

8 MAY 2024

Chris Barrett | Secretary

2024-25 Budget

IPAA

Acknowledgement of Country

'lim-ba nindee thana warn-ga-ilee' (Preserve our Dreaming Lore) – Gonnai Language
Bitja (Dixon Patten Jnr)
Yorta Yorta, Gonnai, Gunditjmara and Dhudhuroa of Bayila Creative



Key messages from the *2024-25 Budget*

1. Victoria's economy is growing, with a strong labour market, but inflation and workforce constraints are having an impact
2. Re-aligning investment with the economy's capacity constraints
3. Continued progress towards achieving the Government's fiscal strategy

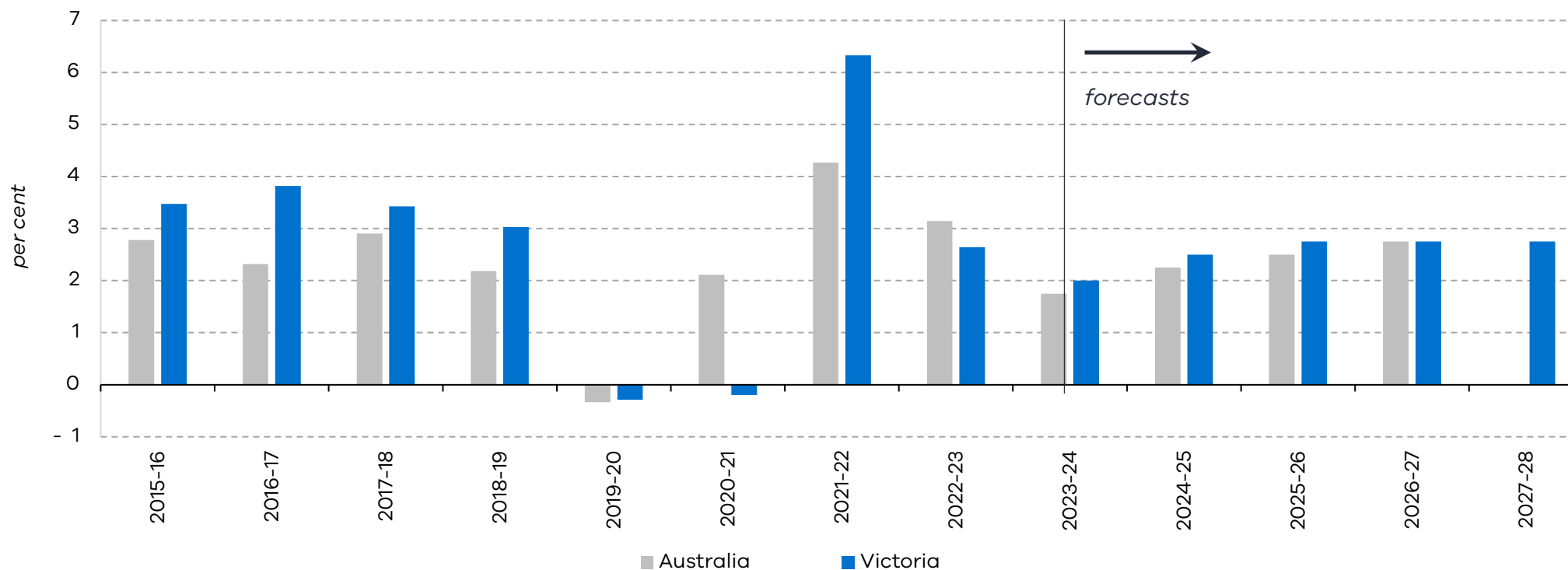
Economic outlook

Economic outlook – summary

- Victoria will see sustained economic growth – household consumption, business investment and housing investment all contribute
- Inflation and high interest rates remain a challenge for households and businesses, though real wages will increase
- Labour market will remain strong, with unemployment low near historic lows and workforce participation near record highs

Victoria will see sustained economic growth

Real economic growth, actual and forecast, Victoria and Australia*

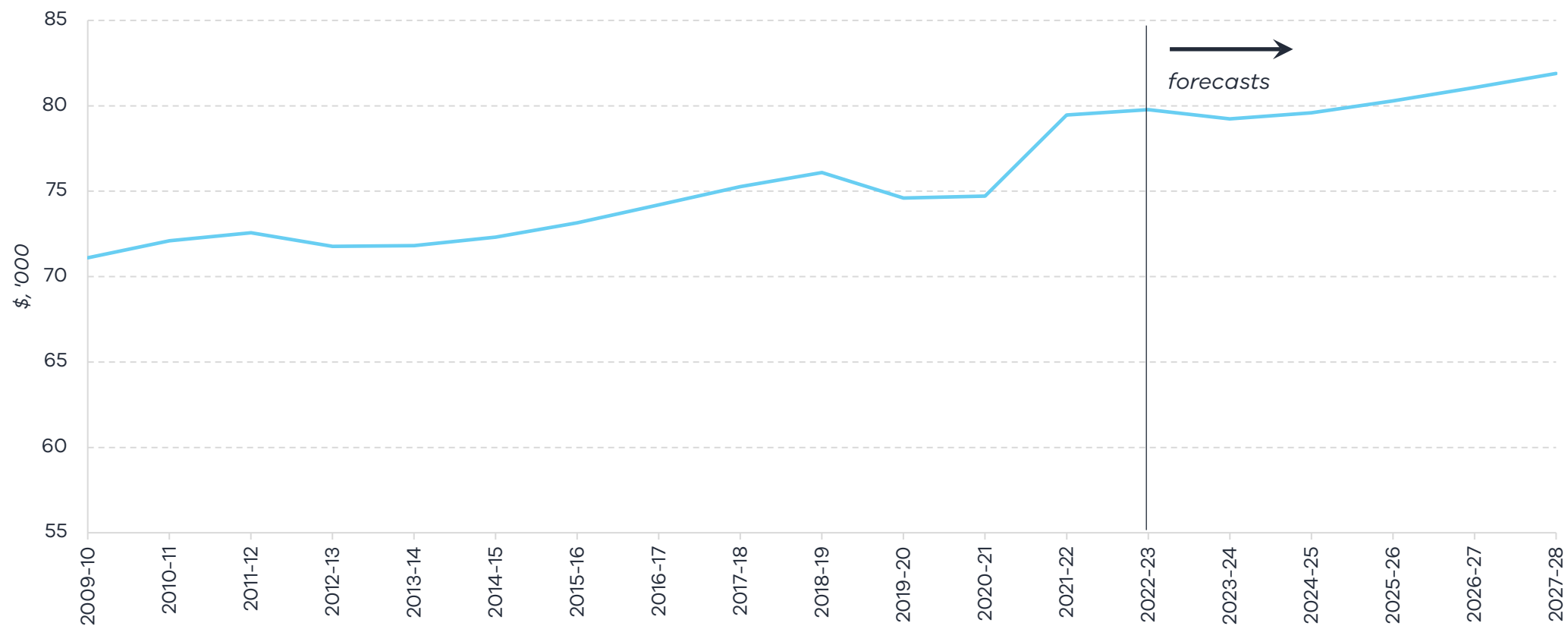


Sources: Australian Bureau of Statistics; Department of Treasury and Finance, Commonwealth Treasury (Mid-Year Economic and Fiscal Outlook)

* Commonwealth Treasury forecasts for 2027-28 for Australia are not yet available.

