

MAY 2025



CAIRNS ECONOMIC MONITOR



SNAPSHOT

This month's news has been dominated by the madness, and self-inflicted harm of the US tariff war and the effects this will have, not just on the US and China, but the world's economy. Those concerns are playing out in Australia in the outlook for interest rates with the markets now expecting the RBA to take swift action to cut rates in the face of a potential negative shock to growth.

The most recent data confirms what we were saying last month about building approvals; they are improving in Cairns. This is no doubt good news, but approvals are not yet at a level that will materially improve the regions' chronic lack of accommodation – more needs to be done.

A decision on rates from the RBA is not scheduled until the 20th of May, but at this stage the futures market has fully priced a 25 bps cut at that time (which will take the Cash Rate to 3.85%). Beyond that, a raft of further cuts is expected later in the year with a target of 3.10% priced in by the end of the year.

The labour market across the country is showing clear signs of a gentle easing but in Cairns it remains remarkably resilient. The Trend unemployment rate in Cairns has eased to just 4.0% as employment growth continues to outpace the Queensland and national levels.



LABOUR MARKET

Employment

After the disruption caused to the regional Labour Force Survey by the flooding to our south earlier in the year, it's good to see that the ABS have ensured this month we see a return to a full scope of data release for March. This allows us to create our Conus/CBC Staff Selection Trend estimates as usual.

The Trend analysis confirms that employment growth in Cairns, which has been on a consistently positive trajectory since the COVID recovery, has slowed slightly with just 400 people newly employed in March. Annual Trend employment growth in Cairns has slowed to 2.6% pa, which is still a good deal faster than the national (2.3%) and Queensland (2.2%) rates of growth...which have also both slowed in recent months.

