

EX COMMUNICATIONS

01-02-11

STATEMENT 1: BUDGET OVERVIEW

INTRODUCTION

The Australian economy weathered the global financial crisis better than its international peers. Growth was stronger, unemployment was lower, and the financial system was more resilient.

Timely economic stimulus reinforced the Australian economy as other advanced economies entered recession. Australia's solid performance through the crisis minimised the loss of business capital and workforce skills that typically accompanies an economic slowdown.

This has left Australia in a position of strength. Higher economic growth and falling unemployment are now forecast for 2010-11 and 2011-12. Private sector activity will be the key driver of growth as the Government's economic stimulus is phased out.

The Government's fiscal strategy has ensured tight spending discipline through the crisis. By design, stimulus measures are being withdrawn as the economy recovers. Other spending has been fully offset over the forward estimates. The level of tax receipts has been allowed to recover naturally as the economy improves, while keeping tax as a share of GDP below 2007-08 levels.

Compared with the forecasts presented in the Mid-Year Economic and Fiscal Outlook, the budget is now expected to return to surplus three years sooner – in 2012-13 – and forecast deficits in earlier years are expected to be lower. This represents the most rapid fiscal consolidation in Australia since at least the 1960s.

The faster deficit exit path means that the profile for net debt – already much lower than in any of the major advanced economies – is now projected to be even lower still.

As a result, Australia has one of the strongest budget positions in the developed world, returning to surplus before any major advanced economy.

The improvement in the fiscal position is one of the dividends of keeping the economy growing through the global financial crisis. It allows us to face other challenges from a position of strength.

The 2010-11 Budget begins the task of implementing the Government's tax reform program; to make the tax system stronger, fairer and simpler.

It contains measures to boost the economy's capacity through investments in infrastructure and skills.