

# The COVID Crisis, one year on

Victorian economic update and outlook



Presentation for FinPro - 26 February 2021

Presented by Keenan Jackson

## WHAT IS COVERED TODAY

- THE YEAR THAT WAS
- HOW DID VICTORIA COMPARE?
- WHO WAS MOST IMPACTED?
- ROAD TO RECOVERY
- HEADWINDS
- ACCELERATING THE TRANSITION
- FINAL WORDS

# Discussion Outline



# The year that was

Looking at the greatest economic shock in decades

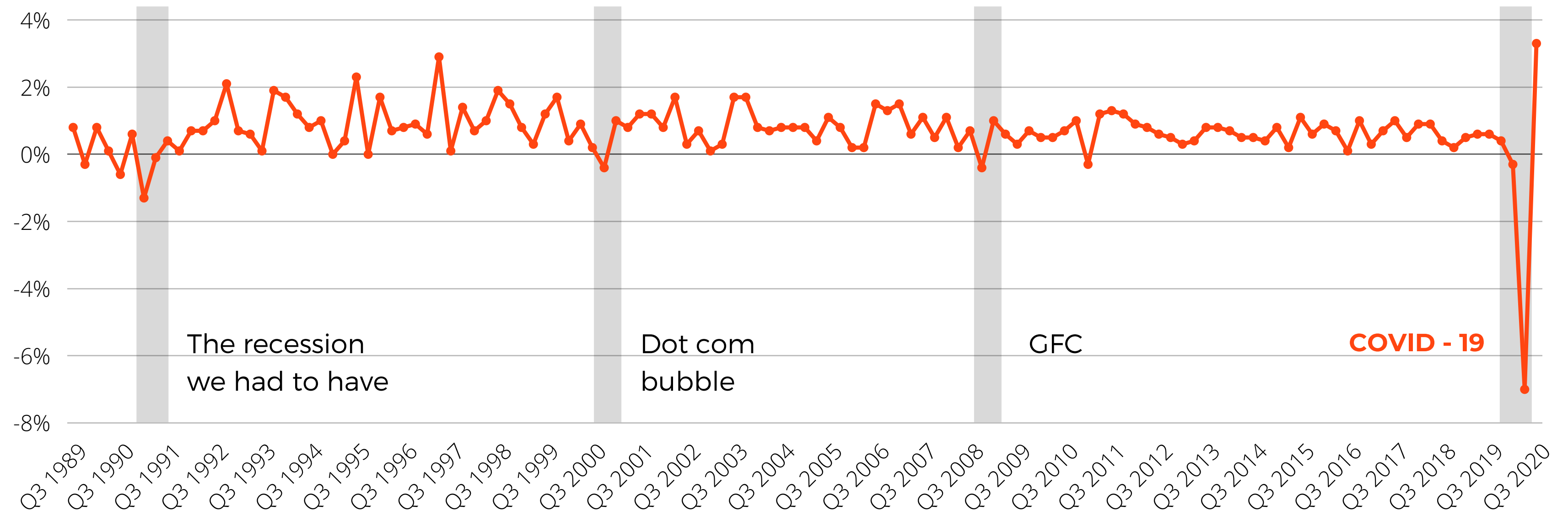


# The record is over

Australia's 30 years of uninterrupted growth ended in June last year

## % Change in Quarterly GDP

Source: ABS National Accounts



**"The largest fall in  
quarterly GDP since  
records began in 1959"**

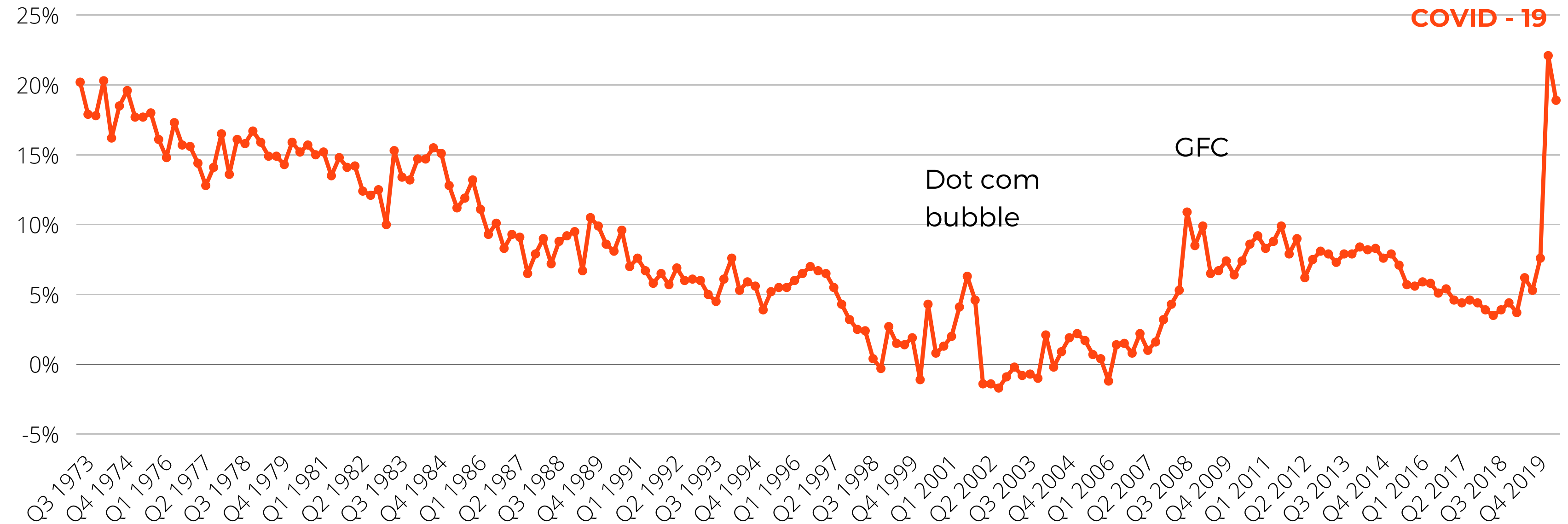
Head of National Accounts at the ABS, Michael Smedes

# Savings up as household confidence falls

The household saving rate hit almost 20% in the June Qtr. We have to go all the way back to the Gough Whitlam years in 1972 to find a time where the ratio was this high.

## Household Savings Ratio %

Source: ABS National Accounts



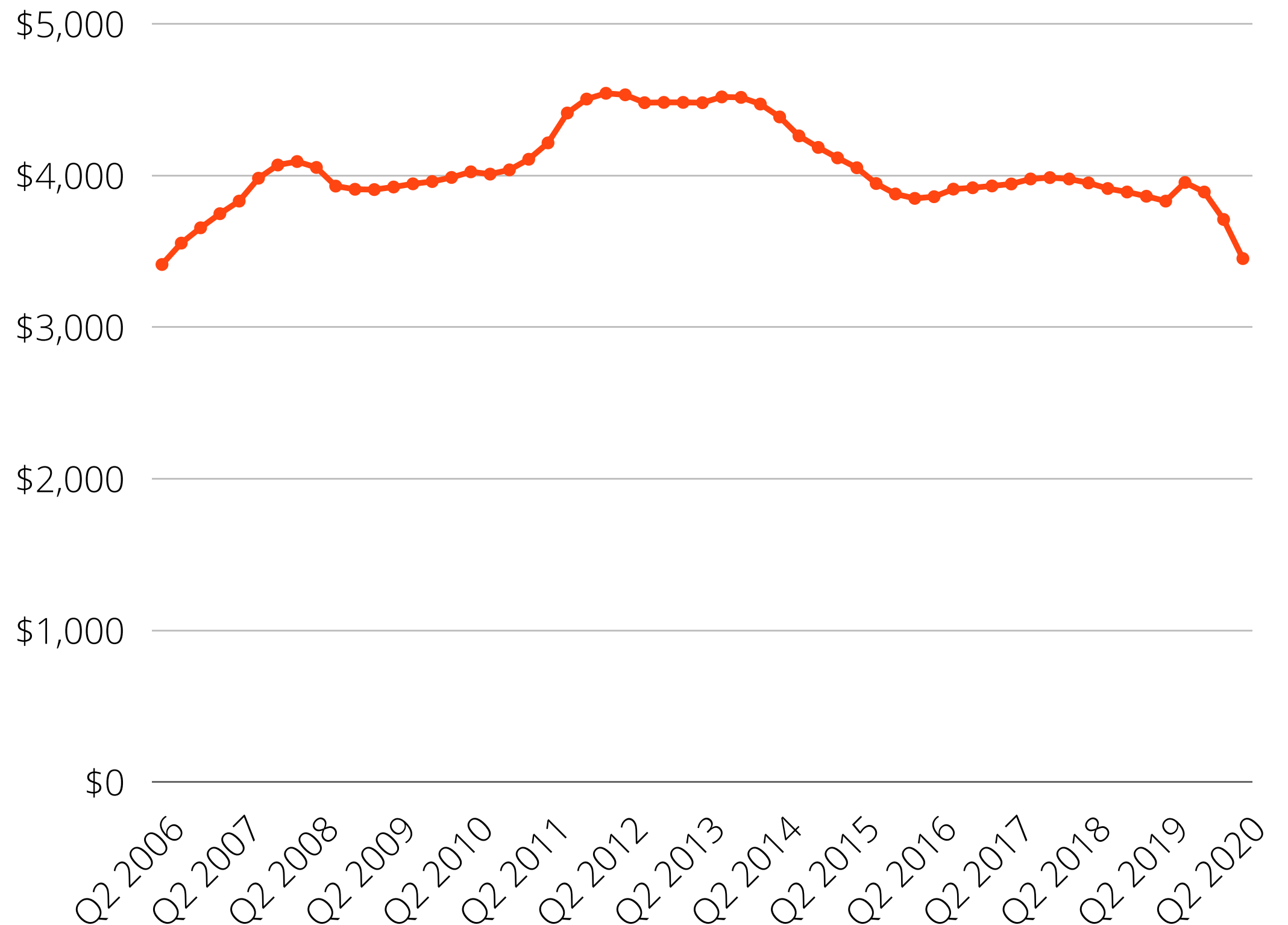
# Business spending back to 2006 levels

Businesses cut spending  
in the face of heightened  
uncertainty



## Gross fixed capital formation - R&D, \$B

Source: ABS National Accounts

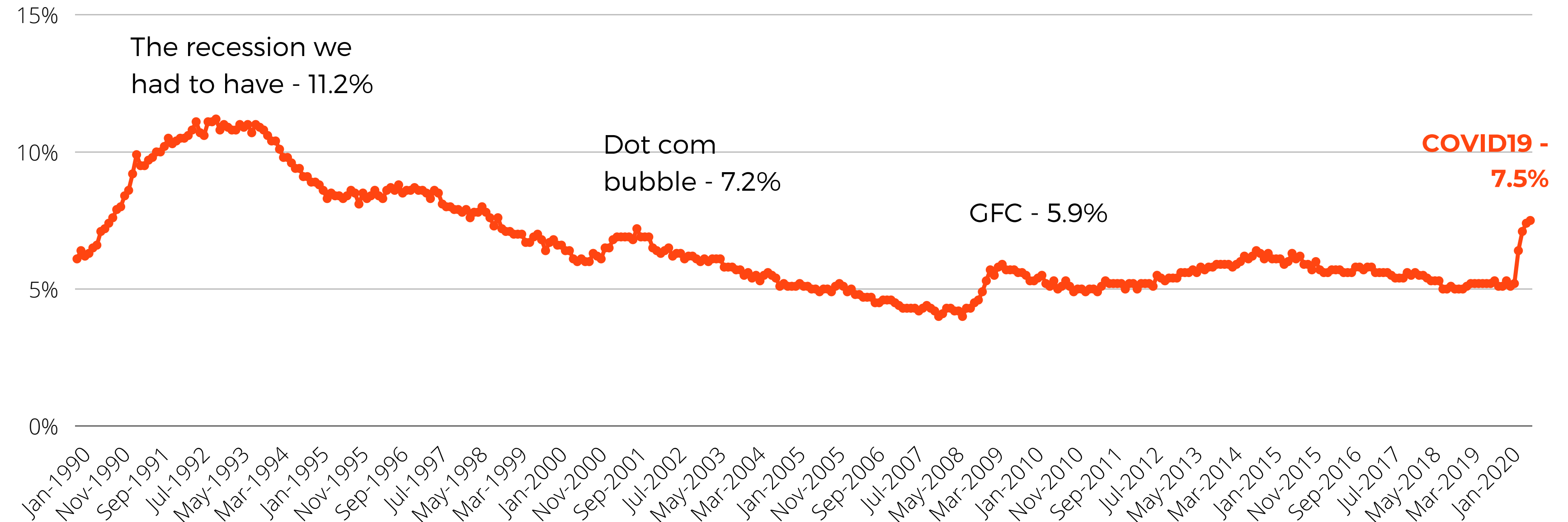


# Unemployment rose by less than expected

Unemployment rates peaked at a level well below that experienced for half the 1990s

## Unemployment Rate %

Source: ABS Labour Force, Australia





## Support to businesses was at unprecedented levels

\$52 Billion was provided in the June Quarter 2020 including:

- \$31B in JobKeeper
- \$16B in Boosting Cashflow

### Government support for business, \$B

Source: ABS National Accounts

60,000

40,000

20,000

0

Sep-19

Dec-19

Mar-20

Jun-20

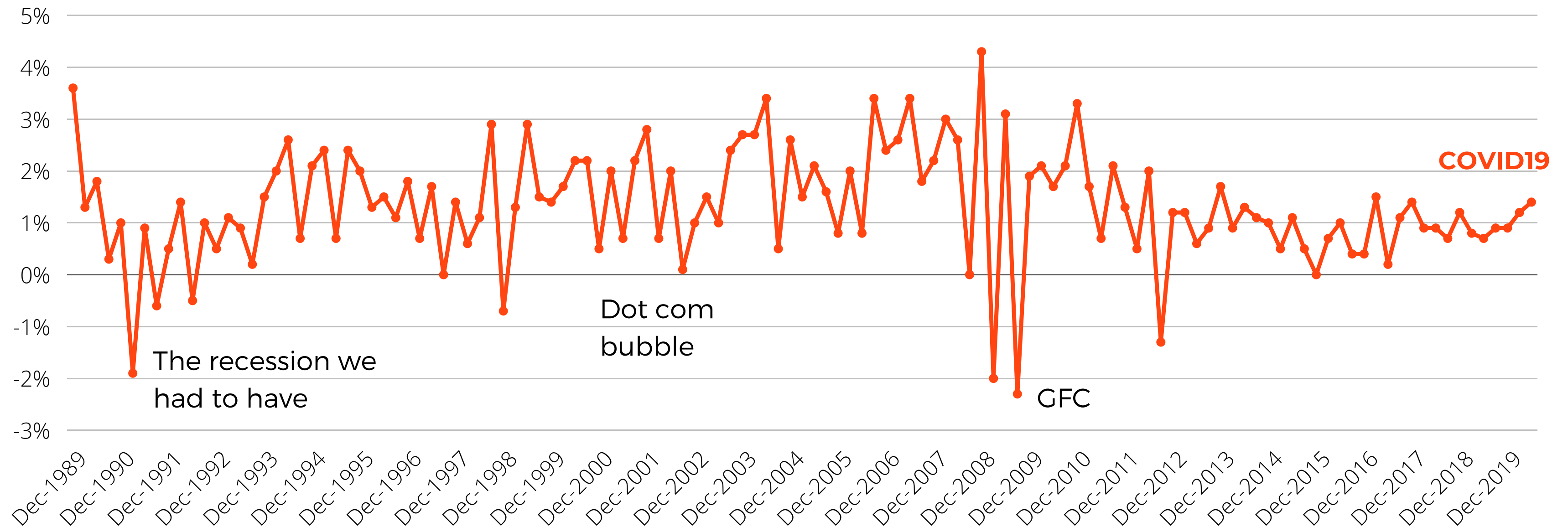
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# Household income actually rose

On average, households had more income in the June Quarter than the previous one

## Total Gross Household Income, Quarterly Change%

Source: ABS National Accounts, Australia

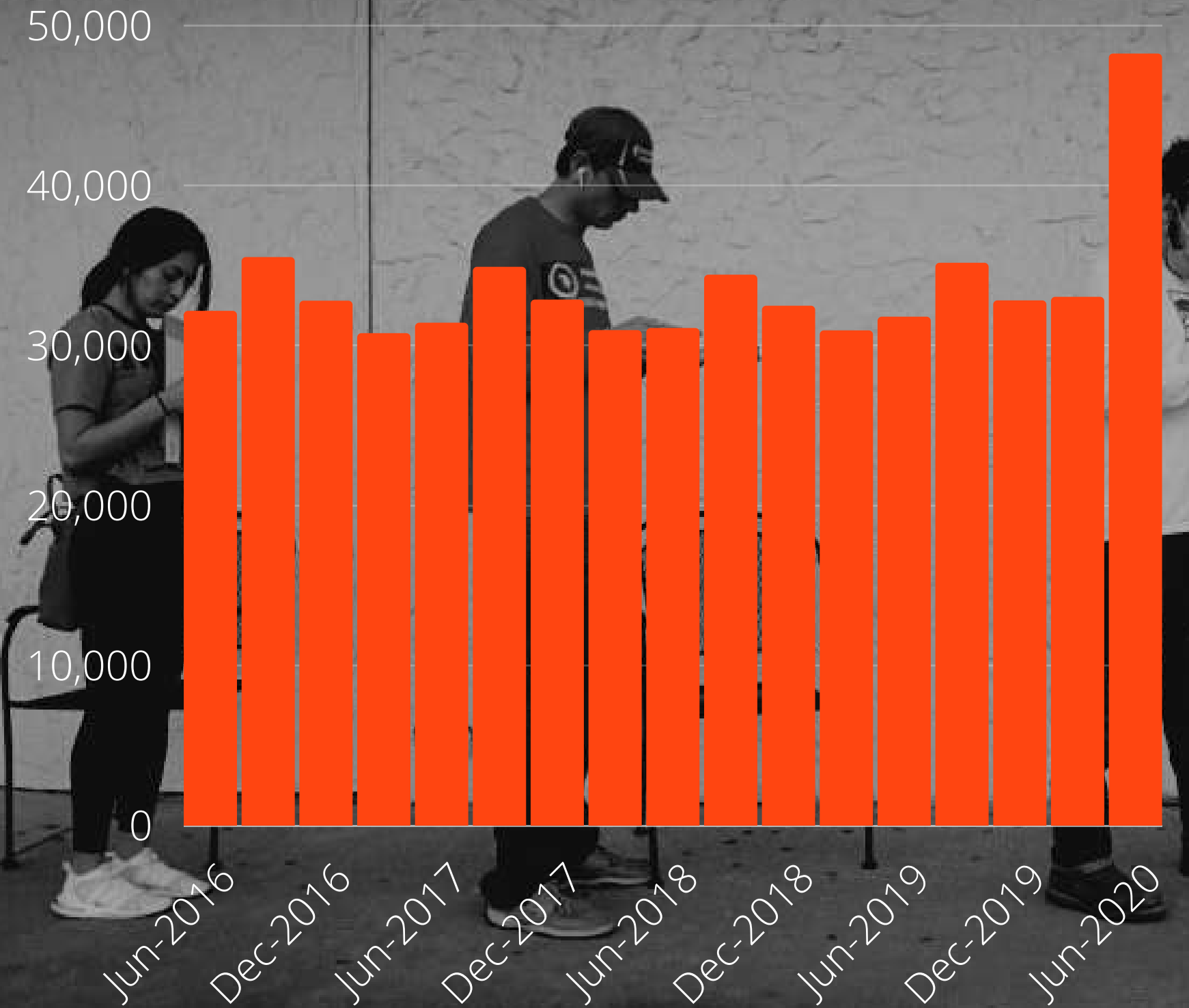


## Social supports benefits grew by 46%

JobSeeker payments and coronavirus supplement saw an increase in social assistance payments of \$15.2B

### Social assistance benefits, \$M

Source: ABS National Accounts





# How did Victoria compare?

Looking at the greatest economic shock in decades

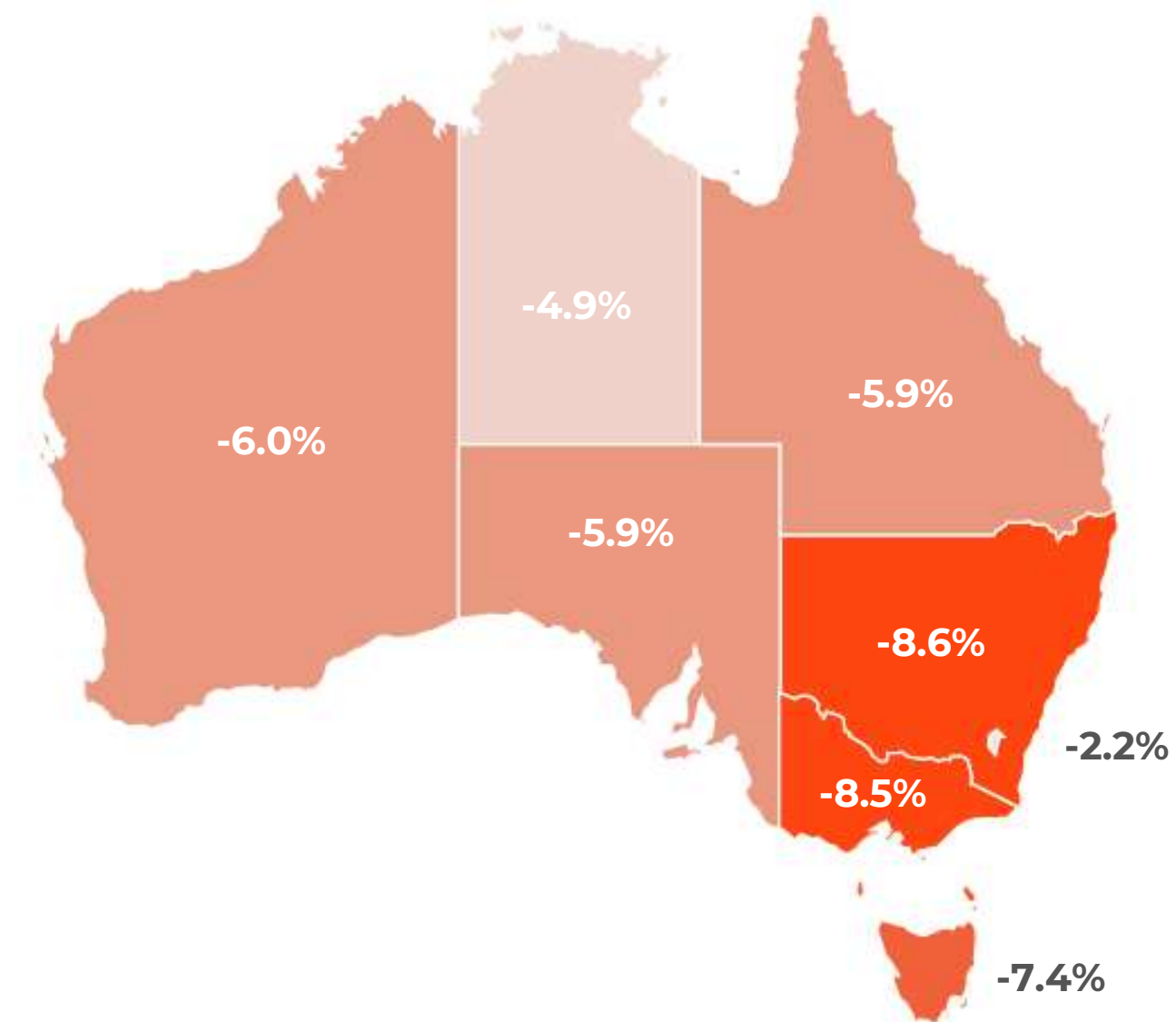


# Victoria second worst impacted in June Qtr

The two large eastern states were the most impacted due to being the main international hubs and having the densest economic nodes

