Northern Beaches - Economic Health Check

June 2021

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Executive summary

The profile of the local economy and workforce generate several opportunities to grow but also potential challenges.

Economic growth was solid but lower than metro average pre-COVID

- Economic growth has consistently been below the Greater Sydney average over the decade, however it does not rely just on population based services to grow.
- Local jobs growth has exceeded growth in employed residents in recent years
- Visitation grew considerably in the five years prior to COVID
- Economic growth has been aided by an increase in participation
- Unemployment levels are consistently below the metro average

Several positive factors support economic growth

- Health care, social assistance and tourism has driven jobs growth.
- Growth in white collar jobs in manufacturing was also solid supported by chemical (pharmaceuticals) and machinery and equipment manufacturing
- Strong residential construction pipeline has continued through the COVID pandemic
- Northern Beaches has a high share of home based business owners suggesting a strong entrepreneurism base
- Northern Beaches is over-represented in creative services such as design, photography, architecture
- High income well qualified residents supporting local retail and hospitality expenditure

We have identified a number of challenges due to local and macro economic factors.

- International travel restrictions will limit population growth and international visitation over the next couple of years
- The gap between local jobs and working residents especially in some industries such as Professional Services has not closed greatly.
- Construction has decreased since the completion of the Northern beaches Hospital and non-residential building approvals lean more towards community assets rather than commercial developments.
- Poor public transport connections can increase traffic congestion and limit potential of strong growth of business precincts compared to other areas in Sydney (esp. Metro aligned ones)

Understanding these opportunities and challenges provide a strong foundation to then identify the most appropriate intervention.

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Health check

Positive factors

Economic conditions
- Jobs growth has been stronger than growth in employed residents meaning there are more local jobs to go around
- Strong growth in residential building approvals should help maintain local construction industry related confidence. Non-residential building approvals has been higher in recent years than a decade ago.
- Domestic and international visitation (pre-COVID) has grown strongly since 2015

Industry
- Strong growth in healthcare and social assistance and tourism related retail, arts and recreation areas.
- Above benchmark average growth in Manufacturing due to white collar based jobs in chemical and machinery equipment industries.

Demography
- Resident education attainment and skills higher than the Greater Sydney average leading to higher incomes, greater labour force participation and lower unemployment

Outlook
- Population ageing, the opening of the Northern Beaches Hospital in 2018 and new aged care facilities may help further growth in the Healthcare industry.
- Frenchs Forest earmarked as a strategic growth centre by NSW Government.
- An increase in remote working for white collar office based employees may support local retail and uptick in coworking facilities.
- Potential to tap into entrepreneurial worker base due to having a much higher share of professionals managing home based businesses.
- The success of Blackmores campus can be used as an example to promote/attract relocation of commercial offices to suburban business parks in the LGA
- Higher exchange rate and international travel restrictions may boost domestic tourism
- Increase in house prices may have a wealth effect supporting spending in the short term.

Weaknesses

Economic conditions
- Population growth has been weaker than the Greater Sydney average leading to lower growth in GRP
- Lower GRP growth in the last recent years as a result of a decrease in construction activity following the completion of Hospital
- Productivity per worker has declined as less productive industries (e.g. health, retail) grow their share of employment

Industry
- Growth in Professional, Scientific and Technical Services has not been as strong as the Greater Sydney average and there is still a substantial job deficit (over 10,000 less jobs than employed residents)
- Some high value industries such as Financial and Insurance Services have seen minimal growth in recent years

Demography
- The median age of Northern Beaches residents is higher than the Greater Sydney average and forecasted to get older in the next 20 years
- Residents and workforce are less culturally diverse which may limit the diversity of businesses and potentially limit workplace innovation.

Outlook
- Planned non-residential building activity leans toward community assets, not necessarily commercial/industrial developments.
- Downside risks to state, national and global economic growth may impact longer term economic and job growth in Northern Beaches
- International travel restrictions limits international visitation and reduces potential length of stay of visitors.
- Health/aged care growth may contribute to lower productivity going forward unless higher value services are focused on.
- Poor public transport connections across the region leads to excess car usage which will see congestions costs and carbon emissions increase over time and potentially limit growth/attractiveness of business parks

Opportunities for sustained growth

The analysis in this report suggests there is potential to explore a number of actions that may help the Northern Beaches economy improve or sustain growth going forward.

- Support establishment of co-working or "Work Near Home" suburban shared workspace facilities in high amenity retail/commercial hubs. Look for opportunities to repurpose vacant or underutilised premises and/or ensure new developments provide enough smaller adaptive commercial space.

- Fund and/or support establishment of tech/creative incubators with linked entrepreneurial networks to support mentorship.

- Explore surveying professional services home based businesses to investigate scale and needs of this market.

- Investigate potential of large commercial companies (e.g. Blackmores) or Universities to develop/support accelerator programs in the region.

- Plan for and improve high frequency public transport options between main economic nodes.

- Leverage the success of Blackmores campus model as an example to promote/attract relocation of commercial offices and/or manufacturing facilities. Marketing strategy to highlight the benefits of environmentally sustainable developments in high amenity areas close to where residents live.

- Explore development of shared/open access infrastructure (e.g. research facilities, shared energy systems, community batteries) to reduce costs for smaller enterprises.

- Explore potential to form links between key health assets, local manufacturing companies and education research providers to grow commercial health science opportunities (esp. in growing rehabilitation equipment and services market).

- Better and consistent planning, in collaboration with State Government, is needed to ensure land use needs of existing commercial enterprises and new residential developments are balanced in the Frenchs Forest precinct. Residential development supports housing mix and affordability outcomes but can sometimes have an adverse impact on non-population servicing employment outcomes.

- Identify key competitive factors/attractors for key business parks that will come under increased pressure from other locations in Sydney benefiting from new metro accessibility.

- Develop and/or support a local design network highlighting Northern beaches expertise in this area (see creative industries specialisations) and allowing local businesses to tap into resources.

- Explore how to grow domestic tourism opportunities due to the short term absence of international visitors and Tourism Australia focus on regional markets.

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Contents page

How was the economy performing pre-COVID?

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Economic activity has been weaker than Greater Sydney but enhanced by growth in tourism* and less population driven

Northern Beaches generated $17,410m in GRP and supported an estimated 110,984 jobs in 2018/19. This represents 3.7% of Greater Sydney's economy in terms of GRP (3.9% in terms of local jobs).

The economy in terms of GRP has been expanding over the last 3 year with annual average GRP growth rate of 2.0%. Similarly, the number of local jobs increased at an average of 2.2% per annum during the same period.

Population wise Northern Beaches represents 5.3% of Greater Sydney's total population. Population increased by 1.0% per year between 2016 and 2019, below the Greater Sydney average.

The unemployment rate was 2.7% as at June 2019, relatively lower than Greater Sydney (4.1%). It has decreased by -0.2% points in the last 3 years.

Tourism visitation grew by 5.2% per year between 2016 and 2019, well below the Greater Sydney average of 5.4% per year.

*Prior to COVID

Northern Beaches economy in 2018/19

Headline figures		3yr average annual growth (Greater Sydney)	
	$17,410m GRP		2.0% (3.5%)
	110,984 Jobs		2.2% (3.4%)
	273,409 Population		1.0% (1.8%)
	2.7% Unemployment rate		-0.2% (-0.8%) *Percentage points
	2,407,843 Tourism visitors (3 year rolling average)		5.2% (5.4%)

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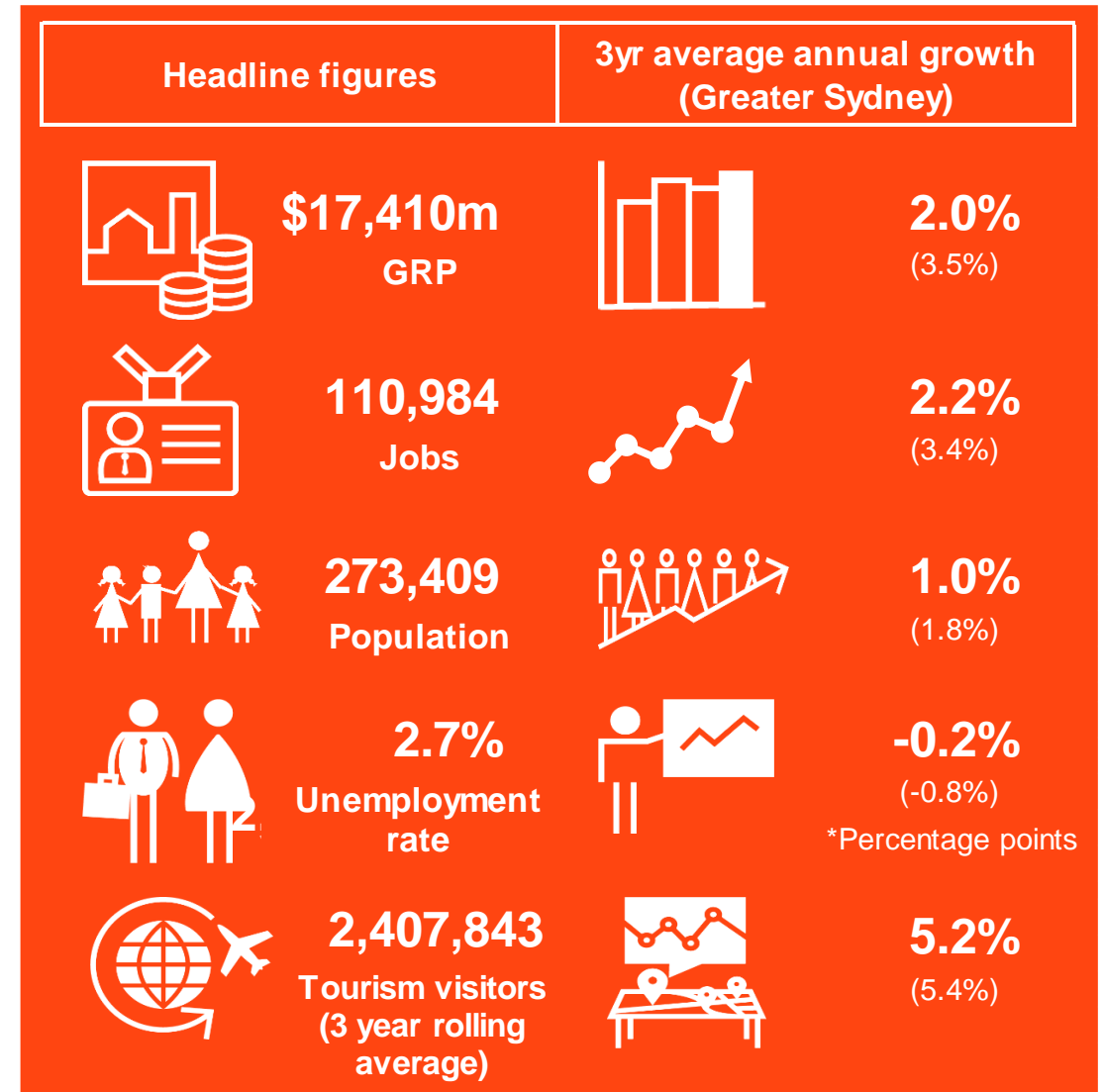
Economic growth below the Greater Sydney average

Over the decade to 2019, Northern Beaches GRP grew at 2.2% per annum, below the Greater Sydney average (3.1% per annum). However, recent growth has been lower. In the last 3 years, the region's GRP has increased by 2.0% per annum.

Compared to Metro LGAs, Northern Beaches GRP growth over the period from 2016 to 2019 (2.0% per annum) has been lower, the average annual GRP growth rate of surrounding Metro LGAs during the same period was 3.4% per annum.

Growth in GRP - Northern Beaches
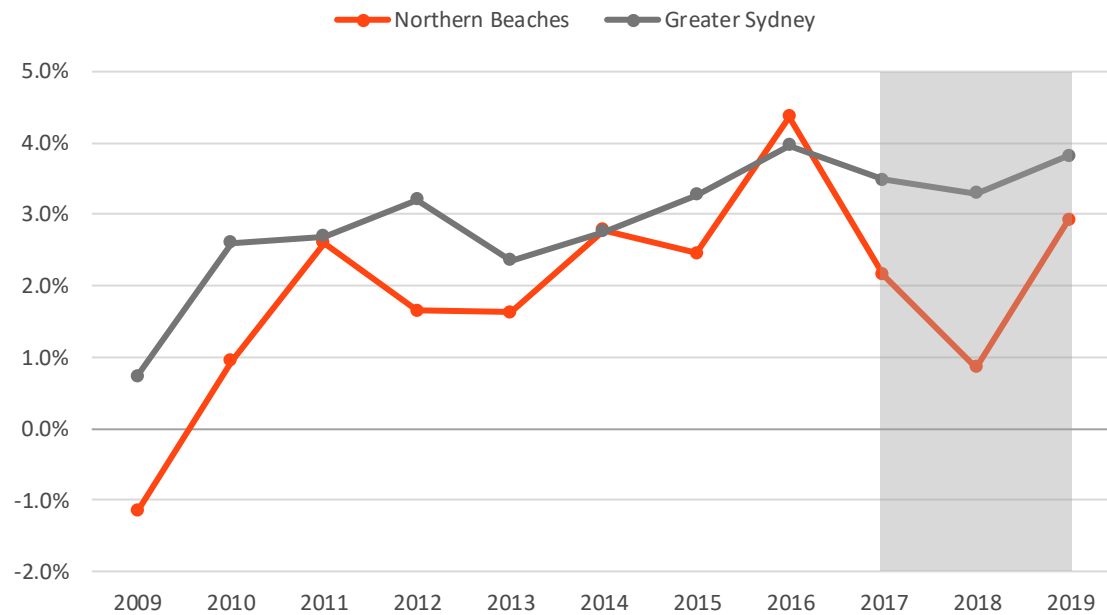
% per annum

Source: NIEIR, 2021

Growth in GRP - Metro LGAs, 2016 to 2019

% average annual growth rate

Source: NIEIR, 2021

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Jobs growth has also underperformed compared to the Greater Sydney average

From 2009 to 2019, Northern Beaches local jobs grew at 1.7% per annum, below the Greater Sydney average (2.3% per annum). In the last 3 years, Northern Beaches local jobs growth has been higher compared to the period from 2009 to 2019. From 2016 to 2019, local jobs has increased by 2.2% per annum.

The Northern Beaches local jobs growth under performed compared to surrounding Metro LGAs, where over the period from 2016 to 2019, the average local jobs growth rate was 3.2% per annum.
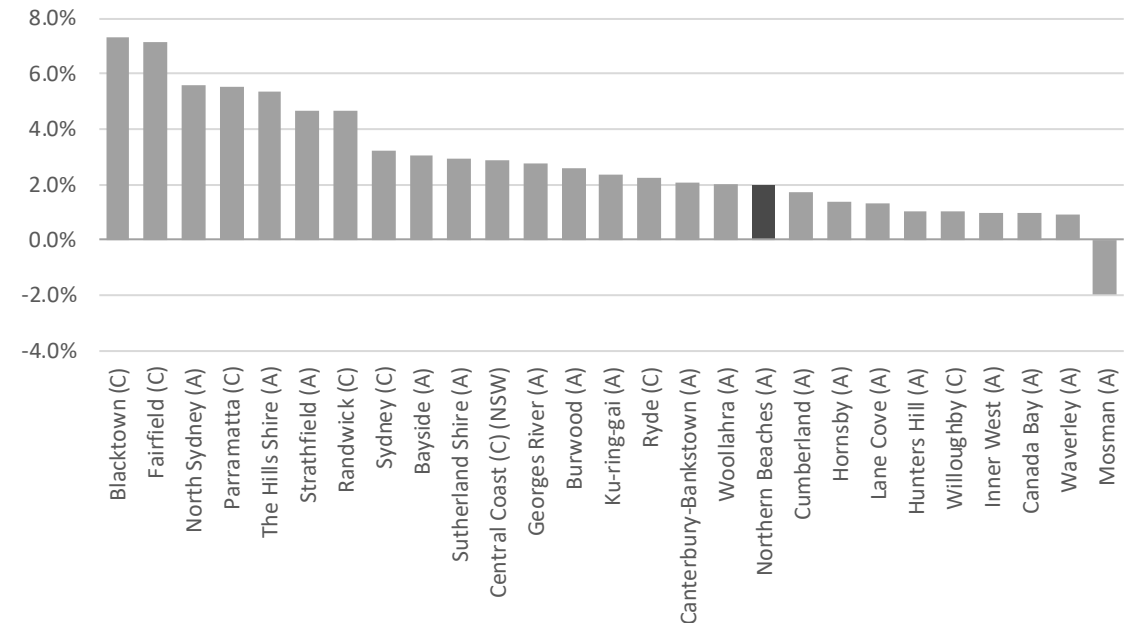
Growth in Local Jobs - Northern Beaches

% per annum

Source: NIEIR, 2021

Growth in local jobs - Metro LGAs, 2016 to 2019

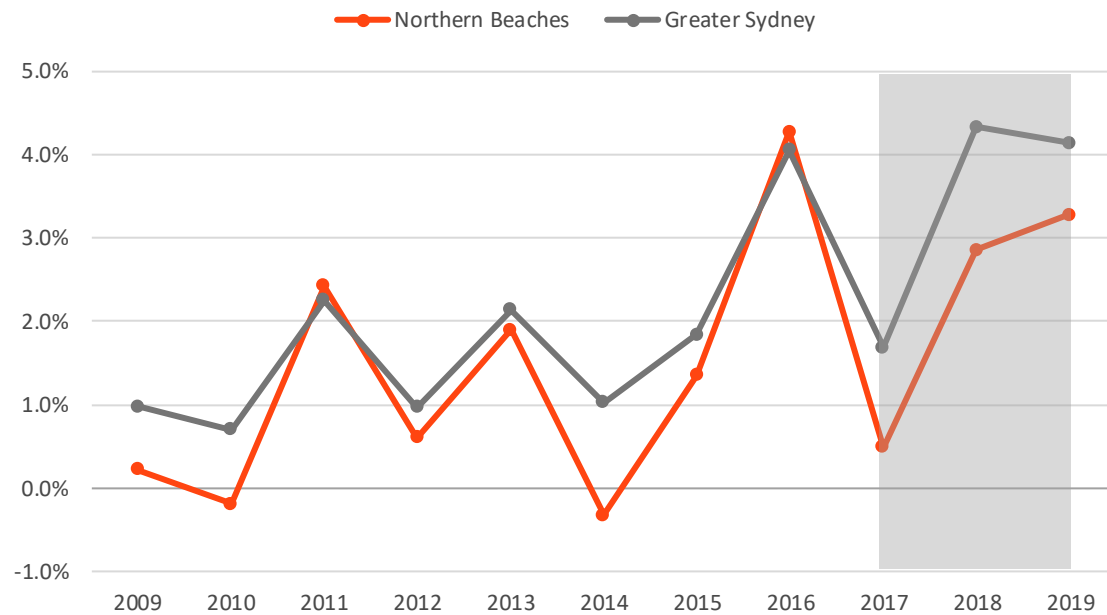% average annual growth rate

Source: NIEIR, 2021

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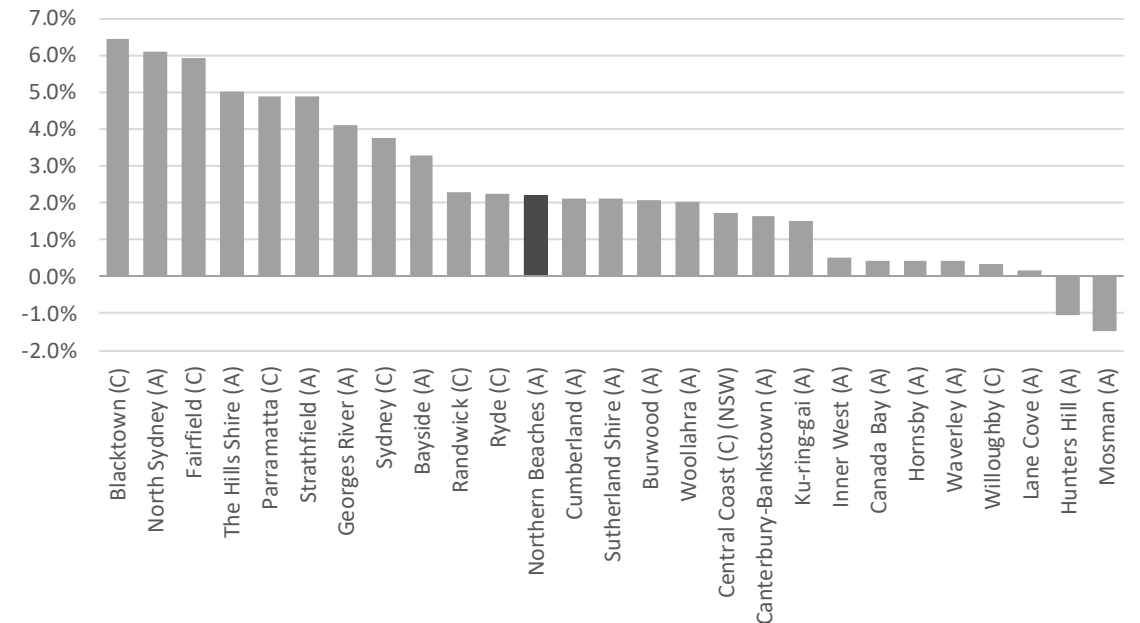
Unemployment rate continues to be well below the metro average and third best out of all Greater Sydney LGAs

Over the last eight years to June-2019, the unemployment rate in Northern Beaches averaged at 2.9%, below the Greater Sydney average (4.8%). However, recent unemployment rate has been lower. The average unemployment rate over the last 3 years to June-2019 in Northern Beaches decreased to 2.7% (2.7% in June-2019).

Compared to surrounding Metro LGAs, the Northern Beaches average unemployment rate over the last 3 years to June-2019 (2.7%) was below the surrounding Metro LGA average unemployment rate during the same period (4.2%).

