



# PAEC

## Inquiry into the Victorian Government's response to the COVID-19 Pandemic

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TREASURER OF VICTORIA

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# Coronavirus economic update



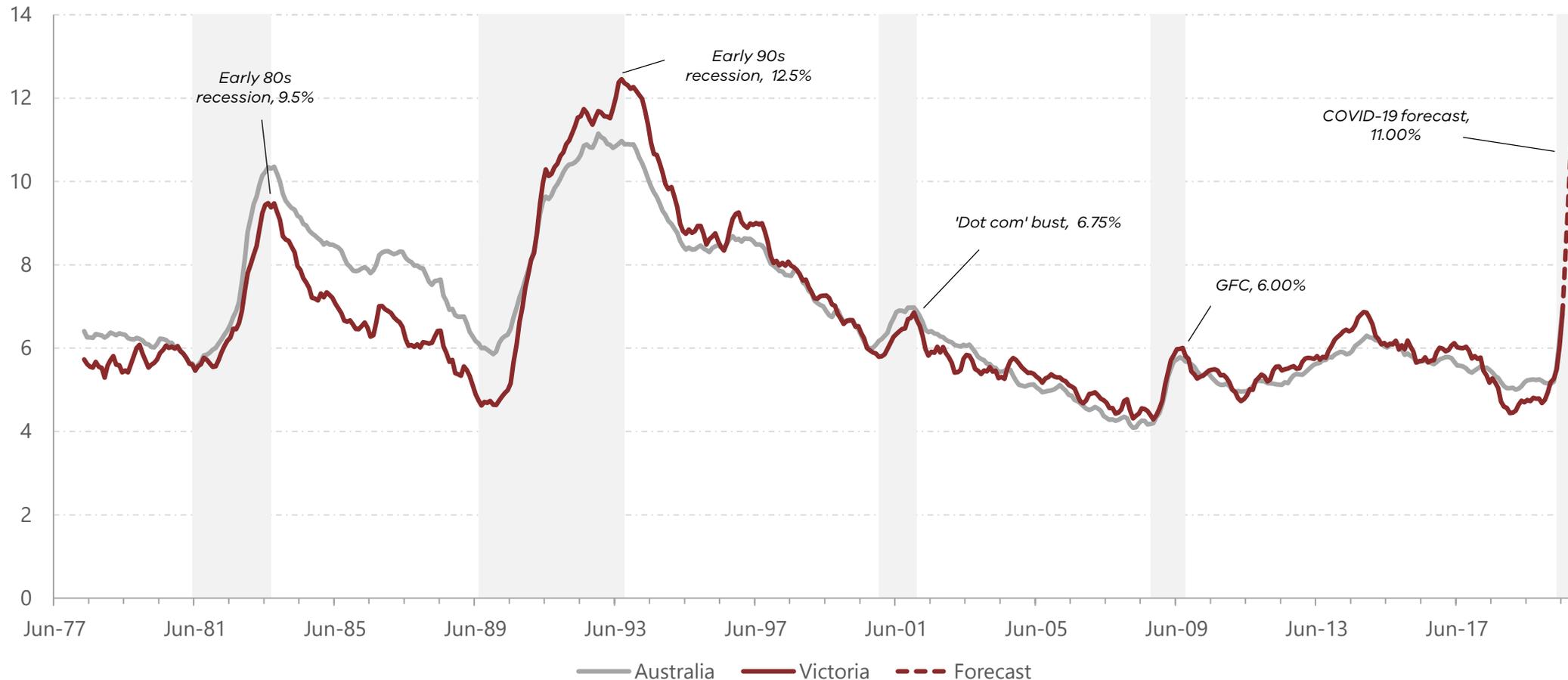
# Economic impacts of coronavirus

- / Gross State Product forecast to fall by 9 per cent in 2020-21.
- / Victorian Budget will now likely return an operating deficit of \$7.5 billion in 2019/20.
- / Unemployment climbed to 7.5 per cent in June, and is expected to reach 11 per cent in September quarter.
- / Job losses forecast to reach 325,000 from March to September.
- / Both the IMF and the OECD predict a damaging recession across the globe this year, forecasting world output to decline by up to 7.6 per cent.

