

'REGIONS ON THE RISE'

PRESENTATION TO THE REGIONAL AUSTRALIA 2021 NATIONAL SUMMIT

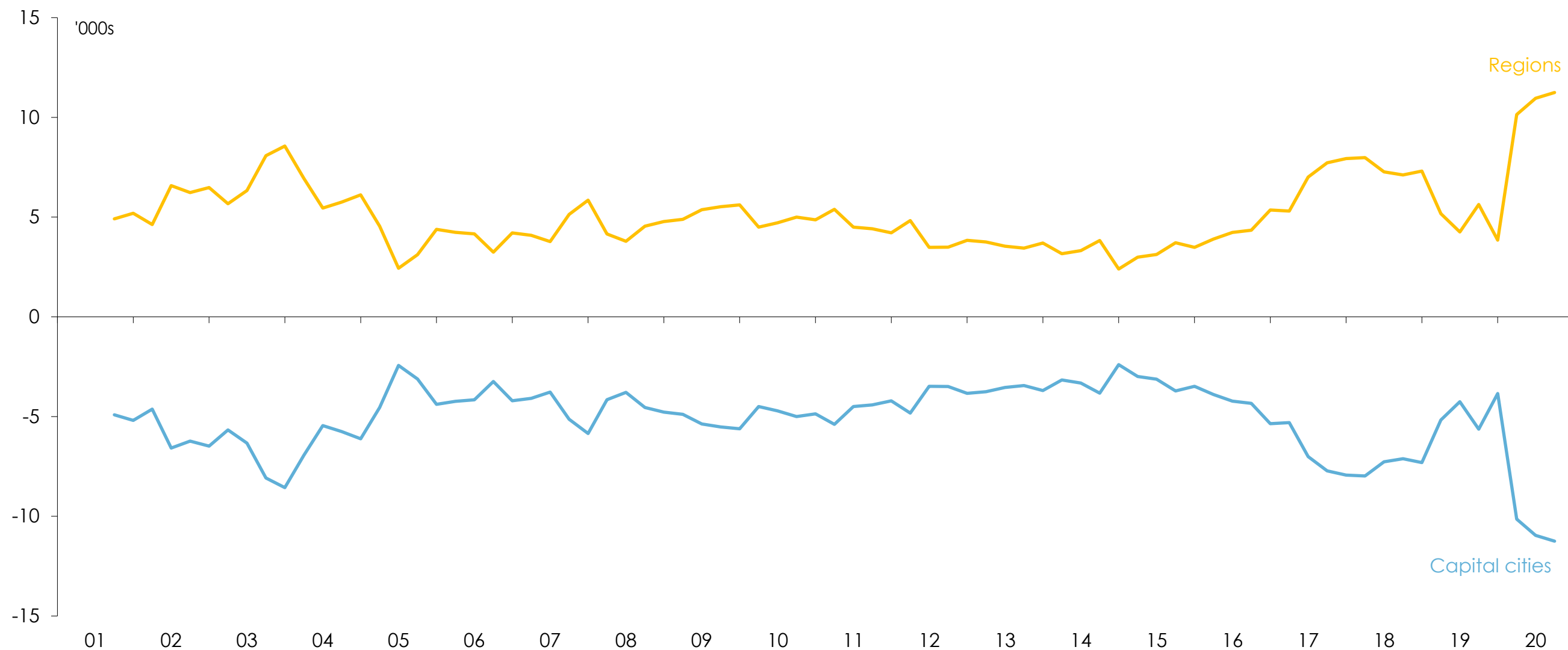
HOTEL REALM, CANBERRA
17TH MARCH 2021

www.bettercallsaul.com.au

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY PTY LTD

People are moving to live in regions in greater numbers than at any time in at least the last twenty years

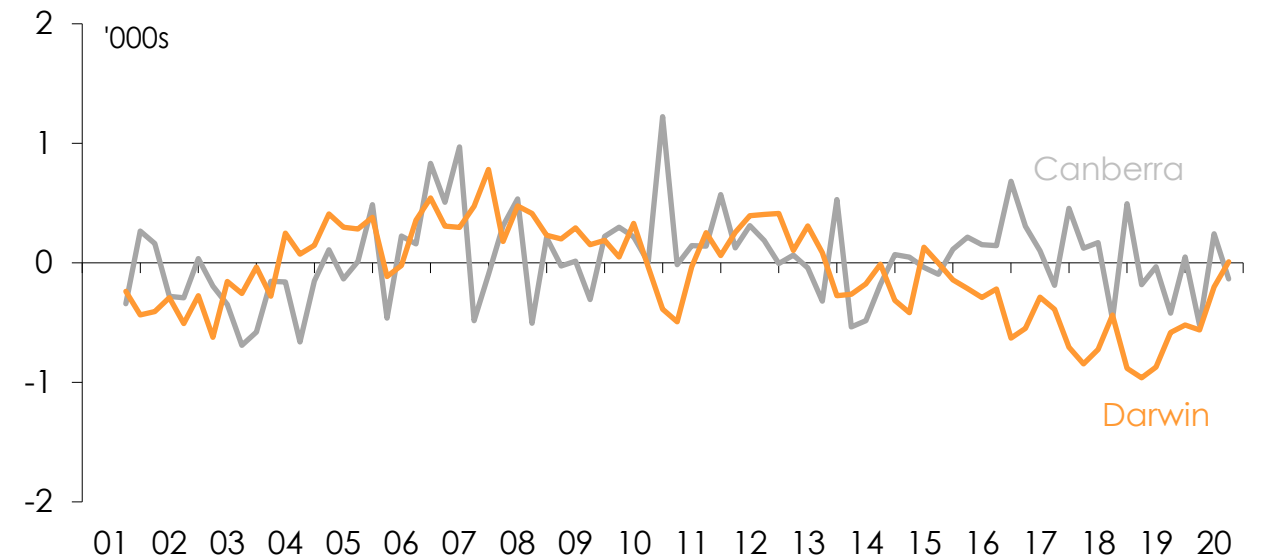
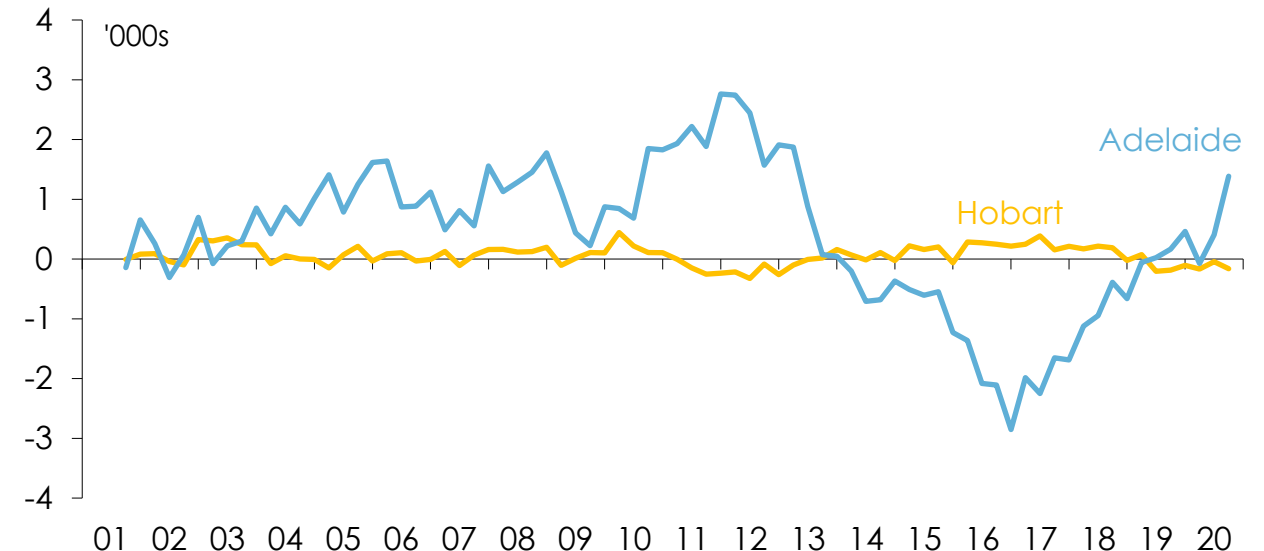
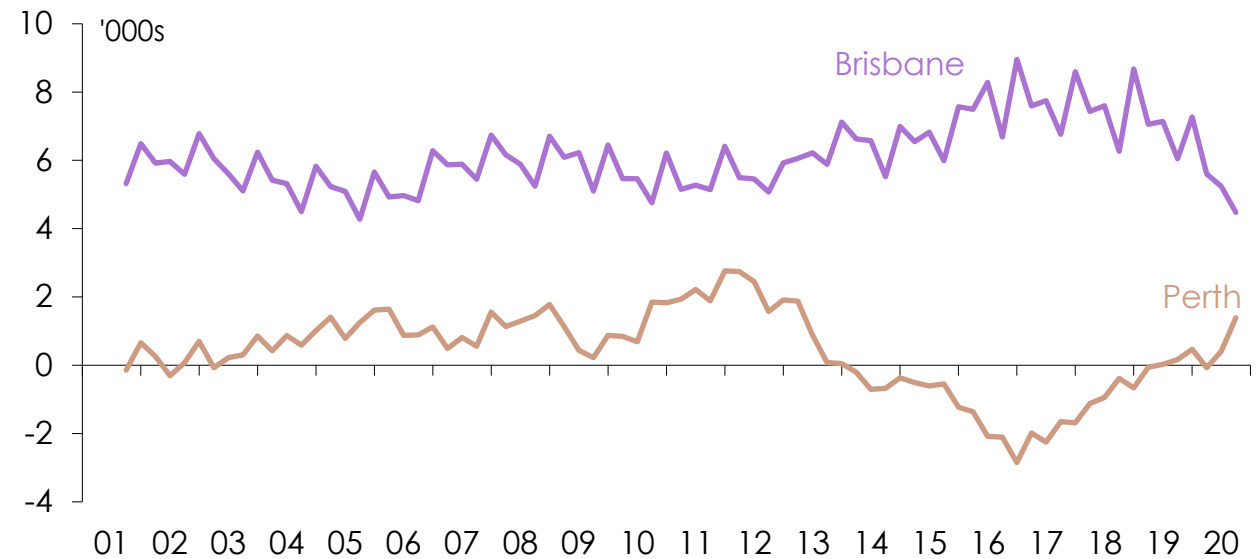
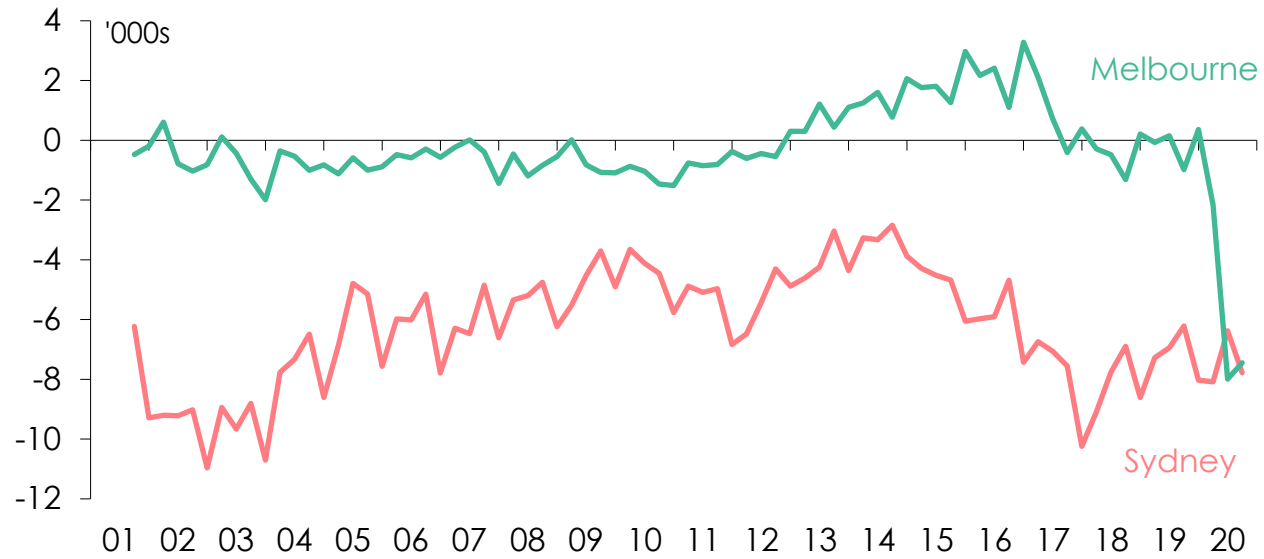
Internal migration flows – capital cities vs regions



Note: 'internal migration' refers to the movement of people across specified boundaries (in this case, between 'greater capital city' areas and 'rest of state'), estimated using data from Medicare and (for military personnel) the Department of Defence. Source: ABS, [Regional internal migration estimates, provisional](#), September 2020.

The recent exodus from capital cities is, in essence, a story about Melbourne ...

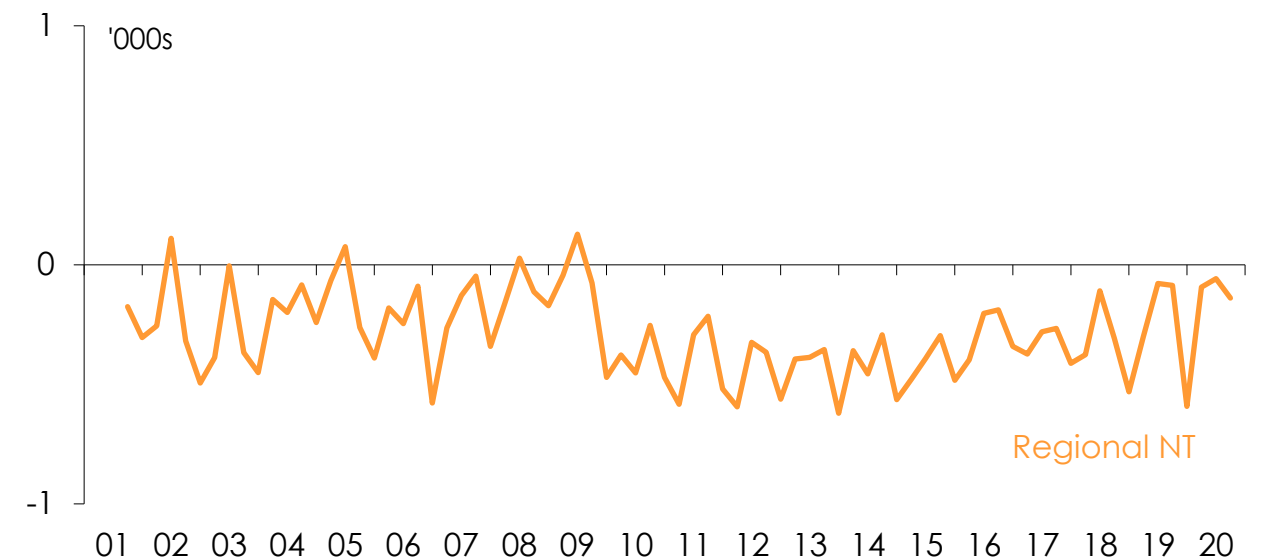
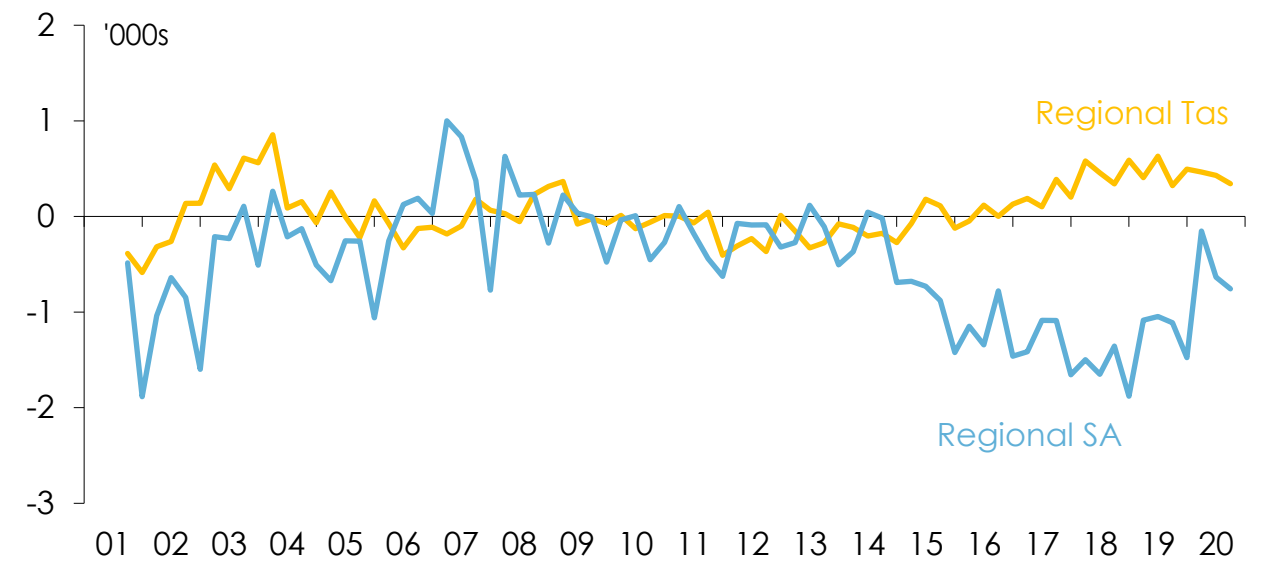
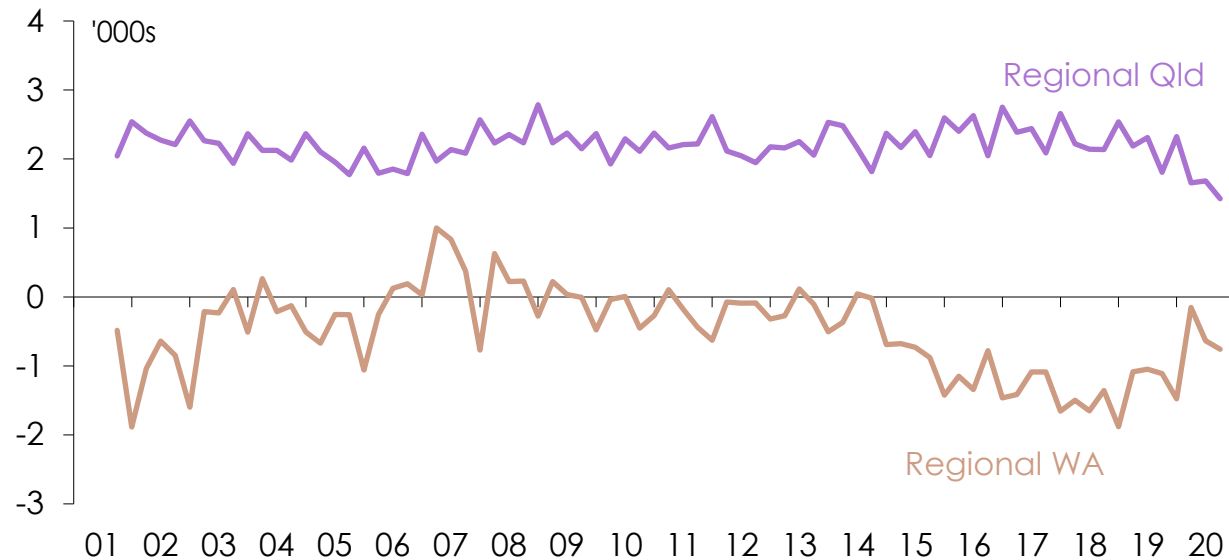
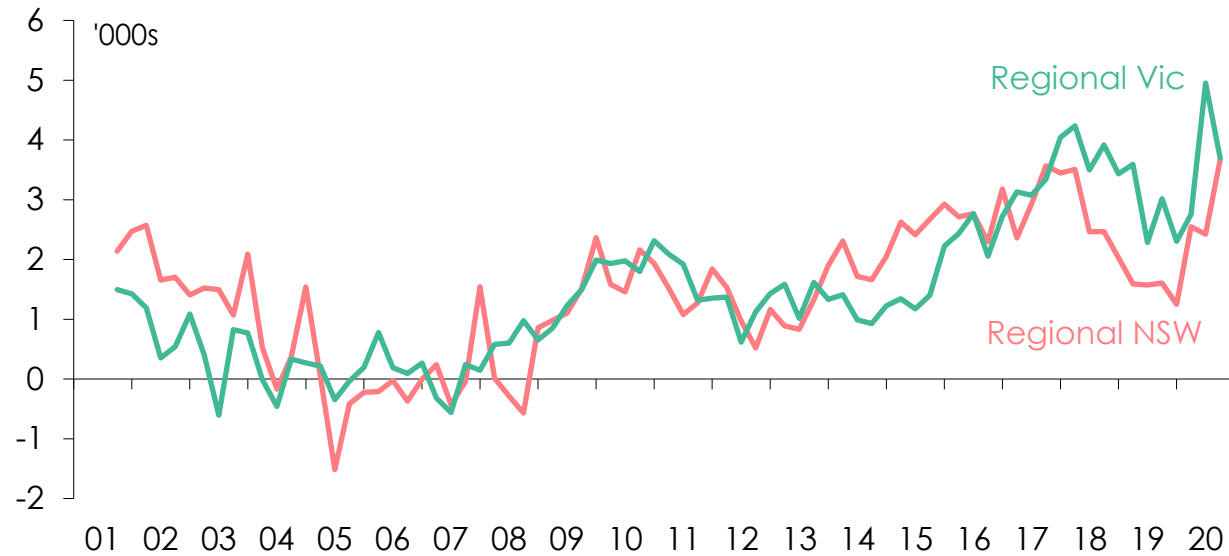
Net internal migration to or from Australia's capital cities



Note: 'internal migration' refers to the movement of people across specified boundaries (in this case, between 'greater capital city' areas and 'rest of state'), estimated using data from Medicare and (for military personnel) the Department of Defence. Source: ABS, [Regional internal migration estimates, provisional](#), September 2020.

