



THE HON JOSH FRYDENBERG MP
Treasurer

SENATOR THE HON MATHIAS CORMANN
Minister for Finance and the Public Service

JOINT MEDIA RELEASE

17 December 2018

2018-19 MID-YEAR ECONOMIC AND FISCAL OUTLOOK

The Mid-Year Economic and Fiscal Outlook confirms the strength of the Australian economy and that the Budget will return to surplus as part of the Government's plan to guarantee the essential services which Australians rely on.

The underlying cash balance is forecast to improve from a \$14.5 billion deficit at Budget to a \$5.2 billion deficit in 2018-19.

The Budget is now expected to reach a surplus of \$4.1 billion in 2019-20.

This will be the first surplus since the final budget of the Howard Government in 2007-08.

Over the next four years, the cumulative estimated surplus will be nearly double the estimate in this year's Budget, with underlying cash surpluses increasing to \$12.5 billion in 2020-21 and \$19.0 billion in 2021-22.

The combination of a growing economy with a record number of people in work is helping to increase revenues while decreasing expenditure. This means expected total receipts have been revised up by \$8.3 billion in 2018-19 and \$12.4 billion over the four years to 2021-22.

In accordance with our disciplined budget management, new spending has been offset by reduced spending elsewhere and the payments-to-GDP ratio is falling to 24.6 per cent by 2020-21.

Importantly, the rate of real spending growth under the Coalition is averaging 1.9 per cent, the lowest level of any Government in 50 years.

As a result of the improved budget position, net debt is expected to decline in each year of the forward estimates and medium term, falling from 18.2 per cent of GDP in 2018-19 to 1.5 per cent in 2028-29.

These are the welcome dividends of sound budget management and the Government's plan for a strong economy.

Media contact: Kane Silom — Office of the Hon Josh Frydenberg MP — 02 6277 7920
The Hon Josh Frydenberg MP | Treasurer | MELBOURNE

Media contact: Karen Wu – Office of Senator the Hon Mathias Cormann – 0428 350 139 Senator the
Hon Mathias Cormann | Minister for Finance and the Public Service | PERTH

KEEPING THE ECONOMY STRONG

Australia's economy continues to perform well. Business conditions have supported the creation of over 300,000 jobs in the past year with the unemployment rate falling to its lowest level since 2012. Real GDP is expected to grow by 2¾ per cent in 2018-19 and 3 per cent in 2019-20. This growth outlook is forecast to support continuing employment growth, helping to keep the unemployment rate at five per cent which is around a quarter of a percentage point lower than forecast at the Budget. Nominal GDP is forecast to grow by 4¾ per cent in 2018-19, stronger than expected at Budget.

The Government is delivering on its plan to keep the Australian economy strong by backing small business, ensuring women have access to greater economic opportunities, investing in infrastructure, providing drought relief and delivering a fairer GST system for all states and territories.

The Government has fast-tracked tax relief for around 3.3 million small and medium-sized businesses with the passage of legislation through Parliament in October. We are also establishing a \$2 billion Australian Business Securitisation Fund, providing significant additional funding to smaller banks and non-bank lenders to on-lend to small businesses. The Government is encouraging the creation of an Australian Business Growth Fund to provide longer-term and passive equity funding to small businesses as well.

To ensure Australia's corporate and financial sector regulators are equipped with the resources and powers they need to effectively detect, deter and punish those who do the wrong thing, the Government is providing additional funding for the Australian Securities and Investments Commission, Australian Prudential Regulation Authority, Australian Competition and Consumer Commission (ACCC), the Commonwealth Director of Public Prosecutions and the Federal Court of Australia.

The Women's Economic Security Package will invest \$119.2 million over four years to support women's workforce participation, earning potential and economic independence. A number of measures will also support victims of family and domestic violence.

The \$75 billion 10-year infrastructure plan will benefit people and business in every state and territory by tackling congestion, improving safety and delivering essential transport links.

The Government is responding to the drought with over \$1.8 billion in assistance measures and concessional loans to support drought-affected farmers and communities. The \$3.9 billion Future Drought Fund — which will grow to \$5 billion — will provide a sustainable source of funding for future drought resilience, preparedness and recovery projects. The Government is providing more support to farmers to resolve labour shortages in regional and rural areas through changes to a number of visas.

The Government is keeping the economy strong by placing downward pressure on power bills and improving the reliability of Australian energy. Further actions include a default electricity retail offer, the Retailer Reliability Obligation, a program to underwrite new generation, and strong new powers to respond to electricity market misconduct identified by the ACCC, with additional resources for the ACCC and Australian Energy Regulator.

The Government is also delivering a fairer and more sustainable GST distribution system to help the states and territories better manage their budgets. The GST compliance program will be extended and feminine hygiene products will be GST-free from 1 January 2019.

DELIVERING THE ESSENTIAL SERVICES WHICH AUSTRALIANS RELY ON

A strong economy is the key to delivering better government services.

Over the five years to 2018-19, Commonwealth funding to the states and territories for public hospitals is expected to grow by more than 50 per cent. This includes an additional \$1.3 billion over four years from 2018-19 to establish a Community Health and Hospitals Program which will fund projects and services to support patient care while reducing pressure on community and hospital services.

The Government is listing new medicines on the Pharmaceutical Benefits Scheme, including \$1.4 billion in new and amended listings. To enhance primary care, the Government will introduce new Medicare Benefits Schedule items including to provide best practice care to individuals with severe eating disorders and to improve access to GPs in rural and remote areas and in residential aged care. The Health Care Homes Trial for patients with chronic care conditions will be extended.

The Commonwealth will provide more than \$300 billion in recurrent funding for schools to 2029. This includes an additional \$3.2 billion over 10 years to support students, parents and teachers of non-government schools. The Government is also providing \$1.2 billion to address specific challenges in the non-government schools sector, such as supporting schools in drought-affected areas, schools that need help to improve performance and to deliver choice in communities.

Total spending on aged care is expected to reach a record \$23.5 billion in 2021-22. This includes bringing forward the release of 10,000 home care packages to connect more older Australians with high-level support and providing additional support to Australians in residential aged care in regional, rural and remote areas and those at risk of homelessness. The Government is also establishing a new National Elder Abuse Hotline to provide a point of access to state and territory based services for older people and their families seeking to address elder abuse.

Australia will step up its engagement in the Pacific to promote regional stability. The MYEFO includes a package of initiatives which will build on our strong partnerships in the region. This includes establishing the \$2 billion Australian Infrastructure Financing Facility for the Pacific and providing an extra \$1 billion in callable capital for *Efic*, Australia's export financing agency.

The Government is providing assistance for survivors and victims of child sexual abuse. In response to the Royal Commission's recommendations, the Government has established the National Office for Child Safety and will expand the Witness Assistance Services of the Commonwealth Director of Public Prosecutions.

The benefit of the strong growing economy under the Liberal and National Government is that more and improved services are being funded without exceeding the Government's tax 'speed limit' of 23.9 per cent of GDP. In fact, we are delivering tax relief for hard working Australians and small businesses. This is the dividend of the sound budget position and the Government's plan for a strong economy.

The Mid-Year Economic and Fiscal Outlook for the 2018-19 financial year is available via www.budget.gov.au.

Ends