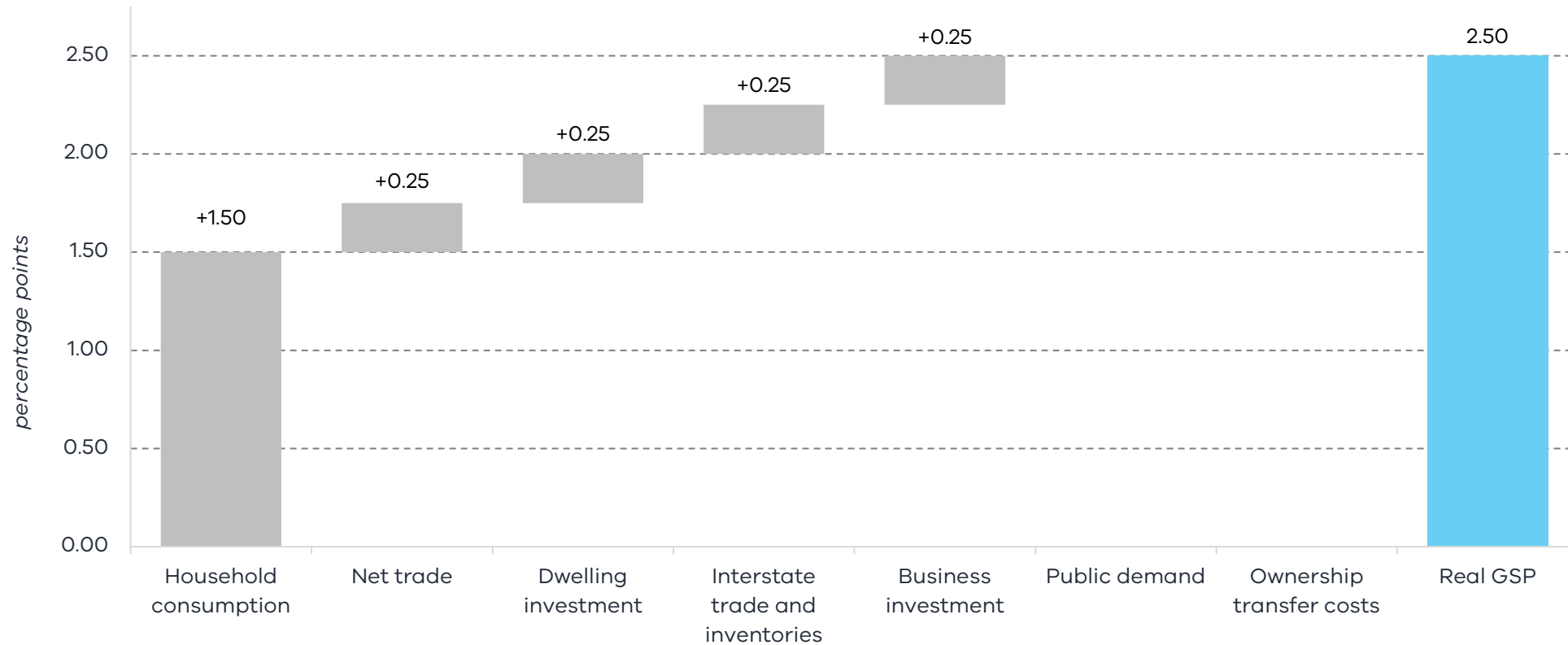
GSP per capita is well above pre-pandemic levels

Real GSP per capita



Growth will be driven by a rebound in household consumption as real wages increase

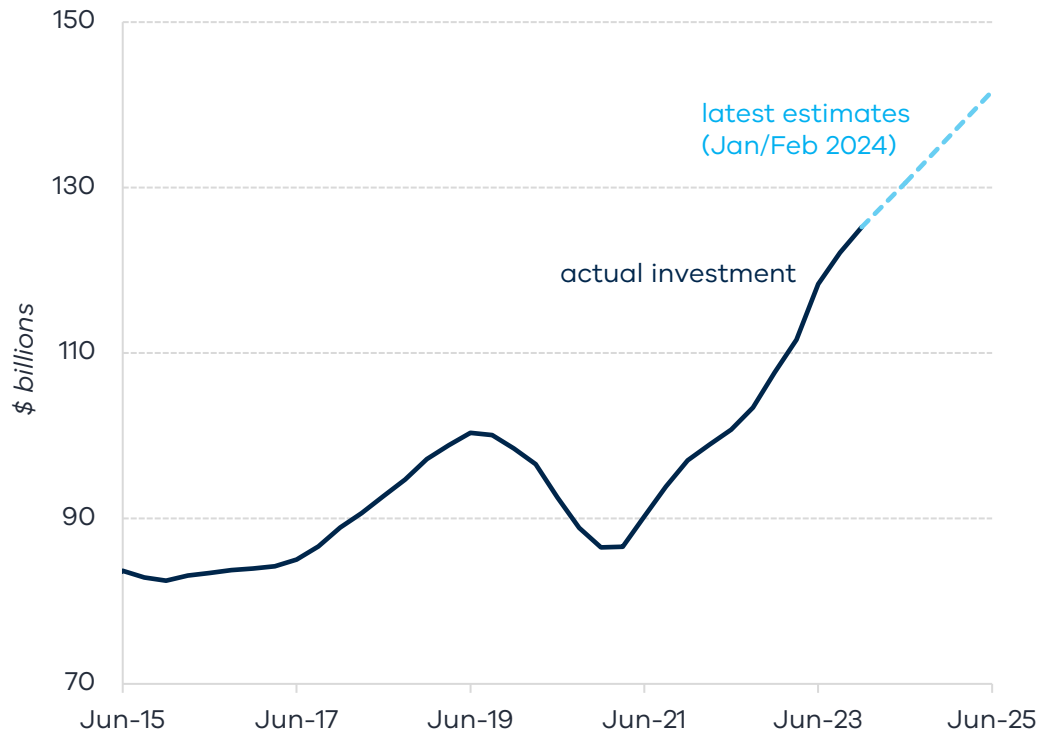
Rounded forecast contributions to 2024-25 GSP growth



