RDA Adelaide Hills Fleurieu & **Kangaroo Island**

Regional Economic Health Update

April 2022







informed decisions

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Data sources and definitions

- The economic and employment data of the RDA AHFKI and its sub-regions are developed by NIEIR. For more information on NIEIR and their methodology please refer to the RDA Adelaide Hills, Fleurieu and Kangaroo Island Economic economy.id website.
- The following data is used in this report:
 - Australian Business Register, GST Registration (2021)
 - Australian Bureau of Statistics, Building Approvals (2021)
 - Australian Bureau of Statistics, Regional Population Growth (2021)
 - Australian Bureau of Statistics, Census of Population and Housing 2006, 2011 and 2016 estimates
 - Australian Bureau of Statistics, Weekly Payroll Jobs and Wages in Australia (2021)
 - Department of Employment, Small Area Labour Market (2021)
 - Department of Social Services, JobSeeker and Youth Allowance (2021)
 - Forecast.id, Population projections (2021)
 - Google Mobility (2021)
 - NIEIR (National Economics), Small area estimates of employment and economic value (2022)
 - Tourism Research Australia (2021)
- The following terms and acronyms are used in this report:
 - ABS: Australian Bureau of Statistics
 - **DZN:** Destination Zone (ABS Journey to Work small area geography)
 - Greater Adelaide: Geographic area classified as Greater Capital City
 Statistical Area by the ABS

- LGA: Local Government Area
- LQ: A Location Quotient is a way of seeing which are the main industries in an area, relative to a larger benchmark region. A number greater than 1 suggest the industry is over-represented locally and could be a specialisation
- RDA AHFKI: RDA Adelaide Hills, Fleurieu and Kangaroo Island
- Regional South Australia: Geographic area classified as Regional Statistical Area by the ABS
- SA2: Statistical Areas Level 2 (SA2) are medium-sized general purpose areas used by the ABS for statistical analysis purposes
- Broad industry classification to ANZSIC2006 1-Digit classification Concordance

Broad Industry	ANZSIC 2006 1 Digit Code Name
	Information Media and Telecommunications
	Financial and Insurance Services
Business services	Rental, Hiring and Real Estate Services
	Professional, Scientific and Technical Services
	Administrative and Support Services
Coods distribution	Wholesale Trade
Goods distribution	Transport, Postal and Warehousing
Coods transformation	Manufacturing
Goods transformation	Construction
	Electricity, Gas, Water and Waste Services
Household services - essential	Public Administration and Safety
Household Services - essential	Education and Training
	Health Care and Social Assistance
	Retail Trade
Household services - non-essential	Accommodation and Food Services
Household Services - Horr-esserillar	Arts and Recreation Services
	Other Services
Drimary production	Agriculture, Forestry and Fishing
Primary production	Mining
	PDA AHEKI Pagianal Economia Haalth Undata

Executive summary

Introduction

This report provides a targeted economic analysis of the RDA Adelaide Hills, Fleurieu and Kangaroo Island's (RDA AHFKI) economy. The report focuses on the period from 2017 to 2021 to assess recent economic performance, growth drivers and competitive advantages; assess the immediate impacts and recovery from COVID-19; the likely future economic outlook from 2022 to 2027; and concludes with long-term economic challenges and opportunities. This information can support the preparation of an Economic Development Strategy and help prioritise actions required to address emerging challenges and opportunities.

Strong economic growth driven by increase in population and productivity Economic growth outperforming other RDAs and the state on average

The RDA AHFKI's economy is currently in an expansionary phase and was one of the best RDA in South Australia over the period from 2017 to 2021. The RDA ranked top in GRP growth and third in jobs growth during the same period. This strong growth was driven by:

- **Population growth:** Population growth was the top contributor to economic growth, growing by 1.6% per annum or more than 2 times the state average. The population growth was driven by net domestic migration from metro Adelaide and has supported an increase in population service industry jobs (education, construction and health).
- Construction projects: Strong population growth has increased residential and non-residential buildings approvals in population service buildings (retail and wholesale, education and aged care buildings). The new buildings will provide important employment space for economic and jobs growth in the future.
- **Increased tourism:** Tourism visitation to the region increased strongly at 4.6% per annum, twice as fast as the state.
- Strong growth in export oriented industries: Strong growth in the region's highly competitive export oriented industries supporting growth in jobs, economic value and productivity. These industries are: Agriculture, food and beverage processing, beauty product (chemical) manufacturing and metal ore (copper) mining.

Strong recovery from the impacts of COVID-19

The economy is relatively less impacted compared to other RDA and the state average However, the job impacts were high on hospitality, retail and education sector jobs due to social distancing measures.

Economic recovery was driven by Agriculture, Manufacturing, Construction and Tourism Strong agricultural commodity demand and prices coupled with high production meant a significant increase in agriculture output and food and beverage manufacturing. Strong residential building construction activities from high domestic migration. Tourism visitation rebounded strongly in the latter half of 2020 but the recovery was interrupted by the Delta variant outbreak. However, the impact of the Delta and Omicron outbreak was low, where jobs decreased following the outbreaks but rebounded immediately after.

Despite the strong recent growth, regional drivers present challenges to sustainable growth

The RDA AHFKI covers a large area and has a diverse mix of demography. The region has strength in the agriculture, food processing and tourism, lifestyle and regional residential and also serves as a commuter base for residents travelling to Adelaide for work. Despite the strong recent performance, the socio-economic profile identified challenges for sustaining economic growth. These are:

- Reliance on population for job growth: To a large degree, the region's economy will be
 driven by growth in businesses to serve its growing population, despite the recent strong jobs
 growth in export oriented industries. This will support job growth in population serving industries
 such as health, education, retail and hospitality. Ageing of the population will also support the
 health, residential care and wellness related services.
- Shortage of skilled workforce: Resident education attainment and skills lower than the South Australia average in Fleurieu Peninsula and Kangaroo Island. Most future jobs are expected to require post-school qualifications. There is a need to address the local skill gaps to sustain growth and meet future workforce needs.
- Exposed to emerging forces: The region's reliance on the population to grow its economy makes it exposed to a range of forces such as the shift to online shopping (retail), government spending (health sector) and more recently COVID-19 (services).



Executive summary (cont)

The outlook suggests GRP will continue to grow, but jobs growth will face challenges unless interventions are made

Slowdown in jobs growth as the region faces macroeconomic headwinds

In the next five years to 2027, RDA AHFKI's GRP growth is forecast to be strong at 2% per annum, driven by a strong performance from the agriculture, health care and mining industries. However, job growth is forecast to be 0.4% per annum, significantly lower than the historical growth rates. This is driven by low jobs growth in export oriented and labour intensive service industries due to a fall in household discretionary spending from higher interest rates, reduced government stimulus expenditure, shortage of workers and heightened business risks. The low jobs growth highlights that the economy will continue to be exposed to external forces.

Forecast continued reliance on population for jobs growth

With low jobs growth forecast in export oriented industries, over 60% of the jobs growth from 2022 to 2027 is forecast to be from population serving industries, Health, Hospitality, Education and Other Services. COVID-19 has increased the attractiveness of regional living and increased domestic migration into the region. However, the population growth might decrease post COVID-19 as the metro areas draw the population back in.

Ageing population and shortage of workers

The forecast estimates a strong increase in professional or community/personal service occupations and a greater demand for workers with higher qualifications in the next five years. Moreover, the forecast indicates a significant increase in demand for health care professionals to support its fast growing and ageing population base. Australia is already facing shortages of these workers and is likely to become even more scarce in the future. The region will face difficulties servicing the resident's healthcare needs unless the region can secure a good supply of healthcare workers.

COVID-19 will present new and accelerate long term challenges and opportunities

The future trajectory of the RDA AHFKI's economy will be influenced by several regional, national, and global trends that drives change in the environment in which the region is located. These trends present both challenges and opportunities to the region's potential future growth. The key challenges and opportunities include:

Challenges

- COVID-19 outbreak had a positive impact on the population growth of the region. However, the region may lose population, especially younger working age, once the cities start drawing in the population again.
- Ageing population and decreasing labour force participation rate may limit economic growth potential.
- The ageing population requires a significant increase in health professionals. Australia faces a significant shortage of health professionals, especially in regional areas. The outbreak of COVID-19 intensified this shortage by limiting the inflow of overseas health professionals.
- Substantial job deficit in knowledge based professional business service industries due to wage differential with the metro Adelaide and lack of larger commercial enterprises.
- Industry growth and development, especially in professional business service areas, may be limited by low education levels.
- New technology may increase automation which places lower skilled working residents at risk of job losses.
- Low levels of digital literacy in small businesses may be negating the potential to grow sales/market beyond the region's boundary.

Opportunities

- A strong residential and non-residential building pipeline will support economic activity over the coming years.
- Population ageing and new health and aged care facilities will help further growth in the Healthcare industry.
- An increase in remote working for white collar office based employees may promote skilled residents to move into the region supporting local retail and providing incentives for new coworking facilities.
- Shift to online learning could also support campus-style university centres in regional areas. Businesses maybe also need support (e.g. skills development, networks, incubators, etc).
- New technology such as AI and 5G connected systems have the potential substantially grow the value of agriculture, mining, manufacturing and construction related areas, as well as generate new opportunities.
- · Enhancing reputation as a centre of excellence for natural products.



Contents page

How is the economy performing?

Page 7

07

What is the profile of Activity Centres?

Page 53

02

What is driving recent economic conditions?

Page 13

80

What does demography and Socio-economics look like?

Page 58

03

Which industries are driving recent growth?

Page 22

09

years?

Page 66

Where is the

in the next 5

economy heading

04

Which industries are competitive and how is this changing?

Page 28

10

What macro forces may influence outlook?

Page 72

05

What happened during the COVID pandemic shock?

Page 36

06

How is the recovery from the COVID pandemic going?

Page 43

What are the future opportunities and challenges?

Page 79



How is the economy performing?



Substantial economic growth driven by increasing productivity and population base

RDA AHFKI generated \$5,923m in GRP and supported an estimated 42,263 jobs in 2020/21. This represents 5.1% of South Australia's economy in terms of GRP (4.9% in terms of local jobs).

The economy in terms of GRP has been expanding over the last 4 year with annual average GRP growth rate of +2.3%. Similarly, the number of local jobs increased at an average of +1.4% per annum during the same period.

Population wise RDA AHFKI represents 7.6% of South Australia's total population. Population increased by +1.6% per year between 2017 and 2021, above the South Australia average.

In the September Quarter 2021, RDA AHFKI's unemployment rate was 4.9%, lower than the average of 5.2% between 2016/17 and 2020/21. The region's unemployment rate was lower than the South Australia average (5.9% in Sept 2021) and was 0.3% points lower than recorded in the June Quarter 2017.

Tourism visitation grew by +4.6% per year between 2017 and 2021, well above the South Australia average of (+2.8%) per year.

RDA AHFKI economy in 2020/21

Indicator	As at 2020/21	2017-2021 avg growth rate p.a. (South Australia)
GRP	\$5,923m	+2.3% (+1.5%)
Employment	42,263 jobs	+1.4% (+1.1%)
Population	134,661 residents	+1.6% (+0.7%)
Unemployment Rate	4.9% (of the resident labour force aged +15)	-0.3% (-0.8%) *Percentage points
Tourism Visitors	4,681,568 (3 year rolling average)	+4.6% (+2.8%)



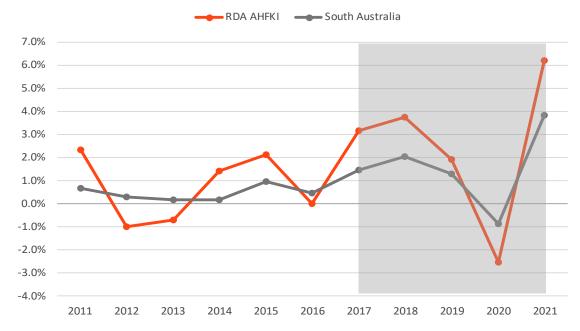
Top economic growth compared to other RDAs in South Australia. The economic rebound in 2021 was driven by an increase in agricultural value.

Over the decade to 2021, RDA AHFKI GRP grew at 1.4% per annum, above the South Australia average (1.0% per annum). Recent growth has been even higher. In the last 4 years, the region's GRP has increased by 2.3% per annum.

Compared to other benchmarks areas, RDA AHFKI had the highest GRP growth over the period from 2017 to 2021 (2.3% per annum). The average annual GRP growth rate of South Australia during the same period was 1.5% per annum.

Growth in GRP - RDA AHFKI

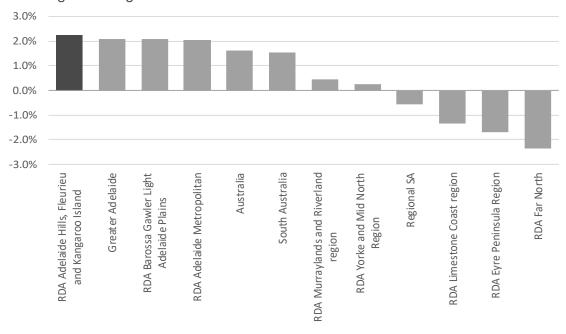
% per annum



Source: NIEIR, 2022

Growth in GRP compared to benchmarks, 2017 to 2021

% average annual growth rate



Source: NIEIR. 2022



Jobs growth was higher than the South Australia average and ranked third highest compared to other RDAs.

From 2011 to 2021, RDA AHFKI local jobs grew at 0.9% per annum, above the South Australia average (0.6% per annum). In the last 4 years, RDA AHFKI local jobs growth has been higher compared to the period from 2011 to 2021. From 2017 to 2021, local jobs has increased by 1.4% per annum.

The RDA AHFKI local jobs growth of 1.4% per annum was third highest compared to other RDAs in South Australia over the period from 2017 to 2021. During the same period, the growth rate was higher than the Greater Adelaide (1.2% p.a.) and the state (1.1% p.a.) averages.

Growth in Local Jobs - RDA AHFKI

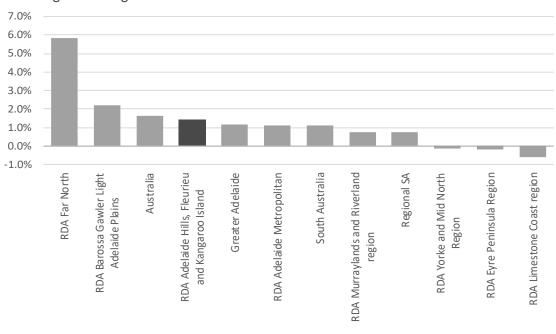
% per annum



Source: NIEIR, 2022

Growth in local jobs compared to benchmarks, 2017 to 2021

% average annual growth rate



Source: NIEIR. 2022



Unemployment rate has been generally lower than other RDAs and the state average

RDA AHFKI's unemployment rate was 5.9% in June Quarter 2021, up 0.7 % points since June Quarter 2017. Its unemplyment rate was lower than the South Australia average.

RDA AHFKI's average unemployment rate of 5.2% over the period from June 2017 to June 2021 was ranked third lowest among South Australian RDAs. During the same period, the RDA's average unemployment was also lower than the state (6.3%) and Australia (5.6%) averages.

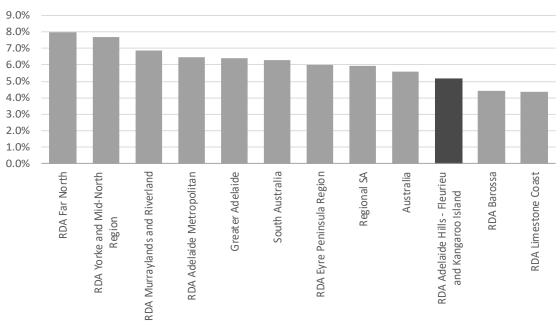
Unemployment rate - RDA AHFKI

% South Australia RDA AHFKI 8.0% 7.0% 6.0% 3.0% 2.0% 1.0% 0.0% 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Source: ABS Labour force survey (2022); Department of Employment SALM (2022)

Average unemployment rate

%, from June-2017 to June-2021



Source: ABS Labour force survey (2022); Department of Employment SALM (2022)



Fast economic growth in the Adelaide Hills region in contrast to the low growth economy in Fleurieu Peninsula and Kangaroo Island

The sub-regions in the RDA AHFKI region have a significantly different economic growth trajectory in the last four years to 2021. The economy of the Adelaide Hills region (comprising Adelaide Hills Council and Mount Barker District Council areas) grew at a fast pace well above the metro and the state averages. During the same period, Fleurieu Peninsula (Alexandria, Victor Harbour and Yankalilla) and Kangaroo Island sub-regions experienced a fall in jobs and a marginal growth in GRP despite recording population growth (the biggest driver of economic growth in the RDA AHFKI region as a whole) on far or marginally lower than the Adelaide Hills region.

Economy of Sub-regions

		Adelaide Hills	region		Fleurieu Penin	sula		Kangaroo Islan	d
Indicator	2021	2017 — 2021	2017-21 growth rate p.a.	2021	2017-2021	2017-21 growth rate p.a.	2021	2017-2021	2017-21 growth rate p.a.
GRP(\$M)	3,724	3.2K 3.7K	3.6%	1,925	1.9K • 1.9K	0.1%	274	267 274	0.7%
Local Jobs	25,699	23.3K 25.7K	2.5%	14,240	14.3K 14.2K	-0.1%	2,324	2.4K • 2.3K	-0.8%
Population	79,208	74.4K • 79.2K	1.6%	50,345	47.3K • 50.3K	1.6%	5,108	4.9K	1.2%
Unemployment Rate (%)	5.8%	5.1% 5.8%	0.7%	6.3%	5.5% 6.3%	0.7%	4.1%	3.7% 4.1%	0.4%
Tourism Visitors	1,541,759	1.3M • 1.5M	3.5%	2,861,214	2.4M • 2.9M	4.6%	278,595	171.3K • 278.6K	12.9%



What is driving recent economic conditions?



