

Coronavirus Economic Outlook Fact Sheet

Overview

New modelling shows the potentially unprecedented impact the coronavirus (COVID-19) pandemic may have on the state's economy.

Under the modelling, the economy is anticipated to contract in the June quarter of 2020, with **real GSP** estimated to be about 14 per cent lower in both the June and September quarters than forecast in the *2019-20 Budget Update*.

Under this scenario, Victoria's **unemployment** rate could rise to 11 per cent, and **job losses** could peak at around 270,000 in the September quarter. These estimates include the mitigating impacts of Victorian and Commonwealth Government support packages.

Property prices could decline by up to 9 per cent from March to December 2020.

The road to recovery will be longer than first expected, with the magnitude of the downturn meaning that Victoria would likely record negative economic growth in both 2019-20 and 2020-21.

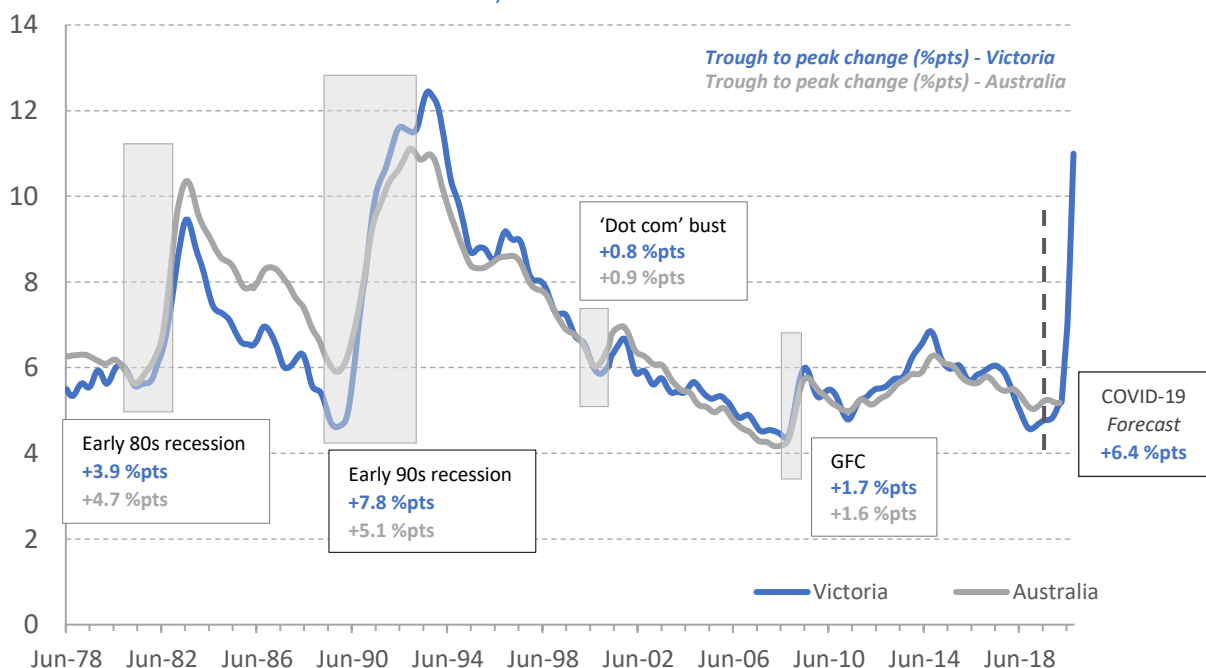
GSP outlook

- The economic shock from coronavirus includes a drop in domestic and global demand due to lower incomes and loss of consumer and business confidence, disruptions to global supply chains, and the broader impact of coronavirus on our economy.
- **Real gross state product (GSP) is estimated to be about 14 per cent lower** in the June and September quarters relative to forecasts underlying those in the *2019-20 Budget Update*.
- These estimates are equivalent to a fall in real GSP in calendar year 2020 of 6.75%, which is comparable to the IMF's recent forecast for Australia of a 6.7% decline in 2020.

