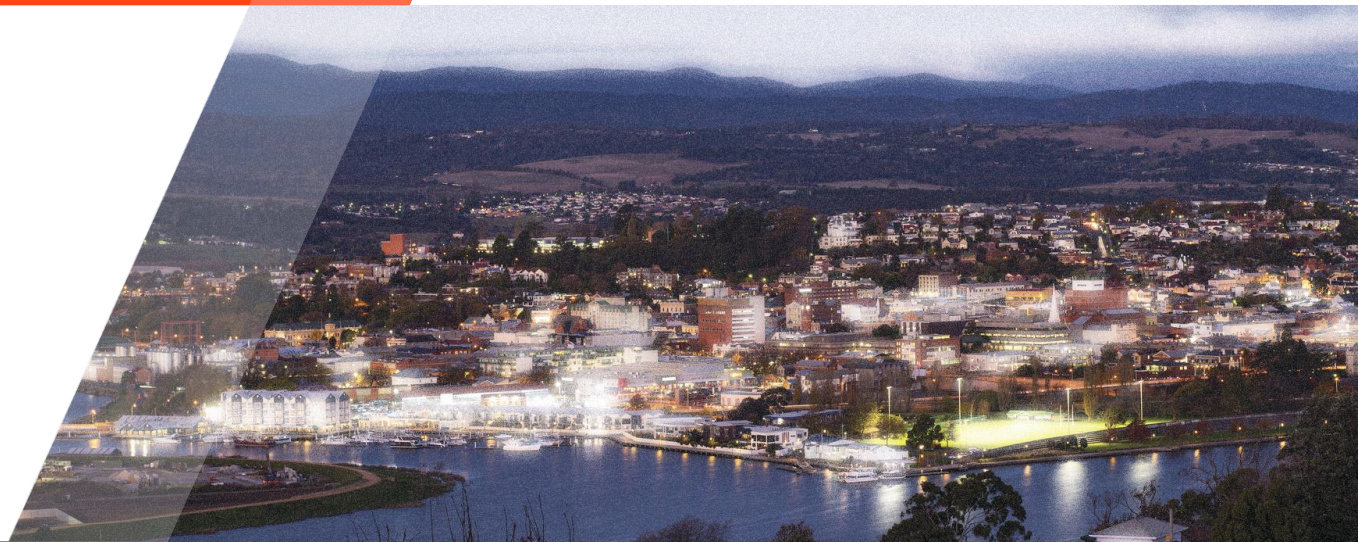


Tasmania Economic Review

September 2022





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Executive summary

Introduction

This report provides a targeted economic analysis of Tasmania's economy. The report focuses on the period from 2019 to 2021 to assess recent economic performance and growth drivers; assess competitive advantages over the longer period from 2016 to 2021; look at the demography and socio-economic profiles of the state; assess the recovery from COVID-19; and conclude with the likely forces that might affect the future of the economy. This information can help identify key opportunities and challenges and prioritise actions required to address them.

Tasmania, the top performing state

Strong recent performance in terms of jobs and GRP growth

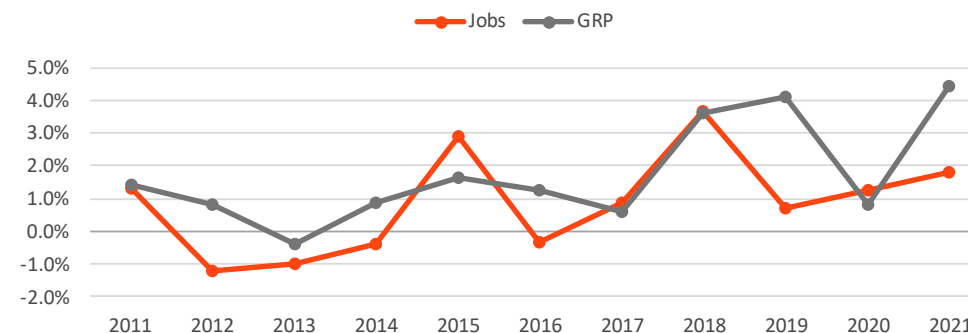
Tasmania's economy was significantly impacted by COVID-19 like other states in Australia. However, Tasmania staged a strong rebound, where by December 2021 the state's jobs and GRP were above the pre COVID-19 December 2019 level. The state recorded the highest growth rate in terms of jobs and GRP over the period from 2019 to 2021. This led to a fall in the unemployment rate to 4.8% in March 2022, on par with the national average. This strong growth was driven by:

- **Population growth surge:** Population growth increased from around 0.2% p.a. in the early 2010's to over 2% p.a. from 2017 to 2020. This growth rate was more than 0.5% p.a. higher than the national average and was driven by the reversal of the net interstate migration to positive in 2015 and a step up growth in the net international migration in 2017. The younger workforce was the largest population growth group, helping alleviate the ageing workforce and improve Tasmania's skill profile. The population growth also prompted an increase in population service industry jobs (health, education, food and beverage services, and public administration and safety).
- **High performing export oriented industries driving productivity growth:** Growth was also driven by the state's export oriented industries. An increase in agricultural commodity prices, export demand and production growth supported a strong performance in Tasmania's highly competitive agriculture industry. Growth in metal ore mining industry jobs and value was driven by the demand increase.

¹ Construction sector jobs decreased following the completion of major infrastructure projects. However, it is likely construction activities have rebounded since mid 2021 driven by strong building approvals activity in early 2021.

Jobs and GRP growth in Tasmania

% per annum



Source: NIEIR, 2022

The strong population and economic growth had flow-on positive implications for the wider economy. Particularly, there was a large growth in professional services, construction activities and population service industries.

- **Rise of knowledge and professional services:** Economic and population growth prompted strong demand and growth in business and professional services in Tasmania. The proportion of 'knowledge service' industry jobs in Tasmania increased from 12.8% in 2016 to 13.1% in 2021. This change was driven by the professional service industry, where the industry jobs growth over the period from 2016 to 2021 averaged 5.8% per annum, significantly higher than the 0.3% per annum growth from 2011 to 2016. The job growth was in a diverse range of sectors, such as architecture, law, advertising and management consulting.
- **Step up in construction activities:** Strong population growth and economy have increased residential and non-residential construction activities.¹ The average annual total building approvals from 2017 to 2021 was over \$ 1 billion, almost 60% higher than the average from 2013 to 2016. Particularly, non-residential construction is driven by education, accommodation, retail and wholesale, entertainment and office buildings. These buildings will provide important employment space for economic and job growth in the future.

Executive summary (cont)

- **Growth in population service industries:** Industries providing essential services experienced high growth. The increase in Healthcare and Social Assistance service jobs (e.g. aged care, welfare, disability assistance services) was driven by the opening up of Royal Hobart Hospital expansion, the COVID-19 outbreak, population growth and the ageing population. Strong population growth has increased the demand for Preschool and School Education and Adult, Community education. Food and Beverage employment increased due to the robust local economy and population growth, especially in younger age groups in Tasmania.

Industry performance - Tasmania

2019-2021

	Jobs	Value Added \$m
Arts and Recreation Services	-1,543	2
Construction	-849	-37
Retail Trade	-531	66
Mining	-502	303
Other Services	-359	6
Rental, Hiring and Real Estate Services	-297	-22
Information Media and Telecommunications	-269	63
Tourism and Hospitality *	-145	-62
Wholesale Trade	-122	112
Electricity, Gas, Water and Waste Services	139	15
Financial and Insurance Services	212	30
Public Administration and Safety	218	236
Manufacturing	474	-96
Administrative and Support Services	755	-45
Transport, Postal and Warehousing	1,308	-148
Accommodation and Food Services	1,542	-54
Education and Training	1,672	39
Professional, Scientific and Technical Services	1,673	56
Agriculture, Forestry and Fishing	1,876	416
Health Care and Social Assistance	2,366	451

Source: NIEIR, 2022 | * Includes activities from other industries

However, Tasmania faced headwinds

Despite the strong recent performance, several factors hindered growth

Tasmania faced challenges from the changing macro, socio-economic conditions and external impacts. These are:

- **Underperformance of North West Tasmanian economy:** Despite the strong state-wide performance, jobs condition in North West Tasmania worsened from 2019 to 2021. The jobs fall was across many industries and the unemployment rate remains well above the state and national averages.
- **Impacts of COVID-19:** The policy measures to combat the spread of COVID-19 had a significant impact on Tasmania. Overseas migration, the major driver of population growth pre COVID-19, fell due to international border restrictions. The drop in tourism activity decreased the demand for the local businesses, especially Arts and Recreation, Retail Trade and Accommodation.¹
- **Shortage of skilled workforce:** The border restrictions and the strong economic performance of the Tasmania economy prompted a tight labour market. The state faces skills and worker shortages and businesses face difficulty filling vacant roles.
- **Housing affordability deterioration:** The strong population growth brought house prices and rent growth in Tasmania in the last five years. If supply does not rise to match this demand, increased prices will lead to reduced affordability and attractiveness to internal and overseas migrants and constrain labour force growth.
- **Recent slowing down of Tasmania's economy:** The recent economic data suggests Tasmania's economy appears to be slowing down with the state's economic activity decreasing in March Quarter 2022 and business confidence trending down since July 2021. The latest labour force survey indicates employment in Greater Hobart started to fall in 2022 and the business exits are increasing from the second half of 2021.

¹ Post covid-19 visitor data shows that tourism visitation has rebounded in Tasmania (see page 58).

Executive summary (cont)

Tasmania's strong economic performance is expected to continue

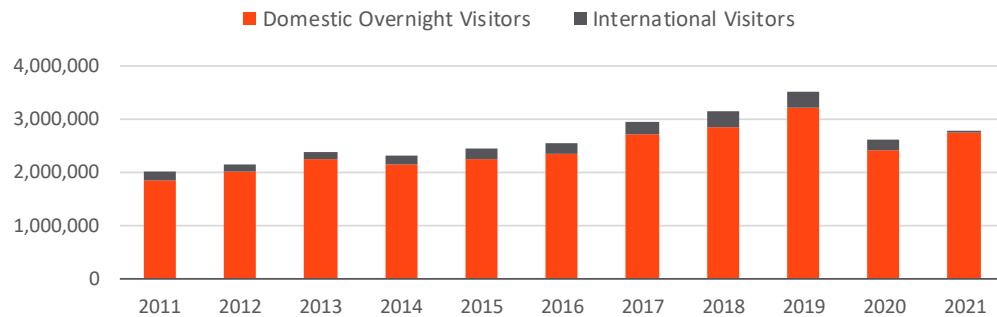
Outlook for the Tasmania's economy is positive and points toward a sustained growth

Despite the recent slowdown, Tasmania has a robust and diverse economy. This provides strong economic growth opportunities. Key drivers and opportunities that will support future economic growth in Tasmania are:

- **Leverage population growth:** Tasmania has a strong potential to build on the pre COVID-19 trend of strong growth in overseas migrants and international students, while reducing the net interstate outflow of the young workforce. The resumption of overseas migrants will provide opportunities for international business links, such as tourism, international education and exports while the return of international students will drive up demand for local businesses. A strong economic and job outlook, remote work, increase in education opportunities will help keep the younger workforce in Tasmania.
- **Rebound in tourism:** The pre COVID-19 strong growth in interstate and international tourism in Tasmania is expected to resume in the future, especially with the opening of the international borders. This will vitalise the tourism economy and support local businesses. Upgrade of the Hobart airport under the City Deal will enhance international connections and support the recovery and growth of international tourism.

Visitation by type - Tasmania

Estimated number of visitors

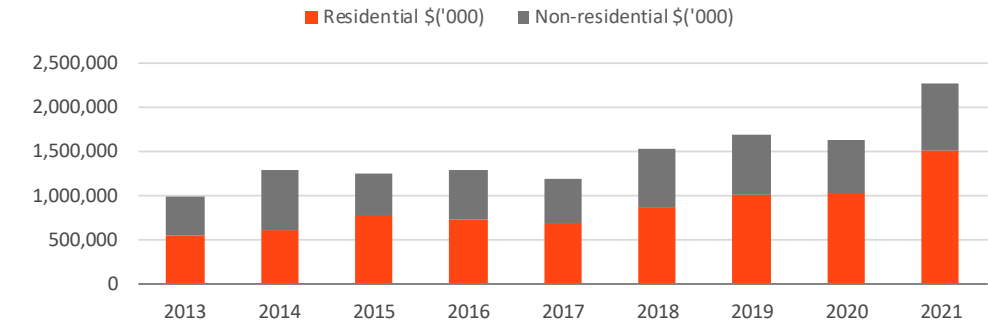


Source: Tourism Research Australia, 2022

- **Strong pipeline of construction projects:** Construction activities are expected to be strong in the future. In the near term, strong building approval activity in 2020/21 should support the construction sector. City Deals and infrastructure projects, such as the Bridgewater Bridge project, UTAS development project Launceston and relocation of the UTAS Sandy Bay campus, will continue to provide construction jobs and provide a further boost to the economy once completed.

Building approvals - Tasmania

Annual value approved



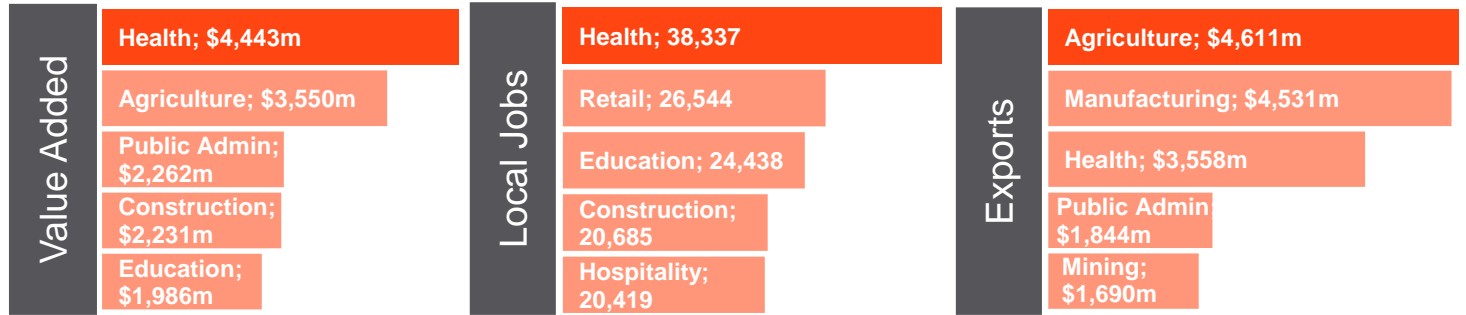
Source: ABS, 2022, Cat: 8731.0 - Building Approvals, Australia

- **Continued strength in export driven industries:** The state has strengths in agriculture, forestry, mining and related manufacturing activities and tourism. These industries have a strong export focus and are boosted by the recent macroeconomic tailwinds, such as high commodity prices and a lower Australian dollar. Moreover, there are opportunities to increase exports in professional services related to Tasmania's specialised industries. For example, agriculture/bioscience and engineering services.
- **Leading renewable energy production:** Tasmania has strong opportunities in renewable energy production, where the state has already met the 2022 target of 100 per cent self-sufficiency in renewable energy generation. Furthermore, the state is targeted to reach 200 per cent renewable energy generation by 2040. The state's investment in renewable energy projects, especially the 25,000 GWh renewable generators and energy storage projects currently seeking approval, will build on the potential of the region's energy and resource sector by providing jobs and flow-on benefits to the economy.
- **Growth in knowledge and professional services:** The economic and population growth will amplify the need for professional and business services to support local demand. Moreover, the recent move towards remote working, growth in younger workers and investment in education and skills will provide a further boost to the growth.

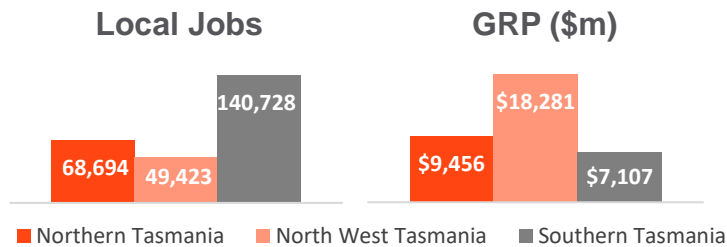
Tasmania Economic Profile 2020/21



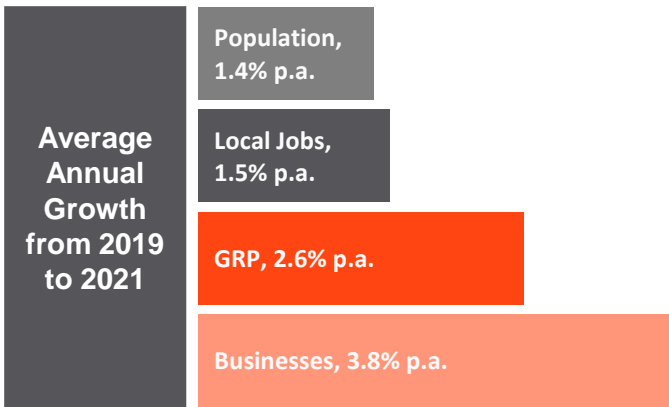
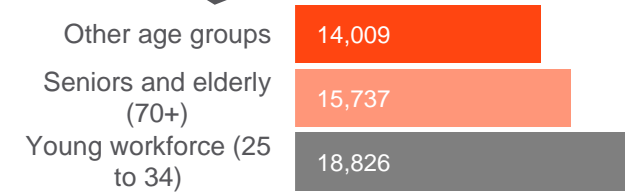
LARGEST SECTORS



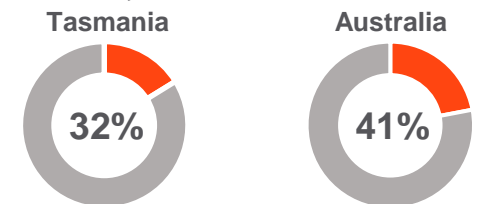
Tasmania Sub-Regions



Population growth by age 2016 to 2021



Share of resident workers with a University Qualification



Investment Pipeline



3 year average value of building approvals has increased by more than 45% in the last decade to \$1,180M

Data sources and definitions

- The economic and employment data of the Tasmania and its sub-regions are developed by NIEIR. For more information on NIEIR and their methodology please refer to [the State Growth Tasmania economy.id website](https://www.stategrowthtasmania.economy.id).
- The following data is used in this report:
 - Australian Business Register, GST Registration (2022)
 - Australian Bureau of Statistics, Building Approvals (2022)
 - Australian Bureau of Statistics, Regional Population Growth (2022)
 - Australian Bureau of Statistics, Census of Population and Housing 2006, 2011 and 2016 estimates
 - Australian Bureau of Statistics, Weekly Payroll Jobs and Wages in Australia (2022)
 - Department of Employment, Small Area Labour Market (2022)
 - Department of Social Services, JobSeeker and Youth Allowance (2022)
 - Google Mobility (2022)
 - NIEIR (National Economics), Small area estimates of employment and economic value (2022)
 - Tourism Research Australia (2022)
- The following terms and acronyms are used in this report:
 - **ABS:** Australian Bureau of Statistics
 - **DZN:** Destination Zone (ABS Journey to Work small area geography)
 - **Greater Hobart:** Geographic area classified as Greater Capital City Statistical Area by the ABS
 - **LGA:** Local Government Area
- **LQ:** A Location Quotient is a way of seeing which are the main industries in an area, relative to a larger benchmark region. A number greater than 1 suggest the industry is over-represented locally and could be a specialisation
- **Northern Tasmania:** The Northern Tasmania Region encompasses eight LGAs - the Break O'Day Council area, the Dorset Council area, the Flinders Council area, the George Town Council area, the City of Launceston, the Meander Valley Council area, the Northern Midlands Council area and the West Tamar Council area.
- **North West Tasmania:** The North West Tasmania Region includes nine LGAs - Burnie City, Central Coast Council area, Circular Head Council area, Devonport City, Kentish Council area, King Island Council area, Latrobe Council area, Waratah-Wynyard Council area and West Coast Council area.
- **Southern Tasmania:** The Southern Tasmania Region includes nine LGAs – Huon Valley Council area, City of Hobart area, Southern Midlands Council area, Tasman Council area, Derwent Valley Council area, Glamorgan Spring Bay Council area, Sorell Council area, Central Highlands Council area and Brighton Council area.
- **Regional Tasmania:** Geographic area classified as Regional Statistical Area by the ABS

Data sources and definitions

- Broad industry classification to ANZSIC2006 1-Digit classification Concordance

Broad Industry	ANZSIC 2006 1 Digit Code Name
Business services	Information Media and Telecommunications
	Financial and Insurance Services
	Rental, Hiring and Real Estate Services
	Professional, Scientific and Technical Services
	Administrative and Support Services
Goods distribution	Wholesale Trade
	Transport, Postal and Warehousing
Goods transformation	Manufacturing
	Construction
Household services - essential	Electricity, Gas, Water and Waste Services
	Public Administration and Safety
	Education and Training
	Health Care and Social Assistance
Household services - non-essential	Retail Trade
	Accommodation and Food Services
	Arts and Recreation Services
	Other Services
Primary production	Agriculture, Forestry and Fishing
	Mining

Tasmania - Local Government Councils



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Economic review summary

Introduction

This report provides a targeted economic analysis of the Tasmania economy. The report focuses on the period from 2019 to 2021 to assess recent economic performance, growth drivers, competitive advantages and barriers to growth. An analysis of COVID-19 impacts is also provided to help understand the recovery pathway. This page summarises the main findings, broken down by strengths and weaknesses

Opportunities

Economic conditions

- The economy rebounded in 2020/21 making Tasmania the fastest growing state in Australia. By December 2021, jobs and GRP were above the pre COVID-19 level (December Qtr 2019).
- Strong GRP growth in all three sub-regions. Strong job growth in Northern and Southern Tasmania.
- The unemployment rate dropped below 5% in 2021, on par with the national average. The unemployment rate in Northern and Southern Tasmania is at the lowest level since 2011.
- Economic growth was driven by population and productivity improvements, which improve long term growth potential. Particularly, population growth increased from around 0.2% per year in early 2010's to over 2% per year in late 2010's and was the major driver of economic growth pre COVID-19 in Tasmania.
- Strong productivity growth in North West Tasmania post COVID-19 is driven by the increase in agriculture and mining production. Labour force participation share of economic growth increased in Northern and Southern Tasmania.
- An uptick in building approval activity in 2021 should support the ongoing recovery of the local economy. All sub-regions have a strong pipeline of non-residential projects driven by population service buildings such as Education and Health buildings.

Industry

- Strong agriculture industry performance in Northern and North West Tasmania due to favourable industry conditions including an increase in agricultural commodity prices, strong export demand and production growth.
- Increase in Healthcare and Social Assistance service jobs in North West and Southern Tasmania (e.g. aged care, welfare, disability assistance services). This growth is driven by the opening up of Royal Hobart Hospital expansion, COVID-19 outbreak, population growth and the ageing population.
- Economic and population growth prompted an increase in business and professional service jobs in Northern (mostly in Launceston) and Southern Tasmania (Hobart). The growth was in a diverse range of sectors, such as architecture, law, advertising and management consulting.
- Construction sector jobs increased in Northern and North West Tasmania, driven by major infrastructure projects such as the UTAS development project in Launceston.
- Strong population growth has increased the demand for Preschool and School Education and Adult, Community education in Northern and Southern Tasmania.
- Food and Beverage employment increased due to the strong local economy and population growth, especially in younger age groups in Southern Tasmania.
- Transport, Postal and Warehousing industry jobs in Southern and Northern Tasmania increased significantly over the period from 2019 to 2021, driven by an increase in demand for online shopping, population growth and economic activities.

Challenges

Economic conditions

- Jobs condition worsened in North West Tasmania over the last two years to 2021, with local jobs falling and the unemployment rate increasing following the outbreak of COVID-19. The jobs fall was across many industries but the largest fall was in Retail, Arts and Recreation, Accommodation and Food Services. The weak jobs market further deteriorated labour force participation in North West Tasmania post COVID-19.
- International travel restrictions had a significant impact on overseas migration, which was the largest driver of population growth pre COVID-19.
- Difficult finding workers in Tasmania as a whole. The state unemployment rate was historically higher than the national average pre COVID-19, but the labour market tightened following the outbreak of COVID-19.
- Fall in tourism visitation post COVID-19 impacted the local businesses, especially Arts and Recreation, Retail Trade and Accommodation.
- The weak jobs market further deteriorated labour force participation in North West Tasmania post COVID-19.
- The business exits are increasing from the second half of 2021 and should be monitored.

Industry

- COVID-19 had a significant impact on the tourism industry, with employment in Arts and Recreation, Accommodation and Retail Trade still well below pre-covid levels. Particularly, the reduced tourism and recreation activities have decreased jobs in the Sports and Recreation and Gambling Activities sector.
- The motor vehicles sector experienced a significant fall in the last two years with jobs decreasing in motor vehicle related wholesale and retail, repair and maintenance industry.
- Construction sector jobs decreased in Southern Tasmania due to a drop in construction activities in Hobart City following the completion of major infrastructure projects such as Royal Hobart Hospital redevelopment and The Tasman Hotel construction projects. However, it is likely construction activities have rebounded since mid 2021 driven by strong building approvals activity in early 2021.
- Mining sector jobs, especially in Northern Tasmania, decreased over the last two years due to the short-term demand fall in 2019-20. However, metal ore mining industry jobs and value increased as the demand surged post COVID-19.
- The North West Tasmania jobs recovery from the impacts of COVID-19 was slow and many industries in the region are still well below the pre COVID-19 level by June Qtr 2021. Particularly, Professional Services, Agriculture, Forestry Fishing and Wholesale jobs were well below the pre COVID level by June Qtr 2021.

Economic review summary (cont.)

Opportunities

Demography

- Tasmania experienced a strong population growth of over 2% per year from 2016 to 2020 following the low growth of around 0.2% per year from 2010 to 2016. This strong growth was driven by the reversal of the net interstate migration to positive in 2015 and a step up in the net international migration in 2017.
- From 2016 to 2021, the younger workforce was the largest population growth group driven by overseas migration. The age group has helped drive demand for hospitality, alleviate the ageing workforce problem and likely have helped improve Tasmania's skill profile
- Ageing of the population has also supported business growth in health and wellness.

Outlook

- Future population growth is forecast to be driven by Seniors and Elderlies, driving demand for health, aged care and wellness services. It is noted that this forecast is based on net interstate migration falling from the highs experienced between 2017 and 2020. But forecasts are not set in stone - there are opportunities to influence this through economic development actions and strategic planning.
- There are opportunities to reduce the net interstate outflow of the young workforce through job growth. For example, by leveraging on City Deals, Antarctic and Science Precincts at Macquarie and transformation of Macquarie Point into a cultural and arts hub. Also attracting more international migration, which was the largest driver of working age population growth from 2016 to 2021, when migrants return.
- Subsequently, the reopening of Tasmania and international borders is likely to support the population and employment growth.
- Potential to build on the pre COVID-19 trend of strong growth in overseas migrants and international students. Growth in overseas migrants provides opportunities for international business links, such as tourism, international education and exports while the return of international students will drive up demand for local businesses.
- Strong building approval activity in 2020/21 should support construction jobs in the short term. Non-residential building approvals have been boosted by education, accommodation, retail, wholesale, warehouse and office buildings, and infrastructure projects such as the Bridgewater Bridge project will help support ongoing job growth.
- Investment in education facilities, such as recent UTAS development project Launceston will help future skills development.
- Relocation of the UTAS Sandy Bay campus is likely to boost the economic activity in the Hobart CBD.
- Recovery in international tourism visitation should help support local business demand. Upgrade of the Hobart airport under the City Deal will enhance international connections and support the recovery and growth of international tourism.
- Tasmania has strong opportunities related to the renewable energy industry. The state has already met the 2022 target of 100 per cent self sufficiency in renewable energy generation and targets to reach 200 per cent renewable energy generation by 2040. The investment in renewable energy projects will build on the potential of the region's energy and resource sector by providing jobs and flow-on benefits to the economy.

