

# ▣ Global Economic Downturn

## A Forecast of Projected Impacts on Manningham

**Rob Spargo**



# Global Economic Downturn A Forecast of Projected Impacts on Manningham



## Session Aims

### Share information

- What is happening
- Where it may lead
- What are likely impacts (Council and Community)

# Global Economic Downturn

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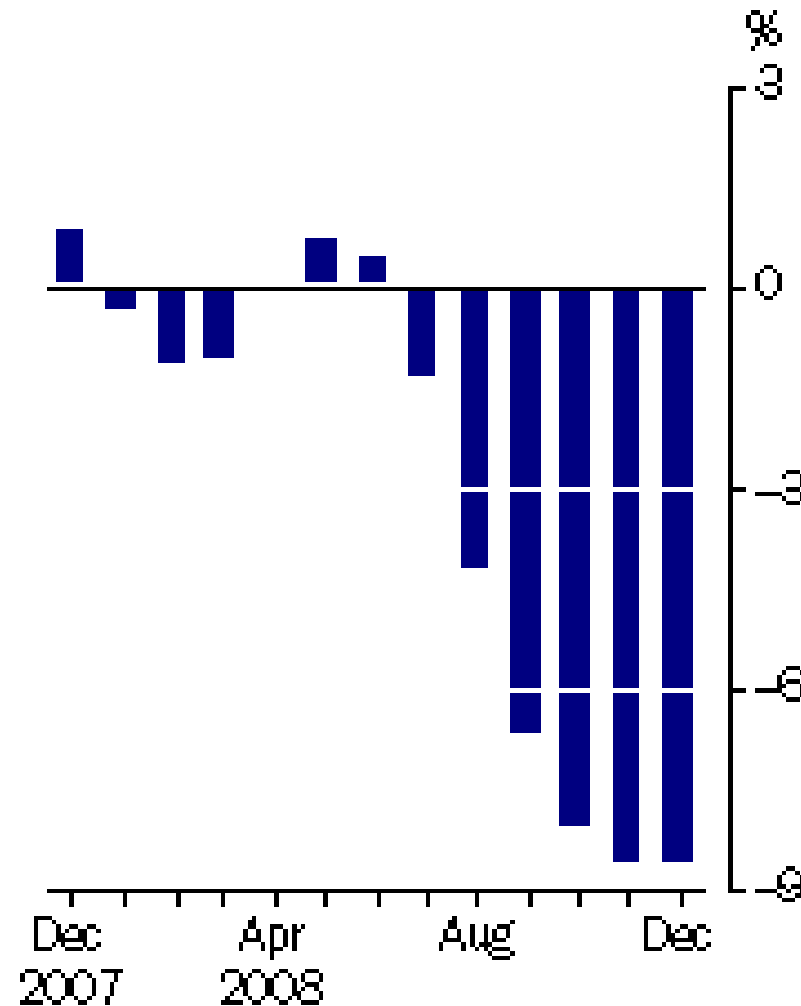
### Background

- Largest economies in recession
- Governments pouring billions into banking, credit and consumer markets.
- Every day there is a new revelation with numbers beyond comprehension
- Immediate impact is somewhat “hidden” but the true scope is emerging.

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## Number of dwelling unit approvals - Trend - Monthly change

