



# ECONOMIC INDICATORS

*Edition 13  
Budget Special*



*“We have a \$28 billion deficit in the coming financial year and \$20 billion of that comes from new decisions in the last two budgets. Make of that what you will.”<sup>1</sup>*

Steven Hamilton  
- Economist

## FEDERAL BUDGET 2024/2025

The Government advertised the budget handed down by Treasurer Jim Chalmers on 14 May as a budget that helps people under pressure today, invests in a Future Made in Australia, provides responsible cost-of-living relief, helps Australians earn more and keep more of what they earn, and builds a stronger and more resilient economy.<sup>2</sup>

The Government expects a surplus of \$9.3 billion in 2023–24, however over the forward estimate a \$112.8 billion total budget deficit is forecast for the period 2023-24 to 2027-28.<sup>2</sup>

The information contained within this publication has been taken directly from Budget Paper No. 1 and Budget Paper No. 2 released by the Government.

## ECONOMIC PARAMETERS

	Outcome		Forecasts			
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
<b>Real GDP</b>	3.1	1 ¾	2	2 ¼	2 ½	2 ¾
<b>Employment</b>	3.5	2 ¼	¾	1 ¼	1 ¾	1 ¾
<b>Unemployment rate</b>	3.6	4	4 ½	4 ½	4 ½	4 ¼
<b>Consumer price index</b>	6.0	3 ½	2 ¾	2 ¾	2 ½	2 ½
<b>Wage price index</b>	3.7	4	3 ¼	3 ¼	3 ½	3 ½
<b>Nominal GDP</b>	9.9	4 ¾	2 ¾	4	5 ¼	5 ¼

(a) Real GDP and Nominal GDP are percentage change on preceding year. Employment, the consumer price index 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.

## According to the Government:

- Real GDP is forecast to grow by 1¾ per cent in 2023–24, by 2 per cent in 2024–25, 2¼ per cent in 2025–26 and 2½ per cent in 2026–27.
- Inflation remains elevated. The Energy Bill Relief and Commonwealth Rent Assistance are expected to directly reduce inflation by ½ of a percentage point in 2024–25 and not expected to add to broader inflationary pressures.
- The unemployment rate is historically low, the participation rate is near its record high and employment is growing.
- As labour market conditions continue to ease over 2024–25, the unemployment rate is expected to rise slightly but remain below pre-pandemic levels.
- Real wages are expected to grow by ½ per cent through-the-year to the June quarter 2024.
- Pipeline of business investment, with annual investment growth expected to continue through to 2025–26.

## BUDGET AGGREGATES

	Actual		eEstimates		Estimates		Projections	Projections
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total(a)	2034-35
	\$b	\$b	\$b	\$b	\$b	\$b	\$b	
<b>Underlying cash balance</b>	<b>22.1</b>	<b>9.3</b>	<b>-28.3</b>	<b>-42.8</b>	<b>-26.7</b>	<b>-24.3</b>	<b>-112.8</b>	
Per cent of GD	0.9	0.3	-1.0	-1.5	-0.9	-0.8		-0.1
<b>Gross debt(b)</b>	<b>889.8</b>	<b>904.0</b>	<b>1,007.0</b>	<b>1,064.0</b>	<b>1,112.0</b>	<b>1,112.0</b>		
Per cent of GDP	34.7	33.7	33.9	35.1	35.2	34.9		30.1
<b>Net debt(c)</b>	<b>491.0</b>	<b>499.9</b>	<b>552.5</b>	<b>615.5</b>	<b>660.0</b>	<b>697.5</b>		
Per cent of GDP	19.2	18.6	20.0	21.5	21.8	21.9		18.7

- A surplus of \$9.3 billion (0.3 per cent of GDP) is forecast for 2023–24.
- A deficit of \$28.3 billion (1.0 per cent of GDP) is forecast in 2024–25.
- A deficit of \$42.8 billion (1.5 per cent of GDP) is forecast in 2025–26.
- A deficit of \$26.7 billion (0.9 per cent of GDP) is forecast in 2026–27
- A deficit of \$24.3 billion (0.8 per cent of GDP) is forecast in 2027–28.

