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CHECK AGAINST DELIVERY

Our Strong Economic Recovery

Australia is well on the road to recovery.

And while the pandemic is not over, the Australian spirit continues to shine through.

Recently I met with Katie Graham, an owner of a small homeware store and café in Melbourne.

They'd been in their premises only six months when COVID hit.

Suddenly their doors were closed, rent was due and staff needed to be paid.

They took the difficult decision to stand down a staff member as they contemplated winding up.

Then JobKeeper and the Cash Flow Boost was announced.

They brought back their staff and received temporary rent relief and a deferral on their bank loan, with measures supported by the Morrison Government.

I spoke to Katie this week, her business is back on its feet.

She has kept all her staff and taken on a new one who was previously unemployed and said that without the Federal Government's help the business would've folded and she feared she would have lost her house.

This ladies and gentlemen is a story like so many others across the country, no community is untouched.

In response to the greatest economic shock since the Great Depression, we have now put in place an unprecedented $291 billion in direct economic support measures.

More than double the commitments of all states and territories combined.

All aimed at helping Australians get through to the other side of this crisis.

Extraordinary times called for extraordinary measures.

As John Howard said to me on the eve of the announcement of Jobkeeper,

"During times of economic crisis, there are no ideological constraints"

The results are now clear.

Our economy is coming back strongly.

We have outperformed every major advanced economy.

Consumer confidence is at an 11 year high.

Business confidence is at a record high.

And almost one million jobs have been added since the peak of the crisis.

Australia's recovery is at the front of the pack.

The economy is now expected to have reached its pre-pandemic level nine months earlier than expected in the October Budget.

Real GDP is forecast to grow by 5¼ per cent in 2021, up from 4¼ per cent at Budget last year and be around $50 billion higher across 2021.

The unemployment rate is forecast to get back to pre-crisis levels just two years after its peak.

This compares to eight years after the recession of the 1980s and ten years after the 1990s recession.

It is worth remembering that following the GFC, the unemployment rate never got back to where it was.

The unemployment rate is now forecast to reach 4 ¾ per cent by the June quarter 2023.

With more Australians in work and less on welfare, the budget deficit this year has improved by $52.7 billion.

These are good reasons for Australians to be confident about their future.

But we know the job is not done.

We are still in the middle of a pandemic.

Here in Australia we recently saw Western Australia in lockdown.

Around 800,000 new cases are being diagnosed globally every day.

New strains of the virus are continuing to emerge.

We have all witnessed the tragic events unfolding in India.

This is a solemn reminder of the risks that we still face.

That is why this year's Budget is the next step in our economic plan to keep Australians safe and secure our recovery.

Our first priority must always be to protect Australian lives and contain the spread of the virus.

Last night I announced a further $1.9 billion to support the rollout of the COVID-19 vaccines.

With this investment, we have secured access to 170 million vaccine doses.

We are also providing $1.5 billion to extend the COVID-19 health response until the end of 2021.

This will continue to support rapid pathology testing and tracing that is so important to our continued success in containing the virus.

And GP-led Respiratory Clinics, which have delivered more than 1 million COVID-19 tests.

As it has done to date, continued success on the health front is the foundation upon which we will secure our economic recovery.

This Budget will secure the recovery in three important ways.

First, it provides around $40 billion in targeted, temporary support to boost aggregate demand.

Second, it invests in our workforce and skills to get more Australians into a job.

Third, it provides incentives to boost workforce participation, particularly for women.

There is no economic recovery without a jobs recovery.

And there is no budget recovery without a jobs recovery.

We must keep our momentum going.

We cannot afford to be complacent.

We cannot risk losing the gains that we have made as India's health crisis and the Euro area's double-dip recession can attest.

We must stick to our plan.

Even more so with monetary policy heavily constrained with interest rates at an all-time low.

And population growth at its lowest in a century.

We must continue to support the transition to private sector-led growth to create jobs and drive the unemployment rate lower.

That is what the next stage of our plan outlined in this Budget is designed to achieve.