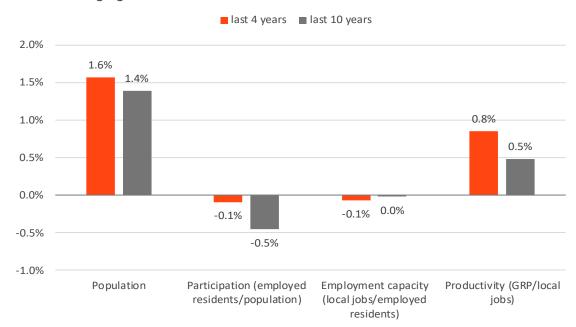
Economic growth driven by population and productivity boosts in the recent years. However, declining participation rates detracted from growth.

The main contributor to economic growth in the RDA AHFKI region was an increase in population, followed by productivity gain. Over the last four years to 2021, the increase in population and productivity added another, respectively, +1.2% and +0.8% to economic growth.

Compared to the South Australia, RDA AHFKI had higher components of growth in population, productivity, and lower components of growth in participation, employment capacity, during the period from 2017 to 2021.

Components of growth - RDA AHFKI

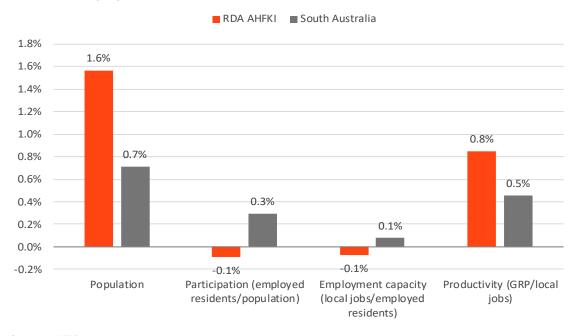
Annual average growth %



Source: NIEIR, 2022

Components of growth - RDA AHFKI, last 4 years

Annual average growth %



Source: NIEIR. 2022

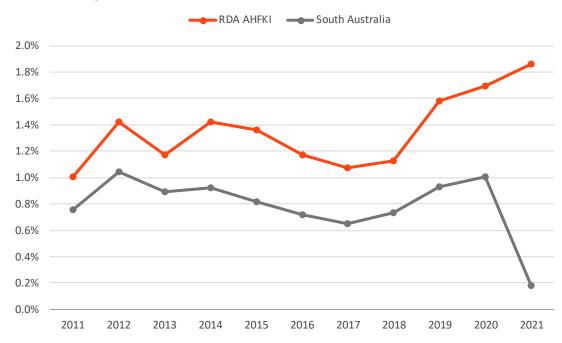


COVID-19 had a positive impact on net internal migration, driving population growth

The region's population growth was undeterred by the outbreak of COVID-19, unlike population growth in South Australia as a whole. The strong population growth was driven increased internal migration to regional areas. Over the last four years to 2021, RDA AHFKI's population increased by 1.4% per annum. This growth was higher than the South Australia average (0.8% per annum) and the region's 10 year average growth rate (1.3% per annum).

Recent population growth - RDA AHFKI

Annual Change in ERP %

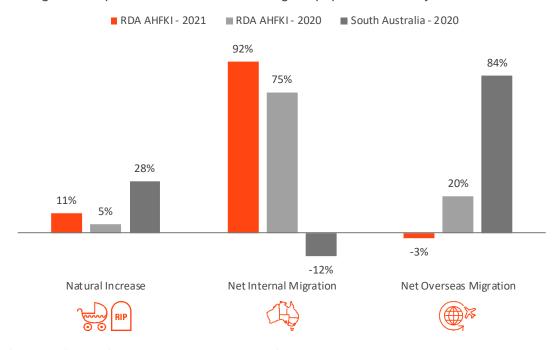


Source: ABS, 2021, Cat: 3218.0 - Regional Population Growth, Australia, 2019-20

The overwhelming contributor to population growth in 2020 and 2021 was net internal migration (people moving in minus those moving out of the LGA within Australia). The natural increase (births minus deaths) was relatively low as the component is influenced by the older age profile. The net overseas migration (people arriving from overseas minus those leaving) contributed 20% to the population growth in 2020 and subsequently dropped to -3% in 2021 due to international border restrictions.

Population growth components 2020-2021 - RDA AHFKI

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



Source: ABS, 2022, Cat: 3218.0 - Regional Population Growth, Australia, 2020-21



Population growing faster than jobs and more residents are working outside the RDA

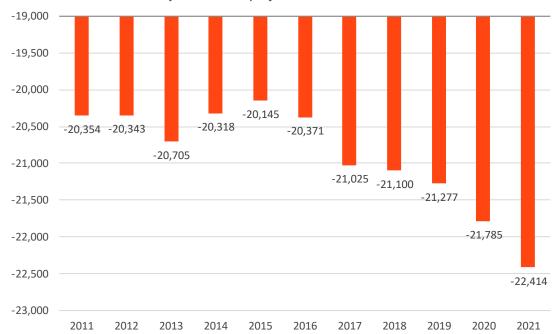
In 2021, there were 22,414 less jobs than employed residents. This suggests the region is not generating enough jobs to support its residence base, or neighbouring regions provide better opportunities.

This jobs 'deficit', difference between jobs and residents, has grown by 1,389 over the period from 2017 to 2021.

The share of residents working outside the RDA AHFKI region increased between 2011 and 2016. This is driven by a strong population increase in the Adelaide Hills region, where more residents are commuting into the inner metro area looking for opportunities because local jobs are not matching their needs.

Employment capacity - RDA AHFKI

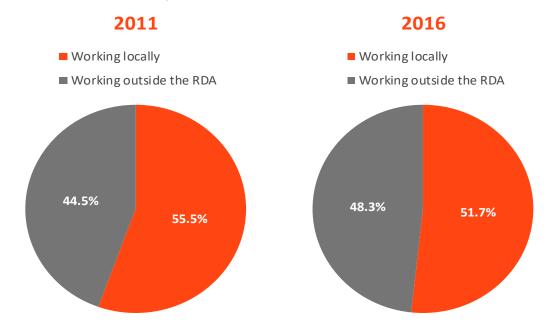
Difference between local jobs and employed residents



Source: NIEIR, 2022

Employment self containment - RDA AHFKI

Share of residents working locally



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



The pipeline of non-residential building project should support job growth over the short term, especially within the education, retail, hospitality and aged care sector.

The average annual value of building approvals over the last four financial years (\$525M) has been above the nine year long average (\$423M). The value of non-residential building approved in 2021 was up 246% compared to 2017, while residential building approved was up 70%.

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

Building approvals - RDA AHFKI

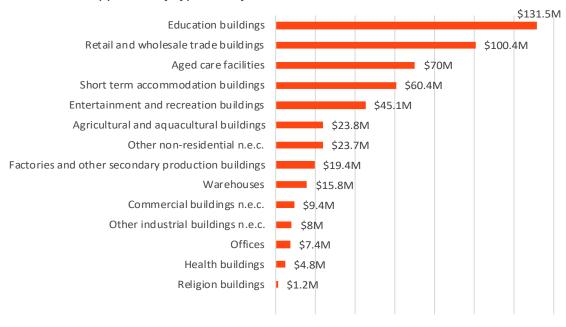
Annual value approved



Source: ABS, 2021, Cat: 8731.0 - Building Approvals, Australia

Non-residential approvals - RDA AHFKI, last 4 years

Annual value approved by type, four years to Jun-2021



Source: ABS, 2021, Cat: 8731.0 - Building Approvals, Australia



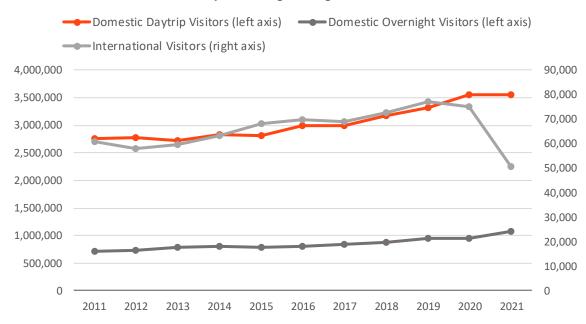
Rapid increase in tourism visitation prior to COVID-19. The visitation growth rebounded strongly in 2021.

Over the 4 year period to 2021, the domestic overnight visitation increased by 6.3% per annum, while the domestic daytrip increased by 4.4% per annum. COVID-19 had a significant impact on the international visitation, falling 32.7% in 2021 compared to 2020. Pre COVID-19, international visitation was growing strongly at 3.2% per annum over the period from 2015 to 2019.

COVID-19 had a significant impact on the domestic and international visitation growth in 2020. However, the visitation growth recovered strongly in 2021, growing by 8.9% compared to 2020. In comparison, the visitation decreased by 3.3% in South Australia as a whole over the same period.

Visitation by type - RDA AHFKI

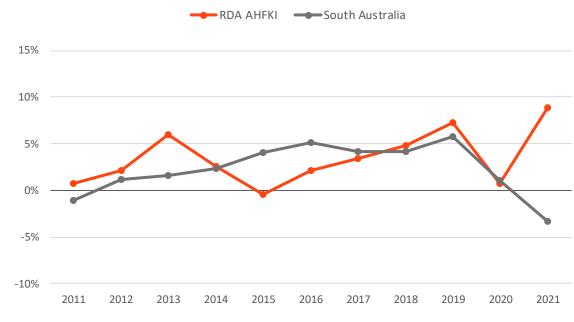
Estimated number of visitors, 3 year rolling average



Source: Tourism Research Australia, 2022

Domestic Overnight and International Visitors

Annual % change, 3 year rolling average



Source: Tourism Research Australia, 2022

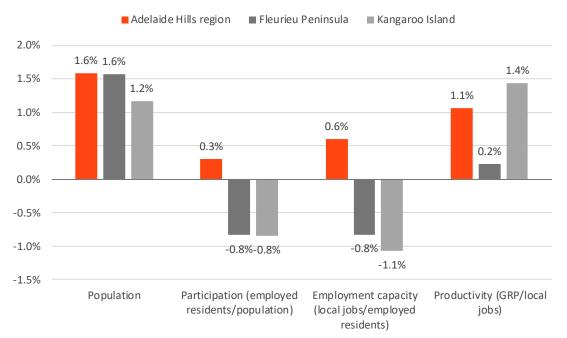


High population growth drives economic growth in all sub-regions. Declining participation and low jobs growth are detractors to growth in Fleurieu Peninsula and Kangaroo Island.

Over the period from 2017 to 2021, the main contributor to economic growth in all three sub-regions was population growth. The labour productivity (GRP per job) was positive for all sub-regions, suggesting a relative increase in higher-value jobs during the four year period. However, jobs per capita growth (influenced by labour force participation) and employment capacity (jobs per employed residents) decreased significantly in Fleurieu Peninsula and Kangaroo Island sub-regions.

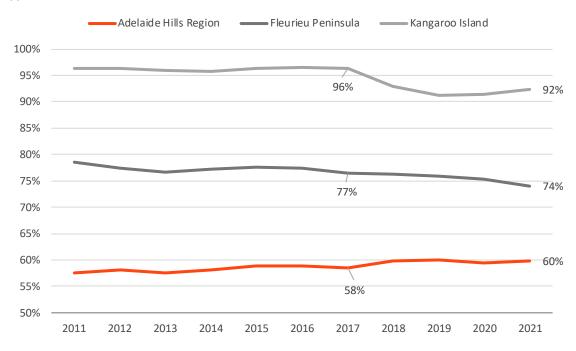
Components of growth - Sub regions, last 4 years

Annual average growth %



This suggests an ageing population and residents are leaving the jobs market due to not being able to find jobs within the sub-region. Over the last decade to 2021, the jobs to workers (or employment self-containment) rate continued to decrease in Fleurieu Peninsula and Kangaroo Island sub-regions. Given the relatively high population growth rate, this suggests the sub-regions are not generating enough jobs for the residents.

Jobs to workers ratio



Source: NIEIR. 2021



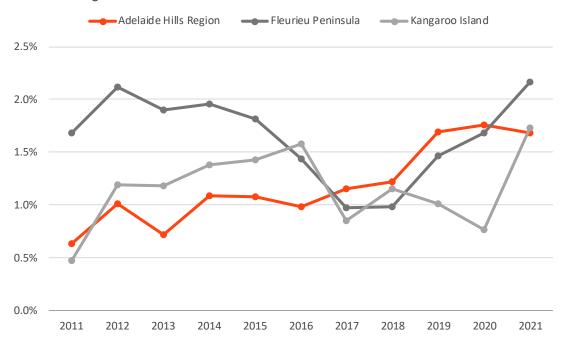
Domestic migration driving population growth in all sub-region. Kangaroo Island is also dependent on international migration for population growth.

The outbreak of COVID-19 had a positive impact on the population growth of Fleurieu Peninsula and Kangaroo Island. Population growth in the Adelaide Hills region remained strong in 2021. The majority of the population growth was driven by increased domestic migration to the sub-regions. The average population growth from 2017 to 2021 was 1.6% per annum for both the Adelaide Hills region and Fleurieu Peninsula while Kangaroo Island's population increased by 1.2% per annum.

Before COVID-19, the net internal migration was the main driver of population growth in the Adelaide Hills region and Fleurieu Peninsula. Population growth in Kangaroo Island was driven by both internal migration and overseas migration into the subregion.

Recent population growth - Sub-regions

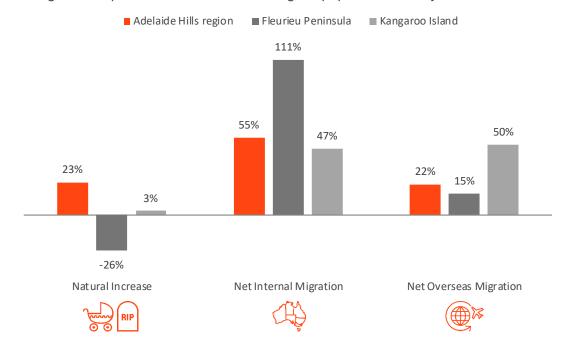
Annual Change in ERP %



Source: ABS, 2021, Cat: 3218.0 - Regional Population Growth, Australia, 2019-20

Population growth components 2020 - Sub-regions

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



Source: ABS, 2022, Cat: 3218.0 - Regional Population Growth, Australia, 2020-21



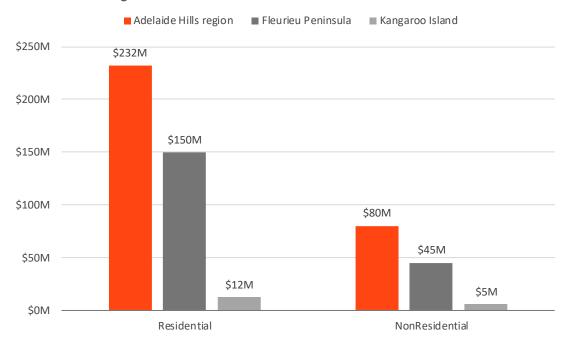
Strong building approvals activity in all sub-regions. Tourism visitation in Fleurieu Peninsula and Kangaroo Island is on a strong upward trajectory.

Over the period from 2017 to 2021, all three sub-regions had relatively high average annual building approvals compared to the overall size of their economy. The annual average residential building approvals were \$312 million in the Adelaide Hills region (8.4% of GRP in 2021), \$195 million in Fleurieu Peninsula (10%), and \$17 million in Kangaroo Island (6.2%).

Over the 4 year period to 2021, the domestic overnight and international visitation exhibited a strong upward trend in Fleurieu Peninsula and Kangaroo Island. The growth in visitation to the Adelaide Hills region has declined during the same period. However, all three growth in visitation rebounded in all three sub-regions post COVID-19.

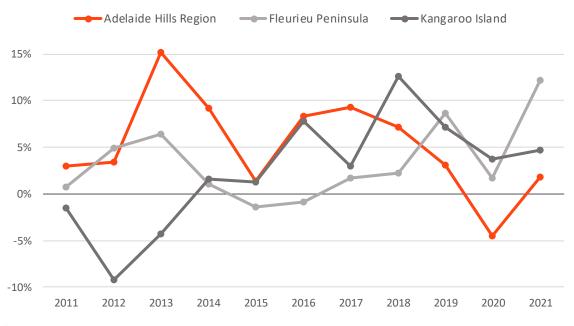
Average Building Approvals - 2017 to 2021

\$M, annual average



Domestic Overnight and International Visitors by sub-region

Annual % change, 3 year rolling average



Source: Tourism Research Australia, 2022

Source: ABS Building Approvals, 2022



Which industries are driving recent growth?



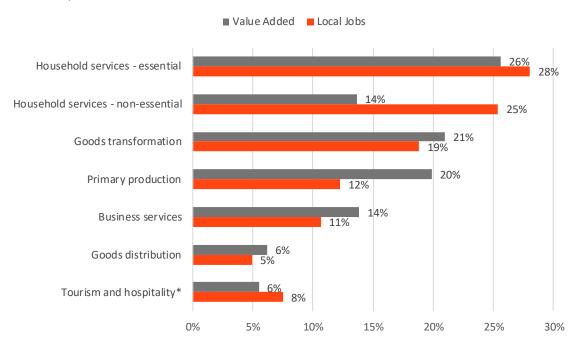
Region's economy is dominated by Household Service industries, Agriculture, Construction and Manufacturing

The main role of the RDA AHFKI's economy is a population service role. Subsequently, the economy is dominated by industries in household services, supporting over 50% of jobs in the region. However, goods transformation industries (e.g. construction and food product manufacturing) also make an important contribution to the economy, generating 21% of all economic value and supporting 19% of all jobs in the region.

