

Introduction

This chapter contains an overview of the Victorian people and economy. It has been provided by the Victorian Department of Treasury and Finance.

One of the distinguishing features of Victoria among the Australian States and Territories is its compactness. One-quarter of the nation's population occupies only 3% of Australia's total land area, making Victoria the most densely populated State. Victoria has an average of 21 persons per square kilometre, compared with the national average of 2.5 persons.

The climate is suitable for a wide range of agricultural production, including relatively intensive farming compared with most of Australia. Dairying, cereal and other cropping, horticulture, viticulture, as well as wool and livestock production are all undertaken successfully in Victoria.

Victoria has long been recognised as a major centre for manufacturing in Australia. However, the Victorian economy is diversified and the services sector actually dominates economic activity in the State. As with the Australian economy as a whole, the services sector has grown in importance over the past decade.

People

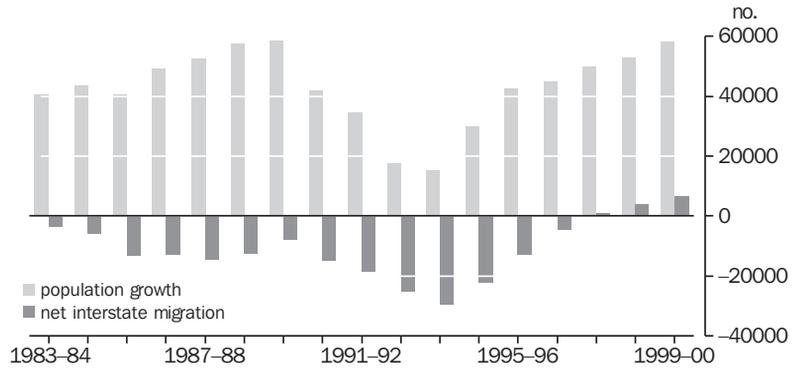
As at June 2001, Victoria's estimated resident population was 4.83 million, equivalent to 24.9% of the national population. Approximately 73% of Victorians live in the Melbourne Statistical Division.

There has been a marked turnaround in Melbourne's population distribution in recent years. Many people, particularly young professionals, are now finding inner city living more convenient for work and recreation. Outer Melbourne also continues to grow strongly, with suburbs such as Sunbury, Melton, Craigieburn and Cranbourne attracting young families.

Victoria has tended to lose population interstate in recent decades, mainly to Queensland and New South Wales. Population flows out of Victoria were particularly heavy in the early 1990s, reflecting the relatively severe impact of the national recession on Victoria.

More recently, this trend has been reversed, with Victoria attracting people from interstate (graph 1.1). Partly as a result of this, Victoria's population growth rate has rebounded strongly since the mid 1990s to be above the average of the past two decades and, since 1999, above the national growth rate. Victoria's share of national population has stabilised at around 25% since the mid 1990s, after declining over the previous two decades.

1.1 POPULATION CHANGE—1984–2000



Source: Australian Demographic Statistics (Cat. no. 3101.0).

Victoria’s population is culturally diverse. More than 20% speak a language other than English at home, with the predominant languages being Italian, Greek, Cantonese, Vietnamese and Arabic.

The Victorian population is highly educated. The Victorian apparent school retention rate of 77.2% in 2000 was above the national average, and the participation rate in schooling among the Victorian 15–19 year age group was the highest of any State in 2000. Around half the population possess post-secondary school qualifications, with the highest university participation and graduation rates in Australia. Victoria also has the highest proportion of workers qualified in managerial, professional and technical positions in Australia.

Regional diversity

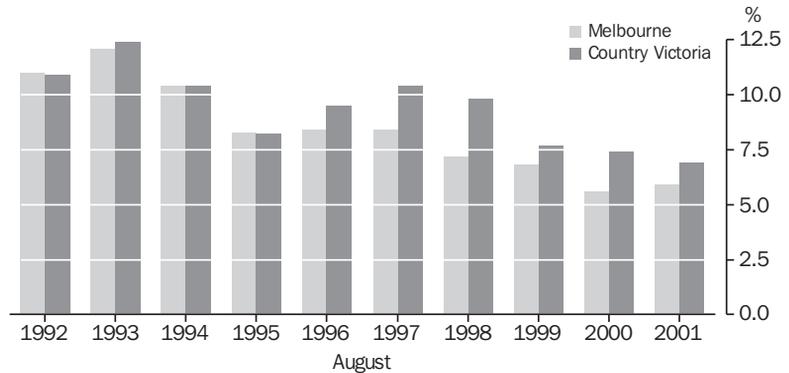
The latest population estimates show that 1.3 million Victorians live outside the Melbourne Statistical Division, equivalent to around 27% of the population.

