

# 'REGIONS ON THE RISE'

PRESENTATION TO THE REGIONAL AUSTRALIA 2021 NATIONAL SUMMIT

HOTEL REALM, CANBERRA  
17<sup>TH</sup> MARCH 2021

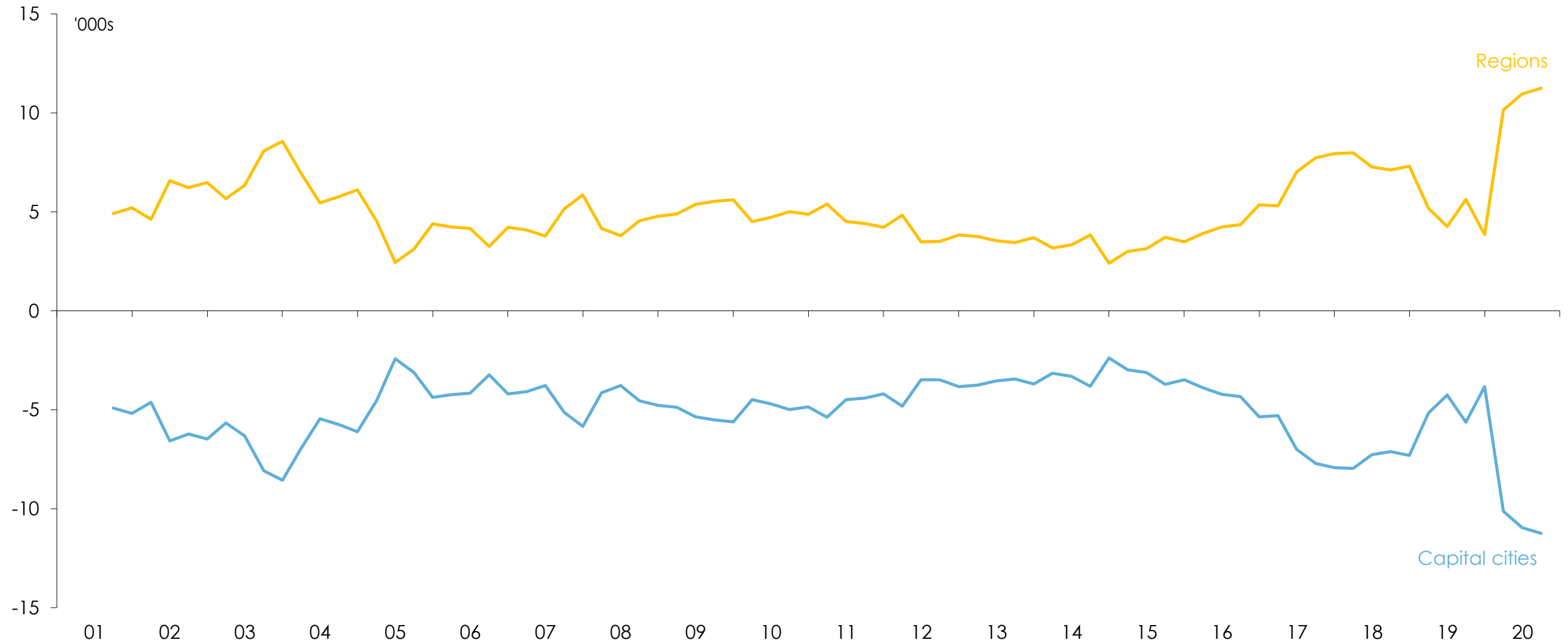
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**SAUL ESLAKE**  
CORINNA ECONOMIC ADVISORY PTY LTD

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

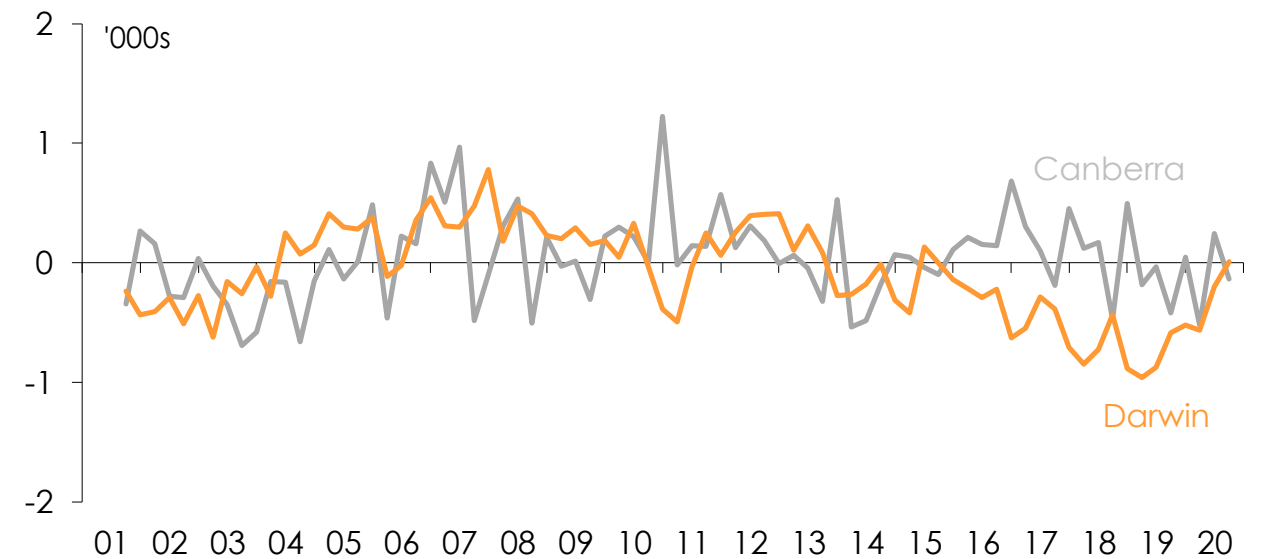
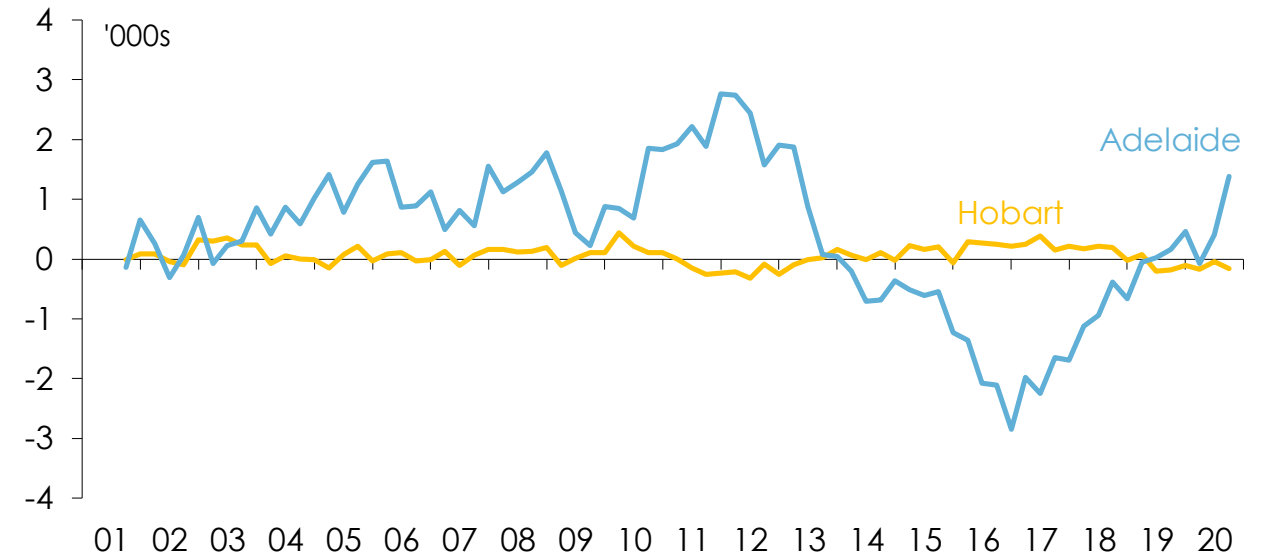
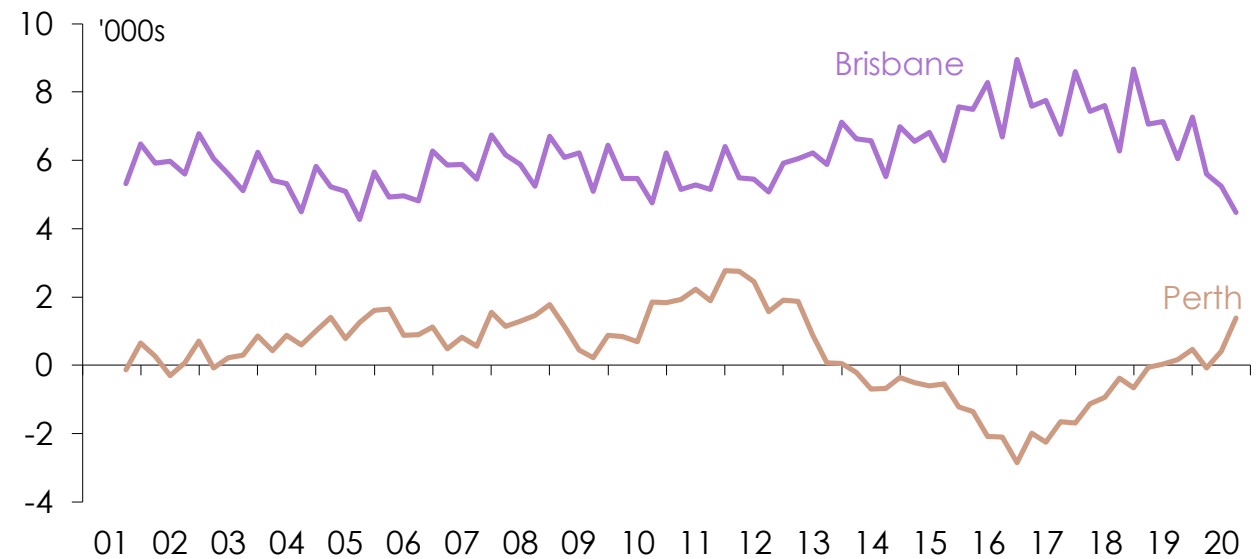
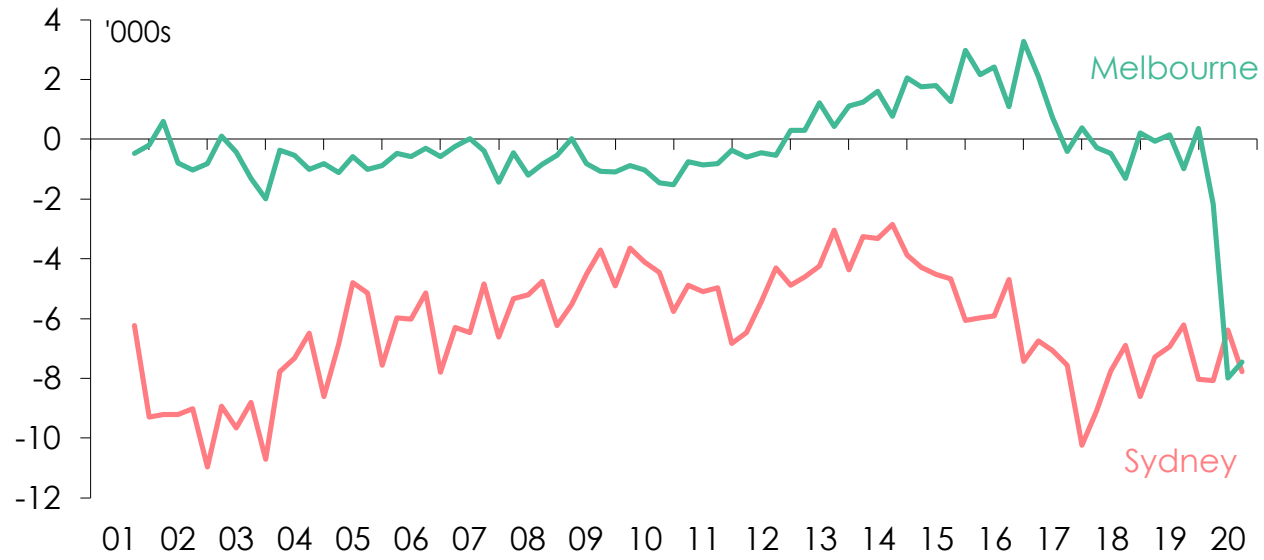
## Internal migration flows – capital cities vs regions



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 ...

