*Victorian Digital Technology Sector Factsheet 2024 Accessible Version*

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

* Victoria had over 306,000 people employed in the Victorian technology workforce in 2024, accounting for 8% of the Victorian workforce.
* There were over 22,700 Victorian headquartered ICT businesses in FY24, which accounts for 29% of ICT businesses in Australia.
* Artificial Intelligence (AI) and Machine Learning (ML) is one of the most commonly used technologies, with 58% of surveyed businesses now using or trialling in their business.
* The Victorian ICT sector\* contributed $34.1 billion to the economy in FY23, accounting for 5% of Victorian value added.
* Increased innovation for products and services is the top investment priority, with half (49%) of businesses listing it within their top three priorities.
* Victorian Digital Technology businesses\*\* generated over $142 billion in revenue in FY24.
* Victorian universities are leading R&D investment in ICT, investing nearly $218 million in 2022, more than any other state.
* 33% of surveyed digital technology businesses are exporting tech products or services and exports make up nearly half of the revenue for exporters.

*\* 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 surveyed businesses**

|  |  |
| --- | --- |
| **Business size in Victoria, by employees** | **Percentage of businesses** |
| Small  | 89% |
| Medium | 10% |
| Large | 2% |

**Age of businesses**

|  |  |
| --- | --- |
| **Years of operation of surveyed businesses** | **Percentage 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**

|  |  |
| --- | --- |
| **Primary location of operations in Victoria of surveyed businesses**  | **Percentage of businesses** |
| Inner Melbourne | 34% (107 responses)  |
| Outer Melbourne | 57% (179 responses)  |
| Regional Victoria | 9% (28 responses)  |

Economic Contribution

The Victorian ICT sector contributed $34.1 billion to the economy in FY23, accounting for 29% of the national sector.

|  |  |
| --- | --- |
| **State** | **Share of national tech sector economic contribution**  |
| Victoria  | 29% |
| New South Wales | 43% |
| Rest of national market | 28%  |

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.

Revenue

25,200 digital technology businesses generated over $142 billion in revenue in FY24.

**Most businesses sell intrastate, and to other businesses:**

|  |  |
| --- | --- |
| **Share of revenue, by market** | **Share of revenue, by location** |
| * Victoria (43%)
* Interstate (30%)
* Offshore (25%)
* Not stated (3%)
 | * Business to Government (B2G) (11%)
* Business to Business (B2B) (65%)
* Business to Consumer (B2C) (15%)
* Not stated (5%)
 |

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

|  |  |
| --- | --- |
| **Industry**  | **Sources of revenue, by industry** |
| Professional, Scientific and Technical Services  | 19% |
| Information, Media and Telecommunications | 19% |
| Financial and Insurance Services | 17% |
| Retail Trade | 16% |
| Health Care and Social Assistance | 15% |
| Construction | 11% |
| Education and Training | 10% |

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

|  |  |  |
| --- | --- | --- |
|  | **1-year**  | **5-year CAGR (compound annual growth rate)**  |
| **Overall**  | 13% | 18% |
| **Rest of Vic**  | 3% | 9% |
| **Outer Melbourne businesses** | 11% | 17% |
| **Inner Melbourne businesses** | 22% | 27% |
| **Medium and Large businesses** | 15% | 20% |
| **Small businesses** | 11% | 17% |

Outlook

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Optimistic/Highly optimistic**  | **Neutral** | **Pessimistic/ Highly pessimistic** |
| **Regional Victoria**  | 25% | 39% | 36% |
| **Melbourne** | 36% | 33% | 31% |
| **Overall**  | 36% | 35% | 29% |

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%)

Growth

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

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

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

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

Sector Characteristics

**Products and services offered by the sector:**

|  |  |
| --- | --- |
| **Core, product, services and technologies**  | **% of surveyed businesses** |
| Professional services  | 52% |
| Software | 46% |
| IT Services | 19% |
| Digital Platforms | 12% |
| Cyber Security | 12% |
| Cloud  | 11% |

**Priority technologies for deployment:**

|  |  |
| --- | --- |
| **Technology**  | **% of surveyed businesses** |
| AI and ML | 52% |
| Data Analytics | 36% |
| Cyber Security | 25% |
| Digital Platforms | 23% |
| Internet of Things | 22% |

Use of AI and ML by the sector

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

* Automation of repetitive tasks (65%)
* Improved innovation (54%)
* Cost reductions (49%)
* Improved data analytics (49%)
* Greater product customisation (38%)

**Of those who are using or trialling AI 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%)

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:**

|  |  |
| --- | --- |
| **Export status**  | **% of businesses** |
| Exporting but not looking to diversify markets | 8%  |
| Exporting and looking to diversify markets  | 25% |
| Do not export but are looking to in the future  | 27%  |
| Not interested in exporting | 39%  |

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% | 9% |
| **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 - this includes the United Kingdom, Canada, Germany, China, India, Indonesia, Republic of Korea and Japan*.

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.

The Victorian Technology workforce makes up 8% of the total Victorian workforce, which is above the national Technology share (7%) of the total Australian workforce.

**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% public administration and safety industry

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

|  |  |
| --- | --- |
| **Diversity initiatives and policies**  | **Share of surveyed businesses** |
| There are visible signs of support for diverse employees | 32% |
| My business has a diversity policy | 28% |
| My business has confidential avenues to safety report bullying/harassment 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% |

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:**

|  |  |
| --- | --- |
| **Area of skill and capability gaps**  | **Share of surveyed businesses** |
| Software Development | 37% |
| Cyber Security | 32% |
| AI and ML | 32% |
| Digital Marketing | 30% |
| User Experience/ User Interface | 28% |
| Customer Relationship Management | 27% |

**Actions undertaken by surveyed businesses to address skill and capability gaps:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Not effective**  | **Somewhat effective**  | **Highly effective**  | **Total** |
| **Upskilling workers**  | 7% | 39% | 19% | 65% |
| **Outsourcing** | 10% | 22% | 14% | 46% |
| **Domestic hiring**  | 11% | 20% | 7% | 38% |
| **Hiring graduates**  | 10%  | 16% | 6% | 32% |
| **International hiring** | 6% | 14% | 12% | 32% |

**Common skills gaps in AI and ML were:**

|  |  |
| --- | --- |
| **Area of skill and capability gap**  | **Share of businesses**  |
| Large Language Models, Foundation Models and Fine Tuning | 45% |
| Machine Learning | 33% |
| AI Ethics and Governance | 32% |
| Data Science | 32% |

**Common skills gaps in cyber security were:**

|  |  |
| --- | --- |
| **Area of skill and capability gap**  | **Share of businesses**  |
| Information Security | 57% |
| Cloud Security | 55% |
| 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% |

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Victorian State Government

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