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OECD REAFFIRMS AUSTRALIA'S ECONOMIC RESILIENCE

The Morrison Government welcomes the Organisation for Economic Co-operation and Development's (OECD) *Economic Survey of Australia*, which commends the Government's "strong economic response to the pandemic".

In its first *Survey* since December 2018, the OECD's latest survey focuses on the Government's response to the COVID-19 pandemic and the role of the financial sector both during the pandemic and into the future in supporting the recovery.

Policy response to COVID-19

The OECD survey highlights the Government's "well-coordinated" response since the start of the COVID-19 pandemic, acknowledging that "macroeconomic policy support was delivered swiftly and with appropriate force at the onset of the pandemic" and "played a particularly important role in stabilising the economy and the living standards of the population". The "core component" of the fiscal response was JobKeeper, which the OECD acknowledges "saved at least 700,000 jobs".

The Government's fiscal response was enabled by Australia having "entered the pandemic in a strong fiscal position" as "the federal Budget had returned to balance in Financial Year 2018/19".

The Survey also acknowledges the large number of temporary regulatory measures put in place by the Government, including insolvency protections and supporting loan deferrals, to effectively "buffer against the economic shock".

The strong economic management of the pandemic has meant that Australia's "downturn in 2020 was less significant than in the majority of other OECD countries" and ensured "the economy bounced back rapidly".

Encouragingly, the *Survey* notes a "substantial quickening in the pace of the vaccine rollout" and that "once the economy reopens, household consumption could also pick up surprisingly rapidly given a high stock of excess savings".

The OECD anticipates that the economy will see solid growth of 4 per cent in 2021 and 3.3 per cent in 2022 highlighting the resilience of the Australian economy despite the current headwinds posed by the delta variant and ongoing lockdowns.

With more than 43 per cent of Australians fully vaccinated, progress towards our nationally agreed targets of 70 to 80 per cent is accelerating. As the Survey notes, once we reach these targets, "the

reopening of international borders will support the economic recovery through enabling foreign student arrivals, bilateral tourism and population growth stemming from net immigration”.

Progress on Survey recommendations

The Morrison Government has made strong progress on the OECD’s key *Survey* recommendations.

Specifically, fiscal policy continues to be responsive to developments in economic conditions. More than \$6.6 billion in COVID-19 Disaster Payments has been provided to 2 million Australians and significant business support continues to be provided in partnership with the States and Territories.

The *Survey* also recognises the significant tax relief provided to low and middle income earners through the Morrison Government's *Personal Income Tax Plan*.

The report also notes that bracket creep, if unaddressed, will result in increasing average taxes over time. This further underlines the importance of the structural reform implemented through the Government’s Stage 3 tax cuts which will remove an entire tax bracket and ensure that 95 per cent of taxpayers face a marginal tax rate of no more than 30 cents in the dollar.

The OECD commends the Government for its significant progress on previous OECD recommendations such as better targeting of the Research and Development Tax Incentive and introducing a ‘Patent Box’ to drive innovation and productivity.

The OECD also recognises the importance of the Government’s legislated automatic mutual recognition reforms and encourages remaining jurisdictions to follow the Commonwealth's lead to support Australian workers and boost productivity growth.

With respect to climate change, the Government remains committed to its approach of technology, not taxes, in reaching net zero emissions as soon as we possibly can, preferably by 2050. The *Survey* acknowledges that “strong institutions are already in place to support these aims”.

Role of the financial sector

The Survey also noted that as a result of key reforms introduced by the Government over several years, “the strength of the Australian financial system allowed it to support the economy during the crisis”.

Importantly, as highlighted by the OECD, to further support the recovery the Government will continue to pursue reforms to ensure small and emerging businesses have access to a range of funding sources, including streamlining lending laws, expanding ‘Open Banking’ and via the Australian Business Growth Fund.

The latest OECD Economic Survey confirms the Government’s economic plan is working and that the fundamentals of the Australian economy remain strong.

The Morrison Government will continue to support the recovery so that the Australian economy can bounce back once COVID-19 related restrictions are eased.

Ends