

# THE 2020 TASMANIA REPORT

PRESENTATION TO A LUNCH HOSTED BY  
THE TASMANIAN CHAMBER OF COMMERCE AND INDUSTRY

CROWNE PLAZA, HOBART  
10<sup>TH</sup> DECEMBER 2020

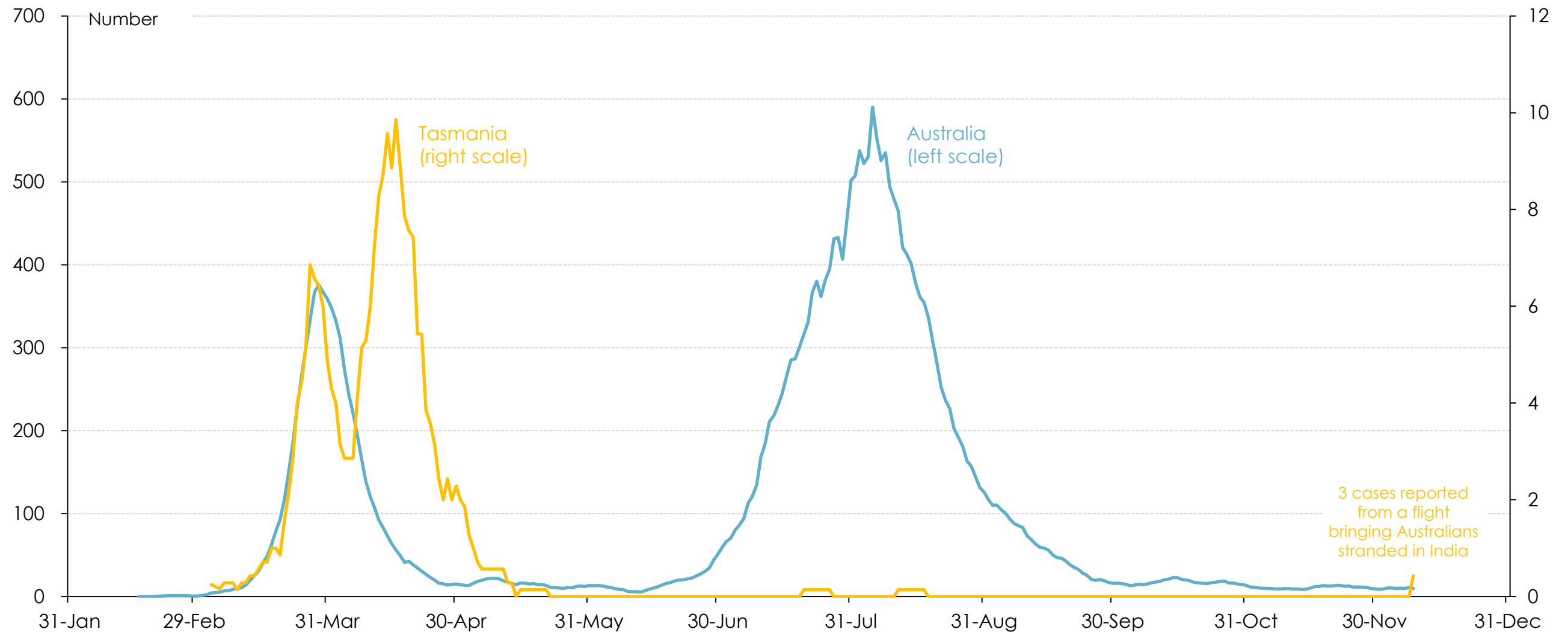
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**SAUL ESLAKE**  
CORINNA ECONOMIC ADVISORY PTY LTD

# Tasmania's experience of Covid-19

# Tasmania has managed the virus very effectively, in absolute terms ...

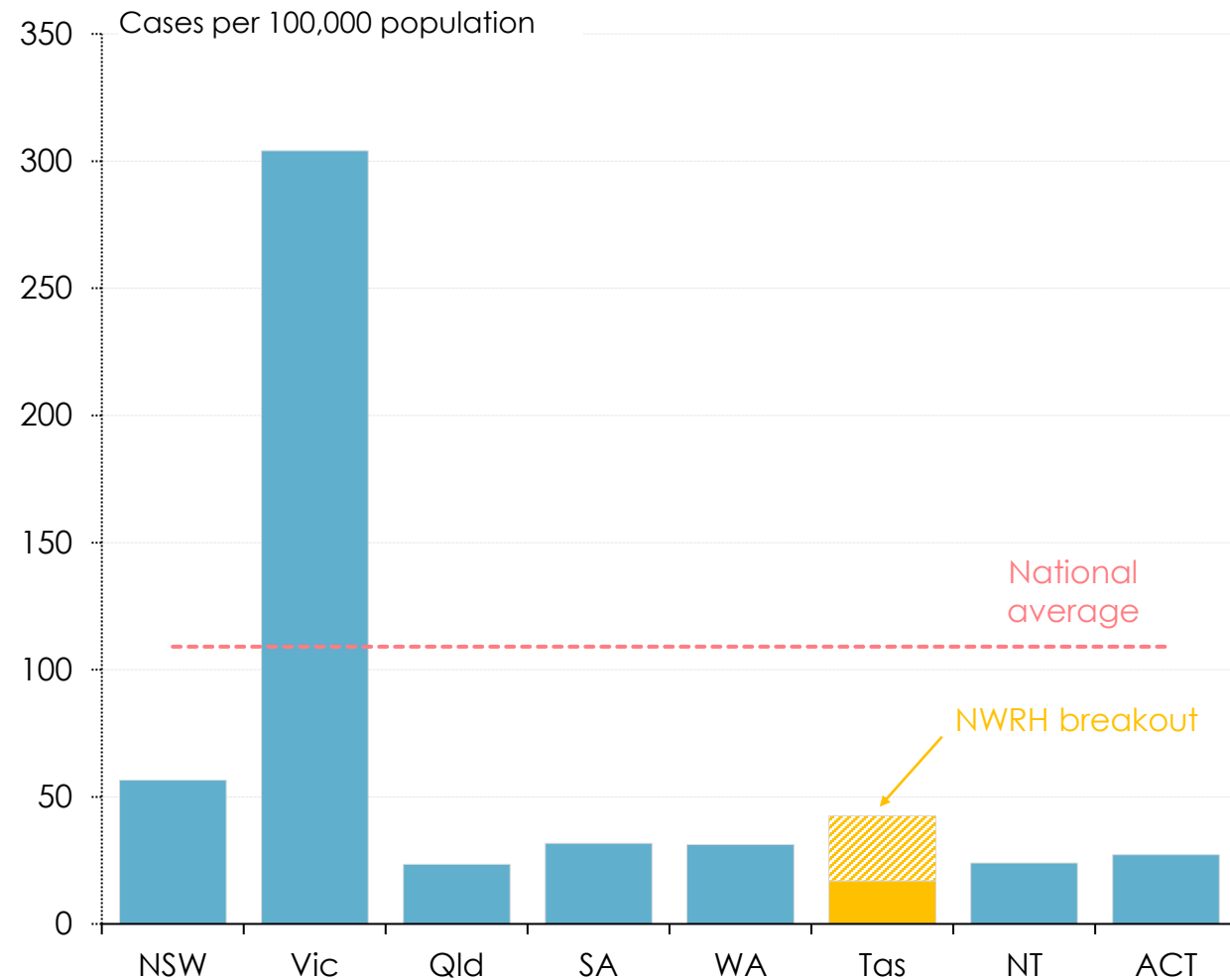
## New confirmed Covid-19 cases, Tasmania and Australia



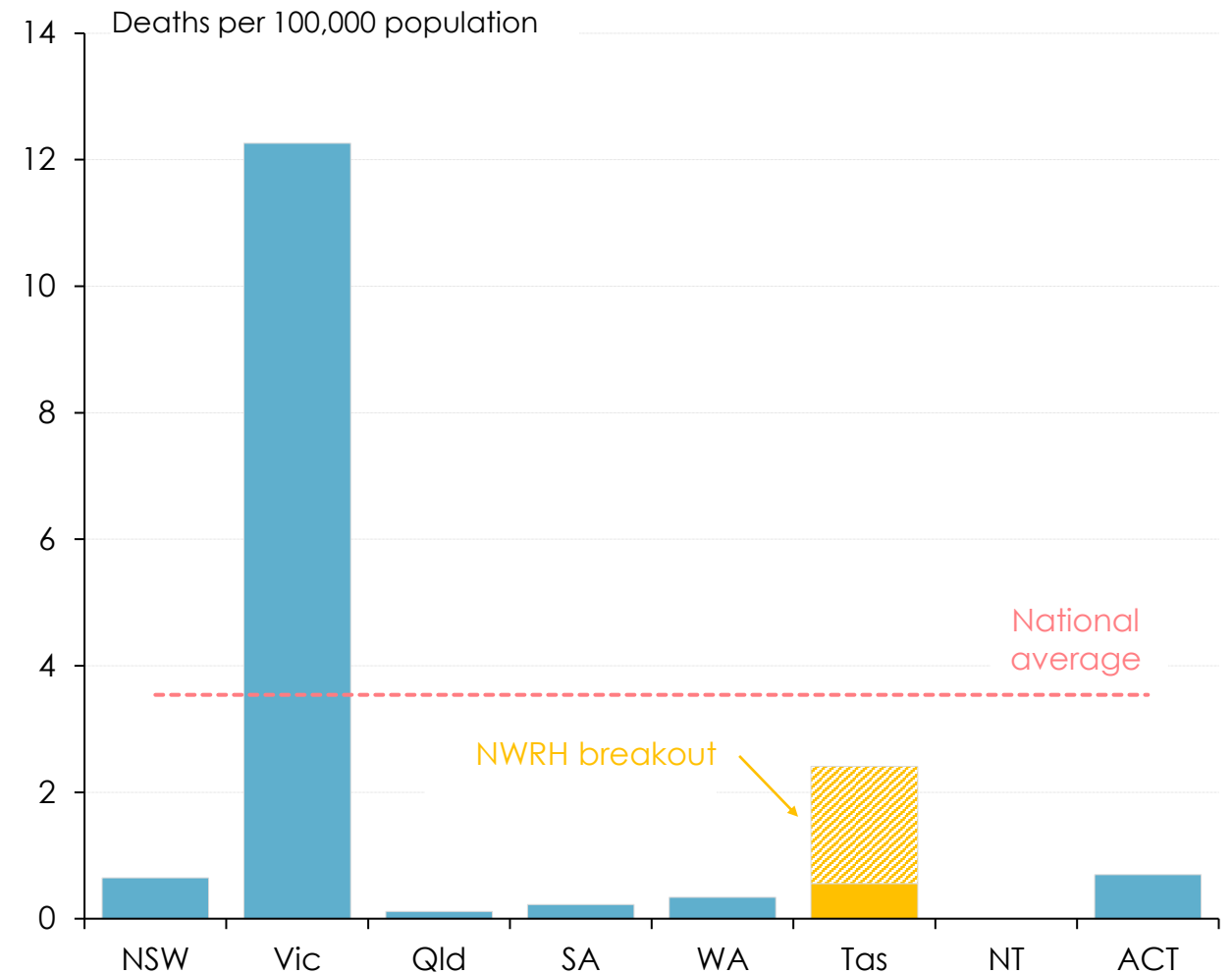
Note: Data up to 9<sup>th</sup> December. Source: [covid19data.com.au](https://covid19data.com.au).

# ... by comparison with other Australian states and territories ...

## Confirmed Covid-19 cases per 100,000 population, states and territories



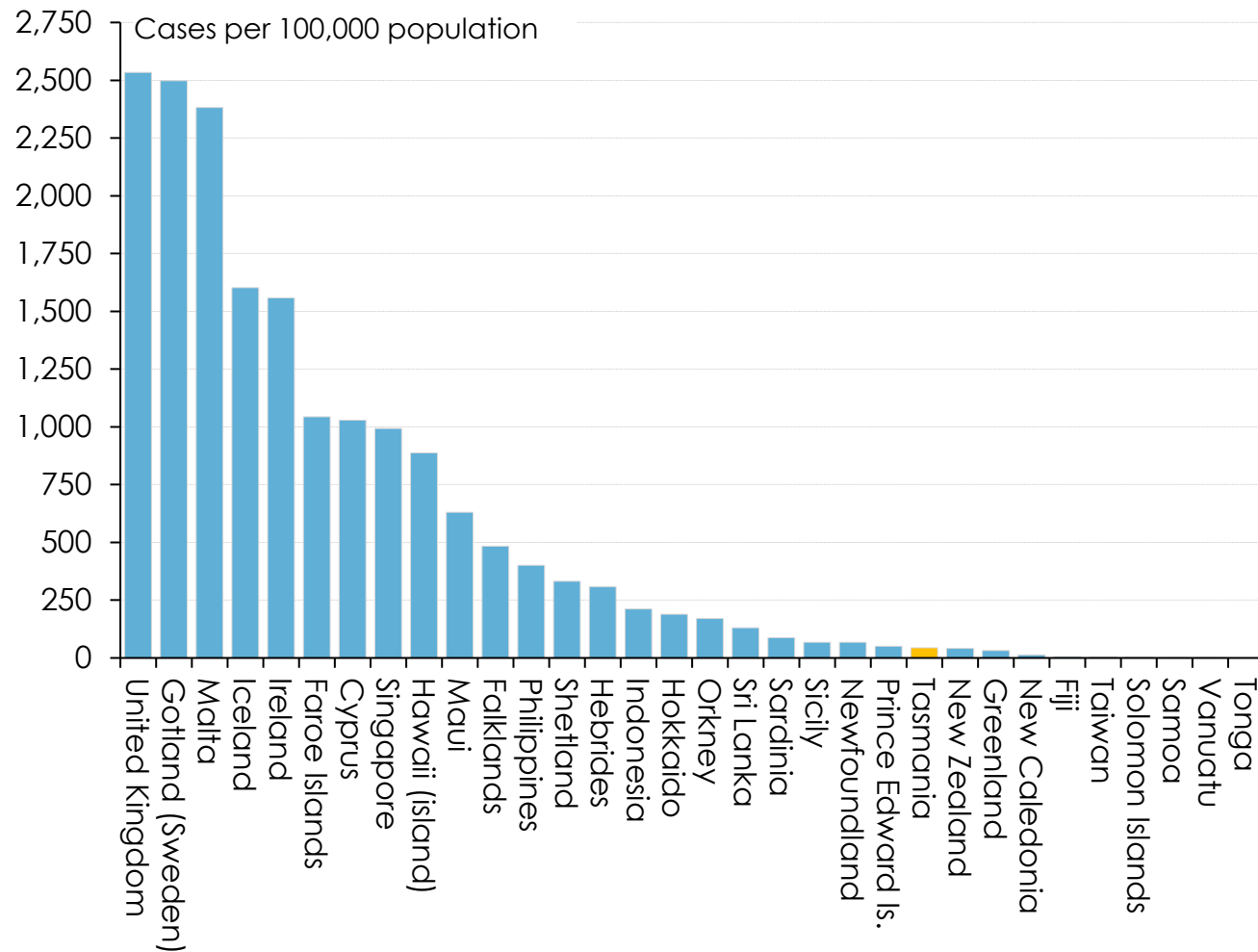
## Covid-19 deaths per 100,000 population, states and territories



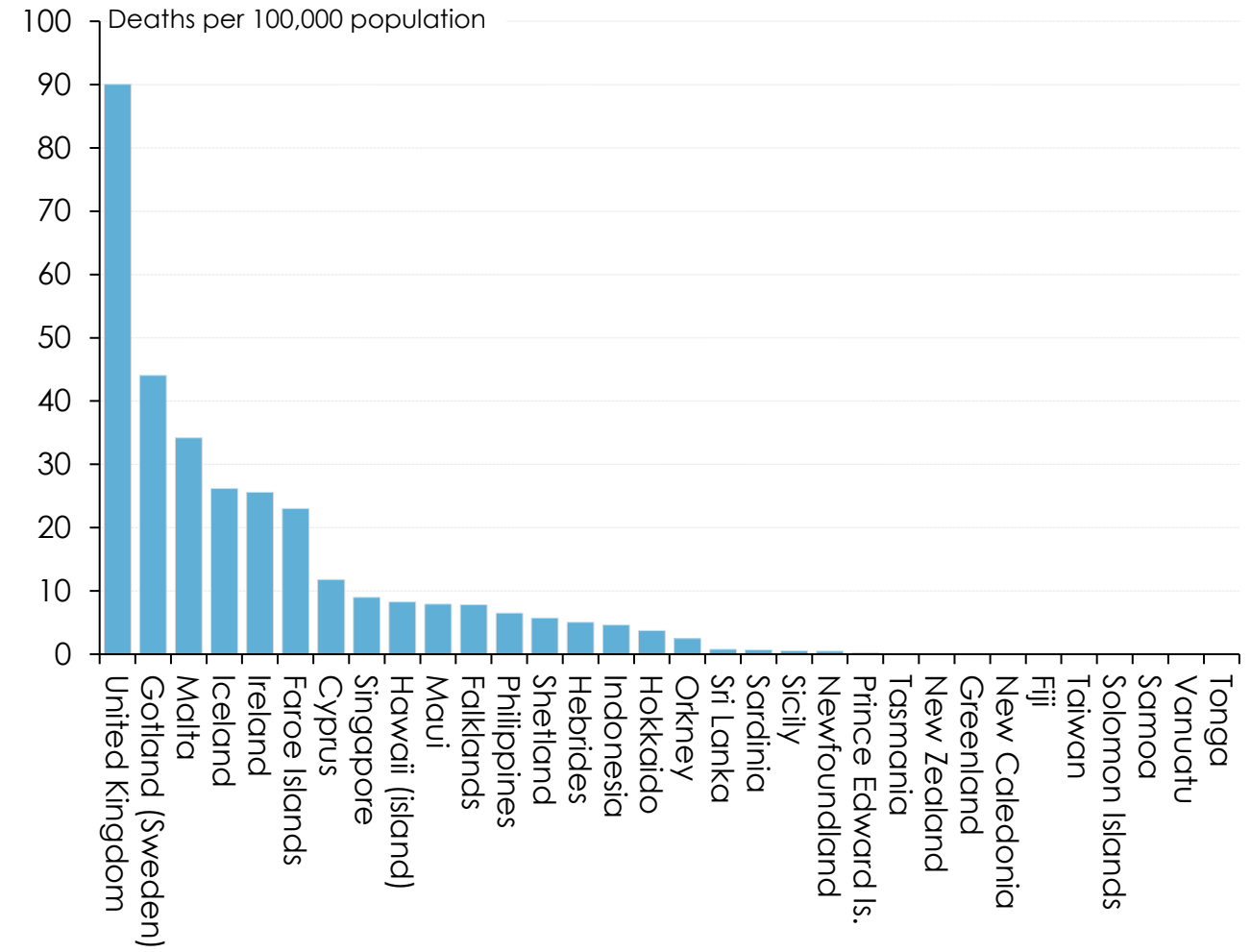
Note: Data up to 7<sup>th</sup> December. Sources: [covid19data.com.au](https://covid19data.com.au); ABS.

# ... and by comparison with other island nations, states and provinces

Confirmed Covid-19 cases per 100,000 population, selected islands



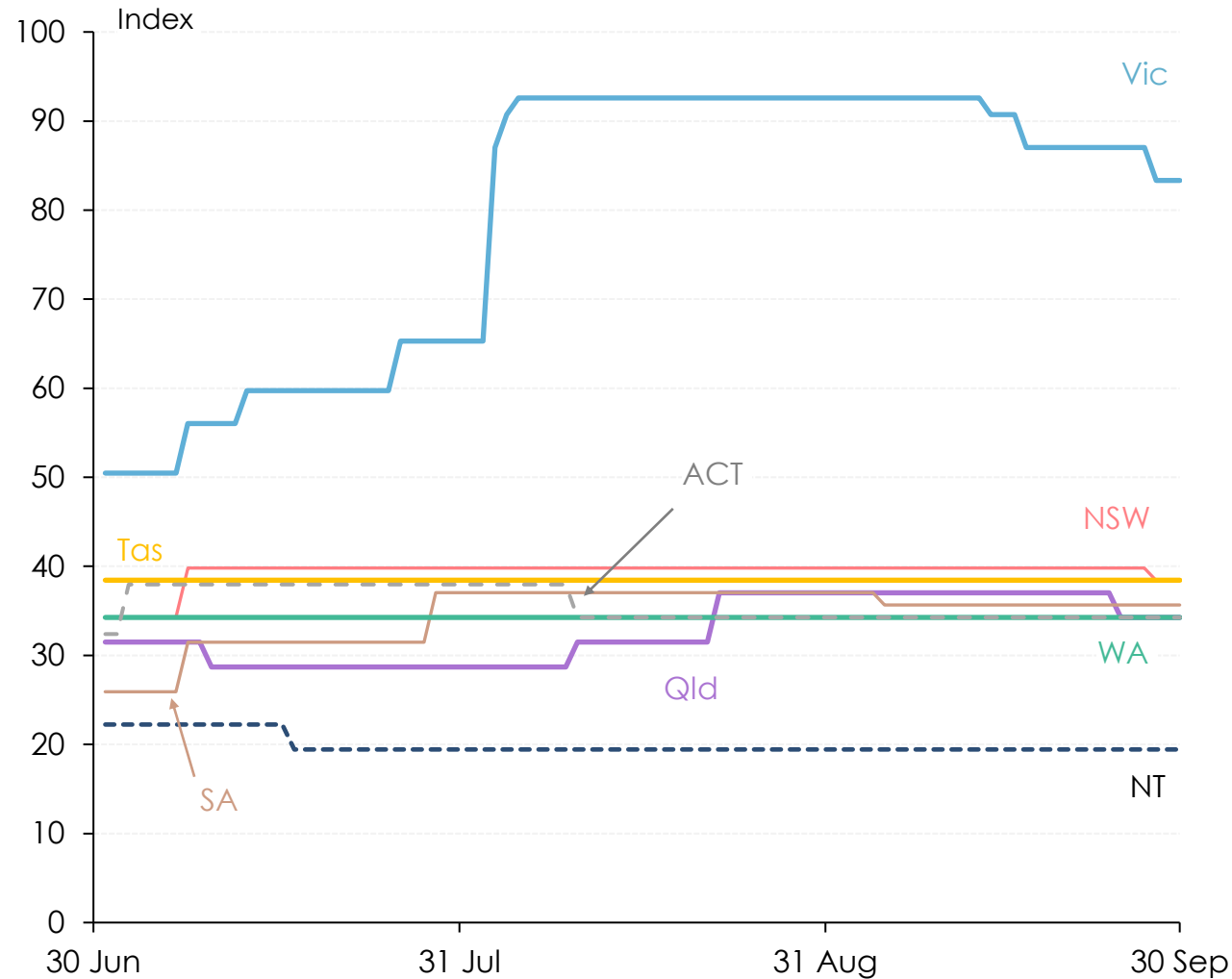
Covid-19 deaths per 100,000 population, selected islands



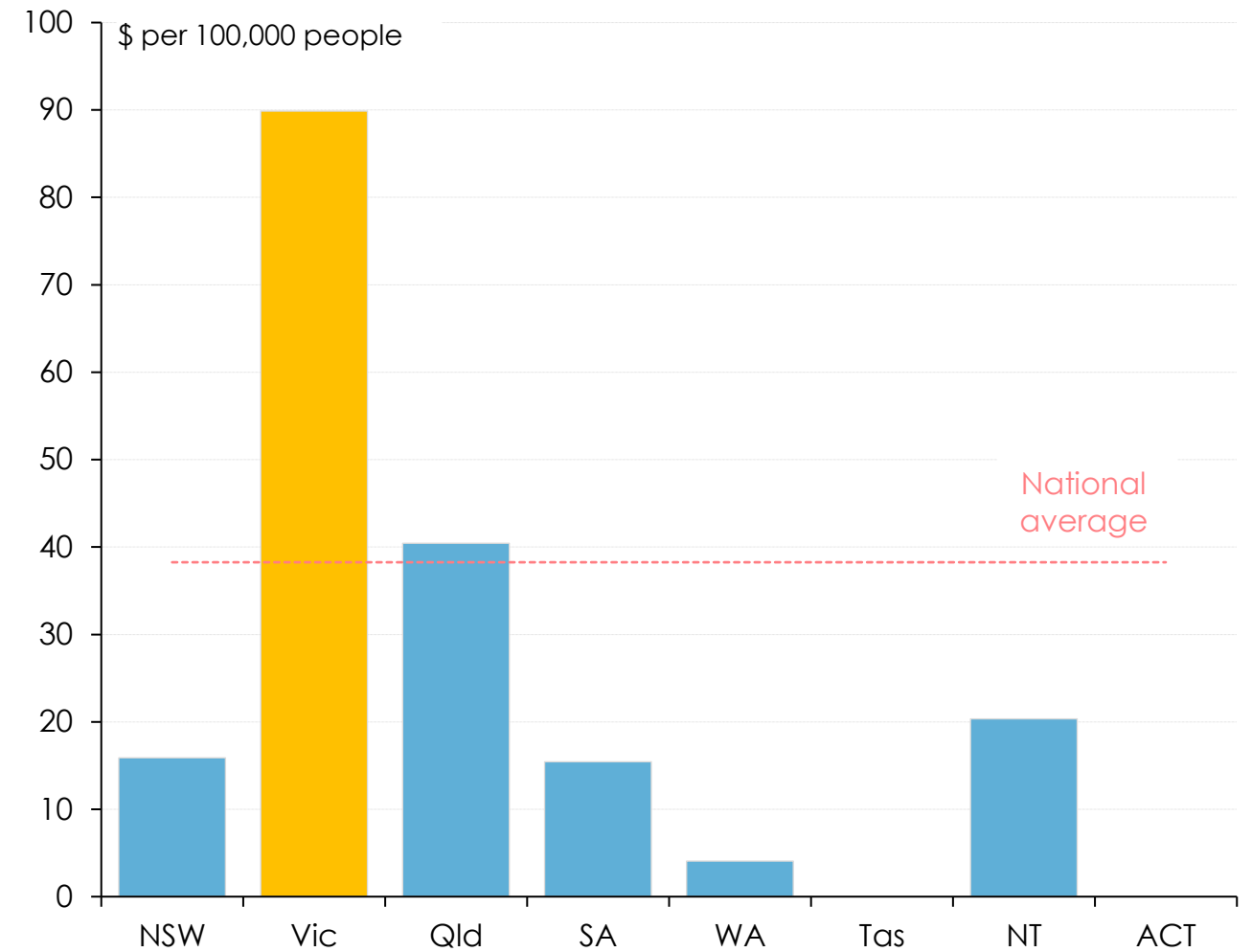
Note: Data up to 7<sup>th</sup> December. Sources: [covid19data.com.au](https://covid19data.com.au/); [Our World in Data](https://ourworldindata.org/); [Johns Hopkins University Coronavirus Resource Center](https://coronavirus.jhu.edu/); [Public Health Scotland](https://www.health.scot.nhs.uk/); [World Health Organization Western Pacific Region](https://www.who.int/); [Worldometer](https://worldometer.com/).

# Tasmania achieved its results on the epidemiological front without having significantly stricter restrictions than other states, or over-zealous policing

ABS estimates of stringency of government restrictions during the September quarter



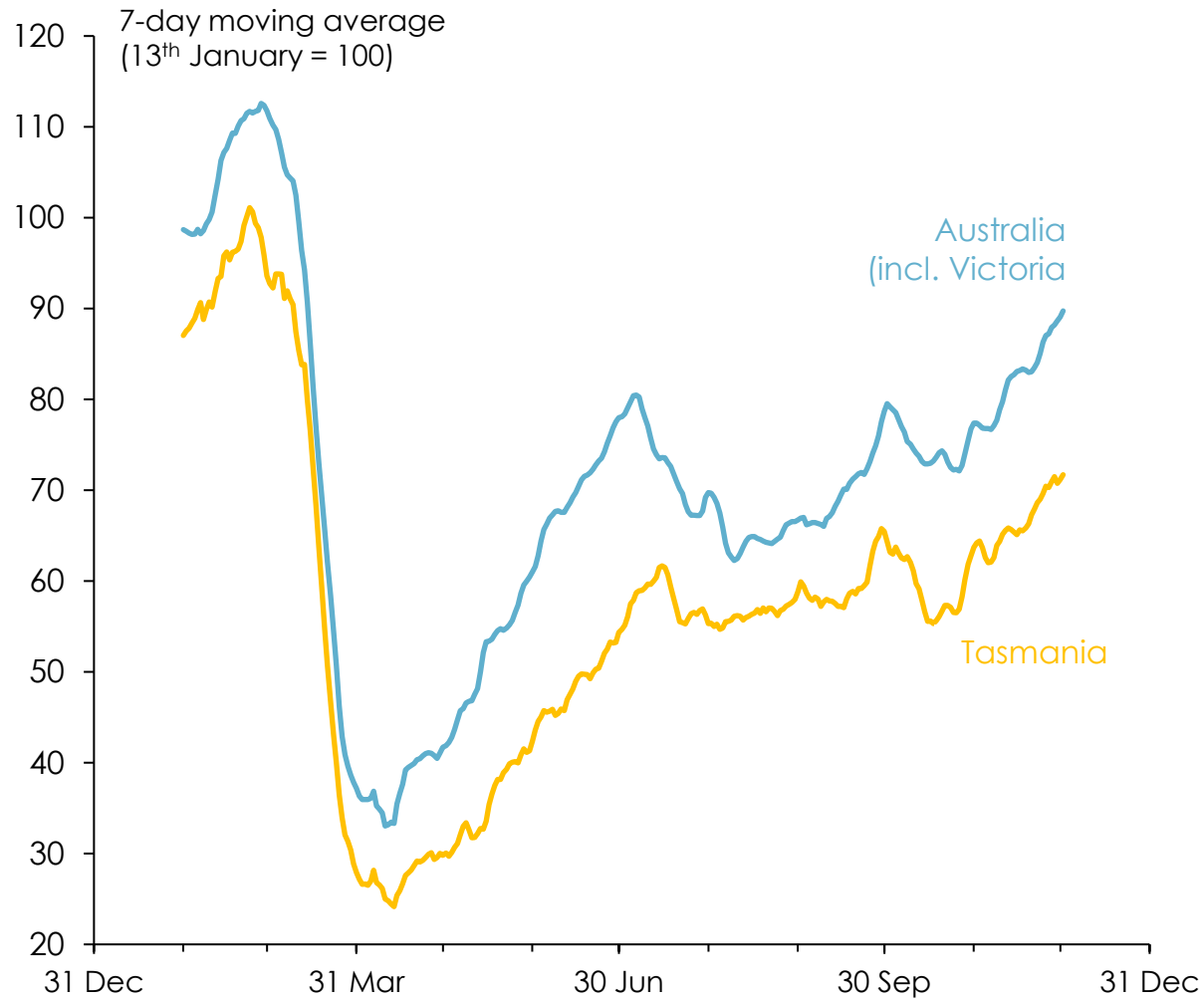
Revenue from fines for breaches of lockdown regulations, 23 Mar-25 May per 100,000 population



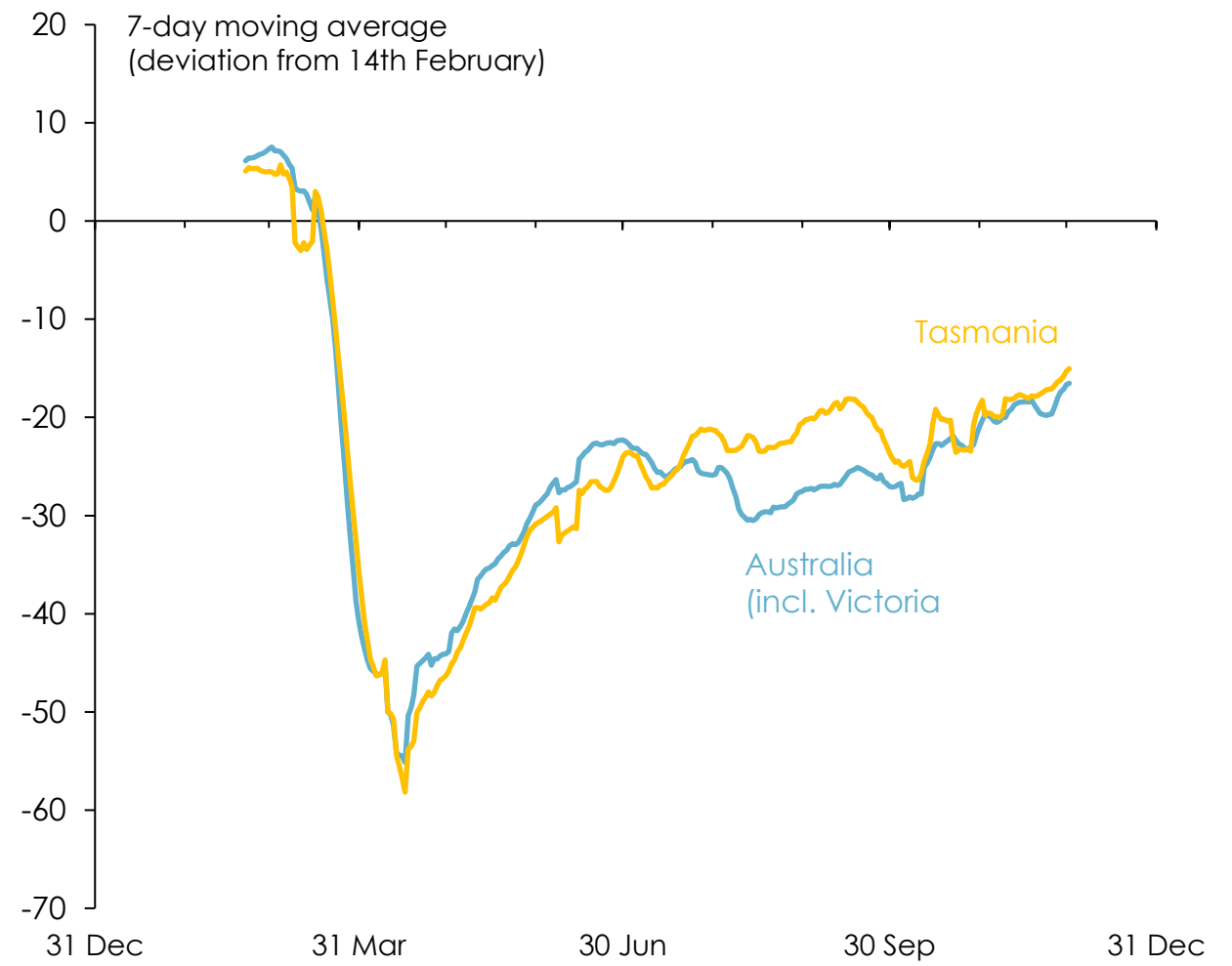
Note: the ABS estimates of the stringency of government restrictions on the movement and gathering of people, etc., are based on the methodology developed for the [Oxford COVID-19 Government Response Tracker](#) and published with September quarter [national accounts](#). Sources: ABS; Tammy Mills, "Victoria leads the nation in lockdown fines", [The Age](#), 27th May 2020; Corinna.

# Mobility indicators also confirm that restrictions in Tasmania were a bit stricter in Tasmania than in other states and territories, except Victoria

## Driving, walking and use of public transport, Tasmania and Australia



## Time spent at workplaces, in transit, shopping or exercising, Tasmania and Australia



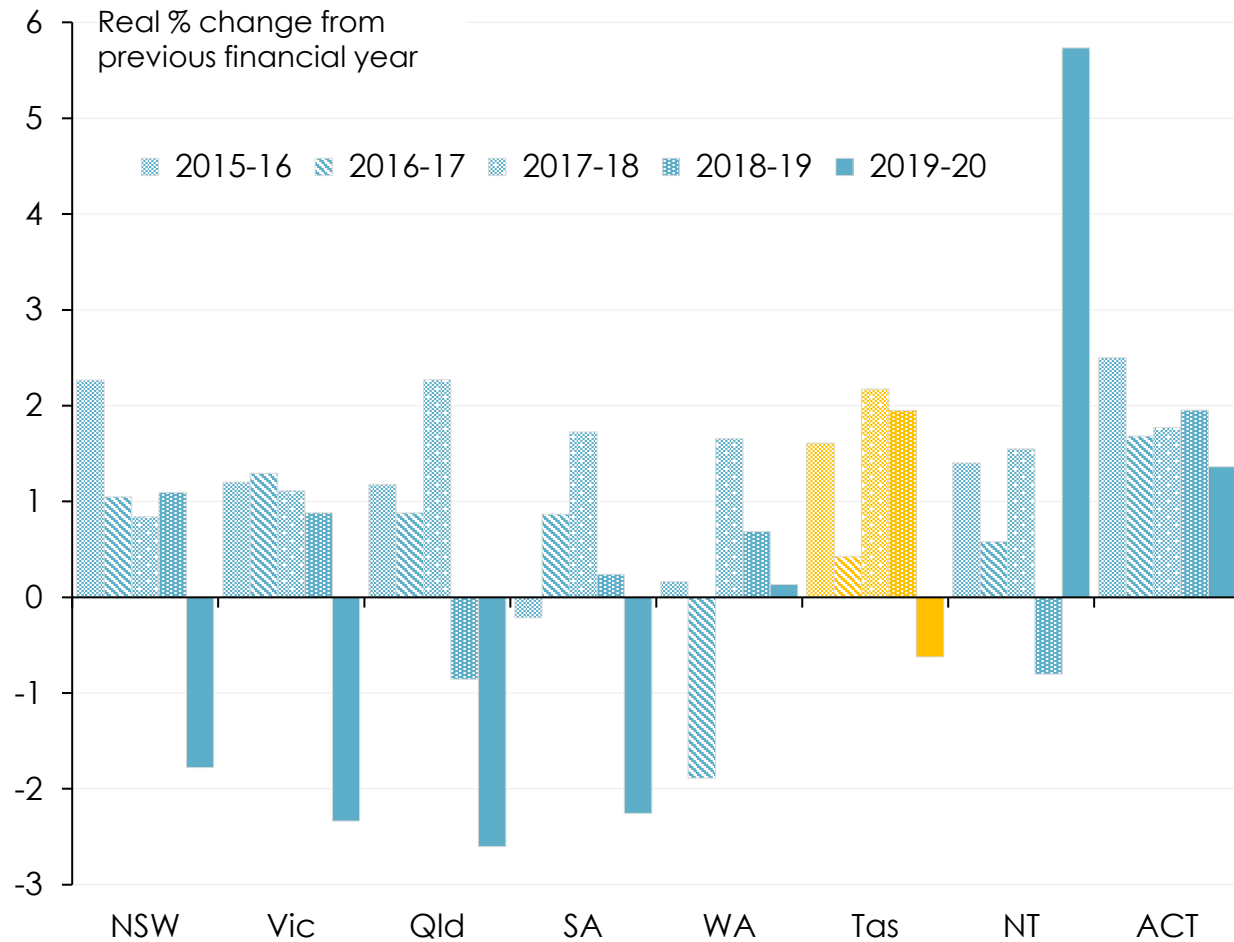
Note: The indices shown in these charts are averages of individual mobility indices compiled by Apple (left) and Google (right).  
Sources: Apple; Google; Corinna.