**Sources: Victorian Economic Update July 2020; DTF. Victorian economic forecasts are an update to the July forecasts and reflect the restrictions announced in early August.**



# Unemployment could rise to about 11 percent in the September quarter



Sources: Australian Bureau of Statistics; Department of Treasury and Finance, Victoria

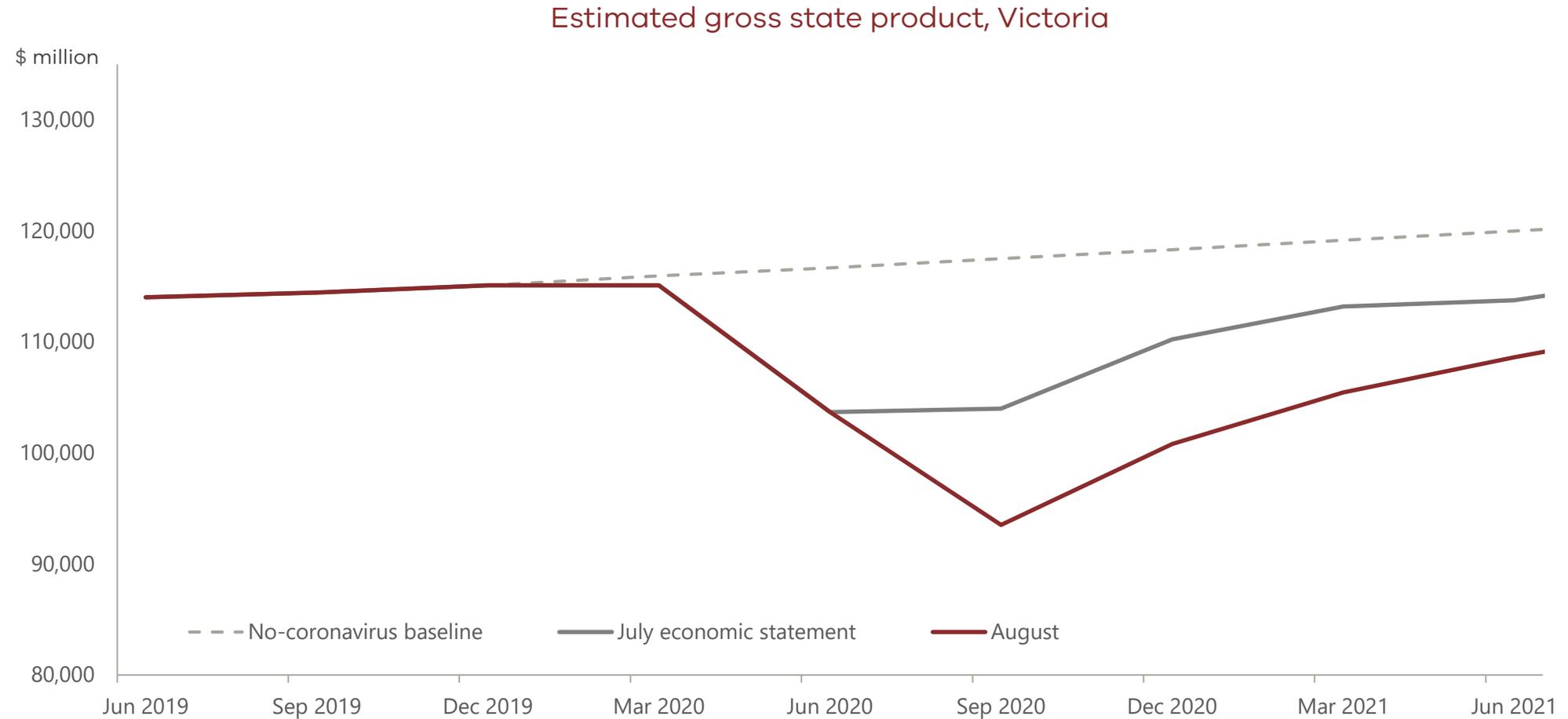
Note: Data are rolling 3-month average, seasonally adjusted. Peaks in unemployment rate are rounded to the nearest 25 basis points.

# Women and young Victorians are most impacted



Sources: Australian Bureau of Statistics; Department of Treasury and Finance, Victoria  
Note: total, male and female data are seasonally adjusted whereas data by age are original data

