

# The Hills Shire - Economic Health Check

December 2020



**THE HILLS**  
Sydney's Garden Shire

**.id** the  
population  
experts



### Disclaimer

This report has been prepared for The Hills Shire. .id has taken all due care in the preparation of this report.

However, .id and its associated consultants are not liable to any person or entity for any damage or loss that has occurred, or may occur, in relation to that person or entity taking or not taking action in respect of any representation, statement, opinion or advice referred to herein.

Content in this Report is based on Data from the Australian Bureau of Statistics (ABS), Tourism Research Australia (TRA) and National Institute of Economic and Industry Research (NIEIR) and the Data remains the property of the ABS, TRA and NIEIR. .id accepts no liability with respect to the correctness, accuracy, currency, completeness, relevance or otherwise of this Data.

### Copyright Notice

This Report and all material contained within it is subject to Australian copyright law. Copyright in all such material [excluding ABS Data & other data or information where ownership by a third party is evident] is owned by .ID Consulting Pty Ltd ACN 084 054 473. Other than in accordance with the Copyright Act 1968 or as specifically agreed between .id and the Client, no material from this Report may, in any form or by any means, be reproduced, stored in a retrieval system or transmitted, without prior written permission from .id. Any enquiries regarding the use of this Report should be directed to [info@id.com.au](mailto:info@id.com.au) or 03 9417 2205.

copyright © 2019 .ID Consulting Pty Ltd ACN 084 054 473 All rights reserved.

# Executive Summary

This report provides The Hills Shire economy an analysis of the local economy and covers its current economic position prior to COVID-19, recent trends, drivers of recent change and strategic sectors. This report helps council assess the current state of play in the economy and provides an important step in the development of a long term strategies. This executive summary presents the drivers of growth, challenges to growth and the outlook based on the findings contained in this report. More detailed information is provided in the Economic Profile, 2020.

## Economic conditions

- + Strong increase in local jobs (6.0% p.a.) in the last two years to 2018/19 driven by population growth, public sector investment and private investment in retail buildings.
- + Jobs are growing faster than GRP and is typical of economies driven by population.
- + Strong growth in non-employing and small business sector
- Economic growth tapered off in 2018/19, largely as a result of a fall in construction output associated with the completion of North West Metro.
- While still high, the building approval pipeline continues to fall from the peak in 2017. This may limit job growth in the immediate to short term.
- Productivity growth has fallen due to a fall in construction activity (Metro North West) which has not been offset by job growth in lower valued industries like Retail and Health.

## Industry Performance

- + Strong growth in population servicing sectors: Retail; Healthcare; Tourism and Education
- + White collar jobs growth in Professional Services
- + Construction growth driven by population growth, public sector infrastructure investment (e.g. Metro North West) and investment by retail sector.
- + Developed specialisations in Agriculture, Retail and Construction. Also has developed specialisation in making and selling machinery and equipment goods (manufacturing and wholesaling) with many of these jobs in Medical and Surgical Equipment Manufacturing (includes major manufacturing businesses like ResMed, located at Norwest).

- The performance of the Agriculture Industry weakened in 2018/19 after a period of strong growth. Drought conditions in 2018/19 and a fall in international exports and local sales appear to be the factors influencing recent weak performance. The performance of the Accommodation and Food Services Industry was also weak.
- The fall in manufacturing value added was largely driven by a fall in Machinery and Equipment Manufacturing output and weak productivity growth. It appears growth in imports and a fall in domestic exports have weighed on recent conditions - but further local research (e.g. interviews with key businesses) is required to confirm this. Nevertheless, the growth prospects for the Medical and Surgical Equipment Manufacturing positive due to an ageing population, strong demand from hospitals, and increased government funding to healthcare (IBISWorld).

## Strategic Precincts

- + Jobs are concentrated in Norwest (57% of all jobs).
- + Norwest has a diverse industry profile with jobs across business services, health, retail and industrial related businesses. Office / headquarter location for Retail and Manufacturing sector
- Rouse Hill and Castle Hill have a high share of household service jobs, especially retail and health. This limited diversity may impact the performance of these Precincts.

## Socio-economic

- + The median weekly household income (\$2,358) increased by \$244 over the last intercensal period 2011-2016 and is well above the metro average. This increases the spending pool available to local businesses.
- + Education attainment and skills above metropolitan average. This is important given demand for cognitive based jobs.
- The region has a lower share of overseas born residents, this could represent a loss in potential associated benefits (e.g. overseas migrants have higher propensities to entrepreneurship and innovation)
- Many residents travel beyond their own region for work. There is a mismatch between jobs available locally and the skill profile of residents.

Based on this Economic Health Check, the following issues and actions are suggested for Council consideration:

Issue identified	Suggested action
<b>Building on existing strengths</b>	<ul style="list-style-type: none"> <li>• Prioritise opportunities that support growth and innovation in key industries - Health, Retail, Machinery and Equipment Manufacturing, Education, Professional Services</li> <li>• Targeted Investment Attraction &amp; Infrastructure investment that boosts competitiveness of key industries</li> <li>• Promotion of recent economic success, business attraction, etc</li> <li>• Promotion of Norwest as a major employment hub in Greater Sydney</li> </ul>
<b>Limited industry diversity at Rouse Hill and Castle Hill</b>	<p>Range of opportunities to influence job mix:</p> <ul style="list-style-type: none"> <li>• Investigate TOD opportunities – e.g. public realm, walkability and increased housing and population in proximity to Strategic Precincts</li> <li>• Higher density housing can help attract younger skilled residents and support growth in the night-time economy</li> <li>• Development of a Health Precinct at Rouse Hill, supported by collaborative partnerships (Government, Health, Education, Ancillary Services)</li> <li>• Investment Attraction / Infrastructure investment</li> <li>• Engagement strategy to understand needs of small and home based businesses</li> </ul>
<b>Weak performance of Machinery and Equipment Manufacturing industry over last two years</b>	<ul style="list-style-type: none"> <li>• Investigate local conditions to validate these trends</li> <li>• Interview key businesses understand drivers, enablers and barriers</li> </ul>
<b>Weak performance of Accommodation and Food Services</b>	<ul style="list-style-type: none"> <li>• Interview hotel operators to understand drivers, enablers and barriers</li> <li>• See TOD opportunities above to support growth in hospitality</li> <li>• Investigate opportunities to increase tourism visitation and tourism spend</li> </ul>
<b>Agriculture performance</b>	<ul style="list-style-type: none"> <li>• Possibly not a high priority for intervention given the industry is relatively small (0.8% of total jobs) and doesn't address large outflow of professional workers. But low resource/cost actions could be investigated:</li> <li>• Investigate opportunity for improved industry and institutional partnerships (e.g. Agriculture businesses and WSU University – Hawkesbury)</li> <li>• Review planning and regulatory functions related to agricultural land uses</li> </ul>
<b>Limited growth in higher productivity industries</b>	<ul style="list-style-type: none"> <li>• Target job growth in higher productivity industries (e.g. professional services, advanced manufacturing, hospitals, tertiary education)</li> </ul>
<b>Mismatch between local jobs available and the skill profile of residents</b>	

# Contents page

01

---

How is the economy performing?

02

---

What is driving recent economic conditions?

03

---

Which industries are driving recent growth?

04

---

Which industries are competitive and how is this changing?

05

---

How does the spatial economy operate?

06

---

How does demography and Socio-economics look like?

07

---

What macro forces may influence outlook?

08

---

Appendix

# How is the economy performing?

## The local economy was experiencing rapid growth prior to COVID-19

The Hills Shire generated \$11,808m in GRP and supported an estimated 86,168 jobs in 2018/19. This represents 2.6% of Greater Sydney's economy in terms of GRP (3.0% in terms of local jobs).






The economy in terms of GRP has been expanding over the last 2 year with annual average GRP growth rate of +3.7%. Similarly, the number of local jobs increased at an average of +6.0% per annum during the same period.

Population wise The Hills Shire represents 3.4% of Greater Sydney's total population. Population increased by +2.9% per year between 2017 and 2019, above the Greater Sydney average.

The unemployment rate was 2.7% as at June 2019, relatively lower than Greater Sydney (4.1%). It has decreased by -1.2%\* points in the last 2 years.

Tourism visitation grew by +4.1% per year between 2017 and 2019, well below the Greater Sydney average of 7.7% per year.

## The Hills Shire economy in 2018/19

Indicator	As at 2018/19	2017-2019 avg growth rate p.a. (Greater Sydney)
<b>GRP</b>	<b>\$11,808m</b>	 <b>+3.7%</b> (+3.0%)
<b>Employment</b>	<b>86,168 jobs</b>	 <b>+6.0%</b> (+4.0%)
<b>Population</b>	<b>177,969 residents</b>	 <b>+2.9%</b> (+1.7%)
<b>Unemployment Rate</b>	<b>2.7%</b> (of the resident labour force aged +15)	 <b>-1.2%*</b> (-0.6%) *Percentage points
<b>Tourism Visitors</b>	<b>838,000</b> (3 year rolling average)	 <b>+4.1%</b> (+7.7%)

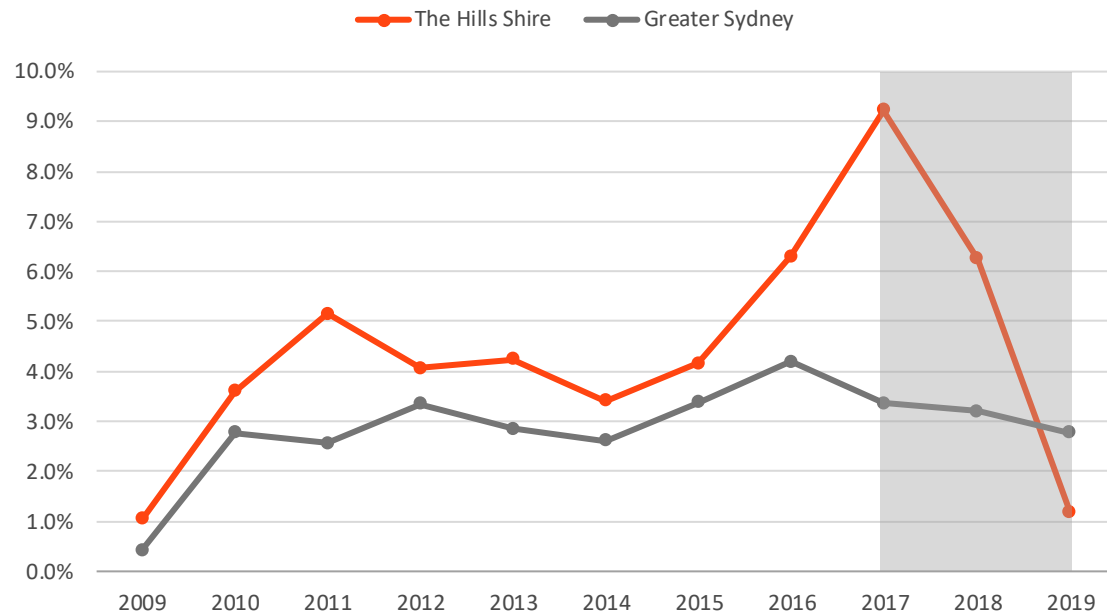
# The Hills Shire has experienced strong growth over the last decade. The construction of Metro North-West Rail Project led to rapid growth between 2016 and 2018.

Over the decade to 2019, The Hills Shire GRP grew at 4.7% per annum, above the Greater Sydney average (3.1% per annum). However, GRP growth over the last 2 years has been lower at 3.7% per year

Compared to Metro LGAs, The Hills Shire GRP growth over the period from 2017 to 2019 (3.7% per annum) has performed above, where the average annual GRP growth rate of surrounding Metro LGAs during the same period was 3.0% per annum.

## Growth in GRP - The Hills Shire

% per annum

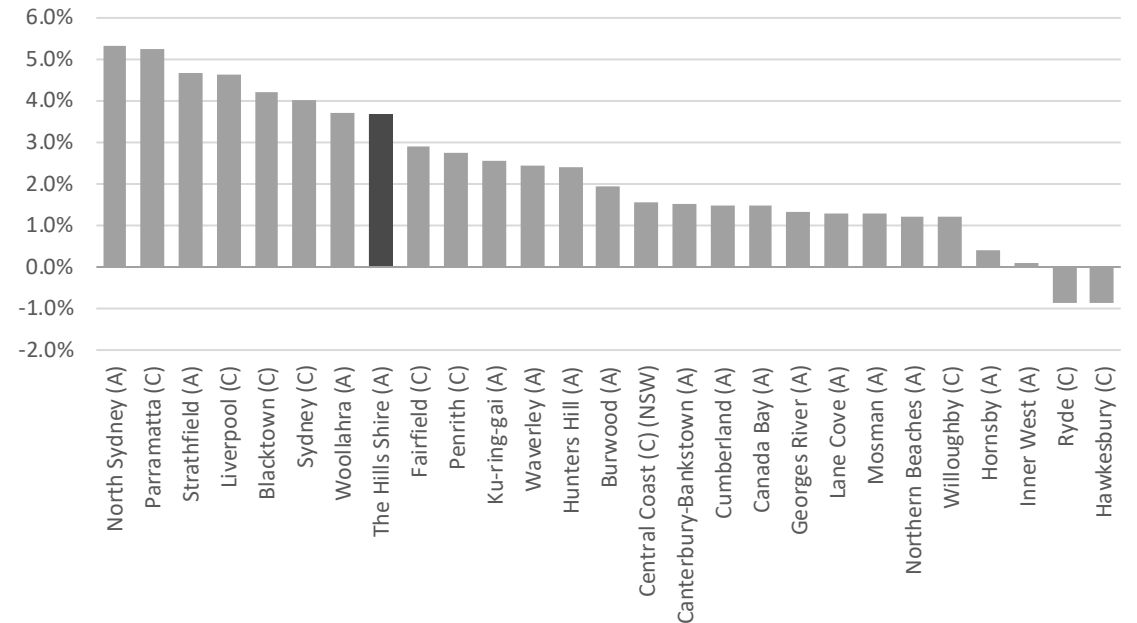


Source: NIEIR (2019)

Softer growth in 2018/19 was largely due to a fall in construction activity with the completion of the Metro North-West Rail Project

## Growth in GRP - Metro LGAs, 2017 to 2019

% average annual growth rate



Source: NIEIR (2019)



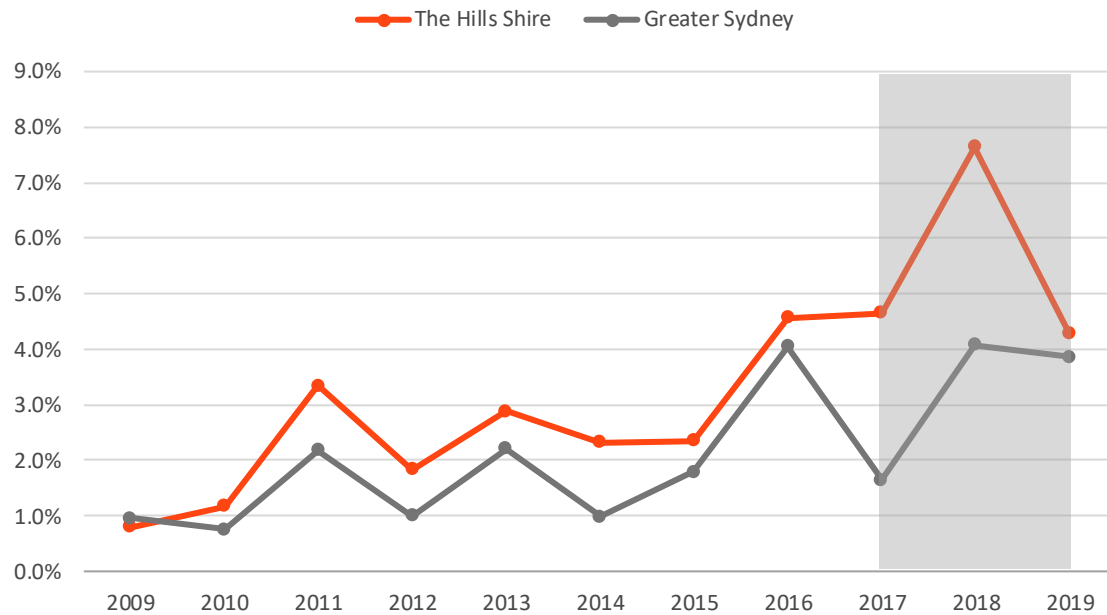
# Economic expansion has supported favourable employment conditions. Jobs have grown well above the historical average.

