



**Senator the Hon Michaelia Cash
Minister for Employment, Skills, Small and Family Business
Senator for Western Australia**

23 July 2020

ECONOMIC AND FISCAL UPDATE

Today, the Treasurer and Finance Minister released the Economic and Fiscal Update showing the impact of the COVID-19 pandemic on our nation's finances. The Update also shows 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 Gross Domestic Product (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.

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.

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

Our COVID-19 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.

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 at 30 June 2020 and increase to \$677.1 billion 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.

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. 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.

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, our economy is predicted to grow by 2.5 per cent in 2021, after a fall of 3.5 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 nine 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.

The Economic and Fiscal Update is available on the [Budget website](#).

ECONOMIC SUPPORT TO DATE

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, the Government's extended 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.

Regards



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