Budget
2023–24

BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1

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Treasurer of the Commonwealth of Australia

and

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For the information of honourable members on the occasion of the Budget 2023–24

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Budget Overview

The 2023–24 Budget builds stronger foundations for a better future. It addresses the challenges Australians are facing today, better shares the opportunities in our society and lays the foundations for a stronger and more secure economy into the future.

Australians have shown resilience in the face of heightened global uncertainty, persistent inflation and higher interest rates, which are combining to slow our economy. The best response to these challenges is a responsible budget that strikes the right balance between fiscal restraint, easing cost-of-living pressures, securing the essential services people rely on and investing in sustainable drivers of growth.

This Budget achieves this while strengthening our fiscal position, with a budget surplus now forecast in 2022–23, and smaller deficits and lower debt over the forward estimates compared to October. This much stronger fiscal position would not have been achieved without a responsible approach to returning upward revisions of revenue to the budget and continued budget repair.

The Budget addresses our immediate challenges and sets Australia up for the future by:

- providing responsible and targeted cost-of-living relief
- strengthening Medicare
- broadening opportunities in our society and around the country
- investing in a stronger and more secure economy
- managing the budget responsibly.

The global economic outlook has deteriorated and is highly uncertain. High inflation and rising interest rates will see the weakest 2 years for the global economy in over 2 decades, outside of the Global Financial Crisis and the pandemic. Tighter financial conditions associated with recent banking strains in the United States and Europe are a further drag on growth and add more uncertainty to the global outlook.

The Australian economy is impacted by these challenges, but it is well-placed to navigate them. The unemployment rate is near 50-year lows, wages growth has picked up, and national income is being supported by elevated commodity prices. However, the global slowdown, persistent inflation and higher interest rates are expected to slow real GDP growth to 1½ per cent in 2023–24, before rising to 2¼ per cent in 2024–25. The unemployment rate is projected to remain low by historical standards, rising modestly to 4¼ per cent in 2023–24 and 4½ per cent in 2024–25.

Inflation has peaked and is moderating as global price shocks and supply constraints ease. While still elevated, inflation is expected to fall to 3¼ per cent in 2023–24 and return to the target band in 2024–25. The Government's cost-of-living measures will directly reduce the CPI in 2023–24 and are not expected to add to broader inflationary pressures in the economy.

A budget surplus of $4.2 billion (0.2 per cent of GDP) is now forecast in 2022–23, ahead of most major advanced economies. An underlying cash deficit of $13.9 billion is forecast in 2023–24; an improvement of $30.1 billion since the October Budget. Over 5 years to 2026–27, there is a cumulative improvement in the underlying cash balance of $125.9 billion. Debt and deficits are lower in each year of the forward estimates and medium term. Gross debt is estimated to reach a peak of 36.5 per cent of GDP in 2025–26, 10.4 percentage points lower and 5 years earlier than at the October Budget.

This stronger fiscal position is a consequence of the Government's decision to bank 82 per cent of the revenue upgrades in this Budget, and 87 per cent across 2 Budgets.

The Budget prioritises responsible and targeted cost-of-living relief. This includes up to $3.0 billion in energy bill relief in partnership with the states and territories, investing $1.3 billion to deliver ongoing bill savings through home energy upgrades, tripling of the bulk billing incentive to make it cheaper and easier for Australians to see a doctor, and doubling the maximum dispensing quantity to 60 days for over 300 medicines.

The Government is providing targeted support to vulnerable Australians by expanding access to the Parenting Payment (Single), increasing the rate of income support payments like JobSeeker and Youth Allowance, delivering additional support to low-income renters and funding a wage increase for many aged care workers.

The Budget makes a historic $5.7 billion investment to strengthen Medicare and provide patients better access and more affordable care. It invests in additional home care packages for older Australians who wish to remain at home for longer, and a commitment by Federal, state and territory governments to an NDIS Financial Sustainability Framework, ensuring the Scheme continues to provide life-changing outcomes for future generations of Australians with disability.

This Budget broadens opportunity in our society by advancing gender equality and includes $589.3 million to support efforts to end violence against women and children. It invests in place-based programs to tackle entrenched and intergenerational disadvantage in communities, funds the Voice referendum and supports practical actions to improve the lives of Aboriginal and Torres Strait Islander people.

The Government is laying the foundations for a stronger, more secure economy by investing a further $4.0 billion in our plan to become a renewable energy superpower, making new investments in strategic industries and providing additional support for small businesses. The Budget secures the future of vocational education and training, harnesses opportunities of the digital economy, and bolsters Australia's industrial capacity through the AUKUS agreement. Australia's security and prosperity continue to be safeguarded through new investments in national security capabilities and strengthening ties in our region.

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Statement 1: Budget Overview

Economic and Fiscal Outlook

Global growth is set to slow to 2¾ per cent in 2023, before a modest pick-up to 3 per cent in 2024. Elevated inflation, sharply rising interest rates and tighter financial conditions are all expected to constrain growth in advanced economies in 2023. These pressures are expected to more than offset the boost from the earlier-than-anticipated re-opening of China's economy following the lifting of pandemic restrictions from December 2022 onwards.

Overall, global growth over 2023 and 2024 is expected to be the weakest in over 2 decades, excluding the Global Financial Crisis and the pandemic. The outlook remains highly uncertain, with the balance of risks firmly tilted to the downside.

The Australian economy is not immune from these global economic challenges, but it is well-placed to navigate them. Strong employment growth and the fastest pace of wages growth in a decade have supported consumer spending, and elevated commodity prices are supporting export earnings. The economy is expected to expand by 3¼ per cent in 2022–23.

While the Australian economy is expected to outperform all major advanced economies, global and domestic headwinds will be a drag on activity in 2023–24. High inflation and rising interest rates are squeezing households, and these cost-of-living pressures along with weaker global growth will contribute to real GDP growth slowing to 1½ per cent in 2023– 24.

Real GDP growth is expected to pick up to 2¼ per cent in 2024–25 with continued positive real wages growth and a recovery in household disposable income bolstering household spending.

Inflation has peaked and begun to moderate. The factors that caused the current inflationary period are beginning to ease and inflation is expected to return to target in 2024–25. The Government's measures to deliver cost-of-living relief will directly reduce the CPI in 2023–24, and are not expected to add to broader inflationary pressures in the economy. These measures are expected to reduce inflation by ¾ of a percentage point in 2023–24.

The unemployment rate is projected to remain low by historical standards, rising modestly to 4¼ per cent by the June quarter of 2024 and 4½ per cent by the June quarter of 2025. Wages growth is forecast to pick up further to 4 per cent in 2023–24, its fastest pace since 2009, supported by the Government's actions to boost wages for Australia's lowest paid. Wages are forecast to grow by 3¼ per cent in 2024–25.

Nominal GDP is forecast to grow strongly by 10¼ per cent in 2022–23. The strength of the labour market and a pick-up in wages growth, an elevated terms of trade from higher commodity prices and stronger growth in domestic prices are all contributing to this strong growth. Nominal GDP growth is then expected to slow to 1¼ per cent in 2023–24 due to the assumed decline in commodity prices, which is offset by ongoing strength in domestic prices and growth in output. Solid output growth is expected to support nominal GDP growth of 2½ per cent in 2024–25.

Table 1.1: Major economic parameters [(a)]

	Outcome	Forecasts				
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Real GDP	3.7	3 1/4	1 1/2	2 1/4	2 3/4	2 3/4
Employment	3.6	2 1/2	1	1	1 3/4	1 3/4
Unemployment rate	3.8	3 1/2	4 1/4	4 1/2	4 1/2	4 1/4
Consumer price index	6.1	6	3 1/4	2 3/4	2 1/2	2 1/2
Wage price index	2.6	3 3/4	4	3 1/4	3 1/4	3 1/2
Nominal GDP	11.0	10 1/4	1 1/4	2 1/2	5 1/4	5 1/4

a) Real GDP and Nominal GDP are percentage change on preceding year. Employment, the consumer price index and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force Survey, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; and Treasury.

Since the October Budget, there has been a substantial improvement in the fiscal outlook. This is a direct outcome of the Government returning receipt upgrades to the budget. The Budget achieves this while also delivering responsible and targeted cost-of-living relief, investing in a stronger, more secure economy, spreading opportunity and securing essential services.

The underlying cash balance is estimated to be in surplus by $4.2 billion (0.2 per cent of GDP) in 2022–23, the first surplus since 2007–08. This is an improvement of $41.1 billion compared to the October Budget and $82.1 billion since the Pre-election Economic and Fiscal Outlook.

The underlying cash deficit is estimated to be $13.9 billion (0.5 per cent of GDP) in 2023–24, $30.1 billion lower than the October Budget. The deficit is expected to increase in 2024–25 and 2025–26 before falling to $28.5 billion (1.0 per cent of GDP) in 2026–27. It remains lower across all years than forecasted in October. Over 5 years from 2022–23 to 2026–27, the underlying cash balance improves by a cumulative $125.9 billion.

Since October, tax receipts have been revised up by $67.2 billion across 2022–23 and 2023–24, underpinned by a strong labour market and elevated commodity prices. Strength in tax receipts is expected to moderate from 2024–25 as commodity prices are assumed to return to long-run levels and the conditions in the labour market ease. Overall, tax upgrades (excluding GST and policy decisions) have improved the underlying cash balance by $114.2 billion over 5 years from 2022–23 to 2026–27.

In this Budget, the Government strikes a balance between relief, repair, and restraint. The Government has returned 87 per cent of the tax receipt upgrades across the October Budget and 2023–24 Budget, which includes 82 per cent in this Budget.

The Government has taken policy decisions of $20.6 billion over 5 years from 2022–23 to 2026–27. This includes cost-of-living support, historic investment in Medicare, investing in a strong economy and continuing to address legacy issues inherited from the previous government.

At the end of the medium term, the deficit is projected to be 0.2 per cent of GDP, compared to 1.9 per cent in the October Budget. Gross debt and underlying cash deficits are lower as a share of the economy in every year of the forward estimates and the medium term. Gross debt is now projected to peak at 36.5 per cent of GDP in 2025–26, 10.4 percentage points lower and 5 years earlier than at the October Budget, before declining to 32.3 per cent by 2033–34.

While tax as a share of GDP over the medium term is broadly unchanged from the October Budget, the higher level of nominal GDP (from a higher price level and a higher level of potential GDP) increases projected tax receipts. The impact on non-interest payments is more modest.

Interest payments are projected to be significantly lower over the medium term. This is largely driven by lower deficits reducing the amount of new debt issuance. Had the Government instead spent all the tax receipt upgrades in the forward estimates across this and the October Budget, interest payments over the 12 years to 2033–34 would be $83 billion higher.

Table 1.2: Budget aggregates

	Actual	Estimates						Projection
	2021-2	2022-23	2023-24	2024-25	2025-26	2026-27	Total(a)	2033–34
	$b	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**-32.0**	**4.2**	**-13.9**	**-35.1**	**-36.6**	**-28.5**	**-109.9**	
Per cent of GDP	-1.4	0.2	-0.5	-1.3	-1.3	-1.0		-0.2
Gross debt(b)	**895.3**	**887.0**	**923.0**	**958.0**	**1,015.0**	**1,067.0**		
Per cent of GDP	38.8	34.9	35.8	36.3	36.5	36.5		32.3
Net debt(c)	**515.6**	**548.6**	**574.9**	**620.6**	**665.2**	**702.9**		
Per cent of GDP	22.3	21.6	22.3	23.5	24.0	24.1		19.9

a) Total is equal to the sum of amounts from 2022–23 to 2026–27.
b) Gross debt measures the face value of Australian Government Securities (AGS) on issue.
c) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Responsible budget management

The Government is improving the budget position in a measured way, consistent with the overarching goal of reducing gross debt as a share of the economy over time. To help offset additional spending, the Government has identified $32.5 billion of budget improvements and reprioritisations, bringing the total over 2 budgets to $61.0 billion.

This Budget delivers on the Government's commitment to repair the budget and redirect spending to higher quality areas. This includes:

- reprioritising defence funding into the 6 priority areas for immediate action, in response to the Defence Strategic Review
- reinvesting all government savings from changes to the maximum dispensing quantity under the Pharmaceutical Benefit Scheme into community pharmacies
- reprioritising funding to enhance the quality of spending in health and aged care
- directing savings from the closure of the Entrepreneurs' Programme into the new Industry Growth Program that will now focus on operating in the priority areas of the National Reconstruction Fund.

The Government is also strengthening the fairness and sustainability of the tax system. This includes better targeting of superannuation concessions by reducing tax concessions available to individuals whose superannuation balance exceeds $3 million. Timely payment of tax and superannuation liabilities will be supported by extending compliance programs and increasing engagement with taxpayers. Reforms to Australia's tax settings for offshore liquefied natural gas projects will ensure a fairer return to the Australian community. Implementing a global minimum tax and a domestic minimum tax will ensure multinationals pay their fair share of tax. In total, there are $13.7 billion in improvements related to tax receipt measures in the Budget.

The Government is continuing to take action to address ongoing legacy issues by providing certainty for programs that were underfunded or had terminating funding at a cost of $7.5 billion. This includes funding to: ensure financial sustainability for the 9 national collecting institutions (including the National Library of Australia and the National Gallery of Australia); secure Australia's digital health infrastructure; investment in the Brisbane 2032 Olympic and Paralympic Games venue infrastructure; and sustainably fund Australia's biosecurity system.

The Government has limited average real spending growth to 0.6 per cent over 5 years to 2026–27. This compares to an average of around 4.0 per cent over the period prior to the Global Financial Crisis (2000–01 to 2007–08) and 2.2 per cent over the period prior to the pandemic (2011–12 to 2018–19).

National Cabinet – a better future for the federation

The Government recognises that Federal, state, and local governments each have vital roles in delivering the essential services that Australians rely on every day. Responding to the challenges in Australia's economy, cities and demography over the next decade requires the resources and powers of all 3 levels of government. The Government is bringing the states and territories together to drive the reforms needed to ensure the next generation of growth, jobs, prosperity, and security.

On 28 April, National Cabinet met to agree a consistent approach to key national priorities that are supported by measures in this Budget. This includes:

- the substantial package of Strengthening Medicare measures to address immediate challenges in primary care, take the pressure off the hospital system and lay the foundations for long-term Medicare reform
- the commitment to an NDIS Financial Sustainability Framework to ensure the Scheme can continue to provide life-changing outcomes for future generations of Australians with disability
- Better Planning for Stronger Growth reforms to support a national approach to the growth of cities, towns, and suburbs.

Budget priorities

Responsible and targeted cost-of-living relief

This Budget delivers responsible and targeted cost-of-living relief to support Australians facing pressures from high inflation and rising interest rates. This includes:

- providing energy relief for households and businesses, and supporting them to reduce bills by saving energy
- reducing the cost of health care and medicines
- providing targeted, additional assistance for eligible single parents
- increasing support for people on working age and student payments, like JobSeeker Payment, Youth Allowance and Austudy, and JobSeeker Payment recipients aged 55 and over
- improving the supply and affordability of housing, including through increasing Commonwealth Rent Assistance
- supporting wage increases for aged care and low-paid workers.

In addition, the Government is delivering on its commitments to improve the affordability of early childhood education and care and flexibility of the Paid Parental Leave scheme, bolstering women's economic opportunities.

Energy price relief

Easing pressure on households and small businesses

Households and businesses have been facing unacceptable energy price rises because of Russia's illegal war in Ukraine, which has compounded the cost of previous policy uncertainty around delivering the energy transformation. The Government's Energy Price Relief Plan shields Australians from the worst impacts of price increases through immediate price relief funded in this Budget.

In December 2022, the Government acted quickly to limit energy price increases and provide responsible and targeted relief to small businesses and vulnerable households. To limit the impact of global commodity prices on Australian energy costs, the Government partnered with states and territories to put a temporary price cap on coal used for electricity generation and new wholesale gas contracts, and committed to introduce a mandatory code of conduct for gas sales. This code will ensure Australian households and businesses will have access to gas at reasonable prices and will establish a more level playing field for negotiations between gas producers and customers.

The Government is also delivering up to $3.0 billion of electricity bill relief to take pressure off small businesses and vulnerable households, in partnership with state and territory governments. Rebates will be delivered through reductions to electricity bills to minimise any potential inflationary impacts. Support to households will be targeted at those most in need, including concession card holders, those who receive family and carers payments and recipients of electricity concessions under existing state and territory schemes.

With all these actions under the Energy Price Relief Plan, retail electricity price increases in 2023–24 are now expected to be around 25 percentage points smaller and retail gas price increases around 16 percentage points smaller than expected prior to the Government's interventions. This shows the Government's actions are placing downward pressure on energy bills for Australians.

Energy upgrades for households

The Government is also helping households save on future energy bills by establishing the Household Energy Upgrades Fund to support home upgrades that reduce energy usage.

The Fund will inject $1.0 billion into the Clean Energy Finance Corporation to unlock more than 110,000 low-interest loans for energy-saving home upgrades, in partnership with private lenders. Just upgrading the energy efficiency rating of a home from 1-star out of 10 to 3 stars can reduce energy bills by around 30 per cent, and increasing from 3 to 5 stars can reduce energy bills by around another 20 per cent.

The Fund will also provide $300.0 million to cut energy bills for tenants in 60,000 social housing properties by around one-third through funding energy performance upgrades, in partnership with states and territories.

The Government is also providing $36.7 million to modernise and expand our energy efficiency standards, improving the information consumers have about the energy performance of their homes and appliances. This includes expanding the Nationwide House Energy Rating Scheme to cover existing homes as well as new builds, creating an energy efficiency star rating system that will help Australians make the best choices for their hip pocket when it comes to renting, purchasing, or renovating their homes.

Reducing the cost of health care

Lower out-of-pocket health costs

Ensuring Australians can access affordable health care when they need it and supporting doctors who deliver this care is a priority. The Government is investing $3.5 billion to triple the bulk billing incentive for patients aged under 16 years, pensioners and other Commonwealth concession card holders. This includes all face-to-face general practice consultations more than 6 minutes in length and certain telehealth consultations.

A further $358.5 million is being invested in Medicare Urgent Care Clinics, including to deliver 8 more clinics by the end of 2023. Urgent Care Clinics will ensure patients do not have out-of-pocket costs and remain open for extended hours.

Reducing the costs of medicines

From 1 September 2023, the Government will phase-in increases to the maximum dispensing quantities allowed for more than 300 Pharmaceutical Benefits Scheme (PBS) medicines. Some patients will be able to receive 60 days' worth of the medicine they need for a stable, chronic health condition, rather than the current amount of 30 days' supply. This change will reduce the number of visits to a pharmacy and general practitioners, saving Australians time and more than $1.6 billion in out-of-pocket costs over the next 4 years.

The Government is continuing to provide Australians access to more affordable and life-changing essential medicines through the PBS and other medicines programs. In this Budget, the Government is providing $2.2 billion for new and amended listings, including treatment for cystic fibrosis.

This reform builds on the October Budget measure Plan for Cheaper Medicines that reduced the general patient co-payment for PBS-listed medicines from $42.50 to $30 per script from 1 January 2023. This change has saved Australians more than $58 million in 3 months.

Support for those who need it most

Expanded access to Parenting Payment (Single)

The Government recognises single parents can face higher rates of financial hardship and barriers to employment as they navigate the significant costs and responsibilities associated with caring for and raising children.

The Government will invest $1.9 billion over 5 years from 2022–23 to expand eligibility for Parenting Payment (Single) to include single principal carers, whose youngest child is under 14 years of age. Under current settings, the payment is available to eligible single principal carers with a child aged under 8 years of age. In September, around 57,000 eligible single parents, of whom around 91.1 per cent are women, will transition to Parenting Payment (Single) with the current basic rate of $922.10 per fortnight until their youngest child turns 14. This is an extra $176.90 per fortnight compared to the current JobSeeker Payment (single with dependent rate). This will also benefit around 110,000 children in these eligible families. Indexation will also continue to apply.

Parenting Payment (Single) recipients also benefit from more generous earning arrangements compared to the JobSeeker Payment (single with dependent rate), including an income free area for recipients with one child of $202.60 per fortnight and an additional $24.60 per child per fortnight. Compared to the income free area of $150 per fortnight for the JobSeeker Payment (single with dependent rate), 57,000 more eligible single parents will be able to earn at least $52.60 more per fortnight before losing any of their payment. As a result, Parenting Payment (Single) recipients with one child can earn at least $2,622.35 per fortnight (and an additional $24.60 per child per fortnight) before receiving no payment, a $569.10 per fortnight increase relative to current settings. Current mutual obligations for recipients with children aged 6 years or above will be maintained to support single parents build connections with the workforce or improve their skills.

The higher Parenting Payment (Single) rate will provide greater assistance to single principal carers to help them balance caring responsibilities for their children during later primary school years and during the critical transition to high school. As eligible single principal carers are predominantly women, the measure will support women’s economic equality by helping to improve earnings and financial security.

Increase to the rate of JobSeeker Payment and other eligible income support payments

The Government is ensuring Australia’s targeted safety net delivers support to those who need it most. Working age and student payments like JobSeeker Payment and Youth Allowance are a central part of this safety net. While these payments are automatically indexed to reflect changes in consumer prices, many income support recipients are facing financial hardship, which can in turn create barriers to participation in society and the economy.

The Government is committed to a fairer, more inclusive society. In recognition of the challenges that many income support payment recipients face, the Government is investing

$4.9 billion over 5 years from 2022–23 to increase support for around 1.1 million Australians.

The basic rate of eligible working age and student income support payments, including JobSeeker Payment and Youth Allowance, will increase by $40 per fortnight in September, following the passage of legislation. Recipients will continue to have their payments indexed to keep pace with increases in cost-of-living.

Increase for eligible JobSeeker Payment recipients aged 55 years and over facing barriers to work

Over the past 10 years the proportion of mature-aged recipients on JobSeeker Payment has significantly increased. People aged 55 years and over experience additional barriers to work, including age discrimination and poor health. These barriers can result in mature-aged recipients spending a longer time relying on income support payments.

The Government will also extend eligibility for the existing higher rate of JobSeeker Payment to single Australians aged 55 to 59 who have been on payment for 9 or more continuous months, to match that applying to those aged 60 and over. In September, around 52,000 eligible single Australians aged 55 to 59 (of which 55 per cent are women) will receive the higher basic rate.

These recipients will now be supported by the higher rate of payment to acknowledge their circumstances and provide them greater financial support, while they seek meaningful employment.

Responsible, sustainable income support

The income support changes will deliver sustainable increases in support for Australia's lowest income households, while they undertake activities such as study, searching for meaningful employment or caring for family. These measures target additional support to Australians who need it most, while being responsible in the current macroeconomic and fiscal environment.

Many Australians will receive the combined benefit of the increases to income support payments and Commonwealth Rent Assistance, as well as from the Energy Relief Plan. Eligible recipients will continue to have their payments indexed to keep pace with increases in cost-of-living.

More affordable housing

Addressing the housing challenges Australia is facing remains a key priority for the Government. This Budget provides additional support to low-income renters through increasing Commonwealth Rent Assistance and enables new critical investments in housing supply, while the Government progresses its housing reform agenda to deliver more social and affordable homes.

Easing pressure on renters

The Government recognises the significant pressures that many low-income renters face. The Government will increase the maximum rates of Commonwealth Rent Assistance by 15 per cent at a cost of $2.7 billion over 5 years from 2022–23. This will help recipients better manage cost-of-living pressures in the face of strong rent growth and will help alleviate rental stress experienced by Commonwealth Rent Assistance recipients. Around 1.1 million households receiving the maximum Commonwealth Rent Assistance rate will be better off.

Working together to encourage new housing supply

National Cabinet recently announced that Planning Ministers, working with the Australian Local Government Association, will develop a proposal for National Cabinet in the next 6 months outlining reforms to increase housing supply and affordability. In addition, the Government is offering new incentives to encourage the supply of housing by:

- reducing the withholding tax rate for eligible fund payments from managed investment trusts attributed to newly constructed build-to-rent developments from 30 to 15 per cent.
- increasing the capital works tax deduction (depreciation) rate from 2.5 per cent to 4 per cent per year, increasing the after-tax returns for newly constructed build-to-rent developments.

Access to social and affordable housing

Increasing access to social and affordable housing is a Government priority. In this Budget, the Government is increasing the National Housing Finance and Investment Corporation's liability cap by an additional $2 billion, to $7.5 billion, to provide more low-cost loans to Community Housing Providers. This is expected to support around 7,000 more new social and affordable dwellings.

Supporting more Australians into home ownership

From 1 July 2023, the Government is expanding eligibility for the First Home Guarantee and Regional First Home Buyer Guarantee to any 2 borrowers jointly applying beyond the scope of spouse or de facto couples, and non-first home buyers who have not held a property interest in Australia within the previous 10 years. The Government is also expanding the Family Home Guarantee to single legal guardians of dependents, in addition to natural and adoptive parents. The Home Guarantee Scheme will also be made available to permanent residents.

More support for homeless Australians

The Government has offered states an additional $67.5 million in funding to help tackle homelessness in 2023–24. This builds on the Government's offer to provide 12 months of transitional funding to 30 June 2024 through the National Housing and Homelessness

Agreement while the Government works with states to reform Commonwealth funding arrangements under a new agreement.

Keeping wages moving

The Budget delivers on the Government's commitment to fund a wage increase for aged care workers. It allocates $11.3 billion to support the Fair Work Commission's decision to provide an interim increase of 15 per cent to minimum wages for many aged care workers. More than 250,000 workers will benefit from the decision. The Government supports continuing to improve wages and conditions for aged care workers, so they properly reflect the value of the work performed.

Low-paid workers experience the worst impacts of inflation and have the least capacity to draw on savings. Last year, the Government supported wage increases for Australia's low-paid workers. The Fair Work Commission decision gave a minimum $40 per week increase for full-time workers on national minimum and award wages. The Government has again recommended that the Fair Work Commission ensures the real wages of Australia's low-paid workers do not go backwards.

Strengthening Medicare

Medicare is the foundation of Australia's primary health care system. In this Budget, the Government is investing $5.7 billion over 5 years from 2022–23 to strengthen Medicare and make it cheaper and easier to see a doctor.

Historic investment in Medicare

Medicare is the foundation of Australia's primary care system. In this Budget, the Government begins the long overdue process of rebuilding and strengthening Medicare to ensure it can meet the health needs of Australians for the 21st century. In addition to investing $3.5 billion to triple the bulk billing incentive for children under 16, pensioners and other Commonwealth concession card holders, this Budget delivers the Government's initial response to the recommendations of the Strengthening Medicare Taskforce.

The Government is making it easier to see a doctor through investments in complex and chronic care pathways. This includes establishing a new Medicare Benefits Schedule (MBS) item for longer consultations of 60 minutes or more. This will support improved access and service affordability for patients with chronic conditions and complex needs.

The Government will support Australians seeking non-emergency health care outside normal general practice opening hours through increased funding of $143.9 million for primary care after hours programs. This includes an extension to the Primary Health Networks after hours program to support general practices to fill access gaps.

Australia's digital health platform has not kept pace with changing health needs and models of care. To improve health outcomes, the Government is investing $429.0 million to modernise My Health Record and support easier, more secure data sharing across all health care settings.

The Government is introducing the MyMedicare system to formalise the relationship between patients and their primary care providers to improve patient care and health outcomes. The Government is also increasing access to team-based care by providing an additional $445.1 million to the Workforce Incentive Program–Practice Stream to support general practices to engage multidisciplinary professionals.

The implementation of MyMedicare will be complemented by an investment of $98.9 million to connect frequent hospital users with general practices to receive multidisciplinary care in the community and reduce the likelihood of hospitalisations.

The Australian public should have confidence that fraud and inadvertent non-compliance do not permeate the Medicare system. In this Budget, the Government is providing an initial investment of $29.8 million to strengthen the integrity of the Medicare system in response to key recommendations of the Independent Review into Medicare Integrity and Compliance.

Securing the services and care Australians deserve

All Australians should be able to access the services they need most. The Government is protecting the health of Australians, improving the delivery of aged care services, ensuring the effectiveness of the NDIS, and safeguarding our future by commencing the establishment of an Australian Centre for Disease Control.

Delivering quality aged care services

The Government is improving the quality of care for older people and making the aged care system equitable, sustainable, and trusted. In this Budget, there is new investment to improve services and deliver reforms that not only address current issues but set the sector up for long-term success.

This Budget continues support to improve wages and conditions for aged care workers. It provides funding to support the Fair Work Commission's decision to provide an interim increase of 15 per cent to modern award minimum wages for many aged care workers (see Box 3.3).

$81.9 million will be provided to develop and implement a new Aged Care Act and $72.3 million to support a new, stronger Aged Care Regulatory Framework. Other initiatives include $139.9 million to improve the accountability and transparency of approved aged care providers through enhancements to the Star Rating system and $12.9 million to develop, monitor and enforce food and nutritional standards.

The Government is also providing $52.1 million to increase the funding available to aged care providers in very remote areas under the National Aboriginal and Torres Strait

Islander Flexible Aged Care Program. In addition, $487.0 million will extend the Disability Support for Older Australians Program.

To support older Australians who wish to remain at home for longer, the Government is investing $166.8 million to provide an additional 9,500 Home Care Packages. This Budget also provides additional funding to continue to reform in-home aged care, including $15.7 million to establish a single aged care assessment system. The Government will postpone the commencement of the Support at Home Program to 1 July 2025 in response to sector feedback that a longer lead time is needed and extend grant arrangements for the Commonwealth Home Support Programme for a further 12 months to 30 June 2025.

Health protection and prevention

The Government is protecting the health of Australians, especially young people, by preventing the uptake of smoking and vaping and ensuring people who smoke or vape are supported to quit. This Budget provides $29.5 million to increase and enhance smoking and vaping cessation support, $141.2 million to expand the Tackling Indigenous Smoking program and $63.4 million for national public health campaigns. The Government is encouraging smokers to quit by raising tax on tobacco by 5 per cent per year, for 3 years from 1 September 2023, and ensuring loose-leaf tobacco is taxed equally to cigarettes. The Government is also proposing stronger regulation and enforcement of e-cigarettes, including new controls on their importation, contents and packaging.

The Government is investing $263.8 million over 4 years from 2023–24 to establish and maintain a new national lung cancer screening program. The program will maximise prevention and early detection of lung cancer for at-risk Australians. In response to the recent and alarming spike in the number of workers suffering from silicosis and other silica-related diseases, the Government is acting to protect workers by implementing and coordinating a strategy with all Australian governments to prevent these debilitating diseases.

The Government is strengthening the mental health system by building the workforce. Improving the availability and distribution of the mental health workforce will ensure there is equity in service delivery, enabling reform. Support is being provided to the mental health workforce with funding for 500 additional psychology placements and training at a cost of $91.3 million. In addition, there is $260.2 million for psychosocial supports, which help Australians with severe mental illness to recover and live in the community. The Government will provide $136.0 million to support the mental health of survivors of torture and trauma before moving to Australia on humanitarian grounds, and other culturally and linguistically diverse communities.

The Budget also provides $91.1 million to commence the establishment of the Australian Centre for Disease Control (ACDC). The ACDC will provide a national focal point for disease management to improve Australia's ability to respond to health emergencies and other public health challenges.

Managing the long-term COVID-19 response

Minimising the incidence of death and severe illness from COVID-19, particularly for the most at-risk Australians, remains the Government's priority. Since the October Budget, the Government has committed an additional $2.3 billion to manage Australia's COVID-19 response. This funding supports implementation of the National COVID-19 Health Management Plan for 2023. The plan transitions the COVID-19 response to long-term arrangements to ensure Australia's health system has the capacity and capability to respond to future waves and variants, promote uptake of vaccinations and treatments and slow transmission.

Improving disability support

The Government is driving whole-of-government action and accountability against Australia's Disability Strategy 2021–31. The Budget provides a further $31.4 million for the National Disability Data Asset to improve disability policy development.

The Government is ensuring the NDIS continues to support people with significant and permanent disability. To improve capability, capacity, and systems to better support participants, an additional $732.9 million will be invested in initiatives developed with the National Disability Insurance Agency in consultation with the NDIS Review Co-Chairs. This includes $48.3 million to fight fraud against the NDIS.

The Budget also incorporates the NDIS Financial Sustainability Framework agreed by National Cabinet to ensure the NDIS can continue to provide life-changing outcomes for future generations of Australians with disability. The framework will provide an annual growth target in total costs of the Scheme of no more than 8 per cent by 1 July 2026, with further moderation of growth as the Scheme matures. The NDIS will remain demand driven and the fastest growing Commonwealth payment.

Broadening opportunity, advancing equality

The Government is committed to economic growth that puts equality and equal opportunity at the centre. This includes: targeting entrenched and concentrated community disadvantage including through place-based approaches; improving the lives and economic opportunities of First Nations Australians; improving gender equality and participation; and building on commitments to end violence against women and children.

Women's equality and participation

In addition to the $1.9 billion investment to expand the eligibility of Parenting Payment (Single), the Government is progressing a range of reforms to support women's economic outcomes.

From July this year, the Government is delivering cheaper early childhood education and care, cutting the cost of care for around 1.2 million families. It will make it easier for parents and carers, particularly women, to participate in the workforce and will mean more children can access the benefits of early education.

From 1 July 2023, changes to the Paid Parental Leave scheme, announced in the October Budget, will commence to provide more support for modern families. Parental Leave Pay and Dad and Partner Pay will combine into one 20-week payment that can be shared between parents. Either parent will be able to claim Paid Parental Leave first, and single parents will be able to access the full 20 weeks under the scheme. The Government will also introduce a new combined family income limit of $350,000 per annum, which will see nearly 3,000 additional parents become eligible for Paid Parental Leave. The Government will introduce legislation to expand the scheme by 2 weeks each year from July 2024 until reaching 26 weeks in July 2026.

This Budget continues to support efforts to close the gender pay gap. Following changes to the *Workplace Gender Equality Act 2012*, the gender pay gaps of employers with 100 or more workers will be published from early 2024. The Government continues to expand implementation of gender responsive budgeting, with gender analysis embedded across Government budget decision-making from the 2023–24 MYEFO.

The Government will also abolish the ParentsNext program and finalise the approach to voluntary participation as soon as possible with a view to replacing it with a more supportive pre-employment program. The new program will better support parents' transition to work. Interim changes to remove compulsory aspects of the current program will be considered as soon as possible, ensuring that all Parenting Payment recipients with children under 6 are treated equitably in respect of mutual obligations. Making ParentsNext voluntary will end the risk to disadvantaged parents of loss of payments and remove undue stress and anxiety from participants, the majority of whom are women and single parents.

Ending violence against women and children

National Plan to End Violence Against Women and Children 2022–32

To support women's safety, including implementation of the *National Plan to End Violence against Women and Children 2022–32* (the National Plan), the Government is providing an additional $589.3 million. This is in addition to the $1.7 billion for women's safety announced in the October Budget. The National Plan funding includes $159.0 million to extend the Family, Domestic and Sexual Violence Responses National Partnership Agreement with state and territory governments to support frontline service delivery.

The Government will work to strengthen and harmonise sexual assault and consent laws, address barriers to justice and improve the family law system to achieve better outcomes including for victim-survivors. To better support visa holders experiencing domestic and family violence, the Government will expand the family violence provisions within the *Migration Regulations 1994*.

This Budget invests $194.0 million to establish the dedicated Aboriginal and Torres Strait Islander Action Plan. The Government is supporting a range of activities under the Plan, including culturally responsive healing programs, addressing immediate safety concerns and community-led family safety services for First Nations children and families impacted by family violence.

Supporting victim-survivors of child sexual abuse

The National Redress Scheme and the continuation of Redress Support Services is being supported by an additional $142.2 million. This will ensure people who experienced institutional child sexual abuse can continue to access free, independent support, delivered in a culturally-safe and trauma-informed way.

Targeting entrenched community disadvantage

The Government is investing $199.8 million in an integrated package to address entrenched and concentrated disadvantage in Australian communities. The Government is committed to taking a sustained, long-term approach to working in partnership with communities to make an enduring difference in the lives of disadvantaged Australians, regardless of where they live. This package will see the Government working in partnership with state and territory governments, communities, and other key stakeholders including through a new strategy to partner with philanthropy.

The package will be underpinned by a whole-of-government Framework to Address Community Disadvantage that will identify strategic objectives and key principles to guide how Government works in partnership with communities, and to support more impactful investment in initiatives that address disadvantage. The Framework will also provide the foundations to explore how tailored, place-based approaches can be used to achieve positive change in communities, and how the Government might enable greater community-led decision making and access to funding.

Under the integrated package, the Government is providing $64.0 million to ensure funding certainty for 10 existing place-based partnerships, and to enhance 6 of these partnerships. The Government is also providing $16.4 million for a Life Course Data Initiative to deliver additional access to data for communities and to inform long-term changes that will ultimately improve outcomes.

To support the social impact investing market, the Government has committed $100.0 million to establish an Outcomes Fund, pending a co-design process with stakeholders including states and territories. The Fund will make contractual payments for projects that deliver agreed, measurable outcomes. Additionally, the Government is providing $11.6 million for the Social Enterprise Development Initiative, which will help eligible ‘for-purpose’ organisations to build their capability to access capital and support improved social outcomes.

Strong Aboriginal and Torres Strait Islander communities

Working in partnership with First Nations Australians, as well as state, territory, and local governments, the Government is committed to Closing the Gap. This Budget provides practical responses to immediate challenges and a path to improving the lives and economic opportunities of First Nations communities.

Aboriginal and Torres Strait Islander Voice Referendum

The Government is delivering on its commitment to implement the Uluru Statement from the Heart in full. The Voice Referendum will provide all Australians with a historic opportunity to recognise the First Peoples of Australia in the Constitution by establishing an Aboriginal and Torres Strait Islander Voice. The Voice will be empowered to make representations to the Parliament and the Executive Government about matters relating to Aboriginal and Torres Strait Islander peoples, enabling better decisions and outcomes.

Closing the Gap initiatives

This Budget invests in improving opportunities for First Nations Australians. These commitments will drive progress against the socioeconomic targets and Priority Reforms of the National Agreement on Closing the Gap, with a focus on improving outcomes in the areas of education and skills, employment, health and aged care, community safety, as well as essential infrastructure.

$561.6 million is being provided for First Nations health, including $238.5 million to improve First Nations cancer outcomes through building capability and growing the healthcare workforce. To support the delivery of 30 dialysis units for First Nations people in regional and remote Australia with end-stage kidney disease, $28.2 million will also be provided for workforce accommodation.

The Government is also committing $38.4 million to support high-quality and culturally appropriate education for First Nations children in remote areas across Australia. Funding will support pilots of community-led models for more culturally appropriate distance learning for First Nations students and increase access to junior ranger activities. The Government is also investing $21.6 million to extend the Indigenous Boarding Providers grant program to extend access to boarding for rural and remote First Nations students.

To provide access to essential infrastructure, the Government has committed $150.0 million to improve water security for regional and remote First Nations communities through the National Water Grid Fund. $20.8 million will also be provided to undertake urgent repairs and capital works for Aboriginal Hostels Limited.

Muṯitjulu, a remote First Nations community located within Uluṟu-Kata Tjuṯa National Park, will receive an investment of $92.8 million to undertake critical capital works to supply essential water, sewerage, and electrical services. And funding of $23.3 million will be provided for residential housing in the Wreck Bay Village.

Improving remote Aboriginal services in the Northern Territory

The Government is working in partnership with the Northern Territory Government and local communities to improve services for First Nations communities in the Northern Territory. The Government is committing $250.0 million in a plan for *A Better, Safer Future for Central Australia*, which will improve community safety, tackle alcohol-related harm and provide more opportunities for young people. This is in addition to the $48.8 million investment into community-led responses to improve safety in Alice Springs.

$40.4 million will support student enrolment and engagement across 46 schools in central Australia. Designed in partnership with the local community, schools will have influence over the activities funded to allow them to respond flexibly to community needs, including On Country learning initiatives.

Looking after our veterans

The Government is continuing to improve the experience for veterans seeking support by implementing the recommendations of the Interim Report of the Royal Commission into Defence and Veteran Suicide. The public consultation on a Pathway to simplify veteran compensation and rehabilitation legislation is underway. The Government is continuing to prioritise work to help eliminate the veterans' claims backlog with an additional $64.1 million investment in Department of Veterans' Affairs staffing and $254.1 million to modernise ICT systems.

Keeping Australians safe online

This Budget will provide $134.1 million for the Office of the eSafety Commissioner to continue to support Australians online, including through enhanced education, outreach and investigatory activities.

Securing Australians' Superannuation

The Government is committed to addressing the key drivers of unpaid superannuation and will align the payment frequency of the superannuation guarantee (SG) with wages and salaries. Aligning the payment of superannuation with wages and salaries will increase retirement incomes through greater compounding returns. This will simplify the tracking of superannuation payments for employees and support early intervention against underpayment. These changes will improve retirement outcomes for around 8.9 million employees, including for young and low-income workers who are most likely to have unpaid super.

A stronger and more secure economy

This Budget invests in growing the economy and delivers a plan for how Australia can convert existing strengths into broad and lasting growth drivers. Clean, cheap energy is at the centre of the Australia's plan to become a renewable energy superpower – powering growth in net zero industries and across our regions (Box 1.1). Together with investments in skills, digital adoption and supply chains, this growth agenda will ensure Australia's economy will take advantage of existing and emerging economic opportunities.

Powering Australia with cheaper, cleaner, and more reliable energy

The Government is unlocking new renewable energy generation and storage capacity to help meet our emissions reduction commitments and deliver cleaner, cheaper, more reliable energy for Australian businesses and households.

Rewiring the Nation

The Government has allocated $12.0 billion of its $20.0 billion investment in Rewiring the Nation to transformational transmission projects, putting Australia on track to build an 82 per cent renewable grid by 2030. This includes committing up to $1.0 billion of low-cost debt for Tasmania’s Battery of the Nation projects, $1.5 billion towards Victorian Renewable Energy Zones and offshore wind, and $4.7 billion to unlock critical transmission and Renewable Energy Zones in partnership with the New South Wales Government.

Capacity Investment Scheme

The Government is accelerating the transformation to a renewable-based grid through the Capacity Investment Scheme, making sure households and businesses can count on renewable energy being available when they need it. The 2023 tenders of the Capacity Investment Scheme will deliver clean, firm renewable generation and storage to South Australia, Victoria, and New South Wales. These tenders are a first step towards unlocking at least $10 billion of new investment to accelerate the uptake of clean, firm generation and storage needed to power an 82 per cent renewables grid and replace our retiring thermal power stations.

Electrifying our economy

The Government is accelerating the decarbonisation of our economy through support for energy-saving and electrification upgrades, and improved access to electric vehicles.

This Budget commits $1.3 billion in the Household Energy Upgrades Fund to incentivise energy saving upgrades for households and social housing and provides a further $310.0 million in support through the Small Business Energy Incentive.

Building on the Driving the Nation Fund and the Electric Car Discount, the Government has released Australia’s first National Electric Vehicle Strategy. The Strategy sets a national framework to guide investment and support uptake of electric vehicles in Australia. As part of the Strategy the Government is providing $7.4 million to support the introduction of a Fuel Efficiency Standard, to ensure vehicle manufacturers prioritise Australia’s market for electric vehicles and other fuel-efficient technologies.

The transport sector will further benefit from $7.8 million to develop a Transport and Infrastructure Net Zero Roadmap and Action Plan. The Roadmap and Action Plan will present an integrated approach to advance the reduction of emissions across transport modes, alternative fuel, new technology and enabling infrastructure.

Box 1.1: Australia's plan to become a renewable energy superpower

The challenge to reach net zero emissions is transforming the global economy. Australia's unique resources, abundant sun, wind and land, and skilled workforce means this transformation presents a significant opportunity. This Budget invests a further $4 billion in our plan to become a renewable energy superpower, lifting the Government's total investment in this plan to over $40 billion.

Powering Australia with clean, cheap and reliable energy

The Government has committed $23 billion to grow and modernise our electricity grid, boosting energy performance and supporting electrification.

Through its $20 billion Rewiring the Nation program, the Government is unlocking investment in our electricity grid, allocating over $12 billion to priority transmission projects since its commencement. This Budget announces initial auctions under the Capacity Investment Scheme, which is the first step towards unlocking $10 billion of investment in dispatchable renewable generation and storage. This builds on existing investments in Community Batteries for Household Solar, Community Solar Banks and First Nations Community Microgrid program.

Australia can also drive down energy costs by boosting energy efficiency and accelerating electrification. This Budget commits $1.3 billion in the Household Energy Upgrades Fund and provides a further $310.0 million in support through the Small Business Energy Incentive to encourage energy saving upgrades. The over $800.0 million in support for electric vehicles, including support for the introduction of a fuel efficiency standard, will also drive electrification in our transport system.

Powering net zero industries, jobs and communities

The Government has also committed $17 billion to convert Australia's renewable energy, critical minerals, skilled workforce into broader competitive advantages.

The $2.0 billion Hydrogen Headstart will support Australia's renewable hydrogen sector to mature, and the Guarantee of Origin scheme will enable exporters to verify emissions of products and certify renewable electricity. The more than $2 billion invested in critical minerals industry development and international partnerships will put Australia at the centre of net zero supply chains.

The Powering Australia Industry Growth Centre and the up to $3.0 billion of the National Reconstruction Fund earmarked for renewables and low emissions technologies will broaden these advantages to adjacent industries, and the $1.9 billion Powering the Regions Fund will ensure net zero drives growth across regions that have traditionally powered Australia.

This Budget puts Australia's plan to become a renewable energy superpower at the centre of the Government's growth strategy and marks the next phase of its implementation with the announcement of the Net Zero Authority, which will ensure all Australians benefit from this economic transformation.

Powering net zero industries and jobs

The global investment landscape for renewable energy and clean energy manufacturing has been transformed through significant international policies such as the United States' Inflation Reduction Act, the European Green Deal and major new policies announced by Japan, India, Canada, and other nations. These international investments will put downward pressure on the costs of some net zero technologies, and demonstrate the increasingly competitive international investment landscape. The Government is taking action to support Australia's growing clean industries and realise the opportunities of the net zero transformation.

The Government's commitment to supporting the net zero transformation is underpinned by clear and legislated emissions reduction targets of 43 per cent by 2030 and net zero by 2050. This shift to a low carbon economy presents Australian regions with enormous opportunities and requires coordinated effort by all levels of government and industry.

Building clean energy industries

The Government is supporting green hydrogen projects through the $2.0 billion Hydrogen Headstart. This program will support large-scale renewable hydrogen projects through competitive hydrogen production contracts, which will help attract foreign and domestic investment to Australia's hydrogen industry. The program also includes $2.0 million in funding to support First Nations communities to engage in relevant planning processes.

This Budget provides $38.2 million to establish a Guarantee of Origin scheme to track and verify emissions associated with hydrogen and low emissions products, as well as provide an enduring mechanism to certify renewable electricity. It will underpin long-term contractual arrangements between producers and consumers, supporting international trade and the creation of domestic markets.

The Government is providing $57.1 million to develop a Critical Minerals International Partnerships program to secure strategic and commercial partnerships with like-minded partners and develop diverse and resilient critical mineral supply chains. This builds on the existing $2 billion Critical Minerals Facility and the $15 billion National Reconstruction Fund, for which the Government has allocated $1 billion for investments in value-adding in resources, including processing minerals.

The Government is providing $14.8 million to establish the Powering Australia Industry Growth Centre, which will support Australian businesses looking to manufacture, commercialise and adopt renewable technologies. This is in addition to the up to $3.0 billion allocated to investments in renewables and low emissions technologies, including green metals, under the National Reconstruction Fund.

Recognising the intensifying competitiveness of the international clean energy investment landscape, the Government will also provide $5.6 million to analyse the new implications for Australia, and to identify potential actions to catalyse growth in clean energy industries, to ensure the competitiveness of Australian manufacturing and attract capital investment.

Sustainable finance

The Government is committing $8.3 million over 4 years to develop and issue sovereign green bonds, $1.6 million to co-fund with the private sector the development of an Australian sustainable finance taxonomy, and $4.3 million to bolster ASIC's enforcement action against greenwashing. This lays the foundation for an Australian Sustainable Finance Strategy which will support the financial system to fund the transformation to net zero, and ensure Australian firms remain competitive in global capital markets.

Establishing a Net Zero Authority

This Budget funds the establishment of a national Net Zero Authority, with responsibility for promoting the orderly and positive economic transformation associated with achieving net zero emissions.

The Authority will work across all levels of government and with workers, companies, investors, and communities to facilitate economic development and diversification and help smooth the changes as Australia moves to a clean energy economy.

The Authority will also ensure workers are supported as they transition to new opportunities and support First Nations Australians to meaningfully participate.

The Authority will include a focus on the regions, industries and workers that have traditionally powered Australia's economy. As some industries adapt and transition, the Authority will work to ensure new industries come online, and workers, communities and regions are supported.

Safeguard Mechanism and Powering the Regions Fund

The Government's landmark reforms to the Safeguard Mechanism commence on 1 July 2023 and will drive down industrial emissions, assisting Australia to reach its emissions reduction targets. The reforms to the Safeguard Mechanism provide certainty for businesses and will ensure industry remains competitive in a decarbonising global economy. The Government will ensure the Safeguard Mechanism's effectiveness through a review into its policy settings in 2026–27.

In tandem with the reforms to the Safeguard Mechanism, the Powering the Regions Fund will assist regional industries to realise the opportunities of the net zero transformation through the establishment of 3 key streams. The $600.0 million Safeguard Transformation Stream is allocated for trade-exposed Safeguard facilities and will assist these facilities in reducing their on-site emissions and boost their global competitiveness.

The $400.0 million Industrial Transformation Stream for existing industrial facilities will support the growth of new clean energy industries in regional areas, decarbonising existing industrial activities and transforming traditional strengths, such as green manufacturing.

The $400.0 million Critical Inputs to Clean Energy Industries Stream will support sovereign manufacturing capability of critical inputs to the energy transformation, such as steel, cement, lime, and aluminium. This will support these industries to continue manufacturing while reducing their emissions as well as ensuring access to critical inputs for the transformation.

A sustainable future

Australia's natural environment is both an important economic asset and globally unique in its cultural heritage value. The Government is ensuring Australia continues to be adaptable to the changing global climate and is committed to protecting our environment for future generations to experience and enjoy.

Protecting Australia's unique natural environment

The Government will enhance the ecological sustainability of the Murray-Darling Basin by continuing to deliver on its commitment to implement the Murray-Darling Basin Plan. This Budget includes $103.7 million to undertake the first statutory review of the Murray-Darling Basin Plan, which will help develop adaptation pathways to respond to new challenges and conditions.

The Government is delivering on its Nature Positive Plan, including $121.0 million to establish Environment Protection Australia and $51.5 million to establish Environment Information Australia. The implementation of the Nature Positive Plan will restore public trust in environmental laws and ensure integrity and efficiency in regulatory approvals.

The Government will spend $355.1 million to address chronic underfunding of our National Parks including Kakadu and Uluṟu-Kata Tjuṯa. This includes the funding for Muṯitjulu First Nations community identified above. This investment will help preserve the natural and cultural heritage value of Parks, address safety concerns and replace ageing visitor infrastructure.

Safeguarding and supporting agricultural output

Consistent with the Government's election commitment, the Budget includes ongoing funding to strengthen Australia's biosecurity system. More than $1.0 billion of additional funding will help ensure Australia remains free from invasive pests and diseases that would impact trade, jobs, regional Australia, health outcomes and the environment. The Government's biosecurity regime underpins the farming sector's record $75 billion in agricultural exports.

Through its National Water Grid Fund, the Government is increasing water security for Tasmanian irrigators. This Budget includes $109.0 million towards construction of the Northern Midlands Irrigation Scheme and $62.1 million for the Sassafras-Wesley Vale Irrigation Scheme.

The Government is increasing irrigators' confidence in water trading markets in the Murray-Darling Basin. The Budget includes $32.7 million for the Bureau of Meteorology to develop reliable data and information systems, including a website with accurate minute-by-minute water market data, enabling greater information sharing and restoring transparency, integrity, and confidence in key water markets. Improved water market data will also help the Government more efficiently implement the Murray-Darling Basin Plan.

The Budget includes $38.3 million to enhance the Government's capacity to help farmers manage the impacts of climate change and to better target its agriculture related expenditure. The Australian Bureau of Agricultural and Resource Economics and Sciences will be able to collect better agricultural statistics, improve its climate analysis and upgrade its data and information systems.

Disaster resilience and preparedness

The Government is helping Australian communities improve their disaster readiness in the face of more frequent and intense natural disasters. In 2023–24, the Government is providing $200.0 million through the Disaster Ready Fund to support projects across Australia, including levee and drainage system upgrades, building seawalls, bushfire risk reduction projects and more.

Australia's extreme weather has tested the resilience of many individuals and communities, with widespread flooding across many parts of Australia due to 3 consecutive La Niña events. The Government has continued to move quickly to support impacted communities to get back on their feet, providing $1.5 billion to individuals since July 2022 through the Disaster Recovery Allowance and Australian Government Disaster Recovery Payment. Since the October Budget, the Government has committed over $1.4 billion for its share of targeted assistance under Category C and D of the joint Commonwealth-State Disaster Recovery Funding Arrangements. The Government expects to reimburse the states and territories $8.4 billion over 5 years from 2022–23 to 2026–27 for costs incurred in relation to past disasters.

Investing in strategic industries

Building the foundations of a stronger and more secure economy will require both the development of new industries and the repair and expansion of Australia's existing industrial capacities. This Budget makes targeted investments to support those new industries and build new sovereign defence capabilities. These will be critical to taking full advantage of the transformation of our economy, deliver advanced technologies for Australia's national security and repairing the supply chains that are needed now and into the future.

National Reconstruction Fund

Building on the October Budget measure, the Government will provide $61.4 million of funding to support the establishment and operation of the $15 billion National Reconstruction Fund. The Parliament passed the *National Reconstruction Fund Corporation Act 2023* on 29 March 2023, and it received Royal Assent on 11 April 2023, paving the way for the appointment of the Corporation's Board and the National Reconstruction Fund's launch, expected in mid-2023.

The National Reconstruction Fund will be one of the largest peacetime investments in manufacturing in Australian history. It has been designed to build Australia's industrial capability, with a focus on 7 priority areas that leverage Australia's natural and competitive strengths – renewables and low emissions technologies; medical science; transport; value-add in the agriculture, forestry, and fisheries sectors; value-add in resources; defence capability; and enabling capabilities. Investing in these priority areas will diversify and transform domestic industries, improve supply chain resilience, and ensure businesses are positioned to realise the opportunities presented by the net zero economic transformation.

Industry Growth Program

The new $392.4 million Industry Growth Program will support Australian small to medium-sized enterprises and startups to commercialise their ideas and grow their operations. This recognises the important contribution small and medium-sized enterprises make, and the role they play in transforming the Australian economy and creating new, high skill jobs. Support will be targeted towards businesses operating in the priority areas of the National Reconstruction Fund.

Securing Australia's Nuclear Medicine and Science Capability

The Government will support the resilience of nuclear medicine supply chains through the design and construction of a new, safe and reliable nuclear medicine manufacturing facility and sustainment of existing capabilities. Nuclear medicine is critical to Australia's health system, touching the lives of thousands of Australians each year. Maintaining a nuclear medicine sovereign capability will reduce the risk of unplanned supply disruptions and promote positive health outcomes for Australians, especially in regional areas.

Building up our defence capability

The Government is also committed to using Australia's expertise in science and technology so that the Australian Defence Force has cutting-edge capabilities. This includes funding of $3.4 billion over the next decade, to establish the Advanced Strategic Capabilities Accelerator. This investment will transform Australia's defence innovation ecosystem to urgently deliver advanced technologies for Australia's national security.

Growing Australia's Critical Technology Industries

Critical technologies are key to driving Australia's future prosperity. The Government is providing $101.2 million, to support the growth of critical technologies, including quantum and artificial intelligence (AI) technologies. This will support a Critical Technologies Challenge Program, beginning with a focus on quantum computing. It will also extend the National AI Centre and its role supporting responsible AI usage, and will create an Australian Centre for Quantum Growth to connect and amplify Australia's quantum ecosystem.

Through these targeted investments, the Government will accelerate the adoption and diffusion of critical technologies across the economy, helping Australian businesses innovate in their business operations and develop new products.

National Cultural Policy

The *National Cultural Policy—Revive:* a place for every story, a story for every place is a 5-year plan to renew and revive Australia's arts, entertainment, and cultural sector. Backed by $286.0 million in dedicated funding, *Revive's* centrepiece is the establishment of Creative Australia, the Government's new principal arts investment and advisory body.

Building on *Revive*, a further $535.3 million will support the 9 National Collecting Institutions (including the National Library of Australia and the National Gallery of Australia), to preserve and promote Australian arts, culture, and heritage. In addition, ongoing incentives for the film industry will support economic activity, jobs and local businesses in the film and television industry.

Supporting small business

Innovative and hardworking small businesses are a key foundation of the economy, and the Government is making it easier for small businesses to continue their critical role in securing Australia's future prosperity.

Small and medium business investment

The Government is improving cash flow and reducing compliance costs for small businesses by providing a $20,000 instant asset write-off. Small businesses with aggregated annual turnover of less than $10 million will be able to immediately deduct eligible depreciating assets costing less than $20,000, which are first used or installed ready for use between 1 July 2023 and 30 June 2024. The $20,000 threshold will apply on a per asset basis, so small businesses can instantly write off multiple assets. The $20,000 instant asset write-off is estimated to provide around $290.0 million in cash flow support for small businesses over the forward estimates.

A new Small Business Energy Incentive will complement the $20,000 instant asset write-off. It will help small and medium businesses complete energy saving upgrades and reduce their power bills. Up to 3.8 million small and medium businesses with aggregated annual turnover of less than $50 million will have access to a bonus 20 per cent tax deduction for the cost of eligible depreciating assets, from 1 July 2023 until 30 June 2024. The Small Business Energy Incentive will be available for up to $100,000 of total expenditure on eligible assets.

This incentive is estimated to provide $310.0 million in tax relief, helping pay for upgrades like electrifying heating and cooling systems, installing batteries, and switching to energy-saving electrical goods such as efficient fridges and induction cooktops. At a time when small businesses are working to bounce back from challenging economic conditions, this incentive will help them lay the foundations for their future growth and build their resilience to energy price shocks.

Reducing the time small businesses spend doing taxes

The Government is delivering on its election commitment to reduce the time small businesses spend doing taxes through carefully targeted measures – saving small businesses both time and money which is better spent on growing their business.

These measures will make interactions with the ATO quicker and cheaper. The measures will allow more time for small businesses to amend tax returns, trial ATO independent reviews of audits for an expanded population of small businesses, and reduce the use of cheques. Unnecessary duplication of paperwork for Single Touch Payroll lodgments will be eliminated by allowing employers to provide their tax agents with authority to act on their behalf for extended periods.

In addition, the Budget will also fund an additional 5 tax clinics from 1 January 2025, with at least 2 of these additional clinics delivered through TAFEs. Expanding free clinics to TAFEs, which have a strong presence in regional areas, will assist small businesses who do not currently have easy access to professional tax assistance.

Small business cyber security program

The Budget provides $23.4 million to support small businesses to build resilience to cyber threats. Small and medium businesses are the target of 60 per cent of cybercrime, which is now costing Australia more than $33.0 billion in reported losses per year. The Cyber Wardens program will address this vulnerability by equipping small businesses with the foundational skills they need to improve cyber safety. This program will be delivered by the Council of Small Business Organisations Australia and will support more than 15,000 small businesses.

Investing in a stronger, more productive and safer digital future

Data and digital transformation continue to present new opportunities for governments, businesses, communities, and households to change the way Australians live and work. This Budget ensures Australians are at the forefront of the digital economy while protecting them from the potential risks of the digital transformation. The Government is investing more than $2.0 billion in 2023–24 in digital and ICT to deliver easy, accessible, and secure services for people and businesses.

Consumer Data Right

The Government is continuing its investment in the Consumer Data Right (CDR) with $88.8 million to support the CDR in banking, energy and the non-bank lending sectors, progress the design of action initiation and undertake a cyber security uplift. This provides Australian consumers, both individuals and small businesses, with a more secure way to safely share data online. The CDR gives consumers an enhanced ability to control and benefit from the sharing of their data. The CDR will empower consumers to make better informed decisions and find better prices from everyday utilities to the most competitive home loans for their circumstances.

Protecting Australians against scams

Harnessing the benefits of the digital economy also increases the risks of some consumer harms. Australians are losing billions of dollars each year to scams, with the scale of loss increasing as scammers use sophisticated emerging technology to make scams harder to identify. The Government has responded by strengthening scam detection and disruption measures, including providing $58.0 million to deliver on its commitment to establish a National Anti-Scam Centre. It will commit $17.6 million to take down investment scam and phishing websites, and $10.9 million to launch and maintain an Australian SMS Sender ID Registry to help prevent scams imitating key industry or government brand names in text message headers.

Expanding Digital ID

Australia's identity system is critical national infrastructure that enables a wide range of services across the economy. This system includes solutions such as Digital ID, which can provide a secure, voluntary and convenient way to verify a person's identity online, while minimising collection of their personal information. The Government is investing $26.9 million in 2023–24 to sustain and develop the next stage of the Digital ID program. This will help increase consumer protection, reduce the chances of fraud occurring, improve efficiency, and make it easier for people to access services online.

Digital systems that drive better care

Improving the use of data and digital technology is a key pillar of the Government's vision to strengthen Medicare. Modernising Australia's digital health system will improve the coordination of care and lead to better patient outcomes. The Government is providing $325.7 million to establish the Australian Digital Health Agency as an ongoing entity, securing its role as the steward of the nation's digital health infrastructure. The Government will also invest $429.0 million to maintain and enhance the My Health Record system and $69.7 million for other digital health initiatives. The Government has provisioned funding to the next Digital Health Intergovernmental Agreement with all states and territories.

Investing in people and their skills

The strength of Australia's economy both today and into the future is built on a well-trained workforce. This Budget makes investments to give Australians access to the skills and training opportunities they need for rewarding work, and ensure Australia has the skilled workforce needed for critical industries and high-quality services.

Expanding access to quality training

The Government is delivering on its commitment from the Jobs and Skills Summit to improve apprenticeship support services, increase the diversity of the apprentice workforce and drive up apprenticeship completion rates. The Government is consulting on a redesign of the program which aims to improve access to secure and rewarding jobs, and address industry needs through apprenticeship pathways. Reforms are aimed at removing barriers for women seeking a career in higher paid trade occupations and strengthening supports for apprentices with disability, First Nations apprentices, and apprentices in remote areas. These aspiring apprentices – who typically have lower completion rates – will have access to personalised support and mentoring from commencement through to completion of their apprenticeship. Past program experience shows that apprentices who receive support services like mentoring are more likely to complete their apprenticeship.

The Government is expanding access to foundation skills training. The redesigned foundation skills program delivers on the Government's commitment at the Jobs and Skills Summit, and will ensure all Australians 15 years and over can access training to develop the language, literacy, numeracy and digital skills required to successfully participate in work, education and society.

The Australian Skills Guarantee ensures 1 in 10 workers on major Government-funded construction and ICT projects will be an apprentice or trainee, and it will start to address long-term structural problems of gender inequality in apprenticeships. It will set national targets for women apprentices and trainees working on these projects, and a further target for women in trade roles. Targets for women apprentices in construction will increase annually. This will more than double participation for women in apprenticeships and traineeships, and triple participation in trade apprenticeships, on Skills Guarantee construction projects by 2030.

To strengthen and reform the VET sector over the long term, the Government and states and territories are negotiating a new 5-year National Skills Agreement to commence from 1 January 2024. The new Agreement will ensure a responsive VET sector that is able to provide the right training for critical and emerging industries, and it will provide additional support for priority groups including women and First Nations Australians. The Government is providing funding for 300,000 TAFE and vocational education training places to become fee-free. This will assist students with cost-of-living challenges and enable them to gain the skills that employers need.

Teacher Workforce Action Plan

In addition to the $328.0 million committed in the October Budget to address teacher shortages, the Government will contribute a further $9.3 million to help attract, train and retain teachers as part of implementation of the National Teacher Workforce Action Plan. This includes additional assistance for early career teachers and guidance to support delivery of changes to the national curriculum. This is on top of previously announced initiatives including more university places, scholarships and a campaign to raise the status of the profession.

Support for the Early Childhood Education and Care Workforce

This Budget is investing $72.4 million to support the skills and training of workers in the early childhood education and care sector. This includes $34.4 million to support educators to undertake professional development and $37.9 million to provide financial assistance for educators to complete their practicum requirements for a Bachelor or postgraduate degree

Statement 2: Economic Outlook

Global growth is set to slow considerably in 2023. High inflation, sharply rising interest rates, and a tightening in financial conditions associated with recent banking sector strains are all weighing on activity. These factors are expected to more than offset the boost from the earlier-than-anticipated reopening of China's economy, following the lifting of pandemic restrictions from December 2022 onwards.

Global growth is expected to slow from 3.4 per cent in 2022 to 2¾ per cent in 2023, before a modest pick-up to 3 per cent in 2024 as inflation eases and financial conditions improve. Growth over the next 2 years is expected to be the weakest in over 2 decades, excluding the Global Financial Crisis and the pandemic. The global outlook remains highly uncertain with the balance of risks firmly tilted to the downside. Recent banking sector stress has added to the elevated risk of recession in some advanced economies.

The Australian economy is not immune from these global economic challenges, but it is well placed to navigate them. The unemployment rate is holding near 50-year lows of 3.5 per cent, wages growth has picked up, and national income is being supported by elevated commodity prices, which are flowing through to higher export revenues. These factors have helped to deliver solid growth in 2022–23.

While the Australian economy is expected to outperform all major advanced economies, global and domestic headwinds will be a drag on activity in 2023–24. High inflation and the rise in interest rates are squeezing households and weighing on dwelling investment. A rebound in services exports is helping to offset the slightly faster downturn in domestic demand than anticipated at the October Budget, with real GDP growth unchanged at 1½ per cent in 2023–24. Employment growth is expected to moderate as the economy slows, but to a lesser extent than expected at the October Budget. The unemployment rate is projected to remain low by historical standards, rising modestly to 4¼ per cent by the June quarter of 2024 and 4½ per cent by the June quarter of 2025.

Economic growth is expected to strengthen in 2024–25 as inflation returns to target and positive real wage growth continues. The economy is forecast to expand by 2¼ per cent in 2024–25 and 2¾ per cent in 2025–26. The continued recovery in population growth and an associated increase in investment in new housing will reinforce the expected rebound.

Inflation has peaked and begun to moderate. While still uncomfortably high, inflation outcomes have been less severe than in Europe, the UK and US. Domestic inflation peaked at 7.8 per cent in the December quarter of 2022, fell to 7.0 per cent in the most recent quarter, and is expected to return to the inflation target in 2024-25. The global price shocks and supply constraints that contributed to the surge in inflation over the past year are easing, although oil prices remain above pre-COVID levels and market rents are expected to remain elevated.

The Government's measures to deliver cost-of-living relief directly reduce the CPI in 2023-24, and are not expected to add to broader inflationary pressures in the economy. These measures are expected to reduce inflation by ¾ of a percentage point in 2023–24.

Nominal wage growth has picked up and is expected to build to 4 per cent in 2023–24, its fastest pace since 2009. The pace is then projected to ease to 3¼ per cent in 2024–25 as the labour market softens and administered wage outcomes normalise. There is no evidence of a wage-price cycle developing and inflation expectations remain well-anchored. The lift in wages growth has been supported by the Fair Work Commission determinations on the minimum wage and will be assisted further by the Aged Care Work Value Case.

With inflation moderating and wages picking up, positive real wage growth is expected to return in early 2024. This is slightly earlier than anticipated in October, largely due to the reduction in inflation from the Government's Energy Price Relief Plan. Responsible and targeted cost of living relief, indexation of government allowances and pensions and the potential impact of the Annual Wage Review decision will also support many low-income households.

There are significant risks to the economic outlook. Further tightening in global monetary policy in response to more persistent global inflation or a deterioration in financial conditions could trigger a more pronounced slowing in the world economy. This would spill over to commodity prices, consumer and business confidence and real activity. Uncertainty also remains about the ongoing impacts of Russia's invasion of Ukraine. Domestic inflation could be more persistent, which would dampen household spending through further reductions in real incomes and higher-for-longer interest rates. Consumer spending could also soften more than anticipated if households become more cautious in the face of the current cost-of-living pressures.

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Outlook for the international economy

Outlook for global growth

Elevated core inflation, sharp rises in interest rates and tighter financial conditions are all expected to constrain growth in advanced economies in 2023 to well below the pre-pandemic average. These pressures will more than offset the boost from the earlier-than-anticipated reopening of China's economy and unexpected resilience to date in advanced economies, most notably in the United States and euro area.

Global growth is expected to slow from 3.4 per cent in 2022 to 2¾ per cent in 2023. A modest pick up to 3 per cent is then expected in 2024, as inflation and financial conditions begin to ease. Overall, growth over 2023 and 2024 is projected to be the weakest 2 years in over 2 decades, excluding the Global Financial Crisis and the pandemic. The earlier-than-anticipated reopening of China's economy has led to an upgrade in Major Trading Partner growth by ¼ of a percentage point to 3¼ per cent in 2023. Australia's growth is expected to exceed all major advanced economies in 2023 (Chart 2.1).

The full effect of the rapid tightening in monetary policy has yet to flow through the global economy. Growth in some advanced economies has been surprisingly resilient, including the United States, but there are clear signs that higher interest rates are weighing on demand, particularly in the housing sector. Financial market participants anticipate policy rates have now peaked in the United States and are expected to fall over the course of the year (Chart 2.2). However, central banks are yet to signal that an easing in monetary policy is appropriate in 2023.

Recent bank collapses in the United States have added additional uncertainty to the outlook. There is potential for further disruption as the economy and financial sector continue to adjust to higher interest rates. Swift and coordinated regulatory responses have helped to avert a broader systemic financial shock, allowing financial markets to stabilise. Nevertheless, stresses have exposed vulnerabilities in parts of the global banking system, heightened investor risk aversion and generated tighter financial conditions for households and firms. This will weigh on growth, particularly in the United States and Europe.

The outlook for growth in advanced economies remains highly uncertain with risks firmly weighted to the downside. Financial conditions could deteriorate once again if markets become concerned about the health of financial institutions. The rapid rise in interest rates could also lead to a sharper slowdown in investment and consumer spending (and therefore growth) than currently anticipated. This outcome would be further compounded if inflation in advanced economies proves more persistent, requiring a more sustained tightening in monetary policy than currently expected.

Offsetting these developments in advanced economies has been the improved outlook for growth in China following its rapid transition from zero-COVID policy settings over December 2022 and January 2023. The removal of activity restrictions led to a strong rebound in activity in the March quarter, driven by greater household consumption of services. This recovery has led to an upgrade to China's forecast growth to 5¾ per cent in 2023, comfortably above the Chinese authorities' 5 per cent target. This has also led to an upgrade in Major Trading Partner growth by ¼ of a percentage point to 3¼ per cent in 2023.

The reopening of China's economy has been accompanied by supportive policy settings. Fiscal support introduced last year is still flowing into infrastructure investment. There are also tentative signs China's property market may now be improving following the introduction of policy support for developers in late 2022. Households in China have responded positively to the reopening of the economy, although weak consumer confidence remains a key downside risk for the outlook.

Growth in Other East Asia and India will slow in 2023 due to tighter monetary policy and high inflation. Additionally, the slowing of advanced economies will crimp growth in export-driven economies of Other East Asia. However, China's reopening will support activity across the region, with Asia expected to outperform the global average over the forward estimates.

Table 2.1: International GDP growth forecasts(a)

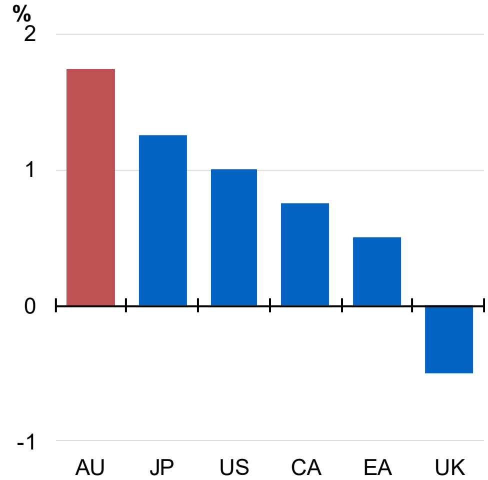
	Outcome	Forecasts (Calendar Years)		
	2022	2023	2024	2025
Australia	3.6	1 ¾	1 ½	2 ¾
China	3.0	5 ¾	4 ½	4 ½
India	6.7	5 ½	6 ¼	6 ¾
Japan	1.0	1 ¼	¾	1
United States	2.1	1	¾	2 ¼
Euro area	3.5	½	1	1 ¾
United Kingdom	4.1	-½	½	2 ¼
Other East Asia (b)	4.4	3 ¼	4	4 ¼
Major trading partners	3.0	3 ¼	3 ¼	3 ½
World	3.4	2 ¾	3	3 ½

a) World and Other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP). Growth rates for major trading partners are calculated using Australian goods and services export trade weights.

b) Other East Asia comprises Indonesia, Malaysia, the Philippines, Thailand, Vietnam and Singapore, along with Hong Kong, South Korea and Taiwan.

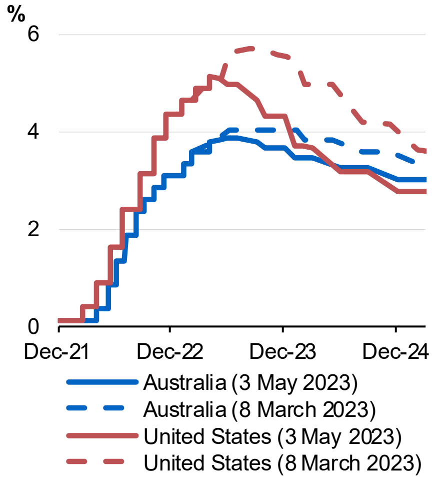
Source: National statistical agencies, IMF, Refinitiv and Treasury.

Chart 2.1: 2023 growth forecasts



Source: Treasury.
Note: AU is Australia. JP is Japan. US is United States. CA is Canada. EA is euro area. UK is United Kingdom.

Chart 2.2: Market-implied policy rate expectations

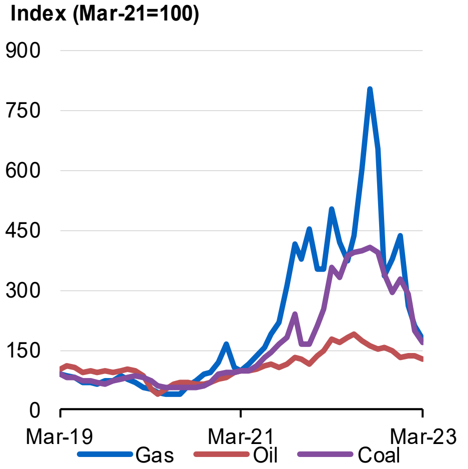


Source: Bloomberg.
Note: Derived from OIS market pricing

Outlook for global inflation

Inflation in advanced economies is expected to gradually decline over 2023 and 2024. Food and energy inflation is expected to subside as commodity markets continue to adjust to Russia's invasion of Ukraine (Chart 2.3). Broader pandemic-induced supply and demand dynamics are also rebalancing, which is reflected in the easing of supply chain bottlenecks for goods and falling global shipping prices (Chart 2.4). Nevertheless, in some countries, including the US, inflation is proving relatively sticky and is not expected to return to target until 2025.

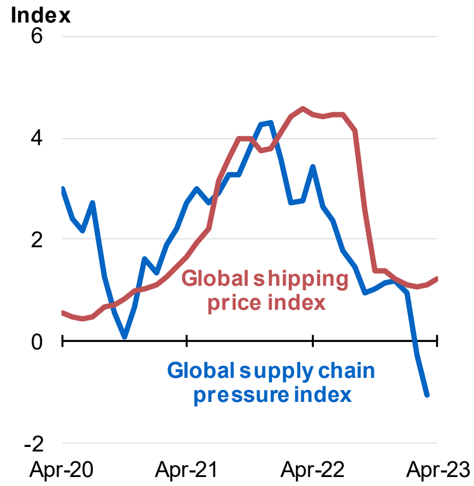
Chart 2.3: Global energy spot prices



Source: IMF and Refinitiv.

Note: Oil prices include Brent, WTI and Dubai Fateh. Gas prices include European, Japanese and American prices. Coal prices include Australian and South African prices.

Chart 2.4: Supply chain pressures



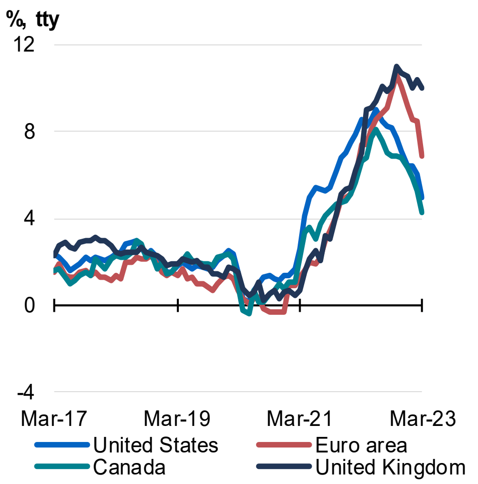
Source: Federal Reserve Bank of New York, Harper Petersen & Co and Refinitiv.

Note: Global shipping price index is the HARPEX container shipping index, which is in nominal terms. The long-term average index value for supply chain pressures is zero.

Core inflation remains more persistent than headline inflation (Chart 2.5 and 2.6). There are signs core inflation has moderated in the United States and Canada, but in the euro area and United Kingdom the pass through of sharper energy price inflation has limited any moderation. Strong services inflation is being led by inflation in travel services, as the industry struggles to meet the sharp recovery in demand. Services categories exposed to earlier goods price inflation, such as motor vehicle insurance and repair and food-related services, are also contributing.

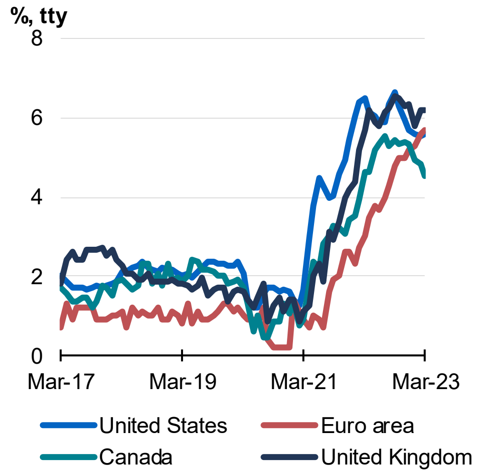
Labour markets have remained tight in many countries, with unemployment rates at or below pre-pandemic levels. This has driven elevated wages growth, which is contributing to stronger services inflation. However, the risk of a wage-price spiral in advanced economies is receding, as the pace of wage growth has moderated in some countries, including the US and Canada.

Chart 2.5 Headline inflation



Source: Refinitiv, US Bureau of Labor Statistics, Statistics Canada, Eurostat and Office of National Statistics United Kingdom.

Chart 2.6 Core inflation



Source: Refinitiv, US Bureau of Labor Statistics, Statistics Canada, Eurostat and Office of National Statistics United Kingdom.

Oil prices are well below the levels seen over 2022, despite the recent announcement of quota cuts by OPEC+. Limited inflows of Russian piped natural gas and the need to build LNG trade infrastructure in the US and Europe means the global gas market will remain structurally tight until around 2026. In the meantime, natural gas will remain vulnerable to weather-related price spikes, particularly during the northern hemisphere winter. Gas and thermal coal prices are likely to move together in response to these demand side shocks, as electricity generators switch fuel sources to minimise costs.

China is the most notable exception to the current period of elevated global inflation. There are few signs of a broad-based pick-up in consumer prices, with inflation remaining below the government's target of around 3 per cent. Chinese export prices moderated in early 2023, consistent with easing supply chain pressures.

Global policy and financial conditions

Policymakers globally continue to use a range of tools to bring down inflation while balancing growth, cost-of-living pressures, and financial stability considerations. Monetary policy has been the main tool deployed to slow demand and bring down inflation. Many countries have used targeted fiscal policies to offset the impact of elevated cost-of-living pressures on their most vulnerable households. More recently financial regulators have acted swiftly to address bank failures, backstopped by central banks' liquidity actions, to stem the risk to the broader financial system.

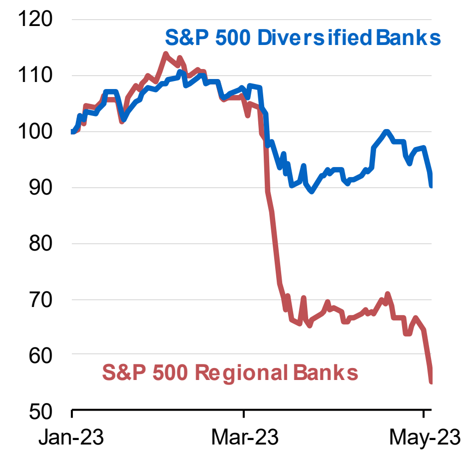
After a period of synchronised rapid interest rate hikes, many central banks have now slowed the pace of tightening. Some, including the Bank of Canada and Bank of Korea, have paused rate hikes to assess the economic impact of their cumulative increase. The most significant exceptions to the tightening of macroeconomic policy globally are China and Japan, where monetary policy remains accommodative.

Market volatility and measures of financial market stress have increased since March triggered by the collapse of two US regional banks and concerns about the long-term viability of Credit Suisse which was ultimately resolved through a government-facilitated takeover by UBS. In early May the US government also facilitated the sale of another US regional bank, First Republic. Global policy makers' swift and coordinated response to these events, which included protection of depositors and the provision of liquidity by central banks, mitigated broader systemic impacts.

While most large US and European banks' share prices have stabilised, prices for many mid-sized and smaller banks remain well below earlier levels (Chart 2.7). Sentiment among investors and deposit holders also remains fragile and commercial real estate exposure is seen as another potential source of vulnerability, especially among small banks who hold the majority of outstanding commercial real estate loans in the US (Chart 2.8).

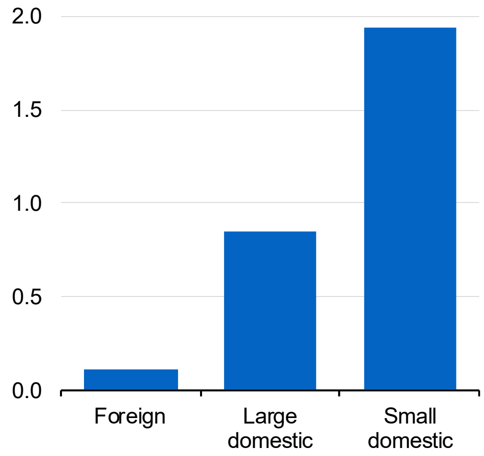
In emerging market and developing countries, the combination of higher borrowing costs and the slowing in growth is generating debt distress. In April, the IMF highlighted that over 50 per cent of low-income developing countries are either in or at high risk of government debt distress, and about 25 per cent of emerging market economies are at high risk. Limited fiscal space could curtail policy options for these countries and contribute to further instability in the global economy.

Chart 2.7: S&P 500 US bank indexes



Source: Bloomberg.

Chart 2.8: Commercial real estate loans in the US by type of lender



Source: United States Federal Reserve and Refinitiv.

Note: Large domestic banks are the top 25 US-chartered banks ranked by US assets. Small domestic banks hold around 29 per cent of all US bank assets. Data covers the week ending 19 April 2023.

Key risks to the international outlook

The international outlook remains highly uncertain, with the balance of risks firmly tilted to the downside. There remains an elevated risk of recession across major advanced economies. An immediate and potentially significant downside risk to the global economy is an escalation of the recent banking sector stress (Box 2.1).

These events have complicated the task of central banks in setting monetary policy. Most central banks have acknowledged the tightening in financial conditions due to the recent bank failures may limit the extent of further increases in policy rates. However, the extent and impact of this tightening in financial conditions is highly uncertain and difficult to quantify, increasing the risk that central banks over- or under-estimate the amount of additional monetary policy tightening required to bring inflation sustainably back to target.

While headline inflation is expected to continue to fall, core inflation may remain more persistent than expected. Additionally, energy and food markets remain vulnerable to extreme weather events, which have become more common, and to an escalation of Russia's invasion of Ukraine. Either event could require tighter monetary policy and a larger increase in unemployment if the associated higher prices flow through to core inflation or increase inflation expectations.

There are also upside risks to growth. If the banking sector stress remains contained and the flow of credit is not materially impacted, this could see stronger outcomes for investment, consumer spending and labour markets. Additionally, in some countries, such as the US, wage growth is moderating whilst employment growth remains robust. If this trend continues, inflation may be able to return to target without the economy slowing as much as currently expected.

Outlook for major trading partners

China's economy is forecast to grow by 5¾ per cent in 2023 and 4½ per cent in 2024 and 2025. The sudden removal of strict COVID-19 containment measures led to a strong rebound in the services sector in the March quarter of 2023 (Chart 2.9), as consumption of services picked up. There are also early signs of an improvement in China's property sector following the policy support introduced in late 2022, which will flow through to dwelling construction. With Chinese consumer confidence still fragile, the rebound in consumption over the rest of the year is expected to moderate.

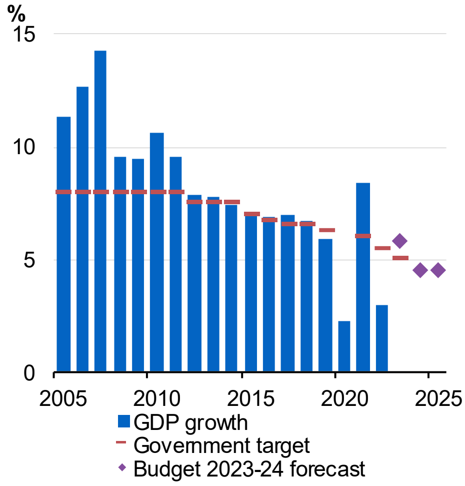
Near-term risks to the Chinese economy are broadly balanced. A faster-than-expected slowing of global demand may lead to further falls in exports and weaker growth. Alternatively, a quicker-than-expected recovery in domestic consumption or property investment could strengthen and accelerate the rebound.

The 2023 growth target of "around 5 per cent" announced at the National People's Congress in March is the lowest in China's recent history (Chart 2.10). The target is likely to be easily exceeded this year as the economy benefits from the rebound out of pandemic restrictions. However, growth above 5 per cent will be more difficult to achieve in future years due to structural pressures, including demographic trends and slowing productivity growth.

Chart 2.9: China Services Purchasing Managers' Index

Source: Bloomberg and National Bureau of Statistics, China.

Chart 2.10: Chinese GDP growth forecasts



Source: Refinitiv, Treasury and National sources.

The **United States** economy is forecast to grow by 1 per cent in 2023, ¾ per cent in 2024 and 2¼ per cent in 2025. The cumulative effects of monetary policy tightening and tighter credit conditions due to banking sector stresses are expected to see US growth slow sharply over the remainder of 2023, with a recession remaining a risk. This follows unexpectedly solid growth in late 2022 and early 2023, underpinned by still firm employment growth and the inflation-indexed increase in income tax brackets. Weakness in interest rate-sensitive components of domestic demand, including housing and commercial property investment, will lead the slowdown and in turn flow through to slower employment, income and consumption growth.

The US Congress will need to raise the Federal government debt ceiling later this year to avoid disruption to day-to-day government activities. In January 2023 the US Treasury enacted extraordinary measures to avoid a technical default after reaching its debt ceiling. If action by Congress to raise or suspend the debt ceiling is delayed this could generate volatility in financial markets, which could weigh on credit flows and broader economic activity.

The **euro area** economy is forecast to grow by ½ per cent in 2023, 1 per cent in 2024 and 1¾ per cent in 2025. Activity was flat in the December quarter of 2022 and growth was weak in the March quarter of 2023 as uncertainty and high inflation weighed on household consumption. Despite growth stalling, this outcome was stronger than the expected economic contraction, with milder than expected winter temperatures and significant fiscal packages buffering the impact of the earlier energy price shock.

High inflation continues to weigh heavily on the outlook, with core inflation higher than the beginning of 2023. The European Central Bank has responded by continuing to raise interest rates at its recent policy meetings.

Vulnerabilities in the European financial system were exposed in March when Credit Suisse customers and investors became concerned about its long-term viability, forcing a government-facilitated takeover by UBS. Uncertainty continues to be high as other European banks face increased scrutiny over their exposures. This financial sector stress will likely weigh on growth by impairing the flow of credit and undermining confidence. As such, growth is expected to remain weak in 2023. Beyond 2023, a pick-up is expected as moderating inflation generates an improvement in real household incomes and allows some mild easing in policy interest rates.

Growth in **Japan** is expected to be 1¼ per cent in 2023, ¾ per cent in 2024 and 1 per cent in 2025. Growth in 2023 will be supported by record levels of fiscal support and a recovery in services consumption following the pandemic, as consumer confidence, although depressed, continues to improve. The resolution of global supply chain constraints is expected to support Japanese manufacturing, particularly in the auto industry.

Monetary policy will likely remain accommodative and support growth, with inflationary pressures limited compared to other economies. Annual wage negotiations for 2023 delivered the largest pay increase in multiple decades, but they only cover a small portion of Japan's workforce.

Growth is expected to slow in 2024 as base effects dissipate and fiscal policy becomes less expansionary. Japan remains vulnerable to recessionary risks in the United States and euro area, which would reduce Japan's export volumes and dampen business investment.

The **United Kingdom** economy is forecast to contract by ½ per cent in 2023, before growing by ½ per cent in 2024 and 2¼ per cent in 2025. Growth slowed substantially over 2022, with the economy only narrowly escaping a technical recession in the second half of the year as high energy prices held back consumption. Economic activity is expected to contract across 2023 as the impacts of monetary tightening continue to build, household purchasing power remains weak and increases in personal and company taxes take effect. As inflation moderates, improvements in real household incomes and some easing of financial conditions are expected to lead to a pick-up in growth over 2024 and 2025.

Risks are tilted to the downside and the United Kingdom economy is vulnerable to being adversely affected by financial sector stress. Domestic inflationary pressures and wage growth have continued to be strong, and markets expect further interest rate hikes from the Bank of England. Nevertheless, inflation is expected to return to target as energy inflation subsides and a period of weak growth sees supply and demand rebalance.

The economies of **Other East Asia** are forecast to grow by 3¼ per cent in 2023, 4 per cent in 2024 and 4¼ per cent in 2025. Growth will slow in 2023 due to tighter monetary policy and high inflation. Partially offsetting this will be the benefits from China's reopening, including increased international tourism. In contrast, the slowing of advanced economies in 2023 will weigh on export demand. Risks remain tilted to the downside with the region vulnerable to the uncertain global outlook, elevated inflation and high interest rates.

India's economy is forecast to grow by 5½ per cent in 2023, followed by 6¼ per cent in 2024 and 6¾ per cent in 2025. While growth is expected to slow in 2023, India will remain one of the fastest growing major economies. Growth has been resilient in recent quarters but momentum has slowed as the pandemic rebound has faded. Elevated inflation and higher interest rates are likely to weigh on domestic demand in the near term, while strong government investment is expected to be a key source of growth.

Box 2.1: Global financial stress scenario

The Budget economic outlook incorporates a moderate tightening in global financial conditions arising from recent instability in the global banking system. To assess the uncertainty around the forecasts, Treasury has also modelled the impact of an escalation of global financial sector stress on the global and Australian economies.

The scenario assumes there are further failures of small financial institutions internationally. Financial authorities contain the fallout and quarantine the affected institutions, limiting contagion and preserving the sound functioning of the global financial system. Nonetheless, further instability leads to a significant deterioration in investor sentiment, additional tightening in global credit conditions and negative impact on global consumer and business confidence.

While not immune to the effects of global financial instability, the Australian banking system is well-placed to absorb shocks emanating from overseas. Australia's unquestionably strong prudential requirements, introduced in January 2023, exceed international standards in several areas. As a result, Australian banks have strong capital positions and liquidity coverage.

Nonetheless, in the scenario additional global investor uncertainty is expected to impact the Australian economy. Financial and other asset prices fall, and heightened investor risk aversion contributes to a material tightening in domestic financial conditions. Reduced household and business confidence would slow consumption and investment and contribute to weaker employment growth. Weaker global activity would also weigh on demand for Australian exports.

In the scenario, global growth in both 2023 and 2024 slows to 2 per cent rather than 2¾ per cent and 3 per cent, respectively, in the forecasts. Australian growth would slow to 1¼ per cent in 2023 and 1 per cent in 2024, around ½ of a percentage point lower than in the forecasts (Chart 1). The Australian unemployment rate rises somewhat more quickly and to a higher level than in the forecasts, reaching a rate of 5¼ per cent in June 2025 rather than 4½ per cent (Chart 2).

Growth in Australia would likely prove more resilient compared with other advanced economies that are more directly exposed to the banking sector failures. A more severe shock that effects the core of the global financial sector, similar to developments during the Global Financial Crisis, would have a more severe impact on the world economy and Australia.

