

## **GROSS STATE & GROSS REGIONAL PRODUCTS**

Global factors can be considered as general factors underlying property investment and can be used to answer the initial question of which state or region to invest in. Useful historical information at state and regional (also local government) levels are available from the Australian Bureau of Statistics (ABS). ABS also has available “local snapshots” that summarizes the relevant information concerning a region or local government area. ABS allows a great deal of free data on its website:

[www.abs.gov.au](http://www.abs.gov.au)

Relevant data is usually available from local council particularly if they have a section encouraging local development or available from a regional library.

### **GROSS STATE PRODUCT AND GROSS REGIONAL PRODUCT**

Gross State Product (GSP) is defined as the total value of goods and services produced within a state during a specified period, regardless of ownership. GSP differs from Gross National Product (GNP) in excluding inter-country income transfers, in effect attributing to a territory the product generated within it rather than the incomes received in it.

Gross Regional Product (GRP) is the same as GSP but at a regional or local government level. GSP and GRP are a useful statistics relating to state and regional economic performance. The following example shows the use of GSP in deciding which state to invest in.

### **EXAMPLE – WHICH STATE TO INVEST IN?**

#### **GROSS STATE PRODUCT (GSP)**

The GSP for each state is available from the ABS:

	<b>GROSS STATE PRODUCT, Current prices VALUE S (\$m)</b>				
	<b>2004–05</b>	<b>2003–04</b>	<b>2002–03</b>	<b>2001–02</b>	<b>2000–01</b>
Australia (GDP)	891 524	838 251	782 798	735 783	689 340
Australian Capital Territory Northern	18 306	17 309	16 091	14 707	13 819

Territory	10 418	9 381	9 042	8 653	8 661	
Tasmania	16 114	14 794		13 502		11 619
Western						
Australia	100 900	92 339		85 470		74 906
South						
Australia	59 819	56 737		53 635		47 388
Queensland	158 506	144 701		132 432		112 294
Victoria	222 022	212 243		197 266		173 441
New South						
Wales	305 437	290 746		275 358		247 208

Source: ABS National Accounts 522.0

The above data shows an annual compound growth over the last 5 years of about:

Australia (GDP)	5.28
Australian Capital Territory	5.78
Northern Territory	3.76
Tasmania	6.76
Western Australia	6.14
South Australia	4.77
Queensland	7.14
Victoria	5.05

New South Wales	4.32
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Based on GSP, the greatest economic growth has been in Queensland and Tasmania. NSW although with the greatest GSP (ie in absolute terms) has the lowest rate of growth. Therefore, for a property investor using GSP as the statistic of investment, the best two states for appreciation in value (capital gains) are Queensland and Tasmania.

## POPULATION

Another important statistic that should be used to complement GSP is population growth. *Prima facie*, an investment in a state with rapidly increasing population will produce higher appreciation (capital gains) in the future compared to a state with lower rates of population growth.

ABS also provides state population data. From this data the following demographic factors emerge:

- During the year ended December 2003 the Australian population grew by 1.3%. Excluding Other Territories, all states and territories had positive growth rates, the highest being for Queensland (2.3%) and the lowest for the Australian Capital Territory (0.1%).

#### ESTIMATED RESIDENT POPULATION AND GROWTH RATES(a)

Population at end of December Quarter

	2002 no.	2003 no.	Change over previous year	
			no.	%
New South Wales	6,662,212	6,716,277	54,065	0.8
Victoria	4,884,952	4,947,985	63,033	1.3
Queensland	3,754,154	3,840,111	85,957	2.3
South Australia	1,522,475	1,531,375	8,900	0.6
Western Australia	1,936,902	1,969,046	32,144	1.7
Tasmania	474,305	479,958	5,653	1.2
Northern Territory	198,075	198,700	625	0.3
Australian Capital Territory	322,164	322,579	415	0.1
Other Territories(b)	2,657	2,646	-11	-0.4
Australia	19,757,896	20,008,677	250,78	11.3

(a) Data for December 2002 and December 2003 are preliminary and subject to revision.

(b) Comprised of Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

Source ABS 311.1.55

Ranking states according to population growth results in a similar ranking to that obtained using the GSP. However, Western Australia becomes a better investment than Tasmania.

The expected appreciation or capital gains is not the only factor of investors when deciding where to invest. Another important variable is risk to investment.

#### RISK

Another factor affecting the property investor is risk. Risk is expected fluctuations in value and income in the future. This is measured by historical data using standard deviation. Standard deviation of the GSP

using indexed values are as follows:

<b>Australia (GDP)</b>	<b>21</b>
<b>Australian Capital Territory</b>	<b>23</b>
<b>Northern Territory</b>	<b>14</b>
<b>Tasmania</b>	<b>27</b>
<b>Western Australia</b>	<b>25</b>
<b>South Australia</b>	<b>19</b>
<b>Queensland</b>	<b>29</b>
<b>Victoria</b>	<b>20</b>
<b>New South Wales</b>	<b>17</b>

This shows that the states of least risk are the Northern territory, NSW and South Australia.