Challenges

Demography

- The resident base is less qualified than the average for Australia and may limit the ability to attract businesses looking for higher level skills. Particularly, North West Tasmania had a low level of qualification with only 10% of the residents with a university qualification in 2016, significantly lower than the Australia average of 22%. Residents of Northern Tasmania also had a lower level of qualification with 14% of residents with a university qualification while Southern Tasmania was relatively higher with 20% of the residents having a university qualification.
- Relatively low household income and a high share of older residents in Tasmania limit demand for goods and services, especially in discretionary spending.
- Ageing of the population may create skill shortages, especially in the health, tourism and hospitality sectors. This will constrain economic and job growth unless younger workers and families are attracted to the region.

Outlook

- Tasmania's economy appears to be slowing down with the state's economic activity decreasing in March Quarter 2022 and business confidence trending down since July 2021. The latest labour force survey indicates employment in Greater Hobart started to trend down in 2022.
- Tasmania's house prices and rents have increased significantly in the last five years. This may decrease the attractiveness of Tasmania to internal and overseas migrants and constrain labour force growth.
- The forecast future population growth rate is lower than the historical population growth rate, which suggests likely lower economic growth in the future.
- At a national level, businesses are facing a range of issues such as supply chain disruptions, employee unavailability due to COVID-19 factors, staff shortages (especially medium and large businesses), and rising prices.

How is the economy performing?

Strong economic growth driven by an increasing population base and agriculture

Tasmania generated \$34,844m in GRP and supported an estimated 258,845 jobs in 2020/21. This represents 1.7% of Australia's economy in terms of GRP (2.0% in terms of local jobs).






The economy has expanded over the last 2 year with annual average GRP growth rate of +2.6%. Similarly, the number of local jobs increased at an average of +1.5% per annum over the same period.

The population estimate for Tasmania was 567,909 in 2020/21. This represents 2.2% of Australia's population. The state's population increased by +1.4% per year between 2019 and 2021. This growth rate was above the Australia average (+0.7%).

In the May 2022, Tasmania's unemployment rate was 4.5%. The state's unemployment rate was similar to the Australia average (4.4%) and was 1.4 percentage points below the May 2020 estimate.

Tourism visitation decreased by 13.5% per year between 2019 and 2021, slower than the Australia average (-15.3% per year).

Tasmania economy in 2020/21

	As at 2020/21	2yr Avg Growth	Australia
 GRP \$34,844M		+2.6%	(+0.7%)
 Local jobs 258,845		+1.5%	(+0.5%)
 Population 567,909		+1.4%	(+0.7%)
 Unemployment 6.4%		+0.1%	(+1.1%)
 Tourism visits* 3.7M		-13.5%	(-15.3%)

Note: unemployment rate growth rate in terms of % point change.
*: Domestic Overnight and International Visitors

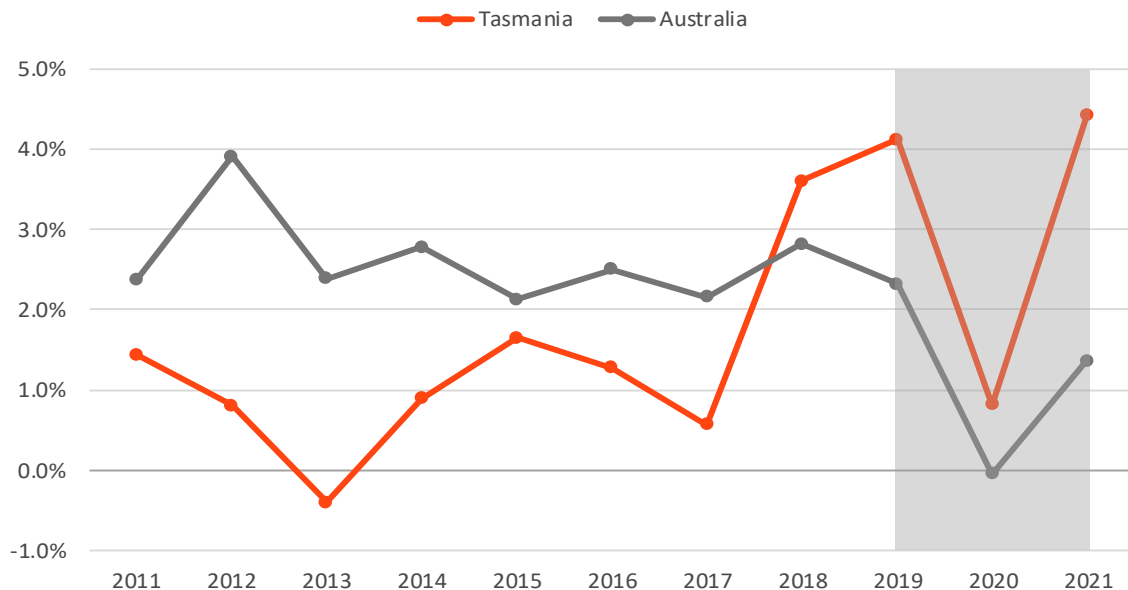
Top performing state in Australia post COVID-19

Tasmania's economic growth (GRP terms) increased by 2.6% per year between 2019 and 2021. This growth rate was higher than the decade average of 1.8% per year. Tasmania's economic growth faster than the Australia average (0.7% per year) over the last 2 years.

Tasmania had the highest GRP growth between 2019 and 2021 compared to other states in Australia, followed by Northern Territory and Western Australia. The nation's two largest states, New South Wales and Victoria, had the lowest growth rate whereas the latter experienced fall in GRP over the last 2 years to 2021.

Growth in GRP - Tasmania

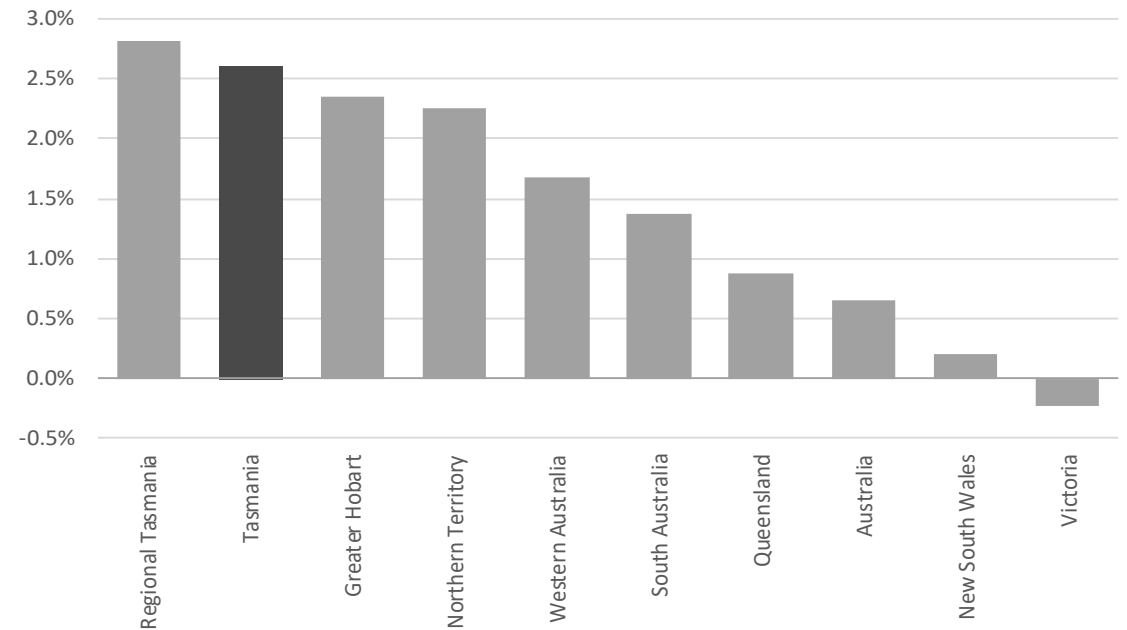
% per annum



Source: NIEIR, 2022

Growth in GRP compared to benchmarks, 2019 to 2021

% average annual growth rate



Source: NIEIR, 2022

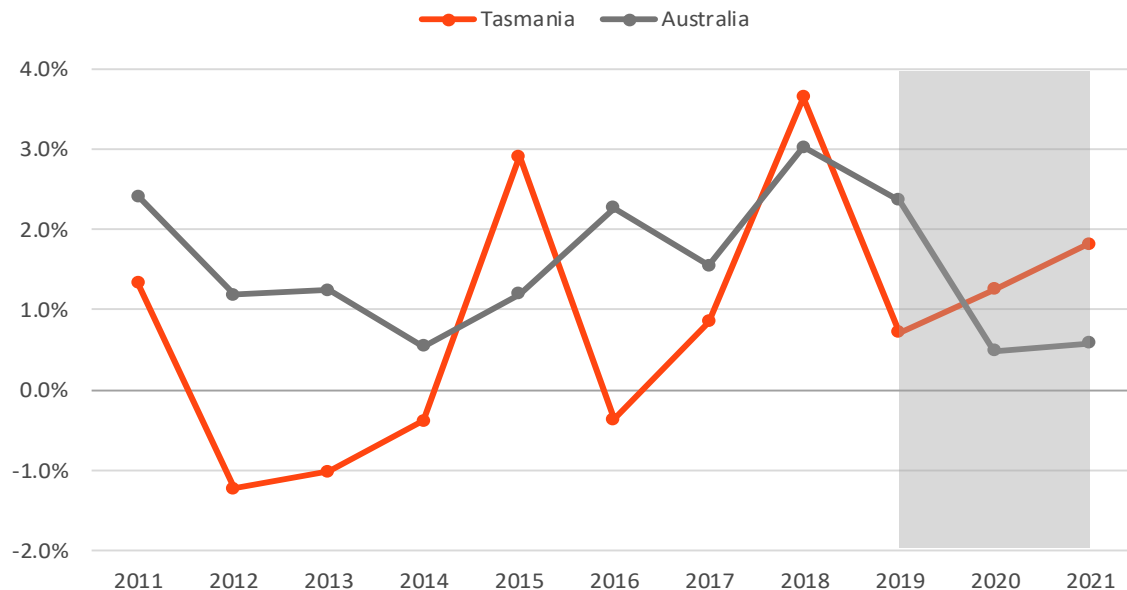
And highest jobs growth compared to other states

Tasmania local jobs increased by 1.5% per year between 2019 and 2021. This growth rate was higher than the decade average of 0.8% per year. The state's local job growth was around three times the Australia average (0.5% per year) over the last 2 years.

Tasmania's local job growth between 2019 and 2021 was higher than other states in Australia. The average local jobs growth was almost 50% higher than the second highest growth state of Queensland.

Growth in Local Jobs - Tasmania

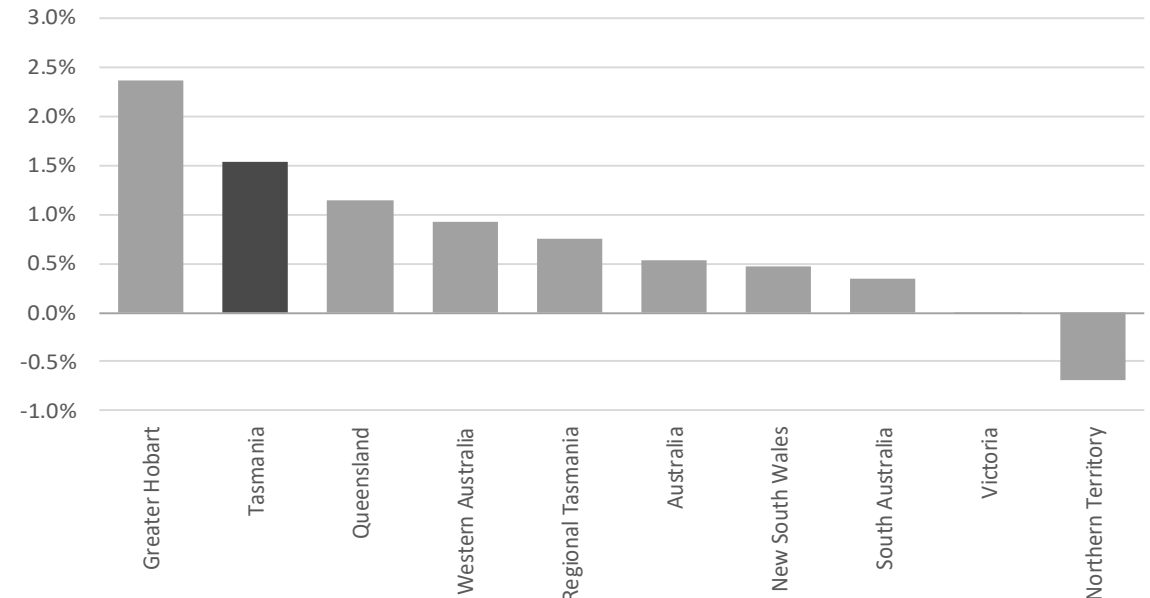
% per annum



Source: NIEIR, 2022

Growth in local jobs compared to benchmarks, 2019 to 2021

% average annual growth rate



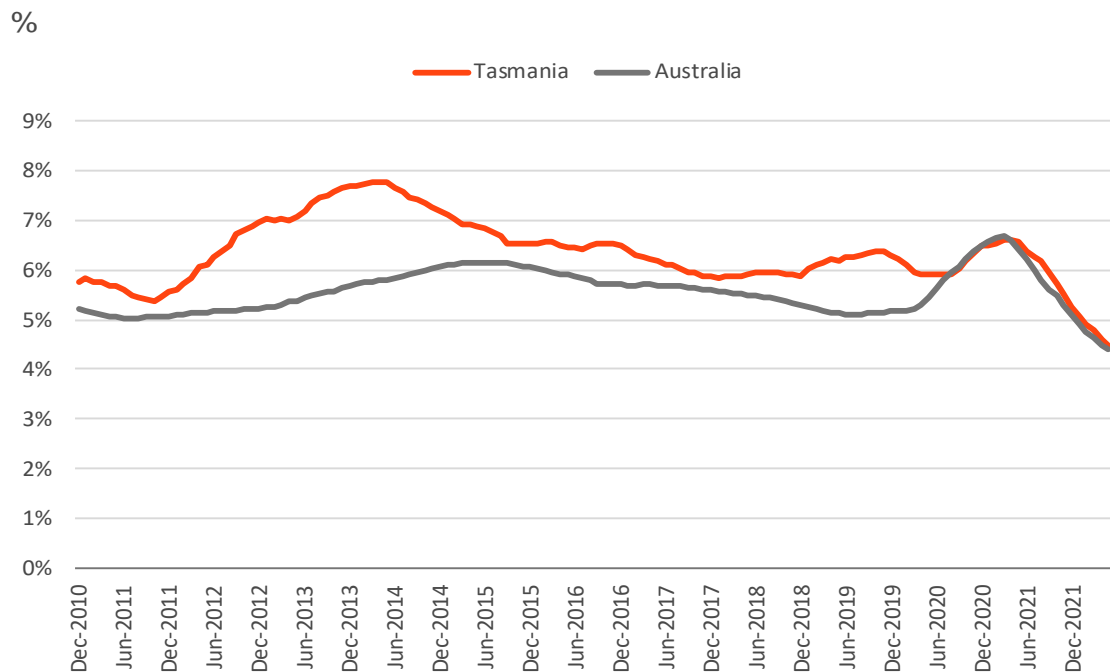
Source: NIEIR, 2022

This also led to a fall in the unemployment rate, reaching a similar level to the national average

In June-2021, the unemployment rate in Tasmania was estimated at 6.4%, similar to the rate in June-2019 (6.3%) and the 10-year average rate (6.5%). More recent data suggests that the unemployment rate decreased to around 4.5% in May-2022.

Tasmania's average unemployment rate of 6.4% over the period from July 2019 to June 2021 was ranked third highest among the states in Australia and higher than the Australia average (5.8%).

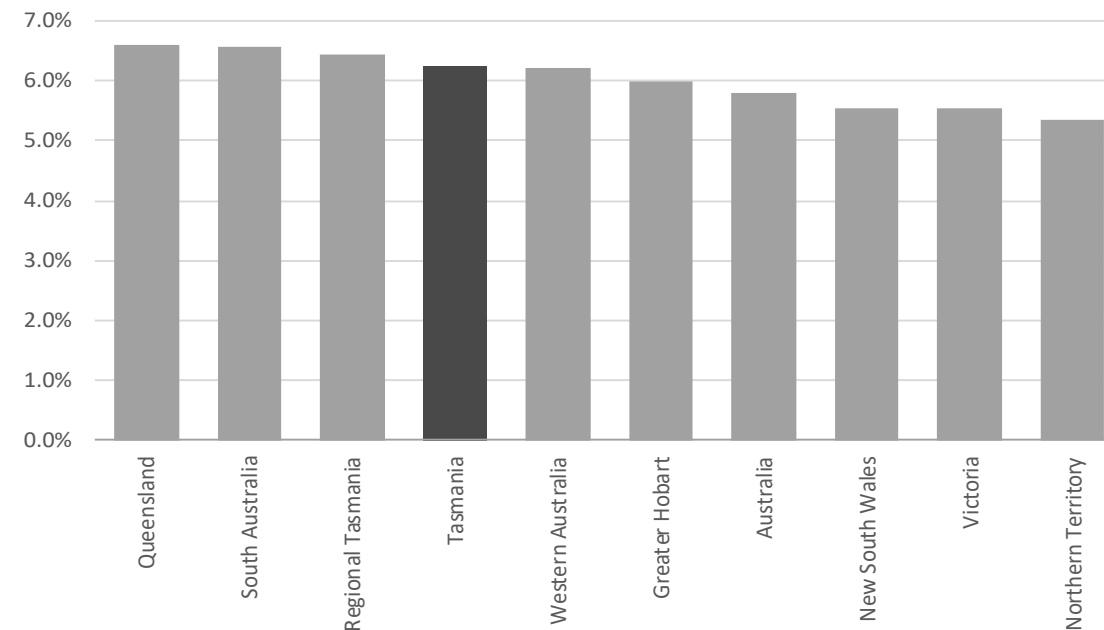
Unemployment rate - Tasmania



Source: ABS Labour force survey (2022)

Average unemployment rate

%, from June-2019 to June-2021



Source: ABS Labour force survey (2022)

Fast GRP growth across all three regions. Strong jobs growth in Northern and Southern Tasmania. However, jobs condition worsened in North West Tasmania.

The economy of the Southern Tasmania region experienced strong growth in the last two years to 2021. GRP, local jobs and population increased, respectively, by 2.7%, 2.1% and 1.5% per year and the unemployment rate decreased by 0.6% points to 5.8%. However, the number of tourism visitors to the region decreased by around 800K visitors (-17.2% per year) from 2019 to 2021. Northern Tasmania's economy also grew at a fast pace during the same period, where GRP, local jobs and population increased, respectively, by 3.3%, 2.0% and 1.4% per year. However, the unemployment rate increased by 0.5% points and tourism visitors to the region decreased by 9.0% per year. During the same period, North West Tasmania experienced a 0.8% per year fall in jobs and an increase in the unemployment rate by 0.7% points.

Economy of Sub-regions

Indicator	Northern Tasmania			North West Tasmania			Southern Tasmania		
	2021	2019 – 2021	2019-21 Avg growth rate p.a.	2021	2019-2021	2019-21 Avg growth rate p.a.	2021	2019-2021	2019-21 Avg growth rate p.a.
GRP	9,456	8.9K → 9.5K	3.3%	18,281	17.5K → 18.3K	2.2%	7,107	6.7K → 7.1K	2.7%
Local Jobs	68,694	66K → 68.7K	2.0%	49,423	50.2K → 49.4K	-0.8%	140,728	134.9K → 140.7K	2.1%
Population	154,914	150.8K → 154.9K	1.4%	119,127	116.2K → 119.1K	1.2%	293,868	285.3K → 293.9K	1.5%
Unemployment Rate (%)	6.9%	6.4% → 6.9%	0.3%	7.3%	6.0% → 7.3%	0.7%	5.8%	6.4% → 5.8%	-0.3%
Tourism Visitors*	1,077,628	1.3M → 1.1M	-9.0%	766,406	928.2K → 766.4K	-9.1%	1,875,545	2.7M → 1.9M	-17.2%

Source: NIEIR, 2022; TRA, 2022; ABS, 2022 • Created with Datawrapper

What is driving recent economic conditions?

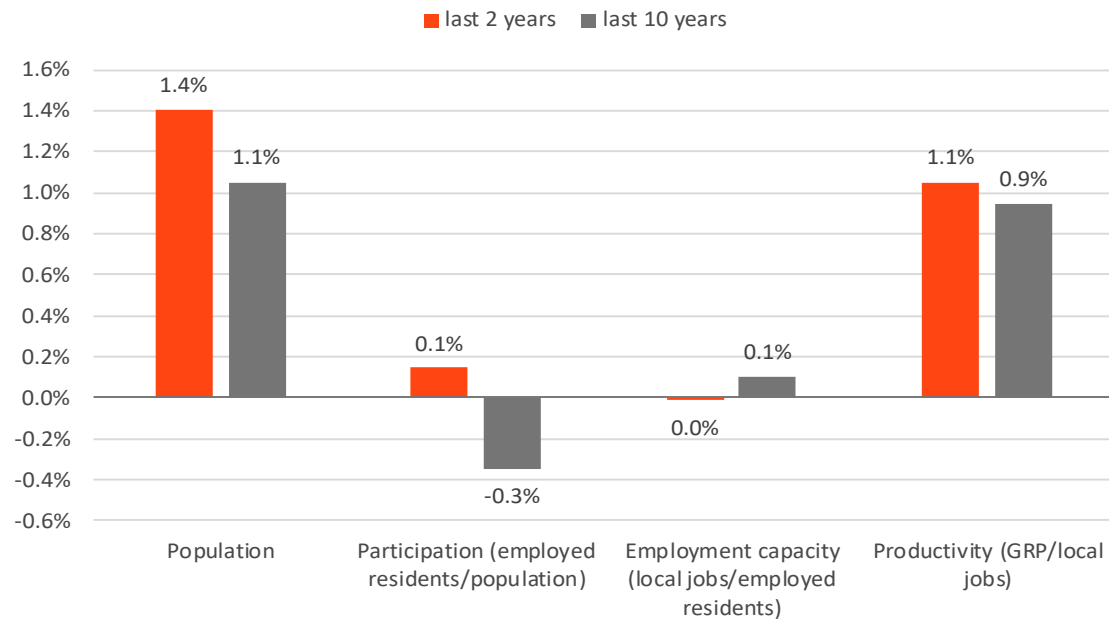
Economic growth driven by population and productivity boosts

The main driver of economic growth between 2019 and 2021 was population growth which averaged 1.4% p.a., followed by productivity gain (1.1% p.a.). Both drivers increased at a faster rate in the last two years to 2021 than the decade average, respectively, 1.1% p.a. and 0.9% p.a.

Compared to Australia, Tasmania had higher components of growth in population, Participation and Productivity growth and same growth in employment capacity during the period from 2019 to 2021.

Components of growth - Tasmania

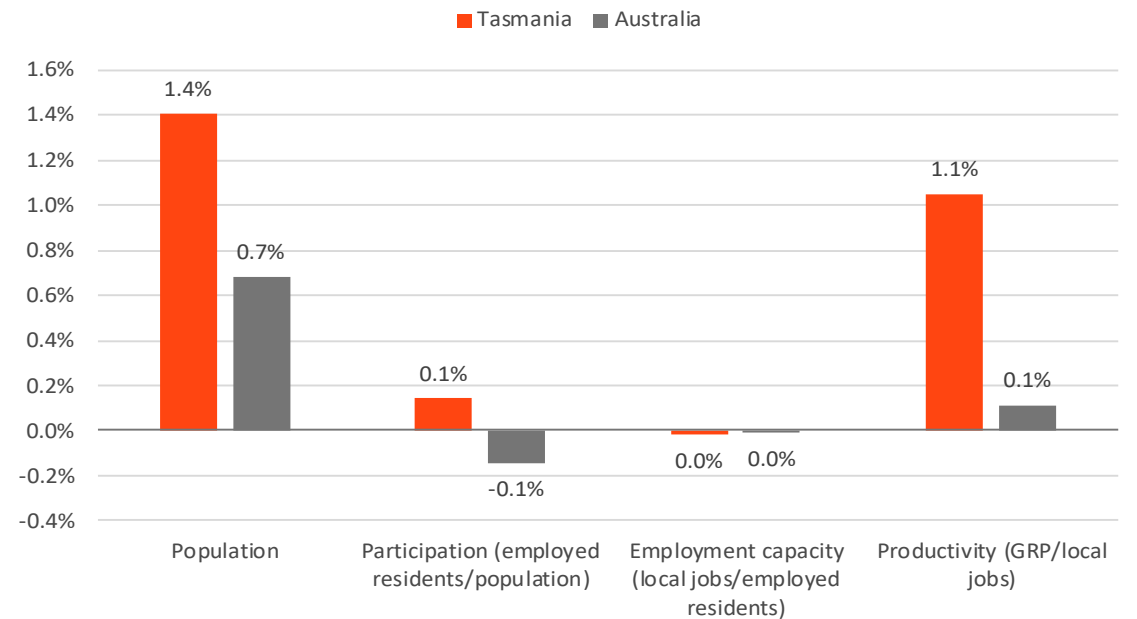
Annual average growth %



Source: NIEIR, 2022

Components of growth - Tasmania, last 2 years

Annual average growth %



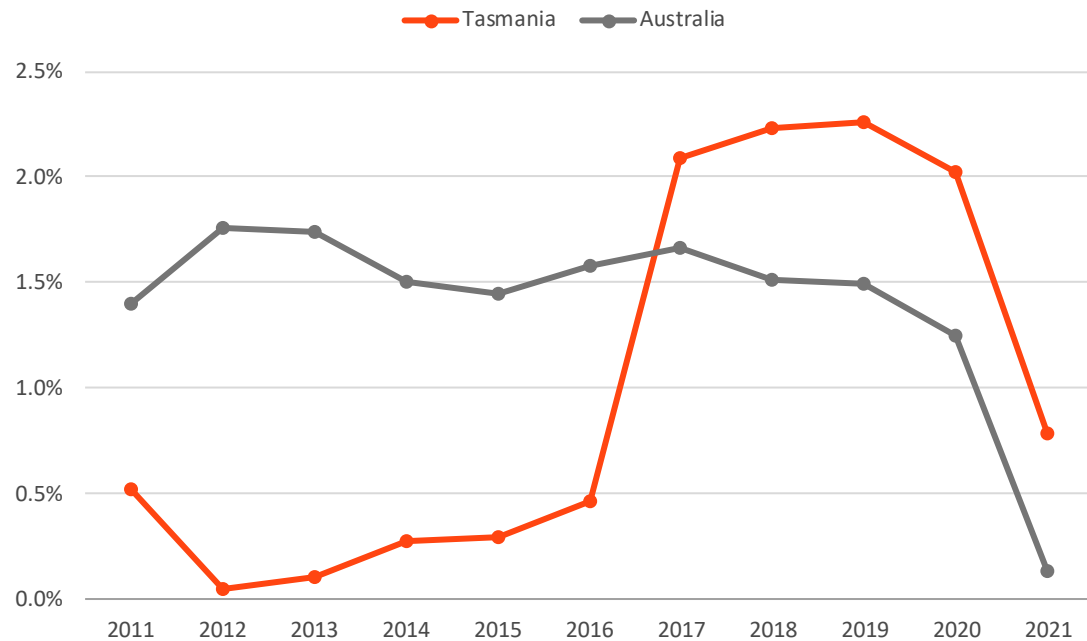
Source: NIEIR, 2022

COVID-19 had a large negative impact on population growth

Before the outbreak of COVID-19 pandemic, the state experienced a strong population growth of 2.2% per annum over the period from 2016 to 2021. This growth was higher than the Australia average (1.5% per annum) and more than twice the state's 10 year average growth rate (1.0% per annum) from 2010 to 2020. COVID-19 had a significant impact on Tasmania's population growth where the annual growth rate decreased to 0.8% in 2021, almost one-third of the growth rate from 2016 to 2020. However, Tasmania's population growth remains higher than that of Australia as a whole.