From 2009 to 2019, The Hills Shire local jobs grew at 3.5% per annum, above the Greater Sydney average (2.2% per annum). In the last 2 years, The Hills Shire local jobs growth has been higher compared to the period from 2009 to 2019. From 2017 to 2019, local jobs has increased by 6.0% per annum.

The The Hills Shire local jobs growth over performed compared to surrounding Metro LGAs, where over the period from 2017 to 2019, the average local jobs growth rate was 3.9% per annum.

## Growth in Local Jobs - The Hills Shire

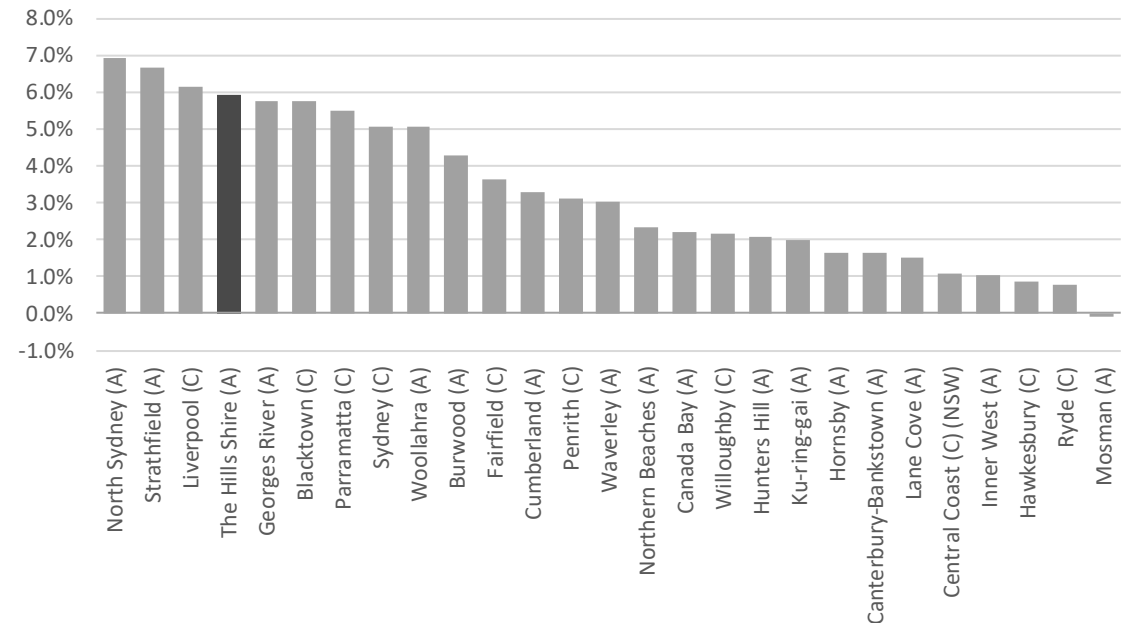
% per annum



Source: NIEIR (2019)

## Growth in local jobs - Metro LGAs, 2017 to 2019

% average annual growth rate



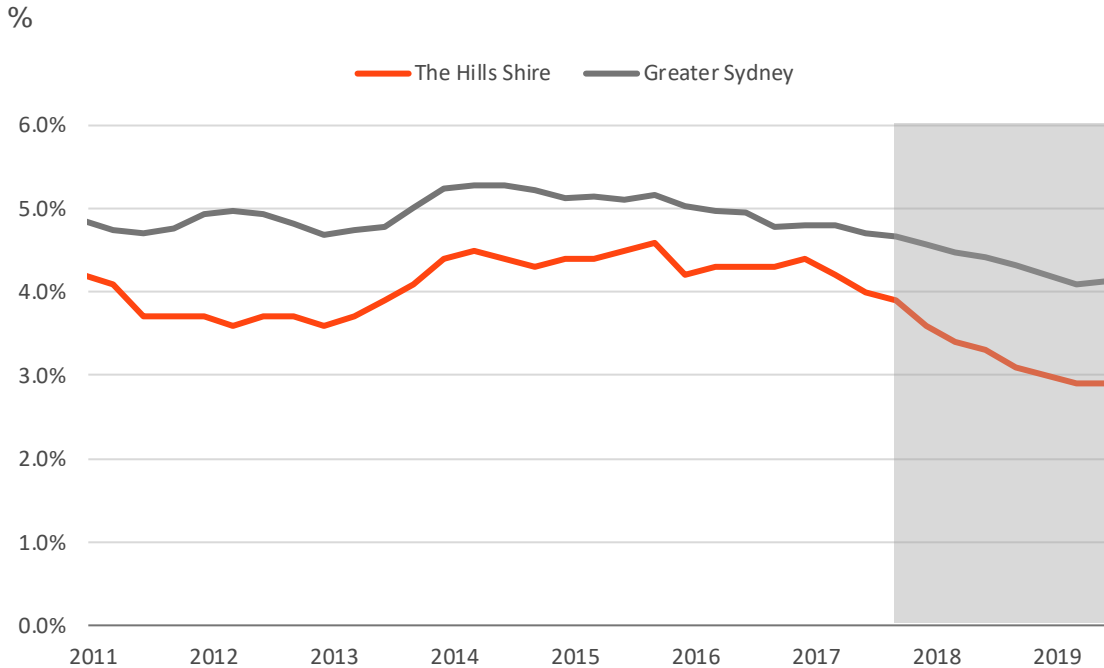
Source: NIEIR (2019)

# Growth in jobs has put downward pressure on unemployment levels.

Over the last eight years\* to June-2019, the unemployment rate in The Hills Shire averaged at 3.9%, below the Greater Sydney average (4.8%). However, recent unemployment rate has been lower. The average unemployment rate over the last 2 years to June-2019 in The Hills Shire decreased to 3.3% (2.9% in June-2019).

Compared to surrounding Metro LGAs, the The Hills Shire average unemployment rate over the last 2 years to June-2019 (3.3%) was below the surrounding Metro LGA average unemployment rate during the same period (4.2%).

## Unemployment rate - The Hills Shire

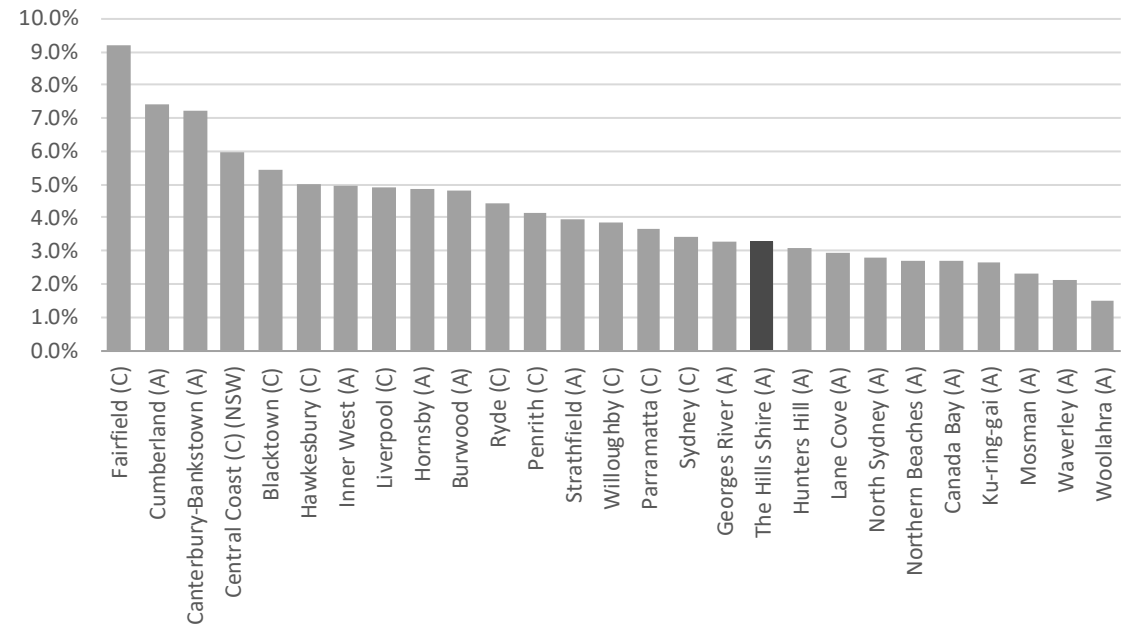


Source: ABS Labour force survey (2019); Department of Employment SALM (2020)

\* The analysis was conducted for the period over last eight years as the Department of Employment Small Area Labour Markets (SALM) information is only available from the December Quarter 2010.

## Average unemployment rate - Metro LGAs

%, from June-2017 to June-2019



Source: ABS Labour force survey (2019); Department of Employment SALM (2020)

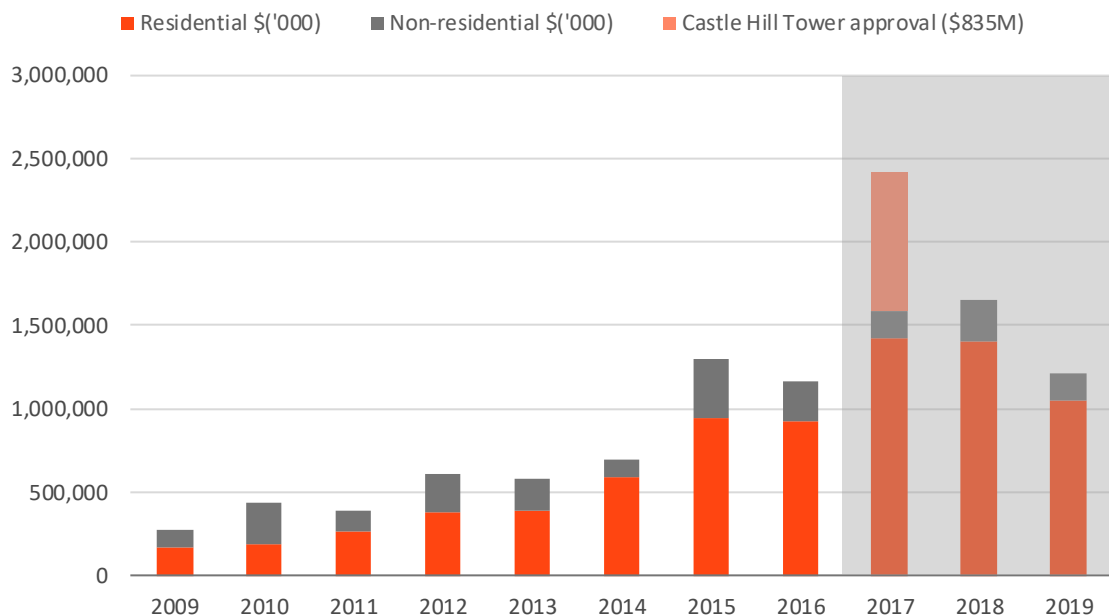
## Recent years has seen strong building approvals, with retail and wholesale trade buildings driving non-residential construction value. However, the approval pipeline continues to fall from the peak in 2017.

Focusing on the last three financial years from 2017-2019 (illustrated by the grey area in the graph below), the average value of non-residential building approvals over the last three financial years (\$470M) has been above the decade long average (\$290M). In this recent period, the total value of residential building approvals (\$3,874M) has outweighed total non-residential building approvals (\$1,409M).

The leading driver of non-residential building approvals value in the last three years has been Retail and wholesale trade buildings, followed by Education buildings and Aged care facilities.

### Building approvals - The Hills Shire

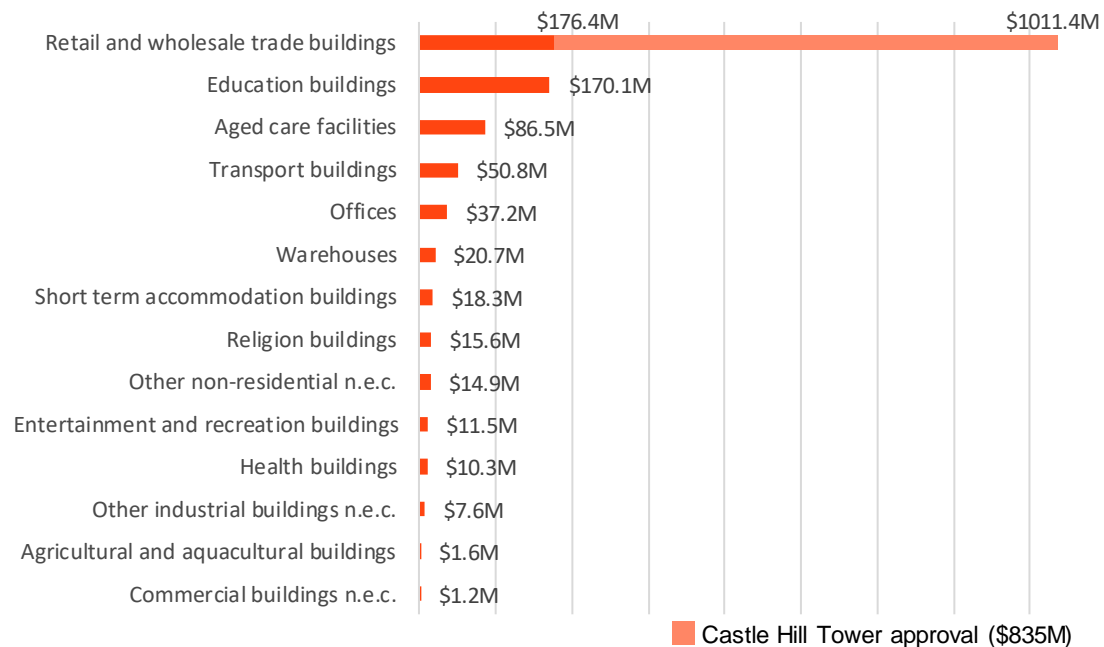
Annual value approved



Source: ABS, 2020, Cat: 8731.0 - Building Approvals, Australia

### Non-residential approvals - The Hills Shire, last 3 years

Annual value approved by type, three years to Jun-2019



Source: ABS, 2020, Cat: 8731.0 - Building Approvals, Australia

# What is driving recent economic conditions?

# Population growth is a constant contributor to the economy, but in recent years increasing job numbers compared to residents has helped drive participation. The fall in the contribution from productivity should be monitored.