We are extending the low and middle income tax offset this coming financial year.

This will benefit around 10.2 million Australians, with most of the benefit going to those with taxable incomes below $90,000.

It will put up to an additional $1080 in the pockets of individuals and $2160 for couples.

And it will flow through the economy just as our tax relief has done during the crisis to fuel record growth in household spending.

Giving businesses the confidence to grow, invest and create more jobs for Australians hire.

We are also extending our record business tax incentives to drive more investment through the economy.

This includes temporary full expensing and loss carry-back arrangements.

This will deliver a further $20.7 billion in tax relief for Australian businesses that back themselves and invest in the future.

This will drive economic activity in the short term and increase productivity in the long term.

We know that our initial round of business tax incentives have been highly effective.

They have accelerated businesses investment plans and brought on new investment.

Take Visy, Australia's largest paper, packaging and recycling company employing 7,000 Australians.

As a result of the accelerated depreciation policy announced last October, Visy announced it would bring forward $380 million in new job creating, manufacturing investment over the next 18 months.

A new corrugated box factory in Brisbane will not only create 300 jobs, but support the growth of food and beverage companies in the area.

With machinery and equipment investment growing at its fastest rate in seven years, these investments are happening right now across the country.

An estimated $320 billion worth of investment is expected to be supported by our business tax incentives and create 60,000 jobs by the end of 2022-23.

More investment also generates a growth dividend over the longer term.

During a recession, falls in investment can erode the capital stock and cause a drop in productivity.

Our existing and new business tax measures will help to alleviate this.

We are also investing in the infrastructure Australia needs for the future, which will also create jobs today.

This Budget commits an additional $15.2 billion as part of the Government's record $110 billion 10-year infrastructure pipeline.

This commitment will support over 30,000 jobs across our country, including in our regional communities.

This will see our infrastructure commitments over the next four years total over $70 billion.

These measures will boost aggregate demand.

They will lock in our economic recovery and create more jobs.

Workforce and skills

We know that getting the unemployment rate below 5 per cent will not be easy.

The last time Australia sustained unemployment below 5 per cent was between 2006 and 2008.

Before that, you need to go all the way back to the early 1970s.

The Budget forecasts that net overseas migration will be a decrease of 97,000 this year and 77,000 next year.

This means less skilled migrants and less temporary workers in the short to medium term.

Making it harder for businesses to find the workers they need.

That is why this Budget continues to invest heavily in the skills that our economy needs.

We have committed more support for foundation skills so that any job seeker that needs it can receive training in literacy, numeracy and digital skills.

We are investing further in the JobTrainer Fund.

Adding 163,000 places and extending the program until 31 December 2022.

We have removed the cap on the number of trainees and apprentices under our $2.7 billion expansion to the Boosting Apprenticeship Commencements scheme.

Together, these measures will support a strong pipeline of new skilled workers and help boost participation and create jobs.

Supporting participation

As well as investing more in skills, the Morrison Government wants to encourage even more Australians to participate in the labour market.

Women's participation has been rising in Australia over time.

It currently sits at record high rates of 61.8 per cent, up by almost 7 percentage points since 2000.

Despite this, it remains around 10 percentage points lower than the male participation rate.

That is why the Government has invested an additional $1.7 billion to improve childcare affordability.

Our measures will benefit those families with multiple young children, who face some of the highest barriers to participate in the labour market.

This will improve affordability for around 250,000 families already in the childcare system and will equate to around 40,000 individuals working an extra day a week.

Under these changes, a family earning $110,000 a year will have the subsidy for their second child increase and be $95 per week better off for four days of care.

This will see more women in work — which is already at a record high.

Further gains in closing the gender pay gap — which is already at a record low.

And bring more valuable talent and skills into the Australian labour market.

This will benefit businesses and boost the economy by up to $1.5 billion per year.

We are also modernising our employment services, to better match job seekers to jobs.

And we are increasing the wage subsidy for long-term unemployed job seekers from $6,500 to $10,000.

That is how the Budget will secure our economic recovery and drive unemployment down.