Recent population growth - Tasmania

Annual Change in ERP %

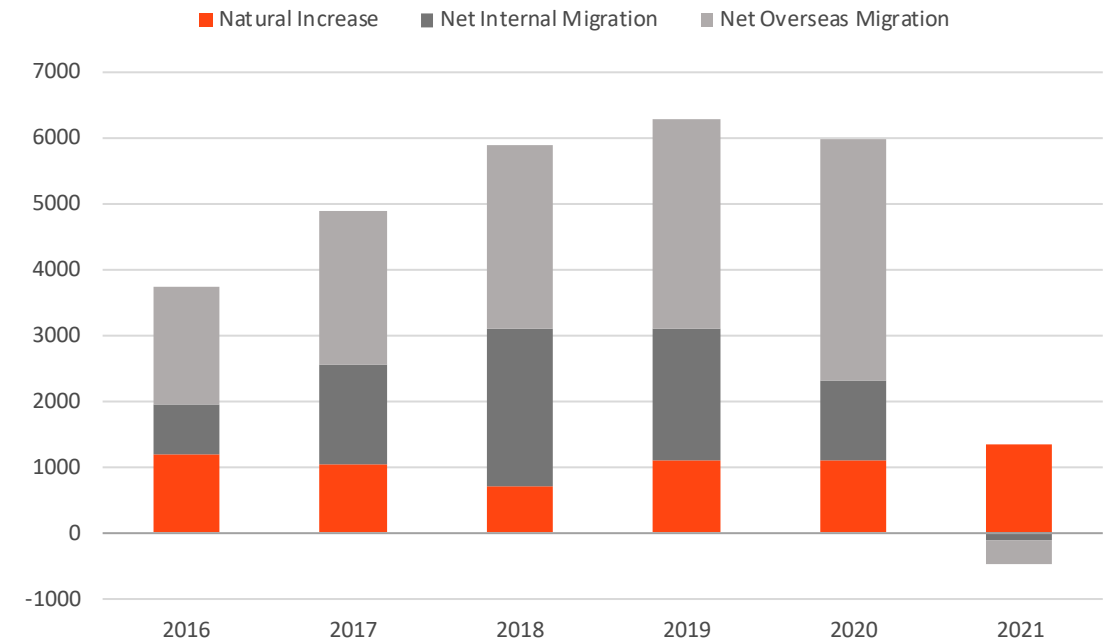


Source: ABS, 2022, Cat: 3218.0 - Regional Population Growth, Australia, 2020-21

Pre COVID-19, the biggest contributor to population growth from 2016 to 2020 was overseas migration followed by internal migration. In 2021 since the outbreak of COVID-19, the international and state border restrictions enacted to stop the spread of the virus limited the migration into Tasmania from outside the state. Subsequently, net internal and overseas migration decreased to, respectively, -109 and -359 people while the natural increase became the main contributor to population growth in 2021.

Population growth components - Tasmania

Change in component of population



Source: ABS, 2022, Cat: 3218.0 - Regional Population Growth, Australia, 2020-21

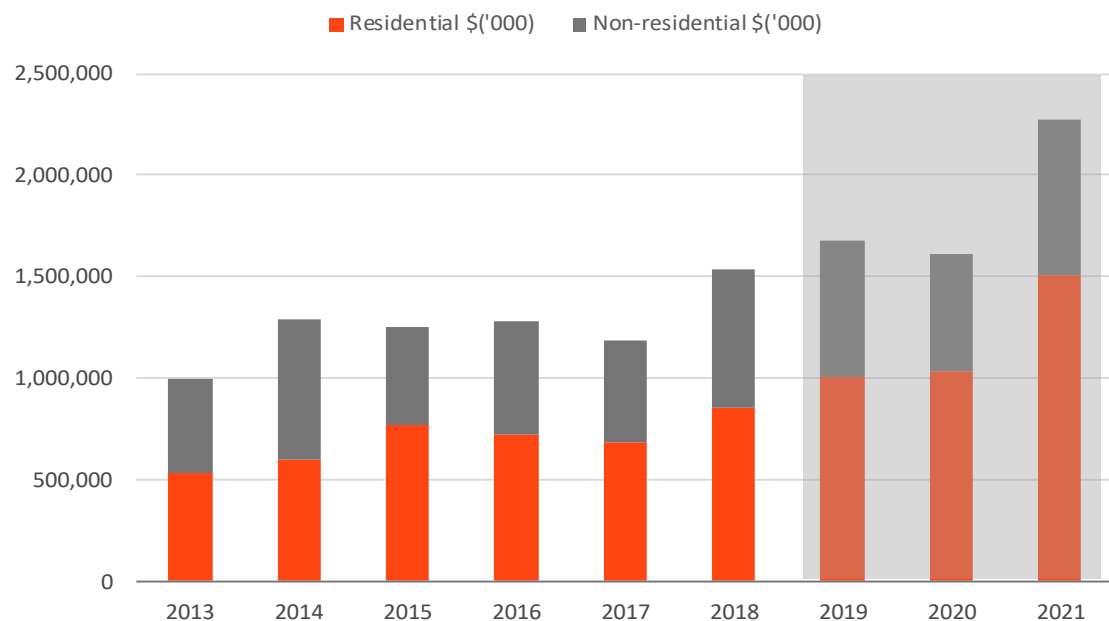
The pipeline of non-residential building projects should support construction job over the short term, and provide employment space for education, tourism, retail, recreation and hospitality sectors.

The average annual value of building approvals over the last three financial years (\$1,853M) has been above the decade long average (\$1,424M). The value of non-residential building approved in 2021 was up 13% compared to 2018, while residential building approved was up 76%.

The leading driver of non-residential building approvals value in the last three years has been Education buildings, followed by Short term accommodation buildings, Retail and wholesale trade, Entertainment and recreation buildings. Construction of these buildings will provide construction sector jobs as well as important ongoing employment once completed.

Building approvals - Tasmania

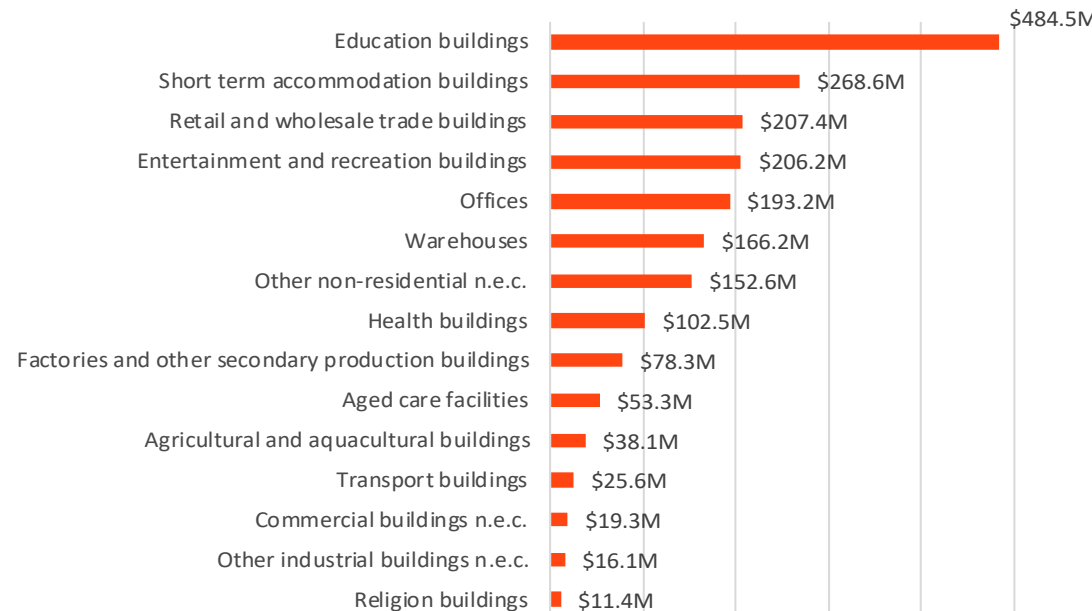
Annual value approved



Source: ABS, 2022, Cat: 8731.0 - Building Approvals, Australia

Non-residential approvals - Tasmania, last 3 years

Annual value approved by type, three years to Jun-2021



Source: ABS, 2022, Cat: 8731.0 - Building Approvals, Australia

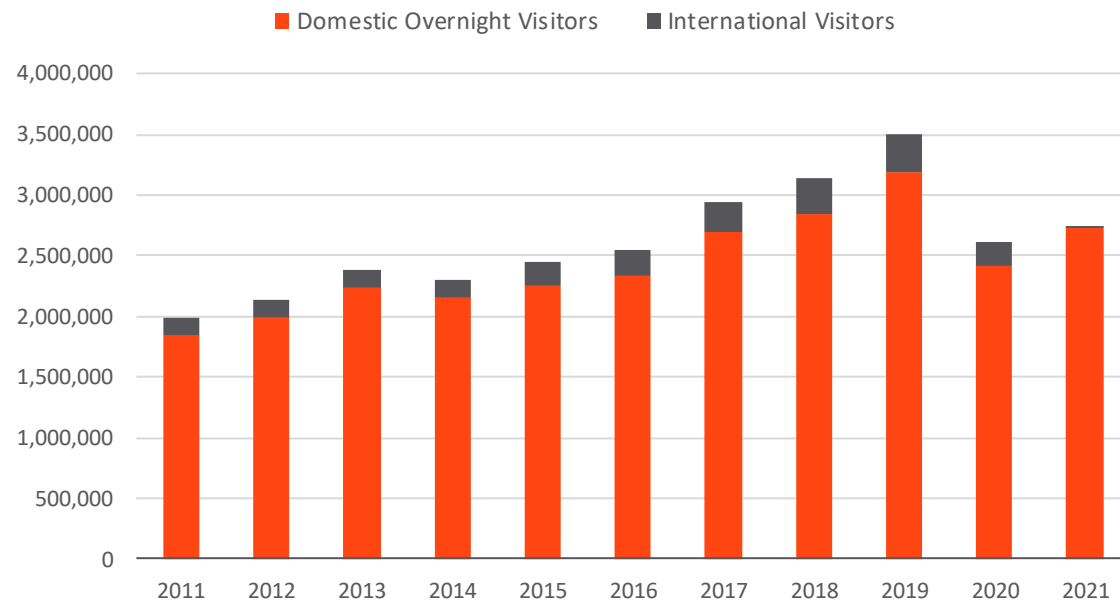
Rapid increase in tourism visitation prior to COVID-19. The visitation dropped significantly following the outbreak of COVID-19

The outbreak of COVID-19 and the measures to combat the spread of the virus had a significant impact on domestic and international overnight visitation. The domestic overnight visitation dropped from 3.2 million visitors per year in 2019 to 2.4 million in 2020, a drop of 25%. International border restrictions decreased international visitation in 2020 by a third compared to 2019. By 2021, the international visitation was almost zero (3,700 visitors).

Pre COVID-19, Tasmania experienced a strong domestic overnight and international visitation growth, averaging 4.8% per year from 2011 to 2019. Post COVID-19, the visitation growth fell significantly, decreasing on average by 4.0% per year from 2019 to 2021. In 2020, the fall in visitation was steeper than in Australia as a whole (-0.9% per year). In 2021, the tourism activity in Australia dropped significantly more than in Tasmania as the rest of Australia went into several lockdowns while Tasmania remained relatively covid safe.

Visitation by type - Tasmania

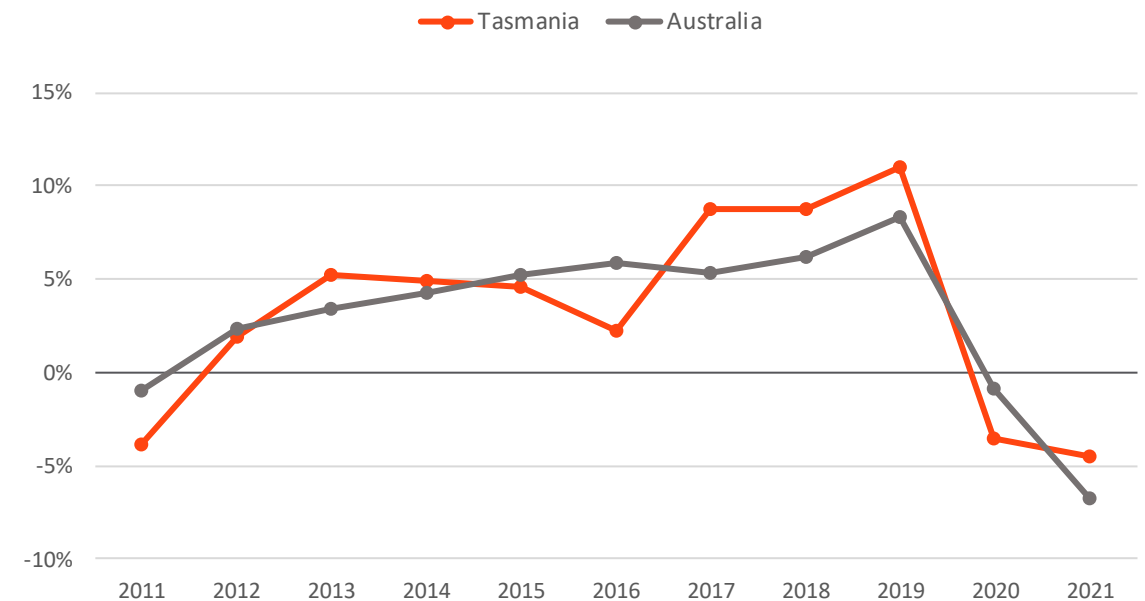
Estimated number of visitors



Source: Tourism Research Australia, 2022

Annual % change in tourism visitation

Domestic Overnight and International Visitors, 3 year rolling average



Source: Tourism Research Australia, 2022

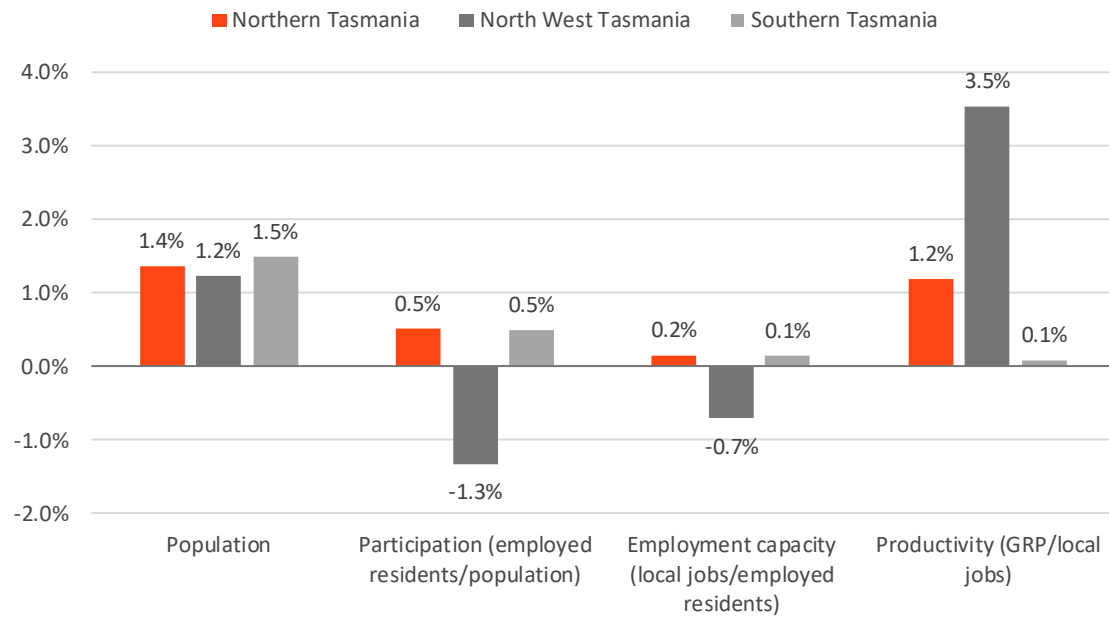
Population is a strong driver of economic growth in all three sub-regions. Productivity increase from strong agriculture and mining activities is also a strong driver in Northern and North West Tasmania. Participation became an important economic growth driver in Northern and Southern Tasmania Post COVID-19 outbreak.

Over the period from 2019 to 2021, the main contributor to economic growth in Northern Tasmania was Population and Productivity. In North West Tasmania, a decrease in local jobs negatively impacted Participation and Employment Capacity but an increase in agriculture and mining value had a significant positive impact on Productivity. In Southern Tasmania, Population growth was the biggest driver of growth and a strong job increase had a positive impact on Participation but proportionally higher job growth in the low value Hospitality and Health Care industry limited the productivity growth.

In the last decade to 2021, productivity growth was the biggest driver of growth in Northern and North West Tasmania and the second biggest driver in Southern Tasmania. In Northern and North West Tasmania, the high productivity growth was driven by a strong increase in agricultural value. During the same period, population growth was the main driver of economic growth in Southern Tasmania.

Components of growth - Sub regions, last 2 years

Annual average growth %

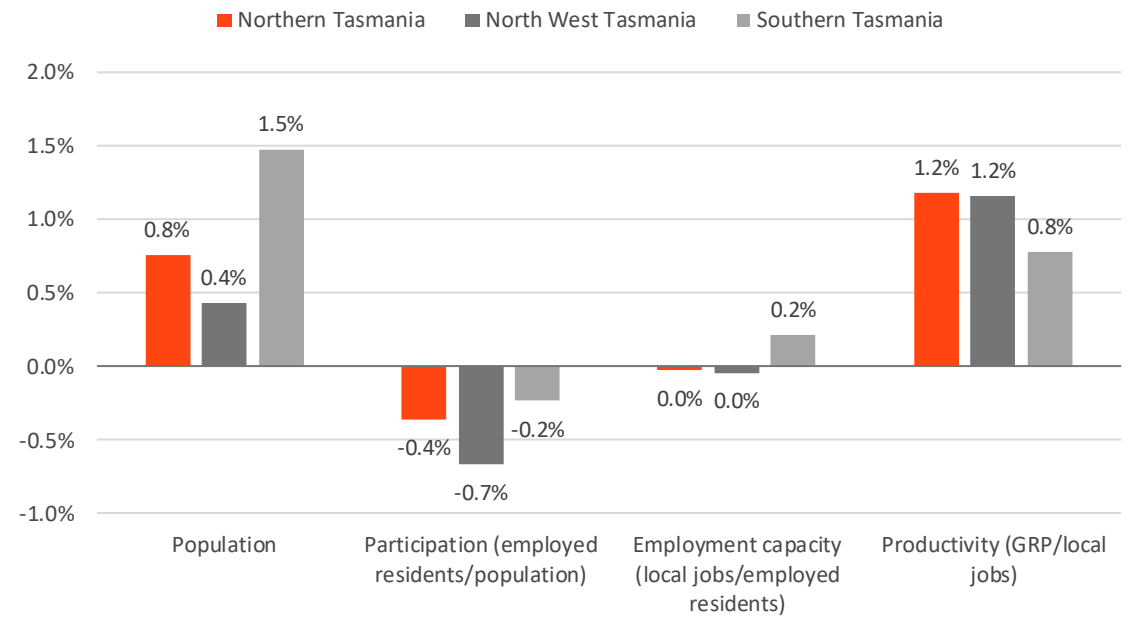


Source: NIEIR, 2022



Components of growth - Sub regions, last 10 years

Annual average growth %



Source: NIEIR, 2022

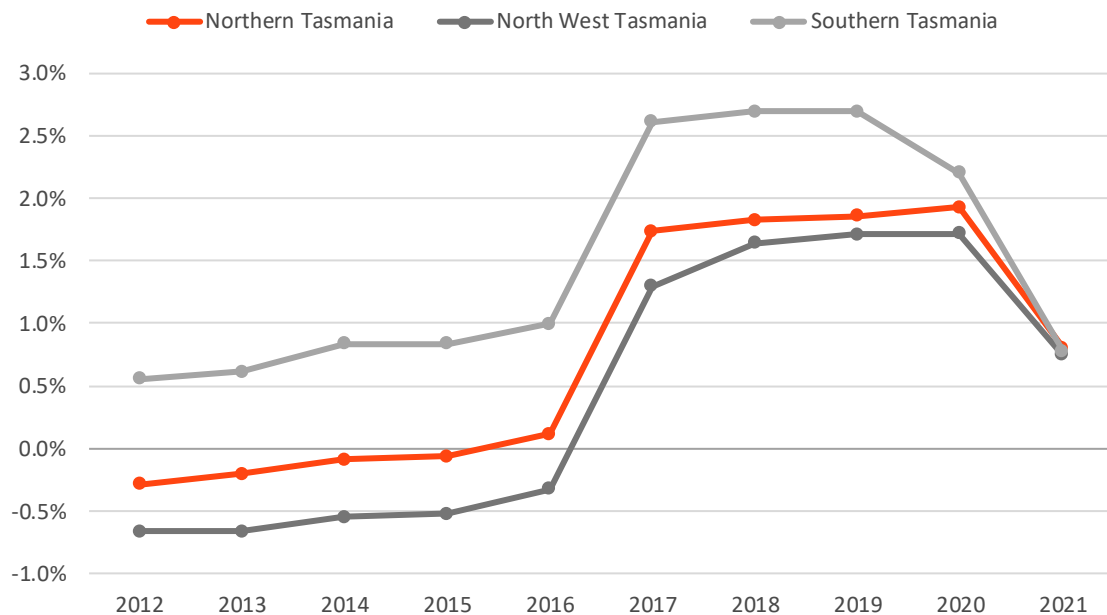
International migration was the largest population growth component in Northern and Southern Tasmania, while internal migration was the biggest component in North West Tasmania.

Three sub-regions of Tasmania experienced a strong population growth from 2016 to 2020. The average population growth from 2016 to 2020 in Southern Tasmania was 2.6% per annum, Northern Tasmania was 1.8% per annum and North West Tasmania was 1.6% per annum over the same period. The population growth dropped significantly following the outbreak of COVID-19 for all three sub-regions.

Over the five year period from 2016 to 2021, the net overseas migration was the main driver of population growth in Northern and Southern Tasmania, while internal migration was the biggest population growth driver in North West Tasmania.

Recent population growth - Sub-regions

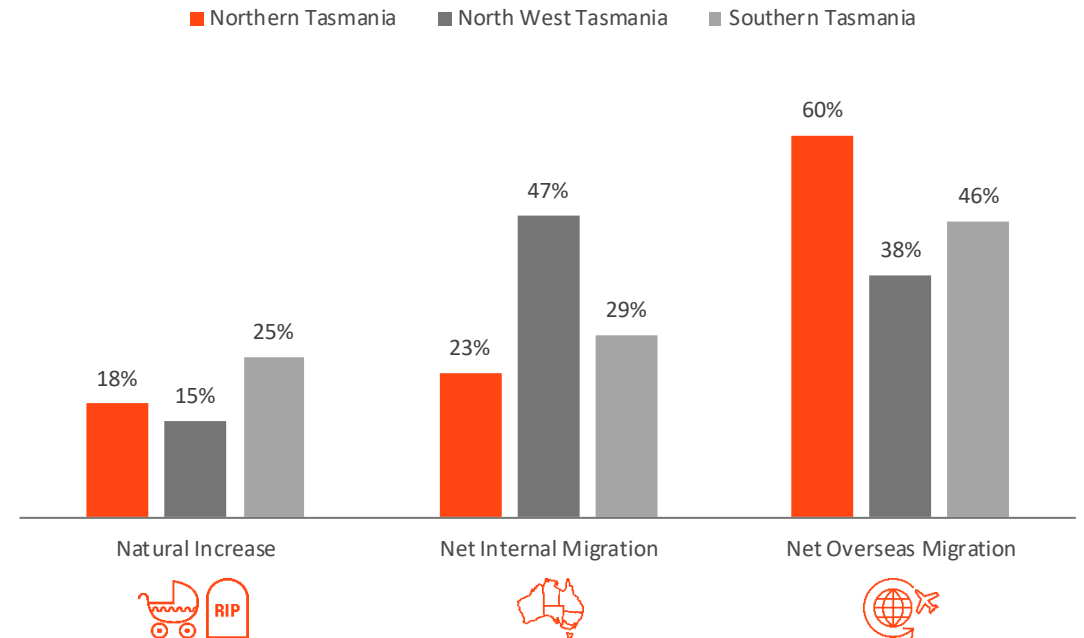
Annual Change in ERP %



Source: ABS, 2022, Cat: 3218.0 - Regional Population Growth, Australia, 2020-21

Population growth components 2016-21 - Sub-regions

Change in component as a % of total change in population in the year to June



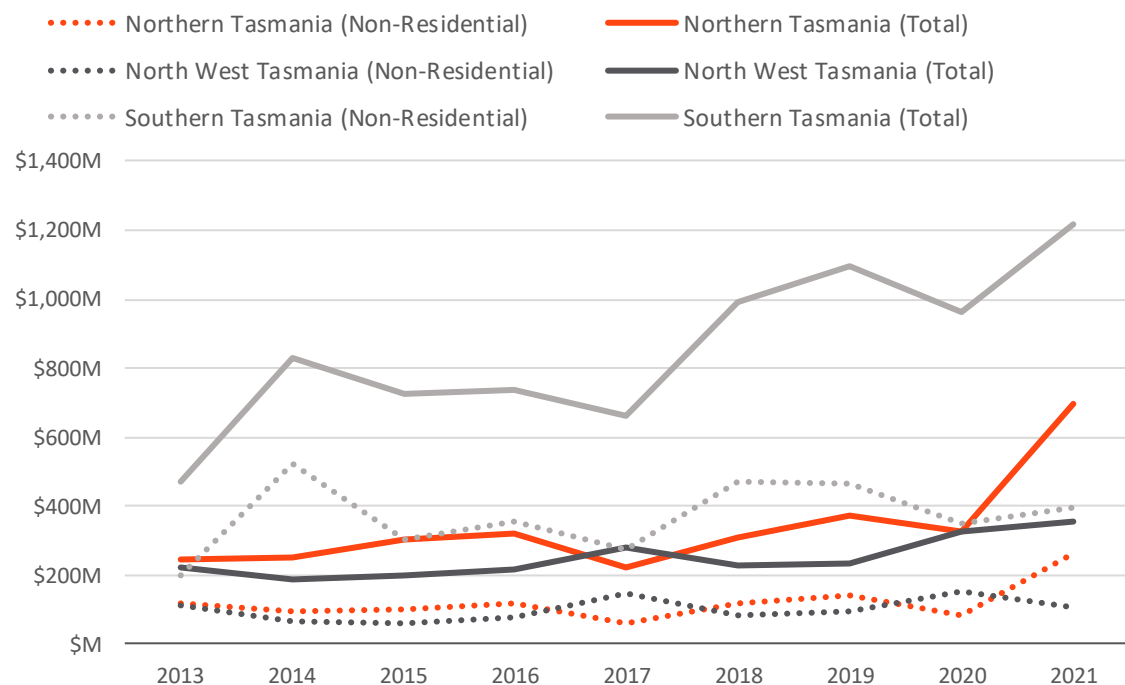
Source: ABS, 2022, Cat: 3218.0 - Regional Population Growth, Australia, 2020-21

Strong non-residential building approvals activity in all sub-regions driven by population service buildings such as Education and Health buildings

Over the three year period from 2018 to 2021, all three sub-regions had relatively high average annual building approvals value. The annual average building approvals value was \$1,093 million in Southern Tasmania (6.0% of GRP in 2021), \$465 million in Northern Tasmania (4.9%), and \$304 million in North West Tasmania (4.3%).