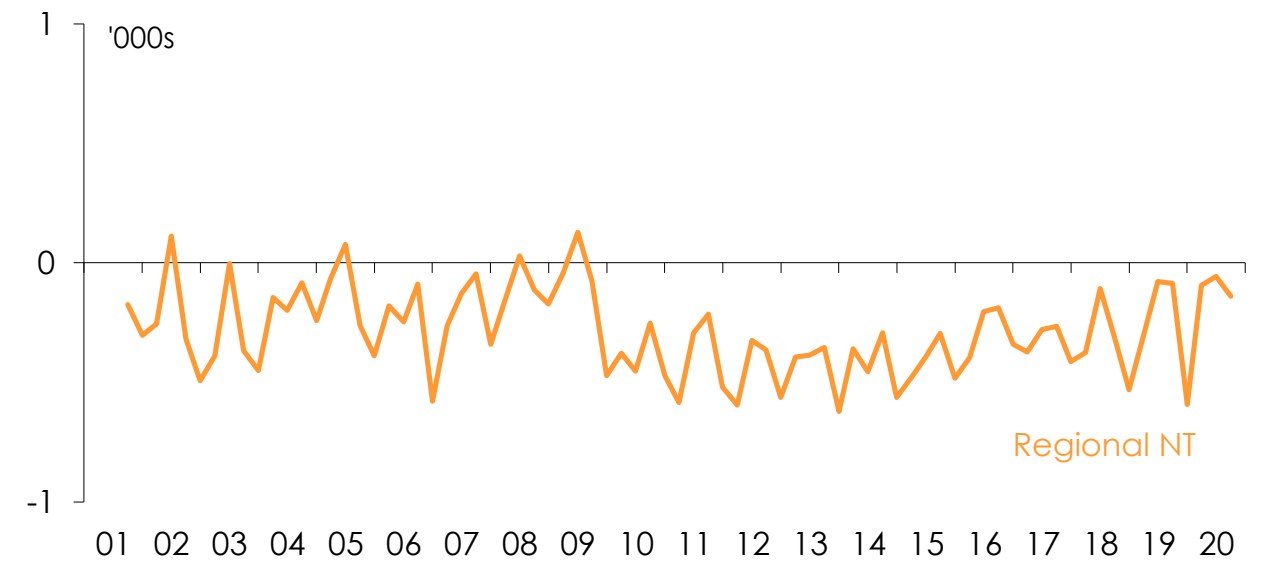
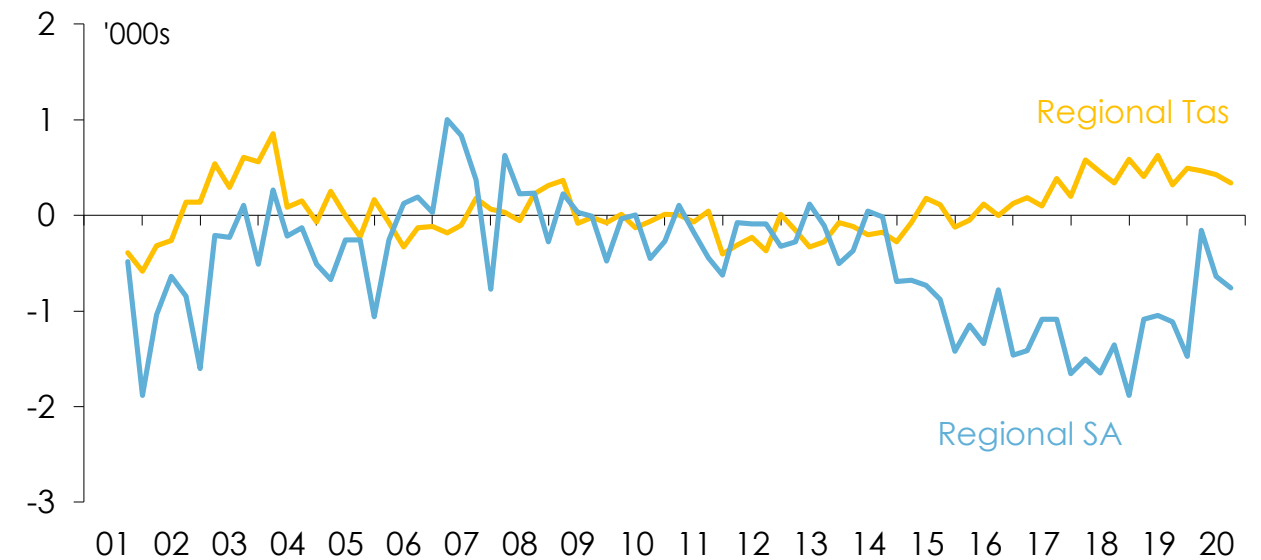
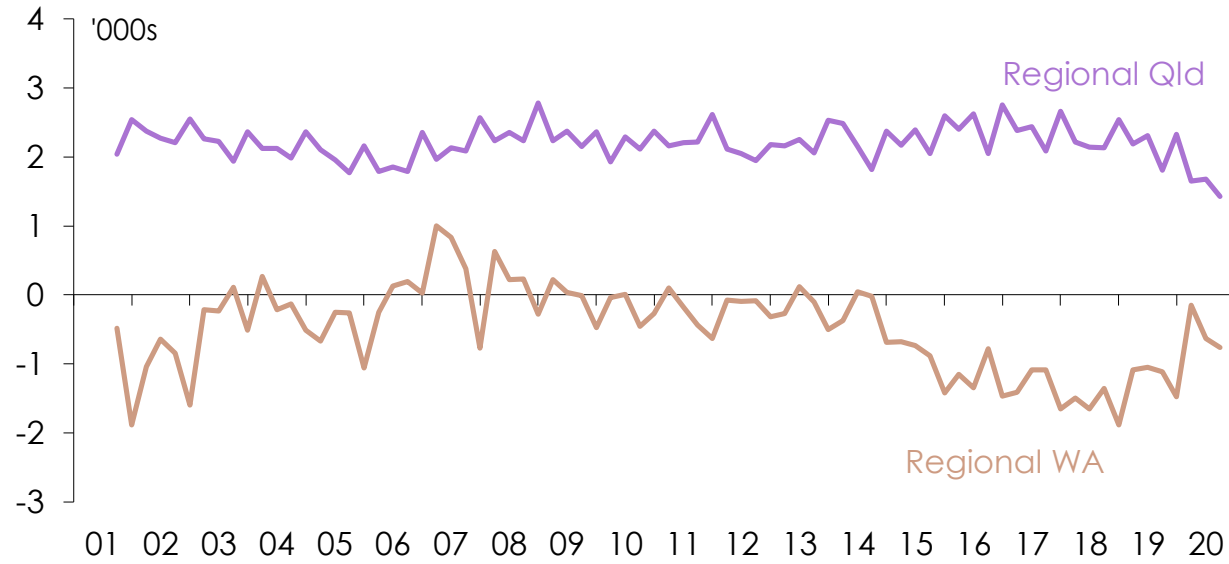
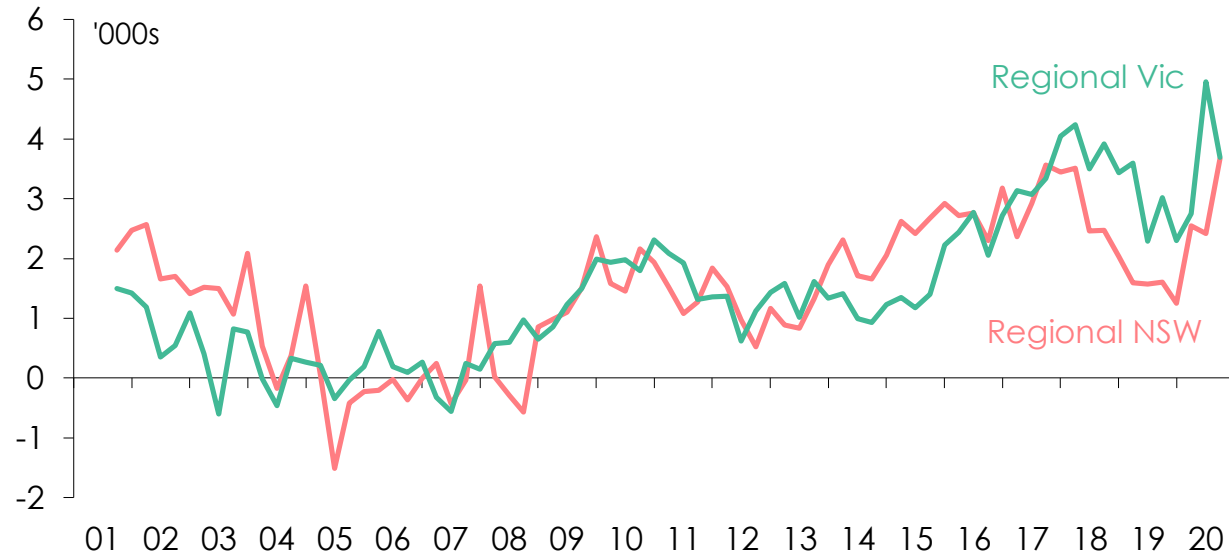
## Net internal migration to or from Australia's capital cities



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

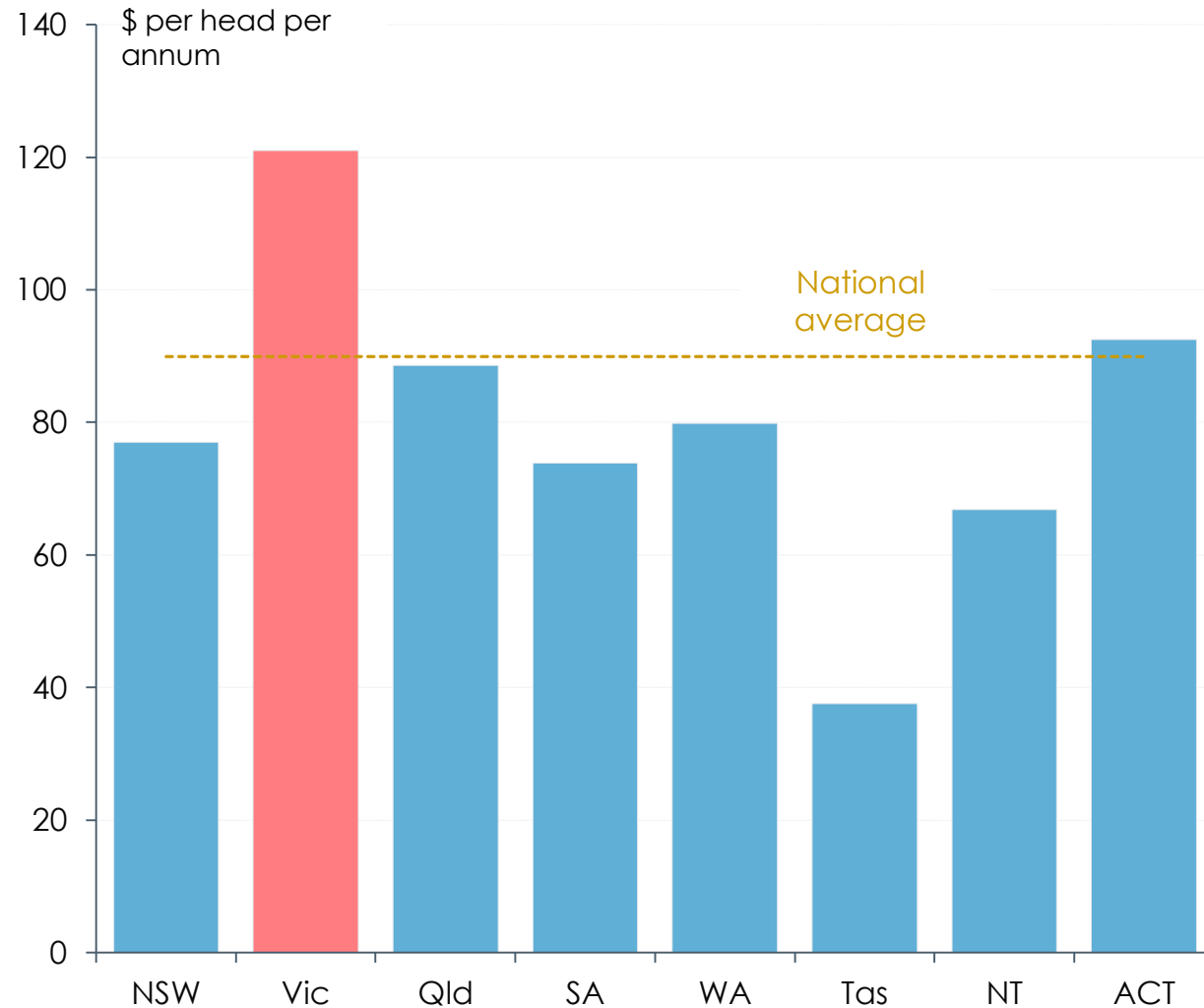
## Net internal migration to or from Australia's non-metropolitan regions



