Parliament of Australia
Parliamentary Budget Office

2019-20 Budget Chart Pack

A graphical summary of the 2019-20 Budget relative to the 2018-19 MYEFO

Foreword

These charts provide a visual summary of the key drivers of the changes between the 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2019-20 Budget at an aggregate level and by major area of revenue and spending.

Each chart contains four elements for a given area of revenue or spending:[1]

- the historical data
- the estimates from the 2019-20 Budget
- the estimates from the 2018-19 MYEFO
- a decomposition of the change between MYEFO and the latest Budget between policy changes and parameter variations.
  - Policy changes comprise the revisions due to discretionary interventions by the government announced at the 2019-20 Budget. Policy changes announced in previous updates are included in the estimates (the lines in the charts) but not shown as variations (the bars).
  - The latter category, called 'parameter and other variations' in the Budget papers, incorporates changes for any other reason, including revised economic conditions, revisions to a program's estimated recipient numbers, re-profiling of expenditure and other revisions.[2]

As with the PBO's *2019-20 Budget Snapshot*, this chart pack aims to present key budget information in an accessible form with the goal of improving public understanding of budget issues.

This chart pack is usually published just after the release of the budget, but this edition has been delayed due to the preparation of publications related to the 2019 federal election.

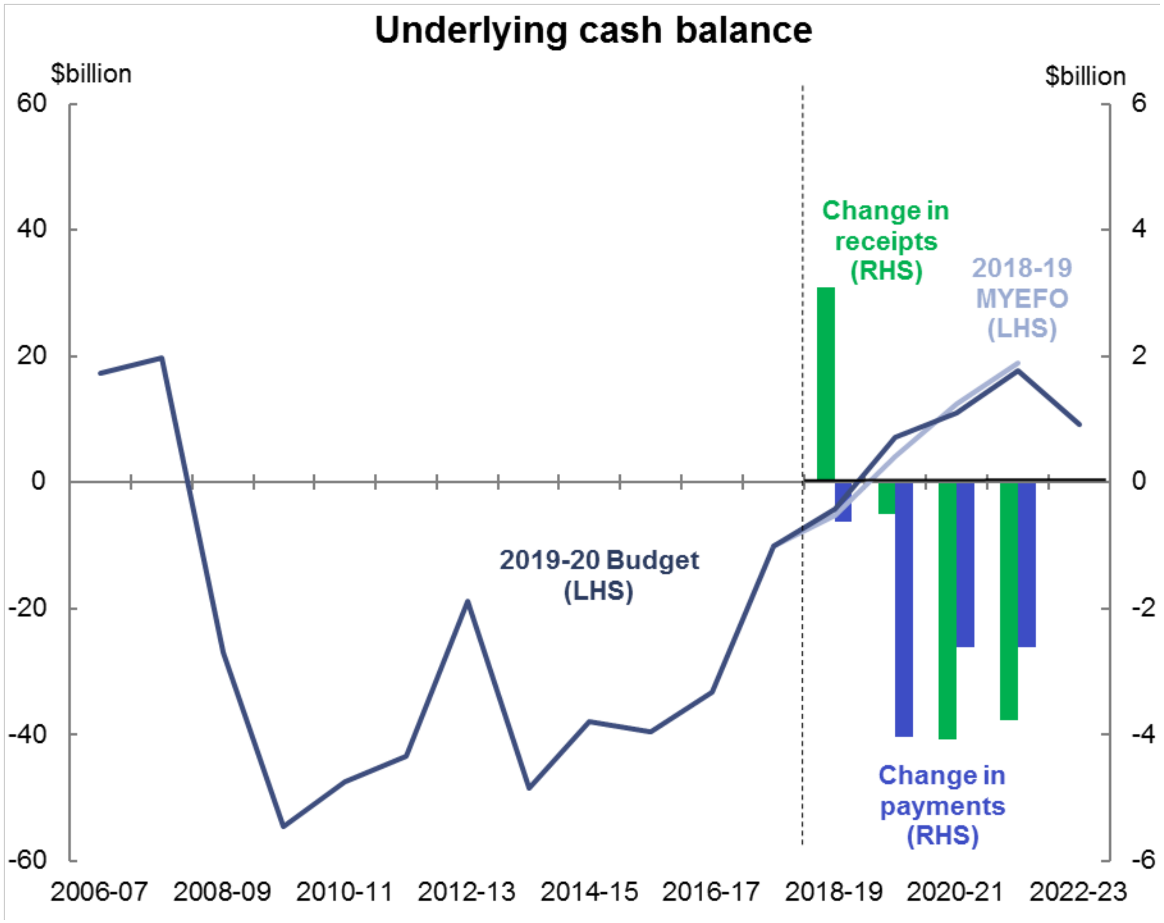
[1]The underlying cash balance, total receipts and total payments have been presented on a cash basis. All other charts are presented on an accrual basis.
[2]Parameter and other variations are only shown to 2021–22 as this is the latest year for which estimates were provided in the 2018-19 MYEFO.