# Tasmania's economy leading up to the onset of Covid-19

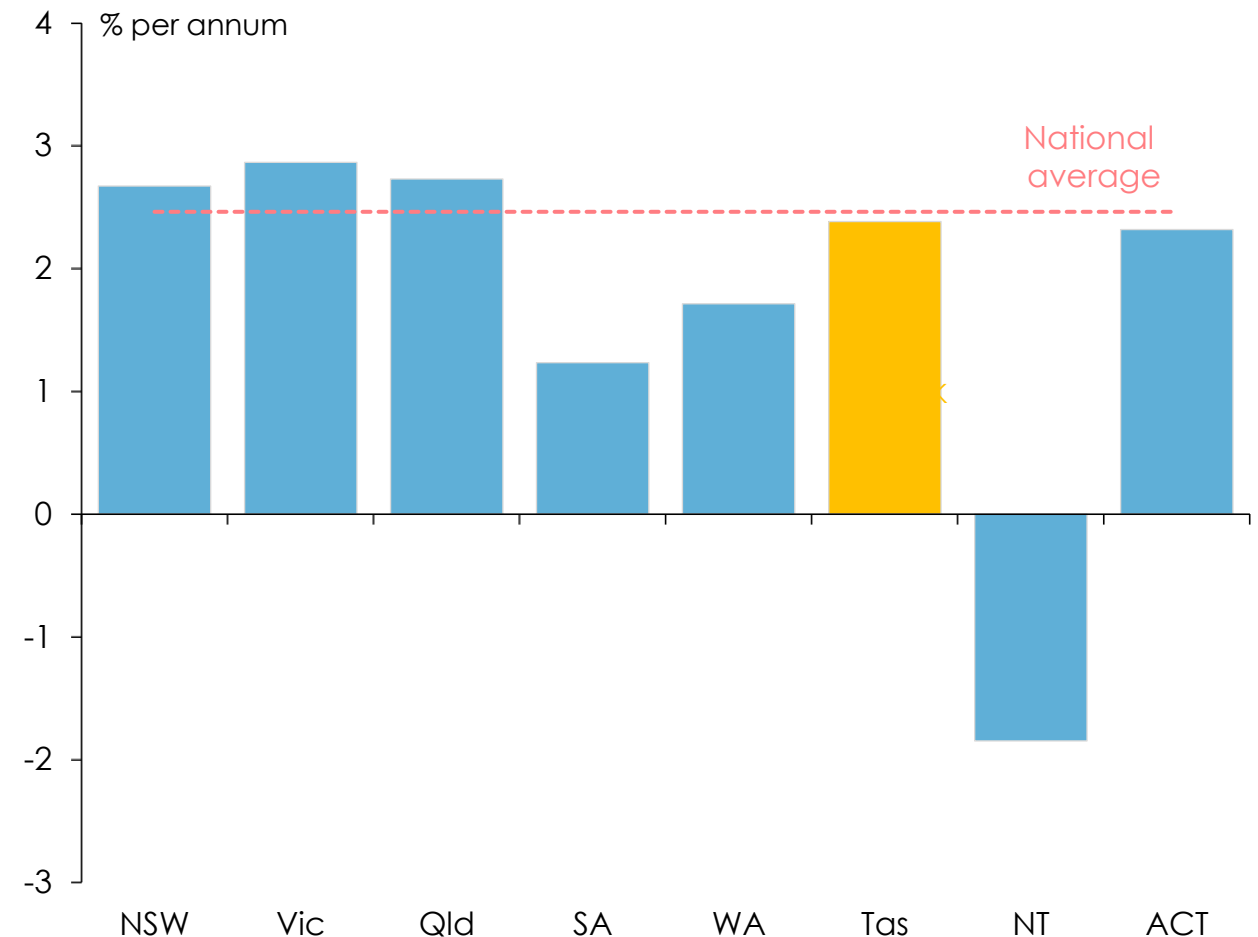


# Tasmania's economy was doing well in the years leading up to the onset of the Covid-19 pandemic

## Growth in real gross state product, states and territories, 2015-16 to 2019-20



## Growth in employment, March quarter 2017 to March quarter 2020, states and territories

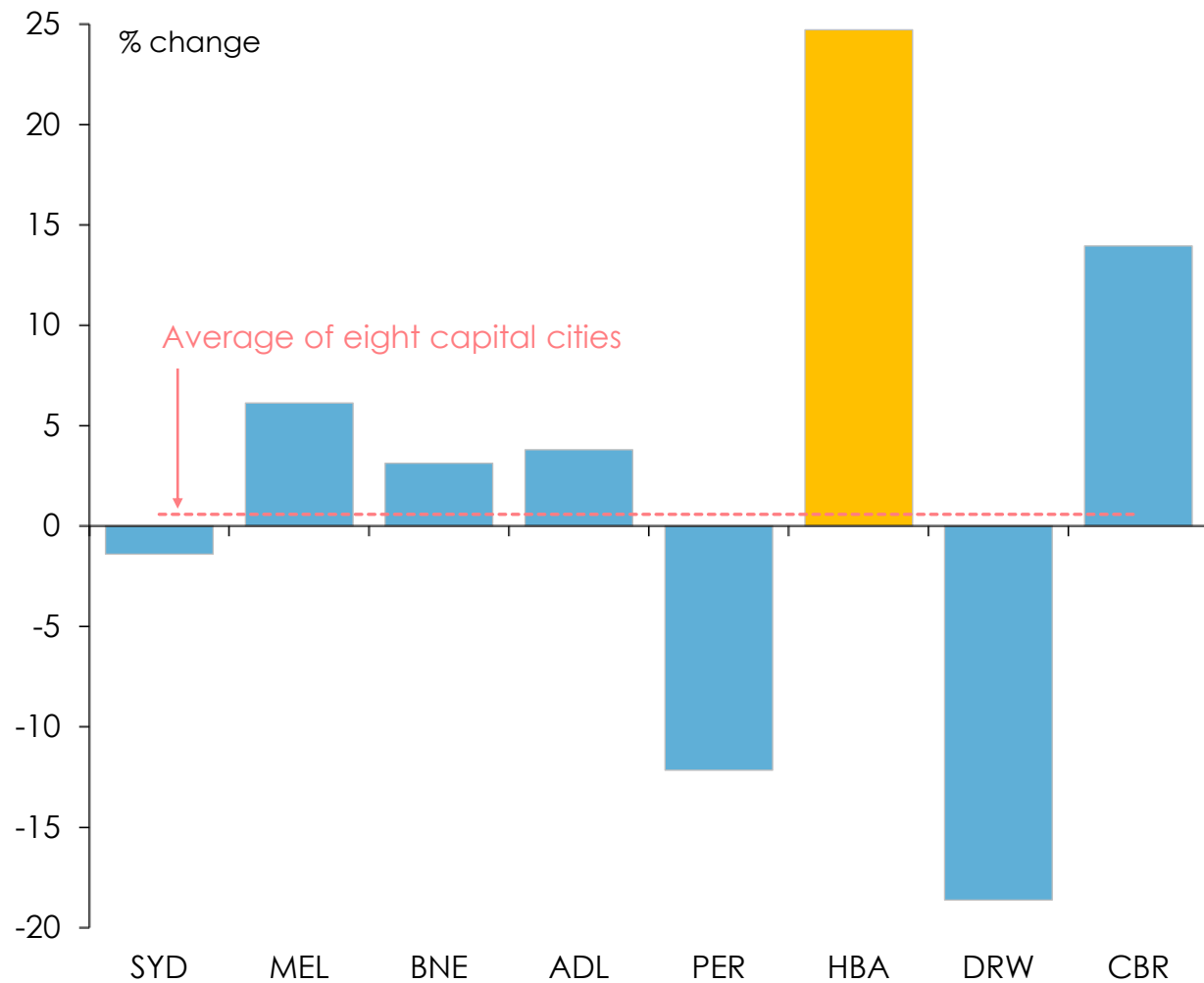


Note: The Northern Territory's growth rate in 2019-20 was inflated by a 40% increase in mining output, which was in turn largely attributable to the transition to full production of the Ichthys LNG plant. Excluding mining, the NT's real GSP declined by 4.2% in 2019-20.

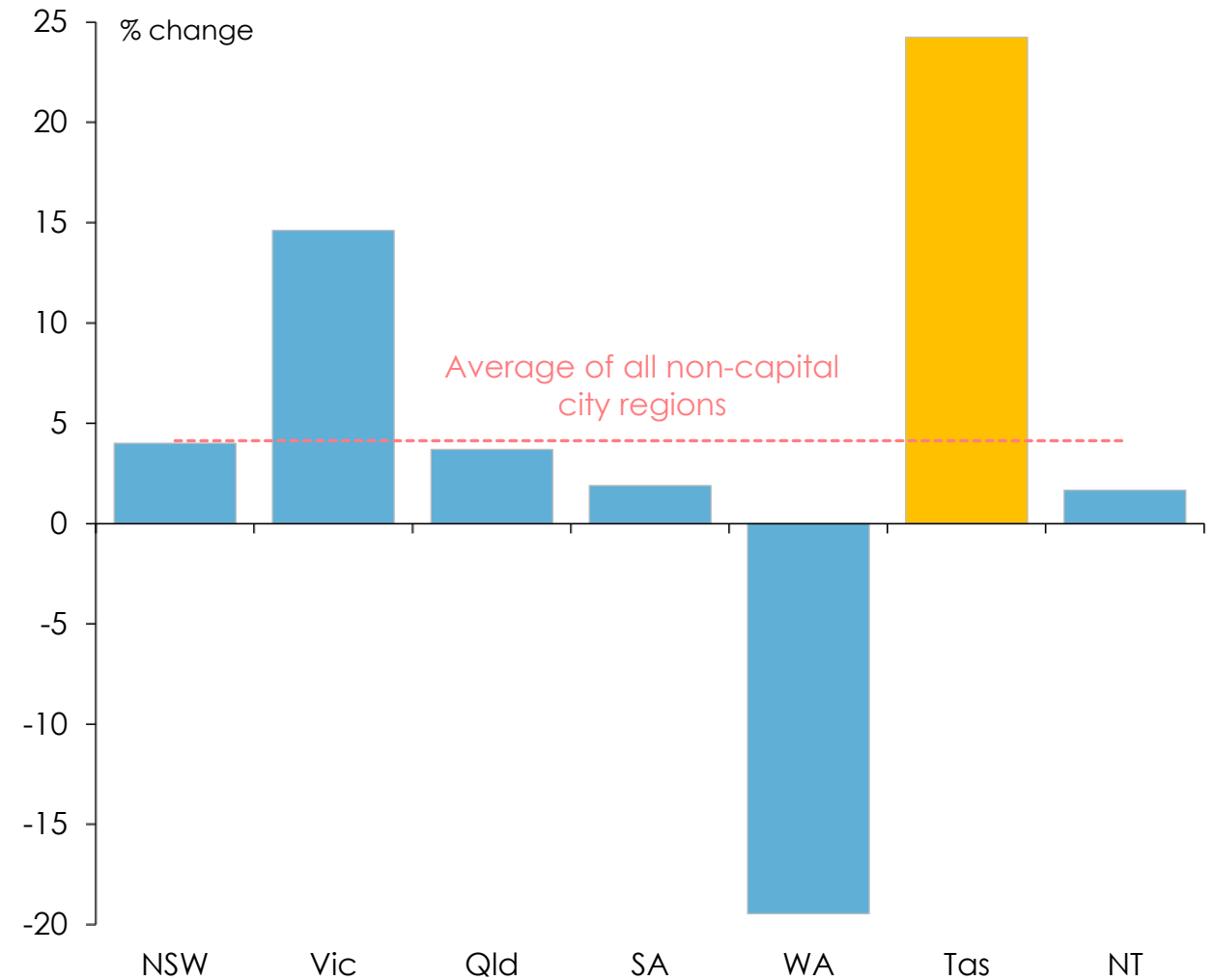
Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#); [Labour Force, Australia](#).

# Tasmania's residential property market was the strongest in the nation

## Change in capital city residential property prices, 3 years to March 2020



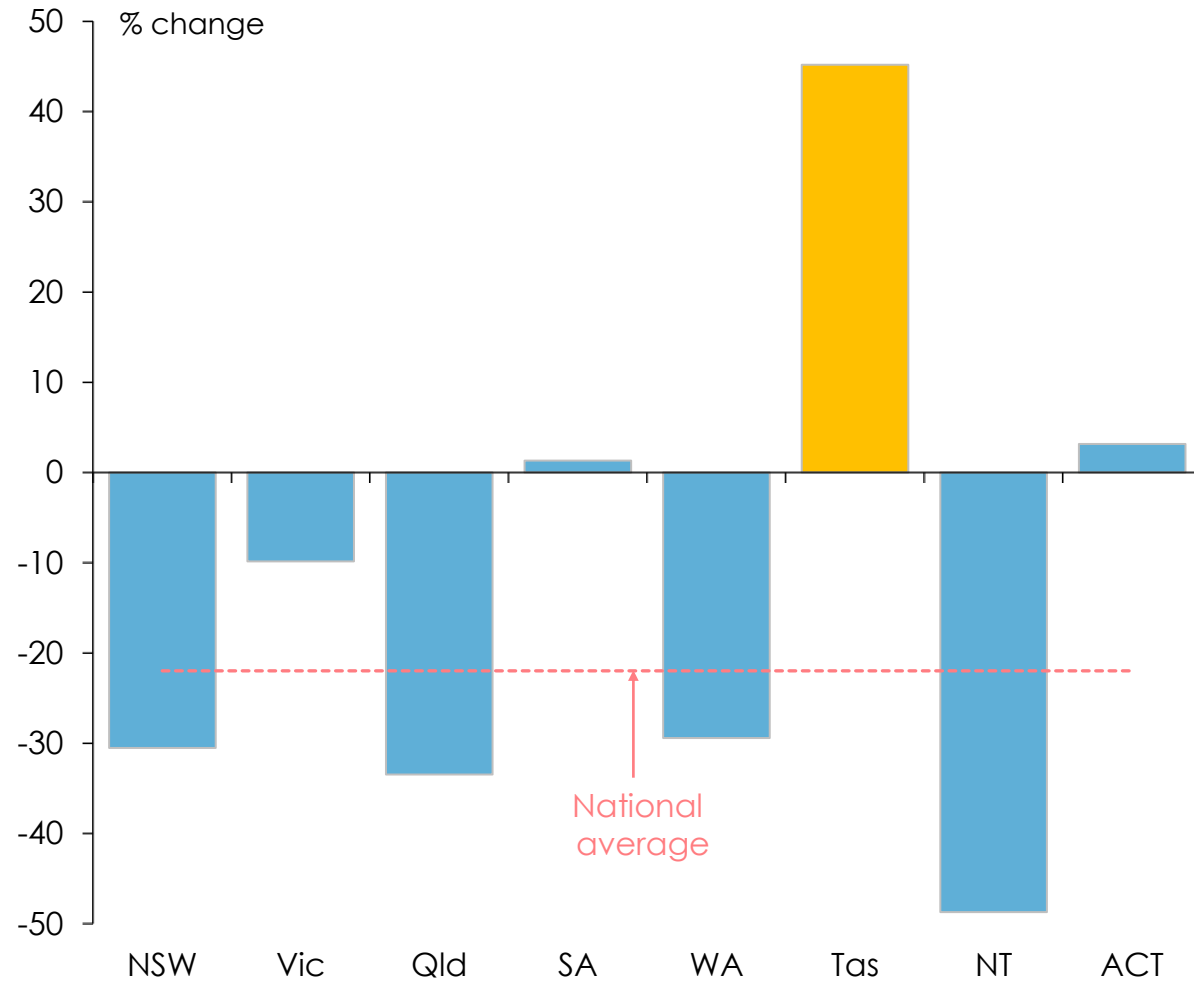
## Change in regional residential property prices, 3 years to March 2020



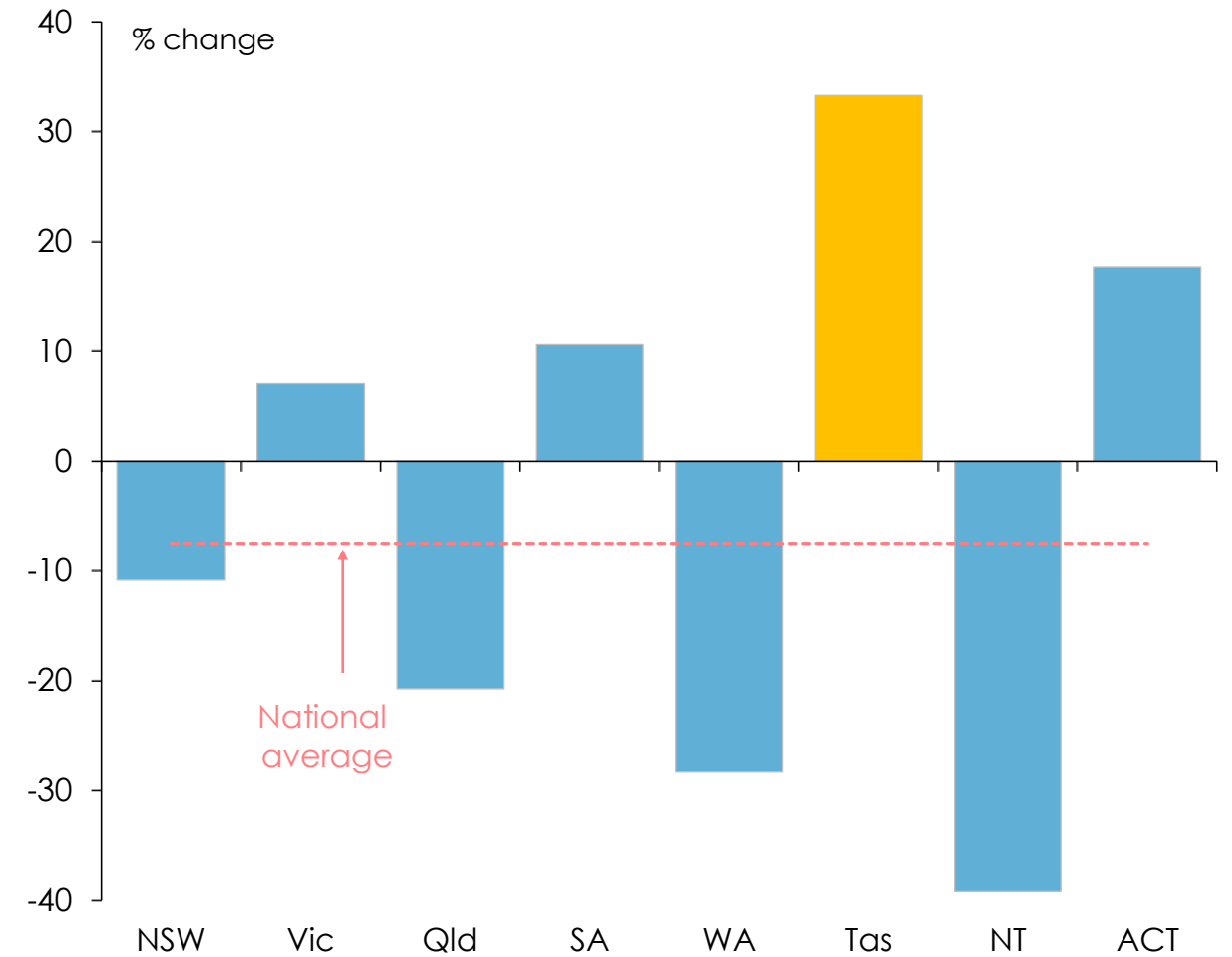
Note: percentage changes are in hedonic home value indices which adjust for differences in the attributes of properties transacted from month to month.  
Source: CoreLogic, [Home Property Value Index - Monthly Indices](#).

# Tasmania was leading the nation in new housing construction

Growth in residential building commencements, year ended March 2017 to year ended March 2020



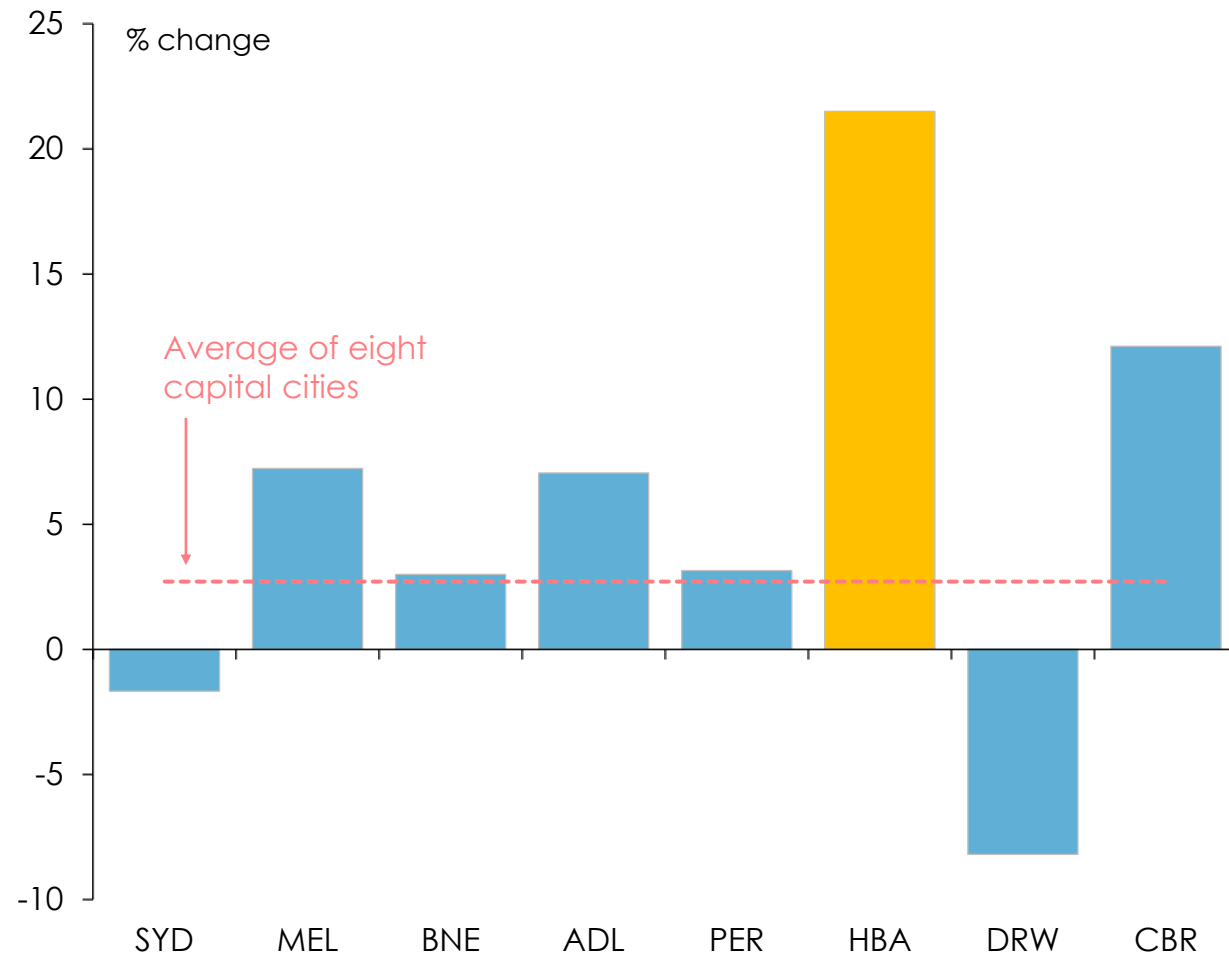
Growth in real value of residential building work done, year ended March 2017 to year ended March 2020



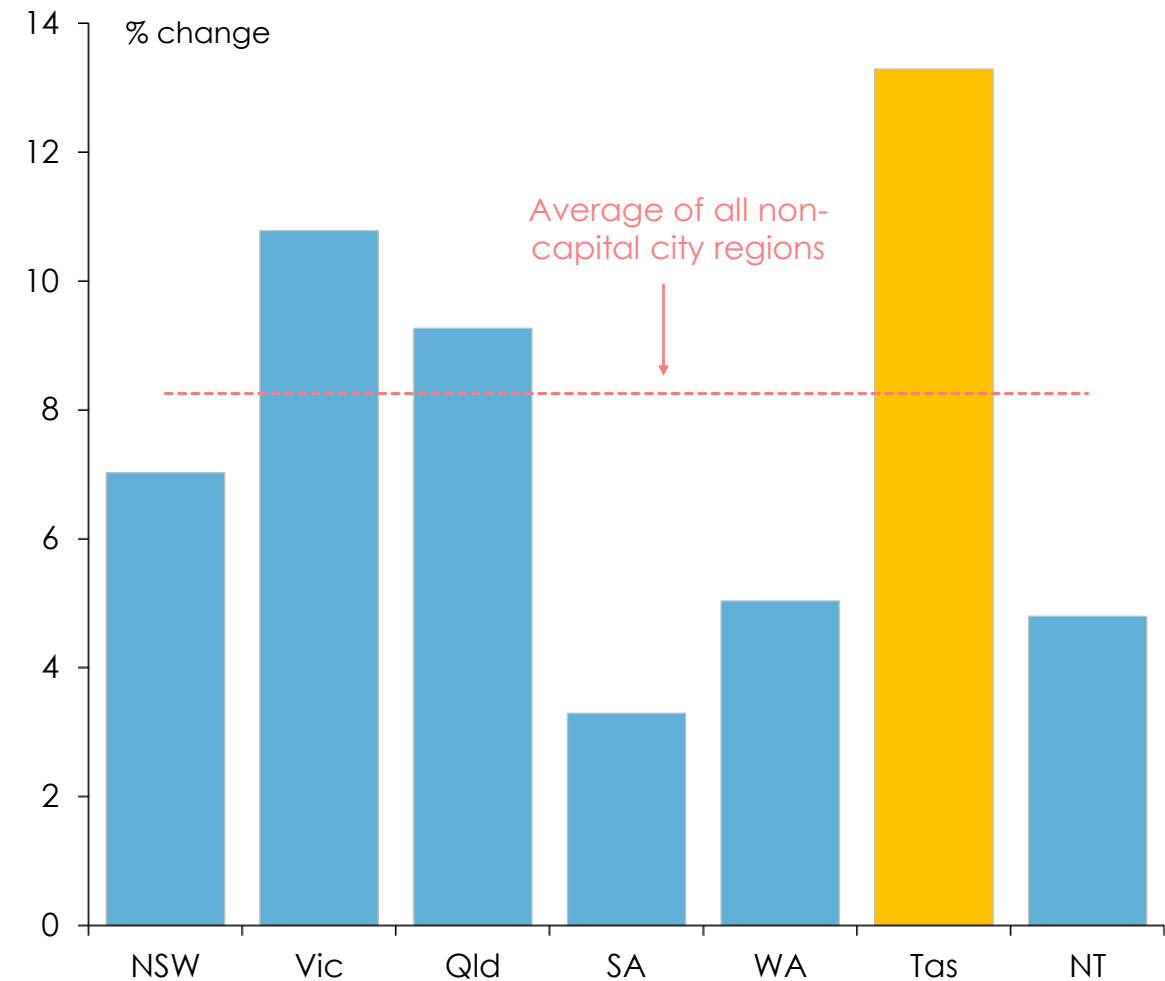
Source: ABS, [Building Activity, Australia](#).

# Less desirably, Tasmania was also leading the nation in rent inflation, with Hobart becoming the least affordable capital city for rental households

## Growth in capital city residential rents, 3 years to March 2020



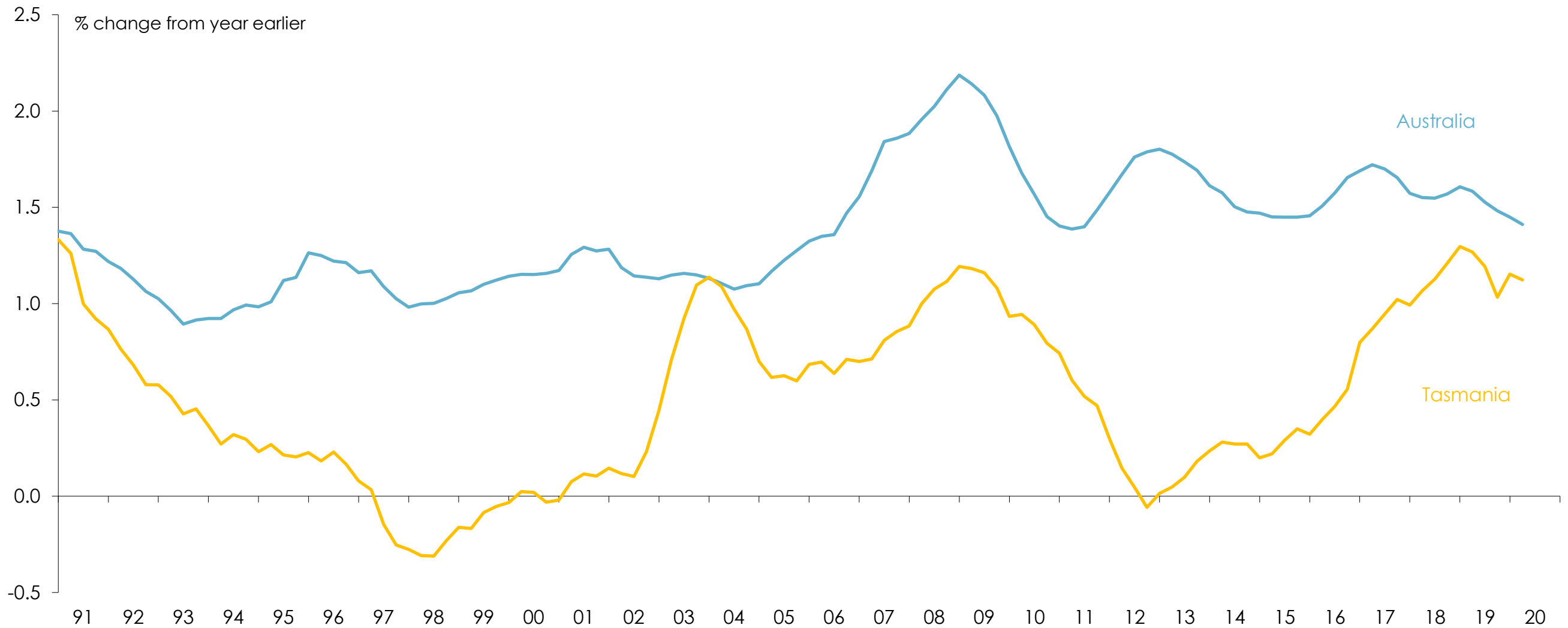
## Growth in regional residential rents, 3 years to March 2020



Source: CoreLogic, [Home Property Value Index - Monthly Indices](#).

# Tasmania's population was growing at its fastest rate in nearly 30 years

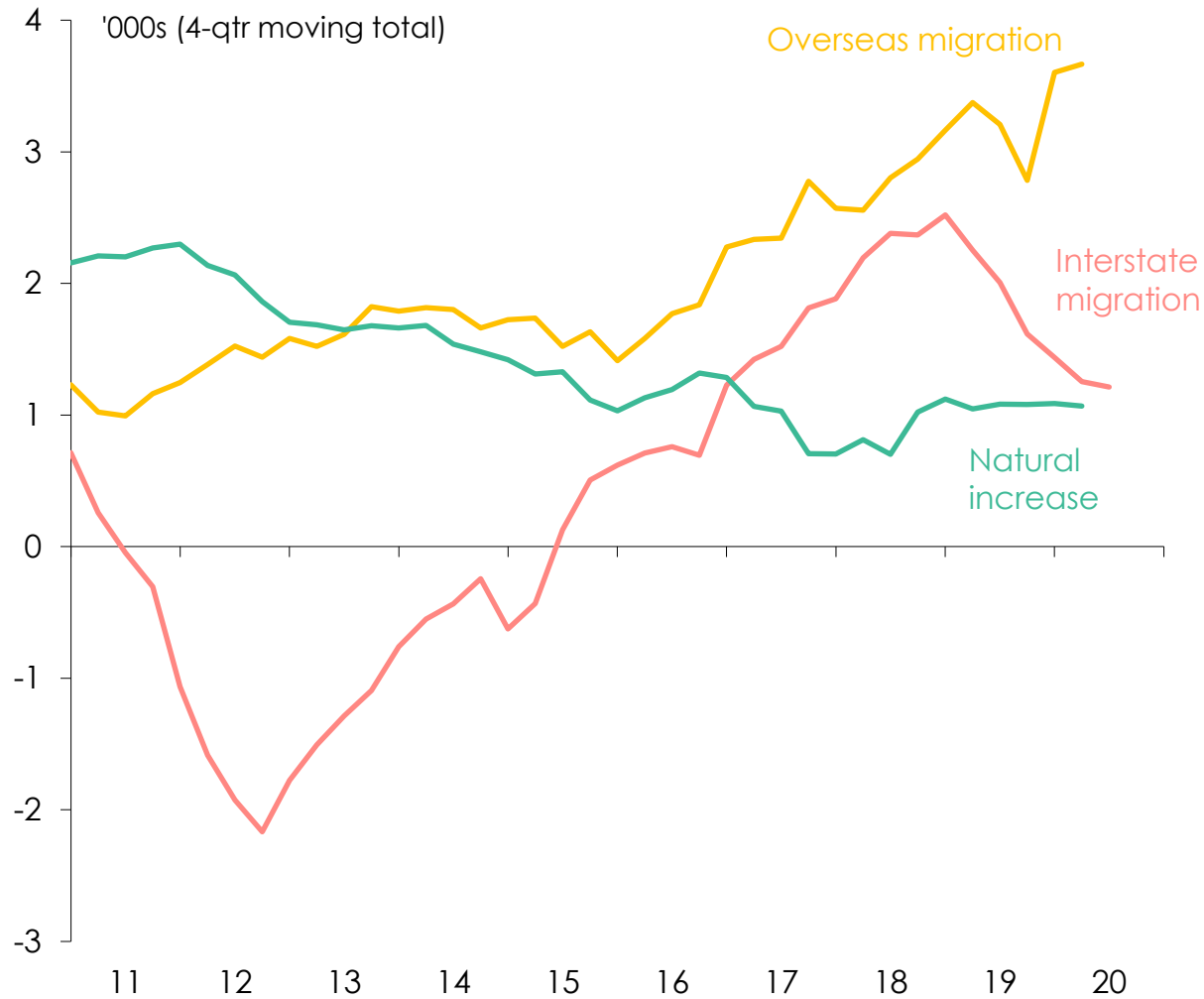
Population growth, Tasmania and Australia, 1991-2000



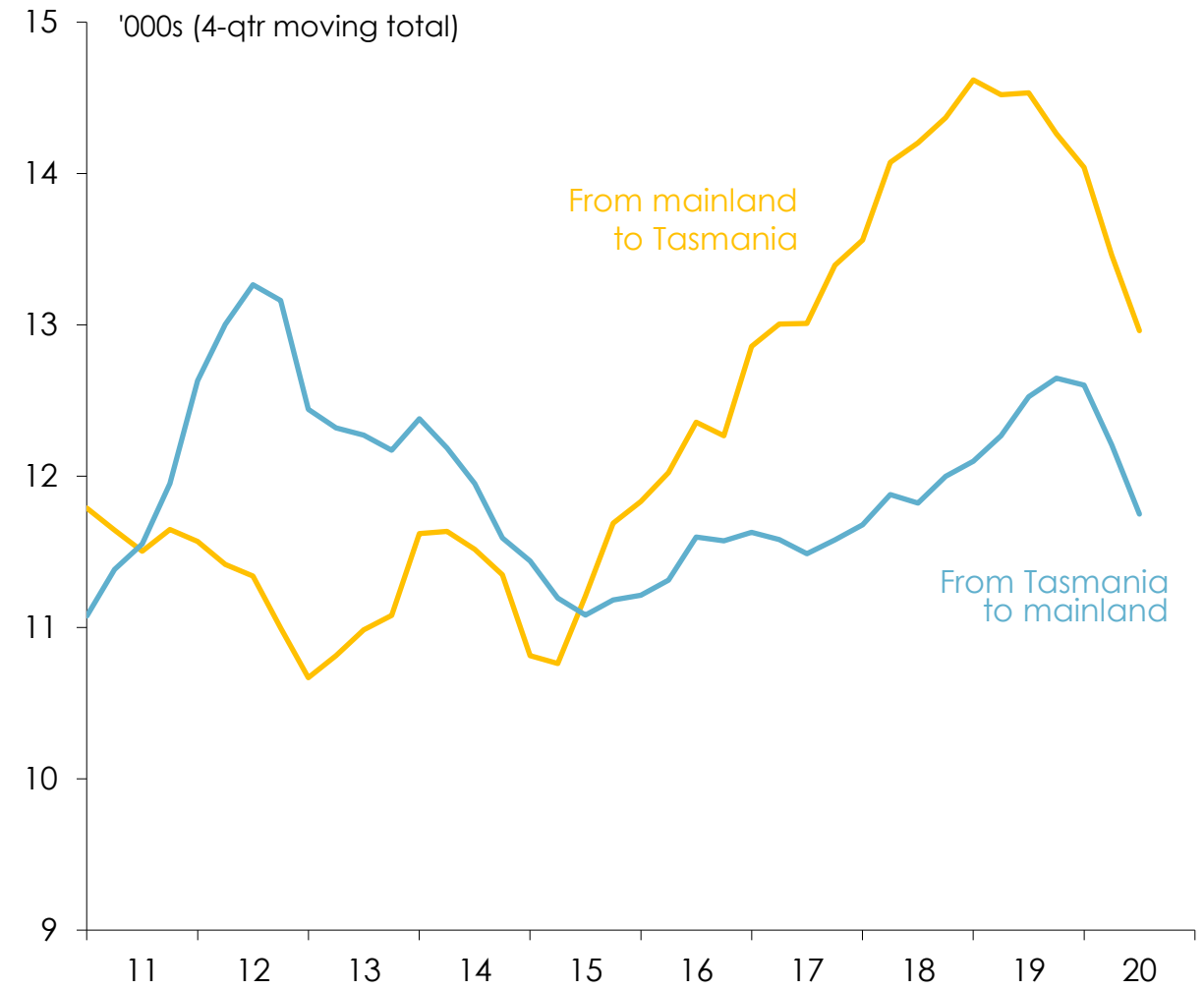
Source: ABS, [National, state and territory population](#).

