

ECONOMIC PROFILE

HUNTER

Prepared for the Economic
Development Strategy for
Regional NSW

February 2015



The new state
of business



MESSAGE FROM

THE DEPUTY PREMIER

Since coming to office this Government has put Regional NSW back at the heart of government – driving huge investment in infrastructure and services, as well as focussing on sectors with strong growth potential.

To date, over \$13 billion to support critical infrastructure and improve regional connectivity has been budgeted and 30% of the multi-billion dollar Restart NSW fund is allocated to regional infrastructure.

Our programs and services have helped to generate more than 39,000 new jobs in Regional NSW and almost \$4 billion in private investment.

These economic profiles highlight the many strengths and opportunities in our regions. We also recognise Regional NSW challenges and have a plan to address them.

The new Economic Development Strategy for Regional NSW sets out clear goals and a comprehensive action plan to achieve them.

If we are going to keep being successful in attracting more people, more businesses and more investment to the regions, the availability of world-class infrastructure and services is a given.

We now have a once-in-a-generation opportunity to tackle that challenge.

The Rebuilding NSW initiative proposes the long term leasing of 49% of the State's electricity distribution and transmission businesses. This initiative is expected to generate a further \$6 billion of investment for Regional NSW infrastructure.

I am confident it is the next essential step in our work to ensure a strong and prosperous future for Regional NSW.



TROY GRANT

DEPUTY PREMIER

MINISTER FOR TRADE & INVESTMENT

MINISTER FOR REGIONAL
INFRASTRUCTURE & SERVICES

MINISTER FOR TOURISM & MAJOR EVENTS

MINISTER FOR HOSPITALITY,
GAMING & RACING

MINISTER FOR THE ARTS

Regional NSW is the **largest** and most diverse **regional** **economy** in Australia.

It is home to about **2.9 million** people, representing **41%** of **NSW's population.**



Hunter headline economic indicators

Indicator	Hunter				Regional NSW			
	2006	2011	2013	% change	2006	2011	2013	% change
GRP (\$m)	24,576	36,965	38,462	6.6**	99,172	130,740	137,687	4.8**
GRP/capita (\$)	44,548	61,145	-	6.5*	36,490	44,588	-	4.1*
GRP / FTE employee (\$)	114,935	156,687	-	6.4*	101,369	130,705	-	5.2*
Population	551,679	604,550	-	1.8*	2,717,774	2,932,200	-	1.5*
Dependency ratio (%)	54.3	53.7	-	-0.7 pp	58.9	59.1	-	0.2 pp
Employment (persons) Census	234,982	261,583	-	11.3	1,123,142	1,202,450	-	7.1
Employment (persons) LFS	-	-	297,155	-	-	-	1,343,411	-
Employment (FTE)	213,829	235,919	-	10.3	978,327	1,000,271	-	2.2
Local jobs	208,963	231,004	-	10.5	954,884	994,524	-	4.2
Residents (%) who commute out for work	-	6.1	-	-	-	-	-	-
Unemployment rate (%) Census	6.8	5.4	-	-1.4 pp	7.0	6.2	-	-0.8 pp
Unemployment rate (%) LFS	-	-	5.1	-	-	-	6.2	-
Indigenous unemp. rate (%)	20.0	14.0	-	-6.0 pp	19.9	18.7	-	-1.2 pp
Average hours worked	34.9	36.0	-	1.1 ¹	35.5	36.0	-	0.6 ¹
Tertiary qualifications (% of working age population)	47.8	54.6	-	6.8 pp	46.5	53.7	-	7.2 pp
Housing affordability (%)	29.3	29.0	-	-0.3 pp	32.2	30.9	-	-1.3 pp
Participation rate (%)	-	58.9	-	-	-	56.3	-	-

Data provided by Deloitte Access Economics and NSW Trade & Investment. Data source is ABS Census unless otherwise noted in definitions.

