

# Media Release

**Mr Tim Pallas MP**

Treasurer

Minister for the Coordination of Treasury and Finance – COVID-19

Minister for Economic Development

Minister for Industrial Relations



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## VICTORIAN ECONOMY GEARED TO WEATHER THE STORM

The Victorian Government's sound management of the Victorian economy leaves it well placed to withstand the devastating economic impacts of the coronavirus pandemic, today's March quarter financial update shows.

The worldwide health emergency has had a debilitating effect on economies right around the globe, and Victoria is not immune. Already this year, Victoria has dealt with devastating bushfires and now a once-in-a-lifetime pandemic.

The restrictions necessary to slow the spread of the virus have prompted the Department of Treasury and Finance to predict Gross State Product could decline by 14 per cent in the June quarter, relative to previous forecasts.

The Government has invested more than \$5 billion in the fight against coronavirus, boosting health services, helping international students, and supporting struggling businesses, tenants and landlords.

More than 50,000 businesses and up to 1 million workers have benefitted from these support measures, designed to keep people in jobs and help businesses through to the other side of the coronavirus pandemic.

In addition, the January bushfires cost the Victorian economy an estimated \$500 million – or 0.1 per cent of Victoria's Gross State Product.

As outlined in the March financial report, the Government was on track to deliver its sixth-straight budget surplus – forecast at \$618 million in the *19/20 Budget Update*.

As the update states: "excepting for these extraordinary events, the State was on track to achieving a surplus for 2019/20 in accordance with the forecasts published in the 2019/20 Budget Update."

However, the January bushfires, the unprecedented economic impacts of coronavirus and the billions of dollars the Government has provided to support Victorians through the pandemic – combined with declines in Victoria's GST revenue – means Victoria's economic forecast now looks very different.

The March financial report shows a deficit for the year to March of \$773 million. The full effects of the coronavirus pandemic will be shown in later financial reports.

Despite these economic challenges, the March financial report demonstrates the fundamentals of the Victorian economy have headed in the right direction.

If not for these events, total expenditure for 2019/20 would align with Government's strategy for more constrained expenditure growth, forecast at 3.1 per cent, compared with an average 6.7 per cent over the past four years.

The Government will defer scheduled capital payments and dividends from the TAC, Worksafe and the Victorian Managed Insurance Agency due to the current uncertainty of financial markets, which also affects the Budget bottom line.

### Quotes attributable to Treasurer Tim Pallas

*"We were on course to record our sixth-straight budget surplus, but coronavirus has hit our economy hard – as it has every economy around the country and the world."*

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*“Now’s not the time to be chasing surpluses. Right now we’re focused on giving Victorian families, businesses and communities the support they need to get through to the other side of this crisis.”*