... and the regions which are benefiting most seem to be regional New South Wales, regional Victoria and regional Tasmania

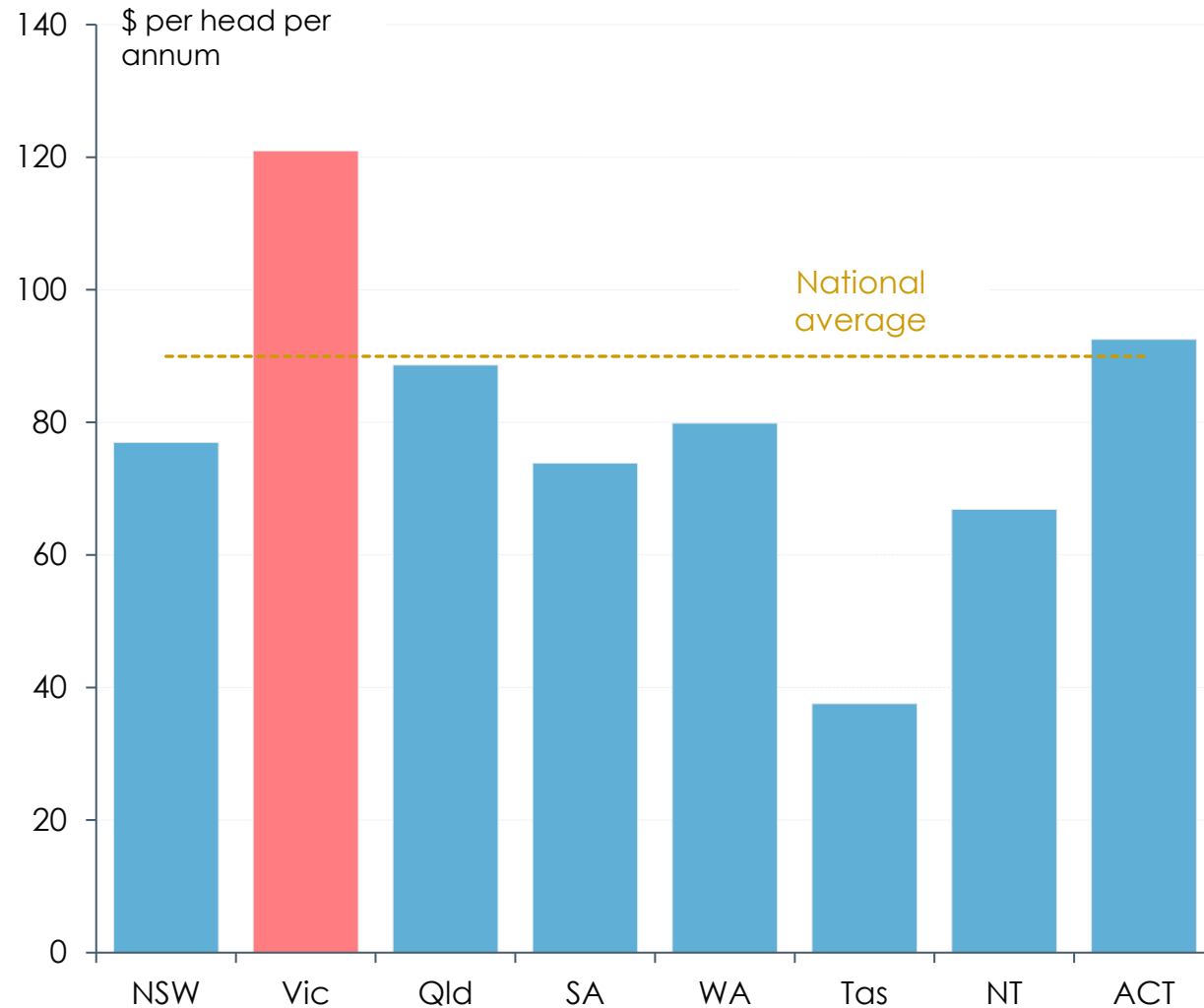
Net internal migration to or from Australia's non-metropolitan regions



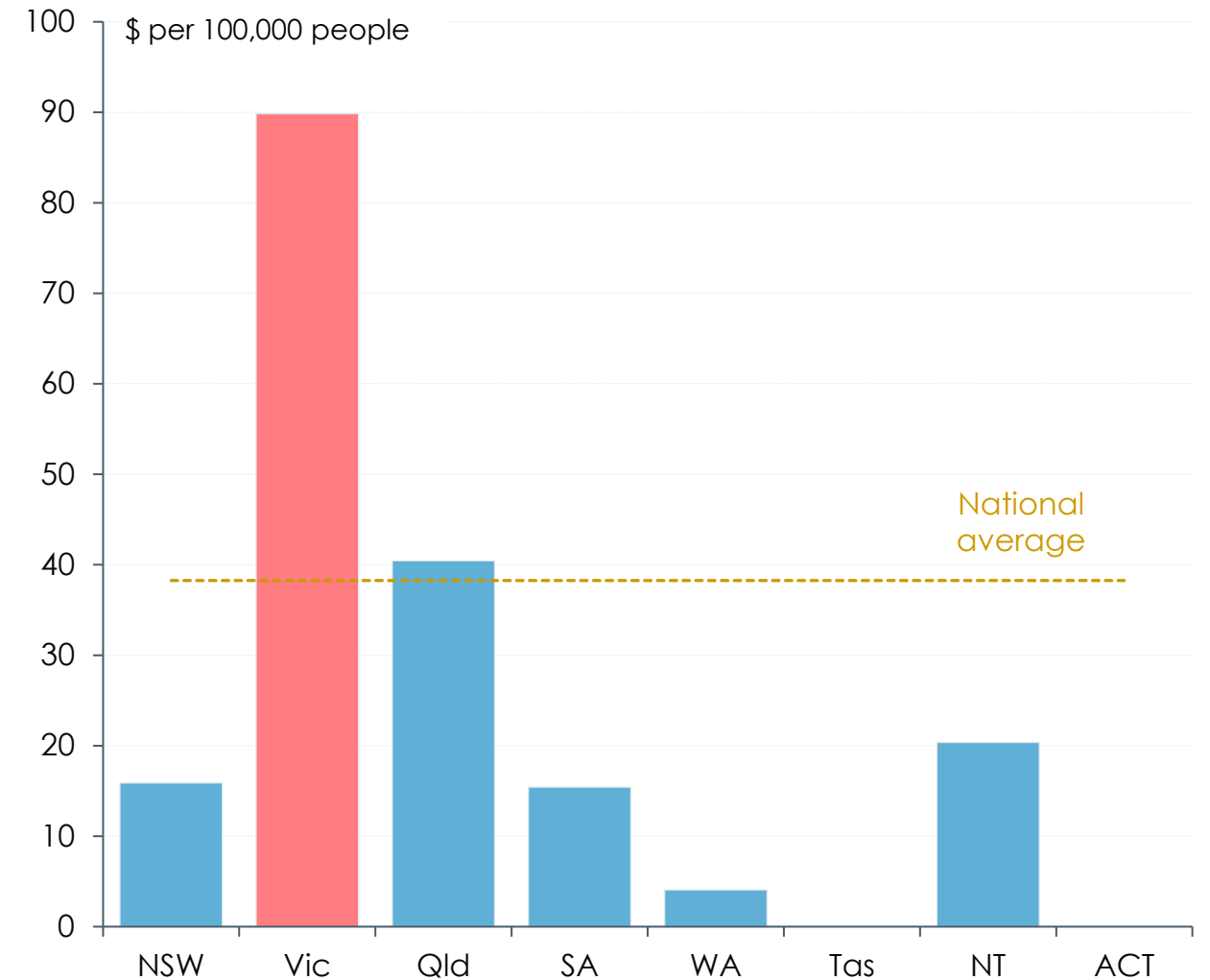
Note: 'internal migration' refers to the movement of people across specified boundaries (in this case, between 'greater capital city' areas and 'rest of state'), estimated using data from Medicare and (for military personnel) the Department of Defence. Source: ABS, [Regional internal migration estimates, provisional](#), September 2020.

It would appear that people want to get out of the 'Police State'

Revenue from fines per head of population, states and territories, 2014-15 to 2018-19



Fines for breaches of lockdown regulations during the first lockdown, per head

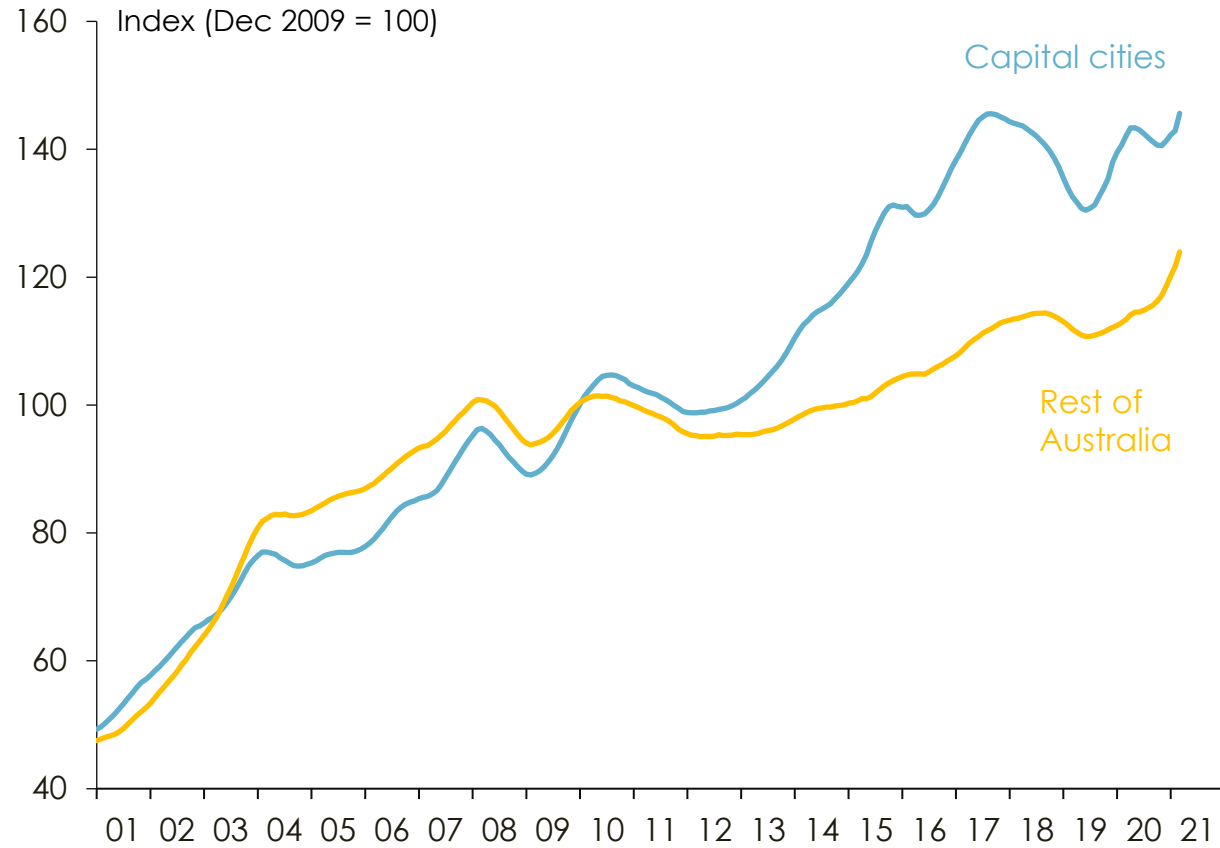


Note: fines for breaches of Covid-19 regulations are for the period between when 'stage 3' lockdowns started in late March to the last week of May.

Sources: State and Territory annual financial reports and 2019-20 Mid-Year Budget Reviews; *The Age*, 28th May 2020;

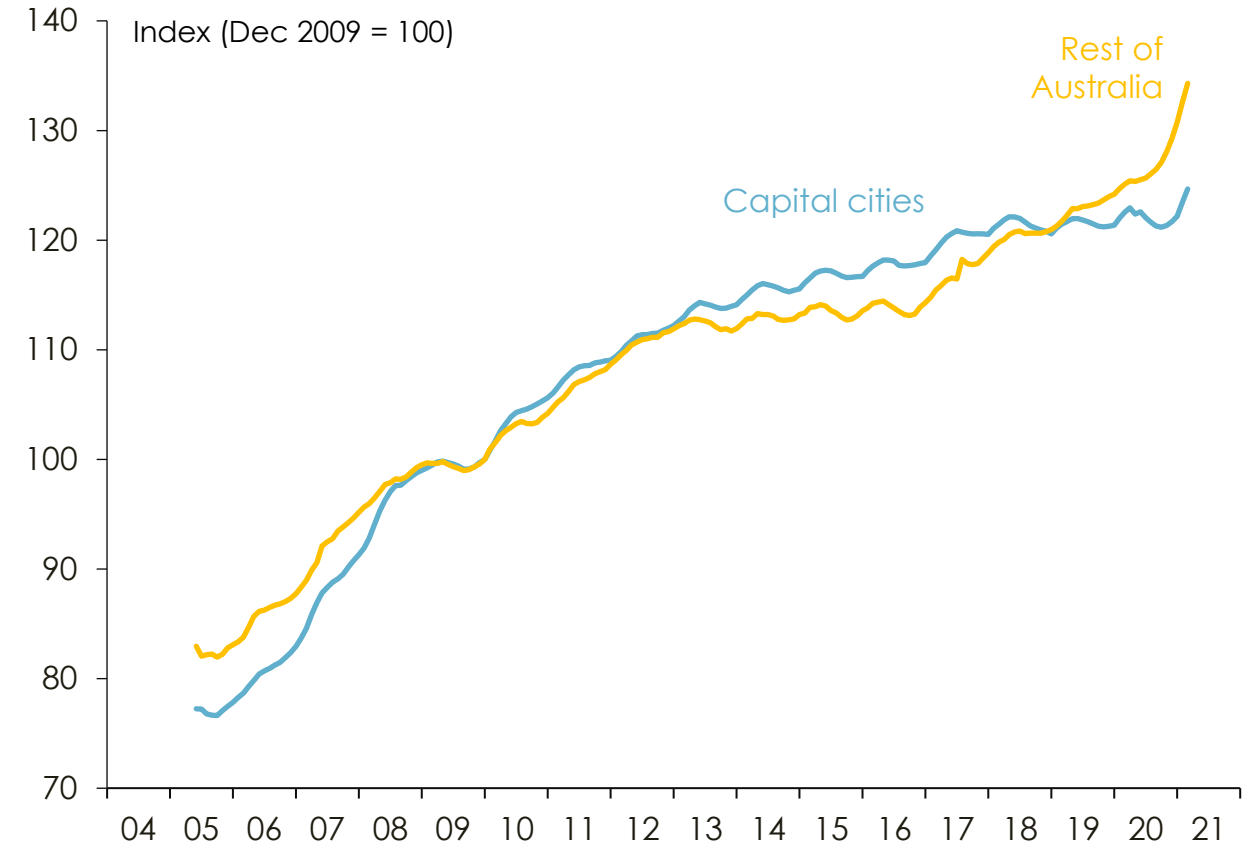
The most obvious consequence of this 'shift to regions' has been in property prices and rents (and that isn't an unalloyed Good Thing)

Capital cities and regional areas residential property prices



- ❑ Property prices have risen by 9.3% (on average) in regional Australia over the past 12 months, compared with 2.5% in capital cities (although they are still 31% cheaper than in capital cities)

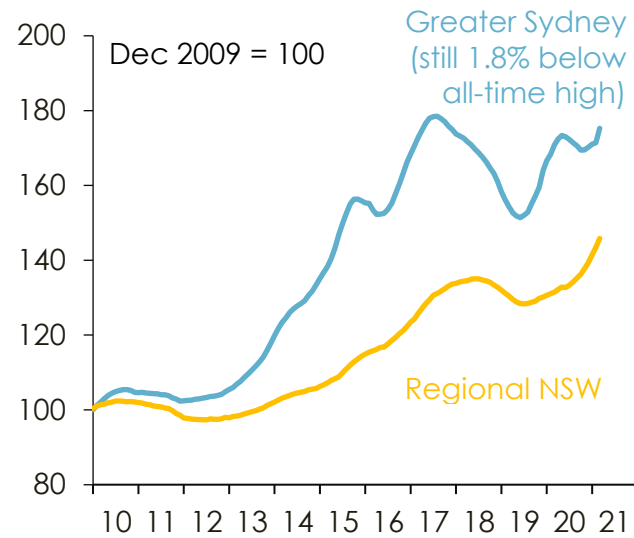
Capital cities and regional areas residential rents



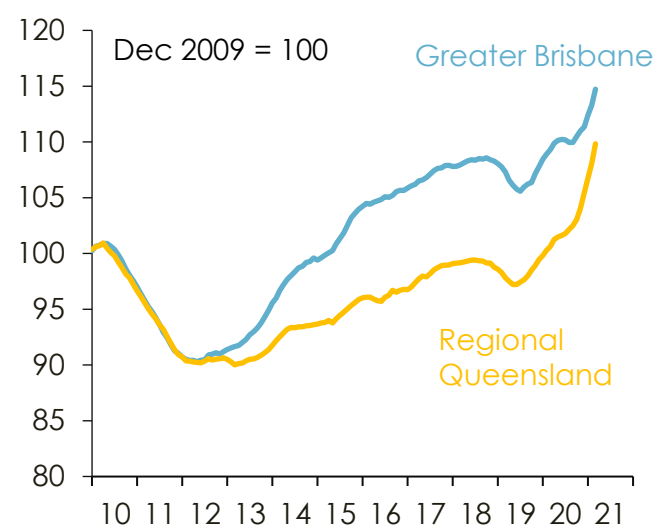
- ❑ Rents have risen 7.3% in regional Australia over the past 12 months, compared with 1.7% in capital cities (although they are still 10% cheaper, on average, than capital cities)

Property price inflation has been greatest in regional Tasmania, Queensland and South Australia

