

# Economic Overview – Setting the scene

2024 FinPro Professional Development Day

Presented by Keenan Jackson  
Friday 14th June, 2024



# Today's presentation

**Economic changes in Victoria,  
Australia and the World**

**What happens if we turn the  
migration tap off?**



# Global Outlook

World economy experiencing flat growth



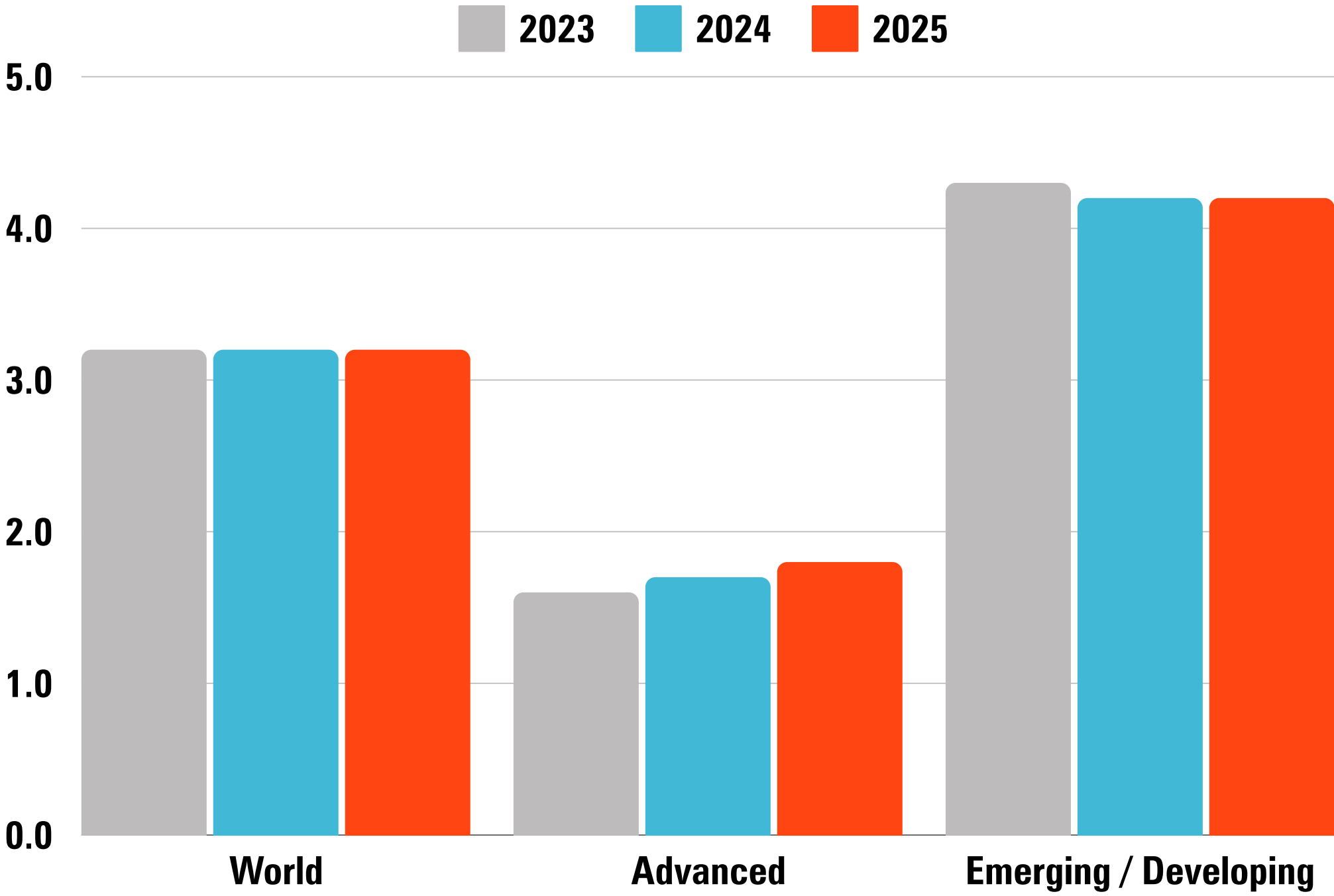
**GROWTH ↑**



**STAGNATION**

# Global economic growth is flat

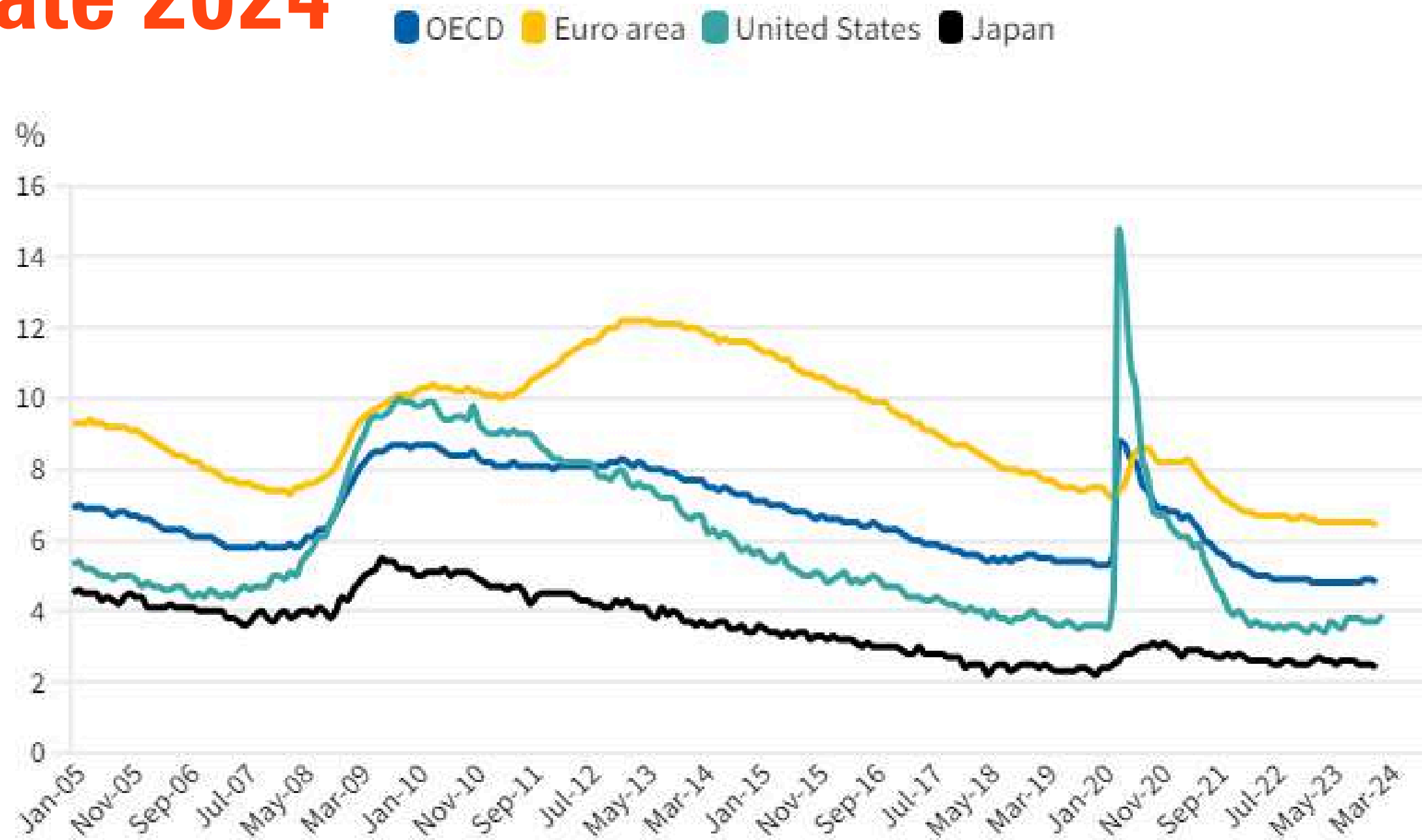
IMF World Outlook, April 2024



- World economic growth forecast to be flat in the coming years.
- The global economy has been surprisingly resilient, despite significant central bank interest rate hikes to restore price stability

Source: IMF World Economic Outlook, July 2023

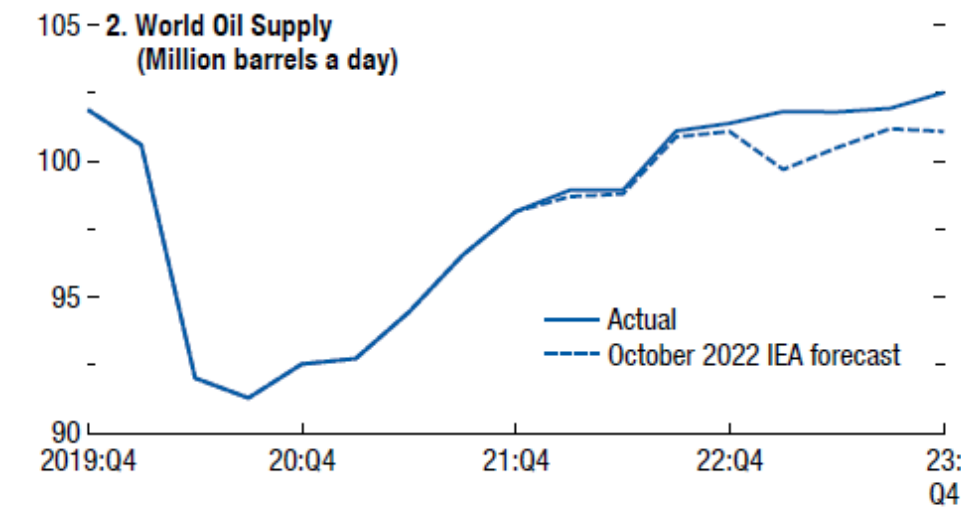
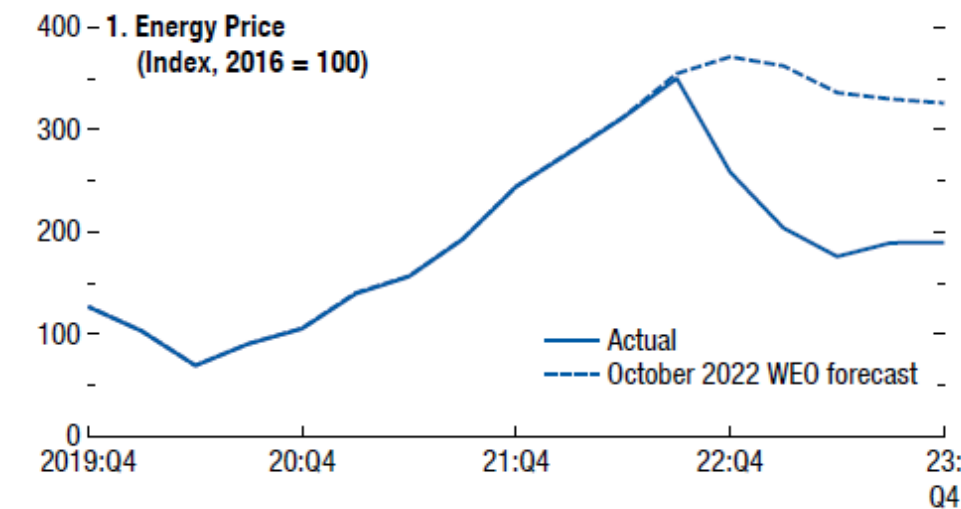
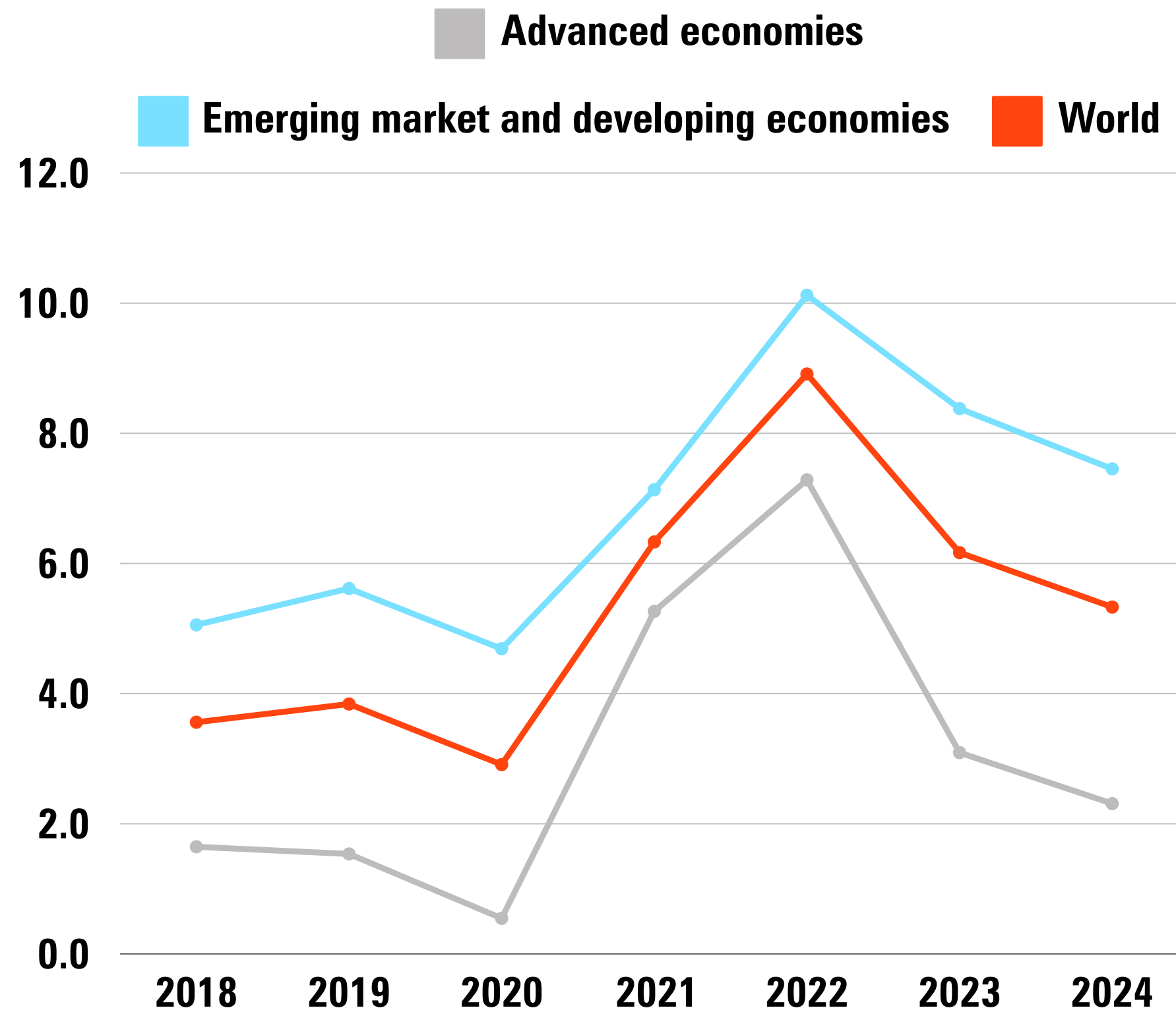
# Labour markets still tight, but a weakening expected in late 2024



- Most countries still have unemployment rates at below pre-pandemic levels.

Source: OECD (2024) [Infra-annual Labour Statistics: Monthly Unemployment Rates \(Database\)](#)

# Inflation continues to fall supported by lower energy prices in Europe



Sources: International Energy Agency (IEA); and IMF staff calculations.  
Note: Forecasts for the energy price index and oil supply come from the October 2022 *World Economic Outlook (WEO)* and October 2022 *IEA Oil Market Report*, respectively.

Headline inflation

- 8.9% in 2022
- 6.2% in 2023
- 5.3% in 2024

# Resilient but risks remain



- US household income and spending fall while inflation is steady
- US home prices accelerate
- Geopolitics continues to create new challenges for US policymakers



- In 2023, the total floor space of newly started residential housing construction in China was less than half 2019.
- Government has implemented stimulus measures to boost the economy, including infrastructure spending and tax cuts



- Inflation has weakened due to lower energy prices but labour market conditions remain tight
- Restrictive monetary policy will likely keep restraining economic activity at least until rate cuts start



- Economic conditions very strong in late 2023
- Consumer spending high amongst affluent urban area, lower in rural areas
- Effects of coalition government are uncertain



- Inflation rate has tumbled to 2.3% in April driven by falling gas and electricity prices
- Interest rates may be cut



- Geopolitical tensions creating uncertainty
- The global economy is on a slow growth path with falling inflation.
- Risks include renewed inflation spikes, tighter financial conditions, and weaker growth in large emerging economies

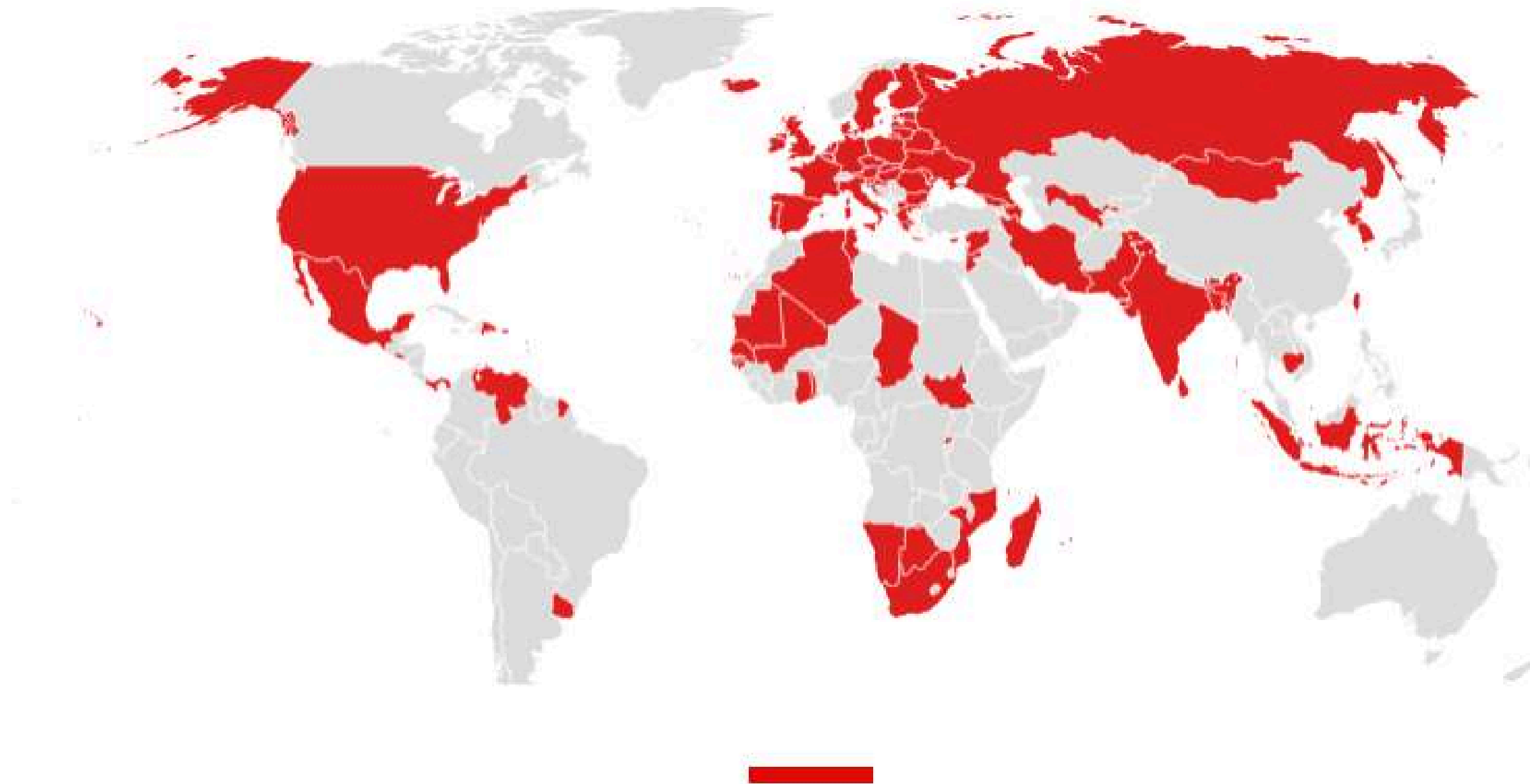


- Narrowly avoided a recession
- First interest rate rise in 17 years
- Exports rising strongly off the back of a weak Yen

# Going to the polls

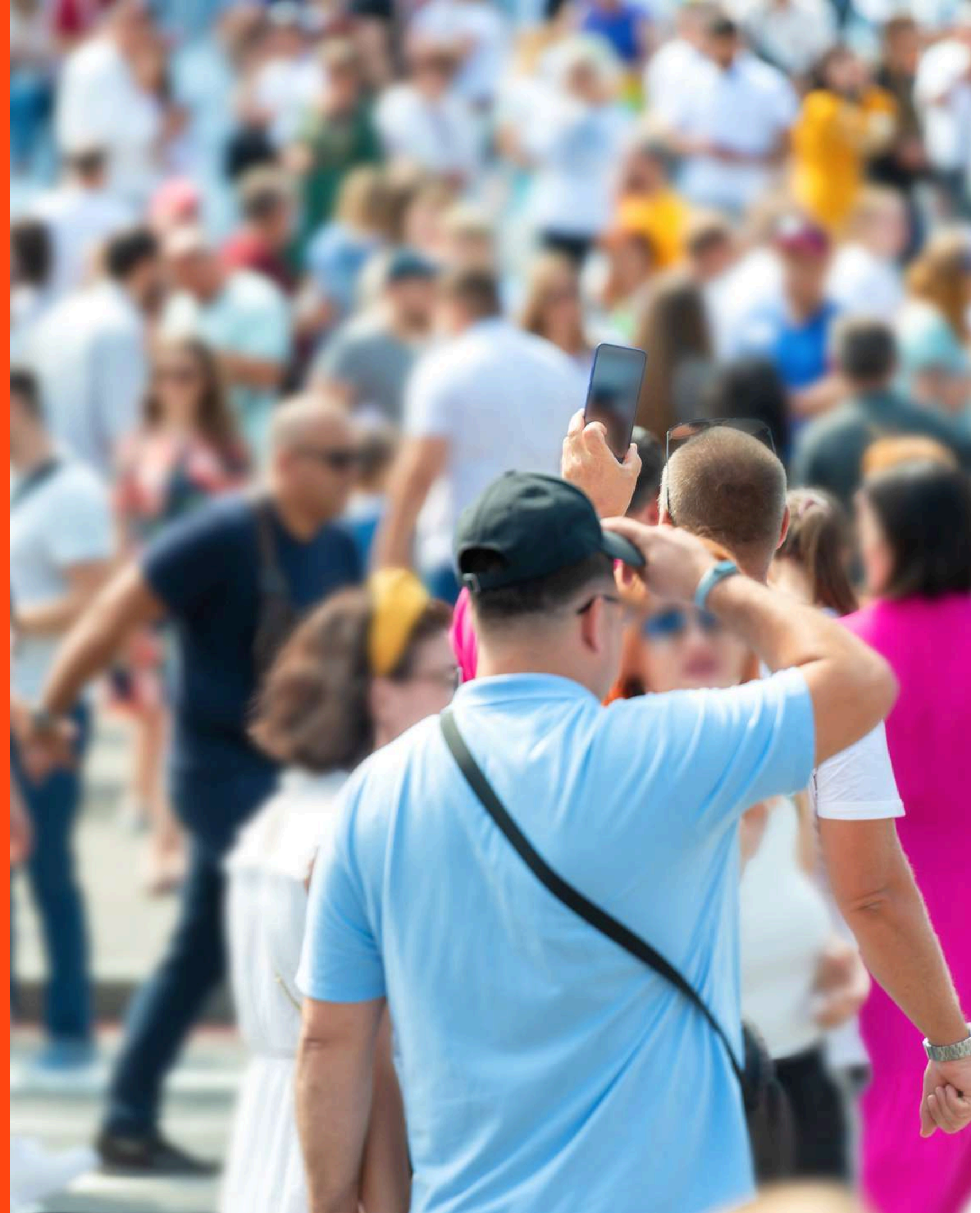
## 2024: The Ultimate Election Year Around the World

National elections are scheduled or expected in at least 64 countries, as well as the European Union, which all together represent almost half the global population.



