INDEPENDENT ECONOMIST STATEMENT ON VICTORIA'S DEBT

Victoria is by far Australia's most indebted state.

As at 30 June 2026, Victoria's net debt was greater than NSW, Queensland and Tasmania combined – despite having an economy that is less than half their size.

Interest alone is costing Victorians $24 million a day.

By virtually every measure, Victoria's fiscal position is in dire need of repair.

Victoria's net debt is forecast to reach almost $200 billion by 2029-30. Net debt as a share of its economy was 24.0% of Gross State Product (GSP) at 30 June 2026 and net debt per person is now around $24,000.

Contrary to popular belief, the Auditor-General found that less than 1/6th of Victoria's debt is attributable to the COVID-19 pandemic (around $31 billion). This figure will be almost matched by the more than $30 billion in deficits forecast in the most recent budget update, despite it now having been a decade since Victoria's budget was last in cash surplus.

As a consequence, annual interest payments are around $8 billion today, totalling more than $40 billion over the next 4 years to 2029-30. With borrowing costs expected to rise considerably compared with prior years, interest payments could increase even further.

On the spending side, interest already exceeds what the state spends on police, roads, public transport, water, and fire and ambulance services. This financial year, interest will be almost twice the Victoria Police budget, and it is projected to pass primary and secondary school spending in 2029-30. In aggregate terms, recent analysis shows that Victoria is still spending at rates broadly in line with the COVID-19 pandemic.

On the revenue side, interest expense took 1 in 10 dollars of the state's own tax revenue in 2020-21, is taking 1 in 5 today and will take 1 in 4 by 2029-30. Projections show it could reach 1 in 3 in a decade (2035-36).

On an individual tax basis, interest expenses will exceed payroll tax in 2029-30 on the state budget's own estimates and are projected to pass stamp duty on the transfer of land in 2030-31.

If this wasn't warning enough, as the most recent RBA Financial Stability Review points out, financial risks are building up, borrowing costs are rising and highly indebted governments have more limited capacity to respond to any future shock.

This is the position Victoria finds itself in today.

Diagnosis

We recognise that Victoria's fiscal position will not be turned around overnight.

But it also won't be turned around if major political parties adopt a business-as-usual approach to this election.

The good news is it's not too late, it can be fixed. It just requires the political will to do so.

The Government's own Silver Review and the Commonwealth Grants Commission have both found that there is considerable scope to provide Victorian taxpayers with much better value for money.

In total, the Silver Review made recommendations that amount to savings of around $5 billion over 4 years from 2025–26. In the reviewer's words: "Done well, spending reductions can lead to better outcomes."

This is a finding that is reinforced by recent work of the Commonwealth Grants Commission and subsequent independent analysis that has found that there is considerable scope for Victoria to spend less on government services and infrastructure while still providing the same range and quality of services as the average of all states and territories.

On a per capita basis, Victorians are already the highest taxed citizens of any state.

Repairing Victoria's finances therefore starts with getting better value for taxpayers, setting clear and measurable targets and increasing budget transparency and accountability.

Plan to solve Victoria's debt crisis

- Bring the budget back to cash surplus in the next term of government.
- Within the first 100 days and/or by the time of the next budget:
    - Set a debt cap/ceiling and medium-term debt target to signal clear fiscal parameters.
    - Initiate a public and independent audit to identify operating and capital expenditure that represents poor taxpayer value for money.
    - Legislate a stronger financial management framework. This should include the headline budget position being reported on a cash basis, updated and consolidated statements of risk, 10-year fiscal projections and the publication of a Victorian Intergenerational Report every five years.

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ABOUT THE ECONOMISTS

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Saul Eslake – Independent economist and principal of Corinna Economic Advisory. Former Chief Economist of ANZ (1995–2009) and of Bank of America Merrill Lynch Australia and New Zealand (2011– 2015). Vice-Chancellor's Fellow at the University of Tasmania and a member of the Parliamentary Budget Office's expert panel of advisers.

Ian Harper – Emeritus Professor of Economics at The University of Melbourne. Former Dean & Director of Melbourne Business School (2018-2023). Former Member of the Reserve Bank of Australia's Monetary Policy Board (2016-2026). Former Member of the Independent (Vertigan) Review of State Finances in Victoria (2011-2012).

Richard Holden – Scientia Professor of Economics at UNSW Business School and UNSW's Chief Societal Economist. President Emeritus of the Academy of the Social Sciences in Australia and a Fellow of the Econometric Society. Previously on the faculties of the University of Chicago and MIT; PhD in economics from Harvard University.

ABOUT AMPLIFY

AMPLIFY is an independent national organisation fighting to renew Australia's prosperity, confidence and ambition. We bring together Australians and organisations who believe in a better Australia and advocate to make it easier for everyone to build, create, invest, innovate and take risks. For more information: amplifyaus.org

ABOUT 'BREAK FREE FROM VICTORIA'S DEBT'

'Break free from Victoria's debt' is an alliance of Australians calling on all political parties to commit to a credible plan to reduce state debt without further increasing taxes. To renew Victoria's prosperity and protect future generations from paying the price of spiralling debt, we need to take action now. The campaign is spearheaded by AMPLIFY. Over the coming weeks, AMPLIFY will be engaging with everyday Victorians, small business owners, large employers, experts and economists to convey why this issue is so important and what needs to be done about it. For more information: amplifyaus.org/victorias-debt