Definitions

GRP:	Gross Regional Product. Source: Deloitte Access Economics
Dependency ratio:	Ratio of population aged <15 or 65+ to the working population aged 15-64
pp:	Percentage points
LFS:	ABS Labour Force Survey is source - not comparable with ABS Census
Employment (FTE):	Full-time equivalent employment. Source: Deloitte Access Economics
Local jobs:	Number of jobs in region, employment by Local Government Area
Residents who commute out for work:	Residents who commute out of the region for employment. Source: Bureau of Transport Statistics (BTS) Journey to Work data
Unemployment rate:	Proportion of labour force not employed but actively seeking work. Source: ABS Census or ABS Labour Force Survey
Housing affordability:	Mortgage repayment as % income
Participation rate:	Proportion of population (aged 15+) in the labour force

Notes

- * Compound annual growth rate
- ^ Change refers to period 2006-2013
- ¹ Increase/decrease in number of hours

Regional NSW



790,355 km²
(98.7%) of NSW's total land mass

- Central Coast
- Central West and Orana
- Far West
- Hunter**
- Illawarra
- Murray-Murrumbidgee
- New England-North West
- North Coast
- South East and Tablelands

- Metropolitan Sydney
- ACT

Metropolitan Sydney and ACT not included within Regional NSW

The regions are aligned with the Department of Planning and Environment's draft growth and infrastructure planning regions.



- GRP share by region**
- 8%** Central Coast
 - 12%** Central West and Orana
 - 2%** Far West
 - 28%** **Hunter**
 - 12%** Illawarra
 - 10%** Murray-Murrumbidgee
 - 6%** New England-North West
 - 15%** North Coast
 - 7%** South East and Tablelands



- Population share by region**
- 11%** Central Coast
 - 9%** Central West and Orana
 - 2%** Far West
 - 21%** **Hunter**
 - 13%** Illawarra
 - 9%** Murray-Murrumbidgee
 - 6%** New England-North West
 - 20%** North Coast
 - 9%** South East and Tablelands

Source: Economic profiling and strategy analysis for regional economic development in NSW, Deloitte Access Economics (August 2014)

In 2013, Gross Regional Product (GRP) for Regional NSW was \$138 billion - 29% of NSW's total output - having grown by an average 4.8% each year since 2006.

Capitalising on its rich natural resources, the agriculture and mining sectors are significant drivers of regional growth. But the value of Regional NSW goes beyond its primary industries - its traditional sectors of regional advantage. Increasingly integrated and evolving global markets provide new opportunities to leverage both existing and emerging competitive advantages.

Regional NSW is underpinned by strong manufacturing, visitor economy, energy, and service sectors. Continual industry diversification has seen the knowledge economy, such as Financial and Insurance Services and Professional, Scientific and Technical Services, increase its share of employment and output. Education and human services also play an important role in the ongoing prosperity of Regional NSW.

About a third of the NSW manufacturing sector (Australia's largest) is based in Regional NSW, making this sector the single largest contributor to GRP.

In 2012-13, the minerals sector generated over \$12.5 billion in goods, services, wages, and local government payments and paid around \$1.3 billion in mining royalties. Coal, NSW's largest export product, also powered over 80% of the State's electricity supply.

In 2012-13 Regional NSW, a key contributor to the State's \$33 billion agrifood sector, exported around 60% of its agricultural product - worth around \$3.9 billion.

Domestic and international visitors are drawn to regional tourist destinations showcasing the State's world-class national parks, pristine coastlines, unique outback and quality food and wine. The regional tourism industry is worth about \$12.9 billion to the economy.

NSW agriculture is set to gain from the 'dining boom' - driven by demand from Asia - and tourism is also forecast to be a growth driver for the State. The mining sector will continue to play a significant part in the economy.

The NSW Government's record investment in regional infrastructure not only helps to unlock regional business potential and its ability to compete in the global economy, but also drives construction and allied industries in regional economies.

Major trends that affect Regional NSW include an ageing population, a shift to urban and coastal living, declining national productivity, accelerated global market integration and climate change.

Economic Development Strategy for Regional NSW

To position Regional NSW for long-term growth, the NSW Government has developed the first Economic Development Strategy for Regional NSW. This regional profile accompanies the Strategy.

The Strategy has five goals to drive and enable regional economic growth:

1. Promote key regional sectors and regional competitiveness
2. Drive regional employment and regional business growth
3. Invest in economic infrastructure and connectivity
4. Maximise government efficiency and enhance regional governance
5. Improve information sharing and build the evidence base.

