Budget
October
2022-23

BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1

Circulated by

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and

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For the information of honourable members
on the occasion of the Budget 2022–23

25 October 2022

ISSN 0728 7194 (print); 1326 4133 (online)

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A copy of this document is available on the central Budget website at: www.budget.gov.au.

Printed by CanPrint Communications Pty Ltd.

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Statement 1: Budget Overview

The 2022–23 October Budget begins to build a better and more resilient future for Australia. This is more important than ever – in the face of rising global economic uncertainty, high inflation and energy costs, and frequent natural disasters which continue to have devastating impacts on many communities. The best response to these challenges is a Budget that is responsible, sensible and suited to the times we are in.

The Budget delivers on the Government's commitments and outlines the Government's plan to:

- provide responsible cost-of-living relief that delivers an economic dividend
- build a stronger, more resilient and more modern economy
- begin the hard task of budget repair to pay for what is important.

The global economic outlook has deteriorated rapidly. Advanced economies are facing the challenges of high inflation, rising energy prices, strained supply chains, and the fastest synchronised monetary policy tightening in decades. The risk of recession across major advanced economies has risen and China's growth outlook has worsened.

Australia is not immune to these global developments. High global energy prices and floods mean inflation is expected to peak at 7¾ per cent in the December quarter 2022, before moderating gradually over the next 2 years. Economic activity is forecast to slow from 3¼ per cent in 2022–23 to 1½ per cent in 2023–24, as global challenges and cost-of-living pressures weigh on growth. Employment growth is expected to moderate, with the unemployment rate forecast to rise to 4½ per cent by the June quarter of 2024, which is still below the pre-pandemic level of 5 per cent. There are significant risks to the outlook, including from a more severe global downturn, a larger than expected pull-back in domestic consumption in response to high inflation and rising interest rates, and ongoing impacts of recent flooding and weather events.

The fiscal challenges the Government inherited are intensifying. The 2022 Pre-election Economic and Fiscal Outlook (PEFO) revealed a budget in persistent structural deficit, with deficits projected for a decade and gross debt as a share of GDP at its highest level in over 70 years. The fiscal position has improved in the near term as the Government has returned tax receipt upgrades to the Budget. However, from 2024–25, this boost is projected to moderate and be outweighed by growing spending pressures.

This Budget takes the first steps in responding to this substantial fiscal challenge. The Government has returned almost all the near-term improvement in revenue to the budget and offset nearly all policy decisions across the next 2 years, when inflationary pressures are highest. Budget improvements of $28.5 billion have been made since PEFO from unwinding wasteful spending, redirecting spending toward higher quality investments and priorities, and improving the integrity and fairness of the tax system.

As a result, the underlying cash deficit is estimated to be $36.9 billion (1.5 per cent of GDP) in 2022–23. Even with intensifying pressures on the Budget, the Government's responsible approach to revenue upgrades and spending restraint means debt is lower than at PEFO over each year of the forward estimates. Over the medium term, underlying spending pressures are projected to lead to gross debt as a share of GDP rising. Gross debt is projected to stabilise at 46.9 per cent of GDP in the last 3 years of the medium term. The increase in gross debt since PEFO can be accounted for by higher borrowing costs due to higher interest rates, the use of a lower and more realistic productivity assumption, and an upward revision in the estimated costs of delivering the National Disability Insurance Scheme (NDIS).

The Government's economic plan will build a stronger, more resilient and more inclusive economy. The Budget provides for responsible cost-of-living relief that does not add to inflation pressures. This includes making child care more affordable for over 1.2 million families, cutting the cost of medicines for around 3.6 million Australians, expanding the Paid Parental Leave scheme to reach 26-weeks in 2026, delivering more affordable housing, and getting wages moving again. These measures will provide a long-term economic dividend by lifting workforce participation and productivity.

The Budget invests in the capacity of the economy and the potential of the Australian people. It invests in a better trained, better skilled and more productive workforce with 480,000 fee-free TAFE places to be made available over the next 4 years and 20,000 new university places for students from disadvantaged backgrounds. It invests in better schools, healthier students and more qualified teachers. It reduces barriers to workforce participation, advances gender equality and tackles skills shortages, including through the creation of Jobs and Skills Australia.

The Government's Powering Australia Plan and $20 billion Rewiring the Nation fund will spur investment in cheaper, cleaner and more secure energy. The Plan will modernise Australia's energy grid and drive investment in renewable energy. These measures will put Australia on track to deliver on our net zero emissions by 2050 target, including through supporting industry in regional areas to decarbonise through the $1.9 billion Powering the Regions Fund. The $15.0 billion National Reconstruction Fund will help lift the speed limit of our economy, boosting supply chains and Australia's industries, creating jobs and growing rural and regional Australia.

Through responsible budget management, the Government is also making room to pay for what's important and implement commitments. This Budget responds to the aged care crisis, improves access to quality health care and secures the future of the NDIS. It delivers a better future through the new National Plan to End Violence Against Women and Children and implementing the Uluru Statement from the Heart. The Government is strengthening strategic partnerships to build a safer and more prosperous Indo-Pacific region. It is also restoring integrity in government, establishing a National Anti-Corruption Commission.

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Statement 1: Budget Overview

Economic and Fiscal Outlook

The global economic environment has sharply deteriorated. Exacerbated by a global energy price shock, inflation has risen rapidly across advanced economies and, in many countries, is at levels not seen in decades. Central banks have lifted interest rates quickly in response, constituting the fastest synchronised monetary policy tightening in the inflation targeting era. The combination of these factors is expected to slow global economic growth in 2023 to 2¾ per cent. The risk of recession across major advanced economies has risen and China's growth outlook has weakened.

While Australia has withstood the pandemic well, it is not immune to the intensifying global challenges and risks. Domestic disruptions including the recent floods will test our resilience further. While the economy is forecast to grow by 3¼ per cent in 2022–23, the weaker global outlook, high inflation, cost-of-living pressures, and higher interest rates are expected to see growth slow to 1½ per cent in 2023–24. Inflation is forecast to be more persistent than at PEFO. Annual inflation is expected to peak at 7¾ per cent in late 2022, before moderating gradually to 3½ per cent by June 2024 and returning to the Reserve Bank's inflation target by 2024–25.

In line with the weaker outlook for growth, the current tightness in the labour market is forecast to gradually ease over the coming years. While labour demand is expected to soften alongside slower growth in 2023–24, employment growth is forecast to remain positive. The unemployment rate is forecast to rise to 4½ per cent by the June quarter of 2024 but remain below pre-pandemic levels. Workforce participation is expected to ease from recent record highs but remain structurally higher than projected at PEFO, expanding the supply capacity of the economy.

While some household groups have built up savings buffers over recent years, others are expected to come under greater pressure. Many indebted households will be more significantly impacted by higher interest rates. Low-income households are also expected to be more heavily affected as essentials such as housing costs and energy make up a larger share of their household expenses, and these are expected to rise. The Government's targeted cost-of-living relief, indexation of government allowances and pensions and the larger than usual minimum wage increase provided by the Fair Work Commission will help to provide relief for many households.

Nominal GDP is forecast to grow strongly at 8 per cent in 2022–23, reflecting high commodity prices and strong recent growth in employment and nominal household consumption. Nominal GDP is then expected to fall by 1 per cent in 2023–24 due to the assumed decline in commodity prices and associated decline in Australia's terms of trade. Higher nominal GDP in the near term will flow through to upgrades in tax receipts.

Table 1.1: Major economic parameters[(a)]

	Outcome	Forecasts			
	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	3.9	3 1/4	1 1/2	2 1/4	2 1/2
Employment	3.3	1 3/4	3/4	1	1 1/4
Unemployment rate	3.8	3 3/4	4 1/2	4 1/2	4 1/4
Consumer price index	6.1	5 3/4	3 1/2	2 1/2	2 1/2
Wage price index	2.6	3 3/4	3 3/4	3 1/4	3 1/2
Nominal GDP	11.0	8	-1	4 1/4	5

a) Real GDP and Nominal GDP are percentage change on preceding year. The consumer price index, employment, 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 PEFO, there has been a substantial improvement in the near-term fiscal outlook. In 2022–23, the deficit is expected to be $36.9 billion (1.5 per cent of GDP), a $41.1 billion improvement since PEFO. High Australian dollar commodity prices and strong employment growth have boosted forecast tax receipts. However, the improvement moderates over the forward estimates as commodity prices decline.

The Government's responsible approach to revenue upgrades and spending restraint means gross debt as a share of GDP remains lower than at PEFO in each year of the forward estimates. However, growing spending pressures drive gross debt over the medium term higher than projected at PEFO. This deterioration in gross debt can be accounted for by higher borrowing costs due to higher interest rates, the use of a lower and more realistic productivity growth assumption, and an upward revision in the estimated cost of the NDIS.

Table 1.2: Budget aggregates

	Actual	Estimates					Projections
	2021-22	2022-23	2023-24	2024-25	2025-26	Total(a)	2032-33
	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**-32.0**	**-36.9**	**-44.0**	**-51.3**	**-49.6**	**-181.8**	
Per cent of GDP	-1.4	-1.5	-1.8	-2.0	-1.8		-1.9
Gross debt(b)	**895.3**	**927.0**	**1,004.0**	**1,091.0**	**1,159.0**		
Per cent of GDP	39.0	37.3	40.8	42.5	43.1		46.9
Net debt(c)	**515.6**	**572.2**	**634.1**	**702.8**	**766.8**		
Per cent of GDP	22.5	23.0	25.8	27.4	28.5		31.9

a) Total is equal to the sum of amounts from 2022–23 to 2025–26.
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).

There are downside risks to the fiscal outlook arising from the deteriorating global outlook, including the heightened risk of recession across major advanced economies. These have the potential to affect Australia's economy, including through slower economic activity, higher unemployment, lower inflation and lower world commodity prices. This would have a significant effect on tax receipts, including over the medium term, if it leads to a sustained reduction in the projected level of nominal GDP.

The Government's Economic and Fiscal Strategy will increase the resilience of the economy and the budget. The Government is committed to repairing the budget in a measured and responsible manner consistent with the objective of maintaining full employment and the delivery of essential services. This will be achieved through spending restraint, with new spending focused on high-quality and targeted investments. In this way, the Budget builds the capability of the Australian people, expands the productive capacity of the economy, and supports action on climate change.

The immediate focus of the strategy is to ensure that fiscal policy avoids adding to inflationary pressures in the economy and beginning budget repair. Over time, the focus will shift to achieving measured improvements in the budget position that aim to stabilise and then reduce gross debt as a share of GDP.

Beginning budget repair

This Budget begins the difficult task of repairing the budget and ensures fiscal policy does not add to inflationary pressure. As a first step, the Budget makes significant savings from redirecting spending to priorities, unwinding wasteful spending to support budget repair, better aligning infrastructure investment with market capacity, and improving the fairness and integrity of the tax system.

The Government has identified $28.5 billion in budget improvements over the 4 years to 2025–26, including:

- $22.0 billion in spending reductions or reprioritisations, including $6.5 billion in savings from reprofiling infrastructure projects to better align investments with industry and market conditions while maintaining the Government's overall funding commitment to the projects; $3.6 billion in savings from external labour, advertising, travel and legal expenses; and $1.7 billion through more responsible investments in the National Water Grid Fund

- $3.7 billion from extending the ATO's Tax Avoidance Taskforce, Shadow Economy, and Personal Income Taxation Compliance programs to improve the integrity of the tax system

- $952.8 million through comprehensive action to ensure multinationals pay their fair share of tax, including limiting the amount of debt-related deductions multinationals can claim, requiring relevant companies to enhance the tax information they disclose to the public and closing loopholes on the use of intangibles and intellectual property.

While this Budget has begun the critical task of budget repair, further work will be required in future budgets to rebuild fiscal buffers and manage growing cost pressures. The Government will continue the task of reviewing programs in future budgets with a focus on enhancing the quality of spending and ensuring programs are efficient, effective and focused on national priorities.

Budget priorities

The 2022–23 October Budget is focused on laying the foundations for the better future that Australians deserve. It provides responsible cost-of-living relief; delivers on the Government's economic plan to build a stronger, more resilient and more modern economy; and pays for what's important.

Delivering responsible and targeted cost-of-living relief

This Budget delivers a 5-point plan for responsible and targeted cost-of-living relief. This includes making child care more affordable for over 1.2 million families, cutting the cost of medicines for around 3.6 million Australians, expanding the Paid Parental Leave scheme to reach 26-weeks in 2026, delivering more affordable housing, and getting wages moving again.

These policies will support Australians, delivering a long-term economic dividend that does not put additional pressure on inflation. The Government is also funding the largest indexation increase to payments in more than 30 years for allowances and 12 years for pensions. The Government will deliver one-off funding supplementation to support select Community Sector Organisations over four years to help meet the higher costs of delivering services.

Making early childhood education and care more affordable

The Government is investing $4.6 billion to increase Child Care Subsidy rates to make early childhood education and care more affordable for eligible Australian families, which along with other initiatives will bring total investment to $4.7 billion. Child Care Subsidy rates will increase for all eligible families with annual incomes less than $530,000, up to a maximum of 90 per cent. Families will continue to receive the existing higher subsidy rates of up to 95 per cent for second and subsequent children in care aged 5 and under. Around 96 per cent of families with children in child care will benefit and none will be worse off. The Government is also strengthening payment integrity and accuracy of the Child Care Subsidy program, to achieve savings of $173.0 million. More affordable early childhood education and care will also deliver an economic dividend by making it easier for parents, in particular women, to return to paid work or work additional hours.

The Australian Competition and Consumer Commission will conduct a 12-month inquiry into rising early childhood education and care costs. Commencing in January 2023, the inquiry will also examine the impact of the Child Care Subsidy changes on out-of-pocket fees for families. The inquiry will complement a comprehensive Productivity Commission review into early childhood education and care in Australia, which will consider a universal 90 per cent subsidy.

Reducing the cost of essential medicines

On 1 January 2023, the Government will make medicines cheaper for Australians. The maximum co-payment under the Pharmaceutical Benefits Scheme (PBS) will decrease from

$42.50 to $30 per script. This change will save 3.6 million Australians more than $190 million each year in out-of-pocket costs.

Australians will have access to more affordable and life-saving essential medicines through the PBS and other medicines programs. In this Budget, the Government is providing $1.4 billion for new and amended listings, including treatments for various types of cancer and growth hormone deficiency in children.

Expanding paid parental leave

The Government will introduce changes to modernise the Paid Parental Leave scheme by increasing the number of weeks available to families to 26 weeks in 2026. A new investment of $531.6 million to expand the Paid Parental Leave Scheme will provide additional support to families and advance gender equality. It will also further support productivity and participation, providing an additional economic dividend.

The expanded Paid Parental Leave scheme will transition from a total 20 weeks leave in July 2023 up to a total 26 weeks leave by July 2026. This change will include a 'use it or lose it' portion of leave reserved for each parent to encourage and facilitate both parents to access the scheme and to share caring responsibilities more equally. Each year, single parents will be able to access the full weeks of leave under the scheme.

To further increase flexibility under the scheme, the Government will introduce gender-neutral claiming to allow either parent to claim Paid Parental Leave first. To expand access, particularly to women who are the primary income earner, eligibility will be expanded through the introduction of a $350,000 family income test, which families can be assessed under if they do not meet the individual income test.

Improving housing supply and affordability

Australia faces an urgent housing affordability challenge. In response, this Budget makes new critical investments, with the Government implementing a comprehensive housing reform agenda to deliver more affordable homes.

Housing Accord: One million new homes over 5 years from 2024

The Government is bringing states and territories, the Australian Local Government Association, investors and representatives from the construction sector together under a new Housing Accord. The Accord sets an aspirational target of one million new, well-located homes over 5 years from mid-2024 as capacity constraints are expected to ease.

All stakeholders will work together to achieve this target to address the supply gap of new houses as our population continues to grow.

Under the Accord, the Government will provide $350 million over 5 years, with ongoing availability payments over the longer term, to deliver an additional 10,000 affordable dwellings. States and territories will also support up to an additional 10,000 affordable homes, increasing the dwellings that can be delivered under the Accord to 20,000. The combination of a more secure pipeline of supply and Government support through innovative financing will facilitate cost-effective superannuation and institutional investment in affordable housing.

Increasing social and affordable housing

The Government is establishing the $10 billion Housing Australia Future Fund to provide a sustainable funding source to increase housing supply and improve service delivery, seeking to draw in investments from state and territory governments and private capital providers.

The fund will provide 20,000 new social housing dwellings, 4,000 of which will be allocated to women and children impacted by family and domestic violence and older women at risk of homelessness. It will also provide 10,000 new affordable housing dwellings, including for frontline workers.

The Government is also expanding the remit of the National Housing Infrastructure Facility to more flexibly deploy up to $575 million in unallocated funding. This will help unlock a projected 5,500 new social and affordable dwellings, and attract more institutional capital to the sector.

Supporting more Australians into home ownership

The Help to Buy shared equity scheme will assist homebuyers to purchase a new or existing home with an equity contribution from the Government. This will mean eligible Australians can buy a home with a smaller deposit and mortgage.

The Regional First Home Buyer Guarantee will bring homeownership back into reach for tens of thousands of Australians in regional areas. From 1 October 2022, 10,000 places will be available each financial year to support regional first homebuyers to purchase new or existing homes with a deposit of as little as 5 per cent.

More older Australians will be encouraged to downsize their homes, freeing up housing stock for younger families. The Government is extending the exemption of home sale proceeds from pension asset testing from 12 months to 24 months. This will give pensioners more time to purchase, build or renovate a new home before their pension is affected. In addition, the Government is expanding access to downsizer superannuation contributions for people aged 55 to 59.

The Government will also provide $46.2 million to assist current and former Australian Defence Force members to purchase their own home through the Defence Home Ownership Assistance Scheme.

Planning for the future of Australia's housing

To set a shared vision for housing in Australia and address long-standing calls for a national housing strategy, the Government will develop a National Housing and Homelessness Plan. Close consultation with the states and territories will underpin development of the Plan, which will set out key reforms needed to make it easier to buy a home or rent and to put a roof over the heads of more homeless Australians.

The Government is also providing $15.2 million to establish a National Housing Supply and Affordability Council to independently advise the Government on housing policy. It will be responsible for delivering advice on options to improve housing supply and affordability, reporting on key issues in housing policy, and promoting the regular collection and publication of data on housing supply, demand and affordability. The Council will also regularly review and advise on the national housing supply target and advise on the development of the National Housing and Homelessness Plan.

Getting wages moving again

The Government supported wage increases for Australia's lowest paid workers, fulfilling its commitment through a submission to the Fair Work Commission's Expert Panel for the 2021–22 Annual Wage Review. In June 2022, the Government recommended the Commission ensure the real wages of Australia's low-paid workers do not go backwards as workers on low rates of pay experience the worst impacts of inflation and have the least capacity to draw on savings. The Fair Work Commission decision gave a 5.2 per cent wage increase to national minimum wage workers.

The Government is making it easier for employees and businesses to come together and reach agreement on wages and conditions. To remove complexity and make a more flexible and fair system, the collective bargaining rules will be amended and improvements made to the Better Off Overall Test. Access to multi-employer bargaining will also be enhanced.

The Fair Work Commission's ability to help employees and businesses reach agreements will be bolstered. Unions and employer representatives will also be supported to work together and with the Government to improve safety, fairness and productivity in the workplace.

In addition to these changes to reinvigorate bargaining, the Government is taking action to tackle insecure work and improve workplace protections. Job security will be made an object of the *Fair Work Act 2009* and the use of fixed term contracts will be limited. This will ensure more Australians can access fair and secure employment.

The Government will protect wages by enhancing the small claims procedure to assist workers in recovering their unpaid work entitlements. The Australian Building and Construction Commission and Registered Organisations Commission are being abolished to simplify the Fair Work system and ensure all industries are subject to the same regulatory framework.

A stronger, more resilient and more modern economy

The Budget invests in a stronger economy that unlocks more opportunities to realise the potential of Australia and the Australian people. It lifts the speed limit on the economy by better utilising Australians' talents, building their skills, broadening Australia's economic base and creating the industries of the future.

Investing in the capacity of our people

The Government is committed to achieving full employment and lifting productivity growth by fully harnessing the skills and potential of our population. Giving more people the skills they need for the jobs of the future, and ensuring those jobs are created, will help to get wages moving again.

September's Jobs and Skills Summit brought Australians together to work constructively on the challenges and opportunities facing the labour market. The summit delivered 36 concrete outcomes to build a bigger, better trained and more productive workforce, and laid out priorities for further work. An Employment White Paper, informed by broad public consultation, will be released in the second half of 2023.

This Budget delivers on the summit outcomes, including a one-off $4,000 credit to the Work Bonus income banks of Age and Service pensioners in 2022–23 to give older Australians the option to work and keep more of their money. The temporary income bank credit will increase the amount pensioners can earn this financial year from $7,800 to $11,800 before their pension is reduced, enabling pensioners who want to work to immediately boost the supply of labour to help meet shortages.

Better access to training and skills

The Government will provide 480,000 fee-free TAFE and community-based vocational education places to ensure Australians have affordable access to skills training, especially in areas of critical shortage. As a first step, the Australian Government and all states and territories have committed to develop a $1 billion one-year National Skills Agreement. The agreement will commence on 1 January 2023 and deliver 180,000 fee-free TAFE and community-based vocational education places over 12 months. Support will be targeted to priority groups, including First Nations people and priority areas, including care sectors. From 2024, vocational education and training will be supported by a new longer-term National Skills Agreement.

To tackle skills shortages and support under-represented groups to attend university, the Government will deliver up to 20,000 additional university places across 2023 and 2024. The additional places will provide more opportunities for Australians to study in areas of skills shortage such as nursing, teaching, engineering and technology. Places will be allocated to people from low socio-economic backgrounds, rural and remote areas, First Nations people, students who are first in family to attend university and people with disability.

The Government is also ensuring apprentices have access to quality training and career paths by developing the Australian Skills Guarantee. Under the guarantee, one in ten workers on major federally funded projects will be an apprentice, trainee or paid cadet, with specific targets for women.

The first phase of the New Energy Apprenticeships and New Energy Skills programs will entitle eligible apprentices in the clean energy industry to access financial support of up to

$10,000 over the duration of their apprenticeship, as well as additional mentoring and assistance.

A Digital and Tech Skills Compact, implemented in partnership with businesses, unions and training providers, will deliver digital apprenticeships to support entry level tech workers to earn while they learn. The Compact will include equity targets for groups traditionally underrepresented in digital and tech fields. The Government is also supporting new digital career opportunities in the Australian Public Service. Under the APS Digital Traineeship Program, priority groups such as First Nations people will be supported to undertake a Certificate IV qualification in digital or technology related fields.

To help the next generation of Australian entrepreneurs bring their ideas to life, the Government is creating the Startup Year program. Startup Year will provide up to 2,000 income contingent loans per year to allow eligible students to participate in a university-based accelerator program.

Investing in our schools

The Government recognises the impact COVID-19 related disruptions have had on Australian children and is investing $474.5 million to help students bounce back.

All schools will benefit from the $203.7 million Student Wellbeing Boost, with the average school receiving $20,000. Schools can use this funding on a range of measures including mental health supports, excursions and sporting and social activities. A new voluntary mental health check tool will assist in identifying students who are struggling so they can get the help they need. The Schools Upgrade Fund will provide $270.8 million to support improvements to ventilation and air quality, as well as larger refurbishments to public schools.

To address teacher shortages and promote quality teaching, the Government will invest $60.6 million to respond to the Quality Initial Teacher Education Review. The Government is also expanding the High Achieving Teachers program to attract 1,500 more of the best and brightest mid-career professionals into teaching. Further, 5,000 high quality candidates will be able to access bursaries of $10,000 per year to encourage them to study teaching.

Addressing skills shortages

The Government is establishing Jobs and Skills Australia to strengthen workforce planning and combat skills shortages. The consultative independent body will work with employers, unions, states and territories, and the training and education sector. It will provide detailed analysis to help address workforce shortages, build long-term capacity in priority sectors such as clean energy and care sectors, and identify distinct challenges in regional, rural and remote Australia.

In addition to the investments being made in the skills of the Australian workforce, the Government will ease widespread critical skills and labour shortages by:

- increasing the permanent Migration Program planning level from 160,000 to 195,000 in 2022–23
- providing an additional $42.2 million to accelerate visa processing, resolve the visa backlog and raise awareness of opportunities for high-skilled migrants in Australia's permanent Migration Program
- extending the relaxation of work restrictions for student visa holders and secondary training visa holders until 30 June 2023
- scaling up the aged-care training pathway for Pacific Australia Labour Mobility (PALM) scheme participants with an additional 500 places in 2022–23.

The Government will develop a Migration Strategy to identify reforms required to ensure the migration system serves Australia's national interests and complements the skills and capabilities of Australian workers. The Strategy will focus on ways to grow Australia's economy and attract high-skilled migrants, while also furthering Australia's geostrategic interests, unlocking the potential of all migrants and providing clear pathways to permanent residency.

Supporting women's economic equality

Addressing gender gaps in workforce participation and pay are critical to both supporting women's equality and improving Australia's economic prosperity. In addition to its investments in cheaper child care, responding to the call of the Jobs and Skills Summit to expand Paid Parental Leave, and investing $1.7 billion in women's safety at home, work and in the community, the Government is delivering a suite of measures to advance gender equality.

The Government is leading national efforts to narrow the gender pay gap. It will improve transparency and encourage change by introducing public reporting of large companies' gender pay gaps and prohibiting pay secrecy clauses in employment contracts.

In addition, the Government will amend the *Fair Work Act 2009* so that the national workplace relations system can better address issues of pay equity. A statutory equal remuneration principle will make it easier for women in low-paid sectors to make pay equity claims, and the Fair Work Commission will be required to consider gender equity when it sets and adjusts minimum wages. The Government is also investing $20.2 million to establish 2 new expert panels in the Fair Work Commission on Pay Equity and the Care and Community Sector to provide expertise in assessing pay equity claims and award variations.

To help drive gender equality, the Government has established an independent Women's Economic Equality Taskforce. Chaired by Sam Mostyn AO, the taskforce will provide advice to the Government on issues facing women in the Australian economy, including the gender pay gap, barriers to women's workforce participation and economic opportunity, and the unequal distribution of unpaid caring responsibilities. Its advice will help shape a National Strategy to Achieve Gender Equality, which will guide whole-of-government actions to achieve gender equality. The Taskforce will also examine the optimal model for Paid Parental Leave, including the number of weeks that parents can access at the same time and the portion to be reserved on a 'use it or lose it' basis for each parent.

The Government has also committed to introduce gender responsive budgeting. As a first step, in developing this Budget, the Government trialled the use of gender impact assessments on key measures to ensure outcomes for women were considered as part of the budget decision making process. The Government will build on this approach in future budgets.

Cheaper, cleaner energy and acting on climate change

The Government is taking action to address climate change and seize the economic opportunities it presents. The Powering Australia Plan will establish a modern energy grid, driving innovation and opening up new energy industries and delivering cleaner, cheaper energy for families, households and businesses. It will also reduce emissions across the economy.

Australia's updated Nationally Determined Contribution under the Paris Agreement formalises our pledge to reduce greenhouse gas emissions by 43 per cent below 2005 levels by 2030 and reach net zero emissions by 2050. The *Climate Change Act 2022* legislates these targets and ensures a whole-of-government approach to drive down emissions.

Powering Australia Plan

The Government is unlocking the rich renewable potential of our regions to provide cleaner, cheaper and more secure energy that will power our homes and industries.

Rewiring the Nation will provide $20.0 billion of low-cost finance to make much needed upgrades to Australia's electricity grid by building interconnectors and linking renewable energy zones to the existing grid at lowest cost. Modernising our grid will unlock new generation and storage capacity, help meet our emissions reduction commitments and deliver cleaner, cheaper, more reliable energy for Australian households and businesses.

The Government is providing $157.9 million to support the implementation of the National Energy Transformation Partnership. Through the Partnership, the Government will work together with state and territory governments on priority actions to support the transformation of Australia's energy sector. Initial priorities include delivering Australia's first fully integrated energy and emissions reduction agreement, introducing an emissions reduction objective into the National Energy Objectives, accelerating mechanisms for the uptake of flexible energy supply and progressing a co-designed First Nations Clean Energy Strategy with First Nations communities.

Australia has the highest rooftop solar uptake in the world, but high upfront costs of installing battery storage create barriers to many households owning one. The Government is providing $224.3 million to deploy 400 community batteries across Australia to lower bills, cut emissions and reduce pressure on the electricity grid. This means households can store excess solar energy for use in their community, supporting families that are unable to install rooftop solar, such as apartment owners and renters.

The Government is also providing $102.2 million to establish a Community Solar Banks program for the deployment of community-scale solar and clean energy technologies. This commitment will help up to 25,000 households that are traditionally unable to install rooftop solar to take advantage of low-cost, clean energy, helping to drive down energy prices and reduce emissions while supporting local jobs.

A new Net Zero Economy Taskforce will bring together perspectives from regional communities, state and territory governments, industry, and unions. The Taskforce will advise the Government on how it can ensure regional Australians benefit from Australia's transformation to a renewable energy superpower.

Alongside these reforms, the Government is modernising energy market regulation to ensure it is resilient and flexible enough to support the energy transformation.
The Government is investing $40.9 million in increased oversight of gas markets by the ACCC and implementation of reforms to the Australian Domestic Gas Security Mechanism, and is exploring options for further reforms that may be required to ensure Australian customers have access to energy at reasonable prices.

These will be delivered alongside the $23.0 million package of gas reliability and security measures agreed with State and Territory Energy Ministers, and the $14.3 million investment in expanding the Australian Energy Regulator's oversight of gas pipeline operations.

Building disaster resilience and preparedness

Recent extensive flooding has tested the resilience of many individuals and communities across Australia. In response, the Government has made disaster assistance payments available for individuals across impacted Local Government Areas (LGAs) in Victoria, Tasmania and New South Wales. The Disaster Recovery Allowance will assist employees and sole traders who experience a loss of income as a direct result of the disaster and is payable for a maximum of 13 weeks. The one-off, non-means tested Australian Government Disaster Recovery Payment of $1000 per eligible adult and $400 per eligible child has also been made available to the most severely impacted LGAs. There is $3.0 billion in the contingency reserve to meet the disaster recovery costs from the flooding events this year.

To assist with future recovery efforts the Government is providing $38.3 million to Disaster Relief Australia for more than 5,000 volunteers to help communities when disaster strikes.

The Government is also committed to supporting communities to strengthen resilience and curb the devastating impacts of natural disasters. The Government will invest up to $200 million per year on disaster prevention and resilience through the Disaster Ready Fund. It will support investment in projects like flood levees, sea walls, cyclone shelters, evacuation centres and fire breaks.

The Government will also invest $22.6 million in a reform package to begin addressing insurance affordability and availability issues driven by natural disaster risk. The package will improve collaboration with industry to build a national knowledge base of where the most pressing insurance issues are and how to address them. It will also focus on improving consumer understanding of insurance products, and support better targeted mitigation and resilience strategies.

Acting on climate change

Many of Australia's largest emitters are in regional areas, as are the renewable energy opportunities. The Government will establish a $1.9 billion Powering the Regions Fund. This will provide dedicated support to transition regional industries to net zero while harnessing the economic opportunities presented by decarbonisation. Clear investment signals, such as the Government's reforms to the Safeguard Mechanism, will support industry's international competitiveness and economic growth while significantly reducing Australia's emissions in line with emission reduction targets.

In parallel, the Government is strengthening Australia's carbon markets with an independent review of the integrity of Australian Carbon Credit Units. The Powering the Regions Fund will be also used to continue the purchase of Australian Carbon Credit Units and support the generation of carbon offsets in Australia.

The Driving the Nation Fund invests $500 million to help reduce transport emissions including delivery of electric vehicle charging infrastructure at 117 highway sites, hydrogen highways for key freight routes, and further investment in charging infrastructure.

To make electric vehicles cheaper and encourage their uptake, the $345.0 million Electric Car Discount will cut taxes by exempting eligible electric cars from fringe benefits tax and the 5 per cent import tariff. The Government will ensure its fleet purchases and leases will be 75 per cent electric by 2025, to contribute to a market for second-hand electric vehicles.

These are important first steps. The Government is also consulting on a National Electric Vehicle Strategy to ensure Australians can access the best transport technologies and help meet our emission reduction targets. The Aviation White Paper will also consider how to maximise the aviation sector's contribution to net zero carbon emissions.

Restoring Australia's climate leadership

The Climate Change Authority will receive $42.6 million to restore its capability and empower it to deliver independent climate change advice, including on setting and tracking Australia's climate change targets and policies. The additional funding will also support the Climate Change Authority's new role of providing advice to the Government on the delivery of its Annual Climate Change Statement to Parliament on Australia's progress in achieving its emissions reduction targets.

The Government is leading by example. It is committing $7.1 million to help transition the Australian Public Service to net zero emissions by 2030 and maintain public accountability through regular emissions reporting. An additional $39.1 million will equip the Australian

Public Service with the resources to comprehensively analyse and consider climate change in policy decisions and government reporting. This includes funding to restore the Treasury's role in modelling climate risks and opportunities for the Australian economy.

A further $6.2 million will help implement the Government's commitment to introduce standardised, internationally-aligned climate disclosure requirements for large businesses.

The Government will provide $99.7 million to deliver practical action for First Nations peoples to respond to climate change in their communities. This includes adaptation and mitigation action through a Torres Strait Climate Change Centre of Excellence, including a Climate Warriors training program, as well as developing and deploying microgrid technology so First Nations communities can access cheaper, cleaner and more reliable energy. These measures will be developed in consultation with First Nations Peoples, states and territories.

International cooperation is essential to addressing climate change and critical to driving the investment Australia needs in new clean industries. The Government is investing $45.8 million to support more proactive engagement with the United Nations Framework Convention on Climate Change, and to strengthen partnerships with our neighbours and others around the world on climate change and energy transformation.

Protecting the environment

The Government has a clear plan to protect our environment. This includes direct projects to save species and habitats in decline now and long-term reforms to better protect our environment into the future.

To help stop environmental decline, the Government is providing $1.1 billion for the next phase of Natural Heritage Trust funding. The Natural Heritage Trust will prioritise support for species and landscapes, Indigenous Protected Areas and conservation activities for heritage and wetlands areas, and sustainable resource management.

Drawn from the Natural Heritage Trust, the Government will invest $302.1 million in climate-smart sustainable farming and land management practices. This investment will help to reduce emissions, build climate and disaster resilience, and achieve environmental goals.

The Government will invest a further $66.5 million to support current Indigenous Protected Areas (IPAs) and establish new IPAs in partnership with First Nations groups. This will be led by communities and contribute to the Government's commitment to protect 30 per cent of our land and oceans by 2030.

Training and employment of up to 1,000 landcare rangers will be funded through a $90.0 million investment. This will scale up grassroots efforts of volunteers and provide career pathways in the land care sector. An additional $14.7 million will improve protection of Australia's cultural and First Nations heritage sites by empowering local communities and First Nations people to assess and identify priorities for the protection of their heritage.

The Government is investing $224.5 million to establish the Saving Native Species Program. The program will deliver direct projects to slow the rate of environmental and native species decline and lay the foundations for longer-term recovery. This will support the implementation of the *Threatened Species Action Plan (2022–2032)* through a range of activities such as breeding endangered species, pest animal management, ecological burning, revegetation and controlling gamba grass.

A commitment of $91.1 million will clean-up and restore urban river and water areas, protecting local species and improving liveability for communities.

The Great Barrier Reef and our oceans will be supported with an additional $204.0 million, lifting total Government investment in the Reef to $1.2 billion by 2030. This will address critical gaps in the implementation of the Reef 2050 Long-Term Sustainability Plan and support additional reef restoration projects. It will also strengthen our marine research capability and marine park management.

The Government will provide $117.1 million to restore funding for environmental assessments. This will support the delivery of on-time decisions for projects, protecting the environment and facilitating sustainable development. The Government is progressing broader environmental law reform including a full response to the Independent Review of the *Environment Protection and Biodiversity Conservation Act 1999*.

A future made in Australia

The Government is tackling the economic challenges exposed by the COVID-19 pandemic and building for the opportunities of tomorrow. It is investing in the economic infrastructure needed to lift capacity, build resilience and increase prosperity across Australia.

Investments to rebuild Australia’s industrial base, secure supply chains, upgrade digital connectivity, deliver nation-building infrastructure and grow rural and regional Australia will enable new ways for Australia to prosper. They will help maintain full employment, productivity growth and equal opportunities for all Australians.

These actions build on the Government’s Future Made in Australia agenda to invest in Australia and Australian workers. Together with the Buy Australia Plan and the Powering Australia Plan, the National Reconstruction Fund will help rebuild Australia’s industries, diversify our economy and make our supply chains more resilient.

National Reconstruction Fund

A strong manufacturing sector supports innovation, supply chains and trade links across the economy. That’s why the Government is committed to re-building and diversifying Australia’s industrial base through the National Reconstruction Fund.

The National Reconstruction Fund will provide $15.0 billion for targeted investments in independently assessed projects which support value-adding production, drive productivity and strengthen supply chain resilience. It will partner with the private sector to unlock further investment, support employment growth and drive regional development.

Loans, guarantees and equity investment will be provided across 7 priority areas focused on value adding and capability development to leverage Australia's natural and competitive strengths. These priority areas are: resources; agriculture, forestry and fisheries sectors; transport; medical science; renewables and low emission technologies; defence capability; and enabling capabilities.

Co-Investment Plans will be developed to identify high-level investment opportunities and barriers, as well as broader reforms to support growth and competitiveness, in each priority area. These Co-Investment Plans will focus the funding from the National Reconstruction Fund on identifying and encouraging innovative ways for the economy to grow, with a focus on creating the sustainable, well-paid jobs of the future.

Investing in nation-building infrastructure

The Government is delivering a responsible and sustainable plan for infrastructure investment to get people and products moving faster. It will expand the productive capacity of the economy, by easing congestion, strengthening supply chains for trade and developing new transport connections. In consultation with the states and territories, the Budget realigns $6.5 billion of existing funding in infrastructure projects to ensure value for money, align with current market capacity to deliver and manage inflationary pressures while maintaining the Government's overall funding commitment to the projects. A review of Infrastructure Australia is underway to revitalise its role as an independent adviser to the Government on nationally significant infrastructure priorities.

The Government is providing $8.1 billion to deliver on key infrastructure projects including the Suburban Rail Loop East in Melbourne, the Bruce Highway and other important freight highways such as the Tanami Road and Dukes Highway. These high priority projects are part of the more than $120 billion pipeline of investment in transport infrastructure over the next 10 years.

An additional $250.0 million will be provided to expand the Local Roads and Community Infrastructure Program. The Road Safety Program will be extended by a further 2 years, with an additional $80.0 million provided for the Heavy Vehicle Rest Areas Program.

The Government is investing $150.0 million to upgrade regional airports and their precincts, including in Hobart ($60.0 million), Launceston ($35.0 million) and Newcastle ($55.0 million), expanding their capacity for freight and passengers. This will be complemented by an *Aviation White Paper* to support the further development of this industry.

The High Speed Rail Authority is being established to provide independent advice to governments on planning and delivering a high speed rail network between Brisbane and Melbourne. An initial $500.0 million investment will support planning and corridor works for the Sydney to Newcastle section of the network.

The Inland Rail program is being affected by market capacity constraints, increasing costs and pressures on the delivery schedule. An independent review will assess the scope, costs and schedule as well as consider Inland Rail's connectivity with essential infrastructure, including the broader national supply chain.

Better connectivity across Australia

Digital infrastructure is a key productivity enabler. Modernising Australia's digital infrastructure will ensure no one is left behind and enable Australia to seize the opportunities of the digital economy. The Government is improving connectivity by upgrading and boosting NBN speeds, delivering better mobile coverage on roads and improving connectivity in regional communities and on farms.

To achieve world-class internet speeds, the Government is investing $2.4 billion to extend full-fibre access to 1.5 million additional premises, including to over 660,000 in regional Australia. Up to 30,000 families will receive 12 months free broadband, helping unconnected students access broadband and boosting their education opportunities.

An investment of $1.2 billion will further advance regional telecommunications, consistent with findings from the 2021 Regional Telecommunications Review. Funding will improve coverage in communities and support multi-carrier coverage along major roads, improve telecommunications resilience and collect data to inform future investment. A further round of the Mobile Black Spot Program will improve coverage in over 50 selected locations. The Peri-Urban Mobile Program will help to find tailored connectivity solutions to locations along the urban fringe – importantly in natural disaster-prone areas. The investment also includes the already funded $480.0 million fixed wireless upgrade.

The Government will also provide $12.6 million to combat scams and online fraud to protect Australians from financial harm.

Supporting small business

The Government is taking action to deliver on its Better Deal for Small Business and related commitments, including:

- strengthening unfair contract term protections to help improve consumer and small business confidence when entering standard form contracts
- providing workplace relations support for small business by removing complexity to help small businesses reach agreements with their employees; providing bargaining support for small businesses; and assisting small business employers to implement new family and domestic violence leave entitlements for their employees
- supporting small and medium sized businesses improve their energy efficiency by upgrading old and inefficient equipment, reducing their energy use and helping to drive down their energy bills.

The Government is providing $15.1 million to extend the tailored small business mental health and financial counselling programs, NewAccess for Small Business Owners and the Small Business Debt Helpline. These programs have assisted many small businesses through the challenges of COVID-19 and recent natural disasters.

A better future for our regions

The Government will ensure spending of $7.4 billion to support regional development across Australia. This Budget supports investments that will underpin next generation clean energy, renewable resources industries and community-based projects.

The Government will establish 2 discrete, time-limited programs to deliver commitments in suburban and regional locations – Investing in Our Communities Program ($349.9 million) and the Priority Community Infrastructure Program ($1.0 billion). These programs will deliver local community, sport and infrastructure commitments of varying scales. This includes $80.0 million to develop a National Aboriginal Art Gallery in Alice Springs.

The Government will also spend $1.0 billion on developing our regions through programs that are tailored to the varying needs of regional communities across Australia. At the local level, community groups and local councils will be able to apply for funding under the Growing Regions Program. This will support community and economic infrastructure developments and upgrades, such as libraries and community centres. The Government will work with states, territories and local councils through its regional Precincts and Partnerships Program to identify and invest in precinct-level projects that transform regional centres.

The Government will also deliver on its regional development commitments, including:

- $1.9 billion to deliver equity investment for the development of the Middle Arm Sustainable Development Precinct in the Northern Territory, including common use marine infrastructure and regional logistic hubs
- $22.0 million to develop Townsville's Lansdown Eco-Industrial Precinct, which will host advanced manufacturing and technology industries that will underpin future jobs in North Queensland
- $150.0 million towards the expansion of the Cairns Marine Precinct, including a repair and overhaul facility that can service ships up to 120 metres in length
- $50.0 million for a new purpose-built campus of the Central Queensland University at Cairns
- $672.7 million to deliver port infrastructure improvements in the Pilbara, Bundaberg and Hunter regions to support emerging industries and economic transition
- $5.0 million to support the Regional Australia Institute's research and policy capacity.

Backing Australian farmers and foresters

The Government supports Australian farmers' ambition of increasing annual output to $100.0 billion by 2030. This Budget provides $1.2 billion to support the dual goals of increasing agricultural output while enhancing its sustainability.

In response to foot-and-mouth disease and other exotic animal disease outbreaks in neighbouring countries, the Government has increased biosecurity measures at the border. The Government is investing $75.6 million to bolster Australia's biosecurity system against escalating animal disease risks and $11.7 million to increase our detector dog capability to intercept biosecurity threats coming through mail, cargo and air passengers.

The Government is also partnering with industry and state and territory governments to invest $46.7 million to build digital livestock traceability systems and promote on-farm biosecurity. This will ensure a faster emergency response following an exotic animal disease incursion.

Through its National Water Grid Fund, the Government is investing in irrigation projects that will improve the productivity of Australian agriculture. This Budget includes $100.0 million to support Tasmania's Pipeline to Prosperity program. Increasing irrigation in Tasmania's most arable regions maximises the potential of land that has traditionally been unable to be converted to high-value primary production. The Government will also make $1.0 billion available for future water infrastructure investments.

The Government will restore irrigators' confidence in Murray-Darling Basin water trading markets through greater transparency, integrity and market regulation by the Australian Competition and Consumer Commission.

A $204.8 million investment will improve the global competitiveness of Australia's forestry industry. This includes $100.0 million to fund the National Institute for Forest Products and Innovation. The institute will support research and development and help commercialise new innovations in forest industries to increase Australia's long-term supply of wood and wood products.

Paying for what's important

The Government is committed to responsible spending, to pay for the things that Australians value most. This includes making healthcare more accessible, fixing the aged care crisis, implementing the Uluru Statement from the Heart, strengthening efforts to improve women's safety, and protecting Australia's interests.

Delivering better health care

Extending COVID-19 Support

As Australians adjust to living with COVID-19, the Government is continuing to fund medical care, vaccines and treatments to protect the community from severe disease.

The Government is providing $2.6 billion to extend Australia's COVID-19 response and adapt it to the current state of the pandemic. Funding will ensure continued supplies of personal protective equipment from the National Medical Stockpile, access to vaccines and antiviral treatments for at-risk cohorts and new Medicare Benefits Schedule items to test for COVID-19 and other respiratory viruses. National Cabinet has also agreed to extend the National Partnership on COVID-19 Response to 31 December 2022 to continue support for hospitals, testing and other health services delivered by the states and territories to manage the pandemic.

Rural and regional health

The Government is working to address health workforce shortages and improve access to medical care for all Australians, regardless of where they live. This includes providing $74.1 million to introduce tiered financial incentive payments to recognise doctors with additional skills practising in rural and remote regions. An additional $8.4 million will fund more hospital-based training posts for rural doctors to attain specialist and advanced skills in regional and remote Australia. The Government will also invest $5.6 million to provide more rural primary care training rotations for junior doctors through the John Flynn Prevocational Doctor Program.

To improve care in rural Australia, the Government is providing $24.7 million to support communities to trial innovative models of care aimed at addressing health workforce shortages and improving patient health outcomes. In addition, the Government is restoring a higher Medicare benefit for telehealth psychiatry consultations to support the mental health of Australians in regional and rural areas with a commitment of $47.7 million.

Strengthening Medicare

Strengthening Medicare and making it easier for Australians to see a doctor is a key priority. The Government will provide $235.0 million to commence the rollout of Urgent Care Clinics. This includes $100.0 million to co-develop and pilot innovative models with states and territories to improve care pathways and inform program rollout. These clinics will reduce pressure on hospital emergency departments and make it easier for Australian families to see a doctor or nurse when they require urgent, but not life threatening care.

The Strengthening Medicare GP Grants Program will help GPs provide better care. It will provide $229.7 million to support general practices with up to $50,000 to enhance digital capability, invest in infection control and meet accreditation standards. A proportion of these grants will also support Aboriginal Community Controlled Health Services, which recognises the important role these services play for First Nations people.

The Government has set aside $750.0 million for the Strengthening Medicare Fund to provide better access and care for patients. The delivery of the Fund will be informed by the recommendations of the Strengthening Medicare Taskforce, which is scheduled to report by the end of 2022.

The Government is providing $452.0 million to support the establishment of world class cancer centres in Brisbane and Adelaide. These centres will provide multi-disciplinary cancer care, research and clinical trials for all types of cancers.

Securing the NDIS

To promote equal opportunity, the Government is providing $19.4 million to extend the Disability Employment Services (DES) program for 2 years. Incorporating consultation to date, the extension will allow for a design phase to better support people with disability to find ongoing employment. Immediate improvements to the DES program will roll out as part of the extended contract.

The Government will establish a review of the NDIS, Australia's disability safety net for people with a significant and permanent disability. The review will cover the scheme's design, operation, and sustainability and build a stronger, supportive market and workforce to ensure the NDIS is effective.

As an immediate action, the Government will strengthen the National Disability Insurance Agency by increasing its funding by $385.0 million in 2023–24 and employing 380 additional permanent staff at a cost of $158.2 million. These permanent staff can act as delegates with determination authority, improving front-line service delivery.

The Government is delivering a cross-agency program to stop waste in the NDIS, including investing $126.3 million to address fraud and serious non-compliance.

Addressing NDIS appeals is also a priority, with $12.4 million to resolve disputes, reduce the number of appeals and provide earlier outcomes for participants. An additional $21.2 million will support participants and their families with their appeals.

Better Aged Care

The Government is committed to ensuring older Australians receive the care they deserve. In this Budget the Government is funding more and better-quality care, strengthening the aged care workforce and increasing integrity and accountability in the aged care sector.

Aged care residents will benefit from improved quality of care as a result of the Government's $2.5 billion commitment to fund more carers with more time to care. From 1 July 2023 aged care facilities will be required to have a registered, qualified nurse on site 24 hours a day, 7 days a week. Average care minutes will increase to 215 per resident, per day, from 1 October 2024.

The Government supported a pay rise for aged care workers through its submission on the Aged Care Work Value Case to the Fair Work Commission and will provide funding to support any resulting increases to award wages.

The Government is also committed to strengthening integrity and accountability in aged care to protect older Australians and help rebuild trust in the system. This includes:

- increasing financial transparency through the introduction of new financial reporting requirements for residential aged care providers
- establishing a dedicated Aged Care Complaints Commissioner to ensure complaints against providers are properly and thoroughly dealt with
- further professionalising the aged care workforce through a national registration scheme for personal care workers
- investing in the establishment of an independent Inspector-General of Aged Care, to provide systemic oversight of the aged care sector and continue to drive positive change.

The Government has also committed $810.2 million for additional support for aged care providers to manage COVID-19 outbreaks and is providing $34.9 million to continue in-reach testing for residential aged care facilities until 31 December 2022.

Supporting our veterans

We have a duty to look after those who serve or have served in the defence of our nation and their families. To recognise this, the Government has committed to implementing the interim recommendations of the Royal Commission into Defence and Veteran Suicide.

$233.9 million will be invested to recruit 500 additional staff in the Department of Veterans' Affairs to tackle the current claims backlog. The Government will also provide $87.0 million in funding to help reduce processing times in the claims system and $9.5 million to develop and consult on a pathway to simplify and harmonise veteran rehabilitation and compensation legislation.

A $1,000 increase in the annual rate of the Totally and Permanently Incapacitated Payment for eligible disabled veterans will help with cost-of-living pressures. Further practical support to improve the welfare of veterans and their families will be provided through $46.7 million for 10 Veterans' and Families' Hubs across Australia. These Hubs connect veterans to a range of services to support better health, well-being and employment outcomes.

A better future for First Nations people

The Government is committed to implementing the Uluru Statement from the Heart in full. The Statement's call for Voice, Treaty and Truth offers an opportunity for a genuine partnership between First Nations people and government.

Funding of $75.1 million will be provided to prepare for the delivery of a referendum to enshrine a First Nations Voice to Parliament in the Constitution. The Government will also provide $5.8 million to commence work on establishing an independent Makarrata Commission.

The Government is working with First Nations people and state, territory, and local governments to drive sustained progress on the National Agreement on Closing the Gap. This includes $314.8 million to support the Government's commitment to close the gap for First Nations peoples' health and well-being outcomes, $100.0 million for housing and essential infrastructure in Northern Territory homelands and $99.0 million to support improved justice outcomes.

An initial $9.4 million will also be provided to partner with First Nations communities to trial a new jobs program based on real jobs, proper wages and decent conditions as a replacement for the Community Development Program.

In recognition of their vitally important role, Aboriginal and Torres Strait Islander community organisations are receiving funds to increase their capacity to deliver for First Nations people. A significant number of additional measures across a range of portfolios will also contribute to better life outcomes for First Nations people and communities.

Strengthening efforts to support women's safety

The Government will deliver a record investment of $1.7 billion to support implementation of the new *National Plan to End Violence Against Women and Children 2022–32*.

In addition to the commitment to maintain $1.3 billion in funding to support women's safety, the Government is committing $169.4 million to fund 500 new frontline service and community workers to support women in crisis and investing $65.3 million for consent and respectful relationship education. The Government is also legislating 10 days of paid family and domestic violence leave for all types of employees.

Taking action to end sexual harassment in Australian workplaces, the Government will implement the recommendations of the *Respect@Work: Sexual Harassment National Inquiry Report*. This includes establishing a positive duty on employers to prevent workplace sexual harassment under the *Sex Discrimination Act 1984* and the *Australian Human Rights Commission Act 1986*. To support implementation of this duty $5.8 million will be provided to the Australian Human Rights Commission. The Government will also amend the *Fair Work Act 2009* to expressly prohibit sexual harassment in the workplace. The Fair Work Commission and Fair Work Ombudsman will receive $15.1 million to promote compliance and enforcement of this change.

As part of the implementation of Respect@Work, the Government is also providing $32.0 million to ensure that Working Women's Centres in every state and territory are appropriately funded. The Centres support women by providing free advice and assistance on issues including workplace sexual harassment, discrimination and wage theft.

Re-engaging our neighbours, securing our borders and defending our interests

The Government is engaging proactively to build a safe and prosperous Indo-Pacific. This includes building on key relationships, fostering long-standing alliances and maintaining our secure borders.

Building a stronger Pacific family

The Government is strengthening Australia's partnerships in the Pacific, to build regional economic resilience, support Pacific island countries' sovereignty and deepen security cooperation.

The Government will allow long-term Pacific Australia Labour Mobility (PALM) scheme workers to bring their partners and children to Australia, where sponsored by their employers. This will boost participation in the PALM scheme and increase its benefits to Pacific island countries, Timor-Leste and Australian employers.

The Government will also boost permanent migration from Pacific countries to Australia by creating a new Pacific Engagement Visa for nationals of Pacific island countries and Timor-Leste. Commencing on 1 July 2023, up to 3,000 visas will be made available in addition to the existing permanent Migration Program.

Strong partnerships and defence capabilities

The Government is working with allies and partners, including through the Quad and AUKUS, as well as with our partners in Southeast Asia and the Pacific, to position Australia to meet growing global and regional security challenges. Funding for Defence will increase by 8 per cent in 2022–23 and rise to more than 2 per cent of GDP over the forward estimates. In addition, the Defence Strategic Review will examine the Australian Defence Force's posture, structure, preparedness and investment prioritisation to ensure Defence has the capabilities to meet our strategic needs. The Government will receive recommendations from the Review in early 2023.

The Government is investing $13.0 million to deepen our engagement with Southeast Asia. This includes appointing a special envoy to Southeast Asia and establishing an Office of Southeast Asia within the Department of Foreign Affairs and Trade to coordinate whole-of-government efforts across the region.

The Government is committed to the integrity of Australia's borders and working with regional partners. The Government will continue processing irregular maritime arrivals off-shore and will provide $22.3 million to establish a network of Australian Border Force officers across the Pacific.

The Government is committed to improving Australia's cyber resilience and security. This includes $31.3 million to extend the Australian Public Service cyber hubs pilot, an important step towards hardening cyber defences of Government agencies.

Rebuilding integrity in government

The Government is establishing a National Anti-Corruption Commission to restore public trust in government and strengthen the integrity of our institutions.

The Government is providing $262.6 million for the establishment and ongoing operation of the Commission, which will strengthen Australia's existing integrity frameworks, with a dedicated focus on detecting and investigating serious or systemic corruption at the federal level. Funding for the Commission will ensure it has the staff, capabilities, and capacity to consider and respond to referrals and allegations it receives, conduct timely investigations, and undertake corruption prevention and education activities.

The Government has also committed $30.0 million to establish the Royal Commission into the Robodebt Scheme. The Royal Commission is investigating who was responsible for the scheme, the handling of concerns raised following its implementation, the use of third-party debt collectors, and the intended and actual outcomes of the scheme.

Budget Statement 2: Economic Outlook

The global economic environment has sharply deteriorated. Inflation has risen rapidly across advanced economies and, in many countries, is at levels not seen in decades. Central banks have lifted interest rates quickly in response, constituting the fastest synchronised monetary policy tightening in the inflation targeting era. The risk of recession across major advanced economies has risen and China's growth outlook has weakened. Australia has withstood the pandemic and global challenges well, but we will not be unaffected, and domestic disruptions including the recent floods will test our resilience further.

High inflation remains the key challenge to the global economy. Global goods demand continues to outstrip supply, reflecting the flow-on effect of extraordinary policy support and pandemic related supply disruptions. The Russian invasion of Ukraine has significantly driven up global energy costs and exacerbated the impact of poor weather on global food prices. Labour markets remain tight in many countries and services inflation is showing signs of increasing in some countries.

Australia is not immune to the global challenges driving higher global inflation and slower global growth. Domestic inflation is forecast to peak at 7¾ per cent in the December quarter of 2022. Supply disruptions have resulted in large price increases in home building, fuel and energy. Food prices remain elevated and have been further exacerbated by recent floods. Some of these pressures are expected to persist into 2023. In particular, electricity and gas bills are expected to rise sharply this year and next. This will keep inflation elevated at 5¾ per cent over 2022–23 and 3½ per cent over 2023–24. Inflation is forecast to gradually ease and return to within the Reserve Bank's inflation target by 2024–25.

Real GDP is forecast to grow by 3¼ per cent in 2022–23 before slowing to 1½ per cent in 2023–24, as cost of living pressures and rising interest rates increasingly weigh on household disposable income and consumption.

While labour market conditions are expected to remain tight in the near term, employment growth is expected to gradually ease, but remain positive. The unemployment rate is forecast to rise to 4½ per cent by the June quarter of 2024. This is still below its pre-pandemic level of around 5 per cent. Tight labour market conditions are expected to see annual wage growth pick up to 3¾ per cent by June 2023, the fastest pace since 2012. Even so, high inflation is still expected to see real wages fall over 2022–23 before rising slightly over 2023–24.

Despite the forecast for slowing economic growth, unemployment is expected to stay around historic lows and the Government is providing targeted cost-of-living relief to households. While some household groups have built up savings buffers over recent years, others are expected to come under greater pressure. Lower income households are more heavily impacted by price increases for essentials, such as housing costs and energy, as these make up a larger share of their household expenses. Targeted cost of living relief, indexation of government allowances and pensions and the larger than usual minimum wage increase provided by the Fair Work Commission will help to provide relief for many households.

Given the highly uncertain global economic outlook, there are significant risks that could cause a sharper slowdown in domestic activity. Globally, key risks include a 'hard landing' or recession across major advanced economies, a sharper-than-expected downturn in China due to COVID-19 outbreaks and the property market downturn, a sudden tightening in financial market conditions and further energy price shocks stemming from the Russian invasion of Ukraine, which could drive inflation even higher.

Domestically, the full impact of recent floods is highly uncertain, as the situation continues to develop. Beyond this, the path of monetary policy and household responses to inflation remain key risks to economic activity. Higher-than-expected inflation may further constrain consumer spending by lowering real incomes, while a potentially weaker economic outlook could see households exhibit precautionary savings behaviour that further weighs on consumption.

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Statement 2: Economic Outlook

Outlook for the international economy

Outlook for global growth

The global economic environment has sharply deteriorated. High inflation is sapping momentum and global growth is slowing by more than expected, with some major economies stalling or contracting. Higher global interest rates have increased the risk of recession across all major advanced economies, and the outlook for China has weakened.

The global growth forecast has been downgraded by ¾ of a percentage point in 2022, 1 percentage point in 2023, and ½ a percentage point in 2024 since Pre-election Economic and Fiscal Outlook (PEFO) (Chart 2.1). This represents a further deterioration since the July Ministerial Statement, with Australia's growth in 2023 expected to exceed that of the major advanced economies. Global growth is now expected to slow to 3 per cent this year and 2¾ per cent in 2023, before picking up in 2024.

The global recovery from the pandemic has continued to face disruptions and significant shocks, most notably from the Russian invasion of Ukraine driving up food and energy prices, and the impact of continued COVID-19 lockdowns in China.

High inflation resulting from the after-effects of the pandemic and disruptions to global energy supply stemming from Russia's invasion is proving a more formidable challenge to global growth than anticipated at the time of PEFO. Central banks have signalled that tighter monetary policy will be necessary to return inflation to levels consistent with their targets. The combination of higher inflation and higher interest rates is expected to see a significant slowing in household demand.

Labour markets remain tight with unemployment rates at or below pre-pandemic levels across advanced economies. While wages are showing signs of responding to this extreme tightness in the United States, United Kingdom and to a lesser extent New Zealand, real wages are lower across the board due to persistently higher inflation.

Most advanced and emerging economies have transitioned to public health arrangements that do not impose significant restrictions on normal economic activity. However, China remains reliant on lockdown measures to control the spread of COVID-19. The prospect of ongoing outbreaks and lockdowns in China will weigh on global growth and poses risks for the recovery of global supply chains. China's property market has also entered a significant downturn. This downturn has lasted much longer than expected and will drag on growth more significantly over the coming year than anticipated at PEFO.

Table 2.1: International GDP growth forecasts(a)

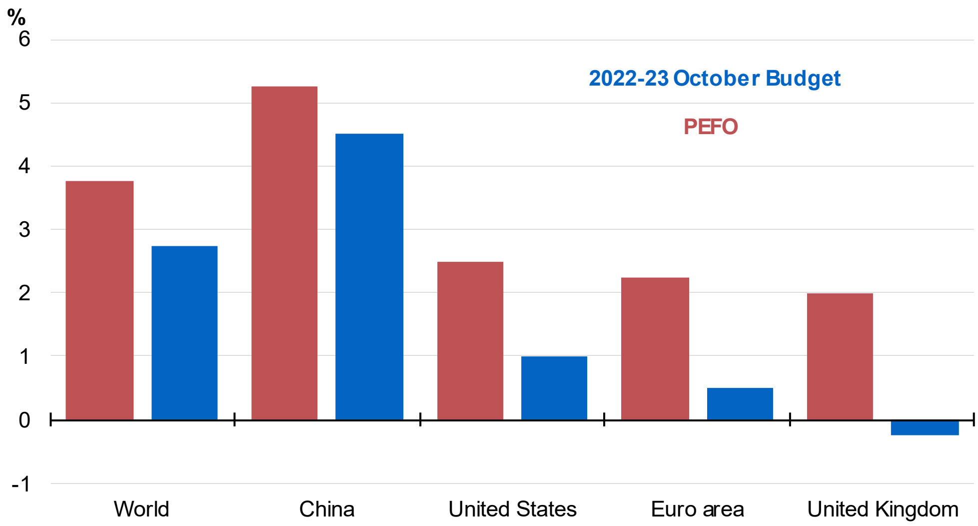
	Outcome	Forecasts (Calendar Years)		
	2021	2022	2023	2024
Australia	4.9	4	2	1 ½
China	8.1	3	4 ½	4 ½
India	8.3	7 ¼	5 ¾	6 ¾
Japan	1.7	1 ½	1 ½	1
United States	5.9	1 ¾	1	1 ¾
Euro area	5.3	3	½	1 ½
United Kingdom	7.5	4 ¼	-¼	1 ½
Other East Asia (b)	4.0	4 ½	4	4 ¼
Major trading partners	6.2	3	3	3 ¼
World	6.0	3	2 ¾	3

a) World and other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP), while growth rates for major trading partners are calculated using 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: International growth forecasts for 2023

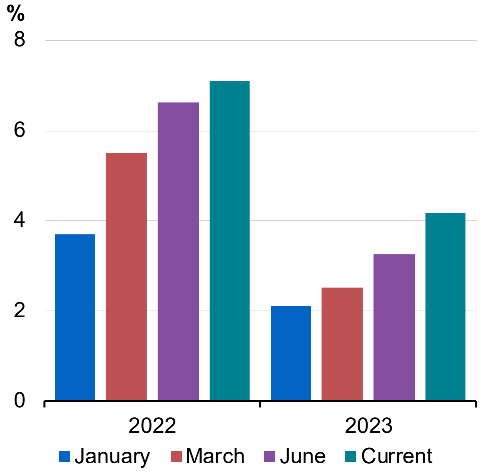


Source: Treasury.

Outlook for global inflation

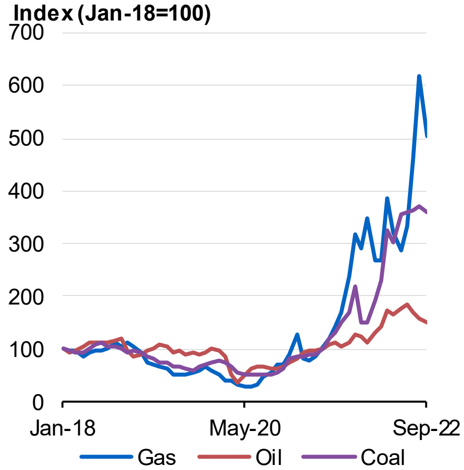
Inflationary pressures have persisted and intensified in most advanced economies since PEFO, driven in part by recent increases in global energy spot prices (Chart 2.2). Gas prices are a key source of intensifying cost-of-living pressures for many consumers, having risen over 6-fold since March 2021. Food prices remain elevated, driven by Russia's invasion of Ukraine, widespread adverse weather conditions, and several countries placing restrictions on food exports.

Chart 2.2: G7 inflation forecasts



Source: Consensus Economics, Refinitiv and Treasury.
Note: PPP-weighted year-average.

