# Federal Budget in Brief

# 2024-25 Budget

## NAB Economics


## Summary

The significant budget announcements were in line with media reporting and pre-positioning over recent days. In many ways the Budget is much more interventionist in its strategy – aiming to boost growth in critical areas and directly easing cost of living pressures.

In terms of new policy announcements, the key headlines include the Future Made in Australia program (including solar panel manufacturing in the Hunter Valley and Quantum computing investments) and the extension of the small business instant asset write-off applicable to around 4 million businesses. There is also a health package with around $3.4bn for new PBS medicines and a freeze in the price of PBS medicines for a year for all individuals and 5 years for pensioners.

The education sector sees some significant policy announcements with cuts to HECS debts (around $3bn on 2023 indexation). A student cap has been introduced but the exact amount will depend on a formula including how much accommodation each university provides for their students.

In addition to the stage 3 tax cuts, cost of living relief comes via the Energy bill relief packages ($3.4bn) and the rental assistance package ($2bn). Beyond that there are large spending programs on funding wage increases in aged-care and childcare sectors.

With added spending in these areas and the increased drag from lower commodity prices and a weaker labour market alongside the stage 3 tax cuts the Budget surplus of around $9.3bn in 2023-24 quickly returns to deficits of around $28.3bn in 2024-25 and nearer $43bn in 2025-26. The potential for more election-related spending remains a risk.

Overall, the budget is expected to see a small structural deterioration over the next few years but with some claw back into 2026-27 and beyond. The Government's own parameter estimates suggest that just about all the deterioration in the budget position is from new expenditure. Meaningful attempts to address structural deficits have been pushed out though Australia's debt position remains low by international standards.

## Economic outlook & implications

While the decisions taken in this year's budget are on balance a loosening in policy, they only marginally add to the RBA's difficulty in returning inflation to target and our initial assessment is they do not have a material impact on our expectations for the growth outlook or the path of inflation and monetary policy.

In terms of the economic outlook, the expected pattern of forecasts is broadly similar to ours with Treasury expecting GDP growth around 2% in 2024/25 and 2.3% in 2025- 26. We are at 1.9% and 2.3% in 2025-26. We are however more concerned about the very short run outlook (Treasury 1¾%, NAB 1.5%). Our labour market outlook is similar to the Treasury with unemployment peaking around 4½% by mid-2024, and likewise we see wage growth peaking around current growth rates (4¼%) and edging down somewhat in the out years.

Notably, the Budget forecasts a more rapid improvement in inflation in the near term than we or the RBA have been expecting, seeing headline inflation of 2.75% by mid-2025 (NAB 3.0%, RBA 3.2%). This largely reflects the impact of energy and rent subsidies on measured inflation – an effect which the RBA is certain to look through when setting monetary policy. Nonetheless, at this stage we don't see the fiscal deterioration as being sufficient to change our rate view, still seeing rates on hold until late this year.

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# Budget Position and Fiscal Impulse

### Summary of Key Budget Metrics

With the year almost done, an underlying cash surplus of $9.3b (0.4% of GDP) is expected for 2023-24. This would be the second consecutive surplus if realised, albeit smaller than the 2022-23 surplus of $22.1b.

As was the case at Budget time last year, the surplus is not expected to be sustained into the following year. For 2024-25 an underlying cash deficit of 28.3b (-1.0% of GDP) is expected. The deficit is expected to peak in 2025-26 (at -1.5% of GDP) before moderating somewhat over 2026-27 and 2027-28.

The smaller underlying cash surplus in 2023-24 than in 2022-23 reflects still strong revenue growth (6.6% y/y) but stronger growth in payments (8.9% y/y). Weak receipts growth in 2024-25 (0.9% y/y) – coinciding with income tax cuts – combined with still solid payments growth (6.4%) sees the budget move into deficit in 2024-25. As a percent of GDP, payments in 2024-25 and 2025-26 are projected to be at their highest level since the mid-1980s, excluding the pandemic period.

The surplus in 2023-24 – from the MYEFO expectation of a small deficit – primarily reflects 'parameter variations', particularly higher tax revenue from better than expected employment and wage growth and higher than expected commodity prices. These revenue upgrades are concentrated in 2023-24 with small and directionally mixed revisions in subsequent years. Over the period 2023-24 to 2027-28, the net improvement in the budget from parameter variations is around $13b with $11b of this occurring in 2023-24.

With limited parameter variations in the out years, most of the changes to the budget profile are the result of policy decisions where additional spending outweighs any savings or revenue measures. The impact of government policy decisions since MYEFO has been to reduce the budget balance by $24b over the 2023-24 to 2027-28 period. This reflects a net $8b of receipts measures more than offset by $33b of extra payments (see New Policy Measures Since MYEFO below). Consequently, relative to MYEFO, the underlying cash balance has deteriorated by around 0.3% of GDP in each year between 2024-25 and 2026-27.

