

Statement

Mr Tim Pallas MP

Treasurer

Minister for Economic Development

Minister for Industrial Relations



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STATEMENT FROM THE TREASURER

A one in 100-year event deserved a Budget like no other and that is exactly what we have delivered.

The *Victorian Budget 2020/21* responds to the scale of the challenge presented by the coronavirus pandemic by investing up to \$49 billion in the things that matter to Victorians.

We're using our balance sheet to protect household budgets – and support employment, business and consumer confidence.

Record low interest rates means now is the time to borrow. Interest expense as a share of total revenue remains more than manageable, averaging only 4.4 per cent per year over the forward estimates – just one per cent higher than in 2019-20.

The Governor of the Reserve Bank of Australia has been very clear about the economic prescription for these unprecedented times: increase your borrowings. "In the current environment, the bigger stability risk is a protracted period of high-unemployment, rather than excess borrowing."

That's why we – like the Federal Government and other states and territories across Australia – are borrowing to drive investment, create jobs and revive our economy

The decision by S&P Global Ratings to revise its long-term issuer credit rating on Victoria to 'AA' reflects the impact coronavirus is having on economies around the world.

As we have said, no one is immune from the impacts of the pandemic, but Victoria is more strongly placed than most jurisdictions in the world to recover. The sacrifices of each and every Victorian in driving numbers down – and keeping them down – mean we can re-open and rebuild.

As S&P acknowledges "*The government's second lockdown suppressed the spread of COVID-19 and averted what could have been a more significant impact on the state's economy, it led to a more significant effect on the state's fiscal outcomes than in other states. Economic recovery will be supported by the government's spending initiatives. Our ratings on Victoria are supported by its wealthy and diversified economy, strong financial management, and exceptional liquidity.*"

We have always said we will manage the economy in a AAA rating manner, regardless of the outcome of key rating agencies, and that is exactly what we will do. The Government will continue to deliver a robust fiscal framework, with a four-step medium-term plan:

- Step 1: creating jobs, reducing unemployment and restoring economic growth
- Step 2: returning to an operating cash surplus
- Step 3: returning to operating surpluses
- Step 4: stabilising debt levels

As the economy strengthens, our Budget position will strengthen. We have the will and right priorities to get our economy moving again. At the end of the day, our agency ratings are important, but they're not as important as seeing Victorian families and businesses through this crisis and making sure they have what they need to get through it.

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