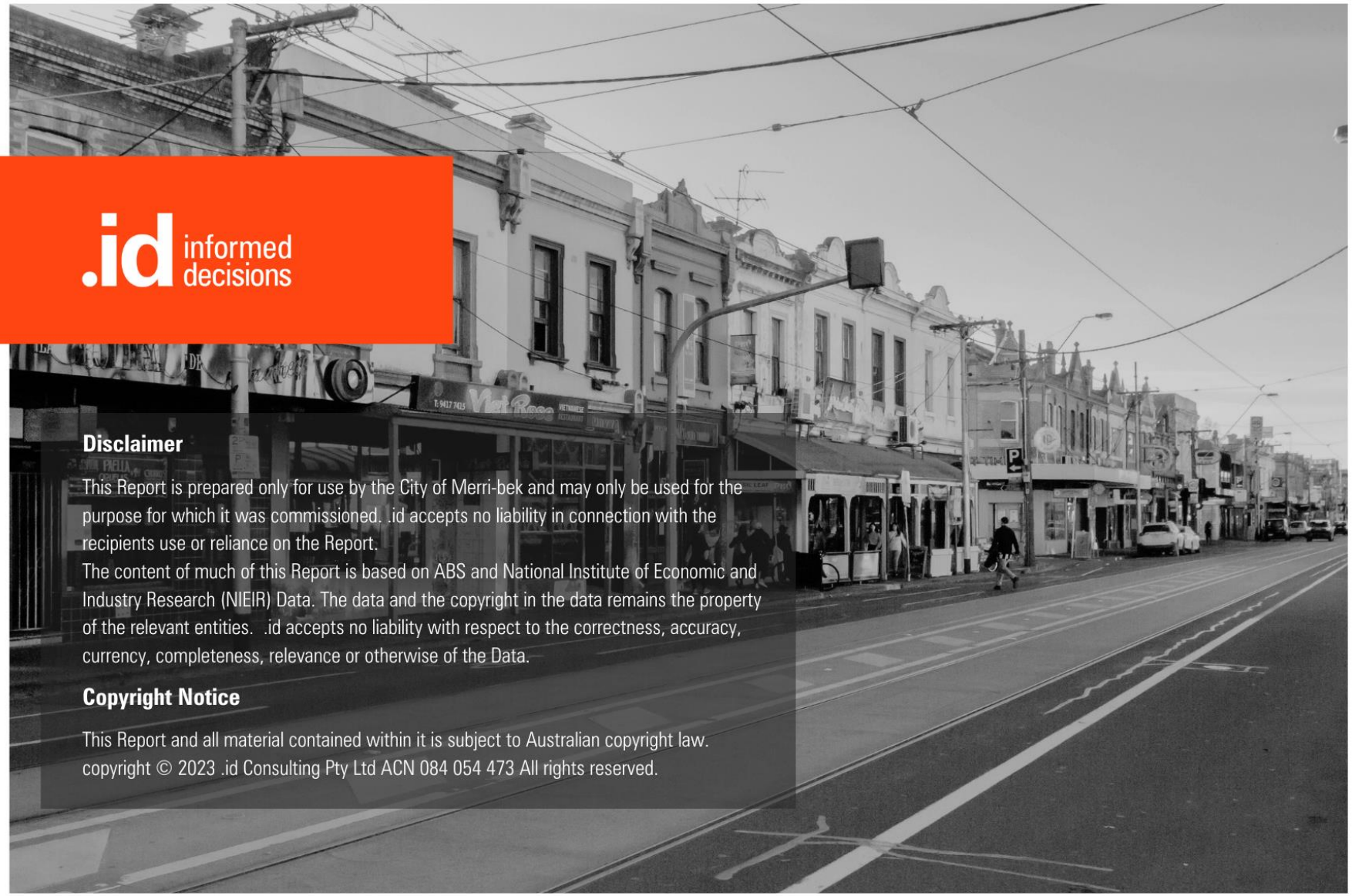
MERRI-BEK ECONOMIC HEALTH CHECK

2023

An up to date overview of the local economy and recent trends driving change

.id informed decisions

Merri-bek City Council



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Data sources and definitions

- The economic and employment data for the City of Merri-bek is sourced from NIEIR. For more information on NIEIR and their methodology please refer to the economy.id website.
- The following data is used in this report:
    - Australian Business Register, GST Registration (2023)
    - Australian Bureau of Statistics, Building Approvals (2023)
    - Australian Bureau of Statistics, Regional Population Growth (2023)
    - Australian Bureau of Statistics, Census of Population and Housing 2006, 2011, 2016 and 2021 estimates
    - Australian Bureau of Statistics, Weekly Payroll Jobs and Wages in Australia (2023)
    - Department of Employment, Small Area Labour Market (2023)
    - Department of Social Services, JobSeeker and Youth Allowance (2023)
    - Forecast.id, Population projections (2022)
    - NIEIR (National Economics), small area estimates of employment and economic value (2023)
    - Tourism Research Australia (2023)
- The following terms and acronyms are used in this report:
    - **ABS:** Australian Bureau of Statistics
    - **ANZSIC:** Australian and New Zealand Standard Industrial Classification (ABS classification used in the collection, publication and analysis of industry statistics)
    - **DZN:** Destination Zone (ABS journey to work small area geography)
    - **GRP:** Gross Regional Product
    - **Greater Melbourne:** A geography designed by the ABS to reflect the area of functional urban population. I.e. the direct population plus people who regularly socialise, shop or work within the city
    - **Local workers/jobs:** People working in Merri-bek and living locally or outside the LGA. Local jobs represents these workers main employing job within the LGA.
    - **LGA:** Local Government Area
    - **LQ:** A location quotient quantifies how concentrated industries are within an areas compared to a larger benchmark region. A number greater than 1 suggests the industry is over-represented locally and could be a specialisation
    - **Melbourne 9 (M9):** An alliance of the nine inner Melbourne councils (Melbourne, Darebin, Hobsons Bay, Maribyrnong, Merri-bek, Moonee Valley, Port Phillip, Stonnington, and Yarra)
    - **Resident workers/employed residents:** People living in Merri-bek and working locally or outside the LGA
    - **SA2:** Statistical Areas Level 2 (ABS medium-sized area geography and most commonly available geography for sub-state level data)

Data sources and definitions

Broad industry definition mapped to ANZSIC industries

Broad Industry	ANZSIC Broad Industry Divisions
Business services	Information Media and Telecommunications
	Financial and Insurance Services
	Rental, Hiring and Real Estate Services
	Professional, Scientific and Technical Services
	Administrative and Support Services
Goods distribution	Wholesale Trade
	Transport, Postal and Warehousing
Goods transformation	Manufacturing
	Construction
Household services – Health, Education and Public Admin	Public Administration and Safety
	Education and Training
	Health Care and Social Assistance
Household services – Retail and Hospitality	Retail Trade
	Accommodation and Food Services
Household services – Other Services	Electricity, Gas, Water and Waste Services
	Arts and Recreation Services
	Other Services
Primary production	Agriculture, Forestry and Fishing
	Mining

Health check summary

Introduction

This report provides a targeted economic analysis of the Merri-bek economy. The report focuses primarily on the period from 2017 to 2022 to assess recent economic performance, growth drivers, competitive advantages and barriers to growth. This page summarises the main findings, broken down by strengths and weaknesses.

Strengths

Economic conditions

- Strong rebound in jobs and economic growth from the impacts of COVID-19.
- Unemployment has fallen since the peak in the March Quarter of 2021. The rate in the June Quarter 2023 was 3.7%, well below the historical average and even below the Greater Melbourne average.
- A spike in building approval activity in 2021/22, driven by residential buildings, is supporting construction jobs in the near term.

Industry

- Professional, scientific and technical services jobs growth has been driven by macro trends, changes to the residence base (more qualified), and Melbourne's booming construction driving demand for architecture and planning services.
- Population growth has driven demand for preschool and school education and vocational education.
- Specialised food and beverage services remained resilient to the impacts of COVID-19.

Demography

- Young, high qualified, high income and diverse resident base. This will be a strong attractor for businesses looking for higher level skills.
- Cultural diversity can create both domestic and international opportunities for local business growth.
- Young workforce and homebuilder cohorts provide a boost to local business demand and investment.
- Residents are increasingly working remotely which provides gains for local businesses and liveability.

Outlook

- Merri-bek's highly specialised hospitality, cultural and education industries have strong growth potential with new residential demand driven by the imminent completion of a number of high-density developments and returning international migration rates.
- Strong labour market conditions are expected to continue in the short term, supporting local consumption and business growth. This is good news for local hospitality and retail.
- An increase in remote working for white collar office-based employees and an uplift in quality commercial office space may further attract professional services businesses and employees.
- Transition of industrial land to smaller parcels/premises offers potential for new manufacturing/light industrial businesses.

Weaknesses

Economic conditions

- Recent jobs and economic growth from 2017 to 2022 were slower than the long-term decade and Greater Melbourne averages.
- The impacts of COVID-19 on jobs and economic activity were higher in Merri-bek than the Greater Melbourne average due to an industry-mix more impacted by lock-downs (i.e. a high share of hospitality employment).
- An increase in domestic outmigration in COVID impacted years when international migration was also impacted means recent population growth has been low.
- Tourism visitation in 2022 was still well below pre-COVID levels.
- Growth in new businesses slowed while business closures rose in 2022.
- Jobs growth in 2022 slowed after a strong initial recovery from COVID-19.

Industry

- Transition in manufacturing and wholesale sectors. Some businesses are moving further out for more affordable and/or larger spaces while smaller enterprises are moving into more fit-for-purpose premises.
- Retail trade jobs decreased over the last 5 years to 2022 due to the shortage of workers and the movement to online retail. However, as retailers adopted online markets the industry productivity increased.
- The tourism sector was hit hard by the COVID-19 outbreak. Despite visitation bouncing back in 2023, labour and operational costs pressures are weighing heavily on the industry.

Demography

- Local jobs differ from many residents' skills and occupations. Housing affordability may have negative impacts on local businesses attracting or sourcing key workers.

Outlook and external forces

- Industry-mix geared toward serving population. This may support jobs growth but offers low potential for growth in productivity unless new high value services or light industrial activities are supported by creation of new facilities/fit for purpose commercial spaces.
- Cost of living pressures and slower domestic and international growth may impact medium term economic and job growth in the Merri-bek. Particularly, lower household spending will have a large impact on the retail and hospitality sectors.

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02 How is the economy performing?

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04 Which industries are competitive and how is this changing?

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07 What macro forces may influence outlook?

01

Economic Overview

Merri-bek's economy grew slower than benchmark areas in the five years to 2022 due to the impacts of COVID-19 and ongoing structural change (gentrification – manufacturing and wholesale industries moving out of the LGA).

Merri-bek generated $7,088m in GRP and supported an estimated 49,152 jobs in 2021/22. This represents 1.8% of Greater Melbourne's economy. Merri-bek's economy grew by an average of 1.3% per annum over the five years to 2022. The number of local jobs increased at an average of +0.8% per annum over the same period. Both these rates were lower than average for Greater Melbourne and the Melbourne 9 (M9)* group of inner-city councils.

The population estimate for Merri-bek was 174,735 in 2021/22. This represented 3.5% of Greater Melbourne's population. Due to COVID impacts (outward migration), the local population was estimated to be roughly the same in 2022 as it was five years previous. This growth rate was below the Greater Melbourne average (+0.9%) but higher than the decrease experienced for the total M9 councils (-0.4%).

In June 2022, the annual average unemployment rate was 5.1% in Merri-bek, a fall of 1.5 percentage points compared to 2017 (the period aligned with other economic indicators). By June 2023, the rate had fallen to 3.7%, lower than the Greater Melbourne average (3.9%).

Tourism visitation fell by 9.6% per year between 2017 and 2022 due to COVID impacts. This fall was larger than the Greater Melbourne average (-5.1%), but consistent with M9 councils. Visitation had rebounded by June 2023 with annual visitation reaching over 770,000 visitors.

Merri-bek economy in 2021/22

	As at 2021/22		Five year average annual growth to 21/22	
		Merri-bek	M9 Councils	Greater Melbourne
GRP	$7,088m	+1.3%	2.1%	2.1%
Local jobs	49,152	+0.8%	1.5%	1.6%
Population	174,735	+0.0%	-0.4%	0.9%
Unemployment	5.1% (2022/23: 3.7%)	-1.5%	-1.1%	-1.4%
Tourism visits	375,811 (2022/23: 774,000)	-9.6%	-9.0%	-5.1%

*Melbourne 9 (M9) is an alliance of the nine inner Melbourne councils that work cooperatively and collectively advocate for issues and projects of mutual interest. It includes the cities of Melbourne, Darebin, Hobsons Bay, Maribyrnong, Merri-bek, Moonee Valley, Port Phillip, Stonnington, and Yarra.

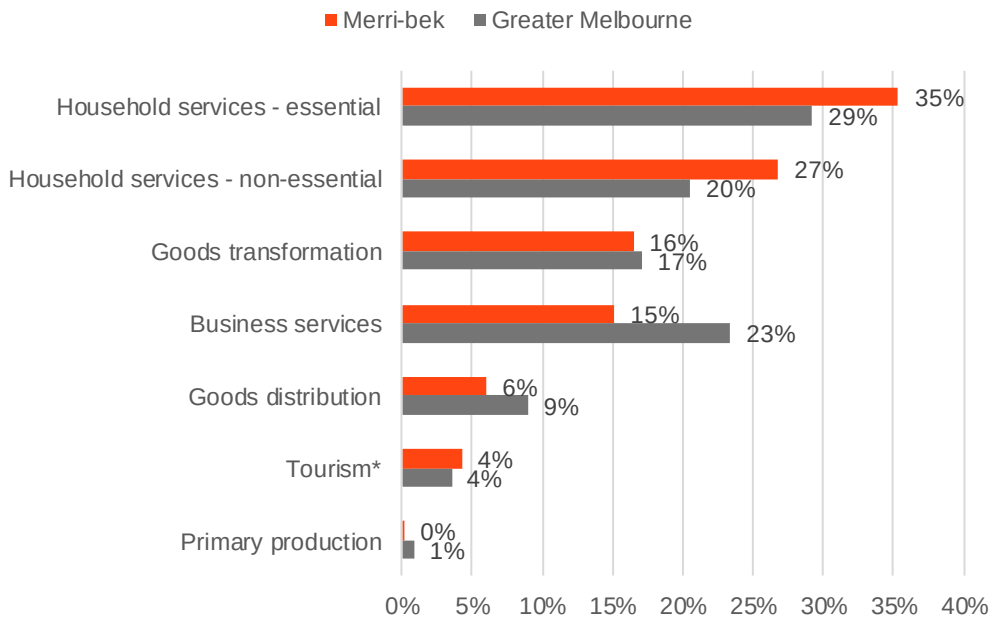
Merri-bek's economy is dominated by household service industries. Construction and professional services also make an important contribution.

Household services industries (Health, Education and Public Administration) play a significant role in driving the local economy of Merri-bek, with the number of jobs in these industries higher than the Greater Melbourne average. The share of employment in the Business services industries is lower in Merri-bek compared to the Greater Melbourne average.

The most prominent industries in terms of employment and economic contribution in Merri-bek comprise Health Care and Social Assistance, Education and Training, Retail Trade, Construction, and Professional, Scientific and Technical Services.

Structure of employment - Merri-bek

% of total local jobs, 2022



*Source: NIEIR, 2023 | * Includes activities from other industries*

Top 4 Industries in 2022

Jobs

Health Care and Social Assistance	Education and Training	Retail Trade	Construction
8,680 jobs (17.7%)*	**5,869 jobs** (11.9%)*	**4,806 jobs** (9.8%)*	**4,634 jobs** (9.4%)*

Value Added

Health Care and Social Assistance	Construction	Professional, Scientific and Technical Services	Education and Training
$808m (15.7%)**	**$655m** (12.7%)**	**$484m** (9.4%)**	**$430m** (8.4%)**

*Source: NIEIR, 2023 | * % of local jobs in Merri-bek; ** % of value added in Merri-bek*

02

How is the economy performing?

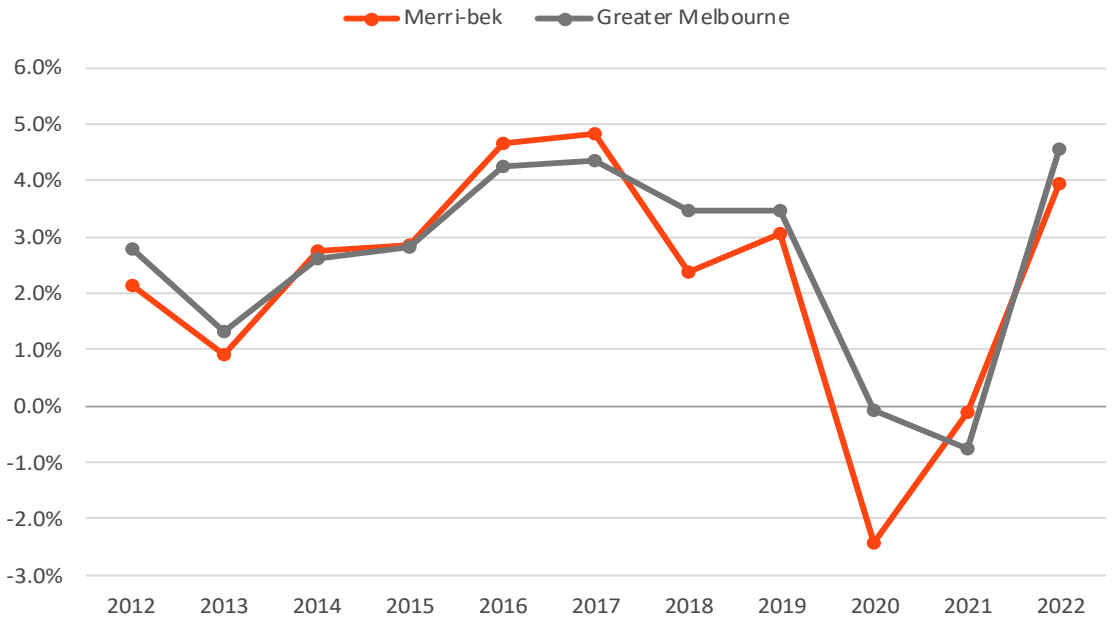
Merri-bek's economy was impacted more by COVID-19 than the Greater Melbourne average, but has rebounded strongly.

Merri-bek's economic growth (GRP terms) increased by 1.3% per year between 2017 and 2022. This growth rate was lower than the decade average of 2.3% per year. Merri-bek's economic growth was marginally weaker than the Greater Melbourne average over the same period. The industry drivers behind this change will be explored in chapter 4.

Merri-bek's GRP growth to 2022 was ranked 6th out of the nine M9 councils. The average annual GRP growth rate of these LGAs during the same period was 2.1% per year, influenced largely by strong economic growth in the City of Melbourne.

Growth in GRP - Merri-bek

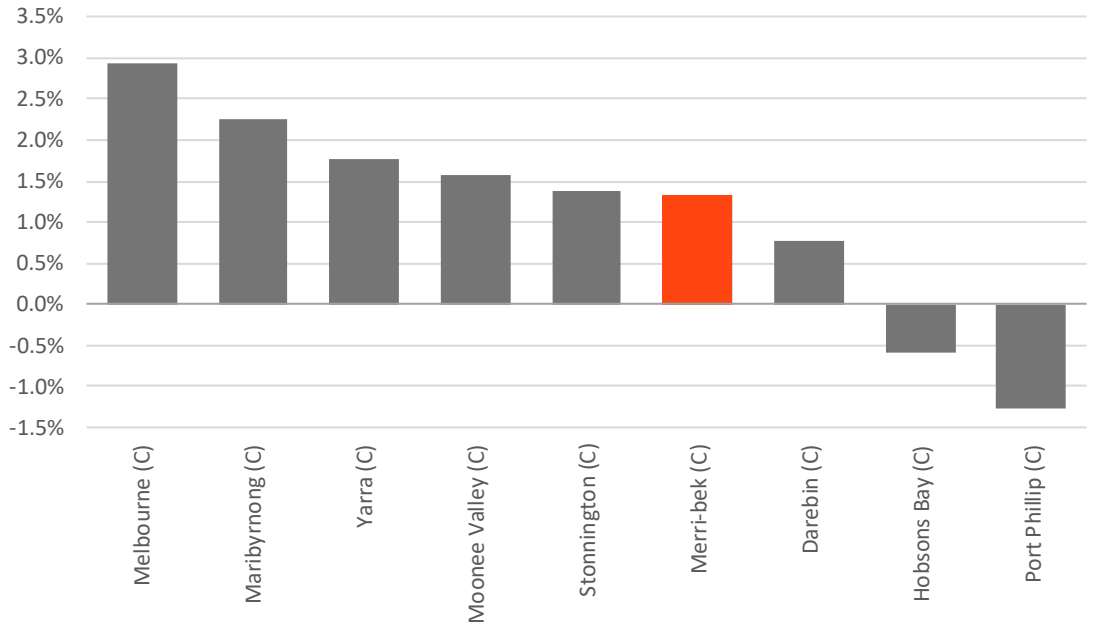
% per annum



Source: NIEIR, 2023

Growth in GRP - M9 Councils, 2017 to 2022

% average annual growth rate



Source: NIEIR, 2023

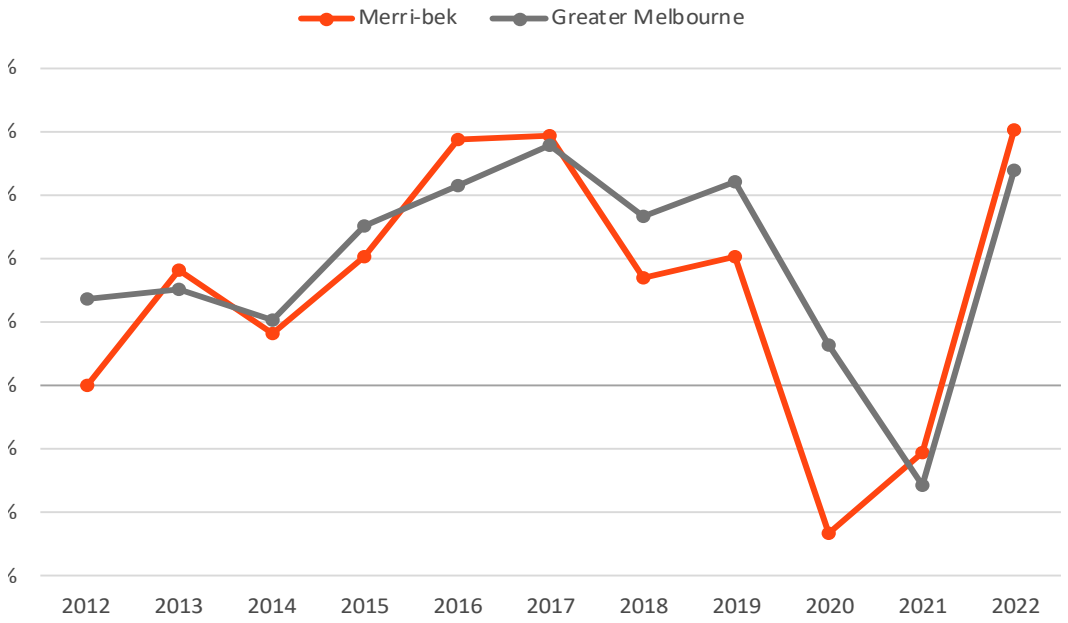
The jobs recovery in FY2022 was driven by hospitality, professional services, construction and health; Pre 2018 jobs growth tracked Greater Melbourne, but has since diverged driven by a fall in retail and light industrial jobs in Merri-bek.

Merri-bek's local jobs increased by 0.8% per year between 2017 and 2022. This growth rate was lower than the decade average of 1.7% per year. Merri-bek's local job growth was slower than the Greater Melbourne average between 2017 and 2022.

Merri-bek's local jobs growth to 2022 was ranked 5th out of the nine M9 councils. The average annual growth rate of these LGAs during the same period was 1.5% per year. If the City of Melbourne is excluded, growth was 0.3% p.a. for the other 8 councils due to losses in Port Phillip and Hobsons Bay.