PEOPLE EMPLOYED



↑ **14,567,200**

Last month 14,553,300



↑ **2,981,400**

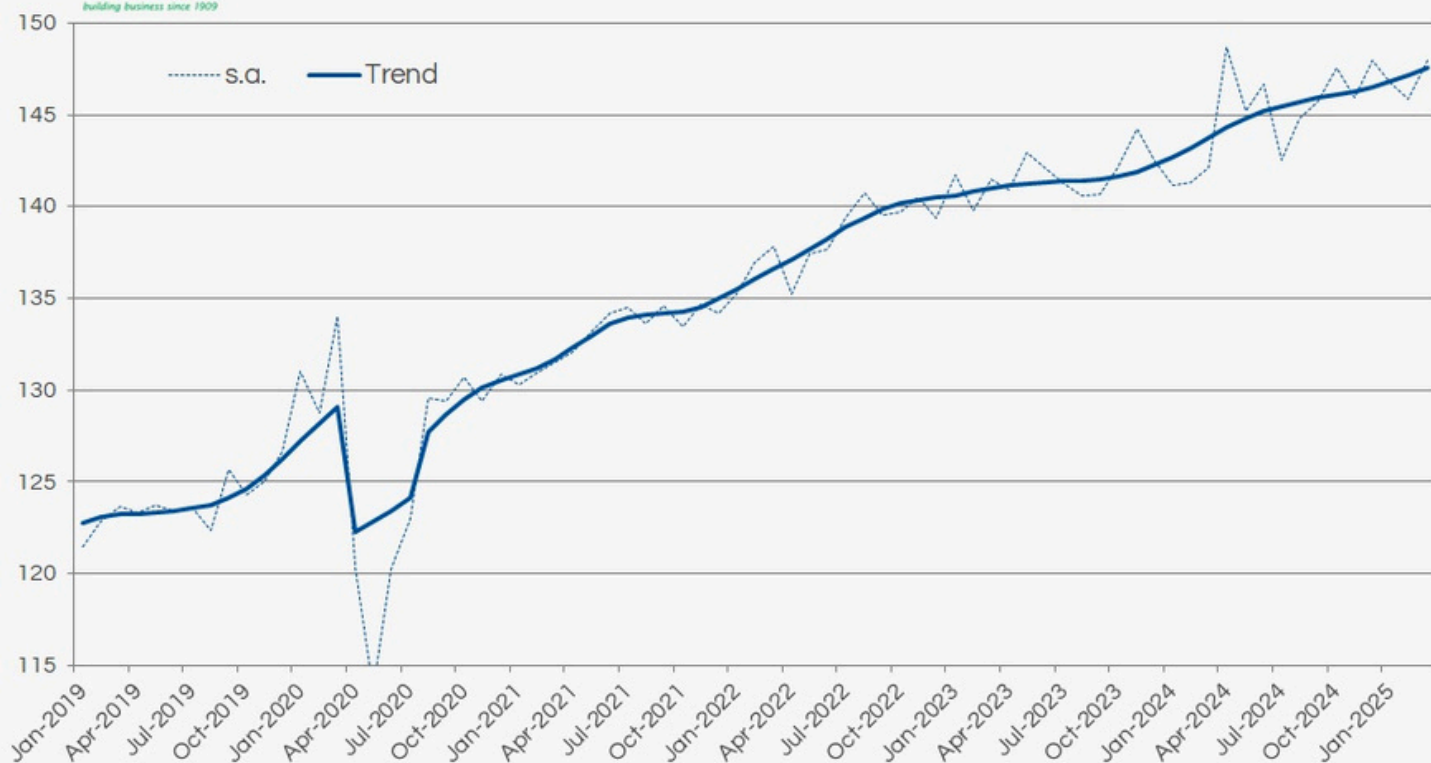
Last month 2,979,300



↑ **147,500**

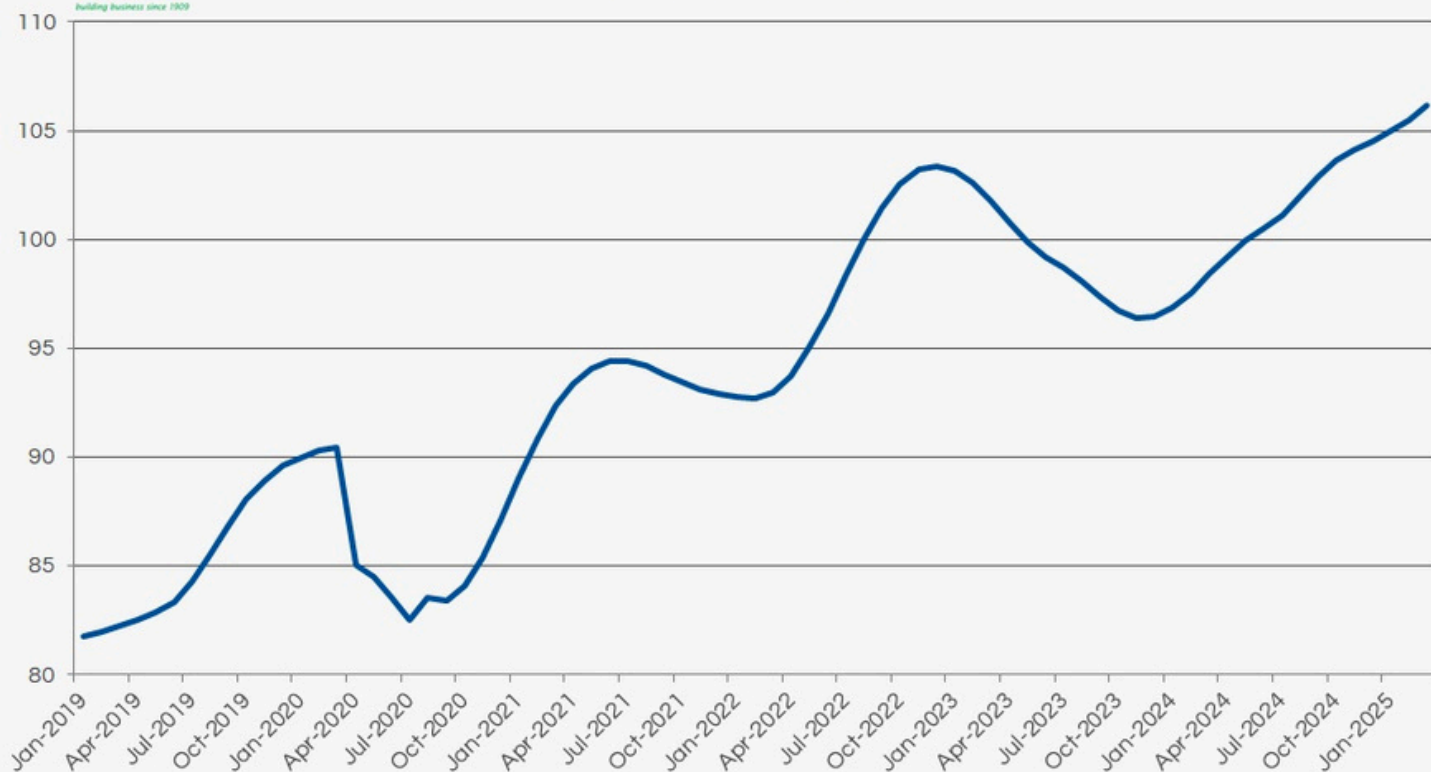
Last month 147,100

Cairns Employment Conus/CBC Staff Selection s.a & Trend '000s



Source: Conus derived from ABS original data

Cairns Full-time Employment Conus/CBC Staff Selection Trend '000s

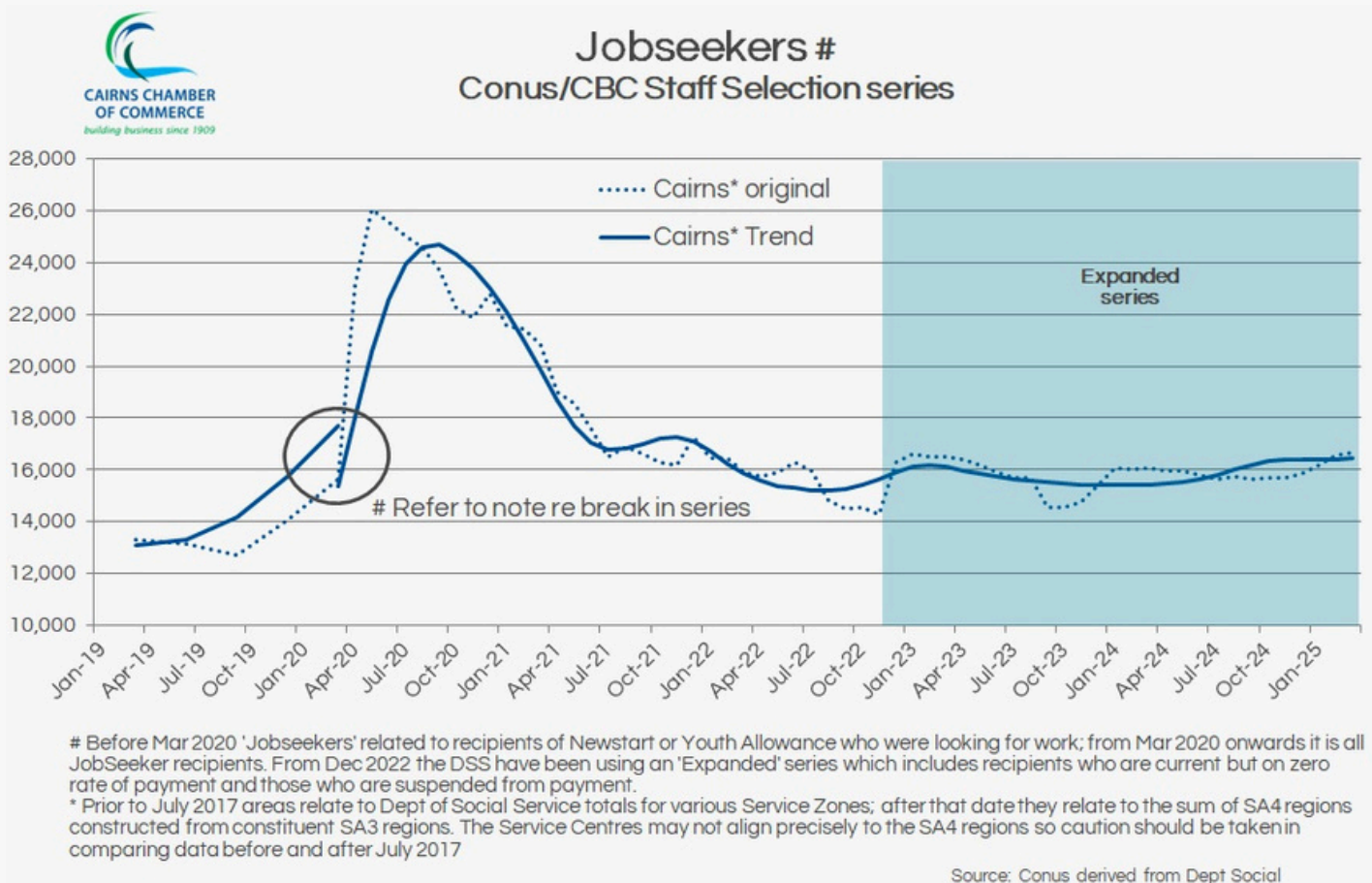


Source: Australian Bureau of Statistics and Conus

Further evidence of the relative strength in Cairns is the fact that full-time employment grew by 700 in March and is up 7.9% over the year.

The Participation rate in Cairns remained steady in March, although the general trend has been a slight easing throughout the past 8 months. This comes as no surprise given the high level of participation seen in the middle of last year.

The Trend JobSeekers data in Cairns continues its very gradual move higher, reflective of the slight easing in labour market conditions. However, the pace of this increase is much slower than is being seen elsewhere; Cairns Trend JobSeekers are up 6.7% y/y while in Queensland the rate of growth is 8.6% y/y and nationally 11.9% y/y.



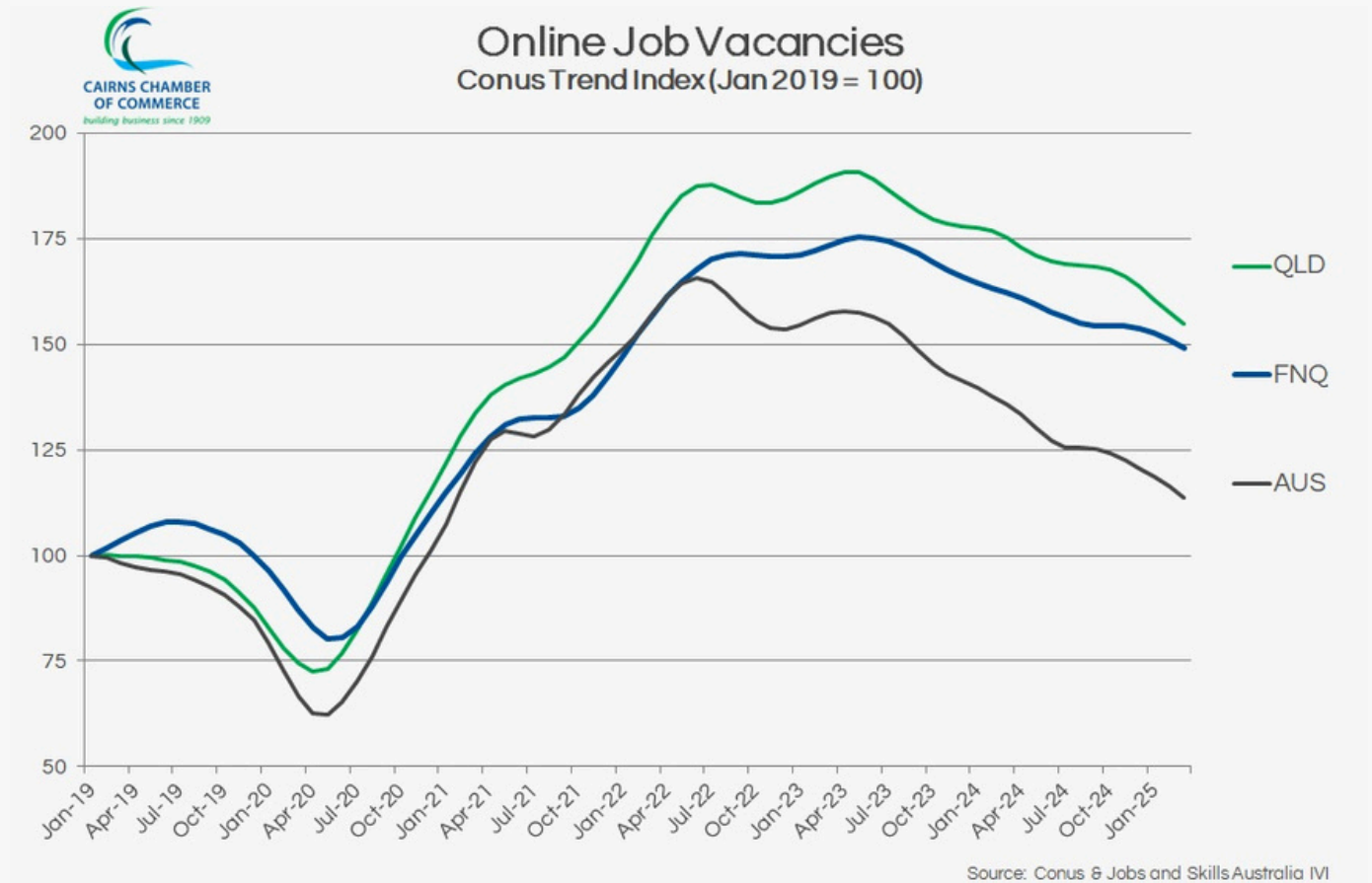
The rate of employment growth in Queensland slowed again in March and now sits at 2.2% pa. This is only slightly below the national trend, but it is down from 3.7% pa only 7 months ago. Trend employment in Queensland increased by 2,100 (after February was revised slightly higher). Full-time employment, which has been growing very strongly over the past 12 months, saw a very small decline in the month, although its annual growth rate remains strong at 3.0% pa. As we have been noting for some time, despite overall strength we are seeing some clear signs of a very gradual easing in the labour market.

In the national data this theme of a slight easing in the strength of the labour market is even more elusive (although still present). Trend employment growth has eased again and is now 2.3% pa with only 13,900 added to the number employed in March; this is the lowest monthly increase since May 2020.