# National picture

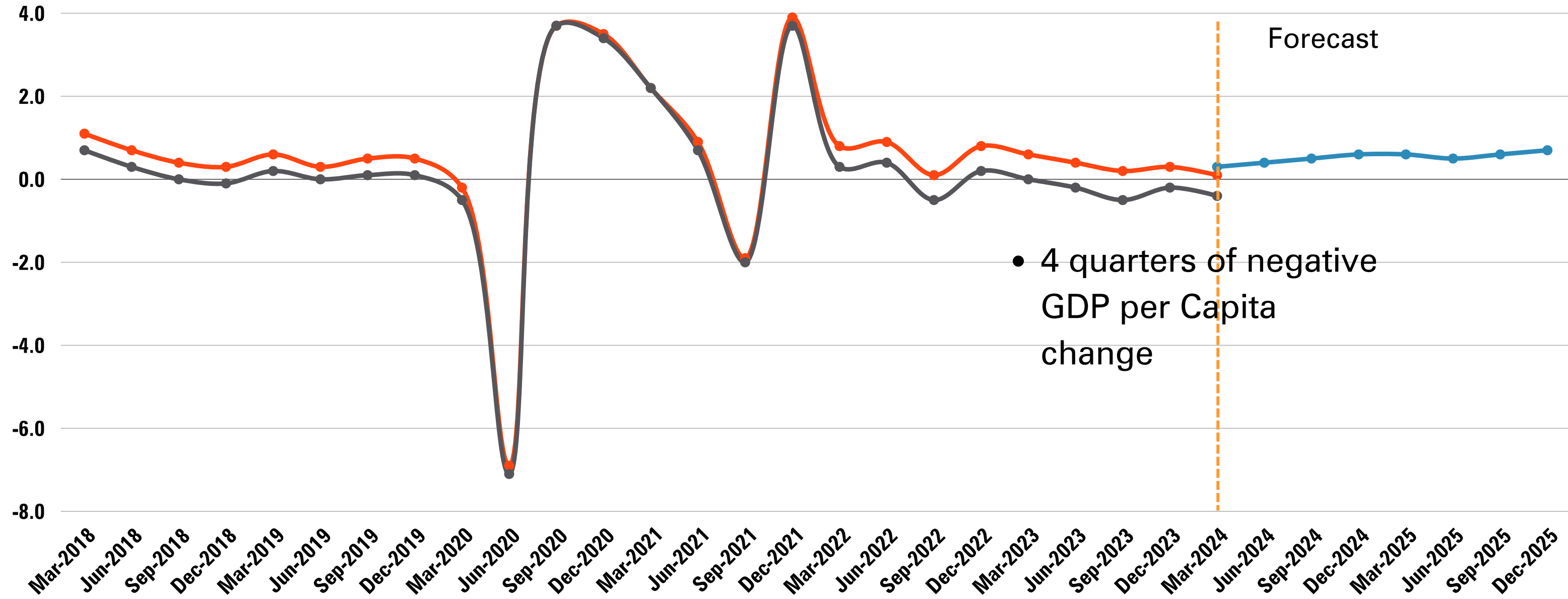
Cost of living biting



# The economy is flatlining, only supported by pop growth

## Quarterly Change in Gross Domestic Product

% Change, Chain volume measures, original

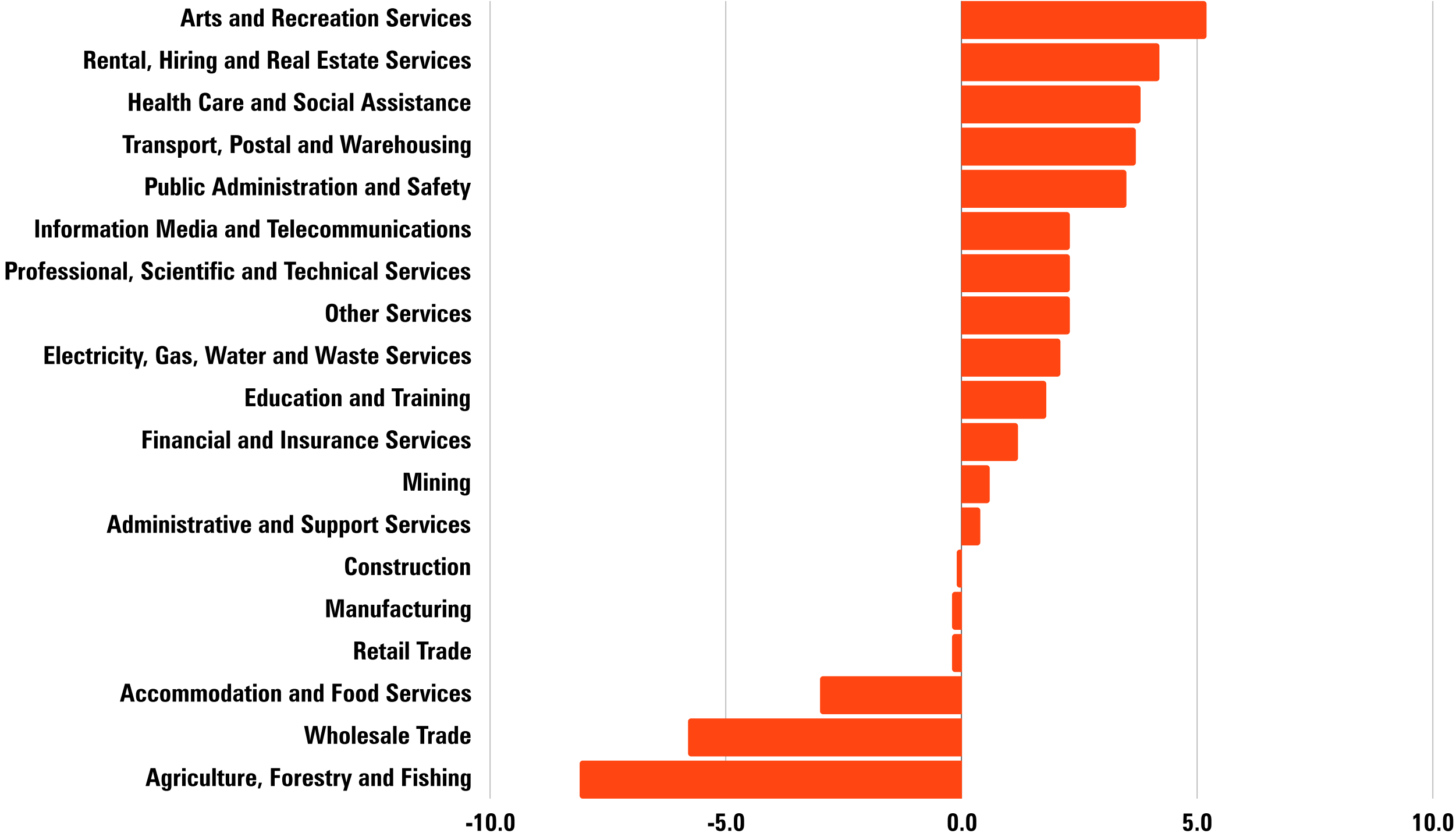


f forecast  
Source: ABS, forecast based on Deloitte Access Economics

# Export facing industries have had a weaker year

## % Change in Industry Value Added

Year to Mar 24

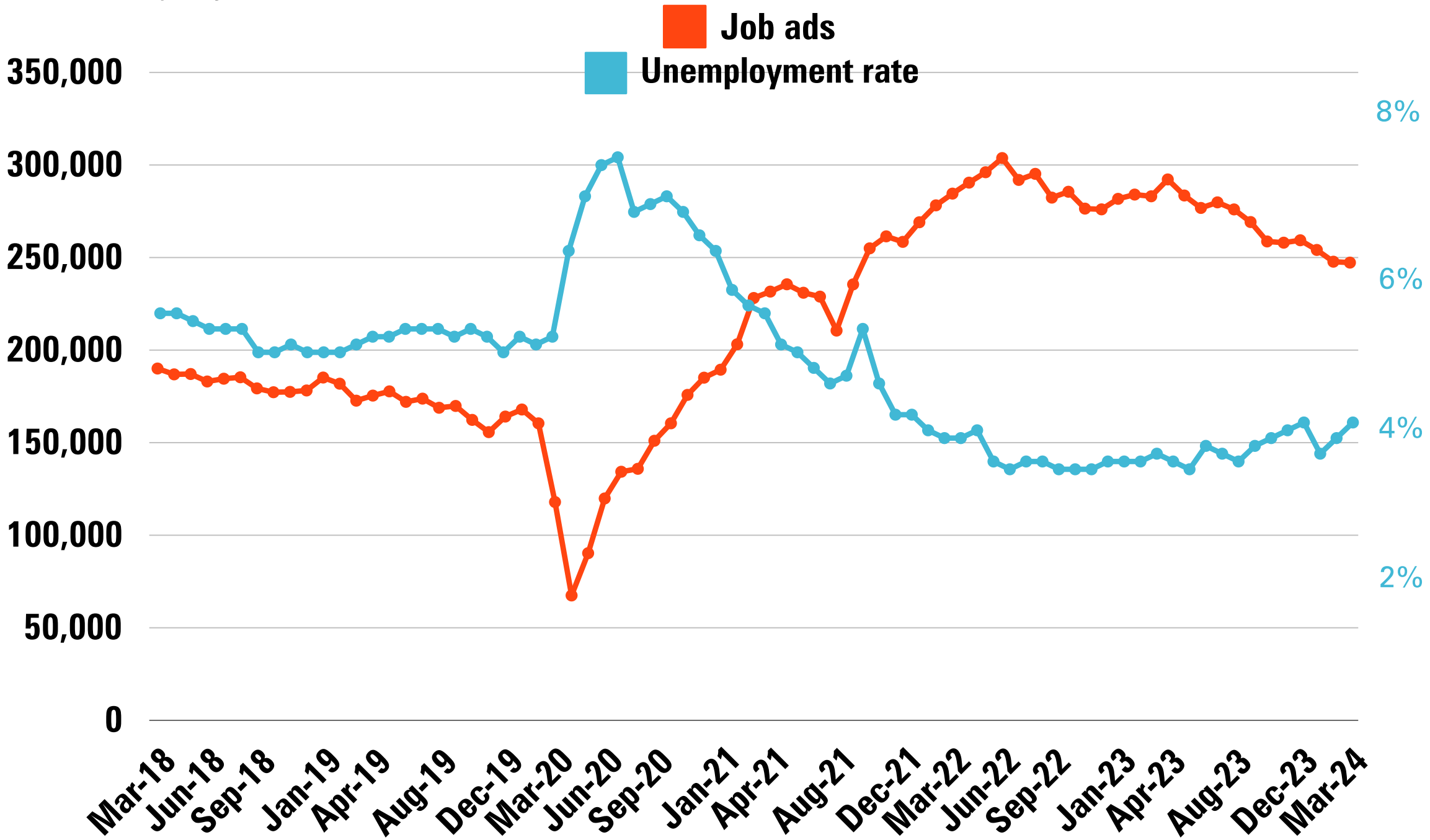


Source: ABS

# Labour markets remain tight but beginning to soften

## Unemployment rate and job advertisements - Australia

Seasonally adjusted



In seasonally adjusted terms, in April 2024:

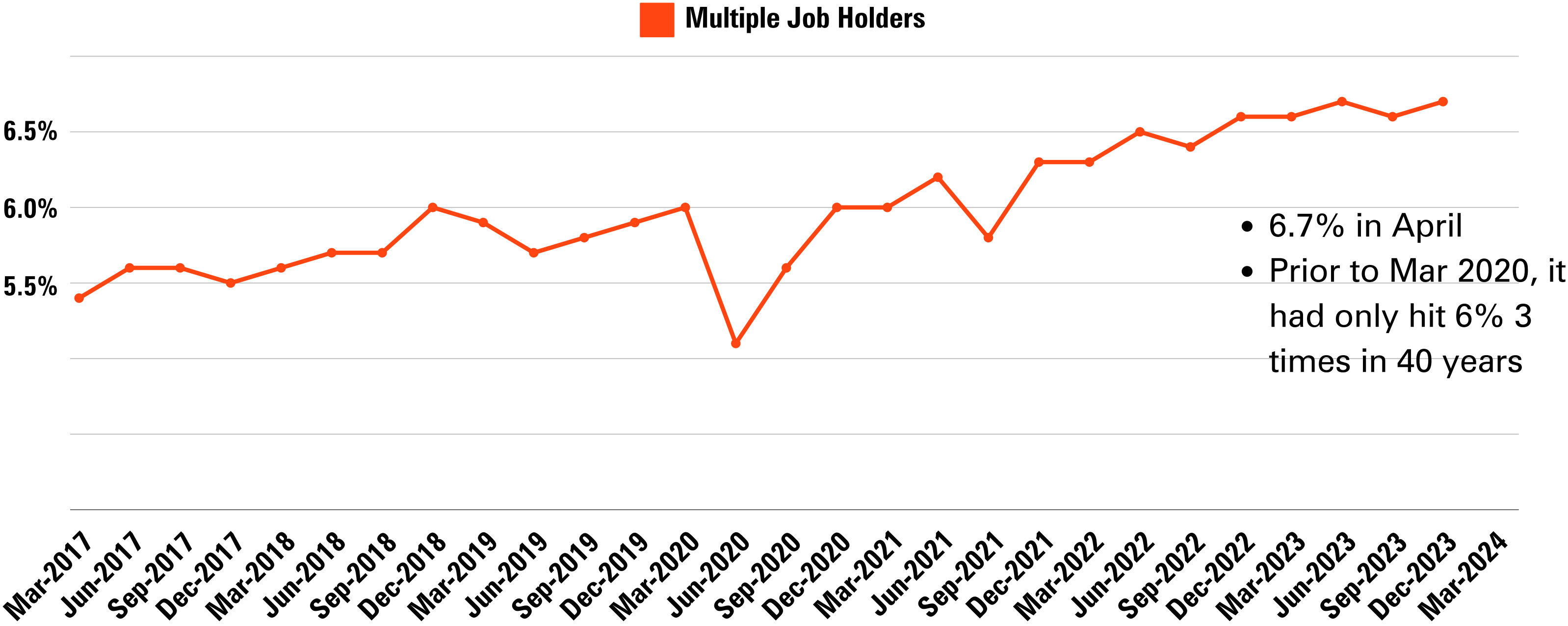
- Job advertisements were 18% down on last year
- Unemployment was up 0.4pts from last year
- Monthly hours worked down by 0.8%

Source: ABS and Jobs and Skills Australia

# Multiple job holders at record highs

## Multiple Job Holders as % of Employed - Australia

Seasonally adjusted

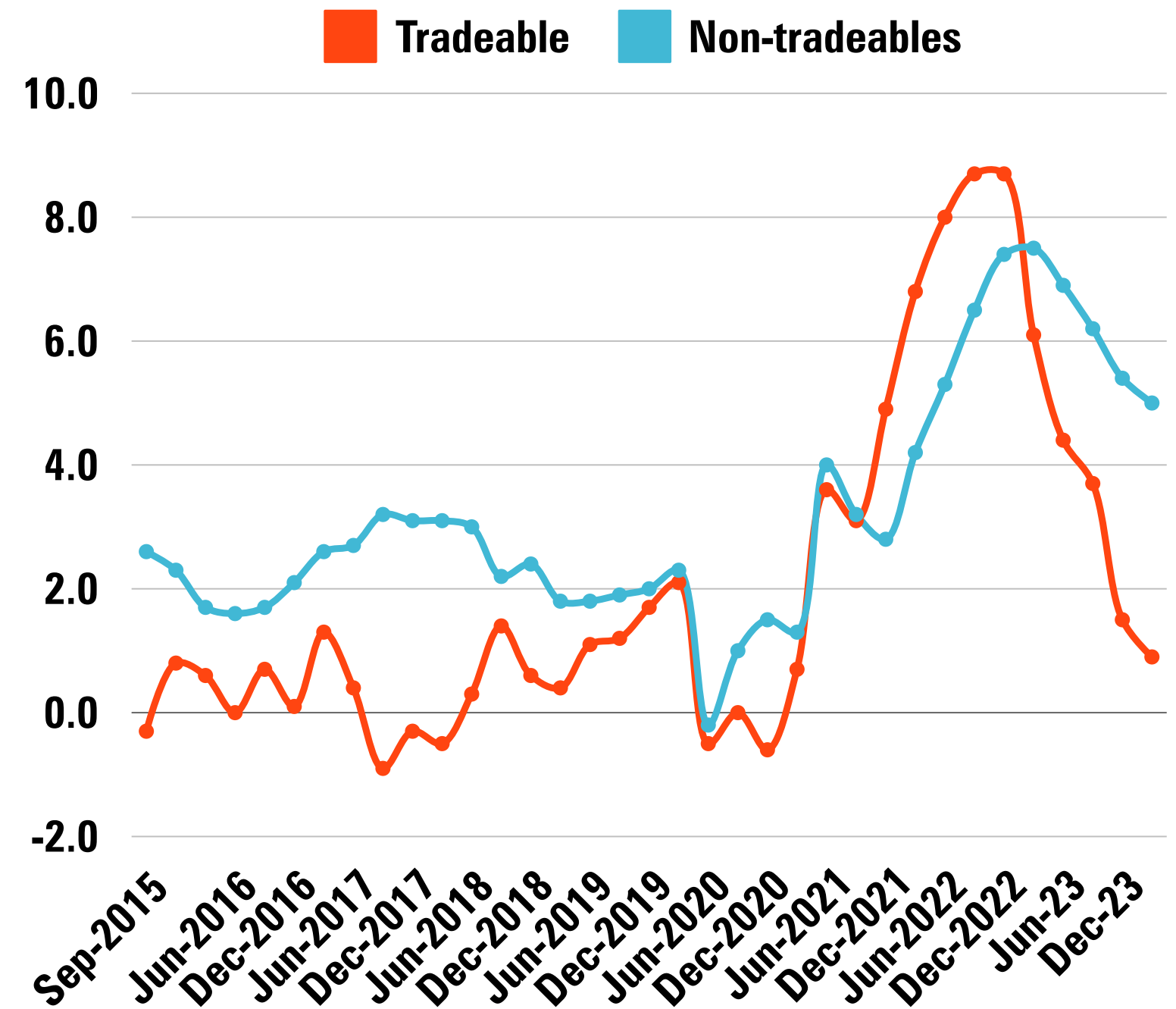
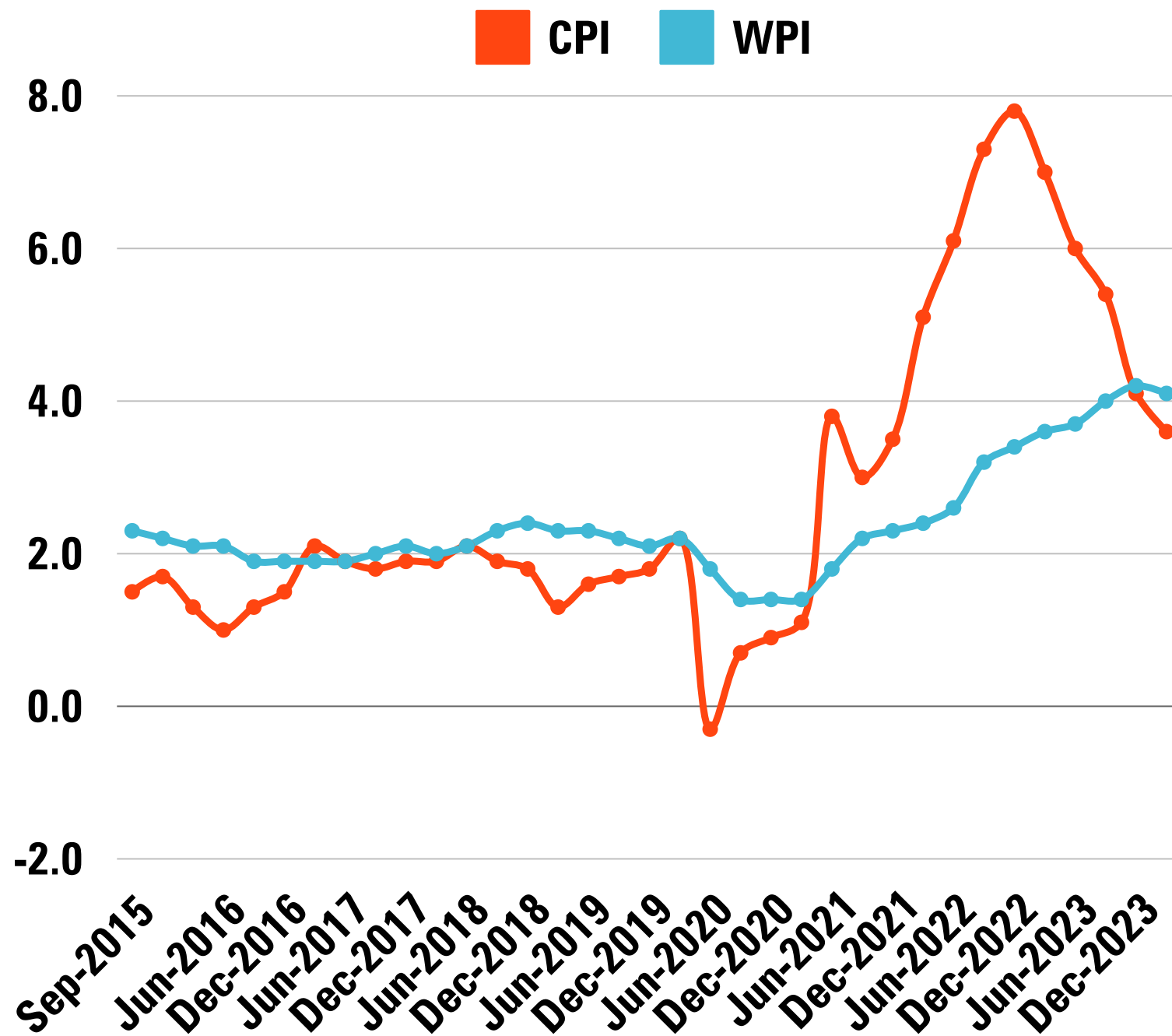


Source: ABS and Jobs and Skills Australia

# Inflation on a downward trend but essentials still rose

## Annual movement in prices - Australia

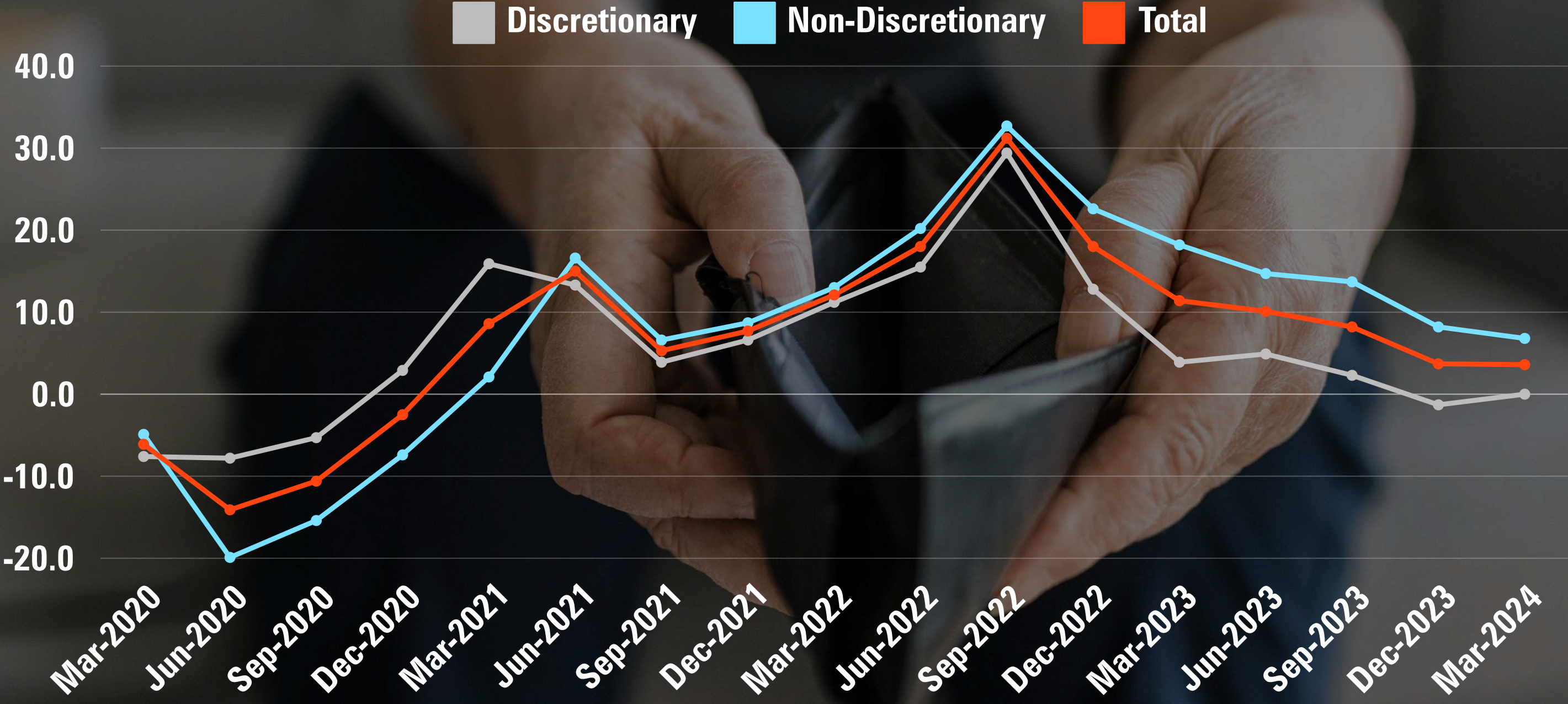
% Change from Corresponding Quarter of Previous Year