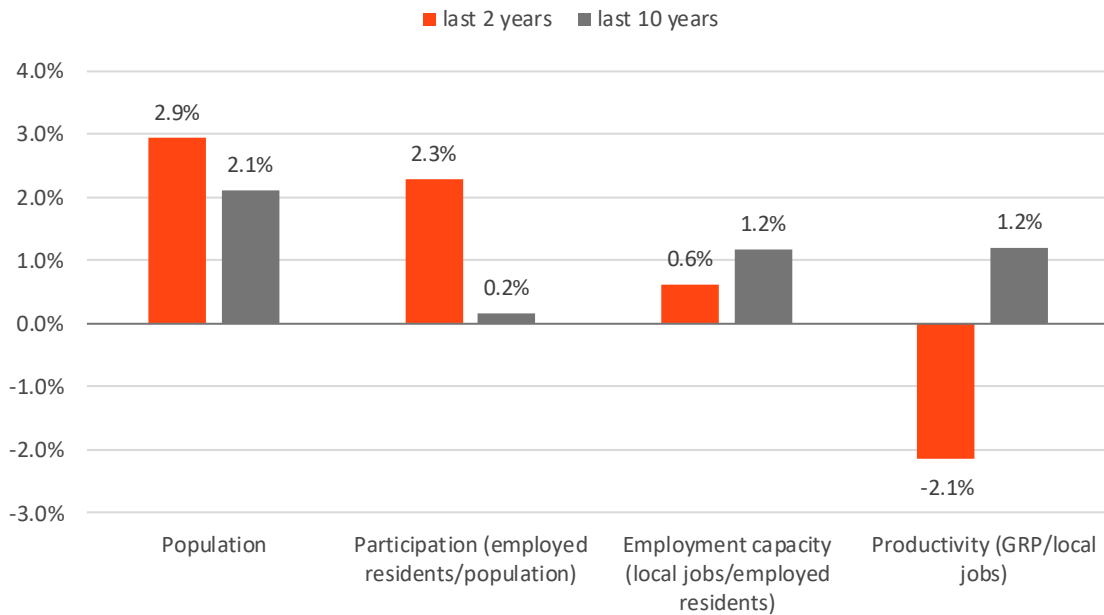
Over the last 2 years to 2019, the main contributor to economic growth in the The Hills Shire was change in population which averaged 2.9% per annum. This figure was above average figure for the period from 2009 to 2019

During the same period, the main detractor from growth was productivity which averaged -2.1% per annum. One of the reasons for this fall was due to the fall in construction output associated with the completion of the Metro North-West project. Further monitoring is suggested to check whether this is a one-off impact.

Compared to the Greater Sydney, The Hills Shire had higher components of growth in population, participation, employment capacity, and lower components of growth in productivity, during the period from 2017 to 2019. More detail on productivity trends are provided at slide 16.

## Components of growth - The Hills Shire

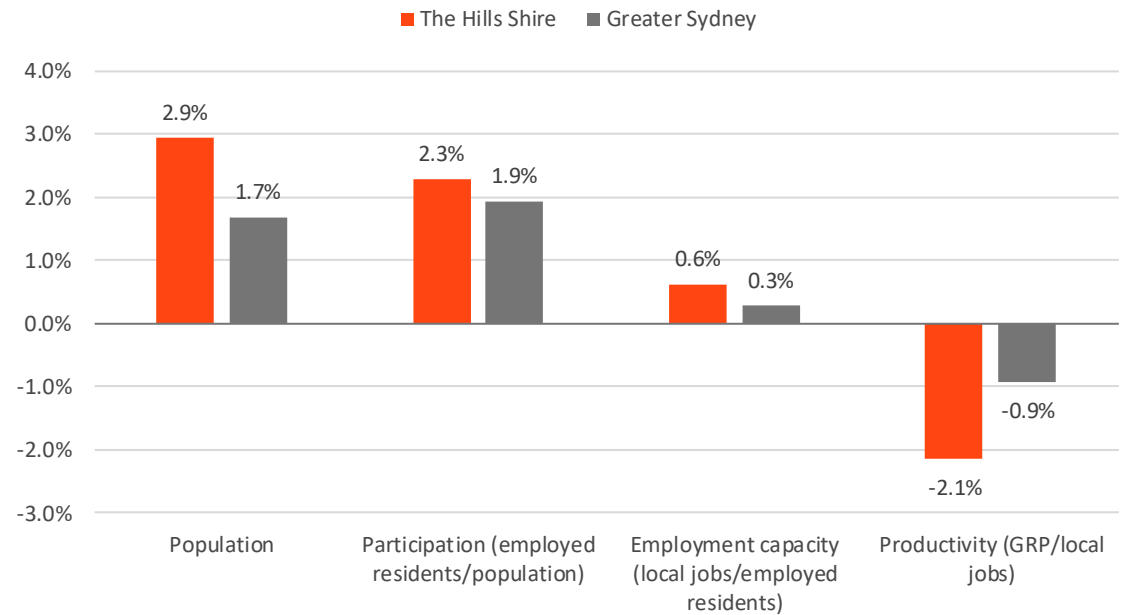
Annual average growth %



Source: NIEIR (2019)

## Components of growth - The Hills Shire, last 2 years

Annual average growth %



Source: NIEIR (2019)

# The local population is driven by all three components of population growth. This diverse contribution helps support sustainable growth, a plus for local businesses.

Over the decade to 2019, The Hills Shire's population growth has been above the Greater Sydney average.

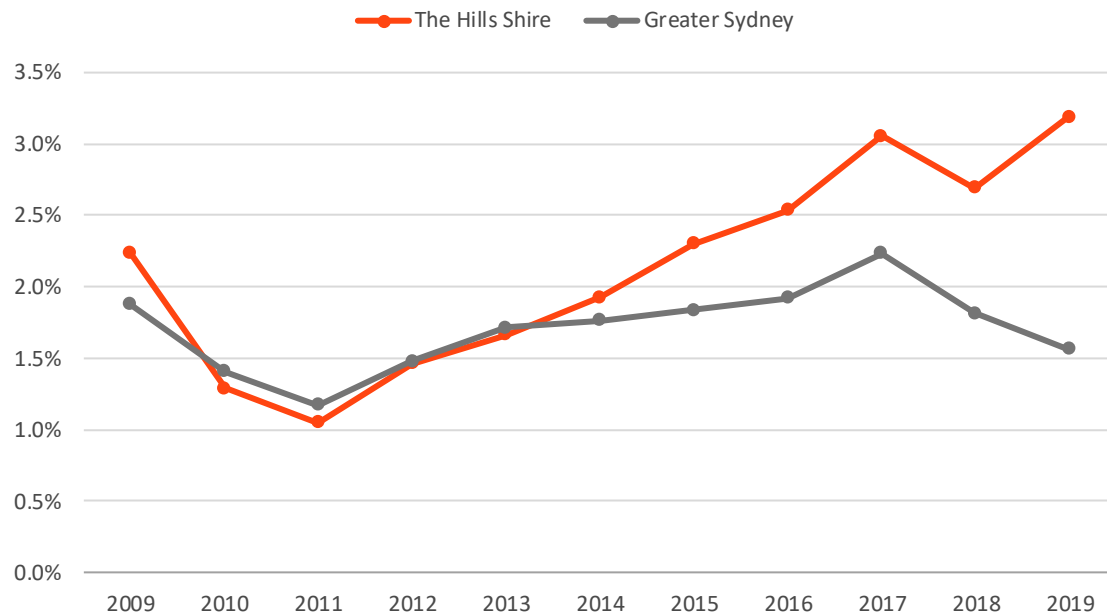
The main contributor to population growth in the last year was net internal migration (people moving in minus those moving out of the LGA within Australia).

The lowest contributor to growth was natural increase (births minus deaths) which is influenced by the older age profile.

The other factor influencing population growth was net overseas migration (people arriving from overseas minus those leaving) and its impact was positive.

## Recent population growth - The Hills Shire

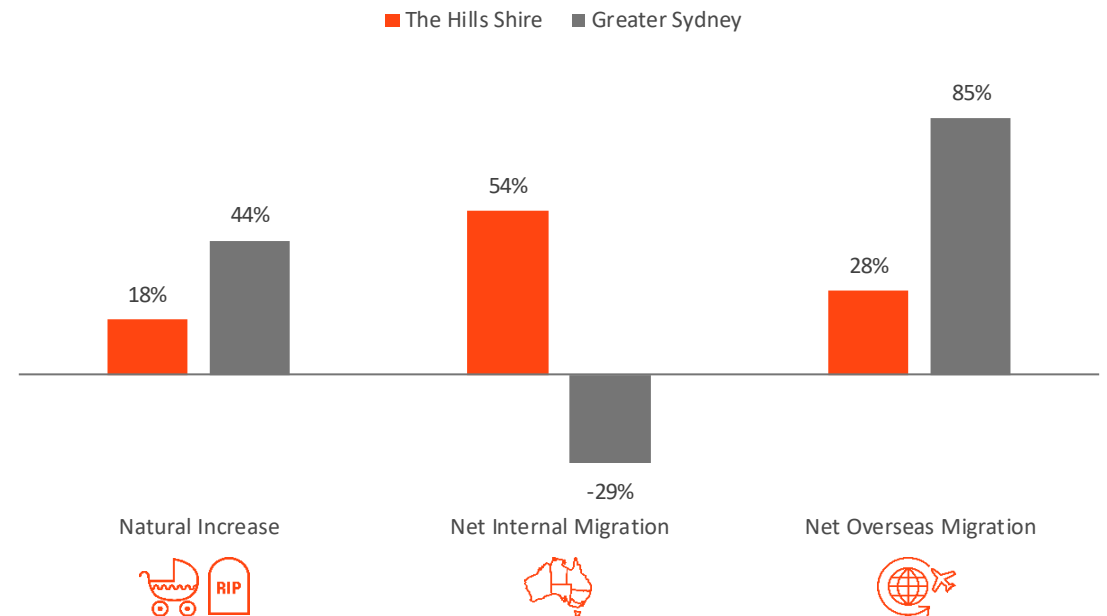
Annual Change in ERP %



Source: ABS, 2019, Cat: 3218.0 - Regional Population Growth, Australia, 2018-19

## Population growth components 2019 - The Hills Shire

Change in component as a % of total change in population in the year to June 2019



Source: ABS, 2019, Cat: 3218.0 - Regional Population Growth, Australia, 2018-19

## The gap between local jobs and working residents has fallen over time. This means the region is becoming more self-sufficient.

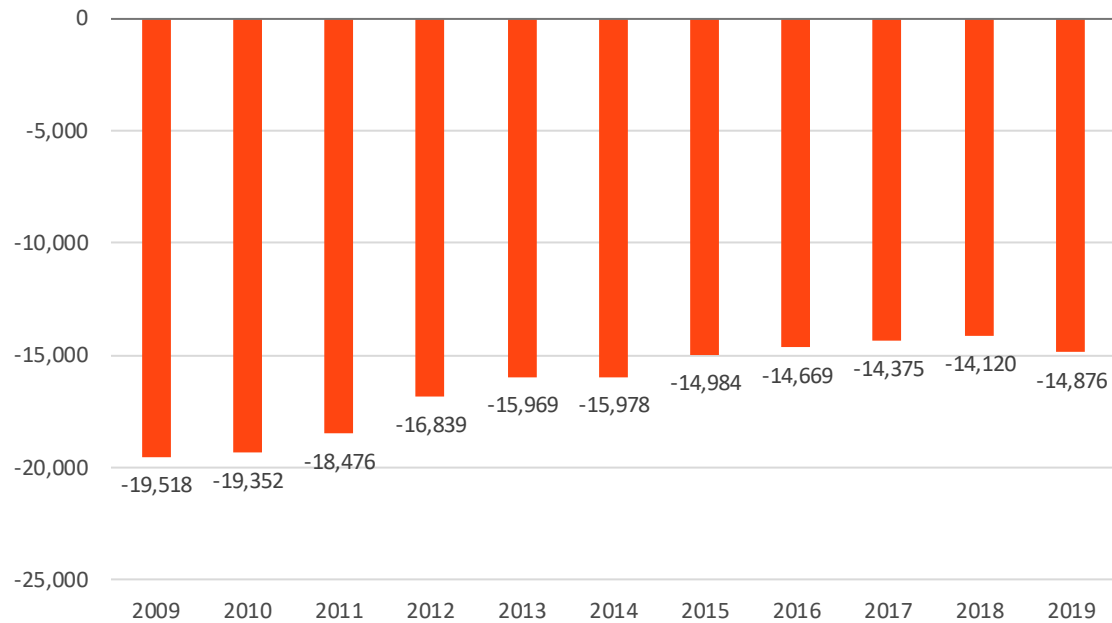
In 2019, there were 14,876 less jobs than employed residents. This suggests the region is not generating enough jobs to support its residence base, or neighbouring regions provide better opportunities.

However, this jobs 'deficit', difference between jobs and residents, has shrunk by 4,641 over the last ten years.

The share of residents working outside the LGA increased between 2011 and 2016. This suggests more residents are looking elsewhere for opportunities possibly because local jobs are not matching their needs.

