Federal Budget in Brief
2023-24 Budget
NAB Group Economics

Summary

The significant budget announcements were in line with media reporting and prepositioning over recent days. The key headlines, in a budget sense, are the expectations for a small surplus ($4.2bn) this financial year, driven by strong employment and better than expected nominal wage growth, as well as very high commodity prices. The Government is claiming around 82% of cyclical benefits have been saved. Going forward, the surplus turns back to a deficit of $13.9bn in 2023/24 and around $35bn in the out years of the forward estimates as the impact of cyclical factors fade and a persistent – albeit improving – structural deficit continues. Nonetheless, the cumulative deficit over 5 years is now expected to be around $125bn lower. Gross debt is also expected to peak at a lower 36.6% of GDP in 2025/26.

Cost of living measures (totalling $14.6bn) take the focus on the expenditure side, including $3bn of energy bill relief, $3.5bn on Medicare bulk billing incentives, $4.9bn for an across-the-board Jobseeker increase and increasing rent assistance by 15%. Other areas of focus include Medicare, improving aged care services (including $11.3bn for a 15% award pay increase) and supporting the energy transition through incentives to small business for green investments and a $2bn Hydrogen HeadStart program to develop the industry.

Key revenue measures were as expected, with increased collections from the PRRT, tobacco excise and previously announced reductions in superannuation concessions. Elsewhere, Phase 3 Tax cuts stay – and will be needed if our forecasts are accurate, while the Low and Middle Income Tax Offset (LMITO) will end as expected.

Based on our early analysis of the budget, the impact on the economy is expected to be broadly neutral over coming years, notwithstanding a widening in the structural deficit in 2023/2024 before it levels off over the forward estimates. Further out the government projects a gradual tightening, with the structural deficit expected to narrow over the medium term. Consequently, we see little implication for monetary policy in the near term, with the RBA likely to continue to focus on the ongoing passthrough of rates and the pace of moderation in inflation.

The trajectory of the key economic forecasts matches our own outlook, albeit with a more optimistic outlook for growth in the near-term. For unemployment, wage growth and the CPI, the budget is only slightly more optimistic but sees a similarly shaped profile for each variable.

Economic outlook

In terms of the economic outlook, the expected pattern of forecasts is broadly similar to ours, albeit slightly more optimistic, particularly on growth. GDP is expected to grow below trend over each of the next two years at 1.5% and 2.25%, (around 0.75ppt stronger than our outlook on the back of stronger consumption growth). Unemployment is expected to rise from current lows to 4.25% by 2023/24 and 4.5% by 2024/25. Our expectations for wage growth are broadly similar, with an acceleration to 4% in the near-term before easing further out, while the outlook for inflation is broadly similar.

Fiscal & Debt Outlook

A budget surplus of $4.2b is expected for 2022/23, a $41b improvement on the October 2022-23 Budget estimate. If realised, it would be the first surplus since 2007-08. However, the budget is expected to return to deficit in 2023-24 (and subsequent years). Similarly, reflecting the improvement in the budget position, the net debt profile has been lowered and net debt (as % of GDP) is expected to fall in 2022-23 before rising in subsequent years.

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Budget Position and Fiscal Impulse

Summary of Key Budget Metrics

The Budget estimates that there will be an underlying cash surplus of $4.2b (1.5% of GDP) in 2022-23, which would be the first surplus since 2007-08 (i.e. prior to the GFC) if realised. This represents a $41b improvement on the October 2022-23 Budget estimate for the year. However, the surplus is not sustained, with a return to deficit in 2023-24 expected, and a further deterioration in 2024-25 before the budget position stabilises.

It is a similar outlook for the other measures of budget balance – net operating balance and fiscal balance. While the later remains in deficit in 2022-23 (due to a large rise in net capital investment) it is relatively small (0.1% of GDP). In both cases, there is deterioration in 2023-24 and again in 2024-25 before stabilising.

As a percent of GDP, the big shift in 2022-23 (from 2021-22) is a fall in expenses back to around its pre-COVID level, with revenue broadly unchanged. In 2023-24, as a percent of GDP, both revenue and expenses are expected to rise, while in subsequent years expenses rise further while revenue falls back.

The Budget papers present an allocation of the changes in the Budget outlook, relative to the October 2022-23 Budget, between 'parameter' adjustments and policy decisions. Parameter adjustments include, for example, differences in program take up rates, or the impact on revenue from revisions to the economic outlook.