Source: ABS

# Discretionary spending is not growing

**Change in household spending**  
Difference from same month in previous year



Source: ABS

# Household saving is falling

## Household saving to income ratio

Savings as % of income, seasonally adjusted

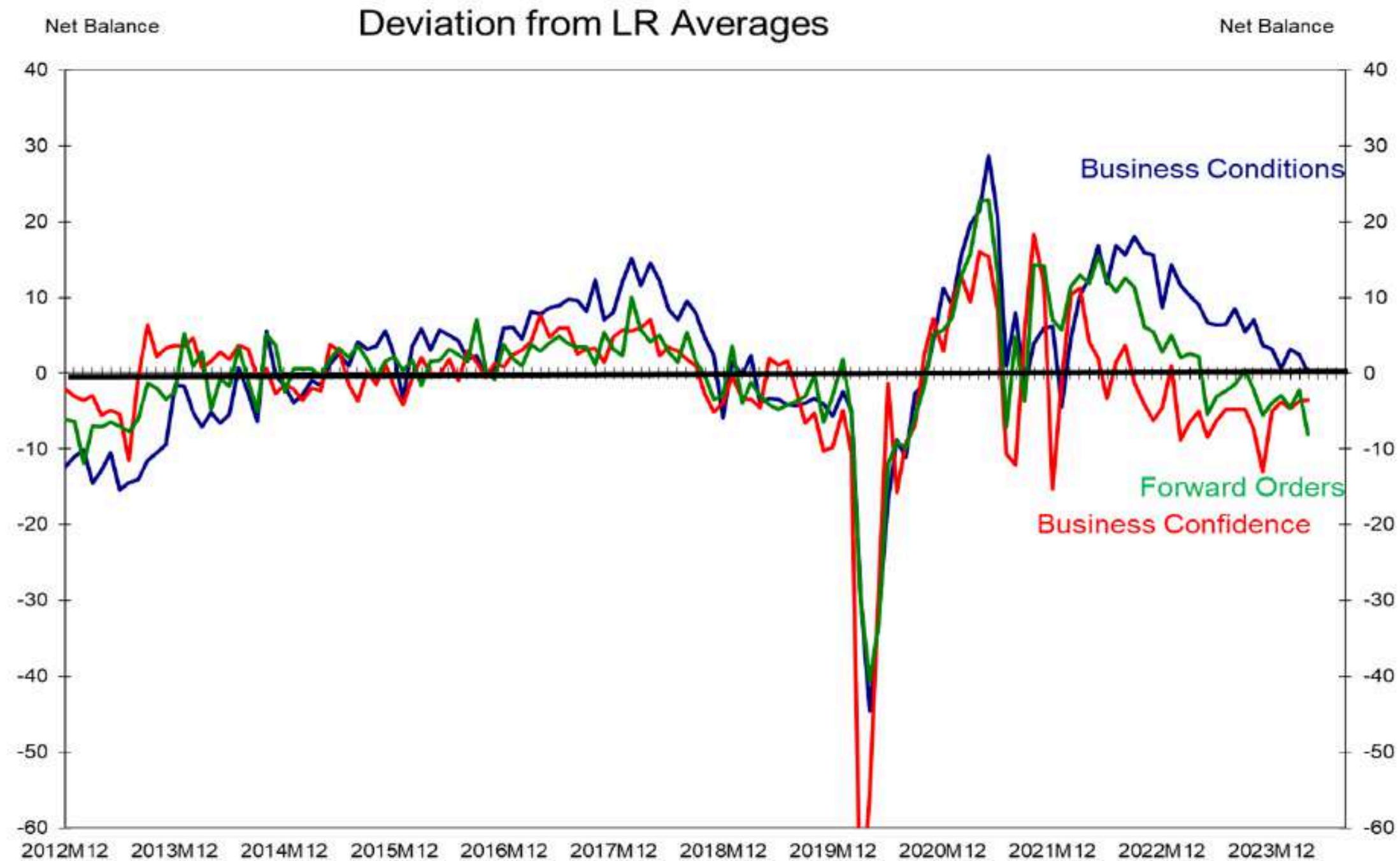


Consumption outpaced growth in gross disposable income seeing 0% savings in September

Source: ABS

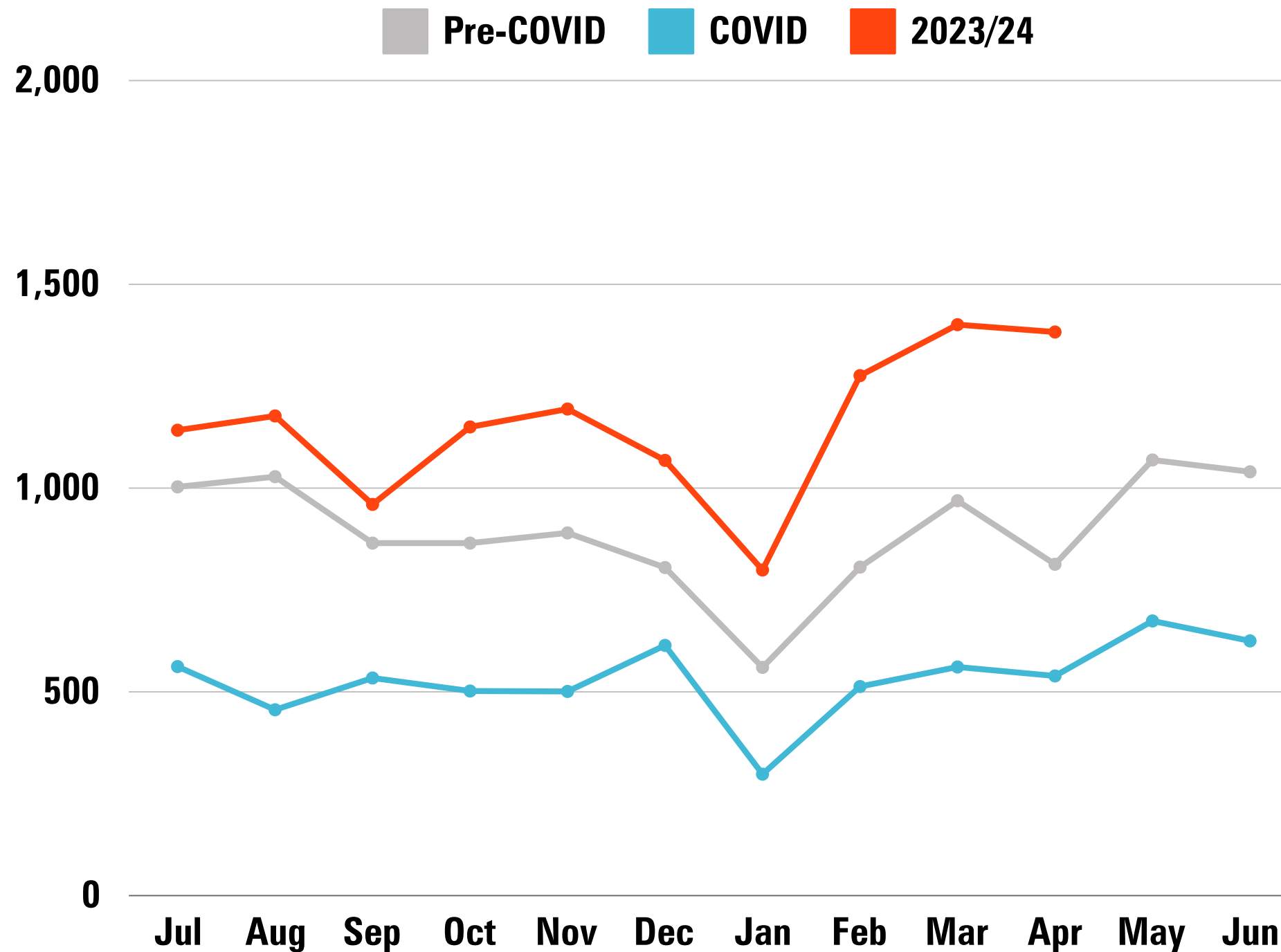
# No wonder confidence is low

**NAB Business Survey - Retail, wholesale, manufacturing and construction have conditions below long run averages.**



# Rise in insolvencies continues

## Companies entering administration - Australia



Increase in business distress in the year to May 2024 was felt in:

- Construction +918
- Hospitality +624
- Other Services +395

Highest % changes were in Agriculture and Mining

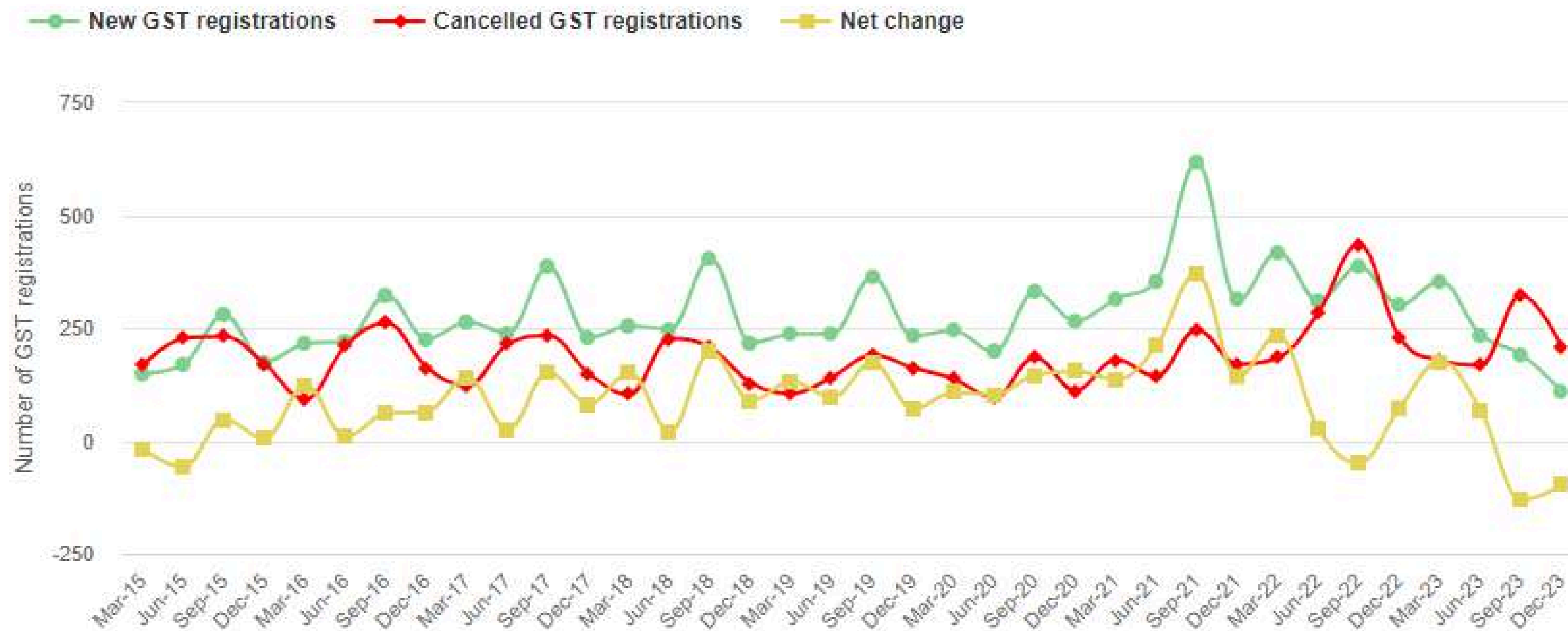
Victoria + 35% compared to NSW, WA, ACT and QLD all +43-45%

# ABR data suggests new business numbers are also falling

## Change in GST registered business

Cardinia Shire - All industries

export 



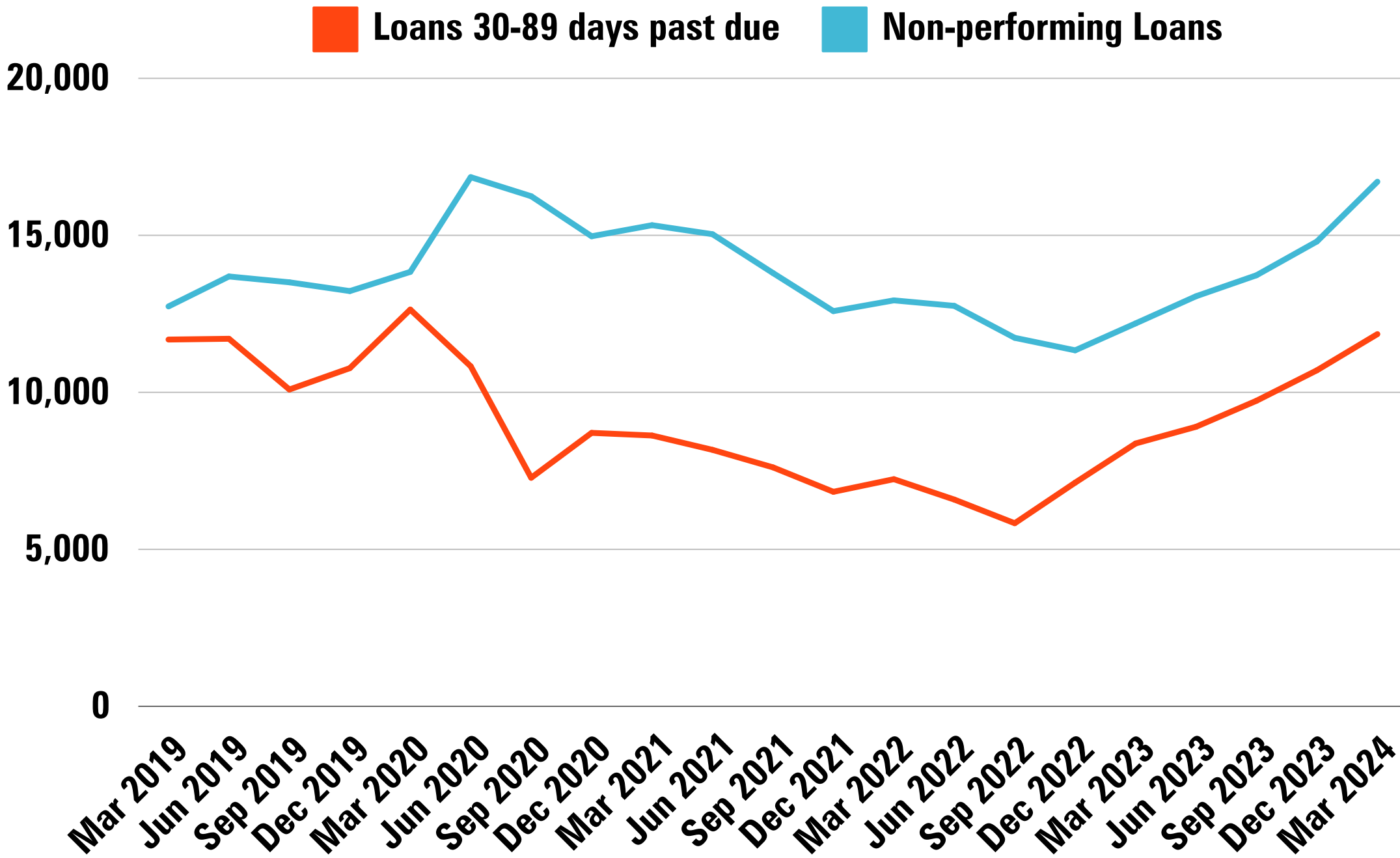
Source: Australian Business Register. ©2024 Compiled and presented in economy.id by .id (informed decisions).

Source: Australian Business Register

# Loan stress ticking up, but still very low

## Major banks' residential property exposures

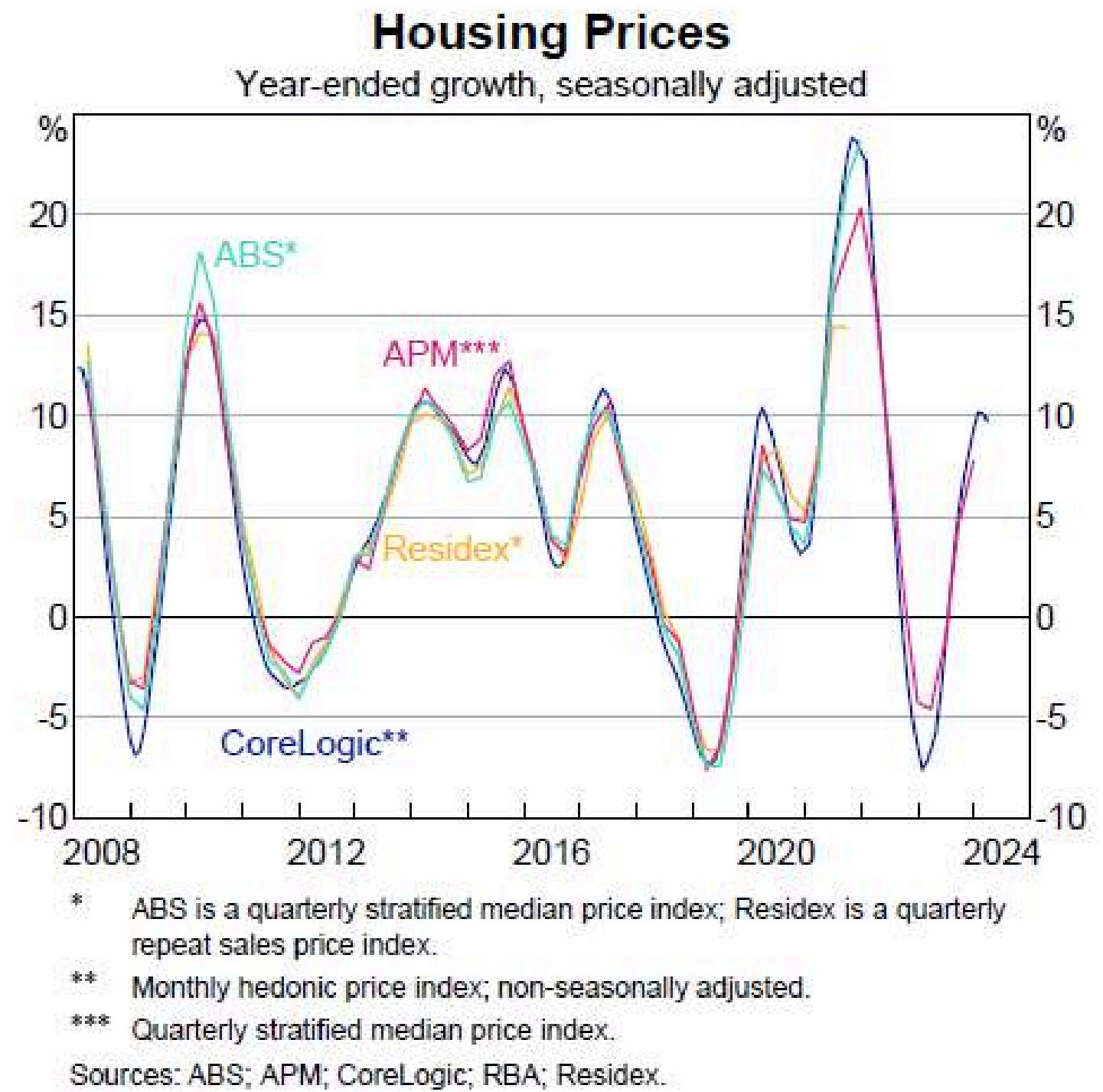
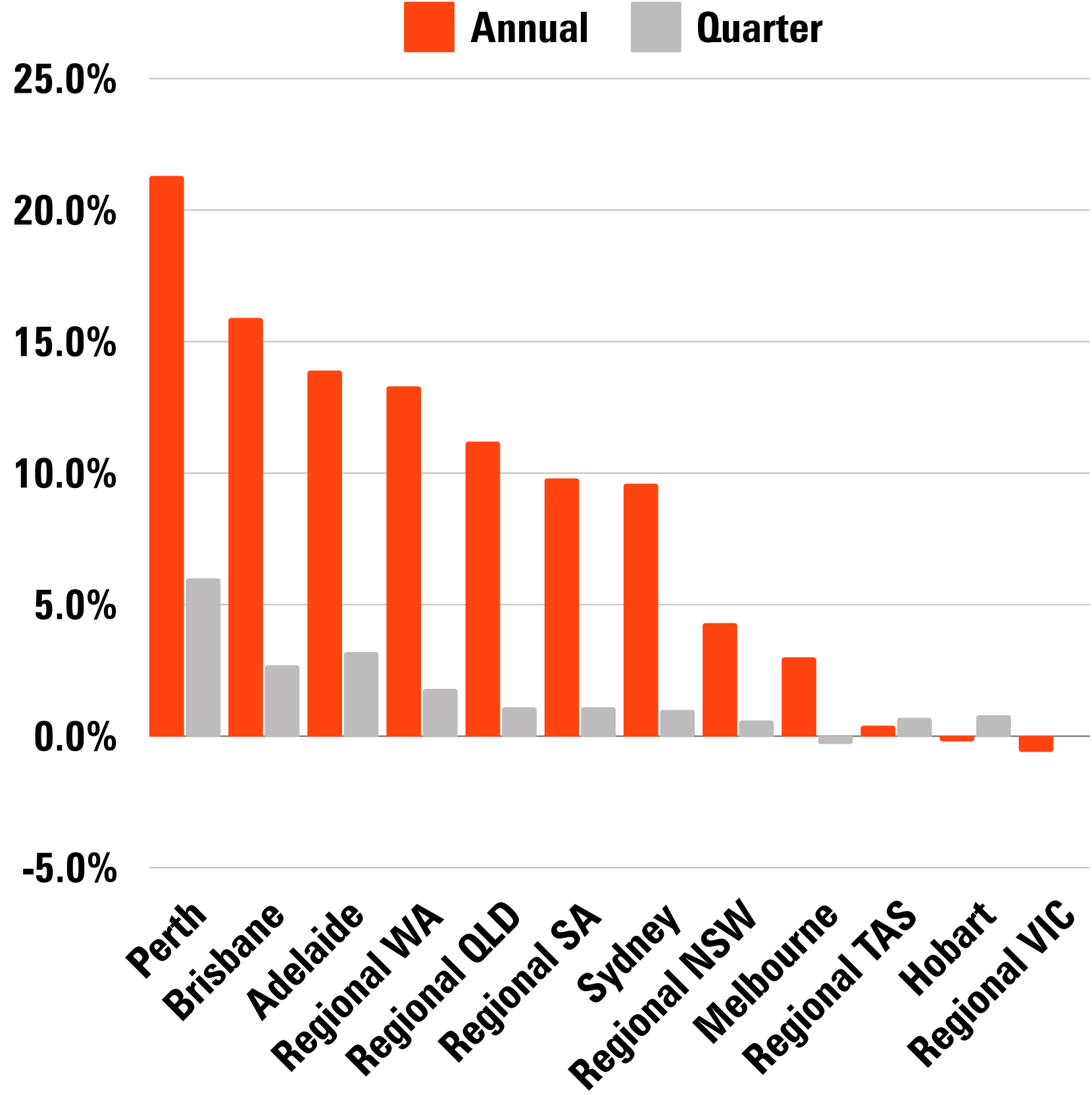
Quarterly totals