Putting more money in the pockets of everyday Australians.

Providing incentives for private businesses to grow, invest and hire.

Investing in infrastructure.

Boosting skills and participation.

A lower unemployment rate will also put upward pressure on wages.

As the labour market tightens, wages will begin to lift.

Both the Treasury and the RBA have effectively said that the unemployment rate will need to have a four in front of it to see inflation and wages accelerate.

The best way to deliver higher wages over time is to build a stronger and more productive economy and drive unemployment down.

That is why we have continued, right through the pandemic, to pursue sensible economic reforms.

Reforms that make our economy more modern, dynamic and productive.

Last night we launched a new 'patent box' starting on 1 July next year.

Under the patent box, income earned from new patents that have been developed in Australia will be taxed at a concessional 17 per cent rate - almost half the rate that applies to large companies.

We have cut red tape to allow for a uniform scheme for automatic mutual recognition of state and territory based occupational licences and registrations.

This reform will directly benefit over 124,000 workers who currently work across borders and an additional 44,000 who are expected to work across borders following these reforms.

The time and cost savings associated with AMR for these workers is expected to increase GDP by $2.4 billion over 10 years.

We have also enhanced the R&D Tax Incentive, supporting more than 11,400 companies.

We have made amendments to our insolvency framework, to reduce complexity, time and costs.

We have mandated electronic invoicing for all Commonwealth agencies.

We have modernised business registers, to reduce costs and cut red tape.

We have expanded the Consumer Data Right to help consumers access better value services.

There are many more examples.

A Stronger Economy means a Stronger Budget

A stronger more dynamic economy is also the best way to deliver a stronger budget.

Australia entered this crisis from a position of economic strength.

This gave us the fiscal firepower we needed to respond to COVID-19 and kick start our recovery.

And this strong recovery is already flowing through to a stronger budget position.

Of the new decisions in this Budget, around half reflect our further temporary support measures to secure our recovery.

Our tax cuts for individuals and business, our additional infrastructure and skills spending, and our additional spending on vaccines and COVID health measures.

The other half reflects our new investments.

Including more than $30 billion to undertake generational reform and lift the quality of essential services.

These are important and necessary decisions.

But despite these significant new investments, our overall fiscal position has not deteriorated.

Our Budget position has improved by $34.1 billion over the four years to 2023-24, relative to the last Budget.

The Budget deficit falls from 7.8 per cent of GDP to 2.4 per cent of GDP by the end of the forward estimates.

Compared to Budget last year, net debt — a key measure of fiscal sustainability — is projected to be lower each and every year over the next ten years.

Gross debt as a share of GDP is peaks a year earlier.

By the end of the medium term, gross debt is $65 billion lower compared to what was expected just over 7 months ago in last year's Budget.

We have been able to make these necessary investments, without undermining our fiscal position, because of our strong economic recovery.

Since the last Budget and before new policy, tax receipts excluding GST have been revised up by $81 billion over the four years to 2023-24.

Iron ore has made its contribution. Company tax receipts are up by $25 billion.

But it is the strong recovery in the labour market that has materially strengthened the Budget.

With personal income tax receipts up by $44.3 billion over the four years to 2023-24.

And spending on unemployment benefits down by $11.7 billion.

The direct benefit from more Australians in work to the Budget is more than double the contribution made by higher company tax receipts through a higher iron ore price.

This is the benefit of our strong recovery.

And we remain in a strong and sustainable fiscal position.

Our debt remains low by international standards.

As a share of the economy, it is around half that of the UK and US and less than a third of that in Japan.

Our debt servicing costs remain historically low.

In 2021-22 our interest bill will be $17.8 billion or 0.8 per cent of GDP.

This is lower than the interest paid in 2018-19 at $18.9 billion or 1.0 per cent of GDP.

Despite recent increases in bond yields, the weighted average cost of our new borrowing in this Budget is assumed to be around 1.6 per cent.

Treasury projections are that nominal GDP growth will exceed the nominal interest rate for at least the next decade.