# More people were moving to Tasmania from both the mainland and overseas, and fewer Tasmanians were leaving

## Sources of growth in Tasmania's population, 2011-2020



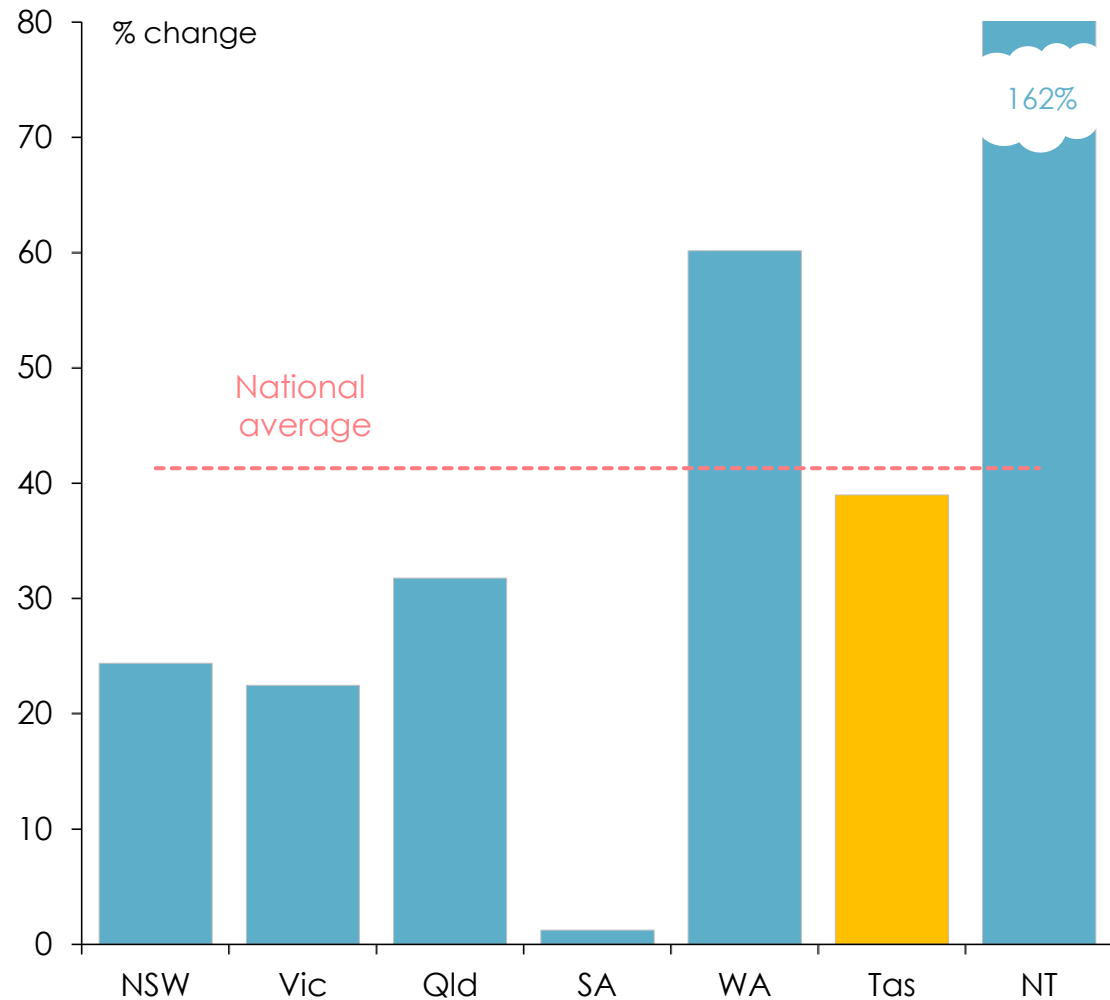
## People movements across Bass Strait, 2011-2020



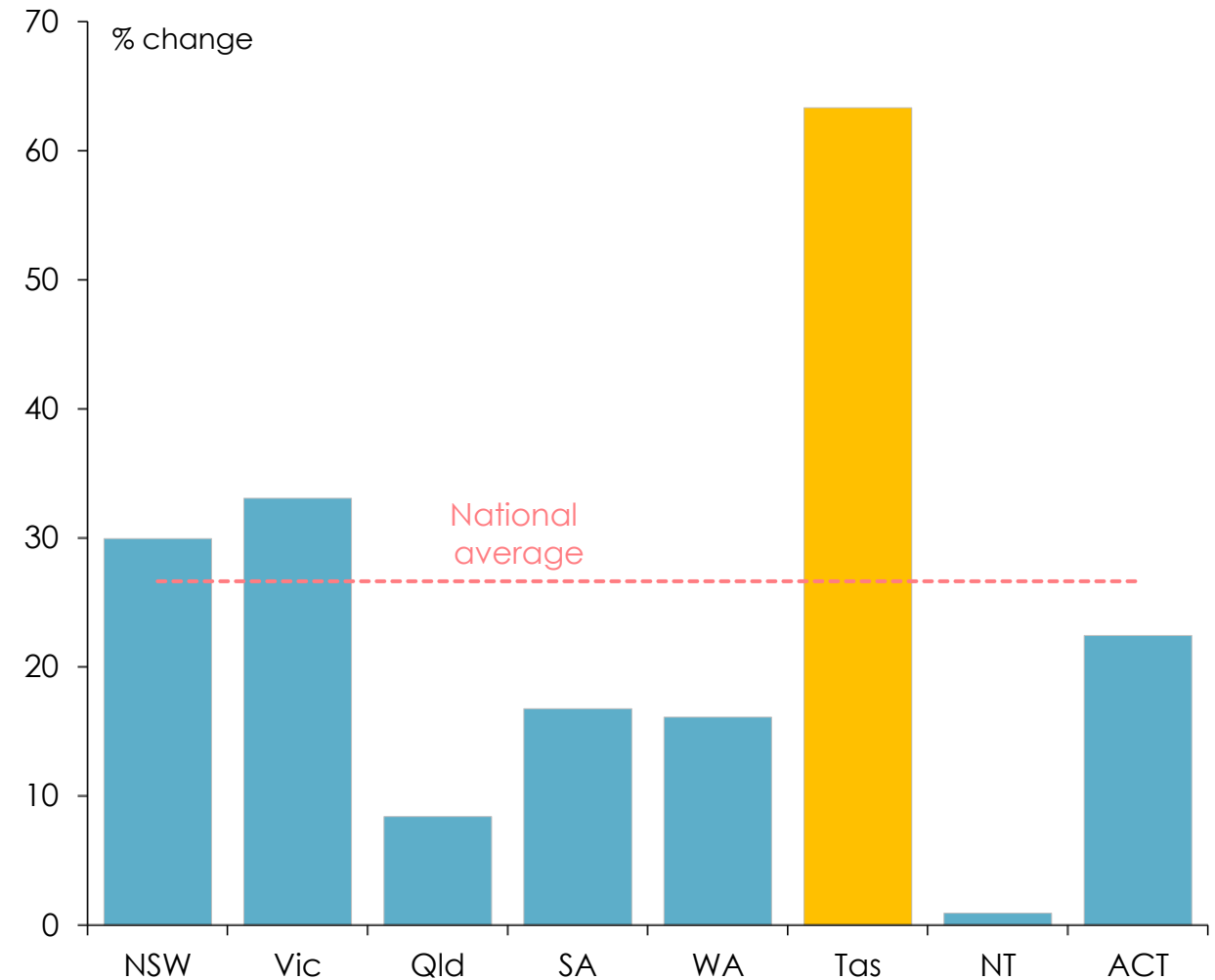
Source: ABS, [National, state and territory population](#).

# Tasmania's exports – particularly of services – had been growing strongly

## Growth in overseas exports of goods, three years to 12 months ended March 2020



## Growth in overseas exports of services, three years to 12 months ended March 2020



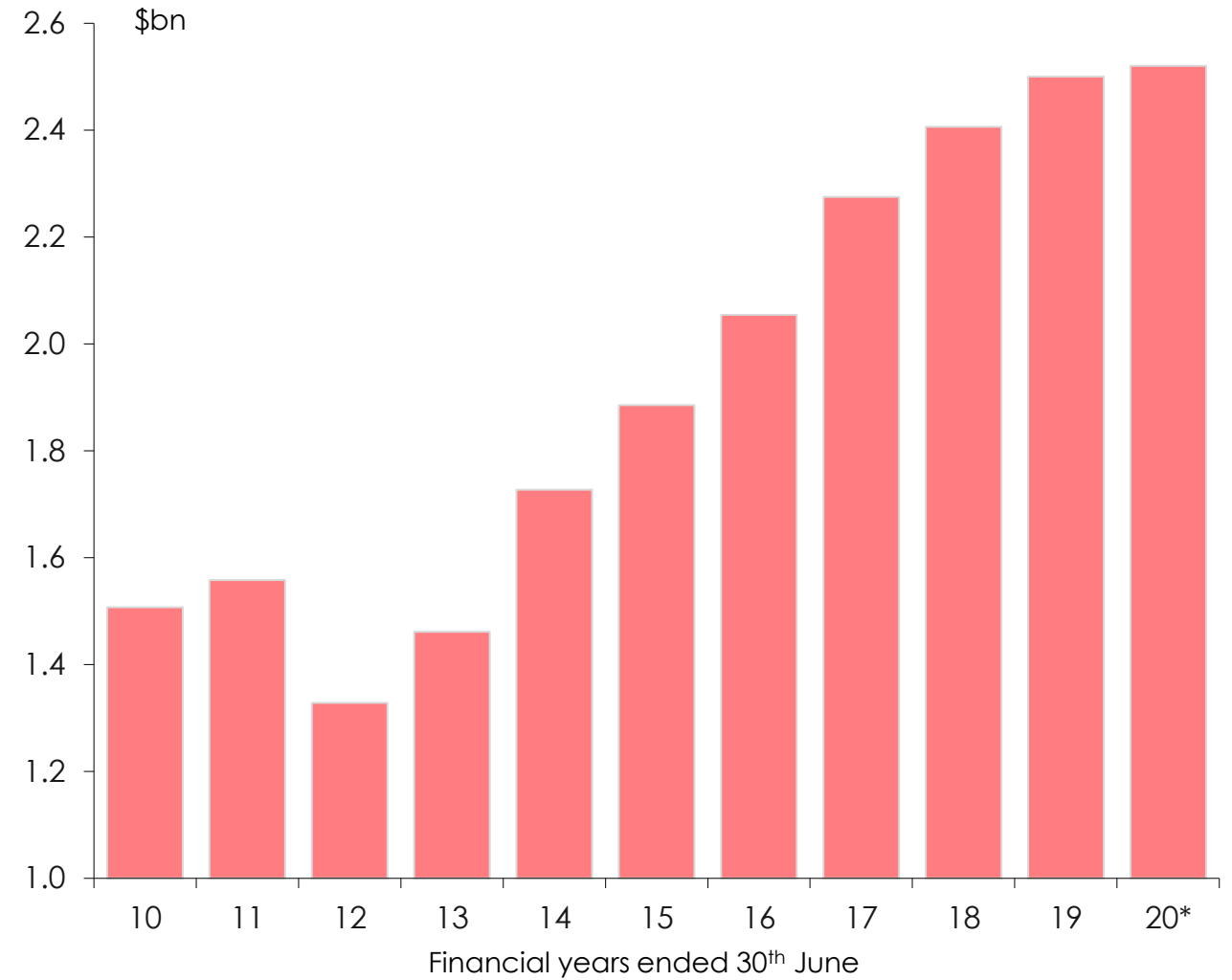
Note: Outsized growth in the Northern Territory's goods exports reflects the commencement of production and exports from the Ichthys LNG plant in 2018.  
Source: ABS, [International Trade in Goods and Services, Australia](#) and [Balance of Payments and International Investment Position, Australia](#).

# Tourism had grown very strongly – although there were signs that the growth had peaked in 2018-19

## Interstate and international visitors to Tasmania



## Total spending by visitors to Tasmania



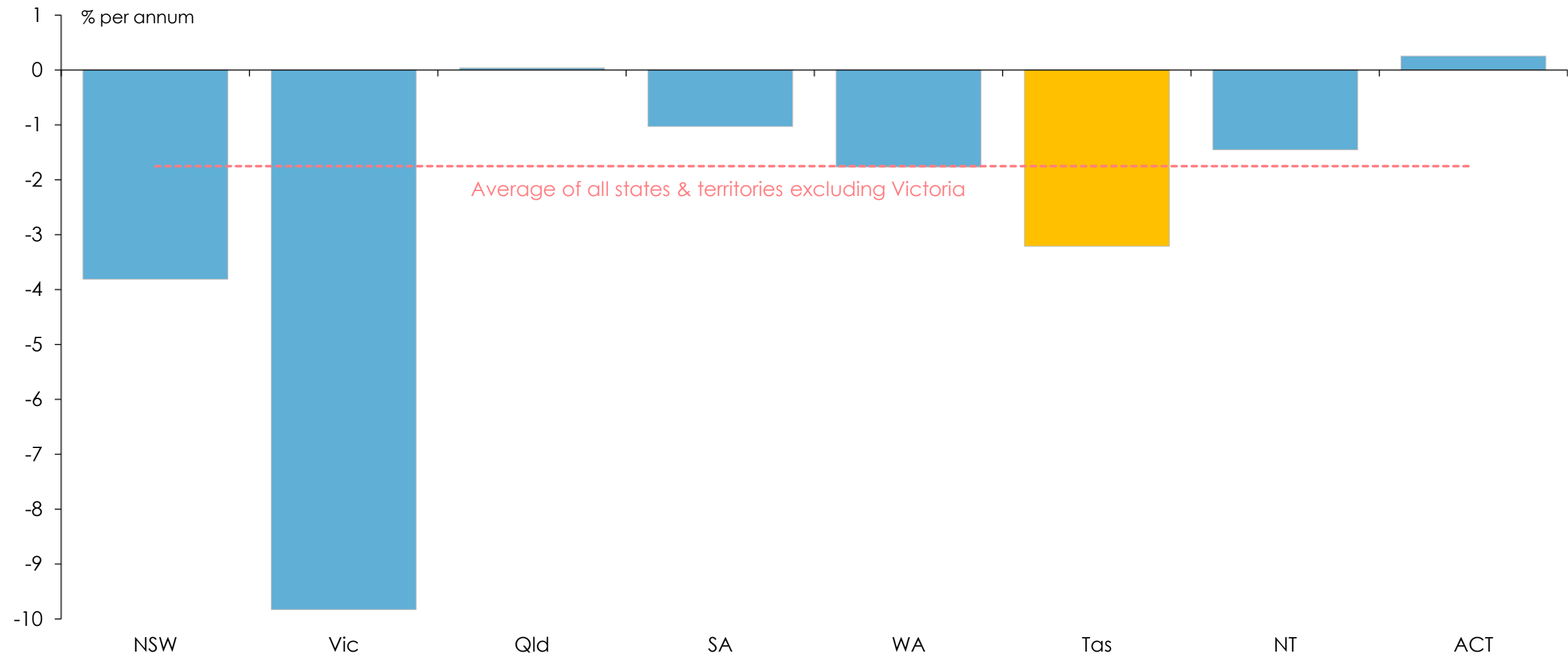
Note: \* Year ended March 2020. Source: Tourism Tasmania, [Tourism Snapshot - Year ended March 2020](#).



# Tasmania's economy during the Covid-19 recession

# Tasmania's economy turned down more than the national average during the 'Covid-19 recession'

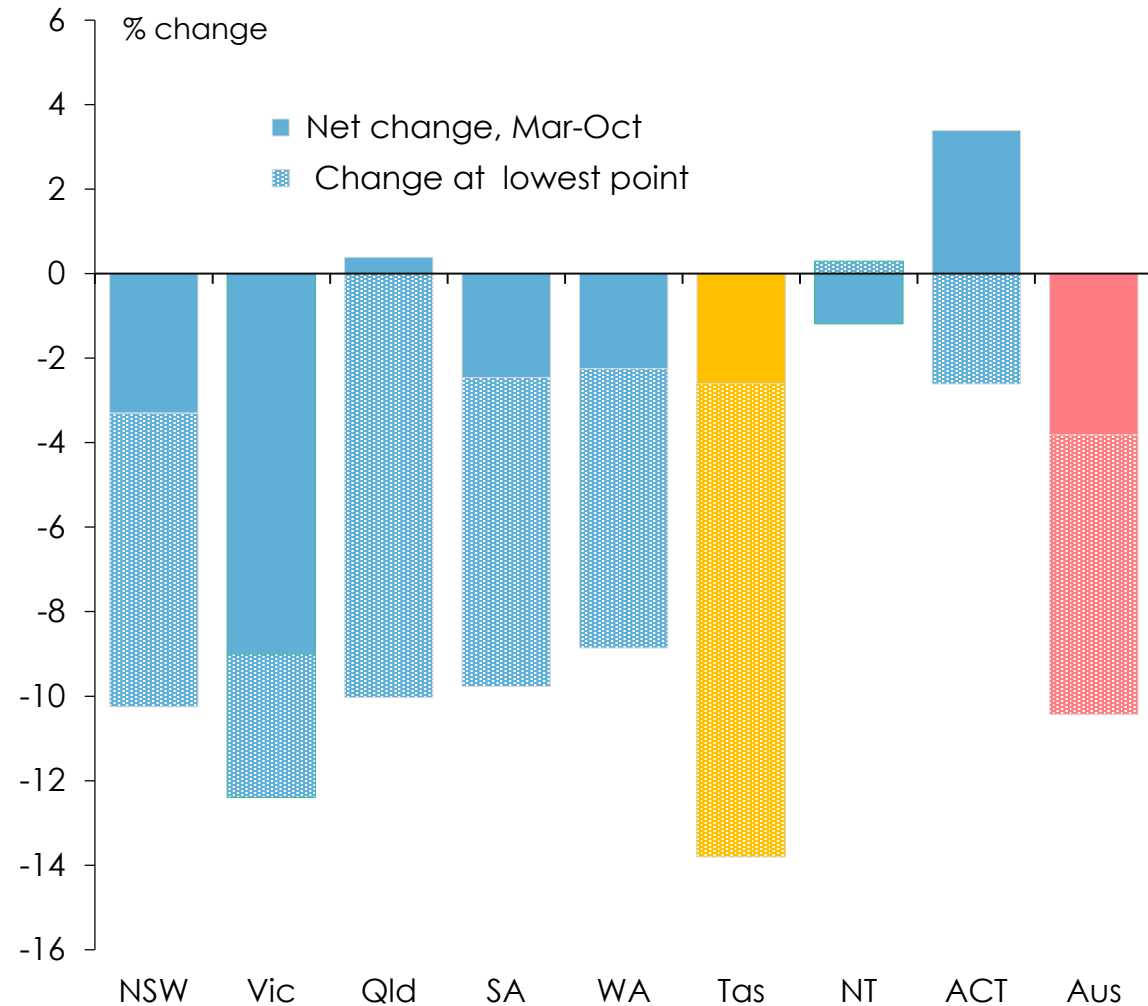
Change in real state final demand from pre-Covid peak in 2019 to September quarter 2020



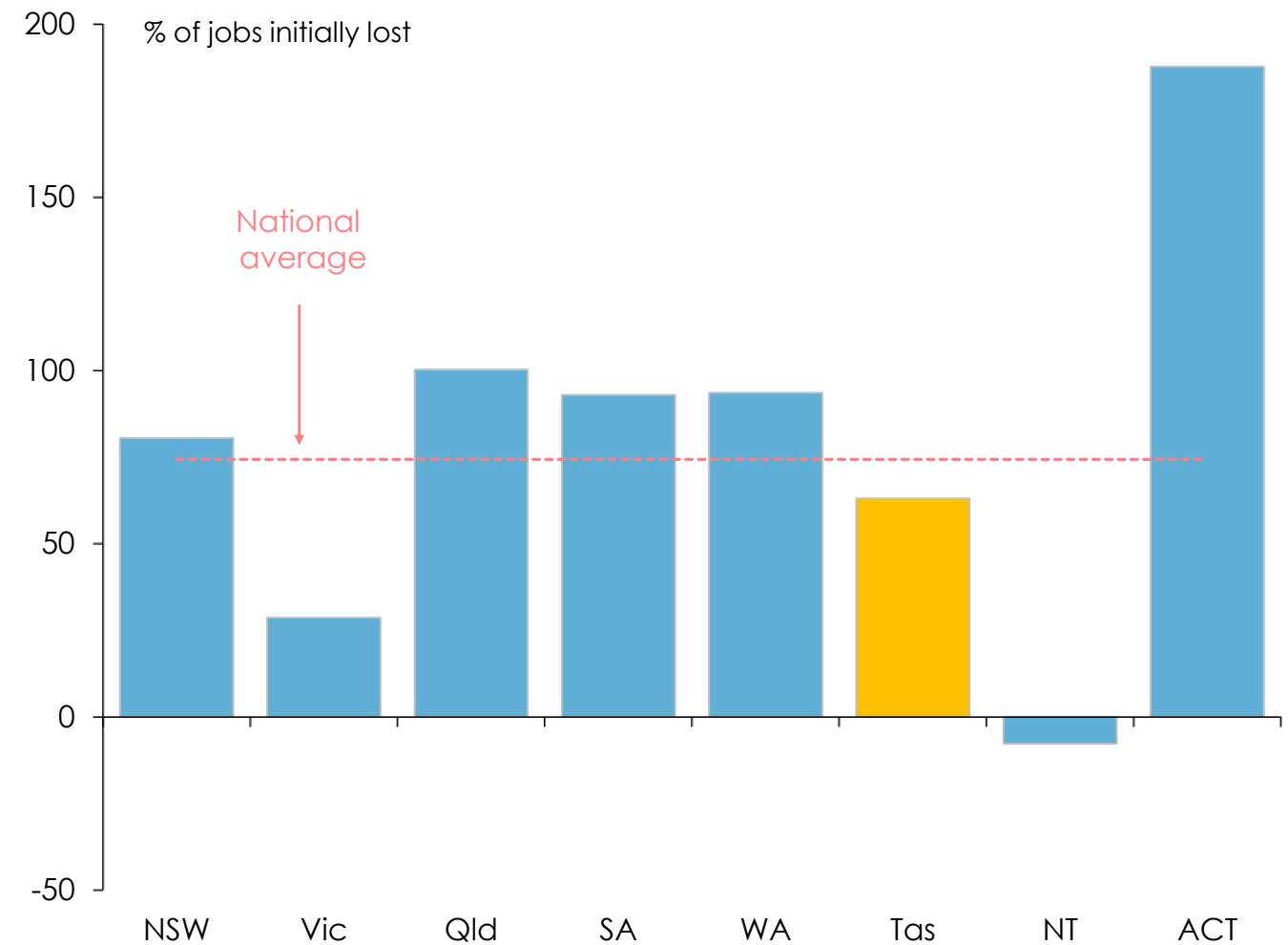
Note: 2019 'pre-Covid' peaks in state final demand were in the September quarter of 2019 in Victoria and Tasmania, and in the December quarter for other states and territories. State final demand actually peaked in South Australia in the December quarter of 2018, and the September quarter 2019 level of state final demand was 1.4% below that peak; state final demand in the Northern Territory actually peaked in the December quarter of 2012 (ie, almost eight years ago), and between then and the September quarter of 2020 fell by 28.2%. Source: ABS, [Australian National Accounts: National Income, Expenditure and Product](#).

# Tasmania's labour market experience has been tougher, in most respects, than anywhere else except Victoria and the Northern Territory

## Net change in employment between March and October, states and territories



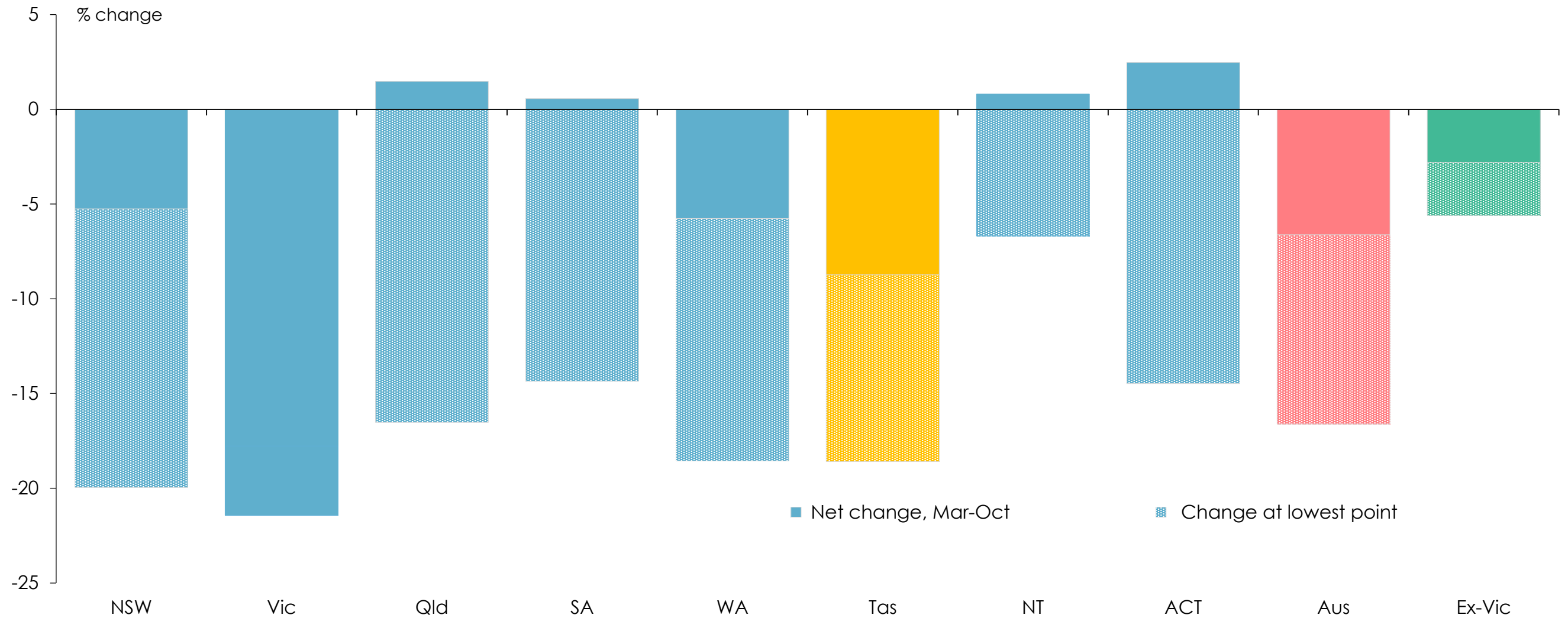
## Proportion of jobs lost between March & May regained between June & October, states and territories



Note: Employment in the Northern Territory has continued to decline since May – hence the absence of a 'lowest point' for the NT in the left-hand chart, and a negative figure for the NT in the right-hand chart. Source: ABS, [Labour Force, Australia](#).

# The Covid-era labour market has been particularly challenging for young Tasmanians

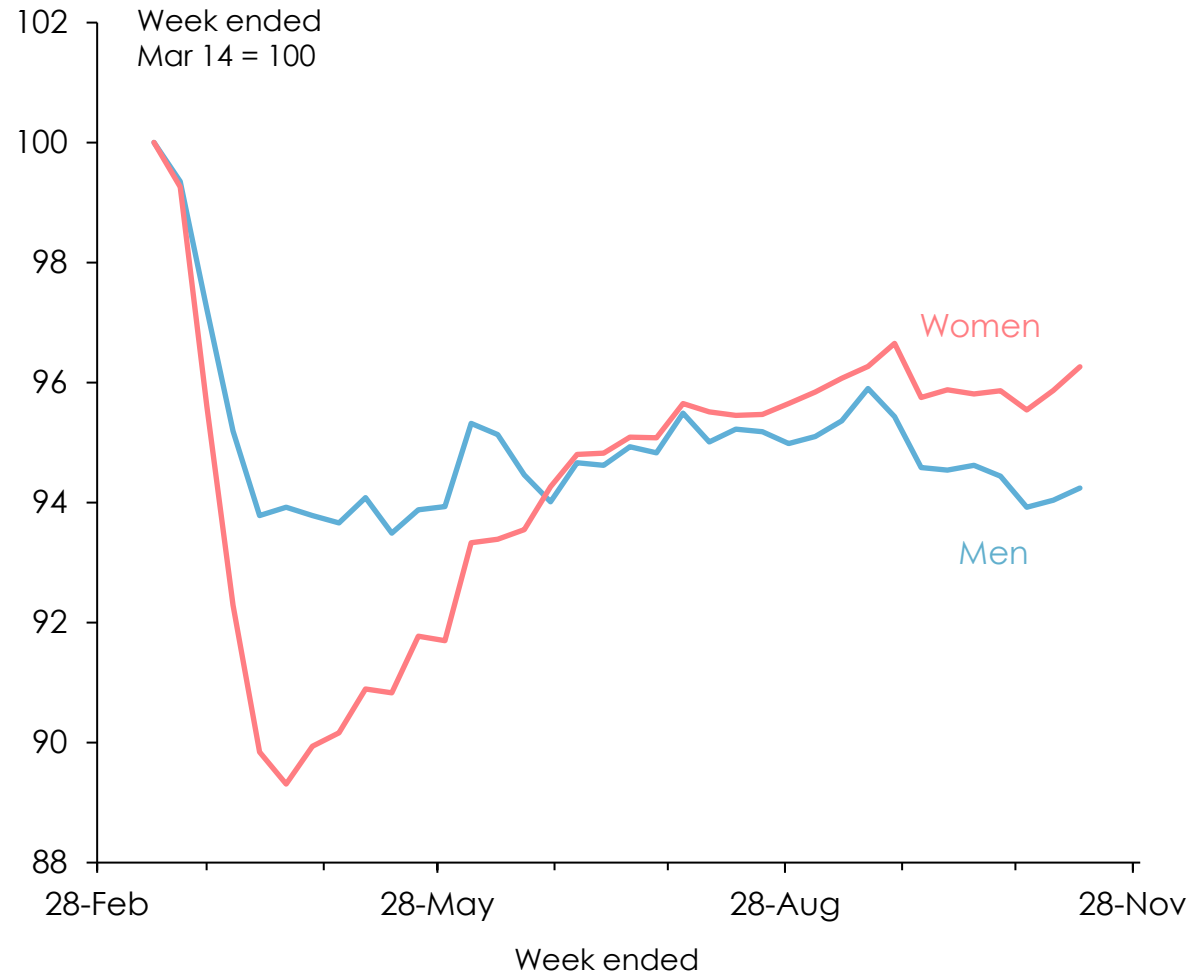
Net change in employment of 15-24 year-olds between March and October 2020, states and territories



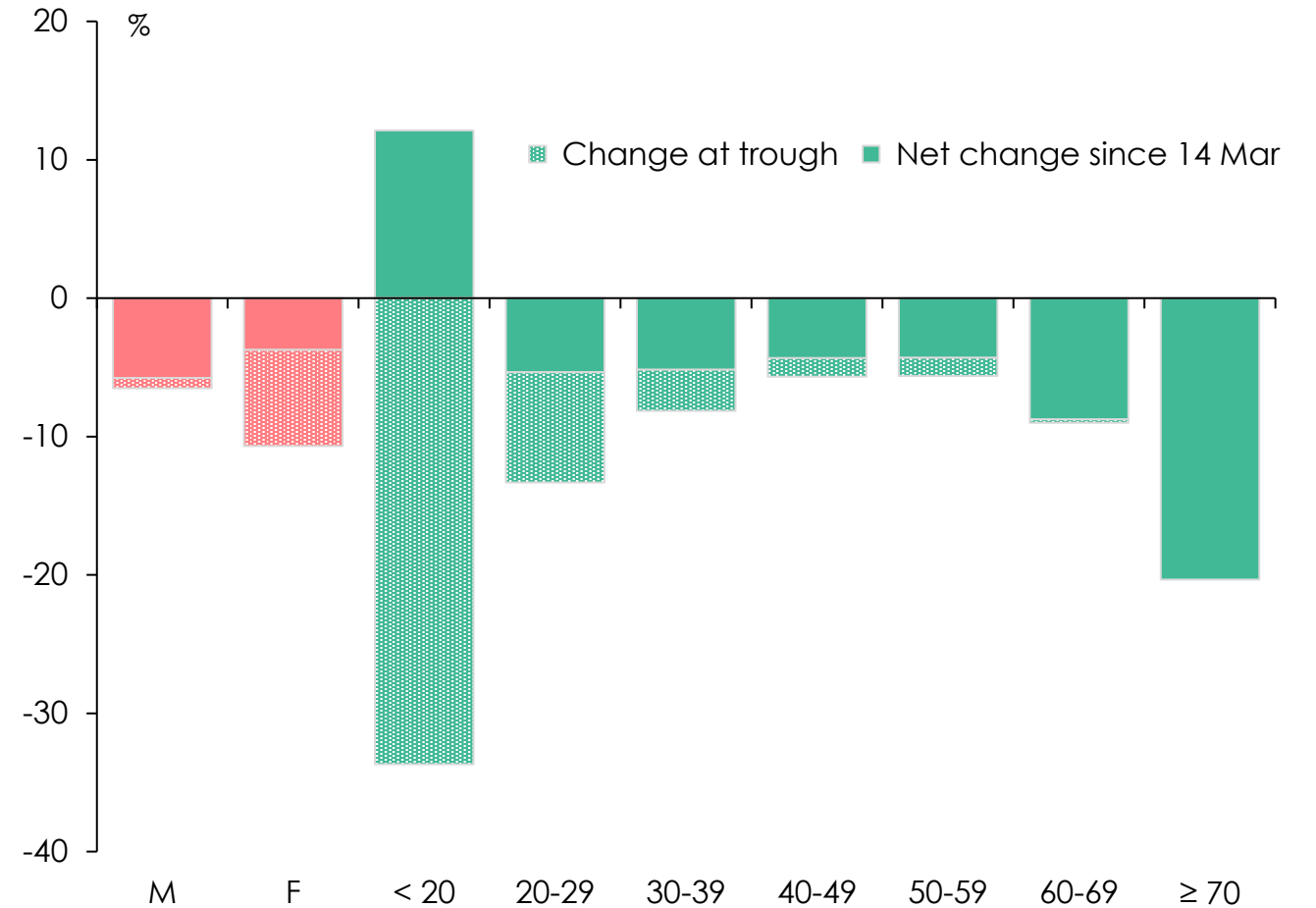
Note: In Victoria, employment of 15-24 year-olds declined further between May and October. In Queensland, South Australia and the Northern Territory, employment of 15-24 year-olds was slightly higher in October than it had been in March. Source: ABS, [Labour Force, Australia](#).