**The mortgage cliff did not really materialise**

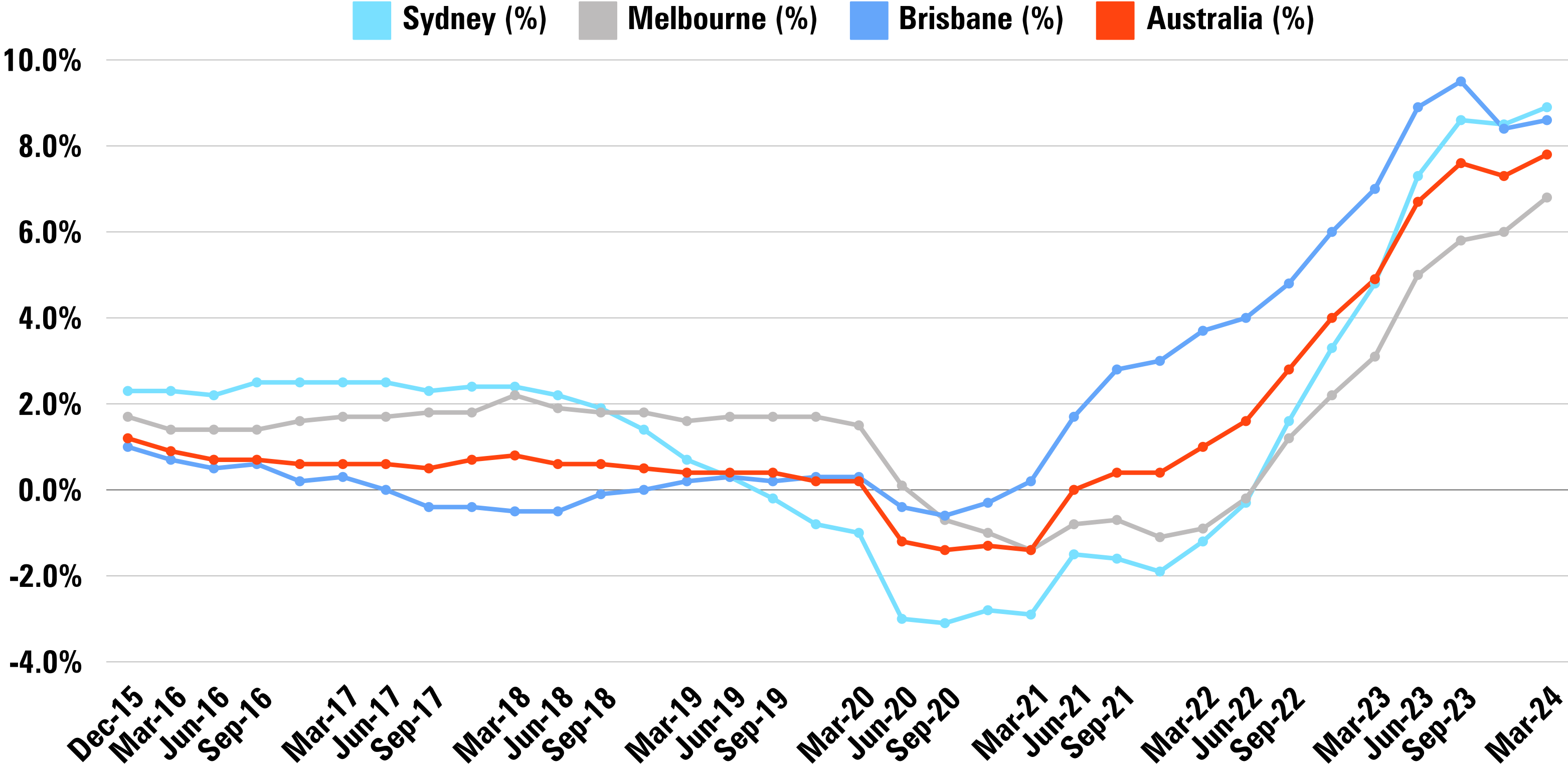
Source: APRA

# House prices being led by WA and QLD



Source: Corelogic

# Strongest annual rise in rental price growth since 2009

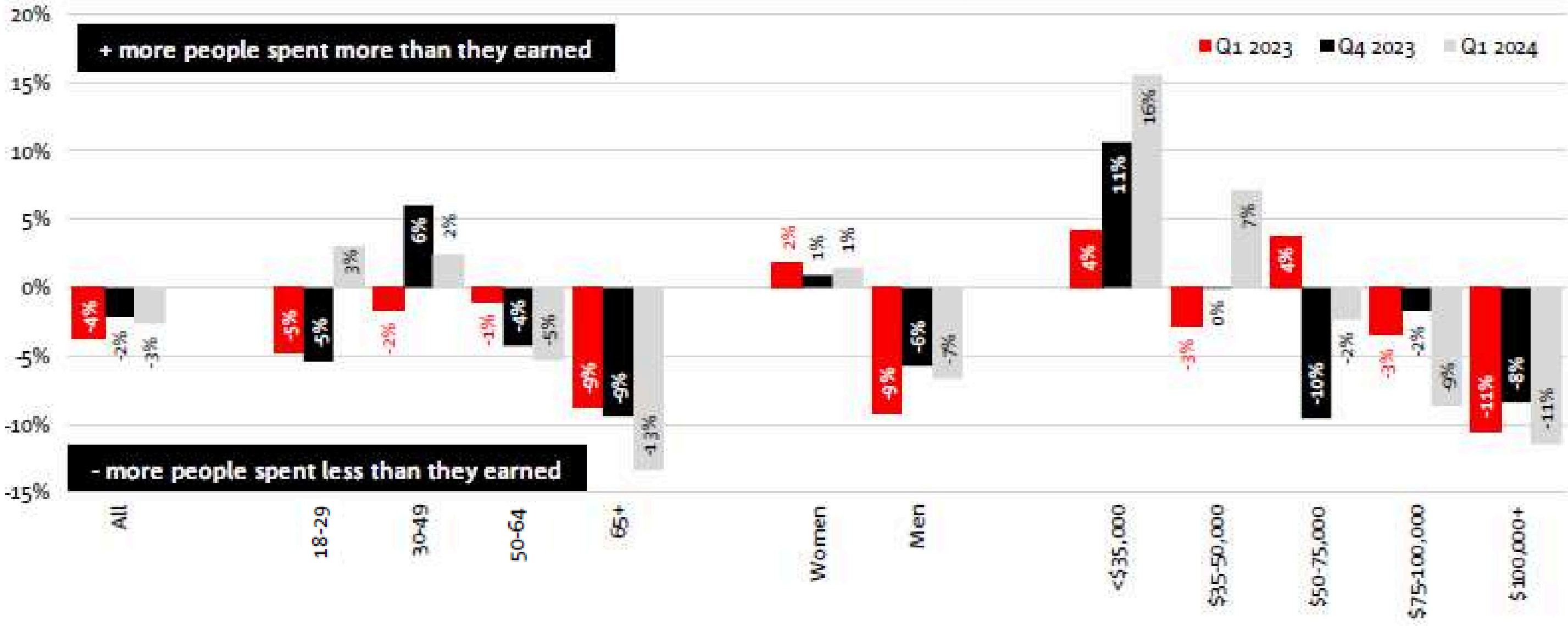


Source: ABS

# Household financial stress is at its highest in 8-years. Especially amongst low income.

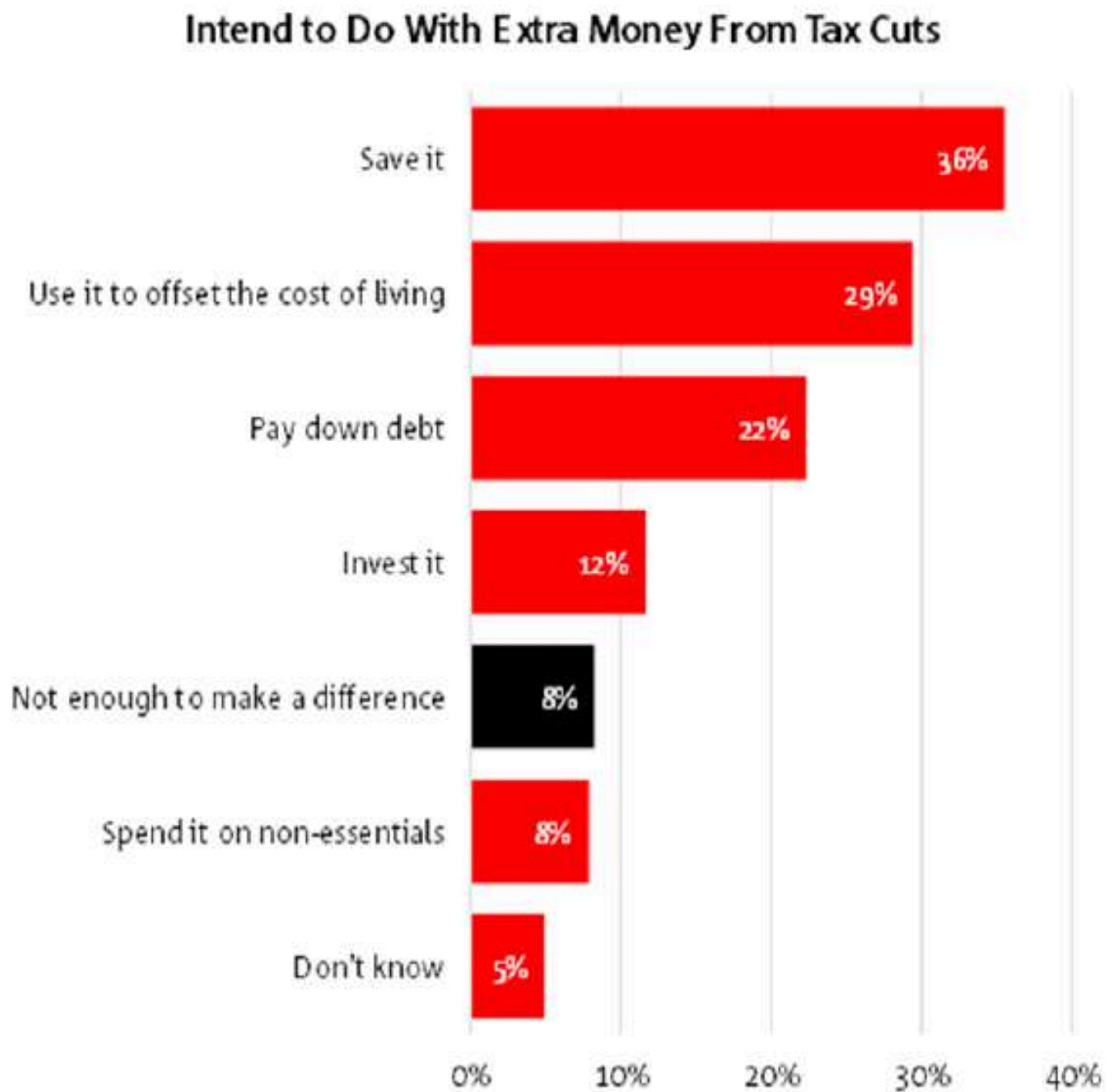
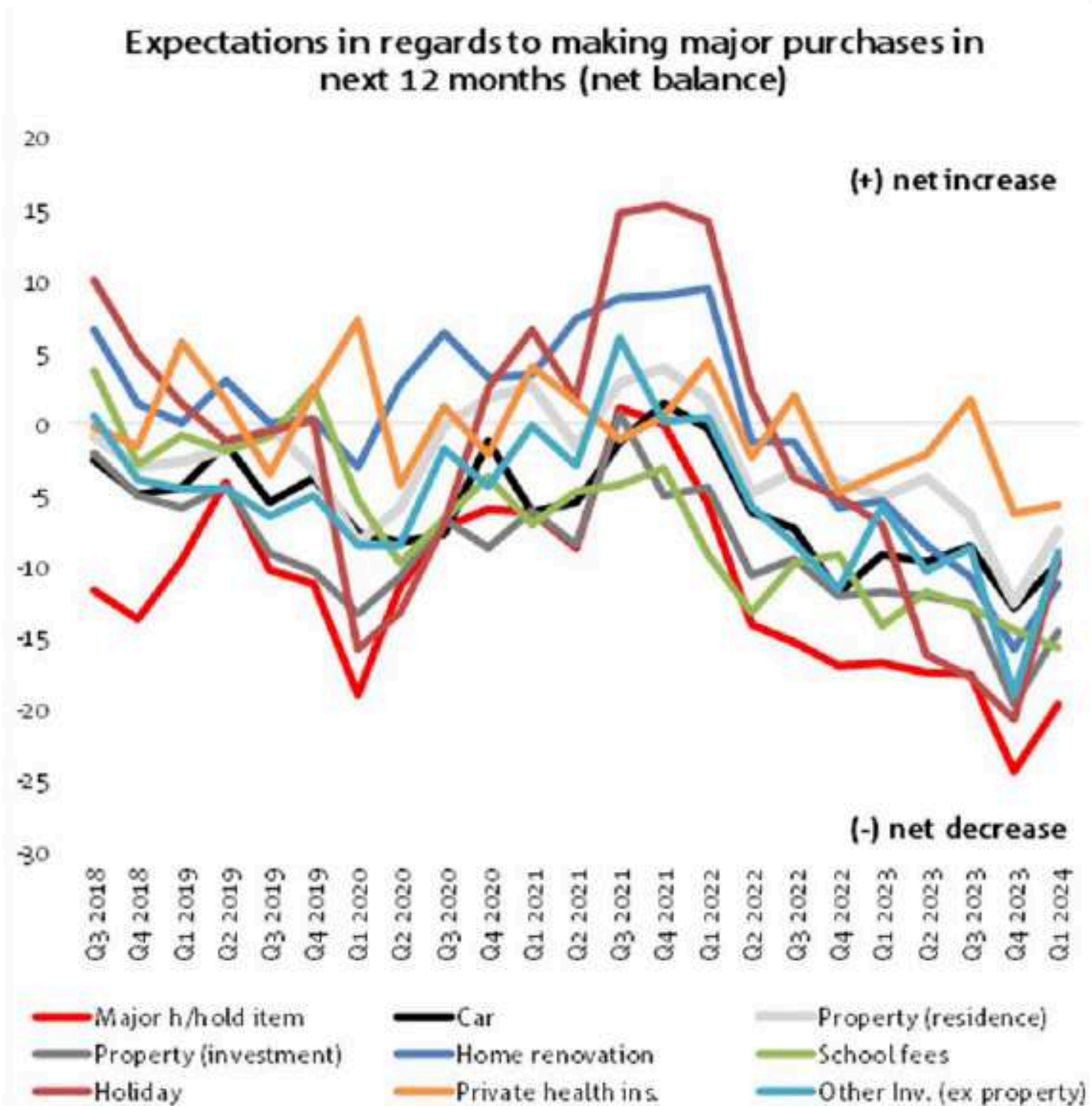
## NAB Wellbeing Survey

Spent more or less than earned in last month (net balance)



# Looks like households will continue to cut back

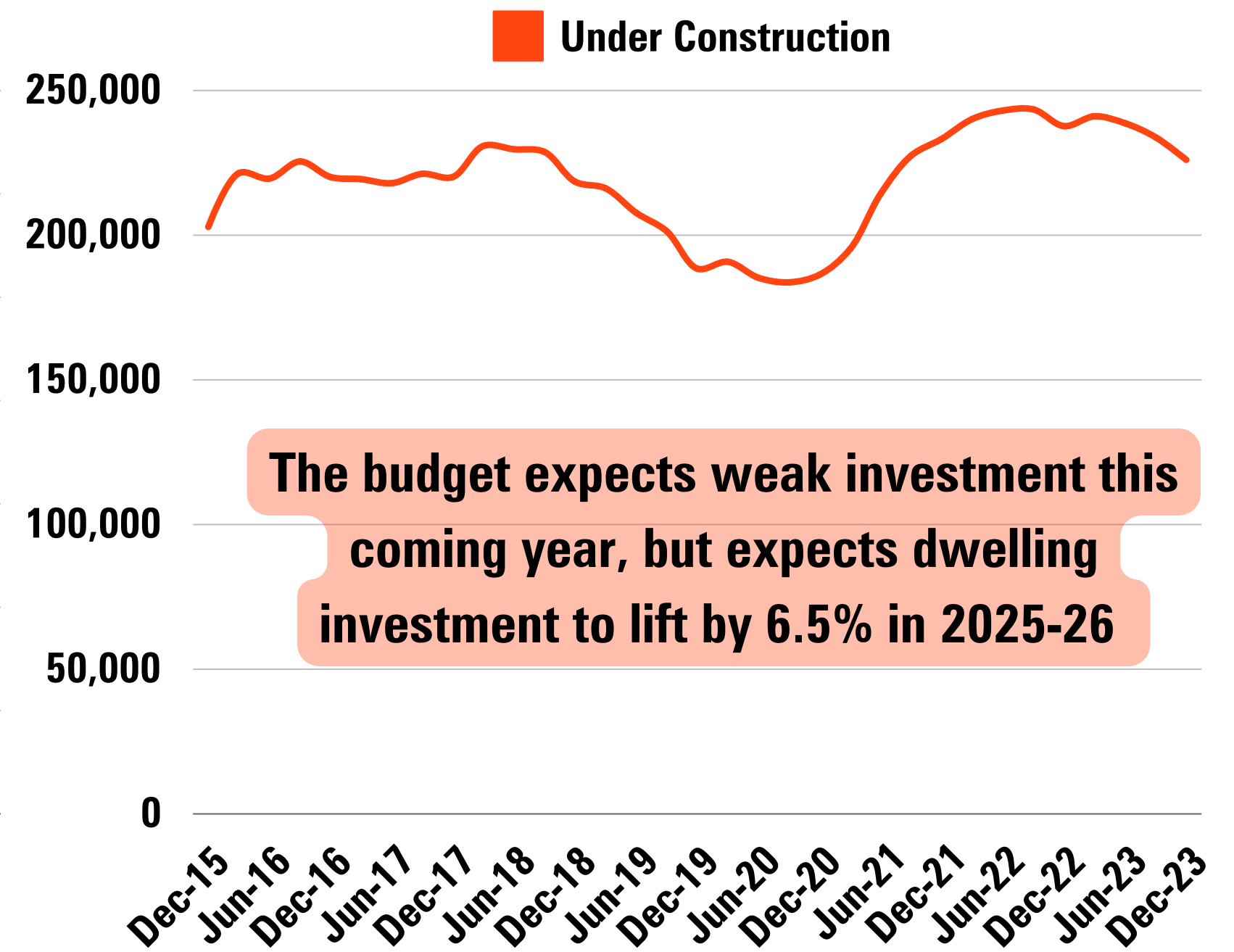
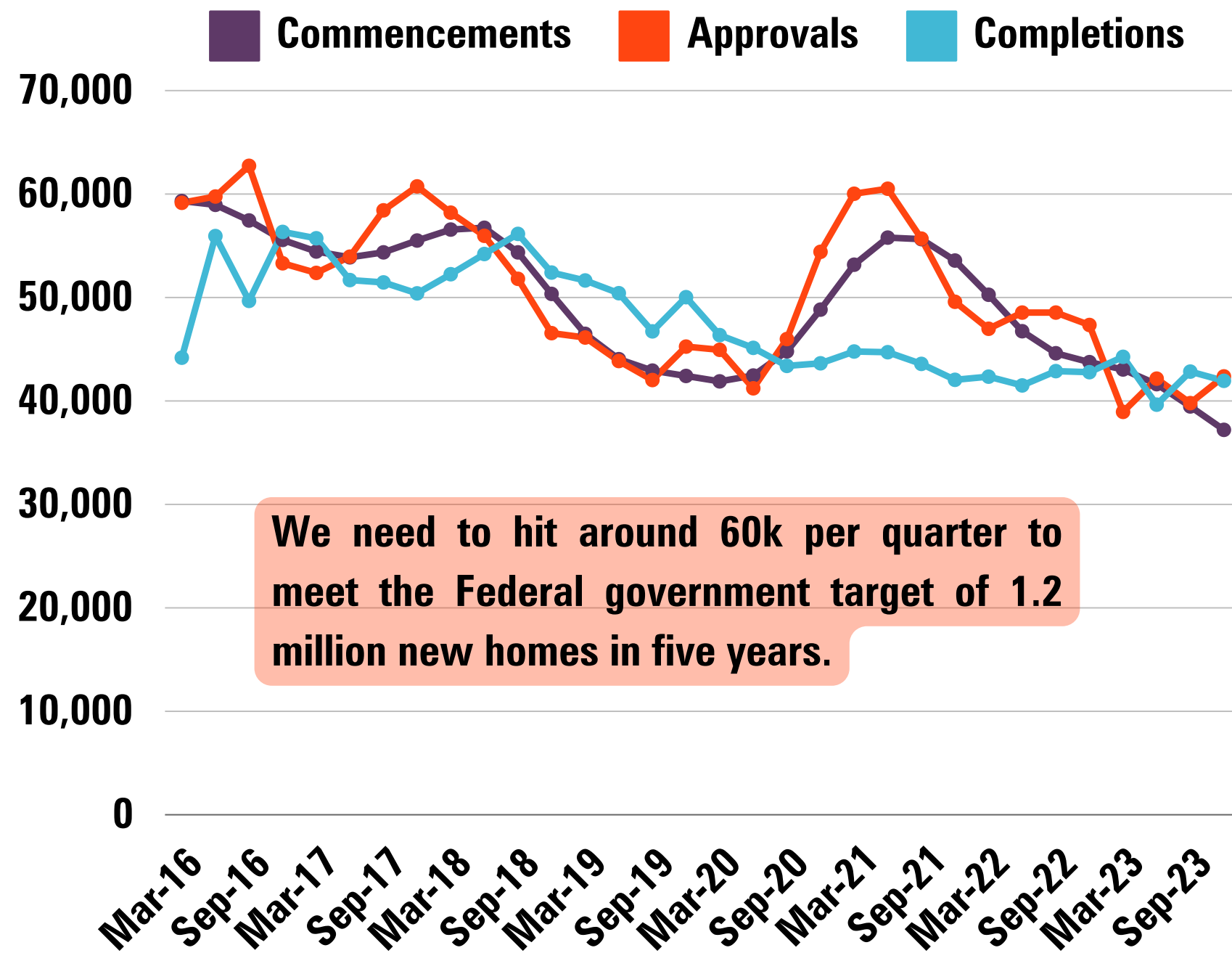
## NAB Household Survey



# Dwelling investment has slowed

## Residential pipeline

Australia, Dwellings, Seasonally Adjusted



Source: ABS

# Budget measures to ease housing pressure

## Federal Budget Announcements

What is new for housing markets? Measures to address supply, affordability, integrity

### Housing demand

Cost-of-living supports and indirect impacts such as:

- Income tax changes for everyone, from 1 July 2024
- HECS debt reductions for 3 million people
- Net migration and pop. growth expected to slow

### Housing supply

- \$1bn for state infrastructure to support housing
- Free places for 20,000 apprenticeships
- Encourage dedicated student accommodation
- Encourage foreign investment in Build-to-Rent

### Housing affordability

- C'wth Rent Assistance up by 10% for 1 million renters
- Renewed 5-year *National Agreement on Social Housing and Homelessness Services*. Homelessness funding doubled to \$400mn per year, matched by states.
- \$1bn redirected to DV crisis accommodation

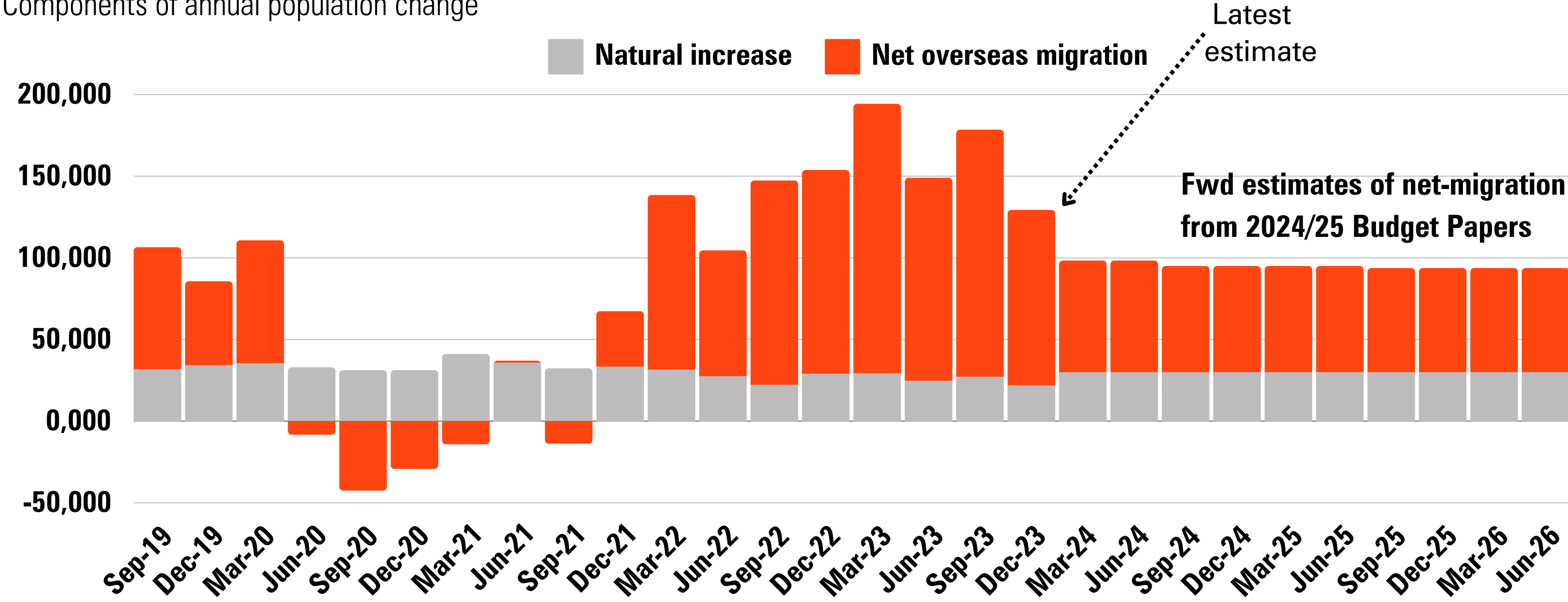
### Property transactions integrity

- Anti-money laundering and anti-terrorism reporting requirements for real estate and other transactions by 'tranche 2' entities (agents, lawyers, accountants)
- National Digital ID system rolled out for public and private sector service providers (\$288 mn)

# Budget suggest expectation that Government will slow net migration from record highs

## Australia's Population Forecast

Components of annual population change



Source: forecast.id



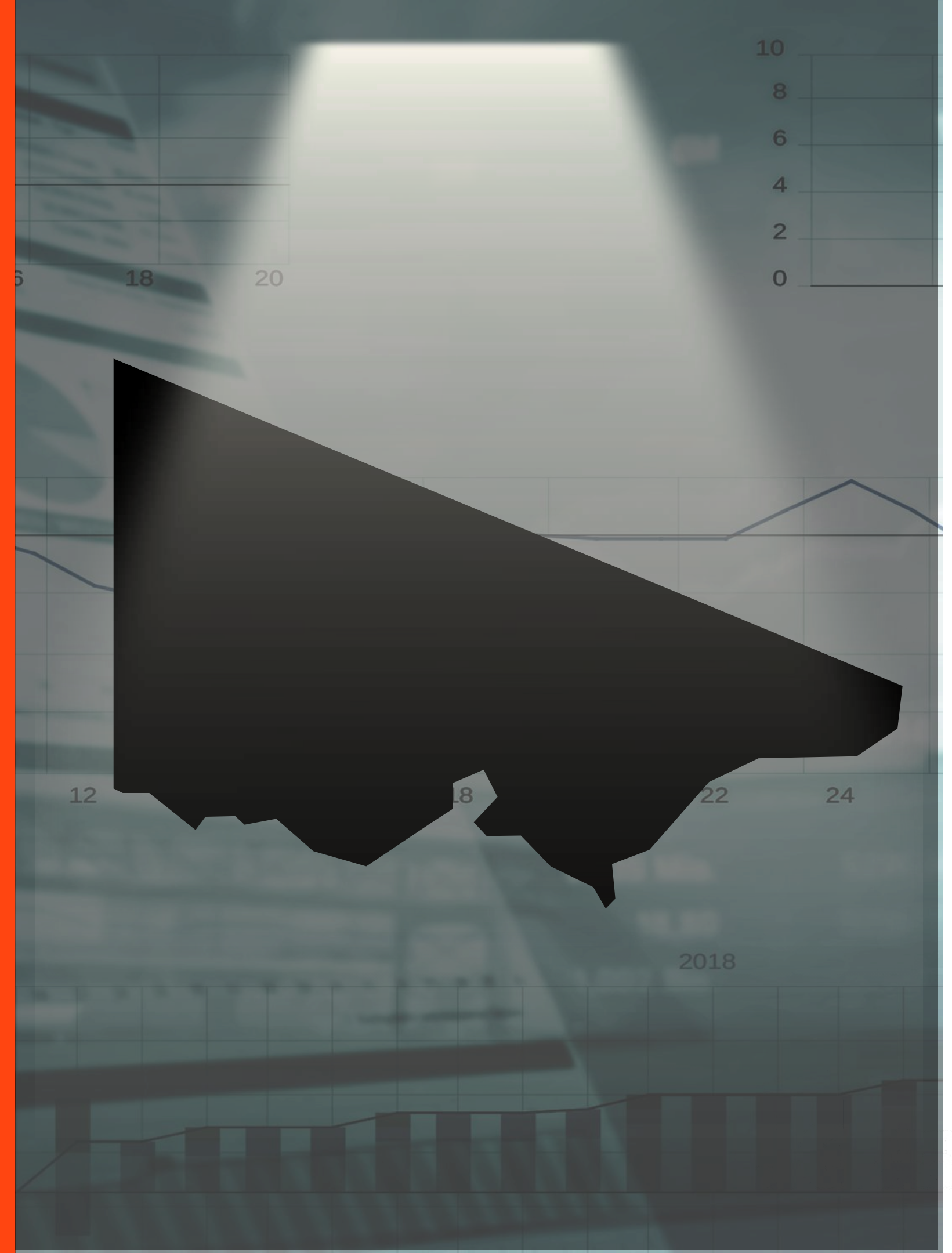
# Hike or hold?