Credit: Tourism Tropical North Queensland

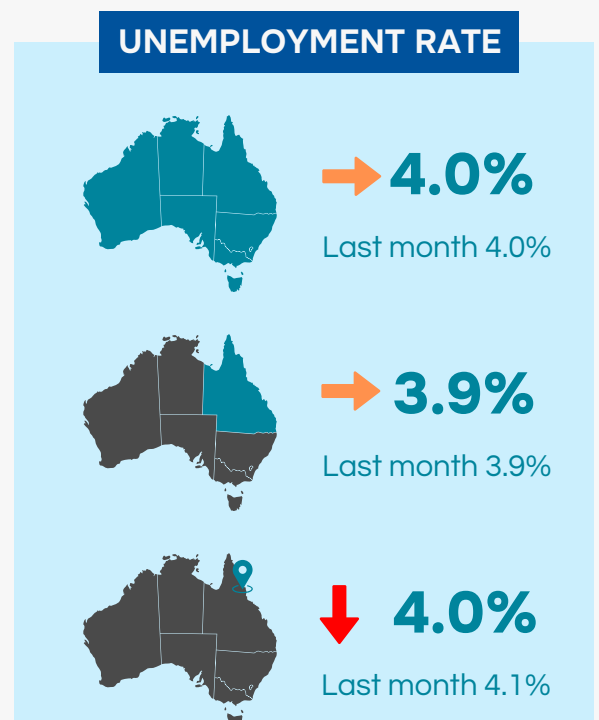


Online job vacancies, while having seen a steady decline at both the national and Queensland level since their peak in mid-2023, have been falling at a much slower pace in the Far North. This is yet another indicator which shows the labour market in Cairns, despite some gentle weakening in growth, remains relatively healthy.

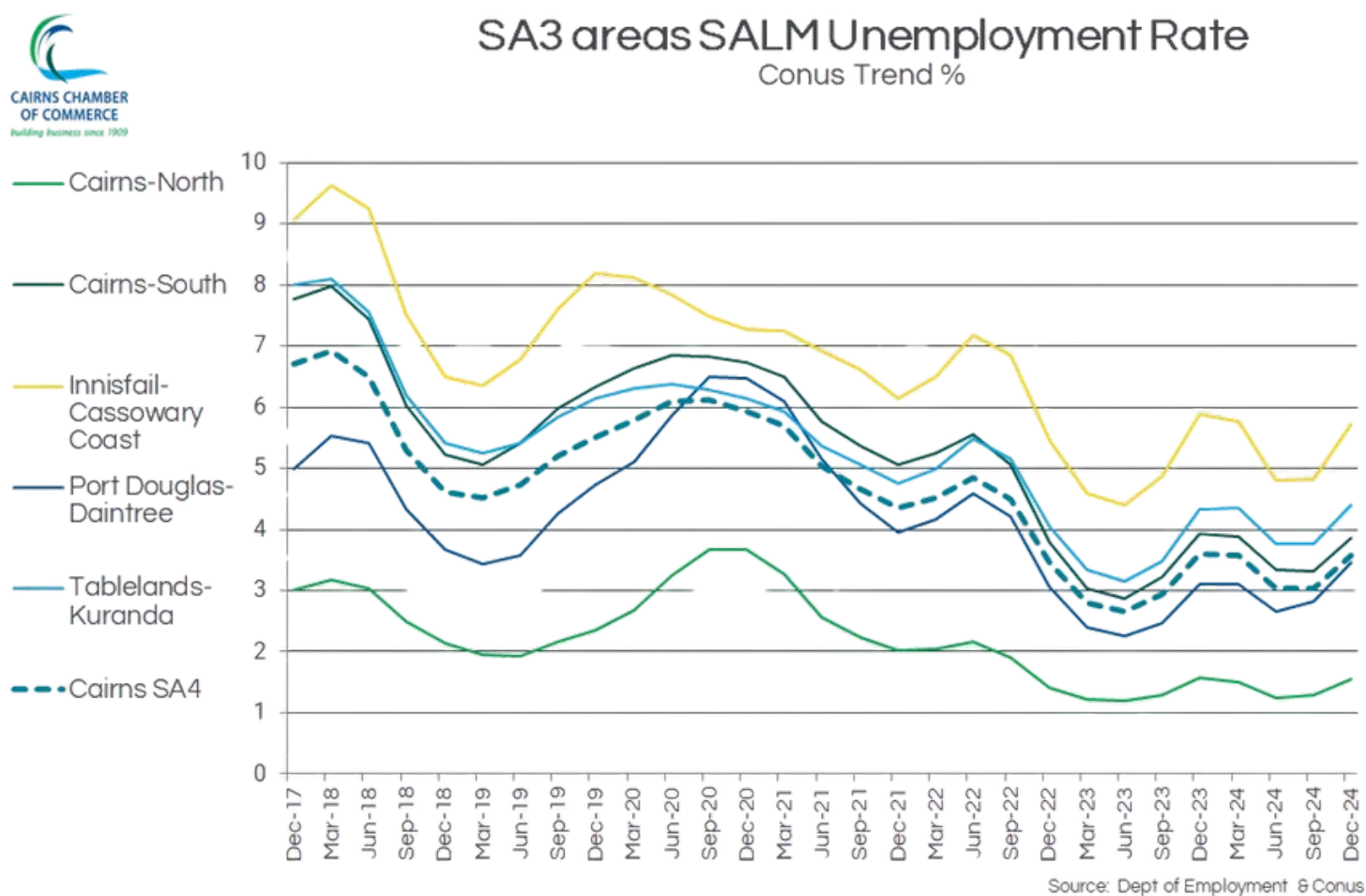


Unemployment

The March Trend unemployment rate in Cairns has fallen slightly to 4.0%, after some downward revisions to the previous month from 4.4% to 4.1%. Given the signs of a slight easing in the labour market at the national and State level it is indeed encouraging to see Cairns performing relatively strongly.



The Small Area Labour Market (SALM) data from the Dept of Employment is the only reliable indicator of unemployment rates at a more granular level in the region. The most recent data (to Dec 2024) shows all sub-regions within the broader Cairns area have enjoyed the gradual decline in unemployment rates seen since COVID with Cairns-North the standout.

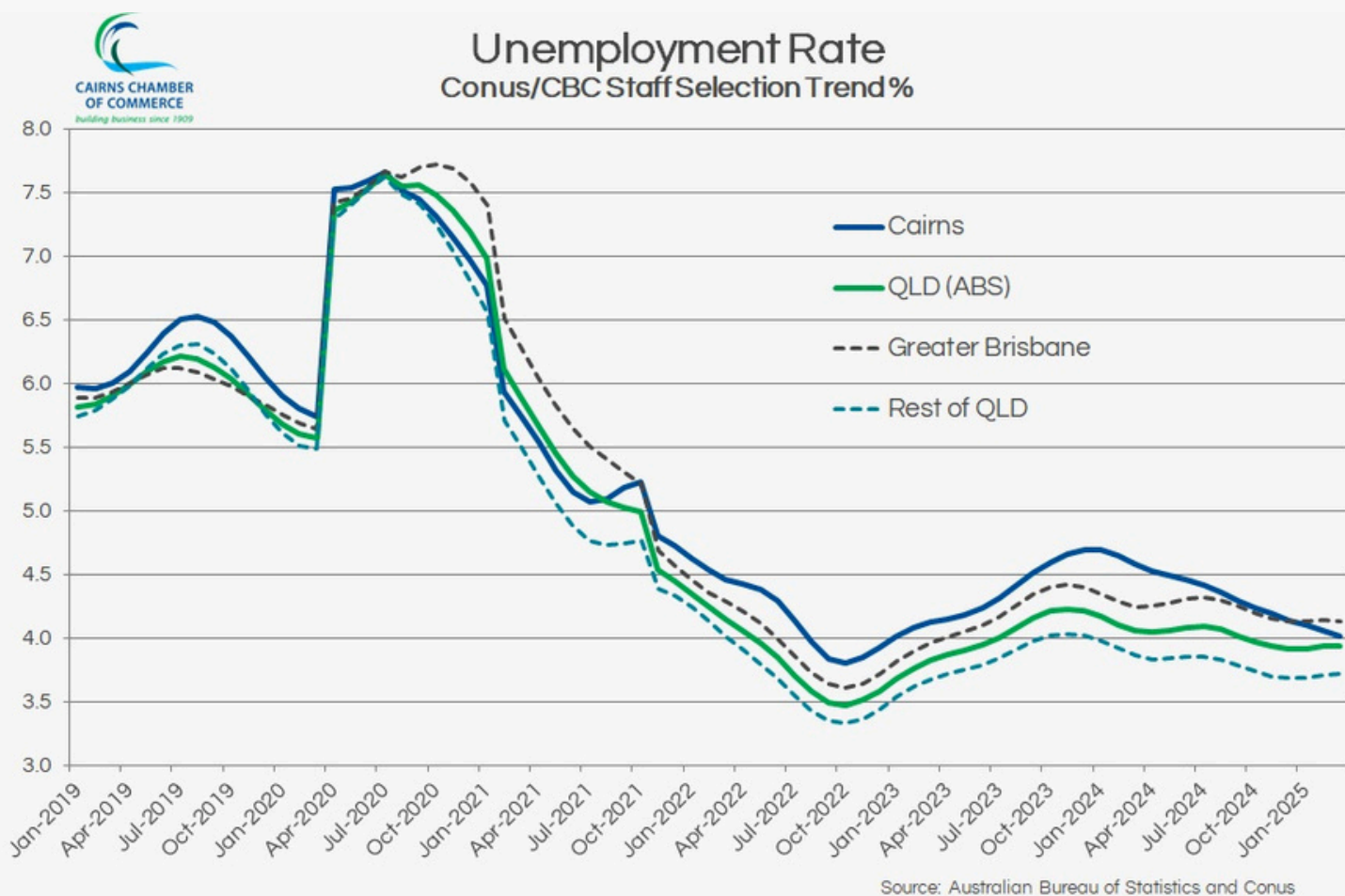


Credit: Tourism Tropical North Queensland



Queensland's Trend unemployment rate remained unchanged at 3.9% in March. However, it was only thanks to the slight easing of the participation rate that the unemployment rate did not edge a little higher. As we have been noting for a few months, there are clear signs that the labour market is gently easing but it remains true that conditions remain historically tight and the unemployment rate is at very low levels.

