

*Budget Paper No. 1*

The revised strategy consists of two phases. The first phase is focused on achieving a strong economic recovery to drive down unemployment and will be delivered through both the ongoing COVID-19 Economic Response and the JobMaker Plan.

During the first phase, the Government will provide continued support for aggregate demand while introducing important longer-term supply-side and structural reforms through the JobMaker Plan to boost growth and increase our economy's potential output. The Government will allow the automatic stabilisers to work freely to support the economy while continuing to provide temporary, proportionate and targeted fiscal support to incentivise private sector investment to drive productivity and create jobs.

Once the recovery is assured, with the unemployment rate comfortably back under 6 per cent, the Government will shift to the second phase of the strategy. Waiting until the unemployment rate is back below 6 per cent will ensure that economic support is not withdrawn prematurely, helping to prevent economic scarring and increases in long-term unemployment. After the 1990s recession, it took around 2 years for GDP to return to previous levels. However, it took 10 years before the unemployment rate fell back below 6 per cent. Based on current forecasts, the unemployment rate is expected to reach 6 per cent by the June quarter 2023 and 5½ per cent by the June quarter 2024.

The second phase – the medium-term fiscal strategy – will focus on stabilising and then reducing gross debt and net debt as a share of GDP.

The revised Economic and Fiscal Strategy maintains some themes of the previous fiscal strategy. These include a commitment to maintain fiscal discipline through temporary and targeted measures that do not undermine the Budget's structural position, a commitment to keeping the burden of taxation equal to or lower than 23.9 per cent of GDP, and ensuring the delivery of essential services by maintaining the quality and efficiency of government spending.

It also retains, and increases, the focus on economic growth as the key plank of the Government's strategy for budget repair. The JobMaker Plan is central to this strategy.

The revised Economic and Fiscal Strategy will support a strong economic recovery through the JobMaker Plan and help create a more dynamic economy to deliver economic growth and fiscal sustainability into the future.