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**Impact of policy decisions
and parameter variations
on Australian Government
revenue and spending estimates**
As at 2015–16 Mid-Year Economic and Fiscal Outlook
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Impact of policy decisions and parameter variations on Australian Government revenue and spending estimates

Over the past decade or so, and over the current forward estimates period, changes in the Australian Government’s revenue estimates have been driven mainly by external factors, including changes in economic variables outside the government’s control. In sharp contrast, changes in the Australian Government’s expense estimates have been dominated by policy decisions of government.

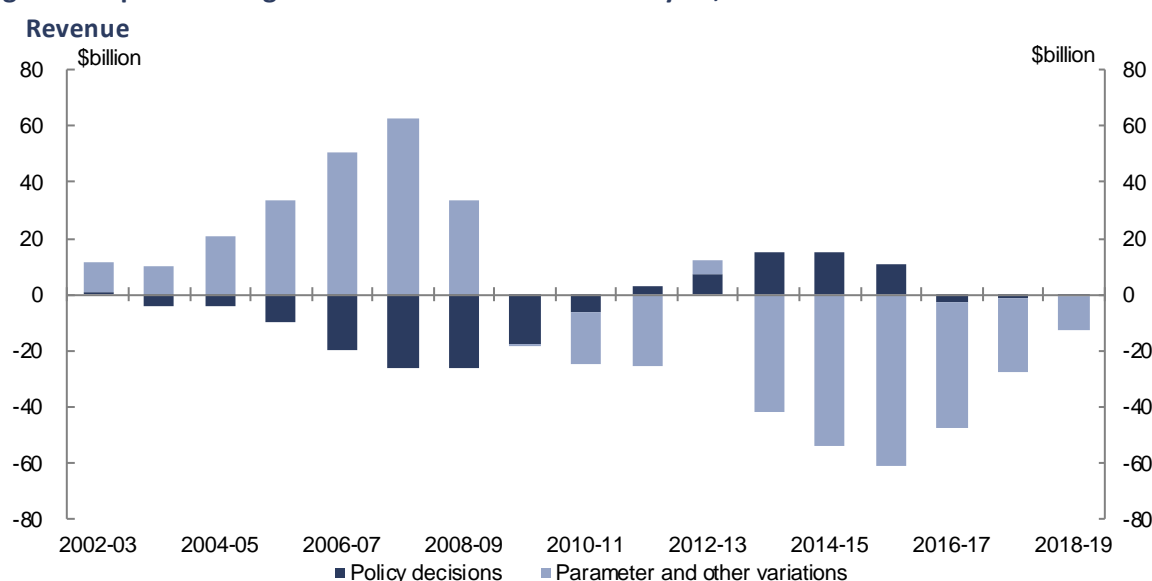
Revenue estimates

Over the period 2002–03 to 2018–19, revenue estimates were reduced by a net \$124 billion (Figure 1).

Policy decisions accounted for \$67 billion of this net decline in revenue estimates, while external factors (parameter and other variations) accounted for the remaining \$57 billion. In absolute terms though, parameter and other variations over the period accounted for 75 per cent of the \$682 billion in changes (up and down) to the revenue estimates.

In the period prior to the global financial crisis, revenue estimates were revised upwards reflecting the unanticipated revenue from Australia’s commodity price boom. Subsequently, the downward revisions to revenue estimates reflected a faster than expected decline in Australia’s commodity prices.

Figure 1: Impact of changes to revenue estimates for each year, 2002–03 to 2018–19¹



Source: Commonwealth budget papers and PBO analysis.

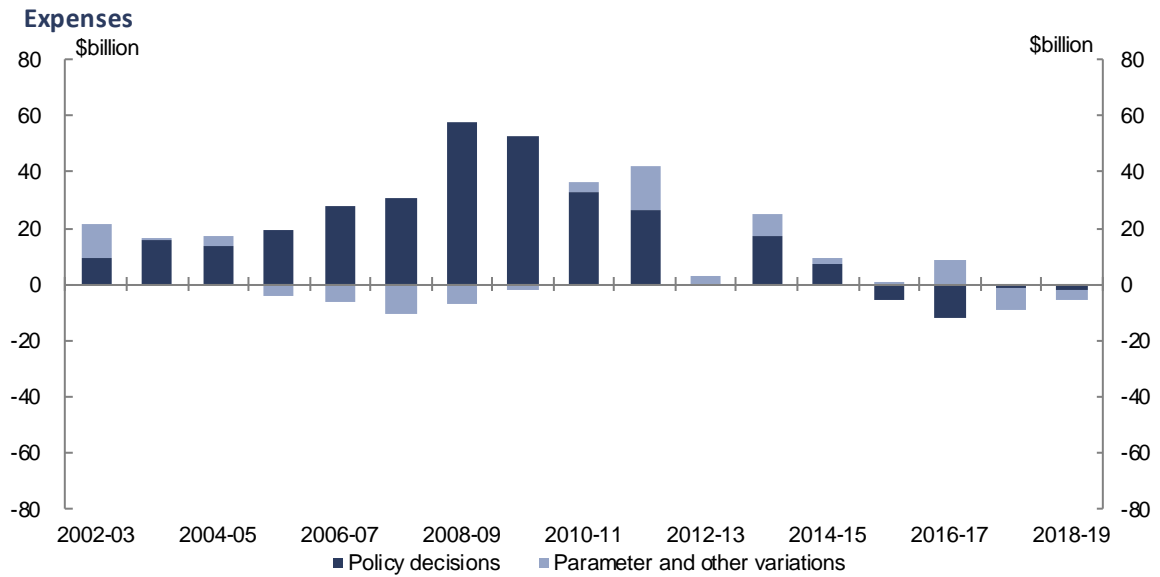
¹ From the 2008–09 Budget onwards, the budget papers recognised the GST as an Australian Government tax. To allow for comparability, this chart includes adjustments to remove the impact of variations to the GST and the related payments to the States from the estimates.

Spending estimates

Over the period 2002–03 to 2018–19, expense and net capital investment estimates were increased by a net \$303 billion (Figure 2).

Policy decisions accounted for \$290 billion or 96 per cent of this net increase in spending estimates, with parameter and other variations accounting for the remaining 4 per cent.

Figure 2: Impact of changes to expense and net capital investment estimates for each year, 2002–03 to 2018–19



Source: Commonwealth budget papers and PBO analysis.

The current budget and forward estimates (2015–16 to 2018–19) include a number of measures that are yet to be passed by the Parliament. These unlegislated measures relating to spending totalled \$8 billion across the forward estimates period as at the 2015 Mid-Year Economic and Fiscal Outlook report (PBO budget analysis *Unlegislated measures carried forward in the budget estimates—February 2016 update* refers).

The data contained in this budget analysis is available on the PBO website.

www.pbo.gov.au