Three top industries supporting the greatest number of jobs were population driven industries: Health care, Retail and Education and Training. Three top economic value generating industries were also population driven industries: Agriculture, Construction and Manufacturing.

Industry profile - RDA AHFKI

% of total, 2021



Source: NIEIR, 2022 | * Includes activities from other industries

Top 4 Industries in 2021

Jobs Health Care and Agriculture, Forestry **Education and** Retail Trade Social Assistance and Fishing Training 5,523 jobs 4,563 jobs 4,216 jobs 4,144 jobs (13.1%)*(10.8%)*(10.0%)*(9.8%)*Value Added Agriculture, Forestry **Health Care and** Manufacturing Construction and Fishing Social Assistance \$659m \$504m \$457m \$398m (9.2%)** (15.3%)** (10.6%)** (11.7%)**

Source: NIEIR, 2022 | * % of local jobs in RDA AHFKI; ** % of value added in RDA AHFKI



High share of economic value generated by agriculture, tourism and population service sectors in subregions compared to the state average. However, white collar industries are under-represented.

The RDA AHFKI's all sub-regions had a relatively high share of the value generated by agriculture, construction, hospitality and tourism industries. Particularly, the agriculture and tourism industry's share of total economic value was significantly higher than the South Australia average. Adelaide Hills region and Fleurieu Peninsula sub-regions had a relatively similar industry pattern, reflecting the population service role of these sub-regions. However, all three sub-regions were significantly under-represented in terms of professional, finance, IT and business service industries.

Share of value added by industry sector

% of total, 2021



Source: NIEIR, 2022 | * Includes activities from other industries; Preliminary Value

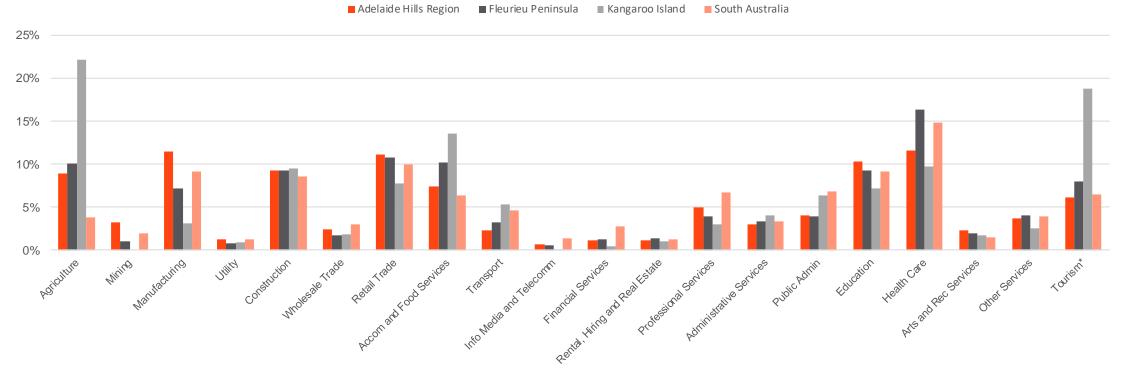


Population serving industries dominate jobs in the Adelaide Hills region and Fleurieu Peninsula subregions. Kangaroo Island has a high share of jobs in the agriculture, tourism and hospitality industries.

Adelaide Hills region and Fleurieu Peninsula sub-regions have a high share of jobs in population serving sectors, such as construction, retail and hospitality, education and other services. Similar to economic value, Kangaroo Island has a high share of agriculture, tourism and hospitality jobs. Jobs in high value generating Finance, Public Administration and Professional services were underrepresented compared to the South Australia average.

Share of total jobs by industry sector

% of total, 2021



Source: NIEIR, 2022 | * Includes activities from other industries; Preliminary Value



Large jobs growth in export oriented agriculture, manufacturing and mining industries, and population oriented education, construction and health industries. Retail and hospitality jobs fell due to a slow down in the state's economy in 2019 and the outbreak of COVID-19

Over the last 4 years, the major drivers of productivity and job growth included: Manufacturing, Education and Training, Construction, Health Care and Social Assistance, Agriculture, Forestry and Fishing.

Industry performance - RDA AHFKI



Source: NIEIR, 2022 | * Includes activities from other industries

The main detractors of economic value and job growth included: Other Services, Transport, Postal and Warehousing, Tourism and Hospitality *, Information Media and Telecommunications, Accommodation and Food Services.

The good news

- Manufacturing employment picked up over the last four years driven by food and beverage manufacturers across the region and Jurlique, a cosmetics company, opening a Natural Beauty Plant in the Mount Barker district.
- Strong population growth has increased the demand for Preschool and School **Education** in high areas like Mount Barker.
- **Mining** related employment growth from Kanmantoo copper-gold mine in Mount Barker district. The mine's strong performance is expected to continue well into the future with a strong copper price and recent upward adjustment of available copper resources in the mine.
- Construction jobs growth is driven by a strong pipeline of residential and non-residential building activities.
- Strong jobs growth in non-essential medical and allied health services, child care and social assistance services (part of the **Health Care and Social Assistance** industry).
- Agriculture, Forestry and Fishing jobs have increased in the last four years driven by strong agriculture production and commodity prices.

The bad news

- Retail trade, Accommodation and Food Services and Tourism employment decreased significantly due to the outbreak of COVID-19 and is still below the pre –COVID level as of 2021. However, the Retail trade industry was already experiencing a decline since 2018 with an ongoing shift towards online shopping.
- Jobs in non-essential business support services, such as Building Cleaning, Pest Control and Other Support Services (part of Administrative and Support Services) decrease during the economic slowdown. The industry's employment decreased significantly following the state slowdown in 2019. The industry staged a recovery in 2020 but subsequently fell in 2021 following the outbreak of COVID-19.



Strong performance in most industries in the Adelaide Hills region apart from the industries exposed to the impacts of COVID-19. Industry performance is uneven in Fleurieu Peninsula and Kangaroo Island.

Value added growth was driven by primary, manufacturing and population serving industries in the Adelaide Hills region. Population service industries drove value added growth in Fleurieu Peninsula and Kangaroo Island. Professional and business services underperformed (compared to other industries) in all three sub-regions as the region has low strength in this sector.

Value Added Industry Performance - Sub regions

Last 4 years (2017-2021), \$M

Industry	Adelaide Hills Region	Fleurieu Peninsula	Kangaroo Island
Agriculture, Forestry and Fishing	\$56.2	-\$17.6	\$2.5
Mining	-\$4.4	\$4.1	\$0.0
Manufacturing	\$105.3	-\$7.7	-\$3.1
Electricity, Gas, Water and Waste Services	\$23.4	-\$1.4	-\$0.2
Construction	\$47.5	-\$5.9	\$6.5
Wholesale Trade	\$39.3	\$3.8	-\$1.0
Retail Trade	-\$3.1	\$4.2	-\$1.1
Accommodation and Food Services	-\$15.5	-\$4.9	-\$3.0
Transport, Postal and Warehousing	-\$33.8	-\$11.2	\$0.7
Information Media and Telecommunications	-\$1.6	-\$1.4	-\$0.1
Financial and Insurance Services	\$5.7	-\$2.6	-\$1.5
Rental, Hiring and Real Estate Services	\$10.6	-\$7.6	-\$0.5
Professional, Scientific and Technical Services	\$9.5	\$5.7	\$0.2
Administrative and Support Services	-\$9.6	-\$8.2	-\$3.2
Public Administration and Safety	\$42.4	\$3.5	\$1.2
Education and Training	\$24.4	\$18.9	\$1.5
Health Care and Social Assistance	\$41.1	\$7.0	\$4.6
Arts and Recreation Services	\$10.4	\$4.3	\$0.7
Other Services	-\$6.4	-\$4.3	-\$0.6

Education jobs grew in all three sub-regions while retail trade jobs fell. Adelaide Hills region's jobs growth is driven by population service industries and goods production industries, such as agriculture, mining, manufacturing and construction sectors. Jobs growth in Fleurieu Peninsula was uneven across industries while jobs in most industries decreased in Kangaroo Island except for a significant increase in construction jobs due to the bush fires recovery.

Local Jobs Industry Performance - Sub regions

Last 4 years (2017-2021), Jobs

Industry	Adelaide Hills Region	Fleurieu Peninsula	Kangaroo Island
Agriculture, Forestry and Fishing	504	-189	-15
Mining	452	70	0
Manufacturing	879	120	-35
Electricity, Gas, Water and Waste Services	85	-1	-3
Construction	408	30	81
Wholesale Trade	123	-7	-18
Retail Trade	-396	-145	-44
Accommodation and Food Services	-193	11	-12
Transport, Postal and Warehousing	-93	41	-17
Information Media and Telecommunications	-48	-35	-2
Financial and Insurance Services	0	-10	-8
Rental, Hiring and Real Estate Services	1	-94	-5
Professional, Scientific and Technical Services	59	32	0
Administrative and Support Services	-245	-100	-31
Public Administration and Safety	67	10	6
Education and Training	419	256	18
Health Care and Social Assistance	300	1	14
Arts and Recreation Services	119	-24	4
Other Services	-19	-28	-6

27

Source: NIEIR, 2022 • Created with Datawrapper

Which industries are competitive and how is this changing?



Developed specialisations in food production and food processing as well as in mining, hospitality and tourism related sectors

RDA AHFKI has a major comparative advantage in Agriculture, Forestry and Fishing, Arts and Recreation Services, Accommodation and Food Services, Mining, Retail Trade.

At a detailed industry level, industries with the highest specialisations include Aquaculture, Non-Metallic Mineral Mining and Quarrying, Basic Chemical and Chemical Product Manufacturing, Water Transport, Heritage Activities.

Level of specialisation - RDA AHFKI

	•		
Compared to South Australia (in LQ terms)	Jobs	Value Add	ed \$m
Agriculture, Forestry and Fishing		2.63	2.47
Arts and Recreation Services		1.52	1.53
Accommodation and Food Services		1.37	1.45
Mining		1.18	1.13
Tourism and Hospitality *		1.16	1.07
Retail Trade		1.08	1.08
Construction		1.08	1.44
Education and Training		1.07	1.01
Manufacturing		1.05	1.18
Rental, Hiring and Real Estate Services		0.97	1.01
Other Services		0.96	1.06
Administrative and Support Services		0.95	0.80
Health Care and Social Assistance		0.88	0.87
Electricity, Gas, Water and Waste Services		0.85	0.68
Wholes ale Trade		0.73	0.77
Professional, Scientific and Technical Services		0.67	0.68
Public Administration and Safety		0.60	0.70
Transport, Postal and Warehousing		0.60	0.49
Information Media and Telecommunications		0.44	0.32
Financial and Insurance Services		0.42	0.46

Specialisation by detailed industry - RDA AHFKI

Compared to South Australia (in LQ terms)

		% of		
Industry	Jobs	total	Speciali	sation
Aquaculture	172	0.4%		4.32
Non-Metallic Mineral Mining and Quarrying	226	0.5%		4.15
Basic Chemical and Chemical Product Manufacturing	562	1.3%		3.93
Water Transport	88	0.2%		3.50
Heritage Activities	359	0.8%		3.46
Agriculture, Forestry and Fishing Support Services	361	0.9%		3.05
Agriculture	3,406	8.1%		2.59
Fishing, Hunting and Trapping	193	0.5%		2.21
Forestry and Logging	85	0.2%		2.02
Beverage and Tobacco Product Manufacturing	798	1.9%		1.89
Accommodation	614	1.5%		1.79
Creative and Performing Arts Activities	180	0.4%		1.71
Commission-Based Wholesaling	70	0.2%		1.66
Food Product Manufacturing	1,592	3.8%		1.60
Metal Ore Mining	627	1.5%		1.40

Source: NIEIR, 2022

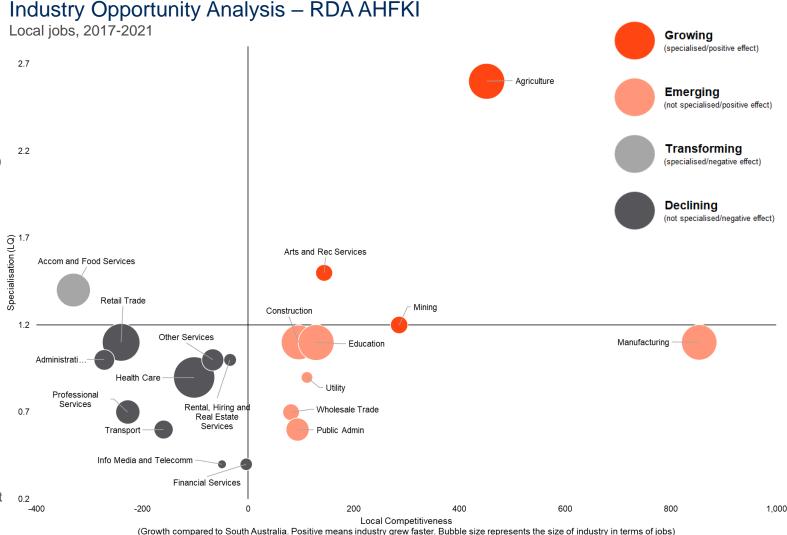
Source: NIEIR, 2022 | * Includes activities from other industries



RDA AHFKI has a relative advantage in several industries including Agriculture, Mining and Arts and Recreation. But risks identified for Retail Trade and Health Care Services.

RDA AHFKI's sectors can be categorised into four stages of development relative to their recent performance, size and degree of specialisation. The chart on the left displays which stage of the development each industry is in based on the specialisation in 2021 and the jobs growth from 2017 to 2021 attributed to the local factor and advantage*.

- Growing established with strong growth potential: Sectors in this
 category are well established, specialised and have strong growth
 potential based on recent trends. RDA AHFKI's 'growing' sectors include
 Agriculture, Mining (especially non-Metallic Mineral Mining and Quarrying)
 and Arts and Recreation Services (especially Heritage Activities)
 compared to South Australia.
- Emerging growing with potential to become specialised: Despite a low specialisation in jobs, sectors in the 'emerging' category have grown faster than South Australia and may have the future potential to thrive. The top three 'emerging' sectors are Construction, Education and Manufacturing (especially Basic Chemical and Chemical Product and Food Manufacturing).
- Transforming established but facing challenges: The 'Transforming' sectors are specialised but are not growing as fast as the South Australia averages. This suggests they are at risk and need support to maintain competitiveness with other regions. The sector that fall into the 'transforming' category is Accommodation and Food Services.
- Declining neither established nor growing: These sectors are either small and do not impact the overall competitiveness of the economy (i.e. Info Media) or service sectors that are relatively less competitive against the Adelaide CBD (e.g. professional service and finance) and industrial LGAs (i.e. transport). However, there are several 'declining' industries that have a relatively high share of jobs and may warrant additional support they were Health Care and Retail Trade.



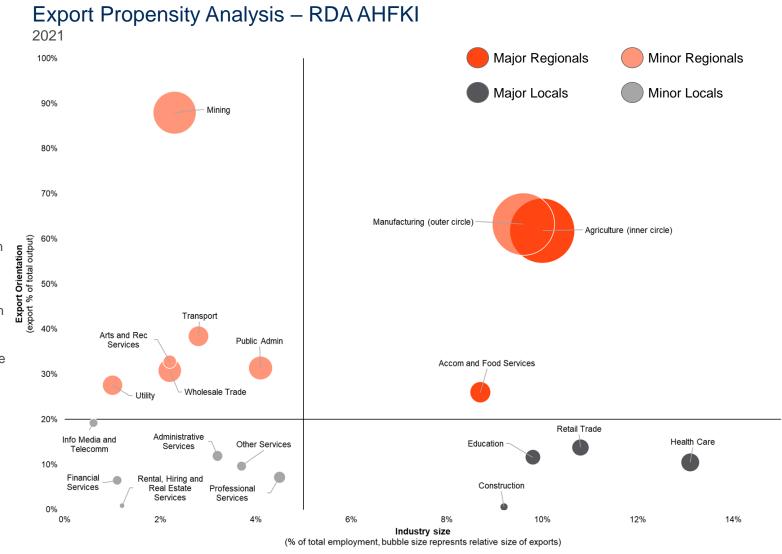


Major export sectors include agriculture, manufacturing and hospitality services. Strategies should seek to improve the competitiveness and supply chains of these sectors.

The local economy benefits from the export of goods and services outside the region's boundary. The export sectors are less reliant on the local population to grow, which was the main driver of the economic growth in the RDA AHFKI region over the last decade. The sectors can be categorised into four based on the export share of total output and the industry's share of the total regional employment.

Importantly, there are three industries in the RDA AHFKI economy with major regional exposure (i.e high export and a high share of total employment). These are agriculture, manufacturing and accommodation and food service industries. Different strategies are required for each given different business structures (e.g. accommodation and food services have a high share of small businesses) and supply-chain relationships (e.g. Agriculture has a strong supply-chain relationship with food and beverage manufacturing).

The region also has many industries in the Minor Regional category. The largest exporters include Mining, Transport, Arts and Recreation. The region's tourism (especially water transport in Kangaroo Island, museums, parks and gardens) is reflected in the export position of the Arts and Recreation and Transport industries.

