Victorian Digital Technology Sector factsheet

The digital technology sector is a key contributor to the Victorian economy directly and drives productivity enhancing innovation across all industries. Victoria's digital technology sector is leading or close to leading the nation across several indicators and while historical growth is strong, there remains future opportunities for growth.

This factsheet provides a comprehensive snapshot of the sector, including opportunities. It is primarily based on the State Government's annual Victorian Digital Technology Sector Survey, delivered by Deloitte Access Economics in October 2024, supplemented by data from Purpose Bureau, LinkedIn Talent Insights, Australian Bureau of Statistics (ABS) and Commonwealth Department of Education.

KEY FINDINGS

There were over 22,700 Victorian headquartered ICT businesses in FY24, which **accounts for 29% of ICT businesses** in Australia.

Victoria had over 306,000 people employed in the Victorian technology workforce in 2024, accounting for 8% of the Victorian workforce.

The **Victorian ICT sector* contributed $34.1 billion to the economy** in FY23, accounting for 5% of Victorian value added.

Artificial Intelligence (AI) and Machine Learning (ML) is one of the most commonly used technologies, with **58% of surveyed businesses** now using or trialing in their business.

Victorian Digital Technology businesses** generated over **$142 billion** in revenue in FY24.

Increased innovation for products and services is the top investment priority, with half (49%) of businesses listing it within their top three priorities.
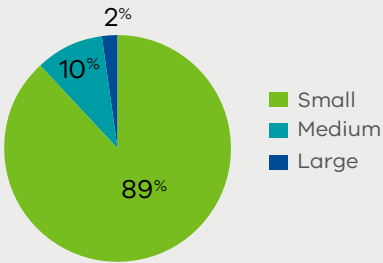
33% of surveyed digital technology businesses are exporting tech products or services and **exports make up nearly half of the revenue for exporters.**
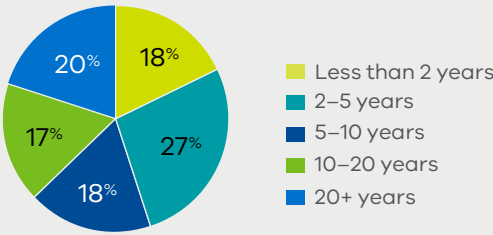
Victorian universities are leading R&D investment in ICT, investing nearly $218 million in 2022, more than any other state.

* The ICT sector refers to businesses that provide technologies and services that enable information to be accessed, stored, processed, transformed or disseminated.
** The digital technology sector refers to businesses in the ICT sector and outside of the traditional ICT sector that critically rely on Digital Technology as a platform for production and/or delivery of their products and services

SURVEYED BUSINESSES

SIZE OF BUSINESSES

- Small 89%
- Medium 10%
- Large 2%

AGE OF BUSINESSES

- Less than 2 years 18%
- 2–5 years 27%
- 5–10 years 18%
- 10–20 years 17%
- 20+ years 20%

PRIMARY LOCATION OF OPERATIONS

- Regional Victoria 9% | 28 responses
- Inner Melbourne 34% | 107 responses
- Outer Melbourne 57% | 179 responses

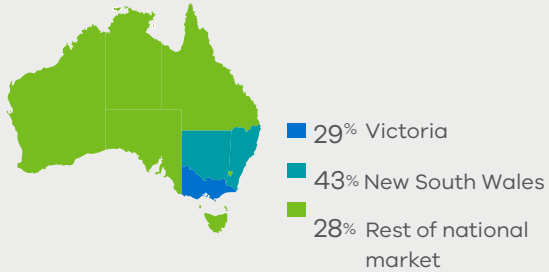ORIA
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ECONOMIC CONTRIBUTION

The Victorian ICT sector contributed

$34.1 billion

to the economy in FY23, accounting for 29% of the national sector.

- 29% Victoria
- 43% New South Wales
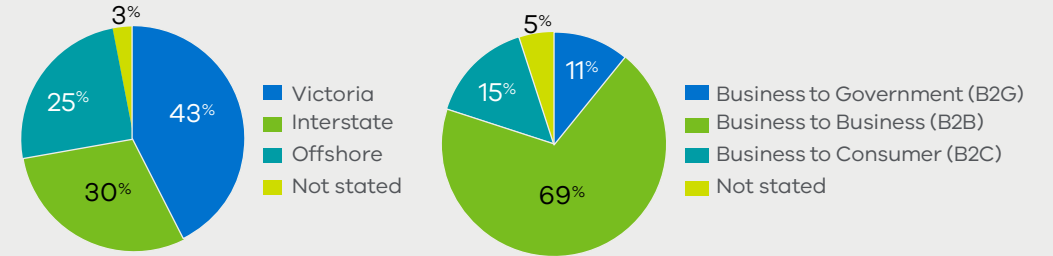- 28% Rest of national market

Source: Victorian Digital Technology Survey (2024)

The Victorian ICT sector, as measured through direct value added, is similar in size to the value added from the entire retail trade industry in Victoria.