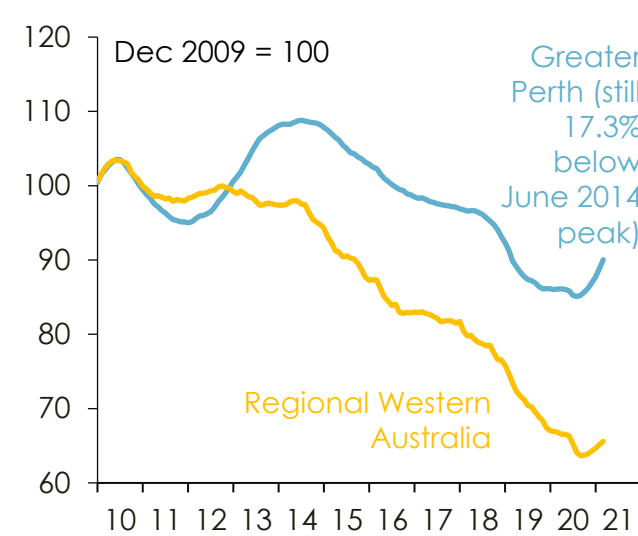
New South Wales



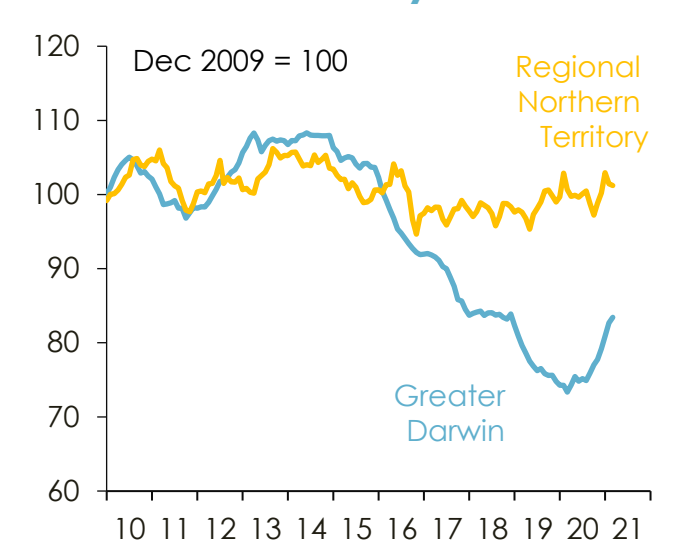
Queensland



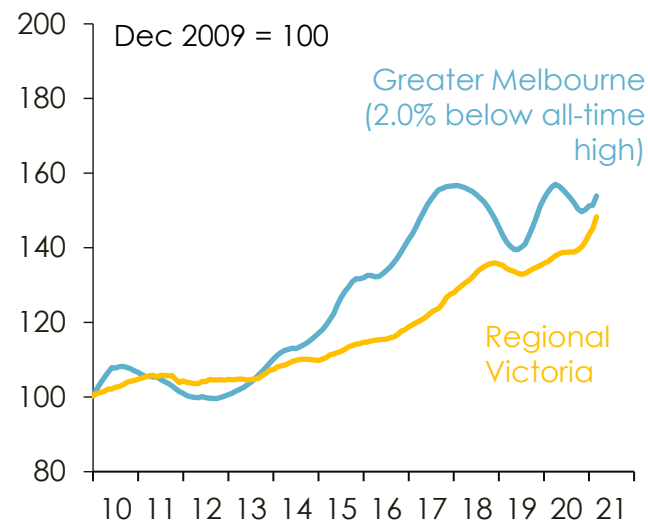
Western Australia



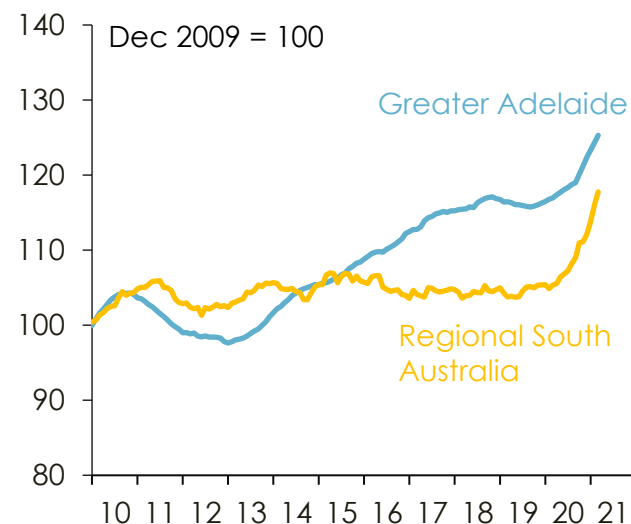
Northern Territory



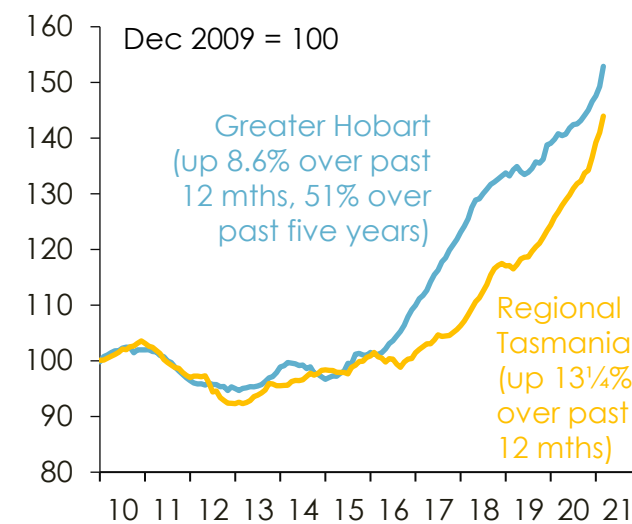
Victoria



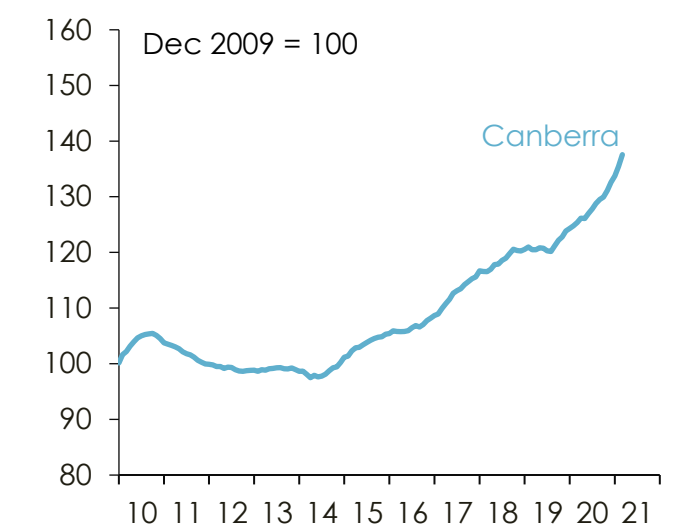
South Australia



Tasmania



Australian Capital Territory

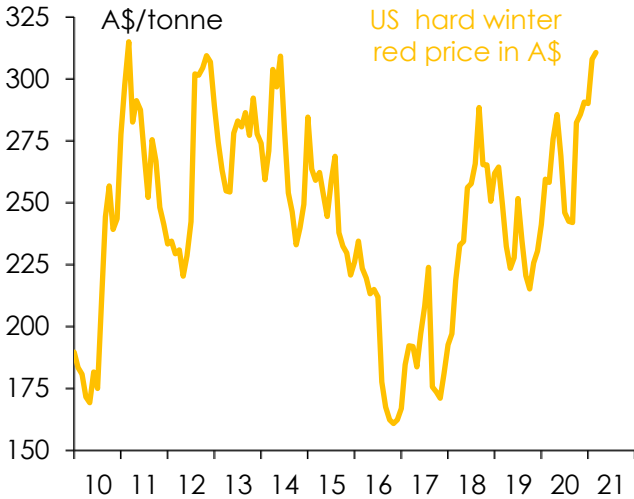


What's driving this apparent 'shift to the regions' – and is it sustainable?

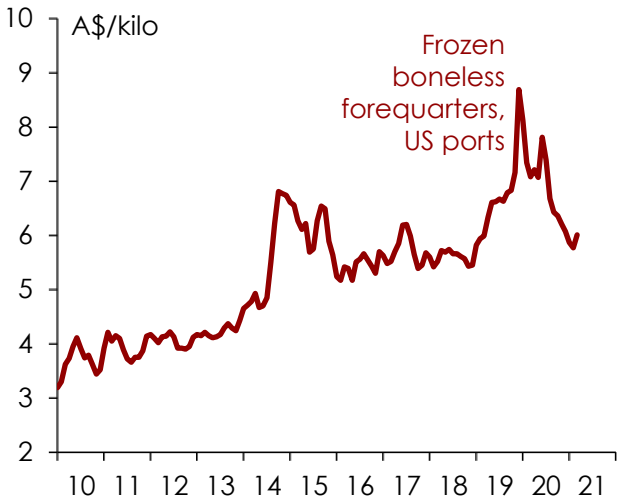
- ❑ **A perception that regional Australia is 'safer' than capital cities during covid-19**
 - there have been far fewer infections (per head of population) in regional areas than in capital cities (and many regional areas have had no cases at all)
 - except in Victoria life has been less disrupted by lockdowns than in capital cities
- ❑ **The increased acceptance and feasibility of 'working from home'**
 - employers have discovered that 'working from home' doesn't detract from productivity, employee engagement, the ability to collaborate with other employees or 'work in teams' as much as they had feared
 - while many employees have discovered that there are much better things they can do with their time than commuting 1-2 hours in each direction, every working day
 - greater acceptance of 'working from home' – combined with a need to be in CBD workplaces perhaps only 2 or three times a month – has made living in places that might be (say) 3-4 hours drive (or train ride) from a CBD more feasible
 - of course there are many jobs that can't be done remotely
- ❑ **Improving prospects for regional industries**
 - recovery from drought (although of course it's more widely recognized that droughts are occurring more often, and lasting longer)
 - prospect of sustainably better prices for a range of agricultural commodities given changing patterns of demand in 'emerging' economies (especially in Asia) and constraints on increased local production
 - for some regions, recovery in prices for mineral commodities and renewed upturn in resources investment (though coal a significant exception)

Commodity prices fluctuate – but most of the more important commodity prices for regional Australia seem to be on an upward trend

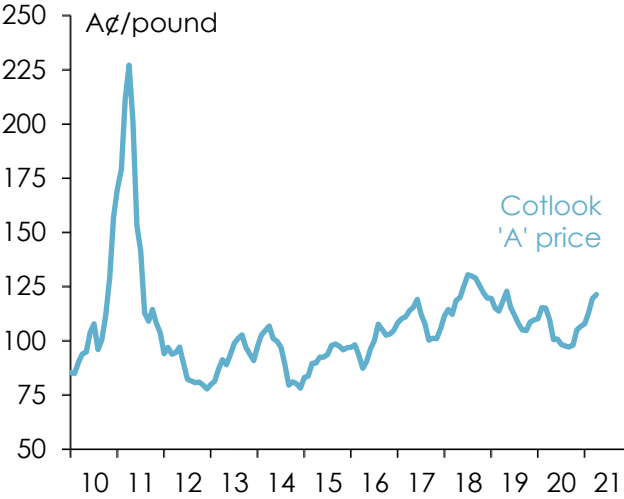
Wheat



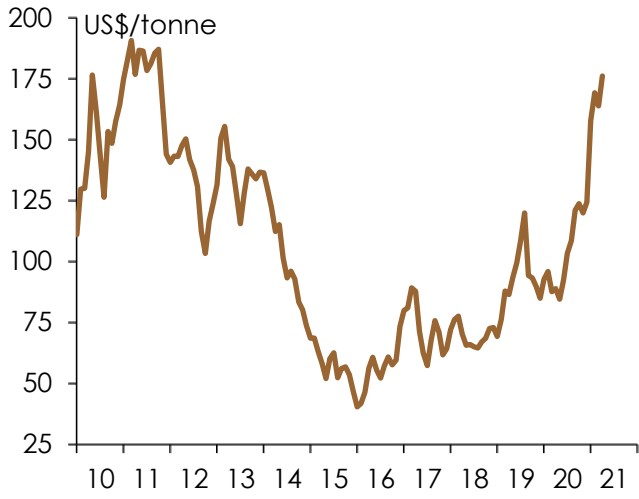
Beef



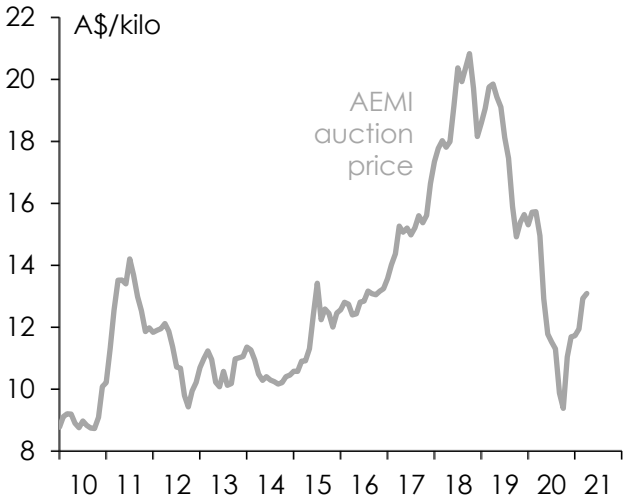
Cotton



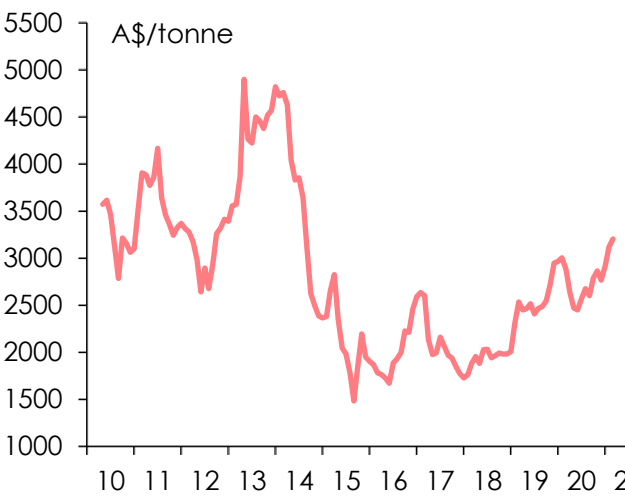
Iron ore



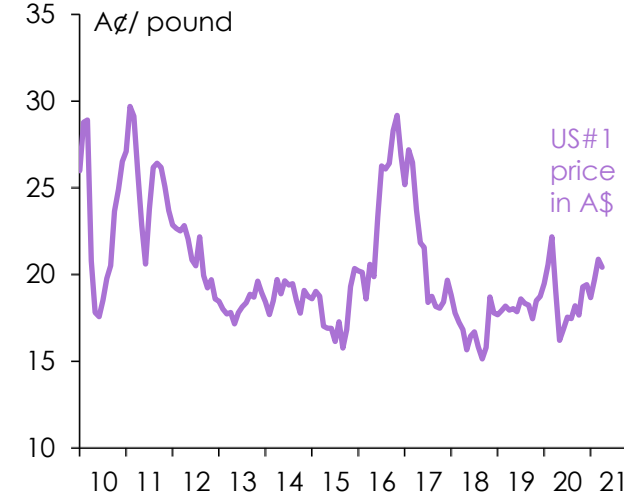
Wool



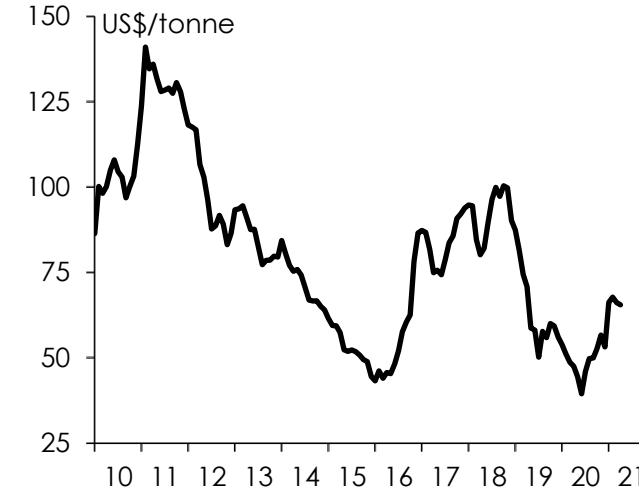
Skim milk powder



Sugar



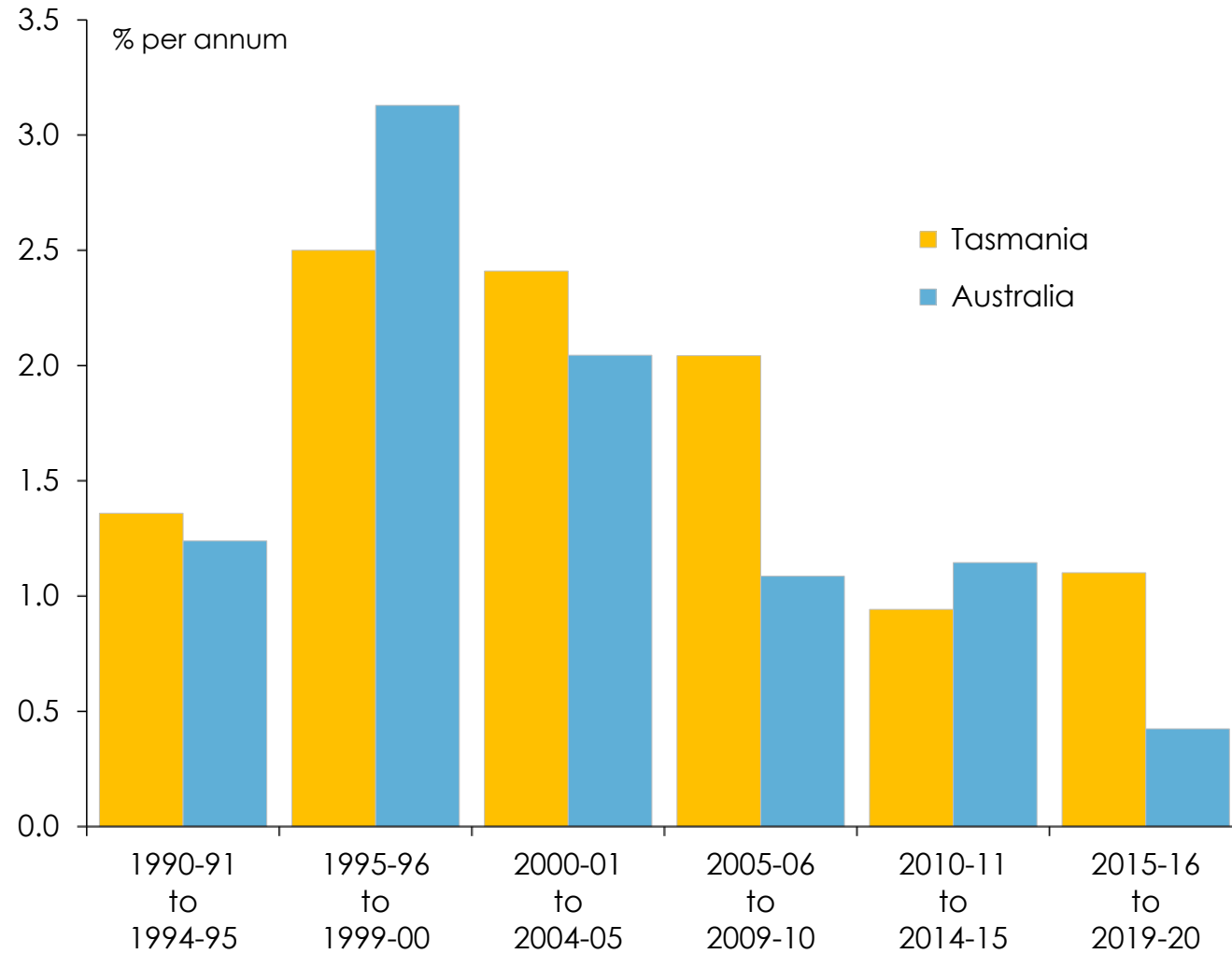
Thermal coal



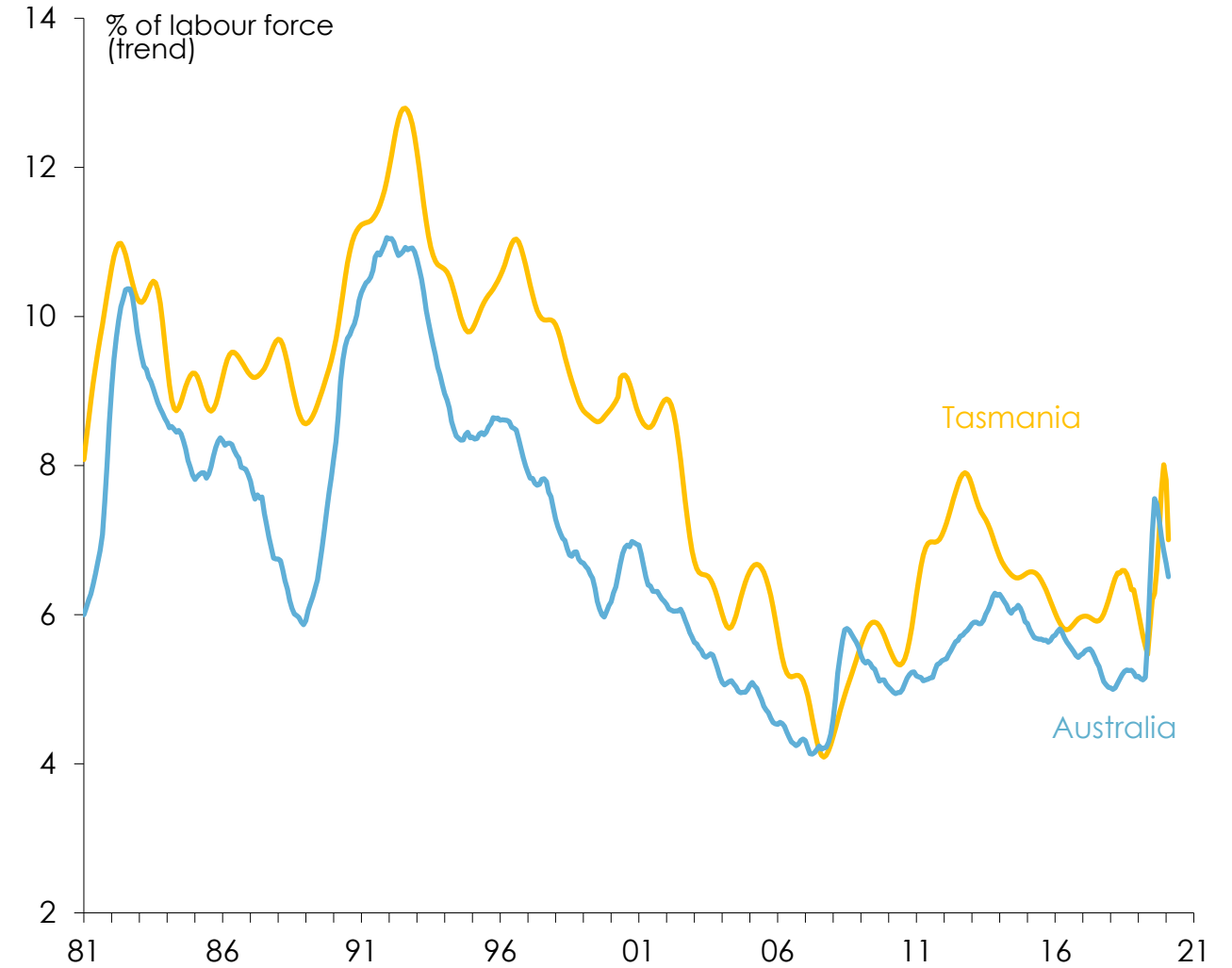
Sources: Refintiv Datastream; IndexMundi; Global Dairy Trade.

