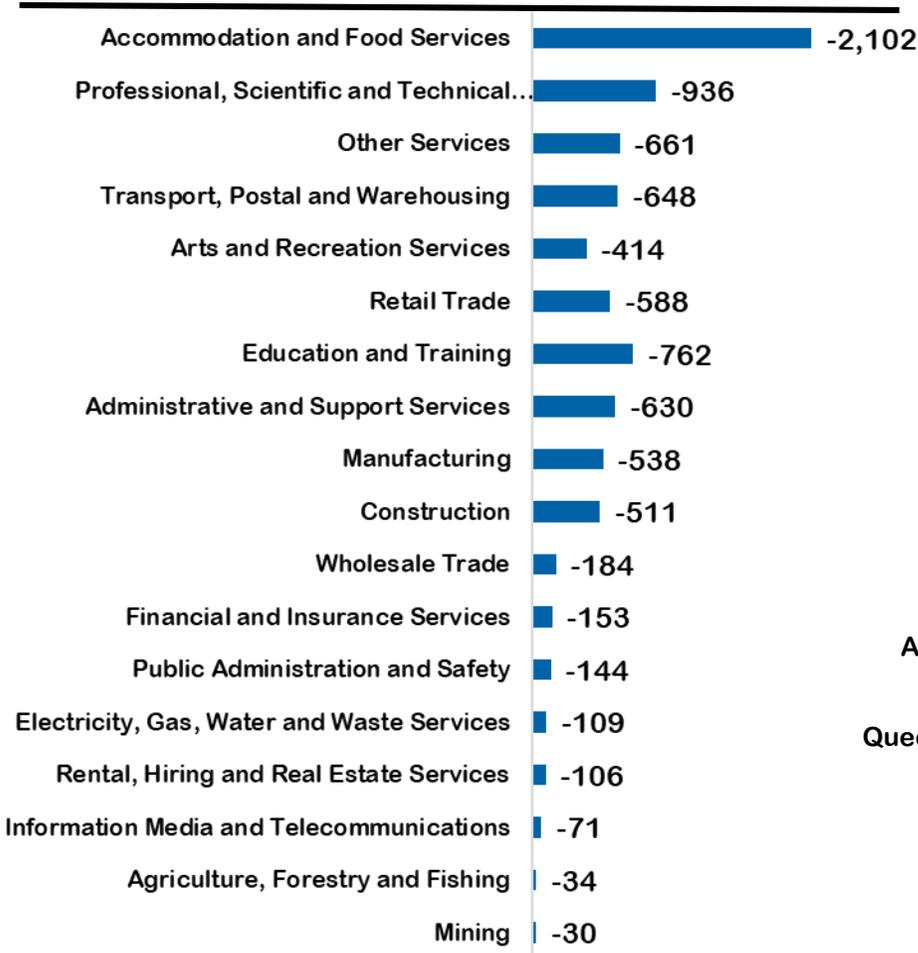
- 7,700 jobs lost
- >21,000 employees covered by JobKeeper
- Accommodation and food services lost the most jobs

By the June Quarter 2020, Cairns is expected to have lost 7,700 jobs from the labour market – a drop of 9.4% on the previous year.¹ Unemployment in Cairns is expected to increase to over 12%.

It is estimated that more than 21,000 jobs in Cairns are currently covered by JobKeeper. Recent analysis released by the Australian Treasury highlighted that Cairns has the highest number of JobKeeper recipients (3,607) of any postcode in Queensland.²

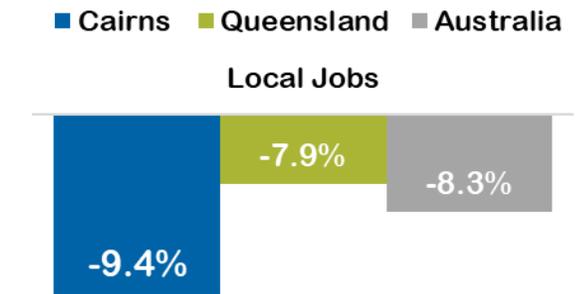
Local residents will be more likely to be out of work due to the region's industry mix and may have less access to other job opportunities due to distance from other major employment hubs.