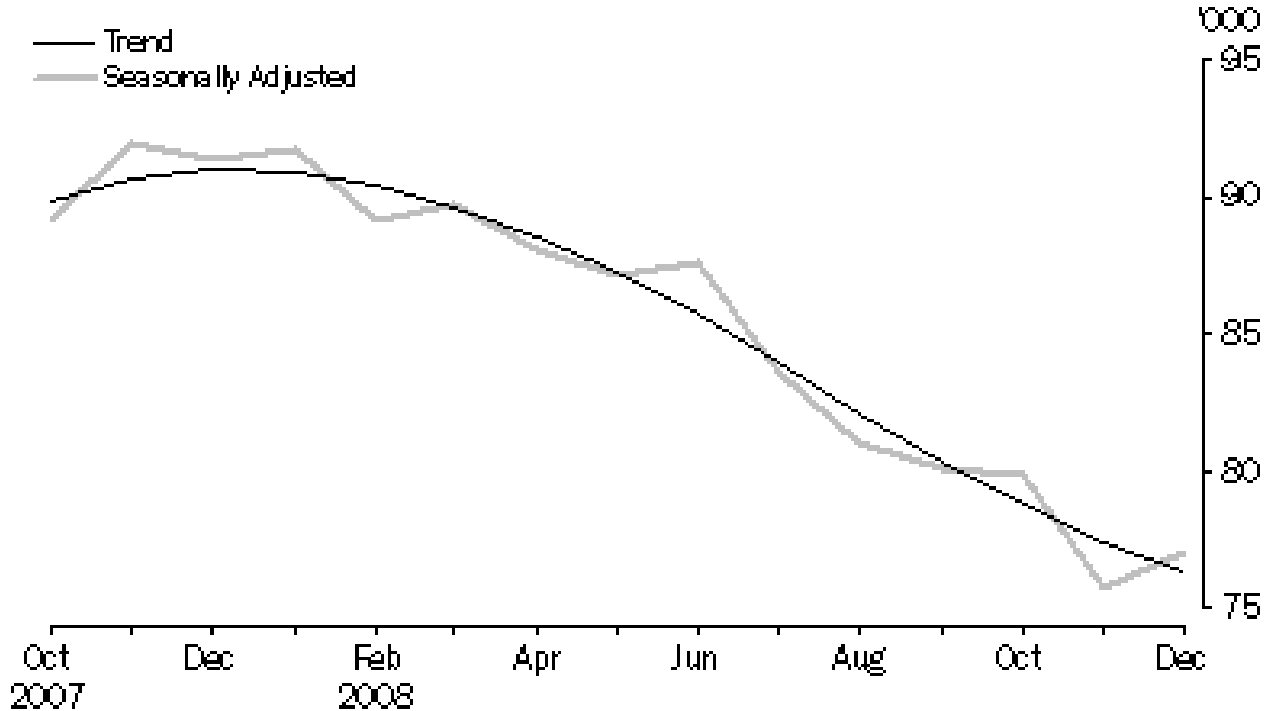


[1] ABS Statistical set 5609.0

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## New Motor Vehicle Sales, Total vehicles - Short term

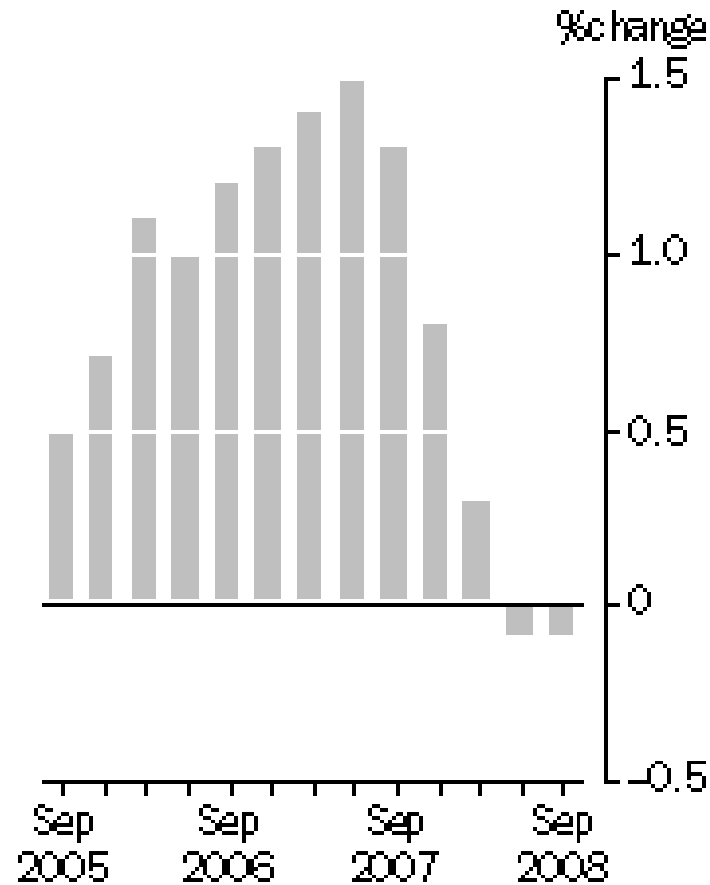


[1] ABS Data Set; 9314.0 - Sales of New Motor Vehicles, Australia, Dec 2008

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## Quarterly turnover, in volume terms - Trend estimates