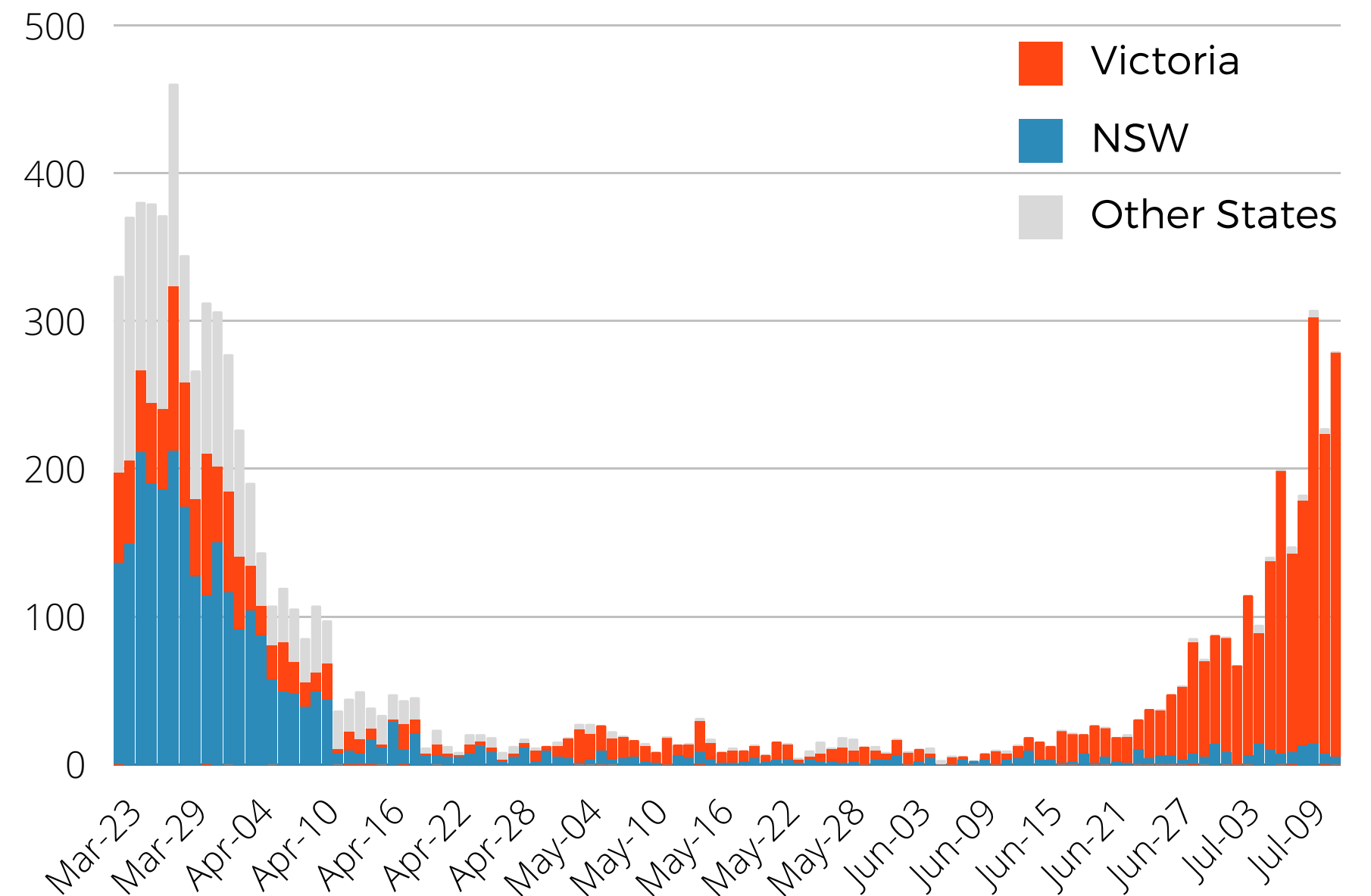
## Change in Final Demand June Quarter

Source: ABS Labour Force, Australia



## COVID Cases

Source: COVID19data.com.au



# Retail Turnover, States, Quarterly Change, %

Source: ABS Retail Turnover



## Victoria's second wave hit retail hard

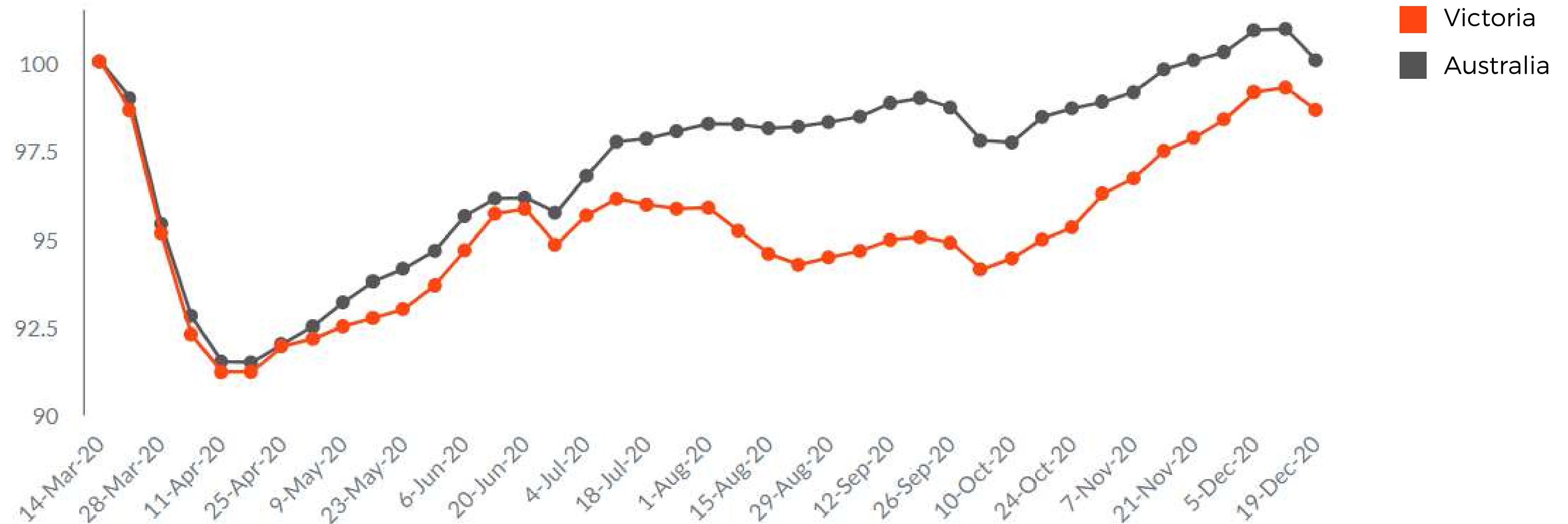
Victoria had the largest state retail fall in April (21.1%). This was followed four months later by another 12.6% fall

# Victoria's job numbers flatlined from July

While the rest of the country maintained their jobs rebound from July, in Victoria total payroll jobs was still 6% below March levels in early October

## Indexed Payroll Jobs

Source: ABS Weekly Payroll Jobs and Wages in Australia

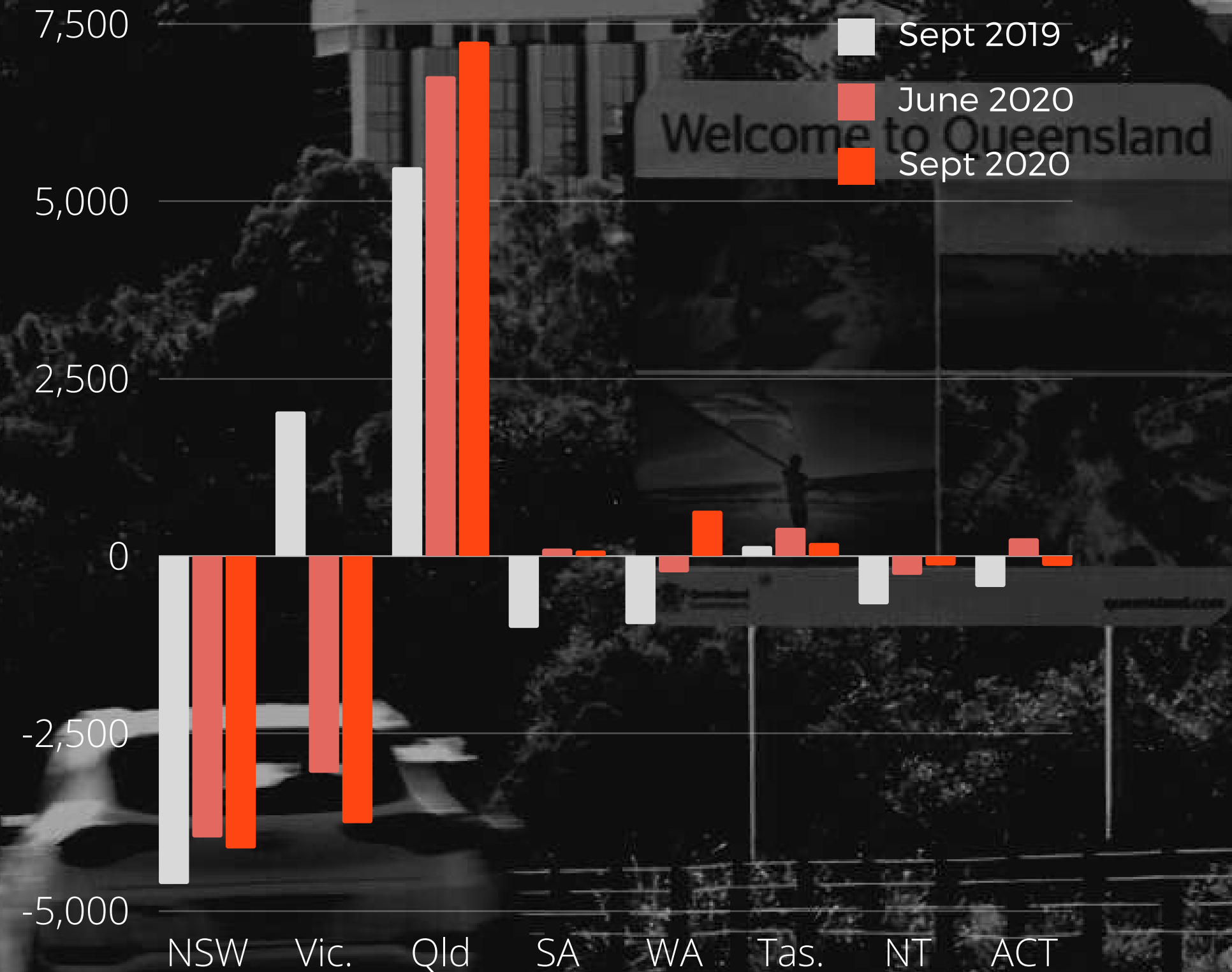


## If you could get out, you left

Victoria had been attracting new residents pre-COVID. In the two quarters to September 2020, it lost almost 7,000 residents to interstate, mainly QLD

### Interstate Migration

Source: ABS Regional internal migration estimates





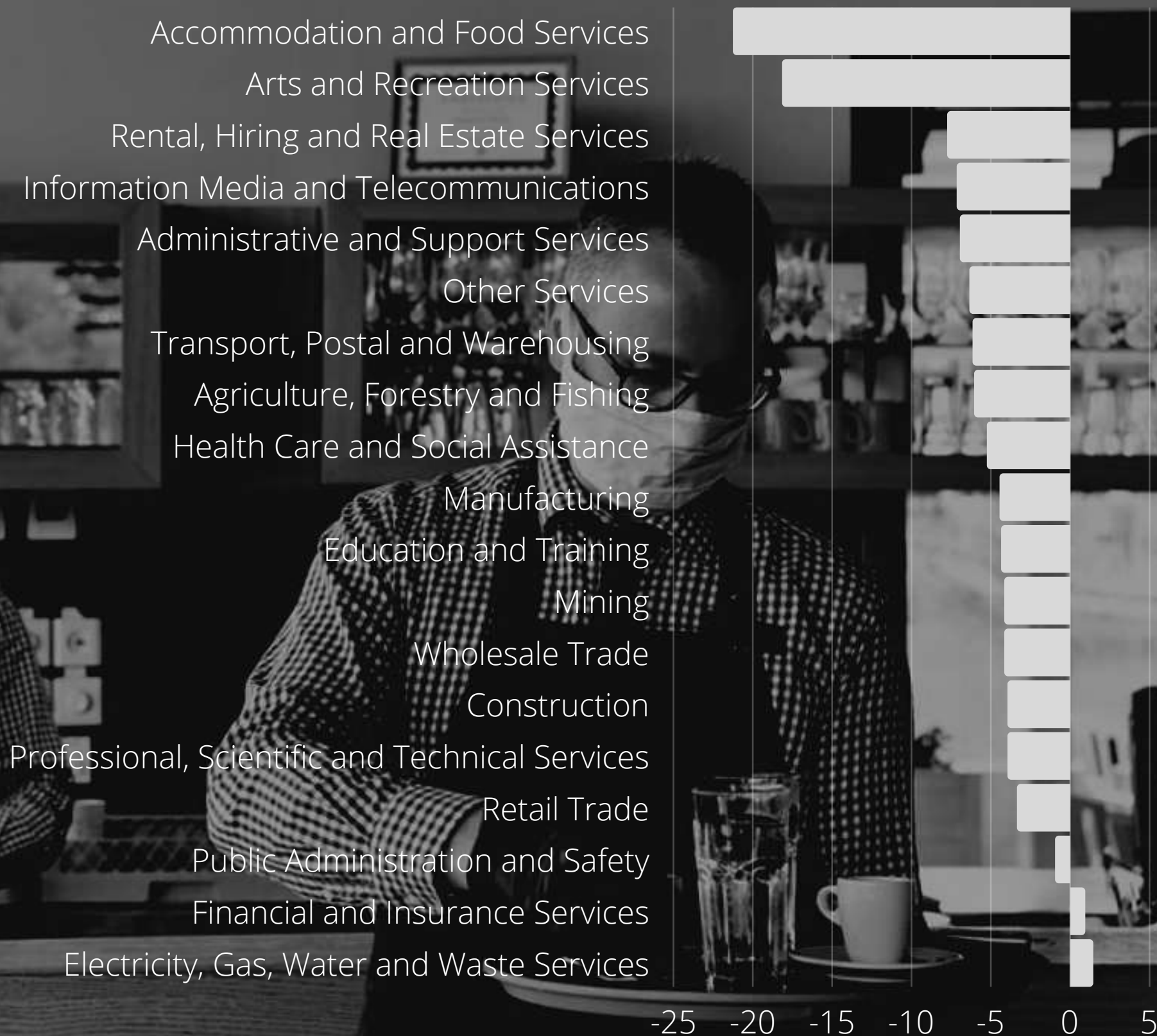
# Who was most impacted?