Unemployment rate - Northern Beaches
%
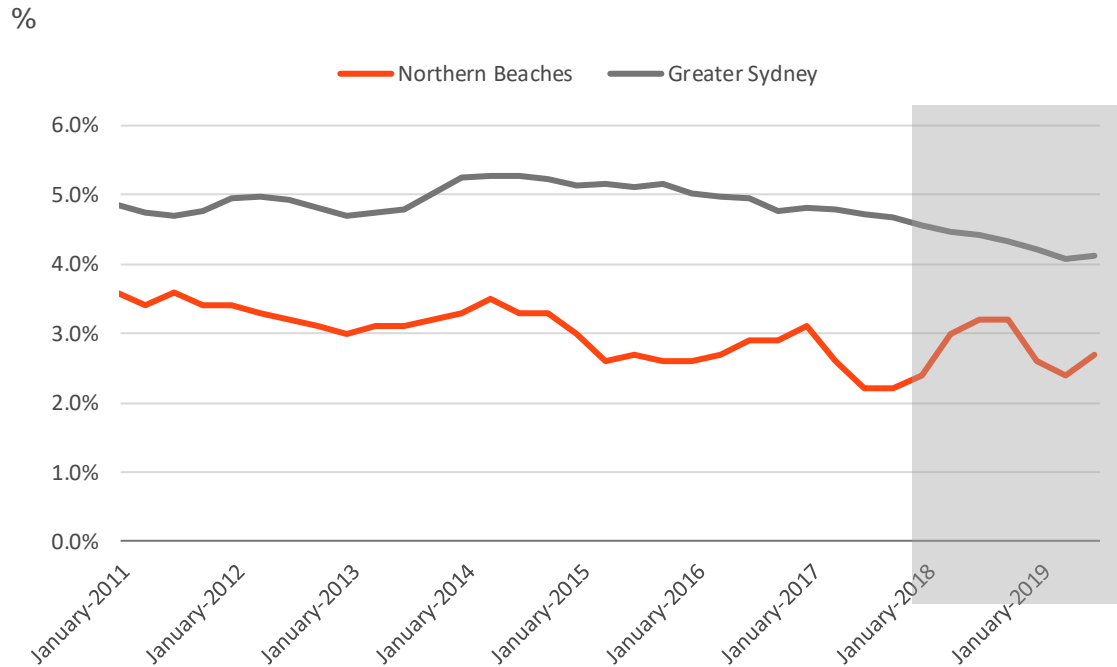
Source: ABS Labour force survey (2021); Department of Employment SALM (2021)

Average unemployment rate - Metro LGAs
%, from June-2016 to June-2019
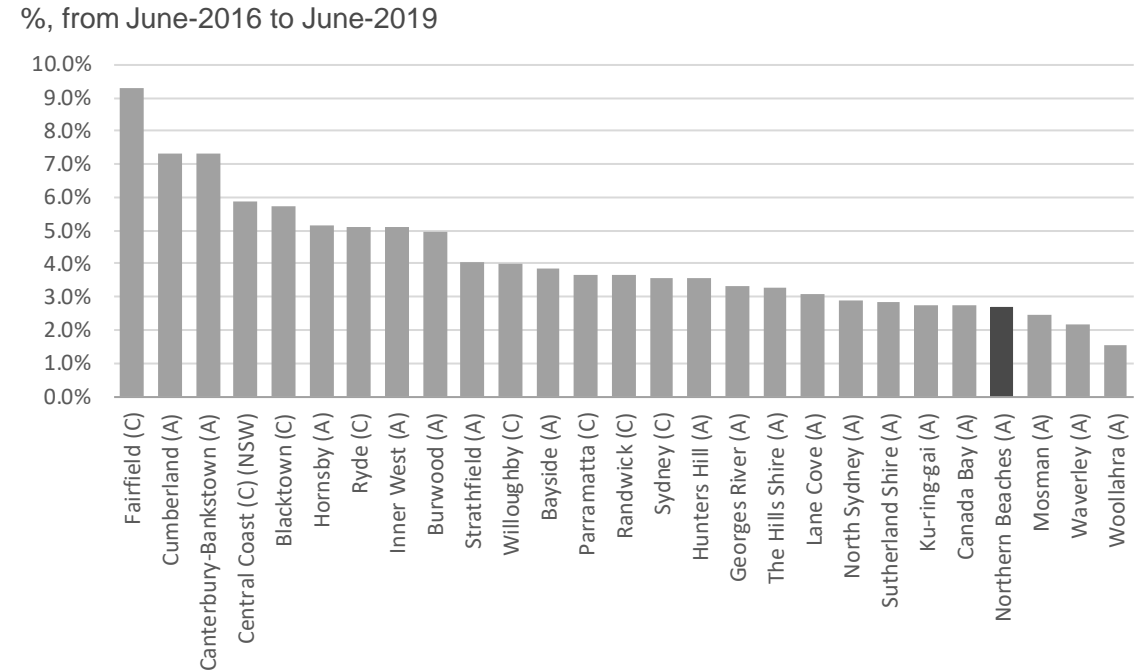
Source: ABS Labour force survey (2021); Department of Employment SALM (2021)

Local economic performance is heavily influenced by major projects. Building approvals have been very strong in recent years with growth in non-residential compared to ten years ago

The average value of non-residential building approvals over the last three financial years ($264M) has been below the decade long average ($274M). However, this average was heavily influenced by the $500m+ approval of the Northern Beaches Hospital in 2014/15. Compared to the early 2010s, non-residential approvals have been strong. In this recent period, the total value of residential building approvals ($1,193M) has outweighed total non-residential building approvals ($527M).

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 Warehouses.

Building approvals - Northern Beaches
Annual (FY) value approved

Legend: Residential $('000)   Non-residential $('000)

Non-residential approvals - Northern Beaches, last 3 years
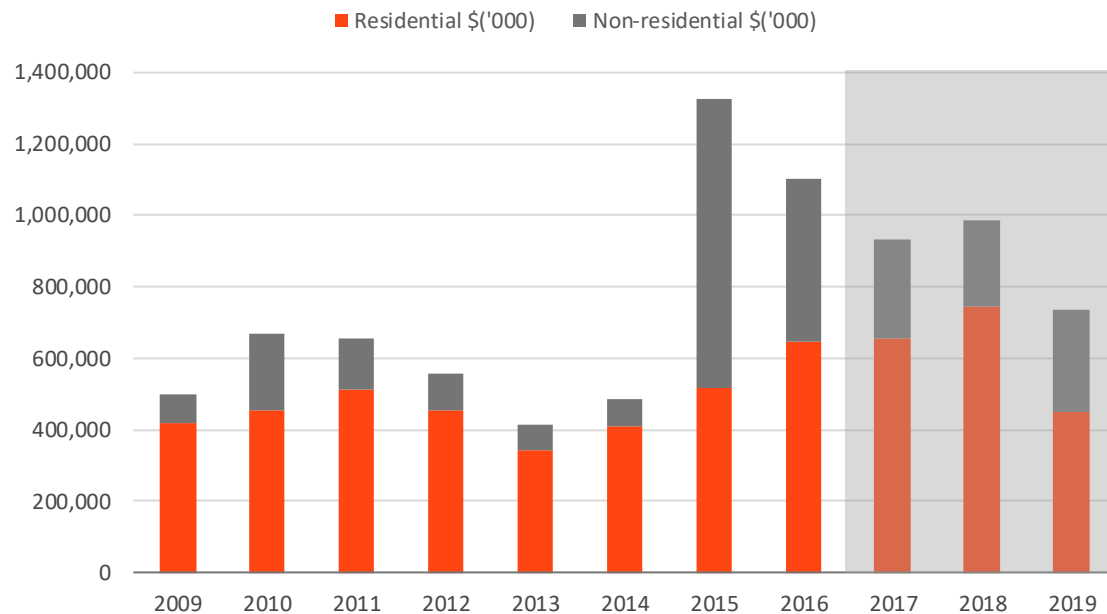Annual value approved by type, three years to Jun-2019

Type	Value
Education buildings	$196.6M
Retail and wholesale trade buildings	$182.9M
Warehouses	$115M
Entertainment and recreation buildings	$81.3M
Health buildings	$75.7M
Other non-residential n.e.c.	$52.1M
Aged care facilities	$37M
Offices	$31.1M
Commercial buildings n.e.c.	$13.3M
Short term accommodation buildings	$13M
Other industrial buildings n.e.c.	$3.4M
Religion buildings	$2.9M
Transport buildings	$0.9M
Factories and other secondary production buildings	$0.6M
Agricultural and aquacultural buildings	$0.5M

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

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

What was driving recent economic conditions?

Creating more jobs than growth in employed residents, but job creation appears to be in les productive industries

Over the last 3 years to 2019, the main contributor to economic growth in the Northern Beaches was change in population which averaged 1.0% per annum. However, this was below the average figure for the period from 2009 to 2019

During the same period, the main detractor from growth was productivity which averaged -0.2% per annum.

Compared to the Greater Sydney, Northern Beaches had higher components of growth in employment capacity which suggest more local jobs have been created than growth in residents accessing employment.

However, growth in population, participation, productivity have been lower. This may reflect the older age profile (declining participation) and growth in less productive industries (e.g. arts and recreation, retail).

Components of growth - Northern Beaches
Annual average growth %
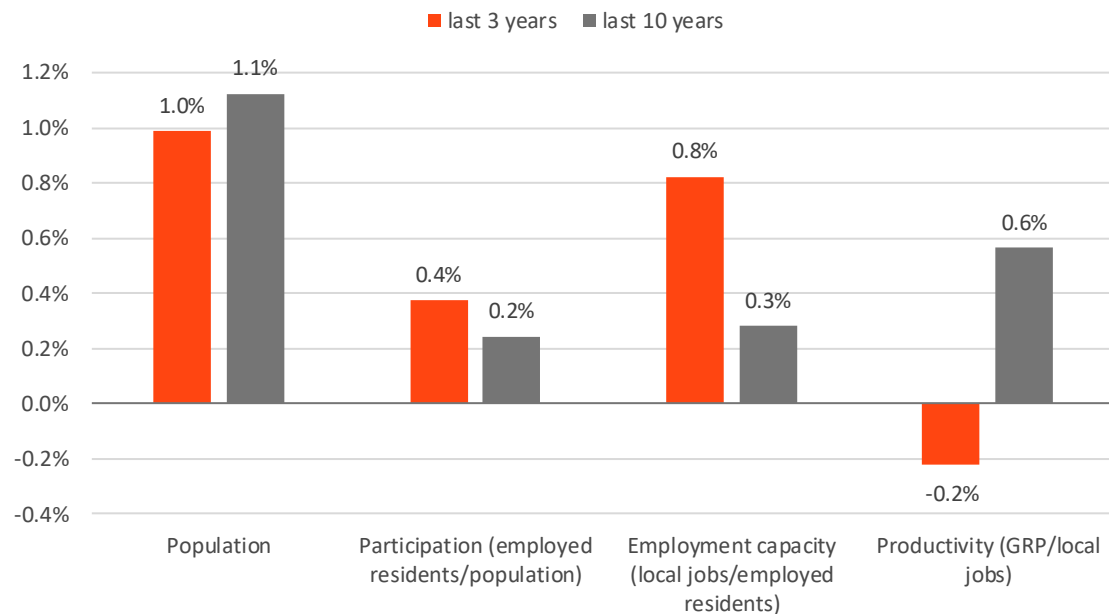
Source: NIEIR, 2021

Components of growth - Northern Beaches, 3 years
Annual average growth %

Source: NIEIR, 2021

International migration driving population growth, longer term residents moving out

Over the decade to 2019, Northern Beaches's population growth has been below the Greater Sydney average.

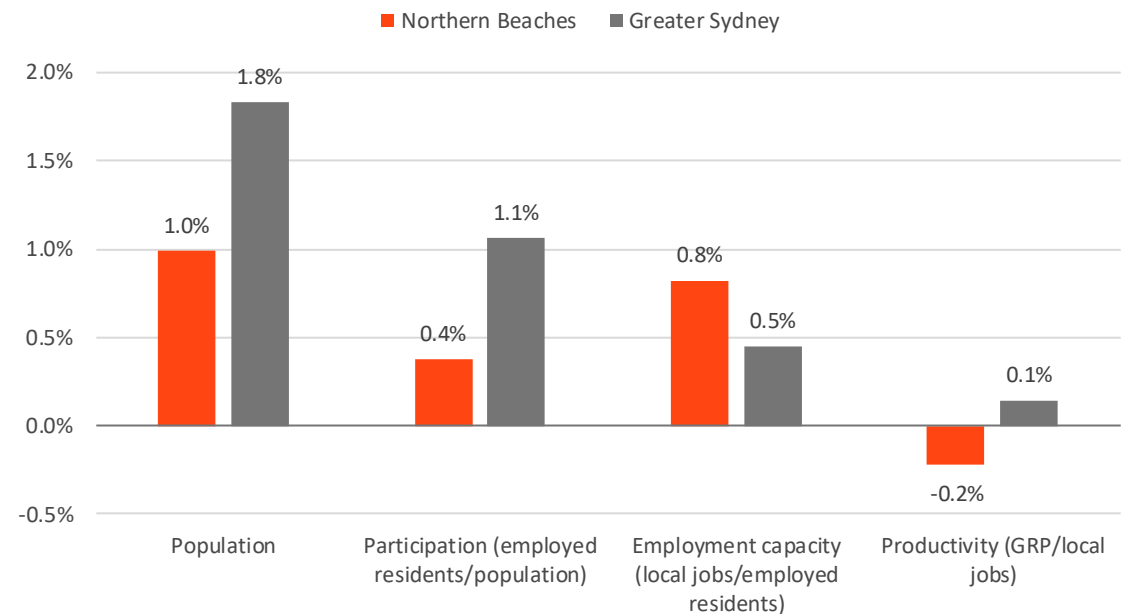The main contributor to population growth in recent years was net overseas migration (people arriving from overseas minus those leaving). An estimated 8,889 net new residents came from this component between 2016 and 2019.

The main detractor from growth was net internal migration (people moving in minus those moving out of the LGA within Australia) which the region is losing residents to other locations in the state/country. An estimated 4,907 net residents were lost due to this component.

The other factor influencing population growth was natural increase (births minus deaths) and its impact was positive.

Recent population growth - Northern Beaches
Annual Change in ERP %
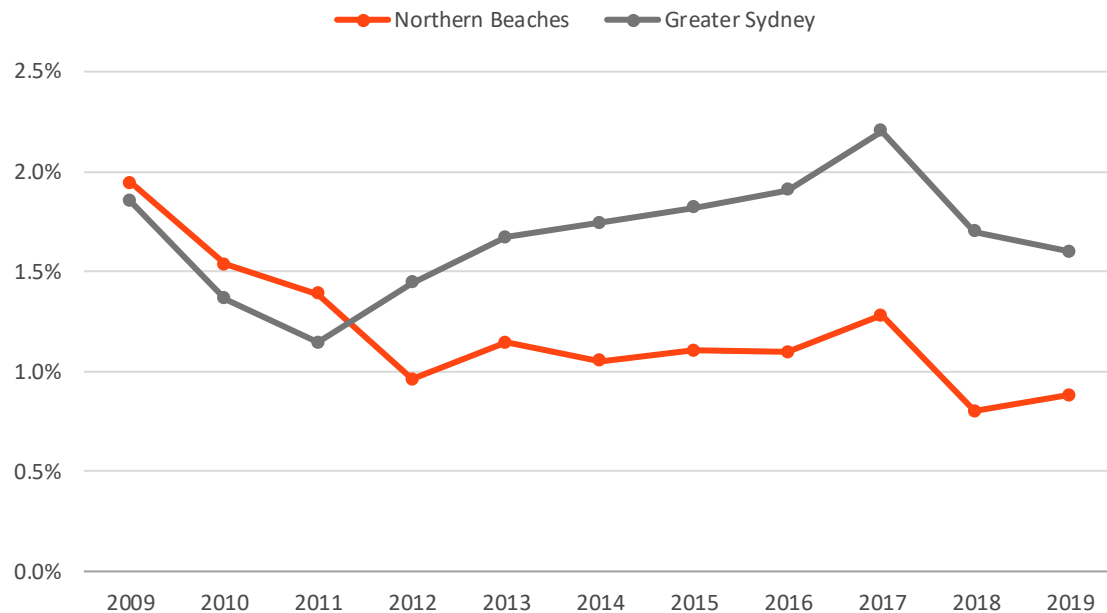
Source: ABS, 2021, Cat: 3218.0 - Regional Population Growth, Australia, 2019-20

Pop growth components 2016-2019 - Northern Beaches
Change in component as a % of total change in population in the year to June 2019

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

Employed residents are increasingly working in areas beyond Northern Beaches

In 2019, there were 43,986 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 2,910 over the last ten years. However, it has shrunk in the last 3 years.
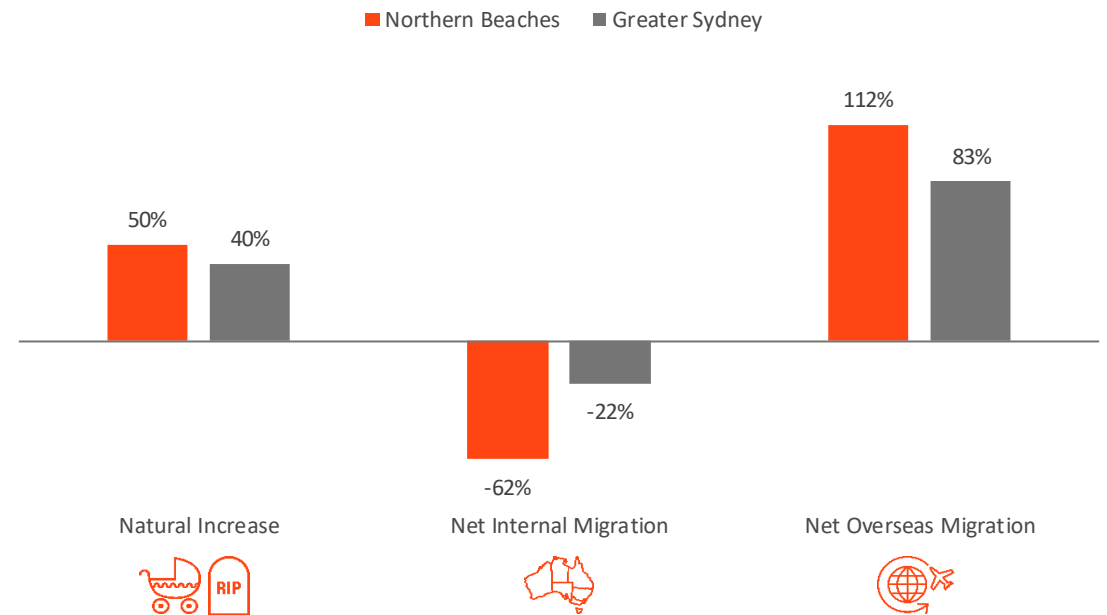
The share of residents working outside the LGA increased between 2011 and 2016. This suggests more residents were looking elsewhere for opportunities possibly because local jobs are not matching their needs.

Employment capacity - Northern Beaches
Difference between local jobs and employed residents

Year	Value
2009	-41,076
2010	-41,574
2011	-41,867
2012	-41,716
2013	-42,982
2014	-43,205
2015	-43,950
2016	-44,818
2017	-45,410
2018	-44,928
2019	-43,986
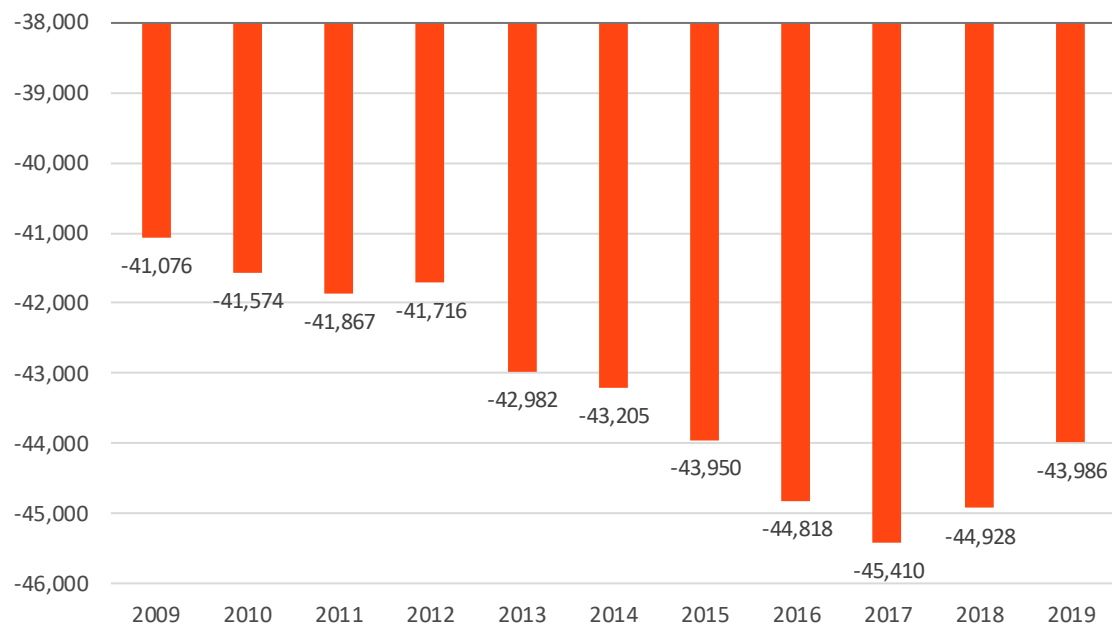
Source: NIEIR, 2021

Employment self containment - Northern Beaches
Share of residents working locally

2011
- Working locally
- Working outside the LGA

45.0% 55.0%

2016
- Working locally
- Working outside the LGA

47.9% 52.1%
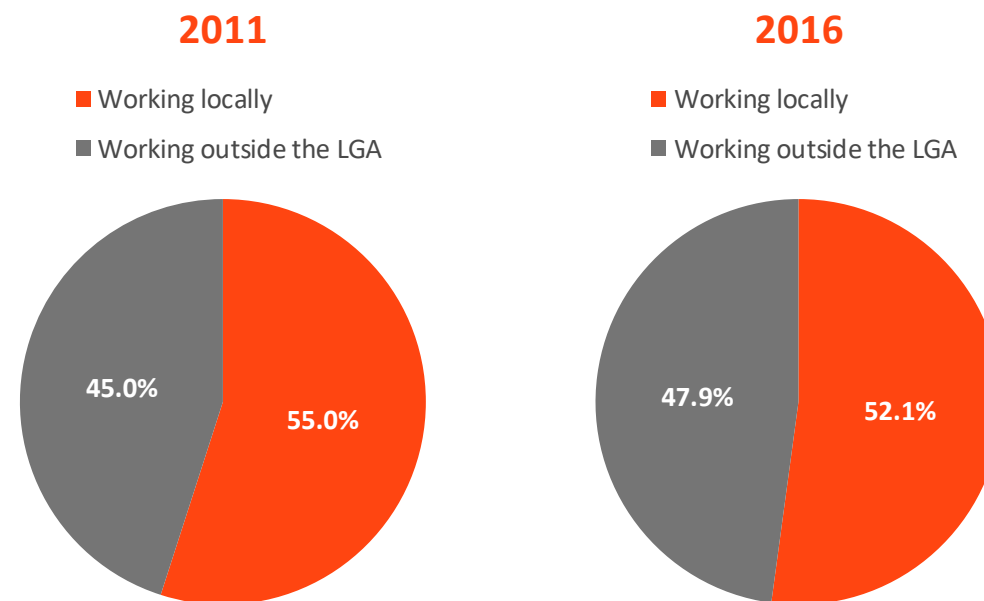
Source: ABS Census of Population and Housing, 2011 and 2016