Impacts by sector – Change in local jobs from average quarter previous year

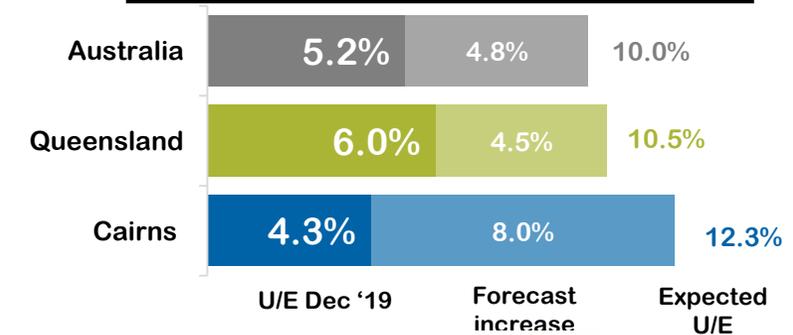


Source: NIEIR, 2020

Job losses in Cairns proportionately higher than Queensland or Australia



Unemployment expected to increase by greater than QLD & Australian average



Source: .id analysis based on NIEIR, 2020; treasury.gov.au



Cairns economy will experience a substantial fall in jobs

↓ 7.7K In local jobs



> 21K Estimated number of jobs covered by JobKeeper

↑ 3.6K Highest number of JobKeeper recipients (employers) of any postcode in Queensland

Source: ¹NIEIR, 2020; ²Treasury, 2020 – employee estimate based on Cairns share of Australia's total employment, figure is likely higher

Cairns - one of the worst impacted cities in Australia

- 9.4% of jobs lost
- 16.1% fall in GRP
- Identified as a vulnerable city

Cairns will be the second most severely impacted regional city in Australia in terms of percentage loss of jobs and GRP for the June Quarter 2020. Unlike most other regional cities however, Cairns is isolated from major metropolitan centres.

Accordingly, opportunities for alternate employment and/or business diversification will be limited adversely impacting recovery. Domestic tourism will be critical to Cairns' short to medium term recovery.

A study has identified Cairns as the only locality with >150,000 residents in the top 10 most vulnerable places

Rank	Most Vulnerable Localities	Population
1	Chinchilla	5K < 10K
2	Karratha	10K < 20K
3	Airlie Beach - Cannonvale	5K < 10K
4	Sale	10K < 20K
5	Roma	5K < 10K
6	Gladstone	20K < 50K
7	Byron Bay	5K < 10K
8	Lakes Entrance	5K < 10K
9	Tannum Sands - Boyne Island	5K < 10K
10	Cairns	> 150K

Source: CRA, UniSA, HRF; Pandemic Economic Vulnerability Index, 2020

2nd most severely impacted regional city LGA in Australia in % job losses

Rank	LGA	Job loss	Job loss %
1	Gold Coast	-30,581	-10.0%
2	Cairns	-7,728	-9.4%
3	Sunshine Coast	-13,541	-9.1%
4	Ballarat	-4,845	-8.9%
5	Greater Bendigo	-4,454	-8.3%
6	Newcastle	-9,453	-7.9%
7	Wollongong	-7,226	-7.5%
8	Townsville	-7,349	-7.5%
9	Greater Geelong	-8,686	-7.4%
10	Fraser Coast	-1,600	-6.6%

Source: NIEIR, 2020; Regional LGAs with >100,000 residents

2nd most severely impacted regional city LGA in Australia in % GRP lost

Rank	LGA	Qtrly GRP loss	Qtrly GRP loss %
1	Gold Coast	-\$1,568M	-16.8%
2	Cairns	-\$386M	-16.1%
3	Ballarat	-\$221M	-14.6%
4	Sunshine Coast	-\$605M	-14.0%
5	Greater Bendigo	-\$197M	-13.4%
6	Newcastle	-\$467M	-12.4%
7	Wollongong	-\$366M	-12.0%
8	Townsville	-\$340M	-11.6%
9	Fraser Coast	-\$103M	-9.8%
10	Greater Geelong	-\$320M	-9.4%

Source: NIEIR, 2020

The long recovery ahead – GFC case study

Cairns will take longer than other areas in Australia to recover from the downturn.

