

## Statement 3: Fiscal Strategy and Outlook

The Government has taken decisive action to support businesses and households through the COVID-19 pandemic. It is deploying the budget and the balance sheet to reduce the impact on the Australian economy and labour market and ensure a strong front-line health response.

In this Budget, the Government is providing an additional \$98 billion in response and recovery support, including \$25 billion under the COVID-19 Response Package and \$74 billion under the JobMaker Plan. This brings the Government's overall response and recovery support since the onset of the pandemic to \$507 billion, of which \$257 billion reflects direct economic support.

The Government has been able to provide unprecedented levels of fiscal support in response to the COVID-19 pandemic due to Australia's relatively low levels of debt and the hard work undertaken to repair the Budget.

While Australia entered the crisis from a position of economic and fiscal strength, the COVID-19 pandemic will have long-lasting impacts on the economic and fiscal outlook.

The underlying cash balance is expected to be a deficit of \$213.7 billion in 2020-21, improving to a deficit of \$66.9 billion in 2023-24, and then further improving to a deficit of \$49.5 billion at the end of the medium term (2030-31).

Gross debt is expected to be 44.8 per cent of GDP at 30 June 2021 and increase over the forward estimates before stabilising at around 55 per cent of GDP in the medium term. Net debt is expected to peak at 43.8 per cent of GDP at 30 June 2024 and fall to 39.6 per cent of GDP by the end of the medium term.

The Government has revised its Economic and Fiscal Strategy to reflect the significant change in circumstances stemming from the COVID-19 recession and the need for additional support for the economy over the period ahead.

The Government will continue to use fiscal policy to support aggregate demand and confidence, with a focus on a private sector-led recovery to drive employment and productivity. As the economic recovery progresses, the budget position will strengthen.

Once the unemployment rate is comfortably below 6 per cent, the Government will shift its focus towards stabilising and then reducing debt as a share of the economy, while still allowing for flexibility in response to changing economic conditions.