Growth in local jobs - Merri-bek

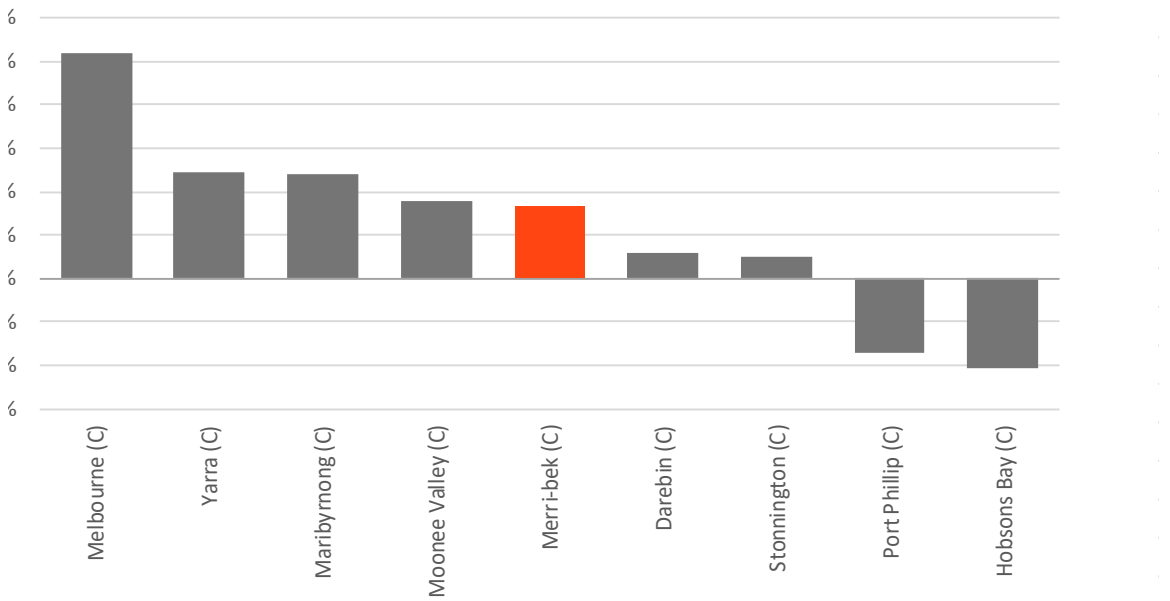
% per annum



Source: NIEIR, 2023

Growth in local jobs - M9 Councils, 2017 to 2022

% average annual growth rate



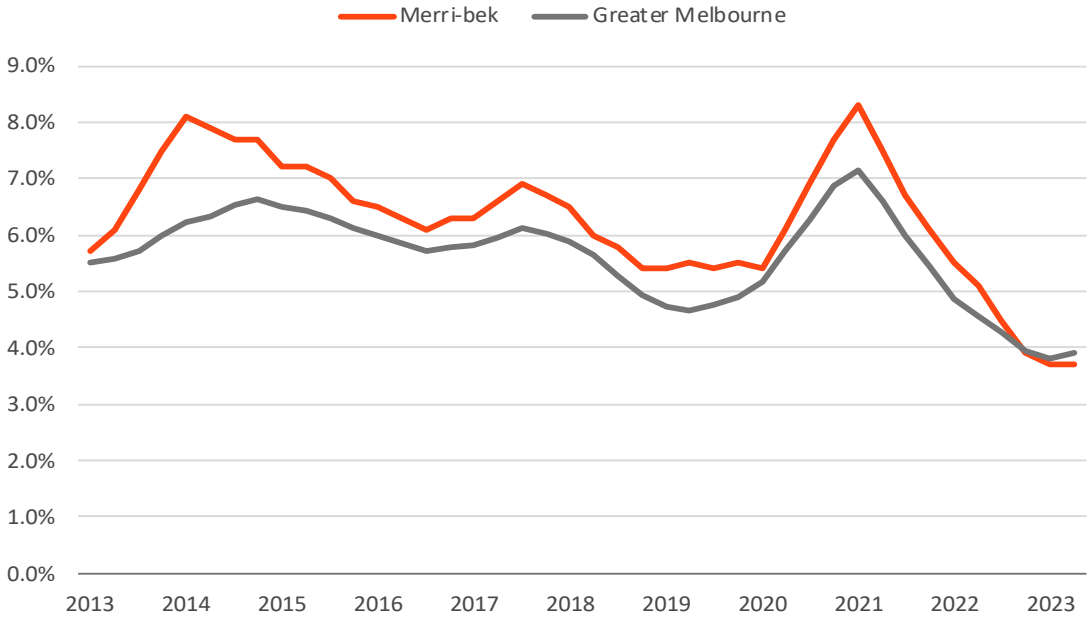
Source: NIEIR, 2023

Labour force conditions in Merri-bek have tightened significantly in the last two years, dipping below the Greater Melbourne average for the first time in the decade up to 2023.

Merri-bek's unemployment rate decreased over the 5 years to 2023. In the June Quarter 2023, Merri-bek's 12-month average unemployment rate was 3.7%, below the historical average and also below the Greater Melbourne average (3.9%).

Merri-bek's unemployment rate was ranked 6th highest out of the nine M9 councils in 2022/23. The surrounding M9 average unemployment rate in the June Quarter 2023 was 3.5%.

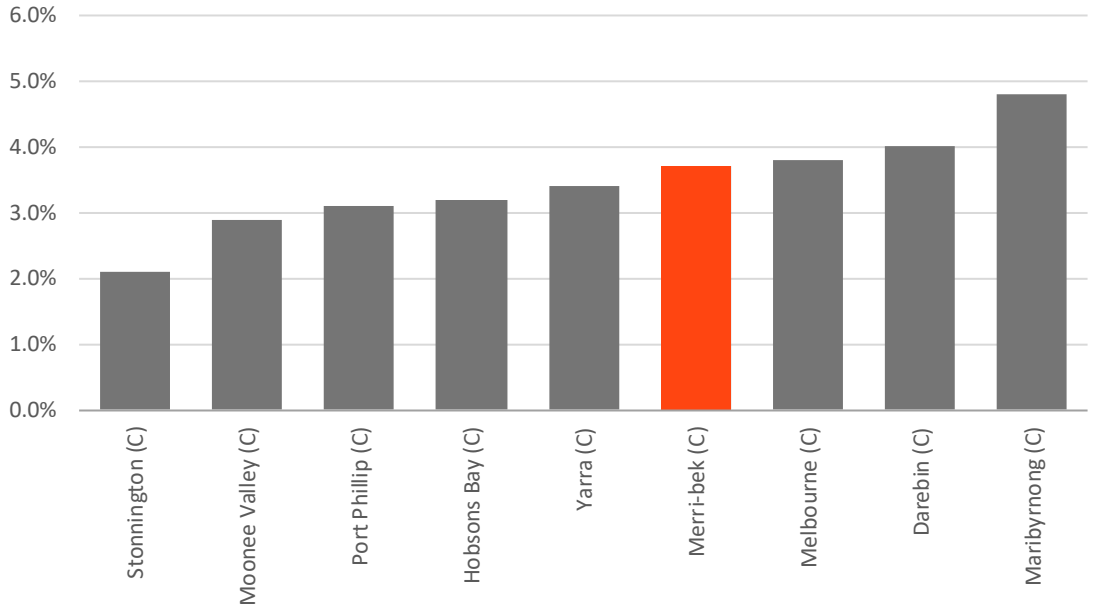
Unemployment rate - Merri-bek



Source: ABS Labour force survey (2023); Department of Employment SALM (2023)

Unemployment rate %, June 2023

Melbourne 9 LGAs



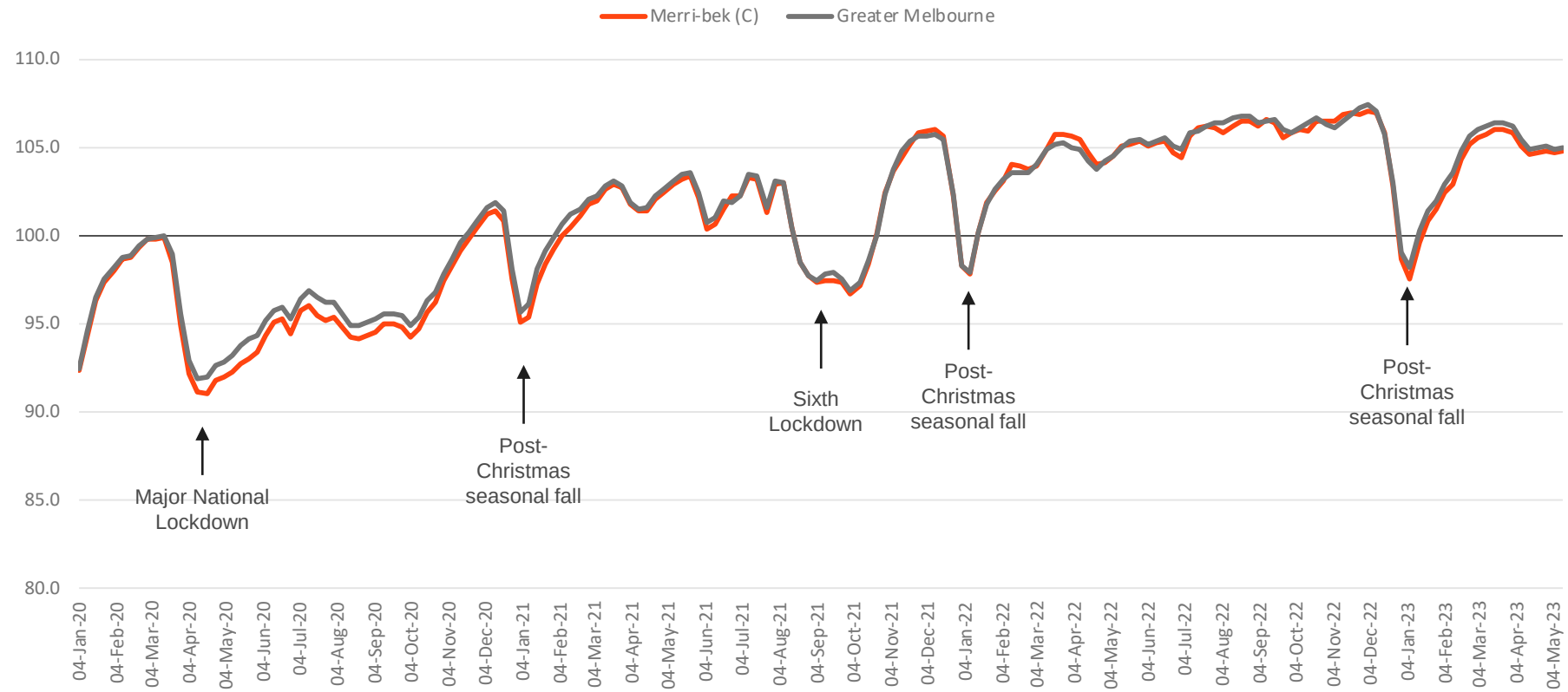
Source: Department of Employment SALM (2023)

Growth in jobs held by Merri-bek residents slowed in late 2022.

Payroll jobs data is a data source provided by the ABS that can highlight movements in the number of jobs in an economy, not just the number of employed. It is based on where jobholders live rather than work, so it is a better indication of the labour conditions of Merri-bek's residents. The number of payroll jobs held by Merri-bek residents decreased immediately following the outbreak of COVID-19. By April 2020 payroll jobs for Merri-bek residents had fallen by 9.0%. The initial impact on payroll jobs was higher than that for all Greater Melbourne residents (-8.1%).
As the economy recovered from multiple lockdowns, payroll job numbers increased. Growth continued through early 2022 before slowing in late 2022. In May 2023, payroll jobs were around 4.8% above pre Covid-19 levels. This was similar to the Greater Melbourne average (5.0% above pre COVID-19 levels).

Payroll job numbers

Index 100 = March 14, 2020



Payroll jobs estimates provide near real-time information about the performance of local labour markets. This data helps us to understand the impact and recovery of local areas in recent years.

Payroll jobs represent jobs, not the number of people employed, hence jobholders working multiple jobs are counted more than once.

Payroll jobs data is based on where employees live, rather than where they work. Payroll job estimates are not seasonally adjusted and will show a high degree of seasonable change during holiday periods.

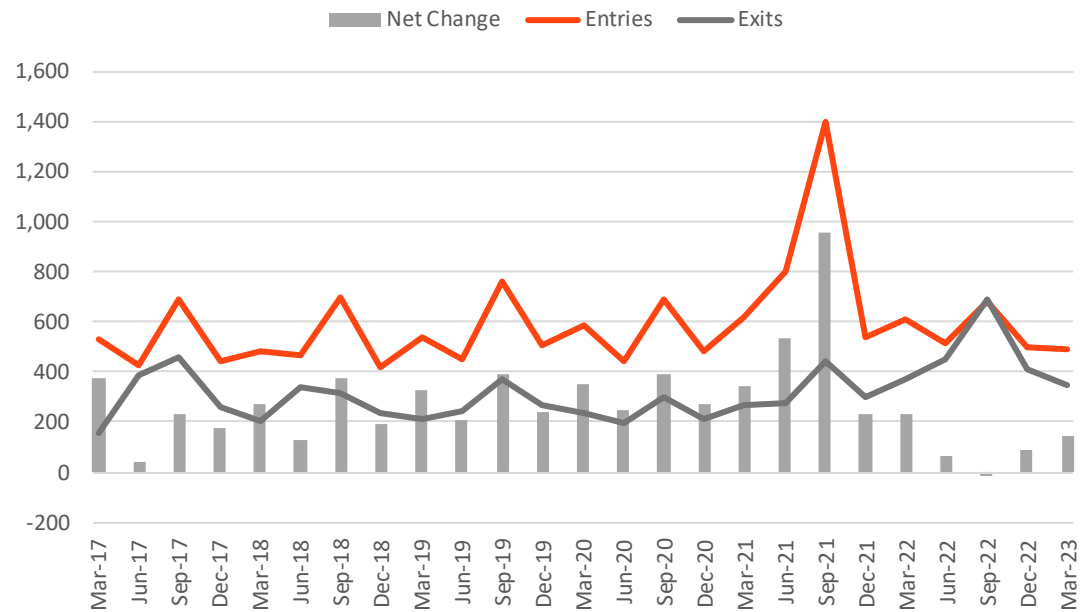
Source: ABS Weekly Payroll and Wages

2021 saw a spike in new businesses driven by government policy; By March 2023, new business entries were still at pre-COVID levels, however rising closures have pushed net new businesses below the pre-COVID mark.

New GST registrations for businesses grew solidly throughout 2020/21 before spiking in the September Quarter of 2021, and then returning to normal. Business exits were at relatively low levels during the COVID impacted years due to strong government support and debt/bankruptcy policy leniency. As policies reverted to normal, exits began to rise in 2022. This impacted the net change in GST registered businesses resulting in a very small decline in the Sept 2022 quarter before growth resumed the following quarter. However, in March 2023 the net change in registered businesses was trending below pre-COVID levels.

Business entries and exits - Merri-bek

Number of businesses

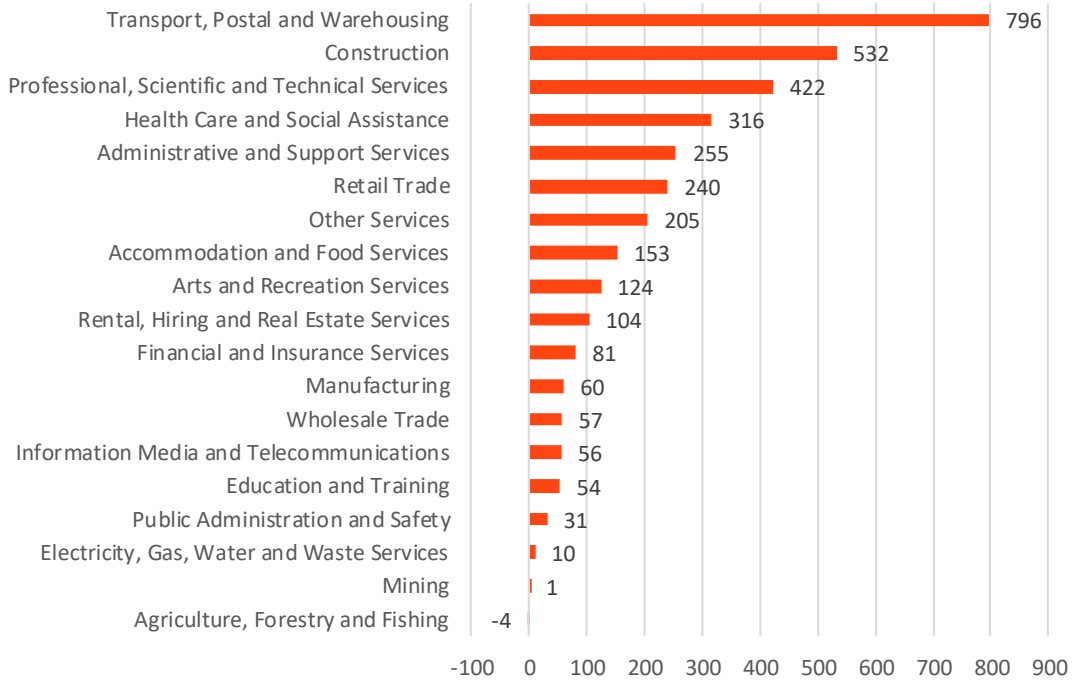


Source: Australian Business Register, 2022

The increase in new businesses in Merri-bek since the outbreak of COVID-19 is significantly driven by the Road Passenger transport services (Uber, ride-sharing), and Construction businesses. Business service sectors such as Professional, Scientific and Technical Services and Health Care and Social Assistance Services also added a large number of businesses over the same period.

Net change in GST registered businesses - Merri-bek

From Mar-2020 to Mar-2023



Source: ABS Business Entries and Exits, 2022

03

What is driving recent conditions

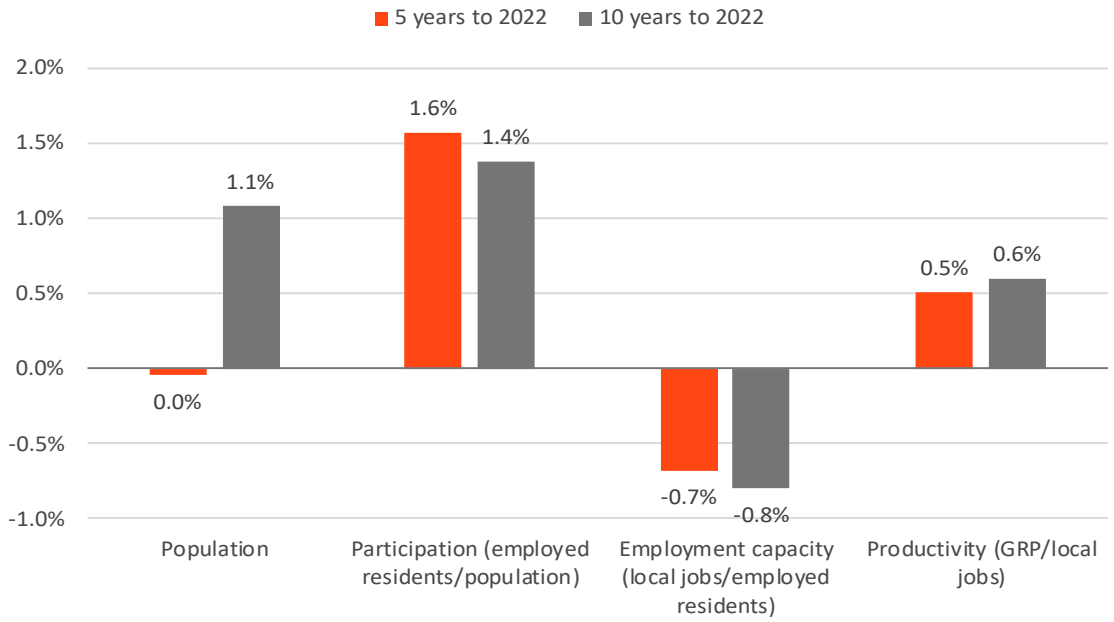
Growth in labour force participation from demographic change has been the main driver of economic growth, whereas recent slow job and population growth has constrained economic activity.

The main driver of economic growth between 2017 and 2022 was growth in labour force participation. Participation increased by 1.6% per year over this period, above the decade average (1.4% p.a.).
During the same period, the decline in local employment capacity was the main factor that detracted from potential economic growth. Jobs growth has effectively been slower than the growth in residents who are employed, likely due to stronger growth in Melbourne's CBD where many new residents access work.

Compared to the Greater Melbourne average, Merri-bek had higher components of growth in participation, productivity, and lower components of growth in population employment capacity during the period from 2017 to 2022.

Components of growth - Merri-bek

Annual average growth %



Source: NIEIR, 2023

Components of growth, 5 years to 2022

Annual average growth %

Source: NIEIR, 2023

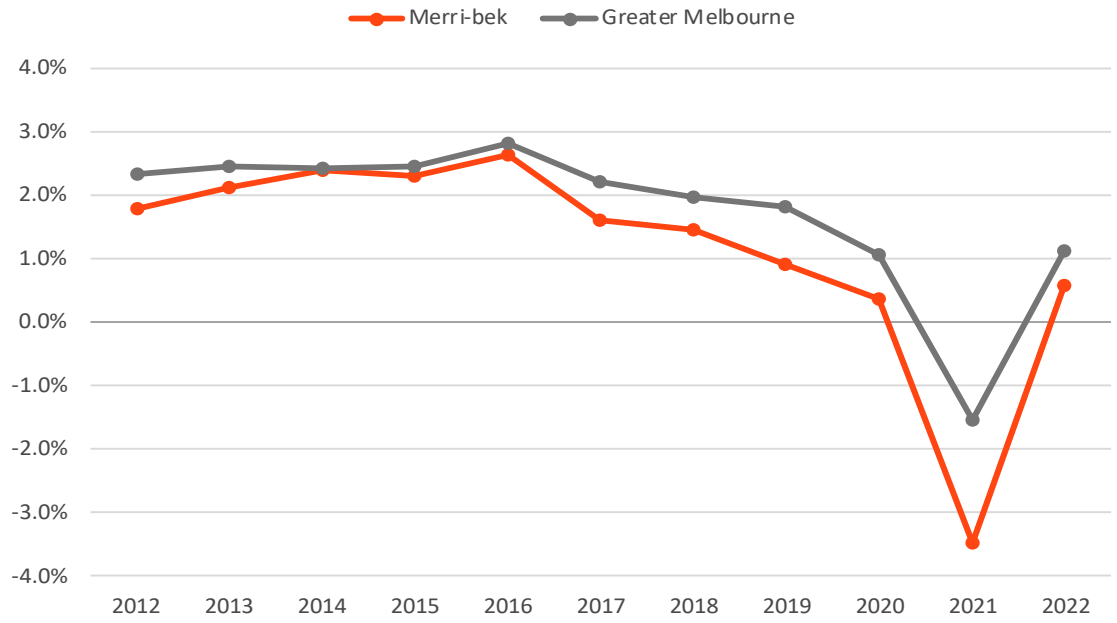
Border closures and COVID restrictions had a significant impact on overseas and domestic migration; Preliminary data for Greater Melbourne suggests international migration has returned strongly.

The population estimate for Merri-bek as of 30 June 2022 was 174,735. In the five-year period from 2017 to 2022, the population was effectively unchanged (0%) due to the large exodus of residents in 2021. Population growth in Greater Melbourne was higher at 0.9% per year.
Prior to COVID (pre-2020), population growth was averaging 1.9% p.a. for the decade.

The main driver of population growth between 2021 and 2022 was net overseas migration, while net internal migration was a detractor. This is consistent with longer term trends. The COVID impacted year of 2021 saw a large exodus of residents to domestic and overseas locations (returning home). Indications from 2022 data suggest a return to growth going forward. With high net overseas migration experienced in Melbourne in 2023, it is anticipated Merri-bek's population growth for 2022/23 was much stronger than the decade trend.