The national Trend unemployment rate was stable at 4.0% in March and has been remarkably stable at either 4.0% or 4.1% for each of the past 13 months. This month's data was somewhat firmer than the markets had been expecting and makes the RBA's expectation of an unemployment rate of 4.25% by the middle of the year, and their commentary that they do not expect to see the labour market "ease much further", look realistic.



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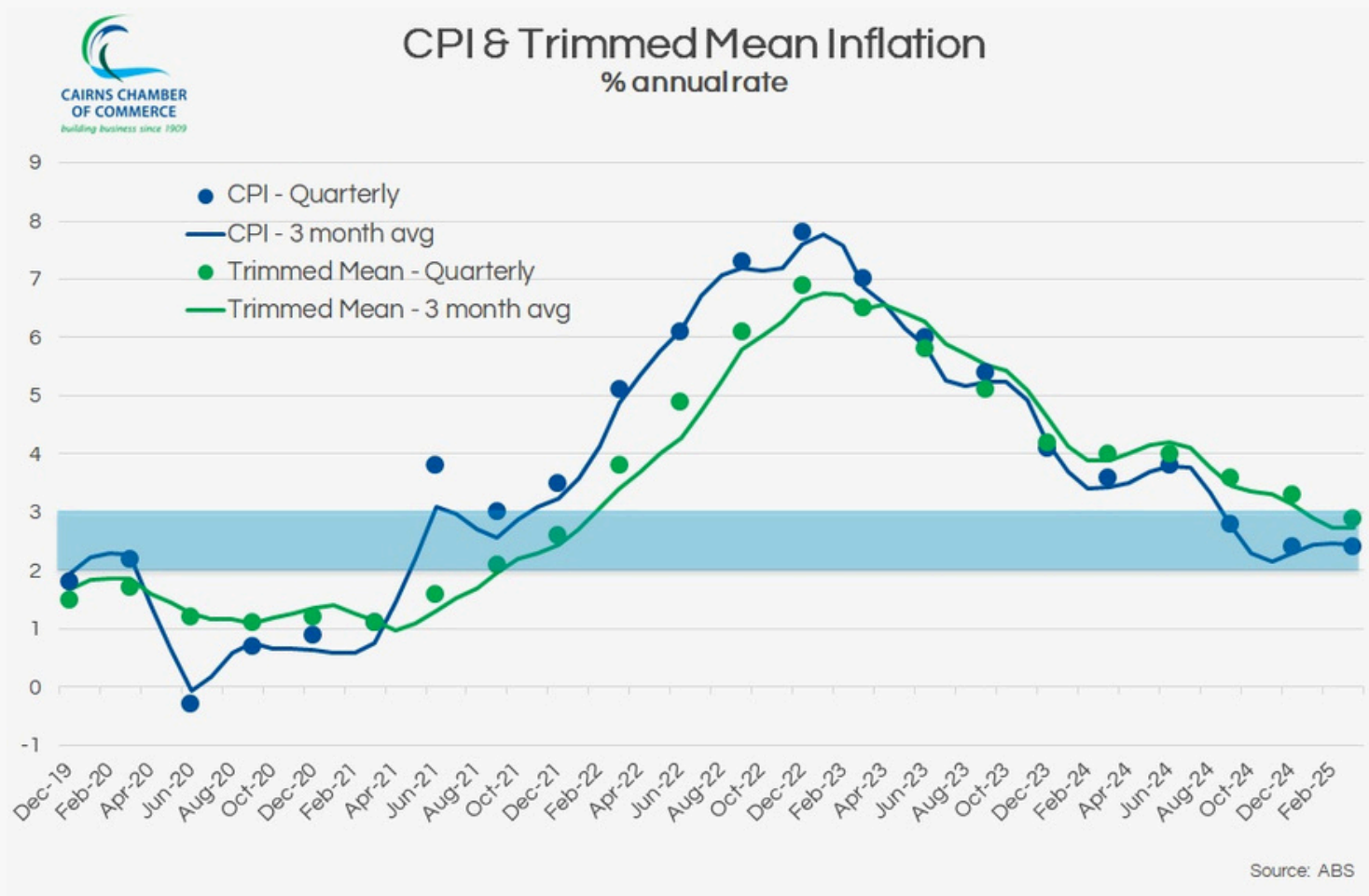
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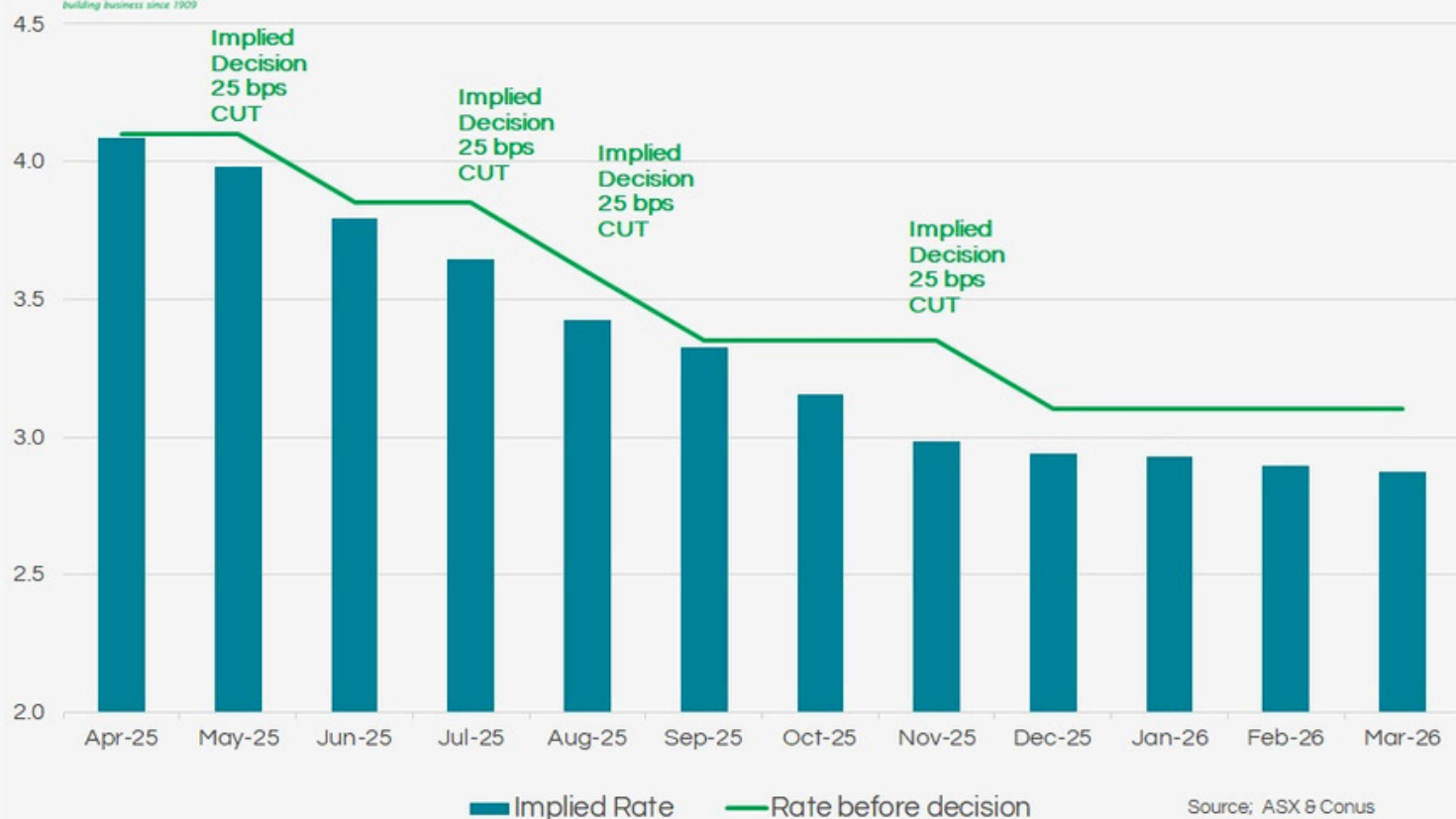
INFLATION & INTEREST RATES

The March quarterly read for CPI remained unchanged at 2.4% and is therefore comfortably within the RBA's target range of 2-3%. However, the RBA's preferred measure of inflation is the Trimmed Mean (which removes the effects of extremes at the top and bottom of the full range of the CPI basket of goods and services) and this has fallen slightly since the end-of-December figure of 3.3% (revised up from 3.2%) to now also sit just within the target range at 2.9%. Neither of these results will have been a surprise to the RBA or markets and are unlikely to influence the Bank's thinking on future rate cuts.



Last month, before the tariff craziness became reality, we noted that the futures market which was pricing-in up to two further cuts during 2025 might perhaps be 'getting ahead of itself'. How things have changed since we wrote that! With the very real chance that the trade war initiated by Trump could drag the US, and by extension the global, economy into a sharp slowdown (if not a full-blown recession) and the uncertainty that this creates, we have seen the futures markets turn even more dovish than before. Current pricing shows rate cuts as far as the eye can see with the market suggesting a Cash Rate as low as 3.10% by year end. Whether this eventuates will at least to some degree depend upon what happens with the tariffs after the 90-day pause expires (in early July) and the ongoing effects of the still-current tariffs levied on China.