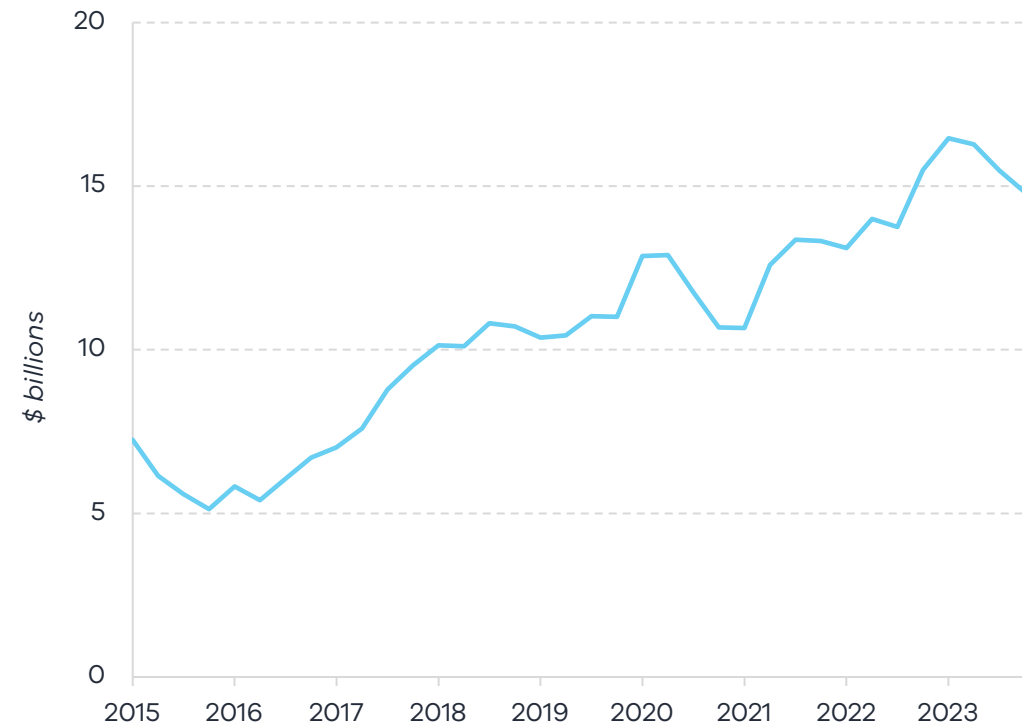
Sources: Australian Bureau of Statistics; Department of Treasury and Finance

