

There's hope for Tasmania in the post-mining boom era

Written by The Conversation

States like Tasmania have benefited from the end of the mining boom says Christopher Kent, [speaking for the last time as the RBA Chief Economist](#). Lower interest rates have boosted the housing markets, and a lower Australian dollar has made agriculture and services more competitive in these states.

But the news isn't all rosy. Deloitte Access Economics [projects Tasmania experiencing low-but-stable growth](#), buffeted by demographic trends. The state is also struggling with workforce participation, employment growth, labour productivity and educational attainment.

All of this will need to be addressed for Tasmania to realise the full benefit of the end of the mining supercycle.

Tasmania suffered during the mining boom

From early 2000 onwards, the Australian economy split in two. While the resource-rich west and north of Australia did very well during the mining investment boom, it was not really an exciting time for Tasmania. Tasmanian economist Saul Eslake [noted](#) :

Not only did Tasmania not benefit from the mining boom, but it was actually hurt by it

The boom drove inflation, interest and real exchange rates to very high levels. This was not favourable nor profitable for an economy that is highly reliant on competitive industries such as tourism, agriculture, manufacturing, forestry and building.

Tasmania was severely affected as [exports make up around 19% of its Gross State Product \(GSP\)](#). A higher Australian dollar made Tasmanian exports more expensive for others to buy. Higher interest rates made it more costly and harder to invest.

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This also manifested within Australia, as Tasmania must compete with other states in the domestic market, even with the ACT whose exports only make up about 4.6% of its GSP.

During this era, Tasmania posted an average 0.3% and 0.27% annual average decline in [GSP](#) and [employment growth](#) respectively.

Some sectors are booming now

Though NSW and Victoria are leading the way, Tasmania is doing well since investment in the mining industry [peaked a few years ago](#) .

Lower interest rates and [fuel prices](#) are breathing new life into the Tasmanian economy. Tasmania is leading the nation in both [retail spending growth](#) and [housing finance growth](#) . The latter, growing around 10.3% year on year, is a leading indicator for real estate activity and housing construction.

Tasmania's exports are also doing particularly well and tourism is a major driver of the growth in services exports. Tasmania recently topped the tourism growth league table, with international [visitor numbers growing 19%](#) year on year, boosted mainly by Chinese visitors. It looks like China is now impacting the Australian economy through tourism as well as mining.

The [Tourism Investment Monitor 2016 report](#) shows a 47% increase in Tasmania's tourism investment last year, while the nation as a whole grew just 12%. In Tasmania, an unsurprising 66% of tourism investment was allocated for arts, recreation and business investment.

The way forward

But despite this growth in tourism and retail, Tasmania is still falling short in economic growth when compared to other states. It is at or near the bottom of national ranks on a [number of different metrics](#)

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- workforce participation, employment growth, labour productivity and educational attainment.

Further, as [Deloitte highlighted](#), Tasmania is facing a demographic problem. The state government does [have a target](#) to grow the population to 600,000, but birth rates are low and immigration isn't picking up the slack. Tasmania's population is growing slowly.

Tasmania's low population growth, coupled with its high ageing population, could significantly affect the labour force participation rate. The working age population as a percentage of total population is declining over time. There will soon be fewer workers and consumers, leading to lower investment and demand for retail and consumer goods and services. The ageing population will also raise the costs of health care and pensions, further affecting the state budget.

Australia's near term growth prospects, if focused on securing stronger growth in non-mining sectors, is definitely welcome news for Tasmania. Tasmania should take advantage of the Asia-Pacific region's increasingly dynamic environment to boost its production and innovative capacity.

But for Tasmania to have a credible continuing growth path it needs to have a realistic assessment of its own growth prospect. Tasmania needs to focus on long-term growth drivers such as population, participation and productivity. The declining labour participation rate needs to be supported through enhanced labour productivity or population growth. If not, it could lead to more anaemic growth.

Mala Raghavan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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