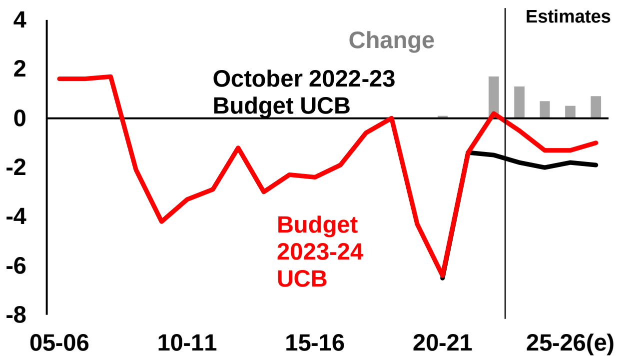
Parameter adjustments are the key factor behind the return to a (underlying cash) surplus in 2022-23 (worth around 1.7% of GDP to the bottom line) and are of a similar magnitude in 2024-25 before diminishing over the forward estimates. The parameter revisions are principally on the taxation receipts side. One-fifth of the improvement comes from changes in assumed commodity prices (particularly for 2023-24 but then moderating). A strong labour market and stronger expected wages growth is another positive factor.

In contrast, the impact of policy changes on the underlying cash balance is negative, reflecting decisions which lift spending, partially offset by revenue measures. The spending policy changes are somewhat front loaded (while the revenue decisions grow over time). Essentially this is a continuation of the approach of recent years where improvements in the budget outlook (due to parameter improvements) have been partly used to fund net new policy decisions but with a proportion banked to facilitate an improved budget position.

Table 1: Key Budget Metrics

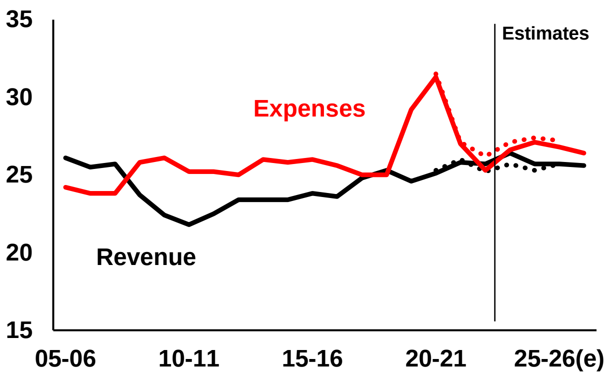
	2022-23(e)	2023-24(e)	2024-25(e)	2025-26(e)	2026-27(e)
UCB, $bn	4.2	-13.9	-35.1	-36.6	-28.5
% of GDP	*0.2*	*-0.5*	*-1.3*	*-1.3*	*-1.0*
Net op. bal., $bn	9.0	-3.7	-38.0	-29.6	-23.5
% of GDP	*0.4*	*-0.1*	*-1.4*	*-1.1*	*-0.8*
Net cptl. inv. $bn	10.4	10.4	7.2	5.4	9.3
% of GDP	*0.4*	*0.4*	*0.3*	*0.2*	*0.3*
Fiscal bal., $bn	-1.5	-14.1	-45.3	-35.0	-32.8
% of GDP	*-0.1*	*-0.5*	*-1.7*	*-1.3*	*-1.1*
Net debt, $bn	548.6	574.9	620.6	665.2	702.9
% of GDP	*21.6*	*22.3*	*23.5*	*24.0*	*24.1*

Chart 1: Underlying Cash Balance (UCB) (% of GDP)



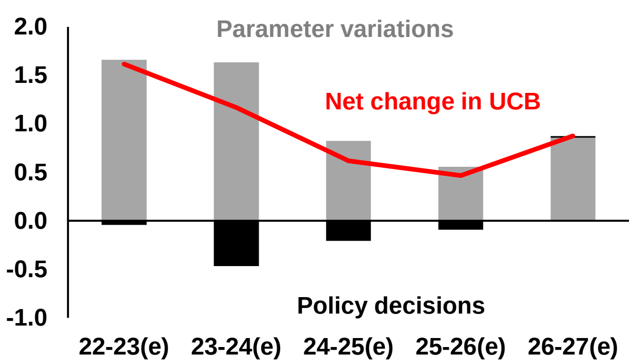
Source: Commonwealth Treasury.

Chart 2: Govt Revenue & Expenses (% of GDP)



Dotted lines show October Budget. Solid lines show 2023-24 Budget. Source: Commonwealth Treasury.

Chart 3: Reasons for Change in UCB (% GDP)*



Source: Commonwealth Treasury. * Change beteen October 2022-23 Budget and PEFO

Estimated Fiscal Impulse

The net impact of policy changes suggests a relatively neutral fiscal stimulus in the out years after a mild structural tightening in 2022- 23. That said the main benefit to the current year is additional revenue from wages and employment growth together with higher commodity prices – see the impact of policy parameters in Chart 3 above.

Another way to look at the macroeconomic impact of the Budget is, as we have done in the past, to estimate the structural changes of Budget measures by excluding the (estimated) influence of cyclical factors. That is, what the Budget is doing to the economy as opposed to what the economy is doing to the Budget.