Recent population growth - Merri-bek

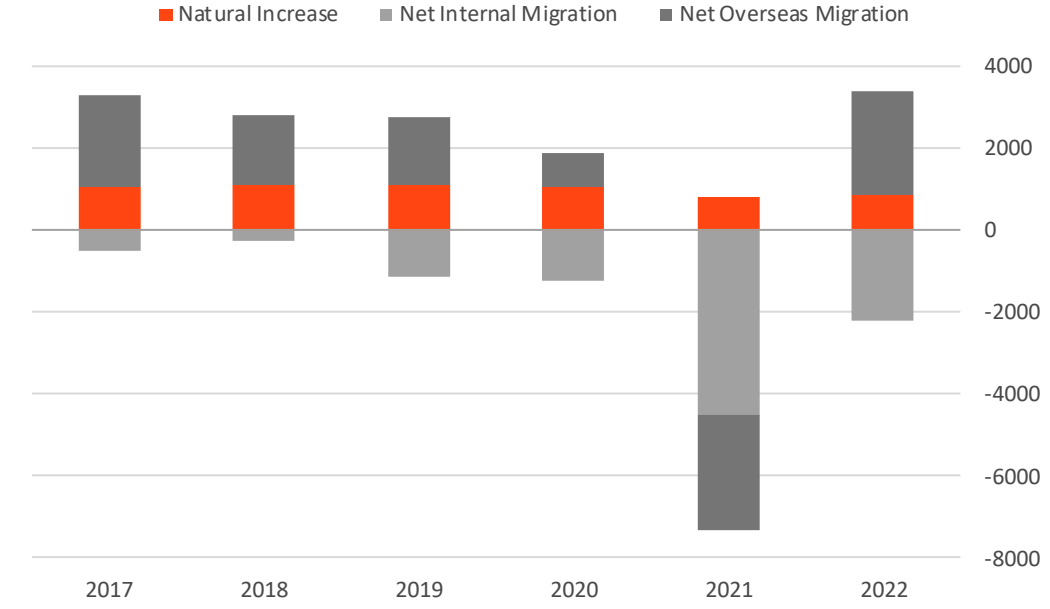
Annual Change in ERP %



Source: ABS, 2021, Cat: 3218.0 - Regional Population Growth, Australia, 2020-21

Population growth components 2022 - Merri-bek*

Change in component of population, persons



Source: .id estimates based on ABS, 2022, Cat: 3218.0 - Regional Population Growth, Australia

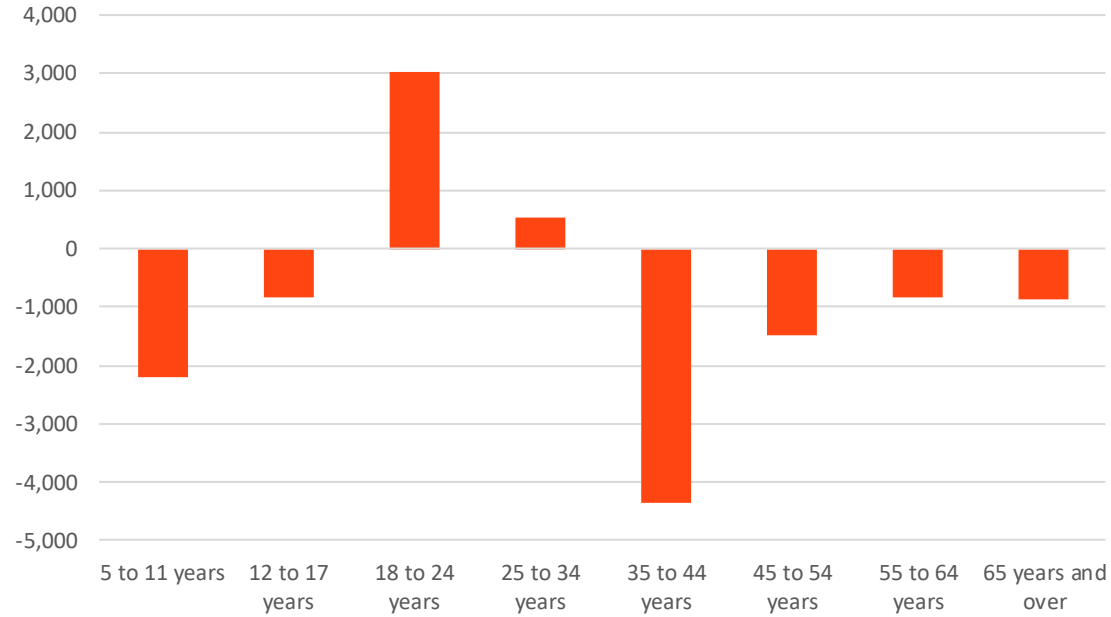
*Pre 2021/22 population change components have not been released by the ABS. Therefore .id have modelled components using the ABS ERP 2022 time series. Estimates are subject to change and should be used with caution due to the rebasing of the Merri-bek ERP following the release of Census 2021.

Merri-bek's population growth has been characterised by relatively strong in-migration of young domestic residents and young working age international residents in recent decades. This has led to an increasing number of middle-aged residents even in spite of outmigration of this cohort.

The main driver of positive domestic net migration to Merri-bek between the census periods (2016 to 2021) was younger cohorts (aged 18-24 years). However, this age group actually saw a decrease in resident population during this time. This suggests there was a large exodus of young international residents during COVID.

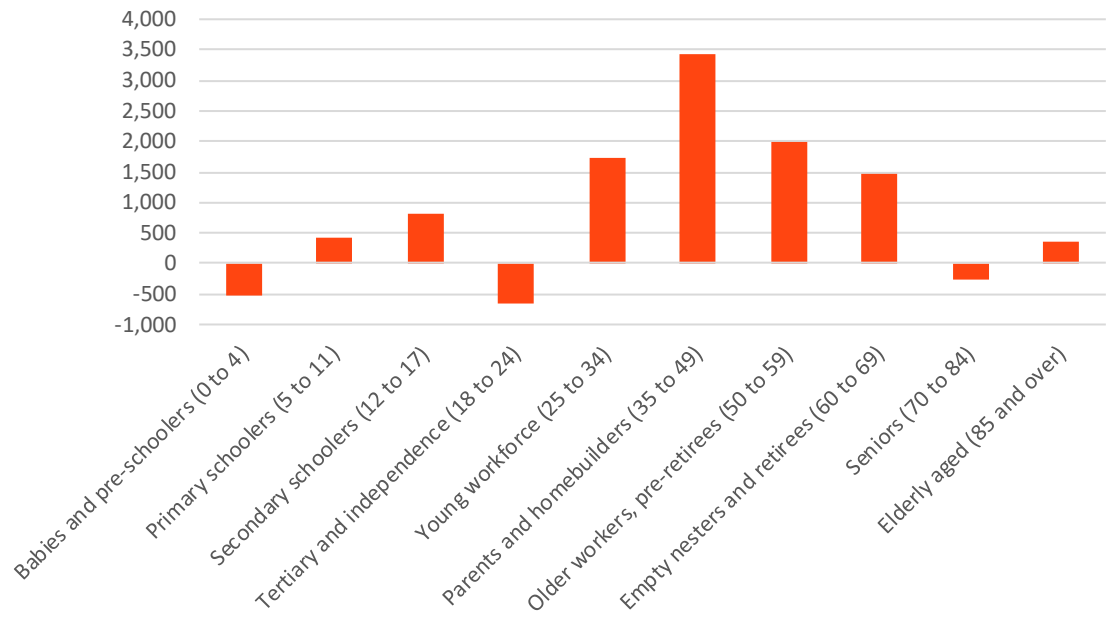
In contrast, during the period from 2016 to 2021, the cohort experiencing the most significant population growth were parents and homebuilders (aged 35-49 years).This is in spite of a large domestic outmigration figure. This is likely due to Merri-bek attracting a large cohort of younger residents in recent decades who are continuing to reside in the LGA as they age.

Net migration by age, 2016 to 2021



Source: ABS Census of Population and Houseing, 2021

Population growth by service age groups, 2016 to 2021



Source: ABS Census of Population and Houseing, 2016 and 2021

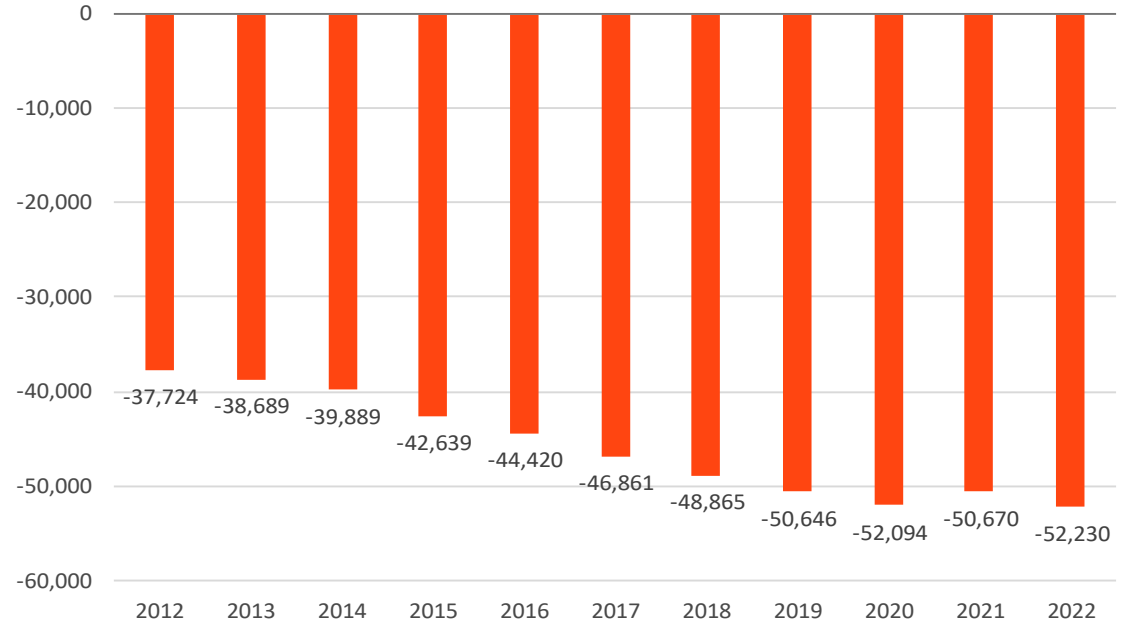
Merri-bek has a large ‘job deficit’, more than 4 in 5 employed residents travel outside the LGA for work. However, growth in this deficit has slowed as more residents find suitable jobs locally.

In 2022, there were 52,230 fewer jobs than employed residents. This reflects a difference in employment structure of residents and local workers. The LGA’s proximity and access to Melbourne’s CBD naturally sees it attract a large number of residents who will be working outside the LGA.
This jobs 'deficit', difference between jobs and residents, has grown by 14,506 over the last ten years, but in recent years the growth has slowed suggesting stronger local jobs growth.

The share of residents working outside the LGA decreased between 2016 and 2021. This suggests that the local job market is slowly developing and evolving to better match the increasingly more highly qualified local resident labour force.

Employment capacity - Merri-bek

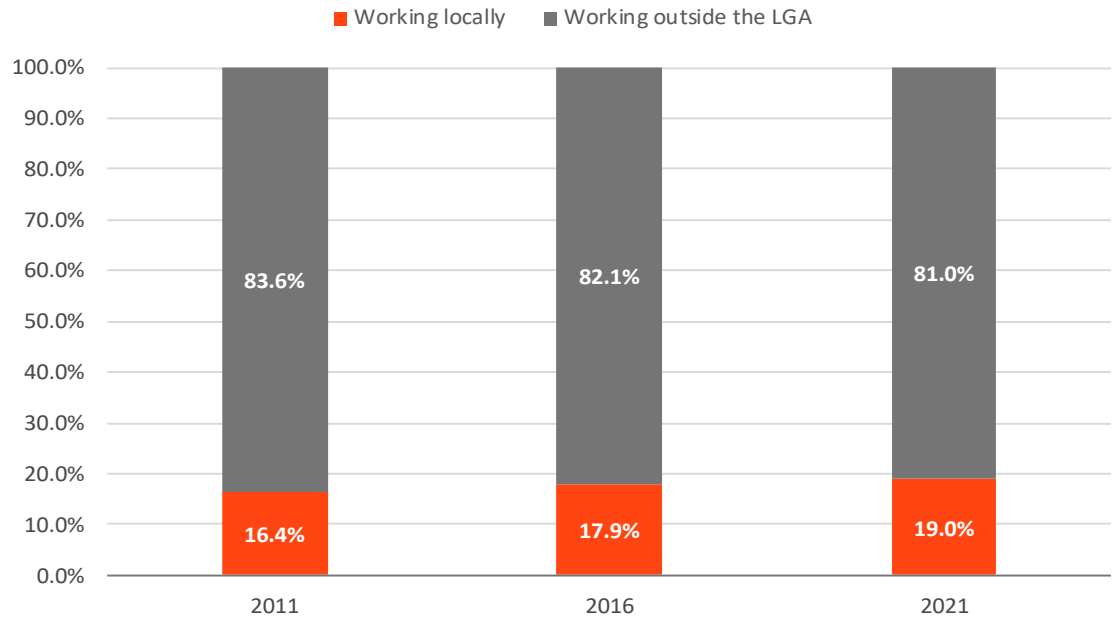
Difference between local jobs and employed residents



Source: NIEIR, 2023

Employment self containment - Merri-bek

Share of residents working locally



Source: ABS Census of Population and Housing, 2011, 2016 and 2021

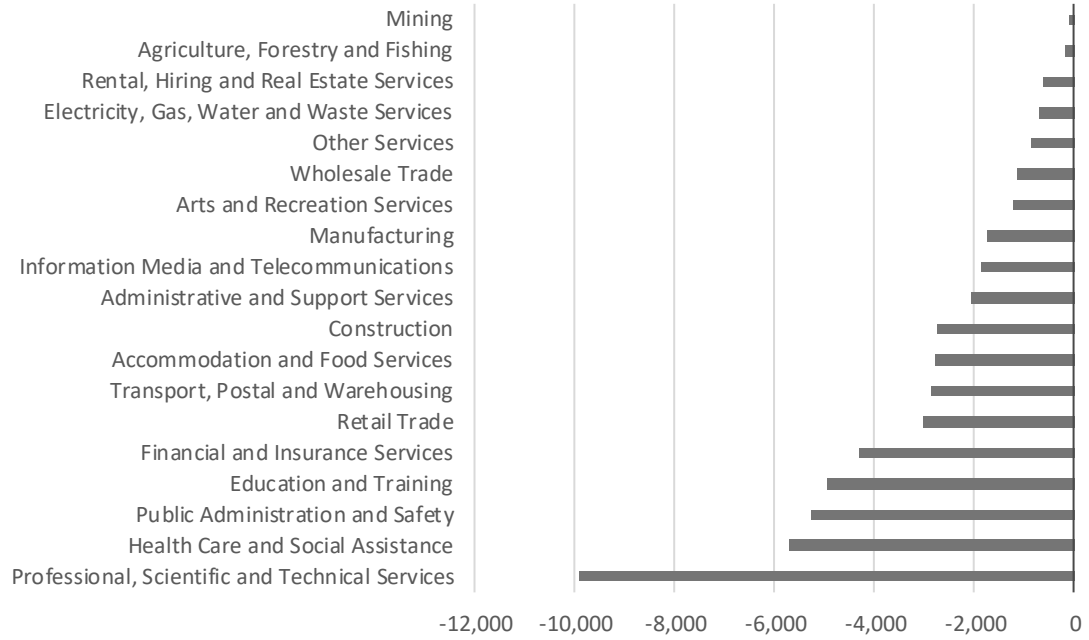
Deficit is largely in ‘white collar’ and professional employment industries such as business services, government, health and education.

Merri-bek has job deficits in all industries. Even large local employing industries like Health and Education do not support more jobs than employed residents. Merri-bek has large job deficits in Professional, Scientific and Technical Services, Health Care and Social Assistance and Public Administration and Safety industries.

In terms of where residents work, almost 1 in 3 Merri-bek employed residents commuted to the City of Melbourne in 2021, while around 20% of the residents are working within the boundaries of Merri-bek.
In terms of where local workers reside, almost 40% of Merri-bek local workers are residing within the LGA, while 10.4% live in Hume and 7.6% in Darebin.

Job deficit by industry - Merri-bek, 2021/22

persons



Source: NIEIR, 2023

Journey to work patterns - Merri-bek, 2021

% of total

Where residents work	Where workers live
Melbourne (32.2%)	Merri-bek (39.9%)
Merri-bek (19.0%)	Hume (10.4%)
Hume (6.8%)	Darebin (7.6%)
Yarra (6.3%)	Whittlesea (6.2%)
Darebin (4.2%)	Moonee Valley (5.1%)

Source: ABS Census of Population and Housing, 2021

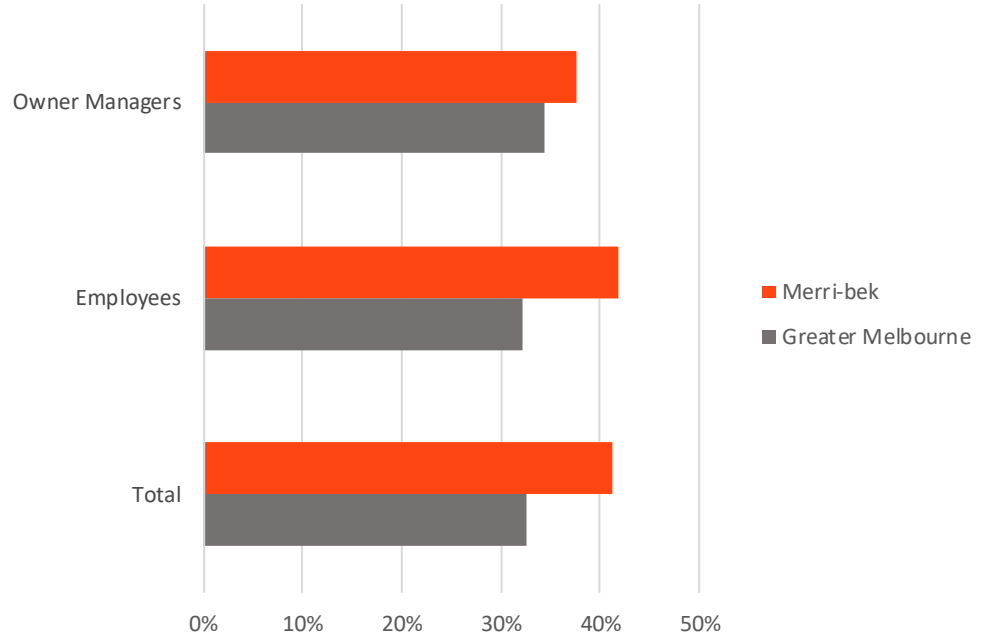
The surge in working from home rates led by white collar office-based industries likely means not all residents are commuting out each day. This is a potential gain for local businesses and liveability.

COVID restrictions and new business policies had an obvious impact on working from home rates. In 2021, 41% of residents who went to work on Census day worked from home. This rate was higher than the Greater Melbourne average of 33%.
The share of employees working from home was higher than that of owner/managers (42% compared to 38%), reflecting industry employment differences (more owner/managers in construction while more employees working in public administration and education industries).

The highest percentages of working from home were in knowledge-economy sectors: Finance and Insurance, Professional, Scientific and Technical Services, Information, Media and Telecommunications, Utilities and Public Administration.
It is no surprise that the top 4 industries with the highest share of working from home rates in 2021 for Merri-bek residents were knowledge based white collar industries. Around 80% of the Finance and Insurance and Professional services employed residents were working from home at the time of the Census.

Working from home rates - 2021

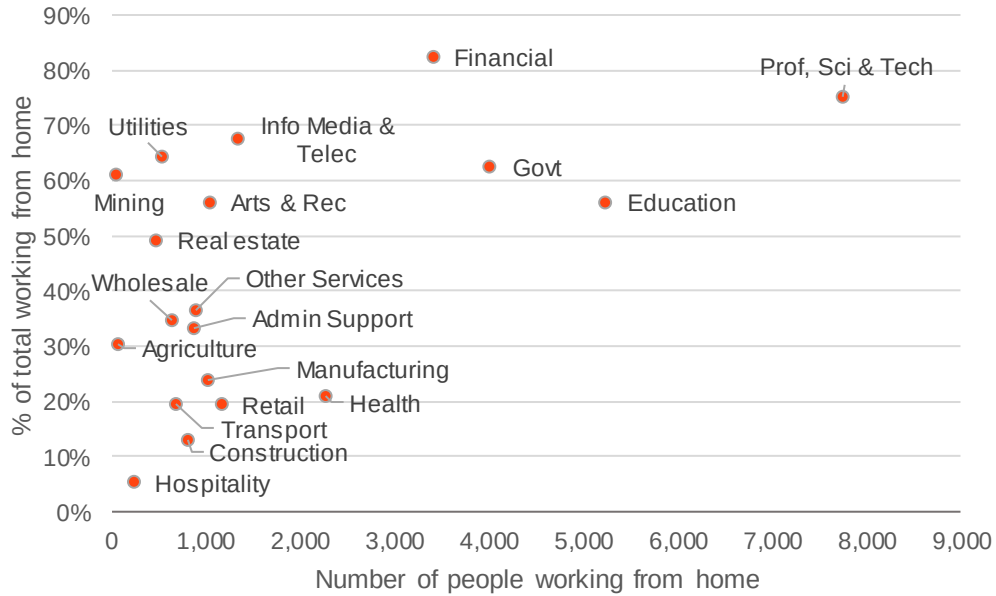
% of employed residents working from home



Source: ABS Census of Population and Housing, 2021

Working from home by industry - Merri-bek

2021



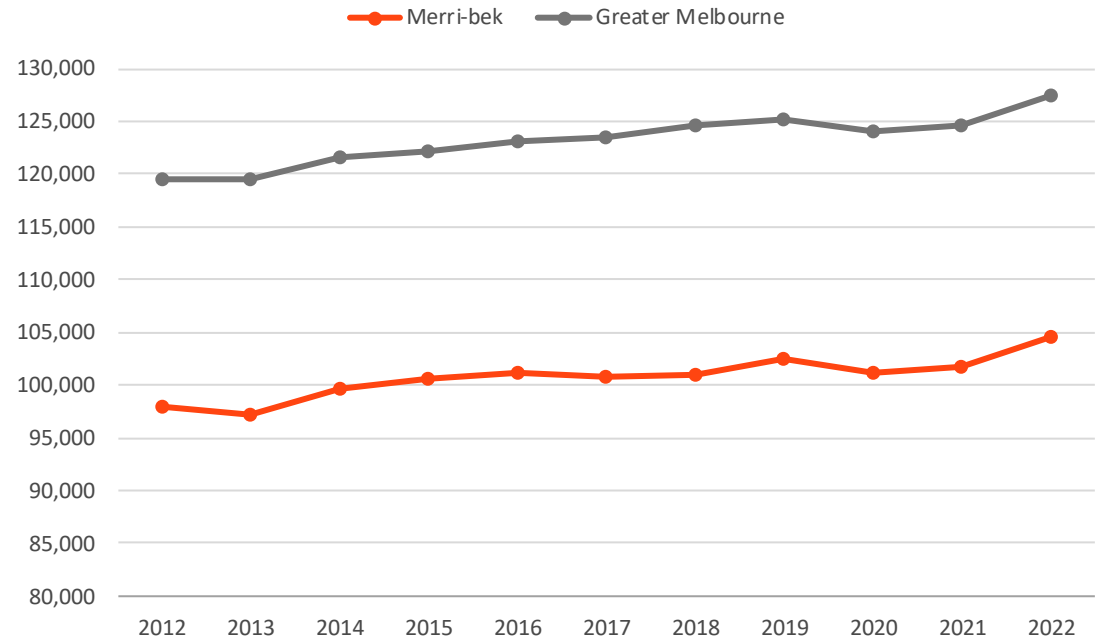
Source: ABS Census, 2021

Productivity is lower than the Greater Melbourne average as Merri-bek has a high share of low value population service industries. The good news is Merri-bek's biggest industries have experienced improvements in productivity, namely health Care and social assistance, retail trade, and hospitality.

Merri-bek's average worker productivity was $104,583 in 2021/22, around $23,000 per worker less than the Greater Melbourne average.
However, growth in productivity from 2017 to 2022 (0.7% p.a.) was slightly faster than the Greater Melbourne average growth over the same period (0.6% p.a.)
Over the same 5 year period, all of the top 10 industries in terms of worker productivity experienced increases in their shares of total job numbers in Merri-bek.

Worker productivity - Merri-bek

$ Value Added per worker



Source: NIEIR, 2023

Productivity growth by industry - Merri-bek

	Productivity growth p.a., 2017-2022	Share of total jobs, 2022
Arts and Recreation Services	4.8%	2.6%
Administrative and Support Services	4.5%	2.7%
Agriculture, Forestry and Fishing	3.5%	0.2%
Health Care and Social Assistance	3.3%	17.7%
Electricity, Gas, Water and Waste Services	3.0%	0.4%
Retail Trade	2.8%	9.8%
Accommodation and Food Services	1.0%	9.3%
Information Media and Telecommunications	0.9%	1.6%
Manufacturing	0.7%	7.0%
Wholesale Trade	0.5%	2.6%
Professional, Scientific and Technical Services	0.5%	8.1%
Public Administration and Safety	0.0%	5.3%
Education and Training	-0.2%	11.9%
Other Services	-0.4%	5.2%
Financial and Insurance Services	-0.6%	1.4%
Rental, Hiring and Real Estate Services	-0.7%	1.4%
Transport, Postal and Warehousing	-1.3%	3.5%
Construction	-1.8%	9.4%
Tourism *	-4.4%	4.3%
Mining	-8.5%	0.1%

*Source: NIEIR, 2023 | * Includes activities from other industries*

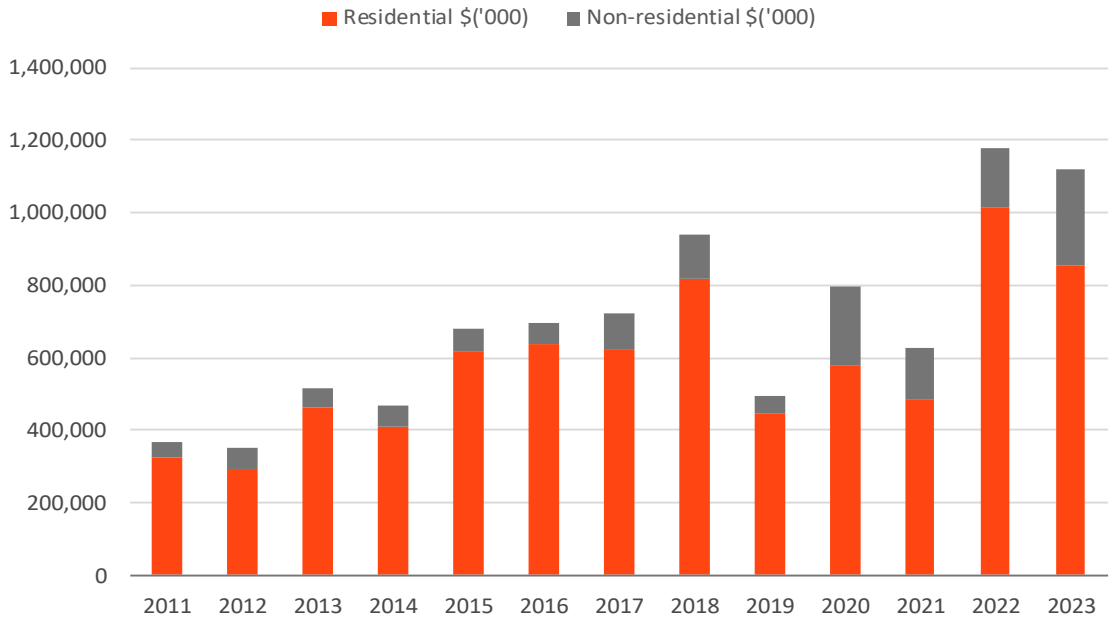
There was a strong surge in building approvals in FY2022; Approval value was overwhelmingly led by residential developments and population servicing facilities.