Chart 2.3: Global energy spot prices



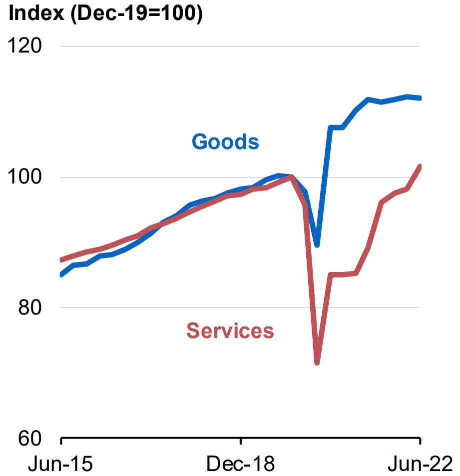
Source: IMF, Refinitiv and Treasury.
Note: Oil prices include Brent, WTI and Dubai Fateh. Gas prices include European, Japanese and American prices. Coal prices include Australian and South African prices.

Russia's decision to restrict gas supplies to Europe has resulted in extreme increases in wholesale gas prices in the region. Restrictions to gas supplies have had ripple effects, flowing through to broadening price pressures in Europe and higher gas prices in other countries dependent on gas imports, particularly in Asia (Chart 2.3). In a number of European countries, governments have stepped in with large fiscal packages and other interventions to moderate the impact of higher energy prices on businesses and consumers.

Continuing pandemic-related effects on the composition of demand and supply continue to be a source of persistent inflation in advanced economies. Goods demand remains elevated (Chart 2.4). Despite some moderation of global supply chain tensions, goods price inflation is yet to fully unwind.

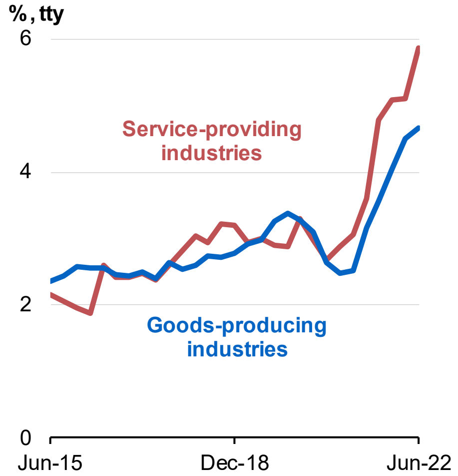
The recovery in the services sector globally is incomplete and constrained by labour shortages. In the United States, there are signs of building inflationary pressures in the services sector as nominal wages increase in response to the tight labour market. Particularly in industries like accommodation and food services, employers have experienced difficulties in recruiting sufficient staff to meet the returning demand for services, and wages have increased in response (Chart 2.5).

Chart 2.4: G7 real household spending



Source: OECD, Refinitiv and Treasury.

Chart 2.5: US nominal wage growth



Source: Bureau of Labour Statistics, Refinitiv and Treasury.

Global monetary and fiscal policy

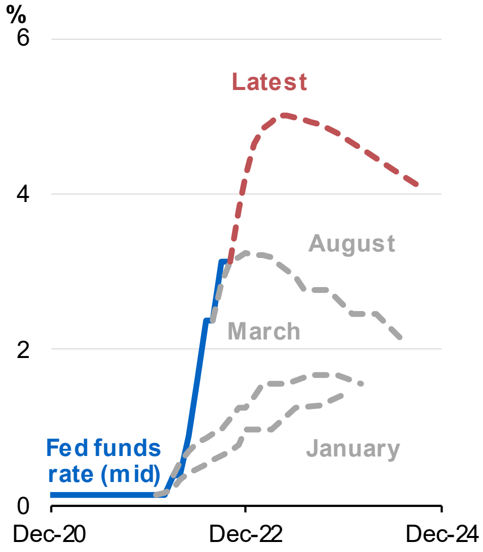
Central banks have rapidly tightened monetary policy to slow demand and return inflation to target levels. Policy interest rates have increased more quickly than anticipated at PEFO, including in the United States (Chart 2.6). The increase in interest rates outside China and Japan has been the most rapid and highly synchronised since inflation targeting began. Policy interest rates are expected to rise further, peak in 2023 and remain restrictive into 2024.

The rapid tightening in policy interest rates and concerns about the prospect of an economic slowdown have contributed to a broad tightening in global financial conditions. Government bond yields have increased sharply, credit spreads have widened and equity prices have fallen sharply. Investors are seeking safe-haven currencies and US interest-bearing assets have become more appealing due to the sharp increase in real US yields. The US dollar has appreciated to around a 20-year high against most currencies, including the Australian dollar.

Emerging market economies with large levels of debt denominated in US dollars are at more risk of large or disorderly financial outflows as global financial conditions tighten and the US dollar appreciates. These outflows would place further downward pressure on emerging market currencies, further increasing debt costs and domestic inflation.

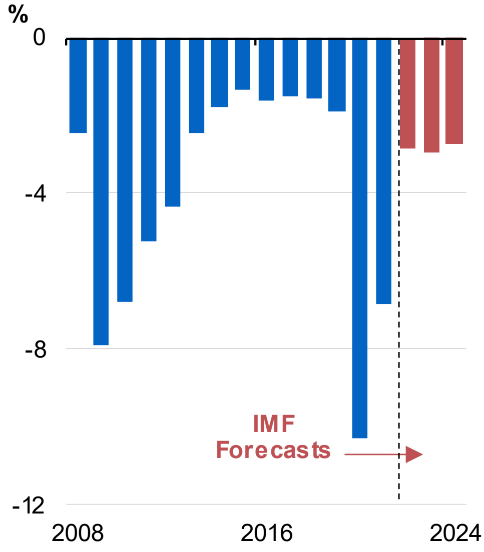
The unwinding of extraordinary fiscal policy support provided during the pandemic means that fiscal policy is acting as a drag on global demand. The IMF is forecasting that by 2022 the G7's combined primary fiscal deficit will contract by around 7 percentage points of GDP from its peak in 2020. This is significantly more rapid than the fiscal consolidation following the Global Financial Crisis (Chart 2.7).

Chart 2.6: Market expectations for the US Federal Reserve funds rate



Source: Bloomberg.
Note: Latest market expectations for the fed funds rate is as of 20 October 2022; derived from OIS market pricing.

Chart 2.7: IMF forecasts of G7 primary fiscal balance as a share of GDP



Source: IMF.

The most significant exception to the tightening of macroeconomic policy globally is China. Chinese authorities have been progressively easing policy settings since late 2021. This has included significant fiscal support via tax relief and additional infrastructure spending, while key policy interest rates have also eased. Japan also remains an outlier, continuing to maintain accommodative monetary policy despite rising inflation.

Key risks to the international outlook

A succession of major and interrelated shocks has hit the global economy since the onset of the pandemic. The international outlook remains highly uncertain as a result. The balance of risks is tilted to lower growth and higher inflation. The risk of recession across major advanced economies has increased in recent months.

Over the coming year, synchronised tightening in monetary policy poses the most significant downside risk to global demand. The baseline forecast is that central banks can navigate slowing demand sufficiently to return inflation to target without tipping the world economy into recession (a 'hard landing'). However, this is not assured. The risk that monetary policy tightening results in a sharper slowing in global demand is explored in Box 2.1. A sharp tightening in global financial conditions amidst an uncertain global environment may also pose financial stability risks that could further slow global growth.

Global demand is also at risk from a sharper slowing of domestic demand in China. The combined effects of rolling COVID-19 lockdowns and the downturn in the property market has created an uncertain environment for Chinese households. Consumer confidence has fallen to historic lows as a result. This is creating downside risks to the outlook for consumption and housing investment.

There are important risks on the supply side of the global economy. Most prominent is further disruptions to energy supply. This may occur as a direct result of Russia's invasion of Ukraine, with gas or oil supplies to the global economy being constrained further or cut-off completely. The conflict is also complicating the major climate-related energy transition that is underway globally. This may result in increased volatility in energy prices and financial instability as countries seek to respond to these dual challenges. Recent major drought and flooding events globally pose risks to hydroelectric and nuclear energy production and may further disrupt the supply of energy commodities such as coal.

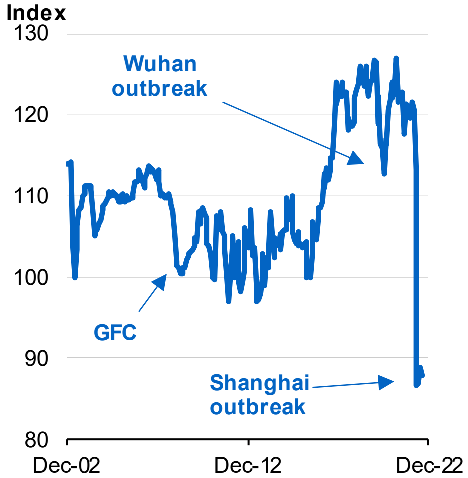
Further, goods supply disruptions could also result from a large COVID-19 outbreak in China. Widespread and lasting lockdowns in key manufacturing hubs may delay the supply of intermediate goods. Businesses in China appear to have slowly adapted to rolling outbreaks and lockdowns, but this may prove challenging to sustain in the longer term.

Outlook for major trading partners

China's economy is forecast to grow by 3 per cent in 2022, and 4½ per cent in 2023 and 2024. Outbreaks of COVID-19 between March and May 2022 prompted large lockdowns that severely affected economic growth. Authorities are now more sensitive to small outbreaks, locking down quickly and frequently; however, this is creating uncertainty for consumers (Chart 2.8). With authorities likely to maintain their approach to COVID-19 for an extended period, Chinese consumer spending is likely to remain weak over coming years.

In contrast to the sharp tightening in monetary policy elsewhere, Chinese authorities are easing macroeconomic policy settings to support a slowing economy. Elevated government spending on infrastructure may support growth this year. However, this is likely to be offset by a continuing structural decline in the residential property sector (Chart 2.9). Chances of severe outbreaks, further declines in the property sector, ineffectiveness of fiscal stimulus, and weakening global demand for Chinese exports have tilted risks heavily to the downside.

Chart 2.8: China consumer confidence



Source: National Bureau of Statistics China and Refinitiv.

Chart 2.9: China new residential construction starts

Source: National Bureau of Statistics China, Refinitiv and Treasury.

Note: Treasury seasonally adjusted.

The **United States** economy is forecast to grow by 1¾ per cent in 2022, 1 per cent in 2023, and 1¾ per cent in 2024. This is well below the average growth rate over the past 2 decades. Despite recent solid momentum in consumer spending and payrolls, growth prospects have deteriorated significantly as a result of the increased pace of monetary policy tightening in response to stubbornly high inflation.

Inflation is expected to moderate slowly in 2023 as pandemic-related supply and demand imbalances resolve and tighter monetary policy takes effect. Growth is expected to slow significantly in 2023, with unemployment to rise, though the US is expected to avoid the large increase in unemployment that would accompany a deep recession. However, the outlook is uncertain and risks are tilted to the downside.

The **euro area** economy is forecast to grow by 3 per cent in 2022, ½ per cent in 2023 and 1½ per cent in 2024. Growth has been strong so far in 2022 as the euro area continues to recover from the effects of the pandemic. The pronounced slowing in growth next year is the result of rising energy and food prices stemming from Russia's invasion of Ukraine. This has driven the highest levels of inflation in the euro area's history. For some member states inflation rates are the highest in more than 60 years.

Inflation will weigh on real household incomes and spending, although fiscal support is anticipated to somewhat soften its overall impact. Moreover, limited energy supplies will likely see limitations on production in energy-intensive sectors. The war in Ukraine continues to exacerbate these concerns and the prospect of further energy supply or price shocks poses a major downside risk to the outlook, placing the euro area at high risk of recession.

High public indebtedness and some European banks' exposure to a deteriorating economic outlook, declines in asset prices and rising financing costs are creating heightened risks to financial system stability in the euro area.

Japan's economy is forecast to grow by 1½ per cent in 2022 and 2023, and 1 per cent in 2024. Growth prospects for 2022 have fallen since February as Japan's economy has suffered from slowing overseas demand, higher energy prices, and supply issues stemming from China's strict approach to COVID-19. Japan's economy is likely to be supported somewhat in 2023 as supply constraints resolve and the border re-opens to international tourists.

Despite experiencing relatively high levels of inflation by Japanese standards, Japan's central bank has maintained an accommodative monetary policy stance to date that should support growth. However, risks are tilted to the downside, given Japan's heavy reliance on imported energy. Weakness in the Japanese yen, which hit a 30 year low against the US dollar in October, poses upside risks to inflation.

The **United Kingdom's** economy is forecast to grow by 4¼ per cent in 2022, then contract by ¼ per cent in 2023 before growing by 1½ per cent in 2024. While the economy grew strongly in the first quarter of 2022, growth is expected to slow sharply, and the inflation outlook has deteriorated dramatically due to higher gas prices and increasing domestic inflationary pressures.

Economic activity is expected to contract in late 2022 due to high inflation and higher interest rates weighing heavily on real household consumption. However, uncertainty around the outlook is exceptionally high given the unknown size, structure and impact of the Government's yet-to-be-legislated fiscal package. The package aims to limit increases in household energy bills in the near term and boost investment in the longer term. But unfavourable market reaction to the initial proposal has contributed to financial volatility, and a tightening in financial conditions.

The economies of **Other East Asia** are forecast to grow collectively by 4½ per cent in 2022, 4 per cent in 2023, and 4¼ per cent in 2024. The recovery in international tourism will support growth. But persistently high inflation, and lower global demand pose risks to activity in the region. Synchronised monetary policy tightening in other parts of the world may lead to financial outflows from the region that could prove disruptive to growth in some economies.

India's economy is forecast to grow by 7¼ per cent in 2022, followed by 5¾ per cent in 2023 and 6¾ per cent in 2024. A strong recovery in domestic demand with contact-intensive services opening faster than expected, coupled with strong government spending is expected to drive growth. However, stubbornly high inflation, rising interest rates and weaker activity in the US and Europe pose key risks to growth.

Box 2.1: Implications of a weaker global outlook

The international growth outlook is highly uncertain, and the risks are firmly to the downside. The synchronised tightening of monetary and fiscal policy, a risk of further energy price shocks and an uncertain outlook in China are all contributing to the risks of weaker growth.

To explore the impact on Australia of a more pronounced global slowdown, Treasury has modelled a scenario where global inflation and global policy rates are higher than expected. In this scenario, a number of advanced economies, which narrowly avoid recession in the forecasts, do fall into recession. Growth in Australia's major trading partners troughs at ¾ per cent in the year to March 2024. This compares with 3 per cent in the forecasts, and average major trading partner growth since the global financial crisis of 4 per cent (Chart 1).

Slower global growth mostly affects Australia's economy through financial market and trade channels, with lower exports due to weaker global demand. Under this scenario, growth in Australia bottoms out at a low of ¾ per cent in the year to June 2024, ¾ of a percentage point below growth in the forecasts (Chart 2).

The unemployment rate would peak at 5 per cent in June 2025, ½ a percentage point higher than the forecasts, and 1½ percentage points higher than the current rate. During the global financial crisis, the unemployment rate rose by around 2 percentage points. Box 2.2 explores the additional downside risks to growth associated with domestic risks, including the prospect that Australian households exhibit increased precautionary consumer behaviour.

Chart 1: Major trading partner GDP growth under a global slowdown scenario

Source: Oxford Economics and Treasury.

Chart 2: Australia's GDP growth under a global slowdown scenario

Source: Oxford Economics and Treasury.

Outlook for the domestic economy

Outlook for real GDP growth

The Australian economy is facing serious challenges – a sharp global economic slowdown, high inflation, rising interest rates and falling real wages. The global outlook has deteriorated more sharply than expected and inflation has proved more persistent. Recent floods are another headwind expected to weigh on growth and add to price pressure in the near-term. As a result, Australia's economic growth is forecast to slow from 3¼ per cent in 2022–23, to 1½ per cent in 2023–24, a downgrade of ½ of a percentage point from the July Ministerial Statement and 1 percentage point from PEFO (Chart 2.10).

A rebound in household spending on services following the pandemic and strong employment growth is contributing to solid growth in 2022–23 (Chart 2.11). The return of international students and tourists following the reopening of international borders is expected to further boost the services recovery. Labour market outcomes have been stronger than expected at PEFO, seeing the unemployment rate recently reach a near 50-year low of 3.4 per cent. Business investment is being supported by a large backlog of investment projects, while a record pipeline of work is forecast to hold up residential construction activity.

Recent flooding across eastern states illustrates the risk that devastating weather events may occur more regularly. The October floods and general wet weather are expected to weigh on both exports and investment over coming quarters and are likely to add to inflation. The initial negative impact on economic activity will be largely offset by increased spending and investment to replace and rebuild damaged housing, infrastructure and household goods over the next few years; however, the scale and timing of this is uncertain. The economic implications of the most recent floods to date are considered further in Box 2.3.

Beyond this year, the outlook is increasingly challenging as slowing global growth, high inflation and interest rates weigh on economic activity. Annual inflation is expected to peak at around 7¾ per cent in the December quarter of 2022, consistent with the July Ministerial Statement. However, inflation is now forecast to be more persistent, remaining elevated at around 3½ per cent in the June quarter 2024 before moderating to 2½ per cent in 2024–25.

This pattern of inflation largely stems from higher electricity and gas prices. While global oil prices have come down from recent peaks, elevated LNG and thermal coal prices are expected to have an impact on domestic energy prices. Electricity and gas prices are expected to rise sharply over the next 2 years, as the cost of energy market disruptions are passed through to households. These energy market challenges are also being exacerbated by aging electricity generation assets and inadequate policy certainty to support investment in new energy infrastructure.

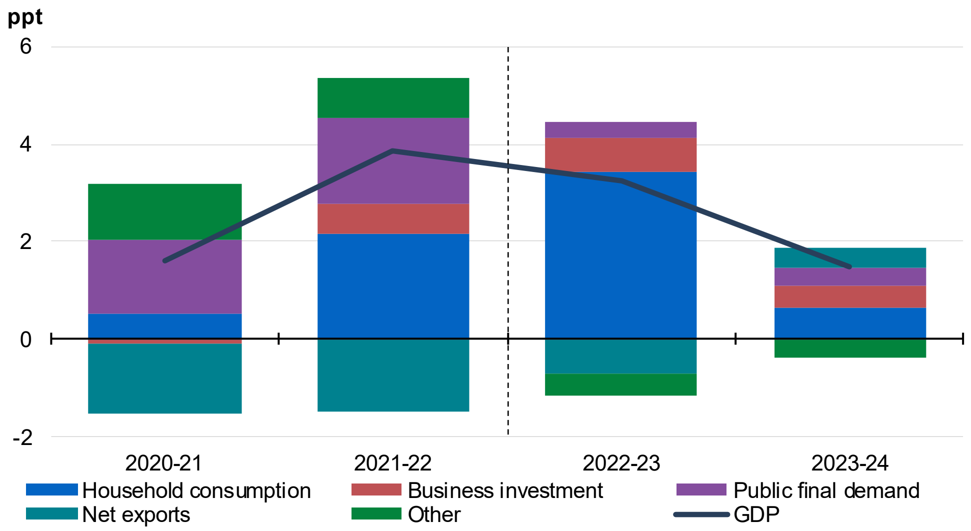
More persistent inflation and rising interest rates are forecast to weigh on household spending, increasing mortgage repayments and dampening house prices and asset values. Based on a survey of market economists, the cash rate is now assumed to peak at

3.35 per cent in the first half of 2023, this is both sooner and higher than assumed at PEFO. Many indebted households will come under greater pressure in response to higher interest rates. In particular, low-income households will face pressures as essentials, such as housing costs and energy, make up a larger share of their expenses. A weaker outlook could see households exhibit precautionary savings behaviour, raising the unemployment rate compared with the forecasts (Box 2.2).

Current tight labour market conditions are expected to gradually ease as economic activity slows in response to global and domestic headwinds. Employment growth is forecast to slow to ¾ per cent in 2023–24. The unemployment rate is forecast to increase to 4½ per cent by the June quarter 2024. This is ¾ of a percentage point higher than forecast at PEFO, albeit around ½ a percentage point lower than its pre-pandemic level of around 5 per cent. Given the weaker outlook for activity and employment, labour force participation is expected to fall slightly to 66½ per cent by the June quarter of 2024, from a recent historical high.

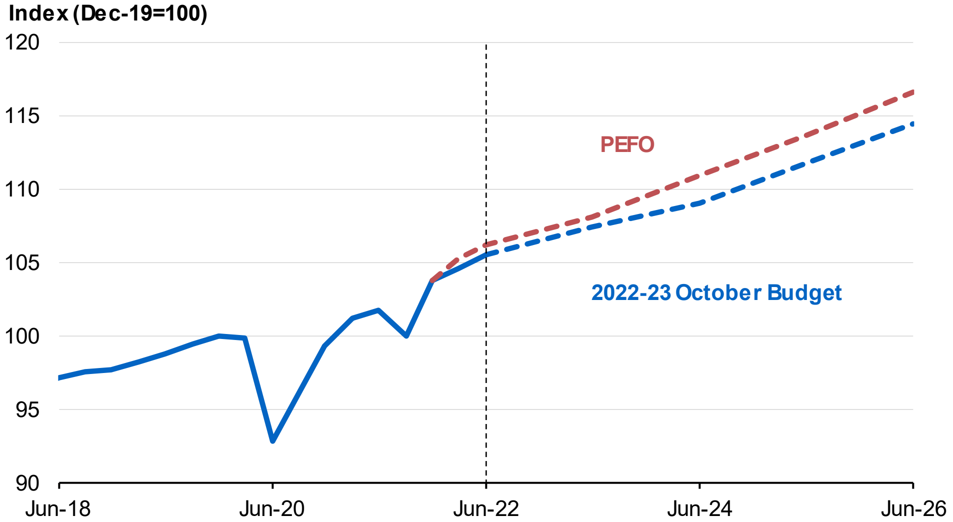
Wage growth is forecast to pick up, with wages rising by 3¾ per cent over both 2022–23 and 2023–24, stronger than expected at PEFO. This would mark the fastest pace of wage growth since 2012, around the height of the mining investment boom. In combination with an expected moderation in inflation, real wages are forecast to rise in 2023–24 for the first time since early 2021.

Chart 2.10: Contribution to annual real GDP growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.
Note: ‘Other’ here refers to change in inventories, ownership transfer costs, dwelling investment and the statistical discrepancy.

Chart 2.11: Real GDP



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
Real gross domestic product	**3.9**	**3 1/4**	**1 1/2**
Household consumption	4.1	6 1/2	1 1/4
Dwelling investment	2.8	-2	-1
Total business investment[(b)]	5.2	6	3 1/2
By industry			
Mining investment	-1.7	4	5 1/2
Non-mining investment	7.4	6 1/2	3 1/2
Private final demand[(b)]	4.5	5 1/4	1 1/4
Public final demand[(b)]	6.5	1	1 1/2
Change in inventories[(c)]	0.1	0	- 1/4
Gross national expenditure	5.2	4	1
Exports of goods and services	0.0	7	5
Imports of goods and services	7.7	11	3
Net exports[(c)]	-1.5	- 3/4	1/2
Nominal gross domestic product	11.0	8	-1
Prices and wages			
Consumer price index[(d)]	6.1	5 3/4	3 1/2
Wage price index[(d)]	2.6	3 3/4	3 3/4
GDP deflator	6.9	4 3/4	-2 1/4
Labour market			
Participation rate (per cent)[(e)]	66.6	66 3/4	66 1/2
Employment[(d)]	3.3	1 3/4	3/4
Unemployment rate (per cent)[(e)]	3.8	3 3/4	4 1/2
Balance of payments			
Terms of trade[(f)]	12.2	-2 1/2	-20
Current account balance (per cent of GDP)	2.2	1/2	-3 3/4
Net overseas migration[(g)]	150,000	235,000	235,000

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 commodity prices are assumed to decline from current elevated levels by the end of the March quarter 2023: the iron ore spot price is assumed to decline from US$91/tonne to US$55/tonne free on board (FOB); the metallurgical coal spot price is assumed to decline from US$271/tonne to US$130/tonne FOB; the thermal coal spot price is assumed to decline from US$438/tonne to US$60/tonne FOB; the oil price (TAPIS) is assumed to decline from US$108/barrel to US$100/barrel; and the LNG price is assumed to decline from US$934/tonne to US$630/tonne.
g) The figure for 2021–22 consists of 3 quarters of preliminary outcomes and one quarter of forecasts. Net overseas migration is assumed to continue in line with pre-pandemic trends at 235,000 from 2022–23.

Note: The exchange rate is assumed to remain around its recent average level – a trade-weighted index of around 61 and a $US exchange rate of around 65 US cents. Interest rates are informed by the Bloomberg survey of market economists. Population growth is forecast to be 1.1 per cent in 2021–22 and 1.4 per cent in 2022–23 and 2023–24.

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, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; unpublished ABS data and Treasury.

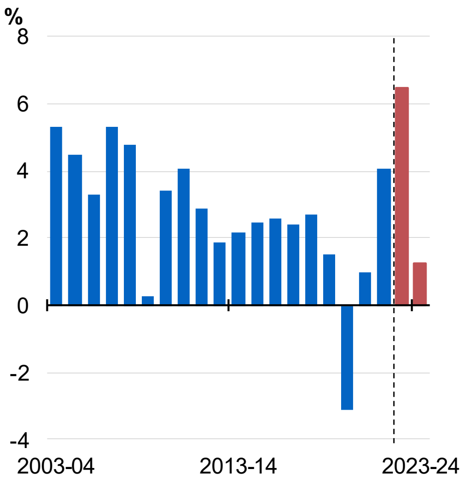
Household consumption

Household consumption has been growing strongly but is expected to slow considerably once the current recovery in discretionary services spending starts to fade and pressures on household budgets begin to mount.

While some household groups have built up savings buffers over recent years, others are expected to come under greater pressure. Higher prices and rising interest rates are expected to drag on consumer spending. These factors, in addition to the Omicron outbreak and the Russian invasion of Ukraine, have seen consumer confidence fall throughout 2022.

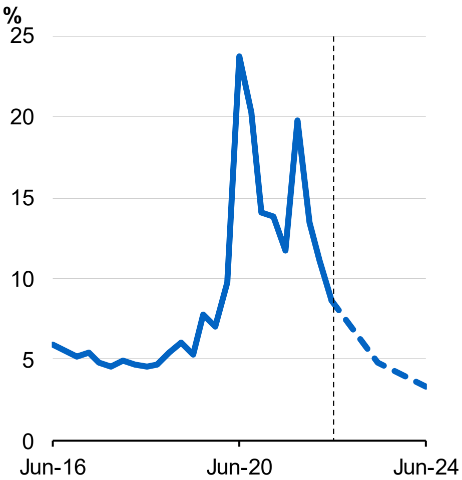
Household consumption is forecast to grow by a strong 6½ per cent in 2022–23, underpinned by the ongoing rebound in services spending (Chart 2.12). An increasing share of household spending is expected to shift back to discretionary services as the impact of the pandemic continues to wane. In particular, spending on overseas travel is expected to rise sharply in 2022–23, reflecting pent-up demand for international travel.

Chart 2.12: Consumption growth



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

Chart 2.13: Household savings ratio



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

The near-term recovery in spending will largely be accommodated through a further sharp decline in the household savings ratio as households spend an increasing share of their income. The normalisation of spending patterns and cost-of-living pressures are expected to see households save less out of their income. As a result, the household savings ratio is expected to fall from elevated levels to 3¼ per cent in the June quarter of 2024 (Chart 2.13).

In response to the pressures on household budgets, consumption growth is expected to slow to 1¼ per cent in 2023–24, a significant downgrade from PEFO. By early 2023, rising interest rates and cost of living pressures will weigh more heavily on households' real disposable incomes. Since May, monthly repayments on a $500,000 mortgage have increased by almost $700. The impact of higher rates is expected to build further over the next year as more mortgages roll off fixed-rate terms. Rising interest rates have also seen house prices begin to decline and with further falls expected, this will drag on household wealth and contribute to the slowing of consumption growth.

Further sharp rises in the cost of essentials, such as housing costs and energy, are expected to create pressures for families, particularly for those with lower incomes where these expenses make up a larger share of their budgets. The Government's targeted support to households including an increase to the Child Care Subsidy and broadening the coverage of the pharmaceutical benefits scheme will help to offset some of these pressures. The indexation of government payments and the larger than usual minimum wage increase provided by the Fair Work Commission will also assist in maintaining the real incomes of many lower income households.

Box 2.2: Precautionary consumer behaviour scenario amid higher inflation

The uncertainty around the outlook for inflation and monetary policy creates significant risks to the outlook for households' consumption behaviour. This box considers a scenario which captures the risk to the economic outlook of precautionary consumer behaviour further constraining real consumer spending in response to higher-than-expected and more persistent inflation.

In this scenario, inflation is assumed to peak at 8¾ per cent in the December quarter of 2022, 1 percentage point higher than forecast, and remain higher through to the June quarter of 2024 (Chart 1). Higher inflation could, for example, reflect a large shock to input prices or greater 'second-round' effects as businesses pass through input cost pressures. Under this scenario more persistent inflation is assumed to lead to a higher peak in interest rates than currently expected. Higher inflation and interest rates would lower real household disposable income.

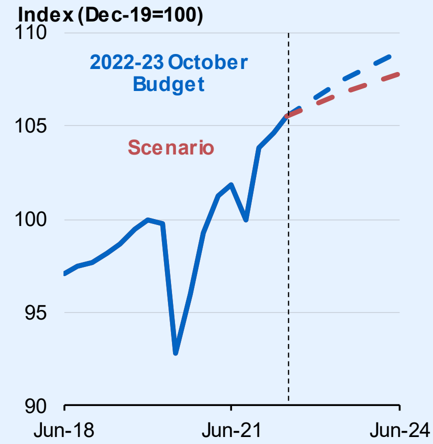
More precautionary household behaviour, in response to these additional negative shocks to household income, would see a further significant slowing in real consumption compared with the forecasts.

Under this scenario, economic growth is estimated to be around a ¼ of a percentage point lower in 2022–23 and around ¾ of a percentage point lower in 2023–24 (Chart 2). Unemployment would be around 5¼ per cent by June 2024, ¾ of a percentage point higher than in the forecasts. This Box explores a downside scenario driven by domestic factors, however, the impact on economic activity and unemployment would be greater if these risks occurred simultaneously with the global risks explored in Box 2.1.

Chart 1: Domestic inflation (tty), central and scenario

Source: ABS Consumer Price Index and Treasury.

Chart 2: Real GDP, central and scenario



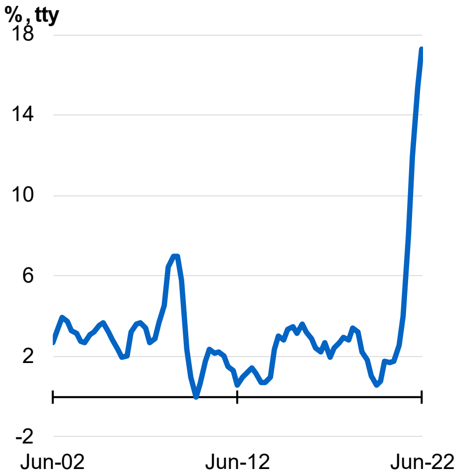
Source: ABS National Accounts: National Income, Expenditure and Product and Treasury.

Dwelling investment

The outlook for dwelling investment in the coming year is dominated by effects of supply disruptions and capacity constraints, which are reflected in rapidly escalating building costs (Chart 2.14). Unseasonably heavy rain, floods and COVID-19 absenteeism have impacted activity to date, adding to existing pressures from both a record pipeline of construction work and global supply chain issues (Chart 2.15).

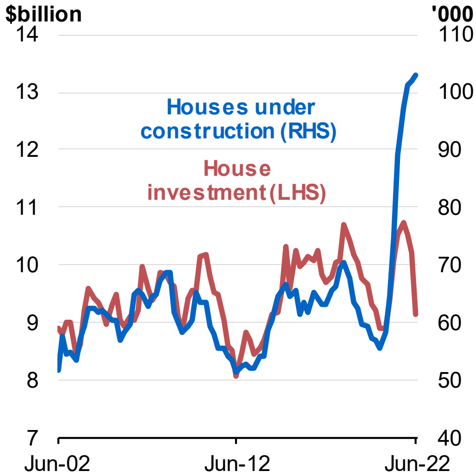
Capacity constraints and a third consecutive La Niña event are expected to continue to limit activity. As a result, and despite a large backlog of work for detached houses, dwelling investment is expected to be weaker than forecast at PEFO and is now expected to fall by 2 per cent in 2022–23. Rising interest rates and falling housing prices will see activity fall by a further 1 per cent in 2023–24 even as the backlog of houses under construction is worked off.

Chart 2.14: House building input prices



Source: ABS Producer Price Indexes.

Chart 2.15: Private detached house construction



Source: ABS Building Activity; Unpublished ABS data.

Note: Data is in original terms for the number of private houses under construction.

Business investment

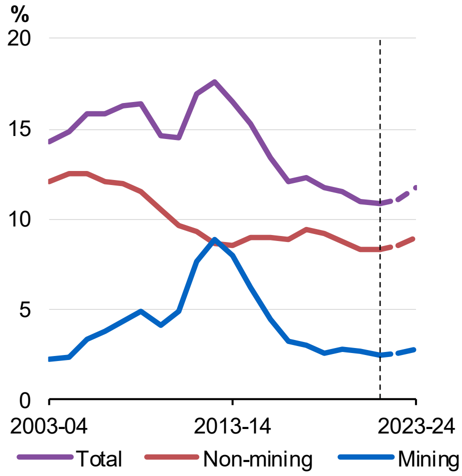
Growth in business investment is being supported by a large backlog of investment projects. This comes off the back of a period of prolonged lower business investment (Chart 2.16). Supply disruptions and poor weather have hindered commercial construction activity and mining projects recently. Beyond the current La Niña event, these factors are expected to wane, with business investment forecast to grow by 6 per cent in 2022–23 and 3½ per cent in 2023–24.

Non-mining investment is expected to grow strongly by 6½ per cent in 2022–23, consistent with the sharp pick-up in investment expectations (Chart 2.17). As supply constraints ease, commercial building activity is expected to rise, reflecting a large backlog of work, with strong business balance sheets supporting investment. Growth is then forecast to ease to 3½ per cent in 2023–24 as overall demand in the economy softens.

Mining investment is expected to strengthen over coming quarters and is forecast to grow by 4 per cent in 2022–23 and 5½ per cent in 2023–24. As with commercial construction, work on major mining engineering projects is expected to pick up as weather and supply constraints ease. This is consistent with investment expectations for 2022–23 which suggest the highest level of investment in the mining sector since 2015–16. Although commodity prices are currently elevated, the pick-up in mining investment is still expected to be modest compared with the very large increase in investment during the previous mining boom around a decade ago. Business liaison suggests mining firms are only looking to invest to maintain their current production capacity, outside of a small number of significant LNG projects such as Woodside's Scarborough and Pluto Train 2 developments.

The current high levels of economic uncertainty present risks to the business investment outlook. Supply chain tensions and elevated input costs could further delay projects or prompt a reversal of existing investment decisions. Weakening demand, as interest rate rises pass through to activity, may also discourage investment by more than currently expected.

Chart 2.16: Business investment as a share of GDP (nominal)



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

Chart 2.17: Business investment expectations (nominal)

Source: ABS Private New Capital Expenditure and Expected Expenditure and Treasury.

Public final demand

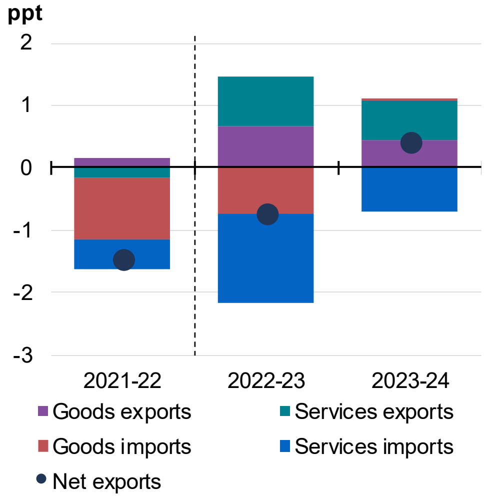
Real growth in government spending is expected to be negative this year and next as pandemic-related spending unwinds. The Government is committed to repairing the Budget and will focus spending on priority areas and on investments that expand the capacity of the economy and help ease inflation pressures.

Public final demand is forecast to grow by 1 per cent in 2022–23 and 1½ per cent in 2023–24. In the first half of 2022, government spending remained elevated as Commonwealth and state governments continued pandemic-related support and responded to the severe East Coast floods. Public investment is forecast to remain solid, supported by a large pipeline of public infrastructure projects at the state and federal level. Decisions to reschedule the timing of some projects should help ease the significant labour and material shortages which are limiting the speed of the infrastructure rollout.

Net exports

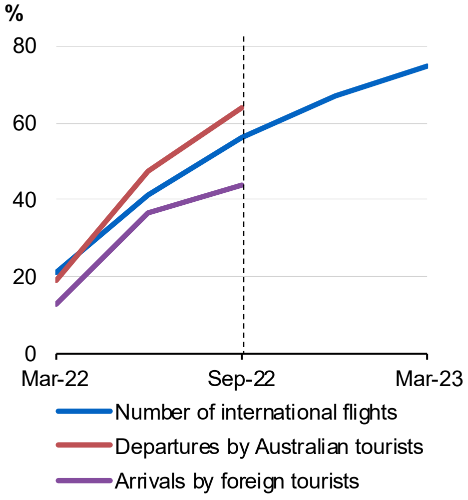
Net exports are expected to detract ¾ of a percentage point from GDP growth in 2022–23 as outbound tourism recovers faster than inbound tourism (Chart 2.18). In contrast, in 2023–24, the contribution of net exports to GDP growth is expected to be positive for the first time since the COVID-19 pandemic, as growth in mining exports and slowing demand for consumption imports contribute to net export growth. Wet weather conditions linked to a third consecutive La Niña event this year present a risk for Australian coal and agricultural exports and could affect returns for producers.

Chart 2.18: Net exports contribution to GDP growth



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

Chart 2.19: Outbound and inbound tourism and international flights



Source: ABS Overseas Arrivals and Departures, SRS Cirium Analyser and Treasury.

Note: Per cent of corresponding period in 2019.

Exports are forecast to grow by 7 per cent in 2022–23 driven by a rebound in services exports and stronger mining exports as disruptions ease. Exports are forecast to grow by 5 per cent in 2023–24 as tourism and education exports continue to recover toward pre-pandemic levels.

The progressive reopening of Australia's international borders has supported a recovery in tourism and the return of international students to Australia, with international flights arriving in Australia having increased sharply over the year to September (Chart 2.19). Mining export volumes are expected to contribute to growth in exports as producers seek to take advantage of strong global demand for LNG, coal and non-ferrous metals used in low emission technologies. An increase in capacity at new iron ore mines is also expected to contribute to mining export growth. Rural exports are expected to gradually decline through 2022–23 and 2023–24 as seasonal conditions return to normal, but are expected to remain at near record levels. Recent flooding across the eastern states poses a risk to rural and mining exports.

Imports are forecast to rise by 11 per cent in 2022–23 due to a strong recovery in tourism imports as airline supply and consumer confidence in travelling overseas grows. Robust growth in household consumption is also expected to contribute to higher consumption goods imports. The final year of the Temporary Full Expensing policy will also encourage some businesses to bring forward decisions to import capital goods. In 2023–24 goods imports are expected to decline slightly as slowing growth in household consumption and business investment and a reduction in imports of COVID-19 related products will weigh on demand.

Box 2.3: Economic impacts of the floods across south-eastern Australia

Intense rainfall during September and the first half of October has led to flooding across large areas of Victoria, Tasmania, New South Wales and Queensland. Many individuals and communities affected by the floods face displacement, as well as crop, livestock and property losses. This rainfall event is expected to add to existing cost of living pressures largely by prolonging the increase in fruit and vegetable prices following floods earlier in the year.

As at 20 October, disaster assistance has been made available to 94 Local Government Areas (LGAs) across Victoria, Tasmania and New South Wales, representing around 30 per cent of total agricultural production value in 2020–21. The flooding and persistent wet weather is affecting coal exports with coal shipments from Newcastle, Australia's largest thermal coal port, 12 per cent lower in the period from January to September of 2022 than the same period last year. It is too early to say what the full impact of the flooding will be on affected areas and communities. The Government has made prudent provision in the Contingency Reserve to assist flood-affected communities.

The preliminary estimate of the direct impact on economic activity of the current floods is a detraction of around ¼ of a percentage point from GDP growth in the December quarter, largely offset by increased activity across the second half of the 2022–23 financial year. The near-term impact will primarily arise from reduced activity in the agriculture, mining, and construction industries. In subsequent quarters, these impacts will be largely offset by increased exports, additional spending to replace damaged goods and restore lost capital, and public sector spending to support affected communities. As the flood event is continuing to unfold, these estimates are preliminary and subject to revision as greater information becomes available.

The October floods are also expected to add to inflation in the near-term, mainly through higher fruit and vegetable prices, while also affecting other agricultural products, such as dairy, and adding to supply chain disruptions. Based on preliminary analysis, the October floods are forecast to add 0.1 percentage points to inflation in the December quarter 2022 and again in the March quarter 2023. This is one of the factors contributing to the estimated peak in inflation remaining at 7¾ per cent in the December quarter 2022, partly offsetting the impact of lower-than-expected automotive fuel prices relative to the July Ministerial Statement.

The floods are also expected to result in a significant damage bill, which does not show up in GDP but can be taken as an indication of the scale of the subsequent rebuilding activity. The current flooding is occurring in the context of several extreme weather events that have occurred throughout 2022, affecting many parts of Australia. There will also be non-economic effects from the floods, including the impacts on mental health, wellbeing and the environment.

Inflation

Australia has been exposed to a range of global price shocks, including pandemic-related supply chain disruptions and the Russian invasion of Ukraine. These shocks have driven global food prices 50 per cent higher and have caused global energy prices to more than double since the start of the pandemic, driving inflation in many countries to levels not seen in 50 years. Global inflationary pressures and energy market disruptions have become more pronounced and are persisting longer than anticipated at the time of the July Ministerial Statement and are having a significant impact on prices in Australia.

Consumer price inflation is forecast to peak at 7¾ per cent in the December quarter of 2022, the same peak as at the July Ministerial Statement, but high inflation is now expected to persist for longer than previously expected largely due to the pass-through of higher energy prices to household bills. Electricity and gas prices are expected to directly contribute ¾ of a percentage point and 1 percentage point to inflation in 2022–23 and 2023–24, respectively. Inflation is expected to ease gradually to 3½ per cent by June 2024 as global supply-side pressures moderate and tighter monetary policy weighs on demand (Chart 2.20). Thereafter inflation is expected to fall back within the target band.

While inflation in Australia has been driven by these global factors, domestic weather events and supply constraints combined with strong demand in residential construction and consumer goods, have also contributed to price growth. Like other countries, inflation has picked up quickly in Australia since the end of 2021, particularly across new dwellings, automotive fuel and food (Chart 2.21). Fresh produce prices were already elevated from local floods and severe weather earlier in the year and are expected to stay elevated and add further to inflation following the October floods and continued wet weather. More broadly, food prices are forecast to contribute 1½ percentage points to the inflation peak in the December quarter of 2022.

Global oil, gas and coal prices have risen sharply following the Russian invasion of Ukraine, driving up energy costs across advanced economies. This resulted in sharply higher petrol prices in Australia earlier this year, where the national average price peaked at 212.5 cents per litre in March and again at 212.1 cents per litre in July. In recent months, falling global oil prices, a rapid contraction in refinery margins and improving production have provided some relief. The return of standard fuel excise rates will add a one-off ½ a percentage point to the expected peak in headline inflation in the December quarter of 2022.

Globally, retail electricity and gas prices have risen considerably as increases in wholesale energy costs flow through to consumers. Domestically, wholesale electricity and gas prices have also risen sharply since early 2022, reflecting higher global prices as well as temporary domestic electricity market disruptions exacerbated by ageing generation assets and inadequate policy certainty to support investment in new energy infrastructure. These pressures are yet to fully flow through to higher consumer prices because electricity retailers typically contract wholesale electricity several years ahead, which has provided a significant buffer through the recent market disruption.

However, this rise in wholesale electricity and gas prices can be expected to flow through to higher consumer prices as wholesale contracts are renewed.

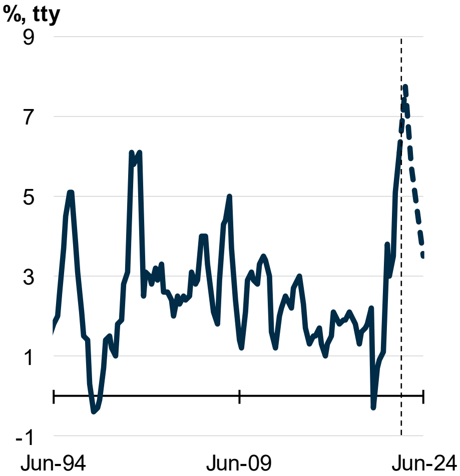
Treasury has assumed retail electricity prices will increase by an average of 20 per cent nationally in late 2022, contributing to higher forecast CPI in 2022–23. Given forward wholesale contract prices for electricity remain elevated, retail electricity prices are expected to rise by a further 30 per cent in 2023–24. Higher electricity prices will have both a direct and indirect impact on inflation, increasing input costs across the CPI basket. Commonwealth and state government actions to accelerate the uptake of renewables and modernise the grid are expected to put downward pressure on wholesale electricity prices over time.

Domestic wholesale gas prices remain more than double their average prior to Russia's invasion of Ukraine. Retail gas prices are expected to increase less than wholesale prices, by up to 20 per cent in both 2022–23 and 2023–24, as major gas retailers are somewhat insulated from spot prices, either through long-term contracts or investment in gas supplies. Nevertheless, sharply higher spot and forward prices suggests a sizable increase in wholesale costs.

Rental costs are expected to pick-up considerably in the next 2 years, as the rental market remains tight amid stronger population growth and limited housing stock. National advertised rents have risen sharply over the past year, by 10 per cent to September 2022. As new rental agreements are made and existing contracts are renegotiated, overall rental costs as reflected in the CPI are expected to rise, albeit to a lesser extent.

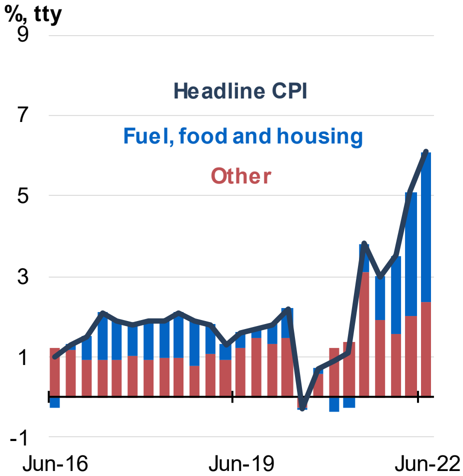
Significant risks remain to the inflation outlook. There may be further or prolonged disruptions in global energy markets as a result of Russia's ongoing invasion of Ukraine. Recent flooding could drive food prices higher. Tighter labour market conditions than forecast could also add to underlying pressures. In contrast, tighter monetary policy in Australia and globally than is currently expected could have a faster than expected impact, resulting in a quicker return of inflation to target.

Chart 2.20: Headline CPI growth



Source: ABS Consumer Price Index and Treasury.

Chart 2.21: Headline CPI breakdown



Source: ABS Consumer Price Index and Treasury.

Note: Contribution prior to September 2021 are back-cast using 2021 CPI expenditure weights.

The labour market

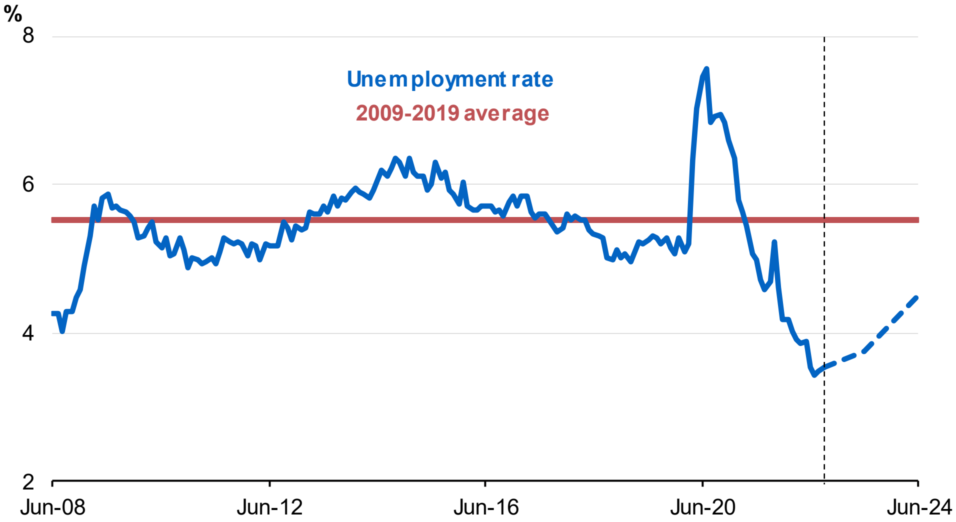
The labour market has continued to tighten, with strong employment growth driving the unemployment rate to almost a 50-year low of 3.4 per cent in July and encouraging higher workforce participation, which rose to a record high of 66.7 per cent in June. Unemployment is forecast to remain at around 3¾ per cent in the June quarter of 2023 (Chart 2.22).

Illness-related absenteeism has affected the labour market this year, with large numbers of people taking time off due to illness in January and over winter. Treasury liaison with businesses suggests firms are managing elevated absenteeism through a mix of increased staff and increased hours from existing staff. This is consistent with total hours worked in the economy having trended higher since January. While future waves of COVID-19 are likely to sustain increased absenteeism, the overall impact across the economy is expected to be small.

As economic activity slows in the face of global and domestic headwinds, the unemployment rate is forecast to rise to 4½ per cent in June 2024, but remain below pre-pandemic levels of around 5 per cent. The participation rate is also expected to fall slightly to 66½ per cent, from its recent historical highs.

While more Australians are expected to be employed compared to PEFO, the rate of employment growth is forecast to slow over the next 2 years as economic growth slows. Employment growth is still forecast to remain positive, at ¾ per cent in 2023–24. This is ½ a percentage point slower than forecast in the July Ministerial Statement and half the growth rate forecast at PEFO. The easing of border restrictions is expected to return annual growth of the working age (15+) population to 1.6 per cent in 2023-24.

Chart 2.22: The unemployment rate



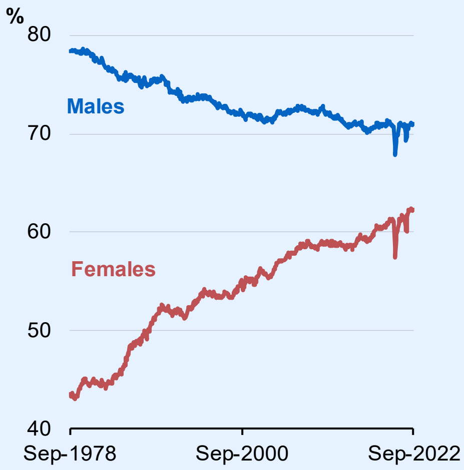
Source: ABS Labour Force and Treasury.

The outlook for the labour market is dependent on the path of economic activity. Uncertainties relating to the economic outlook, prompted by a more abrupt slowdown in demand or a further inflationary shock, could see labour demand slow more quickly than expected. While job vacancies appear to have peaked, they remain elevated, with around one vacancy for every unemployed person. This suggests further strengthening in the labour market remains possible.

Box 2.4: Parenting, early childhood education and care and labour force participation

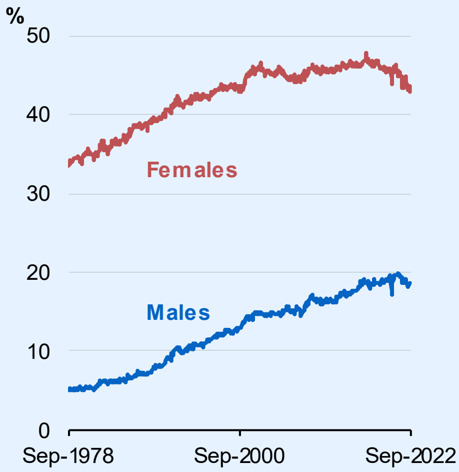
Rising female participation in paid work has been a key driver of the steady increase in the participation rate over the past 40 years. Since the late 1970s, the female participation rate has increased by 18.8 percentage points whereas the male participation rate has declined by 8.5 percentage points (Chart 1). While the difference between participation rates has narrowed over time, with the female labour force participation rate close to its record high, a gap of 8.7 percentage points remains. Working women are also twice as likely to be employed in part-time work than men (Chart 2).

Chart 1: Participation rate by sex



Source: ABS Labour Force.

Chart 2: Part-time employment share by sex



Source: ABS Labour Force.

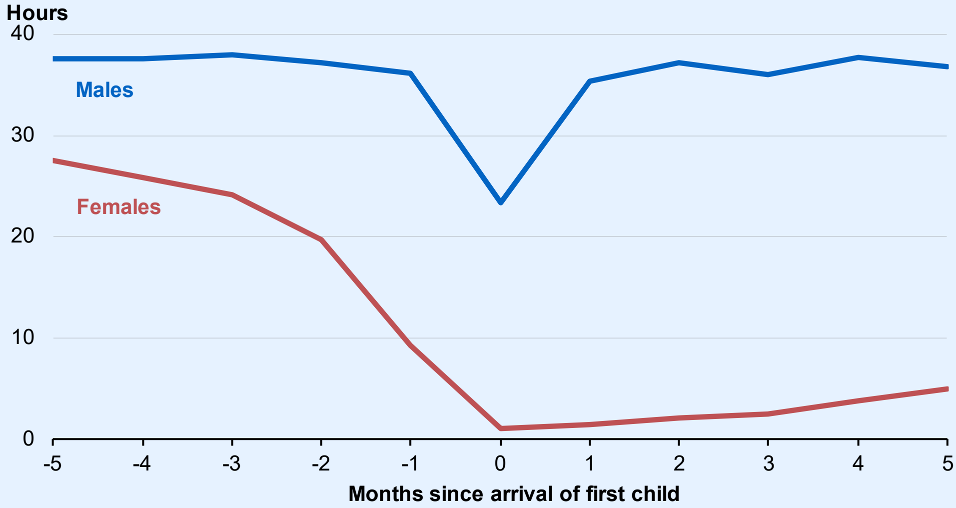
Caring for children is reported as the main reason that women work part time or not at all, and is a large contributor to the lifetime earnings gap between men and women. Treasury research estimates that women reduce their hours in paid work by around 35 per cent across the first 5 years following the arrival of children.[1] Men's hours of paid work drop only in the first month of parenthood before returning to previous levels (Chart 3). Reduced participation in paid work following the arrival of children contributes to a gender gap in earnings averaging 55 per cent in the first 5 years of parenthood. The gap persists for at least a decade.

continued on next page

1 Bahar E, Deutscher N, Bradshaw N and Montaigne M (2022), 'Children and the gender earnings gap', Treasury Round Up, Productivity edition.

Box 2.4: Parenting, early childhood education and care and labour force participation (continued)

Chart 3: Average weekly hours worked around the arrival of first child



Source: Treasury analysis of ABS Labour Force microdata.

Increasing female labour force participation has a range of economic benefits. Removing barriers to women's participation allows for better matching between jobs and skills by improving opportunities for career progression and ensuring that women are not restricted to jobs that traditionally accommodate more flexible hours. The boost to earnings helps to strengthen women's economic security and financial independence, and the improved allocation of talent, together with the gains from diversifying workplaces, can lift productivity growth.

The Government is investing $4.7 billion over 4 years from 2022-23 to make early childhood education and care more affordable for families and reduce barriers to women's labour force participation. From July 2023, Child Care Subsidy rates will increase for eligible families with annual combined incomes less than $530,000, up to a maximum of 90 per cent. Families will continue to receive the existing higher subsidy rates of up to 95 per cent for any second and subsequent children in care aged 5 and under. Around 96 per cent of families with children in early childhood education and care will benefit and none will be worse off.

continued on next page

Box 2.4: Parenting, early childhood education and care and labour force participation (continued)

The Government is also investing $531.6 million over 4 years from 2022–23 to strengthen the Paid Parental Leave (PPL) scheme. Families will be able to access an additional 6 weeks of PPL, increasing the total leave payable up to 26 weeks of leave from July 2026. The Government will maintain a 'use it or lose it' component to encourage more fathers and partners to take leave, with the Women's Economic Equality Taskforce to examine the optimum model to deliver the best outcomes for families and support women's economic participation. Single parents will be able to take the full amount.

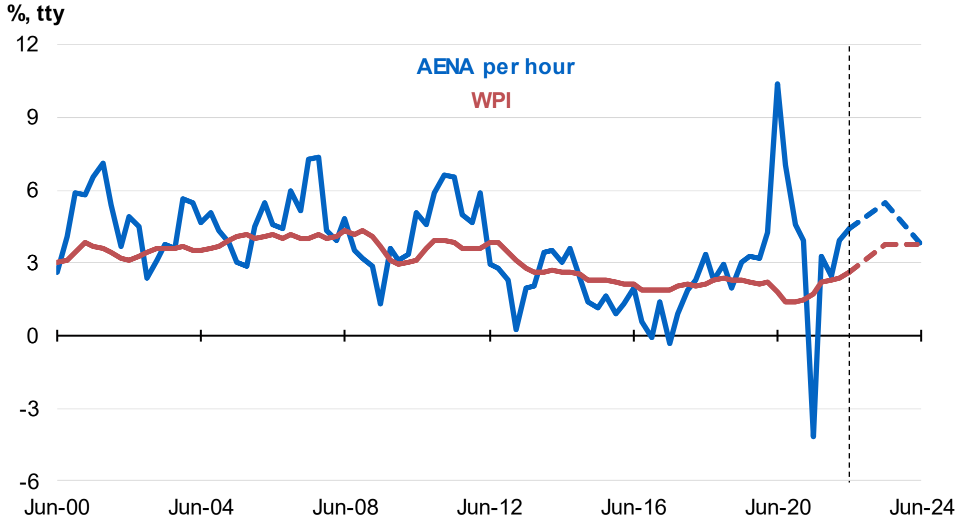
Together, the changes to the Child Care Subsidy and PPL will support families to better balance paid work and caring responsibilities. Based on analysis of past subsidy increases, Treasury estimates the Government's Child Care Subsidy changes will increase hours worked by women with young children by up to 1.4 million hours per week, equivalent to an extra 37,000 full-time workers, in 2023–24. The PPL changes incentivise a more equitable distribution of caring responsibilities. This will further support participation and productivity, providing an additional economic dividend. These changes will also assist to improve health and wellbeing outcomes for children and families.

In addition, the Government will direct the Australian Competition and Consumer Commission (ACCC) to conduct an inquiry into the drivers of early childhood education and care prices, and report by the end of 2023. The ACCC's report will complement a broader Productivity Commission (PC) inquiry into the early childhood education sector in Australia, which will commence in the first half of 2023 and report in 2024. The PC will conduct a comprehensive inquiry into the early childhood education and care sector, which will consider a universal 90 per cent subsidy for all families. It will also consider ways to improve access and flexibility for families, and better support labour force participation, particularly for women.

Recent wage price index (WPI) outcomes indicate that nominal wage growth has been picking up and broadening across sectors after a long period of low wage growth. In-demand workers, including those in industries with a high share of individual agreements, have recorded sizable pay increases. New enterprise agreements suggest wage growth is picking up. Wages are expected to grow by 3¾ per cent in 2022–23, marking the fastest pace of wage growth since 2012 (Chart 2.23).

The combination of high inflation and modest wage growth to date has seen real wages fall sharply, by around 3.5 per cent over 2021–22. This followed a prolonged period of stagnant real wage growth. While there is uncertainty around the outlook for inflation, the expected pick up in nominal wages and forecast easing in inflation over the course of the next 2 years is expected to result in real wages beginning to modestly rise by the end of 2023–24.

Chart 2.23: Annual wage growth, AENA and WPI



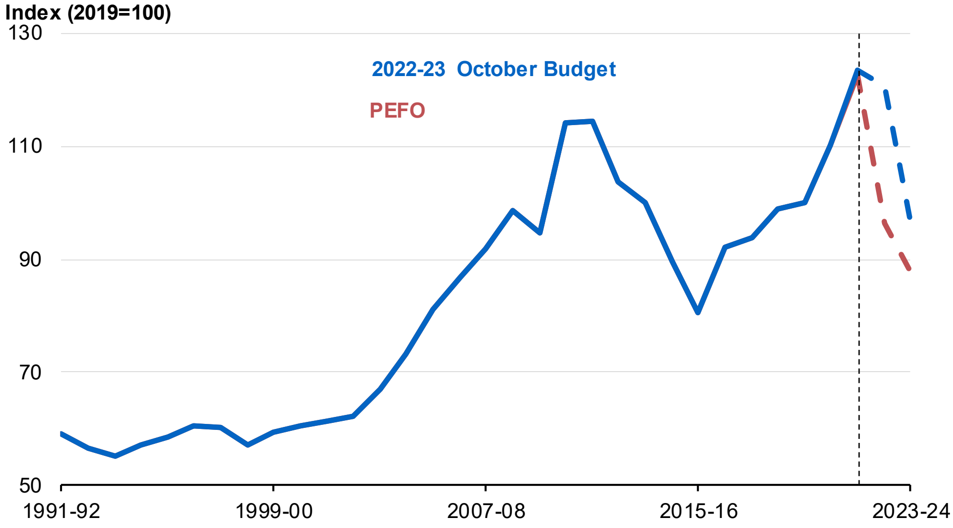
Source: ABS National Accounts: National Income, Expenditure and Product, ABS Labour Force and Wage Price Index and Treasury.
Note: AENA is the national accounts measure of average earnings.

Outlook for the terms of trade

The terms of trade increased by 12 per cent in 2021–22 to its highest level on record due to elevated commodity prices, largely reflecting the disruptions of natural gas flows from Russia to Europe which increased demand in already tight seaborne markets for both liquefied natural gas (LNG) and coal. While the LNG spot price has contributed to the higher terms of trade, only a small proportion of LNG is sold on the spot market with the majority sold on long-term contracts linked to the oil price. The terms of trade are forecast to remain elevated in 2022–23 before declining in line with Treasury's long-term commodity price assumptions.

Commodity prices are assumed to return to long-term fundamental price levels, causing a fall in the terms of trade in 2023–24. Elevated coal, iron ore, metals and other ore prices are assumed to unwind over 2 quarters, by the end of the March quarter of 2023, to levels consistent with long-term fundamentals. This means long-term prices are reached 2 quarters later than was assumed in PEFO. This approach ensures that the economic and fiscal parameters are grounded in long-term price fundamentals and are not unduly influenced by short-term volatility (Chart 2.24). Nevertheless, in light of the ongoing Russian invasion of Ukraine, there is substantial upside risk to the thermal coal and LNG price assumptions, while China's weakening growth outlook presents a downside risk for commodity prices, particularly iron ore.

Chart 2.24: Terms of trade



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

Sensitivity analysis of iron ore, metallurgical coal and thermal coal prices

Commodity prices are volatile and the outlook for commodity prices remains a key uncertainty in the outlook for nominal GDP and Government tax revenue. The analysis below outlines the direct impacts on nominal GDP and company tax receipts of altering the timing of spot price assumptions for iron ore, metallurgical coal and thermal coal.

The Budget assumes glide paths for iron ore, metallurgical coal and thermal coal start from their recent averages in late September, and glide down over the December 2022 and March 2023 quarters to their assumed long-term fundamental price levels. Table 2.3 presents a sensitivity analysis for commodity prices where they remain elevated over the December quarter of 2022 and then glide down later (that is, over the March and June 2023 quarters). This results in a total increase in nominal GDP of $43.8 billion between 2022–23 and 2024–25, and an increase in company tax receipts of $9.9 billion over the same period. The impact on tax receipts is delayed compared with the impact on nominal GDP, largely owing to lags in tax collections.

Table 2.3: Sensitivity analysis of a later fall in commodity spot prices

	2022-23	2023-24	2024-25	Total
Nominal GDP ($billion)	35.0	8.8	0.0	43.8
Tax receipts ($billion)	2.5	6.5	0.9	9.9

Source: Treasury.

Note: The long-term commodity price assumptions are: iron ore – US$55 per tonne free-on-board (FOB); metallurgical coal – US$130 per tonne FOB; thermal coal – US$60 per tonne FOB.

Further analysis on how permanent movements in the price of iron ore can affect the Australian economy and fiscal estimates is detailed in *Budget Statement 8: Forecasting Performance and Sensitivity Analysis*.