The change in the estimated structural budget balance from year-to-year – the 'fiscal impulse' – provides an indication of the Budget's macroeconomic impact (Chart 6). After the massive stimulus from the COVID era and the subsequent unwinding of JobKeeper and other payments, the fiscal impulse measure suggests policy was mildly tighter in 2022/23 and little changed in the out years in this Budget – i.e. the Budget is basically having a neutral economic impact.

The precision of any fiscal impulse estimate shouldn't be overstated, but this suggests the Budget is unlikely to add much to the difficulty of the RBA in attempting to reign in inflation. Indeed, the energy price relief measures will temporarily reduce measured inflation, though the RBA will likely look through these effects. That said, while the RBA looks close to the top in rates it may still want more insurance that the inflation target will return to target by end 2024/25.

Government Debt and Outlook for the Medium Term

The net debt profile is notably lower than at the time of the October 2022-23 Budget. This reflects the significant improvement in the underlying cash balance over the estimates period, only partially offset by an increase in the market value of existing debt.

While net debt, as a percent of GDP, declined in both 2021-22 and (on the budget estimates) 2022-23, it starts to rise again from 2023-24. While the impact of COVID (and the policy response) on net debt has largely been unwounded, the upwards trend increase in net debt evident since the mid-2000s is expected to resume (albeit at a slower pace on these projections).

Nevertheless, internationally, in terms of total government debt, Australia remains a low debt country and this budget won't change that. Indeed, the increase in government debt estimated by the IMF to have occurred between 2019 and 2022 in Australia (as % of GDP) was slightly below that seen across advanced economies as a whole.

Chart 4: Structural Fiscal Impulse Estimates

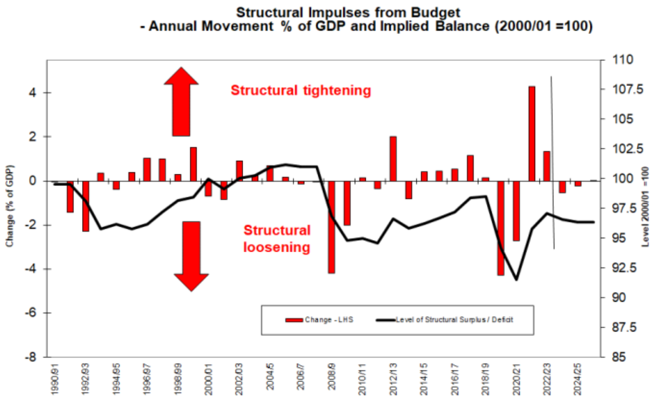
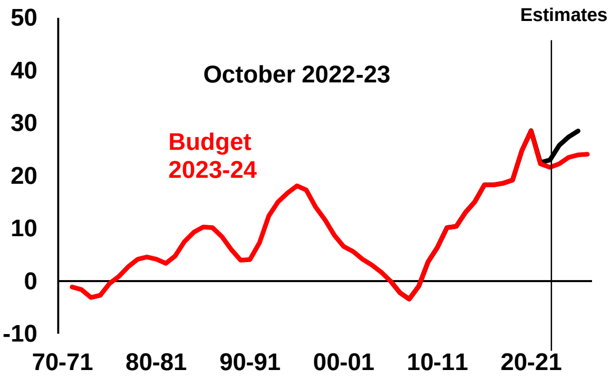
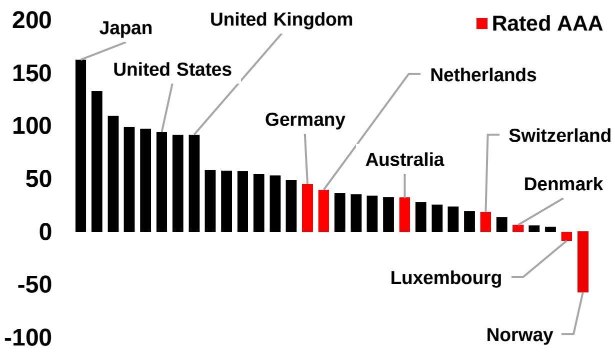


Chart 5: Fed. Government Net Debt (% GDP)



Source: Commonwealth Treasury.

Chart 6: Govt Net Debt, Advanced Economies, 2022 (% GDP)



Source: IMF World Economic Outlook.

Over the medium term, the budget position is projected to be considerably better relative to the October Budget, with the underlying cash deficit forecast to improve to 0.2% of GDP by 2033-34. The improvement largely reflects reduced interest payments, as well as the commitment to limit the growth in NDIS expenditure (though the NDIS remains the fastest growing expense).

The improved projections for the deficit also lead to an improved medium-term outlook for debt, with gross debt projected to peak at 36.5% of GDP in 2025-26, 10.4ppts lower and 5 years earlier than in the October Budget. Both gross and net debt are now projected to be falling by the 2030s.