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Average worker productivity has fallen as Low economic value jobs in retail, hospitality and healthcare take up a greater share of employment

Northern Beaches's average worker productivity has increased over the decade to 2018/19, however the recent change (last 3 years) has been worse.
Average worker productivity in 2018/19 was around $5,354 per worker less than the Greater Sydney average. This difference has grown over the decade.
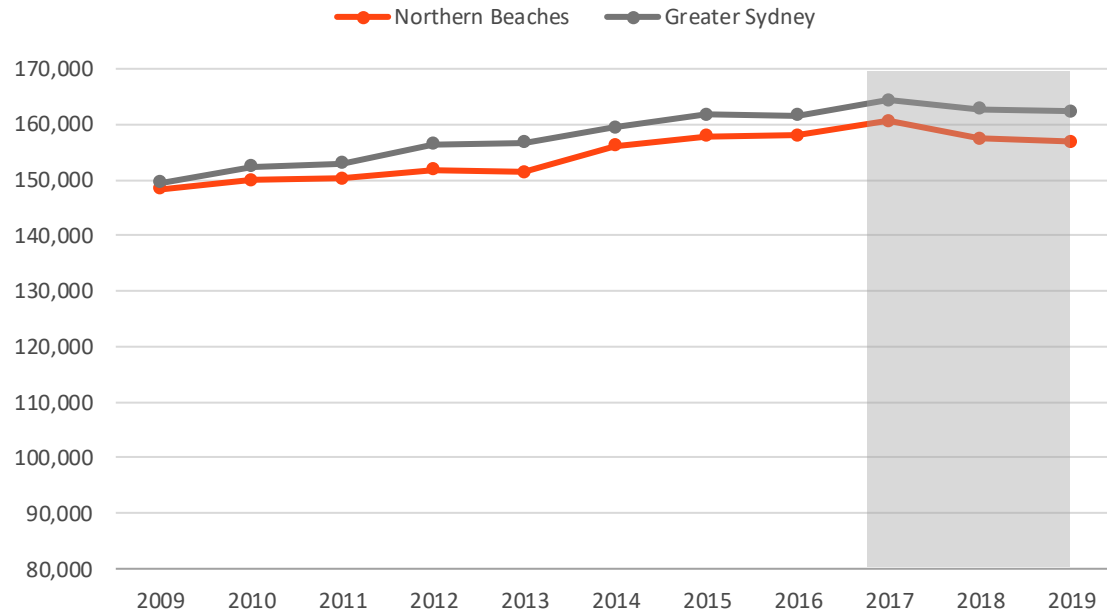Over the 3 last years, 7 out of the top 10 industries in terms of worker productivity experienced decreases in their shares of total job numbers in Northern Beaches.

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

Job change by productivity - Northern Beaches

Worker productivity - Northern Beaches

$ GRP per worker

| | Northern Beaches | Greater Sydney |

Source: NIEIR (2019)

	Productivity, 2019 ($ value added per job)	Change in share of total jobs, 2016 - 2019
Rental, Hiring and Real Estate Services	$413,863	-0.3%
Financial and Insurance Services	$379,333	-0.1%
Electricity, Gas, Water and Waste Services	$338,671	0.2%
Administrative and Support Services	$209,702	-1.0%
Wholesale Trade	$198,086	0.2%
Mining	$194,113	0.0%
Information Media and Telecommunications	$178,616	-0.1%
Manufacturing	$155,618	0.2%
Professional, Scientific and Technical Services	$140,531	-0.4%
Public Administration and Safety	$115,555	-0.2%
Transport, Postal and Warehousing	$114,865	0.1%
Agriculture, Forestry and Fishing	$114,865	0.1%
Tourism and Hospitality *	$112,043	2.1%
Construction	$102,789	-1.4%
Health Care and Social Assistance	$77,879	2.2%
Education and Training	$75,594	-1.2%
Other Services	$75,351	-0.1%
Retail Trade	$74,868	1.3%
Accommodation and Food Services	$58,517	-0.3%
Arts and Recreation Services	$56,658	0.9%

Source: NIEIR, 2021 | * Includes activities from other industries

Overnight visitation has increased strongly since 2015

International visitation to the Northern Beaches increased by 4.2% p.a. in the period 2010/11 to 2018/19. Domestic overnight visitation increased by 3.4% p.a. However, growth really took off in the years after 2014/15 with international visitation estimated to have increased by 40,000 overnight visitors. Domestic overnight visitors were estimated to have increased by almost 150,000. International visitation drives expenditure as length of stay is much longer than domestic visitors.

Overnight visitation has coincided with a large increase in properties available for short term stay in the LGA. In 2019, an estimated 1,653 properties received 1 or more review, compared to under 200 in 2014. There are likely many more properties listed in the region and they have offered an alternative to traditional accommodation facilities. This provides a boost to areas of the region which do not have these facilities.

Visitation - Northern Beaches
Estimated number of visitors
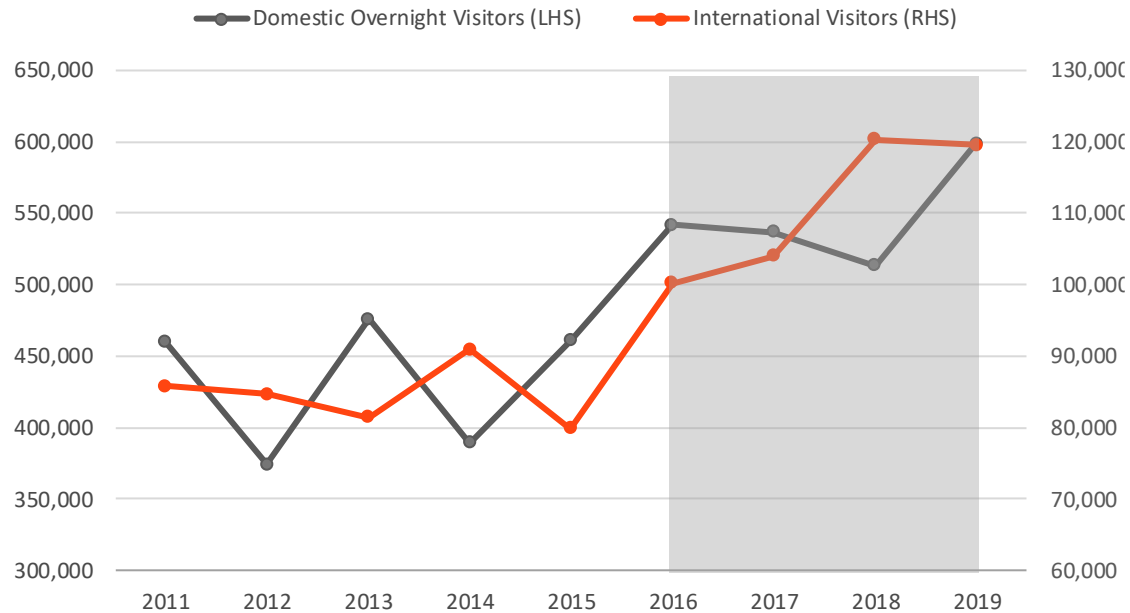
Tourism Research Australia, 2021

Airbnb - Northern Beaches
Number of properties that received reviews

Inside Airbnb, 2021

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Which industries were driving pre-COVID growth?

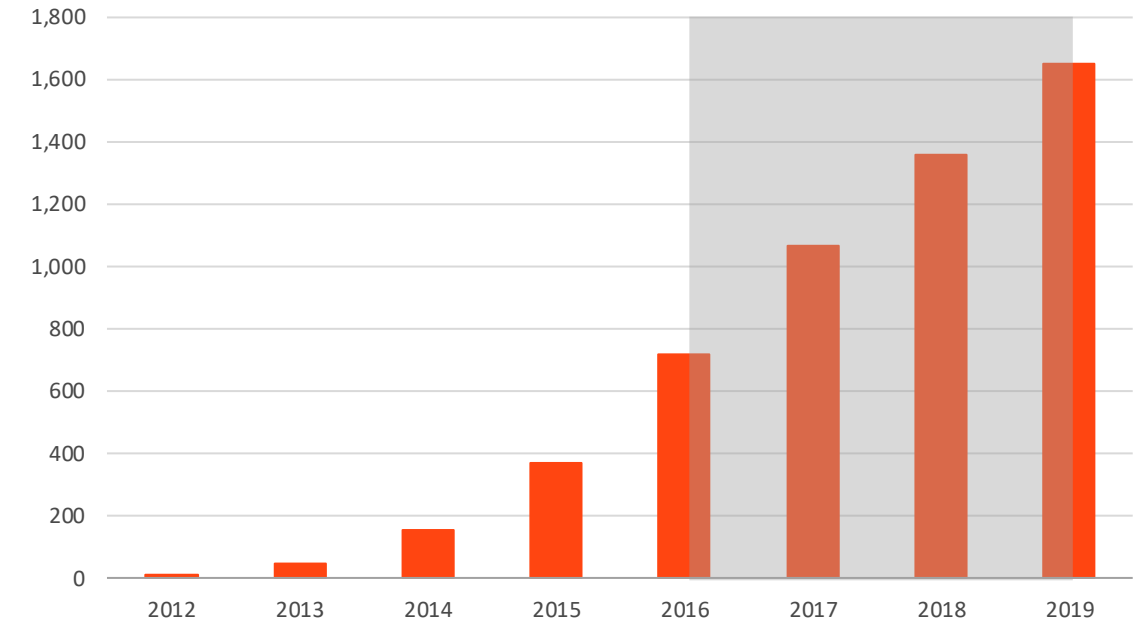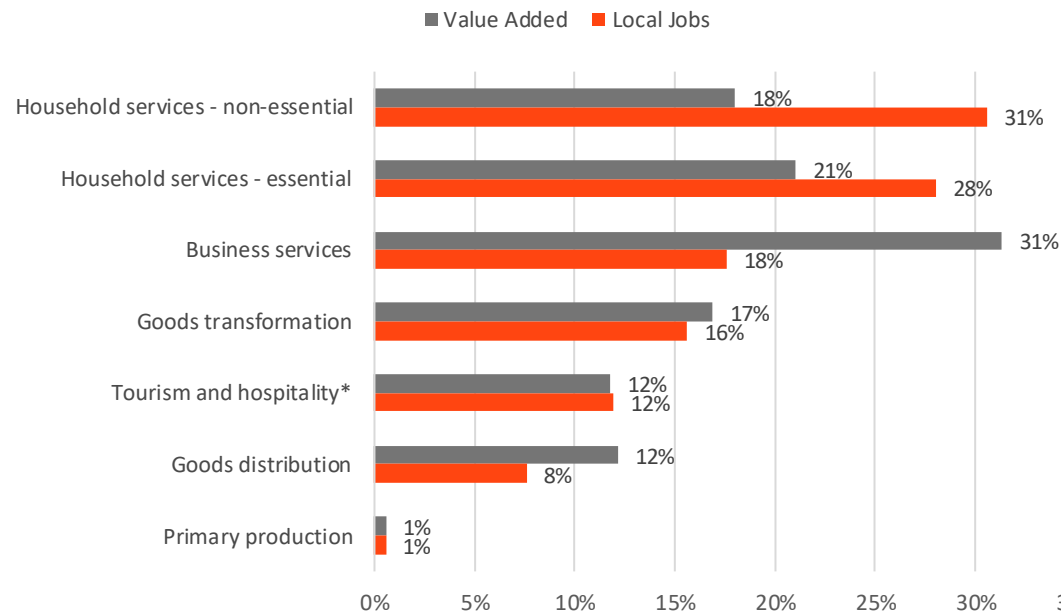# Northern Beaches' economy supports a mix of household services and professional business services.

In 2019, the majority of Northern Beaches' employment was in household services. However, nearly a third of the economic value generated was in business services related industries.

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

Industry profile - Northern Beaches
% of total, 2019

Legend: ■ Value Added ■ Local Jobs

Industry	Value Added	Local Jobs
Household services - non-essential	18%	31%
Household services - essential	21%	28%
Business services	31%	18%
Goods transformation	17%	16%
Tourism and hospitality*	12%	12%
Goods distribution	12%	8%
Primary production	1%	1%

*Source: NIEIR, 2021 | * Includes activities from other industries*

Top 4 Industries in 2019

Jobs

Health Care and Social Assistance	Retail Trade	Professional, Scientific and Technical Services	Construction
17,971 jobs (16.2%)*	15,921 jobs (14.3%)*	10,276 jobs (9.3%)*	9,730 jobs (8.8%)*

Value Added

Professional, Scientific and Technical Services	Health Care and Social Assistance	Wholesale Trade	Retail Trade
$1,444m (11.2%)**	$1,400m (10.8%)**	$1,216m (9.4%)**	$1,192m (9.2%)**

*Source: NIEIR, 2021 | * % of local jobs in Northern Beaches; ** % of value added in Northern Beaches*

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Health Care and tourism related industries have been key drivers of employment growth, manufacturing and wholesale trade have also increased. The news was not so good for, administration support, education and construction.

Over the last 3 years, the major drivers of productivity and job growth included: Health Care and Social Assistance, Tourism and Hospitality *, Retail Trade, Arts and Recreation Services, Manufacturing.

Over the last 3 years, the main detractors of productivity and job growth included: Mining, Transport, Postal and Warehousing, Rental, Hiring and Real Estate Services, Construction.

Industry performance - Northern Beaches

Last 3 years (2016-2019)

Industry	Jobs	Value Added $m
Administrative and Support Services	-839	8
Construction	-785	-224
Education and Training	-613	26
Rental, Hiring and Real Estate Services	-208	-33
Transport, Postal and Warehousing	-45	-28
Mining	-40	-3
Public Administration and Safety	18	34
Financial and Insurance Services	30	6
Information Media and Telecommunications	31	10
Agriculture, Forestry and Fishing	96	18
Electricity, Gas, Water and Waste Services	241	115
Accommodation and Food Services	291	10
Other Services	292	16
Professional, Scientific and Technical Services	306	82
Wholesale Trade	561	55
Manufacturing	747	89
Arts and Recreation Services	1,161	60
Retail Trade	2,324	213
Tourism and Hospitality *	3,143	434
Health Care and Social Assistance	3,453	374

*Source: NIEIR, 2021 | * Includes activities from other industries*

The good news
- An ageing population and the full completion of the Northern Beaches Hospital in 2018 has supported strong growth in the **Health Care and Social Assistance** Industry. Flow on benefits have spread to allied health services.
- Strong growth in international visitation (international visitor nights were estimated to have increased by 1 million between 2015/16 and 2018/19[1]) has supported employment growth in **tourism and hospitality** areas.
- Projects such as the $300 million Westfield Warringah Mall redevelopment completed in late 2016 have supported uplift in **retail trade**.
- **Arts and recreation have benefited from increasing vistor demands and also approval of new recreation facilities.**
- **Manufacturing** employment has grown strongly off the back of white collar jobs connected to Northern Beaches hosting corporate offices of major chemical/pharma companies (e.g. Blackmores, Dow Chemicals and Kirsch Pharma Australia) and machinery equipment companies (e.g. Schaeffler Australia).

The bad news
- **Construction** activity has wound down from its peak in 2016/17 as major projects such as the aforementioned hospital and shopping centre developments completed.
- This has had flow on affects to a drop of in demand for building cleaning services and gardening services (within **Administration and Support Services**) after the peak construction period

[1]Tourism research Australia, 2021

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 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 secondary 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.

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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.
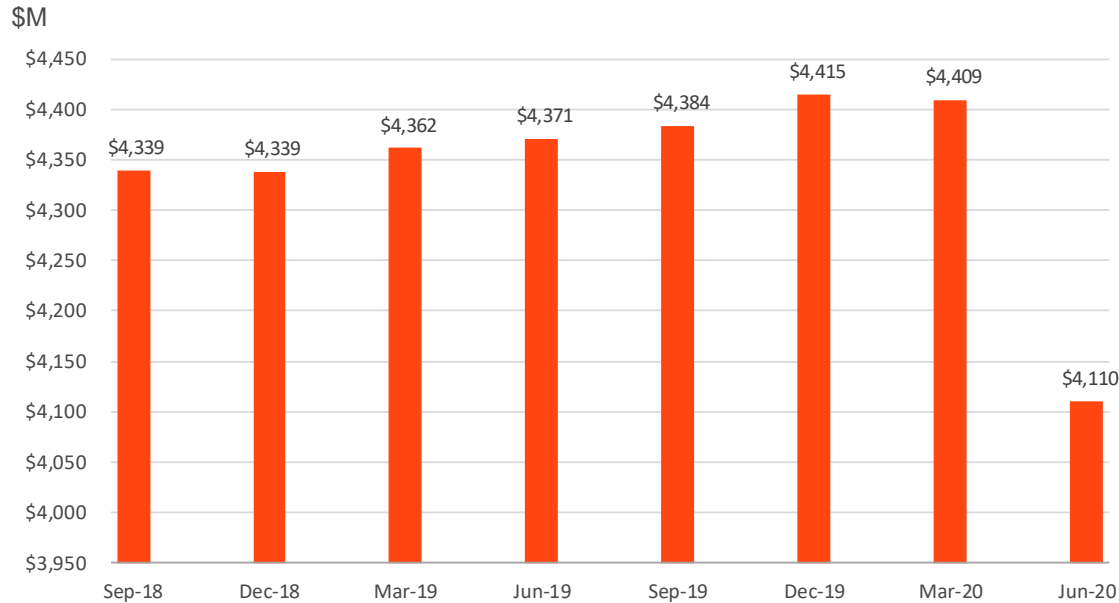
Source: NIEIR, 2020

Northern Beaches experienced a substantial fall in GRP in the June Quarter. Industry value added fell by greater than the metro average, however jobs did not fall by as much.

The June Quarter 2020, saw an estimated $300m fall in quarterly GRP for the Northern Beaches. This fall distorts the trend GRP growth for 2019/20 which would have been experienced pre-COVID.
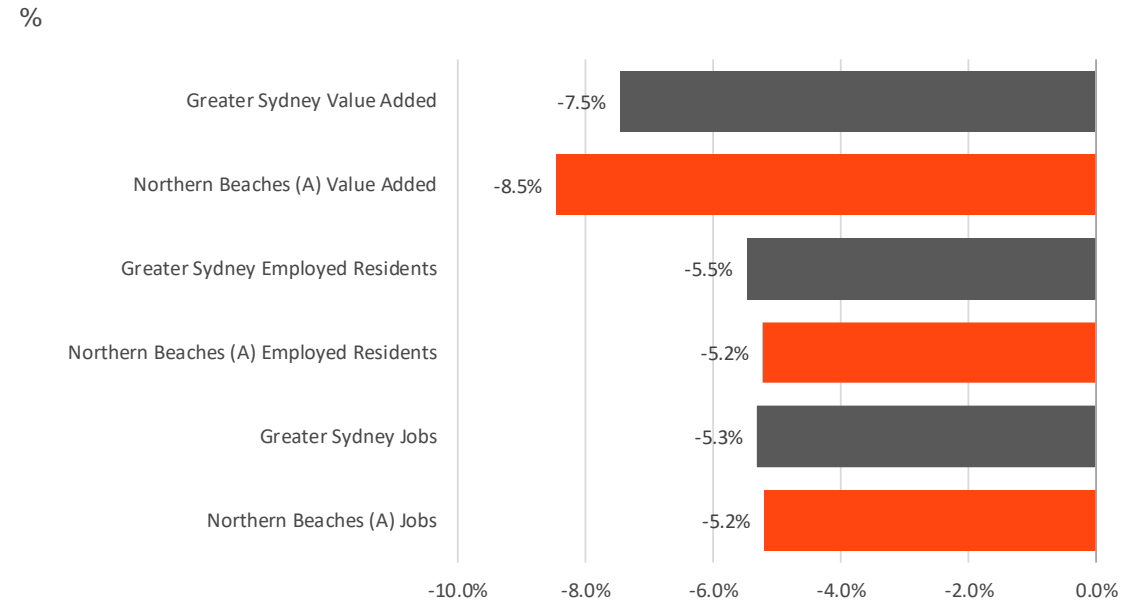
Northern Beaches experienced an estimated 8.5% fall in industry value added in the June quarter, above the Greater Sydney average (-7.5%). However, local jobs only fell by 5.2% due to JobKeeper maintaining employment connections with many businesses even though employees were working less.

