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2020-21 MID-YEAR ECONOMIC AND FISCAL OUTLOOK

The 2020-21 Mid-Year Economic and Fiscal Outlook (MYEFO) builds on the Economic Recovery Plan announced in the 2020-21 Budget.

In response to the crisis, the Government has provided \$251 billion in direct economic support, with more than \$138 billion having already flowed to cushion the blow for Australian households and businesses.

The 2020-21 MYEFO measures build on the substantial commitments announced in the 2020-21 Budget, including:

- \$3.2 billion to extend the temporary Coronavirus Supplement and other income support measures
- \$1.6 billion to secure access to COVID-19 vaccines and roll out a national Vaccination Program, as well as \$500 million to extend vaccine support to our region
- \$1.0 billion in new funding for aged care, including releasing an additional 10,000 home care packages
- \$683 million for new and amended Pharmaceutical Benefits Scheme listings
- \$506 million in new infrastructure investment commitments
- \$241 million to extend the HomeBuilder program

These measures are underpinning a strong recovery from the COVID-19 pandemic, with Australia's economic and health outcomes continuing to outperform almost every other developed nation.

Australia's real GDP grew by 3.3 per cent in the September quarter after a fall of 7.0 per cent in the June quarter 2020.

On a calendar-year basis, real GDP is forecast to grow by 4½ per cent in 2021 following a fall of 2½ per cent in 2020. This compares with 4¼ per cent in 2021 and a fall of 3¾ per cent in 2020 at Budget. The labour market continues to strengthen alongside the recovery in economic activity, with around

85 per cent of the 1.3 million people who lost their job or were stood down on zero hours in April now back at work.

The unemployment rate is forecast to peak at 7½ per cent in the March quarter 2021 down from an expected peak of 8 per cent forecast in the 2020-21 Budget.

The unemployment rate is now forecast to fall to 6¼ per cent in the June quarter 2022.

While these improvements are welcome, parts of the economy continue to be impacted by COVID-19 restrictions. There remains a long way to go until the economy fully recovers and the unemployment rate is brought down comfortably below 6 per cent.

Whereas labour market conditions have improved substantially for all age groups since the peak of the crisis, challenges exist for younger people and those in areas and industries most affected by virus shutdowns. Employment for 15-34 year olds is currently 3.1 per cent below its March level, while employment for people aged 35 and over is now above pre-COVID levels. This underscores the importance of the Government's JobMaker Hiring Credit.

The global outlook remains challenging as COVID-19 outbreaks and containment measures continue and trade tensions continue to affect Australia's exports.

As part of our responsible fiscal management, we continue to make prudent commodity price assumptions – with the iron ore price assumed to decline to US\$55 per tonne by the end of the September quarter 2021.

The underlying cash balance in 2020-21 is expected to be a deficit of \$197.7 billion, equivalent to 9.9 per cent of GDP. This is expected to improve over the forward estimates to a deficit of \$66.0 billion in 2023-24 and to further improve over the medium term to a projected deficit of \$45.7 billion or 1.4 per cent of GDP in 2030-31.

The \$15.9 billion improvement in the underlying cash balance for 2020-21 since the Budget primarily reflects the faster-than-expected rebound in the economy.

The 2020-21 MYEFO includes \$6.3 billion in new policy measures in response to the COVID-19 pandemic, bringing the Government's direct economic and health support announced this year to \$267 billion.

Extending the Coronavirus Supplement

The Government is providing \$3.2 billion to extend the Coronavirus Supplement at a rate of \$150 per fortnight and extend other temporary income support eligibility measures from 1 January 2021 to 31 March 2021.

Vaccines

The Government will provide \$1.5 billion over two years from 2020-21 to secure a further 61 million doses of potential vaccine developed by Novavax and Pfizer/BioNTech. This is in addition to the University of Oxford vaccine.

COVID-19 vaccine investments will provide access to a total of 114.8 million potential vaccine doses.

HomeBuilder

Up to \$241 million in additional funding to continue its support for the residential construction sector by extending the HomeBuilder program to 31 March 2021.

Aviation support

The Government will support the continuation of key inter-city and regional routes and smaller regional airlines through COVID-19. This includes extending the Domestic Aviation Network Support Program, guaranteeing major domestic air routes until the end of March 2021. The Government will also pay 50 per cent of domestic air services charges for key operators from January to end March 2021.

COVID-19 Consumer Travel Support Program

The Government will provide \$128 million for a one-off targeted grant program to support travel agents. Payments will be scaled, with a minimum of \$1500 for a business with a turnover of \$50,000, up to a maximum payment of \$100,000 for a business with a turnover of up to \$20 million. The Government recognises that many travel agents continue to process refunds for consumers who have cancelled travel, at the same time as they manage ongoing uncertainty about international travel due to the impacts of COVID-19.

The 2020-21 MYEFO also includes new measures under the JobMaker Plan to create a stronger, resilient and more productive economy.

Infrastructure investment

The Government's record 10-year transport infrastructure investment pipeline was accelerated and expanded to \$110 billion in the 2020-21 Budget. The Government is committing a further \$506 million over three years for priority transport infrastructure to support local jobs and the economic recovery.

Aged care

This MYEFO includes \$1.0 billion in new investment in aged care, building on the \$4.1 billion in new funding to the aged care sector announced since the 2019-20 MYEFO. \$851 million is being provided for an additional 10,000 home care packages.

The Government has responded to the recommendations of the Royal Commission into Aged Care Quality and Safety's special report on COVID-19 and is continuing to respond to COVID-19 in aged care, investing \$147 million, including funding for new items on the Medicare Benefits Schedule to improve access to psychological treatment and allied health services in residential aged care. The Serious Incident Response Scheme implementation has been brought forward to 1 April 2021.

The 2020-21 MYEFO is available at www.budget.gov.au

Ends