Cash Rate Futures Implied Rates % & RBA Decisions



Credit: Tourism Tropical North Queensland



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YOUR LOCAL EXPERTS

WGC Lawyers has proudly served Cairns and Far North Queensland for more than half a century. We are a full-service law firm dedicated to providing professional advice and tailored legal support. Our deep understanding of the region and our clients' unique needs, built over decades, ensures we deliver with integrity and commitment.

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BUILDING APPROVALS

TREND APPROVALS

↓ **102**
Feb 2025

TREND RATE OF APPROVALS

↑ **17.7%**
year on year

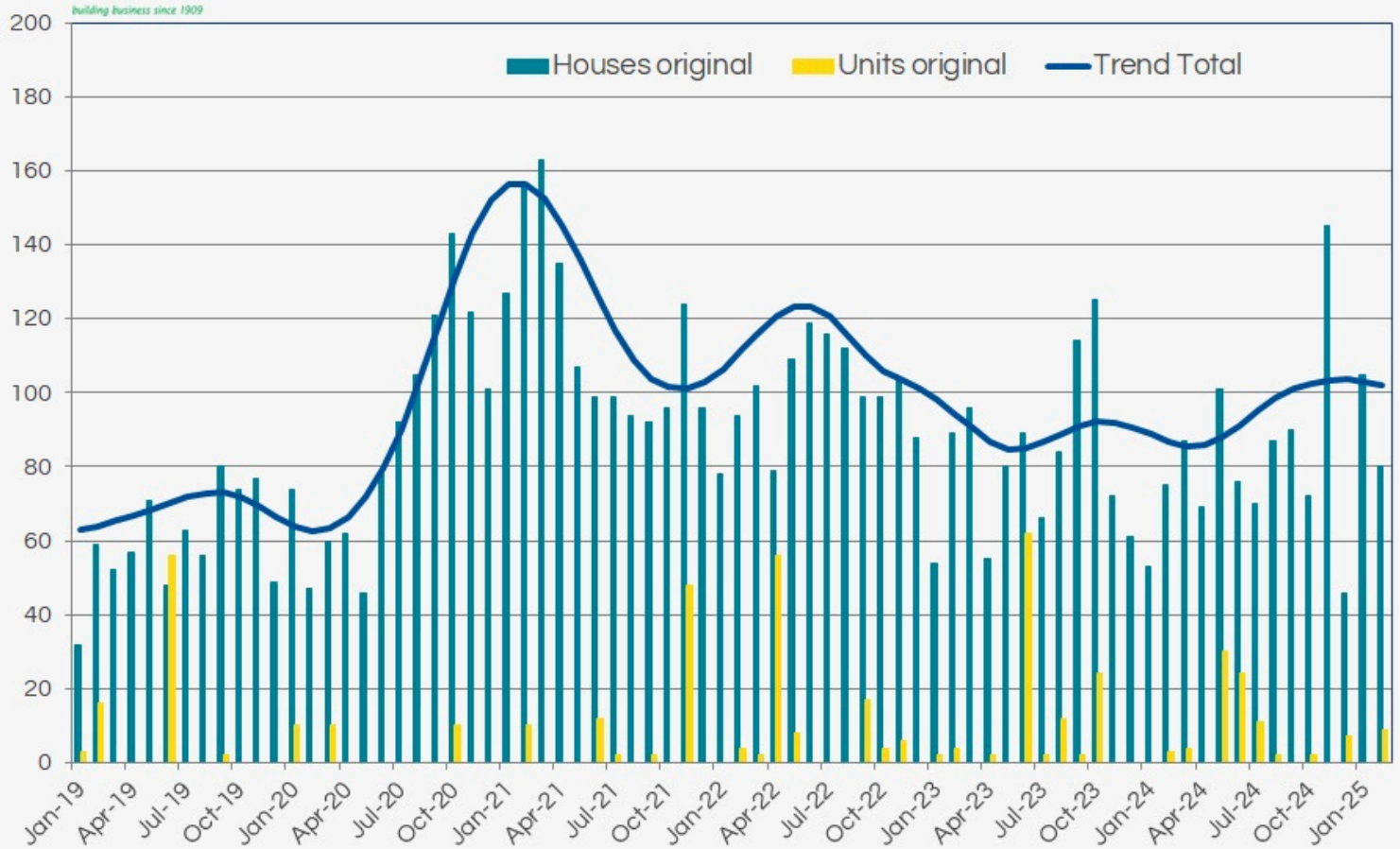
Last month we noted a surprisingly strong uptick in building approvals in Cairns during January, and the subsequent revision of the seasonally adjusted Trend series. This month the February data confirms that general improvement is continuing (although at a somewhat moderated level) with Trend approvals now up 17.7% for the year.

Nevertheless, the level of approvals remains well below the peaks seen since COVID and is averaging approximately 100 per month.

This stabilisation is occurring in Cairns at the same time as Trend approvals are falling sharply across Queensland.

While this is a welcome improvement from the lows in Cairns, around 85 per month in 2023 and 2024 and just 65 per month before COVID, it is certainly not enough to mitigate the chronic housing shortage that the region is still facing. There is no sign that the supply of housing required in the region is increasing at a scale that will materially ease the impacts of the shortage (i.e. high and increasing prices and rents and historically low rental vacancy rates).

Cairns Building Approvals original & Conus Trend



Source: Conus based on Australian Bureau of Statistics

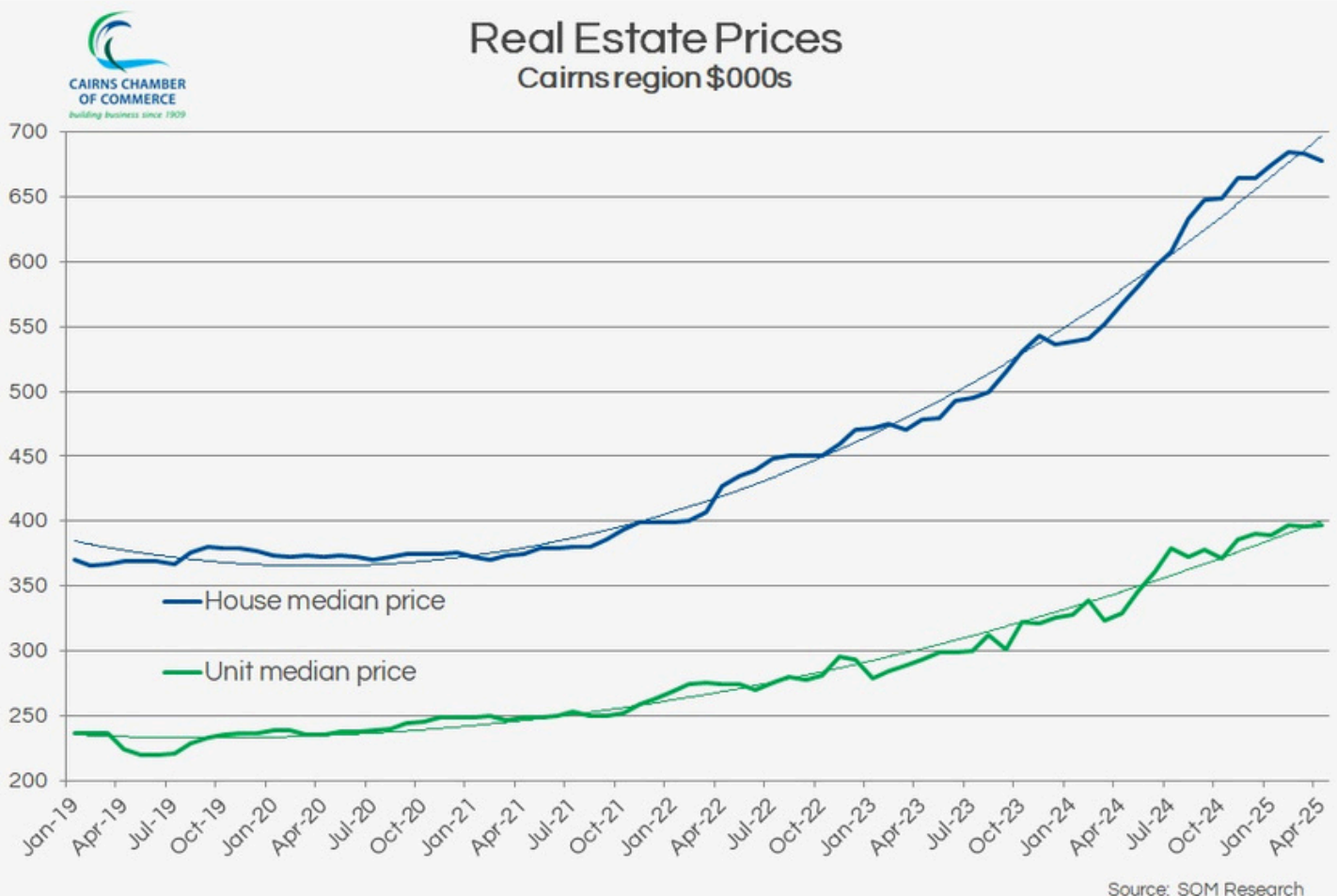
Credit: Tourism Tropical North Queensland





REAL ESTATE

This is the second month where we have seen property prices in Cairns taking something of a breather. Nevertheless, median prices for both houses and units are up 19-20% over the year and continue to perform as the fastest growing region in Queensland and one of the fastest in the country. Combined property prices across Cairns over the past three years have grown at an annual rate of 16%, which equates to an increase of 56% over that time.