This means, our overall interest bill is forecast to remain low, at below 0.9 per cent of GDP over the forward estimates.

And this will reduce net debt as a share of GDP over the medium term as outlined in the Budget papers.

This is a critical element of our medium-term fiscal strategy.

Net debt is expected to peak at 40.9 per cent of GDP in June 2025 and then improve over the medium term to reach 37.0 per cent of GDP in June 2032.

We can also move forward with confidence, knowing that our fiscal projections are not beholden to volatile commodity prices.

Today the iron ore price is at record high levels, trading at over US$200 a tonne free-on-board.

But our Government has continued to adopt a prudent approach in this Budget.

We do not assume that these prices are sustained.

We protect the Budget by not baking in future spending against a record high iron ore price.

Instead we assume that iron ore prices will fall back to US$55 per tonne by the March quarter 2022.

This is in line with Treasury's best assessment of the long-term equilibrium price in the market.

Of course, should the iron ore price remain at elevated levels, that will represent upside to the Budget bottom line.

By way of example if the iron ore price remains at above US$150 a tonne until March, this would deliver a $12.5 billion boost to tax revenue over the next two years.

Targeted and temporary measures to secure the recovery.

Prudent assumptions to protect the Budget

Strengthening the sustainability of our fiscal position by growing our economy and getting more Australians into work and off welfare.

That is our plan.

It's working.

And we must stick to it in order to lock in the gains we have made.

A Stronger Budget Guarantees our Essential Services

Ladies and gentlemen, repairing the budget and growing the economy are also the best way to guarantee essential services.

This Budget undertakes generational reforms that will improve the quality and sustainability of our essential services across aged care and mental health over the long term.

Aged care

We all want to see an aged care system that treats older Australians with the respect and dignity they deserve.

Since the 2018-19 Budget, the Morrison Government has committed to deliver 83,000 additional home care packages.

And in this Budget we have gone further.

We will be providing a record funding increase of $17.7 billion to improve the quality, safety and provision of aged care services.

This is the largest single investment ever made in the sector.

We are funding the immediate priorities in the system to improve quality and safety.

But importantly, we are also reforming the sector.

From home care, right through to residential care.

To ensure its long term sustainability and to grow and upskill the aged care workforce.

We are providing $6.5 billion for the release of an additional 80,000 home care packages.

And giving the Aged Care Quality and Safety Commission greater oversight of the home care system.

We are providing $8.4 billion to reform residential care.

Including increasing the minimum standard of care minutes provided to residents.

We are also reforming the way residential care providers receive funding.

Delivering a new, improved model for assessing people's care needs and targeting funding for care where it's needed most.

Our comprehensive plan to strengthen the aged care system will improve the quality and availability of care, strengthen oversight of the sector and care jobs.

Mental Health

Ladies and gentlemen, for many Australians, COVID-19 has been an extremely difficult and testing time.

This has been a reminder to us all of the importance of protecting our mental health.

In this Budget, we are also making a record investment of $2.3 billion in mental health prevention and resilience services, suicide prevention services and expanded treatment options.

We are establishing a national network of Adult Mental Health Centres alongside states and territories, which will operate under a 'no wrong door approach' so that everyone gets the care they need.

The centres will provide a new approach through multidisciplinary teams.

Psychiatrists, GPs, psychologists, alcohol and drug specialists, mental health nurses, social workers and other specialists, working together.

We are also improving the availability of high-quality, free and low-cost digital mental health services to give people better options to access help early.

And to help us work towards our goal of zero suicides in Australia, we are establishing the National Suicide Prevention Office to provide a nationally consistent whole-of-government approach to prevention.

These are transformational investments in mental health that will save lives and help deliver a stronger economy through higher workforce participation.

Conclusion

As we gather here today, Australia is as well placed as any other country in the world.

In the midst of a global pandemic, we have successfully suppressed the spread of the virus.

Our economic recovery has real momentum.

And our budget position is strengthening.

Our plan is working but there is more to do.

We cannot risk losing the gains we have made.

We must secure the recovery.

Last night's budget will do exactly that.