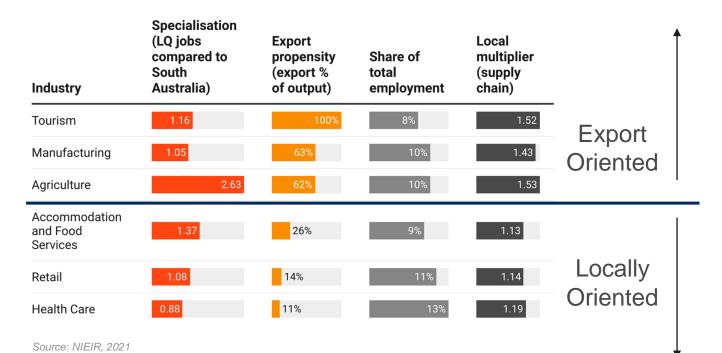




Leverage strategic industries to drive the Economic Development key focus areas

Strategic Industry Analysis - RDA AHFKI

2020/21



Export sectors

- Less reliant on local population limits
- Can help grow jobs faster than the population
- Supply chain opportunities to capture more local spend and expenditure
- Related specialisation around agriculture and food and beverage product manufacturing
- Tourism renowned for nature-based destinations

Locally oriented

- Health strong growth driven by ageing and population increase
- Retail Trade important place making role
- Accommodation and Food Services servicing both locals and tourists.

Economic Development Opportunities

- Encourage projects that help improve competitiveness and increase the export potential of the strategic industries (e.g. support wine exports to new markets)
- Opportunities to improve local supply chains and increase local procurement



Strong growth across most industries in Adelaide Hills. Specialised retail and hospitality industries are still affected by the economic slowdown since 2020 and may need support.



Specialised & Growing

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

Adelaide Hills region	Jobs	4-yr	LQ
	2021	change	LQ
Agriculture, Forestry and Fishing	2,278	504	2.3
Mining	815	452	1.6
Arts and Recreation Services	599	119	1.6
Manufacturing	2,953	879	1.3
Education and Training	2,657	419	1.1



Specialised but at risk

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

Adelaide Hills region	Jobs 2021	4-yr change	LQ
Accommodation and Food Services	1,903	-193	1.2
Retail Trade	2,857	-396	1.1

Source: NIEIR, 2022



Emerging

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

Adelaide Hills region	Jobs	4-yr	10
Adelaide fillis region	2021	change	LQ
Construction	2,365	408	1.1
Electricity, Gas, Water and Waste Services	308	85	1.0
Wholesale Trade	621	123	0.8
Health Care and Social Assistance	2,973	300	0.8
Professional, Scientific and Technical Services	1,282	59	0.7
Public Administration and Safety	1,032	67	0.6



Declining

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

Adelaide Hills region	Jobs 2021	4-yr change	LQ
	2021	change	
Other Services	945	-19	0.9
Tourism and Hospitality *	1,525	-69	0.9
Administrative and Support Services	765	-245	0.9
Transport, Postal and Warehousing	589	-93	0.5
Information Media and Telecommunications	168	-48	0.5

Source: NIEIR. 2022: *Based on 2020 estimate



Jobs in Fleurieu Peninsula's highly specialised agriculture industry continue to decrease. This may impact the agricultural output if the productivity of the industry stops increasing.



Specialised & Growing

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

Fleurieu Peninsula	Jobs	4-yr	10
	2021	change	LQ
Accommodation and Food Services	1,447	11	1.6



Specialised but at risk

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

Fleurieu Peninsula	Jobs	4-yr	10
	2021	change	LQ
Agriculture, Forestry and Fishing	1,424	-189	2.6
Arts and Recreation Services	282	-24	1.4
Tourism and Hospitality *	1,143	-91	1.3

Source: NIEIR, 2022; *Based on 2020 estimate



Emerging

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

Fleurieu Peninsula	Jobs	4-yr	LQ
	2021	change	LQ
Construction	1,314	30	1.1
Education and Training	1,322	256	1.0
Manufacturing	1,024	120	0.8
Transport, Postal and Warehousing	458	41	0.7
Professional, Scientific and Technical Services	558	32	0.6
Public Administration and Safety	553	10	0.6



Declining

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

Fleurieu Peninsula	Jobs	4-yr	10
	2021	change	LQ
Rental, Hiring and Real Estate Services	198	-94	1.1
Retail Trade	1,527	-145	1.1
Other Services	566	-28	1.0
Administrative and Support Services	480	-100	1.0
Financial and Insurance Services	178	-10	0.5

Source: NIEIR, 2022



Kangaroo Island's tourism industry remains robust despite the recent volatilities in tourism visitations



Specialised & Growing

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

Kangaroo Island	Jobs 2021	4-yr change	LQ
Tourism and Hospitality *	445	15	3.0
Construction	220	81	1.1



Emerging

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

Kangaroo Island	Jobs	4-yr	10
	2021	change	
Education and Training	165	18	0.8
Health Care and Social Assistance	227	14	0.7



Specialised but at risk

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

Kangaroo Island	Jobs 2021	4-yr change	LQ
Agriculture, Forestry and Fishing	515		5.9
Accommodation and Food Services	315	-12	2.1
Administrative and Support Services	93	-31	1.2

Source: NIEIR, 2022; *Based on 2020 estimate



Declining

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

Kangaroo Island	Jobs	4-yr	LQ
	2021	change	LQ
Retail Trade	179	-44	0.8
Wholesale Trade	43	-18	0.6
Manufacturing	73	-35	0.3

Source: NIEIR. 2022



What happened during the COVID pandemic shock?



Impacts from COVID-19

In March 2020, the Commonwealth and State Governments launched unprecedented public-health and economic responses to combat the growing pandemic threat.

Along with international passenger and trade restrictions, social distancing measures implemented towards the end of March had the greatest impact on employment and economic growth outcomes going forward.

Social distancing and 'isolation' was introduced to reduce the infection rate, slow deaths and ensure hospitals maintain sufficient ICU bed capacity to deal with COVID-19 cases as well as normal emergency medical demand. The alternative option of limited social restrictions ran the risk of potentially overrunning ICU units leading to thousands of deaths (as experienced in some countries overseas) and the need for an even larger 'lock down' at a later stage.

The largest negative impacts for the State and National economies occurred in the second quarter of 2020 (final quarter 2019/20 FY) as rigid social distancing measures were maintained for months.

Following this, falling infections lead to eased restrictions but waves of infections forced the reintroduction of stricter measures. However, economic activity was less severely impacted because the measures became more effective in containing the virus relative to the cost to economic activity.

Economic policy responses

A number of responses were enacted by government to address the likely negative impacts of the social distancing policies.

- RBA reduced interest rates (official and quantitative easing) and demand side
- Wage subsidy boost cash flow for businesses
- Increases in working age and non-working age social security benefits
- Loan guarantee for small and medium businesses.
- Jobkeeper payment scheme businesses effectively playing a centrelink role. But fine print impacted effectiveness – e.g. Australian citizen and casual employee >12 months
- Childcare payments

The majority of these measures, especially stimulus spending, helped address worker incomes but had limited impact on Gross Product due to the fact that most employees were at home and effectively not producing goods and services.





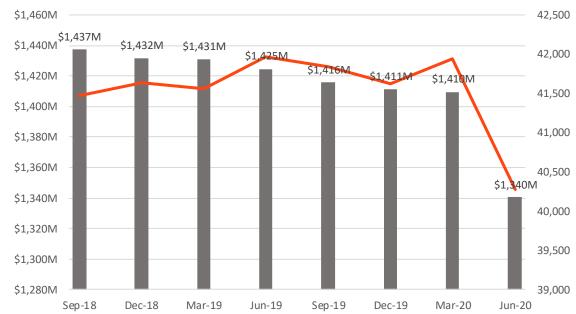
The economy was relatively less impacted compared to the South Australia average. The impact on jobs was less severe than on GRP due to the government stimulus introduced to support employment.

The outbreak of COVID-19 had a significant impact on the RDA AHFKI's economy. The June Quarter 2020, saw an estimated \$70m fall in quarterly GRP and 1,664 jobs were lost in the region.

The RDA experienced an estimated 4.9% fall in GRP in the June Quarter 2020, lower than the South Australia average (-6.2%) and the second lowest fall among the RDAs in South Australia. Local jobs fell by 4.0%, the third lowest fall among the RDAs and lower than the state average (-4.5%).

Quarterly GRP and Jobs - RDA AHFKI

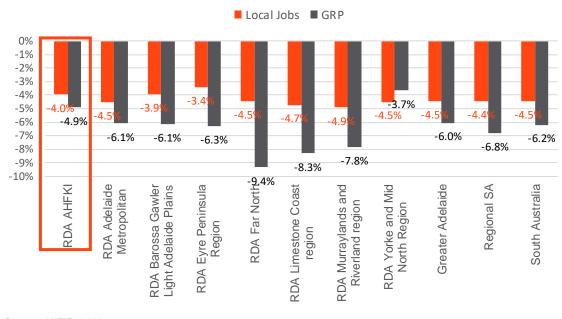
GRP \$M (bar grath left axis), Local jobs (line graph right axis)



Source: NIEIR. 2022

March 2020 to June 2020 Change

%



Source: NIEIR, 2022

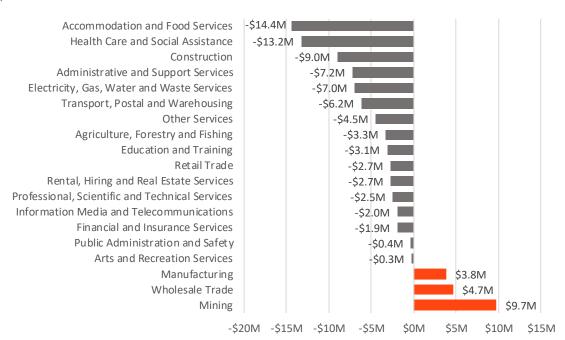


Disproportionate impacts on hospitality, retail and education sector jobs due to social distancing measures

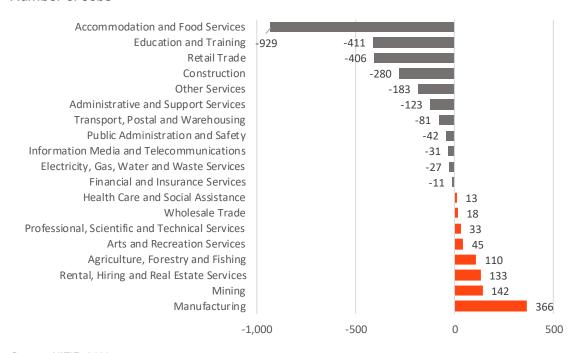
The economic impact of the pandemic varied significantly across industries. In terms of value added, the main industries impacted in the June Quarter 2020 were Accommodation and Food Services and Health Care and Social Assistance. The large decrease in Health Care and Social Assistance sector is driven by non-essential services such as child care and residential care services.

Many jobs in the industries most affected by the social distancing measures were lost. The main industries impacted in the June Quarter were Accommodation and Food Services, Education and Training and Retail Trade.

March 2020 to June 2020 Change, Value Added - RDA AHFKI SM



March 2020 to June 2020 Change, Local Jobs - RDA AHFKI Number of Jobs



Source: NIEIR, 2022 Source: NIEIR, 2022

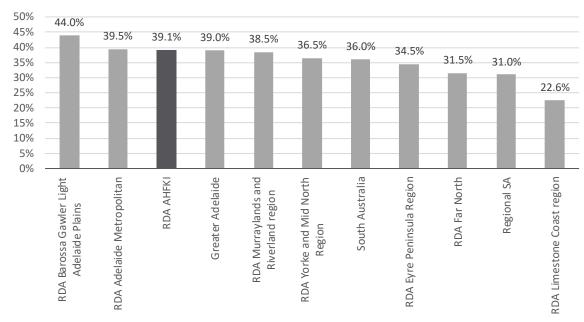


Businesses receiving JobKeeper support were relatively higher than other benchmark areas as the businesses are operating in the sectors more exposed to the impacts of COVID-19

Around 39.1% of all local businesses in RDA AHFKI applied for JobKeeper support in June 2020. This rate was the top third among RDAs and higher than the metro average (39%). This is due to a high share of businesses in RDA AHFKIs being small businesses and being in industries (i.e. population service) more exposed to the impact of COVID-19.

Businesses Accessing JobKeeper - June 2020

% of total businesses



Source: Treasury, 2021; Abs Business Entries and Exits, 2021



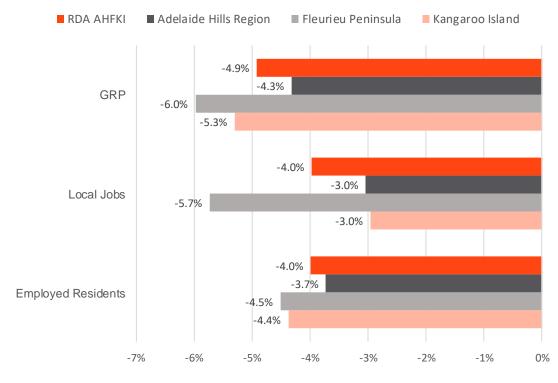
Fleurieu Peninsula economy was hit harder than other sub-regions. Impacts on resident workers was much lower as residents were working in industries less exposed to **COVID-19 – manufacturing, professional** services and hospital.

The impact of COVID-19 varied across the RDA, where Fleurieu Peninsula was hit harder than other sub-regions. In the June quarter of 2020, GRP and jobs decreased by, respectively, 6.0% and 5.7% in the sub-region. In comparison, GRP and jobs in the Adelaide Hills region decreased by 4.3% and 3.0% in the same guarter.

The higher fall in Fleurieu Peninsula is driven by a higher share of industries exposed to COVID-19, non-essential population service industries and residential care. In contrast, the Adelaide Hills region had a higher share of less exposed manufacturing, professional and public administration industries, while Kangaroo Island has a high share of the agriculture industry.

Impacts on Fleurieu Peninsula resident workers were lower as a high share of residents are working in industries (largely outside the sub-region) less exposed to COVID-19 compared to local jobs with a higher share of non-essential population service industries.

March 2020 to June 2020 Change - Sub regions



Source: NIEIR. 2022



Sub-regional impacts exhibiting similar patterns – high impacts on population service and tourism sectors

Across the sub-regions, the immediate impact on value added by industry was generally similar in terms of the direction and the relative magnitude of each industry. However, some industries were more impacted in some sub-regions. The transport, industry was more impacted on Kangaroo Island due to the low demand for water transport. Manufacturing value increased significantly in the Adelaide Hills region due to food and beverage manufacturing.

March 2020 to June 2020 Change, Value Added

\$М

Industry	Adelaide Hills Region	Fleurieu Peninsula	Kangaroo Island
Agriculture, Forestry and Fishing	-\$1.1	-\$2.3	\$0.1
Mining	\$6.5	\$3.2	\$0.0
Manufacturing	\$5.6	-\$1.6	-\$0.2
Electricity, Gas, Water and Waste Services	-\$5.2	-\$1.8	\$0.1
Construction	-\$4.5	-\$4.9	\$0.4
Wholesale Trade	\$0.5	\$4.4	-\$0.2
Retail Trade	-\$1.0	-\$1.6	-\$0.1
Accommodation and Food Services	-\$8.7	-\$5.1	-\$0.7
Transport, Postal and Warehousing	-\$3.3	-\$1.2	-\$1.7
Information Media and Telecommunications	-\$1.3	-\$0.6	\$0.0
Financial and Insurance Services	-\$1.1	-\$0.7	-\$0.1
Rental, Hiring and Real Estate Services	-\$0.6	-\$1.7	-\$0.5
Professional, Scientific and Technical Services	-\$0.9	-\$1.4	-\$0.2
Administrative and Support Services	-\$4.5	-\$2.3	-\$0.5
Public Administration and Safety	-\$1.4	\$0.4	\$0.6
Education and Training	-\$0.9	-\$2.1	-\$0.1
Health Care and Social Assistance	-\$8.6	-\$4.4	-\$0.2
Arts and Recreation Services	-\$0.8	\$0.6	-\$0.1
Other Services	-\$2.8	-\$1.5	-\$0.2

Similar impact pattern in local jobs across sub-regions, where most of the job impacts were concentrated industries affected by the social distancing measures. Such as tourism, hospitality and education. Jobs in industries positively affected by the outbreak were primary, goods manufacturing, public administration and hospital services.

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March 2020 to June 2020 Change, Local Jobs

Number of Jobs

Industry	Adelaide Hills Region	Fleurieu Peninsula	Kangaroo Island
Agriculture, Forestry and Fishing	108	-14	1
Mining	126	16	0
Manufacturing	330	40	-4
Electricity, Gas, Water and Waste Services	-36	5	3
Construction	-159	-131	10
Wholesale Trade	11	12	-5
Retail Trade	-195	-196	-15
Accommodation and Food Services	-518	-338	-73
Transport, Postal and Warehousing	-67	-10	-4
Information Media and Telecommunications	-17	-13	-1
Financial and Insurance Services	-5		-2
Rental, Hiring and Real Estate Services	85	47	1
Professional, Scientific and Technical Services	70	-32	-5
Administrative and Support Services	-76	-41	-6
Public Administration and Safety	-54	-16	29
Education and Training	-218	-176	-16
Health Care and Social Assistance	-41	53	1
Arts and Recreation Services	8	27	9
Other Services	-114	-64	-5

How is the recovery from the COVID pandemic going?



2.1 Recovery overview

Recovery from COVID-19

Australia and South Australia have done remarkably well in terms of global standards of containing the COVID-19 virus and preventing it from causing mass fatalities and/or crippling the health system. State and federal government stimulus has been crucial in boosting confidence in the economy and maintaining business and employee relationships throughout the downturn. This allowed South Australia to bounce back quicker than ever. Since the June Quarter fall, the South Australia economy has grown by 11%, the second highest amongst all states and territories.

Recovery has not been even across industries. Retail spending has been strong and construction was growing off the back of record building approvals. However, other areas such as tourism were hurting in locations that haven't been compensated by domestic visitation boosts. The CBDs, especially Sydney and Melbourne, are nowhere near operating at full capacity, impacting local retail and hospitality.