The average annual value of non-residential building approvals between 2017 and 2022 ($139M) was above the decade average ($102M). Over the period 2017 to 2022, the total value of residential building approvals ($3,343M) has outweighed total non-residential building approvals ($695M).

The leading driver of non-residential building approvals value in the 5 financial years to 2022 was retail and wholesale trade buildings, followed by education buildings (schools) and transport related buildings.

Building approvals - Merri-bek

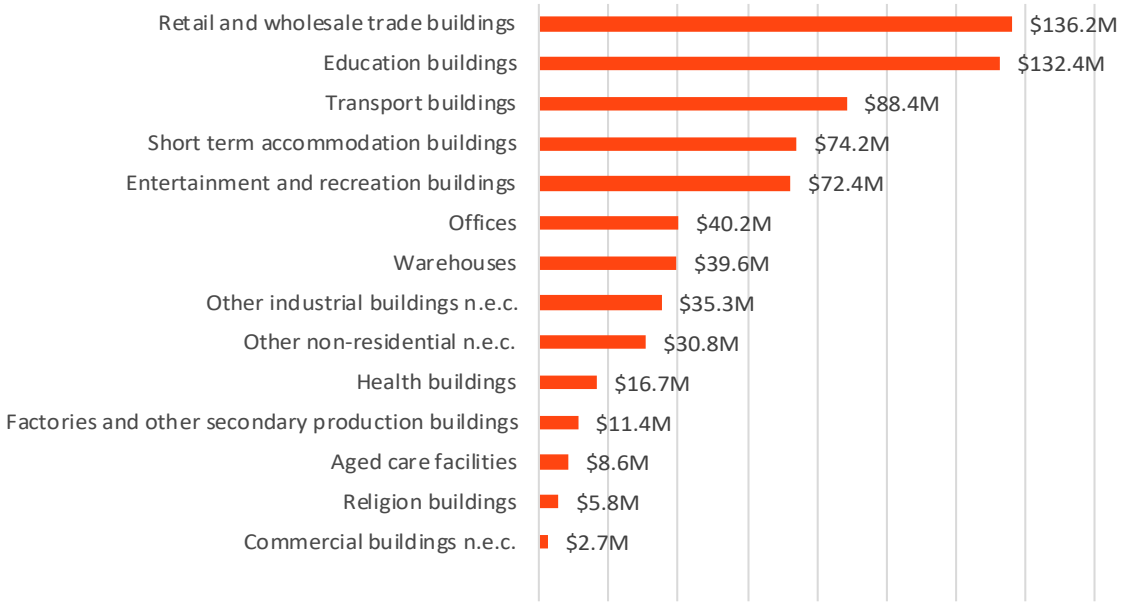
Annual value approved



Source: ABS, Cat: 8731.0 - Building Approvals, Australia

Non-residential approvals by building type - Merri-bek

Annual value approved by type, 5 years to Jun-2022



Source: ABS, Cat: 8731.0 - Building Approvals, Australia

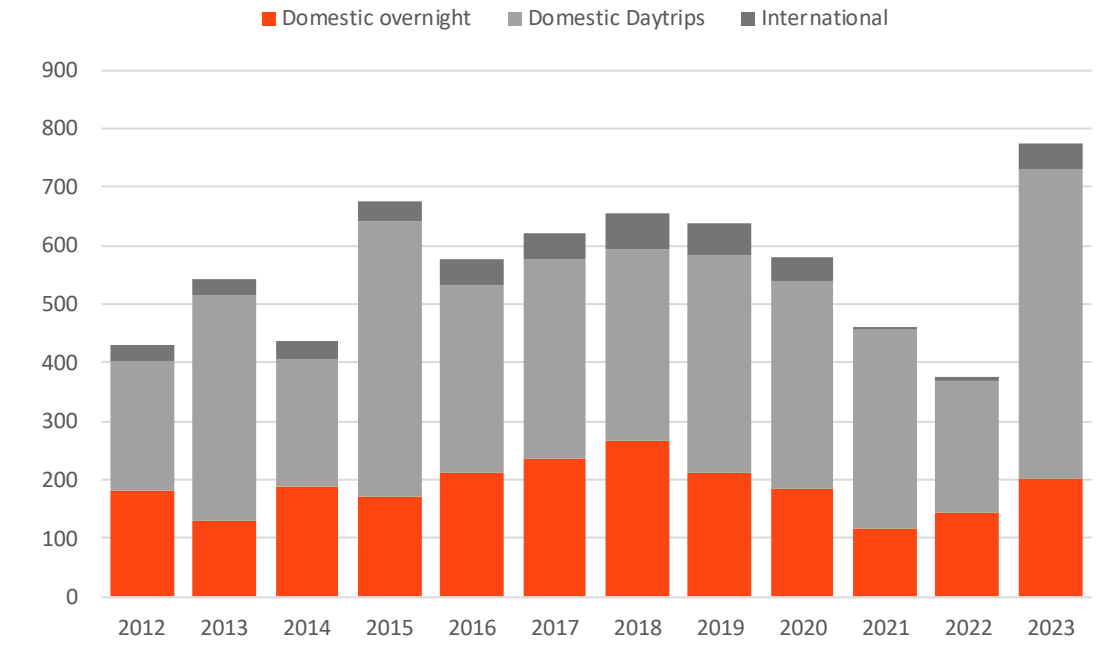
Tourism visitation was severely disrupted by COVID-19 and remained well below pre-COVID levels in 2022. However, visitation returned strongly in 2023.

Merri-bek's visitor economy is largely driven by domestic day and overnight trips. The total number of visits fell significantly in 2020/21 and 2021/22, lower by 200,000 compared to 2019/20, due to a large fall in domestic daytrips driven by COVID restrictions. However, visitation bounced back strongly in 2023 with a large increase in daytrips in particular.

Merri-bek's domestic daytrip tourism visitation fared worse than Greater Melbourne following the outbreak of COVID-19. Between 2019 and 2022, the domestic daytrip visitor trips within Merri-bek decreased by 39.0%, while visitor trips in Greater Melbourne decreased by 33%. Conversely, domestic overnight tourism visitation decreased by 32%, better than the Greater Melbourne fall of 45%.

Tourism visitors - Merri-bek

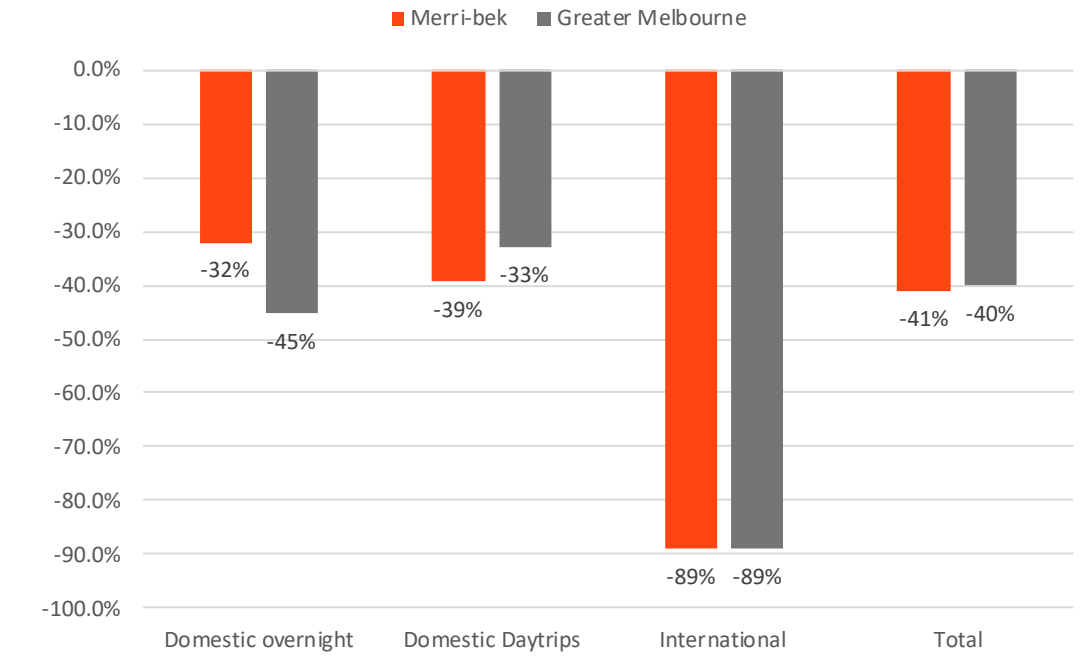
,000s



Source: Tourism Research Australia, 2022

Change in Visitors by Type - Merri-bek

% change 2019 - 2022



Source: Tourism Research Australia, 2022

04

Which industries are competitive?

Health care and social assistance supports almost 1 in 5 jobs in Merri-bek; The economy is driven by its population servicing role, but professional services, construction, and manufacturing industries are important because of their higher productivity.

Merri-bek's economy has a large share of local jobs and value added generated by Health Care and Social Assistance, Construction and Education and Training industries. Combined, these industries supported 39% of jobs and generated 38% of economic value in 2022.

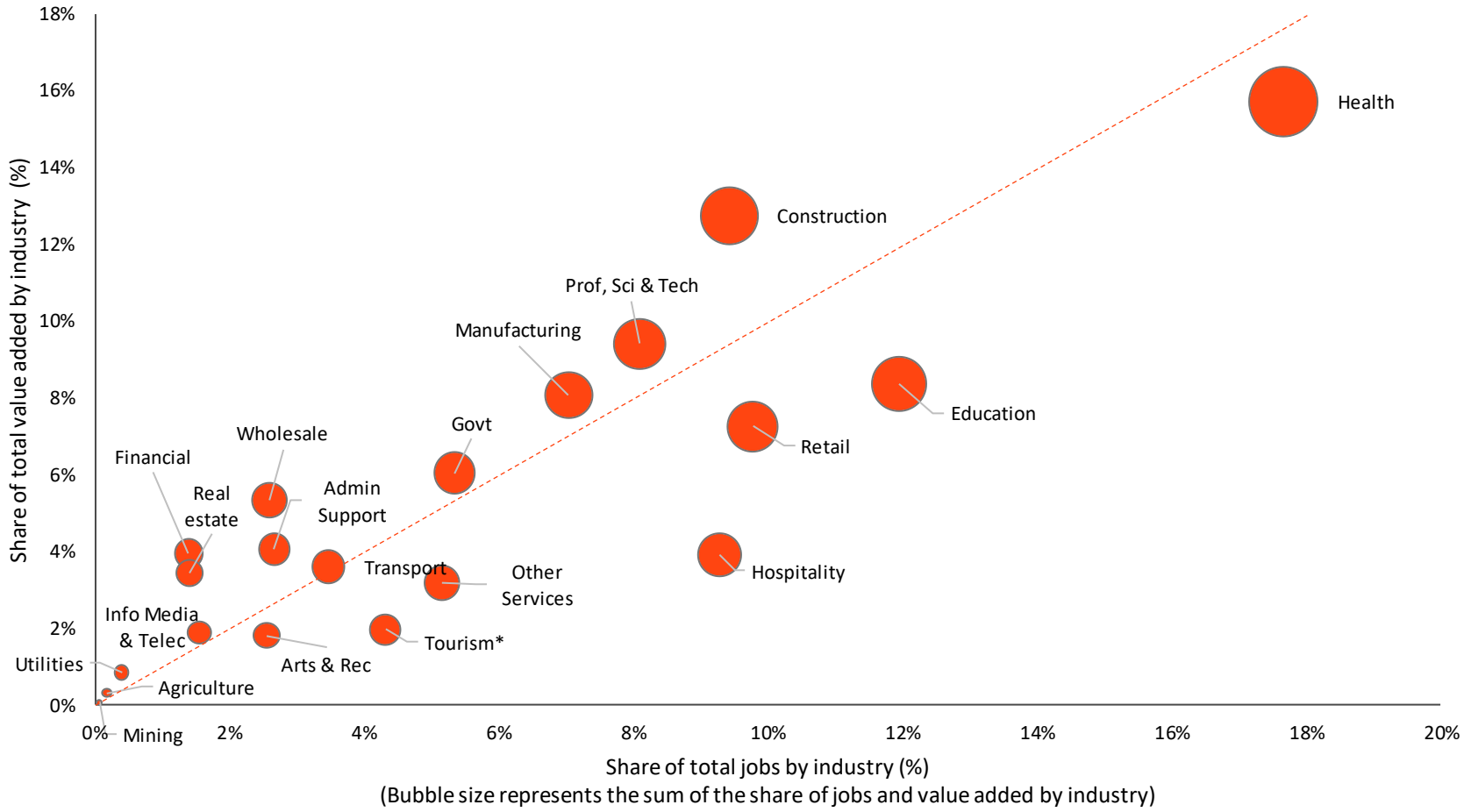
Health Care and Social Assistance was the largest employer, supporting 8,680 jobs or 18% of total jobs in 2021/22. Education and Training was the second largest employer (5,869 jobs or 12% of total jobs), followed by Retail Trade (4,806 jobs, 10%).

In terms of value added, Health Care and Social Assistance generated the largest economic value of $808 million or 16% of total value added in Merri-bek. Construction generated the second largest economic value of $655 million or 13% of the total value added, followed by Professional, Scientific and Technical Services ($484 million, 9%).

Industries with typically lower incomes and more casual/part time employment have lower measured productivity 9% value added vs job share) in Merri-bek. These are also generally industries employing larger shares of females.

Industry share of local jobs and value added - Merri-bek

% of total, 2022



*Source: NIEIR, 2023 | * Includes activities from other industries*

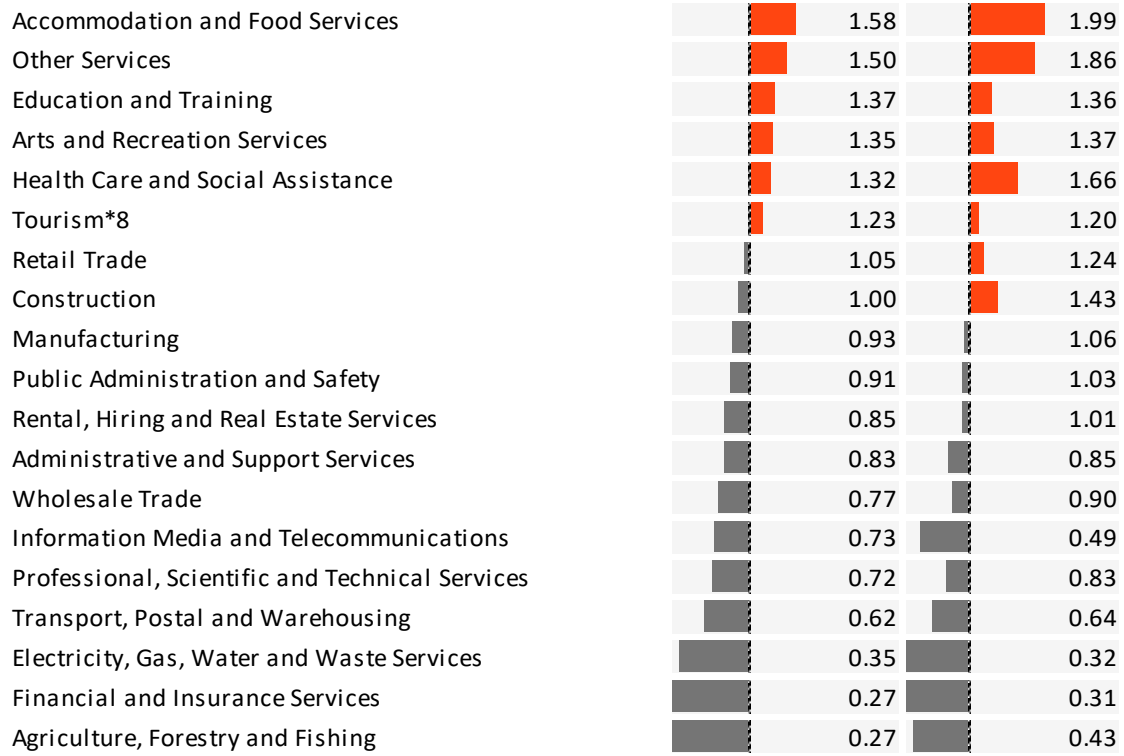
Merri-bek has developed specialisations over time especially in food and beverage services, creative industries, education, social assistance, and residential care services

Merri-bek has a comparative advantage compared to Greater Melbourne in Accommodation and Food Services, Other Services, Education and Training, Arts and Recreation Services, Health Care and Social Assistance. These industries are typically more female orientated which is a reason why Merri-bek's local workforce is 51% female, compared to 49% for Greater Melbourne.

At a detailed industry level, industries with the highest specialisations include Creative and Performing Arts Activities, Motion Picture and Sound Recording Activities, Adult, Community and Other Education, Textile, Leather, Clothing and Footwear Manufacturing, Social Assistance Services.

Specialisation by industry* - Merri-bek

Compared to Greater Melbourne (in LQ* terms)



Specialisation by industry sub-sector - Merri-bek

Top 15 performing sub-sectors, compared to Greater Melbourne (in LQ terms)

Industry	Jobs	% of total	Specialisation
Creative and Performing Arts Activities	760	1.5%	3.26
Motion Picture and Sound Recording Activities	436	0.9%	2.28
Adult, Community and Other Education	1,603	3.3%	2.10
Textile, Leather, Clothing and Footwear Manufacturi	341	0.7%	2.10
Social Assistance Services	3,417	7.0%	1.97
Residential Care Services	1,704	3.5%	1.91
Food and Beverage Services	4,374	8.9%	1.66
Food Retailing	2,171	4.4%	1.63
Polymer Product and Rubber Product Manufacturing	327	0.7%	1.55
Personal and Other Services	1,445	2.9%	1.54
Preschool and School Education	3,771	7.7%	1.53
Repair and Maintenance	1,046	2.1%	1.43
Printing (including the Reproduction of Recorded Me	249	0.5%	1.39
Furniture and Other Manufacturing	431	0.9%	1.38
Grocery, Liquor and Tobacco Product Wholesaling	422	0.9%	1.35

Source: NIEIR, 2023

*Source: NIEIR, 2023 | ** Includes activities from other industries*

*Specialisations are determined using something called a Location Quotient (LQ) which measures the degree to which shares of employment and/or value added in an industry are over or underrepresented locally compared to a wider region.

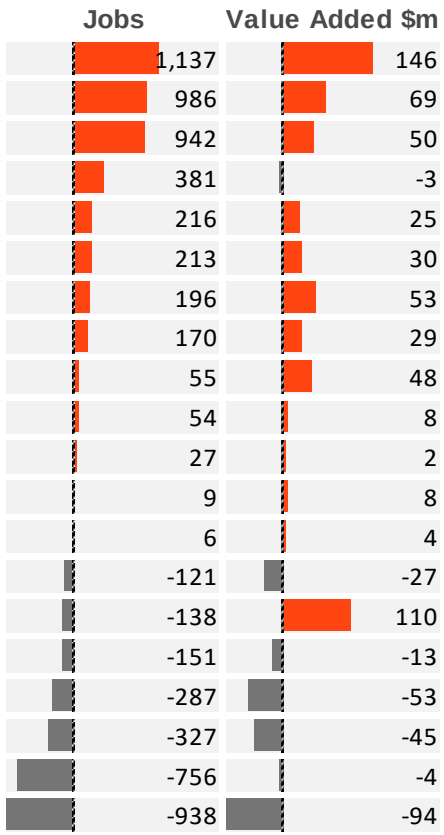
Growth in jobs and production in Merri-bek's economy in recent years was led by professional services, education, and hospitality. However, manufacturing jobs and production declined. Retail jobs also declined as that sector's productivity improved.

The main drivers of job growth between 2017 and 2022 were Professional, Scientific and Technical Services, Education and Training, Accommodation and Food Services, Public Administration and Safety, Information Media and Telecommunications.

Job losses between 2017 and 2022 were highest in Manufacturing, Retail Trade, Tourism*, Wholesale Trade, Other Services.

Industry performance - Merri-bek

Last 5 years (2017-2022)



*Source: NIEIR, 2023 | * Includes activities from other industries*

The good news

- **Professional, Scientific and Technical Services** jobs growth was driven by increasing demand for this sector's services more broadly in the wider region (e.g. Computer System Design, Legal and Accounting Services), strong construction activities (Architectural, Engineering and Technical Services) and changes to the residence base (more qualified).
- **Education** related employment growth is driven by the increase in School and Vocational Education.
- Merri-bek's highly specialised Food and Beverage Services sub-sector (part of **Accommodation and Food Services**) resumed its strong growth trajectory after a period of slow growth following the pandemic outbreak.
- Building approvals rebounded strongly in 2022 after a dip in 2019. This resulted in growth in **Construction** jobs but the economic value remained at a similar level as the activities were mainly driven by lower value residential buildings.

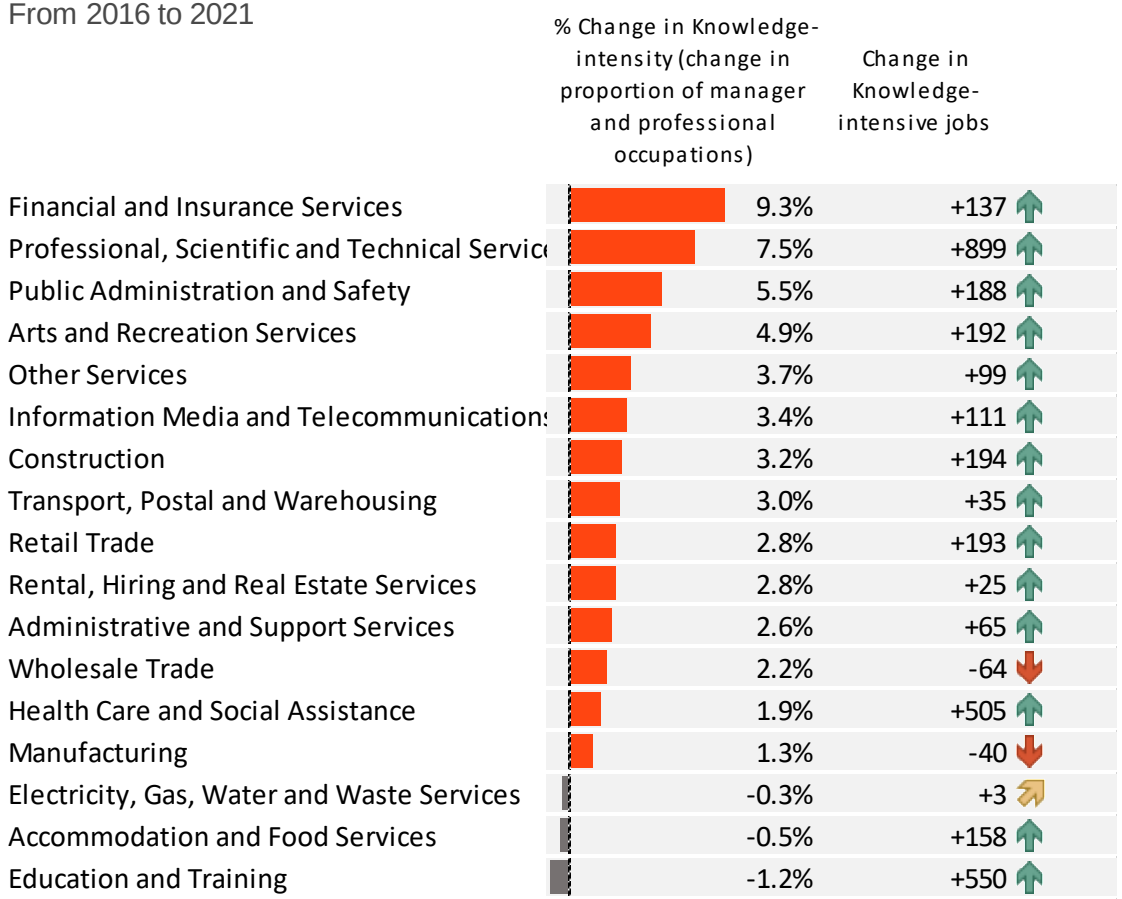
The challenge

- The long-term decline in **Manufacturing** sector continues with large jobs loss in Polymer and Rubber, Textile and Clothing manufacturing. Food Manufacturing is transitioning with job losses in some areas but new enterprises opening up in locations like Newlands Road.
- Retail trade jobs decreased over the last 5 years to 2022 due to the shortage of workers and the movement to online retail. However, the demand remained strong with value added holding and, subsequently, growth in productivity.
- Merri-bek's **Tourism** sector was hit hard by the COVID-19 outbreak and visitation in 2021/22 remains 41% below the level in 2018/19
- The downtrend in the **Wholesale Trade** industry continues in Merri-bek as businesses are moving further out for more affordable and larger spaces.