# Women and young people were initially hit harder by job losses, but JobKeeper has helped them get back to work

Payroll employment by gender, Tasmania



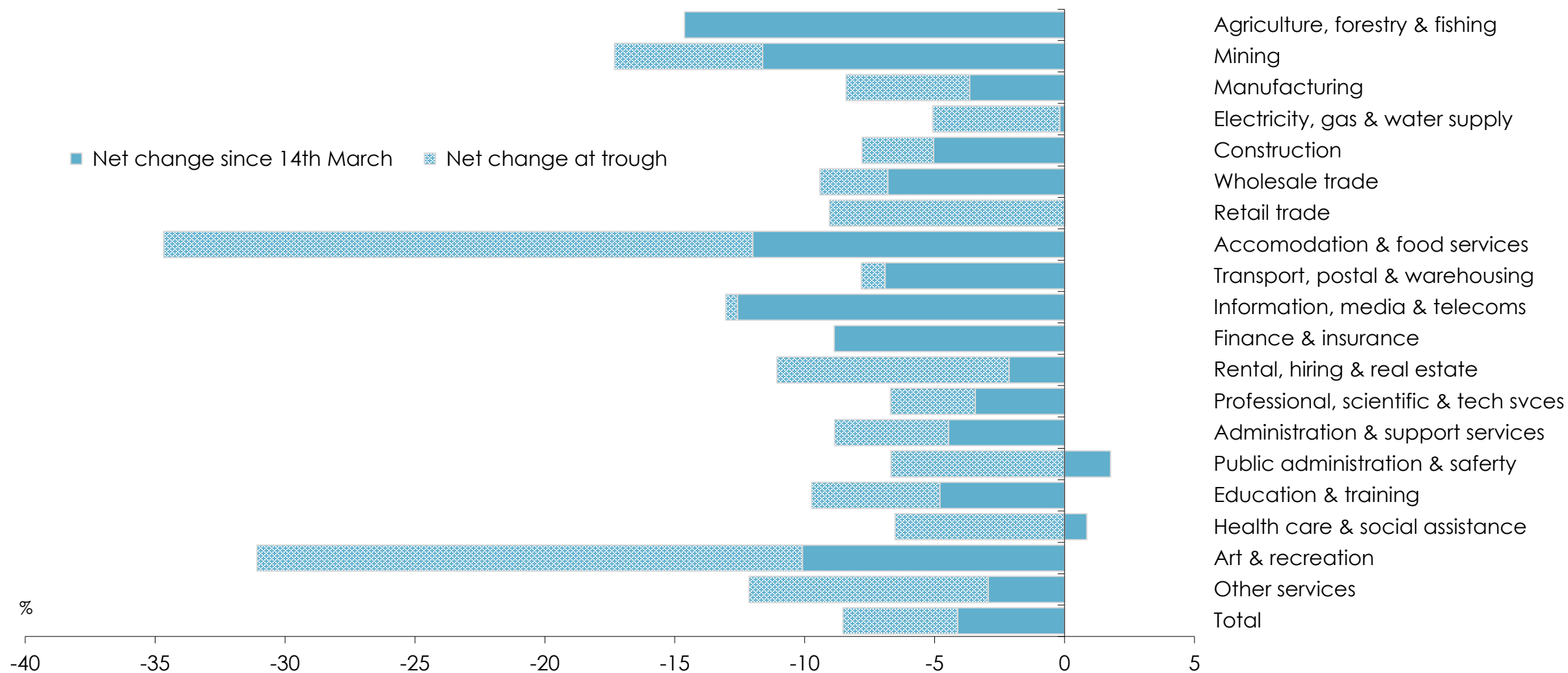
Net change in payroll employment by gender and age, Tasmania



Note: Data up to week ended 28th November. Source: ABS, [Weekly Payroll Jobs and Wages in Australia](#).

# Job losses were initially concentrated in hospitality, arts and recreation, but are now more apparent in agriculture, mining & business services

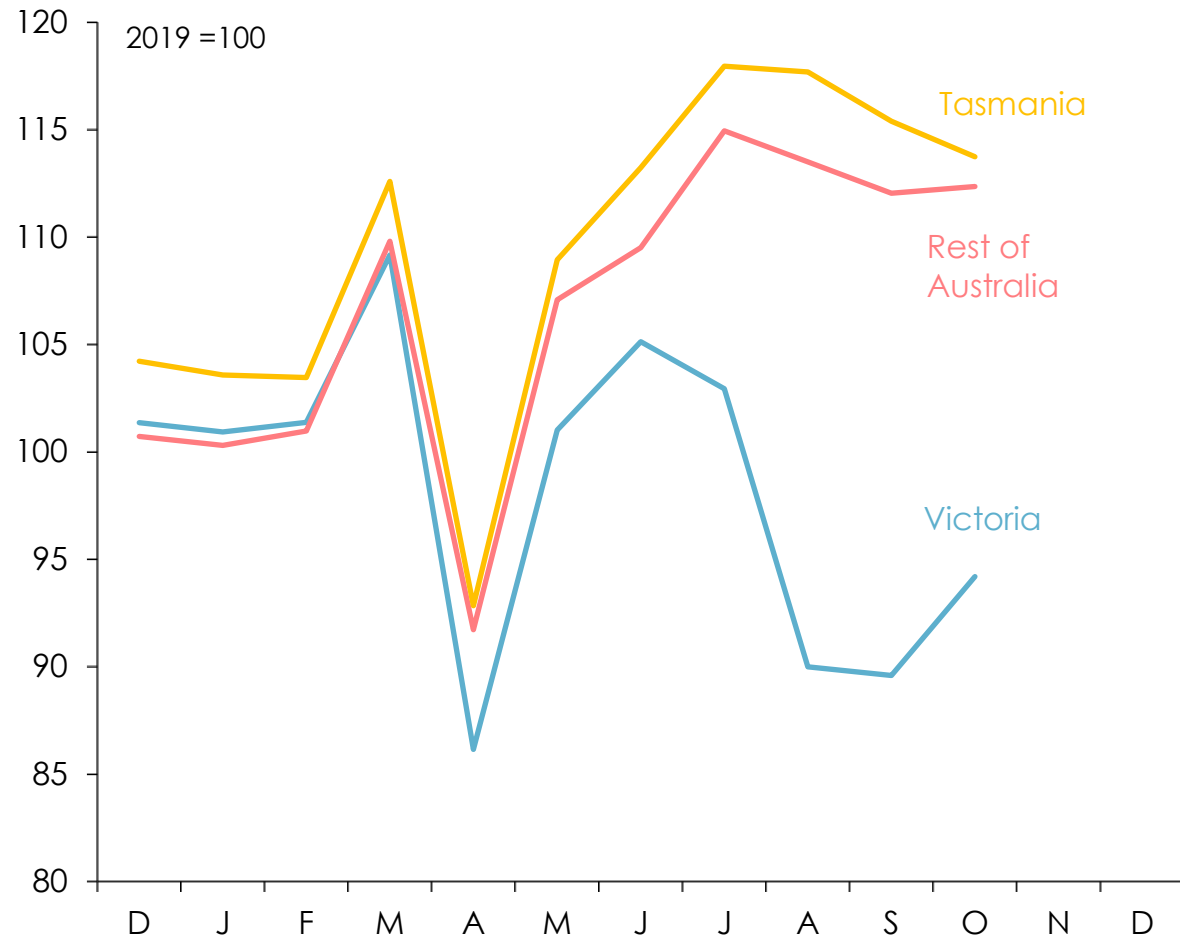
Net change in Tasmanian payroll employment between mid-March and end-November, by industry



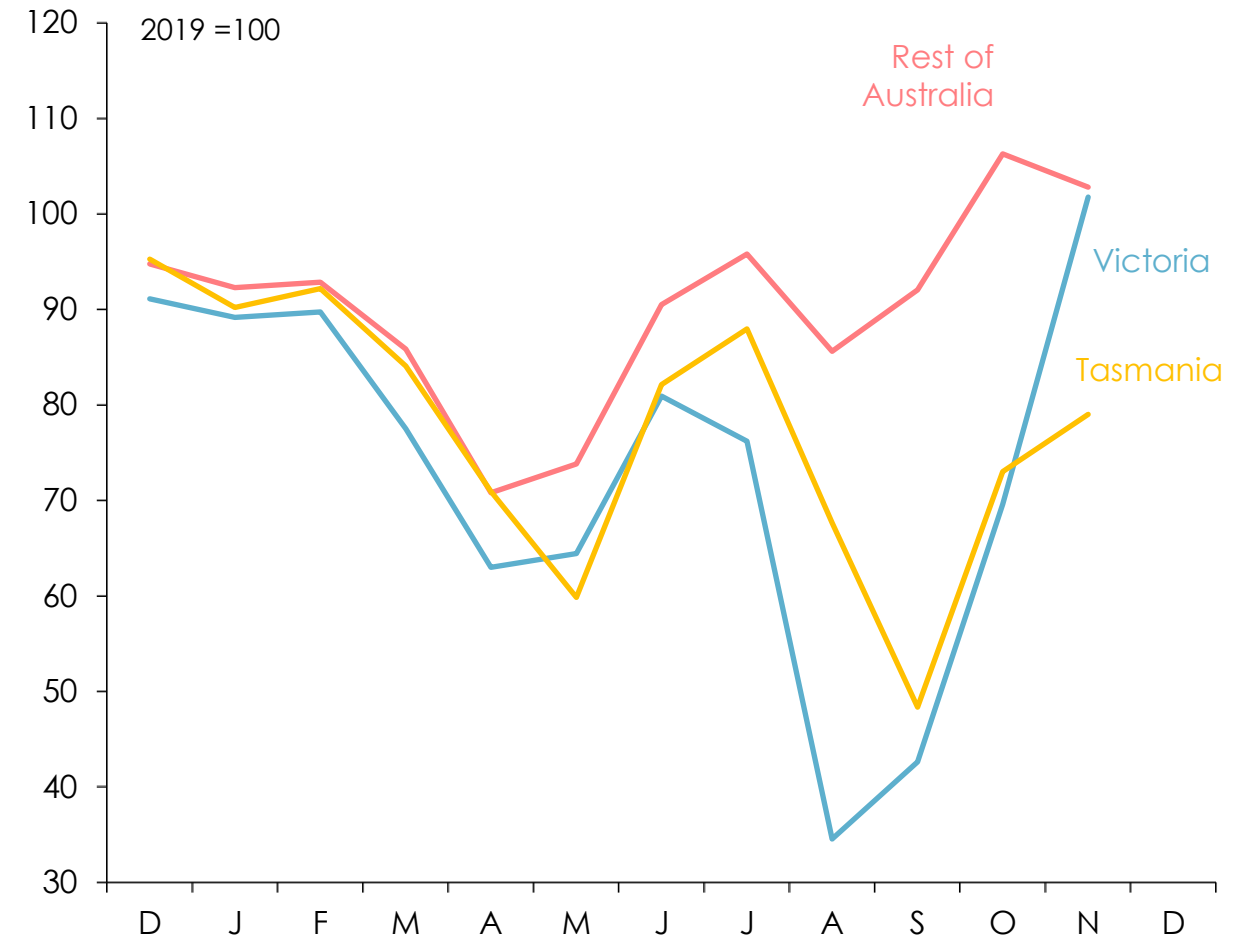
Source: ABS, [Weekly Payroll Jobs and Wages in Australia](#).

# Retail sales have held up well, though might have peaked in Tasmania – motor vehicle sales have lagged the rest of Australia

## Retail sales during the Covid-19 recession



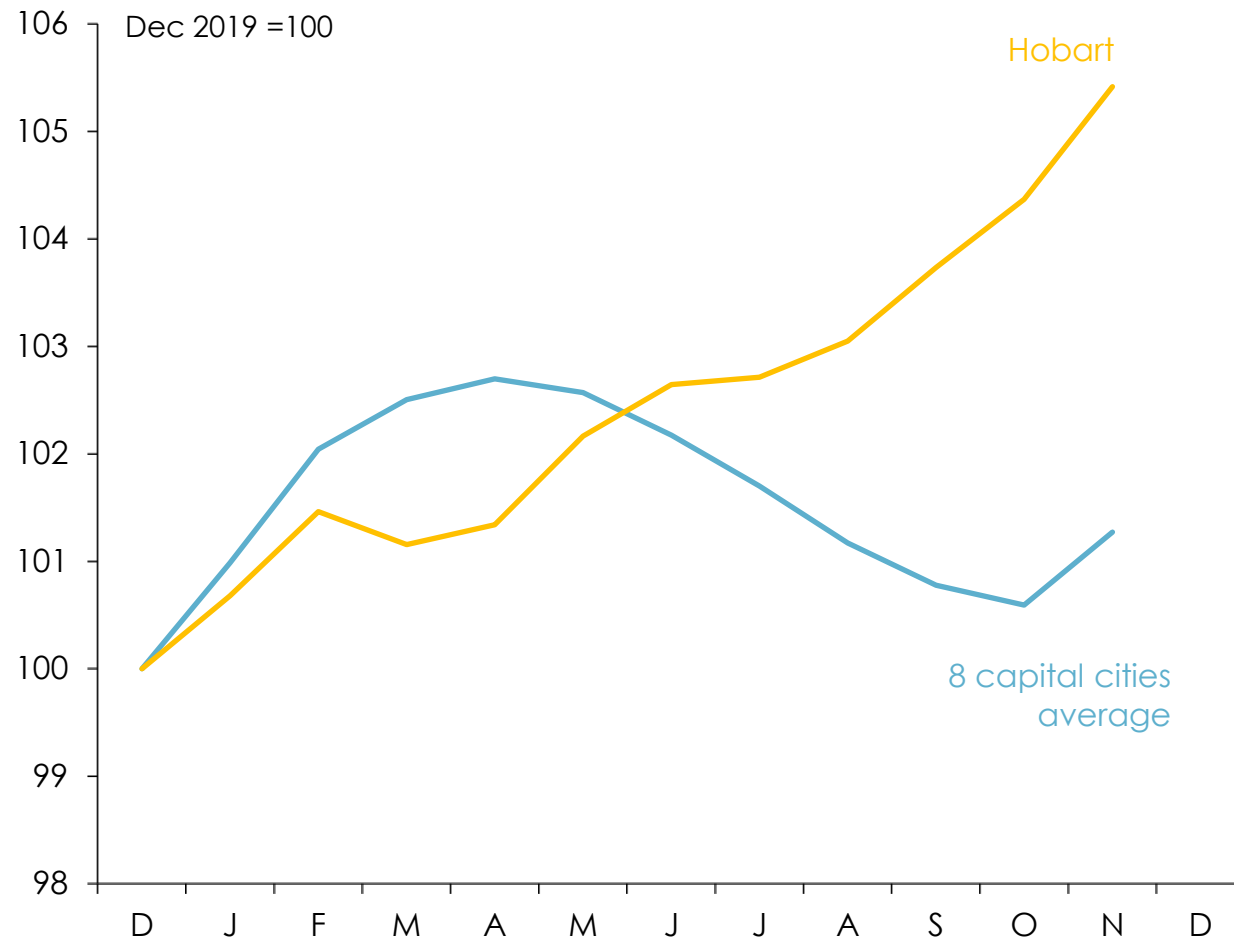
## New motor vehicle sales during the Covid-19 recession



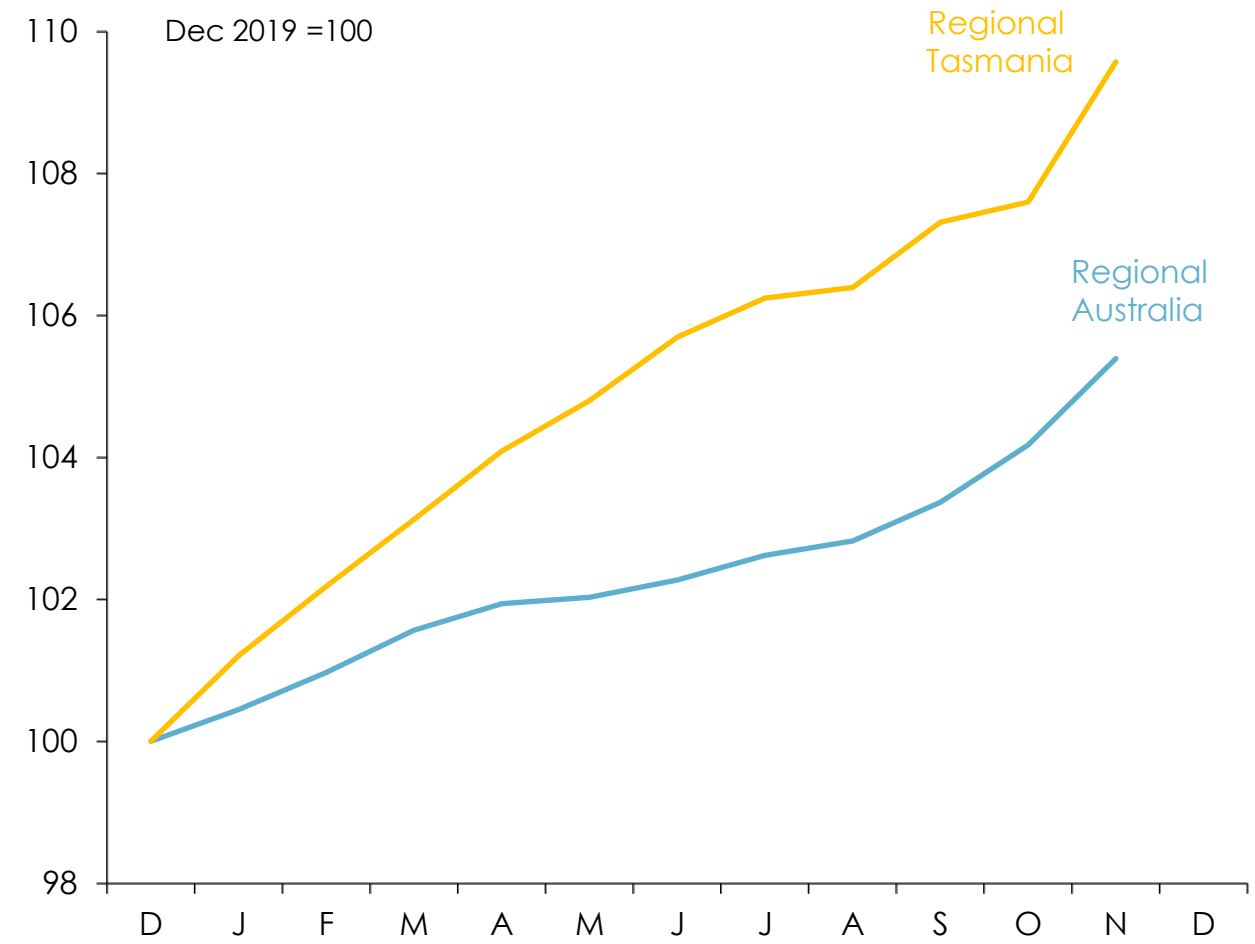
Source: ABS, [Retail Trade, Australia](#); Federal Chamber of Automotive Industries, [Vfacts](#) (seasonally adjusted from the original using Refinitiv Datastream).

# The Tasmanian property market has remained firm – to the surprise of many ...

## Capital city residential property prices during the Covid-19 recession



## Regional residential property prices during the Covid-19 recession

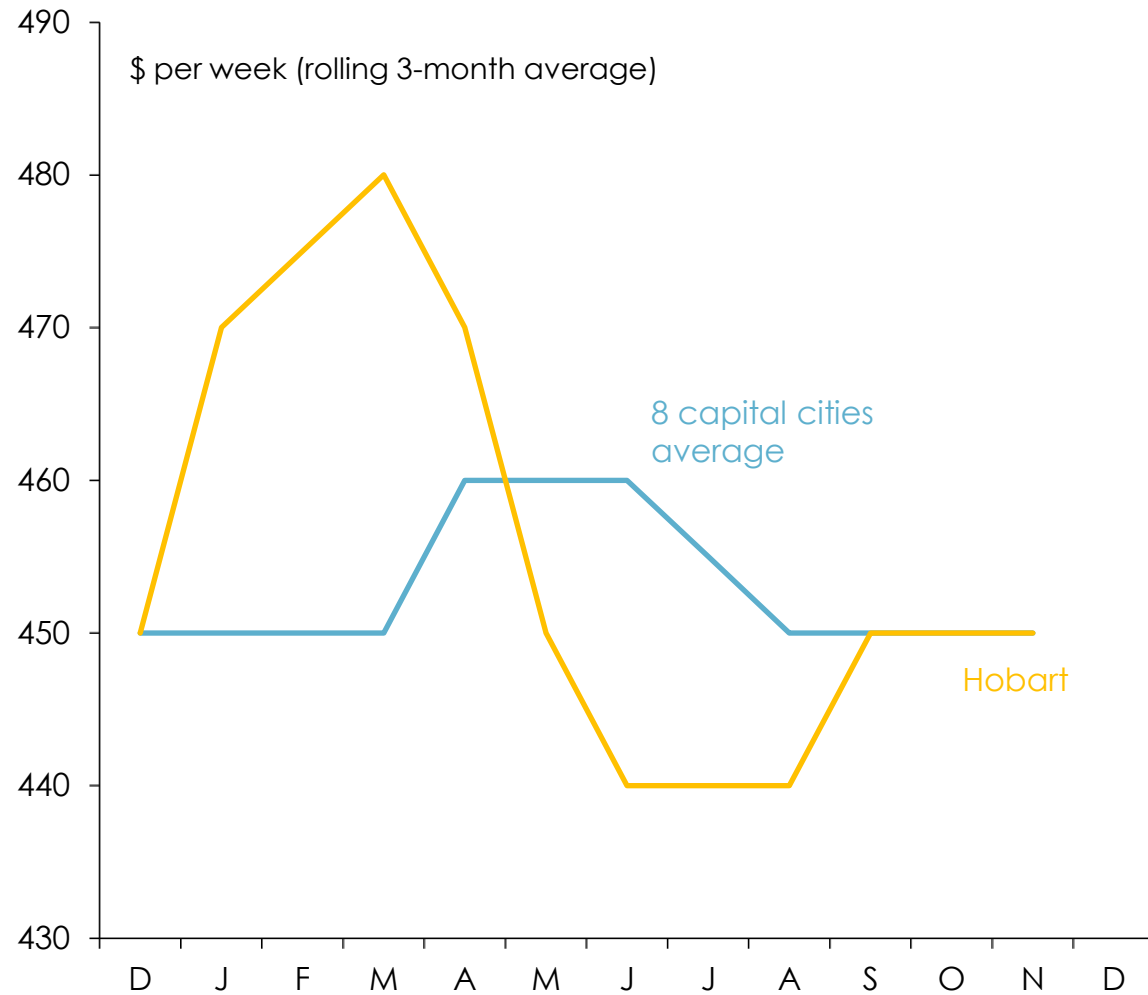


Source: CoreLogic, [Home Property Value Index - Monthly Indices](#).

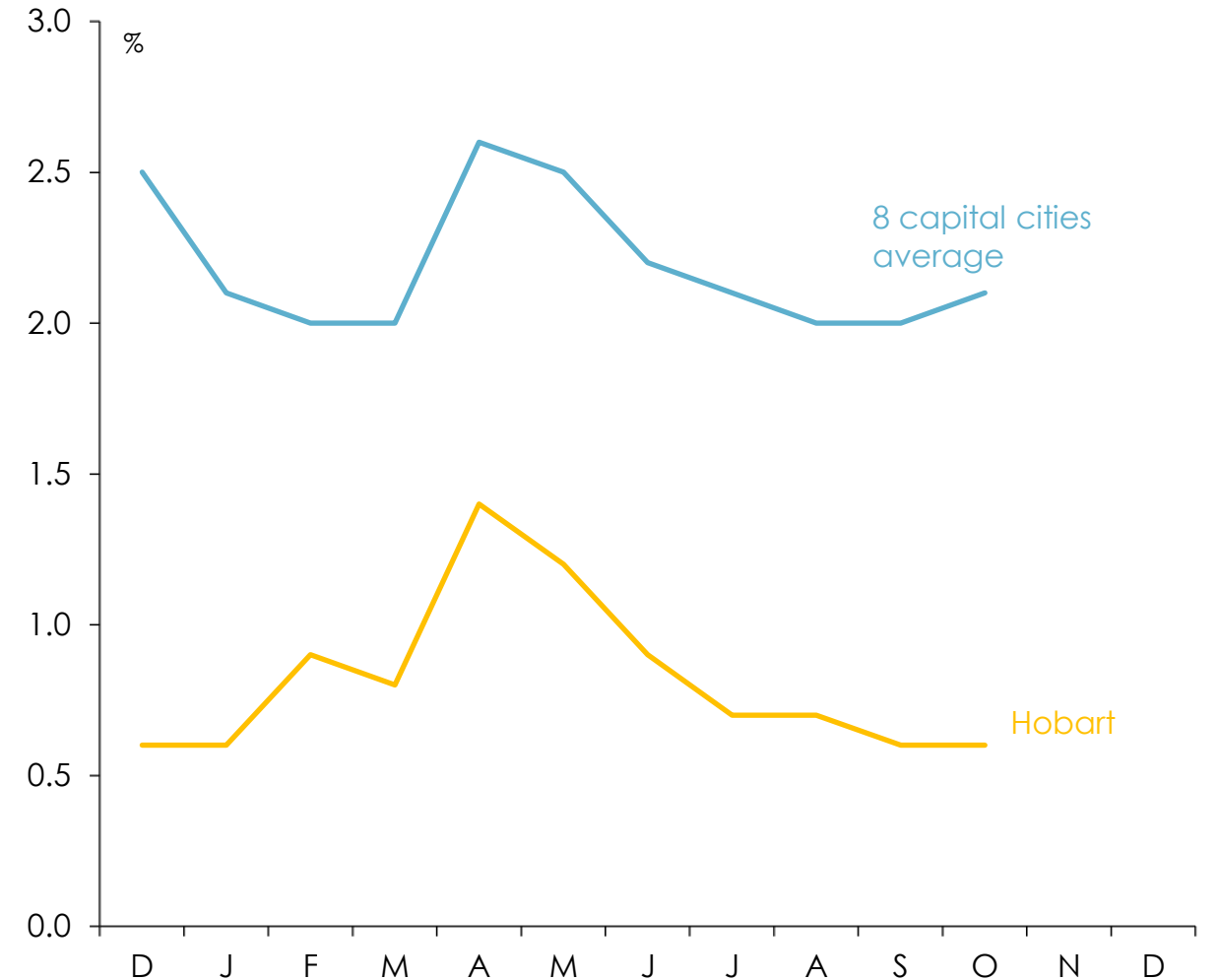


# ... although that's not good news for everyone

## Capital city rents during the Covid-19 recession



## Regional residential property prices during the Covid-19 recession

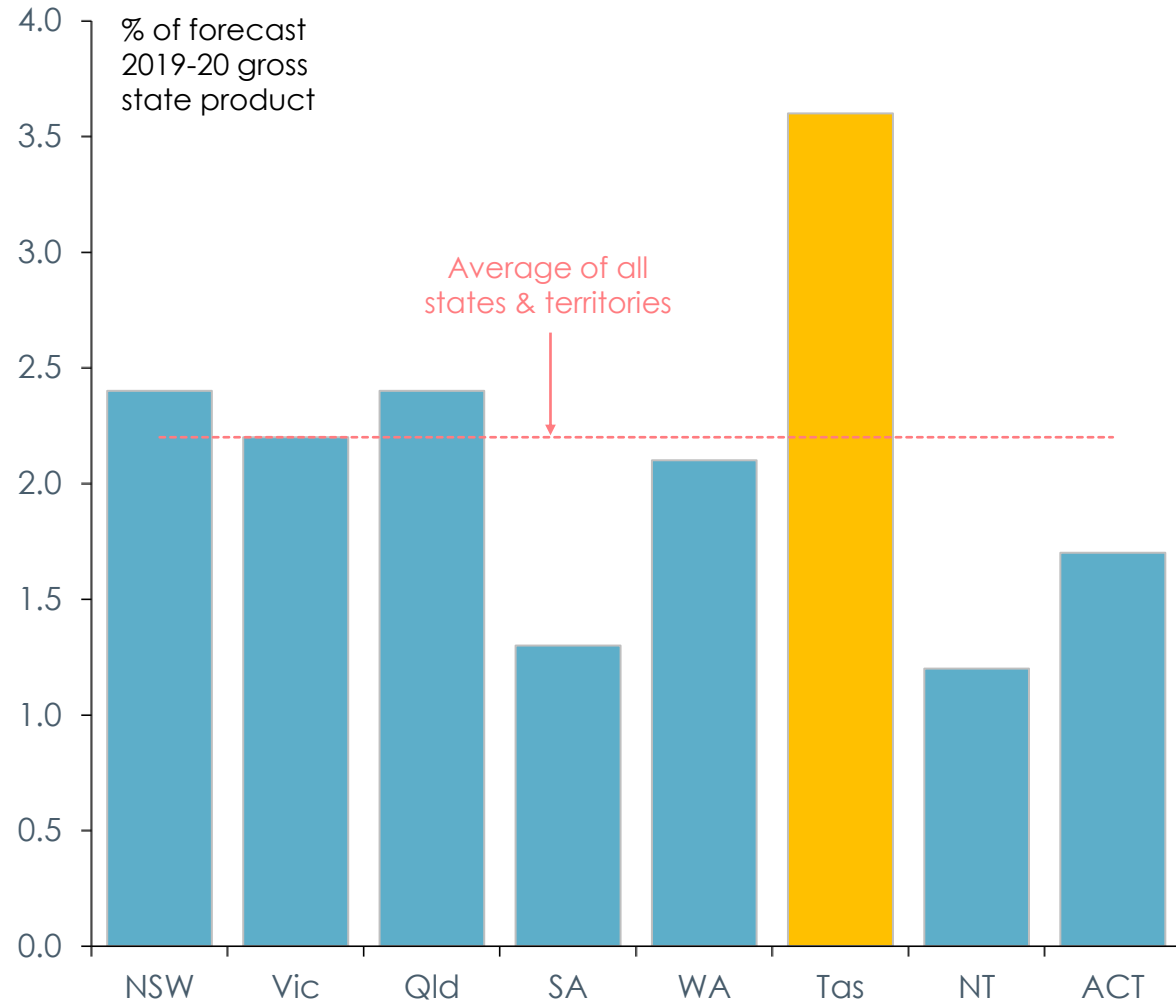


Source: CoreLogic, [Home Property Value Index - Monthly Indices](#); SQM Research, [Residential Vacancy Rates](#)

# The role of government

# The Tasmanian Government has been relatively more generous than other states and territories in supporting households and businesses

## State & territory Covid-19 support and response measures as a pc of gross state product



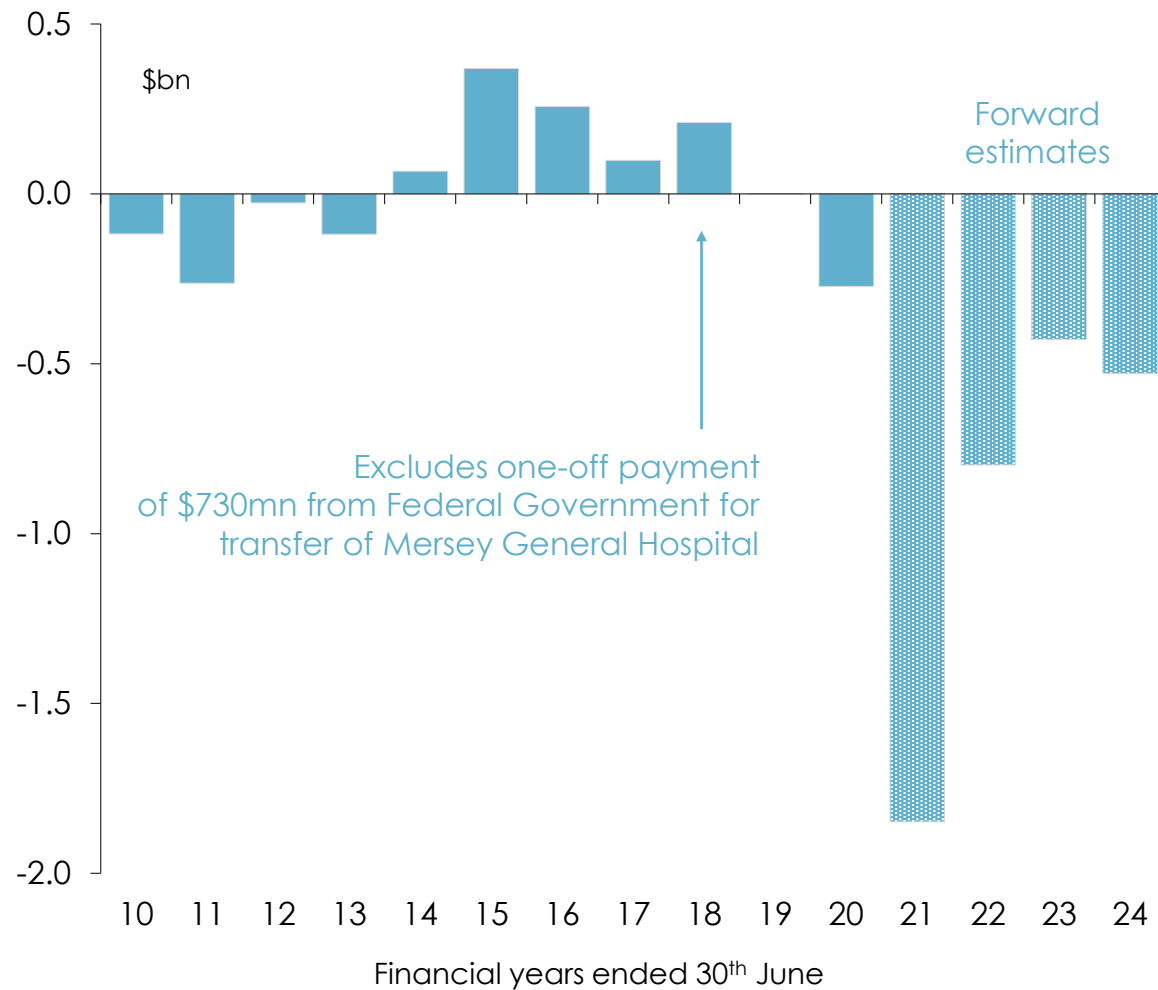
## Selected Tasmanian Government economic and social support measures

- ❑ Rent relief for 11,500 social housing tenants (cost ~ \$7mn)
- ❑ Ban on private rent increases until 30<sup>th</sup> June and 90-day moratorium on evictions
- ❑ \$513K for additional services to youth at risk of homelessness
- ❑ Payments totalling \$221K to 652 temporary visa holders
- ❑ School levy relief to 11,300 eligible parents (cost \$9mn)
- ❑ An additional \$2.2mn for programs supporting victims of family and domestic violence
- ❑ Waiver of 3 months' electricity water bills for around 34,000 small businesses (cost ~ \$50mn)
- ❑ Payroll tax relief for small businesses and employers in the hospitality, tourism and seafood industries (cost \$11½mn to date)
- ❑ Land tax waiver or deferral for commercial property owners impacted by restrictions or experiencing financial hardship
- ❑ Grants and interest free loans to small businesses
- ❑ Loans to Councils for infrastructure projects and rate relief (over \$110mn in loans applied for)
- ❑ Taxi licence fees waived for 2020-21 (cost \$240K)
- ❑ Subsidized training for 150 Tasmanians who have lost jobs

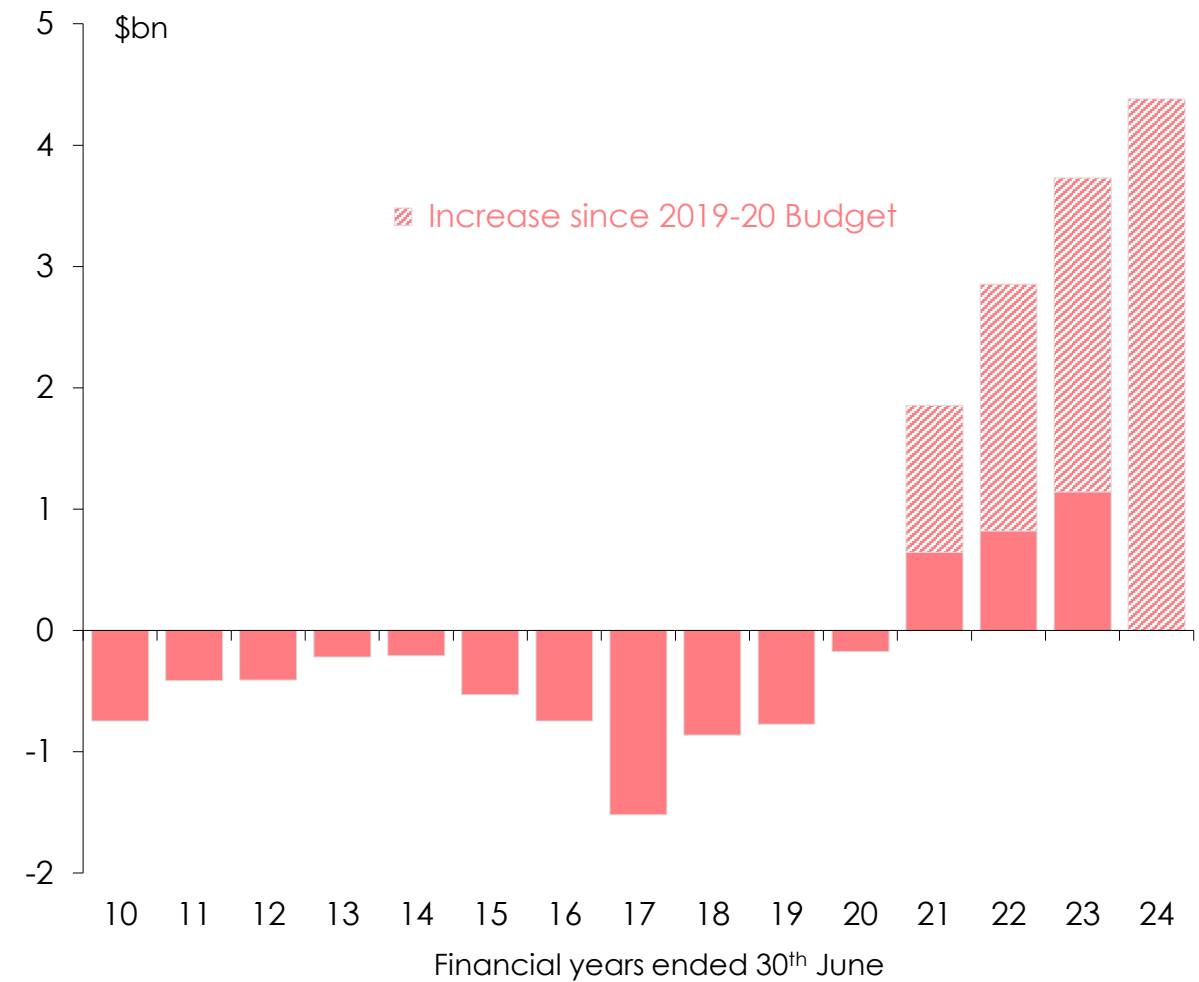
Sources: Commonwealth Treasury, 6<sup>th</sup> August 2020; Australian Financial Review, 14<sup>th</sup> August 2020); ABS; Tasmanian Government, Social and Economic Support Measures Update, 11<sup>th</sup> May 2020.