Employment outlook

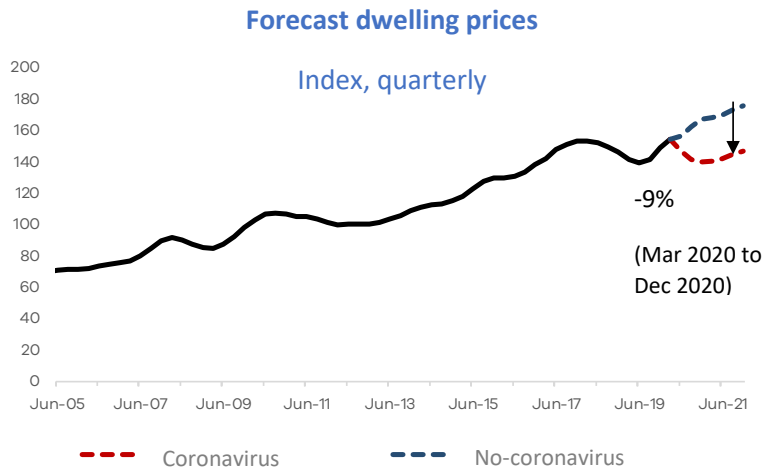
- Victoria's **unemployment rate could rise to about 11% and job losses could peak at around 270,000** in the September quarter. While not directly comparable to the official labour market statistics, recent Australian Bureau of Statistics data – based on Australian Tax Office payroll data – indicate the number of jobs in Victoria has fallen by 6.8 percent since 14 March.
- The participation rate could decline by around 2 percentage points, from 66.4% to 64.5%, consistent with previous periods of high unemployment.

Unemployment rate
Per cent, Victoria and Australia



Property market outlook

Property prices could decline by about 9% from March to December 2020.



Economic Survival Package to Support Businesses and Jobs

The Government's \$1.7 billion Economic Survival Package includes:

- Providing full payroll tax refunds and waivers for the 2019-20 financial year to small and medium-sized businesses with payroll of less than \$3 million. These businesses will also be able to defer any payroll tax for the first three months of the 2020-21 financial year until 1 January 2021.
- Providing \$500 million to establish a Business Support Fund that will support the hardest hit sectors. The fund will provide \$10,000 grants to eligible businesses with turnover greater than \$75,000 and payroll of less than \$650,000.
- Establishing a \$500 million Working for Victoria Fund to help workers who have lost their jobs find new opportunities.
- Waiving 2020 liquor licensing fees for affected venues and small businesses.
- Deferring 2020 land tax payments for eligible small businesses.
- Paying all outstanding supplier invoices at 21 March within five business days.
- Enabling commercial tenants in government buildings to apply for rent relief.

Supporting Tenants and Landlords Through Coronavirus

The Government is acting to alleviate financial hardship arising from the coronavirus pandemic for residential and small to medium-sized commercial tenants and their landlords, through a \$500 million package comprising:

- \$420 million in land tax relief for eligible landlords.
- An \$80 million rental assistance fund for residential tenants facing hardship due to coronavirus.
- A 6-month moratorium on evictions from residential tenancies, except in some circumstances, and on evictions for non-payment of rent for commercial tenancies of small and medium-sized businesses.
- A 6-month moratorium on rental increases for commercial and residential properties.
- Government-supported dispute resolution mechanisms to help tenants and landlords renegotiate lease agreements, including rent reductions through waivers and deferrals.

Assumptions and methodology

The Department of Treasury and Finance has estimated the potential effects of coronavirus on economic activity, employment and the property market.

The modelling uses a 6 month duration of Stage 3 restrictions.

These estimates are subject to a much higher than usual degree of uncertainty than economic forecasts in more normal times, and will continue to be refined as more information becomes available. Key information and policy settings include domestic and international economic developments and changes in Victorian and Commonwealth economic policies.

These estimates include the mitigating impacts of Victorian and Commonwealth Government support packages.

In general, assumptions broadly align to those reflected in the Commonwealth Government's national unemployment forecasts.