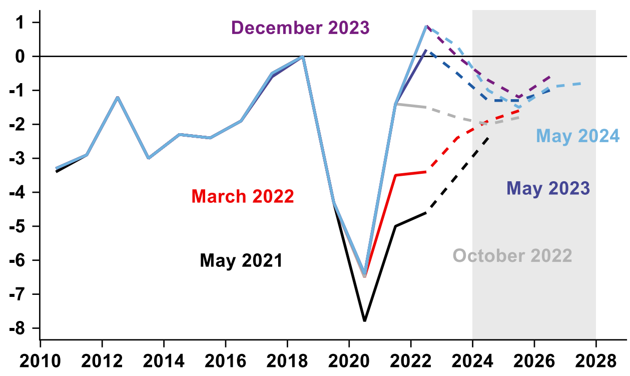
The outlook for the other measures of budget balance – net operating balance and fiscal balance – is similar. Each of these budget measures are expected to be in surplus this year, but to move into deficit in 2024-25. As with the underlying cash balance, the deficit is projected to peak in 2025-26 before showing some improvement in the out years.

### Table 1: Key Budget Metrics

| | 2023-24(e) | 2024-25(e) | 2025-26(e) | 2026-27(e) | 2027-28(e) |
|---|---|---|---|---|---|
| UCB, $bn | 9.3 | -28.3 | -42.8 | -26.7 | -24.3 |
| *% of GDP* | *0.3* | *-1.0* | *-1.5* | *-0.9* | *-0.8* |
| Net op. bal., $bn | 15.8 | -23.0 | -34.6 | -17.5 | -10.1 |
| *% of GDP* | *0.6* | *-0.8* | *-1.2* | *-0.6* | *-0.3* |
| Net cptl. inv. $bn | 7.8 | 6.3 | 8.1 | 9.0 | 11.9 |
| *% of GDP* | *0.3* | *0.2* | *0.3* | *0.3* | *0.4* |
| Fiscal bal., $bn | 8.1 | -29.3 | -42.6 | -26.5 | -22.0 |
| *% of GDP* | *0.3* | *-1.1* | *-1.5* | *-0.9* | *-0.7* |
| Net debt, $bn | 499.9 | 552.5 | 615.5 | 660.0 | 697.5 |
| *% of GDP* | *18.6* | *20.0* | *21.5* | *21.8* | *21.9* |

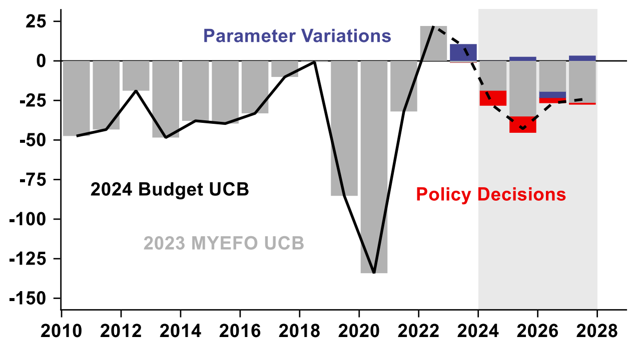
Source: Commonwealth Treasury.

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



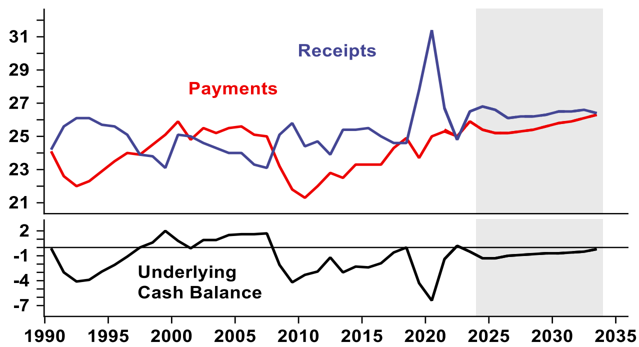

X-axis shows first year of relevant financial year.
Source: Macrobond, Commonwealth Treasury, NAB Economics.

### Chart 2: Reasons for Change in UCB ($b)




X-axis shows first year of relevant financial year.
Source: Macrobond, Commonwealth Treasury, NAB Economics.

### Chart 3: Receipts & payments (% of GDP)




X-axis shows first year of relevant financial year.
Source: Macrobond, Commonwealth Treasury, NAB Economics.

### Estimated Fiscal Impulse

Chart 4 shows the Treasury's estimates of the structural budget balance (the UCB adjusted for cyclical economic conditions). This suggests that after a relatively balanced structural position in 2023- 24 there is a moderate deterioration in the underlying position over the next few years before stabilising around 2026-27 and beyond.

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 5). A positive impulse indicates the underlying budget balance is becoming more expansionary, and vice-versa.