# Inevitably, this has entailed a deterioration in the State Government's financial position ...

## Tasmanian 'general government' sector cash balance



## Tasmanian 'general government' sector net debt

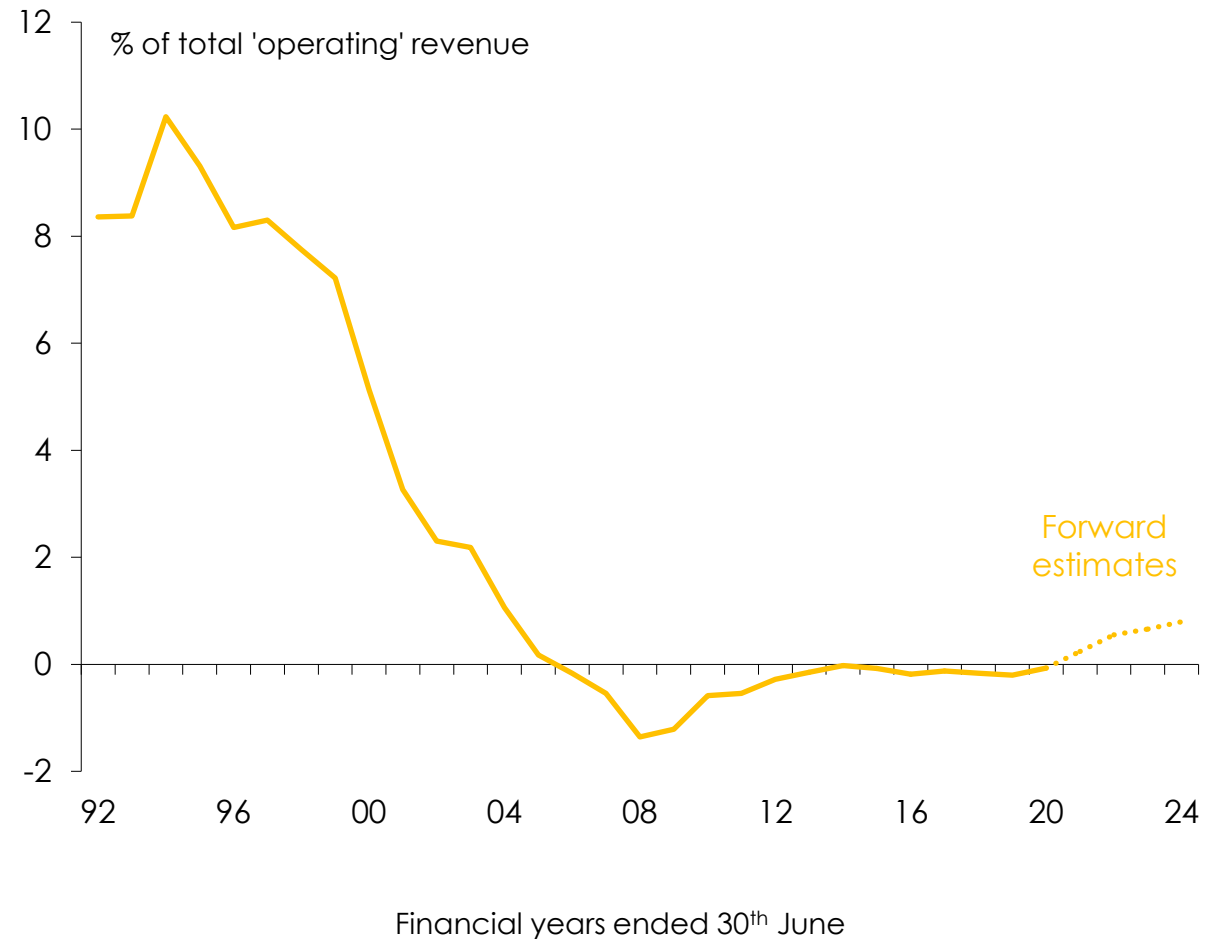


Note: 'General government' refers to departments and agencies funded wholly or largely through taxation revenue and grants, and excludes public enterprises.

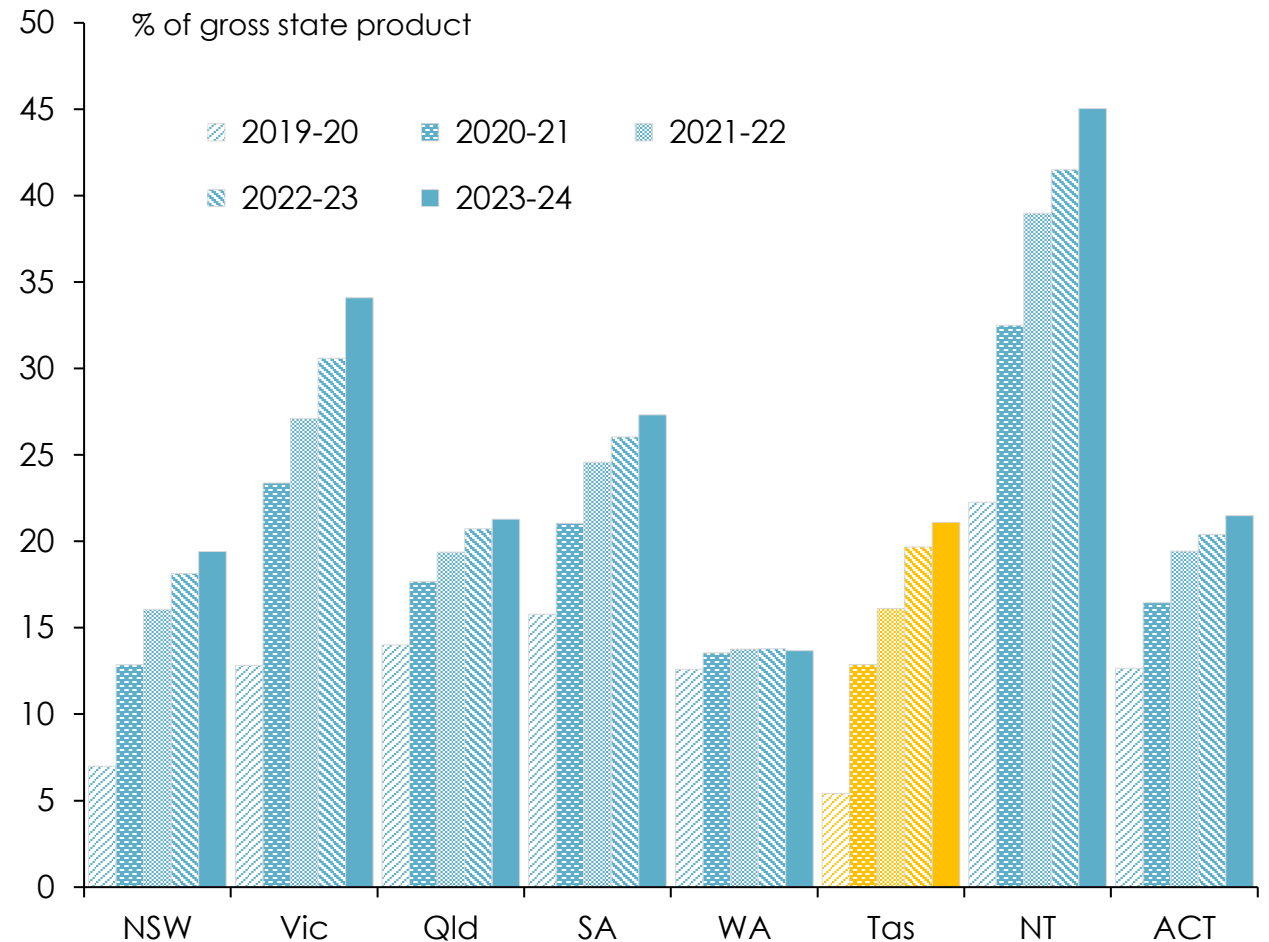
Source: Tasmanian Government, [2020-21 Budget Paper No 1](#).

# ... but there's no need for alarm over the level of debt that the Government will be accumulating

## Tasmanian 'general government' interest expense, as a pc of revenue



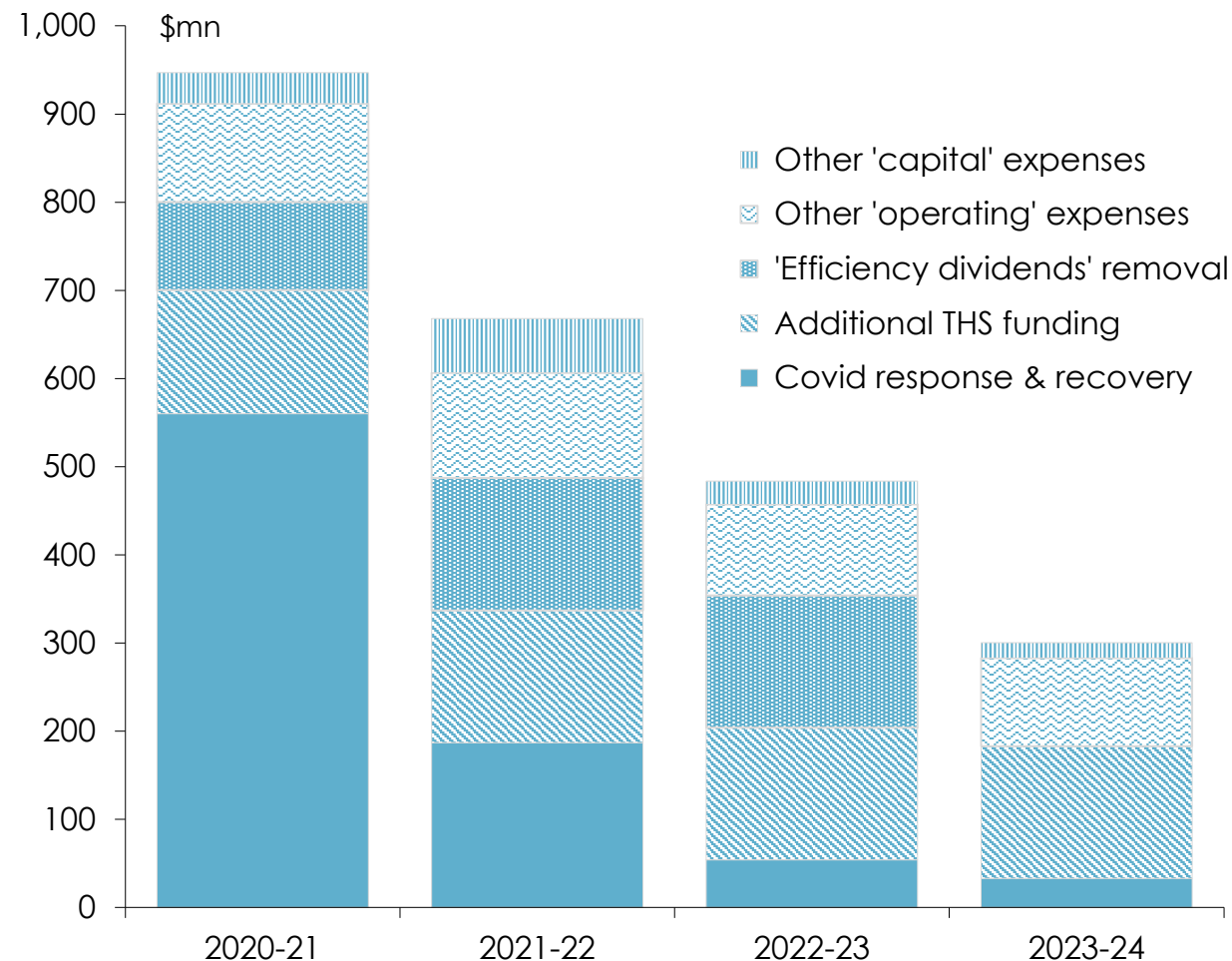
## Total non-financial public sector net debt, states and territories



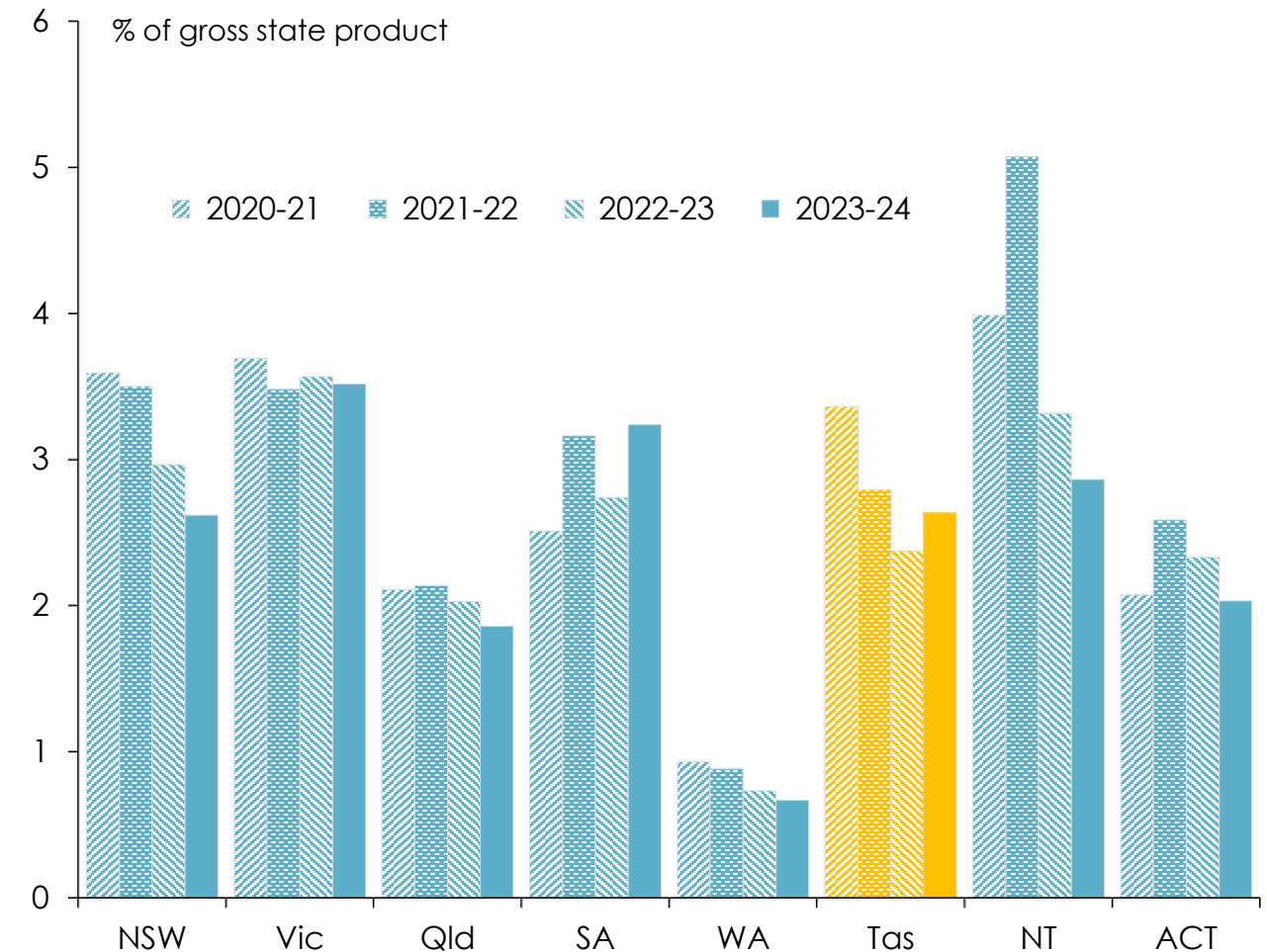
Note: 'General government' refers to departments and agencies funded wholly or largely through taxation revenue and grants, and excludes public enterprises. The 'non-financial public sector' includes public non-financial corporations (such as Hydro Tasmania and Aurora) but excludes public financial corporations (such as TasCorp and the MAIB). Estimates of Tasmania's GSP for 2022-23 and 2023-24 are derived by assuming it grows at the same rate as forecast by the Australian Treasury for nominal GDP. Sources: Tasmanian and other State and Territory Government 2020-21 Budget Papers.

# The additional increase in infrastructure spending in this year's State Budget was quite small

## 'Bottom line' impact of 'policy decisions' in the 2020-21 Tasmanian State Budget



## Projected 'general government' capital expenditures, states and territories



Note: 'Bottom line' refers to the fiscal balance (the accrual accounting equivalent of the cash balance). 'General government' comprises departments and agencies funded primarily by taxation revenue or grants. Estimates of Tasmania's GSP for 2022-23 and 2023-24 are derived by assuming it grows at the same rate as forecast by the Australian Treasury for nominal GDP. 'Capital expenditures' are what are described in Budget Papers as 'purchases of new fixed assets'.

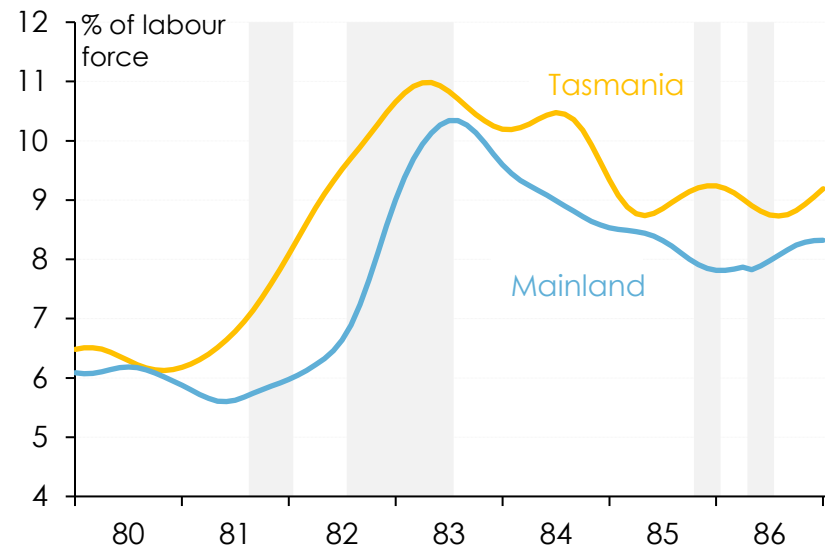
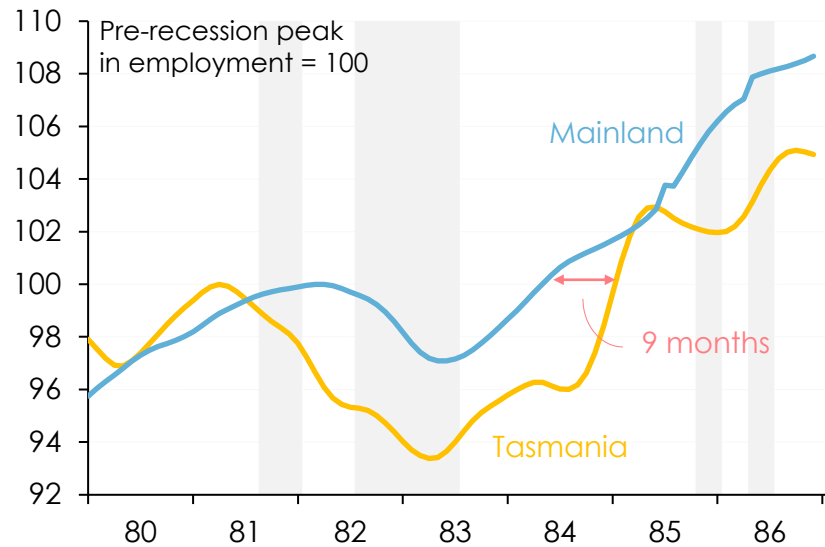
Sources: Tasmanian and other State and Territory Government 2020-21 Budget Papers.

# Tasmania's economy in the post-Covid world

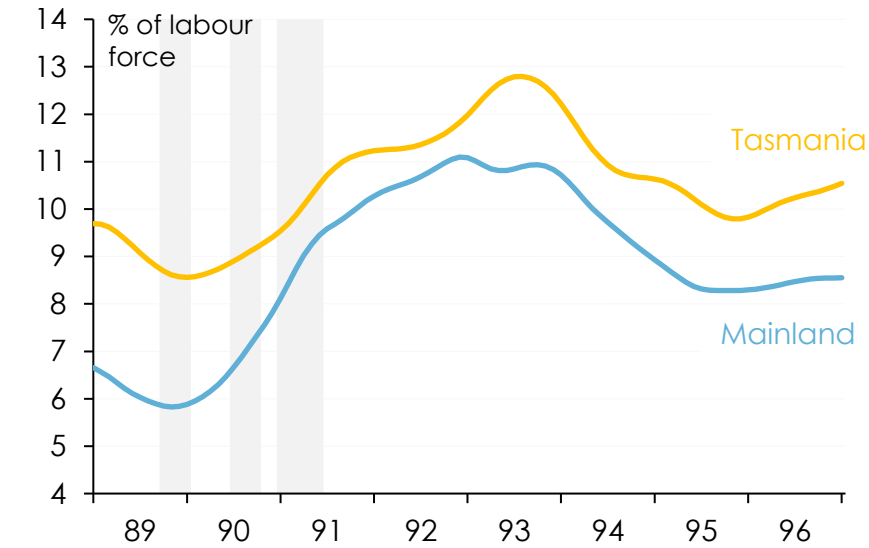
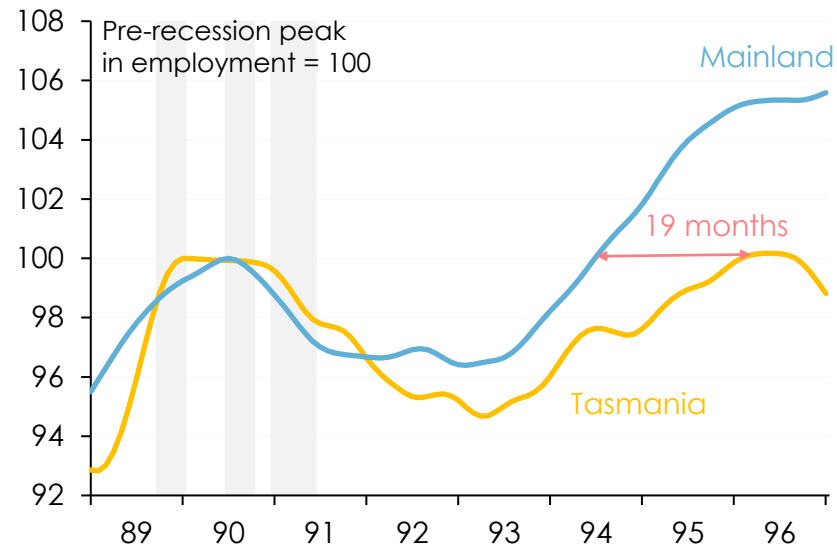
# Tasmania has historically always fared worse than the mainland during recessions, regardless of how we were doing beforehand

## Employment and unemployment in Tasmania vs the mainland during recessions

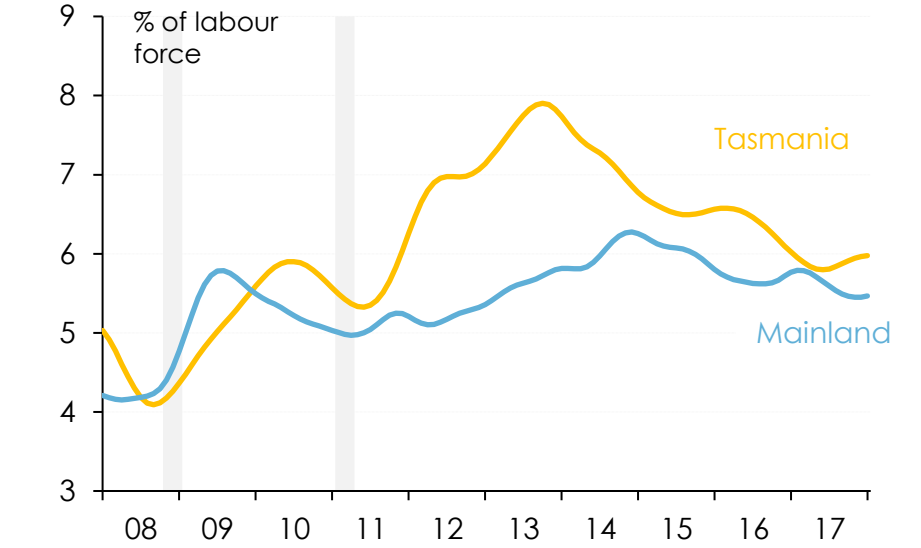
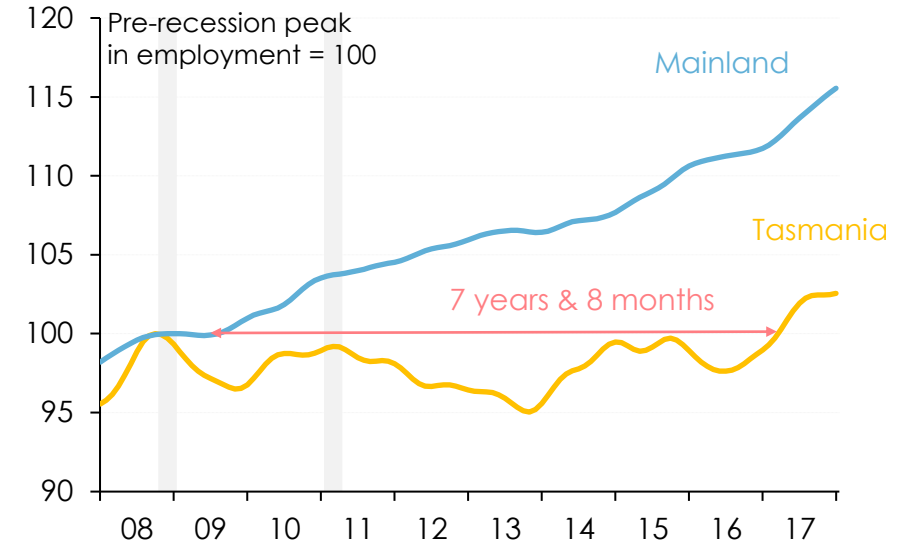
### Early 1980s recession



### Early 1990s recession



### Global financial crisis



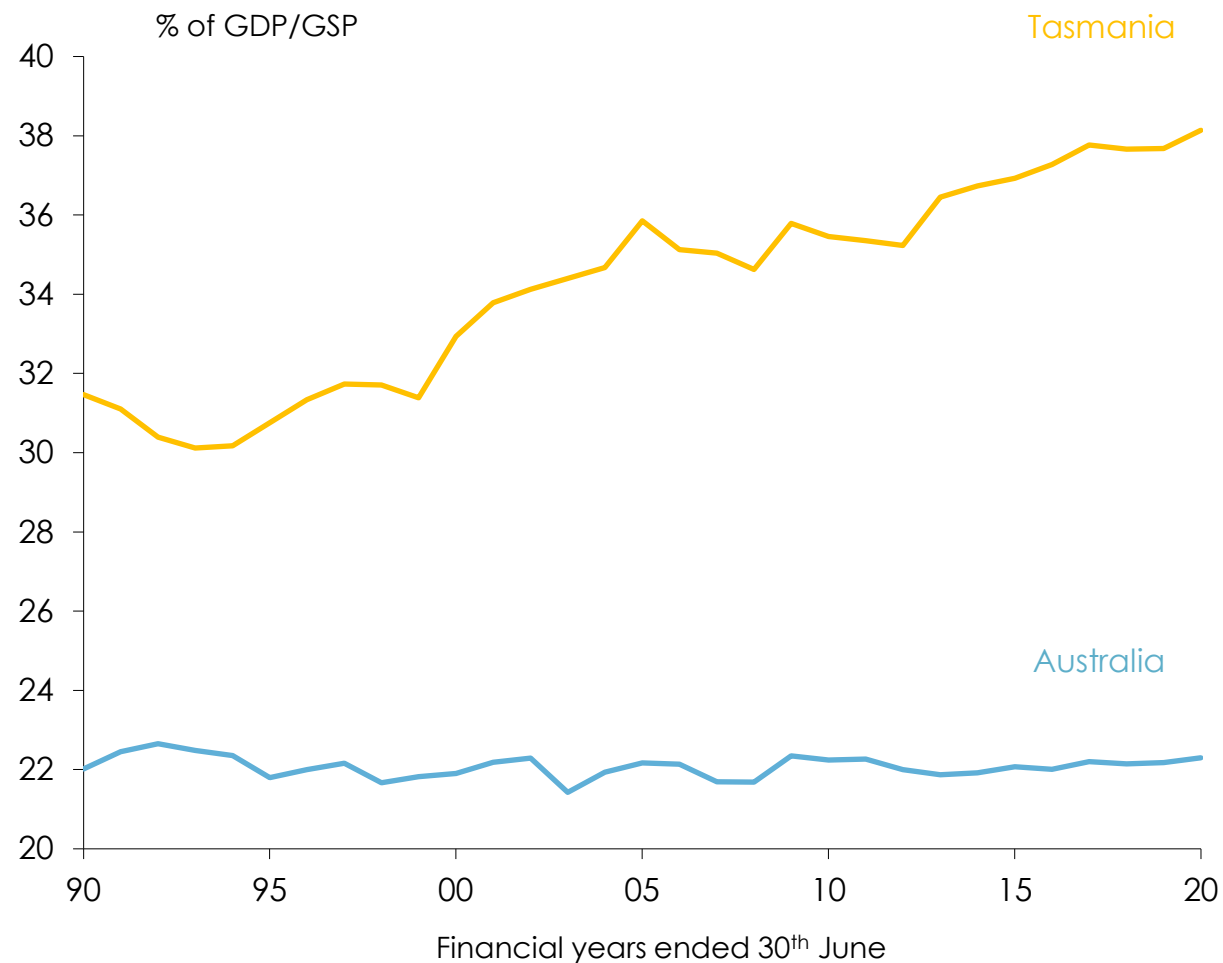
Note: Shaded areas denote quarters of negative growth in real GDP. The number of years or months (in pink) are the time differences between when mainland employment regained its pre-recession peak level, and the same milestone being achieved in Tasmania. Data are expressed in trend terms.

Source: ABS, [Labour Force, Australia](#); Corinna.

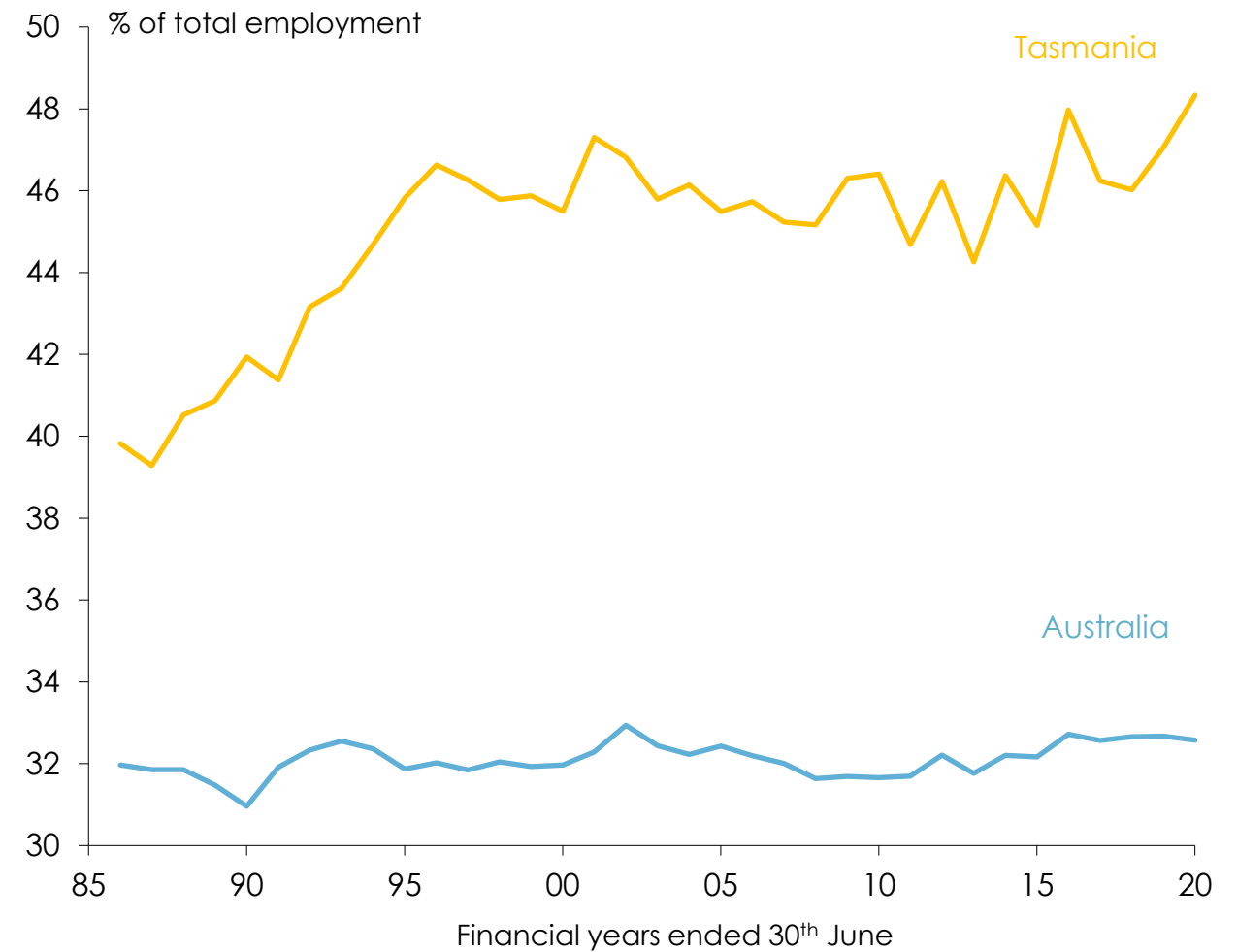


# Tasmania's economy has always been more narrowly-based than that of the larger states – and has become more so over time

## 'Five sectors' shares of gross product



## 'Five sectors' shares of total employment

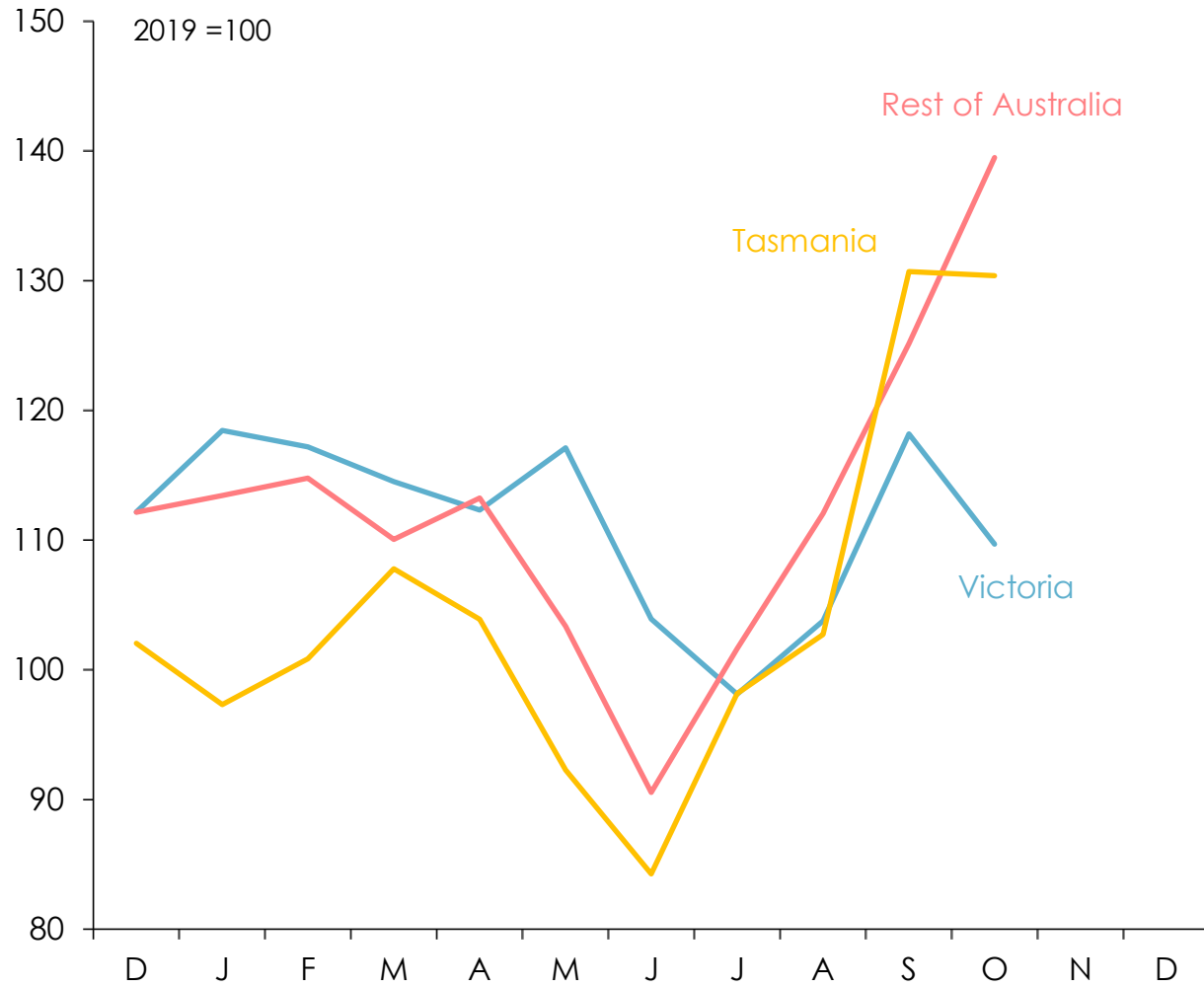


□ The 'five sectors' are agriculture, forestry and fishing; retail trade; accommodation and food services; public administration and safety; and health care and social assistance

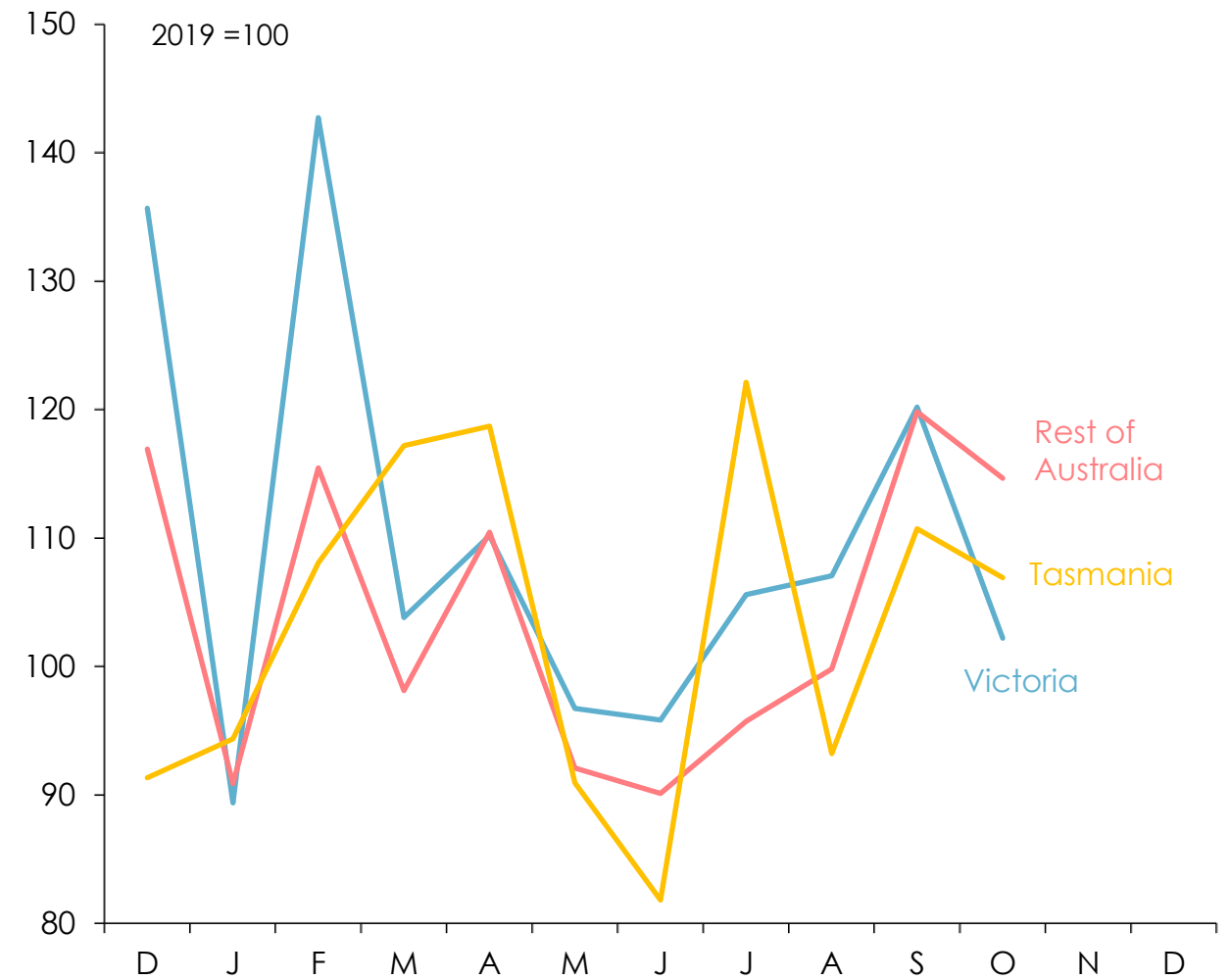
Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#).

