

# THE TASMANIAN ECONOMY

PRESENTATION TO CEDA TASMANIA ECONOMIC & POLITICAL OUTLOOK

IMAS BUILDING, UNIVERSITY OF TASMANIA

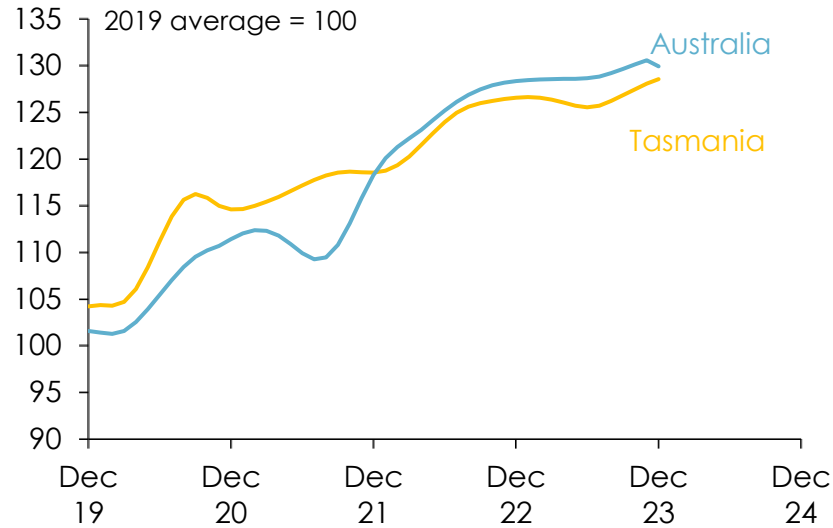
29<sup>TH</sup> FEBRUARY 2024

**SAUL ESLAKE**

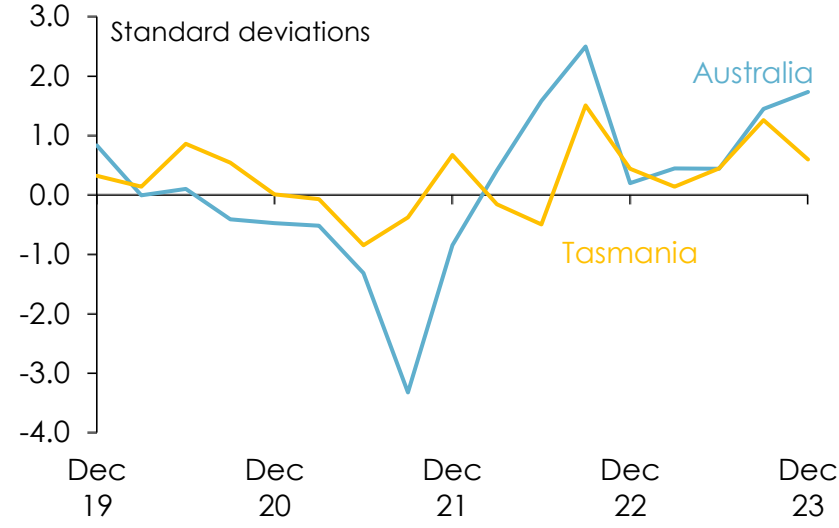
CORINNA ECONOMIC ADVISORY  
INDEPENDENT ECONOMICS

# After performing relatively strongly during the Covid-19 period, Tasmania's economy appears to be slowing more than the national average

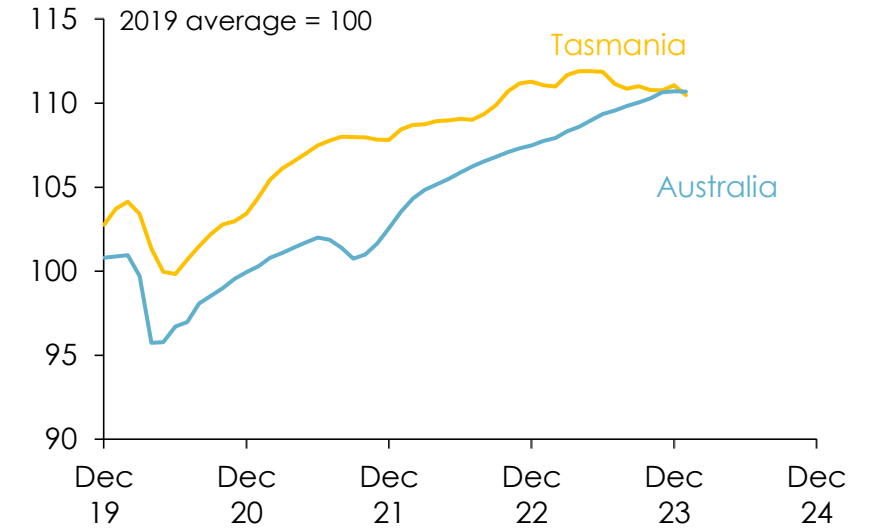
## Retail sales



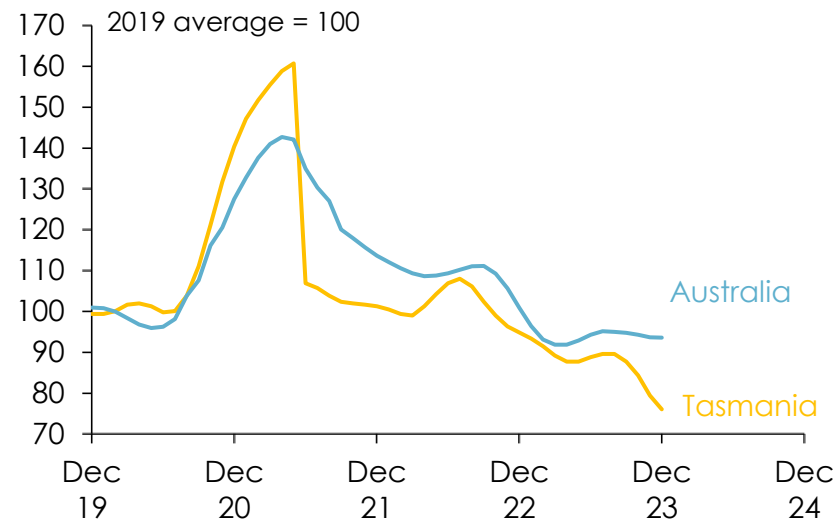
## Business conditions



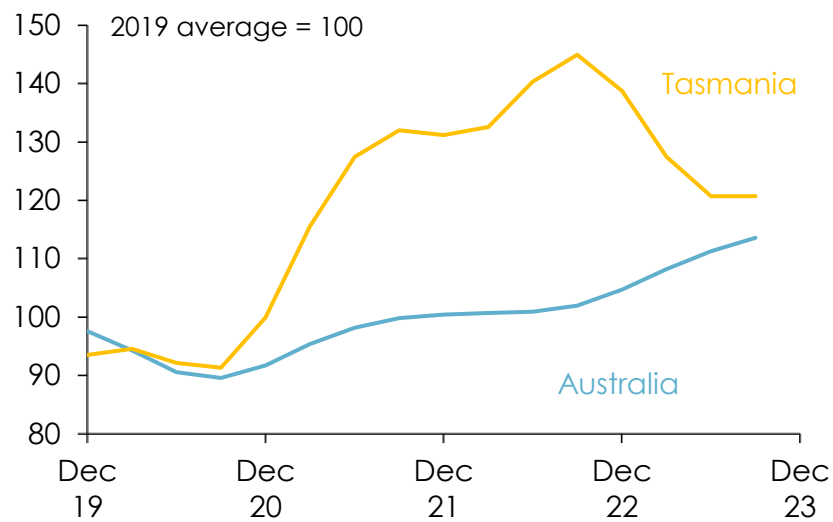
## Employment



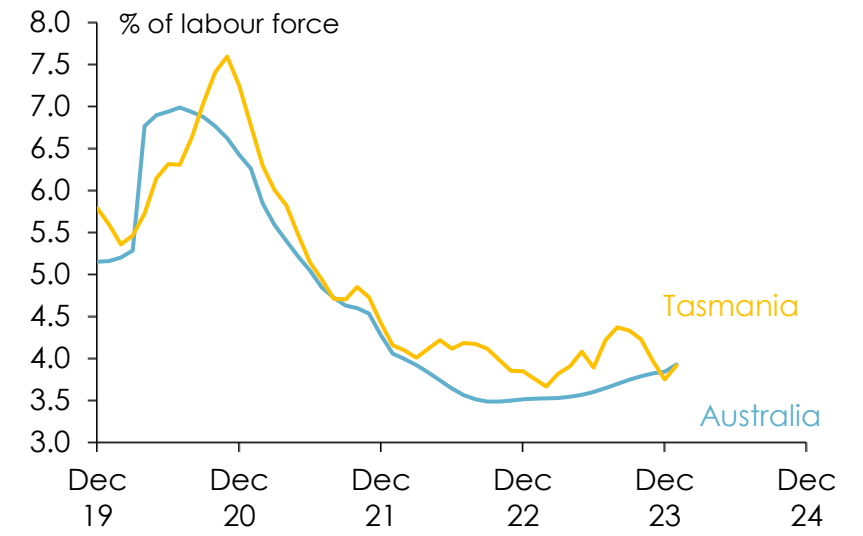
## Residential building approvals



## Business fixed capital spending



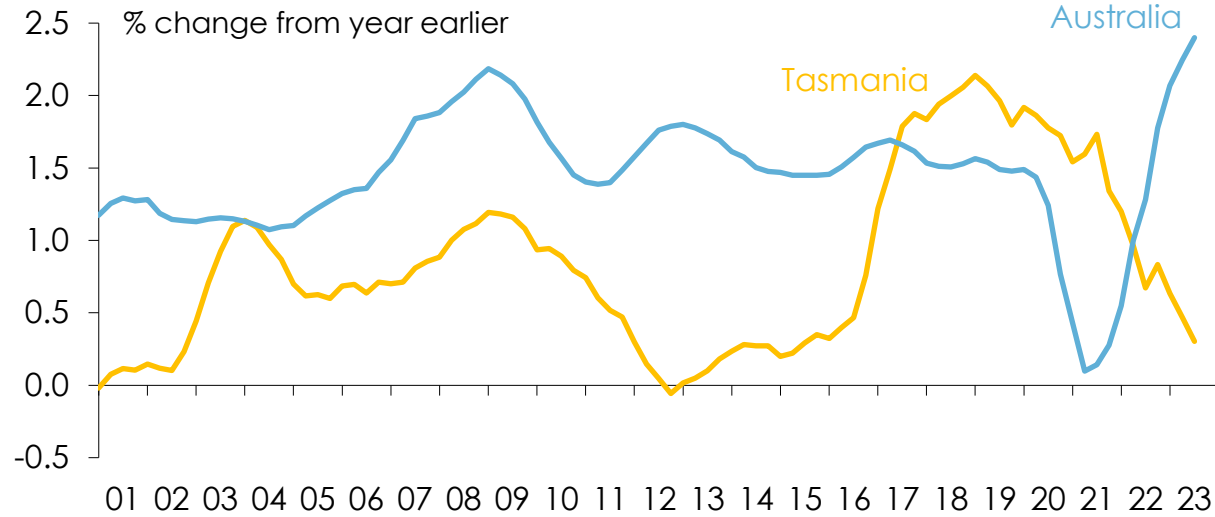
## Unemployment



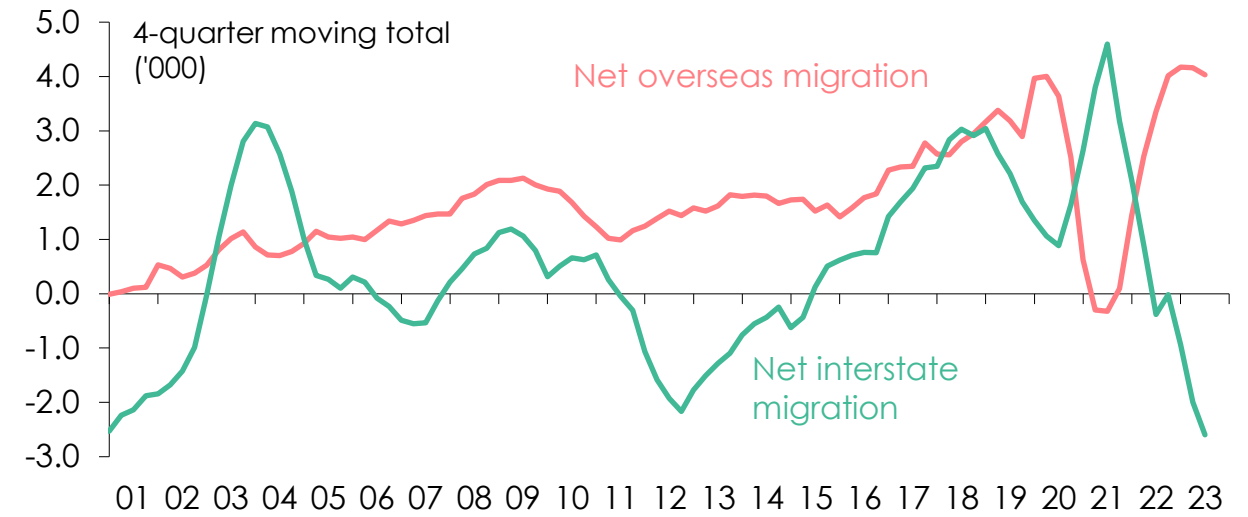
Note: all data except for business confidence are derived from trend estimates. Sources: ABS, [Retail trade](#), December 2023; [Building Approvals](#), December 2023; [Private New Capital Expenditure and Expected Expenditure](#), September 2023; and [Labour Force](#), January 2024; National Australia Bank, [Quarterly Business Survey](#), December 2023.

# A major reason for the slowing in Tasmania's economy is the slow-down in population growth (contrary to State Budget forecasts)

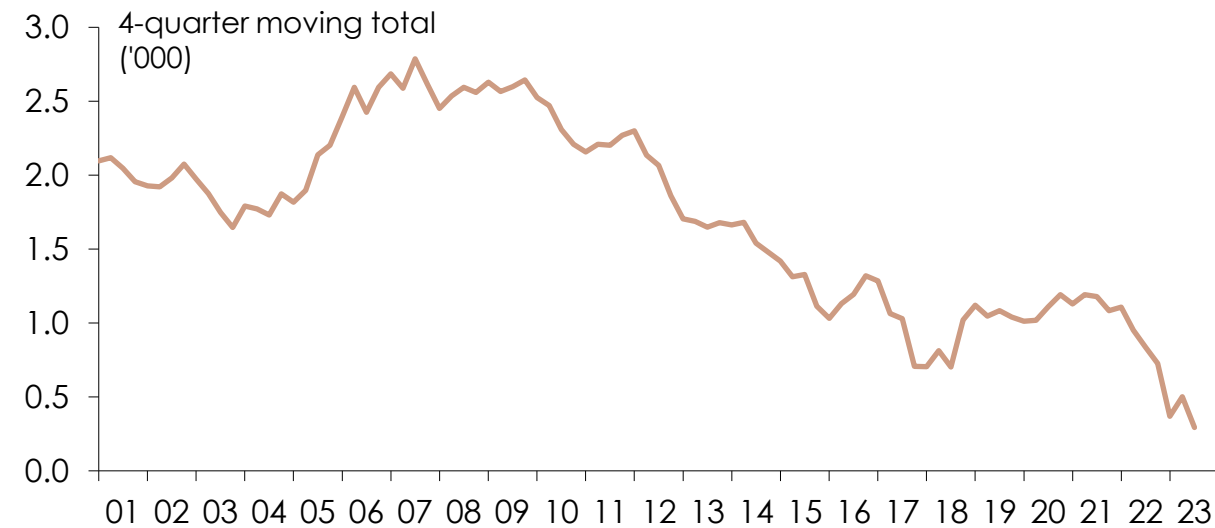
## Population growth



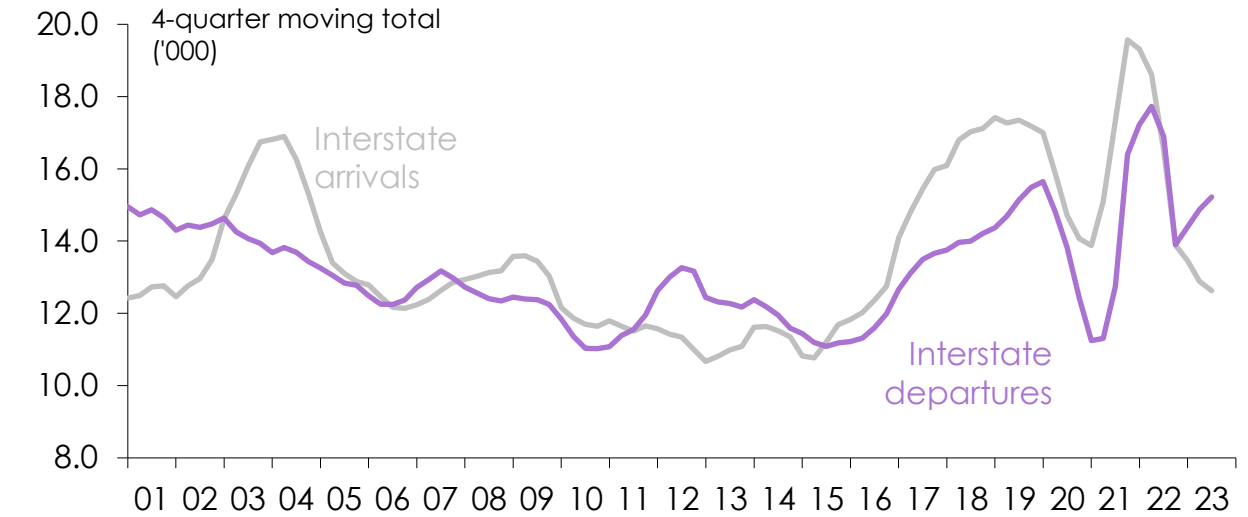
## Net migration to Tasmania



## 'Natural increase' (births minus deaths)



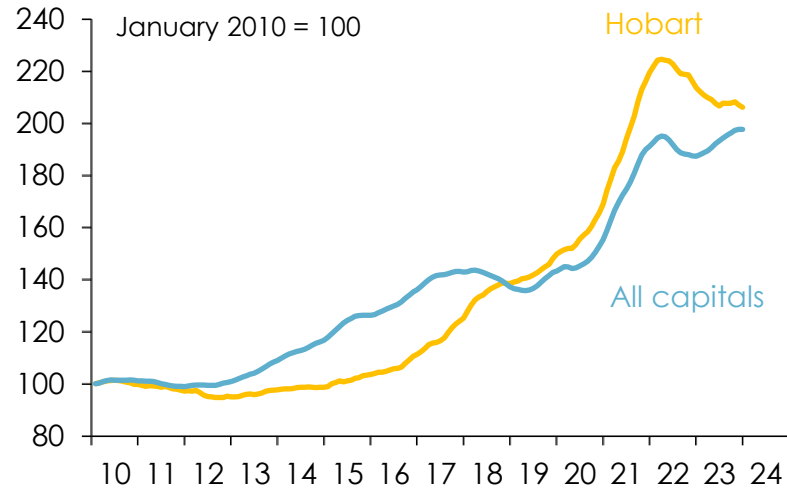
## Interstate arrivals and departures



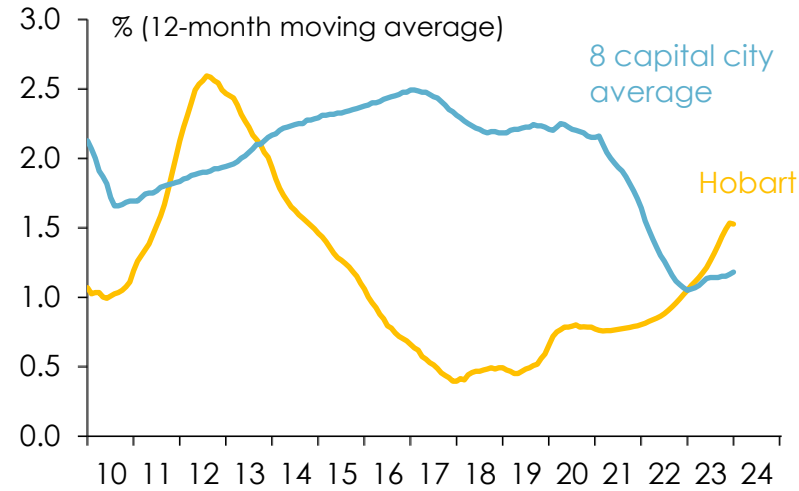
Sources: ABS, [National, state and territory population](#), June 2023. Note: The 2023-24 State Budget predicts population growth of 0.7% in 2022-23 and 0.9% in 2023-24 and 2024-25; the [2023-24 Revised Estimates Report](#) revised these forecasts down to 0.5% and 0.8% respectively.