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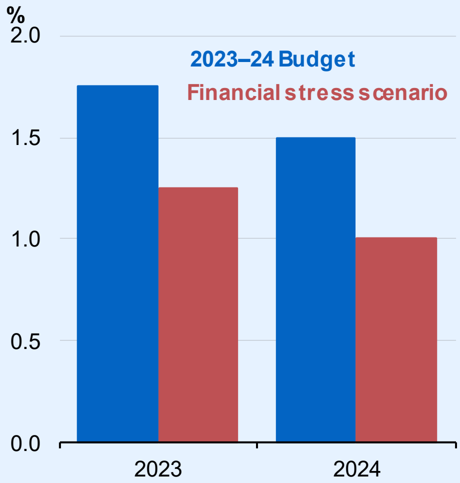
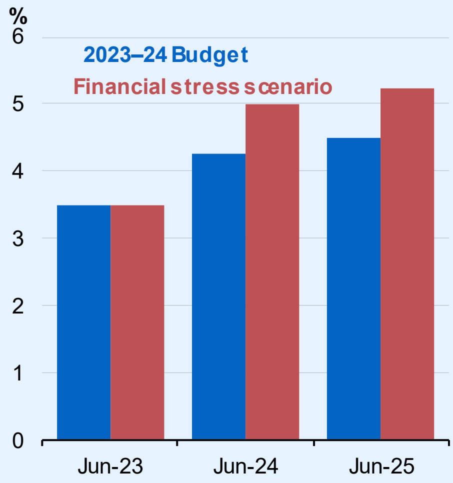
Box 2.1: Global financial stress scenario (continued)

Chart 1: Annual GDP growth, Australia



Source: Treasury.

Chart 2: Unemployment rate, Australia



Source: Treasury.

Outlook for the domestic economy

The Australian economy has shown resilience to global headwinds, supported by a post-pandemic rebound in household spending, strong employment growth and a pick-up in wages. National income is also being supported by elevated commodity prices. Real GDP growth is expected to be 3¼ per cent in 2022–23.

But the economy is not immune to the global slowdown and there are clear signs that domestic demand is responding to higher interest rates and other cost-of-living pressures. This slowing was expected in the October Budget, but has materialised slightly earlier than anticipated, with consumers and the housing sector most exposed. This is being offset by a stronger than expected rebound in service exports following the reopening of international borders. Overall, the near-term outlook for real GDP growth is unchanged from the October Budget, slowing to 1½ per cent in 2023–24, and then strengthening to 2¼ per cent in 2024–25 (Chart 2.11).

Inflation peaked at the end of 2022 and is now moderating. Supply constraints and the impact of Russia's invasion of Ukraine have begun to subside and the Government's Energy Price Relief Plan is expected to further reduce inflation in 2023–24. This should see inflation return to the RBA's target band in 2024–25, although cost-of-living pressures will remain a near term weight on households.

Financial markets and market economists now expect the cash rate to remain at 3.85 per cent until early 2024, before gradual cuts back to 3 per cent by June 2025. This is slightly above expectations at the October Budget, which will put a further drag on consumption and dwelling investment activity once the backlog of work is completed in the near term. Both have been downgraded since the October Budget.

Business investment is expected to support activity, underpinned by the strong pipeline of work and a need to add capacity to meet the level of demand. Adding to the recovery in services exports, mining and rural export volumes are forecast to recover after weather-related disruptions. Spending on goods imports and overseas travel by Australians is expected to moderate, in line with more subdued domestic demand.

The tight labour market has persisted but is expected to gradually soften in response to slowing demand. Employment growth will be supported by stronger migration, with a projected increase of 1 per cent in 2023–24. This is ¼ of a percentage point stronger than the October Budget. The unemployment rate is expected to increase modestly from a near 50-year low of 3.5 per cent to 4¼ per cent by the June quarter of 2024, and 4½ per cent in the June quarter of 2025. Even with this modest rise, the unemployment rate is expected to remain low by historical standards. The labour force participation rate is expected to fall slightly to 66¼ per cent in the June quarter of 2025, but remain at high levels.

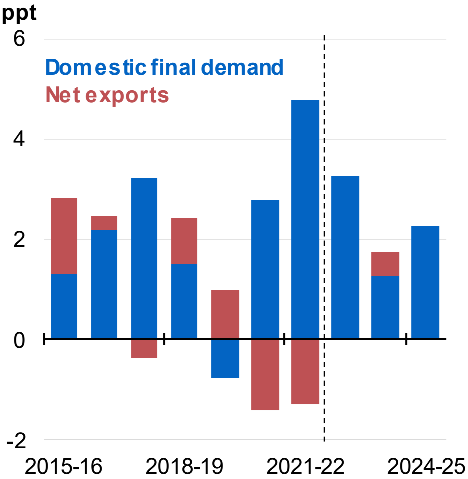
The strength of recent labour market outcomes is flowing through to wages, with growth projected to reach 4 per cent in 2023–24, its fastest pace since 2009. The Fair Work Commission's forthcoming Minimum Wage Determination and the Aged Care Work Value Case are also assumed to contribute strongly to wages growth in the near term. Wage growth is expected to remain robust at 3¼ per cent in 2024–25, materially faster than the outcomes achieved in the decade prior to the pandemic. This pick-up in wages growth remains consistent with inflation returning to the target band in 2024–25.

The combination of stronger nominal wages growth and easing inflation is supporting an earlier and stronger return to real wage growth. Annual real wage growth is now expected to resume in early 2024, for the first time since early 2021 and slightly ahead of the October Budget forecasts. By the June quarter of 2024, real wages are expected to grow by ¾ per cent, helping to drive the recovery in domestic activity through 2024–25 (Chart 2.12).

There are downside risks to the economic outlook. A key risk is a potential worsening of global financial conditions, which could impact confidence and global growth. Were this to materialise, lending conditions in Australia would tighten, households could become more cautious and businesses could delay investment decisions.

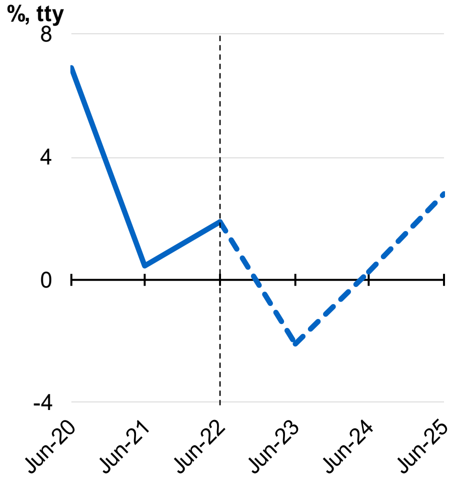
More persistent global inflation than currently anticipated could result in tighter global monetary policy, which would further slow global growth, and dampen confidence and export earnings. Domestically, the ongoing cost-of-living pressures may see households reduce their spending more than is anticipated. Any additional persistence in inflation that keeps interest rates higher for longer would further heighten this risk.

Chart 2.11: Domestic and net export contribution to growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.12: Real disposable income growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Table 2.2: Domestic economy – detailed forecasts[a]

	Outcomes	Forecasts		
	2021-22	2022-23	2023-24	2024-25
Real gross domestic product	**3.7**	**3 1/4**	**1 1/2**	**2 1/4**
Household consumption	3.7	5 3/4	1 1/2	2 1/2
Dwelling investment	2.9	-2 1/2	-3 1/2	-1 1/2
Total business investment[b]	6.1	3	2 1/2	2
By industry				
Mining investment	8.4	0	2	1 1/2
Non-mining investment	5.4	4	2 1/2	2
Private final demand[b]	4.3	4	1	2 1/4
Public final demand[b]	6.5	1 3/4	1 1/2	2
Change in inventories[c]	0.1	0	0	0
Gross national expenditure	5.1	3 1/4	1	2 1/4
Exports of goods and services	-0.3	8	6	3 1/2
Imports of goods and services	7.0	9	4	3 1/2
Net exports[c]	-1.3	0	1/2	0
Nominal gross domestic product	11.0	10 1/4	1 1/4	2 1/2
Prices and wages				
Consumer price index[d]	6.1	6	3 1/4	2 3/4
Wage price index[d]	2.6	3 3/4	4	3 1/4
GDP deflator	7.0	7	- 1/4	1/4
Labour market				
Participation rate (per cent)[e]	66.6	66 1/2	66 1/4	66 1/4
Employment[d]	3.6	2 1/2	1	1
Unemployment rate (per cent)[e]	3.8	3 1/2	4 1/4	4 1/2
Balance of payments				
Terms of trade[f]	11.9	1 1/2	-13 1/4	-8 3/4
Current account balance (per cent of GDP)	2.0	3/4	-2 1/2	-3 1/2
Net overseas migration[g]	184,000	400,000	315,000	260,000

a) Percentage change on preceding year unless otherwise indicated.
b) Excluding second-hand asset sales between the public and private sector.
c) Percentage point contribution to growth in GDP.
d) Through-the-year growth rate to the June quarter.
e) Seasonally adjusted rate for the June quarter.
f) Key commodities are assumed to decline from elevated levels over four quarters to the end of the March quarter of 2024: the iron ore spot price is assumed to decline from a March quarter 2023 average of US$117 to US$60/tonne; the metallurgical coal spot price declines from US$342 to US$140/tonne; the thermal coal spot price declines from US$260 to US$70/tonne; and the LNG spot price declines from US$16 to US$10/mmBtu. All bulk prices are in free-on-board (FOB) terms.
g) Net overseas migration is forecast to continue at 260,000 in 2025–26 and 2026–27.

Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level – a trade-weighted index of around 60 and a $US exchange rate of around 67 US cents. Interest rates are informed by the Bloomberg survey of market economists. World oil prices (Malaysian Tapis) are assumed to remain around US$87/barrel. Population growth is forecast to be 2.0 per cent in 2022–23, 1.7 per cent in 2023–24 and 1.5 per cent in 2024–25.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Balance of Payments and International Investment Position, Australia; National state and territory population; Labour Force Survey, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; unpublished ABS data and Treasury.

Box 2.2: Population

The pandemic resulted in the first net outflow of overseas migration from Australia since World War II. The rebound in temporary migration following the reopening of Australia's international borders was initially slow but has recently started to recover at a faster rate. This has resulted in an upgrade in the forecast level of population, even though the total number of temporary migrants arriving in Australia is not expected to make up for the loss in migration during the pandemic for some time.

Population growth is now expected to be 2.0 per cent in 2022–23 and 1.7 per cent in 2023–24, upgraded from 1.4 per cent in those years in the October Budget. Net overseas migration is forecast to be 400,000 in 2022–23 and 315,000 in 2023–24, reflecting the one-off catch up from the pandemic. This strength in migration and population growth is expected to be temporary, with migration forecast to largely return to normal patterns from 2024–25.

Even with this stronger near-term outlook, total net overseas migration is not expected to catch up to the level forecast prior to the pandemic until 2029–30. By the time border restrictions were relaxed at the end of 2021, net overseas migration was cumulatively almost 500,000 lower than expected prior to the pandemic. On current forecasts, net overseas migration will still be cumulatively 315,000 lower than pre-pandemic forecasts by June 2023 and 215,000 lower by June 2024.

Notwithstanding the recovery in net overseas migration, the total population is still expected to be 750,000 people (2.5 per cent) smaller in June 2031 compared with pre-pandemic forecasts. This is attributable to a lower fertility assumption, which was updated in early 2020 to better reflect long-running trends.

The reopening of international borders has seen a rapid recovery in the stock of international students, skilled temporary visa holders and working holiday makers in 2022–23. Second and third-year students who were studying online during the pandemic have been returning, in addition to those arriving in Australia to begin their studies. At the same time, very low temporary migrant arrivals during the pandemic now means fewer departures – those who did not arrive cannot now leave. Strong labour market conditions and increased eligibility for temporary visas with work rights are also supporting higher levels of temporary migration.

From 2023–24, arrivals of temporary migrants are expected to return to normal levels. It will take more time for departures to return to normal because of the low arrivals during the pandemic. As such, the elevated forecast for net overseas migration in 2023–24 is largely driven by fewer temporary migrants departing Australia than usual, rather than a greater number of people arriving.

Once the temporary catch-up effect from the pandemic subsides, net overseas migration is expected to return to more normal levels, falling back towards historical trends of 235,000 per year, which is the assumed level into the medium term.

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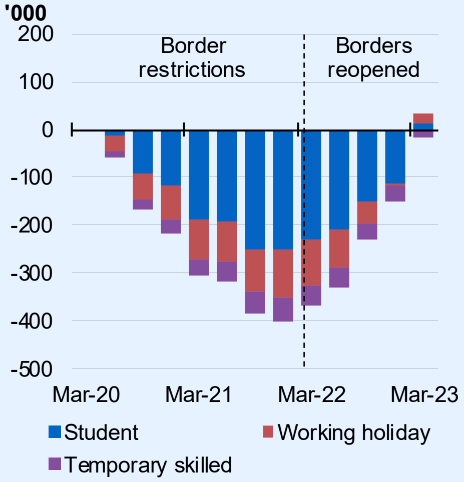
Box 2.2: Population (continued)

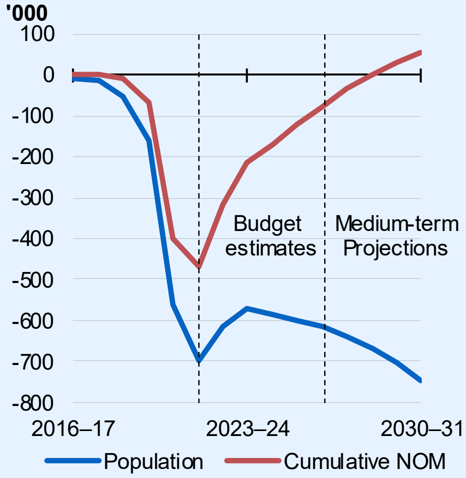
Chart 1: Selected temporary visas, changes since 31 March 2020



Source: Department of Home Affairs, Temporary entrants visa holders.

Note: Selected visas are a subset of those that contribute to net overseas migration.

Chart 2: Difference in population between 2019–20 MYEFO and 2023–24 Budget



Source: Treasury.

Note: Population is expected to be lower than in the 2019-20 MYEFO because of a lower fertility assumption.

Household consumption

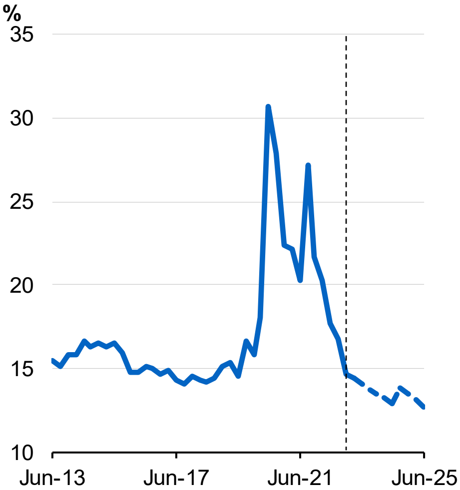
Household consumption growth is expected to slow from 5¾ per cent in 2022–23 to 1½ per cent in 2023–24. A strong post-pandemic rebound in services spending, including pent-up demand for international tourism supported consumption over 2022.

The cumulative impact of cost-of-living pressures and higher interest rates is now constraining household budgets. Recent data indicates household spending has slowed over the March quarter of 2023, and high interest rates (including the roll off of fixed-rate mortgages) will increasingly weigh on household budgets and spending over the year ahead. To maintain consumption in the face of these pressures, many households will be required to save less of their income. This is expected to see the savings ratio fall below its pre-pandemic level (Chart 2.13).

Household consumption growth is expected to rebound in 2024–25, growing by 2½ per cent (Chart 2.14). The pick-up will be driven by continued growth in household disposable income as wages lift and inflation subsides. Mirroring current spending patterns, the recovery is expected to be driven by the more cyclical components of household spending.

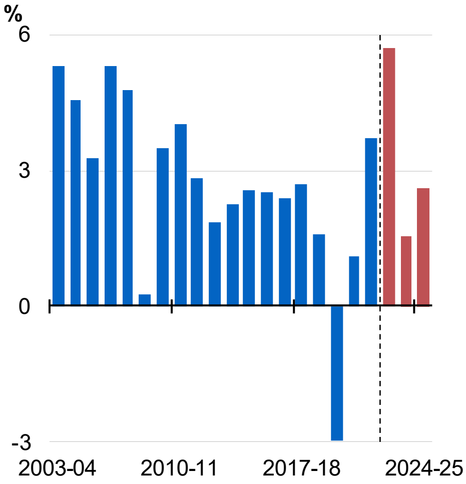
There remains significant uncertainty around how sensitive aggregate household consumption will be to current conditions. Households that built up significant buffers through the pandemic may choose to support their spending in the near term through a lower savings rate. However, a significant number of households are facing more acute budget pressures. Those with minimal savings, high debt or high rent are more vulnerable and may have to reduce discretionary spending.

Chart 2.13: Gross savings ratio



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.14: Consumption growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

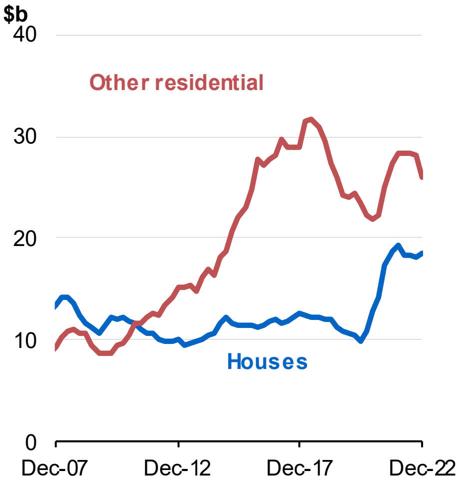
Dwelling investment

A significant pipeline of projects currently underway is supporting dwelling investment, with the sector working through the tail end of recent strong demand, supply chain delays and disruption due to floods in 2022 (Chart 2.15). As work is completed and the impact of earlier interest rate hikes and house price declines flow through the system, activity is expected to contract by 3½ per cent in 2023–24.

The downturn in activity is expected to extend into 2024–25, with a further 1½ per cent decline anticipated, before recovering strongly over 2025 and onwards. The ongoing rebound in net overseas migration, strong rental yields, expected lower interest rates and a reduction in building input costs are expected to drive the recovery, particularly in medium and high-density housing. Government initiatives to boost supply will also assist in supporting investment in new dwellings.

There is some downside risk to the near-term outlook associated with the weak financial position of a number of builders, due to elevated construction and financing costs. However, as capacity constraints ease, these pressures are expected to moderate (Chart 2.16).

Chart 2.15: Real value of residential work yet to be done



Source: ABS Building Activity, unpublished ABS data and Treasury.

Note: Nominal pipeline of residential work is deflated by dwelling prices.

Chart 2.16: House building input price growth

Source: ABS Producer Price Indexes.

Business investment

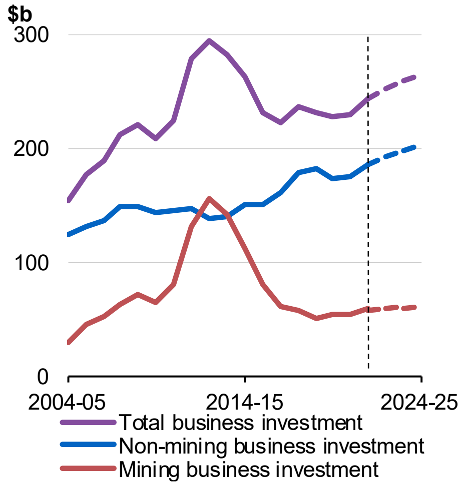
The outlook for business investment remains relatively positive, despite weakening domestic demand and the tightening in financial conditions (Chart 2.17 and 2.18). A large pipeline of construction projects will underpin the near term, and strong business balance sheets and high levels of capacity utilisation will support investment over 2023-24 and 2024-25.

Investment is expected to grow by 3 per cent in 2022–23. As overall demand in the domestic and global economy softens, momentum is expected to ease in 2023–24 and 2024–25, growing by 2½ per cent and 2 per cent, respectively. The possibility that firms may delay or cancel projects in response to elevated input costs and ongoing domestic and global headwinds remains a downside risk.

Non-mining investment is expected to be the main driver of growth in business investment over the coming years, increasing by 4 per cent in 2022–23, 2½ per cent in 2023–24 and 2 per cent in 2024–25. Ongoing upgrades to machinery and equipment and continued expenditure on construction projects is driving growth throughout these years.

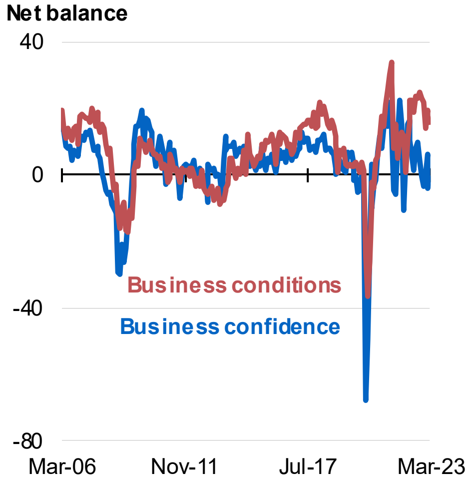
Despite high commodity prices, mining investment is forecast to be flat in 2022–23 before growing modestly over the rest of the forecast period, by 2 per cent in 2023–24 and 1½ per cent in 2024–25. The outlook primarily reflects expenditure to maintain existing resource production capacity along with a modest number of new LNG and metal ore projects.

Chart 2.17: Total, mining and non-mining business investment



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.18: Business confidence and conditions



Source: NAB Monthly Business Survey.

Public final demand

Following elevated health and related spending during the pandemic, growth in new public final demand is forecast to moderate over the forecast period. Increases in government spending are not expected to be a significant driver of GDP growth, with expenditure forecast to increase by 1¾ per cent in 2022–23 and 1½ per cent in 2023–24.

Public investment activity will remain solid as state and federal governments work through a large pipeline of public infrastructure projects. However, progress and projected delivery is anticipated to be at a slower pace than previously expected in the October Budget due to sustained capacity constraints in the sector.

Net exports

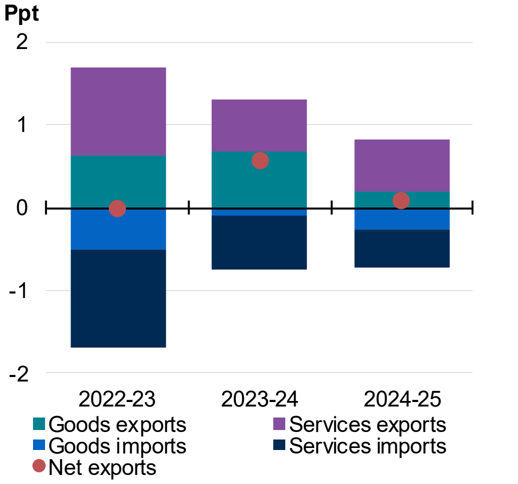
Net exports are expected to make a flat contribution to GDP growth in 2022–23, an upgrade from the October Budget. Net exports are then expected to add ½ of a percentage point to growth in 2023–24 before moderating in 2024–25 (Chart 2.19). The moderation over the period reflects slowing growth in exports, particularly for goods, alongside steady growth in imports.

Exports are forecast to grow by 8 per cent in 2022–23 and 6 per cent in 2023–24. This would be the fastest period of export growth since the early 2000s (Chart 2.20). Exports will be supported by the recovery in tourism and international education, following the prolonged period of international border closures during the pandemic. A recovery in mining exports following weather disruptions and favourable seasonal conditions which are supporting rural exports will also contribute. Export growth is expected to slow to 3½ per cent by 2024–25, as growth in mining and services exports moderates.

International education exports are now expected to reach pre-pandemic levels in 2024, a year earlier than the October Budget. An earlier-than-assumed reopening of China's borders and stronger student arrival projections from key source countries have been reflected in an upgrade to international education exports.

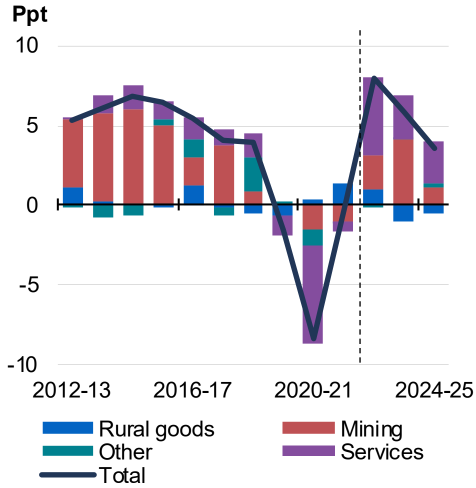
Imports are forecast to increase by 9 per cent in 2022–23, led by the ongoing recovery of services imports as Australians travel overseas in higher numbers. Growth in capital goods imports will be underpinned by continued strength in business investment. In 2023–24, goods imports growth is expected to soften in line with weaker domestic demand, before an acceleration in 2024–25 as domestic spending recovers.

Chart 2.19: Contribution to GDP growth



Source: ABS Balance of Payments and International Investment Position, ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.20: Contribution to exports growth



Source: ABS Balance of Payments and International Investment Position and Treasury.

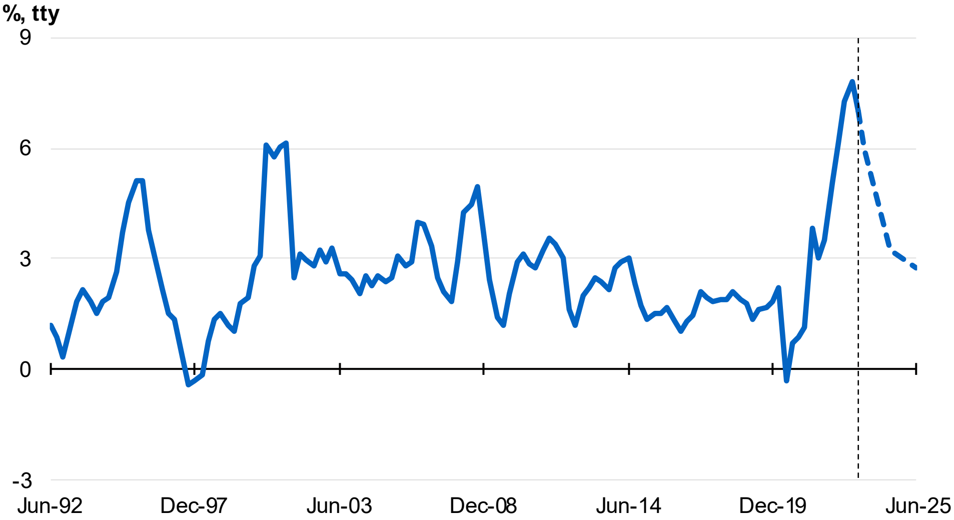
Note: 'Other' includes exports of non-commodity goods and additive differences due to rebasing of volume change measures.

Inflation

As expected, inflation in Australia peaked in late 2022 and has begun to moderate. Annual inflation fell from 7.8 per cent through the year to the December quarter of 2022 to 7 per cent in the March quarter of 2023. Inflation is expected to return to the RBA target band in 2024–25 (Chart 2.21). The global price shocks and supply constraints that contributed to the large increase in inflation over the past year are easing. The Government's Energy Price Relief Plan is expected to significantly lower inflation in 2023-24 by around ¾ of a percentage point. High goods inflation is giving way to a pick-up in services inflation in some areas, including rents. Over the medium term, the impact of temporary price shocks is expected to ease, keeping inflation in the RBA's target band.

Global and one-off supply factors played a significant role in the recent inflation spike, and these are expected to dissipate. Supply disruptions associated with the pandemic and Russia's invasion of Ukraine saw the cost of imported goods rise steeply over 2022, reversing the trend of weak or declining import prices prior to the pandemic. Some of these supply factors are starting to wane, with recent data suggesting import prices have eased considerably, causing a decline in some goods prices (Chart 2.22).

Chart 2.21: Headline CPI growth



Source: ABS Consumer Price Index and Treasury.

Spillovers from Russia's invasion of Ukraine resulted in very high wholesale energy prices, which have compounded temporary domestic electricity market disruptions associated with sustained under-investment in the energy transformation over the last decade. Energy price rises directly contributed around ½ of a percentage point to annual inflation in December 2022. Broader domestic supply disruptions have also contributed to high inflation. This includes the impact of 2022's flood events, which damaged fresh produce and added to existing delays and cost pressures in residential construction (Chart 2.23).

While severe, the high inflation episode in Australia is proving to be less pronounced than in Europe, the UK and US. This may partly reflect important structural differences between the economies. Growth in the supply of labour due to a strong increase in the participation rate helped Australia avoid the widespread labour shortages and unsustainable wage growth seen in some other countries over the past 2 years. In December 2022, the Government also took action to limit further impacts of global energy prices caused by Russia's invasion of Ukraine on domestic energy prices.

In the near term, annual inflation is expected fall to 6 per cent over the year to the June quarter of 2023. This slight upgrade since the October Budget reflects broad-based price pressures in recent CPI outcomes. Inflation is then projected to moderate to 3¼ per cent to the June quarter of 2024, which is lower than the October Budget, and to 2¾ per cent to the June quarter of 2025.

The downgrade in 2023-24 is linked to government policy interventions to directly ease cost-of-living pressures, and these measures are not expected to add to broader inflationary pressures in the economy. The Government's Energy Price Relief Plan is expected to reduce headline inflation by ¾ of a percentage point by the June quarter of 2024. Further relief includes increased rental assistance payments and lowering the cost of some medicines.

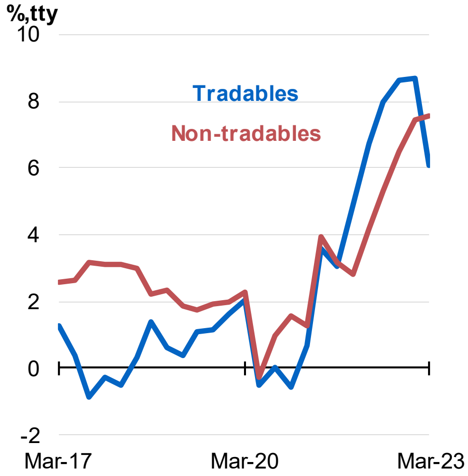
Average rental costs are expected to pick up in the next few years as increases in advertised rents flow through to existing lease agreements when they are renewed. The rental market is currently very tight, with national vacancy rates at near record lows of around 1 per cent and advertised rents growing at over 10 per cent as of April 2023. Demand has increased sharply, driven by a fall in average household size through the pandemic (some of which may reverse) and the reopening of international borders. Conversely, material and labour constraints affecting the residential construction sector have limited the capacity for housing supply to keep up with growing demand. The Government's decision to increase Commonwealth Rent Assistance will help support the most vulnerable households with these pressures, and along with other measures to boost the supply of housing will help reduce pressures on rents and inflation.

The Government's Energy Price Relief Plan is expected to reduce inflation by ¾ of a percentage point in 2023–24, including the expected impact of electricity rebates (Box 2.3). Average national retail electricity prices are now forecast to rise by around 10 per cent in 2023–24, which is much lower than the earlier estimate of 36 per cent without the Government's intervention. Households eligible for electricity bill relief will generally face smaller price increases. Retail gas prices are now forecast to increase by 4 per cent in 2023–24 compared to the October Budget forecast of 20 per cent.

Energy prices in 2024–25 are highly uncertain. Based on the limited information currently available, Treasury has assumed that energy prices will not contribute materially to inflation in 2024–25. Wholesale electricity futures trading to date imply a small decline in retail electricity prices assuming other factors remain constant. The unwinding of rebates will increase retail prices, and further upward pressure could materialise if global energy markets remain structurally short and as new regulated network determinations take effect. Given the current uncertainty, it is assumed that electricity prices grow in line with CPI inflation in 2024-25.

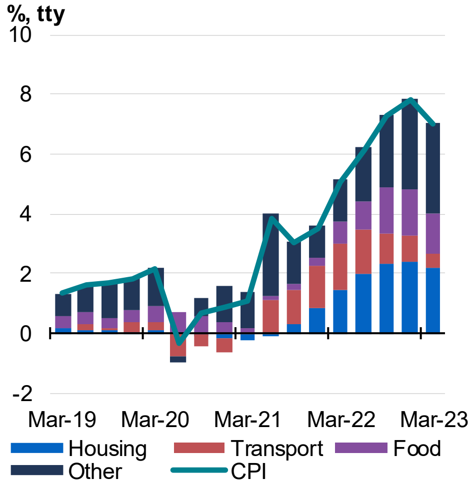
There is significant uncertainty surrounding the outlook for inflation. Recent global supply shocks are unwinding as expected, but further shocks cannot be ruled out. The extent to which households adjust consumption patterns in response to cost-of-living pressures also presents a risk to the inflation outlook.

Chart 2.22: Tradables and non-tradables inflation



Source: ABS Consumer Price Index and Treasury.

Chart 2.23: Inflation components



Source: ABS Consumer Price Index and Treasury.

Note: Contributions prior to September 2022 are back-cast using 2022 CPI expenditure weights.

Box 2.3: Impact on inflation of interventions in domestic energy markets

In December 2022, the Government introduced the Energy Price Relief Plan to shield Australians from the worst impacts of the extraordinary energy price increases that were projected for 2022–23 and 2023–24. The intervention temporarily caps wholesale gas and coal prices and provides targeted energy bill relief for households and small businesses. It also announced a mandatory Code of Conduct for wholesale gas sales to ensure Australian households and businesses have access to gas at reasonable prices, and to establish a more level playing field for negotiations between gas producers and customers.

The intervention was in response to extreme increases in international wholesale energy prices in 2022, associated with Russia's invasion of Ukraine. At their peak, energy prices were more than double their level in March 2021, with global gas and coal prices rising 8 and 4-fold, respectively. Despite being a net exporter of gas and coal, these international prices further disrupted local price dynamics, driving significant increases in the costs of wholesale electricity generation.

From the end of January 2022 to the release of the October Budget, wholesale electricity futures contract prices for states in the National Electricity Market (NEM) increased by between 172 per cent and 226 per cent. Following the Government announcement of energy market intervention, futures contract prices declined. Since the release of the October Budget and the end of April 2023, these prices fell by between 36 per cent and 43 per cent across states in the NEM (Chart 1).

East coast wholesale gas spot prices reached unprecedented levels, peaking at $50 per gigajoule or 5 times pre-invasion levels of around $10 per gigajoule. Wholesale gas prices have declined significantly since the intervention and have now settled at levels close to those traded prior to the invasion in early 2022.

continued over next page

Box 2.3: Impact on inflation of interventions in domestic energy markets (continued)

Chart 1: ASX Energy 2023–24 financial year base load futures contract

Source: ASX Energy.

The Government's measures are expected to directly reduce inflation by ¾ of a percentage point in 2023–24. This comprises the impact of both gas and coal price caps and the up to $3 billion in electricity bill relief, jointly funded by the Commonwealth and state and territory governments. Retail electricity price increases in 2023–24 are expected to be around 25 percentage points lower than was expected at the time of the Government's announcement. Retail gas price increases in 2023–24 are expected to be around 16 percentage points smaller than expected prior to the Government's intervention.

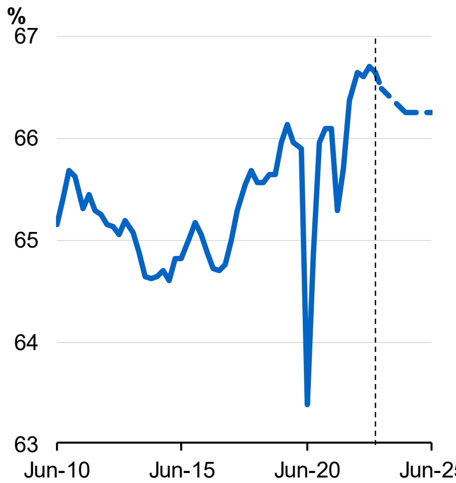
The labour market

The demand for labour is proving to be resilient to the recent softening of household consumption. Strong employment growth has kept the unemployment rate close to its near-50 year low and has encouraged many more (often marginalised) workers to join the labour force. The employment-to-population ratio and the participation rate are near record highs. These conditions have lifted prospects for cohorts who traditionally face barriers to employment. The youth unemployment rate has fallen below 8 per cent and women's participation is at a record high.

Skills and labour shortages remain present in some sectors and regions, but an increase in labour supply from higher migration will help businesses find workers and alleviate specific shortages in the near term. Employment growth has been upgraded to 2½ per cent in 2022–23, before moderating to 1 per cent growth in both 2023–24 and 2024–25 as the economy slows. The participation rate is expected to fall slightly from its recent record highs to be 66¼ per cent in the June quarter of 2025, but remain above its pre-Covid level, reflecting the structural trend of higher women's and older worker participation (Chart 2.24).

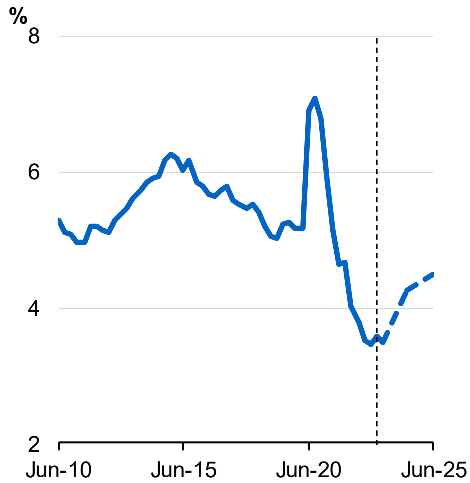
The unemployment rate is expected to remain at 3½ per cent in the June quarter of 2023. As economic growth moderates, the unemployment rate is forecast to rise modestly to 4¼ per cent by the June quarter of 2024 and 4½ per cent by the June quarter of 2025, but to still remain lower than pre-pandemic levels and by historical standards (Chart 2.25). The resilience of labour demand means the rise in the unemployment rate is expected to be more gradual, and to peak slightly later, than expected in the October Budget.

Chart 2.24: Participation rate



Source: ABS Labour Force Survey and Treasury.

Chart 2.25: Unemployment rate



Source: ABS Labour Force Survey and Treasury.

Nominal wage growth has picked up over the recent quarters and is expected to build further. There are no signs of a wage-price spiral developing and medium-term inflation expectations remain well anchored. Growth in the Wage Price Index (WPI) is expected to reach 3¾ per cent through the year to the June quarter of 2023 and 4 per cent through the year to the June quarter of 2024 (Chart 2.26). This would be the fastest nominal wage growth since 2009 and remains consistent with inflation returning to target in 2024-25. As the labour market moderates and inflation eases, growth in nominal wages is forecast to settle at 3¼ per cent through the year to the June quarter of 2025.

The lift in wages growth is being supported by the Fair Work Commission determinations on the minimum wage and Aged Care Work Value Case, which will increase the relative wages of low-paid workers. These decisions are expected to add around an additional ½ of a percentage point to wage growth in 2023–24, and provide support for Australia's low paid workers who are disproportionately impacted by price increases for essential goods and services. As a technical assumption, Treasury has assumed that the forthcoming FWC determination adopts a similar approach to last year.

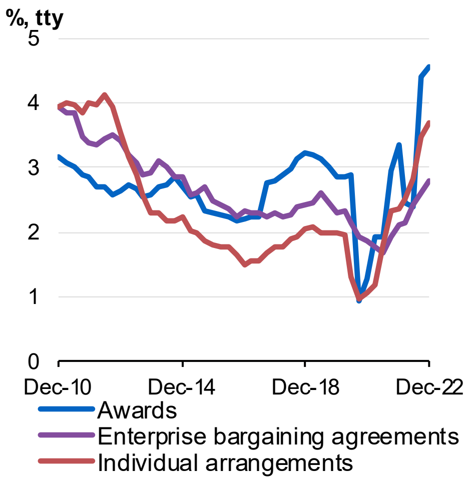
The acceleration in wage growth also reflects the lagged effect of the current tight labour market. Market sensitive individual agreements have been the biggest contributor to the pick-up in aggregate wages to date, but momentum is expected to wane as the labour market eases (Chart 2.27). A lift in public sector wages growth and the re-negotiation of multi-year enterprise bargaining agreements will partially offset this. Broader measures of wages that include bonuses, which tend to be more responsive to labour market conditions, are expected to see a more pronounced cycle.

With inflation moderating and wages picking up, positive annual real wage growth is expected to return by early 2024, increasing to ¾ per cent the June quarter of 2024. This is slightly earlier than anticipated, and an upgrade from the October Budget.

Chart 2.26: WPI growth

Source: ABS Wage Price Index and Treasury.

Chart 2.27: WPI growth by method of pay-setting



Source: ABS Wage Price Index.

Aggregate wage growth would be expected to be stronger if labour market outcomes were more robust than forecast, the large administered wage increases assumed for 2023–24 continue into future years or enterprise bargaining wage increases are larger than anticipated.

Outlook for the terms of trade

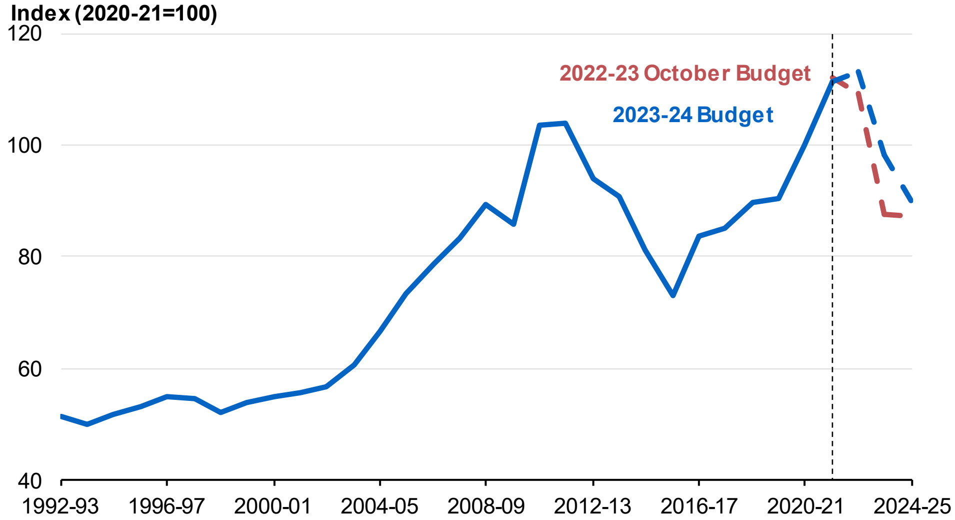
Australia's terms of trade, the ratio of export to import prices, are expected to increase by 1½ per cent in 2022–23, after rising by 11.7 per cent the year before, to reach its highest level on record. The terms of trade have been supported by strong global demand and tight global supply for Australia's key mining and rural commodity exports.

The terms of trade are forecast to decline sharply in 2023–24, driven by an assumption that bulk commodity prices return to their long-run anchors over 4 quarters (Chart 2.28). At the October Budget, commodity prices were assumed to reach their long-term levels over 2 quarters. This has now been extended to 4 quarters to better balance the risks around the near-term outlook for commodity prices.

The long-term price levels for iron ore, metallurgical coal, thermal coal and LNG spot prices have also been increased modestly to take account of recent developments in commodity markets, inflation in the mining industry and updated assessments of long-run supply and demand fundamentals. The commodity price assumptions remain conservative and at the lower range of market forecasts (Box 2.4).

The adjustment to long-term price assumptions contributes to a higher long-run level for the terms of trade relative to the October Budget, although the impact of the longer-term US-dollar price has been partially offset by an appreciation in the Australian dollar against the US dollar. Overall, the terms of trade are 2¼ per cent higher at the end of the detailed forecast period compared with the October Budget.

Chart 2.28: Terms of trade



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Box 2.4: Commodity prices

Treasury forecasts reflect a technical assumption that commodity prices return to their long-term fundamental level within the detailed forecast period. The glide path and long-term anchors are reviewed ahead of each budget update. The individual glide paths have been adjusted 12 times since 2016–17. Long-term price assumptions, specifically for metallurgical coal, were last adjusted in the 2021–22 MYEFO.

A series of significant and interrelated shocks have affected global commodity markets in recent years.

In early 2022, Russia's invasion of Ukraine precipitated a shift in global commodity supply, including a significant reduction in global gas supply and forced restructuring of global oil trade flows.

Major weather disruptions in key producing regions, including for coal production in Australia and iron ore production in Brazil, reduced both the level and reliability of non-Russian supplies to global commodity markets.

The global economy has also experienced a sustained period of cost inflation that has increased production costs across the global mining sector. Input prices for the Australian coal sector, for example, have increased by around 15 per cent since 2021. Strong cost inflation has built in a materially higher cost base across the industry that is expected to result in structurally higher prices over the medium term.

Treasury has undertaken analysis and consulted widely with market and industry participants to understand the implications of these shocks for commodity prices in both the short- and long-term. There is broad consensus that the supply shocks associated with Russia's invasion of Ukraine and Brazilian iron ore production issues will take some time to fully resolve. Energy prices in particular are expected to remain both elevated and volatile until additional LNG capacity comes online in the mid-2020s.

Consistent with the findings of this work, Treasury has updated the technical assumptions for the 2023–24 Budget to ensure they remain appropriate, fiscally prudent and reflect prevailing conditions (Table 1).

The period over which iron ore, metallurgical coal, thermal coal and LNG spot prices are assumed to return to long-term levels has been extended from 2-quarters to 4-quarters.

The long-term prices at which iron ore, metallurgical coal, thermal coal and LNG are expected to settle over the forecast period have been increased modestly.

Treasury has extended the period over which prices return to their long-term anchors to better reflect ongoing price pressures associated with current market disruptions. But this adjustment period remains highly conservative relative to market views, to account for the downside risk of sharp price corrections, such as the 50 per cent fall in thermal coal prices over the first 2 months of 2023.

continued on next page

Box 2.4: Commodity prices (continued)

Table 1: Commodity price assumptions

	2023-24 Budget		2022-23 October Budget		Market range
	Long-run price*	Adjustment period	Long-run price*	Adjustment period	Real long-run price estimates^
Iron ore	US$60	4-quarters	US$55	2-quarters	60-92
Metallurgical coal	US$140	4-quarters	US$130	2-quarters	140-200
Thermal coal	US$70	4-quarters	US$60	2-quarters	70-175
LNG	US$10	4-quarters	US$9	2-quarters	10-16

* All assumptions refer to spot prices. Iron ore – 62% Fe, free-on-board; Metallurgical coal – premium-hard low-vol, free-on-board; Thermal coal – Newcastle 6000kcal, free-on-board; LNG – Argus North East Asia.
^ 2028–2030 price horizon. Prices in real 2022–23 dollars (base year varies across contacts).

Treasury has revised higher the long-term price assumptions to reflect the higher cost environment and an updated assessment of long-run supply and demand fundamentals (Chart 1, 2, 3 and 4). There is a wide range of forecasts for long-run prices, which reflects the high degree of uncertainty around how demand and supply will evolve. Demand for resources and energy is uncertain and depends on many factors including China's maturing economy, the pace of industrialisation in India and South-East Asia, as well as the effect of climate policy. Long-run supply is also difficult to predict given uncertainty around project execution and investment plans.

Treasury's revised assumptions are at the bottom-end of the market range, and therefore remain conservative relative to broader market views. The changes are expected to reduce the likelihood and magnitude of nominal GDP and revenue upgrades in future Budget updates.

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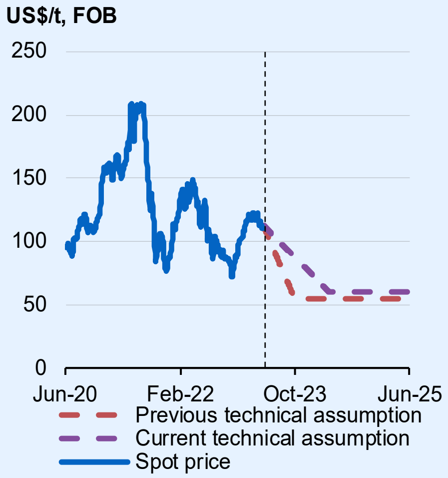
Box 2.4: Commodity prices (continued)

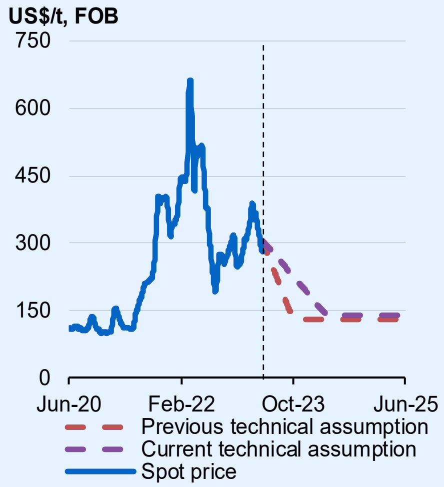
Commodity price assumptions

Chart 1: Iron ore



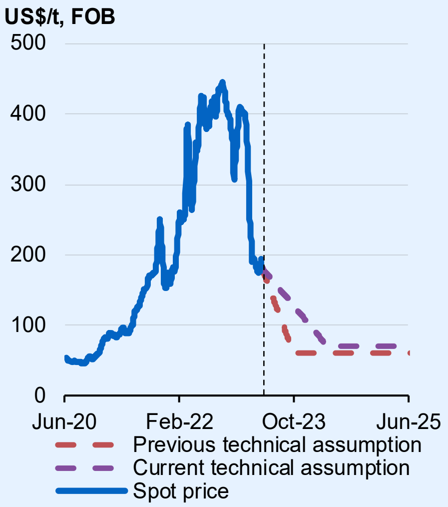
Source: Argus Media and Treasury.

Chart 2: Metallurgical coal



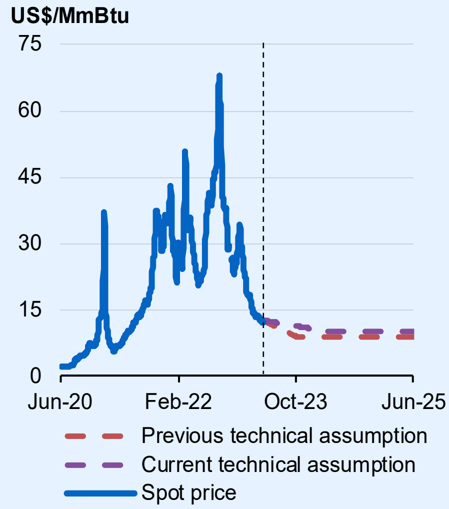
Source: Argus Media and Treasury.

Chart 3: Thermal coal



Source: Argus Media and Treasury.

Chart 4: LNG



Source: Argus Media and Treasury.

Note: Spot price data are presented as a 5-day moving average and are expressed in Free-on-Board (FOB) terms, which exclude the cost of freight. Calculations made by Treasury are based on confidential proprietary data from Argus Media under licence. Argus Media shall not be liable for any loss or damage arising from any party's reliance on, or use of, the data provided or the Treasury's calculations.

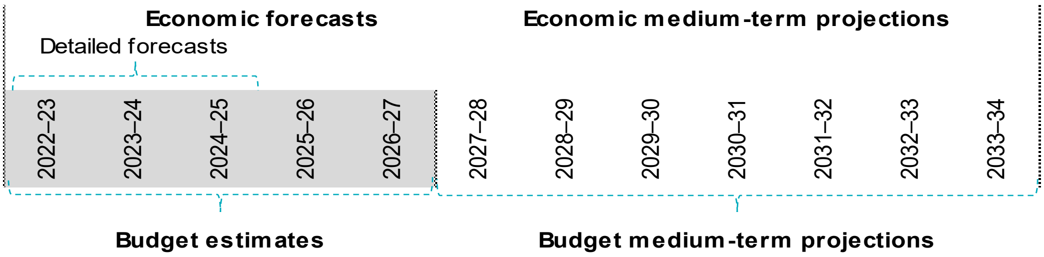
Outlook for nominal GDP growth

Nominal GDP is forecast to grow strongly by 10¼ per cent in 2022–23. The strength of the labour market, pick up in nominal wages growth, an elevated terms of trade from higher commodity prices and stronger growth in domestic prices are all contributing to this strong growth. Nominal GDP growth is then expected to slow to 1¼ per cent in 2023–24 due to the assumed decline in commodity prices, which is offset by ongoing strength in domestic prices and growth in output. Solid output growth is expected to underpin nominal GDP growth of 2½ per cent in 2024–25.

Medium-term projections

The fiscal aggregates in the Budget are underpinned by forecasts of economic activity over the Budget estimates period and projections over the medium term (Chart 2.29).

Chart 2.29: Medium-term projection period



Source: Treasury.

Treasury uses a macroeconometric model of the Australian economy for its forecasts and projections beyond the detailed forecast horizon of 2024–25. The model informs how the economy returns to its trend level of long-run output, known as potential GDP, following short-term fluctuations of the business cycle.

Potential GDP is estimated based on an analysis of trends for population, productivity, and participation. Overall changes in these trends have resulted in the level of potential GDP over the projection period being upgraded compared with the October Budget. Potential GDP growth is projected to average 2½ per cent per annum over the 2027–28 to 2033–34 projection period, unchanged from the October Budget.

Since the October Budget, both population and participation estimates have been upgraded. The population (aged over 15) has been revised up by 1½ per cent and the trend participation rate has been revised up by 1¼ per cent by 2032–33. This is in addition to an upward revision in the trend participation rate of ½ of a per cent in the October Budget.

Population growth is expected to be stronger in the near term than in the October Budget, reflecting stronger net overseas migration due to the one-off catch up from the pandemic following prolonged border closures (Box 2.2). This strength in migration and population growth is expected to be temporary, with migration forecast to largely return to normal patterns from 2024–25. Higher growth in the near term increases the size of the population across the medium term, compared to the October Budget. However, even with this upgrade, the level of population is still expected to remain below pre-pandemic forecasts over the medium term.

The upgraded trend participation rate reflects the younger age structure of the additional migrant population, as well as increases in predicted participation rates. Full-time participation rates have been increased for men aged 35–54 years and women aged 30–44 years to better capture trends in recent years. These trends will reflect a variety of factors, including migrants lifting participation rates within age-sex cohorts, and an array of societal trends and enabling policies, including increased educational attainment and increased access to child care and paid parental leave arrangements that strengthen workforce attachment.

More recent data has also flowed through to upward revisions to part-time participation rates for those aged 25–29 years. This may again reflect influences such as trends in migration and educational attainment.

By 2032–33, these forecast revisions increase the size of the labour force by 2.7 per cent compared to the October Budget. Of this, approximately 1.5 percentage points of the upgrade can be attributed to the increase in total population and 0.5 percentage points of the upgrade can be attributed to a change in age demographics. Migrants are younger than the resident population on average and have a higher participation rate. The upward revisions to participation rates for prime working age men and women increases the labour force by 0.7 per cent.

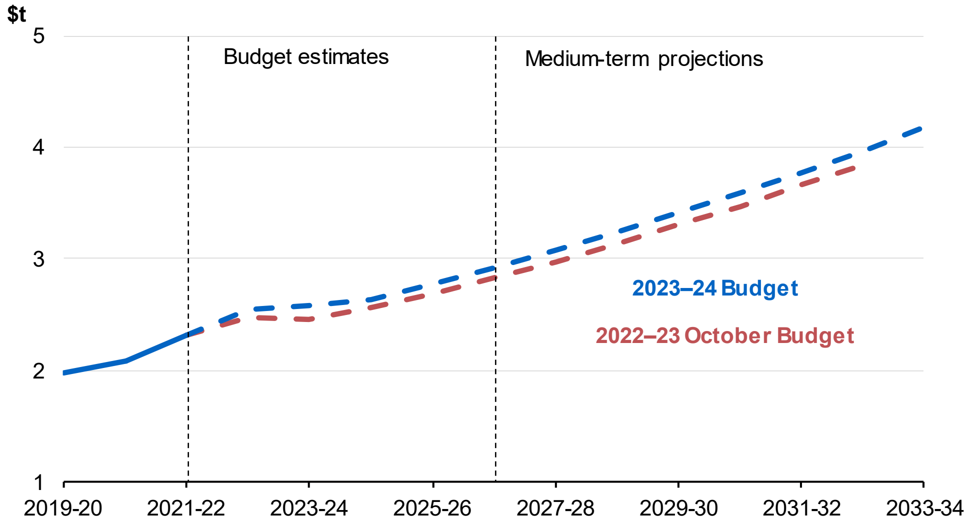
The changes to population and participation imply that there is a larger workforce available to produce goods and services over the medium term, increasing potential GDP. The unemployment rate settles at Treasury's Non-Accelerating Inflation Rate of Unemployment (NAIRU) assumption of 4¼ per cent by the June quarter 2027 and remains at that rate over the medium-term projection period.

The upgrade in the size of the workforce has been partially offset by a lower estimated level of trend productivity in the near term. Relatively weak productivity growth was evident prior to the pandemic and this has likely been exacerbated by COVID-19 related adjustments. In the long run, underlying productivity is assumed to grow at 1.2 per cent per annum, which is around the average growth rate in labour productivity over the last 20 years.

Domestic price growth converges over time to the midpoint of the RBA's inflation target band of 2.5 per cent. The terms of trade are projected to remain around their 2024–25 level over the medium term, with key commodity prices being at levels consistent with their long-term fundamentals. Nominal wage growth converges to around 3¾ per cent, reflecting the outlook for labour productivity growth and inflation.

The level of nominal GDP over the projections is higher than the October Budget, reflecting the combination of a higher domestic price level, stronger commodity export price assumptions and a higher level of potential GDP (Chart 2.30). The revision to commodity price anchors is responsible for a small share of the total upgrade.

Chart 2.30: Projected nominal GDP



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Statement 3:
Fiscal Strategy and Outlook

The Government's responsible economic and fiscal management is delivering a stronger, and more sustainable fiscal position. A budget surplus is now forecast in 2022–23, ahead of most major advanced economies, with smaller deficits and lower debt in each year of the forward estimates, compared to October. It achieves this while providing targeted cost of living relief, investing in a stronger, more secure economy, sharing opportunities in our society, and dealing with a legacy of unfunded programs.

The Government is returning most of the improvements in tax receipts to the budget. 87 per cent of tax upgrades in the past 2 Budgets are being returned (82 per cent in this Budget). The tax upgrades returned in each of the past 2 Budgets have been among the strongest on record. The Government's spending restraint has limited real payments growth to an average 0.6 per cent over 5 years from 2022–23 to 2026–27.

Returning revenue upgrades and spending restraint delivers a significant improvement in the fiscal outlook. The underlying cash balance is now expected to be in surplus in 2022–23, an improvement of $41.1 billion since October, and $82.1 billion since coming to government. This extraordinary fiscal turnaround sees the Australian Government forecast a surplus budget before most of the major advanced economies. A deficit of $13.9 billion (0.5 per cent of GDP) is expected in 2023–24, a $30.1 billion improvement on the October Budget. Over 5 years from 2022–23 to 2026–27, there is a cumulative improvement in the underlying cash balance of $125.9 billion.

Tax receipts, excluding new policies and GST, have been revised up by $114.2 billion over 5 years from 2022–23 to 2026–27. Almost 60 per cent of the upgrade occurs in 2022–23 and 2023–24, reflecting a strong labour market, a pick-up in wage growth, and ongoing high commodity prices. The strength of tax receipts is expected to moderate from 2024–25 as economic growth slows, labour market conditions ease and as commodity prices return to long-run levels.

The Budget addresses legacy issues inherited from the previous Government while delivering responsible and targeted cost of living relief. To help offset additional spending, the Government has identified $32.5 billion of budget improvements, bringing the total over the 2 budgets to $61.0 billion. This avoids fiscal policy adding to inflationary pressures while they are at their highest.

Since the October Budget, the fiscal position has improved across the medium term. The deficit is now projected to be just 0.2 per cent of GDP in 2033–34. Lower deficits delivered in the Budget reduce the need to borrow and so gross debt peaks sooner, in 2025–26, and lower than projected in October.

Structural challenges persist over the next decade. The medium-term outlook remains under pressure from fast-growing payments, including interest, the NDIS, defence, health and aged care. The Government is taking meaningful steps to reduce the structural deficit, including through moderating growth in NDIS spending and a fairer, more sustainable tax system.

Statement contents

Statement 3: Fiscal Strategy and Outlook

Since the October Budget, there has been a substantial improvement in the fiscal outlook. This is a direct outcome of the Government's strategy of returning revenue upgrades to the budget, while also delivering responsible and targeted cost of living relief, investing in a stronger, more secure economy, spreading opportunity and securing essential services.

The Government has also identified $32.5 billion in budget improvements, including $17.8 billion in spending reprioritisations over the 5 years to 2026–27.

The underlying cash balance is expected to be a surplus of $4.2 billion (0.2 per cent of GDP) in 2022–23, the first surplus since 2007–08. A deficit of $13.9 billion (0.5 per cent of GDP) is expected in 2023–24. This is $30.1 billion lower than expected in October. The underlying cash balance has improved by $125.9 billion over 5 years from 2022–23 to 2026–27.

Lower deficits delivered in the Budget reduce the need to borrow and, as a result, gross debt peaks sooner and debt is lower than projected in October. Gross debt is now forecast to peak at 36.5 per cent of GDP in 2025–26, five years earlier than the 46.9 per cent of GDP peak forecast in the October Budget for 2030–31.

Table 3.1 presents estimates and projections of the key budget aggregates.

Table 3.1: Australian Government general government sector budget aggregate

	Actual	Estimates					Projections
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total(a)	2033–34
	$b	$b	$b	$b	$b	$b	$b	% of GDP
Underlying cash balance	**-32.0**	**4.2**	**-13.9**	**-35.1**	**-36.6**	**-28.5**	**-109.9**	
Per cent of GDP	-1.4	0.2	-0.5	-1.3	-1.3	-1.0		-0.2
Receipts	**584.4**	**635.6**	**668.1**	**671.2**	**700.9**	**735.1**	**3,411.0**	
Per cent of GDP	25.3	25.0	25.9	25.4	25.2	25.2		26.3
Tax receipts	**536.6**	**588.1**	**616.3**	**614.3**	**647.8**	**680.7**	**3,147.2**	
Per cent of GDP	23.2	23.1	23.9	23.3	23.3	23.3		24.4
Non-tax receipts	**47.8**	**47.5**	**51.9**	**56.9**	**53.1**	**54.4**	**263.8**	
Per cent of GDP	2.1	1.9	2.0	2.2	1.9	1.9		1.9
Payments(b)	**616.3**	**631.4**	**682.1**	**706.3**	**737.5**	**763.6**	**3,520.9**	
Per cent of GDP	26.7	24.8	26.5	26.8	26.6	26.1		26.4
Gross debt(c)	**895.3**	**887.0**	**923.0**	**958.0**	**1,015.0**	**1,067.0**		
Per cent of GDP	38.8	34.9	35.8	36.3	36.5	36.5		32.3
Net debt(d)	**515.6**	**548.6**	**574.9**	**620.6**	**665.2**	**702.9**		
Per cent of GDP	22.3	21.6	22.3	23.5	24.0	24.1		19.9
Net interest payments(e)	**15.0**	**12.7**	**13.4**	**15.2**	**21.3**	**20.0**	**82.5**	
Per cent of GDP	0.6	0.5	0.5	0.6	0.8	0.7		0.8

a) Total is equal to the sum of amounts from 2022–23 to 2026–27.
b) Equivalent to cash payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.
c) Gross debt measures the face value of Australian Government Securities (AGS) on issue.
d) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
e) Net interest payments are equal to the difference between interest payments and interest receipts. The increase in 2025–26 primarily reflects a Treasury Indexed Bond maturing in that year (details can be found in Statement 7: Debt Statement).

Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy is making the economy and budget stronger, more resilient and more sustainable over the medium term (Box 3.1). The Strategy is consistent with the requirements of the *Charter of Budget Honesty Act 1998*, with progress reviewed each budget update.

Box 3.1: The Government's Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy will make the economy more resilient and put the budget on a more sustainable footing over time.

The strategy is focused on the objectives of strong, inclusive and sustainable economic growth, full employment, growing real wages, ensuring women's economic participation and equality, and improving living standards for all Australians.

The Government will improve the budget position in a measured way, consistent with the overarching goal of reducing gross debt as a share of the economy over time. This approach enables fiscal policy to respond to changes in economic conditions to support macroeconomic stability, including in times of high inflation.

These objectives will be achieved by investments that grow the economy and expand productive capacity, and budget discipline that restrains spending growth and enhances the quality of spending. The budget will be improved in a manner consistent with the objective of maintaining full employment, while continuing to deliver essential services.

Putting the budget on a more sustainable footing will ensure the Government has the fiscal buffers to withstand economic shocks and better manage the fiscal pressures from an ageing population and climate change.

These commitments will be underpinned by the following elements:

- Allowing tax receipts and income support to respond in line with changes in the economy and directing the majority of improvements in tax receipts to budget repair.
- Limiting growth in spending until gross debt as a share of GDP is on a downwards trajectory, while growth prospects are sound and unemployment is low.
- Improving the efficiency, quality and sustainability of spending.
- Focusing new spending on investments and reforms that build the capability of our people, expand the productive capacity of our economy, and support action on climate change.
- Delivering a tax system that funds government services in an efficient, fair and sustainable way.

Delivering on the Economic and Fiscal Strategy

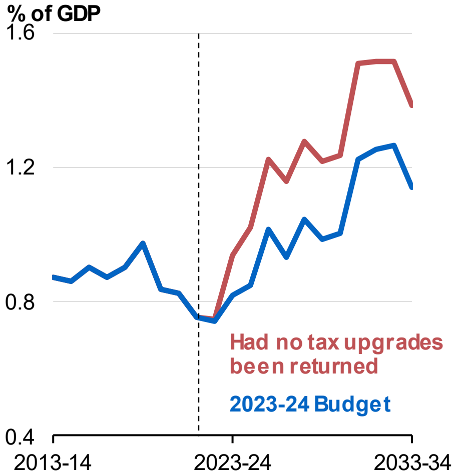
This Budget delivers on the Government's Economic and Fiscal Strategy by:

- Returning to the budget a cumulative 87 per cent of tax receipt upgrades (excluding GST) from estimates variations over the forward estimates across this and the October Budget, including 82 per cent in this Budget.
  - Returning upgrades over the past 2 Budgets will avoid $83 billion in interest payments over the 12 years to 2033–34 (Chart 3.1). It also means gross debt as a share of GDP will be 7.1 percentage points lower in 2033–34 (Chart 3.2).
- Supporting budget repair through responsible, calibrated improvements to spending and strengthening the fairness and integrity of the tax system. Together with improvements from the October Budget, the Government has identified $61.0 billion in budget improvements, $32.5 billion in this Budget.
  - This Budget has identified $17.8 billion in spending reprioritisations over the 5 years to 2026–27. This brings the total to $39.8 billion across 2 budgets.
- Limiting growth in payments, with real payments growth expected to average 0.6 per cent a year over the 5 years from 2022–23 to 2026–27.
  - This compares to an average spending growth of around 4.0 per cent prior to the Global Financial Crisis (2000–01 to 2007–08) and 2.2 per cent prior to the pandemic (2011–12 to 2018–19).

This combination of returning tax receipt upgrades and spending restraint means that fiscal policy is not adding to inflationary pressures (Box 3.2) and is supporting budget repair and long-term fiscal sustainability.

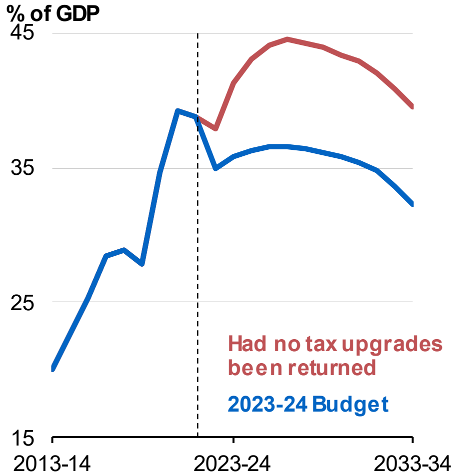
- Since the 2022 Pre-Election Fiscal Outlook (PEFO), the underlying cash balance has improved by a cumulative $125 billion (2.4 per cent of GDP) over the two years to 2023–24.
- Gross debt is now expected to peak at 36.5 per cent of GDP in 2025–26, 10.4 percentage points lower and 5 years earlier than at the October Budget. It will then reduce to 32.3 per cent of GDP by the end of the medium term.

Chart 3.1 Total interest payments



Source: Treasury, AOFM.

Chart 3.2: Gross debt



Source: Treasury, AOFM.

Box 3.2: Fiscal and monetary policy in a period of high inflation

The peak in inflation appears to have passed in Australia. Annual inflation has fallen from its peak of 7.8 per cent over the year to the December quarter 2022 to 7.0 per cent over the year to the March quarter 2023. Inflation is expected to moderate further, driven by easing global price shocks and supply constraints and supported by policy measures such as the Energy Price Relief Plan. Inflation is expected to return to the target band in 2024–25.

In response to above-target inflation, the Reserve Bank of Australia has embarked on its sharpest tightening cycle since the introduction of inflation targeting in 1993. The cash rate has increased by a cumulative 375 basis points since May 2022. Monetary policy is known to operate with long and variable lags, meaning the full effects of policy tightening are yet to flow through the economy. Increases to the cash rate since May 2022 will contribute to a slowing in economic growth in 2023–24, and help return supply and demand in the economy to a more sustainable balance.

Fiscal policy plays an important role in managing business cycles alongside monetary policy, particularly when supply disruptions are prevalent because it can better target policies to affected sectors and households. It is especially important that fiscal policy not add unnecessarily to aggregate demand when inflationary pressures are acute.

Fiscal policy is working in line with monetary policy to tackle inflation in the near term. The Government has achieved this through its decision to bank 91 per cent of tax windfalls in 2022–23 and 2023–24, over the past 2 budgets. It has also shown spending restraint, by limiting annual real payments growth to 0.6 per cent on average over the 5 years from 2022–23. This has resulted in the cumulative underlying cash balance being $124.7 billion higher over the two years to 2023–24 than was projected at PEFO.

From 2023–24, the underlying cash balance is forecast to transition back towards its structural deficit position, albeit significantly improved from estimates since the 2022 PEFO, as cyclical factors, such as current high commodity prices, unwind. Restraining spending and returning most revenue upgrades to the budget also helps to ensure the fiscal position is sustainable, with adequate buffers to enable fiscal policy to respond to future crises.

The Government's measures to deliver cost-of-living relief directly reduce the CPI in 2023–24 and are not expected to add to broader inflationary pressures in the economy. These measures are expected to reduce inflation by ¾ of a percentage point in 2023–24.

continued on next page

Box 3.2: Fiscal and monetary policy in a period of high inflation (continued)

The Government is acting through targeted, cost-of-living relief to support low-income Australians, including:

- providing direct energy bill relief for households and small businesses
- reducing out of pocket health costs
- supporting Australians most in need through increases to the rate of working age payments and targeted support for single parents
- increasing Commonwealth Rent Assistance maximum rates by 15 per cent.

Fiscal policy can also bring down inflation by growing supply, for example through productivity-enhancing investment or measures that increase the participation rate. These policies take time to expand production. While they won't offer immediate relief to current inflationary pressures, they improve the productive capacity of the economy over time, allowing it to grow more strongly without generating inflationary pressures. They can also make our economy more resilient to future shocks in our supply chain.

The Government is working to expand the productive capacity of the economy including by:

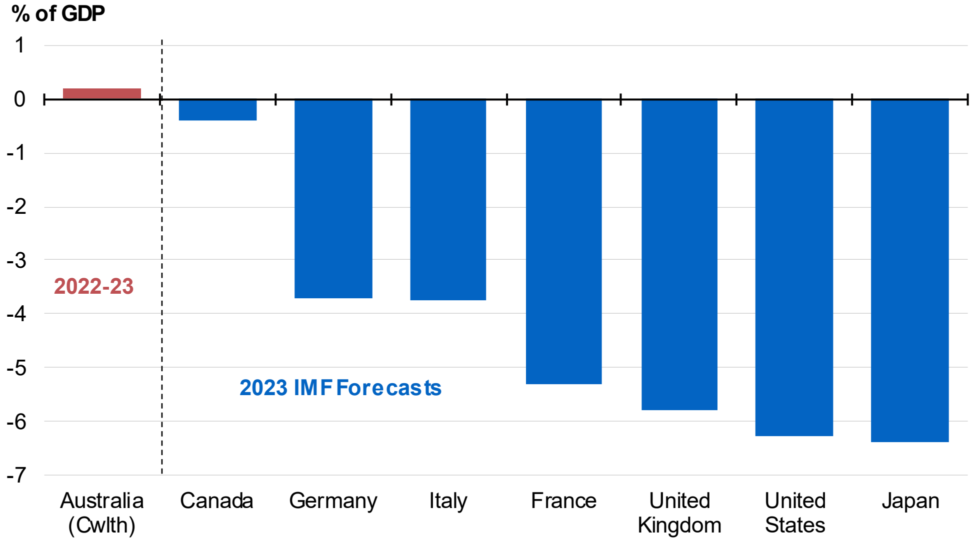
- rebuilding Australia's industrial capability with a focus on priority areas of the Australian economy, including through the National Reconstruction Fund
- supporting the transformation to net zero including through investments to support large scale hydrogen projects to commercialisation through the Hydrogen Headstart
- continuing to improve the sustainability and impact of the Infrastructure Investment Program, and ensuring it is focused on delivering nationally significant land transport infrastructure projects
- improving the affordability of early childhood education and care and expanding Paid Parental Leave
- targeting skilled migration and negotiating a new National Skills Agreement with the states and territories
- supporting competition and innovation through the Consumer Data Right.

Fiscal outlook

Underlying cash balance estimates

The underlying cash balance is estimated to be in surplus by $4.2 billion (0.2 per cent of GDP) in 2022–23, an improvement of $41.1 billion compared to the October Budget and $82.1 billion since the 2022 PEFO. The Australian Government is forecasting a surplus before most of the major advanced economies (Chart 3.3).

Chart 3.3 International comparison of budget balances



Note: Estimates for Australian Commonwealth underlying cash balance have been prepared by Treasury. Overall fiscal balance estimates for other countries are prepared by the IMF on a calendar year basis and include total government fiscal balance (inclusive of state and local net lending). Therefore, care must be taken when trying to reconcile with Treasury Commonwealth estimates (which is exclusive of state and local lending, and calculated on a financial year basis) as they are not directly comparable.

Source: IMF staff estimates contained in the April 2023 Fiscal Monitor and Treasury.

An underlying cash deficit of $13.9 billion (0.5 per cent of GDP) is forecast for 2023–24, a $30.1 billion (1.3 percentage points of GDP) improvement since the October Budget, and a $42.6 billion improvement since the 2022 PEFO.

From 2024–25, the underlying cash deficit is expected to increase before declining to $28.5 billion (1.0 per cent of GDP) in 2026–27. This reflects the moderation in tax upgrades, along with key spending pressures across the forward estimates. The deficit is lower across all years compared to the October Budget. Over 5 years from 2022–23 to 2026–27, the underlying cash balance improves by a cumulative $125.9 billion.

Changes in the underlying cash balance over the forward estimates

The improved fiscal outlook since October largely reflects Government decisions to return tax upgrades to budget.

Over the past 2 Budgets, 87 per cent of tax upgrades are being returned (82 per cent this Budget). The tax upgrades returned in each of the past 2 Budgets have been among the strongest on record. In addition to strengthening the structural fiscal position and rebuilding fiscal buffers, this commitment avoids fiscal policy adding to inflationary pressures while they are at their highest.

Payments in 2022–23 have decreased by $12.7 billion since October. Payments as a share of GDP are lower in every year of the forward estimates, as a result of higher nominal GDP and spending restraint.

Policy decisions since the October Budget have increased the underlying cash deficit by $20.6 billion over 5 years from 2022–23 to 2026–27. Around one half of policy decisions resolve unfunded legacy issues from the previous Government ($7.5 billion) or relate to the ongoing pandemic response ($2.3 billion).

Parameter and other variations since the October Budget have improved the underlying cash balance by $146.5 billion over 5 years from 2022–23 to 2026–27 (Table 3.3).

Addressing Legacy Issues

Payments of $2.3 billion in 2023–24 are required to address ongoing legacy issues left by the former Government. Over 5 years from 2022–23 to 2026–27 there are $7.5 billion in new policy decisions to address legacy issues inherited from the former Government. This includes providing for programs that were underfunded or had terminating funding, including:

- $1.1 billion over 4 years from 2023–24 (up to $3.4 billion over 10 years) for investment in Brisbane 2032 Olympic and Paralympic Games venue infrastructure
- $754.7 million to secure Australia's digital health infrastructure, including the Australian Digital Health Agency and My Health Record
- $804.3 million over 4 years from 2023–24 to 2026–27 to sustainably fund Australia's biosecurity system
- $535.3 million over 4 years from 2023–24 to 2026–27 to provide financial sustainability to the 9 National Collecting Institutions, including the National Library of Australia and the National Gallery of Australia.

Table 3.2: Reconciliation of general government sector underlying cash balance estimates

	Estimates					
	2022–23	2023–24	2024–25	2025–26	2026–27	Total
	$m	$m	$m	$m	$m	$m
2022 PEFO underlying cash balance(a)	**-77,937**	**-56,525**	**-47,093**	**-42,936**	**-39,374**	**-263,864**
Per cent of GDP	-3.4	-2.4	-1.9	-1.6	-1.4	
Changes from 2022 PEFO to 2022–23 October Budget						
Effect of policy decisions(b)	-1,096	747	-2,014	-7,420	*	*
Effect of parameter and other variations	42,181	11,729	-2,240	795	*	*
Total variations(c)	**41,085**	**12,476**	**-4,253**	**-6,625**	**-14,575**	**28,108**
2022–23 October Budget underlying cash balance(c)	**-36,851**	**-44,048**	**-51,347**	**-49,561**	**-53,949**	**-235,756**
Per cent of GDP	-1.5	-1.8	-2.0	-1.8	-1.9	
Changes from 2022–23 October Budget to 2023–24 Budget						
Effect of policy decisions(b)(d)						
Receipts	*125*	*1,757*	*5,378*	*6,413*	*8,382*	*22,055*
Payments	*1,212*	*13,779*	*10,825*	*8,960*	*7,867*	*42,643*
Total policy decisions impact on underlying cash balance	-1,087	-12,022	-5,447	-2,547	515	-20,588
Effect of parameter and other variations(d)						
Receipts	*28,239*	*44,944*	*23,020*	*15,486*	*18,862*	*130,551*
Payments	*-13,901*	*2,792*	*1,284*	*5*	*-6,122*	*-15,941*
Total parameter and other variations impact on underlying cash balance	42,140	42,153	21,736	15,481	24,984	146,492
2023–24 Budget underlying cash balance	**4,202**	**-13,918**	**-35,058**	**-36,627**	**-28,450**	**-109,852**
Per cent of GDP	0.2	-0.5	-1.3	-1.3	-1.0	

*Data is not available.

a) 2026–27 as published in the medium-term projections, pages 10 and 11 of the 2022 PEFO.

b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

c) 2026–27 as published in the medium-term projections, page 81 of Budget Paper No. 1, *Budget Strategy and Outlook October 2022–23*.

d) A positive number for receipts improves the underlying cash balance, while a positive number for payments worsens the underlying cash balance.

Primary balance estimates

The primary cash balance adjusts the underlying cash balance to exclude interest payments and interest receipts (as these are largely outside government control in the short term). This is a more representative measure of the Government's current fiscal decisions.

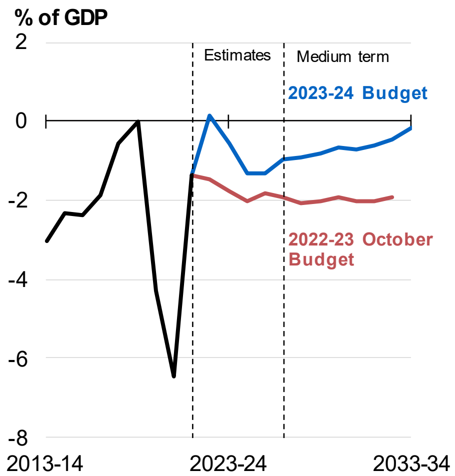
The primary balance is expected to be in surplus by $16.9 billion (0.7 per cent of GDP) in 2022–23 and broadly balanced in 2023–24, reflecting the improved near-term outlook. Since the October Budget, the primary balance has improved $40.1 billion in 2022–23 and $26.9 billion in 2023–24. The underlying cash balance improves more than the primary balance because debt and interest payments (which are excluded from the primary balance calculation) are lower than forecast in the October Budget.

Medium-term projections

The medium-term fiscal outlook has improved considerably since the October Budget. The underlying cash deficit is projected to reach 0.2 per cent of GDP by 2033–34. This reflects the Government's decision to return higher-than-expected tax receipts to the budget, and the flow-on benefit of lower interest payments.

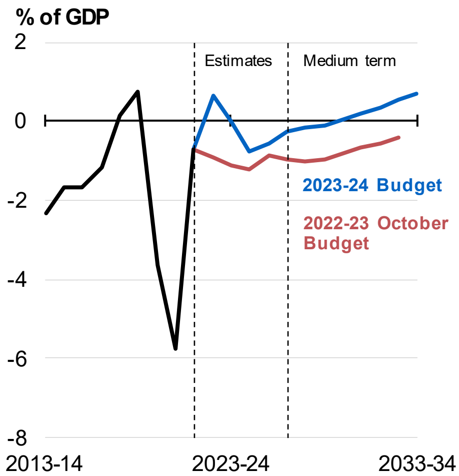
- The underlying cash deficit in 2032–33 is expected to be 0.5 per cent of GDP, 1.5 percentage points smaller than projected at the October Budget (Chart 3.4).
- The primary balance is expected to be in surplus from 2029–30. The primary balance in 2032–33 is expected to be improved by 0.9 percentage point of GDP relative to the October Budget (Chart 3.5).
- As a result, the Government accumulates less debt and pays less interest, with this impact compounding over time. In 2032–33, total interest payments are 0.6 percentage points of GDP lower than projected in the October Budget.

Chart 3.4: Underlying cash balance



Source: Treasury.

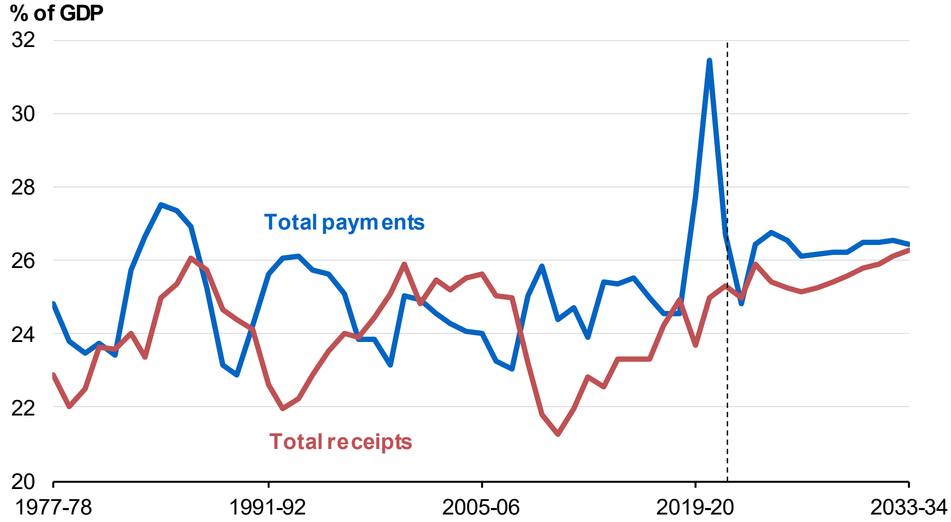
Chart 3.5: Primary cash balance



Source: Treasury.

While improved, the budget remains in underlying cash deficit over the medium term. Payments as a share of GDP are expected to remain elevated above pre-pandemic levels (Chart 3.6).

Chart 3.6: Payments and receipts



Source: Treasury.

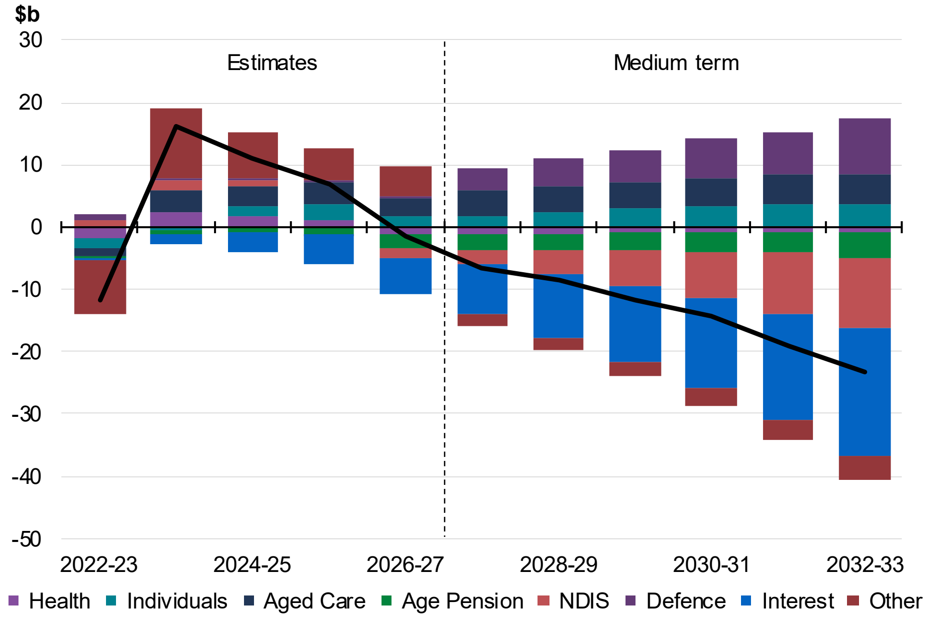
Improvements in the medium-term outlook since the October Budget

The substantial improvement in the medium-term fiscal outlook since the October Budget largely reflects the upwards revision to projected tax receipts, lower interest payments due to lower debt levels and interest rates, and moderation in growth of NDIS costs.

The increase in projected tax receipts reflects stronger employment earnings, that is a result of a larger labour force and higher participation rates. Policy measures that improve the fairness and efficiency of the tax system, such as better targeting superannuation tax concessions and reforms to the Petroleum Resource Rent Tax, are also supporting receipts. Tax receipts as a share of GDP are expected to be 24.2 per cent in 2032–33, 0.1 percentage points higher than projected in October.

Payments as a share of GDP are lower in every year of the forward estimates and across the medium term compared to the October Budget. Payments are expected to be 1.4 percentage points of GDP lower in 2032–33 than in the October Budget. Returning most tax upgrades to the Budget reduces deficits and debt accumulation reducing interest payments. Total interest payments are lower by 0.6 percentage points of GDP in 2032–33. NDIS Commonwealth-funded participant payments are lower by 0.3 percentage points of GDP in 2032–33. (Chart 3.7). Nominal GDP is higher than at October Budget further reducing payments as a share of the economy.

Chart 3.7: Revisions to major payments since the 2022–23 October Budget



Source: Treasury.

Note: Numbers may differ from estimates presented in *Statement 6: Expenses and Net Capital Investment* due to accounting and classification differences. Interest refers to interest payments on Australian Government Securities. NDIS refers to the Commonwealth's contribution to payments for NDIS participant supports.

Growth of the fastest growing major payment categories over the projections period (2023–24 to 2033–34) is lower overall than at October Budget (Chart 3.8).

- NDIS Commonwealth-funded participant payments growth is expected to average 10.4 per cent over the projections period compared to 13.8 per cent in the October Budget (2022–23 to 2032–33). This reflects the commitment of National Cabinet to an NDIS Financial Sustainability Framework to moderate growth in the Scheme costs over time.

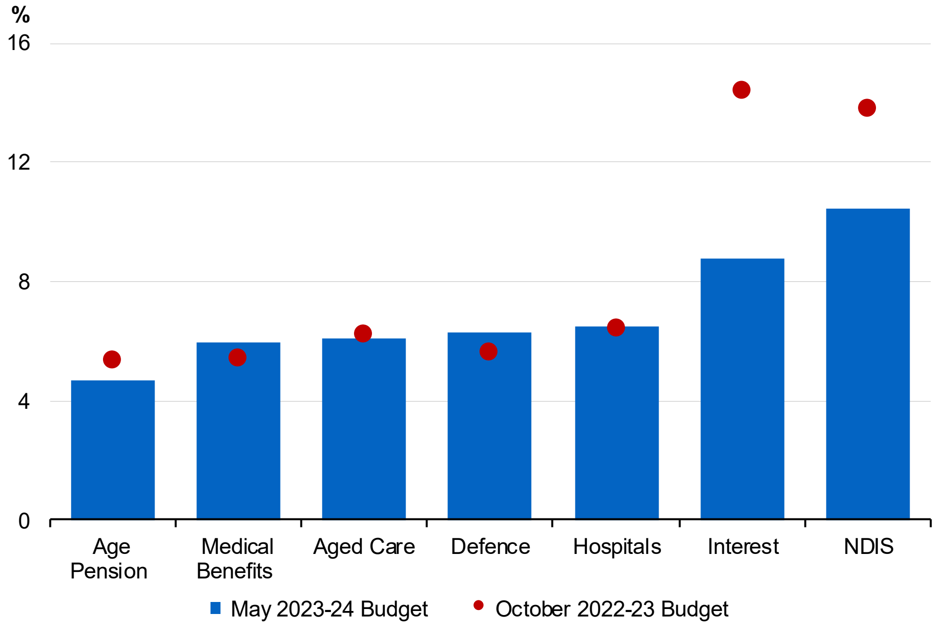
- Interest payments growth is expected to average 8.8 per cent over the projections period compared to 14.4 per cent in the October Budget. This primarily reflects the Government's decision to bank tax receipts upgrades, which has resulted in lower deficits and lower debt, as well as lower assumed yields.

- The Government's commitment to implement the Defence Strategic Review will include increased spending over the medium term, with spending estimated to rise above 2.3 per cent of GDP in 2032–33, based on current GDP projections. Over the next 12 months, Defence is undertaking work to reshape the Defence Integrated Investment Program, in line with the findings and recommendations of the review.

- Hospitals and Medical benefits payments growth are expected to be 6.5 and 6.0 per cent on average, respectively, over the projections period, compared to 6.5 and 5.4 per cent in the October Budget. For Medical benefits, this reflects revised projections for growing demand for health services in the medium term and increased costs of improved medical technology.

- Aged care payments growth is expected to average 6.1 per cent over the projection period compared to 6.2 per cent in the October Budget. This Budget provides similar growth in payments for aged care off a higher base. This reflects the Government's commitment to improve the quality of aged care services and provide funding to support the Fair Work Commission's interim decision in the Aged Care Work Value Case (Box 3.3).

Chart 3.8: Average annual growth in major payments 2023–24 to 2033–34

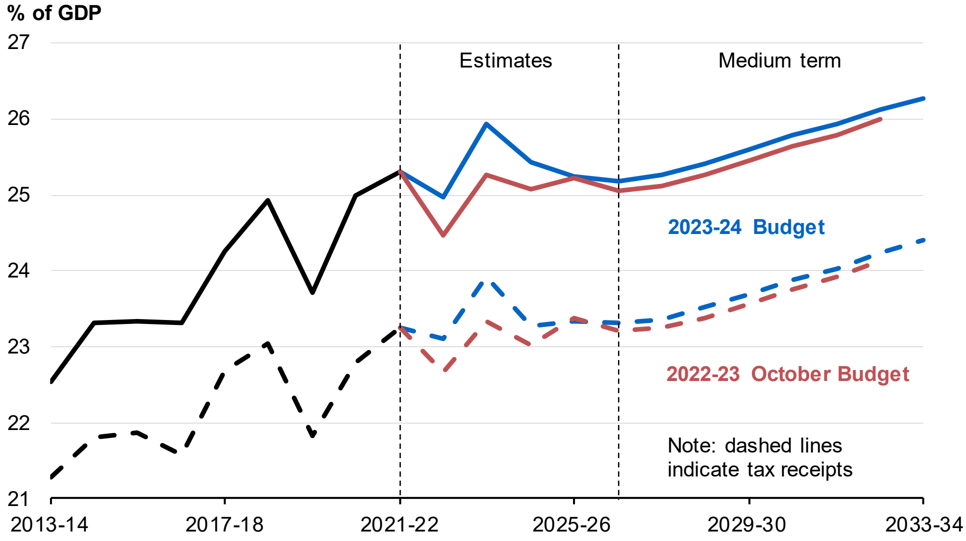


Source: Treasury.
Note: Interest refers to interest payments on Australian Government Securities. NDIS refers to the Commonwealth's contribution to payments for NDIS participant supports. Growth rate at the October Budget from 2022–23 to 2032–33.

Receipts estimates and projections

Total receipts are expected to decrease from 25.9 per cent of GDP in 2023–24 to 25.2 per cent of GDP in 2026–27. This largely reflects tax receipts, which are expected to decrease from 23.9 per cent of GDP to 23.3 per cent of GDP over this period (Chart 3.9).

Chart 3.9: Total receipts



Source: Treasury.