The NSW Government is committed to boosting the regional economy by:

- enabling competition and building capability in the economy
- fostering strategic engagement and partnerships with industry
- implementing innovative and fiscally responsible economic policy.

Hunter overview

The Hunter has the largest economy in Regional NSW. In 2013, it contributed \$38.5 billion to Gross Regional Product (GRP), representing 28% of Regional NSW's total GRP.

The Hunter region is known for its diversity of lifestyles, industries and employment opportunities. It is recognised for its strengths in the minerals and energy, transport and logistics, defence, manufacturing, wine and equine sectors and is a key driver of the State's economy.

It is the largest regional contributor to Gross State Product, has the largest share of the regional population (21%) and, as at last census, accounted for the highest share of employment in Regional NSW (22%). Between 2006 and 2013, the Hunter recorded the State's highest annual compound GRP growth rate (6.6% compared with 5.5% for the whole of NSW).

The region's main urban centre, Greater Newcastle, is home to over 541,950 people and is the nation's seventh largest city. The Port of Newcastle, one of Australia's largest ports, supports the region's thriving resource industry, particularly coal, which is the largest export product in NSW.

The mining sector saw strong GRP growth between 2006 and 2011 (over 15% compound each year), slowing between 2011 and 2013. The services sector also recorded strong gains, particularly Health Care and Social Assistance, Professional, Scientific and Technical Services, Rental, Transport, and Financial and Insurance Services. The visitor economy continues to do well, with tourists to the region spending around \$2 billion every year.

In 2011, the region had a relatively skilled workforce (tertiary education rates of 54.6%), lower unemployment rates (5.4%) and higher workforce participation rates (58.9%) compared to Regional NSW.

The Hunter is well connected to nearby Sydney, the rest of Regional NSW, and other domestic and international markets. It has strong regional transport infrastructure, which includes the Port of Newcastle, Newcastle Airport and other regional aviation facilities in Cessnock, Scone and Maitland.

Hunter profile

22,694 km²

(2.9% of Regional NSW total)

Local Government Areas

Cessnock, Dungog, Lake Macquarie, Maitland, Muswellbrook, Newcastle, Port Stephens, Singleton, Upper Hunter



604,550

(21% of Regional NSW total)

Total population 2011

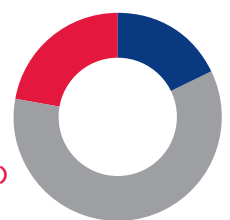
18%
under 15 (133,300)

60%
15-64 (437,900)

22%
65 or older (163,650)

734,950

Total population 2031



Population by age segment may not sum due to rounding in the projections.

The local government areas are based on the draft boundaries for regional growth and infrastructure plans as at September 2014.

Between 2006 and 2013, the Hunter recorded the State's highest annual compound GRP growth rate (6.6% compared with 5.5% for the whole of NSW).

Industry and employment

There were more than 230,000 local jobs in the Hunter region in 2011, representing 23% of the Regional NSW total.

Coinciding with the mining boom, employment in the Hunter region grew at more than twice the rate of Regional NSW between 2006 to 2011 (11% compared with 4%). The highest jobs growth came from the mining sector, even though it is not the region's most significant employer by size. More recently however, employment in the mining sector has come under pressure as global coal prices have softened.

The services sectors – including Health Care and Social Assistance and Retail Trade – collectively employ most people in both the region and the State. The knowledge economy also helps drive employment in smaller service sectors such as Professional, Scientific and Technical Services and Financial and Insurance Services. Together they account for around 9% of jobs.

The manufacturing sector is a major regional employer and key economic driver, with local industry specialising in metals processing, transport, machinery and equipment manufacture, chemical processing and defence. Key defence companies, such as Boeing, BAE Systems, Thales, Lockheed Martin, Northrop Grumman and Raytheon are well established in the region.

The Hunter's accessibility and wide range of activities help to drive its tourism sector. The visitor economy attracts over eight million tourists every year, contributing to strong employment growth in the Accommodation and Food Services, and Retail Trade sectors.