Looking at the greatest economic shock in decades



## Change in payroll jobs by Industry, March to June 2020, %

Source: ABS Weekly payroll jobs and wages




**Tourism industry /  
Night-time  
economy hit the  
hardest**

1 in 5 of every  
Accommodation and  
Food Services job was lost

## Young and elderly

- The largest age cohort in % terms to be impacted was the 70+ group
- However, young workers (29 and under) represented a much larger share.
- Despite different commentary, males and females equally impacted

 -8.3%

 -8.0%

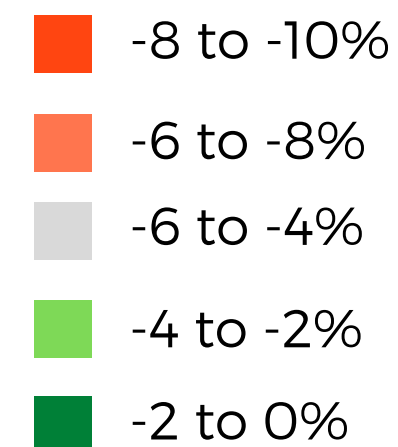
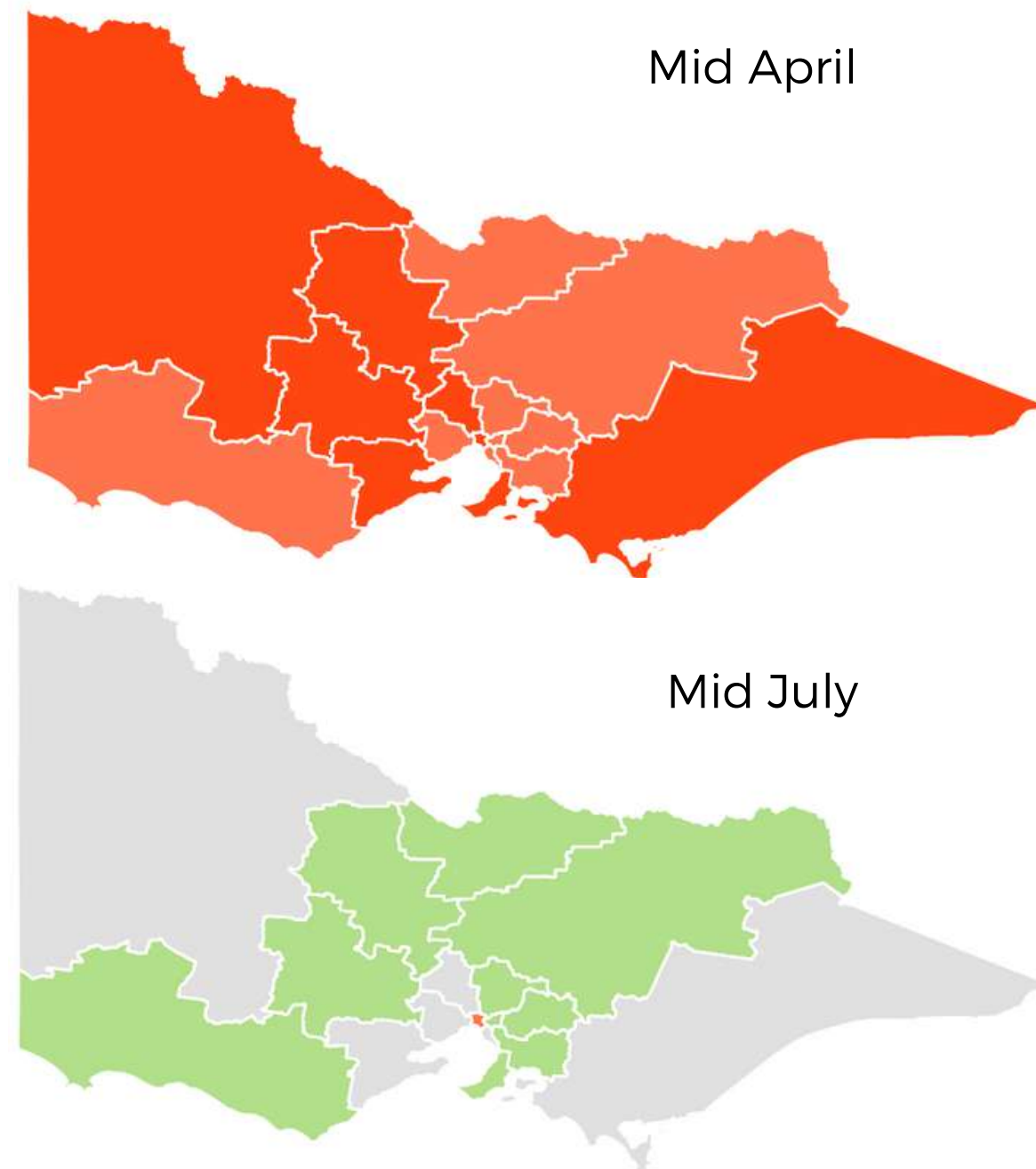
## Payroll Jobs by Age, Fall from March to October, 2020

Source: ABS Weekly payroll jobs and wages



# Inner Melbourne has been most impacted

Most areas were impacted in April.  
By July there were strong signs of recovery except in inner Melbourne  
By October many Metro areas dipped again



## Indexed Payroll Jobs, Fall from March 2020

Source: ABS Weekly Payroll Jobs and Wages in Australia

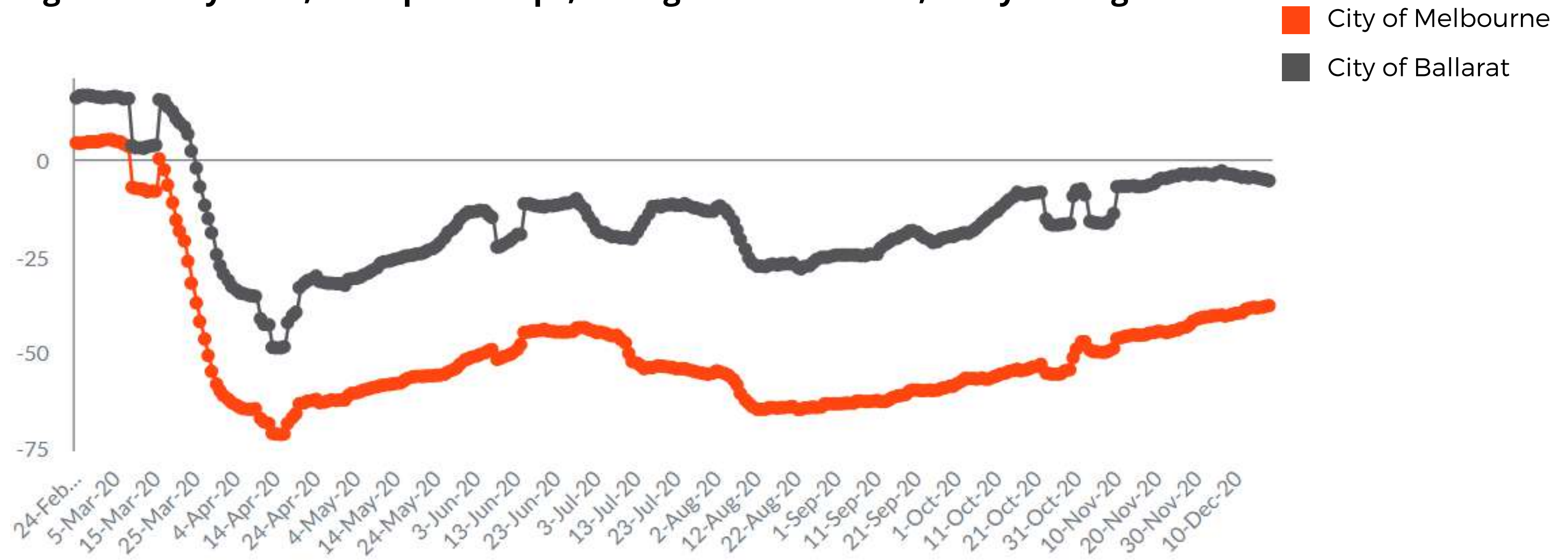


# Melbourne's CBD yet to return in numbers

Melbourne's two major lockdowns have had a major impact on CBD workplace numbers. Workplace movements to the City of Melbourne were still down 40-50% in December. In contrast, places like Ballarat were almost back to normal.

## Indexed Google Mobility Data, Workplace Trips, Change from baseline, 7 day average

Source: Google



## Inner Melbourne largest % rise in jobseekers, but largest numbers growth in outer suburbs

Inner Melbourne residents suddenly saw their normal access to employment disappear

### Job Assistance Recipients, Change March to October

Source: Department of Social Services

#### Top 15 - %

Southbank 479%  
Docklands 450%  
East Melbourne 404%  
Camberwell 351%  
Beaumaris 318%  
Brighton (Vic.) 317%  
Hawthorn 312%  
Glen Iris - East 295%  
Mount Eliza 290%  
Hawthorn East 284%  
Toorak 278%  
Armadale 277%  
Albert Park 272%  
Mickleham - Yuroke 266%  
Truganina 266%

#### Top 15 - Numbers

Cranbourne East 1913  
Tarneit 1835  
Dandenong 1431  
Melbourne 1429  
St Kilda 1338  
Melton South 1326  
Brunswick 1323  
Wyndham Vale 1315  
Truganina 1311  
Hampton Park - Lynbrook 1194  
Pakenham - South 1148  
Deer Park - Derrimut 1116  
Richmond (Vic.) 1086  
Roxburgh Park - Somerton 1073  
Coburg 1066



# Road to recovery

Looking at the greatest economic shock in decades





## Retail Turnover, Indexed Quarterly Change

Source: ABS Retail Turnover



## Victoria went shopping again

When the doors reopened, Victoria experienced its largest monthly change in retail turnover on record.

**+22.4% in November**

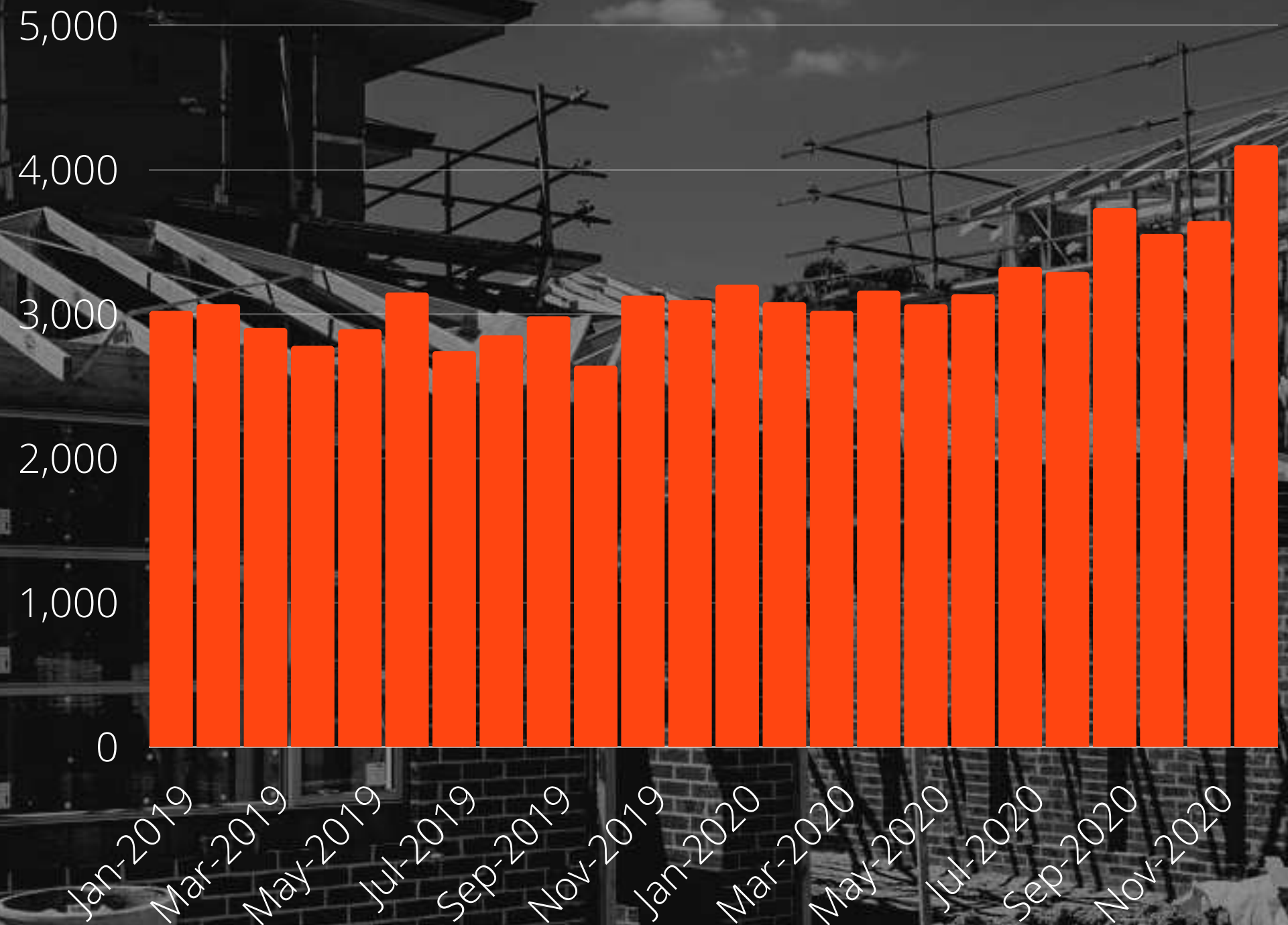


## Surge in new houses approved

- December was the highest month on record for new houses approved in Victoria when seasonal adjustment is considered.
- In actual numbers, September and October were the 2nd and 3rd highest on record

### New Houses Approved, Victoria

Source: ABS Building approvals, Seasonally adjusted, Australia



# Growth in employment has attracted people back to labour force

Over 200,000 more employed than in September  
Unemployed numbers remaining high, but more people  
have re-entered the labour force  
Participation rates back to pre-COVID levels