## NET 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.

Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
<b>Liabilities included in net debt</b>					
Deposits held	415	415	415	415	415
Government securities(a)	847,774	885,886	962,711	1,026,120	1,080,171
Loans	31,772	32,360	33,379	33,786	33,779
Lease liabilities	19,302	18,649	17,484	16,508	16,115
<b>Total liabilities included in net debt</b>	<b>899,263</b>	<b>937,310</b>	<b>1,013,988</b>	<b>1,076,829</b>	<b>1,130,480</b>
<b>Assets included in net debt</b>					
Cash and deposits	89,311	61,997	57,532	54,634	49,732
Advances paid	67,539	73,193	83,592	94,634	105,091
Investments, loans and placements	242,528	249,588	257,386	267,513	278,151
<b>Total assets included in net debt</b>	<b>399,378</b>	<b>384,778</b>	<b>398,510</b>	<b>416,781</b>	<b>432,974</b>
<b>Net Debt</b>	<b>499,886</b>	<b>552,532</b>	<b>615,478</b>	<b>660,048</b>	<b>697,505</b>

(a) Government securities are presented at market value.

## 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.

Total superannuation liabilities are projected to be \$294.7 billion at 30 June 2024, \$332.7 billion at 30 June 2028 and approximately \$506.2 billion at 30 June 2060.

These liabilities represent the present value of future unfunded superannuation benefits relating to past and present employees 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. 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 determined that a discount rate of 5.0 per cent should be applied.

The Australian Government has never fully funded its defined benefit scheme superannuation liabilities. 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, Australian Defence Force (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 Government's unfunded superannuation liabilities are expected to grow as current members continue to accrue benefits prior to retirement.

Consistent with the 2020 Long-Term Cost Reports, the unfunded liability for public service defined benefit schemes is projected to peak in the mid 2030's, whilst the unfunded liability for military defined benefit schemes is projected to continue to increase over time to 2060.

The present value of the superannuation liability is also sensitive to changes in the discount rate. As the

Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Civilian superannuation schemes					
Commonwealth superannuation schemes	62,612	61,099	59,489	57,787	55,999
Public Sector Superannuation Scheme	96,691	102,271	108,537	113,238	117,994
Parliamentary Contributory Superannuation Scheme	819	812	801	790	777
Governors--General Scheme	14	23	23	22	22
Judges' Pensions Scheme	1,244	1,286	1,329	1,374	1,421
Division 2 Judges of the Federal Circuit and Family Court of Australia Death and Disability Scheme	1	2	2	3	4
<b>Total civilian schemes</b>	<b>161,380</b>	<b>165,492</b>	<b>170,181</b>	<b>173,214</b>	<b>176,218</b>
Military superannuation schemes					
Military Superannuation and Benefits Scheme	96,437	100,934	105,251	109,403	113,379
Defence Force Retirement and Death Benefits Scheme	31,392	31,021	30,593	30,112	29,591
Defence Forces Retirement Benefits Scheme	229	212	196	181	167
Australian Defence Force Cover	4,982	6,483	8,340	10,576	13,194
<b>Total military schemes</b>	<b>133,040</b>	<b>138,650</b>	<b>144,380</b>	<b>150,272</b>	<b>156,330</b>
Other schemes	234	242	253	255	191
<b>Total</b>	<b>294,654</b>	<b>304,384</b>	<b>314,814</b>	<b>323,741</b>	<b>332,739</b>

## LIABILITIES

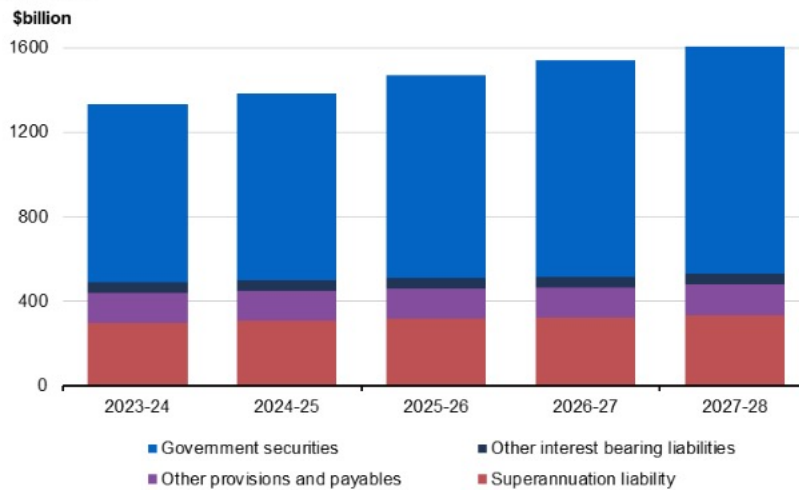
The Government's total liabilities were \$1.3 trillion at 30 June 2023, and are expected to increase to around \$1.6 trillion by 30 June 2028.<sup>2</sup>