# Prospects for house-building are looking a lot stronger than had been expected six months ago

## Housing finance commitments (home-buyers and investors) during the Covid-19 recession



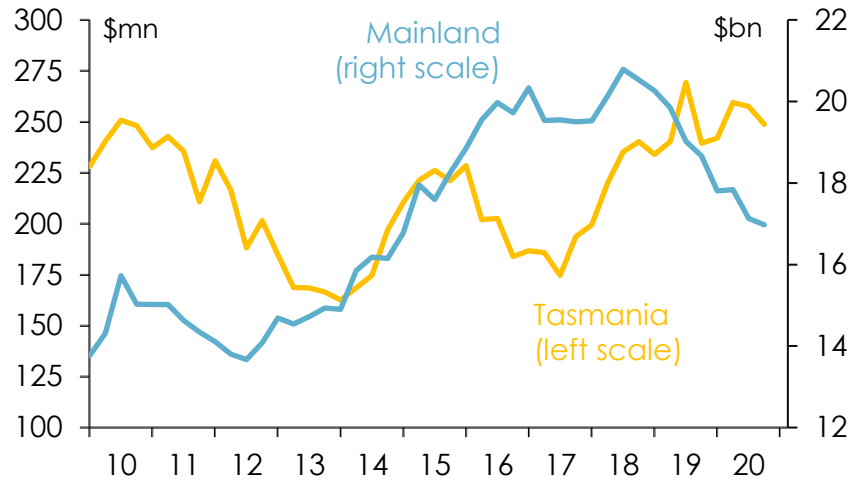
## Residential building approvals during the Covid-19 recession



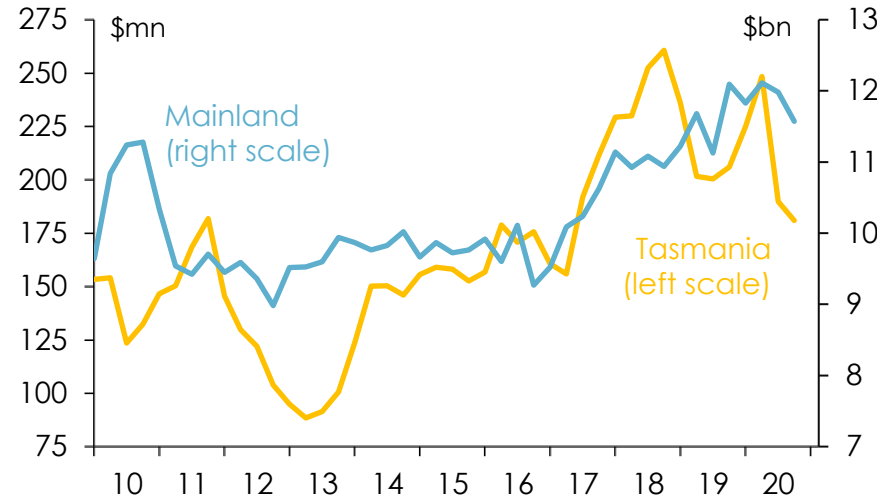
Sources: ABS, [Lending Indicators, Australia](#) and [Building Approvals, Australia](#).

# Tasmania has a good pipeline of housing and infrastructure construction work, but non-residential building could be a soft spot

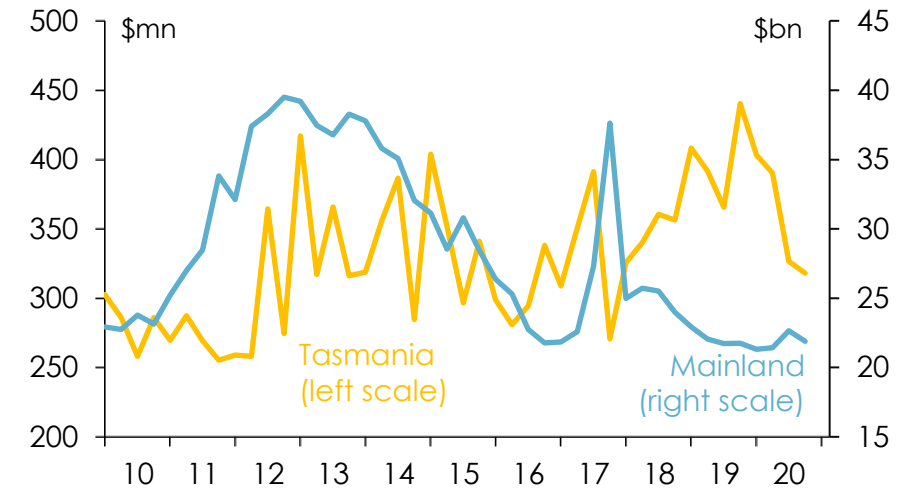
## Residential building work done



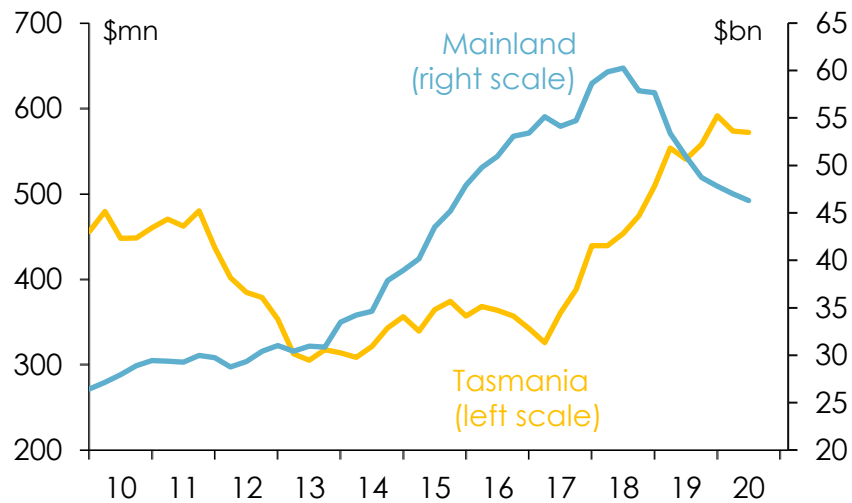
## Non-residential building work done



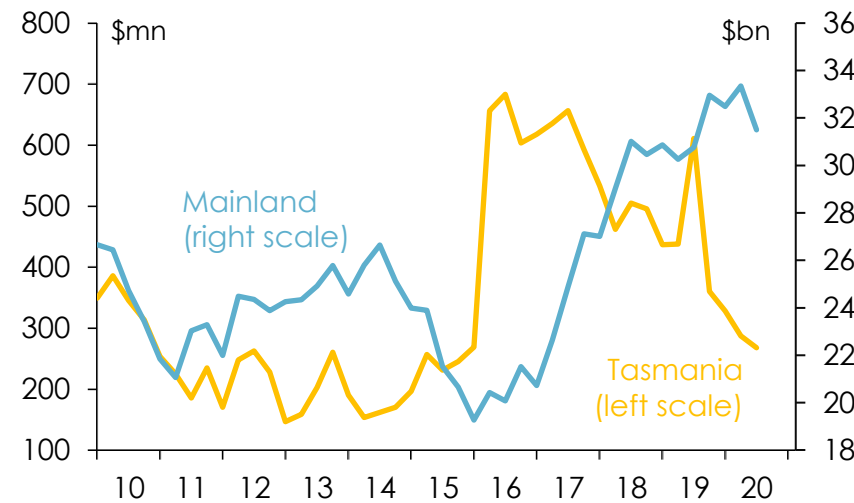
## Engineering construction work done



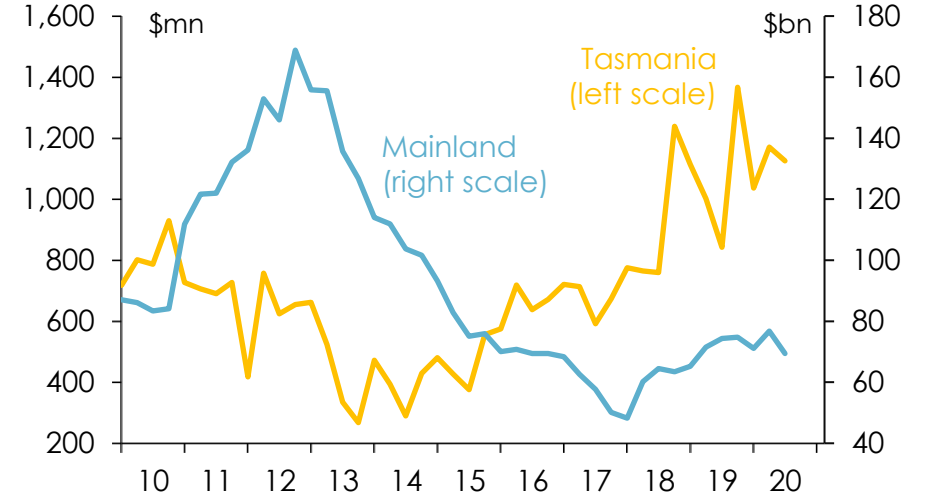
## Residential building 'pipeline'



## Non-residential building 'pipeline'



## Engineering construction 'pipeline'



Note: 'Work done' is expressed in 2018-19 dollars ('chain volumes') and are up to the September quarter; 'pipelines' are in current price terms and up to the June quarter. Sources: ABS, [Construction work done, Australia, preliminary](#); [Building Activity, Australia](#) and [Engineering Construction Activity, Australia](#).

# Tasmania does have the opportunity to attract more migrants from both interstate and overseas, given the perception of being a ‘safe place’

## Federal Treasury Budget forecasts for net overseas and interstate migration

**Table A.5: Net overseas migration, for years ending 30 June**

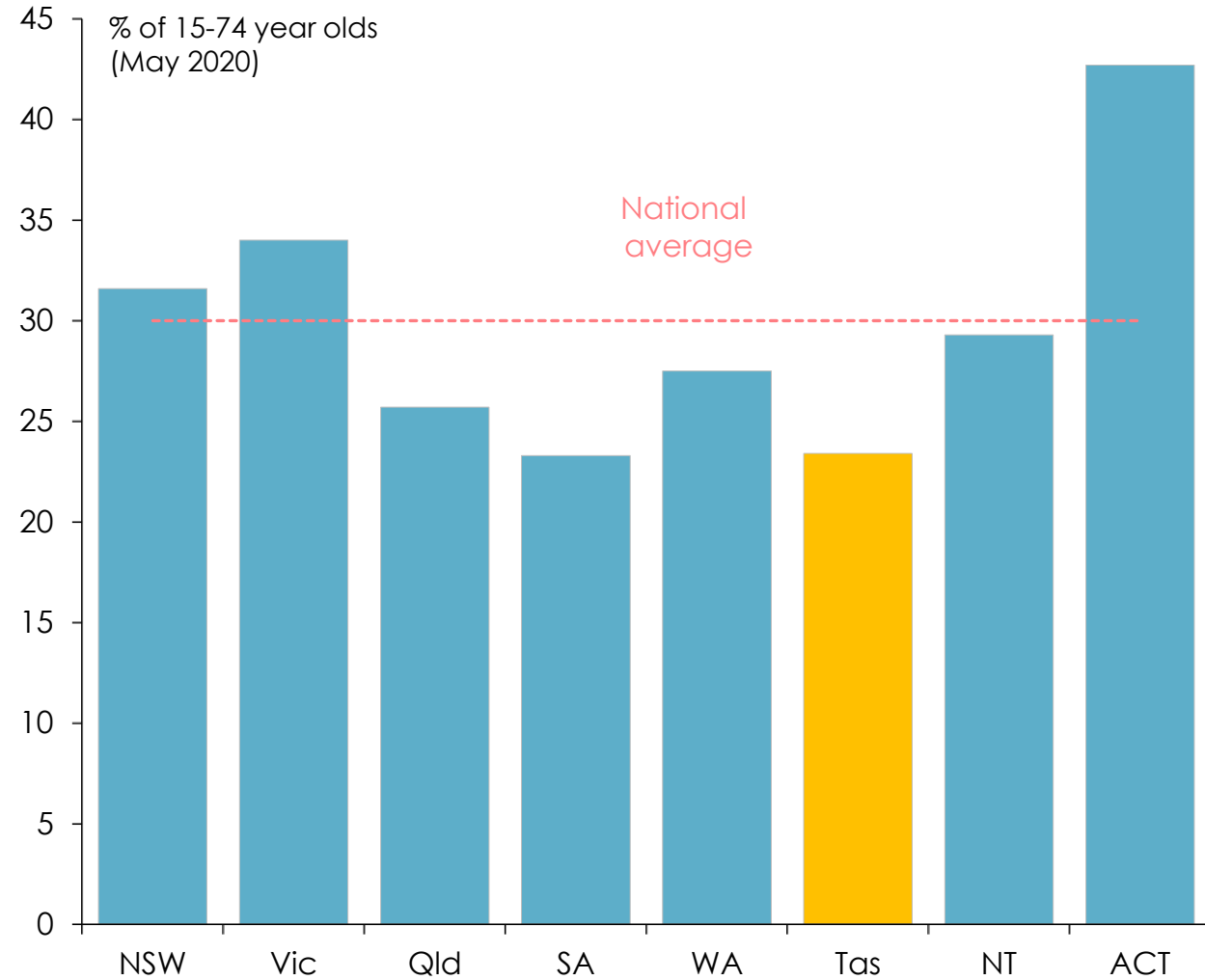
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Net overseas migration, Australia	239,700	154,100	-71,600	-21,600	95,900	201,100

**Table A.6: Net interstate migration by state, for years ending 30 June**

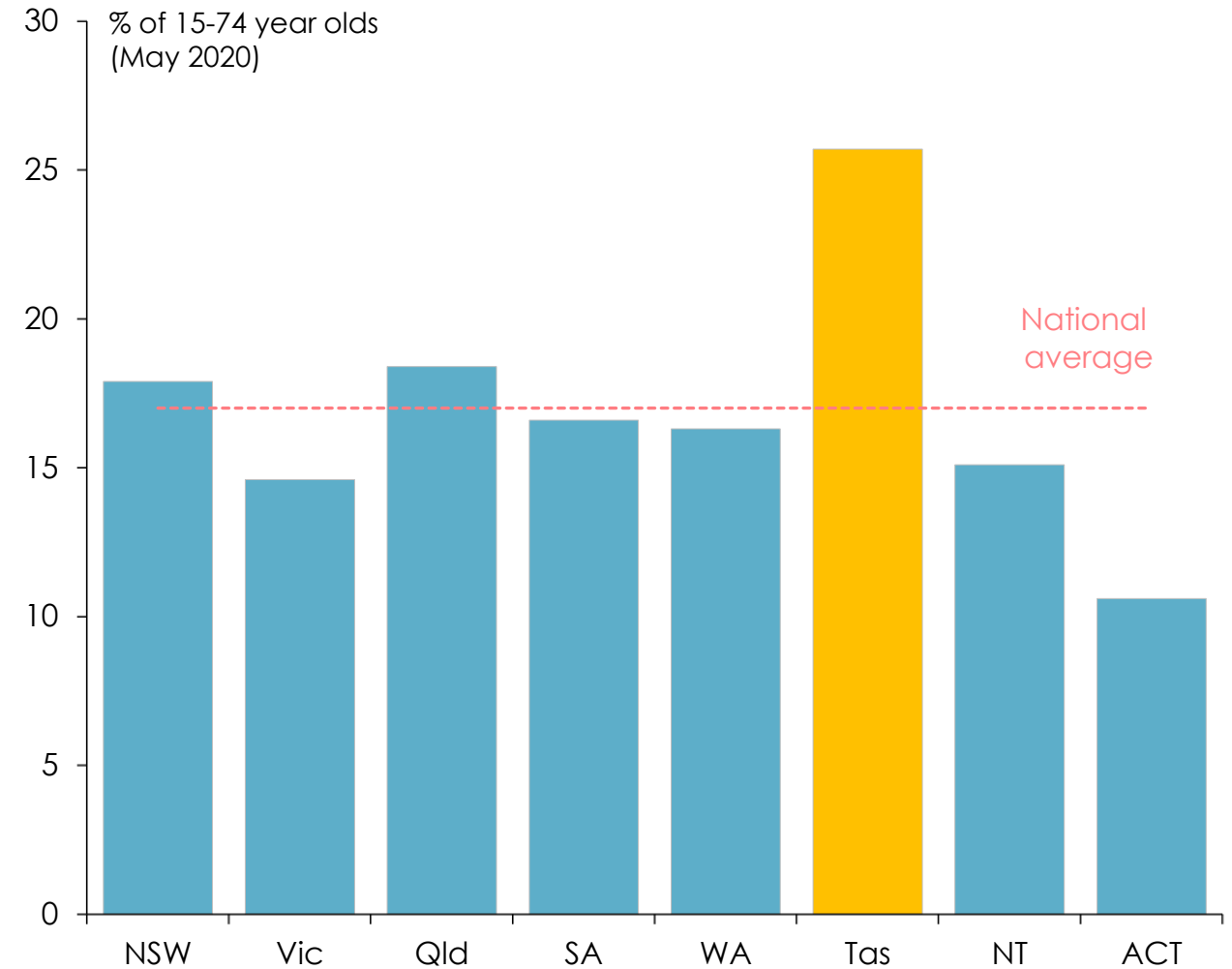
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2018-19	-22,100	12,200	22,800	-6,500	-4,000	2,000	-200	-4,400
2019-20	-21,000	11,600	21,700	-6,100	-3,800	1,900	-200	-4,200
2020-21	-14,300	-1,200	22,000	-3,700	-2,200	2,200	300	-3,100
2021-22	-15,500	-1,300	23,800	-4,000	-2,300	2,300	400	-3,300
2022-23	-17,000	1,800	21,300	-2,300	-3,000	1,200	300	-2,400
2023-24	-18,600	5,000	18,900	-500	-3,600	0	200	-1,400

# But to attract families we need to improve our educational outcomes (which we should also want to do for the families already here)

## Proportion of 15-74 year olds with a bachelor's degree or higher



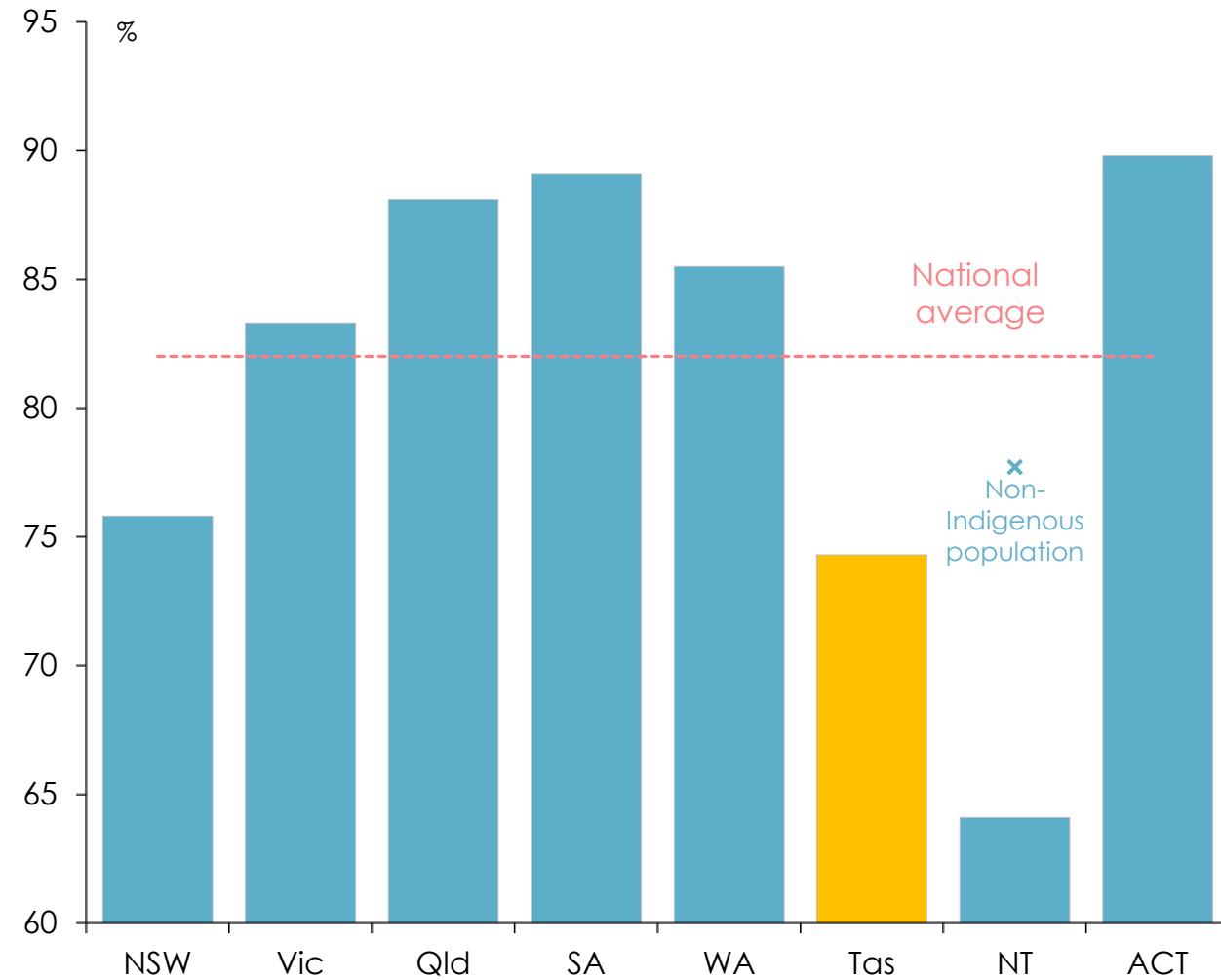
## Proportion of 15-74 year olds with no qualifications beyond Year 10



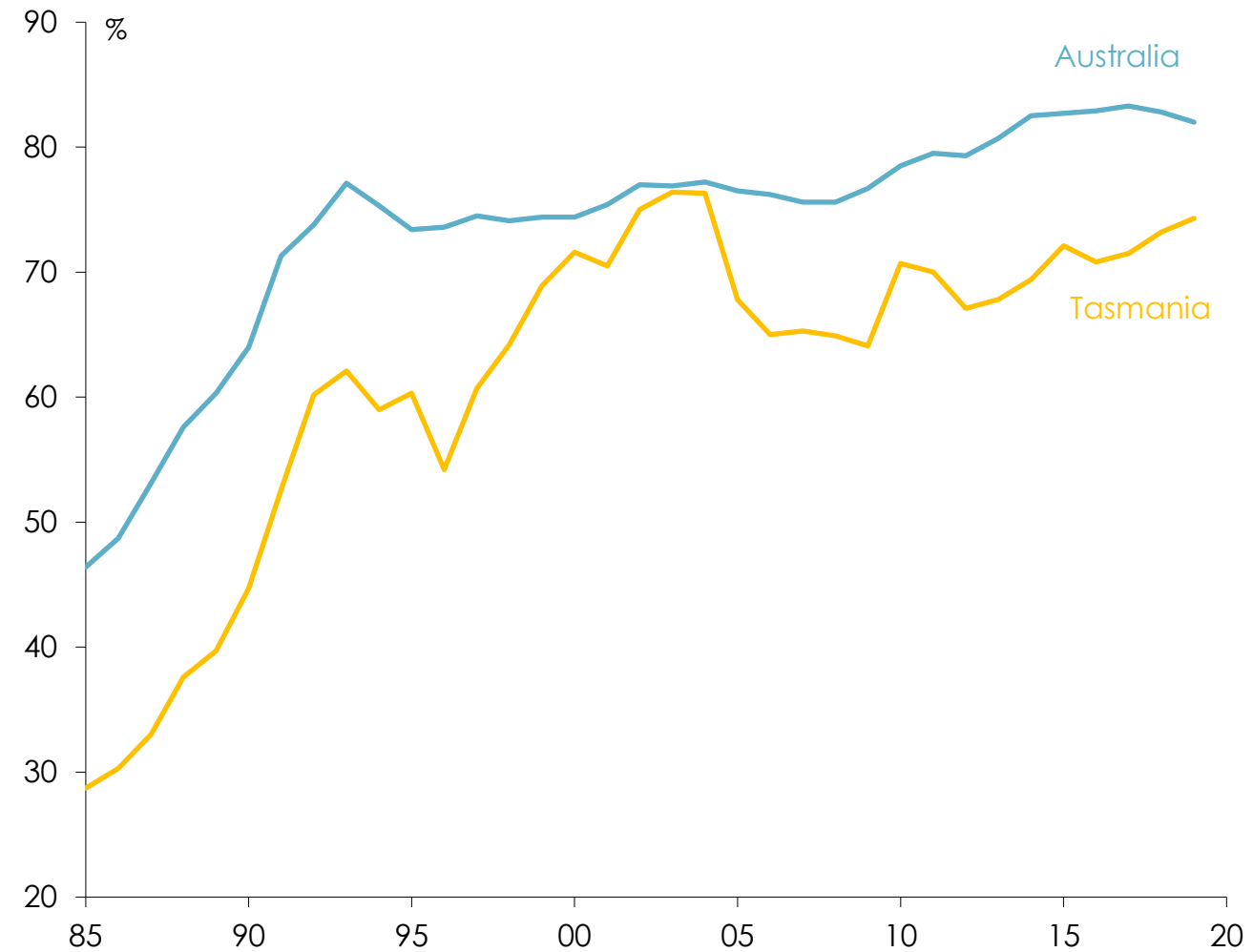
Source: ABS, [Education and Work, Australia](#).

# Although there's been improvement over the past five years we still have the lowest Y12 retention rates in Australia (apart from the NT)

School retention rates from Year 10 to Year 12, states and territories, 2019



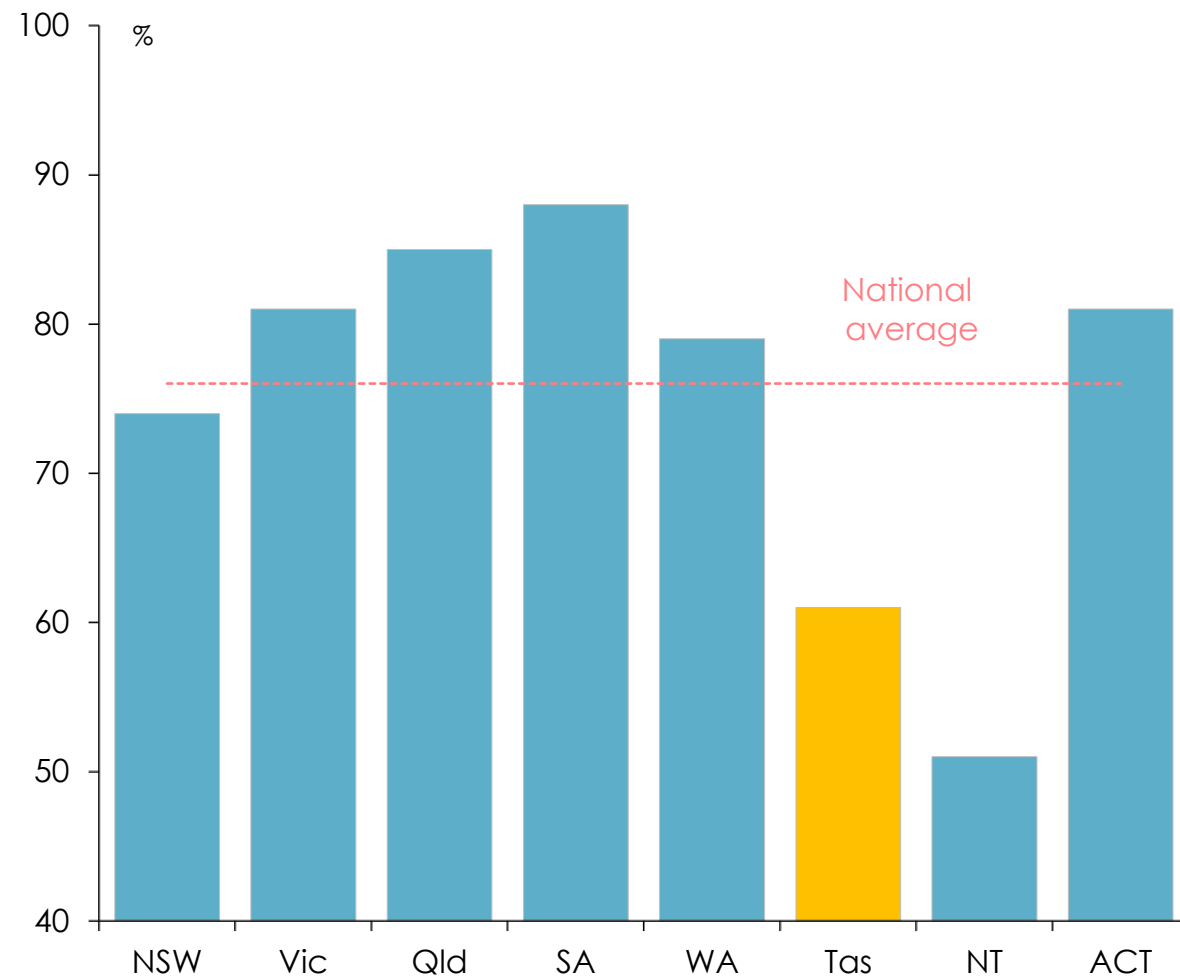
School retention rates from Year 10 to Year 12, Tasmania and Australia, 1985-2019



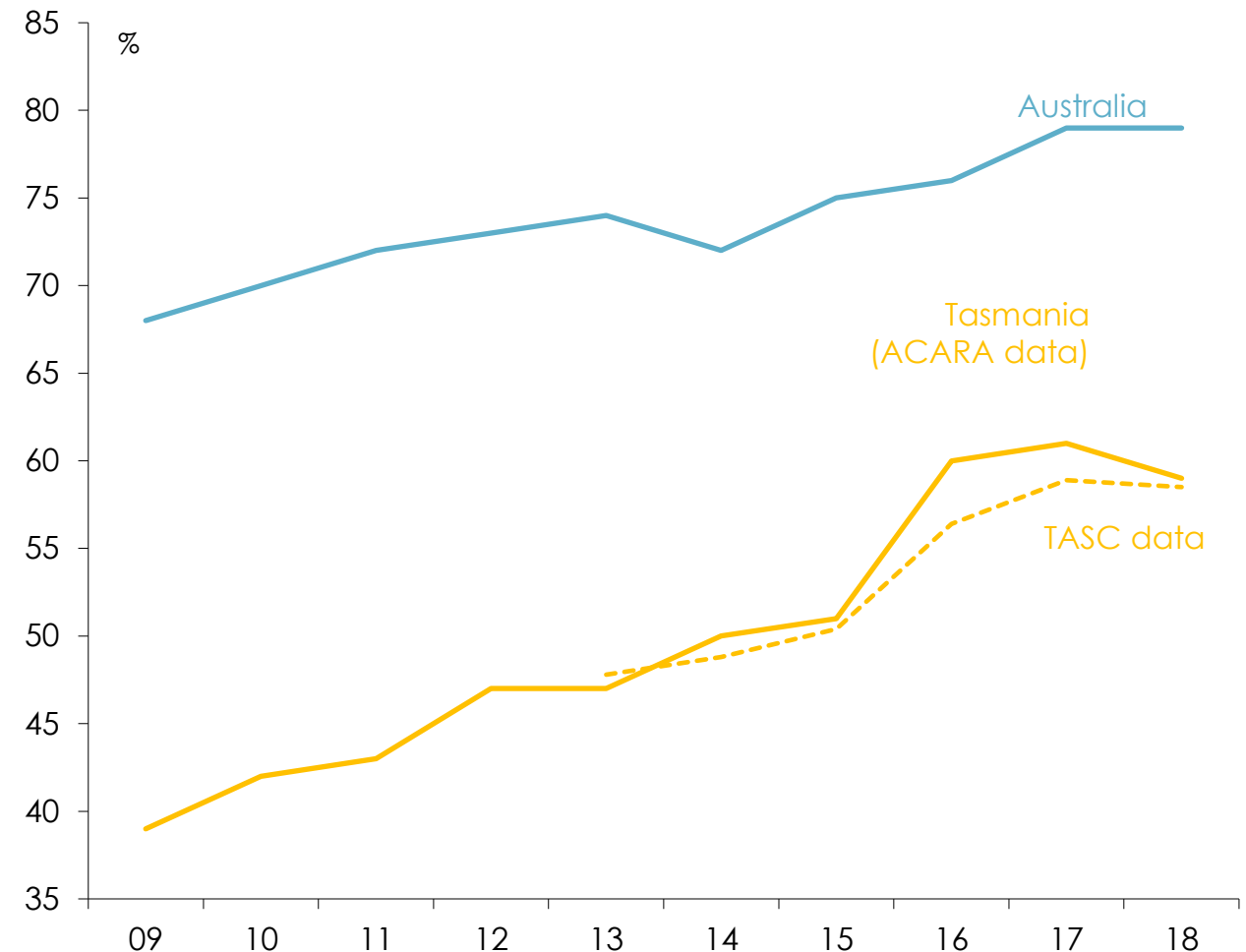
Source: ABS, [Schools](#).