Implications for the Bond Market

The much-telegraphed improvement in the Budget bottom line over the past six months will result in (more) downward revisions to CGS issuance. Net new funding for FY24 has more than halved relative to the last Budget, from $77bn to $36bn. FY25 net issuance is also more than halved to $35bn.

This points to a gross bond issuance program of around $70-75bn during FY24 after refinancing the April 2024 maturity. Beyond FY24, the refinancing load increases significantly to around $80bn per year so gross issuance programs still remain comparatively large, well above $100bn.

Because of that high refinancing load, the AOFM may choose to prefund and keep the FY24 issuance program a little larger rather than slowing the issuance pace this year before having to ramp it back up.

Green bonds to form part of the program

The Budget expands on last month's Commonwealth green bond announcements a little. Green AGS bonds will be fixed coupon bonds that displace the issuance of "normal bonds." The forthcoming Commonwealth Sustainable Finance Strategy will have more detail.

The Budget papers don't indicate potential issuance size but do note that offshore sovereign green programs, where they exist, are at most a little over 2.5% of total sovereign debt markets.

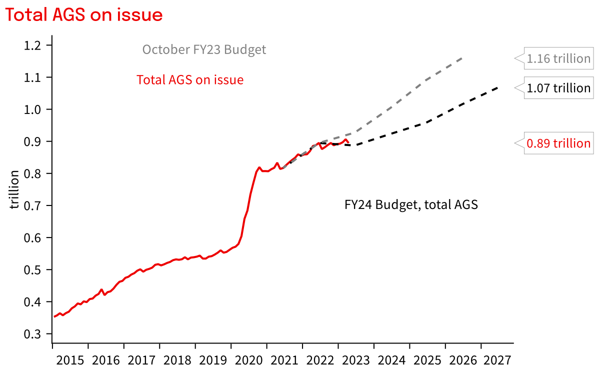
Key details for the existing AGS market will be how the green lines can co-exist with existing benchmarks. Particularly important questions will be whether volumes of individual lines will be comparable and whether the Green lines can be considered for the futures basket.

Quantitative tightening adds to implicit new money need

Quantitative tightening also begins to impact issuance to a greater extent over the next few years. $21bn of RBA owned ACGBs mature in FY24. Funding these maturities is a reversal of the liquidity created when the RBA bought the bonds, although in some aspects it is still more akin in market impact to raising new money rather than traditional refinancing.

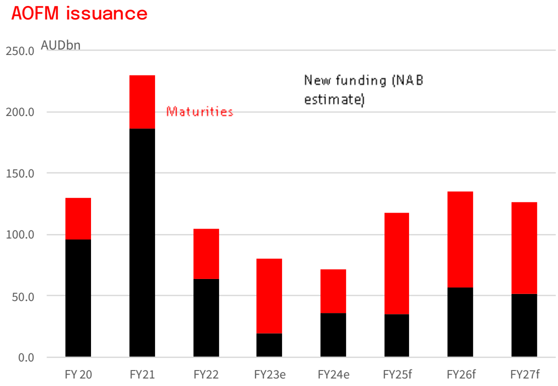
However, even after adjusting net issuance for QT, relative to GDP the peak anticipated issuance still remains below some pre-pandemic years.

Chart 7: Australian government securities on issue



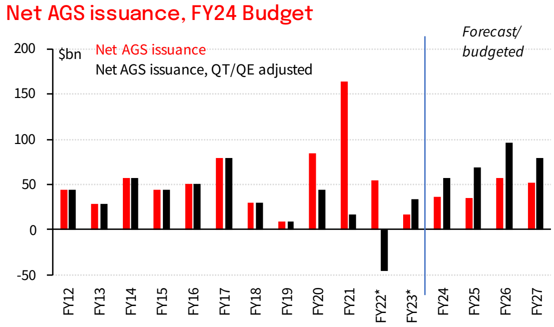
Source: National Australia Bank, Macrobond

Chart 8: AOFM issuance



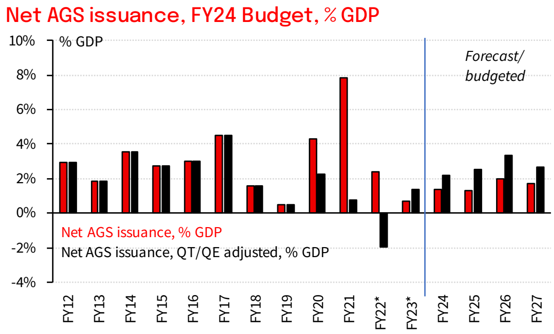
Source: AOFM and NAB estimates from budget

Chart 9: Net AGS issuance, QT/QE adjusted ($b)



Source: NAB, AOFM *Jul-22 assumed prefunded in FY22

Chart 10: Net AGS issuance, QT/QE adjusted (% GDP)



Source: NAB, AOFM *Jul-22 assumed prefunded in FY22

Key Policy Measures

Income support changes

The Government will expand eligibility for the Parenting Payment (Single) to those whose youngest child is under 14 years old (from 8 years old at present). This will provide recipients with an extra $176.90 per fortnight compared to the current JobSeeker payment and allow recipients to earn more money before losing the payment, at a cost of $1.9 billion over five years.

