ALGA
Australian Local Government Association

Budget Fact Sheet 1

Fact Sheet 1 – Overview of the 2025-26 Federal Budget

The Budget papers report that the Government's fiscal strategy seeks to combat inflation, deliver responsible cost of living relief and build a stronger economy and stronger budget.

Since the 2022 Pre-Election Economic and Fiscal Outlook, the Government has:

- improved the underlying cash balance by a cumulative $207 billion over the seven years to 2028-29
- lowered the projected peak in gross debt as a share of GDP by 7.9 percentage points from 44.9 per cent of GDP to 37.0 per cent of GDP
- avoided around $60 billion in interest costs in the 11 years to 2032-22
- achieved $94.1 billion in savings and reprioritisations
- returned 69 per cent of tax receipts to the budget over the seven years to 2028-29.

Table 1. Major Economic Parameters

	Outcome	***Forecasts****				
	2023-24	***2024-25***	***2025-26***	***2026-27***	***2027-28***	***2028-29***
Real GDP	*1.4*	*1 1/2*	*2 1/4*	*2 1/2*	*2 3/4*	*2 3/4*
Employment	*2.2*	*2 3/4*	*1*	*1 1/4*	*1 1/4*	*1 1/2*
Unemployment rate	*4.0*	*4 1/4*	*4 1/4*	*4 1/4*	*4 1/4*	*4 1/4*
Consumer price index	*3.8*	*2 1/2*	*3*	*2 1/2*	*2 1/2*	*2 1/2*
Wage price index	*4.1*	*3*	*3 1/4*	*3 1/4*	*3 1/2*	*3 3/4*
Nominal GDP	*4.1*	*4 1/4*	*3 1/4*	*4*	*5 1/4*	*5 1/2*

**As per Table 1.1 in Budget Paper 1*

Table 2. Budget Aggregates

	Actual	Estimates						Projections
	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**Total(a)**	**2035-36**
	$b	**$b**	**$b**	**$b**	**$b**	**$b**	**$b**	
Underlying cash balance	15.8	-27.6	-42.1	-35.7	-37.2	-36.9	-179.5	
Per cent of GDP	0.6	-1.0	-1.5	-1.2	-1.2	-1.1		0.0
Gross debt	906.9	940.0	1,022.0	1,092.0	1,161.0	1,223.0		
Per cent of GDP	33.9	33.7	35.5	36.5	36.9	36.8		31.9
Net debt	491.5	556.0	620.3	676.3	714.1	768.2		
Per cent of GDP	18.4	19.9	21.5	22.6	22.7	23.1		20.2

Inflation has moderated substantially, growth picked up at the end of last year, the unemployment rate remains at low levels, real wages are growing again, and interest rates have begun to fall.

The global economic environment is facing considerable uncertainty and growth is expected to remain subdued over the next three years. Around three quarters of Organisation for Economic Co-operation and Development (OECD) nations have recorded a negative quarter of growth over the past 18 months. The escalation of trade tensions has magnified risks to the global outlook, as new trade barriers threaten to disrupt global trade, investment and economic activity and push up prices.

Natural disasters and weather events such as ex-Tropical Cyclone Alfred have had an impact on people and communities across north Queensland, Far North Queensland, southeast Queensland and northern New South Wales, which has curtailed economic activity, harmed industries, and damaged homes and infrastructure. The direct loss of economic activity from ex-Tropical Cyclone Alfred could temporarily lower quarterly growth by up to ¼ of a percentage point. This reflects disruptions to activity in the agricultural, construction, retail, transport and tourism industries. Subsequent reconstruction efforts are expected to add to real GDP growth in following quarters, although the magnitude and timing of the effect on activity is uncertain.

Despite severe weather at home and global uncertainty, the Australian economy has outperformed most other advanced economies. Australia has been able to record a substantial moderation in inflation while maintaining a low unemployment rate and continuous growth, which is a significant achievement given the experience of other advanced economies and previous inflationary episodes. With recent inflation outcomes being better than expected, unemployment and near-term inflation have been revised down.

Inflation has moderated substantially across both headline and underlying measures. Headline inflation was 2.4 per cent over the year to the December quarter 2024, which is less than a third of the peak observed in 2022. Inflation is now expected to be 2½ per cent by the middle of this year, ¼ of a percentage point lower than forecast at MYEFO. Excluding the impact of fuel and energy rebates, inflation is expected to sustainably be in the RBA's target band around the middle of 2025, earlier than the end of the year expected at MYEFO.

Budget Priorities:

As outlined in the Budget papers, the 2025–26 Budget has five key areas of focus:

- Helping with the cost-of-living
  - Delivering new tax cuts for every Australian taxpayer
  - $1.8 billion to extend energy bill relief (to the end of calendar year)
  - Banning most non-compete clauses to boost wages and mobility; and $2.6 billion to increase award wages of aged care nurses
  - $784.6 million to make PBS scripts cost maximum $25; and $1.8 billion for new and affordable medicines
  - Cutting student debt by 20 per cent and making the repayment system fairer
- Strengthening Medicare
  - $7.9 billion to make 9 out of 10 GP visits bulk billed by 2030
  - $1.8 billion funding boost to public hospitals
  - 50 additional Medicare Urgent Care Clinics, bringing the total to 137 nationwide
  - $662.6 million to grow the workforce of doctors and nurses
  - $792.9 million to deliver lower costs, more choice and better healthcare for women
- Making it easier to buy and rent a home
  - Building more homes faster through modern construction methods; and expanding Help to Buy
  - Banning foreign buyers from purchasing existing dwellings for two years
  - Up to $10,000 for eligible apprentices in housing construction occupations
- Investing in every stage of education
  - $5 billion towards building a new universal early childhood education and care system
  - Guaranteed eligibility for at least 3 days a week of subsidised early childhood education and care
  - Putting public schools on a path to full and fair funding
  - Making Free TAFE permanent and reforming Australian universities
- Building a stronger economy
  - A more productive and dynamic economy through new National Competition Policy measures
  - Building a Future Made in Australia, including over $3 billion to support green metals production
  - $2 billion expansion of the Clean Energy Finance Corporation

- Broadening opportunities and increasing equality
    - Driving progress on economic equality for women and over $4 billion to address gender-based violence
    - $842.6 million to support critical services in remote First Nations communities in the Northern Territory
    - $423.8 million to support people with disability