Outlook for nominal GDP growth

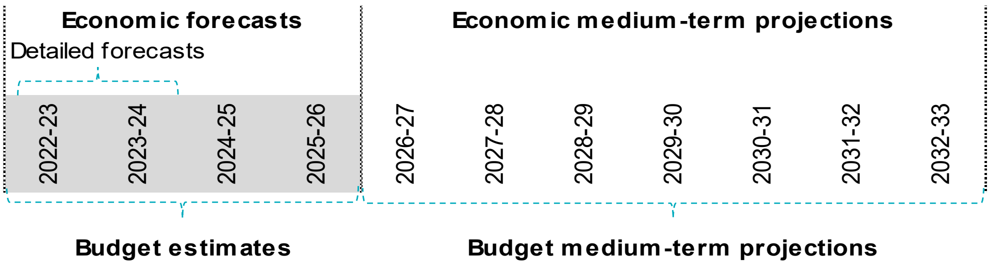
Nominal GDP is forecast to grow strongly, by 8 per cent in 2022–23, reflecting strong employment, an elevated terms of trade and a higher domestic price level. Nominal GDP is then expected to fall by 1 per cent in 2023–24 due to the assumed decline in commodity prices and associated decline in Australia's terms of trade (as listed in Table 2.2).

The strength in nominal GDP reflects the impact of higher domestic inflation on the general price level and the continuation of higher-than-forecast commodity prices, which now reach their long-term prices in the March quarter of 2023 compared to the September quarter of 2022 in PEFO. In addition, a weaker AUD/USD exchange rate assumption boosts the AUD price of Australia's key commodity exports contributing to higher nominal GDP (as listed in Table 2.2).

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 2.25).

Chart 2.25: Medium-term projection period



Source: Treasury.

In the Budget year (2022–23) and the subsequent financial year (2023–24), emphasis is placed on detailed forecasts of the expenditure components of economic activity. Beyond this period, estimates are based on expectations for the level of potential output and modelling of the path by which output converges back to this potential level. An output gap exists if actual output is not equal to potential.

A macroeconometric model of the Australian economy is used to inform the path that the economy takes to close the output gap. This model accounts for factors such as the nature and level of spare capacity in the economy, the drivers of potential output growth, and the expected path of international trade prices. The model allows for a considered assessment of the path of output beyond 2023–24.

Potential GDP is estimated based on an analysis of trends for population, productivity, and participation. Since PEFO, the Budget adopts a lower long-term productivity growth assumption of 1.2 per cent, reflecting structurally weaker productivity growth over time. This change represents a more realistic assumption. The unemployment rate is assumed to settle at Treasury's Non-Accelerating Inflation Rate of Unemployment (NAIRU) assumption of 4¼ per cent. On the nominal side, key non-rural commodity export prices are projected based on cost curve analysis. Domestic price growth returns over time to the midpoint of the RBA's inflation target band.

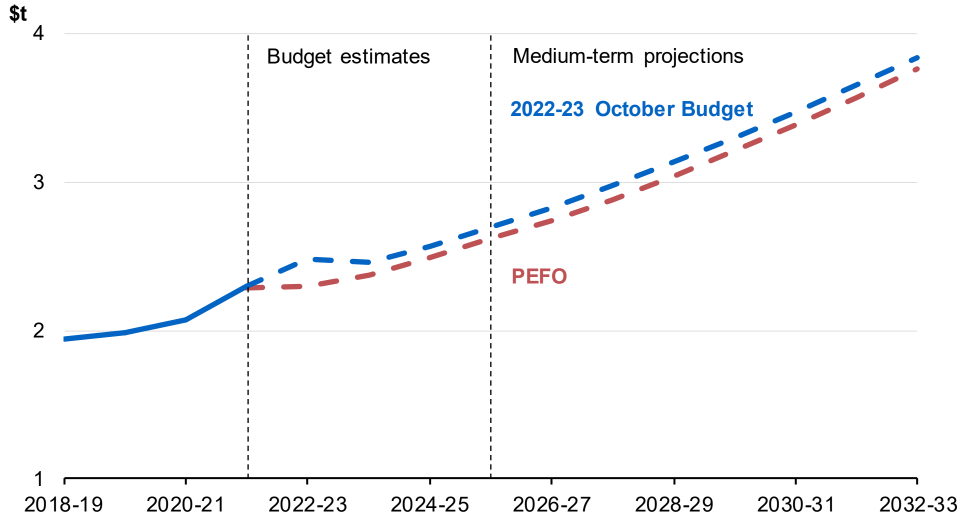
Potential real GDP grows at an annual average of around 2½ per cent per annum until the end of the medium term in 2032–33. This is a ¼ of a percentage point lower than projected at PEFO over 2026–27 to the end of the medium term, largely reflecting a permanently lower rate of assumed productivity growth. The terms of trade are projected to remain around their 2023–24 level over the medium term, with key commodity prices being at levels consistent with their long-term fundamentals.

Since PEFO, an updated and lower productivity growth rate assumption has been adopted, reflecting structurally lower productivity over the past 20 years (see Box 3.3). These projections assume that underlying labour productivity converges over a 10-year period to the assumed long-term productivity growth rate, now 1.2 per cent per annum (equivalent to the average growth rate in labour productivity over the 20 years to 2018–19). This changed assumption increasingly lowers potential GDP across the medium term.

These projections also incorporate increases in trend population and participation, and a decrease in average hours worked. Higher population reflects that net overseas migration is forecast to recover to pre-pandemic trends 2 years earlier than in the March 2022–23 Budget. Recent migration data and strength in new visa issuance are showing an improved outlook for migrant arrivals, especially of students, and a delayed recovery in temporary migrant departures. In sum, the changes to population, participation and average hours imply that there is a larger workforce available to produce goods and services over the medium term. The increase in the workforce is not sufficient to offset lower underlying labour productivity growth. As a result, the level of potential real GDP has been downgraded across the projection period.

Overall, the level of nominal GDP over the medium-term projection period is higher compared to PEFO (Chart 2.26). In 2022–23 this largely reflects stronger non-rural commodity prices and a higher domestic price level. While inflation returns to the midpoint of the RBA target band by the June quarter of 2025, higher forecast inflation is expected to sustain a higher domestic price level. The impact of higher prices on nominal GDP over the medium term is partially offset by lower real output, reflecting a lower assumed growth rate for underlying labour productivity.

Chart 2.26: Projected nominal GDP



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

Statement 3:
Fiscal Strategy and Outlook

Australia faces an intensifying fiscal challenge. Gross debt is close to one trillion dollars and is at the highest level as a share of GDP in over 70 years. The Pre-election Economic and Fiscal Outlook (PEFO) projected deficits for at least the next decade. Since PEFO, these challenges have been compounded by significant cost pressures associated with indexing household payments to inflation, delivering essential services like the National Disability Insurance Scheme (NDIS), and higher interest rates on government debt.

The budget position has improved in the near term as the government has returned higher-than-expected tax receipts to the budget, but these do not outweigh the growing medium-term structural pressures, which have become more pronounced since PEFO.

This Budget begins the difficult task of budget repair while ensuring fiscal policy does not add inflationary pressure. As a first step in the Government's Economic and Fiscal Strategy, the Budget makes $28.5 billion in improvements by unwinding wasteful spending and redirecting spending to higher quality investments and priorities. Real spending growth is flat over the forward estimates. Higher-than-expected tax receipts are directed to rebuilding fiscal buffers, with policy decisions having a broadly neutral impact across the first 2 years of the budget while inflationary pressures are most acute.

As a result, the underlying cash deficit is now forecast to be $36.9 billion, (1.5 per cent of GDP) in 2022–23, $41.1 billion lower than at PEFO. Gross debt to GDP is expected to be 37.3 per cent at 30 June 2023. Even with intensifying pressures on the Budget, the Government's responsible approach to revenue upgrades and spending restraint means debt is expected to remain lower than at PEFO in each year of the forward estimates.

Receipts, excluding new policies, have been revised up by $144.6 billion over the 4 years to 2025–26. Around two-thirds of the increase occurs in 2022–23 and 2023–24. In later years, the receipts increase moderates and is overtaken by an upward revision to payments of $92.2 billion, excluding new policies, over the 4 years to 2025–26. This is driven by higher inflation increasing indexed payments, cost pressures associated with delivering essential services, and higher interest rates. As a result, the deficit is expected to be slightly larger than at PEFO at the end of the forward estimates. Spending pressures continue to build over the medium term, with a number of large payments growing faster than the economy.

The updated medium-term projections presented in this Budget reveal the magnitude of the fiscal challenges the Government inherited. Higher interest rates, a lower and more realistic productivity growth assumption, and an upward revision in the estimated cost of delivering the NDIS account for the deterioration in gross debt to GDP since PEFO.

The revised medium-term outlook makes clear that ongoing budget repair is required. The Government will continue to work towards rebuilding fiscal buffers and improving the quality of spending.

Contents

Statement 3: Fiscal Strategy and Outlook

Since PEFO, there has been a substantial improvement in the near-term fiscal outlook, but persistent spending pressures have become even more pronounced.

The underlying cash balance has improved by a cumulative $42.7 billion across the 4 years to 2025–26. In the near term, high Australian dollar commodity prices and elevated employment have increased forecast tax receipts leading to an improved fiscal outlook. However, the improvement moderates over the forward estimates as commodity prices decline and economic activity slows. Around two-thirds of the $132.5 billion upgrade in tax receipts from parameter and other variations is in the first 2 years of the forward estimates.

Across 2022–23 and 2023–24, the years when inflationary pressures are most acute in the forecasts, additional tax receipts have been returned to the budget, new policy decisions have been largely offset and real growth in spending declines. This responsible approach to revenue upgrades and spending restraint means gross debt as a share of GDP remains lower than at PEFO in each year of the forward estimates.

However, in the final 2 years of the forward estimates, the improvement in tax receipts is not large enough to cover the growing spending pressures arising from higher prices, higher interest rates and cost pressures associated with essential services.

Excluding new policies, payments have been revised up by $92.2 billion over the 4 years to 2025–26, the largest upgrade on record. Around half of the estimate variations are from higher-than-expected prices and wages ($34.1 billion) and higher borrowing costs on Australian Government Securities ($12.0 billion). The prices impact is primarily driven by household payment increases needed to ensure support keeps pace with the cost of living.

The Government has also needed to provide $24.4 billion in additional spending for floods and the pandemic, to address legacy issues left behind by the former government, and fund delayed payments from 2021–22 that have spilled over to 2022–23 and later years.

The Government's responsible approach will keep debt lower that at PEFO in each year across the forward estimates. However, gross debt to GDP rises over the medium term driven by higher borrowing costs, the use of a lower and more realistic productivity growth assumption, and an upward revision in the estimated costs of delivering the NDIS.

If PEFO had incorporated the current higher interest rates, lower productivity growth assumption and higher NDIS cost estimates, then gross debt would have been 49.2 per cent of GDP in 2032–33, which is 8.9 percentage points of GDP higher than at PEFO, and higher than in this Budget.

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

Table 3.1: Australian Government general government sector budget aggregates

	Actual	Estimates					Projections
	2021-22	2022-23	2023-24	2024-25	2025-26	Total(a)	2032-33
	$b	**$b**	$b	$b	$b	$b	% of GDP
Underlying cash balance	**-32.0**	**-36.9**	**-44.0**	**-51.3**	**-49.6**	**-181.8**	
Per cent of GDP	-1.4	-1.5	-1.8	-2.0	-1.8		-1.9
Receipts	**584.4**	**607.2**	**621.4**	**642.8**	**679.0**	**2,550.5**	
Per cent of GDP	25.4	24.5	25.3	25.1	25.2		26.0
Tax receipts	**536.6**	**562.9**	**574.3**	**590.5**	**629.3**	**2,356.9**	
Per cent of GDP	23.4	22.7	23.3	23.0	23.4		24.1
Non-tax receipts	**47.8**	**44.4**	**47.1**	**52.4**	**49.7**	**193.6**	
Per cent of GDP	2.1	1.8	1.9	2.0	1.8		1.9
Payments(b)	**616.3**	**644.1**	**665.5**	**694.2**	**728.6**	**2,732.3**	
Per cent of GDP	26.8	25.9	27.0	27.1	27.1		27.9
Gross debt(c)	**895.3**	**927.0**	**1,004.0**	**1,091.0**	**1,159.0**		
Per cent of GDP	39.0	37.3	40.8	42.5	43.1		46.9
Net debt(d)	**515.6**	**572.2**	**634.1**	**702.8**	**766.8**		
Per cent of GDP	22.5	23.0	25.8	27.4	28.5		31.9
Net interest payments(e)	**15.0**	**13.6**	**16.6**	**19.4**	**26.5**	**76.1**	
Per cent of GDP	0.7	0.5	0.7	0.8	1.0		1.5

a) Total is equal to the sum of amounts from 2022–23 to 2025–26.
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.

Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy (the strategy) is focused on making the economy and budget stronger, more resilient and more sustainable over the medium term. The strategy is set out in Box 3.1, consistent with the requirements of the *Charter of Budget Honesty Act 1998*. Progress against the strategy will be reviewed at 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 immediate priority is to ensure fiscal policy is not adding to inflationary pressures and to begin budget repair. Over time, the focus will shift to achieving measured improvements in the budget position to stabilise and reduce gross debt as a share of the economy.

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

In this Budget, the Government is providing cost of living relief in a responsible way that also delivers an economic dividend, while beginning the process of budget repair by unwinding wasteful spending and improving the quality of spending.

This Budget delivers on the Government's strategy by:

- Largely offsetting new policies across this year and next when inflationary pressures are expected to be most acute.
- Implementing $28.5 billion in savings over the 4 years to 2025–26, by unwinding wasteful spending, redirecting spending to higher quality areas, deferring infrastructure spending to not compound supply constraints or to better assess their merits, and improving the fairness and integrity of the tax system.
- Returning over 90 per cent of the $123.8 billion of improvements in tax receipts (excluding GST) from estimates variations to improve the budget position over the forward estimates.
  - This is far more disciplined than recent Budget updates. In the 7 Budget updates between 2013–14 MYEFO and the 2022–23 March Budget where tax receipts (excluding GST) were upgraded, only around 40 per cent of the improvements were returned to the budget.
- Limiting growth in payments, notwithstanding building spending pressures. Real payments growth[2] is expected to average 0.3 per cent over the forward estimates. 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) (Chart 3.1).
- Reducing gross debt as a share of GDP and keeping it lower in each year of the forward estimates than at PEFO. At the end of forward estimates, gross debt as a share of GDP is projected to be 1.6 percentage points lower than at PEFO.

These actions will ensure that fiscal policy supports monetary policy efforts to dampen inflation and avoid higher than necessary interest rates, and are a meaningful first step on the Government's commitment to improve the quality of spending and repair the budget.

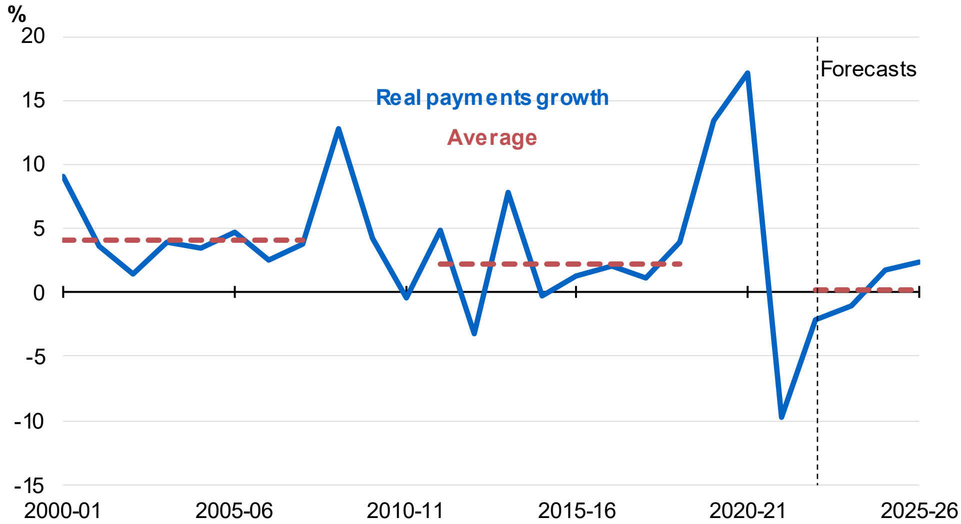
The updated medium-term projections presented in this Budget reveal the magnitude of the fiscal challenges the Government inherited. The risk of higher interest rates and lower productivity growth had been foreshadowed. The 2022 PEFO outlined the potential fiscal

2 Real payments are calculated by deflating payments by the consumer price index. Averages over periods of time are calculated by averaging annual growth rates across the years.

impact of higher interest rates and the *2021 Intergenerational Report* outlined the potential impact of lower productivity growth.

This Budget begins the critical task of budget repair, but further work will be required to continue to build fiscal buffers to respond to future shocks and manage growing cost pressures. Achieving this will require a national conversation about how the services Australians need are funded. The Government will continue the task of reviewing programs to identify savings. This will ensure programs are efficient, effective, and focussed on national priorities, enhance the quality of spending, and improve the budget position over time.

Chart 3.1: Real payments growth



Source: Treasury.
Note: Averages cover 2000–01 to 2007–08, 2011–12 to 2018–19 and 2022–23 to 2025–26, to exclude the impact of fiscal stimulus during the Global Financial Crisis and COVID-19 pandemic.

Fiscal outlook

Underlying cash balance estimates

The underlying cash deficit is estimated to be $36.9 billion (1.5 per cent of GDP) in 2022–23, an improvement of $41.1 billion (1.9 percentage points of GDP) since PEFO. Near-term improvements are driven by an improved outlook for receipts. The improvement in receipts is projected to moderate from 2023–24 alongside slowing economic activity and lower commodity prices.

The underlying cash deficits are higher from 2024–25 onwards, with payment pressures related to higher prices, higher debt servicing costs and pressures associated with delivering essential services outweighing improved receipts. Still, the underlying cash balance has improved by a cumulative $42.7 billion over the 4 years to 2025–26.

Changes in the underlying cash balance over the forward estimates

Policy decisions since PEFO have reduced the underlying cash balance by $9.8 billion over the 4 years to 2025–26 (Table 3.2), with a broadly neutral impact on the budget in the first 2 years. This includes: $4.2 billion in unavoidable spending, including for the COVID-19 response and disaster recovery payments; $4.1 billion to resolve legacy issues; and $1.4 billion for the Government's election commitments and other policy priorities.

Table 3.2: Reconciliation of policy decisions

	2022-23	2023-24	2024-25	2025-26	Total
	$m	$m	$m	$m	$m
Unavoidable spending	-3,023	-406	-394	-395	-4,218
Resolving legacy issues	-1,188	-1,211	-805	-919	-4,123
Election Commitments and other priorities	3,116	2,364	-815	-6,106	-1,441
Total policy decisions since 2022-23 PEFO	**-1,096**	**747**	**-2,014**	**-7,420**	**-9,782**

Parameter and other variations since PEFO have improved the underlying cash balance by $42.2 billion in 2022–23, and by $52.5 billion over the 4 years to 2025–26 (Table 3.3). This reflects an increase in receipts, partially offset by an increase in payments.

Table 3.3: Reconciliation of underlying cash balance estimates

	Estimates				
	2022-23	2023-24	2024-25	2025-26	Total
	$m	$m	$m	$m	$m
2022-23 March Budget underlying cash balance	**-77,961**	**-56,532**	**-47,108**	**-43,068**	**-224,670**
Per cent of GDP	-3.4	-2.4	-1.9	-1.6	
Changes from 2022-23 March Budget to 2022 PEFO					
Effect of policy decisions(a)	-543	-61	-67	-43	-714
Effect of parameter and other variations	568	69	82	175	894
Total variations	**25**	**8**	**15**	**132**	**180**
2022 PEFO underlying cash balance	**-77,937**	**-56,525**	**-47,093**	**-42,936**	**-224,490**
Per cent of GDP	-3.4	-2.4	-1.9	-1.6	
Changes from 2022 PEFO to 2022-23 October Budget					
Effect of policy decisions(a)(b)					
Receipts	*1,410*	*2,458*	*3,967*	*5,253*	*13,088*
Payments	*2,506*	*1,711*	*5,980*	*12,673*	*22,870*
Total policy decisions impact on underlying cash balance	-1,096	747	-2,014	-7,420	-9,782
Effect of parameter and other variations(b)					
Receipts	*57,286*	*33,793*	*23,689*	*29,870*	*144,638*
Payments	*15,105*	*22,064*	*25,929*	*29,075*	*92,173*
Total parameter and other variations impact on underlying cash balance	42,181	11,729	-2,240	795	52,465
2022-23 October Budget underlying cash balance	**-36,851**	**-44,048**	**-51,347**	**-49,561**	**-181,807**
Per cent of GDP	-1.5	-1.8	-2.0	-1.8	

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

Unavoidable spending and resolving legacy issues

Payments of $24.4 billion are required to meet the need for unavoidable and essential assistance, and resolve legacy issues left behind by the former Government. Of this, $8.4 billion relates to new policy decisions and $16.1 billion are parameter and other variations.

Over the 4 years to 2025–26, this includes:

- $7.4 billion in recovery funding for disaster affected communities. This includes $86.3 million in new policy decisions, including support for the 2019–20 bushfire recovery and floods that occurred before the election. A further $7.3 billion in estimates variations relate to providing disaster recovery assistance, including for communities affected by floods. This includes a provision in the contingency reserve for costs associated with recent flood events.

- $4.1 billion in new policy decisions to resolve other legacy issues inherited from the former Government. This includes providing certainty for programs that were underfunded or had expiring funding but were ongoing in nature. This includes funding to continue the environmental approval process under the *Environmental Protection and Biodiversity Conservation Act 1999*, and to sustain critical information technology platforms such as Modernising of Business Registers and My Aged Care. It also includes not proceeding with a range of unlegislated measures.

- $5.5 billion to continue the pandemic response, including continuing the Pandemic Leave Disaster Payment, procuring vaccines and rebuilding our medical stockpiles. This includes $2.6 billion in new policy decisions and $2.9 billion in delayed spending from 2021–22 required for the COVID-19 pandemic response.

- In addition to the above, a further $5.9 billion in estimates variations for payments scheduled for 2021–22 but now delayed, largely due to slower contract finalisation, supply chain disruptions and capacity constraints affecting infrastructure project completion.

Medium-term projections

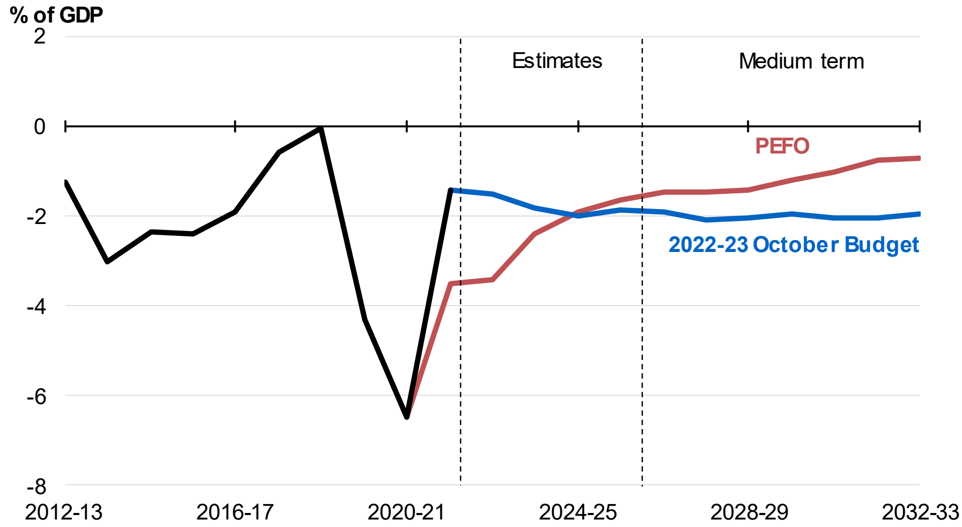
This Budget provides an updated assessment of the medium-term fiscal outlook and lays out the large structural deficits inherited by the Government.

Pre-election forecasts showed persistent deficits, with many payments growing faster than the economy. Large, fast-growing payments include NDIS, hospitals, aged care, defence, age pension, medical benefits and interest payments.

Since PEFO, these challenges have grown (Box 3.2). The adoption of a more realistic productivity growth assumption (Box 3.3), together with higher borrowing costs due to increased interest rates (Box 3.4) and an upward revision in the estimated cost of delivering the NDIS account for the increased deficit and higher gross debt since PEFO.

The underlying cash deficit in 2032–33 is projected to be 1.9 per cent of GDP, a deterioration of 1.2 percentage points since PEFO (Chart 3.2).

Chart 3.2: Underlying cash balance



Source: Treasury.

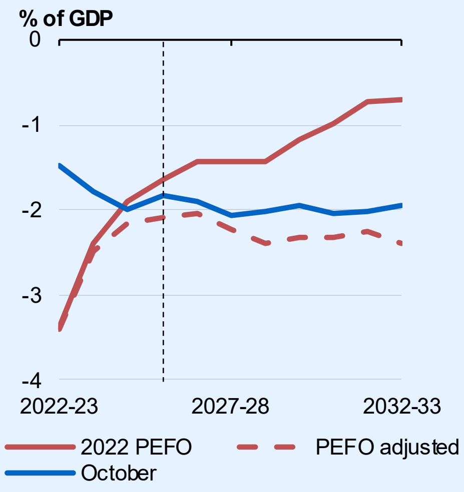
Box 3.2: PEFO adjusted for key developments

The magnitude of the fiscal impact of a lower productivity growth assumption, higher yields and revised NDIS cost estimates can be illustrated by applying them to the PEFO baseline.

- Applying the lower productivity growth assumption lowers real GDP by 1¾ per cent by 2032–33.[3] This reduces the size of the tax base and government payments are also reduced, but to a lesser extent. Overall, the underlying cash deficit is 0.3 percentage points of GDP larger and gross debt is 2 percentage points of GDP larger in 2032–33.
- Applying the higher yields on government debt further increases the underlying cash deficit by 0.6 percentage points of GDP and gross debt by 3.7 percentage points of GDP in 2032–33.
- Applying revised NDIS costs in line with an updated actuarial assessment further increases the underlying cash deficit by 0.7 percentage points of GDP and gross debt by 3.3 percentage points of GDP in 2032–33.

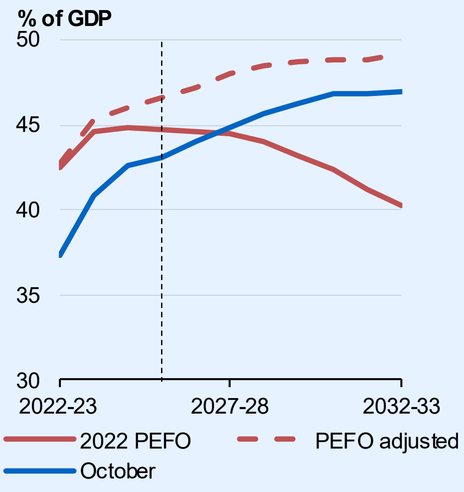
The 3 updates combined increase the 2022 PEFO underlying cash deficit by 1.7 percentage points of GDP and gross debt by 8.9 percentage points of GDP by 2032–33. This results in higher debt and deficit as a share of GDP than in the current Budget (Chart 3.3 and Chart 3.4).

Chart 3.3: Impact of updates on UCB



Source: Treasury.

Chart 3.4: Impact of updates on gross debt

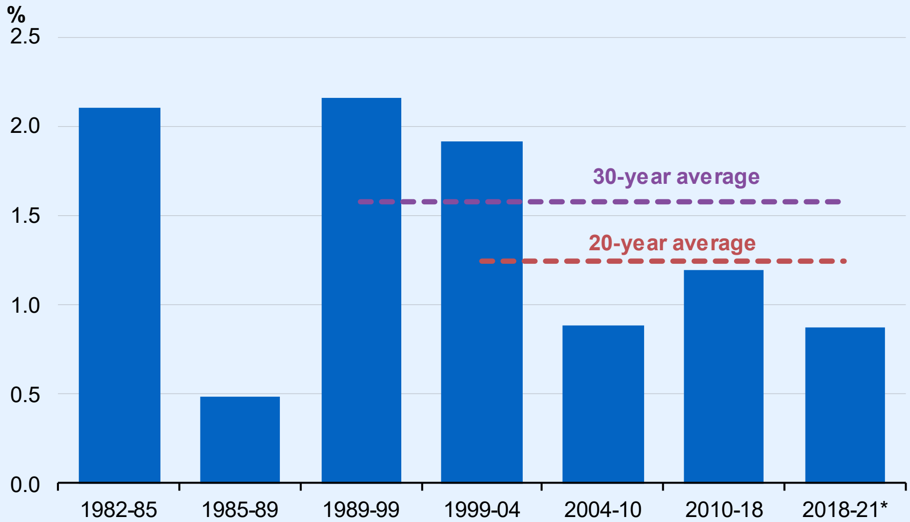


Source: Treasury.

Box 3.3: A more prudent long-term productivity assumption

Productivity growth has slowed in Australia since the mid-2000s. It has averaged around 1.5 per cent over the past 30 years, but only 1.2 per cent over the past 20 years (Chart 3.5). The slowdown is broad-based across industries and has been observed in other advanced economies, suggesting some shared factors are at play, be it trends in competition, technology adoption or human capital accumulation.

Chart 3.5: Whole economy labour productivity growth



Note: Productivity cycles determined by the ABS. Final cycle (2018–21*) is incomplete.
Source: ABS Australian System of National Accounts, 2020–21.

This Budget adopts a more prudent assumption for long-run productivity growth to show a more realistic picture of the medium-term fiscal challenges. The long-run productivity growth assumption has been lowered from its 30-year average of around 1.5 per cent to the 20-year average of 1.2 per cent. Placing more weight on recent history better captures emerging headwinds to productivity growth, such as continued structural change towards service industries, the costs of a changing climate, and diminishing returns from past reforms. This downgrade is consistent with those made by forecasters in other advanced economies such as Canada, New Zealand, the United Kingdom and the United States.

3 Based on the analysis in Box 4.2 of the *2021 Intergenerational Report*.

Box 3.4: Impact of higher interest rates on the budget

In advanced economies, there had been a trend decline in bond yields over recent decades. However, over the past year, bond yields have increased as central banks normalise policy in response to higher inflation.

Chart 3.6: Government bond yields (10-year)

Source: Treasury and Reserve Bank of Australia.

Consistent with previous Budgets, it is assumed that:

- yields are based on prevailing rates when budget estimates are finalised, and held constant over the forward estimates
- the 10-year bond yield will then converge to nominal GDP growth over a 15-year period, consistent with a prudent approach to medium-term modelling, and
- for bonds with other tenors, their yields are assumed to converge relative to the 10-year bond yield in the yield curve.

Based on this methodology, the assumed yield on 10-year bonds issued over the forward estimates is 3.8 per cent, compared with 2.3 per cent at PEFO. The 10-year yield is then assumed to rise to 4.3 per cent by the end of the medium term, around 70 basis points higher than projected at PEFO.

continued on next page

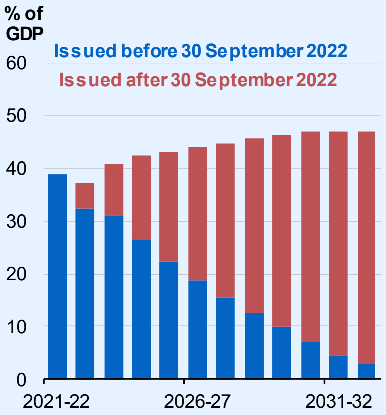
Box 3.4 Impact of higher interest rates on the budget (continued)

Interest payments on Treasury Bonds are fixed at the time of issuance. Over the past decade, the Australian Office of Financial Management (AOFM) has extended the average maturity of the debt portfolio, meaning the Government will continue to benefit from the lower borrowing costs of the past decade for many years. At the end of the forward estimates, most debt will still be on the lower interest rates set before 30 June 2022 (Chart 3.7).

However, as new debt is issued to finance deficits and refinance maturing debts, this will be at the higher prevailing yields. As a result, interest payments are projected to increase over time, and by 2032–33 have been revised up from 1.1 per cent of GDP at PEFO to 1.8 per cent of GDP (Chart 3.8).

For example, the 2021–22 Budget showed that the AOFM had issued around $281.6 billion in Treasury Bonds between 20 March 2020 and 3 May 2021, with a weighted average issuance yield of only 0.9 per cent. Of these bonds, around $90.2 billion will mature within the forward estimates. These will be refinanced at an assumed weighted average yield of 3.8 per cent – an almost 3 percentage point increase.

Chart 3.7: Gross debt, by issuance date



Source: Treasury.

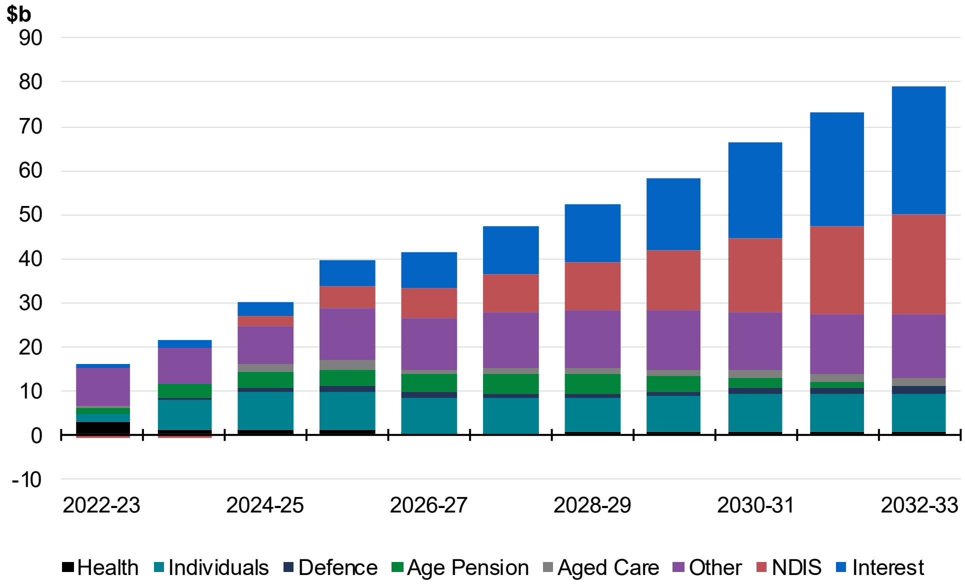
Chart 3.8: Total interest payments

Source: Treasury.

More information on the yield assumptions used in this Budget and the AOFM's issuance plan is in *Statement 7: Debt Statement*. An analysis of the sensitivity of the budget balance and debt to changes in yields is in *Statement 8: Forecast Performance and Sensitivity Analysis*.

While revisions to interest payments and NDIS represent the largest changes to payments since PEFO, other payment pressures are also expected to increase (Chart 3.9). Higher inflation since PEFO results in higher indexation of a range of payments to individuals such as Jobseeker, Disability Support Pension and Age Pension.

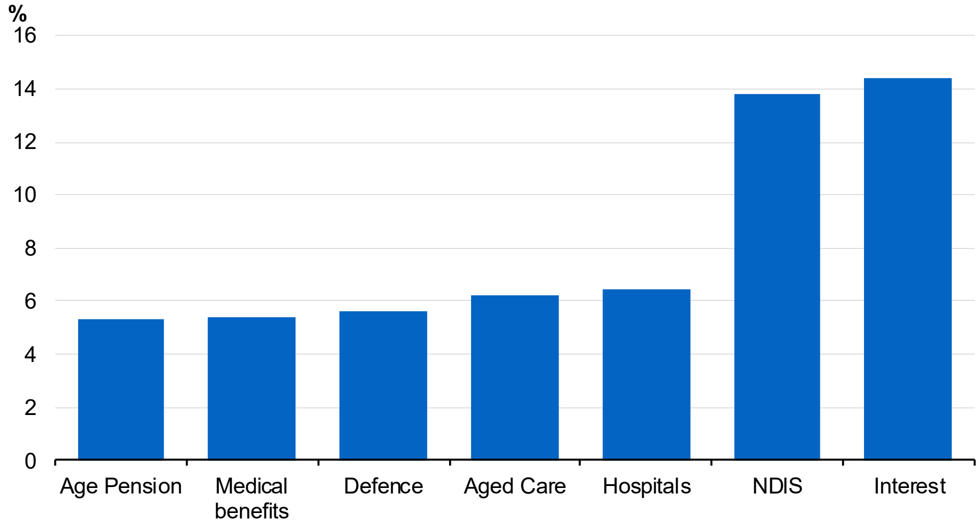
Chart 3.9: Revisions to major payments since PEFO



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

The increases since PEFO build on existing strong growth, with many payments growing faster than the economy. These payments include the NDIS, hospitals, aged care, defence, aged pension, medical benefits and interest payments (Chart 3.10).

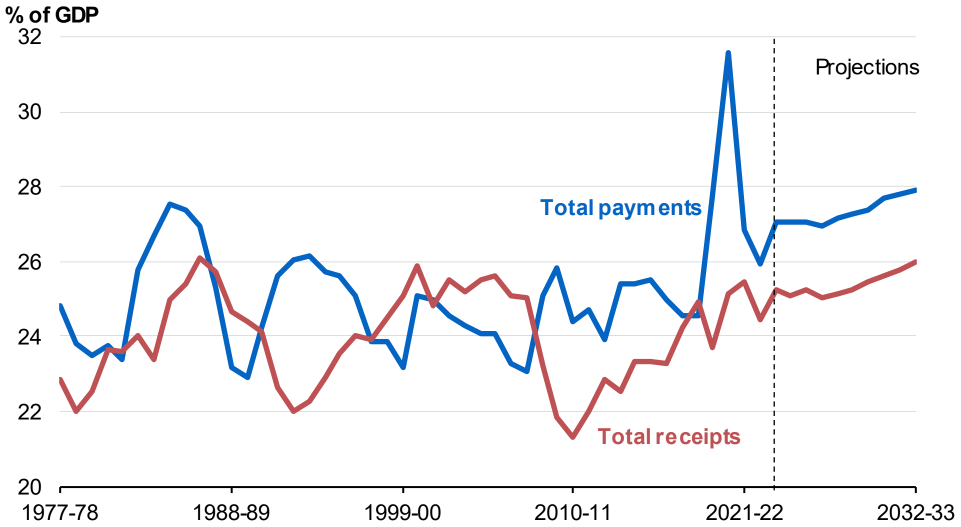
Chart 3.10: Average annual growth in major payments 2022–23 to 2032–33



Source: Treasury.
Note: NDIS refers to the Commonwealth's contribution to payments for NDIS participant supports.

Interest payments are the fastest growing payment, increasing on average by 14.4 per cent per year. This is closely followed by NDIS that increases on average by 13.8 per cent per year. The revised growth in estimated NDIS costs is in line with the Scheme Actuary's most recent projections as reviewed by the Australian Government Actuary. The increase in costs reflects the sustained growth in participants and average support costs per participant. Higher costs per participant relates to higher support utilisation, increased volumes of supports in participant plans and increased support prices. Hospital and medical benefits payments increase by an average of 6.5 and 5.4 per cent respectively. This reflects the ageing population, rising consumer expectations and the cost of improved medical technology. Other large payments are projected to grow faster than the economy leading to significant fiscal pressures in the medium term (Chart 3.11).

Chart 3.11: Payments and receipts



Source: Treasury.

Receipts estimates and projections

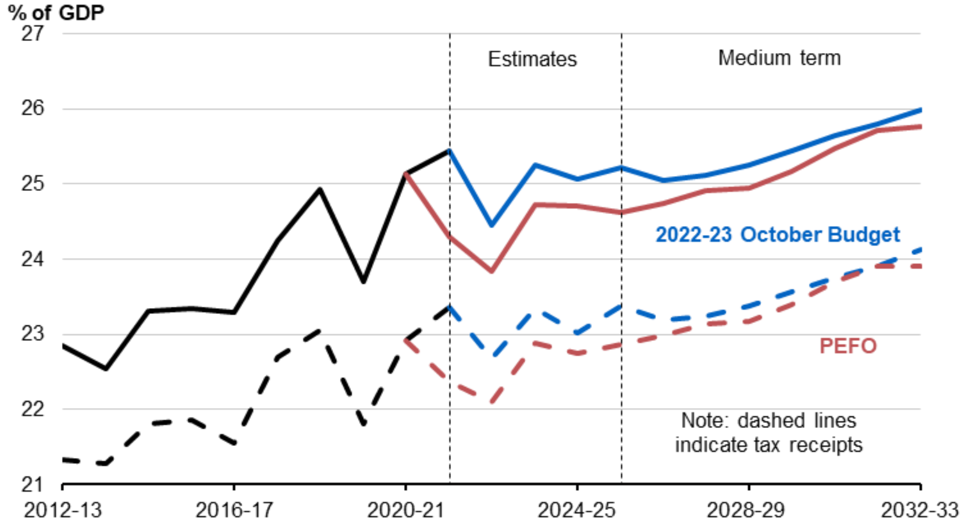
Total receipts are expected to increase from 24.5 per cent of GDP in 2022–23 to 25.2 per cent of GDP in 2025–26. This largely reflects tax receipts, which are expected to increase from 22.7 per cent of GDP to 23.4 per cent of GDP over this period.

Since PEFO, total receipts are expected to increase by $58.7 billion in 2022–23, and by $157.7 billion over the 4 years to 2025–26, which is largely the result of tax receipts being revised up since PEFO by $54.4 billion in 2022–23 and by $142.0 billion over the 4 years to 2025–26.

Strong corporate profits and higher employment compared to PEFO are resulting in higher company and personal income tax receipts.

Total receipts are now projected to reach 26.0 per cent of GDP in 2032–33. Tax receipts reach 24.1 per cent of GDP and non-tax receipts 1.9 per cent of GDP (Chart 3.12).

Chart 3.12: Total receipts



Source: Treasury.

Receipts policy decisions over the forward estimates

Policy decisions in this Budget have increased total receipts by $1.4 billion in 2022–23 and by $13.1 billion over the 4 years to 2025–26. Policy decisions taken since PEFO increased tax receipts by $9.5 billion over the 4 years to 2025–26.

Key receipts measures include:

- Extending 3 existing ATO compliance programs, including the ATO's Tax Avoidance Taskforce, Shadow Economy and Personal Income Taxation Compliance programs. These measures are estimated to increase receipts by $5.6 billion over the 4 years from 2022–23, partially offset by an associated increase in departmental expenses of $1.5 billion and GST payments of $442.3 million.

- Increasing the 2022–23 permanent Migration Program planning level from 160,000 to 195,000, with priority given to offshore applicants and on-hand applications for the Skilled Independent visa – New Zealand stream. This measure is estimated to increase receipts by $935.0 million over the 4 years from 2022–23, partially offset by an associated increase in payments of $487.2 million.

- Ensuring multinationals pay their fair share of tax, including limiting the amount of debt-related deductions multinationals can claim and closing loopholes on the use of intangibles and intellectual property. These measures are estimated to increase receipts by $970.0 million over the 4 years from 2022–23.

Since PEFO, policy decisions are expected to increase non-tax receipts by $0.9 billion in 2022–23, and by $3.5 billion over the 4 years to 2025–26. The largest contributor for this movement is driven by the expected earnings of the Housing Australia Future Fund, as announced in the 2022–23 October Budget measure *Safer and More Affordable Housing*, which will fund the delivery of 30,000 social and affordable homes over 5 years.

Further details of Government policy decisions are provided in *Budget Paper No. 2*, *Budget Measures 2022–23*.

Receipts parameter and other variations over the forward estimates

Parameter and other variations have increased total receipts since PEFO by $57.3 billion in 2022–23 and by $144.6 billion over the 4 years to 2025–26.

The increase in total receipts due to parameter and other variations primarily reflects tax receipts, which have been revised up by $53.9 billion in 2022–23 and by $132.5 billion over the 4 years to 2025–26.

The upward tax receipts revision is primarily driven by corporate profits leading to higher company tax receipts. High commodity prices and appreciation in the US dollar are driving stronger corporate profits for Australia's commodity exporters, supporting company tax receipts. Higher employment leading to higher personal income tax receipts is also driving upward tax receipts revisions. Around two-thirds of the increase in tax receipts due to parameter and other variations is concentrated in the first 2 years. The near-term strength in tax receipts recedes in the later years of the forward estimates period as a number of the factors supporting higher tax receipts are expected to moderate.

Since PEFO, parameter and other variations are expected to increase non-taxation receipts by $3.3 billion in 2022–23, and by $12.2 billion over the 4 years to 2025–26. This movement is driven by higher-than-expected earnings from the Future Fund, higher earnings from interest on cash deposits due to the rise in short-term interest rates, and an expected increase in petroleum royalties.

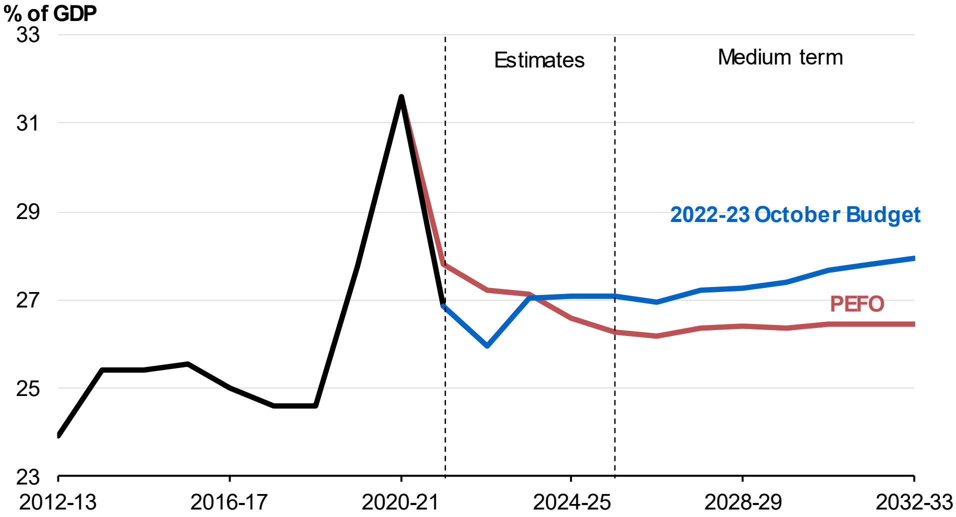
Further information on expected receipts is provided in *Statement 5: Revenue.* Analysis of the sensitivity of the receipts estimates to changes in the economic outlook is provided in *Statement 8: Forecasting Performance and Sensitivity Analysis*.

Payments estimates and projections

Since PEFO, total payments have increased by $17.6 billion in 2022–23 and by $115.0 billion over the 4 years to 2025–26. Real payments are falling in 2022–23 and 2023–24, and are broadly stable across the forward estimates.

By 2032–33, payments are projected to be 27.9 per cent of GDP (Chart 3.13).

Chart 3.13: Total payments



Source: Treasury.

Payment policy decisions over the forward estimates

New policy decisions since PEFO have increased total payments by $2.5 billion in 2022–23 and by $22.9 billion over the 4 years to 2025–26.

Major policy decisions since PEFO that have increased payments include:

- funding to deliver cheaper child care, easing the cost of living for families and reducing barriers to greater workforce participation, which is expected to increase payments by $4.7 billion over 4 years from 2022–23, and $1.7 billion per year
- funding to fix the Aged Care crisis, including through 24/7 registered nurses onsite and increased care minutes, which is expected to increase payments by $2.5 billion over 4 years from 2022–23
- improving the quality of spending by not proceeding with a number of measures announced by the previous Government but not yet legislated, which is expected to increase payments by $1.6 billion over 4 years from 2022–23.

Significant COVID-19 related policy decisions to manage the impacts of the pandemic are expected to increase payments by $2.6 billion in 2022–23. This includes extending the National Partnership on COVID-19 Response, which provides for 50 per cent of the cost of state and territory COVID-19 responses, funding for vaccines and treatments and support for older Australians and the aged care sector with managing the impacts of the COVID-19 pandemic.

The Government has also started to repair the budget. Policy decisions that improve the bottom line include:

- re-profiling funding for existing projects in the *Infrastructure Investment Program* to better align the investment with construction market conditions, while maintaining the Government's overall funding commitment to the projects, which is expected to decrease payments by $6.5 billion over 4 years from 2022–23
- reducing spending on external labour, advertising, travel and legal expenses, which is expected to decrease payments by $3.6 billion over 4 years from 2022–23.
- making responsible investment decisions in the National Water Grid Fund, which includes not proceeding with the Hells Gates Dam project and deferring projects until business cases are completed and viable pathways to delivery are determined and assessed, which are expected to decrease payments by $1.7 billion over 4 years from 2022–23.

Payment parameter and other variations over the forward estimates

Parameter and other variations since PEFO have increased payments by $15.1 billion in 2022–23 and by $92.2 billion over the 4 years to 2025–26. This is the largest increase to payments from parameter and other variations on record.

A significant proportion of Government spending is adjusted at each update to reflect changes in economic parameters (including prices and wages, unemployment and foreign exchange rates). Table 3.4 shows the impact of economic conditions on payments. In particular, the impact of higher-than-expected price and wage inflation has increased payments by $34.1 billion over the 4 years to 2025–26.

Table 3.4: Reconciliation of payments estimates(a)

	Estimates				
	2022-23	2023-24	2024-25	2025-26	Total
	$m	$m	$m	$m	$m
2022 PEFO payments	**626,470**	**641,714**	**662,277**	**686,836**	**2,617,297**
Changes from 2022 PEFO to 2022-23 October Budget					
Effect of policy decisions(b)	2,506	1,711	5,980	12,673	22,870
Effect of parameter and other variations	15,105	22,064	25,929	29,075	92,173
Total economic parameter variations	6,915	14,461	16,541	16,175	54,092
Unemployment benefits	*1,417*	*2,487*	*3,227*	*2,658*	*9,790*
Prices and wages	*2,121*	*9,104*	*11,564*	*11,315*	*34,104*
Interest and exchange rates	*255*	*275*	*423*	*480*	*1,432*
GST payments to the States	*3,122*	*2,595*	*1,327*	*1,722*	*8,766*
Interest payments on AGS	685	1,781	3,442	6,045	11,953
Program specific parameter variations	903	3,703	4,195	6,912	15,712
Other variations(c)	6,602	2,119	1,751	-57	10,416
Total variations	**17,611**	**23,775**	**31,909**	**41,748**	**115,043**
2022-23 October Budget payments	**644,080**	**665,489**	**694,187**	**728,584**	**2,732,340**

a) A positive number for payments worsens the underlying cash balance.
b) Excludes secondary impacts on the public debt interest for policy decisions and offsets from the Contingency Reserve for decisions taken.
c) 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 and re-profiling.

Major increases in payments from parameter and other variations since PEFO include:

- payments relating to Commonwealth Debt Management, which are expected to increase by $684.6 million in 2022–23 ($12.0 billion over the 4 years to 2025–26), largely reflecting higher debt servicing costs
- payments related to Support for Seniors, which are expected to increase by $1.0 billion in 2022–23 ($11.5 billion over the 4 years to 2025–26), largely reflecting a higher-than-projected rate of indexation
- payments related to Job Seeker Income Support, expected to increase by $1.4 billion in 2022–23 ($10.2 billion over the 4 years to 2025–26) largely due to increase in indexation costs and numbers of recipients
- payments relating to the provision of GST to the states and territories, which are expected to increase by $3.1 billion in 2022–23 ($8.8 billion over the 4 years to 2025–26), consistent with an increase in GST receipts
- payments relating to the NDIS which are expected to increase by $5.9 billion over the 4 years to 2025–26 (including a decrease by $585.7 million in 2022–23), largely reflecting projected increases to participant numbers and a projected increase in the average value of participant plans

- payments relating to the Financial Support for People with Disability (Disability Support Pension), which are expected to increase by $413.8 million in 2022–23 ($3.4 billion over the 4 years to 2025–26), largely reflecting a higher-than-projected rate of indexation

- payments relating to National Partnership Payments – Natural Disaster Relief which are expected to increase by $3.2 billion over the 4 years to 2025–26 (including a decrease by $897.5 million in 2022–23) reflecting revised timing of the projected payments to states

- payments related to Family Assistance, which are expected to increase by $2.7 billion over the 4 years to 2025–26 (including a decrease by $125.4 million in 2022–23), largely reflecting a higher-than-projected rate of indexation.

Major decreases in payments from parameter and other variations since PEFO include:

- payments to the states and territories for public hospitals, which are expected to decrease by $755.4 million in 2022–23 ($2.4 billion over the 4 years to 2025–26), largely reflecting a reduction in the volume of hospital services, forecast by the states and territories. This funding formula has been in place since 1 July 2014. The Government is also providing additional funding for hospital services in 2022–23 through the National Partnership on COVID-19 Response

- payments relating to the Support for Markets and Business program, which are expected to decrease by $87.2 million in 2022–23 ($464.3 million over the 4 years to 2025–26), reflecting lower-than-projected demand for the Small and Medium Enterprise (SME) Recovery Loan Scheme, and updated data on actual loan balances

- payments relating to Aged Care Services, which are expected to decrease by $653.8 million in 2022–23 ($421.1 million over the 4 years to 2025–26), largely reflecting lower-than-projected occupancy for residential aged care in line with consumer demand and the shift to in-home care.

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*.

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, student loans and equity investment in NBN Co reduce the headline cash balance but not the underlying cash balance. Table 3.5 provides further details of differences between the underlying and headline cash balance estimates. A headline cash deficit of $49.6 billion is estimated in 2022–23, compared to a deficit of $90.8 billion in 2022–23 estimated at PEFO.

Table 3.5 Reconciliation of general government sector underlying and headline cash balance estimates

	Actual	Estimates				
	2021-22	2022-23	2023-24	2024-25	2025-26	Total(a)
	$m	$m	$m	$m	$m	$m
2022-23 October Budget underlying cash balance	**-31,962**	**-36,851**	**-44,048**	**-51,347**	**-49,561**	**-181,807**
***plus* Net cash flows from investments in financial assets for policy purposes(b)**						
Student loans	-3,397	-3,810	-4,552	-5,012	-5,208	-18,582
NBN loan(c)	6,825	875	5,500	0	0	6,375
NBN investment	0	-328	-748	-1,016	-308	-2,400
Trade support loans	-119	-153	-183	-175	-148	-659
CEFC loans and investments	-951	-715	-570	-1,543	-2,924	-5,752
Northern Australia Infrastructure Facility	-455	-743	-1,016	-1,074	-961	-3,794
Australian Business Securitisation Fund	-9	-389	-250	-251	-251	-1,141
Structured Finance Support Fund	1,062	265	280	85	65	695
Drought and rural assistance loans	-1,398	-341	-194	-179	-136	-850
Official Development Assistance - Multilateral Replenishment	-127	-128	-132	-139	-193	-592
National Housing Finance and Investment Corporation	41	-2	-242	-455	301	-398
COVID-19 Support for Indonesia — loan	100	100	100	100	100	400
Financial Assistance to Papua New Guinea — loan	-614	72	72	72	72	288
Net other(d)	-2,298	-7,423	-4,744	-4,112	-4,476	-20,755
Total net cash flows from investments in financial assets for policy purposes	**-1,340**	**-12,720**	**-6,679**	**-13,699**	**-14,066**	**-47,165**
2022-23 October Budget headline cash balance	**-33,302**	**-49,572**	**-50,727**	**-65,046**	**-63,627**	**-228,972**

a) Total is equal to the sum of amounts from 2022–23 to 2025–26.
b) A positive number denotes a cash inflow, a negative number denotes a cash outflow.
c) This financial profile represents the actual repayments for 2021–22 and 2022–23. As 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.
d) Net other includes amounts that 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 higher yields.

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** includes all classes of financial assets and all liabilities, only some of which are included in net debt. Both the assets of the Future Fund and the public sector superannuation liability that the Future Fund seeks to 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*.

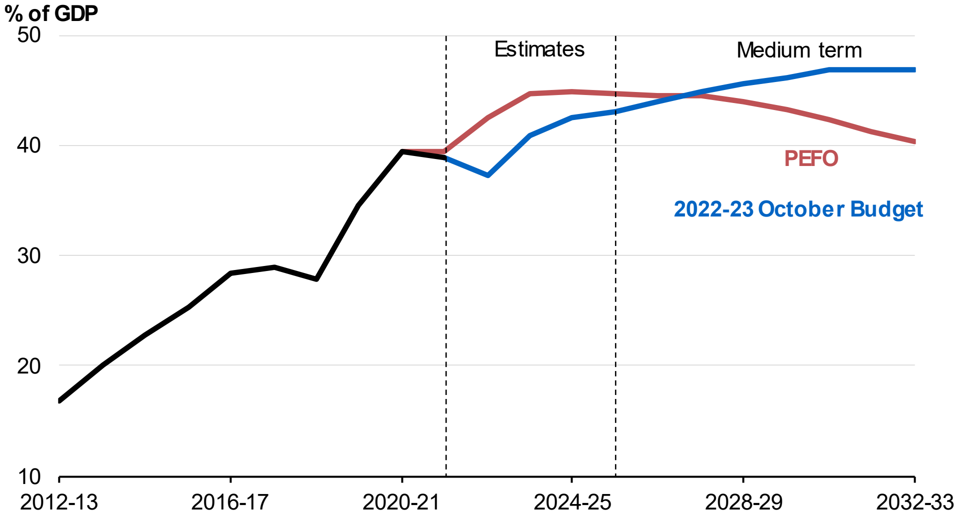
Gross debt estimates and projections

Gross debt is estimated to be 37.3 per cent of GDP ($927.0 billion) at 30 June 2023, lower than the estimate of 42.5 per cent of GDP ($977.0 billion) at PEFO. This primarily reflects improvements in the underlying cash balance. Gross debt remains lower than at PEFO across each year of the forward estimates.

While gross debt is estimated to be $52.0 billion lower by the end of 2023–24 it is still expected to exceed $1.0 trillion in that year, in the same year as PEFO.

Gross debt is projected to stabilise at 46.9 per cent of GDP in the last 3 years of the medium term (Chart 3.14). By the end of the medium term, gross debt is 6.7 percentage points higher than at PEFO. The increase in gross debt can be explained by the lower productivity growth assumption, the increase in yields since PEFO, and increased spending pressures including borrowing to finance the Government's balance sheet commitments (Box 3.5).

Chart 3.14: Gross debt



Source: Australian Office of Financial Management, Treasury.

Statement 8: *Forecast Performance and Sensitivity Analysis* contains information on the impact on gross debt if the future trajectory for yields is higher or lower than projected.

Box 3.5: Investing in a more resilient economy

The Government is financing additional investment to build a stronger and more resilient economy. This includes utilising investment vehicles to provide additional loans, guarantees and equity injections, which will increase the assets on the Government's balance sheet. This helps deliver policy objectives by attracting additional private investment for projects that deliver public value, while also delivering returns to taxpayers. Government support can include reducing risk for investors in early-stage technology, providing 'patient' long-term capital and providing capital on concessional terms.

The Clean Energy Finance Corporation (CEFC) is an example of the benefits of government financed investment vehicles. The CEFC works with businesses, investors and entrepreneurs to attract capital to support transition to net zero emissions, while generating financial returns for taxpayers. For example, the Clean Energy Innovation Fund stream of the CEFC has supported innovative clean and renewable technology start-up businesses that have passed beyond the research and development stage and require capital to progress to commercialisation. Over its lifetime, for every dollar the Innovation Fund invests an additional $2.6 of private sector capital has been unlocked through co-investment.

The Government is investing through:

- **National Reconstruction Fund:** to drive regional development, support employment growth and broaden and diversify Australia's economy.
- **Rewiring the Nation:** to finance the modernisation of the electricity grid, improving reliability and driving prices down.
- **Pacific Climate Infrastructure Financing Partnership:** to support climate-related infrastructure and energy projects in Pacific countries and Timor-Leste.

Government balance sheet investment is increasingly common in advanced economies. The United Kingdom, New Zealand and Canada have all established green financing entities using their balance sheets. Similar to the CEFC, New Zealand and Canada are establishing 'green banks' and the United Kingdom has introduced a clean energy investment stream through its Infrastructure Bank.

Managing and accounting for balance sheet investments

Projections for assets on the Government's balance sheet are included in Table 10.2 of *Statement 10: Australian Government Budget Financial Statements*. Details of major financial assets, including investment funds and the CEFC are included in *Appendix B to Statement 10*. The Government is committed to improving transparency provided around the use of the balance sheet.

continued on next page

Box 3.5: Investing in a more resilient economy (continued)

Cashflows from the acquisition of financial assets, like equity or loans receivable, do not impact on the underlying cash balance (UCB) provided the Government is expected to recover its investments. The acquisition of financial assets for policy purposes does reduce the headline cash balance (HCB) and requires additional debt issuance (assuming no available cash reserves), increasing gross debt. A disaggregation of the impact of cash flows from investments in financial assets on HCB is in Table 3.5.

Establishing investments expected to earn a market rate of return does not initially change net financial worth (as an increase in gross debt is offset by an equal increase in financial assets). The impact on net debt depends on the nature of the asset acquired. Debt-like financial assets[4] are included as assets in net debt, offsetting debt issuance. For example, a (non-concessional) loan does not increase net debt as it is considered a debt-like asset, whereas equity investments do increase net debt.

Where the value of the asset acquired is less than the amount borrowed (as for example with concessional loans) net financial worth is reduced. There is no immediate UCB impact from the acquisition. UCB worsens over time if interest payments on debt exceed investment returns. Assets and liabilities are also subject to revaluations each reporting period. The impact of revaluations on net financial worth are included in the operating statement in Table 10.1 under other economic flows.

Government can also guarantee to honour other debts, to encourage investment. Guarantees do not change the UCB or HCB when established. Contractual guarantees are measured as liabilities at their fair value. Where a guarantee is created through legislation, if quantifiable, and likely to be called this liability is measured on the balance sheet, based on the amount guaranteed and the likelihood of the guarantee being invoked. This reduces net financial worth. Legislative guarantees may also be recognised as contingent liabilities. If the guarantee is invoked for payout, this reduces the UCB, HCB and net financial worth (if payment exceeds liability recognised). Details of contingent liabilities are outlined in *Statement 9: Statement of Risks*.

Risk management is critical to balance sheet investment. Debt financed asset accumulation improves the budget when returns exceed borrowing costs, but also increases the Government’s risk exposure. Some risks are specific to the investment (such as borrower specific risks of defaults or delivering poor value for money by competing with the private sector for investment opportunities). Others are economy wide (such as changes in interest rates, economic activity, and business profitability). Government has a comprehensive system of financial management and governance under the *Public Governance and Performance Accountability Act 2013*, and is committed to effective, efficient and transparent management of Commonwealth assets.

4 Balance sheet assets that are considered debt-like are cash and deposits, advances paid, and investments loans and placements.

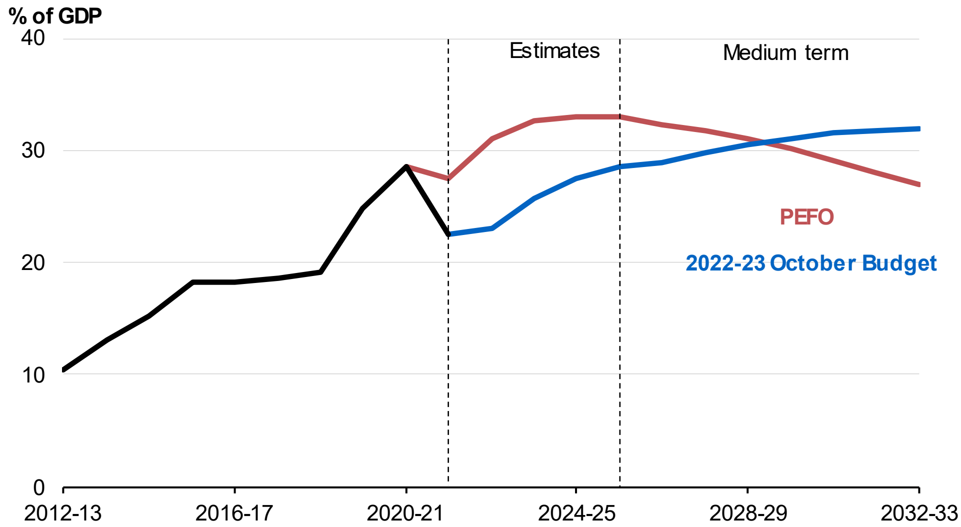
Net debt estimates and projections

Net debt is estimated to be 23.0 per cent of GDP ($572.2 billion) at 30 June 2023 (Table 3.6), lower than the estimate of 31.1 per cent of GDP ($714.9 billion) at PEFO. The improvement since PEFO primarily reflects the Government's decreased borrowing requirement resulting from the expected improvement in the underlying cash balance and a decrease in the market value of existing debt due to higher yields.

Net debt is based on the market value of debt-like assets and liabilities. Therefore, the value of net debt falls as yields increase, as the fixed income stream from existing bonds becomes relatively less attractive to investors. This has supported a large near-term improvement in net debt.

Net debt remains lower than estimated at PEFO across each year of the forward estimates. It is expected to worsen over time in line with an increase in the borrowing requirement, the unwinding of market valuation effects and new debt being issued at higher yields. Net debt is projected to be 31.9 per cent of GDP by 30 June 2033 (Chart 3.15).

Chart 3.15: Net debt



Source: Treasury.