### Employment capacity - The Hills Shire

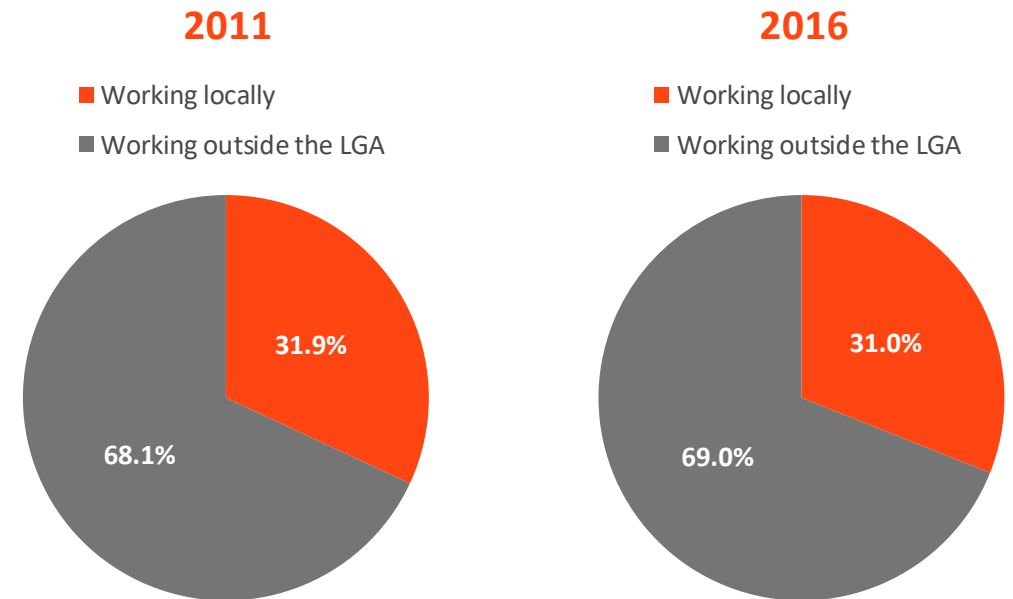
Difference between local jobs and employed residents



Source: NIEIR (2019)

### Employment self containment - The Hills Shire

Share of residents working locally



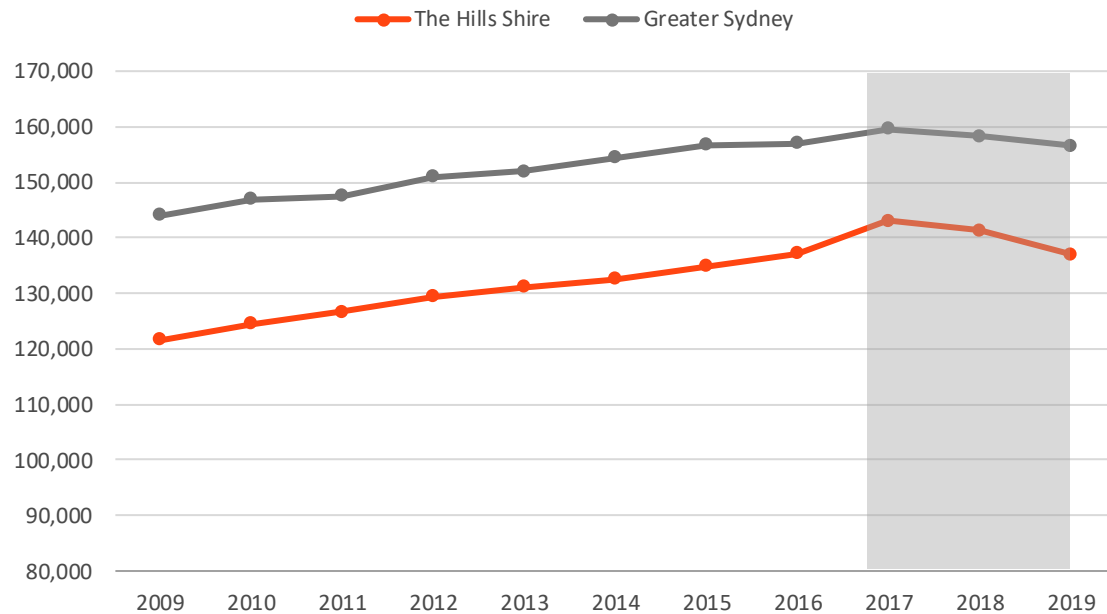
Source: ABS Census of Population and Housing, 2011 and 2016

# Productivity growth<sup>1</sup> has fallen due to a fall in construction activity (Metro North West) which has not been offset by job growth in lower valued industries like Retail and Health.

The Hills Shire's average worker productivity has increased over the decade to 2018/19, however the recent change (last 2 years) has been worse. Average worker productivity in 2018/19 was around \$19,574 per worker lower than the Greater Sydney average. This difference has shrunk over the decade. Over the 2 last years, 7 out of the top 10 industries in terms of worker productivity experienced decreases in their shares of total job numbers in The Hills Shire.

## Worker productivity - The Hills Shire

\$ GRP per worker



Source: NIEIR (2019) | <sup>1</sup> Worker productivity is calculated by dividing the Shire total value add by the number of persons employed in the Shire. It shows how much value add is generated per worker in the Shire.

The industry that experienced the largest growth in jobs share had a worker productivity level lower than the LGA average in 2018/19. The industry that experienced the largest decline had one higher than the LGA average.

## Job change by productivity - The Hills Shire

Industry	Productivity, 2019 (\$ value added per job)	Change in share of total jobs, 2017-19
Rental, Hiring and Real Estate Services	\$367,131	-0.2%
Electricity, Gas, Water and Waste Services	\$314,664	-0.1%
Financial and Insurance Services	\$243,210	-0.2%
Information Media and Telecommunications	\$192,351	-0.1%
Mining	\$176,622	0.2%
Wholesale Trade	\$167,629	0.7%
Construction	\$140,819	-0.9%
Administrative and Support Services	\$139,180	-0.3%
Transport, Postal and Warehousing	\$137,080	0.3%
Manufacturing	\$133,640	-0.5%
Professional, Scientific and Technical Services	\$126,149	-0.4%
Agriculture, Forestry and Fishing	\$124,129	-0.1%
Public Administration and Safety	\$112,506	-0.2%
Tourism and Hospitality *	\$112,106	1.1%
Health Care and Social Assistance	\$70,911	0.9%
Other Services	\$69,860	-0.3%
Retail Trade	\$62,355	2.1%
Education and Training	\$61,490	-0.3%
Arts and Recreation Services	\$57,804	0.1%
Accommodation and Food Services	\$49,300	-0.6%

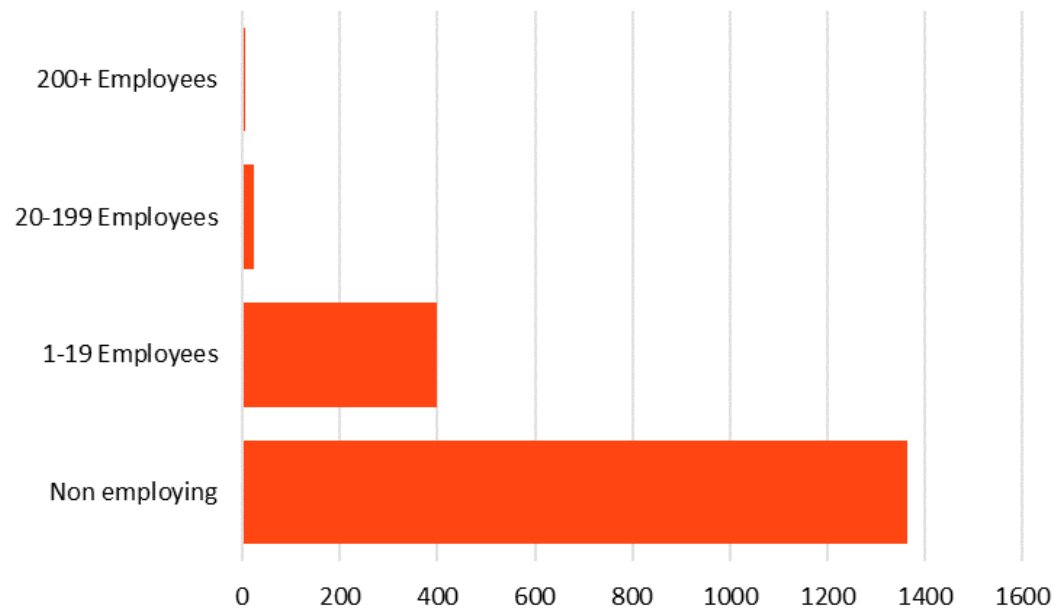
Increase share of lower productivity jobs

Source: NIEIR (2019) | \* Includes activities from other industries



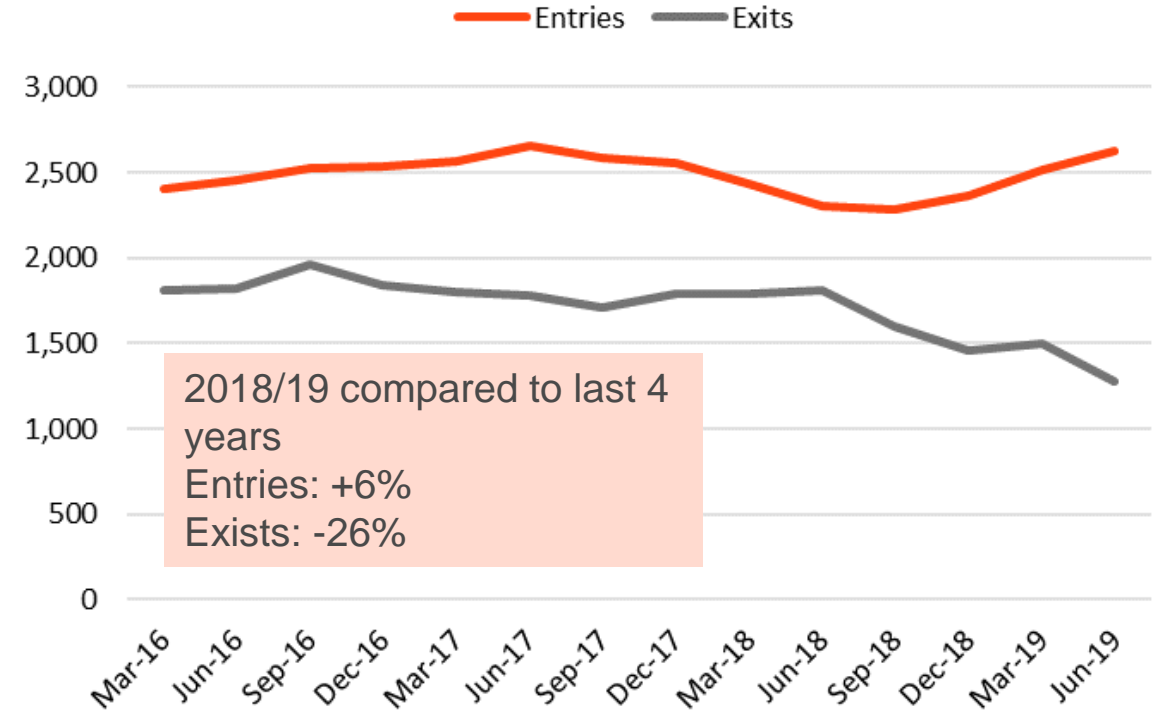
# Business conditions were strong up to June 2019. Business growth has been driven largely by non-employing and small businesses.

Change in number of businesses by employment size, The Hills Shire, 2017-2019



Source: ABS Counts of Australian Businesses, including Entries and Exits

Business entries and exits, 12 month rolling, The Hills Shire



Source: Australian Business Register. Reason for business exit not available.

# Which industries are driving recent growth?

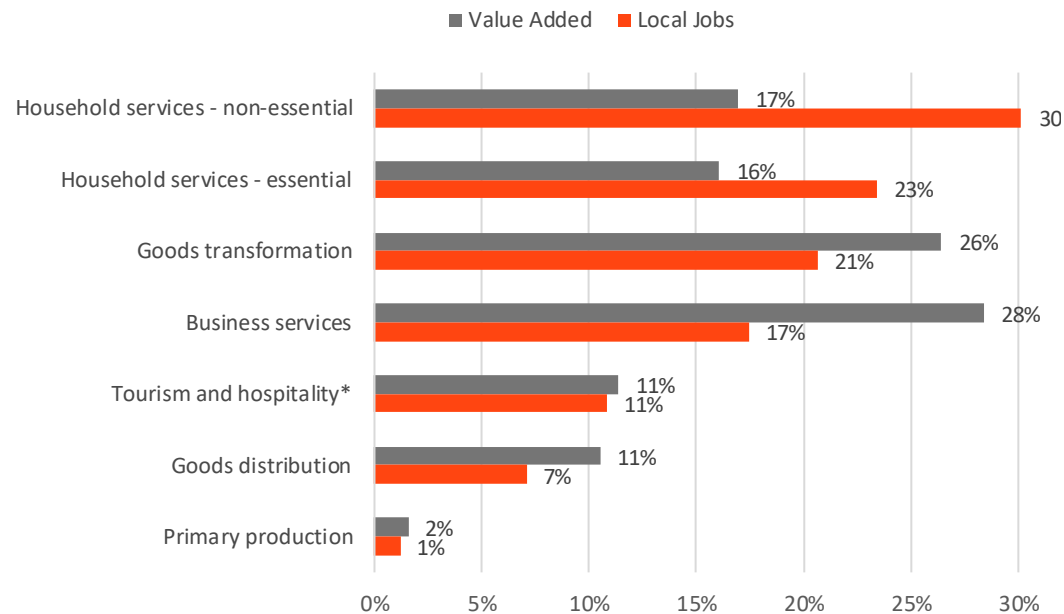
# The Hills Shire economy is dominated by household service industries. Unlike many middle/outer ring locations, business services make an important contribution to the local economy.

Major industries were Household services - non-essential, Household services - essential and Goods transformation industries.

The industries that were the top for jobs and productivity included: Retail Trade, Construction, Health Care and Social Assistance, Professional, Scientific and Technical Services.

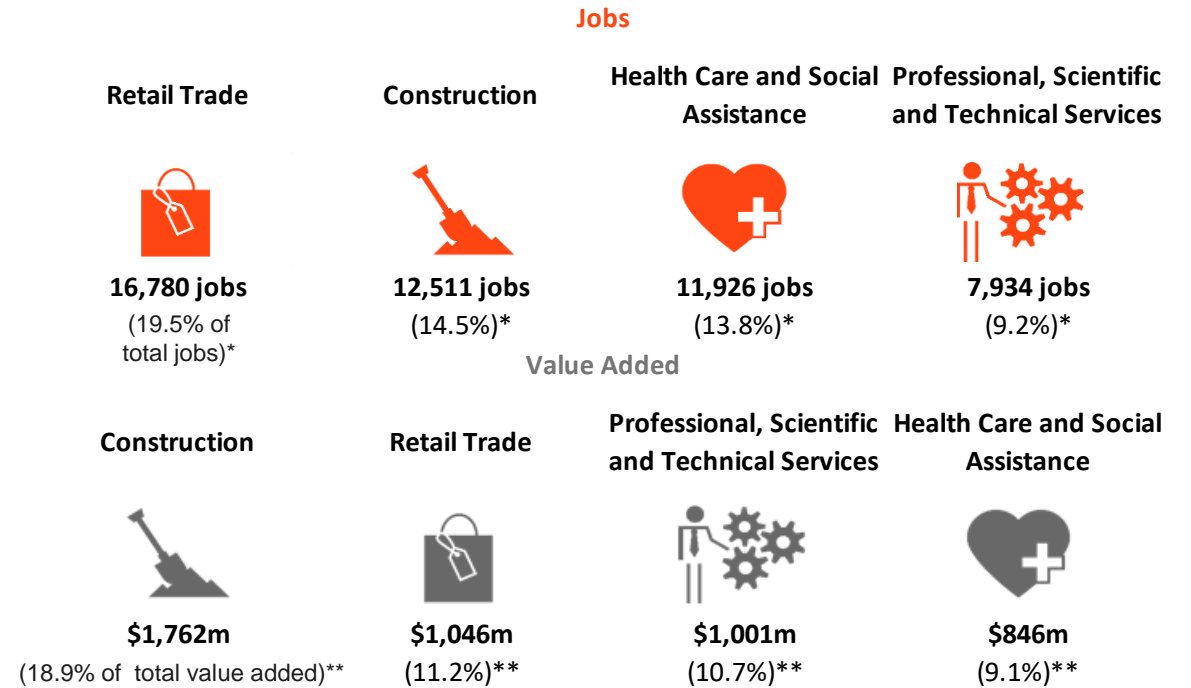
## Industry profile - The Hills Shire

% of total, 2019



Source: NIEIR (2019) | \* Includes activities from other industries

## Top 4 Industries in 2019



Source: NIEIR (2019) | \* % of local jobs in The Hills Shire; \*\* % of value added in The Hills Shire

## Diverse growth profile, with jobs growing across household services, business services and industrial related sectors.