Annual Value of Building Approvals - Sub regions

\$M



Source: ABS Building Approvals, 2022

From 2018 to 2021, Education buildings were the biggest driver of the non-residential building approvals activity in Northern and North West Tasmania, where a large part of Northern Tasmania building approvals value is from the UTAS development project in Launceston. In Southern Tasmania, Health buildings were the biggest driver during the same period, followed by Education, Retail and wholesale buildings and Warehouses.

Non-Residential Building Approvals Value - from 2018 to 2021

\$M

building	Northern Tasmania	North West Tasmania	Southern Tasmania
Education buildings	183	90	189
Health buildings	24	49	195
Retail and wholesale trade buildings	33	19	156
Entertainment and recreation buildings	18	50	135
Warehouses	38	11	145
Offices	61	28	77
Other non-residential n.e.c.	21	10	122
Short term accommodation buildings	15	31	57
Factories and other secondary production buildings	19	38	21
Agricultural and aquacultural buildings	10	5	39
Transport buildings	16	13	10
Other industrial buildings n.e.c.	8	1	17
Aged care facilities	9	3	7
Commercial buildings n.e.c.	8	3	5
Religion buildings	4	5	3

Source: ABS Building Approvals, 2022 • Created with Datawrapper

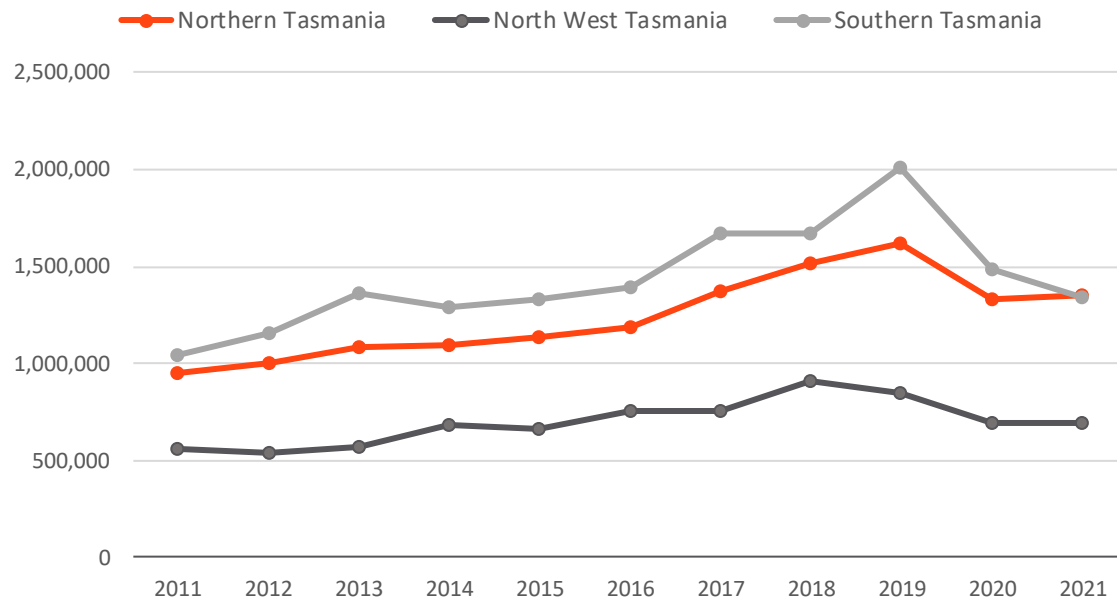
Tourism visitation doubled in Southern Tasmania and increased more than 50% in Northern and North West Tasmania from 2011 to 2019. Visitations dropped sharply following the COVID-19 outbreak.

Domestic overnight and international visitors to all three regions decreased over the 2 year period from 2019 to 2021. Particularly, the visitation to Southern Tasmania decreased by 33%, dropping from 2 million visitors in 2019 to 1.3 million in 2021.

Pre COVID-19, all three sub-regions experienced strong growth in tourism visitation, averaging over 7% per year growth from 2014 to 2019. Following the outbreak of COVID-19, the tourism visitation growth rate decreased by an average of 2.3% per year in Northern Tasmania, 5.6% in North West Tasmania, and 4.9% in Southern Tasmania from 2019 to 2021.

Domestic Overnight and International Visitors by sub-region

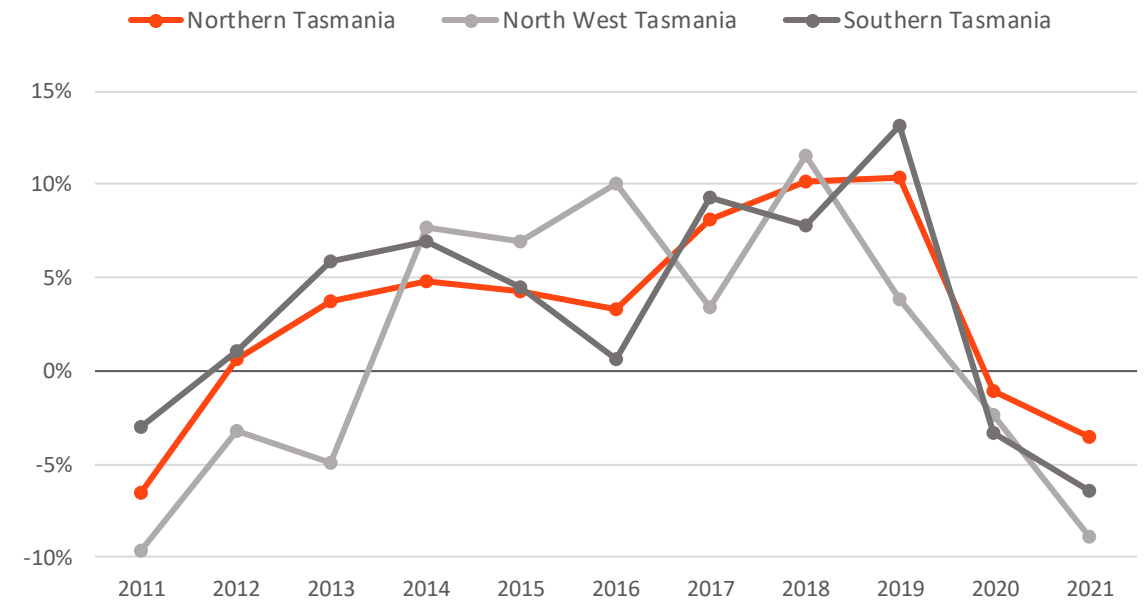
Estimated number of visitors



Source: Tourism Research Australia, 2022

Annual % change in tourism visitation

Domestic Overnight and International Visitors, 3 year rolling average



Source: Tourism Research Australia, 2022

Which industries are driving recent growth?

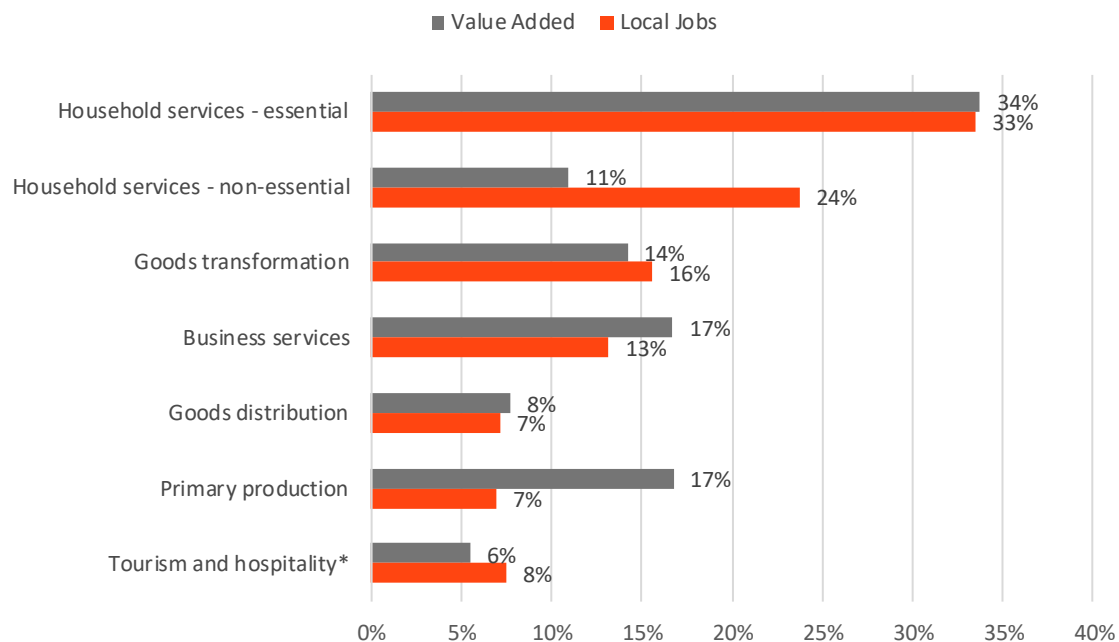
Tasmania's economy is dominated by Household Services, Primary and its supply-chain industries

A large share of Tasmania's economy is focused on population service. Subsequently, the economy is dominated by the household service sector, supporting over 50% of jobs in the region. However, the state also has a strength in primary industries and related goods transformation industries, generating 21% of all economic value and supporting 19% of all jobs in the region.

Three top industries supporting the largest number of jobs were population driven industries: Health care, Retail and Education and Training. Health Care and Social Assistance industry generated the greatest economic value, followed by Agriculture, Forestry and Fishing, Public Administration and Safety and Construction industries.

Industry profile - Tasmania

% of total, 2021



Source: NIEIR, 2022 | * Includes activities from other industries

Top 4 Industries in 2021



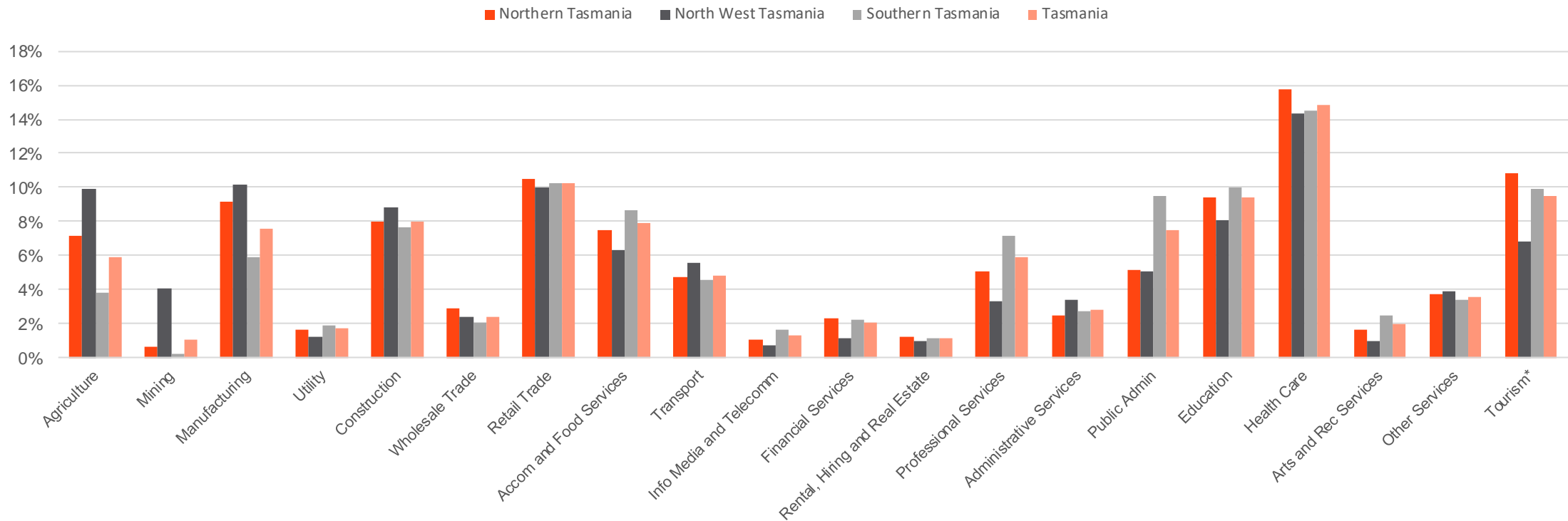
Source: NIEIR, 2022 | * % of local jobs in Tasmania; ** % of value added in Tasmania

High share of jobs in tourism, professional and population service jobs in Southern Tasmania. North West Tasmania has a high share of primary and related manufacturing sector jobs. Northern Tasmania is a combination of primary and manufacturing jobs with population service and tourism sector jobs.

North West Tasmania has a high share of agriculture, mining, manufacturing, construction and transport jobs compared to Tasmania as a whole. Northern Tasmania has a high share of tourism and hospitality, retail, health, agriculture and manufacturing jobs. Southern Tasmania had a higher share of accommodation and food services, IT, professional services, public administration and education compared to Tasmania as a whole.

Share of total jobs by industry sector

% of total, 2021



Source: NIEIR, 2022 | * Includes activities from other industries; Preliminary Value

Large jobs growth in population oriented health, education and hospitality industries and export-oriented agriculture and transport industries. Strong growth in professional service jobs is a good sign.

The major drivers of productivity and job growth included: Manufacturing, Education and Training, Construction, Health Care and Social Assistance, Agriculture, Forestry and Fishing.

The main detractors of economic value and job growth included: Other Services, Transport, Postal and Warehousing, Tourism and Hospitality *, Information Media and Telecommunications, Accommodation and Food Services.

Industry performance - Tasmania

Last 2 years (2019-2021)

	Jobs	Value Added \$m
Arts and Recreation Services	-1,543	2
Construction	-849	-37
Retail Trade	-531	66
Mining	-502	303
Other Services	-359	6
Rental, Hiring and Real Estate Services	-297	-22
Information Media and Telecommunications	-269	63
Tourism and Hospitality *	-145	-62
Wholesale Trade	-122	112
Electricity, Gas, Water and Waste Services	139	15
Financial and Insurance Services	212	30
Public Administration and Safety	218	236
Manufacturing	474	-96
Administrative and Support Services	755	-45
Transport, Postal and Warehousing	1,308	-148
Accommodation and Food Services	1,542	-54
Education and Training	1,672	39
Professional, Scientific and Technical Services	1,673	56
Agriculture, Forestry and Fishing	1,876	416
Health Care and Social Assistance	2,366	451

Source: NIEIR, 2022 | * Includes activities from other industries

Drivers

- Strong job growth in the **Health Care and Social Assistance** Industry is driven by Hospitals, such as completion and opening of Royal Hobart Hospital redevelopment in April 2020, and Social Assistance service jobs (e.g. aged care, welfare, disability assistance services).
- Tasmania's **Agriculture** industry experienced strong jobs and value increase in the last two years to 2021. An increase in agricultural commodity prices, strong export demand and production increase in some commodities due to favourable seasonal conditions have contributed to the strong industry performance.
- Significant increase in **Professional, Scientific and Technical Services** jobs in a diverse range of sectors, such as architecture, law, advertising and management consulting.
- Strong population growth has increased the demand for Preschool and School **Education** and Adult, Community education.
- Food and Beverage services (part of **Accommodation and Food Services**) employment increased due to the strong local economy and increased demand from the population growth.
- **Transport, Postal and Warehousing** industry jobs increased significantly over the period from 2019 to 2021. Demand growth for online shopping has increased the jobs in postal and courier, delivery services, and strong economic, export activity increased Road and Water Freight and transport support jobs, while Taxi and Uber driver jobs increased due to population growth. However, the value added for the industry decreased as the travel restrictions reduced the operation of airports and Spirit of Tasmania.

Detractors

- Over the period from 2019 to 2021, local jobs increased in many industries while value added decreased or increased at a lower rate (e.g. professional services, transport). This is because the JobKeeper scheme maintained the job, but decrease/stop in economic productive activity during the COVID restriction period (e.g. lockdowns) meant value added during that period is lost.
- **Arts and Recreation Services** employment decreased significantly due to the reduced tourism activity and the social distancing measures. Particularly, jobs in sports, recreation and gambling activities have decreased over the last two years to 2021.
- **Construction** sector jobs decreased due to a significant drop in construction activity in Hobart City following the completion of major infrastructure projects such as the \$689M Royal Hobart Hospital redevelopment project and \$100M The Tasman Hotel.
- Over the period from 2019 to 2021, **Retail trade** sector jobs decreased, especially in Motor vehicle and Motor vehicle parts retailing as reduced tourism and drop in a local resident's travel to a place of retail and recreation.
- **Mining** sector jobs apart from metal ore mining decreased in the last two years to 2021 despite the strong increase in production.

Population service, professional and transport sectors driving job growth in Southern Tasmania. Strong job growth in agriculture, transport, professional and education sectors in Northern Tasmania while North West Tasmania jobs increase was driven by the agriculture and health sectors.

Over the last two years to 2021, the value added growth was driven by agriculture, health and public administration sectors in Northern Tasmania. In North West Tasmania, Mining and agriculture industry value added increased significantly during the same period. Growth in Health Care and Social Assistance value was the overwhelming driver of value added growth in Southern Tasmania. Decrease in Transport industry value in northern Tasmania is driven by spirit of Tasmania impacts and Hobart Airport effects in Southern Tasmania.

Jobs growth in the sub-regions largely followed the growth pattern exhibited by value added in the last two years. However, jobs in some industries (e.g manufacturing and transport industries in Northern Tasmania, hospitality and transport in Southern Tasmania) increased despite the fall in value added as high productivity jobs were replaced by low productivity jobs. Conversely, Mining jobs in North West Tasmania decreased despite the significant increase in value added due to the ore price increase.

Value Added Industry Performance - Sub regions

Last 2 years (2019-2021), \$M

Industry	Northern Tasmania	North West Tasmania	Southern Tasmania
Agriculture, Forestry and Fishing	197	154	65
Mining	33	253	18
Manufacturing	-18	-52	-27
Electricity, Gas, Water and Waste Services	23	-5	-4
Construction	25	20	-82
Wholesale Trade	11	9	92
Retail Trade	10	-8	64
Accommodation and Food Services	-4	-14	-36
Transport, Postal and Warehousing	-56	3	-95
Information Media and Telecommunications	-7	-6	77
Financial and Insurance Services	21	-37	45
Rental, Hiring and Real Estate Services	20	-12	-30
Professional, Scientific and Technical Services	34	-19	42
Administrative and Support Services	-4	-17	-25
Public Administration and Safety	81	39	116
Education and Training	37	-20	22
Health Care and Social Assistance	78	51	323
Arts and Recreation Services	-3	-1	6
Other Services	-5	11	0

Source: NIEIR, 2022 • Created with Datawrapper

Local Jobs Industry Performance - Sub regions

Last 2 years (2019-2021), Jobs

Industry	Northern Tasmania	North West Tasmania	Southern Tasmania
Agriculture, Forestry and Fishing	1,177	617	81
Mining	-329	-82	-91
Manufacturing	343	-278	409
Electricity, Gas, Water and Waste Services	117	-23	45
Construction	221	75	-1,144
Wholesale Trade	-201	-133	213
Retail Trade	-354	-353	177
Accommodation and Food Services	182	-198	1,558
Transport, Postal and Warehousing	439	-160	1,029
Information Media and Telecommunications	-153	-59	-58
Financial and Insurance Services	99	-71	184
Rental, Hiring and Real Estate Services	51	-86	-262
Professional, Scientific and Technical Services	657	-171	1,187
Administrative and Support Services	186	109	460
Public Administration and Safety	279	45	-105
Education and Training	764	-77	985
Health Care and Social Assistance	6	246	2,113
Arts and Recreation Services	-457	-231	-855
Other Services	-298	15	-76

Source: NIEIR, 2022 • Created with Datawrapper

Which industries are competitive and how is this changing?

Developed specialisations in hospitality and tourism, primary and its supply-chain industries

Tasmania has a major comparative advantage in Agriculture, Forestry and Fishing, Electricity, Gas, Water and Waste Services, Accommodation and Food Services, Arts and Recreation Services, Public Administration and Safety.

At a detailed industry level, industries with the highest specialisations include Aquaculture, Forestry and Logging, Fishing, Hunting and Trapping, Water Transport, Agriculture.

Level of specialisation - Tasmania

Compared to Australia (in LQ terms)

	Jobs	Value Added \$m
Agriculture, Forestry and Fishing	2.30	4.38
Electricity, Gas, Water and Waste Services	1.43	1.29
Accommodation and Food Services	1.25	1.08
Arts and Recreation Services	1.12	1.23
Public Administration and Safety	1.10	1.21
Health Care and Social Assistance	1.09	1.71
Retail Trade	1.08	1.08
Education and Training	1.06	1.20
Manufacturing	1.05	0.96
Other Services	0.97	1.00
Transport, Postal and Warehousing	0.97	0.96
Construction	0.89	0.95
Administrative and Support Services	0.87	0.52
Information Media and Telecommunications	0.76	1.38
Wholesale Trade	0.74	0.67
Rental, Hiring and Real Estate Services	0.71	0.55
Professional, Scientific and Technical Services	0.67	0.43
Financial and Insurance Services	0.54	0.63
Mining	0.51	0.38
Tourism and Hospitality *	0.15	0.19

Source: NIEIR, 2022 | * Includes activities from other industries

Specialisation by detailed industry - Tasmania

Compared to Australia (in LQ terms)

Industry	Jobs	% of total	Specialisation
Aquaculture	1,812	0.7%	11.77
Forestry and Logging	975	0.4%	5.85
Fishing, Hunting and Trapping	675	0.3%	4.00
Water Transport	864	0.3%	3.55
Agriculture	10,919	4.2%	1.95
Heritage Activities	1,306	0.5%	1.78
Wood Product Manufacturing	1,422	0.5%	1.71
Accommodation	3,879	1.5%	1.69
Electricity Supply	2,297	0.9%	1.68
Food Product Manufacturing	6,927	2.7%	1.65
Beverage and Tobacco Product Manufacturing	1,249	0.5%	1.58
Agriculture, Forestry and Fishing Support Services	802	0.3%	1.56
Gambling Activities	1,021	0.4%	1.53
Primary Metal and Metal Product Manufacturing	2,211	0.9%	1.51
Water Supply, Sewerage and Drainage Services	996	0.4%	1.50

Source: NIEIR, 2022

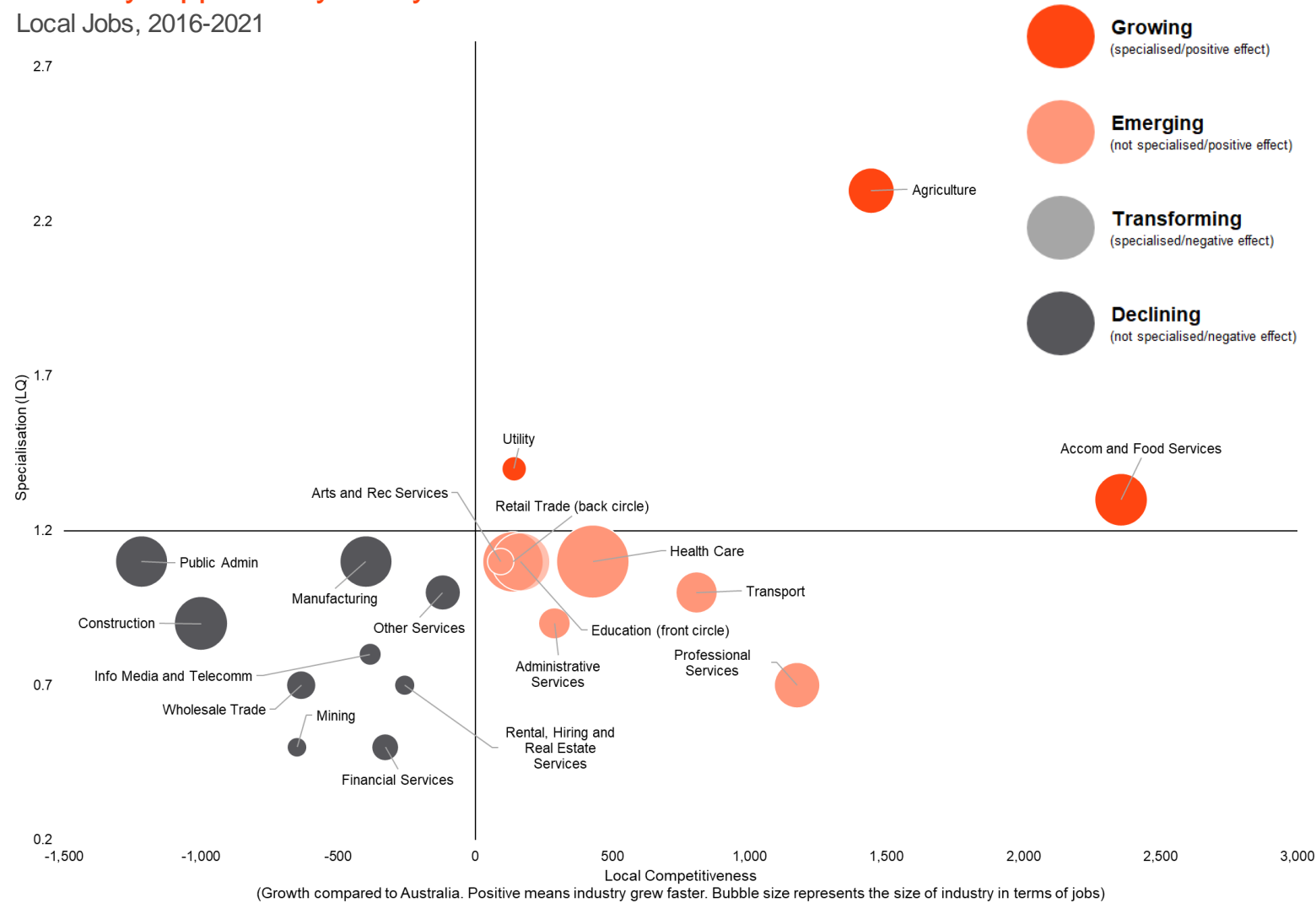
Tasmania has an opportunity in specialised agriculture, hospitality and utility. But there are strong growth opportunities in emerging sectors, health, retail, education, transport and professional services.

Tasmania's sectors can be categorised into four stages of development relative to their recent performance, size and degree of specialisation. The chart on the left displays which stage of the development each industry is in based on the specialisation in 2021 and the jobs growth from 2016 to 2021 attributed to the local factor and advantage*.

- **Growing** – established with strong growth potential: Sectors in this category are well established, specialised and have strong growth potential based on recent trends. Tasmania's 'growing' sectors include Agriculture, Accommodation and Food Services and Utility compared to Australia.
- **Emerging** – growing with potential to become specialised: Despite a low specialisation in jobs, sectors in the 'emerging' category have grown faster than Australia and may have the future potential to thrive. The top three 'emerging' sectors are Professional Services, Transport and Health Care.
- **Transforming** – established but facing challenges: The 'Transforming' sectors are specialised but are not growing as fast as the Australia averages. This suggests they are at risk and need support to maintain competitiveness with other regions. There were no sector that fall into the 'transforming' category is Tasmania.
- **Declining** – neither established nor growing: These sectors are either small and do not impact the overall competitiveness of the economy (i.e. Info Media) or service sectors that are relatively less competitive against the other states (e.g. professional service and finance). However, there are several 'declining' industries that have a relatively high share of jobs and may warrant additional support – they were Manufacturing, Public Administration and Construction sectors.

Industry Opportunity Analysis - Tasmania

Local Jobs, 2016-2021



And strategies should seek to improve the competitiveness and supply chains of major export sectors include agriculture, mining, manufacturing and tourism.