After the massive stimulus from the COVID era and the subsequent unwinding of JobKeeper and other payments, the fiscal impulse measure suggests policy was broadly neutral in 2023-24. The situation however changes in 2024-25. Overall, the structural deficit on this analysis widens by around 1 percentage point over 3 years to 2025-26, with the net impulse (after accounting for the tail end of unwinding COVID measures) a net expansionary or loosening impact in 2024-25. Moreover, this impulse is somewhat more expansionary than was previously expected at the 2023 Budget a year ago.

Importantly, while the decisions taken in this year's budget are on balance a loosening, they only marginally add to the RBA's difficulty in returning inflation to target and our initial assessment is they do not have a material impact on our expectations for the growth outlook or the path of inflation and monetary policy.

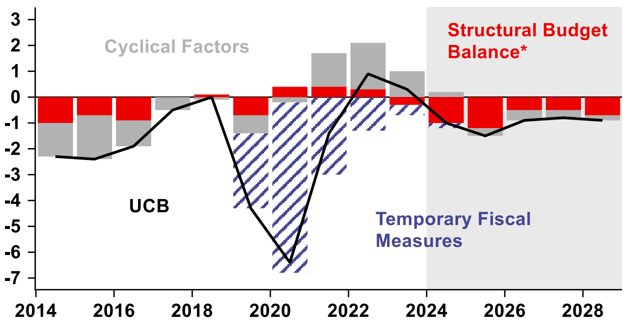
### Government Debt and Outlook for the Medium Term

Debt, as a percent of nominal GDP, is on track to fall again in 2023-24, both on a gross and net basis, continuing the decline from its 2020-21 (pandemic) peak. However, as the budget moves back into deficit, debt is projected to again start to rise in 2024-25, and to continue increasing out to 2026-27 on a gross basis, or to 2029-30 on a net basis, peaking at 35.2% and 22.1% of GDP respectively, before gradually easing.

The net debt profile has been revised higher since MYEFO. This includes for 2023-24 as, while the underlying cash balance is stronger than expected, a fall in yields means the market value of debt has increased. In contrast, gross debt is measured at face value, so is not impacted by changes in yields, and is expected to be a little lower (as a % of GDP) than expected at MYEFO.

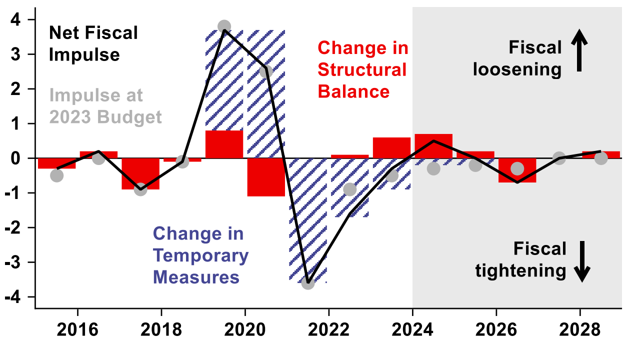
Internationally, Australia remains a low debt country, in part reflecting a relatively low starting position prior to the pandemic, as well as greater fiscal discipline post the pandemic than in many other countries.

**Chart 4: Structural Budget Balance (% of GDP)**



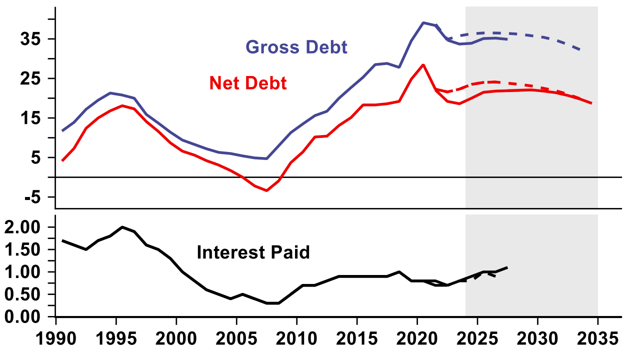

*As estimated by the Treasury - see Budget papers for details.
X-axis shows first year of relevant financial year.
Source: Macrobond, Commonwealth Treasury, NAB Economics.

**Chart 5: Year-to-year Fiscal Impulse**



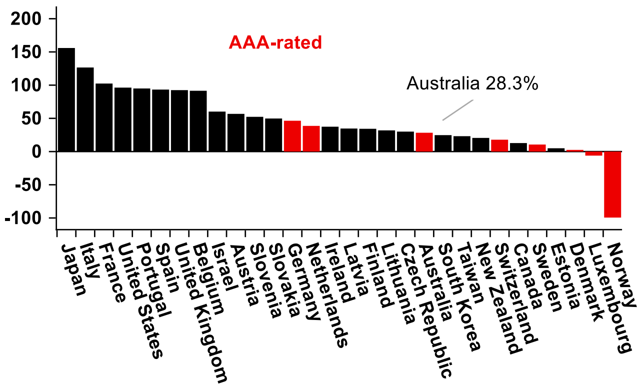

X-axis shows first year of relevant financial year.
Source: Macrobond, Commonwealth Treasury, NAB Economics.