# Slower population growth explains why Tasmania's property market has followed a different course – although it remains relatively expensive

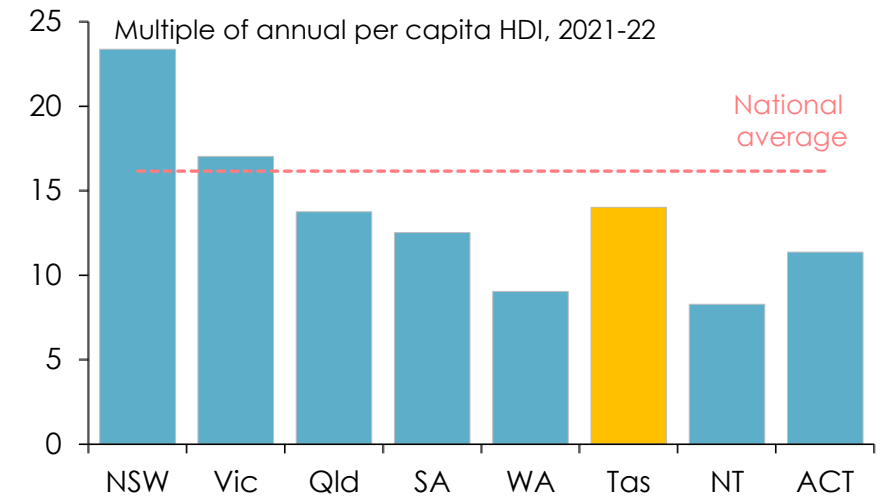
## Capital city dwelling prices



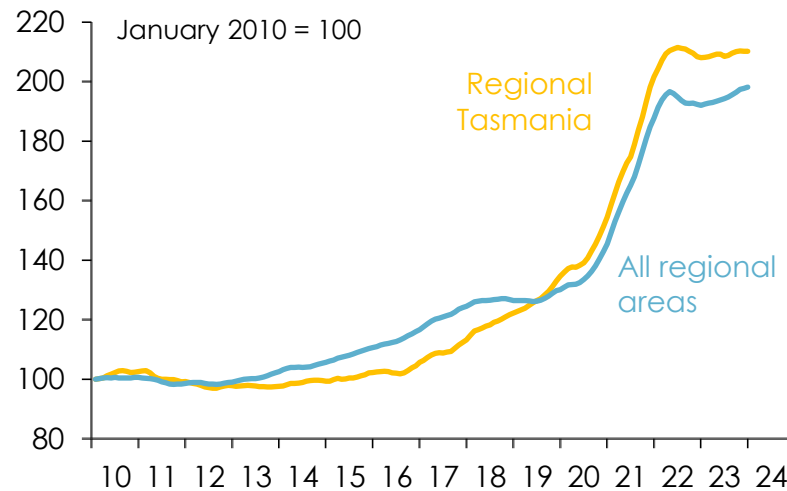
## Rental vacancy rates



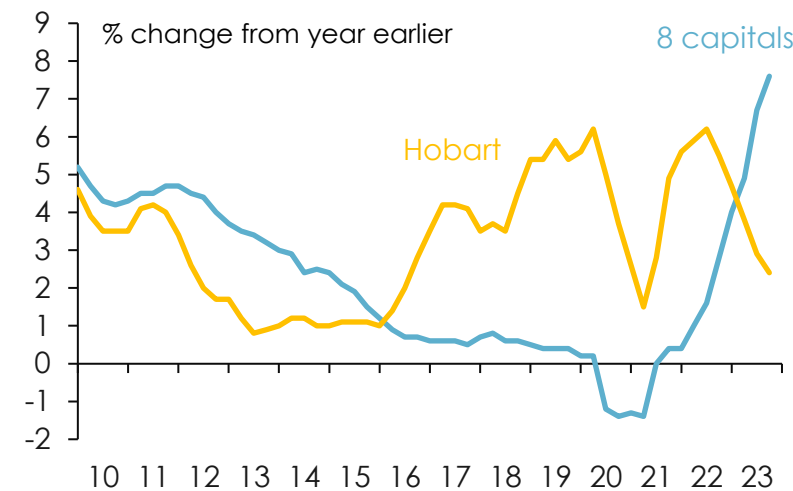
## House price-to-income ratio



## Regional areas dwelling prices



## CPI rents



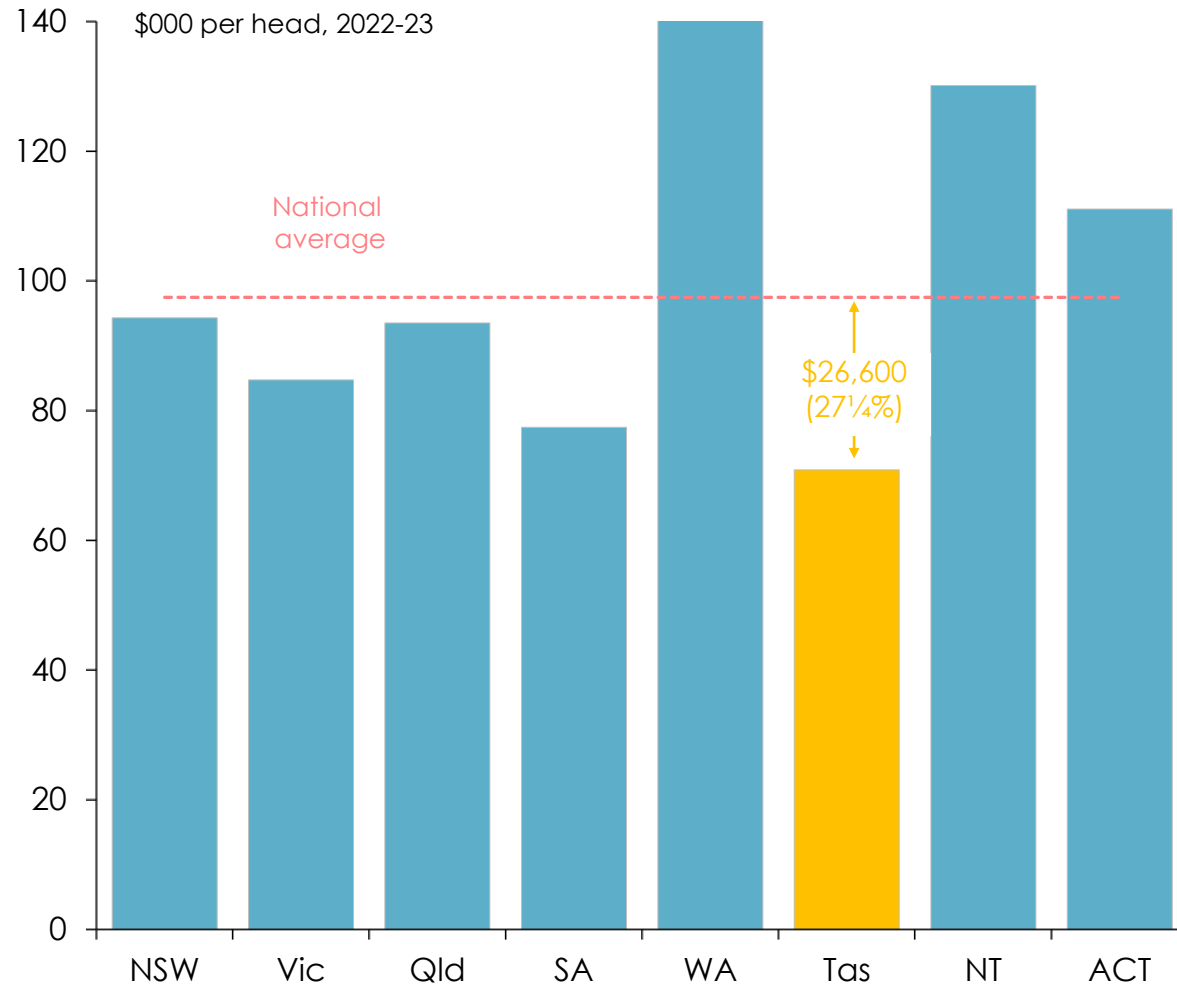
## Value of dwelling stock



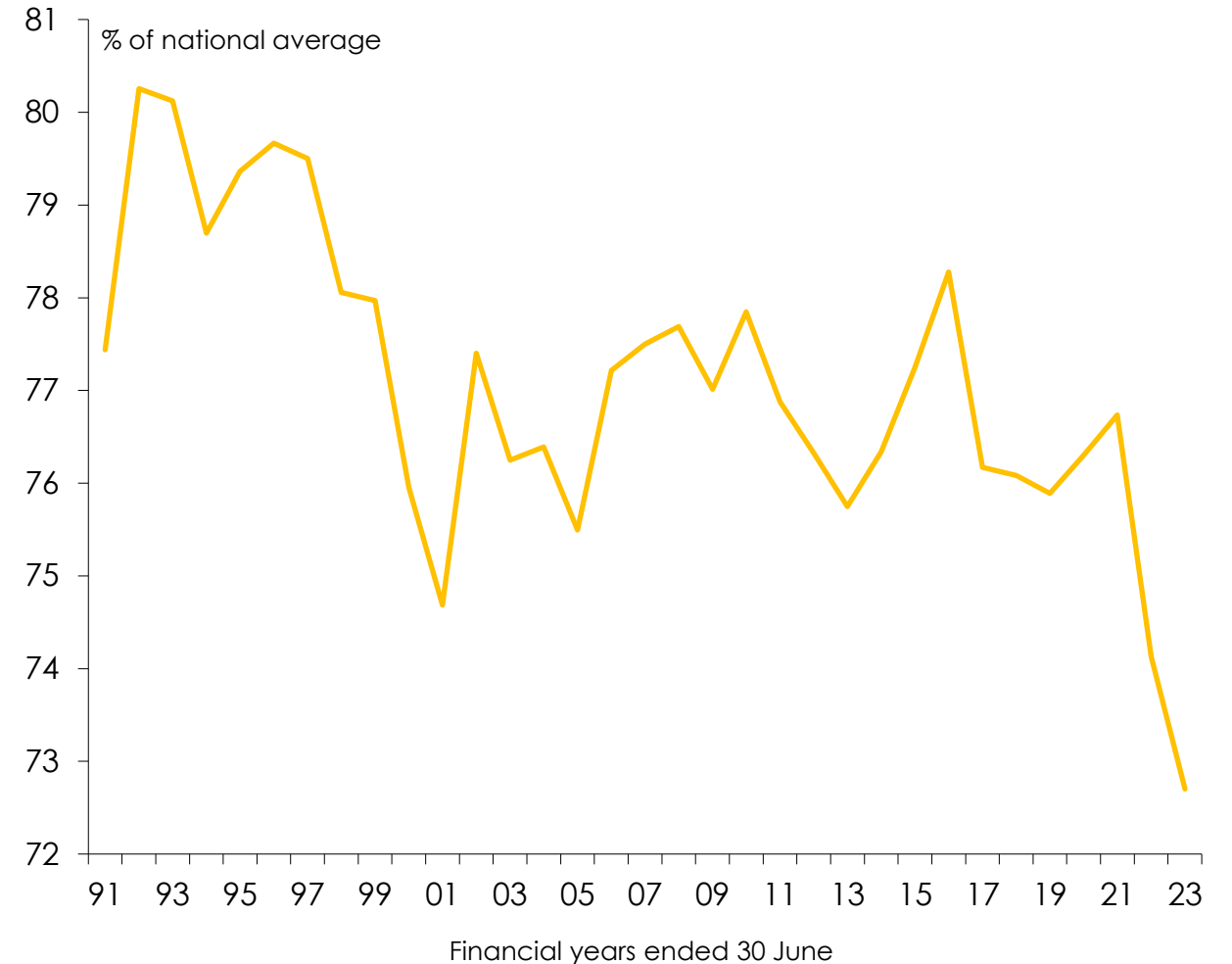
Sources: Proptrack, [Home Price Index](#); SQM Research, [Residential Vacancy Rates](#); ABS, [Consumer Price Index](#), September 2023; [Total Value of Dwellings](#), June quarter 2023; and [Australian National Accounts: State Accounts](#), 2021-22. 'HDI' is household disposable income.

# Tasmania remains Australia's poorest state, measured by per capita gross product – and in 2022-23 by the biggest margin in 32 years

## Gross state product per head of population, states and territories, 2022-23



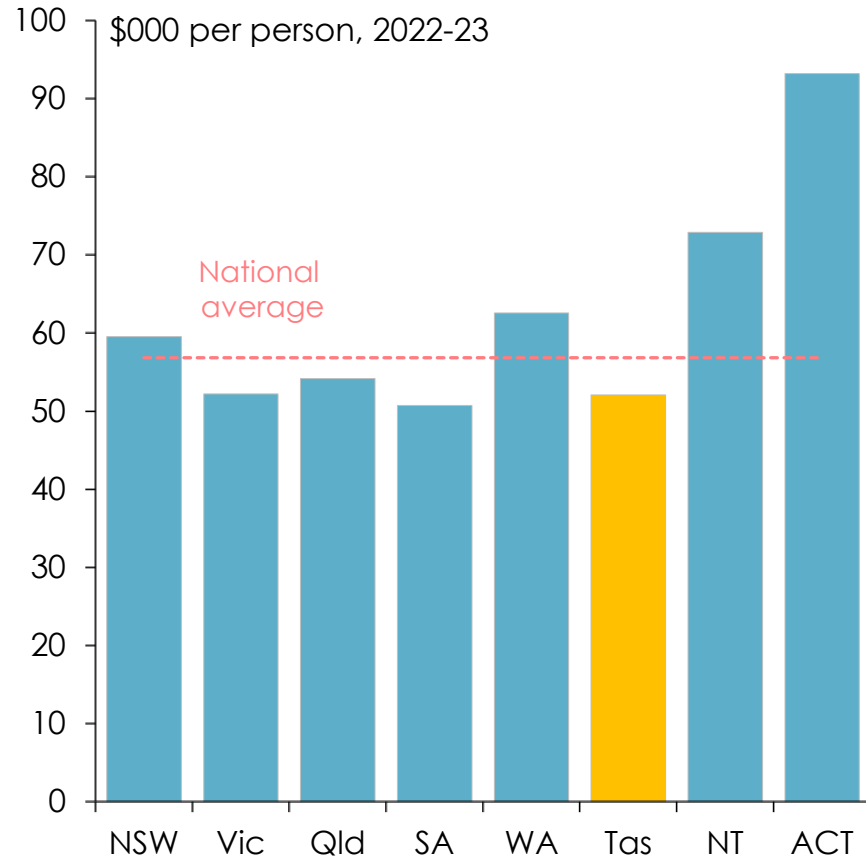
## Tasmania's per capita gross state product as a proportion of the national average



Source: ABS, [Australian National Accounts: State Accounts](#), 2022-23.

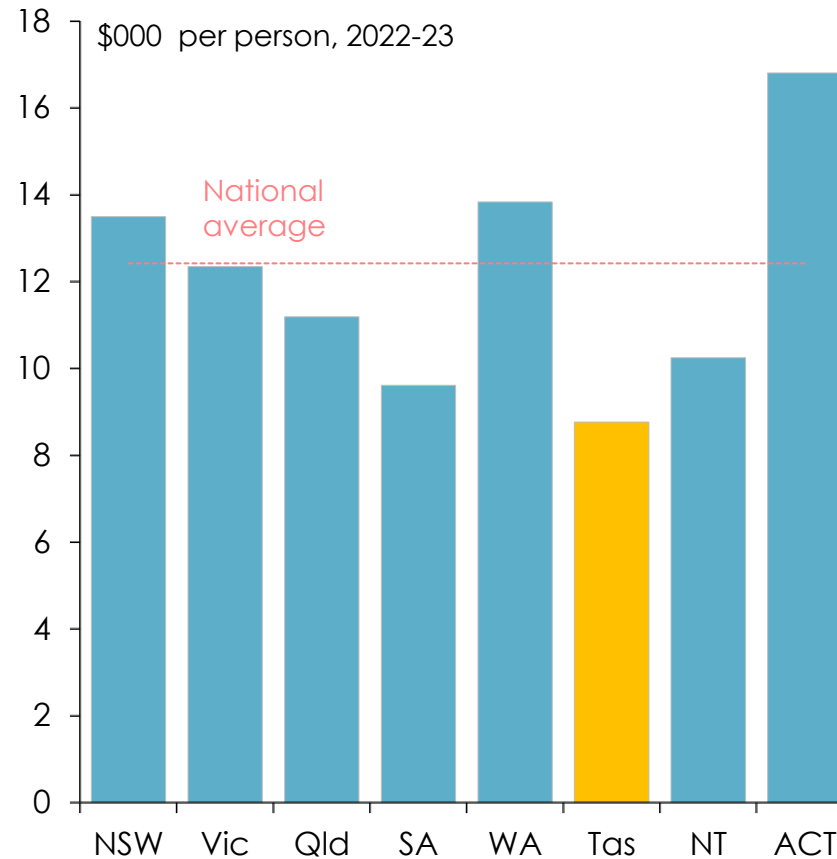
# The national tax-transfer system plays a major role in minimizing the impact of Tasmania's economic performance on household incomes

## Household disposable income per head, 2022-23



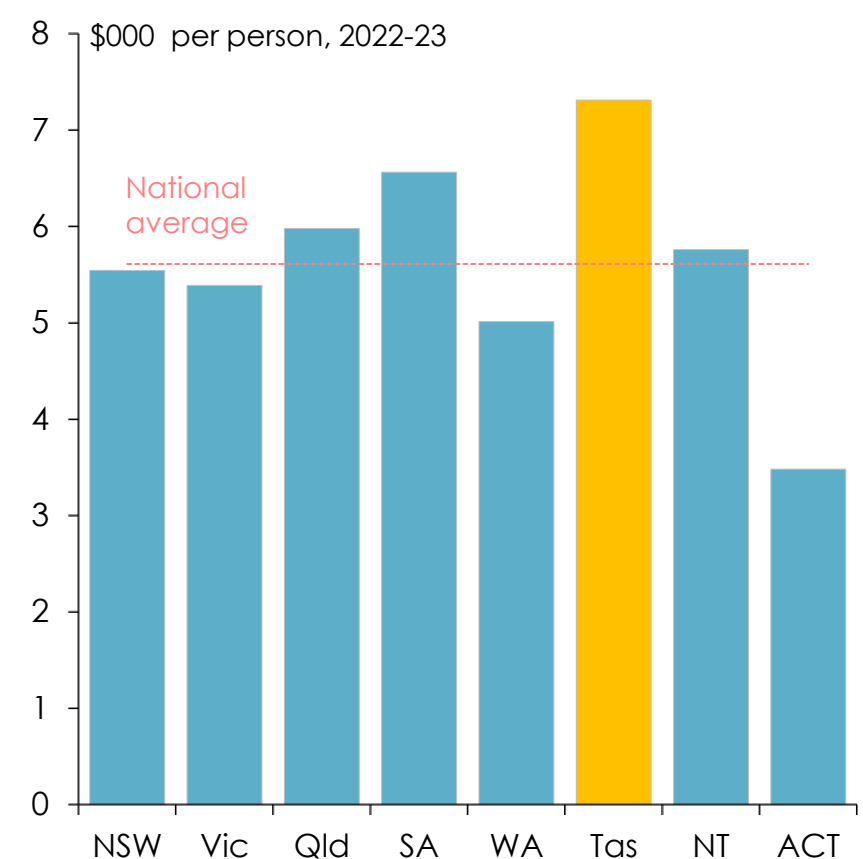
**Tasmanian per capita household disposable income is 'only' 8½% below the national average (cf. per capita GSP 27¼% below average)**