MEDIAN PRICE



Unit
\$397,000
+ 21% y/y

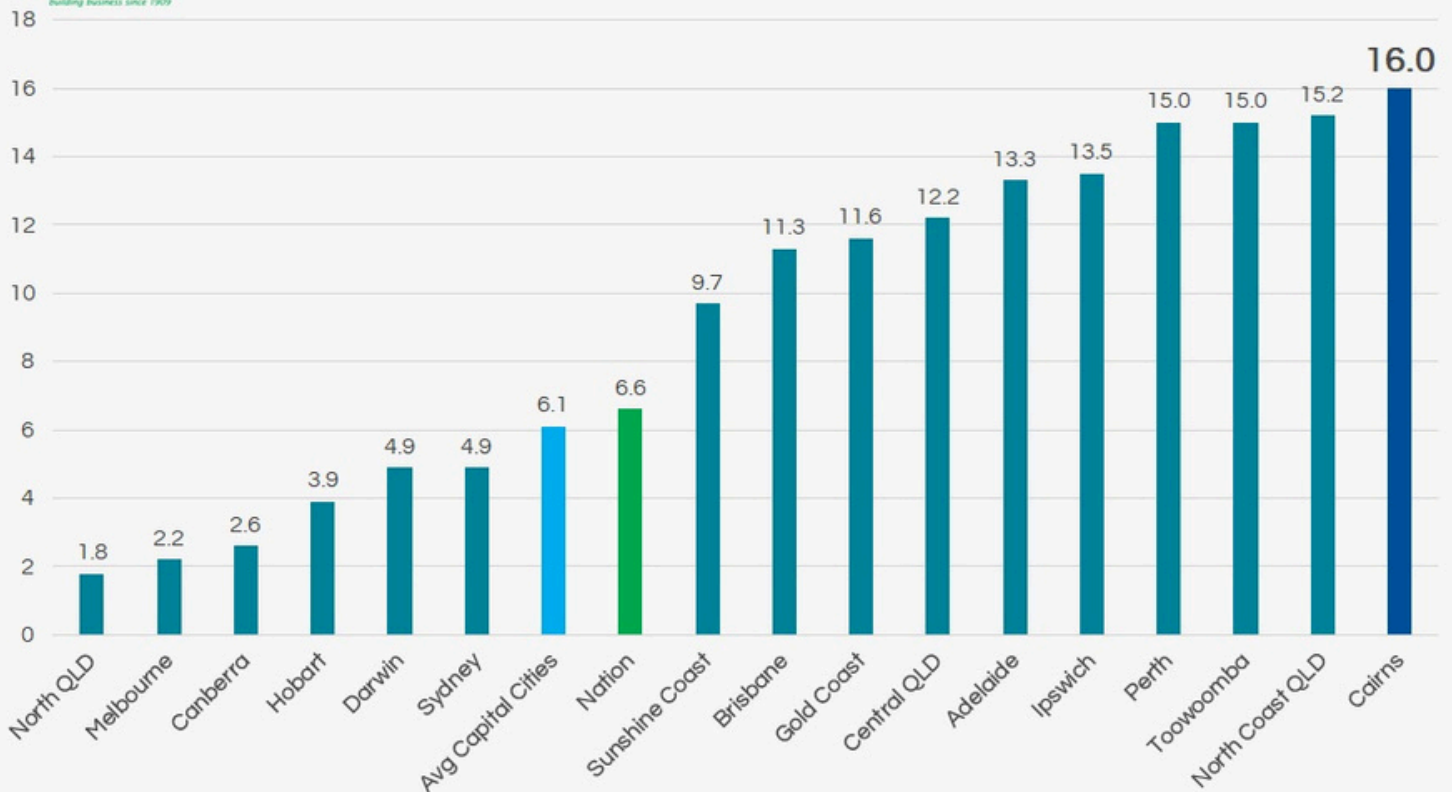


House
\$678,000
+ 19% y/y

The strong expectation of further interest rate cuts over the course of the year (as discussed in the Inflation & Interest Rates section earlier), combined with what is still a large price-gap between Cairns and southern cities, will likely work to maintain the positive movement in prices through this year.



Real Estate Prices 3 year pa %



Source; SQM Research, combined asking price



Credit: Cairns Regional Council

RENTALS

The ramp up in rents has eased again this month with house rents almost unchanged while unit rentals have seen a significant decline over recent months.

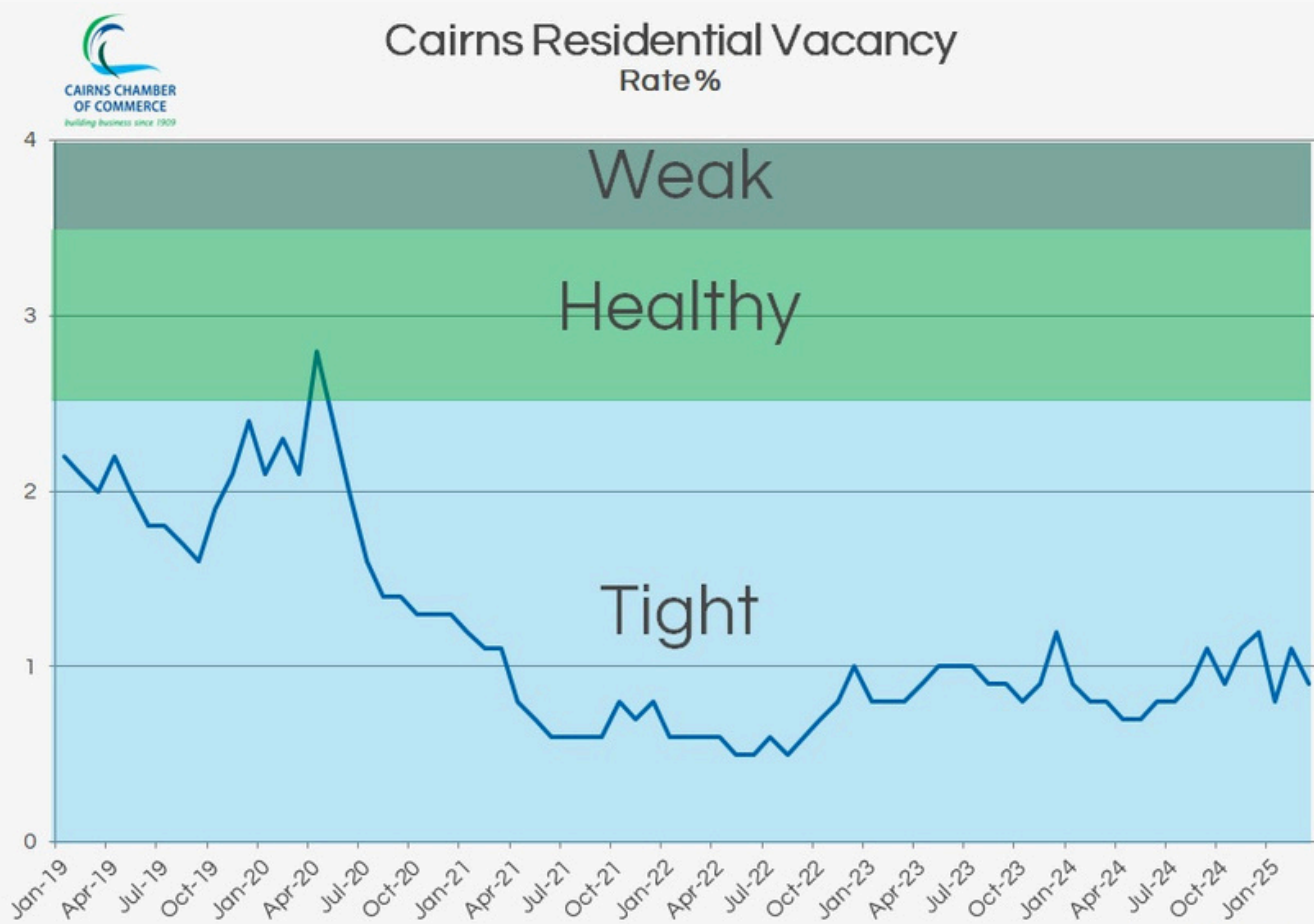
However, both house and unit rental

rates remain 6-10% higher than a year ago. The rental vacancy rate, which has spent most of the past four years below 1%, has once again dipped below that level this month after a brief sojourn above.