25,200 digital technology businesses generated over

$142 billion

in revenue in FY24.
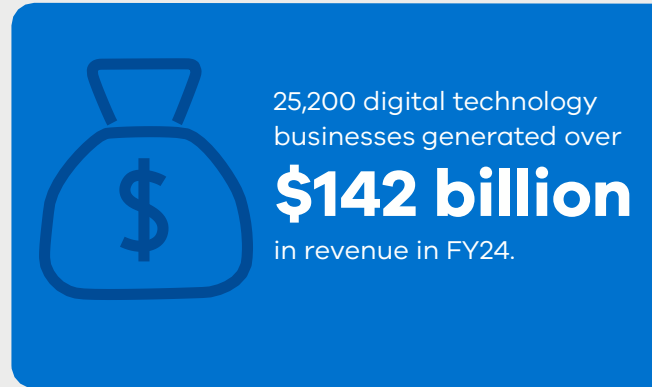
Most businesses sell intrastate, and to other businesses:

- 43% Victoria
- 30% Interstate
- 25% Offshore
- 3% Not stated

- 11% Business to Government (B2G)
- 69% Business to Business (B2B)
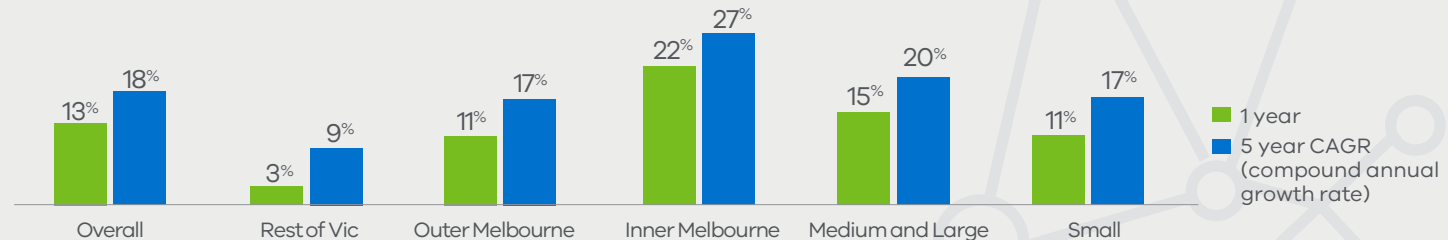- 15% Business to Consumer (B2C)
- 5% Not stated

Source: Victorian Digital Technology Survey (2024)

Professional, scientific and technical (PST) services are the biggest customer of Victorian digital technology businesses in terms of revenue:

19% Professional, Scientific and Technical Services

19% Information, Media and Telecommunications

17% Financial and Insurance Services

16% Retail Trade

15% Health Care and Social Assistance

11% Construction

10% Education and Training

Source: Victorian Digital Technology Survey (2024)

Businesses forecast strong revenue growth over the short and medium term:

Category	1 year	5 year CAGR
Overall	13%	18%
Rest of Vic	3%	9%
Outer Melbourne	11%	17%
Inner Melbourne	22%	27%
Medium and Large	15%	20%
Small	11%	17%

- 1 year
- 5 year CAGR (compound annual growth rate)

Source: Victorian Digital Technology Survey (2024)

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OUTLOOK

Outlook expectations for the Australian economy going forward are mixed, with an optimism gap between regional and Melbourne-based businesses:

Regional Victoria

25%	39%	36%

Melbourne

36%	33%	31%

Overall

36%	35%	29%

Legend:
- Optimistic / Highly optimistic
- Neutral
- Pessimistic / Highly pessimistic

GROWTH

The areas of priority for future investment for Victorian digital technology businesses were:

- **49%** Increased innovation for client products/services
- **38%** Promotional or marketing activities
- **38%** Hiring skilled talent
- **34%** Skills development of existing staff
- **31%** Greater access to domestic markets
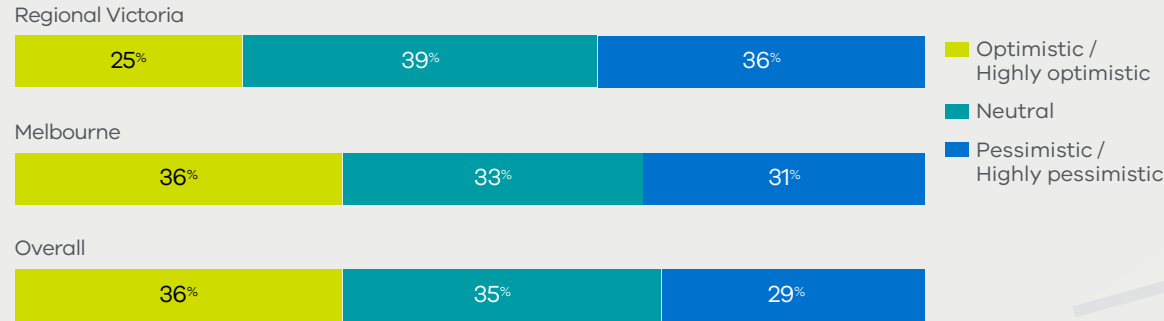
BARRIERS TO GROWTH

The largest barriers to growth for Victorian digital technology businesses were:

Cost of developing new products	41%
Access to capital	32%
Access to government contracts	32%
International competition	26%
Lack of demand	25%

The largest barriers to commercialisation for Victorian digital technology businesses were:

Risk-averse culture in business	39%
Lack of access to investment/capital	35%
Wariness of customers to new technologies	34%
Lack of experience with commercialisation	32%
Length of time for returns	30%

The most important drivers of growth for Victorian digital technology businesses were:

- **69%** Increasing demand for existing products/services
- **56%** Introducing new products/services
- **39%** Access to new domestic markets
- **35%** Access to government contracts/procurement
- **35%** Access to new international markets

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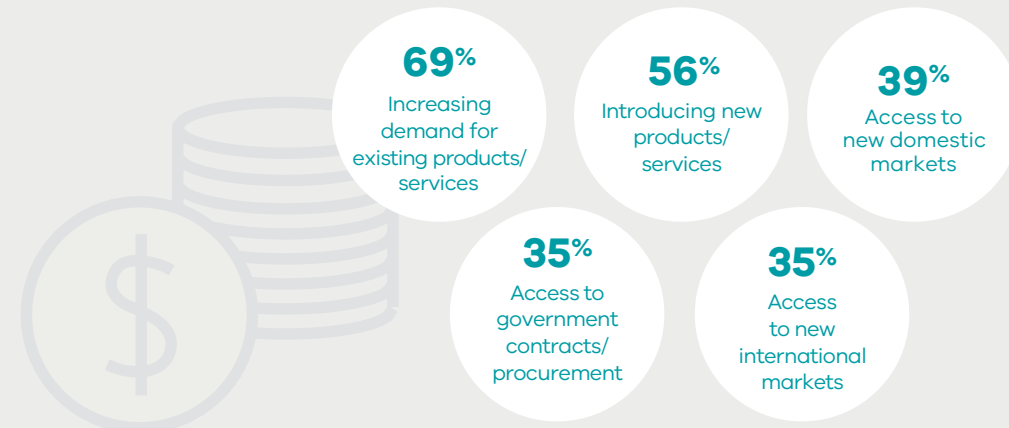
SECTOR CHARACTERISTICS

Products and services offered by the sector:

- Professional services — 52%
- Sofware — 46%
- IT Services — 19%
- Digital Platforms — 12%
- Cyber Security — 12%
- Cloud — 11%
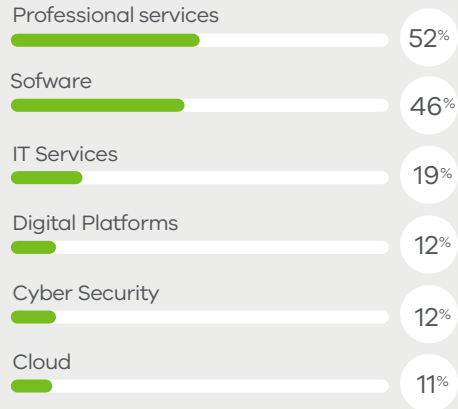
Priority technologies for deployment:

- AI and ML — 52%
- Data Analytics — 36%
- Cyber Security — 25%
- Digital Platforms — 23%
- Internet of Things — 22%
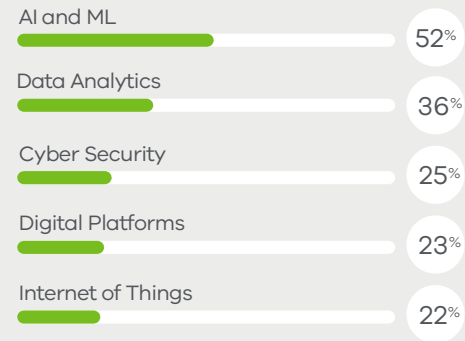
Source: Victorian Digital Technology Survey (2024)

EXPORTS

33% of surveyed businesses are exporting tech products or services. Export revenue makes up 47% of the revenue for exporting digital technology businesses.
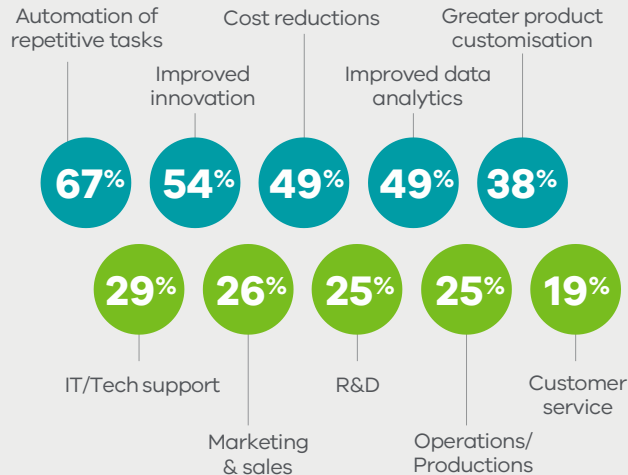
Business export status

Exporting but not looking to diversify markets	Exporting and looking to diversify markets	Do not export but are looking to in the future	Not interested in exporting
8%	25%	27%	39%

Source: Victorian Digital Technology Survey (2024)

USE OF AI AND ML BY THE SECTOR

Of those who are using or trialling AI and ML, the top benefits were in:

- Automation of repetitive tasks — 67%
- Improved innovation — 54%
- Cost reductions — 49%
- Improved data analytics — 49%
- Greater product customisation — 38%

Of those who are using or trialling AI and ML, the common areas for deployment were:

- IT/Tech support — 29%
- Marketing & sales — 26%
- R&D — 25%
- Operations/Productions — 25%
- Customer service — 19%

The biggest concerns about the use of AI and ML are:

- Misuse of information — 80%
- Legal risk/copyright — 74%
- Outdated information — 73%

Source: Victorian Digital Technology Survey (2024)
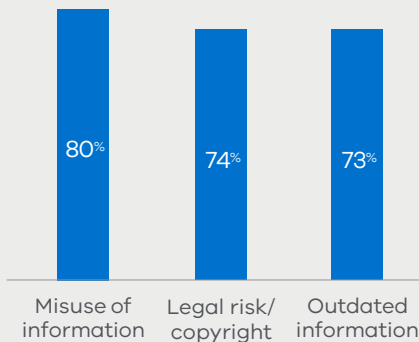
Source: Victorian Digital Technology Survey (2024)

North America and Europe are the most common export markets for Victorian digital technology businesses and interest in UK, Canada and Japan is rising.

	Current export markets	Export markets of future interest
United States of America	62%	58%
United Kingdom	35%	**60%**
New Zealand	28%	20%
Singapore	13%	15%
Canada	12%	**29%**
Germany	11%	**15%**
China	9%	**19%**
India	6%	**13%**
Indonesia	6%	**9%**
Republic of Korea	2%	**6%**
Japan	1%	**17%**

% represents the proportion of businesses that selected these markets in their top three responses. Due to different question structure, these results should not be compared to previous years. Bold represents markets for which future interest is higher than current interest.