The Budget also increases the basic rate of JobSeeker and Youth Allowance by $40 per fortnight (over and above existing indexation arrangements) at a cost of $4.9 billion over five years. In addition, single individuals aged 55-59 will be made eligible for a higher rate of JobSeeker (currently limited to those over 60).

Energy price relief

The Budget includes $3 billion towards electricity bill rebates, delivered through energy bills in conjunction with the states, targeted at concession card holders, recipients of family and carer payments and other concession recipients.

An additional $1 billion will be provided for the CEFC to provide low-interest loans for energy efficiency upgrades, including upgrades to social housing energy performance.

Medicare and medicine costs

The Government will triple the bulk billing incentive for children, pensioners and other concession card holders, at a cost of $3.5 billion. There is also $358.5 million in additional funding for Medicare Urgent Care Clinics, including 8 more clinics by the end of 2023.

Additional funding commitments have been made towards after hours primary care, expanding team-based and multidisciplinary care, tackling fraud and non-compliance, and digital health records.

The Budget also includes $2.2 billion for new and amended PBS listings as well as previously announced increases to the maximum dispensing quantities for more than 300 medicines.

Aged care

The Budget includes the impact of the 15% increase to award and minimum wages for aged care workers, estimated at $11.3 billion over four years.

$487 million will extend disability support for older Australians, while $166.8 million has been provided for 9,500 additional home care packages. Additional commitments have been made towards aged care regulations and accountability and transparency measures.

Affordable housing

The Government will increase Rent Assistance payments by 15% (around $30 per fortnight), at a cost of $2.7 billion over five years.

Changes to taxation arrangements for new build-to-rent developments are also aimed at increasing the supply of rental housing, while changes to the National Housing Finance and Investment Corporation's liability cap are intended to increase financing for community housing providers.

An additionally $67.5 million has also been offered to the states to help address homelessness.

Climate and energy transition

The Budget confirms that $12 billion of the $20 billion Rewiring the Nation investment has been allocated to projects including in Tasmania, Victoria and NSW.

A $2 billion 'Hydrogen Headstart' program will support large-scale renewable hydrogen projects, alongside a new Guarantee of Origin scheme to track and verify emissions associated with low emissions products.

A $57.1 million program will support commercial partnerships in critical minerals supply chains, while $14.8 million is also provided for a Powering Australia Industry Growth Center. The Budget also provides $83.2 million to fund the establishment of a Net Zero Authority with responsibility for promoting an orderly transition to net zero emissions.

Cigarettes and vaping

The Government will raise the tax on tobacco by 5% per year for three years, raising $280 million in revenue over four years.

The Budget also provides $263.8 million for lung cancer screening, $29.5 million to increase smoking and vaping cessation support, $141.2 million to tackle Indigenous smoking and $63.4 million for public health campaigns.

PRRT and superannuation tax

The Budget includes $2.4 billion in increased revenue over four years from changes to the Petroleum Resource Rent Tax in response to the Review of the PRRT Gas Transfer Pricing arrangements.

It also includes the impact of the introduction of a 30% tax rate on superannuation balances over $3 million announced earlier in the year, which is expected to raise $2.3 billion in 2027-28, the first full year of operation.

Disability support

The Budget formalises the decision of National Cabinet to limit annual growth in the NDIS to 8 percent from 1 July 2025, substantially curbing the medium-term costs of the scheme to the Budget.

The Budget also provides $732.9 million towards initiatives to improve support for NDIS participants and fight fraud in the NDIS.

Small business

A $20,000 instant asset write-off for small businesses with annual turnover below $10 million will be in place from 1 July 2023 to 2024.

A new Small Business Energy Incentive will also be introduced, providing businesses with turnover less than $50 million with a bonus 20% tax deduction for eligible depreciating assets up to $100,000 for energy saving upgrades.

The Budget also provide $23.4 million to support small businesses to build resilience to cyber threats.

Economic Outlook and Forecast Comparison

Global Context and Forecasts

Growth in the global economy slowed in 2022, as the benefits of reopening from COVID-19 restrictions in much of the advanced world started to fade while tighter monetary policy began to impact demand. Overall, the global economy expanded by 3.4% - broadly in line with the long-term average since 1980.

Consumer price inflation has retreated from multi-decade highs but has proved to be sticky, persisting at around 7% yoy in March, well above the targets of major central banks. This reflects a range of factors, with tight labour markets, along with accumulated savings over the course of the COVID-19 pandemic underpinning demand in most advanced economies, even as supply side pressures (particularly following the end of zero-COVID policies in China) and energy prices have eased.