Receipts policy decisions over the forward estimates

Policy decisions in this Budget have increased total receipts by $1.8 billion in 2023–24 and by $22.1 billion over 5 years from 2022–23 to 2026–27. Policy decisions have increased tax receipts by $19.1 billion over 5 years from 2022–23 to 2026–27.

Key tax receipt measures include:

- Extending the Personal Income Tax Compliance Program, extending the GST compliance program, extending and merging the Serious Financial Crime Taskforce and Serious Organised Crime program and improving engagement with taxpayers to ensure timely payment of tax. These measures are estimated to increase receipts by $9.1 billion over the 5 years from 2022–23, partially offset by an associated increase in payments of $4.4 billion, including GST payments to the states and territories of $3.4 billion.

- Tobacco Excise – measures to improve health outcomes, increasing tobacco excise each year for 3 years from 1 September 2023 and aligning the treatment of stick and non-stick tobacco tax. This measure is estimated to increase receipts by $3.3 billion over the 5 years from 2022–23, partially offset by an associated increase in GST payments to the states and territories of $290 million.

- Amending the Petroleum Resource Rent Tax (PRRT) in response to Treasury's Review of the PRRT Gas Transfer Pricing arrangements. This measure is estimated to increase receipts by $2.4 billion over the 5 years from 2022–23, partially offset by an associated increase in payments of $4.4 million.
- Reduce the superannuation tax concessions available to individuals with a total superannuation balance exceeding $3 million. This measure is estimated to increase receipts by $950 million over the 5 years from 2022–23, partially offset by an associated increase in payments of $47.6 million.

Since the October Budget, policy decisions are expected to increase non-tax receipts by $0.5 billion in 2023–24, and by $2.9 billion over 5 years from 2022–23 to 2026–27. This movement includes the expected earnings of the National Reconstruction Fund Corporation, as announced in the 2023–24 Budget measure *National Reconstruction Fund Corporation – establishment*, receipts associated with the 2023–24 Budget measure *Enduring Funding Mechanism for AusCheck,* and receipts associated with the 2023–24 Budget measure *Strengthened and Sustainably Funded Biosecurity System*.

Further details of Government policy decisions are provided in Budget Paper No. 2, *Budget Measures 2023–24*.

Receipts parameter and other variations over the forward estimates

Parameter and other variations have increased total receipts since the October Budget by $28.2 billion in 2022–23, $44.9 billion in 2023–24 and by $130.6 billion over 5 years from 2022–23 to 2026–27.

The increase in total receipts due to parameter and other variations primarily reflects tax receipts, which have been revised up by $40.7 billion in 2023–24 and by $115.7 billion over 5 years from 2022–23 to 2026–27. In the near term, tax receipts are supported by a strong labour market and higher commodity prices. Personal income tax is being supported by strong employment growth and an improved outlook for wage growth. Company tax is being supported by commodity prices which have remained higher for longer than projected in the October budget and a longer assumed time for commodity prices to return to long-term levels (see Box 2.4 in *Statement 2: Economic Outlook*). Around one-fifth of the increase in tax receipts reflects the update to assumptions about the path of commodity prices in response to sustained high prices, largely in 2023–24. The upgrades to company tax receipts are expected to moderate by the end of the forward estimates period, as commodity prices are assumed to return to long-term levels.

Since the October Budget, parameter and other variations are expected to increase non-tax receipts by $4.2 billion in 2023–24, and by $17.8 billion over the 5 years from 2022–23 to 2026–27. This movement is driven by higher earnings from interest on cash deposits due to the rise in short-term interest rates, higher earnings from the Future Fund and the Australian Government Investment Funds, as well as higher demand for Australian passports.

Further information on expected receipts is provided in *Statement 5: Revenue.* Analysis of the sensitivity of the receipts estimates to changes in the economic outlook is provided in *Statement 8: Forecasting Performance and Sensitivity Analysis*.

Payments estimates and projections

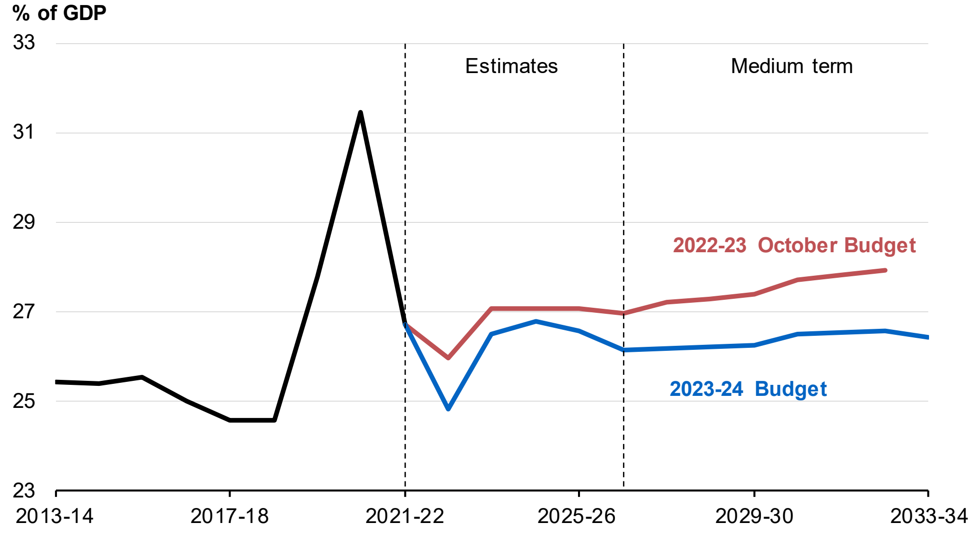
Since the October Budget, total payments have increased by $16.6 billion in 2023–24 and by $26.7 billion over 5 years from 2022–23 to 2026–27. Real payments growth is limited to an average 0.6 per cent per year.

Payments, excluding policy decisions, have been revised down by $13.9 billion in 2022–23, due to lower-than-expected demand for some programs, including COVID-related expenses, and delays in payments arising from capacity constraints.

Payments as a share of GDP is lower in every year of the forward estimates and medium term, compared to the October Budget.

By 2033–34, payments are projected to be 26.4 per cent of GDP (Chart 3.10).

Chart 3.10: Total payments



Source: Treasury.

Payment policy decisions over the forward estimates

New policy decisions since the October Budget have increased total payments by $13.8 billion in 2023–24 and by $42.6 billion over 5 years from 2022–23 to 2026–27.

Major policy decisions since the October Budget that have increased payments include:

- funding to strengthen Medicare to provide better access and more affordable care for patients, in response to the *Strengthening Medicare Taskforce Report*, which is expected to increase payments by $5.7 billion over 5 years from 2022–23
- funding to increase support for people receiving working age payments including the JobSeeker Payment by $4.9 billion over 5 years from 2022–23
- funding to increase the maximum rates of the *Commonwealth Rent Assistance* payment by 15 per cent to address rental affordability challenges for recipients, which is expected to increase payments by $2.7 billion over 5 years from 2022–23
- improving support for single parents through the extension of the eligibility for *Parenting Payment (Single)* to support principal carers with a youngest child under 14 years of age, which is expected to increase payments by $1.9 billion over 5 years from 2022–23
- funding to deliver a targeted energy bill relief and progressing gas market reforms to reduce the impact of rising energy prices on Australian households and businesses, which is expected to increase payments by $1.5 billion over 4 years from 2022–23
- funding towards strengthening Australia's biosecurity system, which is expected to increase payments by $1.0 billion over 4 years from 2023–24.

The Government is also continuing the task of budget repair. Policies to reprioritise funding to enhance the quality of spending include:

- temporarily reducing the residential aged care provision ratio from 78.0 places to 60.1 places per 1,000 people aged over 70 years reflecting the increasing preference of older Australians to remain in their homes, which is expected to decrease payments by $2.2 billion over 3 years from 2024–25 and redirecting funding to the Government's commitments on health and aged care
- reinvesting health and aged care funding to deliver in new or expanded health and aged care services, which is expected to decrease payments by $1.7 billion over 4 years from 2023–24.

Payment parameter and other variations over the forward estimates

Parameter and other variations since the October Budget have increased payments by $2.8 billion in 2023–24 and decreased payments by $15.9 billion over 5 years from 2022–23 to 2026–27.

This is primarily driven by lower estimates for interest payments on government debt resulting from smaller deficits, and lower estimates for payments related to the Medical Benefits program and lower expected recipient numbers for Family Assistance and Support for Seniors. Offsetting this improvement, in part, are an increase in a range of aged care payments and GST payments to the states.

Major increases in payments from parameter and other variations since the October Budget include:

- payments related to Aged Care Services are expected to increase by $1.9 billion in 2023–24 and $13.4 billion over 4 years from 2023–24 to 2026–27, largely due to increased funding for wages as a result of the Fair Work Commission Aged Care Work Value Case, the setting of the Australian National Aged Care Classification price for residential aged care for 2023–24, and updated economic parameters, partially offset by a reduction in the utilisation of Home Care Package funds. The budget impact of this increase is partially offset by funding provisioned in the contingency reserve for the Aged Care Work Value Case outcome in the 2022–23 October Budget.

- payments related to the provision of GST to the states and territories (including Horizontal Fiscal Equalisation (HFE) transition payments), which are expected to increase by $197 million in 2023–24 and $10.8 billion over 4 years from 2023–24 to 2026–27, largely reflecting the GST top-up payments arrangement agreed with states and territories, partially offset by an overall increase in GST receipts.

- payments related to the Military Rehabilitation Compensation Acts, which are expected to increase by $1.1 billion in 2023–24 and $4.8 billion over 4 years from 2023–24 to 2026–27, largely due to increased staff levels resulting in more claims processed and higher payments to veterans

- payments indexed to the Government's Wage Cost Indexation (WCI) framework, which are expected to increase by $242 million in 2023–24 and around $4 billion over the 4 years from 2023–24 to 2026–27, reflecting a revision to the indexation methodology to ensure it better aligns with economic conditions. The movements in individual payments are reflected in the estimates for these programs.

- payments related to National Partnership Payments – Natural Disaster Relief, which are expected to increase by $1.8 billion in 2023–24 and $3.0 billion over 4 years from 2023–24 to 2026–27, due to higher-than-expected spending related to historical disaster events.

- payments related to the NDIS are expected to increase by $1.8 billion in 2023–24 and $1.7 billion over 4 years from 2023–24 to 2026–27. The increase over the forward estimates is lower than would have otherwise been expected due to the Government's investment of $732.9 million to improve the NDIA's capability, capacity and systems which will moderate growth in participant support costs from 2023–24.

- payments related to Research and Development Tax Incentives, which are expected to increase by $176 million in 2023–24 and $942 million over 4 years from 2023–24 to 2026–27, due to increases in the number and value of expected claims following the reopening of international markets post COVID-19.

- payments relating to Building Skills and Capability, which are expected to increase by $189 million in 2023–24 and $440 million over 4 years from 2023–24 to 2026–27, largely due to higher-than-expected demand for the Boosting Apprenticeship Commencements and Completing Apprenticeship Commencements wage subsidies.

Box 3.3: A pay rise for aged care workers

On 21 February 2023, the Fair Work Commission issued a decision on Stage 2 of the Aged Care Work Value Case to provide an interim increase of 15 per cent to modern award minimum wages for many aged care workers, including registered nurses, enrolled nurses, assistants in nursing, personal care workers, home care workers, recreational activity officers, and some head chefs and cooks.

This Budget allocates $11.3 billion over 4 years from 2023–24 to fund this outcome of the case from 1 July 2023, including:

- $8.5 billion for residential aged care
- $2.2 billion for the Home Care Packages Program
- $310.0 million for the Commonwealth Home Support Programme (see *Budget Paper No. 2, Funding Pay Increases for Aged Care Workers*)
- $177.9 million over 4 years from 2023–24 for the Transition Care Programme and Short-Term Restorative Care Programme
- $82.5 million for the Veterans' Home Care Program and Community Nursing services
- $58.9 million over 4 years from 2023–24 for a targeted indexation boost to funding for the following programs (see *Budget Paper No. 2, Funding Pay Increases for Aged Care Workers*):
  - $36.7 million over 4 years from 2023–24 for the National Aboriginal and Torres Strait Islander Flexible Aged Care Program
  - $9.9 million over 4 years from 2023–24 for the Indigenous Employment Initiative
  - $9.1 million over 4 years from 2023–24 for the Trusted Indigenous Facilitators program
  - $3.1 million over 4 years from 2023–24 for the Multi-Purpose Services Program
- $98.7 million to fund historical leave provisions (see Budget Paper No. 2, *Funding Pay Increases for Aged Care Workers*).

More than 250,000 aged care workers will benefit from the increase.

This Budget also includes $2.7 billion over 4 years from 2023–24 in additional indexation for residential aged care based on advice from the Independent Health and Aged Care Pricing Authority.

Major decreases in payments from parameter and other variations since the October Budget include:

- payments related to the Medical Benefits program are expected to be $3.5 billion lower in 2022–23 compared to estimates outlined in the 2022–23 October Budget. A significant factor is lower spending on COVID pathology and vaccine administration over the past financial year along with a reduction in demand for services. This has led to an adjustment across the forward estimates. Before taking into account new measures in the 2023–24 Budget, payments related to the Medical Benefits program are expected to be $2.8 billion lower in 2023–24 and $10.4 billion lower over the 4 years to 2026–27 compared to previous estimates. In the 2023–24 Budget, the Government is investing $5.9 billion over 4 years from 2023–24 in the Medical Benefits program through measures aimed at strengthening Medicare, including $1.5 billion over 4 years from 2023–24 to increase indexation in the Medicare Benefits Schedule.

- payments related to Commonwealth Debt Management, which are expected to decrease by $1.7 billion in 2023–24 and $9.9 billion over the 4 years from 2022–23 to 2025–26, largely reflecting lower levels of Australian Government Securities (AGS) on issue.

- payments related to Family Assistance, which are expected to decrease by $1.0 billion in 2023–24 and $2.8 billion over 4 years from 2023–24 to 2026–27, largely due to a decrease in Family Tax Benefit recipients and a decrease in average payment rates, reflecting continued strong labour market performance.

- payments relating to Support for Seniors, which are expected to decrease by $699 million in 2023–24 and $1.6 billion over 4 years from 2023–24 to 2026–27, largely due to lower than expected Age Pension recipient numbers in 2022–23 which impacts the forward estimates, due to some Australians approaching retirement age choosing to delay their retirement.

- payments relating to Government Schools, which are expected to decrease by $181 million in 2023–24 and $1.2 billion over 4 years from 2023–24 to 2026–27, primarily due to a decrease in student enrolments at Government Schools.

Consistent with past budgets, the underlying cash balance has been improved by regular draw down of the conservative bias allowance. Details in *Statement 6: Expenses and Net Capital Investment*.

Table 3.3: Reconciliation of general government sector payments estimates(a)

	Estimates					
	2022–23	2023–24	2024–25	2025–26	2026–27	Total
	$m	$m	$m	$m	$m	$m
2022 PEFO payments(b)	**626,470**	**641,714**	**662,277**	**686,836**	**718,320**	**3,335,617**
Changes from 2022 PEFO to 2022–23 October Budget						
Effect of policy decisions(c)	2,506	1,711	5,980	12,673	*	*
Effect of parameter and other variations	15,105	22,064	25,929	29,075	*	*
Total variations(d)	**17,611**	**23,775**	**31,909**	**41,748**	**43,503**	**158,546**
2022–23 October Budget payments(d)	**644,080**	**665,489**	**694,187**	**728,584**	**761,823**	**3,494,164**
Changes from 2022–23 October Budget to 2023–24 Budget						
Effect of policy decisions(c)	1,212	13,779	10,825	8,960	7,867	42,643
Effect of parameter and other variations	-13,901	2,792	1,284	5	-6,122	-15,941
Total economic parameter variations	-387	640	3,060	5,881	*	*
Unemployment benefits	*-65*	*-591*	*323*	*861*	*	*
Prices and wages	*7*	*494*	*1,544*	*2,901*	*	*
Interest and exchange rates	*447*	*1,060*	*1,016*	*1,019*	*	*
GST payments to the States	*-776*	*-323*	*177*	*1,100*	*	*
Interest payments on AGS	-340	-1,694	-3,224	-4,661	*	*
Program specific parameter variations	-5,196	401	-778	-1,099	*	*
Other variations(e)	-7,977	3,444	2,226	-116	*	*
Total variations	**-12,689**	**16,571**	**12,109**	**8,965**	**1,745**	**26,702**
2023–24 Budget payments	**631,392**	**682,060**	**706,296**	**737,549**	**763,569**	**3,520,865**

*Data is not available.

a) A positive number for payments worsens the underlying cash balance.

b) 2026–27 as published in the medium-term projections, pages 10 and 11 of the 2022 PEFO.

c) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

d) 2026–27 as published in the medium-term projections, pages 90 and 91 of Budget Paper No. 1: Budget Strategy and Outlook October 2022–23.

e) Includes changes in the conservative bias allowance component in the Contingency Reserve and impacts of changes in program payments for a range of reasons including movement of funds and re-profiling.

Headline cash balance estimates

The headline cash balance adjusts the underlying cash balance to include net cash flows from investments in financial assets for policy purposes. For example, Clean Energy Finance Corporation loans and equity investments in the NBN reduce the headline cash balance but not the underlying cash balance. Table 3.4 provides further details of differences between the underlying and headline cash balance estimates.

A headline cash deficit of $19.7 billion is estimated in 2023–24, compared to an estimated deficit of $50.7 billion in the October Budget. The headline cash balance weakens to an estimated deficit of $41.3 billion (1.4 per cent of GDP) in 2026–27. The lower headline cash balance compared to the October Budget is primarily driven by the improvement in the underlying cash balance.

Estimates for total net cash flows from investments in financial assets for policy purposes increased by $0.3 billion over 4 years from 2022–23 to 2025–26 compared to the October Budget. This is primarily driven by increased estimates for HELP loan repayments, partly offset by increased loans and investments for Clean Energy Finance Corporation (primarily reflecting Rewiring the Nation), the National Reconstruction Fund, and the National Housing Finance and Investment Corporation.

Table 3.4: Reconciliation of general government sector underlying and headline cash balance estimates

	Estimates					
	2022–23	2023–24	2024–25	2025–26	2026–27	Total
	$m	$m	$m	$m	$m	$m
2023–24 Budget underlying cash balance	**4,202**	**-13,918**	**-35,058**	**-36,627**	**-28,450**	**-109,852**
***plus* Net cash flows from investments in financial assets for policy purposes(a)**						
Student loans	-2,495	-3,468	-4,372	-4,576	-4,697	-19,608
NBN loan(b)	875	5,500	0	0	0	6,375
NBN investment	-328	-748	-1,016	-308	0	-2,400
Trade support loans	-137	-149	-157	-147	-136	-726
CEFC loans and investments	-344	-975	-2,564	-4,713	-4,702	-13,298
Northern Australia Infrastructure Facility	-743	-1,016	-1,074	-961	-841	-4,635
NRFC loans and investments	0	-354	-448	-849	-1,935	-3,586
Australian Business Securitisation Fund	-434	-355	-251	-151	-202	-1,393
Structured Finance Support Fund	295	260	69	71	0	695
Drought and rural assistance loans	-244	-203	-178	-117	268	-474
Official Development Assistance - Multilateral Replenishment	-128	-135	-142	-195	-170	-770
National Housing Finance and Investment Corporation	-60	-198	-652	-521	540	-891
COVID-19 Support for Indonesia — loan	100	100	100	100	100	500
Financial Assistance to Papua New Guinea — loan	-678	111	111	111	111	-234
Net other(c)	-7,368	-4,163	-3,546	-2,959	-1,140	-19,176
Total net cash flows from investments in financial assets for policy purposes	**-11,689**	**-5,795**	**-14,120**	**-15,215**	**-12,804**	**-59,623**
2023–24 Budget headline cash balance	**-7,487**	**-19,713**	**-49,178**	**-51,842**	**-41,255**	**-169,475**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) This financial profile represents the actual repayments for 2022–23. As the loan agreement between the Government and NBN Co allows some flexibility in relation to the timing of the repayment, the remaining amount is included in 2023–24.
c) Net other includes amounts that have not been itemised for commercial-in-confidence reasons.

The Government's balance sheet

The balance sheet measures the value of the Government's assets and liabilities. Changes in the balance sheet reflect movements in the underlying cash balance, additional balance sheet commitments, and market valuation effects including from changes in yields (Box 3.5).

Different balance sheet metrics measure different groupings of assets and liabilities.

- **Gross debt** measures the face value of Australian Government Securities (AGS) on issue. This is the amount that the Government pays back to investors at maturity, independent of fluctuations in market prices.
- **Net debt** is measured at market value and incorporates specific financial assets and liabilities and provides a broader measure of the financial obligations of the Government than gross debt.
- **Net financial worth** is the sum of all financial assets less all financial liabilities. The assets of the Future Fund and the public sector superannuation liability that the Future Fund will finance are included in net financial worth.
- **Net worth** is the sum of all assets less all liabilities. It includes non–financial assets such as buildings and plant, equipment, and infrastructure.

Further information on definitions is available in *Statement 10: Australian Government Budget Financial Statements*.

Gross debt estimates and projections

The Government's responsible budget management is supporting lower debt than at the October Budget in each year of the forward estimates and medium term.

Gross debt is estimated to be 35.8 per cent of GDP ($923.0 billion) in 2023-24, $81 billion lower than the estimate of 40.8 per cent of GDP ($1 trillion) at the October Budget. This primarily reflects improvements in the underlying cash balance. The gross debt to GDP position also benefits from lower yields compared to October and from upgrades to nominal GDP.

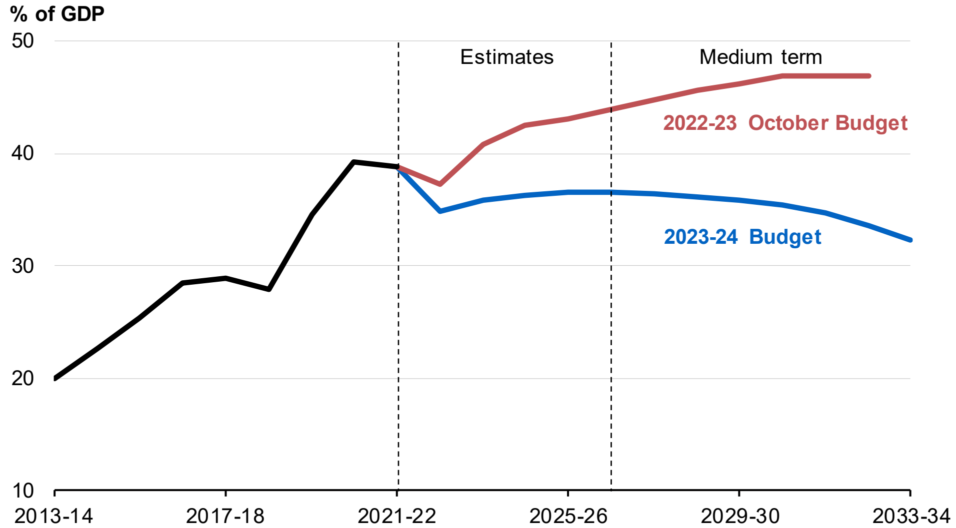
In line with the Economic and Fiscal Strategy, the Government is on track to stabilise and reduce gross debt as a share of the economy. Gross debt is now projected to peak at 36.5 per cent of GDP at in 2025–26, 10.4 percentage points lower and 5 years earlier than at the October Budget, before declining to 32.3 per cent by 2033–34 (Chart 3.11).

The cost of servicing Government debt has decreased since the October Budget, driven by the reduction in debt and, to a lesser extent, lower yields. Over the forward estimates, bond yields are assumed to remain fixed at a recent average of daily spot rates at the time of the Budget update. Since October, the assumed weighted average cost of borrowing for future issuance of Treasury Bonds has decreased from 3.8 to 3.4 per cent. This remains significantly above the 2.2 per cent at PEFO. Lower yields since October have been driven by some moderation in expectations for inflation and future cash rates.

Interest payments are estimated to be 0.8 per cent of GDP in 2023–24 before rising to 1.3 per cent of GDP by 2032–33. This is 0.1 and 0.6 percentage points lower than the October Budget, respectively. This reflects lower deficits and lower yields on government debt.

As part of its debt issuance task, the Australian Office of Financial Management will be issuing green bonds from 2024 (Box 3.4).

Chart 3.11: Gross debt



Source: Australian Office of Financial Management, Treasury.

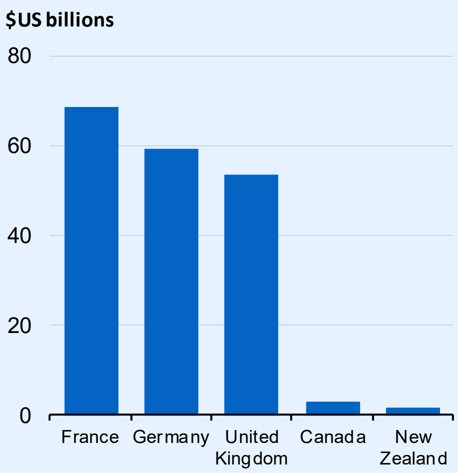
Statement 8: *Forecast Performance and Sensitivity Analysis* contains information on the impact on interest payments and gross debt if the future trajectory for yields is higher or lower than assumed. *Statement 7: Debt Statement* contains further information on yield assumptions and interest payments.

Box 3.4: Green bonds

The Australian Government will commence issuing green bonds from mid-2024. Australian Government green bonds will be fixed income bonds that provide financing for specific government programs with positive climate change and environmental outcomes. Green bonds provide investors the opportunity to support public projects that contribute to climate change and environmental objectives. The issuance of sovereign green bonds will support Australia's broader green capital market to mature and scale. Green bonds will not impact the total stock of Government debt as they displace issuance of normal bonds.

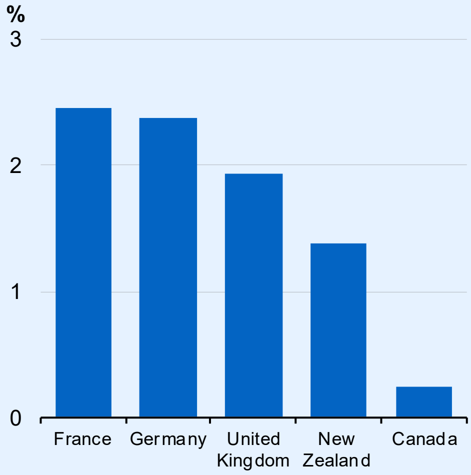
The international market for sovereign green bonds is substantial and growing. Over 40 countries now issue green bonds, including Canada, New Zealand and the United Kingdom. Sovereign green bonds remain a relatively small proportion of issuers' debt portfolios (Chart 3.12 and 3.13).

Chart 3.12: Sovereign green bonds



Source: Bloomberg
Note: Sovereign green bonds issuance, exchange rates as at 28 April 2023

Chart 3.13: Green bonds as a percentage of debt on issue



Source: Bloomberg.
Note: Debt on issue refers to the total outstanding nominal debt on issue by the central government

Green bonds form part of the Government's Sustainable Finance Strategy, which will set out measures to develop transparent and credible green finance markets. It complements the greater transparency around climate-related spending provided later in this statement, which is consistent with the International Capital Market Association's (ICMA) Green Bond Principles. Together, these activities will increase transparency around climate outcomes, which will encourage more green capital in Australia.

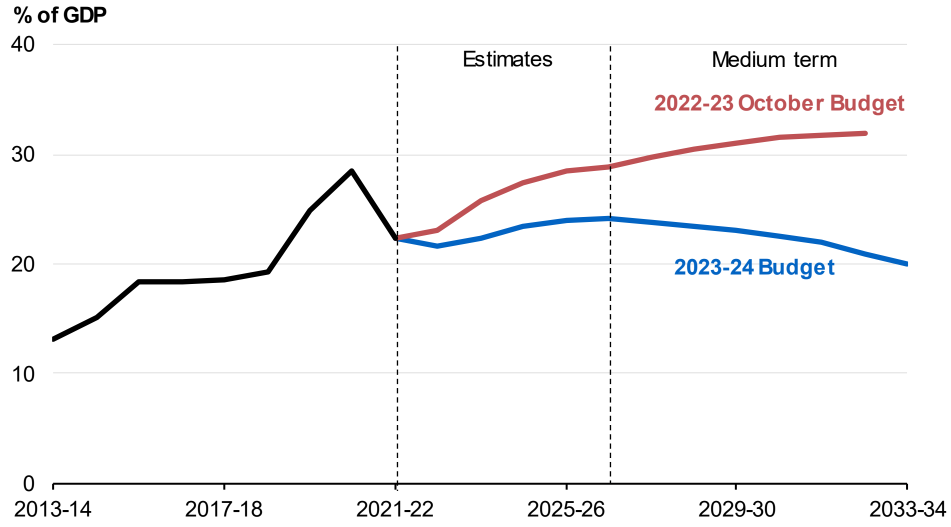
Net debt estimates and projections

Net debt is estimated to be 22.3 per cent of GDP ($574.9 billion) in 2023–24 (Table 3.6); lower than the estimate of 25.8 per cent of GDP ($634.1 billion) at the October Budget. The improvement since the October Budget primarily reflects the Government's decreased borrowing requirement resulting from improvements in the underlying cash balance, partly offset by an increase in the market value of existing debt.

- Yields have fallen since October, making the fixed income stream from existing bonds relatively more attractive to investors. This increases the market value of existing bonds and hence net debt.

Net debt remains lower than estimated at the October Budget across each year of the forward estimates and the medium term. Net debt is projected to be 19.9 per cent of GDP in 2033–34 (Chart 3.14).

Chart 3.14: Net debt



Source: Treasury.

Further information on gross debt and net debt estimates across the forward estimates is provided in *Statement 7: Debt Statement*.

Box 3.5: Leveraging the Government's balance sheet for growth

The Government is investing to build a stronger economy through government financed investment vehicles and government investment funds.

- Government financed investment vehicles partner with the private sector. Their purpose is to unlock private investment for projects that deliver public value and a financial return to taxpayers. For the private sector, government co-investment can reduce the risk of early-stage investments and provide certain, often concessional, long-term capital.
- Government investment funds invest to generate commercial returns as a revenue stream to fund policy objectives.

The Government has established new investment vehicles to support growth in key parts of the economy. For example:

- The National Reconstruction Fund is a $15 billion fund that will partner with the private sector to provide loans, equity and guarantees to projects in 7 priority areas of the economy: renewables and low emissions technologies; medical science; transport; value-add in the agriculture, forestry and fisheries sectors; value-add in resources; defence capability; and enabling capabilities.
- Rewiring the Nation will provide $20.0 billion in concessional debt and equity financing to invest in transmission projects. It will invest in priority grid-related projects through the Clean Energy Financial Corporation (CEFC) to fast-track the decarbonisation of the electricity sector and take advantage of our abundant renewable energy resources needed to power the next stage of the energy transition. Investments in the electricity grid are critical to bringing low-cost renewable energy to consumers as part of the net zero transition.

The Government is also establishing a new Investment Fund – the Housing Australia Future Fund (HAFF) to boost the supply of, and better facilitate private investment into, social and affordable housing.

- The HAFF will provide sustainable funding to increase the supply of social and affordable housing and help address pressures in the housing market. The Government will use returns from the HAFF to deliver 30,000 social and affordable homes over 5 years and provide funding of $330 million for acute housing needs. The HAFF funding will also mobilise institutional investment for social and affordable housing, helping to boost total investment into the sector.

continued on next page

Box 3.5: Leveraging the Government's balance sheet for growth (continued)

By attracting capital to national priority areas, such as clean energy, and social and affordable housing, these investments will build productivity, improve supply chain resilience, and increase economic growth.

The Government is cognisant of the need to manage market risks associated with funds and investment vehicles. The Government is committed to effective, efficient, and transparent management of its assets and will establish a new centralised oversight function for investment vehicles within the Department of Finance.

This will enhance transparency and accountability around the use of the Government's balance sheet.

The Government borrows to finance new investments. Acquisition of financial assets for policy purposes adds assets to the balance sheet, offsetting debt issuance in net financial worth, but increasing gross debt.

Returns from government investments are expected to cover or exceed borrowing costs over the long term, improving the budget bottom line (Chart 3.15). Target returns vary across different entities in line with their differing policy objectives.

The Future Fund can make long-term investments and is not being drawn down in the immediate future. It has achieved an average annual return of 7.7 per cent per annum since inception in 2006. This is above its average target return of 7.0 per cent, and well above the government's average borrowing costs over the period. The Future Fund Board of Guardians also manages the investments for all other Government Investment Funds. Other funds, such as the Medical Research Future Fund (MRRF), have more frequent drawdown requirements and invest in assets with higher liquidity and lower risk, but also with lower returns.

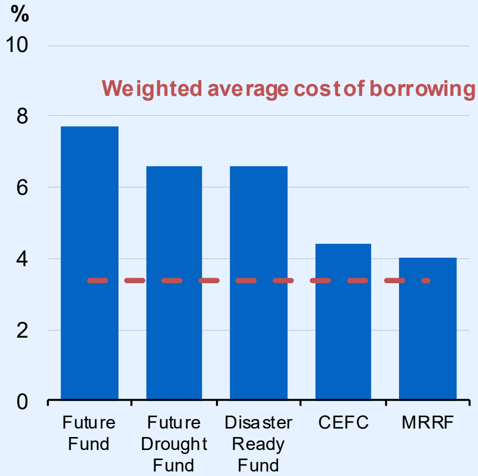
Government financed investment vehicles have financial and policy objectives. Investment vehicles that have been more recently established, or that are investing in more early-stage projects, may not see strong returns in the short term.

continued on next page

Box 3.5: Leveraging the Government's balance sheet for growth (continued)

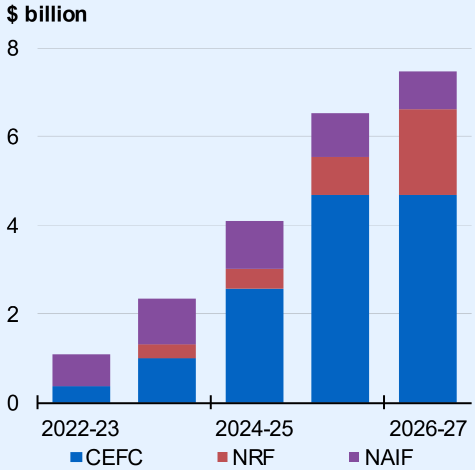
Government financed investment vehicles invest over many years, avoiding pressure on current inflation. Most investments will occur after 2024–25, when inflationary pressures are expected to ease (Chart 3.16).

Chart 3.15: Investment returns versus government borrowing cost



Source: Future Fund, Treasury, CEFC.
Note: Investment returns are cumulative annual returns since inception.

Chart 3.16: Net cash flows from investments for policy purposes



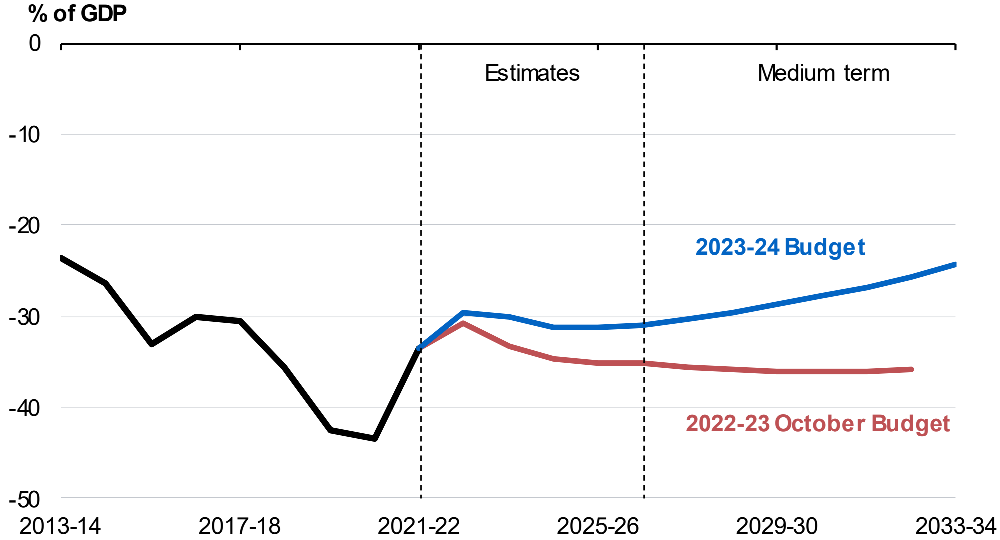
Source: Treasury.
Note: NAIF is the Northern Australia Infrastructure Fund.

Net financial worth and net worth estimates and projections

Net financial worth is estimated to be -30.0 per cent of GDP (-$772.6 billion) in 2023–24 (Table 3.6), compared with the estimate of –33.2 per cent of GDP (-$817.0 billion) at the October Budget.

Net financial worth is projected to deteriorate to –31.3 per cent of GDP in 2024–25 before improving over the medium term (Chart 3.17).

Chart 3.17 Net financial worth



Source: Treasury.

Net worth is estimated to be –21.7 per cent of GDP (–$559.1 billion) in 2023–24 (Table 3.6), compared with the estimate of –24.4 per cent of GDP (–$600.6 billion) at the October Budget. Net worth is projected to deteriorate to –23.0 per cent of GDP by in 2025–26 before improving over the medium term.

The improvement in net worth and net financial worth over the forward estimates largely reflects the Government's decreased borrowing requirement resulting from improvements in the underlying cash balance, partly offset by an increase in the market value of existing debt.

Table 3.5: Australian Government general government sector balance sheet aggregates

	Actual	Estimates				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
	$b	$b	$b	$b	$b	$b
Financial assets	**569.7**	**559.9**	**590.7**	**595.5**	**621.5**	**651.1**
Per cent of GDP	24.7	22.0	22.9	22.6	22.4	22.3
Non-financial assets	**194.0**	**203.9**	**213.5**	**222.2**	**226.9**	**235.5**
Per cent of GDP	8.4	8.0	8.3	8.4	8.2	8.1
Total assets	**763.6**	**763.8**	**804.2**	**817.7**	**848.4**	**886.7**
Per cent of GDP	33.1	30.0	31.2	31.0	30.6	30.4
Total liabilities	**1,345.4**	**1,310.6**	**1,363.3**	**1,420.5**	**1,487.2**	**1,554.0**
Per cent of GDP	58.3	51.5	52.9	53.8	53.6	53.2
Net worth	**-581.8**	**-546.9**	**-559.1**	**-602.8**	**-638.8**	**-667.3**
Per cent of GDP	-25.2	-21.5	-21.7	-22.8	-23.0	-22.8
Net financial worth(a)	**-775.7**	**-750.7**	**-772.6**	**-825.0**	**-865.7**	**-902.8**
Per cent of GDP	-33.6	-29.5	-30.0	-31.3	-31.2	-30.9
Gross debt(b)	**895.3**	**887.0**	**923.0**	**958.0**	**1,015.0**	**1,067.0**
Per cent of GDP	38.8	34.9	35.8	36.3	36.5	36.5
Net debt(c)	**515.6**	**548.6**	**574.9**	**620.6**	**665.2**	**702.9**
Per cent of GDP	22.3	21.6	22.3	23.5	24.0	24.1
Total interest payments	**17.4**	**18.8**	**21.1**	**22.4**	**28.2**	**27.1**
Per cent of GDP	0.8	0.7	0.8	0.8	1.0	0.9
Net interest payments(d)	**15.0**	**12.7**	**13.4**	**15.2**	**21.3**	**20.0**
Per cent of GDP	0.6	0.5	0.5	0.6	0.8	0.7

a) Net financial worth equals total financial assets minus total liabilities.
b) Gross debt measures the face value of Australian Government Securities (AGS) on issue.
c) Net debt is the sum of interest bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
d) Net interest payments are equal to the difference between interest payments and interest receipts. The increase in 2025–26 primarily reflects a Treasury Indexed Bond maturing in that year (details can be found in Statement 7: Debt Statement).

Fiscal impacts of climate change

Climate change presents significant risks and opportunities for Australia's economy, regions, industries, and communities. Achieving Australia's emissions reduction commitments and realising the opportunities that accompany the transition will require significant investment by governments and the private sector. Uncertainty around the magnitude and timing of the physical impacts of climate change and the global transition to net zero emissions translates to uncertainty about the fiscal impacts of climate change.

The economic and climatic changes brought about by climate change will have fiscal impacts. For example, the new industries and jobs emerging from the net zero transformation will impact the structure of the economy and, in turn, the tax base. Extreme weather events are also expected to occur with increased severity and frequency, which will increase demand for disaster relief payments and infrastructure repairs, as discussed in Box 3.6. Statement 3 of the 2022-23 October Budget outlined the drivers and nature of these fiscal impacts in detail, as well as the climate-related spending being undertaken by the Australian Government to respond to climate change.

The 2023–24 Budget continues this practice by transparently reporting $4.6 billion in new climate-related expenditure. This is further to the historic $24.9 billion in new climate-related spending announced in the October 2022–23 Budget and is additional to ongoing climate-related expenditure initiated prior to these budgets. The Government's approach to reporting climate-related spending is informed by the climate-reporting practices of international peers and is presented within the context of international best practice, as well as contributing to work underway to strengthen transparency in future budgets.

Box 3.6: Physical Impacts of Climate Change

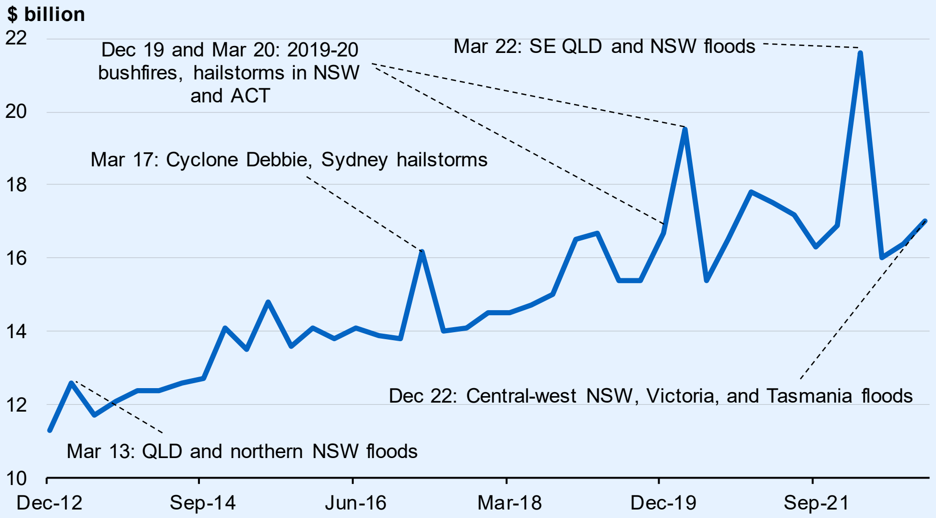
Global warming continues to change Australia's weather and climate, and over the course of this century these trends will all drive changes in Australia's economy – with respect to both its size and structure. This includes impacts on human health, biodiversity, the location and movement of populations, the types of structures we live in, and the ability of individuals to work.

For instance, labour productivity and hours worked are expected to decline as temperatures increase, particularly for employees who work outdoors such as in agriculture, construction and manufacturing. Agricultural yields are expected to decline with climate change. The increased frequency and severity of natural disasters will also lead to reductions in output through disruptions to economic activity and destruction of property and infrastructure.

Insurance claims from the flood events of February–March 2022 were the highest in history due to a natural disaster, causing $5.9 billion in insured damages as of April 2023 according to the Insurance Council of Australia. The ABS shows high non-life insurance claims due to natural disaster events (Chart 3.18).

Since July 2022, the Government has provided $1.5 billion to individuals through the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance. From 2023–24, the Government is providing up to $200 million a year over the next 5 years through the Disaster Ready Fund to support communities to strengthen their resilience against natural disasters.

Chart 3.18: Non-life insurance claims over time



Source: ABS Australian National Accounts: National Income, Expenditure and Product, December 2022.

Climate spending

The Government is committed to improving the transparency of public money committed to climate action. It recognises the importance of identifying, disclosing, and tracking climate spending in improving Australia's response to climate change and aligning with international efforts.

Accounting for climate related spending comprehensively is challenging as it cuts across many portfolios, ranging from energy to health. Existing budget systems also do not readily facilitate reporting climate-related spending on established programs. The Government is currently improving budget processes to facilitate more comprehensive reporting of climate-related spending, including existing measures.

This Budget continues the approach published in the October 2022–23 Budget, and updates on the further work underway to support improvements in future budgets. In particular, it analyses international best practices for defining what spending is climate spending, and clarifies how Australia's approach will be consistent with the framework used to support the Governments' issuance of Green Bonds. This approach will evolve over time as the Government works with and learns from reporting entities and partners around the world.

The climate-related spending approach in this Statement also complements the Government's reporting of its expenditure on related endeavours, such as the over $40 billion commitment on transforming Australia into a renewable energy superpower, as presented in *Budget Statement 1* Box 1.1.

International frameworks and approaches

International organisations and countries have been working to develop green budgeting – an approach to fiscal management that aims to improve the alignment between policymaking and climate and environmental objectives (Box 3.7). Australia's approach to reporting climate-related spending aims to align with and progress that work, and demonstrates Australia's commitment to international climate leadership.

The OECD, IMF and European Commission have jointly proposed the Green Budgeting Framework. Consistent and comprehensive reporting of green expenditure is a core building block of the framework, as it underpins accountability and strategic decision making. The Framework proposes classifying budget measures according to their green (climate and environmental) impacts, and assessing their connection to meeting relevant policy goals, such as countries' Nationally Determined Contributions (NDCs) to emissions reduction.

Box 3.7: International approaches to green classification

Several countries and organisations have developed approaches, each with different scopes and levels of detail.

New Zealand has established a Climate Emergency Response Fund (CERF), which allocates spending towards initiatives that support its climate objectives. Their Budget reports CERF expenditure, disaggregated by sector over a four-year outlook period. The approach separates pre committed spending and new spending and operating and capital expenditure.

Canada reports climate and environment spending in its budget for the current and four-year forward estimates. It provides aggregate climate spending under its 2030 Emissions Reduction Plan and divides its climate and environment spending into four categories across climate mitigation, energy, nature and building capability.

The European Commission has developed the European Union (EU) taxonomy for sustainable activities. EU member states and private entities use the framework to identify whether an economic activity is sustainable and meets the 'do no significant harm' principles.

International progress on green budgeting is also occurring alongside work in sustainable finance, classifying green spending in the private sector. The International Capital Market Association (ICMA) has developed the Green Bond Principles framework. It aims to support bond issuers and investors by setting out the required transparency, accuracy and integrity of information disclosed at a high level.

Australia's classification approach

Australia's initial approach builds on international best practice and will evolve over time as Australia and other countries' contributions to green classifications mature. Australia has started with a focus on climate spending; similar to the approach taken by New Zealand. Broader environmental or sustainability spending is not within scope at this stage.

The framework used in this Budget has four core categories, which clarify the types of expenditure which qualify for inclusion (Box 3.8). In assessing whether spending qualifies as climate-related, Australia adopts the relevant climate-related elements of the International Capital Market Association's (ICMA) Green Bond Principles framework. The reporting of climate-related spending in the budget process will be complementary with the framework accompanying the future release of Australian green bonds.

Box 3.8: Defining and categorising climate spending

Climate action is used as the broadest term to describe anything the Government does to address climate change. Climate action is currently divided into four sub-categories for spending that is contributing towards:

- Reducing emissions in Australia's energy system and broader economy.
- Adapting to climate impacts and building climate and disaster resilience, spending to support Australia manage the physical impacts of climate change.
- International climate engagement, spending to support how we engage through international fora and with other jurisdictions.
- Governance and institutions, investing in the capabilities of Government to ensure it effectively delivers on its objectives and enable a national approach on climate change.

These categories provide a simple to understand framework for why each measure has been classified as contributing to climate action. These categories are expected to evolve over time as Australia's approach to climate spending transparency matures. Policies may contribute to multiple climate or non-climate objectives; spending is classified into the most appropriate category based on its primary purpose. Some policies may contribute indirectly to climate objectives; these have not been included in the current approach.

Indirect benefit example

Health system funding supports responses to the health effects of climate change, such as more extreme heat days. It also supports services for existing health conditions. There are different ways the spending could be classified, the whole amount, none, or a proportion could be classified as climate-related expenditure.

In this Budget, spending with only an indirect contribution to climate action is excluded. If there is a specific program in health related to climate impacts, that would be counted (for example the October 2022–23 Budget measure: National Health and Climate Strategy).

Table 3.6: Australia's climate reporting framework

Australian Climate Action Category	Australian Definition
Reducing emissions in Australia's energy system and broader economy.	*Spending that supports emissions reduction and climate driven economic transition within Australia.* **Aligned elements in ICMA framework:** **Renewable energy** – Including production, transmission, and manufacturing renewable products. **Energy efficiency** – Including buildings, energy storage, smart grids, and products. **Pollution prevention and control** – Including emissions control, and waste to energy. **Clean transportation** – Including electric, hybrid, public, rail, non-motorised, multi modal transportation, and infrastructure for clean vehicles.
Adapting to climate change and improving climate and disaster resilience	*Spending that supports better management of the physical impacts of climate change including adaptation, improving climate resilience, and reducing our vulnerability.*[1] **Aligned elements in ICMA framework:** **Creating Climate Resilience –** Including adapting to and building resilience against the physical impacts of climate change, such as improving infrastructure to handle increased severe weather. **Sustainable management of living natural resources** – Including sustainable agriculture, fishery, aquaculture, forestry, and climate smart farm inputs such as biological crop protection or drip-irrigation. **Sustainable Water Management** – Including sustainable infrastructure, sustainable urban drainage systems and other forms of flooding mitigation. **Climate Change** Information – Including information support systems, such as climate observation and early warning systems.
International climate leadership	*Spending that fits into the above transformation and adaption categories but is primarily targeted overseas. Including international partnerships and involvement in forums and initiatives*[2].
Building Australian Government climate capability	*Spending that enables the Government to better act on climate change, supporting the categories above.*

1 Note: disaster response funding is not included where it does not reduce the underlying risk e.g. demand driven disaster response payments.
2 Note: this must be sufficiently identifiable. General Official Development Assistance (e.g. for disaster response) is currently not in scope.

New climate spending measures

Table 3.7 sets out $4.6 billion in climate-related spending commitments in this Budget to climate action out to 30 June 2030. This is further to the $24.9 billion of climate-related spending committed in the October 2022–23 Budget. Classification of spending is informed by the climate reporting framework defined in Table 3.6 above. The total commitment outlines spending, balance sheet and tax expenditure measures and therefore presents a broader view than the impact on the underlying cash balance.[3]

Climate spending overlaps with the Government's investment of over $40 billion in Australia's plan to become a renewable energy superpower, outlined in *Budget Statement 1*: Box 1.1. However, these figures relate to a different scope of activities.

Climate related budget commitments include measures that build Australia's economy, such as investments in renewable energy, as well as those that support adaptation, such as flood warning infrastructure. Of the four categories in Australia's climate reporting framework, the emissions reduction category and selected items from the government capability and international categories of Table 3.7 contribute to the estimate of Australia's investment in becoming a renewable energy superpower. Spending on adaption is not included.

In addition to these components, the Government's investment in becoming a renewable energy superpower also includes broader investments in the net zero economic transformation, such as investments in critical minerals.

Reporting new climate spending measures supports transparency around the fiscal impacts of climate change. However, it does not provide a complete summary of climate action.

Non-financial measures such as reforms to the Safeguard Mechanism are not captured. Measures that may contribute to climate action but have a different primary purpose (or indirect benefit) are not included.

Australia's approach to reporting climate action commitments is a separate and independent framework to the established functional expense tables in *Budget Statement 6: Expenses*, which aligns with international standards. These cannot be combined for analysis of government spending.

This summary focuses specifically on new climate-related commitments in this Budget. The Government is developing an approach to presenting transparent spending information on existing spending commitments. This will provide a more holistic view of the total amount of Government spending, not just what is new in each budget.

3 Tax expenditures, while included in climate-related spending in this Budget, were not included in the October 2022–23 Budget table on climate spending.

Table 3.7: Key climate-related spending measures – 2022–23 to 2029–30

	($m)
Total[(a)]	**4,552.2**
Reducing emissions in Australia's energy system and broader economy	**3,968.4**
Hydrogen Headstart[(b)]	2,007.6
Household Energy Upgrades Fund - establishment[(c)]	1,343.1
Small Business Support – Small Business Energy Incentive[(d)]	314.2
National Net Zero Authority	83.2
Supporting a Stronger and More Sustainable Agriculture Sector	61.7
Guarantee of Origin[(e)]	58.0
Working with the Australian Resources Industry on the Pathway to Net Zero[(f)]	26.3
Ensuring the Supply of Reliable, Secure and Affordable Energy[(g)]	18.1
Independent Review of Australian Carbon Credit Units – initial response	18.1
Reducing Transport Emissions[(h)]	15.7
Growing Australia's Critical Technologies Industries - Powering Australia Industry Growth Centre	14.8
ACT Sustainable Household Scheme	7.5
Powering the Regions Fund - final design[(i)]	0.0
Capacity Investment Scheme	nfp
Extending the clean building managed investment trust withholding tax concession[(j)]	*
Adapting to climate change and improving climate resilience	**544.2**
Natural Heritage Trust – project funding – Climate-Smart Agriculture[(k)]	302.1
Flood Warning Infrastructure Network Remediation[(l)]	194.1
National Climate Adaptation and Risk Program	28.0
Partnering to Implement the National Soil Action Plan	20.0
Re-establishing our international climate leadership	**17.9**
Comprehensive Sustainable Finance Agenda	17.9
Building Australian Government climate capability	**21.8**
Capturing Australia's Emissions Reduction Data – additional funding	21.8

a) This table summarises the Government's key climate-related spending commitments in this Budget to 30 June 2030, this presents a broader view than the impact on the underlying cash balance. Some measures extend beyond 30 June 2030 or include both initial and ongoing funding to 30 June 2030. This means the spending commitment presented in this table may differ from the measure set out in Budget Paper No. 2, Budget Measures 2023–24. Measures may not add due to rounding.
b) The figure for this measure includes funding beyond 2030, this represents the total funding commitment as the time period is not for publication.
c) This measure contains $1.0 billion in funding for concessional loans.
d) This measure includes $310.0 million cost in receipts and $4.2 million in payments.
e) This measure is partially offset from the Strategic International Partnerships Investment Stream, costs are also expected to be partially recovered through cost recovery arrangements over time.
f) This includes the components – Partner with Queensland to reduce emissions, and review offshore petroleum and greenhouse gas storage activities.
g) This includes the components – Australian Energy Regulator: for new legislated functions that will support Australia's energy transformation and reduce emissions.
h) This total will differ to the Budget Paper No. 2 measure as it nets out the funding re-purposed from the Driving the Nation Fund in the 2022–23 October Budget to avoid double reporting climate spending.
i) This measure allocates funding from the Powering the Regions in detail. This funding was already reported in the October 2022–23 Budget.
j) This measure is estimated to result in an unquantifiable decrease in receipts over 5 years from 2022–23.

k) Funding for this measure is drawn from the Natural Heritage Trust. This is already provisioned into the Budget bottom line and so does not impact the Underlying Cash Balance (UCB) as shown in Budget Paper No. 2, Budget Measures 2023–24. Table 3.7 captures broader government commitments than the impact on the UCB. This measure was not included in October 2022–23.

l) This total will differ to the Budget Paper No. 2 measure as it only includes funding to 30 June 2030; the measure commits funding over 10 years from 2023–24 (and ongoing funding from 2032–33).

Appendix A: Other fiscal aggregates

Accrual aggregates

Accrual accounting records income and costs at the time they are incurred. Cash accounting records income and costs at time of associated actual cash flow. Differences in estimates arise where there is a difference between the timing of an activity and the associated cash flow.

Net operating balance estimates

The net operating balance is an accrual measure, reflecting revenue minus expenses. It excludes the fiscal impact of the Commonwealth's net new capital expenditure.

The net operating balance is expected to be a deficit of $3.7 billion (0.1 per cent of GDP) in 2023–24 (Table 3.8), compared to an expected deficit of $33.0 billion in the October Budget.

Fiscal balance

The fiscal balance is the accrual equivalent of the underlying cash balance and equals the net operating balance plus net new capital investment.

The fiscal balance is expected to be a deficit of $14.1 billion (0.5 per cent of GDP) in 2023–24 (Table 3.8), compared to an expected deficit of $44.9 billion in the October Budget.

Table 3.8: Australian Government general government sector accrual aggregates

	Actual	Estimates					
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total(a)
	$b	$b	$b	$b	$b	$b	$b
Revenue	**596.4**	**653.8**	**680.4**	**677.3**	**713.7**	**748.2**	**3,473.4**
Per cent of GDP	25.8	25.7	26.4	25.7	25.7	25.6	
Expenses	**623.0**	**644.8**	**684.1**	**715.4**	**743.3**	**771.8**	**3,559.4**
Per cent of GDP	27.0	25.3	26.6	27.1	26.8	26.4	
Net operating balance	**-26.6**	**9.0**	**-3.7**	**-38.0**	**-29.6**	**-23.5**	**-85.9**
Per cent of GDP	-1.2	0.4	-0.1	-1.4	-1.1	-0.8	
Net capital investment	**8.4**	**10.4**	**10.4**	**7.2**	**5.4**	**9.3**	**42.8**
Per cent of GDP	0.4	0.4	0.4	0.3	0.2	0.3	
Fiscal balance	**-35.1**	**-1.5**	**-14.1**	**-45.3**	**-35.0**	**-32.8**	**-128.7**
Per cent of GDP	-1.5	-0.1	-0.5	-1.7	-1.3	-1.1	

a) Total is equal to the sum of amounts from 2022–23 to 2026–27.

Table 3.9 provides a reconciliation of fiscal balance estimates, including the impact of policy decisions and parameter and other variations on revenue and expenses since the October Budget. The drivers of movements in the fiscal balance estimates are largely the same as for the underlying cash balance.

Table 3.9: Reconciliation of general government sector fiscal balance estimates

	Estimates					
	2022–23	2023–24	2024–25	2025–26	2026–27	Total
	$m	$m	$m	$m	$m	$m
2022 PEFO fiscal balance	**-78,560**	**-58,735**	**-51,062**	**-39,649**	*	*
Per cent of GDP	-3.4	-2.5	-2.1	-1.5	*	
Changes from 2022 PEFO to 2022–23 October Budget						
Effect of policy decisions(a)	-775	1,128	-5,706	-7,489	*	*
Effect of parameter and other variations	40,649	12,698	-5,370	-2,756	*	*
Total variations	**39,874**	**13,826**	**-11,076**	**-10,245**	*	*
2022–23 October Budget fiscal balance	**-38,686**	**-44,909**	**-62,138**	**-49,895**	*	*
Per cent of GDP	-1.6	-1.8	-2.4	-1.9	*	
Changes from 2022–23 October Budget to 2023–24 Budget						
Effect of policy decisions(a)(b)						
Revenue	*141*	*1,525*	*4,722*	*5,890*	*7,619*	*19,897*
Expenses	*1,749*	*13,013*	*10,145*	*8,460*	*7,584*	*40,951*
Net capital investment	*-10*	*734*	*712*	*493*	*353*	*2,282*
Total policy decisions impact on fiscal balance	-1,598	-12,222	-6,135	-3,063	-318	-23,336
Effect of parameter and other variations(b)						
Revenue	*28,609*	*45,408*	*23,520*	*16,844*	*	*
Expenses	*-7,883*	*4,607*	*2,984*	*3,904*	*	*
Net capital investment	*-2,329*	*-2,187*	*-2,458*	*-4,982*	*	*
Total parameter and other variations impact on fiscal balance	38,821	42,987	22,994	17,922	*	*
2023–24 Budget fiscal balance	**-1,462**	**-14,144**	**-45,278**	**-35,035**	**-32,813**	**-128,733**
Per cent of GDP	-0.1	-0.5	-1.7	-1.3	-1.1	

*Data is not available.

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

b) A positive number for revenue improves the fiscal balance, while a positive number for expenses and net capital investment worsens the fiscal balance.

Revenue estimates

Revenue is the accrual accounting equivalent of cash-based receipts. Changes in revenue are generally driven by the same factors as receipts. Revenue amounts can be higher or lower than the cash equivalents as they include amounts that a taxpayer is liable to pay but has not paid. The differences between the accrual and cash amounts generally reflect timing differences.

Total revenue has been revised up by $46.9 billion in 2023–24, since the October Budget.

Expense estimates

Expenses are the accrual accounting equivalent of cash-based payments.

Total expenses have been revised up by $17.6 billion in 2023–24 and by $37.0 billion over 4 years from 2022–23 to 2025–26 since the October Budget.

Movements in expenses over the forward estimates are broadly consistent with movements in cash payments. The key exceptions include:

- the NDIS program, where there is an expected time lag between the receipt of reasonable and necessary support services and the lodgement of claims relating to those services
- superannuation benefits programs (civilian and military), where there is a timing difference with the expense accruing during employment and cash payments occurring during retirement
- purchases of non-financial assets, which are included in cash payments but not in accrual expenses. The expense estimates include depreciation of non-financial assets rather than recognising the impact at the time of purchase.

Detailed information on expenses can be found in *Statement 6: Expenses and Net Capital Investment.*

Structural budget balance estimates

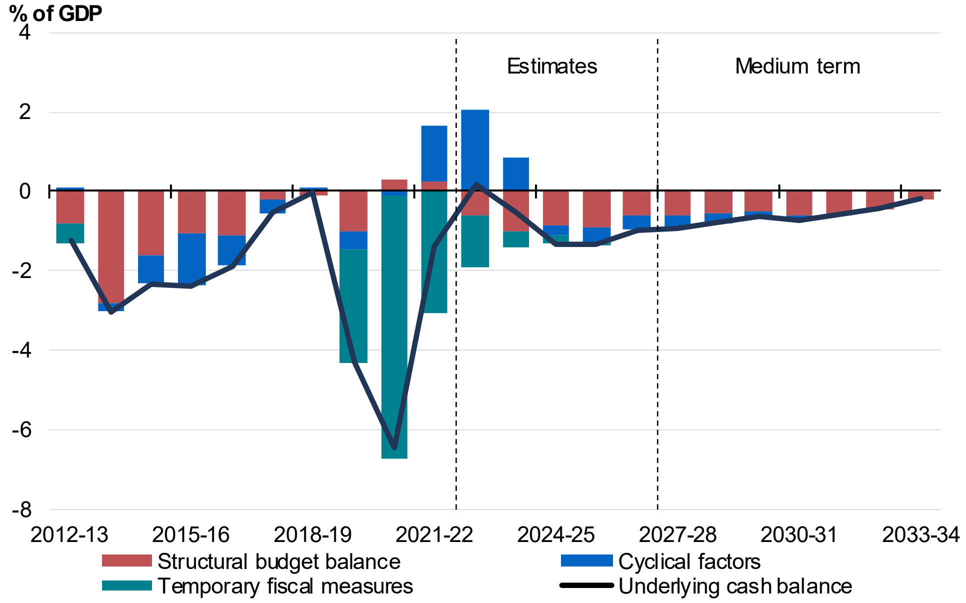
The structural budget balance estimate adjusts the underlying cash balance to remove the estimated effects of temporary factors. Temporary factors include deviations in commodity prices and economic activity from their long-run levels. The structural budget balance can provide insight into the sustainability of fiscal settings.

The structural balance is estimated rather than observed, so it is sensitive to the assumptions and parameters that underpin it. Commodity price volatility has increased the uncertainty around the estimate.

The estimated structural budget balance has improved over the forward estimates compared to the October Budget (Chart 3.19). Over the medium term, the estimated structural deficit is projected to be smaller, but persist. This improvement is consistent with forecast revisions to the underlying cash balance, which reflect lower interest payments than were expected in the October Budget and a larger economy, including as a result of higher population and participation.

Cyclical factors are estimated to positively contribute to the underlying cash balance in the near term, but not to the structural budget balance, in large part due to elevated commodity prices and a strong labour market. This will recede as commodity prices return to their assumed long-run levels and economic activity returns to its potential level. Estimates take account of the change in commodity price assumptions in this Budget (see Box 2.4).

Chart 3.19: Structural budget balance



Note: The approach separating the budgetary impact of temporary measures from structural measures follows the methodology detailed in Treasury Working Paper 2013-01. Cyclical factors measure the estimated impact on the underlying cash balance from automatic stabilisers and cyclical movements in asset and commodity prices. Temporary fiscal measures comprise direct economic and health support measures initiated between the onset of the COVID-19 pandemic and the 2022–23 October Budget. Underspends in these direct economic and health support measures are not captured in the derivation of the structural budget balance, which may result in an improved structural budget balance estimate.

Source: Treasury.

Statement 4: Structural Shifts Shaping the Economy

The Australian economy is changing in profound ways, with implications for society, policy, and public finances. While there are many structural shifts shaping our economy, this statement focuses on 3, common across many advanced economies: the growing care and support economy; our expanding use of data and digital technology; and climate change and the net-zero transformation. Harnessing the opportunities that come with these transitions, whilst effectively managing the challenges, is critical to our future economic performance and prosperity.

The care and support economy is growing rapidly, driven by an ageing population, a transition from informal to formal care, and heightened community expectations around the standard of care. The care and support workforce must keep growing to meet demand, and more can be done to address barriers to recruitment and retention including pay and conditions, and to improve productivity growth in the sector.

Data and digital technologies are reshaping our society and, with it, our economy. With a highly skilled workforce, and strong and responsive institutions and regulatory settings, Australia is well placed to adapt and thrive. Proficiency in digital skills will be important to capitalise on the economic opportunities afforded by these new technologies, and to ensure the gains are widely shared. Government investment and regulatory frameworks will also need to rapidly evolve to realise the productivity enhancing potential of data and digital technologies; protecting consumers while delivering dynamic and competitive markets.

The economy is changing dramatically due to the global and domestic response to climate change, and as we adapt to the physical impacts of climate change. The net-zero transformation holds major opportunities for Australia, given our endowment of renewable energy sources and our large reserves of many critical minerals. Investment in low emissions technologies and transforming the energy sector will help seize the opportunity to create and benefit from emerging industries and to leverage traditional strengths. Decarbonising the Australian economy will require significant capital investment and a workforce capable of meeting increased demand for greener jobs.

Statement contents

Statement 4: Structural shifts shaping the economy

Over time, Australia has undergone profound shifts in the structure of its economy, with significant implications for society and for government policy and finances. Notable examples include the various phases of the mining boom, opening up the economy to the world and the advent of information and computer technology. Other ongoing changes, such as demographic ageing and growth of the Chinese and Indian economies, will continue to impact over the coming decade. Some of these have been the focus of Statement 4 in several previous budgets.[4]

This statement focuses on a further 3 structural shifts that will have a major bearing on our economic performance over the next decade and beyond: the growing care and support economy; our expanding use of data and digital technology; and climate change and the net-zero transformation. Each of these shifts are interconnected and may also be shaped by other shifts such as changing demand for goods and services or the uncertain geopolitical environment. How Australia responds to these changes will be central to growth prospects and opportunities more broadly in the years to come.

The continued rapid growth in the care and support economy reflects many underlying factors. As the population ages, demand for health and aged care increases. The steady expansion of women's workforce participation has led to a shift away from unpaid care provision, towards formal care arrangements, including for children and ageing parents. Standards of care have also increased in response to rising community expectations. These trends are resulting in increasing fiscal pressures, and wages and conditions have remained a concern for those in the sector. As the care and support economy continues to grow, so too will the macroeconomic importance of workforce and productivity challenges in the sector.

Data and digital technologies are continuing to reshape society and, with it, the economy. Since the Industrial Revolution, persistent waves of technological change have driven phenomenal growth in living standards, with the workforce shifting into higher productivity and higher wage jobs. But these benefits have not always been shared equally across society. Ensuring Australia has the right policy settings in place to harness the benefits of this latest wave of technological change and create more opportunities for Australians is critical. This includes putting the right enabling infrastructure in place, building responsive education and skills systems, and implementing regulation that protects consumers, while delivering dynamic and competitive markets.

Climate change and the net-zero transformation will affect all aspects of our economy and our society over the coming decades, bringing enormous challenges and opportunities. The consequences of rising temperatures are already being felt across Australia through the increasing frequency and severity of extreme weather events. Necessary global and domestic action on emissions reduction will drive significant changes in the structure of the global economy, requiring huge capital investment and significant workforce adaptation.

4 For example, in the 2001–02, 2003–04, 2005–06, 2006–07 and 2011–12 budgets.

Australia's skilled workforce, and natural endowments of renewable energy and the minerals critical for decarbonisation means our economy is well placed to prosper in a net-zero future. However, significant coordination will be required to ensure these growth opportunities are realised, and that workers, communities and industries benefit from a smooth transformation.

Governments have a clear role to play in providing a stable and supportive policy environment that allows individuals, communities and businesses to adapt and prosper in the face of these changes. Ensuring we have well-functioning education, training and labour market systems will allow all Australians to make the most of their potential. In many instances, more targeted responses are also warranted. Clear policy leadership and careful policy design will ensure these interventions are efficient and effective and allow market participants to plan with more confidence. Fostering dynamic and competitive markets, supported by necessary investments in enabling public infrastructure, such as digital connectivity, can also help spread opportunity. Finally, the different distributional impacts of these changes mean there is an important role for tailored support to individuals and communities to assist with the transitions.

Getting the policy settings right can also give rise to benefits at the intersection of these structural shifts. For example, better harnessing data and digital technologies can help meet growing demand for high quality care and support services. Providing certainty for the net zero transformation can also encourage greater private investment in new technologies that will help Australia achieve its emissions reduction targets in the most efficient way.

These major structural shifts in the Australian economy are occurring at a time when the global environment is becoming more contested and fragmented (Box 4.1). Russia's invasion of Ukraine has raised geopolitical risk levels and strategic competition in the Indo-Pacific is intensifying. Rising geopolitical tensions will complicate the climate and digital transformation, affect trade and investment flows, and make unpredictable shocks more likely. This makes it even more critical to manage these shifts well to support future prosperity.

Box 4.1 Geopolitical risk and fragmentation

Since the 1980s, the opening of the Australian economy and globalisation have given rise to decades of economic growth and increased prosperity for the Australian people. Australia's economy has become more interconnected with the Indo-Pacific and the world. The benefits of deepened global economic integration, reduced barriers to trade and investment, and regional stability continue to pay dividends.

However, Australia faces a complex and uncertain global strategic environment. We face challenges to supply chain resilience and increased scepticism about the benefits of globalisation. Russia's invasion of Ukraine has raised measures of geopolitical risk (Chart 4.1). Strategic competition in the Indo-Pacific has intensified.

These tensions pose downside risks to Australia's economic outlook. Persistent instability is historically associated with tighter financial conditions, lower investment and employment, as well as a higher probability of negative economic shocks and larger downside risks to the global economy.[5]

The IMF has recently raised concerns that policy-driven geoeconomic fragmentation may reverse the efficiency gains generated by trade, investment and people flows, potentially exacerbating inflationary and supply chain pressures. In a severe scenario, the IMF estimates that trade fragmentation could reduce long-term global output by up to 7 per cent.[6] This risk is especially relevant for a medium-sized trading nation such as Australia.

Australia's region faces increasing strategic competition, including rising risks of military escalation or miscalculation. Australia's response to this changing environment requires new investments in diplomacy, development, defence and national security, at a time of increased fiscal pressure. Other priority areas for enhanced effort include transnational serious and organised crime, humanitarian and disaster relief, border security, cyber, space, intelligence and counterterrorism.

Intensifying geostrategic competition in the Indo-Pacific poses immediate and future security challenges for Australia. The Government is responding to these challenges by implementing the Defence Strategic Review, which recommends a significant defence restructuring and capability uplift. Implementing the review's recommendations will create opportunities to build our sovereign industrial base and create high-skilled jobs, while generating additional pressures in areas such as manufacturing, infrastructure, education, training and workforce development.

continued on next page

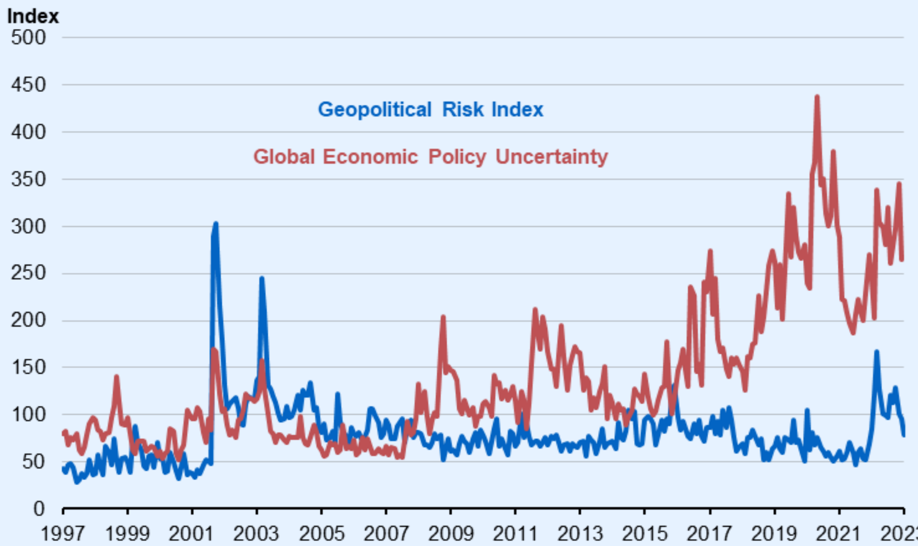
5 Caldara, D & Iacoviello, M. (2022). Measuring Geopolitical Risk. *American Economic Review*, 112(4), 1194-1225.

6 Aiyar, Shekhar, Ilyina, Anna, and others (2023). Geoeconomic Fragmentation and the Future of Multilateralism. Staff Discussion Note SDN/2023/001. International Monetary Fund, Washington, DC.

Box 4.1 Geopolitical risk and fragmentation (continued)

A more fragmented and volatile global economic and political environment makes it even more important to harness the full range of opportunities that come from the care, digital and green transitions.

Chart 4.1: Geopolitical risk is elevated



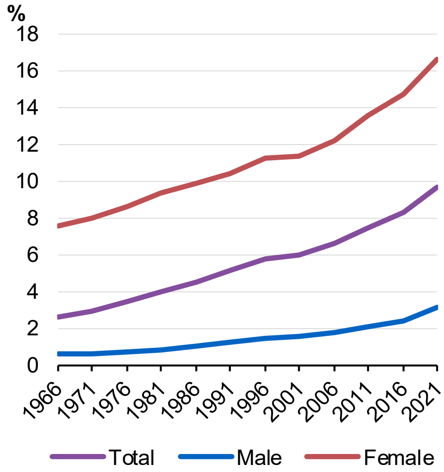
Note: Higher index values denote higher geopolitical risk or global economic policy uncertainty.

Sources: GPR: Caldara, Dario and Matteo Iacoviello (2022), “Measuring Geopolitical Risk,” American Economic Review, April, 112(4), pp.1194–1225. Data downloaded from https://www.matteoiacoviello.com/gpr.htm on 1 March 2023). GEPU: Davis, Steven J., 2016. “An Index of Global Economic Policy Uncertainty,” Macroeconomic Review, October. Data downloaded from https://www.policyuncertainty.com/global_monthly.html on 1 March 2023.

A growing care and support economy

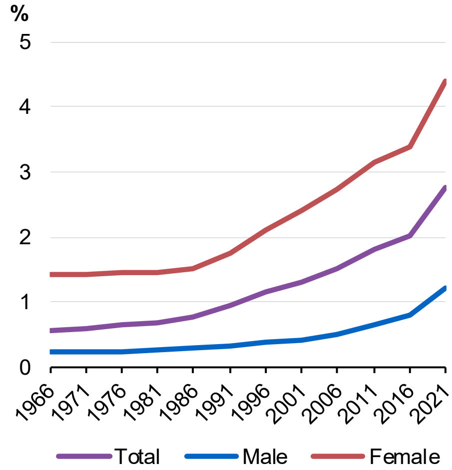
The care and support economy covers formal care services provided to millions of Australians, including nursing, social and aged care, disability support, and early childhood education and care.[7] The care and support economy is growing rapidly, driven by an ageing population, a transition from informal to formal care, and increased citizen expectations of government. This growth gives rise to significant fiscal pressures and it will be important to ensure sectors grow in an efficient and sustainable way so they can continue to provide quality care. To meet demand for quality care, a larger care and support workforce is required. This is particularly true in the aged and disability sectors. Improved education and training, and better use of technology, will also help the care and support economy to deliver the best possible care to all Australians.

Chart 4.2: Share of workers in care and support occupations



Source: Treasury analysis of ABS Census.

Chart 4.3: Share of workers in personal care and support, primarily aged care and disability support



Source: Treasury analysis of ABS Census.

7 In this chapter, 'care' workers include care and support workers, health and welfare support workers, social professionals, registered nurses, allied health professionals, and early childhood education and care workers. 'Personal care and support' workers are a subset of this group that is made up of aged care, disability care, nursing support and personal care assistants.

Half a century of growth in the care and support workforce

The demand for care and support services has grown substantially over the past 50 years. About 10 per cent of the workforce are in a care occupation, up from 2½ per cent in 1966 (Chart 4.2). This demand has been met overwhelmingly by women, with around 1 in 6 employed women working in a care occupation in 2021. Within the sector, aged care and disability support has been the strongest driver of recent employment growth (Chart 4.3). This growth will continue. By 2049–50, the former National Skills Commission expects the total demand for the care and support workforce will be around double that seen today.[8]

As with many advanced economies, Australia's population is ageing (Box 4.2). The retirement of those born from 1946 to the mid-1960s (often referred to as 'the baby boomers') between 2010 and 2030 will cause a particularly rapid period of ageing, resulting in a smaller share of working-age Australians to help fund more government services. In a decade, almost 1 in 5 Australians will be aged 65 years and over. However, in contrast to previous generations, this cohort will retire with larger retirement savings balances which may result in demand for more and higher quality care services.

Care work has also continued a long transition from informal to formal care, driven by increased labour force participation by women. Informal care primarily relies on family members – particularly women – forgoing paid work to provide unpaid care at home. Improved options for formal care can reduce barriers to women's workforce participation, improving their economic security and financial independence. These changes can also support productivity to the extent that formal care arrangements allow for better matching between jobs and skills, and through economies of scale as the workforce expands.

The transition towards more formal care, advances in technology, and higher incomes has led to rising expectations of how and where care is delivered. A recurring finding of past intergenerational reports is that these non-demographic factors are a key force behind rising aged care and disability support costs, and resulting fiscal pressures.[9] Shifts in consumers' preferences have been accompanied by reforms to aged care since the mid-2000s, such as increasing availability of care in the home, and by the implementation of the National Disability Insurance Scheme (NDIS) from July 2013.

These drivers have affected segments of the care and support sector differently. An ageing population and longer life expectancies have been the primary driver of aged care demand, leading to longer and more complex care demands. Demand for disability supports, particularly those delivered through the NDIS, has also grown, driven by increased recognition of disability needs, high uptake among children, and low exit rates from disability programs as people age.[10] Together, this has seen the personal care and support workforce treble as a share of the total workforce over the past 30 years, from 0.9 per cent in

8 National Skills Commission (p. 10, 2021), 'Care Workforce Labour Market Study'.
9 Treasury (Section 7.2, 2021), 'Intergenerational Report'.
10 National Skills Commission (Sections 2.4.1–2.4.2, 2021), 'Care Workforce Labour Market Study'.

1991 to 2.8 per cent in 2021 (Chart 4.3), and become the largest care and support sector occupation group.

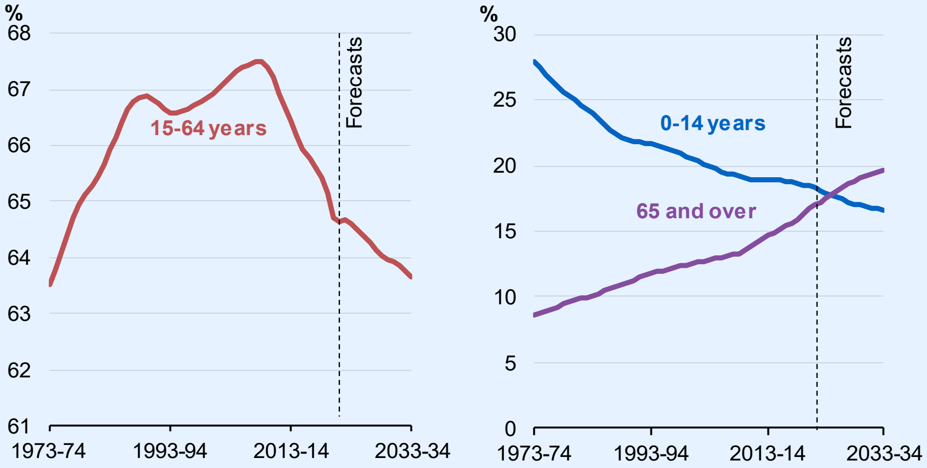
NDIS is a vital scheme. Ensuring the long-term sustainability of the Scheme is critical to ensuring supports can continue to be provided to Australians with significant and permanent disability. The National Cabinet has committed to an NDIS Financial Sustainability Framework to ensure the NDIS can continue to provide life-changing outcomes for future generations.

Box 4.2: How Australia's population is expected to change

Australia's population will continue ageing over the next decade, with fertility rates expected to gradually decline and life expectancies expected to increase, consistent with long-running trends. From 2023–24 to 2033–34, the share of the population aged 65 years and over is projected to increase by 2.2 percentage points to 19.7 per cent, while for those aged 85 years and over it is expected to increase by 1.0 percentage point to 3.2 per cent. Over the same period, the share of younger people will continue to fall with those aged 0 to 14 years projected to decrease by 1.3 percentage points to 16.7 per cent.

Population ageing is reflected in an increasing old-age dependency ratio – or the number of people aged 65 years and over per 100 people aged 15 to 64. This ratio is projected to increase from 27.0 in 2023–24 to 31.0 in 2033–34. The increase is particularly significant between 2010 and 2030 driven by the large baby boomer cohort reaching the age of 65. Population ageing is expected to continue in the longer run beyond the effects of the baby boomer cohort, driven by low fertility rates. The increasing old-age dependency ratio presents challenges for Australia's long-term economic growth and fiscal outlook. Helping elderly people age well could partially offset some of the economic effects of population ageing, which include decreased productive capacity of the economy and greater government spending on healthcare, aged care, the Age Pension, and end-of-life support.

Chart 4.4: Share of Australia's population by age group



Source: ABS, National, state and territory population, September 2022, and Treasury.

A larger aged care and disability support workforce is needed to meet future demand

The care and support workforce must keep growing to meet demand. A 2021 report by the former National Skills Commission predicted Australia would require 425,000 personal care and support workers – mostly aged and disability carers – by 2050, up from 225,000 in 2020.[11] A suitable care workforce will help ensure everyone who needs quality care can receive it. But attracting and retaining workers to these occupations has proven difficult.

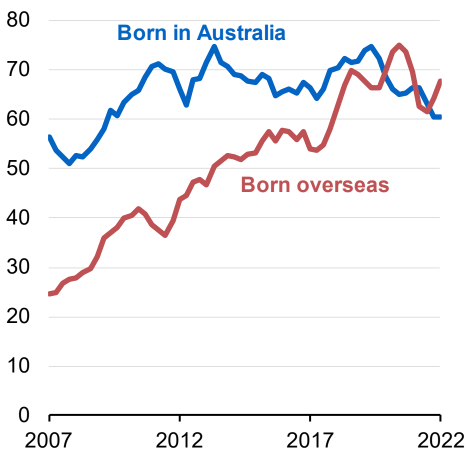
The personal care and support workforce is highly feminised, with women accounting for around 80 per cent of all workers. The rise in women's workforce participation over the past 40 years, partly enabled by increased availability of early childhood care and education, has been an important driver of growth in the care and support workforce.[12] However, a highly gender segregated workforce can artificially constrain labour supply, which increases the likelihood of a skills shortage (see *Women's Budget Statement*). With the women's workforce participation rate expected to flatten over coming decades, growing the care and support workforce is likely to require some reallocation of workers from other industries, and encouraging more men to pursue careers in care. The growth in demand for care and support workers, and the fact that entry level roles in the sector do not require minimum mandatory qualifications, creates an opportunity for Australians who are not currently employed or are looking to shift careers. However, the nature of many care and support jobs – with variable hours and worker screening requirements – can present a barrier for existing employment service models to place workers in the sector.

As demand for aged care has grown, reliance on migrants to grow the workforce has increased (Chart 4.5). Migrants working in aged care typically arrive as secondary applicants to skilled migrants (such as spouses and dependants) or are family or humanitarian migrants. There is an opportunity to improve the effectiveness of the training and skills system in growing the future care and support workforce, and to ensure the migration system provides effective pathways and protections for migrants working in the sector.

While the aged care and disability support sector has grown, attracting and retaining workers has been challenging. Only around half of people who enrol in a relevant vocational course end up employed in the sector.[13] Furthermore, about 60 per cent of the aged care and disability support workforce have been working in their occupation for less than 3 years. Attrition rates are particularly high for young people and are lower for older women.[14]

11 National Skills Commission (Figure 291, 2021), 'Care Workforce Labour Market Study'.
12 Treasury (Chapter 3, 2021), 'Intergenerational Report'.
13 Of people enrolled in a Certificate III in Individual Support: National Skills Commission (Section 7.3, 2021), 'Care Workforce Labour Market Study'.
14 National Skills Commission (Section 7.2.1.1, 2021), 'Care Workforce Labour Market Study'.

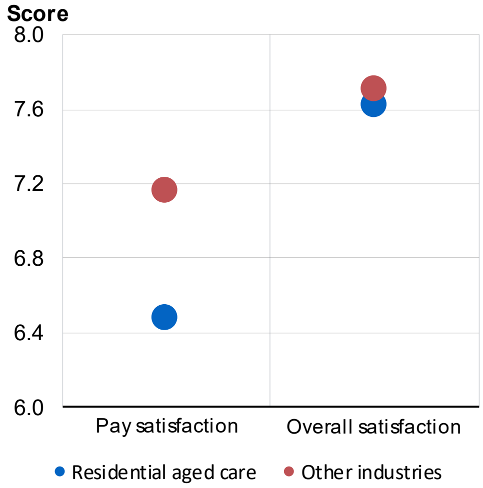
Chart 4.5: Migrant status of care workers in residential aged care



Note: In 2021, 85 per cent of residential age care workers born overseas arrived in Australia aged 18 years or older: Treasury analysis of Census (2021).

Source: Treasury analysis of ABS Labour Force microdata.

Chart 4.6: Average satisfaction with various job characteristics



Note: Average satisfaction score out of 10.

Source: Treasury analysis of HILDA Survey Release 20.0.

Current pay levels, progression and conditions have been a particular concern for care and support workers and have been barriers to attracting suitable workers into the sector. As care roles were once part of the informal economy, the level of skill and experience required can be disguised, which can lead to wages and conditions that do not reflect the value of the work performed. Personal care and support workers earn $34 per hour on average, about 25 per cent less than the average worker.[15] Satisfaction with wages is particularly low for aged care workers, who are far less satisfied with their pay than other workers (Chart 4.6). Career paths in the aged and disability sector are limited, with little professional development or pay progression.[16] The Government's support for, and commitment to fund, the interim outcome of the Fair Work Commission's decision on the Aged Care Work Value Case will help to alleviate some of these barriers. This funding will support a 15 per cent increase to award wages and more than 250,000 aged care workers will benefit from the increase.

15 Treasury analysis of ABS Characteristics of Employment Survey (2022).
16 Aged Care Royal Commission (p. 125, 2021), 'Final Report'.

Improving productivity and care outcomes

As the formal care and support economy grows, so does its importance to Australia's productivity performance. The Productivity Commission noted in the final report of its 5-year Productivity Inquiry, *Advancing Prosperity*, that productivity gains in service sectors, which includes aged and disability care, have proved difficult to achieve.[17]

Productivity measures in the care and support sector provide an incomplete picture of the sector's performance. This is because productivity growth – measured by value added relative to labour and capital inputs – does not fully capture the value of these services to those who benefit. Focusing on outcomes – measured by the health and wellbeing of Australians receiving care and support services – rather than just inputs will better measure what matters and help guide the allocation of scarce care resources.[18]

Measuring better outcomes directly is difficult and will likely require new uses of existing data and the collection of new data. But without a better understanding of how the sector is serving the community, governments' ability to drive improvements in the quality of care and productivity is constrained and there is a risk that the services delivered grow only in volume, and not value.

There are significant opportunities to improve the quality and efficiency of care by ensuring care is provided in the right setting, at the right time. Improved co-ordination and integration of primary care services can improve health outcomes and reduce costs by preventing unnecessary hospitalisations. Similarly, effective home care services can be a high productivity approach to delivering aged care, as living independently for longer can deliver better outcomes for some older people, with lower labour requirements and costs than residential aged care.

There are also opportunities to improve the quality of care by better integrating technology into existing care settings, including better use of data within the care and support system. For example, the transformation of *My Health Record* into a comprehensive data sharing system across the whole health and care sector can ensure carers have up-to-date, readily accessible information about their clients and participants to deliver care that is more timely and better tailored to need.[19]

Rather than replacing the human aspect of care work, better use of technology and data can increase direct support. By reducing time spent on inefficient tasks, technology can free workers up to spend more time with clients, supporting improved care outcomes. Training for aged care and disability support workers in better processes and use of these technologies is crucial to help capture these quality-enhancing productivity gains.

17 Productivity Commission (Vol 1 p. ix, 2023), 'Advancing Prosperity'.
18 For example, client-centred funding approaches can incentivise improvement in care outcomes rather than solely rewarding activity: Productivity Commission (Vol 1 p. 35-36, 2023), 'Advancing Prosperity'.
19 Productivity Commission (Vol 1 p. 60, 2023), 'Advancing Prosperity'.

Data and technology can also be key enablers of delivering care in settings that best suit individual needs and preferences. The adoption of health monitoring technology, such as portable heart rate monitoring and fall detection devices, can allow better settings for care while also improving outcomes. For example, in the right circumstances, formal at-home care is a more effective substitute for residential aged care. The majority of older Australians prefer to remain in their own home and delay entry into residential care until later in life. The use of modern technologies will help meet rising preferences for in-home aged care, delivering quality outcomes with fewer labour and capital resources, driving productivity growth in the sector.

Adoption of technology can also help improve aged care and disability support services in regional and remote areas. Regional and remote areas often have 'thin markets' in care service provision, meaning people have little choice in service providers, and sometimes no access at all.[20] Some are forced to permanently relocate or forgo formal care. Older Australians living in small rural and remote areas are less likely to use residential aged care services or home support packages.[21] The use of technology, such as video consultations with specialists and remote health monitoring and support, can go some way to improving the quality of care that regional Australians receive.

Technological and digital transformation

From the Industrial Revolution to the Green Revolution, technology has stretched the limits of what was once thought possible. Life-saving surgeries, medications and vaccines have ensured that many Australians live longer and healthier lives. The widespread adoption of technologies and the implementation of new and more efficient production processes have resulted in a higher standard of living.

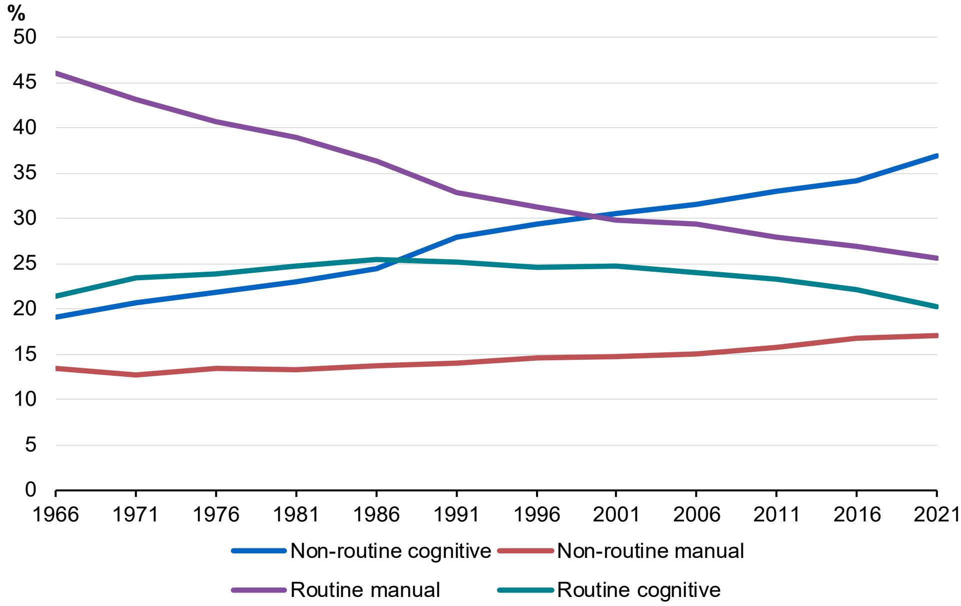
Technological change and the nature of work

Past waves of technological change have seen the aggregate workforce shift over time into higher skilled, higher paid jobs, and have changed the nature of work (Chart 4.7). In the post WWII era, most workers were engaged in routine work, such as agriculture and manufacturing labourers (routine manual work) and clerks (routine cognitive work). Automation has allowed workers in these occupations to produce more with less, aided by the adoption of new technologies. The rise of non-market services, including the care and support economy, is partly reflected in the increase in non-routine manual work. Most employment growth has been concentrated in non-routine cognitive work, such as in the professional services sector, which now accounts for the bulk of employment.[22]

20 National Skills Commission (Section 4.8, 2021), 'Care Workforce Labour Market Study'.
21 National Skills Commission (Figure 15, 2021), 'Care Workforce Labour Market Study'.
22 For more detailed examinations of the changing nature of work see, for the United States, Autor, D. H., Levy, F., & Murnane, R. J. (2003). The skill content of recent technological change: An empirical exploration. *The Quarterly Journal of Economics*, *118*(4), 1279-1333, and for Australia, Coelli, M., & Borland, J. (2016). Job polarisation and earnings inequality in Australia. *Economic Record*, *92*(296), 1-27.

