

# Victorian Budget 2022/23



**Tim Pallas MP**  
Treasurer

Tuesday, 3 May 2022

## RECORD JOBS, STRONG GROWTH AND A PATH TO SURPLUS

Record jobs, strong growth and a return to surplus tell the story of Victoria's remarkable economic recovery from the global pandemic – and new investments from the Andrews Labor Government will keep that momentum strong.

The *Victorian Budget 2022/23* will further boost business and community confidence, forecasting an operating surplus of more than \$650 million in 2025-26 and strong jobs numbers.

The Labor Government has created 560,000 new jobs since 2014 – proportionally more than any other state – including more than 400,000 full-time jobs. The growth in women's employment has been especially strong, with about 900,000 women now in full-time work.

As a proportion of our population, there are more Victorians in work now than ever before – and on top of that, close to a record number of people are participating in the labour force.

The state's unemployment rate of 4.0 per cent is the lowest since these records began. It's forecast to remain around this record-low mark in 2022-23.

The regional unemployment rate is even lower at 3.2 per cent – almost a full percentage point lower than the national average and less than half the rate inherited by the Government when it took office in November 2014.

The Labor Government has stood with business over two years of pandemic disruption, providing more than \$13 billion in support to protect small and medium-sized businesses and their workers.

The benefits are clear. Employment has swiftly rebounded, including among women, young people and single parents – who we know felt the effects of the pandemic more harshly.

Our 2020 *Jobs Plan* pledge to create 400,000 jobs by 2025 has already met its interim target of delivering half of them by the end of 2022. Since September 2020, 280,000 extra Victorians have found work. Our strong jobs growth is forecast to continue by 1.75 per cent in 2022-23 – building on a 3 per cent surge in 2021-22.

With Australia's international border restrictions eased, Victoria's population is forecast to grow by 1.2 per cent in 2022-23 and 1.7 per cent per annum in the three years from 2023-24.

The Victorian economy is primed for growth. Interstate and now international travellers are returning to the state, and vaccination levels are high. Private investment and consumer spending continue to grow, and the Government is getting on with the *Big Build* – averaging \$21.3 billion annually over the next four years.

Victoria's economy is set to soar by 5.5 per cent in 2021-22 – and it grew more than 50 per cent faster than the nation's in 2021. It is forecast to continue powering ahead, growing by 3.25 per cent in 2022-23 and 2.75 per cent in each of the final two years of the forward estimates.

It's no accident that our economic outlook is so strong. The Labor Government's record investments in infrastructure have supported the jobs we need in the short-term and will deliver an enduring legacy for future generations.

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Our strong action to protect the health of all Victorians during the pandemic – bolstered by more than \$44 billion for the pandemic emergency response, community support and to keep businesses afloat – has helped shield our state from the very worst of this once-in-a-lifetime event.

The strength of our recovery is clear: in this financial year, the Victorian economy is expected to be 8.7 per cent bigger than it was in 2018-19 – the last full financial year before the pandemic.

Back in 2020, when we announced our four-step medium-term fiscal strategy to recover from the pandemic, our immediate priority was to save jobs, reduce unemployment and provide a platform for recovery – and we got it done.

The second step was returning the Budget to operating cash surplus. That's on track: a cash surplus of \$1.3 billion is forecast in 2022-23, rising to \$5.5 billion in 2025-26. Government expenditure is expected to fall by 9.7 per cent in 2022-23, reflecting the targeted and short-term nature of many pandemic support initiatives.

The third step was to return to an operating surplus – which the Labor Government proudly delivered in every pre-pandemic Budget. This Budget forecasts that the 2021-22 operating deficit of \$17.6 billion will drop to \$7.9 billion in 2022-23 – and return to a surplus of more than \$650 million in 2025-26.

The fourth step of our fiscal strategy is to stabilise debt. The Budget forecasts debt will be \$7.8 billion lower than stated in last year's Budget Update. Net debt is forecast to be \$167.5 billion in June 2026 – equal to 26.5 per cent of gross state product.

By comparison, Commonwealth Government net debt is forecast to be \$864.7 billion in June 2026 – equal to 33.1 per cent of gross domestic product.

The new Victorian Future Fund will be a key plank in stabilising net debt and will be established with the proceeds of the VicRoads Modernisation Joint Venture.

With a projected medium-term balance of \$10 billion, returns will be reinvested in the Fund – and proceeds from selected future land sales and a share of Budget surpluses once net debt has stabilised will further grow its balance.

The Victorian Funds Management Corporation will drive an investment strategy designed to deliver higher returns than would otherwise be achieved, with the Fund balance ultimately to be used to pay down debt incurred during the pandemic.

The Labor Government will keep investing in the things that matter to support Victorians, create jobs and help businesses thrive.

An investment of more than \$12 billion will fund the Labor Government's *Pandemic Repair Plan* for more staff, better hospitals and first-class care. Under the plan, we're training and hiring up to 7,000 new healthcare workers to help relieve pressure on the system and improve care for all Victorians.

The Budget invests \$1.3 billion to support mental health services across Victoria, expanding on a record \$3.8 billion investment last year to build our mental health system from the ground up.

The Government is investing in a first-rate education for our kids with \$1.8 billion for a range of projects including building 13 new schools, securing land for future schools and upgrading 65 schools.

We'll keep investing in Victorians, despite the Commonwealth Government's refusal to give Victoria our fair share.

We'll keep getting on with building the schools, hospitals, roads and rail networks Victorians need, even when the Federal Budget gives Victoria less than 6 per cent of new infrastructure spending.

We'll keep making record investments in regional Victoria (more than \$36 billion since 2015) while the Commonwealth turns its back – handing out \$7.1 billion in new spending for regional centres across the nation but with Victoria missing out.

And we'll keep pushing for the GST system to be fixed so that Victorians are not ripped off to the tune of billions of dollars in coming years. We'll partner with any Federal Government willing to support Australia's most important infrastructure projects – but above all, we'll keep advocating for Victorians to get their fair share.

Regardless of who governs in Canberra, this Budget shows Victoria's economic strength and resilience will continue under the Andrews Labor Government – as we get on with the job.

#### **Quotes attributable to Treasurer Tim Pallas**

*“Victorians are optimistic, visitors and students are returning, businesses are busy, and jobs are growing – our economy is bouncing back from the pandemic.”*

*“This Budget isn't just about getting us back to where we were – it's helping build a stronger and fairer state. These projects and investments are helping to create and secure well-paid jobs for Victorians right now.”*

*“Victoria's outlook is bright – we're building big, we're bouncing back, and we aren't slowing down.”*