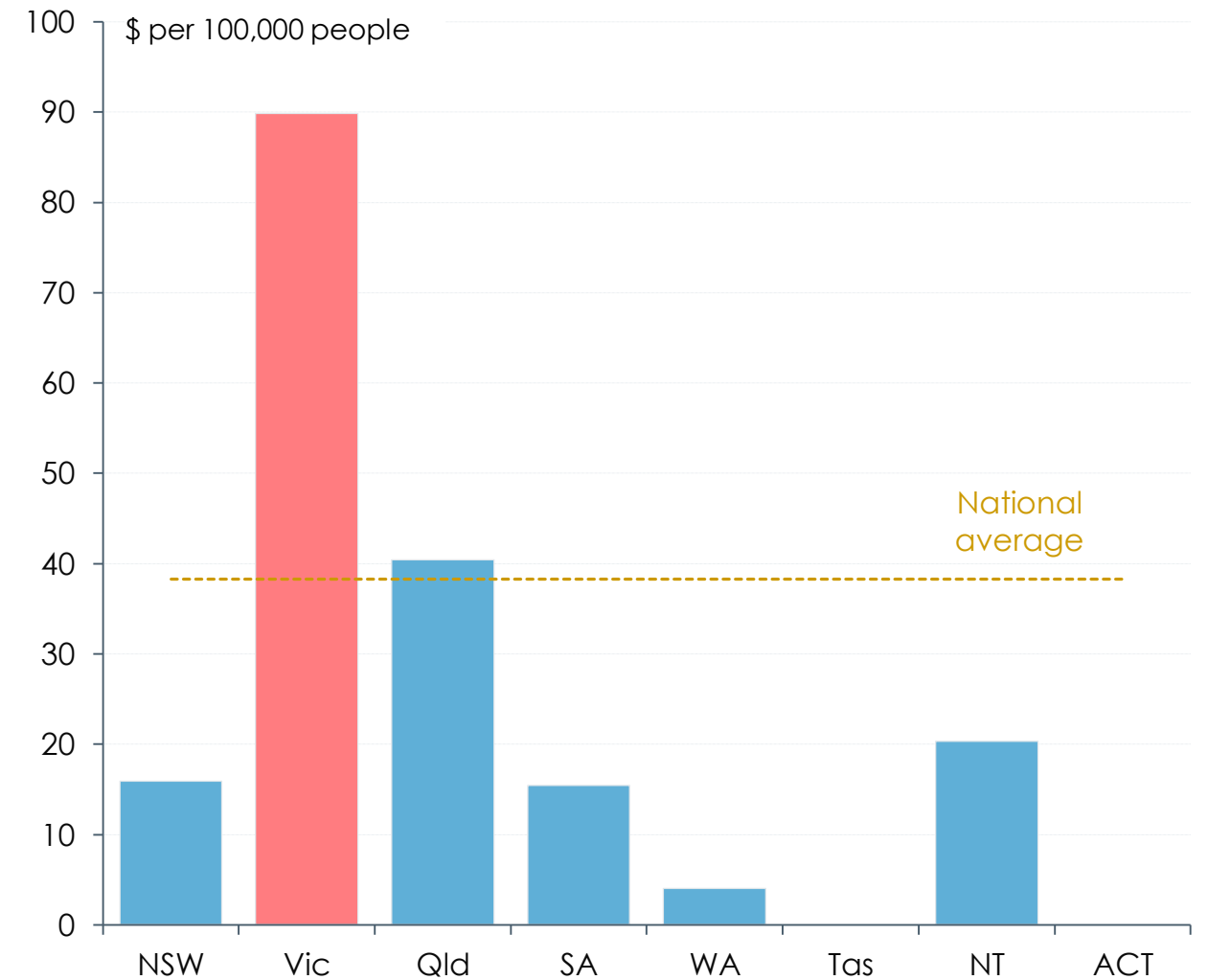
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# It would appear that people want to get out of the 'Police State'

## 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

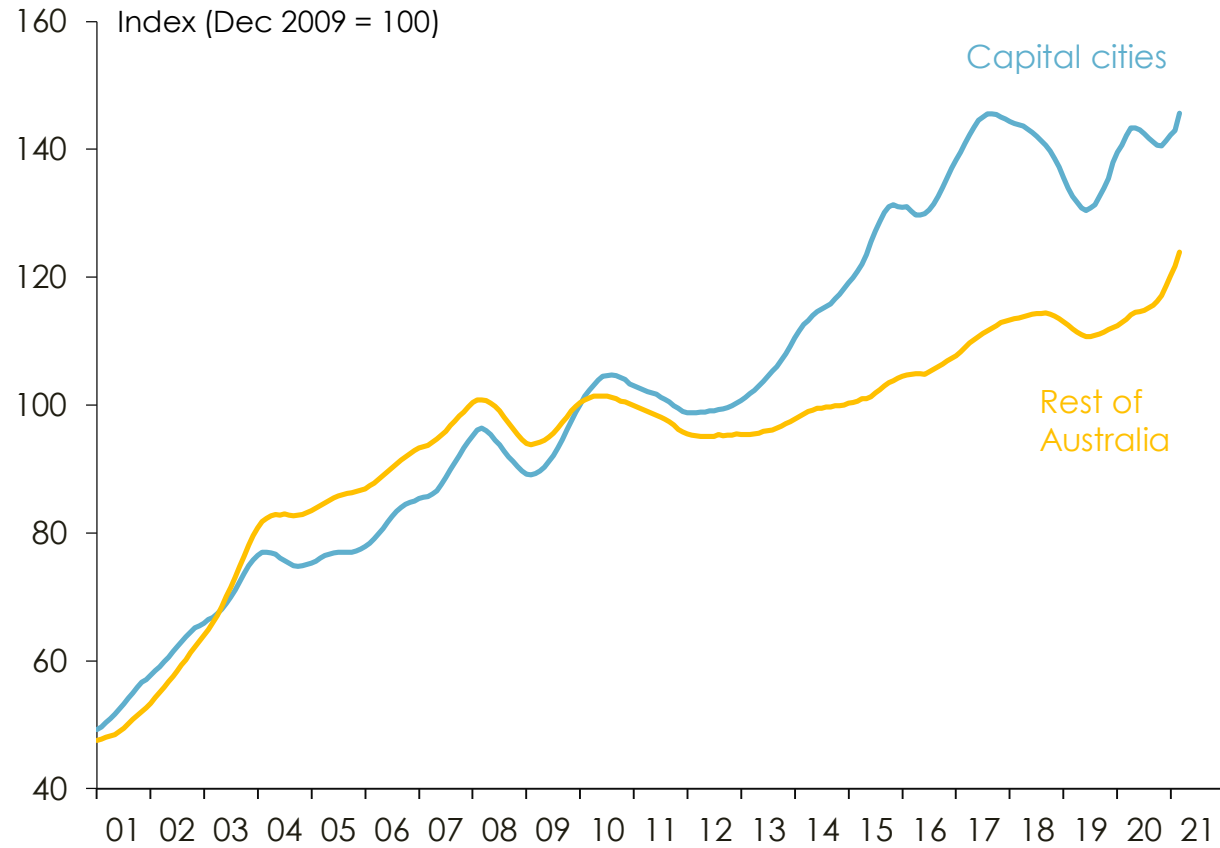


Note: fines for breaches of Covid-19 regulations are for the period between when 'stage 3' lockdowns started in late March to the last week of May.

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

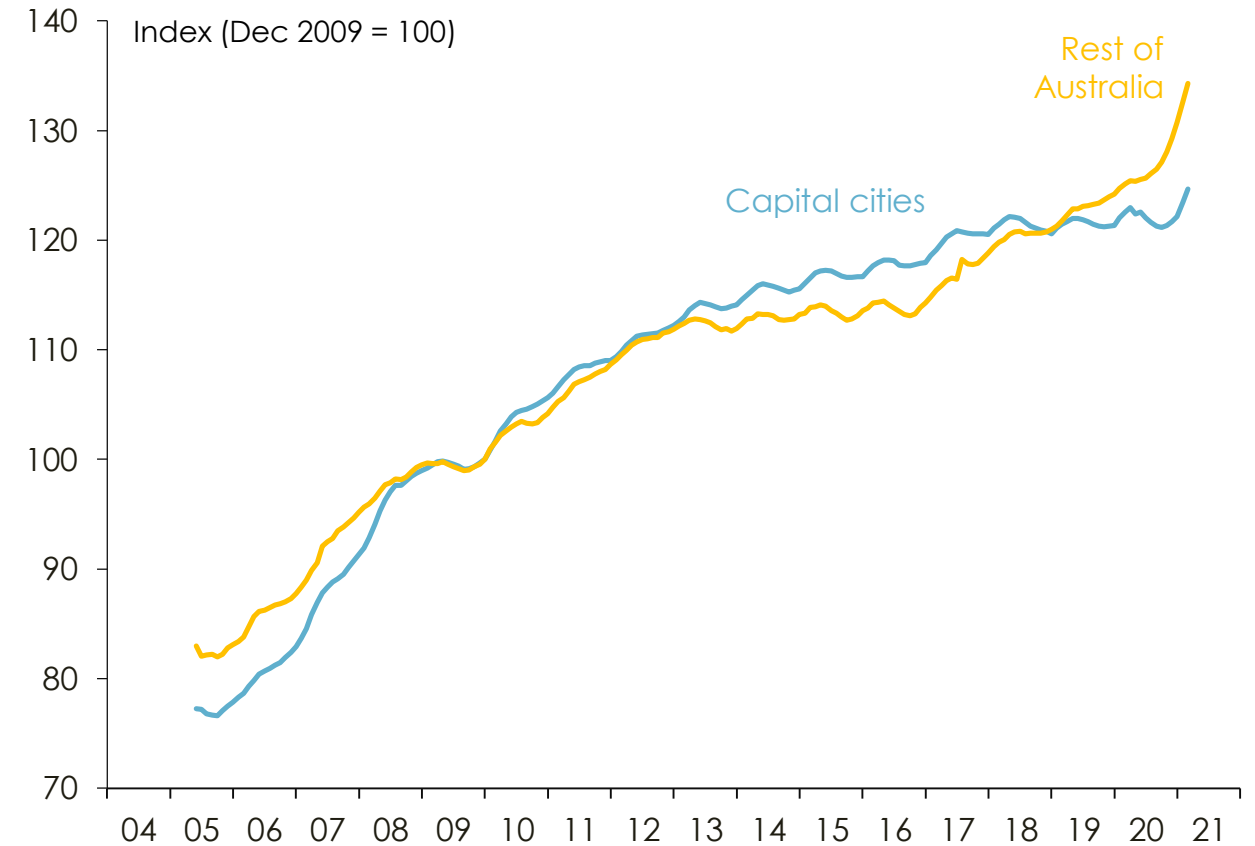
# The most obvious consequence of this 'shift to regions' has been in property prices and rents (and that isn't an unalloyed Good Thing)

