

Report to the Future Melbourne Committee

Agenda item 6.2

Economic Development Strategy 2031 – post-pandemic economic profile

8 November 2022

Presenter: Andrew Wear, Director, Economic Development and International

Purpose and background

1. The purpose of this report is to recommend the Future Melbourne Committee endorse interim targets to guide the delivery of the City of Melbourne's (CoM) economic development strategy (EDS) to ensure that the city's continued growth benefits all residents and businesses.
2. On 5 April 2022, FMC requested that management "... present to the Future Melbourne Committee by November 2022 recommendations as to progress targets for 2022-23 and 2023-24 towards the EDS aspirations of \$150 billion Gross Local Product (GLP) and 600,000 jobs by 2031."
3. Other 2031 EDS targets include a productivity measure of a \$250,000 contribution to GLP for each job (on average) in the city and 270,000 residents. The EDS also targets a shopfront vacancy rate of less than 5 per cent by 2023.

Key issues

Performance against EDS metrics

4. The EDS sets targets for economic activity, residential growth and shopfront vacancies. Performance against those targets and associated commentary can be found in Attachment 2.
5. The city's economic performance has been significantly impacted by factors beyond COM's control, including the pandemic and associated restrictions. However, an extensive array of initiatives delivered by COM have made an important contribution to the city's relatively strong economic performance. COM interventions have included three rounds of Melbourne Money, the FOMO marketing campaign, the issuing of over 1,000 additional outdoor dining permits and installation of almost 200 parklets, the city's premier events program (including Moomba, Docklands Firelight Festival and Melbourne Fashion Week) and the introduction of the Business Concierge Service (which has recorded well in excess of 30,000 contacts with the city's businesses).

Economic outlook for the City of Melbourne

6. Interventions delivered by COM have generated significant momentum. In the absence of further pandemic disruptions, the city is well poised to recover and resume a growth trajectory.
7. The fundamental strengths of the city's economy provide a robust platform for confidence about future growth. The city's economic growth over the medium to long-term will continue to be driven by three main attributes: population growth; the agglomeration benefits the city offers; and the strength of the city's key knowledge-intensive sectors.
8. Key sectors likely to underpin economic growth in the City of Melbourne through to 2031 are: financial and insurance services; professional, scientific and technical services; and information, media and telecommunications.

Interim targets to guide the implementation of the EDS

9. The 2031 economic targets are ambitious, but achievable. With growing optimism about the city's recovery there is an opportunity to embed the growth trajectory required, through the adoption of interim targets. The adoption of interim targets will allow the city to benchmark its aspirations and create a yardstick that will support progress towards the 2031 targets.

10. Management considered a number of scenarios to ascertain the appropriate trajectory. The proposed interim targets (Table 1, below) are based on a scenario that is aligned with forecasts from the Victorian Department of Treasury and Finance¹ and the Reserve Bank of Australia.
- 10.1. The recent Commonwealth Budget² downgraded national growth projections for the next two financial years (i.e. until 2024-25). Management will monitor the situation closely to ascertain whether the city's growth might also be impacted and report back to Council should corrective measures be required.
11. The proposed interim targets take into account the city's current economic position and chart a course towards the 2031 targets. Effecting this will require an ongoing focus on city activation along with efforts to support medium-term growth. This approach will best embed the benefits of economic recovery for all of the city's residents, businesses and stakeholders.

Table 1

EDS Target	Baseline as published in EDS (pre-COVID – 2018-19)	2023-24 Interim target	2031 Final Target
Gross Local Product (\$billion)	107.5 (104.0 in 2019 dollars)	120	150
Number of Jobs (000s)	497.2	525	600
GLP contribution by job (\$000s)	216.2 (209.0 in 2019 dollars)	229	250
Shopfront vacancy rate	<5%	<5%	<5% by 2023
City population (000s)	170.8 (2020 Estimated Resident Population for the City of Melbourne was revised by the ABS in July 2022)	To be advised	270

Recommendation from management

12. That the Future Melbourne Committee:
- 12.1. Adopt an interim target of \$120 billion in Gross Local Product for the city by 30 June 2024.
- 12.2. Adopt an interim target of 525,000 jobs in the city by 30 June 2024.
- 12.3. Adopt an interim target of \$229,000 in Gross Local Product per job (on average) in the city by 30 June 2024.
- 12.4. Reconfirm its commitment to the Economic Development Strategy target of reducing shopfront vacancies to less than 5 per cent by the end of 2023.
- 12.5. Request that management report back to the Future Melbourne Committee on progress towards achievement of the interim and 2031 targets before the end of the current financial year.