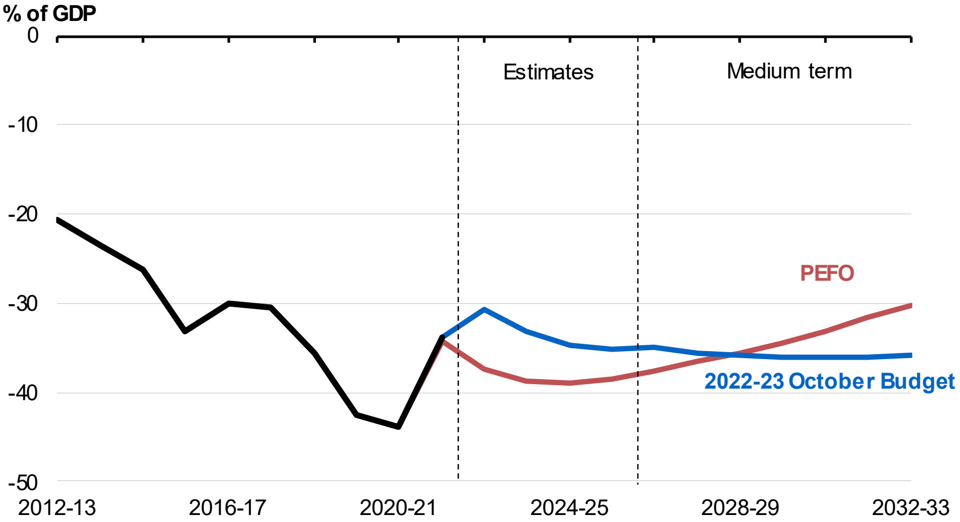
Further information on gross debt and net debt estimates across the forward estimates is provided in *Statement 7: Debt Statement*.

Net financial worth and net worth estimates and projections

Net financial worth is estimated to be -30.7 per cent of GDP (-$761.1 billion) at 30 June 2023 (Table 3.6), compared with the estimate of -37.4 per cent of GDP (-$859.3 billion) at PEFO.

Net financial worth is projected to deteriorate over time to be -35.9 per cent of GDP at 30 June 2033 (Chart 3.16). At PEFO, net financial worth was projected to be -30.2 per cent of GDP at 30 June 2033.

Chart 3.16: Net financial worth



Source: Treasury.

Net worth is estimated to be –22.4 per cent of GDP (-$555.7 billion) at 30 June 2023 (Table 3.6), compared with the estimate of –28.6 per cent of GDP (-$657.5 billion) at PEFO. Net worth is projected to broadly deteriorate to -27.1 per cent of GDP by 30 June 2033.

The improvement in net worth and net financial worth over the forward estimates primarily reflect the same drivers as the improvement in net debt, partially offset by a higher unfunded superannuation liability and a reduction in the value of Future Fund shares and the Commonwealth's investment in the Reserve Bank of Australia.

Table 3.6: Australian Government general government sector balance sheet aggregates

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$b	$b	$b	$b	$b
Financial assets	**569.7**	**560.5**	**598.3**	**635.1**	**655.5**
Per cent of GDP	24.8	22.6	24.3	24.8	24.4
Non-financial assets	**194.0**	**205.5**	**216.4**	**226.6**	**235.7**
Per cent of GDP	8.4	8.3	8.8	8.8	8.8
Total assets	**763.6**	**766.0**	**814.7**	**861.7**	**891.2**
Per cent of GDP	33.3	30.9	33.1	33.6	33.1
Total liabilities	**1,345.4**	**1,321.6**	**1,415.3**	**1,523.4**	**1,602.1**
Per cent of GDP	58.6	53.2	57.5	59.4	59.5
Net worth	**-581.8**	**-555.7**	**-600.6**	**-661.7**	**-710.9**
Per cent of GDP	-25.3	-22.4	-24.4	-25.8	-26.4
Net financial worth(a)	**-775.7**	**-761.1**	**-817.0**	**-888.3**	**-946.6**
Per cent of GDP	-33.8	-30.7	-33.2	-34.6	-35.2
Gross debt(b)	**895.3**	**927.0**	**1,004.0**	**1,091.0**	**1,159.0**
Per cent of GDP	39.0	37.3	40.8	42.5	43.1
Net debt(c)	**515.6**	**572.2**	**634.1**	**702.8**	**766.8**
Per cent of GDP	22.5	23.0	25.8	27.4	28.5
Total interest payments	**17.4**	**18.9**	**22.4**	**25.4**	**32.6**
Per cent of GDP	0.8	0.8	0.9	1.0	1.2
Net interest payments(d)	**15.0**	**13.6**	**16.6**	**19.4**	**26.5**
Per cent of GDP	0.7	0.5	0.7	0.8	1.0

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.

Fiscal impacts of climate change

Climate change presents significant risks and opportunities for Australia's economy, its 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 physical impacts of climate change, such as higher average temperatures and more extreme weather events, reduce economic activity by lowering productivity, damaging physical capital, and disrupting certain regions and industries. These impacts erode the current tax base and put upward pressure on expenditure. The transition to net zero emissions is also changing demand for certain goods and services, including commodities. New industries are emerging, creating new jobs, which will impact the structure of our economy and, in turn, our tax base.

Australia is well-placed to adapt and build resilience to the impacts of climate change and meet our emission reduction targets. Reducing emissions and adapting to the physical impacts of climate change is a shared responsibility across all levels of community, business, and government. The Government's climate policies will ensure that Australia is well-placed to benefit from these new opportunities.

The Government is committed to improving climate transparency. This Budget reflects the first steps in efforts to improve Government climate transparency by introducing analysis of the fiscal risks, outlining spending associated with climate change, and incorporating climate indicators into *Statement 4: Measuring What Matters*. Future budgets and Intergenerational Reports will continue to build on this. This will complement the new Annual Climate Change Statements to Parliament and broader efforts to enhance transparency including through restoring reporting of public sector emissions and introducing mandatory climate reporting standards for large businesses and financial institutions.

The Government is also improving decision-making processes for policy development to ensure that climate considerations are incorporated from the outset. Investments in the Australian Public Service will equip it with the skills and tools to better integrate climate thinking into policies and operational decisions. Rebuilding Treasury's climate modelling capability, in particular, will guide economic policy decisions and ensure these enable an efficient approach to reaching net zero.

Fiscal risks associated with climate change

Climate change can impact government budgets through a number of avenues. These include the physical impacts of climate change, the impacts of policy responses to reduce emissions or adapt to climate impacts, and the resulting changes to Australia's industry mix. Each of these has the potential to affect receipts, payments, and the Government's balance sheet. They also have the potential to influence general economic outcomes which may in turn impact the Budget.

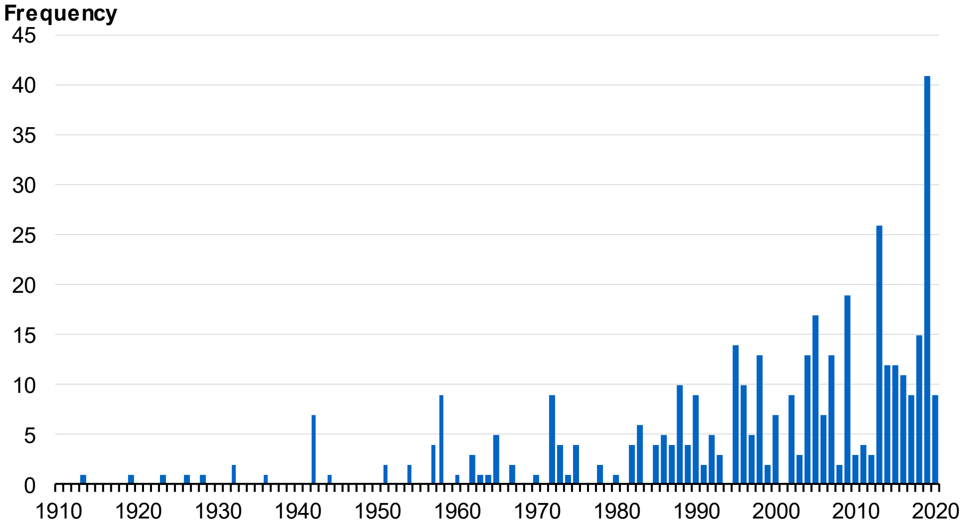
There are fiscal risks associated with the direct physical impacts of climate change, such as the fiscal impact of responding to extreme weather events, which are likely to increase in severity and frequency. The fiscal risks associated with transitioning to a less emissions-intensive economy arise from uncertainty regarding changes in technology, preferences and global policy and their subsequent effects on the economy, and government revenue and expenditure.

Physical impacts of climate change

Australia will be subject to a range of physical impacts stemming from climate change, which will affect different regions in different ways. Although there are significant global efforts to reduce emissions, the world will continue to warm this century in response to greenhouse gases that are already in the atmosphere. Commitments by Australia and other countries to reduce greenhouse gas emissions will contribute to reducing the likelihood and magnitude of climate-related impacts. However, Australia will need to adapt to the physical impacts of climate change associated with historical, present and future emissions.

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 hotter (Chart 3.17), extreme rainfall events will become more intense, sea levels will rise, oceans will become more acidic, and snow depths will decline. These effects are not uniform across Australia. Rainfall across many regions of the south and east is projected to decline during the cooler months of the year, likely leading to more time spent in drought. Australia may see slightly fewer tropical cyclones in the future, but a greater proportion of those will be higher in intensity, with ongoing large variations from year to year. Sea level rise will lead to more frequent and severe coastal inundation from storm surges.

Chart 3.17: Number of days each year that Australian mean temperatures were in the warmest 1 per cent of days for each month, calculated for the period 1910 to 2020



Source: Bureau of Meteorology.

Higher average temperatures and an increasing number of very hot days could reduce the number of working days in some industries and increase the cost of business-as-usual work in others. It could also lead to a decrease in the productivity of land and labour and increase the rate of capital depreciation. This would result in a decrease in economic activity, reducing government revenue. The IMF estimate that if global temperatures increase by 3.4°C by 2100 (above 2014 temperatures), global GDP will be 7 per cent lower compared to a baseline scenario in which temperatures rise by 1.6°C (based on extrapolating historical global temperature between 1960 and 2014).[5]

Extreme weather events include heatwaves, floods, heavy rainfalls, storms and drought. On impact, these events have the potential to cause severe damage to affected regions and disrupt economic activity. This will impact expenditure as the Government works with states and territories to repair and replace damaged infrastructure or provide disaster relief. The economic impacts of the floods throughout 2022, outlined in Box 3.6, provides a recent example of fiscal risks from extreme weather materialising. The Royal Commission into National Natural Disaster Arrangements found that Australia can expect more concurrent and consecutive natural disasters. As these events become more frequent, the direct economic costs will impact Australia's fiscal position by putting downward pressure on tax revenue and upward pressure on expenditure.

5 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 .

Box 3.6 The cost of the 2022 floods

Throughout 2022 there has been severe flooding in many parts of Australia. The floods in February, March and July 2022 affected many parts of south-eastern Queensland and New South Wales. Intense rainfall during September and the first half of October has again led to flooding in these regions, along with large areas of Victoria and Tasmania. Many individuals and communities impacted by the floods faced temporary displacement, and property and vehicle losses, leading to a long road to recovery.

Preliminary estimates indicate the October floods will lead to a detraction of around a ¼ of a percentage point from GDP growth in the December quarter of 2022. The floods are also expected to add 0.1 percentage points to inflation in the December quarter 2022 and again in the March quarter 2023, mainly due to higher fruit and vegetable prices and supply chain disruptions. Further analysis of recent floods affecting south-eastern Australia is outlined in *Statement 2: Economic Outlook*, Box 2.3.

The impacts of natural disasters go beyond the direct effects on economic activity. There are also direct and indirect fiscal impacts. The Commonwealth provides direct support to states and territories following natural disasters. Additionally, the reduction in economic activity decreases government revenue, but this is likely at least partly offset by higher levels of activity and revenue during the recovery phase.

Health, social and community impacts also need to be taken into account. This includes the adverse impact natural disasters can have on mental health, education disruption and local ecosystems. A 2022 report by Deloitte Access Economics estimated that the South East Queensland floods between February and April cost $7.7 billion, taking into account both direct financial and economic costs and the net present value of lifelong health and social costs.[6]

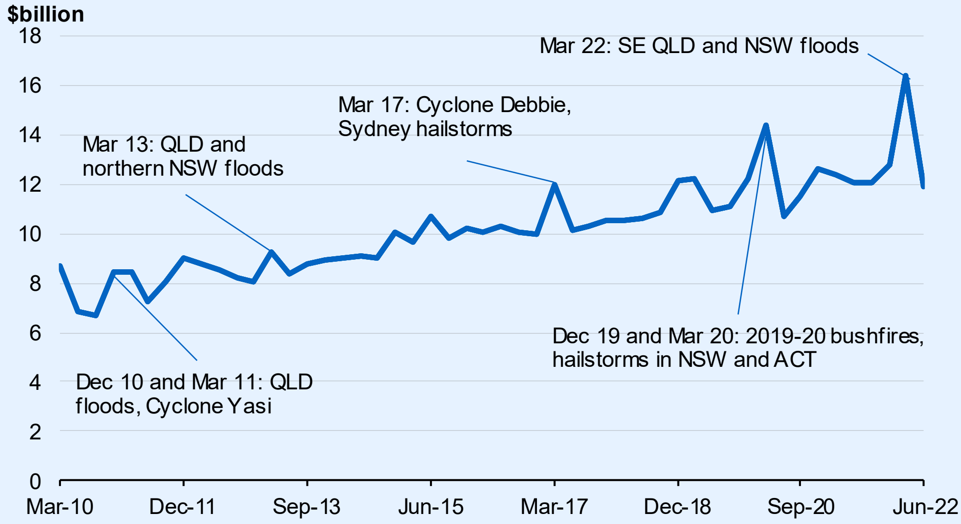
continued on next page

6 Deloitte (June 2022) 'The social, financial and economic costs of the 2022 South East Queensland Rainfall and Flooding Event'

Box 3.6 The cost of the 2022 floods (continued)

The economic impacts of natural disasters are often localised and devastating for the affected communities and regions. As instances of these events become more frequent, they are also likely to have compounding effects. Australia, over the last 3 years, has experienced drought, heatwaves, bushfires, severe storms, floods and a pandemic. Consequently, many regions have been affected by multiple events over this period. Concurrent and consecutive natural disasters increase the pressure on affected and vulnerable communities and are expected to increase in cost over time.

Chart 3.18: Non-life insurance claims over time



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

Opportunities through economic transformation

The resilience and adaptability of the Australian economy positions Australia well to manage the transition to net zero emissions.

Some businesses could experience significant changes in the demand for their goods or services. For example, the electrification of vehicles will boost demand for some Australian commodities, like lithium. However, emissions-intensive commodities, like coal, are expected to see a reduction in export volumes over time as global demand declines.

Decarbonisation of the global economy also presents opportunities for economic growth and transformation. For example, there is significant potential to expand onshore and offshore wind and solar electricity generation in Australia. This could help underpin a comparative advantage in low emissions, energy-intensive manufacturing such as the production of green hydrogen or green iron.

The world's net zero transition will also affect the international competitiveness of some industries through changes in demand and costs of production. Expected changes in technology, demand and policy needs to be factored into businesses investment plans early to facilitate an efficient transition. Delayed action would increase the cost of transitioning and could reduce the competitiveness of some of Australia's industries.

Improving how the private sector identifies, discloses, and manages climate-related risks and opportunities is crucial to encourage action to reduce emissions and facilitate private capital flows to support the transition. The Government is committed to introducing standardised, internationally-aligned requirements for large businesses and financial institutions to make clear, credible and globally comparable disclosures of their climate-related risks, and opportunities and plans.

The physical impacts of climate change will also drive economic transition as Australians adapt the ways they live and work. For example, higher temperatures may prompt businesses to adjust hours of work to take advantage of the coolest times of day.

The impacts of this transition on the Government's fiscal position are complex. Investments in the net zero transition will impact government expenditure and its balance sheet position. Changing patterns of demand domestically and globally will affect Australia's industry mix and therefore tax base. The extent to which we can capture the opportunities arising from the global transition to net zero and implement efficient and low-cost emissions reductions policies will impact the pace of economic growth. The Government is supporting Australian industries and regions to capture these new industrial opportunities.

The pathway forward

Mitigation and transition policies must reduce the harmful consequences of climate change while reducing budget pressures over time. The Government has made a commitment to reduce emissions by 43 per cent below 2005 levels by 2030 and reach net zero emissions by 2050 to ensure the harmful impacts of climate change are reduced. Investments in cleaner technology are pivotal to limiting temperature increases and the associated costs. The Government is undertaking the National Climate Risk Assessment in consultation with stakeholders and experts, which will inform climate adaptation priorities.

The Government is building the modelling and analytical capability required to understand the risks associated with climate impacts, which will enable informed estimates of the benefits and costs of different transition paths. Further, improving climate risk management and disclosure across Government will enable better fiscal management and outcomes. Assessments of fiscal risks associated with climate change will be undertaken in future budgets and within the 2023 Intergenerational Report.

Many jurisdictions and sectors are beginning to quantify these risks, both domestically and overseas. The Australian Prudential Regulation Authority is working with Australia's largest five banks to provide insights into the potential financial exposure of institutions, the financial system and economy to the physical and transition risks of climate change. The Reserve Bank of Australia has produced complementary work on these risks to banks. Further, an increasing number of Australian companies are adopting the Financial Stability

Board's Taskforce on Climate-related Financial Disclosures recommendations on climate risk reporting.

Internationally, the Office for Budget Responsibility in the United Kingdom estimates the impact of climate change on the long-term sustainability of their public finances in their *Fiscal risks and sustainability* report. In the United States, the Congressional Budget Office's *Budgetary Effects of Climate Change and of Potential Legislative Responses to It* outlines the primary channels by which climate change and policies to mitigate it affect the federal budget. Finally, the New Zealand Government has completed a climate change risk assessment and identified where it needs to prioritise action.

Climate spending

This Budget introduces transparency around climate-related spending. This presents a first step to delivering greater transparency around how the Government is committing funds to climate action.

Summarising climate spending measures improves budget transparency but should not be mistaken for a holistic assessment of climate action. This summary does not include ongoing expenditure that was initiated in previous years, or new non-financial measures. It also doesn't capture measures that reduce emissions but have a different primary objective. It does not consider the flow on impacts of the investments being made, or whether the measures will be sufficient to reach emission reduction and economic transition goals.

The Government will build on this approach to present a more complete picture of climate-related expenditure going forward, by including ongoing measures in addition to new commitments. This will enable more systematic identification of climate-related expenditure and consistent categorisation.

Box 3.7: Key definitions and cameo example to highlight the spectrum of spending that could be considered climate-related

Climate action is used as the broadest term to describe anything the Government does to address climate change. In this Budget, climate action has been disaggregated into 4 sub-categories for spending that is contributing towards:

- Supporting the net zero transformation, by reducing emissions and investing in the opportunities presented by a low-carbon economy.
- Adapting to climate impacts and building climate 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 included as contributing to climate action. However, many policies may contribute to multiple climate or non-climate objectives. Additionally, some policies may contribute indirectly to climate objectives, these have not been included in the current approach as climate-related spending.

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 benefit is excluded.

Selected climate spending measures

Table 3.7 sets out the Government's total commitment to climate action in this Budget to 30 June 2030. This includes measures that will reduce emissions and support Australia's transformation to a net-zero economy, adapt to the physical impacts of climate change, work with our international partners in addressing climate change and build the Australian Government's climate capabilities.

This summary of key measures in this Budget does not include existing funding provided through climate-related entities such as the Clean Energy Finance Corporation, Australian Renewable Energy Agency, and Clean Energy Regulator to support the development of clean energy technologies and manufacturing capabilities, which will support the decarbonisation of Australian energy and industry. Portfolio Budget Statements include financial statements for these entities.

Additionally, the aggregate spending figure does not count existing Official Development Assistance or standing natural disaster response funding streams, such as Disaster Recovery Payments, which cannot be directly tied to measures in this Budget. The aggregate figure also excludes revenue measures, such as the Electric Car Discount.

The total commitment outlines new spending and balance sheet measures and therefore presents a broader view than the impact on the underlying cash balance.

Table 3.7: Value of key climate-related spending measures over 2022–23 to 2029–30

Climate-related spending	Committed Funding
	$m
Total[(a)]	24,917.4
Supporting the transformation to net zero	**23,478.7**
Payments	
Powering Australia – Establishing the Powering the Regions Fund	1,900
Powering Australia – Driving the Nation Fund – establishment	275.4
Powering Australia – Community Batteries for Household Solar	224.3
Support for Energy Security and Reliability[(b)]	137.1
Carbon Capture Technologies for Net Zero and Negative Emissions – establishment	134.7
Building a Better Future through considered Infrastructure Investment - Electric Bus Charging Infrastructure in Perth	125.0
Powering Australia – Solar Banks	102.2
New Energy Apprenticeships	94.8
Powering Australia – Rewiring the Nation[(b)]	90.5
First Nations Community Microgrids Program	83.8
Townsville Hydrogen Hub	71.9
Supporting Australian Industry (selected)[(c)]	65.6
Energy Efficiency Grants for Small and Medium Sized Enterprises	62.6
Powering Australia – Commonwealth Fleet Leases[(b)]	39.9
Carbon Farming Outreach Program	20.3
Support for the Australian Energy Regulator to Implement Regulatory Changes – Energy Ministers Post 2025 Reforms[(b)]	16.1
Powering Australia – Driving the Nation Fund – establishment – On-road emissions and fuel consumption testing	14.0
New Energy Skills Program	9.6
Powering Australia – Development of Australia’s Seaweed Farming	8.1
Enabling a Low Emissions Future and Supporting Green Markets	2.2
Establishing Offshore Renewables in Australia	0.5
Balance sheet investments	
Powering Australia – Rewiring the Nation	20,000.0
Adapting to climate change and improving climate resilience	**948.3**
Payments	
Disaster Ready Fund	630.4
Reef 2050 Long-term Sustainability Plan – implementation	96.9
Shovel Ready Catchment and Reef Restoration Projects	91.8
Murray-Darling Basin – compliance and science	51.9
Plan for Disaster Readiness – rising insurance premiums	25.3
Improving Drought Readiness, Resilience and Preparedness	20.8
Engaging with First Nations Peoples on Climate Change	15.9
Coastal Marine Ecosystems Research Centre (Central Queensland University)	15.3

Table 3.7: Value of key climate-related spending measures over 2022–23 to 2029–30 (continued)

Climate-related spending	Committed Funding $m
Re-establishing our international climate leadership	**295.8**
Payments	
Additional Official Development Assistance – Indonesia climate and infrastructure partnership	200.0
Australian Infrastructure Financing Facility for the Pacific – expansion – Pacific Climate Infrastructure Financing Partnership	50.0
Australia's International Climate Step-Up	45.8
Building Australian Government climate capability	**194.6**
Payments	
Restoring the Climate Change Authority and Delivering Annual Climate Change Statements to Parliament(b)	101.5
Restoring Treasury's Capability on Climate Risks and Opportunities – modelling and reporting standards(b)	63.6
Commonwealth Climate Risk and Opportunity Management Program	9.3
An Ambitious and Enduring APS Reform Plan – APS Net Zero	7.1
Prime Minister and Cabinet – additional resourcing – National Framework for Economic Transformation	6.9
Establishing a National Health Sustainability and Climate Unit to Inform the National Health Response to Climate Change	6.2
Total(a)(d)	**24,917.4**

a) This table summarises the Government's key climate-related spending commitments in this Budget to 30 June 2030. Some measures extend beyond 30 June 2030 – the total spending commitment covering the entire duration of these measures is set out in Budget Paper No. 2, Budget Measures 2022–23.

b) In this table, the spending commitment for this measure includes both initial and ongoing funding to 30 June 2030. Due to the inclusion of ongoing funding to 30 June 2030, the spending commitment presented in this table may differ from the total spending commitment set out in Budget Paper No. 2, Budget Measures 2022–23.

c) This includes components for supporting the low emissions transition of the Nyrstar Hobart zinc smelter, Ingham's Carbon Zero Certified Business Model, and feasibility studies for the creation of Whaleback Energy Park and upgrades at the Norske Skog Boyer mill.

d) Measures may not add due to rounding.

Appendix A: Other fiscal aggregates

Accrual aggregates

Accrual accounting records income when it is earned, and records costs when they are incurred. Differences between accrual and cash estimates can in large part reflect timing differences between when activity occurs and when the associated payment is made.

Net operating balance estimates

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

The net operating balance is expected to be a deficit of $25.9 billion (1.0 per cent of GDP) in 2022–23 (Table 3.8), compared to an expected deficit of $67.2 billion in PEFO. The net operating balance has improved by $38.4 billion over the 4 years to 2025–26 since PEFO.

Fiscal balance

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

The fiscal balance is expected to be a deficit of $38.7 billion (1.6 per cent of GDP) in 2022–23 (Table 3.8), compared to an expected deficit of $78.6 billion in PEFO. The fiscal balance has improved by $32.4 billion over the 4 years to 2025–26 since PEFO.

Table 3.8: Australian Government general government sector accrual aggregates

	Actual	Estimates				
	2021-22	2022-23	2023-24	2024-25	2025-26	Total(a)
	$b	$b	$b	$b	$b	$b
Revenue	**596.4**	**625.0**	**633.4**	**649.1**	**691.0**	**2,598.6**
Per cent of GDP	26.0	25.2	25.7	25.3	25.7	
Expenses	**623.0**	**650.9**	**666.5**	**702.3**	**731.0**	**2,750.6**
Per cent of GDP	27.1	26.2	27.1	27.4	27.2	
Net operating balance	**-26.6**	**-25.9**	**-33.0**	**-53.2**	**-40.0**	**-152.0**
Per cent of GDP	-1.2	-1.0	-1.3	-2.1	-1.5	
Net capital investment	**8.4**	**12.8**	**11.9**	**9.0**	**9.9**	**43.6**
Per cent of GDP	0.4	0.5	0.5	0.4	0.4	
Fiscal balance	**-35.1**	**-38.7**	**-44.9**	**-62.1**	**-49.9**	**-195.6**
Per cent of GDP	-1.5	-1.6	-1.8	-2.4	-1.9	

a) Total is equal to the sum of amounts from 2022–23 to 2025–26.

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 PEFO. The drivers of movements in the fiscal balance estimates are largely the same as for the underlying cash balance.

Table 3.9: Reconciliation of fiscal balance estimates

	Estimates				
	2022-23	2023-24	2024-25	2025-26	Total
	$m	$m	$m	$m	$m
2022-23 March Budget fiscal balance	**-78,841**	**-58,754**	**-51,072**	**-39,779**	**-228,447**
Per cent of GDP	-3.4	-2.5	-2.1	-1.5	
Changes from 2022-23 March Budget to 2022 PEFO					
Effect of policy decisions(a)	-26	-66	-72	-46	-209
Effect of parameter and other variations	307	85	82	176	649
Total variations	**281**	**19**	**10**	**130**	**440**
2022 PEFO fiscal balance	**-78,560**	**-58,735**	**-51,062**	**-39,649**	**-228,007**
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)(b)					
Revenue	*1,766*	*3,156*	*4,364*	*6,065*	*15,351*
Expenses	*2,420*	*1,815*	*9,802*	*13,174*	*27,211*
Net capital investment	*121*	*213*	*268*	*380*	*982*
Total policy decisions impact on fiscal balance	-775	1,128	-5,706	-7,489	-12,842
Effect of parameter and other variations(b)					
Revenue	*61,403*	*34,642*	*23,040*	*29,707*	*148,791*
Expenses	*19,424*	*20,855*	*27,145*	*31,077*	*98,500*
Net capital investment	*1,329*	*1,089*	*1,265*	*1,386*	*5,069*
Total parameter and other variations impact on fiscal balance	40,649	12,698	-5,370	-2,756	45,222
2022-23 October Budget fiscal balance	**-38,686**	**-44,909**	**-62,138**	**-49,895**	**-195,627**
Per cent of GDP	-1.6	-1.8	-2.4	-1.9	

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 or and net capital investment worsens the fiscal balance.

Revenue estimates

Total revenue has been revised up by $63.2 billion in 2022–23 and by $164.1 billion over the 4 years to 2025–26 since PEFO. 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.

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.

Expense estimates

Total expenses have been revised up by $22.5 billion in 2022–23 and by $126.1 billion over 4 years to 2025–26 since the 2022–23 March Budget. The expenses estimates are the accrual accounting equivalent of the cash-based payments estimates.

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.

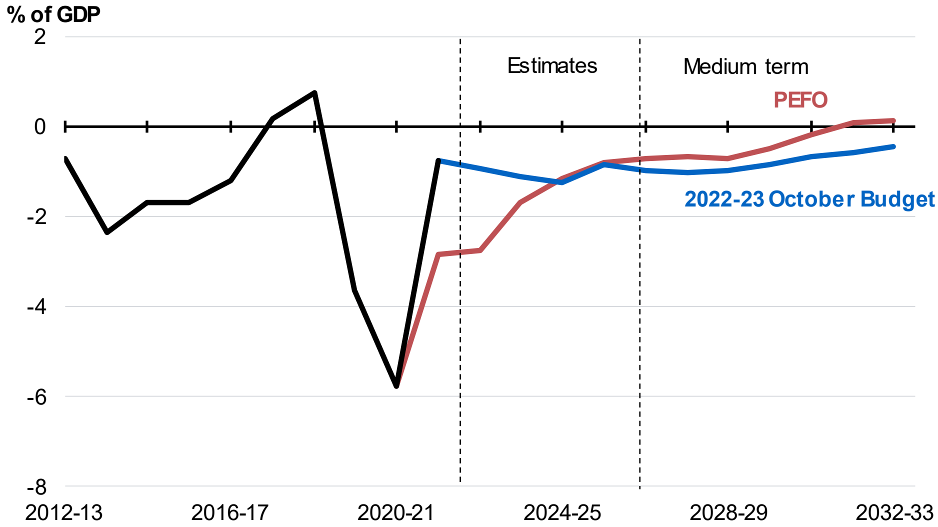
Detailed information on expenses can be found in *Statement 6: Expenses and Net Capital Investment.*

Primary balance estimates and projections

The primary cash balance adjusts the underlying cash balance to exclude interest payments and interest receipts that are largely outside of government control in the short term.

The primary balance is expected to be a deficit of 0.9 per cent of GDP ($23.2 billion) in 2022–23 and remain at a deficit of 0.9 per cent of GDP ($23.1 billion) in 2025–26. The primary balance is projected to further improve to a deficit of 0.4 per cent of GDP by the end of the medium term (Chart 3.19), 0.6 percentage points worse than PEFO. The relative smaller deterioration in the primary balance compared to the underlying cash balance reflects the significant impact increased debt servicing costs have had on the fiscal outlook.

Chart 3.19 Primary cash balance



Source: Treasury.

Structural budget balance estimates

The structural budget balance estimate adjusts the underlying cash balance to remove the effects of temporary factors. These factors include deviations in commodity prices and economic activity from their long-run levels. By removing these factors, the structural budget balance can provide broad insights into the sustainability of fiscal settings.

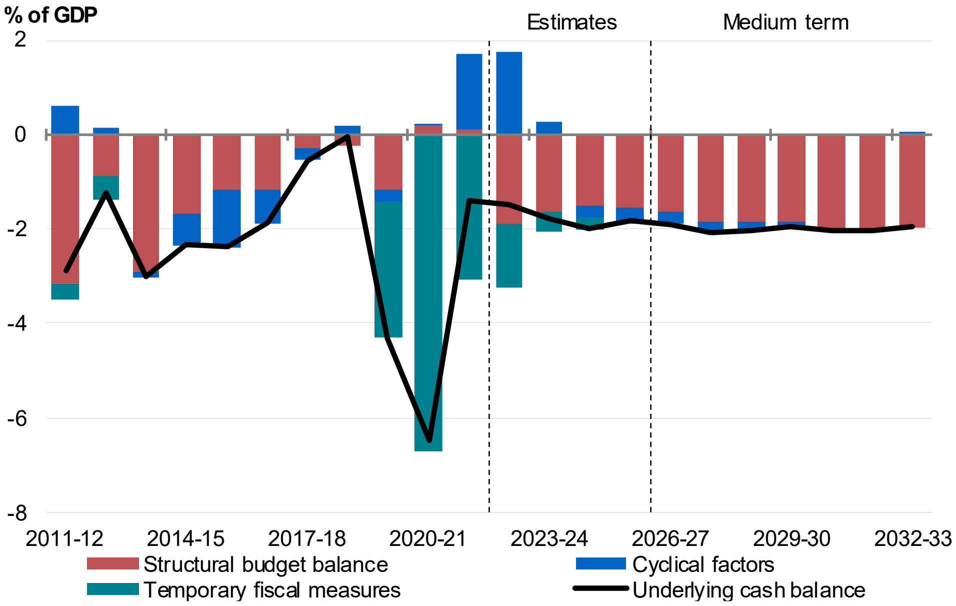
As it is estimated rather than observed, the structural budget balance is sensitive to the assumptions and parameters that underpin it. The pandemic and recent commodity price volatility has increased the uncertainty around the estimate.

Compared with the 2022–23 March Budget, the estimates imply improvements in the structural budget balance in the near term and over most of the forward estimates (Chart 3.20). Over the medium term, the structural deficit is projected to be larger and more persistent.[7] This is consistent with forecast revisions to the underlying cash balance, which reflect higher payments and the lower productivity growth assumption.

Cyclical factors are estimated to positively contribute to the underlying cash balance in the near term, due to elevated commodity prices. This will recede as commodity prices return to their assumed long-run levels and economic activity returns to its potential level.

7 Structural budget balance estimates were last updated in the 2022-23 March Budget.

Chart 3.20: Structural budget balance



Note: The structural budget balance chart separates out the budgetary impact of temporary measures from structural measures. This approach 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 implemented following the onset of the COVID-19 pandemic. Underspends in these direct economic and health support measures in the 2020–21 and 2021–22 Budget years 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
Measuring What Matters

Measuring what matters can provide an important foundation for Australia's efforts to lift living standards, boost intergenerational mobility and create more opportunities for more people.

Traditional macroeconomic indicators provide important insights, but not a complete or holistic view of the community's well-being. A broader range of social and environmental factors need to be considered to broaden the conversation about quality of life.

A number of countries have developed national or subnational frameworks to measure progress and well-being. While the specific indicators vary across frameworks, all of those reviewed here cover similar policy areas, like income and employment, personal and community safety, health, education, and the environment.

While Australia does not currently have an integrated approach to measuring what matters, it does publish a wide range of indicators through specialised reporting (such as Closing the Gap and the State of the Environment reports). An overarching framework could complement these processes by providing a fuller perspective and improving visibility of the progress made on agreed priorities.

The OECD Framework for Measuring Well-being and Progress provides an indication of where Australia stands. It shows the nation is making progress in some areas, like life expectancy and wealth, and highlights further room for improvement in others, like gender parity in politics, women's safety and household debt. The OECD Framework is designed to facilitate international comparisons, so some indicators would need to be adapted or expanded to properly account for the Australian context and align with our policy priorities.

This statement is the foundation of a conversation about how to measure what matters to Australians. It explores what we can learn from international progress and well-being reporting exercises and provides the beginnings of an Australian framework. The Treasury will continue to work and consult with a range of stakeholders to inform the development of a stand-alone Measuring What Matters Statement in 2023.[8]

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8 More on Australia's performance against the OECD Framework and next steps on Measuring What Matters is available here: www.treasury.gov.au/consultation/measuring-what-matters-2022

Statement contents

Measuring what matters

Measuring what matters is important for tracking and achieving progress. A coherent and comprehensive framework would help us better understand our economy and society and would support more informed policy making and improved accountability.

Traditional macroeconomic measures such as GDP play an important role but they only provide a partial view of a community's living standards. They do not incorporate social or environmental outcomes, or show whether certain groups are getting a fair share of national opportunities and prosperity.

Indicators that measure broader quality of life factors should be considered in addition to, not instead of, traditional macroeconomic measures. When policy processes consider these outcomes, they facilitate more holistic discussions of the type of economy and society Australians want to build together.

Broader measurement also allows society and governments to better evaluate the impact of decisions today on future outcomes. For example, education, healthcare, infrastructure and access to child care are key drivers of future labour force participation and productivity. Similarly, environmental stewardship today will impact living standards and the future health of tourism and agricultural industries, as well as trade partnerships.

Providing greater access to opportunities for more Australians also matters for long-term outcomes, including intergenerational equity. Advancing equality of opportunity is key to reducing disadvantage—especially among children—and improving people's ability to participate and contribute. This is good for individuals and the broader economy.[9]

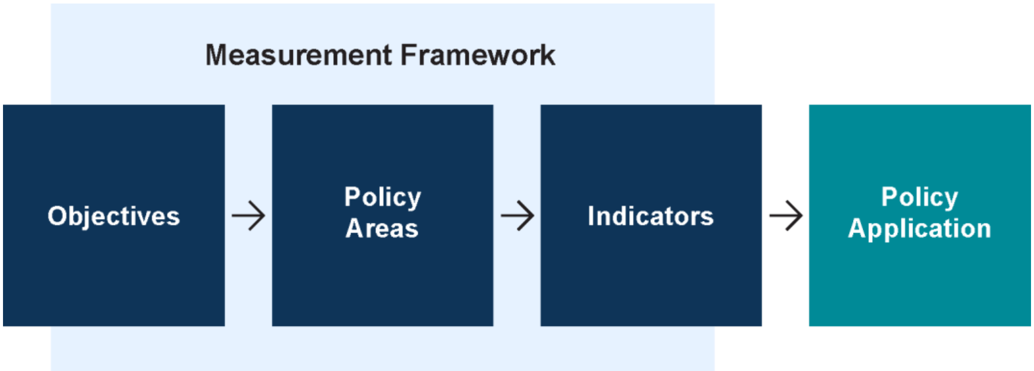
For all these reasons, the central challenge of progress reporting is bringing attention to the broader factors that underpin community well-being and longer-term economic prosperity, in a focused way.

9 The Heckman Curve shows age affects the return on education (Heckman 2022). Earlier investment in a child's development leads to higher lifetime earnings, tax revenue, quality of life and productivity, reducing health, welfare and corrective service costs.

Frameworks to measure what matters

Frameworks to measure progress require making choices about the objectives of policy areas, and the indicators to monitor them (see Figure 4.1).

Figure 4.1: Progress and Well-being Measurement Framework elements



Source: Treasury

The **objectives** of most progress frameworks relate to living standards, quality of life, opportunity and meaning. For example:

- 'Meeting human needs, some of which are essential (e.g. good health), and includes people's ability to pursue their goals, thrive and feel satisfied with life'[10]
- 'People are able to lead fulfilling lives with purpose, balance and meaning to them'[11]
- 'Well-being is a state of health or sufficiency in all aspects of life.'[12]

These objectives are intuitive, but can be difficult to measure directly. For this reason, progress and well-being objectives are usually examined by measuring progress in the **policy areas** that aim to achieve the desired outcomes. To be most useful, policy areas should be discrete and readily understood for the purposes of measurement. Examples include health, education and skills, employment, income and wealth, housing and the environment. Table 4.1 shows the high level of similarity in the policy areas covered by other countries' national frameworks.

10 OECD (2011), 'OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth'.
11 New Zealand Treasury (2019), 'The Well-being Budget'.
12 ABS (2001), 'Measuring Well-being, Frameworks for Australian Social Statistics'.

Table 4.1: Policy areas covered in national frameworks

	OECD Domains	New Zealand	Canada	United Kingdom	Germany	Iceland	Italy	Wales	Scotland
Current Well-being	Income and Wealth	■	■	■	■	■	■	■	■
	Social Connections	■	■	■	■	■	■	■	■
	Knowledge and Skills	■	■	■	■	■	■	■	■
	Environmental Quality	■	■	■	■	■	■	■	■
	Health	■	■	■	■	■	■	■	■
	Housing	■	■	■	■	■		■	■
	Civic Engagement	■	■	■	■	■	■	■	
	Safety	■	■	■	■	■	■	■	
	Work and Job Quality	■	■	■	■	■		■	■
	Work-Life Balance	■	■	■	■	■	■		
	Subjective Well-being	■	■	■			■		
Future Well-being	Natural capital	■	■	■	■	■	■	■	■
	Human capital	■	■	■	■	■	■	■	■
	Social capital	■	■	■	■	■	■	■	■
	Economic capital	■	■	■	■	■			

Note: Shaded areas are covered in national frameworks.
Source: National agencies; Centre for Policy Development (2022), 'Redefining Progress'

For each policy area, indicators are identified that can track and report on progress. Ideal indicators will be understandable and measurable, with timely and reliable data. They should also be comparable internationally and over time, and allow for disaggregation at a demographic or geographic level (Box 4.1).

Box 4.1 – What makes a good progress and well-being indicator?

According to the OECD and the internationally-accepted Civitas initiative, indicators should be:

- **Relevant:** indicators should be relevant to policy priorities.
- **Complete:** indicators should adequately cover all policy priorities.
- **Measurable:** indicators should have the potential for objective measurement.
- **Comparable:** indicators should be defined and measured consistently, to enable comparisons within a country and internationally.
- **Reliable:** preference should be given to indicators underpinned by objective and accurate data, which is not subject to different interpretations.
- **Understandable:** indicators should be unambiguous, easy to understand by decision-makers and key stakeholders, and be standardised where possible.

An effective framework will minimise the number of core indicators to support decision-making by avoiding unnecessary complexity.

Source: OECD (2011), 'Compendium of OECD Well-being indicators'; Civitas (2020), 'CIVITAS 2020 process and impact evaluation framework'

Progress frameworks overseas

Internationally, governments are placing greater emphasis on non-economic measures of progress and quality of life. Progress frameworks have been used by countries such as Scotland, Wales, Canada, New Zealand and Germany. These aim to raise the profile of non-economic outcomes and provide a picture of national progress and well-being (Table 4.2).

Most countries use their frameworks to communicate the importance of improving outcomes, and draw attention to the actions taken by government to achieve these outcomes. Some countries, like Canada and Germany, have used the process of developing a framework to promote a national conversation about progress goals, so have consulted on their frameworks over several years. A small number of countries, like New Zealand, have also incorporated frameworks into budget and policy-making processes (Box 4.2).

The frameworks all cover a relatively small number of core policy areas. However, the number of indicators used varies significantly – from 38 indicators in the UK's framework to 153 in Italy's. Most frameworks have more indicators than the 36 headline indicators included in the OECD Framework for Measuring Well-being and Progress, as multiple indicators are often used to capture important aspects of a single outcome, like distributional impacts.

Table 4.2: Selected international frameworks

Jurisdiction / Organisation	Year implemented	No. policy areas	No. indicators
Scotland (National Performance Framework)	2007	11	81
Italy (Measures of Equitable and Sustainable Well-being)	2010	12	153
United Kingdom (Measures of National Well-being)	2010	10	38
OECD (Measuring Well-being and Progress)	2011	15	82
New Zealand (Living Standards Framework)	2011	22	103
Wales (Well-being of Wales)	2015	7	46
Germany (Well-being in Germany)	2017	12	46
Canada (Quality of Life Framework)	2019	14	83
Iceland (Well-being in Iceland)	2019	13	39

Note: Policy areas are also called ‘domains’ in the well-being literature. While the OECD has 36 headline indicators, it also has a number of sub-indicators, bringing the total to 82.

Source: National agencies; Centre for Policy Development (2022), ‘Redefining Progress’

Box 4.2: Well-being Budgets – New Zealand and international developments

A few countries have integrated frameworks with decision-making processes such as Budgets (Table 4.2). For example, New Zealand’s ‘Living Standards Framework’ includes:

- Goals: transitioning to a climate resilient economy, improving health outcomes, improving outcomes for Māori people, reducing child poverty, lifting productivity and wages.
- Process: by law, all new policy proposals in the budget must state how they contribute to progress outcomes in the Framework.
- Reporting: annual budget describes how policy proposals contribute to progress outcomes with 3-yearly reviews evaluating the impact of policies on goals.

New Zealand is the only country that requires all new policy proposals to specify their contribution to well-being and be evaluated on this basis.

Source: New Zealand Treasury (2021), ‘Our Living Standard Framework’

The OECD Framework for Measuring Well-being and Progress

The OECD Framework for Measuring Well-being and Progress can be used to understand how Australia performs on key policy areas compared to other OECD countries.[13] This section considers how Australia compares to the average outcome across the OECD and whether Australia is improving over time on the indicators.

How Australia compares internationally

Overall, Australia is performing well against the OECD Framework, but there is room for improvement. Australia is at or better than the OECD average on 21 of the 32 headline indicators for which international comparison is possible. This is based on the most recent year for which data was available for Australia, and all other OECD countries. Australia's performance is also stable or improving for 17 of the 31 headline indicators for which outcomes can be compared over time.

Many of the outcomes where Australia's performance is at or above the OECD average and improving over time are more traditional indicators. These include household income, household wealth, employment rates and the capital base that supports the economy (defined by the OECD Framework as 'produced fixed assets'[14]). In addition, Australia performs strongly on life expectancy, time spent on social interactions and premature mortality.

For some areas where Australia performs above the OECD average, performance is declining over time. These include measures of life satisfaction, the amount of social support Australians feel they can rely upon, and test scores for secondary school students. Voter turnout is another example where Australia's rank is stable at number one in the OECD, but the indicator is falling over time (from 95 per cent in 2007 to 90 per cent today).[15]

Areas where Australia performs below the OECD average but is stable or improving over time include gender parity outcomes in politics, the number of people working long hours in paid employment and greenhouse gas emissions per capita.

For 5 indicators, Australia has experienced declines in performance and is below the OECD average. These include environmental indicators like species extinction and the level of raw materials used per Australian in everyday life (known as 'material footprint'). It also

13 OECD (2020), 'Better Life Initiative: Measuring Well-Being and Progress'.
14 Produced Fixed Assets are the value of a country's stock of produced economic assets (including buildings, machines, software, and inventories).
15 OECD (2021), 'How's Life? Well-Being'; AEC (2022), 'Voter turnout – previous events'.

includes the gender gap between men and women who feel safe walking home at night and levels of household debt.

Finally, there are 4 indicators where comparison with the OECD is not currently possible. Differences in data collection approaches mean that Australian measures of the gap in life expectancy by educational attainment, the level of trust in others, housing overcrowding rates and access to green space are not directly comparable to other countries based on the OECD's Framework.

Strong performance over time and relative to other countries does not mean better outcomes are not needed or that they are not achievable. Governments must make judgements about where further progress can and should be made. For many indicators, further context and consideration is necessary to determine whether Australia's performance is acceptable. An example is the gender pay gap.[16] The gender pay gap has been slowly narrowing over time, however it remains a significant barrier to women's economic equality. Another example is greenhouse gas emissions. While Australia's per capita greenhouse gas emissions have fallen over the past 2 decades, this measure provides no information on whether Australia has met its emissions reduction targets in the past, or is on track to meet future targets.

The nature of the data, including their quality, is important for interpreting performance. The timing of data collection, how it is collected, and at what level of detail, is essential to understand when measuring progress and well-being. Some of the key caveats in understanding the indicators are presented in Box 4.3. More detail on the indicators, their measurement, definition and specific caveats is presented online.[17]

16 Defined by the OECD as the difference between male and female median wages as a share of the male median wage for full-time employees.
17 More information is provided online at www.treasury.gov.au/consultation/measuring-what-matters-2022.

Figure 4.2: Australia's performance against OECD indicators

At/better than OECD average and stable/improving		Worse than OECD average but stable/ improving	At/better than OECD average, but declining	Worse than OECD average and declining
Household income	Produced fixed assets	Gender parity in politics	Financial net worth of general governments	Red list index of threatened species
Household wealth	Having a say in government*	Long hours in paid work	Voter turnout	Household debt
Employment rate	Homicides	Time off	Life satisfaction	Gender gap in feeling safe
Housing affordability	Premature mortality	Greenhouse gas emissions	Social support	Labour underutilisation
Life expectancy at birth	Exposure to outdoor air pollution	80/20 income share ratio	Student skills in science	Material footprint
Education attainment among young adults	Social interactions	Gender wage gap	Trust in government	
			Gender gap in hours worked	
			Students with low skills	
			Negative affect balance	

Note: Asterisks denote assessment based on OECD average only. Indicators without recent and consistent data from the OECD are not presented. This includes the following indicators: gap in life expectancy by education, trust in others, housing overcrowding rates and access to green space.
Source: OECD 2022, ABS Time Use Survey, ABS General Social Survey, AEC.

Box 4.3: Interpreting OECD indicators carefully

OECD indicators should be interpreted carefully when considering performance.

- *Timing:* OECD data on progress and well-being performance is often published with a delay. While most indicators have data up to 2020, some indicators do not have data since 2006. This reflects the time it takes to generate consistent, coherent and accurate data. This means that indicators are often *lagging* indicators – useful to understand past performance but may not reflect events that are likely to drive progress. For example, the impacts of COVID-19 and geopolitical instability have affected, and will continue to affect, progress – both in Australia and in OECD peers.
- *Comparability:* Data published by the OECD is often sourced from the national statistical agencies of different countries, or other government and community entities. The resourcing of these agencies and entities can vary, and with it the quality of data collection. This makes comparability between jurisdictions risky, as the data reported does not include any information as to the level of *certainty* of result, especially where indicators rely on survey-based approaches that are more accurate with a larger (but costlier) sample.
- *Aggregation:* The indicators are often for Australians on average. This may not reflect the circumstances of those at the margins, or specific groups in society. For example, aggregated data does not highlight the inequalities that lead to differing outcomes for groups such as First Nations people, women, people living with a disability and young people. Some indicators are better suited than others to provide insights for the quality of life of demographic groups. For example, the average amount of time off for someone in full-time work, which is a social headline indicator, is useful to understand quality of life of those in paid employment, but less relevant for those outside the labour force, like retirees.
- *Priority:* Strong performance against a progress indicator does not necessarily mean there is less opportunity or need for further improvements in that field.

Source: What Works Well-being (2022) 'Analysing and interpreting your results', OECD (2022) 'Measuring Well-being and Progress: Well-being Research', and Treasury

Limitations of the OECD Framework

While the OECD Framework allows for international comparisons, it is only a starting point for understanding Australia's quality of life and progress.

The OECD Framework is not tailored to Australia's circumstances, so it does not capture important aspects of the Australian context and overlooks some of our national priorities. For this reason, other countries have adapted the OECD Framework to reflect their specific objectives, policy areas and indicators. One example is climate change, which affects communities in different regions in different ways (Box 4.4).

Box 4.4: Climate change, the environment, and Australian quality of life

A stable climate and healthy environment are intrinsic to the economy and Australians' quality of life.

Australia's environment hosts recreational activities and cultural heritage. It also supports the economy and communities by providing natural resources including food and fuels. However, recent reviews highlight that Australia's natural environment and iconic places are under threat, and the current environmental outlook is poor.[1]

Climate change presents specific challenges to Australia, through physical and transitional impacts. Physical impacts are caused directly by a changing climate, for example a greater number of days of extreme heat that will limit productive working hours and impact individuals' health. Transitional impacts relate to global and domestic efforts to reduce greenhouse gas emissions, and capture the opportunities presented by a green economy. See Budget Statement 3 for additional information on the fiscal impacts of climate change.

Decarbonising, adapting to physical impacts, and adjusting the economy to take advantage of opportunities will be critical to the sustained well-being of Australians. Global and domestic decarbonisation efforts also influence the extent of future physical impacts, and thus the amount of adaptation required.

Understanding climate change in the Australian context requires tracking Australia's progress towards its agreed emissions reduction goals, as well as understanding the impacts climate change is having on our natural environment and communities, and how Australia is adapting to these changes.

1 Independent Review of the Environment Protection and Biodiversity Conservation Act 1999 and the most recent State of the Environment Report (2021)

Applying OECD policy areas to a national context

Australia's performance against the OECD and other countries should be interpreted carefully given Australia's unique context. This includes understanding the limitations of the OECD Framework for measuring the progress and well-being of different cohorts of Australia's diverse population. It also includes taking account of Australian conditions such as the structure of local markets and policy settings, community aspirations and social cohesion, and resilience to natural disasters and climate change. The following OECD indicators demonstrate some of these nuances and challenges when adapting the OECD Framework to Australia.

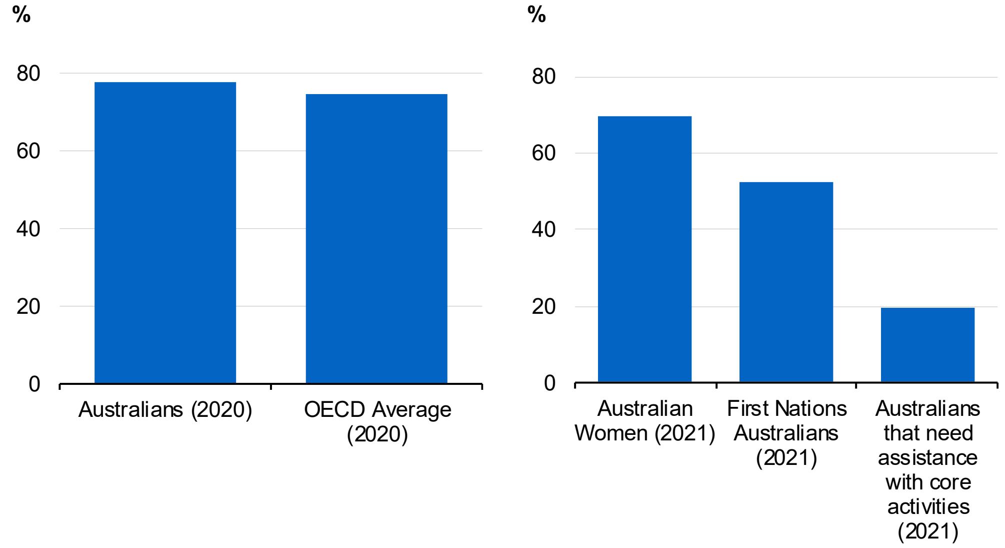
Employment rate and differences across cohorts

Measuring national employment provides insights into how well the nation's human capital is being used. However, aggregate measures of employment obscure differences in outcomes across different groups.

The OECD employment rate indicator is the share of those aged 25–64 who report having worked in paid employment in the past week. Australia ranks well, with a level of employment above the OECD average for the past 16 years.

However, this metric does not capture some of the key challenges in Australia's labour market. For example, not all people have equal opportunities to participate in work. First Nations Australians and Australians with disability are much less likely to be employed. Women are also less likely to be employed than men.

Chart 4.1: Employment Rate



Note: Data is based on the OECD's calculation of employment rates, which is employed people as a share of people aged 25–64 years old. While the left-hand chart is based on data from the OECD, the right-hand chart is based on the most recent Australian Census. Requiring assistance with core activities is a narrow definition of disability in the Australian Census; a broader measure indicates that around 48 per cent of Australians with a disability are employed (AIHW 2021).

Sources: OECD (2022); ABS Census of Population and Housing (2022)

Housing affordability in the Australian context

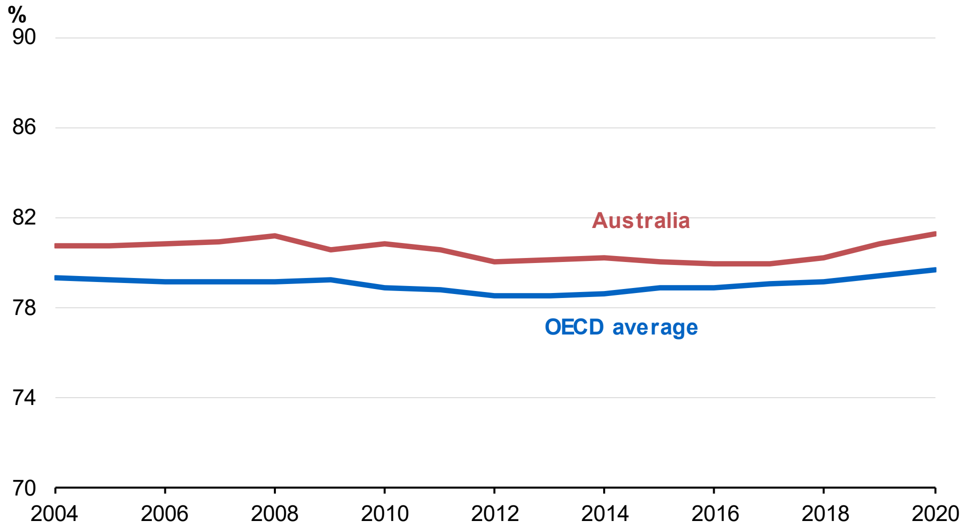
Measuring housing affordability goes beyond house prices and rents. Affordability includes the cost of maintaining a home, obtaining finance and servicing a mortgage.

The OECD indicator on housing affordability only measures some of these factors. It assesses the share of household gross adjusted disposable income available after deducting housing costs. This includes rent (actual and imputed), maintenance and utilities which measure the servicing costs of housing. For Australia, this measure has been stable and higher than the OECD average from 2004 to 2020 (last comparable year of data).

However, this metric is not effective at assessing housing affordability in Australia as it does not directly capture the upfront-costs or mortgage serviceability costs of housing. For example, the time required to save for a 20 per cent deposit has worsened since the start of the pandemic.

Further, focusing on average disposable income after housing costs does not capture variation between income levels or quality of housing.[18] Data from the Australian Institute of Health and Welfare shows that lower-income households are likely to spend greater proportions of income on housing costs.[19] There are also variations between regions and capital cities, with housing ownership costs higher in capitals, particularly in Sydney and Melbourne.[20]

Chart 4.2: Share of disposable income available after deducting housing costs



Source: OECD (2022), Treasury

Students' achievement

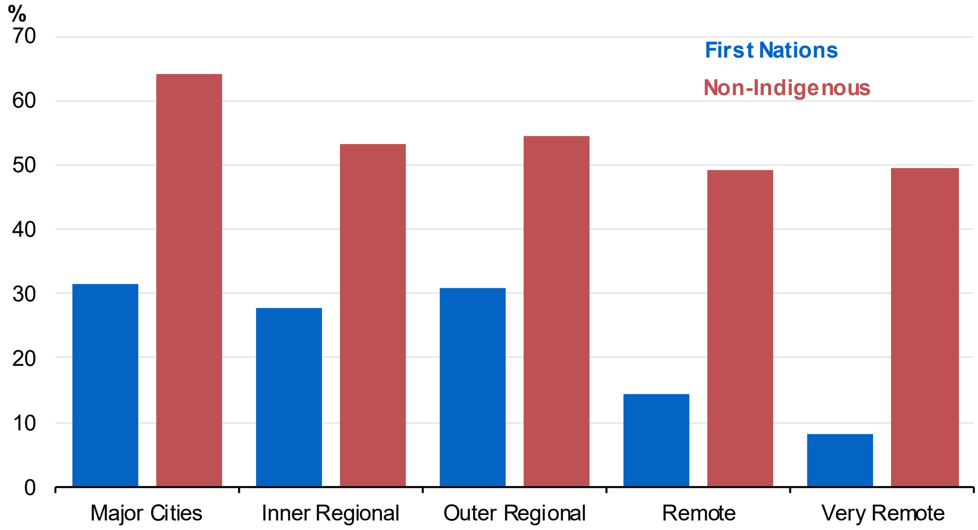
The OECD's student literacy measure does not adjust for attendance levels. This is significant for Australia, as it does not adequately assess the circumstances of students in remote Australia, including First Nations Australians who tend to have lower participation in formal education (Chart 4.3).

The OECD's Programme for International Student Assessment assesses 15-year-old students in reading literacy, mathematical literacy and scientific literacy. In 2018, 14,300 students from 740 schools sat the test in Australia with data reported by jurisdiction, gender, socioeconomic background, First Nations status and geolocation.

18 OECD (2021), 'Selection of housing affordability measures used in OECD and EU countries'.
19 AIHW (2022), 'Housing affordability'; OECD (2020), 'Affordable Housing Database'.
20 AIHW (2022), 'Housing affordability'.

Australia's performance has been mixed and the proportion of students with low skills has been increasing. In 2018, around 22 per cent of students were assessed as having low skills in mathematics literacy (up from 14 per cent in 2003), 20 per cent in reading literacy (up from 14 per cent in 2009) and 19 per cent in science literacy (up from 13 per cent in 2006). Despite this worsening performance over time, Australia still has a lower percentage of low-skilled students than the average of OECD countries.

Chart 4.3: Year 10 attendance level



Note: Attendance level is a measure of students that attend at least 90 per cent of school days in a given period.
Source: ACARA (2022)

Australia's National Assessment Program—Literacy and Numeracy (NAPLAN) test results cannot easily be compared internationally but provide valuable insights into the performance of Australian students. Students are assessed in the domains of reading, writing, language conventions and numeracy relative to a minimum standard, which is defined as the standard of knowledge and skills without which a student will have difficulty making sufficient progress at school.[21]

Australian data for Year 9 students between 2008 and 2021 indicates no statistically significant change in the share of students achieving the minimum numeracy and spelling standard, but the share meeting reading standards has shown a statistically significant decline.[22] These measures are a valuable complement to internationally comparable measures such as attendance rates.

21 ACARA (2021), 'National Assessment Program—Literacy and Numeracy Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2021'.
22 ACARA (2022) 'Time Series'.

Red List Index

Australia has a unique natural environment, including an estimated 650,000 species, most of which are only found in Australia and most of which are yet to be formally described.[23] For these reasons, the OECD's internationally-comparable measure of ecosystem health overlooks a number of Australia's specific biodiversity challenges.

The OECD indicator is based on the International Union for Conservation of Nature assessment of birds, mammals, amphibians, reef-forming corals and cycads. It provides an internationally consistent approach to one dimension of health of ecosystems and the environment, and it is by no means a complete measure of environmental progress. The Index covers a wide range of life across different jurisdictions, but it does not include all species groups of significant conservation concern to Australia, like reptiles and the majority of plants native to Australia.

In Australia, the Red List Index is usually supplemented by other indicators, like the Australian Threatened Species Index,[24] for a more complete story. This is also used by government in Portfolio Budget Statement reporting.

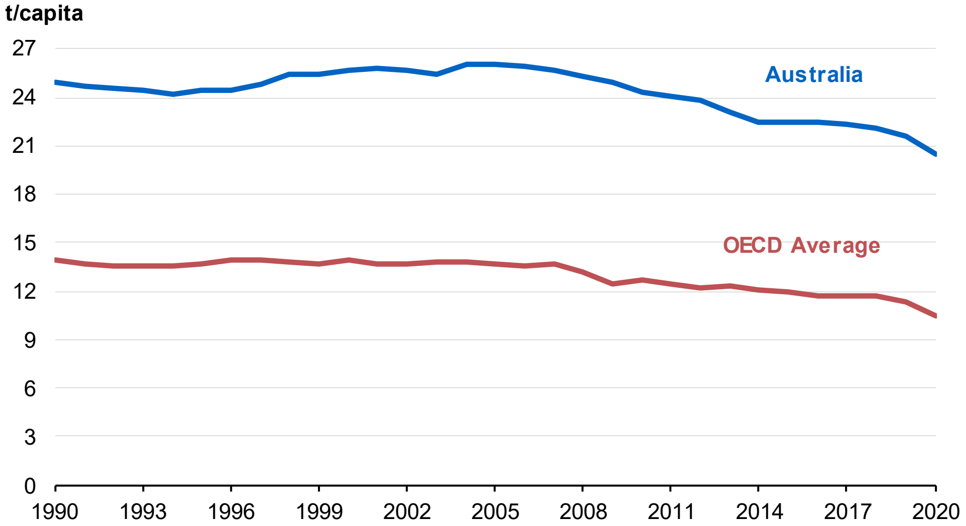
Greenhouse Gas Emissions

The OECD measures greenhouse gas emissions per capita but does not assess the stock of greenhouse gases or their climate impact. While current emissions are an important indicator of action on climate change, more is needed to understand and fully illustrate climate change's impact on quality of life.

While Australia has the highest greenhouse gas emissions per capita of OECD nations, the OECD indicator shows Australia's emissions have fallen in recent years. This should not be taken to imply that Australia is doing well or could not do better to meet policy objectives or environmental outcomes. The indicator does not show whether Australia is on track to meet its legislated emissions reductions targets, or whether the cumulative decline across OECD countries will be sufficient to reduce the impact of climate change in line with the Paris Agreement.

23 DCCEEW (2021) 'Australia State of the Environment'.
24 TSX (2020), 'The Australian Threatened Species Index'.

Chart 4.4: Greenhouse gas emissions (CO_2e)



Source: OECD (2022)

Stocks of greenhouse gases in the atmosphere are more relevant and informative indicators when it comes to progress in reducing greenhouse gas emissions in the context of addressing climate change.

More broadly, understanding the impact of climate change requires a suite of detailed, bespoke indicators. In Australia's case, the State of the Environment Report provides detail on Australia's environmental stock, reflecting the unique circumstances of Australia's natural ecosystems. Australia is also implementing a system of Environmental Economic Accounting, which will address this particular issue by providing a more complete picture of the environment's contribution to economic and human activity and the impact that the economy has on the environment. A large proportion of GDP is dependent on nature, and so a healthy natural capital base is fundamental to Australia's economic success and well-being. Fundamentally, every aspect of our civilisation relies on the natural environment.

