

Federal Budget 2022

Budget In-Brief Summary to ACCI members

25 October 2022

Economic and Fiscal Position

- **Gross Domestic Product (GDP)** is projected to grow by 3½% in 2022-23, but will fall to 1½% in 2023-24 (1% lower than the forecast in the March 2022 Budget) as global economic headwinds and cost of living pressures weigh on households and the economy
- Since the March 2022 Budget, the **underlying cash balance** has improved by a cumulative \$42.7 billion over the forward estimates, to be \$36.9 billion in 2022-23. Much of the improvement is in the first two years, with the underlying cash balance increasing to \$51.3 billion in 2024-25, before settling back to \$49.6 billion in 2025-26
- The fiscal results reflect higher commodity prices and high employment (low unemployment) increasing revenues and delays in government spending programs reducing payments
- Revenue is expected to increase over the next 4 years, with **receipts as a proportion of GDP** estimated to increase from 24.5% of GDP from 2022-23 to 25.2% of GDP by 2025-26
- This will be partially offset by additional spending, with **payments as a proportion of GDP** projected to increase from 26% of GDP in 2022-23 to 27% of GDP in 2023-24. Over the longer term they are expected to rise to 27.9% of GDP by 2032-33
- **Gross debt** is forecast to grow to \$927 billion or 37.3% of GDP in 2022-23 then inch over \$1 trillion in 2023-24, before reaching \$1.17 trillion or 45% of GDP in 2025-26
- **Net debt** is expected to shrink to 23% of GDP (\$572 billion) in 2022-23, a \$36.9 billion improvement from the \$78 billion predicted in the March Budget, but will then move back to 25.8% of GDP (\$634.1 billion) in 2023-24 and 28.5% of GDP (\$766.8 billion) by 2025-26
- **Inflation** is forecast to peak at 7¼% in the December quarter 2022, and high inflation will persist for longer than previously expected, easing to 5¾% by the middle 2023 and 3½% by June 2024
- **Wage growth**, as measured by the WPI will increase to 3¾% in 2022-23 and 2023-24. It will be mid-2024 before wages are expected to outpace inflations
- Labour market outcomes have been stronger than expected, with the **unemployment rate** at a near 50-year low of 3.5% in September and expected to

average 3¾% for 2022-23. With economic activity forecast to slow, unemployment is expected to rise to 4½% in 2023-24

- **Business investment** is forecast to reach 6% in 2022-23, but will then slow to 3½% in 2023-24
- Net exports are expected to detract ¾% from GDP in 2022-23 as outbound tourism recovers faster than inbound tourism. This will change in 2023-24 with net exports to GDP growth expected to be positive for the first time since the pandemic at 0.4% of GDP
- Australia's **terms of trade** reached a historic high of 12% in 2021-22 and is expected to remain around that level in 2022-23, before declining in 2023-24 as commodity prices ease

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.

Table 1.2: Budget aggregates

	Actual	Estimates				Total(a)	Projections
	2021-22	2022-23	2023-24	2024-25	2025-26		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).

Global Outlook

- The global economic environment has become increasingly more volatile over the past six months, with global growth expected to slow substantially and become increasingly uncertain in the year ahead
- Inflationary pressures have intensified since the Russian invasion of Ukraine, which led to soaring energy and food prices

- Central banks have responded by tightening monetary policy to return inflation to their target ranges, and in the process have slowed global economic growth
- Global growth has been downgraded by ¾% in 2022 and 1% in 2023 to be 3% in 2022 and 2 ¾% in 2023

Key Policy Initiatives

Headlines

- \$21 billion in Budget savings over 4 years by cutting Coalition programs
- Rewiring the Nation, with \$20 billion in low-cost finance to make upgrades to the electricity grid, including the Marinus Link between Tasmania and Victoria
- \$1.9 billion Powering the Regions fund to help regional industries decarbonise
- \$1 billion for the Future Made in Australia plan, including 180,000 fee-free TAFE places and \$485 million for up to 20,000 new university places
- Family policy, with additional spending on Childcare (\$5.4 billion over 4 years) and paid parental leave (\$600 billion over 4 years)
- \$10 billion for 30,000 affordable houses

Business and Industry Policy

Small Business

- Small business skills and technology boost
- \$62.6 million to support SMEs in improving their energy efficiency.
- Work with small business, unions, workers and industry to deliver a simpler, more accessible and fairer workplace relations system
- \$15.1 million to extend small business mental health and financial counselling

Tax

- No changes to the Stage-3 personal tax cuts, which lowers the 32% tax rate to 30%, abolishes the 37% tax rate and increase the 42% tax threshold from \$180,000 to \$200,000, effectively applying a 30% tax rate to all employees
- \$3 billion over 4 years from a crackdown in multinational tax avoidance

Public Service

- \$3.6 billion in saving over 4 years from spending cuts on labour hire, government advertising, travel and legal expenses

Housing

- \$10 billion over 4 years to build up to 30,000 affordable houses,
- \$350 million over 5 years to build 20,000 additional houses through the Housing Accord, which brings together states and territories, local government associations and investors to increase housing supply