Since the mid-1990s, people have moved, as part of a long-term trend, from western Victoria towards regional centres or Melbourne. Agricultural productivity growth and farm consolidation has meant fewer farms and a corresponding decline in rural populations. Population ageing and the search for retirement destinations have contributed to the more rapid growth of regions such as the Surf Coast, Bass Coast, Mildura, and other townships along the Murray River.

Part of the population movement can be explained by differences in regional economic performance. For example, following strong growth in the early 1990s, employment in country Victoria stagnated for several years and has only resumed sustained growth since 1999. Employment growth in country Victoria has exceeded growth in metropolitan Melbourne in the past two financial years.

Unemployment rates in country Victoria are generally higher than in metropolitan Melbourne (graph 1.2), though there are wide differentials between regions. In August 2001, the unemployment rate in metropolitan Melbourne was 5.9%, while the rate for country Victoria averaged 6.9%. Unemployment rates for Melbourne ranged between 4.0% in Inner Eastern Melbourne; and 10.7% in North Western Melbourne in August 2001, and in country Victoria between 5.0% in Barwon–Western and 9.1% in Loddon–Mallee.

1.2 UNEMPLOYMENT RATE, 1992–2001



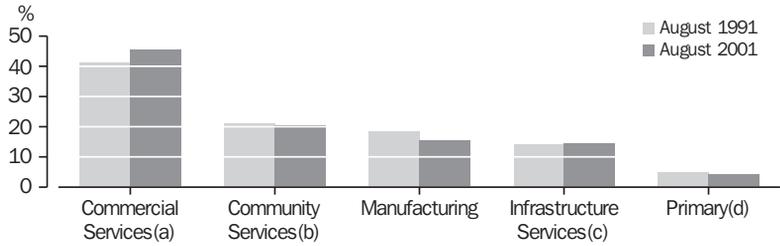
Source: *Labour force, Victoria* (Cat. no. 6202.2)

Industry

Victoria is a major centre for manufacturing in Australia, and also has a strong services sector typical of a mature, developed economy. Manufacturing accounted for 16% of Victorian Gross State Product (GSP) in 2000–01, similar to South Australia and Tasmania, but higher than New South Wales and Queensland (13% and 10% respectively). Other major Victorian industries include property and business services (14% of GSP), finance and insurance (8%), health and community services (6%) and wholesale trade (5%).

Over the past decade, the ‘commercial services’ sector has grown in importance in Victoria, notably property and business services; finance and insurance; and accommodation, cafes and restaurants. This has been at the relative expense of the mining, manufacturing and utilities sectors, the output of which has generally fallen as a share of GSP over the same period. The share of employment by industry has followed a similar trend (graph 1.3).

1.3 SHARE OF EMPLOYMENT, BY INDUSTRY



- (a) ANZSIC Divisions F, G, H, K, L, P and Q.
- (b) ANZSIC Divisions M, N and O.
- (c) ANZSIC Divisions D, E, I and J.
- (d) ANZSIC Divisions A and B.

Note: Please see Appendix for a description of ANZSIC codes

Source: *Labour Force, Australia (Cat. no. 6203.0)*.

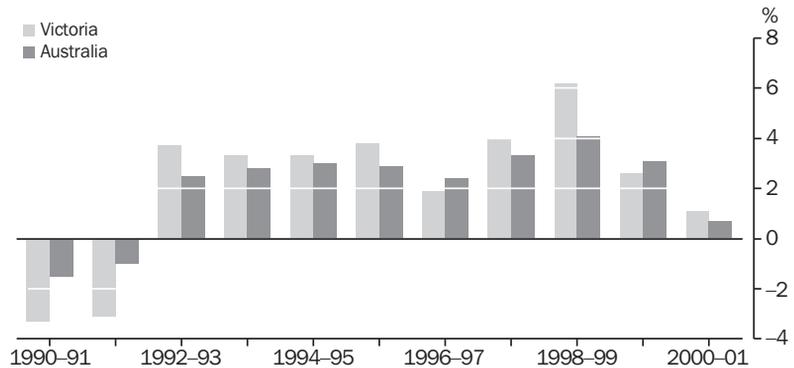
Within manufacturing, employment in the food processing, chemicals and pharmaceuticals, electronic equipment manufacturing and publishing has tended to grow more rapidly than employment in industries such as metal, wood and paper products. Employment in textiles, clothing and footwear manufacturing has fallen over the past decade as tariff protection has been progressively reduced.