In response to soaring prices, major central banks started to aggressively raise policy rates from early 2022. This has been led by the US Federal Reserve, which has lifted the fed funds rate by 500 basis points since March 2022. Although inflation remains above target, we believe that we are near the peak of the rate cycle.

In part, this reflects the recent turmoil in financial markets. The rapid repricing of assets associated with the monetary policy hikes has strained the balance sheets of various financial institutions – leading to bank failures in the United States and Europe in March and May. Fears of financial contagion – which so far has not eventuated – have contributed to an increase in bond market volatility – which briefly rose to a post-GFC peak and has remained high by recent standards (as measured by the MOVE index).

Regulators in both the US and Europe intervened quickly to reduce risks in the financial sector, although they have not been eliminated. The best-case scenario is likely to see banks and other financial institutions continuing to tighten lending standards and exhibit more caution regarding counterparty risk in interbank markets. This may provide enough tightening to broader financial conditions to slow economic activity (and bring inflation lower) without the need for further monetary policy hikes.

Global economic activity has appeared to be relatively robust in Q1 2023. In large part, this reflected the faster-than-anticipated transition phase in China, following the end of its economically damaging zero-COVID policies. Overall, Q1 growth for the major advanced economies is expected to be only modest, but showing more resilience than had been expected, including Europe which looks to have (if only barely) defied earlier expectations of recession.

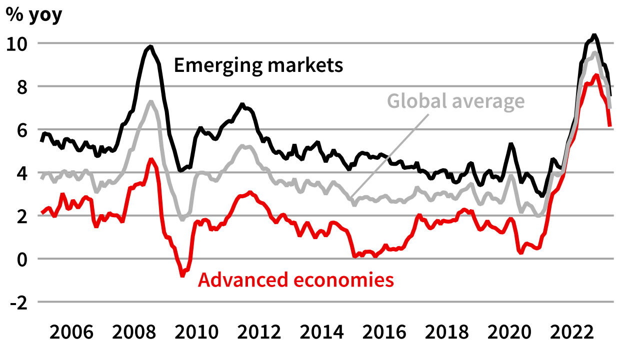
The relatively robust trend is not expected to continue, with the impact of tighter financial conditions restricting demand in advanced economies in coming quarters, which will flow on to weaker exports from emerging markets (where growth is typically more trade dependent).

In addition, there remain a range of factors that present risk to our global outlook. Overall, the stickiness of inflation means that its path forward remains uncertain. This increases the risk that central banks could continue to tighten policy rates above our expectations, which could drive economic activity lower and further destabilise the financial sector.

There are also a range of geopolitical factors that could negatively impact the global economy. The Russia-Ukraine conflict persists – with potential flow on impacts on European energy markets and global agricultural trade. Similarly, tensions between China and United States have persisted – reflecting a range of issues, including China's spy balloons over the US mainland and the Biden Administration's efforts to restrict China's access to high-tech semi-conductors.

We expect global economic to slow to 2.7% in 2023 and remain around this rate in 2024, before picking up to around 3.2% in 2025. Overall, Treasury's global forecast is broadly similar for 2023 but marginally stronger for both 2024 and 2025, largely reflecting more robust growth expectations for India, the Euro-zone and the United States. In contrast, Treasury forecast a flat growth profile for China across 2024 and 2025, whereas NAB forecasts a modest pickup in 2025.

Chart 11: Global consumer price index



Source: Macrobond, NAB Economics

Table 2: Treasury vs NAB Forecasts, Key Economies

Comparison of Treasury Budget Forecasts and NAB Forecasts	2023		2024		2025	
	Treasury	NAB	Treasury	NAB	Treasury	NAB
US	1.0	1.0	0.8	0.9	2.3	1.9
Euro-zone	0.5	0.8	1.0	0.7	1.8	1.2
Japan	1.3	0.8	0.8	0.6	1.0	0.8
China	5.8	5.6	4.5	4.5	4.5	4.8
India	5.5	5.0	6.3	6.0	6.8	6.3
Other East Asia	3.3	2.7	4.0	3.7	4.3	4.3
World	2.8	2.7	3.0	2.7	3.5	3.2
Major trading partners	3.3	3.1	3.3	3.0	3.5	3.5

Australian Outlook and Forecasts

Overall, the expectations for the real economy contained over the forward estimates appear reasonable, and although slightly more optimistic than NAB's expectations, are broadly in line with the evolution we expect for the economy over the next couple of years.