Over the last 2 years, the major drivers of productivity and job growth included: Retail Trade, Health Care and Social Assistance, Tourism and Hospitality \*, Wholesale Trade, Construction.

Over the last 2 years, the main detractors of productivity and job growth included: Information Media and Telecommunications, Accommodation and Food Services, Agriculture, Forestry and Fishing, Electricity, Gas, Water and Waste Services.

### Industry performance - The Hills Shire

Last 2 years (2017-2019)

	Jobs	Value Added \$m
Electricity, Gas, Water and Waste Services	-44	-18
Agriculture, Forestry and Fishing	-26	-23
Accommodation and Food Services	-6	-16
Information Media and Telecommunications	-1	-2
Rental, Hiring and Real Estate Services	15	11
Administrative and Support Services	27	16
Public Administration and Safety	30	3
Financial and Insurance Services	94	48
Other Services	165	12
Mining	170	0
Manufacturing	199	-16
Arts and Recreation Services	257	18
Transport, Postal and Warehousing	433	36
Education and Training	449	30
Professional, Scientific and Technical Services	527	36
Construction	683	20
Wholesale Trade	1,002	155
Tourism and Hospitality *	2,004	228
Health Care and Social Assistance	2,014	136
Retail Trade	3,424	172

Source: NIEIR (2019) | \* Includes activities from other industries

### Drivers of growth

- **Retail** jobs have grown strongly over the last two years. Growth was driven by food retailing and Other Store-Based Retailing.
- **Health Care and Social Assistance** continues to grow faster than the metropolitan region. Most of this growth has occurred in the sub-industries Medical and Other Health Care Services and Social Assistance Services (e.g. childcare).
- **Tourism and hospitality** growth appears to be driven by (1) Retailers service a fast growing regional catchment beyond The Hills LGA and (2) growth in international visitors (visiting family and friends).
- Machinery and equipment wholesaling and Grocery, Liquor and Tobacco Wholesaling has driven growth in **Wholesale Trade** jobs and output.
- **Professional services** (architectural, engineering, legal, accounting) also experienced strong growth. This appears to be due to growth in non-employing and small businesses (less than 20 employees).

### Limits to growth

- After peaking in 2017, **Accommodation** output and jobs has fallen over the last two years. This appears to have coincided with a pick up in business exits recently. The performance of the Food Services sector has also been relatively weak recently.
- The performance of the **Agriculture** weakened in 2018/19 after a period of strong growth. Drought conditions in 2018/19 and a fall in international exports and local sales appear to be the factors influencing recent weak performance.
- The fall in **manufacturing** value added was largely driven by a fall in Machinery and Equipment Manufacturing output and weak productivity growth.
- The completion of Metro North West resulted in a fall in **construction** value added in 2018/19.

# Which industries are competitive and how is this changing?

# The Hills Shire has developed specialisations across a range of sectors including Agriculture, Retail and Construction. There is also evidence of related specialisation in manufacturing and wholesaling (e.g. machinery and equipment).

The Hills Shire has a high concentration of jobs in Agriculture, Forestry and Fishing, Retail Trade, Mining, Construction, Tourism and Hospitality \*. Compared to Greater Sydney, The Hills Shire has a comparative regional advantage in these sectors and represents potential growth opportunities.

At a detailed industry level, industries with the highest specialisations include Non-Metallic Mineral Mining and Quarrying, Forestry and Logging, Machinery and Equipment Manufacturing, Food Retailing, Non-Store Retailing and Retail Commission Based Buying .

## Level of specialisation - The Hills Shire

Compared to Greater Sydney (in LQ terms)

	Jobs	Value Added \$m
Agriculture, Forestry and Fishing	2.09	2.62
Retail Trade	1.97	2.30
Mining	1.81	1.03
Construction	1.55	2.23
Tourism and Hospitality *	1.48	2.08
Wholesale Trade	1.25	1.51
Health Care and Social Assistance	1.21	1.35
Other Services	1.10	1.31
Rental, Hiring and Real Estate Services	1.01	1.21
Manufacturing	0.93	1.27
Education and Training	0.91	0.86
Arts and Recreation Services	0.85	0.78
Professional, Scientific and Technical Services	0.83	0.93
Accommodation and Food Services	0.78	0.81
Administrative and Support Services	0.70	0.62
Financial and Insurance Services	0.45	0.38
Information Media and Telecommunications	0.38	0.41
Electricity, Gas, Water and Waste Services	0.36	0.46
Transport, Postal and Warehousing	0.34	0.38
Public Administration and Safety	0.32	0.38

Source: NIEIR (2019) | \* Includes activities from other industries

## Specialisation by detailed industry - The Hills Shire

Compared to Greater Sydney (in LQ terms)

Industry	Jobs	% of total	Specialisation
Non-Metallic Mineral Mining and Quarrying	264	0.3%	7.68
Forestry and Logging	66	0.1%	5.91
Machinery and Equipment Manufacturing	3,140	3.6%	3.23
Food Retailing	7,275	8.4%	2.91
Non-Store Retailing and Retail Commission Based Buying	523	0.6%	2.39
Heavy and Civil Engineering Construction	1,570	1.8%	2.23
Petroleum and Coal Product Manufacturing	101	0.1%	2.21
Agriculture	562	0.7%	2.14
Building Construction	4,667	5.4%	1.81
Social Assistance Services	4,015	4.7%	1.65
Other Store-Based Retailing	8,208	9.5%	1.61
Machinery and Equipment Wholesaling	1,955	2.3%	1.56
Medical and Other Health Care Services	4,613	5.4%	1.50
Motor Vehicle and Motor Vehicle Parts Wholesaling	270	0.3%	1.49
Agriculture, Forestry and Fishing Support Services	65	0.1%	1.48

Source: NIEIR (2019)

Large number of jobs in Medical and Surgical Equipment Manufacturing

# Changing dynamics in the local economy is generating several opportunities and potential challenges.

Many of the Shire's specialised industries have experienced growth over the last two years. The major driver of growth was Retail Trade followed by Health Care and Social Assistance. However, some specialised industries experienced a decline including Agriculture, Forestry and Fishing. Actions to address this risk may be warranted if this sector is still considered important going forward. Further analysis of these risks will be assessed as part of the Economic Profile

While not specialised, there are many emerging local industries. The major emerging industries include: Professional, Scientific and Technical Services, Education and Training and Arts and Recreation Services. Actions to encourage further growth may support the productivity and competitiveness of these emerging industries.



## Specialised & Growing

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

The Hills Shire	Jobs 2019	2-yr change	LQ
Retail Trade	16,780	3,424	2.0
Tourism and Hospitality *	10,742	2,004	1.8
Mining	362	170	1.8
Construction	12,511	683	1.6
Wholesale Trade	4,545	1,002	1.3
Health Care and Social Assistance	11,926	2,014	1.2



## Specialised but evolving

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

The Hills Shire	Jobs 2019	2-yr change	LQ
Agriculture, Forestry and Fishing	709	-26	2.1



## Emerging

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

The Hills Shire	Jobs 2019	2-yr change	LQ
Other Services	3,461	165	1.1
Rental, Hiring and Real Estate Services	1,517	15	1.0
Manufacturing	5,271	199	0.9
Education and Training	6,401	449	0.9
Arts and Recreation Services	1,298	257	0.9
Professional, Scientific and Technical Services	7,934	527	0.8



## Declining

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

The Hills Shire	Jobs 2019	2-yr change	LQ
Electricity, Gas, Water and Waste Services	270	-44	0.4

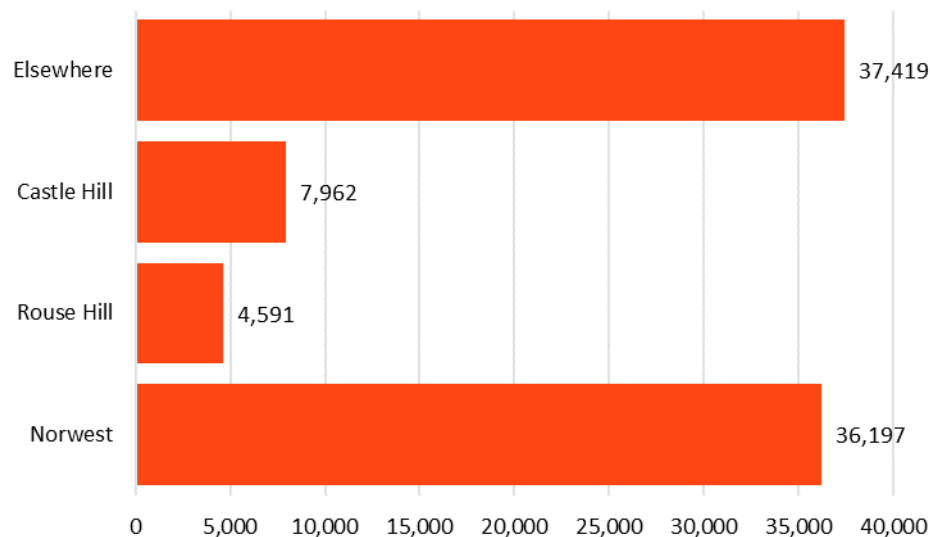
Source: NIEIR (2019) | \* Includes activities from other industries

# How does the spatial economy operate?



# Jobs are concentrated at Norwest. Norwest has a diverse employment profile, while Rouse Hill and Castle Hill have a high share of household service jobs.

Jobs by precinct, 2016



Employment by Industry, 2016

	Norwest	Rouse Hill	Castle Hill
Health	5,538	444	1,058
Education	666	364	409
Govt	885	26	199
Household services	9,672	2,859	4,699
Business services	6,915	427	1,164
Industrial related	7,382	124	253
Construction	5,138	347	180

Elsewhere refers to other employment locations in The Hills Shire  
 Source: .id based on NIEIR and ABS Census of Population and Housing

## Non-residential building activity

- Highest level of non-residential building activity located in Kellyville SA2.
- Solid growth within and around Strategic Centres
- High commercial buildings activity in Castle Hill – North and Baulkham Hill (West) – Bella Vista from July 2017 to June 2019.
- Rouse Hill – Beaumont Hills and Kellyville is non-residential buildings activity is driven by education buildings.

## Non-Residential Building Approvals

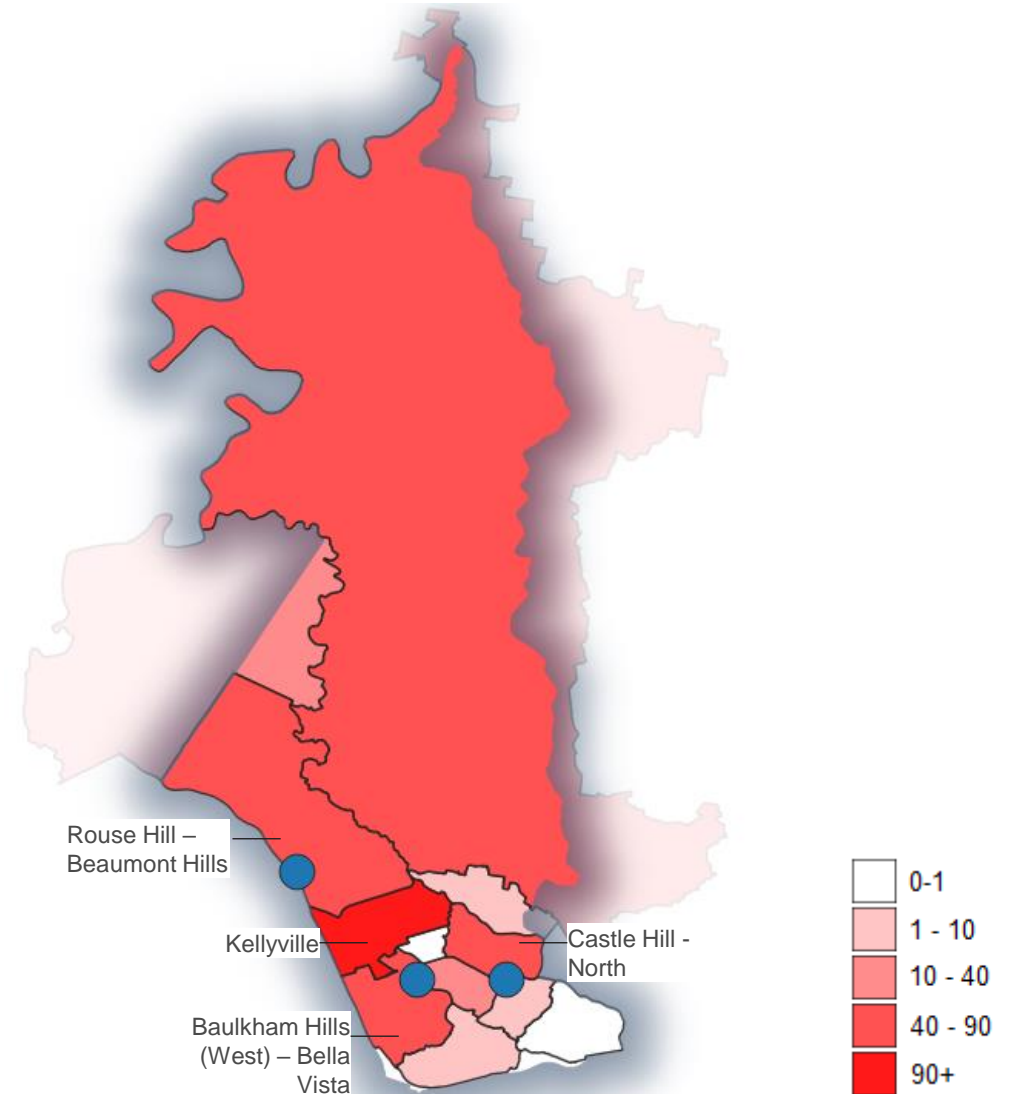
Total over 2 years from July 2017 to June 2019, \$M

Type of building	Rouse Hill - Beaumont Hills	Kellyville	Baulkham Hills (West) - Bella Vista	Castle Hill - North
<b>Commercial Buildings</b>				
Retail and wholesale trade buildings	10	2	8	74
Transport buildings	0	0	50	1
Offices	1	1	20	5
Commercial buildings n.e.c.	0	0	0	0
<b>Total</b>	<b>11</b>	<b>3</b>	<b>78</b>	<b>80</b>
<b>Industrial Buildings</b>				
Warehouses	5	0	2	0
Agricultural and aquacultural buildings	0	0	0	0
Other industrial buildings n.e.c.	7	0	0	0
<b>Total</b>	<b>12</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>Other Non-residential</b>				
Education buildings	35	86	0	0
Religion buildings	7	0	1	0
Aged care facilities	0	25	0	0
Health buildings	1	0	2	0
Entertainment and recreation buildings	3	0	0	1
Short term accommodation buildings	14	0	0	0
Other non-residential n.e.c.	6	1	0	0
<b>Total</b>	<b>66</b>	<b>112</b>	<b>4</b>	<b>2</b>
<b>Total Non-residential</b>	<b>89</b>	<b>115</b>	<b>84</b>	<b>82</b>