## Personal income tax payments per head, 2022-23



**Tasmanians pay \$3,654 per head (21½%) less in personal income tax than the national average**

## Social security benefit payments per head, 2022-23

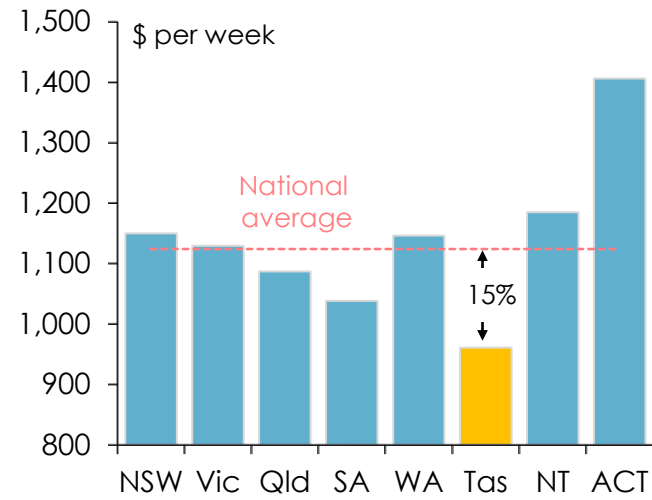


**Tasmanians receive \$1,318 per head (20¾%) more in benefits than the national average**

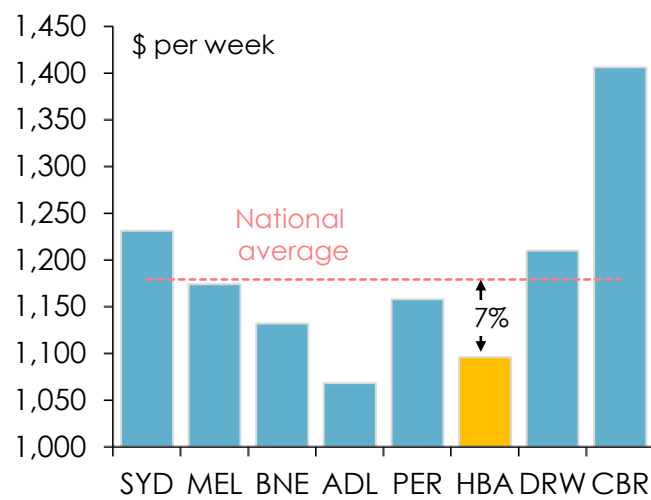
# Disparities in income and wealth between Tasmania and the rest of Australia are larger for regional Tasmania than for Hobart

## Equivalized household disposable incomes, 2019-20

### Mean EHD

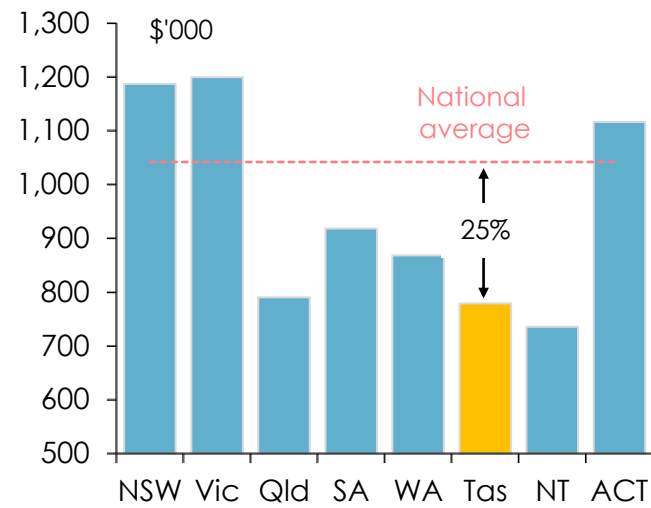


### Mean EHD – capital cities

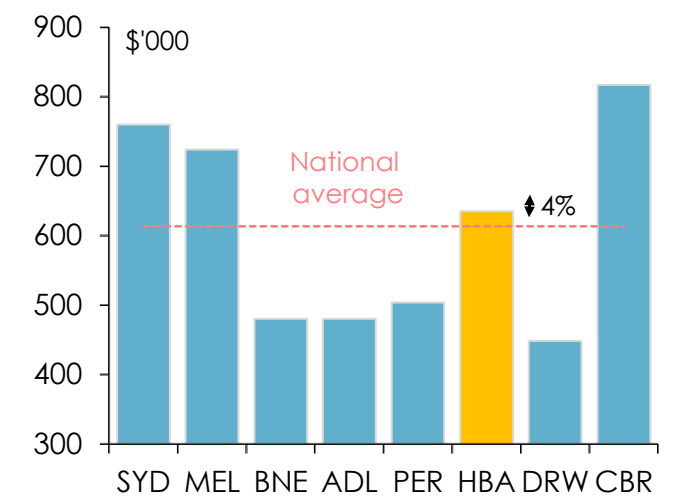


## Household net worth, 2019-20

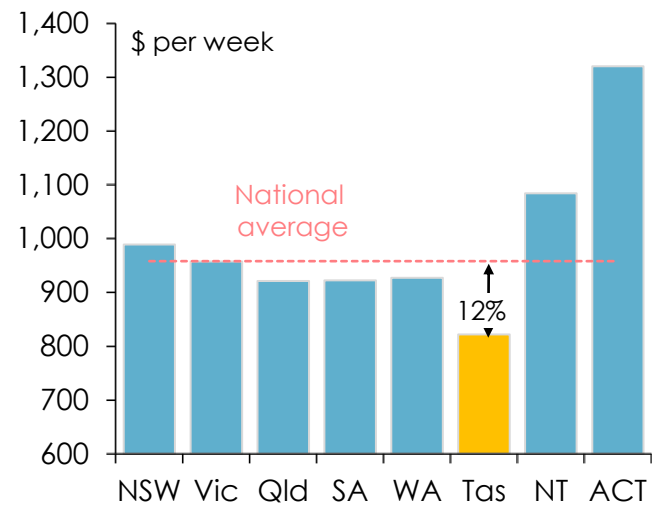
### Mean HNW



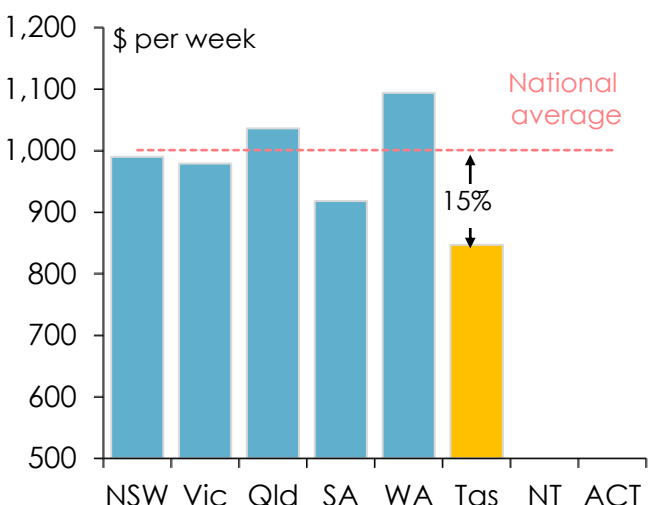
### Median HNW – capital cities



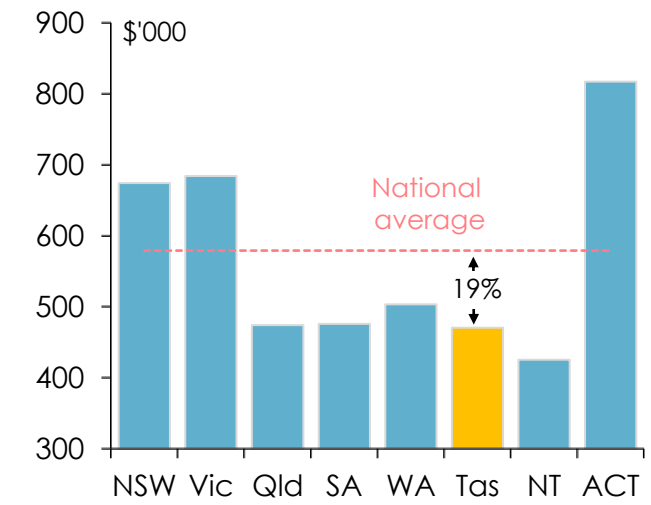
### Median EHD



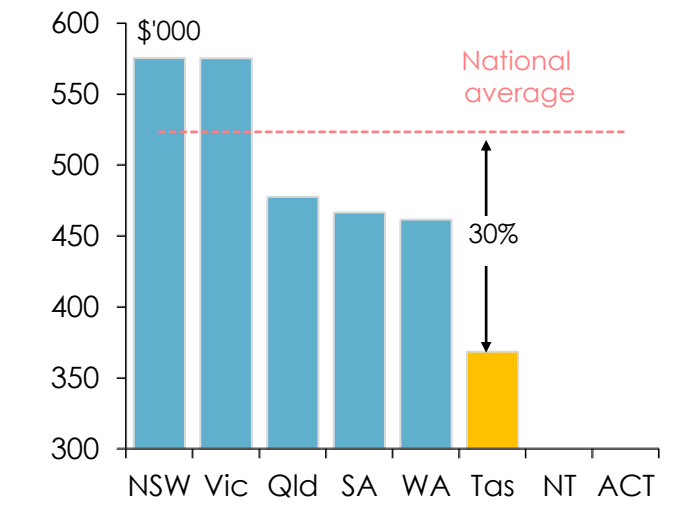
### Mean EHD – rest of state



### Median HNW



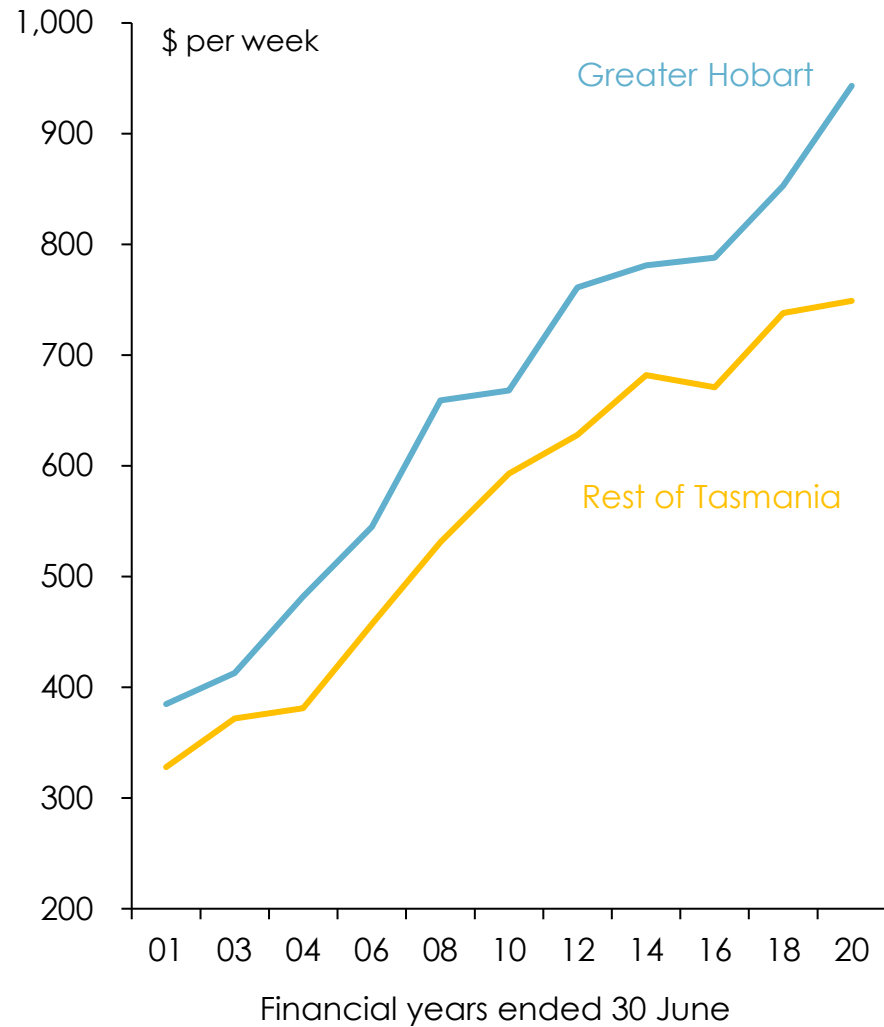
### Median HNW – rest of state



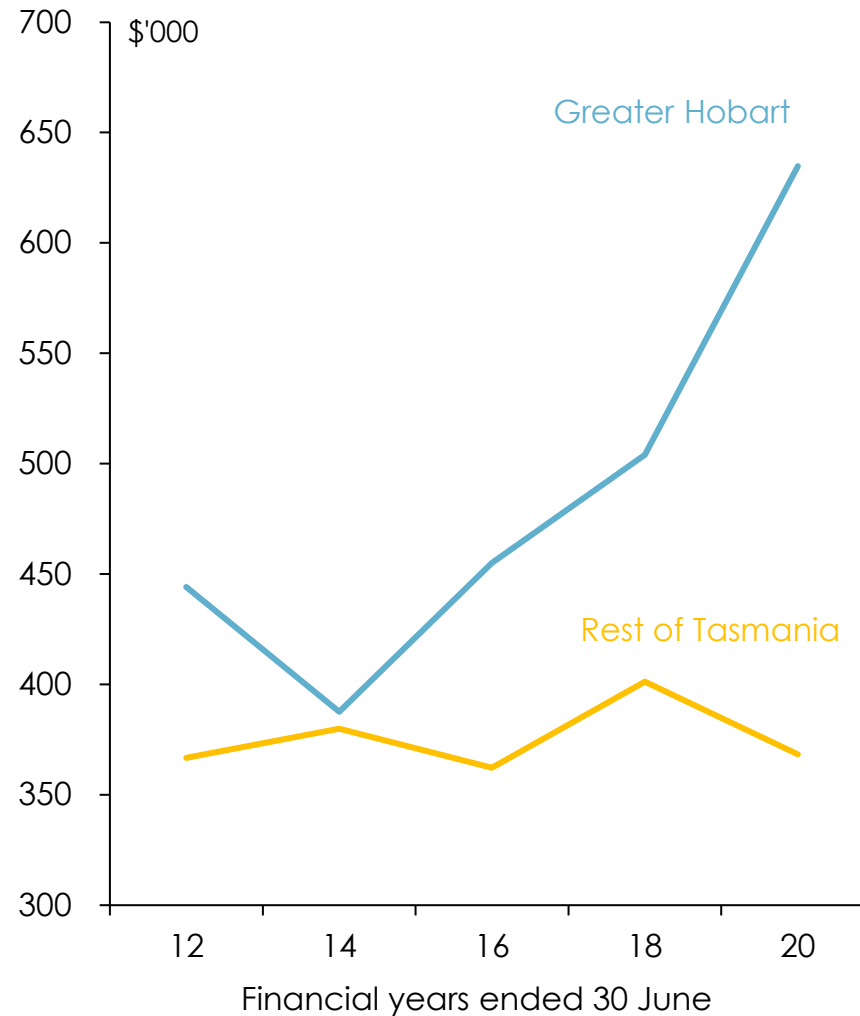
Note: 'equivalized' means adjusted for differences in the size and composition of households.  
Source: ABS, [Household Income and Wealth](#), 2019-20.

# Disparities in income and (especially) wealth between Hobart and the rest of Tasmania have widened over the past decade

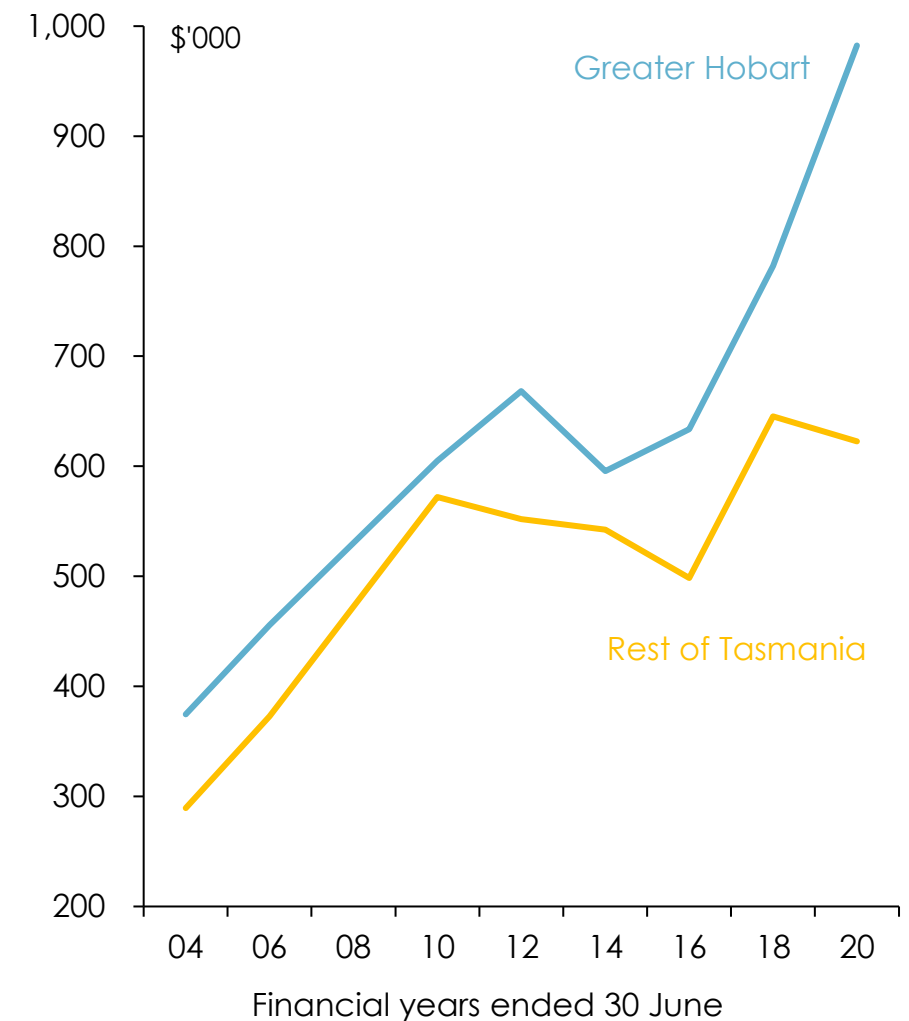
## Equivalized household disposable incomes by region



## Median household net worth by region



## Mean household net worth by region

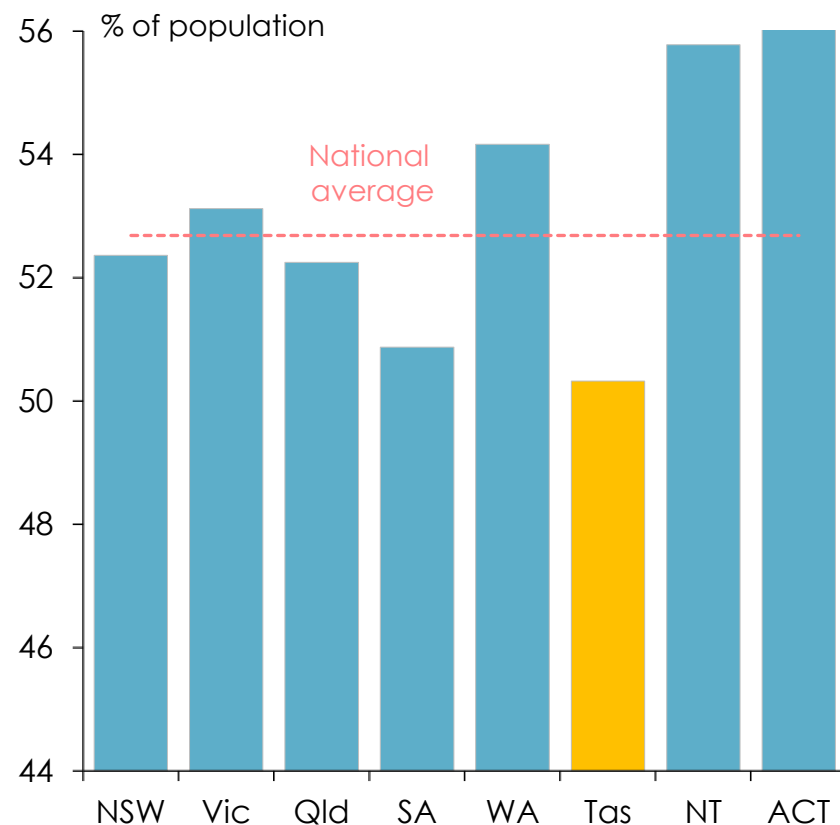


Note: 'equivalized' means adjusted for differences in the size and composition of households.  
Sources: ABS, [Household Income and Wealth](#), 2019-20 and previous issues.