Tasmania's economic performance has improved considerably in the last five years – although we have had episodes like this one before

Growth in real gross product per capita, Tasmania and Australia, 1990-91 to 2019-20



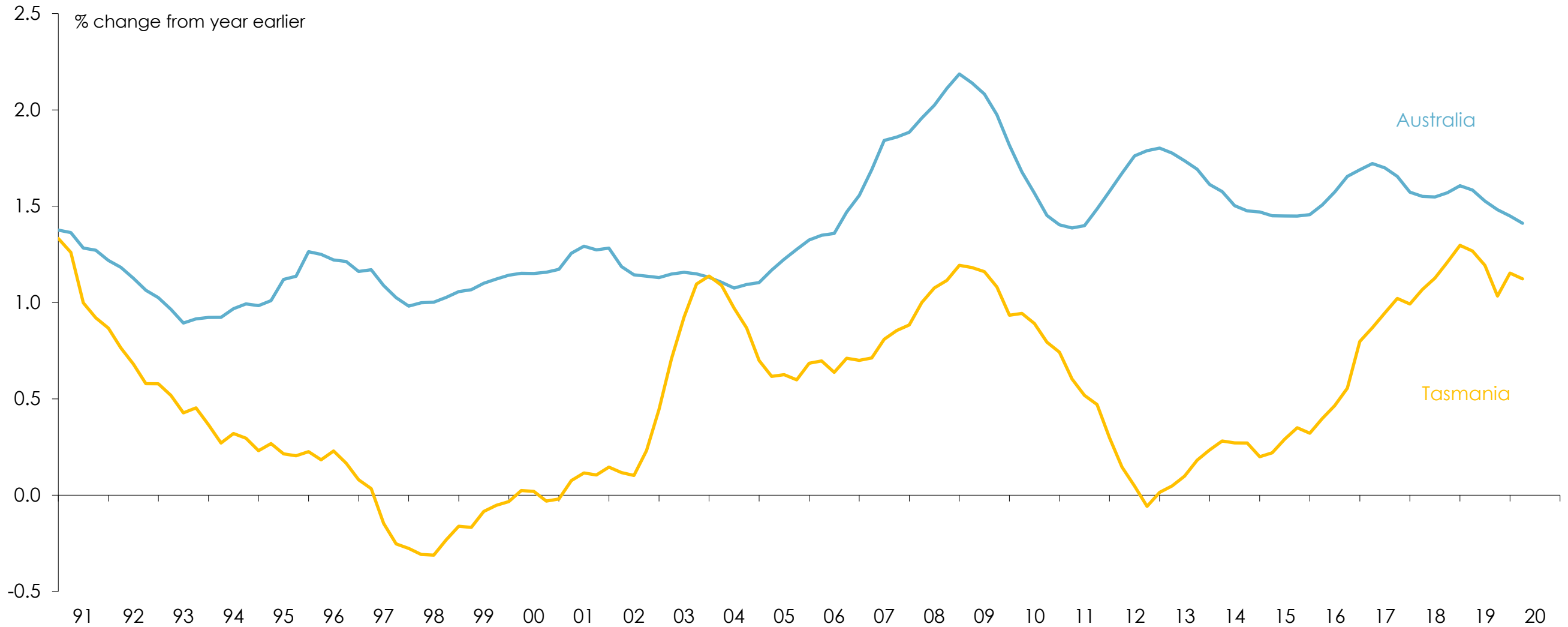
Unemployment rates, Tasmania and Australia, 1981-21



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

Tasmania's population has been growing at close to its fastest rate in nearly 30 years

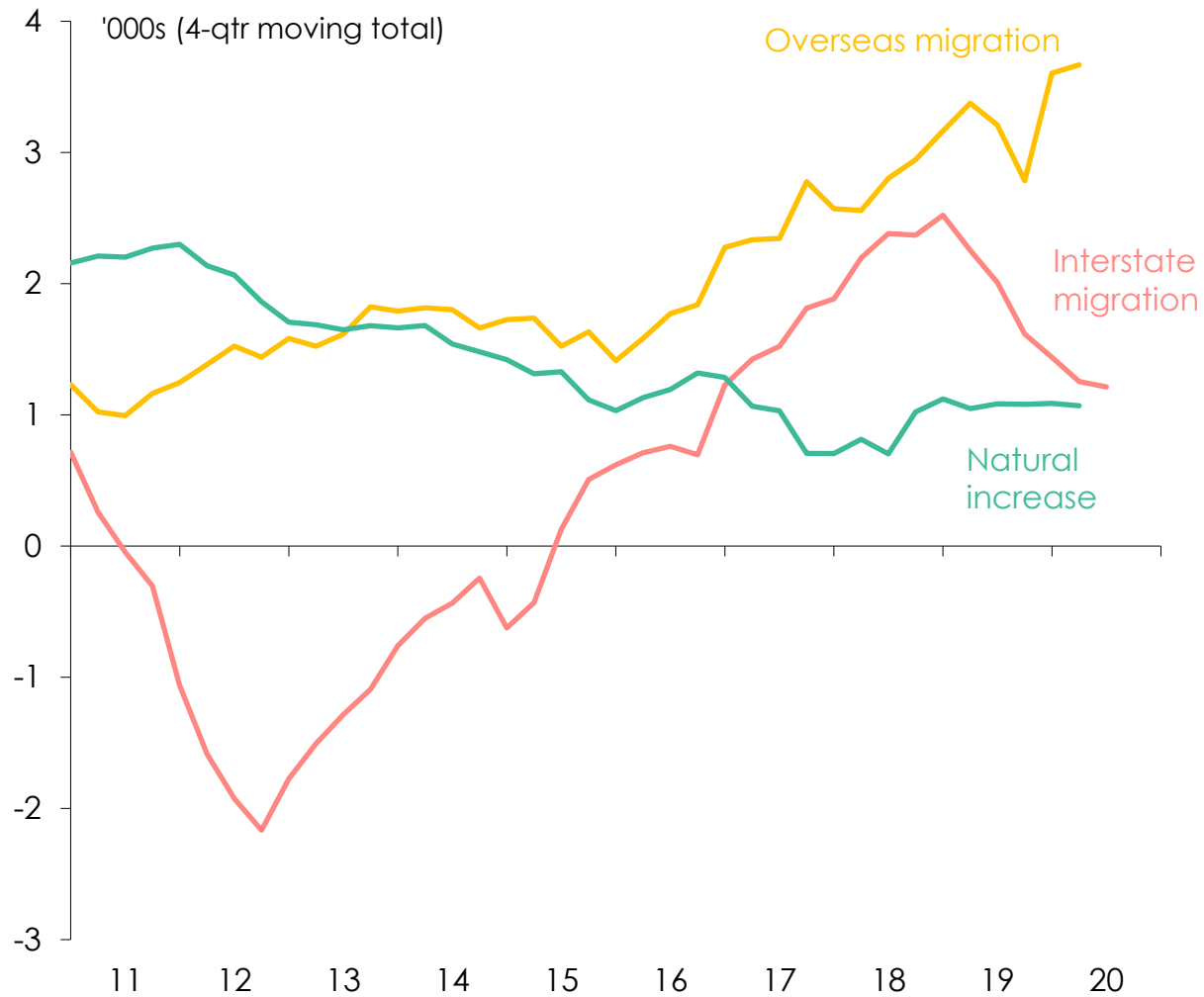
Population growth, Tasmania and Australia, 1991-2000



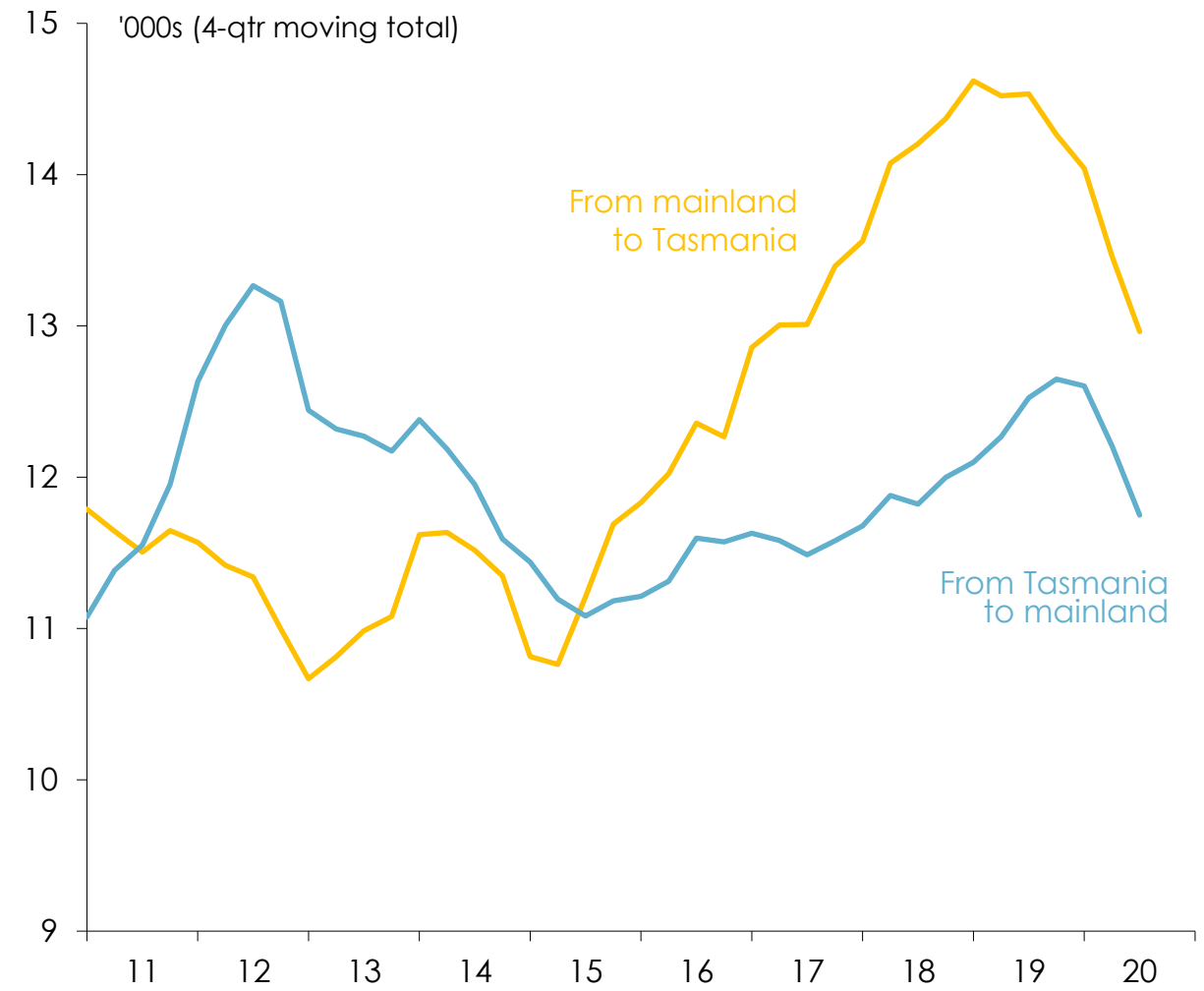
Source: ABS, [National, state and territory population](#).

More people have been moving to Tasmania from both the mainland and overseas, and fewer Tasmanians have been leaving

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



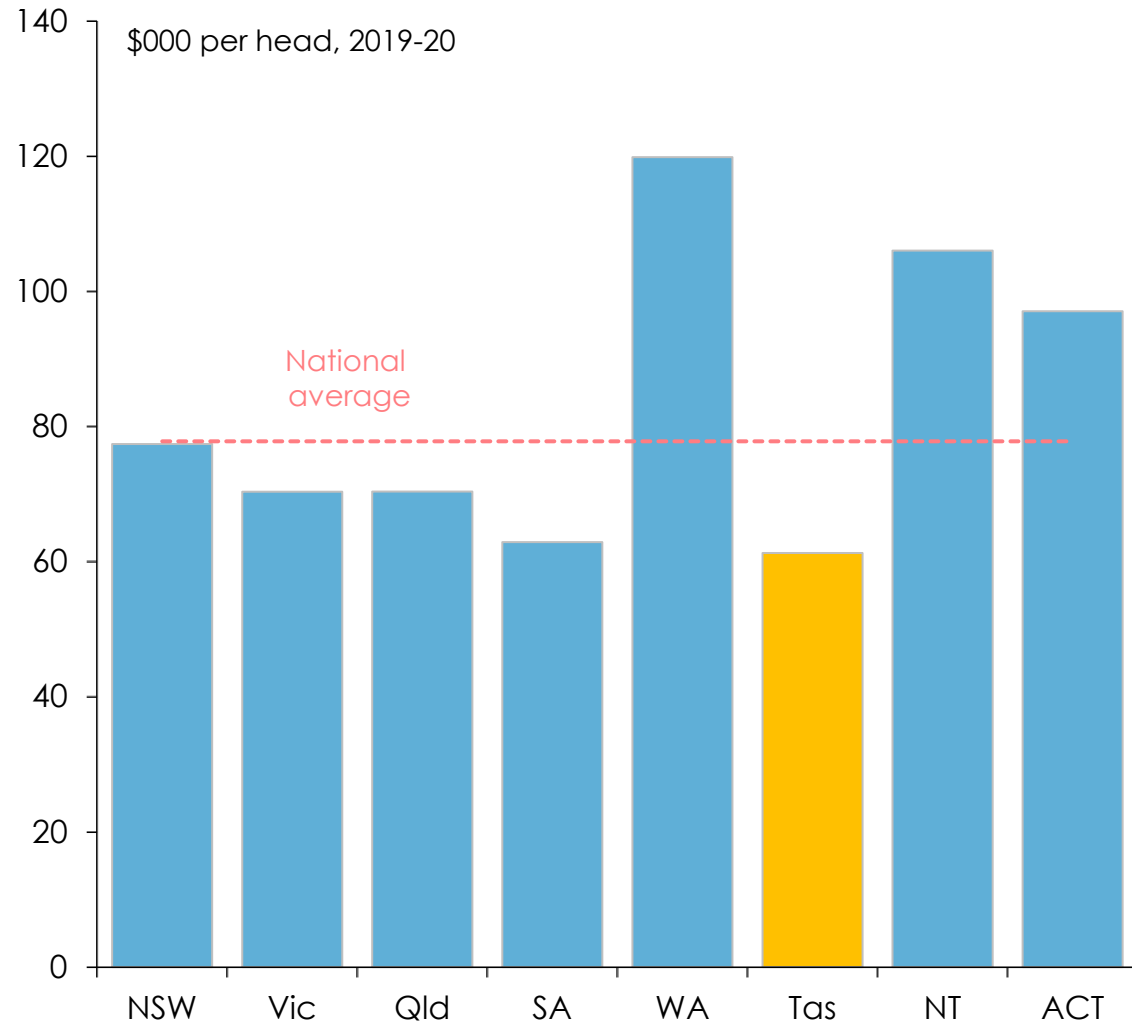
People movements across Bass Strait, 2011-2020



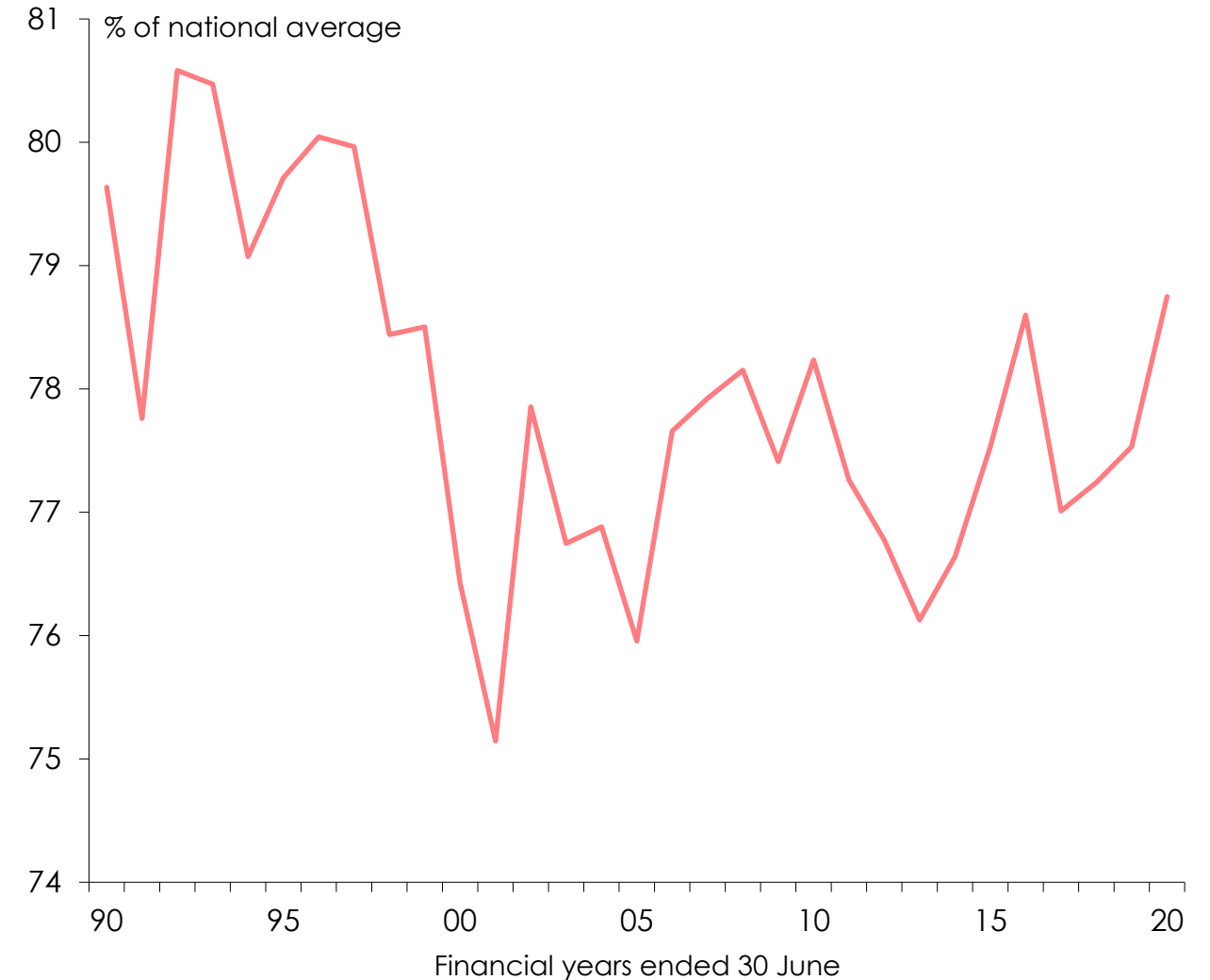
Source: ABS, [National, state and territory population](#).