Source: ABS, 2020, Cat: 8731.0 - Building Approvals, Australia

## Non-Residential Building Approvals

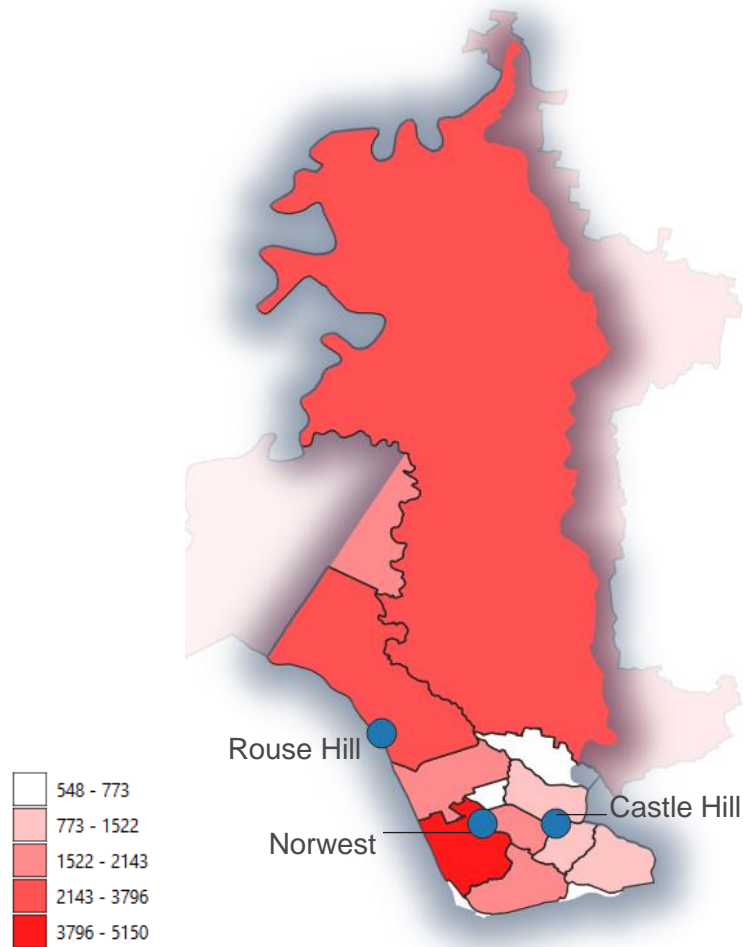
Total over 2 years from July 2017 to June 2019, \$M



# Business activity

- Business clustered around Norwest

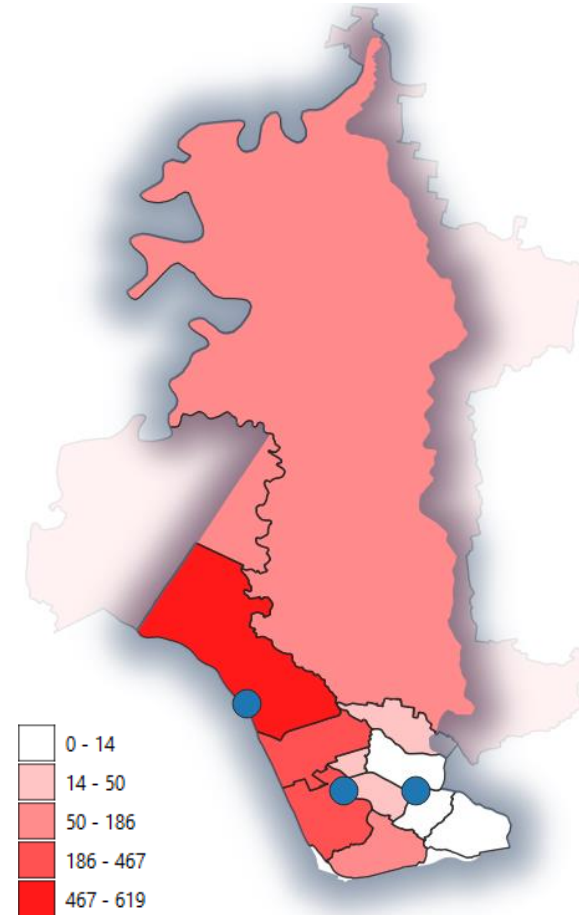
### Number of businesses, 2019



Source: ABS Business Counts

- Strong business growth along western corridor between Norwest and Rouse Hill

### Change in number of businesses, 2017-19



# Business activity

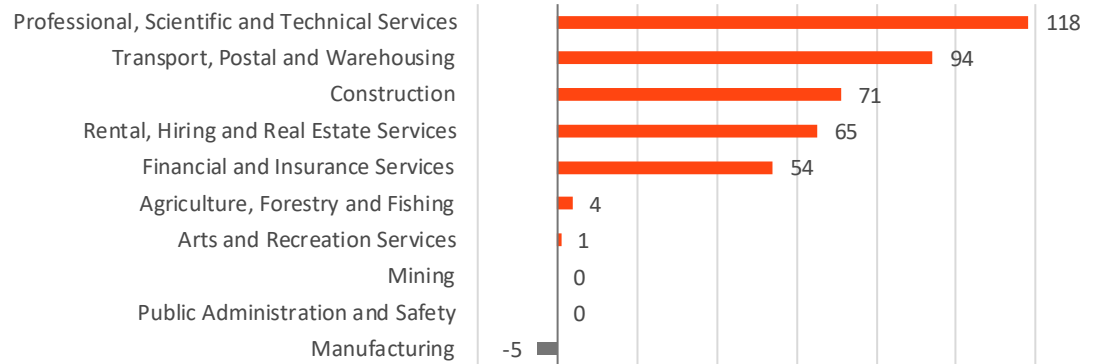
The locations with the largest change in business numbers between June 2017 and 2019 were Rouse Hill - Beaumont Hills (+619 businesses), Baulkham Hills (West) - Bella Vista (+467), Kellyville (+281) and Baulkham Hills (East) (+186).

Growth in business numbers in these locations were driven by:

- Service industries - Professional, Scientific and Technical Services, Rental, Hiring and Real Estate Services and Financial and Insurance Services.
- Construction and Transport, Postal and Warehousing
- Health Care and Social Assistance.

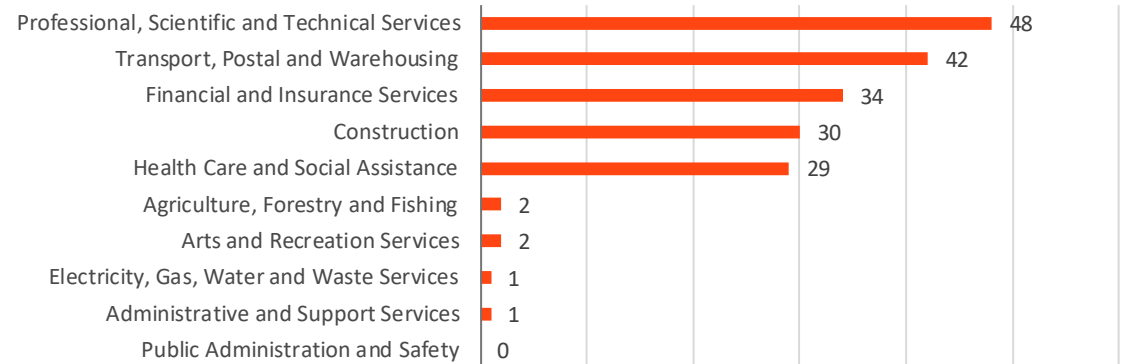
## Change in business numbers - 2017 to 2019

### Rouse Hill - Beaumont Hills

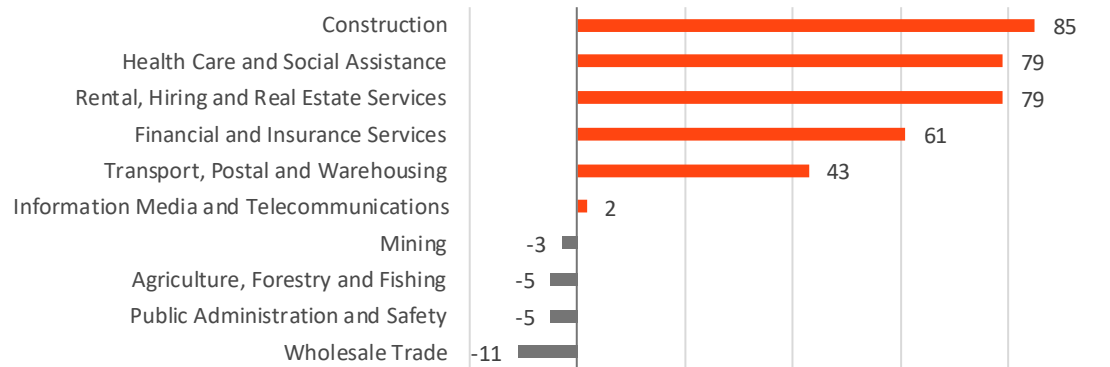


## Change in business numbers - 2017 to 2019

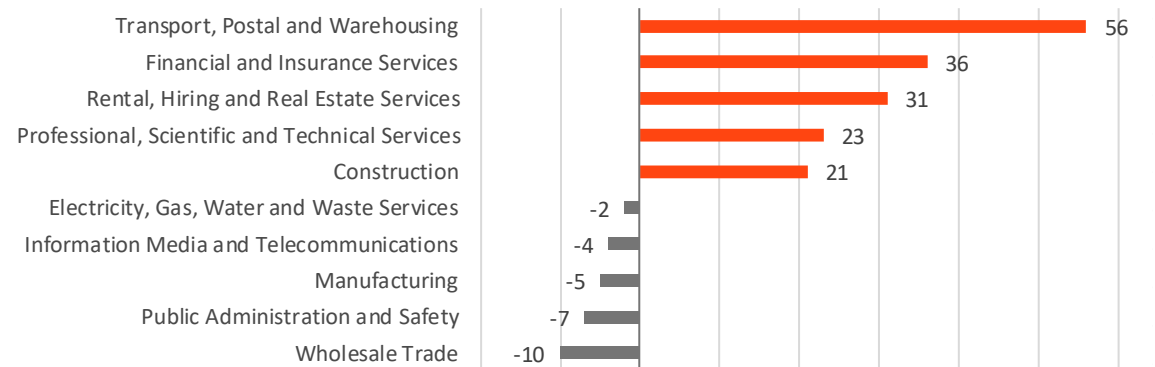
### Kellyville



### Baulkham Hills (West) - Bella Vista



### Baulkham Hills (East)



Source: ABS, 2020, Cat: 8165.0 - Counts of Australian Businesses, including Entries and Exits

Source: ABS, 2020, Cat: 8165.0 - Counts of Australian Businesses, including Entries and Exits

# What are the socio-economics characteristics of residents?

## Resident base is more qualified than Greater Sydney average, and more likely to be earning higher incomes. This elevates the level of spending available for local businesses.

The residents in The Hills Shire are relatively older with a median age of 38 years old years, compared to 36 years of age for Greater Sydney. However, the residents have gotten older since the last census 2011 by 1 years.







In 2016, the households in The Hills Shire made \$2,358 median weekly income, \$244 more than the median weekly household income in 2011. The household income was relatively higher than the median Greater Sydney weekly household income of \$1,745 in 2016.

The share of overseas born residents in The Hills Shire was 35.1% in 2016, an increase of 3.6% percentage points from 2011. This share was similar to the Greater Sydney average of 36.7% in 2016.

Around 33.5% of the residents had a university qualification compared to 28.3% in the Greater Sydney as a whole. However, the qualification level has increased since 2011 by 4.6%. In 2016, the proportion of residents with a trade qualification was 15.5% in The Hills Shire, similar to the Greater Sydney as a whole.

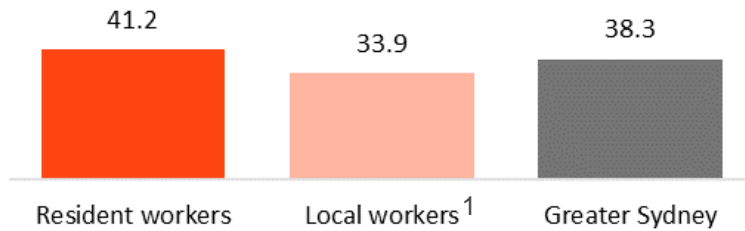
The participation rate in The Hills Shire was 68.0% in 2016, a fall of 1.8% points compared to 69.8% in 2011. This fall coincides with population ageing experienced during the same period, with the resident population aged 60+ increasing from 16.9% in 2011 to 19% in 2016. However, the participation rate in 2016 is well above the Greater Sydney average of 61.6%.

## The Hills Shire demographic and socio-economic profile in 2016

Indicator	The Hills Shire as at 2016 (Greater Sydney)	Change from 2011 to 2016
Median age	38 years old (36)	 +1 years of age
Median weekly household	\$2,358 per week (\$1,745)	 +\$244 per week
Overseas born	35.1% of residents (36.7%)	 +3.6% percentage points
University qualification	33.5% of residents aged 15+ (28.3%)	 +4.6% percentage points
Trade qualification (certificate)	15.5% of residents aged 15+ (15.1%)	 -0.8% percentage points
Labour force participation rate	68.0% of residents aged 15+ (61.6%)	 -1.8% percentage points

# Many residents need to travel elsewhere to find high skilled jobs

% of workers with a bachelor degree or higher, 2016



<sup>1</sup> based on jobs within The Hills Shire (place of work)

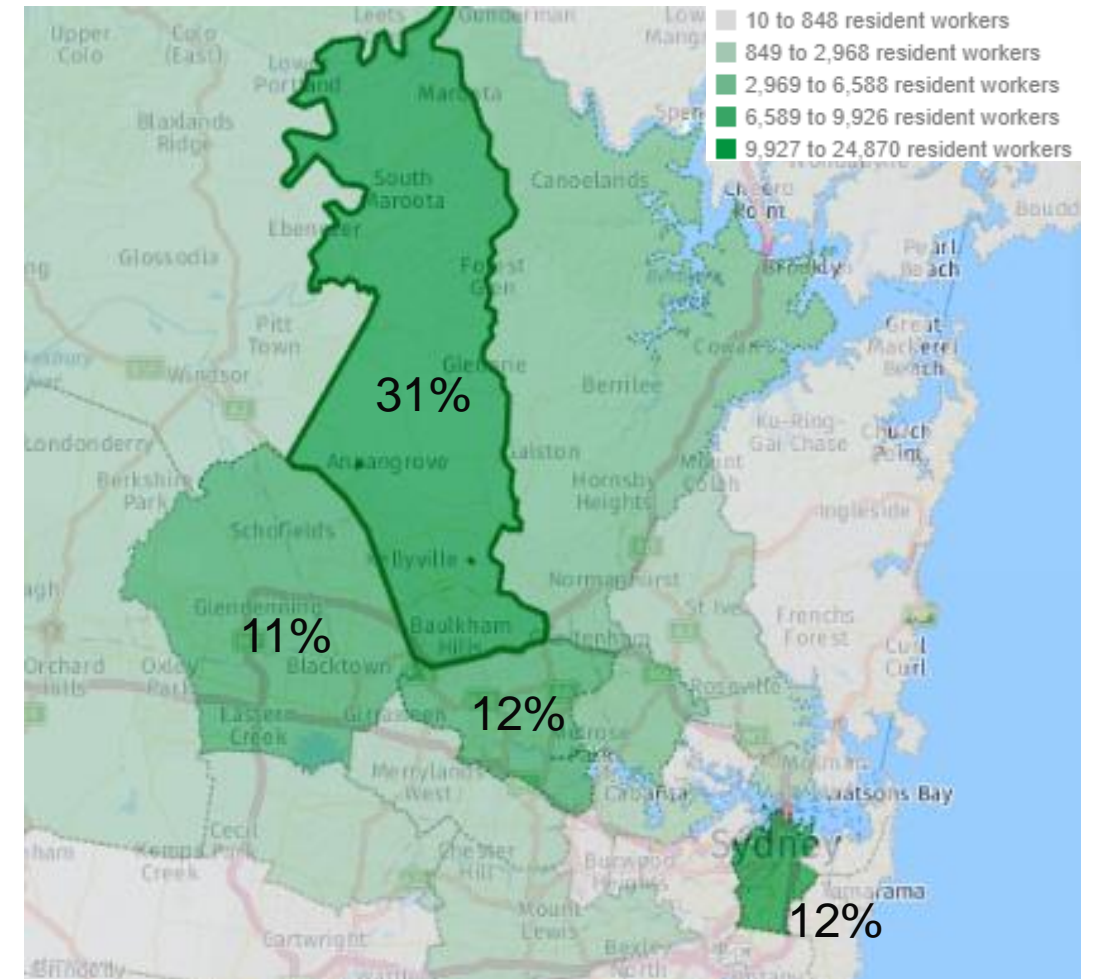
Source: ABS Census of Population and Housing

