BUILDING REGIONAL AUSTRALIA

Identifying business clusters & opportunities

Measure Impact
Quantify Benefits
Analyse Workforce
Evaluate Outcomes
Understand Sentiment

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ABOUT WRI

- WRI is a not for profit research organisation committed to the development of Regional Australia.

- Specialising in customised research services to a diverse range of industry, business, NGOs and all levels of Government.

- Bathurst based, with expertise in Regional NSW and VIC economies

Recent research projects include:

- Economic Impact of CSU

- Economic, Social and Community Impacts: Cadia Valley Operations

- Economic Benefits of Cultural Facilities in the Evocities

- Economic Profile and & Opportunities in Orana

- Economic appraisal & BCA – various Councils

ASSESSING ECONOMIC OPPORTUNITIES

WRI specialises in customised research services for assessing economic opportunities for large regions of LGAs, as well as single LGAs

Recent projects with this focus have been conducted for:

- Orana region
- Murray Murrumbidgee region
- Blayney LGA
- Bathurst LGA

LARGE REGION ASSESSMENTS

To identify:

- Diversity of industry across a region
- Concentrations of particular activities
- Commonalities in industrial structure that could warrant specific attention and support

Understanding the industrial character of larger regions allows policy makers to:

- Tailor economic and social policies
- Identify sectors with the highest growth potential
- Identify possibilities for collaboration
- Address common challenges

CLUSTER ANALYSIS

- Principal component analysis used to identify clusters.

- Analysis based on sectoral value added and employment data for each LGA.

- Clusters (principal components) are then identified by running the data through a set of statistical procedures using specialised software (SPSS).