**Chart 6: Fed. Government Net Debt (% GDP)**




X-axis shows first year of relevant financial year. Dotted lines show 2023 Budget estimates.
Source: Macrobond, Commonwealth Treasury, NAB Economics.

**Chart 7: Govt Net Debt, Adv. Economies, 2023 (% GDP)**




Source: Macrobond, IMF WEO, NAB Economics

## Implications for the Bond Market

The Budget makes minimal changes to the path of Australian Government Securities on issue or the broader path of debt over the forward estimates. Slightly lower AGS volumes this year (relative to MYEFO) evolve into slightly higher AGS on issue in 2027 – but the net variation by the end of that period is just +$8bn.

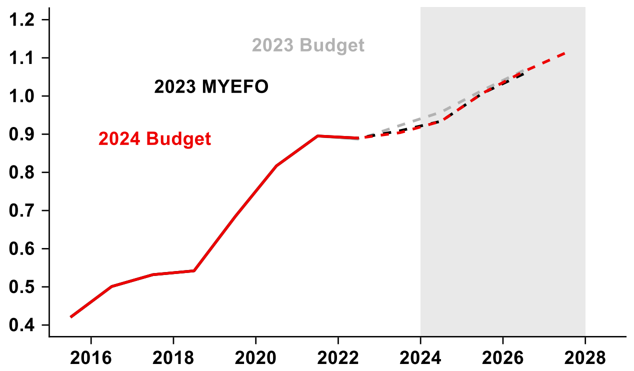
AGS issue is expected to end 2023-24 at $904bn; by 2027-28 outstandings are expected to push through $1.1trn face value. AGS to GDP growth, however, does flatline in 2027-28 at 33.9%. In 2023-24, it's just shy of 32%.

Gross bond issuance in 2024-25 will likely be double that of 2023-24 as the program transitions into financing two benchmark maturities per year. This has, however, been long anticipated.

As per communication from the AOFM in recent months, the upcoming June 2034 Green bond was confirmed to be targeting a $7bn issue before the end of June 2024.[1]

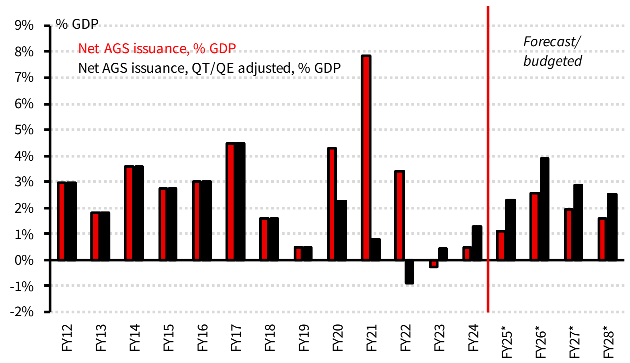
On 15 May we expect the AOFM to issue a brief update on the 2023-24 funding program and a borrowing estimate for 2024-25. We anticipate the gross nominal bond program will be above $100bn. But details on specific new bond lines are not expected until early July.

**Chart 8: Australian government securities on issue ($tn)**



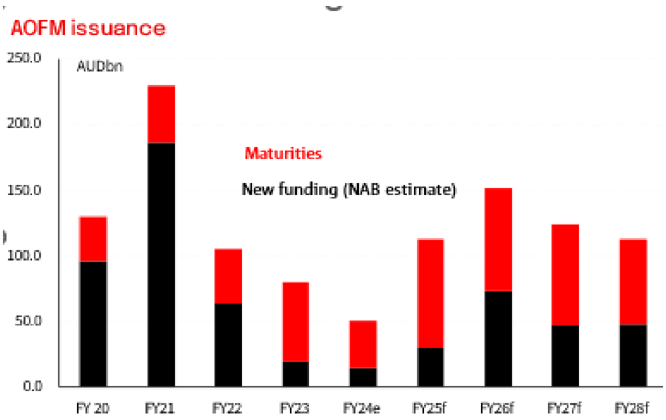

X-axis shows first year of relevant financial year.
Source: Macrobond, Commonwealth Treasury, NAB Economics.

**Chart 9: Net AGS issuance, QT/QE adjusted (% GDP)**




Source: NAB, AOFM

**Chart 10: AOFM issuance programs, with NAB estimates**




Source: AOFM and NAB estimates from budget

[1] *Please note that NAB was appointed as joint structuring advisor to assist the Australian Office of Financial Management in establishing its Sovereign Green Bond Program. NAB has subsequently been appointed joint lead manager on the new June 2034 Green bond. Issuance is expected between April and June 2024.*

# New Policy Measures Since MYEFO

### Housing Affordability

Headlining the government's focus on housing affordability was increasing the maximum rate of Commonwealth Rent Assistance by 10% (worth $1.9bn over 5 years).

