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BUDGET 2020-21:

Infrastructure and investment measures proposed to turn around the Australian economy

The Australian Government's budget, released on 6 October 2020, concedes that an economic decline will be hard to avoid over the remainder of this year, reflecting the impacts of the lockdown necessary to combat COVID-19. Real GDP is expected to fall by one and a half percent in 2020-21. The economy is then projected to turnaround and achieve growth of four and three-quarter percent in 2021-22¹.

Measures announced in the budget are expected to drive the swift turnaround. They include:

- **Investment incentives.** Businesses will be able to deduct the full cost of capital assets purchased or installed by 30 June 2022. Small and medium businesses will also be able to apply “full expensing” to second-hand assets.
- **Employment incentives.** A new JobMaker hiring credit scheme to encourage businesses to preference the hiring of people up to 35 years of age, supplementing the temporary JobKeeper program, and temporary expansion of the income support provided in the JobSeeker program. The Australian Government will fund 100,000 new apprenticeships through the \$1.2 billion Boosting Apprenticeship Commencements wage subsidy.
- **Investments in hard infrastructure.** \$14 billion in new and fast-tracked infrastructure projects. That includes bringing forward \$7.5 billion of spending on road and rail projects, a new \$2 billion investment in road safety upgrades, and \$1 billion for local councils to upgrade roads, footpaths and street lighting. The Government is also expanding its investment in the broadband network (NBN Co) and is providing funding to accelerate the rollout of the 5G network.
- **Investments in social infrastructure.** This budget provides expansion of low cost finance to support the construction of affordable housing, investment in a new Indigenous Home Ownership Program to construct new homes in regional areas, investment of an additional \$3.9 billion in the NDIS, and promises to invest in Aged Care.
- **Environmental investments.** This budget includes funding for a technology roadmap for reducing Australia's CO2 emissions, the expansion of Australia's gas industry, the Australian Renewable Energy Agency for a further 10 years from 2022, spending on carbon capture and storage to fund pilot projects to cut emissions from industrial facilities, a regional hydrogen export hub, an investment of \$250 million over four years to modernise recycling infrastructure within Australia.

These and other measures contribute to the substantial fiscal stimulus that will drive the Australian Government's budget deficit to peak at a record \$214 billion this financial year. This is equivalent to around 11 percent of GDP which is the highest since 1945.

AUSTRALIAN CONSTRUCTION MARKET REPORT

FTI Consulting will be further examining the details of these budget measures in the [Australian Construction Market Report](#), a comprehensive set of forecasts for building and construction activity provided to the Australian Construction Industry Forum (ACIF), which is due to be released in November 2020.

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1 Australian Department of the Treasury 2020, Budget 2020-21, Budget Strategy and Outlook Budget Paper No. 1, page 2-7.



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