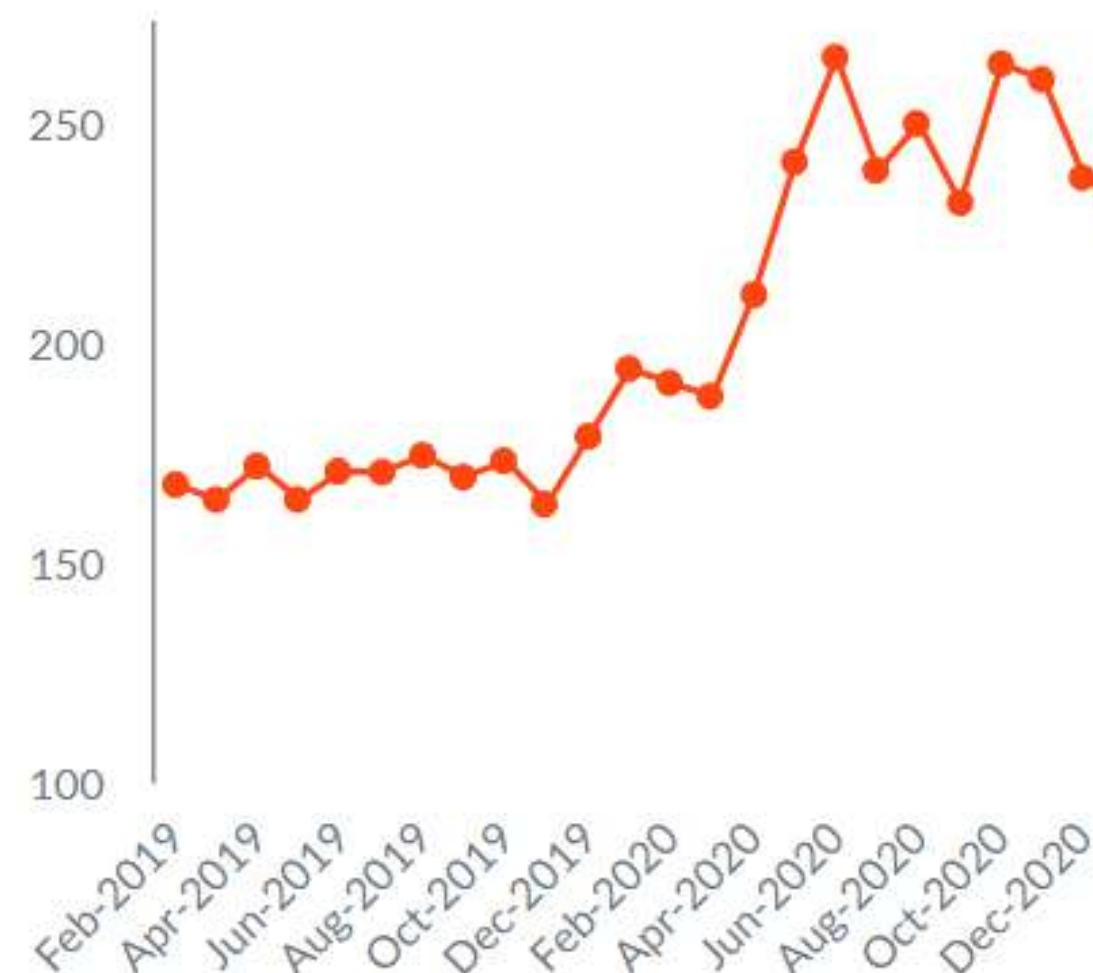
## Number Employed, Victoria

Source: ABS Labour Force



## Number Unemployed, Victoria

Source: ABS Labour Force



## Unemployment Rate

March - 5.2%

June - 7.5%

Jan - 6.3%

## Participation Rate

March - 66.4%

Sept - 62.9%

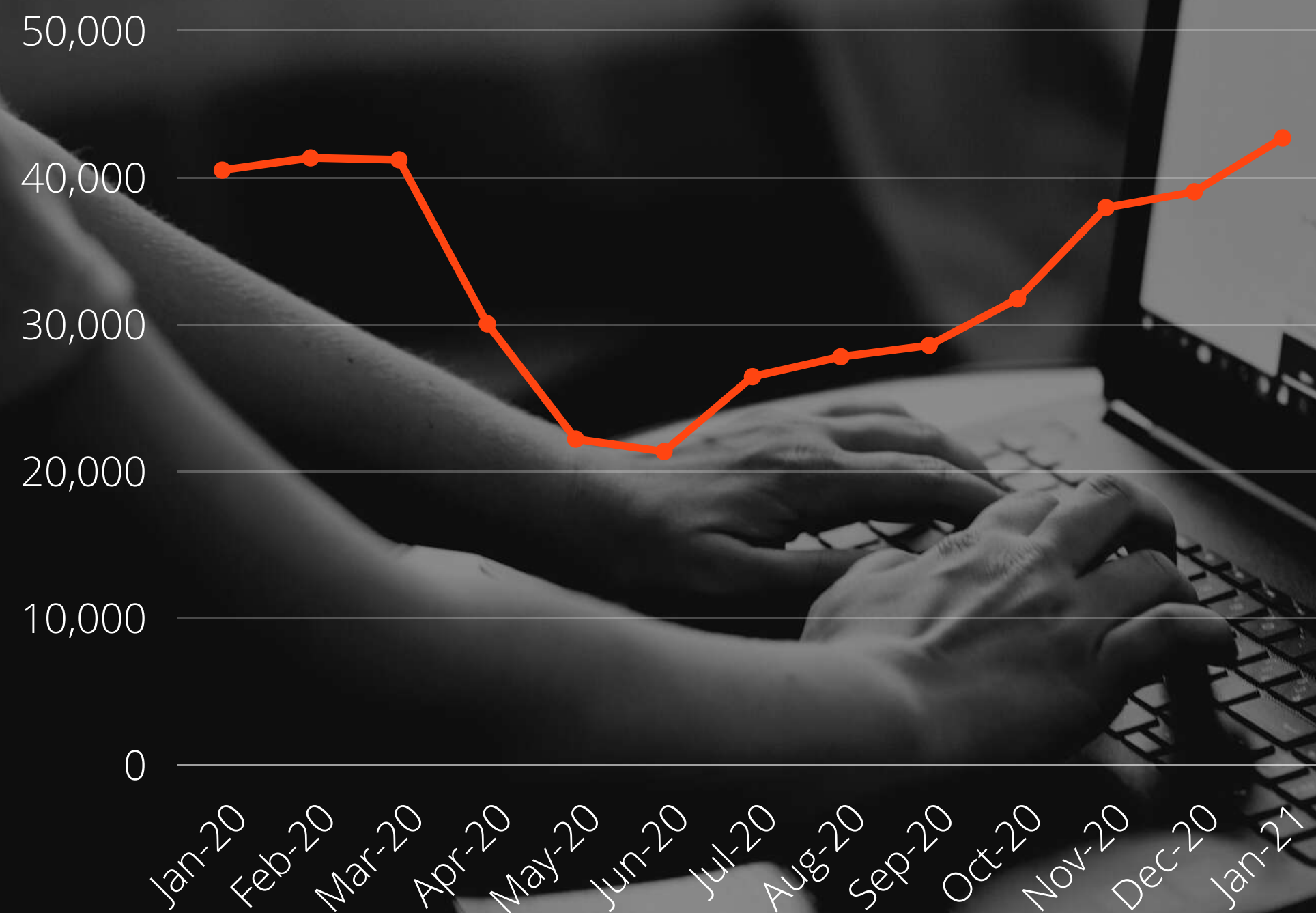
Jan - 66.7%

## Job advertisements surging

- Online vacancies have been increasing
- Regional areas growing strongly
- Bendigo up 51% compared to January 2020 (3 month average)
- Ballarat up 50%
- Gippsland up 46%

### Online Job Advertisements, 3 month average, Victoria

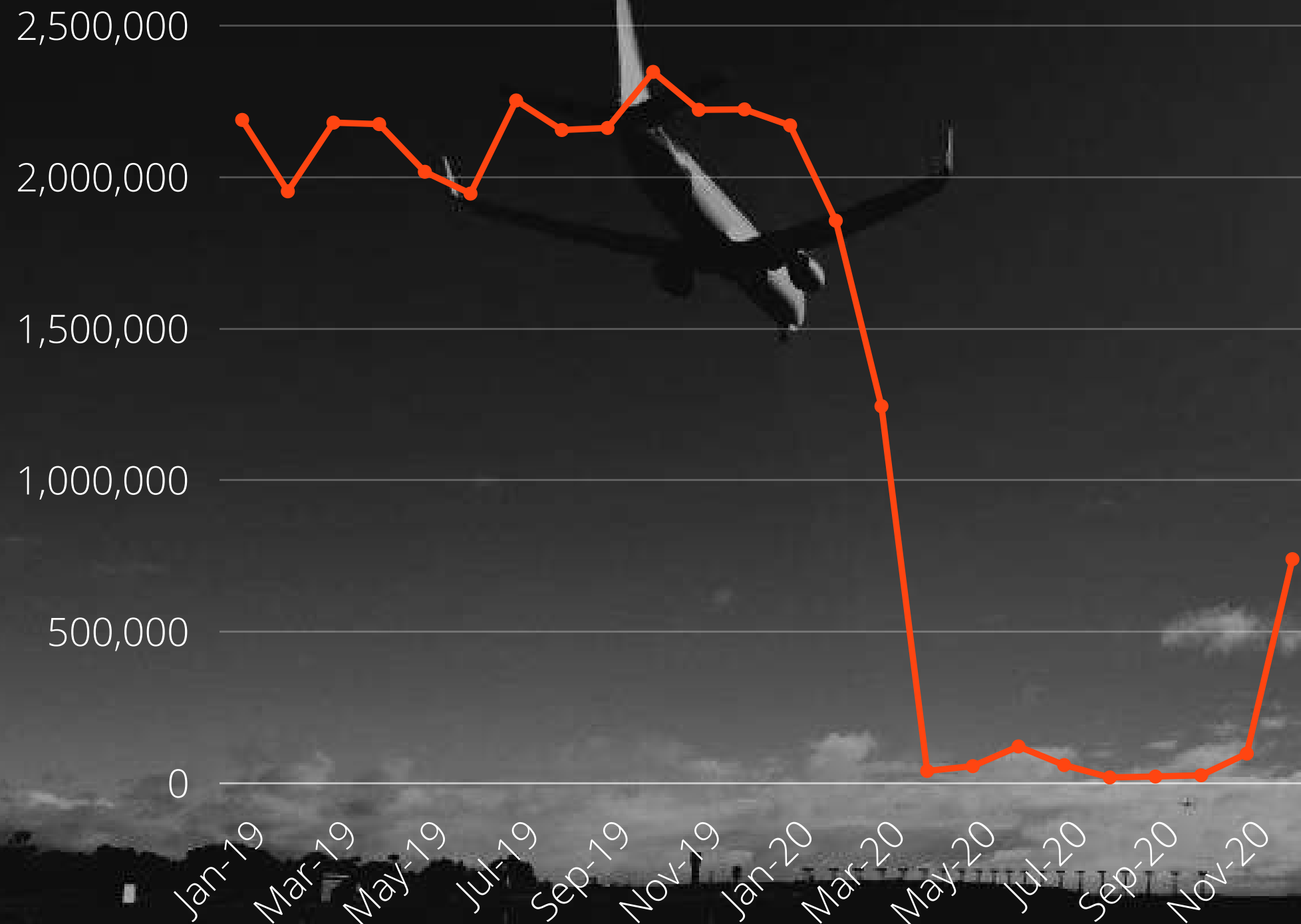
Source: Australian Government, Labour Market Information Portal





## Melbourne Airport Domestic Passenger Numbers

Source: BITRE



**Domestic travel  
returning slowly**

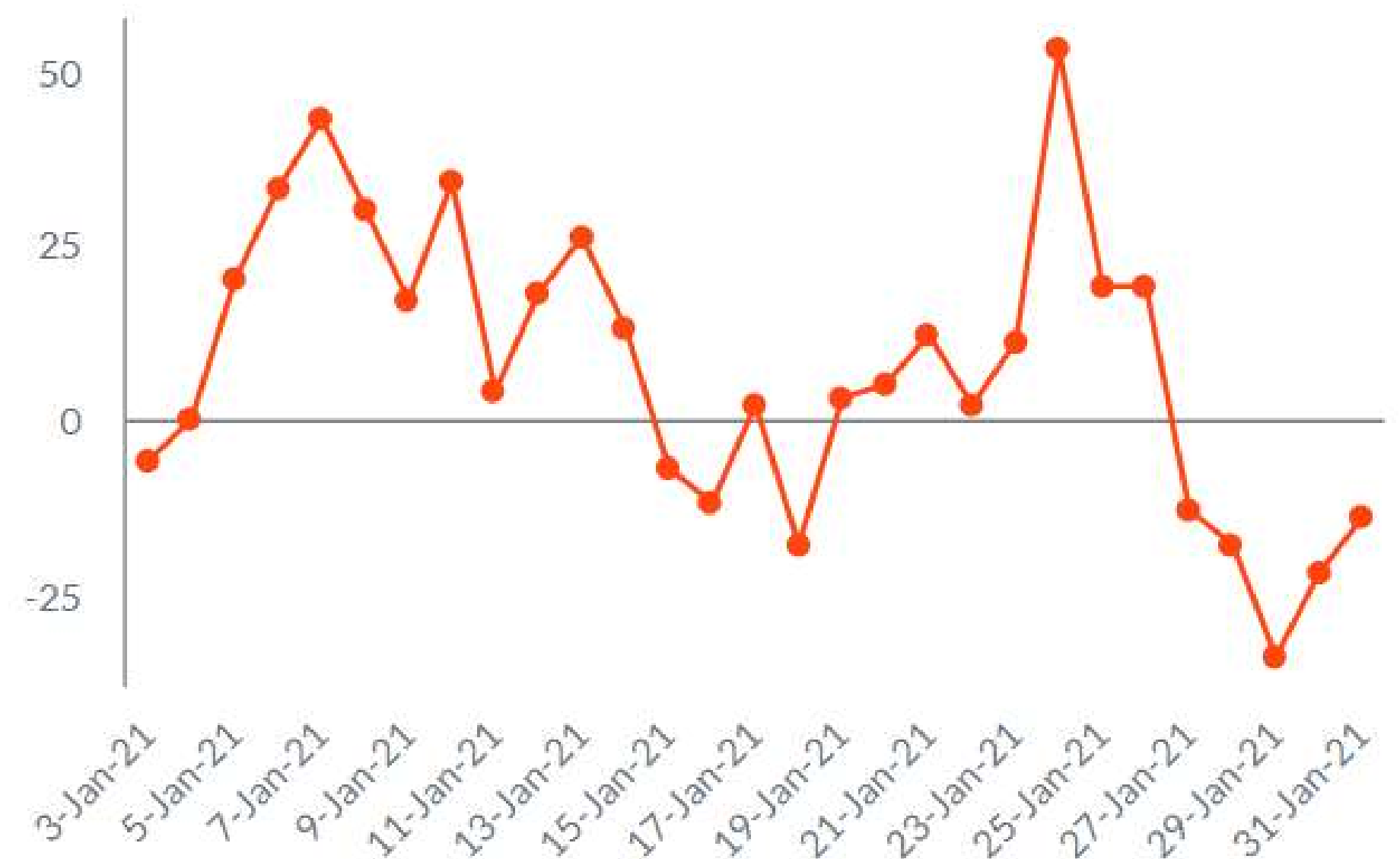
341,000 passengers came  
into Victoria from  
interstate in December