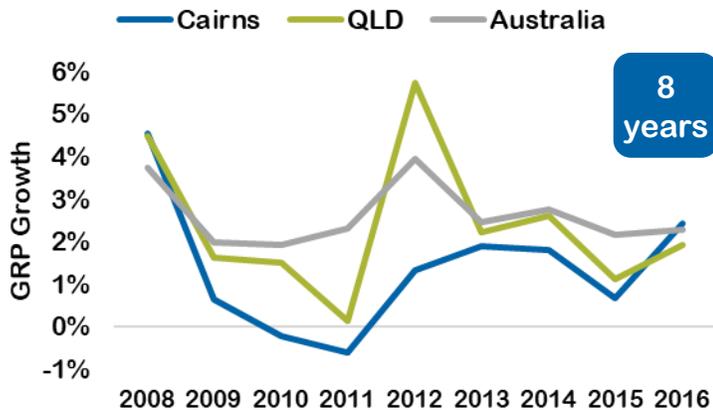
Using the post-GFC fallout as a guide, history suggests Cairns may not return to state or national averages for a decade after the COVID-19 crisis passes.

If this was to be the case, the unemployment rate would not be back at the Queensland average until 2030.

It took eight years for international visitation to return to pre-GFC levels.

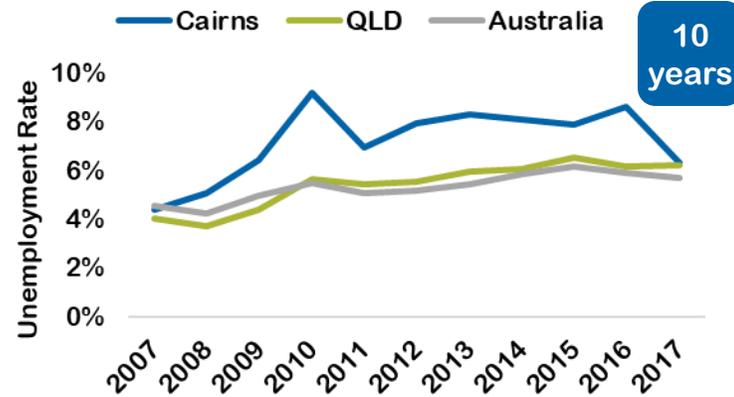
Local jobs to population rate took 12 years to return to the state levels.