Quarterly GRP - Northern Beaches

$M

Bar chart showing Quarterly GRP values:
- Sep-18: $4,339
- Dec-18: $4,339
- Mar-19: $4,362
- Jun-19: $4,371
- Sep-19: $4,384
- Dec-19: $4,415
- Mar-20: $4,409
- Jun-20: $4,110

Source: NIEIR, 2021

March 2020 to June 2020 Quarterly GRP Change

%

Horizontal bar chart:
- Greater Sydney Value Added: -7.5%
- Northern Beaches (A) Value Added: -8.5%
- Greater Sydney Employed Residents: -5.5%
- Northern Beaches (A) Employed Residents: -5.2%
- Greater Sydney Jobs: -5.3%
- Northern Beaches (A) Jobs: -5.2%

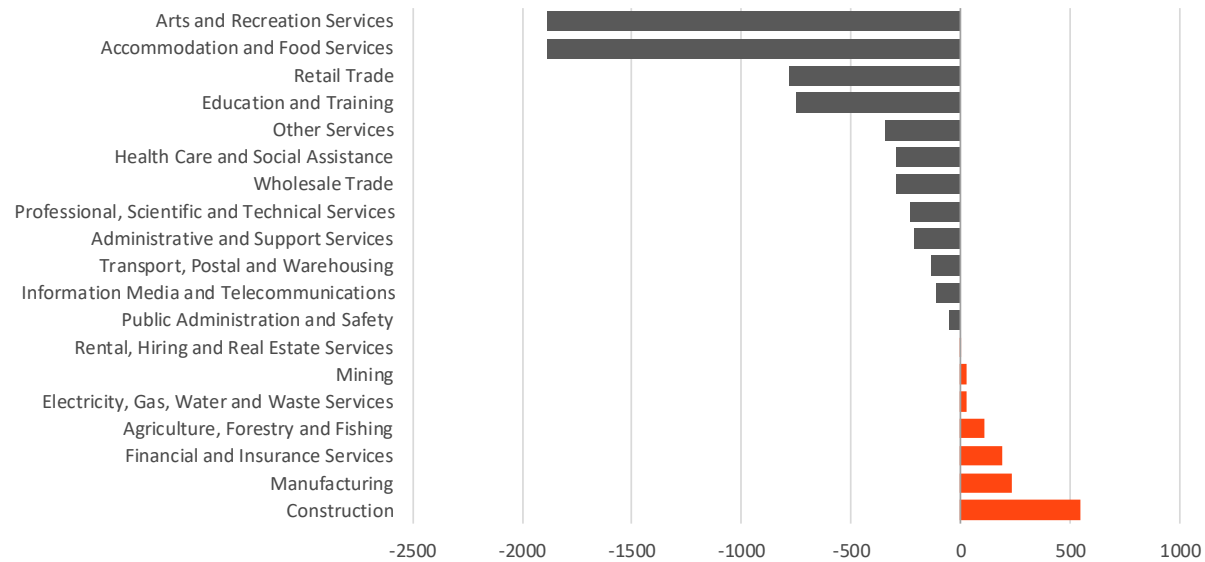*Source: NIEIR, 2021*

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Hospitality and tourism related industries most impacted due to social distancing policies and reduced international visitation

The main industries impacted in the June Quarter were tourism and hospitality areas such as Arts and Recreation and Accommodation and Food Services. Both industries experienced job decreases of almost 2,000.

March 2020 to June 2020 Quarterly Change in Local Jobs

Number of Jobs

*Source: NIEIR, 2021*

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Workplace trips fell by 60% in April and residents were spending an extra 25% of the day at home

In the month of April 2020, weekly travel movements to place of work fell by almost 60% compared to pre COVID. By June 2020, they were still 20% below the baseline. Northern Beaches travel movements were very similar to the Greater Sydney average. They were better than the City of Sydney which still had 40% less place of work movements in June 2020.

Northern Beaches residents time spent at home increased by 25% during the lockdown period (equivalent to 6hrs in a 24 hr period) and by June they were still spending an extra 10% of their week at home. Northern Beaches trends followed Greater Sydney with a slightly higher share of time spent at home in April and May.
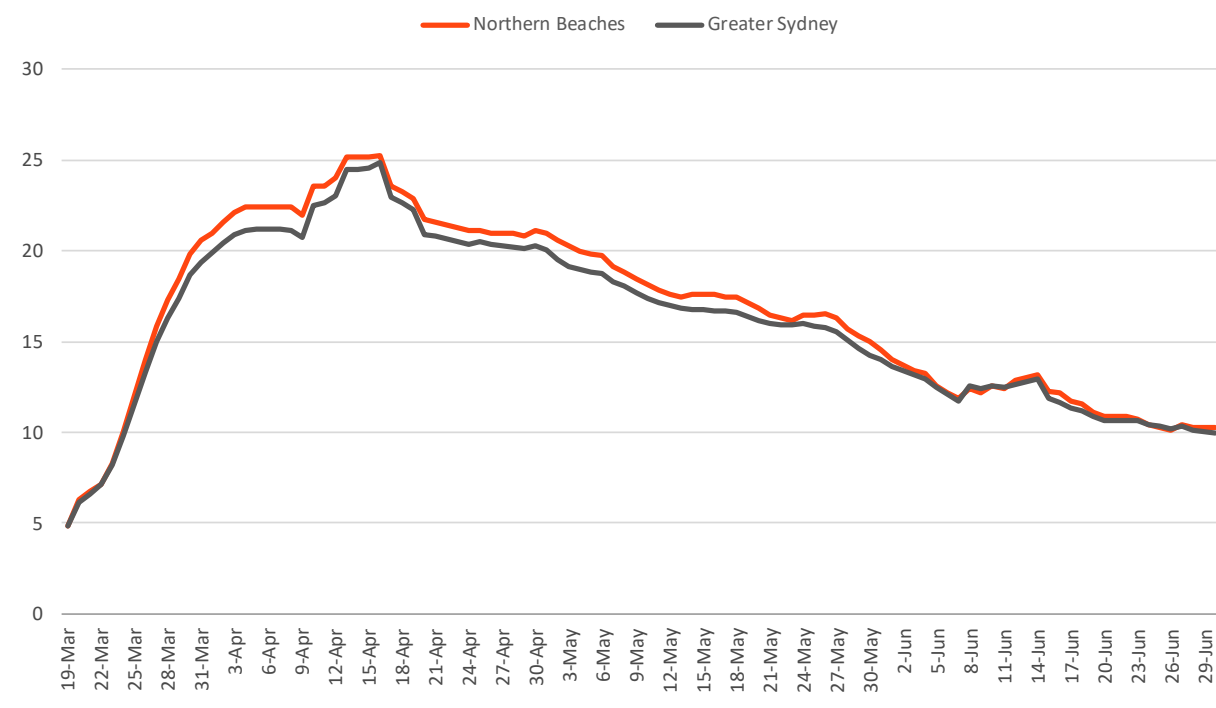
Travel movements to place of work, 7 day average
% change from base week
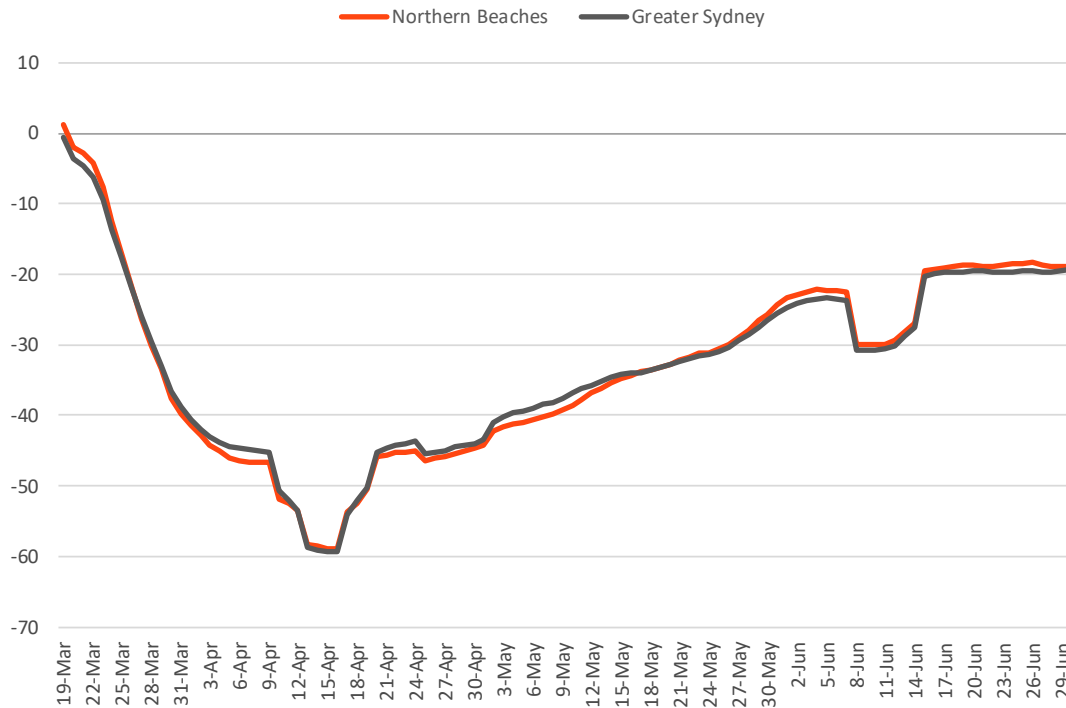
Google Mobility Data, 2021

Time spent at place of residence, 7 day average
% change from base week

Google Mobility Data, 2021

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Residential building approvals maintained levels, non-residential approvals faded away

Residential building approvals maintained their monthly value during the June quarter. Government stimulus to households kept confidence high during the lockdown period and with limited opportunity for travel many households funnelled money into house purchases and renovations. In contrast, non-residential approvals flatlined due to economic uncertainty.

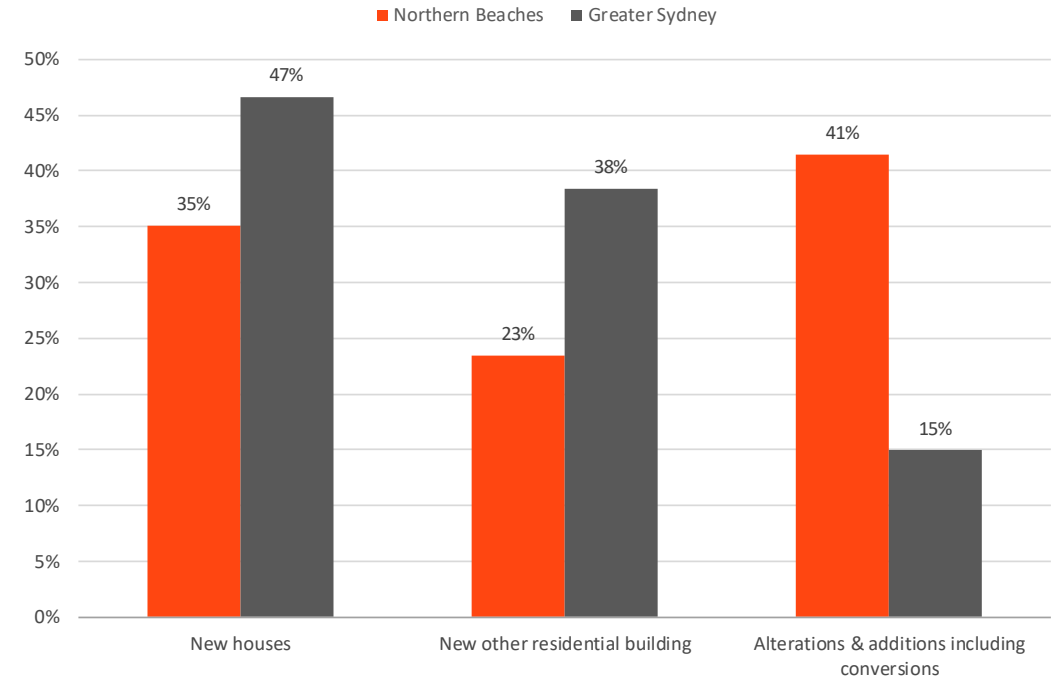## Monthly Value of Building Approvals
$'000
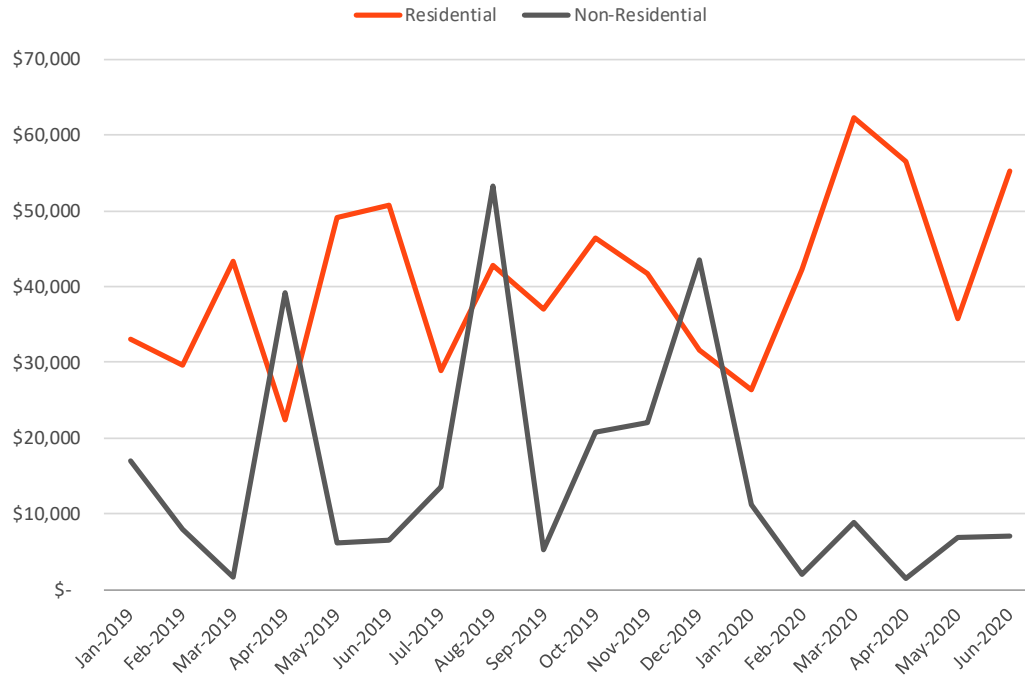
Source: ABS Building Approvals, 2021

Share of Residential Value June Qtr 2020
$'000

Source: ABS Building Approvals, 2021

Which industries are competitive and how is this changing?

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Northern Beaches has developed specialisations in arts and recreation, health and residential care as well as business services in agriculture and chemical manufacturing industries.

Northern Beaches has a major comparative advantage in Arts and Recreation Services, Retail Trade, Agriculture, Forestry and Fishing, Tourism and Hospitality *, Health Care and Social Assistance.

At a detailed industry level, industries with the highest specialisations include Agriculture, Forestry and Fishing Support Services, Non-Store Retailing and Retail Commission Based Buying , Private Households Employing Staff and Undifferentiated Goods- , Basic Chemical and Chemical Product Manufacturing, Creative and Performing Arts Activities.

Level of specialisation - Northern Beaches

Compared to Greater Sydney (in LQ terms)

	Jobs	Value Added $m
Arts and Recreation Services	1.62	1.48
Retail Trade	1.54	1.94
Agriculture, Forestry and Fishing	1.49	2.42
Tourism and Hospitality *	1.48	2.07
Health Care and Social Assistance	1.40	1.60
Other Services	1.38	1.66
Wholesale Trade	1.33	1.77
Accommodation and Food Services	1.22	1.46
Education and Training	1.09	1.03
Manufacturing	1.01	1.46
Construction	0.95	0.89
Rental, Hiring and Real Estate Services	0.93	1.27
Administrative and Support Services	0.83	0.94
Professional, Scientific and Technical Services	0.80	0.97
Electricity, Gas, Water and Waste Services	0.79	1.00
Information Media and Telecommunications	0.66	0.67
Public Administration and Safety	0.49	0.55
Transport, Postal and Warehousing	0.36	0.42
Financial and Insurance Services	0.29	0.35

*Source: NIEIR, 2021 | * Includes activities from other industries*

Specialisation by detailed industry - Northern Beaches

Compared to Greater Sydney (in LQ terms)

Industry	Jobs	% of total	Specialisation
Agriculture, Forestry and Fishing Support Services	402	0.4%	7.28
Non-Store Retailing and Retail Commission Based Buying	1,531	1.4%	4.90
Private Households Employing Staff and Undifferentiated	155	0.1%	2.78
Basic Chemical and Chemical Product Manufacturing	1,652	1.5%	2.55
Creative and Performing Arts Activities	1,171	1.1%	2.06
Other Goods Wholesaling	2,278	2.1%	1.90
Sports and Recreation Activities	1,975	1.8%	1.85
Residential Care Services	3,143	2.8%	1.73
Petroleum and Coal Product Manufacturing	132	0.1%	1.70
Library and Other Information Services	199	0.2%	1.68
Adult, Community and Other Education	2,812	2.5%	1.66
Social Assistance Services	5,811	5.2%	1.66
Medical and Other Health Care Services	6,840	6.2%	1.65
Other Store-Based Retailing	9,527	8.6%	1.57
Machinery and Equipment Wholesaling	2,368	2.1%	1.57

Source: NIEIR, 2021

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Changing dynamics in the local economy is generating several opportunities in knowledge based business services industry areas.

Many of the region's specialised industries have experienced growth over the last two years. The major driver of growth was Health Care and Social Assistance followed by Retail Trade. However, some specialised industries experienced a decline including . Actions to address this risk may be warranted if this sector is still considered important going forward.

While not specialised, there are many emerging local industries. The major emerging industries include: Manufacturing, Professional, Scientific and Technical Services and Electricity, Gas, Water and Waste Services. Actions to encourage further growth may support the productivity and competitiveness of these emerging industries.

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

Northern Beaches	Jobs 2019	3-yr change	LQ
Arts and Recreation Services	3,386	1,161	1.6
Retail Trade	15,921	2,324	1.5
Agriculture, Forestry and Fishing	640	96	1.5
Health Care and Social Assistance	17,971	3,453	1.4
Other Services	5,307	292	1.4
Wholesale Trade	6,141	561	1.3

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

Northern Beaches	Jobs 2019	3-yr change	LQ
No sectors identified			

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

Northern Beaches	Jobs 2019	3-yr change	LQ
Manufacturing	7,602	747	1.0
Professional, Scientific and Technical Services	10,276	306	0.8
Electricity, Gas, Water and Waste Services	790	241	0.8
Information Media and Telecommunications	2,137	31	0.7
Public Administration and Safety	3,020	18	0.5
Financial and Insurance Services	1,976	30	0.3

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

Northern Beaches	Jobs 2019	3-yr change	LQ
Education and Training	9,291	-613	1.1
Construction	9,730	-785	0.9
Rental, Hiring and Real Estate Services	1,971	-208	0.9
Administrative and Support Services	3,134	-839	0.8
Transport, Postal and Warehousing	2,356	-45	0.4
Mining	41	-40	0.1

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Industry snapshot - Manufacturing

Jobs		Economic activity		Worker productivity	
Number of persons		**Value added**		**Value added per worker**	
7,602	**3.5%**	**$1,183m**	**2.6%**	**$155,617**	**-0.9%**
	Greater Sydney 4.0%		Greater Sydney 0.9%		Greater Sydney -3.0%
	p.a. growth 2016 - 2019		p.a. growth 2016 - 2019		p.a. growth 2016 - 2019

Manufacturing industries

Employment, 2019

Industry	Employment
Machinery and Equipment Manufacturing	1,890
Basic Chemical and Chemical Product Manufacturing	1,652
Food Product Manufacturing	761
Furniture and Other Manufacturing	580
Printing (including the Reproduction of Recorded Media)	478
Transport Equipment Manufacturing	384.8
Polymer Product and Rubber Product Manufacturing	290.1
Wood Product Manufacturing	286.0
Textile, Leather, Clothing and Footwear Manufacturing	263.8
Fabricated Metal Product Manufacturing	263.7
Primary Metal and Metal Product Manufacturing	235.8
Beverage and Tobacco Product Manufacturing	170.9
Petroleum and Coal Product Manufacturing	131.7
Non-Metallic Mineral Product Manufacturing	113.6
Pulp, Paper and Converted Paper Product Manufacturing	100.3

Recent performance

Industry	Specialisation (LQ)	3 yr change
Machinery and Equipment Manufacturing	1.4	421
Basic Chemical and Chemical Product Manufacturing	2.6	438
Food Product Manufacturing	0.6	-100
Furniture and Other Manufacturing	0.9	-83
Printing (including the Reproduction of Recorded Media)	1.0	-26
Transport Equipment Manufacturing	0.9	8
Polymer Product and Rubber Product Manufacturing	0.9	-4
Wood Product Manufacturing	0.8	3
Textile, Leather, Clothing and Footwear Manufacturing	0.9	4
Fabricated Metal Product Manufacturing	0.6	-53
Primary Metal and Metal Product Manufacturing	0.7	32
Beverage and Tobacco Product Manufacturing	0.6	79
Petroleum and Coal Product Manufacturing	1.7	22
Non-Metallic Mineral Product Manufacturing	0.3	4
Pulp, Paper and Converted Paper Product Manufacturing	0.5	2

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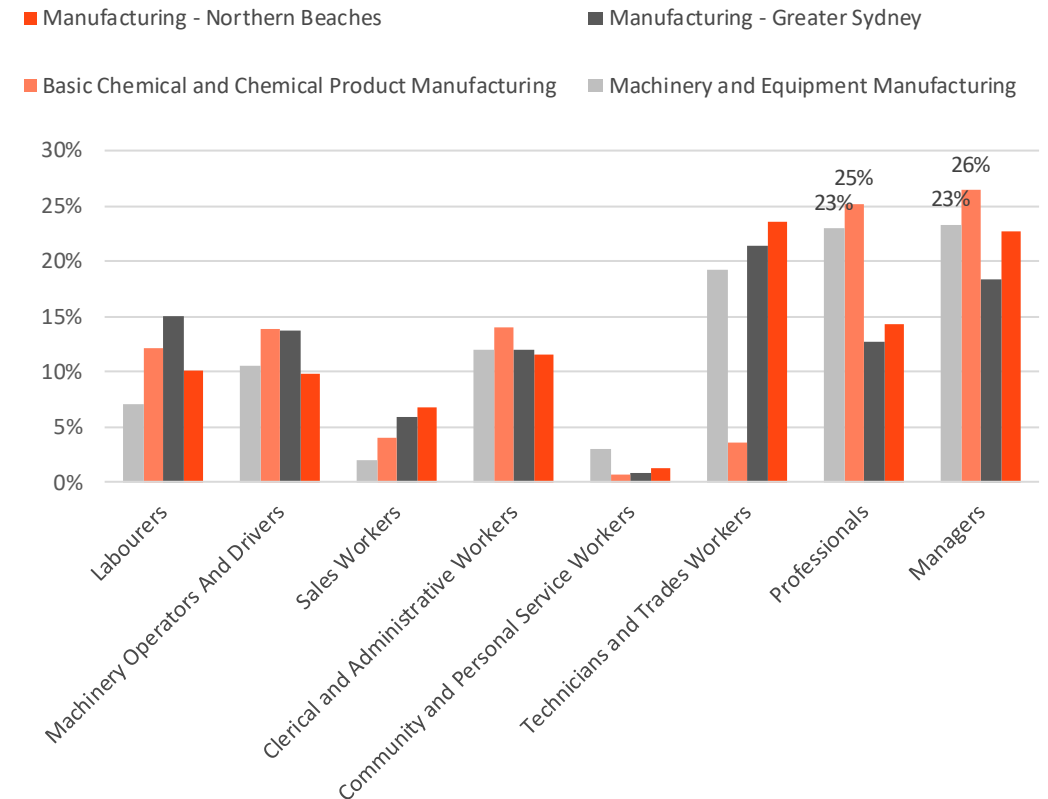
Industry snapshot - Manufacturing

Northern Beaches is home to the administrative headquarters or Australian office of a number of major manufacturing companies. Some of these include:

- Blackmores has had its head office or 'campus' in Warriewood since 2009 and the site covers more than 25,000 square metres and houses more than 400 staff.
- The Dow Chemical Company, an American multinational chemical corporation, has its Australian office in French's Forest
- Kirsch Pharma, a German multinational pharmaceutical company, has its Australian subsidiary offices located in Frenchs Forest.
- CONMED Linvatec, a global medical equipment manufacturer, has its Australian office in Frenchs Forest.
- Schaeffler, a multinational automotive and industrial components manufacturer, has its Australian office in Belrose
- Galderma, a Swiss global skincare company, has its Australian office in Belrose.