# Tasmania's Year 12 attainment rates are still the lowest in Australia (apart from the NT) and have appear to have declined since 2017

Year 12 attainment rates, states and territories, 2018



Year 12 attainment rates, Tasmania and Australia, 2009-2018

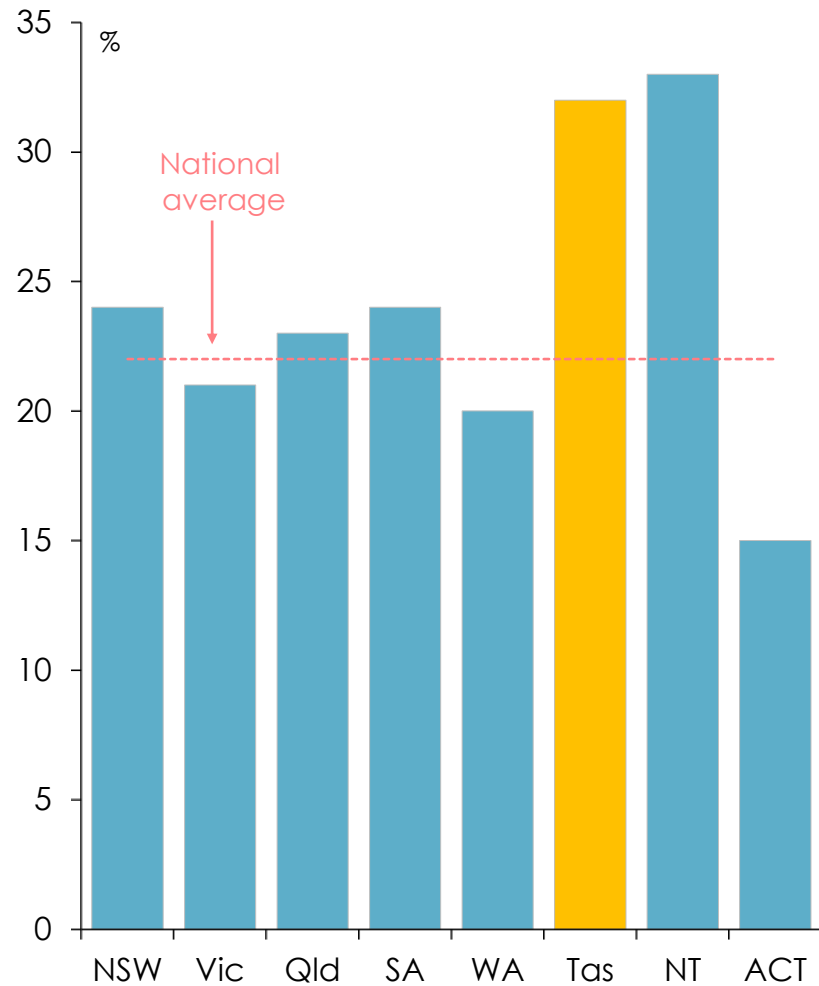


Note: the attainment rate is the proportion of the potential Year 12 population who meet the requirements of a Year 12 certificate. Data is not available for Indigenous status, but the Y12 attainment rate for students from low SES backgrounds in the NT (which would include most of the Indigenous population) in 2018 was 16% cf. Tasmania 53% and the national average 75%. Sources: Productivity Commission [Report on Government Services 2020 - School Education](#); Office of Tasmanian Assessment, Standards and Certification (TASC), [TCE Statistics](#). TASC data for 2019 are still not available.

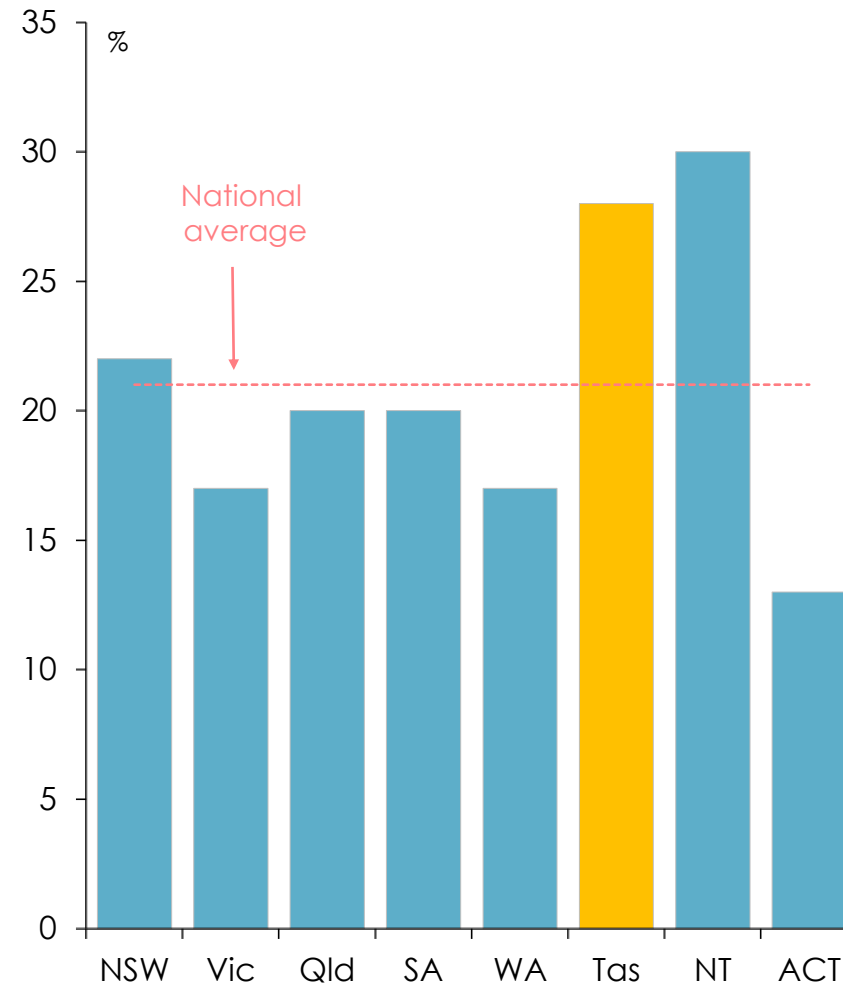
# Tasmania's education system under-performs at other levels too

Percentage of students with below-standard achievements at age 15, states and territories, 2018

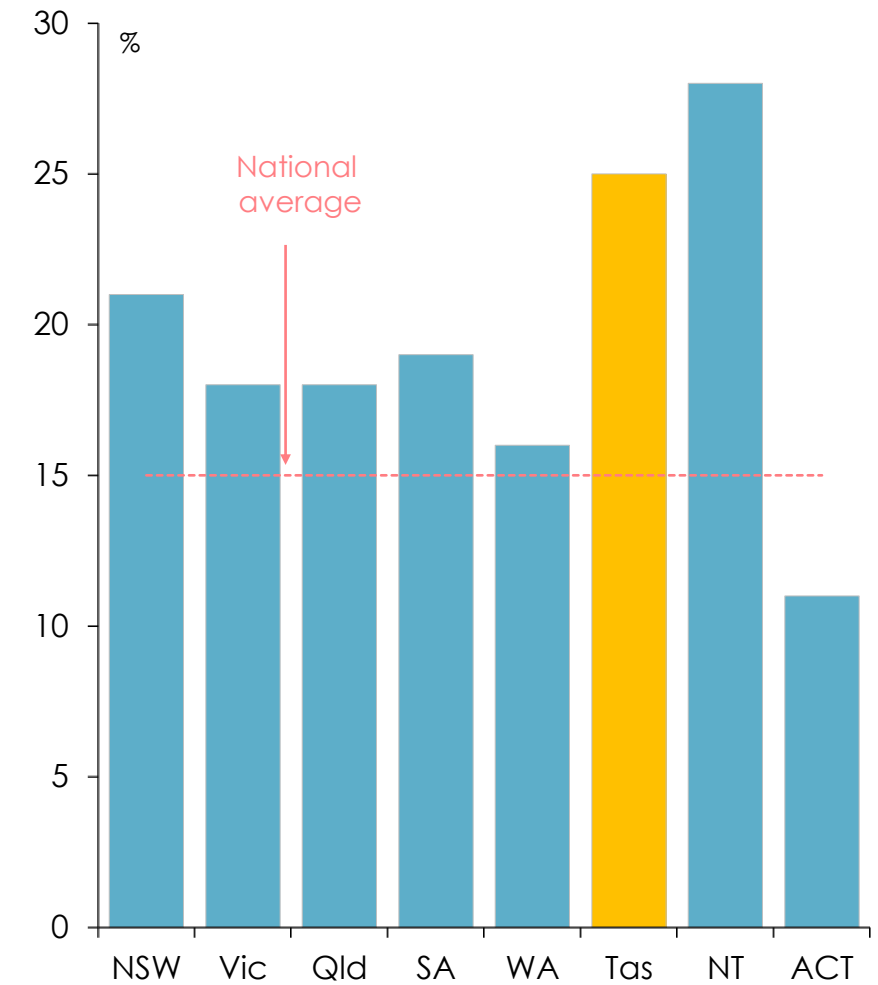
## Mathematics



## Reading



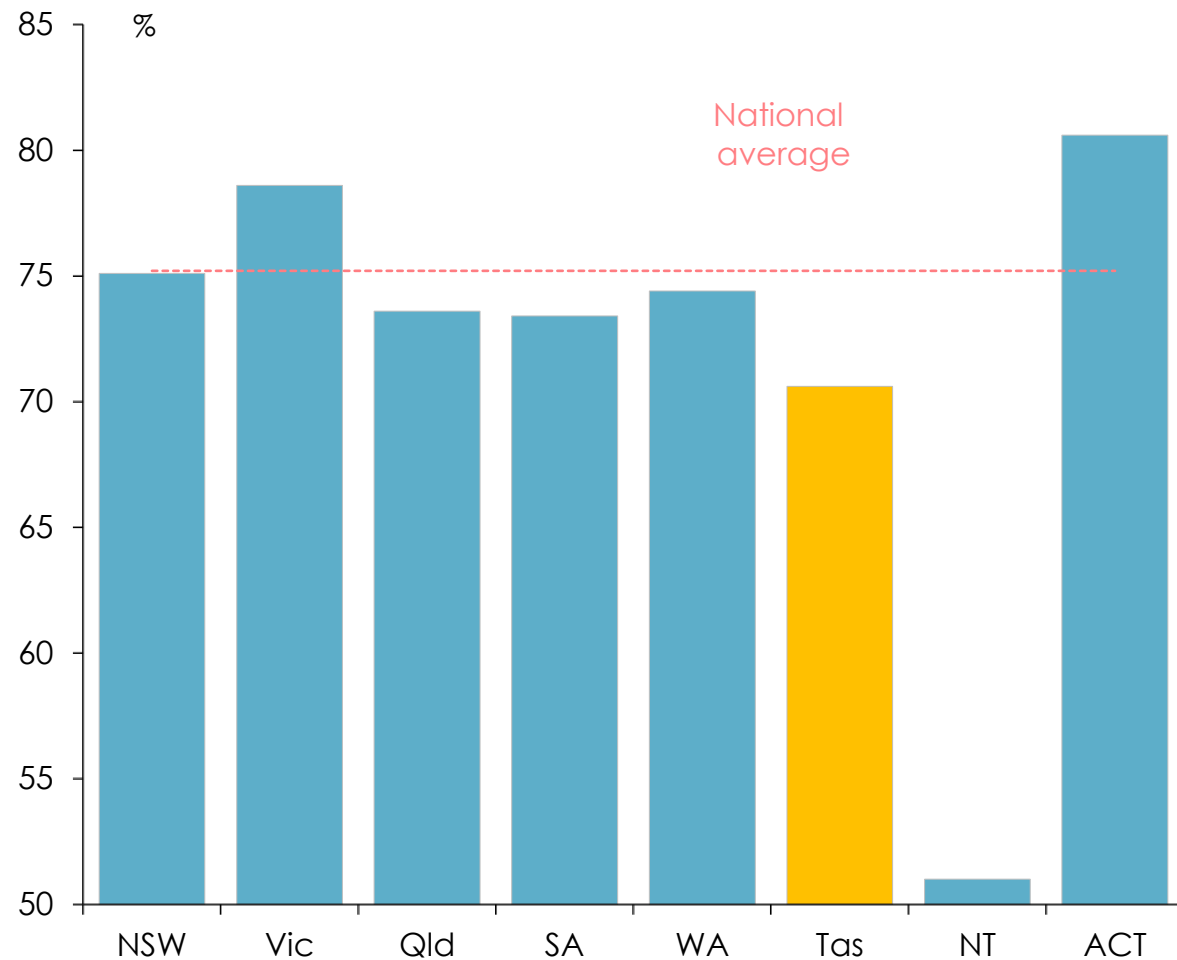
## Science



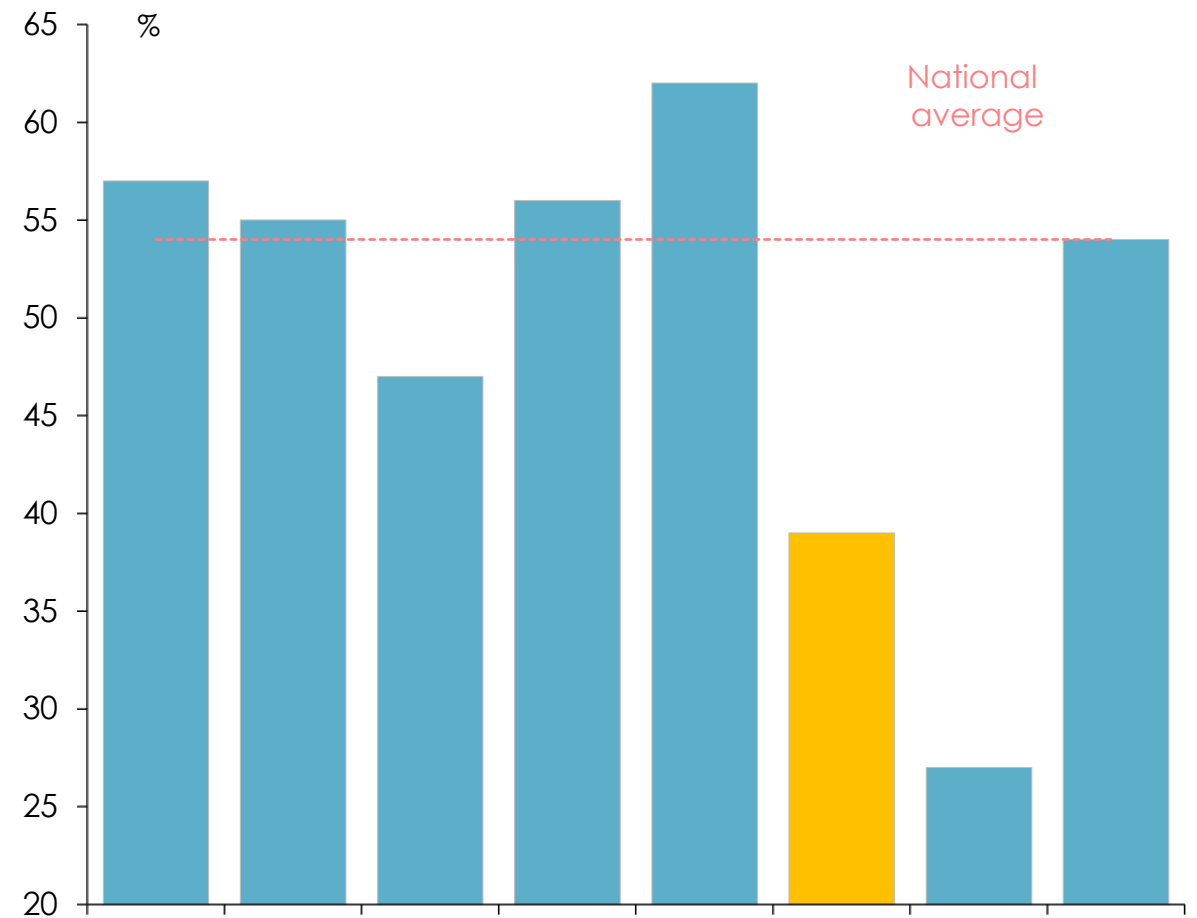


# Tasmania's education system under-performs at other levels too

Pc of Year 7 students achieving above national minimum standard in reading and numeracy, 2018



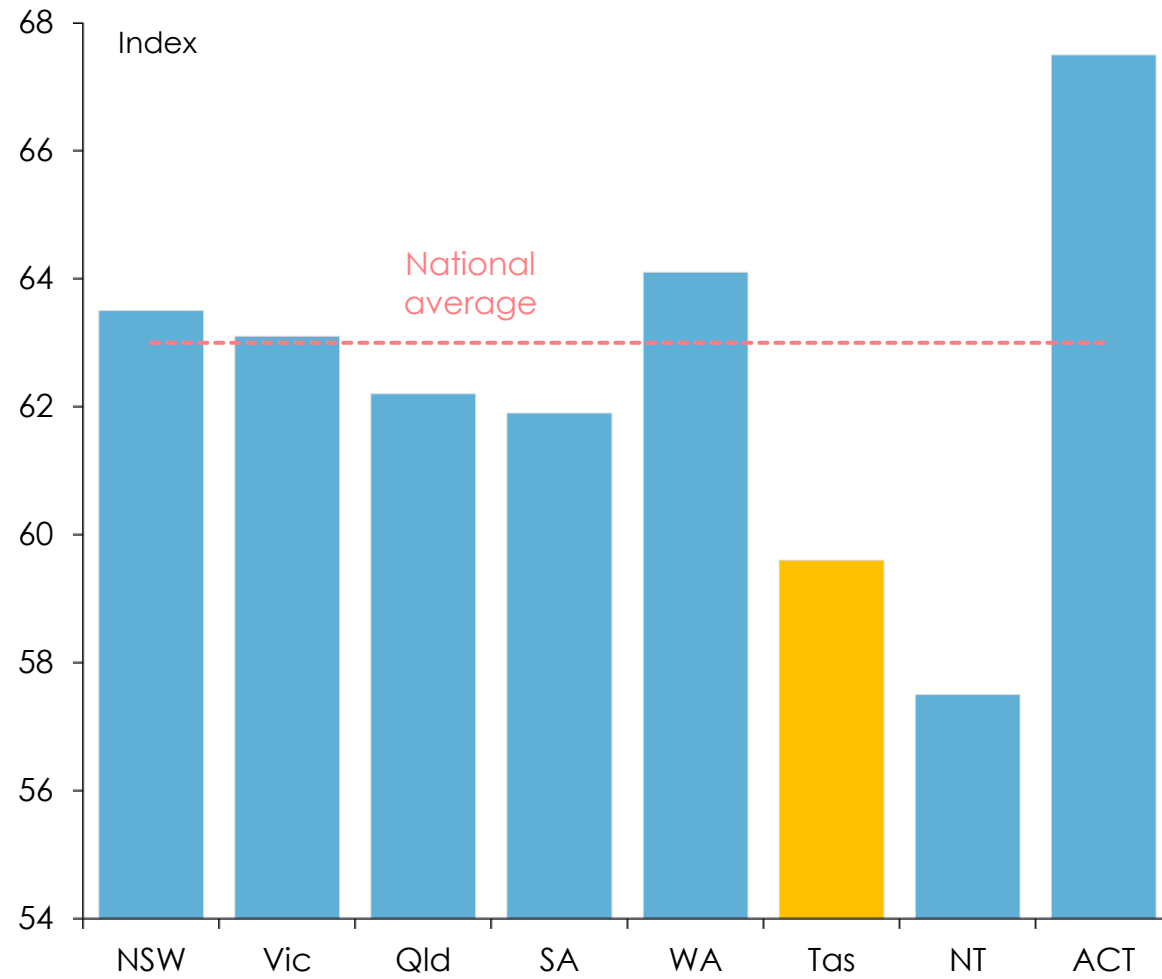
Pc of Year 10 students attaining minimum standard of ICT literacy, 2017



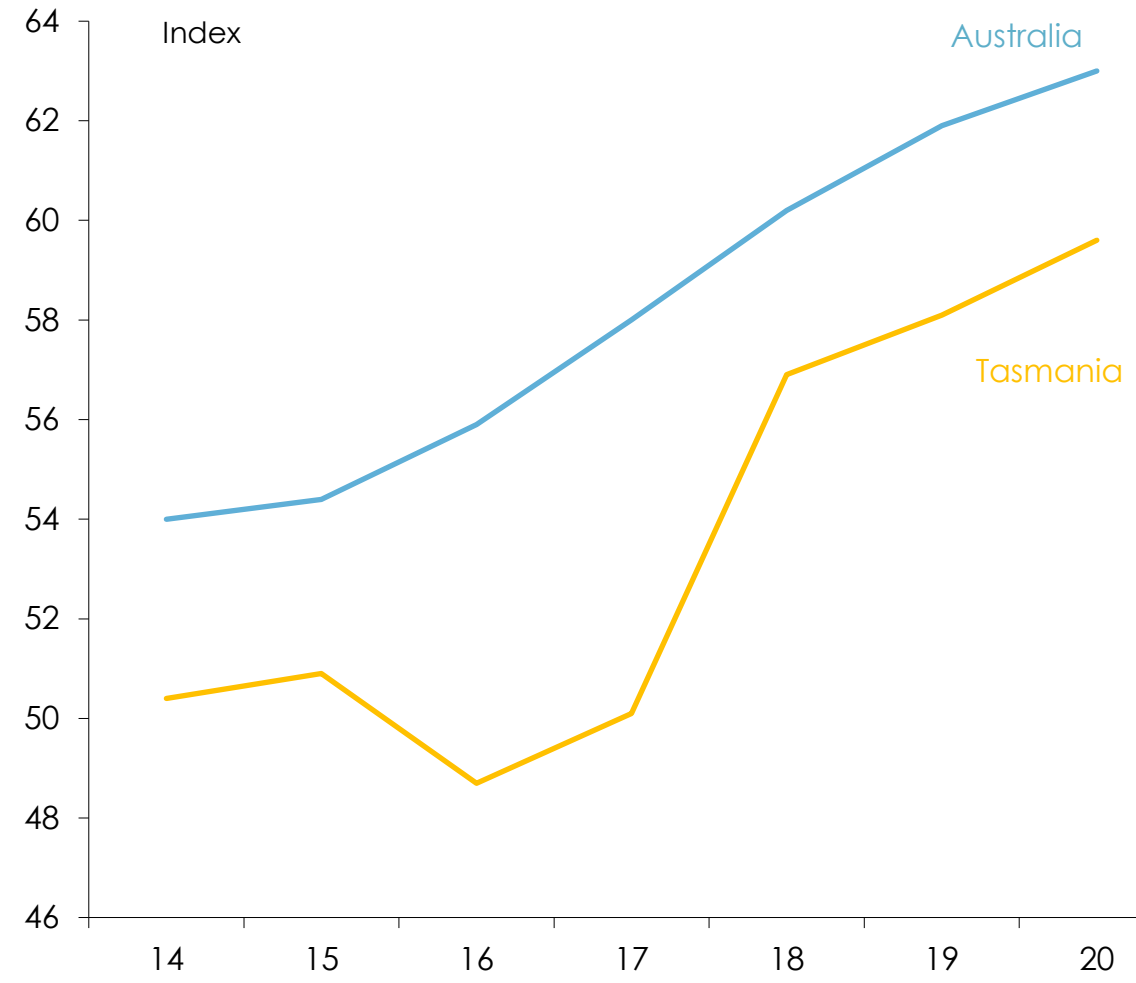
Note: the 'minimum standard' for ICT literacy calls for the ability to 'generate well-targeted searches for electronic information sources and select relevant information from within sources to meet a specific purpose. They create information products with simple linear structures and use software commands to edit and reformat information products in ways that demonstrate some consideration of audience and communicative purpose' and for the capacity to 'recognize situations in which ICT misuse may occur and explain how specific protocols can prevent this'. Source: The Mitchell Institute, [Educational Opportunity in Australia 2020](#).

# And this is a major reason why Tasmania scores poorly relative to other states on 'digital inclusion' – a big issue in the post-Covid world

Digital inclusion index, states and territories, 2020



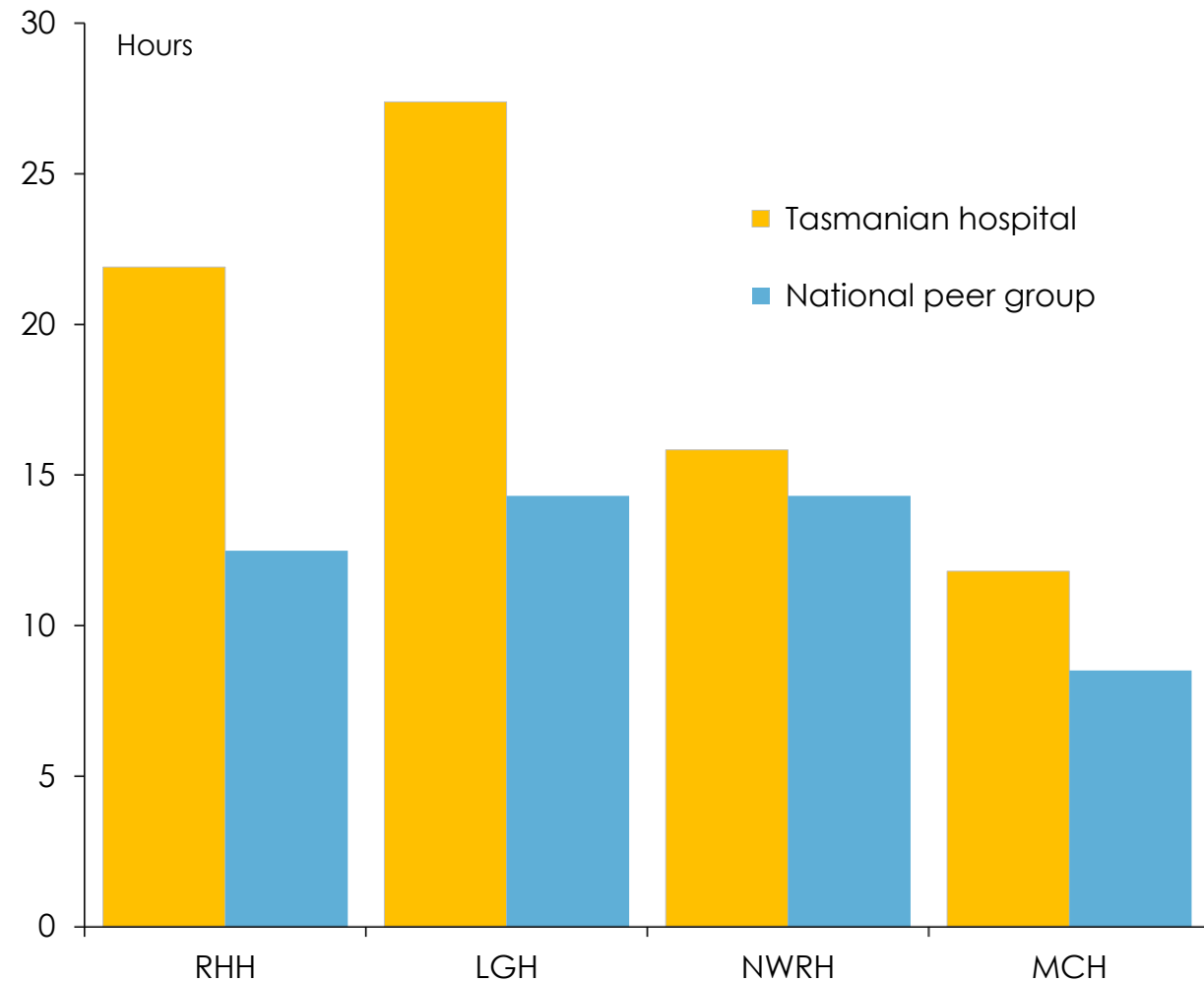
Digital inclusion index, Tasmania and Australia, 2014-2020



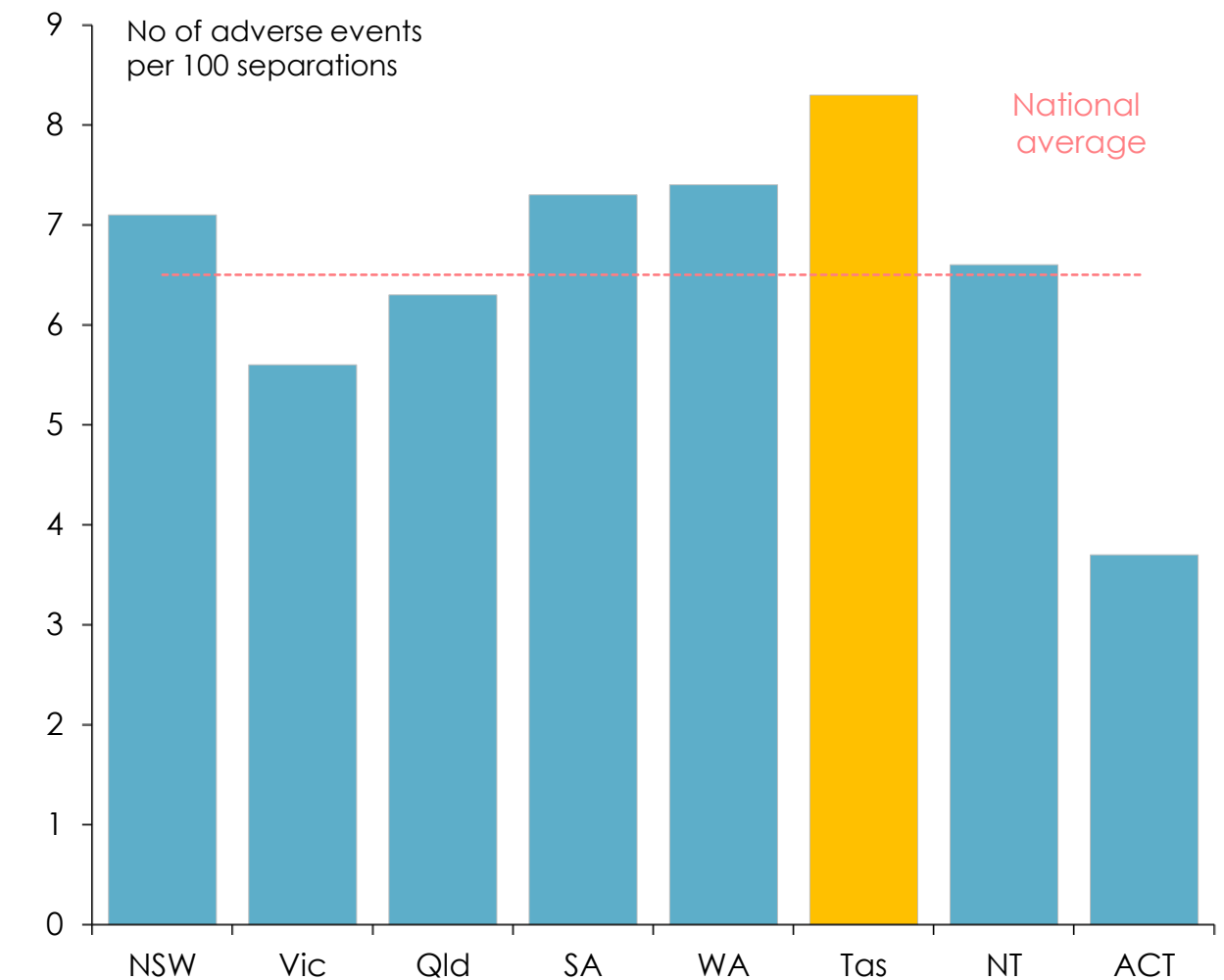
Note: The Digital Inclusion Index measures three dimensions of digital inclusion – access, affordability and ability (of users). Source: Barraket, Wilson et al, [Measuring Australia's Digital Divide](#) (for Telstra).

# Likewise it will be harder to attract families or retirees if we continue to have the worst health system in Australia

Emergency Department waiting times for patients needing admission at 90<sup>th</sup> percentile, 2018-19



Hospital separations with an adverse event per 100 separations, 2017-18

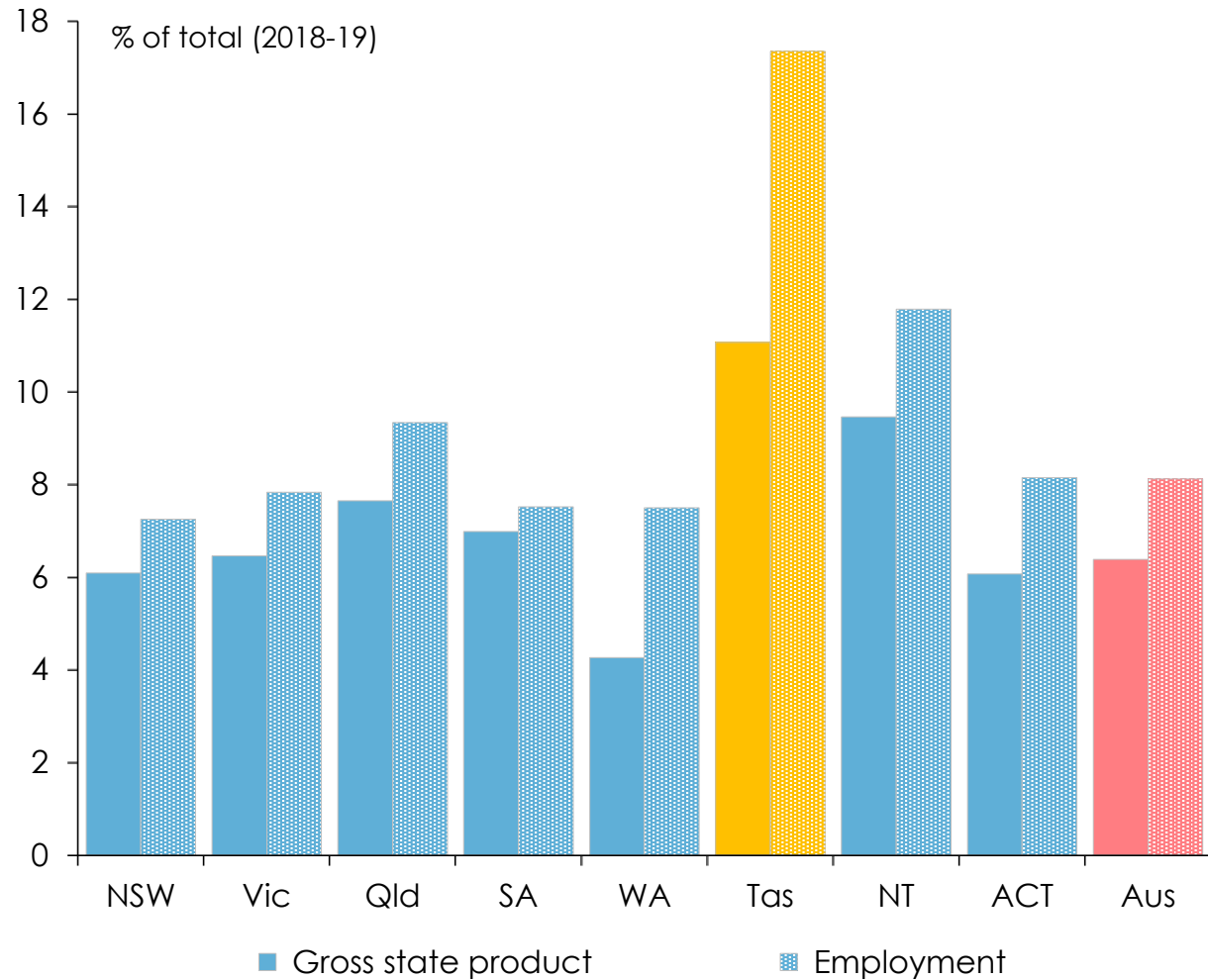


Note: 'ED waiting times for patients at the 90<sup>th</sup> percentile' means the average time within which 90% of patients are admitted to a ward – the remaining 10% have to wait longer than this. Sources: Australian Institute of Health and Welfare, [Australia's hospitals at a glance 2018-19](#); Martyn Goddard, *State of Health 2020*.

