



**Mining and METS: engines of
economic growth and prosperity
for Australians**

Victoria in focus: fact sheet

Prepared for the Minerals Council of Australia, 2017

Overview

The mining sector has long made – and continues to make – a significant contribution to Australia’s economic growth and development. The Australian mining industry uses sophisticated production techniques and highly skilled labour to make the most of Australia’s comparative advantage in mineral endowments. The supporting activities of the mining equipment, technology and services (METS) sector add further to Australia’s national income and employment.

The Australian economy continues to enjoy the fruits of the latest mining boom that began in 2003. A sharp increase in commodity prices was followed by unprecedented investment in new mines, equipment and infrastructure – at its peak in 2012, resources investment accounted for 60% of total investment in Australia (including investment in both the mining and oil and gas sectors).

This growth in mining capacity underpins the current production phase of the mining boom, in which rising export volumes support a range of manufacturing and service activities across Australia. Minerals and energy exports are the primary source of Australia’s export earnings, accounting for 64% of merchandise exports by value in 2015-16 (DIIS, 2016).

In its national report *Mining and METS: engines of economic growth and prosperity for Australians*, Deloitte Access Economics estimated the total economic contribution of the mining and METS sector to Australia’s gross domestic product (GDP) by using an input-output modelling framework in order to capture all mining and METS activities. This economic analysis applies a similar approach to the methodology used in the RBA’s 2013 Research Discussion Paper *Industry Dimensions of the Resource Boom: An Input-Output Analysis*.

Overall, Deloitte Access Economics estimates that the direct economic contribution of mining and METS activities was \$133.2 billion in value added in 2015-16, with 484,114 full-time equivalent (FTE) jobs directly supported by the sector.¹ This figure represents the ‘economic footprint’ attributable directly to the mining and METS sector in the Australian economy.

In addition to this direct economic contribution, the mining and METS sector depends on outputs from other industries in the Australian economy, such as petroleum, electricity and manufacturing, as inputs to production. This indirectly generates economic activity by facilitating production and paying wages and profits in these other industries. This indirect economic contribution added a further \$103.6 billion in 2015-16, supporting another 655,654 FTE jobs.

The total economic contribution of Australia’s mining and METS sector in 2015-16 was \$236.8 billion, representing around 15% of the Australian economy. This economic activity supported a total of 1,139,768 FTE jobs across Australia, which represents around 10% of total FTE employment.

¹ The value added by an industry is the value of its output, less the value of intermediate inputs used to produce this output (as these represent outputs of other industries). It is important to note that GDP adds up value added by industry, not the value of industry output or sales. Accordingly, the economic contribution of an industry must be distinguished from its total revenue and total exports, which do not discount inputs supplied by other industries or economies.

Economic contribution in Victoria

Mining has historically had a significant impact on the Victorian economy: the State's initial development in the 19th century was fuelled by its famous gold rush. Today, Victoria's mining and METS sector produces a variety of commodities, including brown coal (lignite), gold, mineral sands and base metals (DEDJTR, 2016a).

Victoria is also a national hub for METS exports, with strong manufacturing and engineering capabilities operating in both metropolitan Melbourne and in regional hubs such as Geelong, Ballarat and Bendigo.

Victoria has 430 billion tonnes of lignite (brown coal) reserves – mostly found in the Gippsland Basin – which plays a significant role in the production of affordable and reliable electricity for Victoria and the National Electricity Market (DEDJTR 2016b). In 2014-15, the State mined 61 million tonnes of brown coal, representing a 5.1% increase in production compared to the previous financial year (DEDJTR 2016c).

Deloitte Access Economics estimates that in Victoria, the mining and METS sector directly contributed \$8.2 billion in value added to the state economy in 2015-16, and supported around 88,000 FTE jobs (see table below). The indirect economic contribution to Victoria is estimated to be \$5.4 billion, supporting approximately 33,700 jobs in FTE terms.

Overall, the total direct and indirect contribution of \$13.6 billion in value added represented 4% of economic activity in Victoria in 2015-16.

Economic contribution of mining and METS sector in Victoria, 2015-16

	Direct contribution	Indirect contribution	Total contribution
Value added (\$m)	8,160	5,402	13,562
Employment (FTE)	88,027	33,675	121,702

Source: Deloitte Access Economics (2017)

References

Deloitte Access Economics (2017). *Mining and METS: engines of economic growth and prosperity for Australians*, available at: <https://www2.deloitte.com/au/en/pages/economics/articles/mining-mets-economic-growth-prosperity-engines.html>.

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