However, Tasmania remains Australia's poorest state despite some gradual improvement since the turn of the century

Per capita gross state product, states and territories, 2019-20



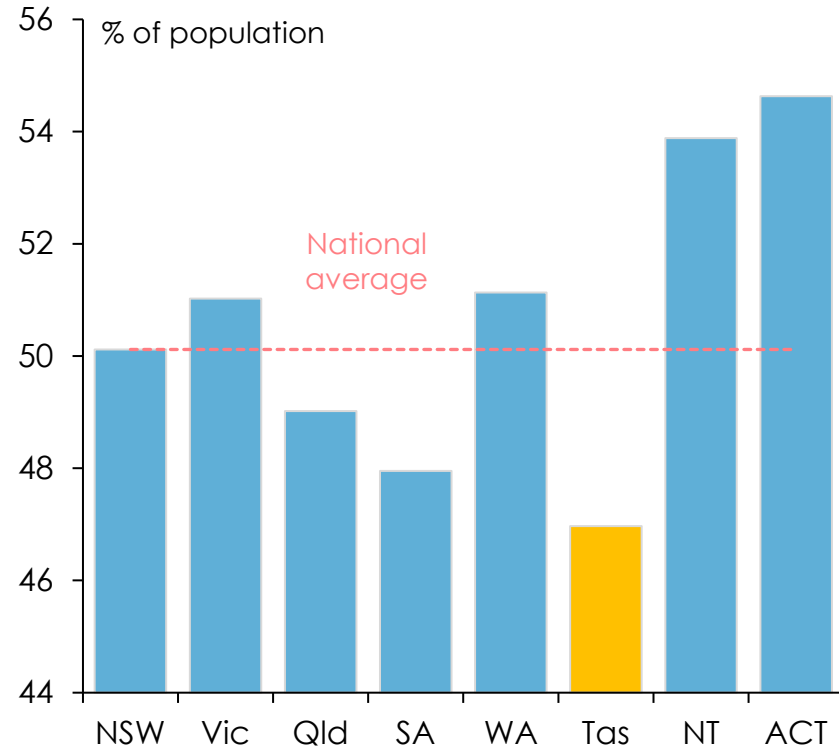
Tasmanian per capita gross state product as a pc of the national average, 1989-90 to 2019-20



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

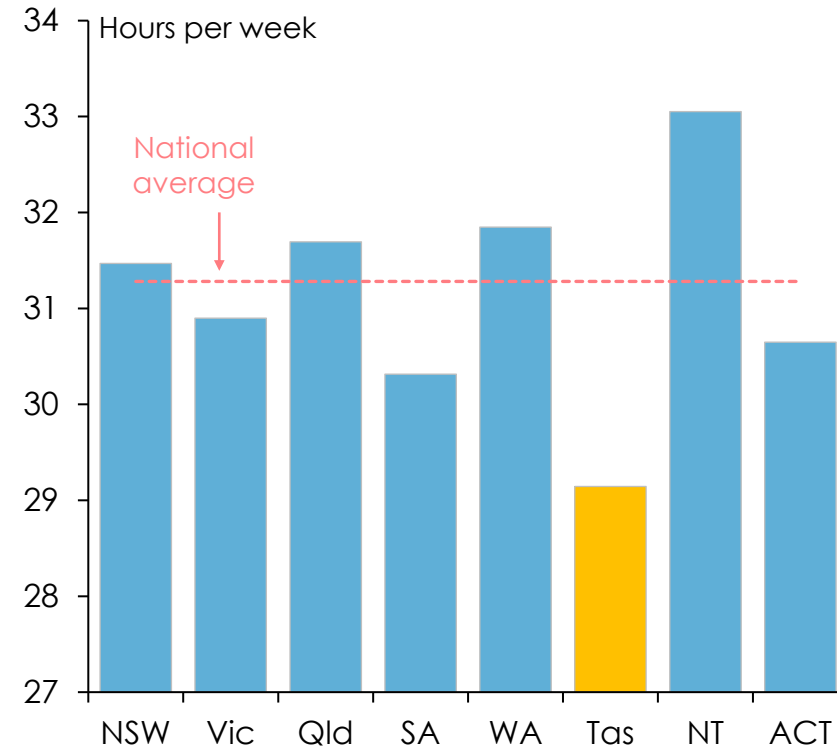
Tasmania's below-average per capita gross product reflects lower participation in employment, fewer hours worked and lower productivity

Participation in employment, 2019-20



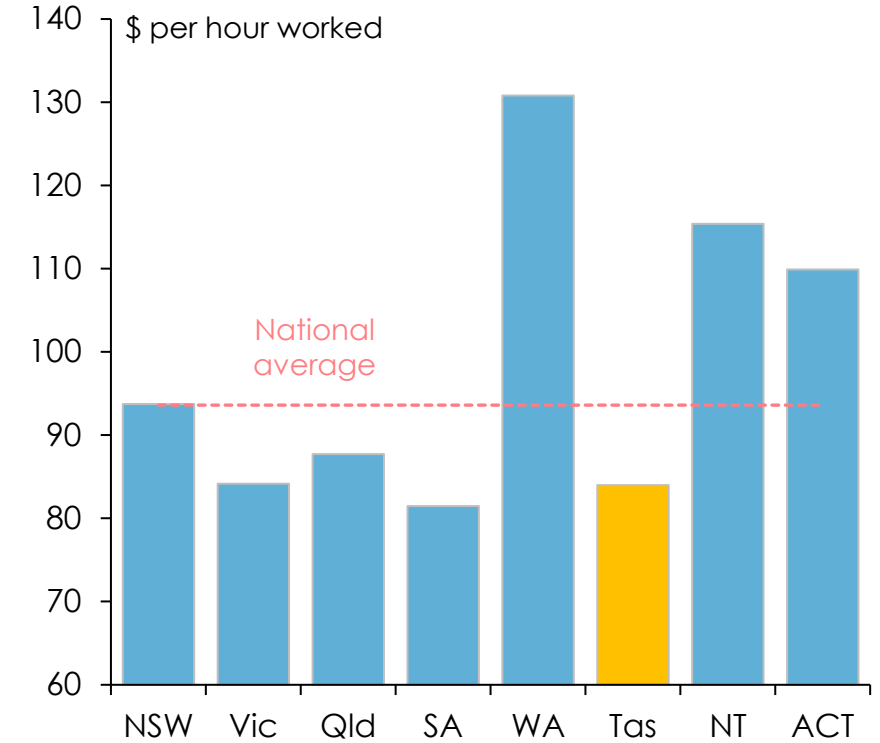
47% of Tasmanians have a job (cf. 50% of mainlanders) – which accounts for 36% of the difference between Tasmania's per capita GSP and the mainland's

Average hours worked, 2019-20



Tasmanians with jobs work 2.2 fewer hours per week than mainlanders – which accounts for 35% of the difference between Tasmania's per capita GSP and the mainland's

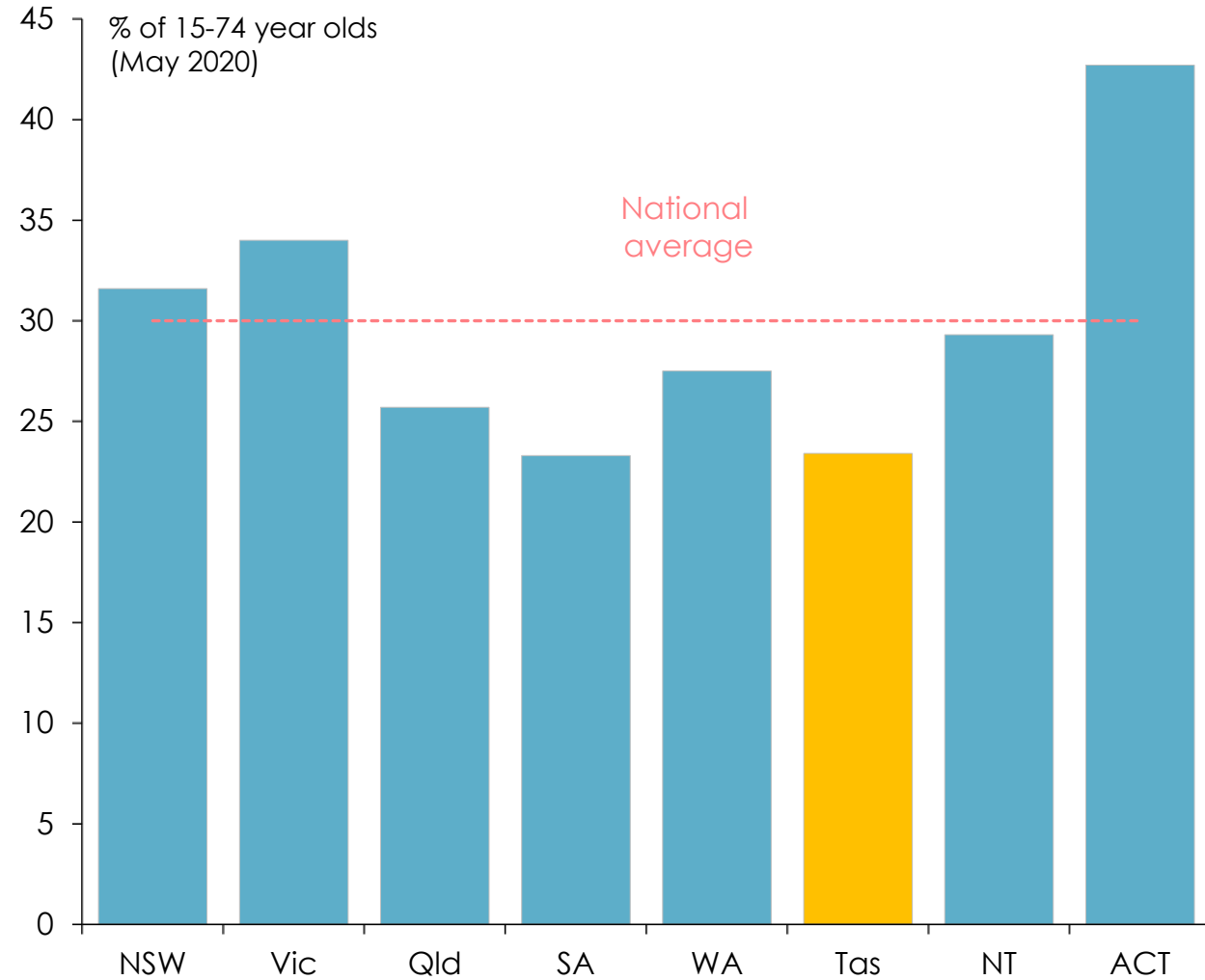
Output per hour worked (productivity), 2019-20



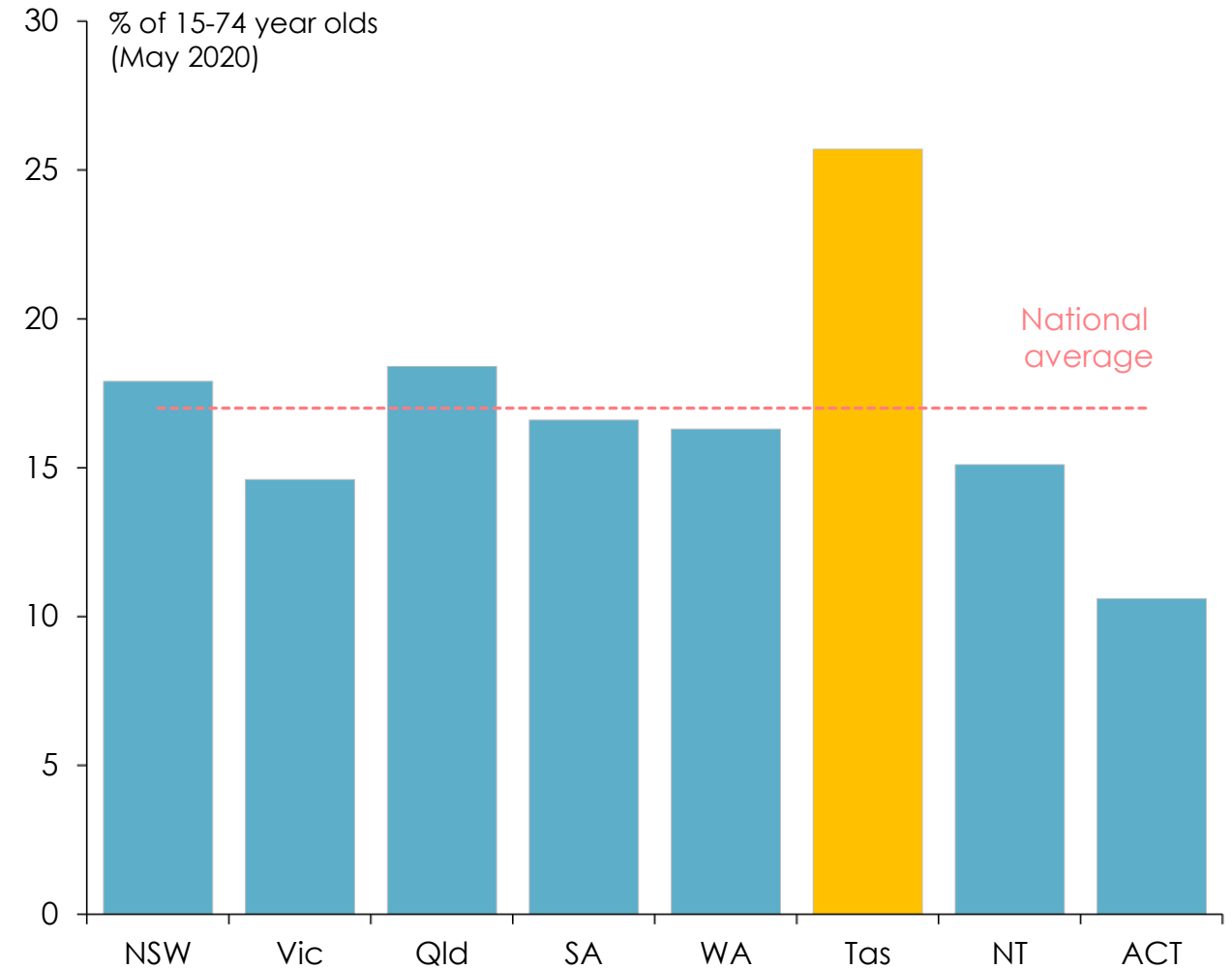
Tasmanians produce \$9.50 (10%) less for each hour they work than mainlanders – which accounts for 29% of the difference between Tasmania's per capita GSP and the mainland's

Tasmania's below-average productivity and living standards are in part a legacy of below-average educational participation and attainment

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



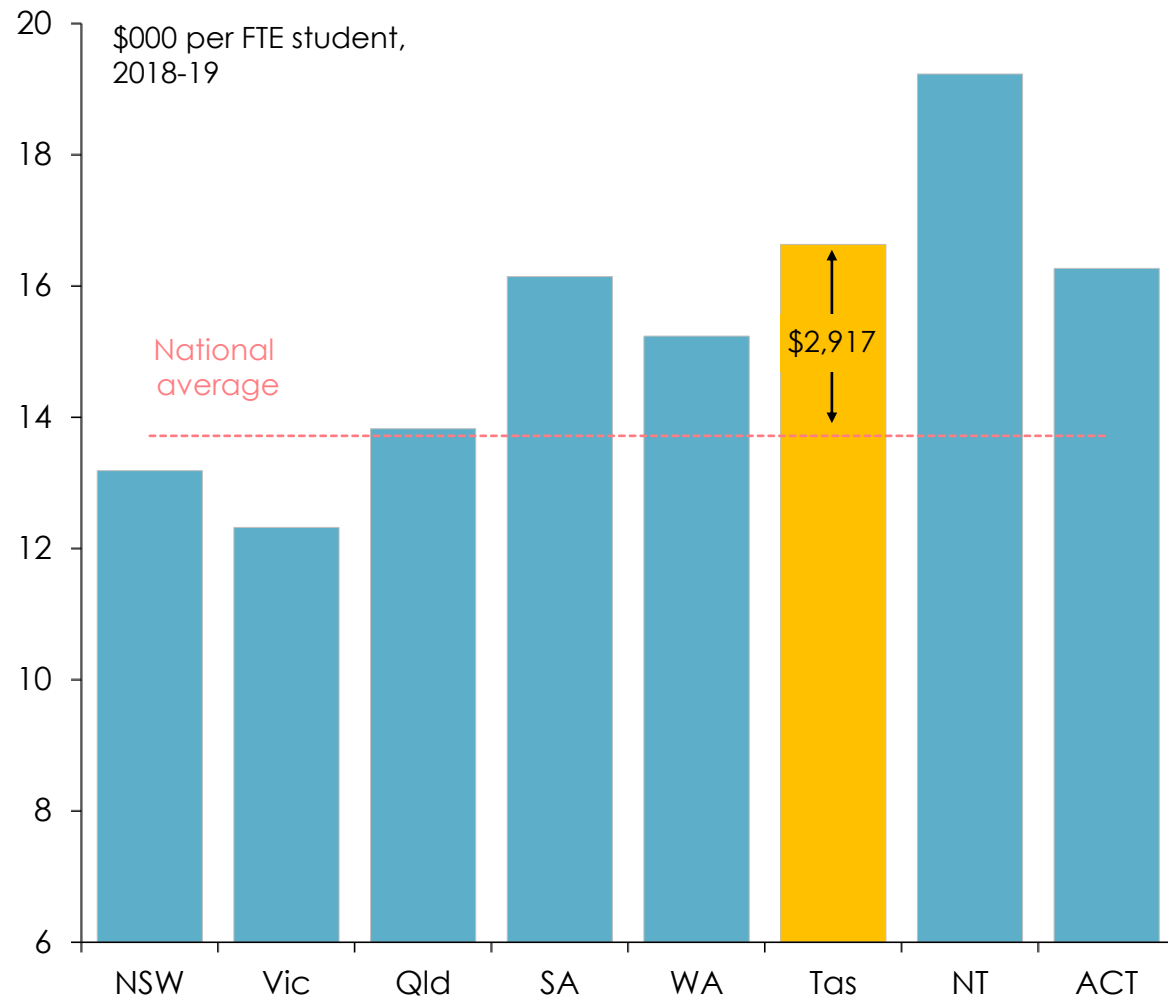
Proportion of 15-74 year olds with no qualifications beyond Year 10



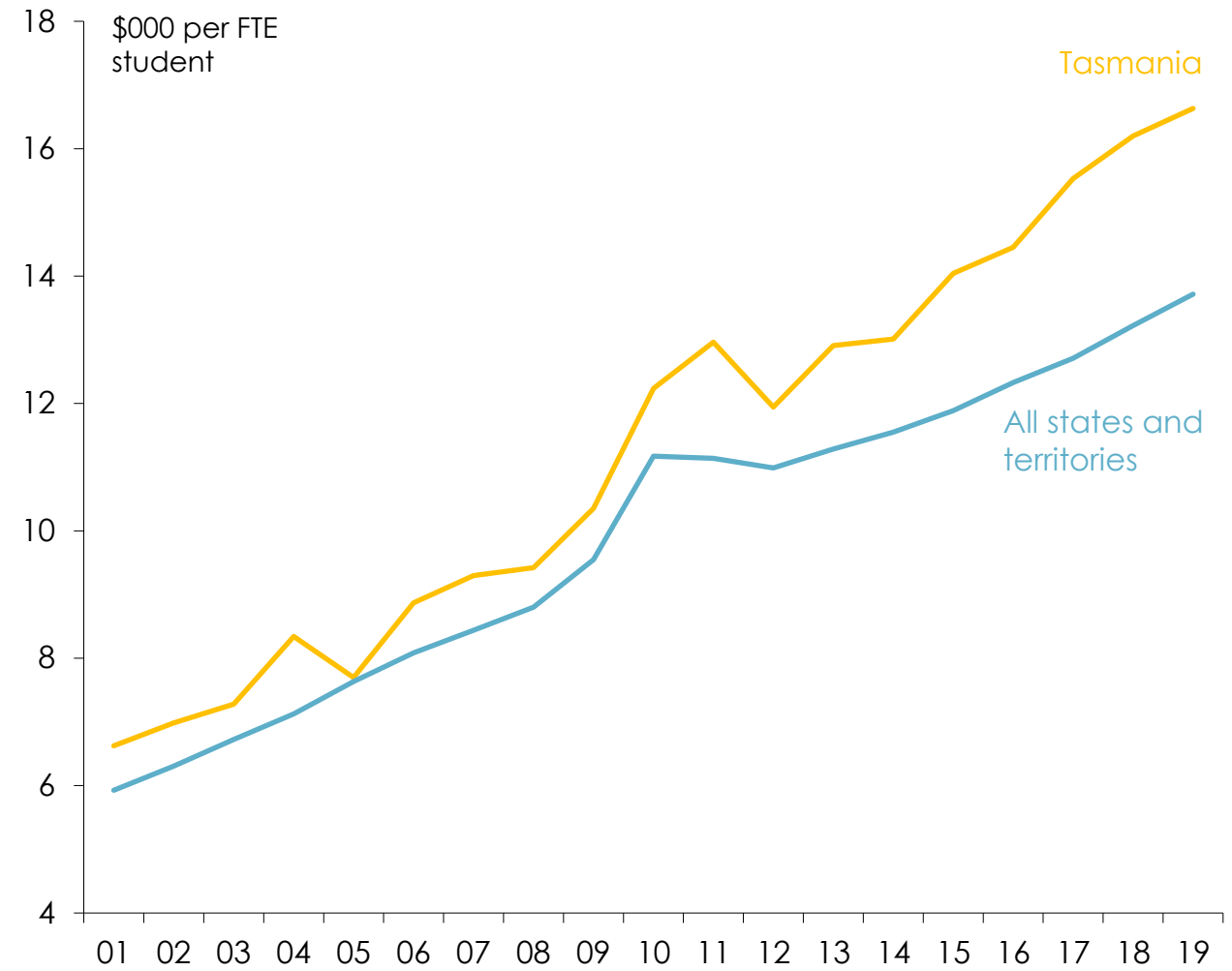
Source: ABS, [Education and Work, Australia](#).