The composition of Australian Government GGS liabilities at 30 June 2024 is presented below in Chart 10B.4.<sup>2</sup>

**Chart 10B.4: Australian government liabilities composition**



**Chart 10B.5: Composition of Australian Government liabilities over the forward estimates**



Note: Other interest bearing liabilities includes deposits held, loans and lease liabilities. Other provisions and payables includes other employee liabilities, suppliers payable, personal benefits payable, subsidies payable, grants payable, other payables and provisions.

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.

## **SPECIFIC RISKS TO THE BUDGET**

The Budget is subject to contingent liabilities. Many 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 guarantees, including 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.

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.

## **SUPERANNUATION ON GOVERNMENT-FUNDED PAID PARENTAL LEAVE**

For parents of babies born or adopted on or after 1 July 2025, the Government will provide \$1.1 billion to make superannuation guarantee (SG) equivalent payments on their Government-funded Paid Parental Leave (PPL).

Payments will benefit around 180,000 families each year.

## **WORKPLACE RELATIONS**

The Government will provide \$111.8 million over four years from 2024–25 (and \$12.4 million per year ongoing) to support the progression of the Government's workplace relations agenda.

Funding includes:

- \$60.0 million over four years from 2024–25 to increase the Productivity, Education and Training Fund to support practical activities by employer and worker representatives to boost workplace productivity and engage in tripartite cooperation. This will also support workplaces to implement policy changes such as the introduction of payday superannuation

The Government will also recalibrate the Fair Entitlements Guarantee Recovery Program to pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024.

## **TAX COMPLIANCE – AUSTRALIAN TAXATION OFFICE COUNTER FRAUD STRATEGY**

The Government will provide \$187.0 million over four years from 1 July 2024 to the ATO to strengthen its ability to detect, prevent and mitigate fraud against the tax and superannuation systems.

Funding includes:

- \$78.7 million for upgrades to information and communications technologies to enable the ATO to identify and block suspicious activity in real time.
- \$83.5 million for a new compliance taskforce to recover lost revenue and intervene when attempts to obtain fraudulent refunds are made.
- \$24.8 million to improve the ATO's management and governance of its counter-fraud activities, including improving how the ATO assists individuals harmed by fraud.

## FINANCE PORTFOLIO – ADDITIONAL RESOURCING

The Government will provide \$32.5 million over four years from 2024–25 (and \$1.4 million per year ongoing) to support the delivery of Government priorities in the Finance portfolio.

Funding includes:

- \$9.2 million over four years from 2024–25 (and \$1.1 million per year ongoing) to the Commonwealth Superannuation Corporation and the Department of Finance to implement the 2023–24 Budget measure Better Targeted Superannuation Concessions for members of the Commonwealth defined benefit superannuation schemes.

## TREASURY PORTFOLIO – ADDITIONAL RESOURCING

The Government will provide \$136.9 million over five years from 2023–24 (and \$20.2 million per year ongoing) to support the delivery of Government priorities in the Treasury portfolio.

Funding includes:

- \$2.7 million over four years from 2024–25 (and \$0.7 million per year ongoing) to support the SuperStream Gateway Network Governance Body, an industry-owned not for profit organisation, to manage the integrity of the Superannuation Transaction Network, which allows Gateway Members to transmit contribution data between employers and superannuation funds, with funding provided through the Australian Taxation Office.

## 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.

Got questions about economic impacts on your super?

Give us a call on **1800 111 299** or email [super@axisfg.com.au](mailto:super@axisfg.com.au)

## REFERENCES

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- 2 [https://budget.gov.au/content/bp1/download/bp1\\_2024-25.pdf](https://budget.gov.au/content/bp1/download/bp1_2024-25.pdf)
- 3 [https://budget.gov.au/content/bp2/download/bp2\\_2024-25.pdf](https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf)

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