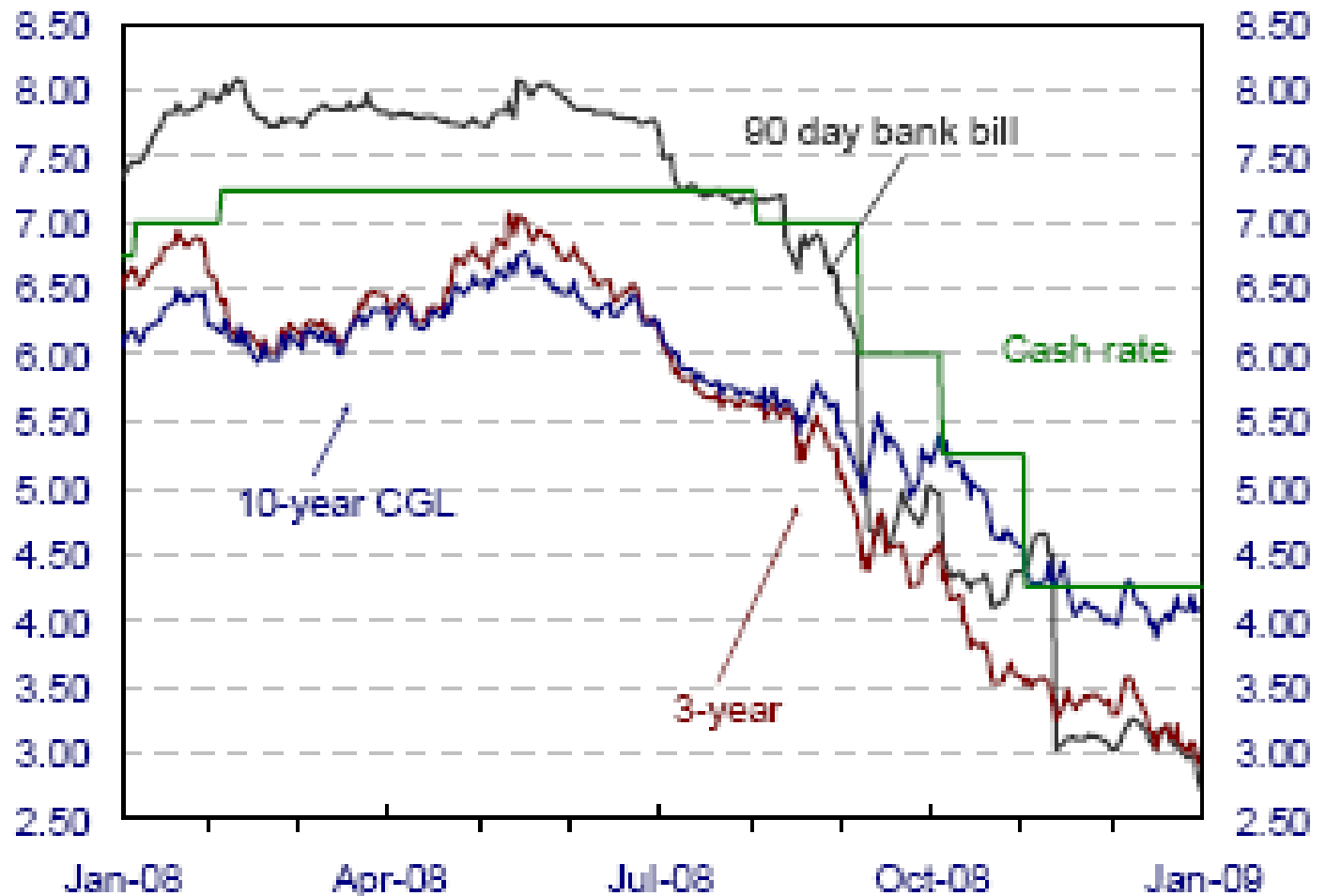


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## Australian Interest Rates percentage