- Consideration is given to the proximity and location of LGAs and feedback from regional stakeholders before finalising clusters.
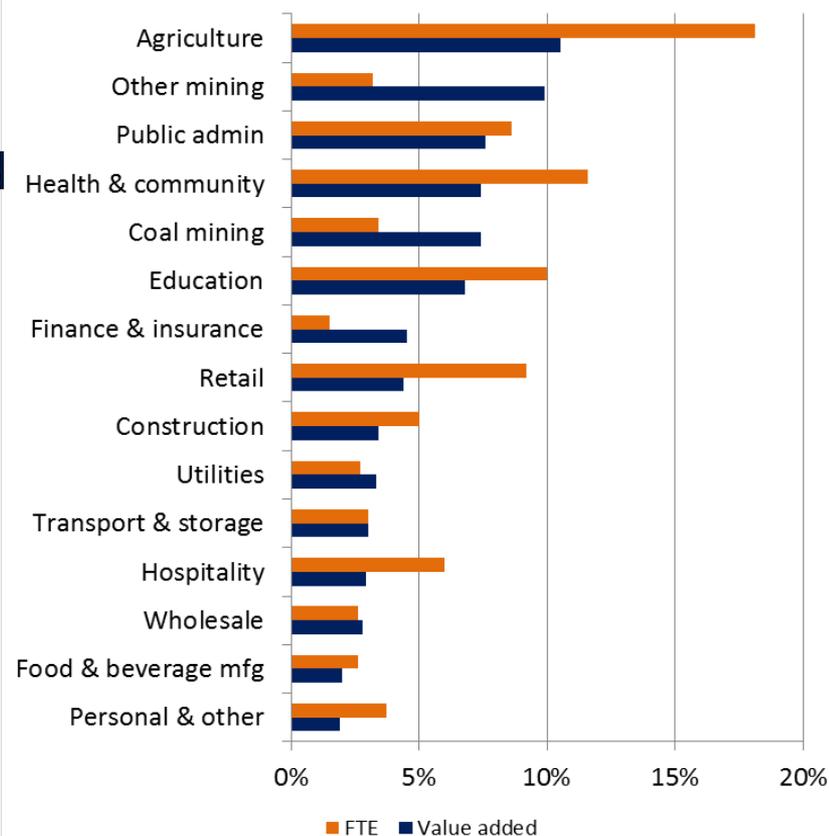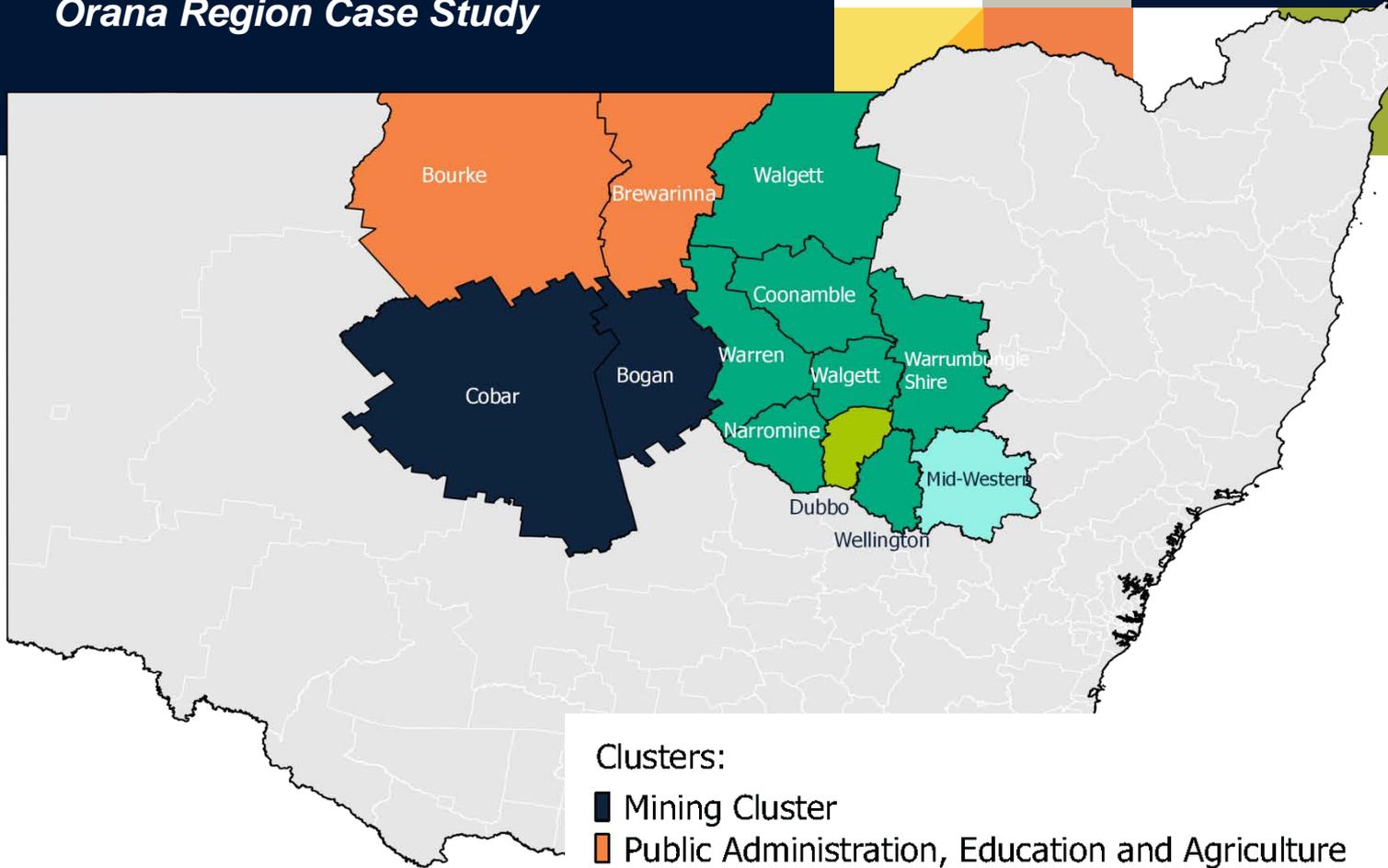
IDENTIFYING OPPORTUNITIES

At the core of our work to identify opportunities, is the basic principle that opportunities should build on existing (and perhaps emerging) competitive advantage.

- Factors we assess:
  - Current and historical employment data
  - Data from Input-Output tables (representing the local economy)
  - National productivity growth
  - Forecast employment data
  - Local knowledge

EMPLOYMENT DATA

- Changes in sectoral employment within the region are compared to changes in sectoral employment at the state level and to overall changes in employment at the state level.

- Shift share analysis allows us to identify comparative performance of the sector regionally and classify sectors as shown in the table opposite.

- Where local firms are outperforming the state level industry, we assume there may be some local competitive advantage.

Classification
Type I - Outperforming in high growth industry e.g. Other Transport; Health Care & Social Assistance; Coal Mining
Type IV – Outperforming in low growth industry e.g. Fabricated Metal Product Mfg; Basic Material Wholesaling
Type II – Underperforming in high growth industry e.g. Food & Beverage Services; Road Transport
Type III – Underperforming in low growth industry e.g. Agriculture; Other store based retailing

Orana Region key shift share results
Orana Profile & Opportunities Report, 2013

LOCATION QUOTIENTS

- Location Quotients are used to determine how concentrated an industry is in a region compared to a larger region, usually the state or nationally.