Business investment plans are strong, and the construction pipeline is elevated

Non-mining investment intentions, nominal, Australia

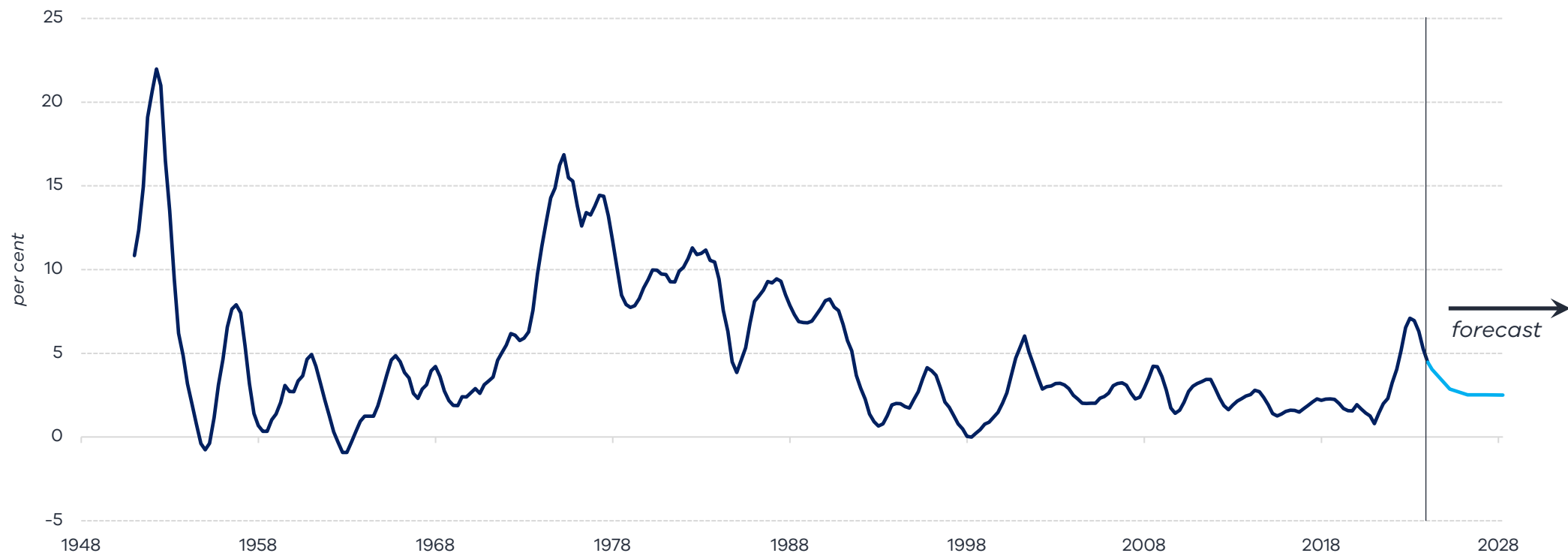


Value of non-residential work in the pipeline, Victoria



Inflation is expected to have peaked

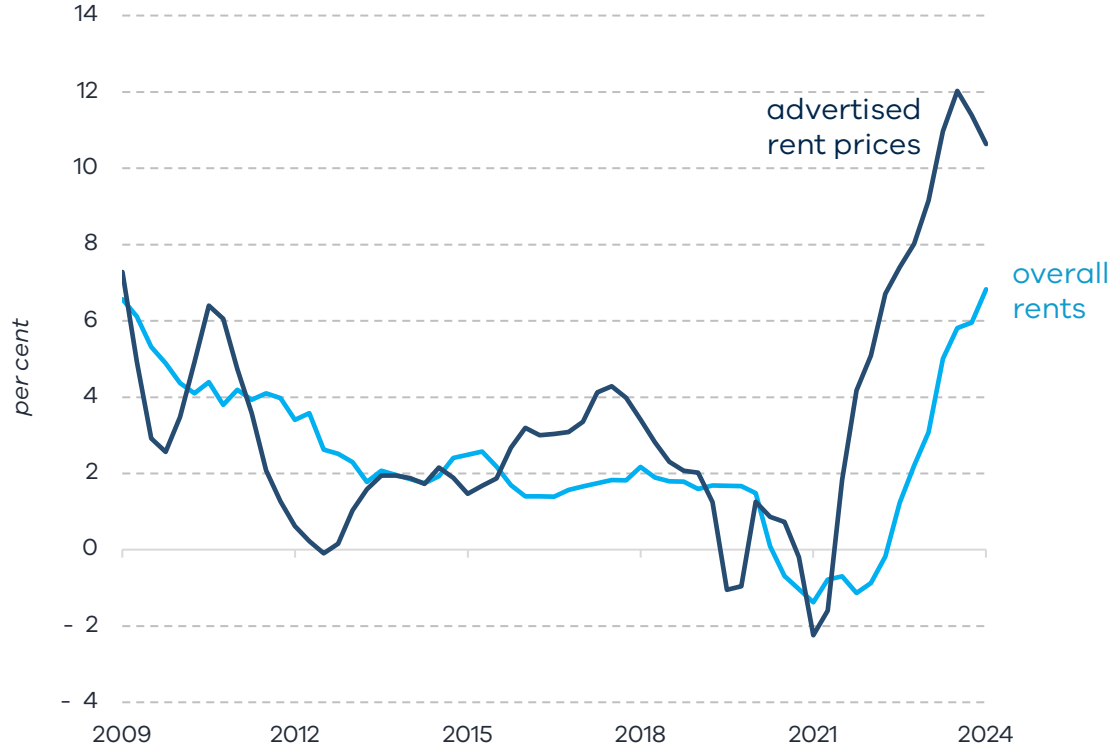
Year average inflation, Melbourne



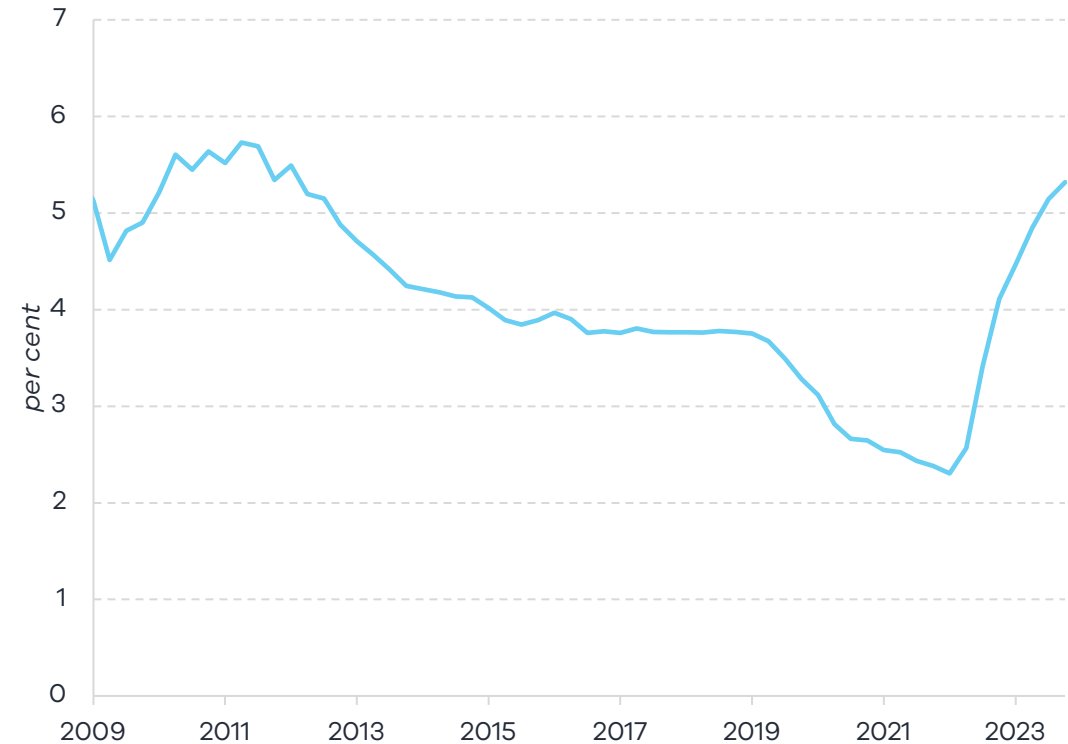
Sources: Australian Bureau of Statistics; Department of Treasury and Finance

Though overall inflation is slowing, rents are rising strongly, and mortgage costs are elevated

Annual growth in rent prices, Melbourne



Dwelling interest expenses (share of gross household income), Australia



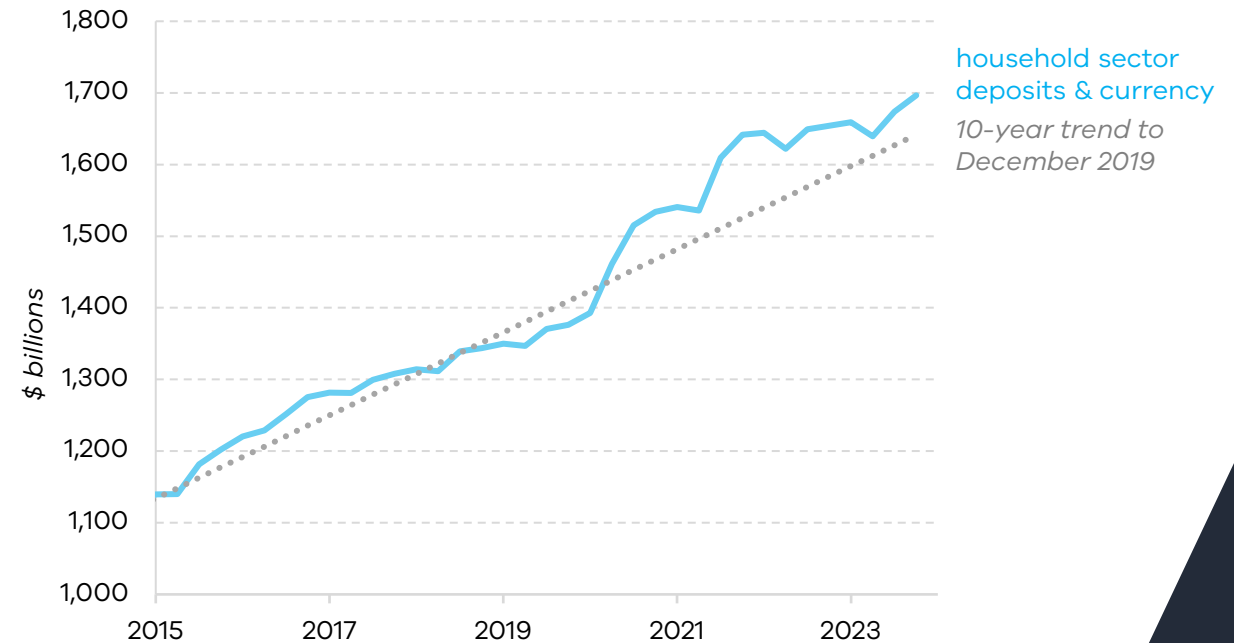
Sources: Australian Bureau of Statistics, CoreLogic, Haver Analytics