The government announced new measures and increased spending worth $1.5bn over 7 years "increasing investment in infrastructure to build more homes sooner" and to support state and territory governments under a new agreement on social housing.

### Energy bill relief for Households and Small Business

An extension and expansion of the Energy Bill Relief Fund to all households ($300 per household, paid on 1 July 2025) and eligible small businesses worth $3.5bn.

### Pharmaceutical Benefits Scheme

Funding for the inclusions of new medicines on the PBS worth $3.4bn over 5 years. The government is also freezing the price of medications under the PBS for a year for all individuals and 5 years for pensioners and concession cardholders.

Further funding in response to the Royal Commission in to Aged Care Quality and Safety worth around $2.2bn over 5 years.

### Medicare

A $1.1bn for early discharge from hospital and improving access to essential services (clinics) and modernising digital health infrastructure.

### Services Australia Funding

$2.8bn for sustaining and enhancing the MyGov platform and security and enhancements to Services Australia centres and maintenance of frontline staff.

### Parental Leave

$1.1bn extra for superannuation payments on government paid parental leave payments over the 5 years.

### Small business

The $20,000 instant asset write-off for all small businesses with annual turnover below $10 million will be extended for another year, covering around 4 million small businesses and worth around $290m.

### Road and Rail Infrastructure

An additional $2.9bn on priority infrastructure including a direct rail connection from Brisbane to the Sunshine Coast, road and transport initiatives for Western Sydney as well as a range of regional road projects.

### Future made in Australia

Delivering the government's Made in Australia agenda - promoting investment in key priority industries, including Australia's plan to become a renewable energy superpower (including last year's around green hydrogen), and investing in new digital capabilities, which is expected to increase payments by $2.6 billion over five years from 2023–24.

Tonight's announcements include additional focus on critical minerals, supply chains and the transition to net zero over the longer term.

### Defence

$5.7bn over 4 years additional spending on the Integrated investment program and National defence strategy – expanding capabilities of the armed services and building the critical defence industry infrastructure and workforce skills ahead of the adoption of new technologies.

# Economic Outlook and Forecast Comparison

### Global Context and Forecasts

Overall, global economic growth slowed in 2023, as activity continued to normalise from the disruptions of the COVID-19 pandemic period and the commodity price shock following Russia's invasion of Ukraine, restrictive monetary policy in advanced economies began to bite and headwinds to China's growth intensified. Global growth slipped to 3.2% – below the long-term average of 3.4% since 1980.

A key theme of the past few years has been inflation that has run well above the targets of most advanced economy central banks. While the peak of the cycle occurred in late 2022, the path of disinflation has been slower and more volatile than had been hoped. For example, advanced economy inflation has stabilised more recently – remaining around 2.7% yoy in the first three months of 2024 – with services prices remaining comparatively high in many countries.

The stickiness of inflation has pushed back the expected start of the policy rate cutting cycle of advanced economy central banks (excluding Japan, where rates remain low). For example, in mid-January markets were fully pricing six 25 basis point cuts from the US Federal Reserve in 2024. By early May, the slow pace of disinflation saw pricing pared back – with two cuts by the end of the year highly probable, but not fully priced. The path of inflation, and the eventual cutting of policy rates from restrictive levels, remains a key uncertainty to the outlook.

In addition, there are a broad range of geopolitical factors that could impact economic activity. These include the conflict in the Middle East and between Russia and Ukraine, as well as and diplomatic tensions between China and its neighbours in the South China Sea. The US Presidential Election in November could result in substantial changes to the country's foreign and trade policies.

Irrespective of the US election, the rapid acceleration of China's export volumes (and with it, steep falls in export prices) in recent months could see trade measures imposed by the United States and European Union – following allegations of widespread industrial overcapacity and dumping. Failure to effectively address these concerns could trigger a fresh trade war.

The following table summarises NAB's and Treasury's global forecasts. We expect the global economy to slow to 2.9% in 2024 before edging marginally higher in both 2025 (3.0%) and 2026 (3.1%). Treasury's global forecast is flat for the entire period at 3¼% – meaning that there is a considerable gap between our respective forecasts for 2024 that gradually narrows over the outlook period, with NAB's view being marginally weaker in 2026.