The region has one of Australia's oldest and largest wine producing areas and is home to the niche Hunter equine industry (the second largest thoroughbred

breeding region in the world). Dedicated research and innovation centres such as the Hunter Medical Research Institute (HMRI) and the Newcastle Institute for Energy and Resources (NIER) help drive the region's innovation and diversification.

Unemployment dropped between 2006 and 2011, with relatively low rates recorded among youth and indigenous populations.

Changing demand, recent downturns in commodity prices and a relatively high Australian dollar saw GRP growth in mining decline between 2011 and 2013. Ongoing structural changes saw growth slow in manufacturing during the same period. Growing the region's diverse industries and markets will help the region become more resilient to global changes, easing the impacts of structural adjustment.

Top 5 industries by contribution to GRP in 2013 (compared to Regional NSW)

Hunter	Regional NSW
1. Mining (14.7%)	1. Manufacturing (8.3%)
2. Manufacturing (9.5%)	2. Health Care and Social Assistance (8.1%)
3. Health Care and Social Assistance (6.7%)	3. Mining (7.7%)
4. Construction (6.3%)	4. Construction (6.0%)
5. Public Administration and Safety (4.9%)	5. Education and Training (5.9%)

Top 5 employers by industry in 2011 (compared to Regional NSW)

Hunter	Regional NSW
1. Health Care and Social Assistance (13.7%)	1. Health Care and Social Assistance (14.3%)
2. Retail Trade (11.5%)	2. Retail Trade (12.5%)
3. Manufacturing (10.4%)	3. Education and Training (9.2%)
4. Education and Training (8.1%)	4. Manufacturing (8.7%)
5. Accommodation and Food Services (7.6%)	5. Accommodation and Food Services (8.5%)



Photo credit: Vicki Brown

Drivers and opportunities

Although further structural adjustment is likely, the Hunter economy is expected to continue growing, with output expected to increase by 75% to around \$64.8 billion by 2036.

An economy in transition, the region is well placed to build on its existing economic strengths and capitalise on new and emerging opportunities in both the domestic and Asian markets.

The mining sector and allied industries, such as construction and transport, are expected to remain key drivers for economic growth despite recording a decline in GRP growth between 2011 and 2013, following the mining boom.

In 2014, the long-term lease of the Port of Newcastle provided the NSW Government with \$1.75 billion to fund new economic and social infrastructure (through Restart NSW). In addition to the \$120 million already committed, around \$340 million of proceeds from the long-term lease will be invested in the revitalisation of Newcastle CBD.

A further \$100 million of Restart NSW funds will be used to provide additional Hunter Infrastructure and Investment Fund (HIIF) projects. The potential improvements in the Port of Newcastle's operations (through new management) should also positively impact the region's productivity.

Further opportunities are expected in the knowledge-based service sectors – including expansion in the tertiary education sector (anchored by the University of Newcastle).

The defence sector can also capitalise on opportunities, with the RAAF Base at Williamstown becoming one of two main bases for 72 new F-35 Joint Strike Fighter (JSF) aircraft being purchased by the Commonwealth Government.

Tourism is one sector identified as having potential for international growth. Recent trade agreements with Japan and Korea will help make the region's wine and agriculture industries more competitive in these markets.



Photo credit: Paul Foley

Highlights



Project	Investment
Hunter Expressway Enhanced regional productivity through the delivery of the \$1.7b Hunter Expressway.	\$1.7b
Hunter Infrastructure and Investment Fund (HIIF) Includes \$156m in road upgrade projects, \$25m for a new university campus in Newcastle city and \$11.1m for the expansion of Newcastle Airport.	\$690m
Local Government Infrastructure Renewal Scheme More than \$30m of local government infrastructure projects, including vital road and water infrastructure upgrades.	\$30m
Business Investment Schemes Since 2011 funding of almost \$21 million from the Regional Industries and Investment Fund and State Investment Attraction Scheme, as well as the services provided by NSW Trade & Investment, have helped projects expected to generate \$2.5 billion in private investment and over 2,144 jobs in the Hunter.	\$20.7m in project funding \$2.5b in private investment

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**For more information on doing business in Regional NSW
and the Economic Development Strategy for Regional NSW**

Visit: **www.trade.nsw.gov.au/regional-opportunities**

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**Trade &
Investment**