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MEDIA RELEASE

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ECONOMIC AND FISCAL UPDATE

The Economic and Fiscal Update released today shows the impact of the COVID-19 pandemic on our nation's finances as well as the scale of the support that has been provided to prepare our health system and cushion the blow for millions of households and businesses.

The Government has acted swiftly and decisively to provide economic support for workers, households and businesses of around \$289 billion or the equivalent of 14.6 per cent of GDP.

This necessary and unprecedented level of economic support, coupled with declines in taxation receipts of \$31.7 billion in 2019-20 and \$63.9 billion in 2020-21, has significantly impacted the budget position.

Payments variations, including in demand driven programs, also increased by \$15.7 billion, predominantly as a result of the impact of the COVID-19 pandemic on the economy.

The underlying cash balance is forecast to decrease from balance in 2018-19 to a \$85.8 billion deficit in 2019-20 and a \$184.5 billion deficit in 2020-21.

Through the Government's strong fiscal management, Australia entered the COVID-19 crisis in a position of economic and fiscal strength. We returned the budget to balance for the first time in 11 years which underpinned the capacity to respond to this unprecedented shock.

Our fiscal support is targeted, timely and temporary to ensure that it does not undermine the structural integrity of the Budget with all three major credit ratings agencies having now reaffirmed Australia's AAA credit rating during the pandemic.

The economic support in response to the COVID-19 pandemic is estimated to have increased the level of real GDP by around $\frac{3}{4}$ per cent in 2019-20 and around $4\frac{1}{4}$ per cent in 2020-21. The fiscal measures are also estimated to have lowered the peak of the unemployment rate by around 5 percentage points.

Debt levels have increased significantly as a result of the COVID-19 pandemic, however Australia continues to have a low level of debt-to-GDP compared to other countries. Net debt is expected to be \$488.2 billion (24.6 per cent of GDP) at 30 June 2020 and increase to \$677.1 billion (35.7 per cent of GDP) at 30 June 2021. Once the economic recovery is established, stronger growth and an improvement in the fiscal position will help to stabilise government debt as a share of the economy.

Despite the support to the economy from the measures the Government has taken, real GDP is forecast to have fallen sharply in the June quarter by 7 per cent. However, the easing of health

restrictions in line with the health advice is expected to deliver an increase in economic activity from the September quarter and beyond.

There are some positive early signs in the recovery with indicators suggesting that the unwinding of containment measures in the latter part of the June quarter has led to a noticeable recovery in activity and jobs.

Household consumption is expected to lead the recovery with strong growth in the September quarter, while business and dwelling investment are expected to recover more gradually.

On a calendar-year basis, real GDP is predicted to grow by 2½ per cent in 2021, after a fall of 3¾ per cent in 2020.

Through no fault of their own, as a result of the pandemic around 709,000 jobs were lost across the country in the June quarter.

The unemployment rate is forecast to peak at around 9¼ per cent in the December quarter although labour market conditions are expected to strengthen beyond 2020.

The economic and fiscal outlook remains highly uncertain. The Government will provide forecasts and projections over the forward estimates period and medium term in the 2020-21 Budget, to be delivered on 6 October 2020.

ECONOMIC SUPPORT

The Government's swift and decisive response, made possible by our strong budget position leading into the crisis, has saved lives and livelihoods and has seen Australia outperform most advanced economies and trading partners in health and economic outcomes in 2020.

This unprecedented economic response has been designed to be temporary and targeted with measures to support individuals, households and businesses through the crisis, without undermining the structural integrity of the budget.

This includes the \$85.7 billion JobKeeper Payment, expanded eligibility for income support payments, the Coronavirus Supplement, support payments for households, temporary cash flow support for employers, and increasing and expanding access to the instant asset write-off.

More than 960,000 businesses and not-for-profits and more than 3.5 million individuals have been covered by the JobKeeper Payment. As at 16 July, payments totalled over \$30 billion.

On Tuesday, we confirmed the Government's commitment to the recovery and reopening of the economy with the extension of the JobKeeper Payment and Coronavirus Supplement for those on income support.

The Boosting Cash Flow for Employers measure has provided more than \$16 billion in payments to more than 750,000 employers across Australia as at 16 July 2020.

As part of our economic plan we are also investing \$2 billion to give hundreds of thousands of Australians access to retraining and upskilling in sectors with job opportunities, as the economy recovers from COVID-19.

This investment includes our \$1 billion JobTrainer Fund, jointly funded with the states and territories, to provide up to an additional 340,700 training places to help school leavers and job seekers access short and long courses. We are also expanding and extending the Supporting Apprentices and Trainees wage subsidy which has supported around 83,000 apprentices and trainees, and around 48,000 employers. As at 16 July 2020, payments totalled \$377.6 million.

Our HomeBuilder program is assisting the residential construction industry by encouraging the commencement of new home builds and substantial rebuilds this year. Over the month of June, sales of new houses rose by nearly 80 per cent.

Families, farmers, business owners and communities are being supported as they recover from the devastating bushfires of 2019-20 through the \$2 billion National Bushfire Recovery Fund.

HEALTH SUPPORT

The Government has committed \$9.4 billion to build capacity and capability to support the health response to the COVID-19 pandemic. The Government has prioritised the protection of Australians, including vulnerable groups such as the elderly and those with chronic conditions from COVID-19.

The Government has helped protect the health of Australians through the urgent purchase of Personal Protective Equipment (PPE) and other essential equipment for the National Medical Stockpile. The Government is also investing in finding a vaccine and treatments for COVID-19, as well as better preparing for future pandemics.

The Government has boosted Australia's testing capacity to meet the challenge of the COVID-19 pandemic, including by establishing dedicated Medicare-funded pathology tests and dedicated respiratory clinics, with coverage of around 97 per cent of the population.

The Government is also providing \$3.7 billion to build our hospital system capacity for the COVID-19 response, including the National Partnership Agreement on COVID-19 to fund half of the costs incurred by the states and territories in diagnosing and treating patients with COVID-19 and minimising the spread of the disease as well as the partnership to harness private hospital capacity.

In addition, over 6.7 million people have downloaded the Government's COVIDSafe App, which helps support health workers in their contact tracing.

To ensure access to essential health services, the Government has enabled whole-of-population Medicare subsidised telehealth services and provided \$619.1 million to support bulk billing and \$54.8 million for additional support to enable GPs to continue to provide essential face-to-face medical services.

The Government has also provided \$122.1 million to support the mental health and wellbeing of Australians during the COVID-19 pandemic.

In addition to the National Partnership Agreement on COVID 19, the Government is investing \$131.4 billion in Commonwealth funding for Australia's public hospitals, an increase of 30 per cent over the previous five years, through the 2020-25 National Health Reform Agreement.

The Government is also providing \$18.3 billion in new and existing funding over the next five years to ensure quality pharmaceutical services through the Seventh Community Pharmacy Agreement.

The Government will continue to do what it takes to deliver the essential services on which Australians rely and to ensure a strong recovery.

The Economic and Fiscal Update is available via budget.gov.au

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