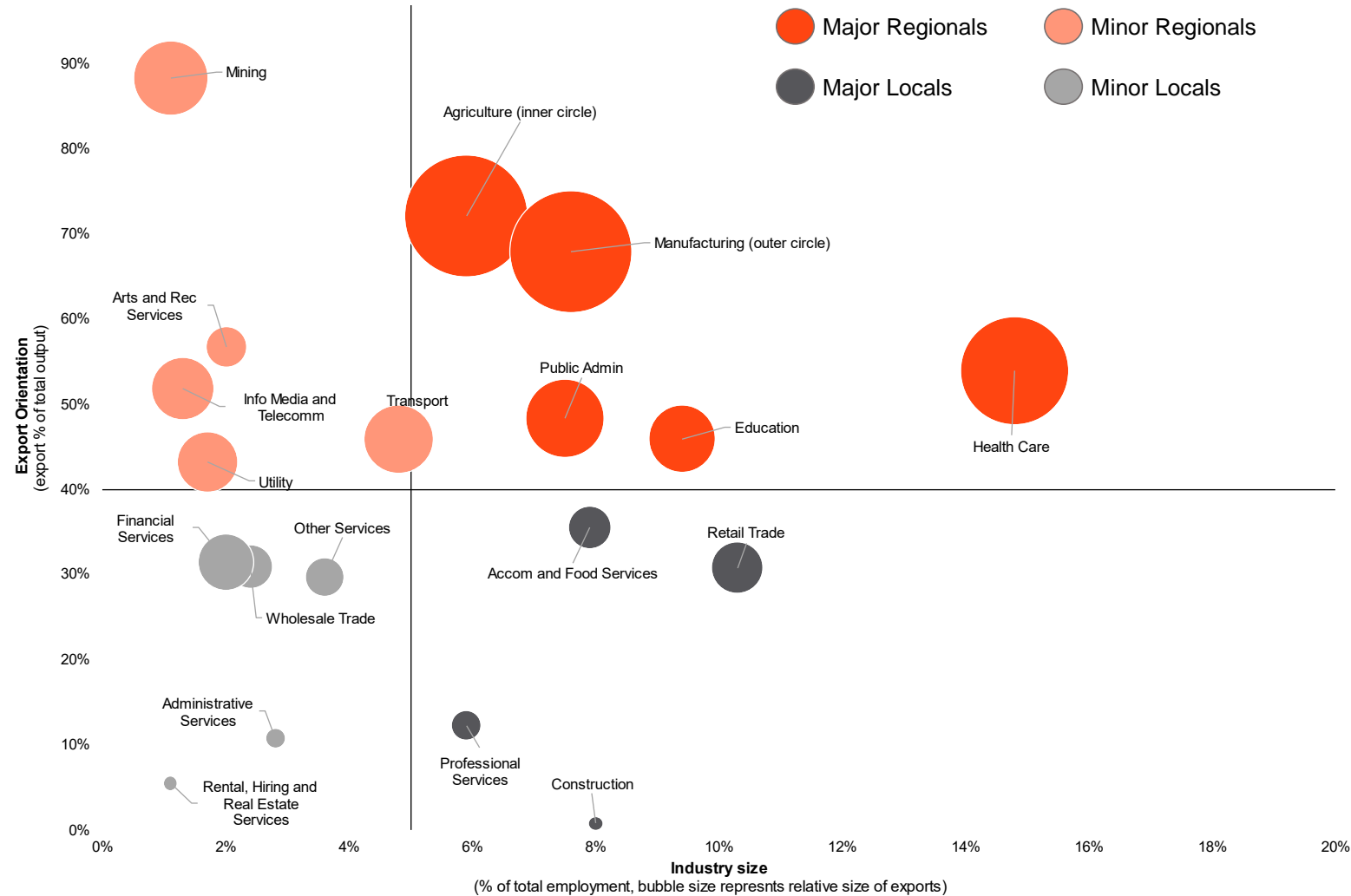
The local economy benefits from the export of goods and services outside the region's boundary. The export sectors are less reliant on the local population to grow, which was the main driver of the economic growth in the Tasmania region over the last decade. The sectors can be categorised into four based on the export share of total output and the industry's share of the total regional employment.

Importantly, there are seven industries in the Tasmania economy with major regional exposure (i.e high export and a high share of total employment). These are health, agriculture, manufacturing, education and public administration service industries. Different strategies are required for each given different business structures and supply-chain relationships (e.g. Agriculture has a strong supply-chain relationship with food and beverage manufacturing).

The region also has many industries in the Minor Regional category. The largest exporters include Mining, Info Media, Transport, Arts and Recreation. The state's tourism (especially water transport, museums, national parks) is reflected in the export position of the Arts and Recreation and Transport industries.

Export Propensity Analysis - Tasmania

2021



Northern Tasmania industry competitiveness and growth

Jobs growth driven by its specialised agriculture and manufacturing industries, and population service industries



Specialised & Growing

Industries that are critical to your area and you want to make stronger

Northern Tasmania	Jobs 2021	5-yr change	LQ
Agriculture, Forestry and Fishing	4,942	737	2.8
Electricity, Gas, Water and Waste Services	1,109	122	1.4
Tourism and Hospitality *	7,206	134	1.3
Manufacturing	6,267	522	1.3
Accommodation and Food Services	5,150	236	1.2
Health Care and Social Assistance	10,822	1,483	1.2



Specialised but at risk

Growth in an established sector is inhibited and action may be required to address barriers and constraints

Northern Tasmania	Jobs 2021	5-yr change	LQ
Retail Trade	7,228	-200	1.1

Source: NIEIR, 2022; *Based on 2020 estimate



Emerging

Not specialised but are showing positive signs. Emerging industries with potential to thrive if supported.

Northern Tasmania	Jobs 2021	5-yr change	LQ
Education and Training	6,437	357	1.0
Other Services	2,573	187	1.0
Transport, Postal and Warehousing	3,247	279	1.0
Construction	5,502	197	0.9
Public Administration and Safety	3,530	122	0.8
Financial and Insurance Services	1,596	79	0.6



Declining

Industries in decline. May not be a priority unless they are holding back specialised or emerging sectors.

Northern Tasmania	Jobs 2021	5-yr change	LQ
Arts and Recreation Services	1,115	-54	0.9
Wholesale Trade	1,997	-209	0.9
Rental, Hiring and Real Estate Services	857	-66	0.8
Administrative and Support Services	1,677	-79	0.8
Information Media and Telecommunications	736	-77	0.6

Source: NIEIR, 2022

North West Tasmania industry competitiveness and growth

Highly specialised agriculture sector continues to grow but specialised manufacturing and transport industries decreased during the same period.



Specialised & Growing

Industries that are critical to your area and you want to make stronger

North West Tasmania	Jobs 2021	5-yr change	LQ
Agriculture, Forestry and Fishing	4,886	620	3.9
Mining	2,020	81	1.9



Specialised but at risk

Growth in an established sector is inhibited and action may be required to address barriers and constraints

North West Tasmania	Jobs 2021	5-yr change	LQ
Manufacturing	5,003	-340	1.4
Transport, Postal and Warehousing	2,731	-301	1.1

Source: NIEIR, 2022



Emerging

Not specialised but are showing positive signs. Emerging industries with potential to thrive if supported.

North West Tasmania	Jobs 2021	5-yr change	LQ
Health Care and Social Assistance	7,081	718	1.0
Administrative and Support Services	1,662	11	1.0
Electricity, Gas, Water and Waste Services	600	10	1.0
Construction	4,365	353	1.0
Public Administration and Safety	2,483	37	0.7
Professional, Scientific and Technical Services	1,617	85	0.4



Declining

Industries in decline. May not be a priority unless they are holding back specialised or emerging sectors.

North West Tasmania	Jobs 2021	5-yr change	LQ
Other Services	1,923	-74	1.1
Retail Trade	4,928	-636	1.0
Accommodation and Food Services	3,120	-540	1.0
Education and Training	3,971	-200	0.9
Tourism and Hospitality *	3,347	-169	0.9
Wholesale Trade	1,192	-204	0.8

Source: NIEIR, 2022; *Based on 2020 estimate

Southern Tasmania industry competitiveness and growth

Strong growth across most industries in Southern Tasmania. The region has a strong specialisation in population service industries.



Specialised & Growing

Industries that are critical to your area and you want to make stronger

Southern Tasmania	Jobs 2021	5-yr change	LQ
Electricity, Gas, Water and Waste Services	2,691	207	1.6
Agriculture, Forestry and Fishing	5,354	630	1.5
Arts and Recreation Services	3,534	478	1.4
Public Administration and Safety	13,407	765	1.4
Accommodation and Food Services	12,149	2,386	1.4
Tourism and Hospitality *	13,649	1,368	1.2



Specialised but at risk

Growth in an established sector is inhibited and action may be required to address barriers and constraints

Southern Tasmania	Jobs 2021	5-yr change	LQ
No sectors identified			

Source: NIEIR, 2022; *Based on 2020 estimate



Emerging

Not specialised but are showing positive signs. Emerging industries with potential to thrive if supported.

Southern Tasmania	Jobs 2021	5-yr change	LQ
Retail Trade	14,388	1,356	1.1
Health Care and Social Assistance	20,434	3,136	1.1
Transport, Postal and Warehousing	6,400	1,700	0.9
Administrative and Support Services	3,853	312	0.9
Construction	10,818	382	0.9
Professional, Scientific and Technical Services	10,117	2,862	0.8



Declining

Industries in decline. May not be a priority unless they are holding back specialised or emerging sectors.

Southern Tasmania	Jobs 2021	5-yr change	LQ
Information Media and Telecommunications	2,362	-243	1.0
Rental, Hiring and Real Estate Services	1,645	-96	0.7

Source: NIEIR, 2022

How does demography and Socio-economics look like?

The demography of Tasmania is dominated by older Australia born residents with a relatively lower qualification level.

The residents in Tasmania are relatively older with a median age of 42 years, compared to 38 years of age for Australia as a whole. The median age of residents remain unchanged since the last census in 2016.







In 2021, the households in Tasmania made \$1,358 median weekly income, \$258 more than the median weekly household income in 2016. The household income was lower than the median Australia weekly household income of \$1,746 in 2021.

The share of overseas born residents was 20.9% in 2021, significantly lower than Australia as a whole (33.1%). From 2016 to 2021 the share has increased by 1.6%.

Around 16.2% of the residents had a university qualification, lower than 22.0% in Australia as a whole. The qualification level has increased since 2011 by 2.0%. In 2016, the proportion of residents with a trade qualification was 21.3% in Tasmania, higher than Australia as a whole.

The labour force participation rate in Tasmania was 55.5% in 2016, lower than Australia as a whole. The region is facing an ageing population, where the labour force participation rate has decreased 2.3% from 2011 to 2016.

Tasmania demographic and socio-economic profile in 2021

Indicator	Tasmania as at 2021 (Australia)	Change from 2016 to 2021
Median age	42 years old (38)	 0 years of age
Median weekly household	\$1,358 per week (\$1,746)	 +\$258 per week
Overseas born	20.9% of residents (33.1%)	 +1.6% percentage points
University qualification*	16.2% of residents aged 15+ (22.0%)	 +2.0% percent
Trade qualification* (certificate)	21.3% of residents aged 15+ (18.8%)	 +1.2% percentage points
Labour force participation rate*	55.5% of residents aged 15+ (60.3%)	 -2.3% percentage points

* 2016 data based on the Census 2016 due to the unavailability of Census 2021 data during the writing of this report.

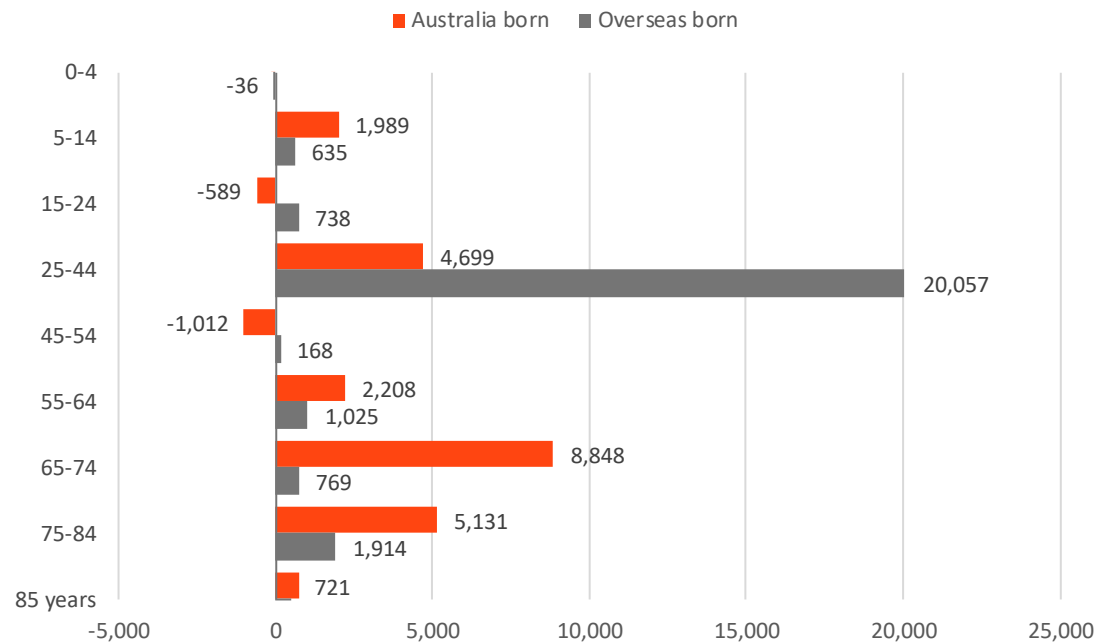
International migration driving working age population, supporting the local economy and workforce demand.

From 2016 to 2021, Tasmania's population increased by 48,572 people (9.5%). This represents an average annual population growth of 1.84% per year over the period. The largest changes by the age group between 2016 and 2021 were in the working age group (25 to 44, +24,756 people), where over 81% of the increase was from overseas born.

Increase in young age and older seniors age group meant that the largest changes in family/household types in Tasmania between 2016 and 2021 were Couples without children (+8,146 households) followed by Lone person households (+4,872 households).

Change in population by age groups - 2016 to 2021

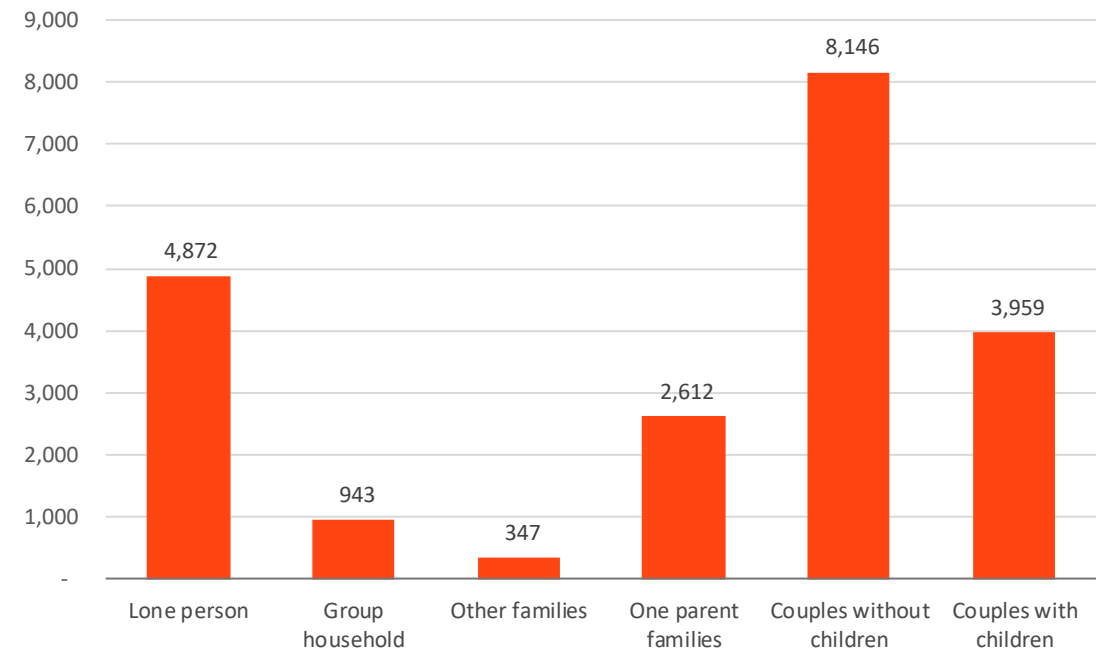
Person, adjusted for not stated responses



Source: ABS Census 2021

Change in household type - 2016 to 2021

Households



Source: ABS Census 2021

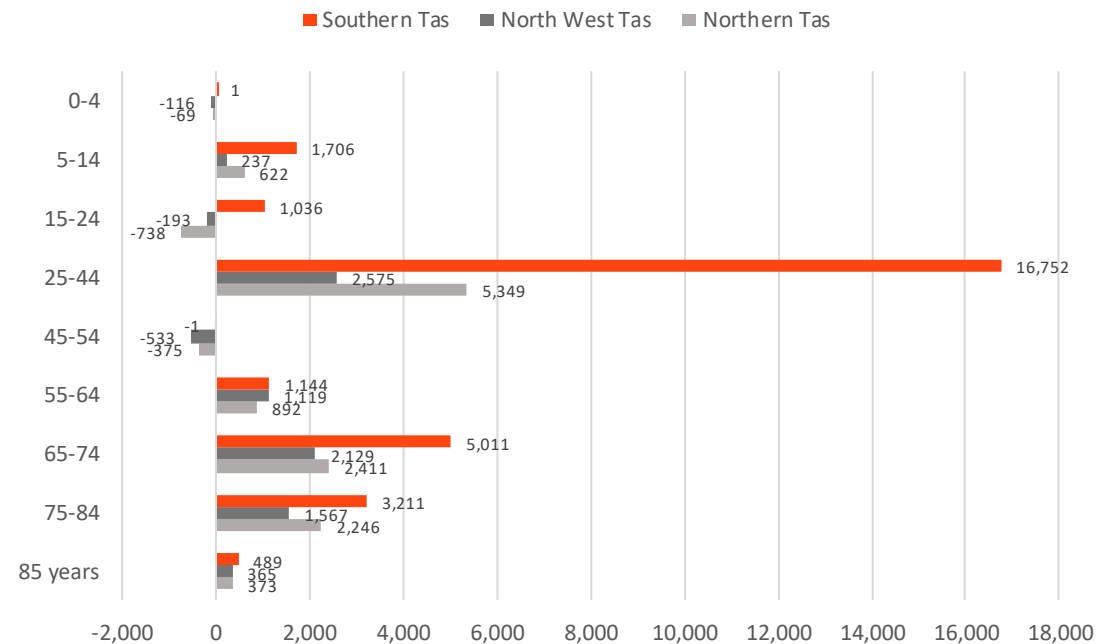
Strong increase share of working age couples without children in Northern and Southern Tasmania. North West Tasmania experienced a large increase in seniors and lone person households.

All three sub-regions experienced a strong increase in the working age (25 to 44) and seniors (65+) from 2016 to 2021. The increase in working age population contributed 57% of the total population growth in Southern Tasmania, 50% in Northern Tasmania, and 36% in North West Tasmania. The increase in seniors (65+) contributed 57% of the total population growth in North West Tasmania, 47% in Northern Tasmania and 30% in Southern Tasmania.

The increase in the working age and senior age group led to an increase in the share of Couples without children households from 2016 to 2021. However, Northern and North West Tasmania experienced a decrease in the share of Couples with children and an increase in Lone person households likely due to the ageing population. In Southern Tasmania, the share of Lone person households decreased over the same period.

Change in population by age groups

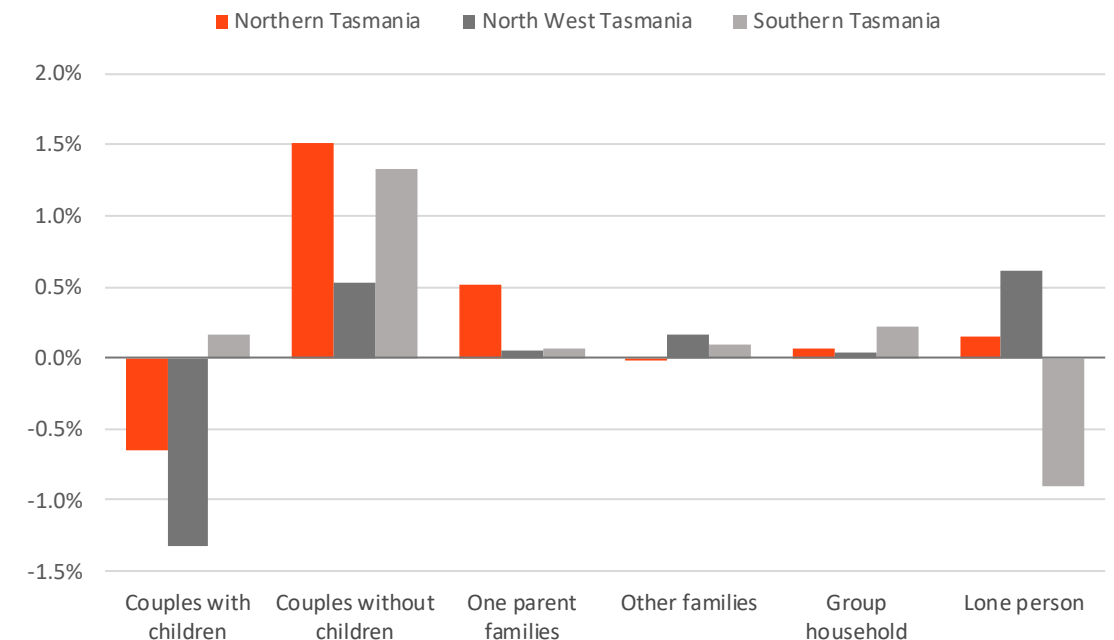
Percentage, 2016 to 2021



Source: ABS Census 2021

Percentage share of household type

Percentage, 2016 to 2021



Source: ABS Census 2021

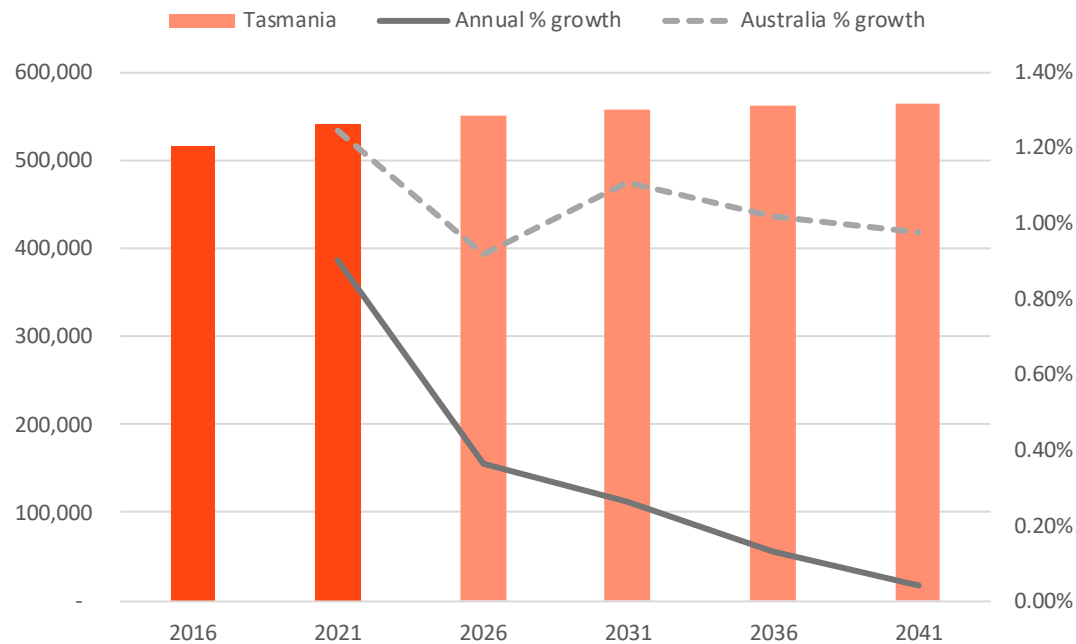
Future population growth is expected to be driven by seniors and elderly. This is likely to drive demand for health, aged care and related services. However, there are opportunities to grow population in young workforce through strategic policy and investment drivers.

Tasmania's population estimate for 2021 is 541,315 and is forecast to grow to 563,261 by 2041. This equates to around 0.2% per annum growth and is slower than the historical average of 0.9% per annum (2016 to 2021) and slower than the forecast average Australia growth rate of 1.0% per annum. This is driven by lower natural increase and net interstate migration falling despite the net overseas migration reverting to the high historical average.

Over the 20 year period from 2021 to 2041, the population in Seniors, Elderly aged and Parents and Homebuilders groups is forecast to experience positive growth in population while the population in other groups are forecast to decrease. However, there are opportunities to grow population in younger age groups through policy and investment drivers. For example, reduce interstate outflow of young workforce through jobs growth and attraction strategies to increase overseas migrants.

Population forecast - Tasmania

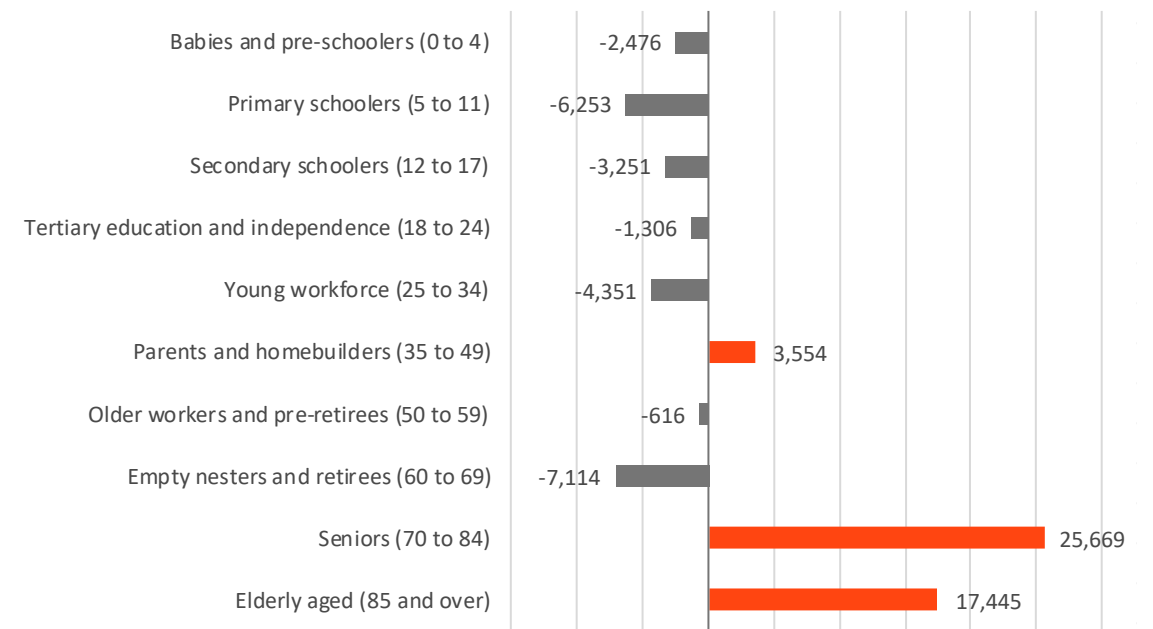
2021-2041



Source: .id Consulting (2022)

Change in population by service age groups - 2021 - 2041

Person



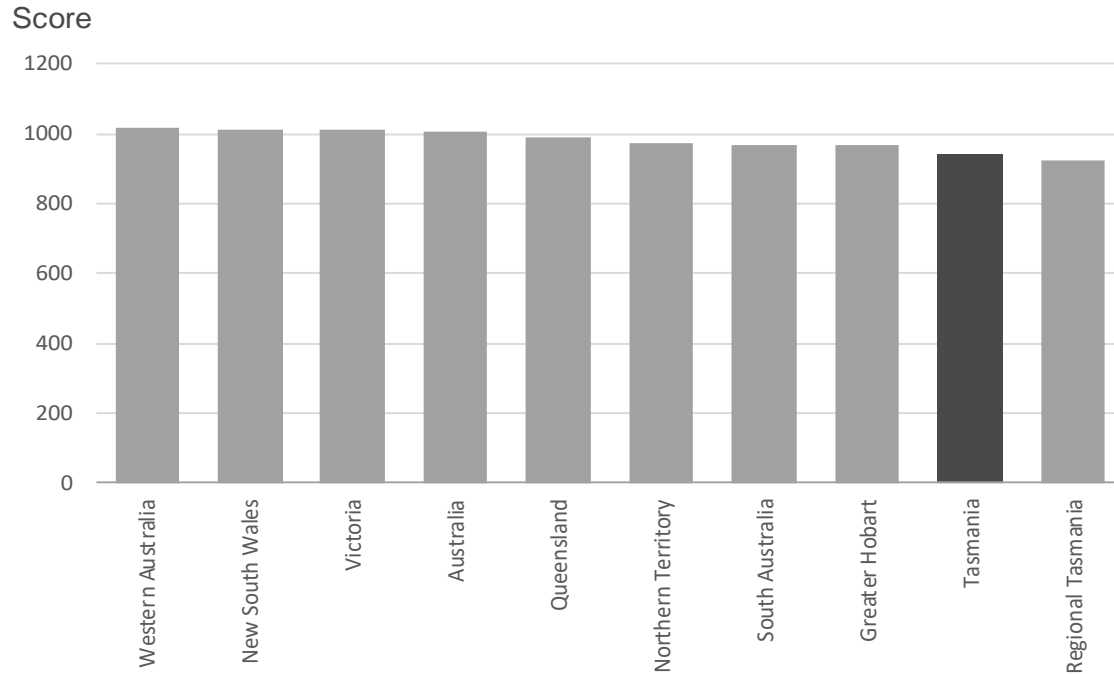
Source: .id Consulting (2022)

Highest socio-economic disadvantage compared to other states

SEIFA advantage and disadvantage index measure the relative level of socio-economic disadvantage based on a range of Census characteristics. Tasmania as a whole had a relatively high socio-economic disadvantage (low SEIFA score compared to other states). The contributor to the low SEIFA score includes low education level, low income and lack of access to the internet in Tasmania.

