



Tim Pallas MP
Treasurer

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SENSIBLE DECISIONS TO DELIVER A STRONGER ECONOMY

Inflation means families are doing it tough, but with a record number of people in jobs and our economy forecast to keep growing, Victorians have good reason to feel positive about the future.

Victoria is the engine room of the Australian economy.

Since September 2020, more than 560,000 new jobs have been created in Victoria – more in absolute and percentage terms than any other state. There are now a record 3.7 million Victorians in jobs and unemployment remains near its lowest rate in 50 years.

ABS data shows our economy grew by 9.1 per cent over the past two years – more than New South Wales, Queensland, Western Australia and Tasmania – and our economy is also forecast to continue outpacing every state over the next five years.

Business investment in Victoria is also strong. Investment grew by more than 13 per cent last calendar year, the largest increase of all the states and almost 6 percentage points higher than growth in the rest of Australia.

The Allan Labor Government has created the conditions for this growth, despite global cost-of-living pressures and high interest rates, by backing business investment, public investment and a return to strong population growth.

The *Victorian Budget 2024/25* is firmly focused on the things that matter to families – helping with the cost of living and investing in the education, healthcare, housing and transport that Victorians rely on.

While we continue to deliver the infrastructure and world-class services that families need, this year's Budget makes sensible, disciplined decisions to deal with the challenges ahead: high inflation and workforce constraints.

High inflation is being experienced here in Victoria, across Australia and around the world. The rising price of materials, labour and transportation – driven by the pandemic, global conflict and broader economic conditions – have all pushed up the costs of construction by around 22 per cent since 2021.

We also face workforce constraints. Infrastructure Australia estimates that demand for workers exceeds the current national public infrastructure workforce by 129 per cent, and it's a similar story in our caring and social sectors too – with shortages in the early childhood, aged care and mental health workforces.

Right now, we have state-transforming transport projects underway, including Metro Tunnel, West Gate Tunnel and North East Link – but at the same time, we have a huge amount of funding tied up with the Melbourne Airport Rail project.

We need to be realistic about the project and its timeline – the Commonwealth Government has only recently appointed an independent mediator, and the Airport has not indicated it is prepared to drop its demands for compensation and an underground station.

We've made the sensible decision to acknowledge that the project is now at least four years delayed. This will allow us to get on with delivering other projects.

We've also reviewed and addressed COVID-era programs that have served their purpose and are no longer needed. We'll reduce the Government's advertising spend and will reduce office space across government in acknowledgement that a couple of days working from home is now the norm.

With unemployment at near-record lows, we need to be pragmatic about the challenges this creates – just as we carefully balance and support our infrastructure workforce, we need to do the same with our early education and care sector.

We'll take a more gradual approach with our Pre-Prep reforms and the rollout of our Mental Health and Wellbeing Locals, so we can train and recruit the workers these programs need to succeed.

Breakthrough Victoria has been successful, deploying more than \$330 million, including investments in 24 companies.

With Victoria's economy recovering strongly, this Budget will rephase its funding, with a reduced \$90 million a year over the forward estimates – and its investment profile extended from 10 to 15 years, allowing more time to review and be selective about quality investments.

The result of this sensible and disciplined approach is that we're continuing to strengthen our financial position.

In 2020, during the pandemic, we laid out a four-step strategy for strong and sensible financial management.

The first and most important step was to let the state's balance sheet absorb the blow of the pandemic – protecting jobs, businesses and lives.

The second step – returning to an operating cash surplus – is a key measure of fiscal sustainability. We achieved an operating cash surplus of \$4.2 billion in 2022-23, and the Budget forecasts an operating cash surplus across the forward estimates, reaching \$6.1 billion in 2027-28.

We're on track for Step Three: this Budget forecasts an operating surplus of \$1.5 billion in 2025-26 – higher than we promised before the 2022 election, which then increases to \$1.6 billion in 2026-27 and \$1.9 billion in 2027-28.

With this Budget we've also been able to deliver on Step Four – stabilising debt levels – with these growing operating cash surpluses funding a higher proportion of capital expenditure, reducing the reliance on borrowings.

