

STATE BUDGET 2020-21

TREASURER HON ROB LUCAS MLC MEDIA RELEASE

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Government does the heavy lifting to jump-start economy

The Marshall Liberal Government's third State Budget invests in significant job-creating stimulus programs, a record \$16.7 billion infrastructure pipeline over the next four years and a world-leading COVID-19 response which charts a path to ongoing strong economic recovery.

The 2020-21 State Budget projects a net operating deficit of \$2.59 billion in 2020-21 as a direct result of the Government's comprehensive health and economic response to the global pandemic, and a massive \$1.3 billion write-down in forecast GST grant revenues.

Net operating deficits are projected for the following two financial years before returning to a modest surplus of \$406 million in 2023-24.

Treasurer Rob Lucas said SA's Budget, like those of most other states and territories, had been massively hit by the twin economic shocks of the global pandemic – increased expenditure on the health and stimulus response and falling revenues due to lower national consumption.

"Budget deficits are the inevitable consequence of a once-in-a generation global pandemic that not only requires a significant economic response to save lives, jobs and businesses, but reduces available revenue due to necessary restrictions and lower consumption," said Mr Lucas.

"This financial year alone, our forecast GST revenues have been slashed by \$1.3 billion.

"But the Government has always said we've been prepared to do whatever it takes to save as many lives and livelihoods as we can, which is why we're investing a record \$16.7 billion in job-creating infrastructure projects over the next four years – an extra \$3.8 billion compared to the four-year program of \$12.9 billion in the 2019-20 MYBR.

"Critically, our responsible financial management has meant the Budget was in a strong fiscal position to effectively deal with COVID-19."

Net debt for the Non-Financial Public Sector is forecast to be \$30.7 billion in the 2022-23 financial year – an increase of \$8.5 billion on the estimated \$22.2 billion net debt in 2022-23 reflected in the 2019-20 MYBR. Net debt will then rise to \$33.2 billion in 2023-24.

"One of the reasons why the Reserve Bank has urged governments to borrow more to fund stimulus and infrastructure projects is that interest rates are at historically low levels and the Reserve Bank has pledged to take action to maintain that position," Mr Lucas said.

For example, over the last 10 months we have borrowed \$6.65 billion at an average rate of 1.3 per cent. Term interest rate borrowings conducted over 2020 have varied from 0.69 per cent for 2 year bonds in April to 2.29 per cent for 20 year bonds in September.

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As a result, even though debt will increase significantly, estimated interest costs for general government sector debt over the next 3 years will be \$447 million less than the estimate in last year's budget.

“This isn't just the right thing to do, this is the smart thing to do,” said Mr Lucas.

“We are actively jump-starting our economy through targeted, increased spending to create thousands of local jobs in an environment of record low interest rates.

“This path is considered sustainable given the relatively low cost of debt currently available.”

NET DEBT TABLE

Net debt – NFPS (\$b)	2019-20	2020-21	2021-22	2022-23	2023-24
2019-20 MYBR	16.5	18.8	20.8	22.2	na
2020-21 Budget	17.5	23.0	27.7	30.7	33.2
Difference	1.0	4.2	6.9	8.5	na

In addition to the GST write down, state tax collections have been revised down by \$158 million in 2020-21 since the 2019-20 MYBR. This primarily relates to revisions to payroll tax revenue reflecting the impact of COVID-19 on the labour market and the Government's decision to exempt Commonwealth JobKeeper payments from payroll tax, and revisions to conveyance duty due to the impact of COVID-19 on residential property transactions.

This budget estimates economic growth in 2020-21 to be -0.75%, compared to the Commonwealth estimate of reduced national economic growth of -1.5%.

Key economic indicators — Australia and South Australia real growth rates (per cent per annum, year averages)

	2018–19 Actual	2019–20 Estimate	2020–21 Forecast	2021–22 Projection	2022–23 Projection	2023–24 Projection
Australia^(a)						
Gross Domestic Product (GDP)	2.2	-0.3	-1½	4¾	2¾	3
South Australia						
Gross State Product (GSP)	1.4	-1¾	-¾	4¼	3	3
State Final Demand (SFD)	1.8	-1.6 ^(b)	-1¼	4¼	3	3
Employment	1.5	-0.6 ^(b)	0	2	1½	1½
Adelaide Consumer Price Index (CPI)	1.5	1.8 ^(b)	1½	1¼	1½	1¾

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- (a) Australian forecasts from Commonwealth Government's 2020-21 Budget, Budget Strategy and Outlook, Budget Paper No. 1.
 - (b) Australian Bureau of Statistics actual outcome 2019-20.
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