¹ www.budget.vic.gov.au; 2 May 2022

² 25 October 2022

Attachments:

- Supporting Attachment (Page 3 of 4)
- Performance against Economic Development Strategy Metrics (Page 4 of 4)

Supporting Attachment

Legal

1. There are no direct legal implications for council in the recommendation of this report.

Finance

2. There are no direct financial implications arising from the recommendation from management. Provision of funding for activities to support the implementation of the economic development strategy during the current financial year has been confirmed.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Health and Safety

4. In developing this proposal, no Occupational Health and Safety issues or opportunities have been identified.

Stakeholder consultation

5. The design of the economic development strategy was informed by stakeholder consultation during the first half of 2021. A consultation plan for subsequent rounds of stakeholder engagement for 2023 is currently being formulated by management.

Relation to Council policy

6. Implementation of the EDS is supported by the Council Plan, with 'Implementation of the Economic Development Strategy' a major initiative. Delivery of actions in the EDS is further supported by a number of other major initiatives, including: 'strengthen Melbourne's economic recovery'; 'ensure Melbourne is the easiest place to start and grow a new business'; 'maximise opportunities to drive visitation and spend'; 'market and promote Melbourne as a great place to live'; 'increase visitation to Docklands'; 'review Melbourne's international relationships'; 'support the development of globally-competitive innovation ecosystems'; and 'become the employment centre of a resilient zero carbon economy'.

Environmental sustainability

7. In developing this report, environmental sustainability issues have been considered and no direct issues were identified.

Attachment 2

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Performance against Economic Development Strategy Metrics

(all figures in 2021 dollars)

EDS 2031 Target	2018-19 (Baseline)	2019-20	2020-21	2021-22	2031 Target
Gross Local Product (GLP) (\$billion)* *sourced from analysis prepared for CoM by PWC	107.5 (104.0 in 2019 dollars)	107.8	107.4	Not yet measured	150.0
Number of Jobs (000s)^ ^calculated for the calendar year (CY)	497.2 CY2019	457.9 CY2020	465.6 CY2021	Not yet measured	600.0
Productivity: GLP contribution per job (\$000s)	216.2 (209.0 in 2019 dollars)	235.4	230.7	Not yet measured	250.0
Shopfront vacancy rate	<5%	Not measured	31.2% (November 2021 – both vacant and COVID-closed)	17% (September 2022)	<5% by 2023

EDS metrics – performance to-date

- 1.1. Prior to the pandemic, the city's economy was growing strongly. This is reflected in the 2019-20 result for GLP, which is higher than the previous year, even though the last three months of the year were locked-down. The most recent result shows that the city's economic output remains strong, notwithstanding the impacts of the continued lockdowns during 2020-21.
- 1.2. The number of jobs in the city has declined by more than 30,000 since 2018-19. This decline is directly attributable to the pandemic, with some of the biggest losses occurring in the retail, hospitality and transport and logistics sector.
- 1.3. Apparent increases in productivity for 2019-20 and 2020-21 are a pandemic anomaly, caused by a reduction in the number of jobs.
- 1.4. The combined shopfront vacancy rate (inclusive of both vacancies and "COVID-closed" venues) peaked at more than 30 per cent in November 2021, reflecting the state of the city immediately after the sixth lockdown. While the current vacancy rate of 17 per cent is still high, it does represent significant improvement and provides confidence in the economy's potential for ongoing improvement and recovery.
- 1.5. The EDS also has a 2031 target of 270,000 residents. Following the recent release of the 2021 census data, the ABS *revised down* the estimated resident population of the city for June 2020 to 170,806. Management is currently considering the implications of this revision and will report separately to councillors on this metric once this work is complete.