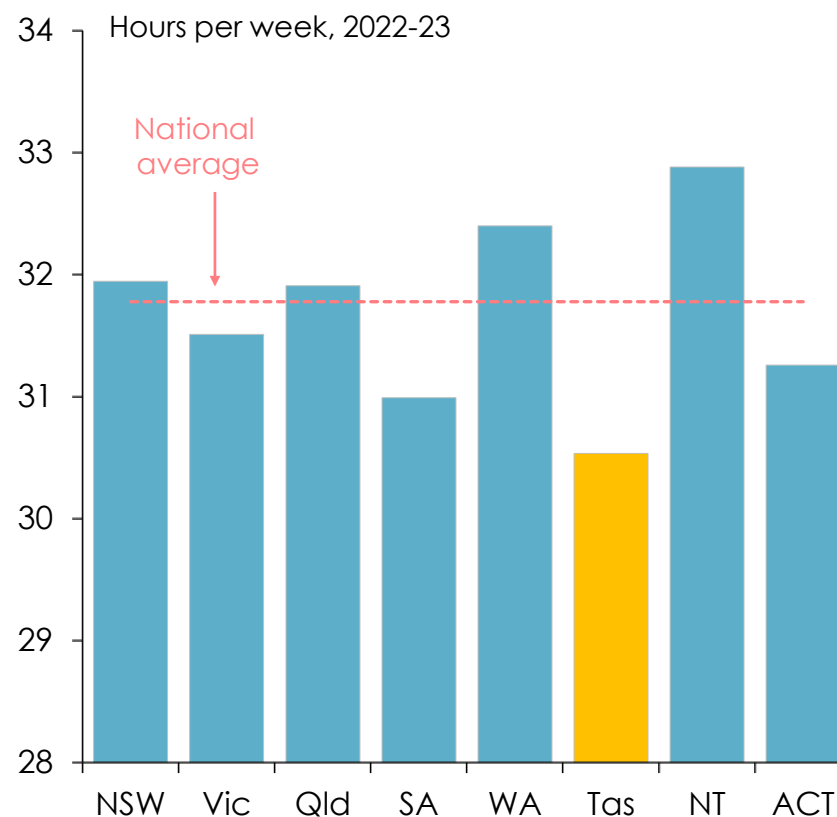
# We're the poorest state in the nation because fewer of us have jobs, we work fewer hours, and for each hour that we work we produce less

People with jobs as a proportion of the population, 2022-23



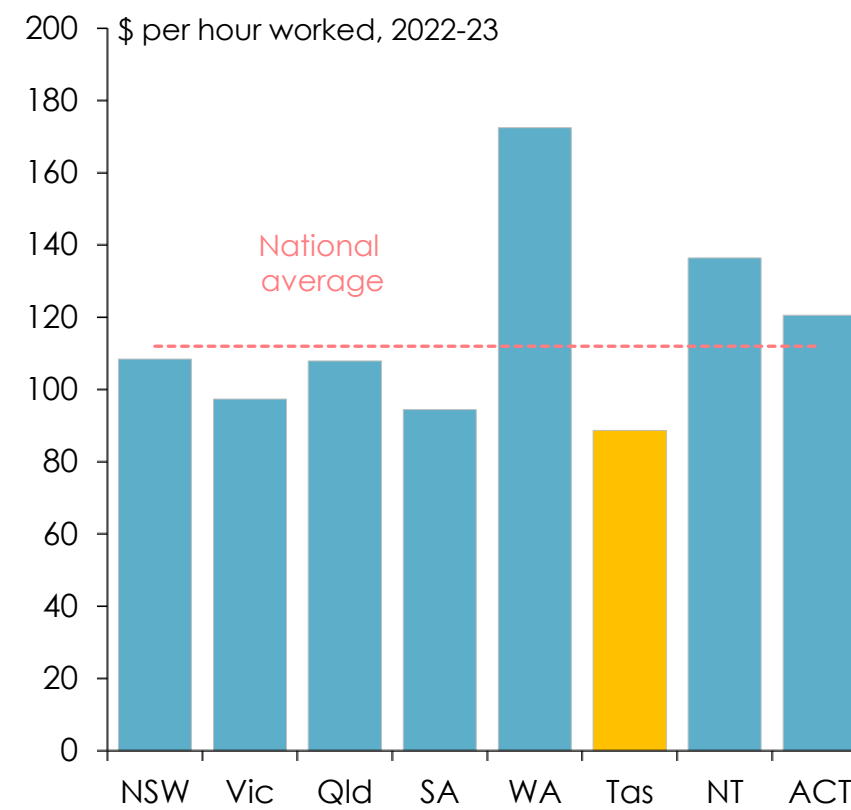
Only 50.3% of Tasmanians work – 2.4 pc pts less than the corresponding proportion of mainlanders

Average hours worked by people with jobs, 2022-23



Tasmanians work 1¼ fewer hours per week than mainlanders – equivalent to an additional 7 days off a year

Output per hour worked by people with jobs, 2022-23



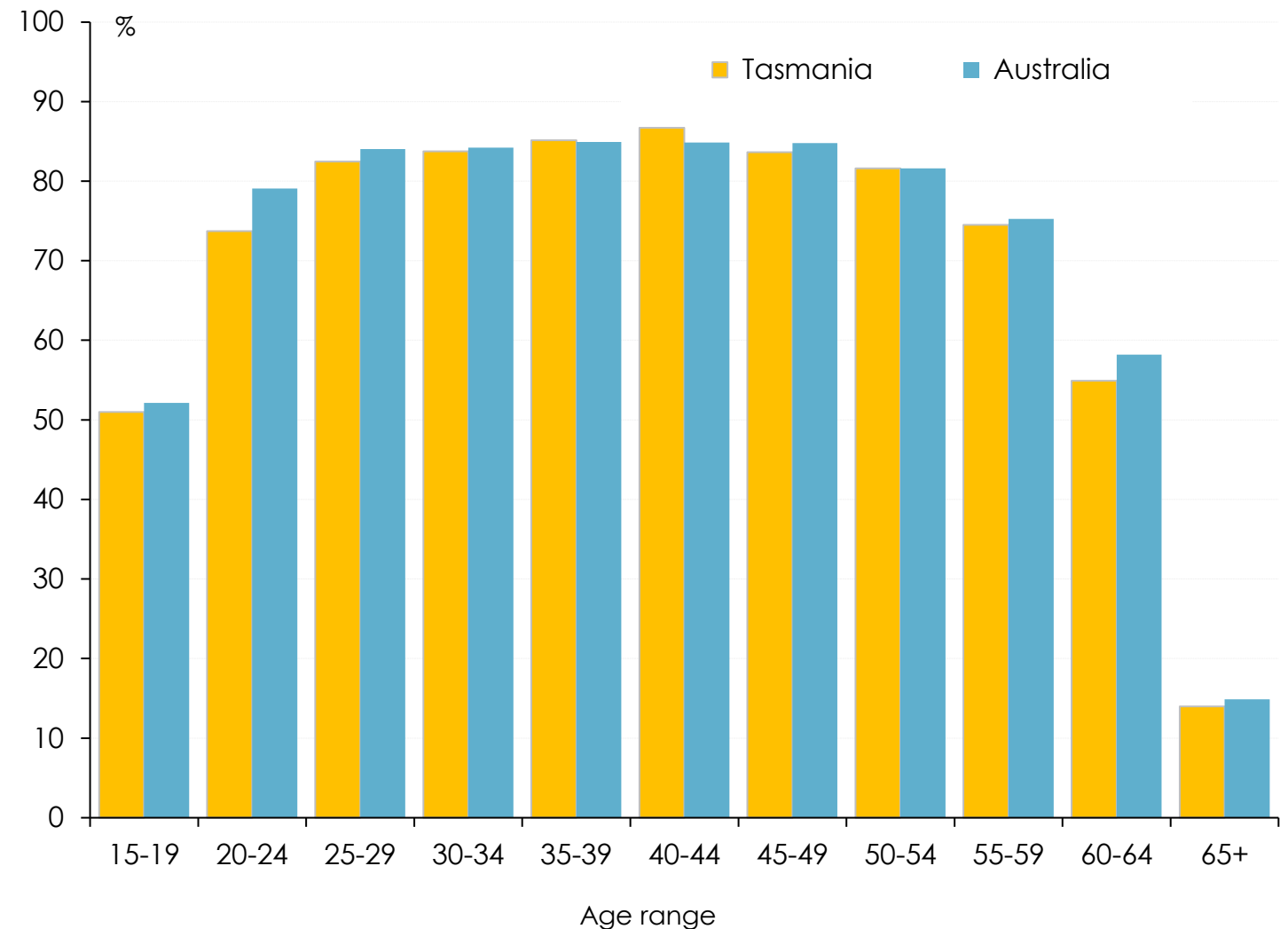
Tasmanian labour productivity is \$21.60 (20¾%) less than the mainland average

# Tasmania's below-average employment participation rate is largely due to its older-than-average population – but by no means completely

People aged 65 & over as a proportion of the civilian working-age population, 2022-23



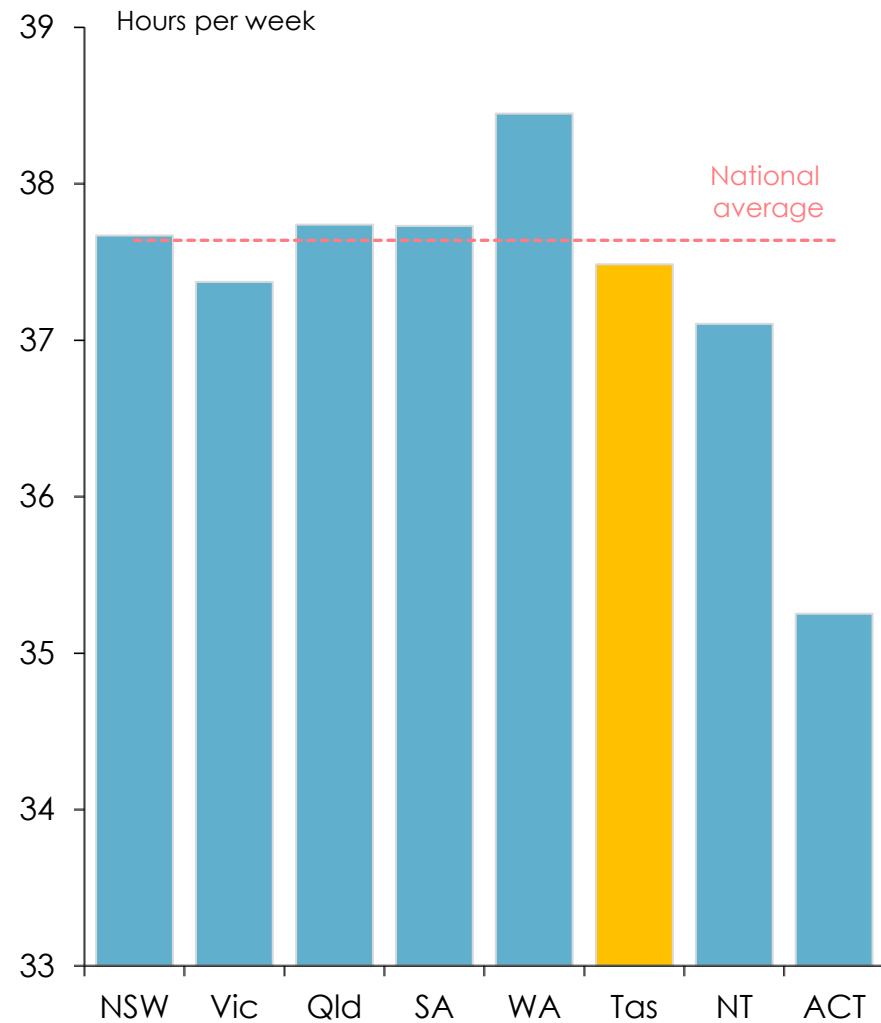
Employment-to-population ratios by age group, Tasmania and Australia, 2022-23



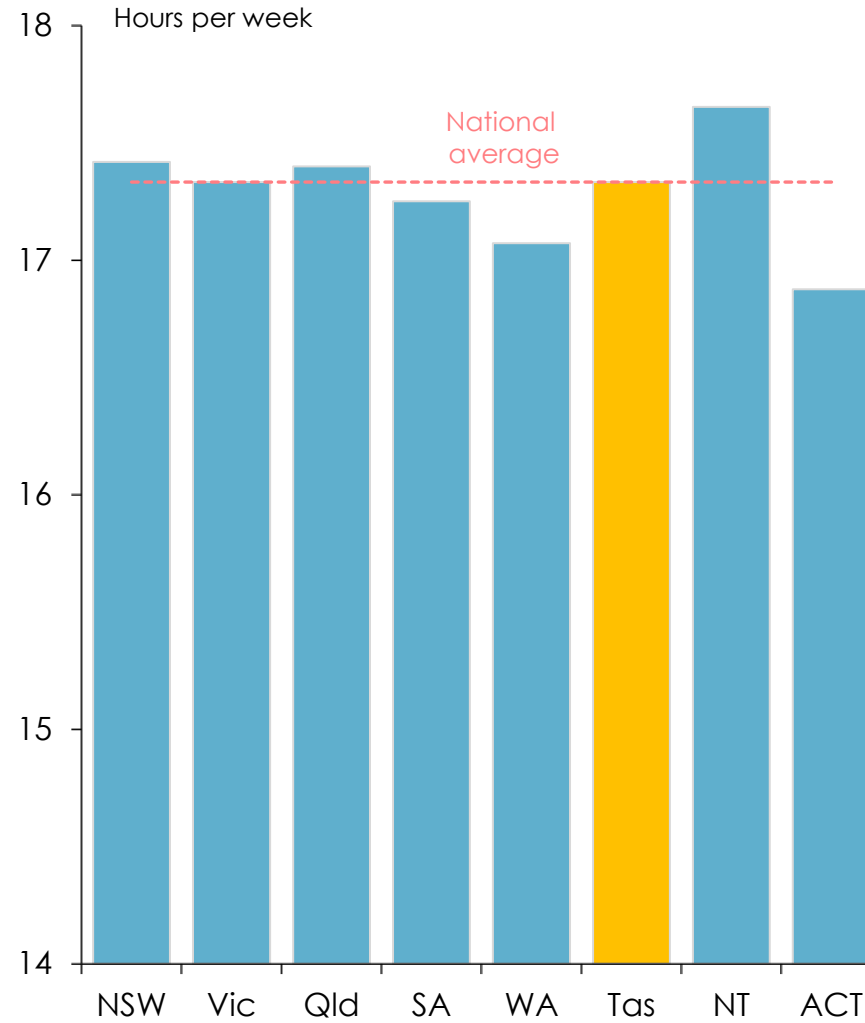
Source: ABS, [Labour Force, Australia, Detailed](#), August 2023, Pivot Table LM1.

# The only reason Tasmanians work fewer hours than employed people in other states is that a higher proportion of jobs are part-time

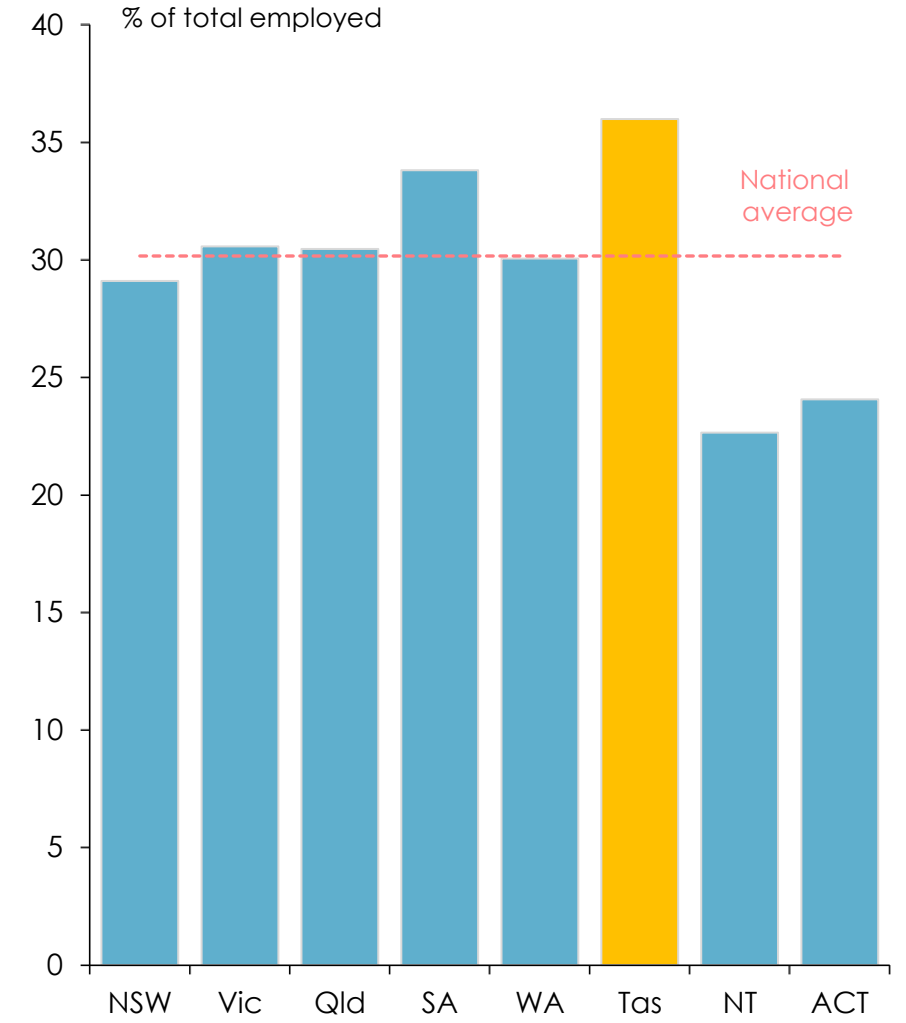
## Average hours worked by people working full-time, 2022-23



## Average hours worked by people working part-time, 2022-23



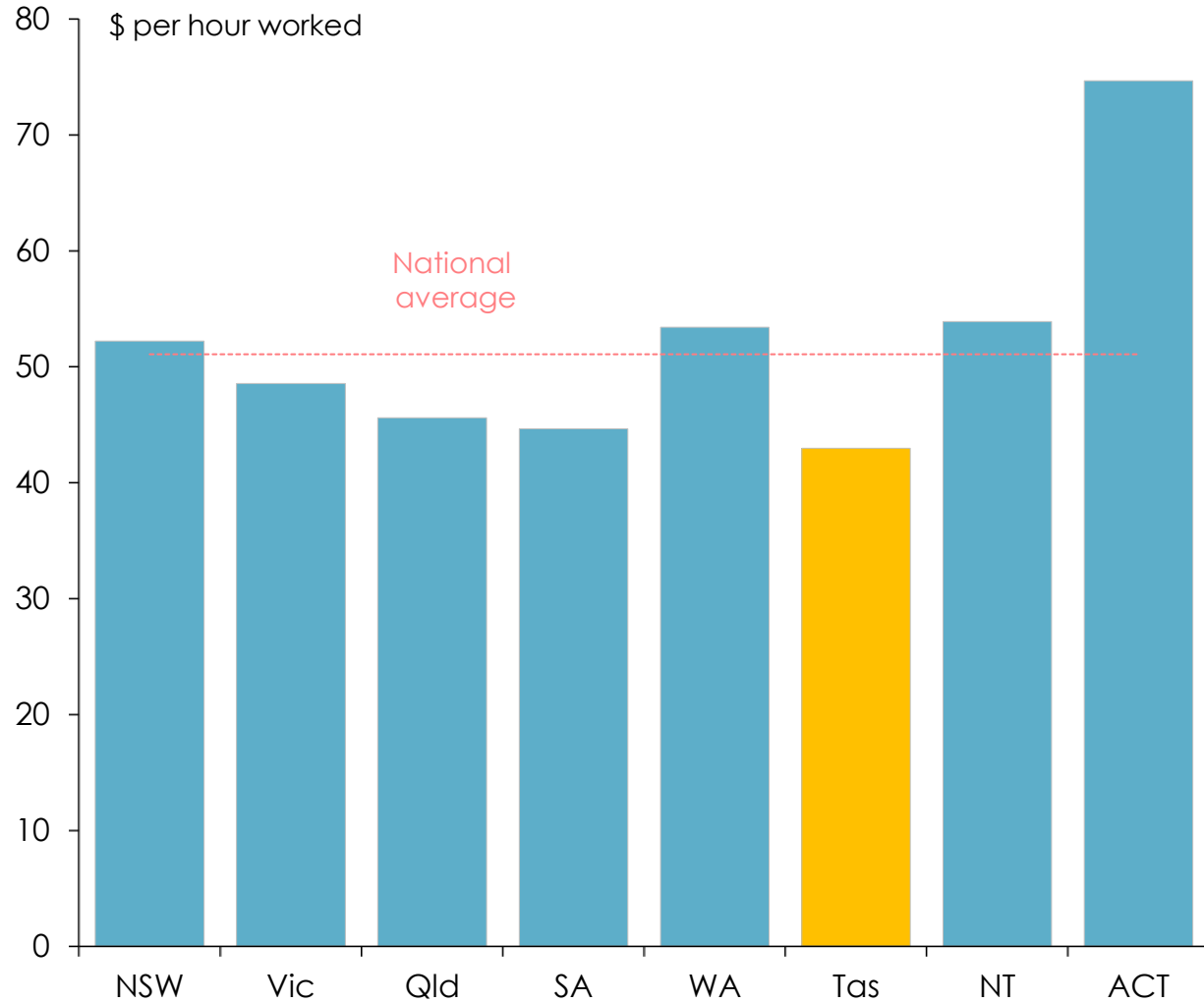
## Part-time employment as a percentage of total, 2022-23