“the flow of information since the previous meeting had increased the risks of inflation staying above target for longer. However, members considered that the staff forecasts presented a credible path back to the inflation target”

Minutes of the Monetary Policy  
Meeting of the Reserve Bank  
Board May 2024

# Victoria's Economic State

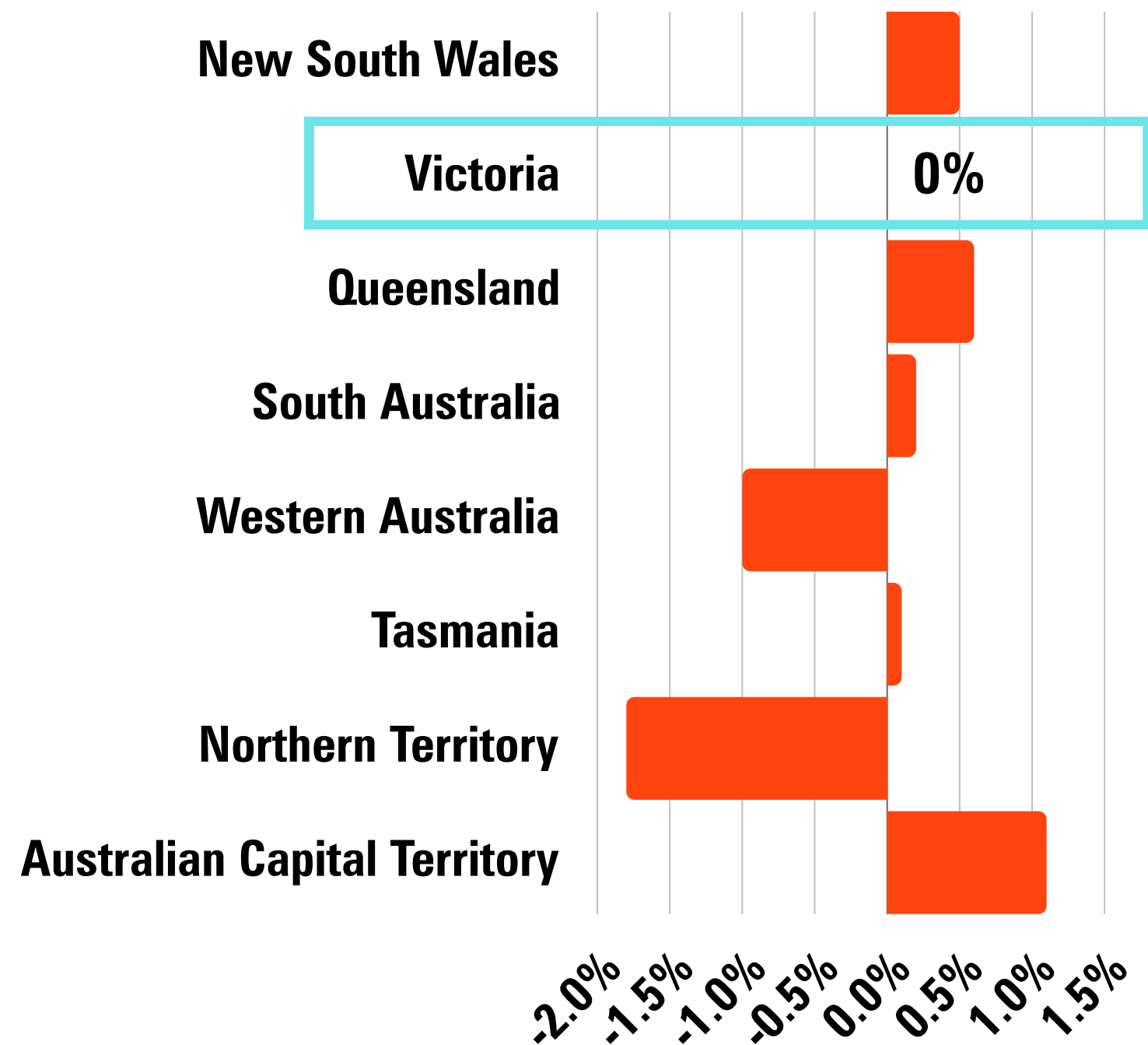
Victoria back to negative GDP per Capita



# Victoria's economy did not grow in the latest quarter

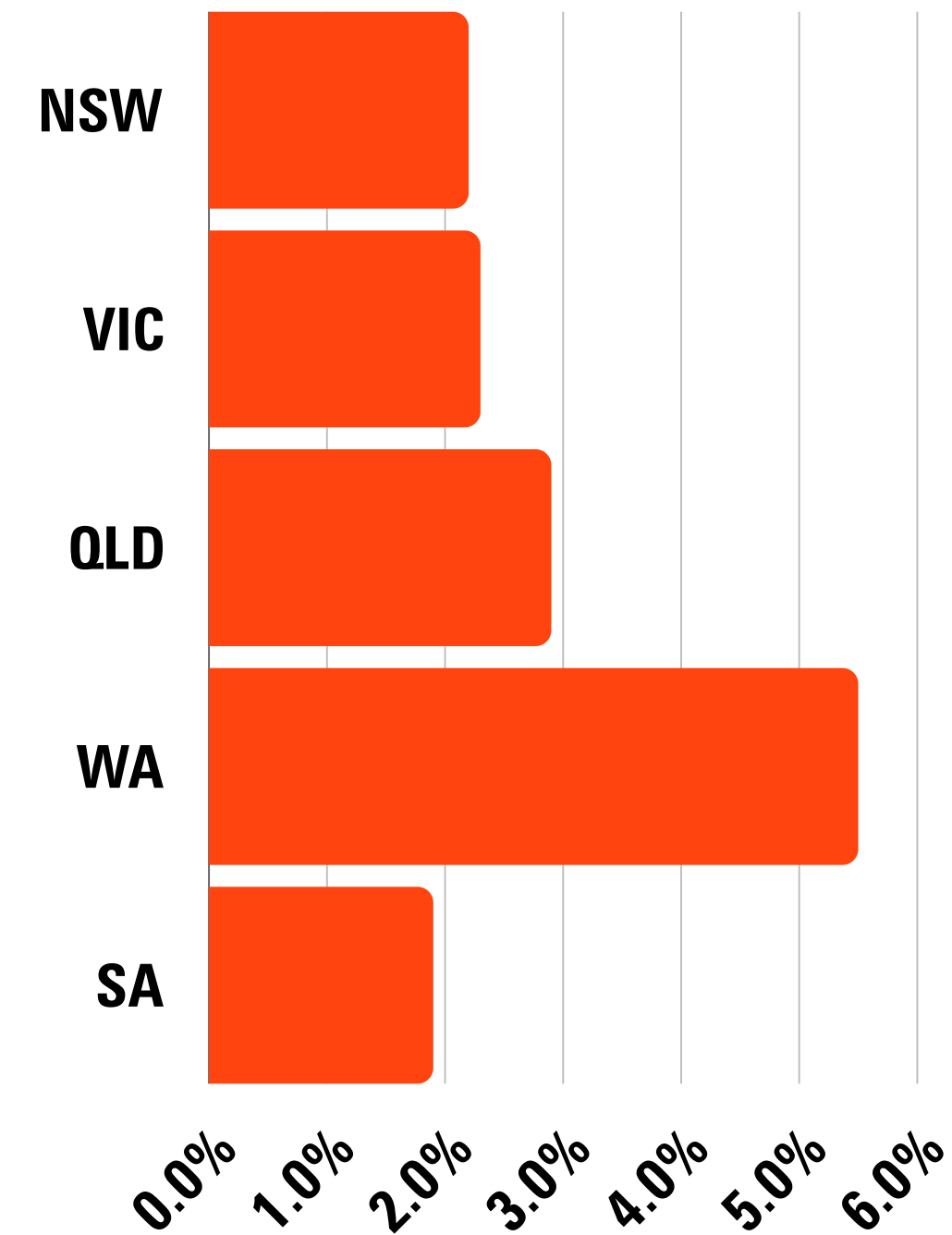
## State Final Demand

% change Dec 23 to Mar 24



## State Final Demand

% change sum 4 qtrs to March 24

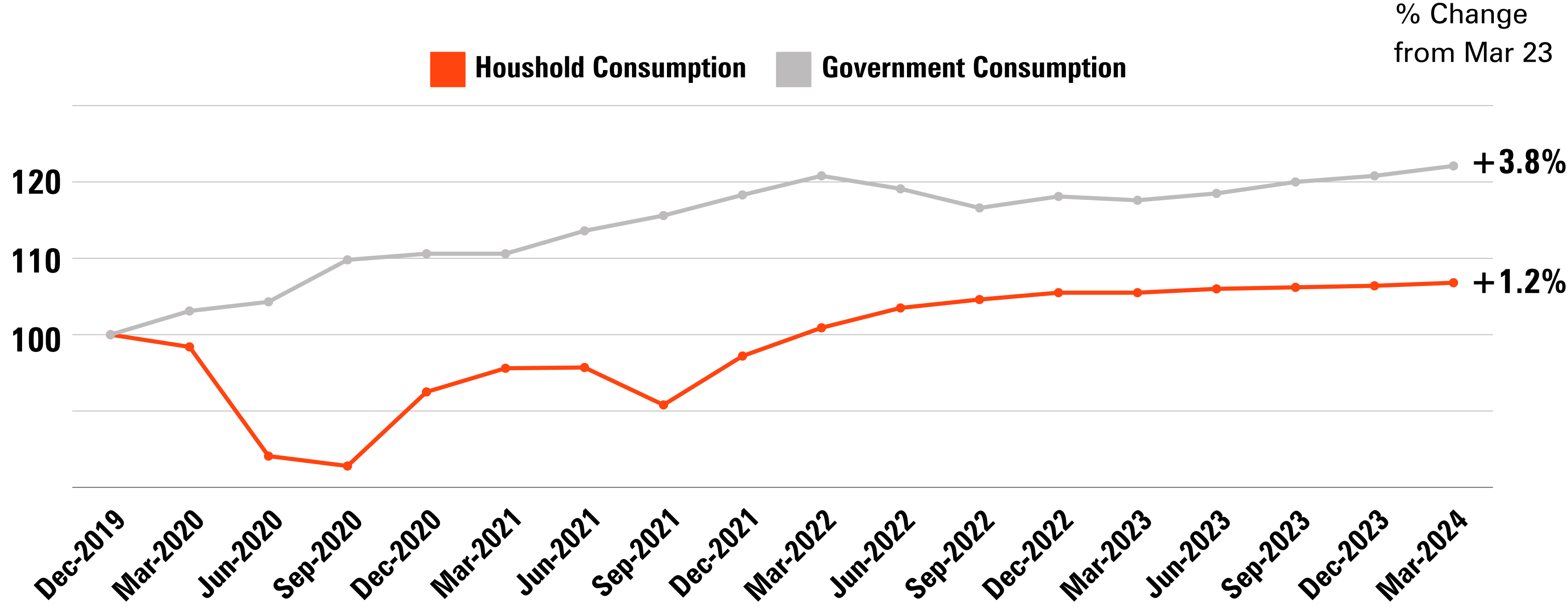


Source: Australian National Accounts

# Government spending is propping up the state

## Victorian demand for goods and services

State Final Demand, indexed quarterly change, Seasonally adjusted



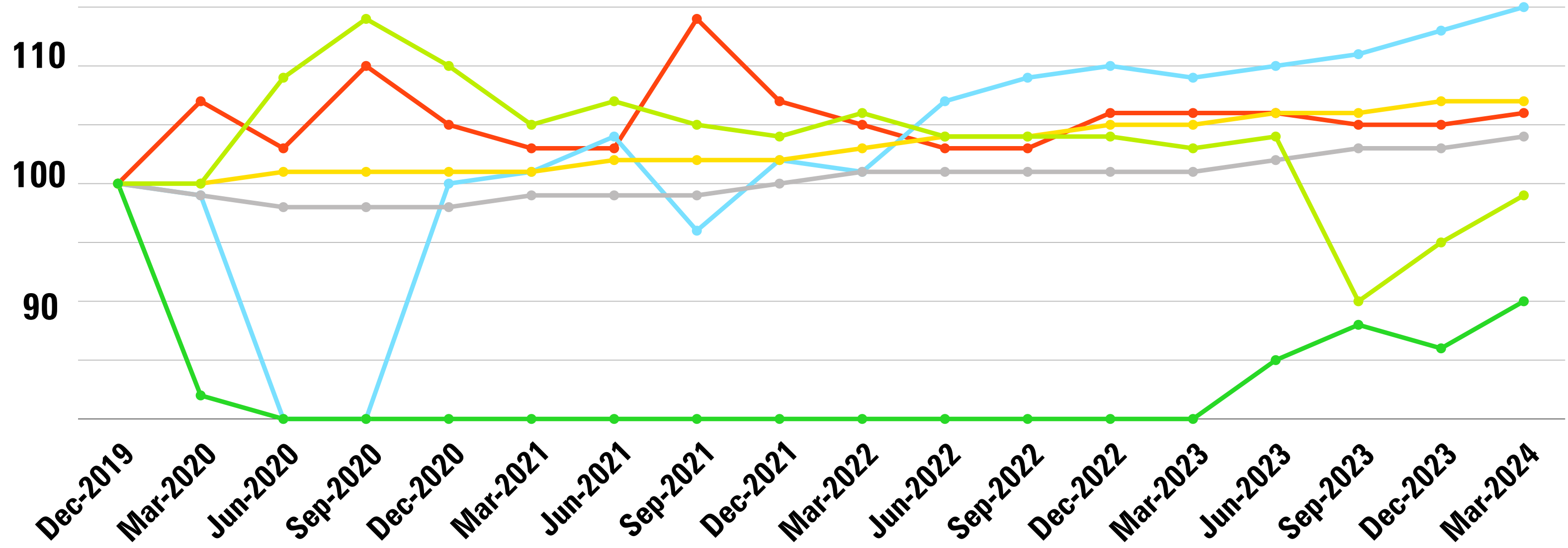
Source: Australian National Accounts

# Spending on health continues to rise

## Victorian demand for goods and services

State Final Demand, indexed quarterly change, Seasonally adjusted

- Food
- Health
- Insurance and other financial services
- Rent and other dwelling services
- Electricity, gas and other fuel
- Transport services

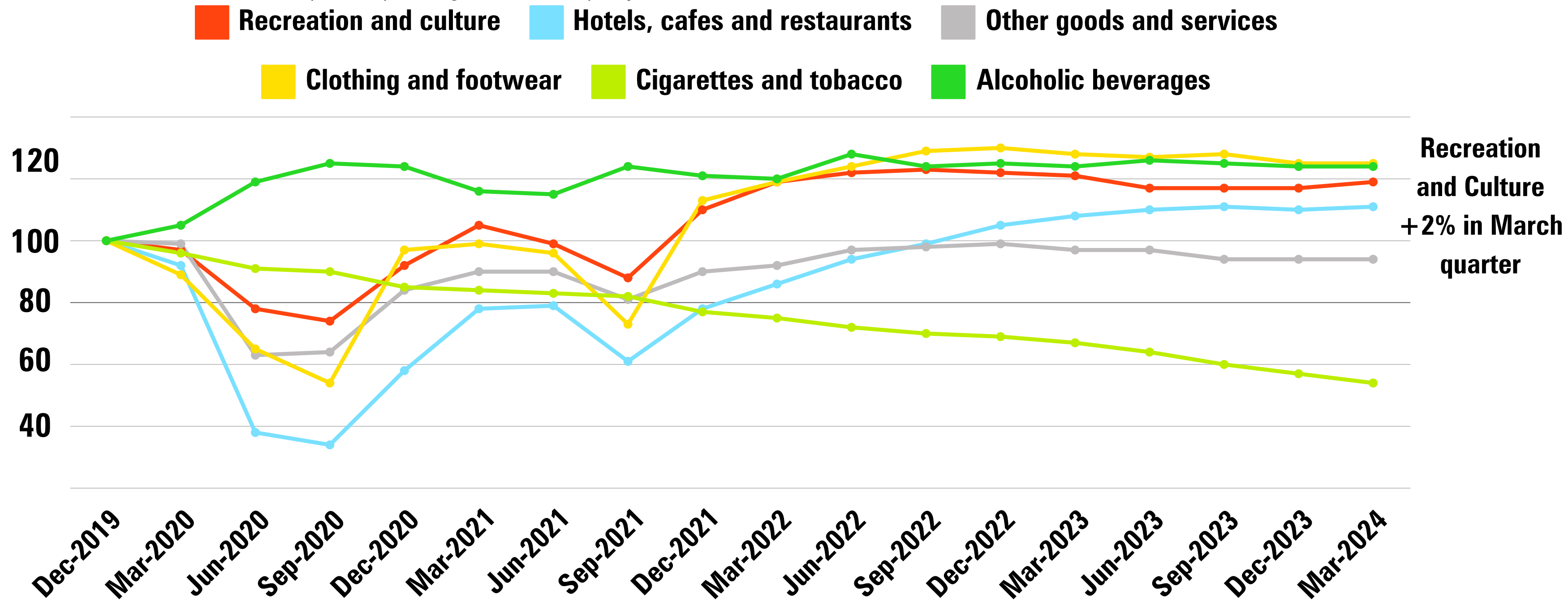


Source: Australian National Accounts

# Discretionary spending is flat except for Swift effect

## Victorian demand for goods and services

State Final Demand, indexed quarterly change, Seasonally adjusted

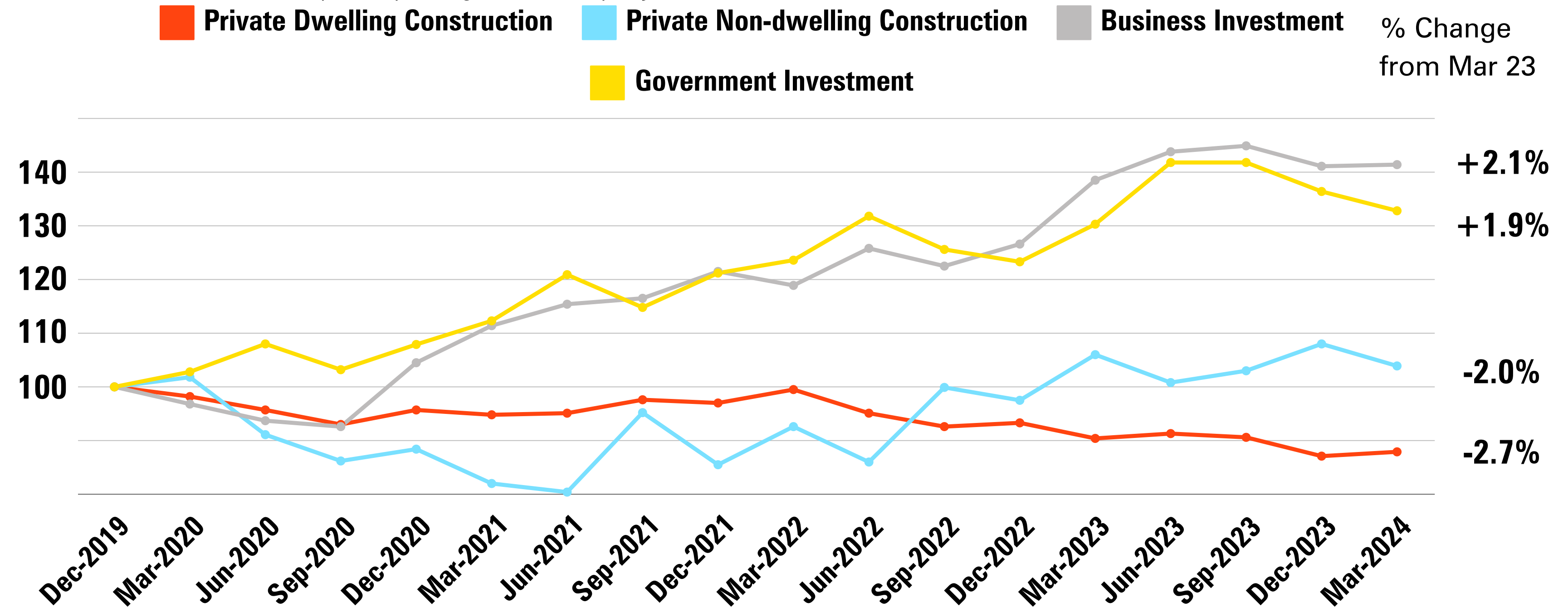


Source: Australian National Accounts

# Dwelling construction fell in 2023

## Victorian demand for goods and services

State Final Demand, indexed quarterly change, Seasonally adjusted

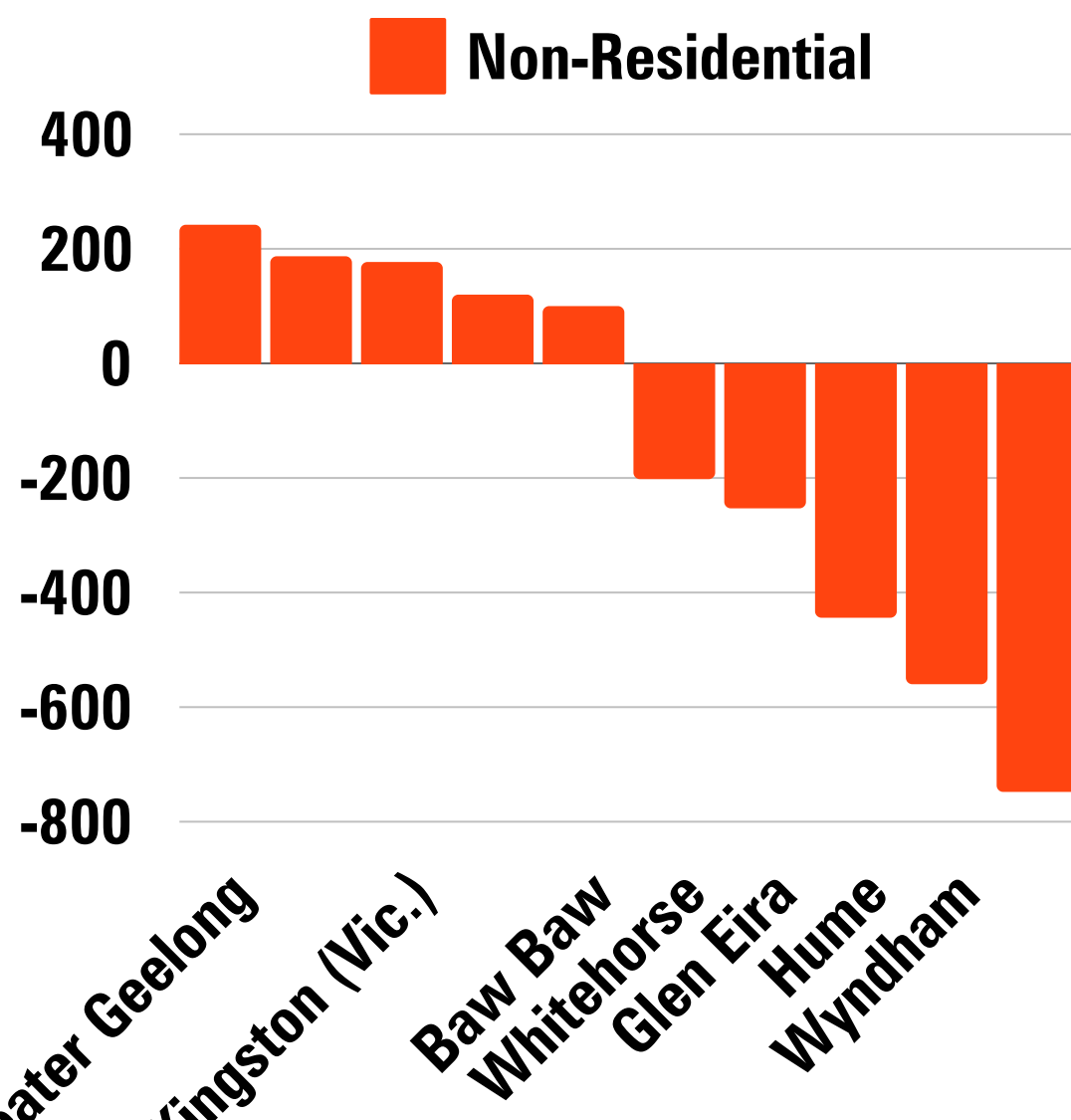
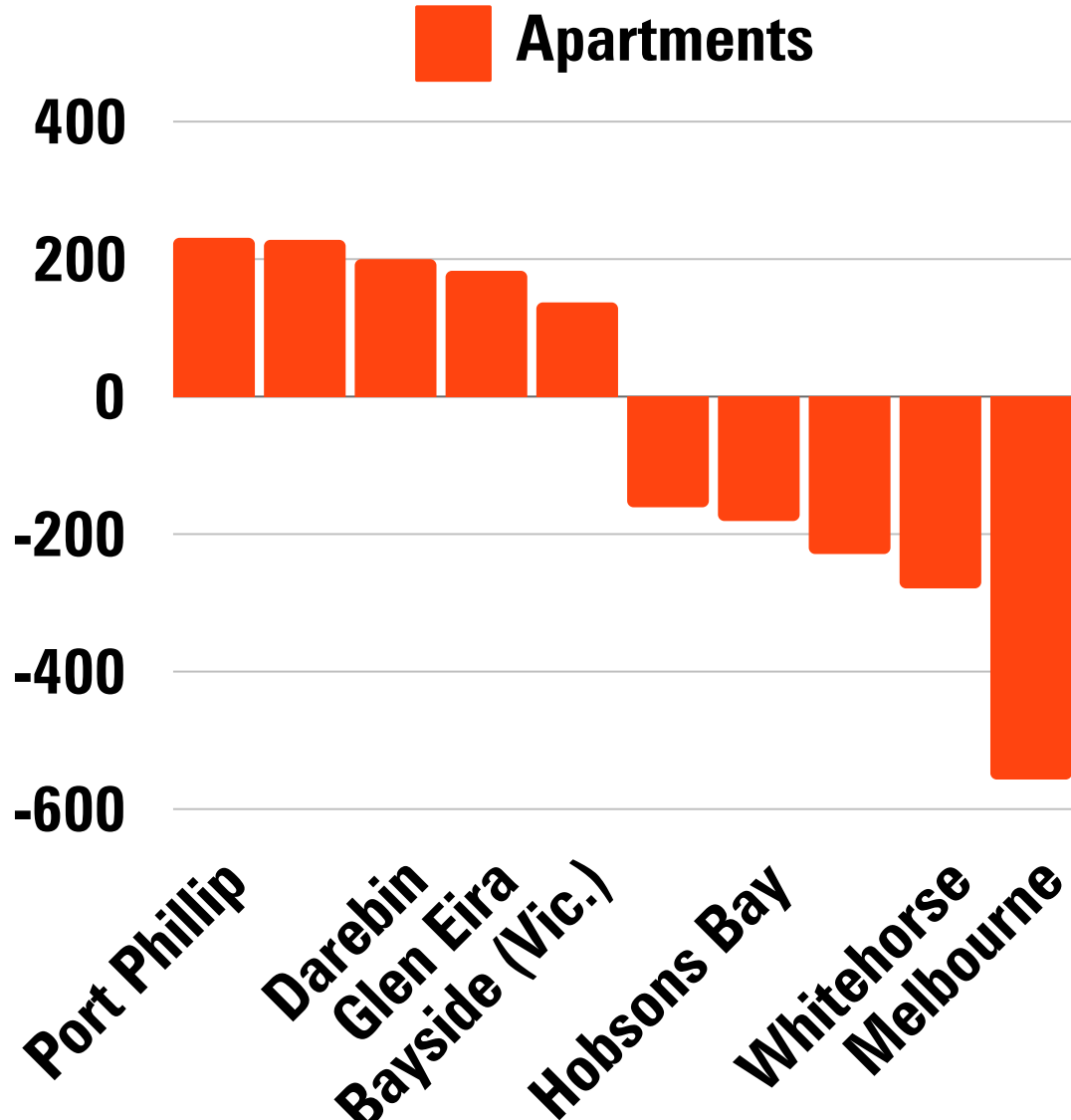
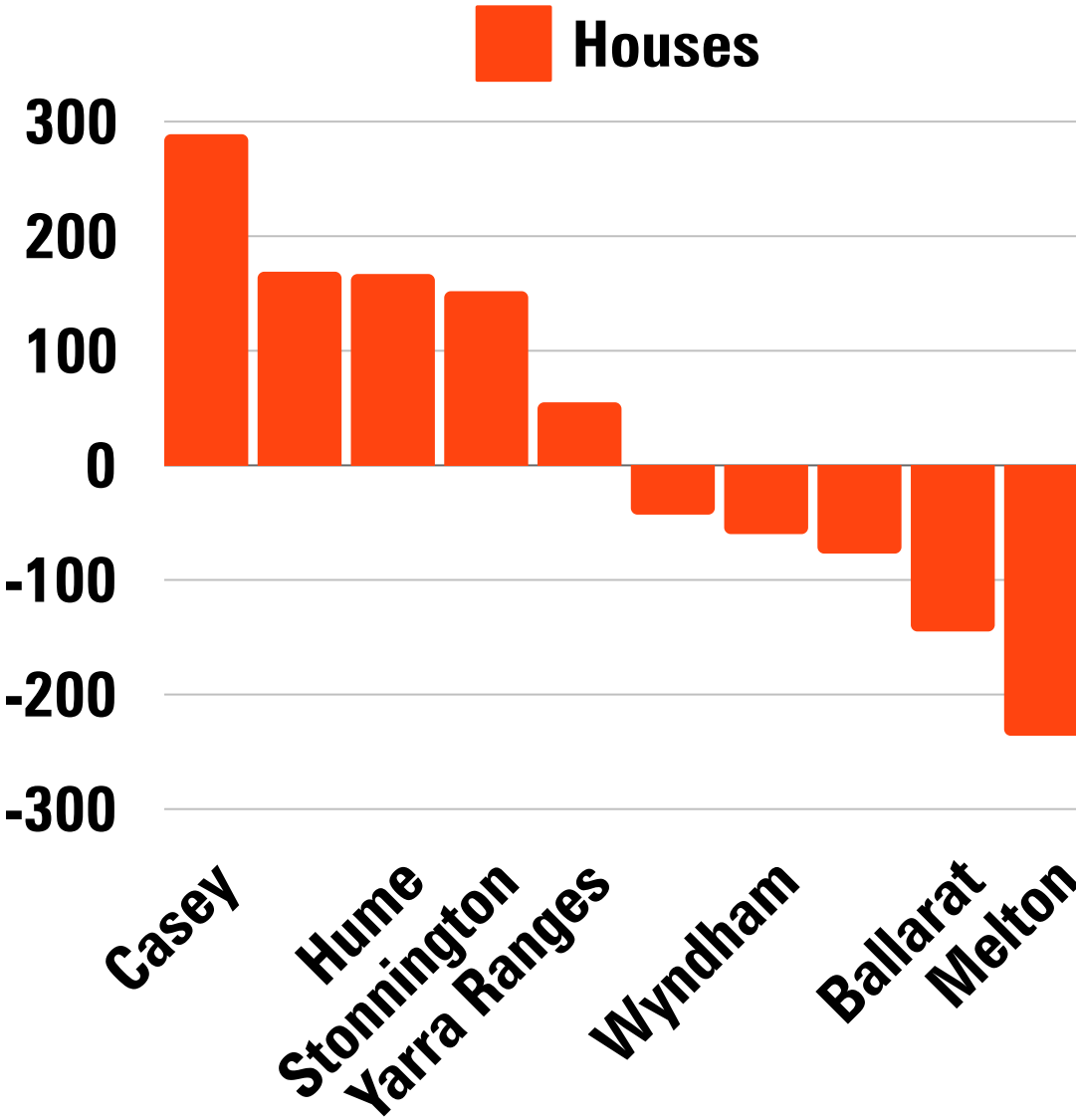