Top qualifications with job deficits, 2016

Field of qualification	Difference (residents vs local jobs)
Business and Management	-5,985
Management and Commerce	-5,146
Accounting	-3,320
Information Technology, nfd	-2,491
Engineering and Related Technologies	-2,274
Engineering and Related Technologies, nfd	-2,115
Electrical and Electronic Engineering and Technology	-2,067

Source: ABS Census of Population and Housing

Where residents work, 2016

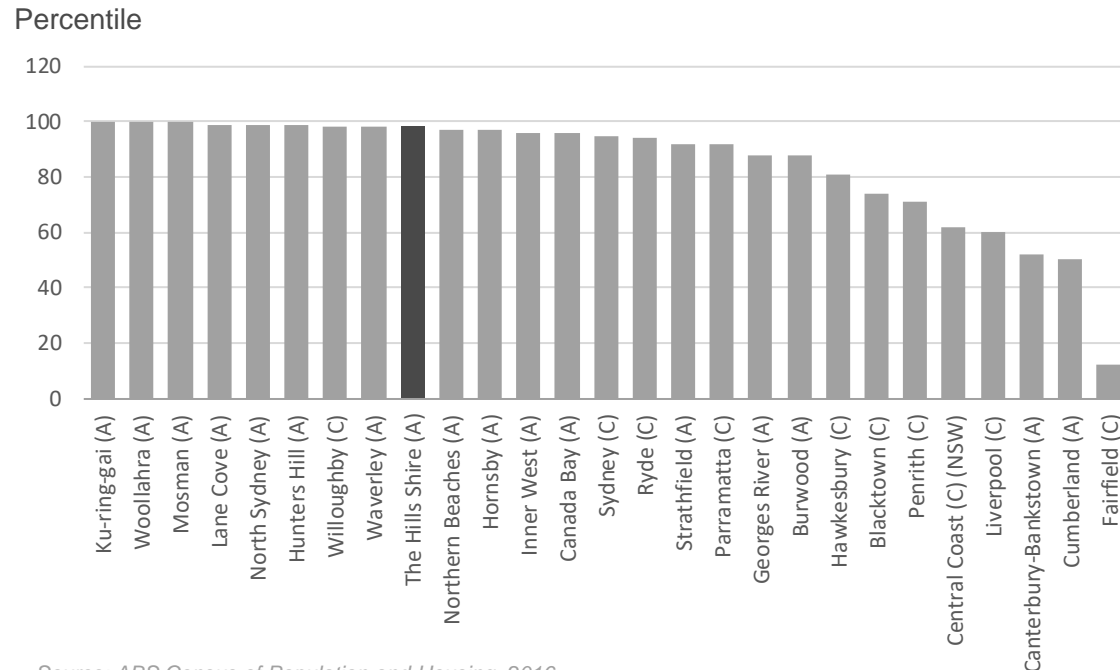


Source: ABS Census of Population and Housing

# The Hills has relatively low levels of disadvantage compared to Greater Sydney.

The Hills Shire has a relatively low socio-economic disadvantage. In 2016, The Hills Shire had SEIFA advantage and disadvantage index\* percentile of 98, higher than surrounding metro LGA average (85). That is, The Hills Shire is relatively less disadvantaged than surrounding metro LGAs on average. In the same year, The Hills Shire ranked 9th out of metro LGAs around The Hills Shire in terms of the SEIFA index.

## SEIFA relative socio-economic advantage and disadvantage

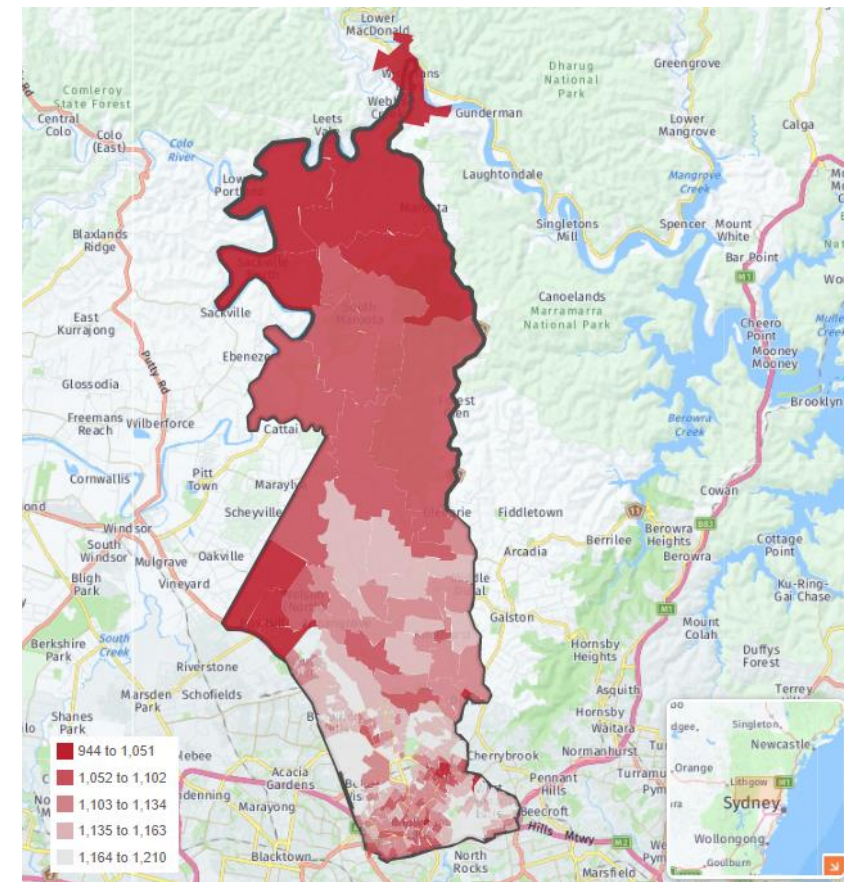


Source: ABS Census of Population and Housing, 2016

\* Socio-Economic Indexes for Areas (SEIFA) Advantage and Disadvantage Index measure the relative level of socio-economic disadvantage and advantage based on a range of Census characteristics. The SEIFA index is the most commonly used aggregate measure of socio-economic disadvantage at the local level. Higher scores indicate less disadvantage while lower scores indicate more disadvantage.

However, the socio-economic advantage and disadvantage vary across the locations within The Hills Shire. Particularly, the northern part of the shire generally scored low on the SEIFA index.

## SEIFA relative socio-economic advantage and disadvantage 2016, SA1, Decile



Source: ABS Census of Population and Housing, 2016

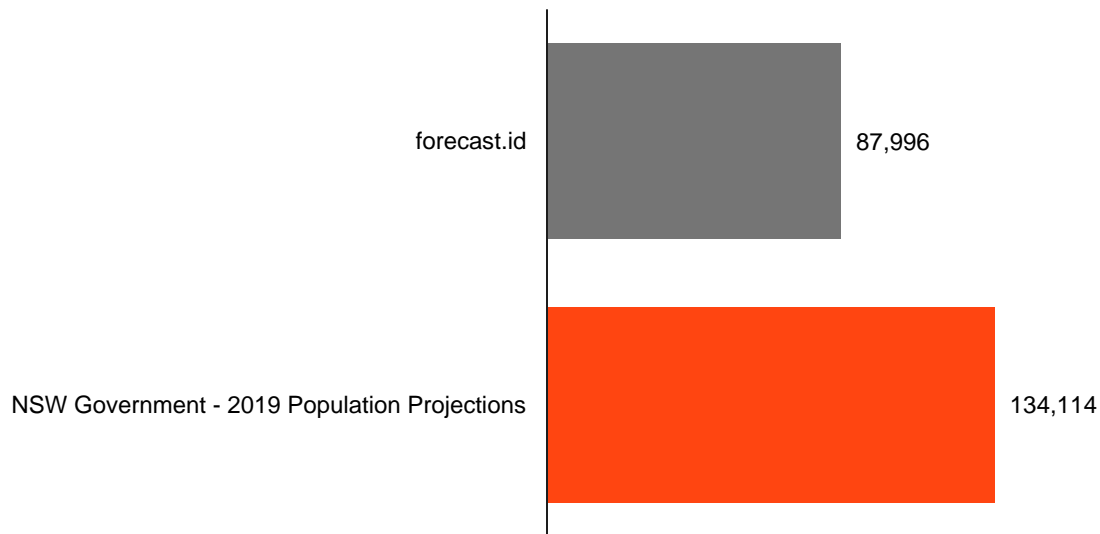


# Future population growth will drive strong growth for local goods and services.

According to the NSW 2019 Population Projections, The Hills Shire is forecast to grow by 134,144 people between 2016 and 2036. This equates to around 3% p.a. Forecasts by .id (prepared in 2017) assume a slower rate of growth (2.2% p.a.).

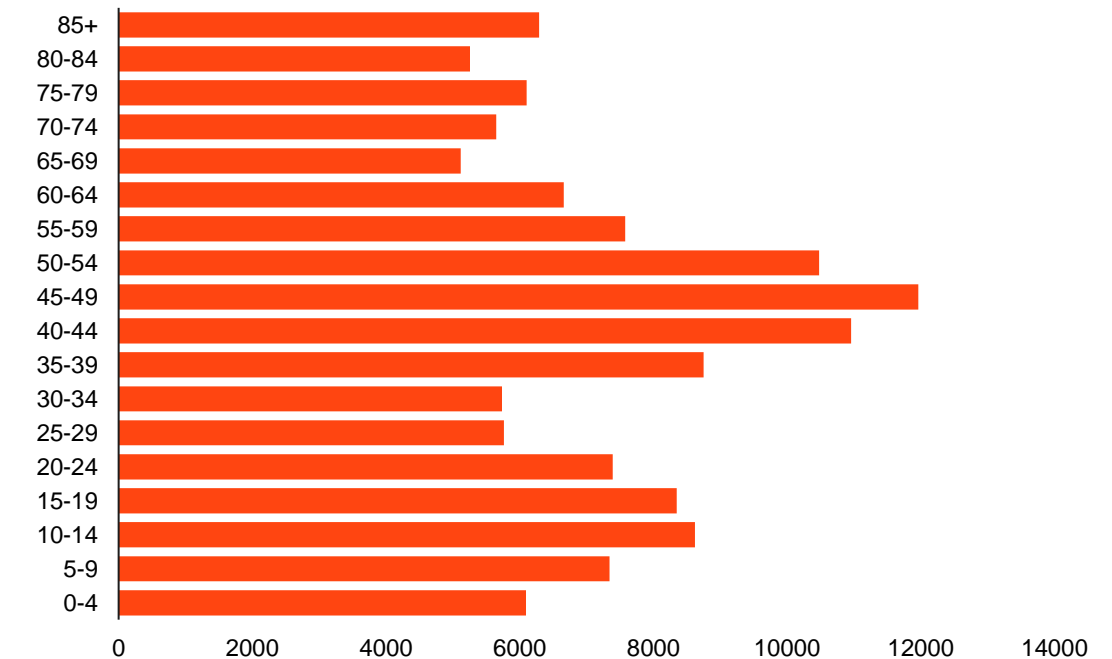
Growth is forecast across all age groups. The largest growth occurs in the 40-54 year old group. This growth profile will drive demand for a range of goods and services, including retail, cafes, entertainment, medical, child care and aged care

## Forecast population change 2016-2036, The Hills Shire



Source: NSW Government, forecast.id

## Forecast population change by age 2016-2036, The Hills Shire



Source: NSW Government

# What macro forces may influence outlook?

## State indicators (prior to COVID-19)

New South Wales is forecast to experience slower growth over the next few years than what the state has experienced recently. Growth in building approvals, retail trade and general economic activity in 2018/19 were all lower than the previous year.

Household consumption, public infrastructure, dwelling construction and service exports have been the key drivers of recent performance. Growth in Sydney has been supported by historically significant levels of overseas migration.

NSW still has a strong pipeline of planned public infrastructure projects that will maintain demand for large scale construction related activities in the near future. Most of these projects are in metropolitan Sydney e.g. Sydney Metro West, Western Sydney Airport.

Household dwelling construction is forecast to continue to be strong, however weakened by a decline in growth of apartments. In NSW, Master Builders Australia forecast residential dwelling commencements to fall from around 70,000 in 2018 to 50,000 in 2023.

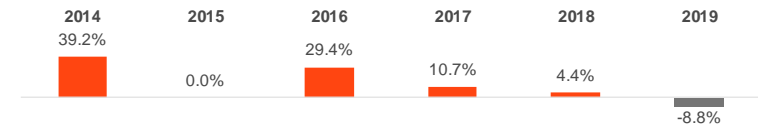
Loosening of monetary policy (see next page) may bring demand back into the housing market in the short term. However, lower interest rates will likely have a lower effect than expected on household spending as evidence suggests many homeowners in the last decade used lower rates to pay off more of their mortgage.

A lower exchange rate in the near future will have a positive impact on export based industries (e.g. Agriculture, International Education) and increase tourism (inward international and domestic). However, some businesses will likely be impacted by rising cost of key imported inputs.