Automation has not reduced hours worked and has improved opportunities for some previously excluded sections of the workforce. Average hours worked per person aged 15 years and over has remained at around 20 hours per week since the early 1980s. The shift towards services has also supported the participation of older Australians in the workforce. Women are also participating at much higher rates than in the past. This partly reflects changing social norms, but also increased availability and use of formal childhood education and care and labour-saving technology in the home.

Chart 4.7: Employment by occupation task category



Note: Data and classifications from ANZSCO using RBA skills structure framework.
Source: Treasury analysis of ABS Census data.

Recent trends in data and digital technologies and skills

Digital technologies have transformed our lives in ways that, even a few decades ago, would have seemed unimaginable. The recent and rapid take up of technologies like cloud computing, machine learning and artificial intelligence are now changing how we live and work. The nature of work is once again shifting, with new tools that allow workers to do more with less, and new skills being demanded by businesses. Fittingly, new data makes it possible to see these changes playing out in close to real time.

Australian businesses are increasingly adopting emerging technologies, but still lag behind the frontier, suggesting scope for further growth. Recent Treasury analysis highlights the near doubling in references to emerging technologies in online job advertisements between 2012 and 2020, with around 7 per cent of online job advertisements now referencing such technologies.[23] Yet frontier technologies such as cloud computing, machine learning and artificial intelligence remain less prevalent than in the United States (Charts 4.8 and 4.9).

There are opportunities for businesses to close this gap with international peers, and further expand the set of opportunities available to workers. Businesses report a range of barriers to adoption of technologies, including insufficient knowledge (12 per cent of businesses), uncertainty around costs and benefits (12 per cent), slow internet speeds (13 per cent) and a lack of skills within the business (13 per cent).[24] Yet the rapid adoption of online sales and hybrid work arrangements during the COVID-19 pandemic also highlights the ability of businesses to rapidly adopt technologies when conditions demand it.

Chart 4.8: Share of cloud computing job ads

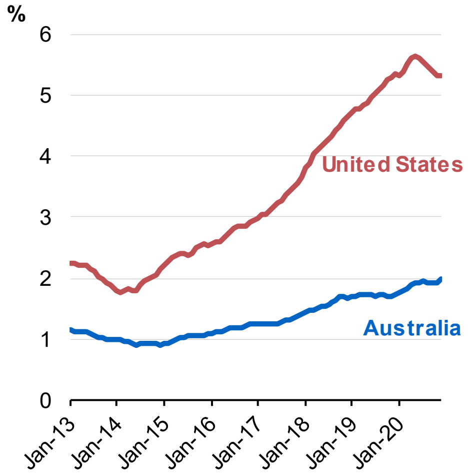
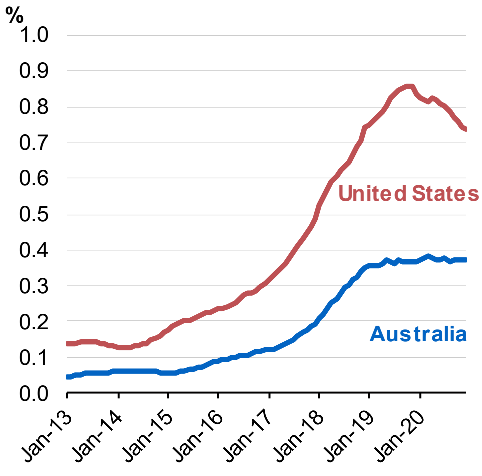


Chart 4.9: Share of artificial intelligence/machine learning job ads



Notes: 12-month rolling average of monthly share of job ads that require each technology skill. Cloud Computing also includes Cloud Storage and Cloud Solutions.
Source: Treasury analysis of Lightcast data for Australia and the United States (2012–2020).

Digital skills proficiency is important to capitalise on the economic opportunities afforded by new technologies and to ensure the gains are widely shared. The workforce is already responding to meet the skills challenge posed by a growing digital economy. The number of people with an IT qualification jumped by 36 per cent between 2016 and 2021. By keeping pace with demand, the education system can position Australian businesses to tap into global digital markets and leverage digital innovations in how they develop,

23 Bahar, E. & Lane, O. 'How dispersed are new technologies in the Australian job market?' *Treasury Round Up*, 2022.
24 ABS 2019 Characteristics of Australian Business, 2019-20 financial year.

produce and sell products and services. Equitable access to digital skills is critical to ensure the benefits of these new digital employment opportunities are broadly shared.[25]

As jobs change in response to new technologies, our education and training systems cannot only deliver new skills but also need to adapt in how they deliver them. Encouraging life-long learning and on the job training, and ensuring smooth integration and recognition of training experiences can help workers keep their skills up to date and lower the transition cost between jobs. Labour mobility between firms and locations, and a responsive skilled migration system, will also support the diffusion of local and global best practice across Australian businesses.

Data, digitalisation and productivity growth

Amid a global slowdown in productivity growth, data and digitalisation have significant potential to improve Australia's productivity performance. Such technologies can reduce business costs, allow workers to focus on higher value tasks, and improve product quality and consumer choice.[26] New technologies can make existing businesses more efficient, bring about increased competition and better meet consumer needs.

Productivity gains associated with transformative new technologies take time to emerge as the economy adjusts to make the most of new opportunities. While past innovations such as electrification completely reshaped the way we lived, it took multiple decades for the benefits to be fully realised. Electrification required investments in complementary public and private infrastructure, and the redesign of factory layouts and industrial processes.[27] In a similar vein, the data and digital technologies that began to take off in the 1990s and continue to evolve today will require complementary investments – in new products, processes, infrastructure and skills – before their full benefits are realised.[28]

A competitive and dynamic economy will amplify the benefits of new technologies. Most Australian businesses – 98 per cent – adopt innovations created by others rather than generate new innovations themselves.[29] Increasing the speed and scale of this diffusion of existing ideas is an important focus for productivity policy. Competitive pressures accelerate the diffusion of good ideas by incentivising resources to flow to the most productive businesses. Yet while more productive businesses tend to grow their workforces and invest more than less productive businesses, there is evidence that both tendencies

25 Goldin, C., & Katz, L. F. (2010). The race between education and technology. Harvard University Press.
26 Productivity Commission (Vol 4 p. 1, 2023), 'Advancing Prosperity'.
27 David, P. A. (1990). The dynamo and the computer: an historical perspective on the modern productivity paradox. The American Economic Review, 80(2), 355-361.
28 Brynjolfsson, E, Rock, D and Syverson, C (2021) 'The Productivity J-Curve: How Intangibles Complement General Purpose Technologies', American Economic Journal: Macroeconomics, 13 (1): 333-72.
29 Productivity Commission (Vol 5 p. 1, 2023), 'Advancing Prosperity'.

have declined over time in Australia.[30,31] Addressing barriers to firm entry and exit, labour mobility and competition more generally will help fuel the take up of new technologies and ideas.

Complementary public investments can help realise the benefits of data and digital technologies. This includes ensuring accessible, secure and inclusive digital platforms through ongoing and sustainable government investments and coordination in connectivity and cyber security. Infrastructure Australia has assessed that almost half of Australia's regions have digital infrastructure gaps, and the Government has made additional investments in the National Broadband Network and in the mobile and broadband connectivity and resilience of regional Australia.[32] Enabling policy may also include programs to help businesses adopt new technologies, like artificial intelligence.

Australia's identity system is another critical piece of national infrastructure that enables core government functions and the broader economy. Solutions like Digital ID provide a voluntary and secure means of digital verification, and the Government is supporting broader use through reforms and enabling legislation.

Underpinning many new technologies is the large-scale collection of data about people, systems and services by businesses. These datasets are a valuable input into models that maximise consumer engagement and have enabled platforms like Amazon, Netflix and Meta to appropriate a large consumer share. As these datasets become an increasingly important driver of innovation, they have become products in their own right, supporting services like advertising and market research. However, this commercialisation of data has implications for the protection of consumer rights, privacy and security, as well as regulation of competitive markets. The ethical implications of increasing uses of data, algorithms, and artificial intelligence to shape consumer choices and automate business interactions are also attracting greater scrutiny.

Regulatory frameworks must continue to evolve in the face of technological change, as they have done in the past. This includes ensuring consumers benefit from the data held about them and providing for appropriate privacy and security protections. Better use can also be made of government data, with appropriate protections, as through the *Data Availability and Transparency Act 2022*. The Productivity Commission has recommended policy changes to address gaps in protections for platform workers (or 'gig workers'), and the Government is currently consulting on changes to empower the Fair Work Commission to better support employee-like arrangements. The Government also has a role in empowering Australians to have safer and more positive online experiences, with investments in this Budget supporting the ongoing role of the eSafety Commissioner.

30 Andrews, D., & Hansell, D. (2021). Productivity-Enhancing Labour Reallocation in Australia. Economic Record, 97(317), 157-169.
31 Hambur, J., & Andrews, D. (2023). Doing Less, with Less: Capital Misallocation, Investment and the Productivity Slowdown in Australia (No. rdp2023-03). Reserve Bank of Australia.
32 Productivity Commission 2023 *Advancing Prosperity: Volume 4, Data and Digital Dividend.*

Finally, new technologies offer tremendous scope for improvements in the efficiency and quality of government provided and funded services. This includes the care and support economy where, as discussed in the preceding section, better use of technology can free up more time for the human aspect of care work and support improved outcomes in settings that best meet individual needs and preferences. The health and education systems more broadly stand to benefit from technologies that make better use of the scarce time of workers in these sectors, and that harness new ways of delivering services that are more flexible and responsive to individual circumstances.

Predicting the future of technological change is inherently hard. As with past changes, it is likely that the nature but not the quantum of work will change. A responsive skills system will help set Australians up to respond to that change and share the benefits of it. A dynamic and competitive business environment and fit for purpose policy will further make sure that Australia is well positioned for change.

Climate change and the net zero transformation

Australia's economy will be reshaped by global and domestic actions to meet emissions reduction commitments and the physical impacts of climate change. Over 150 countries have now committed to net zero, and many are taking steps to transition away from fossil fuels and towards cleaner sources of energy. This implies significant shifts over time to the size of some markets and to global patterns of trade, which will, in turn, impact the products and commodities Australia will provide to the world.

Physical impacts of climate change on ecosystems, infrastructure, food production, economies, health, and livelihoods are already becoming more apparent. The globe has already warmed 1.1 degrees Celsius on average over pre-industrial levels.[33] Insufficient action on climate change could place significant pressures on how we live and work, damage the economy and give rise to mounting fiscal costs.

Achieving the net zero transformation represents one of the most significant economic structural shifts since the Industrial Revolution. It comes with challenges, but also significant growth opportunities for the Australian economy and will accelerate significant investment in capital, people and communities.

Embracing opportunities in the net zero transformation

The world needs to reduce emissions and reach net zero to limit the impacts of climate change. The latest findings of the Intergovernmental Panel on Climate Change make clear that deep, rapid, and immediate greenhouse gas reductions are needed to limit warming to 1.5 to 2 degrees Celsius. Under the 2015 Paris Agreement, countries agreed to put forward and maintain commitments to address emissions through Nationally Determined

33 IPCC, 'Summary for Policymakers', in *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Cambridge University Press, Cambridge 2021.

Contributions (NDCs). Over 170 countries have lodged updated NDCs, with many having recently strengthened their commitments.

Countries are deploying a range of policies to mitigate against climate change (see also *Statement 3: Fiscal Strategy and Outlook*). The European Union's Emissions Trading System is now being integrated with a new Carbon Border Adjustment Mechanism to manage competitiveness implications of stronger mitigation. Globally, direct investments in renewable energy and clean energy technology are taking a more prominent role, including through the United States' US$369 billion *Inflation Reduction Act*, the EU's €250 billion green industrial package, and Canada's C$80 billion package for clean energy, clean technology manufacturing and hydrogen. Strengthened regulatory interventions, such as new fuel efficiency standards in the United States and New Zealand, are also significant elements of international responses. Together these policy shifts are bringing down the costs of technologies that will enable net-zero emissions and increase the penalties associated with inaction.

Australia has an important role in this historical global economic transformation. In 2022, Australia updated its NDC to include a strengthened commitment to reduce emissions by 43 per cent from 2005 levels by 2030 and reaffirmed a commitment to net zero by 2050. Australia is also committed to playing a constructive leadership role to advance ambitious climate action in the region, including by supporting its partners to adapt to the impacts of climate change and to carry out their own orderly energy transitions.

The net-zero transformation will create new opportunities in emerging green industries that will facilitate a decarbonised global economy. Australia has the resources, knowledge, and experience to seize the resulting opportunities, including in low emissions technologies that flow from the global transformation, critical minerals, and in broader industries. Australia's future prosperity will depend on how quickly and how well the economy adapts to these changes. Delayed action will increase the cost of transformation and could reduce the competitiveness of some of Australia's industries, particularly given the scale of direct investment in clean energy technology in other jurisdictions.

Transitioning the economy towards cleaner, cheaper forms of energy will be structurally important to the competitiveness of Australia's economy. Energy is an important input for many business activities, as well as to household living costs. This means the cost of Australia's energy supply has a substantial impact on the overall competitiveness of Australia's economy and the ability for output to grow. Reducing barriers to entry and investment will be essential to ensuring this period of change generates greater dynamism and competition within the economy, and to provide opportunities for traditional and emerging industries.

Australia's endowment of critical minerals and cheap, clean energy positions it to be a key supplier of low emissions technologies across the supply chain. For example, Australia's abundance of renewable energy resources could see the production of green hydrogen at scale become more commercially viable in Australia than in many other countries. Furthermore Australia's announced pipeline of hydrogen projects represents close to 40 per cent of all global clean hydrogen project announcements, and underlines Australia's potential to be among the global leaders in hydrogen.[34]

Global action is already driving shifts in trade and investment patterns, rapidly increasing demand for critical mineral commodities and creating new opportunities for Australian firms to move up the value chain. Australia is well placed to seize these opportunities and has some of the world's largest reserves of commodities and critical minerals that will enable the global economy to decarbonise. Australia is the largest producer of lithium, the third largest producer of cobalt, fourth largest producer of rare earths, and houses almost a quarter of the world's nickel resources. These commodities are essential inputs to products such as electric vehicles and batteries and global demand for lithium and nickel is expected to grow around 40 times from 2020 to 2040.[35] Australia also has a comparative advantage in renewable energy generation. Success in transforming our economy to meet new demand for low-emissions products will also be key to enabling international partners to meet their emission targets.

Refinement, manufacturing, processing, reusing, and recycling all present new industry and employment opportunities. For example, large scale uptake and manufacture of batteries will be necessary in the transition to net zero, and Australia has a rich endowment of key input materials including lithium, nickel, cobalt, manganese and graphite. Bolstering Australia's battery manufacturing capability presents an opportunity to create jobs, contribute to economic growth and diversify geographically concentrated global battery supply chains.

Many existing emissions-intensive facilities are in regional areas that are well placed to capture green industry opportunities. For example, iron ore is expected to remain an important commodity for Australia, given its natural endowment and the continuing global demand for materials. As renewable technologies become more commercially feasible, the cost of processing iron ore into green steel is expected to become viable, with Australia possessing an energy-cost advantage given its abundance of natural resources. Realising these opportunities will require regional areas to attract significant investment, build up relevant skills and manage complex changes in infrastructure. Effective co-ordination of investment, industry growth and engagement with each level of government will be key.

While more action is needed, the Government's policies support an orderly transition towards net zero, and help provide the certainty that businesses, households and global partners need for a dynamic and sustainable economy (*Statement 3*). Among these the Government's reforms to the Safeguard Mechanism ensure Australia's largest emitters remain internationally competitive within a decarbonising global economy while contributing to the emissions reduction task. Further, the Government is developing a Sustainable Finance Strategy which will include regulatory reforms to increase the transparency and credibility of Australia's growing sustainable finance market. This will

34 DCCEEW 2023, State of Hydrogen 2022, Australian Government Department of Climate Change, Energy, the Environment and Water.

35 IEA 2021 The Role of Critical Minerals in Clean Energy Transitions, World Energy Outlook Special Report.

enable investors to confidently align their investment decisions with net zero emissions targets and increase the flow of capital toward new opportunities that support Australia's net zero pathway.

The net zero transformation has created opportunities for clean and cheap energy to become Australia's competitive advantage and for the emergence of new clean energy industries, such as hydrogen and critical minerals, to drive clean jobs. But capturing these opportunities requires significant investments across the economy by governments and businesses, including in electricity transmission, generation, and storage.

The net zero transformation will incentivise investments in hydrogen and critical minerals, and require support for regions and industries through the transformation. The Government is making significant investments in support for the transformation to capture these opportunities (see *Statement 1*). The Government will continue to assess the implications of intensifying global competition for clean energy industries in Australia.

The electrification and energy efficiency challenge

Decarbonising the economy will require large investment across most sectors and industries. One of the most important areas where investment will be required is the electricity sector. In Australia it will be necessary to simultaneously increase the quantity of electricity supplied to the system each year, while shifting to a renewable electricity grid.[36] Both require large, coordinated investments in energy infrastructure. While these changes are immense, clear policies will give businesses, households and global partners the ability to plan, helping ensure a vibrant and sustainable economy.

Electrification is critical to decarbonising the economy. As demand for fossil fuels is replaced with demand for electricity to support transport, industry, offices and homes; electricity generation will need to at least double by 2050.[37] And this figure may under-estimate the necessary increase in new capacity given the potential need to support new, large-scale export industries such as hydrogen or green steel production.

With further investments Australia has the potential to become a global leader in renewable energy. There are opportunities to expand onshore and offshore wind, solar, and green hydrogen production in Australia. This could help underpin a comparative advantage in low emissions industries and exports. However, by some estimates this will require accelerated investment in industry technologies and energy efficiency, by around 81 per cent more than business as usual.[38]

The increase in demand arising from electrification can be offset through 2 key pathways. The first is improving energy efficiency, including by mandating greater energy efficiency

36 AEMO 2022, Integrated System Plan for the National Electricity Market.
37 AEMO 2022, Integrated System Plan for the National Electricity Market.
38 Climateworks Centre and Climate-KIC Australia 2023, 'Pathways to industrial decarbonisation: Positioning Australian industry to prosper in a net zero global economy', Australian Industry Energy Transitions Initiative, Phase 3, Climateworks Centre.

in building codes, encouraging more energy efficient lighting solutions, and improving low energy intensity transport options. The second is by optimising time of use toward periods with abundant renewable energy, specifically during daylight hours with abundant solar resources. For example, as electric vehicle uptake accelerates, providing charging facilities in workplace car parks would lead to more charging during daylight hours, which in turn reduces demand at peak demand and low-renewable times during the evening.

Even with energy efficiency and demand shifting measures, a substantial transformation to the energy grid will be required. The Australian Energy Market Operator's Integrated System Plan highlights the scale of this challenge. Under its Step Change[39] scenario, 44 GW of new capacity will be required between now and 2030–31, and another 154 GW by 2050 (Chart 4.10). Renewables supply electricity more intermittently. As such, significant storage capacity will be necessary for firming the system with dispatchable and consistent electricity supply throughout the day as carbon-intensive technologies are phased out. Investments will need to increase current utility-scale wind and solar capacity 9-fold by 2050, build new transmission lines to connect states and new renewables, and install solar panels on over half of all Australian households' rooftops.

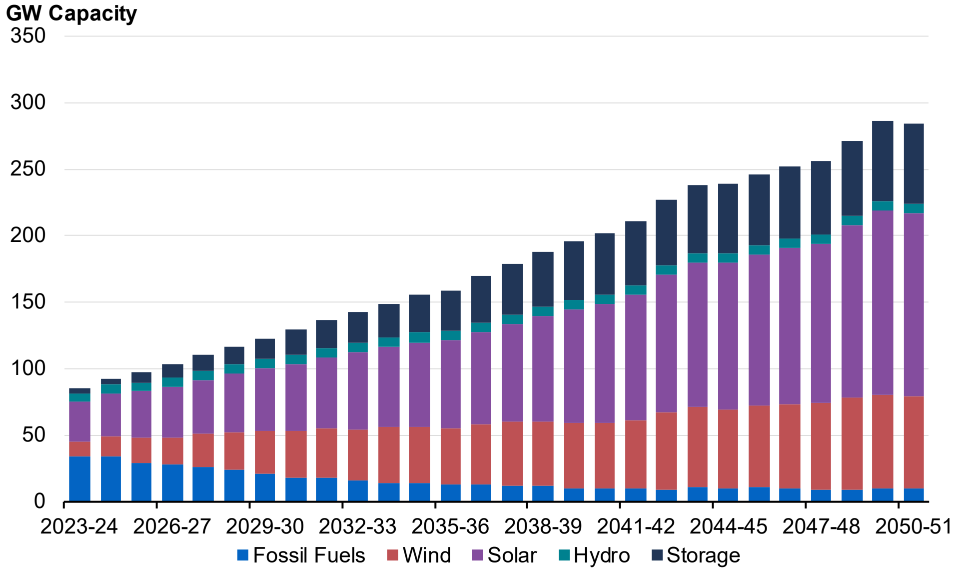
Peaking gas-fired capacity may also be required to support the firming of the system with around 9 GW forecasted to still be in the NEM by 2050 under the Step Change scenario. The flexibility of gas as a firming fuel and a key manufacturing input will be required as the transition accelerates domestically, and in our region. Gas supply also assists Australia and its international partners to process critical minerals and manufacture the wind turbines, batteries and other clean energy technologies that will play a critical role in reaching net zero emissions.

To achieve the Government's target of an 82 per cent renewable electricity grid by 2030, investment in electricity generation, transmission and storage infrastructure will need to accelerate. While this target is ambitious, Australia has deep renewable energy resources, and as technology costs decline, renewable energy will continue to be a cheap source of energy that can underpin Australia's competitiveness in new green industries.

Achieving the target requires effective coordination across governments, market operators and private sector entities. This will involve the securing of complex and competitive supply chains in a short period of time, reliable, low-cost financing arrangements, consensus within relevant communities, and a significant increase in high-skilled technical employment.

39 The AEMO has modelled a few potential scenarios to the energy transformation. The Step Change scenario has been described as most likely by stakeholders. It describes a rapid, consumer-led transformation with coordinated action to limit global temperature increase to 2 degrees Celsius.

Chart 4.10: Generation capacity, National Electricity Market, 2023–24 to 2050–51



Source: AEMO ISP Step Change scenario 2022

Growing a green workforce for a decarbonised economy

The net-zero transformation will see new job opportunities arise with the introduction and expansion of green industries. For example, already almost half of industry groups are involved in a green value chain, according to the former National Skills Commission.[40] Labour market shifts will occur not only across specific industries but also within them, as workers will spend more time focused on tasks relating to decarbonisation and the net zero transformation.

The scale of the transformation will see job opportunities spread across the labour market, reaching many industries, occupations, and regions. Supporting the transition for the National Electricity Market alone requires an extra 12,000 workers in just 2 years to 2025, from the current level of about 45,000.[41] Direct full-time employment in renewable energy activities has already increased sharply.[42] Employment increased by 120 per cent from 2009–10 to 26,850 full-time workers in 2018–19, with rooftop solar systems accounting for

40 National Skills Commission 2022, Australia's current, emerging and future workforce skills needs. The NSC identified 99 out of 213 industry groups at the 3-digit level of the Australian and New Zealand Standard Industrial Classification (ANZSIC) as being involved in the green value chain.
41 Race for 2030, The Australian Electricity Workforce for the 2022 Integrated System Plan: Projections to 2050, ISP Workforce Projection (racefor2030.com.au).
42 ABS 2020, Employment in renewable energy activities, Australia.

most energy related employment.[43] Treasury analysis has found that the share of green jobs (those related to wind or solar) among online advertisements has approximately doubled between 2012 and 2020. The analysis also found evidence of a 5 per cent wage premium for green jobs compared to non-green jobs in equivalent occupations and locations. This illustrates both the demand for these roles and the skill level needed for the net zero transformation workforce.

Well-defined emissions mitigation and adaptation measures can support opportunities in growth areas and reduce the likelihood that workers impacted by the net zero transformation move to occupations with lower hours or mismatched skill levels or exit from the labour force. Jobs and Skills Australia is completing a Clean Energy Capacity Study to provide evidence and insights to support the workforce transition as the clean energy sector expands.

The Australian Government will also establish a new national Net Zero Authority with responsibility for promoting the orderly and positive economic transformation associated with achieving net zero emissions. The Authority will work across governments and with workers, companies, investors and communities to facilitate economic development and diversification.

Adapting to a changing environment

Although there are global efforts to reduce emissions, the climate will continue to change in response to greenhouse gases that are already in the atmosphere and those released on the path to net zero. IMF estimates suggest that if temperatures are allowed to increase by 3.4 degrees Celsius above 2014 levels by 2100 with no mitigation, then global GDP will be 7 per cent lower compared to baseline scenarios which keep warming to 1.6 degrees Celsius.[44] Additional reductions in emissions by Australia and other countries will help lower the magnitude of the increase and the likelihood of climate-related impacts. Nevertheless, over this century these physical impacts of climate change will increasingly affect Australia's economy as governments, businesses and households adjust their behaviour in response.

CSIRO and the Bureau of Meteorology have projected that even with a reduction in emissions, it is extremely likely that hot days will become more frequent and more severe. The impact of rising temperatures and seas is already being felt across Australia through the increased frequency and severity of extreme weather events including heatwaves, floods, heavy rainfalls, storms and drought. These events can cause severe damage to affected regions, disrupt economic activity and supply chains, add to the cost of doing business, and impose substantial ongoing fiscal costs of disaster relief (see *Statement 3: Fiscal Strategy and Outlook*).

43 ABS 2020, Employment in renewable energy activities, Australia.
44 Kahn, M.E., Mohaddes, K., Ng, R.N., Pesaran, M.H., Raissi, M. and Yang, J.C. (2019) 'Long-term macroeconomic effects of climate change: A cross-country analysis', International Monetary Fund.

The physical impacts of climate change will also affect workers through harsher working conditions. The International Labour Organisation has estimated that an average 1.5 degree Celsius temperature rise by 2100 could equate to a global labour productivity loss equivalent to 80 million full-time jobs by 2030 due to increased heat stress.

The physical impacts of climate change will also affect different regions and industries in different ways. Some industries such as agriculture, transport, construction and in some instances, mining are more likely to be impacted by natural disasters and extreme weather events than others. By some estimates, climate change has reduced wheat yields by 27 per cent since 1990 and average farm profits by 23 per cent in the last 20 years.[45]

Continued investment and planning in climate change adaptation and resilience will be important in reducing the economic and fiscal costs of the physical impacts of climate change and natural disaster events. The Government is developing a national approach to identifying and responding to climate risks across Australia. The National Climate Risk Assessment (NCRA) will provide a baseline of known risks and impacts, and enable ongoing monitoring of climate risks, evaluation of the effectiveness of adaptation action, and evolution of responses over time. A National Adaptation Plan will respond to the urgent climate risks identified in the NCRA with an agreed, nationally consistent pathway for adaptation action in Australia and practical, evidenced based actions to reduce climate risks.

45 PC 2023, 5-Year Productivity Inquiry Report, Volume 6: Managing the Climate Transition.

Making the most of structural shifts

Australia has a strong record of successfully responding to and embracing major changes in our society, technology, and the world. Over the coming decade and beyond, Australia's economy will be reshaped by the growing care and support economy, expanding use of data and digital technology, and climate change and the net zero transformation. Understanding and anticipating these changes will ensure that policy settings can again be adapted and refined to make the most of these opportunities and challenges. These shifts also present both challenges and opportunities for gender equality and inclusion and require a specific focus on ensuring that the benefits are fairly distributed and risks for different groups addressed. The challenges outlined are diverse, but at their core, they present opportunities for Australia that can be harnessed through a suite of complementary efforts.

Well-functioning education, training and labour market systems, including a responsive migration program, will play a critical role. These systems will provide the economy with the skills it needs to meet growth in care and support, data and digital, and green jobs. A responsive and accessible skills system and labour market will also ensure structural shifts broaden rather than narrow the opportunities for those in the labour market, wherever they are in their careers.

Fostering dynamic and competitive markets, with complementary investments in enabling public infrastructure and the regulatory environment, will tackle productivity challenges and better realise the benefits of structural shifts. Fit for purpose policy and market settings will better diffuse best practice in both public and private sectors, lifting quality and access to care and support services, and the adoption of new digital and green technologies. Responsive regulation can also manage competition and privacy concerns arising from technological development and ensure responsive consumer and worker protections.

A sound and stable policy environment also allows market participants to plan with more confidence. This is particularly important for the net zero transformation, underscoring the importance of policies such as the safeguard mechanism and legislated commitments. Certainty around the pathway to the net zero transformation will help encourage private investment and position Australia to make the most of significant new opportunities. More broadly, clear and careful policy design will allow communities, businesses and individuals to adapt and prosper in the face of profound structural shifts.

The 2023–24 Budget is laying the foundations for a stronger, more inclusive, and more sustainable economy. A key part of this is responding to these major structural shifts that are shaping the economy, and that will have an important bearing on growth prospects and public finances in the years ahead. Continued investments in the skills system, in dynamic, competitive, and well-functioning markets, and in a sound and stable policy environment, will help ensure Australia is well placed to capitalise on the opportunities that come with these shifts and to handle the challenges.

Statement 5:
Revenue

Near record levels of participation and employment, a pick-up in wages growth and sustained high commodity prices are supporting a rapid recovery in receipts following the pandemic.

Since the October Budget, tax receipts have been revised up by $42.0 billion in 2023–24 and $134.8 billion over the 5 years from 2022–23 to 2026–27. A majority of this upgrade is concentrated in the near term, underpinned by a strong labour market and higher commodity prices.

The strong upgrade to tax receipts is expected to moderate after 2023–24 as commodity prices are assumed to return to long-run levels and conditions in the labour market ease.

Excluding GST and policy decisions, tax receipts have been revised up $41.2 billion in 2023–24 and $114.2 billion over the 5 years from 2022–23 to 2026–27. The Government is returning most of the improvement in tax receipts to the budget. 87 per cent of the tax upgrades in the past 2 Budgets are being returned (82 per cent this Budget).

Elevated risks to the global outlook, volatility in commodity prices and uncertainty around the response of households to rising interest rates mean that tax receipts will remain vulnerable to the changing outlook for some time.

Policy decisions in this Budget focus on reforms to make the tax system fairer and more sustainable, policies to support small business and housing and measures to enhance tax system compliance and integrity. Policy decisions since the October Budget are expected to increase tax receipts by $1.3 billion in 2023–24 and $19.1 billion over the 5 years from 2022–23 to 2026–27.

Statement contents

Statement 5: Revenue

Overview

Since the October Budget, tax receipts have been revised up by $42.0 billion in 2023–24 and $134.8 billion over the 5 years from 2022–23 to 2026–27.

Excluding GST and policy decisions, tax receipts have been revised up by $41.2 billion in 2023–24 and $114.2 billion over the 5 years from 2022–23 to 2026–27. The Government is returning most of the improvement in tax receipts to the budget. 87 per cent of the tax upgrades in the past 2 Budgets are being returned (82 per cent this Budget).

In the near term, the upgrade to tax receipts primarily reflects higher company tax and personal income tax, underpinned by higher commodity prices, a pick-up in wages growth, strong employment growth and high participation. However, the strong near-term upgrade to tax receipts is expected to moderate after 2023–24 as commodity prices are assumed to return to conservative long-run levels and conditions in the labour market ease.

In addition to the strong growth in personal tax receipts, the recovery in company tax receipts has more closely followed the economy overall, rather than with the substantial lag observed following previous downturns. This is particularly the case for the resources sector where sustained and elevated commodity prices have exhausted previous losses and accumulated deductions.

Risks to the outlook for nominal GDP and tax receipts remain significant. The global outlook remains uncertain and any further deterioration in global conditions could impact commodity prices and consumer and business confidence. Uncertainty remains around how household consumption will continue to react to the rise in interest rates and cost of living pressures.

Policy decisions since the October Budget are expected to increase tax receipts by $1.3 billion in 2023–24 and $19.1 billion over the 5 years from 2022–23 to 2026–27. For more details on policy decisions, see Budget Statement 1 and Budget Paper No. 2.

Table 5.1: Australian Government general government receipts

	Actual	Estimates				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
	$b	$b	$b	$b	$b	$b
Total taxation receipts ($b)	**536.6**	**588.1**	**616.3**	**614.3**	**647.8**	**680.7**
Growth on previous year (%)	13.2	9.6	4.8	-0.3	5.5	5.1
Per cent of GDP	23.2	23.1	23.9	23.3	23.3	23.3
Tax receipts excluding GST ($b)	**463.0**	**506.4**	**530.4**	**525.1**	**553.4**	**580.6**
Growth on previous year (%)	15.5	9.4	4.7	-1.0	5.4	4.9
Per cent of GDP	20.1	19.9	20.6	19.9	19.9	19.9
Non-taxation receipts ($b)	**47.8**	**47.5**	**51.9**	**56.9**	**53.1**	**54.4**
Growth on previous year (%)	3.7	-0.5	9.1	9.7	-6.7	2.4
Per cent of GDP	2.1	1.9	2.0	2.2	1.9	1.9
Total receipts ($b)	**584.4**	**635.6**	**668.1**	**671.2**	**700.9**	**735.1**
Growth on previous year (%)	12.4	8.8	5.1	0.5	4.4	4.9
Per cent of GDP	25.3	25.0	25.9	25.4	25.2	25.2

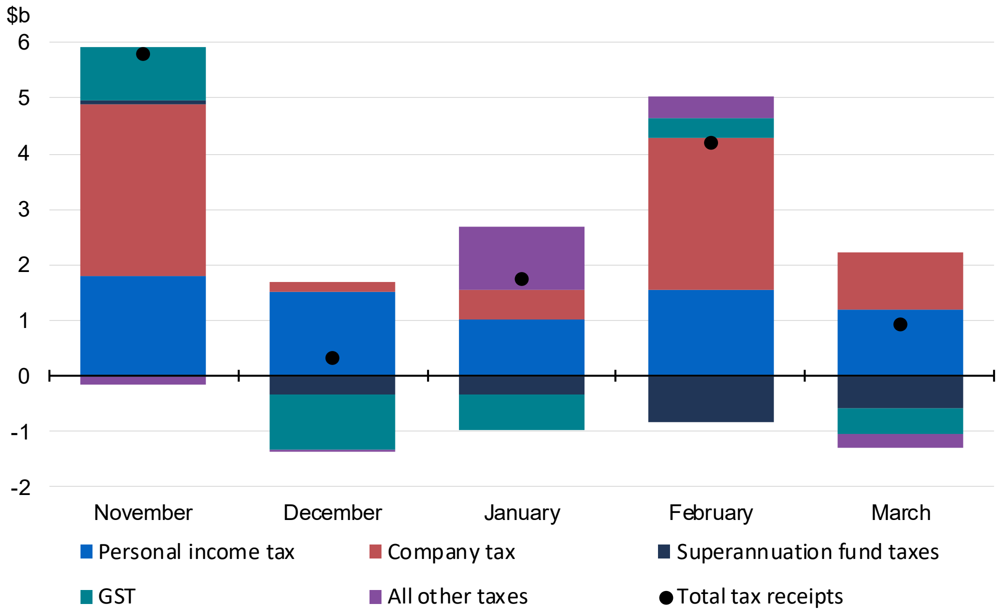
Current year tax collections

Tax collections for 2022–23 continue to be higher-than-anticipated (Chart 5.1). Tax receipts to March 2023 are $13.0 billion higher-than-expected at the October Budget. This strength is predominantly in company tax and personal income tax, partly offset by weakness in superannuation fund taxes and, to a lesser extent, GST.

Personal income tax collections to March were around $7.1 billion (or 3.6 per cent) higher-than-expected at the October Budget, supported by higher employment, a pick-up in wages growth and high net capital gains and net rent from prior year returns. Company tax collections to March were around $7.6 billion (or 8.5 per cent) higher-than-expected at the October Budget, reflecting consistently higher commodity prices and profits in the mining sector, and strong instalment payments from the non-financial sector due to higher turnover.

Superannuation fund taxes collections to March were around $2.0 billion (or 21.5 per cent) lower-than-expected at the October Budget, reflecting lower earnings and higher-than-expected refunds.

Chart 5.1: Tax collections since 2022-23 October Budget – deviations from expected collections by month and head of revenue



Source: Treasury

Tax receipts outlook

Relative to the October Budget, tax receipts are forecast to be $42.0 billion (or 7.3 per cent) higher in 2023–24, and $134.8 billion (or 4.5 per cent) higher over the 5 years from 2022–23 to 2026–27. This upgrade reflects a stronger outlook for personal income tax and company tax.

Personal income taxes have been revised up by $15.0 billion in 2023–24 and $74.1 billion over the 5 years from 2022–23 to 2026–27. This principally reflects strength in tax withholding from salary and wages, supported by high levels of employment and a larger labour force, which is expected to continue across the forward estimates. In 2022–23 it also reflects higher than expected income from previous years increasing on-assessment payments (in particular, capital gains from the sale of properties in 2021–22) and upward revisions to the outlook for non-farm gross mixed income and property income (which includes dividend and interest income).

Company tax has been revised up by $28.9 billion in 2023–24 and $52.7 billion over the 5 years from 2022–23 to 2026–27. This reflects elevated commodity prices and an extension of the period over which commodity prices adjust to conservative (albeit higher) long-term levels, strength in collections and an improved outlook for non-financial companies.

Policy decisions in this Budget focus on reforms to make the tax system fairer and more sustainable, policies to support small business and housing and measures to enhance tax system compliance and integrity. Policy decisions taken since the October Budget increase tax receipts by $1.3 billion in 2023–24 and $19.1 billion over the 5 years from 2022–23 to 2026–27. Key policy decisions include:

- *GST compliance program – four-year extension*
- *Tobacco Excise – measures to improve health outcomes and aligning the treatment of stick and non-stick tobacco tax*
- *Better Targeted Superannuation Concessions and Securing Australians' Superannuation Package*
- *Petroleum Resource Rent Tax – Government Response to the Review of the PRRT Gas Transfer Pricing arrangements*
- *Small Business Support – $20,000 instant asset write-off and Small Business Support – Small Business Energy Incentive*
- *Housing (Build-To-Rent Developments) – accelerating tax deductions and reducing managed investment trust withholding tax rate*

For more details on policy decisions, see Budget Statement 1 and Budget Paper No. 2.

Variations in receipts estimates

Since the October Budget, total receipts have been revised up by $46.7 billion in 2023–24 and $152.6 billion over the 5 years from 2022–23 to 2026–27. Table 5.2 reconciles the 2023–24 Budget estimates of total receipts with the October Budget and 2022 PEFO.

Table 5.2: Reconciliation of Australian Government general government receipts estimates from the 2022–23 October Budget and 2022 PEFO

	Estimates					
	2022–23	2023–24	2024–25	2025–26	2026–27	Total
	$m	$m	$m	$m	$m	$m
Receipts at 2022 PEFO	**548,533**	**585,189**	**615,184**	**643,900**	*	*
Changes from 2022 PEFO to 2022-23 October Budget						
Effect of policy decisions	1,410	2,458	3,967	5,253	*	*
Effect of parameter and other variations	57,286	33,793	23,689	29,870	*	*
Total variations	**58,696**	**36,252**	**27,656**	**35,123**	*	*
Receipts at 2022-23 October Budget	**607,229**	**621,441**	**642,840**	**679,023**	**707,875**	**3,258,408**
Changes from 2022-23 October Budget to 2023-24 Budget						
Effect of policy decisions	125	1,757	5,378	6,413	8,382	22,055
Effect of parameter and other variations	28,239	44,944	23,020	15,486	18,862	130,551
Total variations	**28,364**	**46,701**	**28,398**	**21,899**	**27,244**	**152,606**
Receipts at 2023-24 Budget	**635,593**	**668,142**	**671,238**	**700,922**	**735,118**	**3,411,014**

* Data is not available.

Since the October Budget, parameter and other variations have increased total receipts by $44.9 billion in 2023–24 and $130.6 billion over the 5 years from 2022–23 to 2026–27. Policy decisions increase total receipts by $1.8 billion in 2023–24 and $22.1 billion over the 5 years from 2022–23 to 2026–27 compared with the October Budget.

The upgrade to the forecasts of total receipts overwhelmingly reflects upgrades to the forecasts of tax receipts.

Tax receipts estimates

Relative to the October Budget, forecasts of tax receipts have been revised up by $42.0 billion in 2023–24 and by $134.8 billion over the 5 years from 2022–23 to 2026–27.

Table 5.3 reconciles the 2023–24 Budget estimates of tax receipts with the October Budget and 2022 PEFO.

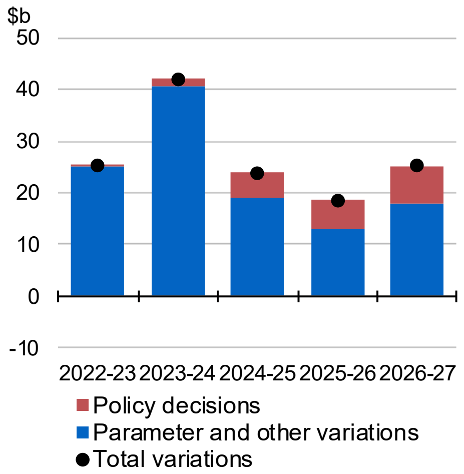
Table 5.3: Reconciliation of Australian Government general government tax receipts estimates from the 2022–23 October Budget and 2022 PEFO

	Estimates					
	2022–23	2023–24	2024–25	2025–26	2026–27	Total
	$m	$m	$m	$m	$m	$m
Tax receipts at 2022 PEFO	**508,425**	**541,737**	**566,570**	**598,183**	*	*
Changes from 2022 PEFO to 2022-23 October Budget						
Effect of policy decisions	488	1,654	3,124	4,282	*	*
Effect of parameter and other variations	53,945	30,901	20,758	26,870	*	*
Total variations	**54,434**	**32,554**	**23,881**	**31,152**	*	*
Tax receipts at 2022-23 October Budget	**562,858**	**574,292**	**590,451**	**629,335**	**655,471**	**3,012,407**
Changes from 2022-23 October Budget to 2023-24 Budget						
Effect of policy decisions	20	1,267	4,692	5,636	7,531	19,146
Effect of parameter and other variations	25,172	40,717	19,189	12,875	17,740	115,694
Total variations	**25,192**	**41,984**	**23,881**	**18,511**	**25,272**	**134,840**
Tax receipts at 2023-24 Budget	**588,050**	**616,275**	**614,332**	**647,846**	**680,743**	**3,147,247**

* Data is not available.

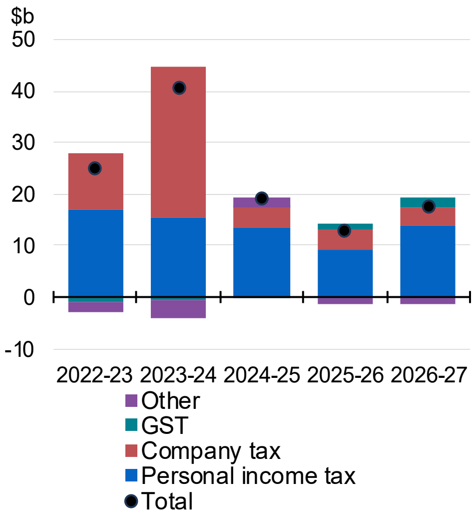
Since the October Budget, parameter and other variations are expected to increase tax receipts by $40.7 billion in 2023–24 and $115.7 billion over the 5 years from 2022–23 to 2026–27. Around one fifth of the increase in tax receipts reflects changes to assumptions on the path of commodity prices in response to sustained high prices, largely in 2023–24 (see Box 2.4). Policy decisions increase tax receipts by $1.3 billion in 2023–24 and $19.1 billion over the 5 years from 2022–23 to 2026–27 compared with the October Budget.

Chart 5.2: Revisions to total tax receipts since October Budget



Source: Treasury

Chart 5.3: Parameter and other variations to total tax receipts since October Budget



Source: Treasury

These upgrades reflect the improved outlook for the nominal economy flowing through wages and profits, supporting personal income tax and company tax. Growth in the key economic parameters that influence tax receipts is shown in Table 5.4.

Table 5.4: Key economic parameters for tax receipts[(a)]

	Outcomes	Forecasts				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Revenue parameters						
Nominal gross domestic product	11.0	10 1/4	1 1/4	2 1/2	5 1/4	5 1/4
Change since October Budget		2 1/4	2 1/4	-1 3/4	1/4	
Compensation of employees(b)	5.8	9 1/2	5 1/4	4 1/4	4 3/4	5 1/2
Change since October Budget		1 1/2	1/4	0	0	
Corporate gross operating surplus(c)	12.4	13	-8 3/4	-4 1/2	5 1/4	4 1/2
Change since October Budget		5 1/4	6 1/4	-8 1/4	1/4	
Non-farm gross mixed income	-2.0	5 1/4	5	5 3/4	5 1/2	5 1/2
Change since October Budget		-1 1/2	1 1/4	1	- 1/2	
Property income(d)	10.4	24 1/2	12 1/2	5 1/2	6 1/4	5 1/4
Change since October Budget		18 1/2	7 1/2	0	1 1/4	
Consumption subject to GST	8.9	15 1/4	4 1/2	4 1/2	5	5
Change since October Budget		1/2	3/4	0	- 1/4	

a) Current prices, per cent change on previous year. Changes since October Budget are percentage points.
b) Compensation of employees measures total remuneration earned by employees.
c) Corporate gross operating surplus is an Australian System of National Accounts measure of company profits, gross of depreciation.
d) Property income measures income derived from rent, dividends and interest.
Source: ABS Australian National Accounts: National Income, Expenditure and Product, and Treasury.

Changes in the outlook for individual heads of revenue are explained in more detail below.

Individuals and other withholding taxes

Since the October Budget, total individuals and other withholding tax receipts have been revised up by $15.0 billion in 2023–24 and $74.1 billion over the 5 years from 2022–23 to 2026–27. Year-on-year, individuals and other withholding tax receipts are expected to grow by 7.5 per cent in 2023–24 and fall by 1.9 per cent in 2024–25.

Excluding new policy decisions, individuals and other withholding tax receipts have been revised up by $15.4 billion in 2023–24 and $68.9 billion in the 5 years from 2022–23 to 2026–27.

Income tax withholding (tax on salary and wages) has been revised up by $10.8 billion in 2023–24 and $48.3 billion over the 5 years from 2022–23 to 2026–27 excluding policy decisions. This reflects strength in year-to-date collections from all withholders reflecting higher employment and a pick-up in wages growth. Strength is expected to continue over the forward estimates, in line with employment and nominal wage growth, although this is expected to moderate as conditions in the labour market ease.

Net other individuals has been revised up by $4.6 billion in 2023–24 and $20.6 billion over the 5 years from 2022–23 to 2026–27 excluding policy decisions. In the near-term this reflects strength in collections from the lodgement of 2021–22 income year returns, in particular strength in capital gains and net rent. The outlook for net other individuals has also been revised higher, reflecting higher non-farm gross mixed income, flowing to income from unincorporated businesses and upgraded property income growth. Growth in property income is largely being driven by higher interest income on assets (such as term deposits), in line with the increase in interest rates.

New tax policy measures announced since the October Budget are expected to decrease individuals and other withholding tax receipts by $401.3 million in 2023–24 but increase individuals and other withholding tax receipts by $5.2 billion over the 5 years from 2022–23 to 2026–27. This is largely driven by:

- The *GST compliance program – four-year extension* measure which is estimated to increase individuals and other withholding tax receipts by $624.1 million in 2023–24 and $2.9 billion over the 5 years from 2022–23 to 2026–27.

- The *Small Business Support – $20,000 instant asset write-off* measure which is expected to have no impact in 2023–24 but to decrease individuals and other withholding tax receipts by $200.0 million over the 5 years from 2022–23 to 2026–27.

- The measure *Small Business Support – helping small business manage their tax instalments and improving cashflow* which is expected to decrease individuals and other withholding tax receipts by $1.0 billion in 2023–24 but have no net impact on receipts over the 5 years from 2022–23 to 2026–27.

Fringe benefits tax

Since the October Budget, fringe benefits tax receipts have been revised up by $30.0 million in 2023–24 and $260.0 million over the 5 years from 2022–23 to 2026–27. This reflects an improvement in the outlook for the labour market.

New tax policy measures announced since the October Budget are expected to increase fringe benefits tax receipts by $10.0 million over the 5 years from 2022–23 to 2026–27.

Company tax

Since the October Budget, company tax receipts have been revised up to be $28.9 billion higher in 2023–24 and $52.7 billion higher over the 5 years from 2022–23 to 2026–27. Year-on-year, company tax receipts are expected to fall by 7.0 per cent in 2023–24 and 6.9 per cent in 2024–25 as a result of conservative assumptions for commodity export prices.

Excluding new policy decisions, company tax has been revised up by $29.3 billion in 2023–24 and $51.8 billion over the 5 years from 2022–23 to 2026–27. Collections in 2022–23 have continued to exceed expectations. Company tax receipts to March 2023 were $7.6 billion higher than expected at the October Budget. This reflects higher-than-expected collections from larger companies in the non-mining, non-finance sector, as well as higher collections from the resources sector as a result of elevated commodity prices.

The significant upward revision across the forward estimates reflects continued strength in company tax instalments and an improved outlook for company profits across the broader economy. Near term strength is largely driven by increased profitability in the resources sector, reflecting elevated near-term commodity prices, and an extension in the period over which commodity prices adjust to conservative, albeit higher, long-term levels (see Box 2.4). An improved outlook for the non-mining sectors also supports strength in receipts in the near-term.

Tax paid by resource companies is expected to moderate over the forward estimates in line with the assumed decline in commodity prices as well as the appreciation of the Australian dollar since the October Budget, offsetting some of the continuing strength in the financial and non-mining, non-finance sectors.

New tax policy measures announced since the October Budget are expected to decrease company tax receipts by $362.1 million in 2023–24 but increase company tax receipts by $911.5 million over the 5 years from 2022–23 to 2026–27. Key decisions driving these expected changes are:

- The measure *GST compliance program – four-year extension* which is estimated to increase company tax receipts by $151.0 million in 2023–24 and $881.4 million over the 5 years from 2022–23 to 2026–27.

- The decision *Amending measures of the former Government* expected to increase receipts by $50.0 million in 2023–24 and $460.0 million over the 5 years from 2022–23 to 2026–27.

- The *Small Business Support – Small Business Energy Incentive* measure which is expected to have no impact in 2023–24 but to decrease company tax receipts by $160.0 million over the 5 years from 2022–23 to 2026–27.

Box 5.1 Australia's implementation of a global minimum tax and a domestic minimum tax, key elements of Pillar Two of the OECD/G20 multilateral agreement on global tax

In October 2021, Australia, along with 135 other jurisdictions of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting joined a multilateral agreement on a Two-Pillar Solution to address the tax challenges arising from the digitalisation and globalisation of the economy.

In this Budget, the Government is making progress on its election commitment to support this agreement by implementing the key elements of Pillar Two – the global minimum tax and a domestic minimum tax for large multinational enterprises. These rules seek to address the global 'race to the bottom' on corporate taxes by introducing a global minimum effective tax rate of 15 per cent. This tax rate will apply on a jurisdictional basis to each multinational group with annual global revenue of at least EUR750 million (around AUD1.2 billion).

The global minimum tax and domestic minimum tax will follow OECD implementation guidelines and not apply to investment funds, pension funds, government entities, international organisations, not-for-profit organisations, and income associated with international shipping.

Where the tax paid by a large multinational in a jurisdiction does not reach the 15 per cent global minimum effective tax rate, the rules determine an amount of top-up tax (Figure 5.1). That amount is collected through either:

- The domestic minimum tax which will allow Australia to collect any top-up tax on Australian profits, where the effective rate falls below 15 per cent.
- The Income Inclusion Rule which will allow Australia to collect any top-up tax on the undertaxed profits of an Australian entity's foreign subsidiaries located in jurisdictions where no domestic minimum tax is in place. If the Australian entity is a subsidiary of a foreign parent, Australia can only collect the top-up tax if the foreign parent's jurisdiction has not implemented an Income Inclusion Rule.
- The Undertaxed Profits Rule which will allow Australia to collect a proportion of any top-up tax on profits of a foreign-headquartered multinational if it has income in a jurisdiction which is being taxed below the global minimum rate of 15 per cent and where no Income Inclusion Rule applies. The share of top-up tax that Australia will collect will be based on the proportion of the large multinational group's employees and value of tangible assets in Australia relative to other countries.

continued on next page

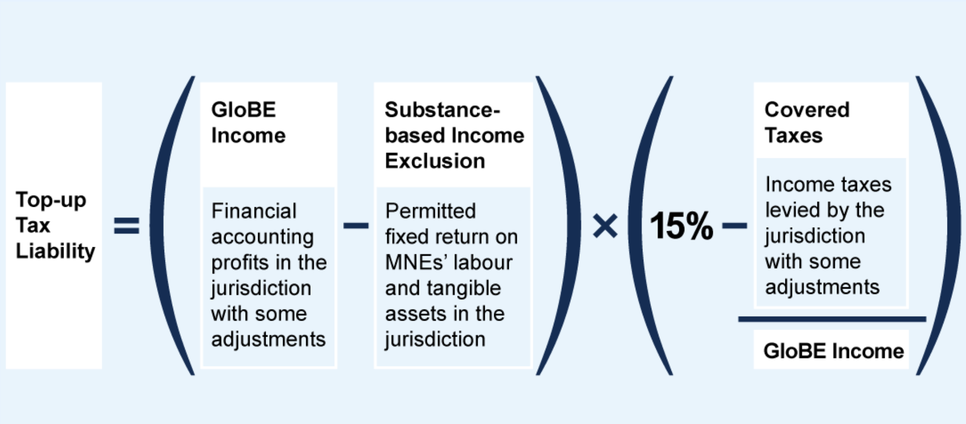
Box 5.1 Australia's implementation of a global minimum tax and a domestic minimum tax, key elements of Pillar Two of the OECD/G20 multilateral agreement on global tax (continued)

Australia's domestic minimum tax and Income Inclusion Rule will apply to income years commencing on or after 1 January 2024, while the Undertaxed Profits Rule will apply to income years commencing on or after 1 January 2025. The Government's implementation of a global and domestic minimum tax is estimated to increase Australian tax receipts by $370 million over the 5 years from 2022–23.

The revenue gain over the medium term will be dependent on the response of other jurisdictions in implementing these Rules, their own domestic minimum taxes, and behavioural responses by multinational groups.

Australia will benefit from the global implementation of these Rules and the lowering of the tax differential between Australia and other countries. Over time, this will make Australia a more attractive place to invest, boosting economic growth and tax revenue. It will also support Australian domestic businesses, by decreasing some of the tax advantages that are available to large multinationals.

Figure 5.1: Calculating an undertaxed large multinational group's top-up tax liability on its operations in each jurisdiction



Source: OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting Pillar Two Global Anti-Base Erosion (GloBE) Model Rules; Treasury

Superannuation fund taxes

Since the October Budget, superannuation fund taxes receipts have been revised down by $3.9 billion in 2023–24 and $6.5 billion across the 5 years from 2022–23 to 2026–27. Receipts from superannuation fund taxes are expected to continue to be volatile. Year-on-year, tax receipts from superannuation funds are expected to fall by 63.8 per cent in 2022–23 but rise 72.3 per cent in 2023–24 and 40.5 per cent in 2024–25.

Excluding new policy decisions, superannuation fund taxes have been revised down by $3.8 billion in 2023–24 and $7.4 billion over the 5 years from 2022–23 to 2026–27. Superannuation fund taxes have been revised down in 2022–23 in line with weaker fund earnings and higher-than-expected refunds, that have resulted in substantial downward revisions to instalment rates for large funds. While instalment rates are expected to recover, leading to an increase in receipts in 2024–25, weakness is expected to persist due to strength in the outlook for dividends and franking credits, which reduces tax receipts. This is partly offset by higher contributions due to the strong labour market.

New tax policy measures announced since the October Budget are expected to decrease superannuation fund taxes receipts by $66.7 million in 2023–24 but increase superannuation fund taxes receipts by $870.3 million over the 5 years from 2022–23 to 2026–27. This is largely driven by:

- The *Securing Australians' Superannuation Package – increasing the payment frequency of the Superannuation Guarantee (SG) and investing in SG compliance* measure is expected to have no impact on receipts in 2023–24 but to increase superannuation fund taxes by $1.2 billion over the 5 years from 2022–23 to 2026–27.

Petroleum resource rent tax (PRRT)

Since the October budget, PRRT receipts have been revised up by $300.0 million in 2023–24 and $2.0 billion over the 5 years from 2022–23 to 2026–27.

Excluding new policy decisions, PRRT receipts have been revised down by $300.0 million in 2023–24 and $1.3 billion over the 5 years from 2022–23 to 2026–27. The downgrade reflects a deterioration in the outlook for oil and gas prices since the October Budget. Oil prices have fallen since the October Budget and are assumed to be lower across the forward estimates.

New PRRT policy measures announced since the October Budget increase PRRT receipts by $600.0 million in 2023–24 and $3.2 billion over the 5 years from 2022–23 to 2026–27 and reduce company tax receipts by $800.0 million over the five years from 2022-23 to 2026-27 for an increase in total tax receipts of $2.4 billion over the five years from 2022-23 to 2026-27 due to the measure *Petroleum Resource Rent Tax – Government Response to the Review of the PRRT Gas Transfer Pricing arrangements* (see Box 5.2).

Box 5.2 Reforms to the Petroleum Resource Rent Tax

The 2017 Callaghan Review of the Petroleum Resource Rent Tax (PRRT) recommended that the gas transfer pricing (GTP) rules that determine the value of gas for PRRT purposes in integrated LNG projects be further examined. In 2019, the former Government asked Treasury to review the GTP rules. Treasury has completed this review and reported to Government.

Both the Callaghan and the GTP reviews noted that aspects of the PRRT are better suited to oil projects than LNG projects. LNG projects are highly capital intensive and, compared to oil projects, generally take much longer to become cash flow positive after commencing production. This impacts the PRRT collected from LNG projects, particularly where projects have very large carry-forward deductions that are uplifted for many years. To date, not a single LNG project has paid any PRRT and many are not expected to pay significant amounts of PRRT until the 2030s.

In this Budget, the Government is introducing changes to the PRRT to deliver a fairer return to the Australian community from their natural resources. The Government will introduce a cap on the use of deductions to offset assessable income of LNG producers under the PRRT. This will bring forward PRRT receipts from LNG projects and ensure a greater PRRT return to the community from the offshore LNG industry.

The cap will limit LNG projects' deductions each year to no more than 90 per cent of their assessable income, so that the PRRT will be paid on at least 10 per cent of income. The amounts that are unable to be deducted because of the cap will be carried forward and uplifted at the Government long-term bond rate. The cap will not apply to certain classes of deductible expenditure in the PRRT – closing-down expenditure, starting base expenditure and resource tax expenditure.

These changes will apply to offshore LNG projects, which export the vast majority of their gas. To minimise the impact of early payments on projects, they would not be subject to the cap until 7 years after the first year of production.

To support the operation of the cap, the Government will also make a number of changes to the GTP arrangements, including to modernise the PRRT for emerging developments in LNG project structures, better reflect the contributions and risks of the notional entities that comprise the LNG value chain, align the regulations with current transfer pricing practices and provide appropriate integrity rules for the regime.

The changes have been carefully designed to provide industry and investors policy certainty, to ensure sufficient supply of domestic gas and ensure Australia remains a reliable trade and investment partner.

Goods and services tax (GST)

Since the October Budget, GST receipts have been revised up by $368.0 million in 2023–24 and $6.1 billion over the 5 years from 2022–23 to 2026–27. Year-on-year, GST receipts are expected to increase by 5.2 per cent in 2023–24 and 3.9 per cent in 2024–25 in line with nominal household consumption.

Excluding new policy decisions, GST has been revised down by $481.0 million in 2023–24 but up $1.5 billion over the 5 years from 2022–23 to 2026–27. GST receipts have been downgraded in the near term due to weaker-than-expected collections for 2022–23, offset by upgrades to consumption subject to GST and higher population growth.

New tax policy measures announced since the October Budget are expected to increase GST receipts by $849.0 million in 2023–24 and $4.6 billion over the 5 years from 2022–23 to 2026–27. This is largely due to the measures:

- *GST compliance program – four-year extension* which is expected to increase GST receipts by $809.4 million in 2023–24 and $3.8 billion over the 5 years from 2022–23 to 2026–27.
- *Tobacco Excise – measures to improve health outcomes and aligning the treatment of stick and non-stick tobacco tax* which is expected to increase GST receipts by $30.0 million in 2023–24 and by $290.0 million over the 5 years from 2022–23 to 2026–27.

Excise and customs duty

Since the October Budget, total excise and customs duty receipts have been revised up by $1.1 billion in 2023–24 and $4.4 billion over the 5 years from 2022–23 to 2026–27. Year-on-year, excise and customs duty receipts are expected to increase by 9.2 per cent in 2023–24 and 5.4 per cent in 2024–25 in line with nominal household consumption.

Excluding new policy decisions, excise and customs duty receipts have been revised up by $493.2 million in 2023–24 and $820.1 million over the 5 years from 2022–23 to 2026–27. This reflects upward revisions to customs duty, alcohol excise and fuel excise.

Policy decisions are expected to increase excise and customs duty receipts by $586.8 million in 2023–24 and $3.5 billion over the 5 years from 2022–23 to 2026–27. This is largely driven by:

- The measure *Tobacco Excise – measures to improve health outcomes and aligning the treatment of stick and non-stick tobacco tax* which is expected to increase customs duty receipts by $290.0 million in 2023–24 and by $3.0 billion over the 5 years from 2022–23 to 2026–27.

The 2023–24 Budget estimates continue to include provision for the Australia European Union Free Trade Agreement, which has not been finalised. This provision is assumed to impact customs duty receipts. No other Free Trade Agreements (FTAs) that are currently under negotiation are expected to have a material impact on revenue over the forward estimates. A full list of FTAs currently under negotiation is available on the Department of Foreign Affairs and Trade website.

Other taxes

Other taxes encompass a range of sources of receipts, including visa application charges, major bank levy, luxury car tax, wine equalisation tax and agricultural levies.

Since the October Budget, visa application charges have been revised up by $257.4 million in 2023–24 and $1.7 billion over the 5 years from 2022–23 to 2026–27.

New tax policy measures announced since the October Budget are expected to increase other tax receipts by $61.3 million in 2023–24 and $837.3 million over the 5 years from 2022–23 to 2026–27. Key decisions impacting other taxes include:

- The *Migration – uplift of Visa Application Charges* measure which is expected to increase Visa Application Charges by $100.0 million in 2023–24 and by $665.0 million over the 5 years from 2022–23 to 2026–27.
- The measure *Increasing the Passenger Movement Charge* which is expected to have no impact on other tax receipts in 2023–24 but increase other tax receipts by $520.0 million over the 5 years from 2022–23 to 2026–27.

Non–tax receipts estimates

Since the October Budget, non-tax receipts are expected to increase by $4.7 billion in 2023–24 and by $20.7 billion over the 5 years from 2022–23 to 2026–27.

Parameter and other variations account for the majority of this movement and are expected to increase non-tax receipts by $4.2 billion in 2023–24, and by $17.8 billion over the 5 years from 2022–23 to 2026–27. This movement is driven by higher earnings from interest on cash deposits due to the rise in short-term interest rates, higher earnings from the Future Fund and the Australian Government Investment Funds, as well as higher demand for Australian passports. In addition, non–tax receipts have been revised down by $3.0 billion in 2026–27 to account for the difference between the medium–term projection methodology at the October Budget and the forward estimate in this Budget.

Policy decisions are expected to increase non–tax receipts by $0.5 billion in 2023–24, and by $2.9 billion over the 5 years from 2022–23 to 2026–27. This movement includes the expected earnings of the National Reconstruction Fund Corporation, as announced in the 2023–24 Budget measure *National Reconstruction Fund Corporation – establishment*, receipts associated with the 2023–24 Budget measure *Enduring Funding Mechanism for AusCheck*, and receipts associated with the 2023–24 Budget measure *Strengthened and Sustainably Funded Biosecurity System*.

Table 5.5: Reconciliation of 2022–23 general government (cash) receipts

	Estimates		Change from October Budget	
	October Budget	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	260,000	269,600	9,600	3.7
Gross other individuals	61,900	69,500	7,600	12.3
less: Refunds	41,800	42,100	300	0.7
Total individuals and other withholding tax	280,100	297,000	16,900	6.0
Fringe benefits tax	3,490	3,630	140	4.0
Company tax	127,300	138,400	11,100	8.7
Superannuation fund taxes	12,610	9,610	-3,000	-23.8
Petroleum resource rent tax	2,600	2,350	-250	-9.6
Income taxation receipts	**426,100**	**450,990**	**24,890**	**5.8**
Goods and services tax	82,532	81,761	-771	-0.9
Wine equalisation tax	1,190	1,150	-40	-3.4
Luxury car tax	1,110	1,140	30	2.7
Excise and customs duty				
Petrol	5,600	5,600	0	0.0
Diesel	13,170	13,110	-60	-0.5
Other fuel products	2,700	2,760	60	2.2
Tobacco	12,400	12,700	300	2.4
Beer	2,620	2,590	-30	-1.1
Spirits	3,480	3,390	-90	-2.6
Other alcoholic beverages(a)	1,500	1,640	140	9.3
Other customs duty				
Textiles, clothing and footwear	180	190	10	5.6
Passenger motor vehicles	420	440	20	4.8
Other imports	1,440	1,530	90	6.3
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	42,810	43,250	440	1.0
Major Bank Levy	1,550	1,540	-10	-0.6
Agricultural levies	623	631	8	1.2
Visa application charges(b)	2,565	2,995	430	16.8
Other taxes(b)	4,378	4,593	215	4.9
Indirect taxation receipts	**136,758**	**137,060**	**302**	**0.2**
Taxation receipts	**562,858**	**588,050**	**25,192**	**4.5**
Sales of goods and services	18,550	19,200	650	3.5
Interest received	5,275	6,115	840	15.9
Dividends and distributions	5,677	5,407	-270	-4.8
Other non-taxation receipts	14,869	16,820	1,952	13.1
Non-taxation receipts	**44,371**	**47,543**	**3,172**	**7.1**
Total receipts	**607,229**	**635,593**	**28,364**	**4.7**
Memorandum:				
Total excise	*25,990*	*26,070*	*80*	*0.3*
Total customs duty	*16,820*	*17,180*	*360*	*2.1*
Capital gains tax(c)	*21,900*	*28,600*	*6,700*	*30.6*

a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) Prior to the 2022–23 October Budget, 'visa application charges' were previously included in 'other taxes'.
c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 5.6: Reconciliation of 2023–24 general government (cash) receipts

	Estimates		Change from October Budget	
	October Budget	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	275,500	286,700	11,200	4.1
Gross other individuals	64,900	69,700	4,800	7.4
less: Refunds	36,000	37,000	1,000	2.8
Total individuals and other withholding tax	304,400	319,400	15,000	4.9
Fringe benefits tax	3,510	3,540	30	0.9
Company tax	99,800	128,700	28,900	29.0
Superannuation fund taxes	20,460	16,560	-3,900	-19.1
Petroleum resource rent tax	2,450	2,750	300	12.2
Income taxation receipts	**430,620**	**470,950**	**40,330**	**9.4**
Goods and services tax	85,641	86,009	368	0.4
Wine equalisation tax	1,190	1,140	-50	-4.2
Luxury car tax	870	870	0	0.0
Excise and customs duty				
Petrol	6,850	7,350	500	7.3
Diesel	15,620	15,830	210	1.3
Other fuel products	2,120	2,080	-40	-1.9
Tobacco	12,600	12,900	300	2.4
Beer	2,680	2,640	-40	-1.5
Spirits	3,480	3,540	60	1.7
Other alcoholic beverages(a)	1,620	1,680	60	3.7
Other customs duty				
Textiles, clothing and footwear	150	170	20	13.3
Passenger motor vehicles	380	430	50	13.2
Other imports	1,350	1,310	-40	-3.0
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	46,150	47,230	1,080	2.3
Major Bank Levy	1,600	1,620	20	1.3
Agricultural levies	591	586	-5	-0.9
Visa application charges(b)	2,867	3,125	257	9.0
Other taxes(b)	4,762	4,745	-17	-0.3
Indirect taxation receipts	**143,672**	**145,325**	**1,654**	**1.2**
Taxation receipts	**574,292**	**616,275**	**41,984**	**7.3**
Sales of goods and services	19,594	20,792	1,199	6.1
Interest received	5,805	7,654	1,848	31.8
Dividends and distributions	6,150	6,889	738	12.0
Other non-taxation receipts	15,600	16,532	932	6.0
Non-taxation receipts	**47,149**	**51,867**	**4,717**	**10.0**
Total receipts	**621,441**	**668,142**	**46,701**	**7.5**
Memorandum:				
Total excise	*31,780*	*30,010*	*-1,770*	*-5.6*
Total customs duty	*14,370*	*17,220*	*2,850*	*19.8*
Capital gains tax(c)	*21,300*	*23,200*	*1,900*	*8.9*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) Prior to the 2022–23 October Budget, ‘visa application charges’ were previously included in ‘other taxes’.
c) ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Table 5.7: Australian Government general government (cash) receipts

	Actual	Estimates				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m	$m
Individuals and other withholding taxes						
Gross income tax withholding	239,669	269,600	286,700	280,800	295,200	315,200
Gross other individuals	57,432	69,500	69,700	70,100	71,600	76,500
less: Refunds	38,048	42,100	37,000	37,700	36,100	36,200
Total individuals and other withholding tax	259,052	297,000	319,400	313,200	330,700	355,500
Fringe benefits tax	3,331	3,630	3,540	3,550	3,460	3,480
Company tax	123,308	138,400	128,700	119,800	130,200	128,600
Superannuation fund taxes	26,546	9,610	16,560	23,260	23,060	25,310
Petroleum resource rent tax	1,638	2,350	2,750	2,700	2,850	2,500
Income taxation receipts	**413,876**	**450,990**	**470,950**	**462,510**	**490,270**	**515,390**
Goods and services tax	73,498	81,761	86,009	89,330	94,559	100,305
Wine equalisation tax	1,100	1,150	1,140	1,190	1,230	1,270
Luxury car tax	960	1,140	870	840	870	910
Excise and customs duty						
Petrol	5,015	5,600	7,350	7,750	7,500	7,750
Diesel	11,744	13,110	15,830	16,720	17,380	18,180
Other fuel products	1,521	2,760	2,080	2,150	2,160	2,220
Tobacco	12,604	12,700	12,900	13,450	14,200	14,650
Beer	2,461	2,590	2,640	2,840	2,900	3,000
Spirits	3,213	3,390	3,540	3,810	3,900	4,020
Other alcoholic beverages(a)	1,456	1,640	1,680	1,810	1,840	1,900
Other customs duty						
Textiles, clothing and footwear	192	190	170	170	130	170
Passenger motor vehicles	361	440	430	440	210	180
Other imports	1,378	1,530	1,310	1,330	650	690
less: Refunds and drawbacks	818	700	700	700	700	700
Total excise and customs duty	39,126	43,250	47,230	49,770	50,170	52,060
Major Bank Levy	1,454	1,540	1,620	1,650	1,710	1,800
Agricultural levies	626	631	586	593	613	614
Visa application charges(b)	1,982	2,995	3,125	3,319	3,460	3,574
Other taxes(b)	3,964	4,593	4,745	5,130	4,964	4,820
Indirect taxation receipts	**122,710**	**137,060**	**145,325**	**151,822**	**157,576**	**165,353**
Taxation receipts	**536,586**	**588,050**	**616,275**	**614,332**	**647,846**	**680,743**
Sales of goods and services	17,725	19,200	20,792	21,845	22,342	23,348
Interest received	2,446	6,115	7,654	7,168	6,930	7,160
Dividends and distributions	11,564	5,407	6,889	7,288	7,667	8,083
Other non-taxation receipts	16,036	16,820	16,532	20,604	16,136	15,784
Non-taxation receipts	**47,772**	**47,543**	**51,867**	**56,905**	**53,076**	**54,375**
Total receipts	**584,358**	**635,593**	**668,142**	**671,238**	**700,922**	**735,118**
Memorandum:						
Total excise	*22,539*	*26,070*	*30,010*	*34,480*	*35,040*	*36,410*
Total customs duty	*16,588*	*17,180*	*17,220*	*15,290*	*15,130*	*15,650*
Capital gains tax(c)	*25,400*	*28,600*	*23,200*	*20,300*	*20,100*	*20,900*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) Prior to the 2022–23 October Budget, ‘visa application charges’ were previously included in ‘other taxes’.
c) ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Variations in revenue estimates

The revenue estimates are the accrual accounting equivalent of the cash-based receipts estimates. Changes in revenue are generally driven by the same factors as receipts.

Revenues are usually higher than the cash equivalents because the amounts are generally recognised when they are owed rather than when they are paid. The differences between the accrual and cash amounts therefore generally reflect payment timing differences. Table 5.8 provides a reconciliation of the 2023–24 Budget revenue estimates with those at the October Budget and 2022 PEFO.

Table 5.8: Reconciliation of Australian Government general government revenue estimates from the 2022–23 October Budget and 2022 PEFO

	Estimates					
	2022–23	2023–24	2024–25	2025–26	2026–27	Total
	$m	$m	$m	$m	$m	$m
Revenue at 2022 PEFO	**561,848**	**595,641**	**621,687**	**655,232**	*	*
Changes from 2022 PEFO to 2022–23 October Budget						
Effect of policy decisions(a)	1,766	3,156	4,364	6,065	*	*
Effect of parameter and other variations	61,403	34,642	23,040	29,707	*	*
Total variations	**63,168**	**37,798**	**27,403**	**35,772**	*	*
Revenue at 2022–23 October Budget	**625,016**	**633,439**	**649,091**	**691,004**	*	*
Changes from 2022–23 October Budget to 2023–24 Budget						
Effect of policy decisions(a)	141	1,525	4,722	5,890	7,619	19,897
Effect of parameter and other variations	28,609	45,408	23,520	16,844	*	*
Total variations	**28,750**	**46,933**	**28,242**	**22,734**	*	*
Revenue at 2023–24 Budget	**653,767**	**680,372**	**677,333**	**713,738**	**748,237**	**3,473,446**

* Data is not available.

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Since the October Budget, total revenue has been revised up by $46.9 billion in 2023–24 and by $156.7 billion over the 5 years from 2022–23 to 2026–27.

The changes in the individual heads of revenue accrual estimates relative to the October Budget are shown in Tables 5.9 and 5.10, for 2022–23 and 2023–24, respectively. For the 5-year accrual table, the accrual equivalent of Table 5.7, see Budget Statement 10, Note 3.

Additional revenue and receipts historical tables are available online and can be accessed at www.budget.gov.au.

Table 5.9: Reconciliation of 2022–23 general government (accrual) revenue

	Estimates		Change from October Budget	
	October Budget $m	Budget $m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	262,800	272,300	9,500	3.6
Gross other individuals	65,600	73,000	7,400	11.3
less: Refunds	41,800	42,100	300	0.7
Total individuals and other withholding tax	286,600	303,200	16,600	5.8
Fringe benefits tax	3,440	3,510	70	2.0
Company tax	129,900	140,800	10,900	8.4
Superannuation fund taxes	12,670	9,670	-3,000	-23.7
Petroleum resource rent tax	2,790	2,230	-560	-20.1
Income taxation revenue	**435,400**	**459,410**	**24,010**	**5.5**
Goods and services tax	86,820	88,040	1,220	1.4
Wine equalisation tax	1,210	1,170	-40	-3.3
Luxury car tax	1,120	1,150	30	2.7
Excise and customs duty				
Petrol	5,600	5,600	0	0.0
Diesel	13,220	13,160	-60	-0.5
Other fuel products	2,700	2,760	60	2.2
Tobacco	12,400	12,700	300	2.4
Beer	2,650	2,620	-30	-1.1
Spirits	3,480	3,390	-90	-2.6
Other alcoholic beverages(a)	1,500	1,640	140	9.3
Other customs duty				
Textiles, clothing and footwear	180	190	10	5.6
Passenger motor vehicles	420	440	20	4.8
Other imports	1,440	1,530	90	6.3
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	42,890	43,330	440	1.0
Major bank levy	1,570	1,560	-10	-0.6
Agricultural levies	623	631	8	1.2
Visa application charges(b)	2,565	2,995	430	16.8
Other taxes(b)	5,670	5,883	213	3.8
Indirect taxation revenue	**142,468**	**144,759**	**2,291**	**1.6**
Taxation revenue	**577,868**	**604,169**	**26,301**	**4.6**
Sales of goods and services	18,371	19,078	707	3.9
Interest	8,192	9,053	861	10.5
Dividends and distributions	5,695	5,361	-334	-5.9
Other non-taxation revenue	14,891	16,105	1,215	8.2
Non-taxation revenue	**47,149**	**49,598**	**2,449**	**5.2**
Total revenue	**625,016**	**653,767**	**28,750**	**4.6**
Memorandum:				
Total excise	*26,070*	*26,150*	*80*	*0.3*
Total customs duty	*16,820*	*17,180*	*360*	*2.1*
Capital gains tax(c)	*21,900*	*28,600*	*6,700*	*30.6*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) Prior to the 2022–23 October Budget, ‘visa application charges’ were previously included in ‘other taxes’.
c) ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Table 5.10: Reconciliation of 2023–24 general government (accrual) revenue

	Estimates		Change from October Budget	
	October Budget	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	278,600	289,300	10,700	3.8
Gross other individuals	68,900	73,600	4,700	6.8
less: Refunds	36,000	37,000	1,000	2.8
Total individuals and other withholding tax	311,500	325,900	14,400	4.6
Fringe benefits tax	3,460	3,500	40	1.2
Company tax	101,700	131,100	29,400	28.9
Superannuation fund taxes	20,520	16,620	-3,900	-19.0
Petroleum resource rent tax	2,430	2,770	340	14.0
Income taxation revenue	**439,610**	**479,890**	**40,280**	**9.2**
Goods and services tax	88,630	89,080	450	0.5
Wine equalisation tax	1,210	1,160	-50	-4.1
Luxury car tax	860	860	0	0.0
Excise and customs duty				
Petrol	6,850	7,350	500	7.3
Diesel	15,670	15,880	210	1.3
Other fuel products	2,140	2,100	-40	-1.9
Tobacco	12,600	12,900	300	2.4
Beer	2,700	2,670	-30	-1.1
Spirits	3,510	3,570	60	1.7
Other alcoholic beverages(a)	1,620	1,680	60	3.7
Other customs duty				
Textiles, clothing and footwear	150	170	20	13.3
Passenger motor vehicles	380	430	50	13.2
Other imports	1,350	1,310	-40	-3.0
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	46,270	47,360	1,090	2.4
Major bank levy	1,620	1,640	20	1.2
Agricultural levies	591	586	-5	-0.9
Visa application charges(b)	2,867	3,125	257	9.0
Other taxes(b)	6,011	6,028	16	0.3
Indirect taxation revenue	**148,060**	**149,839**	**1,778**	**1.2**
Taxation revenue	**587,670**	**629,729**	**42,058**	**7.2**
Sales of goods and services	19,596	20,811	1,215	6.2
Interest	7,476	9,426	1,950	26.1
Dividends and distributions	6,169	6,913	744	12.1
Other non-taxation revenue	12,528	13,494	965	7.7
Non-taxation revenue	**45,769**	**50,643**	**4,874**	**10.6**
Total revenue	**633,439**	**680,372**	**46,933**	**7.4**
Memorandum:				
Total excise	*31,850*	*30,090*	*-1,760*	*-5.5*
Total customs duty	*14,420*	*17,270*	*2,850*	*19.8*
Capital gains tax(c)	*21,300*	*23,200*	*1,900*	*8.9*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) Prior to the 2022–23 October Budget, ‘visa application charges’ were previously included in ‘other taxes’.
c) ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Appendix A: Tax Expenditures

This appendix contains an overview of Australian Government tax expenditures. Section 12 of the *Charter of Budget Honesty Act 1998* (CBHA) requires the publication of an overview of estimated tax expenditures.

The Government published an enhanced Tax Expenditures and Insights Statement (TEIS) on 28 February 2023. The TEIS provides an estimate of the revenue forgone from tax expenditures, along with distributional analysis on large tax expenditures and commonly utilised features of the tax system.

Tax benchmarks represent a standard tax treatment that applies to similar taxpayers or types of activities. Policy approaches can apply a tax treatment different from a standard approach, which can give rise to positive or negative tax expenditures. The choice of benchmark unavoidably involves judgment and may therefore be contentious in some cases.

Consistent with most OECD countries, estimates of tax expenditures reflect the extent to which a variation is utilised, similar to Budget estimates of outlays on demand-driven expenditure programs. This is known as the 'revenue forgone' approach which, in practice, involves estimating the difference in revenue between the actual and benchmark tax treatments but, importantly, assuming taxpayer behaviour is the same in each circumstance. Revenue forgone estimates therefore do not indicate the revenue gain to the Budget if a specific tax expenditure was abolished through policy change, as there may be significant changes in taxpayer behaviour.

Care needs to be taken when comparing tax expenditures with direct expenditures as they may measure different things. In addition, estimates from different editions of previously released Statements are generally not directly comparable, because of changes or modifications to – for example – benchmarks, individual tax expenditures, data used or modelling methodology.

The information in Table A.1 is derived from the 2022–23 TEIS, based on economic parameters as at the publication of the 2022–23 October Budget. It does not include the impact of policy decisions, or changes in the economic outlook since then on tax expenditures. The TEIS is not a statement of policy intent. The information and analysis presented in the TEIS and Table A.1 is intended to increase transparency about the impacts of tax expenditures and other features of the tax system.

Table A.1: Estimates of large measured tax expenditures

Tax type affected	Code	Title	Revenue forgone 2022-23* ($m)	Average growth – 2018-19 to 2021-22 (%)	Average growth over FEs (%)
		Positive tax expenditures and deductions			
CGT	E8	Main residence exemption – discount component	26,000	15.1	-8.9
Deductions		Rental deductions	24,400	-2.5	9.4
CGT	E15	Discount for individuals and trusts	23,690	16.3	-11.9
Super	C2	Concessional taxation of employer superannuation contributions	23,300	6.6	3.2
CGT	E7	Main residence exemption	22,000	14.5	-8.4
Super	C4	Concessional taxation of superannuation entity earnings	21,500	-0.9	1.5
Deductions		Work related expenses	9,900	4.4	3.4
GST	H26	Food	8,400	3.5	3.8
Income	A25	Exemption for National Disability Insurance Scheme amounts	8,080	58.7	19.2
Income	B69	Accelerated depreciation for business entities	7,800	N/A	N/A
GST	H14	Education	5,850	6.5	4.6
GST	H17	Health – medical and health services	5,000	2.3	7.0
Income	B85	Simplified depreciation rules	4,800	117.5	N/A
GST	H2	Financial supplies – input taxed treatment	4,650	-1.7	7.5
Income	B59	Lower company tax rate	3,600	52.5	-1.3
Income	A26	Exemption of Child Care Assistance payments	2,900	8.2	8.9
Income	B11	Exemption from interest withholding tax on certain securities	2,520	-5.4	0.5
FBT	D15	Exemption for public benevolent institutions (excluding hospitals)	2,450	6.7	3.2
Super	C6	Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation	2,380	-3.2	4.3
Income	A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	2,050	1.7	1.2
FBT	D11	Exemption for public and not-for-profit hospitals and public ambulance services	2,000	3.9	2.0
Income	A38	Exemption of Family Tax Benefit payments	1,790	-4.9	6.0
Income	B1	Local government bodies income tax exemption	1,770	1.8	1.1
GST	H5	Child care services	1,710	6.6	8.0
GST	H18	Health – residential care, community care and other care services	1,600	5.7	6.9
Deductions		Cost of managing tax affairs and other deductions	1,600	2.3	3.2

* For deductions, revenue forgone refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.

Table A.1: Estimates of large measured tax expenditures (continued)

Tax type affected	Code	Title	Revenue forgone 2022-23* ($m)	Average growth – 2018-19 to 2021-22 (%)	Average growth over FEs (%)
Super	C3	Concessional taxation of personal superannuation contributions	1,550	25.0	-8.3
Income	A23	Concessional taxation of non-superannuation termination benefits	1,550	-9.1	N/A
Income	A17	Exemption of the Private Health Insurance Rebate	1,500	-2.8	1.5
Income	B23	Temporary loss carry-back for certain incorporated entities	1,480	N/A	N/A
Income	A56	Philanthropy – deduction for gifts to deductible gift recipients	1,405	2.6	-1.0
Super	C1	Concessional taxation of capital gains for superannuation funds	1,350	18.9	-8.8
Income	B80	Capital works expenditure deduction	1,270	1.3	-1.4
Income	A37	Exemption of certain income support benefits, pensions or allowances	1,260	6.5	0.0
Other	F6	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,190	-10.2	7.9
GST	H3	Financial supplies – reduced input tax credits	1,150	0.0	6.8
GST	H6	Water, sewerage and drainage	1,130	1.5	2.4
Income	B12	Exemption of inbound non-portfolio dividends from income tax	1,010	18.4	0.8
	Negative tax expenditures				
Other	F21	Customs duty	-2,070	-0.5	-14.9
Other	F4	Luxury car tax	-1,120	11.9	-0.9

*For deductions, revenue forgone refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.

Statement 6: Expenses and Net Capital Investment

This Statement presents estimates of the Australian Government general government sector (GGS) expenses and net capital investment disaggregated by function. Expenses are the accrual accounting equivalent of cash-based payments. The Government also reports spending on an underlying cash basis (including details about payments) in *Statement 3: Fiscal Strategy and Outlook.*

The Government remains focused on responsible domestic economic management at a time of uncertainty around the world. The Government has provided targeted cost-of-living relief and funding to support a stronger, more secure economy and address legacy issues, while maintaining the commitment to avoid fiscal policy adding to inflationary pressures while these are at their highest.

GGS expenses are expected to grow from $684.1 billion in 2023–24 to $771.8 billion in 2026–27. Total expenses are expected to be 26.6 per cent of GDP in 2023–24 and to remain around that level over the forward estimates. Real growth in expenses over the forward estimates is expected to average around 1.5 per cent per annum.

Together, the social security and welfare, health, defence and education functions account for 66 per cent of all government expenses in 2023–24.

Major expense trends from 2023–24 over the forward estimates include movements in the following functions:

- **Defence** – the increase in expenses reflects the planned investment in Defence capabilities which will now be reprioritised to support the Government's response to the *Defence Strategic Review.*
- **Education** – the increase in expenses reflects the Government's continued investment in schools and decision to increase the base rate of payments to students through the 2023–24 Budget measure *Increase to Working Age Payments*.
- **Health** – the increase in expenses is driven by expected growth in the assistance to the states for public hospitals and measures to strengthen Medicare and stem the decline in bulk billing in response to the findings of the *Strengthening Medicare Taskforce Report*.
- **Social security and welfare** – the increase in expenses is due largely to the Government's investment through the 2023–24 Budget measures *Increase to Working Age Payments* and *Increased Support for Commonwealth Rent Assistance Recipients*. Also contributing to this growth is funding for the outcome of the Fair Work Commission's decision on the Aged Care Work Value Case which increased minimum award wages by 15 per cent from 30 June 2023 for many aged care workers.

- **Recreation and culture** – the increase in expenses reflects the Government's contributions for venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games provided through the 2023–24 Budget measure *2032 Brisbane Olympic and Paralympic Games – venue infrastructure*, as well as funding for the Macquarie Point Precinct and the University of Tasmania stadium in Launceston.

- **Fuel and Energy** – the increase in expenses is partially due to the *Energy Price Relief Plan* in this Budget which will deliver cost of living relief by reducing the impact of rising energy prices through targeted energy bill relief, progressing gas market reforms and limiting the price of coal.

Analysis in this Statement is presented in both nominal and real terms to allow for international comparisons of functional expenditure. Examining trends in estimated function expenses in real terms (that is adjusted for inflation) illustrates the underlying drivers of growth, other than inflation.

Statement contents

Statement 6: Expenses and Net Capital Investment

Overview

Australian Government general government sector (GGS) expenses are expected to increase from $644.8 billion in 2022–2023 to $771.8 billion in 2026–2027, with expenses as a percentage of GDP remaining relatively stable over the forward estimates. Additional spending has been provided to deliver targeted cost-of-living relief, to invest in a stronger economy, and to deal with the legacy of unfunded programs.

Average annual real growth in expenses over the forward estimates is expected to be 1.5 per cent which shows the Government's commitment to responsible and sustainable economic and fiscal management.

Table 6.1.1: Estimates of general government sector expenses

	October Budget	Revised	Estimates			
	2022–23	2022–23	2023–24	2024–25	2025–26	2026–27
Total expenses ($b)	**650.9**	**644.8**	**684.1**	**715.4**	**743.3**	**771.8**
Real growth on previous year (%)(a)	-2.2	-3.3	1.9	1.5	1.3	1.3
Per cent of GDP	26.2	25.3	26.6	27.1	26.8	26.4

a) Real growth is calculated using the Consumer Price Index.

As a percentage of GDP, total expenses are expected to be 26.6 per cent in 2023–24 and remain broadly stable over the forward estimates. More detail about GGS expenses can be seen at a program level for the top 20 programs by expenses in Table 6.3.1.

As set out in Table 6.1.2, government payments are estimated to increase in both nominal and real terms over the period 2023–24 to 2026–27, with average annual real growth in payments estimated to be 1.8 per cent over the forward estimates.

Table 6.1.2: Estimates of general government sector payments

	October Budget	Revised	Estimates			
	2022–23	2022–23	2023–24	2024–25	2025–26	2026–27
Total payments ($b)	**644.1**	**631.4**	**682.1**	**706.3**	**737.5**	**763.6**
Real growth on previous year (%)(a)	-2.2	-4.3	3.7	0.6	1.9	1.0
Per cent of GDP	25.9	24.8	26.5	26.8	26.6	26.1

a) Real growth is calculated using the Consumer Price Index.

As a percentage of GDP, total payments are expected to be broadly stable over the forward estimates. More detail about GGS payments can be seen at a program level for the top 20 programs by payments in Table 6.3.2 and in *Statement 3: Fiscal Strategy and Outlook.*

Table 6.2 provides a reconciliation of expense estimates between the October Budget and the 2023–24 Budget.

Table 6.2: Reconciliation of expense estimate

	Estimates				
	2022–23	2023–24	2024–25	2025–26	Total
	$m	$m	$m	$m	$m
2022–23 October Budget expenses	**650,922**	**666,465**	**702,253**	**730,960**	**2,750,600**
Changes from 2022–23 October Budget to 2023–24 Budget					
Effect of policy decisions(a)	1,749	13,013	10,145	8,460	33,368
Effect of economic parameter variations					
Total economic parameter variations	-352	327	2,761	5,566	8,301
Unemployment benefits	*-65*	*-591*	*323*	*861*	*527*
Prices and wages	*12*	*499*	*1,554*	*2,924*	*4,988*
Interest and exchange rates	*478*	*742*	*706*	*681*	*2,607*
GST payments to the States	*-776*	*-323*	*177*	*1,100*	*178*
Public debt interest	-269	-1,554	-3,813	-5,769	-11,405
Program specific parameter variations	-1,338	-822	-1,914	-2,029	-6,104
Other variations	-5,923	6,656	5,950	6,137	12,819
Total variations	**-6,134**	**17,620**	**13,129**	**12,364**	**36,979**
2023–24 Budget expenses	**644,788**	**684,085**	**715,382**	**743,324**	**2,787,579**

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

The Government is investing in key programs that will assist Australians with cost of living pressures, including support to strengthen Medicare, funding to increase the JobSeeker Payment and the maximum rates of Commonwealth Rent Assistance, and targeted Energy Price Relief. Over the 4 years from 2022–23 to 2025–26, policy decisions will increase expenses by $33.4 billion.