Though households continue to save despite cost-of-living pressures

Household savings ratio, Australia

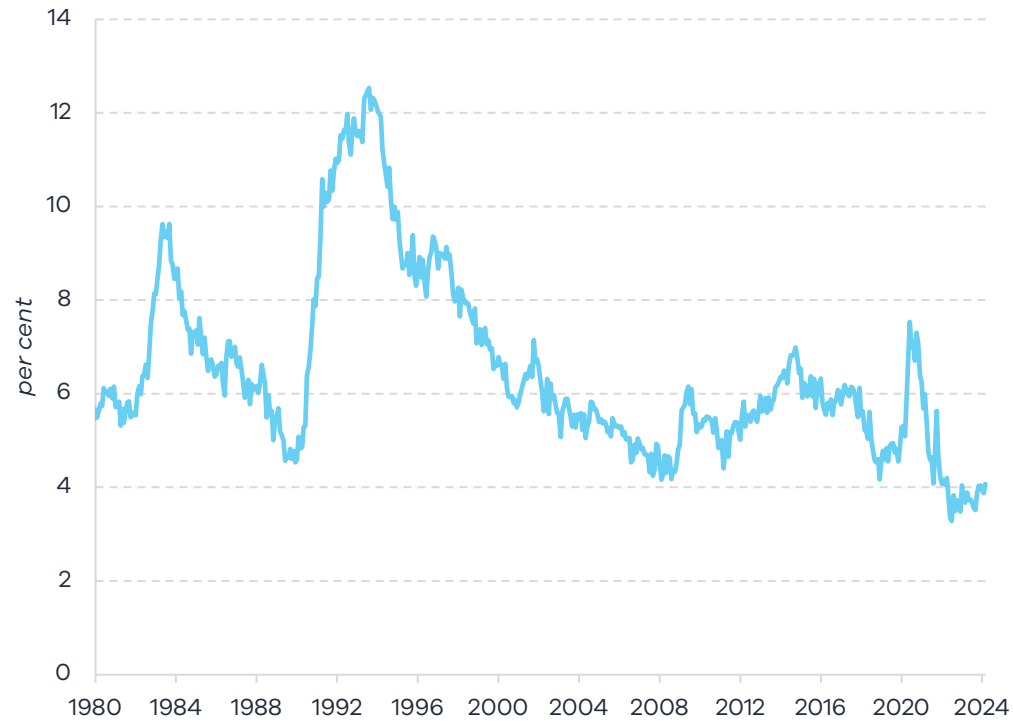


Real household deposits, Australia

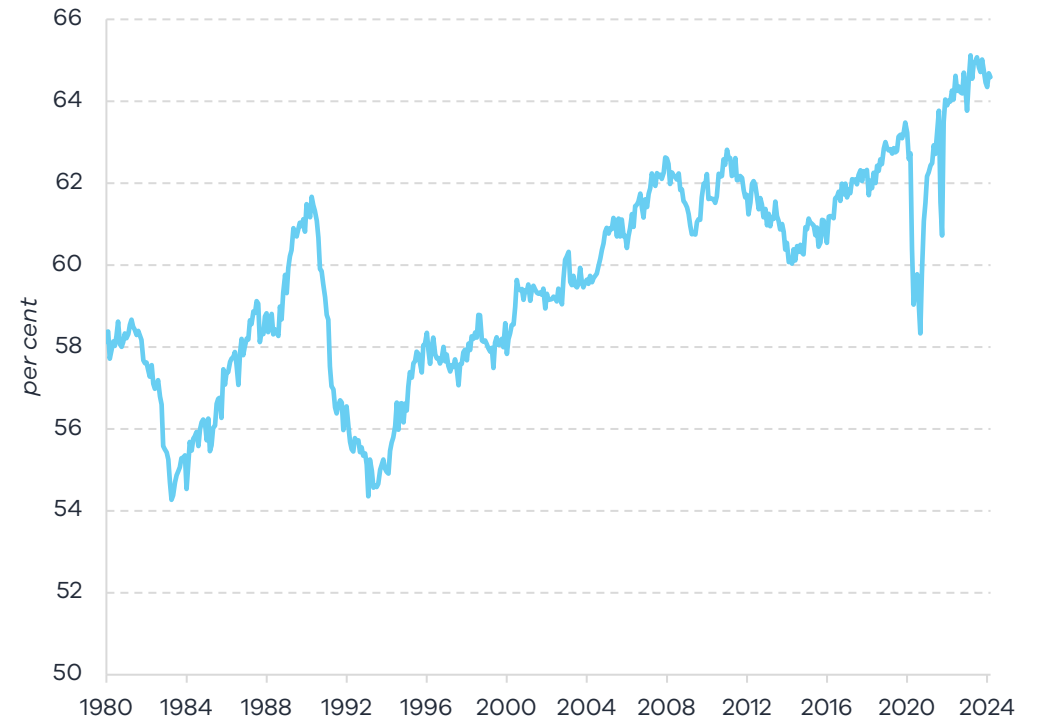


The unemployment rate remains low by historical standards and the labour force participation rate remains near a record high