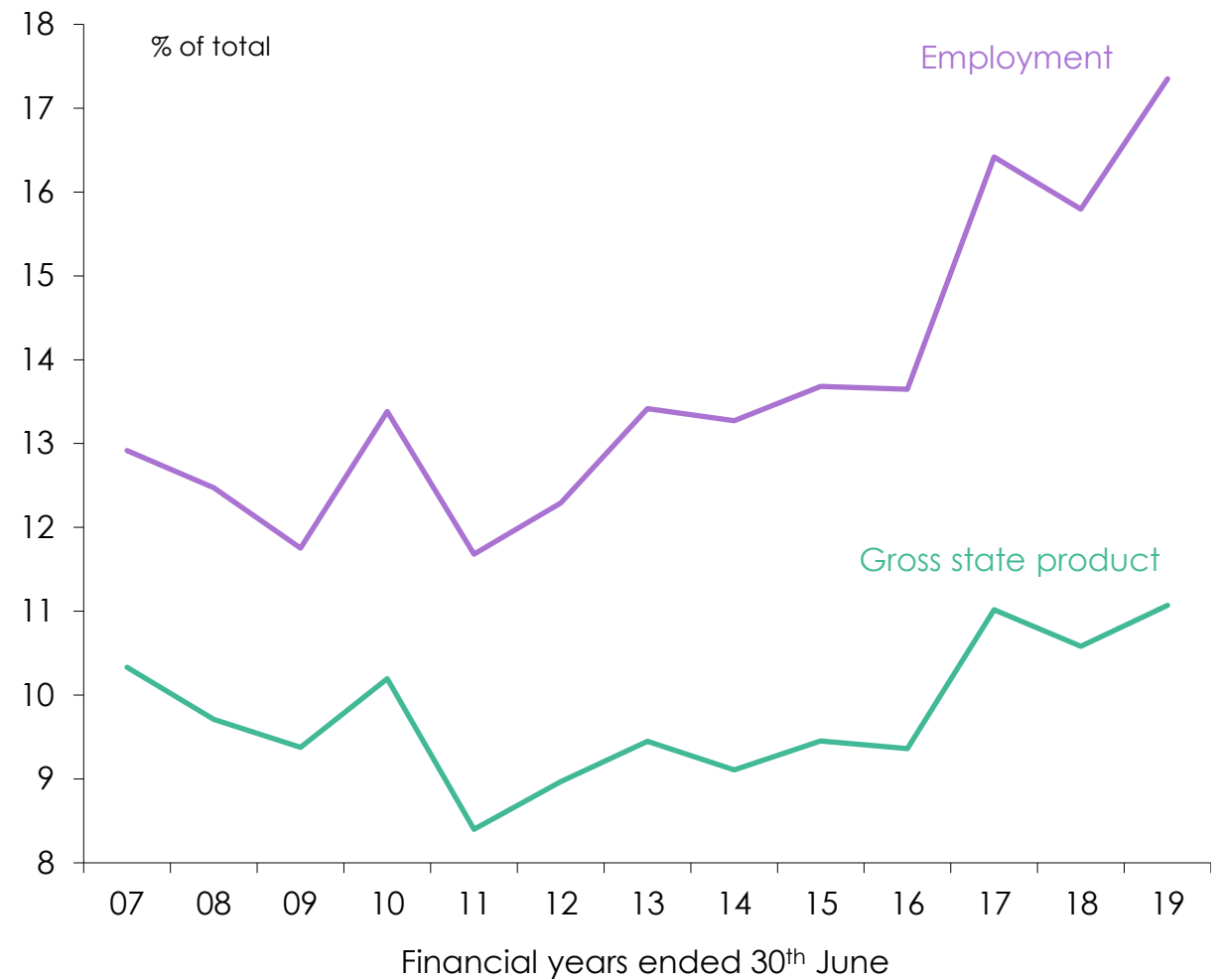
**Some important questions**

# Have we (inadvertently) become 'too dependent' on tourism for the post-Covid world?

Tourism shares of gross state product and employment, states and territories, 2018-19



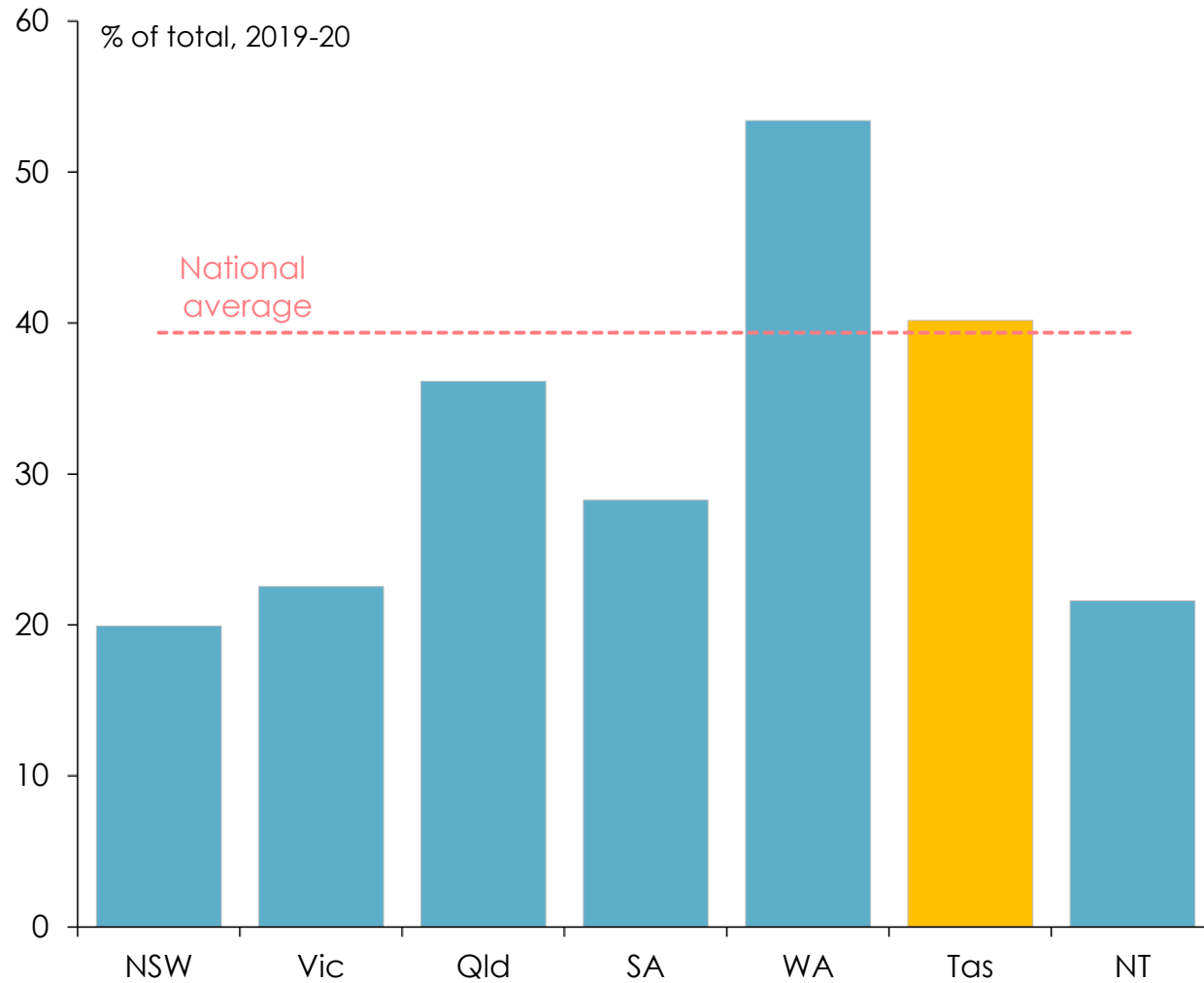
Tourism shares of Tasmanian gross state product and employment, 2006-07 to 2018-19



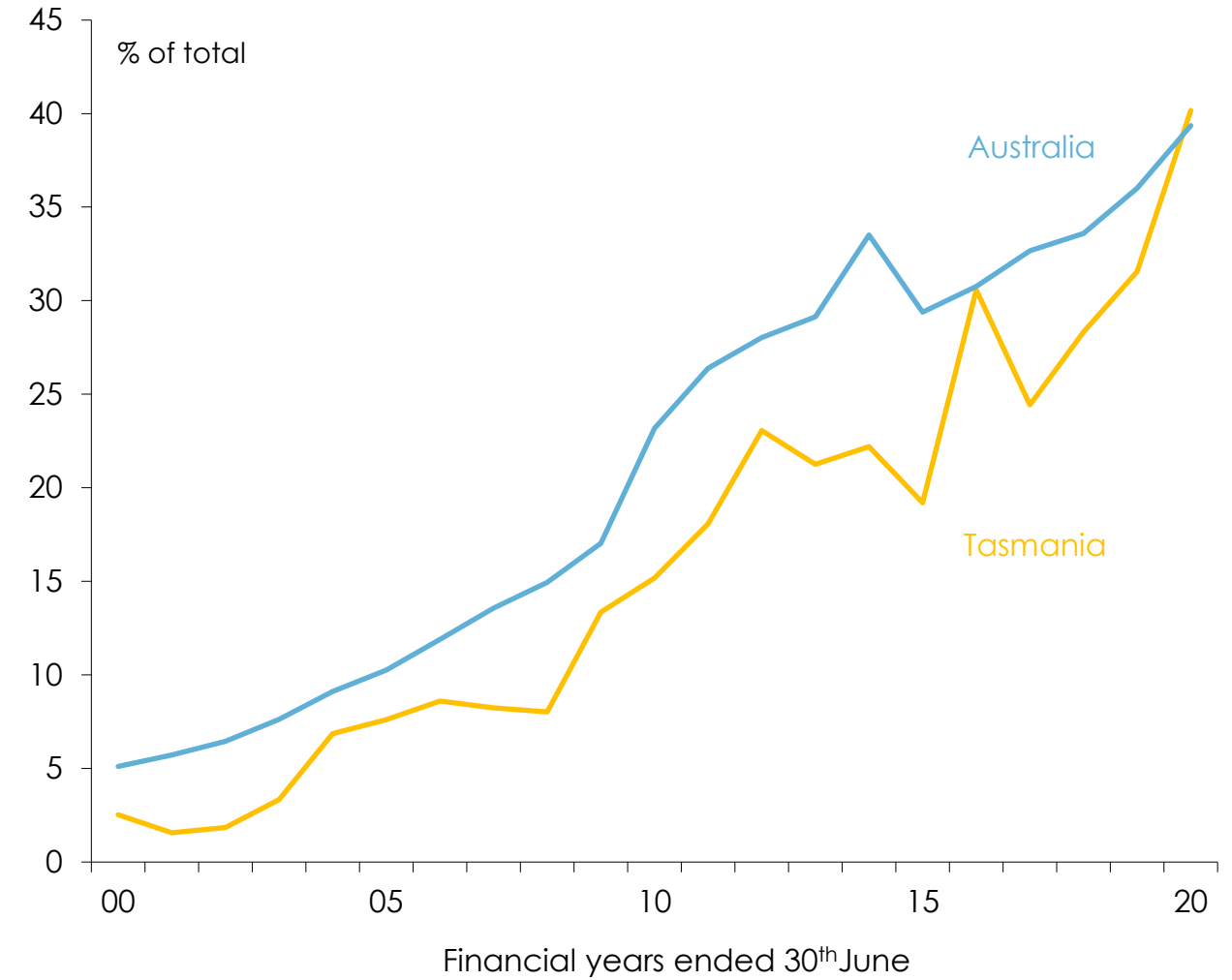
Source: Tourism Research Australia, [State Tourism Satellite Account 2018-19](#).

# Have we (inadvertently) become 'too reliant' on China as an export market given the deterioration in bilateral political relations?

Merchandise exports to China as a pc of total, states and territories, 2019-20



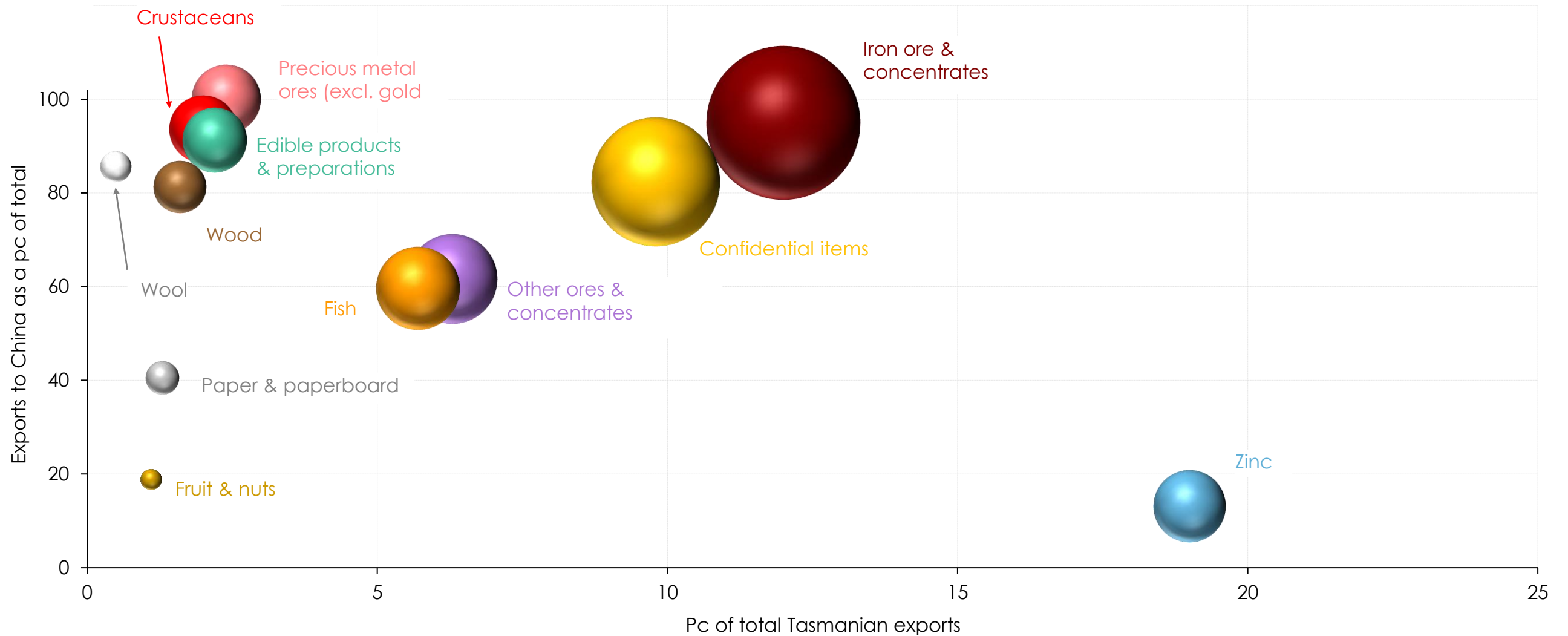
Merchandise exports to China as a pc of total, Tasmania and Australia, 1999-2000 to 2019-20



Source: ABS, [International Trade in Goods and Services, Australia](#).

# Many of Tasmania's major exports are vulnerable to Chinese trade sanctions

## Principal Tasmanian merchandise exports to China, 2019-20

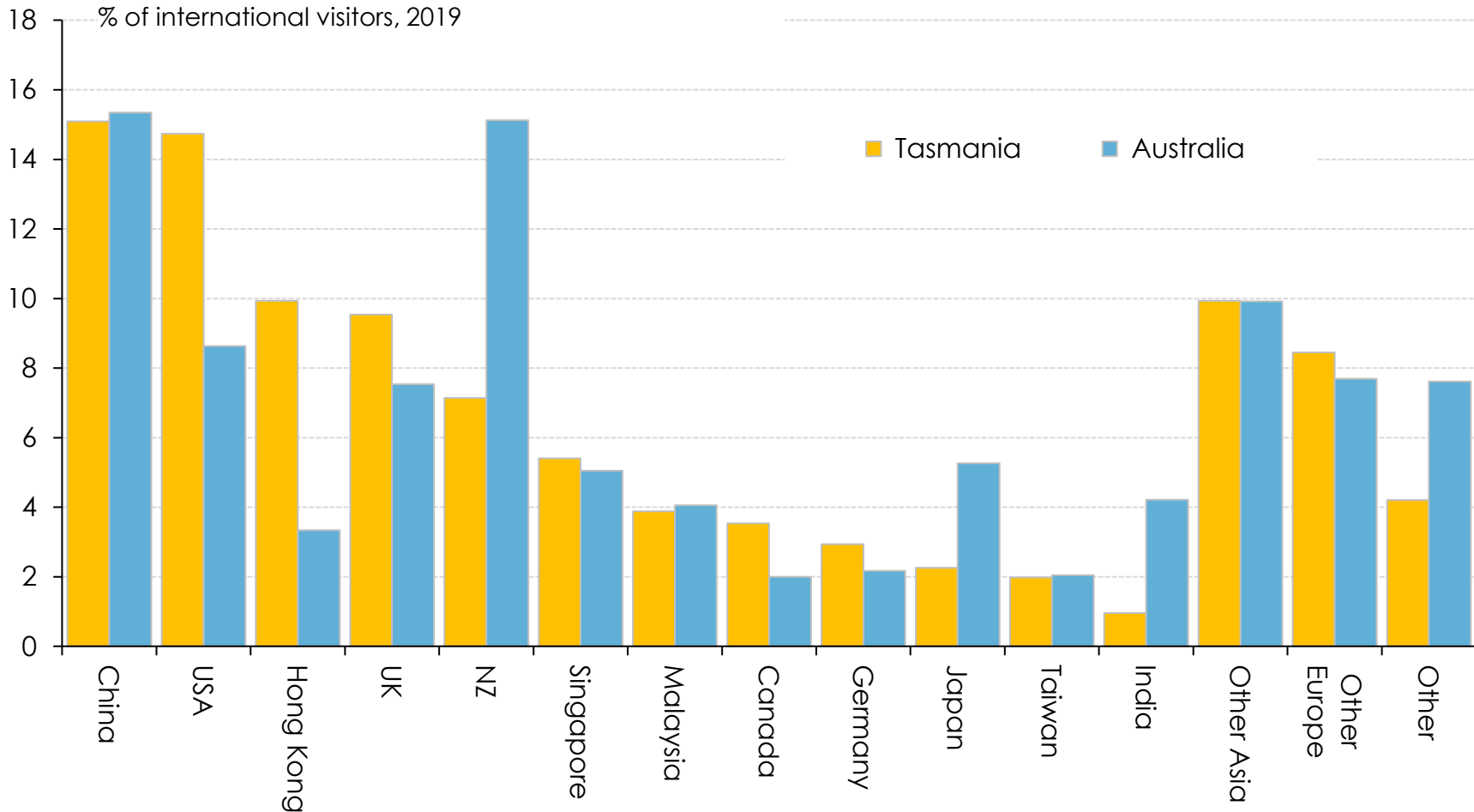


Note: The size of the 'bubbles' shown in this chart indicates the dollar value of exports of the items in 2019-20.

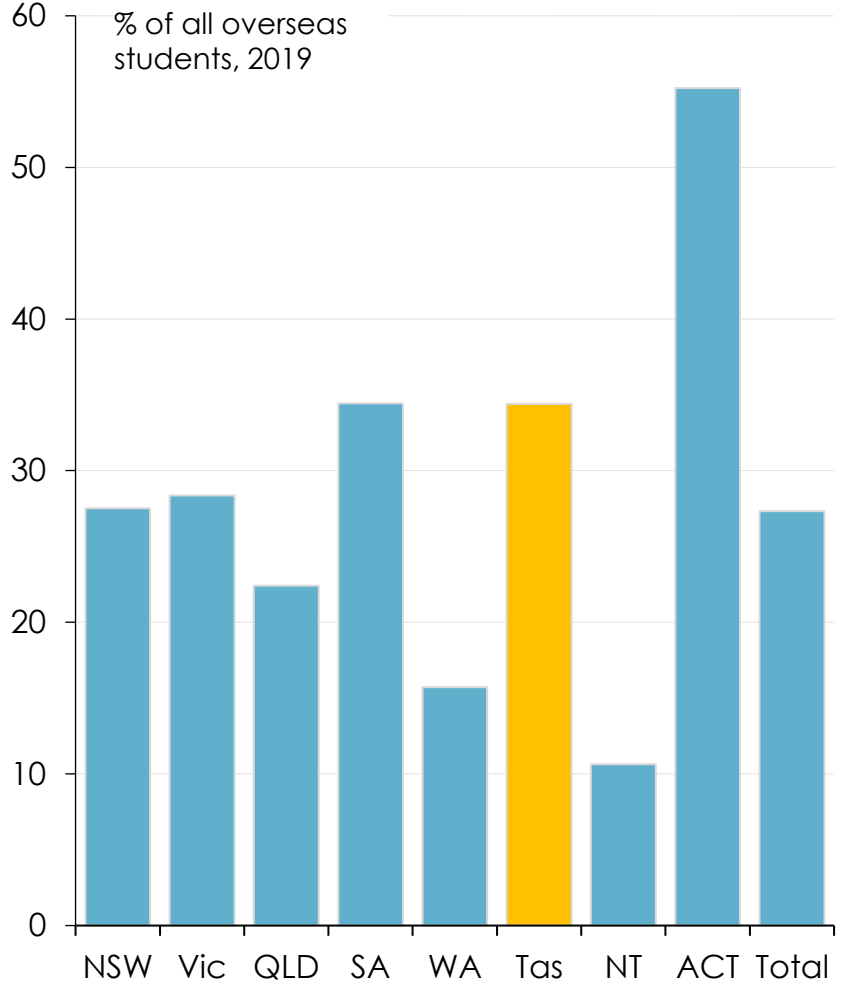
Source: Department of Foreign Affairs and Trade, [Trade statistical pivot tables](#).

# Tasmania is no less dependent on China for overseas tourists than the national average, and more dependent on China for overseas students

Origin of international visitors, Tasmania and Australia, 2019



Chinese students as a pc of all overseas students, 2019

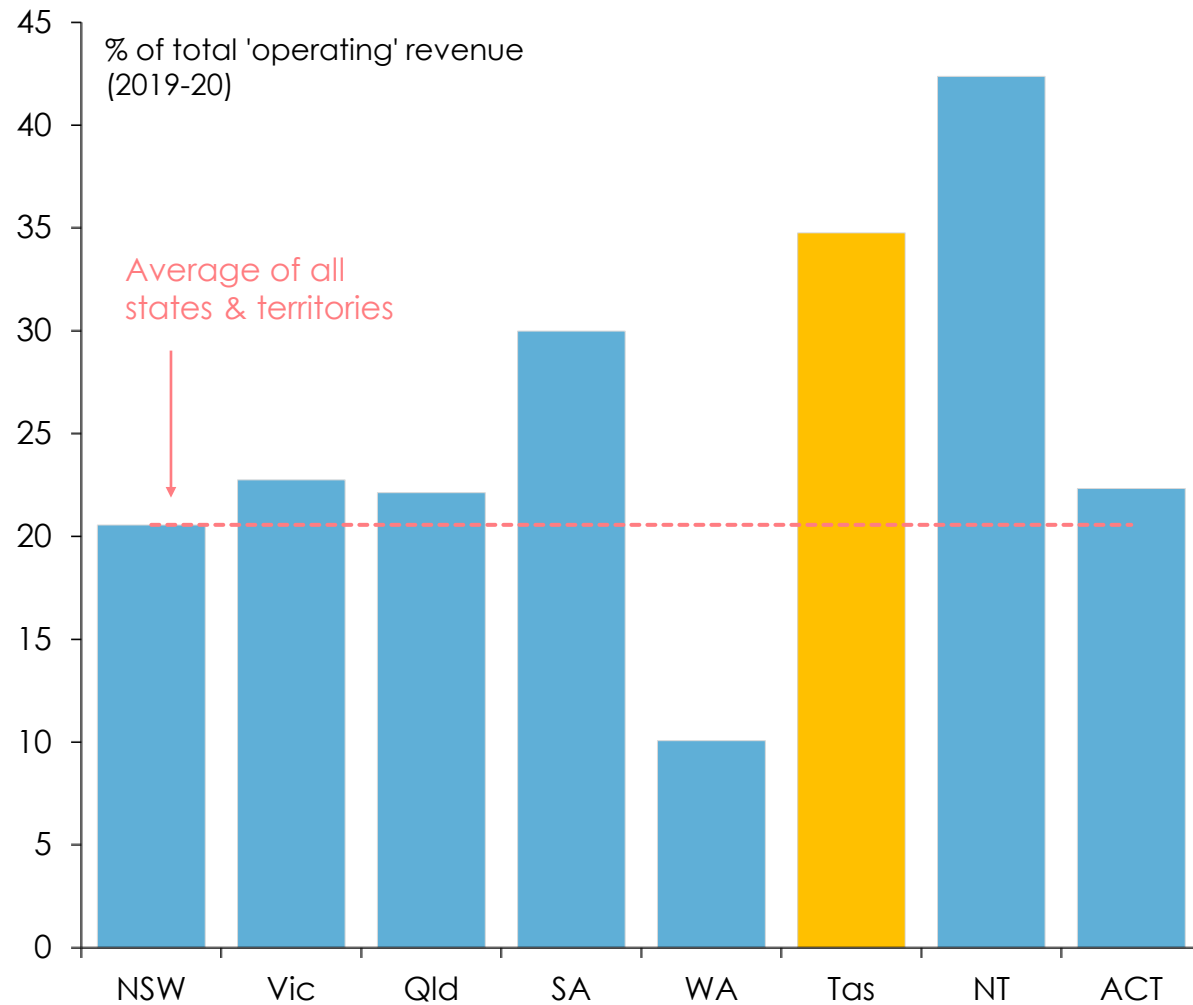


Note: 'Overseas students' includes higher education, VET, ELICOS (English Language Intensive Course of Study), school and non-award students.  
 Sources: Tourism Tasmania, [Tourism Snapshot](#), December 2019; ABS, [Overseas Arrivals and Departures, Australia](#); (Australian) Department of Education, [uCube - Higher Education Data Cube](#).

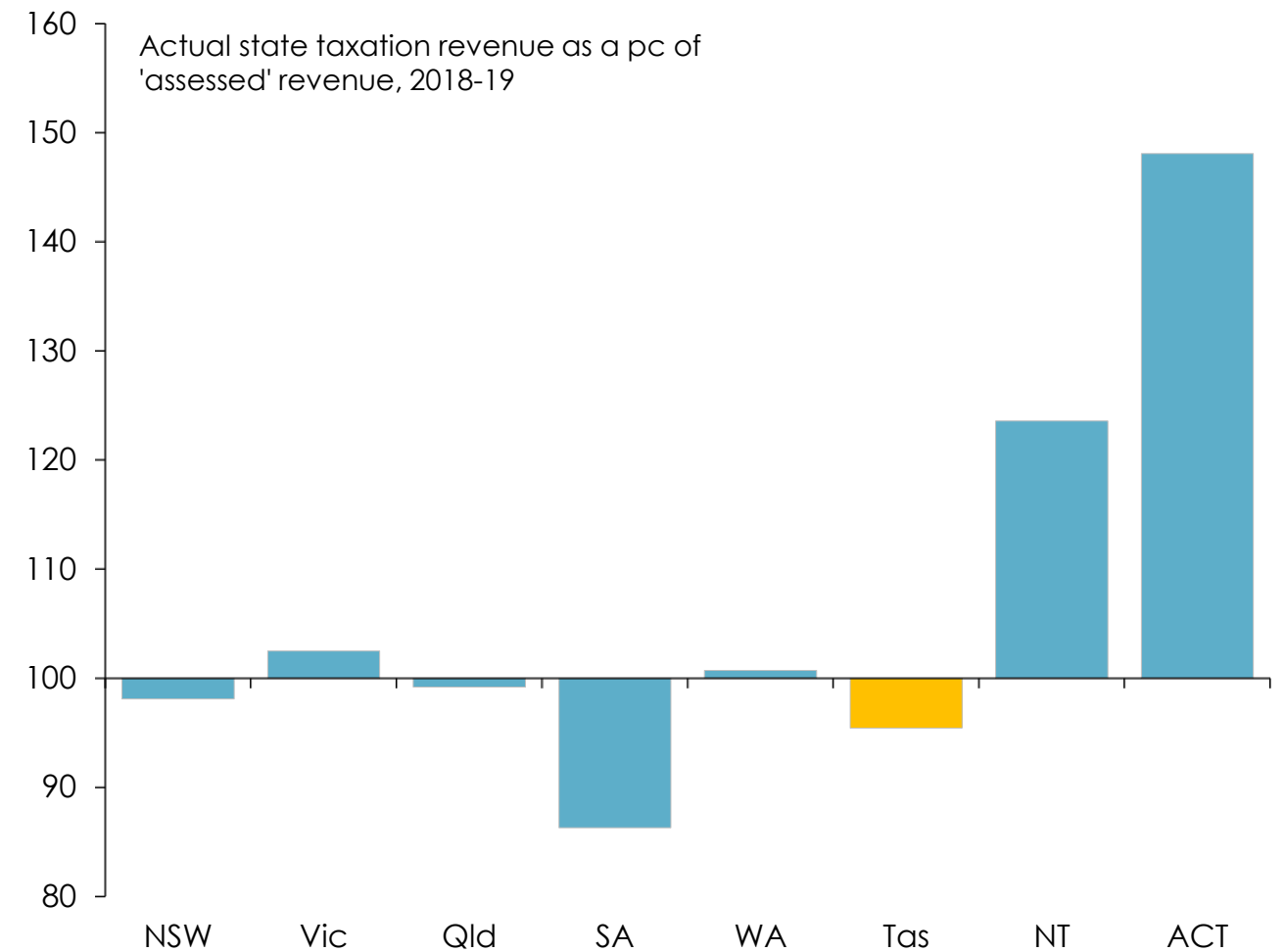


# Are we unwittingly putting our future capacity to fund services at risk by relying so heavily on our share of revenue from the GST?

GST revenue as a proportion of total revenue, states and territories, 2019-20



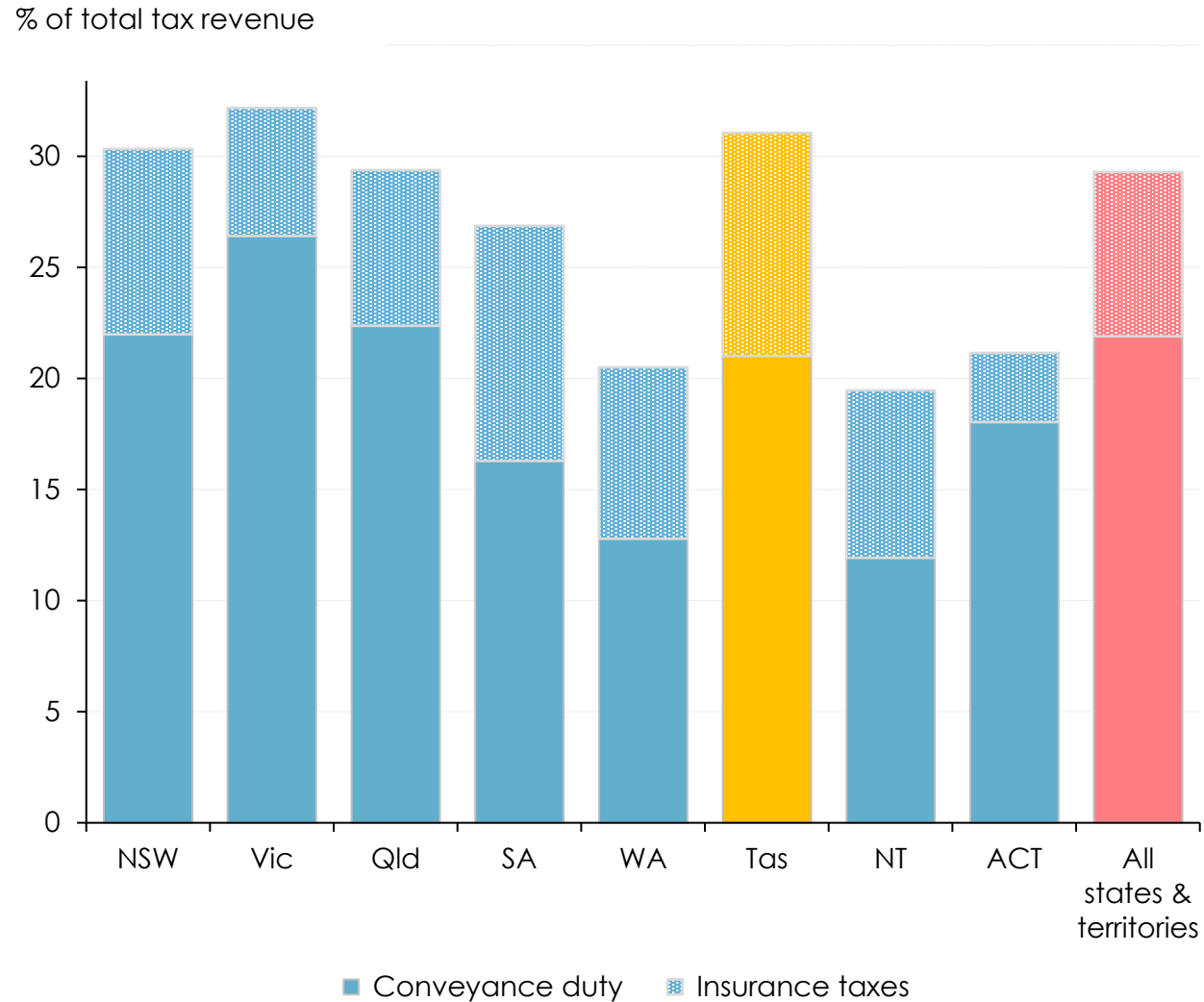
State taxation revenue as a pc of Grants Commission 'assessed revenue', states and territories, 2018-19



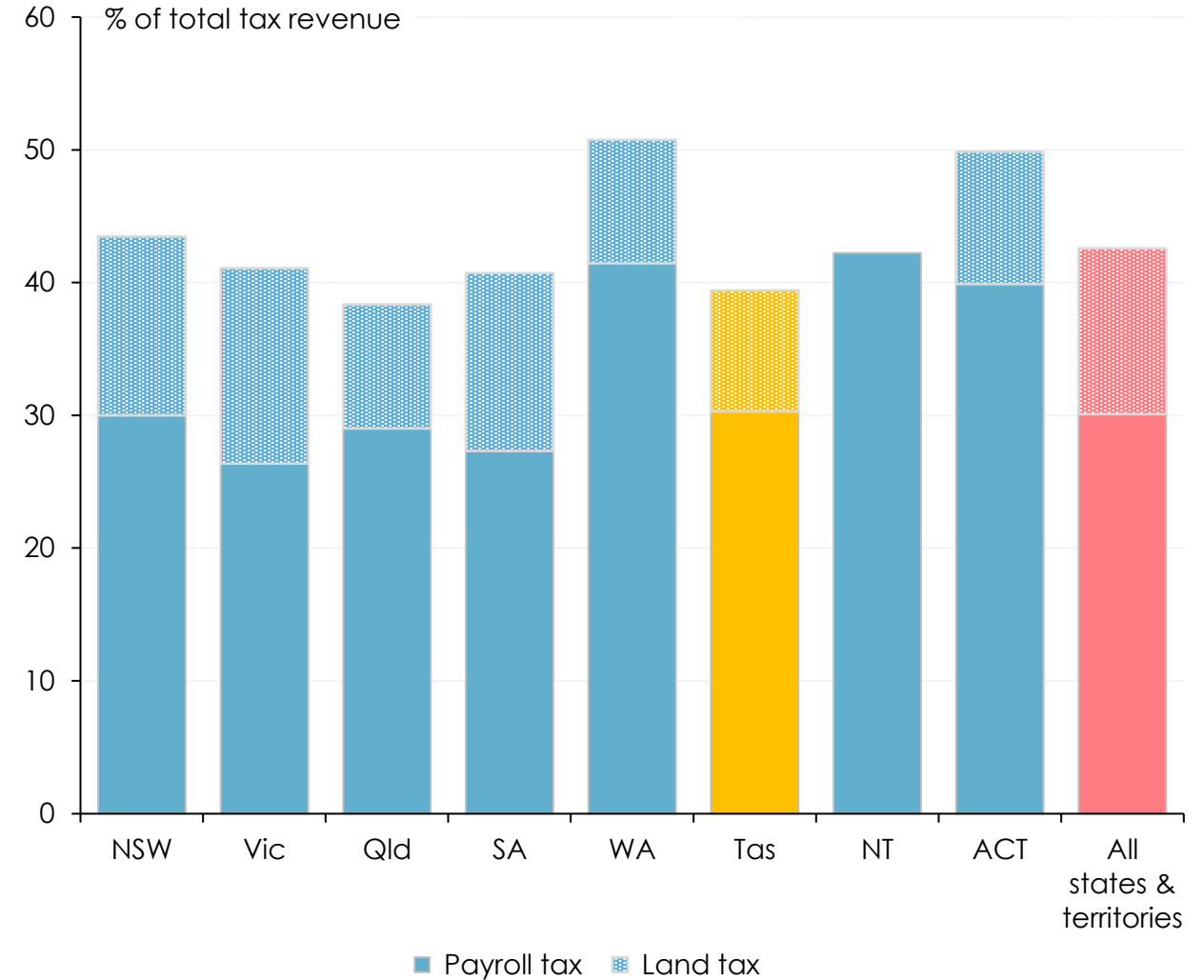
Note: 'assessed revenue' is the revenue which the Commonwealth Grants Commission estimates would be raised by each state and territory if its tax regime were of the same 'severity' (rates and base) as the average of all states and territories. The figure for the ACT is biased upwards because it includes municipal-type revenues such as rates. Sources: Federal, state and territory 2020-21 Budget Papers; Commonwealth Grants Commission [2020 Review](#).

# Reform of Tasmania's tax system could improve both 'efficiency' (reducing distortions) and 'equity' (reducing unfairness)

Revenue from 'bad' state taxes as a pc of total state taxation revenue, 2018-19



Revenue from 'good' state taxes as a pc of total state taxation revenue, 2018-19



Sources: ABS, [Taxation Revenue Australia](#); Corinna.

# Contrasting attitudes to the need for state tax reform

## NSW Treasurer Dominic Perrottet

“The challenges we face will demand every ounce of effort, ingenuity and imagination our State can muster”

[the State Government has] “an obligation to future generations: to leave our State and our nation better than we found it”

“for state governments, the reform with the greatest potential to unlock prosperity is tax”

[The proposal to replace stamp duty on land transfers with a broader land tax is] “the most important state economic reform of the last half century” [and one which would] “generate 75,000 new jobs and add an extra \$3,300 of income for every household in NSW”

- [NSW Budget Speech 2020-21](#)  
17<sup>th</sup> November 2020

## Tasmanian Premier & Treasurer Peter Gutwein

“In terms of ensuring the context of tax reform and having a more efficient and sustainable tax base, the challenge we face in Tasmania ...to actually broaden our bases means that we impose taxes on a lot of people who currently don't pay tax

“The simple fact of the matter is very few Tasmanians actually pay state tax”

“I was surprised the New South Wales government would actually embark upon a taxation discussion at this point”

“I honestly don't believe that right now is the time for a discussion about tax reform”

- [Legislative Council Estimates Committee A](#)  
1<sup>st</sup> December 2020

**Your questions**

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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