ALGA
Australian Local Government Association

Fact Sheet 1 – Overview of the 2026-27 Budget

General overview and economic outlook:

The 2026-27 Budget seeks to address structural and longstanding challenges, including productivity, intergenerational equity and home ownership. This Budget is delivered in a context of substantial economic and energy disruptions, global increases in inflation, lower global growth, and increased uncertainty and volatility.

Budget Paper 1 describes the significant impact of the extreme global volatility from the war in the Middle East (and resulting impacts on oil supply, prices and inflation). Global growth is forecast to be 3 per cent in 2026, following growth of 3.5 per cent in 2025.

It also sets out that Australia confronts these challenges from a position of relative strength. Of note, inflation is forecast to be 5 per cent through the year to the June quarter 2026, mainly due to oil prices. Higher prices are expected to weigh on activity, with economic growth in Australia expected to slow from 2 ¼ per cent in 2025-26 to 1 ¾ per cent in 2026-27. Australia's public finances are set to remain amongst the strongest in the developed world, with gross debt lower than every major advanced economy. Growth is expected to recover in 2027-28 to 2 ¼ per cent, driven by a recovery in real household incomes.

The 2026-27 Budget states:

- The Budget is $44.9 billion stronger over the forward estimates than the mid-year update and more than a quarter of a trillion dollars better than over the eight years to 2029-30 than the earlier estimate.
- Gross debt peaks 1.2 percentage points lower than the mid-year update and is $173 billion lower in 2026-27 than the estimate at the 2022 Pre-Election Fiscal Outlook.
- The Government is saving more than it is spending in the Budget, with net decisions positive for the second consecutive update.

Table 1. Major Economic Parameters

	Outcome	**Forecasts**				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Real GDP	1.3	2 ¼	1 ¾	2 ¼	2 ½	2 ½
Employment	2.1	1 ½	1 ½	1 ¾	1 ¾	1 ¾
Unemployment rate	4.2	4 ¼	4 ½	4 ½	4 ½	4 ¼
Consumer price index	2.1	5	2 ½	2 ½	2 ½	2 ½
Wage price index	3.4	3 ¼	3 ½	3 ½	3 ½	3 ¾
Nominal GDP	3.6	6 ¾	4 ¼	2 ¾	4 ¾	5 ¼

Table 2. Budget Aggregates

	Actual	Estimates						Projections
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total(a)	2036-37
	$b	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**-10.0**	**-28.3**	**-31.5**	**-31.0**	**-34.4**	**-25.3**	**-150.5**	
Per cent of GDP	-0.4	-1.0	-1.0	-1.0	-1.0	-0.7		0.8
Gross debt	**928.6**	**928.0**	**1051.0**	**1120.0**	**1193.0**	**1249.0**		
Per cent of GDP	33.4	33.1	34.0	35.2	35.8	35.6		27.2
Net debt	**532.3**	**556.0**	**616.6**	**668.8**	**725.5**	**767.8**		
Per cent of GDP	19.2	18.8	19.9	21.0	21.8	21.9		15.1

Budget Priorities:

The 2026-27 Budget has 5 key focuses:

- **Responding to the global oil shock**: by introducing a $14.8 billion Strengthening Australia's Fuel Resilience package to enable Australians to respond to market disruptions and invest in future resilience. This includes:
  - $7.5 billion Fuel and Fertiliser Security Facility to secure more fuel from international partners
  - $3.2 billion Australian Fuel Security Reserve to build long-term fuel resilience
  - $1 billion in interest-free loans to help manufacturing and logistics businesses
  - Reserving 20 per cent of gas exports for Australians.
- **Taking pressure off Australians**: including:
  - $2 billion for local housing infrastructure to support up to 65,000 new homes
  - $2.9 billion to more than halve the fuel excise and reduce the heavy vehicle road user charge to zero for three months
  - $5.9 billion to cut the cost of life-saving medicines
  - $250 Working Australians Tax Offset and a $1,000 instant tax deduction on top of three legislated rounds of tax cuts.
- **Making the economy more productive:** by
  - Cutting regulatory burden by $10.2 billion per year
  - Faster environmental and low-risk foreign investment approvals to accelerate new projects
  - Building a Single National Market, increasing long-run annual GDP by around $13 billion

- Investing $1.5 billion in research and scientific institutions.

- **Delivering tax reforms for workers, businesses and future generations:**
    - Cutting taxes for more than 13 million Australian workers
    - Helping more Australians achieve home ownership through reforms to support an additional 75,000 homeowners
    - Over $3.5 billion in new measures that lower taxes for businesses and start-ups, including loss refundability and a permanent $20,000 instant asset write-off
    - A simpler and more sustainable tax system, with combined annual compliance savings of over $500 million for workers and businesses
- **Responsible savings:** including by returning the NDIS to its original intent, further reducing public service spending on external labour and in-wage expenses, aligning private health insurance rebate entitlements across age groups, and returning uncommitted funding across discretionary programs.