Economic growth took 8 years to return to the state level after GFC



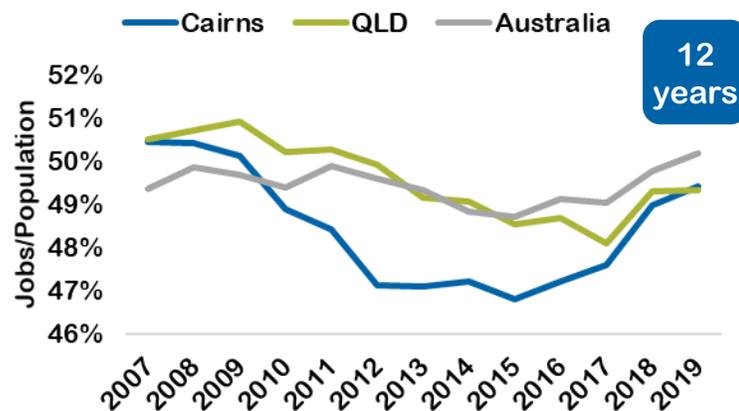
Source: NIEIR, 2020

The unemployment rate took 10 years to reach the state level again



Source: ABS Cat: 3218.0

Local jobs to population rate took 12 years to return to the state level



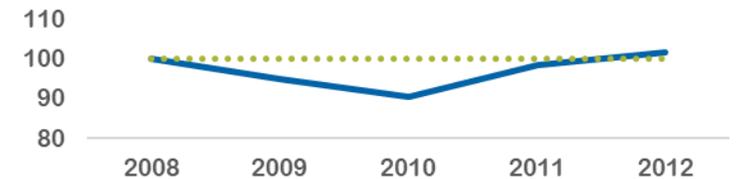
Source: NIEIR, 2020; ABS Cat: 3218.0

Visitation to Cairns took 4 - 8 years to bounce back

4 years For airport passengers to return



Indexed Airport Passengers; 2008 = 100

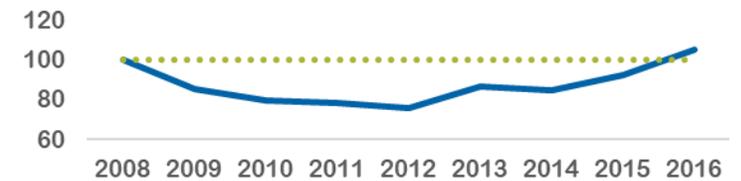


Source: Cairns Airport Pty Ltd

8 years For international visitation to return



Indexed International Visitation; 2008 = 100



Source: TRA, IVS 2020

The long recovery ahead – Tropical North Queensland visitor spend

The timeline of economic recovery from COVID-19 impacts is even more uncertain than in previous global recessions. This is especially the case with tourism in Cairns due to:

- Potential waves of COVID-19 cases returning in key markets leading to multiple lockdowns
- Reduced seat capacity internationally and domestically due to financial challenges with major airlines.

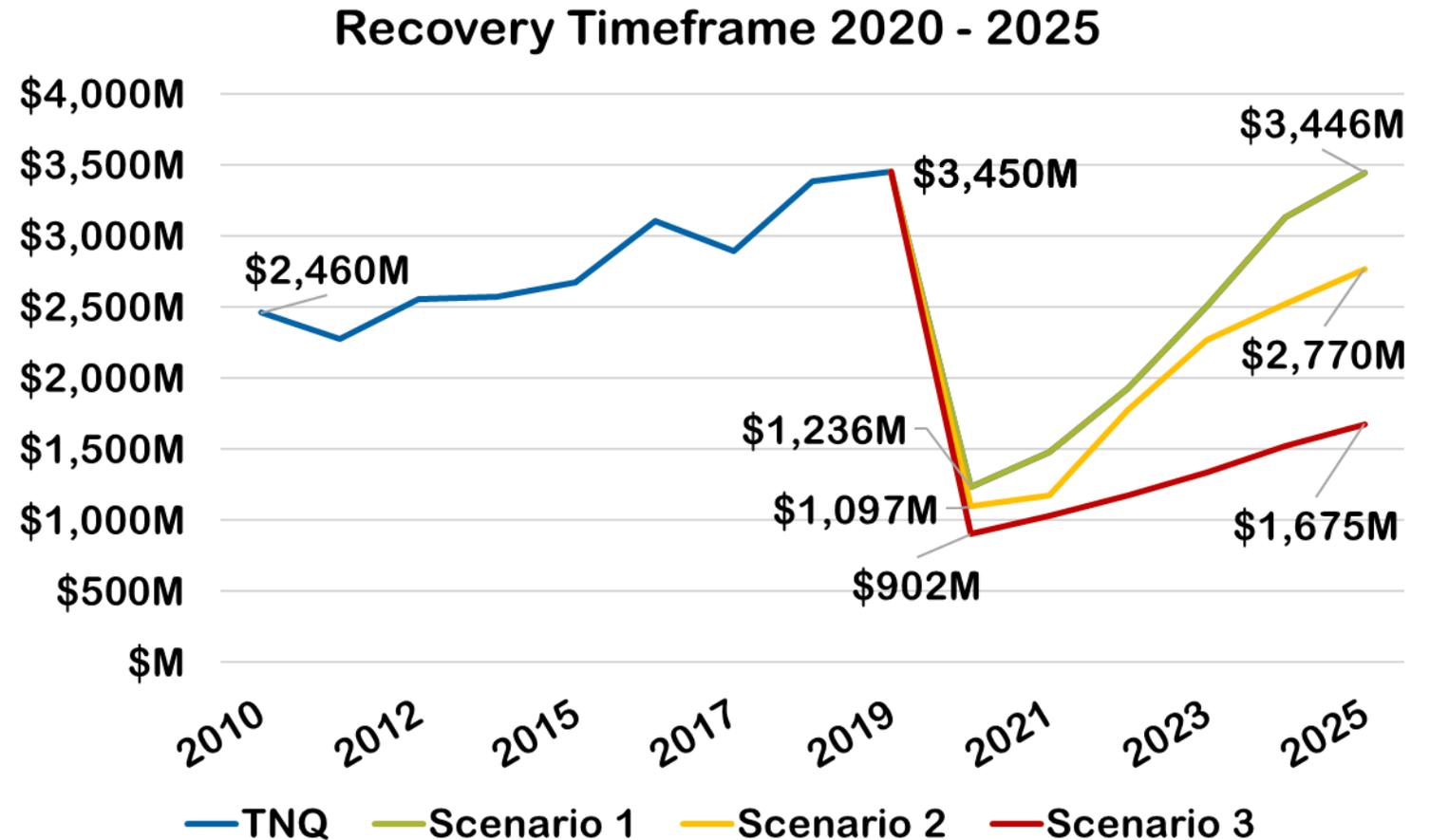
The losses associated with three different scenarios are outlined below.

