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16 December 2021

# 2021-22 Mid-Year Economic and Fiscal Outlook

## **Joint media release with Senator the Hon Simon Birmingham Minister for Finance**

The 2021-22 Mid-Year Economic and Fiscal Outlook (MYEFO) underscores the importance of sticking to the plan to secure Australia's strong recovery from the greatest economic shock since the Great Depression.

Having performed more strongly than any major advanced economy throughout the pandemic, the Australian economy is poised for strong growth underpinned by Australia's high vaccination rate and unprecedented economic support to households and small businesses.

Real GDP is expected to grow by 4½ per cent in 2021, and by 4¼ per cent in 2022 reflecting strong and broad-based momentum in the economy and demonstrating our economic plan is working.

Income tax cuts and a strong recovery in the labour market is seeing household consumption increase at its fastest pace in more than two decades.

Temporary tax incentives will drive the strongest increase in business investment since the mining boom with non-mining investment expected to reach record levels.

Consistent with the strong economic recovery the unemployment rate is forecast to reach 4¼ per cent in the June quarter of 2023.

This would represent the first time since before the Global Financial Crisis that Australia has sustained an unemployment rate of below 5 per cent and only the second time since the early 1970s.

The rapid recovery from the Delta imposed lockdowns is expected to see the addition of around 1 million jobs between October 2021 and the end of the forecast period, which is around 150,000 more jobs than forecast in the 2021-22 Budget.

As a result, the MYEFO shows an improvement in the fiscal outlook since the 2021-22 Budget, even after accounting for the impacts of the Delta imposed lockdowns.

The underlying cash balance in 2021-22 is expected to be a deficit of \$99.2 billion (4.5 per cent of GDP), a \$7.4 billion improvement since the 2021-22 Budget. And \$2.3 billion stronger across the forwards.

This significant improvement in the underlying cash balance occurs at the same time that tax receipts as a share of GDP are forecast to fall from 22.9 per cent in 2020-21 to 22.1 per cent in 2024-25 due, in part, to the Government's tax reform measures that continue to grow the economy and deliver a stronger budget.

The improvement in the forecast budget balance in 2021-22, together with the much stronger fiscal outcome in 2020-21, flows through to an improved outlook for debt.

Gross debt is projected to be lower in every year of the forward estimates and medium term than at the 2021-22 Budget.

Gross debt is now expected to be 41.8 per cent of GDP at 30 June 2022 and is projected to stabilise at around 50 per cent of GDP in the medium term.

Australia's gross debt as a share of GDP is less than half the average across G20 advanced countries today, with Australia only one of nine countries in the world to have a AAA credit rating from the three leading rating agencies.

There is also a material improvement in the net debt position which now peaks at 37.4 per cent of GDP as opposed to 40.9 per cent in 2024-25, \$65.7 billion lower than what was expected in May.

Australia's world leading economic and health outcomes have been supported by a further \$25 billion in direct economic and health support committed during the Delta outbreak, bringing our total pandemic support to \$337 billion or 16.3 per cent of GDP.

This included more than \$7.3 billion in business support payments, \$12.6 billion in payments to individuals through the COVID-19 Disaster Payment and further investments in our vaccine rollout and hospitals.

The Government has also provided additional funding to sustain capacity in sectors significantly disrupted by COVID-19 such as aviation, tourism, early childhood education and care, and the arts.

Building on our COVID-19 response, funding in today's MYEFO includes:

- \$2.3 billion in funding commitments for new and existing infrastructure projects and more than \$500 million to support rural and regional Australia.

- \$896.0 million to support a strong labour market recovery, address workforce shortages and build workforce capability, equipping Australia's workforce with the skills needed now and into the future.
- \$2.7 billion in 2021-22 and \$26.4 billion over the four years to 2024-25 to support the National Disability Insurance Scheme.
- \$1.1 billion to support Aboriginal and Torres Strait Islander people in areas such as health, education, early childhood, justice, languages and assisting families.
- \$1.1 billion over 10 years to support reliable energy supply and a technology-driven approach to emissions reduction as part of our roadmap to net zero by 2050.

The global pandemic will continue to pose headwinds for domestic and global recovery for some time to come.

However, Australia's high vaccination rate and increased investment in health system capacity will assist in mitigating the challenges presented by the ongoing global pandemic, including managing new variants.

Australia has a proven record of dealing with COVID-19 and the Government remains focused on securing the recovery, guaranteeing our essential services and setting Australia up for the future.

The 2021-22 MYEFO (<https://budget.gov.au/2021-22/content/myefo/index.htm>) is available on the Budget website.

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