Unemployment rate

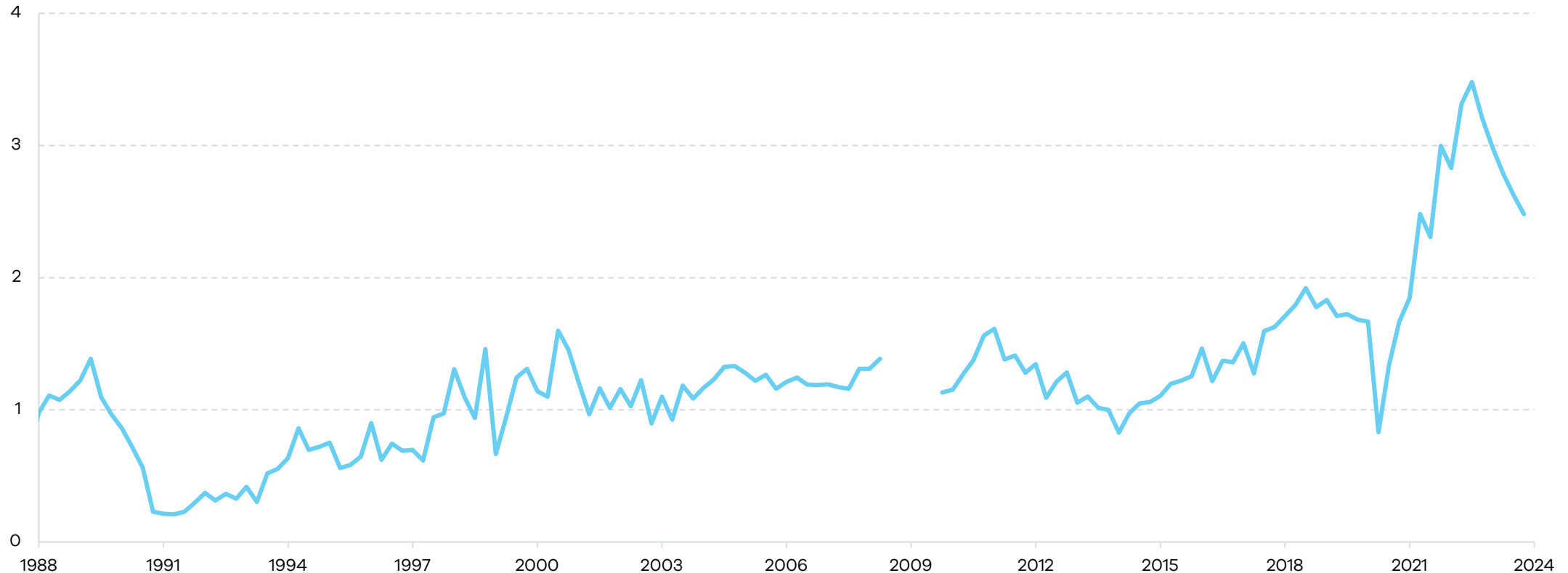


Employment to population ratio



Key sectors of the economy now face labour shortages

Job vacancies as a share of labour force, Victoria *

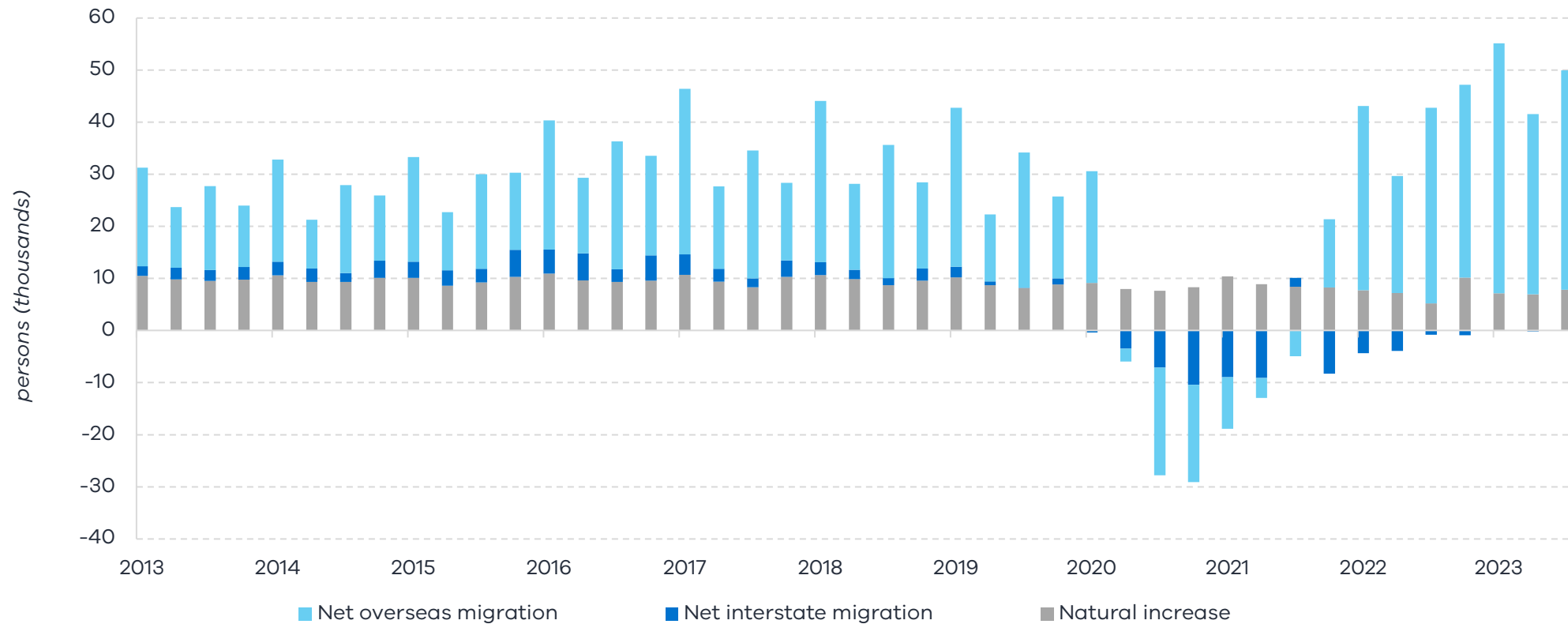


*The ABS did not collect job vacancy data between May 2008 and November 2009.

Source: Australian Bureau of Statistics; Haver Analytics

Net overseas migration is driving population growth

Components of quarterly population growth



Fiscal outlook and strategy

Fiscal strategy

Four-step 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

New fifth step

Step 5: reducing net debt to gross state product (GSP) levels

General government fiscal aggregates

	<i>Unit of measure</i>	<i>2022-23 actual</i>	<i>2023-24 revised</i>	<i>2024-25 budget</i>	<i>2025-26 estimate</i>	<i>2026-27 estimate</i>	<i>2027-28 estimate</i>
Net result from transactions	\$ billion	(8.8)	(4.6)	(2.2)	1.5	1.6	1.9
Net cash flows from operating activities	\$ billion	4.2	0.4	1.8	6.9	6.8	6.1
Government infrastructure investment ^{(a)(b)}	\$ billion	21.8	24.0	23.3	20.7	17.8	15.6
Net debt	\$ billion	115.0	135.9	156.2	169.2	179.2	187.8
Net debt to GSP ^(c)	per cent	20.2	22.3	24.4	25.1	25.2	25.1

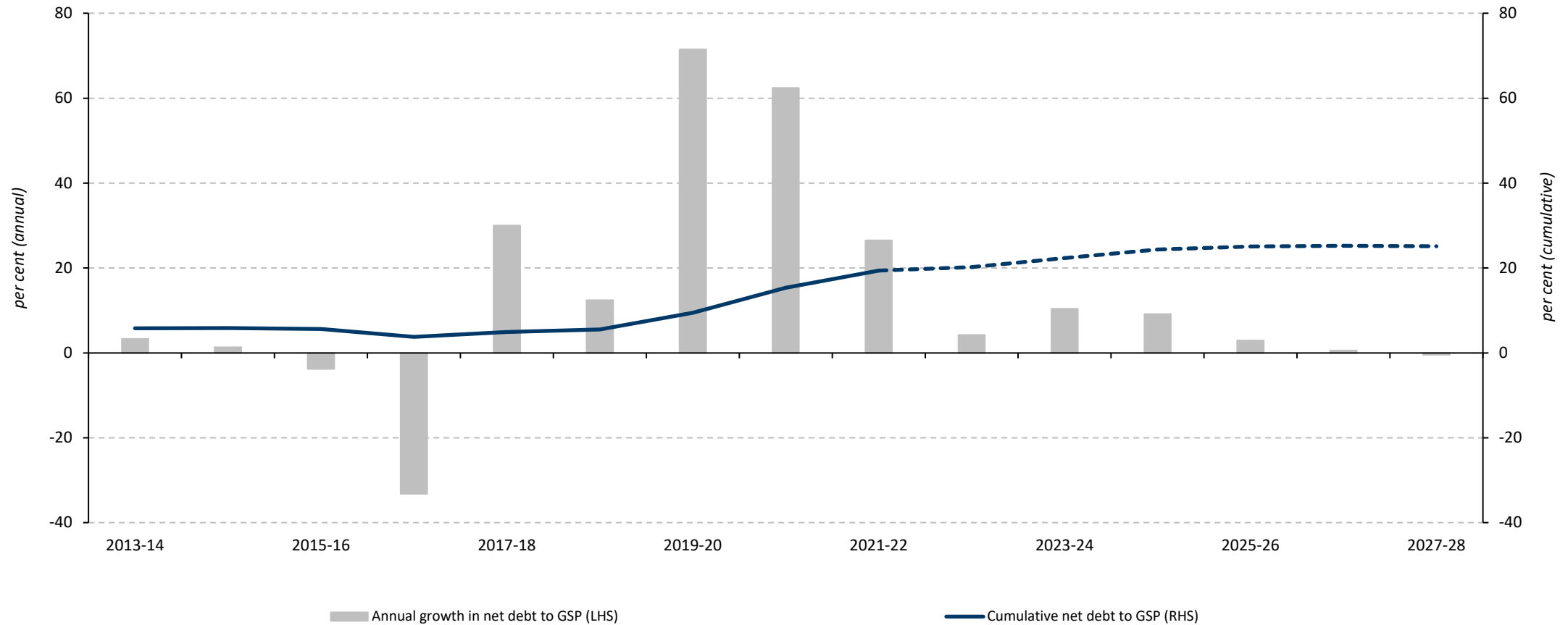
Notes:

(a) *Includes general government net infrastructure investment and the estimated construction costs of public private partnership projects.*

(b) *Includes the estimated private sector construction-related expenditure associated with the North East Link held in the public non-financial corporations (PNFC) sector.*

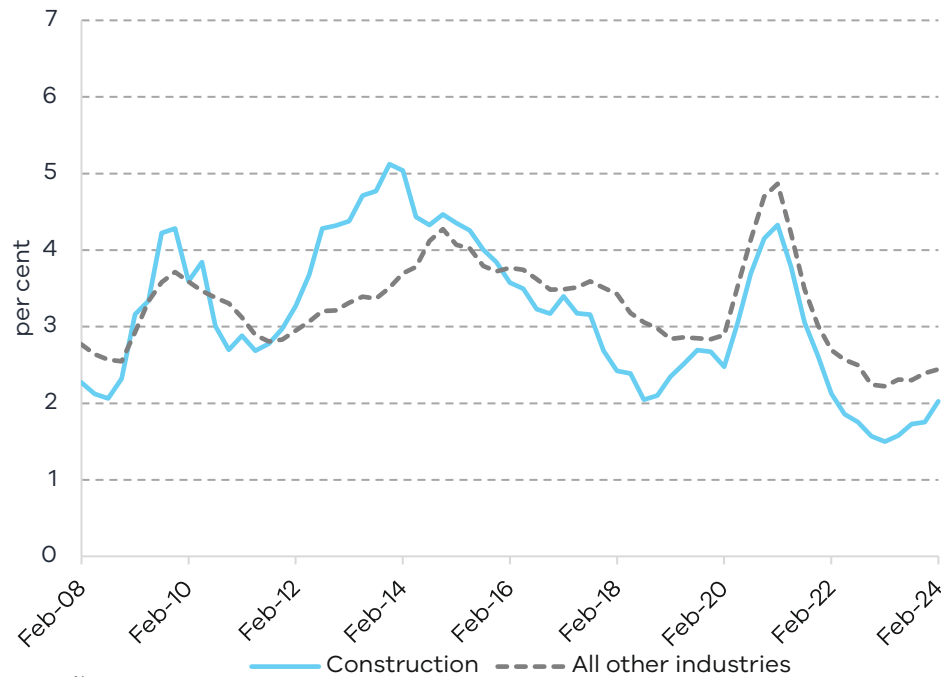
(c) *The ratios to gross state product (GSP) may vary from publication year to year due to revisions to the Australian Bureau of Statistics GSP data.*

Annual net debt to GSP ratio



Capacity constraints are affecting the economy, including public sector priorities

Construction sector unemployment rate, Victoria ^{(a)(b)}

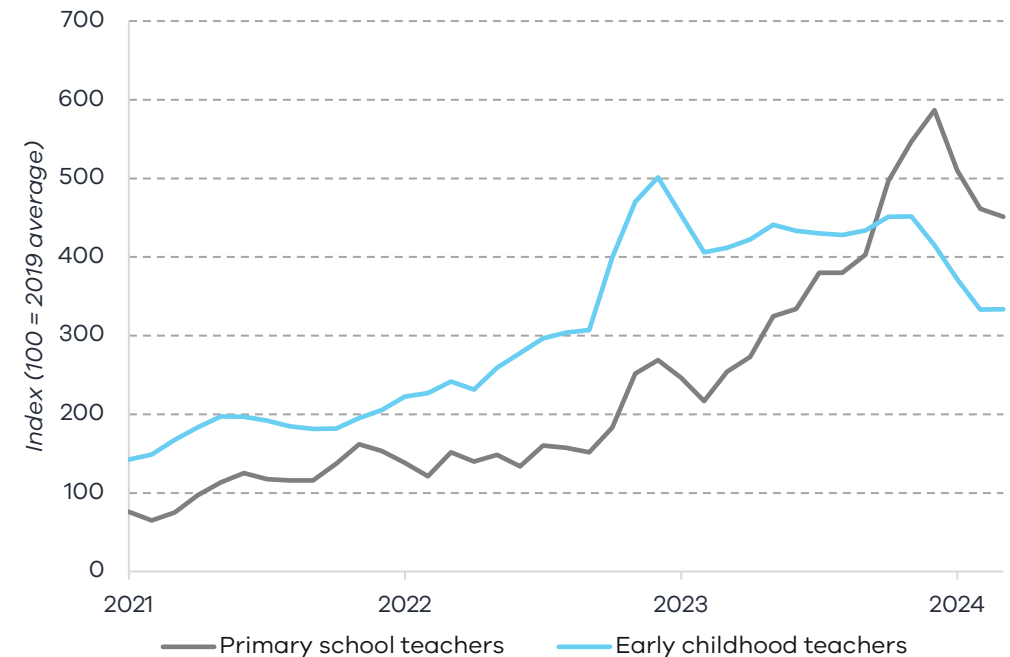


Notes:

(a) Four-quarter rolling average.