Broadly, Treasury provide a stronger outlook for advanced

**Table 2: Treasury vs NAB Forecasts, Key Economies**

| Comparison of Treasury Budget Forecasts and NAB Forecasts | 2024 | | 2025 | | 2026 | |
|---|---|---|---|---|---|---|
| | Treasury | NAB | Treasury | NAB | Treasury | NAB |
| US | 2.5 | 2.4 | 1.5 | 1.4 | 2.0 | 1.8 |
| Euro-zone | 0.8 | 0.6 | 1.5 | 1.0 | 1.5 | 1.4 |
| Japan | 0.8 | 0.3 | 1.0 | 0.6 | 1.0 | 0.6 |
| China | 4.8 | 4.5 | 4.3 | 4.8 | 4.3 | 4.5 |
| India | 6.5 | 6.6 | 6.5 | 6.2 | 6.5 | 6.4 |
| Other East Asia | 4.0 | 3.4 | 4.0 | 4.0 | 4.3 | 4.0 |
| World | 3.3 | 2.9 | 3.3 | 3.0 | 3.3 | 3.1 |
| Major trading partners | 3.3 | 3.3 | 3.3 | 3.6 | 3.3 | 3.5 |

economies than NAB are forecasting – particularly for the Euro-zone and Japan in 2025. In contrast, Treasury are forecasting softer growth for China in 2025 and 2026 (albeit their forecast for 2024 is stronger than NAB's).

Global commodity prices – particularly those of bulk commodities such as iron ore and coal – have an influence on the Federal Government's income via tax receipts. The following table summarises Treasury's assumed prices for key commodities in March 2025, compared with NAB's forecasts.

**Table 3: Treasury vs NAB Forecasts, key commodities**

| Comparison of Treasury Budget Forecasts and NAB Forecasts | | | |
|---|---|---|---|
| Quarterly average | Mar-24 | Mar-25 | |
| US$ | Actual | Treasury * | NAB |
| Iron ore | 126 | 60 | 92 |
| Metallurgical coal | 312 | 140 | 210 |
| Thermal coal | 127 | 70 | 100 |
| Liquefied natural gas (LNG) | 9 | 10 | 13 |

* end of period, versus quarterly average for NAB

Although we expect commodity prices to fall over this period (given weakness in global demand), our forecasts remain well above the prices assumed by Treasury over the next year (which are somewhat conservative). Should prices trend higher than these assumptions, this would result in additional government revenue in the current financial year.

### Australian Outlook and Forecasts

In terms of activity, the Budget forecasts align with our own assessment that 2023-24 is likely to represent a nadir in GDP growth (Budget 1.75%, NAB 1.5%), driven by very subdued household consumption and a decline in dwelling investment – partly offset by robust business investment and strong public demand.

We expect household consumption to pick up through the next financial year as strong wage growth, easing inflation and income tax cuts ease some of the pressure on household incomes, lifting consumption growth and overall GDP growth in 2024-25 (Budget 2%, NAB 1.9%) (Chart 11 below). The Treasury's forecasts depict a similar dynamic but include a stronger lift in consumption (2% in 2024-25, NAB 1.4%), as well as a somewhat faster turnaround in dwelling construction, offset by slightly softer public demand growth.

The current period of subdued growth will weigh on the labour market over time, though given the very strong starting point and high levels of vacancies we don't expect outright falls in the level of employment. In fact, despite similar GDP growth profiles, Treasury's forecasts see employment growth slowing even more markedly than our own in 2024-25 (Budget 0.75%, NAB 1.6%) and remaining softer in 2025-26 (Budget 1.25%, NAB 2.1%).

Slow employment growth will see the unemployment rate rise to around 4.5% in 2024-25 in both our own and the Treasury forecasts, stabilising through the out years at around 4¼%, with slightly flatter participation rates expected by Treasury.

In turn, wage growth is expected to moderate over time, though Treasury's forecasts see a sharper easing to 3.25% in both 2024-25 and 2025-26 (NAB 3.9% and 3.6%). There will likely be some mechanical easing from lower inflation feeding through to future minimum and award wage decisions, but significant upward pressures in aged care and childcare worker award rates also remain to flow through over coming years.

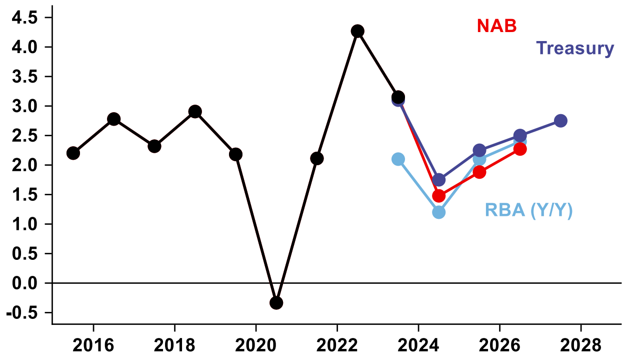
Alongside the expected easing in inflation (discussed below), this sees the Budget forecasting a period of modest real wage growth, going some way to unwinding the erosion of real wages that has occurred through the post-pandemic period. This may be partly absorbed by profit margins, but over the longer term the sustainability of real wage growth will depend on the extent to which productivity growth improves across the economy.

The outlook for inflation is, of course, a central focus in the Budget and more broadly for policy makers both within the government and at the RBA. Headline inflation has now moderated substantially from the highs seen in 2022 and early 2023 but at 4.0% y/y to Q1, underlying (trimmed mean) inflation remains well above the RBA's target with dwelling construction, rents, and wider services components all running at elevated rates.