Adelaide's economy has been driven over the last decade largely by overseas immigration fuelling the demand for population services and the construction sector via new dwellings approved. With immigration forecast to be low for the next few years, other areas of the economy will have to pick up to fill the gap. However, a potential advantage of reduced immigration is a tight labour market that may lead to wage growth.

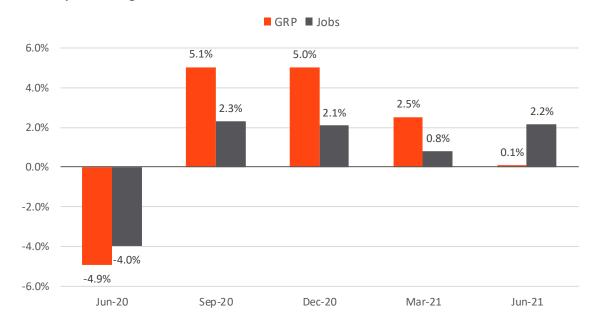
The majority of population growth in RDA AHFKI is driven by internal migration from metro Adelaide. Reduced immigration and international visitation will likely impact the RDA AHFKI in the years to come given its importance to metro Adelaide's population growth.



RDA AHFKI's economy was hit hard, but bounced back quickly

The RDA AHFKI's economy has staged a rebound in September Quarter 2020. In September Quarter 2020, GRP and jobs increased by, respectively, 5.1% and 2.3%, and in the subsequent December Quarter by 5.0% and 2.1%. Both GRP and Jobs are estimated to be back above the pre COVID-19 level in December Quarter 2020.

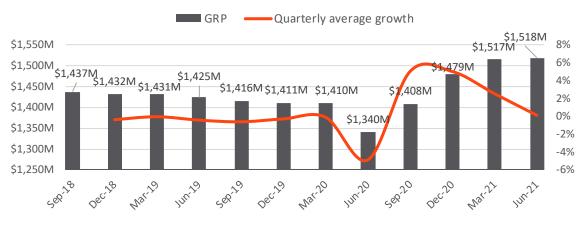
Economic and Job Recovery Estimates - RDA AHFKI Quarterly % Change



Source: NIEIR. 2022

GRP Estimate, Quarterly - RDA AHFKI

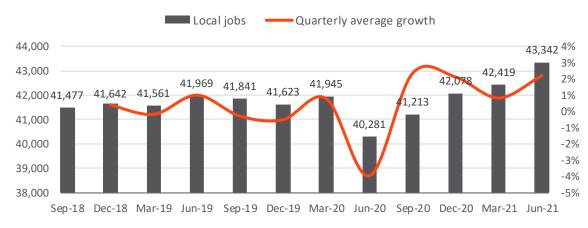
\$M (left axis), Quarterly % Change (right axis)



Source: NIEIR, 2022

Local Jobs Estimate, Quarterly - RDA AHFKI

Jobs (left axis), Quarterly % Change (right axis)



Source: NIEIR, 2022

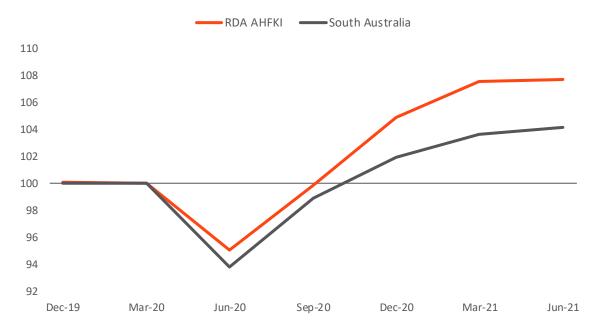
GRP and jobs have recovery was stronger than the South Australia average

The recovery in GRP was estimated to be strong, bouncing back above the pre COVID-19 levels by September Quarter 2020. The subsequent recovery was estimated to be higher than the state average.

Jobs were estimated to be above the pre COVID-19 levels in December Quarter 2020. The ending of the JobKeeper scheme in March Quarter 2021 is estimated to have a minor impact on the jobs recovery in RDA AHFKI. In contrast, the jobs recovery in South Australia dipped in March Quarter 2021.

GRP change estimate - RDA AHFKI

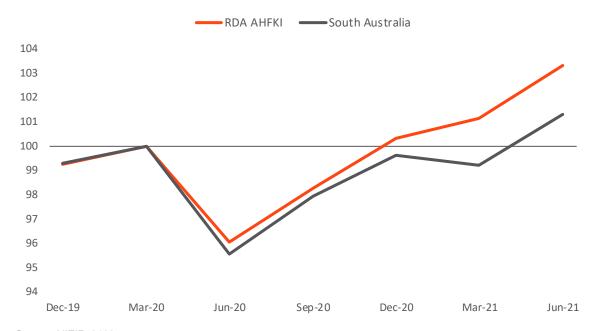
Index March 2020 = 100



Source: NIEIR, 2022

Job change estimate - RDA AHFKI

Index March 2020 = 100



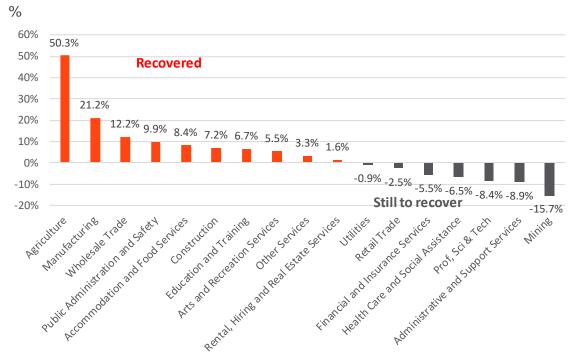
Source: NIEIR. 2022



But industry recovery remains uneven. Many industries were still below the pre COVID-19 level as at June 2021

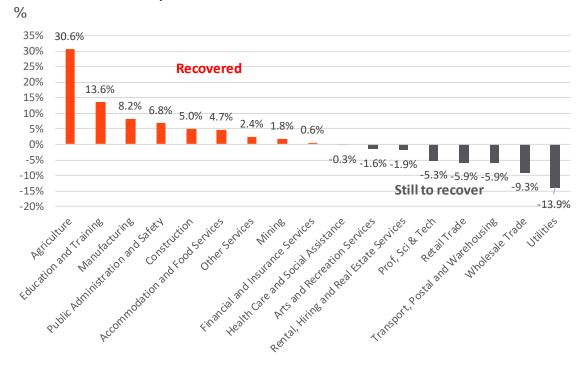
In June 2021, the value added by many industries was still lower than the pre COVID-19 (March Quarter 2020) level. Professional, finance and business service industry value added was still less than the pre-COVID level. Health Care service industries, especially residential care and social assistance services were still affected by the restrictions and initial impacts of the COVID-19 outbreak.

Recovery in Value Added by Industry - RDA AHFKI June 2021 compared to March 2020



Jobs in the RDA's specialised primary and food manufacturing industries recovered strongly above the pre COVID-19 level in June 2021. However, jobs in retail and tourism related transport industries were still below the pre COVID-19 level. Reduced available workers meant jobs in some industries (e.g. wholesale trade) decreased despite the increase in value added.

Recovery in Local Jobs by Industry - RDA AHFKI June 2021 compared to March 2020



Source: NIEIR, 2022



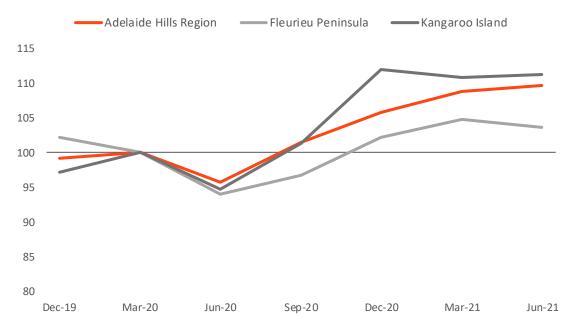
Strong GRP recovery for all sub-regions. Jobs recovery was slow in Fleurieu Peninsula and Kangaroo Island

GRP rebounded strongly in all three sub-regions of RDA AHFKI. Adelaide Hills region and Kangaroo Island GRP are estimated to be above the pre COVID-19 level in September Quarter 2020. Fleurieu Peninsula GRP is estimated to recovery by December Quarter 2020.

Jobs recovery in the Adelaide Hills region is estimated to be strong, bouncing above the pre COVID-19 levels in September Quarter 2020. The recovery in Fleurieu Peninsula and Kangaroo Island is estimated to be slow, recovering to the pre COVID-19 level by June Quarter 2021.

GRP change estimate - Sub regions

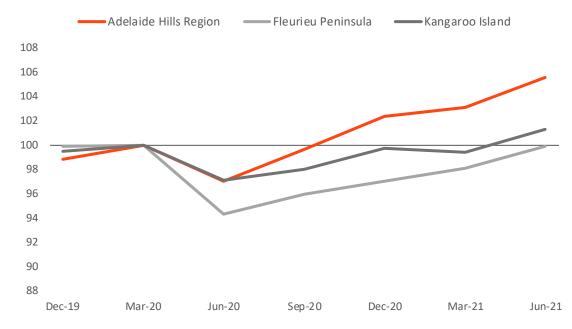
Index March 2020 = 100



Source: NIEIR, 2022

Job change estimate - Sub regions

Index March 2020 = 100



Source: NIEIR, 2022



Industry value added recovery patterns are relatively similar across the sub-regions – strong increase in agriculture and construction economic value. But jobs recovery pattern shares less similarity between the sub-regions.

The sub-regions generally had a similar recovery pattern for each industry. Agriculture, construction, and wholesale industry value added in June 2021 were above the pre-COVID March 2020 level in all sub-regions. Manufacturing and education industry value added were above the pre-COVID level in the Adelaide Hills region and Fleurieu Peninsula sub-region. Hospitality industry value added also bounced above the pre-COVID level in Fleurieu Peninsula and Kangaroo Island.

Recovery in Value Added by Industry - Sub regions

June 2021 compared to March 2020, \$M

Industry	Adelaide Hills Region	Fleurieu Peninsula	Kangaroo Island
Agriculture, Forestry and Fishing	\$45.8	\$11.1	\$4.1
Mining	-\$5.9	-\$1.5	\$0.0
Manufacturing	\$16.0	\$1.9	\$0.0
Electricity, Gas, Water and Waste Services	\$0.6	-\$0.6	-\$0.2
Construction	\$2.7	\$4.9	\$1.3
Wholesale Trade	\$2.3	\$2.6	\$0.1
Retail Trade	\$0.3	-\$2.0	-\$0.1
Accommodation and Food Services	-\$1.4	\$4.5	\$0.4
Transport, Postal and Warehousing	-\$2.6	-\$2.3	\$0.1
Information Media and Telecommunications	-\$1.0	-\$2.5	-\$0.1
Financial and Insurance Services	-\$1.0	-\$1.1	-\$0.2
Rental, Hiring and Real Estate Services	\$0.8	-\$0.3	\$0.0
Professional, Scientific and Technical Services	-\$0.1	-\$3.5	-\$0.5
Administrative and Support Services	-\$2.4	-\$0.2	-\$0.2
Public Administration and Safety	\$5.0	-\$0.2	\$0.2
Education and Training	\$3.9	\$1.0	\$0.0
Health Care and Social Assistance	-\$5.0	-\$4.2	\$1.2
Arts and Recreation Services	\$1.3	-\$0.6	-\$0.1
Other Services	-\$0.3	\$1.1	\$0.1

Jobs recovery in the sub-regions was relatively less similar than the value added recovery. This is because the jobs recovery is more affected by the industry mix and the role of the economy, while the value added recovery is more affected by the underlying macroeconomic drivers, such as a change in commodity prices and government stimulus (e.g. HomeBuilder grant).

Recovery in Local Jobs by Industry - Sub regions

June 2021 compared to March 2020, Number of Jobs

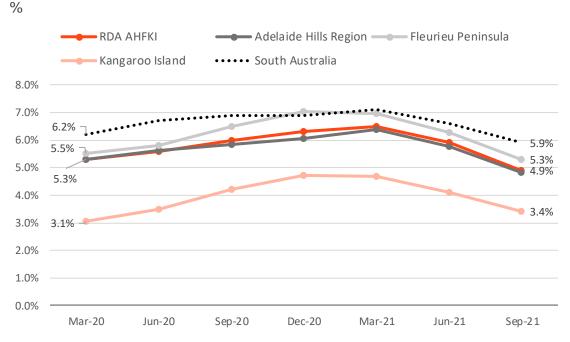
Industry	Adelaide Hills Region	Fleurieu Peninsula	Kangaroo Island
Agriculture, Forestry and Fishing	1	-36	-35
Mining	31	-16	0
Manufacturing	253	63	-5
Electricity, Gas, Water and Waste Services	-42	-18	-10
Construction	4	127	59
Wholesale Trade	-92	15	-14
Retail Trade	-105	-172	-7
Accommodation and Food Services	-125	261	36
Transport, Postal and Warehousing	-20	-53	-1
Information Media and Telecommunications	-60	-91	-5
Financial and Insurance Services	6	-1	-3
Rental, Hiring and Real Estate Services	10	-19	-1
Professional, Scientific and Technical Services	27	-107	-25
Administrative and Support Services	-184	-66	-11
Public Administration and Safety	90	3	22
Education and Training	347	161	13
Health Care and Social Assistance	-13	-29	25
Arts and Recreation Services	95	-100	-10
Other Services	-20	57	1

The unemployment rate fell below pre-COVID level. Residents on JobSeeker benefits have decreased significantly since the peak in May 2020.

In September 2021, RDA AHFKI's unemployment rate fell below the pre COVID-19 level, decreasing from 5.3% in March 2020 to 4.9% in September 2021. The state as a whole, Adelaide Hills and Fleurieu Peninsula sub-regions exhibited similar pattern, while Kangaroo Island unemployment rate in September 2021 is marginally above the March 2020 level.

By February 2022, the percentage of 15 to 64 years old RDA AHFKI residents on JobSeeker had fallen back to 5.8%, marginally higher than the rate observed in March 2020. Accordingly, the share of residents on JobSeeker payments in all three sub-regions has fallen over the same period.

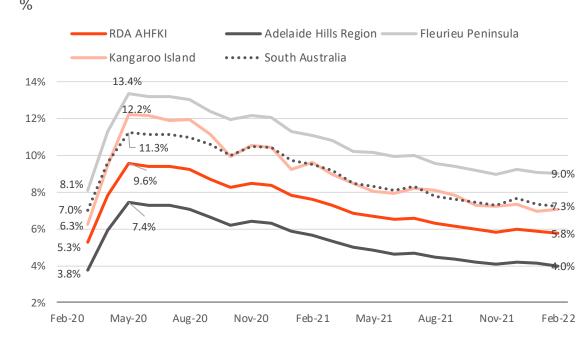
Unemployment rate - RDA AHFKI



Source: ABS Labour force survey (2022); Department of Employment SALM (2022)

informed decisions

Share of residents on JobSeeker - RDA AHFKI



Source: Department of Social Services - Job Seeker and Youth Allowance recipients

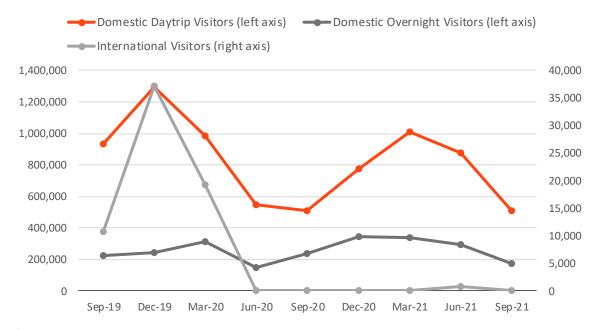
Tourism visitation rebounded strongly in 2020 but the recovery was interrupted by the Delta variant outbreak

Tourism visitation dropped significantly in June 2020 following the outbreak of COVID-19. The visitation recovered through the second half of 2020 and the first half of 2021. However, the Delta variant outbreak in June 2021 saw a significant drop in tourism visitation in September 2021, comparable to the June 2020 level following the first outbreak of COVID-19.

The domestic overnight and international visitation in sub-regions exhibited a similar pattern to the RDA AHFKI region as a whole. The visitation in the subregions recovered strongly since December 2020, then dropped following the Delta variant outbreak in June 2021.