Australian measurement approaches

Australia has a number of processes and reporting frameworks aimed at informing progress related outcomes (Table 4.3). These include economic and non-economic measures. Some examples include life outcomes of First Nations peoples (Closing the Gap), cognitive development of children as they commence their first year of full-time school (Australian Early Development Census), and the natural environment (State of the Environment Report).

Progress frameworks are not a replacement for these detailed reporting processes. Their high-level nature provides a comprehensive view of how broad policy decisions can affect quality of life. This means there is an important role for other reporting and measurement –

particularly at finer levels of detail – to help complement the effectiveness of frameworks. Such reporting may go to detail of outcomes underneath the aggregates, in terms of geographic or cohort outcomes, or detail to better identify the specific problem needing to be addressed.

There are also processes that use progress and well-being related metrics in policy design, implementation and evaluation. These include the Commonwealth Performance Framework, performance reporting and evaluation for individual policies and programs, and some intergovernmental agreements (Box 4.5). These reporting regimes aim to enhance accountability and support decision-making in individual policy areas.

Australia does not have an overarching progress and well-being national framework or centralised set of indicators.

Table 4.3 – Example processes and reporting related to progress

- Australia's Welfare Report (1993–present)
- Report on Government Services (1995–present)
- State of the Environment Report (1999–present)
- Household, Income and Labour Dynamics in Australia (2001–present)
- Footprints in Time: Longitudinal Study of Indigenous Children (2008–present)
- Australian Early Development Census (2015–present)
- Environmental Economic Accounting Strategy and Action Plan (2018–present)
- National Housing and Homelessness Agreement (2018–present)
- National Agreement on Closing the Gap (2008–present)
- The National School Reform Agreement (2019–2023)
- 2020–25 National Health Reform Agreement
- National Aboriginal and Torres Strait Islander Early Childhood Strategy (2021–present)
- National Preventive Health Strategy 2021–2030
- Australian Disability Strategy 2021–2031
- National Mental Health and Suicide Prevention Agreement (2022–2026)
- Women's Budget Statement (ongoing)
- Annual Climate Change Statement (by end of 2022)

Sources: Australian and state/territory government agencies, Melbourne Institute: Applied Economic and Social Research

The Australian Institute of Health and Welfare 'Australia's Welfare Report' is the only report that looks at national progress and well-being in a broad sense. The report presents a broad range of information on progress and living standards, their determinants, the welfare system and contextual factors (such as demography and socioeconomic factors). The Institute's approach uses a number of measures commonly reported internationally, which are supplemented with other Australian-specific data and indicators that cannot be readily compared against other jurisdictions.

The ABS has also looked at overall national measures through the 'Measures of Australia's Progress' framework.[25] This included topics on society, the economy, the environment and governance.

25 ABS (2014), 'Measures of Australia's Progress'.

Australia stands to benefit from a national framework or central set of indicators. Overseas, such frameworks and indicators have helped:

- provide common understanding of objectives across levels of government (an important feature for Australia's federal system, with delivery responsibilities between governments)
- enable more consistent evaluation of policy against progress, which can help to inform who is best placed to take policy action and address issues with policy implementation
- highlight the interactions between different policy levers and how they impact people, to improve quality of life while avoiding unintended consequences.

Box 4.5: Australian Government Reporting and Progress Measurement

Commonwealth Performance Framework

The Commonwealth Performance Framework requires Commonwealth entities and companies to report on how their performance is measured and assessed under the *Public Governance, Performance and Accountability Act 2014* and the *Public Governance, Performance and Accountability Rule 2014*. They include the following elements:

- Portfolio Budget Statements (PBS) are portfolio based and provide high level non-financial performance information, including key activities, performance measures and targets for current and ongoing programs, and the expected performance for the current year. The key activities, performance measures and targets must be mapped to the Corporate Plan. The PBS must also provide prospective performance information for proposed new budget measures that require a new program or significantly change an existing program.
- Corporate Plans are entity based and the primary planning document of Commonwealth entities. The Corporate Plan is forward looking and sets out the purpose(s) and the key activities that will achieve the purpose(s), and how performance will be measured and assessed for the reporting period (a minimum 4-year period). The Corporate Plan also describes the operating context, including the environment in which the entity will operate, the capability and cooperation with others required to undertake its key activities, the key risks and risk management approach, and how any subsidiaries will contribute to achieving the entity's purpose(s).

continued on next page

Box 4.5: Australian Government Reporting and Progress Measurement (continued)

- Annual Performance Statements are backwards looking and report on the actual performance results for the past year against the performance measures and targets in the Corporate Plan and PBSs. They also include an analysis of the factors that have contributed to the entity's performance results. The Annual Performance Statements are published as part of Annual Reports.

Policy and program development and evaluation

Measures of progress are often included in program and policy advice to government (e.g. briefings, reports and Cabinet submissions, including regulatory impact statements). Departments' routine policy and program design, implementation and evaluation activities may draw on data related to progress outcomes, including official sources such as the ABS and Productivity Commission Report on Government Services. The Government has committed to embedding a culture of evaluation in the Australian Public Service (APS) to support better outcomes for Australians and better quality government spending. Funding in the 2022–23 October Budget will help to identify priority areas for improvement, and support reinvestment in APS capability, including best-practice program development, evaluation and delivery.

Intergovernmental agreements

The Australian Government makes use of progress and well-being related metrics in policy design, implementation and evaluation in several intergovernmental agreements. Examples include the National Housing and Homelessness Agreement and the National School Reform Agreement. Progress metrics that relate to policy areas (e.g. health, education, employment) are captured in these processes.

Source: Treasury (2022); Department of Finance (2021, 2022)

A way forward

Countries around the world are exploring ways to better measure what matters and Australia can learn from their experience.

The international frameworks analysed in this statement cover a similar set of policy areas, and often encompass both traditional macroeconomic indicators and broader metrics of well-being and progress. These include measurements of income and employment, personal and community safety, political engagement, health, education and climate change.

The OECD Framework for Measuring Well-being and Progress provides an indication of what Australia might learn from adopting such a framework. It shows that Australia is making progress on some issues, like life expectancy and wealth, and highlights further room for improvement on others, such as gender parity in politics, women's safety and household debt.

Many countries have taken inspiration from the OECD Framework, but adjusted and extended the specific indicators to properly capture their local context. The international comparability of the OECD's metrics make them an ideal starting point, but some need to be adapted to properly capture Australia's priorities. In Australia, particular attention would need to be paid to our unique natural environment, variation in outcomes across key cohorts and the specific characteristics of our economy.

An Australian framework would aim to provide a high-level view of Australia's progress and well-being to improve visibility of key indicators at a national level. It would complement, rather than replace, the rich set of specialised reporting processes such as Closing the Gap and the State of the Environment reports. These and other in-depth reporting processes will remain essential to provide finer levels of detail on specific policy areas.

In 2023, the Government will release a new stand-alone Measuring What Matters Statement tailored to Australia. Treasury will continue to research and consult experts and other stakeholders on what the Statement should measure, how the Statement should link to other frameworks and goals – including at the state and territory level – and how the Statement should be communicated.

The 2023 Measuring What Matters Statement will be an important next step in facilitating a more informed and inclusive policy dialogue on how to improve the quality of life of all Australians. Treasury looks forward to working with stakeholders and experts on this important project.[26]

26 The Treasury invites views on this Budget Statement and the development of a Measuring What Matters Statement in 2023. Feedback can be provided at www.treasury.gov.au/consultation/measuring-what-matters-2022.

Statement 5: Revenue

Since PEFO, tax receipts have been revised up by $54.4 billion in 2022–23 and $142.0 billion over the 4 years to 2025–26. Around two-thirds of the increase in tax receipts is concentrated in the first two years of the forward estimates. The near-term strength in tax receipts recedes in the later years of the forward estimates period as some of the factors supporting higher tax receipts are expected to moderate. Significant global headwinds are emerging which pose material risks to the revenue outlook presented in the Budget.

High commodity prices and the appreciation of the US dollar are driving stronger corporate profits in the near-term, particularly in the mining sector where company tax receipts are approaching record levels. At the same time, tax receipts from non-mining companies are benefitting from higher prices and stronger-than-expected demand, resulting in higher company tax receipts forecasts in 2022–23 and 2023–24. Strong growth in employment has also increased the number of individuals expected to pay personal income tax over 2022–23 and 2023–24.

The outlook for nominal GDP and, consequently, tax receipts is subject to significant risk. Households' response to rising interest rates, volatility in commodity prices, and a deteriorating outlook for the global economy all present significant risks to economic activity and tax receipts.

Policy decisions in this Budget focus on implementing the Government's election commitments to ensure that multinationals pay their fair share of tax, and integrity measures to support budget repair. Policy decisions since PEFO are expected to increase tax receipts by $488 million in 2022–23 and $9.5 billion over the 4 years to 2025–26.

Statement contents

Statement 5: Revenue

Overview

Since PEFO, tax receipts have been revised up by $54.4 billion in 2022–23 and $142.0 billion over the 4 years to 2025–26. In the near-term, tax receipts are supported by higher Australian dollar commodity prices boosting profits in the mining sector and solid employment outcomes underpinning higher household incomes and consumption. However, these factors are expected to moderate by the end of the forward estimates period as commodity prices are assumed to return to long-run levels, employment growth slows, and the impact of rising interest rates and weaker asset prices flows through to taxable incomes. Box 5.1 disaggregates the outlook for tax receipts into persistent and temporary components.

Risks to the outlook for nominal GDP and tax receipts remain high. Rising global inflation, the potential for further energy price shocks due to the Russian invasion of Ukraine, and the impact of continued COVID-19 lockdowns and a property downturn in China are all weighing on the global outlook. Domestically, the path of monetary policy and household responses to inflation remain key risks to both economic activity and tax receipts.

Policy decisions since PEFO are expected to increase tax receipts by $488 million in 2022–23 and $9.5 billion over the 4 years to 2025–26. For more details on policy decisions, see Budget Statement 1 and Budget Paper No. 2.

Table 5.1: Australian Government general government receipts

	Actual(a)	Estimates(a)			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$b	$b	$b	$b	$b
Total taxation receipts ($b)	**536.6**	**562.9**	**574.3**	**590.5**	**629.3**
Growth on previous year (%)	13.2	4.9	2.0	2.8	6.6
Per cent of GDP	23.4	22.7	23.3	23.0	23.4
Tax receipts excluding GST ($b)	**463.0**	**480.4**	**488.7**	**502.4**	**537.0**
Growth on previous year (%)	15.5	3.8	1.7	2.8	6.9
Per cent of GDP	20.2	19.3	19.9	19.6	20.0
Non-taxation receipts ($b)	**47.8**	**44.4**	**47.1**	**52.4**	**49.7**
Growth on previous year (%)	3.7	-7.1	6.3	11.1	-5.2
Per cent of GDP	2.1	1.8	1.9	2.0	1.8
Total receipts ($b)	**584.4**	**607.2**	**621.4**	**642.8**	**679.0**
Growth on previous year (%)	12.4	3.9	2.3	3.4	5.6
Per cent of GDP	25.4	24.5	25.3	25.1	25.2

(a) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre has been reclassified from non-taxation receipts to taxation receipts in the 2022–23 March Budget to reflect the change in the nature of these receipts.

Box 5.1: Persistent versus temporary components of increased tax receipts

Tax receipts have been revised up over the forward estimates period, with around two-thirds of the increase concentrated in the first 2 years.

Factors contributing to the significant upgrades to the near-term tax receipt forecasts but not expected to materially impact the medium-term outlook include elevated commodity prices, large balancing payments from non-mining companies, a particularly strong near-term outlook for employment, and large balancing payments related to personal investment income (including from net rent, dividends and capital gains).

A substantial part of the near-term boost in company tax collections relates to elevated commodity prices (measured in Australian dollars), especially for energy commodities (see Budget Statement 2). This increases receipts from companies in the mining sector in 2022–23 and 2023–24, due to company tax timing. Commodity prices are not expected to remain at elevated levels indefinitely and are assumed to gradually return to long-run levels by the end of the March quarter in 2023.

Company tax receipts from the non-mining sector related to activity in prior years have also been significantly higher than expected in recent months. Tax instalments have not kept up with growth in income through the recovery, resulting in large end-of-year balancing payments (see company tax timing box, Budget Statement 5 2017–18 Budget). A second factor supporting near-term strength is lower-than-expected deductions claimed through COVID-19 business support measures. This increases tax paid in 2022–23 and 2023–24 but decreases tax paid over the medium-term as companies depreciate new assets over time rather than immediately (see Box 5.2).

Near-term strength in personal income tax is driven by the improved outlook for employment in 2022–23 and 2023–24, which is expected to moderate as economic and employment growth slow. It also reflects higher expected net rental and dividend income, capital gains and earnings from unincorporated businesses, which both boost income and increase the average rate of tax paid. However, these sources of income are expected to moderate owing to the effects of higher interest rates and a more subdued outlook for asset prices.

Other tax bases, including consumption taxes, have been less exposed to temporary factors.

Tax receipts outlook

Relative to PEFO, tax receipts are forecast to be $54.4 billion (or 10.7 per cent) higher in 2022–23, and $142.0 billion (or 6.4 per cent) higher over the 4 years to 2025–26. However, around two-thirds of the increase is concentrated in the first 2 years, the vast majority in company tax.

Elevated commodity prices (in Australian dollars) are expected to underpin profitability in the mining sector in the near-term, supporting significant increases in company tax receipts. However, profits are expected to taper as commodity prices return to long-term levels. Outside the mining sector, increased nominal goods and services consumption is driving higher corporate profitability for non-mining companies, contributing to these companies paying more company tax. Compared with PEFO, total company tax forecasts have been revised up by $37.1 billion in 2022–23 and $78.1 billion over the 4 years to 2025–26.

Labour market conditions remain tight in the near-term, with strong employment growth and higher migration both contributing to higher personal income tax. As economic activity slows, growth in employment is expected to ease, dampening growth in personal income tax. Relative to PEFO, individuals and other withholding taxes have been revised up by $16.2 billion in 2022–23 and $51.5 billion over the 4 years to 2025–26.

With the outlook for inflation contributing to higher nominal household consumption, forecasts for GST receipts have been upgraded by $3.1 billion in 2022–23 and $9.4 billion over the 4 years to 2025–26 since PEFO. This improved outlook is partially offset by an expected decrease in dwelling investment, as a combination of capacity constraints and the effects of moderating house prices and rising interest rates dampen demand for new housing construction.

Policy decisions in this Budget focus on implementing the Government's election commitments to ensure that multinationals pay their fair share of tax, and integrity measures to support budget repair. Policy decisions taken since PEFO increase tax receipts by $488 million in 2022–23 and $9.5 billion over the 4 years to 2025–26. Key policy decisions include:

- *Extend ATO Compliance Programs – Shadow Economy Program.*
- *Extend ATO Compliance Programs – Tax Avoidance Taskforce.*
- *Multinational Tax Integrity Package – amending Australia's interest limitation (thin capitalisation) rules.*
- *Multinational Tax Integrity Package – denying deductions for payments relating to intangibles held in low- or no-tax jurisdictions.*
- *Migration Program – 2022–23 planning levels.*
- *Powering Australia – Electric Car Discount.*

- *Improving the integrity of off-market share buy-backs.*
- *Depreciation – reverse the measure allowing taxpayers to self-assess the effective life of intangible depreciating assets.*

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

Variations in receipts estimates

Since PEFO, total receipts have been revised up by $58.7 billion in 2022–23 and $157.7 billion over the 4 years to 2025–26. Table 5.2 reconciles the 2022–23 October Budget estimates of total receipts with PEFO and the 2022–23 March Budget.

Table 5.2: Reconciliation of Australian Government general government receipts estimates from PEFO and the 2022–23 March Budget[(a)]

	Estimates				
	2022-23	2023-24	2024-25	2025-26	Total(b)
	$m	$m	$m	$m	$m
Receipts at 2022-23 March Budget	**547,632**	**585,208**	**615,237**	**643,900**	**2,391,977**
Changes from 2022-23 March Budget to 2022 PEFO					
Effect of policy decisions	815	-120	-155	-155	385
Effect of parameter and other variations	86	101	102	155	445
Total variations	**901**	**-19**	**-53**	**0**	**830**
Receipts at 2022 PEFO	**548,533**	**585,189**	**615,184**	**643,900**	**2,392,806**
Changes from 2022 PEFO to 2022-23 October Budget					
Effect of policy decisions	1,410	2,458	3,967	5,253	13,088
Effect of parameter and other variations	57,286	33,793	23,689	29,870	144,638
Total variations	**58,696**	**36,252**	**27,656**	**35,123**	**157,727**
Receipts at 2022-23 October Budget	**607,229**	**621,441**	**642,840**	**679,023**	**2,550,533**

(a) Includes expected Future Funds earnings.
(b) Total is equal to the sum of amounts from 2022–23 to 2025–26.

Since PEFO, parameter and other variations have increased total receipts by $57.3 billion in 2022–23 and $144.6 billion over the 4 years to 2025–26. Policy decisions increase receipts by $1.4 billion in 2022–23 and $13.1 billion over the 4 years to 2025–26 compared with PEFO.

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

Tax receipts estimates

Relative to PEFO, forecasts of total tax receipts have been revised up by $54.4 billion in 2022–23 and by $142.0 billion over the 4 years to 2025–26. Over 90 per cent of the revision relates to personal income tax and corporate income tax receipts.

Table 5.3 reconciles the 2022–23 October Budget estimates of tax receipts with PEFO and the 2022–23 March Budget.

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

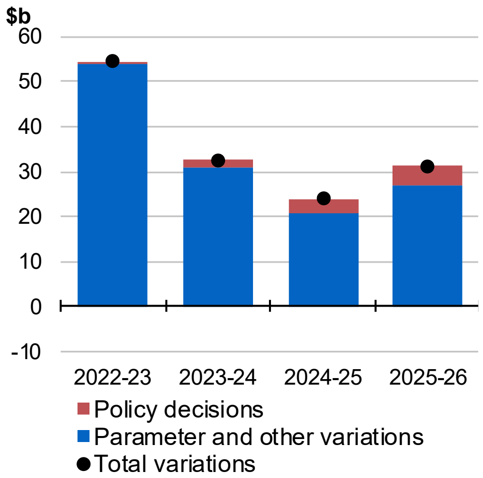
	Estimates(b)				
	2022-23	2023-24	2024-25	2025-26	Total(a)
	$m	$m	$m	$m	$m
Tax receipts at 2022-23 March Budget	**508,400**	**541,757**	**566,625**	**598,233**	**2,215,015**
Changes from 2022-23 March Budget to 2022 PEFO					
Effect of policy decisions	-60	-120	-155	-155	-490
Effect of parameter and other variations	85	100	100	105	390
Total variations	25	-20	-55	-50	-100
Tax receipts at 2022 PEFO	**508,425**	**541,737**	**566,570**	**598,183**	**2,214,915**
Changes from 2022 PEFO to 2022-23 October Budget					
Effect of policy decisions	488	1,654	3,124	4,282	9,548
Effect of parameter and other variations	53,945	30,901	20,758	26,870	132,474
Total variations	54,434	32,554	23,881	31,152	142,021
Tax receipts at 2022-23 October Budget	**562,858**	**574,292**	**590,451**	**629,335**	**2,356,936**

(a) Total is equal to the sum of amounts from 2022–23 to 2025–26.

(b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre has been reclassified from non-taxation receipts to taxation receipts in the 2022–23 March Budget to reflect the change in the nature of these receipts.

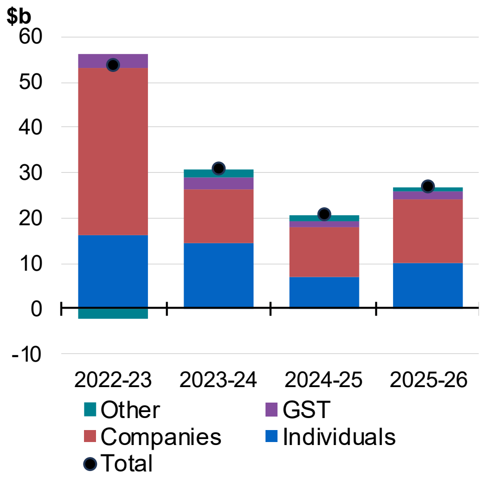
Since PEFO, parameter and other variations are expected to increase tax receipts by $53.9 billion in 2022–23 and $132.5 billion over the 4 years to 2025–26. Policy decisions increase tax receipts by $488 million in 2022–23 and $9.5 billion over the 4 years to 2025–26 compared with PEFO.

Chart 5.1: Revisions to total tax receipts since PEFO



Source: Treasury

Chart 5.2: Parameter and other variations to total tax receipts since PEFO



Source: Treasury

These upgrades reflect near-term strength across major heads of revenue, driven by high commodity prices delivering strength in corporate profits and a higher number of people in employment supporting personal income tax receipts. Growth in the key economic parameters that influence tax receipts is shown in Table 5.4.

This near-term strength is already flowing through in monthly tax collections. In the first quarter of 2022–23, personal income tax collections were around $5.8 billion (or 12 per cent) higher than expected at PEFO, while company tax collections were around $8.8 billion (or 40 per cent) higher than expected at PEFO (see Chart 5.3). This recent strength in collections is supporting the substantial upward revision to tax receipts in the near-term.

Chart 5.3: Tax collections since PEFO – deviations from expected collections by month and head of revenue

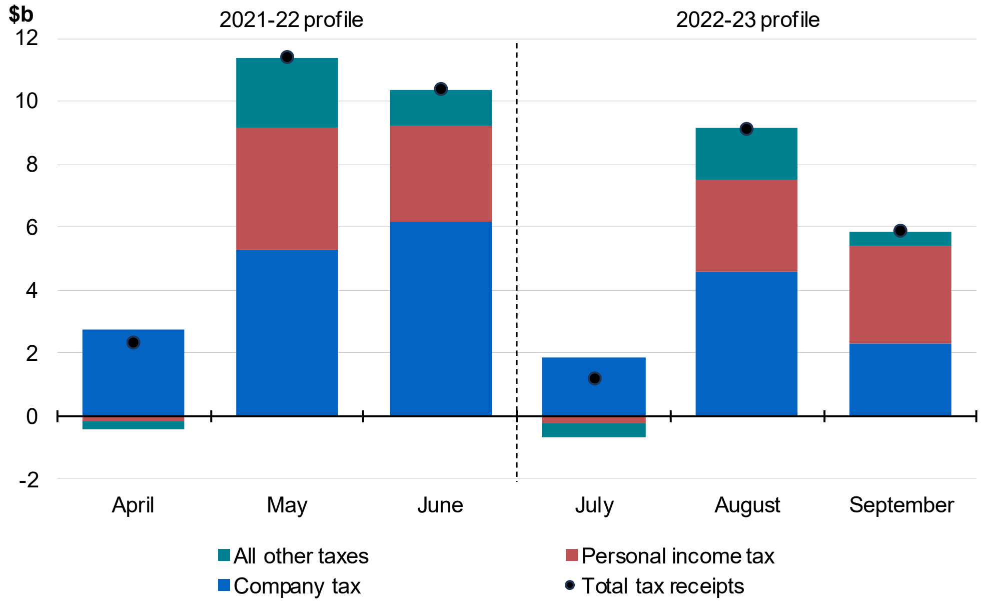


Table 5.4: Key economic parameters for tax receipts[(a)]

	Outcomes	Forecasts			
	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue parameters					
Nominal gross domestic product	11.0	8	-1	4 1/4	5
Change since PEFO		*7 1/2*	*-4*	*-1*	*0*
Compensation of employees(b)	5.6	8	5	4 1/4	4 3/4
Change since PEFO		*1 3/4*	*- 1/4*	*-1*	*- 1/2*
Corporate gross operating surplus(c)	12.9	7 3/4	-15	3 3/4	5
Change since PEFO		*20 3/4*	*-12 1/2*	*- 1/2*	*3/4*
Non-farm gross mixed income	-2.6	6 3/4	3 3/4	4 3/4	6
Change since PEFO		*9*	*3/4*	*-2*	*- 1/2*
Property income(d)	9.0	6	5	5 1/2	5
Change since PEFO		*- 1/4*	*-3*	*- 1/4*	*- 1/2*
Consumption subject to GST	9.1	14 3/4	3 3/4	4 1/2	5 1/4
Change since PEFO		*5 1/4*	*-3 1/4*	*-1 1/4*	*0*

(a) Current prices, per cent change on previous year. Changes since PEFO 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 PEFO, total individuals and other withholding tax receipts have been revised up by $16.2 billion in 2022–23 and $51.5 billion over the 4 years to 2025–26. Year-on-year, individuals and other withholding tax receipts are expected to grow by 8.1 per cent in 2022–23 and by 8.7 per cent in 2023–24.

Excluding new policy decisions, individuals and other withholding tax receipts have been revised up by $16.1 billion in 2022–23 and $47.6 billion in the 4 years to 2025–26. Collections have continued to exceed expectations, reflecting higher-than-expected numbers of people employed as well as higher nominal wages and higher-than-expected income from net rent, dividends and capital gains.

For 2022–23, the outlook for income tax withholding receipts remains strong, consistent with the forecasts for employment growth. On-assessment collections are also expected to remain elevated in 2022–23, reflecting higher dividend, net rental and small business incomes. However, as the impact of tighter monetary policy flows through the economy, employment growth is expected to slow. Higher interest rates and moderating asset prices are expected to impact tax receipts through larger interest deductions and weaker capital gains receipts from 2023–24 onwards.

New tax policy measures announced since PEFO are expected to increase individuals and other withholding tax receipts by $73 million in 2022–23 and $4.0 billion over the 4 years to 2025–26. Key decisions driving these expected outcomes include:

- The measure to extend and expand *ATO Compliance Programs – Tax Avoidance Taskforce*, which is estimated to increase total individuals and other withholding tax receipts by $85 million in 2022–23 and $877 million over the 4 years to 2025–26.
- The *Migration Program – 2022–23 planning levels* measure, which is estimated to increase total individuals and other withholding tax receipts by $13 million in 2022–23 and $554 million over the 4 years to 2025–26.
- The *Powering Australia – Electric Car Discount* measure, which is estimated to decrease total individuals and other withholding tax receipts by $10 million in 2022–23 and $140 million over the 4 years to 2025–26.
- The *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families* measure, which is estimated to decrease total individuals and other withholding tax receipts by $15 million in 2022–23, but increase receipts by $240 million over the 4 years to 2025–26.

Fringe benefits tax

Since PEFO, fringe benefits tax receipts have been revised down by $140 million in 2022–23 and $2.1 billion over the 4 years to 2025–26. The downward revision in the forecast for fringe benefits tax receipts reflects a downward trend in the share of employees' compensation paid as taxable fringe benefits.

New tax policy measures announced since PEFO are expected to further decrease fringe benefits tax receipts by $8 million in 2022–23 and $59 million over the 4 years to 2025–26. This is primarily driven by the *Powering Australia – Electric Car Discount* measure, which is estimated to decrease fringe benefits tax receipts by $10 million in 2022–23 and $75 million over the 4 years to 2025–26.

Company tax

Since PEFO, company tax receipts have been revised up to be $37.1 billion higher in 2022–23 and $78.1 billion higher over the 4 years to 2025–26. Year-on-year, company tax receipts are expected to grow by 3.2 per cent in 2022–23 and fall by 21.6 per cent in 2023–24.

Compared with PEFO, parameter and other variations account for $36.9 billion of the upgrade in the forecast for company tax receipts in 2022–23 and $74.1 billion of the upgrade over the 4 years to 2025–26. Bulk non-rural commodity prices have remained elevated for longer than assumed, contributing substantially to the strength in company tax receipts. Lower-than-expected use of COVID-19 business support measures (such as temporary full expensing and loss carry-back) also significantly increased forecast receipts (see Box 5.2).

Company tax receipts have been revised up throughout the forward estimates period with around 63 per cent of the total upgrade concentrated in the first 2 years. High commodity prices are expected to contribute to strong short-term profits in the resources sector, with this strength expected to taper off in later years as commodity prices return to assumed long-term price levels.

There continues to be considerable uncertainty around the forecasts for company tax receipts. This is partly due to substantial risks to the outlook for the economy. For more details on the economic outlook, see Budget Statement 2.

New tax policy measures announced since PEFO are expected to increase company tax receipts by $192 million in 2022–23 and $4.0 billion over the 4 years to 2025–26. This is largely driven by:

- The measure to extend and expand *ATO Compliance Programs – Tax Avoidance Taskforce* , which is estimated to increase company tax receipts by $192 million in 2022–23 and $2.0 billion over the 4 years to 2025–26.

- The measure to extend *ATO Compliance Programs – Shadow Economy Program*, which is not expected to increase company tax receipts in 2022–23, but is estimated to increase company tax receipts by $503 million over the 4 years to 2025–26.

- The enactment of the *Multinational Tax Integrity Package*, which is not expected to increase company tax receipts in 2022–23, but is estimated to increase company tax receipts by a total of $970 million over the 4 years to 2025–26.

Box 5.2: The impact of recent depreciation measures on tax receipts

Australia's tax system generally allows businesses to deduct the cost of business inputs against assessable income, with tax payable on the net income of the business. Where businesses acquire capital assets (such as machinery or vehicles), the full cost is generally not deductible immediately but spread over a number of years to reflect the value (or effective life) of the asset over time.

A range of policies have been put in place to allow these depreciation deductions to be claimed more quickly. Claiming depreciation upfront provides a tax timing benefit to entities, with an initial fall in the tax burden offset by fewer deductions in subsequent years.

As part of the economic response to COVID-19, several accelerated depreciation measures were introduced on a temporary basis to support business investment in a time of economic uncertainty (see Table 5.5). The largest of these is temporary full expensing (TFE), which allows over 99 per cent of Australian businesses to immediately deduct the full value of new depreciating assets.

Table 5.5: Accelerated depreciation measures available during COVID-19

Measure	Key dates	Annual turnover threshold	Per-asset threshold
Instant Asset Write-Off (IAWO)	From 2 April 2019 *(pre-COVID policy)*	Less than $50 million	$30,000
Increased and extended IAWO	From 12 March 2020	Less than $500 million	$150,000
Backing Business Investment (BBI)	From 12 March 2020	Less than $500 million	No cost threshold
Temporary full expensing (TFE)	From 6 October 2020 to 30 June 2023	Less than $5 billion	No cost threshold

Note: Each measure has different dates of application, asset cost thresholds, and rules for entity and asset eligibility. Further information is available on the ATO website.

Despite high deductions for depreciation over the past 2 years, tax return data from 2020–21 (the first full financial year after the measures were introduced) suggests that the use of these measures is significantly lower than originally predicted, particularly by large businesses. This has contributed to the temporary increase in company tax receipts (Box 5.1).

Treasury analysis and stakeholder consultation point to two key reasons for the lower-than-expected use of TFE. The first involves businesses having a preference to depreciate assets over time rather than all at once. Under TFE, businesses could opt out on an asset-by-asset basis. Businesses (particularly large businesses) may have opted out if they considered the cash flow benefits of the policy did not outweigh: the added complexity of demonstrating eligibility or applying different depreciation rules; the impact of the policy on the accumulation and distribution of franked profits over time; and/or the interaction of the policy with the consolidation rules affecting the future sale value of the business. This is also consistent with the observation that larger businesses have used TFE for a smaller share of expenditure relative to small businesses (see Chart 5.4).

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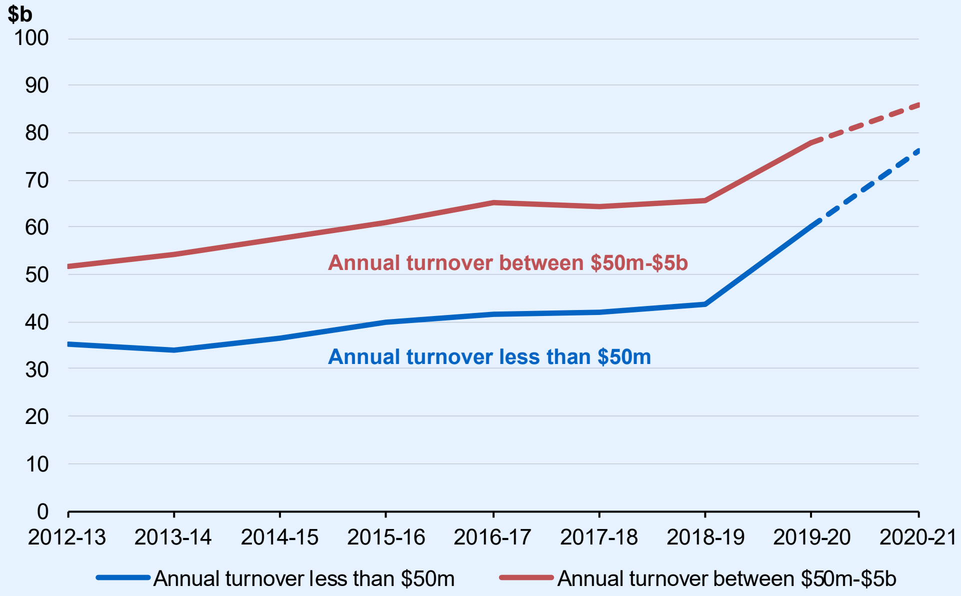
Box 5.2: The impact of recent depreciation measures on tax receipts (continued)

Chart 5.4: Estimated business depreciation



Note: Data for 2020–21 is indicative only. Estimated depreciation is derived from the greater of reported business depreciation expenses and deductions on business income tax returns.

Source: Treasury analysis of ATO data

The second factor explaining the lower use of TFE is the impact of supply chains on eligibility, particularly in 2020–21. Under TFE, businesses can immediately deduct the full cost of assets that were both purchased and installed or used within the life of the policy. The recent disruptions to global supply chains have meant that the period between purchase and installation of assets has increased, pushing out the year in which deductions can be claimed. In response to this, the policy was extended in the 2021–22 Budget to allow businesses more time to have eligible assets installed.

The lower-than-expected use of TFE and other depreciation incentives increases expected tax receipts to the end of 2022–23. This will lead to lower company tax receipts over the medium term since businesses will have more depreciation deductions available than expected.

The propensity to claim TFE may evolve over the remainder of the policy's operation as business and economic circumstances change. Treasury will continue to monitor TFE claims as tax return data becomes available and update any impact on company tax receipts.

Superannuation fund taxes

Since PEFO, superannuation fund tax receipts have been revised down by $3.1 billion in 2022–23 but up by $1.7 billion across the 4 years to 2025–26.

Year-on-year, tax receipts from superannuation funds are expected to drop sharply in 2022–23 by 52.5 per cent to $12.6 billion. Utilisation of franking credits made available through the payment of a significant in-specie dividend, coupled with recent off-market share buy-back activity, is the key driver for the revision, which is compounded by expected weakness in capital gains following recent repricing in financial asset markets.

Looking beyond 2022–23, strong underlying growth in collections from large superannuation funds drives upwards revisions in all subsequent years of the forward estimates. These revisions are largely attributable to growth in taxable member contributions, consistent with higher overall levels of total compensation of employees.

New tax policy measures announced since PEFO also increase superannuation fund tax receipts by $1 million in 2022–23 and $467 million over the 4 years to 2025–26. This includes the impact of the *Improving the integrity of off-market share buy-backs* measure, which is not expected to significantly impact tax receipts in 2022–23, but is expected to increase tax receipts by $400 million over the 4 years to 2025–26.

Petroleum resource rent tax (PRRT)

Since PEFO, PRRT receipts have been revised up by $200 million in 2022–23, but down by $450 million over the 4 years to 2025–26.

PRRT receipts are forecast to further increase in 2022–23 due to higher average Australian dollar oil and east coast gas prices.

PRRT receipts are expected to fall from their peak in 2022–23, as production in maturing fields (including in the Bass Strait) declines and the prices of oil and gas stabilise. PRRT liabilities will be further weighed down by the cost of decommissioning parts of the Bass Strait fields, following a direction from the National Offshore Petroleum Safety and Environmental Management Authority to commence decommissioning works in coming years.

Goods and services tax (GST)

Since PEFO, GST receipts have been revised up by $3.1 billion in 2022–23 and by $9.4 billion over the 4 years to 2025–26.

Compared with PEFO, parameter and other variations account for $3.1 billion of the upgrade in the forecast for GST receipts in 2022–23 and $8.8 billion of the upgrade over the 4 years to 2025–26. Increases in forecast GST receipts largely reflect upgrades to the outlook for consumption subject to GST. This is partially offset by a decrease in GST receipts from dwelling investment, which has been downgraded in 2024–25 and 2025–26 in response to higher expected interest rates and moderating housing prices.

New tax policy measures announced since PEFO are expected to reduce GST receipts by $4 million in 2022–23, but to raise $617 million over the 4 years to 2025–26. This is largely driven by:

- The *Extend ATO Compliance Programs – Shadow Economy Program* measure, which is not expected to increase GST receipts in 2022–23, but is estimated to increase GST receipts by $443 million over the 4 years to 2025–26.
- The *Migration Program – 2022–23 planning levels* measure, which is estimated to increase GST receipts by $5 million in 2022–23 and $135 million over the 4 years to 2025–26.
- The *Powering Australia – Electric Car Discount* measure, which is expected to reduce GST receipts by $5 million in 2022–23 and $65 million over the 4 years to 2025–26.
- Deferring the start date of the previously announced *Black Economy – introducing a sharing economy reporting regime* measure. The deferral is expected to reduce GST receipts by $4 million in 2022–23 but have no impact in future years.

Excise and customs duty

Since PEFO, total excise and customs duty receipts have been revised up by $225 million in 2022–23 and $2.4 billion over the 4 years to 2025–26.

The forecast for excise and customs duty is mixed, both in 2022–23 and throughout the 4 years to 2025–26. Forecasts for fuel and tobacco excise receipts have been downgraded since PEFO, while alcohol excise and customs duty have been upgraded. The downgrade in fuel and tobacco excise is driven by a weak outlook for consumption of these goods, partially offset by increases to excise rates. The outlook for alcohol excise receipts has improved, driven by stronger consumption of higher-taxed spirits and pre-mixed beverages compared with lower-taxed beer. High import prices have supported customs duties applied to imported goods.

The 2022–23 October Budget estimates continue to include provision for the Australia-European Union Free Trade Agreement (FTA), which has not been finalised. This provision is assumed to impact customs duty receipts.

A number of other FTAs are currently under negotiation but are not 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 sales taxes

Since PEFO, luxury car tax (LCT) receipts have been revised up by $230 million in 2022–23 and $220 million over the 4 years to 2025–26. The forecast increase in 2022–23 is consistent with the expectation of elevated pricing for motor vehicles, which is being partially offset by forecasts of lower sales volumes in the near-term as demand moderates from recent highs. Compared to the revenue base estimated at PEFO, only some of the strength seen in 2021–22 outcomes is expected to persist as an ongoing improvement to the revenue base.

Since PEFO, wine equalisation tax (WET) receipts have been revised up by $20 million in 2022–23, but down by $10 million over the 4 years to 2025–26. On a year-on-year basis, WET receipts are forecast to grow by 8.1 per cent in 2022–23.

Other taxes

Other taxes encompass a range of sources of revenue, including the major bank levy and agricultural levies. Those particularly impacted by the travel restrictions implemented in response to the COVID-19 pandemic include visa application charges and the passenger movement charge.

Since PEFO, visa application charges have been revised up by $426 million in 2022–23 and $777 million over the 4 years to 2025–26. The increased revenue is primarily driven by a strong recovery in Temporary Resident, Student and Working Holiday visa applications following the re-opening of international borders, and an increase to the planning level under the *Migration Program – 2022–23 planning levels* measure.

Since PEFO, other taxes have been revised up by $548 million in 2022–23, and by $1.3 billion over the 4 years to 2025–26. On a year-on-year basis, other taxes are forecast to increase by 13.6 per cent in 2022–23.

Excluding new policy decisions, other taxes have been revised up by $298 million in 2022–23, and $682 million over the 4 years to 2025–26.

Non-tax receipts

Since PEFO, non-tax receipts are expected to increase by $4.3 billion in 2022–23 and by $15.7 billion over the 4 years to 2025–26.

Parameter and other variations account for the majority of this movement, and are expected to increase non-tax receipts by $3.3 billion in 2022–23, and by $12.2 billion over the 4 years to 2025–26. This movement is driven by higher-than-expected earnings from the Future Fund, higher earnings from interest on cash deposits due to the rise in short-term interest rates, and an expected increase in petroleum royalties.

Policy decisions are expected to increase non-tax receipts by $0.9 billion in 2022–23, and by $3.5 billion over the 4 years to 2025–26. This movement is primarily driven by the expected earnings of the Housing Australia Future Fund, as announced in the 2022–23 October Budget measure *Safer and More Affordable Housing.*

Table 5.6: Reconciliation of 2022–23 general government (cash) receipts

	Estimates		Change from PEFO	
	PEFO	October Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	249,615	260,000	10,385	4.2
Gross other individuals	55,400	61,900	6,500	11.7
less: Refunds	41,115	41,800	685	1.7
Total individuals and other withholding tax	263,900	280,100	16,200	6.1
Fringe benefits tax	3,630	3,490	-140	-3.9
Company tax	90,200	127,300	37,100	41.1
Superannuation fund taxes	15,660	12,610	-3,050	-19.5
Petroleum resource rent tax	2,400	2,600	200	8.3
Income taxation receipts	**375,790**	**426,100**	**50,310**	**13.4**
Goods and services tax	79,432	82,532	3,101	3.9
Wine equalisation tax	1,170	1,190	20	1.7
Luxury car tax	880	1,110	230	26.1
Excise and customs duty				
Petrol	6,050	5,600	-450	-7.4
Diesel	12,880	13,170	290	2.3
Other fuel products	2,700	2,700	0	0.0
Tobacco	12,800	12,400	-400	-3.1
Beer	2,650	2,620	-30	-1.1
Spirits	3,080	3,480	400	13.0
Other alcoholic beverages(a)	1,220	1,500	280	23.0
Other customs duty				
Textiles, clothing and footwear	179	180	1	0.7
Passenger motor vehicles	311	420	109	35.0
Other imports	1,415	1,440	25	1.8
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	42,585	42,810	225	0.5
Major Bank Levy	1,550	1,550	0	0.0
Agricultural levies	560	623	63	11.3
Visa application charges(c)	2,139	2,565	426	19.9
Other taxes(b)(c)	4,319	4,378	59	1.4
Indirect taxation receipts	**132,635**	**136,758**	**4,124**	**3.1**
Taxation receipts	**508,425**	**562,858**	**54,434**	**10.7**
Sales of goods and services	18,346	18,550	204	1.1
Interest received	2,820	5,275	2,455	87.1
Dividends and distributions	5,284	5,677	393	7.4
Other non-taxation receipts(b)	13,659	14,869	1,210	8.9
Non-taxation receipts	**40,109**	**44,371**	**4,262**	**10.6**
Total receipts	**548,533**	**607,229**	**58,696**	**10.7**
Memorandum:				
Total excise	*25,640*	*25,990*	*350*	*1.4*
Total customs duty	*16,945*	*16,820*	*-125*	*-0.7*
Capital gains tax(d)	*22,400*	*21,900*	*-500*	*-2.2*

(a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipts to taxation receipts in the 2022-23 March Budget to reflect the change in the nature of these receipts.

(c) Visa application charges were previously included in 'other taxes'.

(d) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 5.7: Reconciliation of 2023–24 general government (cash) receipts

	Estimates		Change from PEFO	
	PEFO	October Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	264,480	275,500	11,020	4.2
Gross other individuals	58,800	64,900	6,100	10.4
less: Refunds	34,300	36,000	1,700	5.0
Total individuals and other withholding tax	288,980	304,400	15,420	5.3
Fringe benefits tax	3,930	3,510	-420	-10.7
Company tax	87,500	99,800	12,300	14.1
Superannuation fund taxes	19,410	20,460	1,050	5.4
Petroleum resource rent tax	2,400	2,450	50	2.1
Income taxation receipts	**402,220**	**430,620**	**28,400**	**7.1**
Goods and services tax	82,921	85,641	2,720	3.3
Wine equalisation tax	1,200	1,190	-10	-0.8
Luxury car tax	850	870	20	2.4
Excise and customs duty				
Petrol	7,350	6,850	-500	-6.8
Diesel	15,120	15,620	500	3.3
Other fuel products	2,200	2,120	-80	-3.6
Tobacco	12,700	12,600	-100	-0.8
Beer	2,710	2,680	-30	-1.1
Spirits	3,100	3,480	380	12.3
Other alcoholic beverages(a)	1,260	1,620	360	28.6
Other customs duty				
Textiles, clothing and footwear	120	150	30	25.0
Passenger motor vehicles	90	380	290	321.8
Other imports	1,000	1,350	350	35.0
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	44,950	46,150	1,200	2.7
Major Bank Levy	1,600	1,600	0	0.0
Agricultural levies	572	591	19	3.3
Visa application charges(c)	2,803	2,867	64	2.3
Other taxes(b)(c)	4,621	4,762	141	3.1
Indirect taxation receipts	**139,517**	**143,672**	**4,154**	**3.0**
Taxation receipts	**541,737**	**574,292**	**32,554**	**6.0**
Sales of goods and services	19,520	19,594	74	0.4
Interest received	3,393	5,805	2,412	71.1
Dividends and distributions	5,672	6,150	478	8.4
Other non-taxation receipts(b)	14,867	15,600	732	4.9
Non-taxation receipts	**43,452**	**47,149**	**3,697**	**8.5**
Total receipts	**585,189**	**621,441**	**36,252**	**6.2**
Memorandum:				
Total excise	*31,320*	*31,780*	*460*	*1.5*
Total customs duty	*13,630*	*14,370*	*740*	*5.4*
Capital gains tax(d)	*21,600*	*21,300*	*-300*	*-1.4*

(a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipts to taxation receipts in the 2022-23 March Budget to reflect the change in the nature of these receipts.

(c) Visa application charges were previously included in ‘other taxes’.

(d) ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Table 5.8: Australian Government general government (cash) receipts

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Individuals and other withholding taxes					
Gross income tax withholding	239,669	260,000	275,500	270,800	286,700
Gross other individuals	57,432	61,900	64,900	65,700	67,800
less: Refunds	38,048	41,800	36,000	38,100	34,600
Total individuals and other withholding tax	259,052	280,100	304,400	298,400	319,900
Fringe benefits tax	3,331	3,490	3,510	3,510	3,410
Company tax	123,308	127,300	99,800	115,600	125,700
Superannuation fund taxes	26,546	12,610	20,460	21,960	24,360
Petroleum resource rent tax	1,638	2,600	2,450	2,100	2,000
Income taxation receipts	**413,876**	**426,100**	**430,620**	**441,570**	**475,370**
Goods and services tax	73,498	82,532	85,641	88,173	92,382
Wine equalisation tax	1,100	1,190	1,190	1,240	1,290
Luxury car tax	960	1,110	870	880	920
Excise and customs duty					
Petrol	5,015	5,600	6,850	7,400	7,650
Diesel	11,744	13,170	15,620	16,770	17,320
Other fuel products	1,521	2,700	2,120	2,180	2,190
Tobacco	12,604	12,400	12,600	12,950	13,300
Beer	2,461	2,620	2,680	2,880	2,930
Spirits	3,213	3,480	3,480	3,760	3,820
Other alcoholic beverages(a)	1,456	1,500	1,620	1,730	1,770
Other customs duty					
Textiles, clothing and footwear	192	180	150	130	120
Passenger motor vehicles	361	420	380	290	180
Other imports	1,378	1,440	1,350	1,050	700
less: Refunds and drawbacks	818	700	700	700	700
Total excise and customs duty	39,126	42,810	46,150	48,440	49,280
Major Bank Levy	1,454	1,550	1,600	1,650	1,700
Agricultural levies	626	623	591	582	594
Visa application charges(c)	1,982	2,565	2,867	2,967	3,110
Other taxes(b)(c)	3,964	4,378	4,762	4,949	4,690
Indirect taxation receipts	**122,710**	**136,758**	**143,672**	**148,881**	**153,965**
Taxation receipts	**536,586**	**562,858**	**574,292**	**590,451**	**629,335**
Sales of goods and services	17,725	18,550	19,594	20,691	21,220
Interest received	2,446	5,275	5,805	5,991	6,147
Dividends and distributions	11,564	5,677	6,150	6,632	7,019
Other non-taxation receipts(b)	16,036	14,869	15,600	19,075	15,301
Non-taxation receipts	**47,772**	**44,371**	**47,149**	**52,389**	**49,688**
Total receipts	**584,358**	**607,229**	**621,441**	**642,840**	**679,023**
Memorandum:					
Total excise	*22,539*	*25,990*	*31,780*	*33,950*	*34,920*
Total customs duty	*16,588*	*16,820*	*14,370*	*14,490*	*14,360*
Capital gains tax(d)	*24,100*	*21,900*	*21,300*	*21,200*	*20,900*

(a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipts to taxation receipts in the 2022-23 March Budget to reflect the change in the nature of these receipts.

(c) Visa application charges were previously included in 'other taxes'.

(d) '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 5.9 provides a reconciliation of the 2022–23 October Budget revenue estimates with those at the 2022–23 March Budget and PEFO.

Table 5.9: Reconciliation of Australian Government general government revenue estimates from the 2022–23 March Budget

	Estimates				
	2022-23	2023-24	2024-25	2025-26	Total(a)
	$m	$m	$m	$m	$m
Revenue at 2022-23 March Budget	**560,947**	**595,660**	**621,741**	**655,232**	**2,433,579**
Changes from 2022-23 March Budget to 2022 PEFO					
Effect of policy decisions(b)	815	-120	-155	-155	385
Effect of parameter and other variations	86	101	102	155	445
Total variations	**901**	**-19**	**-53**	**0**	**830**
Revenue at 2022 PEFO	**561,848**	**595,641**	**621,687**	**655,232**	**2,434,409**
Changes from 2022 PEFO to 2022-23 October Budget					
Effect of policy decisions(b)	1,766	3,156	4,364	6,065	15,351
Effect of parameter and other variations	61,403	34,642	23,040	29,707	148,791
Total variations	**63,168**	**37,798**	**27,403**	**35,772**	**164,142**
Revenue at 2022-23 October Budget	**625,016**	**633,439**	**649,091**	**691,004**	**2,598,551**

(a) Total is equal to the sum of amounts from 2022–23 to 2025–26.
(b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Since PEFO, total revenue has been revised up by $63.2 billion in 2022–23 and by $164.1 billion over the 4 years to 2025–26.

The changes in the individual heads of revenue accrual estimates relative to PEFO are shown in Tables 5.10 and 5.11, for 2022–23 and 2023–24, respectively. For the 5-year accrual table, the accrual equivalent of Table 5.8, 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 5.10: Reconciliation of 2022–23 general government (accrual) revenue

	Estimates		Change from PEFO	
	PEFO	October Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	252,115	262,800	10,685	4.2
Gross other individuals	59,100	65,600	6,500	11.0
less: Refunds	41,115	41,800	685	1.7
Total individuals and other withholding tax	270,100	286,600	16,500	6.1
Fringe benefits tax	3,580	3,440	-140	-3.9
Company tax	92,200	129,900	37,700	40.9
Superannuation fund taxes	15,690	12,670	-3,020	-19.2
Petroleum resource rent tax	2,440	2,790	350	14.3
Income taxation revenue	**384,010**	**435,400**	**51,390**	**13.4**
Goods and services tax	82,460	86,820	4,360	5.3
Wine equalisation tax	1,190	1,210	20	1.7
Luxury car tax	880	1,120	240	27.3
Excise and customs duty				
Petrol	6,050	5,600	-450	-7.4
Diesel	12,880	13,220	340	2.6
Other fuel products	2,700	2,700	0	0.0
Tobacco	12,800	12,400	-400	-3.1
Beer	2,650	2,650	0	0.0
Spirits	3,080	3,480	400	13.0
Other alcoholic beverages(a)	1,220	1,500	280	23.0
Other customs duty				
Textiles, clothing and footwear	179	180	1	0.7
Passenger motor vehicles	311	420	109	35.0
Other imports	1,415	1,440	25	1.8
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	42,585	42,890	305	0.7
Major Bank Levy	1,570	1,570	0	0.0
Agricultural levies	560	623	63	11.3
Visa application charges(c)	2,139	2,565	426	19.9
Other taxes(b)(c)	5,589	5,670	80	1.4
Indirect taxation revenue	**136,974**	**142,468**	**5,494**	**4.0**
Taxation revenue	**520,984**	**577,868**	**56,884**	**10.9**
Sales of goods and services	18,326	18,371	45	0.2
Interest	3,751	8,192	4,441	118.4
Dividends and distributions	5,292	5,695	403	7.6
Other non-taxation revenue(b)	13,495	14,891	1,395	10.3
Non-taxation revenue	**40,864**	**47,149**	**6,285**	**15.4**
Total revenue	**561,848**	**625,016**	**63,168**	**11.2**
Memorandum:				
Total excise	*25,640*	*26,070*	*430*	*1.7*
Total customs duty	*16,945*	*16,820*	*-125*	*-0.7*
Capital gains tax(d)	*22,400*	*21,900*	*-500*	*-2.2*

(a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
(b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022-23 March Budget to reflect the change in the nature of this revenue.
(c) Visa application charges were previously included in 'other taxes'.
(d) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Table 5.11: Reconciliation of 2023–24 general government (accrual) revenue

	Estimates		Change from PEFO	
	PEFO	October Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	267,280	278,600	11,320	4.2
Gross other individuals	62,600	68,900	6,300	10.1
less: Refunds	34,300	36,000	1,700	5.0
Total individuals and other withholding tax	295,580	311,500	15,920	5.4
Fringe benefits tax	3,880	3,460	-420	-10.8
Company tax	89,200	101,700	12,500	14.0
Superannuation fund taxes	19,440	20,520	1,080	5.6
Petroleum resource rent tax	2,410	2,430	20	0.8
Income taxation revenue	**410,510**	**439,610**	**29,100**	**7.1**
Goods and services tax	85,920	88,630	2,710	3.2
Wine equalisation tax	1,220	1,210	-10	-0.8
Luxury car tax	850	860	10	1.2
Excise and customs duty				
Petrol	7,350	6,850	-500	-6.8
Diesel	15,170	15,670	500	3.3
Other fuel products	2,220	2,140	-80	-3.6
Tobacco	12,700	12,600	-100	-0.8
Beer	2,740	2,700	-40	-1.5
Spirits	3,140	3,510	370	11.8
Other alcoholic beverages(a)	1,270	1,620	350	27.6
Other customs duty				
Textiles, clothing and footwear	120	150	30	25.0
Passenger motor vehicles	90	380	290	321.8
Other imports	1,000	1,350	350	35.0
less: Refunds and drawbacks	700	700	0	0.0
Total excise and customs duty	45,100	46,270	1,170	2.6
Major Bank Levy	1,620	1,620	0	0.0
Agricultural levies	572	591	19	3.3
Visa application charges(c)	2,803	2,867	64	2.3
Other taxes(b)(c)	5,848	6,011	163	2.8
Indirect taxation revenue	**143,934**	**148,060**	**4,126**	**2.9**
Taxation revenue	**554,444**	**587,670**	**33,226**	**6.0**
Sales of goods and services	19,518	19,596	77	0.4
Interest	4,294	7,476	3,181	74.1
Dividends and distributions	5,681	6,169	489	8.6
Other non-taxation revenue(b)	11,704	12,528	825	7.0
Non-taxation revenue	**41,197**	**45,769**	**4,572**	**11.1**
Total revenue	**595,641**	**633,439**	**37,798**	**6.3**
Memorandum:				
Total excise	*31,420*	*31,850*	*430*	*1.4*
Total customs duty	*13,680*	*14,420*	*740*	*5.4*
Capital gains tax(d)	*21,600*	*21,300*	*-300*	*-1.4*

(a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
(b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022-23 March Budget to reflect the change in the nature of this revenue.
(c) Visa application charges were previously included in ‘other taxes’.
(d) ‘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 will publish an enhanced Tax Expenditures Statement in 2022–23. This will highlight distributional analysis for select major areas of tax expenditures, providing greater transparency to the public.

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 2021 Tax Benchmarks and Variations Statement, published in January 2022, based on economic parameters as at the publication of the 2021–22 MYEFO. It does not include the impact of policy decisions, or changes in the economic outlook since then on benchmark variations.

Table A.1: Estimates of large measured tax expenditures

Tax expenditures		Estimate $m 2022–23	2023–24	2024–25	2025–26
Large tax expenditures					
E8	Main residence exemption – discount component	33,500	35,000	34,500	35,500
E7	Main residence exemption	29,000	30,000	29,500	31,000
C4	Concessional taxation of superannuation entity earnings	26,350	20,000	19,900	21,050
C2	Concessional taxation of employer superannuation contributions	21,800	23,400	21,450	22,250
E15	Discount for individuals and trusts	11,730	12,270	12,870	12,620
B67	Accelerated depreciation for business entities	11,000	5,200	-7,400	-8,100
H26	Food	8,700	9,100	9,400	9,800
H14	Education	5,450	5,700	5,950	6,200
A25	Exemption for National Disability Insurance Scheme amounts	5,270	6,820	7,340	8,020
H17	Health – medical and health services	5,200	5,500	5,800	6,100
B83	Simplified depreciation rules	4,700	1,700	-5,000	-6,200
H2	Financial supplies – input taxed treatment	3,550	3,750	3,900	4,100
A26	Exemption of Child Care Assistance payments	2,700	2,900	2,900	3,100
B24	Temporary loss carry-back for certain incorporated entities	2,660	2,570	-880	-680
B12	Exemption from interest withholding tax on certain securities	2,410	2,410	2,410	2,410
D15	Exemption for public benevolent institutions (excluding hospitals)	2,300	2,400	2,300	2,400
A23	Concessional taxation of non-superannuation termination benefits	2,250	2,200	1,950	1,900
A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	2,050	2,050	2,050	2,050
B57	Lower company tax rate	2,000	2,500	3,200	3,100
D11	Exemption for public and not-for-profit hospitals and public ambulance services	2,000	2,000	1,900	2,000
H5	Child care services	1,880	1,980	2,120	2,270
C6	Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation	1,850	1,970	1,950	2,050
A38	Exemption of Family Tax Benefit payments	1,840	1,880	1,770	1,790
B2	Local government bodies income tax exemption	1,680	1,690	1,690	1,700
A55	Philanthropy – deduction for gifts to deductible gift recipients	1,645	1,760	1,830	1,790
A17	Exemption of the Private Health Insurance Rebate	1,560	1,640	1,690	1,620
H18	Health – residential care, community care and other care services	1,500	1,590	1,680	1,770
C3	Concessional taxation of personal superannuation contributions	1,350	1,400	1,500	1,400
C1	Concessional taxation of capital gains for superannuation funds	1,200	1,150	1,350	1,550
B78	Capital works expenditure deduction	1,200	1,210	1,210	1,130
A37	Exemption of certain income support benefits, pensions or allowances	1,200	1,250	1,200	1,210
B6	Reduced withholding tax under international tax treaties	1,170	1,350	1,550	1,800
H6	Water, sewerage and drainage	1,150	1,180	1,220	1,250
F6	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,020	1,070	1,150	1,180

Table A.1: Estimates of large measured tax expenditures (continued)

Tax expenditures		Estimate $m			
		2022–23	2023–24	2024–25	2025–26
Large negative tax expenditures					
F10	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-1,445	-1,485	-1,525	-1,570
F21	Customs duty	-1,850	-1,080	-1,120	-1,160

Statement 6:
Expenses and Net Capital Investment

Statement 6 presents estimates of the Australian Government general government sector (GGS) expenses and net capital investment by the functions of government. The functions are based on an international standard classification of functions of government that is incorporated into the Government Finance Statistics (GFS) reporting framework. Unless otherwise specified, tables in Statement 6 are presented in nominal fiscal terms.

Unless otherwise specified, explanatory text in Statement 6 is presented in real terms (that is, excluding the impact of inflation) to focus on trends in estimated function expenses and their underlying drivers. Underlying drivers of growth in expenditure have remained largely consistent with the 2022–23 March Budget. To emphasise underlying drivers, much of Statement 6 explains year-to-year changes across the forward estimates period (from 2022–23 to 2025–26). Some nominal increases in function expenditure across this period may be described as decreases in real terms. This occurs where forecast CPI growth exceeds underlying nominal program growth.

The Australian Government is focused on responsible domestic economic management at a time of uncertainty around the world. Australian Government GGS expenses are expected to grow from $650.9 billion in 2022–23 to $731.0 billion in 2025–26.

The main trends in functional expenditure are:

- in real terms, the strongest growth across the budget year and forward estimates is expected to occur in the social security and welfare, other purposes, defence and education functions.
- in real terms, the largest decline across the budget year and forward estimates is expected to occur in the other economic affairs function.
- net capital investment from 2022–23 to 2025–26 largely reflects a significant investment in defence capital projects.

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Statement 6: Expenses and Net Capital Investment

Overview

Australian Government general government sector (GGS) accrual expenses are expected to decrease by 2.2 per cent in real terms in 2022–23, which is primarily driven by the reduction in large-scale, economy-wide responses to the COVID-19 pandemic. Real growth in expenses is expected to increase to 2.8 per cent in 2024–25, and remain positive at 1.6 per cent in 2025–26.

As a percentage of GDP, total expenses are expected to be 26.2 per cent in 2022–23, increasing to 27.2 per cent in 2025–26.

Table 6.1.1: Estimates of general government sector expenses

	March Budget	Actual	Estimates			
	2021-22	2021-22	2022-23	2023-24	2024-25	2025-26
Total expenses ($b)	**639.6**	**623.0**	**650.9**	**666.5**	**702.3**	**731.0**
Real growth on previous year (%)(a)	-5.4	-8.5	-2.2	-1.9	2.8	1.6
Per cent of GDP	27.9	27.1	26.2	27.1	27.4	27.2

a) Real growth is calculated using the Consumer Price Index.

As set out in *Statement 3: Fiscal Strategy and Outlook* of Budget Paper No. 1, the Government also reports spending on an underlying cash basis. In cash terms, Government payments are estimated to decrease by 2.2 per cent in real terms in 2022–23, which is primarily driven by the reduction in large-scale, economy-wide responses to the COVID-19 pandemic. Annual real growth in payments is estimated to gradually increase to 2.4 per cent by 2025–26.

As a percentage of GDP, total payments are expected to be 25.9 per cent in 2022–23, increasing to 27.1 per cent by 2024–25.

Table 6.1.2: Estimates of general government sector payments

	March Budget	Actual	Estimates			
	2021-22	2021-22	2022-23	2023-24	2024-25	2025-26
Total payments ($b)	**636.4**	**616.3**	**644.1**	**665.5**	**694.2**	**728.6**
Real growth on previous year (%)(a)	-6.2	-9.8	-2.2	-1.0	1.8	2.4
Per cent of GDP	27.8	26.8	25.9	27.0	27.1	27.1

a) Real growth is calculated using the Consumer Price Index.

Table 6.2 provides a reconciliation of expense estimates between the 2022–23 March Budget and the 2022–23 October Budget, showing the effect of policy decisions, economic parameter and other variations.

Table 6.2: Reconciliation of expense estimates

	Estimates				
	2022-23 $m	2023-24 $m	2024-25 $m	2025-26 $m	Total $m
2022-23 March Budget expenses	**628,469**	**643,833**	**665,369**	**686,839**	**2,624,511**
Changes from 2022-23 March Budget to 2022-23 October Budget					
Effect of policy decisions(a)	3,252	1,760	9,719	13,065	27,795
Effect of economic parameter variations					
Total economic parameter variations	6,869	14,517	16,392	16,062	53,840
Unemployment benefits	*1,417*	*2,487*	*3,227*	*2,658*	*9,790*
Prices and wages	*2,209*	*9,266*	*11,611*	*11,355*	*34,441*
Interest and exchange rates	*121*	*168*	*227*	*327*	*843*
GST payments to the States	*3,122*	*2,595*	*1,327*	*1,722*	*8,766*
Public debt interest	2,604	2,926	4,612	7,346	17,488
Program specific parameter variations	6,597	1,226	4,270	7,524	19,617
Other variations	3,132	2,202	1,891	125	7,350
Total variations	**22,453**	**22,632**	**36,884**	**44,121**	**126,089**
2022-23 October Budget expenses	**650,922**	**666,465**	**702,253**	**730,960**	**2,750,600**

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

The combined impact of policy decisions and variations to program estimates has increased nominal expenses by $126.1 billion over the 4 years from 2022–23 to 2025–26 compared to the 2022–23 March Budget.

Since the 2022–23 March Budget, variations related to economic parameters have increased expenses by $53.8 billion, largely driven by significant and rapid changes in global and domestic economic conditions. The higher than expected inflation outcomes, and changed economic forecasts, results in an increase in prices and wages of $34.4 billion. The higher unemployment rate projections have also led to an increase in estimated expenses related to unemployment benefits of $9.8 billion.

Estimated expenses by function

Table 6.3 sets out the estimates of Australian Government general government sector expenses by function for the period 2021–22 to 2025–26.