Infrastructure

- \$2 billion savings from reprofiling Coalition grants programs
- \$9.7 billion to fund infrastructure projects flagged during the election campaign:
 - \$2.2 billion Victorian Suburban Rail Loop
 - \$300 million for Western Sydney Roads Package
 - \$500 million for High Speed Rail Authority, investing in corridor and early works from Sydney to Newcastle
 - \$580 million for upgrades to Queensland's Bruce Highway
 - \$1 billion for South Australia road upgrades
 - \$540 million to upgrade Tasmania's Bass Highway, Tasman Highway and West Tamar Highway
 - \$1.5 billion to upgrade Western Australia's freight highways and \$125 million to build an electric bus network in Perth
- \$1 billion over 3 years for two new regional grants programs
- \$2.4 billion over 4 years to upgrade the National Broadband Network and deliver full fibre access to 1.5 million premises.

Industry

- \$154 billion National Reconstruction Fund, providing loans, guarantees and equity to partner with the private sector to grow the industrial base and support regional development. The fund will focus on agriculture, resources, medical science, transport, renewable and low emissions technologies, and defence capability
- \$113.6 million for manufacturing upgrades to boost competitiveness
- Critical Minerals: \$1 billion for a Value Adding in Resources Fund; \$50.5 million in critical minerals research; \$99.8 million for the Strategic Critical Minerals Development Program

Digital and Cyber

- \$12.6 million over 4 years to combat scams and online fraud
- Establishing an anti-scam centre

Energy

- \$3.8 billion for the Marinus Link electricity connector between Tasmania and Victoria
- \$500 million to reduce transport emissions, including electric vehicle charging stations and government fleet purchases of 75% electric vehicles
- \$345 million for the electric car discount, exempting electric cars from fringe benefits tax
- \$224.5 million Community Batteries for Household Solar to assist up to 100,000 households and 400 communities purchase batteries, and \$102 million for Community Solar Banks
- \$100 million for the New Energy Apprenticeship and New Energy Skills programs providing up to \$10,000 for each apprentice in a clean energy role

Climate Change

- \$42.6 million to restore the Climate Change Authority

Environment

- \$204 million additional funding to protect and restore the Great Barrier Reef

Regions

- \$1 billion for the Growing Regions Program and Precincts and Partnership programs
- \$1.4 billion for Our Communities Program for local community, sport and infrastructure projects

Disaster relief

- \$3 billion in contingency reserves for disaster recovery costs
- \$38.5 million for Disaster Relief Australia to attract more than 5,000 extra volunteers
- \$200 million in prevention and resilience initiative through the Disaster Ready Fund
- \$22.4 million over 4 years to reduce the cost of insurance in disaster prone areas

Employment and Skills

Employment

- Increasing the aged pension WorkBonus by \$4,000, to \$11,800 per year
- \$20 million in grants to help employers hire more disabled people

Childcare

- \$5.4 billion to increase the childcare subsidy rate by up to 90% for the first child, accessible for all families earning up to \$530,000. Families with two or more children in childcare will continue to receive the 90% subsidy rate.
- \$10 million for the ACCC to undertake a 12 month inquiry into the cost of childcare.

Paid Parental leave

- \$600 million per years to increase paid parental leave entitlements from 20 weeks to 26 weeks, the allowance to be shared between both parents and eligibility will be expanded through the introduction of a \$350,000 income test

Vocational Education and Training

- \$1 billion agreement with the states to deliver 180,000 fee-free TAFE places in 2023
- \$50 million TAFE Technology Fund to modernise TAFEs and update IT
- 5-year National Skills Agreement to begin in 2024
- Jobs and Skills Australia to strengthen workforce planning

Higher Education and Research

- \$485 million to fund an additional 20,000 university places to tackle skills shortages in Nursing Engineering and IT, with 4,000 reserved for teaching programs,

Schools and student support

- \$203.7 million for Student wellbeing to improve student mental health
- \$270.8 million schools upgrade to improve ventilation and upgrade buildings

Migration

- The Permanent Migration Program increased to 195,000 in 2022-23
- \$42.2 million in additional funding to accelerate visa processing
- Extending the relaxation of student visa work restrictions until 30 June 2023

Workplace Policy

Fair Work Commission

- \$20.2 million over 4 years for the FWC to establish the Pay Equity and Care and Community Sector programs

Australian Building and Construction Commission

- Savings of \$61.1 million over 4 years from abolishing the ABCC

Trade and International

International Freight Assistance Mechanism

- Savings of \$35 million in 2022-23 from winding back IFAM

Trade

- \$9 million to establish the Office of Southeast Asia in the Department of Foreign Affairs and Trade and develop an ASEAN Economic Strategy
- \$4.0 million to support trade diversification
- \$100 million over four years for the World Expo 2025 in Osaka
- \$19.6 million to implement the Singapore Australia Green Economy Agreement

Foreign Aid

- \$1.4 billion increase in Official Development Assistance to the Pacific and Southeast Asia