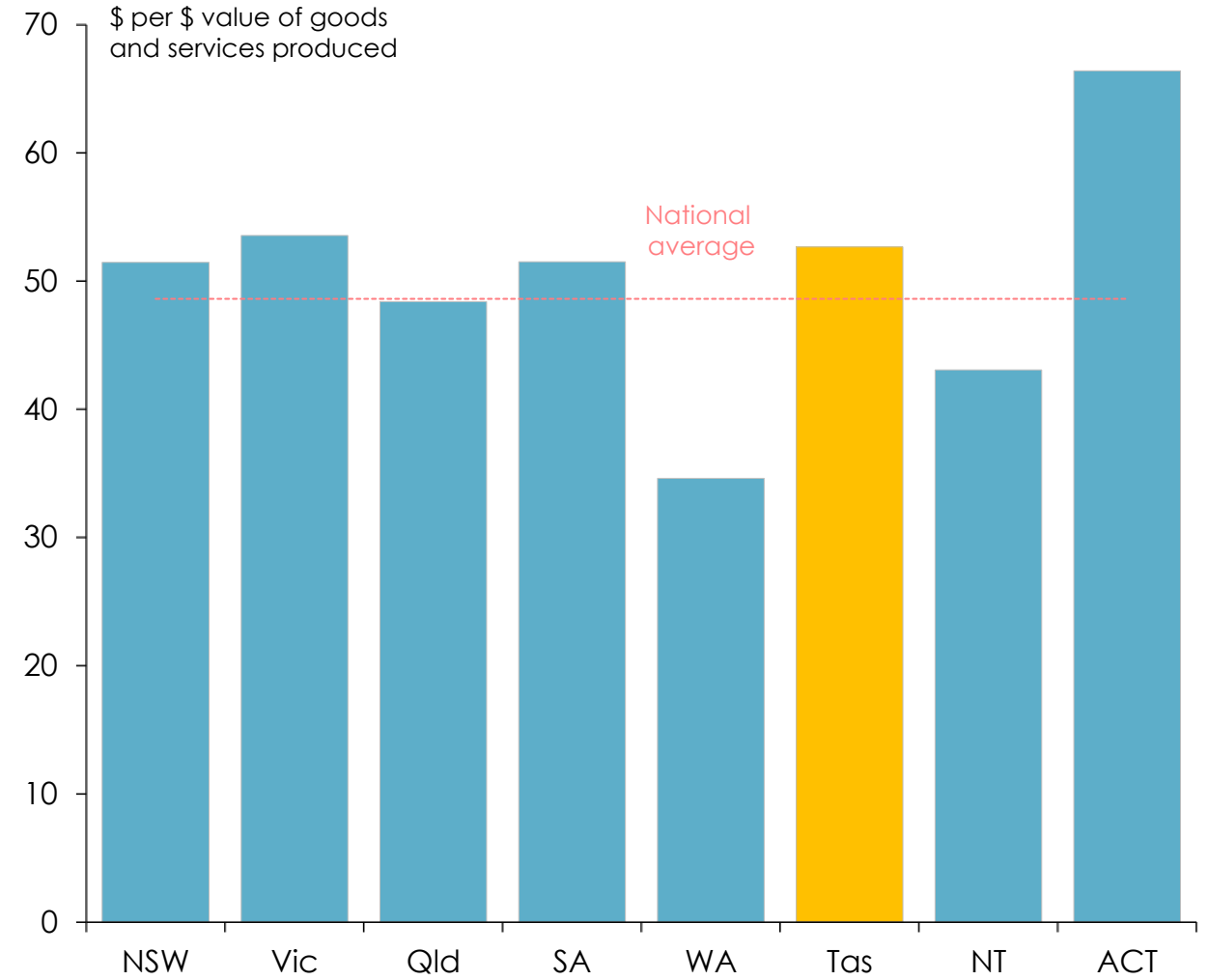
Source: ABS, [Labour Force, Australia, Detailed](#), August 2023, Pivot Table EM1b.

# Tasmanian workers earn lower wages, on average, than workers in other states – but labour costs aren't lower after adjusting for lower productivity

## Average employee compensation per hour worked, states and territories, 2022-23



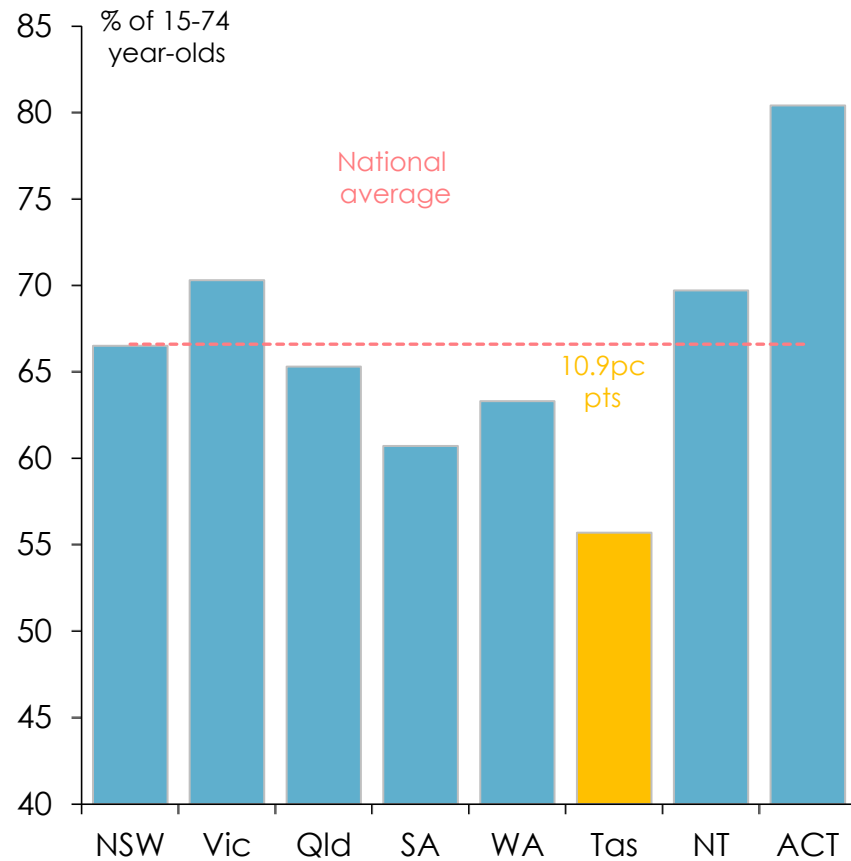
## Unit labour costs (employee compensation per dollar of output), states and territories, 2022-23



Sources: ABS, [Australian National Accounts: State Accounts](#), 2022-23; [Labour Force, Australia](#), August 2023.

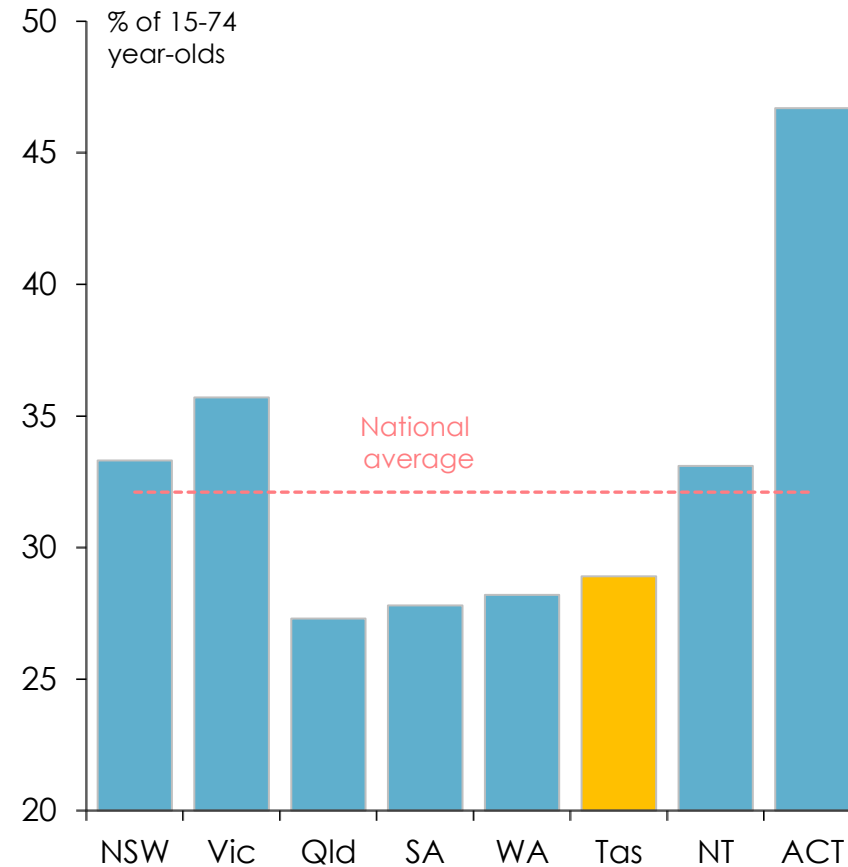
# The common factor in all three of those shortcomings is our below-average levels of educational attainment

Proportion of 15–74-year-olds with a bachelor degree or higher, 2023



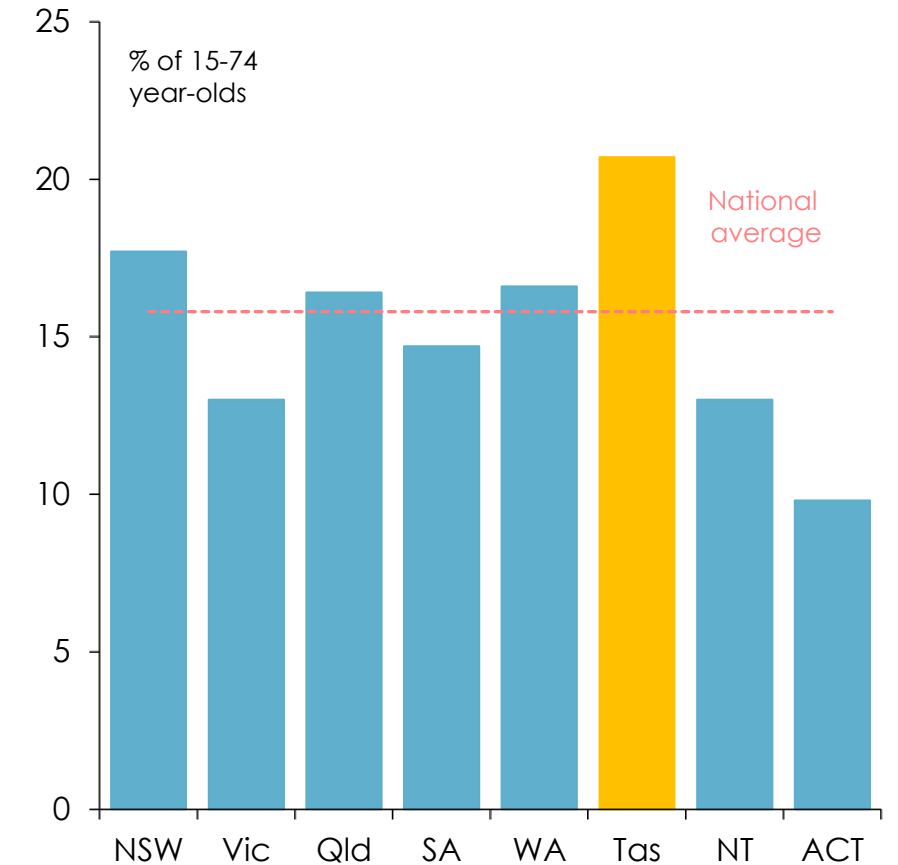
The proportion of Tasmanians with a university degree is 3¼ percentage points below the national average

Proportion of 15–74-year-olds with at least Year 12, 2023



The proportion of Tasmanians with at least Year 12 of high school is 11 pc points below the national average

Proportion of 15–74-year-olds with nothing beyond Year 10, 2023



The proportion of Tasmanians with nothing beyond Year 10 is 5 pc points above the national average

Source: ABS, [Education and work, Australia](#), May 2023.

# There's a clear and unequivocal relationship between educational attainment and employment outcomes

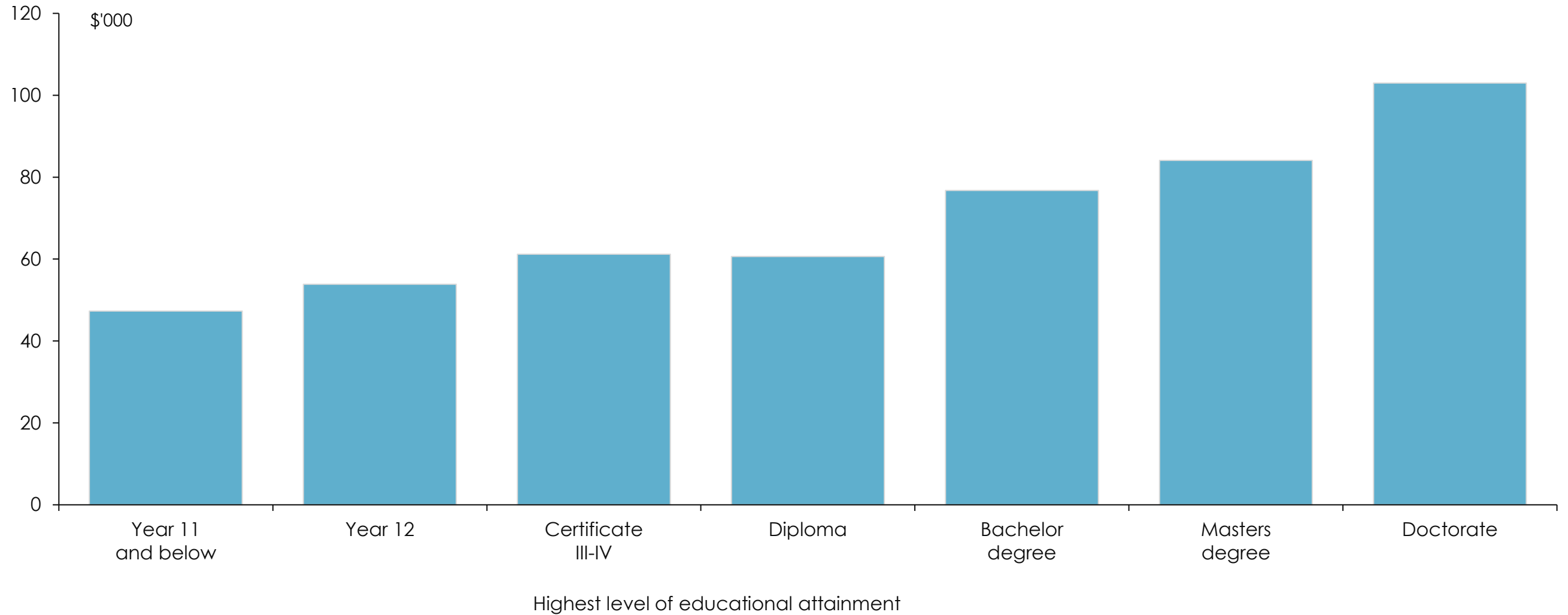
## Participation rates and employment to population ratios for different levels of educational attainment, February 2023



Source: Australian Government, [Working Future: The Australian Government's White Paper on Jobs and Opportunities](#), September 2023.

# There's an equally clear and unequivocal relationship between educational attainment and earnings from work

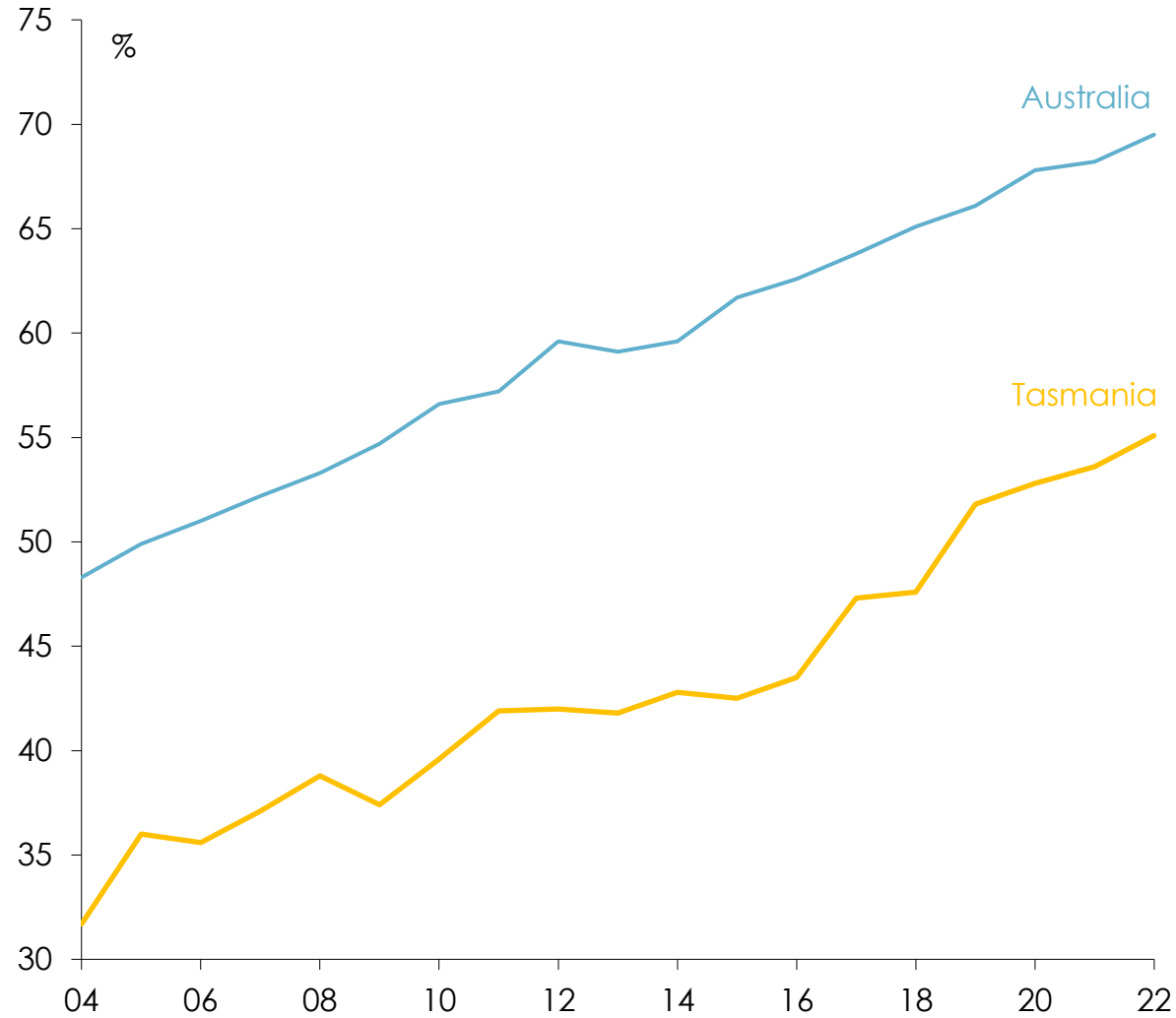
Median derived total annual income from wages and salaries for 30–64-year-olds not currently studying, by highest level of educational attainment, 2015-16



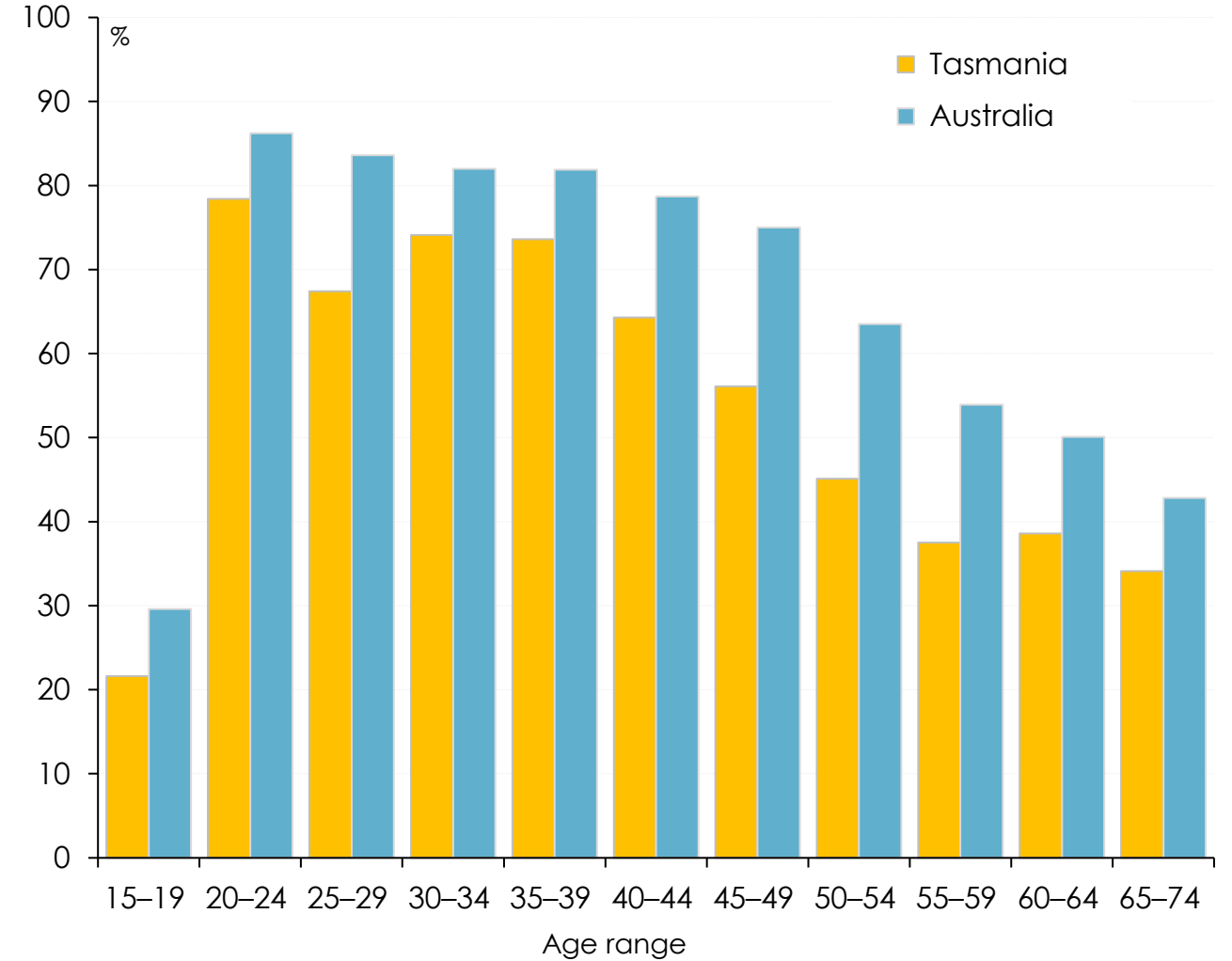
Source: Australian Government, Department of Education, [Benefits of educational attainment](#), November 2020.

