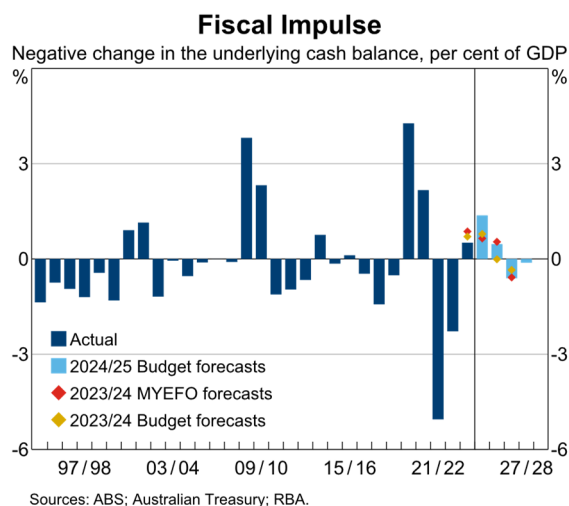
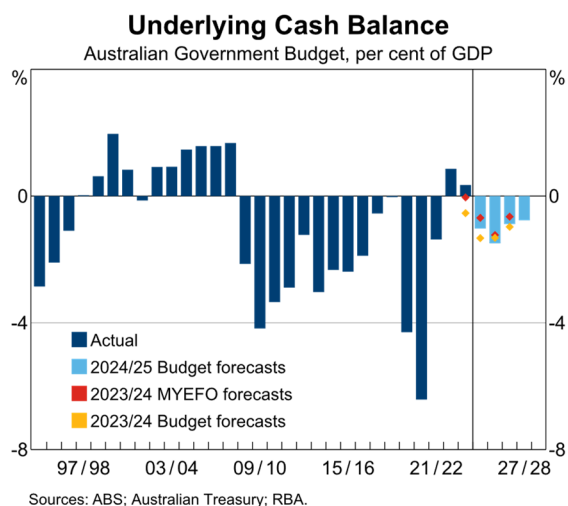


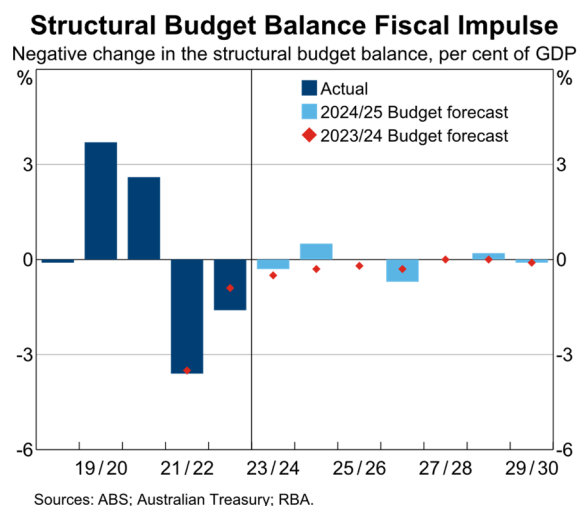
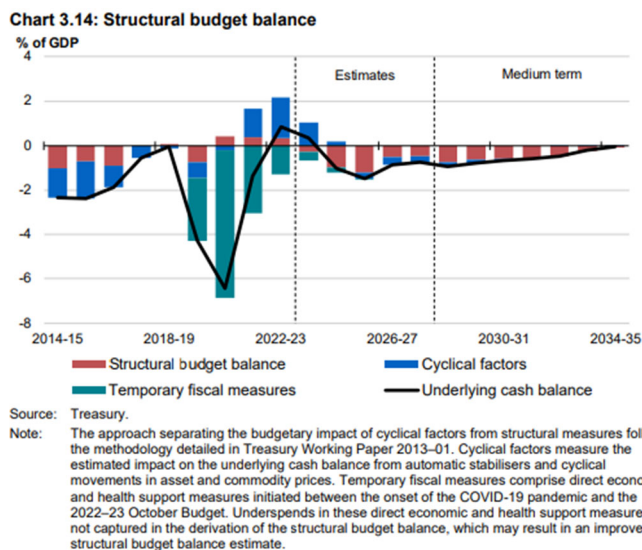
AUSTRALIAN GOVERNMENT BUDGET 2024/25

The underlying cash surplus for 2023/24 is expected to be \$9.3 billion or 0.3 per cent of GDP. This is a \$10.5 billion improvement in the balance relative to MYEFO. Receipts in 2023/24 were revised up by \$7 billion and payments were revised down by \$3.4 billion. The budget is expected to return to deficit in 2024/25 (\$28.3 billion/1 per cent of GDP) and remain in deficit for the rest of the forward estimates. Policy decisions since MYEFO have reduced the underlying cash balance by around \$10 billion in each of the next two financial years. Projections for net debt have been revised up by around 0.5 percentage points as a share of GDP by June 2025.