# We took a much deserved break

- Many regional holiday spots saw visitor numbers on par or in excess of years before over the recent holiday period

## Retail and Recreation Trips, Difference from January 2020 Baseline, Surf Coast

Source: Google Mobility data





# Headwinds

Looking at the greatest economic shock in  
decades

# RISKS FOR VICTORIA

**Population tap  
turned off**

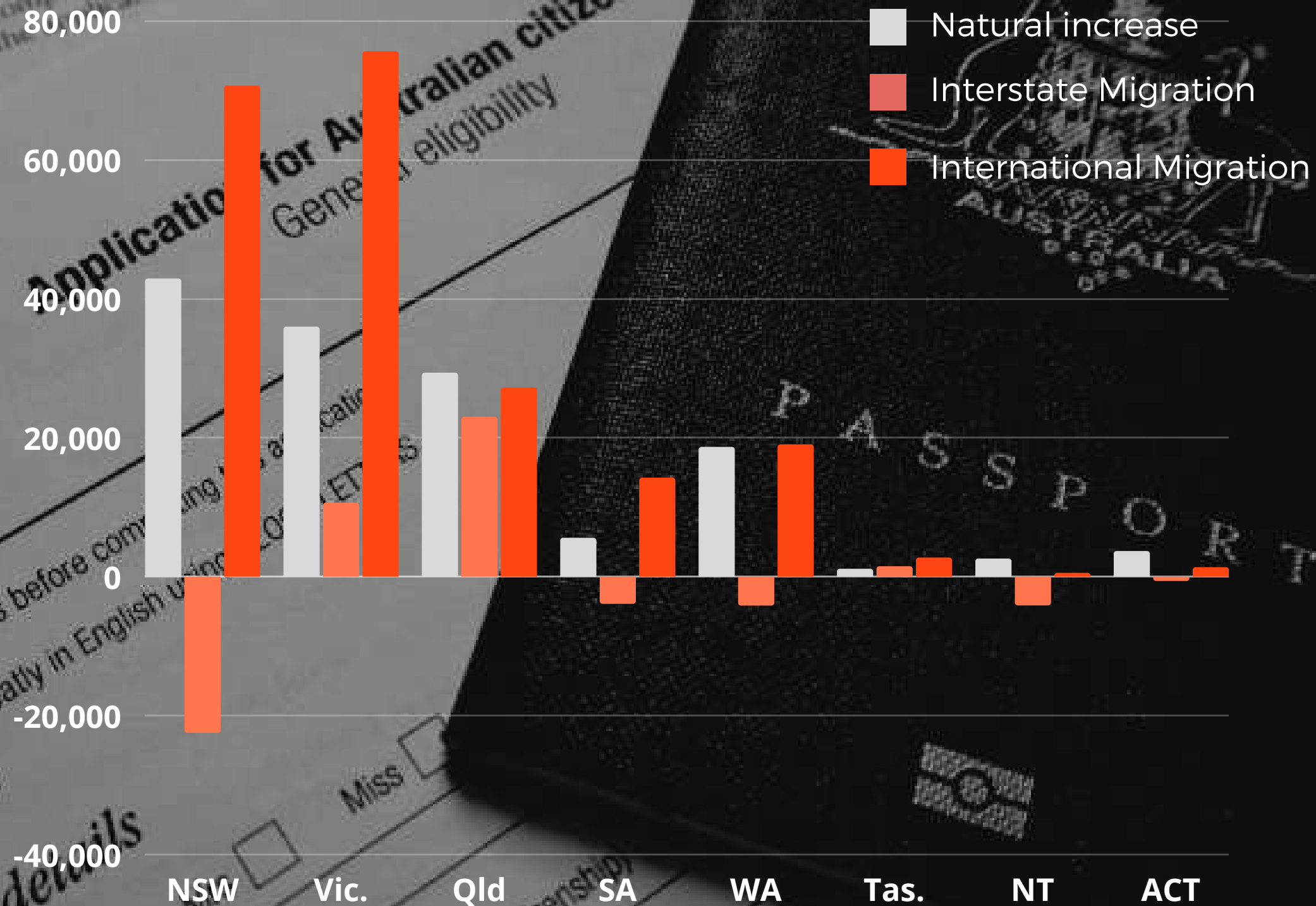
**International  
education and  
tourism still  
impacted**

**Household  
spending and  
commercial  
investment still  
low**

**Trade tensions**

## Components of Population Growth, 2019

Source: ABS Australian demographic statistics



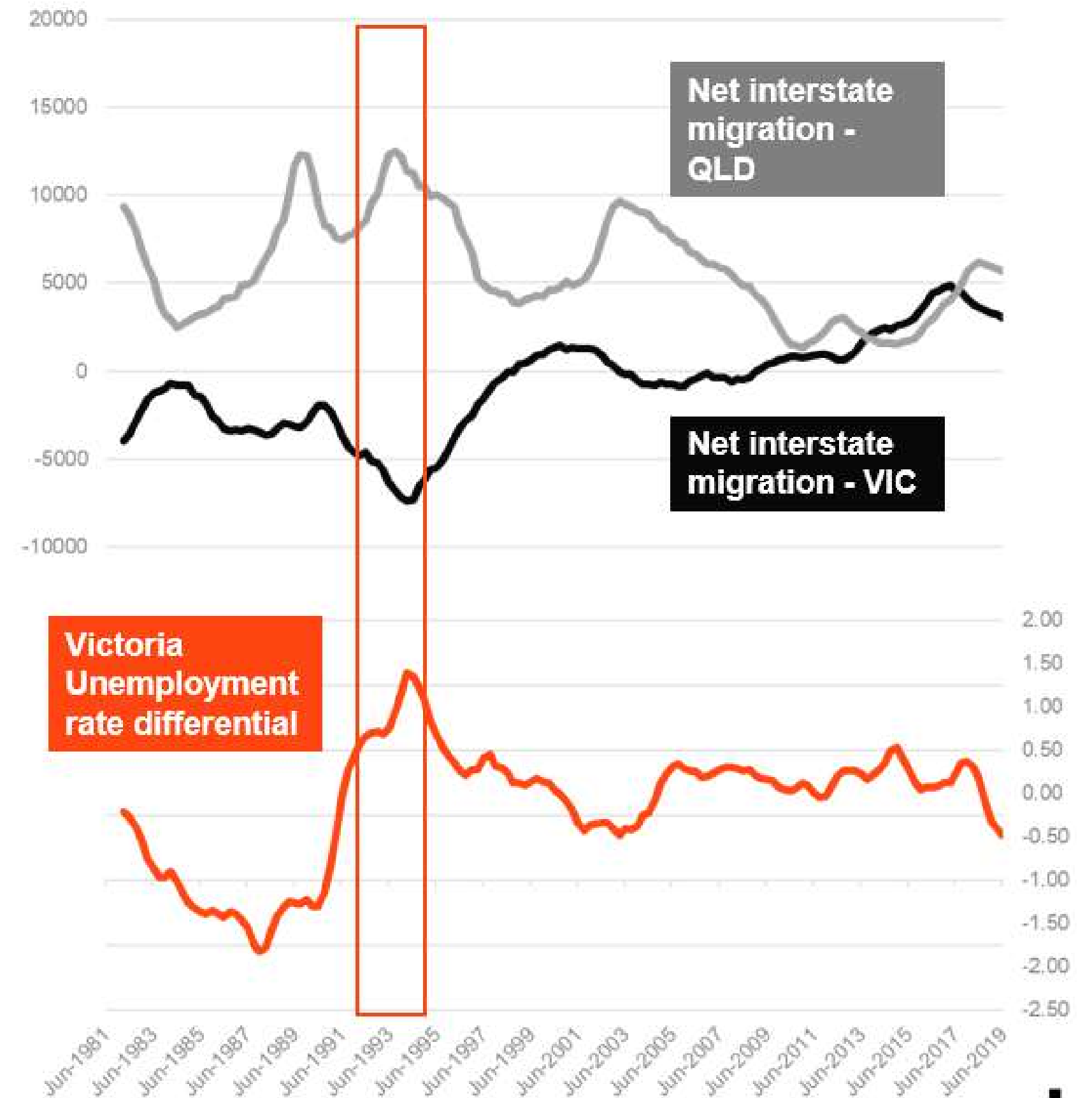
**Victoria relies heavily on international migration**

Victoria received the most population growth from overseas in recent decades



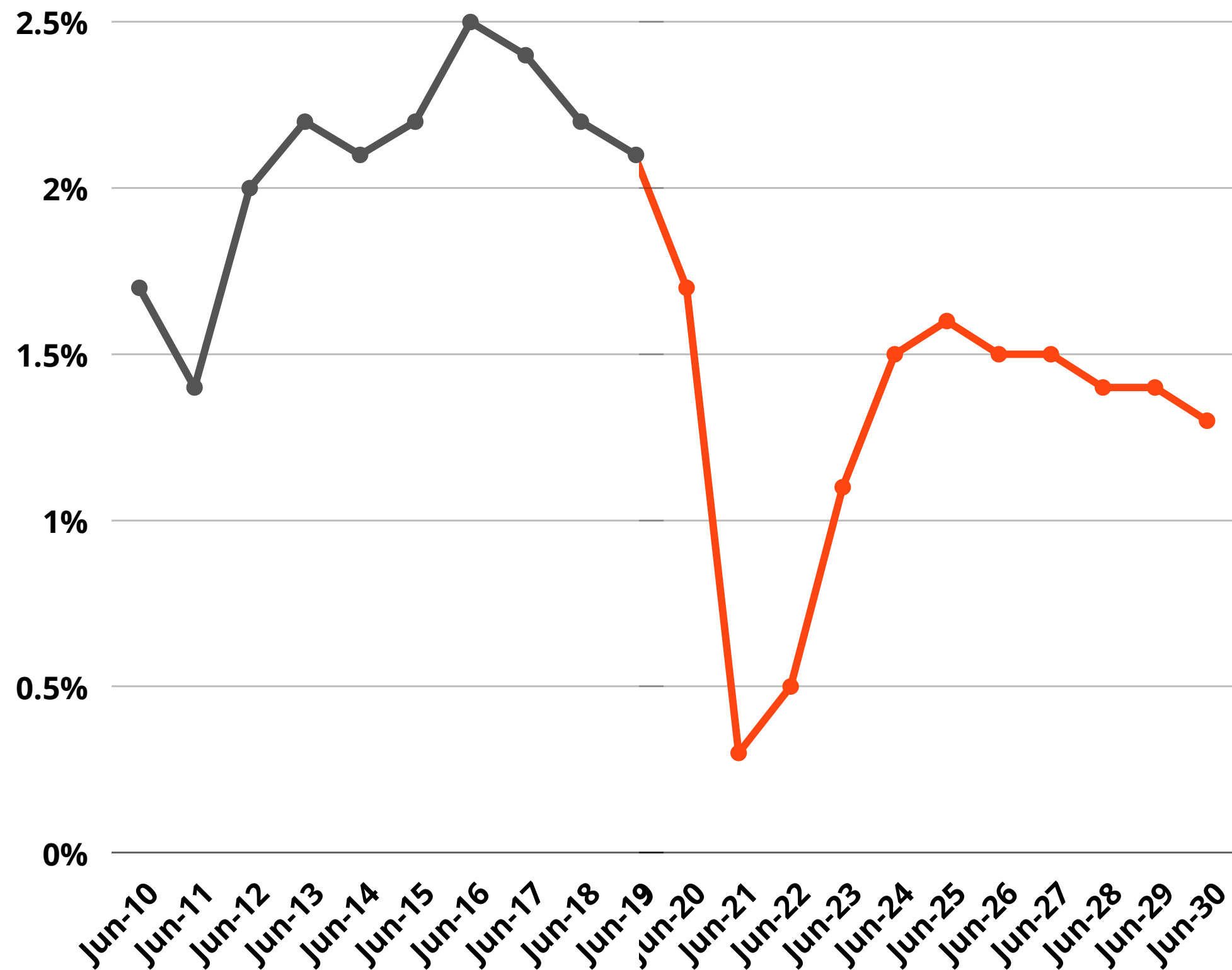
# The great exodus

- In the last major recession (early 90s), Victoria was hit hard.
- In 1993/94, the Unemployment Rate in Victoria was 1.5 percentage points above the national average.
- Over 53,000 people left the state in the two years to the end of 1994.
- At the same time, Queensland received over 90,000 interstate residents.