Visitation by type - RDA AHFKI

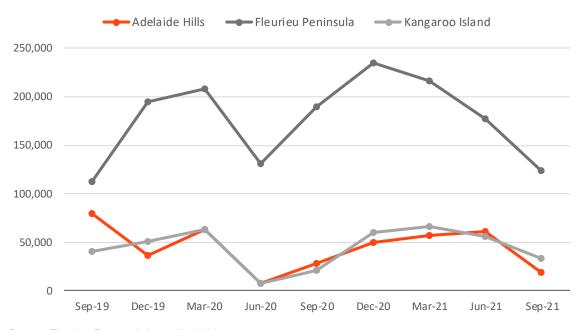
Estimated number of visitors



Source: Tourism Research Australia, 2022

Domestic Overnight and International Visitors by sub-region

Estimated number of visitors

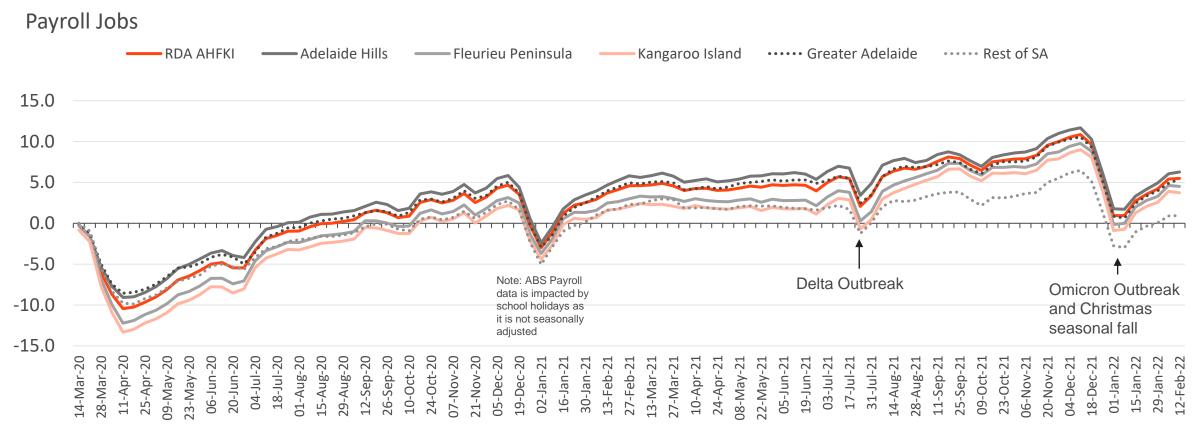


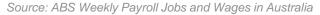
Source: Tourism Research Australia, 2022



Payroll jobs decreased following the Delta and Omicron outbreaks but staged a strong rebound immediately after

Following the Delta outbreak, payroll jobs in RDA AHFKI decreased by 3.6% in July 2021 but recovered immediately after the easing of restrictions. The falls in payroll jobs through December 2021 following the Omicron outbreak saw payroll jobs fall back to their pre-pandemic level. Including the seasonal fall after Christmas, payroll jobs decreased by 9.9%, 2.3% points more than the 2020 Christmas season. The payroll jobs were recovering since January 2022. By 12th February, payroll jobs are 5.5% above the pre COVID-19 level. The payrolls jobs of sub-regions tends to have a similar trajectory to the RDA as a whole.







^{*}Note: Payroll data from the ABS is based on where employees live, rather than where they work. .id has estimated place of work data by using sub-state payroll data and journey to work information. The data is therefore experimental in nature and will continue to be improved.

What is the profile of Activity Centres?



Mount Barker

Located south east of the Adelaide CBD, Mount Barker centre is the main employment hub of the Mount Barker District. The centre has industrial/commercial precincts to the south and east and has a major health precinct around Mount Barker District Soldiers' Memorial Hospital. The centre also supports large retail jobs with bog box retail nodes driving recent jobs growth.

Mount Barker centre experienced significant growth over the period from 2017 to 2021. The population increased by 18% or 2,670 residents, jobs by 10.3% (686 jobs) and businesses by 6.9% (62 businesses) over the 4 year period.

Main employing industries



Health Care and Social Assistance



Retail Trade



Manufacturing



Education and Training

Key specialisations





Retail Trade

2021 estimates 2017-2021 growth



17,530 residents

2,670 residents / 18.0%



7,354 jobs

686 jobs / 10.3%



957 businesses

62 businesses / 6.9%



^{*}Estimates based on approximate geographies for township and surrounds

Strathalbyn

Strathalbyn is the key service centre for the northern part of Alexandrina council. It is home to major employing population servicing facilities such as Strathalbyn & District Health Service hospital, Eastern Fleurieu High School and Woolworths supermarket.

Over the four year period to 2021, the population growth was strong at 7.3%. However, growth appears to have been low in terms of jobs and business over the same period.

Main employing industries



Health Care and Social Assistance



Education and Training



Retail Trade



Construction

Key specialisations





Preschool and School Education

2021 estimates 2017-2021 growth



6,389 residents

433 residents / 7.3%



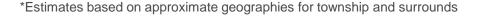
2,287 jobs

-3 jobs / -0.1%



449 businesses

11 businesses / 2.5%





Goolwa

Goolwa is the main service centre of Alexandrina Council and is mainly a residential area with large employment in health, retail and hospitality. The town also has a high number of retirement homes. Hospitality employment is high as the town provides restaurants, café and accommodations services for the tourists and residents.

Growth appears to have been relatively slow in terms of jobs and business for the Goolwa town in recent years. However, population growth has been quite strong.

Main employing industries



Health Care and Social Assistance



Retail Trade



Accommodation and Food Services



Construction

Key specialisations



Residential Care Services



Public Administration

2021 estimates 2017-2021 growth



7,411 residents

470 residents / 6.8%



2,145 jobs

-41 jobs / -1.9%



385 businesses

-4 businesses / 1.0%



^{*}Estimates based on approximate geographies for township and surrounds

Victor Harbor

Victor Harbor is the main town of the LGA, performing a key service centre and a residential area role. The town has large employment in population servicing industries – health (Southern Fleurieu Health Service hospital), retail, hospitality and education (TAFE SA campus). The town is also a major tourist destination and is also home to numerous retirement villages.

The town experienced strong growth in population and businesses over the last four years to 2021. However, jobs remained around the same level during the same period.

Main employing industries



Health Care and Social Assistance



Retail Trade



Accommodation and Food Services



Education and Training

Key specialisations



Accommodation



Retail Trade

2021 estimates

2017-2021 growth



15,734 residents

909 residents / 6.1%



5,026 jobs

-12 jobs / 0.2%



888 businesses

68 businesses / 8.3%

*Estimates based on approximate geographies for township and surrounds



What does demography and Socio-economics look like?



The demography of RDA AHFKI is dominated by older Australia born residents and decline in the region's labour force may pose a constraint to growth

The residents in RDA AHFKI are relatively older with a median age of 46 years, compared to 40 years of age for South Australia. However, the residents have gotten older since the last census 2011 by 3 years.

In 2016, the households in RDA AHFKI made \$1,215 median weekly income, \$143 more than the median weekly household income in 2011. The household income was similar to the median South Australia weekly household income of \$1,203 in 2016.

The share of overseas born residents was 16.1% in 2016, significantly lower than the South Australia as a whole (22.9%). From 2011 to 2016 the share has decreased by -0.8%.

Around 19.1% of the residents had a university qualification, similar to 18.5% in the South Australia as a whole. The qualification level has increased since 2011 by 1.9%. In 2016, the proportion of residents with a trade qualification was 22.1% in RDA AHFKI, higher than the South Australia as a whole.

The labour force participation rate in RDA AHFKI was 57.1% in 2016, lower than South Australia as a whole. The region is facing a signficant ageing population, where the labour force participation rate has decreased 3.5% from 2011 to 2016.

RDA AHFKI demographic and socioeconomic profile in 2016

Indicator	RDA AHFKI as at 2016 (South Australia)	Change from 2011 to 2016
Median age	46 years old (40)	+3 years of age
Median weekly household	\$1,215 per week (\$1,203)	+\$143 per week
Overseas born	16.1% of residents (22.9%)	-0.8% percentage points
University qualification	19.1% of residents aged 15+	+1.9% percent
Trade qualification (certificate)	22.1% of residents aged 15+	+1.6% percentage points
Labour force participation rate	57.1% of residents aged 15+ (58.3%)	-3.5% percentage points



Fleurieu Peninsula and Kangaroo Island's resident workforce is older, low paid, less degree qualified and higher casual workers compared to the Adelaide Hills region and the South Australia average

The Adelaide Hills region resident workforce has a relatively similar profile to the South Australia average. However, Fleurieu Peninsula and Kangaroo Island's resident workforce has a higher median age and less share of the youth workforce. The workers are less university qualified and work less full-time, hence receiving a lower median income. A low share of the workforce in all sub-regions are born overseas compared to the South Australia average.

The most common occupations for all sub-regions were sales workers and school teachers. Fleurieu Peninsula and Kangaroo Island sub-regions had a large number of farmers and farm managers. This is no surprise given the importance of agriculture to these sub-regions. Adelaide Hills region has a high population serving occupations, such as midwives and nurses, hospitality, personal carer and assistant and general clerk workers.

Resident workforce characteristics - 2016

	Median age of workers	Median annual employee income	University qualification	Participation rate
RDA AHFKI	44	\$44,550	25%	57%
Adelaide Hills region	43	\$47,117	30%	65%
Fleurieu Peninsula	45	\$39,747	16%	46%
Kangaroo Island	47	\$36,080	18%	58%
South Australia	42	\$46,671	26%	58%
	Full Times	Female	Youth share	Dann

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	Full Time workers	Female share of workforce	Youth share of workforce	Born overseas
RDA AHFKI	54%	49%	13%	16%
Adelaide Hills region	57%	48%	14%	17%
Fleurieu Peninsula	49%	49%	12%	15%
Kangaroo Island	49%	49%	10%	14%
South Australia	56%	48%	14%	23%

Source: ABS Census, 2016



Largest resident workforce occupations, 2016

Rank	RDA AHFKI	Adelaide Hills region	Fleurieu Peninsula	Kangaroo Island	South Australia
1	Sales Assistants and Salespersons	Sales Assistants and Salespersons	Sales Assistants and Salespersons	Farmers and Farm Managers	Sales Assistants and Salespersons
2	School Teachers	School Teachers	Farmers and Farm Managers	Sales Assistants and Salespersons	School Teachers
3	Farmers and Farm Managers	Midwifery and Nursing Professionals	Personal Carers and Assistants	Cleaners and Laundry Workers	Personal Carers and Assistants
4	Midwifery and Nursing Professionals	Construction, Distribution and Production Managers	School Teachers	Farm, Forestry and Garden Workers	Midwifery and Nursing Professionals
5	Personal Carers and Assistants	Hospitality Workers	Cleaners and Laundry Workers	Accommodation and Hospitality Managers	Cleaners and Laundry Workers
6	Hospitality Workers	Personal Carers and Assistants	Farm, Forestry and Garden Workers	Personal Service and Travel Workers	Hospitality Workers
7	Construction, Distribution and Production Managers	General Clerks	Midwifery and Nursing Professionals	School Teachers	Farmers and Farm Managers

Source: ABS Census 2016 60

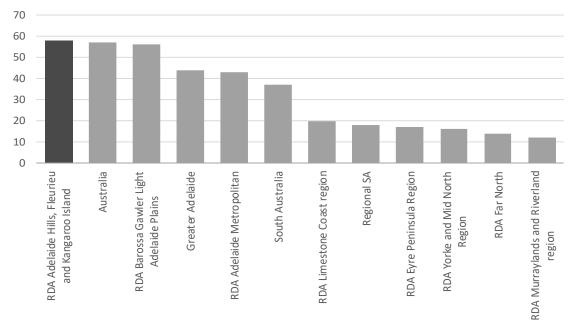
Low socio-economic disadvantage compared to other RDAs driven by a very low disadvantage in Adelaide Hills region

RDA AHFKI as a whole has a relatively low socio-economic disadvantage. In 2016, RDA AHFKI had a SEIFA advantage and disadvantage index percentile of 58, higher than the South Australian average (37) and similar to the Australia average (57). That is, RDA AHFKI is relatively less disadvantaged than other areas in South Australia on average. In the same year, RDA AHFKI had the highest SEIFA score among South Australian RDAs.

Despite having a low socio-economic disadvantage, only LGAs in the Adelaide Hills region had higher SEIFA scores than the state average. Particularly, Adelaide Hills LGA residents had SEIFA score of 90 percentile. Other LGAs, had a SEIFA scores well below the state average.

SEIFA relative socio-economic advantage and disadvantage

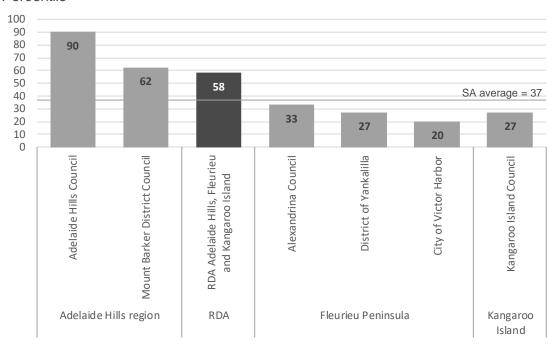
Percentile



Source: ABS Census of Population and Housing, 2016

SEIFA relative socio-economic advantage and disadvantage

Percentile

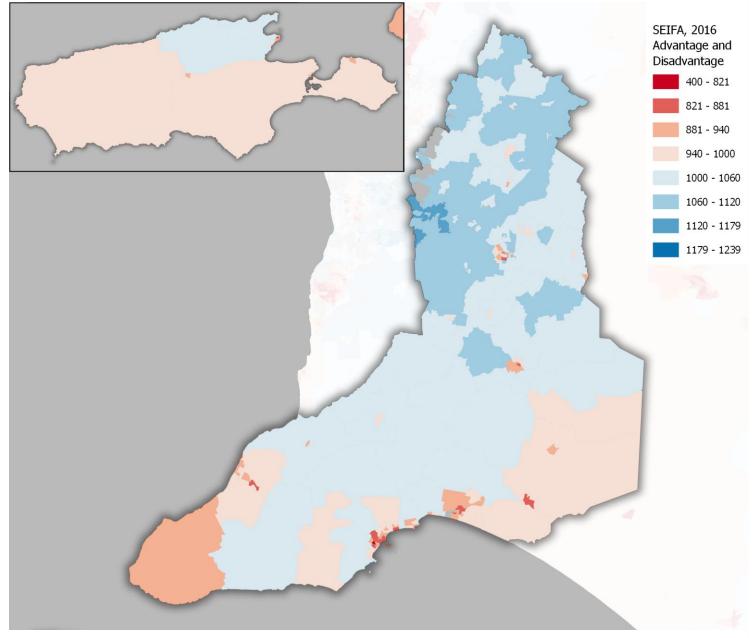


Source: ABS Census of Population and Housing, 2016



Areas of high socioeconomic disadvantage compared to the national average

There are areas in RDA AHFKI that is rated as one of the most disadvantage areas in Australia. In 2016, areas in Victor Harbour, Goolwa and Mount Barker had a SEIFA index in the bottom 5 percentile compared to other areas in Australia. Meaning that these areas had higher socioeconomic disadvantage (e.g. proportion of low-income households and people with no post-school qualification) than other areas in Australia.





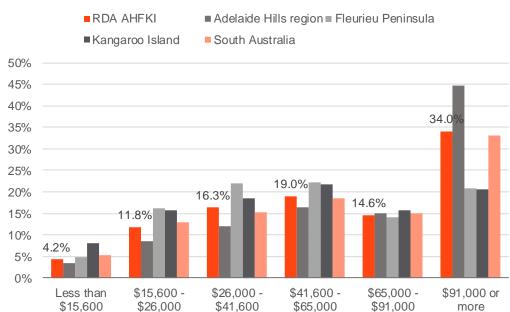
Below average socio-economic conditions contributed to low households income in Fleurieu Peninsula and Kangaroo Island

The distribution of annual household income in the RDA was similar to South Australia as a whole in 2016. However, significantly higher income levels in the Adelaide Hills region elevated the RDA average. Adelaide Hills region had a relatively higher share of households in higher income brackets (greater than \$91,000 per year) compared to the state average. In contrast, Fleurieu Peninsula and Kangaroo Island had a higher share of lower income brackets (less than \$65,000 per year).

The below average socio-economic conditions (such as low education attainment and labour force participation) have contributed to a low household income for Fleurieu Peninsula and Kangaroo Island. Respectively, 29% and 31% of all households were classified as low income (less than \$650 per week) in these subregions in 2016. These rates are higher than 24% in South Australia as a whole.

Annual Household Income - RDA AHFKI

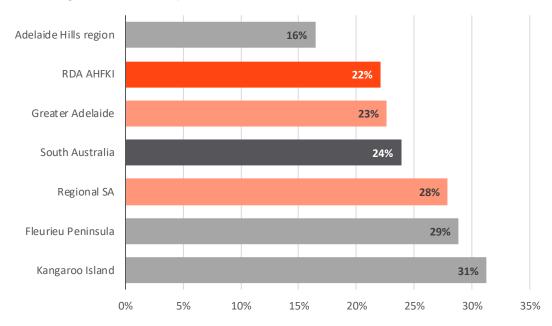
%



Source: ABS Census, 2016

Low income households - RDA AHFKI

% earning less than \$650 per week, 2016



Source: ABS Census, 2016



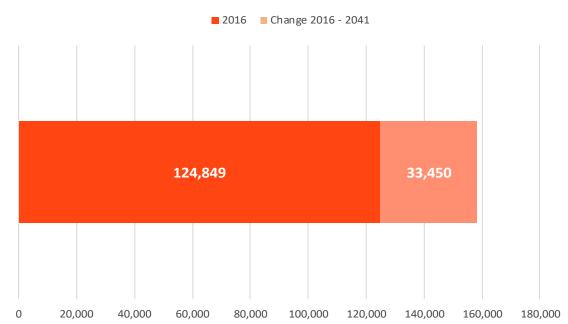
Future population growth is expected to be driven by seniors and elderly. This is likely to drive demand for health, aged care and related services.

From 2016 to 2041, the population of RDA AHFKI is expected to grow by 1.0% per annum. As at 2041, the population of RDA AHFKI is expected to reach 158,299, growth of 33,450 people from 2016.

During the same period, the population in Seniors (70 to 84) and Elderly aged (85 and over) age groups is forecast to have the largest increase with 11,619 and 6,204 people respectively. Conversely, the population in Babies and pre-schoolers (0 to 4) and Primary schoolers (5 to 11) age groups is forecast to have the smallest growth in population with 942 and 1,023 people respectively.