## 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)

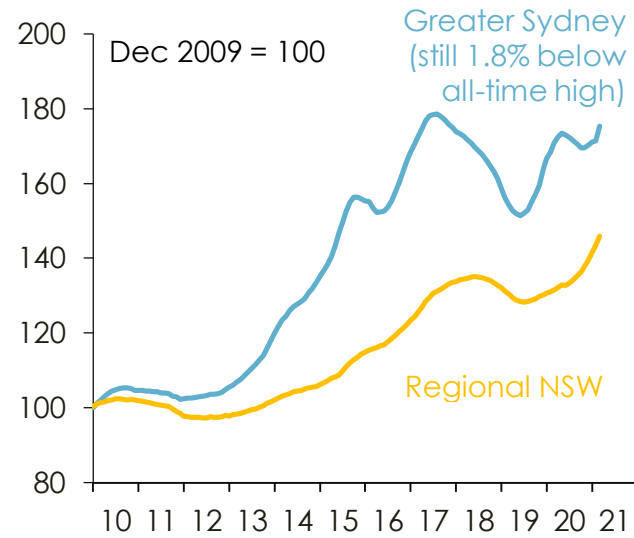
## Capital cities and regional areas residential rents



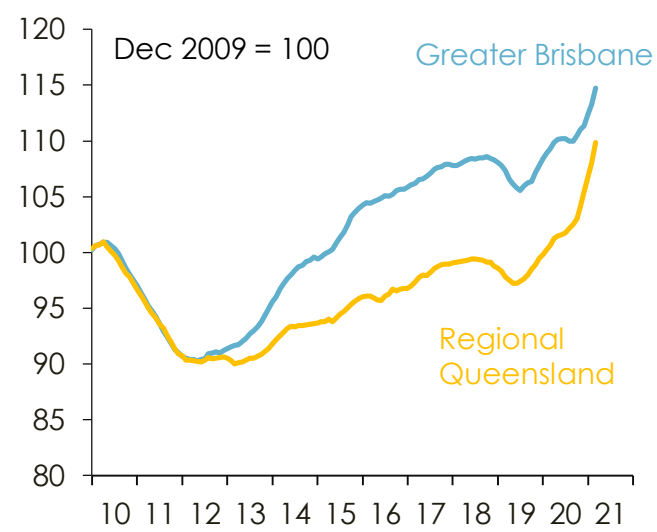
- Rents have risen 7.3% in regional Australia over the past 12 months, compared with 1.7% in capital cities (although they are still 10% cheaper, on average, than capital cities)

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

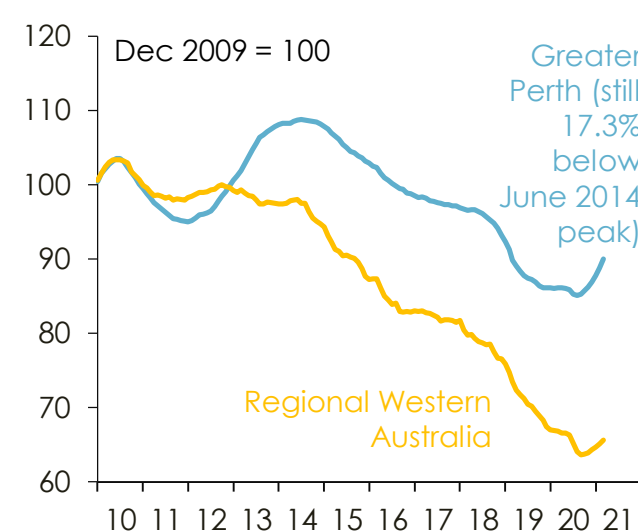
## New South Wales



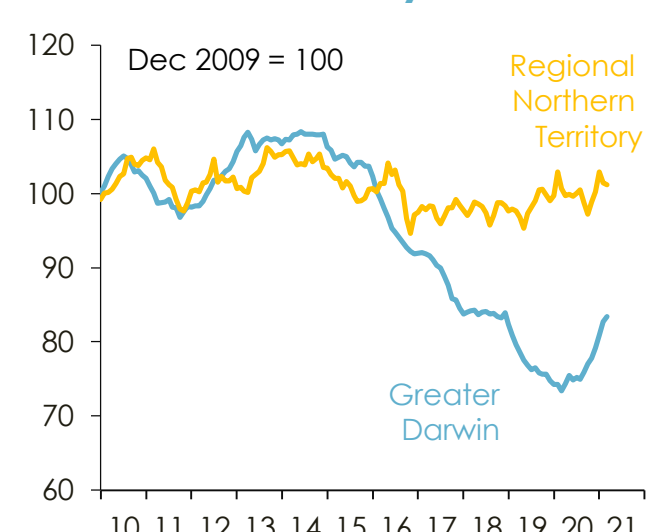
## Queensland



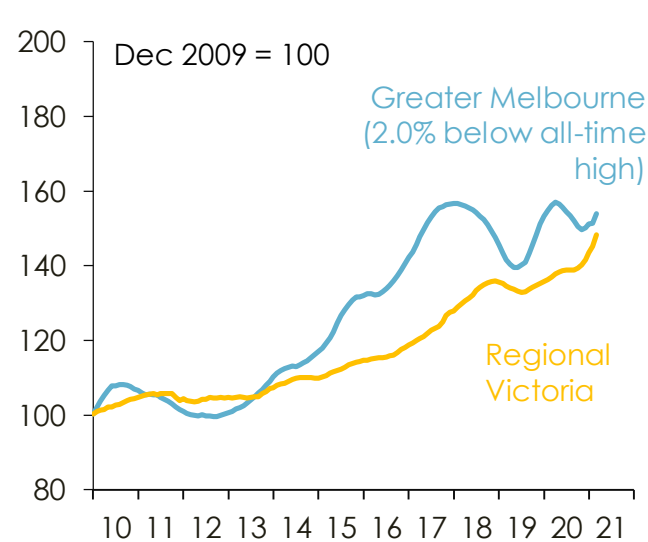
## Western Australia



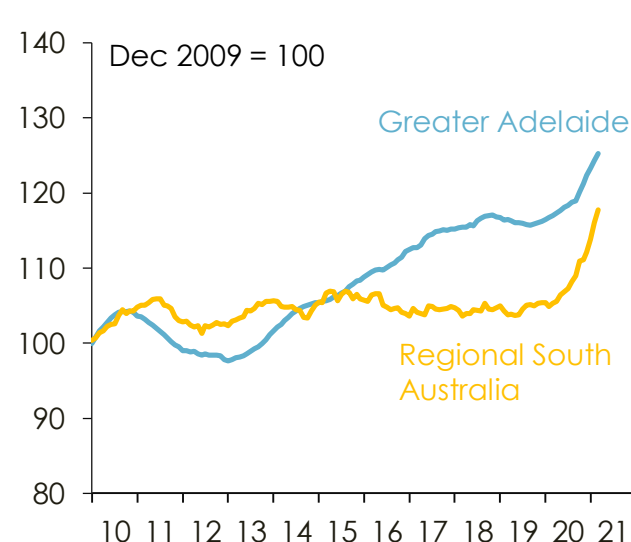
## Northern Territory



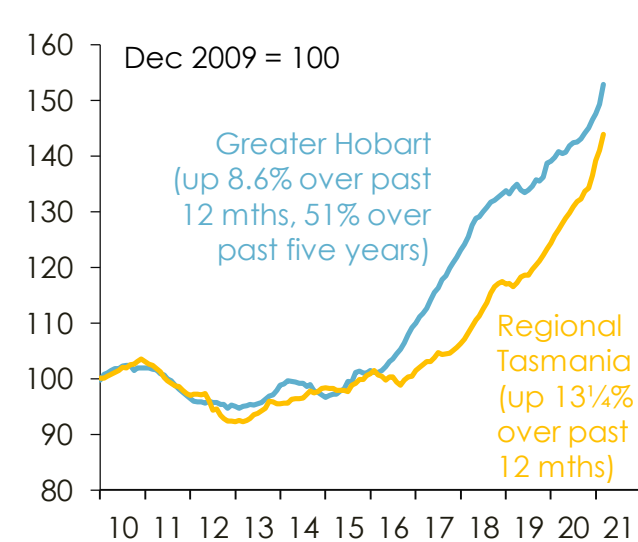
## Victoria



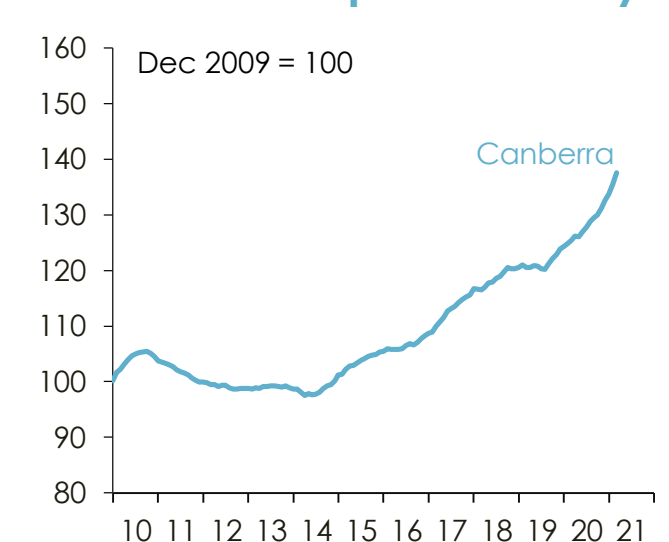
## South Australia



## Tasmania



## Australian Capital Territory



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

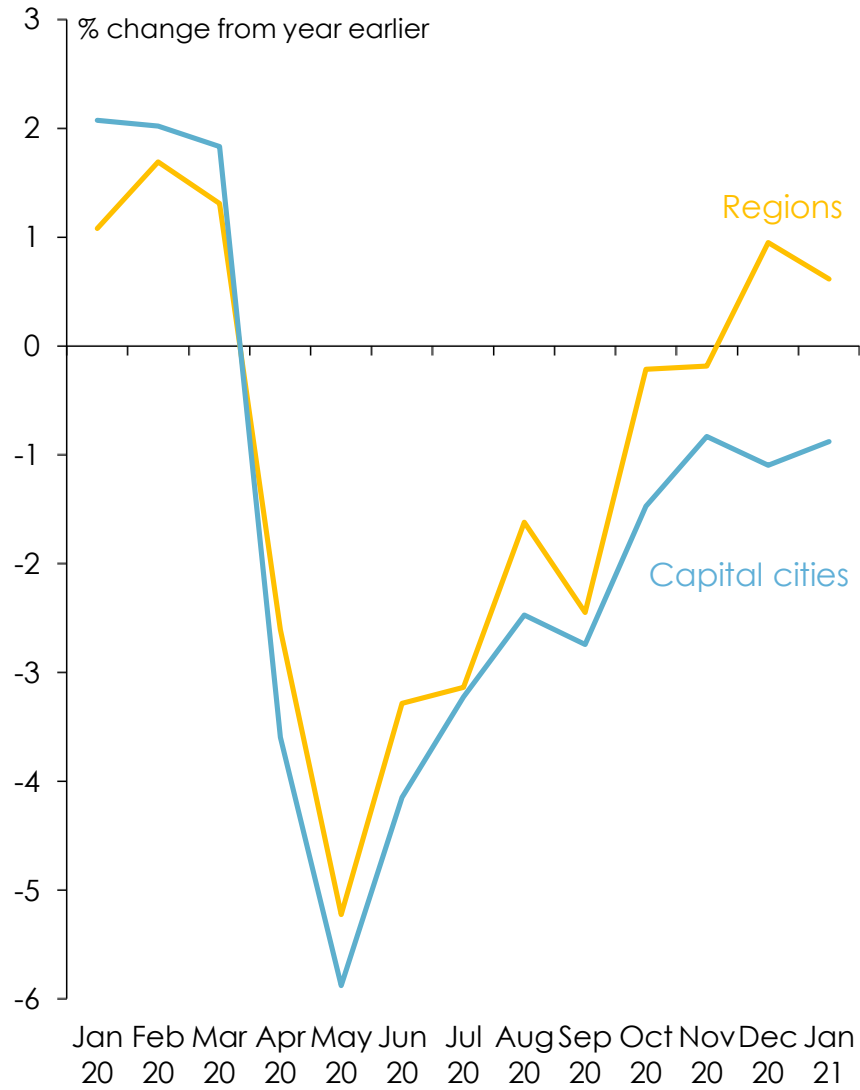
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- ❑ **A perception that regional Australia is 'safer' than capital cities during covid-19**
  - there have been far fewer infections (per head of population) in regional areas than in capital cities (and many regional areas have had no cases at all)
  - except in Victoria life has been less disrupted by lockdowns than in capital cities