Source: Australian National Accounts

# Approvals vary, but City of Melbourne way down

## Change in Value of Building Approvals to Apr 2024 from previous year

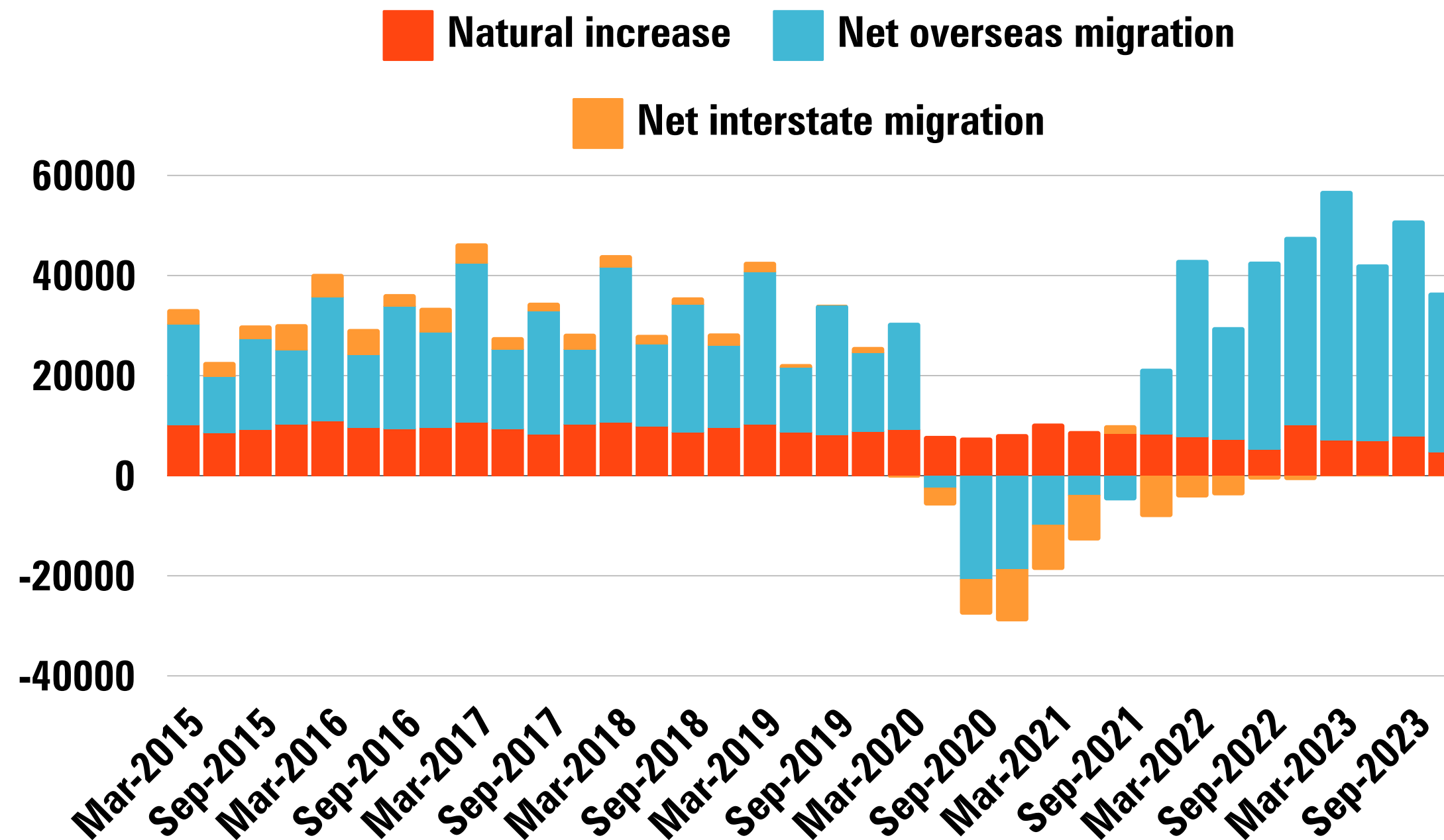
\$M change, top 5 positive and negative



Source: ABS Building Approvals

# Victoria had 2nd-highest % pop growth and highest absolute growth in the nation in 2023

Components of annual population change - Victoria





Source: ABS

## Forecast growth


2021-2041


### Victoria

 + 2.0m

 + 960k

### Greater Melbourne

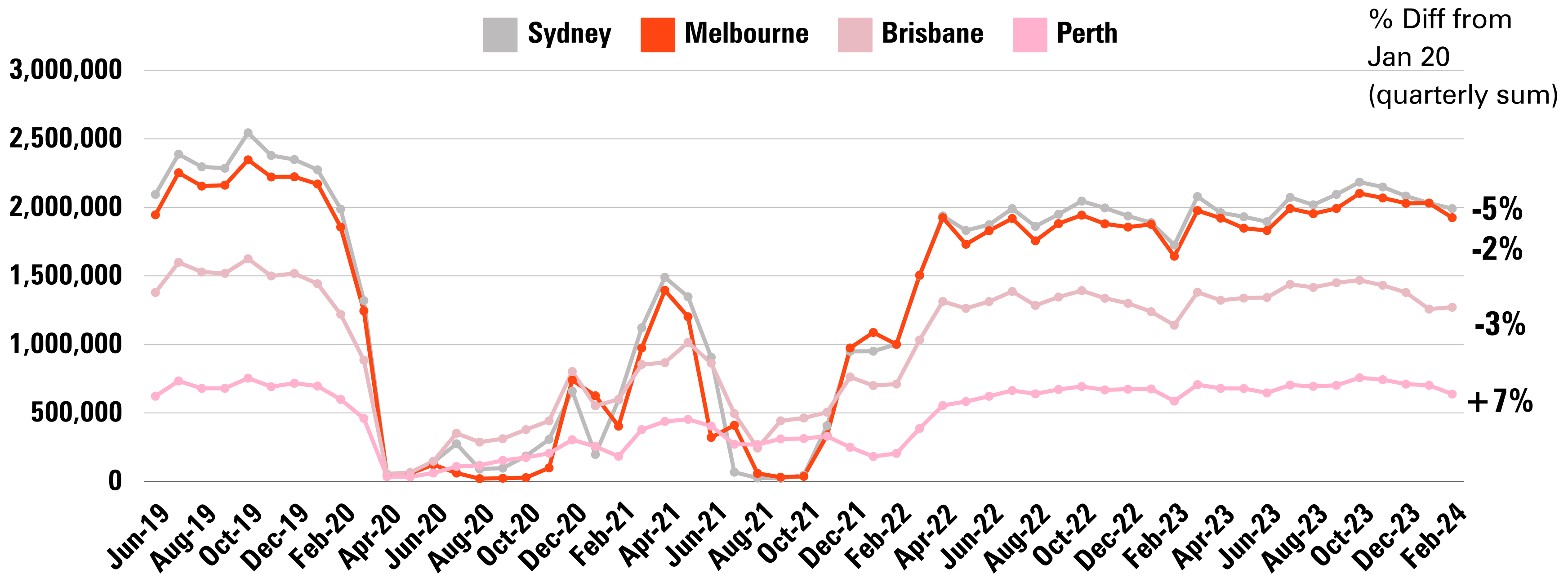
 + 1.6m

 + 723k

Source: forecast.id

# Domestic air travel is flat

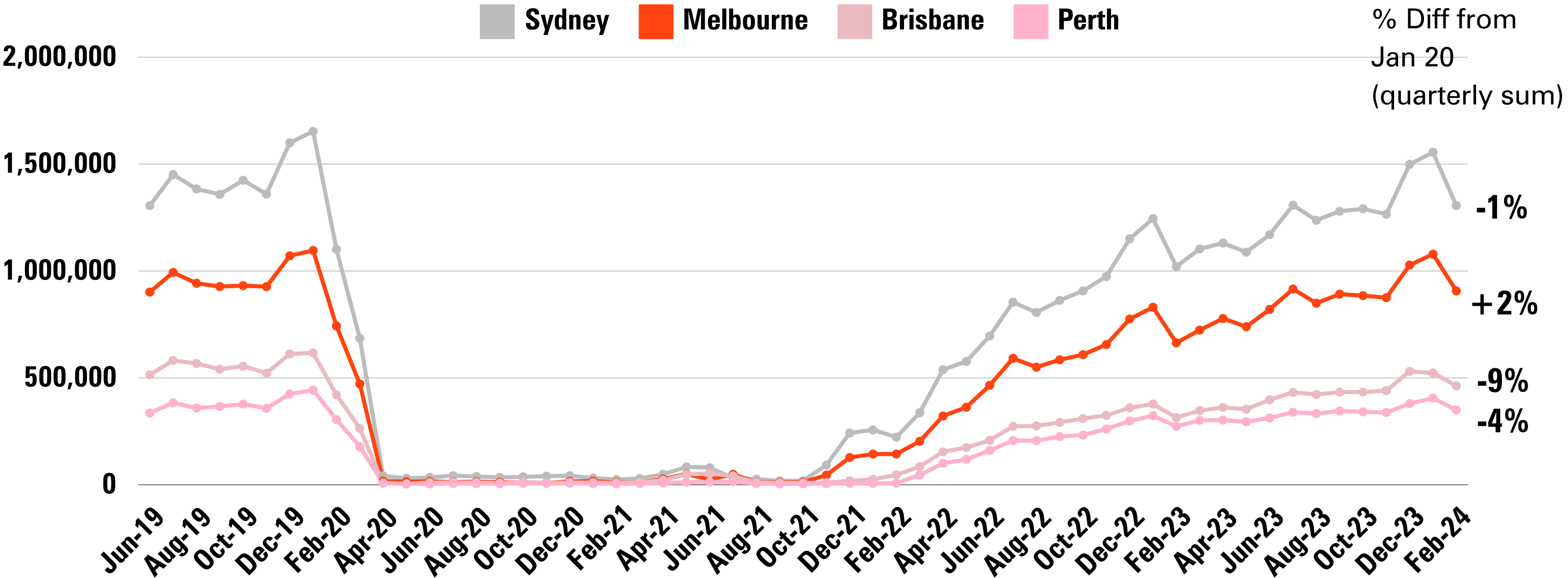
## Domestic Passenger Movements



Source: BITRE, Airport Traffic Data

# International travel has finally recovered for Melbourne

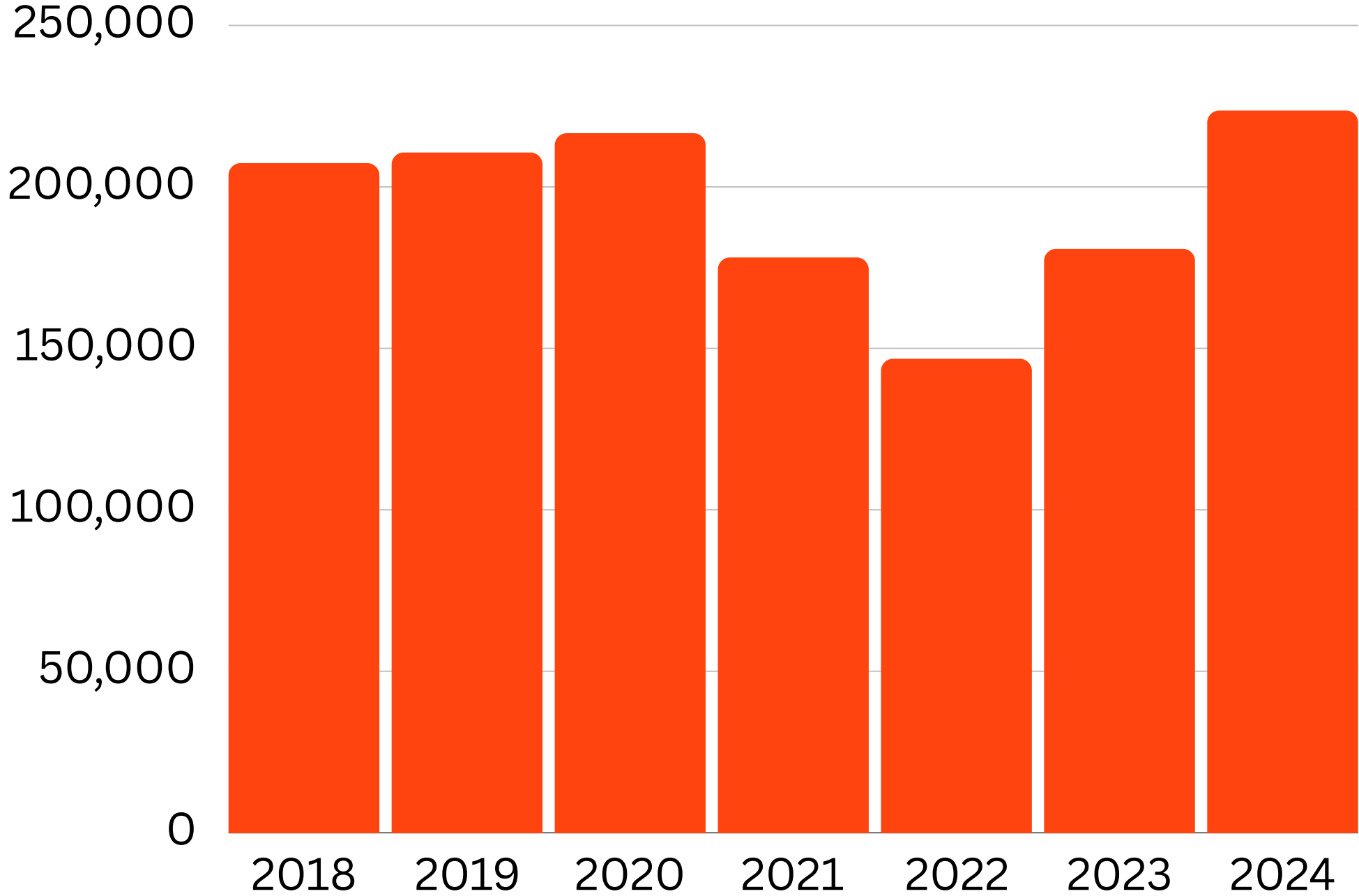
## International Passenger Movements



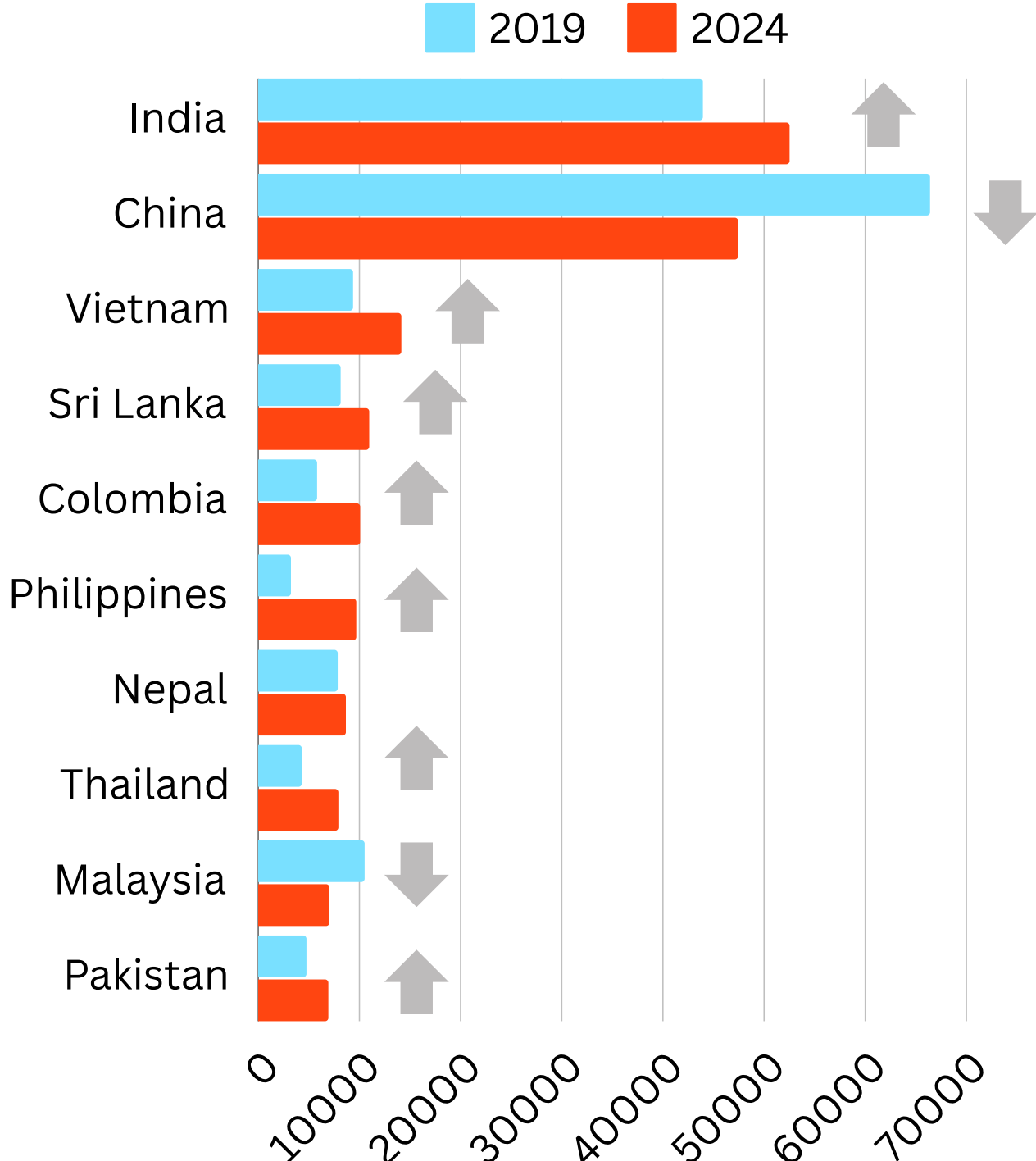
Source: BITRE, Airport Traffic Data

# International student enrolments have surpassed pre-COVID levels

## International student enrollments, Victoria, YTD March



Source: ASIC, 2023



**What happens if the migration tap is turned off?**



- **Australia's modern economy has typically relied strongly on migration for growth, but many are starting to question the rate we can sustain.**
- **Victoria's economy would have been in recession before COVID without immigration largely due to a lack of strong resources industries and some impacts from droughts.**
- **GDP per capita was negative before COVID and is negative again. This typically means 'economic wellbeing' is going backwards.**
- **Large rapid migration places huge stresses on existing infrastructure and substantial demand for new facilities.**

# Australia's strong bounce back was supported in general by economists

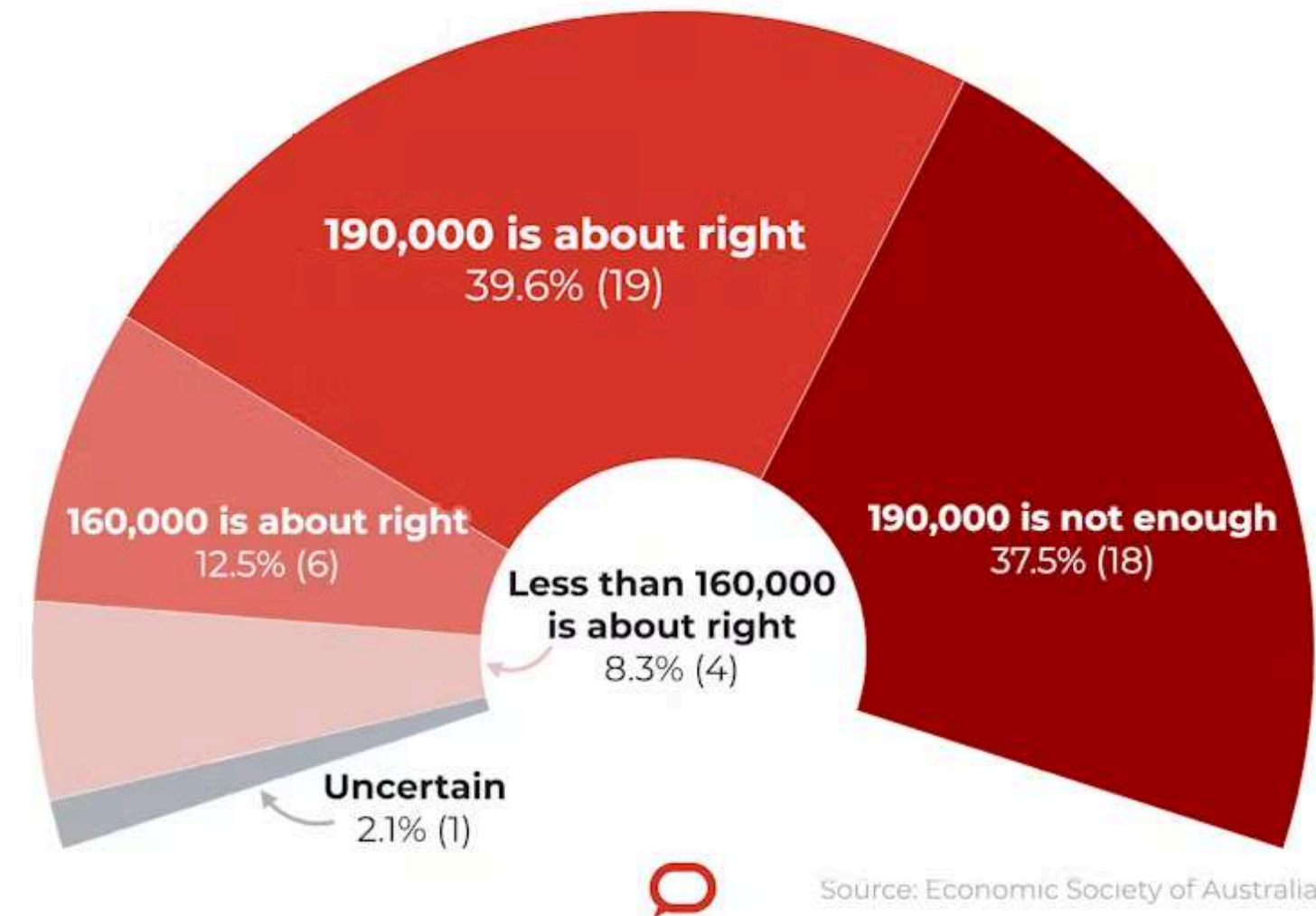
Slower population growth would “ease pressures on the environment, housing prices, infrastructure and emissions”.