# Real GSP expected to continue to fall in September quarter, before recovering



Source: Department of Treasury and Finance, Victoria

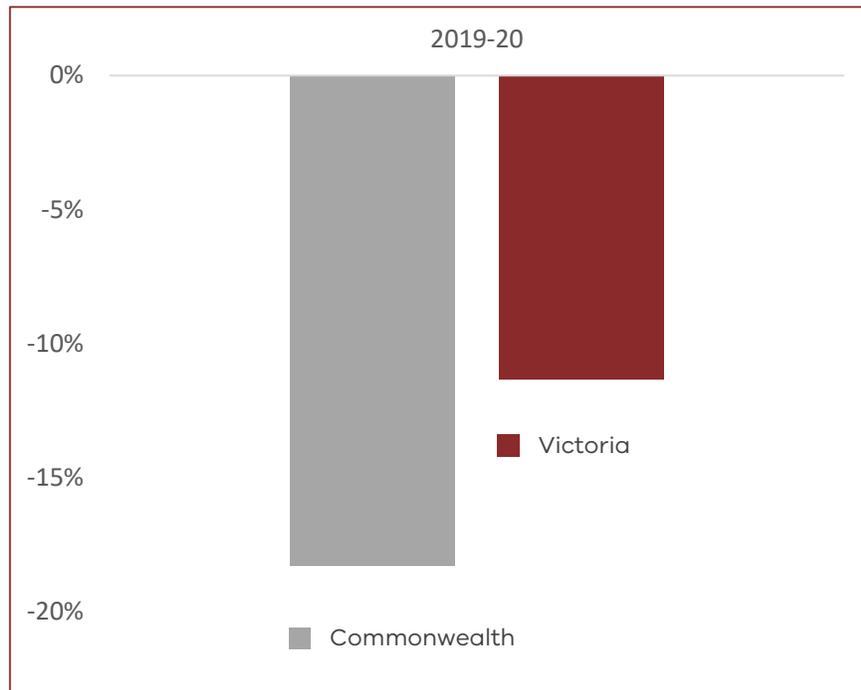
# Current economic indicators

- / Victorian unemployment rate increased +0.6 percentage points to 7.5 per cent in June.
- / Victorian consumer sentiment index -10.4 per cent in July to 85.0 points.
- / Victorian business confidence down 22 points to -29 index points in July.
- / Victoria's Performance of Manufacturing Index (PMI) +12.9 points to 53.3 points in July.
- / The CoreLogic Home Value Index for Melbourne down -1.2 per cent in July.



# The Commonwealth and Victoria are both expecting deficits in the 2019-20 financial year

Deficit as a proportion of revenue by jurisdiction



## 2019-20 result forecasts

- The Commonwealth forecast a cash deficit of \$85.8 billion.
- Victoria is forecasting an operating deficit of around \$7.5 billion.

## Victoria's Treasurer's Advance appropriation

- In 2019-20, up to \$2.6 billion is expected to be spent against the additional \$10 billion Treasurer's Advance appropriation.
- The actual drawdown against the \$10 billion will be finalised and reported in the 2019-20 Financial Report.

Sources: Victorian Economic Update July 2020; Commonwealth Economic and Fiscal Update July 2020

Note: there is a slight definitional difference between these published deficits. The Commonwealth published a cash deficit whereas Victoria has publicly announced an operating deficit.

# Victoria's coronavirus response

The government has announced more than **\$10 billion** to respond to coronavirus

This is estimated to have protected **81,000** full time equivalent employees in the June quarter\*



**Business and jobs support**  
**\$4.0bn**



**Infrastructure projects**  
**\$2.7bn**



**Health system**  
**\$2.0bn**



**Education**  
**\$937m**



**Transport**  
**\$362m**



**Social**  
**\$368m**

\* **Sources:** Deloitte Access Economics' Regional General Equilibrium Model (DAE-RGEM) and Department of Treasury and Finance, Victoria Note: Modelling shows the estimated impact of Victorian Government decisions in the June 2020 quarter relative to a no response scenario.

# Responding every step of the way

## Public health directions and restrictions announced



### Victorian Government initiatives \$100m+

19 March - \$537m health system response.

21 March - **\$1.7bn Economic Survival Package.**

(Includes \$500m Business Support Fund; \$500m Working for Victoria Fund; and \$550m payroll tax refunds).

1 April - \$1.3bn health system expansion.

15 April - **\$500m for tenants & landlords.**

17 April - \$260.8m skilling up Victorians.

5 May - **\$491m for tax relief.**

13 May - **\$150m Experience Economy Survival Package.**

18 May - **\$2.7bn Building Works Package.**

19 May - \$350m Victorian Higher Education State Investment Fund.

29 June - \$340m transport package.

7 July - \$163m Free TAFE Expansion.

10 July - **\$534m Business Support Package.**

28 July - \$150m Homelessness to Homes.

3 August – **\$575m Stage 4 support.**

# Victoria is well placed to recover

- / Meeting the challenge of our generation
- / Delivering for recovery
- / Rebuilding on strong foundations
  - record infrastructure investment
  - highly skilled workforce
  - strong fiscal management



# Questions