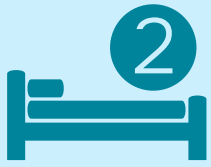
VACANCY RATE

↓ **0.9%**

Previous month 1.1%



MEDIAN RENTALS

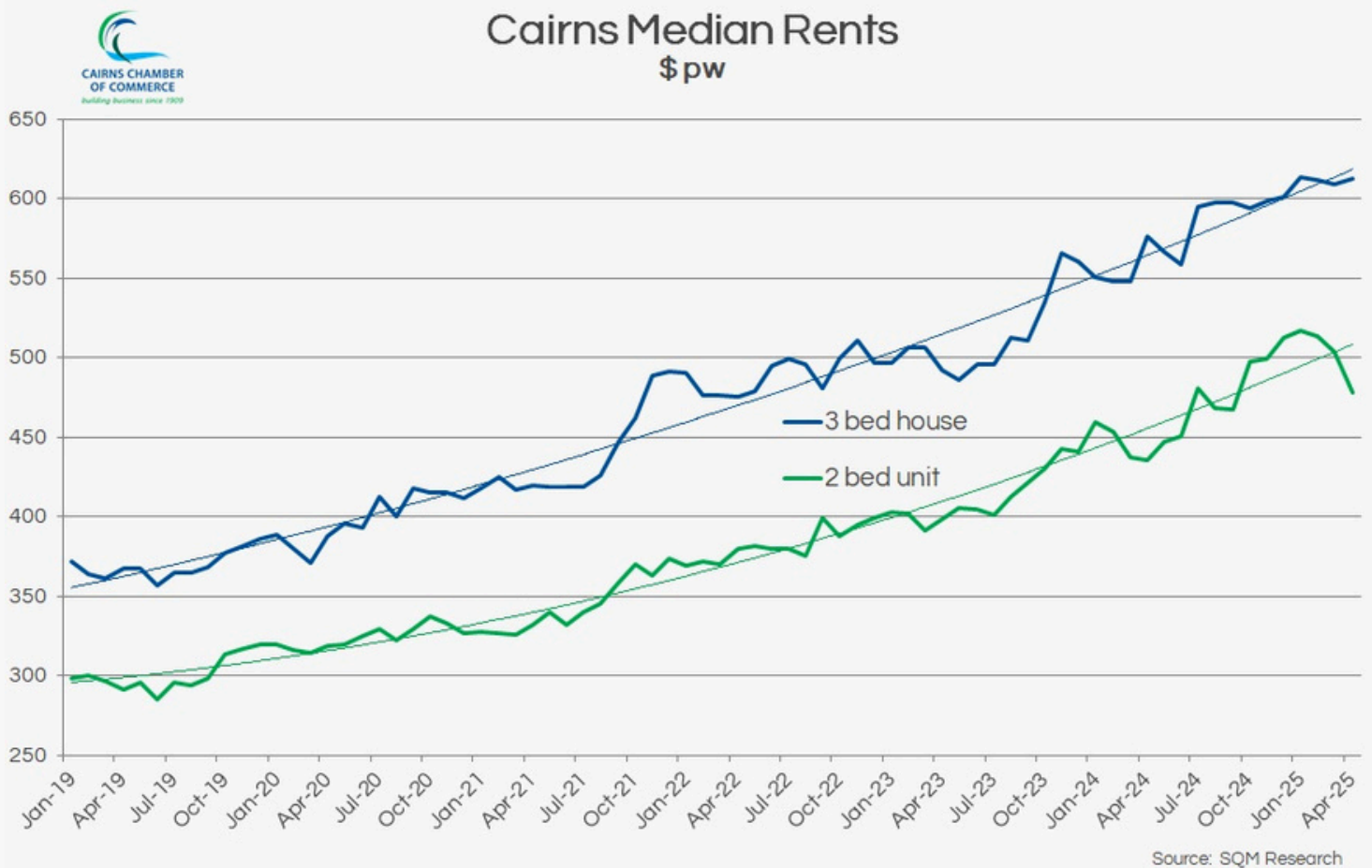


2-bed unit
\$478 p/w
+ 10% y/y



3-bed house
\$613 p/w
+ 6% y/y

There is no sign that we are seeing a persistent (and much needed) move in the rental vacancy rate back towards more healthy levels any time soon.



Credit: LJ Hooker Edge Hill





The Difference



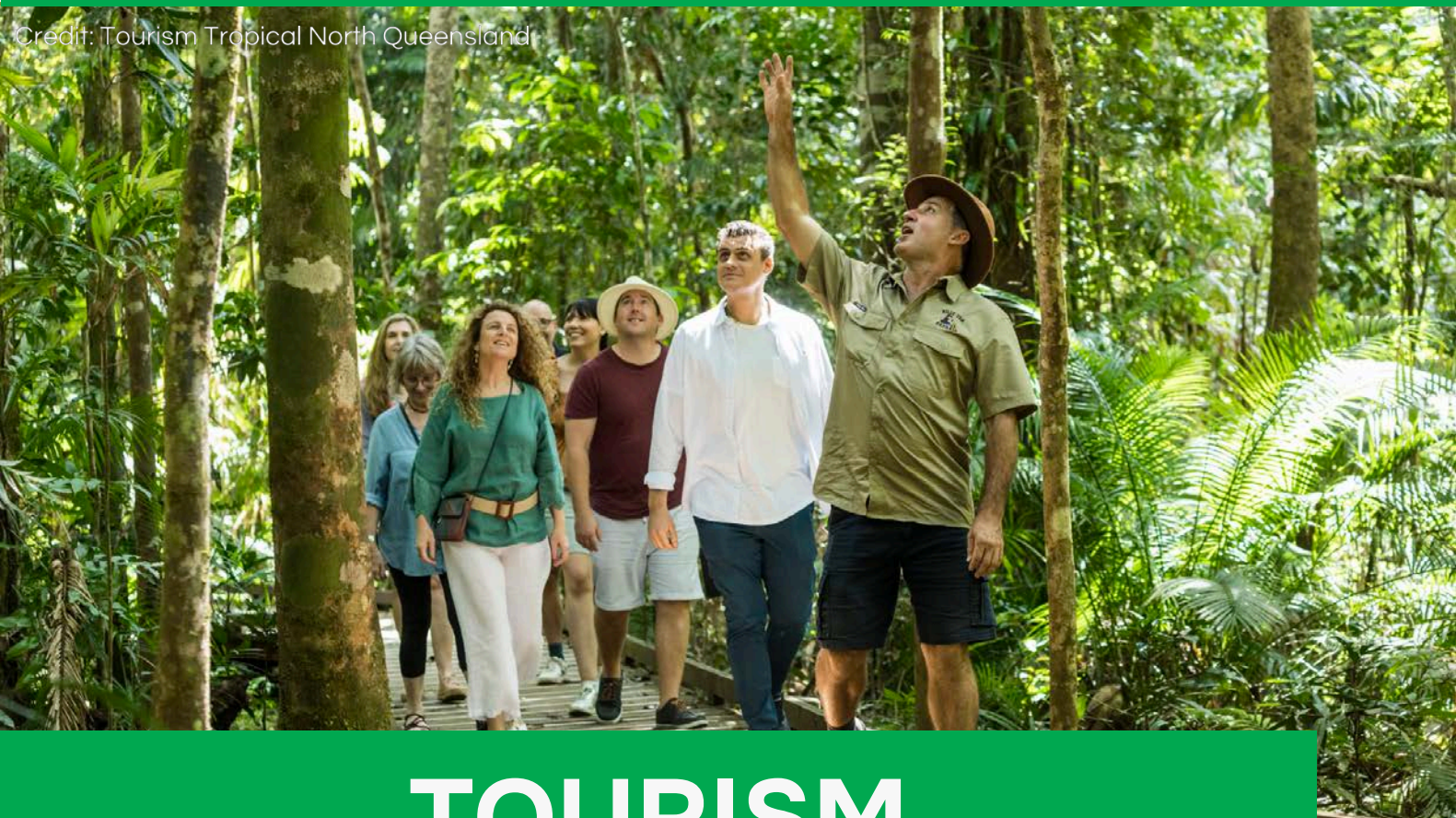
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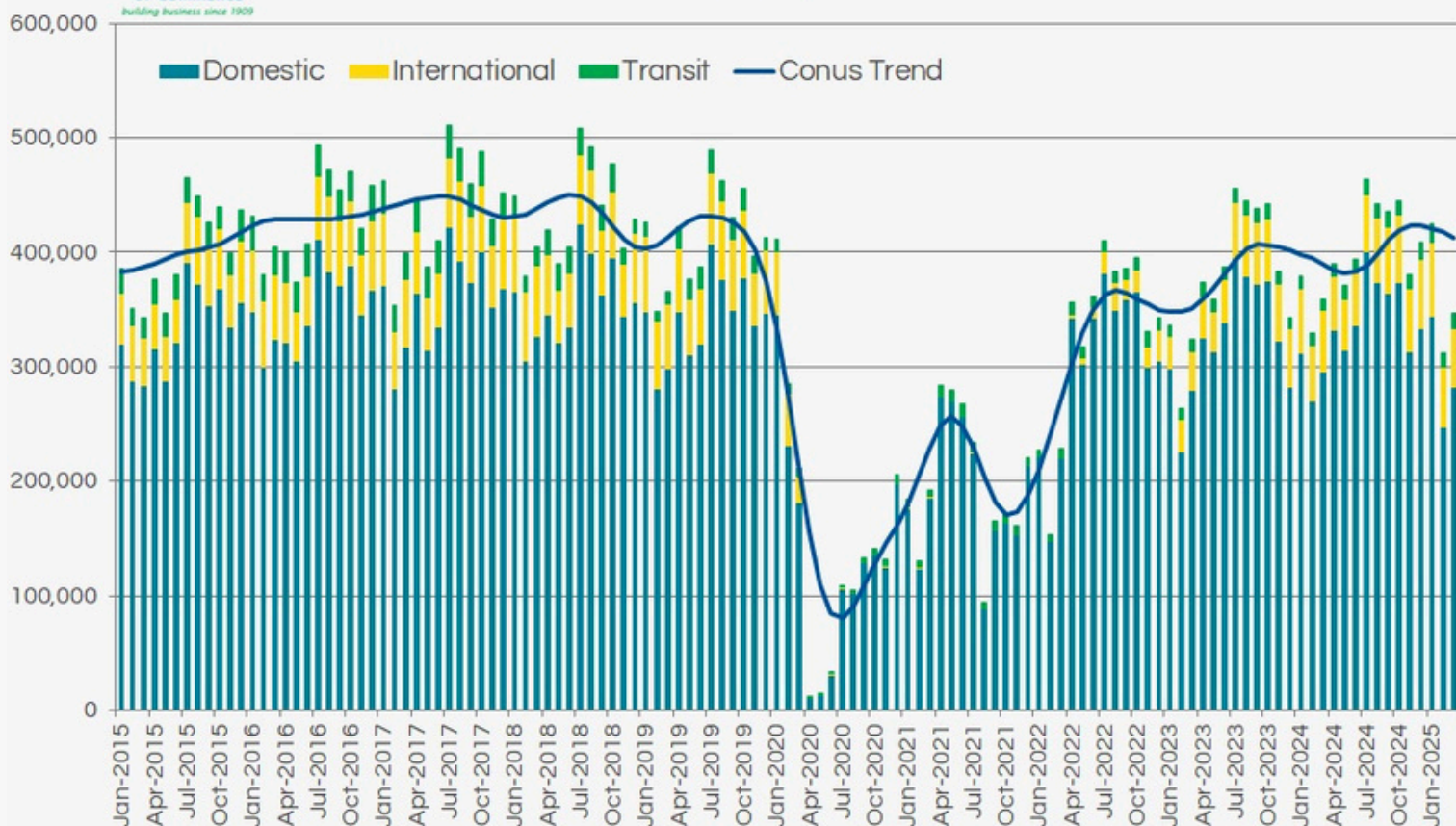