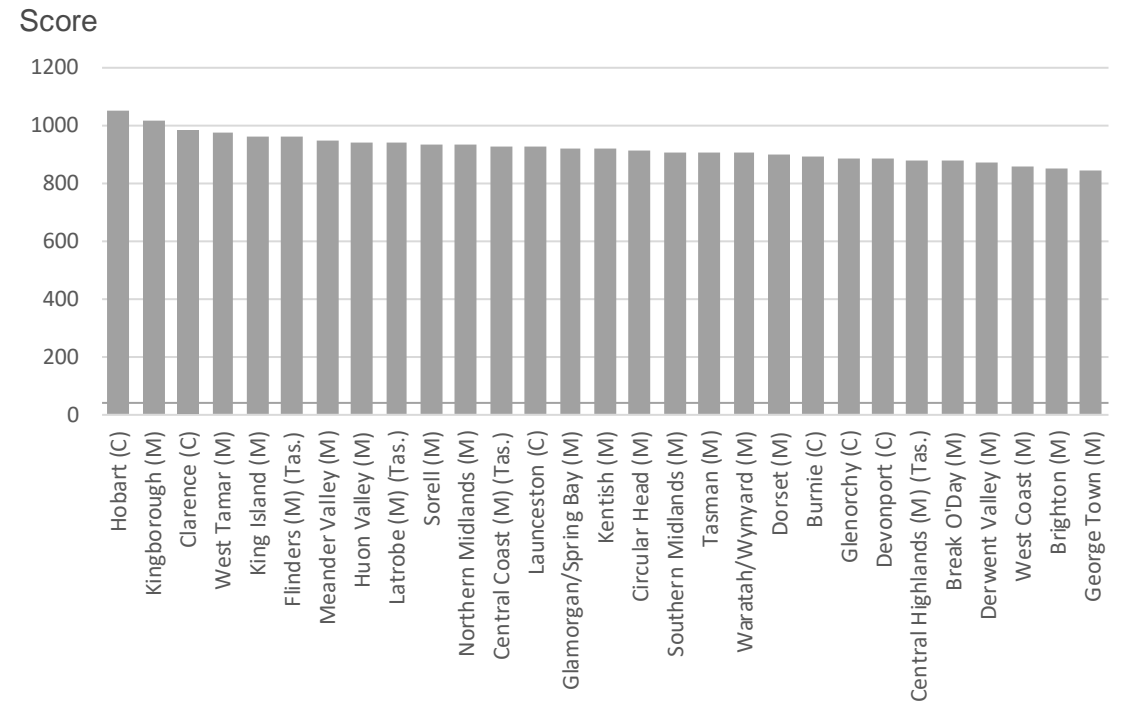
In 2016, Tasmania had a SEIFA advantage and disadvantage score of 942, lower than the Australian average (1003). This score is lower than the SEIFA disadvantage score of 957, indicating Tasmania had a low level of advantage (e.g. high income, professional occupations, high education level). Only Hobart and Kingborough LGAs had a SEIFA score higher than the national average.

SEIFA relative socio-economic advantage and disadvantage



Source: ABS Census of Population and Housing, 2016

SEIFA relative socio-economic advantage and disadvantage



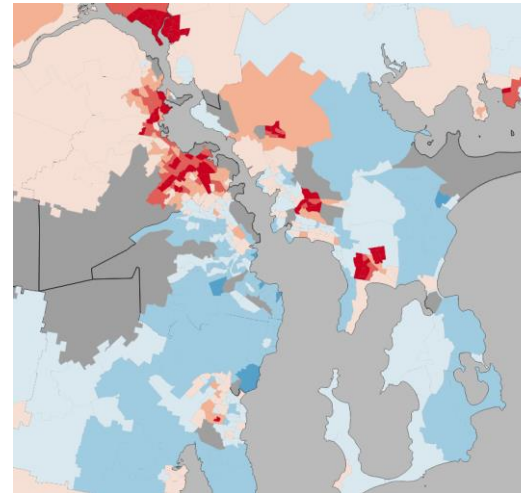
Source: ABS Census of Population and Housing, 2016

Areas of high socio-economic disadvantage compared to the state and national average

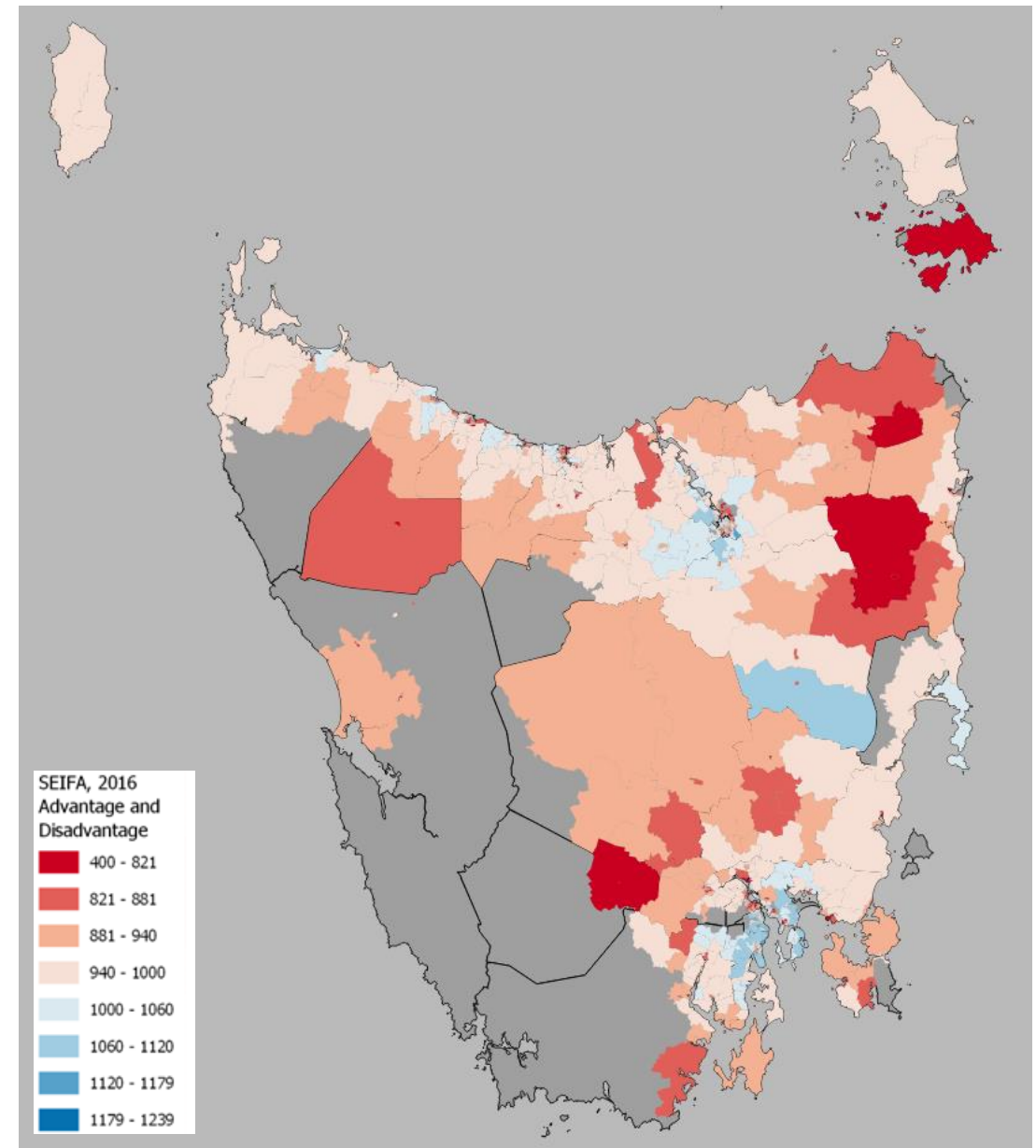
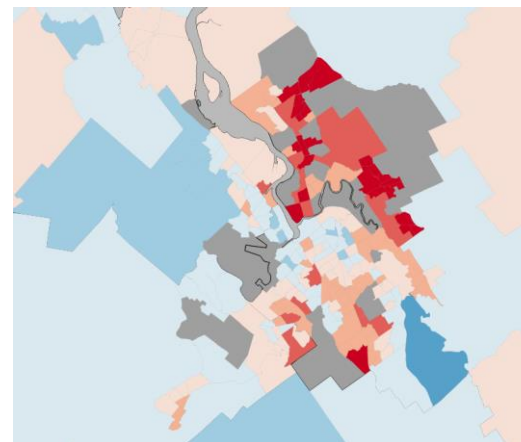
There are areas in Tasmania that is rated as one of the most disadvantage areas in Australia. In 2016, areas in North West Tasmania, Launceston and Hobart had a SEIFA index in the bottom 2 percentile compared to other areas in Australia. This means that these areas had a higher socioeconomic disadvantage (e.g. proportion of low-income households and people with no post-school qualification) than other areas in Australia.

* 2016 data based on the Census 2016 due to the unavailability of Census 2021 data during the writing of this report.

SEIFA Index of Relative Socio-economic Advantage and Disadvantage - Hobart, 2016



SEIFA Index of Relative Socio-economic Advantage and Disadvantage - Launceston, 2016



What happened during the COVID pandemic shock?

Impacts from COVID-19

In March 2020, the Commonwealth and State Governments launched unprecedented public-health and economic responses to combat the growing pandemic threat.

Along with international passenger and trade restrictions, social distancing measures implemented towards the end of March had the greatest impact on employment and economic growth outcomes going forward.

Social distancing and 'isolation' was introduced to reduce the infection rate, slow deaths and ensure hospitals maintain sufficient ICU bed capacity to deal with COVID cases as well as normal emergency medical demand. The alternative option of limited social restrictions ran the risk of potentially overrunning ICU units leading to thousands of deaths (as experienced in some countries overseas) and the need for an even larger 'lock down' at a later stage.

The largest negative impacts for the State and National economies occurred in the second quarter of 2020 (final quarter 2019/20 FY) as rigid social distancing measures were maintained for months.

Following this, falling infections lead to eased restrictions but secondary waves of infections forced the reintroduction of stricter measures. However, economic activity was less severely impacted because the measures became more effective in containing the virus relative to the cost to economic activity.

Economic policy responses

A number of responses were enacted by government to address the likely negative impacts of the social distancing policies.

- RBA – reduced interest rates (official and quantitative easing) and demand side
- Wage subsidy – boost cash flow for businesses
- Increases in working age and non-working age social security benefits
- Loan guarantee for small and medium businesses.
- Jobkeeper payment scheme – businesses effectively playing a centrelink role. But fine print impacted effectiveness – e.g. Australian citizen and casual employee >12 months
- Childcare payments

The majority of these measures, especially stimulus spending, helped address worker incomes but had limited impact on Gross Product due to the fact that most employees were at home and effectively not producing goods and services.

Source: NIEIR, 2020

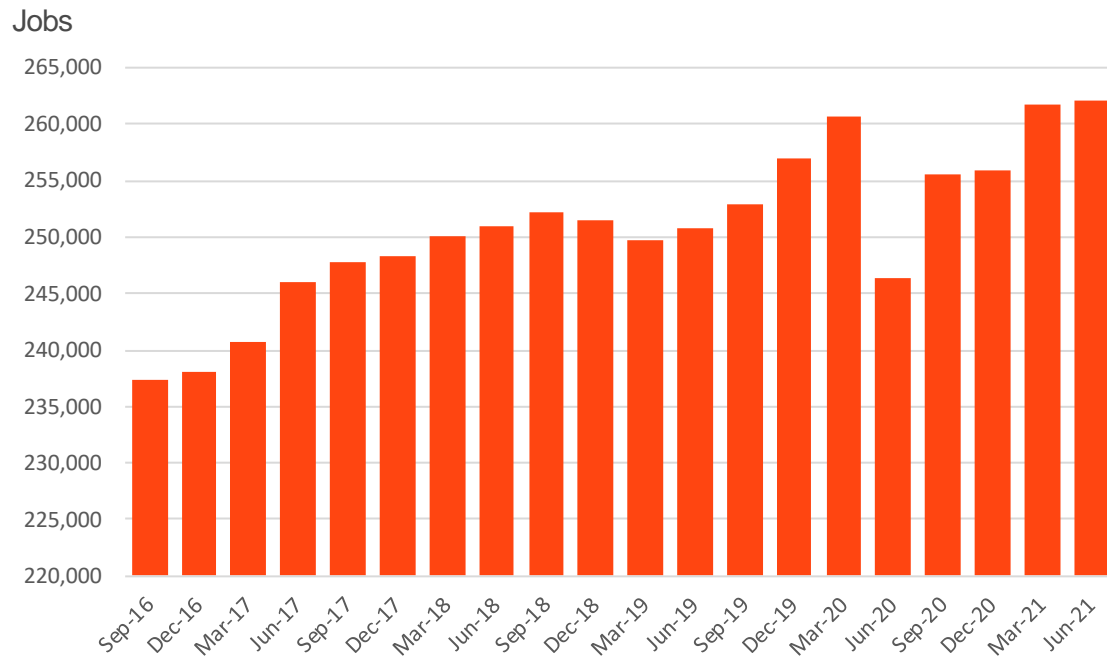
Strong recovery from the impacts of COVID-19 outbreak

Tasmania's economy staged a strong rebound from the impacts of COVID-19, where local jobs increased by 6.4% between June Qtr 2020 and June Qtr 2021. Throughout the pandemic, local jobs show smaller short-term changes than GRP or value added, given that employees may be away from paid work for a short period without losing their job.

Local jobs started to increase from September Qtr 2020 and continued into 2021. By June Qtr 2021, local jobs were 5,148 above the pre-covid level (December Qtr 2019).

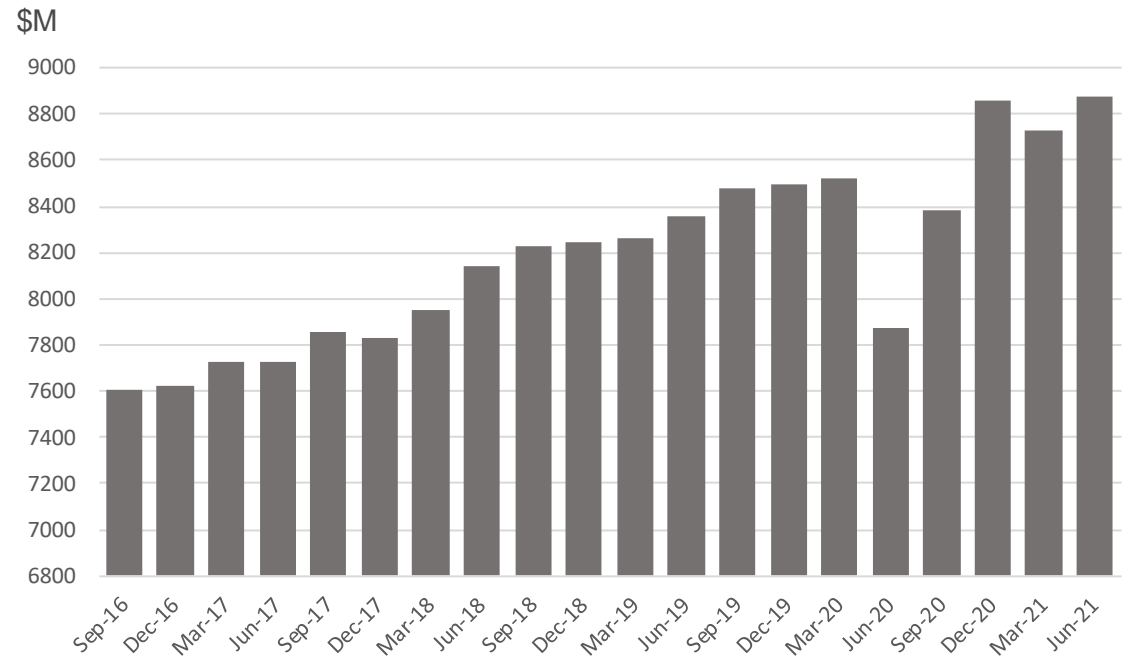
GRP increased by 12.7% between June Qtr 2020 and June Qtr 2021. After the rise since June Qtr 2020, GRP was 4.5% above the pre-covid level (December Qtr 2019) in June Qtr 2021.

Quarterly Local Jobs - Tasmania



Source: NIEIR, 2022

Quarterly GRP - Tasmania



Source: NIEIR, 2022

Tasmania's economic recovery is faster than the Australia average.

Local jobs fell sharply in 2020. By Jun-20, local jobs were down by 4.1% compared to Dec-2019. This fall was lower than the Australia average.

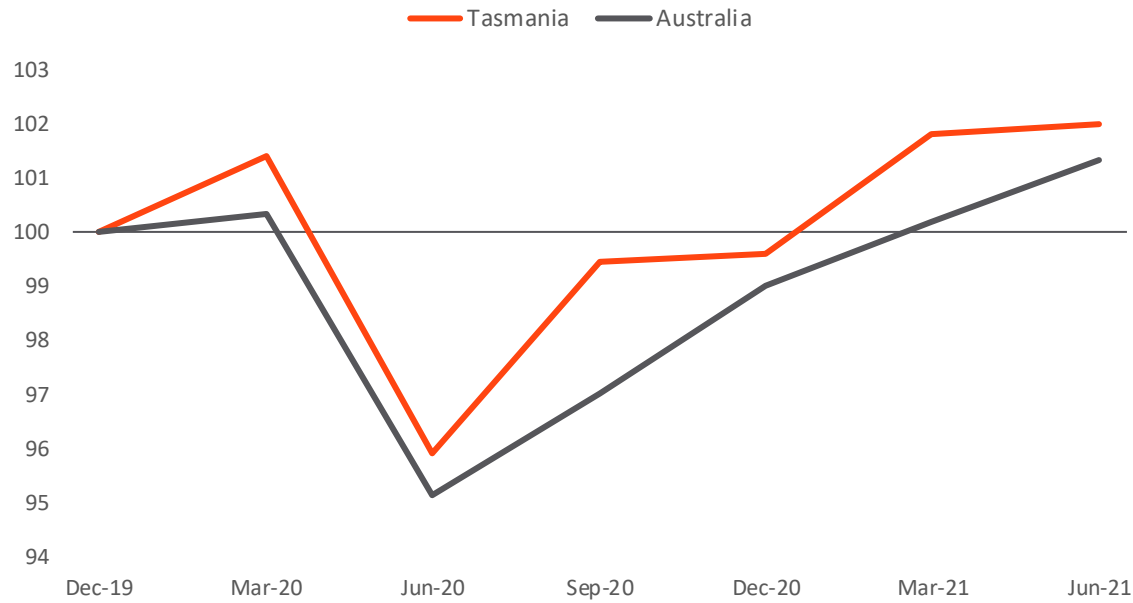
The recovery in jobs has been faster than the Australia average. By Jun-2021, local jobs were 2.0% above the pre-covid level (Dec-2019). This growth was relatively higher than Australia as a whole, where local jobs were 1.3% above the pre-covid level.

GRP fell sharply in 2020. By Jun-2020, GRP was down 7.3% compared to Dec-2019. This fall was larger than the Australia average fall (-6.7%).

The GRP recovery has been faster than the Australia average. By Jun-2021, GRP was 4.5% above the pre-covid level (Dec-2019), significantly higher than the Australia average (1.7% above the pre-covid level).

Local job index

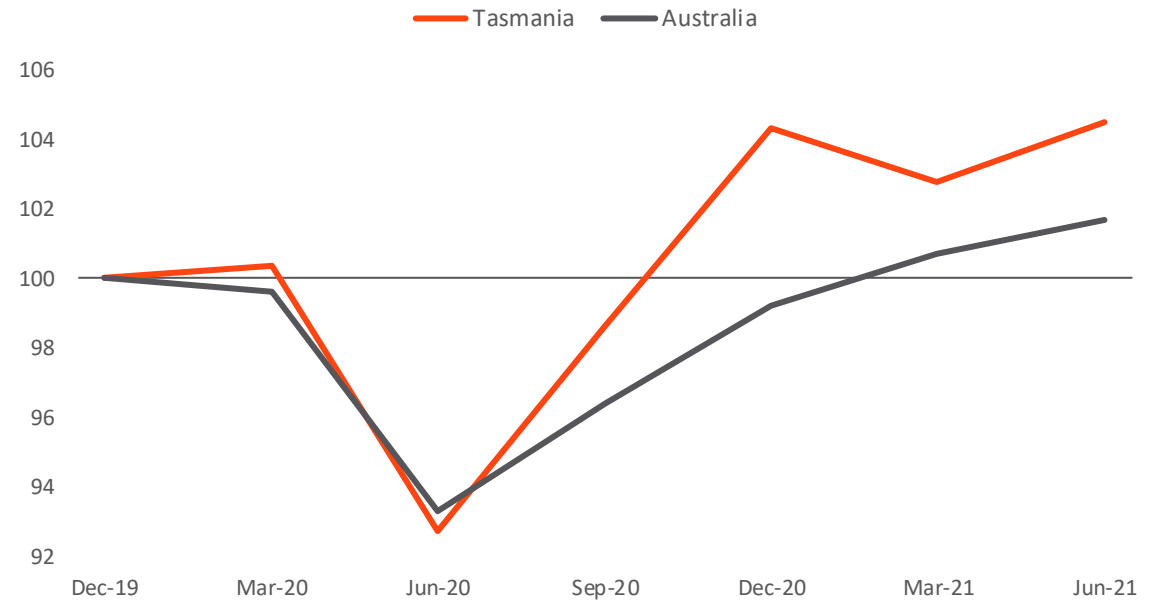
Index December 2019 = 100



Source: NIEIR, 2022

GRP index

Index December 2019 = 100



Source: NIEIR, 2022

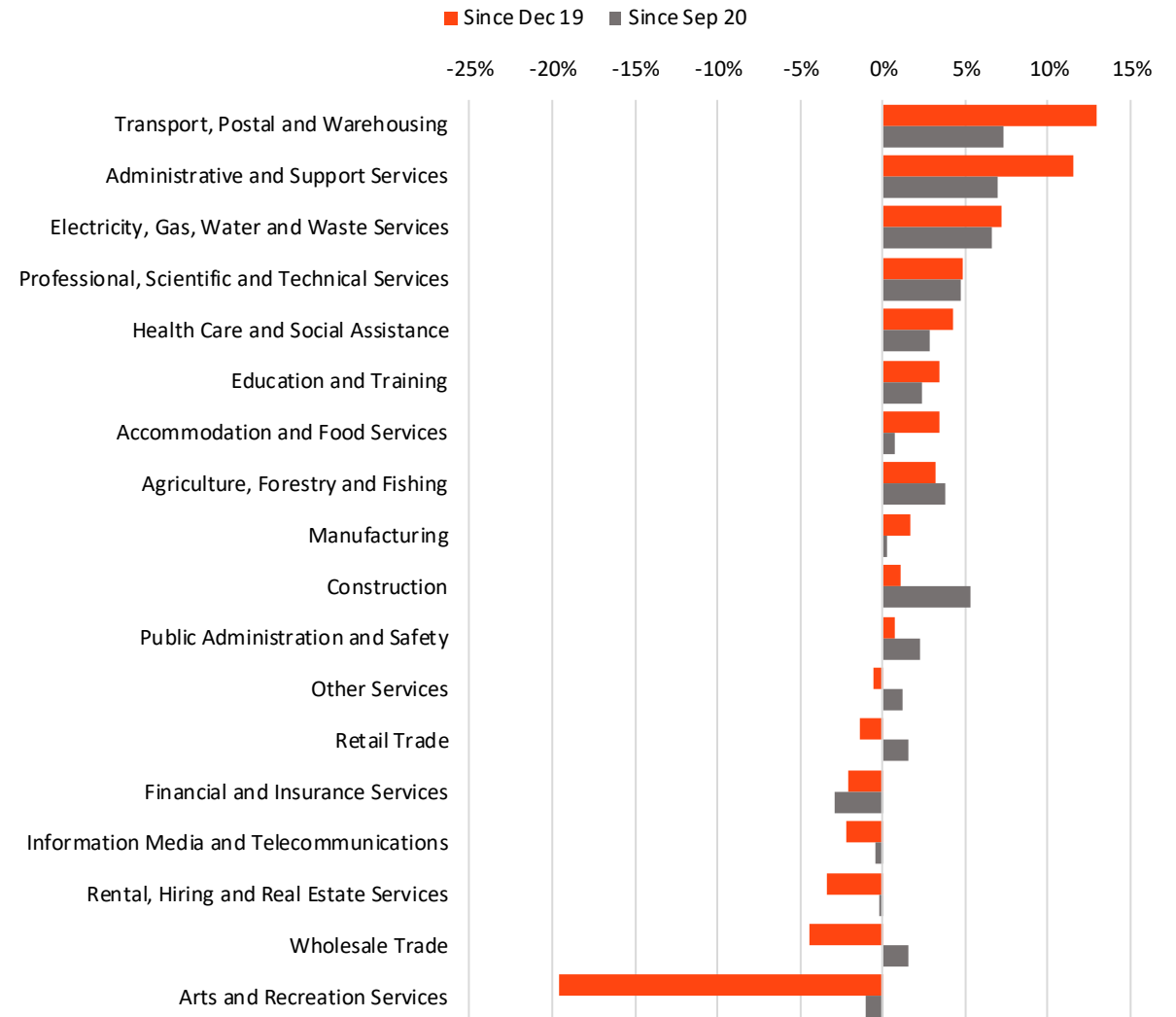
Industry recovery remains uneven and many industries were still below the pre COVID-19 level as at June 2021.