The loss in visitor spend to the region in the next five years >\$11B

Scenario	Scenario description	Cumulative Loss to 2025
1	Increased marketing \$, strong domestic market recovery and no second wave just a global economic slowdown	\$11.9B
2	Reduced marketing \$, second wave of C-19 in key global markets but with domestic recovery	\$14.0B
3	Reduced marketing \$ & global second wave of C-19 in key markets requiring lockdowns	\$17.9B

Source: .id analysis based on TTNQ, 2020

Even under the most optimistic scenario, visitor spend levels in Tropical North Queensland are expected to take five years to return to 2019 levels



Source: TTNQ, 2020; estimates based on assumptions at April 2020

Economic recovery is dependent on ongoing support and investment in Cairns

- The economic impact of the COVID-19 crisis will wind back three years of strong growth and diversification experienced recently in Cairns.
- Cairns was one of the first cities affected by Covid-19 in Australia due to flight restrictions on routes to China (Cairns' largest international source market), Tokyo, Osaka, Singapore, Shenzhen, Bali and Port Moresby.
- Tourism in Cairns has collapsed with:
 - Domestic passenger numbers falling by 323,000 (96%) in April 20 (compared to prior year)
 - International passenger numbers falling by 51,500 (99.9%) in April 20 (compared to prior year)
 - Occupancy in the city's 10,400 hotel rooms falling to 10% - the lowest on record.
- The flow-on impacts to all sectors are significant, with nine out of 10 businesses in Cairns affected negatively.
- June 2020 quarter GRP is expected to be 16% (\$386M) lower than the 2018/19 quarterly average, which is well above the drop of 12% expected for Queensland and Australia.
- The number of jobs lost is expected to be 7,700 (9.4%) with another 21,000 jobs supported by JobKeeper payments.
- Cairns is estimated to be the second most severely impacted regional city in Australia in terms of percentage lost for jobs and GRP in the June Quarter 2020.
- Unlike some areas in Australia, the recovery for the Cairns economy will be long. After the GFC, the unemployment rate took 10 years to return to the state average.
- It is estimated that visitor spend levels in Tropical North Queensland may, in a best-case scenario, take five years to return to 2019 levels with a potential cumulative loss of more than \$11B in regional visitor spend.
- While current economic conditions are bleak, forecasts for the upcoming recovery provide room for optimism.
- Economic response and recovery planning has begun with a range of business survival and economic stimulus initiatives already identified (www.cairns.qld.gov.au/council/covid19/recovery).
- Continued support delivered through the various State and Federal Government COVID-19 packages, (e.g. JobKeeper) will be crucial for the Cairns economy given its reliance on export revenue and distances from other major markets.
- Critical to the recovery of Cairns will be the re-establishment of domestic aviation connectivity and capacity with associated destination marketing to return the city's service population to pre COVID-19 levels.

Data sources and information

This report has been prepared by .id in collaboration with the Cairns Regional Council using data from:

- Australian Bureau of Statistics
- National Institute of Economic and Industry Research (NIEIR)
- Cairns Airport Pty Ltd
- Ports North
- Tourism Tropical North Queensland (TTNQ)
- Tourism Research Australia (TRA)
- Department of Education Skills & Employment (DESE)

The report includes forecasts from TTNQ and NIEIR. While these organisations endeavour to provide reliable estimates based on current assumptions, they will not be liable for any claim by any party acting on such information. .id accepts no liability with respect to the correctness, accuracy, currency, completeness, relevance or otherwise of this Data.

More information on the Cairns Regional economy can be accessed [here](#). A dedicated [COVID-19 economic impacts site](#) has also been created.

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