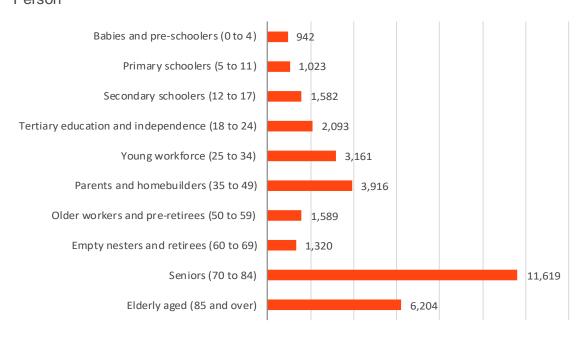
Population forecast - RDA AHFKI

Person



Source: PlanSA (2020)

Change in population by service age groups - 2016 - 2041 Person



Source: PlanSA (2020)



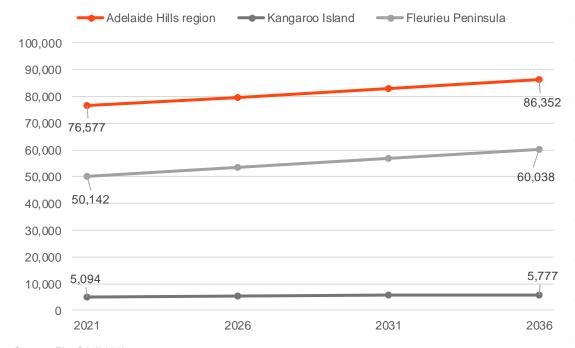
Future population growth is expected to be driven by seniors and elderly. This is likely to drive demand for health, aged care and related services.

From 2021 to 2036, the population in the Adelaide Hills region and Fleurieu Peninsula is forecast to increase by around 10,000 residents. All of the growth in the Adelaide Hills region is forecast to be from Mount Barker District, growing at a rate of 1.6% per annum. During the same period, the population of the Fleurieu Peninsula is forecast to grow at 1.2% per annum.

During the same 15 year period. The majority of population growth will be from Senior aged 70 and over, comprising over 50% of the population growth in Fleurieu Peninsula, 40% in Adelaide Hills region and 100% of growth in in Kangaroo Island.

Population forecast - Sub regions

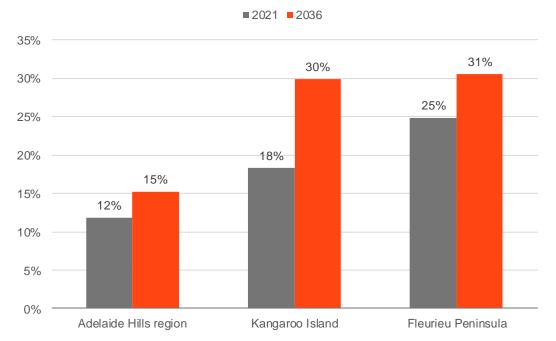
Person



Source: PlanSA (2020)







Source: PlanSA (2020)



Where is the economy heading in the next 5 years?

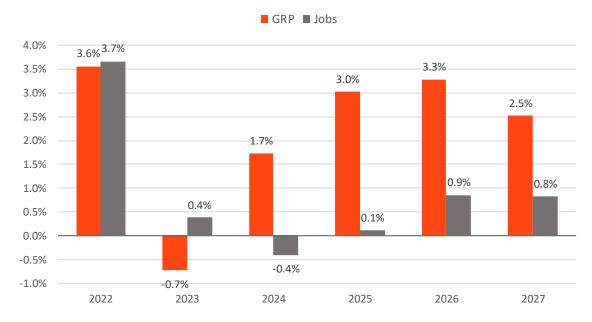


GRP growth forecast to fall in 2023 but recover strongly in subsequent years. Jobs forecast to grow at a much slower pace.

In 2023, RDA AHFKI's GRP and Jobs growth is forecast to drop significantly compared to the growth rates in 2022. The fall is driven by the decrease in government economic stimulus and macroeconomic headwinds faced by the global and Australian economies. This means jobs growth won't improve until 2026. However, GRP growth is forecast to pick up from 2024 driven by a strong increase in productivity in agriculture and health care service industries and strong mining commodity price.

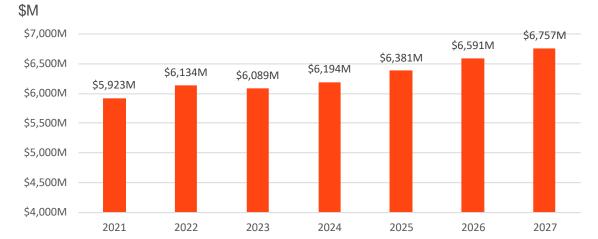
Economic and Job Forecast - RDA AHFKI

Annual % Change



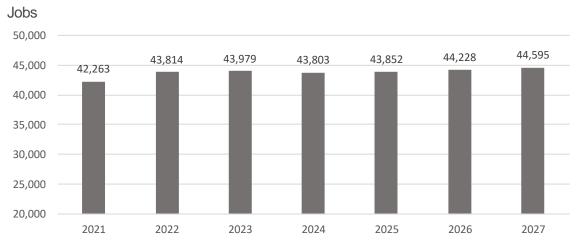
Source: .id. 2022

GRP Forecast - RDA AHFKI



Source: .id, 2022

Local Jobs Forecast - RDA AHFKI



Source: .id, 2022

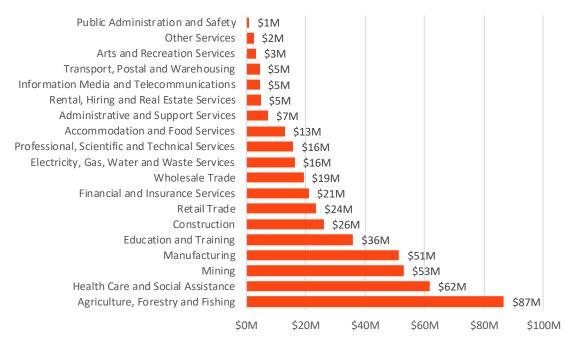
Population driven industries are forecast to provide strong jobs growth, while agriculture, health and mining industries are forecast to drive economic growth in the next 5 years

Forecast strong growth in value added driven by an increase in productivity in agriculture and mining. The forecast increase in agricultural production has flow-on impacts on the food manufacturing sector output. Mining industry value added is forecast to increase due to inflation, increasing mining commodity prices.

Jobs growth is forecast to be driven by population service industries. Health care, hospitality and other services are forecast to grow strongly from 2022 to 2027. However, jobs in high productivity industries, agriculture and wholesale trade are forecast to decrease in the next five years.

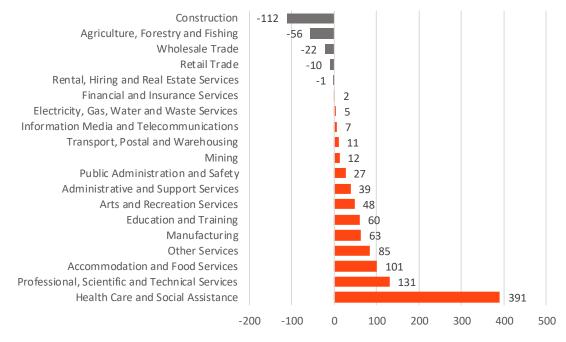
Forecast Value Added Change by Industry - RDA AHFKI 2022 to 2027

\$M



Forecast Local Jobs Change by Industry - RDA AHFKI 2022 to 2027

Number of Jobs



Source: .id, 2022 Source: .id, 2022

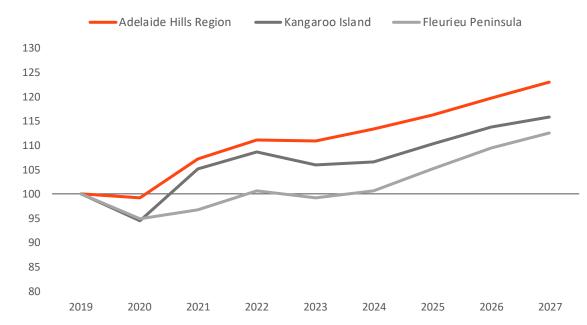


Strong GRP forecast in all sub-regions. Jobs forecast to decrease from 2022 to 2025 in Fleurieu Peninsula and Kangaroo Island sub-regions.

GRP of all sub-regions is forecast to grow strongly from 2022 to 2027, albeit with a minor dip in 2023. Fleurieu Peninsula and Kangaroo Island GRP are forecast to dip in 2023 but subsequently resume growth again from 2024.

GRP change estimate - Sub regions

lndex 2019 = 100

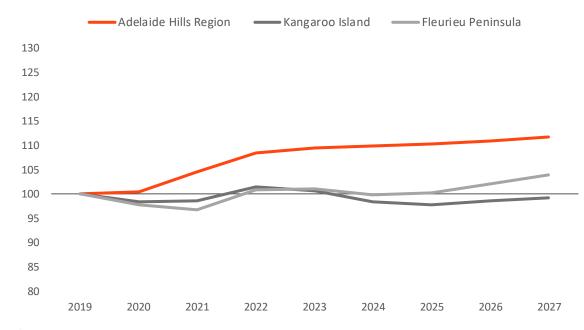


Source: .id. 2022

Jobs growth is forecast to be lower than the GRP growth during the same period. Jobs in the Adelaide Hills region are forecast to continue growing over the forecast period. Jobs growth in Fleurieu Peninsula and Kangaroo Island is forecast to remain muted with a decrease over the period from 2022 to 2025.

Job change estimate - Sub regions

lndex 2019 = 100



Source: .id. 2022



Health care industry is forecast to drive jobs and economic value growth in all sub-regions. Food production and processing, and mining industries are forecast to drive economic value growth in the sub-regions.

Adelaide Hills region and Fleurieu Peninsula's value added is forecast to increase for all industries, except for public administration services for the former sub-region and arts and recreation services for the latter sub-region. Agriculture and health care service value added growth is forecast to be strong in Kangaroo Island.

Strong jobs growth forecast in most industries in Adelaide Hills region. Mixed jobs forecast in Fleurieu Peninsula, where the growth is forecast to be driven by population service industries. Most industry is forecast to lose jobs on Kangaroo Island due to a shortage of workers.

Forecast Value Added Change by Industry - Sub regions

2022 to 2027, \$M

Industry	Adelaide Hills Region	Kangaroo Island	Fleurieu Peninsula
Agriculture, Forestry and Fishing	\$47.9	\$8.9	\$29.9
Mining	\$43.5	\$0.0	\$9.5
Manufacturing	\$38.3	\$0.3	\$12.8
Electricity, Gas, Water and Waste Services	\$11.6	\$0.6	\$4.2
Construction	\$12.8	-\$1.2	\$14.5
Wholesale Trade	\$14.9	\$0.4	\$3.9
Retail Trade	\$14.0	\$0.9	\$8.6
Accommodation and Food Services	\$9.2	-\$0.7	\$4.5
Transport, Postal and Warehousing	\$3.8	-\$0.4	\$1.1
Information Media and Telecommunications	\$3.8	\$0.0	\$0.7
Financial and Insurance Services	\$13.8	\$0.4	\$6.8
Rental, Hiring and Real Estate Services	\$1.3	\$0.3	\$3.2
Professional, Scientific and Technical Services	\$13.6	\$0.0	\$2.3
Administrative and Support Services	\$5.9	\$1.1	\$0.3
Public Administration and Safety	-\$0.1	-\$0.5	\$1.7
Education and Training	\$21.0	\$1.2	\$13.8
Health Care and Social Assistance	\$37.6	\$3.3	\$20.8
Arts and Recreation Services	\$3.3	\$0.0	-\$0.1
Other Services	\$2.1	\$0.4	\$0.0

Forecast Local Jobs Change by Industry - Sub regions

2022 to 2027, Number of Jobs

Industry	Adelaide Hills Region	Kangaroo Island	Fleurieu Peninsula
Agriculture, Forestry and Fishing	-2	-20	-34
Mining	15	0	-3
Manufacturing	72	-3	-6
Electricity, Gas, Water and Waste Services	3	0	2
Construction	-61	-30	-21
Wholesale Trade	-7	-2	-13
Retail Trade	-13	1	2
Accommodation and Food Services	121	-31	11
Transport, Postal and Warehousing	28	-8	-9
Information Media and Telecommunications	10	0	-3
Financial and Insurance Services	2	0	0
Rental, Hiring and Real Estate Services	-6	0	4
Professional, Scientific and Technical Services	116	-1	15
Administrative and Support Services	46	9	-17
Public Administration and Safety	19	-9	17
Education and Training	24	-1	37
Health Care and Social Assistance	265	23	103
Arts and Recreation Services	57	-1	-8
Other Services	65	9	12

Adalaida

Increase in professional, community and personal service occupations. More jobs requiring higher qualifications

From 2022 to 2027, it is forecast that over 33% of the jobs growth in the RDA AHFKI region will be in professional service and 28% in community/personal service occupations. The majority of these jobs growth will be in the Adelaide Hills region.

Forecast Additional Occupation Demand - Sub regions

2022 to 2027, Number of Occupations

Occupation	Adelaide Hills Region	Kangaroo Island	Fleurieu Peninsula	Total RDA AHFKI
Managers	54	-23	-23	8
Professionals	186	4	65	255
Technicians and Trades Workers	113	-10	3	106
Community and Personal Service Workers	174	-3	47	218
Clerical and Administrative Workers	88	-5	12	95
Sales Workers	12	-3	-4	5
Machinery Operators and Drivers	31	-10	-9	12
Labourers	95	-12	-2	81

During the same period, it is forecast that one in three new jobs created will require Bachelor's Degree or above level qualifications. This is higher than the education level of the RDA's workforce in 2016 (25%).

Forecast Additional Qualification Demand - Sub regions

2022 to 2027, Number of Qualifications

Qualification level	Adelaide Hills Region	Kangaroo Island	Fleurieu Peninsula	Total RDA AHFKI
Postgraduate Degree Level	22	0	7	29
Graduate Diploma and Graduate Certificate Level	22	1	9	31
Bachelor Degree Level	155	-1	47	200
Advanced Diploma and Diploma Level	80	-3	15	92
Certificate Level	211	-21	17	207
No qualification	265	-37	-5	222

Source: .id, 2022 · Created with Datawrapper

Source: .id, 2022 · Created with Datawrapper



What are the main macro forces influencing the local economy?



South Australia economy

South Australia was less impacted compared to the other states and made a strong recovery from the economic impacts stemming from the COVID-19 pandemic. This was driven by the effective response to COVID-19 and subsequent limited need for lockdowns.

In 2020/21, the state recorded a 3.9% increase in GSP, the strongest increase out of all states. The main driver of the increase was Agriculture, Manufacturing and Wholesale trade, where RDA AHFKI has a specialisation in the first two industries. Key 2020/21 quarter average economic indicators are all trending up with a strong increase in building approvals and retail trade.

Business confidence improved significantly in 2020/21 to 132.3, an increase of 29% compared to 2019/20. South Australia has a strong pipeline of planned public infrastructure projects that will maintain demand for large scale construction-related activities in the near future. However, these projects are mostly located around the Greater Adelaide.

Household dwelling construction and approvals rebounded strongly from February 2021 since the fall of June 2021. Dwelling approvals have benefited from government incentives, low interest rates and growing demand.

The state's economy will continue to recover in 2021/22, albeit at a slower rate. However, given the outcomes for global economic growth, rise in commodity prices, national economic and population growth, the South Australian GSP and population growth rate over the mid-2020s, on a trend basis, will be higher than the recent historical trends.

Industry wise, a higher exchange rate in the near future may have a negative impact on export based industries (e.g. grain, wine). However, some businesses will likely be impacted by decreasing the cost of key imported inputs.

Tourism still faces a challenging future. While domestic visitation has rebounded in some areas, restrictions on international and interstate travel remain (during covid outbreaks)

Although the labour market conditions improved in 2020/21, the employment growth has slowed down in the second half of the year. Skills and general labour shortages are a real challenge. A tightening labour market may lead to a modest rise in wages growth over the next year.

South Australia has made a small interstate migration gain in the latter half of 2020/21. However, slower international immigration will have a negative impact on population growth, especially in metro areas with a high level of immigration.

Despite the arrival of the Omicron variant of coronavirus at the end of 2021, the negative economic impact was low. The latest outbreak is likely to marginally decrease the national and state's economic activity and slow down the ongoing recovery.



South Australia indicators

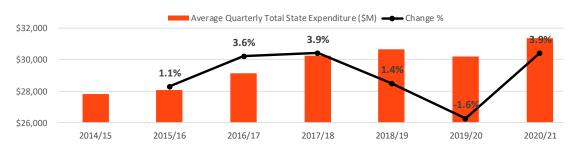
Building Approvals



Retail Trade



Total State Expenditure



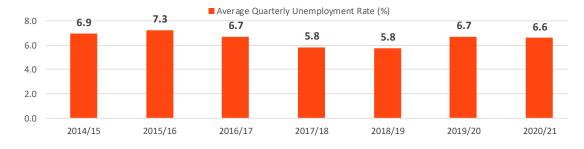
Inflation



Business Confidence



Unemployment





Macro economy

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 leads 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 leads 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.

However, since the COVID impacts saw the economy bottom out in the June quarter of 2020, government spending and incentives have boosted the national economy and reversed some of these indicators.

- Housing approvals are at an all time high boosting construction employment but causing supply constraints and skill shortages
- Private investment in machinery and equipment has increased strongly due to policies such as instant asset write-offs. However, private non-residential building investment has not increased by as much and will face cost pressures due to residential building demands.
- House values have risen considerably, however household saving ratios have not fallen as much due to future uncertainty.
- The AUD exchange rate vs major currencies has risen due to strong international demand for commodities, the perception of a stronger domestic economy relative to other countries and higher interest rate levels between Australia and other economies.

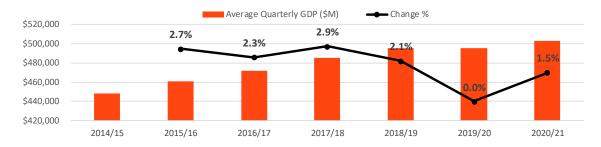
Unemployment has fallen in recent quarters and is supposedly back to pre-COVID levels as excess capacity is taken up by growth in the construction industry in particular. This has driven participation back in the labour force too.