There is continued transition towards a more knowledge and skilled based economy across most industries.

Change in knowledge intensity by industry - Merri-bek

From 2016 to 2021



Source: ABS Census, 2016 and 2021

Most jobs increasingly have a need for more cognitive skills and/or rely on non-routine work. Going forward, these jobs will become more and more important as they are difficult to automate, often requiring creativity, problem solving and/or human presence e.g. Child Care.

Occupation data shows that there was a strong increase in 'knowledge' jobs across almost all industries. Knowledge jobs are defined here as workers in Manager and Professional occupations. Most of these occupations require a bachelor degree or higher qualification.

Industries that had both a large increase in the proportion of knowledge-intensive workers and absolute growth included Finance, Professional, Scientific and Technical Services, Public Administration and Arts and Recreation Services.

Despite the significant rise in knowledge intensive jobs in the Education and Training industry, an even greater rise in the number of child care workers has meant that overall that industry sector recorded a drop in its level of 'knowledge intensity' overall. Accommodation and Food Services knowledge intensity also decreased due to proportionally higher growth in the Food and Beverage Services sub-sector which has a high share of less qualified service workers.

Merri-bek's emerging professional and business service sectors experienced above Greater Melbourne trend growth over the five years to 2022.

Industries can be categorised into four stages of development based on their recent performance* and degree of specialisation compared to a benchmark wider region. I.e. whether the industry In Merri-bek has grown faster or slower than Greater Melbourne, and whether it supports a higher or lower share of employment compared to Greater Melbourne.

• **Growing** – established with strong growth potential: Industries in this category are well established, specialised and have strong growth potential based on recent trends.

Specialised sectors that grew faster than the Greater Melbourne average were Accommodation and Food Services, Education and Training, Arts and Recreation Services.

• **Emerging** – growing with potential to become specialised: Despite a low specialisation in jobs, industries in the 'emerging' category have grown faster than the benchmark and may have the future potential to thrive.

The 'emerging' sectors in Merri-bek include Professional, Scientific and Technical Services, Information Media and Telecommunications, Administrative and Support Services, Financial and Insurance Services,

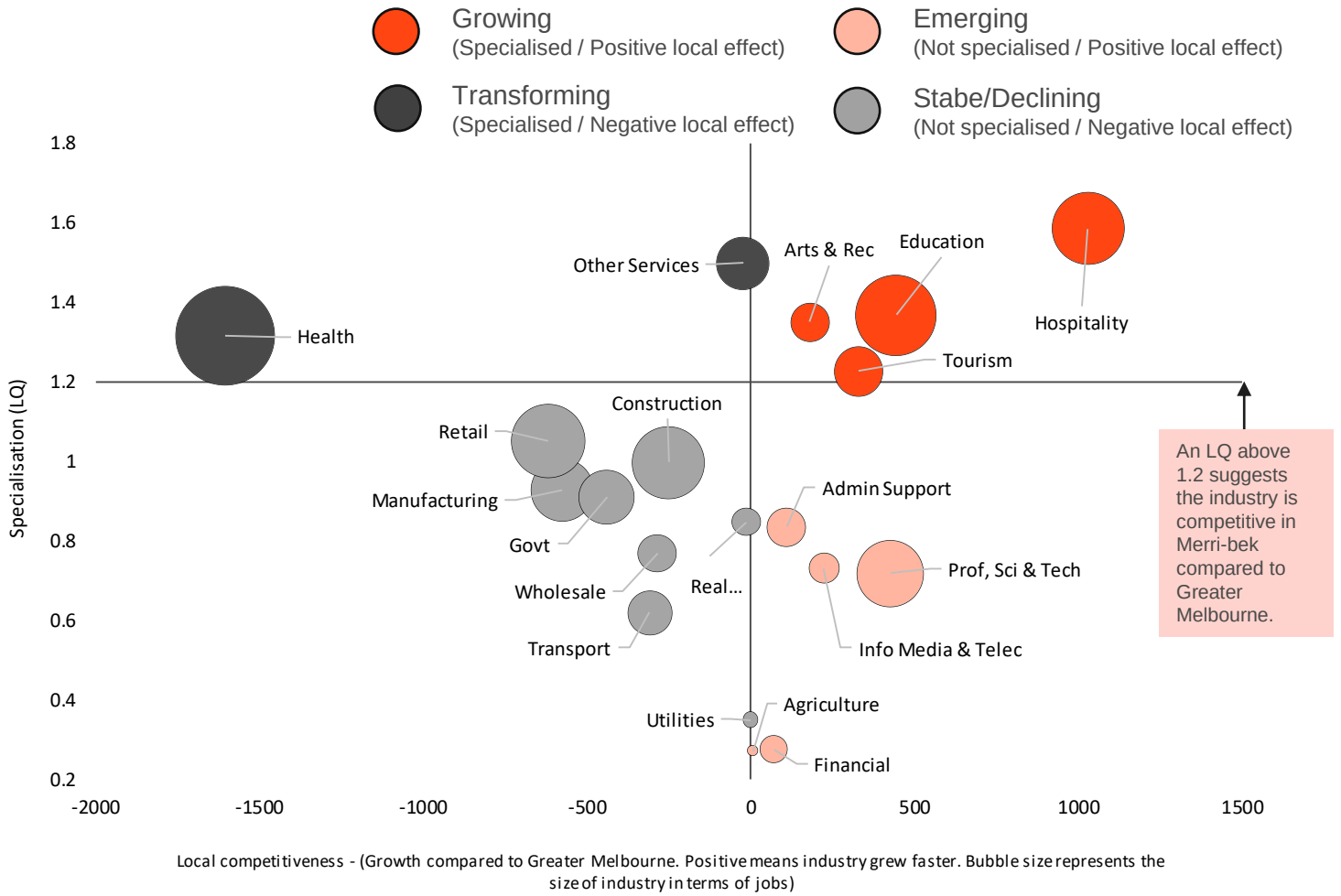
• **Transforming** – established but facing challenges: The 'Transforming' industries are specialised but are not growing as fast as the benchmark average. This suggests they are at risk and need support to maintain competitiveness with other regions.

The sectors that fall into the 'transforming' category were Health Care and Social Assistance, Other Services.

• **Stable/declining** – neither established nor growing: These industries are less specialised compared to the benchmark region and declined or grew at a slower rate than the benchmark region.

Industry opportunity analysis - Merri-bek

Local competitiveness (2017 to 2022) and specialisation in jobs (LQ) compared to Greater Melbourne



*Based on a shift-share analysis. Local competitiveness refers to the amount of growth or decline in a specific industry that could be attributed to a local advantage or disadvantage (i.e. excludes the influence of the benchmark area growth and industry growth to isolate the local effect).

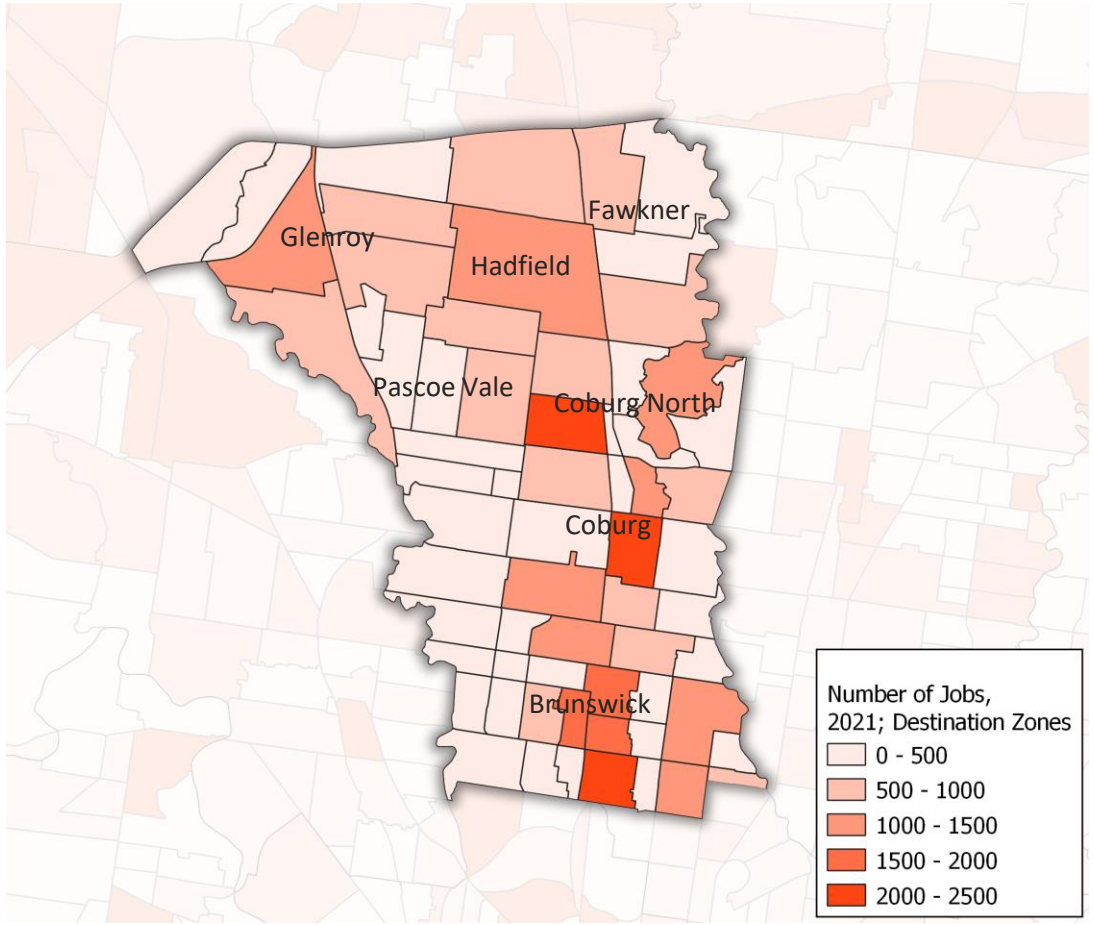
05

How does the spatial economy operate?

Jobs are concentrated in the suburbs of Brunswick and Coburg.

How employment and economic activity is distributed across Merri-bek reveals notable features of the municipality's spatial economy. The destination zone with the largest number of people stating they work there in 2021 was located in the Brunswick – South SA2 (2,549 stated jobs, DZN21496006) near the junction of Brunswick and Sydney Roads. The next two highest were in Coburg North SA2 (2,547 stated jobs) and Coburg – East SA2 (2,162 stated jobs).

Local job numbers by ABS Destination zones, 2021



Source: ABS, Census of Population and Housing, 2021

Number of local jobs by ABS Destination zones, 2021

Persons, ASGS2016 SA2, DZN2021

SA2	Destination Zone	Local Jobs - 2021
Brunswick - South	214960006	2,549
Coburg North	212361676	2,547
Coburg - East	214970004	2,162
Brunswick - North	214950004	1,724
Brunswick - South	214960004	1,666
Brunswick - South	214960008	1,513
Brunswick East	211061637	1,480
Brunswick - North	214950001	1,433
Coburg - East	214970007	1,405
Glenroy - West	215360001	1,403
Hadfield	214400001	1,382
Fitzroy North	211431262	1,358
Coburg North	212361680	1,247
Brunswick East	211061636	1,176
Coburg - West	214980001	1,153

Source: ABS Census of Population and Housing, 2021

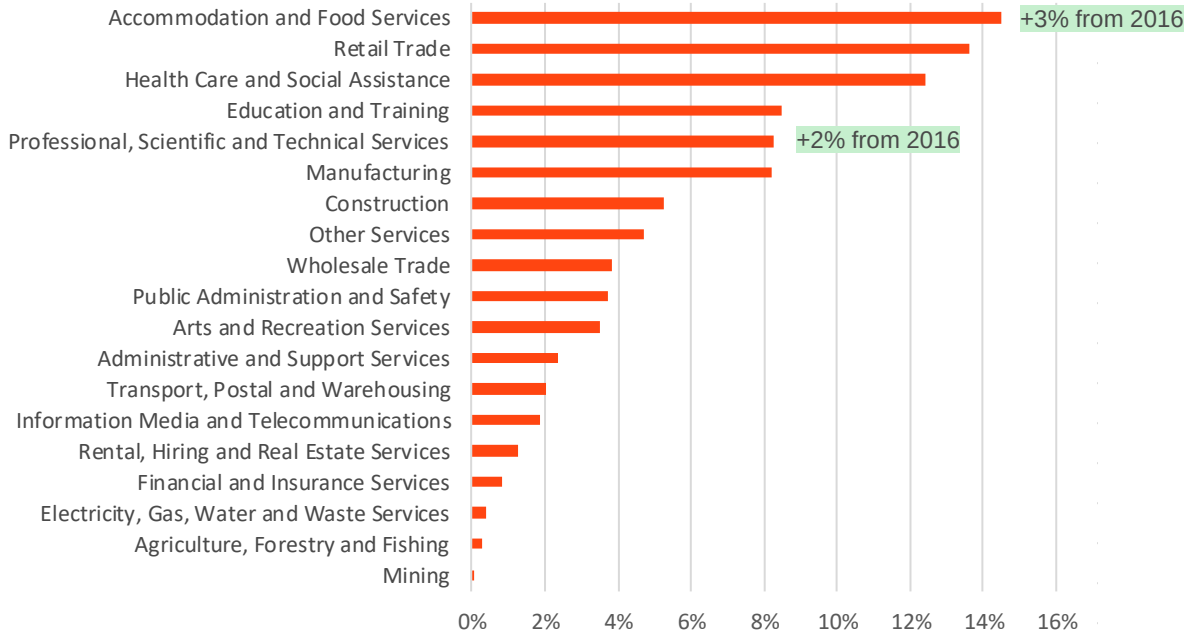
Hospitality and professional services drove jobs growth in Brunswick South between 2016 and 2021; The Construction industry experienced strong growth in Coburg North.

Brunswick South was the SA2 supporting the largest employment in 2021. It is largely a commercial, hospitality and essential services area. The top three stated industries by workers in were Accommodation and Food Services (1,187 stated jobs), Retail Trade (1,112 jobs) and Health care and Social Assistance (1,020 jobs). Between 2016 and 2021, there was strong growth in Professional, Scientific and Technical Services and even stronger employment growth in Accommodation and Food Services enhancing its specialisation in hospitality.

The Coburg North SA2 was also a large employment node. The area is home to the LGAs main industrial precincts. Between 2016 and 2021, there was strong growth in Construction However, the Manufacturing industry in both areas witnessed a decline, with Brunswick and Coburg experiencing decreases of 1% and 2% respectively. This loss of jobs meant that the two locations actually saw a 2% decrease in their representative share of all jobs in the LGA.

Share of local jobs - Brunswick - South*

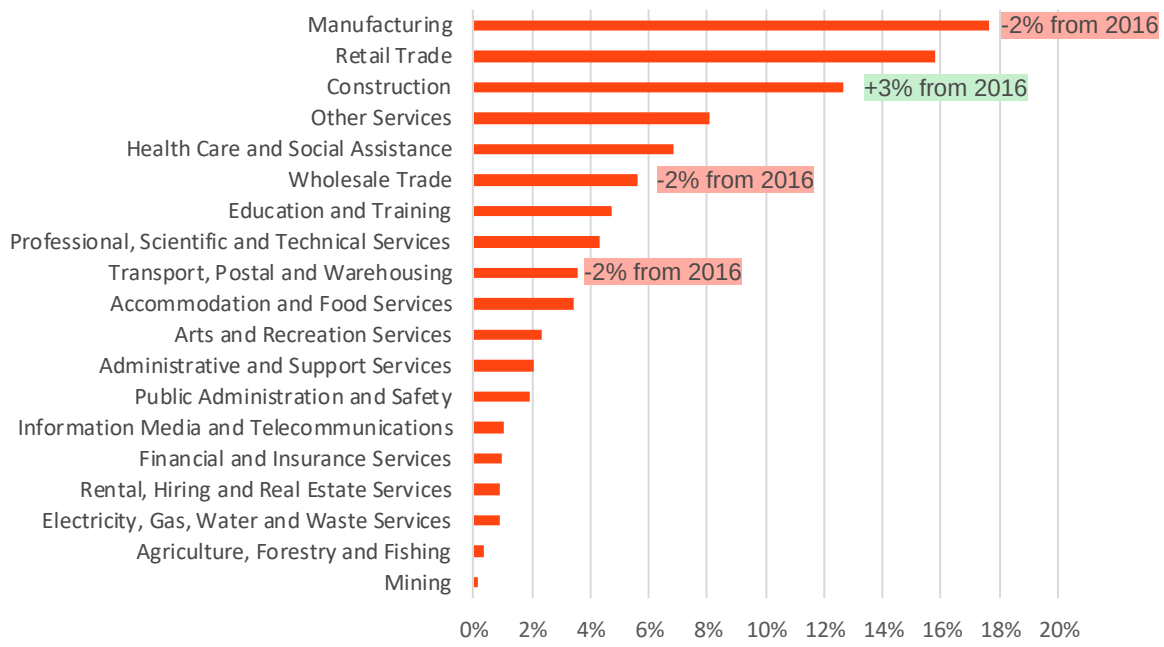
% of total jobs in the location



Source: ABS Census of Population and Housing, 2021

Share of local jobs - Coburg North*

% of total jobs in the location



Source: ABS Census of Population and Housing, 2021

*Geography based on ASGS 2016 SA2

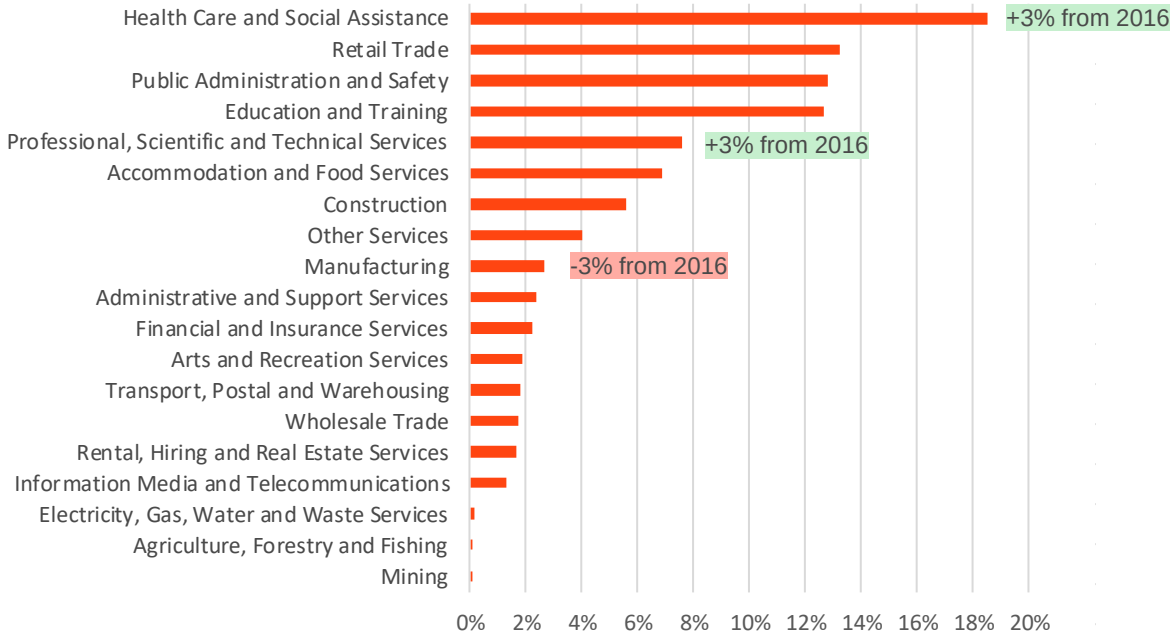
Health and professional services drove jobs growth in Coburg East between 2016 and 2021; Hospitality and professional services increased in Brunswick – North.

The Coburg East SA2 is another key commercial and public services area in Merri-bek. Health Care and Social Assistance is the largest employing industry (1,139 jobs) and continued to expand between 2016 and 2021. Professional, Scientific and Technical Services also saw strong employment growth. In contrast, Manufacturing saw a large decline in employment numbers.

The Brunswick - North SA2 was the furth largest employment area in 2021. The area is home to the LGAs main industrial precincts. Between 2016 and 2021, Hospitality and Professional, Scientific and Technical Services saw strong employment growth. Like some other areas, Manufacturing and Wholesale Trade employment experienced a decline.

Share of local jobs - Coburg - East*

% of total iobs in the location

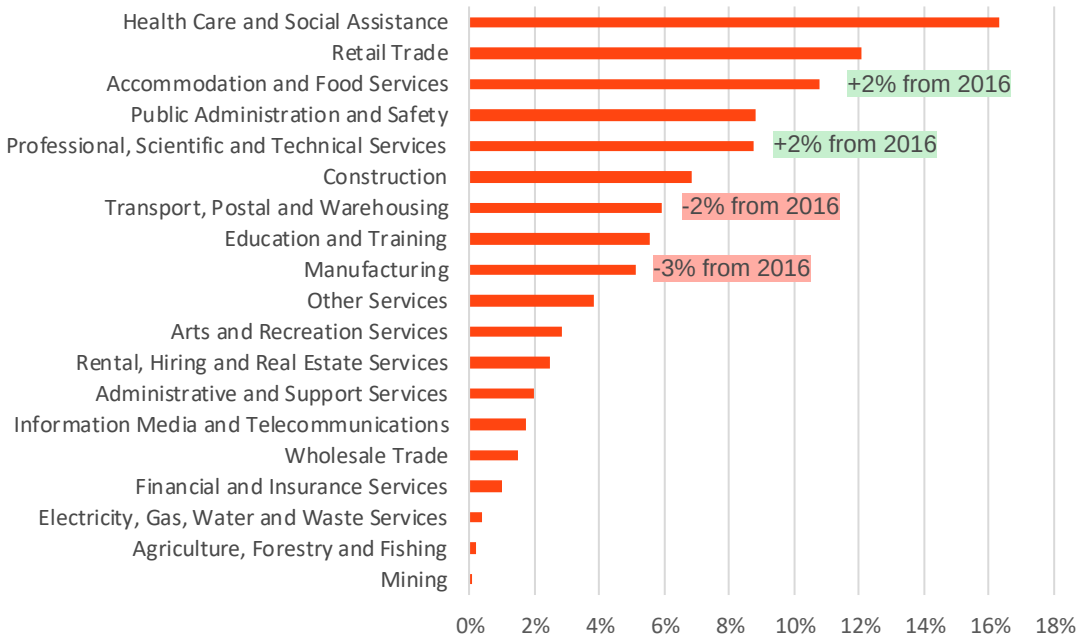


Source: ABS Census of Population and Housing, 2021

*Geography based on ASGS 2016 SA2

Share of local jobs - Brunswick - North

% of total jobs in the location



Source: ABS Census of Population and Housing, 2021

Specialisations vary from location to location across the suburbs.

Different locations in Merri-bek demonstrate industry based specialisations (.e.g. hospitality precincts). There physical assets and facilities support LGA level industry specialisations.

The strongest area level specialisations among the SA2s were Accommodation and Food Services in Brunswick - South, Public Administration and Safety in Coburg - East, Other Services in Coburg North, Accommodation and Food Services in Brunswick - North, and Accommodation and Food Services in Brunswick East.

Top industries that were specialised against Greater Melbourne but are not identified as specialised in Merri-bek as a whole included: Manufacturing (Coburg North), Public Administration and Safety (Coburg - East) and Retail Trade (Coburg North).