Because of our disciplined approach, we can now pursue an updated fiscal strategy and add Step Five: reducing net debt as a proportion of the state's economy. This Budget will see net debt to GSP fall for the first time since 2017.

Net debt is expected to be \$156.2 billion in June 2025 – or 24.4 per cent of GSP, before reaching 25.2 per cent in 2026-27 and then declining to 25.1 per cent in 2027-28.

In last year's Budget, we outlined landmark tax reform to transition away from stamp duty for commercial and industrial properties.

We have worked closely with industry and the property sector to finalise this reform, and we'll remove the upfront cost of stamp duty from 1 July 2024.

This is a \$266 million tax cut that will benefit the property industry and Victorian businesses, and make it easier for them to set up, invest in new land and buildings, or expand to employ more Victorians.

The reform will add 12,600 jobs and benefit Victoria's economy by up to \$50 billion over the next 40 years.

While we make savings to reduce back-office duplication and inefficiencies, we're investing in the things families need most – including easing the cost-of-living pressure being felt here and around the world.

Our one-off \$400 School Saving Bonus will help to cover the cost of uniforms, camps, excursions and other extracurricular activities through the school year, giving families one less thing to worry about.

We're building 16 new public schools in our fastest-growing areas, investing to maintain schools in every corner of the state – and spending \$139 million to get more teachers into schools and make sure they are equipped to help students be their best.

The biggest ever multi-year investment in our health system will deliver \$11 billion to make sure every Victorian has access to world-class healthcare.

This Budget also invests \$1.7 billion for a new emergency department for the Northern Hospital, with a dedicated paediatrics zone, a mental health, alcohol and other drugs hub and extra inpatient beds.

We'll also deliver a new emergency department for the Austin Hospital and expand the Monash Medical Centre, with bigger maternity care facilities, new operating suites and a new intensive care unit.

We'll give more Victorians a safe and secure roof over their head, with \$107 million to advance our ambitious housing agenda, delivering social and affordable homes for Victorians who need them most – and to improve our public housing and strengthen Victoria's building industry.

We're investing an additional \$700 million to extend the Victorian Homebuyer Fund, while increasing the regional price cap and the threshold for single parents, to help more people realise their dream of owning a home.

With the Commonwealth Government establishing Help to Buy, a nationwide shared equity scheme, the Victorian Government will make a final investment in the Victorian Homebuyer Fund and will transition to the national scheme once it's established.

Since 2014, we have invested \$120 billion to plan, build, operate and upgrade Victoria's transport network – and now it's time to bring those projects to life, with \$996 million to switch on Big Build transport projects like the Metro Tunnel, the most transformational public transport project since the City Loop.

To be able to continue to deliver these kinds of state-shaping projects, we need to build our future workforce starting today. This Budget builds on our nation-leading training investments with an extra \$555 million to extend access to free TAFE, support apprentices and trainees, and train more mental health professionals.

We'll continue to grow our economy by supporting startups, continuing the vital work of LaunchVic for a further four years.

Since 2017, LaunchVic has supported more than 11,400 entrepreneurs to upskill, and more than 1,000 startups have graduated from its funded pre-accelerator and accelerator programs – and the program has activated more than \$830 million of private capital.

This Budget also builds on Victoria's partnership with BioNTech to establish its Asia-Pacific mRNA clinical manufacturing facility, Innovation Centre and AI Early Warning System in Melbourne – boosting our expertise and creating more jobs in one of the world's leading medical research cities.

This is a Budget that delivers cost-of-living help and invests in the projects and services that Victorians rely on – because this is a Budget that's helping families.

Quotes attributable to Treasurer Tim Pallas

“With a record number of people in jobs and our economy forecast to keep growing, Victorians have good reason to feel positive about the future.”

“This Budget is about helping Victorian families with the most important things – continuing our investment in the education, health, housing and transport services Victorians rely on, while providing cost-of-living relief.”

“We're facing up to the economic challenges faced around the world with sensible, disciplined decisions – we won't shy away from reality.”