That isn't because Tasmania doesn't spend enough on school education

State and local government expenditure on school education per FTE student, 2018-19



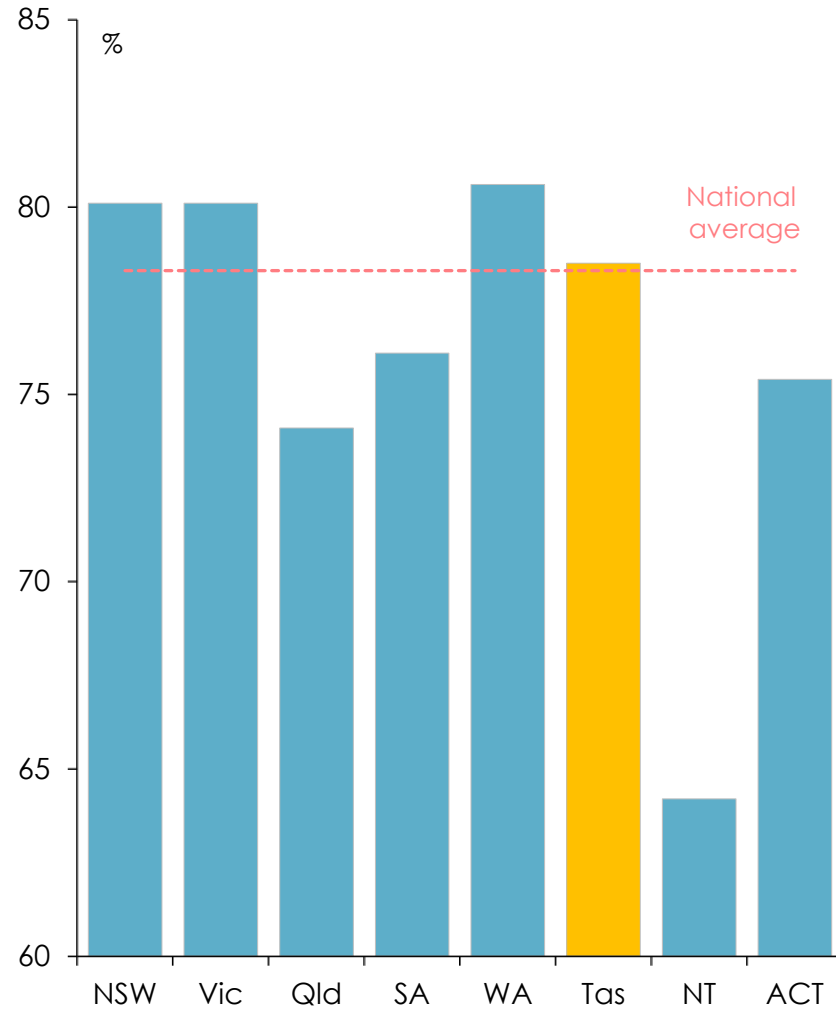
State and local government spending on school education per FTE student, Tasmania and Australia



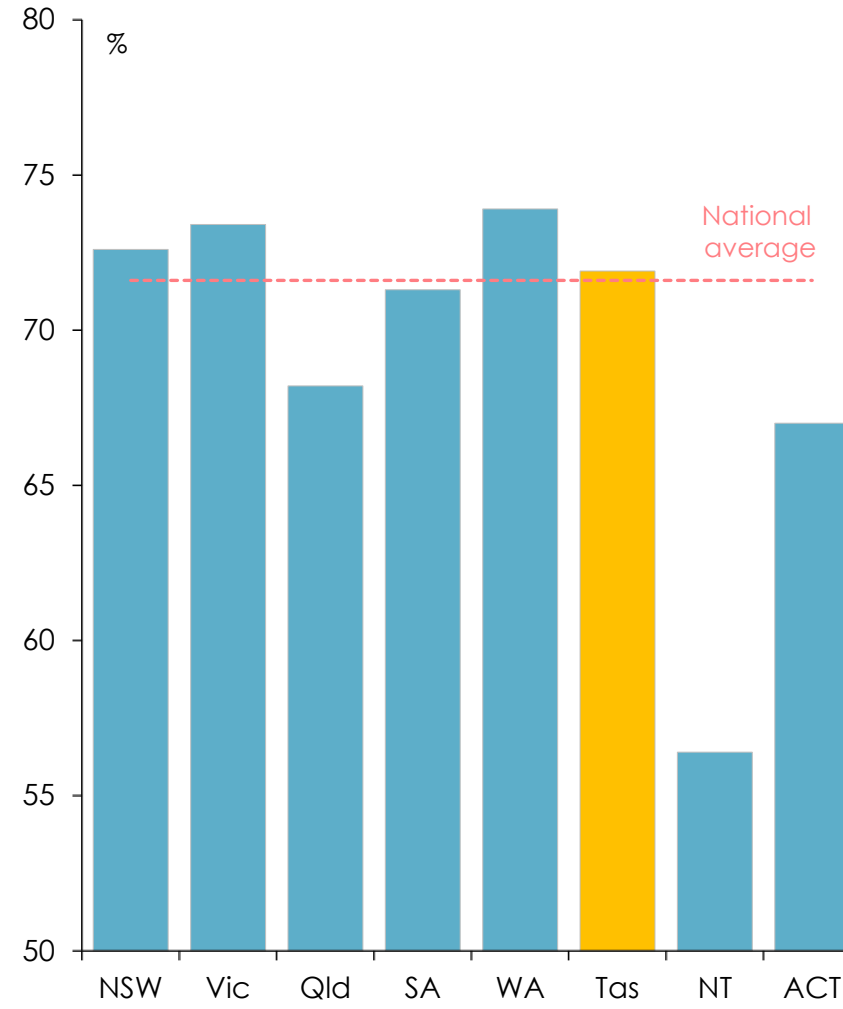
Source: ABS, [Schools, 2020](#); [Government Finance Statistics, Education, Australia, 2018-19](#).

Tasmanian children don't enter the education system with any greater disadvantage or difficulty than children in other states or territories ...

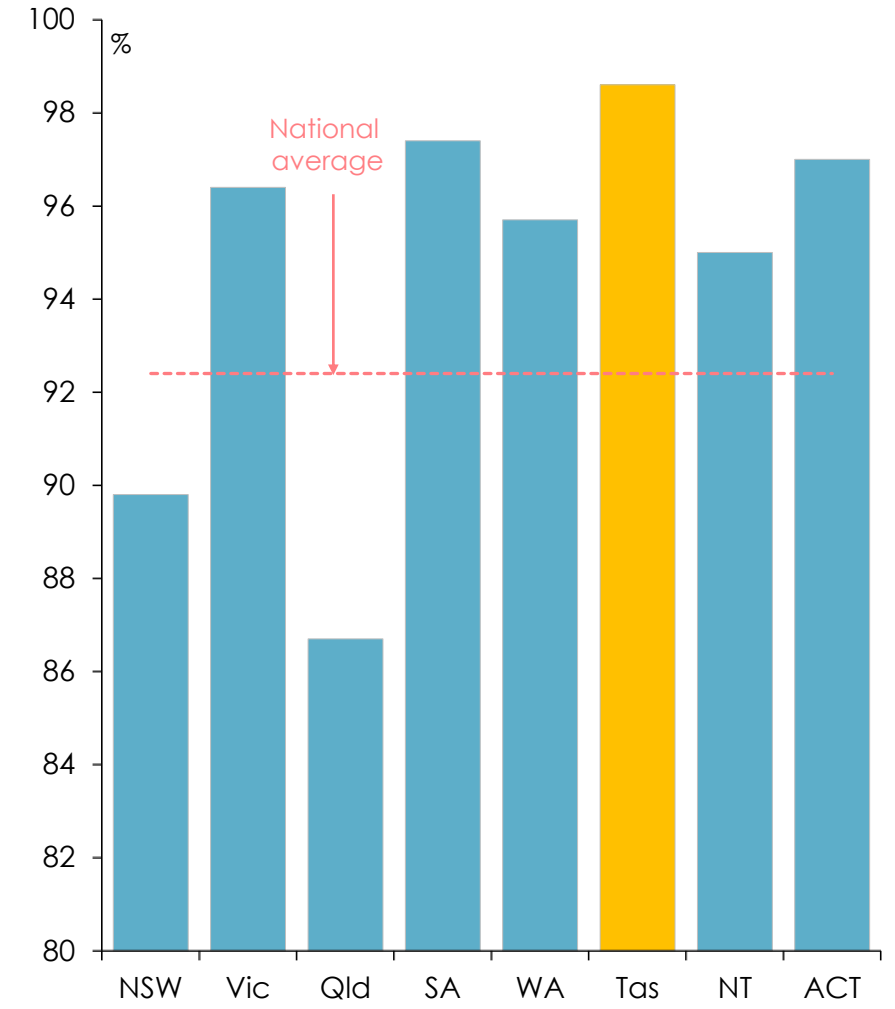
Children assessed as 'developmentally ready' on all domains in Year 1



Children assessed as 'developmentally on track' on two key domains in Year 1



Children who attended pre-school in the year before commencing school



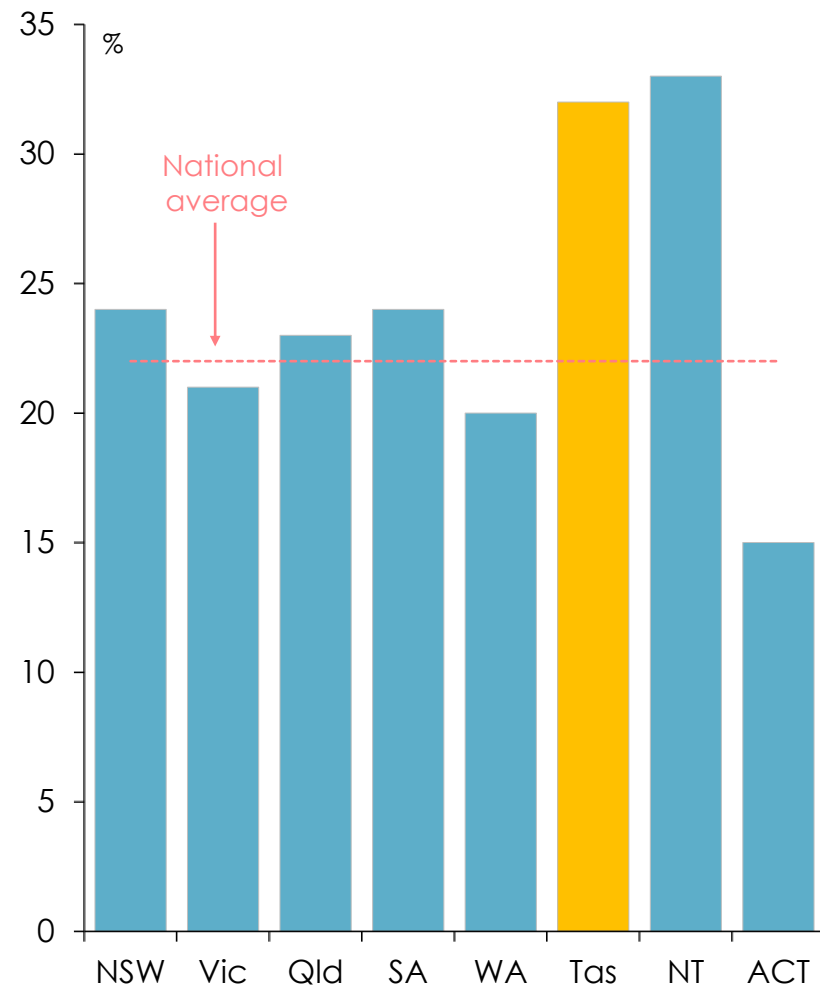
Note: The 'assessments' in the first two charts are from the [Australian Early Development Census](#) (a tri-ennial national data collection process in which teachers are asked to describe the developmental level of each child in his or her first year of school, reported across five domains. The 'two key domains' referred to in the middle chart are 'language & cognitive skills' and 'communication skills & general knowledge'. Data for all three charts is for 2018.

Source: The Mitchell Institute, [Educational Opportunity in Australia 2020](#).

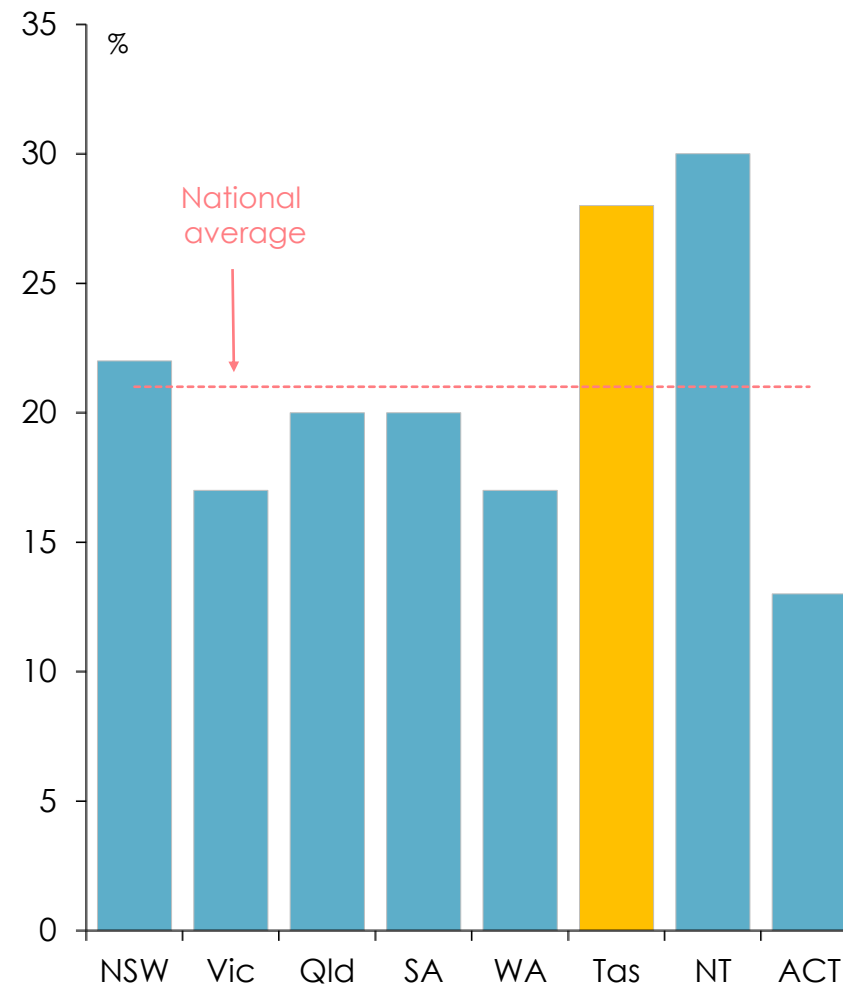
... but by the time they get to Year 10 Tasmanian students are well behind their peers in other states and the ACT across multiple dimensions