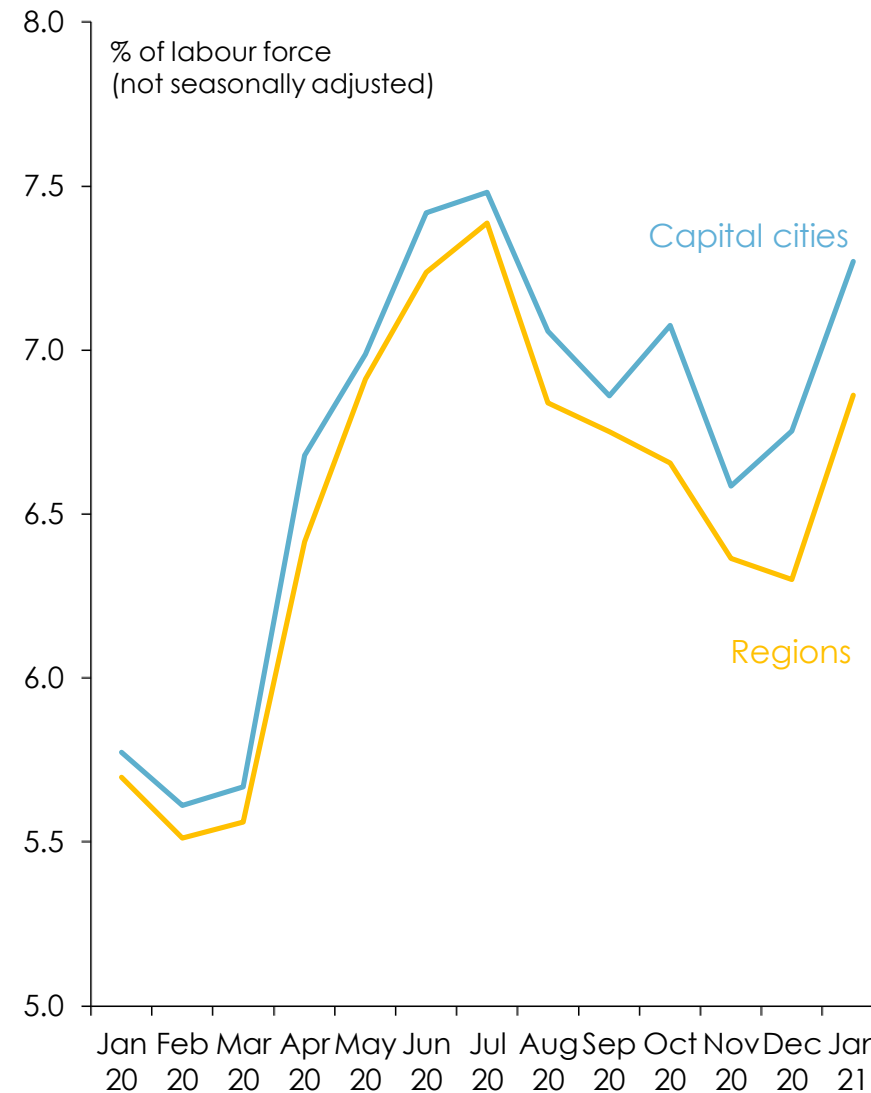


# Regional labour markets have weathered the corona-recession better than their capital city counterparts

## Employment



## Unemployment rates



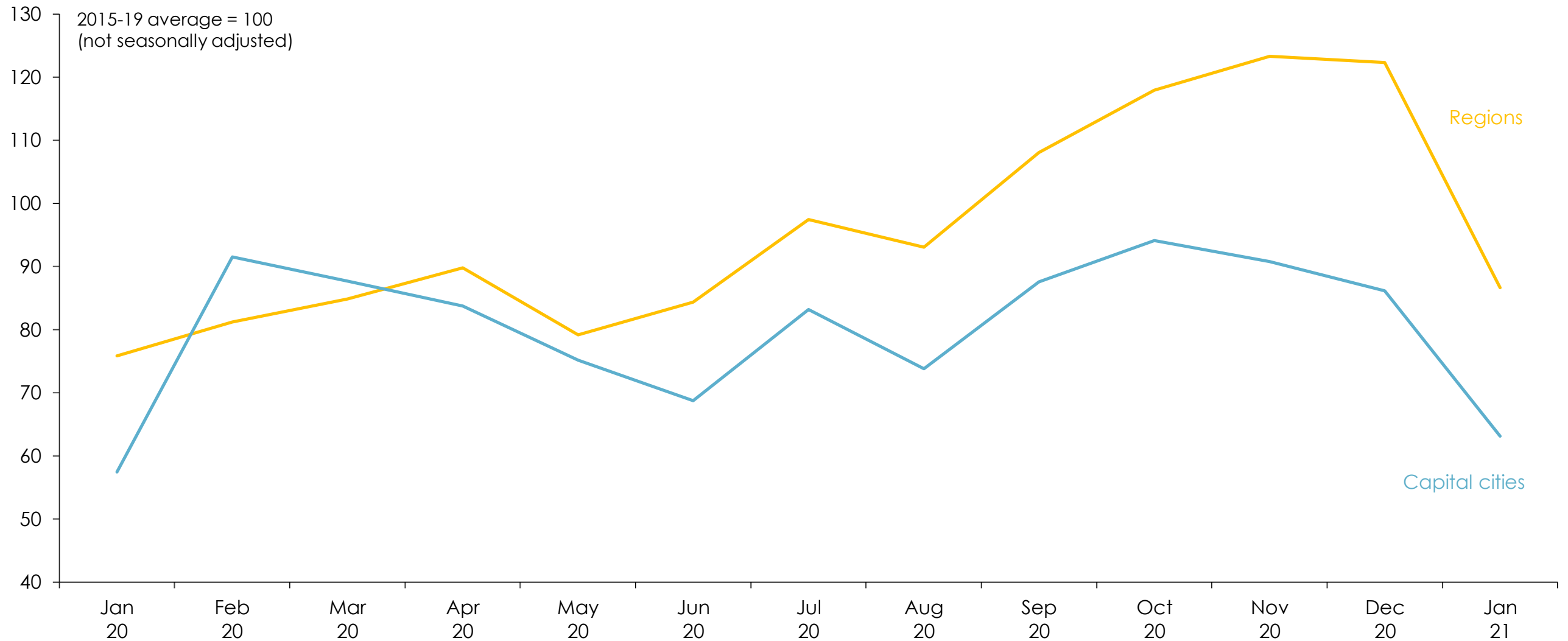
## Job vacancies



Source: ABS, [Labour Force, Australia, Detailed](#), January 2021; National Skills Commission, [Internet Vacancies Index Regional data](#), January 2021.

# More people moving to regions is driving a stronger upturn in residential building activity than in capital cities

## Residential building approvals – capital cities vs regions



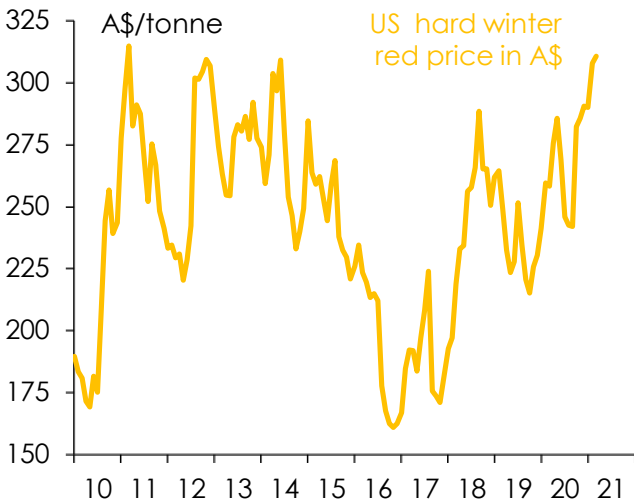
Source: ABS, [Building Approvals, Australia](#), January 2021.

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

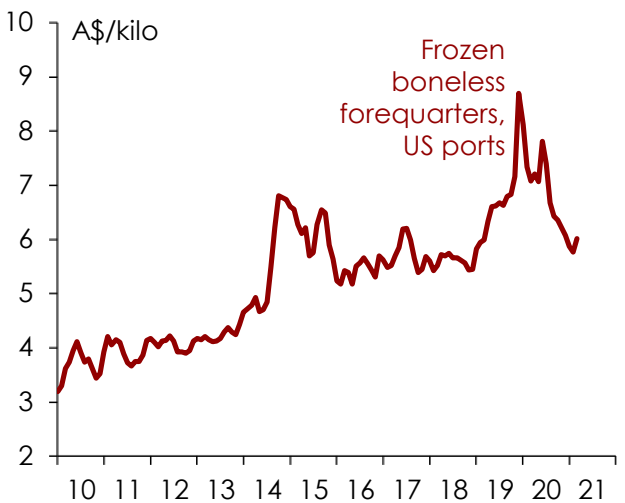
- ❑ **A perception that regional Australia is 'safer' than capital cities during covid-19**
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- ❑ **The increased acceptance and feasibility of 'working from home'**
  - employers have discovered that 'working from home' doesn't detract from productivity, 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

