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# Transition Illawarra Initiative

*Update of the 2013  
Transition Illawarra Report*

RDA Illawarra

October 2015



An Australian Government Initiative



A NSW Government Initiative

**Deloitte.**

## Executive summary

The Transition Illawarra Initiative was launched by Regional Development Australia Illawarra (RDAI) in 2013 to identify ways to secure the Illawarra's economic future amid changing economic conditions in the region. For an economy traditionally reliant on manufacturing, the Illawarra faces both challenges and opportunities looking forward.

The 2013 report played a pivotal role in the identification of opportunities for the Illawarra region. This September 2015 document serves as a progress report, outlining changes to the economic environment in the past two years, and their impact on the Illawarra. However, the recommendations from the 2013 report remain valid, and there has been significant progress in implementing these.

Implementing these recommendations has been key to progressing the Transition Illawarra initiative. Goals and specific action items have been identified against the main focus areas of transport, health and ageing, business development, workforce development, housing and tourism. Progress against the recommendations is separate to this document.

Broad changes to the economic environment since 2013 include:

- Significantly lower interest rates (the RBA's cash rate is now at 2.%, down from 3% in early 2013), which have stimulated housing activity and retail spending;
- Depreciation of the Australian dollar, which has provided support for trade-exposed sectors including agriculture, manufacturing, tourism and education;
- Declining commodity prices, which have undercut Australia's national income and compromised the mining sector's profitability; and
- Rising house prices, especially in Sydney, which have improved the Illawarra's attractiveness relative to Sydney on the basis of housing affordability.

A range of key economic indicators have appeared favourable for the Illawarra region in the period since the 2013 report. Specifically:

- Employment in the Illawarra has grown by 6% between 2012-13 and 2014-15, compared to 2% in NSW as a whole;
- The unemployment rate in the Illawarra has declined from 7.1% to 6.5% between 2012-13 and 2014-15, whereas in NSW it has risen from 5.2% to 5.9%; and
- Workforce participation has risen from 57.3% to 58.3% in the Illawarra, and fallen from 63.4% to 63.1% in NSW as a whole.

Since the 2013 report, the global landscape has seen a structural shift in economic activity, much of which has flow on effects to the Illawarra region. China and Australia are experiencing separate yet interrelated transitions, both of which are underpinning fundamental changes in the Illawarra's economy:

- China is attempting to rebalance economic activity away from investment-driven growth towards more sustainable, consumption-led growth. Industrial production and investment flows into infrastructure have slowed, leading to lower steel demand, with considerable impacts on the Illawarra's coking coal exports;

- Australia is navigating its way from the investment and construction phases of the resources boom, to the export phase; and
- The Illawarra continues its transition from a reliance on industrial production (steel) and mining (coal), to a service, digital and knowledge-based economy.

Diversification of the Illawarra's economy is central to the region's growth and future prosperity. Regional economic development comprises both quantitative features (such as an increase in the stock of jobs) and qualitative features (such as diversification of the type of jobs created).

While manufacturing continues to be a vital component of the Illawarra's economy, industries including education, health and professional services will underpin the region's future employment growth. Institutions such as the University of Wollongong (UOW), and organisations such as RDAI, Illawarra Business Chamber and Clusters like i3Net will be crucial to the success of this transition.

As such, the Illawarra should continue to focus on fostering cooperative partnerships through the formation of mutually beneficial groups and clusters. These relationships should evolve in conjunction with the UOW to reap the benefits of this world-class research institution.

Both intra and inter-industry collaboration will assist with:

- Enabling greater supply chain management;
- Tourism operators creating joint visitor packages and options, and collaborative marketing strategies;
- Revitalise the region's manufacturing sector with an increasing focus on technological innovation and advanced manufacturing;
- Securing public sector funding and attracting private sector funds to invest in both physical infrastructure (roads and buildings), and strategic infrastructure (training, qualification attainment and technological infrastructure);
- Greater efficiency in generating new and innovative business ideas through integration of the region's most important industries, including the public sector (such as health, education) and the private sector (professional services, manufacturing, mining); and
- Bringing together the large pool of unemployed (including structurally unemployed, youth and older workers) with industries experiencing skills shortages (to be facilitated by retraining and skills development).

The Illawarra has seen considerable labour market improvements since 2013. The unemployment rate has fallen, labour force participation has risen, and average employment growth in the past two years has been more than double the rate in NSW and Australia.

That said, while the ageing of the population presents opportunities for higher employment in the health sector, it is expected to place strain on labour force participation going forward, with detrimental impacts on output growth.

Therefore, the Illawarra's economic progress will be reliant on its ability to create a range of employment opportunities for young people that will both allow and encourage them to stay

in the region, as well as targeting retraining for older workers. Jobs growth in diverse sectors will also improve the resilience of the region's economy to external shocks, thereby facilitating further sustainable economic development.