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VICTORIA'S STATE FINANCES WORST IN NATION – EVERY VICTORIAN TO OWE \$30,000 & INTEREST COST TO RISE FIVE-FOLD

“On all critical financial indicators, Victoria is the nation's worst performing state by a significant and growing margin, and it will be mainstream Victorians who pay the price,” said Daniel Wild, Deputy Executive Director of the Institute of Public Affairs.

Today, the IPA released a key research report, *Victoria on the Edge: Debt, Deficits and Unsustainable Growth*, which shows of all the states, Victoria now has largest debt, biggest budget deficit, highest taxes, fastest growing government spending, and the fastest growing public sector wages.

“Victoria's debt, in both absolute terms and as a share of the economy, is now far higher than at the peak of the fallout from the economic collapse of the early 1990's,” Mr Wild said.

IPA research has identified that Victoria's public finances have seriously deteriorated and are getting worse:

- **Government debt is set to rise to at least \$259 billion by 2035, up from \$101 billion today.**
- **Government debt today is already over five times higher** than the peak debt position of \$18.8 billion post the recession in 1990s.
- **Debt per Victorian is expected to increase to at least \$30,000 by the year 2035**, which is close to ten times higher than \$3,500 in 2014.

Further IPA economic modelling has confirmed that under the scenario where interest rates increase consistent with market expectations to 5 per cent by 2030, **state government debt interest payments will increase to \$18.25 billion each year.**

“By 2030, interest payments on debt will increase five-fold to become the third largest expenditure item in the state budget, behind only health and education. Every extra dollar needed to pay interest on debt will be at the expense of schools, hospitals and infrastructure funding,” said Mr Wild.

The report establishes that the Suburban Rail Loop is the critical tipping point which will make Victorian state debt unsustainable. Without the SRL, debt by the middle of next decade, while still unsustainable, will stabilise. But even just stage one of the three stage SRL project will push debt up by over \$150 billion by 2035, with no prospect of repayment.

“The Suburban Rail Loop is a runaway debt train. It will be Victorian families, their children and grandchildren who will be left with the tab without any prospect to pay it back,” Mr Wild said.

The debt-fuelled spending binge has not translated to better social outcomes for Victorians:

- Over the past five years, total state government spending on health has increased by 50%, yet **the number of patients presenting to emergency departments seen on time has declined by 7%.**
- Since 2014, state government spending on education has increased by 30%, yet **critical reading and numeracy NAPLAN results have increased by less than 1%.**

You can download a copy of the research [here](#).

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