Still to recover

- Arts and Recreation Services -20%
- Wholesale Trade -4%
- Rental, Hiring and Real Estate Services -3%
- Information Media and Telecommunications -2%
- Financial and Insurance Services -2%
- Retail Trade -1%
- Other Services -1%

Local jobs % change to June Qtr 2021 by industry

Tasmania



Source: NIEIR, 2022

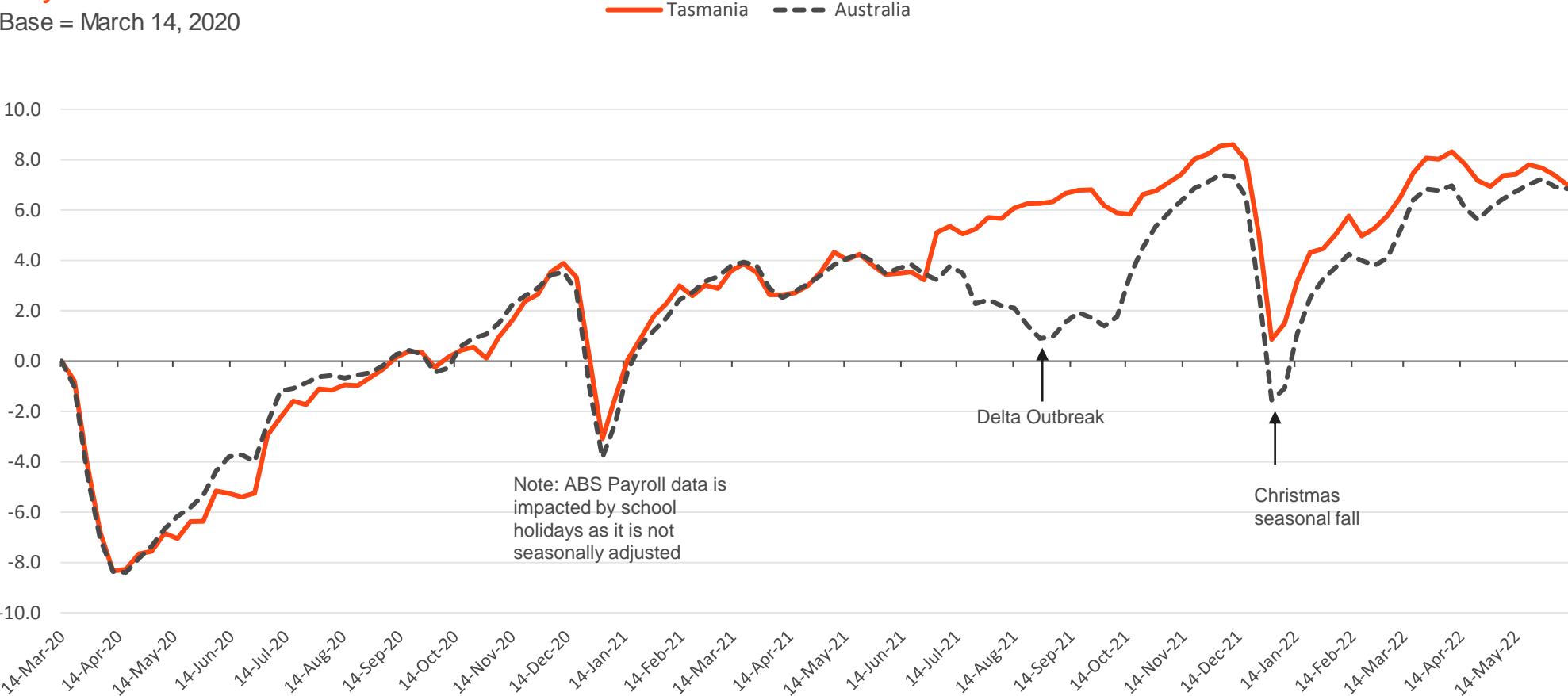
The recovery in payroll jobs has been similar to the Australia average. The payroll jobs in Tasmania was unaffected by the Delta variant outbreak but the growth slowed during the first half of 2022.

Payroll jobs decreased immediately following the outbreak of COVID-19. By April 2020, payroll jobs in Tasmania had fallen by -8.3%. The initial impact on payroll jobs was similar to the Australia average (-8.4%).

By 11th June 2022, payroll jobs were around 7.0% above the pre COVID-19 levels, similar to the Australia average payroll jobs (6.8% above pre COVID-19 levels).

Payroll Jobs

Base = March 14, 2020



Source: ABS Weekly Payroll and Wages

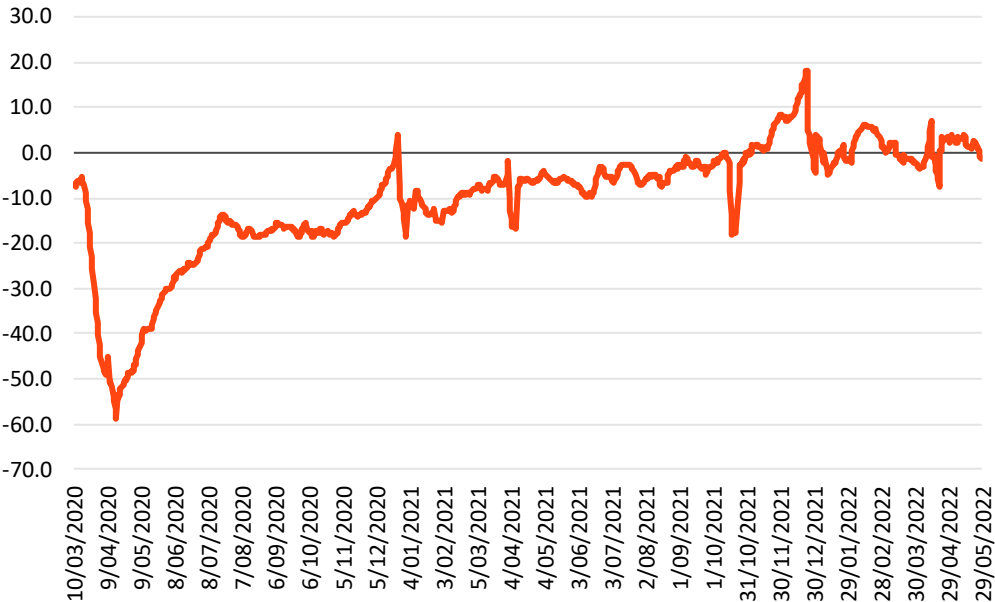
Google mobility data shows that retail and workplace trips have recovered

Retail and recreation trips fell significantly in March and April 2020 with trips falling by around 50%. However, trips recovered strongly, returning back to pre-covid levels around September 2020. Retail and Recreation trips then remained slightly below the baseline through the rest of 2020 and 2021 then a sharp decline in October 2021 due to the lockdown in Tasmania's southern region.

Workplace trips also fell sharply in March and April 2020. Workplace trips then trended back towards pre-covid levels through to April and May 2020. Since then, the workplace trips have remained around the baseline level apart from the holiday periods.

Retail and Recreation Trips - Tasmania

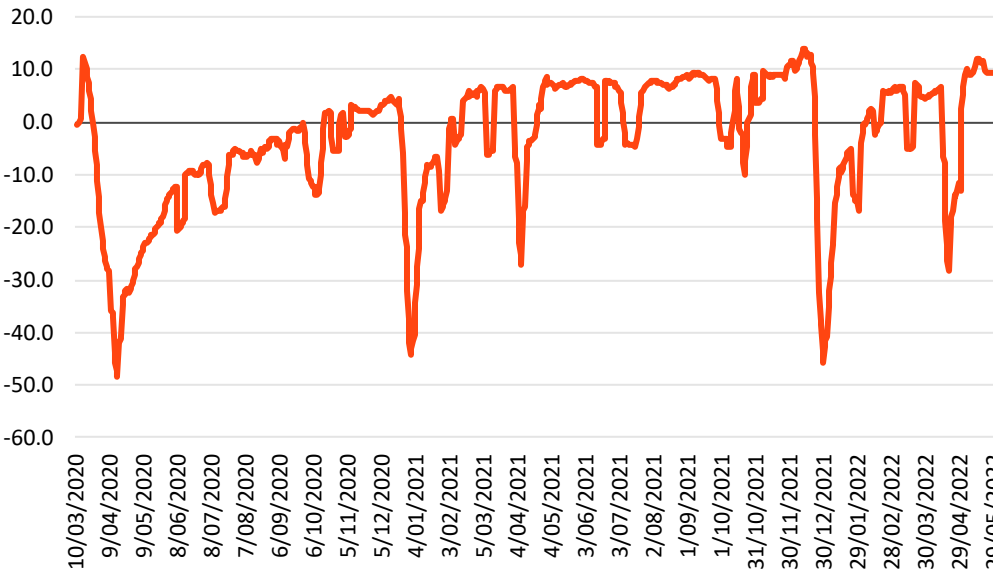
% compared to Jan-20 baseline



Source: Google Community Mobility Report

Workplace Trips - Tasmania

% compared to Jan-20 baseline



Source: Google Community Mobility Report

Strong GRP recovery for all sub-regions. Jobs recovery was slow in North West Tasmania

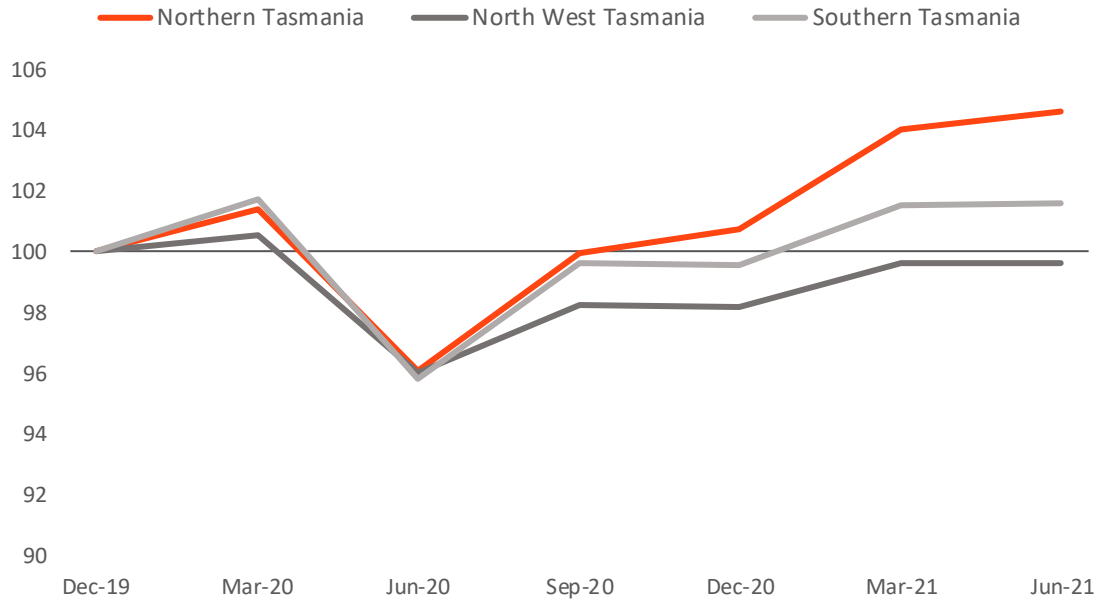
Local jobs in all three regions decreased following the outbreak of COVID-19. In Jun-20, local jobs were down by around 4% compared to Dec-19 for all three sub-regions.

The recovery in jobs were strong in Northern and Southern Tasmania where jobs in both sub-regions were above the pre-covid level (Dec-2019) by Jun-21. However, local jobs recovery in North West Tasmania was slow and remained below the pre-covid level in Jun-21.

Despite the sharper fall than local jobs, GRP rebounded strongly in all three sub-regions of Tasmania, bouncing above the pre-covid level in Dec-20. By Jun-21, GRP was 6% higher than the pre-covid level in Northern and North West Tasmania (driven by mining and agricultural value increase) and 3% higher in Southern Tasmania

Local jobs index - Sub regions

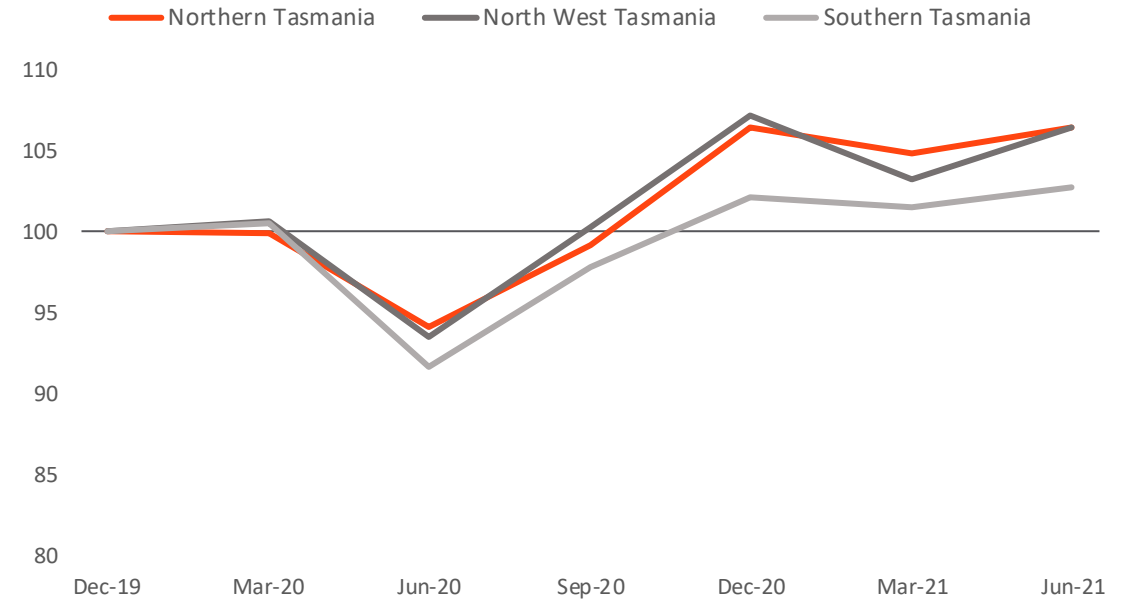
Index December 2019 = 100



Source: NIEIR, 2022

GRP index - Sub regions

Index December 2019 = 100



Source: NIEIR, 2022

Industry jobs recovery patterns vary across the sub-regions and many industries are still well below the pre-covid level

However, many industries are still well below the pre-covid level by the June quarter of 2021. The sub-regions had a different recovery pattern for each industry. This is because the regions have a different industry mix, and differ in how the macroeconomic drivers affect each region.

A strong increase in health jobs in Southern Tasmania was driven by the opening of Royal Hobart Hospital and an increase in Social Assistance service jobs. Building Cleaning, Pest control and Other Support services (part of Administrative and Support Services), Road Transport and Postal and Courier Pick-up and Delivery Services (part of Transport, postal and Warehousing) and Professional, Scientific and Technical Services jobs increased driven by population growth and strong economic condition. Growth in the younger workforce drives job growth in Food and Beverage services. Construction jobs decreased following the completion of major infrastructure projects. The reduced tourism and recreation activities have decreased Arts and Recreation jobs, especially in Sports and Recreation Activities.

Agriculture jobs increased in Northern Tasmania driven by strong production activity. Construction jobs increased driven by strong building activity from projects such as the UTAS redevelopment project in Launceston. The strong agriculture and construction activities helped growth in Road Transport jobs. The strong construction activities, population growth and strong economy helped drive a surge in professional jobs in Launceston (e.g. architecture, accounting, engineering). The increase in education infrastructures and population supported growth in Education and Training jobs.

Jobs in many industries in North West Tasmania are still well below the December Qtr 2019 level. Particularly, Professional Services, Agriculture, Forestry Fishing and Wholesale jobs were well below the pre COVID level by June Qtr 2021. However, jobs in construction and manufacturing (especially food product manufacturing) increased significantly over the same period.

Local jobs change - Dec Qtr 2019 to June Qtr 2021

Jobs change by industry

Industry	Northern Tasmania	North West Tasmania	Southern Tasmania
Agriculture, Forestry and Fishing	894	-300	-118
Mining	-201	66	-20
Manufacturing	4	249	71
Electricity, Gas, Water and Waste Services	145	13	140
Construction	443	741	-954
Wholesale Trade	-341	-177	225
Retail Trade	-254	-127	10
Accommodation and Food Services	254	-116	535
Transport, Postal and Warehousing	733	1	740
Information Media and Telecommunications	-16	82	-146
Financial and Insurance Services	-91	-14	-9
Rental, Hiring and Real Estate Services	115	38	-256
Professional, Scientific and Technical Services	809	-536	453
Administrative and Support Services	117	-113	769
Public Administration and Safety	256	-140	18
Education and Training	697	94	37
Health Care and Social Assistance	-198	25	1,785
Arts and Recreation Services	-217	56	-1,080
Other Services	-29	-35	18

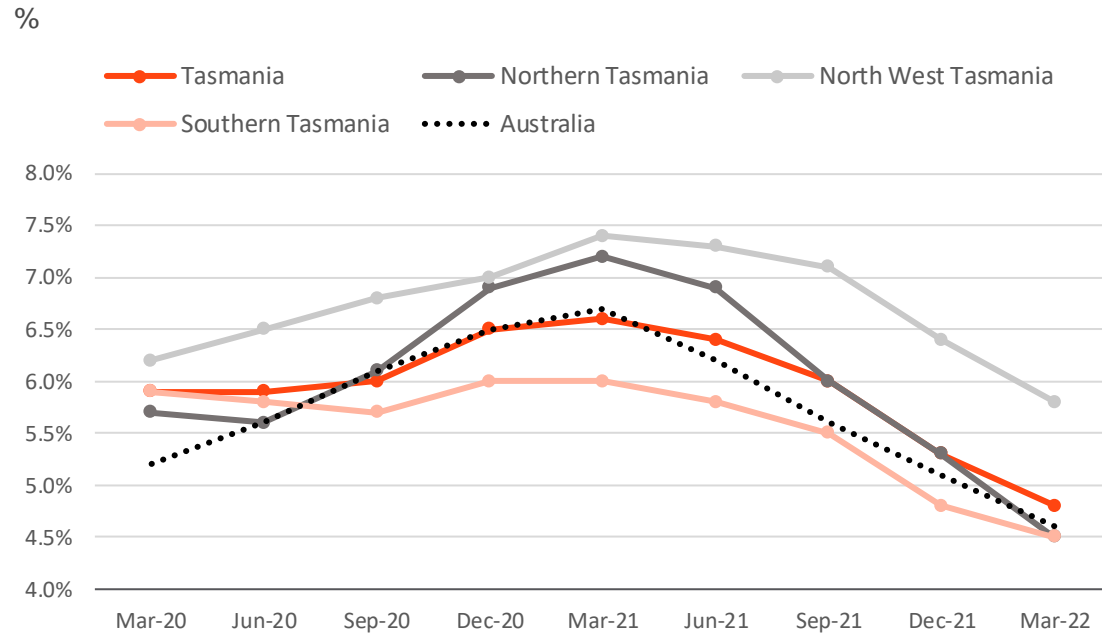
Source: NIEIR, 2022 • Created with Datawrapper

The unemployment rate fell below pre-COVID level. Residents on JobSeeker benefits have decreased significantly since the peak in May 2020.

In March 2021, Tasmania's unemployment rate peaked at 6.6%, similar to the Australian average (6.7%). Subsequently, the rate decreased and fell below the pre COVID-19 level by December 2021. As at March 2022, Tasmania's unemployment is at 4.8%, well below the pre-covid level (5.9%) and around the national average of 4.6%.

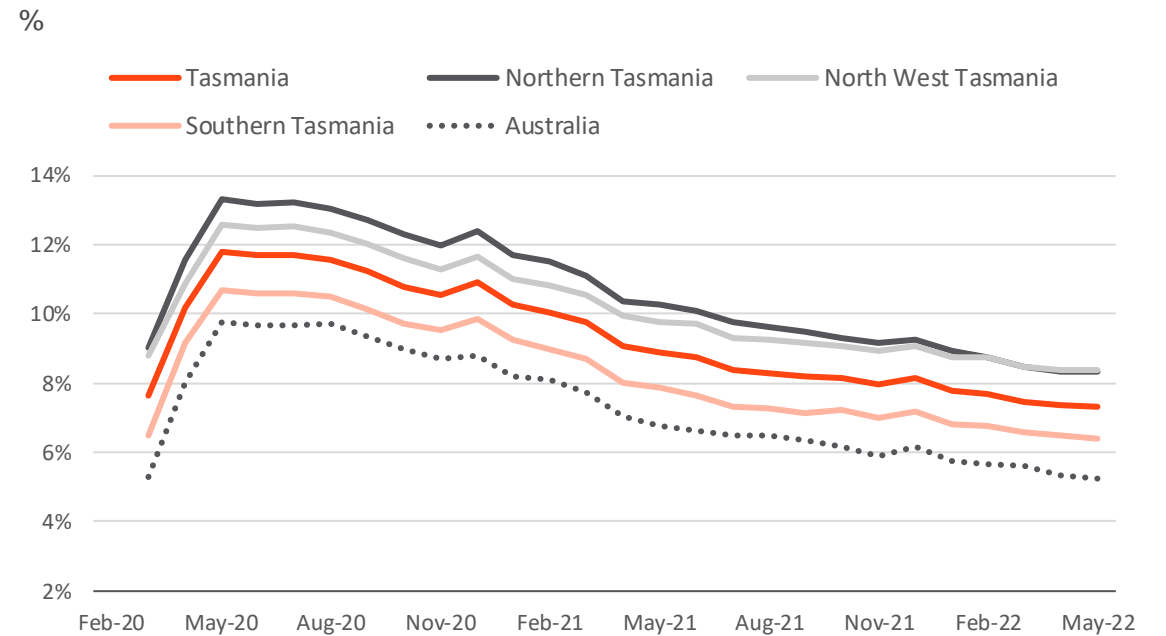
By March 2022, the percentage of 15 to 64 years old Tasmanian residents on JobSeeker had fallen back to 7.5%, marginally below the rate observed in March 2020 (7.6%). Accordingly, the share of residents on JobSeeker payments in all three sub-regions has fallen over the same period.

Unemployment rate - Tasmania



Source: ABS Labour force survey (2022); Department of Employment SALM (2022)

Share of residents on JobSeeker - Tasmania



Source: Department of Social Services - JobSeeker and Youth Allowance recipients

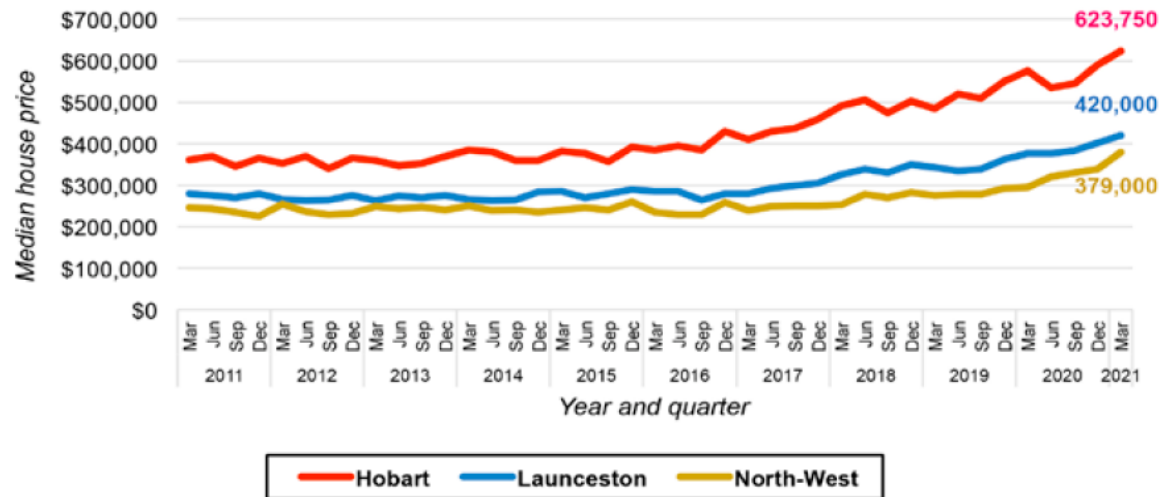
House prices and rents have surged in Tasmania. This may limit the attraction of labour and skills to the region.

All sub-regions in Tasmania experienced a significant increase in house prices over the last five to six years. The price growth accelerated in the second half of 2019, with typical prices for houses reaching the \$800,000 mark and units increasing to an all time high of \$657,000 in 2022.

Rental prices vary depending on the region within Tasmania, where Hobart has the highest median house rent price, almost twice that of Burnie. Median weekly rent prices for houses in Tasmania have been increasing since 2016 and peaked at \$443PW in 2021/22. Although rent prices in Hobart plateaued at around \$550 per week, rent prices in Launceston and Burnie continue to increase.

Median house prices, Hobart, Launceston and North-West

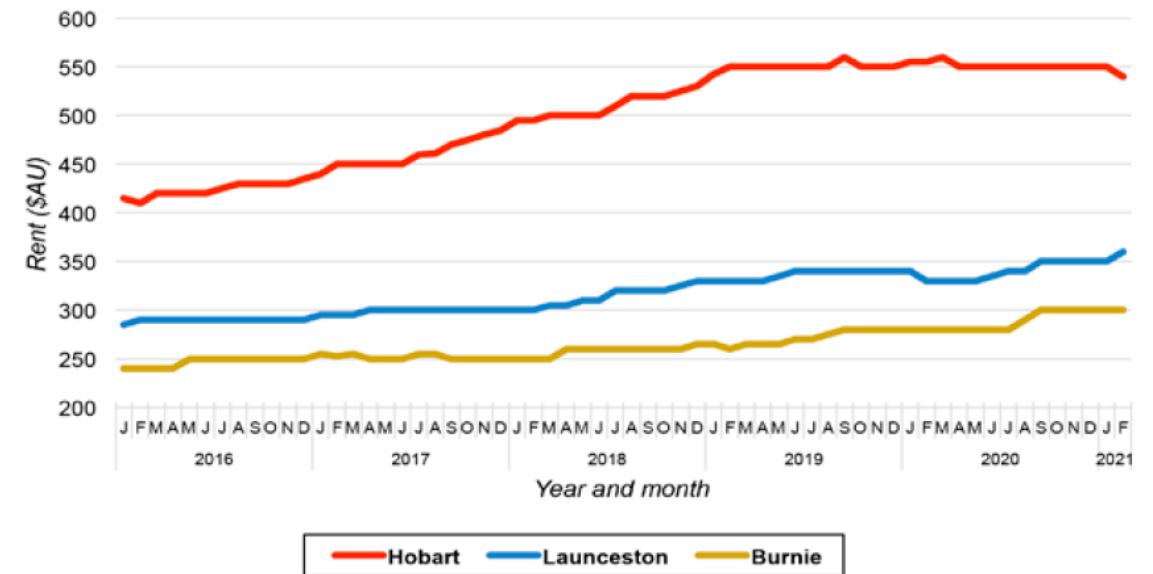
March 2011 to March 2021



Source: University of Tasmania, The Tasmanian Housing Market:update 2020-21, 2021

Median house rent prices, Hobart, Launceston and North-West

January 2016 to February 2021



Source: University of Tasmania, The Tasmanian Housing Market:update 2020-21, 2021

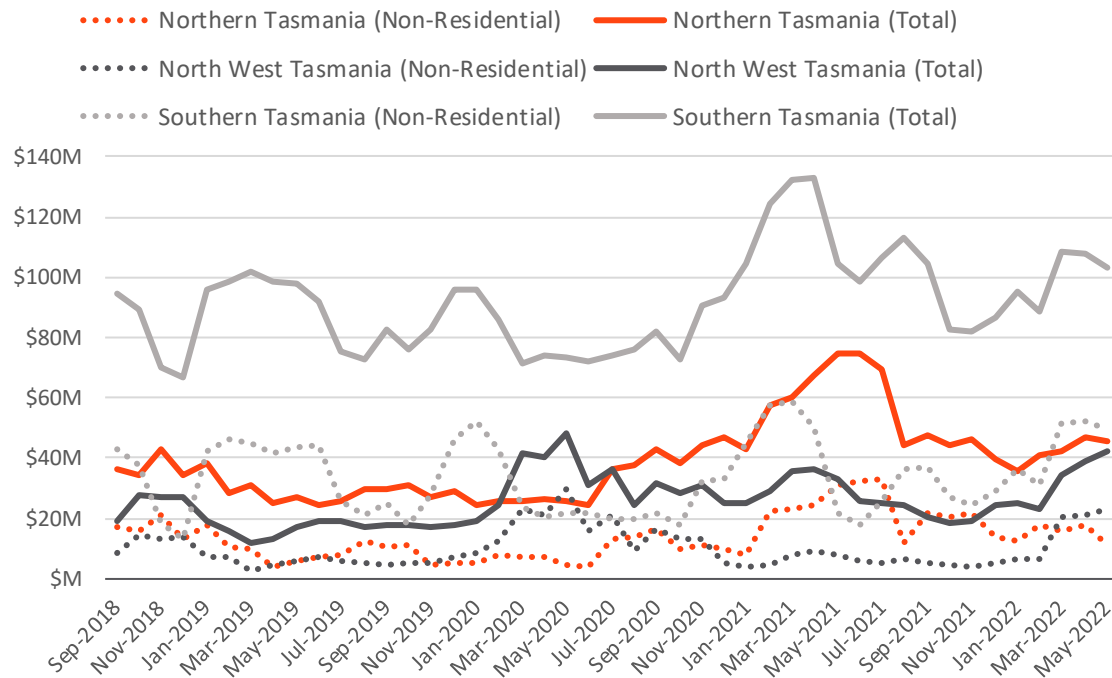
Strong building approvals driven by residential and population service buildings

Residential and non-residential building approvals remained robust throughout the pandemic period, driving construction sector activity.