Level of specialisation - by select SA2s in Merri-bek

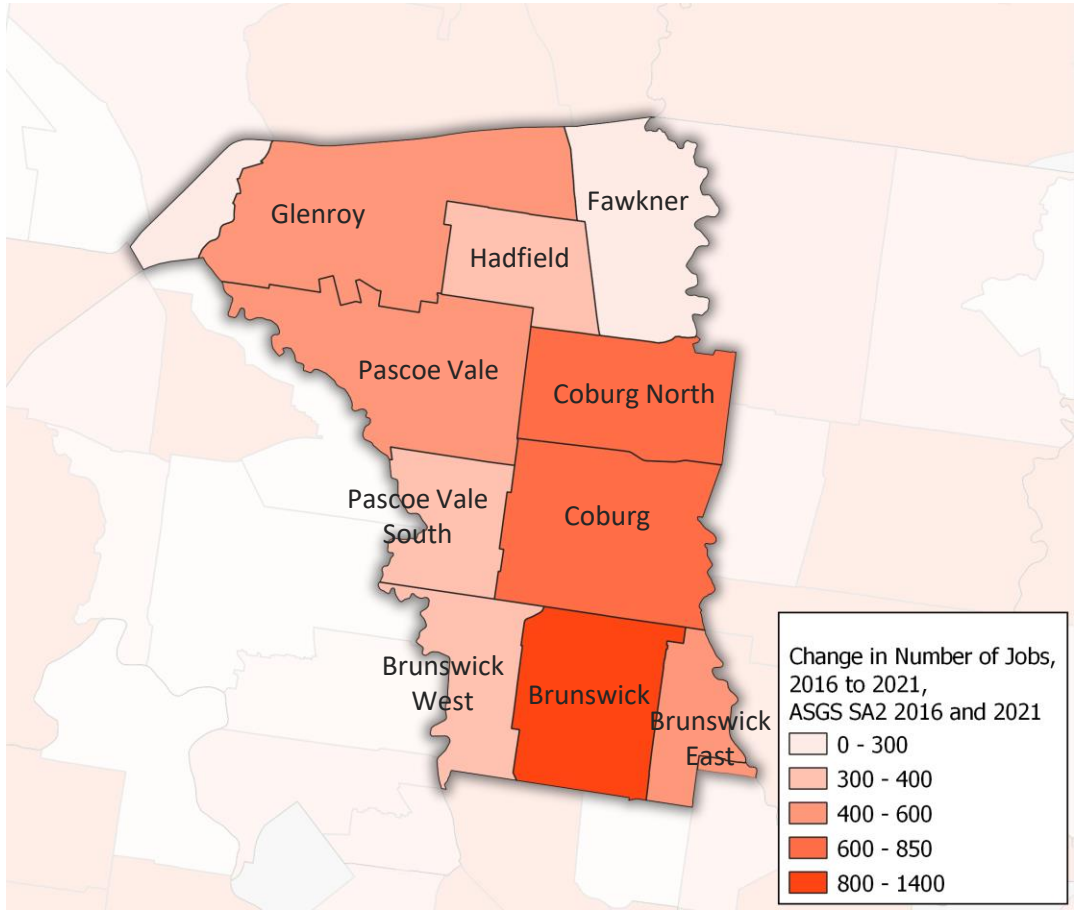
Compared to Greater Melbourne (in LQ terms)

Industry	Merri-bek	Brunswick - South	Coburg - East	Coburg North	Brunswick - North	Brunswick East
Accommodation and Food Services	1.58	2.61	1.21	0.63	1.93	2.70
Other Services	1.50	1.42	1.18	2.51	1.14	1.57
Education and Training	1.37	1.02	1.50	0.58	0.66	1.25
Arts and Recreation Services	1.35	1.93	0.98	1.29	1.53	2.23
Health Care and Social Assistance	1.32	0.98	1.43	0.55	1.28	0.70
Retail Trade	1.05	1.54	1.47	1.83	1.36	1.15
Construction	1.00	0.58	0.61	1.44	0.75	0.67
Manufacturing	0.93	1.13	0.35	2.50	0.70	0.77
Public Administration and Safety	0.91	0.66	2.26	0.35	1.57	0.29
Rental, Hiring and Real Estate Services	0.85	0.75	0.98	0.54	1.49	0.93
Administrative and Support Services	0.83	0.77	0.76	0.68	0.63	1.53
Wholesale Trade	0.77	1.19	0.51	1.78	0.44	0.65
Information Media and Telecommunications	0.73	0.91	0.60	0.50	0.84	1.49
Professional, Scientific and Technical Services	0.72	0.77	0.69	0.41	0.81	1.16
Transport, Postal and Warehousing	0.62	0.37	0.33	0.68	1.10	0.20
Electricity, Gas, Water and Waste Services	0.35	0.30	0.07	0.80	0.32	1.15
Financial and Insurance Services	0.27	0.16	0.44	0.20	0.19	0.34
Mining	0.27	0.00	0.00	0.32	0.00	0.00
Agriculture, Forestry and Fishing	0.27	0.43	0.08	0.52	0.25	0.80

Source: ABS Census of Population and Housing, 2021, NIEIR, 2022

Brunswick and Coburg accounted for more than 50% of jobs growth from 2016 to 2021, but actually grew slower than other suburbs in the LGA.

Change in local job numbers by ABS SA2, 2016 to 2021



Source: ABS, Census of Population and Housing, 2016 and 2021

The SA2 area with the largest growth in the number of stated local workers from 2016 to 2021 was Brunswick with an increase of 1,409 jobs.
During the same period, Coburg experienced the second largest jobs increase of 818 jobs.

However, areas like Pascoe Vale South (34%) and Hadfield (31%) experienced much higher growth in percentage terms.

Change in local jobs by SA2 - from 2016 to 2021

Persons, ASGS2016 SA2

SA2	2016	2021	Change 2016-21	% Change
Brunswick	11,354	12,763	1,409	12%
Coburg	7,673	8,491	818	11%
Coburg North	4,748	5,440	692	15%
Brunswick East	2,669	3,244	575	22%
Pascoe Vale	2,855	3,281	426	15%
Glenroy	3,324	3,740	416	13%
Brunswick West	1,459	1,853	394	27%
Pascoe Vale South	1,018	1,362	344	34%
Hadfield	1,053	1,382	329	31%
Gowanbrae	130	173	43	33%
Fawkner	2,467	2,467	0	0%

*Geography based on ASGS 2016 SA2

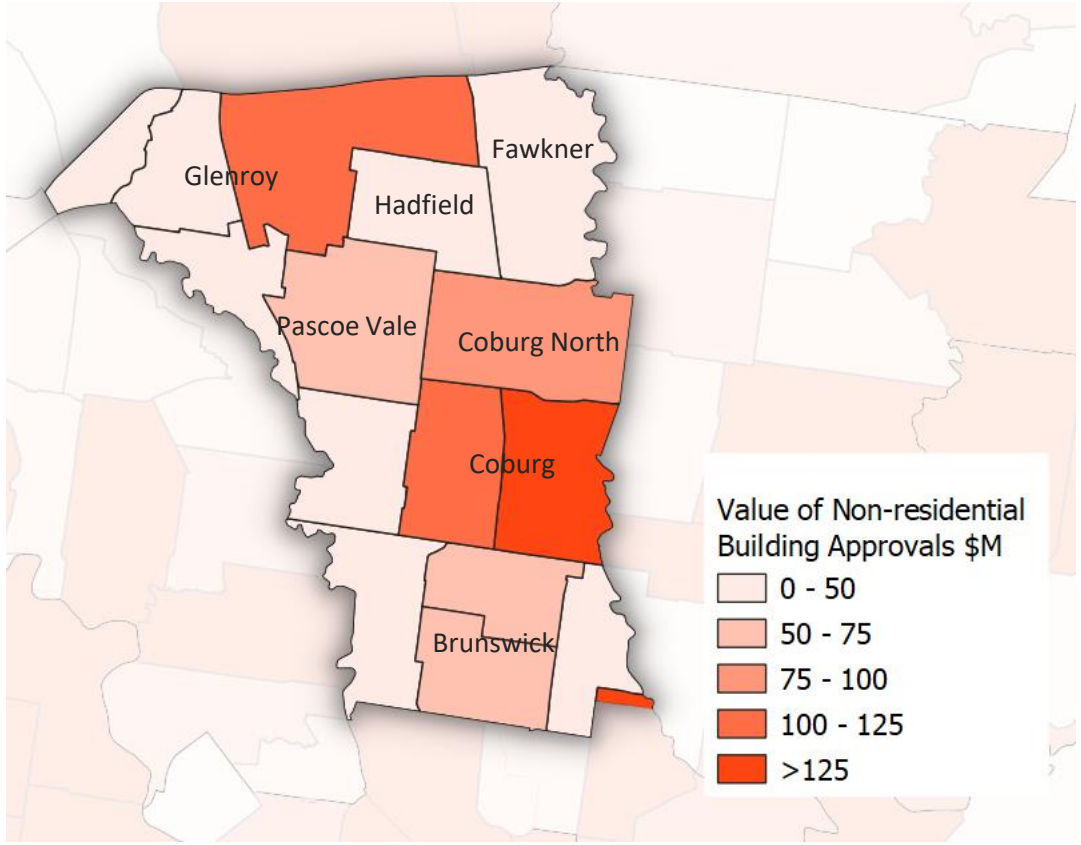
Source: ABS Census of Population and Housing, 2016 and 2021

Building approvals activities was led by Coburg East which takes in the fast-growing Pentridge precinct.

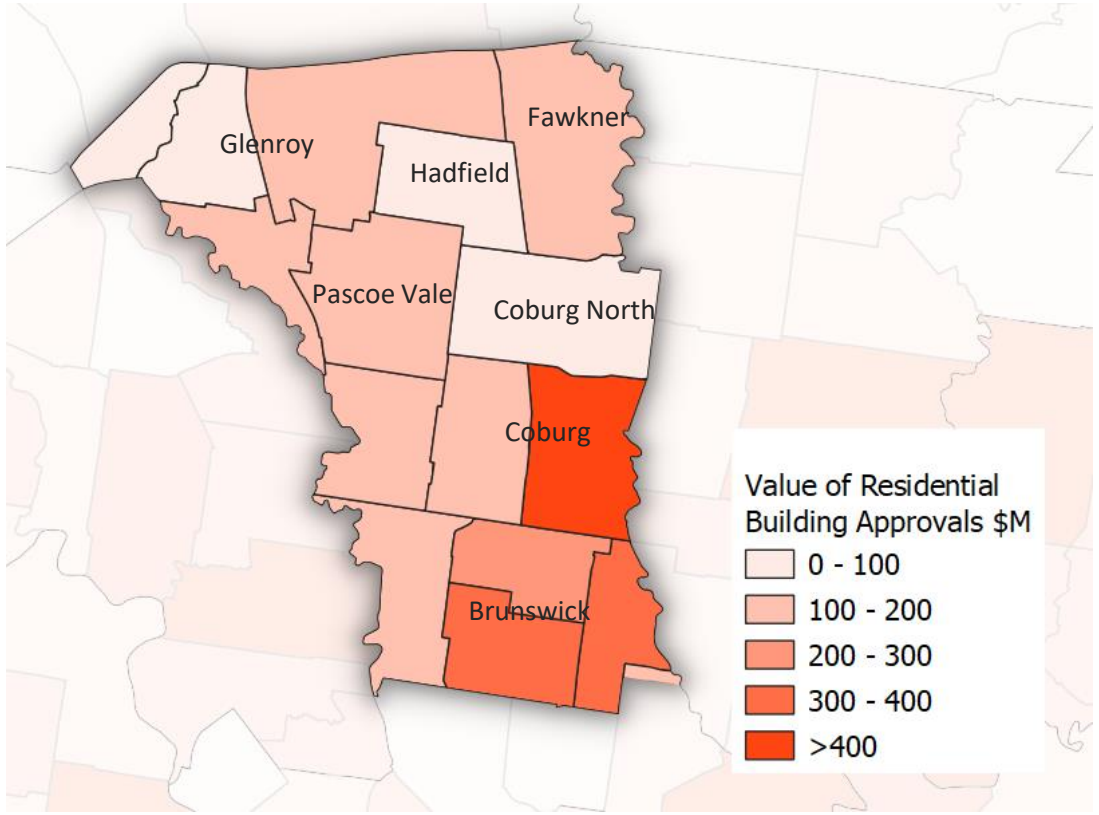
The area with the largest value of non-residential building approvals over the four years to 2022 was Coburg - East ($142M), followed by Coburg North ($88M).

The area with the largest value of residential building approvals over the four years to 2022 was Coburg - East ($425M), followed by Brunswick - South ($313M).

Value of Non-Residential Building Approvals – 2018/19 to 2021/22, $million



Value of Residential Building Approvals – 2018/19 to 2021/22, $million



*All references to areas in this section refer to 2021 ABS SA2 Geographies

06

What do the demographics and socio-economics look like?

Merri-bek's resident labour force is influenced by its abundance of younger, well-educated, higher-income residents. This leads to much higher participation rates.

Merri-bek's labour force participation (share of working age residents working or looking for work) was significantly higher than the Greater Melbourne average in 2021. It also grew faster, increasing from 67.4% in 2016 to 71.0% in 2021.

The unemployment rate was comparable to the Greater Melbourne average in 2021 but the rate decreased faster, falling from 6.8% to 5.0% over the period from 2016 to 2021. Youth unemployment also decreased strongly from 15.6% in 2016 to 11.4% in 2021. The rate was lower than the Greater Melbourne average of 12.2% in 2021.

The full time employment rate was comparable to the Greater Melbourne average, and the rate decreased from 65.5% in 2016 to 64.5% in 2021. This fall reflects a broader trend of growing part-time employment levels across the nation, but it is important to note the fall was less than that experienced at the Greater Melbourne level.

Merri-bek resident workers aged 15-69 with a university degree increased from 41.2% in 2016 to 48.3% in 2021. Degree level qualification attainment levels were much higher than the Greater Melbourne average of 37.9% in 2021.

Workforce participation rates are influenced by Merri-bek residents being less likely to have child care responsibilities in 2021 than the Greater Melbourne average. There are higher shares of young adults and couples without children living in the LGA.

Merri-bek labour force profile in 2021

	Greater Melbourne	Merri-bek	Change 2016 to 2021
Labour force conditions (persons aged 15+)			
Participation rate	67.4	71.0	3.6
Unemployment rate	5.3	5.0	-1.8
Youth unemployment rate	12.2	11.4	-4.2
Full time	64.3	64.5	-1.1
Skills and education (persons aged 15-69)			
% with a bachelor or higher degree	37.9	48.3	7.1
% no qualification	34.8	28.9	-6.4
Other characteristics (persons aged 15+)			
% speaks English not well or not at all	5.8	5.3	-1.4
Has child care responsibilities	28.1	23.5	-1.7

(a) Trend refers to the percentage point change between 2016 and 2021

Source: ABS Census of Population and Housing, 2016 and 2021

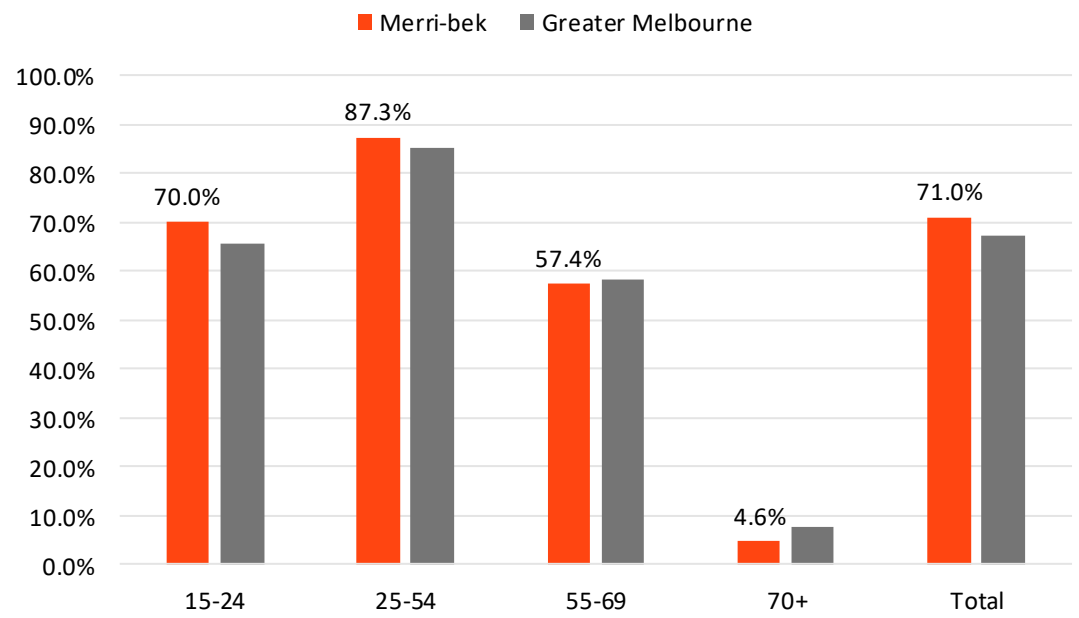
Merri-bek's participation rates are higher overall due to a higher share of younger workers. Participation rates have increased from 2016 to 2021 due to strong labour market and demographic conditions.

Merri-bek's labour force participation rate was 71.0% in 2021. This rate was higher than the Greater Melbourne average of 67.4%. Merri-bek's participation rate for persons aged in the key working age bracket of 15-54 was higher than the Greater Melbourne average.

Merri-bek's labour force participation rate increased from 67.4% in 2016 to 71.0% in 2021 (+3.6 percentage points). Notably, the rate for persons aged 15-24 was higher by 5.2 percentage points and persons aged 55-69 are 4.5 percentage points higher.

Participation rate by age, 2021

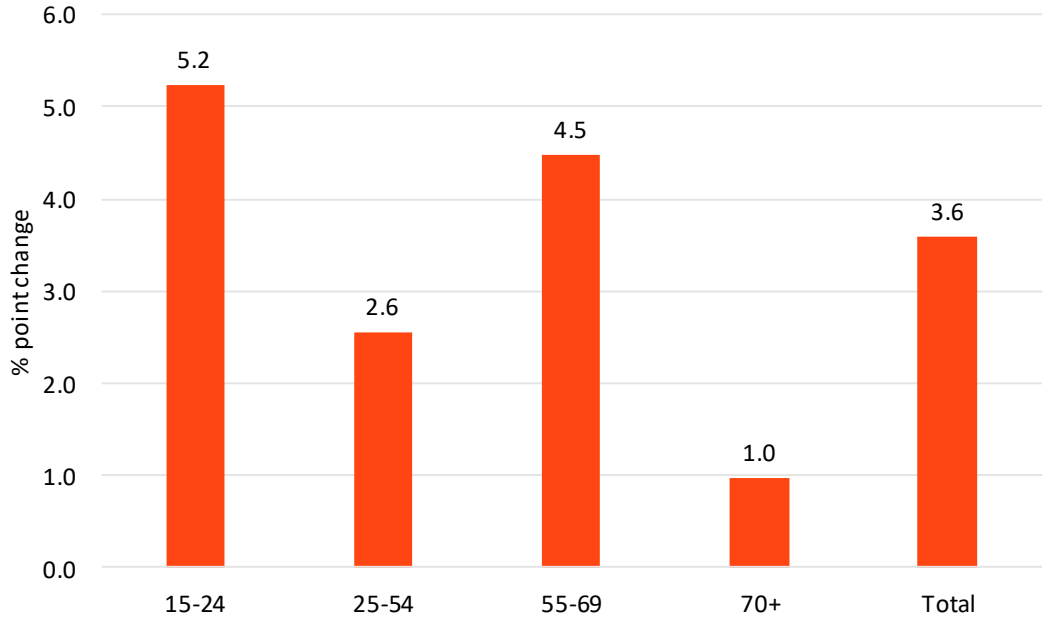
Persons aged 15+



Source: ABS Census of Population and Housing, 2021

Change in participation rate, Merri-bek, 2016 to 2021

Persons aged 15+



Source: ABS Census of Population and Housing, 2016 and 2021

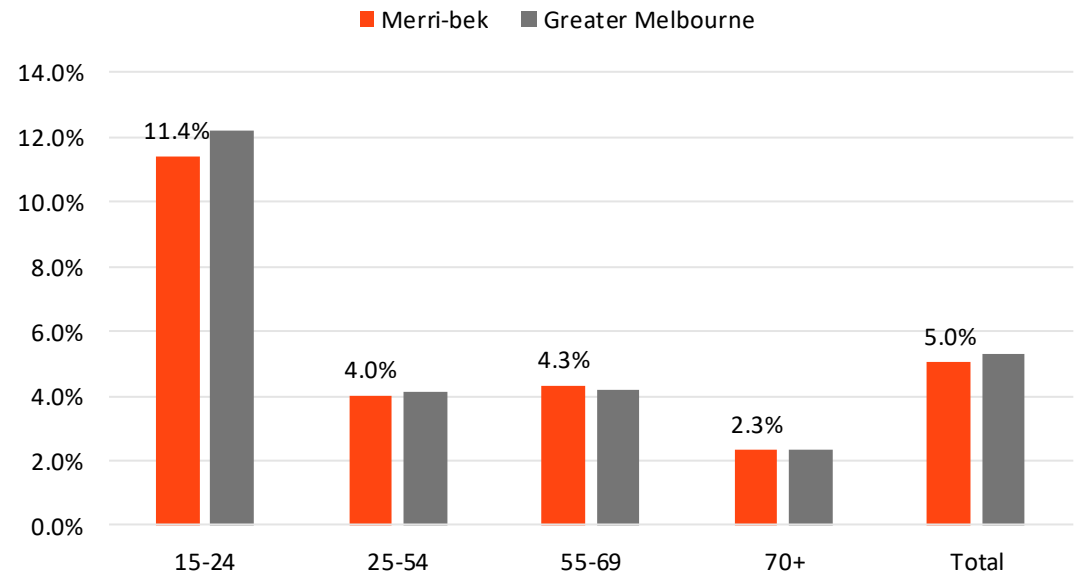
Strong labour demand has helped improve job prospects particularly for Merri-bek's younger workers.

The ABS Census is the only source of labour force statistics by age at an LGA level. The 2021 Census estimated Merri-bek's unemployment rate at 5.0%. This rate was very similar to the Greater Melbourne average of 5.3%. Merri-bek's youth unemployment rate (15-24 year olds) was marginally lower than the Greater Melbourne average possibly due to the greater share of employment opportunities in retail and hospitality.

Merri-bek's unemployment rate decreased from 6.8% in the 2016 Census to 5.0% in 2021 (-1.8 percentage points). All age brackets experienced falls, but notably the youth unemployment rate experienced the largest fall, decreasing by 4.2 percentage points.

Unemployment rate by age

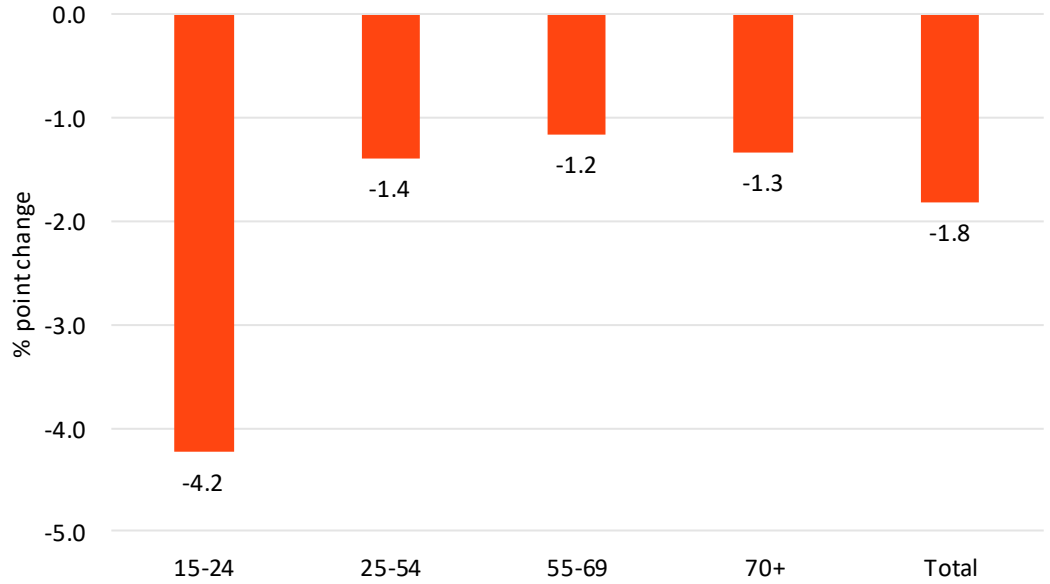
Persons aged 15+



Source: ABS Census of Population and Housing, 2021

Change in unemployment rate, Merri-bek, 2016 to 2021

Persons aged 15+



Source: ABS Census of Population and Housing, 2016 and 2021

**The week before 10th August 2021, when the ABS Census 2021 was conducted*

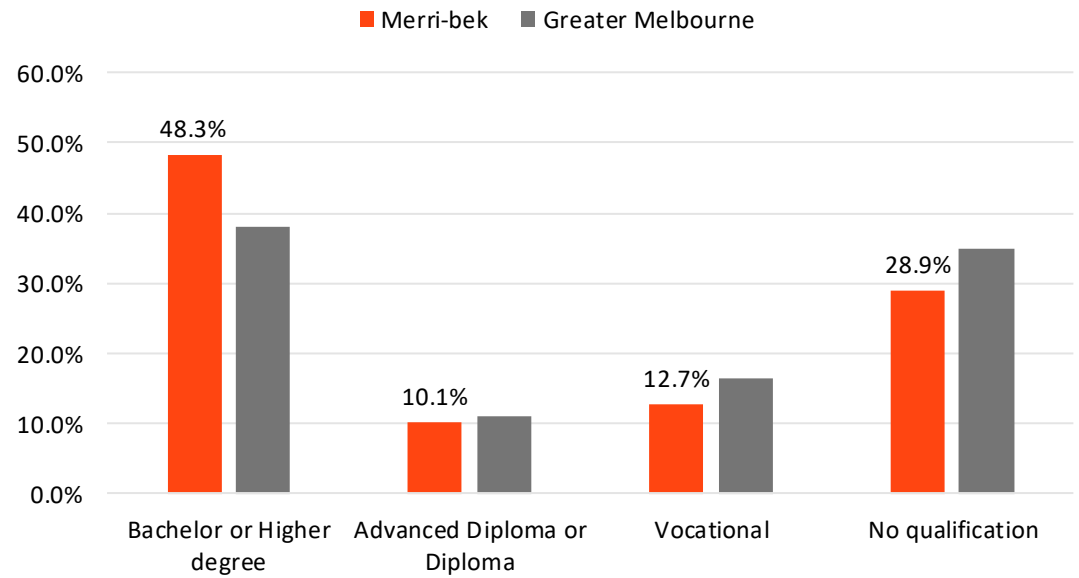
Merri-bek's residents are highly skilled and the share of university degree qualified residents continues to grow providing an important potential labour force pool.