Our latest forecasts (finalised prior to the Budget) see inflation improving gradually from here as subdued growth gradually brings aggregate demand and supply back into better balance, with both headline and underlying inflation around 3.3% by the end of calendar 2024 and then approaching the middle of the target band by end-2025. The RBA's recent Statement on Monetary Policy included a similar profile –conditioned on a cash rate assumption that saw rates on hold for an extended period into 2025.

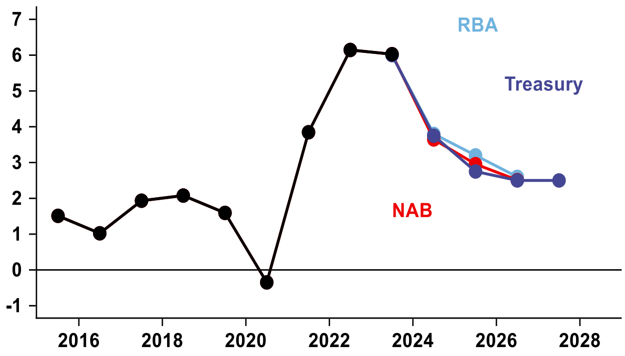
Notably, the Budget forecasts a more rapid improvement in inflation in the near term, seeing headline inflation of 2.75% by mid-2025 (NAB 3.0%, RBA 3.2%). This faster easing profile reflects the impact of the government's extension and expansion of energy bill relief and further increases in rent assistance, which are estimated to subtract 0.5ppts from measured inflation in 2024-25. The corollary to this is that, when the energy relief measure ends, its impact on measured inflation will unwind and the

**Chart 11: Real GDP Growth Forecasts (% Y-Ave to June)**




Source: Macrobond, Commonwealth Treasury, RBA, NAB Economics

**Chart 12: Unemployment Rate Forecasts (%, June Qtr)**




Source: Macrobond, NAB Economics

Treasury's forecasts are unsurprisingly higher than our own in 2025-26 (Budget 2.75%, NAB 2.5%, RBA 2.6%).

It is likely that, once the RBA's official forecasts are updated in August to account for these measures, some downward revisions will be needed to the near-term profile. However, this will have little bearing on monetary policy decisions with the RBA Board certain to look through subsidy effects as it assesses the underlying pace of inflation. In this regard, the wider fiscal stance of the Budget is the critical factor. As discussed above, this is in fact somewhat expansionary once accounting for the mix of cost of living relief and other substantial commitments – but we estimate these impacts to be modest and not enough to disrupt the outlook for inflation to gradually improve from here.

On that basis we continue to see a first rate cut as likely to come towards the end of the year, albeit with some risk that rates remain on hold longer – particularly if the labour market continues to hold up better than expected, or if near-term inflation prints prove higher than expected. That said, there are also risks to the downside particularly if the expected recovery in household consumption growth fails to materialise. In our view, the bulk of the adjustment to the current higher rate environment has been worked through and given the strong starting point for the labour market and improving outlook for incomes, a pickup in growth in the year ahead is a reasonable bet.

# Appendix: Detailed Fiscal and Economic Tables

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

| | 2023-24(e) | | 2024-25(e) | | 2025-26(e) | | 2026-27(e) | | 2027-28(e) |
|---|---|---|---|---|---|---|---|---|---|
| | MYEFO | Budget | MYEFO | Budget | MYEFO | Budget | MYEFO | Budget | Budget |
| Underlying cash balance, $bn | -1.1 | 9.3 | -18.8 | -28.3 | -35.1 | -42.8 | -19.5 | -26.7 | -24.3 |
| *% of GDP* | *0.0* | *0.3* | *-0.7* | *-1.0* | *-1.2* | *-1.5* | *-0.6* | *-0.9* | *-0.8* |
| Net operating balance, $bn | 11.3 | 15.8 | -15.7 | -23.0 | -25.9 | -34.6 | -13.2 | -17.5 | -10.1 |
| *% of GDP* | *0.4* | *0.6* | *-0.6* | *-0.8* | *-0.9* | *-1.2* | *-0.4* | *-0.6* | *-0.3* |
| Net capital investment, $bn | 8.9 | 7.8 | 9.1 | 6.3 | 7.1 | 8.1 | 9.7 | 9.0 | 11.9 |
| *% of GDP* | *0.3* | *0.3* | *0.3* | *0.2* | *0.2* | *0.3* | *0.3* | *0.3* | *0.4* |
| Fiscal balance, $bn | 2.4 | 8.1 | -24.8 | -29.3 | -33.0 | -42.6 | -22.9 | -26.5 | -22.0 |
| *% of GDP* | *0.1* | *0.3* | *-0.9* | *-1.1* | *-1.2* | *-1.5* | *-0.8* | *-0.9* | *-0.7* |
| Net debt, $bn | 491.0 | 499.9 | 533.3 | 552.5 | 586.4 | 615.5 | 623.9 | 660.0 | 697.5 |
| *% of GDP* | *18.4* | *18.6* | *19.5* | *20.0* | *20.5* | *21.5* | *20.8* | *21.8* | *21.9* |

Source: Commonwealth Treasury.