## Actual and Forecast Annual Population Growth, Victoria

Source: ABS and .id Forecasts



**Strong growth  
may not return  
until 2024**

Our latest State forecasts  
compared to pre-COVID  
estimates see:

**-310,000 by 2025**

**-405,000 by 2030**

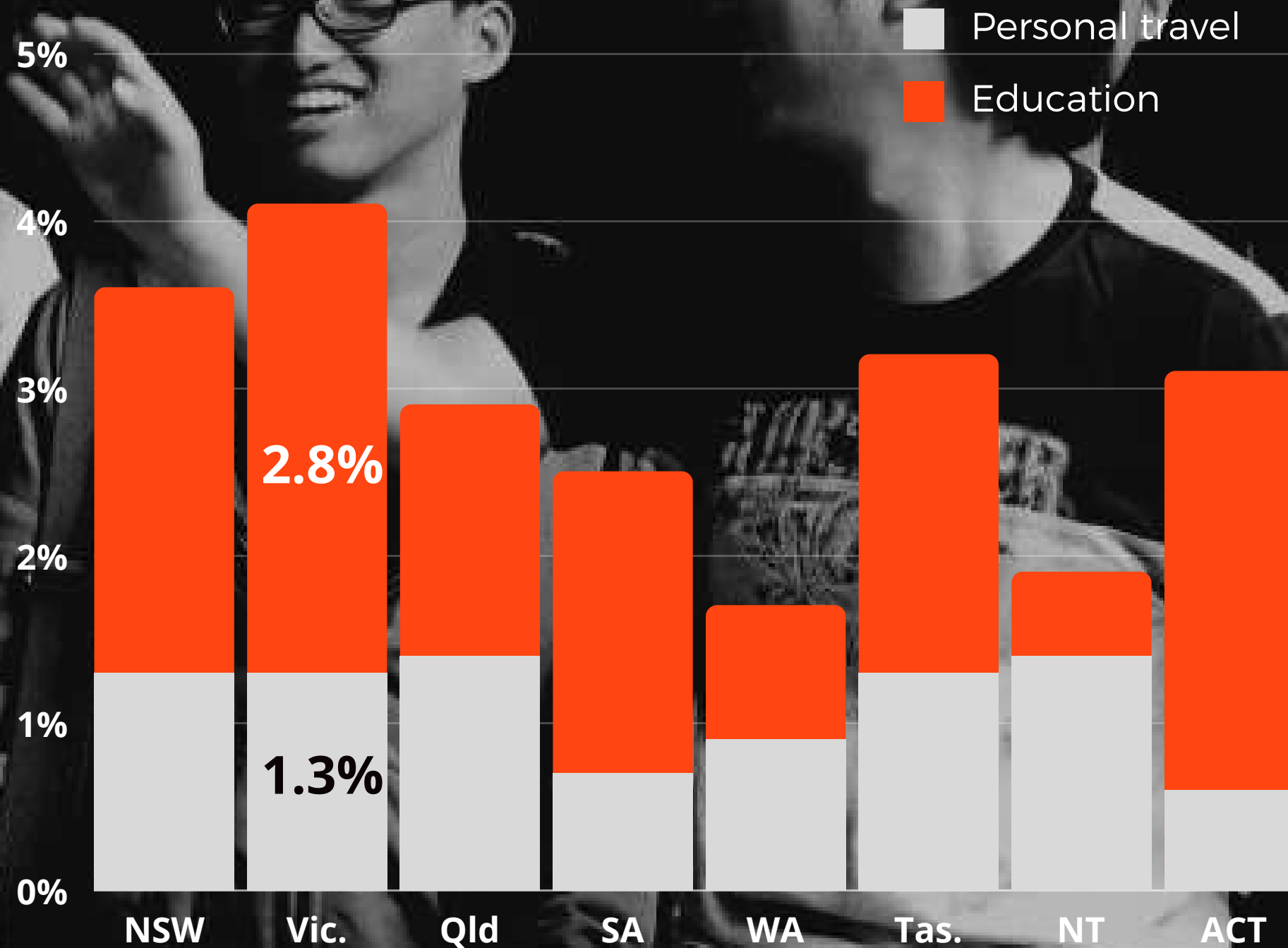
## Inner Melbourne and Growth areas most impacted

- While some regional cities may see an uptick from Greater Melbourne residents moving out, the flow on effects of reduced international immigration is likely to have a stronger effect.

Difference with base	2021	2026	2031
Greater Melbourne	-112,188	-289,863	-373,019
Rest of Vic	-16,935	-37,493	-53,137
Ballarat	-437	-1,356	-2,380
Bendigo	-1,533	-3,338	-5,162
Geelong	-4,462	-10,184	-13,911
Hume	-2,248	-5,123	-7,209
Latrobe - Gippsland	-2,961	-6,506	-9,730
Melbourne - Inner	-22,116	-46,724	-53,079
Melbourne - Inner East	-6,718	-20,740	-26,627
Melbourne - Inner South	-5,900	-17,107	-21,541
Melbourne - North East	-6,975	-21,895	-32,457
Melbourne - North West	-10,640	-26,387	-33,956
Melbourne - Outer East	-6,639	-21,250	-30,114
Melbourne - South East	-22,877	-55,635	-68,561
Melbourne - West	-25,654	-65,793	-87,415
Mornington Peninsula	-4,670	-14,333	-19,269
North West	-2,318	-4,996	-6,596
Shepparton	-1,992	-3,307	-4,280
Warrnambool and South West	-984	-2,684	-3,869
<b>Victoria</b>	<b>-129,123</b>	<b>-327,357</b>	<b>-426,155</b>

## Tourism and Education, % of GSP, 2019

Source: ABS; DFAT



**International  
education was our  
major export**

International student  
education contributed the  
most to Victoria's  
economy compared to all  
other states

## No travel bubbles in sight

- International tourism seems a long way off
- More people left Victoria for holidays in December than entered

### Monthly Inbound International Passenger Numbers, Melbourne Airport

Source: BITRE

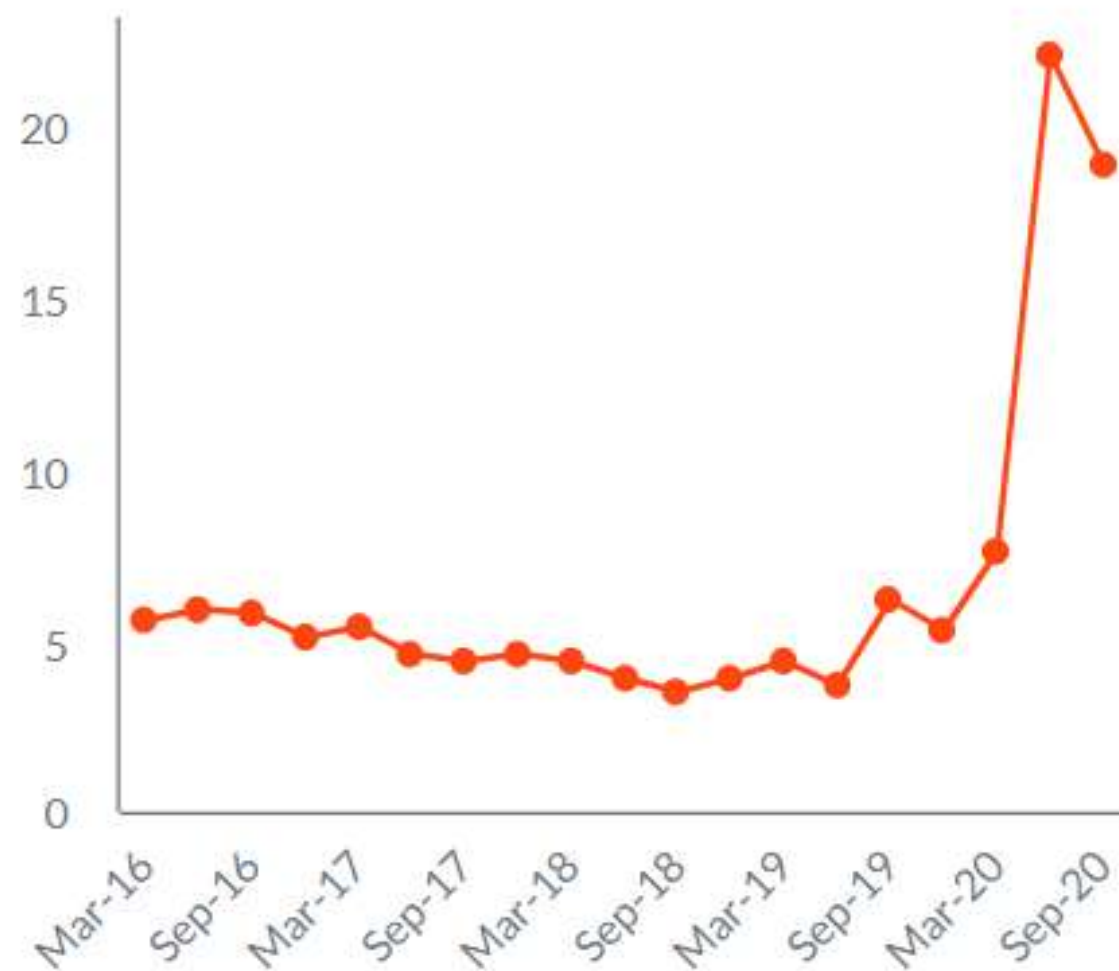


# Households still saving at record levels, business investment still low

Household uncertainty is still high  
Private investment has fallen even further and will need further incentives to return

## Household Savings Ratio, %

Source: ABS National accounts



## Private New Capital Expenditure, \$M

Source: ABS Private New Capital Expenditure and Expected Expenditure, Australia



**Seasonally adjusted  
total capex for  
Victoria**

**-15.3% in Dec  
2020 compared  
to Dec 2019**

## Victoria to China, Merchandise Exports Value, 3 month rolling \$M

Source: ABS International Trade in Goods and Services



"It's had a huge, huge impact.."We're lucky to have someone that's willing to take our fish at the moment,"

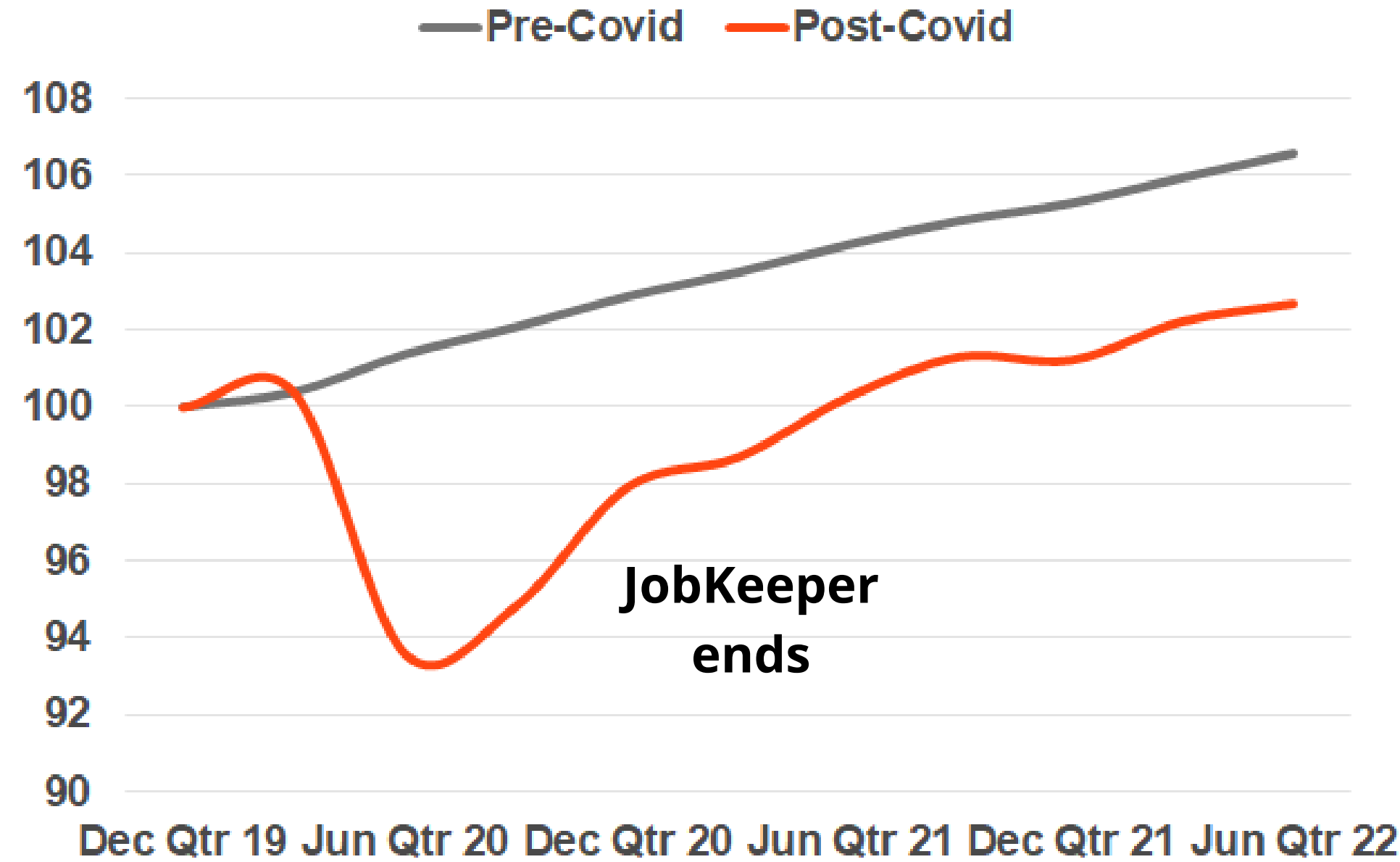
*Rock lobster fisherman Simon Nash, ABC News*