TOURISM

Although March saw a healthy increase in passenger numbers through Cairns Airport (+11% from Feb), the March figure was down 3% from the previous year and the total for the 12 months was up just 2.5%. This is the weakest pace of annual growth since September 2021 and reflects the fact that domestic passenger numbers are down from March last year, and the annual total is up less than 1%.

Likewise, the recovery in international passengers appears to have somewhat stalled in recent months. Both February and March saw fewer international passengers than January. Indeed, March was the weakest month since July last year. Taken together it is therefore not surprising to see the Trend series declining slightly (as it has done for the past 3 months) although it does sit 6% higher than a year ago.

Cairns Airport Total Passengers monthly

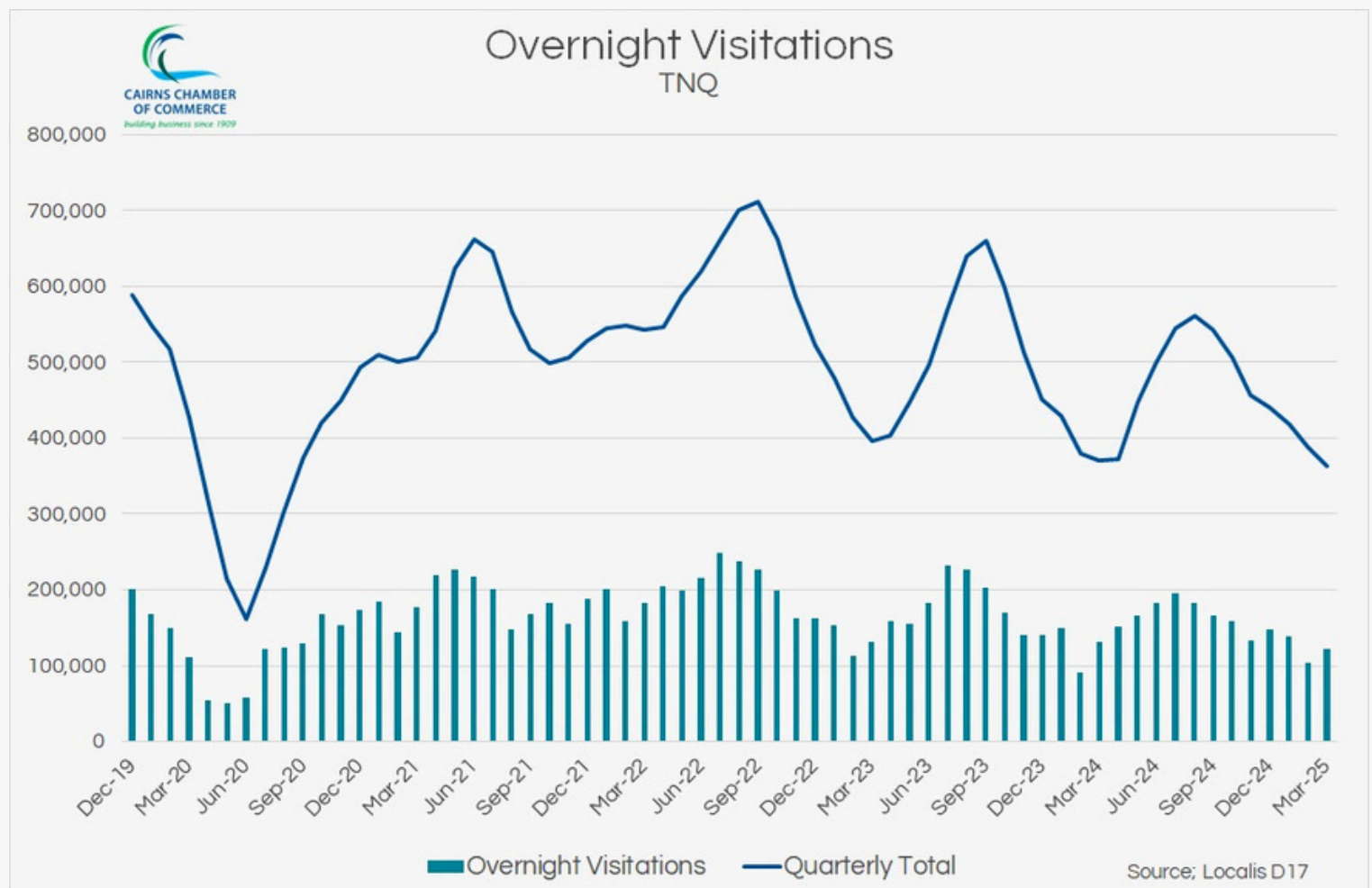


Source: Cairns Airport & Conus



With the much-anticipated flights to Nadi on Air Fiji (and the associated connections to the west coast of the USA), and to Christchurch on Jetstar having launched in April we would hope to see an acceleration in the international recovery for the Airport in coming months.

While we will not see the official Tourism Research Australia tourism expenditure data for the March quarter until June, our own models (based on a number of more-timely leading indicators) are suggesting that domestic expenditure might have fallen a little in the year to March (down from \$3.28 billion in Dec 2024 to \$3.19 billion in Mar 2025) while international tourism increased slightly (from \$981 million to \$1 billion). The net result would therefore be a very small decline of \$70 million for the year. Data for the number of overnight visitations to the region appears to confirm this, with numbers for the quarter to March at a similar, but slightly lower, level to the same time last year.



A WORD FROM OUR SPONSORS



“ Many of us received an email from the Valuer-General informing us that our land value has increased by around 20–40%. While it might feel good to see your property value rise, it isn’t necessarily good news if you pay land tax and council rates, which are calculated based on your property’s land value. Council’s 2025–26 budget will soon be released, and it will be interesting to see whether council revenue increases significantly above their usual CPI-based rate adjustments due to these rising valuations. If they do fully increase their revenue as a result of this change, I hope they’ll put that extra money to good use. ”

Michael Wilson
Partner, PVW Partners

“ Another interesting edition of the Cairns Economic Monitor this month, with a focus on the current and likely effects of global decision making on the Australian economy, and by extension our local economy. It was pleasing to read that our region continues its positive trajectory with employment growth higher than the national and state rates of growth, and real estate prices remaining high with our region continuing to perform as the ‘fastest growing region in Queensland and one of the fastest in the country!’ With thanks again to Pete Faulkner for his expert analysis and commentary. ”

Rhiannon Saunders
Managing Director, WGC Lawyers



“ The Cairns real estate market in May 2025 is showing positive signs, with auctions remaining well received and clearance rates strong. We saw a notable increase in stock levels during the first week of May, offering more choice for buyers. With the election now behind us, we expect the market to return to business as usual, with activity likely to pick up. Queensland’s new rental reforms, effective 1 May, include a 48-hour notice period for entry and standardised application form. Landlords seeking advice are encouraged to contact our office or speak with their Property Manager to understand what impacts this may have if any. ”

Nadine Edwards
Director, LJ Hooker Cairns Edge Hill



“ At the Cairns Chamber of Commerce, we are proud to deliver to you, our business community, **the Cairns Economic Monitor.**

We have partnered with the highly regarded Pete Faulkner from Conus Business Consultancy Services to produce the all-important economic data of our region. It is crucial for businesses to be armed with the facts, as it offers valuable insights into market trends, consumer behaviour, and industry performance. Access to such data will help you make informed decisions, whether it relates to investments, expansions, or potential growth opportunities.

Understanding the economic landscape will enable you to remain competitive, adapt to changes, and contribute to the overall development of the region's economy.

We sincerely thank LJ Hooker Edge Hill, PVW Partners and WGC Lawyers for their support in assisting us to produce such a valuable report.

”



Patricia O'Neill
Chief Executive Officer

UPCOMING EVENTS

MAY

28
MAY

Yoga & Coffee Morning

6:30am - 8:15am

Novotel Cairns Oasis Resort

JUNE

17
JUNE

June Business Luncheon - AI in Business:

Harnessing Innovation and Improving Productivity, whilst Mitigating Risks

11:30am - 2:00pm

Pullman Reef Hotel Casino

JULY

01
JULY

Luncheon | 2025 State Budget Address by the Hon David Janetzki MP, Treasurer of Queensland

11:30am - 2:00pm

Cairns Convention Centre

29
JULY

July Business Luncheon - Cairns Economic Outlook

11:30am - 2:00pm

Hilton Cairns

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