- Sectors with a high LQ (above 1) are often exporters of goods / services from the region and bring external revenue into the region.

- For example:
  - For instance, Dubbo's agriculture sector makes up 5% of Dubbo's employment, compared to 2% across NSW.
  - The Health Care & Social Assistance sector in Dubbo makes up 10% of Dubbo's employment, compared to 7% across NSW.

DATA FROM ECONOMIC MODELS

Input-output models

- Input-Output models provide a detailed picture of the structure of a regional economy at a point in time and can be used to estimate the contribution or impact of a particular sector of the economy

- Input-Output Models used to identify:

    - Top contributing sectors

    - Sectors with the largest economic flow-ons (multipliers)

    - Key linkage sectors
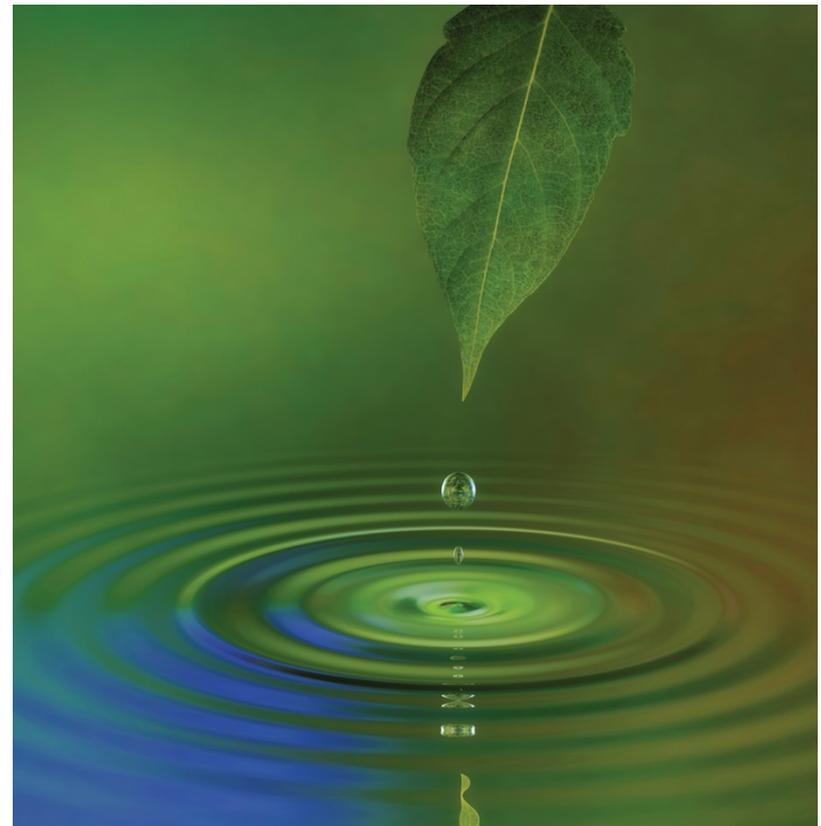
NATIONAL PRODUCTIVITY GROWTH

- Productivity growth can be attributed to labour productivity as well as capital productivity, and both (multi-factor productivity).

- The ABS publishes national estimates of MFP:

  – latest data available is from 2014.

  – Not much regional data available, so we are left assuming that our regional productivity follows the national trend.

  – Discussions with local regional stakeholders may uncover some useful data that can be used to confirm regional trends.

Australia's labour productivity growth for the Total economy
Annual change, 2011-12 to 2012-13, GDP per hour worked

Labour productivity	+2.2%	▲

Australia's productivity growth for the Market sector (12 industries)
Annual change, 2011-12 to 2012-13

Multifactor productivity	-0.8%	▼
Labour productivity	+2.0%	▲
Output	+2.2%	▲
Labour input	+0.2%	▲
Capital input	+6.1%	▲

Long-term, average annual growth rate, 1973-74 to 2012-13

Multifactor productivity	+0.7%	▲
Labour productivity	+2.2%	▲
Output	+3.0%	▲
Labour input	+0.8%	▲
Capital input	+4.4%	▲