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

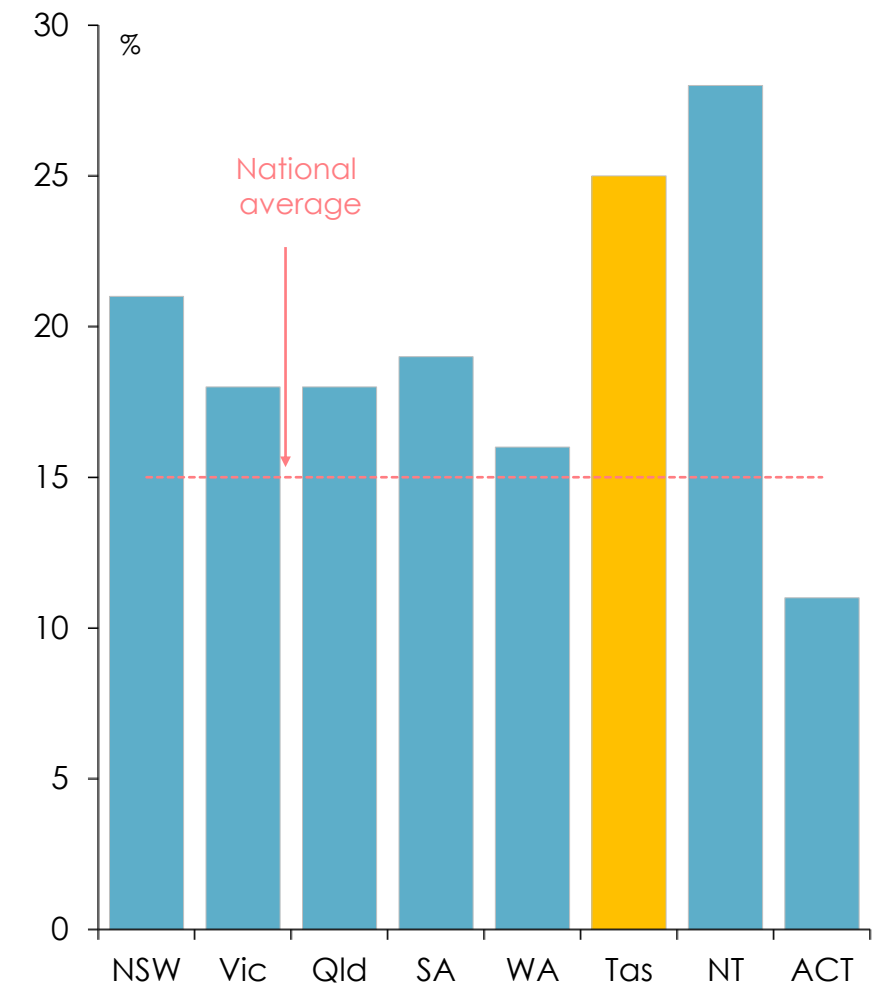
Mathematics



Reading

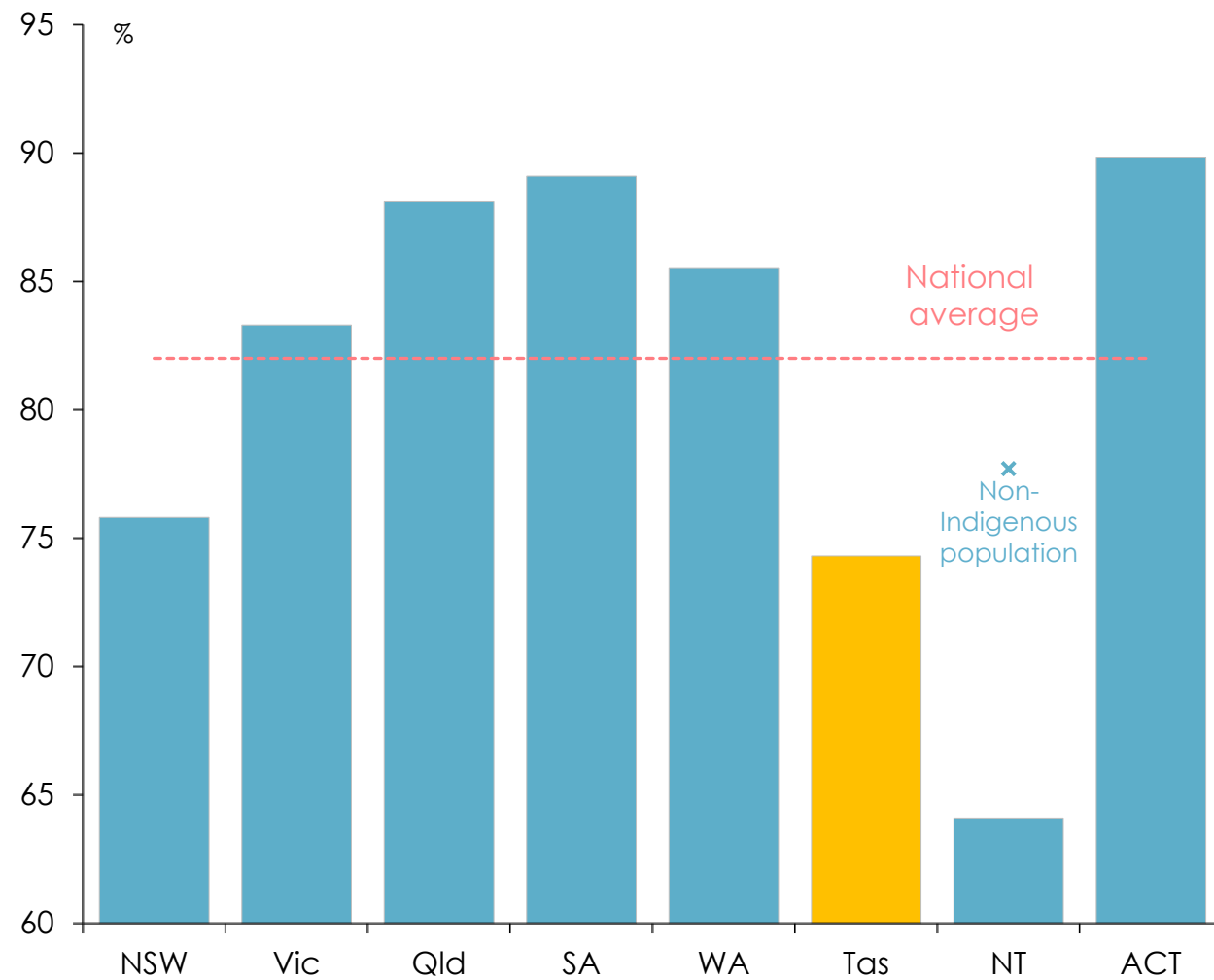


Science

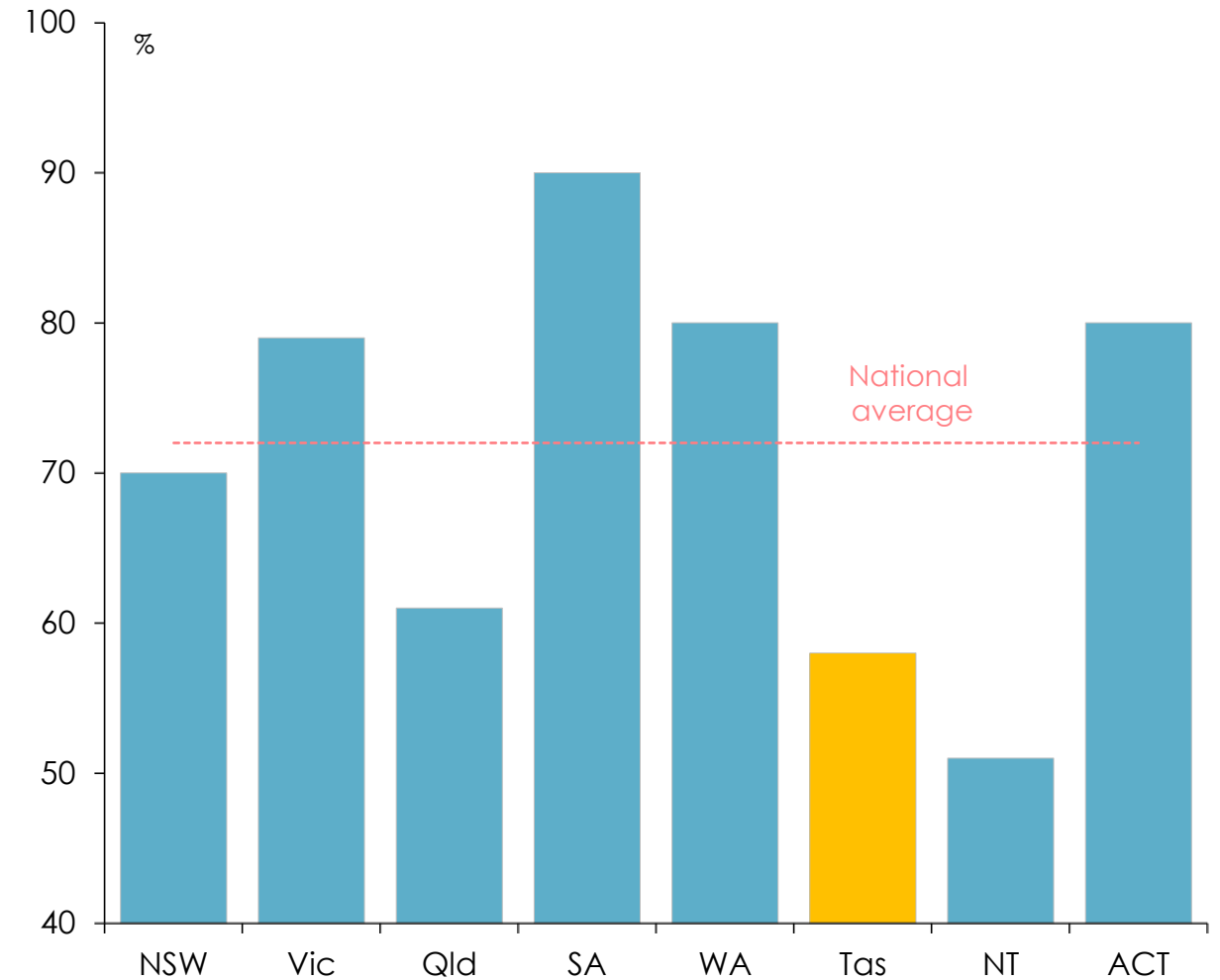


Tasmania has the lowest retention rates to Year 12, and the lowest year 12 attainment rates, of any state

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



Year 12 attainment rates, states and territories, 2019

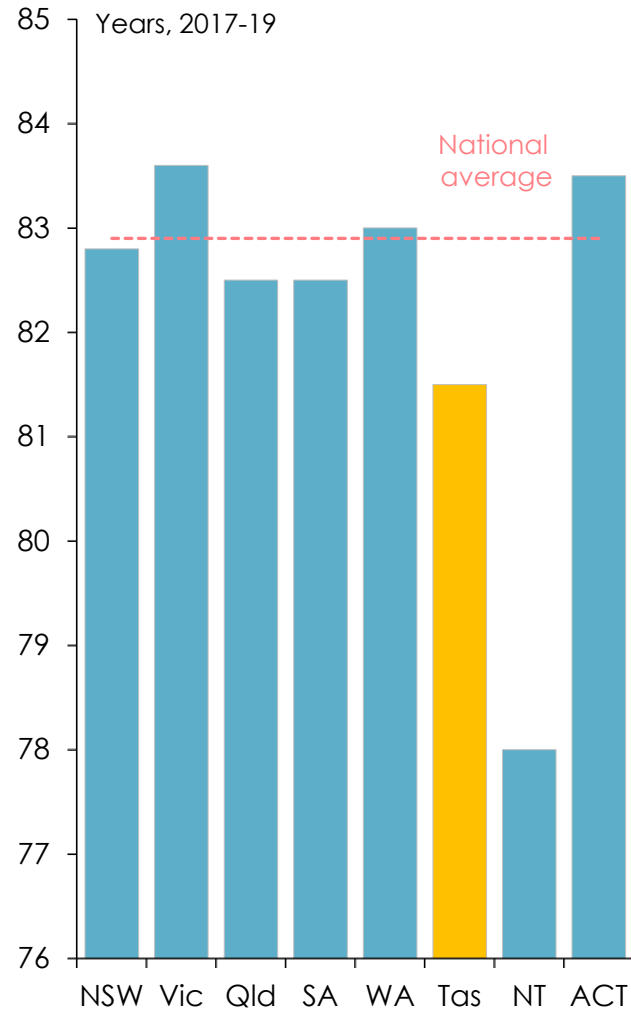


Note: the Y12 retention rate is the number of enrolled Y12 students as a percentage of the number enrolled in Y10 two years earlier. The Y12 attainment rate is the proportion of the potential Y12 population who meet the requirements of a Year 12 certificate.

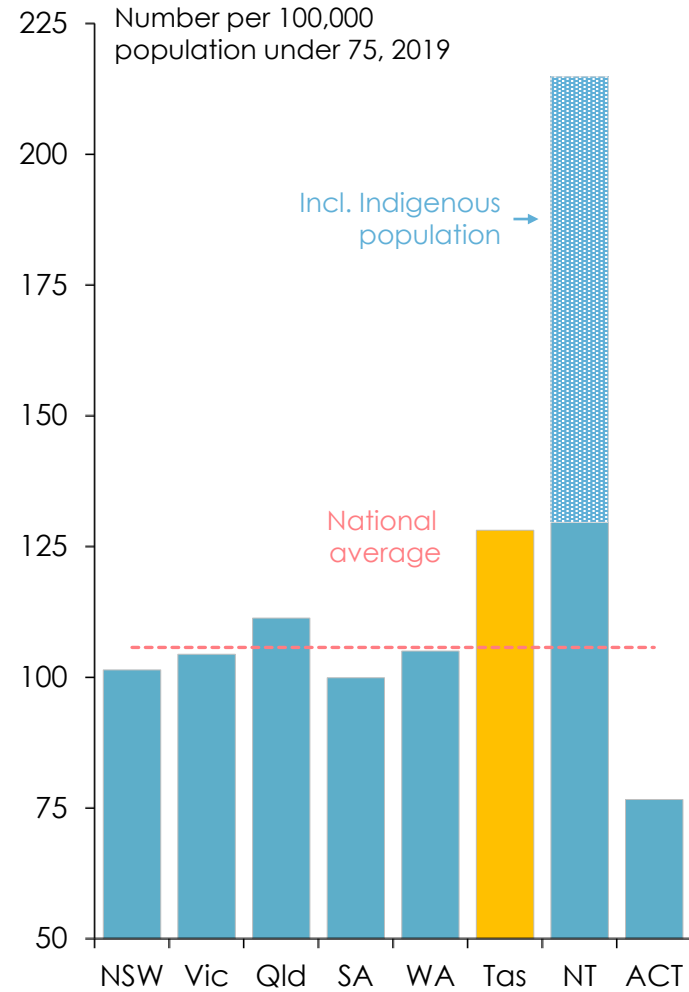
Sources: ABS, [Schools](#); Productivity Commission [Report on Government Services 2021 - School Education](#), February 2021;

Likewise Tasmanians typically experience poorer health than other Australians (with the conspicuous exception of Indigenous Australians) ...

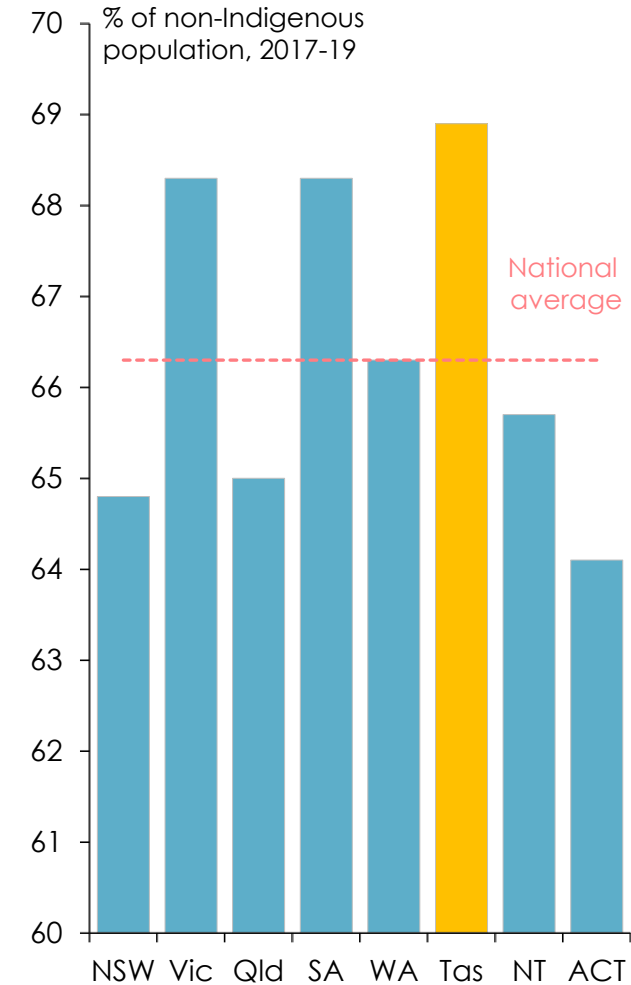
Life expectancy at birth



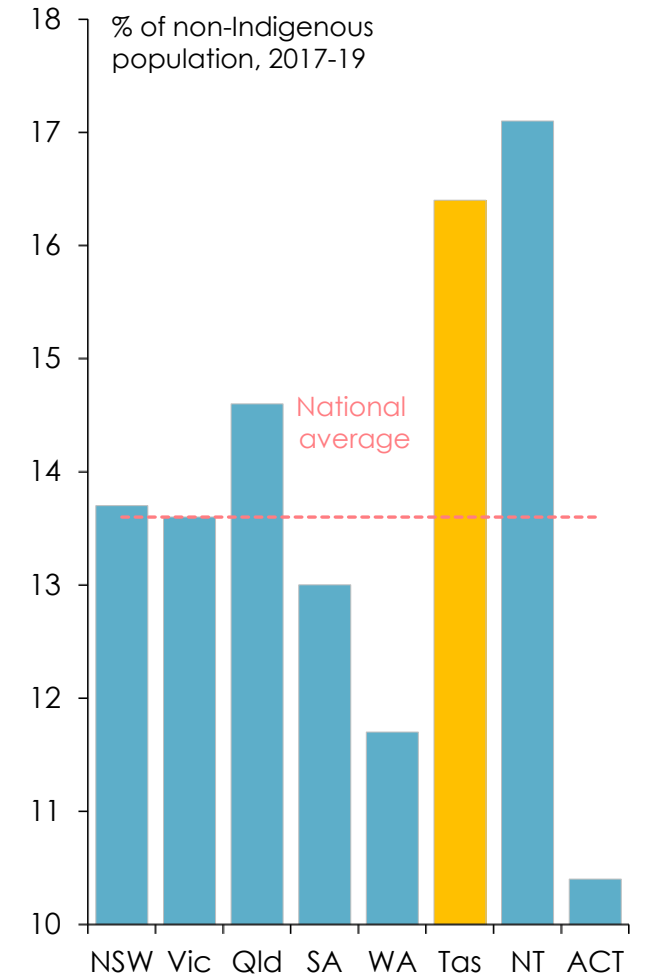
Age-standardized mortality rates of potentially avoidable deaths under 75



Overweight or obesity rates for adults

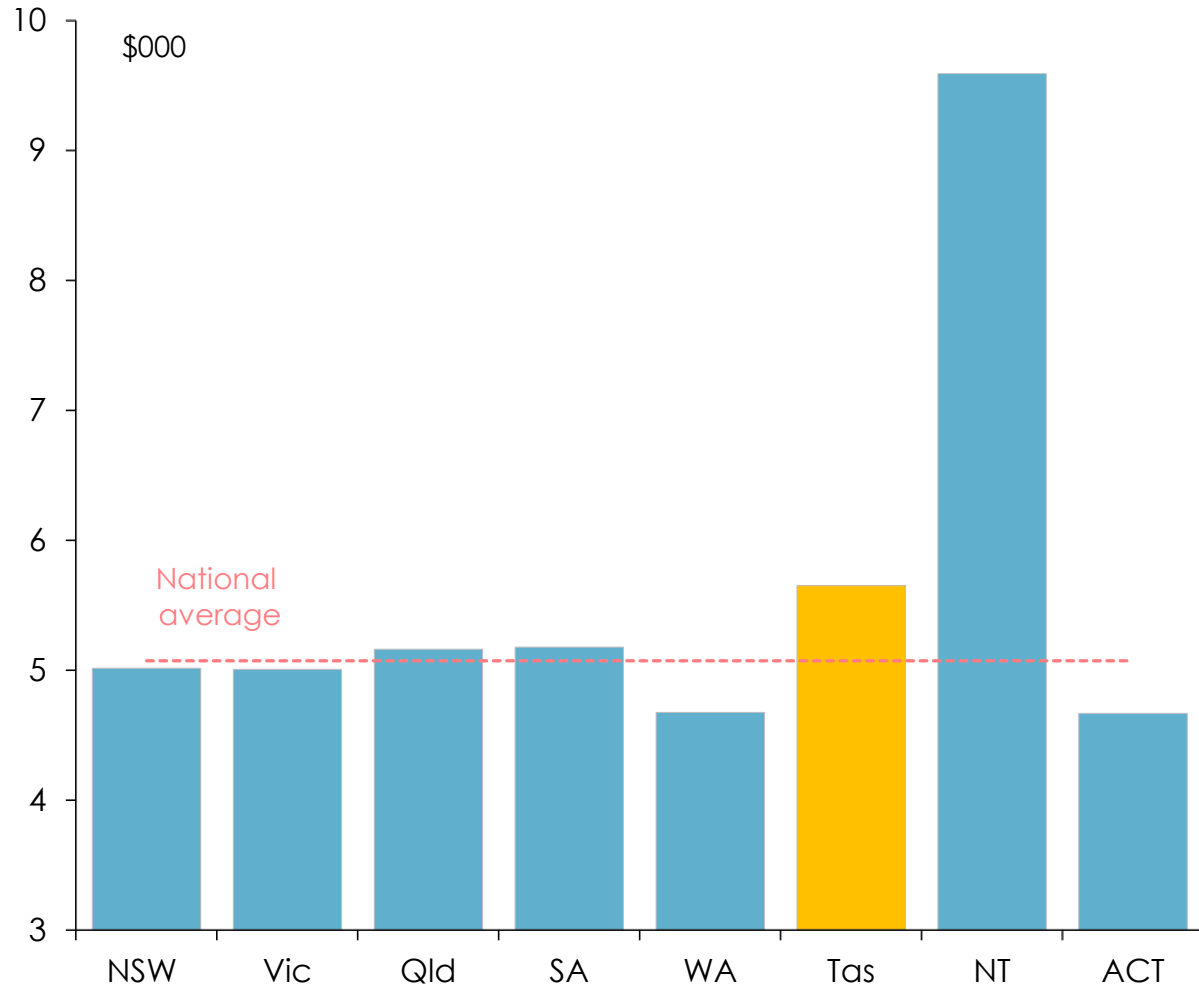


Daily smokers

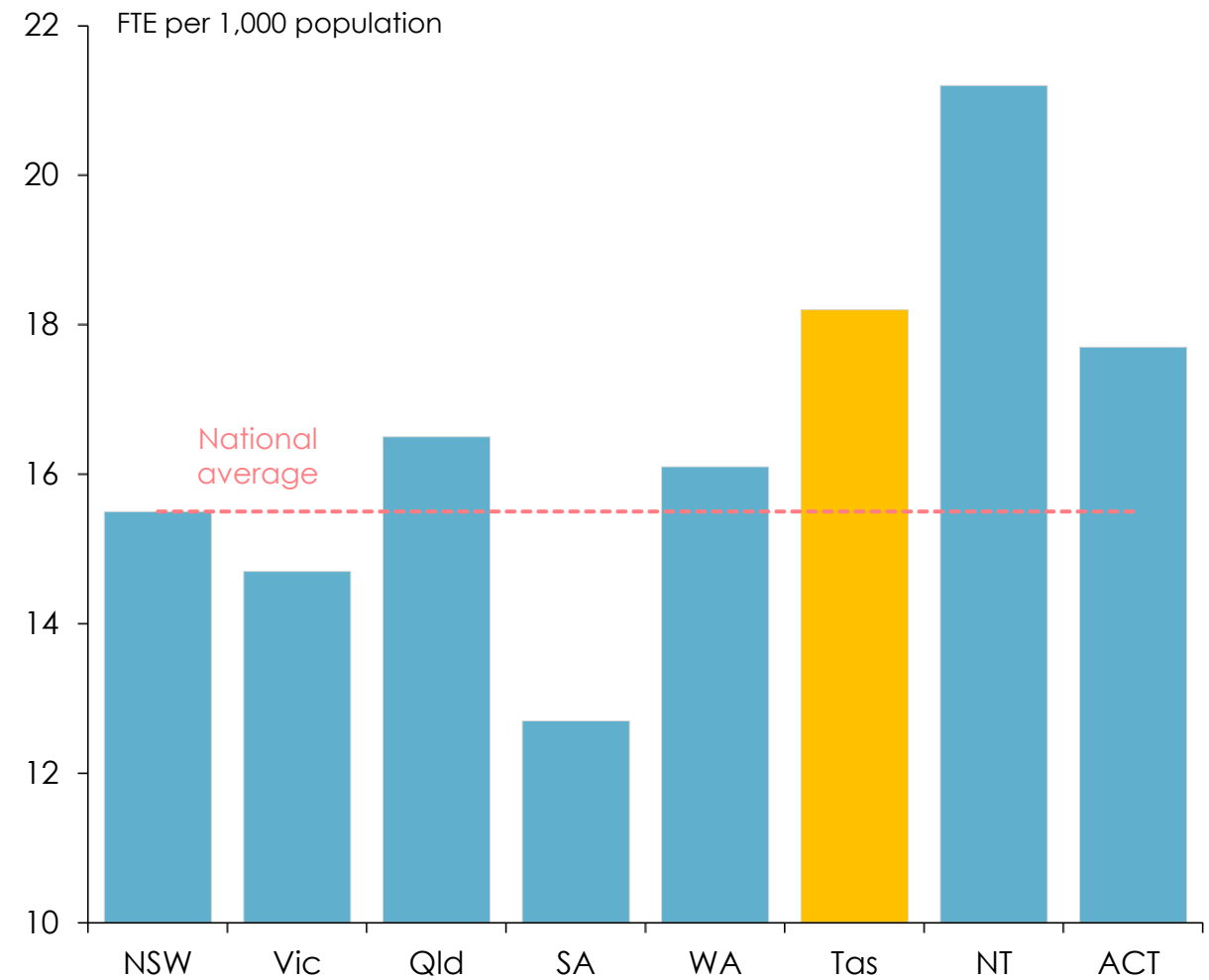


... even though Tasmania spends more on public hospitals, and has more public hospital staff, per person than any other jurisdiction except the NT