Table 6.3: Estimates of expenses by function

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
General public services	31,273	30,280	27,175	28,732	27,895
Defence	38,246	38,303	39,437	41,290	44,133
Public order and safety	6,658	7,148	6,729	6,575	6,007
Education	43,225	46,317	48,278	50,072	51,977
Health	106,185	109,694	104,074	107,667	111,592
Social security and welfare	221,427	228,791	241,937	256,360	271,057
Housing and community amenities	7,033	7,826	7,158	7,444	6,802
Recreation and culture	4,270	4,880	4,519	4,420	4,399
Fuel and energy	9,437	9,134	11,287	15,490	12,079
Agriculture, forestry and fishing	3,185	5,034	4,504	2,950	2,734
Mining, manufacturing and construction	3,816	4,945	4,678	4,069	4,047
Transport and communication	11,503	15,351	17,068	17,177	16,746
Other economic affairs	21,781	13,920	11,649	11,147	10,843
Other purposes	115,011	129,299	137,972	148,858	160,650
Total expenses	**623,050**	**650,922**	**666,465**	**702,253**	**730,960**

Major expense trends from 2022–23 over the forward years (in nominal terms) include movements in the following functions:

- **Defence** – the increase in expenses from 2022–23 to 2025–26 reflects the increased investment required to deliver the plans set out in the *2016 Defence White Paper* and the *2020 Force Structure Plan*.

- **Education** – the increase in expenses from 2022–23 to 2025–26 reflects the funding arrangements implemented under the Quality Schools Package.

- **Health** – the decrease in expenses from 2022–23 to 2023–24 reflects the cessation of temporary measures responding to the COVID-19 pandemic, while the overall increase to 2025–26 is primarily driven by expected growth in the **assistance to the states for public hospitals** sub-function, largely reflecting anticipated growth in the volume of services.

- **Social security and welfare** – the increase from 2022–23 to 2025–26 is due largely to the impact of the 2022–23 October Budget measures *Plan for Cheaper Child Care* and *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families* in the **assistance to families with children** sub-function; as well as higher estimated expenses for participant supports through the National Disability Insurance Scheme under the **assistance to people with disabilities** sub-function.

- **Transport and communication** – the increase in expenses from 2022–23 to 2025–26 is driven by the Government's investment in road and rail projects, including through the 2022–23 October Budget measure *Building a Better Future through considered Infrastructure Investment.*

- **Other economic affairs** – the decrease in expenses from 2022–23 to 2025–26 is primarily driven by the cessation of temporary COVID-19 support, including the closure of the Boosting Apprenticeship Commencements wage subsidy to new entrants from 30 June 2022.

- **Other purposes** – the increase in expenses from 2022–23 to 2025–26 largely reflects growing general revenue assistance payments (largely GST) to be made to the states and territories, expenses related to public debt interest, and the conservative bias allowance component of the Contingency Reserve.

Together, the social security and welfare, health, defence and education functions account for 65 per cent of all government expenses in 2022–23 (see Box 6.1). Changes to the levels of expenditure within these functions significantly impact total Government spending. Further details of spending trends in all functions, are set out under individual function headings.

Box 6.1: Where does government spending go in 2022–23?

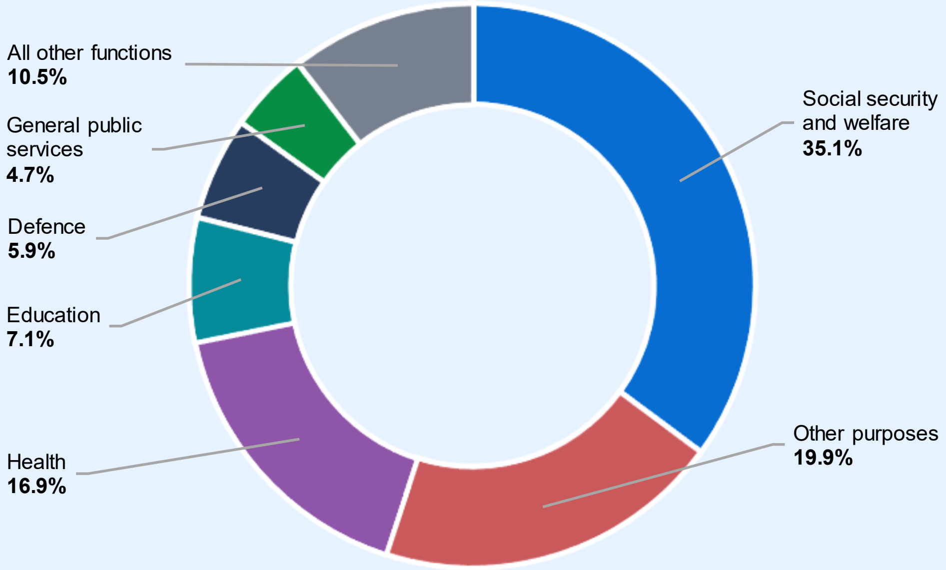
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers and unemployed people.

Over 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 2022–23



The estimates presented in the chart above are explained in greater detail under each individual function in the following pages.

Program expenses

Table 6.3.1 reports the top 20 expense programs in the 2022–23 financial year. These programs represent more than two thirds of total expenses in that year. More than half of the top 20 expense programs provide financial assistance or services to the aged, families, people with disability, students, carers and the unemployed.

Table 6.3.1: Top 20 programs by expenses in 2022–23

		Actual	Estimates			
		2021-22	2022-23	2023-24	2024-25	2025-26
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	77,531	88,451	91,548	94,562	96,427
Support for Seniors	SSW	51,299	55,293	59,780	62,562	65,744
National Disability Insurance Scheme(b)	SSW	29,866	35,497	39,757	45,460	51,784
Medical Benefits	Health	28,988	31,269	32,214	34,011	35,806
Aged Care Services	SSW	23,102	27,084	29,741	32,773	34,728
Assistance to the States for Public Hospitals	Health	24,230	26,575	28,325	30,030	31,982
Commonwealth Debt Management	Other purposes	18,517	22,421	24,165	27,701	31,993
Family Assistance	SSW	18,380	20,550	22,284	23,464	24,503
Financial Support for People with Disability	SSW	18,375	19,392	20,919	21,653	22,372
Pharmaceutical Benefits	Health	15,532	18,077	17,033	17,145	17,220
Non-Government Schools National Support	Education	15,365	16,365	17,259	17,949	18,578
Job Seeker Income Support	SSW	15,866	14,006	14,700	15,560	15,537
Child Care Subsidy	SSW	9,807	10,633	12,768	13,489	14,133
Financial Support for Carers	SSW	9,837	10,568	11,497	12,163	12,787
Government Schools National Support	Education	9,671	10,420	11,025	11,511	12,007
Defence Force Superannuation – Benefits(c)	Other purposes; General public services	10,503	9,571	9,254	9,637	10,075
Public Sector Superannuation – Benefits(c)	Other purposes; General public services	8,541	9,435	9,471	9,499	9,833
National Partnership Payments – Road Transport	Transport and communication	5,496	8,330	10,085	10,327	9,560
Fuel Tax Credits Scheme	Fuel and energy	7,058	7,762	9,852	10,532	11,288
Army Capabilities	Defence	7,368	7,611	8,393	8,499	8,619
Sub-total		**405,332**	**449,311**	**480,070**	**508,527**	**534,978**
Other programs		217,717	201,611	186,395	193,726	195,982
Total expenses		**623,050**	**650,922**	**666,465**	**702,253**	**730,960**

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 combination of superannuation nominal interest and accrual expenses.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Legislative and executive affairs	1,864	1,580	1,509	1,768	1,445
Financial and fiscal affairs	8,898	8,524	8,522	8,588	8,809
Foreign affairs and economic aid	6,096	8,544	6,758	7,773	6,872
General research	3,291	3,758	4,005	4,143	4,187
General services	903	973	921	910	923
Government superannuation benefits	10,221	6,900	5,459	5,550	5,657
Total general public services	**31,273**	**30,280**	**27,175**	**28,732**	**27,895**

Total general public services expenses are estimated to decrease by 15.9 per cent in real terms from 2022–23 to 2025–26, due to decreased expenditure in real terms across multiple sub-functions.

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 federal election in 2024–25.

Expenses in the **financial and fiscal affairs** sub-function are expected to decrease by 5.7 per cent in real terms from 2022–23 to 2025–26. This reflects the termination of a number of tax compliance measures.

Total expenses under the **foreign affairs and economic aid** sub-function are expected to decrease by 26.6 per cent in real terms from 2022–23 to 2025–26. The variation in the profile of expenses across the forward estimates largely reflects the impact of financing provided through Export Finance Australia and the payment cycles of Australia's contributions under funding arrangements for multilateral funds. The decrease in total expenses in real terms is partially offset by increased Official Development Assistance provided to the Pacific and Southeast Asia as part of the 2022–23 October Budget measure *Additional Official Development Assistance.*

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Foreign aid(b)	3,755	4,588	4,120	5,171	4,228
Diplomacy(c)	1,209	1,324	1,238	1,235	1,290
Payments to international organisations	332	426	421	417	410
Passport services	229	279	290	293	294
International police assistance	162	190	190	164	167
International agriculture research and development	104	119	116	115	118
Consular services	146	141	140	142	128
Finance and insurance services for Australian exporters and investors	22	1,346	106	111	111
Other	138	131	137	126	127
Total	**6,096**	**8,544**	**6,758**	**7,773**	**6,872**

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 (ARC).

Total expenses under this sub-function are expected to increase by 1.7 per cent in real terms from 2022–23 to 2025–26. This increase primarily reflects the revised funding profile of the 2022–23 March Budget measure *Investing in Australia's University Research Commercialisation*. The revised funding profile will enable interim pilot arrangements for Australia's Economic Accelerator, ahead of legislation being introduced to establish the full program, and a 1 July 2023 start for the Department of Education National Industry PhD Program and ARC Industry Fellowship Grants.

Table 6.4.2 sets out the major components of the **general research** sub-function.

Table 6.4.2: Trends in the major components of general research sub-function expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Research – science services and innovation fund	1,318	1,499	1,553	1,499	1,516
Discovery – research and research training	508	512	553	598	624
Science and technology solutions	418	405	412	421	428
Linkage – cross sector research partnerships	294	321	348	376	403
Supporting science and commercialisation	382	457	382	337	339
Research capacity	264	423	625	784	749
Other	109	140	132	128	128
Total	**3,291**	**3,758**	**4,005**	**4,143**	**4,187**

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. Total expenses are expected to decrease by 13.4 per cent in real terms from 2022–23 to 2025–26. The variation is in part due to the profile of insurance claims expenditure over the forward estimates.

The decrease in expenses from 2022–23 to 2025–26 in the **government superannuation benefits** sub-function primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2021–22 and 2022–23 were 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 were between 1.6 and 2.3 per cent per annum for 2021–22, and 3.7 and 3.9 per cent per annum for 2022–23. 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 forward estimates.

Defence

The defence function includes expenses incurred by the Department of Defence (Defence) and related agencies. Defence expenses support Australian military operations overseas, the delivery of capabilities across the Land, Maritime, Air, Space, and Information and Cyber domains, and strategic policy advice in the defence of Australia and its national interests.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Defence	38,246	38,303	39,437	41,290	44,133
Total defence	**38,246**	**38,303**	**39,437**	**41,290**	**44,133**

Total expenses for the **defence** sub-function are estimated to increase by 5.2 per cent in real terms over the period 2022–23 to 2025–26. The real growth reflects funding required by Defence to continue delivery of the *2016 Defence White Paper* and new or adjusted capability investments outlined in the *2020 Force Structure Plan*, as well as increased investment in the capabilities of the Australian Signals Directorate through Project REDSPICE.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Courts and legal services	1,611	1,706	1,616	1,547	1,053
Other public order and safety	5,047	5,442	5,113	5,028	4,954
Total public order and safety	**6,658**	**7,148**	**6,729**	**6,575**	**6,007**

Total expenses for the public order and safety function are estimated to decrease by 23.3 per cent in real terms over the period 2022–23 to 2025–26.

Expenses within the **courts and legal services** sub-function are estimated to decrease by 43.7 per cent in real terms from 2022–23 to 2025–26, 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 by 16.9 per cent in real terms from 2022–23 to 2025–26, partially reflecting the provision of supplementary funding on an annual basis to the Australian Border Force, annual funding for the Office of the Special Investigator, and terminating measures.

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Policing and law enforcement	3,632	3,979	3,736	3,637	3,549
Border protection	1,415	1,463	1,377	1,391	1,405
Total	**5,047**	**5,442**	**5,113**	**5,028**	**4,954**

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Higher education	10,656	10,609	10,863	11,381	11,777
Vocational and other education	2,077	2,270	2,126	2,338	2,518
Schools	25,036	26,785	28,284	29,460	30,585
Non-government schools	*15,365*	*16,365*	*17,259*	*17,949*	*18,578*
Government schools	*9,671*	*10,420*	*11,025*	*11,511*	*12,007*
School education – specific funding	721	1,177	1,080	746	801
Student assistance	4,401	5,168	5,609	5,836	5,990
General administration	333	307	316	312	307
Total education	**43,225**	**46,317**	**48,278**	**50,072**	**51,977**

Total education function expenses are expected to increase by 2.4 per cent in real terms from 2022–23 to 2025–26.

Expenses under the **higher education** sub-function are expected to increase by 1.3 per cent in real terms from 2022–23 to 2025–26. Drivers of the increase include the provision of 20,000 additional Commonwealth supported places commencing in 2023 and 2024 under the 2022–23 October Budget measure *Strengthening Australia's Higher Education Sector*.

Expenses under the **vocational and other education** sub-function are expected to increase by 1.2 per cent in real terms between 2022–23 and 2025–26. The increase in expenses is primarily driven by 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.

Aggregate schools funding expenses are expected to increase by 4.2 per cent in real terms from 2022–23 to 2025–26. Expenses under the **schools – non-government schools** sub-function are expected to increase by 3.6 per cent in real terms from 2022–23 to 2025–26. Expenses under the **schools – government schools** sub-function are expected to increase by

5.2 per cent in real terms from 2022–23 to 2025–26. The increase in expenses for schools funding over the forward years primarily reflects the funding arrangements implemented under the Quality Schools Package.

Expenses under the **school education – specific funding** sub-function are expected to decrease by 37.9 per cent in real terms from 2022–23 to 2025–26. This is primarily driven by the 2022–23 October Budget measures *Student Wellbeing Boost* and *Schools Upgrade Fund,* which terminate in 2023–24.

Expenses under the **student assistance** sub-function are expected to increase by 5.8 per cent in real terms from 2022–23 to 2025–26. This is largely due to an increase in the value of Higher Education Loan Program (HELP) loans issued under 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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Medical services and benefits	37,306	39,893	40,819	42,812	44,835
Pharmaceutical benefits and services	16,273	18,934	17,854	17,968	18,044
Assistance to the states for public hospitals	24,230	26,575	28,325	30,030	31,982
Hospital services(a)	1,049	1,065	1,082	1,115	1,153
Health services	21,691	17,949	11,202	11,060	10,999
General administration	4,648	4,157	3,569	3,392	3,333
Aboriginal and Torres Strait Islander health	989	1,122	1,223	1,290	1,246
Total health	**106,185**	**109,694**	**104,074**	**107,667**	**111,592**

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 estimated to decrease by 7.2 per cent in real terms over the period 2022–23 to 2025–26, largely due to the profile of expenditure for measures responding to the COVID-19 pandemic, which are primarily in 2021–22 and 2022–23. This includes the 2022–23 October Budget measures *COVID-19 Package – Medicare and medicines*, *COVID-19 Package – aged care*, *COVID-19 Package – vaccines and treatments*, and *COVID-19 Package – hospitals and emergency response,* and the 2022–23 March Budget measures *COVID-19 Response Package – vaccines and treatments* and *COVID-19 Response Package – supporting hospitals and emergency response extension*.

The **medical services and benefits** sub-function, which primarily consists of Medicare and Private Health Insurance Rebate expenses, comprises 36.4 per cent of total estimated health expenses for 2022–23. Expenses under this sub-function are estimated to increase by 2.6 per cent in real terms over the period 2022–23 to 2025–26.

Expenses for medical benefits are expected to increase by 4.5 per cent in real terms over the period 2022–23 to 2025–26, largely as a result of population growth, ongoing growth in the use of medical services, and the use of high value items on the Medicare Benefits Schedule. Expenses for the private health insurance component are expected to decrease by 1.6 per cent in real terms over the period 2022–23 to 2025–26.

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Medical benefits	28,988	31,269	32,214	34,011	35,806
Private health insurance	6,756	6,901	7,013	7,207	7,443
General medical consultations and services	659	710	705	699	683
Dental services(b)	281	344	348	352	352
Other	622	669	539	544	551
Total	**37,306**	**39,893**	**40,819**	**42,812**	**44,835**

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 decrease by 13.0 per cent in real terms over the period 2022–23 to 2025–26, primarily due to the impacts of existing pricing policies under the Pharmaceutical Benefits Scheme.

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Pharmaceutical benefits, services and supply	15,532	18,077	17,033	17,145	17,220
Immunisation	427	477	479	480	481
Veterans' pharmaceutical benefits	314	379	341	343	343
Total	**16,273**	**18,934**	**17,854**	**17,968**	**18,044**

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 by 9.8 per cent in real terms over the period 2022–23 to 2025–26, reflecting the Government's agreement with states and territories for the Commonwealth to fund 45.0 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. Expenditure for this sub-function is expected to decrease by 1.1 per cent in real terms over the period 2022–23 to 2025–26. The decrease in expenses reflects the expected reduction in the number of older veterans in the population who are the primary users of these services.

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. Health services expenditure is expected to decrease by 44.1 per cent in real terms over the period from 2022–23 to 2025–26, largely driven by the impact of measures responding to the COVID-19 pandemic, with expenditure primarily in 2021–22 and 2022–23. This includes the 2022–23 October Budget measure *COVID-19 Package – vaccines and treatments* and the 2022–23 March Budget measure *COVID-19 Response Package – vaccines and treatments.*

The **general administration** sub-function includes the Government's general administrative costs, 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 by 26.8 per cent in real terms over the period 2022–23 to 2025–26, largely driven by a reduction in primary health care spending between 2022–23 and 2023–24 arising from terminating measures to respond to the COVID-19 pandemic, including the 2022–23 October Budget measure *COVID-19 Package – hospitals and emergency response.*

Expenses in the **Aboriginal and Torres Strait Islander health** sub-function are expected to increase by 1.4 per cent in real terms over the period 2022–23 to 2025–26. The increase reflects the Government's commitment to close the gap for First Nations peoples' health and wellbeing through the 2022–23 October Budget measure *Strengthening First Nations Health*.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Assistance to the aged	76,283	85,888	91,540	97,277	102,454
Assistance to veterans and dependants	7,480	8,232	7,075	7,010	7,024
Assistance to people with disabilities	61,040	69,257	75,133	81,096	88,781
Assistance to families with children	37,375	40,656	44,825	46,955	48,901
Assistance to the unemployed and the sick	15,866	14,006	14,700	15,560	15,537
Other welfare programs	16,175	2,623	1,508	1,424	1,373
Assistance for Indigenous Australians nec	2,492	2,958	2,820	2,859	2,939
General administration	4,716	5,170	4,336	4,180	4,047
Total social security and welfare	**221,427**	**228,791**	**241,937**	**256,360**	**271,057**

Expenses in the social security and welfare function are estimated to increase by 8.1 per cent in real terms from 2022–23 to 2025–26, primarily driven by increases in expenditure on 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 8.9 per cent in real terms from 2022–23 to 2025–26. The Aged Care Services program is a key driver of this growth, with expenses estimated to increase by 17.0 per cent in real terms from 2022–23 to 2025–26. This primarily reflects growth in the residential aged care population and funding for increased care minutes and requiring registered nurses on site 24 hours per day, 7 days a week as part of the 2022–23 October Budget measure *Fixing the Aged Care Crisis.*

The other significant driver to the overall growth in expenditure for the **assistance to the aged** sub-function is the Support for Seniors program, which is estimated to increase by 8.5 per cent in real terms from 2022–23 to 2025–26. Real growth in expenditure over the forward estimates reflects 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 by 87.8 per cent in real terms from 2022–23 to 2025–26 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*, in response to immediate safety concerns raised by the Royal Commission into Aged Care Quality and Safety, as well as terminating COVID-19 support measures. This reduction is partially offset by the 2022–23 October Budget measure *COVID-19 Package – aged care*.

Expenses for veterans' community care and support are estimated to decrease by 8.4 per cent in real terms from 2022–23 to 2025–26, reflecting an expected decline in the number of veterans and dependents.

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Support for Seniors	51,299	55,293	59,780	62,562	65,744
Aged Care Services	23,102	27,084	29,741	32,773	34,728
Veterans' Community Care and Support	856	908	798	871	911
Aged Care Quality	534	1,687	338	228	225
Access and information	311	659	651	648	653
National Partnership Payments – Assistance to the Aged	15	34	30	0	0
Other	167	223	202	195	192
Total	**76,283**	**85,888**	**91,540**	**97,277**	**102,454**

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 decrease by 22.1 per cent in real terms from 2022–23 to 2025–26. The decrease is mainly attributable to the declining veteran population.

Expenses for the **assistance to people with disabilities** sub-function are expected to increase by 17.0 per cent in real terms from 2022–23 to 2025–26. This increase largely reflects an increase in the number of people with disability participating in the National Disability Insurance Scheme (NDIS) over the forward estimates period, and increases in individual support costs, which contribute to 33.1 per cent growth in expenses in real terms from 2022–23 to 2025–26 for the NDIS.

Expenses for the Financial Support for People with Disability program, which primarily consists of the Disability Support Pension, are estimated to increase by 5.3 per cent in real terms from 2022–23 to 2025–26, predominantly reflecting growth in estimated recipient numbers.

Expenses for the Financial Support for Carers component are estimated to increase by 6.8 per cent in real terms from 2022–23 to 2025–26, mainly 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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
National Disability Insurance Scheme(b)	29,866	35,497	39,757	45,460	51,784
National Disability Insurance Scheme – Quality and Safeguards	81	89	74	73	73
Financial Support for People with Disability	18,375	19,392	20,919	21,653	22,372
Financial Support for Carers	11,477	12,434	13,239	13,910	14,552
National Partnership Payments – Assistance to People with Disabilities	1,240	1,845	1,143	0	0
Total	**61,040**	**69,257**	**75,133**	**81,096**	**88,781**

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 9.8 per cent in real terms from 2022–23 to 2025–26. The major programs impacting this trend include Family Assistance, Parents Income Support, and the Child Care Subsidy.

Family Assistance expenses are expected to increase by 8.8 per cent in real terms from 2022–23 to 2025–26, primarily driven by the 2022–23 October Budget measure *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families,* which expands the Paid Parental Leave Scheme by an additional two weeks a year, until it reaches a full 26 weeks from 1 July 2026.

The **assistance to families with children** sub-function profile also includes an increase of 21.3 per cent in real terms from 2022–23 to 2025–26 for the child care subsidy component. The increase primarily reflects the 2022–23 October Budget measure *Plan for Cheaper Child Care,* which will increase 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.

Expenses for the support for the child care system component are expected to decrease by 30.9 per cent in real terms from 2022–23 to 2025–26. The decrease primarily reflects the cessation of additional funding for the Inclusion Support Program provided through the 2021–22 MYEFO measure *COVID-19 Response Package – transitional support for the child care sector*.

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Family Assistance	18,387	20,550	22,284	23,464	24,503
Child Care Subsidy	9,801	10,633	12,768	13,489	14,133
Parents income support	5,923	6,113	6,465	6,686	6,923
Child Support	2,125	1,943	1,975	1,996	2,019
Support for the child care system	279	406	314	312	307
Families and Children	617	741	738	725	730
Family relationship services	229	252	265	265	269
Other	14	20	17	18	17
Total	**37,375**	**40,656**	**44,825**	**46,955**	**48,901**

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 1.2 per cent in real terms from 2022–23 to 2025–26. The increase in expenditure largely reflects the weaker outlook for the unemployment rate over 2023–24 and 2024–25, and higher than anticipated levels of recipients in the near term. Expenses for the **other welfare programs** sub-function are expected to decrease by 52.2 per cent in real terms from 2022–23 to 2025–26 as a result of the cessation of the Pandemic Leave Disaster Payment on 14 October 2022 and the temporary nature of the High Risk Settings Pandemic Payment introduced in the 2022–23 October Budget measure *Pandemic Support Payment Extensions*.

Expenses for the **assistance for Indigenous Australians not elsewhere classified (nec)** sub-function are estimated to decrease by 9.3 per cent in real terms from 2022–23 to 2025–26. This decrease over the forward estimates is largely 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 cessation of initiatives under the Culture and Capability component of the Indigenous Advancement Strategy.

Expenses for the **general administration** sub-function are estimated to decrease by 28.6 per cent in real terms from 2022–23 to 2025–26, due to the provision of funding for services for 2022–23 through the 2022–23 October Budget measure *Administration of COVID-19 and Emergency Payments.*

Housing and community amenities

The housing and community amenities function includes expenses for the Australian 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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Housing	4,154	3,508	3,251	3,395	3,284
Urban and regional development	1,337	2,214	1,845	1,937	1,642
Environment protection	1,542	2,103	2,062	2,112	1,876
Total housing and community amenities	**7,033**	**7,826**	**7,158**	**7,444**	**6,802**

Total expenses under the housing and community amenities function are estimated to decrease by 20.7 per cent in real terms from 2022–23 to 2025–26.

The **housing** sub-function includes the Australian 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 by 14.6 per cent in real terms from 2022–23 to 2025–26. This is largely driven by the cessation of the temporary HomeBuilder program in 2022–23 and decreasing payments under the National Rental Affordability Scheme which is now closed to new applicants. These impacts are partially offset by expenses related to the Housing Australia Future Fund.

The Australian Government's support for housing extends to guarantees, loans and other balance sheet investments which go beyond the expenses reported in this Statement. The Housing Australia Future Fund will be established with an investment of $10 billion through the 2022–23 October Budget measure *Safer and More Affordable Housing*, which will provide up to $500 million each year to support investment in social and affordable housing. Support through the National Housing Finance and Investment Corporation includes several guarantee programs to support individuals to enter the housing market sooner, including the Regional First Home Buyer Guarantee established in the 2022–23 October Budget measure *Safer and More Affordable Housing*. The Australian Government is also establishing the Help to Buy scheme to assist homebuyers to purchase a new or existing home with an equity contribution from the Government.

The **urban and regional development** sub-function comprises City and Regional Deals, services to territories, and regional development programs. Expenses are estimated to decrease by 32.3 per cent in real terms from 2022–23 to 2025–26, largely reflecting the conclusion of a number of City and Regional Deals and components of the 2022–23 March Budget measure *Flood Package*.

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 are estimated to decrease by 18.6 per cent in real terms from 2022–23 to 2025–26, primarily due to the re-profiling of project funding under the National Water Grid Fund, changes to the funding profile of waste and recycling measures, and higher upfront investment under the 2022–23 October Budget measure *Department of Climate Change, Energy, the Environment and Water – additional resourcing*. These decreases are partially offset by increases to investment in water infrastructure through the 2022–23 October Budget measure *National Water Grid – delivering commitments*.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Broadcasting	1,559	1,669	1,669	1,723	1,746
Arts and cultural heritage	1,579	1,919	1,743	1,671	1,669
Sport and recreation	537	624	489	395	369
National estate and parks	595	668	618	631	614
Total recreation and culture	**4,270**	**4,880**	**4,519**	**4,420**	**4,399**

Total expenses under the recreation and culture function are estimated to decrease by 17.7 per cent in real terms over the period 2022–23 to 2025–26.

Expenses under the **broadcasting** sub-function are estimated to decrease by 4.5 per cent in real terms from 2022–23 to 2025–26. However, expenditure increases in nominal terms in line with the 3-year funding agreements in place with the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service Corporation (SBS). The Government will introduce 5-year funding terms for the ABC and 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)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
ABC general operational activities	948	965	984	1,027	1,034
SBS general operational activities	385	439	414	415	422
ABC transmission and distribution services	156	194	198	207	211
SBS transmission and distribution services	70	70	74	75	79
Total	**1,559**	**1,669**	**1,669**	**1,723**	**1,746**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses under the **arts and cultural heritage** sub-function are estimated to decrease by 20.6 per cent in real terms from 2022–23 to 2025–26. This sub-function includes funding for the arts and cultural institutions. The expected decrease is partly driven by the wind down of COVID-19 support for the arts sector, and a one-off increase in expenses in 2022–23 for the Australian Screen Production Incentive due to the impact of COVID-19 on eligible activities in 2021–22.

Expenses under the **sport and recreation** sub-function are estimated to decrease by 46.0 per cent in real terms from 2022–23 to 2025–26, largely reflecting the expected completion of grant funding for time-limited, community-led projects to increase participation in sport and physical activity following COVID-19, and the completion of elements of the national sport plan, *Sport 2030*.

Expenses under the **national estate and parks** sub-function are estimated to decrease by 16.1 per cent in real terms from 2022–23 to 2025–26, largely due to the cessation of temporary investment in the management of Commonwealth National Parks in 2022–23 through the 2022–23 March Budget measure *Supporting the Management of Commonwealth 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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Fuel and energy	9,437	9,134	11,287	15,490	12,079
Total fuel and energy	**9,437**	**9,134**	**11,287**	**15,490**	**12,079**

Fuel and energy expenses are estimated to increase by 20.7 per cent in real terms over the period 2022–23 to 2025–26.

The major program within this sub-function is the Fuel Tax Credits Scheme, which is estimated to increase by 32.7 per cent in real terms from 2022–23 to 2025–26. This largely reflects reduced expenses for the Fuel Tax Credits Scheme in the first three months of the 2022–23 financial year as a result of the 2022–23 March Budget measure *Addressing Cost of Living Pressures – temporary reduction in fuel excise*, and an expected increase in the use of fuels that are eligible for the Fuel Tax Credits Scheme in later years.

Expenses under the Resources and Energy component are estimated to decrease by 82.1 per cent in real terms from 2022–23 to 2025–26, reflecting the funding profile associated with programs such as the National Radioactive Waste Management Program and the Critical Minerals Development Program.

Expenses under the Renewable Energy component are expected to decrease by 3.1 per cent in real terms from 2022–23 to 2025–26. Consistent with budget accounting standards, renewable energy related expenses include the concessional component of concessional loans made by the Clean Energy Finance Corporation, primarily those expected to be made under the 2022–23 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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Fuel Tax Credits Scheme	7,058	7,762	9,852	10,532	11,288
Resources and Energy	1,630	201	131	66	39
Renewable Energy	173	471	642	4,438	500
Other	576	700	662	454	251
Total	**9,437**	**9,134**	**11,287**	**15,490**	**12,079**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Wool industry	58	67	72	74	77
Grains industry	199	238	240	240	240
Dairy industry	55	55	55	56	57
Cattle, sheep and pig industry	249	260	266	275	280
Fishing, horticulture and other agriculture	412	567	387	363	342
General assistance not allocated to specific industries	35	40	41	41	41
Rural assistance	334	489	335	369	421
Natural resources development	722	2,140	2,080	572	401
General administration	1,121	1,178	1,030	959	876
Total agriculture, forestry and fishing	**3,185**	**5,034**	**4,504**	**2,950**	**2,734**

Total expenses under this function are estimated to decrease by 50.4 per cent in real terms over the period 2022–23 to 2025–26.

The **rural assistance** sub-function is expected to decrease by 21.4 per cent in real terms over the period 2022–23 to 2025–26 due to the timing of concessional loan discount expenses on loans issued by the Regional Investment Corporation.

The **natural resources development** sub-function is expected to decrease by 82.9 per cent in real terms over the period 2022–23 to 2025–26 reflecting the currently scheduled completion of water reform activities under the Murray-Darling Basin Plan in 2023–24.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Mining, manufacturing and construction	3,816	4,945	4,678	4,069	4,047
Total mining, manufacturing and construction	**3,816**	**4,945**	**4,678**	**4,069**	**4,047**

Total expenses under the mining, manufacturing and construction function are expected to decrease by 25.3 per cent in real terms over the period 2022–23 to 2025–26.

Expenses for the Research and Development Tax Incentive administered by the Australian Taxation Office, are expected to remain constant in real terms from 2022–23 to 2025–26, reflecting the number and size of expected claims from eligible companies with an annual turnover of less than $20 million.

Expenses under the Growing Business Investment component are expected to decrease by 87.1 per cent in real terms from 2022–23 to 2025–26. The decrease in expenditure reflects 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 2022–23 October Budget measures *Supporting Australian Industry* and *Supporting Talent and Leadership in Australian Science and Technology*.

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 by 4.7 per cent in real terms from 2022–23 to 2025–26 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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Research and Development Tax Incentive	3,083	3,042	3,047	3,181	3,334
Growing Business Investment	407	1,269	740	260	180
Northern Australia Infrastructure Facility	124	200	491	271	208
Other	202	434	400	357	325
Total	**3,816**	**4,945**	**4,678**	**4,069**	**4,047**

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Communication	1,941	1,750	1,721	1,647	1,605
Rail transport	1,701	3,561	3,646	3,614	3,952
Air transport	1,169	469	377	361	392
Road transport	6,026	8,890	10,619	10,860	10,086
Sea transport	440	459	486	494	494
Other transport and communication	225	222	220	200	216
Total transport and communication	**11,503**	**15,351**	**17,068**	**17,177**	**16,746**

Total expenses under this function are estimated to decrease by 0.4 per cent in real terms over the period 2022–23 to 2025–26.

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 by 16.3 per cent in real terms from 2022–23 to 2025–26. The decrease primarily reflects the conclusion of a number of communications programs including the Mobile Black Spot Program and the Connecting Northern Australia initiative. The Government is investing to improve mobile broadband connectivity and resilience through the 2022–23 October Budget measure *Better Connectivity Plan for Regional and Rural Australia*.

Expenses under the **rail transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program. Expenses are estimated to increase by 1.3 per cent in real terms from 2022–23 to 2025–26, reflecting the Government's investment in priority rail projects, including the Suburban Rail Loop through the 2022–23 October Budget measure *Building a Better Future through considered Infrastructure Investment.*

Expenses under the **air transport** and **sea transport** sub-functions primarily relate to activities of the safety regulators – the Civil Aviation Safety Authority and the Australian Maritime Safety Authority (AMSA), and aviation related initiatives. Total expenses under the **air transport** sub-function are estimated to decrease by 23.9 per cent in real terms from 2022–23 to 2025–26 associated with the conclusion of a number of aviation initiatives including the Regional Airports Program, Enhanced Regional Security Screening and Remote Aviation Access Program. Total expenses under the **sea transport** sub-function are estimated to decrease by 1.8 per cent in real terms from 2022–23 to 2025–26, reflecting a reduction in levy revenue and costs for AMSA.

Expenses under the **road transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program and are estimated to increase by 3.5 per cent in real terms from 2022–23 to 2025–26. The increase in expenditure reflects the Government's investment in road projects, including through the 2022–23 October Budget measure *Building a Better Future through considered Infrastructure Investment.*

Total expenses under the **other transport and communication** sub-function are estimated to decrease by 11.0 per cent in real terms from 2022–23 to 2025–26, reflecting the cessation of temporary program support provided through the 2022–23 March Budget measure *Infrastructure Investment – Priority Regional Infrastructure Investments*.

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Tourism and area promotion	189	214	178	177	176
Total labour and employment affairs	7,592	6,561	5,317	5,115	4,886
Vocational and industry training	*4,664*	*3,577*	*2,082*	*1,955*	*1,711*
Labour market assistance to job seekers and industry	*2,265*	*2,266*	*2,481*	*2,395*	*2,391*
Industrial relations	*662*	*718*	*754*	*765*	*784*
Immigration	3,409	3,582	3,211	3,008	2,952
Other economic affairs nec	10,592	3,564	2,943	2,847	2,829
Total other economic affairs	**21,781**	**13,920**	**11,649**	**11,147**	**10,843**

Total expenses for the other economic affairs function are estimated to decrease by 28.9 per cent in real terms over the period 2022–23 to 2025–26.

Expenses under the **tourism and area promotion** sub-function are expected to decrease by 25.1 per cent in real terms from 2022–23 to 2025–26, largely due to the temporary nature of the Government's additional tourism marketing campaigns as international travel resumes.

Expenses under the **vocational and industry training** sub-function are expected to decrease by 56.3 per cent in real terms from 2022–23 to 2025–26. The decrease in expenses from 2022–23 to 2025–26 largely reflects the cessation of temporary COVID-19 support, including the Boosting Apprenticeship Commencements wage subsidy.

Expenses under the **labour market assistance to job seekers and industry** sub-function are expected to decrease by 3.7 per cent in real terms from 2022–23 to 2025–26, primarily 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 are expected to decrease by 0.3 per cent in real terms from 2022–23 to 2025–26 as a result of lower than expected payments for employee entitlements under the *Fair Entitlements Guarantee Act 2012.*

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 by 24.8 per cent in real terms from 2022–23 to 2025–26, primarily reflecting additional expenditure to support a higher detainee population in onshore detention in 2022–23 and 2023–24 and in offshore detention in 2022–23. The detainee population in both onshore and offshore detention is expected to decrease over the period to 2025–26.

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Management of unlawful non-citizens	1,769	1,892	1,732	1,446	1,421
Citizenship, visas and migration	844	833	705	797	770
Regional co-operation and refugee and humanitarian assistance	797	857	774	765	761
Total	**3,409**	**3,582**	**3,211**	**3,008**	**2,952**

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 by 27.6 per cent in real terms from 2022–23 to 2025–26.

The decrease in expenditure for the **other economic affairs nec** sub-function is primarily the result of the temporary nature of the Government's economic response to the COVID-19 pandemic and 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, including through the International Freight Assistance Mechanism and Consumer Travel Support Program.

Expenses for the Department of Industry, Science and Resources are expected to decrease by 31.4 per cent in real terms from 2022–23 to 2025–26, largely driven by measures which terminate during the forward estimates.

Expenses for the Australian Competition and Consumer Commission are expected to decrease by 21.7 per cent in real terms from 2022–23 to 2025–26 mainly due to measures terminating in 2022–23, including additional funding for the Consumer Data Right.

Expenses for the Bureau of Meteorology (the Bureau) are expected to decrease by 13.4 per cent in real terms from 2022–23 to 2025–26, which reflects the anticipated completion of information and communications technology (ICT) projects, including investment to strengthen the Bureau's ICT security and resilience and observations network.

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 expenses

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Economic Response to the Coronavirus	6,745	416	0	0	0
Promotion of Australia's export and other international economic interests	1,143	475	432	393	383
Operating costs for:					
Department of Industry, Science and Resources	583	699	617	547	526
Australian Securities and Investments Commission	743	609	584	585	592
Bureau of Meteorology	448	525	485	495	498
IP Australia	219	240	246	253	261
Australian Competition and Consumer Commission	221	224	209	199	192
Australian Prudential Regulation Authority	209	233	234	236	239
National Partnership Payments – Competition and Productivity Enhancing Reform	151	1	0	0	0
Other	130	143	136	138	138
Total	**10,592**	**3,564**	**2,943**	**2,847**	**2,829**

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Public debt interest	18,517	22,421	24,165	27,701	31,993
Interest on Commonwealth Government's behalf	*18,517*	*22,421*	*24,165*	*27,701*	*31,993*
Nominal superannuation interest	8,974	12,264	13,423	13,737	14,403
General purpose inter-government transactions	81,679	90,259	94,950	97,983	99,972
General revenue assistance – states and territories	*77,531*	*88,451*	*91,548*	*94,562*	*96,427*
Local government assistance	*4,148*	*1,808*	*3,402*	*3,420*	*3,544*
Natural disaster relief	5,840	3,554	1,589	818	267
Contingency reserve	0	801	3,845	8,619	14,014
Total other purposes	**115,011**	**129,299**	**137,972**	**148,858**	**160,650**

Total expenses under the other purposes function are estimated to increase by 13.4 per cent in real terms over the period 2022–23 to 2025–26.

Expenses under the **public debt interest** sub function are expected to increase by 30.2 per cent in real terms from 2022–23 to 2025–26. The increase in expenses reflects a forecast increase in the stock of Australian Government Securities (AGS) by the end of the forward estimates period and higher assumed yields on new issuances of AGS.

The increase in **nominal superannuation interest** expenses over the forward estimates primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2021–22 and 2022–23 were 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 were between 1.6 and 2.3 per cent per annum for 2021–22, and 3.7 and 3.9 per cent per annum for 2022–23. 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 forward estimates.

Expenses under the **general purpose inter-government transactions** sub-function, made up of general revenue assistance paid to state and territory governments, and local government assistance, are expected to increase by 1.1 per cent in real terms from 2022–23 to 2025–26. Nearly all the expenses under this sub-function relate to **general revenue assistance** paid to state and territory governments, which is expected to remain broadly flat in real terms from 2022–23 to 2025–26, 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 2022–23.*

Expenses under **local government assistance** are expected to increase by 78.9 per cent in real terms from 2022–23 to 2025–26, largely reflecting that 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 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. The sub-function also reflects departmental funding for the National Emergency Management Agency.

A provision of $3.0 billion has been included in the **natural disaster relief** sub-function in the 2022–23 October Budget 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 infrastructure damaged by the floods, under categories A and B of the DRFA.

The **contingency reserve** sub-function in the 2022–23 October Budget increases expenses by $801 million in 2022–23, $3.8 billion in 2023–24, $8.6 billion in 2024–25 and $14.0 billion in 2025–26. 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 2022–23 October Budget includes a provision of:

- nil in the Budget year 2022–23.
- ¼ of a percentage point of total general government sector (GGS) expenses in the first forward year 2023–24 ($1.4 billion).
- ¾ per cent of GGS expenses in the second forward year 2024–25 ($4.4 billion).
- 1 ½ per cent of GGS expenses in the third forward year 2025–26 ($9.0 billion).

The drawdown of the CBA decreased expenses by $1.3 billion in 2023–24, $1.2 billion in 2024–25 and $2.5 billion in 2025–26. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

A provision has been included in the Contingency Reserve for the implementation of election commitments published in the *Plan for a Better Future*, where policy settings are yet to be finalised, as well as funding to support an increase to award wages resulting from the aged care work value case being determined by the Fair Work Commission.

The Contingency Reserve also includes the estimates for a number of measures that require legislation to be implemented, including the establishment of the National Anti-Corruption Commission and the Housing Australia Future Fund.

In general, the Contingency Reserve can also 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.

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.

Australian Government general government sector (GGS) net capital investment is expected to be $12.8 billion in 2022–23, $4.4 billion higher than net capital investment in 2021–22. This reflects increased investment by the Department of Defence as outlined in the *2016 Defence White Paper*, and the *2020 Force Structure Plan* to build future Defence Force capability.

Details of movements are further explained in the following section.

Table 6.18: Estimates of total net capital investment

	March Budget	Actual	Estimates			
	2021-22	2021-22	2022-23	2023-24	2024-25	2025-26
Total net capital investment ($m)	**11,092**	**8,412**	**12,781**	**11,883**	**8,976**	**9,939**
Per cent of GDP	0.5	0.4	0.5	0.5	0.4	0.4

Reconciliation of net capital investment since the 2022–23 March Budget

A reconciliation of the net capital investment estimates, showing the effect of policy decisions and parameter and other variations since the 2022–23 March Budget, is provided in Table 6.19.

Table 6.19: Reconciliation of net capital investment estimates

	Estimates				
	2022-23	2023-24	2024-25	2025-26	Total
	$m	$m	$m	$m	$m
2022-23 March Budget net capital investment	**11,319**	**10,580**	**7,443**	**8,172**	**37,515**
Changes from 2022-23 March Budget to 2022-23 October Budget					
Effect of policy decisions(a)	130	214	268	380	991
Effect of parameter and other variations	1,332	1,089	1,265	1,386	5,071
Total variations	**1,461**	**1,303**	**1,532**	**1,766**	**6,063**
2022-23 October Budget net capital investment	**12,781**	**11,883**	**8,976**	**9,939**	**43,578**

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 2022–23 has an overall increase of $1.5 billion since the 2022–23 March Budget. This increase is driven by the effect of policy decisions of $130 million and an increase of $1.3 billion as a result of parameter and other variations.

Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2021–22 to 2025–26 are provided in Table 6.20.

Table 6.20: Estimates of net capital investment by function

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
General public services	988	586	-68	-66	-464
Defence	6,684	9,876	11,600	11,775	11,397
Public order and safety	-134	-28	-245	-271	-243
Education	21	34	32	-10	-10
Health	2,074	570	-52	-62	-74
Social security and welfare	12	344	-124	-171	-421
Housing and community amenities	-142	352	260	-16	8
Recreation and culture	-35	243	325	9	-100
Fuel and energy	-63	10	0	4	1
Agriculture, forestry and fishing	15	107	33	0	-31
Mining, manufacturing and construction	-11	-21	-17	-30	-22
Transport and communication	-972	-25	76	-2,155	-38
Other economic affairs	-27	65	-292	-369	-382
Other purposes	0	668	357	337	318
Total net capital investment	**8,412**	**12,781**	**11,883**	**8,976**	**9,939**

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 decrease in net capital investment from 2022–23 to 2025–26 largely reflects depreciation and amortisation of existing assets and the timing of building and equipment purchases.

- **Defence** – the increase in net capital investment from 2022–23 to 2025–26 reflects funding associated with the implementation of the *2016 Defence White Paper* and new or adjusted investments outlined in the *2020 Force Structure Plan* to build the future Defence Force and capability. These investments are guided by the Defence Integrated Investment Program. Major investments include military capabilities such as ships, aircraft and armoured vehicles, as well as enabling ICT capabilities, infrastructure and the Defence estate.

- **Public order and safety** – the decrease in net capital investment from 2022–23 reflects the timing of lease renewals by the Department of Home Affairs.

- **Health** – the decrease in net capital investment from 2022–23 to 2025–26 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 2025–26 is largely driven by the depreciation and amortisation 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 in 2022–23 for the 2021–22 Budget measures *GovERP – Common Corporate Australian Public Service System* and *Digital Economy Strategy*, and the 2020–21 Budget measure *Welfare Payment Infrastructure Transformation – tranche four*.

- **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 2022–23 to 2025–26 reflects the expected completion of capital investments at the Australian War Memorial and the Great Barrier Reef Marine Park Authority's 'Reef HQ Aquarium', and within Australia's Antarctic Program and Commonwealth 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 2022–23 reflects the timing of lease renewals by the Department of Home Affairs and the phasing down of investment under the second and third tranches of capital projects to strengthen the Bureau of Meteorology's ICT security and resilience, and observations network.

- **Other purposes** – the increase in net capital investment in 2022–23 reflects a provision for the procurement of additional COVID-19 vaccines and treatments for the National Medical Stockpile in the 2022–23 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

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
General public services	2,637	2,234	1,503	1,503	1,295
Defence	12,056	15,674	18,241	19,177	19,567
Public order and safety	769	825	612	572	603
Education	74	64	62	19	20
Health	392	479	91	69	48
Social security and welfare	918	1,309	791	650	350
Housing and community amenities	365	455	450	405	347
Recreation and culture	452	787	786	476	359
Fuel and energy	17	44	14	20	16
Agriculture, forestry and fishing	125	206	136	105	74
Mining, manufacturing and construction	27	17	21	9	16
Transport and communication	104	102	205	69	92
Other economic affairs	833	935	574	520	508
Other purposes	4	185	359	339	319
General government purchases of non-financial assets	**18,772**	**23,317**	**23,846**	**23,934**	**23,614**

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
	$m	$m	$m	$m	$m
General public services					
Legislative and executive affairs	1,864	1,580	1,509	1,768	1,445
Financial and fiscal affairs	8,898	8,524	8,522	8,588	8,809
Foreign affairs and economic aid	6,096	8,544	6,758	7,773	6,872
General research	3,291	3,758	4,005	4,143	4,187
General services	903	973	921	910	923
Government superannuation benefits	10,221	6,900	5,459	5,550	5,657
Total general public services	**31,273**	**30,280**	**27,175**	**28,732**	**27,895**
Defence	**38,246**	**38,303**	**39,437**	**41,290**	**44,133**
Public order and safety					
Courts and legal services	1,611	1,706	1,616	1,547	1,053
Other public order and safety	5,047	5,442	5,113	5,028	4,954
Total public order and safety	**6,658**	**7,148**	**6,729**	**6,575**	**6,007**
Education					
Higher education	10,656	10,609	10,863	11,381	11,777
Vocational and other education	2,077	2,270	2,126	2,338	2,518
Schools	25,036	26,785	28,284	29,460	30,585
Non-government schools	*15,365*	*16,365*	*17,259*	*17,949*	*18,578*
Government schools	*9,671*	*10,420*	*11,025*	*11,511*	*12,007*
School education – specific funding	721	1,177	1,080	746	801
Student assistance	4,401	5,168	5,609	5,836	5,990
General administration	333	307	316	312	307
Total education	**43,225**	**46,317**	**48,278**	**50,072**	**51,977**
Health					
Medical services and benefits	37,306	39,893	40,819	42,812	44,835
Pharmaceutical benefits and services	16,273	18,934	17,854	17,968	18,044
Assistance to the states for public hospitals	24,230	26,575	28,325	30,030	31,982
Hospital services(a)	1,049	1,065	1,082	1,115	1,153
Health services	21,691	17,949	11,202	11,060	10,999
General administration	4,648	4,157	3,569	3,392	3,333
Aboriginal and Torres Strait Islander health	989	1,122	1,223	1,290	1,246
Total health	**106,185**	**109,694**	**104,074**	**107,667**	**111,592**
Social security and welfare					
Assistance to the aged	76,283	85,888	91,540	97,277	102,454
Assistance to veterans and dependants	7,480	8,232	7,075	7,010	7,024
Assistance to people with disabilities	61,040	69,257	75,133	81,096	88,781
Assistance to families with children	37,375	40,656	44,825	46,955	48,901

Table 6A.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Social security and welfare (continued)					
Assistance to the unemployed and the sick	15,866	14,006	14,700	15,560	15,537
Other welfare programs	16,175	2,623	1,508	1,424	1,373
Assistance for Indigenous Australians nec	2,492	2,958	2,820	2,859	2,939
General administration	4,716	5,170	4,336	4,180	4,047
Total social security and welfare	**221,427**	**228,791**	**241,937**	**256,360**	**271,057**
Housing and community amenities					
Housing	4,154	3,508	3,251	3,395	3,284
Urban and regional development	1,337	2,214	1,845	1,937	1,642
Environment protection	1,542	2,103	2,062	2,112	1,876
Total housing and community amenities	**7,033**	**7,826**	**7,158**	**7,444**	**6,802**
Recreation and culture					
Broadcasting	1,559	1,669	1,669	1,723	1,746
Arts and cultural heritage	1,579	1,919	1,743	1,671	1,669
Sport and recreation	537	624	489	395	369
National estate and parks	595	668	618	631	614
Total recreation and culture	**4,270**	**4,880**	**4,519**	**4,420**	**4,399**
Fuel and energy	**9,437**	**9,134**	**11,287**	**15,490**	**12,079**
Agriculture, forestry and fishing					
Wool industry	58	67	72	74	77
Grains industry	199	238	240	240	240
Dairy industry	55	55	55	56	57
Cattle, sheep and pig industry	249	260	266	275	280
Fishing, horticulture and other agriculture	412	567	387	363	342
General assistance not allocated to specific industries	35	40	41	41	41
Rural assistance	334	489	335	369	421
Natural resources development	722	2,140	2,080	572	401
General administration	1,121	1,178	1,030	959	876
Total agriculture, forestry and fishing	**3,185**	**5,034**	**4,504**	**2,950**	**2,734**
Mining, manufacturing and construction	**3,816**	**4,945**	**4,678**	**4,069**	**4,047**
Transport and communication					
Communication	1,941	1,750	1,721	1,647	1,605
Rail transport	1,701	3,561	3,646	3,614	3,952
Air transport	1,169	469	377	361	392
Road transport	6,026	8,890	10,619	10,860	10,086
Sea transport	440	459	486	494	494
Other transport and communication	225	222	220	200	216
Total transport and communication	**11,503**	**15,351**	**17,068**	**17,177**	**16,746**

Table 6A.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Other economic affairs					
Tourism and area promotion	189	214	178	177	176
Total labour and employment affairs	7,592	6,561	5,317	5,115	4,886
Vocational and industry training	*4,664*	*3,577*	*2,082*	*1,955*	*1,711*
Labour market assistance to job seekers and industry	*2,265*	*2,266*	*2,481*	*2,395*	*2,391*
Industrial relations	*662*	*718*	*754*	*765*	*784*
Immigration	3,409	3,582	3,211	3,008	2,952
Other economic affairs nec	10,592	3,564	2,943	2,847	2,829
Total other economic affairs	**21,781**	**13,920**	**11,649**	**11,147**	**10,843**
Other purposes					
Public debt interest	18,517	22,421	24,165	27,701	31,993
Interest on Commonwealth Government's behalf	*18,517*	*22,421*	*24,165*	*27,701*	*31,993*
Nominal superannuation interest	8,974	12,264	13,423	13,737	14,403
General purpose inter-government transactions	81,679	90,259	94,950	97,983	99,972
General revenue assistance – states and territories	*77,531*	*88,451*	*91,548*	*94,562*	*96,427*
Local government assistance	*4,148*	*1,808*	*3,402*	*3,420*	*3,544*
Natural disaster relief	5,840	3,554	1,589	818	267
Contingency reserve	0	801	3,845	8,619	14,014
Total other purposes	**115,011**	**129,299**	**137,972**	**148,858**	**160,650**
Total expenses	**623,050**	**650,922**	**666,465**	**702,253**	**730,960**

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 than estimated at the Pre-election Economic and Fiscal Outlook (PEFO) each year over the forward estimates.

- Gross debt is estimated to be 37.3 per cent of GDP at 30 June 2023, increasing to 43.1 per cent of GDP at 30 June 2026.

- Net debt is estimated to be 23.0 per cent of GDP at 30 June 2023, increasing to 28.5 per cent of GDP at 30 June 2026.

Interest payments on AGS as a share of GDP are expected to be higher than at PEFO by the end of the forward estimates, driven by higher bond yields more than offsetting the lower issuance of AGS.

- Interest payments on AGS are estimated to be $18.1 billion in 2022–23, increasing to $31.7 billion by 2025–26. Over the 4 years to 2025–26, interest payments on AGS are expected to be $12.0 billion higher than estimated at PEFO.

Statement 3: Fiscal Strategy and Outlook contains information on debt projections over the medium term. Statement 3 also improves transparency around government funding of climate action and the risks to the fiscal position from climate change.

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 that the Government pays back to investors at maturity, independent of fluctuations in market prices.[26] 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 estimates of the face value of AGS on issue subject to the Treasurer's direction (end-of-year and within-year peak)[27] in each year of the forward estimates remain below $1,200 billion.

Gross debt as a share of GDP is estimated to decrease in 2022–23. The decline is driven by the improved outlook for the underlying cash balance and strong nominal GDP growth in that year. Gross debt as a share of GDP then increases. This primarily reflects the deficit profile of the former Government as presented in PEFO. Higher yields, additional balance sheet commitments, and other changes to the fiscal outlook presented in *Statement 3: Fiscal Strategy and Outlook* also contribute.

Table 7.1 presents outcomes and estimates of AGS on issue.

26 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.
27 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: Estimates of AGS on issue subject to the Treasurer's Direction(a)(b)

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$b	$b	$b	$b	$b
Face value – end-of-year	895	927	1,004	1,091	1,159
Per cent of GDP	39.0	37.3	40.8	42.5	43.1
Face value – within-year peak(c)	896	947	1,024	1,114	1,186
Per cent of GDP(c)	39.0	38.1	41.6	43.4	44.1
Month of peak(c)	*Jun-22*	*Apr-23*	*Apr-24*	*Apr-25*	*Apr-26*
Market value – end-of-year	848	878	963	1,056	1,127
Per cent of GDP	36.9	35.4	39.1	41.2	41.9

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 PEFO

Gross debt is expected to be lower across each year of the forward estimates than at PEFO. The improvement is primarily driven by the improved outlook for the underlying cash balance in the near term, partially offset by the impact of higher yields on AGS and additional balance sheet commitments.

An increase in yields increases the deficit via higher interest payments but also impacts the face value of AGS the AOFM needs to issue to meet the financing task. The majority of AGS issued by the AOFM are fixed-coupon bonds. As the coupon is fixed, when yields rise, the price investors pay the AOFM for the bonds falls so that the return on the bonds adjusts to the prevailing market yields. The AOFM must then issue more bonds to raise the same volume of funds.[28] It is estimated this dynamic has increased the face value of debt by $30.8 billion over the forward estimates compared with PEFO.

Much of this impact is offset by a run-down of cash balances held by the AOFM. A lower-than-expected deficit in 2021–22 resulted in the AOFM effectively pre-funding some of the 2022–23 financing task. See the 2021–22 Final Budget Outcome for further detail.

28 For example, on 7 October 2022 the AOFM issued into an existing bond line with a maturity of 21 November 2025 and coupon rate of 0.25 per cent. The face value of issuance was $700 million, but the proceeds received by the Government was around $636 million. The same bond line was issued on 6 August 2021 when yields were lower, and $693 million was received for $700 million of face value.

By the end of the forward estimates, gross debt as a share of the economy is expected to be 43.1 per cent of GDP at 30 June 2026, 1.6 percentage points lower than estimated at PEFO.

Table 7.2: Estimates of AGS on issue subject to the Treasurer's Direction – reconciliation from PEFO to the 2022–23 October Budget

	2022-23 $b	2023-24 $b	2024-25 $b	2025-26 $b
Total face value of AGS on issue subject to the Treasurer's Direction as at 2022 PEFO	**977**	**1,056**	**1,117**	**1,169**
Factors affecting the change in face value of AGS on issue from 2022 PEFO to 2022-23 October Budget(a)				
Cumulative receipts decisions	-1.4	-3.9	-7.8	-13.1
Cumulative receipts variations	-57.3	-91.1	-114.8	-144.6
Cumulative payment decisions	2.5	4.2	10.2	22.9
Cumulative payment variations	15.1	37.2	63.1	92.2
Cumulative change in net investments in financial assets(b)	12.9	17.7	22.9	32.5
Other contributors	-22.0	-16.3	0.2	-0.2
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**

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 and liquidity purposes.

Note: End-of-year data.

Breakdown of AGS currently on issue

See Appendix A for a detailed summary of the different types of securities.

Table 7.3: Breakdown of current Australian Government Securities on issue

	On issue as at 14 October 2022	
	Face value $m	Market value $m
Treasury Bonds	827,549	761,838
Treasury Indexed Bonds	37,785	44,592
Treasury Notes	27,000	26,863
Total AGS subject to Treasurer's Direction(a)	**892,334**	**833,293**
Other stock and securities	5	5
Total AGS on issue	**892,339**	**833,298**

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.

Treasury Bonds

As at 14 October 2022, 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. Further information on the AOFM's strategy that has lengthened the weighted average term to maturity since 2010 can be found in Box 3.2 in Budget Paper No.1 *Statement 3: Fiscal Strategy and Outlook* in the 2021–22 Budget.

Table 7.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 14 October 2022 $m	Timing of interest payments(a)		
2.25	21-Nov-22	26,500	Twice yearly	21-Nov	21-May
5.50	21-Apr-23	34,200	Twice yearly	21-Apr	21-Oct
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	40,100	Twice yearly	21-Apr	21-Oct
0.25	21-Nov-25	38,000	Twice yearly	21-Nov	21-May
4.25	21-Apr-26	38,100	Twice yearly	21-Apr	21-Oct
0.50	21-Sep-26	36,700	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	29,700	Twice yearly	21-May	21-Nov
2.75	21-Nov-28	33,300	Twice yearly	21-Nov	21-May
3.25	21-Apr-29	33,700	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	33,400	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	38,400	Twice yearly	21-May	21-Nov
1.75	21-Nov-32	27,000	Twice yearly	21-Nov	21-May
4.50	21-Apr-33	22,200	Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	17,600	Twice yearly	21-Nov	21-May
2.75	21-Jun-35	9,550	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	13,500	Twice yearly	21-May	21-Nov
3.00	21-Mar-47	13,600	Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	18,400	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 14 October 2022, there were 7 Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of around 10.1 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 14 October 2022 $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	6,500	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.50	20-Sep-30	6,543	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.25	21-Nov-32	3,950	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	4,250	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 14 October 2022, there were 9 Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 7.6: Treasury Notes on issue

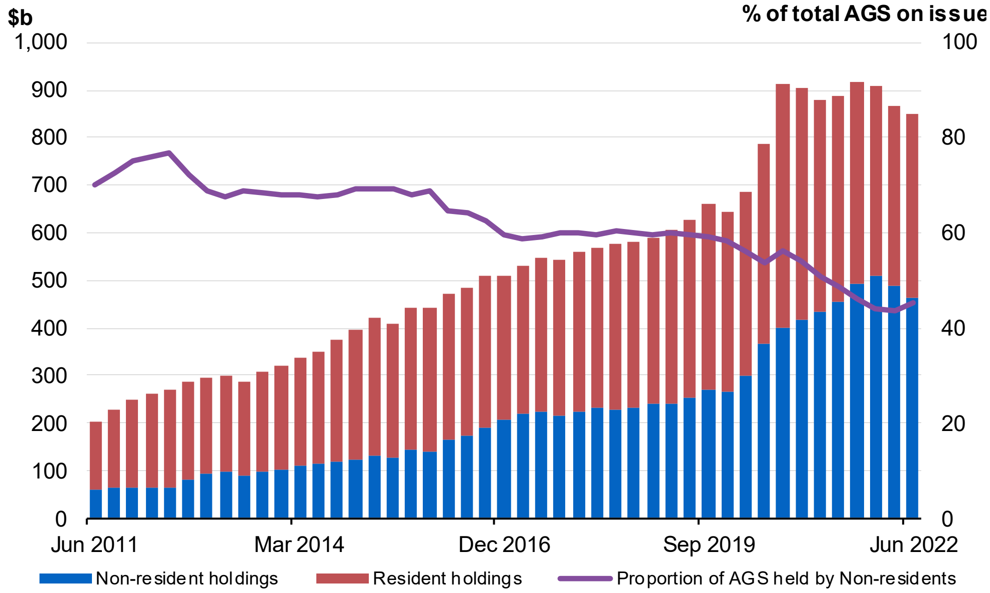
Maturity	On issue as at 14 October 2022 $m	Timing of interest payment	
21-Oct-22	4,000	At maturity	21-Oct-22
11-Nov-22	4,500	At maturity	11-Nov-22
25-Nov-22	4,500	At maturity	25-Nov-22
16-Dec-22	3,000	At maturity	16-Dec-22
27-Jan-23	5,000	At maturity	27-Jan-23
10-Feb-23	3,500	At maturity	10-Feb-23
24-Feb-23	500	At maturity	24-Feb-23
10-Mar-23	1,500	At maturity	10-Mar-23
24-Mar-23	500	At maturity	24-Mar-23

Source: AOFM.

Non-resident holdings of AGS on issue

As at the June 2022 quarter, the proportion of non-resident holdings of AGS was around 45 per cent (Chart 7.1). This proportion is down from historical highs of around 76 per cent in 2012. Non-resident holdings of AGS have increased significantly over this time, but 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 (RBA) 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 June 2022, AOFM, RBA.

Net debt

Net debt is equal to 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 placement). As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the financial obligations of the Government 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

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Liabilities included in net debt					
Deposits held	406	406	406	406	406
Government securities(a)	848,455	877,947	962,871	1,056,215	1,127,457
Loans	29,932	32,204	33,192	33,427	33,475
Other borrowing	19,194	18,997	18,340	17,347	15,985
Total liabilities included in net debt	897,988	929,554	1,014,809	1,107,396	1,177,322
Assets included in net debt					
Cash and deposits	94,763	54,975	68,350	79,676	72,967
Advances paid	73,119	76,622	75,412	79,894	83,616
Investments, loans and placements	214,456	225,772	236,975	245,029	253,954
Total assets included in net debt	**382,338**	**357,369**	**380,736**	**404,599**	**410,536**
Net debt	**515,650**	**572,185**	**634,073**	**702,796**	**766,787**

a) Government securities are presented at market value.

Changes in net debt since PEFO

Net debt is expected to be lower than estimated at PEFO across all years of the forward estimates by an amount larger than the improvement in gross debt. The larger improvement primarily reflects the decrease in the market value of AGS due to higher yields than were assumed at PEFO.

Table 7.8: Net debt – reconciliation from PEFO to the 2022–23 October Budget

	2022-23	2023-24	2024-25	2025-26
	$b	$b	$b	$b
Net debt as at 2022 PEFO	**714.9**	**772.1**	**823.2**	**864.5**
Changes in financing requirement	-54.3	-64.5	-49.1	-47.2
Impact of yields on AGS	-72.0	-60.4	-47.2	-31.8
Asset and other liability movements	-16.4	-13.1	-24.1	-18.6
Cash and deposits	*-18.9*	*-19.0*	*-29.0*	*-21.5*
Advances paid	*9.9*	*8.2*	*7.1*	*5.8*
Investments, loans and placements	*-8.8*	*-4.8*	*-5.2*	*-6.4*
Other movements	*1.4*	*2.5*	*3.1*	*3.5*
Total movements in net debt from 2022 PEFO to 2022-23 October Budget	**-142.7**	**-138.0**	**-120.4**	**-97.7**
Net debt as at 2022-23 October Budget	**572.2**	**634.1**	**702.8**	**766.8**

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.