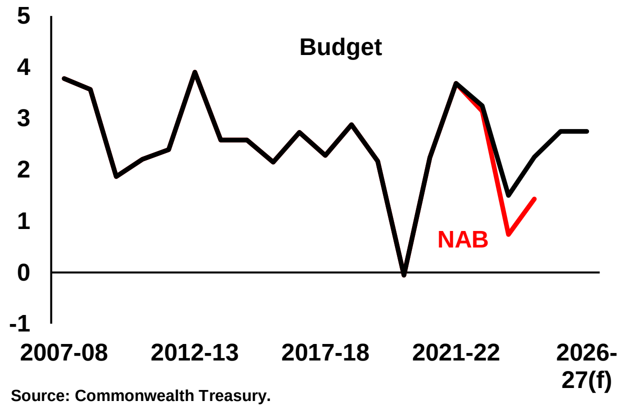
For us, the key story is that headline growth will be well below trend in 2023/24 (NAB: 0.7%, Budget: 1½%) and 2024/25 (NAB: 1.4%, Budget: 2¼%). The pattern of growth will be driven mainly by a slowing in consumption growth, as the impact of higher rates and inflation weigh on household budgets. That said, the outlook for the smaller dwelling and business investment components is also clouded. Dwelling approvals have fallen to their lowest level in around a decade, suggesting that as the existing pipeline of work is completed, the level of dwelling investment will decline, though we see a smaller decline this year and larger decline next year than what is in contained in the budget forecasts. We have a notably weaker outlook for business investment growth for each of the next two years.

Well-below trend growth is likely to see labour demand growth slow substantially from the rates seen over the past year or so. We see employment growth of 0.7% over 2023/24 and 1.4% 2024/25, slightly softer than budget estimates of 1% over each of the next two years. Importantly, both sets of forecasts see labour demand outstripped by population growth (expected to be around 2.0% in the current year, 1.7% in 2023/24 and 1.5% in 2024/2025 based on Treasury estimates) and therefore see an increase in the unemployment rate. We see the unemployment rate rising from the currently low of 3.5% to 4.5% by end 2023 (Budget: 4.25%) and drifting higher over 2024 to around 4.7% (Budget: 4.5%).

For policy makers this outlook will have notable implications for wage growth (important on the revenue side in the budget, and for domestic inflation for the RBA). The tightness in the labour market over the past year or so is expected to feed into strengthening wage growth in the near-term, with wage growth according to the WPI expected to reach 4% y/y at its peak in late 2023, before easing back to around 3.6% y/y by end 2024.

We see a similar trajectory for headline inflation, with trimmed-mean inflation easing to around 4% in 2023 before slowing to the top of the RBA's target range by end 2024. We remain optimistic that goods price inflation will moderate in the near term (or even see outright falls in prices) as goods demand moderates globally and the impact of healing supply chains is passed through to domestic prices. There is some early evidence of a moderation in goods demand, with real goods spending declining in H2 2022 according to the national accounts and retail sales volumes for Q1 pointing to a further decline.

Chart 12: Real GDP Growth Forecast Comparison (%)



Source: Commonwealth Treasury.

Of increasing importance will be the evolution of services inflation pressures, which are typically more reflective of domestic conditions and wages. For now, we expect wage growth to remain consistent with a return to "at-target" inflation. However, other components such as rents growth will continue to build in the near term. Inflation expectations also remain anchored but are a risk should inflation moderate more slowly given the extended period over which we expect inflation to remain above target.

This is crucial for monetary policy. We see rates at or around their peak, with the risk of further increases in the near term should upcoming wage or inflation data push the RBA. That said, the impacts of the rapid series of rate rises to date, which have taken the cash rate to a 12-year high of 3.85%, are continuing to flow through to households and the economy more broadly. Rates are now someway into restrictive territory but may need to become more restrictive should inflation remain stickier than expected – as a result of a strong rise in wage growth or a de-anchoring in inflation expectations for example.

In terms of the broader macroeconomic impact we see the budget as having a broadly neutral impact on the economy over the forward estimates with the structural deficit broadly stable. Of note, however, is the projected narrowing of the structural deficit over the medium term.

On the nominal side we expect slightly stronger GDP growth over each of the next two years – 3.5% and 4.2%, respectively (Budget 1¼% and 2½%) with the Treasury assuming a very sharp pull-back in commodity prices (concentrated in the year to March 2023).

Elsewhere of note are the Treasury projections for population growth. The rapid rebound in population growth over the past year has continued to a tightening in the rental market with vacancy rates falling to very low levels and new rents growth accelerating. It has also likely eased the tightness in the labour market at the margin, therefore the ongoing dynamic will be important. For now, the government has assumed that the surge in population growth will largely be temporary (reaching 2% in the current year) before easing back to 1.5% over the next two years to be around its pre-COVID rate.