Abstracting from cyclical factors

Treasury's updated estimate of the structural budget balance (i.e. the underlying cash balance adjusted for cyclical factors) has been revised up in 2023/24 but is lower in 2024/25 and 2025/26 compared to the previous budget. Abstracting from cyclical factors, fiscal policy is expected to be slightly expansionary in 2024/25. Over the medium term (2028/29 onwards) a small structural budget deficit is projected to persist, before the budget returns to balance in 2034-35.



Financial details

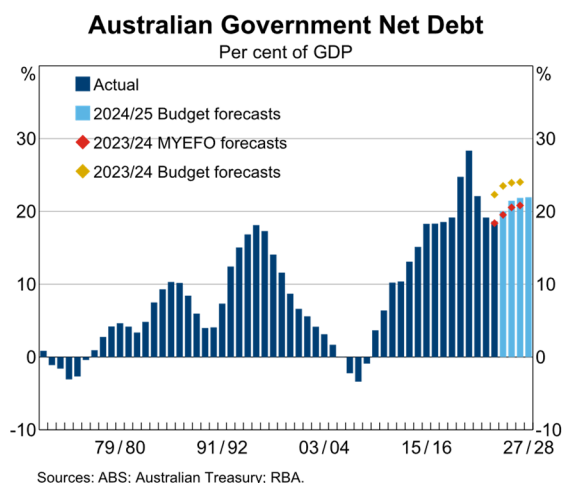
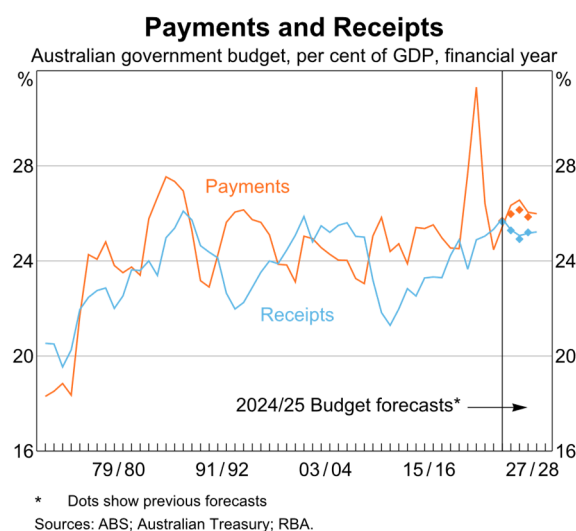
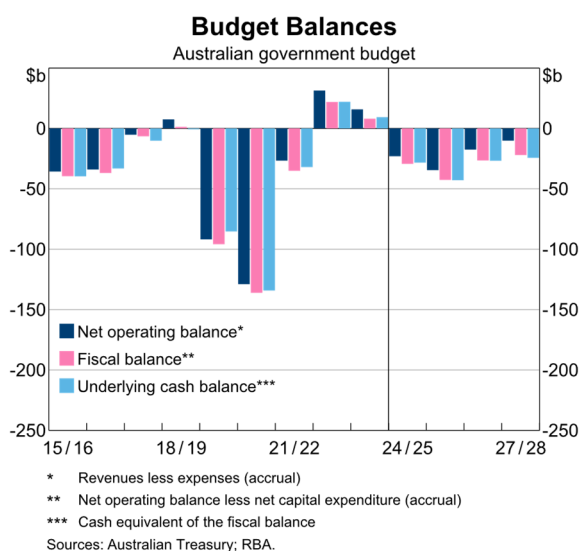
Receipts have been revised slightly higher over the forecast period, both in absolute terms and as a share of GDP. Higher commodity prices and a stronger-than-expected labour market account for almost the entire improvement in 2023/24. Over the forward estimates policy decisions are expected to result in a cumulative deterioration in the underlying cash balance of \$24.3 billion, with a \$7.9 billion increase in receipts being more than offset by \$32.2 billion in new payment measures.

Net debt has been revised higher in each year over the forecast period relative to 23/24 MYEFO, both in absolute terms and as a percentage of GDP. Interest payments have been revised lower over the forecast period, reflecting the lower interest rates. Total interest payments as a share of GDP are expected to be 0.2 percentage points lower than projected at 23/24 MYEFO in the medium term.