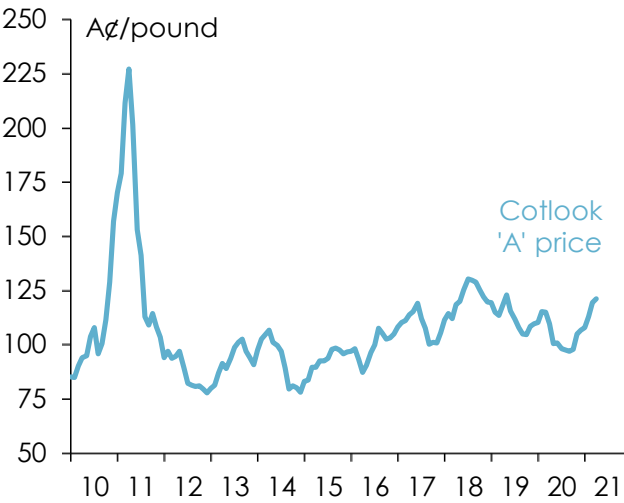
Wheat



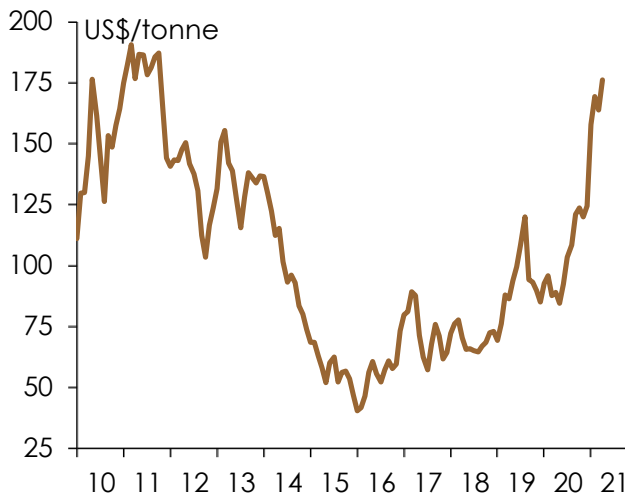
Beef



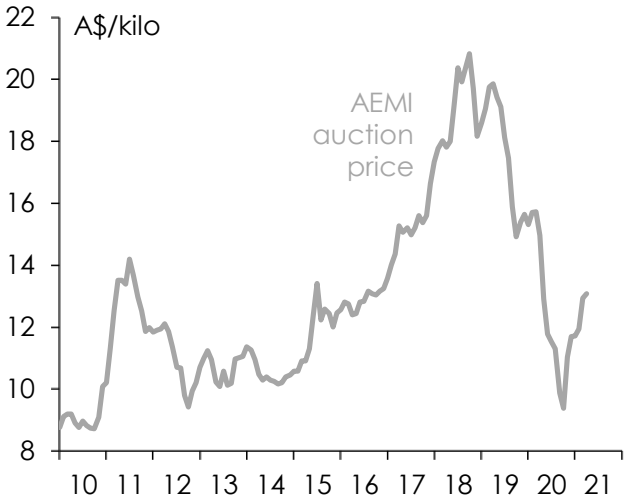
Cotton



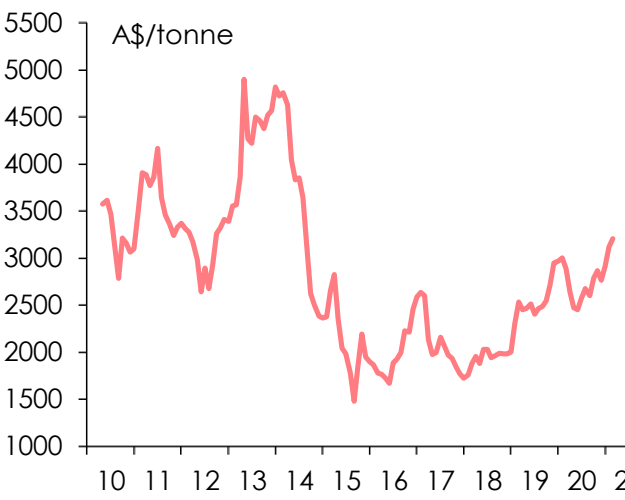
Iron ore



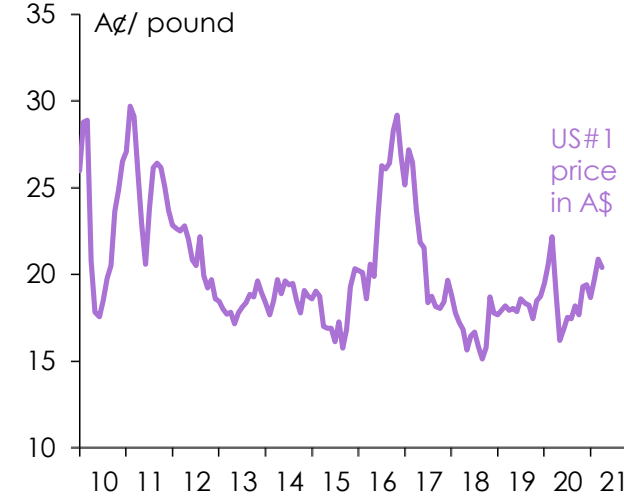
Wool



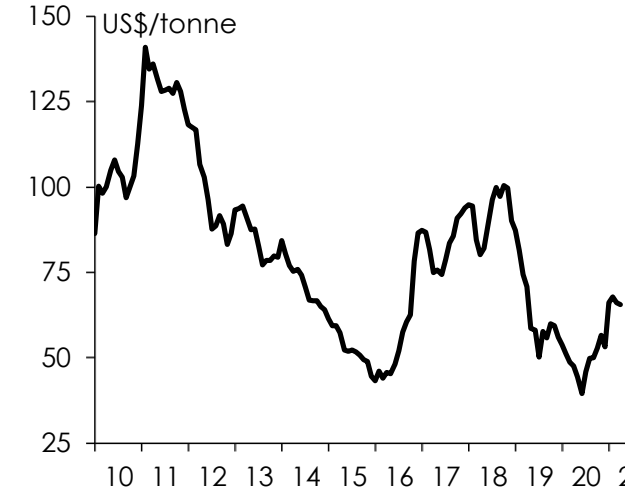
Skim milk powder



Sugar



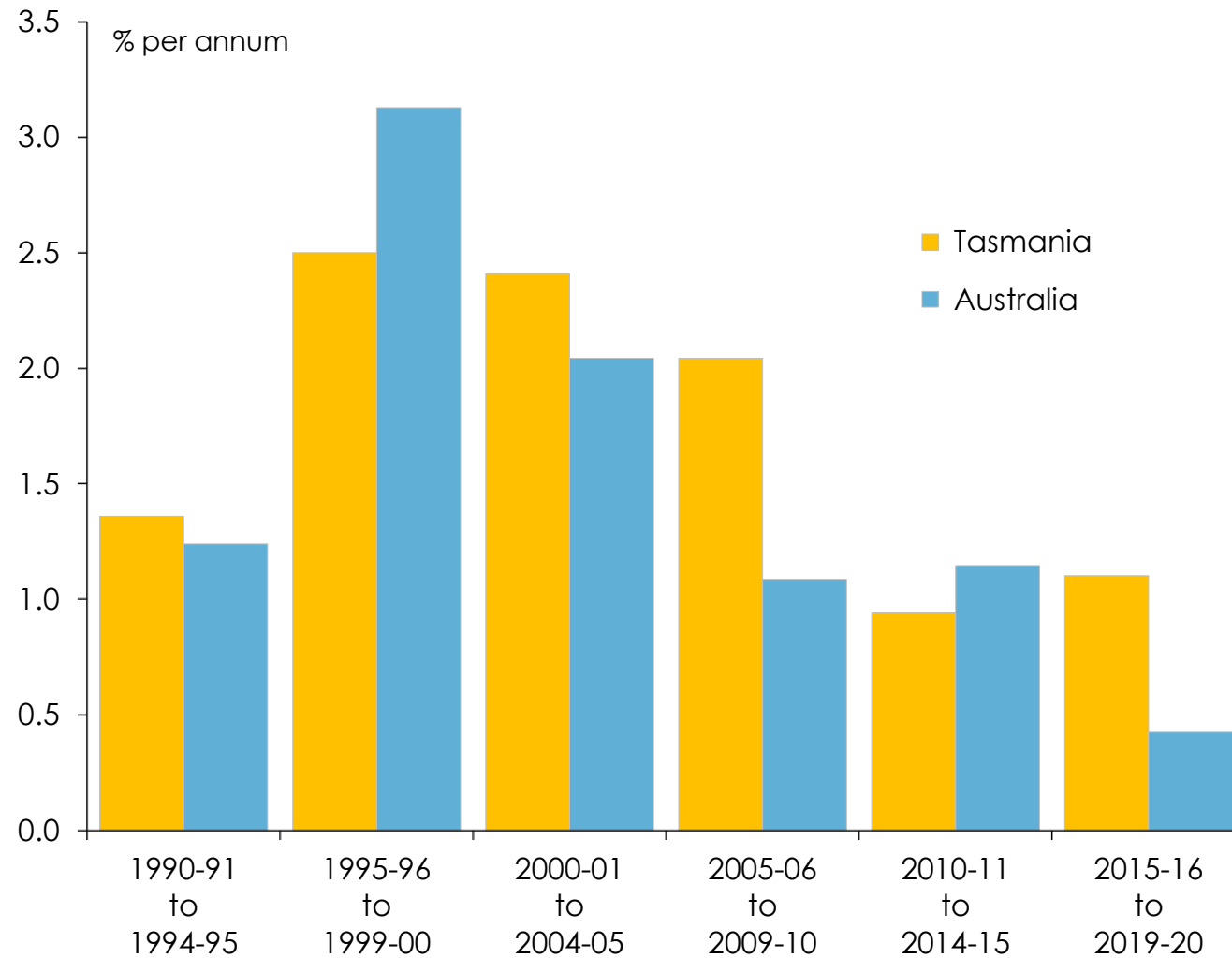
Thermal coal



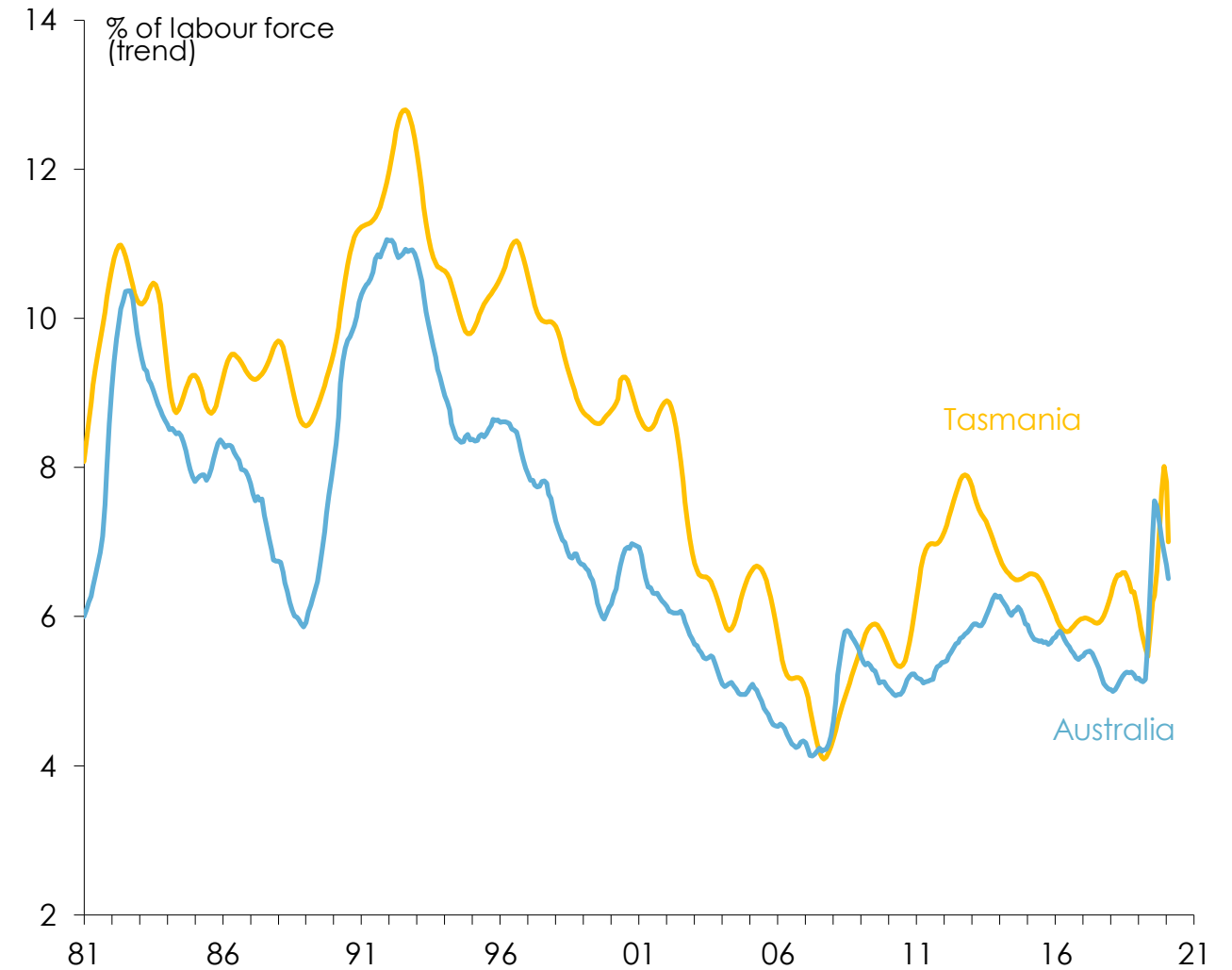
Sources: Refintiv Datastream; IndexMundi; Global Dairy Trade.

