PAEC

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

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TREASURER OF VICTORIA

12 August 2020
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*

* 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

State Of Emergency declared
Restrictions commence 16 March
Stage 1, 2 & 3 23, 25, 30 March
Stage 3 extended 12 April
Restrictions eased 11, 17, 24 May
Restrictions Tightened 20 June
Targeted Lockdown 30 June
Stage 3 reinstated 7 July
Mandatory face masks Melbourne, and Regional 19, 30 July
Stage 4 Melbourne Stage 3 Regional 2 August

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.
3 August – $575m Stage 4 support.
10 July - $534m Business Support Package.
28 July - $150m Homelessness to Homes.
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