Table 1: Key Budget Aggregates
Australian Government 2024/25 Budget

		Actual	Estimates				
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Underlying cash balance	\$b	22.1	9.3	-28	-43	-27	-24
	% GDP	0.9	0.3	-1.0	-1.5	-0.9	-0.8
Fiscal balance (accrual)	\$b	21.9	8	-29	-43	-27	-22
	% GDP	0.9	0.3	-1.1	-1.5	-0.9	-0.7
Fiscal impact	% GDP	-2.3	0.5	1.4	0.5	-0.6	-0.1
Net debt	\$b	491	500	553	616	660	698
	% GDP	19.2	18.6	20.0	21.5	21.8	21.9

Sources: Australian Treasury; RBA



Announced policies

Some of the largest announced new spending in the near term relates to 'cost-of-living relief' initiatives, including the increases to welfare benefits and further energy bill relief measures. Additional spending has also been announced for health care and housing policies and towards renewable energy and critical minerals.

Health

- \$2.8 billion additional funding for Medicare and \$3.4 billion towards the Pharmaceutical Benefits Scheme.

Aged care and disability support

- \$2.2 billion towards aged care reforms and implementing recommendations from the Royal Commission into Aged Care.

Energy

- The Energy Bill Relief Fund has been extended, with subsidies of \$300 for all households and \$325 for small businesses from July 1. This is an additional cost of \$3.5 billion over two years.

Education

- The government will introduce new rules to indexation of HECS, capping the indexation rate to the lower of the CPI or WPI. This waives an estimated \$3 billion from student debt.

Infrastructure

- An additional \$16.5 billion over ten years towards infrastructure projects, including funding towards state projects. This includes growth areas in western Sydney, which will receive an additional \$2 billion in infrastructure funding, including key freight and traffic routes to the new Western Sydney Airport.

Defence

- The government announced an additional \$50 billion over 10 years to implement the 2024 National Defence Strategy.

Businesses and renewable energy

- \$22.7 billion allocated to Future Made in Australia policy over the next decade, including \$9.9 billion towards renewable energy funding and \$8.8 billion for critical minerals.
- An extension of \$20,000 instant asset write-offs for small businesses in line with the Future Made in Australia policy, at a cost of \$290 million.

Housing

- The maximum rate of Commonwealth rent assistance will be increased by 10 per cent, at a cost of \$1.9 billion over five years.
- An additional \$1 billion has been made available to states to fund infrastructure to help them meet National Cabinet's 1.2 million homes target.
- An additional \$1.9 billion in concessional finance for social and affordable homes, including funding towards the National Agreement on Social Housing and Homelessness with states and territories and the National Housing Infrastructure Facility.

Welfare

- Deeming rates for social security recipients will remain frozen at current levels until 30 June 2025.

Economic outlook

The Budget projections are based on Treasury's forecasts for the domestic economy (Table 2). Treasury have a similar outlook for real GDP growth to the forecasts published in the May *Statement*. Treasury expect inflation to be lower than the RBA over the year ahead, mostly reflecting their estimates of the effects of energy subsidies, which were not incorporated into the RBA's latest forecasts.

Table 2: Major economic parameters
2024/25 Budget vs May Statement

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Real GDP ^(a)	3.1	1 $\frac{3}{4}$	2	2 $\frac{1}{4}$	2 $\frac{1}{2}$	2 $\frac{3}{4}$
<i>RBA</i>		1 $\frac{1}{2}$	1 $\frac{3}{4}$	2 $\frac{1}{4}$		
Unemployment ^(c)	3.6	4	4 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{1}{4}$
<i>RBA</i>		4	4 $\frac{1}{4}$	4 $\frac{1}{4}$		
CPI ^(b)	6.0	3 $\frac{1}{2}$	2 $\frac{3}{4}$	2 $\frac{3}{4}$	2 $\frac{1}{2}$	2 $\frac{1}{2}$
<i>RBA</i>		3 $\frac{3}{4}$	3 $\frac{1}{4}$	2 $\frac{3}{4}$		
WPI ^(b)	3.7	4	3 $\frac{1}{4}$	3 $\frac{1}{4}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$
<i>RBA</i>		4 $\frac{1}{4}$	3 $\frac{3}{4}$	3 $\frac{1}{4}$		
Nominal GDP ^(a)	9.9	4 $\frac{3}{4}$	2 $\frac{3}{4}$	4	5 $\frac{1}{4}$	5 $\frac{1}{4}$
<i>RBA</i>		4 $\frac{1}{4}$	3 $\frac{1}{2}$	4 $\frac{1}{4}$		

(a) Year-average growth.

(b) Year-ended growth.

(c) At June quarter of reference year.

Sources: Treasury; RBA

Domestic Activity and Trade
Economic Analysis Department
14 May 2024