The white-collar nature of many of these manufacturing industry jobs in the Northern Beaches is illustrated by the occupation share of local workers. In 2016, half of all the workers in chemical manufacturing and machinery and equipment manufacturing were in managerial or professional roles.

Occupation share of workforce

% of total

Legend:
- Manufacturing - Northern Beaches
- Manufacturing - Greater Sydney
- Basic Chemical and Chemical Product Manufacturing
- Machinery and Equipment Manufacturing

ABS Census of Population and Housing, 2016

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Industry snapshot - Arts and Recreation Services

Jobs		Economic activity		Worker productivity	
Number of persons		**Value added**		**Value added per worker**	
3,386	**15.0%**	**$192m**	**13.4%**	**$56,658**	**-1.5%**
	Greater Sydney 5.3%		Greater Sydney 3.8%		Greater Sydney -1.5%
	p.a. growth 2016 - 2019		p.a. growth 2016 - 2019		p.a. growth 2016 - 2019

Arts and Recreation Services industries

Employment, 2019

Sports and Recreation Activities	1,975
Creative and Performing Arts Activities	1,171
Heritage Activities	131
Gambling Activities	109

Recent performance

	Specialisation (LQ)	3 yr change
Sports and Recreation Activities	1.9	614
Creative and Performing Arts Activities	2.1	501
Heritage Activities	0.6	26
Gambling Activities	0.4	19

Industry snapshot - Tourism and Hospitality*

Jobs	Economic activity	Worker productivity
Number of persons	**Value added**	**Value added per worker**

14,562	**8.4%**	$1,632m	**10.9%**	$112,043	**2.2%**
	New South Wales 4.9%		New South Wales 5.4%		New South Wales 0.4%
	p.a. growth 2016 - 2019		p.a. growth 2016 - 2019		p.a. growth 2016 - 2019

Tourism and Hospitality* industries

Employment, 2019

Food and beverage services	8,420
Food retailing	3,899
Accommodation	873
Heritage activities	131

Recent performance

	Specialisation (LQ)	3 yr change
Food and beverage services	1.3	30
Food retailing	1.3	-75
Accommodation	0.9	260
Heritage activities	0.6	26

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Industry snapshot - Health Care and Social Assistance

Jobs	Economic activity	Worker productivity
Number of persons	Value added	Value added per worker

17,971	7.4%	$1,400m	10.9%	$77,879	3.3%
	Greater Sydney 2.2%		Greater Sydney 6.5%		Greater Sydney 4.2%
	p.a. growth 2016 - 2019		p.a. growth 2016 - 2019		p.a. growth 2016 - 2019

Health Care and Social Assistance industries

Employment, 2019

Medical and Other Health Care Services	6,840
Social Assistance Services	5,811
Residential Care Services	3,143
Hospitals	2,177

Recent performance

	Specialisation (LQ)	3 yr change
Medical and Other Health Care Services	1.7	1880
Social Assistance Services	1.7	1243
Residential Care Services	1.7	376
Hospitals	0.6	-46

Sub-industry specialisations when compared to Greater Sydney (2016 ABS Census)

	Specialisation (LQ)	% Share of all jobs in industry
Other Social Assistance Services	1.7	17%
Allied Health Services	1.5	17%
Residential Care Services	1.4	20%
Child Care Services	1.2	11%
Medical Services	1.2	12%
Health Care and Social Assistance, nfd	1.0	2%
Medical and Other Health Care Services, nfd	1.0	1%
Pathology and Diagnostic Imaging Services	0.7	2%
Hospitals	0.6	16%
Social Assistance Services, nfd	0.5	1%
Other Health Care Services	0.4	1%

Industry snapshot - Professional, Scientific and Technical Services

Jobs		Economic activity		Worker productivity	
Number of persons		**Value added**		**Value added per worker**	
10,276	**1.0%**	**$1,444m**	**2.0%**	**$140,531**	**0.9%**
	Greater Sydney 6.8%		Greater Sydney 7.5%		Greater Sydney 0.6%
	p.a. growth 2016 - 2019		p.a. growth 2016 - 2019		p.a. growth 2016 - 2019

Professional, Scientific and Technical Services industries

Employment, 2019

Professional, Scientific and Technical Services (Except Computer Syst	7,842
Computer System Design and Related Services	2,433

Recent performance

	Specialisation (LQ)	3 yr change
Professional, Scientific and Technical Services (Except Compu	0.8	232
Computer System Design and Related Services	0.7	75

Sub-industry specialisations when compared to Greater Sydney (2016 ABS Census)

	Specialisation (LQ)	% Share of all jobs in industry
Other Professional, Scientific and Technical Services	2.2	5%
Veterinary Services	1.2	3%
Architectural, Engineering and Technical Services	1.2	23%
Management and Related Consulting Services	1.2	12%
Market Research and Statistical Services	1.1	4%
Professional, Scientific and Technical Services (except Comput	1.1	1%
Computer System Design and Related Services	0.9	24%
Advertising Services	0.8	5%
Legal and Accounting Services	0.7	22%
Professional, Scientific and Technical Services, nfd	0.6	1%
Scientific Research Services	0.5	2%

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Creative Sector

Industry Concentrations

In 2018/19, the most over-represented industries* in the Northern Beaches were Book and Magazine Wholesaling (4.1x the Greater Sydney average share of Cultural and Creative jobs) and Professional Photographic Services (2.5x).

The most over-represented occupations were Landscape Architects, Photographers and Authors.

*Over-represented means a higher share of Northern Beaches Cultural and Creative workers are in this industry compared to the Greater Sydney average.

2ND Largest number of jobs in NSW in:

Specialised Design Service
(after City of Sydney)

Photographic services
(after City of Sydney)

Book and Magazine Wholesale/Retail
(after City of Sydney)

Arts Education
(after City of Sydney)

3RD Largest number of jobs in NSW in:

Architectural Services
(after City of Sydney and North Sydney)

Creative Artists, Musicians, Writers and Performers
(after City of Sydney and Inner West)

4TH Largest number of jobs in NSW in:

Advertising Services
(after City of Sydney, North Sydney and Lane Cove)

In early 2020, .id did an analysis of the creative sector in the Northern Beaches Council area.

More detailed analysis can be accessed here:

https://www.ideconomicinsights.com/northern-beaches-cultural-creative

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How does the spatial economy operate?

Spatial patterns - Business numbers

The locations with the most amount of GST registered businesses in 2019 were Manly (2,396), Dee Why (2,369) and Brookvale (2,231).

The locations with the largest change in GST registered businesses between 2016 and 2019 were Dee Why (+447), Manly (+286) and Freshwater (+169).

Number of registered business numbers, Dec 2019
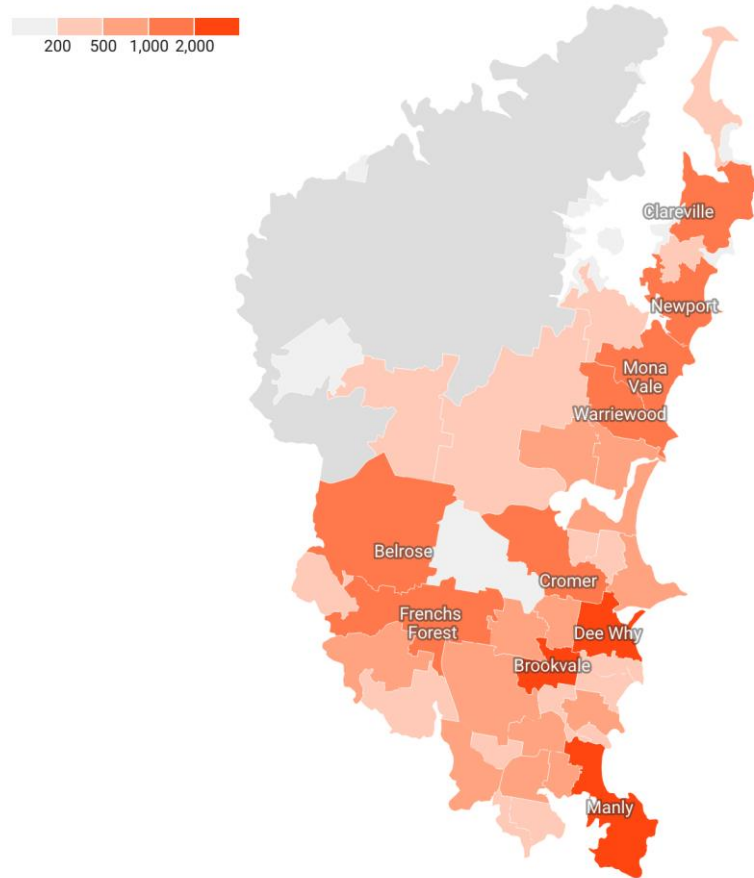
Change in registered business numbers, Dec 2016 to Dec 2019

*All references to areas in this section refer to suburb geographies
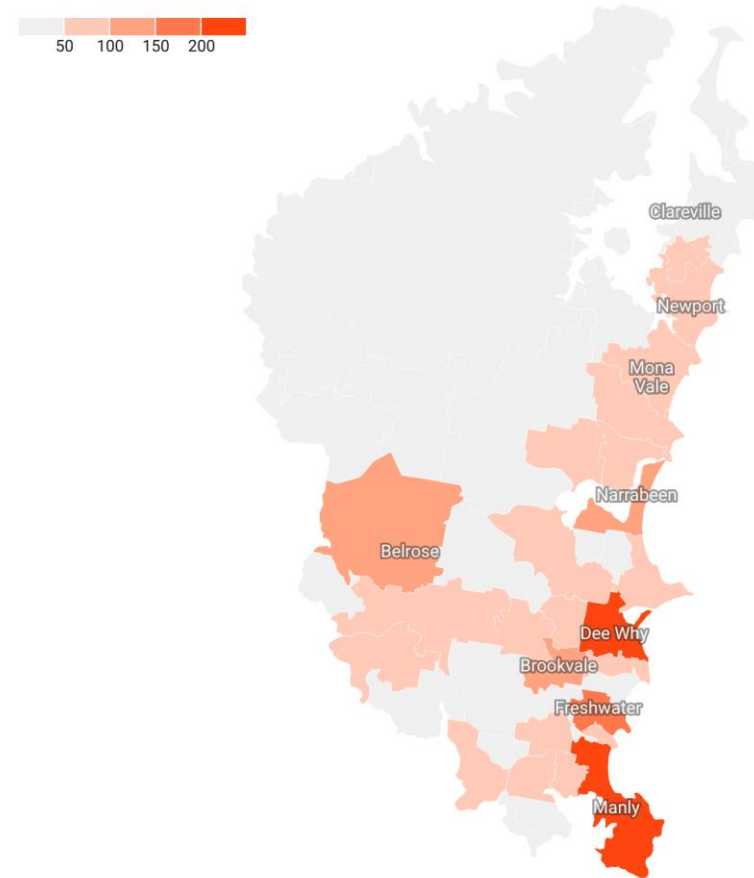
Growth in business numbers in Freshwater - Brookvale was driven by Professional, Scientific and Technical Services, Administrative and Support Services, and Rental, Hiring and Real Estate Services.

Growth in business numbers in Warriewood - Mona Vale was driven by Professional, Scientific and Technical Services, Rental, Hiring and Real Estate Services, and Health Care and Social Assistance.

Growth in business numbers in Manly - Fairlight was driven by Rental, Hiring and Real Estate Services, Administrative and Support Services, and Retail Trade.

Growth in business numbers in Frenchs Forest - Belrose was driven by Other Services, Health Care and Social Assistance, and Financial and Insurance Services.

Change in business numbers - 2017 to 2019

Freshwater - Brookvale

Industry	Change
Professional, Scientific and Technical Services	56
Administrative and Support Services	14
Rental, Hiring and Real Estate Services	11
Construction	10
Health Care and Social Assistance	5
Transport, Postal and Warehousing	-4
Other Services	-5
Financial and Insurance Services	-6
Accommodation and Food Services	-7
Retail Trade	-20

Warriewood - Mona Vale

Industry	Change
Professional, Scientific and Technical Services	44
Rental, Hiring and Real Estate Services	30
Health Care and Social Assistance	21
Construction	16
Financial and Insurance Services	14
Electricity, Gas, Water and Waste Services	0
Administrative and Support Services	-2
Transport, Postal and Warehousing	-5
Wholesale Trade	-10
Agriculture, Forestry and Fishing	-13

Change in business numbers - 2017 to 2019

Manly - Fairlight

Industry	Change
Rental, Hiring and Real Estate Services	22
Administrative and Support Services	22
Retail Trade	21
Financial and Insurance Services	16
Education and Training	16
Agriculture, Forestry and Fishing	-3
Public Administration and Safety	-3
Mining	-7
Construction	-8
Transport, Postal and Warehousing	-8

Frenchs Forest - Belrose

Industry	Change
Other Services	21
Health Care and Social Assistance	20
Financial and Insurance Services	15
Professional, Scientific and Technical Services	13
Wholesale Trade	10
Electricity, Gas, Water and Waste Services	-2
Administrative and Support Services	-3
Transport, Postal and Warehousing	-5
Agriculture, Forestry and Fishing	-9
Accommodation and Food Services	-12

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

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

Spatial patterns - Building approvals

The area with the largest value of non-residential building approvals over the last three years was Dee Why - North Curl Curl ($179M), followed by Freshwater - Brookvale ($137M).
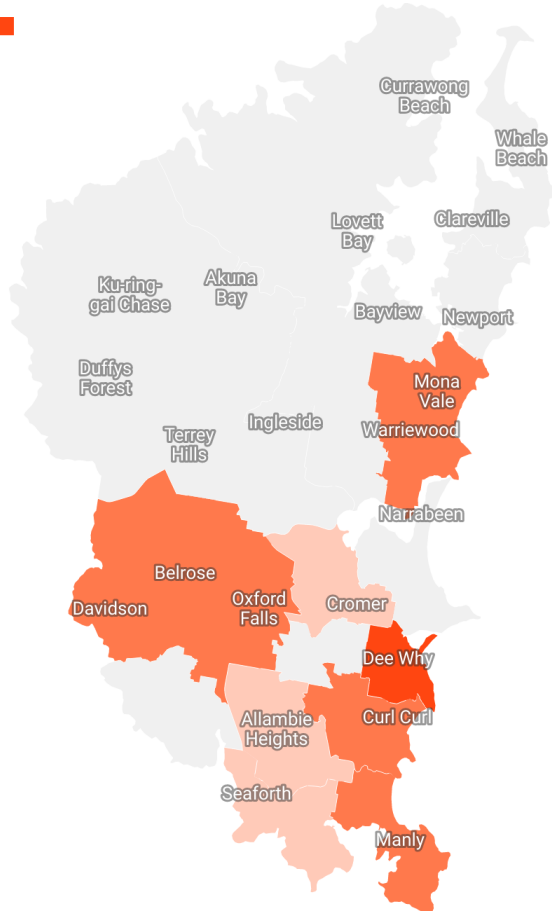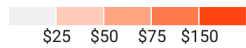
The area with the largest value of residential building approvals over the last three years was Dee Why - North Curl Curl ($289M), follwed by Manly - Fairlight ($197M).

Non-residential building approvals value ($M), July 2016 to June 2019

Residential building approvals value ($M), July 2016 to June 2019

*All references to areas in this section refer to ABS SA2 Geographies
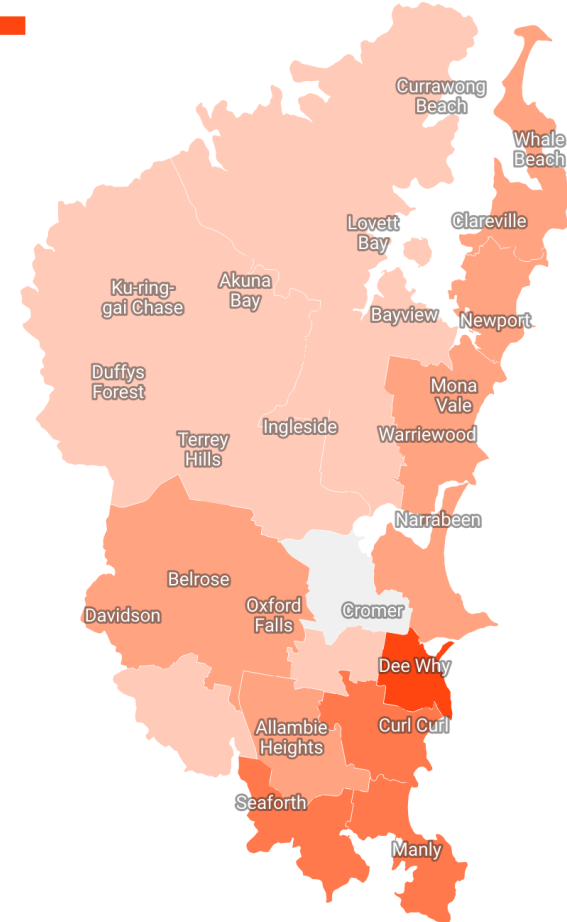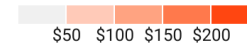
Brookvale is the main commercial and retail centre, Frenchs Forest houses the hospital and innovation/business park precincts

As with any large region, specific locations within Northern Beaches perform different economic roles. The two largest job locations within the LGA are Freshwater - Brookvale and Frenchs Forest - Belrose.

Freshwater - Brookvale accounts for 18% (16,170 jobs) of Northern Beaches's total local jobs and Frenchs Forest - Belrose accounts for 16% (14,141 jobs) of Northern Beaches's total local jobs.

Freshwater - Brookvale is predominantly a commercial/industrial centre. The top three industries in the location is Retail Trade (3,147 jobs), Construction (1,435 jobs) and Manufacturing (1,381 jobs).

Frenchs Forest - Belrose is largely a retail centre. The top three industries in the location is Retail Trade (1,979 jobs), Wholesale Trade (1,653 jobs) and Professional, Scientific and Technical Services (1,503 jobs).

Share of local jobs - Freshwater - Brookvale
% of total jobs in the location
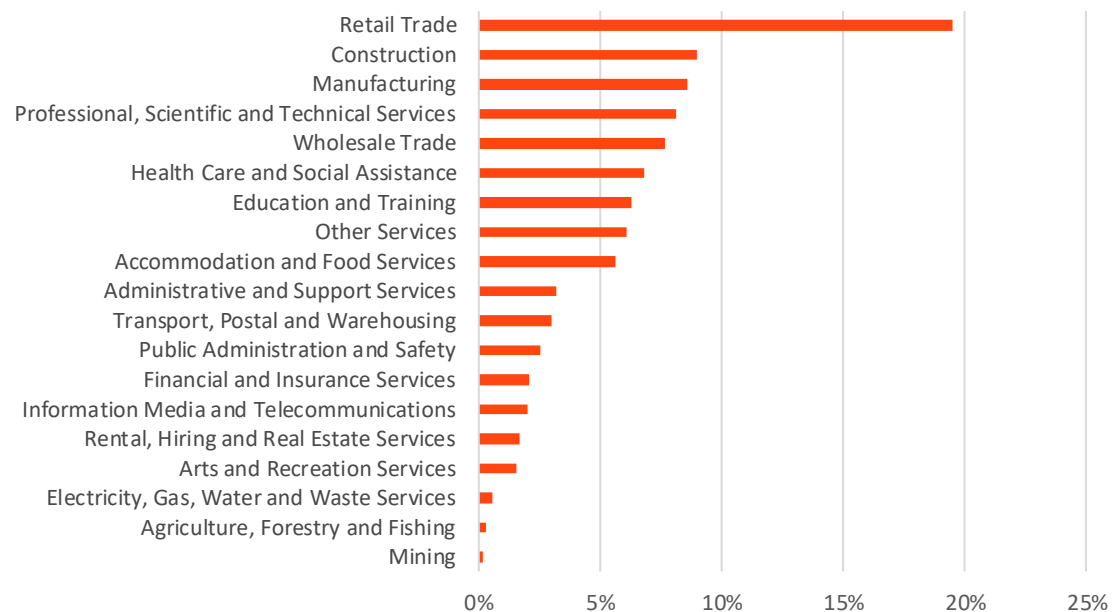
Source: ABS Census of Population and Housing, 2016

Share of local jobs - Frenchs Forest - Belrose
% of total jobs in the location

Source: ABS Census of Population and Housing, 2016

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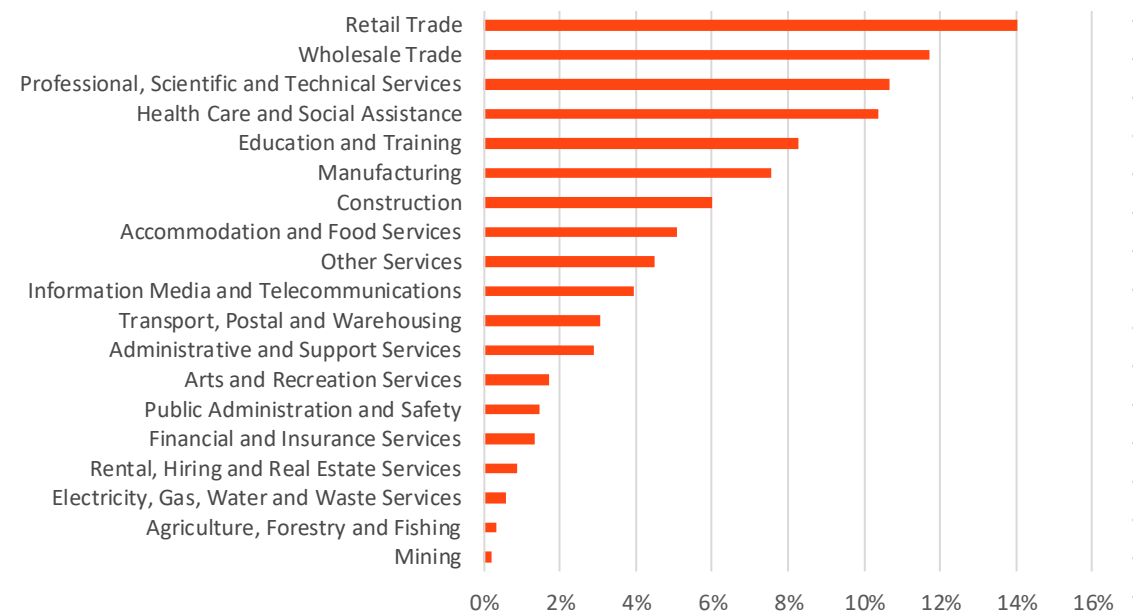
Warriewood-Mona Vale is the services centre for the northern suburbs, Manly is the tourism hotspot

The next two largest locations within the LGA are Warriewood - Mona Vale and Manly - Fairlight.