# Although there are historical reasons for Tasmania's low educational attainment rates, they aren't improving relative to the rest of Australia

Proportion of 15-74 year-olds with at least Year 12 of high school, Tasmania and Australia



Proportion of people with at least Year 12 of high school by age group, Tasmania and Australia, 2022



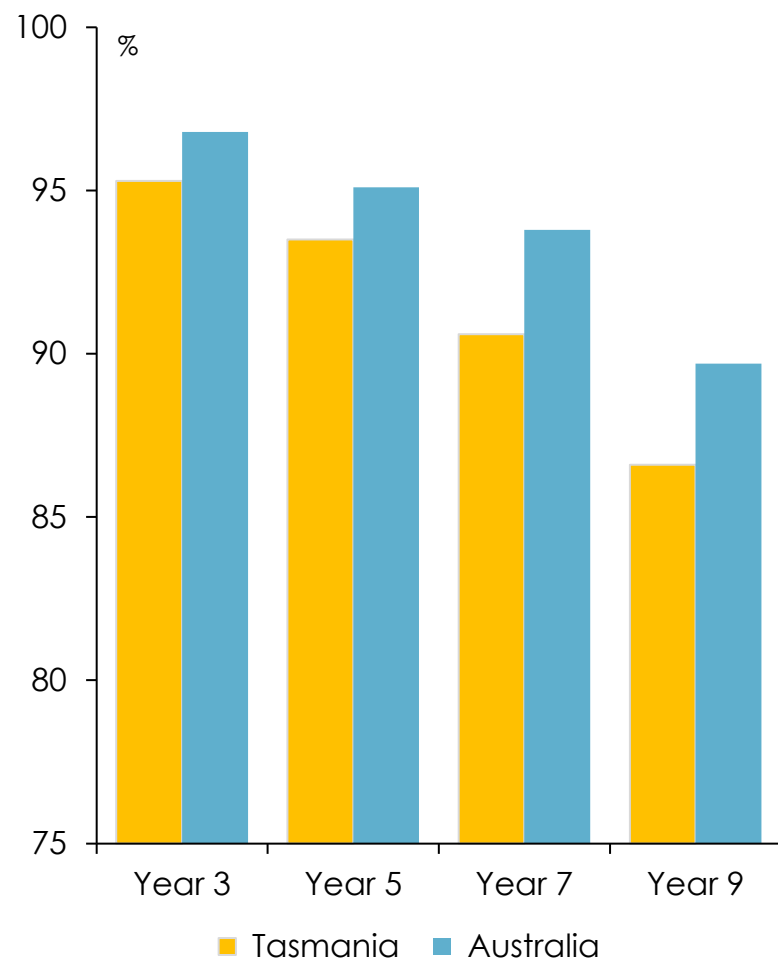
Source: ABS, [Education and work, Australia](#), May 2022.



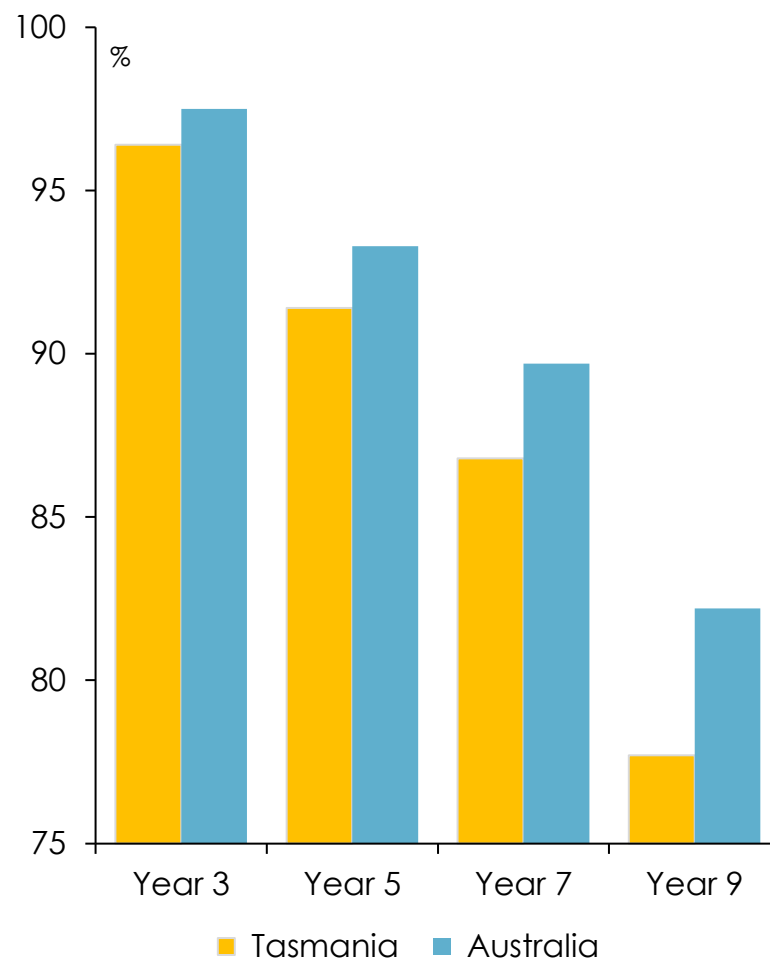
# The longer Tasmanian students remain in the school system, the further (in most cases) they fall behind their peers in other states

Proportion of students achieving at or above the national minimum standard on NAPLAN tests, 2021

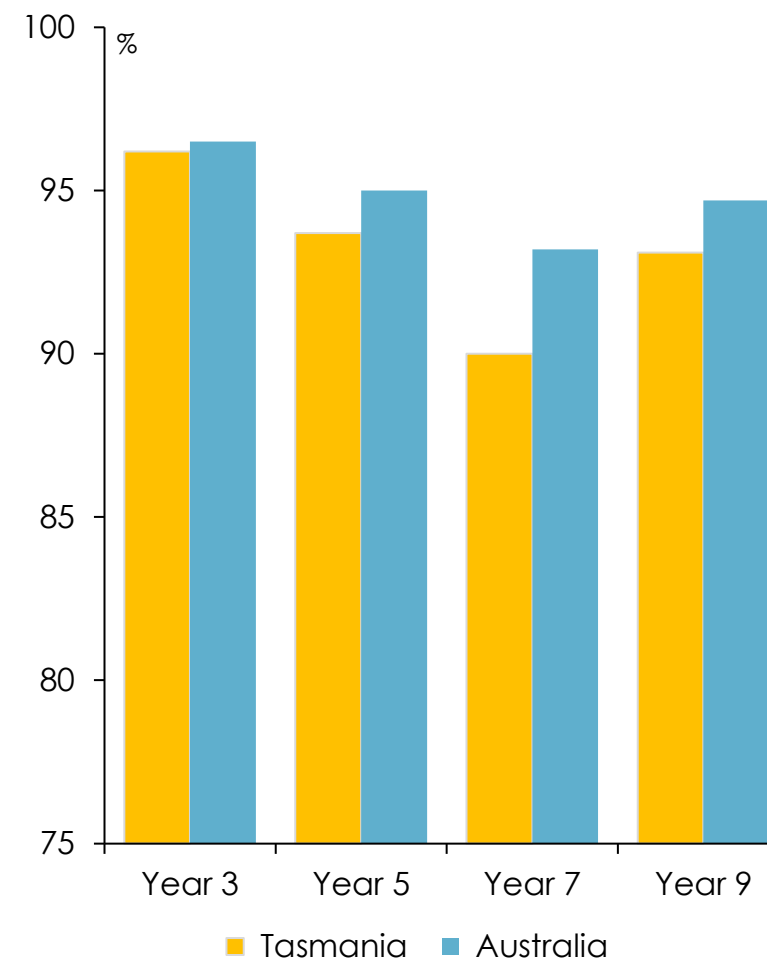
## Reading



## Writing

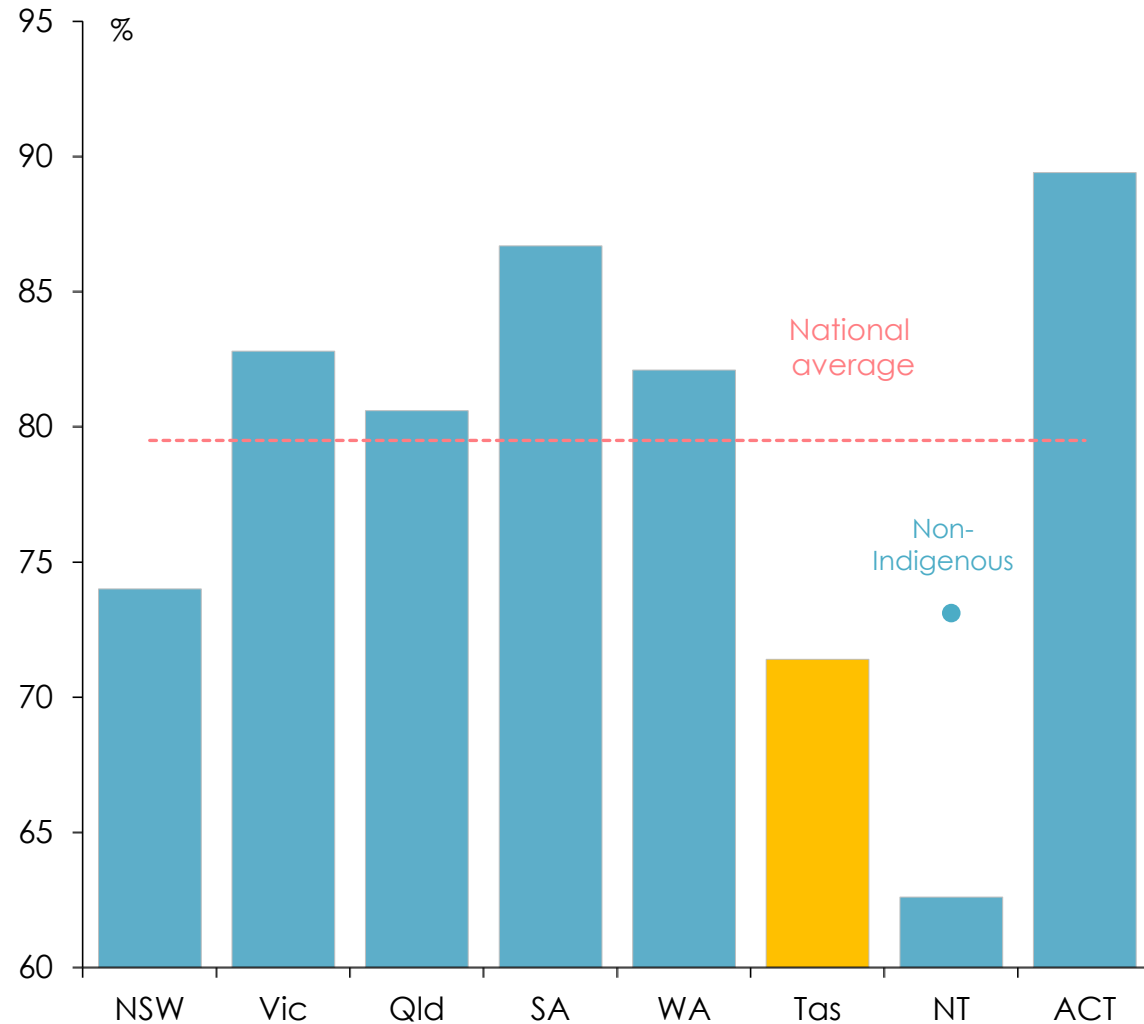


## Numeracy

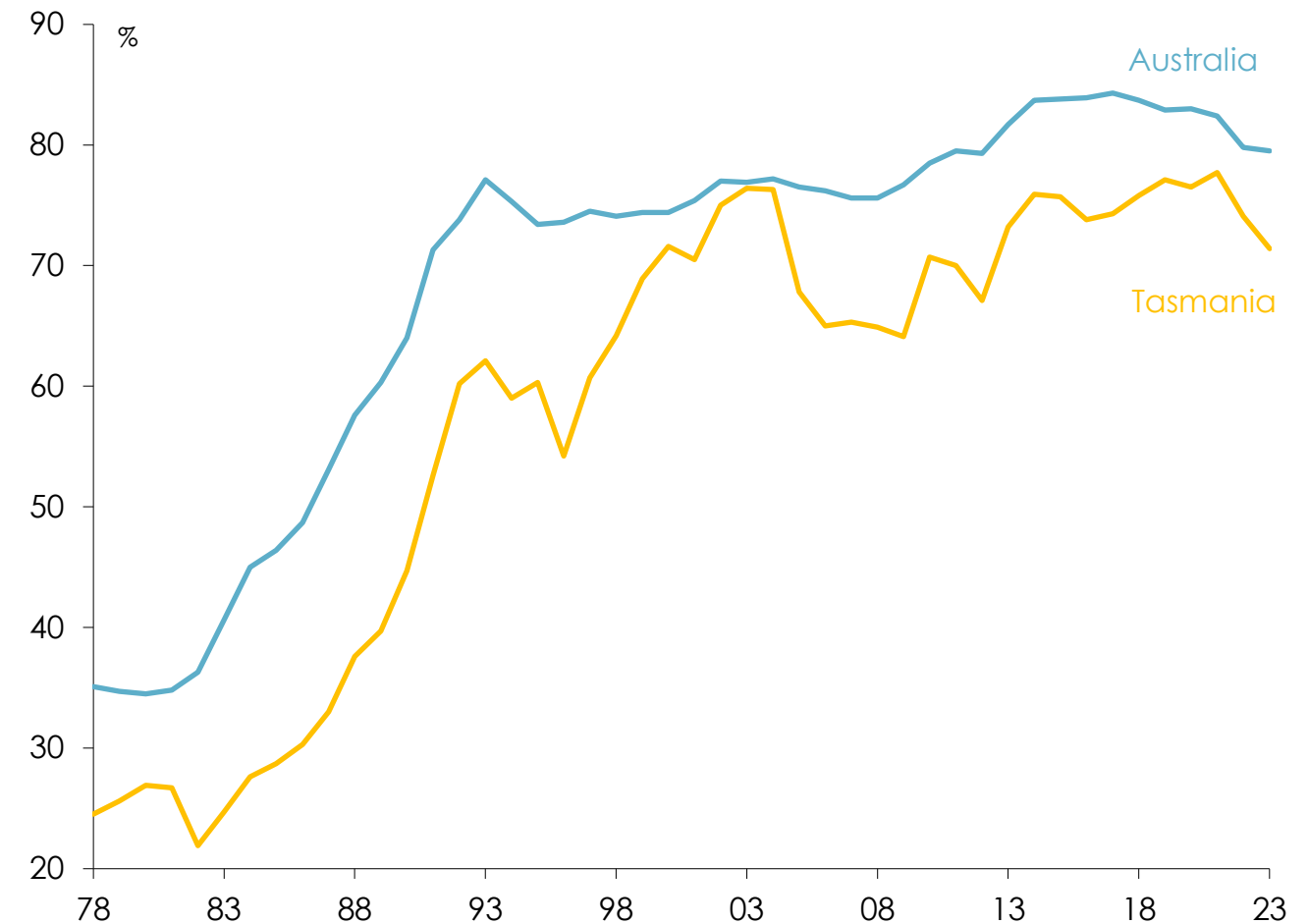


# Retention rates to Year 12 among contemporary Tasmanian secondary school students remain the lowest in Australia

Retention rates from Year 10 to Year 12, states and territories, 2023



Retention rates from Year 10 to Year 12, Tasmania and Australia, 1978 to 2023



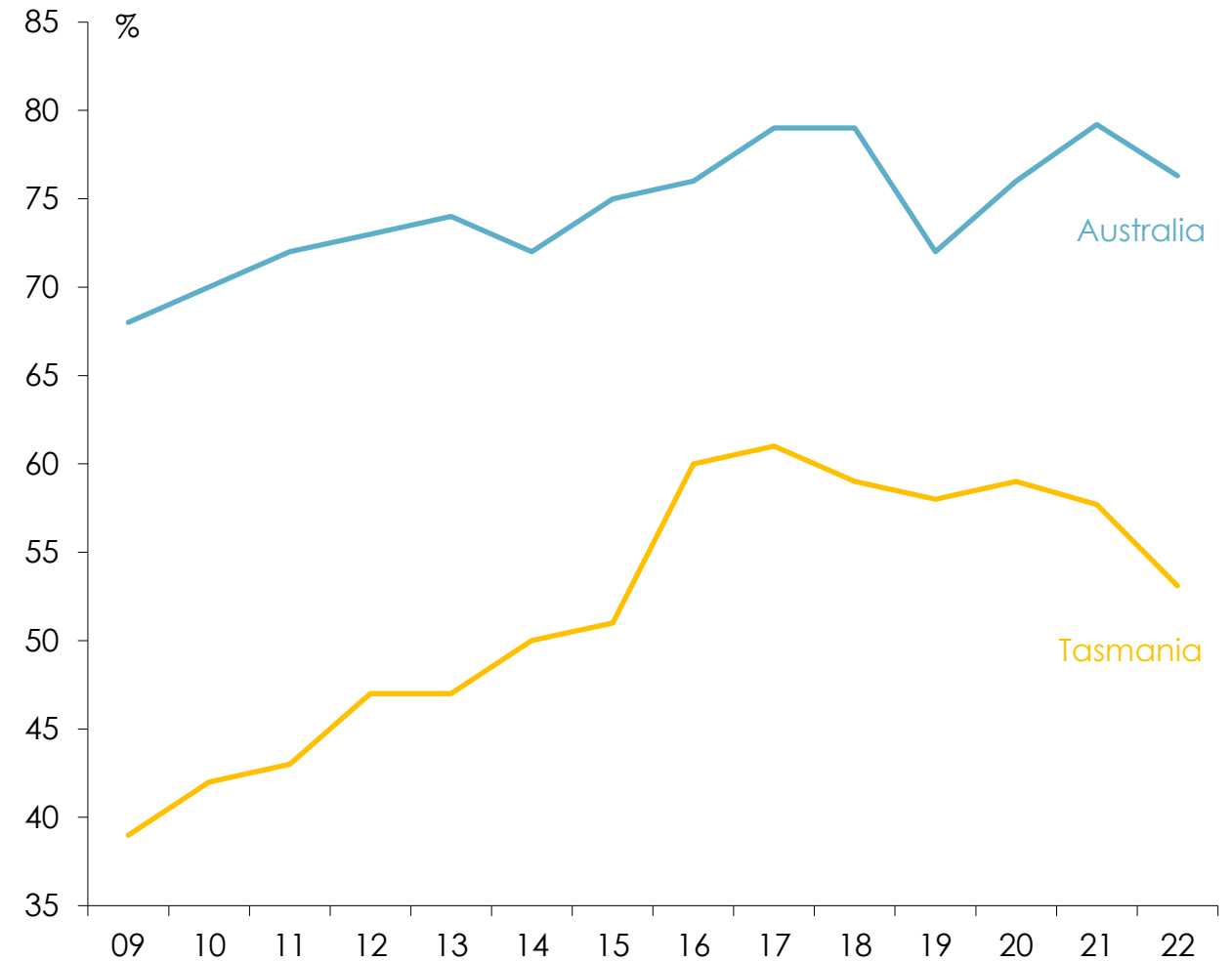
Source: ABS, [Schools](#), 2023.