Economic parameters have increased expenses by $8.3 billion over the 4 years from 2022–23 to 2026–27. The main driver in economic parameter variations is related to an increase in prices and wages, which includes an adjustment to the indexation methodology for a range of government programs. For additional detail about this change see Box 6.1.

Other variations ($12.8 billion), variations associated with Public Debt Interest (-$11.4 billion) and program specific variations (-$6.1 billion) have reduced expenses by $4.7 billion over the 4 years to 2025–26.

Box 6.1: Indexation funding increase helping organisations address cost and wage pressures.

Funding for a range of government programs, including major programs such as the Medicare Benefits Schedule, aged care home support programs, and programs that fund community sector organisations is indexed for wage and price growth. This long-standing framework, implemented in 1996, uses indices that are a weighted average of movements in prices and wages, and include an incentive for programs to improve their efficiency over time.

In this Budget the Government has updated the methodology for calculating the indexation factors to better align with changes in economic conditions. The wages growth component of the index has been updated to growth in the Wage Price Index (a measure not available in 1996) and the previous arrangement to average the wage component over a 5-year period has been removed. A productivity offset remains in place, based on the long run rate of productivity growth that underlies the Budget medium term forecasts.

This revised framework will provide additional indexation funding for organisations, including community sector organisations, above the indexation increase which would otherwise have been delivered in the 2023–24 Budget. Over the period ahead, it will provide indexation to these programs that is more closely aligned with current economic conditions.

Estimated expenses by function

Estimates of GGS expenses by function for the period 2022–23 to 2026–27 are set out in Table 6.3. The social security and welfare, health, defence and education functions account for 66 per cent of all government expenses in 2023–24 (see Box 6.2). Changes to the levels of expenditure within these functions significantly affect total government spending. Further details of spending trends in all functions are set out under individual function headings.

Table 6.3: Estimates of expenses by function[a]

			Estimates		
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
General public services	30,106	29,126	30,155	29,413	29,498
Defence	40,059	42,850	44,568	49,465	48,840
Public order and safety	7,384	7,434	7,063	6,398	6,425
Education	45,876	48,258	50,385	52,114	53,732
Health	107,710	106,538	108,860	112,174	116,293
Social security and welfare	226,378	250,280	263,074	277,054	288,442
Housing and community amenities	7,135	7,940	8,074	7,767	5,864
Recreation and culture	4,840	4,776	4,809	5,133	5,363
Fuel and energy	8,953	13,006	16,521	12,107	13,962
Agriculture, forestry and fishing	4,737	5,156	3,227	3,045	2,999
Mining, manufacturing and construction	4,905	5,022	4,696	4,418	4,444
Transport and communication	13,461	17,508	17,733	16,744	15,225
Other economic affairs	14,935	12,447	11,647	11,274	11,100
Other purposes	128,309	133,743	144,569	156,217	169,591
Total expenses	**644,788**	**684,085**	**715,382**	**743,324**	**771,779**

a) The functions are based on an international standard classification of functions of government that is incorporated into the Government Finance Statistics (GFS) reporting framework.

Box 6.2: Where does government spending go in 2023–24?

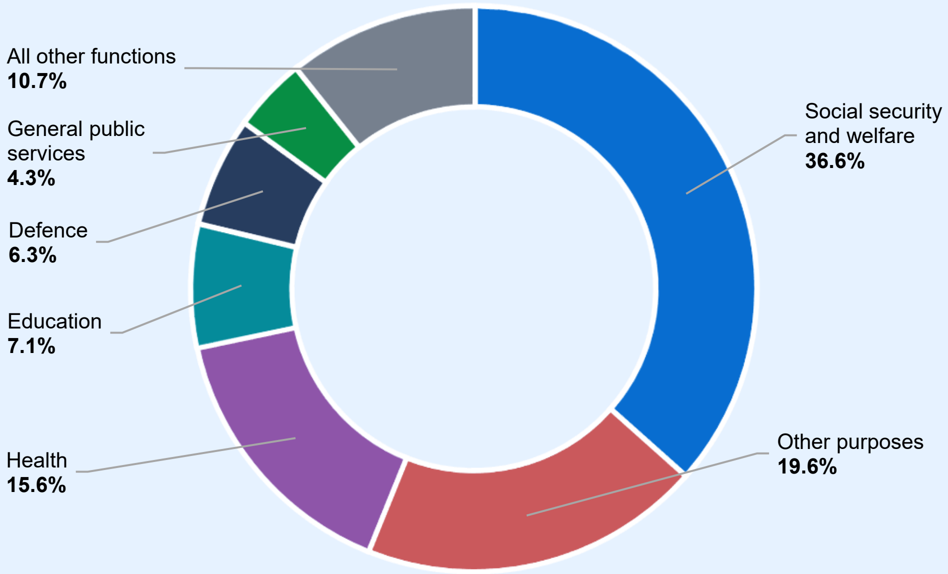
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers and unemployed people.

Around a sixth of government expenses occur in health, including Medicare Benefits Schedule and Pharmaceutical Benefits Scheme expenditure.

The Government also provides significant investment under the education function, supporting government and non-government schools, as well as higher education and vocational education and training.

Defence is another significant component of government expenditure, providing capability to the Australian Defence Force to protect Australia's security and defend our national interests.

Chart 6.1: Expenses by function in 2023–24



The estimates presented in the chart above are explained in greater detail under each individual function in the following pages.

Program expenses

The top 20 expense programs in the 2023–24 financial year are presented in Table 6.3.1. These programs represent more than two thirds of total expenses in that year.

Table 6.3.1: Top 20 programs by expense

			Estimates			
		2022-23	2023-24	2024-25	2025-26	2026-27
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	88,021	92,470	96,345	101,782	105,261
Support for Seniors	SSW	54,873	59,192	61,684	64,590	67,322
National Disability Insurance Scheme(b)	SSW	36,654	41,922	46,765	51,852	55,936
Aged Care Services	SSW	26,900	32,668	35,894	37,988	39,854
Medical Benefits	Health	28,245	30,413	32,242	34,114	35,975
Assistance to the States for Healthcare Services	Health	25,658	28,392	30,456	32,215	34,296
Commonwealth Debt Management	Other purposes	22,152	22,611	23,890	26,224	29,077
Financial Support for People with Disability	SSW	19,392	21,043	21,800	22,608	23,046
Support for Families (c)	SSW	-	18,323	19,276	19,955	20,355
Pharmaceutical Benefits	Health	18,733	18,218	18,121	18,300	18,319
Non-Government Schools National Support	Education	16,646	17,441	18,131	18,681	19,260
Job Seeker Income Support	SSW	13,867	13,830	15,483	15,999	15,915
Child Care Subsidy	SSW	10,626	12,716	13,474	14,160	14,958
Financial Support for Carers	SSW	10,570	11,539	12,238	12,923	13,369
Government Schools National Support	Education	10,264	10,845	11,266	11,676	12,108
National Partnership Payments - Road Transport	Transport and communication	7,109	9,801	10,065	9,542	8,778
Public Sector Superannuation - Benefits(d)	Other purposes; General public services	9,392	9,668	9,691	10,061	10,179
Fuel Tax Credits Scheme	Fuel and energy	7,466	9,583	9,874	10,473	11,218
Defence Force Superannuation - Benefits(d)	Other purposes; General public services	9,730	9,482	9,920	10,416	10,950
Air Force Capabilities	Defence	8,430	8,846	9,399	9,520	10,164
Sub-total		**424,727**	**479,006**	**506,016**	**533,080**	**556,342**
Other programs		220,061	205,079	209,366	210,244	215,437
Total expenses		**644,788**	**684,085**	**715,382**	**743,324**	**771,779**

a) The entry for each program includes eliminations for inter-agency transactions within that program.
b) This program is a combination of agency costs, support for participants and administered expenses.
c) This program is a new program at the 2023–24 Budget and reflects the majority of the expenditure of the October Budget program Family Assistance.
d) This program is a combination of superannuation nominal interest and accrual expenses.

Program payments

The top 20 payment programs in the 2023–24 financial year are presented in Table 6.3.2. Although broadly similar to the top 20 expense programs there are some differences in the timing of reporting between payments and expenses. Additionally, the reported payment figures include expenditure capital investment but exclude depreciation.

Table 6.3.2: Top 20 programs by payment

			Estimates			
		2022-23	2023-24	2024-25	2025-26	2026-27
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	88,958	92,448	96,354	101,797	105,273
Support for Seniors	SSW	54,851	58,870	61,710	64,616	67,446
National Disability Insurance Scheme(b)	SSW	35,026	41,013	46,083	51,102	55,126
Aged Care Services	SSW	25,770	31,778	35,863	37,955	39,822
Medical Benefits	Health	28,213	30,368	32,219	34,108	35,970
Assistance to the States for Healthcare Services	Health	25,661	28,392	30,456	32,215	34,296
Financial Support for People with Disability	SSW	19,468	20,994	21,878	22,692	23,127
Commonwealth Debt Management	Other purposes	17,724	19,799	21,241	27,061	25,969
Support for Families (c)	SSW	-	18,430	19,441	20,111	20,567
Pharmaceutical Benefits	Health	18,643	18,227	18,118	18,296	18,312
Non-Government Schools National Support	Education	16,656	17,451	18,141	18,691	19,264
Job Seeker Income Support	SSW	14,125	13,939	15,661	16,199	16,090
Child Care Subsidy	SSW	10,543	12,467	13,376	14,279	14,946
Financial Support for Carers	SSW	10,590	11,492	12,257	12,953	13,416
Army Capabilities	Defence	9,745	11,389	12,285	11,957	14,497
Government Schools National Support	Education	10,305	10,857	11,279	11,688	12,114
Air Force Capabilities	Defence	4,635	10,646	11,056	10,106	13,869
Navy Capabilities	Defence	6,282	9,810	9,560	11,100	12,172
National Partnership Payments - Road Transport	Transport and communication	7,109	9,801	10,065	9,542	8,778
Fuel Tax Credits Scheme	Fuel and Energy	6,804	9,443	9,813	10,383	11,106
Sub-total		**411,107**	**477,617**	**506,854**	**536,852**	**562,159**
Other programs		220,284	204,443	199,441	200,697	201,410
Total payments		**631,392**	**682,060**	**706,296**	**737,549**	**763,569**

a) The entry for each program includes eliminations for inter-agency transactions within that program.
b) This program is a combination of agency costs, support for participants and administered expenses.
c) This program is a new program at the 2023–24 Budget and reflects the majority of the expenditure of the October Budget program Family Assistance.

General government sector expenses

General public services

The general public services function includes expenses to support the organisation and operation of government such as those related to the Parliament, the Governor-General, the conduct of elections, the collection of taxes and management of public funds and debt, assistance to developing countries to reduce poverty and achieve sustainable development, particularly countries in the Pacific region, contributions to international organisations, and foreign affairs. It also includes expenses related to research in areas not otherwise connected with a specific function, those associated with overall economic and statistical services, as well as government superannuation benefits (excluding nominal interest expenses on unfunded liabilities, which are included under the nominal superannuation interest sub-function in the other purposes function).

Table 6.4: Summary of expenses – general public services

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Legislative and executive affairs	1,574	2,003	1,901	1,538	1,560
Financial and fiscal affairs	9,309	9,137	9,038	9,257	8,687
Foreign affairs and economic aid	7,622	7,166	8,179	7,294	7,725
General research	3,735	4,140	4,255	4,361	4,280
General services	918	992	946	963	986
Government superannuation benefits	6,947	5,687	5,835	6,001	6,260
Total general public services	**30,106**	**29,126**	**30,155**	**29,413**	**29,498**

Total general public services expenses are estimated to increase by 1.3 per cent in nominal terms but decrease by 6.4 per cent in real terms over the period 2023–24 to 2026–27.

Expenses under the **legislative and executive affairs** sub-function largely reflect the expenditure profile of the Australian Electoral Commission which includes costs expected to be incurred to support a referendum in 2023–24 and a federal election in 2024–25.

Expenses in the **financial and fiscal affairs** sub-function are expected to decrease in real terms reflecting the termination of a number of tax compliance measures. This is partially offset by the 2023–24 Budget measure *GST compliance program – 4year extension*.

Total expenses under the **foreign affairs and economic aid** sub-function reflect the impact of financing provided through Export Finance Australia and the payment cycles of Australia's contributions under funding arrangements for multilateral funds. Contributing to the nominal growth in this subfunction is the 2023–24 Budget measure *Maintaining Support for an Effective Foreign Service.*

Table 6.4.1 sets out the major components of the **foreign affairs and economic aid** sub-function.

Table 6.4.1: Trends in the major components of foreign affairs and economic aid sub-function expense

Component(a)	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Foreign aid(b)	4,536	4,087	5,136	4,209	4,477
Diplomacy(c)	1,378	1,439	1,409	1,452	1,520
Payments to international organisations	426	459	459	459	459
Passport services	423	363	354	330	365
International police assistance	190	240	227	242	271
International agriculture research and development	119	124	120	122	125
Consular services	141	145	150	136	142
Finance and insurance services for Australian exporters and investors	283	152	169	188	233
Other	125	157	155	155	133
Total	**7,622**	**7,166**	**8,179**	**7,294**	**7,725**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) The foreign aid figures reflect aid spending by the Department of Foreign Affairs and Trade in accrual terms. This differs from the international measure of aid reporting, Official Development Assistance (ODA), which is in cash terms. Aid spending by other entities is usually reflected in other sub-functions.
c) Diplomacy includes departmental expenditure for the Department of Foreign Affairs and Trade's operations, security and IT, overseas property and international climate change engagement.

The **general research** sub-function incorporates expenses incurred by the Department of Industry, Science and Resources, the Commonwealth Scientific and Industrial Research Organisation, the Australian Nuclear Science and Technology Organisation, the Australian Institute of Marine Science, the Department of Education, and the Australian Research Council.

While total expenses under this sub-function are expected to increase by 3.4 per cent in nominal terms, there are decreases in a number of components resulting in a real decline in expenses. This partially reflects the terminating funding provided to the Commonwealth Scientific and Industrial Research Organisation to address the impacts of COVID-19 on its commercial research activities.

Table 6.4.2: Trends in the major components of general research sub-function expense

Component(a)	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Research – science services and innovation fund	1,501	1,625	1,551	1,580	1,590
Discovery – research and research training	512	554	601	631	648
Science and technology solutions	415	455	446	474	475
Linkage – cross sector research partnerships	321	348	378	407	435
Supporting science and commercialisation	429	364	331	343	318
Research capacity	415	617	781	749	636
Other	143	177	167	176	177
Total	**3,735**	**4,140**	**4,255**	**4,361**	**4,280**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The **general services** sub-function incorporates expenses largely incurred by the Department of Finance, Australian Public Service Commission, and Comcare. The variation in the profile of expenses across the forward estimates largely reflects the impact of insurance claims expenditure and terminating departmental funding measures.

The decrease in expenses from 2022–23 to 2023–24 in the **government superannuation benefits** sub-function primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2022–23 are calculated using the long-term government bond rate which best matched each individual scheme's duration of liabilities at the start of the financial year. These rates are between 3.7 and 3.9 per cent per annum. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied to the 2023–24 Budget year and forward estimates as per usual practice.

Defence

The defence function includes expenses incurred by the Department of Defence (Defence) and other agencies which support *National Defence*. Defence expenses support:

- Australian military operations; and
- *National Defence* through strategic policy advice and the delivery of capabilities to achieve an Integrated Force, harnessing effects across the maritime, land, air, space, and cyber domains.

This function records the majority of expenses incurred by the Defence portfolio but does not include expenses incurred by the Department of Veterans' Affairs, superannuation payments to retired military personnel, related nominal superannuation interest, and housing assistance provided through Defence Housing Australia. These expenses are reported in the social security and welfare, general public services, other purposes, and housing and community amenities functions respectively.

Table 6.5: Summary of expenses – defence

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Defence	40,059	42,850	44,568	49,465	48,840
Total defence	**40,059**	**42,850**	**44,568**	**49,465**	**48,840**

Total expenses for the **defence** sub-function are estimated to increase by 14.0 per cent in nominal terms and by 5.3 per cent in real terms over the period 2023–24 to 2026–27. This reflects the funding required by Defence for capability investments which will be reprioritised to support the Government's response to the *Defence Strategic Review*. The Government's response represents a fundamental shift in Defence's force structure and posture, and sets out a blueprint for an Integrated Force and the reprioritisation of Defence capability investments. The Government's response includes commitments totalling $19 billion over the forward estimates for nuclear-powered submarines, long-range strike capabilities, strengthened northern bases, workforce growth and retention, innovation, and regional partnerships.

The Government has made a provision in the Contingency Reserve for increased Defence funding over the medium term to implement the *Defence Strategic Review*. Defence funding will increase and rise above 2.3 per cent of GDP in 2032–33, based on current GDP projections. Over the next 12 months, Defence will reshape the Defence Integrated Investment Program to give effect to the findings and recommendations of the *Defence Strategic Review*.

Public order and safety

The public order and safety function includes expenses to support the administration of the federal legal system and the provision of legal services, including legal aid, to the community. Public order and safety expenses also include law enforcement, border protection and intelligence activities, and the protection of Australian Government property.

Table 6.6: Summary of expenses – public order and safety

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Courts and legal services	1,747	1,754	1,687	1,152	1,131
Other public order and safety	5,637	5,680	5,376	5,246	5,293
Total public order and safety	**7,384**	**7,434**	**7,063**	**6,398**	**6,425**

Total expenses for the public order and safety function are estimated to decrease by 13.6 per cent in nominal terms and by 20.2 per cent in real terms over the period 2023–24 to 2026–27.

Expenses within the **courts and legal services** sub-function are estimated to decrease reflecting the expiration of the National Legal Assistance Partnership on 30 June 2025, as well as the planned reporting and conclusion dates of the Royal Commission into the Robodebt Scheme, the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability and the Royal Commission into Defence and Veteran Suicide.

Total expenses within the **other public order and safety** sub-function are expected to decrease reflecting the termination of the Safer Communities grant program and the provision of supplementary funding on an annual basis to the Australian Border Force on the Budget year. The decrease is partially offset by the Government's investment through the 2023–24 Budget measure *Enduring Funding Mechanisms for AusCheck*.

Table 6.6.1 sets out the major components of the **other public order and safety** sub-function.

Table 6.6.1: Trends in the major components of other public order and safety sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Policing and law enforcement	4,027	4,090	3,976	3,841	3,865
Border protection	1,610	1,590	1,399	1,405	1,428
Total	**5,637**	**5,680**	**5,376**	**5,246**	**5,293**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Education

The education function includes expenses to support the delivery of education services through higher education institutions, vocational education and training providers (including technical and further education institutions), and government (state and territory) and non-government primary and secondary schools.

Table 6.7: Summary of expenses – education

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Higher education	10,587	10,902	11,485	11,946	12,322
Vocational and other education	2,262	2,278	2,643	2,643	2,593
Schools	26,909	28,286	29,397	30,356	31,368
Non-government schools	*16,646*	*17,441*	*18,131*	*18,681*	*19,260*
Government schools	*10,264*	*10,845*	*11,266*	*11,676*	*12,108*
School education – specific funding	1,128	1,149	808	821	827
Student assistance	4,783	5,362	5,789	6,088	6,369
General administration	208	282	263	259	254
Total education	**45,876**	**48,258**	**50,385**	**52,114**	**53,732**

Total education function expenses are estimated to increase reflecting the Government's ongoing investment in schools, higher education and the 2023–24 Budget measure *Increase to Working Age Payments*.

Expenses for the **higher education** sub-function are estimated to increase largely due to the provision of 20,000 additional Commonwealth supported places commencing in 2023 and 2024 in the October Budget measure *Strengthening Australia's Higher Education Sector*.

Expenses for the **vocational and other education** sub-function are estimated to increase due to the continued provision of funding in the Contingency Reserve for a new long term national skills and training funding agreement with the states and territories, which is expected to commence from 1 January 2024.

Expenses for aggregate schools funding, comprising **schools – non-government schools** and **schools – government schools** are estimated to increase primarily reflecting the funding arrangements implemented under the Quality Schools Package.

Expenses for the **school education – specific funding** sub-function are estimated to decrease due to the termination of the October Budget measures *Student Wellbeing Boost* and *Schools Upgrade Fund* at the end of 2023–24.

Expenses for the **student assistance** sub-function are estimated to increase primarily due to the Government's 2023–24 Budget measure *Increase to Working Age Payments* and an expected increase in the number of people accessing the Student Payments program due to an anticipated increase in unemployment. The estimated increase in expenses is also driven by an increase in the value of Higher Education Loan Program (HELP) loans issued to students. The increase in the value of HELP loans is a result of the provision of 20,000 additional Commonwealth supported places commencing in 2023 and 2024 under the October Budget measure *Strengthening Australia's Higher Education Sector*, and the *Job-ready Graduates* higher education reform package announced in the 2020 July Economic and Fiscal Update. Expenses under HELP mainly reflect the estimated cost to the Government of providing concessional loans, which will vary with enrolment numbers, and the number and value of HELP loans.

Health

The health function includes expenses relating to medical services that are funded through Medicare, payments to the states and territories to deliver essential health services, including public hospitals, the Pharmaceutical Benefits and Repatriation Pharmaceutical Benefits Schemes, the Private Health Insurance Rebate, Aboriginal and Torres Strait Islander health programs, mental health services, and health workforce initiatives.

Table 6.8: Summary of expenses – health

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Medical services and benefits	36,982	39,300	41,313	43,396	45,471
Pharmaceutical benefits and services	19,592	19,106	19,035	19,214	19,232
Assistance to the states for public hospitals	25,658	28,392	30,456	32,215	34,296
Hospital services(a)	973	999	1,137	1,195	1,220
Health services	19,163	13,220	11,776	11,247	11,230
General administration	4,212	4,286	3,815	3,605	3,558
Aboriginal and Torres Strait Islander health	1,130	1,234	1,328	1,301	1,285
Total health	**107,710**	**106,538**	**108,860**	**112,174**	**116,293**

a) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Expenses for the health function are expected to increase by 9.2 per cent in nominal terms and by 0.8 per cent in real terms over the period 2023–24 to 2026–27 primarily driven by expected growth in the **assistance to the states for public hospitals** and **medical services and benefits** sub-functions.

The **medical services and benefits** sub-function, which primarily consists of Medicare and Private Health Insurance Rebate expenses, comprises 36.9 per cent of total estimated health expenses for 2023–24. Expenses for medical benefits are expected to increase as a result of population growth, ongoing growth in the use of medical services, the use of high value items on the Medicare Benefits Schedule, and the Government's range of 2023–24 Budget measures to strengthen Medicare in response to the findings of the *Strengthening Medicare Taskforce Report* and stem the decline in bulk billing.

Table 6.8.1 sets out the major components of the **medical services and benefits** sub-function.

Table 6.8.1: Trends in the major components of medical services and benefits sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Medical benefits	28,245	30,413	32,242	34,114	35,975
Private health insurance	7,021	7,157	7,381	7,575	7,743
General medical consultations and services	715	720	720	706	720
Dental services(b)	344	350	358	359	360
Other	657	660	611	642	672
Total	**36,982**	**39,300**	**41,313**	**43,396**	**45,471**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) Payments under the funding agreements on Public Dental Services for Adults from 2020–21 are provided for under the health services sub-function in Table 6.8.

Expenses for the **pharmaceutical benefits and services** sub-function are expected to increase by 0.7 per cent in nominal terms and decrease by 7.0 per cent in real terms over the period 2023–24 to 2026–27. The decrease in real terms is primarily due to the impacts of existing pricing policies under the Pharmaceutical Benefits Scheme. The Government is investing $1.3 billion in the 2023–24 Budget to ensure access to existing pharmacy programs, support rural and remote pharmacies and deliver on improved pharmacy services.

Table 6.8.2 sets out the major components of the **pharmaceutical benefits and services** sub-function.

Table 6.8.2: Trends in the major components of pharmaceutical benefits and services sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Pharmaceutical benefits, services and supply	18,733	18,218	18,121	18,300	18,319
Immunisation	477	545	576	578	580
Veterans' pharmaceutical benefits	382	343	338	336	333
Total	**19,592**	**19,106**	**19,035**	**19,214**	**19,232**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The Australian Government's contribution to public hospital funding is reported through the **assistance to the states for public hospitals** sub-function. Hospital services covered by this sub-function include all admitted services, programs that deliver hospital services in the home, and emergency department services. Expenditure for this sub-function is expected to increase reflecting the Government's agreement with states and territories for the Commonwealth to fund 45 per cent of the efficient growth in activity-based services for public hospitals from 2020–21 to 2024–25.

The **hospital services** sub-function consists mainly of payments to the states and territories to deliver veterans' hospital services. This increase in expenditure largely reflects an anticipated return to pre-COVID-19 use of hospital services by veterans and their dependants.

Expenses in the **health services** sub-function include expenses associated with the delivery of population health, medical research, mental health, blood and blood products, other allied health services, health infrastructure and disbursements from the Medical Research Future Fund. The decrease in **health services** expenditure is largely driven by the termination of measures responding to the COVID-19 pandemic after 2023–24. Terminating measures include the 2023–24 Budget measures *COVID-19 Response* and *COVID-19 Aged Care Response,* and the October Budget measure *COVID-19 Package – vaccines and treatments*.

The **general administration** sub-function includes the Government's general administrative costs associated with health care, funding for primary health care and coordination, investment in health workforce measures, and support for rural health initiatives. Expenditure for this sub-function is expected to decrease largely reflecting the cessation of temporary and targeted measures to respond to the COVID-19 pandemic in 2023–24.

Expenses in the **Aboriginal and Torres Strait Islander health** sub-function are expected to increase by 4.2 per cent in nominal terms and decrease by 3.7 per cent in real terms over the period 2023–24 to 2026–27. The increase in real expenses from 2022–23 to 2023–24 reflects the Government's commitment to close the gap for First Nations peoples' health and wellbeing through the 2023–24 Budget measure *Improving Health Outcomes for Aboriginal and Torres Strait Islander people* and the October Budget measure *Strengthening First Nations Health*. The decrease in real expenses from 2023–24 to 2026–27 reflects that a number of these measures terminate over the forward estimates period.

Social security and welfare

The social security and welfare function includes expenses for pensions and services to the aged, assistance to the unemployed and the sick, people with disabilities and families with children, and income support and compensation for veterans and their dependants. It also includes assistance provided to Indigenous Australians that has not been included under other functions.

Table 6.9: Summary of expenses – social security and welfare

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Assistance to the aged	84,844	95,214	99,698	104,664	109,287
Assistance to veterans and dependants	7,741	8,385	8,351	8,400	8,384
Assistance to people with disabilities	69,429	78,332	82,602	89,129	94,087
Assistance to families with children	39,622	45,123	47,904	50,020	52,174
Assistance to the unemployed and the sick	13,867	13,830	15,483	15,999	15,915
Other welfare programs	2,700	1,717	1,601	1,523	1,377
Assistance for Indigenous Australians nec	2,872	3,049	3,080	3,091	2,996
General administration	5,302	4,630	4,355	4,228	4,221
Total social security and welfare	**226,378**	**250,280**	**263,074**	**277,054**	**288,442**

Expenses in the social security and welfare function are estimated to increase by 15.2 per cent in nominal terms and by 6.5 per cent in real terms over the period 2023–24 to 2026–27. This is largely driven by the 2023–24 Budget measures *Increase to Working Age Payments* and *Increased Support for Commonwealth Rent Assistance Recipients*, as well as growth in the **assistance to the aged** and **assistance to people with disabilities** sub-functions.

The **assistance to the aged** sub-function is estimated to increase by 14.8 per cent in nominal terms and by 6.0 per cent in real terms over the period 2023–24 to 2026–27. The Aged Care Services program is a key driver of this growth with funding of $11.3 billion over the period 2023–24 to 2026–27 to implement the Fair Work Commission's decision on the *Aged Care Work Value Case* which increased minimum award wages by 15 per cent from 30 June 2023 for many aged care workers. The other significant driver of growth in this sub-function is the Support for Seniors program which is estimated to increase by 5.1 per cent in real terms over the period reflecting the expected increase in the number of Age Pension recipients as the Australian population ages.

Expenses in the Aged Care Quality program are estimated to decrease reflecting terminating funding provided in the 2021–22 Budget measures *Aged Care – Government response to the Royal Commission into Aged Care Quality and Safety – residential aged care quality and safety* and *Aged Care – Government response to the Royal Commission into Aged Care Quality and Safety – home care*, as well as terminating COVID-19 support measures. This reduction is partially offset by the 2023–24 Budget measure *Aged Care Regulatory Reform* which builds on the October Budget measure *Fixing the Aged Care Crisis,* and the October Budget measure *COVID-19 Package – aged care*.

Expenses for **veterans' community care and support** are estimated to increase by 12.9 per cent in nominal terms and by 4.4 per cent in real terms over the period 2023–24 to 2026–27, reflecting additional funding for increased care minutes and the requirement for registered nurses to be on site 24 hours per day, 7 days a week as part of the October Budget measure *Fixing the Aged Care Crisis*.

Table 6.9.1 sets out the major components of the **assistance to the aged** sub-function.

Table 6.9.1: Trends in the major components of assistance to the aged sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Support for Seniors	54,873	59,192	61,684	64,590	67,322
Aged Care Services	26,900	32,668	35,894	37,988	39,854
Veterans' Community Care and Support	942	899	954	998	1,016
Aged Care Quality	1,223	1,504	320	259	250
Access and information	646	637	642	631	644
National Partnership Payments – Assistance to the Aged	34	30	0	0	0
Other	226	283	204	199	201
Total	**84,844**	**95,214**	**99,698**	**104,664**	**109,287**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **assistance to veterans and dependants** are expected to remain constant in nominal terms and decrease by 7.6 per cent in real terms over the period 2023–24 to 2026–27. The real decrease is mainly attributable to the declining population of aged veterans and their dependents with the decrease partially offset by an increase in compensation payments for younger veterans.

Expenses for the **assistance to people with disabilities** sub-function are expected to increase by 20.1 per cent in nominal terms and by 11.0 per cent in real terms over the period 2023–24 to 2026–27, largely reflecting an increase in the number of people with a disability participating in the National Disability Insurance Scheme and increases in individual support costs.

National Cabinet has committed to a National Disability Insurance Scheme Financial Sustainability Framework. While the Scheme remains demand driven, the goal of the Financial Sustainability Framework is to moderate growth in the National Disability Insurance Scheme to no more than 8 per cent by 1 July 2026, with further moderation of growth as the Scheme matures.

Expenses for the **assistance to people with disabilities** sub-function also includes expenses associated with Financial Support for People with Disability – primarily the Disability Support Pension – and Financial Support for Carers, both components are expected to increase reflecting growth in estimated recipient numbers.

Table 6.9.2 sets out the major components of the **assistance to people with disabilities** sub-function.

Table 6.9.2: Trends in the major components of assistance to people with disabilities sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
National Disability Insurance Scheme(b)	36,654	41,922	46,765	51,852	55,936
National Disability Insurance Scheme – Quality and Safeguards	90	139	142	75	71
Financial Support for People with Disability	19,392	21,043	21,800	22,608	23,046
Financial Support for Carers	12,318	13,213	13,895	14,594	15,033
National Partnership Payments – Assistance to People with Disabilities	975	2,015	0	0	0
Total	**69,429**	**78,332**	**82,602**	**89,129**	**94,087**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) Includes both Commonwealth and State contributions to the cost of the National Disability Insurance Scheme delivered through the National Disability Insurance Agency, which is a Commonwealth agency in the general government sector, and the cost of the NDIS program administered by the Department of Social Services.

Expenses for the **assistance to families with children** sub-function are expected to increase by 15.6 per cent in nominal terms and by 6.8 per cent in real terms over the period 2023–24 to 2026–27. The major programs impacting this trend include Family Assistance, Parents Income Support, and the Child Care Subsidy.

Family Assistance expenses are expected to increase, largely driven by the October Budget measure *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families* which increases paid parental leave by 2 weeks each year from 1 July 2024 until 1 July 2026.

Parents Income Support expenses are expected to increase primarily driven by the 2023–24 Budget measure *Parenting Payment (Single) – improved support for single parents* through which the Government will extend eligibility for Parenting Payment (Single) to principal carers with a youngest child under 14 years of age.

The **assistance to families with children** sub-function profile also includes an increase driven by the child care subsidy component. The increase primarily reflects the October Budget measure *Plan for Cheaper Child Care,* which will increase, from 1 July 2023, the maximum Child Care Subsidy (CCS) rate from 85 per cent to 90 per cent for families for the first child in care; increase the CCS rate for all families earning less than $530,000 in household income; and maintain the current CCS rates for families with multiple children aged 5 years or under in care.

Table 6.9.3 sets out the major components of the **assistance to families with children** sub-function.

Table 6.9.3: Trends in the major components of assistance to families with children sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Family Assistance	19,872	21,460	22,767	23,910	24,830
Child Care Subsidy	10,626	12,716	13,474	14,160	14,958
Parents income support	5,918	7,501	8,200	8,503	8,942
Child Support	1,834	1,886	1,923	1,954	1,982
Support for the child care system	355	348	344	322	322
Families and Children	746	926	907	877	842
Family relationship services	252	267	270	276	281
Other	20	20	20	18	17
Total	**39,622**	**45,123**	**47,904**	**50,020**	**52,174**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for the **assistance to the unemployed and the sick** sub-function are estimated to increase by 15.1 per cent in nominal terms and increase by 6.3 per cent in real terms over the period 2023–24 to 2026–27. This is due to the 2023–24 Budget measure *Increase to Working Age Payments* which will increase the base rate of working age payments by $40 per fortnight from 20 September 2023 and extend eligibility for the existing higher single JobSeeker Payment rate for recipients aged over 60 years to recipients aged 55 years and over who are on the payment for 9 or more continuous months. The increase is also driven by an increase in the expected number of recipients as a result of higher anticipated unemployment.

Expenses for the **other welfare programs** sub-function are expected to decrease as a result of the termination of the extended support for the *Family and Domestic and Sexual Violence Responses National Partnership Agreement* on 30 June 2025.

Expenditure to support First Nations people is reported across several functions. In this Budget, the Government is investing $1.9 billion over the period 2022–23 to 2026–27 in measures that provide critical investment in key areas of health, aged care, infrastructure, employment, justice, women's safety and housing initiatives for First Nations people. While the Government is increasing expenditure across a range of functions to support First Nations people and drive progress against targets and priority reforms under the *National Agreement on Closing the Gap*, expenses for the **assistance for Indigenous Australians not elsewhere classified (nec)** sub-function are estimated to decrease. This is due to the cessation of payments from the Commonwealth to the Northern Territory under the National Partnership on Northern Territory Remote Aboriginal Investment which terminates 30 June 2024 and terminating initiatives under the Indigenous Advancement Strategy. The Government is currently working in partnership with the Aboriginal Peak Organisations Northern Territory and the Northern Territory Government to design options for future investment in remote Aboriginal communities.

Expenses for the **general administration** sub-function are estimated to decrease over the period 2023–24 to 2026–27 reflecting the cessation of additional funding to respond to the COVID-19 pandemic as well as the implementation of measures by Services Australia that involve higher upfront service delivery and ICT costs.

Housing and community amenities

The housing and community amenities function includes expenses for the Government's contribution to the National Housing and Homelessness Agreement, other Australian Government housing programs, the expenses of Defence Housing Australia (DHA), urban and regional development programs and environmental protection initiatives.

Table 6.10: Summary of expenses – housing and community amenities

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Housing	3,460	3,466	3,474	3,364	3,397
Urban and regional development	1,980	2,104	2,265	2,069	717
Environment protection	1,696	2,369	2,335	2,334	1,750
Total housing and community amenities	**7,135**	**7,940**	**8,074**	**7,767**	**5,864**

Total expenses under the housing and community amenities function are expected to decrease by 26.1 per cent in nominal terms and by 31.8 per cent in real terms over the period 2023–24 to 2026–27.

The Government is addressing concerns about rental affordability through the 2023–24 Budget measure *Increased Support for Commonwealth Rent Assistance Recipients*. This additional support of $2.7 billion over the five years to 2026–27 is reported in a range of sub-functions in the social security and welfare function.

The **housing** sub-function includes the Government's contribution to the National Housing and Homelessness Agreement, the provision of housing for the general public and people with special needs, and DHA expenses. Expenses for this sub-function are estimated to decrease driven by fewer payments under the National Rental Affordability Scheme which is now closed to new applicants. These impacts are partially offset by additional expenses related to the Housing Australia Future Fund and DHA.

The **urban and regional development** sub-function comprises urban development, services to territories, and regional development programs. Expenses for this sub-function are estimated to decrease over the period 2023–24 to 2026–27 primarily reflecting the profile of funding for regional development programs included in the October Budget measure *Responsible Investment to Grow Our Regions* and the conclusion of the Regional Growth Fund and Building Better Regions Fund.

The **environment protection** sub-function includes expenses for a variety of initiatives, including the protection and conservation of the environment, water and waste management, pollution abatement and environmental research. Expenses for this sub-function are estimated to decrease over the period 2023–24 to 2026–27 primarily due to the re-profiling of project funding under the National Water Grid Fund, the expected profile of grant payments through the Regional Hydrogen Hubs Program, and the cessation of temporary investment in environmental assessments in the October Budget measure *Sustaining Environmental Assessments*, prior to the establishment of Environment Protection Australia, as part of the Government's 2023–24 Budget measure *Nature Positive Plan – better for the environment, better for business*.

Recreation and culture

The recreation and culture function includes expenses to support public broadcasting and cultural institutions, funding for the arts and the film industry, assistance to sport and recreation activities, as well as the management and protection of national parks and other world heritage areas. This function also includes expenses relating to the protection and preservation of historic sites and buildings, including war graves.

Table 6.11: Summary of expenses – recreation and culture

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Broadcasting	1,680	1,671	1,745	1,794	1,798
Arts and cultural heritage	1,835	1,869	1,822	1,860	1,811
Sport and recreation	638	556	551	800	1,066
National estate and parks	686	680	692	679	688
Total recreation and culture	**4,840**	**4,776**	**4,809**	**5,133**	**5,363**

Total expenses under the recreation and culture function are estimated to increase by 12.3 per cent in nominal terms and by 3.7 per cent in real terms over the period 2023–24 to 2026–27, predominantly driven by the Government's investment in the **sport and recreation** sub-function through the 2023–24 Budget.

Expenses under the **broadcasting** sub-function reflect the 5-year funding terms for the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service Corporation (SBS) from 1 July 2023.

Table 6.11.1 sets out the major components of the **broadcasting** sub-function.

Table 6.11.1: Trends in the major components of broadcasting sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
ABC general operational activities	976	989	1,039	1,065	1,053
SBS general operational activities	437	402	419	433	442
ABC transmission and distribution services	194	202	208	214	218
SBS transmission and distribution services	74	78	79	82	85
Total	**1,680**	**1,671**	**1,745**	**1,794**	**1,798**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The Government is investing in the **arts and cultural heritage** sub-function through the 2023-24 Budget measures *Revive – National Cultural Policy and Location Incentive* and *National Cultural Policy – National Collecting Institutions – sustainability*. Although this investment increases funding in the arts sector, expenses in this sub-function are estimated to decrease largely resulting from lower expenses for the Australian Screen Production Incentive after a one-off increase in 2023–24 due to the impact of COVID-19 on eligible activities.

Expenses under the **sport and recreation** sub-function are estimated to increase significantly over the period 2023–24 to 2026–27, reflecting contributions for venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games provided through the 2023-24 Budget measure *2032 Brisbane Olympic and Paralympic Games – venue infrastructure*, as well as funding for the Macquarie Point Precinct and the University of Tasmania stadium in Launceston provided through the 2023–24 Budget measure *National Approach for Sustainable Urban Development.*

Expenses under the **national estate and parks** sub-function are estimated to increase by 1.2 per cent in nominal terms and decrease by 6.5 per cent in real terms over the period 2023–24 to 2026–27, largely due to investment in the renewal and repair of heritage-listed infrastructure across sites managed by the Sydney Harbour Federation Trust in 2023–24 and 2024–25 through the 2023–24 Budget measure *Sydney Harbour Federation Trust – infrastructure improvements*. Additional support is also being provided for the management of Australia's terrestrial and marine Commonwealth parks through the 2023–24 Budget *Protecting Australia's Iconic National Parks.*

Fuel and energy

The fuel and energy function includes expenses for the Fuel Tax Credits and Product Stewardship Waste (Oil) schemes administered by the Australian Taxation Office. It also includes expenses related to improving Australia's energy efficiency, resource related initiatives, and programs to support the production and use of renewable energy.

Table 6.12: Summary of expenses – fuel and energy

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Fuel and energy	8,953	13,006	16,521	12,107	13,962
Total fuel and energy	**8,953**	**13,006**	**16,521**	**12,107**	**13,962**

In the 2023–24 Budget the *Energy Price Relief Plan* measure will reduce the impact of rising energy prices through targeted energy bill relief, progressing gas market reforms and limiting the price of coal. This investment in fuel and energy is a part of an expected nominal increase of 7.4 per cent over the period 2023–24 to 2026–27.

The major program within this sub-function is the Fuel Tax Credits Scheme which is expected to increase because of an expected increase in the use of fuels that are eligible for the Fuel Tax Credits Scheme.

Expenses under the Resources and Energy component are expected to decrease expenses over the period 2023–24 to 2026–27, as the temporary assistance for the cost of energy price relief provided through the 2023–24 Budget measure *Energy Price Relief Plan* is phased out. The decline also reflects the funding profile associated with programs such as the Northern Endeavour Decommissioning Program and the Critical Minerals Development Program.

Expenses under the Renewable Energy component reflect the profile of expenses for the concessional component of concessional loans made by the Clean Energy Finance Corporation, primarily those expected to be made in the October Budget measure *Powering Australia – Rewiring the Nation*. The variation in expenses over the forward estimates reflects the expected timing of loans made under this measure.

Table 6.12.1 sets out the major components of the **fuel and energy** sub-function.

Table 6.12.1: Trends in the major components of fuel and energy sub-function expense

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Fuel Tax Credits Scheme	7,466	9,583	9,874	10,473	11,218
Resources and Energy(b)	805	2,005	1,236	153	114
Renewable Energy	421	1,101	5,128	1,223	2,391
Other	261	317	283	257	240
Total	**8,953**	**13,006**	**16,521**	**12,107**	**13,962**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

b) Part of this component relating to payments made to states and territories was previously reported under 'Other' and has been moved to Resources and Energy to better reflect the purpose of the expenses

Agriculture, forestry and fishing

The agriculture, forestry and fishing function include expenses to support assistance to primary producers, forestry, fishing, land and water resources management, quarantine services, and contributions to research and development.

Table 6.13: Summary of expenses – agriculture, forestry and fishing

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Wool industry	67	74	84	95	95
Grains industry	224	266	266	268	269
Dairy industry	55	52	50	50	49
Cattle, sheep and pig industry	252	266	276	285	288
Fishing, horticulture and other agriculture	553	460	376	358	388
General assistance not allocated to specific industries	44	44	45	45	45
Rural assistance	433	303	301	353	373
Natural resources development	1,793	2,453	614	425	344
General administration	1,317	1,239	1,215	1,167	1,148
Total agriculture, forestry and fishing	**4,737**	**5,156**	**3,227**	**3,045**	**2,999**

Total expenses under the agriculture, forestry and fishing function are estimated to decrease over the period 2023–24 to 2026–27. This largely reflects the scheduled completion of water reform activities under the *Murray-Darling Basin Plan 2012 (Basin Plan)* in 2023–24 and ahead of the first statutory review of the *Basin Plan* by 2026 within the **natural resources development** sub-function.

Expenses for the **rural assistance** sub-function partially offset the overall decrease in the function with an increase of 22.9 per cent in nominal terms and by 13.5 per cent in real terms over the period 2023–24 to 2026–27, due to the timing of concessional loan discount expenses on loans issued by the Regional Investment Corporation.

Mining, manufacturing and construction

The mining, manufacturing and construction function includes expenses for programs designed to promote the efficiency and competitiveness of Australian industries. The major components include the Research and Development Tax Incentive and industry assistance programs.

Table 6.14: Summary of expenses – mining, manufacturing and construction

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Mining, manufacturing and construction	4,905	5,022	4,696	4,418	4,444
Total mining, manufacturing and construction	**4,905**	**5,022**	**4,696**	**4,418**	**4,444**

Total expenses under the mining, manufacturing and construction function are expected to decrease by 11.5 per cent in nominal terms and by 18.3 per cent in real terms over the period 2023–24 to 2026–27.

Expenses for the Research and Development Tax Incentive administered by the Australian Taxation Office are expected to increase over the period 2023–24 to 2026–27 due to the increases in number and value of expected claims following the reopening of international markets post COVID-19.

Expenses under the Growing Business Investment component are expected to decrease over the period 2023–24 to 2026–27, reflecting the funding profile of the Modern Manufacturing Initiative and other industry support programs, including reductions in funding for the Entrepreneurs' Program and the reprioritisation of funding for the Manufacturing Modernisation Fund to support other measures, including the 2023–24 Budget measure *Enhanced Support for Small and Medium sized Businesses and Startups.*

The Northern Australia Infrastructure Facility offers debt and equity finance to projects that contribute to the establishment or enhancement of economic activity in northern Australia. Expenses are expected to decrease over the period 2023–24 to 2026–27, due to changes in concessional loan discount expenses associated with the expected commitment of concessional loans across the forward estimates.

Table 6.14.1 sets out the major components of the **mining, manufacturing and construction** sub-function.

Table 6.14.1: Trends in the major components of mining, manufacturing and construction sub-function expense

Component(a)		Estimates			
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Research and Development Tax Incentive	3,555	3,315	3,416	3,509	3,617
Growing Business Investment	717	767	644	303	237
Northern Australia Infrastructure Facility	200	492	272	209	206
Other	433	450	365	397	384
Total	**4,905**	**5,022**	**4,696**	**4,418**	**4,444**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Transport and communication

The transport and communication function includes expenses to support the infrastructure and regulatory framework for Australia's transport and communication sectors.

Table 6.15: Summary of expenses – transport and communication

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Communication	1,627	1,924	1,719	1,663	1,631
Rail transport	3,035	4,065	4,342	3,867	3,279
Air transport	432	448	347	400	292
Road transport	7,663	10,337	10,613	10,096	9,310
Sea transport	461	473	494	489	494
Other transport and communication	242	261	217	229	218
Total transport and communication	**13,461**	**17,508**	**17,733**	**16,744**	**15,225**

Total expenses under this function are estimated to decrease in nominal terms by 13.0 per cent and by 19.7 per cent in real terms from 2023–24 to 2026–27.

Expenses under the **communication** sub-function relate to communications activities and support for the digital economy through the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and the Australian Communications and Media Authority. Total expenses under this sub-function are estimated to decrease from 2023–24 to 2026–27 primarily reflecting the profile of funding for communications programs included in the October Budget measure *Better Connectivity Plan for Regional and Rural Australia*, and the conclusion of the Mobile Black Spot Program and Connecting Northern Australia initiative.

Expenses under the **rail transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program. Expenses are estimated to increase from 2022–23 to 2023–24, and decrease from 2023–24 to 2026–27. The initial increase and subsequent decrease in expenditure reflects the schedules of major rail infrastructure projects, including the completion of projects under the METRONET program.

Expenses under the **air transport** sub-function primarily relate to activities of the safety regulator Civil Aviation Safety Authority and aviation related initiatives. Total expenses are estimated to decrease from 2023–24 to 2026–27 due to the conclusion of a number of aviation initiatives, including Enhanced Regional Security Screening, upgrades to Hobart and Newcastle Airports, and the Regional Aviation Access Program.

Expenses under the **road transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program and are estimated to increase from 2022–23 to 2023–24, and then decrease from 2023–24 to 2026–27. The increase and subsequent decrease in expenditure, reflects the Government's continued investment in priority road infrastructure projects, including through the October Budget measure *Building a Better Future through considered Infrastructure Investment,* the realignment of project profiles to more accurately reflect delivery schedules, and the completion of the Bruce Highway and Road Safety Program projects.

Total expenses under the **other transport and communication** sub-function are estimated to decrease from 2023–24 to 2026–27, reflecting the short-term program support provided through the 2023–24 Budget measure *Supporting Transport Priorities.*

Other economic affairs

The other economic affairs function includes expenses on tourism and area promotion, labour market assistance, immigration, industrial relations, and other economic affairs not elsewhere classified (nec).

Table 6.16: Summary of expenses – other economic affairs

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Tourism and area promotion	208	184	189	181	182
Total labour and employment affairs	7,521	5,550	5,414	5,175	4,957
Vocational and industry training	*4,511*	*2,309*	*2,064*	*1,822*	*1,540*
Labour market assistance to job seekers and industry	*2,214*	*2,348*	*2,488*	*2,518*	*2,575*
Industrial relations	*797*	*893*	*862*	*834*	*841*
Immigration	3,673	3,531	3,001	2,979	3,027
Other economic affairs nec	3,533	3,183	3,043	2,939	2,934
Total other economic affairs	**14,935**	**12,447**	**11,647**	**11,274**	**11,100**

Total expenses for the other economic affairs function are estimated to decrease by 10.8 per cent in nominal terms and by 17.6 per cent in real terms over the period 2023–24 to 2026–27.

Expenses under the **tourism and area promotion** sub-function are expected to decrease over the period 2023–24 to 2026–27 with the decline in 2023–24 largely due to the cessation of the COVID-19-related additional tourism marketing campaigns as international travel resumed, and from 2023–24 reflects stable expenditure in nominal terms.

Expenses under the **vocational and industry training** sub-function are expected to decrease reflecting the cessation of the Boosting Apprenticeship Commencements wage subsidy which is closed to new applicants.

Expenses under the **labour market assistance to job seekers and industry** sub-function are expected to increase as a result of the estimated profile of the caseload of job seekers in the Workforce Australia employment services system.

Expenses under the **industrial relations** sub-function reflect higher than expected payments for employee entitlements under the *Fair Entitlements Guarantee Act 2012* from 2022–23 to 2023–24, and lower than expected payments from 2024–25 to 2026–27.

The main components of the **immigration** sub-function relate to the management of unlawful non-citizens, the provision of migration and citizenship services, and refugee and humanitarian assistance. Expenses under this sub-function are expected to decrease over the period 2023–24 to 2026–27 primarily reflecting the forecast reduction of the detainee population in both onshore and offshore detention.

Table 6.16.1 sets out the major components of the **immigration** sub-function.

Table 6.16.1: Trends in the major components of immigration sub-function expense

Component(a)	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Management of unlawful non-citizens	1,884	1,833	1,447	1,427	1,456
Citizenship, visas and migration	891	860	787	781	807
Regional co-operation and refugee and humanitarian assistance	898	838	768	771	764
Total	**3,673**	**3,531**	**3,001**	**2,979**	**3,027**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses under the **other economic affairs nec** sub-function are expected to decrease primarily due to the Government's economic response to the COVID-19 pandemic measures being unwound. A reduction in 2023–24 occurs as a result of the conclusion of the COVID-19 Business Support Payment to the states and territories in 2022–23.

The decrease in expenditure for the promotion of Australia's export and other international economic interests is primarily driven by the cessation of the temporary support provided as part of the response to the COVID-19 pandemic as well as redirection of funding from the Export Market Development Grants program to fund Government priorities in the Foreign Affairs and Trade portfolio.

Expenses for the Bureau of Meteorology (the Bureau) are expected to decrease by 5.4 per cent in real terms from 2022–23 to 2023–24 reflecting the anticipated completion of projects to strengthen the Bureau's ICT security and resilience and observations network. The decrease in real terms from 2023–24 to 2026–27 reflects the Bureau's departmental expenses over the forward estimates.

Table 6.16.2 provides further details of the major components of the **other economic affairs nec** sub-function.

Table 6.16.2: Trends in the major components of other economic affairs nec sub-function expense

Component(a)	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Economic Response to the Coronavirus	339	0	0	0	0
Promotion of Australia's export and other international economic interests	471	449	405	341	338
Operating costs for:					
Department of Industry, Science and Resources	696	701	623	608	562
Australian Securities and Investments Commission	654	635	619	618	634
Bureau of Meteorology	525	517	518	519	536
IP Australia	241	248	256	264	272
Australian Competition and Consumer Commission	230	242	233	195	200
Australian Prudential Regulation Authority	229	238	239	243	243
Other	148	152	150	150	150
Total	**3,533**	**3,183**	**3,043**	**2,939**	**2,934**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Other purposes

The other purposes function includes expenses incurred in the servicing of public debt interest, and assistance to state, territory and local governments. This function also includes items classified as natural disaster relief, the Contingency Reserve, and expenses related to the nominal interest on unfunded liabilities for government superannuation benefits.

Table 6.17: Summary of expenses – other purposes

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Public debt interest	22,152	22,611	23,890	26,224	29,077
Interest on Commonwealth Government's behalf	*22,152*	*22,611*	*23,890*	*26,224*	*29,077*
Nominal superannuation interest	12,334	13,631	13,941	14,637	15,033
General purpose inter-government transactions	89,841	95,947	99,872	105,443	108,790
General revenue assistance - states and territories	*88,021*	*92,470*	*96,345*	*101,782*	*105,261*
Local government assistance	*1,820*	*3,476*	*3,527*	*3,661*	*3,529*
Natural disaster relief	3,533	1,610	898	275	264
Contingency reserve	449	-56	5,967	9,638	16,427
Total other purposes	**128,309**	**133,743**	**144,569**	**156,217**	**169,591**

Total expenses under the other purposes function are estimated to increase by 26.8 per cent in nominal terms and by 17.2 per cent in real terms over the period 2023–24 to 2026–27.

Expected expenses under the **public debt interest** sub-function have reduced since the October Budget, largely reflecting lower expected levels of Australian Government Securities (AGS) on issue. While lower than the October Budget, **public debt interest** is still expected to increase by 28.6 per cent in nominal terms and by 18.8 per cent in real terms over the period 2023–24 to 2026–27.

The increase in **nominal superannuation interest** expenses between 2022–23 and 2023–24 primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2022–23 are calculated using the long-term government bond rate, which best matched each individual scheme's duration of liabilities at the start of the financial year. These rates are between 3.7 and 3.9 per cent per annum. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied to the estimates in the budget year and forward estimates as per usual practice.

Expenses under the **general purpose inter-government transactions** sub-function is made up of general revenue assistance paid to state and territory governments, and local government assistance. Expenses are expected to increase for the sub-function over the period 2023–24 to 2026–27. Nearly all the expenses under this sub-function relate to **general revenue assistance** paid to state and territory governments, which is expected to increase in real terms from 2023–24 to 2026–27, largely comprising payments of GST entitlements provided on an 'untied' basis. Payments to state and territory governments tied to specific purposes are reported under the relevant sections in this Statement. Further information on general revenue assistance to the states and territories can be found in Budget Paper No. 3, *Federal Financial Relations*

Expenses under **local government assistance** are expected to increase from 2022–23 to 2023–24 largely reflecting that expenses were artificially low in 2022–23 because 75 per cent of the 2022–23 Financial Assistance Grants were paid in 2021–22.

The **natural disaster relief** sub-function reflects financial support provided by the Australian Government to affected states and territories under the Natural Disaster Relief and Recovery Arrangements and, since November 2018, the Disaster Recovery Funding Arrangements (DRFA). The sub-function also reflects departmental funding for the National Emergency Management Agency. The majority of the funding profile over the forward estimates reflects expected payments to the states in relation to disaster events that have already occurred. As a general rule, as no provision is made for future disasters the amount reduces over time.

A provision is included in the **natural disaster relief** sub-function in 2023–24 and 2024–25 acknowledging the expected significant impact on future government spending from the floods in 2022, and potential future events. Future unquantifiable costs will include the Commonwealth's up to 75 per cent share of the costs of rebuilding of essential public assets damaged by the floods, under Category B of the DRFA.

The **contingency reserve** sub-function in the 2023–24 Budget decrease expenses by $0.1 billion in 2023–24, and increase expenses by $6.0 billion in 2024–25, and by $9.6 billion in 2025–26 and $16.4 billion in 2026–27. A key component of this is the conservative bias allowance (CBA), which makes provision for the tendency for the estimate of expenses for existing Government policy (excluding GST payments to the states) to be revised upwards in the forward years. The 2023–24 Budget includes a provision of:

- nil in the Budget year 2023–24
- ½ of a percentage point of total general government sector (GGS) expenses in the first forward year 2024–25 ($3.1 billion)
- 1 per cent of GGS expenses in the second forward year 2025–26 ($6.4 billion)
- 2 per cent of GGS expenses in the third forward year 2026–27 ($13.1 billion).

The drawdown of the CBA decreased expenses by $1.4 billion in 2023–24, $1.3 billion in 2024–25, $2.5 billion in 2025–26 and $3.0 billion in 2026–27. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

In this Budget, the remaining savings from the October Budget measure *Savings from External Labour, and Savings from Advertising, Travel and Legal Expenses* was allocated to GGS agencies. In the October Budget, these savings were provisioned in the Contingency Reserve over 3 years from 2023–24. The Government has allocated these savings over 4 years rather than 3 (2023–24 to 2026–27), with no net impact on underlying cash.

The Contingency Reserve also includes estimates for policy decisions that have been announced but cannot yet be included in entity estimates, usually due to some uncertainty as to their final cost and/or outcomes, or as they are subject to negotiations.

In general, the Contingency Reserve can include:

- Commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programs that are yet to be renegotiated with state and territory governments
- the effect, on the budget and forward estimates, of economic parameter revisions received late in the process and hence not able to be allocated to individual entities or functions
- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual entity estimates
- provisions for other specific events and pressures that are reasonably expected to affect the budget estimates, including the continuation of terminating measures.

General government net capital investment

Net capital investment is broadly defined as the sale and acquisition of non-financial assets, less depreciation expenses. It provides a measure of the overall growth in capital assets (including buildings and infrastructure, specialist military equipment, and computer software) after taking into account depreciation and amortisation as previously acquired assets age.

Government capital spending involves acquisition of physical assets, financial assets and provision of grants and subsidies to others (primarily state and territory governments), which they then use to acquire assets. Government capital spending involves acquisition of physical assets, financial assets and provision of grants and subsidies to others (primarily state and territory governments), which they then use to acquire assets.

Australian Government general government sector (GGS) net capital investment is expected to be $10.4 billion in 2023–24, which is in line with the net capital investment in 2022–23. This reflects reprioritised investments in military capabilities by the Department of Defence to support the implementation of the Government’s response to the *Defence Strategic Review* and the achievement of an Integrated Force.

Details of movements are further explained in the following section.

Table 6.18: Estimates of total net capital investment

	October Budget	Revised	Estimates			
	2022–23	2022–23	2023–24	2024–25	2025–26	2026–27
Total net capital investment ($m)	**12,781**	**10,441**	**10,431**	**7,229**	**5,449**	**9,271**
Per cent of GDP	0.5	0.4	0.4	0.3	0.2	0.3

Reconciliation of net capital investment since the October Budget

A reconciliation of the net capital investment estimates, showing the effect of policy decisions and parameter and other variations since the October Budget, is provided in Table 6.19.

Table 6.19: Reconciliation of net capital investment estimate

	Estimates				
	2022–23 $m	2023–24 $m	2024–25 $m	2025–26 $m	Total $m
2022–23 October Budget net capital investment	**12,781**	**11,883**	**8,976**	**9,939**	**43,578**
Changes from 2022–23 October Budget to 2023–24 Budget					
Effect of policy decisions(a)	-10	734	712	493	1,929
Effect of parameter and other variations	-2,329	-2,187	-2,458	-4,982	-11,956
Total variations	**-2,339**	**-1,452**	**-1,746**	**-4,489**	**-10,028**
2023–24 Budget net capital investment	**10,441**	**10,431**	**7,229**	**5,449**	**33,550**

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Forecast net capital investment for 2023–24 has decreased by $1.5 billion since the October Budget. This decrease is driven by a decrease of $2.2 billion from a result of parameter and other variations partially offset by an increase from policy decisions of $0.7 billion.

Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2022–23 to 2026–27 are provided in Table 6.20.

Table 6.20: Estimates of net capital investment by function

		Estimates			
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
General public services	477	308	700	-185	438
Defence	8,592	8,768	8,695	6,293	9,958
Public order and safety	-59	-83	-210	-139	-225
Education	24	36	43	42	13
Health	411	-379	10	-69	-83
Social security and welfare	253	-95	-262	-510	-453
Housing and community amenities	468	284	11	30	-29
Recreation and culture	186	396	256	-32	-106
Fuel and energy	14	2	-3	0	-9
Agriculture, forestry and fishing	50	386	2	-37	-44
Mining, manufacturing and construction	-21	-3	-26	-23	-30
Transport and communication	-27	144	-2,152	-52	-87
Other economic affairs	82	-52	-250	-269	-413
Other purposes	-8	719	415	399	340
Total net capital investment	**10,441**	**10,431**	**7,229**	**5,449**	**9,271**

A significant component of the Government's net capital investment occurs in the defence function and relates primarily to the acquisition of military equipment. Major factors contributing to changes in net capital investment, expected to occur in the following functions, include:

- **General public services** – the increase in net capital investment from 2023–24 to 2026–27 largely reflects depreciation and amortisation of existing assets, and the timing of building and equipment purchases.

- **Defence** – the net capital investment from 2023–24 to 2026–27 reflects funding for capability investments. The implementation of the Government's response to the *Defence Strategic Review* and the achievement of an Integrated Force will require reprioritisation of the Defence Integrated Investment Program and major investments in military capabilities such as ships, submarines, aircraft and missile systems, as well as enabling ICT capabilities, infrastructure and the Defence estate.

- **Health** – the decrease in net capital investment from 2022–23 to 2026–27 largely reflects the reductions in National Medical Stockpile procurements related to the COVID-19 pandemic.

- **Social security and welfare** – the decrease in net capital investment from 2022–23 to 2026–27 is largely driven by the depreciation of prior Commonwealth investments into Services Australia's assets such as ICT capabilities and infrastructure. This is partially offset by Commonwealth investment in ICT capabilities and infrastructure.

- **Housing and community amenities** – the decrease in net capital investment in 2024–25 largely reflects a change in Defence Housing Australia's property investment strategy to better meet the housing needs of the Australian Defence Force.
- **Recreation and culture** – the decrease in net capital investment from 2023–24 to 2026–27 reflects the expected completion of capital investments by the National Capital Authority, and up-front capital investment in infrastructure projects across sites managed by the Sydney Harbour Federation Trust and within the Mu<u>t</u>itjulu community in the Ulu<u>r</u>u-Kata Tju<u>t</u>a National Park under the 2023–24 Budget measures *Sydney Harbour Federation Trust – infrastructure improvements* and *Protecting Australia's Iconic National Parks.*
- **Transport and communication** – the variable profile of net capital investment reflects the sale of non-financial assets through the 850/900 MHz and 2.4 Gigahertz Spectrum Auctions.
- **Other economic affairs** – the decrease in net capital investment from 2023–24 reflects the phasing down of investment under the second and third tranches of projects to strengthen the Bureau of Meteorology's ICT security and resilience, and observations network.
- **Other purposes** – the increase in net capital investment in 2023–24 reflects a provision for the procurement of additional COVID-19 vaccines and treatments for the National Medical Stockpile in the October Budget measure *COVID-19 Package – vaccines and treatments*.

Table 6.21 reports the acquisition of non-financial assets by function before taking into account depreciation or amortisation.

Table 6.21: Australian Government general government sector purchases of non-financial assets by function

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
General public services	2,067	1,849	2,273	1,605	2,034
Defence	14,402	15,108	15,637	13,798	18,135
Public order and safety	789	772	638	714	633
Education	33	44	51	50	20
Health	497	246	155	66	60
Social security and welfare	1,245	866	641	337	358
Housing and community amenities	886	474	432	370	377
Recreation and culture	718	866	740	453	375
Fuel and energy	46	13	9	11	3
Agriculture, forestry and fishing	149	486	106	69	61
Mining, manufacturing and construction	17	35	14	18	11
Transport and communication	96	271	72	79	43
Other economic affairs	943	821	651	621	493
Other purposes	8	399	417	401	342
General government purchases of non-financial assets	**21,897**	**22,251**	**21,835**	**18,593**	**22,943**

Appendix A: Expense by function and sub-function

Table 6A.1: Estimates of expenses by function and sub-function

	Actual	Estimates				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m	$m
General public services						
Legislative and executive affairs	1,864	1,574	2,003	1,901	1,538	1,560
Financial and fiscal affairs	8,898	9,309	9,137	9,038	9,257	8,687
Foreign affairs and economic aid	6,096	7,622	7,166	8,179	7,294	7,725
General research	3,291	3,735	4,140	4,255	4,361	4,280
General services	903	918	992	946	963	986
Government superannuation benefits	10,221	6,947	5,687	5,835	6,001	6,260
Total general public services	**31,273**	**30,106**	**29,126**	**30,155**	**29,413**	**29,498**
Defence	**38,246**	**40,059**	**42,850**	**44,568**	**49,465**	**48,840**
Public order and safety						
Courts and legal services	1,611	1,747	1,754	1,687	1,152	1,131
Other public order and safety	5,047	5,637	5,680	5,376	5,246	5,293
Total public order and safety	**6,658**	**7,384**	**7,434**	**7,063**	**6,398**	**6,425**
Education						
Higher education	10,656	10,587	10,902	11,485	11,946	12,322
Vocational and other education	2,077	2,262	2,278	2,643	2,643	2,593
Schools	25,036	26,909	28,286	29,397	30,356	31,368
Non-government schools	*15,365*	*16,646*	*17,441*	*18,131*	*18,681*	*19,260*
Government schools	*9,671*	*10,264*	*10,845*	*11,266*	*11,676*	*12,108*
School education - specific funding	721	1,128	1,149	808	821	827
Student assistance	4,401	4,783	5,362	5,789	6,088	6,369
General administration	333	208	282	263	259	254
Total education	**43,225**	**45,876**	**48,258**	**50,385**	**52,114**	**53,732**
Health						
Medical services and benefits	37,306	36,982	39,300	41,313	43,396	45,471
Pharmaceutical benefits and services	16,273	19,592	19,106	19,035	19,214	19,232
Assistance to the states for public hospitals	24,230	25,658	28,392	30,456	32,215	34,296
Hospital services(a)	1,049	973	999	1,137	1,195	1,220
Health services	21,691	19,163	13,220	11,776	11,247	11,230
General administration	4,648	4,212	4,286	3,815	3,605	3,558
Aboriginal and Torres Strait Islander health	989	1,130	1,234	1,328	1,301	1,285
Total health	**106,185**	**107,710**	**106,538**	**108,860**	**112,174**	**116,293**

Table A1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m	$m
Social security and welfare						
Assistance to the aged	76,283	84,844	95,214	99,698	104,664	109,287
Assistance to veterans and dependants	7,480	7,741	8,385	8,351	8,400	8,384
Assistance to people with disabilities	61,040	69,429	78,332	82,602	89,129	94,087
Assistance to families with children	37,375	39,622	45,123	47,904	50,020	52,174
Assistance to the unemployed and the sick	15,866	13,867	13,830	15,483	15,999	15,915
Other welfare programs	16,175	2,700	1,717	1,601	1,523	1,377
Assistance for Indigenous Australians nec	2,492	2,872	3,049	3,080	3,091	2,996
General administration	4,716	5,302	4,630	4,355	4,228	4,221
Total social security and welfare	**221,427**	**226,378**	**250,280**	**263,074**	**277,054**	**288,442**
Housing and community amenities						
Housing	4,154	3,460	3,466	3,474	3,364	3,397
Urban and regional development	1,337	1,980	2,104	2,265	2,069	717
Environment protection	1,542	1,696	2,369	2,335	2,334	1,750
Total housing and community amenities	**7,033**	**7,135**	**7,940**	**8,074**	**7,767**	**5,864**
Recreation and culture						
Broadcasting	1,559	1,680	1,671	1,745	1,794	1,798
Arts and cultural heritage	1,579	1,835	1,869	1,822	1,860	1,811
Sport and recreation	537	638	556	551	800	1,066
National estate and parks	595	686	680	692	679	688
Total recreation and culture	**4,270**	**4,840**	**4,776**	**4,809**	**5,133**	**5,363**
Fuel and energy	**9,437**	**8,953**	**13,006**	**16,521**	**12,107**	**13,962**
Agriculture, forestry and fishing						
Wool industry	58	67	74	84	95	95
Grains industry	199	224	266	266	268	269
Dairy industry	55	55	52	50	50	49
Cattle, sheep and pig industry	249	252	266	276	285	288
Fishing, horticulture and other agriculture	412	553	460	376	358	388
General assistance not allocated to specific industries	35	44	44	45	45	45
Rural assistance	334	433	303	301	353	373
Natural resources development	722	1,793	2,453	614	425	344
General administration	1,121	1,317	1,239	1,215	1,167	1,148
Total agriculture, forestry and fishing	**3,185**	**4,737**	**5,156**	**3,227**	**3,045**	**2,999**
Mining, manufacturing and construction	**3,816**	**4,905**	**5,022**	**4,696**	**4,418**	**4,444**

Table 6A.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m	$m
Transport and communication						
Communication	1,941	1,627	1,924	1,719	1,663	1,631
Rail transport	1,701	3,035	4,065	4,342	3,867	3,279
Air transport	1,169	432	448	347	400	292
Road transport	6,026	7,663	10,337	10,613	10,096	9,310
Sea transport	440	461	473	494	489	494
Other transport and communication	225	242	261	217	229	218
Total transport and communication	**11,503**	**13,461**	**17,508**	**17,733**	**16,744**	**15,225**
Other economic affairs						
Tourism and area promotion	189	208	184	189	181	182
Total labour and employment affairs	7,592	7,521	5,550	5,414	5,175	4,957
Vocational and industry training	*4,664*	*4,511*	*2,309*	*2,064*	*1,822*	*1,540*
Labour market assistance to job seekers and industry	*2,265*	*2,214*	*2,348*	*2,488*	*2,518*	*2,575*
Industrial relations	*662*	*797*	*893*	*862*	*834*	*841*
Immigration	3,409	3,673	3,531	3,001	2,979	3,027
Other economic affairs nec	10,592	3,533	3,183	3,043	2,939	2,934
Total other economic affairs	**21,781**	**14,935**	**12,447**	**11,647**	**11,274**	**11,100**
Other purposes						
Public debt interest	18,517	22,152	22,611	23,890	26,224	29,077
Interest on Commonwealth Government's behalf	*18,517*	*22,152*	*22,611*	*23,890*	*26,224*	*29,077*
Nominal superannuation interest	8,974	12,334	13,631	13,941	14,637	15,033
General purpose inter-government transactions	81,679	89,841	95,947	99,872	105,443	108,790
General revenue assistance - states and territories	*77,531*	*88,021*	*92,470*	*96,345*	*101,782*	*105,261*
Local government assistance	*4,148*	*1,820*	*3,476*	*3,527*	*3,661*	*3,529*
Natural disaster relief	5,840	3,533	1,610	898	275	264
Contingency reserve	0	449	-56	5,967	9,638	16,427
Total other purposes	**115,011**	**128,309**	**133,743**	**144,569**	**156,217**	**169,591**
Total expenses	**623,050**	**644,788**	**684,085**	**715,382**	**743,324**	**771,779**

a) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Statement 7: Debt Statement

The Debt Statement provides information on Government gross debt, net debt, Australian Government Securities (AGS) issuance and interest costs over the forward estimates.

Gross and net debt as a share of GDP are expected to be lower each year over the forward estimates compared to the October Budget. Gross debt is estimated to peak at 36.5 per cent of GDP at 30 June 2026, 10.4 percentage points lower and 5 years earlier than estimated at the October Budget.

- Gross debt is estimated to be 35.8 per cent of GDP at 30 June 2024, more than 4 percentage points lower than estimated at the October Budget.
- Net debt is estimated to be 22.3 per cent of GDP at 30 June 2024, more than 3 percentage points lower that estimated at the October Budget.

Interest payments on AGS as a share of GDP are expected to be lower than at the October Budget by the end of the forward estimates, primarily driven by lower issuance of AGS from the improved outlook for the underlying cash balance as well as the impact of lower yields on AGS.

- Interest payments on AGS are estimated to be $19.8 billion in 2023–24, increasing to $26.0 billion by 2026–27. Over the 4 years to 2025–26, interest payments on AGS are expected to be $9.9 billion lower than estimated at the October Budget.

Statement contents

Statement 7: Debt Statement

Australian Government Securities on issue

Estimates of AGS on issue are published in both face value and market value terms in this Statement.

- The **face value** of AGS on issue (also referred to as gross debt) is the amount the Government pays back to investors at maturity, independent of fluctuations in market prices.[46] The total face value of AGS on issue changes when new securities are issued, or when securities are repurchased or reach maturity.

- The **market value** of AGS on issue represents the value of securities as traded on the secondary market, which changes continuously with movements in market prices (often quoted as a yield to maturity). Consistent with external reporting standards, the market value of AGS on issue is reported in the Australian Government general government sector balance sheet.

The *Commonwealth Inscribed Stock Act 1911* (CIS Act) requires the Treasurer to issue a direction stipulating the maximum face value of relevant AGS that may be on issue. Effective from 7 October 2020, the then Treasurer directed that the maximum face value of AGS that can be on issue is $1,200 billion. The estimated face value of AGS on issue subject to the Treasurer's direction (end-of-year and within-year peak)[47] in each year of the forward estimates remains below $1,200 billion.

Gross debt is estimated to be $923 billion (35.8 per cent of GDP) at 30 June 2024, increasing to $1,067 billion (36.5 per cent of GDP) at 30 June 2027.

Gross debt is expected to be lower across each year of the forward estimates than at the October Budget. The improvement is primarily driven by the improved outlook for the underlying cash balance as well as the impact of lower yields on AGS.

46 For Treasury Indexed Bonds (TIBs), the final repayment amount paid to investors includes an additional amount to reflect the impact of inflation over the life of the security. This additional amount is not included in the calculation of face value.

47 End-of-year values are estimates of AGS on issue at 30 June for the particular year. The precise timing and level of within-year peaks of AGS on issue cannot be determined with accuracy. The timing of the within-year peak is therefore reported to the given month in the particular year.

Table 7.1 presents estimates of AGS on issue.

Table 7.1: Estimates of AGS on issue subject to the Treasurer's Direction[(a)(b)]

	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	$b	$b	$b	$b	$b
Face value – end-of-year	887	923	958	1,015	1,067
Per cent of GDP	34.9	35.8	36.3	36.5	36.5
Face value – within-year peak(c)	913	951	996	1,051	1,106
Per cent of GDP(c)	35.9	36.9	37.7	37.9	37.9
Month of peak(c)	*Nov-22*	*Apr-24*	*Apr-25*	*Apr-26*	*Apr-27*
Market value – end-of-year	859	903	944	1,002	1,059
Per cent of GDP	33.7	35.0	35.8	36.1	36.2

a) The Treasurer's Direction applies to the face value of AGS on issue. This table also shows the equivalent market value of AGS that are subject to the Treasurer's Direction.
b) The stock and securities that are excluded from the current limit set by the Treasurer's Direction are outlined in subsection 51JA(2A) of the CIS Act.
c) The precise within-year timing of cash receipts and payments is not known. Estimated peaks of AGS on issue are therefore subject to considerable uncertainty.
Source: The Australian Office of Financial Management (AOFM).

Changes in AGS on issue since the October Budget

The reduction in total face value of AGS on issue primarily reflects the cumulative improvement of $100.4 billion in the underlying cash balance since the October Budget. Table 3.3 in *Statement 3: Fiscal Strategy and Outlook* reconciles changes in decisions and variations.

The reduction also reflects a cumulative change in program funding requirements due to the timing of some cash transfers[48]. Much of this impact in 2022–23 is offset by a build-up of the Australian Office of Financial Management (AOFM) cash reserves as the improvement in the underlying cash balance outpaces the reduction in debt issuance.

Further details on the changes to the underlying cash balance and headline cash balance since the October Budget can be found in *Statement 3: Fiscal Strategy and Outlook*.

48 The AOFM revised the planned volume of Treasury Bond issuance for 2022–23 to around $85 billion in January 2023 compared to $95 billion in October 2022.

Table 7.2: Estimates of AGS on issue subject to the Treasurer's Direction – reconciliation from the 2022–23 October Budget to the 2023–24 Budget

	2022-23	2023-24	2024-25	2025-26
	$b	$b	$b	$b
Total face value of AGS on issue subject to the Treasurer's Direction as at 2022-23 October Budget	**927**	**1,004**	**1,091**	**1,159**
Factors affecting the change in face value of AGS on issue from 2022-23 October Budget to 2023-24 Budget[(a)]				
Cumulative receipts decisions	-0.1	-1.9	-7.3	-13.7
Cumulative receipts variations	-28.2	-73.2	-96.2	-111.7
Cumulative payment decisions	1.2	15.0	25.8	34.8
Cumulative payment variations	-13.9	-11.1	-9.8	-9.8
Cumulative change in net investments in financial assets(b)	-1.0	-1.9	-1.5	-0.3
Other contributors	2.6	-7.4	-43.6	-43.7
Total face value of AGS on issue subject to the Treasurer's Direction as at 2023-24 Budget	**887**	**923**	**958**	**1,015**

a) Cumulative impact of decisions and variations from 2022–23 to 2025–26. Increases to payments are shown as positive and increases to receipts are shown as negative.

b) Change in net cash flows from investments in financial assets for policy purposes only.

Note: End-of-year data.

Breakdown of AGS currently on issue

Table 7.3 provides a breakdown of the AGS on issue by type of security as at 1 May 2023.

Table 7.3: Breakdown of current Australian Government Securities on issue

	On issue as at 1 May 2023	
	Face value	Market value
	$m	$m
Treasury Bonds	818,250	777,387
Treasury Indexed Bonds	38,835	50,442
Treasury Notes	37,500	37,288
Total AGS subject to Treasurer's Direction[(a)]	**894,585**	**865,117**
Other stock and securities	5	5
Total AGS on issue	**894,590**	**865,122**

a) The stock and securities that are excluded from the current limit set by the Treasurer's Direction are outlined in subsection 51JA(2A) of the CIS Act.

Source: AOFM.

Appendix A provides further information on the different types of securities.

Treasury Bonds

As at 1 May 2023, there were 28 Treasury Bond lines on issue, with a weighted average term to maturity of around 7 years and the longest maturity extending to June 2051.

Table 7.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 May 2023 $m	Timing of interest payments[(a)]		
2.75	21-Apr-24	35,900	Twice yearly	21-Apr	21-Oct
0.25	21-Nov-24	41,300	Twice yearly	21-Nov	21-May
3.25	21-Apr-25	41,500	Twice yearly	21-Apr	21-Oct
0.25	21-Nov-25	39,200	Twice yearly	21-Nov	21-May
4.25	21-Apr-26	39,100	Twice yearly	21-Apr	21-Oct
0.50	21-Sep-26	37,800	Twice yearly	21-Sep	21-Mar
4.75	21-Apr-27	36,700	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-27	31,400	Twice yearly	21-Nov	21-May
2.25	21-May-28	30,200	Twice yearly	21-May	21-Nov
2.75	21-Nov-28	34,100	Twice yearly	21-Nov	21-May
3.25	21-Apr-29	35,800	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	34,700	Twice yearly	21-Nov	21-May
2.50	21-May-30	37,100	Twice yearly	21-May	21-Nov
1.00	21-Dec-30	38,700	Twice yearly	21-Dec	21-Jun
1.50	21-Jun-31	38,100	Twice yearly	21-Jun	21-Dec
1.00	21-Nov-31	41,800	Twice yearly	21-Nov	21-May
1.25	21-May-32	39,300	Twice yearly	21-May	21-Nov
1.75	21-Nov-32	29,000	Twice yearly	21-Nov	21-May
4.50	21-Apr-33	23,600	Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	21,100	Twice yearly	21-Nov	21-May
3.75	21-May-34	17,400	Twice yearly	21-May	21-Nov
3.50	21-Dec-34	14,000	Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	10,850	Twice yearly	21-Jun	21-Dec
3.75	21-Apr-37	12,300	Twice yearly	21-Apr	21-Oct
3.25	21-Jun-39	10,300	Twice yearly	21-Jun	21-Dec
2.75	21-May-41	13,800	Twice yearly	21-May	21-Nov
3.00	21-Mar-47	14,200	Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	19,000	Twice yearly	21-Jun	21-Dec

a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Indexed Bonds

As at 1 May 2023, there were 7 Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of around 9 years and the longest maturity extending to February 2050.

Table 7.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 May 2023 $m	Timing of interest payments[a]				
3.00	20-Sep-25	8,043	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.75	21-Nov-27	6,900	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.50	20-Sep-30	6,843	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.25	21-Nov-32	4,200	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.00	21-Aug-35	4,350	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.25	21-Aug-40	4,350	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.00	21-Feb-50	4,150	Quarterly	21-Feb	21-May	21-Aug	21-Nov

a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Notes

As at 1 May 2023, there were 9 Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 7.6: Treasury Notes on issue

Maturity	On issue as at 1 May 2023 $m	Timing of interest payment	
12-May-23	3,500	At maturity	12-May
26-May-23	8,000	At maturity	26-May
9-Jun-23	7,000	At maturity	9-Jun
23-Jun-23	4,000	At maturity	23-Jun
7-Jul-23	2,500	At maturity	7-Jul
21-Jul-23	4,000	At maturity	21-Jul
11-Aug-23	3,000	At maturity	11-Aug
25-Aug-23	2,000	At maturity	25-Aug
8-Sep-23	3,500	At maturity	8-Sep

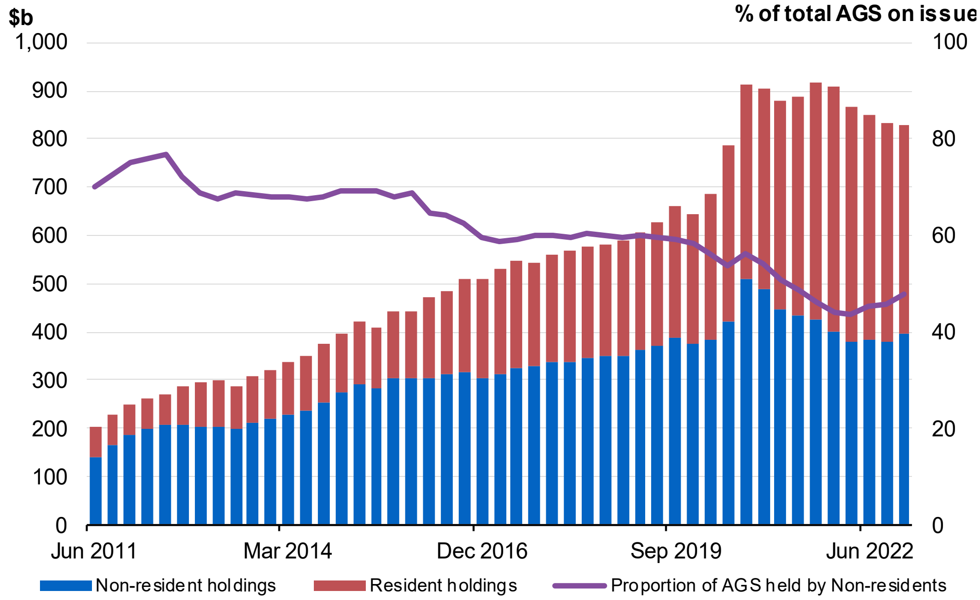
Source: AOFM.

The Government will commence issuing green bonds from mid-2024. Further details on Australian Government green bonds can be found in Box 3.4 in *Statement 3: Fiscal Strategy and Outlook*.

Non-resident holdings of AGS on issue

As at the December 2022 quarter, the proportion of non-resident holdings of AGS was around 48 per cent (Chart 7.1). This proportion is down from historical highs of around 76 per cent in 2012. While the value of non-resident holdings of AGS have increased significantly over this time, the proportion has fallen since the rate of buying by non-resident investors has not matched the rate of issuance. In addition, the Reserve Bank of Australia's bond purchase operations in 2020 and 2021 reduced the amount of AGS available to other investors, including non-residents.

Chart 7.1: Non-resident holdings of AGS



Note: Data refer to the repo-adjusted market value of holdings.
Source: ABS Balance of Payments and International Investment Position, Australia December 2022, AOFM, RBA.

Net debt

Net debt is equal to the sum of interest-bearing liabilities (which include AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placement). As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the Government's financial obligations than gross debt.

Not all government assets or liabilities are included in the measurement of net debt. For example, the Government's unfunded superannuation liability is not accounted for in net debt, nor are holdings of equities, for example those held by the Future Fund or the Government's equity investment in the NBN.

Table 7.7: Liabilities and assets included in net debt

			Estimates		
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Liabilities included in net debt					
Deposits held	406	406	406	406	406
Government securities[(a)]	858,661	902,988	943,825	1,001,798	1,058,666
Loans	30,161	31,007	31,518	31,895	31,916
Lease liabilities	19,610	19,073	18,572	17,271	16,005
Total liabilities included in net debt	908,839	953,474	994,322	1,051,369	1,106,994
Assets included in net debt					
Cash and deposits	64,365	60,841	38,538	33,624	34,591
Advances paid	76,862	76,032	83,061	91,341	98,566
Investments, loans and placements	219,031	241,748	252,171	261,244	270,909
Total assets included in net debt	**360,258**	**378,621**	**373,770**	**386,208**	**404,066**
Net debt	**548,581**	**574,852**	**620,552**	**665,161**	**702,928**

a) Government securities are presented at market value.

Changes in net debt since the October Budget

Net debt is expected to be lower than estimated at the October Budget across each year of the forward estimates. This improvement primarily reflects a lower financing requirement as a result of the Government's improved outlook in the underlying cash balance, partially offset by lower levels of cash and deposits held at bank.

Table 7.8: Net debt – reconciliation from the 2022–23 October Budget to the 2023–24 Budget

	2022-23 $b	2023-24 $b	2024-25 $b	2025-26 $b
Net debt as at 2022-23 October Budget	**572.2**	**634.1**	**702.8**	**766.8**
Changes in financing requirement	-39.4	-75.6	-125.1	-135.0
Impact of yields on AGS	20.1	15.7	12.7	9.3
Asset and other liability movements	-4.3	0.7	30.1	24.0
Cash and deposits	*-9.4*	*7.5*	*41.1*	*39.3*
Advances paid	*-0.2*	*-0.6*	*-3.2*	*-7.7*
Investments, loans and placements	*6.7*	*-4.8*	*-7.1*	*-7.3*
Other movements	*-1.4*	*-1.5*	*-0.7*	*-0.3*
Total movements in net debt from 2022-23 October Budget to 2023-24 Budget	**-23.6**	**-59.2**	**-82.2**	**-101.6**
Net debt as at 2023-24 Budget	**548.6**	**574.9**	**620.6**	**665.2**

Interest on AGS

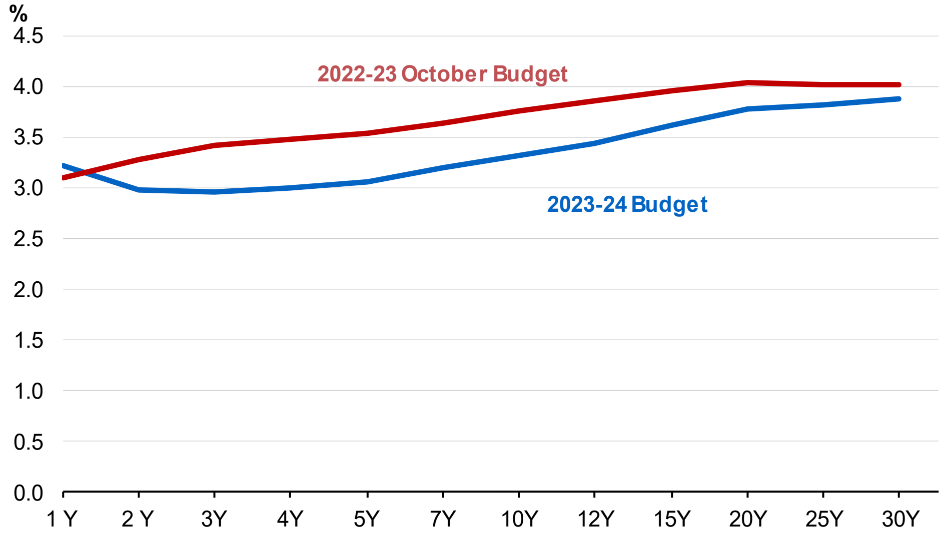
Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

- The cost of AGS already on issue reflects the actual yield at the time of issuance.
- The expected cost of future AGS issuance is based on a recent average of daily spot rates across the yield curve at the time of a budget estimates update.

Interest payments on AGS are estimated to be lower across each year of the forward estimates when compared to October Budget. This improvement is primarily driven by a lower financing requirement resulting from an improved outlook for the underlying cash balance. To a lesser extent, lower yields are also contributing to the reduction in interest payments.

Chart 7.2 shows the yield curve assumptions underpinning the October Budget and the 2023–24 Budget. Yields are generally lower compared to the October Budget, reflecting some moderation in market expectations for inflation and future cash rates. This has resulted in an assumed weighted average cost of borrowing of around 3.4 per cent for future issuance of Treasury Bonds over the forward estimates, compared with around 3.8 per cent at the October Budget. This remains significantly above the 2.2 per cent at PEFO.

Chart 7.2: Yield curve assumptions from 2023–24 to 2026–27



Source: AOFM.

By the end of the forward estimates total interest payments are $27.1 billion, of which $26.0 billion relates to AGS on issue (Table 7.9). Compared with the October Budget, interest payments as a share of GDP are estimated to be lower across each year of the forward estimates driven by the improved outlook for the underlying cash balance and lower yields.

Interest receipts are estimated to be higher across each year of the forward estimates than at the October Budget.

Net interest payments as a share of GDP in 2022–23 are estimated to remain at same level as October Budget. Over the forward estimates, net interest payments as a share of GDP are expected to be lower than October Budget reaching 0.8 per cent by 2025–26 before dropping to 0.7 per cent in 2026–27.

Table 7.9: Interest payments, interest receipts and net interest payments[(a)]

		Estimates			
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Interest payments on AGS(b)	17,724	19,799	21,238	27,061	25,969
Per cent of GDP	0.7	0.8	0.8	1.0	0.9
Interest payments(c)	18,792	21,052	22,382	28,186	27,147
Per cent of GDP	0.7	0.8	0.8	1.0	0.9
Interest receipts	6,115	7,654	7,168	6,930	7,160
Per cent of GDP	0.2	0.3	0.3	0.2	0.2
Net interest payments(d)	12,677	13,398	15,214	21,256	19,987
Per cent of GDP	0.5	0.5	0.6	0.8	0.7

a) Interest payments and receipts are a cash measure, with the relevant amount recognised in the period in which the interest payment is made or interest is received.
b) The increase in 2025–26 primarily reflects a Treasury Indexed Bond line maturing in that year.
c) Interest payments include interest payments on AGS, loans and other borrowing, as well as interest payments on lease liabilities.
d) Net interest payments are equal to the difference between interest payments and interest receipts.

Appendix A: AGS issuance

The AOFM is responsible for issuing AGS and managing the Government's financing activities. The AOFM currently issues 3 types of securities:

- **Treasury Bonds:** medium to long-term securities with a fixed annual rate of interest payable every 6 months.
- **Treasury Indexed Bonds (TIBs)**: medium to long-term securities for which the capital value of the security is adjusted for movements in the consumer price index (CPI). Interest on TIBs is paid quarterly, at a fixed rate, on the adjusted capital value.
- **Treasury Notes:** short-term discount securities which mature within one year of issuance. The volume of Treasury Notes on issue will vary over the course of the year, depending on the size and profile of the within-year funding requirements.

Within these 3 broad categories of AGS, issuance is undertaken into a limited number of maturities (known as lines). The number of lines on issue is determined by the AOFM as part of its debt portfolio management role. Each line has a fixed maturity date (the date on which the Government repays the principal it has borrowed) and, for Treasury Bonds and TIBs, a coupon rate (the annual fixed interest rate paid on the security).

Concentrating AGS issuance into a limited number of lines (rather than issuing securities with a specific tenor, such as 10 years) ensures each line is sufficiently large that it can be more readily traded in the secondary market. Strong liquidity in the secondary market is attractive to investors and intermediaries, promotes demand for AGS and assists in lowering borrowing costs. All AGS issuance is undertaken in Australian dollars.

The AOFM exercises operational independence in the execution of its duties. Its announced issuance program for each year is determined on the basis of maturing AGS, net new issuance required to fund the Budget and operational considerations.

Operational considerations often mean that the annual issuance program may not be equivalent to the financing task for a particular year. For example, the AOFM may decide there is merit in holding higher or lower cash balances. The AOFM may also choose to smooth issuance across several financial years in order to reduce changes in AGS issuance from one financial year to the next.

The AOFM aims to maintain an AGS yield curve out to a 30-year benchmark bond. This facilitates a lower risk profile of maturing debt, broadens the investor base and helps to reduce the impact of interest rate volatility on budget outcomes. Further details on the AOFM's debt issuance program are available on the AOFM website at www.aofm.gov.au.

The AOFM publishes an issuance program for the budget year only. Estimates beyond the budget year are based on a set of technical assumptions and will vary with changes to these assumptions and budget estimates.