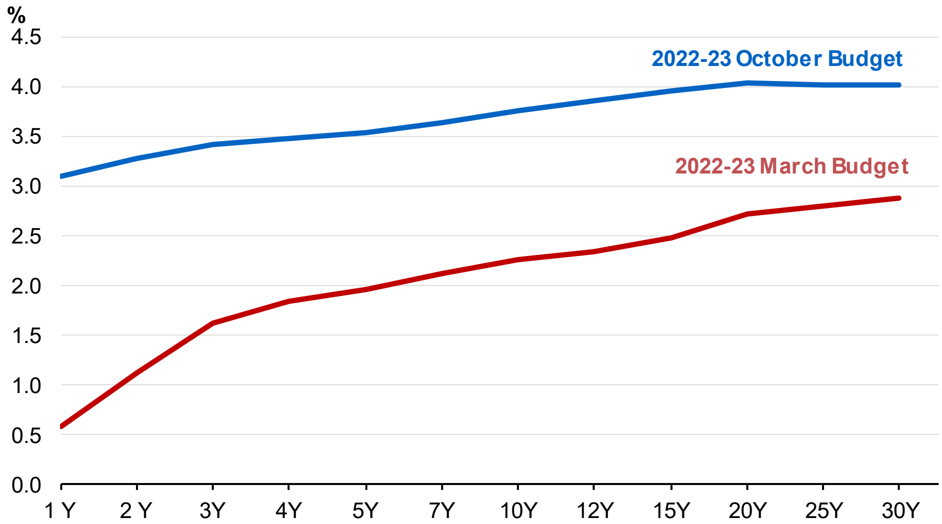
Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

- 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.

Chart 7.2 shows the yield curve assumptions underpinning the March Budget and the October Budget. The recent increase in market yields has resulted in an assumed weighted average cost of borrowing of around 3.8 per cent for future issuance of Treasury Bonds over the forward estimates, compared with around 2.2 per cent at PEFO.

Chart 7.2: Yield curve assumptions from 2022–23 to 2025–26



Source: AOFM.

By the end of the forward estimates total interest payments will grow to $32.6 billion in 2025–26, of which $31.7 billion relates to AGS on issue (Table 7.9). Interest receipts have also increased significantly in 2022–23 and across the forward estimates. This is primarily driven by higher-than-expected earnings from the Future Fund, and higher earnings on cash deposits due to the rise in short-term interest rates.

Table 7.9: Interest payments, interest receipts and net interest payments(a)

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Interest payments on AGS	15,714	18,064	21,493	24,462	31,721
Per cent of GDP	0.7	0.7	0.9	1.0	1.2
Interest payments(b)	17,423	18,910	22,407	25,369	32,634
Per cent of GDP	0.8	0.8	0.9	1.0	1.2
Interest receipts	2,446	5,275	5,805	5,991	6,147
Per cent of GDP	0.1	0.2	0.2	0.2	0.2
Net interest payments(c)	14,977	13,635	16,602	19,378	26,487
Per cent of GDP	0.7	0.5	0.7	0.8	1.0

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) Interest payments include interest payments on AGS, loans and other borrowing, as well as interest payments on lease liabilities.
c) Net interest payments are equal to the difference between interest payments and interest receipts.

Interest payments as a share of GDP in 2022–23 and 2023–24 are expected to remain consistent with PEFO. Over the remaining forward estimates years, interest payments as a share of GDP are expected to be higher than at PEFO as higher yields more than offset the expected lower issuance of AGS. By 2025–26, interest payments as a share of GDP rise above the 30-year average of just under one per cent.

Table 7.10: Interest expense, interest income and net interest expense(a)

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Interest expense on AGS	18,502	22,396	24,155	27,691	31,983
Per cent of GDP	0.8	0.9	1.0	1.1	1.2
Total interest expense(b)	19,944	26,188	27,140	34,586	35,295
Per cent of GDP	0.9	1.1	1.1	1.3	1.3
Interest income	4,452	8,192	7,476	6,899	7,153
Per cent of GDP	0.2	0.3	0.3	0.3	0.3
Net interest expense(c)	15,493	17,996	19,664	27,687	28,142
Per cent of GDP	0.7	0.7	0.8	1.1	1.0

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.

Appendix A: AGS issuance

The AOFM is responsible for issuing AGS and managing the Government's financing activities. The AOFM currently issues three types of securities:

- **Treasury Bonds:** medium to long-term securities with a fixed annual rate of interest payable every six 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 three 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 partially pre-funding the following year's financing task. Alternatively, the AOFM might choose to smooth issuance across several financial years in order to minimise changes in AGS supply 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.

Statement 8: Forecasting Performance and Sensitivity Analysis

The economic and fiscal forecasts and projections are underpinned by a range of assumptions and judgements based on best available information at time of preparation. However, economic and fiscal conditions are continually evolving and uncertain. Globally, key risks include a 'hard landing' or recession in major advanced economies, a sharper-than-expected downturn in China due to COVID-19 outbreaks and the property market downturn, a sudden tightening in financial markets and further energy price shocks stemming from the Russian invasion of Ukraine driving inflation higher. Domestically, the full impact of recent floods is highly uncertain, as the situation continues to develop. Beyond this, the path of monetary policy and household responses to inflation remain key risks to economic activity.

This Statement assesses:

1. The performance of past forecasts based on the variance between forecasts and actuals over the past 2 decades.

2. The uncertainty around current forecasts via confidence interval analysis.

3. The sensitivity of current forecasts to key underlying assumptions: the iron ore price and yields.

Sensitivity of economic forecasts to other variables, including metallurgical and thermal coal prices and inflation, are considered in Budget Statement 2: *Economic Outlook*. The sensitivity of economic and fiscal forecasts to the productivity growth rate assumption is considered in Budget Statement 3: *Fiscal Strategy and Outlook*.

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, 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 and spreadsheet analysis.
- Tax receipt 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.

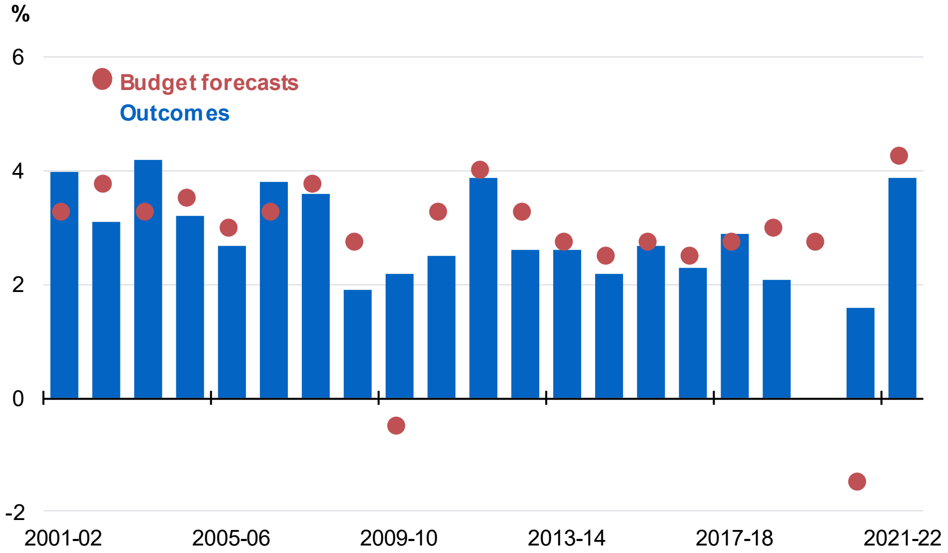
Forecasts are based on assumptions and judgements. Forecast accuracy depends on whether assumptions and judgements prove to be correct, and the reliability of the modelled economic and fiscal relationships.

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 developments in one part of the economy affect other parts and how the domestic economy is affected by the international economy.

The large forecast error in 2019–20 reflects the onset of the COVID-19 pandemic. The 2020–21 forecast error reflects the stronger-than-expected economic recovery. The 2021–22 forecast error was primarily due to weaker-than-expected household consumption during the Delta wave of the pandemic (Chart 8.1).

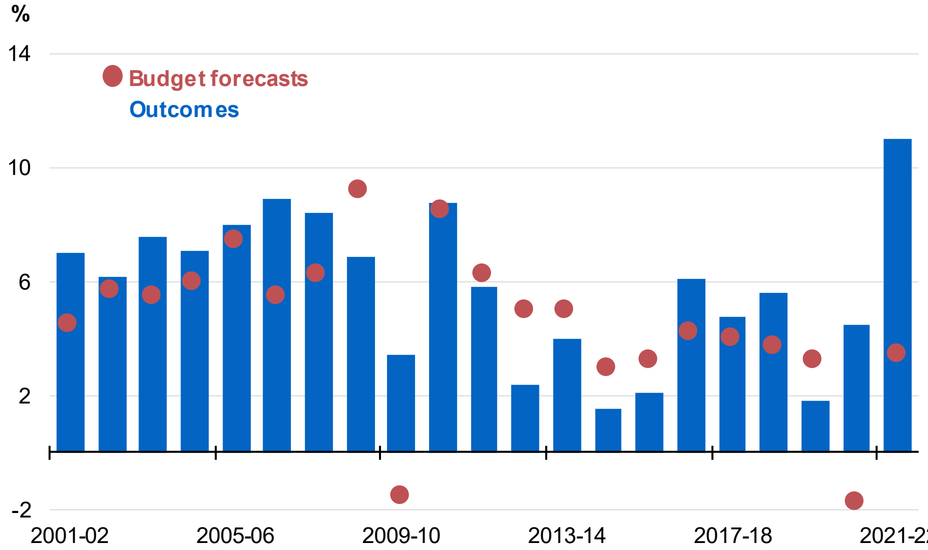
Chart 8.1: Comparison of forecasts and outcomes for real GDP growth



Note: Outcome is as published in the June quarter 2022 National Accounts. Forecast is that published in the Budget for 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 the evolution of 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 (Chart 8.2).

Chart 8.2: Comparison of forecasts and outcomes for nominal GDP growth



Note: Outcome is as published in the June quarter 2022 National Accounts. Forecast is that published in the Budget for that year.
Source: ABS Australian National Accounts: National Income, Expenditure and Product and Budget papers.

In 2021–22, growth in nominal GDP was underestimated reflecting higher-than-assumed commodity prices, with Russia's invasion of Ukraine pushing up global energy prices and the price of Australian coal and LNG exports. Consequently, over 2021–22, the terms of trade increased 12.2 per cent to its highest level on record, rather than the decline of 8 per cent assumed in the 2021–22 Budget.

Fiscal forecasting performance

Fiscal forecast errors are driven by economic and demographic forecast errors as well as errors associated with forecasts of demand for government programs. For additional information see *2021–22 Final Budget Outcome.*

Total receipts

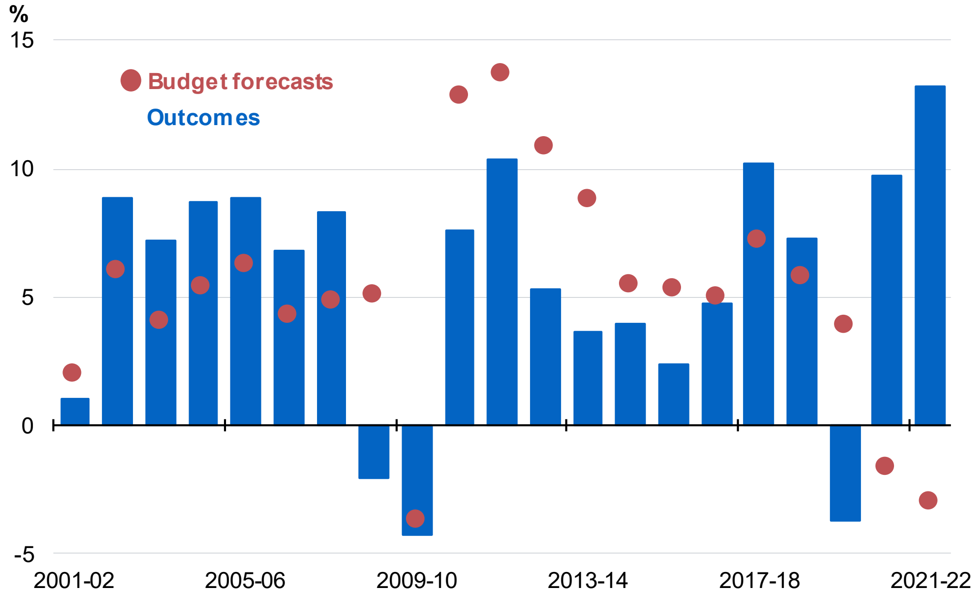
Total receipts are comprised of tax and non-tax receipts (e.g. dividends from investment funds). Tax receipts are the largest element and main driver of total receipts forecasting performance. In 2021–22, tax receipts comprised 91.8 per cent of total receipts.

Total receipts were $102.3 billion higher than forecast in 2021–22. Growth was 12.4 per cent compared to a forecast 7.3 per cent decline. Non-tax receipts were $11.3 billion higher than forecast and grew 3.9 per cent in 2021–22 rather than the 9.6 per cent decline forecast at the 2021–22 Budget.

Tax receipts

Over the past 2 decades, tax receipts growth has been over and underestimated (Chart 8.3).

Chart 8.3: Comparison of forecasts and outcomes for annual tax receipts growth

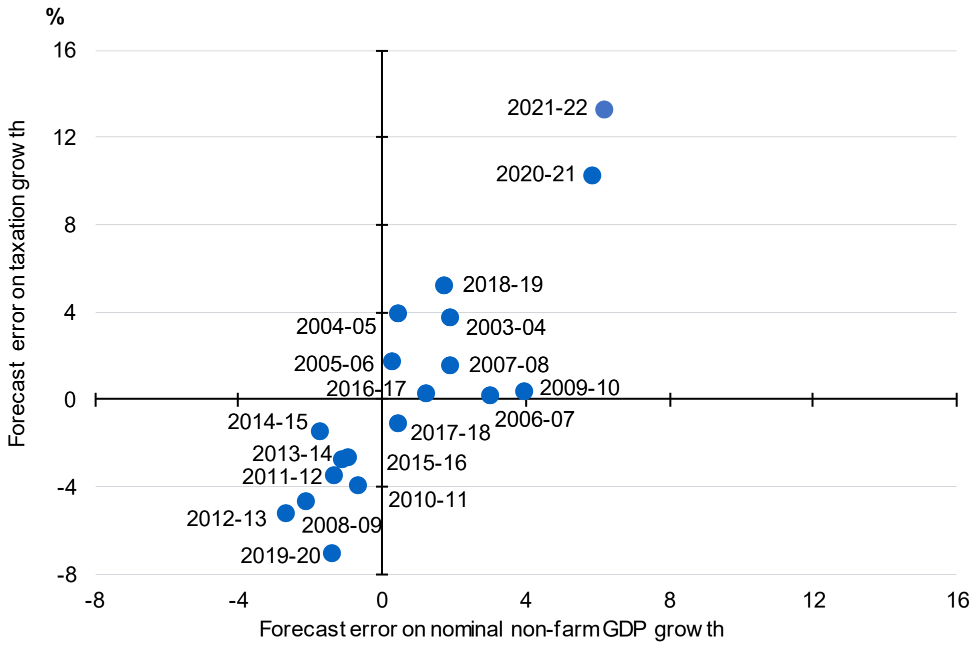


Source: Budget papers and Treasury.

Tax receipts grew 13.2 per cent in 2021–22 rather than the 3.0 per cent decline forecast at the 2021–22 Budget. The level was $91.0 billion higher than forecast. This outcome reflects growth in most revenue heads, driven by stronger-than-expected economic outcomes and higher-than-expected commodity prices.

There is a correlation between the forecast accuracy of nominal GDP and tax receipts. On average, nominal GDP forecast errors are magnified in receipts forecast errors, owing to the progressive nature of the personal income tax system (Chart 8.4).

Chart 8.4: Forecast errors for nominal non-farm GDP and tax receipts growth(a)



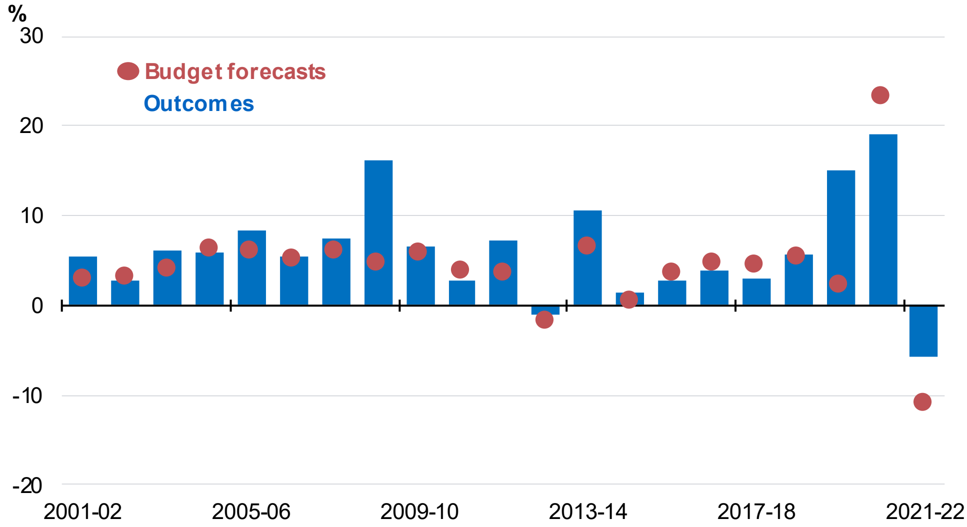
(a) Excludes CGT.
Source: ABS Australian National Accounts: National Income, Expenditure and Product, Budget papers and Treasury.

Payments

Payments forecasting performance is affected by growth in indexation factors (e.g. CPI growth) and demand for government programs. Demand-driven programs, such as payments to individuals for social welfare, form the bulk of government expenditure. Forecasts of payments associated with these government programs also depend on 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 (see Chart 8.5). The level was $27.6 billion higher than forecast.

Chart 8.5: Comparison of forecasts and outcomes for annual payments growth



Source: Budget papers and Treasury.

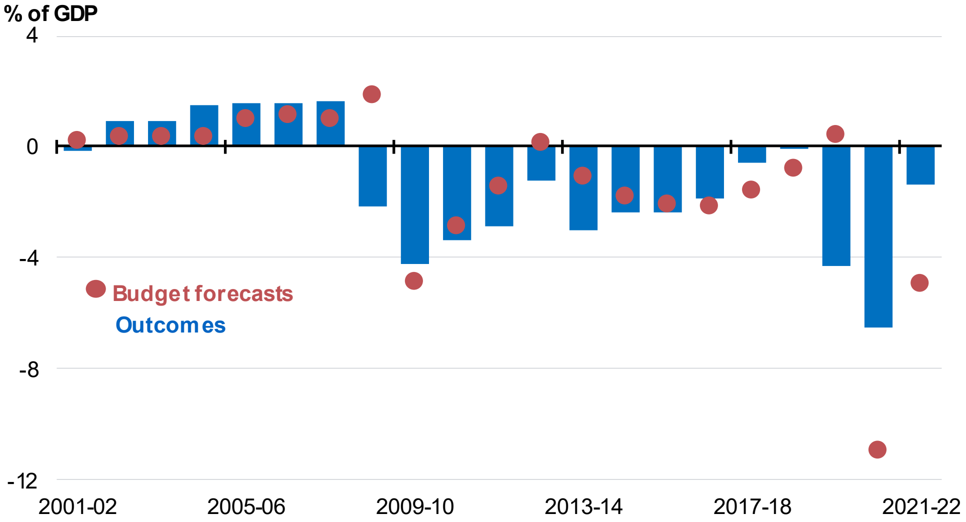
The forecast error in 2021–22 was driven by COVID-19 response measures, further information on these measures can be found in the *2021–22 Mid-Year Economic and Fiscal Outlook*.

Underlying cash balance

Underlying cash balance forecasting performance reflects the forecasting performance of its components: total receipts and payments (Chart 8.6).[29]

29 Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings.

Chart 8.6: Comparison of forecasts and outcomes for underlying cash balance

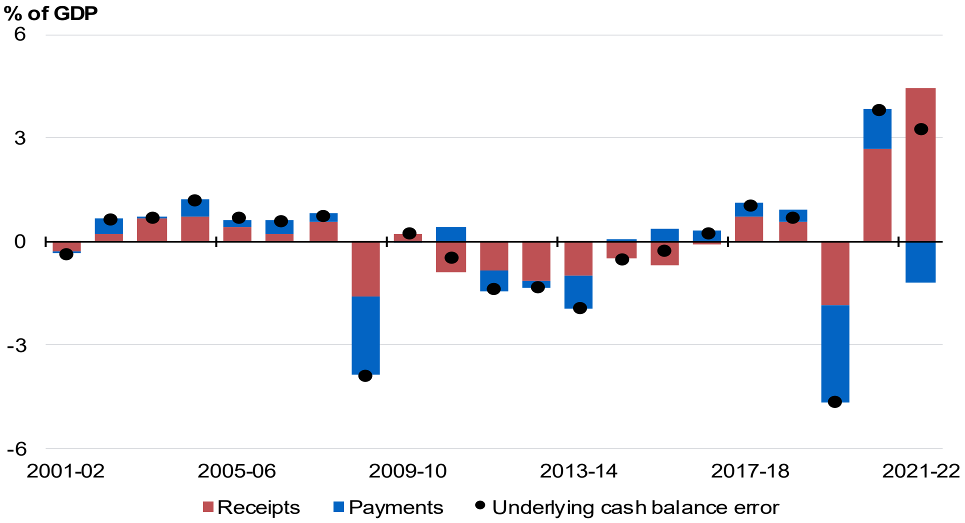


Source: Budget papers and Treasury.

Better-than-expected underlying cash balance outcomes in 2020–21 and 2021–22 reflect the challenges in forecasting during the COVID-19 pandemic. Recent higher-than-expected receipts outcomes have been driven by higher-than-expected commodity prices. The underlying cash deficit was 1.4 per cent of GDP ($32.0 billion) in 2021–22 rather than the forecast deficit of 5.0 per cent of GDP ($106.6 billion).

Over the past 2 decades, outside major downturns, receipts forecast errors have generally driven the underlying cash balance forecast errors (Chart 8.7). The two large payments forecast errors reflect the unexpected Government payment assistance in the global financial crisis (2008–09) and in COVID-19 (2019–20). The forecast errors outside these crises, largely reflect the difficulties in forecasting global commodity prices (and hence tax receipts). Underestimates in receipts tend to coincide with overestimates in payments resulting in underestimates in the underlying cash balance (and vice versa).

Chart 8.7: Impact of receipts and payments forecast errors on underlying cash balance forecast error



Source: Budget papers and Treasury.

Assessing uncertainty around current forecasts via confidence interval analysis

This section presents confidence intervals to illustrate the uncertainty around current forecasts. This assumes future forecast errors are consistent with the distribution of past forecast errors (from 1998–99 to 2021–22).[30] Based on past forecasting performance, there is a 70 and 90 per cent probability that forecasts will lie within the respective confidence interval bands.

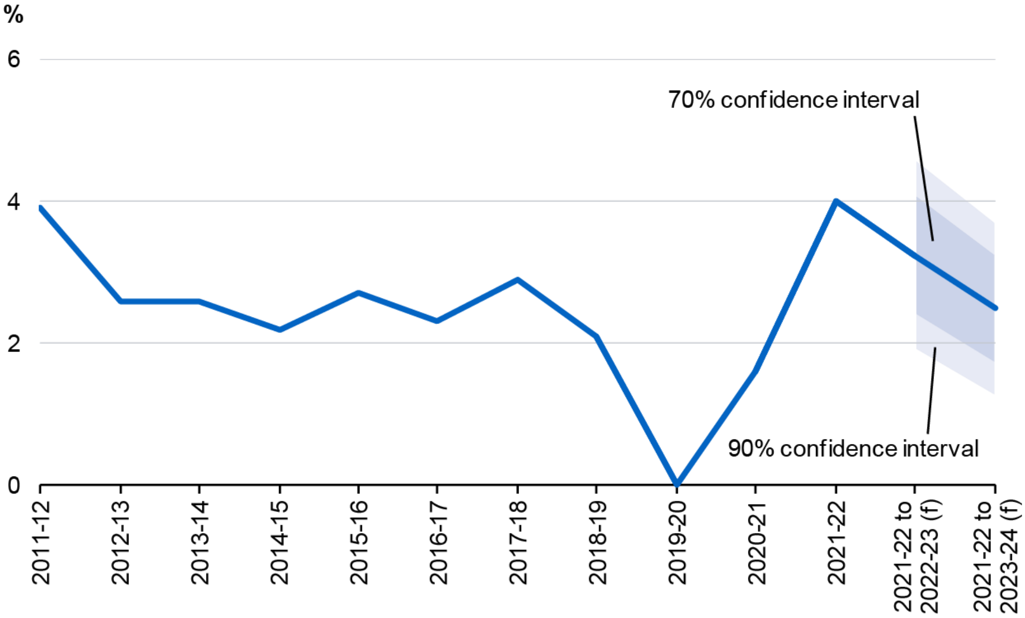
Future forecast errors may not have the same distribution as historical forecast errors. The large forecast errors in 2019–20 and 2020–21, related to COVID-19, are an example of events not previously captured in the historical error sample. Large disruptive events are not able to be predicted and could occur again in the future.

30 The confidence intervals methodology is based on the Treasury Working Paper *Estimates of Uncertainty around Budget Forecasts*. As in the paper, it is assumed forecast errors are normally distributed with zero mean and the past errors are representative of future errors.

Economic uncertainty based on historical forecast errors

Based on past forecast errors for real GDP, Chart 8.8 shows the degree of variance around the current forecasts assuming similar magnitude future errors. The average annualised growth in real GDP in the 2 years to 2023–24 is expected to be around 2½ per cent, with the 70 per cent confidence interval ranging from 1¾ per cent to 3¼ per cent. The 90 per cent confidence interval ranges from 1¼ per cent to 3¾ per cent.

Chart 8.8: Confidence intervals around real GDP growth rate forecasts

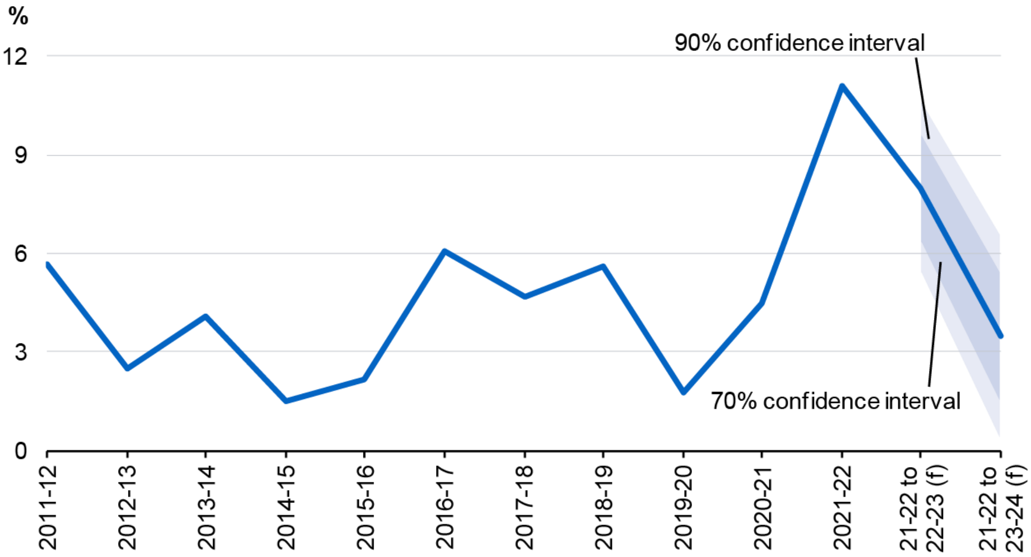


Note: The line shows the outcomes and the 2022–23 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2021–22 are reported for 2022–23 onwards. Confidence intervals are based on the root mean squared errors (RMSEs) of MYEFO forecasts from 1998–99 onwards. RMSEs are constructed using MYEFO forecasts to be consistent with the timing of an October Budget. (f) are forecasts.

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

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 (Chart 8.9). Average annualised growth in nominal GDP in the 2 years to 2023–24 is expected to be around 3½ per cent, with the 70 per cent confidence interval ranging from 1½ per cent to 5½ per cent. The 90 per cent confidence interval ranges from ½ per cent to 6½ per cent.

Chart 8.9: Confidence intervals around nominal GDP growth rate forecasts



Note: See note to Chart 8.8.
Source: ABS Australian National Accounts: National Income, Expenditure and Product, Budget papers and Treasury.

Fiscal uncertainty based on historical forecast errors

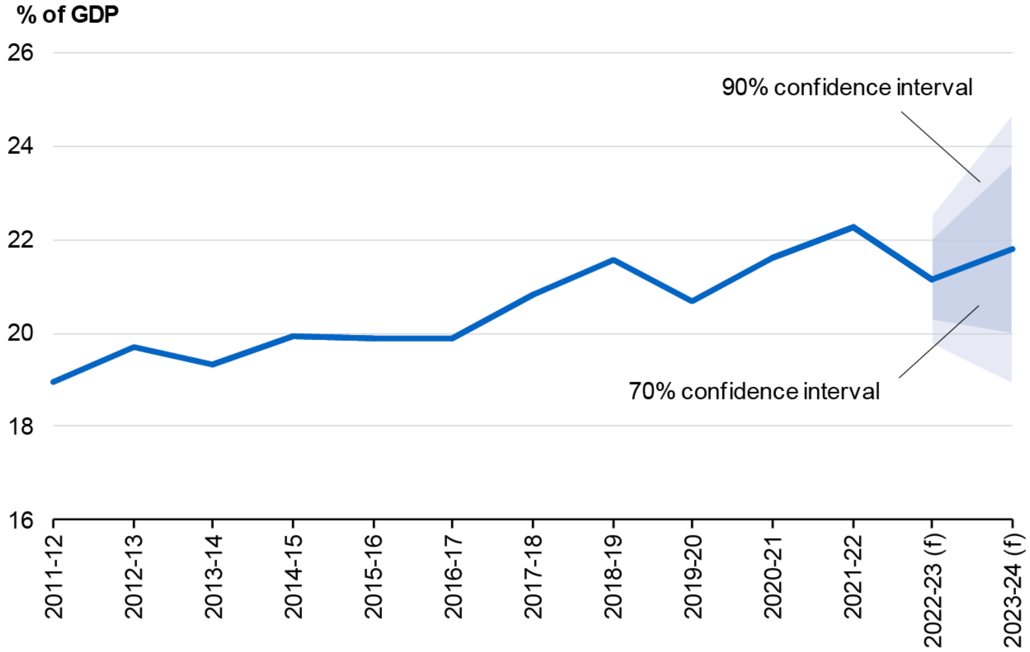
Fiscal estimates are based on, and sensitive to, economic and demographic forecasts as well as estimates of the impact of spending and revenue measures. Historical variations caused by subsequent policy decisions not known at the time of forecast preparation are excluded as these do not relate to the forecasting errors presented in this section. Payments estimates do not exclude the public debt interest associated with these subsequent policy decisions as these are not able to be separately identified.

Total receipts

Total receipts (excluding GST[31]) are expected to be around 21.1 per cent of GDP in 2022–23, with the 70 per cent confidence interval ranging from 20.3 per cent to 22.0 per cent of GDP. The 90 per cent confidence interval ranges from 19.8 per cent to 22.5 per cent. The uncertainty around receipts (excluding GST) increases as the forecast time horizon lengthens (Chart 8.10).

31 GST was not reported as a Commonwealth tax in budget documents prior to the 2008–09 Budget. GST data have been removed from historical receipts and payments data to abstract from any error associated with this change in accounting treatment.

Chart 8.10: Confidence intervals around total receipts forecasts[(a)]

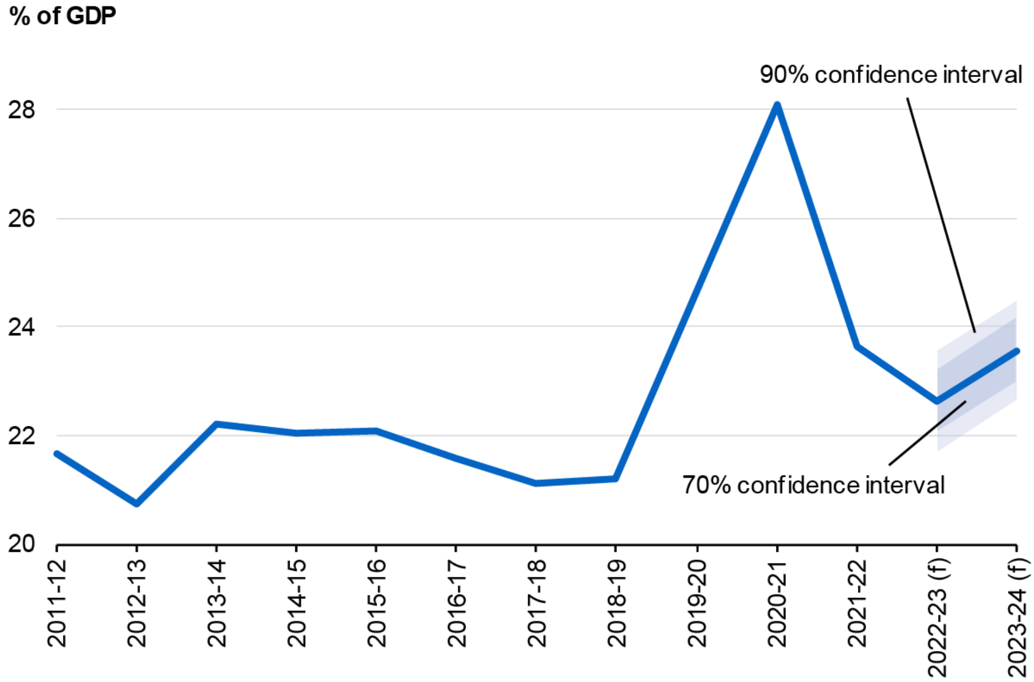


(a) Excludes GST and includes Future Fund earnings.
Note: The line shows the outcomes and the 2022–23 Budget forecasts. Confidence intervals use RMSEs for MYEFO forecasts from the 1998–99 Budget onwards. RMSEs are constructed using MYEFO forecasts to be consistent with the timing of an October Budget. (f) are forecasts.
Source: Budget papers and Treasury.

Payments

There is less uncertainty around payments forecasts (excluding GST) than around receipts forecasts (Chart 8.11). Payments (excluding GST) are expected to be around 22.6 per cent of GDP in 2022–23, with the 70 per cent confidence interval ranging from 22.0 per cent to 23.2 per cent of GDP. The 90 per cent confidence interval ranges from 21.7 per cent to 23.5 per cent.

Chart 8.11: Confidence intervals around payments forecasts[(a)]

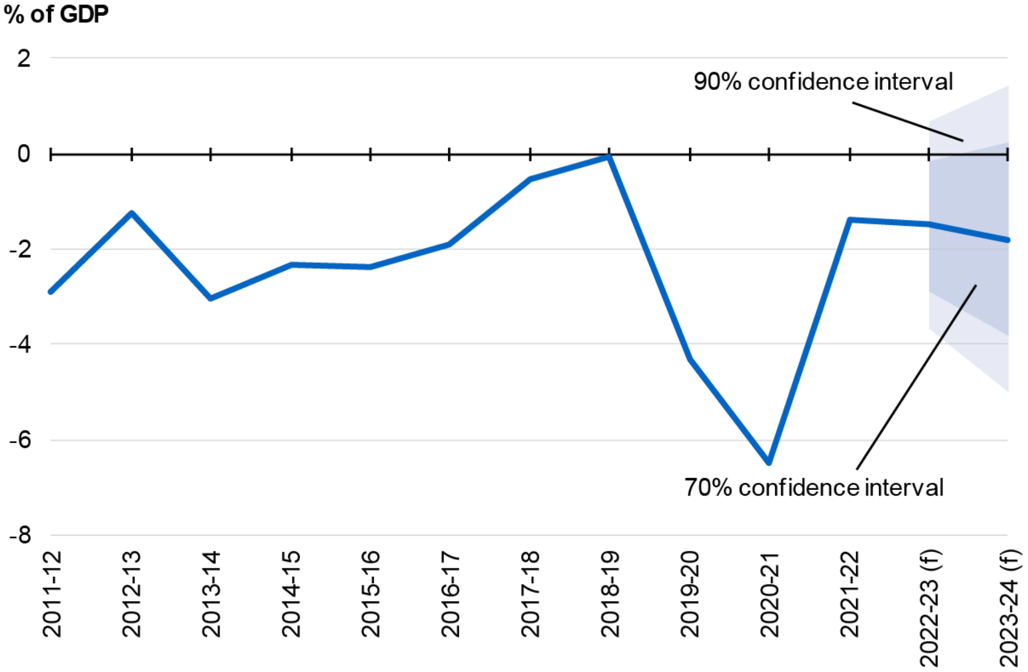


(a) Excludes GST payments.
Note: See note to Chart 8.10.
Source: Budget papers and Treasury.

Underlying cash balance

The underlying cash deficit in 2022–23 is expected to be 1.5 per cent of GDP, with the 70 per cent confidence interval ranging from a deficit of 2.8 per cent to 0.2 per cent of GDP. The 90 per cent confidence interval ranges from a deficit of 3.6 per cent to a surplus of 0.6 per cent. The uncertainty around underlying cash balance forecasts, reflecting forecast errors in receipts and payments, increases as the forecast time horizon lengthens (Chart 8.12).

Chart 8.12: Confidence intervals around the underlying cash balance forecasts



Note: See note to Chart 8.10.
Source: Budget papers and Treasury.

Assessing current forecasts through sensitivity analysis

Sensitivity analysis assesses how sensitive forecasts are to changes in key assumptions. For illustrative purposes the upper and lower sensitivities are broadly symmetric, but not equally probable.

The iron ore price and yields have been chosen for sensitivity analyses due to their significance in economic and fiscal outcomes and variability over time. The economic impact of other key variables, including the recent significant increase in commodity prices due to Russia's invasion of Ukraine, is considered in *Budget Statement 2: Economic Outlook*. The fiscal impact of lower productivity is considered in *Budget Statement 3: Fiscal Strategy and Outlook*.

Movements in the iron ore price

The forecasts for nominal GDP and tax receipts are sensitive to commodity price assumptions, particularly iron ore prices. Iron ore represented around 22.4 per cent of the value of goods and services exports in 2021–22. See *Budget Statement 2: Economic Outlook* for more information on recent developments in commodity prices. The results of an increase and a decrease in the iron ore price are presented in Table 8.1.

Table 8.1: Sensitivity analysis of a US$10 per tonne movement in iron ore prices

	US$10/tonne FOB[(a)] fall		US$10/tonne FOB increase	
	2022-23	2023-24	2022-23	2023-24
Nominal GDP ($billion)	-4.5	-2.4	4.5	2.4
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.

This analysis considers the impact of a permanent US$10 per tonne increase in the iron ore price on nominal GDP and tax receipts relative to the baseline forecast. The effects of a US$10 per tonne decrease and increase in the iron ore price are broadly symmetrical.

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 $4.5 billion in 2022–23 and around $2.4 billion in 2023–24. The economic response to a permanent change in the price of iron ore is derived from a generic terms of trade shock in Treasury's Macroeconometric Model of Australia. The model incorporates forward looking financial markets, which anticipate the permanent increase in commodity prices.

An increase in iron ore export prices leads to higher export prices and terms of trade. This is moderated in the model response by an appreciation in the exchange rate, which partially offsets the increase in export prices. The appreciation also reduces import prices across all industries which flows through to lower consumer price inflation. Output, investment and export volumes in the mining sector increase in response to higher iron ore prices, although this is limited over the short term due to adjustment costs in increasing the capital stock.

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 2022–23 and 2023–24. An increase in iron ore export prices increases mining company profits and, as a result, increases 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.

Movements in yields

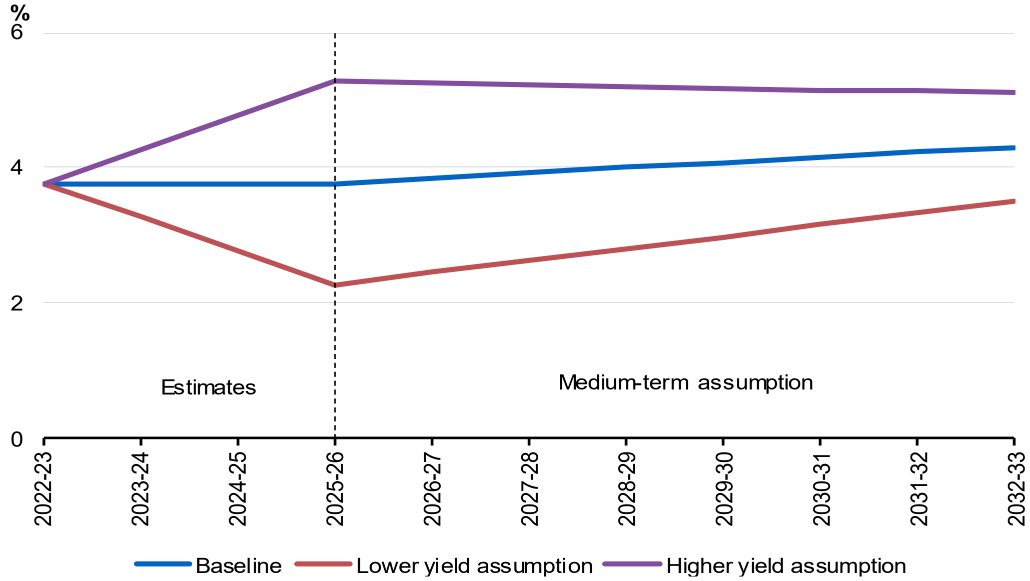
The cost of government borrowing largely reflects yields on Australian Government Securities and the level of debt. Yields have been volatile but trending up rapidly (*see Budget Statement 3: Fiscal Strategy and Outlook*). The following analysis illustrates the sensitivity of the underlying cash balance and gross debt projections over the next 10 years to yield assumptions. This analysis illustrates the yield impact in isolation with other economic projections unchanged from baseline. While yields usually do not move in isolation, this analysis shows how yields may impact fiscal aggregates, above and beyond other changes.

Alongside government receipts and payments, fiscal sustainability depends on the difference between yields and economic growth. If the rate of economic growth is greater than the cost of government borrowing, this may be sufficient to improve debt as a share of the economy over time.

Future yields are uncertain, given the many economic factors at play. Given this uncertainty, a technical assumption for baseline yields is adopted. Baseline forecasts assume nominal 10-year bond yields are fixed over the budget year and the following 3 years at the levels observed immediately prior to the Budget update. The 10-year bond yield then converges over 15 years to a long-run yield equal to long-run nominal GDP growth. For bonds with other tenors, their yields are assumed to converge to their historical relativity to the 10-year bond yield in the yield curve.

The lower yield assumption has bond yields declining 150 basis points by the end of the forward estimates before increasing over 15 years to the long-run yield. The higher yield assumption has bond yields increasing 150 basis points by the end of the forward estimates before declining over 15 years to the long-run yield (Chart 8.13).

Chart 8.13: Baseline and alternative movements in the 10-year bond yield

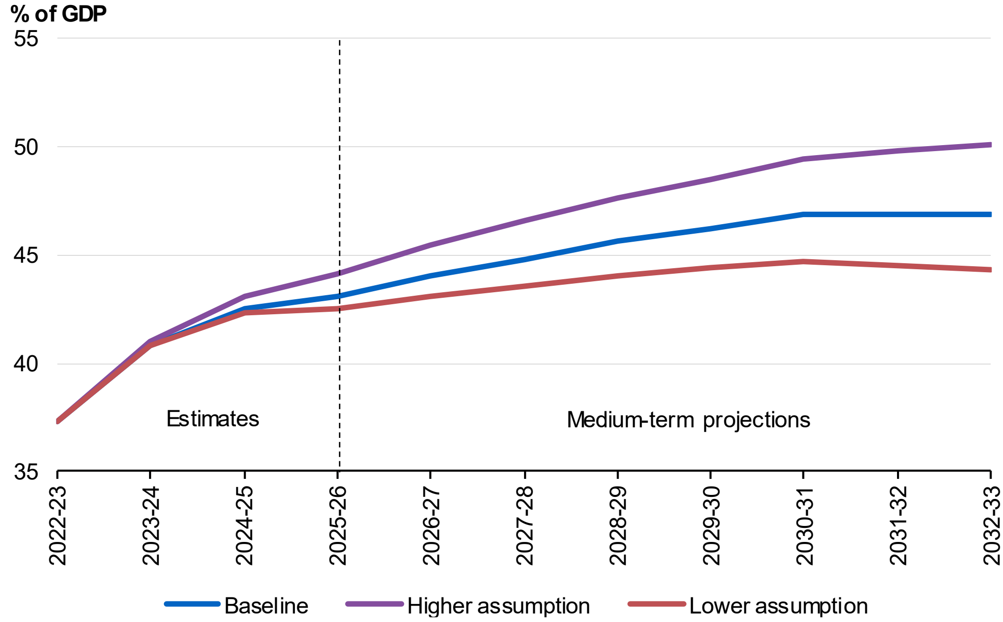


Source: Treasury.

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 lower yield assumption results in an improvement to the underlying cash balance of around 0.4 percentage points of GDP by 2032–33. Under the lower yield assumption, cumulative improvements to the underlying cash balance reduce gross debt by 2.6 percentage points of GDP at 30 June 2033 (Chart 8.14).

Chart 8.14: Gross debt, impact of alternative yield assumptions



Source: Australian Office of Financial Management and Treasury.

The higher yield assumption results in a deterioration to the underlying cash balance of around 0.4 percentage points of GDP by 2032–33 and increases gross debt by 3.2 percentage points of GDP at 30 June 2033.

Even under the higher yield assumption, projected Commonwealth gross debt as a share of GDP is less than forty 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.

Contents

Statement 9: Statement of Risks

Risks to the Budget – Overview

The forward estimates of revenue and expenses in the 2022–23 October 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 the continuing uncertainty posed by COVID-19, uncertainty associated with the global transition towards net zero emissions, domestic inflationary pressures, the path of monetary policy, recessions in major advanced economies, a sharper-than-expected downturn in China, and further global energy price shocks driving up prices.

- 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 2022–23 October 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 circumstances and other factors. For example, differing outcomes for inflation will affect the indexation that is applied to a wide range of payments and mean that expenditure for indexed social services payments will vary. Similarly, differing outcomes for employment will affect JobSeeker and other unemployment support payments. For a number of other 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 utilise tax losses to offset profits may continue to pose heightened challenges in estimating the profile for company and Petroleum Resource Rent 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 underpin their delivery of a range of outputs. Estimates included in the Budget for these agencies reflect the best and most up-to-date information regarding the likely scale of external revenue. However, outcomes in relation to external revenue are not certain and are subject to risks. In some cases, these risks are common to a number of agencies and the aggregate impact on the Budget can extend beyond a single entity.

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 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, and will be built on in future Budgets.

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.

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.

In the 2022-23 October Budget, the Government has agreed a number of funds to achieve policy outcomes, including the National Reconstruction Fund and in relation to Rewiring the Nation. Details of these measures are included in Budget Paper No. 2 and as these measures are implemented, it is expected that they may entail risks that are not fully reflected in the Budget estimates. These risks will be reflected in the Statement of Risks at the point in time where it is apparent that they exceed, or will exceed, the materiality threshold for inclusion.

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. 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	New
Attorney-General's	**Status**
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Modified
Contingent liabilities – unquantifiable	
Native Title costs	Unchanged
Prospective investor-State claim against Australia	Unchanged
Contingent asset – unquantifiable	
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*	Unchanged
Climate Change, Energy, the Environment and Water	**Status**
Fiscal Risks	
Murray-Darling Basin Reform – risk assignment	Unchanged
Remediation of Jabiru Township	Modified
Snowy Hydro Limited	Unchanged
Significant but remote contingencies	
Snowy Hydro Limited – Board Members' indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreements	Unchanged
Contingent liabilities – unquantifiable	
Liability for costs incurred in a national liquid fuel emergency	Unchanged
Snowy Hydro Limited – water releases	Unchanged
United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions	Modified
Contingent liability – quantifiable	
Underwriting of Transmission Projects	Modified
Defence	**Status**
Fiscal Risks	
Acquisition of nuclear-powered submarine technology	Unchanged
Major operations of the Australian Defence Force in 2022–23	Unchanged
Significant but remote contingencies	
ADI Limited – Officers' and Directors' indemnities	Unchanged
Litigation cases	Unchanged
Remote contingencies	Modified
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	Modified

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	
jobactive	Removed
ParentsNext program	Modified
Finance	**Status**
Fiscal Risk	
Commonwealth rent-free housing – superannuation	Removed
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
Australian Naval Infrastructure Pty Ltd – Guarantee in favour of Naval Group Australia	Removed
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	Unchanged
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	New
Contingent liabilities – unquantifiable	
Accommodation Payment Guarantee Scheme	Unchanged
Advance Purchasing Agreements for COVID-19 treatments	Removed
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	Modified
COVID-19 Vaccine Claims Scheme	Removed
Major sporting events	Modified
Medical Indemnity Exceptional Claims Scheme	Unchanged
mRNA manufacturing Facility – indemnities	Unchanged
New South Wales Health Administration Council – indemnity	Removed

Table 9.2: Summary of contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Health and Aged Care (continued)	Status
Contingent asset – unquantifiable	
Legal action seeking compensation	Unchanged
Home Affairs	**Status**
Fiscal Risk	
Regional processing arrangements	Unchanged
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Disaster recovery	Modified
Garrison, welfare and health services at regional processing countries – liability limit	Modified
Immigration detention services by state and territory governments – liability limit	Unchanged
Immigration detention services contract – liability limit	Unchanged
Industry, Science and Resources	**Status**
Fiscal Risk	
Rehabilitation of the Ranger Uranium Mine	New
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	Modified
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
Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability	Unchanged
Land decontamination and site restoration for CSIRO property	Unchanged
Contingent asset – quantifiable	
CSIRO insurance claim – hailstorm	Removed
Infrastructure, Transport, Regional Development, Communications and the Arts	**Status**
Fiscal Risk	
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	Modified
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	Modified
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 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
National Intermodal Corporation Limited – Board Members' indemnity	Removed
Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory	Modified
Contingent liabilities – quantifiable	
Australian Government contribution to the East West Link project	Removed
Australian Government contribution to the extension of the Roe Highway	Removed
Prime Minister and Cabinet	**Status**
Contingent liabilities – unquantifiable	
McDonald v Commonwealth (Stolen Wages Class Action)	Unchanged
Northern Territory Stolen Generations Class Action	Removed
Wreck Bay Aboriginal Community Council – housing liability in Wreck Bay Village, Jervis Bay Territory	New
Contingent liability – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Modified
Social Services	**Status**
Fiscal Risks	
COVID-19 and disaster social welfare debt pause for specified areas	Modified
National Disability Insurance Scheme	New
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	New
Establishment of a cyclone and related flooding reinsurance pool	Modified
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
Historical Interest on Early Payment entitlements	Removed
International financial institutions – uncalled capital subscriptions	Modified
International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement	Unchanged
International Monetary Fund – Resilience and Sustainability Trust	New
Veterans' Affairs	**Status**
Fiscal Risk	
Defence Service Homes Insurance Scheme	Unchanged

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.

Recent concurrent incursions have placed considerable pressure on this funding which may be insufficient to meet the costs of any additional large-scale pest or disease responses. There are currently 12 national cost-shared emergency responses. Until 2026–27, more than half of this funding has been allocated to an eradication program for red imported fire ants in Queensland. A review of this program has been undertaken and subsequent deliberations may have financial implications for the Australian Government. Since March 2022, a relatively large new national response to address an outbreak of *Varroa Destructor* (a parasitic mite that attacks honey bees) in New South Wales has put additional pressure on the budget. Costs beyond the initial 100-day response plan are not known. In addition, the risk of foot and mouth disease and lumpy skin disease entering Australia has recently increased due to incursions in Indonesia.

Governments have agreed to develop an Aquatic Emergency Animal Disease Deed (the Deed) covering aquatic emergency animal diseases. Consultation has been undertaken with prospective industry signatories, with further discussions to occur with jurisdictions and potential industry signatories in late-2022. 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.

In this Budget, the Government has provided $134.1 million over four 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.

White spot syndrome virus and disease 2016 outbreak

The Commonwealth is responding to two claims related to the 2016 outbreak of white spot syndrome virus in Queensland. White spot disease was first detected in South East Queensland in December 2016 and seven 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.

Costs associated with either 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 two 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.

Prospective investor-State claim against Australia

The Commonwealth has received requests for consultation in relation to a dispute pertaining to the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA)*. These consultations are a pre-condition to the formal commencement of investor-State dispute settlement proceedings.

If proceedings are commenced and Australia is unsuccessful, Australia would be liable for any compensation found to be payable to the claimant. Any such potential liability cannot be quantified at this stage.

Contingent asset – unquantifiable

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*

On 1 March 2022, the Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for civil penalty orders against Crown Casino for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). AUSTRAC alleges Crown Casino failed to comply with its obligations under the AML/CTF Act, including failures to properly assess its money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence. The outcome of this matter is 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.

These pressures are being mitigated through close management of the delivery program and engagement with key stakeholders.

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

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 also contains three 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.

Snowy Hydro Limited – water releases

On 29 June 2018, Snowy Hydro Limited became a wholly Commonwealth owned company following the Commonwealth's acquisition of the New South Wales (NSW) and Victorian Governments' shares. At the time of corporatisation of Snowy Hydro Limited on 28 June 2002, the Australian, NSW and Victorian Governments, as the then owners, indemnified the company for liabilities arising from water releases in the Snowy River below Jindabyne Dam, where these releases are in accordance with the Snowy Water Licence and related regulatory arrangements agreed between the three governments, including the Snowy Water Inquiry Outcomes Implementation Deed (SWIOID) 2002. The indemnity applies to liabilities for which a claim is notified within 20 years from 28 June 2002.

As the sole owner, the Commonwealth is now wholly liable for the indemnity. However, NSW must pay 100 per cent of the amount claimable where the liability is a result of the Snowy Water Licence being inconsistent with the SWIOID or with a direction from NSW that is inconsistent with principles for managing water releases from Jindabyne Dam, as agreed by the Australian, NSW and Victorian Governments.

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

The Australian Government has committed to underwrite early works for the Victoria to New South Wales (NSW) Interconnector West (VNI West) project (with a preferred route known as KerangLink) of up to $75.8 million.

The Australian Government will provide up to $181.5 million in underwriting support under an agreement secured with the NSW transmission provider TransGrid to enable transmission lines being built from south of Coleambally to Wagga Wagga as part of enabling Project EnergyConnect to be constructed at a larger capacity, which would reduce the future construction cost of the VNI West project.

Conditions for these underwritings to be called upon are likely to relate to the projects not achieving regulatory and approval requirements, but are also dependent on the final underwriting arrangements negotiated.

Defence

Fiscal Risks

Acquisition of nuclear-powered submarine technology

On 16 September 2021, the Australian Government announced the formation of AUKUS, an enhanced security agreement between Australia, the United Kingdom (UK) and the United States of America (USA). The first program committed to under AUKUS is a nuclear-powered submarine program for Australia. Through AUKUS, Australia is undertaking a period of consultation with the UK and USA to determine the optimal pathway to achieve this capability. The costs of consultation will be met from within the Department of Defence's (Defence) existing budget. The costs associated with the acquisition of a nuclear-powered submarine capability will be assessed as part of this process and are not fully reflected in the Budget estimates for Defence.

Major operations of the Australian Defence Force in 2022–23

The 2022–23 estimates for the Department of Defence (Defence) include the cost of major operations of the Australian Defence Force in 2022–23 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.

These significant but remote contingent liabilities are restricted in nature and details 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 liability – 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.

Under the 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 30 June 2022, there was $99.4 million in unspent Participation Fund credits in the Participation 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 seven 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 currently the subject of 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 Board 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 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 made 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.

Indemnities 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 four 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 twelve infrastructure projects in nine countries. As at 31 August 2022, the maximum exposure is $914.9 million, of which $183.1 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. On 2 February 2022, the Australian Government announced two loans under the CMF with a total maximum value of approximately $239 million. In the 2022–23 March Budget measure *Critical Minerals Facility – projects*, the Government announced that it was in negotiations for an additional loan. On 4 April 2022, the Government announced this additional 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 31 August 2022, no funds have 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 31 August 2022, three loans under the DEF had been agreed for a total signing value of $228 million. Currently, $196.9 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 31 August 2022, $33.4 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 31 August 2022, the Government's total contingent liability was $5.5 billion. The $5.5 billion contingent liability comprises Export Finance Australia's liabilities to third parties ($4.5 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees ($1 billion). Of the total contingent liability, $2.3 billion relates to Export Finance Australia's Commercial Account and $3.2 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 Government has made a provision in the Contingency Reserve to support wage rises for aged care workers. 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 potential 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. The Australian Government is working with the Queensland Government to negotiate and establish a bilateral agreement on matters of shared interest, including capital contributions. 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 for the Olympic Games. The costs of these arrangements are yet to be determined.

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 in-principle support for the Victorian Government's hosting of the 2026 Commonwealth Games in Regional Victoria. The detail and cost of any Australian Government support is yet to be determined.

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 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 current 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.

Garrison, welfare and health services at regional processing countries – liability limit

The Department of Home Affairs (Home Affairs) entered into a Letter of Intent with MTC Australia Pty Ltd, which commenced on 1 October 2022, for the provision of garrison and welfare services on Nauru in relation to regional processing arrangements. The Letter of Intent includes a provision that limits MTC Australia Pty Ltd's liability to Home Affairs to a maximum of $200 million greater than the amount of insurance proceeds recovered by the service provider. The limitation of liability does not apply to personal injury, breach of third-party intellectual property rights, damage to third-party property or malicious acts or omissions attributable to MTC Australia Pty Ltd.

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, education 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.

		Service streams	
Jurisdictions	Health	Education	Police
WA	$5 million per claim or event	Uncapped liability	$5 million per claim or event
NSW	N/A	$5 million per claim or event	$5 million per claim or event
VIC	Uncapped liability	Uncapped liability	$5 million per claim or event
QLD/TAS/ACT/NT	N/A	$5 million per claim or event	$5 million per claim or event
SA	$5 million per claim or event	$5 million per claim or event	$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.

Immigration detention services contract – liability limit

The Department of Home Affairs (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 Home Affairs 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 1 of the decommissioning of the Northern Endeavour. This will see the floating production storage and offtake facility disconnected from the subsea 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 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 facility, 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 has 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.

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.

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 Risk

Inland Rail – delivery

The Australian Government has committed up to $14.5 billion in equity for the Australian Rail Track Corporation (ARTC), enabling ARTC to deliver the Inland Rail project which provides a direct, high-performance freight rail corridor between Melbourne and Brisbane, as well as a new freight corridor between Brisbane and Perth (via Parkes).

The ARTC will finance Inland Rail with a combination of Commonwealth equity investment, private debt and internal cash flows. A Public Private Partnership is being established to design, build, finance and maintain the complex Toowoomba to Kagaru (Brisbane) section of the project, including major tunnelling works.

Project risks include securing jurisdictional support, cost and scheduling pressures, pre-existing land contamination and realising revenues. Although these pressures are being mitigated through close management of the delivery program and engagement with key stakeholders and jurisdictions, significant delays and cost pressures are now emerging on the project. Final project costs will be settled through the completion of procurements for all sections of Inland Rail following finalisation of design, planning and environmental approvals.

The Government has announced an independent review into the Inland Rail project. The Review will assess the project's scope, schedule and cost and is expected to be completed by early 2023

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 30 June 2022, 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 30 June 2022, NBN Co had liabilities covered by the Guarantee estimated at $10.2 billion. The Guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years, and:

- the company is capitalised by the Commonwealth to the agreed amount

- 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.

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 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 corresponding management plans for any identified PFAS contamination. Airservices Australia (Airservices) is also implementing a national PFAS management program, which includes PFAS investigations at 20 airport sites. The costs of potential long-term management options cannot be quantified at this time.

For federally leased airports, 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. AEOs are actively considering regulatory action at Brisbane, Launceston, Canberra and Melbourne Airports. Brisbane Airport Corporation has commenced legal proceedings in the Queensland Supreme Court against Airservices in relation to legacy PFAS contamination from Airservices' firefighting activities 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.

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 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 liabilities – 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.

Wreck Bay Aboriginal Community Council – housing liability in Wreck Bay Village, Jervis Bay Territory

The High Court held in *Williams v Wreck Bay Aboriginal Community Council & Anor* [2019] HCA 4, that the *Australian Capital Territory's Residential Tenancies Act 1997* applies to Aboriginal Land in the Jervis Bay Territory and the Wreck Bay Aboriginal Community Council (WBACC) is obliged to keep its leased premises in a reasonable state of repair, regardless of whether tenants pay rent. To mitigate its housing maintenance liabilities, WBACC has devised a Home Ownership Strategy, which centres on granting 99 year home ownership-style leases. Tenants who choose to take up such leases would have effective home ownership, relieving WBACC of the legal obligation to maintain those tenants' properties. Before issuing home ownership-style leases, WBACC must ensure that properties are in a reasonable state of repair. Initial estimates for housing upgrades or new houses range from $34 million to $64 million and have not been reflected in the Budget estimates.

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 been progressively lifting 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 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.

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 31 August 2022, DSS has an administered quantifiable contingent asset of $145.4 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 31 August 2022, DSS also has an administered quantifiable contingent liability of $75.2 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 30 June 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 $5.5 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 July 2022, the face value of state and territory borrowings covered by the Guarantee was $337.5 million, down from $338.9 million as at 31 March 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: $144.9 million is attributable to liabilities of the Commonwealth Bank of Australia as at 30 June 2022; and $4.5 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation as at 30 June 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 31 August 2022, exchange settlement balances amount to $448.5 billion, and the total Guarantee is $565.4 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 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 to build or purchase a first home sooner by providing a guarantee to participating lenders for up to 15 percent 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 citizens who have not previously owned a property to purchase a home in a regional location by providing a guarantee to participating lenders of up to 15 percent of the property purchase price (subject to a minimum deposit of 5 per cent). The Regional First Home Buyer Guarantee will commence in 2022–23.

For the four 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

On 26 October 2020, the Australian Government entered into an agreement 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 this agreement, the Government made available Special Drawing Rights (SDR) 500 million (approximately A$967.3 million estimated as at 30 June 2022) to loan to the IMF under the PRGT. As at 30 June 2022, SDR 210.6 million (approximately A$407.4 million) has been drawn down, leaving SDR 289.4 million (approximately A$559.9 million) remaining available to the IMF under the PRGT.

On 11 October 2022, the Australian Government entered into an agreement to lend an additional SDR 500 million (approximately A$1.0 billion). This line of credit has not yet been drawn down.

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 and the **Show Starter Loan Scheme** provided a guarantee of 100 per cent of the eligible loan amount for the creative arts business, 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, but 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 with any reliability the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 31 August 2022, for which a provision has not been made, is $7.8 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$4.4 billion (estimated value A$5.9 billion as at 31 August 2022).

The Australian Government has also held 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$345.5 million as at 31 August 2022).

The Australian Government has further held 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$10.2 billion as at 31 August 2022).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$38.4 million as at 31 August 2022).

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$4.3 billion as at 31 August 2022).

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$8.5 billion at 30 June 2022). 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$3.8 billion at 30 June 2022) 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$1.6 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 three 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 holding an appropriate level of capital (that is, reserves) consistent with the obligations placed on insurers through the relevant regulatory regime. 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 estimated to exceed $200 million at 30 June 2022.