Warriewood - Mona Vale accounts for 15% (12,946 jobs) of Northern Beaches's total local jobs and Manly - Fairlight accounts for 10% (8,681 jobs) of Northern Beaches's total local jobs.

Warriewood - Mona Vale is predominantly a commercial. The top three industries in the location is Health Care and Social Assistance (2,086 jobs), Retail Trade (1,761 jobs) and Manufacturing (1,263 jobs).

Manly - Fairlight is largely a retail/tourist. The top three industries in the location is Accommodation and Food Services (1,670 jobs), Health Care and Social Assistance (1,666 jobs) and Professional, Scientific and Technical Services (1,000 jobs).

Share of local jobs - Warriewood - Mona Vale
% of total jobs in the location
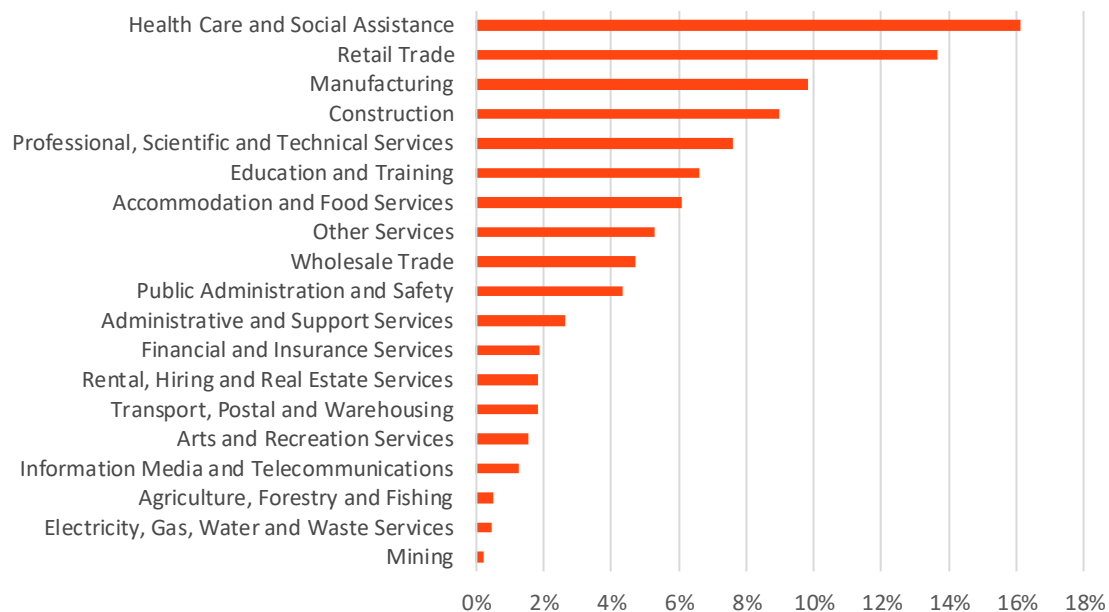
Source: ABS Census of Population and Housing, 2016

Share of local jobs - Manly - Fairlight
% of total jobs in the location

Source: ABS Census of Population and Housing, 2016

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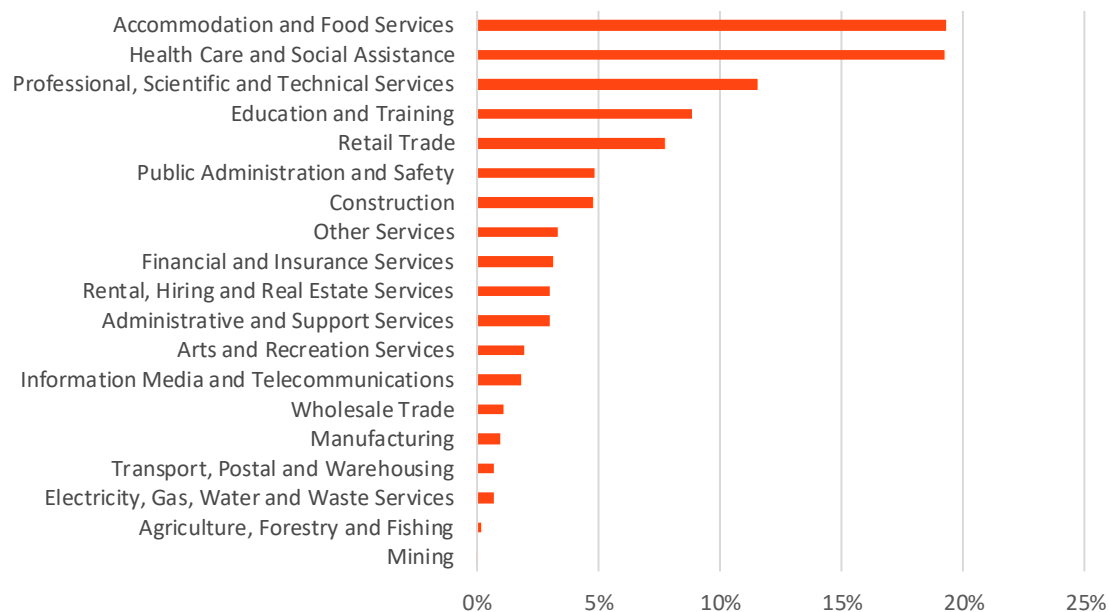
Home based businesses

Northern Beaches would appear to have a much larger share of workers who are occupied in businesses based at home. In the 2016 census, 6.1% of the workforce said they were working at home and were owners or managers. This compares to only 2.5% for Greater Sydney. The most common industry was overwhelmingly Professional, Scientific and Technical Services (37% of total).

The locations with the largest number of home based businesses were Warriewood - Mona Vale, Manly – Fairlight and Frenchs Forest Brookvale. However, the locations with the highest share of workers as owners/managers working from home were Bayview – Elanora (17%), Newport - Bilgola (16%) and Beacon Hill – Narraweena (15%).

Home based businesses
Share of residents working at home as owner/managers
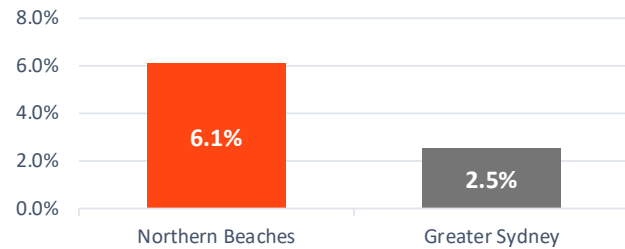
Source: ABS Census of Population and Housing, 2016

Top 6 industries for home based businesses
Share of Northern Beaches home based owner/managers

Source: ABS Census of Population and Housing, 2016

Share of local workers working from home as owner/managers, 2016
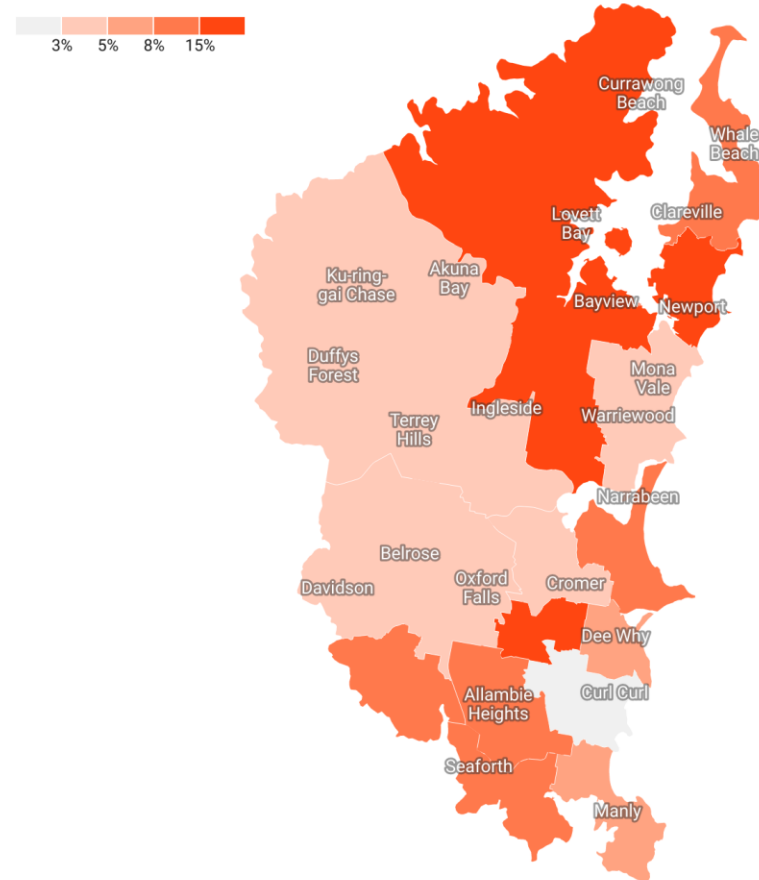
*All references to areas in this section refer to suburb geographies

How does demography and Socio-economics look like?

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The Northern Beaches is characterised generally by older, higher educated, higher income, Australian born households than the Greater Sydney average

The residents in Northern Beaches are relatively older with a median age of 40 years, compared to 36 years of age for Greater Sydney. However, the residents have gotten older since the last census 2011 by 1 years.

In 2016, the households in Northern Beaches made $2,173 median weekly income, $370 more than the median weekly household income in 2011. The household income was relatively higher than the median Greater Sydney weekly household income of $1,745 in 2016.

The share of overseas born residents was similar to the Greater Sydney as a whole at 28.8% in 2016, where the level has increased by +1.1% since 2011.

Around 32.3% of the residents had a university qualification compared to 28.3% in the Greater Sydney as a whole. However, the qualification level has increased since 2011 by 3.4%. In 2016, the proportion of residents with a trade qualification was 16.3% in Northern Beaches, higher than the Greater Sydney as a whole.

The labour force participation rate in Northern Beaches was 66.2% in 2016, higher than Greater Sydney as a whole. The participation rate has decreased since 2011 by 0.1%.

Northern Beaches demographic and socio-economic profile in 2016

| Headline figures (Greater Sydney)		Change from 2011 to 2016	
Median age	40 (36)		+1 years of age
Median weekly household	$2,173 ($1,745)		+$370 per week
Overseas born	28.8% (36.7%)		+1.1% percent
University qualification	32.3% (28.3%)		+3.4% percent
Trade qualification (certificate)	16.3% (15.1%)		+0.2% percent
Labour force participation rate	66.2% (61.6%)		-0.1% percent

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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. The COVID Pandemice restrictions on immigration will impact long term growth of younger workers

From 2016 to 2036, the population of Northern Beaches is expected to grow by 0.7% per annum. As at 2036, the population of Northern Beaches is expected to reach 304,026, growth of 38,558 people from 2016.

During the same period, the population in Seniors (70 to 84) and Empty nesters and retirees (60 to 69) age groups is forecast to have the largest increase with 8,821 and 3,997 people respectively. Conversely, the population in Primary schoolers (5 to 11) and Babies and pre-schoolers (0 to 4) age groups is forecast to have the largest decrease in population with -187 and 463 people respectively.
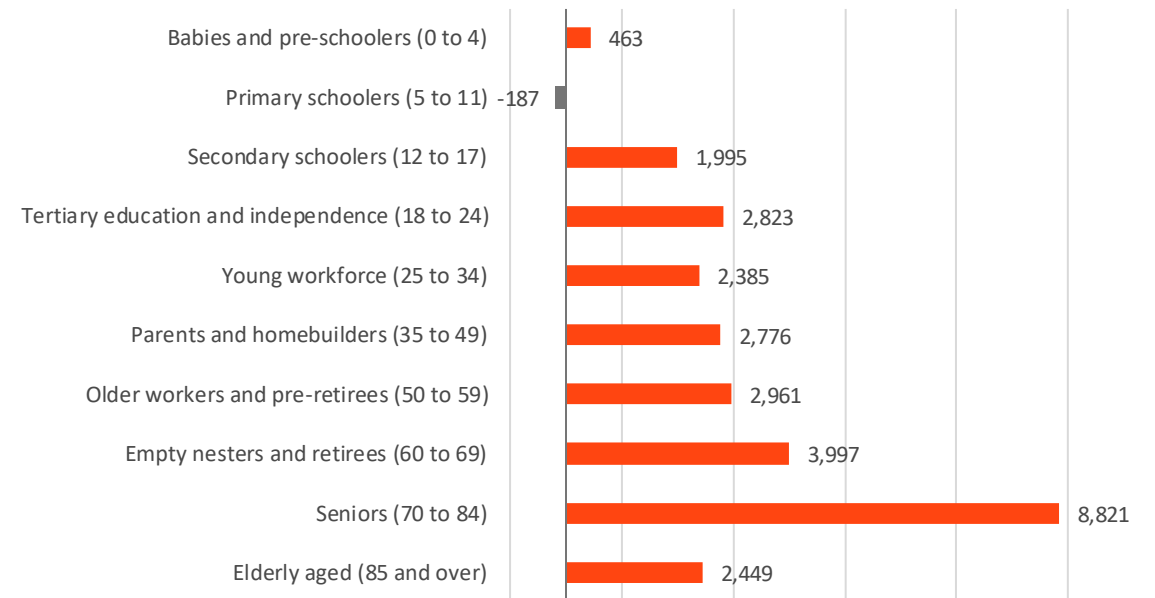
Population forecast - Northern Beaches
Person
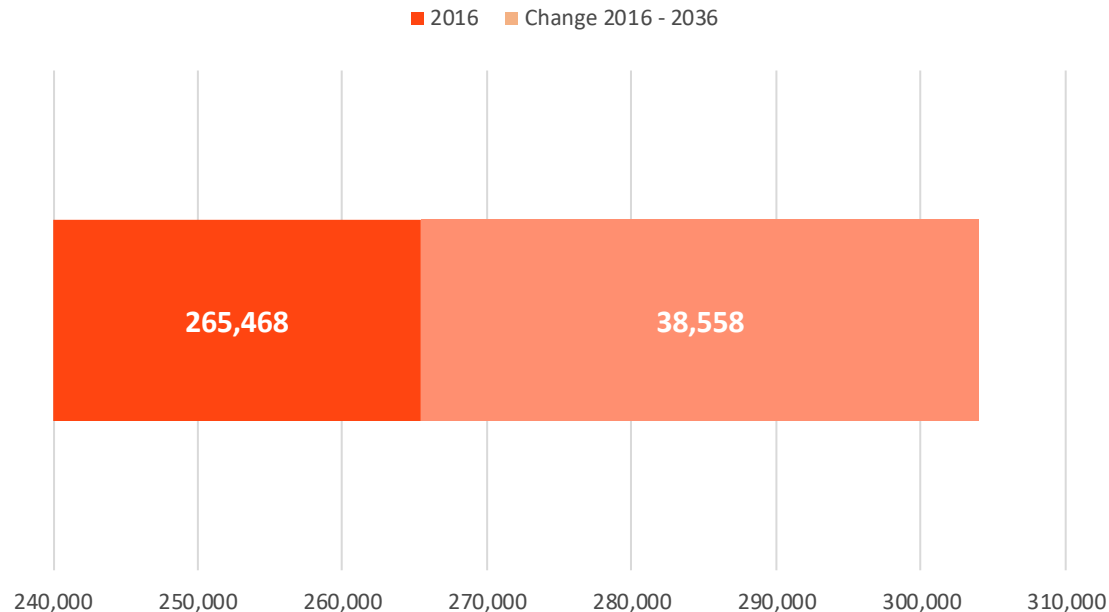
Source: .id Consulting (2020)

## Change in population by service age groups - 2016 - 2036
Person

Source: .id Consulting (2020)

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Northern Beaches has a high level of socio-economic advantage compared to Australia as a whole, and generally higher than other metro LGAs

Northern Beaches has a relatively low socio-economic disadvantage. In 2016, Northern Beaches had SEIFA advantage and disadvantage index percentile of 97, higher than surrounding metro LGA average (84). That is, Northern Beaches is relatively less disadvantaged than surrounding metro LGAs on average. In the same year, Northern Beaches ranked 11th out of metro LGAs around Northern Beaches in terms of the SEIFA index.

SEIFA relative socio-economic advantage and disadvantage

Percentile
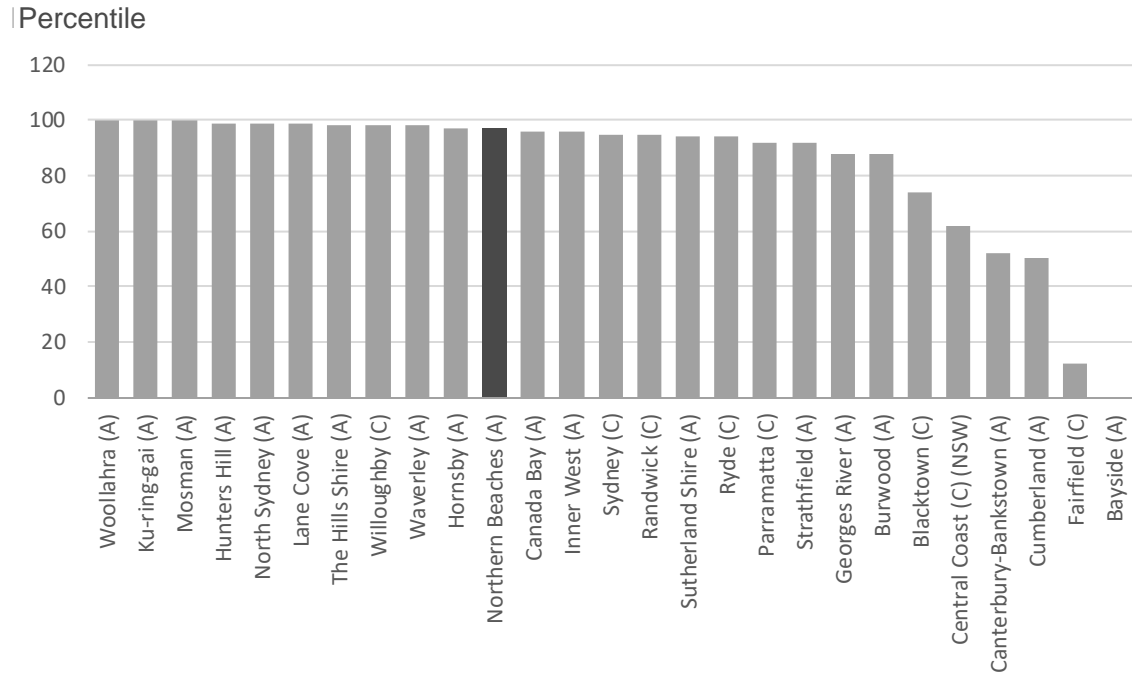
Source: ABS Census of Population and Housing, 2016

What macro forces may influence outlook?

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NSW economy

New South Wales has seemingly rebounded strongly from the impacts stemming from the COVID 19 Pandemic. Household consumption has contributed most to the growth with retail trade increasing considerably.

Growth in building approvals took awhile to bounce back compared to other states but in recent months (March, April 2021) house and apartment dwelling approvals have skyrocketed due to government incentives. Dwelling investment is forecast to decline over coming years, given the permanent loss of migration/population growth due to international border closures. The construction industry is also facing supply constraints and skill shortages.

NSW still has a strong pipeline of planned public infrastructure projects that will maintain demand for large scale construction related activities in the near future. Most of these projects are in metropolitan Sydney e.g. Sydney Metro West, Western Sydney Airport. Growth in private sector investment has been driven by public incentives to write-off machinery and equipment purchases.

Growth in Sydney has been supported by historically significant levels of overseas migration. With this tap turned off for the near future, weakening of the economy could be expected next year after construction employment tails off.

Loosening of monetary policy has contributed to demand coming back in the housing market in the short term. However, lower interest rates may have a lower effect than expected on household spending as evidence suggests many homeowners in the last decade used lower rates to pay off their mortgage.
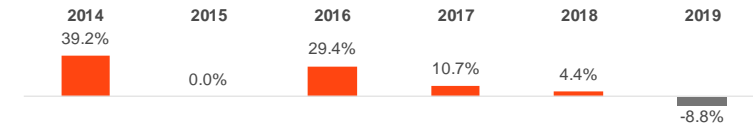
A tightening labour market may lead to a modest rise in wages growth over the next year or so but there is still evidence of some excess capacity.