## Table 4: Economic Forecasts, Treasury vs NAB

| | 2022-23 | 2023-24(f) | | 2024-25(f) | | 2025-26(f) | | 2026-27(f) | | 2027-28(f) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Outcome | Budget | NAB | Budget | NAB | Budget | NAB | Budget | NAB | Budget | NAB |
| **GDP and Components** | | | | | | | | | | | |
| Private Consumption | 5.0 | 1/4 | 0.1 | 2 | 1.4 | 2 3/4 | 1.8 | | | | |
| Dwelling Investment | -3.8 | -3 | -3.8 | 0 | -3.8 | 6 1/2 | 5.7 | | | | |
| Underlying Business Investment | 6.9 | 5 1/2 | 5.0 | 1 | 0.5 | 2 | 2.6 | | | | |
| Underlying Public Final Demand | 2.4 | 4 1/2 | 4.2 | 1 1/2 | 2.0 | 1 1/2 | 2.0 | | | | |
| **Domestic Demand** | **3.7** | **n/a** | **1.8** | **n/a** | **1.4** | **n/a** | **2.3** | | | | |
| Stocks (Cont. to GDP) | -0.1 | - 1/2 | -0.7 | 1/4 | 0.4 | 0 | 0.0 | | | | |
| **Gross National Expenditure** | **3.5** | **1 1/4** | **1.1** | **1 3/4** | **1.9** | **2 1/2** | **2.3** | | | | |
| Exports | 6.7 | 5 | 3.9 | 5 | 1.3 | 2 1/2 | 2.1 | | | | |
| Imports | 9.2 | 2 1/2 | 2.4 | 4 | 1.9 | 4 1/2 | 2.5 | | | | |
| Net Export (Cont. to GDP) | 1.2 | 3/4 | -0.3 | 1/2 | 0.0 | - 1/4 | 0.1 | | | | |
| **Real GDP** | **3.2** | **1 3/4** | **1.5** | **2** | **1.9** | **2 1/4** | **2.3** | **2 1/5** | **n.a.** | **2 3/4** | **n.a.** |
| Nominal GDP | 9.8 | 4 3/4 | 4.6 | 2 3/4 | 5.1 | 4 | 3.9 | 5 1/4 | n.a. | 5.25 | n.a. |
| **External Account** | | | | | | | | | | | |
| Current Account Balance ($b) | 29.2 | n.a. | 47.6 | n.a. | 63.1 | n.a. | 37.1 | | | | |
| Current Account Balance (% of GDP) | 1.1 | 1 1/4 | 1.8 | - 3/4 | 2.2 | -2 | 1.3 | | | | |
| Terms of Trade | -0.3 | -3 3/4 | -3.7 | -7 3/4 | 1.4 | -4 | -4.5 | | | | |
| **Labour Market** | | | | | | | | | | | |
| Employment (Yr-ended) | 3.5 | 2 1/4 | 2.2 | 3/4 | 1.6 | 1 1/4 | 2.1 | 1.75 | n.a. | 1.75 | n.a. |
| Unemployment Rate (End of period) | 3.6 | 4 | 4.1 | 4 1/2 | 4.5 | 4 1/2 | 4.3 | 4 1/2 | n.a. | 4.25 | n.a. |
| Wage Price Index (WPI) (Yr-ended) | 3.7 | 4 | 4.1 | 3 1/4 | 3.9 | 3 1/4 | 3.6 | 3 1/2 | n.a. | 3 1/2 | n.a. |
| **Prices and Rates** | | | | | | | | | | | |
| Headline CPI (Yr-ended) | 6.0 | 3 1/2 | 3.6 | 2 3/4 | 3.0 | 2 3/4 | 2.5 | 2 1/2 | n.a. | 2 1/2 | n.a. |
| Trimmed-mean CPI (Yr-ended) | 5.8 | n.a. | 3.8 | n.a. | 2.8 | n.a. | 2.5 | | | | |
| RBA Cash Rate (End of period) | 4.10 | n.a. | 4.35 | n.a. | 3.60 | n.a. | 3.10 | | | | |
| 10 Year Govt. Bonds (End of period) | 4.00 | n.a. | 4.30 | n.a. | 4.15 | n.a. | 4.05 | | | | |
| $A/US cents (End of period) | 0.66 | n.a. | 0.65 | n.a. | 0.72 | n.a. | 0.73 | | | | |

Data are annual average percentage growth, except where specified otherwise.
Source: Commonwealth Treasury and NAB Economics.

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