Data sources: ABS (Australian System of National Accounts, 2012-13. Cat No: 5204.0) and;
ABS (Estimates of Industry Multifactor Productivity, 2012-13 Cat No: 5260.0.55.002 – Dec 2013)
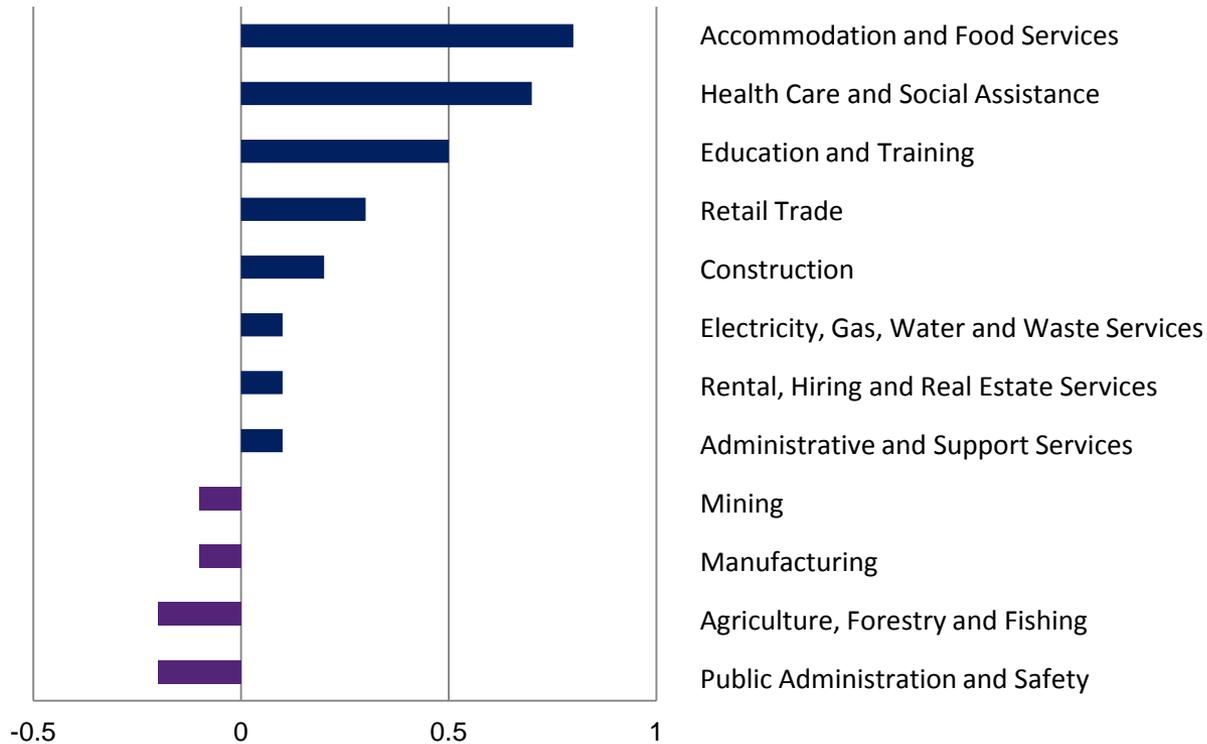
EMPLOYMENT PROJECTIONS

- Produced by Dept of Employment (LMIP)

- Current series forecasts till 2018

- Employment by sector at Statistical Area 4 Level (SA4)

- Identifies at a larger regional level, what the expected trends in sectoral employment are

EMPLOYMENT PROJECTIONS

**Far West and Orana,
Projected employment growth ('000) - five years to November 2018**

Industry	Value
Accommodation and Food Services	0.8
Health Care and Social Assistance	0.7
Education and Training	0.5
Retail Trade	0.3
Construction	0.2
Electricity, Gas, Water and Waste Services	0.1
Rental, Hiring and Real Estate Services	0.1
Administrative and Support Services	0.1
Mining	-0.1
Manufacturing	-0.1
Agriculture, Forestry and Fishing	-0.2
Public Administration and Safety	-0.2

IDENTIFYING OPPORTUNITIES

We assess all the information discussed to score each sector, hopefully resulting in a few sectors that stand out as opportunities

NEED FOR BETTER REGIONAL DATA

- Central to our ability to provide information and advice to regions to support planning is the availability of robust and regularly reported regional data.

- More resources need to be applied to producing such data.

LOCAL KNOWLEDGE

'Ground truthing' the Data

- Ask local stakeholders:
  - Does this look reasonable to you?
  - Who are the key players in this sector at the moment and what have they been doing?
  - Is there a local champion of that industry sector?
  - Are there any emerging industries or businesses?
  - Does this sector represent a potential diversification of the industrial base of the region?

EXPLORE OPPORTUNITIES

- Revise our list of opportunity sectors according to stakeholder feedback, then…..

  - Meet with key players in the selected industries to explore their opportunities further… and to estimate what kind of impacts developments in these industries could have on the local economy

  - Make recommendations regarding the support required to maximise these opportunities

THANK YOU

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