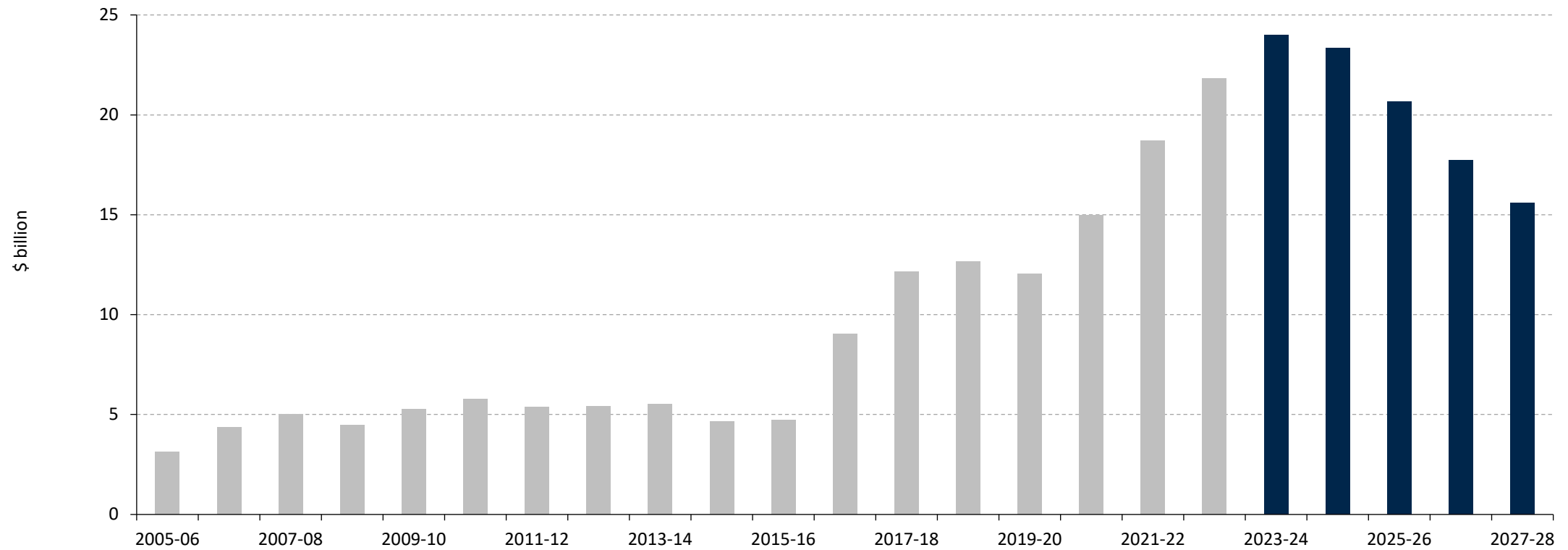
(b) The construction sector unemployment rate is calculated as the number of unemployed workers whose last job was in construction as a share of the total estimated construction workforce. The 'all other industries' unemployment rate is calculated as the number of unemployed workers whose last jobs were in an industry other than construction, as a share of the total estimated workforce for all industries other than construction.

Internet vacancies index for early childhood and primary school teachers, Victoria



Sources: Australian Bureau of Statistics; Jobs and Skills Australia; Haver Analytics

Government infrastructure investment



Budget initiatives

Key budget initiatives

Output initiatives



\$11 billion in the health system



\$2.1 billion in education



\$1.7 billion in energy,
environment and climate action



\$1.1 billion in families, fairness
and housing

New capital investment



\$1.7 billion in health

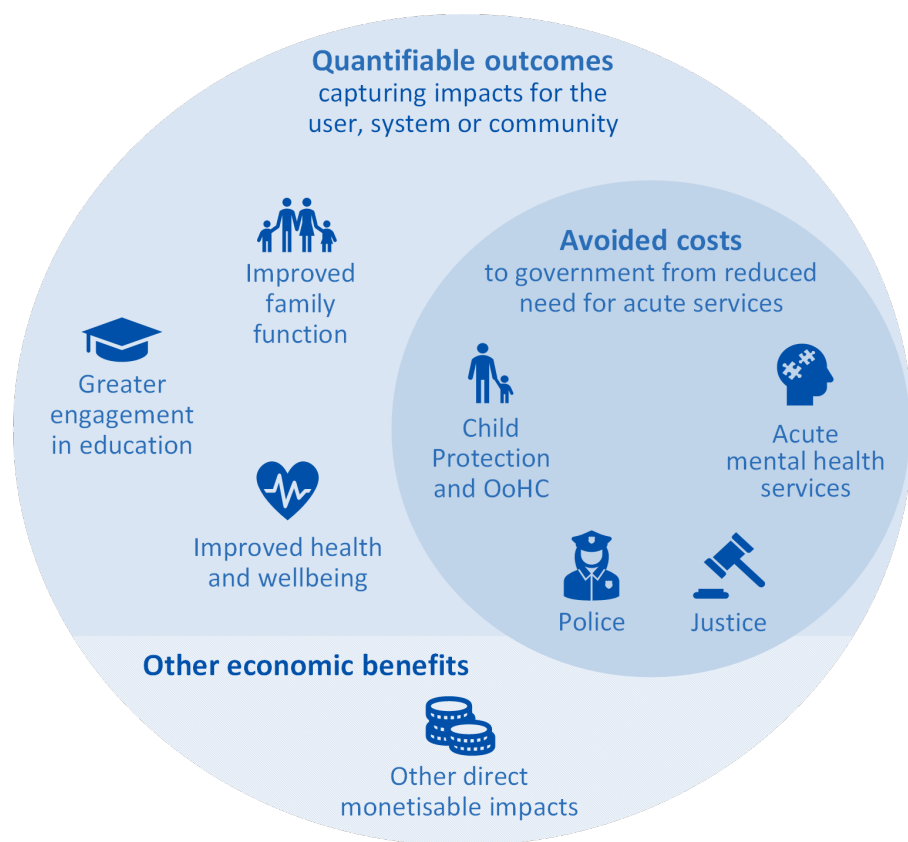


\$1.6 billion in education



\$734 million in transport and
planning

Early intervention and investment



\$1.1 billion investment

- 28 initiatives, including services to respond to family violence and homelessness and support children and young people

1.0–1.3

*estimated benefit
cost ratio*

**\$655–
\$770m**

*estimated avoided
costs*

**\$360–
\$560m**

*estimated broader
economic benefits*

Health, education and cost of living



Health

\$11 billion investment in the health system

- \$8.8 billion to fund hospitals to continue delivering life-saving care
- \$146 million for Ambulance Victoria
- \$126 million for blood products at Victorian Hospitals under the National Blood Agreement



Education

Continuing to build the Education State

- \$1 billion to build 16 new schools
- \$753 million to maintain and upgrade schools
- \$555 million for Skills and TAFEs, including \$394 million to boost training and access to Free TAFE



Cost of living

Support to ease cost of living pressures

- \$280 million for a one-off \$400 School Saving Bonus
- \$116 million to continue the Active Schools Program
- \$38 million to help more Victorians install electric heat pumps and solar hot water systems

Transport

Switching on the Big Build and making roads safer

- \$996 million to prepare and transition major transport projects into community use
- \$130 million to maintain Victoria's road network
- \$100 million to repair flood-damaged roads

Treaty and First Nations

\$273 million to continue support for Aboriginal self-determination, and truth-telling on the path to Treaty

- \$51 million investment in the future of First Nations students in Victoria
- \$42 million to protect Aboriginal cultural heritage
- \$41 million to enable increased Traditional Owner access to water and decision making in water management
- \$16 million for self-determined justice diversion and family violence support

Tax reform

Supporting business growth

- Progressively transition from stamp duty to a commercial and industrial property tax paid annually

\$266m
tax cut
over four years

\$50bn
*estimated cumulative
net present value over
40 years*

Other initiatives

- Standalone land tax exemption for social and emergency housing
- Waste levy harmonisation
- Return Fire Services Property Levy collections to statutory parameters

Savings

\$1.8 billion in Whole of Government savings and efficiencies over five years

- Concluding the Sick Pay Guarantee and consolidating Supercare pharmacies in Priority Primary Care Centres
- Rephasing allocations to Breakthrough Victoria over a 15-year period, rather than 10.
- Reducing the public sector's office accommodation expenditure and government advertising expenditure

Thank you

Chris Barrett | Secretary

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