Economy

Using Gross State Product (GSP) as a measure of economic growth, the Victorian economy grew by 2.4% during 2000–01, above the national average of 1.8%. Victorian per capita GSP grew by 1.1% in 2000–01 (graph 1.4). On average, Victorians each produced \$35,700 worth of goods and services during 2000–01 compared with the Australian average of \$34,800.

Victorian State Final Demand (SFD) grew by 3.1% in the year to the September quarter 2001. The main contributors to SFD growth over the year were consumer spending and housing construction. After falling sharply in the second half of 2000 following the introduction of the GST, housing construction activity in Victoria rebounded in 2001, supported by low interest rates, strong population growth and the operation of the first home owners scheme.

1.4 GROWTH IN GSP PER CAPITA



Source: Australian National Accounts: State Accounts (Cat. no. 5220.0).

Although declining in the year to the September quarter 2001, private business investment in Victoria has risen at an average rate of almost 9% per annum over the past five years, well above the national average, to reach a record level in 2000–01.

The Victorian labour market continued to perform strongly in 2000–01. The unemployment rate declined to 6.0%, the lowest level in more than a decade and below the national rate (6.4%). Employment grew by 3.5% in 2000–01 compared with 2.1% nationally.

The long term trend toward part-time employment has continued in recent years, with 27% of Victorian workers now employed part-time compared with 16% in the early 1980s and 22% in the early 1990s.

In 2000–01, the Melbourne All Groups Consumer Price Index (CPI) increased by 6.0% over the previous financial year, the same as the national increase. The main contributor to this increase was the (net) impact on prices brought about by the introduction of the GST from 1 July 2000. Abstracting from the impact of the GST, consumer price inflation has been low, with Melbourne prices rising by 2.5% through the year ending September quarter 2001.

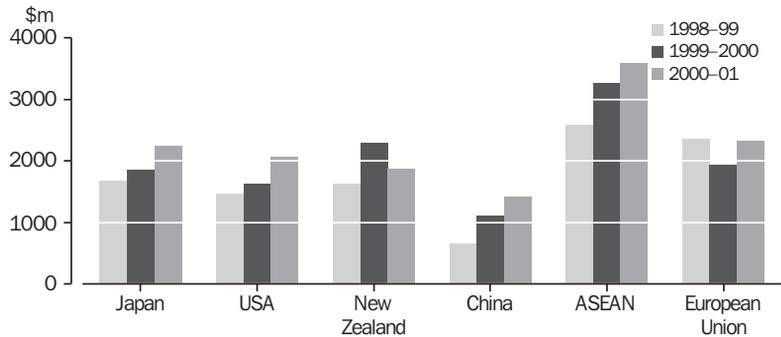
Victorian wage growth remained relatively subdued in 2000–01. The Victorian component of the Wage Cost Index (WCI) grew by 3.4% in 2000–01, in line with the national average of 3.5%.

In 2000–01, Victorian Average Weekly Ordinary Time Earnings (AWOTE) was around \$790 per week, an increase of 20% over the past five years. National AWOTE was around \$810 per week in 2000–01.

The value of Victorian (non-gold) merchandise exports rose by 24% to \$20.6b in 2000–01. Strong growth occurred in the food, other primary and manufactured goods (notably motor vehicles) industries.

Exports to most major destinations rose in 2000–01, including China, the United States, Germany, Japan and the Philippines. Japan was Victoria's largest single export market in 2000–01, receiving 10.5% of merchandise exports by value. The United States (10.0%) and New Zealand (9.1%) were Victoria's next largest sources of export revenue (graph 1.5).

1.5 VICTORIAN MERCHANDISE EXPORTS(a)



(a) Goods for which the final stage of production or manufacture is Victoria.

Source: *International Merchandise Exports, Australia—Electronic Delivery* (Cat. no. 5432.0.65.001).

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