**Ongoing trade tensions with China a risk**

Imposition of tariffs and trade restrictions have impacted small regional producers

# NIEIR Forecasts for Australian GDP

Source: NIEIR



**A bumpy road ahead**

Likely not to be a straight V shaped recovery





**CHANGE  
AHEAD**



# **Accelerating the transition and managing change**

Looking at the greatest economic shock in  
decades



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



**Remote work**



**Automation & digitisation**



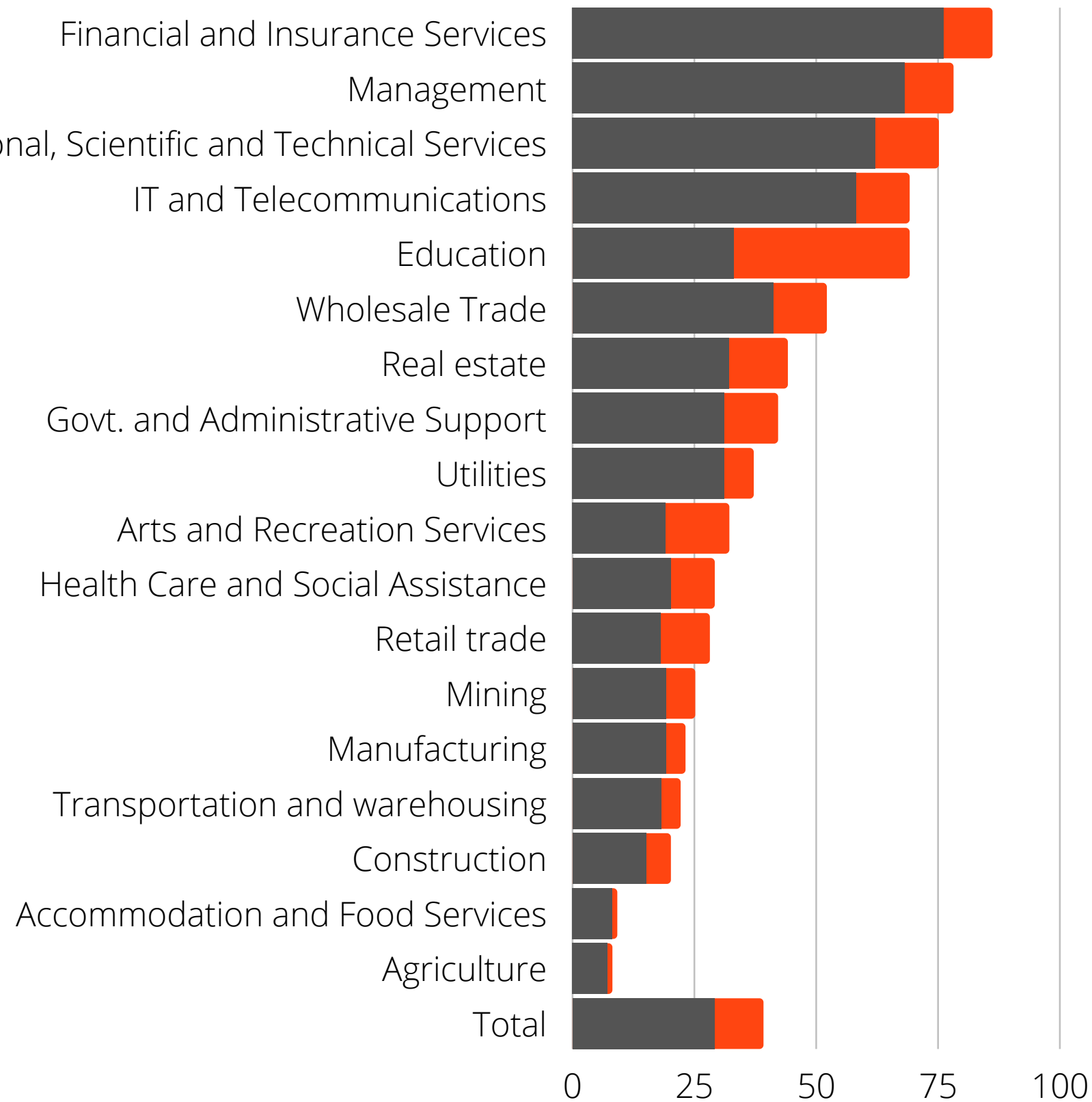
**E-commerce**



**Agile supply chains**

## Potential share of time for remote work, %, USA

Source: McKinsey



**3/4 of some  
industries' work  
could be done  
remotely**

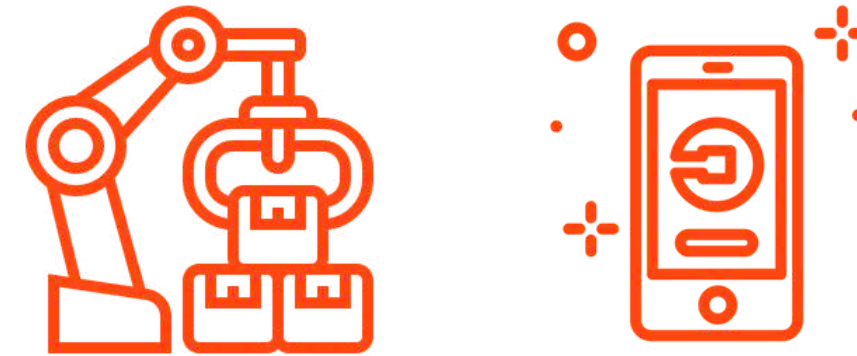
A McKinsey report showed  
that most professional  
business services work  
could be done from  
anywhere

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# The need to respond to market changes quickly will increase

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- Businesses may look to become leaner and more agile
- What effect does this have on the unskilled?



**Increased digitisation and automation**



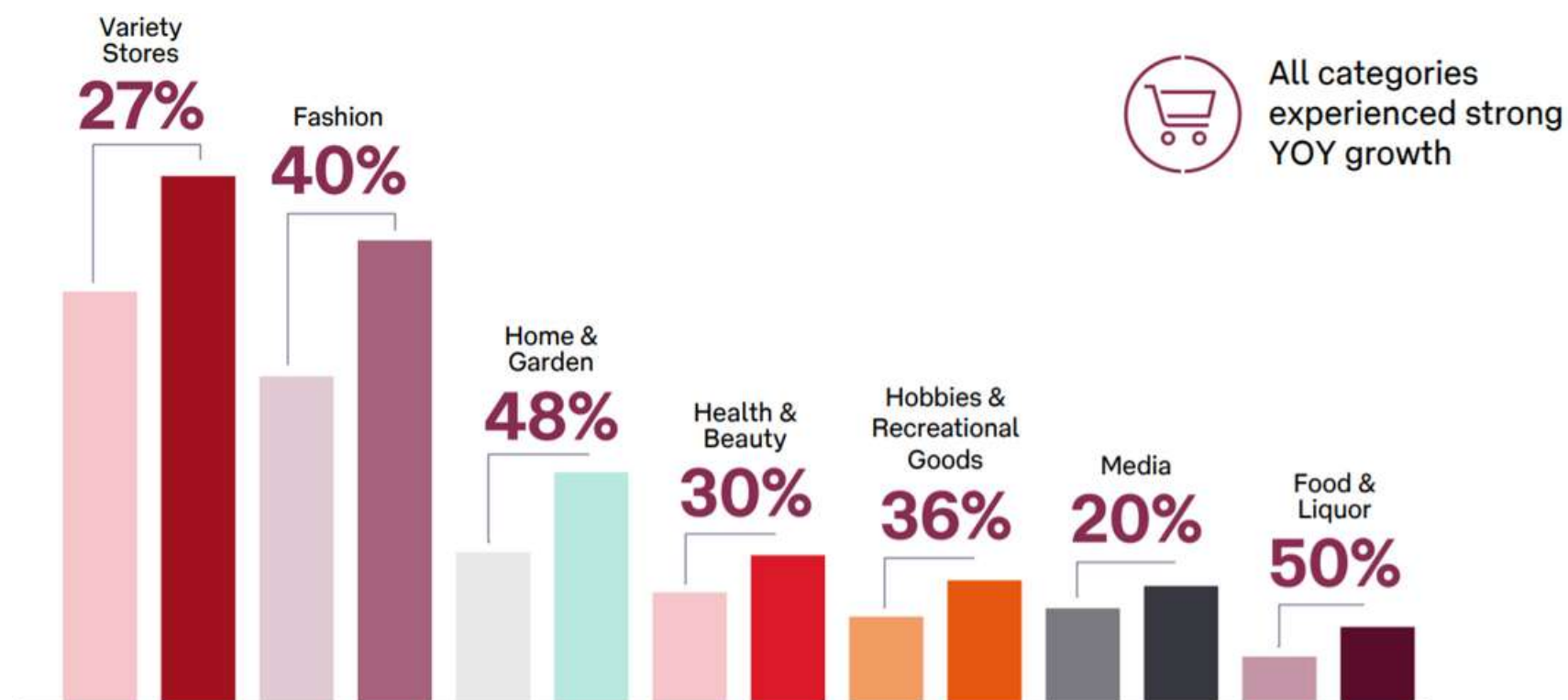
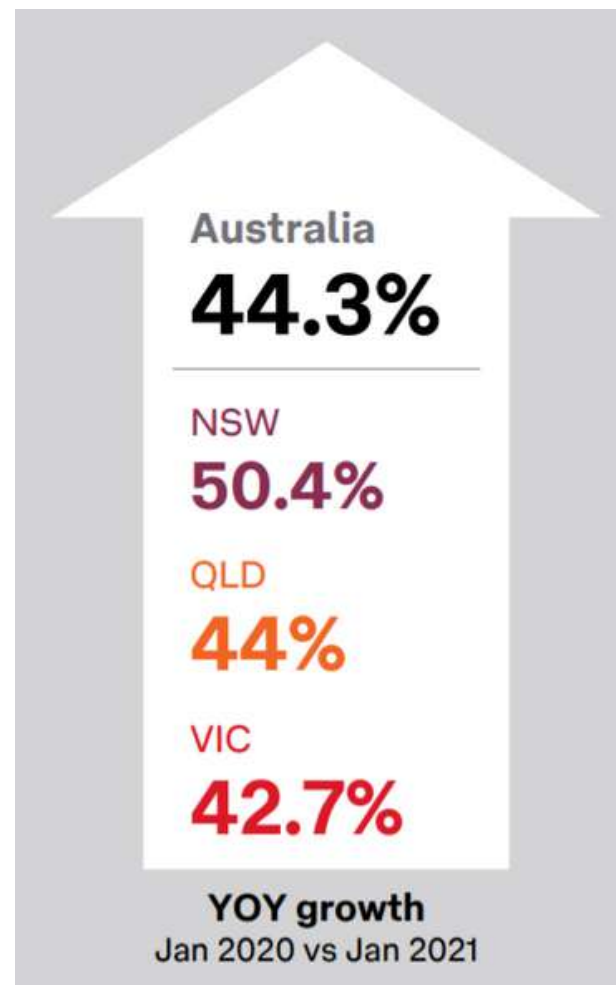
**Increases need for retraining**



**Raises questions about how to support those with job insecurity**

## Online Purchases

Source: Australia Post, eCommerce report



**Australians are increasingly comfortable shopping online**

- 5.2 million households shopped online in January 2021



# Supply chain vulnerabilities raise need for greater local manufacturing

- Technology has reduced cost of making products in advanced economies
- Energy cost issues need to be resolved for further advances



**Australian Government**

**Department of Industry, Science,  
Energy and Resources**

## **\$1.3B Modern Manufacturing Initiative**

# Cosiderations for local government as a result of COVID

## **Waste**

COVID-19 has reversed a long-term trend, increasing household waste by 20% during 2020

## **Utilities infrastructure**

Ageing infrastructure may need fixing, new infrastructure in commercial areas may be underutilised

## **Excess building capacity**

Some leased premises will continue to be vacant as businesses consider capacity needs

## **Transport challenges**

Ongoing lockdowns and less PT use will continue to affect council owned transport assets and infrastructure

## **Digital services**

Residents will increasingly demand access to online based local services

## **Financial uncertainty**

Likely to be potential falling revenue at a time of increasing demand for local services



# Final Words

Looking at the greatest economic shock in  
decades

- **THE GREATEST ECONOMIC EVENT IN RECENT MEMORY**
- **SAW THE GREATEST LEVEL OF ECONOMIC SUPPORT IN RESPONSE**
- **NOW IS THE TIME TO RECONSIDER HOW THINGS WERE BEING DONE**
- **WE SHOULD TRY AND INVEST IN A MORE INCLUSIVE SUSTAINABLE FUTURE**

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Economic and demographic profiles



Economic and population forecasts



Economic health checks



Economic and population forecast monitoring



Industry analysis



Economic impact analysis and benefit cost assessment



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