# Although retention rates to Year 12 have improved a bit, attainment rates haven't

Year 12 completion rates, states and territories, 2022



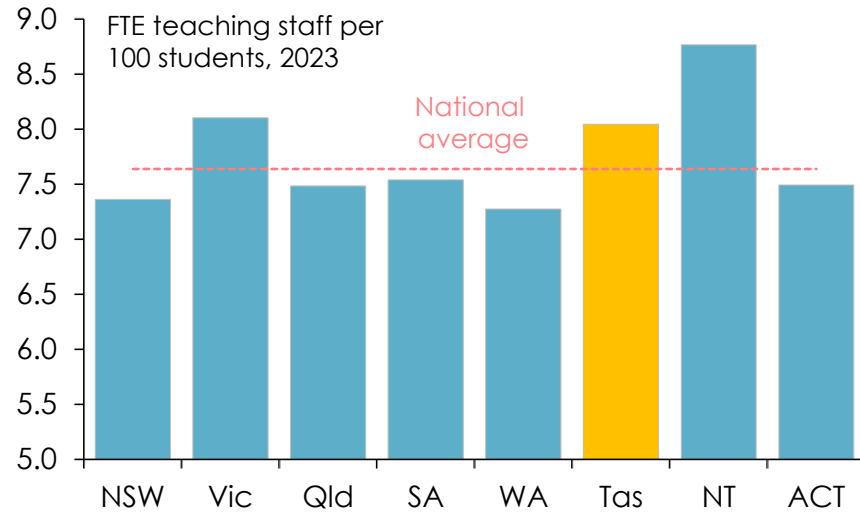
Completion rates from Year 10 to Year 12, Tasmania and Australia, 2009 to 2022



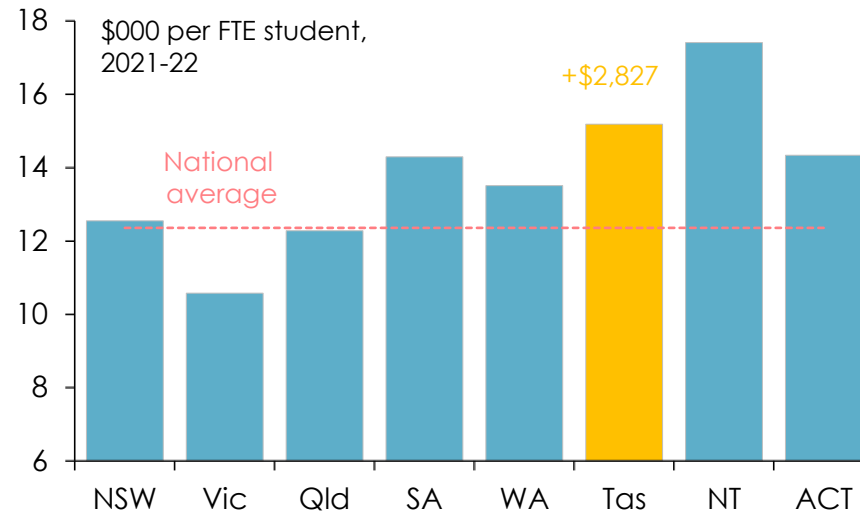
Note: Attainment rates are estimated by calculating the number of students who meet the requirements of a year 12 certificate or equivalent expressed as a percentage of the potential year 12 population. Source: Productivity Commission, [Report on Government Services 2023: School Education](#), February 2024.

# Tasmania's relatively poor education outcomes are not the result of any lack of resources by comparison with other states and territories

## Teaching staff, 2023



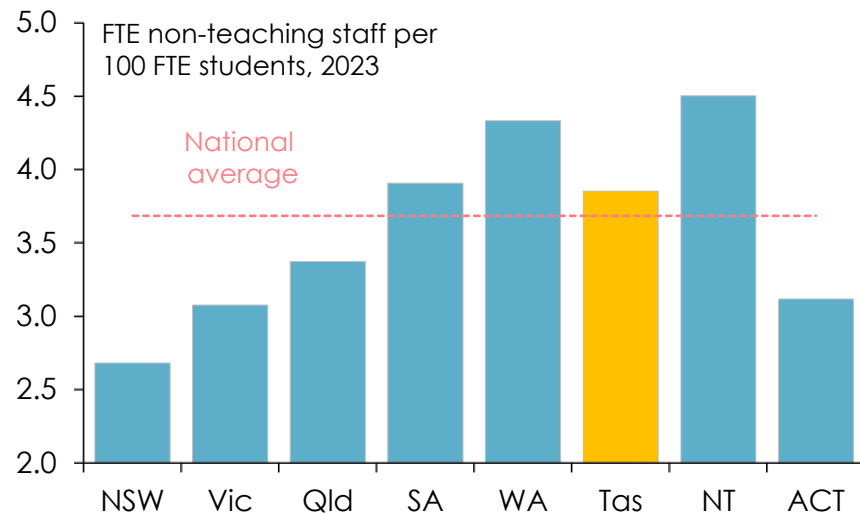
## Spending on schools, 2021-22



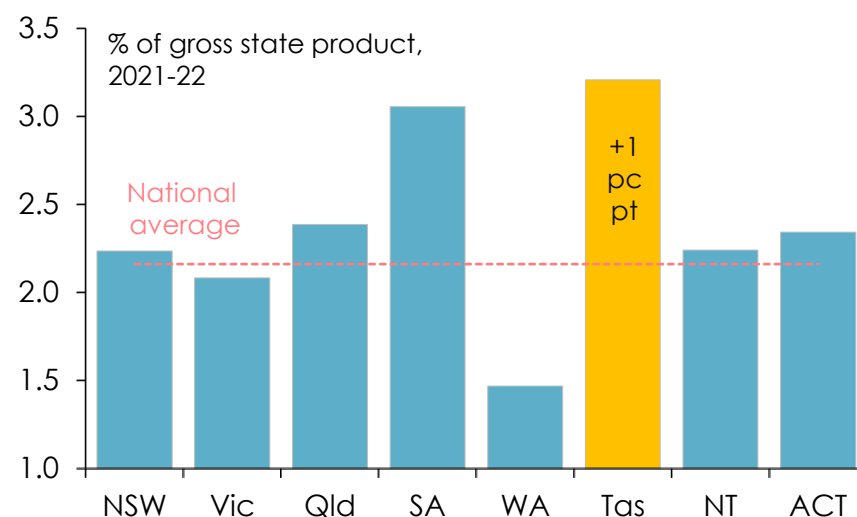
## CGC assessment of spending 'needs'



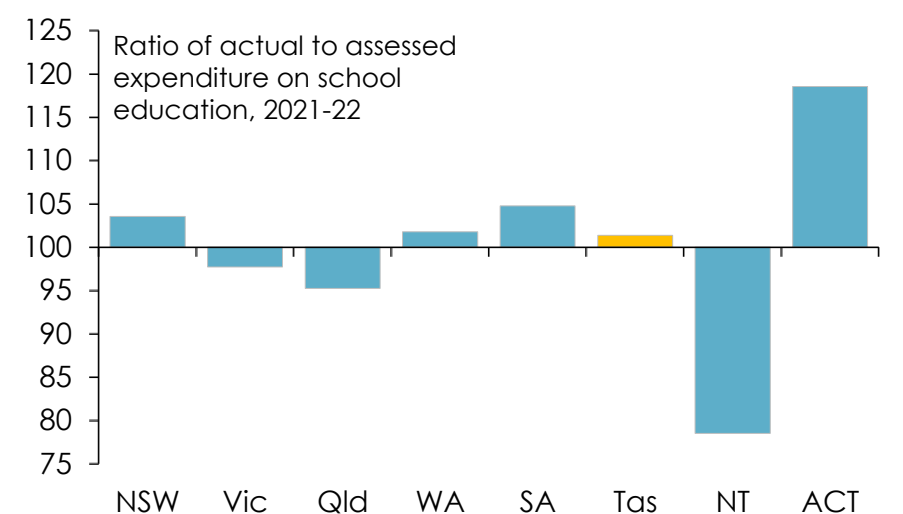
## Non-teaching staff, 2023



## Spending on schools as pc of GSP



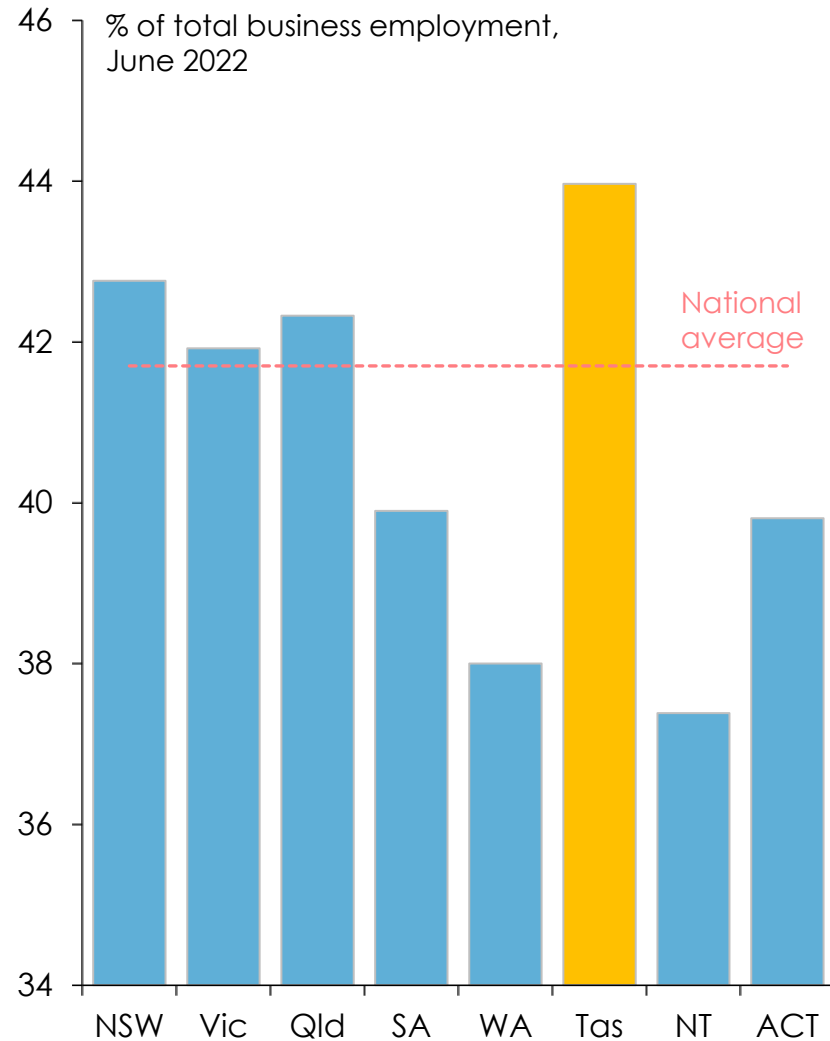
## CGC assessment of actual spending



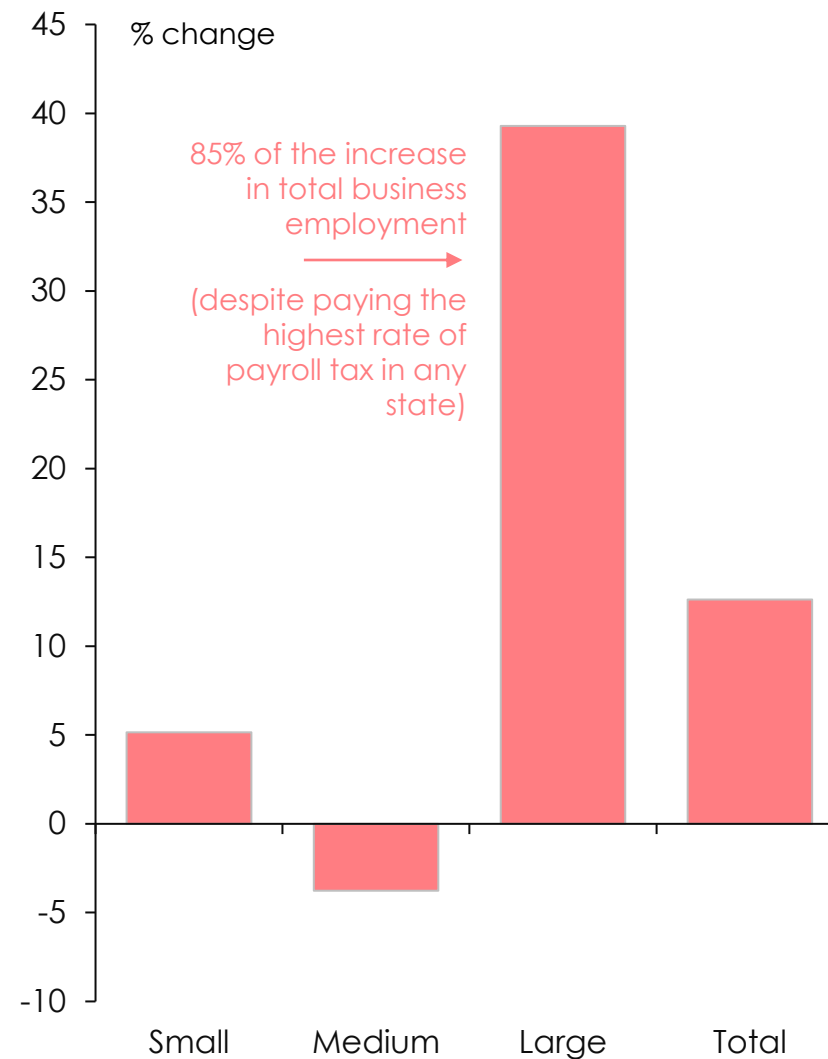
Sources: ABS, [Schools, 2023](#); [Government Finance Statistics, Annual, 2021-22](#); Commonwealth Grants Commission, [2023 Update of GST relativities](#). Note: The CGC's 'assessed' expenditure is the level of spending required to provide services of the same range and quality as the average of all states and territories.

# Small business accounts for a much larger share of employment than in any other state (although that share has been declining)

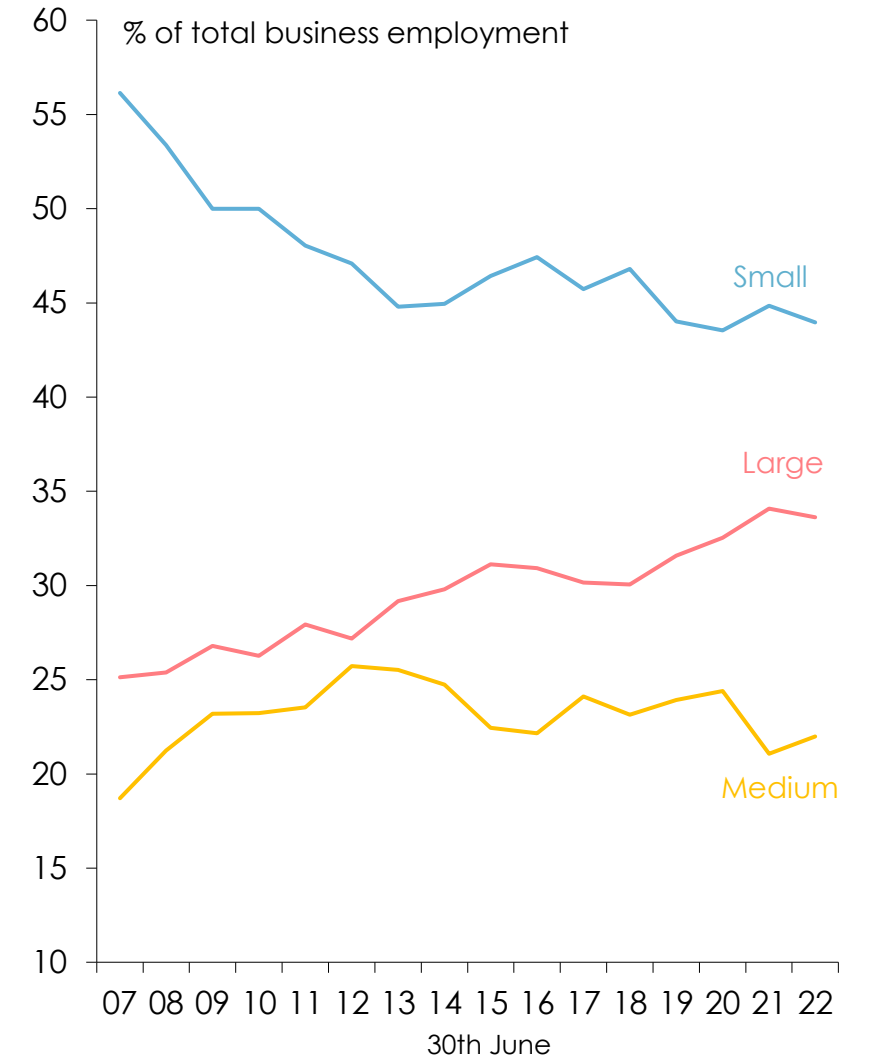
Employment in small businesses as a pc of total business employment



Employment growth by business size, Tasmania, 2012-2022



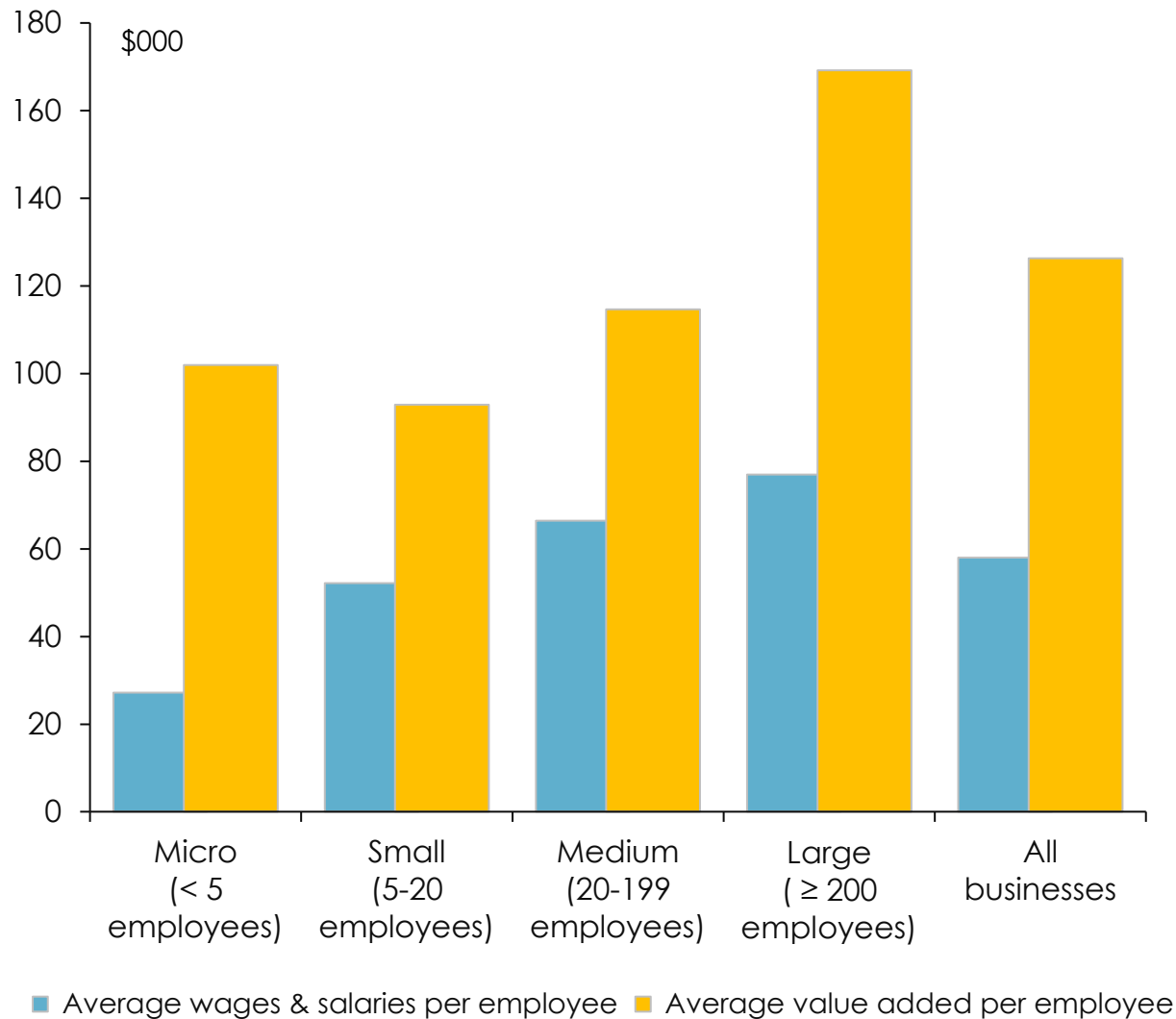
Shares of total business employment in Tasmania