48.3% of people aged 15-69 in Merri-bek had a Bachelor or Higher degree qualification in 2021, much higher than the Greater Melbourne average of 37.9%. The share of people with no qualification (28.9%) was also much lower than the Greater Melbourne average in the same year.

The share of residents with no qualification decreased significantly by 6.4 percentage points between 2016 and 2021. Remarkably, all the growth in qualifications was effectively in higher education with the share of residents with a Bachelor or Higher degree qualification increasing by 7.1 percentage points in the same period. In fact between 2016 and 2021, there was an increase of over 13,500 residents in the LGA with a university degree.

Highest qualification achieved

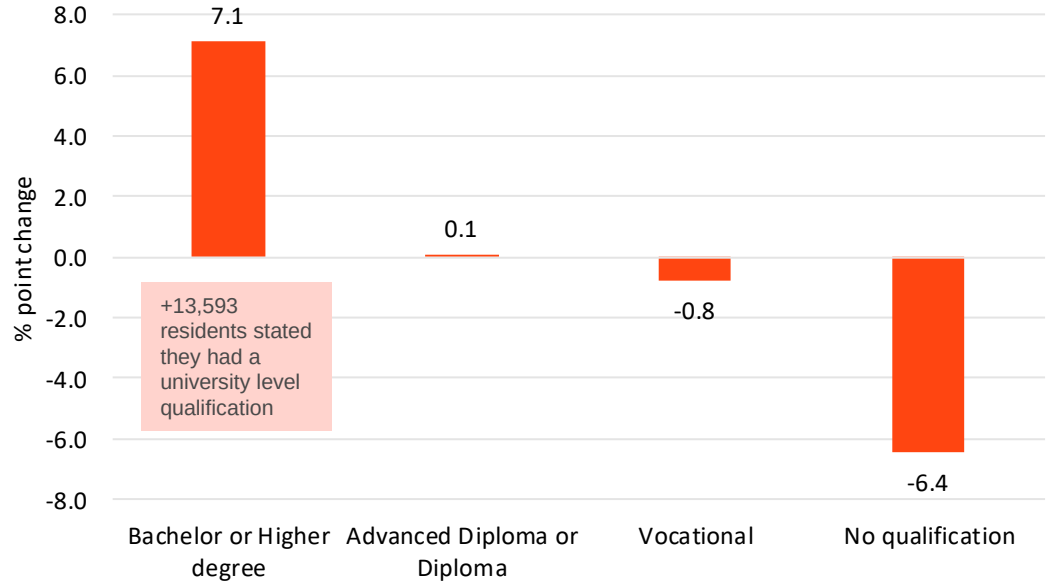
Persons aged 15-69



Source: ABS Census of Population and Housing, 2021

Change in highest qualification achieved, Merri-bek, 2016 to 2021

Persons aged 15-69



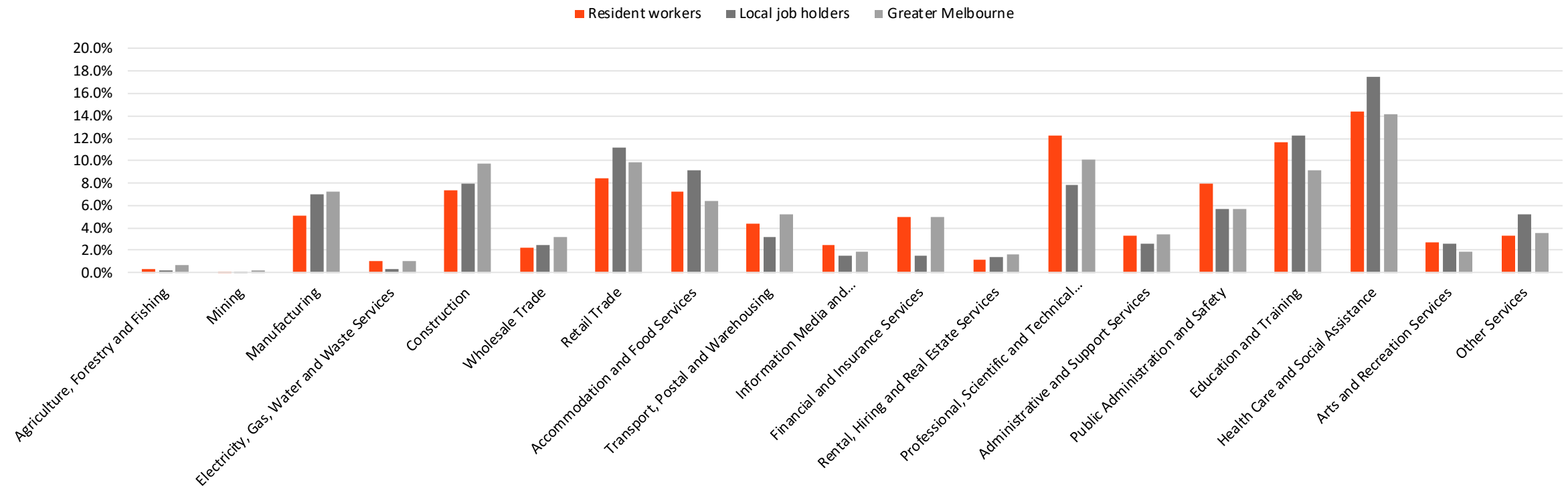
Source: ABS Census of Population and Housing, 2016 and 2021

The industry structure of the local economy (local job holders in Merri-bek) differs from the structure of the industries in which its residents are employed.

In 2021, the largest employing industry for residents and the local job holders* was Health Care and Social Assistance. This was consistent with Greater Melbourne. Education and Training was also a large employer for both (12%), and actually much higher than the Greater Melbourne average (9%). However, there is a contrast with other industries. Residents are much more likely than local job holders to be employed in Professional, Scientific and Technical Services, Finance, and Public Administration. Local job holders are more likely to be working in Retail Trade, Accommodation and Food Services, Manufacturing, and Other Services.

Industry mix - share of total workers, 2021

Merri-bek



Source: NIEIR, 2022

*Resident workers refers to those people living in the Merri-bek LGA and working locally or elsewhere (e.g. across Melbourne); Local job holders refers to those people working in the Merri-bek LGA who could be residing locally or in other areas (e.g. elsewhere in Melbourne).

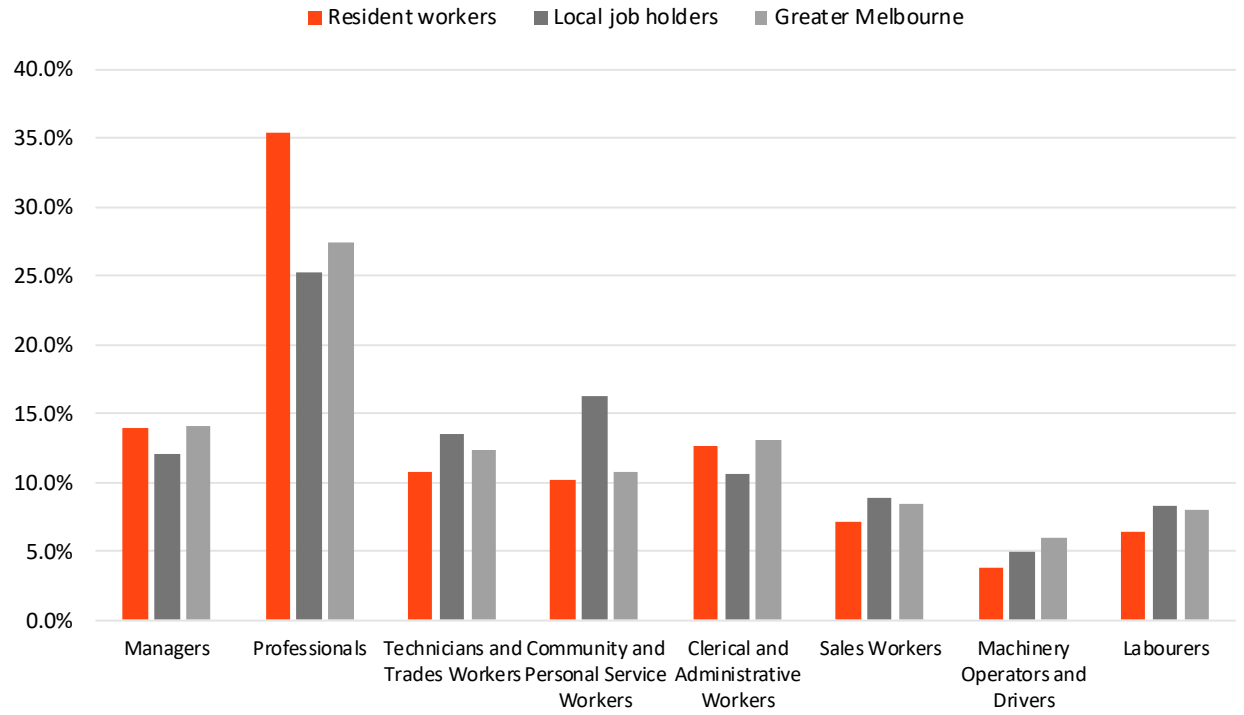
Due to the industry structure of employment, Merri-bek residents are far more likely to be working in professional occupations than local job holders and the Greater Melbourne average.

In 2021, the share of resident workers in the Professionals and Clerical and Administrative Workers occupations was higher than the share of local job holders in the same occupations. Conversely, the share of resident workers in Community and Personal Service Workers and Technicians and Trades Workers occupations was lower than the share of local job holders in the same occupations.

At a detailed occupation level, the top occupations with much greater resident vs local job holder employment were Information and Organisation Professionals and Business Administration Managers. The top occupations with greater local job holder vs resident employment were Child Carers and Defence Force Members, Fire Fighters and Police.

Occupation mix - share of total workers, 2021

Merri-bek



Source: ABS Census of Population and Housing, 2021

Local job holders vs Resident workers by 3 digit occupation

Top 5 residents > local job holders	Top 5 local job holders > residents
Information and Organisation	Child Carers
Business Administration Managers	Defence Force Members, Fire Fighters and Police
Business and Systems Analysts, and	Panelbeaters, and Vehicle Body Builders,
Sales Assistants and Salespersons	Food Process Workers
Sales, Marketing and Public Relations	Textile, Clothing and Footwear Trades

Source: ABS Census of Population and Housing, 2021

Employed residents are more qualified than local job holders and the Greater Melbourne average.

Merri-bek's residents are more qualified than the Greater Melbourne average, but conversely the jobs on offer in Merri-bek. on average, suit workers with a lower level of qualifications.

At a detailed qualification level, the top qualifications with much greater resident vs local job holder employment were Business and Management and Communication and Media Studies. The top qualifications with a greater local job holder vs resident employment were Agriculture, Environmental and Related Studies, nfd and Other Agriculture, Environmental and Related Studies.

Qualification mix - share of total workers, 2021

Merri-bek

Source: ABS Census of Population and Housing, 2021

Local job holders vs Resident workers by field of qualification

Top 5 residents > local job holders	Top 5 local job holders > residents
Business and Management	Agriculture, Environmental and Related
Communication and Media Studies	Other Agriculture, Environmental and
Law	Other Creative Arts
Information Technology, nfd	Mixed Field Programmes, nfd
Accounting	Social Skills Programmes

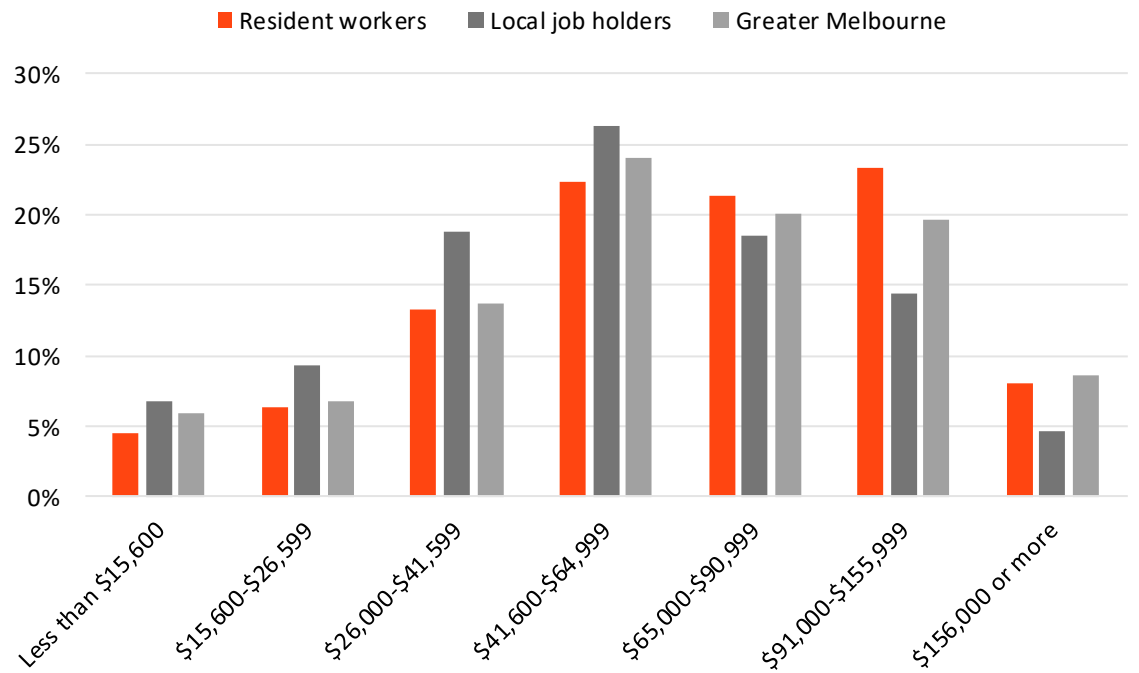
Source: ABS Census of Population and Housing, 2021

Employed residents are more likely to be working in high-paying professional jobs while the jobs available locally are more likely to be in low-paying social assistance, retail, and hospitality jobs.

Employed residents in Merri-bek are earning higher incomes than local job holders. In 2021, 53% of Merri-bek resident workers were earning more than $65,000 per year, compared to 38% for local job holders Overall, Merri-bek's resident workforce members typically earn higher incomes compared to resident workers in Greater Melbourne with the exception of the highest income category (i.e. those on $156,000 or more per annum).

Income mix - share of total workers, 2021

Merri-bek



Source: ABS Census of Population and Housing, 2021

Merri-bek attracts residents who have high paying jobs in inner Melbourne suburbs.

Residents in high paying professional jobs are attracted to Merri-bek's proximity and accessibility to Melbourne's CBD and inner-city employment hubs (e.g. Parkville).

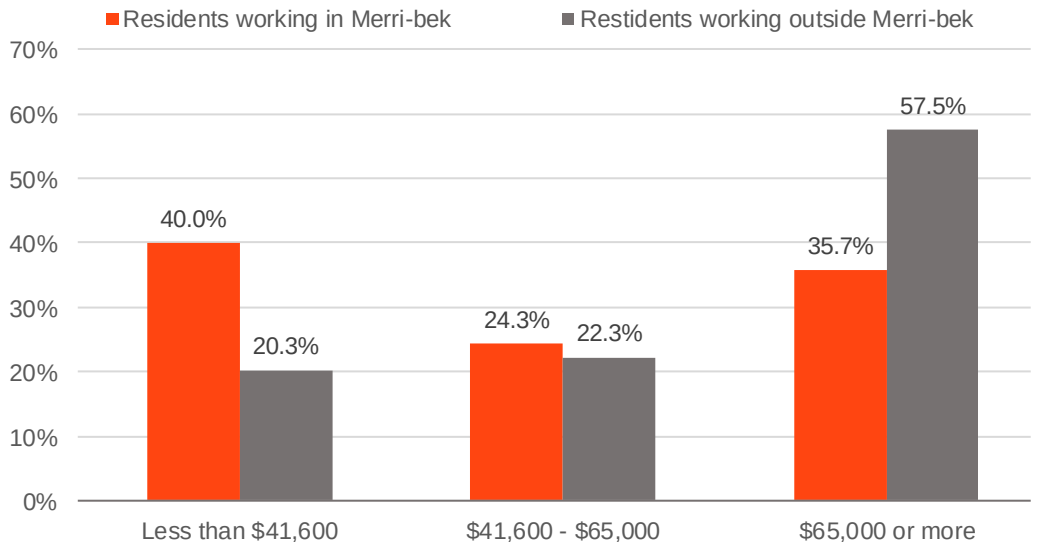
In 2021, 57.5% of the residents who left the LGA for work were earning $65,000 or more per year, this compares to only 35.7% for those who worked locally.

Residents who are commuting outside the LGA are also more likely to be working in occupations that require a higher skill level and offer more full-time opportunities.

In 2021, residents with manager and professional occupations are working outside Merri-bek approximately 10% more than within the area. On the other hand, residents with less skilled occupations (e.g. sales and laborers) tend to work more inside Merri-bek than outside.

Commuting residents income profile - Merri-bek, 2021

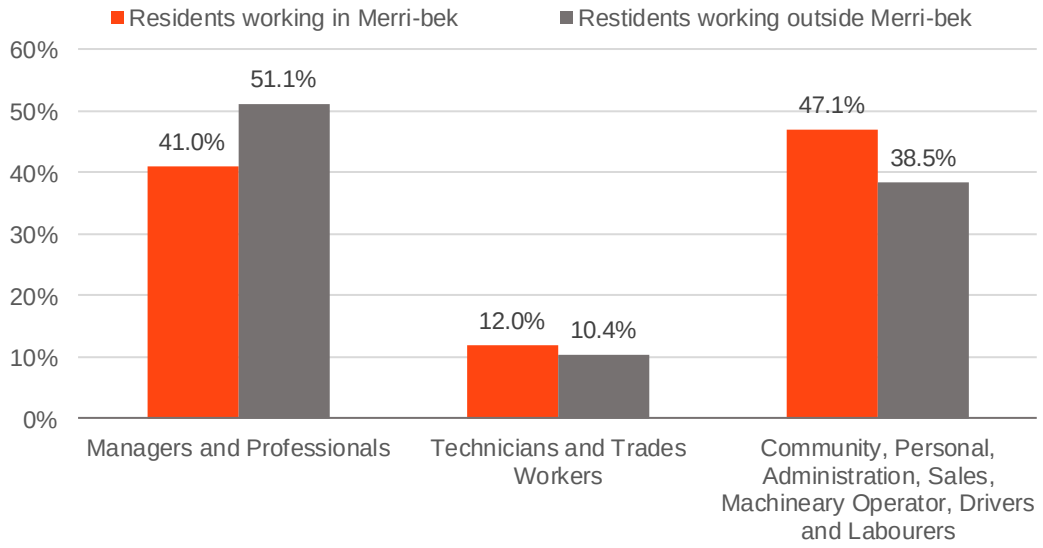
%, Annual gross individual income level



Source: ABS Census 2021

Commuting residents occupation profile - Merri-bek, 2021

%, occupation



Source: ABS Census 2021

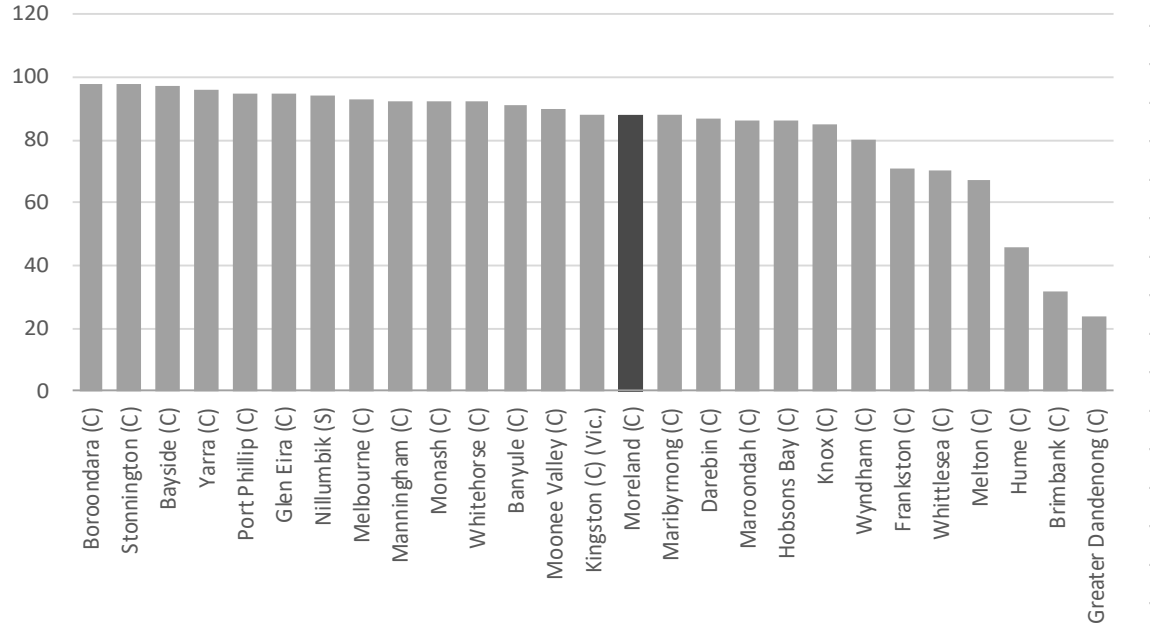
Merri-bek has a slightly lower level of socio-economic disadvantage compared to surrounding metro LGAs, however there are obvious differences within the LGA.

Merri-bek has a relatively low socio-economic disadvantage. In 2021, Merri-bek had a SEIFA advantage and disadvantage index percentile* of 88, higher than metropolitan LGA average (82). That is, Merri-bek is relatively less disadvantaged than metropolitan LGAs on average. In the same year, Merri-bek ranked 15th out of metropolitan LGAs around Merri-bek in terms of the SEIFA index.

Merri-bek's above-average performance in terms of SEIFA is partly due to the relatively higher household income. This in turn is largely driven by the higher share of qualified, working age residents. Merri-bek has a relatively higher share of households in the higher income group (more than $1,947 per week) and a lower share of households in medium lowest income brackets (between $882 to $1,756 per week) compared to the Greater Melbourne averages.

