



ECONOMIC INDICATORS

Edition 6





“Scrutiny is the first step towards accountability.”

Harry Burke – Superannuation Technical Specialist

FEDERAL BUDGET 2022/2023

In this Federal Budget special edition of our Economic Indicators publication, we review the key policies of the budget handed down by Treasurer Josh Frydenberg on 29 March 2022 and contrast this against the key policies of the opposition reply budget handed down by Anthony Albanese on Thursday 31st March 2022. We invite you to formulate your own opinions.

THE APPROACH TO ECONOMIC MANAGEMENT

There are 3 pillars to macroeconomic management, those being; fiscal (controlled by the government), monetary (controlled by the Reserve Bank of Australia) and exchange rate (controlled by the floating exchange rate regime). It is the Reserve Bank of Australia’s duty to manage the stability of currency, full employment, and the economic prosperity of the Australian people.¹

Within the annual budget, the federal government provides a snapshot of how public money is being used by the government to implement various policies and promises. It also provides the public with an insight into how well the government is fairing in managing/mismanaging the fiscal arm of the economy. It provides a scorecard of actual results as well as laying out the government’s intentions and projections for fiscal policy management for the forthcoming year.

When a federal budget is released prior to an imminent federal election it also tends to act as a promotional tool of sorts.

FEDERAL BUDGET 2022/2023 - KEY POLICIES

Government ²	Opposition Reply ³
Tax <ul style="list-style-type: none">- 50% reduction in fuel excise tax (over 6 months).- \$420 cost of living tax offset for low to middle income earners.- \$250 one off cost of living payment to eligible pensioners, welfare recipients, veterans,	Tax <ul style="list-style-type: none">- Legislated tax cuts that benefit everyone with incomes above \$45,000.- Increase in the low-and-middle income tax offset by \$420 this year.
Job Skills <ul style="list-style-type: none">- \$2.8 billion to support Australian apprenticeships.	Job Skills <ul style="list-style-type: none">- More university places and 465,000 fee-free TAFE places
Regional Economies <ul style="list-style-type: none">- \$2 billion to create jobs in modern manufacturing, critical minerals and agriculture sectors.	Regional Economies <ul style="list-style-type: none">- Making more things here, diversifying the economy and revitalising the regions.

Government²	Opposition Reply³
Infrastructure – \$7.1 billion investment in roads, rail, dams and renewable energy.	Infrastructure – Roads, rail, ports and high-speed broadband and renewable energy.
Gender & Childcare – \$2.1 billion in initiatives to boost female participation in the workforce and narrow gender pay gap.	Gender & Childcare – Cheaper child care – Implement every single one of the recommendations of the Respect@Work report.
Health & Essential Services – PBS, Medicare, mental health, – \$468.3 million to implement aged care reforms.	Health & Essential Services – \$2.5 billion to implement aged care reforms. – Registered qualified nurse on site, 24 hours a day, 7 days a week at every aged care facility.
Defence, Intelligence & Security – Extensive reinvestment in defence capability.	Defence, Intelligence & Security – Increase Australia’s defence spending
Housing – Expanding the Home Guarantee Scheme to make available 50,000 places per year.	Housing – \$10 billion Housing Australia Future Fund to build 30,000 new social and affordable housing properties in its first five years.

Food for Thought

- Is there any substantial difference between the government’s budget and the opposition’s reply?
- Has the government or opposition defined a clear, transparent, long-term plan detailing solutions for the future, longer than any elected term?
- What level of the Australian population is directly employed by the government and affiliated government agencies?
- How effective and efficient are the current polices being funded with public money?

GDP GROWTH AND JOBS

The RBA states that “economic growth refers to an increase in the size of a country’s economy over a period of time. The size of an economy is typically measured by the total production of goods and services in the economy, which is called gross domestic product (GDP).”⁴

The below table has been extracted from the Statement 1 Budget Overview document released by the government. It details the forecast for certain key performance indicators.

Table 1.1: Major economic parameters ^(a)						
	Outcome	Forecasts				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	1.5	4 1/4	3 1/2	2 1/2	2 1/2	2 1/2
Employment	6.5	2 3/4	1 1/2	1 1/2	1	1
Unemployment rate	5.1	4	3 3/4	3 3/4	3 3/4	4
Consumer price index	3.8	4 1/4	3	2 3/4	2 3/4	2 1/2
Wage price index	1.7	2 3/4	3 1/4	3 1/4	3 1/2	3 1/2
Nominal GDP	4.4	10 3/4	1/2	3	5 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, Australia; Wage Price Index, Australia; Consumer Price Index, Australia and Treasury.

Observations

- Growth in Real GDP is expected to contract from 4.25% in 2021-22 down to 3.50% in 2022-23 then down to 2.50% in 2023-24 and continue at this level through to 2025-26.
- Demand for labour is forecast to grow, as reflected in an increase in employment and a decrease in the rate of unemployment.
- Consistent with the increase in demand for labour, wages will go up but inflation will moderate.

Food for Thought

- Although Gross Domestic Product (GDP) is touted as an important measure of economic growth, it does have limitations. It does little to provide any insight into the broader aspects of economic welfare of the nation’s population. For example, it does not tell us anything about how evenly national income is split across the population (i.e. income may have increased for everyone, or may have only been concentrated in certain groups).⁴
- There are also things that raise GDP but don’t make the country better off. One example is the initial spending to replace buildings and infrastructure after a natural disaster, which boosts measures of economic growth.⁴

AUSTRALIAN NATIONAL DEBT

The below table has been extracted from the Statement 1 Budget Overview document released by the government.

Table 1.2: Budget aggregates								
	Actual		Estimates				Projections	
	2020-21 \$b	2021-22 \$b	2022-23 \$b	2023-24 \$b	2024-25 \$b	2025-26 \$b	Total (a)	2032-33 \$b
Underlying cash balance	-134.2	-79.8	-78.0	-56.5	-47.1	-43.1	-224.7	
Per cent of GDP	-6.5	-3.5	-3.4	-2.4	-1.9	-1.6		-0.7
Gross debt(b)	817	906	977	1,056	1,117	1,169		
Per cent of GDP	39.5	39.5	42.5	44.6	44.9	44.7		40.3
Net debt(c)	592.2	631.5	714.9	772.1	823.3	864.7		
Per cent of GDP	28.6	27.6	31.1	32.6	33.1	33.1		26.9

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 deposit, advances paid and investments, loans and placements).

Food for Thought

- The level of Net Debt as a percentage of GDP is expected to continue to increase from 27.6% in 2021/2022 up to 33.1% in 2025/2026.
- Is it a responsible and sustainable approach to economic management?

CONTACT AXIS

As super specialists, we have a keen awareness of key economic indicators and have been assisting individuals with growing and protecting their super for over 25 years.

Give us a call on **1800 111 299** or email super@axisfg.com.au

REFERENCES

- 1 <https://www.rba.gov.au/about-rba/accountability.html>
- 2 <https://www.rba.gov.au/monetary-policy/>
- 3 <https://anthonyalbanese.com.au/my-plan>
- 4 <https://www.rba.gov.au/education/resources/explainers/economic-growth.html>

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