“Given low birth rates and a need for a balanced age profile Australia should probably target permanent visas of 320,000 - 1.25% of the current population.”

Source: .id and OECD

Responses from 49 economists to the question:

"What do you think the intake of permanent migrants should be in coming years?"



**MELBOURNE ADDED  
A WHOLE ADELAIDE  
IN 17 YEARS**

**Greater  
Melbourne's  
growth since 2006  
+ 1,446,385**

Source: Australian Bureau of Statistics, Regional Population Growth

**Greater Adelaide's  
population in 2023  
1,446,380**



# **MIGRATION HELPED US AVOID SOME OF THE 'COSTS' OF AGEING**

**The 2002  
Intergenerational  
Report forecast 19%  
of people aged 65 and  
over by 2021**

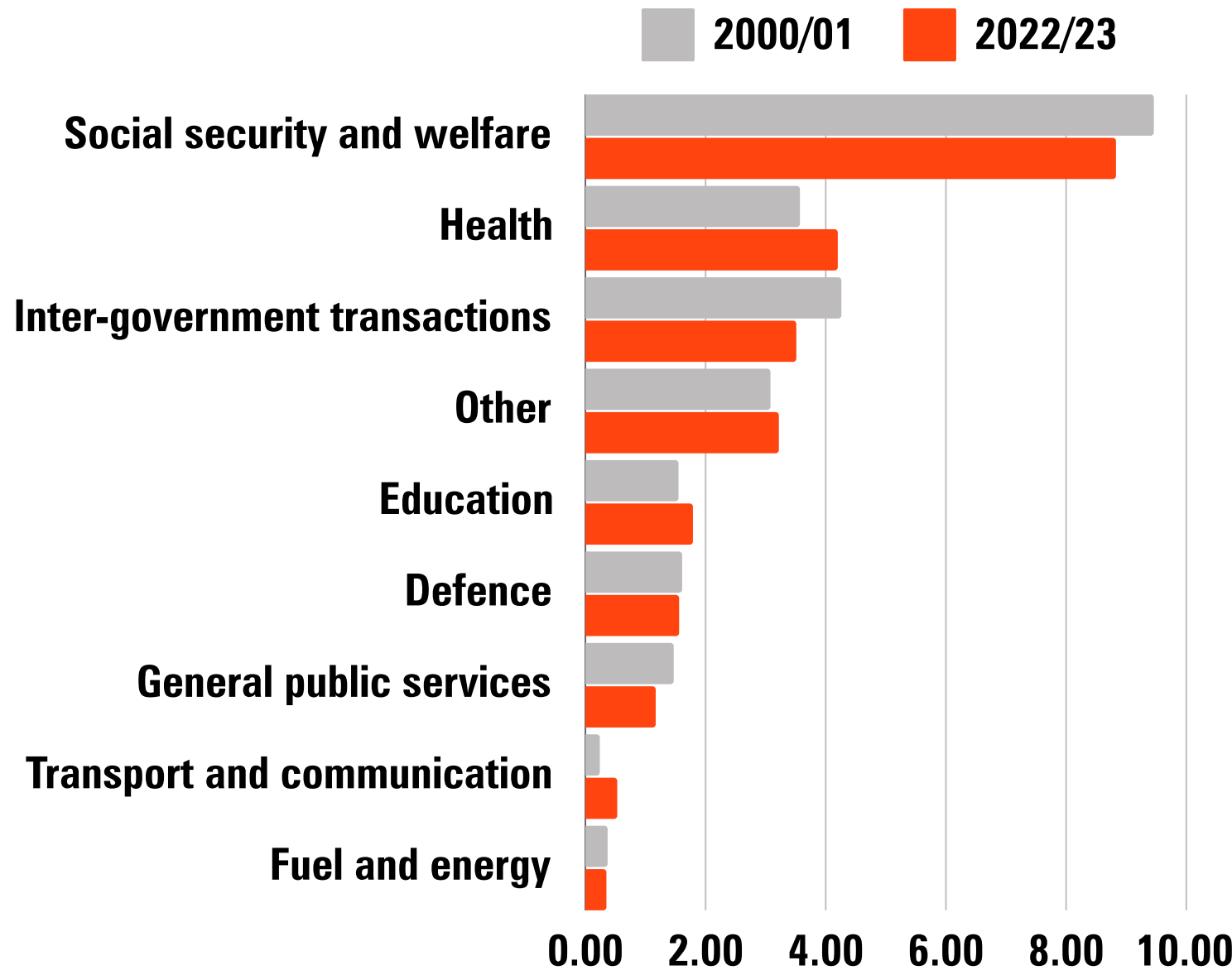
Source: Australian Government, 2002 Intergenerational Report



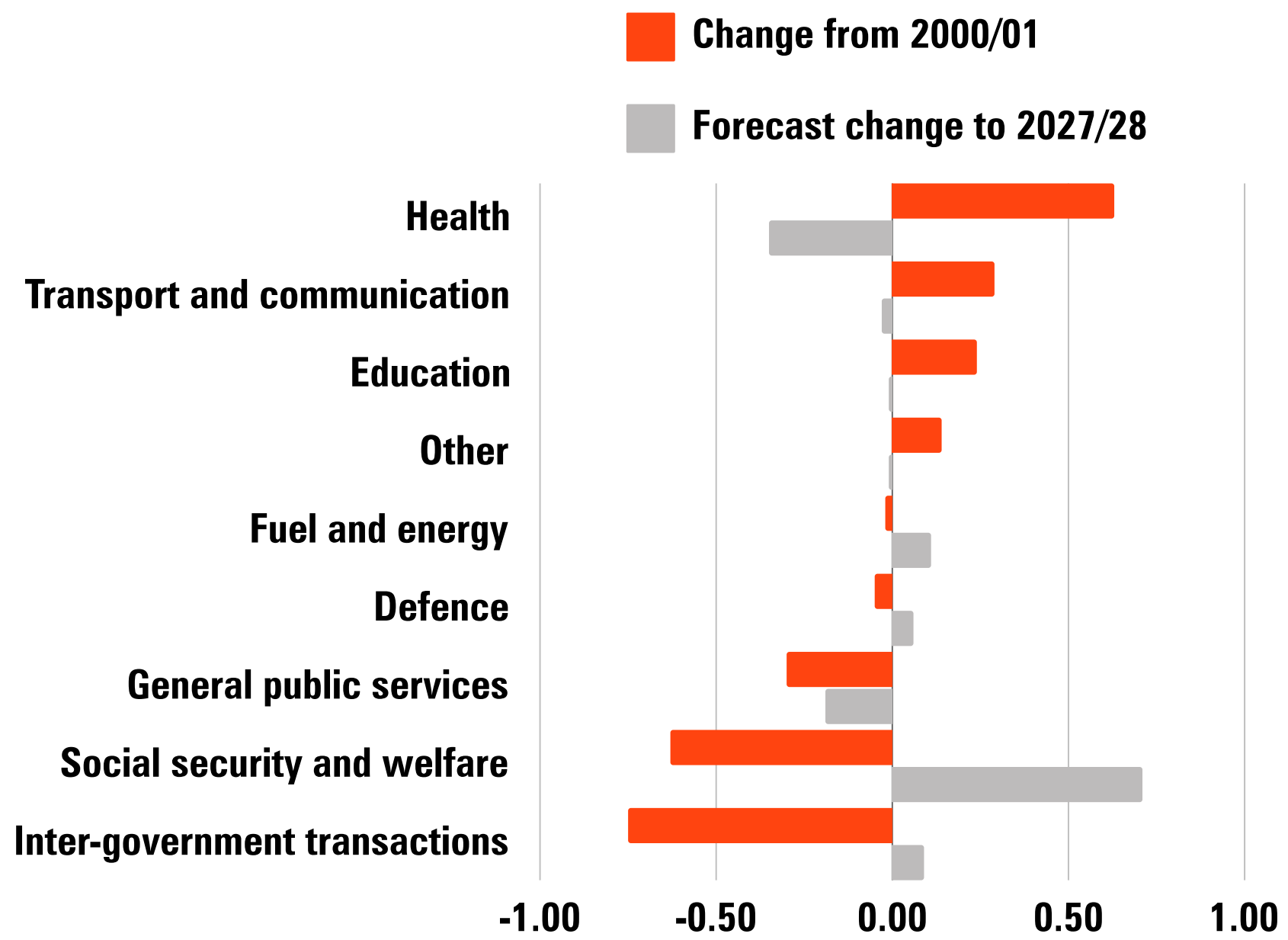
**In 2021, 17% were  
aged 65 and over**

# Health costs have seen the largest rise in the Federal budget

Federal Government Expenses % Share of GDP



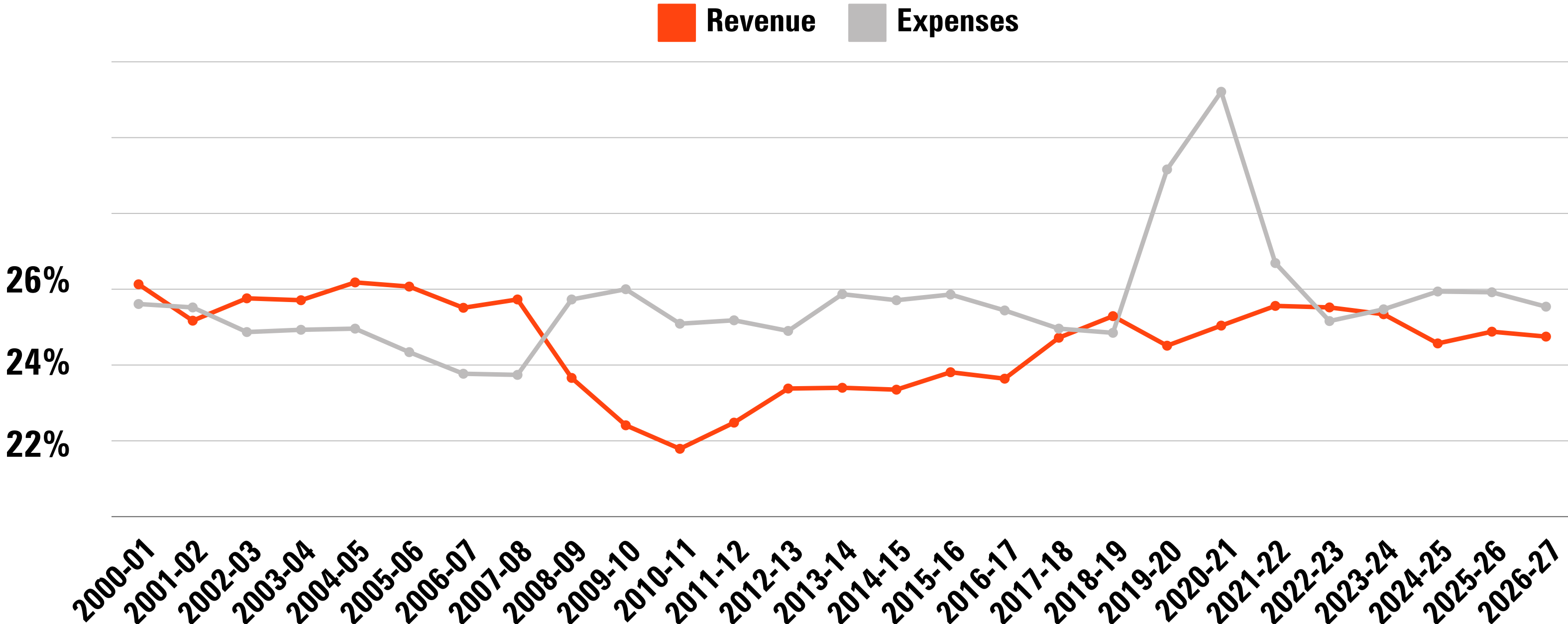
Federal Government Expenses % Share of GDP



Source: Australian Parliamentary Budget Office

# Falling revenue in 2010s was largest contributor to Deficits

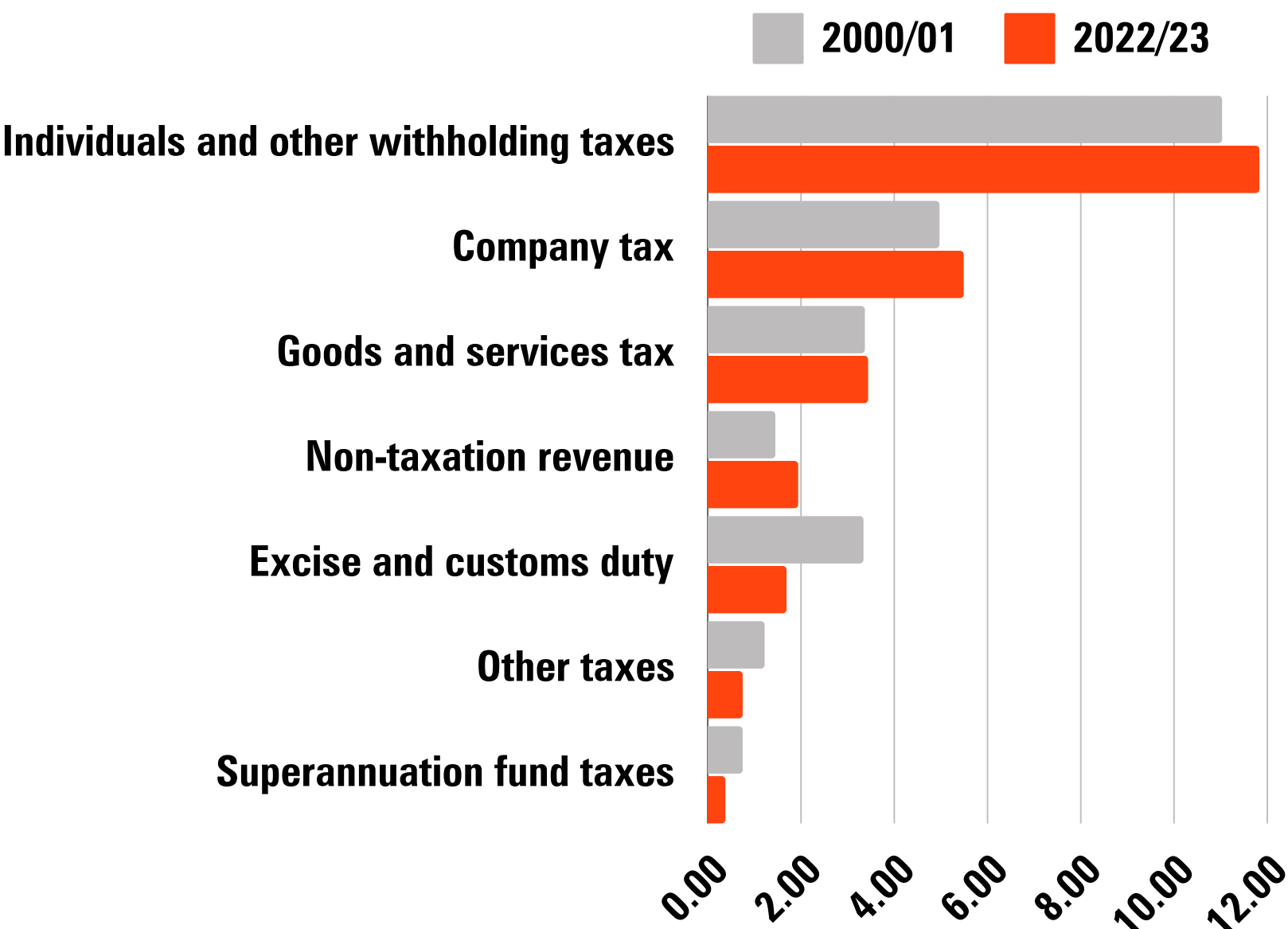
Federal Government Revenue and Expenses % Share of GDP



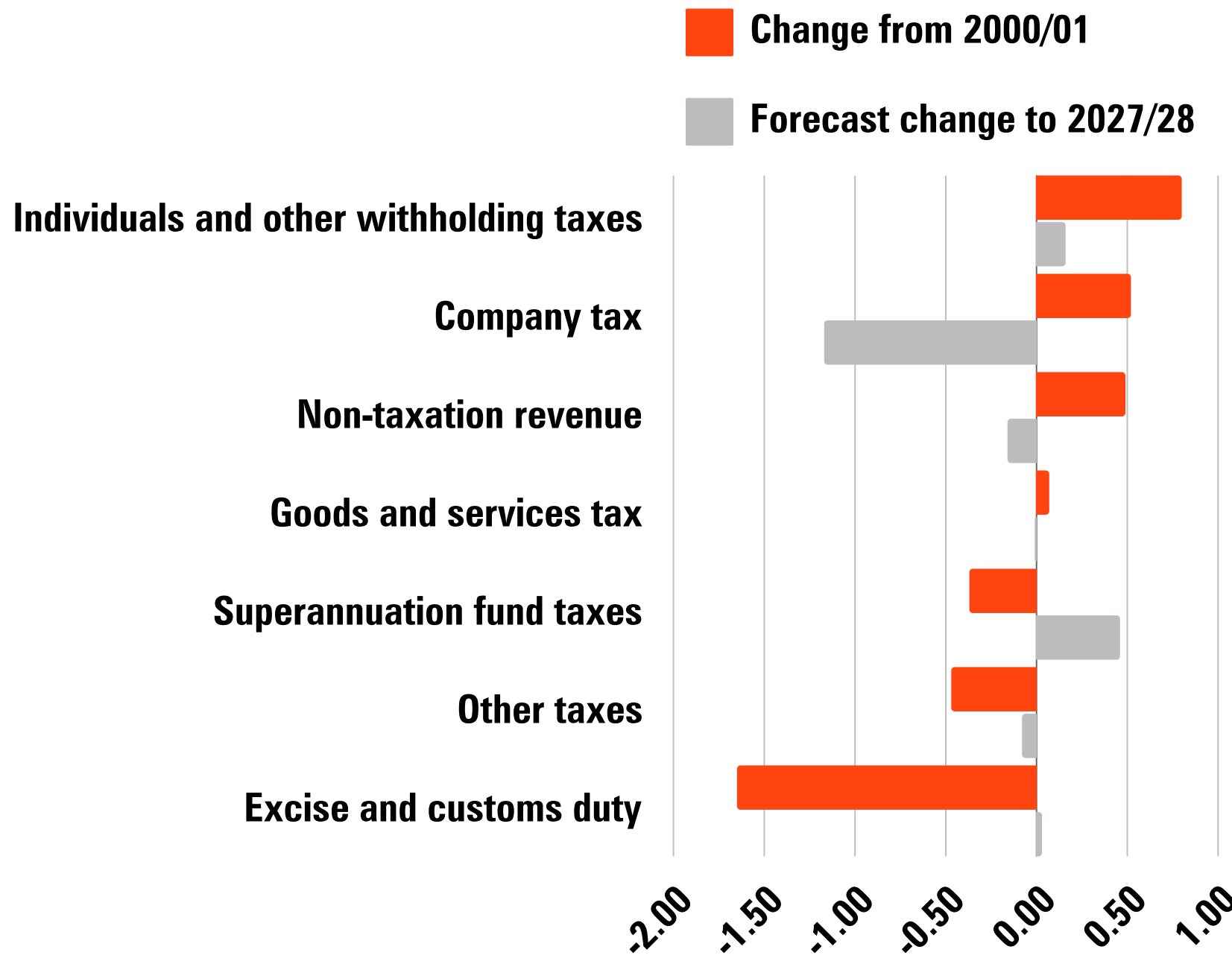
Source: Australian Parliamentary Budget Office

# Individuals paying the costs through taxes

Federal Government Revenue % Share of GDP



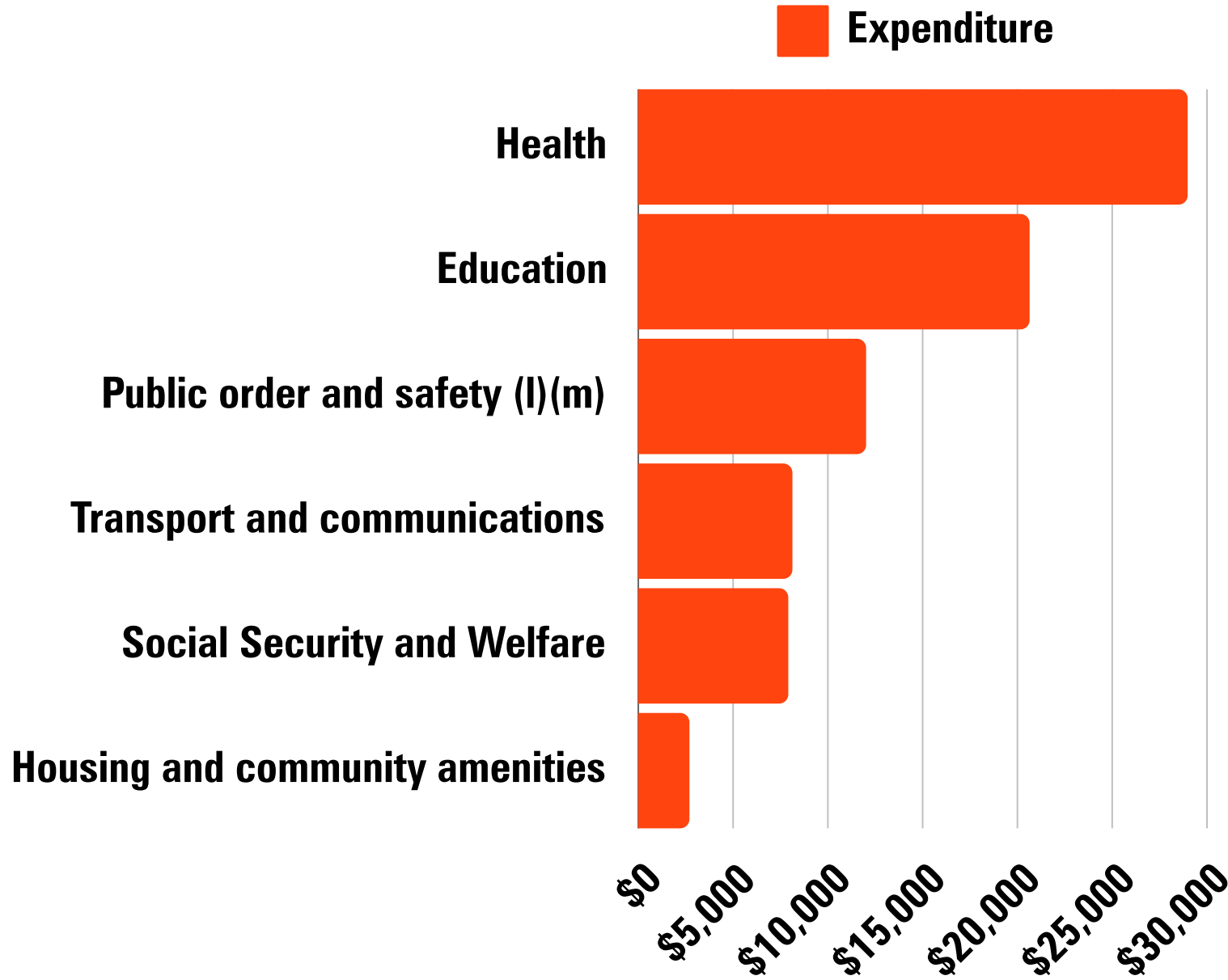
Federal Government Revenue % Share of GDP