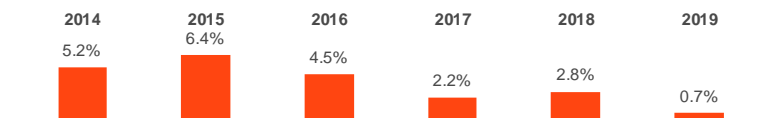
### Headline indicators - New South Wales

Annual change in total value to June

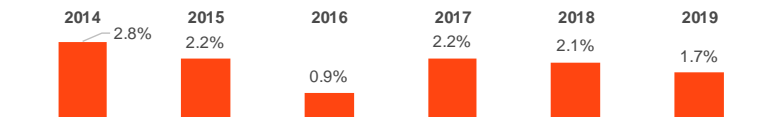
#### Building Approvals



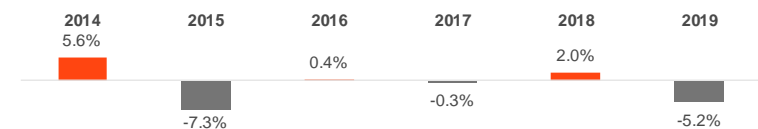
#### Retail Trade Turnover



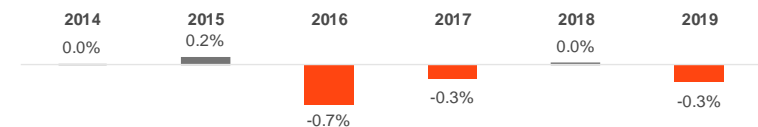
#### Inflation



#### Business Confidence



#### Unemployment Rate



Source: ABS Cat: 8731.0, 8501.0, 6401.0, 6202.0; Roy Morgan - Business Confidence

# Macro forecast

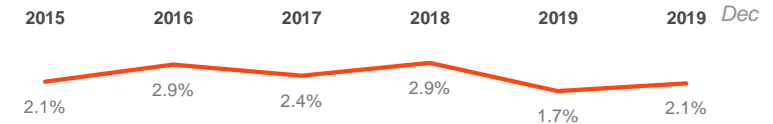
Even before the COVID-19 crisis, there were indications that Australia and the Global economy was heading towards a more weakened economic environment than what we had experienced over the last decade. Some of these included:

- 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.

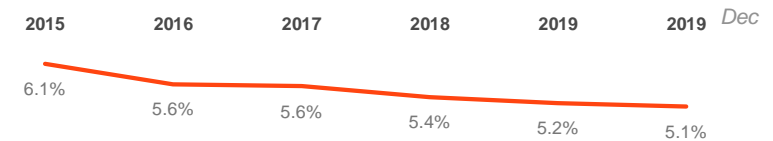
## Headline indicators - Australia

As at June

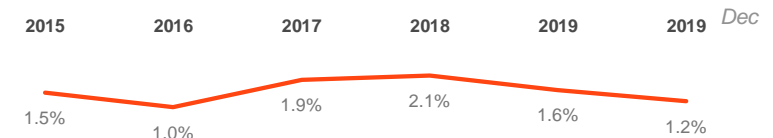
### GDP Growth



### Unemployment Rate



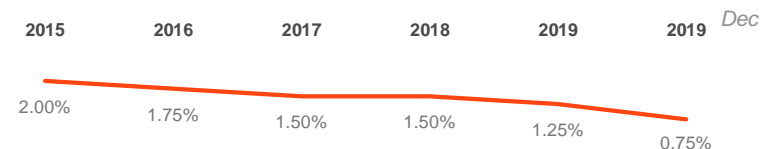
### Inflation



### Exchange Rate



### Cash Rate



Source: ABS Cat: 5206.0, 6202.0, 6401.0; RBA - Cash Rate, Exchange Rates

# Key industry outlooks\*

This section provides a national outlook for key sectors within The Hills Shire based on IBISWorld industry reports.

**\*Please note – these outlooks are based on pre-COVID-19 pandemic conditions\***

## Clothing Retailing

The Hills as a large retail sector with specialisations in food and non-food retailing. The sub-category Clothing Retailing is selected to illustrate the forces impacting the non-food retail sector.

Operators in the Clothing Retailing industry have faced several challenges over the past five years, including cautious consumer spending and intense competition, including from online shopping.

COVID-19 pandemic has placed restrictions on retailers, reducing in shopping activity and prompting negative consumer sentiment over the two years through 2020-21.

Industry revenue is forecast to grow at an annualised 0.8% over the five years through 2025-26

## Supermarkets and Grocery Stores

ALDI and Costco has forced Woolworths and Coles to remain price-competitive. In response, Woolworths and Coles have expanded their private-label product range, improved shopping experiences, added online shopping capabilities and offering loyalty programs and promotions. Smaller supermarket chains have struggled to compete. Revenue is forecast to grow by 2.1%, but employment is expected to fall by 0.1% p.a. (2021-2026).

Source: Ibisworld.com, 2019

## Medical and Surgical Equipment Manufacturing

The Hills has a large number of jobs in Medical and Surgical Equipment Manufacturing (sub-sector of Machinery and Equipment Manufacturing). Firms primarily manufacture medical, surgical and dental equipment. This sector (unlike many manufacturing sectors) has recorded strong revenue growth over the last five years. Major players ResMed (located at Norwest) and Cochlear produce high-tech medical equipment, which provides them with strong growth opportunities in supplying the local and overseas markets.

Industry products are often highly specialised, and require years of R&D and capital investment to reach major markets.

Australia's ageing population and expanding healthcare sector have increased domestic demand for medical and surgical equipment over the past five years.

The COVID-19 outbreak has created strong demand for equipment mainly used in ICUs for the treatment of the virus, such as ventilators, infusion systems and renal care products. Meanwhile, the lockdown and elective surgery restrictions have constrained sales of certain industry products, such as dental equipment and hearing aids.

Industry revenue is projected to increase at 3.7% and employment by 1.8% over next five years to 2025-26.

# Key industry outlooks\*

## Professional, Scientific and Technical Services

### Scientific Research Services

Medical research investment is anticipated to rise over the period, with the Federal Government pushing for greater investment in this field. However, this investment will likely come at the expense of renewable energy and other scientific fields, as the government slows or halts funding for some key research institutions. CSIRO's budget is anticipated to increase at a moderate rate over the next five years, with more revenue derived from non-government sources.

### Computer System Design and Related Services

The Computer System Design Services industry is anticipated to benefit from greater capital expenditure on software and existing computer system upgrades over the next five years.

### Management and Related Consulting Services

The Management Consulting industry is projected to perform strongly over the next five years, with government departments, finance companies and technology, media and communications firms anticipated to drive industry revenue growth over the period.

### Market Research and Statistical Services

Operators in the Market Research and Statistical Services industry will continue to provide services to advertising firms, media companies and other organisations that require consumer insights and other statistical research over the next five years.

## Tourism

### Accommodation

Revenue for the Accommodation industry is projected to grow modestly over the next five years. The Australian dollar is forecast to remain relatively weak over the period, which will likely boost inbound and domestic tourism. However, rising competition from alternative accommodation providers like Airbnb are anticipated to continue limiting industry growth over the next five years.

### Restaurants, cafes

Rising interest in foodie culture is forecast to underpin revenue growth in this industry over the next five years. Industry operators can look forward to further opportunities for growth, stemming from a projected increase in health consciousness, busier lifestyles and a greater focus on quality. These trends are anticipated to boost demand for higher margin premium products. The prevalence of small, specialty operators and intense competition will continue to affect the industry, requiring participants to achieve greater operating efficiencies.

## Agriculture

### Floriculture production (cut flowers)

Various factors have negatively impacted the Floriculture Product industry over the past five years, including falling domestic demand, adverse weather conditions and rising imports. As discretionary items, flower arrangements can be substituted with other products (e.g. chocolates, gift vouchers, experiences). But sales to supermarkets (lower value) have increased. The COVID-19 outbreak is expected to significantly affect the Floriculture Production industry, with revenue anticipated to decline by 17.5% in 2019-20. Looking forward, industry revenue is forecast to increase by around 3.8% p.a. (2020-2025).

### Vegetable growing

Greater health consciousness and higher household disposable incomes have boosted demand for vegetables over most of the past five years. But supermarkets are the primary sales channels for industry produce and this is constraining industry revenue growth. Initiatives that promote locally grown and organic produce are projected to aid revenue growth, as these products generally attract a premium price.

Source: Ibisworld.com, 2019

# Appendix

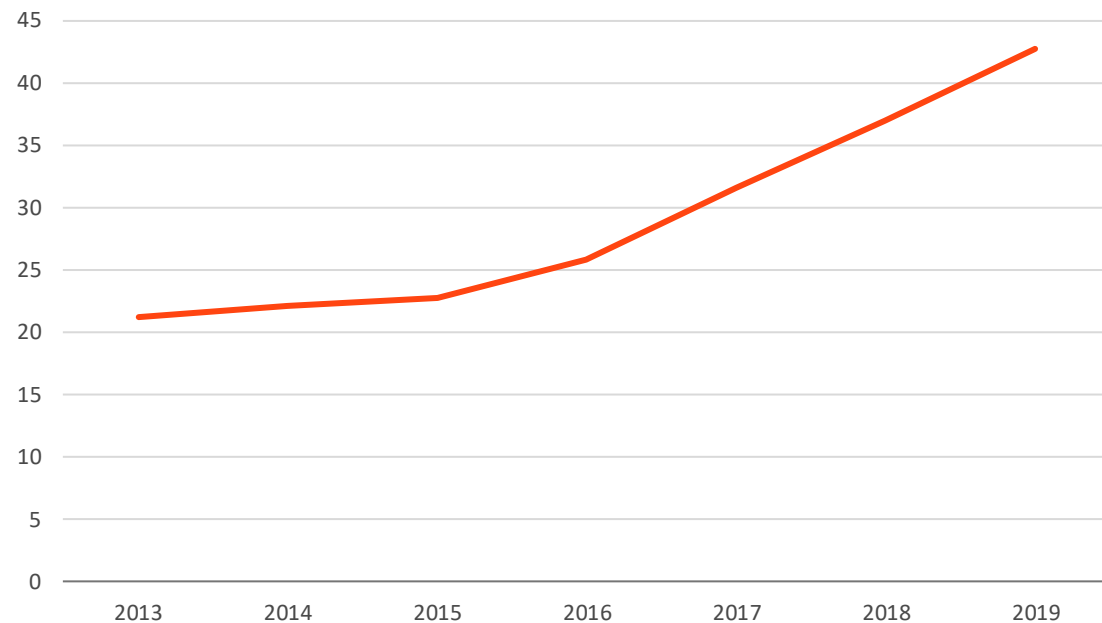
# Appendix 1: Tourism Trends

Over the last seven years to 2019, international visitors growth in The Hills Shire averaged at 12.3% per annum. The growth in the international visitors were higher than the Greater Sydney average of 7.2%.

During the same period, domestic overnight visitors grew at 2.6% per annum while domestic daytrip visitors grew at 1.6% per annum.

## International visitors - The Hills Shire

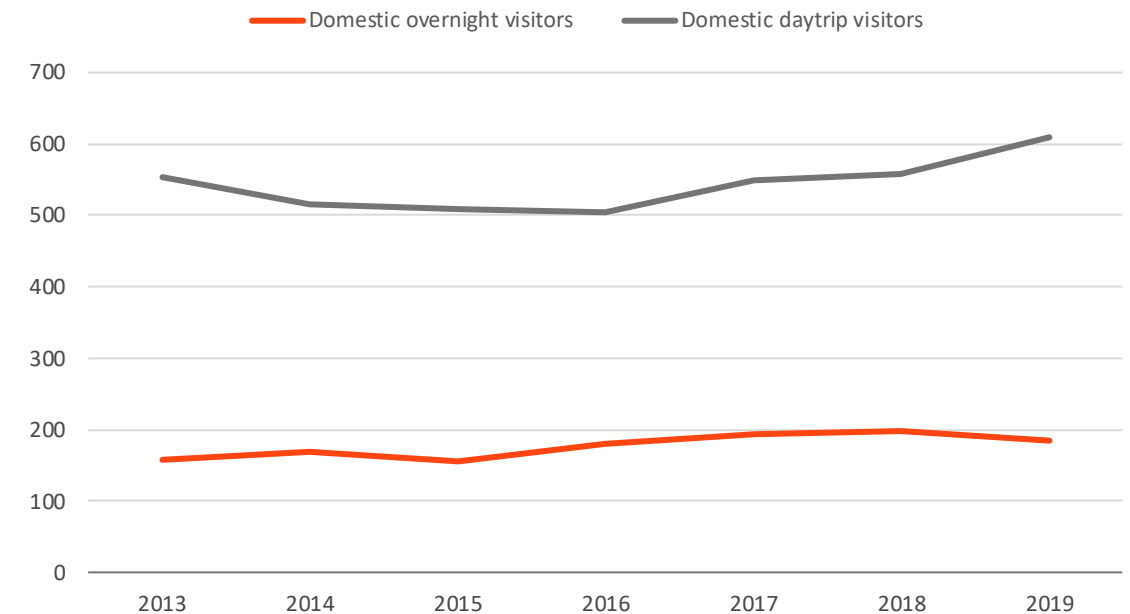
,000s (3 year rolling average)



Source: Tourism Research Australia, 2019; RBA 2019

## Domestic visitors - The Hills Shire

,000s (3 year rolling average)



Source: Tourism Research Australia, 2019; RBA 2019

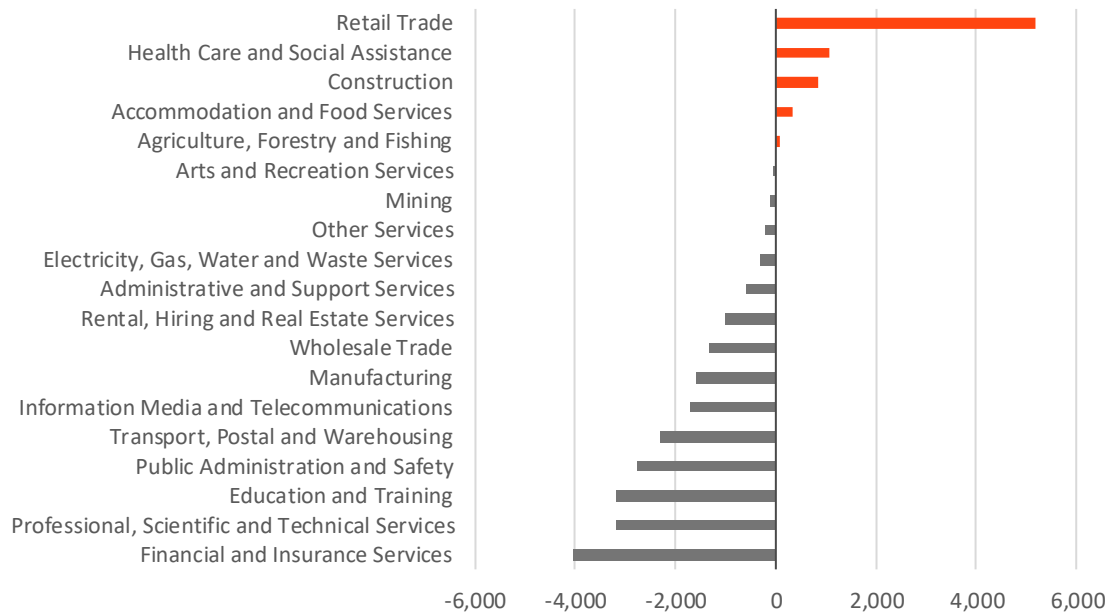


## Appendix 2: Job deficit by industry

Difference between local jobs (place of work) and employed residents (where they live). Shows a shortfall in local jobs across most Industries.

### Job deficit by industry - The Hills Shire, 2018/19

persons



Source: NIEIR (2019)



**.id**



**blog**

**in**



**f**

**id.com.au**

**newsletter**

**blog.id.com.au**

**.id - the  
population  
experts**

**@dotid**

**@population  
experts**