Appendix B: Interest on AGS

The interest costs related to AGS are presented in both cash and accrual accounting terms. The difference between the cash interest payments and accrual interest expense generally relates to the timing of when the interest cost is recognised.

- **Interest payments** are recognised in the period when they are paid during the life of the security.

- **Interest expense** is recognised in the period in which an expense is incurred during the life of the security, rather than when it is actually paid.

Table 7.10 shows changes in interest expense, interest income and net interest expense over the forward estimates.

Table 7.10: Interest expense, interest income and net interest expense[(a)]

		Estimates			
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Interest expense on AGS	22,129	22,591	23,878	26,214	29,067
Per cent of GDP	0.9	0.9	0.9	0.9	1.0
Total interest expense(b)	26,789	27,762	33,076	31,064	35,316
Per cent of GDP	1.1	1.1	1.3	1.1	1.2
Interest income	9,053	9,426	8,669	8,561	9,069
Per cent of GDP	0.4	0.4	0.3	0.3	0.3
Net interest expense(c)	17,736	18,336	24,407	22,503	26,247
Per cent of GDP	0.7	0.7	0.9	0.8	0.9

a) Interest expense is an accrual measure, with the relevant amount recognised in the period in which the expense is incurred, but not necessarily paid.
b) Total Interest expense includes interest expense on AGS, loans and other borrowing, as well as interest expense on lease liabilities and other financing costs (including debt not expected to be repaid (DNER)).
c) Net interest expense is equal to the difference between interest expenses and interest income.

Statement 8: Forecasting Performance and Sensitivity Analysis

Economic and fiscal forecasts and projections in the Budget are underpinned by a range of assumptions and judgements based on best available information at the time of preparation. In practice, economic and fiscal circumstances can evolve in ways that differ from expectations.

This statement assesses:

1. The performance of past forecasts based on the variance between forecasts and actuals

2. The uncertainty around current forecasts using confidence interval analysis

3. The sensitivity of current forecasts to changes in key assumptions:

   – Iron ore prices

   – Yields on Australian Government Securities

The economic impact of other key variables, including metallurgical and thermal coal, liquefied natural gas prices, population and participation are considered in *Budget Statement 2: Economic Outlook*. The fiscal impact of key developments and Australia's climate change outlook are considered in *Budget Statement 3: Fiscal Strategy and Outlook.*

Statement contents

Statement 8: Forecasting Performance and Sensitivity Analysis

Assessing past forecasting performance

This section assesses the variance between historical forecasts and outcomes (forecast errors) for real and nominal GDP, tax receipts, non-tax receipts, payments and the underlying cash balance.

Forecasts are prepared using a range of techniques:

- Macroeconomic forecasts are prepared consistent with a national accounting framework using econometric models, spreadsheet analysis and professional judgement.
- Tax receipts forecasts are generally prepared using a 'base plus growth' methodology. The last outcome for each head of revenue is the base to which growth rates are applied, using appropriate economic parameters.
- Payments forecasts are generally prepared through analysis of payment program data, costings for new policies and historical trends in programs, in consultation with relevant agencies.

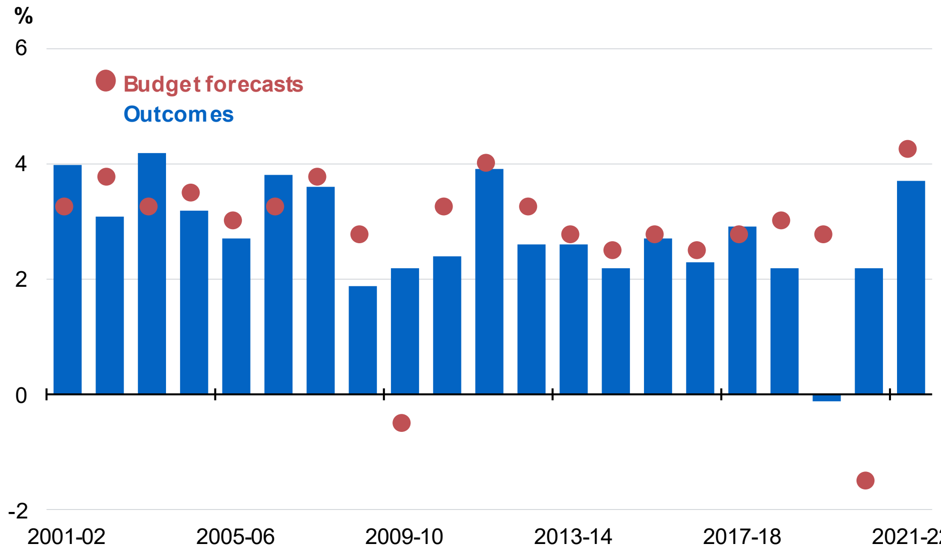
Forecasts are based on assumptions and judgements. Forecast accuracy depends on whether assumptions and judgements prove to be correct, and the reliability of the modelled economic and fiscal relationships.

Economic forecasting performance

Real GDP forecasts incorporate assumptions for exchange rates, interest rates, commodity prices and population growth. The forecasts also incorporate judgements about how domestic and international developments will affect Australia's economy.

Real GDP grew by 3.7 per cent in 2021–22 rather than the 4¼ per cent growth forecast at the 2021–22 Budget (Chart 8.1). The overestimate of real GDP growth in 2021–22 was primarily due to weaker-than-expected household consumption during the Delta wave of the pandemic.

Chart 8.1: Comparison of forecasts and outcomes for real GDP growth

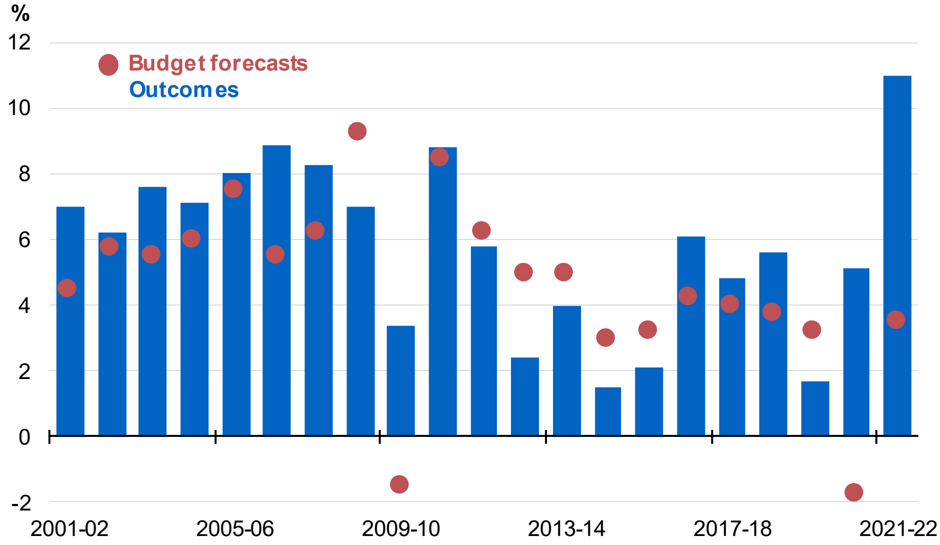


Note: Outcome is as published in the December quarter 2022 National Accounts. Forecast is from Budget published in that year.
Source: ABS Australian National Accounts: National Income, Expenditure and Product and Budget papers.

Nominal GDP forecasts include a price component that adds additional uncertainty compared to real GDP forecasts. Price uncertainty relates to domestic prices and wages, prices of imported goods, and world prices for Australia's exports including commodities. Since the early 2000s, nominal GDP forecast errors have largely reflected volatility in global commodity prices.

Nominal GDP grew by 11 per cent in 2021–22 rather than the 3½ per cent growth forecast at the 2021–22 Budget (Chart 8.2). The large underestimate in nominal GDP reflected higher-than-expected commodity prices, with Russia's invasion of Ukraine pushing up global energy prices and the price of Australian coal and LNG exports. Treasury regularly reviews the methodology and assumptions that feed into the economic outlook. An example of this approach are the revisions to technical assumptions for commodity prices outlined in Box 2.4 *Budget Statement 2: Economic Outlook.*

Chart 8.2: Comparison of forecasts and outcomes for nominal GDP growth



Note: Outcome is as published in the December quarter 2022 National Accounts. Forecast is from Budget published in that year.

Source: ABS Australian National Accounts: National Income, Expenditure and Product and Budget papers.

Fiscal forecasting performance

Fiscal forecast errors are driven by economic and demographic forecast errors, along with unanticipated changes in demand for government programs. Government policies announced after the Budget can also affect fiscal forecast errors. These errors are larger in years where additional unexpected spending is required to support the economy. Further information on Budget outcomes can be found in the *2021–22 Final Budget Outcome.*

Total receipts

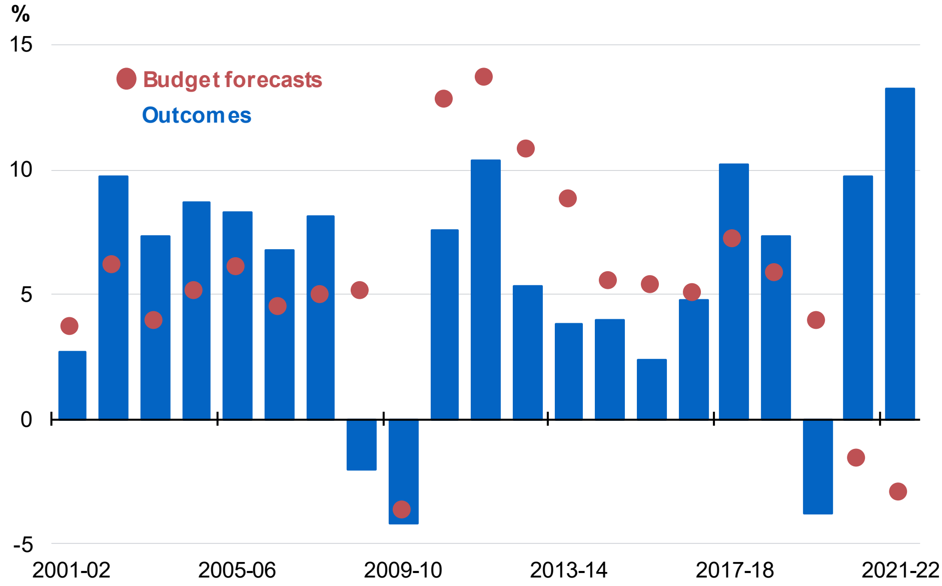
Total receipts are comprised of tax and non-tax receipts (for example, dividends from investment funds). Tax receipts account for over 90 per cent of total receipts and are therefore the main driver of forecasting performance.

Total receipts grew 12.4 per cent in 2021–22 rather than the 3.6 per cent decline forecast at the 2021–22 Budget. Total receipts were $102.3 billion higher than forecast.

Tax receipts

Tax receipts grew 13.2 per cent in 2021–22 rather than the 3 per cent decline forecast at the 2021–22 Budget (Chart 8.3). Tax receipts were $91.0 billion higher than forecast. This outcome reflected growth in most revenue heads, driven by stronger-than-expected economic outcomes and higher-than-expected commodity prices.

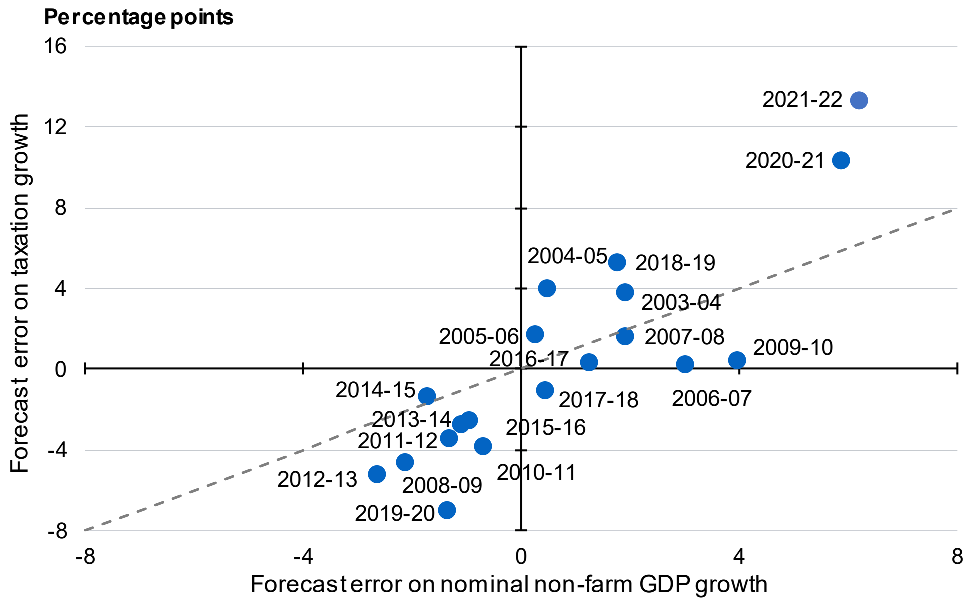
Chart 8.3: Comparison of forecasts and outcomes for tax receipts growth



Source: Budget papers and Treasury.

On average, nominal GDP forecast errors are magnified in tax receipts forecast errors, owing to the progressive nature of Australia's personal income tax system (Chart 8.4).

Chart 8.4: Forecast errors for nominal non-farm GDP and tax receipts growth[(a)]



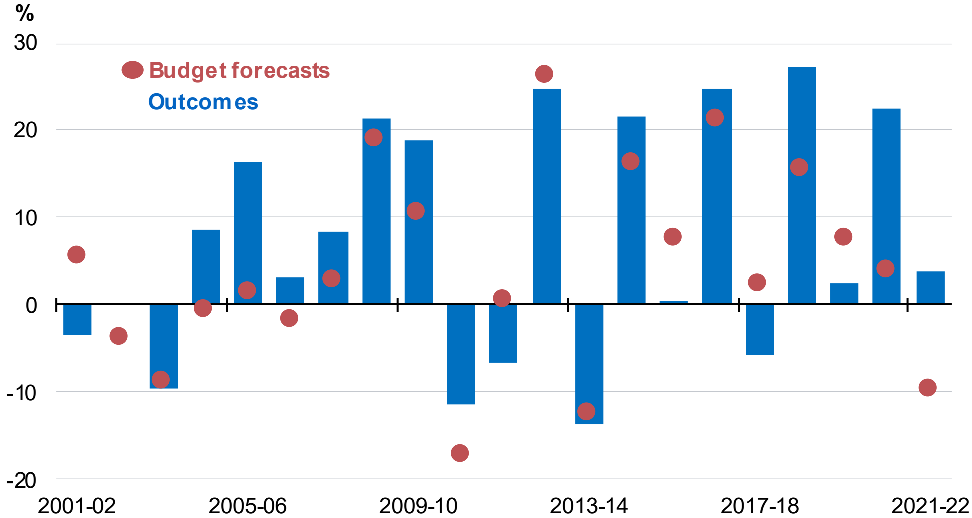
a) Excludes CGT.
Source: ABS Australian National Accounts: National Income, Expenditure and Product, Treasury.

Non-tax receipts

Forecast variances for non-tax receipts are generally driven by uncertainty around market outcomes which impact investment earnings and resource royalties.

Non-tax receipts grew 3.9 per cent in 2021–22 rather than the 9.7 per cent decline forecast at the 2021–22 Budget (Chart 8.5). Non-tax receipts were $11.3 billion higher in 2021–22 than forecast in the 2021–22 Budget. This outcome reflected higher-than-expected Future Fund investment earnings. Further information on Budget outcomes can be found in the *2021–22 Final Budget Outcome*.

Chart 8.5: Comparison of forecasts and outcomes for non-tax receipts growth



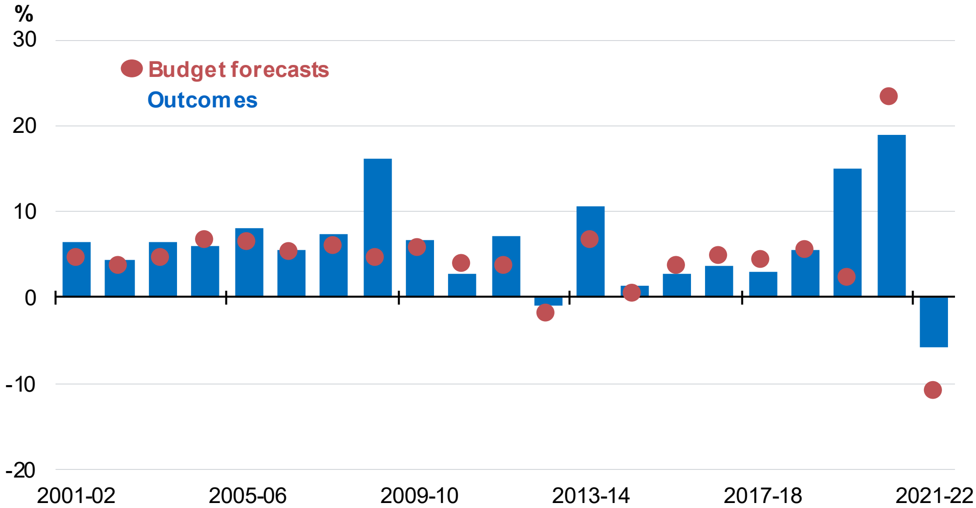
Source: Budget papers and Treasury.

Payments

Payments forecasting performance is affected by growth in indexation factors (for example, CPI growth) and demand for government programs. Demand-driven programs, such as payments to individuals for social welfare, form the bulk of Australian government expenditure and vary with economic conditions.

Payments declined 5.8 per cent in 2021–22 rather than the 10.9 per cent decline forecast at the 2021–22 Budget (Chart 8.6). Payments were $27.6 billion higher in 2021–22 than forecast in the 2021–22 Budget. This outcome reflected additional COVID-19 response measures – particularly the *COVID-19 Response Package – National COVID-19 Disaster Payment* and *COVID-19 Response Package – COVID-19 Business Support* – which were announced in the 2021–22 Mid-Year Economic and Fiscal Outlook, as well as higher-than-anticipated spending on existing measures including the *Pandemic Leave Disaster Payment* which were announced in the 2020–21 Budget.

Chart 8.6: Comparison of forecasts and outcomes for payments growth



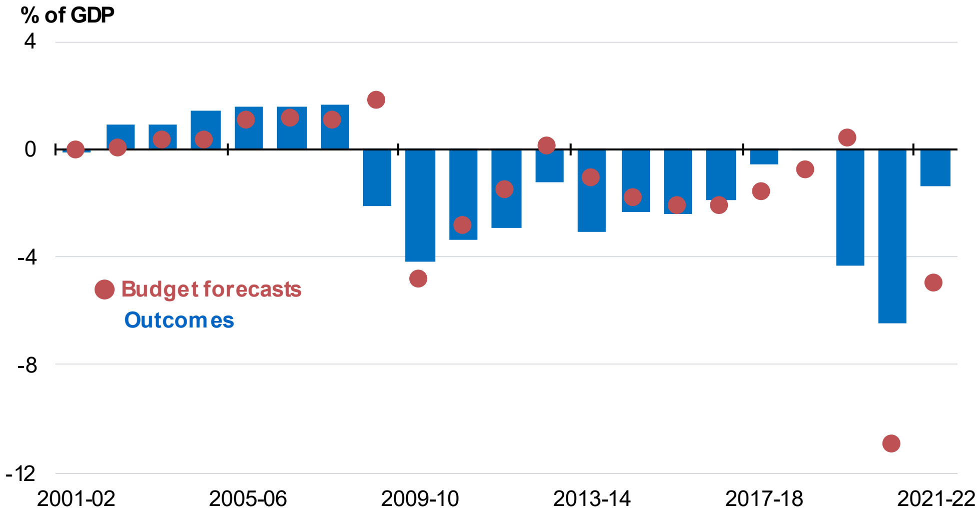
Source: Budget papers and Treasury.

Underlying cash balance

Underlying cash balance forecasting performance is driven by the forecast errors of total receipts and payments.

The underlying cash deficit was 1.4 per cent of GDP in 2021–22 rather than the forecast deficit of 5 per cent of GDP (Chart 8.7). The underlying cash deficit was $74.7 billion smaller than forecast. The better-than-expected underlying cash balance outcome in 2021–22 reflected the challenges of forecasting during COVID–19.

Chart 8.7: Comparison of forecasts and outcomes for underlying cash balance

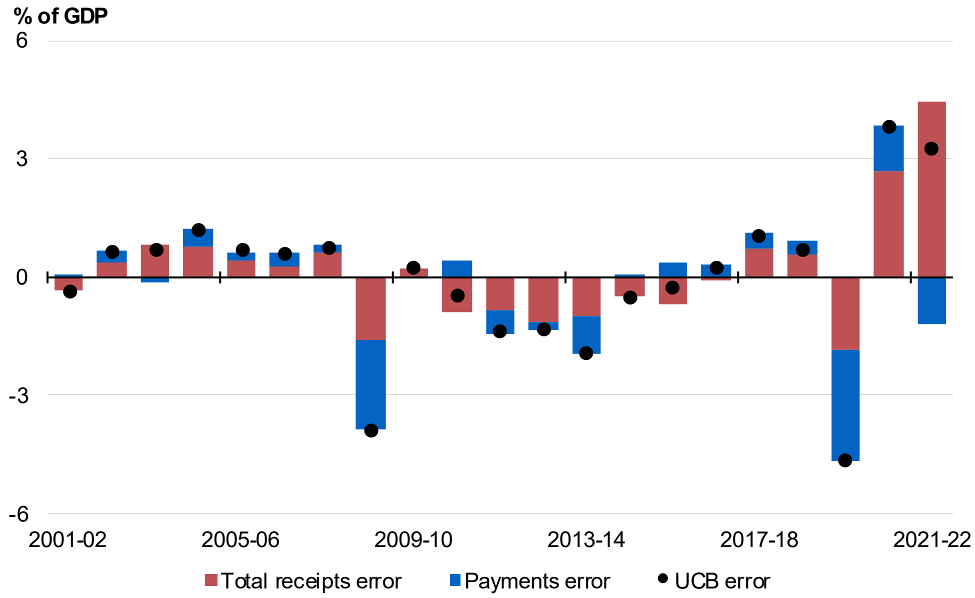


Source: Budget papers and Treasury.

Over the past 2 decades, outside major downturns, forecast errors for the underlying cash balance[49] largely reflect forecast errors of total receipts (Chart 8.8). A key contributing factor is the volatility of global commodity prices and its impact on tax receipts.

Large forecast errors for payments in 2008–09 and 2019–20 reflected unexpected Government payment assistance during the Global Financial Crisis and COVID-19. Overestimates of receipts tend to coincide with underestimates of payments during economic shocks, magnifying underlying cash balance forecast errors.

Chart 8.8: Total receipts, payments, and underlying cash balance forecast errors



Source: Budget papers and Treasury.

49 Between 2005–06 and 2019–20, the underlying cash balance was equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.

Assessing forecast uncertainty – confidence interval analysis

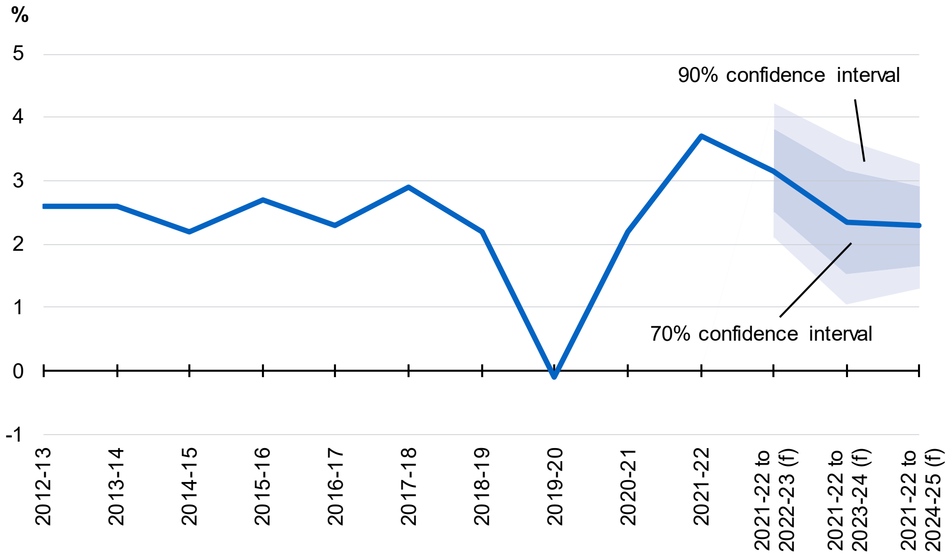
Confidence intervals illustrate the uncertainty around current forecasts based on historical patterns of forecast errors. Confidence interval analysis assumes that future forecast errors are consistent with the distribution of past forecast errors[50] (1998–99 to 2021–22). Based on past forecasting performance, there is a 70 and 90 per cent probability that the forecasts will lie within the 70 and 90 per cent confidence interval bands.

Future forecast errors may not have the same distribution as historical forecast errors. The large forecast errors in 2019–20 and 2020–21, related to COVID–19, are an example of events not previously captured in the historical error sample. Large disruptive events are difficult to predict and could occur again in the future.

Economic uncertainty based on historical forecast errors

Average annualised growth in real GDP in the 3 years to 2024–25 is expected to be around 2¼ per cent. The 70 per cent confidence interval ranges from 1¾ per cent to 3 per cent. The 90 per cent confidence interval ranges from 1¼ per cent to 3¼ per cent (Chart 8.9).

Chart 8.9: Confidence intervals around real GDP growth rate forecasts



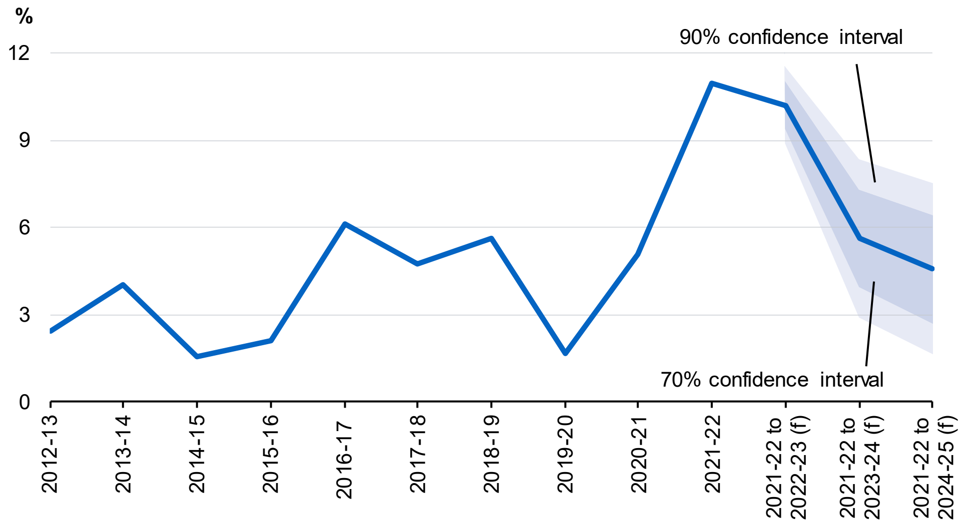
Note: The line shows the outcomes and the 2023–24 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2021–22 are reported for 2022–23 onwards. Confidence intervals are based on the root mean squared errors (RMSEs) of Budget forecasts from 1998–99 onwards and are a statistical assessment that does not take account of any change in circumstance in the economic outlook. (f) are forecasts.

Source: ABS Australian National Accounts: National Income, Expenditure and Product, Treasury.

50 See Treasury Working Paper: *Estimates of Uncertainty around Budget Forecasts (2013)*.

The confidence intervals around the nominal GDP forecasts are wider than those around the real GDP forecasts, reflecting the additional uncertainty around domestic prices and commodity prices. Average annualised growth in nominal GDP in the 3 years to 2024–25 is expected to be around 4½ per cent, with the 70 per cent confidence interval ranging from 2¾ per cent to 6½ per cent. The 90 per cent confidence interval ranges from 1½ per cent to 7½ per cent (Chart 8.10).

Chart 8.10: Confidence intervals around nominal GDP growth rate forecasts



Note: See note to Chart 8.9.
Source: ABS Australian National Accounts: National Income, Expenditure and Product, Treasury.

Fiscal uncertainty based on historical forecast errors

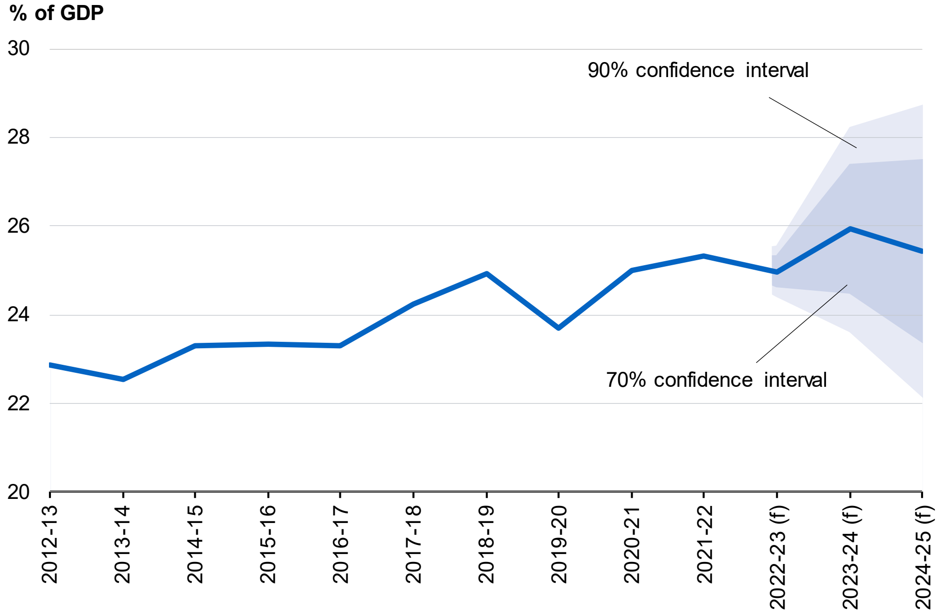
Fiscal estimates are based on economic and demographic forecasts as well as estimates of the impact of spending and revenue measures.

Historical variations caused by subsequent policy decisions not known at the time of forecast are excluded because these decisions do not relate to the forecasting errors presented in this section. Payment estimates do not exclude the public debt interest associated with these subsequent policy decisions because this cannot be separately identified. GST is reported as a Commonwealth tax in the budget. From the 2023-24 Budget, the analysis of forecast errors will incorporate GST data to provide a better indication of the uncertainty surrounding fiscal forecast estimates.

Total receipts

Total receipts (including GST) are expected to be around 25.9 per cent of GDP in 2023-24, with the 70 per cent confidence interval ranging from 24.5 per cent to 27.4 per cent of GDP. The 90 per cent confidence interval ranges from 23.6 per cent to 28.2 per cent. The uncertainty around receipts forecasts increases with time (Chart 8.11).

Chart 8.11: Confidence intervals around total receipts forecasts[(a)]



a) Includes Future Fund earnings from 2000-21 onwards.

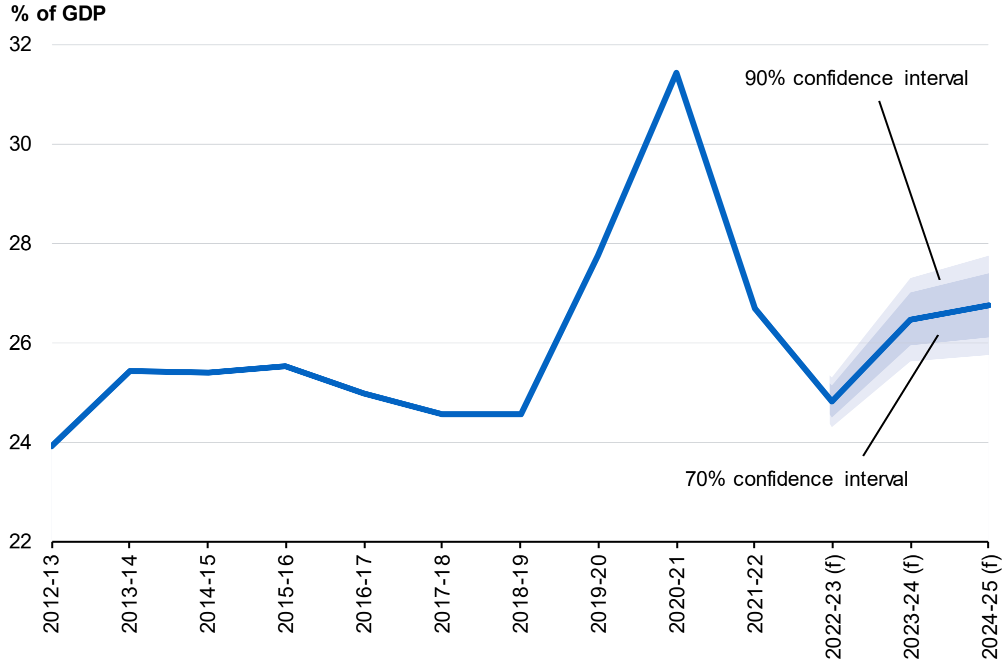
Note: The central line shows the outcomes and the 2023-24 Budget forecasts. Confidence intervals use RMSEs for Budget forecasts from the 1999-2000 Budget onwards. (f) are forecasts.

Source: Budget papers and Treasury.

Payments

The confidence interval for payments is narrower than receipts because there is greater certainty around payments forecasts. Payments (including GST) are expected to be around 26.5 per cent of GDP in 2023-24, with the 70 per cent confidence interval ranging from 25.9 per cent to 27.0 per cent of GDP. The 90 per cent confidence interval ranges from 25.6 per cent to 27.3 per cent (Chart 8.12).

Chart 8.12: Confidence intervals around payments forecasts[(a)]



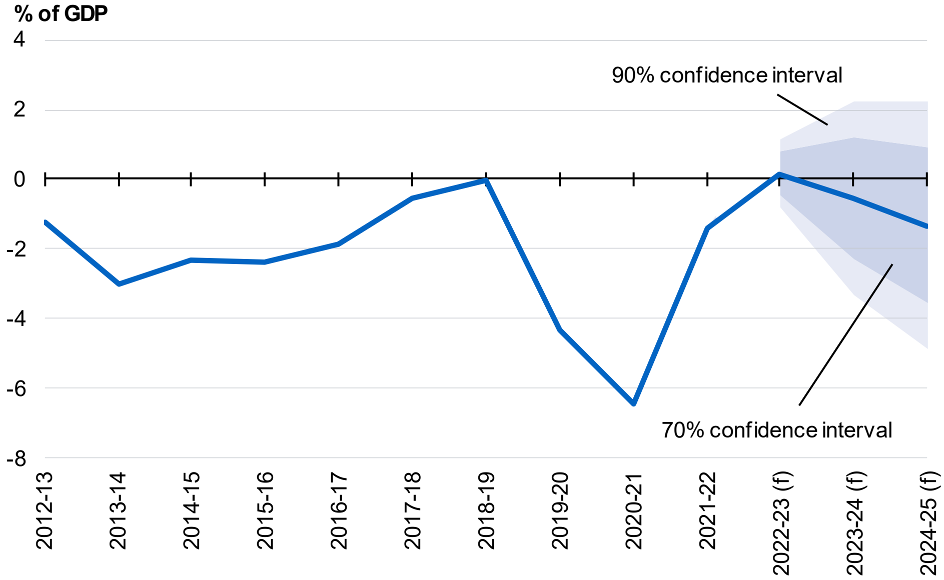
a) Includes GST payments.
Note: See note to Chart 8.11.
Source: Budget papers and Treasury.

Underlying cash balance

The underlying cash deficit in 2023-24 is expected to be 0.5 per cent of GDP, with the 70 per cent confidence interval ranging from a deficit of 2.3 per cent to a surplus of 1.2 per cent of GDP. The 90 per cent confidence interval ranges from a deficit of 3.3 per cent to a surplus of 2.2 per cent.

The uncertainty around underlying cash balance forecasts reflects forecast errors in receipts and payments which increase with time (Chart 8.13).

Chart 8.13: Confidence intervals around the underlying cash balance forecasts



Note: See note to Chart 8.11.
Source: Budget papers and Treasury.

Assessing current forecasts through sensitivity analysis

Undertaking sensitivity analysis allows for an assessment of the importance of key assumptions. The following sensitivity analyses are considered due to their variability and importance for the Budget:

- Higher and lower iron ore prices in 2023–24 and 2024–25.
- Higher and lower yields over the medium term.

For illustrative purposes, the upper and lower sensitivities are broadly symmetric, even where not equally probable.

Movements in iron ore prices

The forecasts for nominal GDP and tax receipts are sensitive to commodity price assumptions, particularly iron ore prices. Iron ore is Australia's largest export by value, representing around 22 per cent of the total value of goods and services exports in 2021–22. See *Budget Statement 2: Economic Outlook* for more information on developments in commodity prices.

Iron ore prices are volatile and sensitive to global market developments. Table 8.1 considers the impact of a permanent US$10 per tonne increase and decrease in the iron ore price on nominal GDP and tax receipts relative to the baseline forecast.

Table 8.1: Sensitivity analysis of a US$10 per tonne movement in iron ore prices

	US$10/tonne FOB[(a)] increase		US$10/tonne FOB decrease	
	2023-24	2024-25	2023-24	2024-25
Nominal GDP ($billion)	5.1	2.5	-5.1	-2.5
Tax receipts ($billion)	0.5	0.5	-0.5	-0.5

a) Prices are presented in free-on-board (FOB) terms which exclude the cost of freight.
Source: Treasury.

The effects of a US$10 per tonne increase and decrease in the iron ore price are broadly symmetric. The following discusses the effects of an increase for illustrative purposes. The US$10 per tonne increase in the assumed price for iron ore exports is expected to result in an increase in nominal GDP of around $5.1 billion in 2023-24 and around $2.5 billion in 2024-25.

The economic response to a permanent change in the price of iron ore is derived from a commodity price shock in Treasury's Macroeconometric Model of Australia[51]. The model incorporates forward-looking financial markets, which anticipate the permanent increase (or decrease) in commodity prices. An increase in iron ore export prices leads to a higher terms of trade, which leads directly to higher output prices and nominal GDP. However, the appreciation in the exchange rate partially offsets the increase in export prices and acts to reduce domestic inflation through lower import prices.

The volume of output and exports of the mining sector increase in response to higher iron ore prices. The higher exchange rate leads to a substitution towards imports, which partially offsets the increase in exports and GDP.

A US$10 per tonne increase in the assumed price for iron ore exports is expected to result in an increase in tax receipts of around $0.5 billion in both 2023-24 and 2024-25. An increase in iron ore prices increases mining company profits and therefore company tax receipts. Lower domestic prices result in lower individuals and other withholding taxes and indirect tax receipts, partially offsetting the increase in company tax.

51 See Treasury Paper: *The Macroeconometric Model of Australia: Modelling Approach (2021).*

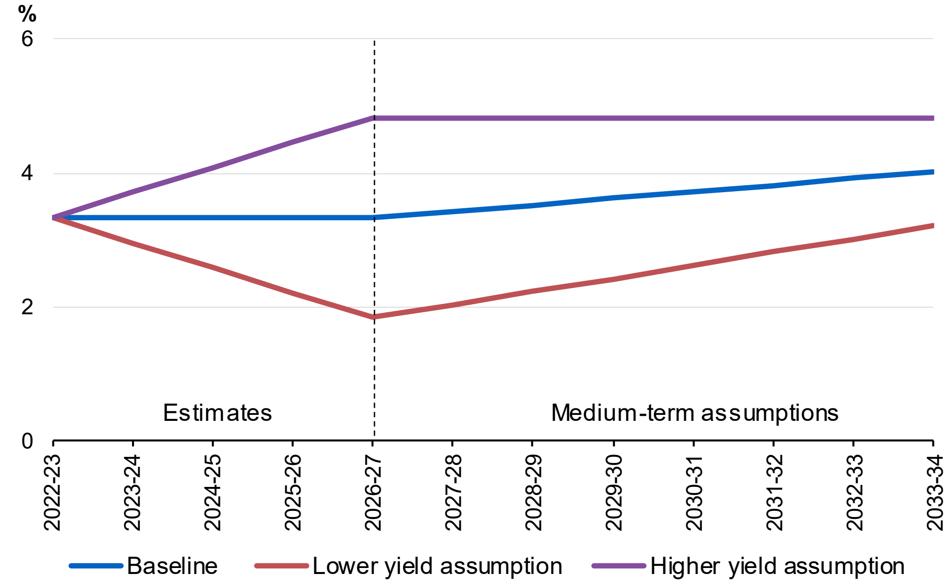
Movements in yields

Government borrowing costs are sensitive to yields on Australian Government Securities and the level of debt. See *Budget Statement 3: Fiscal Strategy and Outlook* for further information on yields. Given the uncertainty surrounding the global and domestic outlook and the impact on yields, Treasury makes the following technical assumptions:

- Over the forward estimates, government bond yields are fixed at rates observed immediately prior to the Budget update. This approach captures the latest market outlook while removing the effects of near-term volatility.
- Over the medium term, the 10-year bond yield converges linearly towards long-run nominal GDP growth. This leads to conservative debt dynamics, consistent with the approaches of comparable advanced economies. The 10-year bond yield approximates the average yield on new issuance. Other tenor yields are assumed to maintain their historical relativity to the 10-year bond yield.

The higher yield assumption has bond yields increasing by 150 basis points by the end of the forward estimates. The lower yield assumption has bond yields decreasing by 150 basis points by the end of the forward estimates. From the start of the medium term, yields in both analyses linearly converge over 15 years to the long-run yield assumption of nominal GDP growth (Chart 8.14). Other economic parameters are assumed to remain unchanged from baseline forecasts to isolate the direct impact on fiscal aggregates.

Chart 8.14: Baseline and alternative movements in the 10-year bond yield



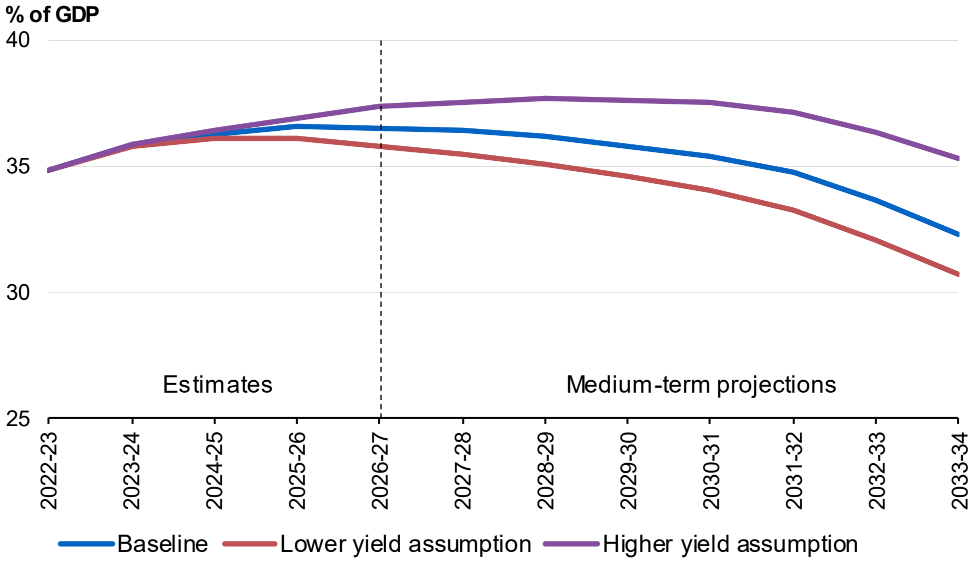
Source: Treasury.

Higher yields increase public debt interest paid and receipts earned on investments. As government interest bearing liabilities usually exceed interest bearing assets, higher yields lead to a deterioration in the underlying cash balance. Lower yields have the reverse effect, improving the underlying cash balance.

The higher yield assumption results in a deterioration to the underlying cash balance of 0.2 percentage points of GDP by 2033–34 and increases gross debt by 3.0 percentage points of GDP at 30 June 2034 (Chart 8.15).

The lower yield assumption results in an improvement to the underlying cash balance of 0.2 percentage points of GDP by 2033–34. Under the lower yield assumption, cumulative improvements to the underlying cash balance reduce gross debt by 1.6 percentage points of GDP at 30 June 2034.

Chart 8.15: Gross debt, impact of alternative yield assumptions



Source: Australian Office of Financial Management and Treasury.

Even under the higher yield assumption, projected Commonwealth gross debt as a share of GDP is less than 30 per cent of the average general government gross debt in the G7 countries today.

Statement 9:
Statement of Risks

A range of factors may influence the actual budget outcome in future years. The *Charter of Budget Honesty Act 1998* requires these factors to be disclosed in a statement of risks in each Budget and Mid-Year Economic and Fiscal Outlook. This Statement outlines general fiscal risks, specific contingent liabilities and specific contingent assets that may affect the budget balances.

Statement contents

Statement 9: Statement of Risks

Risks to the Budget – Overview

The forward estimates of revenue and expenses in the 2023–24 Budget incorporate assumptions and judgments based on the best information available at the time of publication, together with a range of economic assumptions and other forecasts and projections.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters, which may be driven by domestic and global responses to inflationary pressures, the risk of further global energy price shocks, the ongoing uncertainty associated with the war in Ukraine, and the challenges associated with the transition towards net zero emissions.

- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood.

- the realisation of contingent liabilities or assets.

The revenue and expense estimates and projections published in the 2023–24 Budget are based on a range of economic and other parameters that are consistent with the domestic and international outlook detailed in *Budget Statement 2: Economic Outlook*. Economic outcomes that differ from the parameters used in the Budget represent a material risk to the Budget estimates. *Budget Statement 8: Forecasting Performance and Sensitivity Analysis* examines the impact on receipts and payments of altering some of the key economic assumptions underlying the Budget estimates.

A significant portion of government expenditure is for demand-driven programs. Outcomes for these programs could differ from the estimates and projections due to changes in economic outcomes, particularly for inflation and wages growth. For a number of demand-driven support programs, including the National Disability Insurance Scheme, aged care programs and health programs, outcomes depend on the wide range of factors that affect the take-up of and cost of these programs.

Revenue forecasting relies heavily on the observed relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting further risk to the estimates. For example, the ability of entities to use tax losses to offset profits may continue to pose heightened challenges in estimating the profile for company and resource tax receipts in particular. Revenue forecasts also incorporate costings for new policies that typically involve a degree of uncertainty.

The estimates and projections of revenue are also subject to a number of general risks that can affect taxation collections. These general pressures include the ability of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions and Australian Taxation Office rulings, and the outcome of compliance programs.

These pressures may result in a shift in the composition of taxation collected from the various tax bases or a change in the size of the tax base.

Many agencies rely on external revenue to fund the delivery of some of their services. Estimates included in the Budget for these agencies reflect the latest information regarding the likely scale of external revenue they will raise. Outcomes in relation to external revenue are not certain and depend on some common factors, including economic conditions, which can affect estimates for individual agencies and for the Budget as a whole.

The forward estimates in the Budget include the impact of all policy decisions, including those that remain unlegislated. Where legislation is not passed in time to enable commencement of the measure at the anticipated commencement date, the legislation is passed with amendments to the original decision, or is rejected, there is a risk of a variation to the fiscal position outlined in the Budget.

The risks associated with climate change

Over time, climate change is expected to have a significant impact on the Budget. The Australian Government is managing these impacts by reducing emissions and capturing the economic opportunities presented by the net zero transition. However, there is still significant uncertainty about how global emissions will evolve and the impacts that climate change will have on Australia.

Climate change has a number of channels through which it can affect macroeconomic and fiscal outcomes. These include the physical impacts of climate change, the indirect impacts climate change will have on Australia's industry mix, and the impacts of policy responses to reduce emissions or adapt to climate impacts. Each of these has the potential to affect receipts, payments, and the Australian Government's balance sheet. They also have the potential to influence general economic outcomes, which may in turn impact the Budget.

Budget Statement 3: Fiscal Strategy and Outlook discusses the fiscal impacts associated with climate change and the policy responses being taken in this Budget. These policy responses include the establishment of the Capacity Investment Scheme to drive renewable dispatchable capacity and ensure reliability in Australia's energy market. Details of this measure are included in Budget Paper No. 2. When it is implemented, the budget impact of this measure will depend on future developments in energy prices, which may present risks that are not fully reflected in the Budget estimates. These risks will be reflected in the *Statement of Risks* when this measure is fully designed and implemented, and if the risks meet the materiality thresholds for inclusion in the Statement.

The *Statement of Risks* details specific risks where they may have an impact on the Budget in the Budget year or forward estimates period. Some of these risks, such as those associated with the cyclone and related flooding reinsurance pool and disaster recovery arrangements, are likely to be exacerbated by climate change over time. Other specific risks may emerge that will impact the Budget beyond the forward estimates period. These would be included in this Statement when it is apparent that the potential impact on the Budget would exceed the materiality threshold.

Special Investment Vehicles

There are a number of funds that successive Governments have established to achieve policy outcomes. These include the National Reconstruction Fund, the Rewiring the Nation Fund, Export Finance Australia, the Clean Energy Finance Corporation, and the Northern Australia Infrastructure Facility. These funds have been established with robust governance arrangements, including independent boards, who are charged with making investment decisions to manage risk and deliver outcomes in line with specified investment mandates. Details of these funds are presented in Budget Paper No. 2 when they are established and, where relevant, presented in the 'Government loans' section of this Statement, including the total value of loans issued by each facility. Specific risks associated with these funds are included in this Statement at the time it is apparent that the risk associated with the investments exceed or are expected to exceed the materiality threshold.

Specific risks to the Budget

The Budget is subject to a number of contingent liabilities. A large number of these reflect indemnities, including those relating to the Department of Defence, the Future Fund Management Agency and Future Fund Board of Guardians, and the Reserve Bank of Australia. The Australian Government has also issued a number of guarantees, such as those relating to guarantee schemes for the banking and financial sector, payments by Export Finance Australia, and the superannuation liabilities of the Commonwealth Bank prior to its sale to the private sector. Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions and legal cases concerning the Australian Government. The Government has robust and conservative strategies in place to reduce its potential exposure to these contingent liabilities.

Fiscal risks comprise general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

Table 9.1 outlines how fiscal risks, assets and liabilities, and contingent assets and liabilities, are disclosed in the Budget.

Contingent liabilities, contingent assets and other fiscal risks with a possible impact on the forward estimates greater than $20 million in any one year, or $50 million over the forward estimates period, are summarised in Table 9.2. Risks that are new or that have materially changed are detailed by portfolio following Table 9.2. Information on contingent liabilities and contingent assets is also provided in the Australian Government's annual consolidated financial statements, and in the annual financial statements of departments and other Government entities.

The Government also makes direct loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Details of Government loans that exceeded $200 million at 30 June 2022 are included at the conclusion of this Part.

Table 9.1: Disclosure of fiscal risks, contingent assets and contingent liabilities, and assets and liabilities in the Budget papers

Category	Type[(a)]	Disclosure
Fiscal Risks	Fiscal Risks	Statement of Risks
Contingent assets and contingent liabilities	Significant contingent assets and liabilities considered remote	Statement of Risks
	Unquantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Quantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Contingent assets and liabilities excluded on the basis of immateriality[(b)]	None
Assets and liabilities	Assets and liabilities that are probable and can be reliably measured	Balance sheet[(c) (d)]
	Assets and liabilities that are probable but have an uncertain timing or amount (provisions)	Balance sheet

a) Items that are described as probable have a 50 per cent or higher chance of occurrence.
b) Only risks with a possible impact on the forward estimates greater than $20 million in any one year, or $50 million over the forward estimates period, are considered material and disclosed in this Statement.
c) Unearned income from charging guarantee fees is shown as a liability in the balance sheet.
d) Additional disclosure to increase transparency on loans over $200 million is included in this Statement.

Table 9.2: Summary of contingent liabilities and contingent assets in the Statement of Risks[(a)]

Agriculture, Fisheries and Forestry	Status
Contingent liabilities – unquantifiable	
Commonwealth liabilities in respect of matching payments to industries for research and development contributions	Unchanged
Emergency pest and disease response arrangements	Modified
White spot syndrome virus and disease 2016 outbreak	Modified
Attorney-General's	**Status**
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Unchanged
Contingent liabilities – unquantifiable	
Native Title costs	Unchanged
Current and prospective investor-State claims against Australia	Modified
Contingent asset – unquantifiable	
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*	Modified
Climate Change, Energy, the Environment and Water	**Status**
Fiscal Risks	
Murray-Darling Basin Reform – risk assignment	Unchanged
Remediation of Jabiru Township	Unchanged
Snowy Hydro Limited	Modified
Significant but remote contingencies	
Snowy Hydro Limited – Board Members' indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreements	Unchanged
Contingent liabilities – unquantifiable	
Gorgon liquefied natural gas and carbon dioxide storage project – long term liability	Unchanged
Liability for costs incurred in a national liquid fuel emergency	Unchanged
Snowy Hydro Limited – water releases	Removed
United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions	Unchanged
Contingent liability – quantifiable	
Underwriting of Transmission Projects	Modified
Defence	**Status**
Fiscal Risks	
Implementation of the nuclear-powered submarine program	Modified
Major operations of the Australian Defence Force in 2023-24	Modified
Significant but remote contingencies	
ADI Limited – Officers' and Directors' indemnities	Unchanged
Litigation cases	Unchanged
Remote contingencies	Unchanged
Contingent liabilities – unquantifiable	
Cockatoo Island Dockyard	Unchanged
Land decontamination, site restoration and decommissioning of Defence assets	Unchanged
Contingent liability – quantifiable	
Claims against the Department of Defence	Unchanged

Table 9.2: Summary of contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Employment and Workplace Relations	Status
Fiscal Risk	
Recovery of inappropriately claimed VET FEE-HELP payments from VET providers	Unchanged
Contingent liabilities – quantifiable	
ParentsNext program	Modified
Workforce Australia – Employment Fund	New
Finance	**Status**
Significant but remote contingency	
Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement	Unchanged
Contingent liabilities – unquantifiable	
ASC Pty Ltd – Directors' and Executives' indemnities	Unchanged
ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited	Unchanged
Australian Government general insurance fund – Comcover	Unchanged
Commonwealth Superannuation Corporation – immunity and indemnity	Unchanged
Finance owned estate	Unchanged
Future Fund Management Agency and Future Fund Board of Guardians – indemnity	Unchanged
Googong Dam	Unchanged
Indemnities for the Reserve Bank of Australia and private sector banks	Unchanged
Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects	Modified
Foreign Affairs and Trade	**Status**
Fiscal Risk	
Export Finance Australia – National Interest Account	Modified
Contingent liability – quantifiable	
Export Finance Australia	Modified
Health and Aged Care	**Status**
Fiscal Risk	
Fair Work Commission decision – Aged Care Work Value Case	Modified
Contingent liabilities – unquantifiable	
Accommodation Payment Guarantee Scheme	Unchanged
Advance Purchasing Agreements for COVID-19 vaccines	Modified
Australian Red Cross Society – indemnities	Unchanged
Blood and blood products liability cover	Unchanged
CSL Ltd	Unchanged
Indemnities relating to vaccines	Unchanged
Major sporting events	Modified
Medical Indemnity Exceptional Claims Scheme	Unchanged
mRNA manufacturing Facility – indemnities	Unchanged
Contingent assets – unquantifiable	
Legal action seeking compensation	Unchanged

Table 9.2: Summary of contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Home Affairs	Status
Fiscal Risk	
Regional processing arrangements	Unchanged
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Disaster recovery	Unchanged
Facilities, garrison, transferee arrivals and receptions, and health services in the Republic of Nauru – liability limit	Modified
Immigration detention services by state and territory governments – liability limit	Modified
Immigration detention services contract – liability limit	Modified
Industry, Science and Resources	**Status**
Fiscal Risk	
Rehabilitation of the Ranger Uranium Mine	Unchanged
Significant but remote contingencies	
Liability for damages caused by space and certain high-power rocket activities	Unchanged
Operations and maintenance of the Northern Endeavour and associated infrastructure	Unchanged
Contingent liabilities – unquantifiable	
Australian Nuclear Science and Technology Organisation – asbestos contamination	Unchanged
Australian Nuclear Science and Technology Organisation – indemnity	Unchanged
Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal	Unchanged
Former British atomic test site at Maralinga	Unchanged
Land decontamination and site restoration for CSIRO property	Unchanged
Infrastructure, Transport, Regional Development, Communications and the Arts	**Status**
Fiscal Risks	
Australia Post's financial sustainability	New
Inland Rail – delivery	Modified
Significant but remote contingencies	
Inland Rail – Termination of the Equity Financing Agreement	Unchanged
Maritime Industry Finance Company Limited – Board Members' indemnity	Unchanged
Moorebank Intermodal Project – Glenfield Waste Site Easement	Unchanged
National Intermodal Corporation Limited – Termination of the Funding Agreement	Unchanged
Optus Financial Guarantee	Modified
Telstra Financial Guarantee	Modified
Tripartite deeds relating to the sale of federal leased airports	Unchanged
WSA Co Limited – Board Members' indemnities	Unchanged
WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity	Unchanged
WSA Co Limited – Termination of the Equity Subscription Agreement	Unchanged

Table 9.2: Summary of contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Infrastructure, Transport, Regional Development, Communications and the Arts (continued)	**Status**
Contingent liabilities – unquantifiable	
Australian Maritime Safety Authority incident costs	Unchanged
Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination	Modified
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	Unchanged
Moorebank Intermodal Project – Georges River rail crossing	Unchanged
Service Delivery Arrangement Indemnities – Indian Ocean Territories, Norfolk Island and Jervis Bay Territory	Modified
Prime Minister and Cabinet	**Status**
Contingent liability – unquantifiable	
McDonald v Commonwealth (Stolen Wages Class Action)	Unchanged
Wreck Bay Aboriginal Community Council – housing liability in Wreck Bay Village, Jervis Bay Territory	Removed
Contingent liability – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Unchanged
Social Services	**Status**
Fiscal Risks	
COVID-19 and disaster social welfare debt pause for specified areas	Modified
National Disability Insurance Scheme	Modified
Contingent asset – quantifiable	
National Redress Scheme	Modified
Treasury	**Status**
Significant but remote contingencies	
Asbestos Injuries Compensation Fund	Unchanged
Financial Claims Scheme	Modified
Guarantee for the National Housing Finance and Investment Corporation	Modified
Guarantee of state and territory borrowing	Modified
Guarantees under the *Commonwealth Bank Sale Act 1995*	Modified
Reserve Bank of Australia – Guarantee	Modified
Contingent liabilities – unquantifiable	
Compensation scheme of last resort	Modified
Establishment of a cyclone and related flooding reinsurance pool	Unchanged
Government guarantees for housing	Modified
Indemnities for specialised external advisers during the COVID-19 pandemic	Unchanged
International Monetary Fund – Poverty Reduction and Growth Trust	Modified
Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme	Modified
Terrorism insurance – commercial cover	Unchanged

Table 9.2: Summary of contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Treasury (continued)	Status
Contingent liabilities – quantifiable	
Australian Taxation Office – tax disputes	Modified
International financial institutions – uncalled capital subscriptions	Modified
International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement	Modified
International Monetary Fund – Resilience and Sustainability Trust	Modified
Veterans' Affairs	**Status**
Fiscal Risk	
Defence Service Homes Insurance Scheme	Modified

a) Detailed descriptions of these items are in the following text.

b) On 1 July 2022, the Government implemented a number of machinery of government changes. The presentation of the Statement of Risks has been updated to reflect the new portfolio structure. Where the only change to a risk is the movement between portfolios as a result of the machinery of government changes, it is marked as unchanged in the table above.

Agriculture, Fisheries and Forestry

Contingent liabilities – unquantifiable

Commonwealth liabilities in respect of matching payments to industries for research and development contributions

Under several Acts, the Commonwealth provides matching contributions to encourage expenditure on research and development (R&D) and to increase the competitiveness and sustainability of industries within Australia. Matching contributions on eligible R&D are subject to an annual limit that is calculated based on the determined gross value of production (GVP cap) for the industries. There will be a R&D excess, which can be claimable in future years, where the cumulative R&D expenditure is more than the GVP cap. The Commonwealth's future liability in respect of the matching contributions is contingent on the GVP cap and is therefore unquantifiable.

Emergency pest and disease response arrangements

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost-sharing agreements between Australian governments and affected agricultural industry bodies. Under the terms of the emergency response agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a pest or disease incursion. Funding is provided in the forward estimates for the Australian Government's contributions under the emergency response agreements which are paid to the state or territory governments undertaking relevant activities.

There are currently 13 national cost-shared emergency responses. An independent review of the program for Red Imported Fire Ants in Queensland has been undertaken and the outcomes of consideration of the review findings by the Queensland and Australian Governments may have significant financial implications. In the 2022–23 financial year, the 2 largest ever plant emergency responses were agreed. A large national response to address an outbreak of *Varroa destructor* (a parasitic mite that attacks honey bees) in New South Wales is ongoing. Since the October Budget, a significant response to eradicate polyphagous shot hole borer, present in metropolitan Perth, has also been agreed. In addition, the risk of foot and mouth disease and lumpy skin disease entering Australia remains heightened due to incursions in Indonesia.

Governments developed a draft Aquatic Emergency Animal Disease Deed (the Deed) covering aquatic emergency animal diseases. Consultation was undertaken with prospective industry signatories. If the Deed is finalised, potential liabilities for the Australian Government will be increased, the extent of which will depend on which parties sign the Deed and what emergency aquatic incursions occur that would be subject to the Deed arrangements.

The Government has provided $134.1 million over 4 years from 2022–23 to bolster biosecurity capability in Australia and support neighbouring countries to address the risk of exotic animal diseases, including foot and mouth disease and lumpy skin disease, although risks associated with future incursions or expansions in current pest and disease incursions remain. In this Budget the Government will provide an additional $845.0 million over 4 years from 2023-24 to maintain biosecurity policy, operational and technical functions on a sustainable basis, the cost of which will be partially met through the introduction of cost recovery arrangements for the clearance of low value imported cargo.

White spot syndrome virus and disease 2016 outbreak

The Commonwealth is responding to 2 claims related to the 2016 outbreak of white spot syndrome virus in Queensland. White spot syndrome virus was first detected in South East Queensland in December 2016 and 7 prawn farms on the Logan River were affected from late-2016 to early-2017. Prawns on the infected farms were destroyed to eradicate the disease as part of a joint industry, Commonwealth and state response.

Gold Coast Marine Aquaculture Pty Ltd has filed a claim in the Federal Court of Australia, claiming a breach of a duty to warn by the Commonwealth based on (amongst other things) the obligations in the Queensland *Biosecurity Act 2014*. Gold Coast Marine Aquaculture Pty Ltd alleges that the Commonwealth's alleged breach caused, or, contributed to the outbreak of white spot syndrome virus in Queensland's Logan River in December 2016 and resulting damage to Gold Coast Marine Aquaculture Pty Ltd.

A class action has been filed in the Supreme Court of Queensland led by Tweed Bait Pty Ltd on behalf of commercial fishers, handlers and wholesalers. The class action seeks compensation for loss and damage suffered as a result of the 2016 outbreak of white spot syndrome virus and white spot disease in Queensland's Logan River area and the Commonwealth's response to the outbreak.

A third class action has been filed in the Supreme Court of Queensland led by M&G Oyster Supplies Pty Ltd on behalf of parties who are not group members in the Tweed Bait class action. The Commonwealth does not have the particulars of the claims, as the proceedings have not yet been served.

Costs associated with this litigation or any future litigation relating to 2016 outbreak of white spot syndrome virus are not quantifiable until the matter is determined by the Court or otherwise resolved.

Attorney-General's

Significant but remote contingency

Indemnities relating to the Air Security Officer Capability

The Australian Government has provided an indemnity to 2 Australian airlines connected with agreements to allow Air Security Officers on board their aircraft. The indemnities are limited to $2 billion per incident. The indemnity only applies where the airline(s) can establish that loss, damage or claim resulted from an act by an Air Security Officer, under or in connection with the Air Security Officer program. The indemnity applies to the extent that any loss, damage or claim is not covered by existing relevant insurance policies held by the airline.

Contingent liabilities – unquantifiable

Native Title costs

The Australian Government will likely be liable for any compensation found to be payable under the *Native Title Act 1993* in respect of compensable acts for which the Australian Government is responsible. While the High Court's decision in the *Timber Creek* litigation (*Northern Territory v Griffiths et al* [2019] HCA 7) provides guidance on the principles for calculating compensation under the *Native Title Act*, the Australian Government's liability cannot be quantified owing to uncertainty about the number and effect of compensable acts, and the value of Native Title affected by those acts.

Current and prospective investor-State claims against Australia

The Commonwealth has received a notice of arbitration from Singapore-registered company Zeph Investments Pte Ltd (Zeph) in relation to a dispute pertaining to the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA)*. Zeph has raised this claim under Chapter 11 (Investment) of the *Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)*.

Should Australia be unsuccessful in this proceeding, Australia would be liable for any compensation found to be payable to the claimant. Any such potential liability cannot be quantified at this stage.

The Commonwealth has also received requests for consultations from the same claimant (Zeph) in relation to 2 other potential claims and a notice of intent to bring an arbitration in relation to one of the claims. An investor-State claim has not been brought against Australia in relation to these 2 matters at this time.

Contingent asset – unquantifiable

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*

The Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for civil penalty orders against the following entities for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act):

- Crown Casino on 1 March 2022.
- the Star Pty Limited and the Star Entertainment QLD Limited on 30 November 2022.
- Skycity Adelaide on 7 December 2022.

AUSTRAC alleges that these entities failed to comply with obligations under the AML/CTF Act, including failures to properly assess money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence.
The outcomes of these matters are unknown, including whether any penalty is imposed by the Court and, if so, the quantum of such penalty.

Climate Change, Energy, the Environment and Water

Fiscal Risks

Murray-Darling Basin Reform – risk assignment

The Australian Government has committed to bridge the gap between the Baseline Diversion Limit (BDL) and the Sustainable Diversion Limits (SDLs) in the Basin Plan 2012 (Cth) through water recovery. On 1 July 2019, the SDLs took effect. The *Water Act 2007* (Cth) provides a risk assignment framework whereby entitlement holders with reductions in water allocations, or changes in the reliability of water allocations (where the gap has not been bridged and an accredited water resource plan is in place), may be eligible for a payment from the Commonwealth.

The total cost of the operation of the risk assignment framework is not able to be quantified at this time and remains a fiscal risk until the gap between the BDL and SDLs is fully bridged.

Remediation of Jabiru Township

A Memorandum of Understanding was signed in 2019 between the Australian Government, the Northern Territory Government, and Energy Resources Australia (ERA) which underpins the transfer of ownership of Jabiru to the Traditional Owners, and related make good and rehabilitation arrangements. On 26 June 2021, the Australian Government officially returned ownership of Jabiru to the Traditional Owners. Prior to the handover, the Australian Government signed a Remediation and Indemnity Deed between representatives of the traditional owners in Jabiru and the Northern Land Council.

Rehabilitation work to be completed in Jabiru includes renewal or upgrading of some essential services infrastructure (including water, sewerage, stormwater, landfill and roads), managing contamination in Jabiru Lake, management or removal of hazardous materials and chemicals, replacing asbestos tiled rooves and improving housing stock, and other ecological remediation. Expenditure for the rehabilitation work will be shared between the Australian Government, Northern Territory Government and ERA.

Snowy Hydro Limited

The Australian Government has committed to provide additional equity to Snowy Hydro Limited to support the delivery of the Snowy 2.0 pumped hydro project and the Hunter Power Project. These projects will improve the security and reliability of the National Electricity Market by providing reliable, dispatchable power and large-scale energy storage. Project risks for both projects include potential construction delays, cost pressures and cash flow forecasts.

The Government continues to monitor these risks through engagement and oversight of Snowy Hydro's activities, noting that cost and schedule reviews are currently underway on both projects to determine the impact of adverse weather conditions, global supply chain constraints, site conditions and COVID-19 related delivery challenges.

Significant but remote contingencies

Snowy Hydro Limited – Board Members' indemnity

The Australian Government has provided an indemnity for each of the Directors of Snowy Hydro Limited to protect them against certain claims relating to their employment as Directors. Until the indemnity agreements are varied or ceased, they will remain as contingent and unquantifiable liabilities.

Snowy Hydro Limited – Termination of the Equity Subscription Agreements

The Australian Government will provide sufficient funding to cover costs and liabilities incurred by Snowy Hydro Limited for the delivery of Snowy 2.0 and the Hunter Power Project, capped to the total remaining undrawn equity, in the event that the Commonwealth terminates the Equity Subscription Agreements between the Commonwealth and Snowy Hydro Limited.

Contingent liabilities – unquantifiable

Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability

The Australian and Western Australian (WA) Governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) against independent third-party claims (relating to stored carbon dioxide) under common law following closure of the carbon dioxide sequestration project. The claims are subject to conditions equivalent to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

The WA Government has indemnified the GJV, and the Australian Government has indemnified the WA Government for 80 per cent of any amount determined to be payable under that indemnity.

Liability for costs incurred in a national liquid fuel emergency

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Act). In addition, the Australian Government and state and territory governments have entered into an inter-governmental agreement in relation to a national liquid fuel emergency (IGA 2006). Under the IGA, the Australian Government agrees to consult IGA parties on a likely shortage and, if necessary after those consultations, to advise the Governor-General of the Commonwealth of Australia to declare a national emergency under the Act.

The IGA contains 3 areas where the Australian Government may incur expenses in the unlikely event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility of the Australian Government reimbursing the state and territory governments for costs arising from their responses, and potential compensation for industry arising from Australian Government directions under the Act.

United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions

On 3 June 2020, the Australian Government entered into a commercial leasing agreement with the United States (US) Department of Energy. This agreement facilitates the storage of Australia's first-ever government-owned strategic fuel reserve in the US Strategic Petroleum Reserve (SPR).

Under the lease agreement, the Australian Government indemnifies the US SPR for any liabilities incurred (subject to certain exceptions) arising from or related to: the transportation of crude oil to the SPR; third-party claims made in connection with the drawdown or delivery of the oil; and customs duties, fees or other charges which may arise from the Australian Government's non-compliance with US Customs Law.

Following the sale and delivery of all Australian oil held in the SPR in June 2022, the risk of any liability is currently significantly reduced. Australia continues to maintain its lease and a decision to store new reserves in the future could be made.

Contingent liability – quantifiable

Underwriting of Transmission Projects

Through the Rewiring the Nation Fund, the Australian Government has underwritten up to:

- $75.8 million for early works for the Victoria to New South Wales Interconnector West (VNI West) NSW Section project (with a preferred route knows as KerangLink) (signed 7 April 2022).
- $181.5 million for the Coleambally to Wagga Wagga section of Project Energy Connect (signed 24 September 2021).
- $385 million for the early procurement of long lead equipment (transformers, reactors, towers and conductors) for the VNI West project NSW section and the Humelink project (signed 1 March 2023).

The conditions for these underwriting agreements to be called on relate to the projects not achieving regulatory and approval requirements.

Defence

Fiscal Risks

Implementation of the nuclear-powered submarine program

On 14 March 2023, the Australian Government, alongside the governments of the United Kingdom and the United States of America, announced the optimal pathway for the nuclear-powered submarine program for Australia under the AUKUS trilateral security partnership.

The cost of the nuclear-powered submarine program is expected to be approximately $9 billion over the forward estimates and between $50 billion and $58 billion over the medium term. Overall, the cost of the nuclear-powered submarine program is expected to amount to around 0.15 per cent of annual GDP per year, averaged out to 2054–55.

In the 2023–24 Budget, the Australian Government has agreed a number of measures to support the initial implementation of the nuclear-powered submarine program, which are detailed in Budget Paper No.2.

The total costs associated with the program will not be known until design and production processes are settled and commercial and other arrangements are finalised between governments and delivery partners.

Major operations of the Australian Defence Force in 2023–24

The 2023–24 estimates for the Department of Defence (Defence) include the cost of major operations of the Australian Defence Force in 2023–24 in the Middle East region, and to protect Australia's borders and offshore maritime interests. Funding for major Defence operations is considered and provisioned on a year-by-year basis.

Significant but remote contingencies

ADI Limited – Officers' and Directors' indemnities

Under the sale agreements for ADI Limited, the Australian Government agreed to indemnify the Directors, officers and employees of ADI Limited for claims and legal costs associated with assistance related to the sale of the Australian Government's shares in the company. The Australian Government has also provided an indemnity to ADI Limited for uninsured losses relating to specific heads of claims.

Litigation cases

The Department of Defence (Defence) is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by negotiation. The litigation includes common law liability claims, including for personal injury and property damage, investigations of Defence by Comcare and active prosecutions in relation to alleged breaches of the *Work Health and*

Safety Act 2011. A number of claims have been received seeking compensation for alleged loss or damage arising from Defence use of aqueous film forming foam that contained man-made per- and poly-fluoroalkyl substances. A number of claims have also been received following reviews into the Australian Defence Force and Defence culture. Claims may also arise from the disposal of assets to third parties where such assets contain hazardous materials, or components that have the potential to cause injury.

Remote contingencies

As at 30 June 2022, the Department of Defence carried 157 instances of quantifiable remote contingent liabilities valued at $3.7 billion and 1,553 instances of unquantifiable remote contingent liabilities.

Details of these significant but remote contingent liabilities are not given due to commercial and/or national security sensitivities.

Contingent liabilities – unquantifiable

Cockatoo Island Dockyard

On 13 October 2001, Cockatoo Island Dockyard commenced proceedings against the Australian Government (Department of Defence) in the New South Wales (NSW) Supreme Court seeking full reimbursement from the Australian Government for personal injury claims costs incurred after 31 October 1995 in relation to asbestos exposure. Following decisions in the NSW Supreme Court on 17 December 2004 and 4 February 2005, and the NSW Court of Appeal on 23 November 2006, Cockatoo Island Dockyard was awarded a complete indemnity from the Australian Government for its uninsured exposure to asbestos damages claims, plus profit of 7.5 per cent. Defence continues to manage reimbursement of claims costs incurred by Cockatoo Island Dockyard.

Land decontamination, site restoration and decommissioning of Defence assets

The Department of Defence (Defence) has made a financial provision for the estimated costs involved in restoring, decontaminating and decommissioning Defence assets where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Contingent liability – quantifiable

Claims against the Department of Defence

The Department of Defence (Defence) has 38 instances of non-remote, quantifiable contingent liabilities in respect of claims against Defence valued at $31.3 million. The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by firms engaged by Defence through the Attorney-General’s Whole of Australian Government Legal Services Panel and those being handled in-house by Defence Legal Division. However, the exact amount payable under those claims is uncertain. Defence is defending the claims or trying to resolve them through alternative dispute resolution measures.

Employment and Workplace Relations

Fiscal Risk

Recovery of inappropriately claimed VET FEE-HELP payments from VET providers

The Australian Government is undertaking compliance action, including court action, to recover VET FEE-HELP payments from VET providers where loans were issued inappropriately to students by providers. The Government has legislated a remedy, which commenced 1 January 2019, for VET FEE–HELP students who incurred debts under the VET FEE-HELP loan scheme following inappropriate conduct by VET providers. The Government will undertake recovery activities against VET providers in cases where the student was ineligible for a VET FEE-HELP loan.

There are potential financial risks to the Commonwealth in the event that it is unable to recover payments from VET providers where they have closed or entered into administration or liquidation.

The financial risk to the Commonwealth is currently unquantifiable as it depends on the receipt and assessment of applications from students, as well as outcomes from the Government's investigations into VET providers' conduct.

Contingent liabilities– quantifiable

ParentsNext program

ParentsNext supports parents to identify their education and employment related goals, to build their work readiness, and plan and prepare for employment by the time their youngest child starts school. The Government has announced its intention to abolish and develop a replacement voluntary program for ParentsNext interim arrangements to commence as soon as possible.

Under the current program, providers accumulate one-off credits which accrue to their provider's Participation Fund on commencement of a participant.

Currently, providers are forecast to spend less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at 31 January 2023, there was $101.3 million in unspent Participation Fund credits in the Participation Fund notional bank.

Workforce Australia – Employment Fund

Since July 2022, with the introduction of Workforce Australia, program participants have had access to the Employment Fund which can be used to purchase goods and services to help participants to get and keep a job.

- Providers accumulate a $1,600 Employment Fund credit upon commencement of each participant in Workforce Australia Provider Services.
- Participants in Workforce Australia Online attract a $300 Employment Fund credit, credited after a Participant has been in Digital Services for 2 months.

Currently, Employment Fund expenditure is expected to be less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at 31 January 2023, there was $397.2 million in unspent Employment Fund Credits in the Workforce Australia Employment Fund Notional Bank.

Finance

Significant but remote contingency

Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement

The Australian Government will provide sufficient funding to enable Australian Naval Infrastructure Pty Ltd (ANI) to meet the direct costs of termination that may be incurred by ANI in the event that the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and ANI.

Contingent liabilities – unquantifiable

ASC Pty Ltd – Directors' and Executives' indemnities

The Australian Government has provided former Directors of the then Australian Submarine Corporation Pty Ltd (now known as ASC Pty Ltd – ASC) with indemnities in relation to any claim against them as a result of complying with ASC's obligations under the Process Agreement between the Electric Boat Corporation (EBC), the Australian Government and ASC; any claim against them as a result of complying with ASC's obligations under the Service Level Agreement between ASC, the Department of Defence, EBC and Electric Boat Australia; and any claims and legal costs arising from the Directors acting in accordance with the Board's tasks and responsibilities, as defined under the indemnity.

The Australian Government has provided Directors and senior executives of ASC with indemnities to mitigate personal risk and provide coverage for legal costs related to any legal proceedings that may arise in relation to the transaction to separate ASC Shipbuilding Pty Limited from ASC.

ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited

The Australian Government has agreed to provide a guarantee of an indemnity from ASC Pty Ltd (ASC) in favour of ASC Shipbuilding Pty Limited (ASC Shipbuilding).

ASC provided an indemnity in favour of ASC Shipbuilding prior to ASC Shipbuilding being separated from ASC Pty Ltd. This indemnity is intended to cover any liabilities unknown at the time of separation which may arise after separation. The indemnity is time limited to 7 years.

The guarantee will only be called on in the event that ASC is no longer owned by the Commonwealth and ASC can no longer meet its obligations under the terms of the indemnity. It is Government policy to retain ASC as a Government Business Enterprise.

Australian Government general insurance fund – Comcover

The Department of Finance (Finance) provides insurance and risk management services to Australian Government general government sector entities. Insurance liabilities are subject to potential revisions as the total number and size of claims covered is subject to unforeseen future events.

Finance takes all reasonable steps to ensure it has appropriate information regarding its claims exposure, including regularly updating estimates and parameters based on historical analysis of experience, actuarial calculations and other relevant factors.

Commonwealth Superannuation Corporation – immunity and indemnity

The *Governance of Australian Government Superannuation Schemes Act 2011* (the Governance Act) provides specific immunities for activities undertaken in good faith by Directors and delegates of the board of the Commonwealth Superannuation Corporation (CSC), provided these activities relate to the performance of their functions.

Under the Governance Act, other than in cases where the *Superannuation Industry (Supervision) Act 1993* or regulations under that Act do not so permit, any money that becomes payable by CSC in respect of an action, liability, claim or demand that relates to the superannuation schemes or funds for which it is responsible, is to be paid out of the relevant superannuation fund or, if there is no fund, the Consolidated Revenue Fund (CRF). Amounts paid from a superannuation fund are reimbursed to the fund from the CRF.

Finance owned estate

The Department of Finance owns and is responsible for managing a number of properties within the Australian Government's domestic non-Defence portfolio. A small number of properties may require remediation and are subject to further investigation. Except for properties at Lucas Heights in New South Wales and Cox Peninsula in Northern Territory, none of the properties with potential remediation issues have had a provision recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

Future Fund Management Agency and Future Fund Board of Guardians – indemnity

The Australian Government has provided certain staff members of the Future Fund Management Agency (the Agency) and the members (Board members) of the Future Fund Board of Guardians (the FFBG) with deeds of indemnity. The indemnities are intended to cover liabilities in excess of the insurance cover (including Comcover) of the FFBG, its subsidiary entities and the Agency. Board members are indemnified for liabilities incurred arising out of an act, omission or breach of statutory duty by the FFBG or a Board member that relates to the performance of the FFBG's functions or the exercise of the FFBG's powers or that relates to any act, omission or breach of statutory duty by a Board member as a director or officer of a wholly owned Australian subsidiary of the FFBG.

Certain Agency staff members are indemnified in connection with the performance of functions or the exercise of powers in their capacity as a director or officer of investee companies or subsidiaries of the FFBG. Subject to certain exceptions or qualifications, Board members and Agency staff members are indemnified for amounts up to the value of the relevant funds.

Board members are not indemnified in respect of any liability owed by them to the FFBG or its subsidiary, or which results from a contravention of a civil penalty provision of the *Future Fund Act 2006* or the *Corporations Act 2001*. Agency staff members are not indemnified to the extent they are indemnified by the relevant investee company or subsidiary, in respect of any liability owed to the FFBG or the Commonwealth, or to the extent that they are granted and receive financial assistance under Appendix E of the Legal Services Directions 2017. Both Board members and Agency staff members are not indemnified for any liability resulting from conduct they engage in other than in good faith, to the extent they recover a liability under a Directors and Officers insurance policy (including Comcover) or in respect of legal costs incurred by them in unsuccessfully defending or resisting criminal proceedings or proceedings regarding a contravention of a civil penalty provision.

Googong Dam

On 4 September 2008, a 150-year lease for Googong Dam was signed between the Australian Government and the Australian Capital Territory (ACT) Government. The Australian Government is liable to pay just terms compensation if the terms of the lease are breached by introducing new legislation or changing the *Canberra Water Supply (Googong Dam) Act 1974* in a way that impacts on the rights of the ACT. The lease includes a requirement for the Australian Government to undertake rectification of easements or any defects in title in relation to Googong Dam, and remediation of any contamination it may have caused to the site. It also gives an indemnity in relation to acts or omissions by the Australian Government.

Indemnities for the Reserve Bank of Australia and private sector banks

In accordance with Government entities' contracts for transactional banking services, the Australian Government has indemnified the Reserve Bank of Australia and contracted private sector banks against loss and damage arising from error or fraud by an entity, or transactions made by a bank with the authority of an entity.

Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects

Ongoing and terminating indemnities have been given in respect of a range of asset sales, privatisations and information technology outsourcing projects that have been conducted by the Department of Finance (Finance), and the former Office of Asset Sales and Commercial Support and its predecessors. The probability of an action being brought under one of these indemnities diminishes over time.

Details of indemnities in respect of other asset sales and privatisations have been provided in previous Budget and MYEFO papers, and previous Annual Reports of Finance and the Office of Asset Sales and Commercial Support.

Indemnified bodies are listed below. Apart from instances noted elsewhere, Finance does not currently expect any other action to be taken in respect of these indemnities.

Indemnified body	Year(s) raised
ADI Ltd	1998
Albury–Wodonga Development Corporation	2014
Australian Airlines	1991
Australian Industry Development Corporation	1996
Australian Multimedia Enterprise	1997
Australian National Rail Commission and National Rail Corporation Ltd	1997 and 2000
Australian River Co Ltd	1999
Australian Submarine Corporation Pty Ltd	2000
Bankstown Airport Ltd	2002
Camden Airport Ltd	2002
ComLand Ltd	2004
Commonwealth Accommodation and Catering Services	1988
Commonwealth Bank of Australia	1993 to 1996
Commonwealth Funds Management and Total Risk Management	1996 to 1997
Employment National Ltd	2003
Essendon Airport Ltd	2001
Federal Airports Corporation’s Airports	1995 to 1997
Health Insurance Commission	2000
Housing Loans Insurance Corporation Ltd	1996
Hoxton Park Airport Limited	2002
Medibank Private Limited	2014
National Transmission Network	1999
Sydney Airports Corporation Ltd	2001
Telstra	1996, 1999 and 2006
Wool International	1999

Foreign Affairs and Trade

Fiscal Risk

Export Finance Australia – National Interest Account

There are 4 financing facilities under the National Interest Account as detailed below.

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) became operational on 1 July 2019. The AIFFP will provide up to $4 billion in facilities, including up to $1 billion in grants and the balance in loans and guarantees, to support high priority infrastructure development in Pacific countries and Timor-Leste. To date, the Australian Government has agreed to provide loan, guarantee and grant contracts to support the development of 14 infrastructure projects in 9 countries. As at 28 February 2023, the maximum exposure is $1,059.1 million, of which $188.6 million has been drawn down.

The Critical Minerals Facility (CMF) was established on 28 September 2021 to provide finance to critical minerals projects in Australia where private sector finance is unavailable or insufficient. The CMF has a maximum aggregate exposure of $2.0 billion. As at 28 February 2022, the Government has agreed to provide a total of $1.5 billion to support 3 projects under the facility, including a loan of $1.25 billion to Iluka Resources to support the establishment of Australia's first integrated rare earths refinery in Western Australia. As at 28 February 2023, $40.7 million has been drawn down from the CMF.

The Defence Export Facility (DEF) was established to grow Australia's defence exports by helping overcome difficulties in accessing private sector finance. The DEF has a maximum aggregate exposure of US$3.0 billion. As at 28 February 2023, 3 loans under the DEF had been agreed for a total signing value of AUD 228 million. Currently, AUD 194.0 million is outstanding.

The COVID-19 Export Capital Facility (COVID-19 Facility) was announced on 15 April 2020, with a maximum aggregate exposure of $500 million. The COVID-19 Facility expired in April 2021. As at 28 February 2023, $15.8 million was outstanding.

Contingent liability – quantifiable

Export Finance Australia

The Australian Government guarantees the due payment of money that is, or may at any time, become payable by Export Finance Australia to anybody other than the Government. As at 28 February 2023, the Government's total contingent liability was $6.1 billion. The $6.1 billion contingent liability comprises Export Finance Australia's liabilities to third parties ($5.0 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees ($1.1 billion). Of the total contingent liability, $2.5 billion relates to Export Finance Australia's Commercial Account and $3.6 billion relates to the National Interest Account.

Health and Aged Care

Fiscal Risk

Fair Work Commission decision – Aged Care Work Value Case

As the principal funder of the aged care sector, the Australian Government has committed to provide funding to support any increases to award wages from the Aged Care Work Value case that is currently before the Fair Work Commission. The Fair Work Commission is yet to make a decision on Stage 3 of the Aged Care Work Value Case. The size and nature of the wage increase are subject to the Fair Work Commission's final decision and the final amount the Government will provide is not yet able to be quantified.

Contingent liabilities – unquantifiable

Accommodation Payment Guarantee Scheme

The Accommodation Payment Guarantee Scheme guarantees the repayment of aged care residents' refundable accommodation payments (including refundable deposits and accommodation bonds) if the approved provider becomes insolvent or bankrupt and defaults on its refund obligations. In return for the payment, the rights that the resident had to recover the amount from their approved provider are transferred to the Australian Government so it can pursue the approved provider for the funds. In cases where the funds are unable to be recovered, the Australian Government may levy all approved providers holding bonds, entry contributions and refundable accommodation deposits to meet any shortfall.

Advance Purchasing Agreements for COVID-19 vaccines

The Australian Government has provided indemnities to the suppliers of COVID-19 vaccines, for which the Australian Government has entered into Advance Purchasing Agreements, covering certain liabilities that could result from the use of the vaccines. This comprises the University of Oxford vaccine which is sponsored by AstraZeneca, the Pfizer vaccine, the Moderna vaccine, and the Novavax vaccine.

Australian Red Cross Society – indemnities

Deeds of Agreement between the Australian Red Cross Society (the Red Cross) and the National Blood Authority in relation to the operation of Australian Red Cross Lifeblood and the development of principal manufacturing sites in Sydney and Melbourne, include certain indemnities and a limitation of liability in favour of the Red Cross. These indemnities cover defined sets of potential business, product and employee risks and liabilities. Certain indemnities for specific risk events that operate within the term of the Deed of Agreement are capped, and must meet specified pre-conditions. Other indemnities and the limitation of liability only operate in the event of the expiry and non-renewal, or the earlier termination, of the Deed of Agreement relating to the operation of the Red Cross or the cessation of funding for the principal sites, and only within a certain scope.
All indemnities are also subject to appropriate limitations and conditions, including in relation to mitigation, contributory fault, and the process of handling relevant claims.

Blood and blood products liability cover

The National Managed Fund (NMF) was established by a memorandum of understanding between the Australian Government, Australian Red Cross Lifeblood (Lifeblood) and state and territory governments to cover potential future claims in relation to the supply of blood and blood products by Lifeblood. The NMF provides for liabilities incurred by Lifeblood where other available mitigation or cover is not available. Under certain conditions, the Australian Government and the state and territory governments may jointly provide indemnity for Lifeblood through a cost-sharing arrangement for claims, both current and potential, regarding personal injury and loss or damage suffered by a recipient of certain blood products. If there are insufficient funds in the NMF to cover claim costs, the Jurisdictional Blood Committee will consider a report provided by the National Funds Manager to determine the level of additional funds required. The Australian Government's share of any additional liability is limited to 63 per cent of any agreed net cost.

CSL Ltd

CSL Ltd (CSL) is indemnified against claims made by individuals who contract specified infections from specified products and against employees contracting asbestos-related injuries. CSL has unlimited cover for most events that occurred before the sale of CSL on 1 January 1994, but has more limited cover for a specified range of events that occurred during the operation of the Plasma Fractionation Agreement from 1 January 1994 to 31 December 2004. Where alternative cover was not arranged by CSL, the Australian Government may have a contingent liability.

The Australian Fractionation Agreement with CSL Behring (Australia) Ltd (a subsidiary of CSL), which operated from 1 January 2010 to 31 December 2017, and the National Fractionation Agreement for Australia with CSL Behring (Australia) Ltd, which has operated since 1 January 2018, both include a requirement that the National Blood Authority make a defined payment to CSL Behring (Australia) Ltd, in certain circumstances only, in the event that the volume of plasma supplied annually to CSL Behring (Australia) Ltd is less than a specified amount.

Indemnities relating to vaccines

The Australian Government has provided indemnities to a manufacturer of a smallpox/monkeypox vaccine held by the Australian Government, covering possible adverse events that could result from the use of the vaccine in an emergency situation. Indemnities have also been provided to a particular manufacturer of pandemic and pre-pandemic influenza vaccines for the supply or future supply of influenza vaccines under certain conditions (including H1N1 and H5N1).

Major sporting events

2032 Brisbane Olympic and Paralympics Games – On 21 July 2021, the International Olympic Committee (IOC) selected Brisbane to host the 2032 Olympic and Paralympic Games. On 17 February 2023, the Australian Government and the Queensland Government signed a bilateral agreement on matters of shared interest, including a capped capital contribution towards venue infrastructure from the Commonwealth. The Commonwealth has also provided a range of guarantees to the IOC for provision of government services in support of Brisbane hosting the Games, at no cost to the Organising Committee of the Olympic Games. The financial implications of this support are not quantifiable at this time.

2026 Commonwealth Games – On 12 April 2022, Victoria was selected to host the 2026 Commonwealth Games, with regional hubs and athletes' villages to be established in Geelong, Bendigo, Ballarat and Gippsland. The Australian Government has provided guarantees for the Victorian Government's hosting of the 2026 Commonwealth Games in Regional Victoria. The financial implications of this support are not quantifiable at this time.

2027 Rugby World Cup (Men's) and 2029 Rugby World Cup (Women's) – On 12 May 2022, World Rugby selected Australia as the host of the 2027 Rugby World Cup and 2029 Women's Rugby World Cup. In addition to the financial assistance provided in the 2022–23 March Budget to support event delivery and legacy programs, the Government has committed to provide services and support (such as security commitments and visa processing for participants and support staff). The financial implication of this additional support is not quantifiable at this time.

2023 FIFA Women's World Cup – On 25 June 2020, FIFA selected Australia and New Zealand to co-host the 2023 FIFA Women's World Cup. In addition to the financial assistance provided by the Commonwealth to support direct event delivery costs and legacy programs, the Government has committed to provide Commonwealth guarantees for the event. The financial implication of this additional support is not quantifiable at this time.

Medical Indemnity Exceptional Claims Scheme

Under the Medical Indemnity Exceptional Claims Scheme, the Australian Government assumes liability for 100 per cent of any damages payable against practitioners practising in a medical profession that exceeds a specified level of cover provided by the practitioner's medical indemnity insurer (currently $20 million). These arrangements apply to payouts either related to a single large claim or to multiple claims that in aggregate exceed the cover provided by the practitioner's medical indemnity insurer, and would apply to claims notified under contract-based cover since 2003. From 1 July 2020, the *Medical and Midwife Indemnity Legislation Amendment Act 2019* provides transferred eligibility for allied health professionals (including registered only midwives) into the Allied Health High Cost Claims Scheme and Allied Health Exceptional Claims Scheme within the *Medical Indemnity Act 2002*.

mRNA manufacturing facility – indemnities

The Australian Government has agreed to provide certain indemnities to Moderna in relation to the Moderna mRNA Partnership for onshore end-to-end population scale mRNA manufacturing capability. These indemnities cover certain liabilities that could result from implementation of the Partnership. These indemnities are also mutual in nature, reflecting risk-sharing arrangements with Moderna to limit financial exposure to the Australian Government.