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TECHNOLOGY WORKFORCE

From 2014 to 2024, the Victorian technology workforce has increased by 110,000 to reach 306,000 employees, making up 30% of the national technology workforce. The Victorian technology workforce is forecasted to have an annual growth rate of 4.3% until 2030:

ICT share of workforce

8.1% Victoria
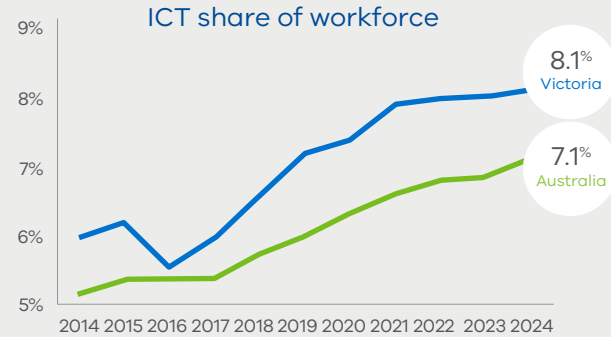
7.1% Australia

Source: Australia's Digital Pulse (2024)

Of the Victorian ICT workforce:

29% were women

9% were in regional Victoria

51% were born overseas

41% speak a language other than English

55% of the workforce worked outside of the ICT industry, making up significant shares to the following industries:

20% of the financial and insurance services industry

14% of the electricity, gas, water and waste industry

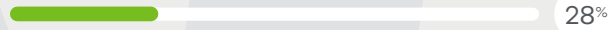**8 %** of public administration and safety industry

Source: Australia's Digital Pulse (2024)

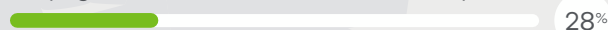## Diversity initiatives play an important role, with opportunities to be more widely implemented:

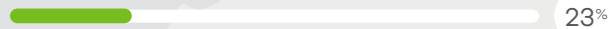There are visible signs of support for diverse employees — 32%
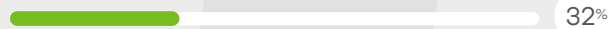
My business has a diversity policy — 28%

My business has confidential avenues to safely report bullying/harrassment related to one's diversity — 28%

My business promotes employees based on transparent and inclusive criteria — 23%

My business has a return-to-work policy — 15%

Source: Victorian Digital Technology Survey (2024)

SKILLS

Over three-quarters of Victorian digital technology businesses face skill and capability gaps, compared to 38% of businesses in the Australian economy. Software development is the most common skill gap, with upskilling the most common way to address this:

37% Software Development

32% Cyber Security

32% AI and ML

30% Digital Marketing

28% UX/UI

27% CRM

Source: Victorian Digital Technology Survey (2024)

Legend:
- Highly effective
- Somewhat effective
- Not effective

Upskilling workers: 65% (19%, 39%, 7%)
Outsourcing: 46% (14%, 22%, 10%)
Domestic hiring: 38% (7%, 20%, 11%)
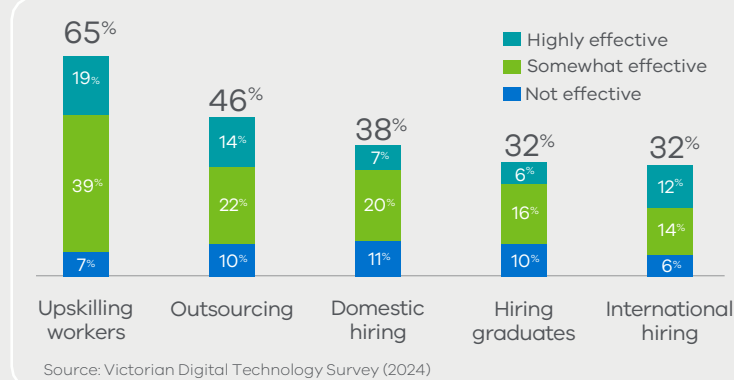Hiring graduates: 32% (6%, 16%, 10%)
International hiring: 32% (12%, 14%, 6%)

Source: Victorian Digital Technology Survey (2024)

Common skills gaps in AI and ML were Large Language Models, Foundation Models and Fine Tuning (45%), Machine Learning (33%), AI Ethics and Governance (32%) and Data Science (32%).

Common skills gaps in cyber security were Information Security (57%), Cloud Security (55%) and Security Compliance and Governance (52%).

EDUCATION

Victoria's university sector produces a strong pipeline of tech graduates and is the most IT-intensive in the country, with 10% of enrolments being in IT courses. Victoria had 9,376 IT completions in 2023, the most of any state or territory, with 27% of those being women.

	Total IT enrolments	Share of women IT enrolments	Total IT completions	Share of women IT completions
Victoria	46,099	27%	9,376	27%
Australia	136,509	25%	26,469	26%

Source: Federal Department of Education (2024)

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