

*Statement 3: Fiscal Strategy and Outlook*

The Economic and Fiscal Strategy will operate in two phases:

- The COVID-19 Economic Recovery Plan will focus on achieving a strong recovery to quickly drive down the unemployment rate. This phase will remain in place until the unemployment rate is comfortably below 6 per cent.
- The medium-term fiscal strategy will focus on growing the economy in order to stabilise and then reduce gross and net debt as a share of GDP.

The strategy is consistent with the Government's core values of lower taxes and containing the size of government, guaranteeing the provision of essential services, and ensuring budget and balance sheet discipline.

The strategy provides flexibility to respond to changing economic conditions, recognising the economic outlook will continue to remain very uncertain until a COVID-19 vaccine is developed and widely deployed, or the health impact of the COVID-19 pandemic otherwise moderates.

At each Budget update, the Government will review progress on the economic recovery and determine whether adjustments need to be made.

The Government's Economic and Fiscal Strategy is consistent with the requirements of the *Charter of Budget Honesty Act 1998* and is set out in Box 1. *Statement 4: Fiscal Policy and Economic Growth* provides more detail on the changes in the economy and the implications for fiscal policy and the fiscal strategy.