Non-Residential building approvals activity since the covid-19 outbreak was driven by population service buildings, such as education, health, retail and wholesale buildings, and entertainment and recreation buildings. The new buildings are expected to generate both construction and ongoing employment.

Monthly Value of Building Approvals - Sub regions

\$M, 3 months rolling average



Source: ABS Building Approvals, 2022

Non-Residential Building Approvals Value - March 2020 to May 2022

\$M

building	Northern Tasmania	North West Tasmania	Southern Tasmania
Education buildings	190	89	153
Health buildings	19	53	140
Retail and wholesale trade buildings	33	17	135
Entertainment and recreation buildings	12	27	112
Warehouses	41	24	82
Offices	35	8	102
Other non-residential n.e.c.	19	11	70
Short term accommodation buildings	13	46	31
Factories and other secondary production buildings	31	13	15
Agricultural and aquacultural buildings	19	8	9
Transport buildings	7	1	16
Other industrial buildings n.e.c.	8	1	7
Aged care facilities	1	7	7
Commercial buildings n.e.c.	6	4	3
Religion buildings	1	4	1

Source: ABS Building Approvals, 2022 • Created with Datawrapper

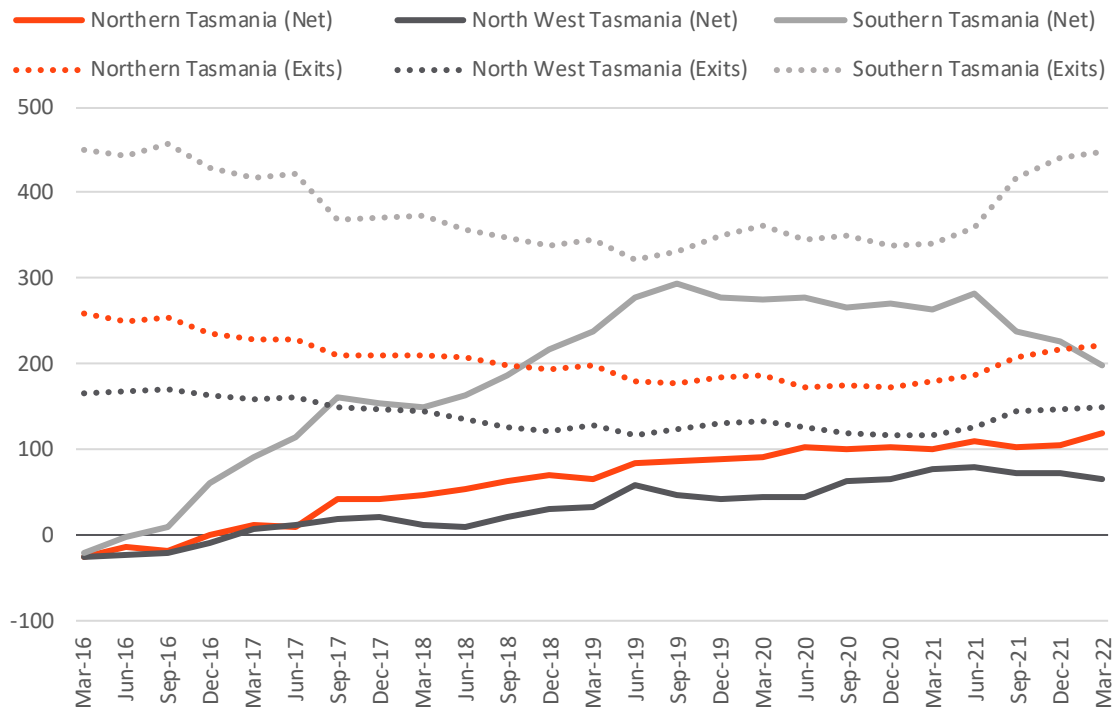
Robust business activity through COVID-19 but the business exits are increasing from the second half of 2021

Prior to COVID-19, there was a strong uptrend in net new businesses in Tasmania. The net new businesses started to decrease following the outbreak of COVID-19, especially in Southern Tasmania. Moreover, the decrease in net new businesses accelerated from the second half of 2021 driven by an increase in businesses closing down.

Since the outbreak of COVID-19, the increase in new businesses in all three sub-regions of Tasmania is overwhelmingly driven by the Construction industry. Businesses in service sectors, such as Administrative and Support Services, Professional and business services also increased over the same period.

Net new GST registered businesses - Sub regions

4 Quarter Rolling Average



Source: Australian Business Register, 2022

Net change in GST registered businesses - March 2020 to March 2022

Industry	Northern Tasmania	North West Tasmania	Southern Tasmania
Construction	239	131	512
Administrative and Support Services	77	63	173
Professional, Scientific and Technical Services	76	41	195
Other Services	83	41	143
Transport, Postal and Warehousing	65	36	132
Health Care and Social Assistance	74	59	97
Retail Trade	34	12	104
Accommodation and Food Services	15	26	89
Rental, Hiring and Real Estate Services	41	35	48
Manufacturing	29	22	71
Education and Training	25	12	67
Arts and Recreation Services	25	6	50
Financial and Insurance Services	22	12	36
Agriculture, Forestry and Fishing	20	28	16
Information Media and Telecommunications	11	6	25
Wholesale Trade	13	7	18
Electricity, Gas, Water and Waste Services	2	0	8
Public Administration and Safety	0	-1	9
Mining	-1	1	-4

Source: Source: ABR Business Register, 2022 • Created with Datawrapper

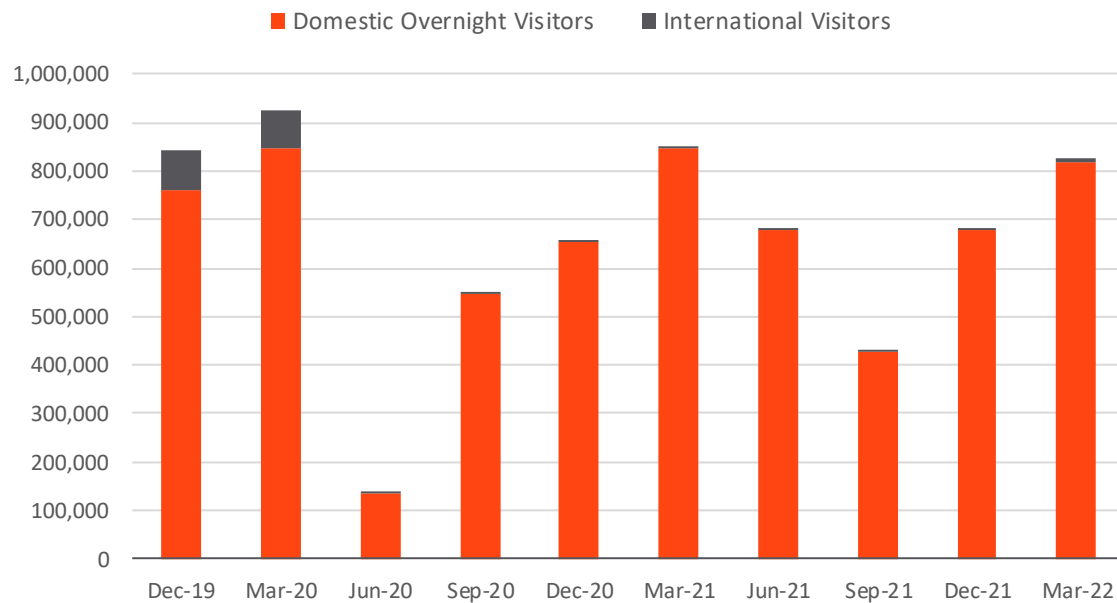
Tourism visitation rebounded strongly in 2020 but the recovery was interrupted by the Delta variant outbreak

Tourism visitation dropped significantly in June 2020 following the outbreak of COVID-19. The visitation recovered through the second half of 2020 and the March quarter of 2021. However, the Delta variant outbreak in June 2021 saw a significant drop in tourism visitation in June and September quarters 2021. The visitation resumed recovery in the December Quarter of 2021.

The domestic overnight and international visitation in sub-regions exhibited a similar pattern to Tasmania as a whole. The visitation in the sub-regions started recovery from September Quarter 2020 but dropped from June to September quarters of 2021. The visitation resumed recovery from December 2021.

Visitation by type - Tasmania

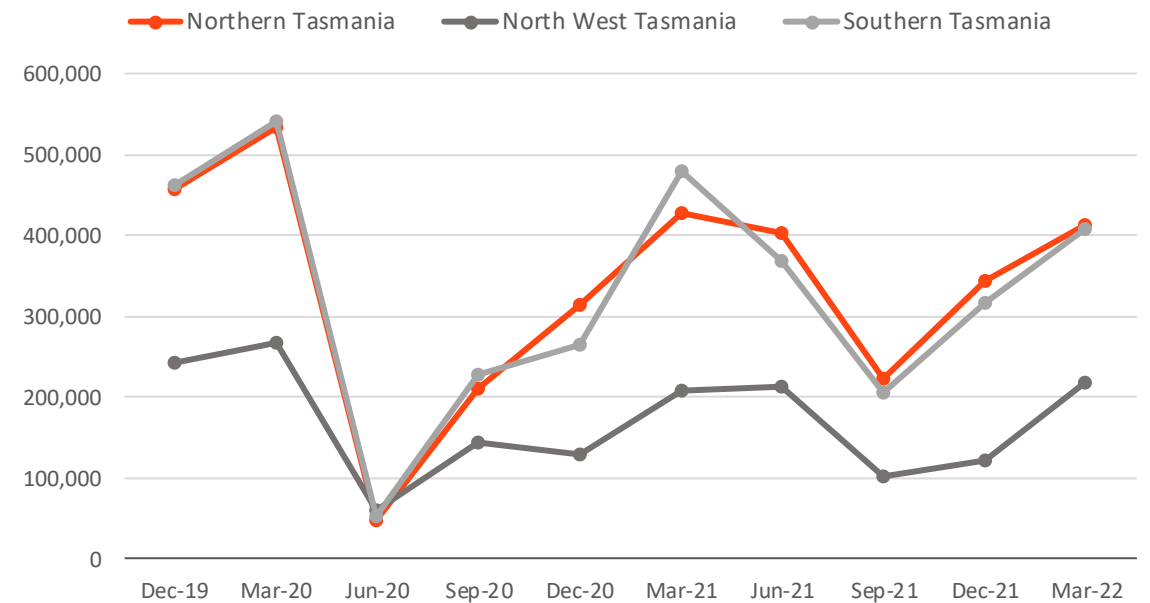
Estimated number of visitors



Source: Tourism Research Australia, 2022

Domestic Overnight and International Visitors by sub-region

Estimated number of visitors



Source: Tourism Research Australia, 2022

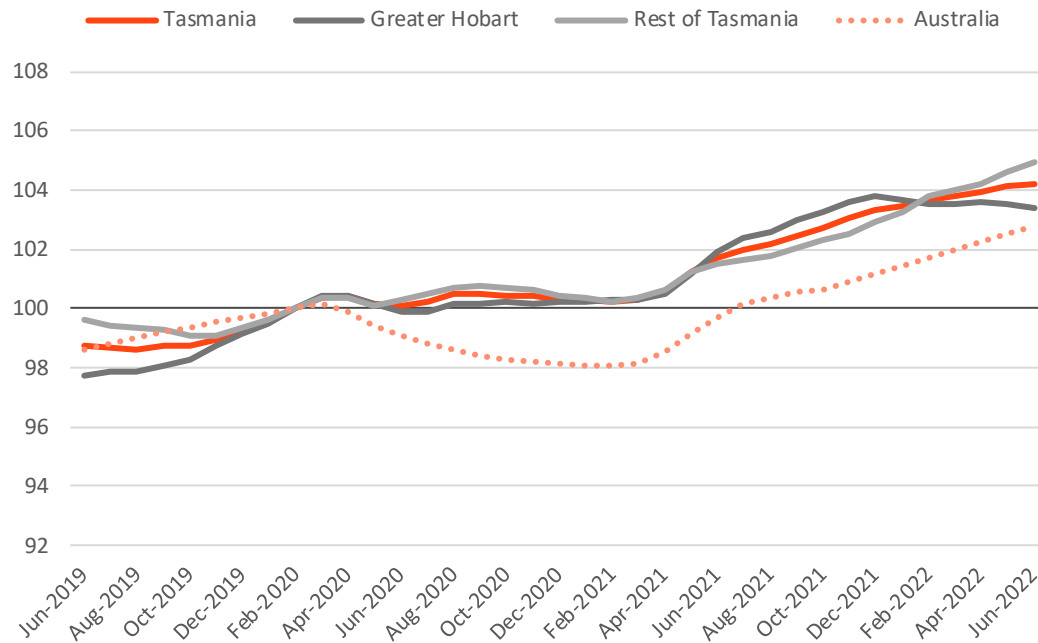
Recent labour force survey indicates employment in Greater Hobart is trending down while Rest of Tasmania continues to grow.

In 2020, the growth in total number of employed persons in Greater Hobart started to decrease according to the latest ABS Labour Force Survey information. In contrast, the total number of employed persons in the Rest of Tasmania continues to grow in line with the national average growth.

North West Tasmania sub region experienced a significant upswing in employed persons from the second half of 2021. After a stagnant growth from August 2020 to April 2021, the employment level in Northern Tasmania started to grow strongly in May 2021. However, the employment level in Southern Tasmania started trending down from January 2022.

Employment index

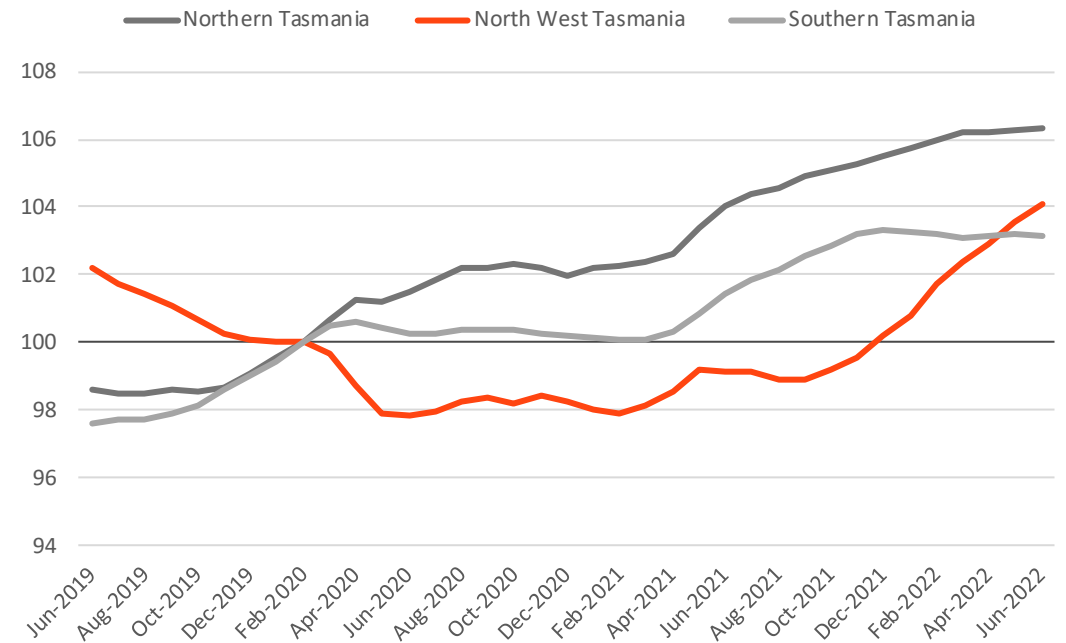
Index February 2020 = 100, 12 months rolling average



Source: ABS Labour Force Survey, 2022

Employment index - Sub regions

Index February 2020 = 100, 12 months rolling average



Source: ABS Labour Force Survey, 2022

What macro forces may influence outlook?

Macro economy

Before the COVID-19 crisis, there were indications that Australia and the Global economy was heading towards a more weakened economic environment than what we had experienced over the last decade. Some of these included:

- Ongoing US-China trade wars impacting world economic growth.
- The potential for higher interest rates in the US to address excess liquidity created by quantitative easing and likely changes in US fiscal policy at some point to address rising government deficits.
- The likelihood of higher US interest rates triggering an outflow of funds from emerging markets leading to potential exchange rate/banking crises in these countries
- A credit squeeze on local banks leading to constrained lending growth and in turn, lower residential development commencements going forward. However, this had been offset recently by changes to monetary policy.
- Excess supply in the housing market leading to slower price growth and a weaker market over the next five years before the cycle flips again.
- A reverse wealth effect, where declining (or weaker growth in) house values lead to increases in the household savings ratio and less consumption. However, there were signs that housing conditions in Sydney and Melbourne had stabilised with clearance rates starting to turn around (more potential buyers vs sellers).
- Lower AUD exchange rate vs major currencies due to connection to emerging markets and changing interest rate levels between Australia and other economies, particularly the US. This may have counterbalanced weakened international demand due to trade uncertainty.

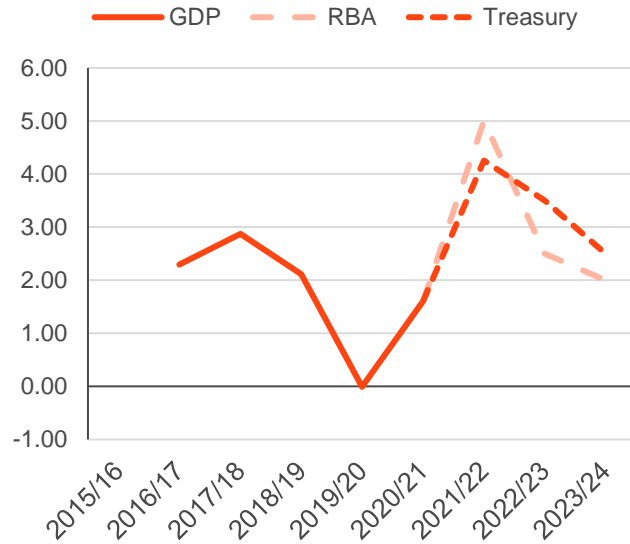
However, since the COVID impacts saw the economy bottom out in the June quarter 2020, government spending and incentives have boosted the national economy and reversed some of these indicators..

- Housing approvals are at an all time high boosting construction employment, but causing supply constraints and skill shortages
- Private investment in machinery and equipment increased strongly in 2021 due to policies such as instant asset write-offs. However, private non-residential building investment did not increase by as much and may face cost pressures due to residential building demands. There are early signs in 2022 that interest is returning to the commercial and industrial market.
- House values have risen considerably, however household saving ratios have not fallen as much due to future uncertainty.
- The AUD exchange rate vs major currencies rose in 2020-21 due to strong international demand for commodities, the perception of a stronger domestic economy relative to other countries and higher interest rate levels between Australia and other economies. In 2022, the exchange rate has fallen a little as the US economy rebounded and investors build in expectations of overseas cash rate rises.
- Unemployment has fallen and is supposedly far below pre-COVID levels as excess capacity is taken up by growth in the construction industry in particular. This has driven participation back in the labour force too. However, the rate is artificially impacted by constrained labour force growth (due to restricted immigration) and much reduced hours for many workers.

Moving into 2022, business and consumer confidence has rebounded from the Omicron driven fall in the Xmas/New Year holiday period. However, inflation driven strongly by rising fuel prices and global uncertainty due to Russia's invasion of Ukraine is a real threat to sustained recovery.

National economic outlook is strong but risks remain. Metropolitan areas expected to benefit from a return to stronger population growth in 2022/23.

Australian Real GDP



Source: ABS, Budget 2022-23, RBA

- Major stimulus has set up a strong growth outlook (\$343b in health and economic support).
- Omicron has been disruptive but unlikely to have sustained impact on growth.
- Consumption is expected to be supported by strong income growth and household wealth.
- Imports to weigh on growth (especially tourism)
- Inflation and higher interest rates will increase the cost of living costs and lower business profitability.
- Considerable uncertainty with international conditions – e.g. inflation and Russia’s invasion of Ukraine.

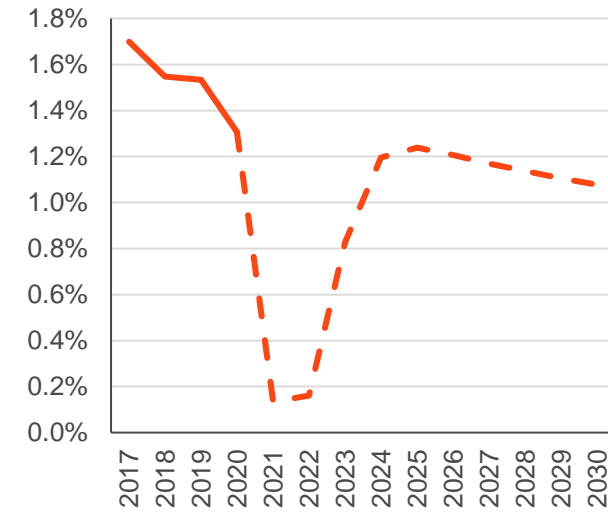
Australian Unemployment Rate



Source: ABS, Budget 2022-23

- Continued recovery expected to see unemployment rate fall to very low levels.
- Labour underutilisation expected to fall to lowest level in many years (i.e. labour demand fulfilled by increased hours worked)
- As a result, wage growth expected to pick up and will support additional consumption spending.
- The RBA has assumed the inflation to be around 3.0% by the end of the forecast period.

Australian Population Growth



Source: id forecasts (SAFi)

- Population growth is forecast to grow by around 0.2% in 2021/22, 0.8% in 2022/23 and then increase to around 1.2%.
- The government are expected net overseas migration to reach 41,000 persons in 2021/22 before increasing to 235,000 persons in 2024-25 and 2025-26.

Strong recovery, but the economy is slowing down

Strong rebound post-covid but the economic activity started to fall

Economic Activity by State

% Change from previous quarter, Seasonally Adjusted

State	Last Qtr Change (Dec 21 - Mar 22)	Change since pre-covid (Dec 19)
NSW	1.2	4.9
VIC	2.4	5.4
QLD	0.8	7.5
SA	0.8	7.4
WA	2.2	9.3
TAS	-0.6	7.3
NT	2.2	13.4
ACT	1.7	7.5

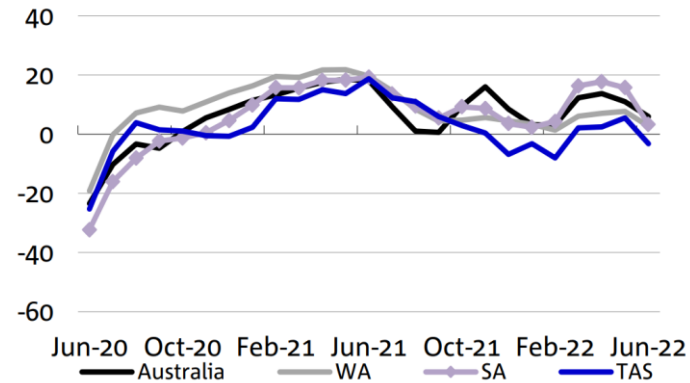
Source: ABS National Accounts, March 2022

Source: ABS, Budget 2022-23, RBA

- 0.5% fall in Tasmania household consumption in the March Quarter 2022. This fall was driven by spending on food, clothing, utility and health.
- 6.6% decrease in business investment (Machinery, equipment, cultivated biological resources, IP)
- 5.7% fall in residential construction.

Business sentiment turns pessimistic

Tasmania Business confidence – Quarterly

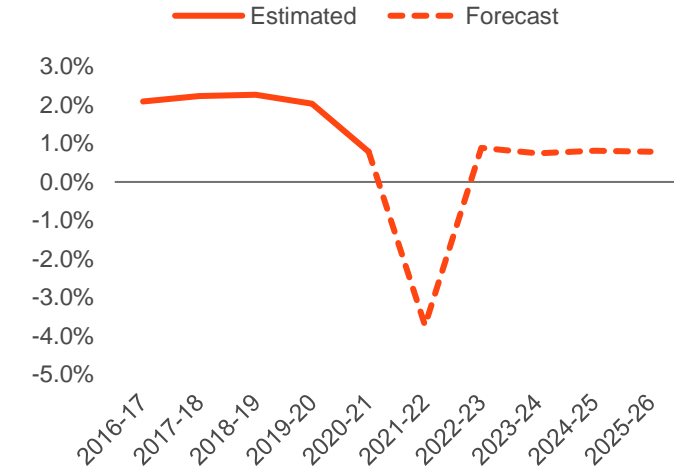


Source: NAB

- Business confidence declined in the June 2022, back into the pessimistic territory.
- Business conditions is well below the Australia average in June.
- Inflation has weighed on consumption in the first half of 2022 and could further impact the second half of 2022.

Population growth returns to +1% in 2022-23

Tasmania population forecast



Source: Centre for Population, 2021

- Tasmania population forecast to fall by 3.7% in 2021/22, 0.9% in 2022-23 and then 0.7%~0.8% p.a. from 2023/24.
- Net Overseas Migration forecast to reach +1,300 in 2024/25. but Net Interstate Migration to drop to -1,700 in 2023/24.

Existing and unfolding trends

History shows that the recovery period following economic downturns can accelerate the transition of industries or magnify trends that were already occurring in the economy. Some trends that may impact the Tasmania economy include:



Remote work

A McKinsey report showed that most professional business services work, up to 3/4 for financial services, could be done from anywhere without loss of productivity.



5G, smart everything and IoT

Smart capabilities beyond home settings have been limited to date. With 5G, many companies in manufacturing, mining, construction, transport and agriculture will get a reliable alternative that enables the communication critical for mobile tools, machines, and robots.



Rebalanced supply chains

Cost differences among developed and many developing countries are narrowing due to tech advances. The importance of local supply to offset disruptions, freight costs and improve national security increasingly important.



Automation and AI

About half of the activities (not jobs) carried out by workers could be automated, but only about 5 percent of occupations could be fully automated by currently demonstrated technologies



Circular economy

A 'circular economy' has been identified as a major (up to \$4.5 trillion; WBCSD) commercial opportunity.



E-commerce

Australians are increasingly comfortable shopping online with 5.2 million households shopped online in January 2021, a 44% increase compared to the year before.



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