Table 9.3: Summary of Australian Government loans exceeding $200 million

Entity	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Agriculture, Fisheries and Forestry					
Drought related and farm finance concessional loans – Agriculture	260	State Governments (that through their delivery agencies, on-lend to eligible farm businesses)	Various	Various	Modified
Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and AgRebuild Loans	2,358	Eligible Australian farm businesses and related small businesses, via Regional Investment Corporation	2.62 per cent for Plantation Loans 3.04 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	3,143	Approved entities undertaking clean energy technology projects	3.9 per cent weighted average	5–15 years	Modified
Education					
Higher Education Loan Program	47,400	Eligible higher education students	Consumer Price Index (CPI) growth	9.6 years*	Modified
Employment and Workplace Relations					
Trade Support Loans Program	929	Eligible Australian Apprentices	CPI growth		Modified
VET Student Loans Program	2,900	Eligible diploma and above students.	CPI growth		New
Foreign Affairs and Trade					
Papua New Guinea Liquefied Natural Gas	187	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-in-confidence	Until 2026	Modified
Telstra acquisition of Digicel Pacific[(c)]	1,902	Telstra	Commercial-in-confidence	Various	Modified

Table 9.3: Summary of Australian Government loans exceeding $200 million (continued)

Entity	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Health and Aged Care					
Zero Real Interest Loans	222	Residential aged care providers	CPI growth	Up to 22 years	Modified
Infrastructure, Transport, Regional Development, Communications and the Arts					
NBN Co Loan	6,375	NBN Co Limited	3.96 per cent	30 June 2024	Modified
Northern Australia Infrastructure Facility Loans	665	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	1,750	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	910	Eligible Indigenous persons	2.5–6.9 per cent	Up to 32 years	Modified
Voyages Indigenous Tourism Australia Pty Ltd	296	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate + 5 per cent	9 years, 11 months	Modified
Social Services					
Student Financial Supplement Scheme	226	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	CPI growth	Various	Modified
Student Start-up Loan	682	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	CPI growth	Various	Modified

Table 9.3: Summary of Australian Government loans exceeding $200 million (continued)

Entity	Loan amount[a] ($m)	Borrower	Interest rate	Term	Status[b]
Treasury					
Affordable Housing Bond Aggregator	34,479	National Housing Finance and Investment Corporation	Commonwealth cost of borrowing	Various	Modified
Commonwealth-State financing arrangements – housing and specific purpose capital	1,333	State and Northern Territory governments	4.0 per cent – 6.0 per cent	Up to 30 June 2042	Modified
International Monetary Fund – New Arrangements to Borrow	57	International Monetary Fund	0.1 per cent	10 years	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	404	International Monetary Fund	IMF SDR interest rate	10 years	Modified
International Monetary Fund – Resilience and Sustainability Trust[c]	0	International Monetary Fund	IMF SDR interest rate	20 years	New
Loan Agreement between the Government of Australia and the Government of Indonesia	1,350	Government of Indonesia	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
Loan to the Government of Papua New Guinea	547	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Modified
2021 Loan to Government of Papua New Guinea	637	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	20 years	Unchanged

* Average.

a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2022 in $ million.

b) Status of loan items are considered 'unchanged' unless there are modifications to respective interest rates and/or loan term.

c) Loan amount as at 31 August 2022.

d) As at 30 September 2022, the line of credit for the Resilience and Sustainability Trust had not been drawn upon.

Agriculture, Fisheries and Forestry

Drought related and farm finance concessional loans – Agriculture

As at 30 June 2022, the fair value of farm business, drought and dairy farm related loans is estimated to total $259.9 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 two 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 August 2022, the interest rate was 2.65 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-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 August 2022, the interest rate was 2.14 per cent, reviewed on a six-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 five years. Principal and interest repayments will be made in the remaining five years of the loan term.

Farm Business Concessional Loans Scheme: This scheme provided three 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 August 2022, the interest rate was 2.54 per cent, reviewed on a six-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.

As at 1 August 2022, the interest rate was 3.15 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan, on commercial terms.

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 four loan products currently available to farm businesses — Farm Investment Loans, Drought Loans, AgriStarter Loans and Plantation Loans (launched on 6 December 2021). 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 August 2022, the variable interest rate is 3.04 per cent for the Farm Investment, Drought, AgriStarter and AgBiz Drought loan products. The variable interest rate for Plantation Loans is 2.62 per cent. Interest rates are revised on a six-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 February 2023.

Interest was not payable during the first two 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, and secured project finance facilities, typically secured against energy-generating assets such as wind or solar farms or biogas facilities 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 3.9 per cent. Loans have various maturity dates, typically in the range of 5 to 15 years. As at 30 June 2022, loans contracted and outstanding total $3.14 billion.

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 2022, the fair value of HELP debt outstanding is estimated to be $47.4 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. As at 30 June 2022, the fair value of VSL debt outstanding is estimated to be $431.4 million (post 1 July 2019 VSL debts only). The fair value takes into account the concessionality of VSL 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. 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 2022, the fair value of both VET-FEE HELP debt and pre 2019 VSL debt outstanding is estimated to be $2.5 billion.

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 31 August 2022, the fair value of the loan amount outstanding is estimated to total $187 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 31 August 2022, USD1.34 billion in funds have been drawn down.

Health and Aged Care

Zero Real Interest Loans

The Zero Real Interest Loans program provided loans to assist aged care providers to build or extend residential aged care services in areas of high need. Loans provided under the program attract an interest rate equivalent to the change in the All Groups Consumer Price Index (updated quarterly). Four funding rounds were completed, with the final round of offers finalised in 2013. No further loans will be allocated under the program. The total amount owing to the Commonwealth as at 30 June 2022 is $221.5 million.

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 30 September 2022 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 Australian 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 2022, the fair value of outstanding loans for Indigenous Home Ownership and Business Development and Assistance totalled $910 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 six-monthly. As at 30 June 2022, the outstanding loan balance was $296.0 million.

Social Services

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 two dollars in loans. Debtors are required to start repaying their SFSS loan once they earn $47,014 for 2021–22 and only after they have repaid any HELP and Vocational Education and Training (VET) student loan debt. As at 30 June 2022, the fair value of SFSS loans outstanding was valued at $225.8 million.

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 $47,014 for 2021–22, 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. As at 30 June 2022, the fair value of the Student Start-up Loan was valued at $682.1 million.

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 29.7 million (approximately A$57.0 million) as at 30 June 2022.

International Monetary Fund – Poverty Reduction and Growth Trust

On 26 October 2020, the Australian Government entered into an agreement 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. On 11 October 2022, the Australian Government entered into an agreement to make an additional SDR 500 million (approximately A$958.9 million as at 30 June 2022) line of credit available to the IMF through the PRGT Loan Account 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$403.9 million) as at 30 June 2022.

On 11 October 2022, the Government entered into an agreement to lend SDR 1 billion (approximately A$1.9 billion at 30 June 2022) to the PRGT Pooled Investments, in order to provide subsidy resources to the PRGT of SDR 36 million (approximately A$69.0 million as at 30 June 2022). 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 30 June 2022) 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$291.5 million as at 30 June 2022) to the RST Deposit Account through to 30 November 2050, and SDR 15.2 million (approximately A$29.2 million as at 30 June 2022) 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 potential late payments.

Loan Agreement between the Government of Australia 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.

Loan to the Government of Papua New Guinea

On 22 November 2020, the 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 to 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 their 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.

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.

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Statement 10: Australian Government Budget Financial Statements

Table 10.1: Australian Government general government sector operating statement

		Actual	Estimates			
		2021-22	2022-23	2023-24	2024-25	2025-26
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue(a)	3	550,412	577,868	587,670	602,659	643,550
Sales of goods and services	4	17,834	18,371	19,596	20,680	21,229
Interest income	5	4,452	8,192	7,476	6,899	7,153
Dividend and distribution income	5	9,051	5,695	6,169	6,652	7,041
Other(a)	6	14,652	14,891	12,528	12,200	12,031
Total revenue		**596,401**	**625,016**	**633,439**	**649,091**	**691,004**
Expenses						
Gross operating expenses						
Wages and salaries(b)	7	22,840	24,201	24,094	24,490	24,806
Superannuation	7	12,217	8,912	7,514	7,728	7,984
Depreciation and amortisation	8	11,462	12,111	12,913	13,578	14,335
Supply of goods and services	9	163,395	176,526	179,752	191,998	204,111
Other operating expenses(b)	7	7,836	9,186	8,081	8,326	8,593
Total gross operating expenses		*217,750*	*230,936*	*232,354*	*246,121*	*259,829*
Superannuation interest expense	7	8,974	12,264	13,423	13,737	14,403
Interest expenses	10	19,944	26,188	27,140	34,586	35,295
Current transfers						
Current grants	11	184,517	196,498	197,493	201,915	205,390
Subsidy expenses		17,764	16,213	16,624	17,123	17,847
Personal benefits	12	154,450	146,940	156,682	166,907	177,499
Total current transfers		*356,730*	*359,651*	*370,799*	*385,945*	*400,736*
Capital transfers	11					
Mutually agreed write-downs		2,884	2,676	2,956	3,128	3,270
Other capital grants		16,767	19,207	19,793	18,736	17,426
Total capital transfers		*19,651*	*21,883*	*22,749*	*21,864*	*20,696*
Total expenses		**623,050**	**650,922**	**666,465**	**702,253**	**730,960**
Net operating balance		**-26,649**	**-25,905**	**-33,026**	**-53,162**	**-39,956**
Other economic flows – included in operating result						
Net write-downs of assets		-11,490	-8,004	-7,640	-8,013	-8,193
Assets recognised for the first time		251	204	212	221	229
Actuarial revaluations		7,031	83	59	37	27
Net foreign exchange gains		245	-573	0	0	13
Net swap interest received		-428	0	0	0	0
Market valuation of debt		115,931	-2,434	-11,643	-10,716	-9,797
Other gains/(losses)		-17,471	4,761	7,171	8,513	8,623
Total other economic flows – included in operating result		**94,068**	**-5,962**	**-11,841**	**-9,958**	**-9,098**
Operating result(c)		**67,420**	**-31,867**	**-44,867**	**-63,120**	**-49,054**

Table 10.1: Australian Government general government sector operating statement (continued)

		Actual	Estimates			
		2021-22	2022-23	2023-24	2024-25	2025-26
	Note	$m	$m	$m	$m	$m
Non-owner movements in equity						
Revaluation of equity investments		-26,320	-92	0	0	0
Actuarial revaluations		-19,774	-19,774	-167	-167	-167
Other economic revaluations		8,435	5	67	2,183	93
Total other economic flows - included in equity		**-37,658**	**-19,860**	**-100**	**2,016**	**-74**
Comprehensive result – Total change in net worth		**29,761**	**-51,728**	**-44,967**	**-61,104**	**-49,129**
Net operating balance		**-26,649**	**-25,905**	**-33,026**	**-53,162**	**-39,956**
Net acquisition of non-financial assets						
Purchases of non-financial assets		18,772	23,317	23,846	23,934	23,614
less Sales of non-financial assets		1,278	206	51	2,226	289
less Depreciation		11,462	12,111	12,913	13,578	14,335
plus Change in inventories		2,399	1,788	1,001	845	949
plus Other movements in non-financial assets		-18	-6	0	0	0
Total net acquisition of non-financial assets		**8,412**	**12,781**	**11,883**	**8,976**	**9,939**
Fiscal balance (Net lending/borrowing)(d)		**-35,061**	**-38,686**	**-44,909**	**-62,138**	**-49,895**

a) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022–23 March Budget. This reflected the change in the nature of this revenue, resulting in an increase in taxation revenue and a decrease in other revenue.

b) 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.

c) Operating result under AAS.

d) The term fiscal balance is not used by the ABS.

Table 10.2: Australian Government general government sector balance sheet

		Actual	Estimates			
		2021-22	2022-23	2023-24	2024-25	2025-26
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits		94,763	54,975	68,350	79,676	72,967
Advances paid	13	73,119	76,622	75,412	79,894	83,616
Investments, loans and placements	14	214,456	225,772	236,975	245,029	253,954
Other receivables	13	74,668	74,640	79,828	83,709	89,224
Equity investments						
Investments in other public sector entities		38,225	43,757	48,716	53,710	57,916
Equity accounted investments		3,890	4,175	4,212	4,208	4,162
Investments – shares		70,548	80,564	84,818	88,831	93,658
Total financial assets		*569,668*	*560,506*	*598,311*	*635,058*	*655,496*
Non-financial assets	15					
Land		12,719	12,876	12,884	12,930	12,768
Buildings		45,845	48,082	49,728	51,147	52,086
Plant, equipment and infrastructure		99,421	106,034	114,274	122,588	130,529
Inventories		11,686	12,895	13,452	13,835	14,303
Intangibles		11,119	12,511	12,993	13,051	12,951
Investment properties		205	207	207	207	207
Biological assets		16	16	16	16	16
Heritage and cultural assets		12,630	12,645	12,653	12,646	12,637
Assets held for sale		308	177	177	177	177
Other non-financial assets		22	16	16	16	16
Total non-financial assets		*193,969*	*205,460*	*216,401*	*226,613*	*235,689*
Total assets		**763,638**	**765,966**	**814,712**	**861,670**	**891,185**
Liabilities						
Interest bearing liabilities						
Deposits held		406	406	406	406	406
Government securities		848,455	877,947	962,871	1,056,215	1,127,457
Loans	16	29,932	32,204	33,192	33,427	33,475
Lease liabilities		19,194	18,997	18,340	17,347	15,985
Total interest bearing liabilities		*897,988*	*929,554*	*1,014,809*	*1,107,396*	*1,177,322*

Table 10.2: Australian Government general government sector balance sheet (continued)

		Actual	Estimates			
		2021-22	2022-23	2023-24	2024-25	2025-26
	Note	$m	$m	$m	$m	$m
Provisions and payables						
Superannuation liability	17	321,982	271,366	278,186	290,148	298,373
Other employee liabilities	17	34,902	35,535	36,188	36,976	37,513
Suppliers payables	18	10,416	10,908	11,288	11,543	11,717
Personal benefits payables	18	2,999	3,044	3,985	4,130	4,293
Subsidies payables	18	933	884	885	887	907
Grants payables	18	3,913	2,997	2,634	3,270	2,851
Other payables	18	9,855	4,240	5,952	3,925	3,956
Provisions	18	62,407	63,101	61,417	65,133	65,117
Total provisions and payables		*447,407*	*392,076*	*400,535*	*416,012*	*424,728*
Total liabilities		**1,345,395**	**1,321,631**	**1,415,344**	**1,523,407**	**1,602,050**
Net worth(a)		**-581,758**	**-555,665**	**-600,633**	**-661,737**	**-710,865**
Net financial worth(b)		*-775,727*	*-761,125*	*-817,033*	*-888,350*	*-946,554*
Net financial liabilities(c)		*813,952*	*804,882*	*865,750*	*942,060*	*1,004,470*
Net debt(d)		*515,650*	*572,185*	*634,073*	*702,796*	*766,787*

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)]

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received(b)	536,586	562,858	574,292	590,451	629,335
Receipts from sales of goods and services	17,725	18,550	19,594	20,691	21,220
Interest receipts	2,446	5,275	5,805	5,991	6,147
Dividends, distributions and income tax equivalents	11,564	5,677	6,150	6,632	7,019
Other receipts(b)	15,542	14,533	13,326	18,810	14,879
Total operating receipts	**583,864**	**606,893**	**619,167**	**642,575**	**678,601**
Cash payments for operating activities					
Payments to employees(c)	-36,863	-38,601	-39,034	-40,155	-41,626
Payments for goods and services	-159,065	-174,888	-178,804	-191,475	-203,762
Grants and subsidies paid	-219,188	-233,753	-237,327	-237,774	-240,325
Interest paid	-17,423	-18,910	-22,407	-25,369	-32,634
Personal benefit payments	-156,276	-147,190	-156,297	-167,333	-177,903
Other payments(c)	-7,359	-8,486	-7,420	-7,548	-7,752
Total operating payments	**-596,174**	**-621,828**	**-641,289**	**-669,653**	**-704,002**
Net cash flows from operating activities	**-12,310**	**-14,934**	**-22,122**	**-27,078**	**-25,401**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	494	336	2,274	265	422
Purchases of non-financial assets	-17,692	-19,825	-21,760	-22,041	-22,092
Net cash flows from investments in non-financial assets	**-17,198**	**-19,490**	**-19,486**	**-21,776**	**-21,670**
Net cash flows from investments in financial assets for policy purposes	**-1,340**	**-12,720**	**-6,679**	**-13,699**	**-14,066**
Net cash flows from investments in financial assets for liquidity purposes	**-8,553**	**-17,780**	**-7,122**	**-3,244**	**-4,312**
Cash receipts from financing activities					
Borrowing	202,252	428,986	674,680	719,036	685,420
Other financing	33,437	11	20	11	12
Total cash receipts from financing activities	**235,689**	**428,998**	**674,701**	**719,048**	**685,431**
Cash payments for financing activities					
Borrowing	-123,358	-396,903	-601,352	-637,141	-621,929
Other financing	-40,580	-6,958	-4,565	-4,784	-4,763
Total cash payments for financing activities	**-163,938**	**-403,861**	**-605,917**	**-641,925**	**-626,692**
Net cash flows from financing activities	**71,751**	**25,137**	**68,784**	**77,123**	**58,739**
Net increase/(decrease) in cash held	**32,351**	**-39,788**	**13,375**	**11,326**	**-6,710**

Table 10.3: Australian Government general government sector cash flow statement (continued)[(a)]

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
GFS cash surplus(+)/deficit(-)(d)	**-29,507**	**-34,424**	**-41,608**	**-48,854**	**-47,071**
plus Principal payments of lease liabilities(e)	-2,454	-2,427	-2,440	-2,493	-2,490
Equals underlying cash balance(f)	**-31,962**	**-36,851**	**-44,048**	**-51,347**	**-49,561**
plus Net cash flows from investments in financial assets for policy purposes	-1,340	-12,720	-6,679	-13,699	-14,066
Equals headline cash balance	**-33,302**	**-49,572**	**-50,727**	**-65,046**	**-63,627**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipt to taxation receipt in the 2022–23 March Budget. This reflected the change in the nature of this receipt, resulting in an increase in taxes received and a decrease in other receipts.
c) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
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 underlying cash balance to maintain consistency of measure following the implementation of AASB 16.
f) The term underlying cash balance is not used by the ABS.

Table 10.4: Australian Government public non-financial corporations sector operating statement

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Revenue		
Grants and subsidies	857	276
Sales of goods and services	19,777	21,579
Interest income	10	5
Other	123	206
Total revenue	**20,767**	**22,066**
Expenses		
Gross operating expenses		
Wages and salaries(a)	4,595	4,715
Superannuation	563	484
Depreciation and amortisation	4,723	4,636
Supply of goods and services	10,381	11,468
Other operating expenses(a)	641	752
Total gross operating expenses	*20,903*	*22,054*
Interest expenses	1,597	1,804
Other property expenses	300	85
Current transfers		
Tax expenses	576	7
Total current transfers	*576*	*7*
Total expenses	**23,375**	**23,950**
Net operating balance	**-2,608**	**-1,884**
Other economic flows	**3,052**	**-1,425**
Comprehensive result – Total change in net worth excluding contribution from owners	**445**	**-3,309**
Net acquisition of non-financial assets		
Purchases of non-financial assets	7,386	10,274
less Sales of non-financial assets	59	2
less Depreciation	4,723	4,636
plus Change in inventories	72	8
plus Other movements in non-financial assets	0	0
Total net acquisition of non-financial assets	**2,677**	**5,644**
Fiscal balance (Net lending/borrowing)(b)	**-5,285**	**-7,528**

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

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,380	1,359
Investments, loans and placements	1,557	1,076
Other receivables	6,343	6,647
Equity investments	294	293
Total financial assets	*9,573*	*9,375*
Non-financial assets		
Land and other fixed assets	60,444	64,694
Other non-financial assets(a)	3,925	3,933
Total non-financial assets	*64,368*	*68,627*
Total assets	**73,942**	**78,002**
Liabilities		
Interest bearing liabilities		
Deposits held	18	18
Advances received and loans	29,686	30,832
Lease liabilities	12,551	13,164
Total interest bearing liabilities	*42,255*	*44,014*
Provisions and payables		
Superannuation liability	13	11
Other employee liabilities	1,817	1,738
Other payables	6,618	6,724
Other provisions(a)	1,140	1,096
Total provisions and payables	*9,588*	*9,569*
Total liabilities	**51,843**	**53,582**
Shares and other contributed capital	**22,099**	**24,420**
Net worth(b)	**22,099**	**24,420**
Net financial worth(c)	*-42,270*	*-44,207*
Net debt(d)	*39,319*	*41,579*

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)]

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	20,738	24,482
Grants and subsidies received	790	183
GST input credit receipts	116	1,041
Other receipts	80	278
Total operating receipts	**21,724**	**25,984**
Cash payments for operating activities		
Payments to employees(b)	-5,139	-5,340
Payment for goods and services	-11,658	-14,518
Interest paid	-1,546	-1,944
GST payments to taxation authority	-382	-967
Distributions paid	-301	-85
Other payments(b)	-881	-948
Total operating payments	**-19,906**	**-23,803**
Net cash flows from operating activities	**1,818**	**2,181**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	67	-5
Purchases of non-financial assets	-6,506	-8,721
Net cash flows from investments in non-financial assets	**-6,439**	**-8,726**
Net cash flows from investments in financial assets for policy purposes	**-8**	**-3**
Net cash flows from investments in financial assets for liquidity purposes	**50**	**59**
Net cash flows from financing activities		
Borrowing (net)	1,449	1,178
Other financing (net)	2,342	5,292
Net cash flows from financing activities	**3,792**	**6,469**
Net increase/(decrease) in cash held	**-787**	**-20**
Cash at the beginning of the year	**2,167**	**1,380**
Cash at the end of the year	**1,380**	**1,359**
GFS cash surplus(+)/deficit(-)(c)	**-4,621**	**-6,545**
plus Principal payments of lease liabilities(d)	-484	-536
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-5,105**	**-7,081**

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

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Revenue		
Taxation revenue(a)	549,452	577,197
Sales of goods and services	36,624	38,905
Interest income	4,116	7,963
Dividend and distribution income	8,751	5,610
Other(a)	14,763	14,874
Total revenue	**613,707**	**644,548**
Expenses		
Gross operating expenses		
Wages and salaries(b)	27,436	28,916
Superannuation	12,776	9,396
Depreciation and amortisation	16,185	16,747
Supply of goods and services	172,775	186,933
Other operating expenses(b)	8,477	9,937
Total gross operating expenses	*237,648*	*251,929*
Superannuation interest expense	8,974	12,264
Interest expenses	21,195	27,758
Current transfers		
Current grants	184,517	196,498
Subsidy expenses	16,998	15,454
Personal benefits	154,450	146,940
Total current transfers	*355,965*	*358,892*
Capital transfers	18,845	21,585
Total expenses	**642,628**	**672,428**
Net operating balance	**-28,921**	**-27,880**
Other economic flows	**62,511**	**-27,071**
Comprehensive result – Total change in net worth	**33,590**	**-54,951**
Net acquisition of non-financial assets		
Purchases of non-financial assets	26,163	33,589
less Sales of non-financial assets	1,337	208
less Depreciation	16,185	16,747
plus Change in inventories	2,471	1,796
plus Other movements in non-financial assets	-18	-6
Total net acquisition of non-financial assets	**11,094**	**18,423**
Fiscal balance (Net lending/borrowing)(c)	**-40,015**	**-46,304**

a) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022–23 March Budget. This reflected the change in the nature of this revenue, resulting in an increase in taxation revenue and a decrease in other revenue.

b) 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.

c) The term fiscal balance is not used by the ABS.

Table 10.8: Australian Government total non-financial public sector balance sheet

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Assets		
Financial assets		
Cash and deposits	96,142	56,334
Advances paid	66,469	70,847
Investments, loans and placements	215,992	226,823
Other receivables	79,624	79,811
Equity investments	76,446	86,825
Total financial assets	*534,673*	*520,640*
Non-financial assets		
Land and other fixed assets	242,735	257,216
Other non-financial assets	15,645	16,912
Total non-financial assets	*258,381*	*274,128*
Total assets	**793,053**	**794,768**
Liabilities		
Interest bearing liabilities		
Deposits held	423	423
Government securities	848,455	877,947
Advances received and loans	52,948	57,236
Lease liabilities	31,736	32,152
Total interest bearing liabilities	*933,562*	*967,758*
Provisions and payables		
Superannuation liability	321,995	271,377
Other employee liabilities	36,719	37,273
Other payables	34,191	28,294
Other provisions	62,671	63,284
Total provisions and payables	*455,577*	*400,227*
Total liabilities	**1,389,139**	**1,367,985**
Net worth(a)	**-596,086**	**-573,217**
Net financial worth(b)	*-854,466*	*-847,346*
Net debt(c)	*554,959*	*613,755*

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)

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Cash receipts from operating activities		
Taxes received(b)	536,379	562,836
Receipts from sales of goods and services	35,561	40,014
Interest receipts	2,117	5,056
Dividends, distributions and income tax equivalents	11,268	5,592
Other receipts(b)	15,512	14,456
Total operating receipts	**600,837**	**627,954**
Cash payments for operating activities		
Payments to employees(c)	-41,998	-43,941
Payments for goods and services	-168,113	-186,125
Grants and subsidies paid	-218,323	-233,505
Interest paid	-18,633	-20,629
Personal benefit payments	-156,276	-147,190
Other payments(c)	-7,992	-9,313
Total operating payments	**-611,336**	**-640,703**
Net cash flows from operating activities	**-10,499**	**-12,749**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	561	331
Purchases of non-financial assets	-24,192	-28,546
Net cash flows from investments in non-financial assets	**-23,631**	**-28,215**
Net cash flows from investments in financial assets for policy purposes	**-5,583**	**-7,977**
Net cash flows from investments in financial assets for liquidity purposes	**-8,501**	**-17,722**
Net cash flows from financing activities		
Borrowing (net)	87,160	34,140
Other financing (net)	-7,381	-7,285
Net cash flows from financing activities	**79,779**	**26,855**
Net increase/(decrease) in cash held	**31,566**	**-39,808**
Cash at the beginning of the year	**64,576**	**96,142**
Cash at the end of the year	**96,142**	**56,334**

Table 10.9: Australian Government total non-financial public sector cash flow statement (continued)[(a)]

	Actual	Estimates
	2021-22	2022-23
	$m	$m
GFS cash surplus(+)/deficit(-)(d)	**-34,130**	**-40,965**
plus Principal payments of lease liabilities(e)	-2,939	-2,963
Adjusted GFS cash surplus(+)/deficit(-)(e)	**-37,068**	**-43,928**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipt to taxation receipt in the 2022–23 March Budget. This reflected the change in the nature of this receipt, resulting in an increase in taxes received and a decrease in other receipts.

c) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.

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.

Table 10.10: Australian Government public financial corporations sector operating statement

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Revenue		
Grants and subsidies	146	152
Sales of goods and services	716	581
Interest income	8,966	9,608
Other	105	117
Total revenue	**9,934**	**10,458**
Expenses		
Gross operating expenses		
Wages and salaries(a)	254	257
Superannuation	96	42
Depreciation and amortisation	83	80
Supply of goods and services	476	489
Other operating expenses(a)	36	62
Total gross operating expenses	*946*	*929*
Interest expenses	484	172
Other property expenses	6	6
Current transfers		
Tax expenses	8	6
Total current transfers	*8*	*6*
Total expenses	**1,443**	**1,114**
Net operating balance	**8,491**	**9,344**
Other economic flows	**-43,126**	**-2,554**
Comprehensive result – Total change in net worth excluding contribution from owners	**-34,635**	**6,790**
Net acquisition of non-financial assets		
Purchases of non-financial assets	93	0
less Sales of non-financial assets	1	0
less Depreciation	83	80
plus Change in inventories	-15	0
plus Other movements in non-financial assets	0	0
Total net acquisition of non-financial assets	**-6**	**-80**
Fiscal balance (Net lending/borrowing)(b)	**8,497**	**9,424**

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)

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Assets		
Financial assets		
Cash and deposits	686	659
Investments, loans and placements	619,797	627,422
Other receivables	195	199
Equity investments	1,124	1,198
Total financial assets	*621,803*	*629,478*
Non-financial assets		
Land and other fixed assets	972	963
Other non-financial assets(b)	84	83
Total non-financial assets	*1,056*	*1,046*
Total assets	**622,859**	**630,525**
Liabilities		
Interest bearing liabilities		
Deposits held	616,151	616,151
Borrowing	12,923	13,485
Total interest bearing liabilities	*629,074*	*629,636*
Provisions and payables		
Superannuation liability	2	2
Other employee liabilities	193	194
Other payables	2,180	2,377
Other provisions(b)	1,696	1,811
Total provisions and payables	*4,071*	*4,385*
Total liabilities	**633,145**	**634,021**
Shares and other contributed capital	**-10,286**	**-3,496**
Net worth(c)	**-10,286**	**-3,496**
Net financial worth(d)	*-11,342*	*-4,543*
Net debt(e)	*8,591*	*1,555*

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)]

	Actual	Estimates
	2021-22	2022-23
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	663	581
Grants and subsidies received	149	152
GST input credit receipts	21	2
Interest receipts	8,122	9,578
Other receipts	56	108
Total operating receipts	**9,011**	**10,421**
Cash payments for operating activities		
Payments to employees(b)	-300	-300
Payment for goods and services	-472	-651
Interest paid	-210	-137
GST payments to taxation authority	-23	0
Distributions paid	-2,677	-6
Other payments(b)	-64	-62
Total operating payments	**-3,746**	**-1,156**
Net cash flows from operating activities	**5,265**	**9,265**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	0	0
Purchases of non-financial assets	-70	0
Net cash flows from investments in non-financial assets	**-70**	**0**
Net cash flows from investments in financial assets for policy purposes	**-31**	**-643**
Net cash flows from investments in financial assets for liquidity purposes(c)	**-111,095**	**-9,247**
Net cash flows from financing activities		
Borrowing and deposits received (net)(c)	98,665	573
Other financing (net)	7,056	26
Net cash flows from financing activities	**105,721**	**599**
Net increase/(decrease) in cash held	**-210**	**-27**
Cash at the beginning of the year	**896**	**686**
Cash at the end of the year	**686**	**659**
GFS cash surplus(+)/deficit(-)(d)	**5,195**	**9,265**
plus Principal payments of lease liabilities(e)	-7	-3
Adjusted GFS cash surplus(+)/deficit(-)(e)	**5,188**	**9,262**

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 March Budget disclosed in PEFO and 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 two 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
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
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 Australia 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

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Individuals and other withholding taxes					
Gross income tax withholding	242,139	262,800	278,600	273,800	290,100
Gross other individuals	60,486	65,600	68,900	69,800	71,800
less: Refunds	38,048	41,800	36,000	38,100	34,600
Total individuals and other withholding taxation	264,576	286,600	311,500	305,500	327,300
Fringe benefits tax	3,261	3,440	3,460	3,460	3,360
Company tax	125,914	129,900	101,700	117,700	128,000
Superannuation fund taxes	26,559	12,670	20,520	22,020	24,420
Petroleum resource rent tax	2,166	2,790	2,430	2,080	1,980
Income taxation revenue	**422,476**	**435,400**	**439,610**	**450,760**	**485,060**
Goods and services tax	76,996	86,820	88,630	90,800	95,480
Wine equalisation tax	1,133	1,210	1,210	1,260	1,310
Luxury car tax	963	1,120	860	890	930
Excise and Custom duty					
Petrol	5,020	5,600	6,850	7,250	7,650
Diesel	11,755	13,220	15,670	16,470	17,320
Other fuel products	1,522	2,700	2,140	2,150	2,190
Tobacco	12,659	12,400	12,600	12,950	13,300
Beer	2,463	2,650	2,700	2,740	2,930
Spirits	3,515	3,480	3,510	3,760	3,820
Other alcoholic beverages(a)	1,457	1,500	1,620	1,730	1,770
Other customs duty					
Textiles, clothing and footwear	192	180	150	130	120
Passenger motor vehicles	361	420	380	290	180
Other imports	1,379	1,440	1,350	1,050	700
less: Refunds and drawbacks	818	700	700	700	700
Total excise and customs duty	39,506	42,890	46,270	47,820	49,280
Major bank levy	1,456	1,570	1,620	1,670	1,720
Agricultural levies	646	623	591	582	594
Visa application charges(b)	1,982	2,565	2,867	2,967	3,110
Other taxes(b)(c)	5,253	5,670	6,011	5,909	6,066
Mirror taxes	649	725	762	795	830
less: Transfers to states in relation to mirror tax revenue	649	725	762	795	830
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	**127,936**	**142,468**	**148,060**	**151,899**	**158,490**
Taxation revenue	**550,412**	**577,868**	**587,670**	**602,659**	**643,550**

Note 3: Taxation revenue by type (continued)

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Memorandum:					
Total excise	*22,562*	*26,070*	*31,850*	*33,330*	*34,920*
Total customs duty	*16,945*	*16,820*	*14,420*	*14,490*	*14,360*
Capital gains tax(d)	*24,100*	*21,900*	*21,300*	*21,200*	*20,900*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) Visa application charges were previously included in ‘other taxes’.
c) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022–23 March Budget to reflect the change in the nature of this revenue. See also Note 3(a), Taxation revenue by source and Note 6, Other sources of non-taxation revenue.
d) ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	267,836	290,040	314,960	308,960	330,660
Income and capital gains levied on enterprises	154,640	145,360	124,650	141,800	154,400
Total taxes on income, profits and capital gains	**422,476**	**435,400**	**439,610**	**450,760**	**485,060**
Taxes on employers’ payroll and labour force	1,060	946	1,017	1,099	1,184
Taxes on the provision of goods and services					
Sales/goods and services tax	79,092	89,150	90,700	92,950	97,720
Excises and levies	23,208	26,693	32,441	33,912	35,514
Taxes on international trade	16,945	16,820	14,420	14,490	14,360
Total taxes on the provision of goods and services	**119,245**	**132,663**	**137,561**	**141,352**	**147,594**
Taxes on the use of goods and performance of activities(a)	7,631	8,859	9,482	9,447	9,712
Total taxation revenue	**550,412**	**577,868**	**587,670**	**602,659**	**643,550**

a) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022–23 March Budget to reflect the change in the nature of this revenue. See also Note 3, Taxation revenue by type and Note 6, Other sources of non-taxation revenue.

Note 4: Sales of goods and services revenue

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Sales of goods	1,613	1,412	1,460	1,659	1,605
Rendering of services	13,695	14,397	15,748	16,613	17,158
Lease rental	357	318	330	325	409
Fees from regulatory services	2,169	2,243	2,057	2,083	2,057
Total sales of goods and services revenue	**17,834**	**18,371**	**19,596**	**20,680**	**21,229**

Note 5: Interest and dividend and distribution revenue

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Interest from other governments					
State and territory debt	12	10	8	7	5
Housing agreements	77	72	67	62	57
Total interest from other governments	**88**	**82**	**75**	**69**	**63**
Interest from other sources					
Advances	750	860	895	964	968
Deposits	175	1,188	1,259	1,280	1,199
Indexation of HELP receivable and other student loans	2,179	3,482	2,211	1,437	1,625
Other	1,259	2,581	3,035	3,148	3,299
Total interest from other sources	**4,363**	**8,111**	**7,400**	**6,831**	**7,091**
Total interest	**4,452**	**8,192**	**7,476**	**6,899**	**7,153**
Dividends and distributions					
Dividends from other public sector entities	325	92	191	327	321
Other dividends and distributions	8,727	5,603	5,979	6,325	6,720
Total dividends and distributions	**9,051**	**5,695**	**6,169**	**6,652**	**7,041**
Total interest and dividend and distribution revenue	**13,503**	**13,887**	**13,645**	**13,552**	**14,194**

Note 6: Other sources of non-taxation revenue

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Industry contributions(a)	78	78	87	98	78
Royalties	1,559	1,580	1,315	1,068	864
Seigniorage	63	59	67	64	64
Other	12,953	13,174	11,058	10,970	11,024
Total other sources of non-taxation revenue	**14,652**	**14,891**	**12,528**	**12,200**	**12,031**

a) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022–23 March Budget to reflect the change in the nature of this revenue. See also Note 3, Taxation revenue by type and Note 3(a), Taxation revenue by source.

Note 7: Employee and superannuation expense

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Wages and salaries expenses	**22,840**	**24,201**	**24,094**	**24,490**	**24,806**
Other operating expenses					
Leave and other entitlements	2,553	2,995	2,997	3,016	3,016
Separations and redundancies	107	84	80	96	94
Workers compensation premiums and claims	2,753	3,583	2,476	2,589	2,682
Other	2,423	2,523	2,529	2,625	2,801
Total other operating expenses	**7,836**	**9,186**	**8,081**	**8,326**	**8,593**
Superannuation expenses					
Superannuation	12,217	8,912	7,514	7,728	7,984
Superannuation interest cost	8,974	12,264	13,423	13,737	14,403
Total superannuation expenses	**21,191**	**21,175**	**20,938**	**21,465**	**22,387**
Total employee and superannuation expense	**51,867**	**54,562**	**53,112**	**54,282**	**55,786**

Note 8: Depreciation and amortisation expense

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	3,927	4,518	5,122	5,639	6,301
Buildings	3,953	4,125	4,193	4,264	4,375
Other infrastructure, plant and equipment	2,374	2,192	2,298	2,381	2,389
Heritage and cultural assets	92	75	75	75	75
Other	7	5	5	5	5
Total depreciation(a)	**10,353**	**10,916**	**11,693**	**12,363**	**13,145**
Total amortisation	**1,109**	**1,196**	**1,220**	**1,215**	**1,190**
Total depreciation and amortisation expense	**11,462**	**12,111**	**12,913**	**13,578**	**14,335**
Memorandum:					
Depreciation relating to right of use assets					
Specialist military equipment	*35*	*28*	*24*	*24*	*24*
Buildings	*2,424*	*2,306*	*2,273*	*2,258*	*2,148*
Other infrastructure, plant and equipment	*342*	*283*	*281*	*279*	*382*
Other	*7*	*5*	*5*	*5*	*5*
Total depreciation of right of use assets	***2,808***	***2,622***	***2,583***	***2,566***	***2,558***

a) Includes depreciation of right of use (leased) assets, resulting from implementation of AASB 16.

Note 9: Supply of goods and services expense

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Supply of goods and services	47,912	45,567	42,647	43,531	44,988
Lease expenses	343	368	221	239	202
Personal benefits – indirect	106,842	122,903	129,293	140,338	151,035
Health care payments	5,669	5,633	5,609	5,788	5,917
Other	2,630	2,055	1,982	2,101	1,970
Total supply of goods and services expense	**163,395**	**176,526**	**179,752**	**191,998**	**204,111**

Note 10: Interest expense

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Interest on debt					
Government securities(a)	18,502	22,396	24,155	27,691	31,983
Loans	1	88	98	108	111
Other	256	400	479	475	472
Total interest on debt	**18,759**	**22,884**	**24,732**	**28,274**	**32,567**
Interest on lease liabilities	**343**	**347**	**346**	**343**	**330**
Other financing costs	**842**	**2,957**	**2,062**	**5,970**	**2,398**
Total interest expense	**19,944**	**26,188**	**27,140**	**34,586**	**35,295**

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

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Current grants expense					
State and territory governments	148,441	152,590	156,422	161,056	165,376
Private sector	4,727	16,672	14,158	13,356	13,259
Overseas	4,353	4,528	4,380	5,080	4,455
Non-profit organisations	12,852	6,477	6,038	5,880	5,873
Multi-jurisdictional sector	11,545	11,512	12,066	12,822	13,275
Other	2,598	4,719	4,429	3,720	3,151
Total current grants expense	**184,517**	**196,498**	**197,493**	**201,915**	**205,390**
Capital grants expense					
Mutually agreed write-downs	2,884	2,676	2,956	3,128	3,270
Other capital grants					
State and territory governments	14,347	16,210	17,784	16,739	15,468
Local governments	1,098	1,440	810	723	723
Non-profit organisations	471	970	971	1,134	1,154
Private sector	64	310	43	42	17
Other	788	278	185	98	65
Total capital grants expense	**19,651**	**21,883**	**22,749**	**21,864**	**20,696**
Total grants expense	**204,168**	**218,381**	**220,242**	**223,778**	**226,086**

Note 12: Personal benefits expense

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Social welfare – assistance to the aged	51,299	55,286	59,769	62,550	65,731
Assistance to veterans and dependants	4,506	4,321	4,349	4,222	4,124
Assistance to people with disabilities	28,212	29,960	32,416	33,816	35,159
Assistance to families with children	26,242	28,973	31,081	32,502	33,801
Assistance to the unemployed	15,866	14,006	14,699	15,560	15,536
Student assistance	2,945	3,093	3,236	3,270	3,310
Other welfare programs	15,510	1,770	907	883	865
Financial and fiscal affairs	666	593	641	693	747
Vocational and industry training	30	100	247	338	280
Other	9,173	8,838	9,338	13,073	17,945
Total personal benefits expense	**154,450**	**146,940**	**156,682**	**166,907**	**177,499**

Note 13: Advances paid and other receivables

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Advances paid					
Loans to state and territory governments	1,826	1,686	1,548	1,406	1,269
Student loans	51,950	53,924	56,511	59,378	62,315
Other	19,745	21,462	17,781	19,755	20,797
less Impairment allowance	402	449	428	645	766
Total advances paid	**73,119**	**76,622**	**75,412**	**79,894**	**83,616**
Other receivables					
Goods and services receivable	1,511	1,347	1,351	1,354	1,360
Recoveries of benefit payments	5,964	5,906	5,995	6,077	6,155
Taxes receivable	37,011	41,661	45,893	49,961	54,277
Prepayments	4,920	3,534	3,912	4,272	4,692
Other	28,475	25,408	25,982	25,427	26,199
less Impairment allowance	3,214	3,215	3,304	3,383	3,458
Total other receivables	**74,668**	**74,640**	**79,828**	**83,709**	**89,224**

Note 14: Investments, loans and placements

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Investments – deposits	9,823	11,209	11,476	11,795	12,394
IMF quota	12,715	12,495	12,495	12,495	12,495
Other	191,918	202,068	213,004	220,739	229,065
Total investments, loans and placements	**214,456**	**225,772**	**236,975**	**245,029**	**253,954**

Note 15: Non-financial assets

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Land and buildings					
Land	12,719	12,876	12,884	12,930	12,768
Buildings	45,845	48,082	49,728	51,147	52,086
Total land and buildings	**58,563**	**60,958**	**62,611**	**64,076**	**64,853**
Plant, equipment and infrastructure					
Specialist military equipment	80,826	87,003	94,908	103,450	112,127
Other plant, equipment and infrastructure	18,595	19,031	19,366	19,139	18,402
Total plant, equipment and infrastructure	**99,421**	**106,034**	**114,274**	**122,588**	**130,529**
Inventories					
Inventories held for sale	682	952	1,176	1,200	1,293
Inventories not held for sale	11,004	11,943	12,276	12,635	13,010
Total inventories	**11,686**	**12,895**	**13,452**	**13,835**	**14,303**
Intangibles					
Computer software	5,633	6,991	7,496	7,586	7,516
Other	5,486	5,521	5,497	5,465	5,434
Total intangibles	**11,119**	**12,511**	**12,993**	**13,051**	**12,951**
Total investment properties	**205**	**207**	**207**	**207**	**207**
Total biological assets	**16**	**16**	**16**	**16**	**16**
Total heritage and cultural assets	**12,630**	**12,645**	**12,653**	**12,646**	**12,637**
Total assets held for sale	**308**	**177**	**177**	**177**	**177**
Total other non-financial assets	**22**	**16**	**16**	**16**	**16**
Total non-financial assets(a)	**193,969**	**205,460**	**216,401**	**226,613**	**235,689**
Memorandum:					
Total relating to right of use assets					
Land	*167*	*161*	*155*	*151*	*147*
Buildings	*15,986*	*15,978*	*15,366*	*14,531*	*13,356*
Specialist military equipment	*286*	*253*	*230*	*208*	*187*
Other plant, equipment and infrastructure	*1,785*	*1,713*	*1,584*	*1,401*	*1,192*
Total right of use assets	***18,223***	***18,105***	***17,336***	***16,291***	***14,882***

a) Include right of use (leased) assets, resulting from implementation of AASB 16.

Note 16: Loans

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Promissory notes	11,169	11,335	11,719	11,719	11,719
Special drawing rights	18,152	17,837	17,837	17,837	17,837
Other	612	3,031	3,635	3,870	3,918
Total loans	**29,932**	**32,204**	**33,192**	**33,427**	**33,475**

Note 17: Employee and superannuation liabilities

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Total superannuation liability(a)	**321,982**	**271,366**	**278,186**	**290,148**	**298,373**
Other employee liabilities					
Leave and other entitlements	9,136	9,276	9,377	9,526	9,663
Accrued salaries and wages	730	746	797	843	567
Workers compensation claims	1,924	1,841	1,782	1,744	1,718
Military compensation	22,521	23,081	23,634	24,255	24,949
Other	591	591	598	607	616
Total other employee liabilities	**34,902**	**35,535**	**36,188**	**36,976**	**37,513**
Total employee and superannuation liabilities	**356,885**	**306,902**	**314,374**	**327,124**	**335,887**

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 payables

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Suppliers payables					
Trade creditors	7,524	7,743	7,940	8,105	8,408
Lease rental payable	1	0	0	0	0
Personal benefits payables – indirect	1,293	1,590	1,770	1,862	1,734
Other creditors	1,598	1,575	1,577	1,576	1,575
Total suppliers payables	**10,416**	**10,908**	**11,288**	**11,543**	**11,717**
Total personal benefits payables – direct	**2,999**	**3,044**	**3,985**	**4,130**	**4,293**
Total subsidies payable	**933**	**884**	**885**	**887**	**907**
Grants payables					
State and territory governments	1,346	183	170	152	142
Non-profit organisations	180	178	178	178	178
Private sector	327	314	315	309	309
Overseas	1,744	2,008	1,664	2,330	1,919
Local governments	0	0	0	0	0
Other	316	314	307	301	303
Total grants payables	**3,913**	**2,997**	**2,634**	**3,270**	**2,851**
Total other payables	**9,855**	**4,240**	**5,952**	**3,925**	**3,956**
Provisions					
Provisions for tax refunds	4,302	4,292	4,282	4,272	4,262
Grants provisions	10,746	9,480	5,743	4,641	4,328
Personal benefits provisions – direct	6,608	6,857	7,027	7,210	7,399
Personal benefits provisions – indirect	4,171	4,854	5,554	6,281	7,078
Provisions for subsidies	5,361	6,206	6,286	6,427	6,643
Other	31,220	31,412	32,526	36,302	35,407
Total provisions	**62,407**	**63,101**	**61,417**	**65,133**	**65,117**

Note 19: Reconciliation of cash

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	$m	$m	$m	$m	$m
Net operating balance (revenues *less* expenses)	**-26,649**	**-25,905**	**-33,026**	**-53,162**	**-39,956**
less **Revenues not providing cash**					
Other	3,696	4,781	2,969	2,235	2,484
Total revenues not providing cash	**3,696**	**4,781**	**2,969**	**2,235**	**2,484**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	13,151	8,146	7,364	12,620	8,654
Depreciation/amortisation expense	11,462	12,111	12,913	13,578	14,335
Mutually agreed write-downs	2,884	2,676	2,956	3,128	3,270
Other	3,844	7,460	4,411	8,959	2,483
Total expenses not requiring cash	**31,341**	**30,393**	**27,644**	**38,285**	**28,742**
plus **Cash provided/(used) by working capital items**					
Decrease/(increase) in inventories	-2,279	-1,788	-1,001	-845	-949
Decrease/(increase) in receivables	-11,302	-11,776	-11,453	-11,375	-11,871
Decrease/(increase) in other financial assets	-1,109	-1,516	-489	656	-644
Decrease/(increase) in other non-financial assets	-41	708	-237	-200	-273
Increase/(decrease) in benefits, subsidies and grants payable	-1,000	-1,036	-1,895	593	719
Increase/(decrease) in suppliers' liabilities	469	153	-12	-245	-53
Increase/(decrease) in other provisions and payables	1,955	613	1,316	1,449	1,367
Net cash provided/(used) by working capital	**-13,307**	**-14,642**	**-13,771**	**-9,967**	**-11,704**
equals (Net cash from/(to) operating activities)	-12,310	-14,934	-22,122	-27,078	-25,401
plus (Net cash from/(to) investing activities)	-27,090	-49,990	-33,287	-38,719	-40,048
Net cash from operating activities and investment	**-39,400**	**-64,925**	**-55,409**	**-65,797**	**-65,449**
plus (Net cash from/(to) financing activities)	71,751	25,137	68,784	77,123	58,739
equals **Net increase/(decrease) in cash**	**32,351**	**-39,788**	**13,375**	**11,326**	**-6,710**
Cash at the beginning of the year	**62,412**	**94,763**	**54,975**	**68,350**	**79,676**
Net increase/(decrease) in cash	32,351	-39,788	13,375	11,326	-6,710
Cash at the end of the year	**94,763**	**54,975**	**68,350**	**79,676**	**72,967**

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*.[32]

32 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.[33]

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.

33 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.[34]

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.

34 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[35]
>
> *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*.

35 'Net cash flows from financing activities for leases' has been renamed to 'principal payments of lease liabilities'.

Headline cash balance

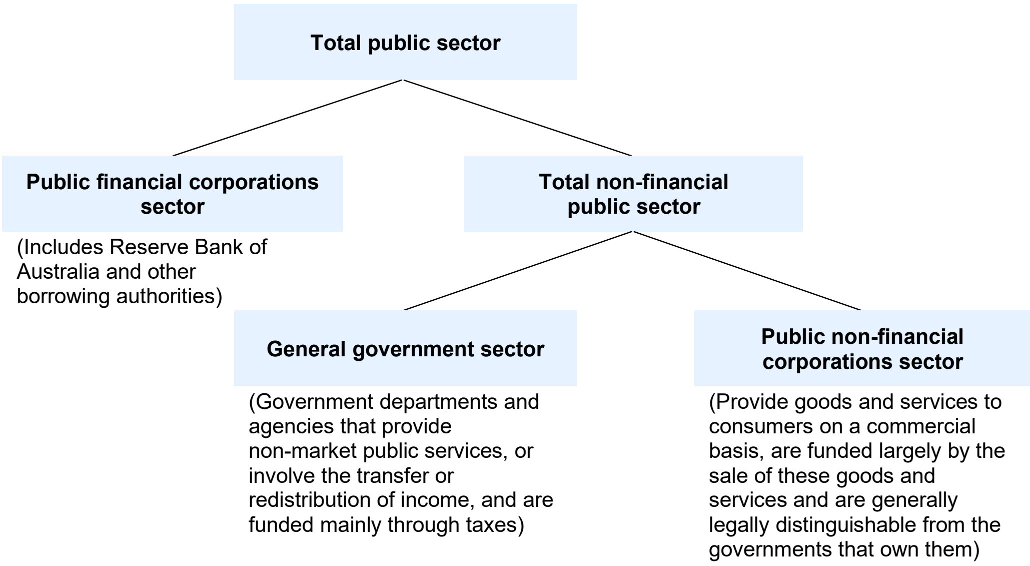
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes to the underlying cash balance.

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 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.

[#] In February 2022, Moorebank Intermodal Company Limited has been renamed National Intermodal Corporation Limited.

Appendix B: Assets and Liabilities

The Australian Government's major assets and liabilities

Assets

The Government's total assets are estimated to be $766.0 billion in 2022–23, increasing to $891.2 billion by the end of the forward estimates.

The Government's financial assets[36] are estimated to be $560.5 billion in 2022–23, increasing to $655.5 billion by the end of the forward estimates.

The Government's non-financial assets are estimated to be $205.5 billion in 2022–23, increasing to $235.7 billion by the end of the forward estimates.

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 30 June 2022, the average return has been 7.8 per cent per annum against the benchmark return of 6.8 per cent. For the 12 month period ending 30 June 2022, the Future Fund incurred a loss of 1.2 per cent against a benchmark return of 10.1 per cent. The Future Fund was valued at $194.4 billion as at 30 June 2022.

The Board continues to maintain clear objectives and manage the portfolio in line with its mandate and strategy. Table 10B.1 shows changes in the asset allocation of the Future Fund since 30 June 2022.

36 Financial assets include loans. Information on Government loans, including the *Higher Education Loan Program*, can be found in *Statement 9: Statement of Risks*.

Table 10B.1: Asset allocation of the Future Fund

Asset class	30 June 2022 $m	30 June 2022 % of Fund	30 June 2021 $m	30 June 2021 % of Fund
Australian equities	15,821	8.1	16,805	8.5
Global equities				
Developed markets	29,194	15.0	*35,806*	*18.2*
Emerging markets	10,590	5.4	*18,002*	*9.1*
Private equity	33,439	17.2	34,485	17.5
Property	13,153	6.8	11,707	5.9
Infrastructure & Timberland	18,459	9.5	14,548	7.4
Debt securities	15,768	8.1	12,982	6.6
Alternative assets	34,505	17.8	26,547	13.5
Cash	23,450	12.1	25,942	13.2
Total Future Fund assets	194,379	100.0	196,825	100.0

Note: Figures may not sum due to rounding.

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 30 June 2022, MRFF investments have returned 4.1 per cent per annum against a benchmark return of 2.5 per cent. For the 12-month period ending 30 June 2022, the MRFF's return was 0.1 per cent against the benchmark return of 1.6 per cent. The MRFF was valued at $21.6 billion as at 30 June 2022.

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 (NDIS).

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 30 June 2022, the DCAF had received credits totalling $32.9 billion. Since inception to 30 June 2022, $18.7 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 on the DCAF of the Australian three-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 30 June 2022, the DCAF incurred a loss of 0.4 per cent against the benchmark return of 0.4 per cent. The DCAF was valued at $15.3 billion as at 30 June 2022.

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 (ILSC).

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 30 June 2022, ATSILSFF investments have returned 4.3 per cent per annum against a benchmark return of 5.3 per cent. For the 12-month period ending 30 June 2022, the ATSILSFF incurred a loss 0.2 per cent against a benchmark return of 8.1 per cent. The ATSILSFF was valued at $2.1 billion as at 30 June 2022.

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 Fund 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 30 June 2022, FDF investments have returned 7.5 per cent per annum against a benchmark return of 5.6 per cent. For the 12-month period ending 30 June 2022, the FDF incurred a loss of 0.2 per cent against the benchmark return of 8.1 per cent. The FDF was valued at $4.5 billion at 30 June 2022.

Emergency Response Fund

The Emergency Response Fund (ERF) was established on 12 December 2019 to fund initiatives which enhance future national disaster response and recovery efforts across Australia.

Disbursements from the ERF are limited to $200.0 million in each year that the Government decides to access the fund. This is comprised of up to $150.0 million for emergency response and recovery after a significant or catastrophic natural disaster, and up to $50.0 million to build resilience to prepare for or reduce the risk of future natural disasters.

The investments of the ERF are managed by the Future Fund Board. The Investment Mandate for the ERF provides broad direction to the Board in relation to its investment strategy. The ERF 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 30 June 2022, ERF investments have returned 7.5 per cent per annum against a benchmark return of 5.6 per cent. For the 12-month period ending 30 June 2022, the ERF incurred a loss of 0.1 per cent against the benchmark return of 8.1 per cent. The ERF was valued at $4.5 billion as at 30 June 2022.

Disaster Ready Fund

The Government has introduced legislation to rename the Emergency Response Fund as the Disaster Ready Fund and to refocus the Fund as a dedicated ongoing source of funding for natural disaster resilience. Once the legislative changes are enacted, the Disaster Ready Fund would provide up to $200 million per annum for natural disaster resilience initiatives from 1 July 2023.

Housing Australia Future Fund

The Government proposes to establish the Housing Australia Future Fund to create an ongoing funding stream to increase and improve social and affordable housing. Legislation to establish the Fund is expected to be introduced to Parliament in 2022–23.
The investments of the Housing Australia Future Fund will be managed by the Future Fund Board of Guardians.

National Broadband Network

NBN Co Limited's (NBN Co) key objective is to ensure that all Australians have access to fast and reliable broadband, at affordable prices, and at least cost to taxpayers.

The Government has committed $31.9 billion in equity to NBN Co, with the final contributions to be made in 2025-26.

The Government also provided a loan of $19.5 billion to NBN Co on commercial terms, which was fully drawn down in July 2020. In the 2020–21 MYEFO the Government amended the loan agreement and allowed NBN Co to access private debt markets to finance the repayments. NBN Co has repaid $14.0 billion of the loan as at 30 September 2022.

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 Low Emissions Technology Commercialisation Fund.

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

The Government will establish through legislation, the National Reconstruction Fund (NRF), to support, diversify and transform Australian industry and the economy.

The NRF 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.

Rewiring the Nation

The Government will provide $20 billion to establish Rewiring the Nation to expand and modernise Australia's electricity grids. The 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.

Liabilities

The Government's total liabilities are estimated to be $1.3 trillion in 2021–22, increasing to $1.6 trillion by the end of the forward estimates.

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.

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. By the end of the forward estimates period, the Government's superannuation liabilities are projected to be $298.4 billion and approximately $523.5 billion at 30 June 2060.

These liabilities represent the present value of future unfunded superannuation benefits 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, which continually change. 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 have determined that a discount rate of 5.0 per cent should be applied.

The Australian Government has never fully funded its superannuation liabilities in relation to defined benefit schemes. 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, 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 value of the Government's unfunded superannuation liabilities (valued using the long-term discount rate) is projected to grow (in nominal terms) into the immediate future, although it is projected to decrease as a proportion of GDP. The increase in the liabilities partly results from the time value of money which recognises future benefits being closer to maturity each year. It also results from the accruing entitlements to current members of the civilian and military defined benefit schemes, and members covered by the statutory death and disability arrangement ADF cover.

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.

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

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.[37] 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.

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).

In the 2022–23 March Budget, following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was

37 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.

reclassified from non-taxation revenue to taxation revenue to reflect the change in the nature of this revenue. The taxation revenue and non-taxation revenue figures in this statement have been back-cast from 2014–15 for this change. The same treatment has been applied to taxation receipts and non-taxation receipts to reflect these changes in cash terms.

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	27.6	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	27.4	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	27.0	-	-2,434	-0.9
1987-88	83,491	25.7	82,039	-0.9	25.3	-	1,452	0.4
1988-89	90,748	24.7	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	24.3	-	-438	-0.1
1991-92	95,840	22.7	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	26.2	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	25.8	-	-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	23.9	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	23.2	-	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	24.1	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	24.1	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	25.9	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	24.2	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	27.7	5,036	-85,272	-4.3
2020-21	519,913	25.1	654,084	17.1	31.6	6,619	-134,171	-6.5
2021-22	584,358	25.4	616,320	-9.8	26.8	7,677	-31,962	-1.4
2022-23 (e)	**607,229**	**24.5**	**644,080**	**-2.2**	**25.9**	**5,605**	**-36,851**	**-1.5**
2023-24 (e)	621,441	25.3	665,489	-1.0	27.0	5,897	-44,048	-1.8
2024-25 (e)	642,840	25.1	694,187	1.8	27.1	6,283	-51,347	-2.0
2025-26 (e)	679,023	25.2	728,584	2.4	27.1	6,696	-49,561	-1.8

a) Data have been revised in the 2022–23 October 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	0.7
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	-93,868	-4.7
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	-1.5
2022-23 (e)	**607,229**	**644,080**	**-12,720**	**-0.5**	**-49,572**	**-2.0**
2023-24 (e)	621,441	665,489	-6,679	-0.3	-50,727	-2.1
2024-25 (e)	642,840	694,187	-13,699	-0.5	-65,046	-2.5
2025-26 (e)	679,023	728,584	-14,066	-0.5	-63,627	-2.4

a) Data have been revised in the 2022–23 October 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(b)		Non-taxation receipts(b)		Total receipts(c)	
	$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	23.2	8,415	2.6	83,491	25.7
1988-89	83,452	22.7	7,296	2.0	90,748	24.7
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	20.7	8,476	2.0	95,840	22.7
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(b)		Non-taxation receipts(b)		Total receipts(c)	
	$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	20.8	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	24.2
2018-19	448,654	23.1	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	22.9	45,972	2.2	519,913	25.1
2021-22	536,586	23.4	47,772	2.1	584,358	25.4
2022-23 (e)	**562,858**	**22.7**	**44,371**	**1.8**	**607,229**	**24.5**
2023-24 (e)	574,292	23.3	47,149	1.9	621,441	25.3
2024-25 (e)	590,451	23.0	52,389	2.0	642,840	25.1
2025-26 (e)	629,335	23.4	49,688	1.8	679,023	25.2

a) Data have been revised in the 2022–23 October Budget to improve accuracy and comparability through time.

b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipts to taxation receipts in the 2022–23 March Budget to reflect the change in the nature of these receipts. The taxation receipts and non-taxation receipts figures have been back-cast from 2014–15 for this change.

c) 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	-0.6
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	15.1	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	28.6	14,290	0.7
2021-22	515,650	22.5	14,977	0.7
2022-23 (e)	**572,185**	**23.0**	**13,635**	**0.5**
2023-24 (e)	634,073	25.8	16,602	0.7
2024-25 (e)	702,796	27.4	19,378	0.8
2025-26 (e)	766,787	28.5	26,487	1.0

a) Data have been revised in the 2022–23 October 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	20.8	-	-	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	19.4	-	-	8,139	2.5
1988-89	56,854	15.5	-	-	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	34.5	684,292	34.5	16,524	0.8
2020-21	816,991	39.5	816,985	39.5	17,102	0.8
2021-22	895,253	39.0	895,247	39.0	17,423	0.8
2022-23 (e)	**927,000**	**37.3**	**927,000**	**37.3**	**18,910**	**0.8**
2023-24 (e)	1,004,000	40.8	1,004,000	40.8	22,407	0.9
2024-25 (e)	1,091,000	42.5	1,091,000	42.5	25,369	1.0
2025-26 (e)	1,159,000	43.1	1,159,000	43.1	32,634	1.2

a) Data have been revised in the 2022–23 October 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	23.7	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	25.2	-47,506	-3.4	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	25.0	-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	24.5	578,117	29.2	-91,839	-4.6	4,005	0.2	-95,844	-4.8
2020-21	523,012	25.3	651,916	31.5	-128,904	-6.2	7,204	0.3	-136,108	-6.6
2021-22	596,401	26.0	623,050	27.1	-26,649	-1.2	8,412	0.4	-35,061	-1.5
2022-23 (e)	**625,016**	**25.2**	**650,922**	**26.2**	**-25,905**	**-1.0**	**12,781**	**0.5**	**-38,686**	**-1.6**
2023-24 (e)	633,439	25.7	666,465	27.1	-33,026	-1.3	11,883	0.5	-44,909	-1.8
2024-25 (e)	649,091	25.3	702,253	27.4	-53,162	-2.1	8,976	0.4	-62,138	-2.4
2025-26 (e)	691,004	25.7	730,960	27.2	-39,956	-1.5	9,939	0.4	-49,895	-1.9

a) Data have been revised in the 2022–23 October 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	-42.4
2020-21	-725,230	-35.0	-905,924	-43.8
2021-22	-581,758	-25.3	-775,727	-33.8
2022-23 (e)	**-555,665**	**-22.4**	**-761,125**	**-30.7**
2023-24 (e)	-600,633	-24.4	-817,033	-33.2
2024-25 (e)	-661,737	-25.8	-888,350	-34.6
2025-26 (e)	-710,865	-26.4	-946,554	-35.2

a) Data have been revised in the 2022–23 October 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(b)		Non-taxation revenue(b)		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	22.2	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	24.5
2020-21	480,312	23.2	42,700	2.1	523,012	25.3
2021-22	550,412	24.0	45,989	2.0	596,401	26.0
2022-23 (e)	**577,868**	**23.3**	**47,149**	**1.9**	**625,016**	**25.2**
2023-24 (e)	587,670	23.9	45,769	1.9	633,439	25.7
2024-25 (e)	602,659	23.5	46,432	1.8	649,091	25.3
2025-26 (e)	643,550	23.9	47,454	1.8	691,004	25.7

a) Data have been revised in the 2022–23 October Budget to improve accuracy and comparability through time.

b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022–23 March Budget to reflect the change in the nature of this revenue. The taxation revenue and non-taxation revenue figures have been back-cast from 2014–15 for this change.

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)	**607,229**	**644,080**	**-36,851**	**25,979**	**33,060**	**-7,081**	**628,285**	**672,213**	**-43,928**
2023-24 (e)	621,441	665,489	-44,048	na	na	na	na	na	na
2024-25 (e)	642,840	694,187	-51,347	na	na	na	na	na	na
2025-26 (e)	679,023	728,584	-49,561	na	na	na	na	na	na

a) Data have been revised in the 2022–23 October 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)	**625,016**	**650,922**	**-38,686**	**22,066**	**23,950**	**-7,528**	**644,548**	**672,428**	**-46,304**
2023-24 (e)	633,439	666,465	-44,909	na	na	na	na	na	na
2024-25 (e)	649,091	702,253	-62,138	na	na	na	na	na	na
2025-26 (e)	691,004	730,960	-49,895	na	na	na	na	na	na

a) Data have been revised in the 2022–23 October 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(c)	Non-taxation receipts(c)	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(c)	Non-taxation receipts(c)	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	16,834	1,499	18,333	19,335	-1,003	16,177	470
2022-23 (e)	**16,306**	**1,285**	**17,592**	**18,660**	**-1,068**	**16,577**	**395**
2023-24 (e)	15,718	1,290	17,008	18,214	-1,206	17,354	454
2024-25 (e)	15,559	1,380	16,939	18,292	-1,353	18,519	511
2025-26 (e)	15,970	1,261	17,231	18,489	-1,258	19,459	672

a) Data have been revised in the 2022–23 October 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.

c) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipts to taxation receipts in the 2022–23 March Budget to reflect the change in the nature of these receipts. The taxation receipts and non-taxation receipts figures have been back-cast from 2014–15 for this change.

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 2022-23, while the forward years refer to 2023-24, 2024-25 and 2025-26; 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 October 2022-23*, 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.