A higher exchange rate in the near future may have a negative impact on export based industries (e.g. agriculture, manufacturing). However, some businesses will likely be impacted by decreasing cost of key imported inputs.
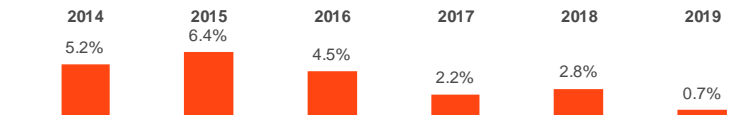
Headline indicators - New South Wales
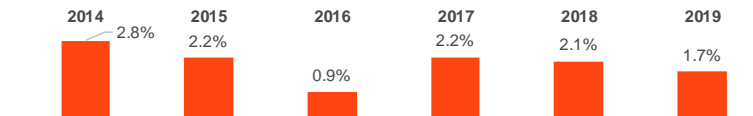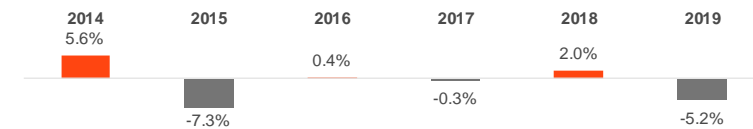Annual change in total value to June

Building Approvals

2014	2015	2016	2017	2018	2019
39.2%	0.0%	29.4%	10.7%	4.4%	-8.8%

Retail Trade Turnover

2014	2015	2016	2017	2018	2019
5.2%	6.4%	4.5%	2.2%	2.8%	0.7%

Inflation

2014	2015	2016	2017	2018	2019
2.8%	2.2%	0.9%	2.2%	2.1%	1.7%

Business Confidence

2014	2015	2016	2017	2018	2019
5.6%	-7.3%	0.4%	-0.3%	2.0%	-5.2%

Unemployment Rate

2014	2015	2016	2017	2018	2019
0.0%	0.2%	-0.7%	-0.3%	0.0%	-0.3%
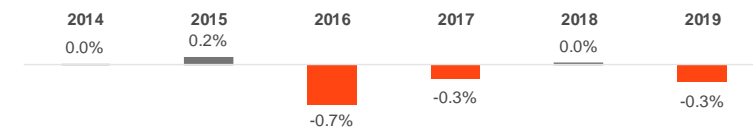
Source: ABS Cat: 8731.0, 8501.0, 6401.0, 6202.0; Roy Morgan - Business Confidence

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NSW indicators

Building Approvals

Legend: Average Building Approvals ($M) — Change %

Year	Change %
2015/16	23.4%
2016/17	11.7%
2017/18	3.0%
2018/19	-6.3%
2019/20	-7.7%
2020 Dec	3.5%

Retail Trade

Legend: Retail Trade Turnover ($M) — Change %

Year	Change %
2015/16	4.7%
2016/17	2.0%
2017/18	3.0%
2018/19	0.5%
2019/20	-1.7%
2020 Dec	8.0%

State Final Demand

Legend: State Final Demand ($M) — Change %

Year	Change %
2015/16	3.9%
2016/17	3.5%
2017/18	3.3%
2018/19	2.0%
2019/20	-2.0%
2020 Dec	0.7%

Inflation

Legend: CPI — Inflation

Year	Inflation
2015/16	1.5%
2016/17	2.0%
2017/18	2.0%
2018/19	1.7%
2019/20	1.0%
2020 Dec	0.8%

Business Confidence

Legend: Average Business Confidence (% reporting positive minus % reporting negative)

Year	Value
2016/17	9.0
2017/18	11.2
2018/19	-14.0
2019/20	-40.7
2020 Dec	1.4

Unemployment

Legend: Average Unemployment Rate (%)

Year	Rate
2014/15	5.8
2015/16	5.7
2016/17	5.1
2017/18	4.8
2018/19	4.6
2019/20	4.6
2020 Dec	5.9

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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 leading to constrained lending growth and in turn, lower residential development commencements going forward. However, this had been offset recently by changes to monetary policy.

- Excess supply in the housing market leading to slower price growth and a weaker market over the next five years before the cycle flips again.

- A reverse wealth effect, where declining (or weaker growth in) house values lead to increases in the household savings ratio and less consumption. However, there were signs that housing conditions in Sydney and Melbourne had stabilised with clearance rates starting to turn around (more potential buyers vs sellers).

- Lower AUD exchange rate vs major currencies due to connection to emerging markets and changing interest rate levels between Australia and other economies, particularly the US. This may have counterbalanced weakened international demand due to trade uncertainty.

However, since the COVID impacts saw the economy bottom out in the June quarter 2020, government spending and incentives have boosted the national economy and reversed some of these indicators..
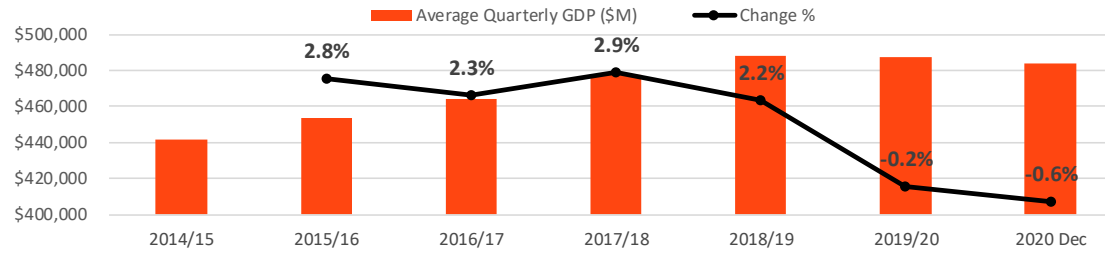
- Housing approvals are at an all time high boosting construction employment but causing supply constraints and skill shortages

- 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.
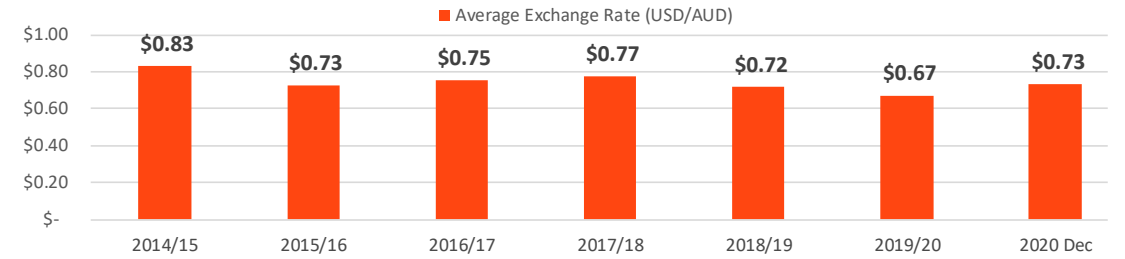
Despite growth in the September and December quarters, average quarterly GDP was still below that experienced in 2019/20. However, in March 2021, it was estimated to be above that experienced a year before.
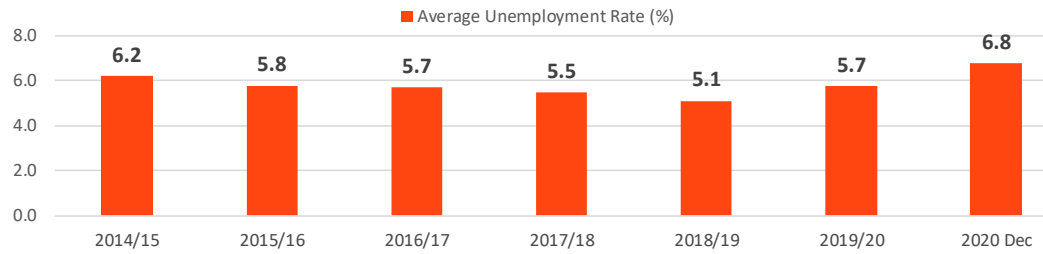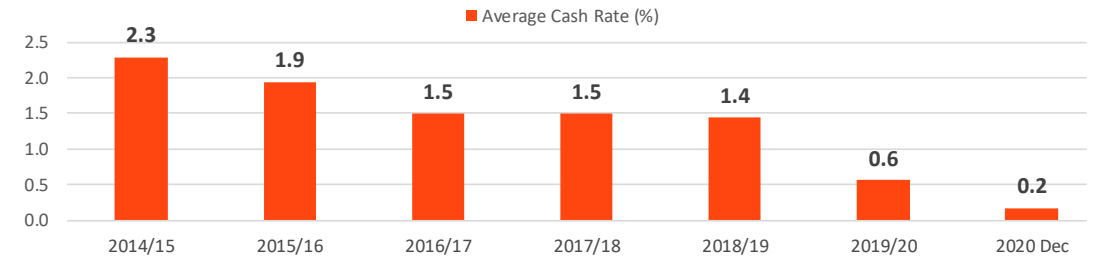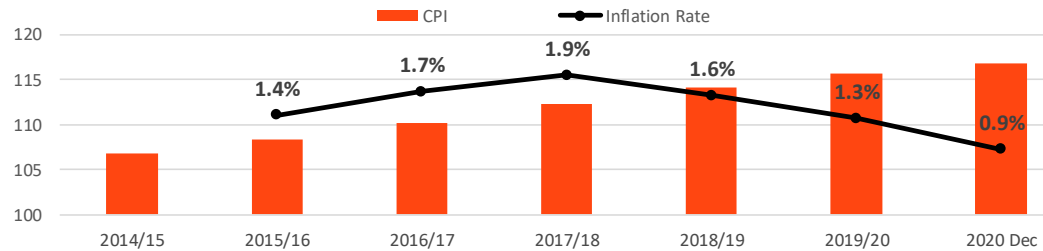
National indicators

Gross Domestic Product

Legend: Average Quarterly GDP ($M), Change %
2014/15, 2015/16 2.8%, 2016/17 2.3%, 2017/18 2.9%, 2018/19 2.2%, 2019/20 -0.2%, 2020 Dec -0.6%

Unemployment Rate

Legend: Average Unemployment Rate (%)
2014/15 6.2, 2015/16 5.8, 2016/17 5.7, 2017/18 5.5, 2018/19 5.1, 2019/20 5.7, 2020 Dec 6.8

Inflation

Legend: CPI, Inflation Rate
2015/16 1.4%, 2016/17 1.7%, 2017/18 1.9%, 2018/19 1.6%, 2019/20 1.3%, 2020 Dec 0.9%

Exchange Rate

Legend: Average Exchange Rate (USD/AUD)
2014/15 $0.83, 2015/16 $0.73, 2016/17 $0.75, 2017/18 $0.77, 2018/19 $0.72, 2019/20 $0.67, 2020 Dec $0.73

RBA Cash Rate

Legend: Average Cash Rate (%)
2014/15 2.3, 2015/16 1.9, 2016/17 1.5, 2017/18 1.5, 2018/19 1.4, 2019/20 0.6, 2020 Dec 0.2

Business Confidence

Legend: Business Confidence Index, Change %
2015/16 0.4, 2016/17 -0.3, 2017/18 2.2, 2018/19 -6.1, 2019/20 -8.6, 2020 Dec -4.5

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Key export industry outlooks

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.

Basic Chemical and Chemical Product Manufacturing

Pharmaceutical Product Manufacturing

Revenue for the industry is forecast to grow over the next five years, as industry firms continue to adapt to a new operating environment. Some new medicines for conditions not related to COVID-19 may be delayed as firms continue to focus on COVID-19, including the development of booster vaccines to cater for variants of the coronavirus. Locally, industry revenue growth will likely be driven by an ageing population, higher incidences of chronic disease and changing community attitudes to healthcare. Continued international demand for clean and green Australian-branded vitamins and supplements will also support future growth in industry exports and revenue.

Machinery and Equipment Manufacturing

Electric Cable and Wire Manufacturing

Revenue for the Electric Cable and Wire Manufacturing industry is projected to continue declining over the next five years. Demand from wired telecommunications network operators is projected to continue declining over the period, due to growth in the Wireless Telecommunications Carriers industry. However, decline in industry revenue is anticipated to be much slower than the past five-year period. Demand from building construction is projected to recover over the period, on the back of improved investor confidence in the residential property market. Despite falling consumer demand for wired telecommunications, additional investment to upgrade the NBN project will likely benefit the industry. Nevertheless, competition from foreign manufacturers is projected to intensify over the period, placing pressure on industry prices.

Lifting and Material Handling Equipment Manufacturing

Domestic demand for materials handling equipment is forecast to strengthen in most downstream markets, as local and global economies emerge from the recessionary conditions associated with the COVID-19 pandemic. Domestic demand for conveyor and crane products is forecast to rise at an annualised 1.9% over the five years through 2025-26, to reach $5.8 billion. However, imports are forecast to grow at an annualised 3.4% over the same period, and capture an estimated 75.4% share of the domestic demand by 2025-26. As a result, industry revenue is forecast to contract at an annualised 1.6% over the five years through 2025-26, to total $1.8 billion. As industry sales fall and productive efficiency steadily improves, industry employment numbers are projected to fall over the next five years. Participation will also likely decline as some smaller enterprises exit local manufacturing in favour of importing finished products.

Source: Ibisworld.com, 2019

Key industry outlooks

Professional, Scientific and Technical Services

Architectural, Engineering and Technical Services

The Architectural Services industry's revenue is forecast to expand over the next five years, as the industry recovers from COVID-19 and benefits from increased public construction works. Projected growth in dwelling commencements is also anticipated to support industry revenue, as is continued focus on green buildings. However, competitive conditions are anticipated to intensify over the period, as larger professional services firms undertake merger and acquisition strategies to gain market share.

A rise in public sector capital expenditure is projected to boost demand for engineering consulting, as governments tender large infrastructure projects to stimulate the economy. Engineering consulting firms are also anticipated to benefit in the longer term from rising private capital expenditure on non-residential construction, as companies return to investment in new industrial projects.

Computer System Design and Related Services

The Computer System Design Services industry is anticipated to benefit from greater capital expenditure on software and existing computer system upgrades over the next five years. This investment is projected to increase as the economy recovers from the negative effects of the COVID-19 outbreak. Related investment and upgrades will likely include hardware, software and cloud technology in sectors such as education, training, finance, transport, retail, government, and health and medical services. However, industry firms are forecast to face greater domestic and international competition in product development and pricing over the next five years. As competition from international firms grows, domestic consultants are anticipated to focus more on specialised services that overseas firms cannot compete with.

Source: Ibisworld.com, 2019

What is the potential projection for economic and employment change?

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Recovery from COVID-19 and future outlook

Australia and NSW have done remarkable 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 NSW to bounce back quicker than ever. Since the June Quarter fall, the NSW economy has grown by 11.5%, the second highest amongst all states and territories.

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

Sydney'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.

Reduced immigration and international visitation will likely impact the Northern Beaches in the years to come given the importance to population growth and the tourism industry.

History shows that the recovery period following economic downturns can accelerate the transition of industries or magnify trends that were already occurring in the economy. Some trends that could impact the Northern Beaches economy include:

Remote Work
McKinsey analysis suggests 20 to 25 percent of the workforces in advanced economies could work from home between three and five days a week. 60-75% of business services areas work could be done remotely

E-commerce
Australians are increasingly comfortable shopping online with 5.2 million households shopped online in January 2021, a 44% increase compared to the year before.

Increased digitisation and automation
Research has estimated that 63 percent of work activities have the potential to be automated by 2030. Some of the largest employing industries have highly automatable activities: retail, administrative and government, construction, manufacturing, accommodation and food services, and transport and warehousing.

Nature based / outdoor tourism
The COVID pandemic has reminded many of the benefits of travel and visitors are seeking outdoor experiences more than ever to compensate for extensive lockdowns.

Northern Beaches GRP estimated to be back above pre-COVID levels by June 2021; growth to end of 2022 forecast to be above the Greater Sydney average

Quarterly GDP for the Northern Beaches is estimated to have recovered strongly but not exceeding pre-COVID levels until the June 2021 quarter. The estimated loss GRP between the outlook and if the economy had kept growing at pre-COVID levels is approximately $39.2B to Dec 2022.
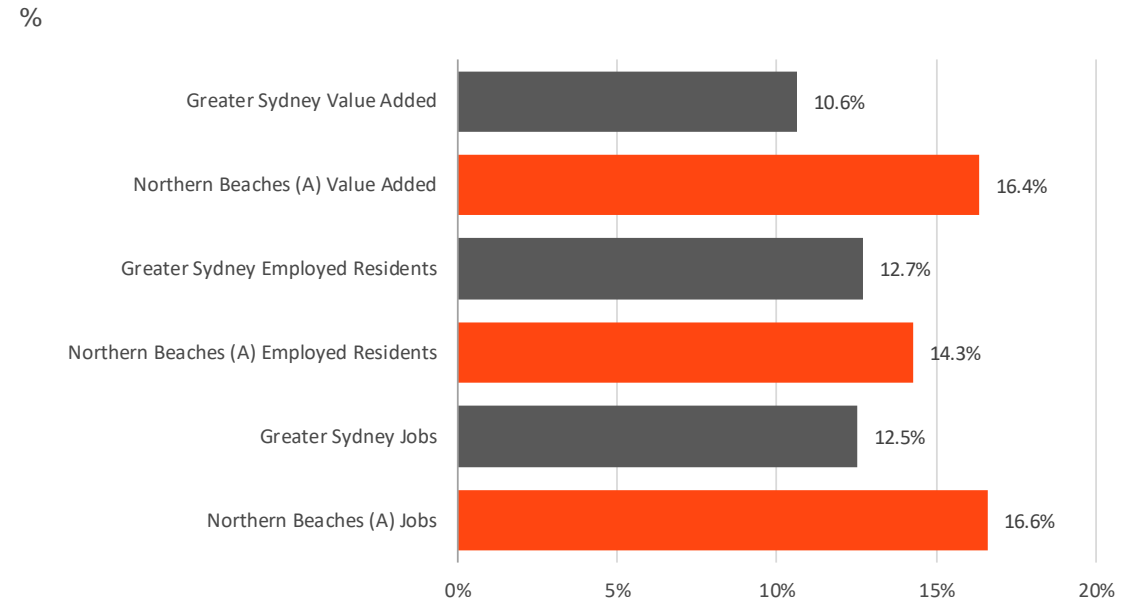
Northern Beaches is forecast to experience an estimated 16.4% increase in quarterly industry value added by the Dec 2022 quarter (compared to June 2021), above the Greater Sydney average (10.6%). Local jobs is expected to rise by 16.6%

Quarterly GRP, Past and Outlook - Northern Beaches

$M
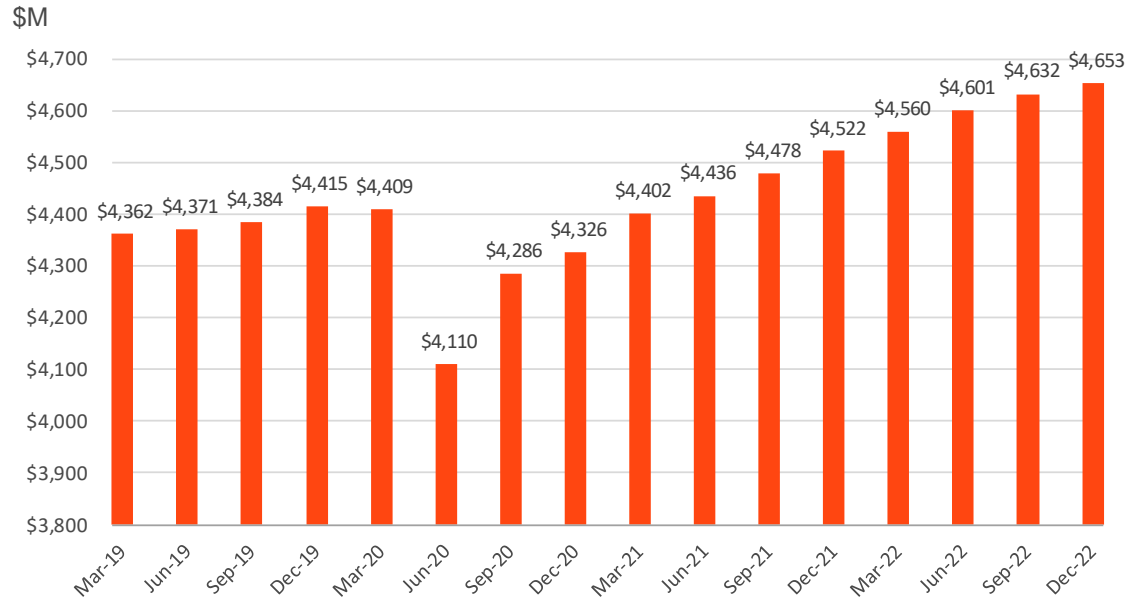
Source: NIEIR, 2021

June 2020 to Dec 2022 GRP Change

%

Source: NIEIR, 2021

Hospitality and tourism expected to bounce back; Health care and social assistance and professional services to drive jobs growth from pre-COVID levels

Health care and social assistance is forecast to increase considerably over the next couple of years, continuing its strong growth if recent. Hospitality related areas (arts and rec, retail, accommodation and food) are expected to bounce back from COVID restrictions driven lows in the June Quarter.

When compared to pre-COVID impacted job levels (Dec 2019), the other key industry expected to grow in terms of employment is Professional, Scientific and Technical Services.

June 2020 to Dec 2022 Change in Local Jobs - Northern Beaches
Number of Jobs
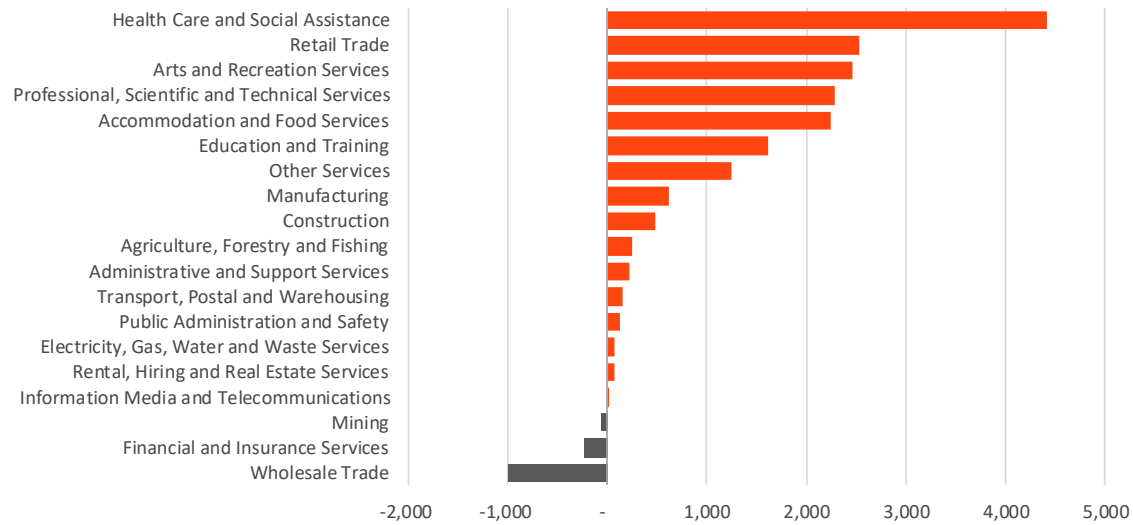
Source: NIEIR, 2021

Dec 2019 to Dec 2022 Change in Local Jobs - Northern Beaches
Number of Jobs
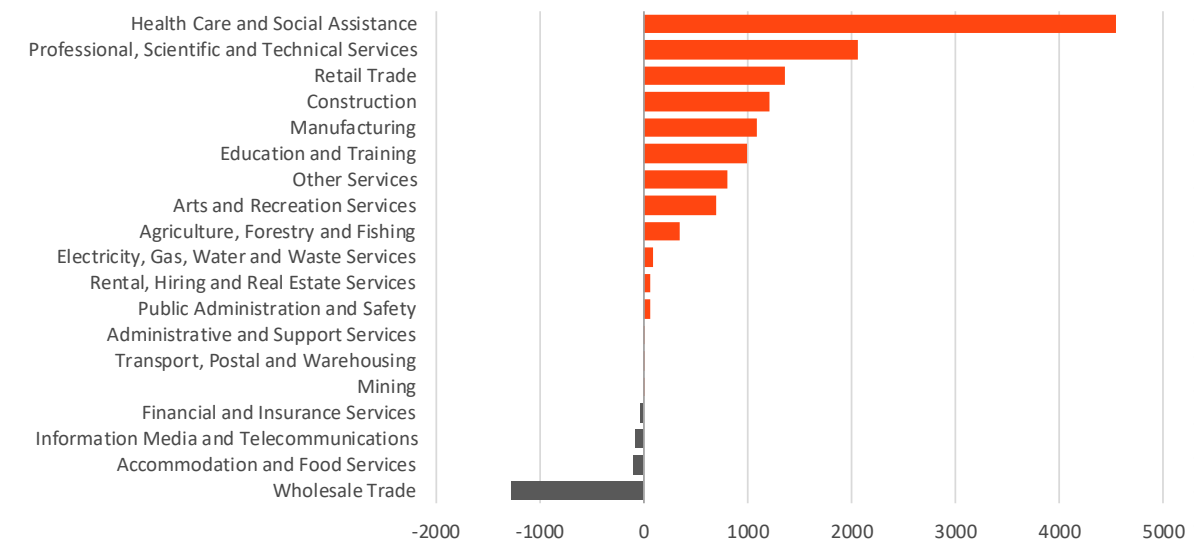
Source: NIEIR, 2021

Workplace trips still 13% below pre-COVID levels and residents spending an extra 4-5% of the time at home

Weekly travel movements to place of work steadily increased throughout 2020. However, in December they were still 13% lower than compared to pre COVID. They were lower than the Greater Sydney average at 11% below.