# 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



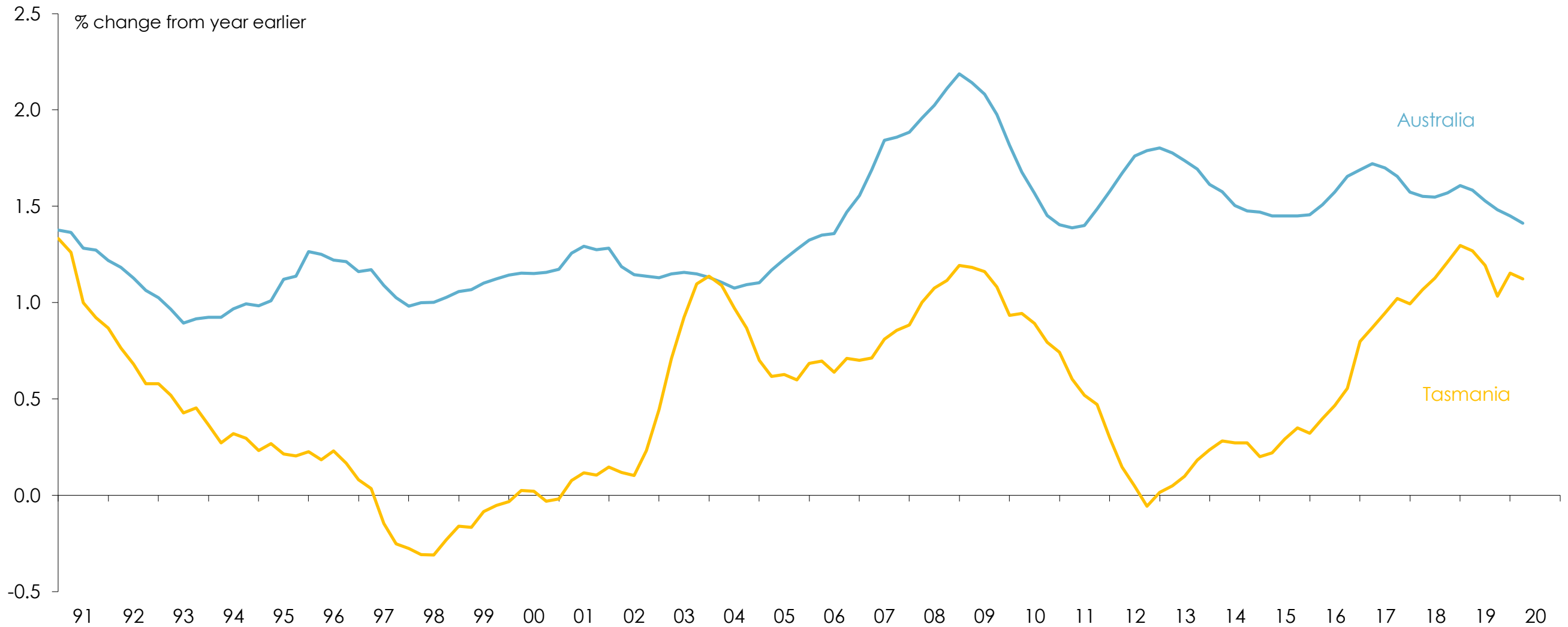
Unemployment rates, Tasmania and Australia, 1981-21



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

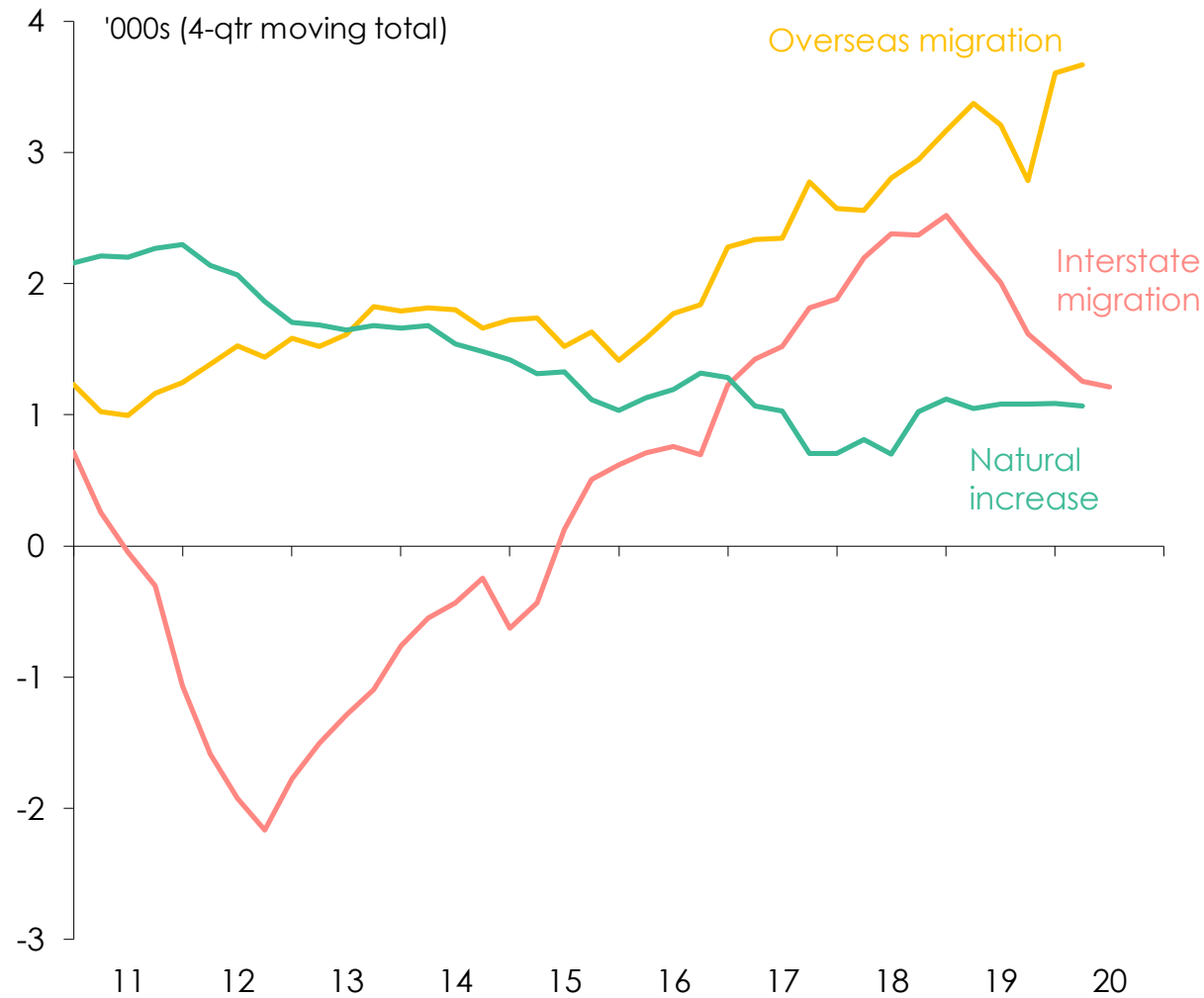
Population growth, Tasmania and Australia, 1991-2000



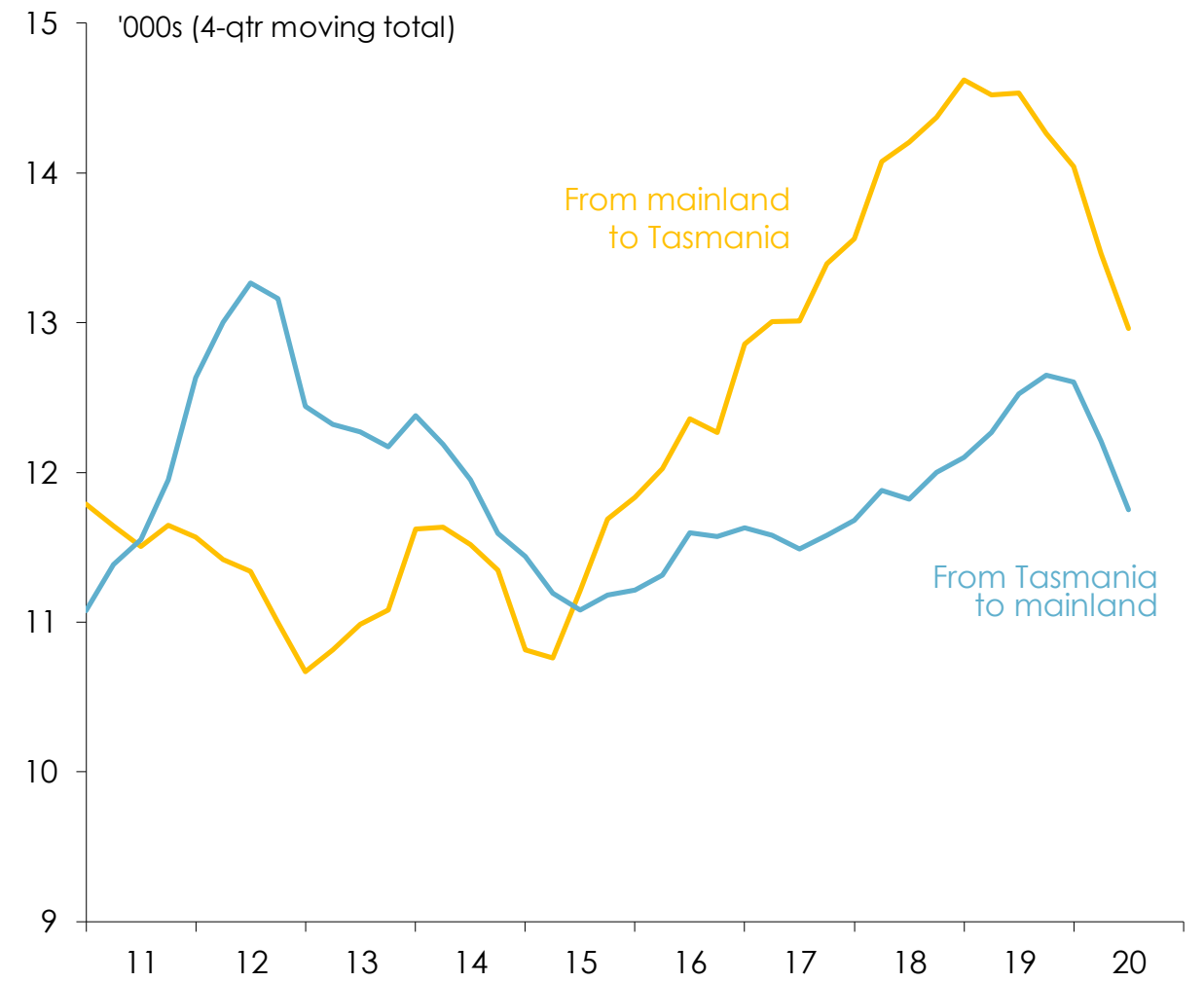
Source: ABS, [National, state and territory population](#).

# 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



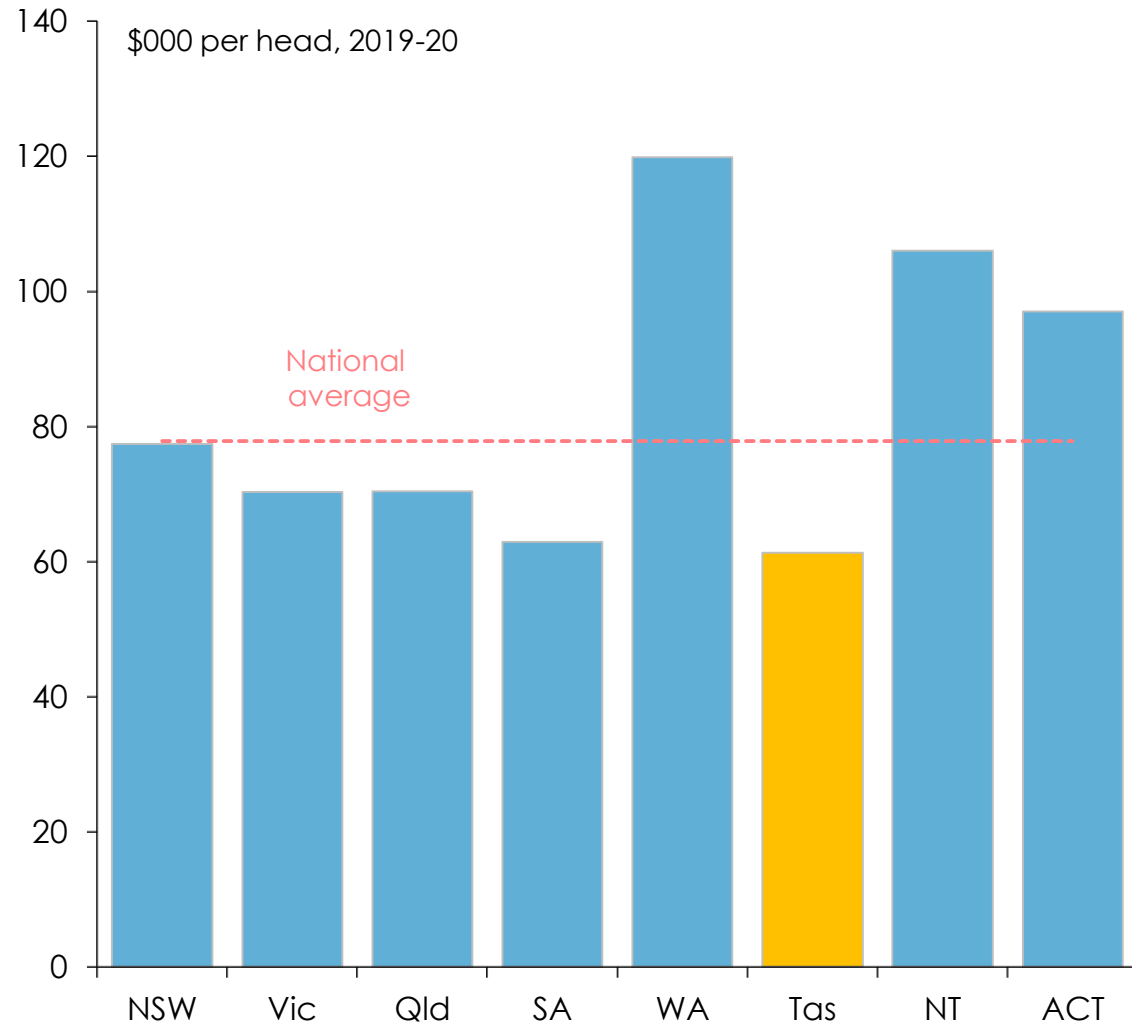
People movements across Bass Strait, 2011-2020