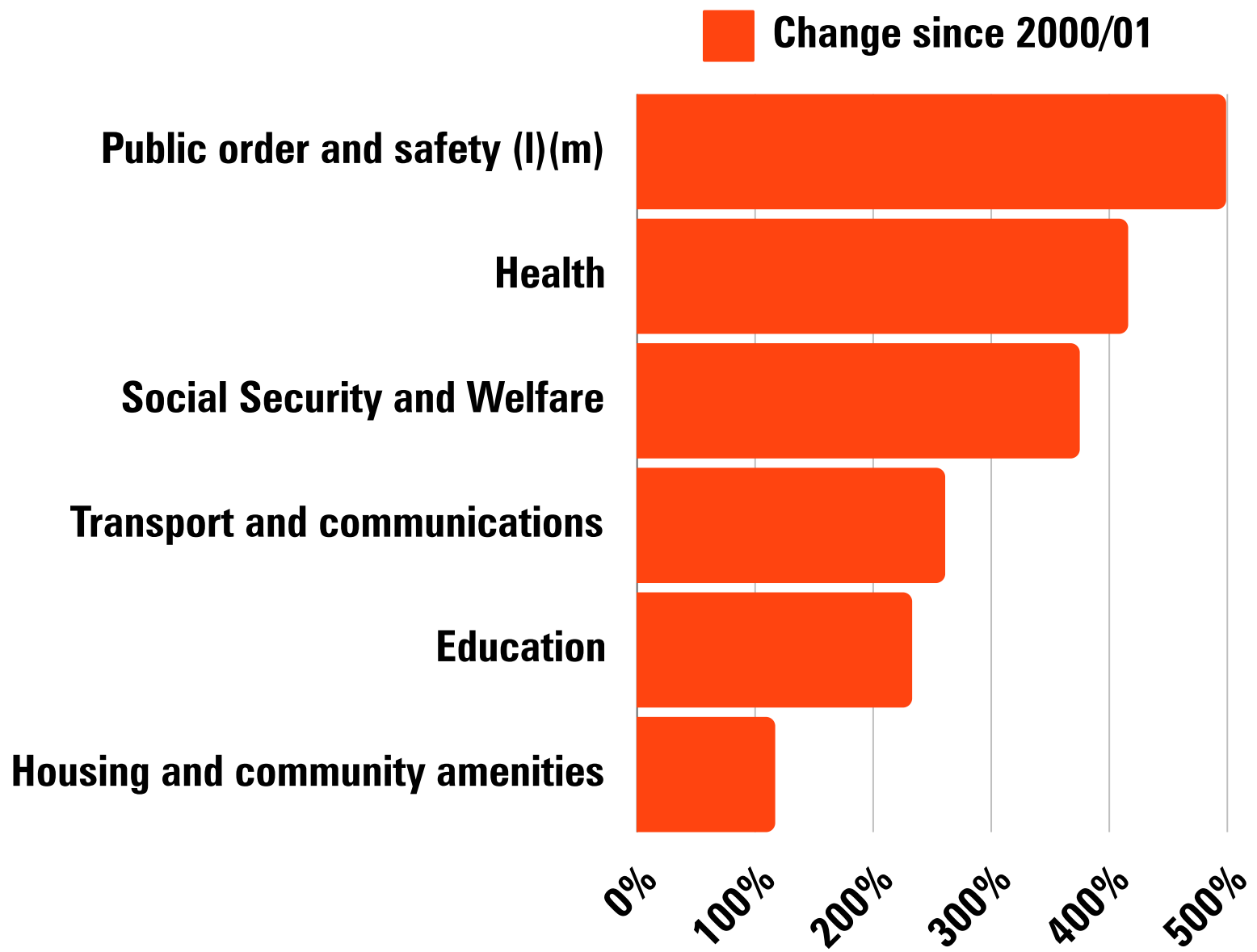
Source: Australian Parliamentary Budget Office

# Health costs have also soared as part of the Victorian Budget

Victorian Government Expenditure by Category



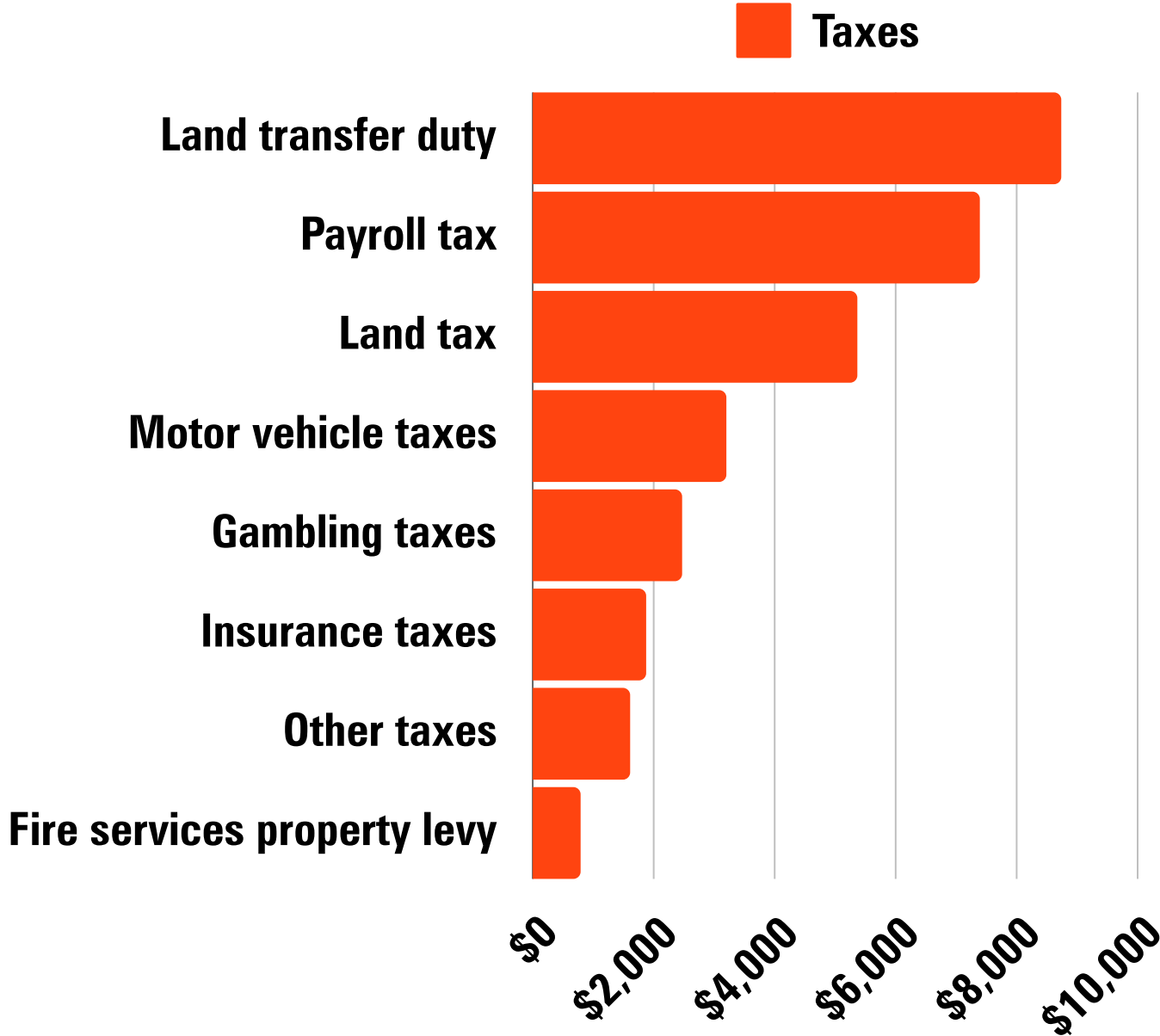
Expenditure change since 2000/01



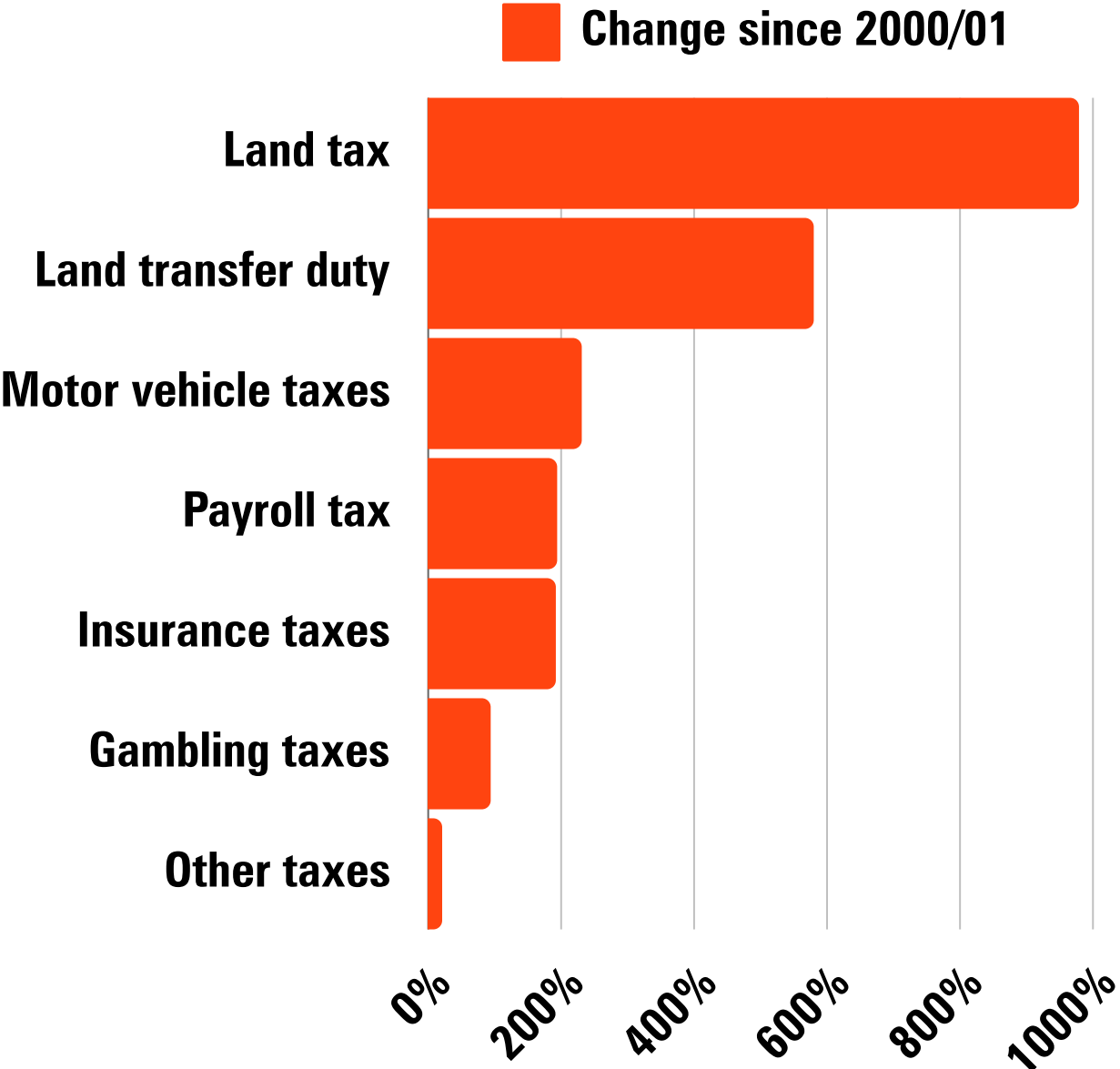
Source: Victorian Government, Department of Treasury and Finance

# Property transactions and ownership the most dominate state lever

Victorian Government Taxation by Type



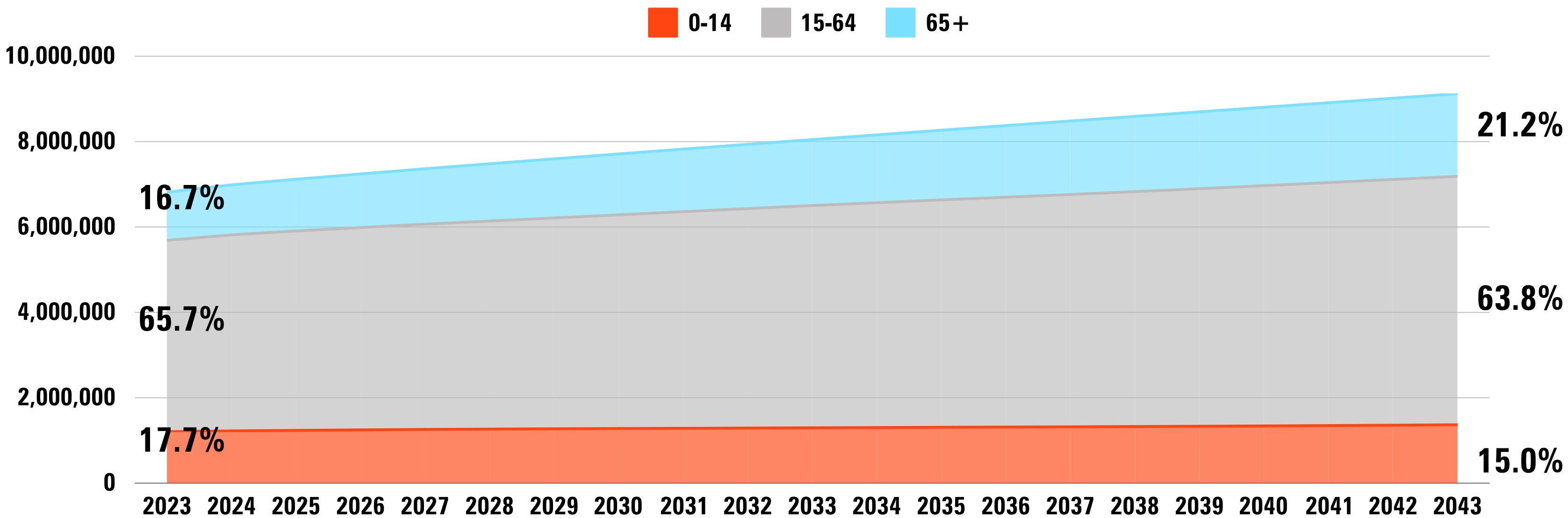
Taxation revenue change since 2000/01



Source: Victorian Government, Department of Treasury and Finance

# Even a return to pre-COVID level immigration suggests our capacity to support aged 'costs' will be challenging

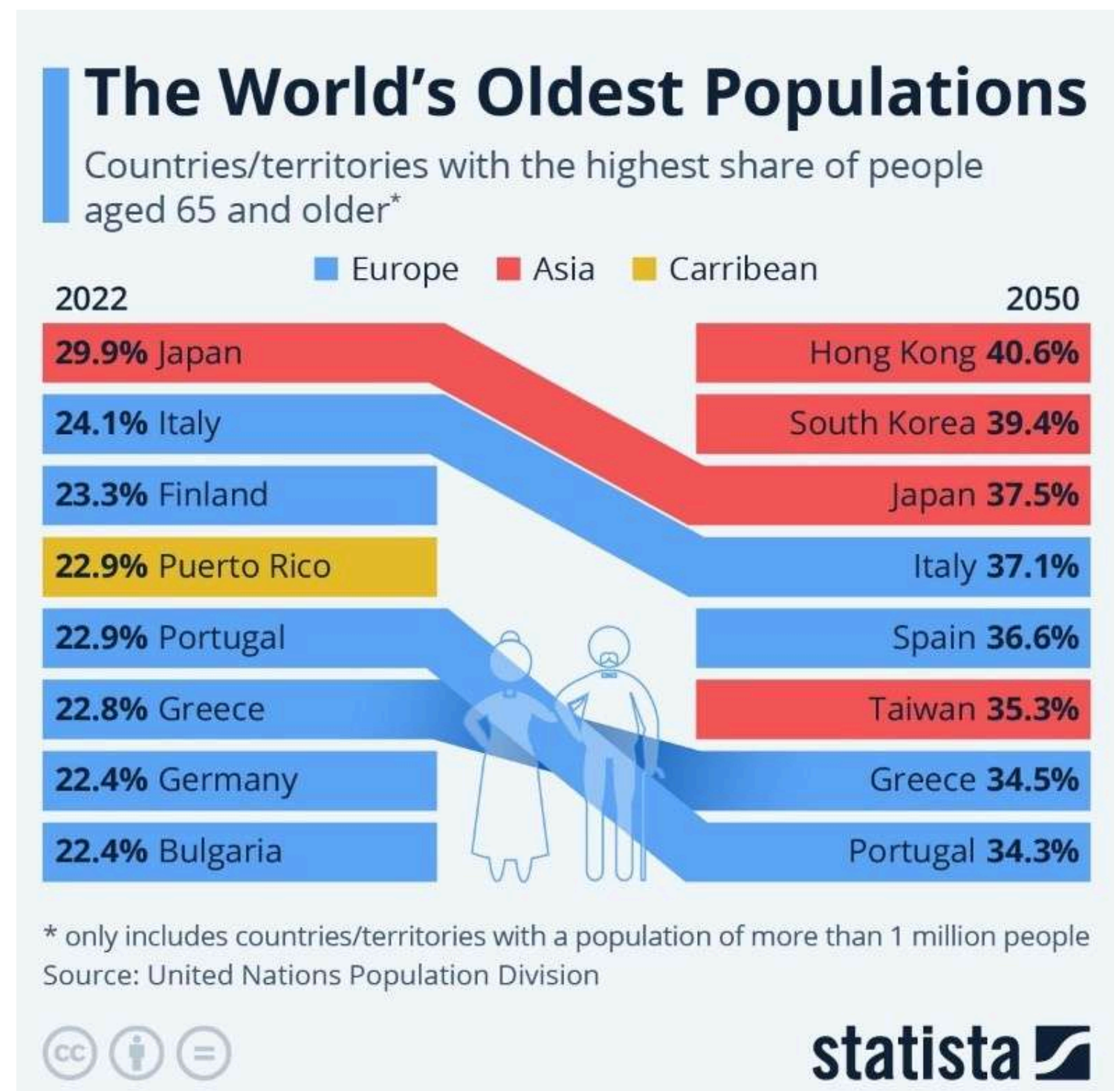
## Victorian Population Forecast



Source: .id Forecasts

# Many countries are already at or above the level we will reach in 2043

This includes many advanced countries. Most have had much lower GDP growth rates than ours, but some have managed to keep GDP per capita high



# A future made in Australia has some merit

Most economies with strong GDP per Capita and older populations have a strong manufacturing base.

But they have to as they cannot rely on Mining and Agriculture exports.

- **Japan - 19% Manufacturing**
- **Germany - 18% Manufacturing**
- **Finland - 16% Manufacturing**
  
- **Australia - 6% Manufacturing**

# A national housing strategy is needed

We cannot keep adding people to the country without serious questions about the quality and location of housing, not just the number

- **Share of Australians renting:**
  - **2001 - 23%**
  - **2021 - 27%**
- **More than one in 10 households have three or more spare bedrooms.**
- **A high share of elderly residents would like to 'age in place'**
- **Australia is very good at building very tall or very flat**

# Scenario planning done by Infrastructure Victoria has put a value to productivity enhancements from a denser Melbourne

## Benefits of more compact cities



**\$59,0000**  
per new home

Infrastructure cost saving for every additional new home in a compact city compared to a dispersed city



**\$43 billion**

The total economic benefit to Victorians in a compact city than in a dispersed city



**\$52 to \$105 billion**

Housing benefits generated by more compact cities



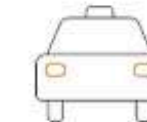
**30,000 hectares**

Amount of land saved in more compact cities, equal to over 12,000 times the Melbourne Cricket Ground



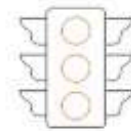
**25% more public transport use**

in more compact cities



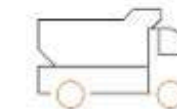
**154,000 less cars**

in a compact city than a dispersed city



**70% less time in congested conditions**

in more compact cities



**17.3 million tonnes**

Less emissions from trucks and cars in a compact city than in a dispersed city

# Creating a case for making changes to housing

**Everywhere is expensive,' he says. 'And in outer municipalities you feel isolated and it's not feasible to commute.' It's mostly migrants who rent, and rents are soaring'**

**Electrical engineer and telecom systems designer living in Merri-  
bek, formerly Pakistan**

**.id** the  
population  
experts

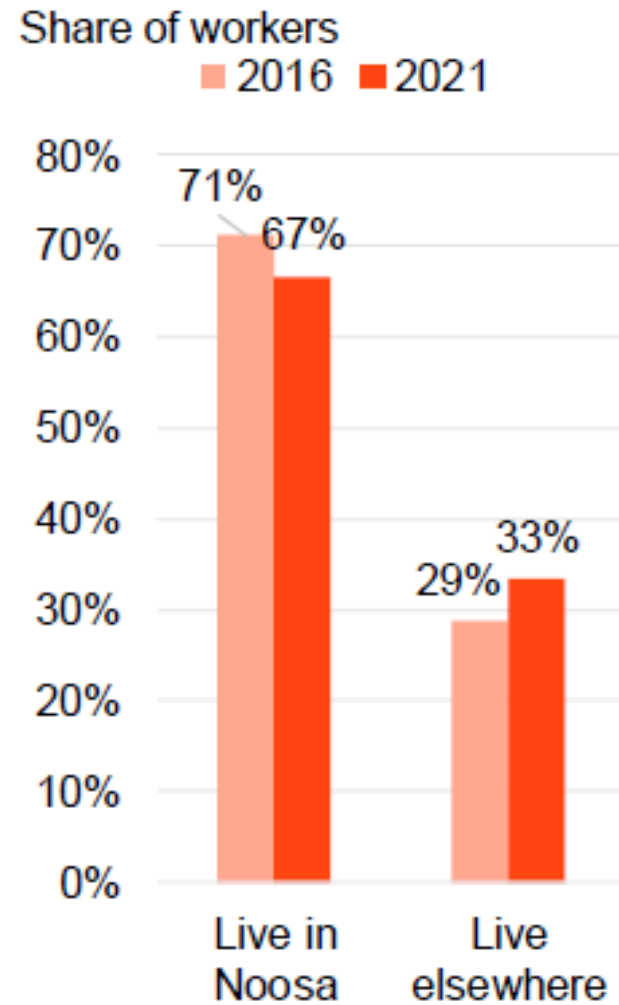
## **A Home in Moreland**

**The housing we need now and in the future**

**Prepared for the City of Moreland**

# Housing affordability and diversity impacts workforce outcomes

## Noosa Skills Analysis



# Use local evidence to allocate scarce resources

What does the community value?

Is housing affordability impacting the community?

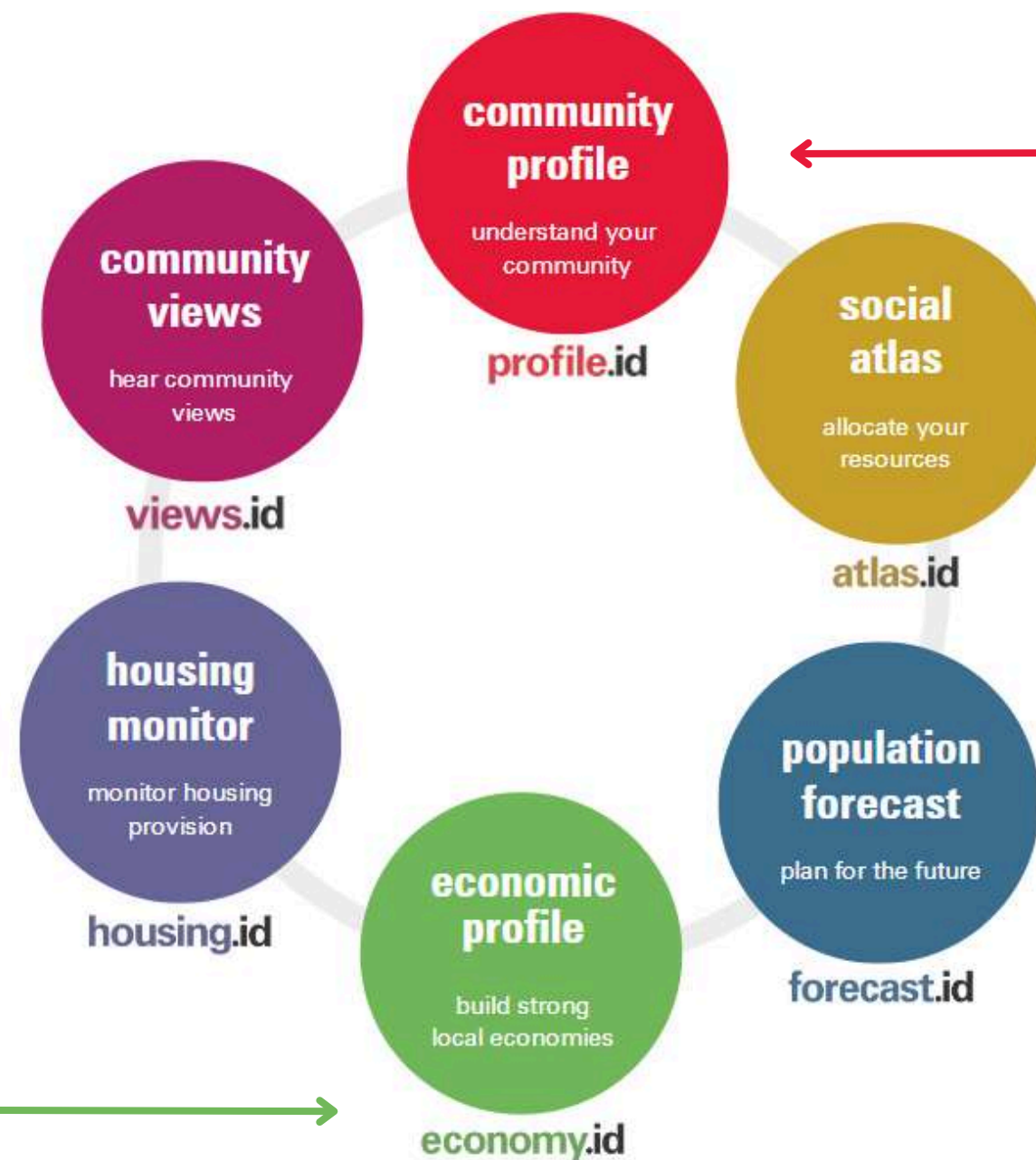
What are the drivers of your economy & barriers to growth?

What is the property value uplift from new investment?

What does your community need?

Where is the need greatest?

What level of demand do you need to plan for?



**WE'D LOVE TO HEAR FROM YOU!**

# **Get In Touch With Us**

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