Appendix: Detailed Fiscal and Economic Tables

Table 3: Key Budget Metrics, Budget 2023-24 vs October 2022 Budget

	2022-23(e)		2023-24(e)		2024-25(e)		2025-26(e)		2026-27(e)
	October Budget	Budget	October Budget	Budget	October Budget	Budget	October Budget	Budget	Budget
Underlying cash balance, $bn	-36.9	4.2	-44.0	-13.9	-51.3	-35.1	-49.6	-36.6	-28.5
% of GDP	*-1.5*	*0.2*	*-1.8*	*-0.5*	*-2.0*	*-1.3*	*-1.8*	*-1.3*	*-1.0*
Net operating balance, $bn	-25.9	9.0	-33.0	-3.7	-53.2	-38.0	-40.0	-29.6	-23.5
% of GDP	*-1.0*	*0.4*	*-1.3*	*-0.1*	*-2.1*	*-1.4*	*-1.5*	*-1.1*	*-0.8*
Net capital investment, $bn	12.8	10.4	11.9	10.4	9.0	7.2	9.9	5.4	9.3
% of GDP	*0.5*	*0.4*	*0.4*	*0.4*	*0.3*	*0.3*	*0.3*	*0.2*	*0.3*
Fiscal balance, $bn	-38.7	-1.5	-44.9	-14.1	-62.1	-45.3	-49.9	-35.0	-32.8
% of GDP	*-1.6*	*-0.1*	*-1.8*	*-0.5*	*-2.4*	*-1.7*	*-1.9*	*-1.3*	*-1.1*
Net debt, $bn	572.2	548.6	634.1	574.9	702.8	620.6	766.8	665.2	702.9
% of GDP	*23.0*	*21.6*	*25.8*	*22.3*	*27.4*	*23.5*	*28.5*	*24.0*	*24.1*

Source: Commonwealth Treasury.

Table 4: Economic Forecasts, Treasury vs NAB

	2021-22	2022-23(f)		2023-24(f)		2024-25(f)		2025-26(f)		2026-27(f)	
	Outcome	Budget	NAB	Budget	NAB	Budget	NAB	Budget	NAB	Budget	NAB
GDP and Components											
Private Consumption	3.7	5 3/4	5.5	1 1/2	0.0	2 1/2	1.2				
Dwelling Investment	2.9	-2 1/2	-2.6	-3 1/2	-2.1	-1 1/2	-3.4				
Underlying Business Investment	6.2	3	2.2	2 1/2	-3.2	2	-0.8				
Underlying Public Final Demand	6.8	1 3/4	1.9	1 1/2	2.0	2	2.0				
Domestic Demand	**5.0**	**n/a**	**3.2**	**n/a**	**0.2**	**n/a**	**1.2**				
Stocks (Cont. to GDP)	0.1	0	0.0	0	-0.1	0	0.1				
Gross National Expenditure	**5.1**	**3 1/4**	**3.2**	**1**	**0.2**	**2 1/4**	**1.3**				
Exports	-0.3	8	7.1	6	1.7	3 1/2	2.0				
Imports	6.9	9	7.7	4	-1.3	3 1/2	1.4				
Net Export (Cont. to GDP)	-0.9	0	1.0	1/2	0.4	0	0.0				
Real GDP	**3.7**	**3 1/4**	**3.1**	**1 1/2**	**0.7**	**2 1/4**	**1.4**	**2 3/4**	**n.a.**	**2 3/4**	**n.a.**
Nominal GDP	11.0	10 1/4	9.9	1 1/4	3.5	2 1/2	4.2	5 1/4	n.a.	5.25	n.a.
External Account											
Current Account Balance ($b)	44.2	n.a.	40.1	n.a.	26.7	n.a.	32.1				
Current Account Balance (% of GDP)	1.9	3/4	1.6	-2 1/2	1.0	-3 1/2	1.2				
Terms of Trade	11.8	1 1/2	-0.4	-13 1/4	-5.0	-8 3/4	-0.1				
Labour Market											
Employment (Yr-ended)	3.6	2 1/2	2.3	1	0.7	1	1.4	1.75	n.a.	1.75	n.a.
Unemployment Rate (End of period)	3.8	3 1/2	3.6	4 1/4	4.4	4 1/2	4.6	4 1/2	n.a.	4.25	n.a.
Wage Price Index (WPI) (Yr-ended)	2.6	3 3/4	3.7	4	4.0	3 1/4	3.4	3 1/4	n.a.	3 1/2	n.a.
Prices and Rates											
Headline CPI (Yr-ended)	6.1	6	6.6	3 1/4	3.4	2 3/4	2.8	2 1/2	n.a.	2 1/2	n.a.
Trimmed-mean CPI (Yr-ended)	5.0	n.a.	6.2	n.a.	3.5	n.a.	2.8				
RBA Cash Rate (End of period)	0.85	n.a.	3.85	n.a.	3.10	n.a.	3.10				
10 Year Govt. Bonds (End of period)	3.69	n.a.	3.85	n.a.	3.70	n.a.	3.55				
$A/US cents (End of period)	0.69	n.a.	0.70	n.a.	0.73	n.a.	0.77				

Data are annual average percentage grow th, except w here specified otherw ise.
Source: Commonw ealth Treasury and NAB Economics.

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