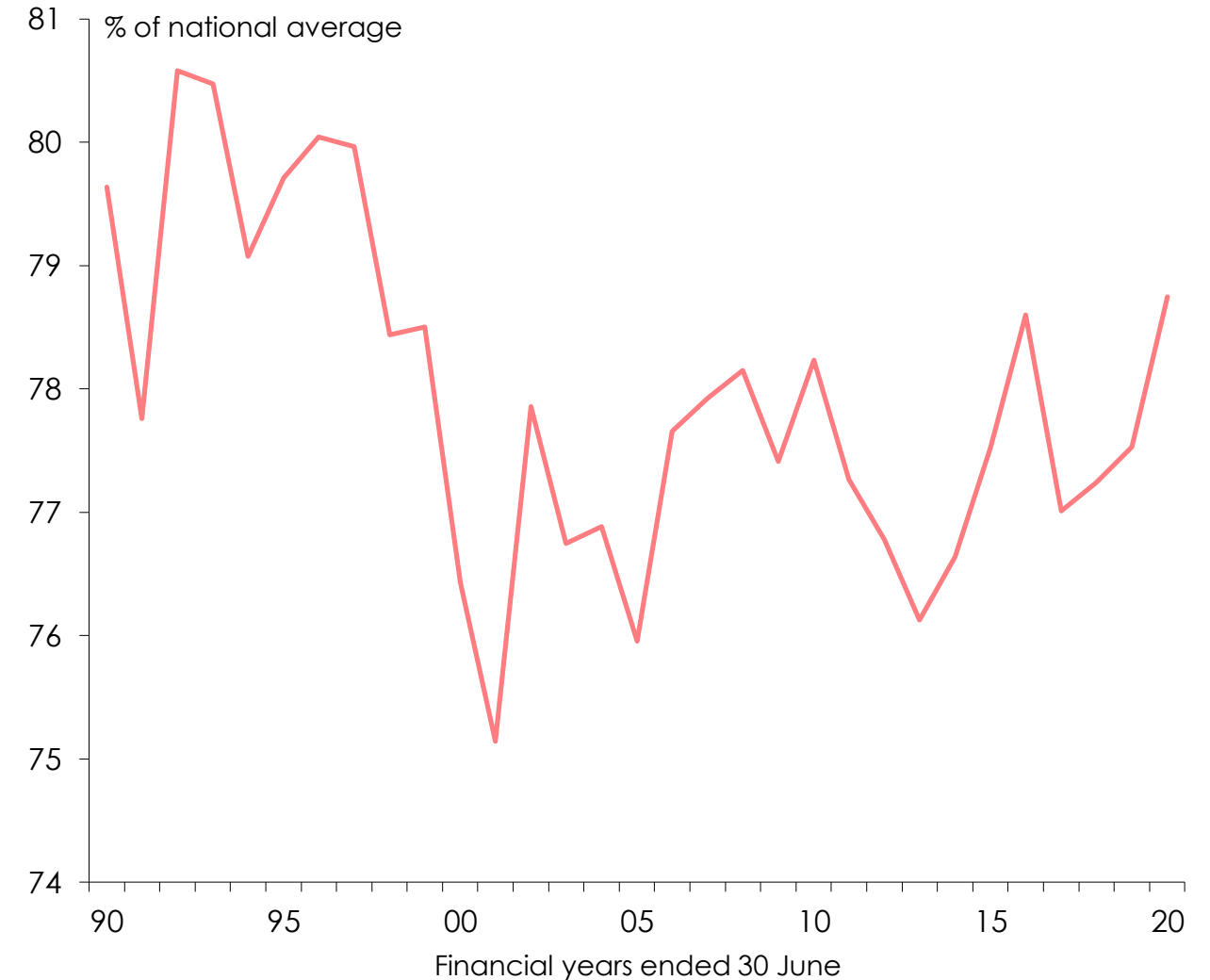
Source: ABS, [National, state and territory population](#).

# 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

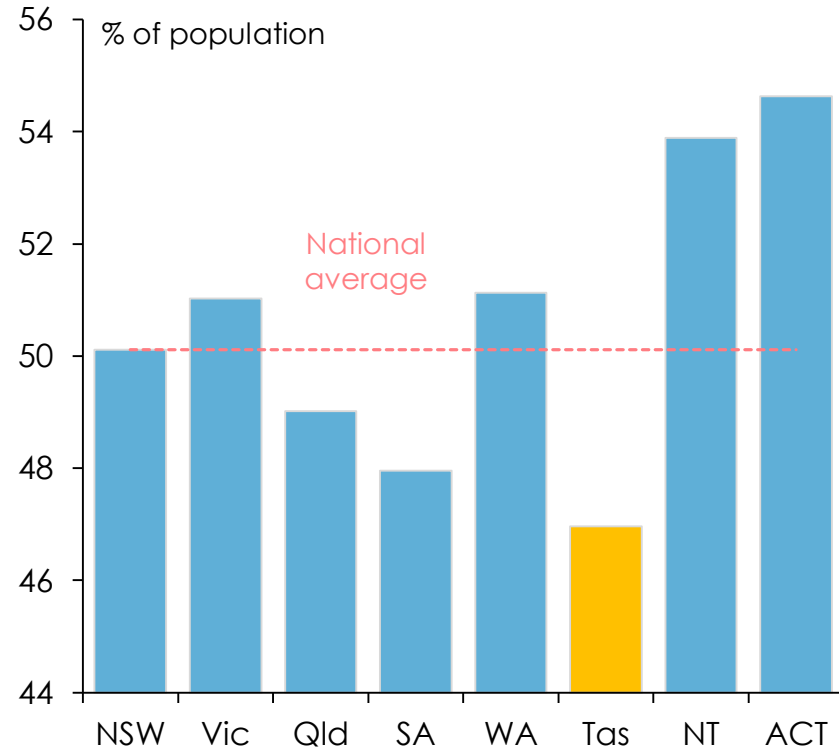


Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#).



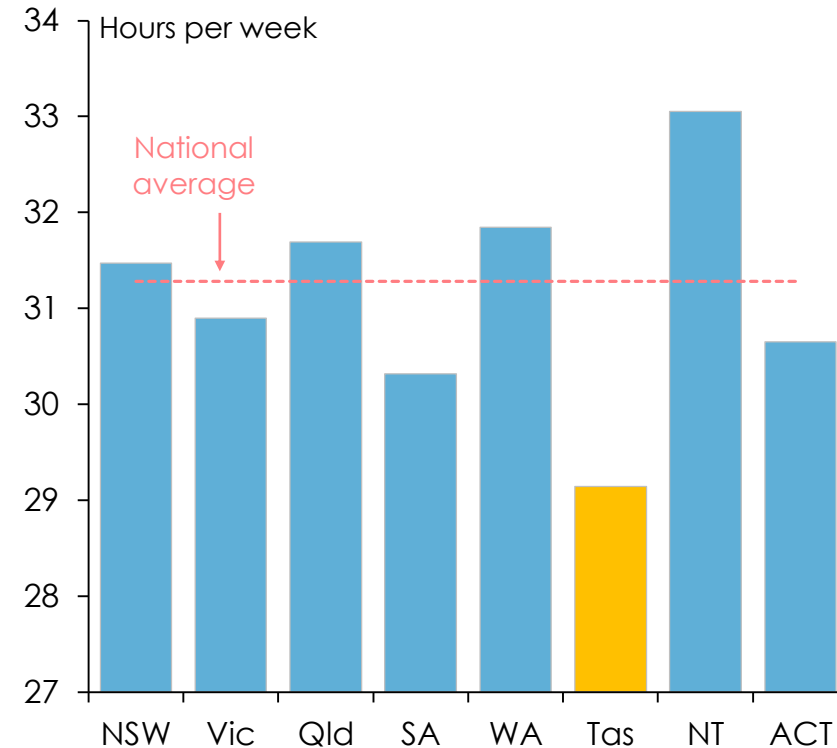
# Tasmania's below-average per capita gross product reflects lower participation in employment, fewer hours worked and lower productivity

Participation in employment, 2019-20



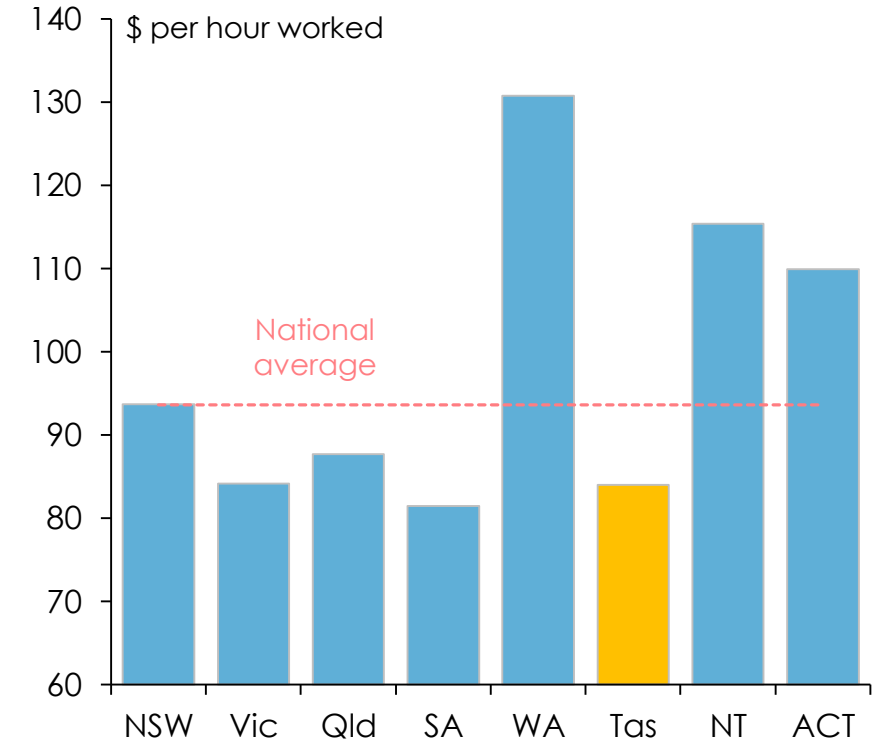
**47% of Tasmanians have a job (cf. 50% of mainlanders) – which accounts for 36% of the difference between Tasmania's per capita GSP and the mainland's**

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**

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

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## ❑ 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)

# ... and the solutions are similar – for all levels of government, and for businesses

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- ❑ **Not necessarily *more* spending on education – but *better* (more effective) spending**
  - in particular, ensuring that all children and students have similar education opportunities irrespective of where they live
  - and more attention to adult literacy, and retraining, in areas which have had historically low levels of educational opportunity and attainment
- ❑ **Better directed spending on health and aged care**
  - which *does* need to recognize glaring disparities in access to services and care
- ❑ **Filling gaps and holes in infrastructure networks**
  - speed, bandwidth and reliability of communications networks shouldn't depend on where you live
- ❑ **Fair and sensible pricing of access to infrastructure**
  - recognizing (for example) that relying on fuel excise revenues to fund road construction and maintenance will become increasingly inadequate *and* inequitable
- ❑ **Businesses thinking outside the [city] square**
  - and recognize that employees don't need to be all in the same space to be productive, or to work as 'teams'
- ❑ **More accurate measurement of where economic activity and wealth are generated**
  - current forms of economic statistics gathering rely predominantly on reports collected from head offices – which probably over-states the economic contribution of CBDs

## Important information

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