90 day  
bank  
bill.  
8.1%  
Sept 08  
3.75%  
Feb 09



[1] ABS Data Set; 8731.0 - Building Approvals, Australia, Oct 2008

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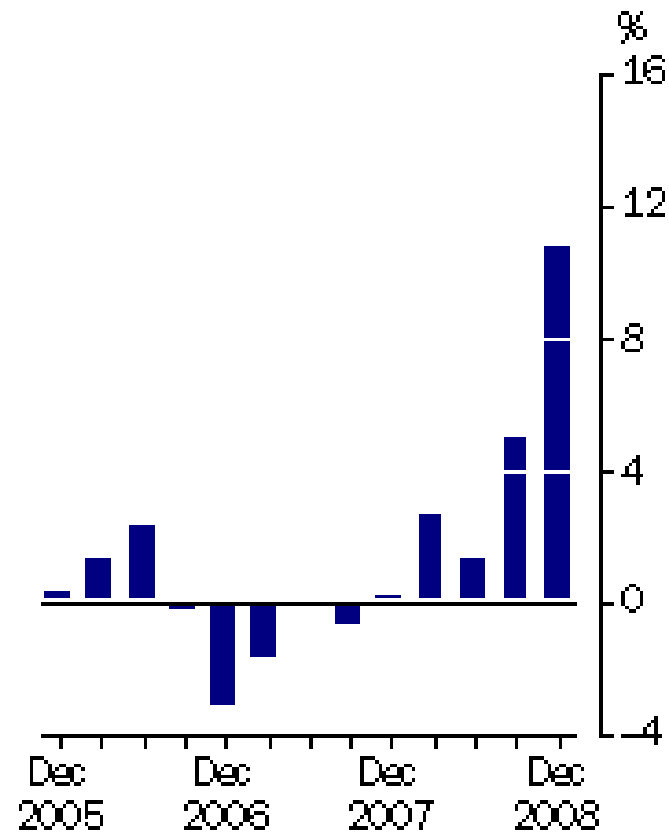
## Australian Exchange Rate against US dollar



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## Import price index - Original - Quarterly change

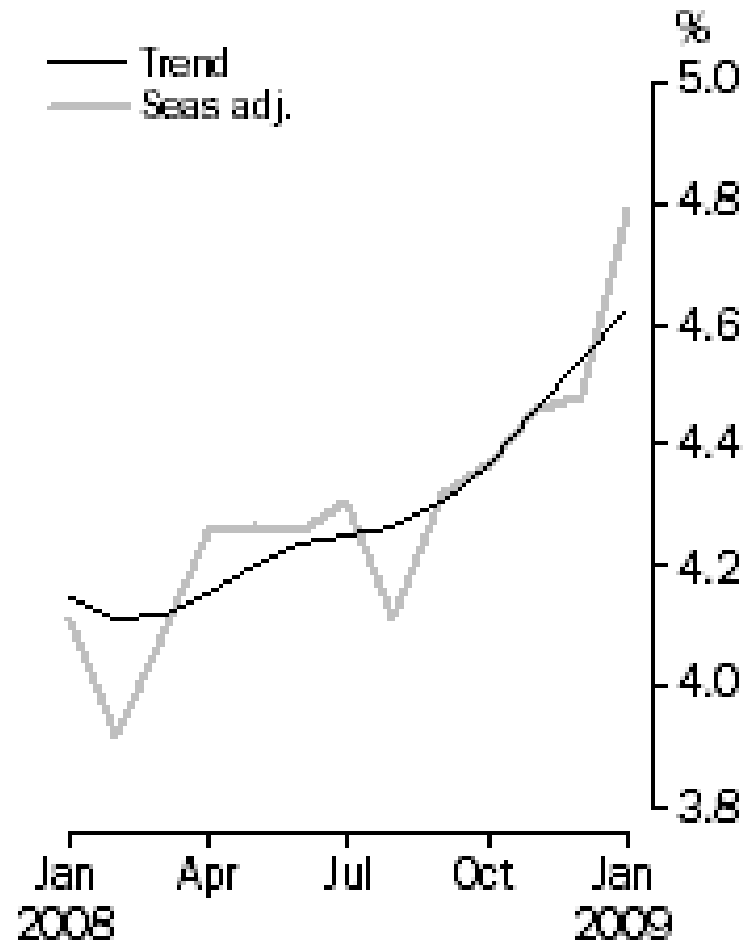


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## Australian Unemployment Rate

18.4%  
Increase  
in 12  
months



[1] ABS data set ; 6202.0 - Labour Force, Australia, Nov 2008

## Trends in Manningham

### Doncare

- 35% increase in demand over past 12 months
- 19% increase in demand for emergency relief in the past 6 months.
- 25% increase in first time help applicants in the past 6 months.