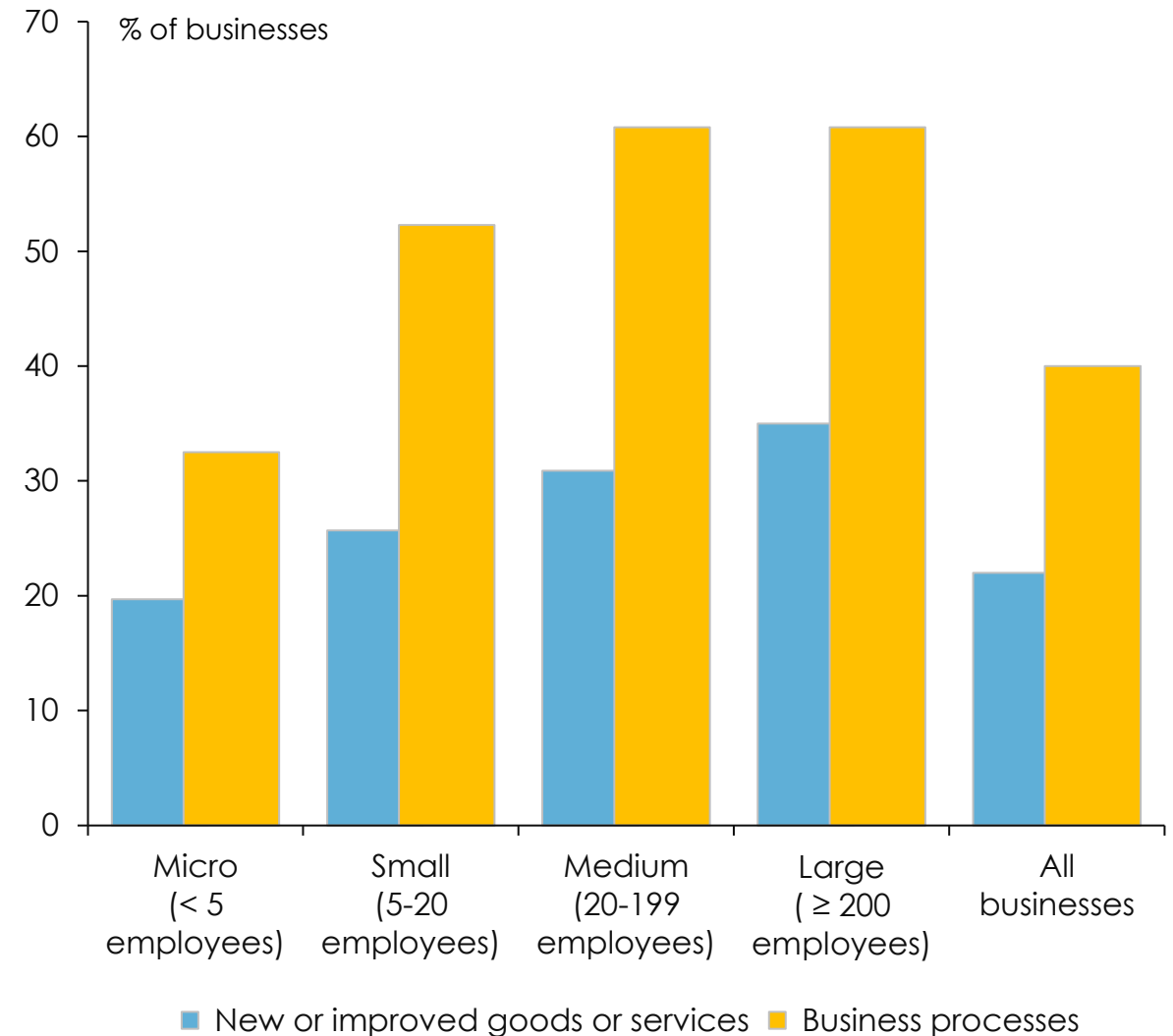
Note: ABS defines 'small' businesses as those with fewer than 20 employees; 'medium businesses' as those with between 20 and 199 employees; and 'large' businesses as those with 200 or more employees. Source: ABS, [Australian Industry](#), 2021-22.

# The relatively greater small business share in Tasmania is probably a contributor to Tasmania's lower productivity and average wages

Wages and productivity by business size, Australia, 2021-22



Innovation activity by business size, Australia, 2020-21



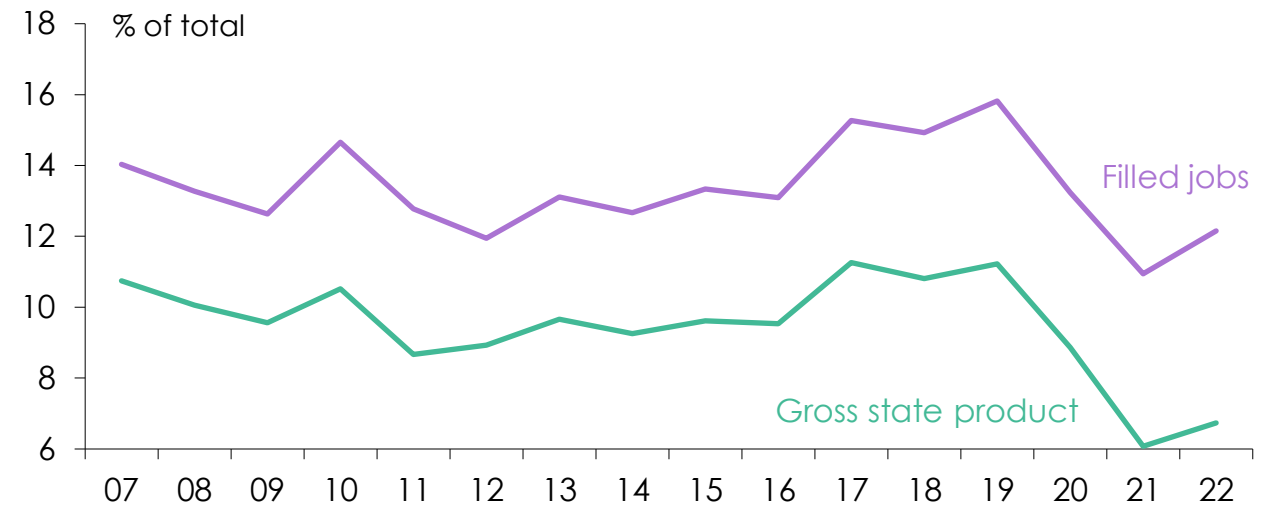
Sources: ABS, [Australian Industry](#), 2021-22; [Innovation in Australian Business](#), 2020-21.

# Tourism contributed significantly to Tasmania's economic growth pre-Covid, but we may have become *too* dependent on it

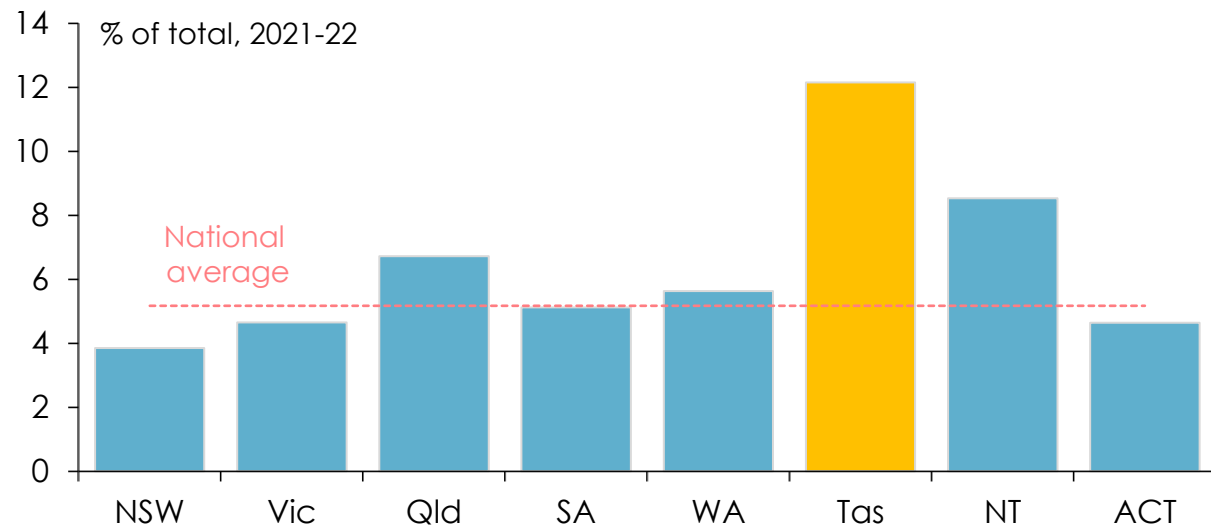
## Tourism share of GSP, 2021-22



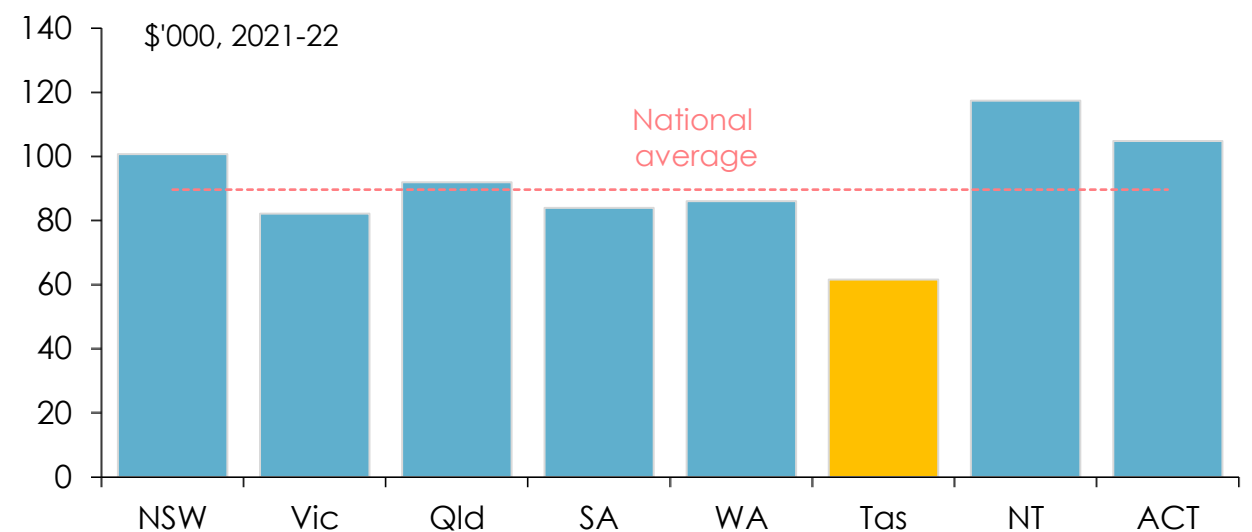
## Tourism share of Tasmanian GSP and filled jobs



## Tourism share of filled jobs, 2021-22



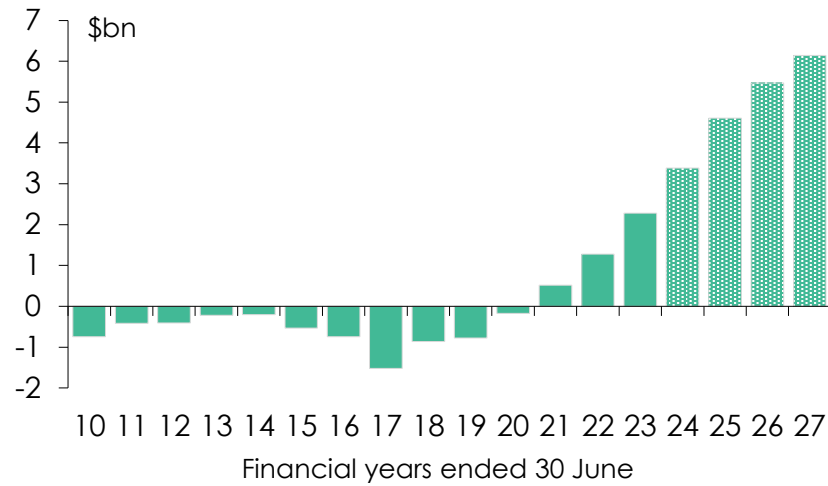
## Gross value added in tourism per filled job, 2021-22



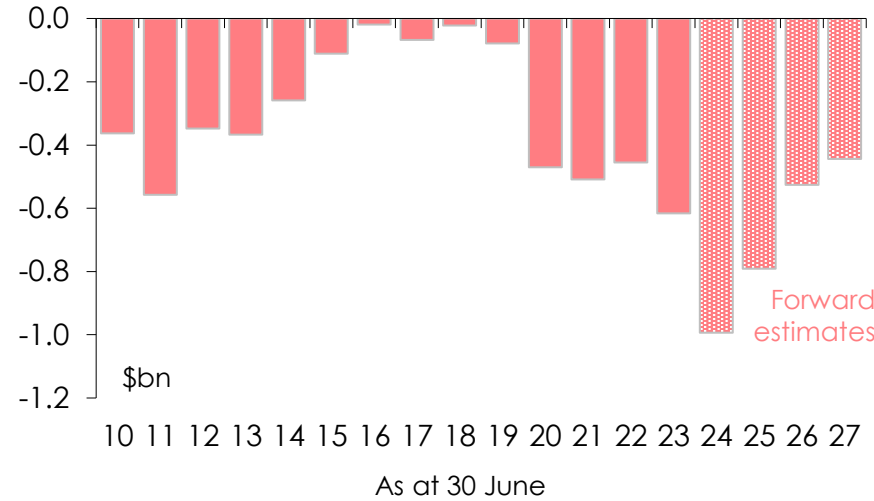
Note: gross product and employment attributed to tourism includes both direct and indirect contributions.  
 Source: Tourism Research Australia, [State Tourism Satellite Account](#), 2021-22.

# Tasmania's public finances have deteriorated over the past few years, and adjustments will be needed to meet some of the fiscal strategy targets

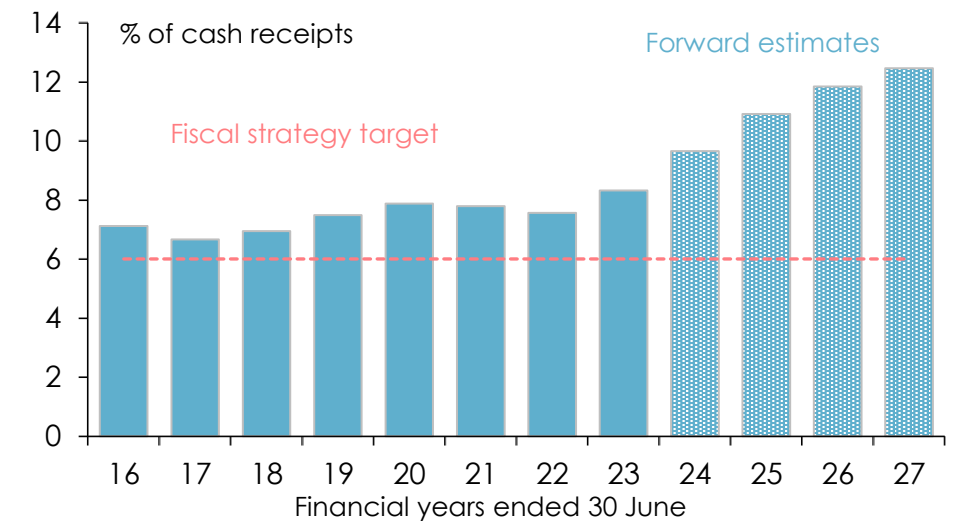
## 'Underlying' net operating balance



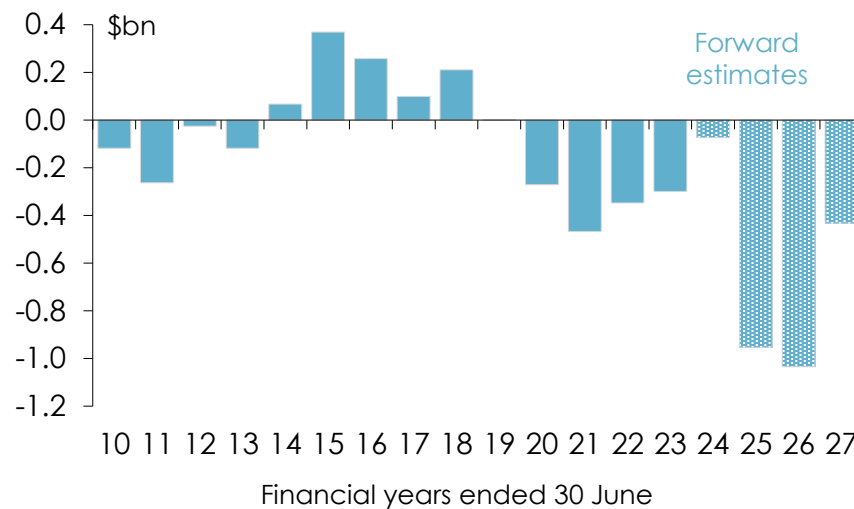
## Net debt



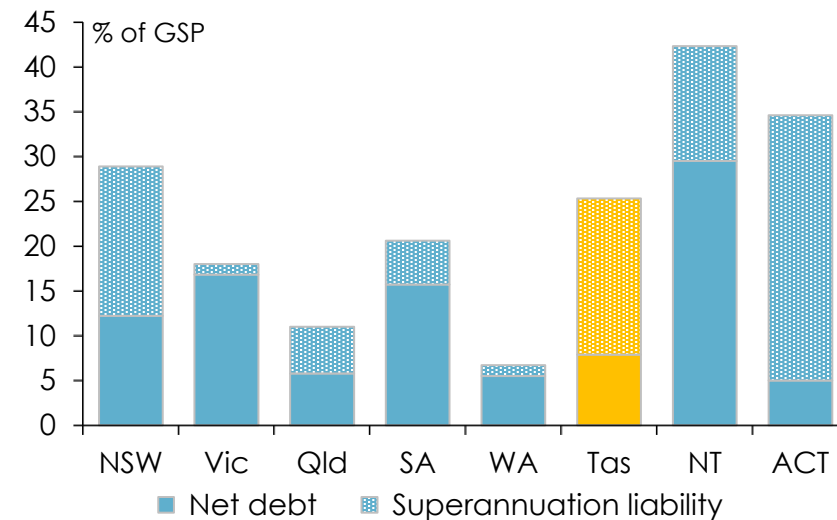
## Interest and superannuation expense



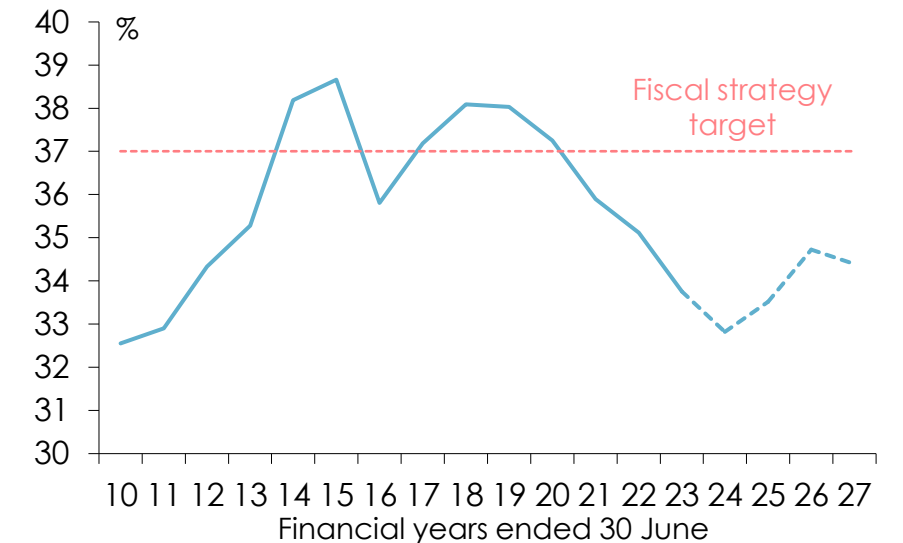
## Cash balance



## Liabilities as pc of GSP, June 2024



## 'Own-source' revenues



Note: data shown are for the general government sector, ie excluding public enterprises. Source: Tasmanian Government, [2023-24 Revised Estimates Report](#), 14<sup>th</sup> February 2024.



## Important information

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