State and Territory government recurrent expenditure per person on public hospitals, 2018-19



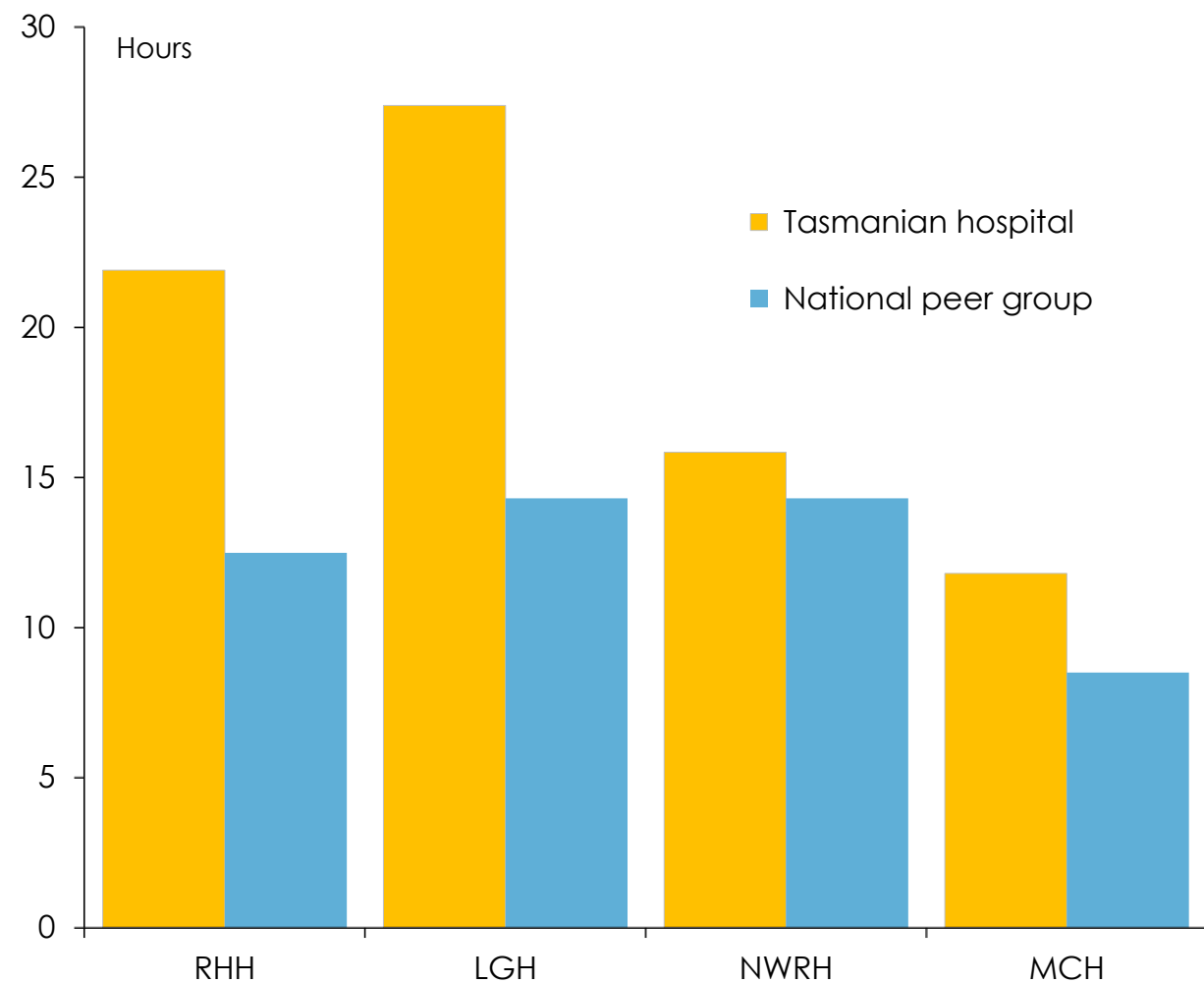
FTE public hospital staff per 1,000 population, states and territories, 2018-19



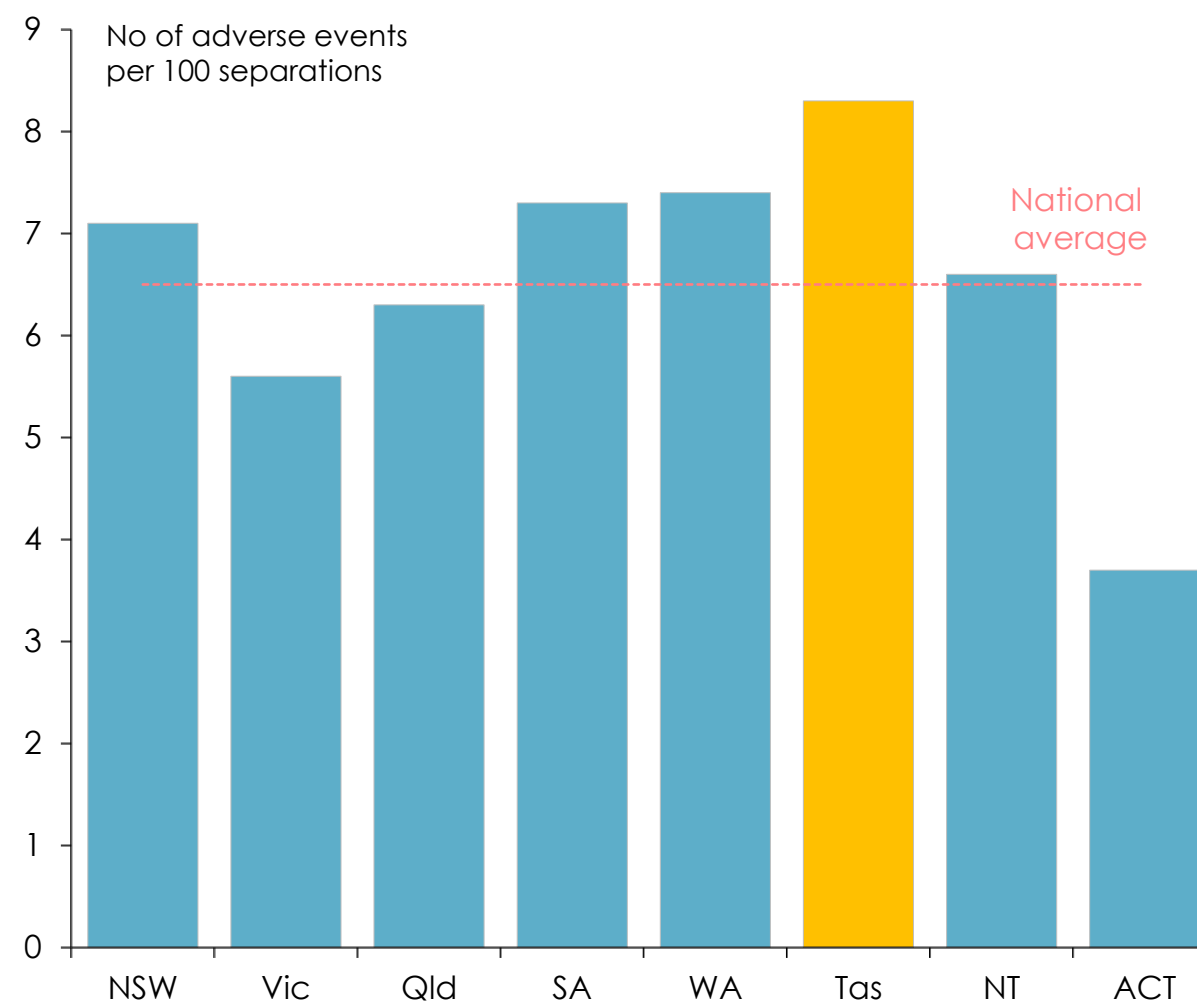
Note: Includes psychiatric hospitals. Source: Productivity Commission, [Report on Government Services 2021 - Health: Public Hospitals](#), January 2021.

However despite spending relatively more and having more staff, Tasmania's hospital system performs poorly compared with other states

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



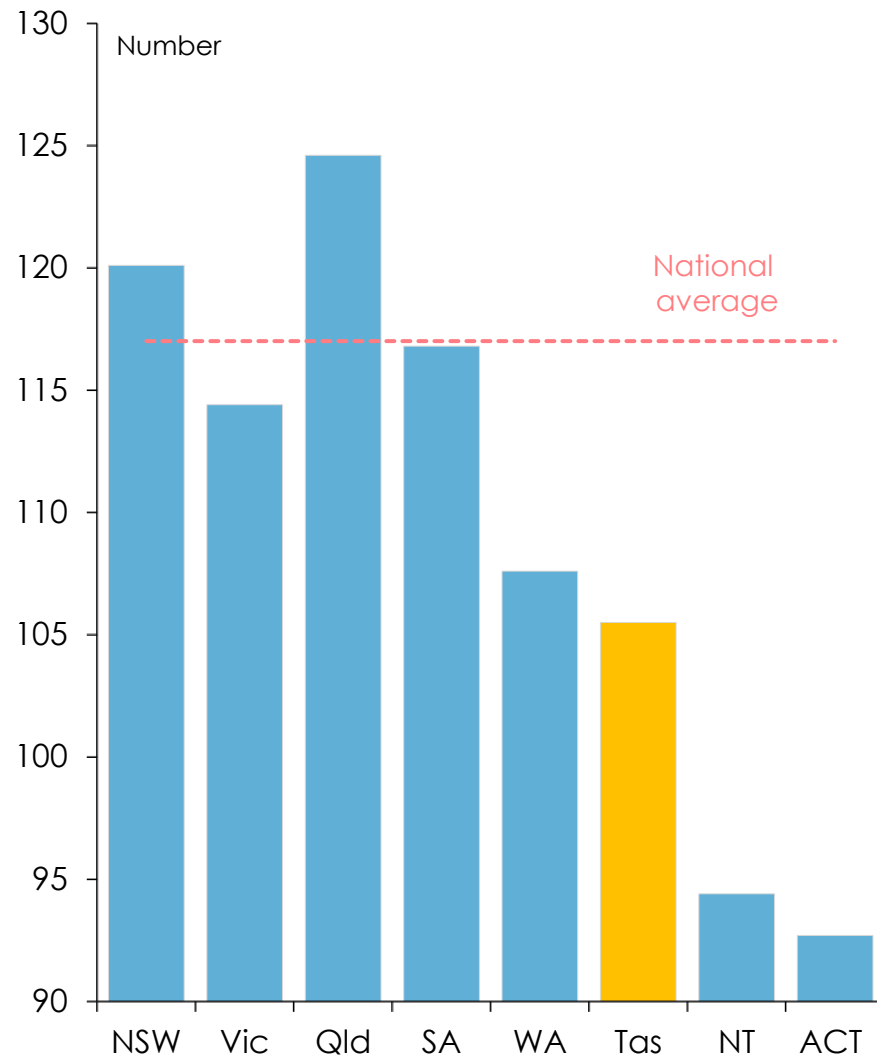
Hospital separations with an adverse event per 100 separations, 2017-18



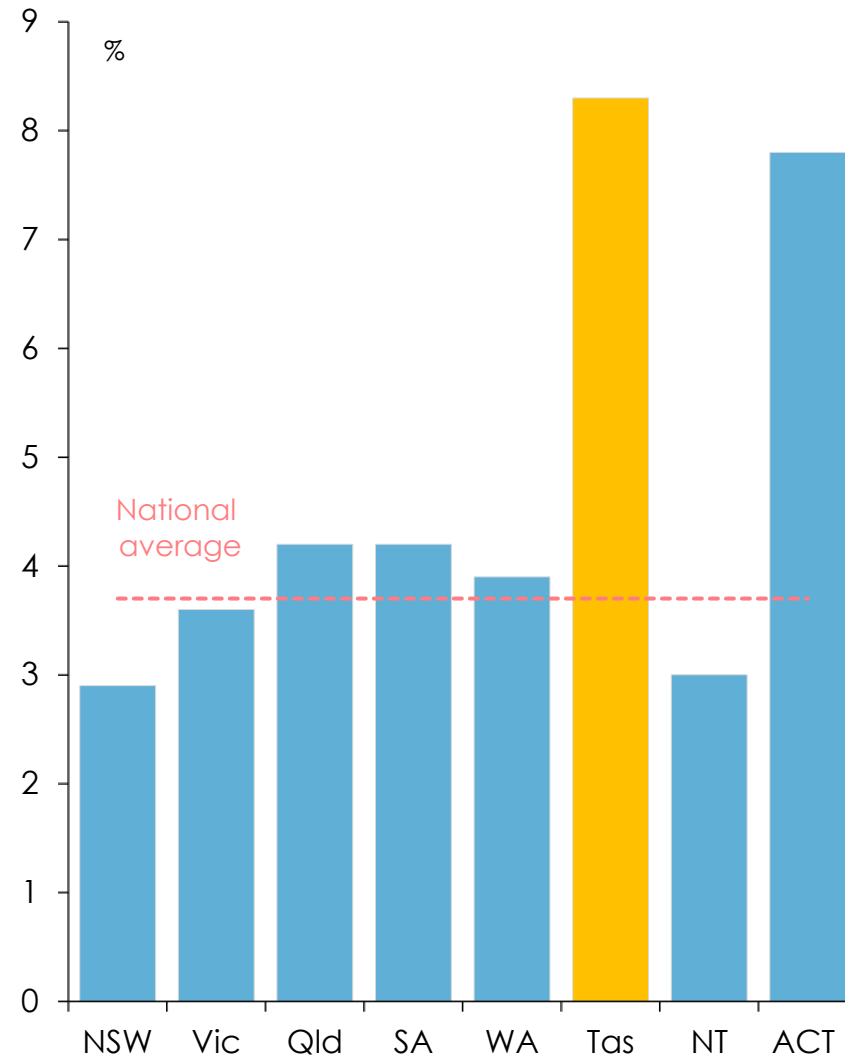
Note: 'ED waiting times for patients at the 90th percentile' means the average time within which 90% of patients are admitted to a ward – the remaining 10% have to wait longer than this. Sources: Australian Institute of Health and Welfare, [Australia's hospitals at a glance 2018-19](#); Martyn Goddard,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

Tasmanians have greater difficulty than other Australians accessing GPs

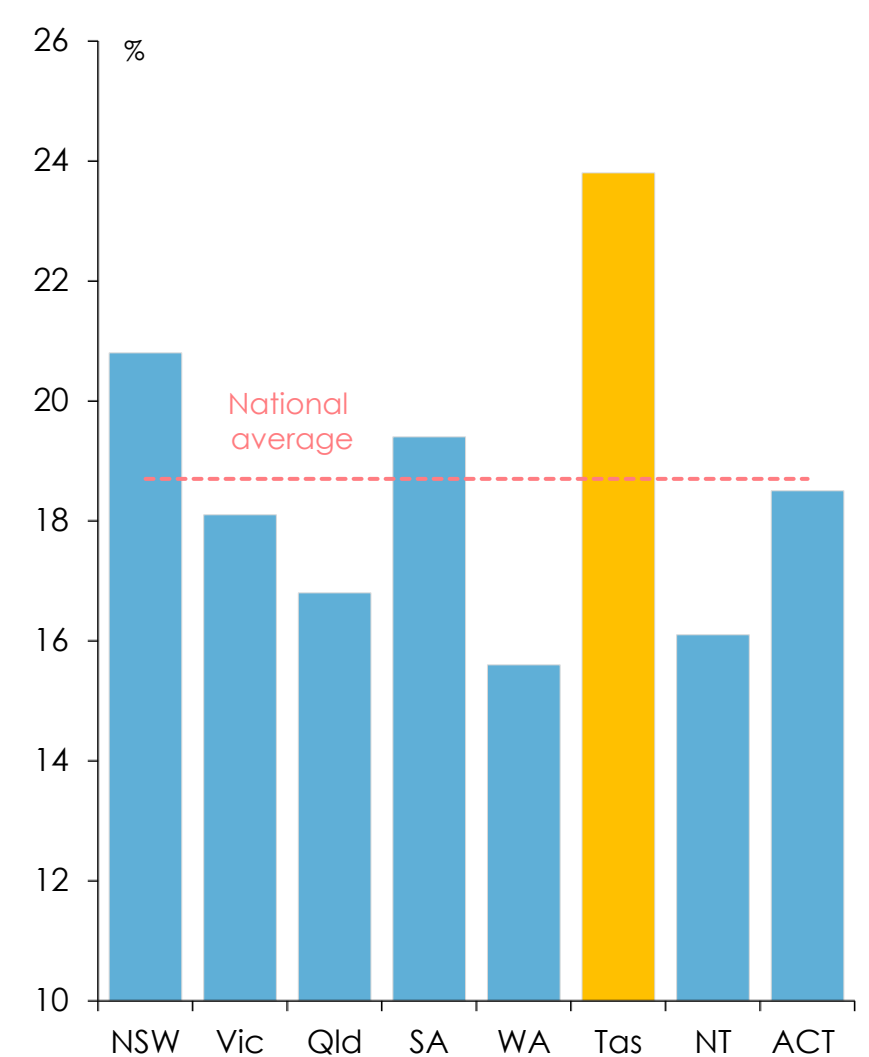
FTE general practitioners per 100,000 people, 2019



People delaying or not seeing GPs due to cost, 2019-20



People waiting longer than felt acceptable to get a GP appointment



Source: Productivity Commission, [Report on Government Services 2021 - Health: Public Hospitals](#), January 2021.

The challenges facing Tasmania are similar to those facing other parts of regional Australia

❑ Educational opportunities and outcomes

- families with children will be more hesitant about moving to regional areas if they think they might be taking risks with their children's education

❑ Health services

- likewise families with children, and retirees, may be cautious about moving to regional areas if they think they might have less access to top-quality health care

❑ Inadequate communications infrastructure

- appropriate (speed and bandwidth), reliable and affordable internet and mobile phone access are crucial to facilitate 'working from home', from regional areas no less than cities

❑ Inadequate transport infrastructure

- regions which can access capital city CBDs within (say) a 4-hour rail journey (with the capacity to work en route) will have a distinct advantage in attracting people who can 'work from home'
- for regions where this isn't possible, regular scheduled air services (and less than sky-high fares) will be critical to enticing people to move from capital cities

❑ Employment opportunities

- it's unrealistic to expect regions to have the same range of industries or employment opportunities as large cities, but regions with a very narrow economic base (one industry) will almost always find it harder to attract people from cities (or keep them there)

Important information

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.

This document has been prepared for the use of the party or parties named on the first page hereof, and is not to be further circulated or distributed without permission.

This document does not purport to constitute investment advice. It should not be used or interpreted as an invitation or offer to engage in any kind of financial or other transaction, nor relied upon in order to undertake, or in the course of undertaking, any such transaction.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all financial instruments referred to herein. Neither Saul Eslake nor Corinna Economic Advisory Pty Ltd however makes any representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. The author and Corinna Economic Advisory Pty Ltd expressly disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Any opinions expressed herein should not be attributed to any other organization with which Saul Eslake is affiliated.

SAUL ESLAKE