The strong recovery pushed the average quarterly GDP well above the pre COVID-19 level in March and June Quarters 2021. However, in September 2021, the outbreak of COVID-19 Delta strain has sent many states into lockdown and, subsequently, the GDP decreased to the level just above the pre COVID-19 level.

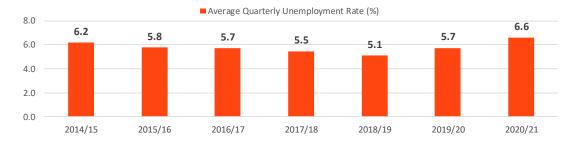


National indicators

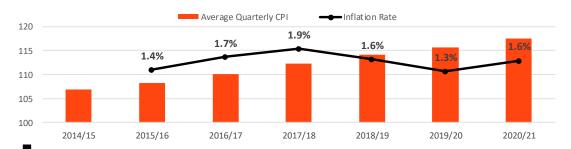
Gross Domestic Product



Unemployment Rate



Inflation



Exchange Rate



RBA Cash Rate



Business Confidence



Key macro level industry outlooks – large local employers or specialisations

Tourism

The Tourism industry is projected to recover from the COVID-19 pandemic, however, recovery in the short term will be slow due to the Federal Government's likely cautious approach to the easing of Australia's international border controls, and the downturn of the global economy. As a result, domestic households and businesses are likely to remain strong drivers of industry performance. However, the industry should start to see a more pronounced recovery once inbound travel restrictions ease.

If the Australian Dollar remains high in the medium turn it may weaken inbound travel and expand outbound travel once borders are opened. However, pent up demand may compensate for this.

Food and Beverage Services

The Food and Beverage industry is forecast to recover over the next five years, as restrictions implemented in response to COVID-19 are gradually lifted with the increase in vaccination rate. Subsequently, consumers are anticipated to increase eating out over the next five years and the industry performance is projected to rise.

The two major trends currently affecting the industry are trendy food and beverage culture and health-conscious consumption. These trends present both a threat and an opportunity for the businesses in Food and Beverage industry and are anticipated to boost demand for higher margin premium products.

Aged Care Residential Services

Revenue for the Aged Care Residential Services industry is forecast to continue growing over the next five years. Australia's ageing population and the growing need for age-appropriate accommodation are projected to drive the industry's performance over the period. Following the scathing Royal Commission into Aged Care Quality and Safety, and the COVID-19 pandemic, regulatory changes will also likely be a driving force. If the Australian Government commits to the additional aged care funding called for by the Royal Commission, growth rates will likely be higher than currently estimated

Health Services

The Health Services industry is forecast to continue to grow strongly over the next five years due to the ageing population, the increasing chronic diseases and rising private health insurance coverage. The majority of growth will be from general hospitals but growth in private health insurance coverage will likely continue to boost other allied health services that derive revenue from private health benefits.

The industry businesses and infrastructures are expected to increase over the next five years to meet the demands of the growing and ageing population, particularly in areas with high population growth and density. Although employment is forecast to grow, revenue growth is expected to increase at a higher rate as efficiency improves and technology usage increases.

Changes to government funding could substantially affect the health service industry. Currently, government funding accounts for just under 70% of all health services revenue. Moreover, a decrease in insurance rates for the young have placed cost pressures upward on the private health system, pricing more Australians out of private health insurance and causing severe issues for the long-term sustainability of Australia's private health services.

Source: Ibisworld.com, 2022



Key macro level industry outlooks – large local employers or specialisations

NDIS Providers

The National Disability Insurance Scheme (NDIS) Providers industry is forecast to grow over the next five years, as the government funding continues to rise and more disabled individuals are approved for the scheme.

The number of disabled individuals in Australia is anticipated to continue rising over the next five years, in line with general population growth. However, the NDIS providers are expected to continue to face challenges providing services due to the COVID-19 pandemic over the next five years.

According to the Federal Government estimates, over 475,000 people are being serviced by the NDIS in 2020-21 and is forecast to grow as more individuals are assessed for NDIS eligibility. The output/revenue of the NDIS providers is forecast to increase at an annualised 4.7% over the five years through 2025-26, to \$32.3 billion.

Construction

The Construction industry's performance is forecast to gradually improve over the next five years at a national level, supported by solid growth in non-building infrastructure markets, recovering demand for new housing construction and improved opportunities for some specialised construction trades. However, the economic fallout from the COVID-19 pandemic, the pace of recovery in the general economy and the capacity for households to invest in new building construction are anticipated to constrain the short-term performance of key building industries. Demand from the non-residential building construction sector is forecast to decline over the next five years, as investor confidence in the commercial property market remains slow to recover and constrains the division's performance.

Source: Ibisworld.com, 2022



Beef farming

IBISWorld expect the Beef Cattle Farming industry to grow at a slower rate over the next five years due to the rebuilding of cattle herds following prolonged drought conditions across Australia.

Domestic meat prices are projected to remain high at the retail level, largely due to strong demand for Australian beef in export markets. As the value of domestic beef sold to overseas markets rises, local supplies will become increasingly limited, pushing up domestic beef prices. The Regional Comprehensive Economic Partnership is expected to provide strong opportunity for industry expansion.

Furthermore, an anticipated shift in consumer preferences towards organic beef, which carries a price premium, will also help lift domestic retail beef prices.

Apple, Pear and Stone Fruit Growing

The Apple, Pear and Stone Fruit Growing industry revenue is expected to rise in the next five years driven by increase in prices. Demand from the food-service sector, which declined during the COVID-19 pandemic is anticipated to pick up.

However, growers rely significantly on international workers. Travel and accommodation restrictions are expected to reduce the availability of these workers, and may limit output. As the industry's performance depends on production, annual rainfall will continue to dictate revenue over the next five years.

Food Product Manufacturing

The initial outbreak of COVID-19 encouraged many Australian consumers to stockpile pantry and freezer supplies, possibly causing a short-term spike in demand for industry products that can be stored in the freezer, including parbaked bread products. Industry operators that predominantly service the hospitality industry have been adversely affected. Increasing health consciousness is forecast to drive product innovation and the development of industry niches going forward.

What are the future opportunities and challenges?



COVID-19 will present new and accelerate long term challenges and opportunities

RDA AHFKI's economy has been shaped over the last decade or so by macro trends that influence headline and specific industry growth. Some of these trends are still relevant today and may be elevated or of greater importance due to COVID restrictions we have seen. For example, labour participation risks due to an ageing population have intensified as an issue due to the fall in migration of younger working age residents from overseas to Greater Adelaide, which ultimately affects the domestic migration from the metro area into the region.

History also shows that the recovery period following economic downturns can accelerate the transition of industries or magnify trends that were already emerging in the economy. Some of these, such as the integration of 5G technology, still have a long way to go in terms of their impacts on sector or business transition.

Trends evolving over recent decades



Increasing demand for qualified workforce



Ageing population driving health services



Climate change influencing investment decisions



International migration driving population growth



E-commerce becoming common place

Trends unfolding in the next few decades



Increase in remote working



5G, smart everything and IoT



Al and automation



Rebalanced supply chains



Circular economy



Existing trends will continue to shape the region



Increasing demand for qualified workforce

The RDA AHFKI's workforce is averagely educated. Around 25% of employed residents are degree educated in 2016, the similar level as the South Australia average (26%) but less than the Greater Adelaide average (29%).

Implication

Industry growth and development, especially in professional business service areas, may be limited by education levels



Ageing population driving health care

Health care and social services, especially non-essential medical and social assistance, is the leading employer for the region and above the state average. The forecast increase in older population will entrench this specialisation.

Implication

Continued health industry growth expected, need to explore higher value health services opportunities. The growth might be limited by the shortage of professional health care workers in the region.



Climate change influencing investment decisions

The RDA AHFKI region is renowned for its clean and green nature. The local governments in the region also has a strong commitment to the local environment plan. Businesses are increasingly looking for sites that can allow for reduced emissions and/or have security in energy and water supply.

Implication

Enhance reputation as a region of excellence for natural products. Companies like Jurlique and Hemp Hemp Hooray have been successful in tapping a growing market for natural skin care and other related products.



International migration driving population growth

Population growth in RDA AHFKI has been above the South Australia average in recent years driven by domestic migration, especially following the outbreak of COVID-19. Reduced international migration will limit population growth in Greater Adelaide, which will ultimately affect the migration out of the metro area into rural areas.

Implication

The impact of COVID has reduced population estimates at a state level. This influence flow on impacts to individual regions as immigration is reduced. In the short term, COVID had a positive impact on RDA AHFKI's population growth. In the longer term, it is uncertain how migration to regional areas will change once the cities start drawing in the population again.



E-commerce becoming common place

SA experienced a 46.6% YoY growth in online sales in 2020 and 35% of respondents to an ABS survey indicated they prefer to shop online now more than they did before the pandemic.

Implication

Provide support to the local businesses with low digital literacy and capture market opportunities. Leverage heritage and tourism activities in the region to sell niche and differentiated goods.



Build on increasing SMEs and Professional business services



Increase in remote working

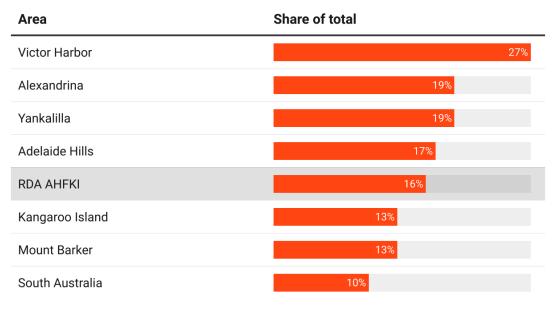
A McKinsey report showed that most professional business services work, up to 3/4 for financial services, could be done from anywhere without loss of productivity. A remote working survey for SA suggested most office workers would prefer a hybrid model – 2 to 3 days from home.

The RDA AHFKI region had a reasonably high share of working residents (16%) in professional knowledge-based business¹ roles working from home in 2016. The location with the largest amount of these working residents in 2016 was Victor Harbor with 27% of all the LGA's working from home professionals in knowledge-based business industries. All LGAs in the region had a higher proportion of professionals in knowledge-based business industries who worked from home (11.7%) at the time of the Census compared to the South Australia average.

Implication

- Clear base of residents who are already working flexibly or would benefit from remote working
- The RDA AHFKI region offers many natural assets, close access to beaches and a lower cost of living that could be attractive to residents considering a move to remote working
- Potential to vitalise the towns through re-purposing under-utilised office/retail space to support co-working facilities
- Targeted marketing could be delivered aimed at people to move to the region.

Employed residents working from home in knowledge based business services professional occupations, 2016



Source: ABS Census 2016 • Created with Datawrapper

¹ Finance and Insurance, Information Media and Professional, Scientific and Technical Services industries



RDA AHFKI's agriculture and manufacturing businesses can grow value from Industry 4.0 technology



5G, smart everything and IoT

Smart capabilities beyond home settings have been limited to date. With 5G, many companies in manufacturing, mining, construction, transport and agriculture will get a reliable alternative that enables the communication critical for mobile tools, machines, and robots. Industry 4.0¹ applications are set to grow substantially with manufacturing expected to benefit the most. However, other areas such as smart farming, smart mining and med-tech can all benefit.

The RDA AHFKI region has the potential to generate substantial value from businesses adoption of these technologies. Agriculture, Mining, Manufacturing and Construction are well over-represented compared to the South Australia average (2.5 times, 1.1 times, 1.2 times and 1.4 times value added share respectively).

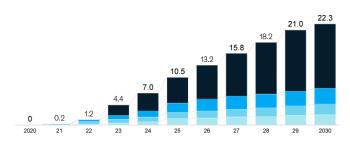
Implication

- Industry 4.0 opportunities are strong in key sectors Agriculture, Mining, Manufacturing and Construction.
- Encouragement of upskilling of workers and support businesses to increase digital literacy.
- Investigate and encourage collaboration with local suppliers who can support uptake of the new technology.

informed decisions

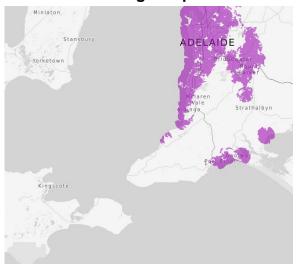
5G IoT advancements are set to impact manufacturing the most





Source: McKinsey & Co, The 5g era

Telstra 5G coverage map



Source: https://www.telstra.com.au/coveragenetworks/our-coverage

¹ Industry 4.0 refers to increased data exchange that allows machinery to adapt autonomously and achieve real-time optimization.

Al can support increased value in health and alleviate shortage in health professionals



Al and automation

It is estimated that about half of the activities (not jobs) carried out by workers could be automated, but only about 5 percent of occupations could be fully automated by currently demonstrated technologies. This suggests job role changes will be more commonplace than job losses.

Al is already impacting industries via the way activities like tailored user specific marketing has occurred. The potential is still unravelling in many industries and some set to be impacted the most include health, logistics and finance.

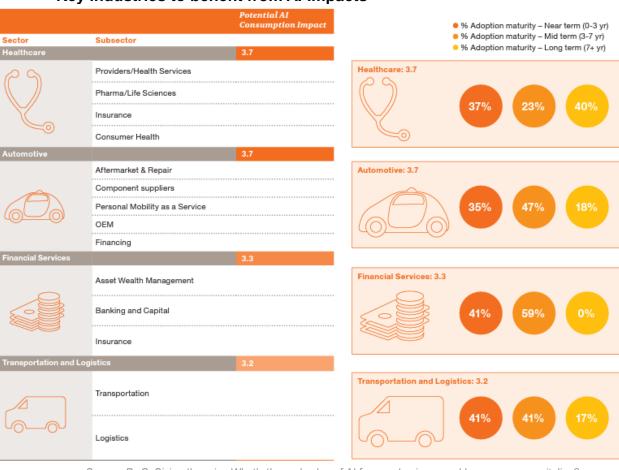
The RDA AHFKI region has the potential to generate substantial value. Al technologies are supported in key industries such as healthcare.

Implication

- Al opportunities are strong in a key sector Health and Social Services
- Opportunity to build a strong tele-health industry in the local market and alleviate the shortage of health care professional workers, which is forecast to intensify with the ageing population.
- Identification of occupations at risk in the region from AI and automation is merited

¹ McKinsey & Co, AI, automation, and the future of work: Ten things to solve for

Key industries to benefit from Al impacts



Source: PwC, Sizing the prize What's the real value of AI for your business and how can you capitalise?



Promote increased supply chain activities within the region and support a reduction in local business supply chain costs



Rebalanced supply chains

Cost differences among developed and many developing countries are narrowing due to technological advances. The importance of local supply to offset disruptions, freight costs and improve national security is increasingly important.

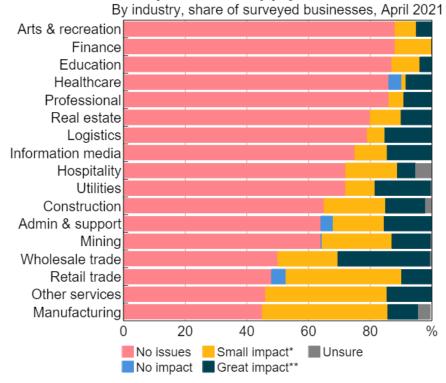
Consumers have shown willingness to adapt spending during the pandemic to 'buy local'. Businesses have demonstrated the capability to transform production or scale up to new demand.

The strong agriculture and food product manufacturing, retail and hospitality sectors in RDA AHFKI will increase opportunities for supply-chain activities within the region as well as potentially reduce costs for companies that rely on high value small quantity inputs.

Implication

- · Identify mechanisms to support businesses that will continue to face cost pressures due to supply chain constraints
- · Explore the establishment of platforms or networks to link local businesses along supply chains
- · Identify opportunities for import replacement
- · Identify opportunities for businesses that rely on high value per unit or time-sensitive commodities. E.g. chemicals, pharmaceuticals, production samples and perishable agricultural and seafood products.

Reports of Supply Chain Issues



- E.g. some delays but little impact on revenue
- E.g. major delays or cannot obtain certain items; significant impact on revenue Sources: ABS: RBA

Source: RBA, Statement on Monetary Policy - May 2021 Box B: Supply Chains During the COVID-19 Pandemic



Support initiatives to grow circular economy businesses



Circular economy

A 'circular economy' has been identified as a major (up to \$4.5 trillion) commercial opportunity with the concept that everything, even after its 'useful' life, can become a source for something else.

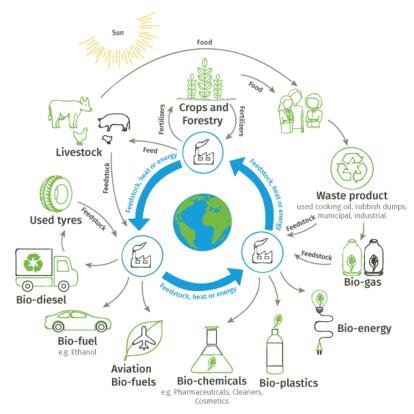
Waste export restrictions are driving federal and local investment in waste reuse solutions. Mount Barker has South Australia's largest council-run wastewater treatment plant. The recent approval to expand the recycled water infrastructure will generate economic, environmental and social benefits.

However, there is major potential in other areas such as plastics, organic waste, e-waste, lithium batteries etc. Closed loop or bio-industrial precincts that generate fuel/energy from waste are also attracting investment.

Implication

- Identify mechanisms to support and educate businesses to reuse waste material in a cost effective manner.
- Identify opportunities for collaboration between council and businesses to take better advantage of government run waste facilities.

Key industries to benefit from Al impacts



Source: Aurecon, The Circular Economy: the bioprecinct approach and showcase on the Mackay Isaac Whitsunday region





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