Contingent asset – unquantifiable

Legal action seeking compensation

The Department of Health and Aged Care is engaged in legal action against certain pharmaceutical companies to recover savings denied to the Commonwealth because interim injunctions granted to these companies in unsuccessful patent litigation delayed generic versions of drugs being listed on the Pharmaceutical Benefits Scheme, thereby delaying statutory and price disclosure related price reductions for these drugs.

Home Affairs

Fiscal Risk

Regional processing arrangements

Effective 1 January 2022, the Australian Government supports regional processing arrangements in the Republic of Nauru, assisting the Government of Nauru to provide support and services to transferees residing in Nauru. Any significant changes in the number of transferees, the arrangements that underpin the provision of those services, relevant litigation or legislative changes, may incur a cost or generate cost reductions which are unquantifiable at this time.

Contingent liabilities – unquantifiable

Australian victims of terrorism overseas payment

The *Social Security Amendment (Supporting Australian Victims of Terrorism Overseas) Act 2012* inserted Part 2.24AA into the *Social Security Act 1991* to create a scheme for providing financial assistance to Australian residents who are victims of an overseas terrorist act that has been declared by the Prime Minister. The scheme commenced on 22 January 2013. Under the scheme, Australian residents harmed (primary victims) or whose close family members die as a direct result of a declared terrorist act (secondary victims) are eligible to claim one-off payments of up to $75,000. As acts of terrorism are unpredictable, and the declaration of overseas terrorists acts discretionary, the cost of the scheme is unquantifiable.

Disaster recovery

The Australian Government provides funding to states and territories (states) through the jointly funded Commonwealth-State Disaster Recovery Funding Arrangements (DRFA) to assist with natural disaster relief and recovery costs. States may claim DRFA funding if a natural disaster occurs and states' relief and recovery expenditure for that event meets the thresholds set out in the arrangements.

The forward estimates for the DRFA include preliminary estimates for past events, based on the best information available at the time of preparation. Preliminary estimates of the cost of a disaster and the timing of expenditure are subject to change. The total cost of relief and recovery from these past events may not be completely realised for some years.

For major disasters, the Australian Government may approve payments to individuals under the *Social Security Act 1991*. These include the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance. As natural disasters and their impacts are unpredictable, the cost of these payments for future disasters is unquantifiable and therefore not included in the forward estimates.

Facilities, garrison, transferee arrivals and reception, and health services in the Republic of Nauru – liability limit

The Department of Home Affairs (the Department) entered into 2 contracts for the provision of services and facilities in the Republic of Nauru in relation to regional processing arrangements with:

- Management & Training Corporation Pty Ltd. (MTC), which commenced on 1 October 2022, for the provision of facilities, garrison and transferee arrival and reception services. The contract includes a provision that limits MTC's liability to the Commonwealth to a maximum of $200 million in aggregate for the term of the contract. The limitation of liability does not apply to loss arising from claims in relation to death, or bodily injury, disease or illness of any person caused by MTC's breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of intellectual property rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.

- International Health and Medical Services Pty Ltd (IHMS), which commenced on 13 August 2022, for the provision of health services in the Republic of Nauru. The contract includes a provision that limits IHMS' liability to the Department with a limit of indemnity of no less than $45 million in respect of each and every occurrence, and in respect of product liability only, and in the aggregate for all occurrences arising during any one 12-month policy period. The limitation of liability does not apply to loss arising from claims in relation to death, or bodily injury, disease or illness (including mental health) of any person caused by IHMS' breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; liability that cannot be excluded at law; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of Intellectual Property Rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.

Immigration detention services by state and territory governments – liability limit

The Department of Home Affairs (Home Affairs) has negotiated arrangements with a number of state and territory governments for the provision of various services (including health, corrective and policing services) to immigration detention facilities and people in immigration detention. Some jurisdictions sought indemnification by the Australian Government for the provision of those services. These agreements, as listed below, provide unquantifiable indemnities relating to any damage or loss incurred by state and territory governments arising out of, or incidental to, the provision of services under these agreements.

Jurisdiction	Service Stream	Details
Christmas Island	Health	$5 million per claim or event
NSW	Corrections	Uncapped – with a risk rating ration, no more than $30 million per event
	Police	$5 million per claim or event
SA	Police	$5 million per claim or event
VIC	Police	$5 million per claim or event
WA	Police	$5 million per claim or event

Home Affairs negotiates arrangements as necessary for the provision of corrective services. The indemnity provided to state and territory governments under these arrangements is no more than $30 million per event. There are agreements with state and territory governments that are at varying stages, such as in progress, under review and legacy. The above table is a reflection of all known current agreements with confirmed indemnity liability in accordance with the *Public Governance Performance and Accountability Act 2013.*

Immigration detention services contract – liability limit

The Department of Home Affairs entered into a contract with Serco Australia Pty Ltd (Serco), which commenced on 11 December 2014, to deliver immigration detention services in Australia on behalf of the Australian Government at immigration detention facilities. The contract limits Serco's liability to the Commonwealth to a maximum of any insurance proceeds recovered by Serco up to a value of $330 million for the term of the contract. Serco's liability is unlimited for specific events defined under the contract.

Industry, Science and Resources

Fiscal Risk

Rehabilitation of the Ranger Uranium Mine

The Australian Government approved the Ranger Uranium Mine (Ranger) in the late 1970s. Energy Resources of Australia (ERA) was authorised to mine uranium at Ranger until 2021, and is required to rehabilitate the site to achieve an environmental condition similar to adjacent areas. Pursuant to the renegotiated agreement between the Australian Government and the Northern Land Council, the Australian Government would be responsible for carrying out rehabilitation works at the Ranger site should ERA fail to complete the works. ERA has provided a rehabilitation security to the Australian Government to cover the expected costs of rehabilitation should it be called upon.

The rehabilitation security is revalued periodically based on estimated rehabilitation costs at a point in time, and ERA may be required to provide further security if necessary following a revaluation. The security currently reflects valuation assumptions as at March 2020, and is expected to be updated in 2024. Recent assessments of the rehabilitation costs undertaken by the Government indicate that the potential costs have increased significantly following the last security valuation (in March 2020) and that at present, the security held by the Australian Government would not be sufficient to rehabilitate the site should the Australian Government be required to do so. It is expected this will be resolved following the next security valuation (expected in 2024) but until that time the difference between the expected rehabilitation costs and the security held by the Australian Government represents a fiscal risk to the Budget.

Significant but remote contingencies

Liability for damages caused by space and certain high-power rocket activities

Under the United Nations Convention on International Liability for Damage Caused by Space Objects, the Australian Government may be liable to pay compensation for damage caused to nationals of other countries by space objects launched from Australia, or by Australian nationals overseas. For activities approved under the *Space (Launches and Returns) Act 2018* (the Act), the Government also accepts liability for damage suffered by Australian nationals, to a maximum value of $3 billion above an insured level.

To address this risk, in order to have a space or high-power rocket activity approved under the Act, the responsible party is required to insure against, or take financial responsibility for, damage to third parties. The amount of insurance or financial responsibility is capped at $100 million.

The Act provides for amounts lower than $100 million depending on the risk profile of the activity. A maximum probable loss methodology is also available to calculate the amount of insurance or financial responsibility.

Operations and maintenance of the Northern Endeavour and associated infrastructure

On 31 March 2022, Petrofac Facilities Management Limited (Petrofac) was engaged to deliver Phase One of the decommissioning of the Northern Endeavour. This will see the floating production storage and offtake facility (FPSO) disconnected from the sub-sea equipment and temporary suspension of the wells. On 30 September 2022, the operational control of the facility transitioned from Upstream Production Solutions to Petrofac.

The contract with Petrofac has adopted an industry standard “knock-for-knock” risk and liability allocation arrangement, akin to the one with Upstream Production Solutions, that positions risks so that they are borne by the party most likely to be able to financially manage the consequences of a risk materialising. Petrofac is liable, to a pre-determined cap, for a number of insured risks, including to property, pollution and the environment. Petrofac will also bear responsibility for some instances of loss or damage to the extent it is caused by the Petrofac’s negligence or wilful misconduct.

The Australian Government has obtained protection and indemnity, facility damage and control of well insurance, and also taken out membership with oil spill response agencies. These limit the Government’s potential risk and financial exposure.

The risk of an incident is remote. The floating production storage offtake facility is being maintained with safety critical maintenance carried out, limited oil in storage and no further oil production taking place. The additional works to prepare for disconnection are not considered to materially increase the risk.

The Commonwealth has reached a settlement with the secured creditor of Timor Sea Oil & Gas Australia Pty Limited and Northern Oil & Gas Australia Pty Limited, Castleton Commodities Merchant Asia Co. Pte. Ltd., in relation to delivery of the floating production storage offtake facility after disconnection.

The Australian Government has committed to decommission the Northern Endeavour FPSO and remediate the Laminaria-Corallina oil fields. The cost to deliver Phase One of the decommissioning, including the disconnection of the FPSO, is taken into account in the forward estimates. However, cost estimates for the subsequent phases of the decommissioning: the permanent plug and abandonment of the wells (Phase Two); and the removal of subsea infrastructure (Phase Three), which are estimated to commence over the forward estimates period, are not able to be fully quantified until procurement activities for those Phases have been conducted. Actual costs associated with Northern Endeavour decommissioning will be recovered through the *Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Act 2022*.

Contingent liabilities – unquantifiable

Australian Nuclear Science and Technology Organisation – asbestos contamination

The Australian Nuclear Science and Technology Organisation (ANSTO) site contains asbestos in a number of buildings and in the soil at the Lucas Heights campus. Although there is potential for claims being made in relation to asbestos related diseases, the potential costs have not been assessed and are unquantifiable contingencies.

Australian Nuclear Science and Technology Organisation – indemnity

On 21 April 2016, the then Minister for Industry, Innovation and Science signed a Deed of Indemnity between the Commonwealth Government, ANSTO and ANSTO Nuclear Medicine Pty Ltd (ANM), under which the Government formally agreed to indemnify ANSTO and ANSTO Officers, and ANM and ANM Officers, from any loss or liability arising from claims caused by ionising radiation. This Deed will remain in place until April 2026.

Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal

ANSTO has accumulated, and will continue to accumulate, nuclear waste, the final disposal of which is unfunded. The majority of this waste has arisen from the production of nuclear medicine and will require characterisation in order to determine the nature, and therefore the costs and timing required to manage the waste to final disposal. It is anticipated that the long-term storage of the nuclear waste will be the responsibility of the planned National Radioactive Waste Management Facility. If this changes, ANSTO may need to meet the costs of the future management of the waste.

Former British atomic test site at Maralinga

The Australian Government is responsible for 14 unlimited indemnities relating to the Maralinga Rehabilitation Project (1995–2000). In November 2009, the Australian Government agreed to the handback of the former nuclear test site – Maralinga Section 400 – to the site's Traditional Owners, Maralinga Tjarutja. Under the terms of the *Maralinga Nuclear Test Site Handback Deed*, the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

Land decontamination and site restoration for CSIRO property

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has made a financial provision for the estimated costs in restoring and decontaminating land where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Infrastructure, Transport, Regional Development, Communications and the Arts

Fiscal Risks

Australia Post's financial stability

Australia Post is a Government Business Enterprise wholly owned by the Commonwealth Government. In 2022–23, Australia Post is expected to report a full financial year loss, the first annual loss since 2014–15, as the digitisation of the global and national economy changes how many people and businesses use postal and related services. Australia Post does not receive financial support from the Australian Government, but is required to meet a range of Community Service Obligations

The Australian Government is undertaking public consultation to inform development of balanced changes to ensure postal services meet the needs of the Australian community both now and into the future.

Given Australia Post's deteriorating financial position, there is a risk that the Australian Government will need to consider providing financial assistance to Australia Post in the future.

Inland Rail – delivery

The Australian Government has released the findings of the Independent Review of Inland Rail (the Review) and agreed to the 19 recommendations in full or in principle. The Review was delivered in January 2023, and assessed the project's scope, schedule and cost. While final project costs will not be known until the completion of procurements for all sections of Inland Rail following finalisation of design, planning and environmental approvals, the Review identified that the estimated cost to complete Inland Rail will be significantly higher than the available funding.

The Australian Government will engage independent specialists to review the cost, scope, engineering, delivery models and schedule of the project. In the interim, ARTC is prioritising the delivery of Beveridge to Parkes sections.

The funding available to ARTC to deliver Inland Rail is a combination of Commonwealth equity investment (the major funding source), private debt and internal cash flows. Pre-existing project risks have been realised, including extensive delays and cost increases. Significant project delivery risks will remain, including securing jurisdictional support, cost and scheduling pressures, pre-existing land and contamination, and realising revenues.

Significant but remote contingencies

Inland Rail – Termination of the Equity Financing Agreement

The Australian Government will provide sufficient funding to cover all costs and liabilities incurred by the Australian Rail Track Corporation (ARTC) for delivery of Inland Rail in the event the Commonwealth terminates the Equity Financing Agreement between the Commonwealth and the ARTC.

Maritime Industry Finance Company Limited – Board Members' indemnity

Indemnities for Maritime Industry Finance Company Limited (MIFCO) board members were provided to protect them against civil claims relating to their employment and conduct as Directors. MIFCO was placed into voluntary liquidation in November 2006 and was deregistered on 24 April 2008. The indemnity is not time-limited and continues even though the company has been liquidated. Until the indemnity agreements are varied or brought to an end, they will remain as contingent and unquantifiable liabilities.

Moorebank Intermodal Project – Glenfield Waste Site Easement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the Grantor (the private sector owner of the Glenfield Waste Site) of any easement for the rail spur going across the Glenfield Waste Site, to the extent such costs or liabilities are caused or contributed to by the Commonwealth or its agents.

National Intermodal Corporation Limited – Termination of the Funding Agreement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the National Intermodal Corporation Limited (National Intermodal) in the event that the Commonwealth terminates the Funding Agreement between the Commonwealth and National Intermodal.

Optus Financial Guarantee

The Australian Government has provided a guarantee in respect of NBN Co's financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement (the Agreement). An amended version of the Agreement came into effect on 22 January 2019. The Guarantee continues to apply to that Agreement.
The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial (HFC) areas. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Agreement. As at 28 February 2023, NBN Co had generated liabilities covered by the Optus Agreement which are estimated at an amount less than $50.0 million. There is a low risk that a claim would be made under the Guarantee.

Telstra Financial Guarantee

The Australian Government has provided Telstra Corporation Limited (Telstra) a guarantee in respect of NBN Co's financial obligations under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the Definitive Agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 28 February 2023, NBN Co had liabilities covered by the Guarantee estimated at $11 billion.

The Guarantee will terminate when:

- NBN Co achieves specified credit ratings for a period of 2 continuous years;
- the company is capitalised by the Commonwealth to the agreed amount; and
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational. This declaration was made on 11 December 2020.

Tripartite deeds relating to the sale of federal leased airports

The tripartite deeds between the Australian Government, the airport lessee company and financiers, amend airport (head) leases to provide for limited step-in rights for financiers in circumstances where the Australian Government terminates the head lease to enable the financiers to correct the circumstances that triggered such a termination event. The tripartite deeds may require the Australian Government to pay financiers compensation as a result of terminating the (head) lease, once all Australian Government costs have been recovered. The Australian Government's contingent liabilities are considered to be unquantifiable and remote.

WSA Co Limited – Board Members' indemnities

The Australian Government has provided an indemnity for each of the Directors of WSA Co Limited (WSA Co) to protect them against certain claims relating to their employment as Directors. Unless the indemnity agreements are varied or brought to an end, they cease to apply from the date the Commonwealth has fully satisfied its obligations to subscribe for equity in WSA Co pursuant to the WSA Co Equity Subscription Agreement.

WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity

The Australian Government has provided an indemnity to cover liabilities that may be incurred by WSA Co Limited related to the integration of the Sydney Metro – Western Sydney Airport project (delivered by the New South Wales Government) with the Western Sydney International (Nancy-Bird Walton) Airport, to the extent such liabilities are established in the Airport-Rail Integration Deed.

WSA Co Limited –Termination of the Equity Subscription Agreement

The Australian Government is required to cover all costs and liabilities that may be incurred by WSA Co Limited (WSA Co) in the event that the Commonwealth terminates the Equity Subscription Agreement between the Commonwealth and WSA Co.

Contingent liabilities – unquantifiable

Australian Maritime Safety Authority incident costs

In the normal course of operations, the Australian Maritime Safety Authority (AMSA) is responsible for the provision of funds necessary to meet the clean-up costs arising from ship-sourced marine pollution and, in all circumstances, is responsible for making appropriate efforts to recover the costs of any such incidents. The Australian Government meets costs that cannot be recovered from such incidents. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these incident costs. AMSA has established a pollution response financial capability of $50 million, backed by liquid investment funds, to provide funding should the overall clean-up costs exceed the liability limit of the ship-owner.

Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department) has identified a number of sites in Australia potentially contaminated with per- and poly-fluoroalkyl substances (PFAS) previously contained in firefighting foams.

The identified contaminants do not naturally break down in the environment and several have been listed on the Stockholm Convention as persistent contaminants. Australian health and environmental agencies have set a range of standards for environmental protection and precautionary health measures.

Up to 37 airport sites are potentially contaminated with PFAS (20 federally leased airports and 17 regional airports) relating to the Commonwealth provision of firefighting services. The Department is undertaking PFAS investigations at these airports to understand the risks and develop management plans for any identified PFAS contamination. Airservices Australia (Airservices) is continuing to implement the National PFAS Management Program, which includes PFAS investigations at 18 remaining airport sites. The costs of potential long-term management options cannot be quantified at this time.

For the airports that are owned by the Commonwealth and leased on a long-term basis, Airport Lessee Companies (ALCs) are responsible for environmental management of their airport sites. Airport leases indemnify the Commonwealth in relation to damages or injury to the environment, including in respect of costs and claims arising due to such damages or injury.

A number of ALCs have requested that the Airport Environment Officer (AEO) issue remedial orders to Airservices for PFAS contamination under the *Airports (Environment Protection) Regulations 1997*. On 30 March 2023, the AEO issued Airservices with an environmental remedial order in relation to PFAS contamination caused by Airservices at the former fire training ground at Launceston Airport. AEOs are also actively considering regulatory action at Brisbane, Canberra, Moorabbin and Sydney Airports.

Brisbane Airport Corporation has commenced legal proceedings in the Queensland Supreme Court against Airservices in relation to legacy PFAS contamination from Airservices' use of firefighting foams containing PFAS at the airport. Australia Pacific Airports Launceston and Perth Airport Pty Ltd have also commenced legal proceedings against Airservices in relation to PFAS contamination in the Federal Court. Potential costs relating to this matter are unquantifiable at this time.

Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department) engages the New South Wales Rural Fire Service (NSW RFS) to provide fire management in the Jervis Bay Territory (JBT). To provide these services, the NSW RFS requires the Australian Government to provide an uncapped indemnity against any actions or claims resulting from the actions of the NSW RFS while providing fire management services in the JBT. The indemnity covers the same period of time for which NSW RFS is engaged to provide the fire management services. The likelihood of an event occurring that may result in a liability for the Australian Government is assessed as remote. The risk of a liability is mitigated through a range of risk management measures, including the Jervis Bay Territory Rural Fires Ordinance 2014, the establishment of a JBT Emergency Management Committee (EMC), a fire management plan prepared and implemented by the EMC, NSW RFS staff training and professional qualifications and the Department actively managing the Service Level Agreement with the NSW RFS.

Moorebank Intermodal Project – Georges River rail crossing

The Australian Government has provided an indemnity to cover costs and liabilities that may be incurred by the State of New South Wales arising under the *Native Title Act 1993 (Cth)* associated with the construction of a rail bridge over the Georges River to the Moorebank Intermodal Terminal. The likelihood of costs being incurred is considered remote and potential costs are unquantifiable.

Service Delivery Arrangement Indemnities – Indian Ocean Territories, Norfolk Island and Jervis Bay Territory

Since 1992, the Australian Government has been entering into Service Delivery Arrangements with the Western Australian (WA) Government for the provision of services to the Indian Ocean Territories of Christmas Island and the Cocos (Keeling) Islands. The Australian Government has provided certain indemnities for the WA Government, their respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

Since 1 January 2022, the Queensland (QLD) Government has provided a range of services to the Norfolk Island community under an Intergovernmental Agreement. The Australian Government has provided certain indemnities for the State of QLD and its bodies and officials in respect of the delivery of services to the Norfolk Island community.

The Australian Capital Territory (ACT) provides a number of services to the Jervis Bay Territory under Memoranda of Understanding. The Australian Government has provided certain indemnities for the ACT Government authorities and officials in respect of the delivery of services to the Jervis Bay Territory.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these agencies.

Prime Minister and Cabinet

Contingent liability– unquantifiable

McDonald v Commonwealth (Stolen Wages Class Action)

A class action against the Commonwealth has been filed in the Federal Court Victorian Registry on behalf of all Aboriginal and Torres Strait Islander persons who lived and worked in the Northern Territory during the period 1 June 1933 to 12 November 1971, and whose wages were allegedly unjustly withheld, inadequate or not paid as a result of wage control legislation. Costs associated with this litigation (if any) and any potential related future litigation are not quantifiable until the matter is determined by the Court or otherwise resolved.

Contingent liability – quantifiable

Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia

Voyages Indigenous Tourism Australia Pty Ltd (Voyages), the owners of the Ayers Rock Resort, have debt facilities with ANZ ($112.5 million) and the Northern Australia Infrastructure Facility ($27.5 million). The Indigenous Land and Sea Corporation is the guarantor for each of these facilities.

A sharp decline in occupancy rates associated with the COVID-19 pandemic had eroded the financial position of Voyages and raised additional risks regarding its viability. These concerns have recently subsided, with Ayers Rock Resort's performance significantly improving with the relaxation of COVID-19 related restrictions and increase in tourism activity.

Social Services

Fiscal Risks

COVID-19 and disaster social welfare debt pause for specified areas

The Australian Government implemented a temporary pause on a range of debt activities from 4 August 2021 in New South Wales, Victoria, the Australian Capital Territory and 11 Local Government Areas in South East Queensland. This was undertaken to help ease pressure on people subject to stay at home orders and natural disaster impacts.
Since 1 July 2022, consistent with the easing of COVID-19 restrictions, Services Australia has progressively lifted debt pauses associated with the pandemic and natural disasters.

There is currently an unquantifiable financial risk as the financial impacts of the debt pause over 2020–21 and 2021–22 are yet to be fully realised.

National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) provides Australians with permanent and significant disability with financial support to build capacity, increase independence and establish stronger connections with their community.

As with other demand-driven programs, the estimated costs for the NDIS are subject to adjustments to reflect observed changes in actual payments. As the Scheme is relatively new, there is greater potential for changes in forecasts of the number of participants, the funds allocated in participant support packages, the payments by participants from those funds for supports, and the resourcing required by the National Disability Insurance Agency to administer the Scheme. The Government has committed to a NDIS Financial Sustainability Framework to ensure the Scheme is sustainable in the long term, with an annual growth target for Scheme costs of no more than 8 per cent by 1 July 2026. The realisation of the financial projections for the Scheme is dependent on the successful implementation of the framework.

Contingent asset – quantifiable

National Redress Scheme

The *National Redress Scheme for Institutional Child Sexual Abuse Act 2018* aims to support people who experienced institutional child sexual abuse from institutions participating in the National Redress Scheme (the Scheme) to gain access to counselling and psychological services, a direct personal response from the responsible institution, and a monetary payment. The Department of Social Services (DSS) administers the Scheme. In this capacity, DSS makes the monetary payment to the survivor and then recovers the costs from the institution determined to be responsible for the abuse.

As at 24 March 2023, DSS has an administered quantifiable contingent asset of $155.2 million in relation to the probable recovery from responsible institutions of monetary payments that may be made to survivors under the Scheme. The value is based on applications that have been referred to an Independent Decision Maker for assessment and the payment values.

As at 24 March 2023, DSS also has an administered quantifiable contingent liability of $93.3 million in relation to applications made under the Scheme that have been referred to an Independent Decision Maker for assessment. The amount is based on the number of applications and the payment values.

The difference between the contingent asset and the contingent liability represents the net risk to the Budget from the Scheme.

Treasury

Significant but remote contingencies

Asbestos Injuries Compensation Fund

In February 2016, the Commonwealth agreed to assume one-third of the default risk associated with a $320 million New South Wales (NSW) Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all states and territories agreeing to assume the remaining default risk. States and territories agreed to assume the remaining default risk in the period following the publication of the 2016–17 Budget.

The AICF provides compensation to Australian asbestos disease related claims against former subsidiaries of the James Hardie Group and is funded on an ongoing basis through contributions from the James Hardie Group. NSW provided a $320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than on an instalment basis.

The Commonwealth ceased issuing loans from this facility from 9 December 2020.

Financial Claims Scheme

The Financial Claims Scheme provides depositors of authorised deposit-taking institutions (ADIs) and claimants of general insurers with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959*, the scheme provides a mechanism for making payments to depositors under the Australian Government's guarantee of deposits in ADIs. Payments are capped at $250,000 per account holder per ADI. Deposits eligible for coverage under the Financial Claims Scheme were estimated at $1.2 trillion as at 31 December 2022.

Under the *Insurance Act 1973*, the scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. It is not possible to estimate the amounts of any eventual payments that may be required in relation to general insurance claims.

In the very unlikely event of an ADI or general insurer failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme, any payments to account holders with eligible protected accounts or eligible claimants would be made from APRA's Financial Claims Scheme Special Account. Under the legislation, upon activation, up to $20 billion per institution would be available to meet Financial Claims Scheme payments and up to $100 million for administration costs per institution.

Guarantee for the National Housing Finance and Investment Corporation

The Australian Government guarantees the due payment of money payable by the National Housing Finance and Investment Corporation (NHFIC) to anybody other than the Government.

The NHFIC Board must not allow NHFIC to enter into a transaction that would result in the total guaranteed liabilities of the NHFIC, and any outstanding amount which NHFIC has borrowed from the Government, to exceed $7.5 billion unless approved by the Government.

Guarantee of state and territory borrowing

The Australian Government announced on 25 March 2009 that a voluntary, temporary guarantee would be put in place over state and territory borrowing. The Guarantee of state and territory borrowing commenced on 24 July 2009 and closed on 31 December 2010. New South Wales and Queensland were the only states that chose to participate in the Guarantee.

Securities covered by the Guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the Guarantee is remote and unquantifiable. Australian Government expenditure would arise under the Guarantee only in the unlikely event that a state failed to meet its obligations with respect to a commitment that was subject to the Guarantee and the Guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant state at a future date. The impact on the Budget would depend on the extent of the default and the state's ability to meet the Government's claim.

As at 31 January 2023, the face value of state and territory borrowings covered by the Guarantee was $332.3 million, down from $337.5 million as at 31 July 2022.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government guarantees various superannuation and other liabilities: $146.8 million is attributable to liabilities of the Commonwealth Bank of Australia as at 31 December 2022; and $4.3 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation as at 31 December 2022.

Reserve Bank of Australia – Guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia, measured as the Bank's total liabilities excluding capital, reserves, and Australian Government deposits. The principal component of the Bank's liabilities is exchange settlement balances. As at 15 March 2023, exchange settlement balances amount to $451.9 billion, and the total Guarantee is $569.0 billion.

Contingent liabilities – unquantifiable

Compensation scheme of last resort

The compensation scheme of last resort (CSLR) will facilitate the payment of compensation to consumers who have an eligible determination from the Australian Financial Complaints Authority which remains unpaid, primarily due to the insolvency of the relevant financial service provider. Subject to the passage of legislation, the CSLR will be funded by the Government in the first financial year of operation, and thereafter by levies on the financial services sector.

The value of the Australian Government's liabilities under the CSLR is unquantifiable. The collapse of Dixon Advisory and Superannuation Services Pty Ltd may increase the liabilities for the Australian Government.

Establishment of a cyclone and related flooding reinsurance pool

The Government provides an annually reinstated Government guarantee to the Australian Reinsurance Pool Corporation (ARPC) of $10 billion, or a larger amount if required, to support a reinsurance pool for the impact of cyclones and related flooding on eligible insured properties. The guarantee took effect from 1 July 2022, following the passage of legislation in March 2022, and may be called upon in the event of a large cyclone and related flooding, or in a year with a high number of cyclones and related flooding, to ensure the ARPC can pay any and all liabilities.

The reinsurance pool is designed to be cost-neutral to Government over time, based on the predicted cost and frequency of cyclone events. The estimated value and range of calls on the guarantee is unquantifiable due to significant uncertainty in the frequency and severity of cyclones and the resulting losses.

Government guarantees for housing

The Australian Government has a number of programs to support individuals to enter the housing market sooner.

The **First Home Guarantee** (formerly the First Home Loan Deposit Scheme) is designed to support eligible first home buyers, and non-first home buyers who have not owned a property in Australia within the past 10 years, to build or purchase a home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase price. The First Home Guarantee began on 1 January 2020.

The **New Home Guarantee** is designed to support eligible first homes buyers seeking to build a new home or purchase a newly built home by providing a guarantee to participating lenders for up to 15 percent of the property purchase price. A second tranche of 10,000 New Home Guarantees was made available from 1 July 2021. The New Home Guarantee concluded on 30 June 2022, however its guarantees issued in previous financial years remain active.

The **Family Home Guarantee** is designed to support single parents with dependants seeking to enter, or re-enter, the housing market. The Family Home Guarantee commenced on 1 July 2021.

The **Regional First Home Buyer Guarantee** is designed to support eligible first home buyers and non-first home buyers who have not owned a property in Australia within the past 10 years, to build or purchase a home in a regional location by providing a guarantee to participating lenders of up to 15 per cent of the property purchase price (subject to a minimum deposit of 5 per cent). The Regional First Home Buyer Guarantee commenced on 1 October 2022.

For the 4 programs listed above, the Australian Government guarantees the liabilities as they arise. Guaranteed liabilities arise where a lender's loss is covered by the guarantee. The lender then makes a claim against the guarantee and the National Housing Finance and Investment Corporation (NHFIC) accepts the claim. Given liabilities under the Scheme are met by a standing appropriation, the NHFIC is not required to maintain capital and reserves to meet the liabilities associated with these programs.

Indemnities for specialised external advisers during the COVID-19 pandemic

The Government has provided indemnities for certain specialised external advisers engaged to provide advice on emerging markets issues related to COVID-19. Indemnities were provided to mitigate personal risk and provide coverage for costs related to any legal proceedings that may arise in relation to the provision of that advice.

The indemnities apply for the period of engagement as advisers and for claims that are notified within 12 years after cessation of the adviser's engagement. Until the indemnity agreements are varied or expire, they will remain as contingent and unquantifiable liabilities.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into agreements to make a line of credit available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029. The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

Through these agreements, the Government has made available Special Drawing Rights (SDR) 1 billion (approximately A$2.0 billion estimated as at 24 March 2023) to loan to the IMF under the PRGT. As at 24 March 2023, SDR 210.6 million (approximately A$424.4 million) has been drawn down, leaving SDR 789.4 million (approximately A$1.6 billion) available to the IMF under the PRGT.

Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme

The Australian Government provided support for small and medium enterprises during the COVID-19 pandemic through guaranteeing loans issued by participating lenders. This support was provided under a number of schemes.

The **Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme** provided a guarantee of 50 per cent of the eligible loan amount for eligible SMEs and the **Show Starter Loan Scheme** provided a guarantee of 100 per cent of the eligible loan amount for the arts and entertainment businesses, with both schemes closing for new loans on 30 June 2021.

The **SME Recovery Loan Scheme**, an expansion and extension of the Coronavirus SME Guarantee Scheme, provided a guarantee of up to 80 per cent of the eligible loan amount, and was initially available to applicants from 1 April 2021 until 31 December 2021.

The SME Recovery Loan Scheme was extended from 1 January 2022 to 30 June 2022, and during this period the Government provided a guarantee of 50 per cent of the eligible loan amount.

Under each of the above schemes, the Australian Government guaranteed to pay an approved lender in the event of default by small and medium enterprises. Although all schemes have closed to new loans, the risk to the Australian Government remains until the final claim date for SME Recovery Loan Scheme on 30 September 2033.

Terrorism insurance – commercial cover

The *Terrorism Insurance Act 2003* established a scheme for terrorism insurance covering damage to commercial property, including associated business interruption and public liability (extended in 2017 to mixed-use and high-value residential buildings). The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, however the responsible Minister (or delegate) must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

Contingent liabilities – quantifiable

Australian Taxation Office – tax disputes

At any point in time, the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes are uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. As a result, in most cases it is not possible to estimate reliably the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 31 March 2023, for which a provision has not been made, is $9.6 billion.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

International financial institutions – uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947.

Australia's current uncalled capital subscription to the IBRD totals approximately US$4.2 billion (estimated value A$6.3 billion as at 24 March 2023).

The Australian Government has an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals around EUR237.5 million (estimated value A$384.8 million as at 24 March 2023).

The Australian Government has an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals around US$7.0 billion (estimated value A$10.5 billion as at 24 March 2023).

The Australian Government has an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$39.6 million as at 24 March 2023).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals around US$3.0 billion (estimated value A$4.4 billion as at 24 March 2023).

None of these international financial institutions has ever drawn on Australia's uncalled capital subscriptions.

International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability in the global economy. The value of Australia's New Arrangements to Borrow credit arrangement stands at around SDR 4.4 billion (estimated value A$8.9 billion at 24 March 2023). On 8 October 2020, the Treasurer advised the IMF that Australia consented to the New Arrangements to Borrow decision, and on 26 January 2020, the IMF Executive Board approved amendments to the New Arrangements to Borrow decision, including increasing the credit arrangements of all participants and extending the arrangement from 1 January 2021 to 31 December 2025.

In addition, Australia has made available approximately SDR 2.0 billion (estimated as approximately A$4.0 billion at 24 March 2023) via a contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement. This contingent bilateral loan is on terms consistent with other bilateral loans and note purchase agreements between the IMF and other contributing countries. The contingent bilateral loan will be drawn upon by the IMF only if needed to supplement the IMF's quota and New Arrangements to Borrow resources, and any drawings on loans would be repaid in full with interest. The Bilateral Borrowing Agreement is made available to the IMF through to 31 December 2023, with the possibility of a one-year extension.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Australian Government entered into an agreement to make a line of credit of SDR 760 million (approximately A$1.5 billion) available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust (RST) through to 30 November 2030. The RST will provide affordable long-term financing to help vulnerable countries build resilience and sustainability to address the risks stemming from climate change and pandemic preparedness. RST line of credit funds are drawn upon by the IMF as needed and will be repaid in full with interest.

Veterans' Affairs

Fiscal Risk

Defence Service Homes Insurance Scheme

The Defence Service Homes (DSH) Insurance Scheme (the Scheme) was established in 1919 under the *Defence Service Homes Act 1918*. The Scheme offers personal insurance products to eligible serving Australian Defence Force members, veterans and widow(er)s. It underwrites home building insurance and offers a range of personal insurance products (such as contents and motor vehicle insurance) underwritten by QBE Insurance (Australia) Limited.

DSH Insurance is funded by premiums collected from policy holders, commissions from QBE and returns on investments. Due to the nature of insurance, DSH Insurance's financial performance can be volatile from year to year. The last 3 years have been challenging for DSH Insurance due to increases in claims from extreme weather events (including bushfires, hailstorms and floods), combined with low investment returns and increased pricing on reinsurance premiums. These are industry wide challenges affecting all general insurers.

The Scheme manages the volatility of the insurance cycle by aiming for an appropriate level of capital (that is, reserves) consistent with the regulations placed on insurers and monitored by the Australian Prudential Regulatory Authority. The Scheme also has a comprehensive reinsurance program in place, reducing the exposure to loss by passing part of the risk of loss to a group of reinsurers. Nevertheless, there remains a risk that additional Government contributions could be required should these reserves be insufficient to cover the liabilities of the Scheme.

Government loans

Loans are recorded as financial assets and accordingly, the amounts advanced and repaid do not normally affect the budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off, result in an impact on the fiscal balance.

The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small.

Table 9.3 summarises Government loans expected or estimated to exceed $200 million at 30 June 2023 or shortly thereafter.

Table 9.3: Summary of Australian Government loans meeting the materiality threshold

Entity	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Agriculture, Fisheries and Forestry					
Drought related and farm finance concessional loans – Agriculture	212	State Governments (that through their delivery agencies, onlend to eligible farm businesses)	Various	Various	Modified
Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and AgRebuild Loans	2,674	Eligible Australian farm businesses and related small businesses, via Regional Investment Corporation	4.07 per cent for Plantation Loans 4.52 per cent for all other loans	Up to 20 years for plantation loans Up to 10 years for all other loans	Modified
Climate Change, Energy, the Environment and Water					
Clean Energy Finance Corporation	2,960	Approved entities undertaking clean energy technology projects	4.2 per cent weighted average	5–15 years	Modified
Education					
Higher Education Loan Program	48,500	Eligible higher education students	Consumer Price Index (CPI) growth	9.6 years*	Modified
Employment and Workplace Relations					
Trade Support Loans Program	873	Eligible Australian Apprentices	CPI growth		Unchanged
VET Student Loans Program	2,883	Eligible diploma and above students.	CPI growth		Modified
Foreign Affairs and Trade					
Papua New Guinea Liquefied Natural Gas	170	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-in-confidence	Until 2026	Unchanged
Telstra acquisition of Digicel Pacific	1,384	Telstra	Commercial-in-confidence	Various	Unchanged

Table 9.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Entity	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Health and Aged Care					
Zero Real Interest Loans	-	Residential aged care providers	CPI growth	Up to 22 years	Removed
Industry, Science and Resources					
National Reconstruction Fund[(c)]	Various	To be determined subsequent to 1 July 2023	To be determined	To be determined	New
Infrastructure, Transport, Regional Development, Communications and the Arts					
NBN Co Loan	5,500	NBN Co Limited	3.96 per cent	30 June 2024	Modified
Northern Australia Infrastructure Facility Loans	1,139	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on lending to project proponents. The NAIF Investment Mandate Direction 2021 additionally allows for provision of financial assistance directly to other entities	Various (circa. 5 per cent)	Various	Unchanged
WestConnex Stage 2 Concessional Loan	1,776	WCX M5 Finco Pty Ltd	3.36 per cent	November 2015 to July 2034	Unchanged
Prime Minister and Cabinet					
Indigenous home ownership, business development and assistance	931	Eligible Indigenous persons	2.5–6.9 per cent	Up to 32 years	Modified
Voyages Indigenous Tourism Australia Pty Ltd	303	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate + 5 per cent	9 years, 11 months	Modified
Social Services					
Home Equity Access Scheme	224	Eligible Age Pensioners who meet residency requirements	3.95 per cent	Various	New
Student Financial Supplement Scheme	179	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	CPI growth	Various	Modified
Student Start-up Loan	781	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	CPI growth	Various	Modified

Table 9.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Entity	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Treasury					
Affordable Housing Bond Aggregator [(d)]	80	National Housing Finance and Investment Corporation	Commonwealth cost of borrowing	Various	Unchanged
Commonwealth-State financing arrangements – housing and specific purpose capital	1,252	State and Northern Territory governments	4.0 per cent – 6.0 per cent	Up to 30 June 2042	Unchanged
International Monetary Fund – New Arrangements to Borrow	36	International Monetary Fund	0.1 per cent	10 years	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	424	International Monetary Fund	IMF SDR interest rate	10 years	Modified
International Monetary Fund – Resilience and Sustainability Trust	1,532	International Monetary Fund	IMF SDR interest rate	20 years	Modified
Loan Agreement between the Australian Government and the Government of Indonesia	1,250	Government of Indonesia	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
2020 Loan to the Government of Papua New Guinea	529	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea	624	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	20 years	Unchanged
2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea	750	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent		New

* Average.

a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2023 in $ million.

b) Status of loan items are considered 'unchanged' unless there are modifications to respective interest rates and/or loan term.

c) The Government has established the National Reconstruction Fund, which will offer loans and guarantees and make equity investments in a range of emerging technologies and technically complex projects. These investments carry the inherent risks associated with investing in a large and diverse portfolio of financial assets. The fund will appear in this disclosure at such time it is operating.

d) Loan amount as at 20 April 2023.

Agriculture, Fisheries and Forestry

Drought related and farm finance concessional loans – Agriculture

As at 30 June 2023, the fair value of farm business, drought and dairy farm related loans is estimated to total $211.8 million. This includes:

Drought Concessional Loans Scheme: This scheme provided loans to drought-affected farm businesses for debt restructuring, operating expenses and drought recovery and preparedness activities. The scheme commenced in June 2014 as a loans scheme available for 2 years and operated in Queensland, Victoria, New South Wales, South Australia, Western Australia, Tasmania and the Northern Territory. The Government extended the application period until 31 October 2016 to cover the period until the new 10-year Farm Business Concessional Loans Scheme was able to commence on 1 November 2016. The Government also extended the Western Australian application period for the Drought Concessional Loans Scheme until 30 June 2017.

As at 1 February 2023, the interest rate was 4.16 per cent, reviewed on a 6-monthly basis and revised in accordance with material changes in the 5-year Commonwealth bond rate. Loans have a maximum term of 5 years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum 2-year extension to the loan at commercial rates.

Drought Recovery and Dairy Recovery Concessional Loans Scheme(s): The drought recovery component of this scheme provided loans to farm businesses affected by unprecedented drought or, where applicable, Queensland farm businesses directly impacted by the combined effects of drought and the mid-2011 disruption to live cattle exports to Indonesia. The loans funded planting and restocking activities and associated expenses, when seasonal conditions allowed. The loans were available from January 2015, and in 2014–15 operated in Queensland and New South Wales. In 2015–16, drought recovery concessional loans were available in Queensland, New South Wales, South Australia and Tasmania.

The dairy recovery component of this scheme provided concessional loans to dairy farm businesses affected by the 2016 reduction in farm gate milk prices by Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses or productivity enhancement activities, or a combination of these purposes. Dairy recovery concessional loans became available in Victoria, New South Wales, South Australia and Tasmania from June 2016. Applications closed on 31 October 2016. A dairy recovery concessional loan product was available under the Farm Business Concessional Loans Scheme until 30 June 2018.

As at 1 February 2023, the interest rate was 3.59 per cent, reviewed on a 6-monthly basis and revised in accordance with changes in the 10-year Australian Government bond rate. Loans have a maximum term of 10 years with interest-only payments required for the first 5 years. Principal and interest repayments will be made in the remaining 5 years of the loan term.

Farm Business Concessional Loans Scheme: This scheme provided 3 types of concessional loans – drought assistance, dairy recovery and business improvement. This scheme was designed to cover a farmer's short-term needs when income was tight and to supplement, rather than replace, commercial finance. Loans under the scheme were first available in November 2016. Applications for loans under the scheme closed on 30 June 2018.

Drought assistance concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for debt restructuring, operating expenses, drought preparedness activities or drought-recovery activities or a combination of these purposes.

Business improvement concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for eligible Farm Household Allowance (FHA) recipients who were recovering from financial hardship and had exhausted, or would exhaust their FHA 1,095-day income support entitlement by 30 June 2018. These loans were for debt restructuring only.

Dairy recovery concessional loans were available in New South Wales, Victoria, South Australia and Tasmania to eligible suppliers of Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses, productivity enhancement activities or a combination of these purposes.

As at 1 February 2023, the interest rate was 3.99 per cent, reviewed on a 6-monthly basis and revised in accordance with changes in the 10-year Australian Government bond rate. Loans have a maximum term of 10 years.

Farm Finance Concessional Loans Scheme: This scheme provided concessional loans to eligible farm businesses experiencing financial difficulties that were considered commercially viable in the long term, and were for productivity enhancements and debt restructuring. Applications for Farm Finance Concessional Loans closed on 30 June 2015.

Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, AgRebuild Loans and Plantation Loans

The Regional Investment Corporation commenced operations on 1 July 2018.

There are 4 loan products currently available to farm businesses — Farm Investment Loans, Drought Loans, AgriStarter Loans and Plantation Loans. In addition, AgBiz Drought Loans are available for small businesses. AgRebuild Loans (North Queensland flood) closed on 30 June 2020.

The Farm Investment Drought, AgriStarter and AgBiz Drought loan products provide concessional loans to eligible businesses that are experiencing financial difficulties and are considered financially viable in the long term (additional criteria apply for each product and terms and conditions may vary). All products are for farm businesses, except for AgBiz

Drought Loans which are for small businesses that provide primary production related goods and services for drought affected farm businesses.

Plantation loans provide concessional loans to eligible farmers and commercial growers to develop or establish plantations or replant existing bushfire-damaged plantations resulting from the 2019–20 Black Summer Bushfires. Additional criteria apply, including the requirement to have insurance for managing natural disaster risks.

As at 1 February 2023, the variable interest rate was 4.52 per cent for the Farm Investment, Drought, AgriStarter and AgBiz Drought loan products. The variable interest rate for Plantation Loans was 4.07 per cent. Interest rates are revised on a 6-monthly basis in line with any material changes to the Australian Government 10-year bond rate, where a material change is taken to be a movement of more than 10 basis points (0.1 per cent). The next update will be on 1 August 2023.

Interest was not payable during the first 2 years of the AgRebuild Loan, or on the Drought Loans and AgBiz Drought Loans for loan applications that were received before 30 September 2020.

Loans have a maximum term of 10 years, except Plantation Loans which have a maximum term of 20 years.

Climate Change, Energy, the Environment and Water

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012*. This portfolio has an acceptable but not excessive level of risk relative to the sector, as required under the Clean Energy Finance Corporation Investment Mandate Direction 2020.

The CEFC's loan portfolio consists of predominantly senior-ranking, secured loans, bonds and secured project finance facilities, typically secured against energy-generating assets such as wind or solar farms or energy efficiency assets. The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current average expected return of approximately 4.2 per cent. Loans have various maturity dates, typically in the range of 5 to 15 years. As at 30 June 2023, loans contracted and outstanding total $2.96 billion.

Subject to the passage of legislation, the CEFC will also deliver concessional finance, including loans, through the Rewiring the Nation Fund for projects that support grid transformation. The Rewiring the Nation Fund investments may increase the Corporation's overall exposure to risk as the scale, concentration and nature of these investments may have a higher risk profile.

Education

Higher Education Loan Program

The Higher Education Loan Program (HELP) is an income-contingent loan program that assists eligible higher education students with the cost of their student contribution amounts and tuition fees. As at 30 June 2023, the fair value of HELP debt outstanding is estimated to be $48.5 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid.

Debts outstanding for more than 11 months are indexed annually using the Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commence when an individual debtor's income reaches the repayment threshold.

There were 3,002,984 HELP debtors as at 30 June 2022. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2022, the average time taken to repay HELP debts was 9.6 years.

Employment and Workplace Relations

Trade Support Loans Program

The Trade Support Loans Program is an income-contingent, concessional loan program that assists eligible Australian Apprentices by providing financial support of up to $22,890 (2022–23) to assist with the costs of living, learning and undertaking an apprenticeship, and helping apprentices to focus on completing a trade qualification.

Eligible Australian Apprentices can access up to $763.00 per month in the first year of their apprenticeship, $572.25 per month in the second year, $381.50 per month in the third year, and $190.75 per month in the fourth year.

The loan amounts provided are higher in the early years of training to compensate for lower wages. The lifetime limit of $22,890 was indexed on 1 July 2022 using the Consumer Price Index and will continue to be indexed annually on 1 July to maintain its real value.

As an incentive to encourage completion of training, apprentices who successfully complete their apprenticeships are eligible for a 20 per cent discount on their loan. The loans become repayable at the same thresholds as the Higher Education Loan Program, which is $48,361 for the 2022–23 income year. This is a demand-driven program.

VET Student Loans Program

The VET Student Loans (VSL) Program is an income-contingent loan program that assists eligible tertiary education students with the cost of their fees when undertaking approved higher-level (diploma and above) vocational education and training (VET) courses.

Debts outstanding for more than 11 months are indexed annually using the Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commence when an individual debtor's income reaches the repayment threshold. Higher Education Loan Program debts have precedence to the repayment of VSL debts.

There were 107,098 VSL debtors as at 30 June 2022. The repayment term of a VSL debt can only be determined for people who have fully repaid their debt. There is insufficient data for post 1 July 2019 VSL to determine the average time to repay.

Prior to the commencement of the VSL Program, loans for VET students were available through the VET-FEE HELP Program, which closed for new students on 31 December 2016. As at 30 June 2023, the fair value of both VET-FEE HELP debt and VSL debt outstanding is estimated to be $2.9 billion. The fair value takes into account the concessionality of VSL loans and makes an allowance for debt not expected to be repaid.

Foreign Affairs and Trade

Papua New Guinea Liquefied Natural Gas

A loan in support of the Papua New Guinea Liquefied Natural Gas (PNG LNG) project involves the development, construction, operation and maintenance of a LNG liquefaction plant, gas production and processing facilities, onshore and offshore pipelines, associated ancillary facilities and infrastructure. As at 30 June 2023, the fair value of the loan amount outstanding is estimated to total $170.3 million.

Telstra acquisition of Digicel Pacific

The Government has provided a financing package through Export Finance Australia to Telstra for its acquisition of Digicel Pacific. Telstra will own and operate Digicel Pacific, contributing to secure and reliable infrastructure in the Pacific region, which is critical to economic growth and development. This package will include debt and equity like securities designed to secure the Government a long-term return. As at 30 June 2023, USD1.384 billion (around AUD2.1 billion) in funds is estimated to have been drawn down.

Industry, Science and Resources

National Reconstruction Fund Corporation

The *National Reconstruction Fund Corporation Act 2023* establishes the National Reconstruction Fund Corporation (NRFC) to support, diversify and transform Australia's industry and economy. By focusing on transformative projects that enhance Australia's manufacturing capability and capture higher-value opportunities, the NRFC will reduce dependence on supply chains susceptible to breakage and create well-paying jobs for Australians.

The NRFC will offer loans and guarantees and make equity investments across the spectrum of Priority Areas as required by the *National Reconstruction Fund Corporation*

Act 2023. It will target investments in priority areas to crowd in private finance and reinvigorate growth. The NRFC will make a range of investments, including in emerging technologies and technically complex projects that carry higher risk. There are also risks inherent in investing in a large and diverse portfolio of financial assets, consequently in practice this will involve some short-term volatility in the Corporation's returns, including the possibility of credit losses across the portfolio. Noting that the NRFC will not be established until 2023–24, the risk around revenue and loss projections is unquantifiable at this time.

The NRFC Board will develop the Corporation's portfolio with an appropriate risk tolerance relative to the NRF priority sectors as required by the National Reconstruction Fund Corporation Investment Mandate Direction and the National Reconstruction Fund Corporation Priority Areas Declaration.

Infrastructure, Transport, Regional Development, Communications and the Arts

NBN Co Loan

The Australian Government has provided a loan of $19.5 billion to NBN Co, on commercial terms, which was fully drawn in July 2020. The loan was established in December 2016 and must be repaid in full by 30 June 2024. NBN Co commenced repaying the loan in December 2020, and as at 28 February 2023 has made repayments of $14.0 billion. The outstanding balance of the loan is $5.5 billion. The loan has a fixed interest rate of 3.96 per cent per annum, with interest payable monthly over the life of the facility.

Northern Australia Infrastructure Facility Loans

The Northern Australia Infrastructure Facility (NAIF) is a lending facility established by the Commonwealth Government under the *Northern Australia Infrastructure Facility Act 2016* and will operate until 30 June 2026. The primary purpose of the NAIF is to provide loans or alternative financing mechanisms to infrastructure projects. The infrastructure that NAIF is able to finance is wide ranging and includes assets that facilitate the establishment or enhancement of business activity or increase economic activity in a region.

To be eligible for a loan from the NAIF, including up to 100 per cent of the project's debt, project proponents must meet the mandatory criteria outlined in the NAIF Investment Mandate of 30 June 2021. Since its establishment, the NAIF has been amended to:

- expand the eligibility for NAIF financing to include non-construction activities associated with the development of economic infrastructure.

- provide NAIF with expanded debt tools, including the ability to provide letters of credit, guarantees and lend in foreign currency, finance smaller loans through working with financing partnerships, and in certain circumstances provide financing directly to proponents rather than via the States or Northern Territory.

- make equity investments subject to a cap of $50 million and a minimum of $5 million per investment, for non-controlling interest.
- enhance the potential to deliver significant public benefit to northern Australia by removing the prohibition against the Commonwealth assuming the majority risk in any project. The new requirement is that the financial risk be acceptable but not excessive.

Further changes were announced in the 2020–21 MYEFO context to simplify the NAIF's use of debt tools other than loans, such as guarantees and the purchase of bonds, and to permit the NAIF to make equity investments.

The Commonwealth Government has introduced legislation to give effect to these changes.

WestConnex Stage 2 Concessional Loan

The WestConnex concessional loan is a $2 billion loan facility provided to deliver WestConnex Stage 2. The concessional loan enabled Stage 2 to be brought forward, allowing Stages 1 and 2 to proceed in parallel. This resulted in significant time savings compared to the original approach where these stages progressed in sequence.

WestConnex Stage 2 includes the King Georges Road Interchange Upgrade (completed in 2016) and construction of new twin tunnels from Kingsgrove to a new St Peters interchange, providing motorway connections to Alexandria and Mascot, the future Sydney Gateway and the M4–M5 Link.

The concessional loan agreement requires that the loan be repaid between September 2029 and July 2034.

Prime Minister and Cabinet

Indigenous home ownership, business development and assistance

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. Indigenous Business Australia also provides concessional interest rate business loans and business support to increase Indigenous ownership of small to medium sized enterprises, and support their sustainability and growth. As at 30 June 2023, the fair value of outstanding loans for Indigenous Home Ownership and Business Development and Assistance is estimated to total $931.0 million.

Voyages Indigenous Tourism Australia Pty Ltd

The Indigenous Land and Sea Corporation purchased Ayers Rock Resort for $291.2 million in May 2011 and immediately on-sold it to its wholly owned subsidiary, Voyages Indigenous Tourism Australia Pty Ltd, creating an intercompany loan that is partly funded by borrowings. The interest rate is set at the 90-day bank bill swap reference rate plus 5 per cent, and is reset 6-monthly. As at 30 June 2023, the outstanding loan balance is estimated to total $302.5 million.

Social Services

Home Equity Access Scheme

The Home Equity Access Scheme (HEAS) is a voluntary arrangement which allows eligible pensioners to receive a non-taxable loan from the Australian Government. The loan can be paid as regular fortnightly instalments, a capped lump sum advance payments, or both for people of Age Pension age who meet certain residency criteria and own suitable real estate in Australia.

Any amount received under HEAS, and any interest accrued, is attributed as a debt against real assets provided as collateral by the participant. The loan can be paid back at any time or is recovered on the sale of the secured real estate or from the person's estate. Additionally, since 1 July 2022, a No Negative Equity Guarantee applies to HEAS loans, limiting the recoverable debt to the equity in the property used to secure the loan.

Student Financial Supplement Scheme

The Student Financial Supplement Scheme (SFSS) commenced in January 1993 and closed on 31 December 2003. It was a voluntary income-contingent loan scheme for tertiary students (primarily Austudy and ABSTUDY) to help cover their living expenses while studying. Under the scheme, eligible students were able to trade one dollar of income support entitlement for 2 dollars in loans. Debtors are required to start repaying their SFSS loan once they earn $48,361 for 2022–23 and only after they have repaid any HELP and Vocational Education and Training (VET) student loan debt. The estimated fair value of SFSS loans outstanding is valued at $179.4 million by 30 June 2023.

Student Start-up Loan

The Student Start-up Loan (SSL) is a voluntary income-contingent loan for student payment (Youth Allowance (student), Austudy and ABSTUDY Living Allowance) recipients undertaking higher education. Introduced on 1 January 2016, the SSL is paid a maximum of twice a year and each SSL payment is valued at $1,132 (in 2022). The SSL is repayable under similar arrangements to Higher Education Loan Program (HELP) debts. Students are required to start repaying their SSL once they earn over $48,361 for 2022–23, and only after they have repaid any HELP and Vocational Education Training student loan debt. When it commenced, the SSL was initially for new student payment recipients undertaking higher education. From 1 July 2017, with the closure of the Student Start-up Scholarship, the SSL has become available to all eligible student payment recipients undertaking higher education. The estimated fair value of the Student Start-up Loan is valued at $781.4 million by 30 June 2023.

Treasury

Affordable Housing Bond Aggregator

The Australian Government, through the Treasury, has made available a line of credit for the National Housing Finance and Investment Corporation's (NHFIC) Affordable Housing Bond Aggregator. The provision of funds will be in accordance with appropriations under the *National Housing Finance and Investment Corporation Act 2018*. The line of credit is ongoing, and funds borrowed will be repaid with interest. The Treasury manages the receipt of interest and principal repayments from the NHFIC.

Commonwealth-State financing arrangements – housing and specific purpose capital

From 1945 to 1989, the Australian Government made concessional advances to the state and Northern Territory governments under Commonwealth–State financing arrangements for housing and for specific purpose capital. The advances were concessional fixed-rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made to the Commonwealth. As at 30 June 2022, the amortised value of the advances was $1.3 billion (and principal value of $1.5 billion).

The Australian Office of Financial Management manages the receipt of interest and principal repayments from the state and Northern Territory governments to the Commonwealth.

International Monetary Fund – New Arrangements to Borrow

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow since 1998. On 26 January 2020, the IMF Executive Board agreed to a new period of New Arrangements to Borrow from 1 January 2021 to 31 December 2025. The New Arrangements to Borrow helps ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. New Arrangements to Borrow funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest. It is estimated that the value of loans outstanding to Australia is SDR 17.9 million (approximately A$36.0 million) as at 24 March 2023.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into 2 agreements to make a line of credit of SDR 1 billion (approximately A$2.0 billion as at 24 March 2023) available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029.

The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full with interest.

It is estimated that the value of loans outstanding to Australia was SDR 210.6 million (approximately A$24.4 million) as at 24 March 2023.

On 11 October 2022, the Government entered into an agreement to lend SDR 1 billion (approximately A$2.0 billion as at 24 March 2023) to the PRGT Pooled Investments, in order to provide subsidy resources to the PRGT of SDR 36 million (approximately A$72.6 million as at 24 March 2023). This loan was drawn down by the IMF on 21 October 2022. PRGT Pooled Investments funds will be repaid in full, with interest.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Australian Government entered into an agreement to make a SDR 760 million (approximately A$1.5 billion as at 24 March 2023) line of credit available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust's (RST) Loan Account through to 30 November 2030. The RST Loan Account provides affordable long-term financing to help vulnerable countries build economic resilience and sustainability to address the risks stemming from climate change and pandemics. RST Loan Account funds are drawn upon by the IMF as needed and will be repaid in full with interest.

Additionally, on 11 October 2022, the Government entered into an agreement to lend SDR 152 million (approximately A$306.3 million as at 24 March 2023) to the RST Deposit Account through to 30 November 2050, and SDR 15.2 million (approximately A$30.6 million as at 24 March 2023) to the RST Reserve Account though to liquidation of the Trust. RST Deposit Account funds will be repaid in full with interest. RST Reserve Account funds will be repaid upon liquidation of the RST and will not accrue interest. These additional contributions will enable the IMF to build sufficient reserves over time to manage risks associated with RST lending such as potential late payments.

Loan Agreement between the Australian Government and the Government of Indonesia

On 12 November 2020, Australia entered into a A$1.5 billion loan agreement with Indonesia. This agreement is part of a multilateral action to support Indonesia led by the Asian Development Bank and includes the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency and the German state-owned development bank.

The funds will be used to support Indonesia's COVID-19 response, including social protection initiatives and health system development.

2020 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 22 November 2020, the Australian Government entered into a loan agreement for US$400 million (approximately A$558 million) in 2020–21 to the Government of Papua New Guinea (PNG). The loan refinances the US$300 million short-term loan made in 2019–20 and a further A$140 million loan for budget support, including PNG’s response to COVID-19. The previous short-term loan was made to support budget sustainability, assist in the delivery of core government services, support longer term economic reforms, and increase the availability of foreign exchange in the country. The Australian Government had agreed with PNG to temporarily suspend principal and interest repayments for the loan consistent with the Debt Service Suspension Initiative of G20 nations to support low-income nations during the COVID-19 pandemic. This suspension has now ended.

2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 10 December 2021, the Australian Government entered into a loan agreement for A$650 million in 2021–22 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Prime Minister for further support to enable the PNG Government to meet required expenditure in its 2021 Budget, including on the health and economic response to the COVID-19 pandemic. The loan is also provided to help PNG continue progress on economic reforms under the second International Monetary Fund Staff-Monitored Program.

2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 15 December 2022, the Australian Government entered into a loan agreement for A$750 million in 2022–23 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Treasurer for financial assistance to enable the PNG Government to meet required expenditure in its 2022 Budget and support the delivery of reform actions under multilateral development programs, including a new International Monetary Fund (IMF) program established in 2023.

Statement 10: Australian Government Budget Financial Statements

Consistent with the *Charter of Budget Honesty Act 1998 (the Charter)*, the Government has produced a set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. The financial statements comply with both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance)
- a balance sheet, which shows net worth, net financial worth, net financial liabilities and net debt
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

The statements reflect the Government's policy that the ABS GFS remains the basis of budget accounting policy, except where AAS is applied because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, state and territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

Statement contents

Statement 10: Australian Government Budget Financial Statements

Table 10.1: Australian Government general government sector operating statement

			Estimates			
		2022–23	2023–24	2024–25	2025–26	2026–27
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue	3	604,169	629,729	626,364	661,955	694,577
Sales of goods and services	4	19,078	20,811	21,830	22,342	23,356
Interest income	5	9,053	9,426	8,669	8,561	9,069
Dividend and distribution income	5	5,361	6,913	7,311	7,691	8,109
Other	6	16,105	13,494	13,158	13,189	13,126
Total revenue		**653,767**	**680,372**	**677,333**	**713,738**	**748,237**
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	24,254	26,260	26,089	26,188	26,360
Superannuation	7	8,754	7,608	7,813	8,049	8,267
Depreciation and amortisation	8	12,063	12,570	13,101	13,720	14,460
Supply of goods and services	9	175,719	188,790	198,144	211,104	217,487
Other operating expenses(a)	7	8,433	9,346	9,579	9,853	10,035
Total gross operating expenses		*229,223*	*244,575*	*254,725*	*268,914*	*276,608*
Superannuation interest expense	7	12,334	13,631	13,941	14,637	15,033
Interest expenses	10	26,789	27,762	33,076	31,064	35,316
Current transfers						
Current grants	11	192,661	203,464	208,422	213,776	220,439
Subsidy expenses		17,373	16,964	16,859	17,467	18,009
Personal benefits	12	145,485	154,254	165,763	175,925	187,453
Total current transfers		*355,520*	*374,682*	*391,044*	*407,167*	*425,901*
Capital transfers	11					
Mutually agreed write-downs		2,870	3,012	3,173	3,349	3,516
Other capital grants		18,052	20,423	19,422	18,193	15,404
Total capital transfers		*20,922*	*23,435*	*22,595*	*21,542*	*18,921*
Total expenses		**644,788**	**684,085**	**715,382**	**743,324**	**771,779**
Net operating balance		**8,979**	**-3,713**	**-38,049**	**-29,586**	**-23,542**
Other economic flows – included in operating result						
Net write-downs of assets		-8,365	-6,871	-8,227	-8,094	-8,117
Assets recognised for the first time		225	232	239	247	254
Actuarial revaluations		27	19	9	3	-2
Net foreign exchange gains		-514	-62	0	0	0
Net swap interest received		-787	-16	16	28	38
Market valuation of debt		-21,938	-8,847	-8,149	-7,391	-6,354
Other gains/(losses)		2,930	7,485	8,454	9,014	9,289
Total other economic flows – included in operating result		**-28,423**	**-8,060**	**-7,658**	**-6,194**	**-4,893**
Operating result(b)		**-19,444**	**-11,773**	**-45,707**	**-35,779**	**-28,435**

Table 10.1: Australian Government general government sector operating statement (continued)

	Note	2022–23 $m	2023–24 $m	2024–25 $m	2025–26 $m	2026–27 $m
			Estimates			
Non-owner movements in equity						
Revaluation of equity investments		-165	-307	0	0	0
Actuarial revaluations		-3,975	-227	-230	-232	-235
Other economic revaluations		951	75	2,184	93	104
Total other economic flows - included in equity		**-3,190**	**-458**	**1,954**	**-139**	**-131**
Comprehensive result – Total change in net worth		**-22,633**	**-12,231**	**-43,752**	**-35,919**	**-28,566**
Net operating balance		**8,979**	**-3,713**	**-38,049**	**-29,586**	**-23,542**
Net acquisition of non-financial assets						
Purchases of non-financial assets		21,897	22,251	21,835	18,593	22,943
less Sales of non-financial assets		238	53	2,231	261	0
less Depreciation		12,063	12,570	13,101	13,720	14,460
plus Change in inventories		851	803	726	837	788
plus Other movements in non-financial assets		-6	0	0	0	0
Total net acquisition of non-financial assets		**10,441**	**10,431**	**7,229**	**5,449**	**9,271**
Fiscal balance (Net lending/borrowing)(c)		**-1,462**	**-14,144**	**-45,278**	**-35,035**	**-32,813**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) Operating result under AAS.

c) The term fiscal balance is not used by the ABS.

Table 10.2: Australian Government general government sector balance sheet

			Estimates			
		2022–23	2023–24	2024–25	2025–26	2026–27
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits		64,365	60,841	38,538	33,624	34,591
Advances paid	13	76,862	76,032	83,061	91,341	98,566
Investments, loans and placements	14	219,031	241,748	252,171	261,244	270,909
Other receivables	13	73,895	79,944	83,305	88,720	93,851
Equity investments						
Investments in other public sector entities		43,552	47,347	51,712	54,481	55,474
Equity accounted investments		4,250	4,575	4,449	4,491	4,527
Investments – shares		77,925	80,167	82,303	87,563	93,224
Total financial assets		*559,881*	*590,654*	*595,540*	*621,463*	*651,143*
Non-financial assets	15					
Land		13,077	13,168	13,244	13,082	13,189
Buildings		48,616	50,944	53,801	55,234	56,678
Plant, equipment and infrastructure		105,567	111,491	116,859	120,023	126,812
Inventories		11,612	12,010	12,310	12,690	12,993
Intangibles		11,926	12,791	12,811	12,790	12,731
Investment properties		205	205	205	205	205
Biological assets		16	16	16	16	16
Heritage and cultural assets		12,664	12,712	12,726	12,713	12,700
Assets held for sale		179	177	177	177	177
Other non-financial assets		16	16	16	16	16
Total non-financial assets		*203,878*	*213,530*	*222,166*	*226,946*	*235,518*
Total assets		**763,759**	**804,184**	**817,705**	**848,410**	**886,661**
Liabilities						
Interest bearing liabilities						
Deposits held		406	406	406	406	406
Government securities		858,661	902,988	943,825	1,001,798	1,058,666
Loans	16	30,161	31,007	31,518	31,895	31,916
Lease liabilities		19,610	19,073	18,572	17,271	16,005
Total interest bearing liabilities		*908,839*	*953,474*	*994,322*	*1,051,369*	*1,106,994*

Table 10.2: Australian Government general government sector balance sheet (continued)

		Estimates				
		2022–23	2023–24	2024–25	2025–26	2026–27
	Note	$m	$m	$m	$m	$m
Provisions and payables						
Superannuation liability	17	275,796	282,487	294,896	302,980	311,049
Other employee liabilities	17	35,475	36,326	37,226	38,178	39,184
Suppliers payables	18	12,142	12,487	12,729	12,934	13,298
Personal benefits payables	18	3,083	4,008	4,108	4,187	4,055
Subsidies payables	18	909	901	888	882	873
Grants payables	18	2,992	2,658	3,305	2,869	2,578
Other payables	18	4,108	5,777	3,746	3,854	3,896
Provisions	18	67,270	65,151	69,325	69,913	72,057
Total provisions and payables		*401,774*	*409,795*	*426,221*	*435,796*	*446,989*
Total liabilities		**1,310,613**	**1,363,269**	**1,420,543**	**1,487,166**	**1,553,983**
Net worth(a)		**-546,854**	**-559,085**	**-602,838**	**-638,756**	**-667,322**
Net financial worth(b)		*-750,732*	*-772,615*	*-825,003*	*-865,703*	*-902,840*
Net financial liabilities(c)		*794,285*	*819,962*	*876,716*	*920,183*	*958,314*
Net debt(d)		*548,581*	*574,852*	*620,552*	*665,161*	*702,928*

a) Net worth equals total assets minus total liabilities.
b) Net financial worth equals total financial assets minus total liabilities.
c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.
d) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Table 10.3: Australian Government general government sector cash flow statement[(a)]

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received	588,050	616,275	614,332	647,846	680,743
Receipts from sales of goods and services	19,200	20,792	21,845	22,342	23,348
Interest receipts	6,115	7,654	7,168	6,930	7,160
Dividends, distributions and income tax equivalents	5,407	6,889	7,288	7,667	8,083
Other receipts	16,457	14,255	20,334	15,743	15,784
Total operating receipts	**635,230**	**665,865**	**670,967**	**700,529**	**735,118**
Cash payments for operating activities					
Payments to employees(b)	-38,758	-41,669	-42,303	-43,134	-44,044
Payments for goods and services	-173,325	-188,258	-198,949	-212,093	-218,097
Grants and subsidies paid	-226,775	-246,189	-245,906	-249,254	-253,299
Interest paid	-18,792	-21,052	-22,382	-28,186	-27,147
Personal benefit payments	-145,664	-153,940	-166,227	-176,408	-187,880
Other payments(b)	-7,797	-8,541	-8,717	-8,955	-9,074
Total operating payments	**-611,110**	**-659,649**	**-684,484**	**-718,029**	**-739,542**
Net cash flows from operating activities	**24,119**	**6,216**	**-13,517**	**-17,500**	**-4,424**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	363	2,277	271	394	1
Purchases of non-financial assets	-17,766	-19,861	-19,186	-16,847	-21,319
Net cash flows from investments in non-financial assets	**-17,402**	**-17,584**	**-18,915**	**-16,453**	**-21,318**
Net cash flows from investments in financial assets for policy purposes	**-11,689**	**-5,795**	**-14,120**	**-15,215**	**-12,804**
Net cash flows from investments in financial assets for liquidity purposes	**-11,027**	**-17,073**	**-3,703**	**-4,904**	**-5,231**
Cash receipts from financing activities					
Borrowing	200,953	337,701	437,649	648,724	764,206
Other financing	25,307	133	119	120	145
Total cash receipts from financing activities	**226,261**	**337,834**	**437,768**	**648,844**	**764,351**
Cash payments for financing activities					
Borrowing	-207,498	-302,339	-404,736	-594,552	-714,763
Other financing	-33,162	-4,784	-5,079	-5,134	-4,844
Total cash payments for financing activities	**-240,660**	**-307,123**	**-409,815**	**-599,685**	**-719,607**
Net cash flows from financing activities	**-14,399**	**30,712**	**27,953**	**49,158**	**44,744**
Net increase/(decrease) in cash held	**-30,398**	**-3,523**	**-22,303**	**-4,914**	**967**

Table 10.3: Australian Government general government sector cash flow statement (continued)[(a)]

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
GFS cash surplus(+)/deficit(-)(c)	**6,717**	**-11,368**	**-32,433**	**-33,953**	**-25,743**
plus Principal payments of lease liabilities(d)	-2,516	-2,550	-2,625	-2,674	-2,708
Equals underlying cash balance(e)	**4,202**	**-13,918**	**-35,058**	**-36,627**	**-28,450**
plus Net cash flows from investments in financial assets for policy purposes	-11,689	-5,795	-14,120	-15,215	-12,804
Equals headline cash balance	**-7,487**	**-19,713**	**-49,178**	**-51,842**	**-41,255**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.

c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.

d) ‘Net cash flows from financing activities for leases’ has been renamed to ‘principal payments of lease liabilities’. Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the underlying cash balance to maintain consistency of measure following the implementation of AASB 16.

e) The term underlying cash balance is not used by the ABS.

Table 10.4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2022–23	2023–24
	$m	$m
Revenue		
Grants and subsidies	290	116
Sales of goods and services	21,362	21,545
Interest income	28	13
Other	130	75
Total revenue	**21,810**	**21,750**
Expenses		
Gross operating expenses		
Wages and salaries(a)	4,811	4,933
Superannuation	511	545
Depreciation and amortisation	4,324	4,305
Supply of goods and services	11,382	10,577
Other operating expenses(a)	704	693
Total gross operating expenses	*21,733*	*21,054*
Interest expenses	1,823	2,041
Other property expenses	85	179
Current transfers		
Tax expenses	0	47
Total current transfers	*0*	*47*
Total expenses	**23,641**	**23,322**
Net operating balance	**-1,831**	**-1,572**
Other economic flows	**-1,185**	**-1,101**
Comprehensive result – Total change in net worth excluding contribution from owners	**-3,015**	**-2,674**
Net acquisition of non-financial assets		
Purchases of non-financial assets	10,304	9,738
less Sales of non-financial assets	45	82
less Depreciation	4,324	4,305
plus Change in inventories	30	9
plus Other movements in non-financial assets	0	0
Total net acquisition of non-financial assets	**5,965**	**5,360**
Fiscal balance (Net lending/borrowing)(b)	**-7,796**	**-6,932**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2022–23	2023–24
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,416	623
Investments, loans and placements	851	879
Other receivables	6,715	6,628
Equity investments	289	297
Total financial assets	*9,271*	*8,427*
Non-financial assets		
Land and other fixed assets	65,094	69,089
Other non-financial assets(a)	4,103	4,361
Total non-financial assets	*69,197*	*73,450*
Total assets	**78,468**	**81,877**
Liabilities		
Interest bearing liabilities		
Deposits held	16	17
Advances received and loans	31,319	32,967
Lease liabilities	13,126	13,565
Total interest bearing liabilities	*44,461*	*46,548*
Provisions and payables		
Superannuation liability	11	12
Other employee liabilities	1,822	1,787
Other payables	6,806	6,960
Other provisions(a)	893	1,344
Total provisions and payables	*9,533*	*10,103*
Total liabilities	**53,994**	**56,651**
Shares and other contributed capital	**24,475**	**25,226**
Net worth(b)	**24,475**	**25,226**
Net financial worth(c)	*-44,723*	*-48,224*
Net debt(d)	*42,194*	*45,046*

a) Excludes the impact of commercial taxation adjustments.

b) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

d) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).

Table 10.6: Australian Government public non-financial corporations sector cash flow statement[(a)]

	Estimates	
	2022–23	2023–24
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	24,395	22,814
Grants and subsidies received	266	156
GST input credit receipts	1,046	1,144
Other receipts	110	127
Total operating receipts	**25,816**	**24,242**
Cash payments for operating activities		
Payments to employees(b)	-5,302	-5,484
Payment for goods and services	-14,708	-11,904
Interest paid	-1,927	-2,057
GST payments to taxation authority	-1,019	-1,004
Distributions paid	-85	-179
Other payments(b)	-852	-748
Total operating payments	**-23,893**	**-21,376**
Net cash flows from operating activities	**1,923**	**2,866**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	52	80
Purchases of non-financial assets	-8,628	-8,678
Net cash flows from investments in non-financial assets	**-8,576**	**-8,598**
Net cash flows from investments in financial assets for policy purposes	**-3**	**-7**
Net cash flows from investments in financial assets for liquidity purposes	**67**	**65**
Net cash flows from financing activities		
Borrowing (net)	1,661	1,699
Other financing (net)	4,965	3,183
Net cash flows from financing activities	**6,626**	**4,882**
Net increase/(decrease) in cash held	**36**	**-793**
Cash at the beginning of the year	**1,380**	**1,416**
Cash at the end of the year	**1,416**	**623**
GFS cash surplus(+)/deficit(-)(c)	**-6,653**	**-5,733**
plus Principal payments of lease liabilities(d)	-537	-357
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-7,190**	**-6,089**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
d) 'Net cash flows from financing activities for leases' has been renamed to 'principal payments of lease liabilities'. Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Table 10.7: Australian Government total non-financial public sector operating statement

	Estimates	
	2022–23	2023–24
	$m	$m
Revenue		
Taxation revenue	603,288	629,050
Sales of goods and services	39,401	41,331
Interest income	8,843	9,207
Dividend and distribution income	5,276	6,692
Other	16,205	13,636
Total revenue	**673,013**	**699,916**
Expenses		
Gross operating expenses		
Wages and salaries(a)	29,065	31,194
Superannuation	9,266	8,153
Depreciation and amortisation	16,387	16,875
Supply of goods and services	186,045	198,326
Other operating expenses(a)	9,137	10,039
Total gross operating expenses	*249,900*	*264,587*
Superannuation interest expense	12,334	13,631
Interest expenses	28,375	29,571
Current transfers		
Current grants	192,661	203,464
Subsidy expenses	16,614	16,173
Personal benefits	145,485	154,254
Total current transfers	*354,761*	*373,891*
Capital transfers	20,685	23,430
Total expenses	**666,055**	**705,111**
Net operating balance	**6,959**	**-5,195**
Other economic flows	**-32,630**	**-9,158**
Comprehensive result – Total change in net worth	**-25,672**	**-14,353**
Net acquisition of non-financial assets		
Purchases of non-financial assets	32,200	31,988
less Sales of non-financial assets	283	135
less Depreciation	16,387	16,875
plus Change in inventories	881	811
plus Other movements in non-financial assets	-6	0
Total net acquisition of non-financial assets	**16,406**	**15,789**
Fiscal balance (Net lending/borrowing)(b)	**-9,447**	**-20,984**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2022–23	2023–24
	$m	$m
Assets		
Financial assets		
Cash and deposits	65,780	61,464
Advances paid	71,086	75,762
Investments, loans and placements	219,858	242,597
Other receivables	79,411	85,340
Equity investments	84,298	87,705
Total financial assets	*520,433*	*552,869*
Non-financial assets		
Land and other fixed assets	256,622	269,402
Other non-financial assets	16,495	17,618
Total non-financial assets	*273,117*	*287,020*
Total assets	**793,550**	**839,889**
Liabilities		
Interest bearing liabilities		
Deposits held	421	423
Government securities	858,661	902,988
Advances received and loans	55,679	63,673
Lease liabilities	32,728	32,629
Total interest bearing liabilities	*947,490*	*999,713*
Provisions and payables		
Superannuation liability	275,806	282,499
Other employee liabilities	37,297	38,113
Other payables	29,830	32,587
Other provisions	67,347	65,550
Total provisions and payables	*410,281*	*418,749*
Total liabilities	**1,357,771**	**1,418,462**
Net worth(a)	**-564,220**	**-578,573**
Net financial worth(b)	*-837,338*	*-865,593*
Net debt(c)	*590,766*	*619,890*

a) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

c) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Table 10.9: Australian Government total non-financial public sector cash flow statement[(a)]

	Estimates	
	2022–23	2023–24
	$m	$m
Cash receipts from operating activities		
Taxes received	587,901	616,305
Receipts from sales of goods and services	40,507	40,665
Interest receipts	5,919	7,449
Dividends, distributions and income tax equivalents	5,323	6,708
Other receipts	16,429	14,436
Total operating receipts	**656,079**	**685,563**
Cash payments for operating activities		
Payments to employees(b)	-44,060	-47,153
Payments for goods and services	-184,786	-197,073
Grants and subsidies paid	-226,519	-246,159
Interest paid	-20,495	-22,891
Personal benefit payments	-145,664	-153,940
Other payments(b)	-8,509	-9,268
Total operating payments	**-630,032**	**-676,483**
Net cash flows from operating activities	**26,047**	**9,080**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	415	2,357
Purchases of non-financial assets	-26,394	-28,539
Net cash flows from investments in non-financial assets	**-25,978**	**-26,182**
Net cash flows from investments in financial assets for policy purposes	**-7,183**	**-7,885**
Net cash flows from investments in financial assets for liquidity purposes	**-10,961**	**-17,008**
Net cash flows from financing activities		
Borrowing (net)	-4,005	42,569
Other financing (net)	-8,281	-4,891
Net cash flows from financing activities	**-12,286**	**37,678**
Net increase/(decrease) in cash held	**-30,361**	**-4,316**
Cash at the beginning of the year	**96,142**	**65,780**
Cash at the end of the year	**65,780**	**61,464**

Table 10.9: Australian Government total non-financial public sector cash flow statement (continued)[(a)]

	Estimates	
	2022–23	2023–24
	$m	$m
GFS cash surplus(+)/deficit(-)(c)	**69**	**-17,102**
plus Principal payments of lease liabilities(d)	-3,053	-2,907
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-2,984**	**-20,009**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
d) 'Net cash flows from financing activities for leases' has been renamed to 'principal payments of lease liabilities'. Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Table 10.10: Australian Government public financial corporations sector operating statement

	Estimates	
	2022–23	2023–24
	$m	$m
Revenue		
Grants and subsidies	156	163
Sales of goods and services	585	1,536
Interest income	10,862	10,695
Other	117	128
Total revenue	**11,721**	**12,522**
Expenses		
Gross operating expenses		
Wages and salaries(a)	260	285
Superannuation	45	46
Depreciation and amortisation	74	75
Supply of goods and services	498	911
Other operating expenses(a)	64	69
Total gross operating expenses	*941*	*1,386*
Interest expenses	14,811	16,381
Other property expenses	6	5
Current transfers		
Tax expenses	6	7
Total current transfers	*6*	*7*
Total expenses	**15,765**	**17,780**
Net operating balance	**-4,044**	**-5,258**
Other economic flows	**1,078**	**2,583**
Comprehensive result – Total change in net worth excluding contribution from owners	**-2,966**	**-2,675**
Net acquisition of non-financial assets		
Purchases of non-financial assets	0	0
less Sales of non-financial assets	0	0
less Depreciation	74	75
plus Change in inventories	-45	0
plus Other movements in non-financial assets	0	0
Total net acquisition of non-financial assets	**-118**	**-75**
Fiscal balance (Net lending/borrowing)(b)	**-3,926**	**-5,183**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.11: Australian Government public financial corporations sector balance sheet[(a)]

	Estimates	
	2022–23	2023–24
	$m	$m
Assets		
Financial assets		
Cash and deposits	894	872
Investments, loans and placements	624,296	623,738
Other receivables	209	209
Equity investments	1,254	1,335
Total financial assets	*626,654*	*626,154*
Non-financial assets		
Land and other fixed assets	994	985
Other non-financial assets(b)	74	74
Total non-financial assets	*1,068*	*1,059*
Total assets	**627,721**	**627,213**
Liabilities		
Interest bearing liabilities		
Deposits held	616,023	616,023
Borrowing	21,865	22,907
Total interest bearing liabilities	*637,888*	*638,931*
Provisions and payables		
Superannuation liability	2	2
Other employee liabilities	185	186
Other payables	928	1,178
Other provisions(b)	1,812	2,562
Total provisions and payables	*2,927*	*3,928*
Total liabilities	**640,815**	**642,859**
Shares and other contributed capital	**-13,094**	**-15,646**
Net worth(c)	**-13,094**	**-15,646**
Net financial worth(d)	*-14,161*	*-16,705*
Net debt(e)	*12,697*	*14,321*

a) Assumes no valuation or currency movement.
b) Excludes the impact of commercial taxation adjustments.
c) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.
d) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.
e) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).

Table 10.12: Australian Government public financial corporations sector cash flow statement[(a)]

	Estimates	
	2022–23	2023–24
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	597	1,536
Grants and subsidies received	156	163
GST input credit receipts	2	2
Interest receipts	9,758	10,659
Other receipts	108	265
Total operating receipts	**10,622**	**12,625**
Cash payments for operating activities		
Payments to employees(b)	-307	-332
Payment for goods and services	-649	-1,071
Interest paid	-14,404	-16,310
GST payments to taxation authority	0	0
Distributions paid	-6	-5
Other payments(b)	-73	-70
Total operating payments	**-15,439**	**-17,788**
Net cash flows from operating activities	**-4,818**	**-5,163**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	0	0
Purchases of non-financial assets	0	0
Net cash flows from investments in non-financial assets	**0**	**0**
Net cash flows from investments in financial assets for policy purposes	**-502**	**-1,045**
Net cash flows from investments in financial assets for liquidity purposes(c)	**5,258**	**5,247**
Net cash flows from financing activities		
Borrowing and deposits received (net)(c)	-769	836
Other financing (net)	1,038	103
Net cash flows from financing activities	**269**	**940**
Net increase/(decrease) in cash held	**208**	**-22**
Cash at the beginning of the year	**686**	**894**
Cash at the end of the year	**894**	**872**
GFS cash surplus(+)/deficit(-)(d)	**-4,818**	**-5,163**
plus Principal payments of lease liabilities(e)	-3	-2
Adjusted GFS cash surplus(+)/deficit(-)(e)	**-4,821**	**-5,165**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) Assumes no cash flows associated with valuation or currency movements.
d) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
e) 'Net cash flows from financing activities for leases' has been renamed to 'principal payments of lease liabilities'. Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Notes to the general government sector financial statements

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the Budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0), which is based on the International Monetary Fund (IMF) accrual GFS framework

- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards as adopted in Australia for use by the not-for-profit sector and specific standards such as AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

The financial statements have been prepared on an accrual basis that complies with both the ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and the ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Detailed accounting policies, as well as a set of notes and other disclosures as required by AAS, are disclosed in the Australian Government Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

The Government's key fiscal aggregates are based on the ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including the net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

AASB 1049 and the UPF also provide a basis for reporting the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. The ABS GFS does not require total assets to be attributed to functions. In accordance with the ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in *Statement 6: Expenses and Net Capital Investment*. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in *Statement 6*.

AASB 1055 *Budgetary Reporting* requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variances in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2022–23 March Budget are disclosed in the *Pre-election Economic and Fiscal Outlook 2022* (PEFO) and *Statement 3: Fiscal Strategy and Outlook*, with decisions taken since the 2022–23 October Budget disclosed in Budget Paper No. 2 *Budget Measures 2023–24*. All policy decisions taken between the 2022–23 March Budget and the 2022–23 October Budget are disclosed in PEFO or Budget Paper No. 2 *Budget Measures October 2022–23*.

Details of the Australian Government's GGS contingent liabilities are disclosed in *Statement 9: Statement of Risks*.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 10.13.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Only one measure of each aggregate has been included on the face statements to avoid confusion.

Further information on the differences between the 2 systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, 2015 (cat. no. 5514.0).

Table 10.13: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Circulating coins – seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an 'other economic flow'.	ABS GFS
Timing recognition of Boosting Cash Flow for Employers	Expense recognition is based on underlying economic activity that gives rise to the Cash Flow Boost payment.	Recognised when the businesses receive payments after submitting their activity statements and having met all requirements.	AAS
Leases	AASB 16 introduced a single lease accounting framework for lessees, which replaced the distinction between operating and finance leases. Right of use assets and lease liabilities are recognised on the balance sheets for leases that were previously accounted for as operating expense.	The distinction between operating leases and finance leases is continued for lessees.	AAS
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an 'other economic flow'.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities are valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenue or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS

Table 10.13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.	AAS
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Timing recognition of vaccine expense	Recognised when vaccines are delivered to the states and territories.	Recognised when the vaccine doses are administered. Vaccine wastage after distributions are recognised as an 'other economic flow'.	AAS
Regional Broadband Scheme	The revenue from the levy on internet service providers (ISPs) and the associated subsidy expense to NBN Co for the provision of regional broadband services are recorded separately on a gross basis.	The revenue from the levy on ISPs and the associated subsidy expense to NBN Co are recorded on a net basis.	AAS
Fiscal aggregates differences			
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification differences			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS

Table 10.13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Spectrum sales	Recognise non-financial asset sale for fiscal balance when licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sale for fiscal balance at time of auction as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	AAS
Classification of Australian Government funding of non-government schools	Direct grants to states and territories made in accordance with bilateral agreements with the Commonwealth and consistent with section 96 of the Constitution.	Personal benefit payments – indirect included in goods and services expenses.	AAS

Note 3: Taxation revenue by type

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Individuals and other withholding taxes					
Gross income tax withholding	272,300	289,300	283,400	298,100	318,300
Gross other individuals	73,000	73,600	74,100	75,400	80,400
less: Refunds	42,100	37,000	37,700	36,100	36,200
Total individuals and other withholding taxation	303,200	325,900	319,800	337,400	362,500
Fringe benefits tax	3,510	3,500	3,510	3,420	3,440
Company tax	140,800	131,100	122,300	132,900	130,700
Superannuation fund taxes	9,670	16,620	23,320	23,120	25,370
Petroleum resource rent tax	2,230	2,770	2,680	2,900	2,360
Income taxation revenue	**459,410**	**479,890**	**471,610**	**499,740**	**524,370**
Goods and services tax	88,040	89,080	91,910	97,750	103,690
Wine equalisation tax	1,170	1,160	1,210	1,250	1,270
Luxury car tax	1,150	860	850	880	920
Excise and Custom duty					
Petrol	5,600	7,350	7,600	7,500	7,750
Diesel	13,160	15,880	16,370	17,380	18,180
Other fuel products	2,760	2,100	2,110	2,160	2,220
Tobacco	12,700	12,900	13,450	14,200	14,650
Beer	2,620	2,670	2,690	2,900	3,000
Spirits	3,390	3,570	3,810	3,900	4,020
Other alcoholic beverages(a)	1,640	1,680	1,810	1,840	1,900
Other customs duty					
Textiles, clothing and footwear	190	170	170	130	170
Passenger motor vehicles	440	430	440	210	180
Other imports	1,530	1,310	1,330	650	690
less: Refunds and drawbacks	700	700	700	700	700
Total excise and customs duty	43,330	47,360	49,080	50,170	52,060
Major bank levy	1,560	1,640	1,670	1,730	1,820
Agricultural levies	631	586	593	613	614
Visa application charges(b)	2,995	3,125	3,319	3,460	3,574
Other taxes(b)	5,883	6,028	6,121	6,361	6,259
Mirror taxes	742	787	820	861	903
less: Transfers to states in relation to mirror tax revenue	742	787	820	861	903
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	**144,759**	**149,839**	**154,754**	**162,215**	**170,207**
Taxation revenue	**604,169**	**629,729**	**626,364**	**661,955**	**694,577**

Note 3: Taxation revenue by type (continued)

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Memorandum:					
Total excise	*26,150*	*30,090*	*33,790*	*35,040*	*36,410*
Total customs duty	*17,180*	*17,270*	*15,290*	*15,130*	*15,650*
Capital gains tax(c)	*28,600*	*23,200*	*20,300*	*20,100*	*20,900*

a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) Prior to the 2022–23 October Budget, 'visa application charges' were previously included in 'other taxes'.
c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	306,710	329,400	323,310	340,820	365,940
Income and capital gains levied on enterprises	152,700	150,490	148,300	158,920	158,430
Total taxes on income, profits and capital gains	**459,410**	**479,890**	**471,610**	**499,740**	**524,370**
Taxes on employers' payroll and labour force	1,158	1,017	1,099	1,184	942
Taxes on the provision of goods and services					
Sales/goods and services tax	90,360	91,100	93,970	99,880	105,880
Excises and levies	26,781	30,676	34,383	35,653	37,024
Taxes on international trade	17,180	17,270	15,290	15,130	15,650
Total taxes on the provision of goods and services	**134,321**	**139,046**	**143,643**	**150,663**	**158,554**
Taxes on the use of goods and performance of activities	9,280	9,775	10,012	10,367	10,712
Total taxation revenue	**604,169**	**629,729**	**626,364**	**661,955**	**694,577**

Note 4: Sales of goods and services revenue

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Sales of goods	1,407	1,483	1,690	1,653	1,702
Rendering of services	14,703	16,131	16,993	17,575	18,277
Lease rental	336	343	330	411	425
Fees from regulatory services	2,633	2,853	2,817	2,703	2,951
Total sales of goods and services revenue	**19,078**	**20,811**	**21,830**	**22,342**	**23,356**

Note 5: Interest and dividend and distribution revenue

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Interest from other governments					
State and territory debt	12	12	10	9	6
Housing agreements	72	67	62	57	53
Total interest from other governments	**84**	**79**	**72**	**66**	**59**
Interest from other sources					
Advances	802	775	878	1,069	1,317
Deposits	2,021	2,903	2,277	1,744	1,609
Indexation of HELP receivable and other student loans	3,598	2,509	1,635	1,550	1,573
Other	2,549	3,160	3,806	4,132	4,511
Total interest from other sources	**8,969**	**9,347**	**8,597**	**8,495**	**9,010**
Total interest	**9,053**	**9,426**	**8,669**	**8,561**	**9,069**
Dividends and distributions					
Dividends from other public sector entities	82	186	300	314	272
Other dividends and distributions	5,279	6,727	7,010	7,377	7,837
Total dividends and distributions	**5,361**	**6,913**	**7,311**	**7,691**	**8,109**
Total interest and dividend and distribution revenue	**14,414**	**16,339**	**15,980**	**16,252**	**17,178**

Note 6: Other sources of non-taxation revenue

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Industry contributions	83	99	105	107	100
Royalties	2,202	1,287	1,076	834	651
Seigniorage	66	67	59	56	56
Other	13,754	12,040	11,919	12,192	12,319
Total other sources of non-taxation revenue	**16,105**	**13,494**	**13,158**	**13,189**	**13,126**

Note 7: Employee and superannuation expense

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Wages and salaries expenses	**24,254**	**26,260**	**26,089**	**26,188**	**26,360**
Other operating expenses					
Leave and other entitlements	2,756	3,101	3,082	3,094	3,084
Separations and redundancies	61	88	107	85	87
Workers compensation premiums and claims	2,997	3,551	3,732	3,892	3,977
Other	2,619	2,606	2,657	2,783	2,887
Total other operating expenses	**8,433**	**9,346**	**9,579**	**9,853**	**10,035**
Superannuation expenses					
Superannuation	8,754	7,608	7,813	8,049	8,267
Superannuation interest cost	12,334	13,631	13,941	14,637	15,033
Total superannuation expenses	**21,088**	**21,239**	**21,754**	**22,686**	**23,300**
Total employee and superannuation expense	**53,775**	**56,846**	**57,421**	**58,727**	**59,694**

Note 8: Depreciation and amortisation expense

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	4,442	4,894	5,357	5,942	6,552
Buildings	4,006	4,016	4,121	4,256	4,383
Other infrastructure, plant and equipment	2,396	2,414	2,392	2,371	2,384
Heritage and cultural assets	76	76	76	76	75
Other	5	7	6	6	6
Total depreciation(a)	**10,925**	**11,407**	**11,952**	**12,651**	**13,400**
Total amortisation	**1,138**	**1,163**	**1,149**	**1,069**	**1,060**
Total depreciation and amortisation expense	**12,063**	**12,570**	**13,101**	**13,720**	**14,460**
Memorandum:					
Depreciation relating to right of use assets					
Specialist military equipment	*31*	*31*	*31*	*31*	*31*
Buildings	*2,311*	*2,295*	*2,330*	*2,271*	*2,277*
Other infrastructure, plant and equipment	*270*	*270*	*273*	*272*	*269*
Other	*5*	*7*	*6*	*6*	*6*
Total depreciation of right of use assets	***2,617***	***2,603***	***2,640***	***2,581***	***2,583***

a) Includes depreciation of right of use (leased) assets, resulting from implementation of AASB 16.