SEIFA socio-economic advantage and disadvantage*

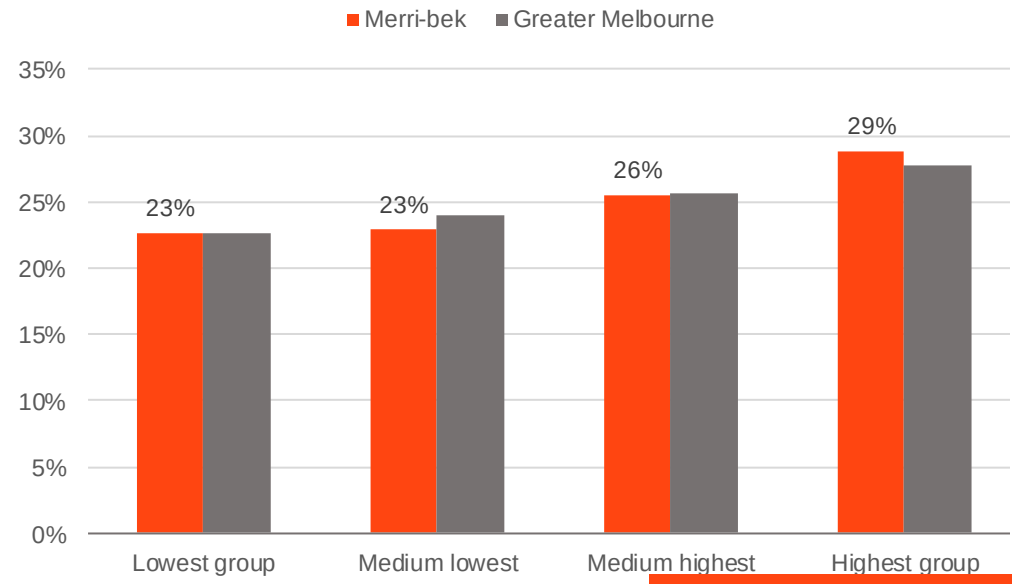
Percentile



Source: ABS Census of Population and Housing, 2021

Annual household income quartiles** - Merri-bek

%, Income per week



Source: ABS Census of Population and Housing, 2021

Household income ranges	
Lowest group	$0 to $881
Medium lowest	$882 to $1,756
Medium highest	$1,757 to $2,946
Highest group	$2,947 and over

*The SEIFA percentile indicates the approximate position of the LGA in a ranked list of Australia's localities in 2021. A higher number indicates a higher socio-economic status. For instance, a percentile of 88 indicates that approximately 88% of Australia's suburbs have a SEIFA index lower than this area (more disadvantaged), while only 12% are higher

**Based on a Victoria quartiles range. That is, each income range group will be evenly distributed (25%) in Victoria.

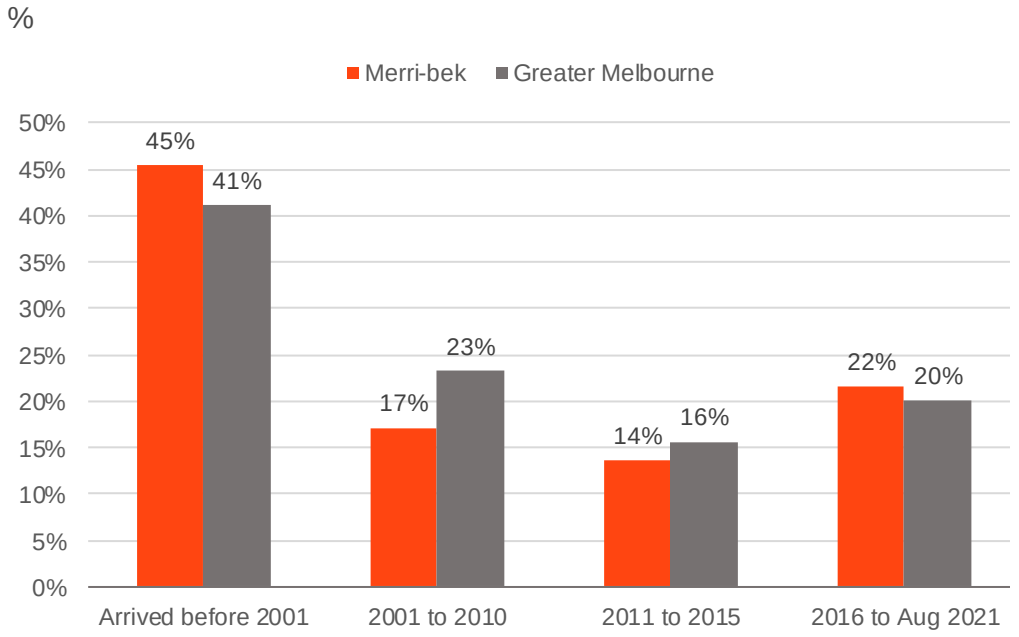
Merri-bek has a mixture of older immigrants and more recent arrivals driven by growth from the Indian Subcontinent.

In 2021, 1 in 3 Merri-bek residents were born overseas (33%). This rate is slightly lower than the Greater Melbourne average of 36% with a higher share of migrants arriving before 2001.

However, the rate at which migrants are moving into Merri-bek compared to Greater Melbourne appears to have accelerated since 2016 with a higher share of born overseas arriving from 2016 to 2021 (22%) compared to 20% in Greater Melbourne.

The LGA has a rich mixture of various ethnic backgrounds with a higher share of residents with Italian, Greek, Nepalese, Lebanese, Pakistani and Turkish backgrounds than the Greater Melbourne average. Residents from Nepal, India and Pakistan represented 43% of all recent arrivals (2016 to 2021) to Merri-bek. The Nepalese community in Merri-bek is particularly significant with its share of overseas born (2.1%) being 5 times the Greater Melbourne average in 2021 (0.4%).

Overseas born year of arrivals



Source: ABS Census, 2021

07

What macro forces and projects might influence the outlook?

Projects that will influence economic outlook

Commercial and community developments will unlock new or enhance existing industry specialisations

Newlands Food Manufacturing Hub

Newlands Road is a new food manufacturing hub located in the Coburg North industrial district. Designed for small, medium and large-scale food manufacturers, over 20 new businesses have started operations in the precinct over the last few years including Wonder Pies, St. Remio Coffee, Ribbons and Bows Cakes, Brunetti Classico, GFBV Foods, SolCleanse, Marisa's Kitchen, Bippi Foods, One Collective Group etc.

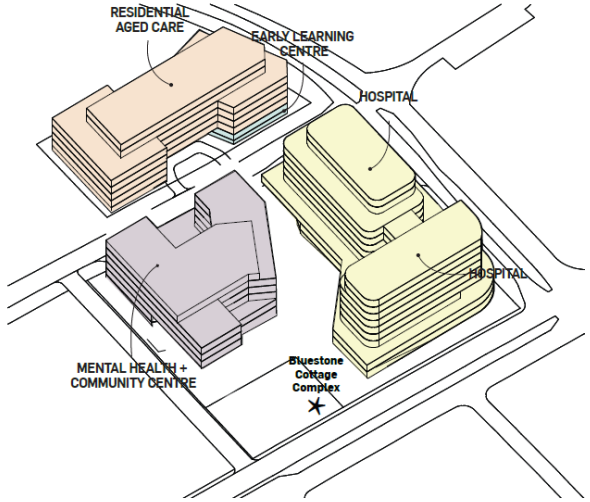
Further stages will complete in 2024, doubling the size of the hub and can be expected to attract additional similar businesses.

Newlands Food Hub, artists impression
Source: newlandsroad.com.au

Coburg health and community services precinct

A major health hub is proposed for Coburg to address shortfalls in local health services. A draft masterplan has been endorsed with further plans and a development application is expected to be submitted during 2024.

During construction, the project is expected to create approximately 350 jobs across all facets of the industry. On completion, the precinct is estimated to accommodate more than 600 workers from medical practitioners, through to nursing, administration, educators, retail, and support functions.



Coburg Health Hub Masterplan Draft
Source: Merri-bek Council

Projects that will influence economic outlook

Residential developments will support retail and hospitality demand and increase the supply of skills available to local businesses.

Pentridge Coburg

In 2013, the Pentridge Prison site was purchased by Shayher Group after extensive planning consultation with state and local authorities.

The site has undergone a major transformation with new residential, retail and commercial developments constructed on the site. Tenants now include Palace Cinemas, Brewdog and Adina Apartment Hotel.

Development has unlocked the potential of adjacent sites too with construction commenced on Pace 3058, a mixed use development consisting of 312 apartments.
Several more large sites within the precinct remain to be developed in coming years.

Pentridge Coburg Development
Source: Saturday Paper

East Brunswick Village

The East Brunswick Village is a 3.1 hectare site located between Nicholson Street and John Street (east-west) and Albert Street and Glenlyon Road (north-south). The site has been undergoing a major transition to mixed use retail, commercial and residential over the last decade with a particular emphasis on sustainable living.

Stage 3 of the development is still being completed and will add hundreds of additional apartments as well as a new cinema, brew pub, signature restaurants, and other food, beverage and retail outlets.

East Brunswick Village
Source: realcommercial

Projects that will influence economic outlook

Commercial and community developments will unlock new or enhance existing industry specialisations

Cultural and community hub at 33 Saxon Street

33 Saxon Street is an existing community and creative space within the Civic and Cultural Precinct and the Brunswick Design District. Some buildings are now no longer fit for purpose and therefore the site is undergoing a major redevelopment.

The upgrade will create approximately 3,500sqm of floorspace and will deliver an accessible and functional building with welcoming and affordable spaces for creatives, artists and the Brunswick community. apartments.

33 Saxon Street, artists impression
Source: Merri-bek Council

New homes in Brunswick and Coburg

Just over $750M in Apartments were approved in Merri-bek in 2021/22, with large amounts in Brunswick East and Coburg East. Approved projects by developers such as PACE, Nightingale, Assemble, Mirvac, Banco Group, NeoMetro and also by Ryman.

These developments will add thousands of new homes in the short to medium term, and thousands of new residents - helping to stimulate consumer demand for a range of retail, hospitality, education, health and other population-driven industry sectors and also dramatically further boosting the local workforce.

Macro economy

Before the COVID-19 crisis, there were indications that Australia and the Global economy was heading towards a more weakened economic environment than what was experienced over the last decade. Some of these included:

- Ongoing US-China trade tensions impacting world economic growth.
- The potential for higher interest rates in the US to address excess liquidity created by quantitative easing and likely changes in US fiscal policy at some point to address rising government deficits.
- A credit squeeze on local banks leading to constrained lending growth and in turn, lower residential development commencements going forward. However, this had been offset recently by changes to monetary policy.

However, just after COVID impacts saw the economy bottom out in the June quarter 2020, government spending and incentives boosted the national economy and reversed conditions.

- Housing approvals were at an all time high boosting construction employment, but causing supply constraints and skill shortages.
- Private investment in machinery and equipment increased strongly due to policies such as instant asset write-offs.
- Unemployment fell to levels far below pre-COVID as excess capacity was taken up by growth
- House values rose considerably and household saving ratios began to fall.
- The AUD exchange rate vs major currencies rose in 2020-21 due to strong international demand for commodities, the perception of a stronger domestic economy relative to other countries and higher interest rate levels between Australia and other economies.
-

Towards the end of 2022 and into 2023, growth started to weaken due to:

- Inflation driven strongly by rising fuel prices, labour shortages and global uncertainty due to Russia's invasion of Ukraine.
- Rate rises dampening house values and impacting perceived household welfare.
- Exchange rate falling as local cash rate rises didn't keep up with overseas counterparts, and therefore import prices rose.
- Unemployment rates flattening due to the return of immigration and less excess capacity.

Moving into 2024, business and consumer confidence is lower due to continued uncertainty and delayed impacts of higher bank rates.

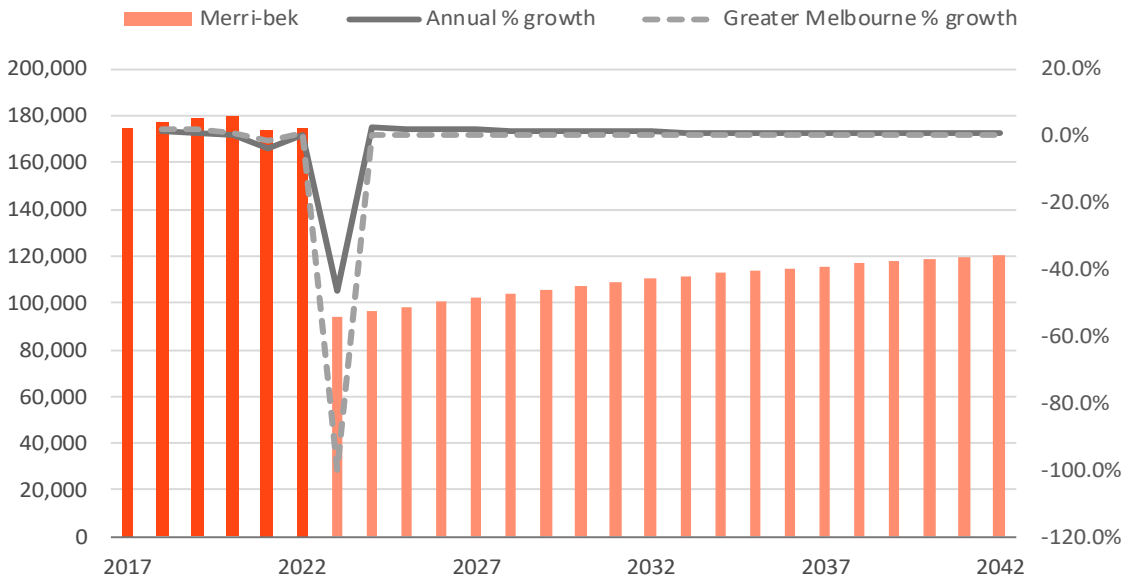
Young workers and families are forecast to increase faster than other population groups in Merri-bek. This is likely to drive demand for population serving industries.

Merri-bek's population estimate for 2022 was 174,735 and is forecast to decrease to 120,546 by 2042. This equates to around -1.8% p.a. and is slower than the historical average of 1.3% p.a. (2011 to 2021).

Over the next 20 years, the population in Parents and homebuilders (35 to 49) and Young workforce (25 to 34) age groups is forecast to have the largest increase with 7,008 and 4,482 people respectively. Conversely, the population in Elderly aged (85 and over) and Secondary schoolers (12 to 17) age groups is forecast to have the smallest growth in population with 659 and 1,637 people respectively.

Population forecast - Merri-bek

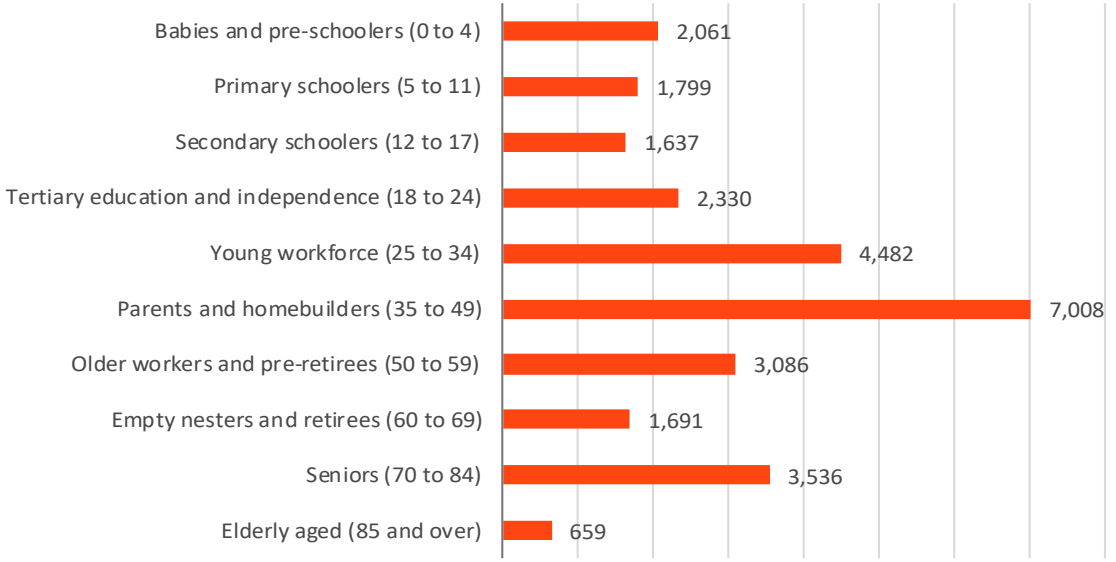
Person



Source: Charter Keck Cramer, 2021

Change in population by service age groups - 2021 to 2041

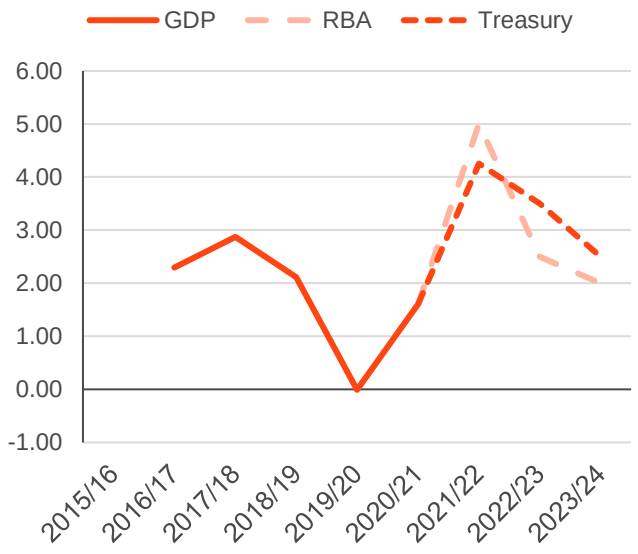
Person



Source: Charter Keck Cramer, 2021

National economic outlook is strong but risks remain. Metropolitan areas expected to benefit from a return to stronger population growth.

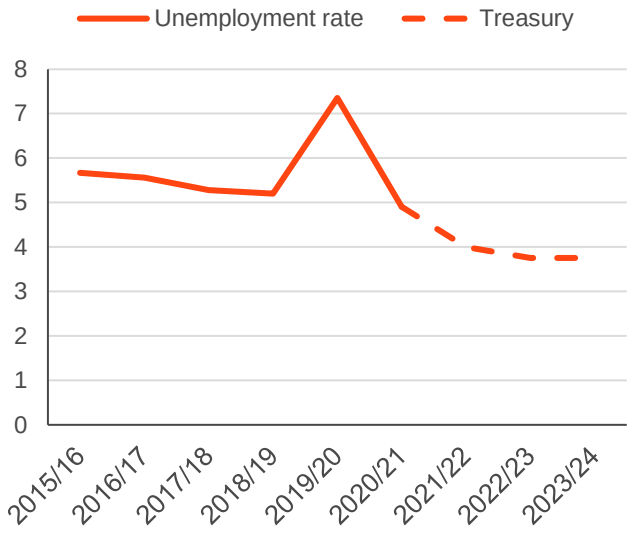
Australian Real GDP



Source: ABS, Budget 2022-23, RBA

- Major stimulus has set up a strong growth outlook ($343b in health and economic support).
- Omnicron and other COVID strains have been disruptive but haven't had a sustained impact.
- Consumption is expected to be supported by strong income growth and household wealth.
- Inflation and higher interest rates will increase the cost of living costs and lower business profitability.
- Considerable uncertainty with international conditions – e.g. Inflation, Russia's invasion of Ukraine, and the Israel-Hamas conflict.

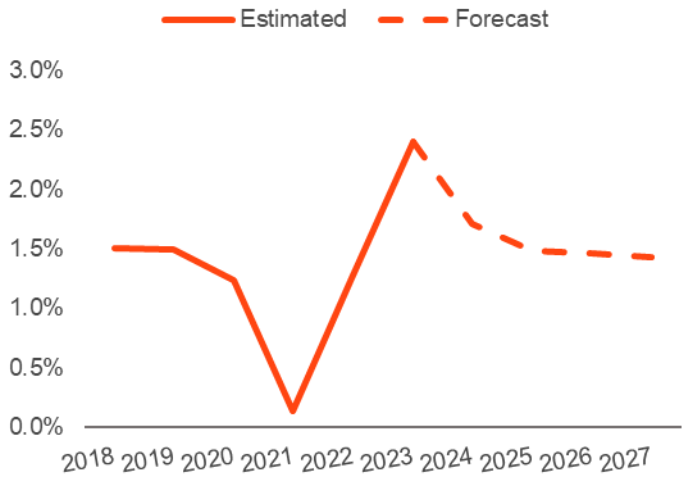
Australian Unemployment Rate



Source: ABS, Budget 2022-23

- Continued recovery is expected to see the unemployment rate fall to and remain at very low levels, although the outlook into 2024 is not certain and the impact of elevated interest rates could disrupt this pattern.
- Labour underutilisation is expected to fall to the lowest level in many years (i.e. labour demand fulfilled by increased hours worked).
- As a result, wage growth is expected to pick up and will support additional consumption spending.
- The RBA has assumed the inflation to be around 2.75% by the end of 2025.

Australian Population Growth

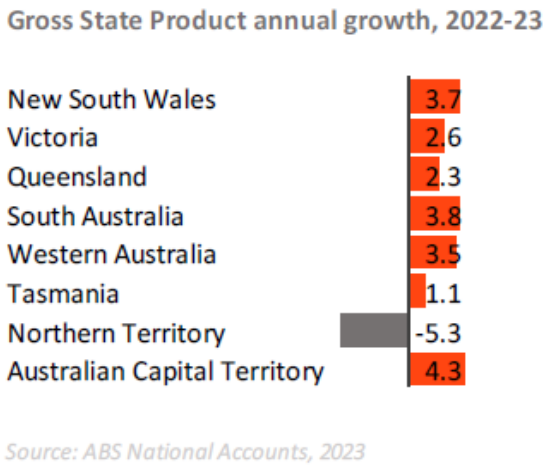


Source: Centre for Population

- Population growth was 2.4% in 2022/23, much higher than previously forecast by the Federal Government (2.0%).
- Growth was driven by international migration with net overseas migration reaching a record 518,100 people for the year.
- Growth is projected to fall in coming years, partly due to changes in visa policies.

The state economy is still strong, but business confidence remains low due to inflation, high interest rates and labour shortages.

Economic activity remains strong in recent quarters

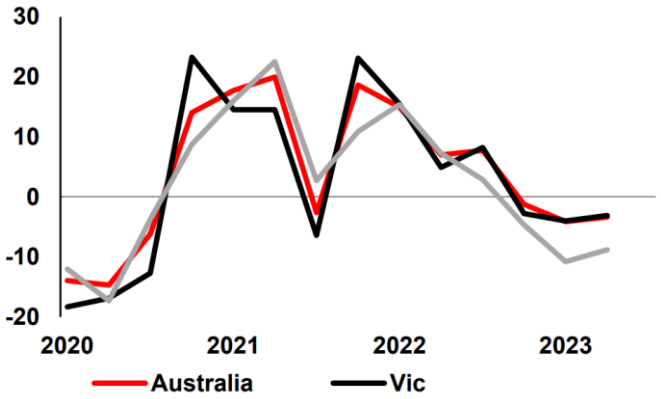


Source: ABS National Accounts, 2023

- Victoria's GSP increase was led by Transport, postal and warehousing (13.6%) due to strong demand for travel with reopened borders.
- Substantial growth also occured in both Accommodation and food services (29.5%) and Arts and recreation services (11.0%)

Business confidence trending down as inflation and rate hikes play out

Victoria Business confidence – Quarterly

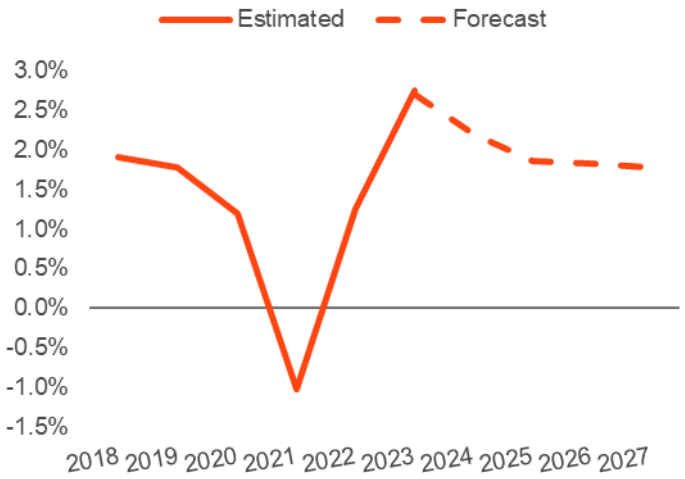


Source: NAB Quarterly Business Survey Q2, 2023

- Business confidence remained low in the June Quarter 2023.
- According to NAB Quarterly Survey, "Supply side issues continued to improve in Q2 but the labour market remains very tight, with labour still a constraint for most firms."

Population growth has already returned

Victoria population forecast



Source: Centre for Population

- Victoria had the second fastest population growth out of all states in 2022/23, increasing by 2.7%.
- Net Overseas Migration to Victoria was at record levels in 2022/23 with an estimated increase of 154,000. This was well above the 80,000 forecast by the Federal Government the year before This growth will benefit areas like Greater Melbourne and Merri-bek which have historically attracted a high share of overseas migrants.

Existing and unfolding trends

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. Some trends that may impact the economy include:

Remote work

A McKinsey report showed that most professional business services work, up to 3/4 for financial services, could be done from anywhere without loss of productivity.

Rebalanced supply chains

Cost differences among developed and many developing countries are narrowing due to tech advances. The importance of local supply to offset disruptions, reduce freight costs and improve national security is becoming increasingly important.

Circular economy

A 'circular economy' not only extends the life of products and reduces emissions, but it has also been identified as a major commercial opportunity. KPMG estimates a circular economy could give Australia a $23 billion GDP boost.

5G, smart everything and IoT

Smart capabilities beyond home settings have been limited to date. With 5G, many companies in manufacturing, mining, construction, transport and agriculture will get a reliable alternative that enables the communication critical for mobile tools, machines, and robots.

Automation and AI

About half of the activities (not jobs) carried out by workers could be automated, but only about 5 percent of occupations could be fully automated by currently demonstrated technologies.

E-commerce

Australians are increasingly comfortable shopping online with COVID restrictions driving a large increase - 5.2 million households shopped online in January 2021. This was a 44% increase compared to the year before. Post-COVID has seen a return to physical shopping, but online shopping remains elevated.

Sources: McKinsey Global Institute, 2020, *The Future of Remote Work & A Future that Works: Automation*; KPMG, 2020, *Potential economic pay-off of a circular economy*; Australia Post, 2021, *Online Shopping Report*

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