Northern Beaches residents were still spending an extra 4-5% of their week at home (equivalent to 6-8hrs a week) in December prior to the Xmas holiday period. Northern Beaches trends followed Greater Sydney for the most part.

Travel movements to place of work, 7 day average
% change from base week
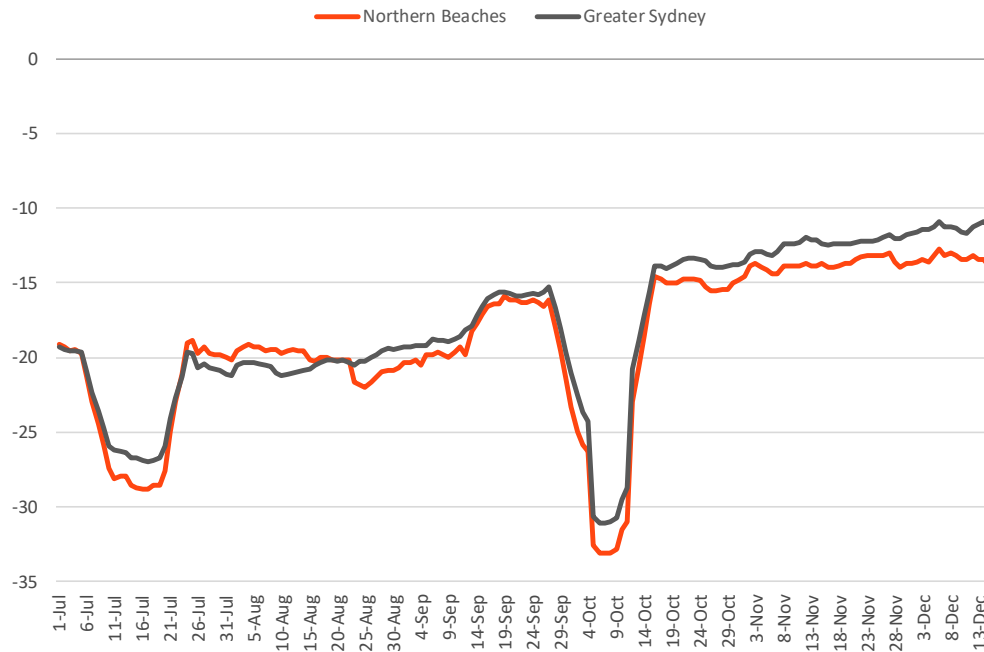
Google Mobility Data, 2021

Time spent at place of residence, 7 day average
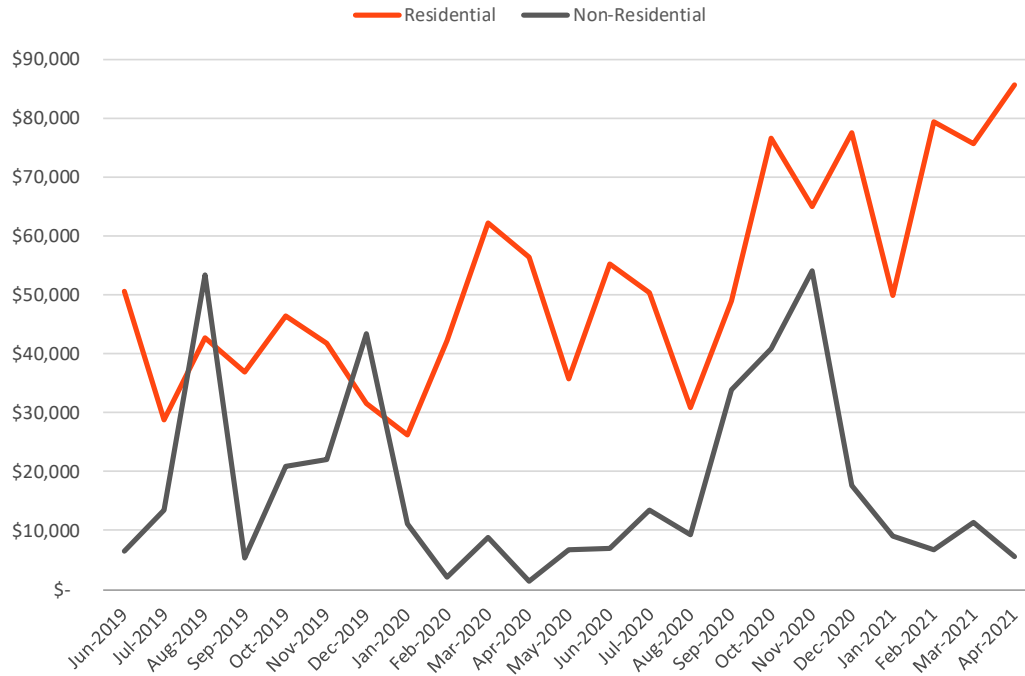% change from base week
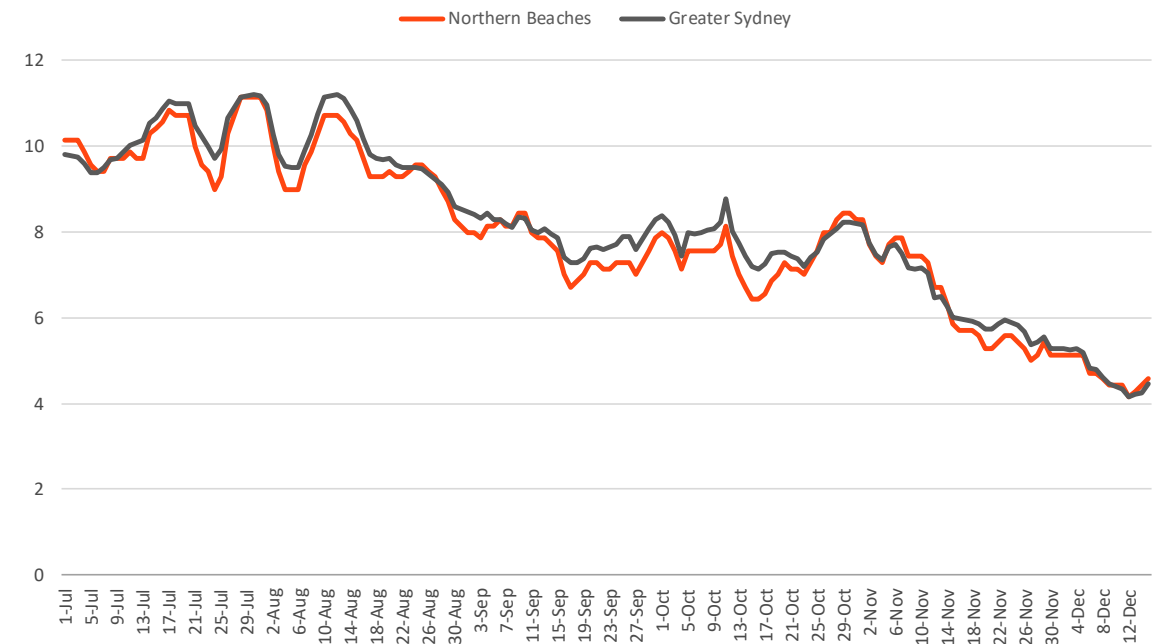
Google Mobility Data, 2021

Residential building approvals at an all time high

Since the initiation of the Commonwealth Government's Homebuilder program, many regions across Australia have seen an uptick in approvals. Northern Beaches is no different with the monthly value of approvals reaching a high in April 2021 of $85M (the program ceased on April 14). In contrast to the Greater Sydney average, the majority of approvals since June 2020 have been for renovations (41%).

Non-residential construction has been has benefited from a few major approvals including the $33 million upgrade of Manly's Brookvale Oval and a $32.5M aged care facility in Belrose.

Monthly Value of Building Approvals
$'000

Source: ABS Building Approvals, 2021

Share of Residential Value FYTD April 2021
$'000

Source: ABS Building Approvals, 2021

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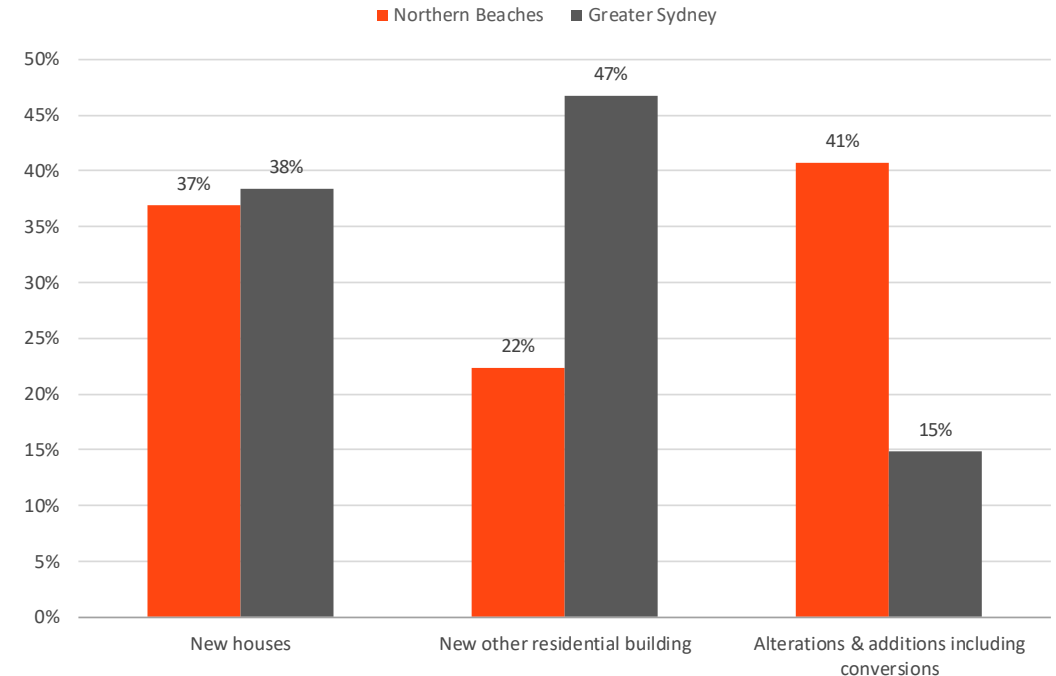
Visitation, even domestic, seems a long way off returning to pre-COVID levels

Domestic and international visitation disappeared in June last year. However, despite opening up off some borders, continued lockdowns and uncertainty saw domestic overnight visitation in the Dec 2020 quarter below the year before by over 20,000 visitors.

Visitation - Northern Beaches
Estimated number of visitors
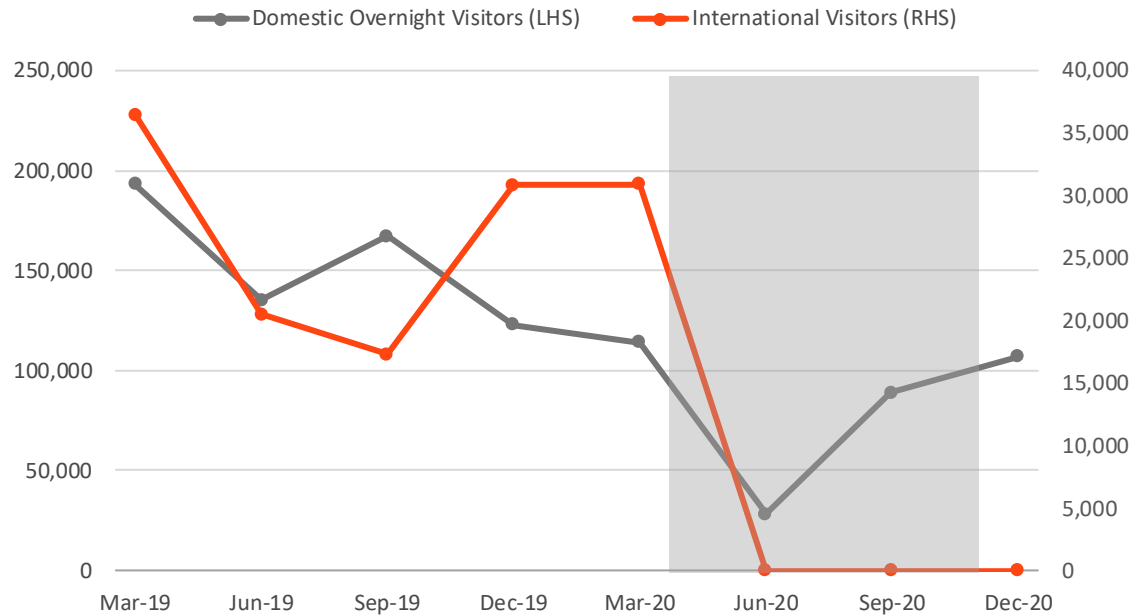
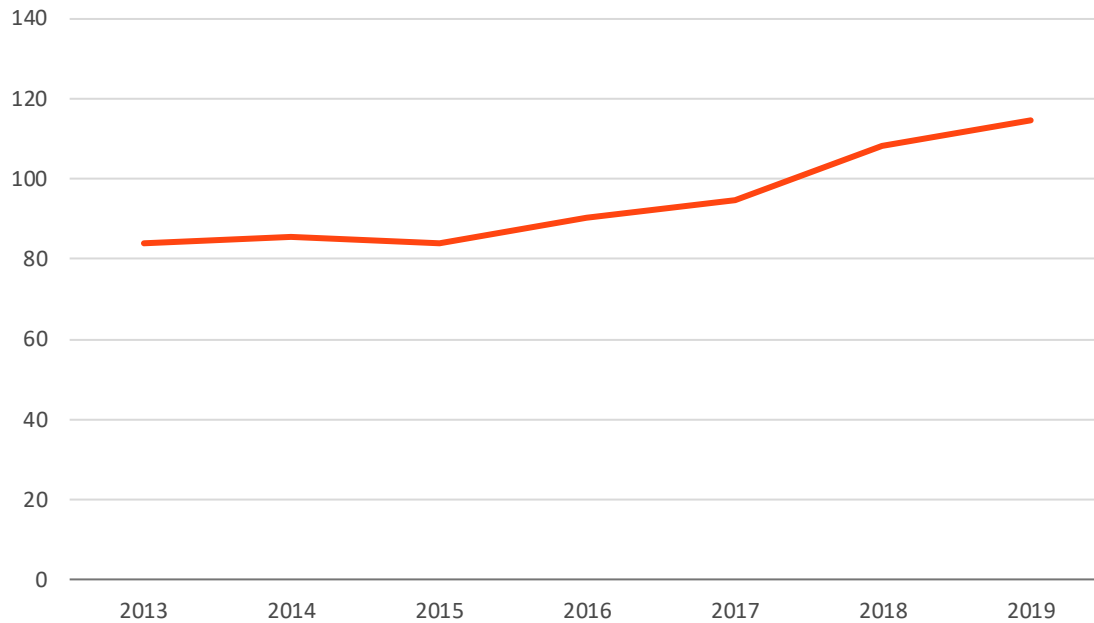*Tourism Research Australia, 2021*

Appendix

Appendix 1: Tourism Trends

Over the last seven years to 2019, international visitors growth in Northern Beaches averaged at 5.3%% per annum. The growth in the international visitors were lower than the Greater Sydney average of 7.2%.

During the same period, domestic overnight visitors grew at 3.9% per annum while domestic daytrip visitors grew at 4.4% per annum.

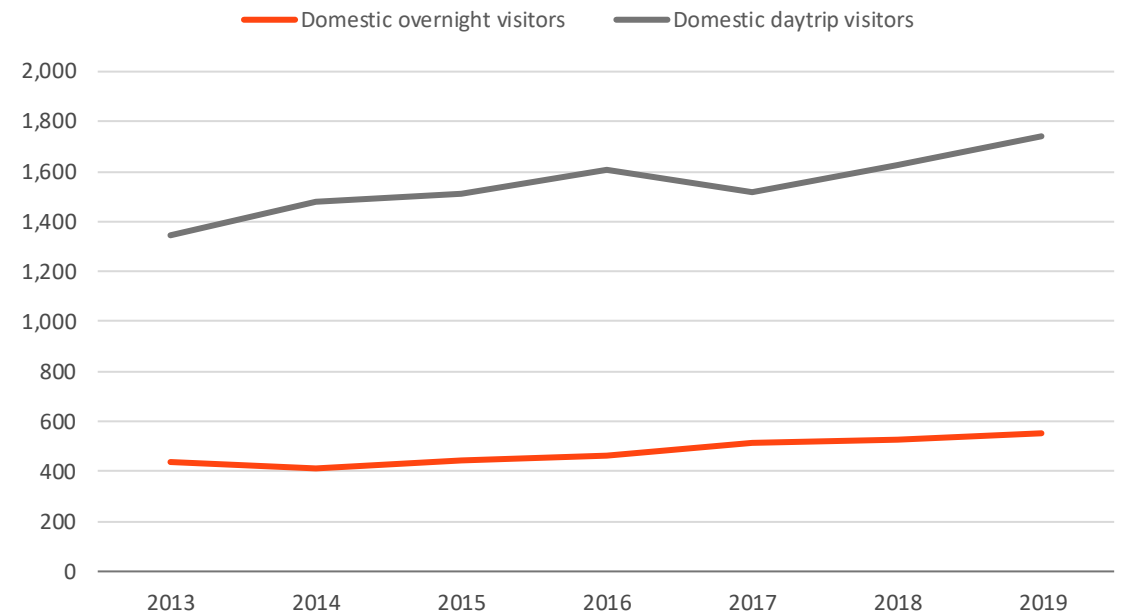## International visitors - Northern Beaches
,000s (3 year rolling average)

Source: Tourism Research Australia, 2019; RBA 2019

Domestic visitors - Northern Beaches
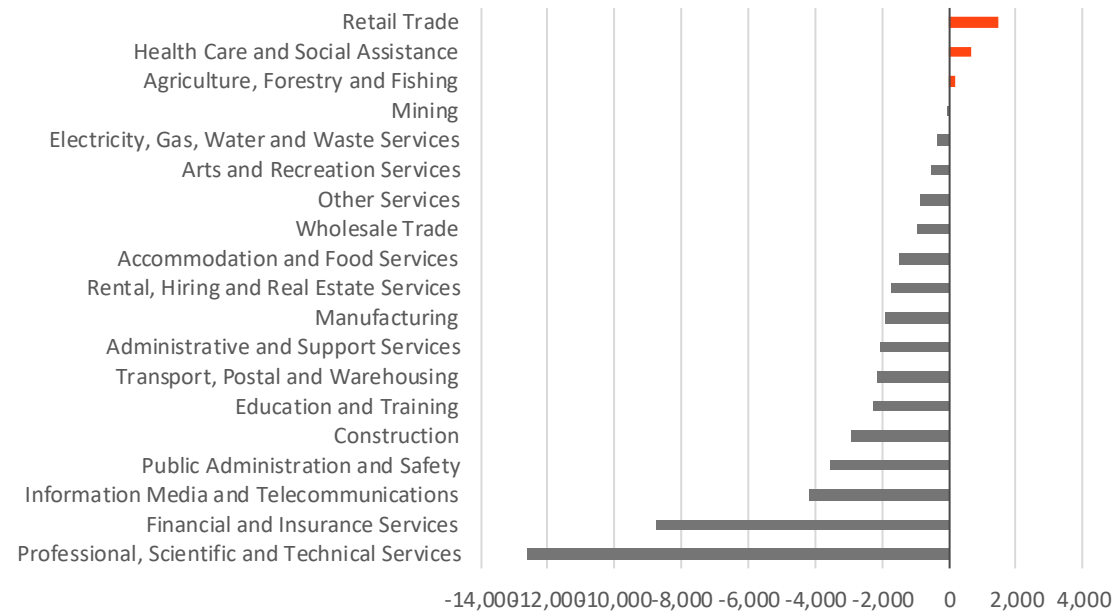,000s (3 year rolling average)

Source: Tourism Research Australia, 2019; RBA 2019

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Appendix 2: Job deficit by industry

Job deficit by industry - Northern Beaches, 2018/19

persons

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Data sources and definitions

- The data used in this analysis is based on the ABS Census of Population and Housing 2006, 2011 and 2016 estimates and NIEIR (National Economics) small area estimates of employment and economic value.

- For more information on NIEIR and their methodology please contact .id or refer to the NIEIR website

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 Brisbane

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

Regional Queensland

Geographic area classified as Rest of Queensland 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

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