Note 9: Supply of goods and services expense

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Supply of goods and services	48,234	49,053	47,524	50,950	48,723
Lease expenses	338	179	201	164	184
Personal benefits – indirect	120,537	132,988	143,478	152,976	161,411
Health care payments	4,156	4,216	4,510	4,600	4,696
Other	2,455	2,355	2,431	2,414	2,472
Total supply of goods and services expense	**175,719**	**188,790**	**198,144**	**211,104**	**217,487**

Note 10: Interest expense

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Interest on debt					
Government securities(a)	22,129	22,591	23,878	26,214	29,067
Loans	116	145	163	184	224
Other	645	737	608	581	603
Total interest on debt	**22,890**	**23,473**	**24,649**	**26,979**	**29,894**
Interest on lease liabilities	**361**	**360**	**368**	**367**	**355**
Other financing costs	**3,539**	**3,929**	**8,059**	**3,719**	**5,067**
Total interest expense	**26,789**	**27,762**	**33,076**	**31,064**	**35,316**

a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Australian Government Securities (AGS), previously referred to as Commonwealth Government Securities, when issued and on technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future AGS issuance.

Note 11: Current and capital grants expense

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Current grants expense					
State and territory governments	152,097	160,494	164,605	171,165	177,769
Private sector	7,628	8,019	7,228	6,978	6,411
Overseas	4,407	4,358	5,048	4,452	4,712
Non-profit organisations	13,753	15,257	14,195	13,927	13,777
Multi-jurisdictional sector	11,480	12,105	12,935	13,469	13,808
Other	3,297	3,230	4,410	3,784	3,963
Total current grants expense	**192,661**	**203,464**	**208,422**	**213,776**	**220,439**
Capital grants expense					
Mutually agreed write-downs	2,870	3,012	3,173	3,349	3,516
Other capital grants					
State and territory governments	15,293	18,554	17,502	16,251	14,692
Local governments	1,434	815	723	723	473
Non-profit organisations	934	884	1,140	1,217	239
Private sector	276	20	10	0	0
Other	115	150	48	2	0
Total capital grants expense	**20,922**	**23,435**	**22,595**	**21,542**	**18,921**
Total grants expense	**213,583**	**226,899**	**231,017**	**235,318**	**239,360**

Note 12: Personal benefits expense

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Social welfare – assistance to the aged	54,867	59,182	61,672	64,577	67,308
Assistance to veterans and dependants	4,420	4,425	4,323	4,209	4,100
Assistance to people with disabilities	29,961	32,582	34,038	35,531	36,415
Assistance to families with children	27,993	31,387	33,392	34,832	36,201
Assistance to the unemployed	13,867	13,830	15,483	15,999	15,915
Student assistance	2,708	3,105	3,329	3,495	3,643
Other welfare programs	1,937	961	953	973	958
Financial and fiscal affairs	723	641	693	747	521
Vocational and industry training	85	249	359	305	257
Other	8,924	7,892	11,521	15,257	22,135
Total personal benefits expense	**145,485**	**154,254**	**165,763**	**175,925**	**187,453**

Note 13: Advances paid and other receivables

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Advances paid					
Loans to state and territory governments	1,652	1,523	1,392	1,268	1,081
Student loans	53,240	55,444	58,516	61,690	64,879
Other	22,409	19,740	24,279	29,552	33,774
less Impairment allowance	438	675	1,126	1,169	1,168
Total advances paid	**76,862**	**76,032**	**83,061**	**91,341**	**98,566**
Other receivables					
Goods and services receivable	1,359	1,376	1,375	1,375	1,386
Recoveries of benefit payments	5,955	6,089	6,211	6,326	6,228
Taxes receivable	41,943	46,781	50,293	54,012	57,489
Prepayments	3,866	4,282	4,658	5,125	5,552
Other	23,978	24,722	24,161	25,359	26,690
less Impairment allowance	3,206	3,306	3,394	3,478	3,493
Total other receivables	**73,895**	**79,944**	**83,305**	**88,720**	**93,851**

Note 14: Investments, loans and placements

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Investments – deposits	11,878	11,601	11,675	12,077	12,692
IMF quota and SDR holdings	22,666	22,504	22,504	22,504	22,504
Residential mortgage backed securities	942	1,036	1,217	1,295	1,494
Collective investment vehicles	112,817	121,780	130,939	138,771	147,073
Other interest bearing securities	52,429	55,209	56,398	57,143	58,033
Other	18,300	29,618	29,439	29,453	29,112
Total investments, loans and placements	**219,031**	**241,748**	**252,171**	**261,244**	**270,909**

Note 15: Non-financial assets

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Land and buildings					
Land	13,077	13,168	13,244	13,082	13,189
Buildings	48,616	50,944	53,801	55,234	56,678
Total land and buildings	**61,693**	**64,112**	**67,045**	**68,316**	**69,867**
Plant, equipment and infrastructure					
Specialist military equipment	87,206	92,553	97,839	101,354	108,824
Other plant, equipment and infrastructure	18,362	18,938	19,019	18,669	17,988
Total plant, equipment and infrastructure	**105,567**	**111,491**	**116,859**	**120,023**	**126,812**
Inventories					
Inventories held for sale	337	556	575	662	664
Inventories not held for sale	11,275	11,453	11,736	12,028	12,329
Total inventories	**11,612**	**12,010**	**12,310**	**12,690**	**12,993**
Intangibles					
Computer software	6,444	6,990	7,057	7,049	6,986
Other	5,482	5,802	5,754	5,741	5,745
Total intangibles	**11,926**	**12,791**	**12,811**	**12,790**	**12,731**
Total investment properties	**205**	**205**	**205**	**205**	**205**
Total biological assets	**16**	**16**	**16**	**16**	**16**
Total heritage and cultural assets	**12,664**	**12,712**	**12,726**	**12,713**	**12,700**
Total assets held for sale	**179**	**177**	**177**	**177**	**177**
Total other non-financial assets	**16**	**16**	**16**	**16**	**16**
Total non-financial assets(a)	**203,878**	**213,530**	**222,166**	**226,946**	**235,518**
Memorandum:					
Total relating to right of use assets					
Land	*161*	*178*	*172*	*166*	*161*
Buildings	*16,532*	*16,065*	*15,731*	*14,672*	*13,758*
Specialist military equipment	*255*	*224*	*193*	*162*	*132*
Other plant, equipment and infrastructure	*1,500*	*1,389*	*1,226*	*1,097*	*914*
Total right of use assets	***18,448***	***17,856***	***17,322***	***16,097***	***14,965***

a) Includes right of use (leased) assets, resulting from implementation of AASB 16.

Note 16: Loans

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Promissory notes	8,716	9,321	9,347	9,346	9,343
Special drawing rights	18,169	18,040	18,040	18,040	18,040
Other	3,276	3,646	4,132	4,509	4,533
Total loans	**30,161**	**31,007**	**31,518**	**31,895**	**31,916**

Note 17: Employee and superannuation liabilities

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Total superannuation liability(a)	**275,796**	**282,487**	**294,896**	**302,980**	**311,049**
Other employee liabilities					
Leave and other entitlements	9,214	9,456	9,686	9,881	10,137
Accrued salaries and wages	701	767	819	881	929
Workers compensation claims	1,889	1,871	1,856	1,849	1,846
Military compensation	23,081	23,634	24,255	24,949	25,643
Other	589	599	609	618	628
Total other employee liabilities	**35,475**	**36,326**	**37,226**	**38,178**	**39,184**
Total employee and superannuation liabilities	**311,270**	**318,813**	**332,121**	**341,158**	**350,233**

a) For budget reporting purposes, a discount rate of 5.0 per cent determined by actuaries in preparing the 2020 Long Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the spot rates on long-term government bonds were used. Consistent with AAS, the superannuation liability for the 2021–22 Final Budget Outcome (FBO) was calculated using the spot rates on long-term government bonds as at 30 June 2022 that best matched each individual scheme's liability duration. These rates were between 3.7 and 3.9 per cent per annum.

Note 18: Provisions and payable

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Suppliers payables					
Trade creditors	7,906	8,120	8,281	8,610	8,974
Lease rental payable	0	0	0	0	0
Personal benefits payables – indirect	2,159	2,345	2,428	2,303	2,302
Other creditors	2,076	2,021	2,021	2,022	2,022
Total suppliers payables	**12,142**	**12,487**	**12,729**	**12,934**	**13,298**
Total personal benefits payables – direct	**3,083**	**4,008**	**4,108**	**4,187**	**4,055**
Total subsidies payable	**909**	**901**	**888**	**882**	**873**
Grants payables					
State and territory governments	172	194	185	171	160
Non-profit organisations	173	174	174	174	174
Private sector	314	315	309	309	309
Overseas	1,998	1,654	2,311	1,900	1,610
Local governments	0	0	0	0	0
Other	335	321	326	314	324
Total grants payables	**2,992**	**2,658**	**3,305**	**2,869**	**2,578**
Total other payables	**4,108**	**5,777**	**3,746**	**3,854**	**3,896**
Provisions					
Provisions for tax refunds	4,319	4,309	4,299	4,289	4,279
Grants provisions	12,574	6,863	4,710	4,328	4,063
Personal benefits provisions – direct	6,991	7,171	7,374	7,579	7,775
Personal benefits provisions – indirect	5,644	7,238	7,992	8,797	9,671
Provisions for subsidies	6,556	6,728	6,787	6,963	7,213
Other	31,186	32,842	38,163	37,956	39,056
Total provisions	**67,270**	**65,151**	**69,325**	**69,913**	**72,057**

Note 19: Reconciliation of cash

		Estimates			
	2022–23	2023–24	2024–25	2025–26	2026–27
	$m	$m	$m	$m	$m
Net operating balance (revenues *less* expenses)	**8,979**	**-3,713**	**-38,049**	**-29,586**	**-23,542**
less **Revenues not providing cash**					
Other	5,214	3,352	3,028	4,956	3,570
Total revenues not providing cash	**5,214**	**3,352**	**3,028**	**4,956**	**3,570**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	7,974	7,335	13,088	8,807	8,870
Depreciation/amortisation expense	12,063	12,570	13,101	13,720	14,460
Mutually agreed write-downs	2,870	3,012	3,173	3,349	3,516
Other	4,758	5,045	9,051	2,999	6,655
Total expenses not requiring cash	**27,665**	**27,962**	**38,413**	**28,875**	**33,501**
plus **Cash provided/(used) by working capital items**					
Decrease/(increase) in inventories	-470	-806	-725	-819	-760
Decrease/(increase) in receivables	-9,483	-13,333	-11,128	-11,727	-11,302
Decrease/(increase) in other financial assets	-1,707	-525	743	-845	-748
Decrease/(increase) in other non-financial assets	286	-272	-239	-334	-308
Increase/(decrease) in benefits, subsidies and grants payable	3,649	-2,861	-549	512	792
Increase/(decrease) in suppliers' liabilities	111	30	-179	104	249
Increase/(decrease) in other provisions and payables	302	3,088	1,225	1,275	1,265
Net cash provided/(used) by working capital	**-7,312**	**-14,679**	**-10,852**	**-11,834**	**-10,812**
equals (Net cash from/(to) operating activities)	24,119	6,216	-13,517	-17,500	-4,424
plus (Net cash from/(to) investing activities)	-40,118	-40,451	-36,739	-36,572	-39,353
Net cash from operating activities and investment	**-15,999**	**-34,235**	**-50,256**	**-54,072**	**-43,778**
plus (Net cash from/(to) financing activities)	-14,399	30,712	27,953	49,158	44,744
***equals* Net increase/(decrease) in cash**	**-30,398**	**-3,523**	**-22,303**	**-4,914**	**967**
Cash at the beginning of the year	**94,763**	**64,365**	**60,841**	**38,538**	**33,624**
Net increase/(decrease) in cash	-30,398	-3,523	-22,303	-4,914	967
Cash at the end of the year	**64,365**	**60,841**	**38,538**	**33,624**	**34,591**

Appendix A: Financial reporting standards and budget concepts

The Budget primarily focuses on the financial performance and position of the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 Conceptual framework

AASB 1049 seeks to 'harmonise' the ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. AASB 1049 also provides a basis for whole-of-government reporting, including for the PNFC and PFC sectors.

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 10 *Consolidated Financial Statements.* AASB 1049 also follows the ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.[52]

52 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or 'other economic flows'). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.[53]

A change to the value or volume of an asset or liability that does not result from a transaction is an 'other economic flow'. This can include changes in values from market prices, most actuarial valuations and exchange rates, and changes in volumes from discoveries, depletion and destruction. All 'other economic flows' are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

'Other economic flows' are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and 'other economic flows' sum to the total change in net worth during a period. The majority of 'other economic flows' for the Australian Government GGS arise from price movements in its assets and liabilities.

53 Not all transactions impact net worth. For example, transactions in financial assets and liabilities do not impact net worth as they represent the swapping of assets and liabilities on the balance sheet.

Net operating balance

The net operating balance is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation). By including all accruing costs, including depreciation, the net operating balance encompasses the full current cost of providing government services. This makes it a measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. The fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.[54]

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

54 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation is deducted in the calculation of net capital investment as the full investment in non-financial assets is included in the calculation of fiscal balance.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as equity holdings. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt.
As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed by physical assets.

Net debt

Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). Financial assets include the Future Fund's investments in interest bearing securities and collective investment vehicles (CIVs). CIVs enable investors to pool their money and invest the pooled funds, rather than buying securities directly. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

The 2015 ABS GFS Manual presents debt in a matrix format, with no single net debt aggregate identified. The Australian Government continues to report net debt in accordance with the UPF as described above.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance.

For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities

plus

Net cash flows from investments in non-financial assets

equals

ABS GFS cash surplus/deficit

plus

Principal payments of lease liabilities[55]

equals

Underlying cash balance

Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Government excluded net Future Fund cash earnings from the calculation of the underlying cash balance between 2005–06 and 2019–20. From 2020–21 onwards, net Future Fund cash earnings have been included in the calculation of the underlying cash balance because the Future Fund became available to meet the Government's superannuation liabilities from this year.

In contrast, net Future Fund earnings have been included in the net operating balance and fiscal balance for all years because superannuation expenses relating to future cash payments are recorded in the net operating balance and fiscal balance.

Net Future Fund earnings are separately identified in the historical tables in *Statement 11: Historical Australian Government Data*.

55 'Net cash flows from financing activities for leases' has been renamed to 'principal payments of lease liabilities'.

Headline cash balance

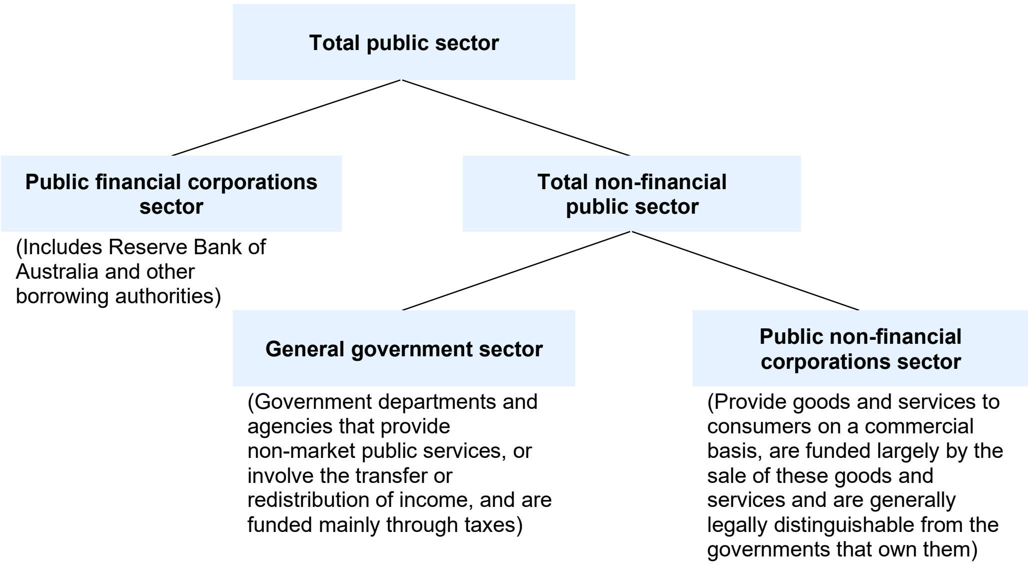
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes to the underlying cash balance.

Net cash flows from investments in financial assets for policy purposes include equity transactions and advances paid. Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Advances paid include net loans to the states and net loans to students.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure A10.1. The ABS GFS defines the GGS, PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

Figure A10.1: Institutional structure of the public sector



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table A10.1).

A table which provides a full list of public sector principal entities under the current portfolio structure is available on the Department of Finance website at https://www.finance.gov.au/government/managing-commonwealth-resources/structure-australian-government-public-sector/pgpa-act-flipchart-and-list.

Table A10.1: Entities outside of the general government sector – 2022–23

Public financial corporations
Employment and Workplace Relations Portfolio • Coal Mining Industry (Long Service Leave Funding) Corporation Foreign Affairs and Trade Portfolio • Export Finance and Insurance Corporation (also referred to as Export Finance Australia) Industry, Science and Resources Portfolio • CSIRO Coinvestment Fund Pty Ltd • CSIRO FollowOn Services Pty Ltd • CSIRO FollowOn Services 2 Pty Ltd • CSIRO General Partner Pty Ltd • CSIRO General Partner 2 Pty Ltd • CSIROGP Fund 2 Pty Ltd • MS GP Fund 3 Pty Ltd • MS NGS Pty Ltd • MS Opportunity Fund Pty Ltd • MS Parallel Fund Pty Ltd Treasury Portfolio • Australian Reinsurance Pool Corporation • National Housing Finance and Investment Corporation* • Reserve Bank of Australia

Table A10.1: Entities outside of the general government sector – 2022–23 (continued)

Public non-financial corporations
Climate Change, Energy, the Environment and Water Portfolio
• Snowy Hydro Limited
Finance Portfolio
• ASC Pty Ltd
• Australian Naval Infrastructure Pty Ltd
Industry, Science and Resources Portfolio
• ANSTO Nuclear Medicine Pty Ltd
Infrastructure, Transport, Regional Development, Communications and the Arts Portfolio
• Airservices Australia
• Australian Postal Corporation (Australia Post)
• Australian Rail Track Corporation Limited
• National Intermodal Corporation Limited
• NBN Co Ltd
• WSA Co Ltd
Prime Minister and Cabinet Portfolio
• Voyages Indigenous Tourism Australia Pty Ltd
Social Services Portfolio
• Australian Hearing Services (Hearing Australia)

* The National Housing Finance and Investment Corporation (NHFIC), a corporate Commonwealth entity, operates an affordable housing bond aggregator to encourage greater private and institutional investment and provide cheaper and longer term finance to registered providers of affordable housing. The NHFIC bond aggregator is a PFC. NHFIC also administers the National Housing Infrastructure Facility (the Facility). The Facility is included in the GGS.

Appendix B: Assets and Liabilities

Overview

This appendix provides an overview and commentary on Statement 10: *Australian Government Budget Financial Statements* including estimates of the Australian Government's budgeted assets and liabilities at 30 June for the current year, budget year and 3 forward years.

Changes in the balance sheet reflect movements in the budgeted operating result and balance sheet transactions.

A more detailed explanation of major assets and liabilities held by Commonwealth entities, which form part of the Australian Government's balance sheet, can be found in the *Commonwealth Balance Sheet User Guide*, published on the Finance website.

Further information on the Government's fiscal strategy in relation to the balance sheet can be found in Statement 3: *Fiscal Strategy and Outlook*.

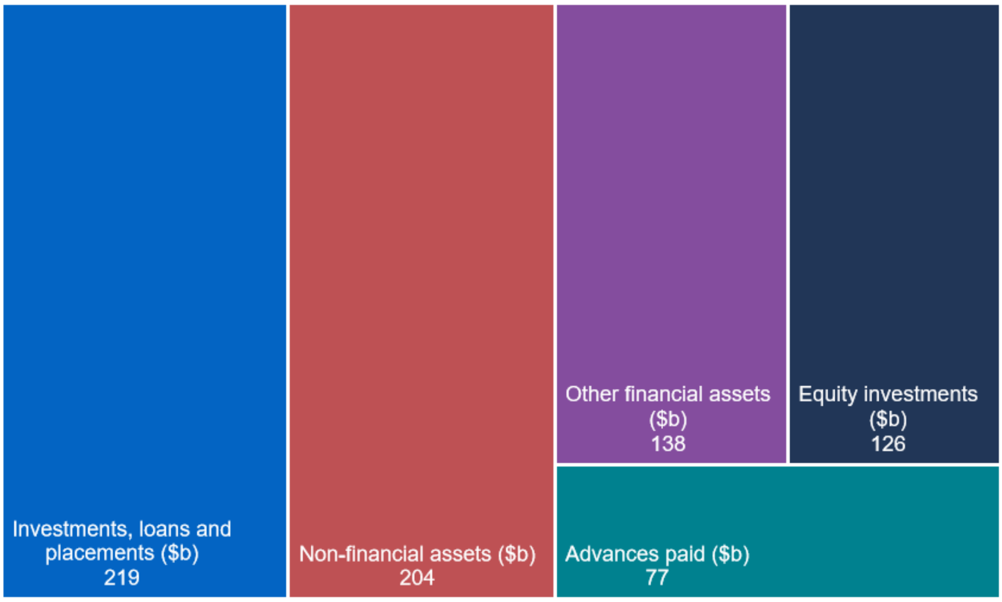
The Australian Government's assets and liabilities

Assets

The Government's total assets were $763.6 billion at 30 June 2022, and are estimated to be $763.8 billion at 30 June 2023 and $886.7 billion at 30 June 2027.

The composition of Australian Government GGS assets at 30 June 2023 is presented below in Chart 10B.1.

Chart 10B.1: Australian Government GGS asset composition



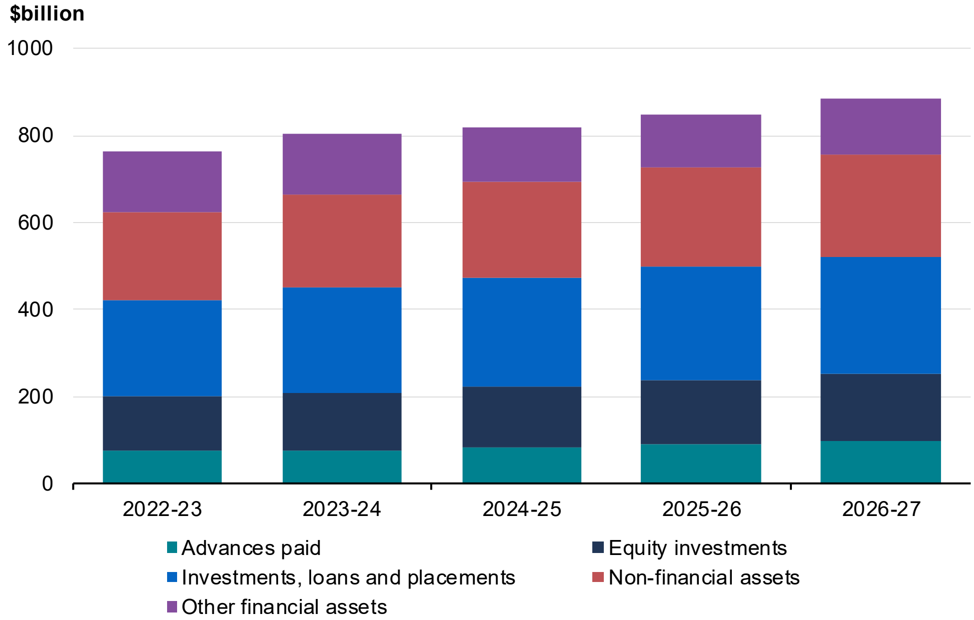
Note: Other financial assets includes cash and deposits, and other receivables.

Australian Government assets over the forward estimates

The Government's total assets are expected to grow over the forward estimates due to increased advances paid, investments and acquisitions of non-financial assets.

The budgeted composition of assets on the Australian Government's balance sheet is provided in Chart 10B.2 below.

Chart 10B.2: Australian Government assets over the forward estimates

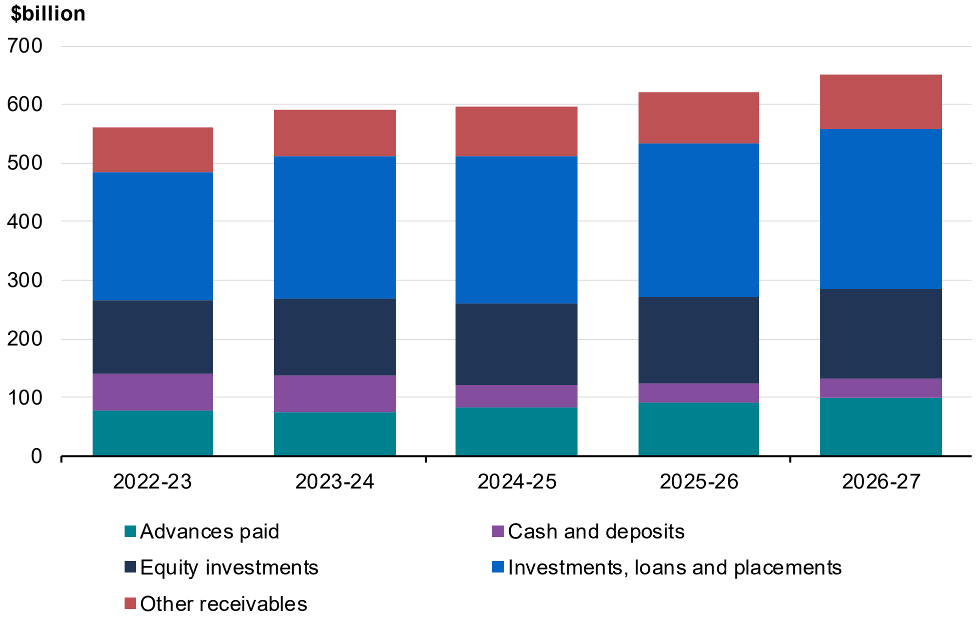


Note: Other financial assets includes cash and deposits, and other receivables.

Financial assets

The Government's financial assets are estimated to be $559.9 billion at 30 June 2023, increasing to $651.1 billion by 30 June 2027.

Chart 10B.3: Financial assets over the forward estimates



Advances paid

Advances paid is comprised of the Higher Education Loan Program and other student loan schemes, and loans to state and territory governments. The value of advances paid is estimated to grow over the forward estimates predominantly due to expected growth in student loans.

Further details on loans made by the Government are provided in Statement 9: *Statement of Risks*.

Investments, loans and placements

Investments, loans and placements is predominantly comprised of investments held in relation to the Australian Government Investment Funds, which includes the Future Fund, as well as by other entities, such as the Australian Office of Financial Management, the Treasury and specialist investment vehicles.

Specialist investment vehicles include for example the Clean Energy Finance Corporation, Northern Australia Infrastructure Facility, and Regional Investment Corporation, which provide loans, guarantees and equity injections for projects that deliver public value.

The value of total Australian Government investments, loans and placements is expected to increase steadily over the forward estimates due to forecast investment returns and the investment activities of the proposed Housing Australia Future Fund, and newly established specialist investment vehicles, such as the soon to be established National Reconstruction Fund Corporation.

A breakdown of investments, loans and placements is provided in Note 14 to Statement 10: *Australian Government Budget Financial Statements* and further information on the Australian Government Investment Funds is provided below. Further details on loans made by the Government are provided in Statement 9: *Statement of Risks*.

Australian Government Investment Funds

The current Australian Government Investment Funds are the Future Fund, DisabilityCare Australia Fund, Medical Research Future Fund, Aboriginal and Torres Strait Islander Land and Sea Future Fund, Future Drought Fund and Disaster Ready Fund. Investments held in relation to the Australian Government Investment Funds are predominantly collective investment vehicles and other interest bearing securities.

The budgeted value of Australian Government Investment Funds is provided in Table 10B.1.

Table 10B.1: Australian Government Investment Funds balances

		Estimates			
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Future Fund	203,610	217,354	232,025	247,686	264,406
DisabilityCare Australia Fund	15,958	15,681	11,945	8,144	4,279
Medical Research Future Fund	21,865	22,422	22,963	23,466	24,040
Aboriginal and Torres Strait Islander Land and Sea Future Fund	2,169	2,244	2,296	2,342	2,388
Future Drought Fund	4,663	4,861	5,017	5,166	5,320
Disaster Ready Fund(a)	4,519	4,605	4,851	5,095	5,348
Total investment funds	**252,783**	**267,167**	**279,097**	**291,899**	**305,782**

a) The Disaster Ready Fund (DRF) was initially established as the Emergency Response Fund (ERF). On 1 March 2023, the ERF was renamed as the DRF.

Future Fund

The Future Fund was established in 2006 to accumulate financial assets and invest them on behalf of the Australian Government to address the Government's unfunded superannuation liability.

The Investment Mandate for the Future Fund sets a benchmark rate of return of at least CPI plus 4.0 to 5.0 per cent per annum over the long-term. The Investment Mandate gives guidance to the Future Fund Board of Guardians (the Future Fund Board) in relation to its investment strategy. The Board is independently responsible for the investment decisions of the Future Fund. The Investment Mandate also requires the Board to take an acceptable, but not excessive, level of risk for the Future Fund, measured in terms such as the probability of losses in a particular year.

Between establishment and 31 March 2023, the average return has been 7.7 per cent per annum against the benchmark return of 7.0 per cent. For the 12-month period ending 31 March 2023, the Future Fund return was 1.1 per cent against a benchmark return of 11.0 per cent. These returns reflect higher interest rates, and international and domestic market conditions over the last 12 months. The Future Fund was valued at $202.8 billion as at 31 March 2023.

The Future Fund Board continues to maintain clear objectives and manage the portfolio in line with its mandate and strategy. Table 10B.2 shows changes in the asset allocation of the Future Fund since 31 March 2022.

Table 10B.2: Asset allocation of the Future Fund

Asset class	31-Mar-23 $m	31-Mar-23 % of Fund	31-Mar-22 $m	31-Mar-22 % of Fund
Australian equities	17,913	8.8	17,028	8.5
Global equities				
Developed markets	34,536	17.0	32,776	16.3
Emerging markets	11,955	5.9	12,237	6.1
Private equity	33,320	16.4	33,769	16.8
Property	13,118	6.5	12,689	6.3
Infrastructure & Timberland	19,166	9.4	16,451	8.2
Debt securities	16,706	8.2	14,941	7.4
Alternative assets	34,616	17.1	30,510	15.2
Cash	21,488	10.6	30,260	15.1
Total Future Fund assets	**202,818**	**100**	**200,660**	**100**

Note: Figures may not sum due to rounding.

DisabilityCare Australia Fund

The DisabilityCare Australia Fund (DCAF) was established on 1 July 2014 to assist the Commonwealth and the state and territory governments with spending directly related to the National Disability Insurance Scheme.

The DCAF is funded by revenue raised from the 0.5 per cent increase in the Medicare levy to 2.0 per cent. As at 31 March 2023, the DCAF had received credits totalling $32.9 billion. Since inception to 31 March 2023, $19.4 billion has been paid from the DCAF.

The investments of the DCAF are managed by the Future Fund Board. The Investment Mandate for the DCAF provides guidance to the Board in relation to its investment strategy for the DCAF. The DCAF Investment Mandate sets a benchmark return of the Australian 3-month bank bill swap rate plus 0.3 per cent per annum calculated on a rolling 12-month basis (net of fees). In achieving its objectives, the Board must invest in such a way as to minimise the probability of capital losses over a 12-month horizon.

For the 12-month period ending 31 March 2023, the DCAF return was 2.3 per cent against the benchmark return of 2.3 per cent. The DCAF was valued at $14.9 billion as at 31 March 2023.

Medical Research Future Fund

The Medical Research Future Fund (MRFF) was established on 26 August 2015 to provide additional funding for medical research and medical innovation.

The investments of the MRFF are managed by the Future Fund Board. The Investment Mandate for the MRFF provides broad direction to the Board in relation to its investment strategy. The MRFF Investment Mandate sets a benchmark return of the Reserve Bank of Australia's Cash Rate target plus 1.5 to 2.0 per cent per annum, net of costs, over a rolling 10-year term.

Since inception to 31 March 2023, MRFF investments have returned 4.0 per cent per annum against a benchmark return of 2.6 per cent. For the 12-month period ending 31 March 2023, the MRFF's return was 1.3 per cent against the benchmark return of 3.5 per cent. The MRFF was valued at $21.7 billion as at 31 March 2023.

Aboriginal and Torres Strait Islander Land and Sea Future Fund

The Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF) was established on 1 February 2019 to support payments to the Indigenous Land and Sea Corporation.

The ATSILSFF was seeded with the capital of the former Aboriginal and Torres Strait Islander Land Account (Land Account) – approximately $2.0 billion. The Land Account was abolished on the establishment of the ATSILSFF.

The investments of the ATSILSFF are managed by the Future Fund Board. The Investment Mandate for the ATSILSFF provides broad direction to the Board in relation to its investment strategy. The ATSILSFF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2023, ATSILSFF investments have returned 4.1 per cent per annum against a benchmark return of 6.1 per cent. For the 12-month period ending 31 March 2023, the ATSILSFF returned 0.7 per cent against a benchmark return of 9.0 per cent. The ATSILSFF was valued at $2.1 billion as at 31 March 2023.

Future Drought Fund

The Future Drought Fund (FDF) was established on 1 September 2019 to fund initiatives that enhance future drought resilience, preparedness and response across Australia.

The FDF provides disbursements of $100.0 million per annum, with the first disbursement made in July 2020.

The investments of the FDF are managed by the Future Fund Board. The Investment Mandate for the FDF provides broad direction to the Board in relation to its investment strategy. The FDF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2023, FDF investments have returned 6.6 per cent per annum against a benchmark return of 6.4 per cent. For the 12-month period ending 31 March 2023, the FDF returned 0.8 per cent against the benchmark return of 9.0 per cent. The FDF was valued at $4.5 billion as at 31 March 2023.

Disaster Ready Fund

The Disaster Ready Fund (DRF) was initially established as the Emergency Response Fund (ERF) on 12 December 2019 and provided up to $150 million per year for emergency response and recovery, and up to $50 million per year for natural disaster resilience and risk reduction.

On 1 March 2023, legislative changes took effect that renamed the ERF as the DRF and allowed up to $200 million per annum to be drawn from the DRF to fund natural disaster resilience and risk reduction from 2023–24 onwards.

The investments of the DRF are managed by the Future Fund Board. The Investment Mandate for the DRF provides broad direction to the Board in relation to its investment strategy. The DRF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2023, DRF investments have returned 6.6 per cent per annum against a benchmark return of 6.4 per cent. For the 12-month period ending 31 March 2023, the DRF returned 0.8 per cent against the benchmark return of 9.0 per cent. The DRF was valued at $4.4 billion as at 31 March 2023.

Housing Australia Future Fund

The Government proposes to establish the Housing Australia Future Fund (HAFF) to create an ongoing funding stream to increase social and affordable housing and fund other acute housing needs. Legislation to establish the HAFF was introduced into Parliament in 2022–23. Once established, the investments of the HAFF are proposed to be managed by the Future Fund Board.

Equity investments

Equity investments is comprised of 3 components:

- investments in those Government Business Enterprises which are public non-financial corporations including NBN Co, Snowy Hydro Limited and the Australian Rail Track Corporation.
- investments in other public sector entities outside the GGS, including certain components of specialist investment vehicles such as Export Finance Australia and the National Housing Finance and Investment Corporation, and investments held by specialist investment vehicles inside the GGS, such as the Clean Energy Finance Corporation and soon to be established National Reconstruction Fund Corporation.

- investments held in relation to the Australian Government Investment Funds, such as shares, which are expected to increase steadily over the forward estimates due to additional contributions from Government and expected investment returns over time.

Government Business Enterprises

Government Business Enterprises (GBEs) represent a significant proportion of equity investments held by the Australian Government.

GBEs are commercially-focused government owned businesses that are established to fulfil an Australian Government purpose. GBEs make a substantial contribution to the Australian economy by supporting productivity, job creation and Government policy objectives.

Further information on the financial performance of individual GBEs is included in the annual report for each entity, including details of equity contributed by the Australian Government. GBE valuations are updated annually in accordance with Australian Accounting Standards and reported by the relevant portfolio department in its annual report.

Specialist investment vehicles

Specialist investment vehicles (SIVs) make investments in projects, businesses and joint ventures to directly address Australian Government policy objectives. These investments include for example concessional loans, debt issuances and equity investments. Specialist investment vehicles include the Clean Energy Finance Corporation, Regional Investment Corporation, Export Finance Australia, National Housing Finance and Investment Corporation, the Australian Renewable Energy Agency, the Northern Australian Infrastructure Facility and the Australian Infrastructure Financing Facility for the Pacific supported by Export Finance Australia.

The Australian Government is providing $10.4 million over 4 years from 2023–24 to the Department of Finance to enhance accountability and effectiveness in the Australian Government's use of specialist investment vehicles, by establishing a comprehensive oversight and governance function of the specialist investment vehicle portfolio.

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) was established as a Commonwealth Authority in August 2012 through the *Clean Energy Finance Corporation Act 2012* (CEFC Act).

Under the CEFC Act, the CEFC has been provided $10.0 billion to invest in renewable energy, low emissions technology and energy efficiency projects.

The Government has also provided $500.0 million to the CEFC, to combine with $500.0 million from the private sector, to establish a $1.0 billion Powering Australia Technology Fund.

The Government has also provided $1.0 billion to the CEFC to support household energy efficiency upgrades.

The CEFC continues to invest funds and manage its investments. Investment decisions are made by an independent board consistent with the CEFC Act and the CEFC's investment mandate.

National Reconstruction Fund Corporation

The Government has passed the enabling legislation to establish the National Reconstruction Fund Corporation (NRFC), to support, diversify and transform Australian industry and the economy.

The NRFC will make $15.0 billion of targeted co-investments through independently assessed projects in priority areas including resources, transport, medical science, renewables and low emission technology, defence capability, enabling capabilities and agriculture, forestry and fisheries sectors.

The *National Reconstruction Fund Corporation Act 2023* was passed by Parliament in late March 2023 with the NRFC expected to commence from mid–2023.

Rewiring the Nation

The Government has provided $20 billion to establish Rewiring the Nation to expand and modernise Australia's electricity grids. This includes $19 billion of additional funding to CEFC and $1 billion of funding for the Rewiring the Nation Office in the Department of Climate Change, Energy, the Environment and Water. The CEFC funding is to provide concessional loans and equity to invest in transmission infrastructure projects that will help strengthen, grow, and transition Australia's electricity grids.

Non-financial assets

The Government's non-financial assets are estimated to be $203.9 billion at 30 June 2023, increasing to $235.5 billion by 30 June 2027.

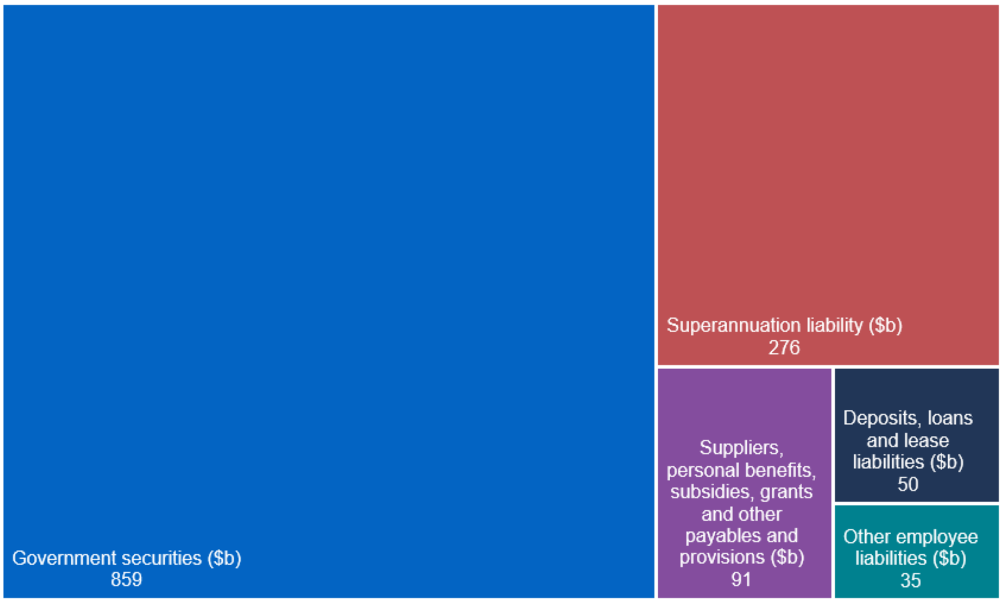
Non-financial assets comprise assets such as land, buildings and property, plant and equipment and right-of-use lease assets. Non-financial assets are expected to grow consistently over the forward estimates predominantly due to increased investments in Specialised Military Equipment.

Liabilities

The Government's total liabilities were $1.3 trillion at 30 June 2022, and are expected to increase to around $1.6 trillion by 30 June 2027.

The composition of Australian Government GGS liabilities at 30 June 2023 is presented below in Chart 10B.4.

Chart 10B.4: Australian government liabilities composition



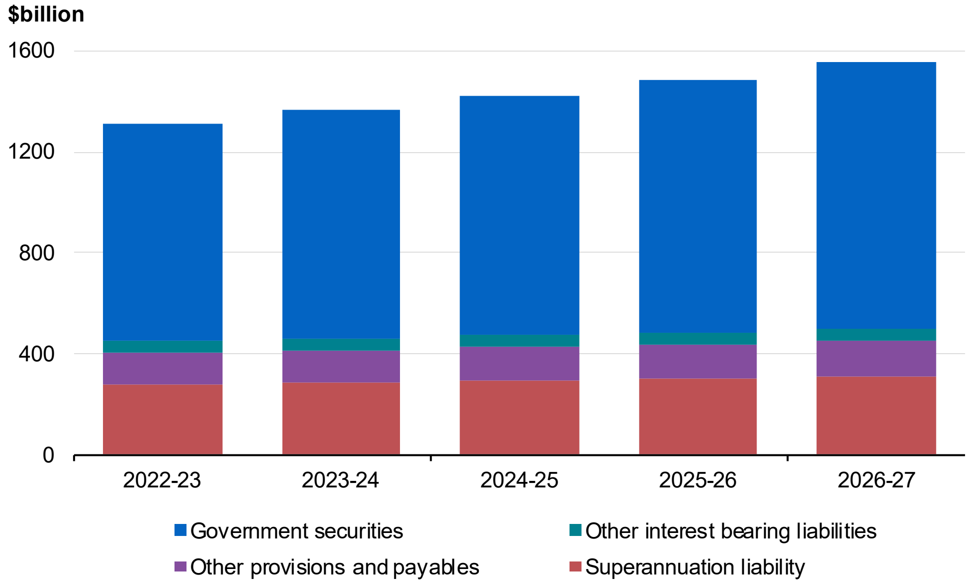
The Government's major liabilities are Australian Government securities on issue (see Statement 7: *Debt Statement* for further information) and public sector employee superannuation liabilities.

Further information on the impact of interest rates and the Budget is provided in Box 3.4 of Budget Paper No.1, Statement 3: *Fiscal Strategy and Outlook* in the October 2022–23 Budget. Further information on the Government's borrowings is provided in Statement 7: *Debt Statement*.

Australian Government liabilities over the forward estimates

The budgeted composition of liabilities on the Australian Government's balance sheet is provided in Chart 10B.5 below.

Chart 10B.5: Composition of Australian Government liabilities over the forward estimates



Note: Other interest bearing liabilities includes deposits held, loans and lease liabilities. Other provisions and payables includes other employee liabilities, suppliers payable, personal benefits payable, subsidies payable, grants payable, other payables and provisions.

Total liabilities are expected to grow consistently over the forward estimates, which is predominantly due to growth in government securities on issue and superannuation liabilities.

Government securities

Government securities on the Australian Government's balance sheet reflect the market value of the Australian Government securities on issue, consistent with external reporting standards. Further detail on the face value of Australian Government securities can be found in Statement 7: *Debt Statement*.

Public sector employee superannuation liabilities

Public sector employee superannuation entitlements relating to past and present civilian employees and military personnel are a financial liability on the Government's balance sheet. Total superannuation liabilities are projected to be $275.8 billion at 30 June 2023, $311.0 billion at 30 June 2027 and approximately $512.9 billion at 30 June 2060.

These liabilities represent the present value of future unfunded superannuation benefits relating to past and present employees and are based on an actuarially determined discount rate. The long-term nature of the unfunded superannuation liabilities requires the use of a discount rate that best matches the duration of the liabilities. The use of a long-term discount rate for budget purposes avoids the volatility that would occur by using current market yields on Government bonds. The value recorded on the balance sheet is highly sensitive to the discount rate used.

In preparing the latest Long Term Cost Reports for the civilian and military schemes, the scheme actuaries determined that a discount rate of 5.0 per cent should be applied.

The Australian Government has never fully funded its defined benefit scheme superannuation liabilities. However, the Future Fund was established in 2006 to help finance the Government's unfunded superannuation liabilities.

For civilian employees, the major defined benefit schemes are the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. These schemes were closed to new members in 1990 and 2005 respectively. The Public Sector Superannuation Accumulation Plan was introduced on 1 July 2005 and provides fully funded accumulation benefits for new civilian employees from that date.

For military personnel, the defined benefit schemes are the Defence Force Retirement and Death Benefits Scheme, the Defence Forces Retirement Benefits Scheme and the Military Superannuation and Benefits Scheme (MSBS). Following the closure of the MSBS on 30 June 2016, all defined benefit military schemes are now closed to new members. A new military superannuation accumulation scheme, Australian Defence Force (ADF) Super, commenced on 1 July 2016. ADF Super is accompanied by a statutory death and disability arrangement ADF cover.

While there have not been any new members to the public service and military defined benefit schemes since closure in 2005 and 2016 respectively, the Government's unfunded superannuation liabilities are expected to grow as current members continue to accrue benefits prior to retirement. The present value of the superannuation liability is also sensitive to changes in the discount rate.

As the superannuation liabilities are included in the Government's net worth and net financial worth aggregates, revaluations of the liabilities have an impact on these aggregates.

The value of superannuation liabilities by scheme is provided in Table 10B.3 below.

Table 10B.3: Superannuation liabilities by scheme

		Estimates			
	2022-23	2023-24	2024-25	2025-26	2026-27
	$m	$m	$m	$m	$m
Civilian superannuation schemes					
Commonwealth Superannuation Scheme	62,234	60,854	59,377	57,809	56,154
Public Sector Superannuation Scheme	91,019	93,717	102,141	106,172	110,079
Parliamentary Contributory Superannuation Scheme	847	842	836	826	816
Governors-General Scheme	16	15	24	24	24
Judges' Pensions Scheme	1,240	1,285	1,333	1,383	1,434
Division 2 Judges of the Federal Circuit and Family Court of Australia Death and Disability Scheme	1	2	2	3	3
Total civilian schemes	155,356	156,714	163,713	166,217	168,510
Military superannuation schemes					
Military Superannuation and Benefits Scheme	84,184	88,239	92,141	95,949	99,675
Defence Force Retirement and Death Benefits Scheme	32,291	32,059	31,770	31,444	31,080
Defence Forces Retirement Benefits Scheme	262	245	230	215	200
Australian Defence Force Cover	3,504	5,023	6,825	8,928	11,350
Total military schemes	120,241	125,566	130,965	136,536	142,304
Other schemes	199	207	217	227	235
Total	**275,796**	**282,487**	**294,896**	**302,980**	**311,049**

Other provisions and payables

Other provisions and payables includes all other Government liabilities including lease liabilities, provisions for other employee entitlements such as leave, unpaid grants, subsidies, personal benefits, and payments to suppliers.

Statement 11
Historical Australian Government Data

This statement reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Statement contents

Statement 11: Historical Australian Government Data

Statement 11 reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Data sources

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), the Australian Office of Financial Management and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996–97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999–2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998–99 onwards where applicable.

- Cash data prior to 1999–2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.

- Net debt data prior to 1999–2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003–04* in 1998–99, ABS cat. no. 5501.0 *Government Financial Estimates 1999-2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* from 1987-88 to 1997-98, and Treasury estimates (see Treasury's *Economic Roundup, Spring 1996*, pages 97-103) prior to 1987-88.

Comparability of data across years

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- Most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998–99, ensuring that data are consistent across the accrual period from 1998–99 onwards. However, because of data limitations, these changes have not been back-cast to earlier years.

- From 2019–20 onwards, as a result of the implementation of the accounting standard AASB 16 *Leases*, the distinction between operating and finance leases for lessees has been removed. This change impacted a number of budget aggregates, in particular net debt and net financial worth. Due to data limitations, these changes have not been back-cast to earlier years.

- From 2005–06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Accounting Standards (AAS), which include International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005–06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS.

- Prior to 1999–2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999–2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments.

- Cash data up to and including 1997–98 are calculated under a cash accounting framework, while cash data from 1998–99 onwards are derived from an accrual accounting framework.[56] Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies.

- Adjustments in the coverage of agencies are included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998–99, and subsequent back-casting to account for this change.

- Changes have been made in arrangements for transfer payments, where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction reduce both cash payments and receipts.

- Classification differences in the data relating to the period prior to 1976–77 mean that earlier data may not be entirely consistent with data for 1976–77 onwards.

56 Prior to the 2008–09 Budget, cash data calculated under the cash accounting framework were used up to and including 1998–99. In the 2008–09 Budget, cash data prior to 1998–99 have been replaced by ABS data derived from the accrual framework.

Revisions to previously published data

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

Table 11.1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance [(a)]

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	$m	Per cent of GDP	$m	Per cent real growth(f)	Per cent of GDP	$m	$m	Per cent of GDP
1970-71	8,290	20.5	7,389	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	18.5	-	886	2.0
1972-73	9,735	19.5	9,388	7.7	18.8	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	21.7	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	24.3	-	-1,499	-1.8
1976-77	21,890	22.8	23,157	0.6	24.1	-	-1,266	-1.3
1977-78	24,019	22.9	26,057	2.7	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	23.8	-	-2,142	-1.8
1979-80	30,321	22.5	31,642	1.5	23.5	-	-1,322	-1.0
1980-81	35,993	23.6	36,176	4.6	23.7	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	25.8	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	26.7	-	-7,008	-3.3
1984-85	58,817	25.0	64,853	9.1	27.5	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	27.3	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	26.9	-	-2,434	-0.8
1987-88	83,491	25.7	82,039	-0.9	25.3	-	1,452	0.4
1988-89	90,748	24.6	85,326	-3.1	23.2	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	22.9	-	5,942	1.5
1990-91	100,227	24.1	100,665	3.1	24.2	-	-438	-0.1
1991-92	95,840	22.6	108,472	5.7	25.6	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	26.1	-	-18,118	-4.1
1993-94	103,824	22.3	122,009	3.5	26.1	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	25.7	-	-14,160	-2.9
1995-96	124,429	23.5	135,538	1.9	25.6	-	-11,109	-2.1
1996-97	133,592	24.0	139,689	1.7	25.1	-	-6,099	-1.1
1997-98	140,736	23.9	140,587	0.6	23.9	-	149	0.0
1998-99	152,063	24.5	148,175	4.1	23.8	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	23.1	-	13,007	2.0
2000-01	182,996	25.9	177,123	9.1	25.1	-	5,872	0.8
2001-02	187,588	24.8	188,655	3.5	25.0	-	-1,067	-0.1
2002-03	204,613	25.5	197,243	1.4	24.6	-	7,370	0.9
2003-04	217,775	25.2	209,785	3.9	24.3	-	7,990	0.9
2004-05	235,984	25.5	222,407	3.5	24.0	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	24.0	51	15,757	1.6
2006-07	272,637	25.1	253,321	2.5	23.3	2,127	17,190	1.6
2007-08	294,917	25.0	271,843	3.8	23.1	3,319	19,754	1.7
2008-09	292,600	23.2	316,046	12.7	25.1	3,566	-27,013	-2.1
2009-10	284,662	21.8	336,900	4.2	25.8	2,256	-54,494	-4.2

Table 11.1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance[(a)] (continued)

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	$m	Per cent of GDP	$m	Per cent real growth(f)	Per cent of GDP	$m	$m	Per cent of GDP
2010-11	302,024	21.3	346,102	-0.4	24.4	3,385	-47,463	-3.3
2011-12	329,874	22.0	371,032	4.8	24.7	2,203	-43,360	-2.9
2012-13	351,052	22.8	367,204	-3.2	23.9	2,682	-18,834	-1.2
2013-14	360,322	22.5	406,430	7.8	25.4	2,348	-48,456	-3.0
2014-15	378,301	23.3	412,079	-0.3	25.4	4,089	-37,867	-2.3
2015-16	386,924	23.3	423,328	1.3	25.5	3,202	-39,606	-2.4
2016-17	409,868	23.3	439,375	2.0	25.0	3,644	-33,151	-1.9
2017-18	446,905	24.3	452,742	1.1	24.6	4,305	-10,141	-0.6
2018-19	485,286	24.9	478,098	3.9	24.6	7,878	-690	0.0
2019-20	469,398	23.7	549,634	13.4	27.8	5,036	-85,272	-4.3
2020-21	519,913	25.0	654,084	17.1	31.4	6,619	-134,171	-6.4
2021-22	584,358	25.3	616,320	-9.8	26.7	7,677	-31,962	-1.4
2022-23 (e)	**635,593**	**25.0**	**631,392**	**-4.3**	**24.8**	**5,305**	**4,202**	**0.2**
2023-24 (e)	668,142	25.9	682,060	3.7	26.5	6,282	-13,918	-0.5
2024-25 (e)	671,238	25.4	706,296	0.6	26.8	6,750	-35,058	-1.3
2025-26 (e)	700,922	25.2	737,549	1.9	26.6	7,194	-36,627	-1.3
2026-27 (e)	735,118	25.2	763,569	1.0	26.1	7,674	-28,450	-1.0

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.
c) Payments are equal to cash payments for operating activities, purchases of non-financial assets and net cash flows from financing activities for leases.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Real spending growth is calculated using the Consumer Price Index as the deflator.

Table 11.2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance(a)

	Receipts	Payments	Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	$m	$m	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	8,290	7,389	-851	-2.1	50	0.1
1971-72	9,135	8,249	-987	-2.2	-101	-0.2
1972-73	9,735	9,388	-977	-2.0	-629	-1.3
1973-74	12,228	11,078	-1,275	-2.1	-125	-0.2
1974-75	15,643	15,463	-2,648	-3.7	-2,467	-3.5
1975-76	18,727	20,225	-2,040	-2.4	-3,539	-4.2
1976-77	21,890	23,157	-1,530	-1.6	-2,796	-2.9
1977-78	24,019	26,057	-1,324	-1.3	-3,361	-3.2
1978-79	26,129	28,272	-1,074	-0.9	-3,216	-2.7
1979-80	30,321	31,642	-702	-0.5	-2,024	-1.5
1980-81	35,993	36,176	-962	-0.6	-1,146	-0.8
1981-82	41,499	41,151	-1,008	-0.6	-660	-0.4
1982-83	45,463	48,810	-1,363	-0.7	-4,711	-2.5
1983-84	49,981	56,990	-1,136	-0.5	-8,144	-3.8
1984-85	58,817	64,853	-922	-0.4	-6,959	-3.0
1985-86	66,206	71,328	-810	-0.3	-5,932	-2.3
1986-87	74,724	77,158	-545	-0.2	-2,979	-1.0
1987-88	83,491	82,039	657	0.2	2,109	0.6
1988-89	90,748	85,326	168	0.0	5,589	1.5
1989-90	98,625	92,684	1,217	0.3	7,159	1.8
1990-91	100,227	100,665	1,563	0.4	1,125	0.3
1991-92	95,840	108,472	2,156	0.5	-10,475	-2.5
1992-93	97,633	115,751	2,471	0.6	-15,647	-3.5
1993-94	103,824	122,009	3,447	0.7	-14,738	-3.2
1994-95	113,458	127,619	1,546	0.3	-12,614	-2.5
1995-96	124,429	135,538	5,188	1.0	-5,921	-1.1
1996-97	133,592	139,689	7,241	1.3	1,142	0.2
1997-98	140,736	140,587	15,154	2.6	15,303	2.6
1998-99	152,063	148,175	6,948	1.1	10,837	1.7
1999-00	166,199	153,192	9,500	1.4	22,507	3.4
2000-01	182,996	177,123	5,673	0.8	11,545	1.6
2001-02	187,588	188,655	3,422	0.5	2,355	0.3
2002-03	204,613	197,243	-229	0.0	7,141	0.9
2003-04	217,775	209,785	-452	-0.1	7,538	0.9
2004-05	235,984	222,407	-1,139	-0.1	12,438	1.3
2005-06	255,943	240,136	-1,647	-0.2	14,160	1.4
2006-07	272,637	253,321	7,403	0.7	26,720	2.5
2007-08	294,917	271,843	5,108	0.4	28,181	2.4
2008-09	292,600	316,046	-7,889	-0.6	-31,336	-2.5
2009-10	284,662	336,900	-4,278	-0.3	-56,516	-4.3

Table 11.2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance[(a)] (continued)

	Receipts	Payments	Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	$m	$m	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	302,024	346,102	-7,028	-0.5	-51,106	-3.6
2011-12	329,874	371,032	-5,866	-0.4	-47,023	-3.1
2012-13	351,052	367,204	-4,802	-0.3	-20,954	-1.4
2013-14	360,322	406,430	-6,371	-0.4	-52,479	-3.3
2014-15	378,301	412,079	-5,158	-0.3	-38,936	-2.4
2015-16	386,924	423,328	-12,684	-0.8	-49,088	-3.0
2016-17	409,868	439,375	-13,501	-0.8	-43,008	-2.4
2017-18	446,905	452,742	-20,041	-1.1	-25,878	-1.4
2018-19	485,286	478,098	-14,387	-0.7	-7,199	-0.4
2019-20	469,398	549,634	-13,632	-0.7	-98,904	-5.0
2020-21	519,913	654,084	-3,364	-0.2	-137,535	-6.6
2021-22	584,358	616,320	-1,340	-0.1	-33,302	-1.4
2022-23 (e)	**635,593**	**631,392**	**-11,689**	**-0.5**	**-7,487**	**-0.3**
2023-24 (e)	668,142	682,060	-5,795	-0.2	-19,713	-0.8
2024-25 (e)	671,238	706,296	-14,120	-0.5	-49,178	-1.9
2025-26 (e)	700,922	737,549	-15,215	-0.5	-51,842	-1.9
2026-27 (e)	735,118	763,569	-12,804	-0.4	-41,255	-1.4

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Prior to 1999–2000, net cash flows from investments in financial assets for policy purposes were referred to as ‘net advances’. A negative number reflects a cash outflow, while a positive number reflects a cash inflow.
c) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes. Receipts and payments are identical to Table 11.1.
e) Estimates.

Table 11.3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts[(a)]

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	7,193	17.8	1,097	2.7	8,290	20.5
1971-72	7,895	17.7	1,240	2.8	9,135	20.5
1972-73	8,411	16.9	1,324	2.7	9,735	19.5
1973-74	10,832	17.9	1,396	2.3	12,228	20.3
1974-75	14,141	19.8	1,502	2.1	15,643	22.0
1975-76	16,920	20.3	1,807	2.2	18,727	22.5
1976-77	19,714	20.5	2,176	2.3	21,890	22.8
1977-78	21,428	20.4	2,591	2.5	24,019	22.9
1978-79	23,409	19.7	2,720	2.3	26,129	22.0
1979-80	27,473	20.4	2,848	2.1	30,321	22.5
1980-81	32,641	21.4	3,352	2.2	35,993	23.6
1981-82	37,880	21.5	3,619	2.1	41,499	23.6
1982-83	41,025	21.7	4,438	2.3	45,463	24.0
1983-84	44,849	21.0	5,132	2.4	49,981	23.4
1984-85	52,970	22.5	5,847	2.5	58,817	25.0
1985-86	58,841	22.6	7,365	2.8	66,206	25.4
1986-87	66,467	23.2	8,257	2.9	74,724	26.1
1987-88	75,076	23.1	8,415	2.6	83,491	25.7
1988-89	83,452	22.7	7,296	2.0	90,748	24.6
1989-90	90,773	22.4	7,852	1.9	98,625	24.4
1990-91	92,739	22.3	7,488	1.8	100,227	24.1
1991-92	87,364	20.6	8,476	2.0	95,840	22.6
1992-93	88,760	20.0	8,873	2.0	97,633	22.0
1993-94	93,362	20.0	10,462	2.2	103,824	22.3
1994-95	104,921	21.2	8,537	1.7	113,458	22.9
1995-96	115,700	21.9	8,729	1.7	124,429	23.5
1996-97	124,559	22.4	9,033	1.6	133,592	24.0
1997-98	130,984	22.2	9,752	1.7	140,736	23.9
1998-99	138,420	22.3	13,643	2.2	152,063	24.5
1999-00	151,313	22.9	14,887	2.2	166,199	25.1
2000-01	170,354	24.1	12,641	1.8	182,996	25.9
2001-02	175,371	23.2	12,218	1.6	187,588	24.8
2002-03	192,391	24.0	12,222	1.5	204,613	25.5
2003-04	206,734	23.9	11,041	1.3	217,775	25.2
2004-05	223,986	24.2	11,999	1.3	235,984	25.5
2005-06	241,987	24.2	13,956	1.4	255,943	25.6
2006-07	258,252	23.7	14,385	1.3	272,637	25.1
2007-08	279,317	23.7	15,600	1.3	294,917	25.0
2008-09	273,674	21.7	18,926	1.5	292,600	23.2
2009-10	262,167	20.1	22,495	1.7	284,662	21.8

Table 11.3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts[(a)] (continued)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	282,106	19.9	19,918	1.4	302,024	21.3
2011-12	311,269	20.7	18,606	1.2	329,874	22.0
2012-13	327,835	21.3	23,218	1.5	351,052	22.8
2013-14	340,283	21.3	20,038	1.3	360,322	22.5
2014-15	353,927	21.8	24,374	1.5	378,301	23.3
2015-16	362,445	21.9	24,480	1.5	386,924	23.3
2016-17	379,336	21.6	30,532	1.7	409,868	23.3
2017-18	418,118	22.7	28,787	1.6	446,905	24.3
2018-19	448,654	23.0	36,631	1.9	485,286	24.9
2019-20	431,854	21.8	37,544	1.9	469,398	23.7
2020-21	473,941	22.8	45,972	2.2	519,913	25.0
2021-22	536,586	23.2	47,772	2.1	584,358	25.3
2022-23 (e)	**588,050**	**23.1**	**47,543**	**1.9**	**635,593**	**25.0**
2023-24 (e)	616,275	23.9	51,867	2.0	668,142	25.9
2024-25 (e)	614,332	23.3	56,905	2.2	671,238	25.4
2025-26 (e)	647,846	23.3	53,076	1.9	700,922	25.2
2026-27 (e)	680,743	23.3	54,375	1.9	735,118	25.2

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Receipts are equal to receipts from operating activities and sales of non-financial assets. Receipts are identical to Table 11.1.
e) Estimates.

Table 11.4: Australian Government general government sector net debt and net interest payments(a)

	Net debt(b)		Net interest payments(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.5
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.5	1,621	0.8
1984-85	21,896	9.3	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.2	4,762	1.7
1987-88	27,344	8.4	4,503	1.4
1988-89	21,981	6.0	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.4	3,986	0.9
1993-94	70,223	15.0	5,628	1.2
1994-95	83,492	16.8	7,292	1.5
1995-96	95,831	18.1	8,861	1.7
1996-97	96,281	17.3	9,489	1.7
1997-98	82,935	14.1	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	57,661	8.7	7,514	1.1
2000-01	46,802	6.6	6,195	0.9
2001-02	42,263	5.6	5,352	0.7
2002-03	33,403	4.2	3,758	0.5
2003-04	26,995	3.1	3,040	0.4
2004-05	15,604	1.7	2,502	0.3
2005-06	331	0.0	2,303	0.2
2006-07	-24,288	-2.2	228	0.0
2007-08	-39,958	-3.4	-1,015	-0.1
2008-09	-11,285	-0.9	-1,196	-0.1
2009-10	47,874	3.7	2,386	0.2

Table 11.4: Australian Government general government sector net debt and net interest payments[a] (continued)

	Net debt(b)		Net interest payments(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	90,660	6.4	4,608	0.3
2011-12	153,443	10.2	6,609	0.4
2012-13	159,594	10.4	8,285	0.5
2013-14	209,559	13.1	10,843	0.7
2014-15	245,817	15.1	10,868	0.7
2015-16	303,467	18.3	12,041	0.7
2016-17	322,320	18.3	12,365	0.7
2017-18	341,961	18.6	13,135	0.7
2018-19	373,566	19.2	15,149	0.8
2019-20	491,217	24.8	13,280	0.7
2020-21	592,221	28.5	14,290	0.7
2021-22	515,650	22.3	14,977	0.6
2022-23 (e)	**548,581**	**21.6**	**12,677**	**0.5**
2023-24 (e)	574,852	22.3	13,398	0.5
2024-25 (e)	620,552	23.5	15,214	0.6
2025-26 (e)	665,161	24.0	21,256	0.8
2026-27 (e)	702,928	24.1	19,987	0.7

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Net debt is the sum of interest-bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
c) Net interest payments are equal to the difference between interest paid and interest receipts.
e) Estimates.

Table 11.5: Australian Government general government sector face value of Australian Government Securities (AGS) on issue and interest paid[(a)]

	Face value of AGS on issue(b)					
	Total AGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year $m	Per cent of GDP	End of year $m	Per cent of GDP	$m	Per cent of GDP
1970-71	10,887	27.0	-	-	580	1.4
1971-72	11,490	25.8	-	-	614	1.4
1972-73	12,217	24.5	-	-	675	1.4
1973-74	12,809	21.2	-	-	712	1.2
1974-75	14,785	20.7	-	-	893	1.3
1975-76	17,940	21.5	-	-	1,001	1.2
1976-77	20,845	21.7	-	-	1,485	1.5
1977-78	23,957	22.8	-	-	1,740	1.7
1978-79	28,120	23.7	-	-	2,080	1.8
1979-80	29,321	21.8	-	-	2,356	1.8
1980-81	30,189	19.8	-	-	2,723	1.8
1981-82	31,060	17.7	-	-	3,058	1.7
1982-83	37,071	19.6	-	-	3,580	1.9
1983-84	45,437	21.3	-	-	4,558	2.1
1984-85	54,420	23.1	-	-	5,952	2.5
1985-86	63,089	24.2	-	-	7,394	2.8
1986-87	67,172	23.5	-	-	8,339	2.9
1987-88	62,794	19.3	-	-	8,139	2.5
1988-89	56,854	15.4	-	-	8,222	2.2
1989-90	48,399	12.0	-	-	8,064	2.0
1990-91	48,723	11.7	-	-	6,994	1.7
1991-92	58,826	13.9	-	-	6,819	1.6
1992-93	76,509	17.2	-	-	6,487	1.5
1993-94	90,889	19.5	-	-	7,709	1.7
1994-95	105,466	21.3	-	-	9,144	1.8
1995-96	110,166	20.8	-	-	10,325	2.0
1996-97	111,067	20.0	-	-	10,653	1.9
1997-98	93,664	15.9	-	-	9,453	1.6
1998-99	85,331	13.7	-	-	9,299	1.5
1999-00	75,536	11.4	-	-	8,509	1.3
2000-01	66,403	9.4	-	-	7,335	1.0
2001-02	63,004	8.3	-	-	6,270	0.8
2002-03	57,435	7.2	-	-	4,740	0.6
2003-04	54,750	6.3	-	-	4,096	0.5
2004-05	55,151	6.0	-	-	3,902	0.4
2005-06	54,070	5.4	-	-	4,628	0.5
2006-07	53,264	4.9	-	-	3,959	0.4
2007-08	55,442	4.7	-	-	3,754	0.3
2008-09	101,147	8.0	95,103	7.5	3,970	0.3
2009-10	147,133	11.3	141,806	10.9	6,411	0.5

Table 11.5: Australian Government general government sector face value of Australian Government Securities (AGS) on issue and interest paid[(a)] (continued)

	Face value of AGS on issue(b)					
	Total AGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year $m	Per cent of GDP	End of year $m	Per cent of GDP	$m	Per cent of GDP
2010-11	191,292	13.5	186,704	13.2	9,551	0.7
2011-12	233,976	15.6	229,389	15.3	10,875	0.7
2012-13	257,378	16.8	252,791	16.5	11,846	0.8
2013-14	319,487	20.0	316,952	19.8	13,972	0.9
2014-15	368,738	22.7	366,202	22.6	13,924	0.9
2015-16	420,420	25.4	417,936	25.2	14,977	0.9
2016-17	500,979	28.5	498,510	28.3	15,290	0.9
2017-18	531,937	28.9	529,467	28.7	16,568	0.9
2018-19	541,992	27.8	541,986	27.8	18,951	1.0
2019-20	684,298	34.6	684,292	34.6	16,524	0.8
2020-21	816,991	39.3	816,985	39.3	17,102	0.8
2021-22	895,253	38.8	895,247	38.8	17,423	0.8
2022-23 (e)	**887,000**	**34.9**	**887,000**	**34.9**	**18,792**	**0.7**
2023-24 (e)	923,000	35.8	923,000	35.8	21,052	0.8
2024-25 (e)	958,000	36.3	958,000	36.3	22,382	0.8
2025-26 (e)	1,015,000	36.5	1,015,000	36.5	28,186	1.0
2026-27 (e)	1,067,000	36.5	1,067,000	36.5	27,147	0.9

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) From 2022–23 onwards, data for AGS on issue are estimates and are rounded to the nearest $1 billion.
c) Total AGS on issue includes AGS held on behalf of the states and the Northern Territory.
d) The face value of AGS subject to the Treasurer's Direction excludes the stock and securities outlined in subsection 51JA(2A) of the Commonwealth Inscribed Stock Act 1911. These are the same stock and securities that were excluded from the previous legislative debt limit. AGS on issue subject to the Treasurer's Direction are not available prior to 2008–09 because the limit was first introduced in July 2008.
e) Estimates.
f) Interest paid consists of all cash interest payments of the general government sector, including those relating to AGS on issue.

Table 11.6: Australian Government general government sector revenue, expenses, net operating balance, net capital investment and fiscal balance[(a)]

	Revenue		Expenses		Net operating balance(b)		Net capital investment		Fiscal balance(c)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1996-97	141,688	25.5	145,940	26.2	-4,252	-0.8	90	0.0	-4,342	-0.8
1997-98	146,820	24.9	148,788	25.3	-1,968	-0.3	147	0.0	-2,115	-0.4
1998-99	152,106	24.5	146,925	23.6	5,181	0.8	1,433	0.2	3,748	0.6
1999-00	167,304	25.3	155,728	23.5	11,576	1.7	-69	0.0	11,645	1.8
2000-01	186,106	26.3	180,277	25.5	5,829	0.8	8	0.0	5,820	0.8
2001-02	190,432	25.2	193,214	25.6	-2,782	-0.4	382	0.1	-3,164	-0.4
2002-03	206,778	25.8	201,402	25.1	5,376	0.7	287	0.0	5,088	0.6
2003-04	222,042	25.7	215,634	25.0	6,409	0.7	660	0.1	5,749	0.7
2004-05	242,354	26.2	229,427	24.8	12,926	1.4	1,034	0.1	11,892	1.3
2005-06	260,569	26.1	241,977	24.2	18,592	1.9	2,498	0.3	16,094	1.6
2006-07	277,895	25.5	259,197	23.8	18,698	1.7	2,333	0.2	16,365	1.5
2007-08	303,402	25.7	280,335	23.8	23,068	2.0	2,593	0.2	20,475	1.7
2008-09	298,508	23.7	324,889	25.8	-26,382	-2.1	4,064	0.3	-30,445	-2.4
2009-10	292,387	22.4	340,354	26.1	-47,967	-3.7	6,433	0.5	-54,400	-4.2
2010-11	309,204	21.8	356,710	25.1	-47,506	-3.3	5,297	0.4	-52,802	-3.7
2011-12	337,324	22.5	377,948	25.2	-40,624	-2.7	4,850	0.3	-45,474	-3.0
2012-13	359,496	23.4	383,351	24.9	-23,855	-1.6	987	0.1	-24,842	-1.6
2013-14	374,151	23.4	415,691	26.0	-41,540	-2.6	3,850	0.2	-45,390	-2.8
2014-15	379,455	23.4	418,956	25.8	-39,501	-2.4	2,706	0.2	-42,206	-2.6
2015-16	395,055	23.8	430,739	26.0	-35,684	-2.2	3,829	0.2	-39,513	-2.4

Table 11.6: Australian Government general government sector revenue, expenses, net operating balance, net capital investment and fiscal balance[(a)] (continued)

	Revenue		Expenses		Net operating balance(b)		Net capital investment		Fiscal balance(c)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
2016-17	415,723	23.6	449,712	25.6	-33,989	-1.9	2,876	0.2	-36,865	-2.1
2017-18	456,280	24.8	461,490	25.0	-5,209	-0.3	1,284	0.1	-6,493	-0.4
2018-19	493,346	25.3	485,869	25.0	7,476	0.4	6,126	0.3	1,350	0.1
2019-20	486,278	24.6	578,117	29.2	-91,839	-4.6	4,005	0.2	-95,844	-4.8
2020-21	523,012	25.1	651,916	31.3	-128,904	-6.2	7,204	0.3	-136,108	-6.5
2021-22	596,401	25.8	623,050	27.0	-26,649	-1.2	8,412	0.4	-35,061	-1.5
2022-23 (e)	**653,767**	**25.7**	**644,788**	**25.3**	**8,979**	**0.4**	**10,441**	**0.4**	**-1,462**	**-0.1**
2023-24 (e)	680,372	26.4	684,085	26.6	-3,713	-0.1	10,431	0.4	-14,144	-0.5
2024-25 (e)	677,333	25.7	715,382	27.1	-38,049	-1.4	7,229	0.3	-45,278	-1.7
2025-26 (e)	713,738	25.7	743,324	26.8	-29,586	-1.1	5,449	0.2	-35,035	-1.3
2026-27 (e)	748,237	25.6	771,779	26.4	-23,542	-0.8	9,271	0.3	-32,813	-1.1

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Net operating balance is equal to revenue less expenses.
c) Fiscal balance is equal to revenue less expenses less net capital investment.
e) Estimates.

Table 11.7: Australian Government general government sector net worth and net financial worth[(a)]

	Net worth(b)		Net financial worth(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
1999-00	-10,424	-1.6	-70,414	-10.6
2000-01	-10,287	-1.5	-75,544	-10.7
2001-02	-15,330	-2.0	-81,707	-10.8
2002-03	-18,856	-2.3	-86,456	-10.8
2003-04	-4,740	-0.5	-75,976	-8.8
2004-05	11,066	1.2	-62,372	-6.7
2005-06	14,293	1.4	-63,442	-6.4
2006-07	42,677	3.9	-39,370	-3.6
2007-08	67,122	5.7	-18,428	-1.6
2008-09	15,452	1.2	-75,465	-6.0
2009-10	-50,383	-3.9	-148,930	-11.4
2010-11	-100,504	-7.1	-203,904	-14.4
2011-12	-252,046	-16.8	-360,672	-24.0
2012-13	-207,769	-13.5	-317,843	-20.7
2013-14	-261,596	-16.4	-375,882	-23.5
2014-15	-308,390	-19.0	-427,169	-26.3
2015-16	-423,674	-25.6	-548,028	-33.1
2016-17	-390,897	-22.2	-529,225	-30.1
2017-18	-418,135	-22.7	-562,183	-30.5
2018-19	-543,459	-27.9	-694,448	-35.7
2019-20	-664,892	-33.6	-840,557	-42.5
2020-21	-725,230	-34.9	-905,924	-43.5
2021-22	-581,758	-25.2	-775,727	-33.6
2022-23 (e)	**-546,854**	**-21.5**	**-750,732**	**-29.5**
2023-24 (e)	-559,085	-21.7	-772,615	-30.0
2024-25 (e)	-602,838	-22.8	-825,003	-31.3
2025-26 (e)	-638,756	-23.0	-865,703	-31.2
2026-27 (e)	-667,322	-22.8	-902,840	-30.9

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Net worth is equal to total assets less total liabilities.
c) Net financial worth is equal to financial assets less total liabilities.
e) Estimates.

Table 11.8: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue[(a)]

	Taxation revenue		Non-taxation revenue		Total revenue	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1999-00	153,409	23.2	13,895	2.1	167,304	25.3
2000-01	175,876	24.9	10,229	1.4	186,106	26.3
2001-02	178,410	23.6	12,022	1.6	190,432	25.2
2002-03	195,319	24.3	11,458	1.4	206,778	25.8
2003-04	210,541	24.4	11,501	1.3	222,042	25.7
2004-05	230,490	24.9	11,863	1.3	242,354	26.2
2005-06	245,846	24.6	14,723	1.5	260,569	26.1
2006-07	262,876	24.2	15,019	1.4	277,895	25.5
2007-08	286,869	24.3	16,534	1.4	303,402	25.7
2008-09	279,303	22.1	19,206	1.5	298,508	23.7
2009-10	268,841	20.6	23,546	1.8	292,387	22.4
2010-11	289,566	20.4	19,639	1.4	309,204	21.8
2011-12	317,413	21.2	19,911	1.3	337,324	22.5
2012-13	338,106	22.0	21,390	1.4	359,496	23.4
2013-14	353,239	22.1	20,912	1.3	374,151	23.4
2014-15	356,365	22.0	23,090	1.4	379,455	23.4
2015-16	369,468	22.3	25,587	1.5	395,055	23.8
2016-17	388,706	22.1	27,017	1.5	415,723	23.6
2017-18	427,249	23.2	29,031	1.6	456,280	24.8
2018-19	456,147	23.4	37,198	1.9	493,346	25.3
2019-20	447,605	22.6	38,673	2.0	486,278	24.6
2020-21	480,312	23.1	42,700	2.1	523,012	25.1
2021-22	550,412	23.8	45,989	2.0	596,401	25.8
2022-23 (e)	**604,169**	**23.7**	**49,598**	**1.9**	**653,767**	**25.7**
2023-24 (e)	629,729	24.4	50,643	2.0	680,372	26.4
2024-25 (e)	626,364	23.7	50,969	1.9	677,333	25.7
2025-26 (e)	661,955	23.8	51,783	1.9	713,738	25.7
2026-27 (e)	694,577	23.8	53,660	1.8	748,237	25.6

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
e) Estimates.

Table 11.9: Australian Government cash receipts, payments and surplus by institutional sector ($m)[(a)]

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268
1998-99	152,063	148,175	3,889	na	na	-353	na	na	3,536
1999-00	166,199	153,192	13,007	na	na	-2,594	na	na	10,413
2000-01	182,996	177,123	5,872	na	na	391	na	na	6,323
2001-02	187,588	188,655	-1,067	na	na	1,210	na	na	65
2002-03	204,613	197,243	7,370	27,386	26,105	1,280	na	na	8,651
2003-04	217,775	209,785	7,990	27,718	26,142	1,575	238,236	228,664	9,569
2004-05	235,984	222,407	13,577	29,621	28,071	1,550	257,946	242,805	15,141
2005-06	255,943	240,136	15,757	30,875	31,874	-999	278,254	263,421	14,833
2006-07	272,637	253,321	17,190	16,882	18,641	-1,759	285,336	267,719	17,625
2007-08	294,917	271,843	19,754	7,758	8,231	-472	300,503	277,754	22,800
2008-09	292,600	316,046	-27,013	7,987	8,960	-973	297,421	321,275	-23,786
2009-10	284,662	336,900	-54,494	8,419	9,341	-922	290,681	343,816	-52,879

Table 11.9: Australian Government cash receipts, payments and surplus by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
2010-11	302,024	346,102	-47,463	8,558	9,733	-1,175	308,258	353,452	-44,911
2011-12	329,874	371,032	-43,360	8,845	10,847	-2,002	336,122	379,266	-42,763
2012-13	351,052	367,204	-18,834	9,766	13,061	-3,294	358,088	377,221	-19,133
2013-14	360,322	406,430	-48,456	11,042	14,246	-3,204	368,521	417,248	-48,726
2014-15	378,301	412,079	-37,867	11,256	15,136	-3,880	386,643	424,229	-37,586
2015-16	386,924	423,328	-39,606	11,606	17,753	-6,147	395,842	438,228	-42,386
2016-17	409,868	439,375	-33,151	12,406	19,543	-7,138	419,433	456,020	-36,587
2017-18	446,905	452,742	-10,141	14,195	22,348	-8,153	457,604	471,451	-13,846
2018-19	485,286	478,098	-690	17,909	26,608	-8,699	498,767	500,276	-1,510
2019-20	469,398	549,634	-85,272	18,824	28,244	-9,419	483,362	573,018	-89,656
2020-21	519,913	654,084	-134,171	21,264	26,635	-5,371	535,940	675,484	-139,544
2021-22	584,358	616,320	-31,962	21,791	26,896	-5,105	601,398	638,466	-37,068
2022-23 (e)	**635,593**	**631,392**	**4,202**	**25,868**	**33,059**	**-7,190**	**656,495**	**659,479**	**-2,984**
2023-24 (e)	668,142	682,060	-13,918	24,321	30,411	-6,089	687,920	707,929	-20,009
2024-25 (e)	671,238	706,296	-35,058	na	na	na	na	na	na
2025-26 (e)	700,922	737,549	-36,627	na	na	na	na	na	na
2026-27 (e)	735,118	763,569	-28,450	na	na	na	na	na	na

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Receipts are equal to receipts from operating activities and sales of non-financial assets.
c) Payments in the general government sector are equal to payments for operating activities, purchases of non-financial assets and net cash flows from financing activities for leases.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Payments in the public non-financial corporations and non-financial public sectors are equal to payments for operating activities, purchases of non-financial assets, distributions paid and net cash flows from financing activities for leases.
na Data not available.

Table 11.10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector ($m)[a]

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
1996-97	141,688	145,940	-4,342	27,431	26,015	-331	na	na	-4,673
1997-98	146,820	148,788	-2,115	29,618	26,999	2,360	na	na	251
1998-99	152,106	146,925	3,748	27,687	26,088	-816	175,891	169,111	2,932
1999-00	167,304	155,728	11,645	25,485	23,542	1,062	188,841	175,322	11,550
2000-01	186,106	180,277	5,820	25,869	24,762	-826	207,367	200,433	4,994
2001-02	190,432	193,214	-3,164	26,638	25,341	793	212,462	213,947	-2,371
2002-03	206,778	201,402	5,088	24,339	22,916	1,975	225,989	219,232	7,023
2003-04	222,042	215,634	5,749	25,449	23,444	2,143	241,746	233,333	7,892
2004-05	242,354	229,427	11,892	26,965	25,191	1,473	263,434	248,733	13,365
2005-06	260,569	241,977	16,094	28,143	29,531	-2,442	281,927	264,722	13,652
2006-07	277,895	259,197	16,365	15,443	16,360	-1,763	289,551	271,771	14,601
2007-08	303,402	280,335	20,475	6,854	6,686	-584	308,888	285,652	19,891
2008-09	298,508	324,889	-30,445	6,998	7,576	-1,495	303,309	330,268	-31,941
2009-10	292,387	340,354	-54,400	7,288	7,297	-1,079	298,033	346,008	-55,480
2010-11	309,204	356,710	-52,802	7,563	7,787	-1,446	315,001	362,732	-54,248
2011-12	337,324	377,948	-45,474	8,046	8,238	-2,158	343,722	384,538	-47,632
2012-13	359,496	383,351	-24,842	8,863	9,415	-4,189	366,642	391,048	-29,031
2013-14	374,151	415,691	-45,390	9,537	11,127	-6,070	381,971	425,102	-51,460
2014-15	379,455	418,956	-42,206	9,987	11,850	-4,856	387,719	429,083	-47,062
2015-16	395,055	430,739	-39,513	10,044	12,809	-7,486	403,868	442,318	-46,999

Table 11.10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
2016-17	415,723	449,712	-36,865	10,894	15,035	-9,918	425,114	463,243	-46,784
2017-18	456,280	461,490	-6,493	12,318	16,934	-10,055	466,661	476,403	-16,463
2018-19	493,346	485,869	1,350	15,836	20,899	-11,121	507,017	504,486	-9,655
2019-20	486,278	578,117	-95,844	17,029	23,174	-10,096	500,961	598,651	-105,637
2020-21	523,012	651,916	-136,108	19,166	22,941	-5,264	538,350	670,849	-141,187
2021-22	596,401	623,050	-35,061	20,767	23,375	-5,285	613,707	642,628	-40,015
2022-23 (e)	**653,767**	**644,788**	**-1,462**	**21,810**	**23,641**	**-7,796**	**673,013**	**666,055**	**-9,447**
2023-24 (e)	680,372	684,085	-14,144	21,750	23,322	-6,932	699,916	705,111	-20,984
2024-25 (e)	677,333	715,382	-45,278	na	na	na	na	na	na
2025-26 (e)	713,738	743,324	-35,035	na	na	na	na	na	na
2026-27 (e)	748,237	771,779	-32,813	na	na	na	na	na	na

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.
e) Estimates.
na Data not available.

Table 11.11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis[(a)(b)]

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
1970-71	5,494	838	6,331	5,643	688	263	-144
1971-72	5,524	868	6,391	5,771	620	-347	-171
1972-73	5,484	863	6,348	6,122	227	-515	-164
1973-74	6,138	791	6,930	6,278	652	-1,049	-162
1974-75	6,797	722	7,519	7,433	87	-914	-116
1975-76	7,125	761	7,886	8,516	-631	-144	-139
1976-77	7,212	796	8,008	8,471	-463	329	-23
1977-78	7,073	855	7,928	8,601	-672	956	1
1978-79	7,066	821	7,887	8,534	-647	1,504	77
1979-80	7,430	770	8,200	8,557	-358	1,689	119
1980-81	7,954	817	8,771	8,815	-45	1,549	151
1981-82	8,208	784	8,992	8,916	75	1,283	147
1982-83	7,861	850	8,712	9,353	-642	1,754	172
1983-84	7,956	910	8,866	10,110	-1,243	2,841	288
1984-85	8,889	981	9,870	10,883	-1,013	3,674	472
1985-86	8,978	1,124	10,102	10,883	-782	4,103	603
1986-87	9,131	1,134	10,265	10,600	-334	4,003	654
1987-88	9,453	1,060	10,512	10,329	183	3,443	567
1988-89	9,628	842	10,470	9,844	625	2,536	516
1989-90	9,555	827	10,382	9,756	625	1,697	479
1990-91	9,153	739	9,893	9,936	-43	1,670	359
1991-92	8,368	812	9,180	10,390	-1,210	2,973	365
1992-93	8,341	834	9,175	10,877	-1,703	5,189	375
1993-94	8,532	956	9,488	11,150	-1,662	6,417	514
1994-95	9,191	748	9,938	11,179	-1,240	7,314	639
1995-96	9,608	725	10,333	11,255	-922	7,958	736
1996-97	10,096	732	10,828	11,322	-494	7,804	769
1997-98	10,511	783	11,294	11,282	12	6,655	664
1998-99	10,852	1,070	11,922	11,617	305	5,650	678
1999-00	11,455	1,127	12,582	11,597	985	4,365	569
2000-01	12,010	891	12,901	12,487	414	3,299	437
2001-02	11,882	828	12,710	12,782	-72	2,863	363
2002-03	12,500	794	13,294	12,815	479	2,170	244
2003-04	12,983	693	13,677	13,175	502	1,695	191
2004-05	13,566	727	14,293	13,470	822	945	152
2005-06	14,012	808	14,820	13,904	912	19	133
2006-07	14,269	795	15,064	13,997	950	-1,342	13
2007-08	14,630	817	15,447	14,239	1,035	-2,093	-53
2008-09	13,618	942	14,559	15,726	-1,344	-562	-60
2009-10	12,552	1,077	13,629	16,131	-2,609	2,292	114

Table 11.11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis(a)(b) (continued)

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
2010-11	12,919	912	13,831	15,849	-2,174	4,152	211
2011-12	13,692	818	14,511	16,321	-1,907	6,750	291
2012-13	13,859	982	14,841	15,524	-796	6,747	350
2013-14	13,798	813	14,611	16,480	-1,965	8,497	440
2014-15	13,908	958	14,866	16,193	-1,488	9,660	427
2015-16	13,831	934	14,765	16,154	-1,511	11,580	459
2016-17	13,999	1,127	15,126	16,215	-1,223	11,895	456
2017-18	14,912	1,027	15,939	16,147	-362	12,196	468
2018-19	15,510	1,266	16,776	16,528	-24	12,914	524
2019-20	14,551	1,265	15,817	18,520	-2,873	16,552	447
2020-21	15,695	1,522	17,217	21,660	-4,443	19,612	473
2021-22	16,811	1,497	18,308	19,309	-1,001	16,155	469
2022-23 (e)	**16,880**	**1,365**	**18,245**	**18,124**	**121**	**15,747**	**364**
2023-24 (e)	16,696	1,405	18,102	18,479	-377	15,574	363
2024-25 (e)	15,926	1,475	17,401	18,310	-909	16,087	394
2025-26 (e)	16,143	1,323	17,466	18,378	-913	16,574	530
2026-27 (e)	16,317	1,303	17,620	18,302	-682	16,849	479

a) Data have been revised in the 2023-24 Budget to improve accuracy and comparability through time.
b) The real levels are derived using the Consumer Price Index (CPI). The current reference period for the CPI is 2011–12, which means the real levels per capita are reported in 2011–12 dollars.
e) Estimates.

Notes

(a) The following definitions are used in this Budget Paper:

- 'real' means adjusted for the effect of inflation;
- real growth in expenses and payments is calculated using the Consumer Price Index (CPI) as the deflator;
- the Budget year refers to 2023-24, while the forward years refer to 2024-25, 2025-26 and 2026-27; and
- one billion is equal to one thousand million.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.

- Estimates under $100,000 are rounded to the nearest thousand.
- Estimates $100,000 and over are generally rounded to the nearest tenth of a million.
- Estimates midway between rounding points are rounded up.
- The percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

-	nil
na	not applicable (unless otherwise specified)
$m	millions of dollars
$b	billions of dollars
nfp	not for publication
(e)	estimates (unless otherwise specified)
(p)	projections (unless otherwise specified)
NEC/nec	not elsewhere classified

(e) The Australian Capital Territory and the Northern Territory are referred to as 'the territories'. References to the 'states' or 'each state' include the territories. The following abbreviations are used for the names of the states, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

(f) In this paper the term 'Commonwealth' refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term 'Australian Government' is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

Budget Paper No. 1, *Budget Strategy and Outlook 2023–24*, is one of a series of Budget Papers that provides information to supplement the Budget Speech. A full list of the series is printed on the inside cover of this paper.