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Morning Commentary

3 February 2009

TCV  
Treasury Corporation of Victoria

Indeed, the prospect of rising unemployment is something that we think argues for further aggressive action. Historically, unemployment has a tendency to increase quickly but fall rather more slowly. In the recessions of 1982-83 and 1990-91, unemployment rose by around 5 percentage points from peak to trough. In 1982-83, from a low of 5.4%, it took around 27 months for unemployment to reach its peak of 10.4%, while it took 75 months for it to fall just above its starting position. In 1990-91, it took 36 months to peak at close to 11% and 133 months to fall back a touch below its beginning level. Aggressive monetary and fiscal policies are the only effective antidotes to limit the damage on employment wrought by a slowing economy.

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## Impact on Manningham City Council

The forecast impacts on the Council include:

- Investment Income
- Long Service Liability
- Defined Benefit Super
- Building Activity
- Defaults on Accounts
- Income from Council Services
- Corporate Sponsorship
- Borrowings and Loan Roll-Over

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## Impact on the Manningham Community

- Consumer confidence and expenditure – lowest in 5 years
- Unemployment in the community
- Income and investment returns
  - Pensioners
  - Self funded retirees
  - Salary and wage earners
  - Property values and housing

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## Federal Government Actions

The Federal Government stimulus to the economy includes:

- \$800 million in assistance to councils
- \$4.7 billion for infrastructure
- \$1.2 billion over 4 years to address homelessness and social housing
- Guarantee of deposits in banks
- \$42 billion kick start approved February 2009

Manningham received a direct grant of \$419,000.

Manningham has applied for a further \$5 million for the Civic Precinct project

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### Recommendations:

**Recommendation 1:** Council should review its 5 Year Financial Plan to reforecast downward the investment earning income by \$2.355M

**Recommendation 2:** Council should make provision in 2008/09 for an additional expense of \$422,000 to increase its Long Service Liability, and allow for a further movements as indicated in Table 1.

**Recommendation 3:** Council should await the Defined Benefit superannuation liability actuarial review before determining on this issue.

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**Recommendation 4:** Council should adopt a conservative approach to resources and revenue related to Building Permits until there is evidence of movement in activity.

**Recommendation 5:** Council should increase its provision for bad debts by \$20,000 in the 2009/10 budget

**Recommendation 6:** Council should decrease its estimates of revenue and expense for hall and function centre hire in the 2009/10 budget.

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**Recommendation 7:** Council should monitor forecast building cost movements and interest rates to determine if bringing forward essential works funded through short-term borrowing would be of financial benefit to Council.

**Recommendation 8:** Council should liaise closely with municipality's welfare agencies and provide direct assistance to them so that they can cope with the added demands for their services, introduce targeted programs to assist those in need, extend Council's financial hardship provisions, develop assistance packages, and advocate to State and Federal governments for appropriate resourcing for support counselling and financial relief.

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**Recommendation 9:** Council should be mindful of the impact on pensioners of cost increases above CPI and their probable loss of income from investments and superannuation when setting rates and charges, and the application of Council's financial hardship programs.

**Recommendation 10:** Council should be mindful of the impact on self-funded retirees of stock market losses and their probable loss of income from investments and superannuation when setting rates and charges, and the application of Council's financial hardship programs.

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**Recommendation 11:** Council should extend its financial hardship provisions to allow deferral of rates and charges where there is unemployment by the primary bread-winners in the household.

**Recommendation 12:** Council should undertake an analysis on how to best promote new housing starts in Manningham and to encourage the development of new rental stock in the municipality.

**Recommendation 13:** Council should monitor all government initiatives to stimulate the economy and actively participate in such schemes where there is community benefit.

## Options For Council

- Financial Plan to reflect revenue change forecasts.
- Loan borrowing potential
- Extend hardship cases criteria
- Support local trades and traders
- Support local welfare agencies

## Options For Council

- Restrict increases to CPI for Pensioners
- Support local Clubs and Agencies
- Search for Grant opportunities
- Extend services for community
- Show strong leadership

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# Discussion