The underlying cash balance improved slightly between the 2018-19 MYEFO and 2019-20 Budget

The underlying cash balance improved by $1.3 billion for the four years to 2021–22, with small improvements in 2018-19 and 2019-20, and small downgrades in the two later years.[1]

Revisions to both receipts and payments largely offset one another over the forward estimates.

A decrease in receipts worsens the underlying cash balance, while a decrease in payments improves the underlying cash balance.

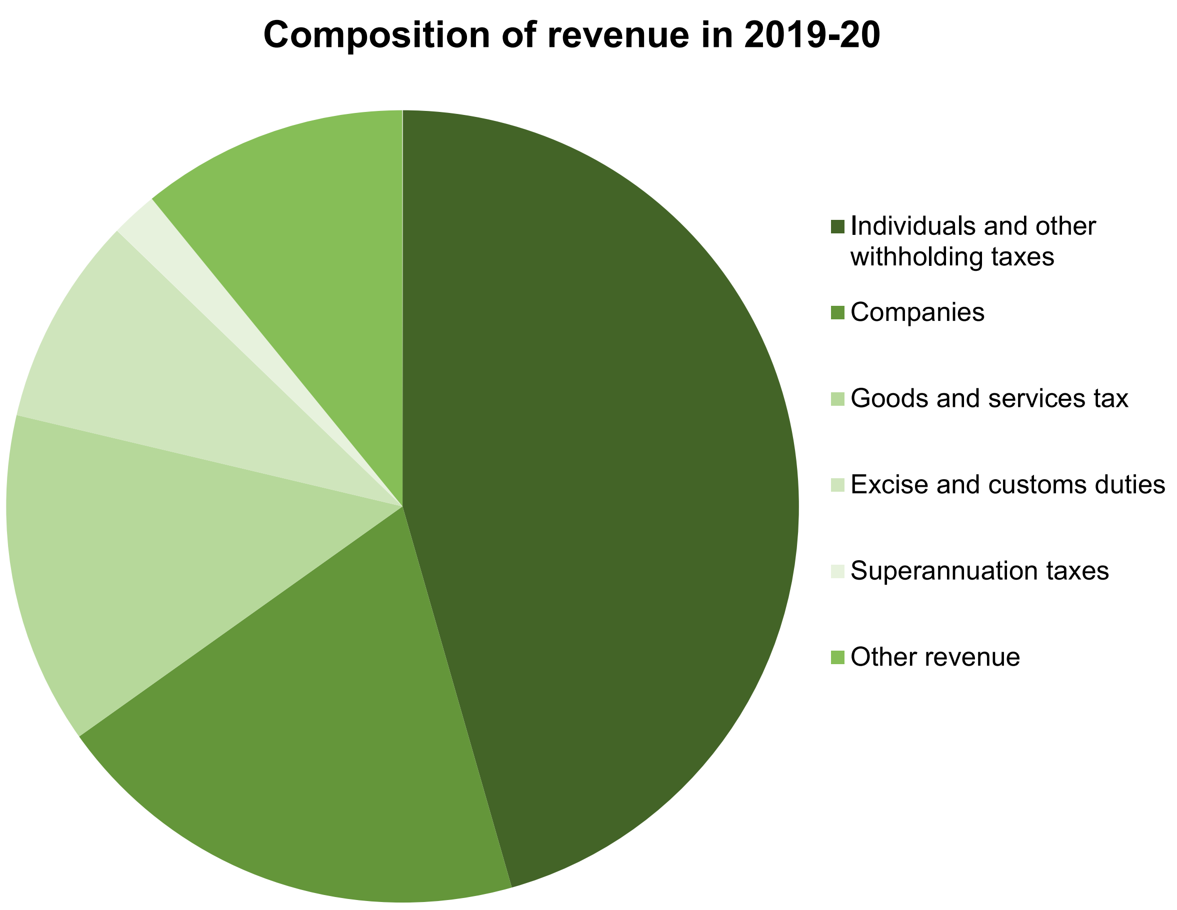


[1] Changes in net Future Fund earnings are included in the change in receipts figures in this chart. Up to and including 2019–20 the underlying cash balance excludes Net Future Fund earnings , which are only included in the underlying cash balance after they become available to meet the Australian Government's superannuation liability in 2020-21. Net Future Fund earnings were revised up by $3.2 billion over the two years to 2019–20.

Personal income tax remains the largest source of government revenue

Consistent with the historical composition of revenue, personal income tax (Individuals and other withholding taxes) is expected to account for the majority of revenue in 2019-20, representing 46 per cent of the total.

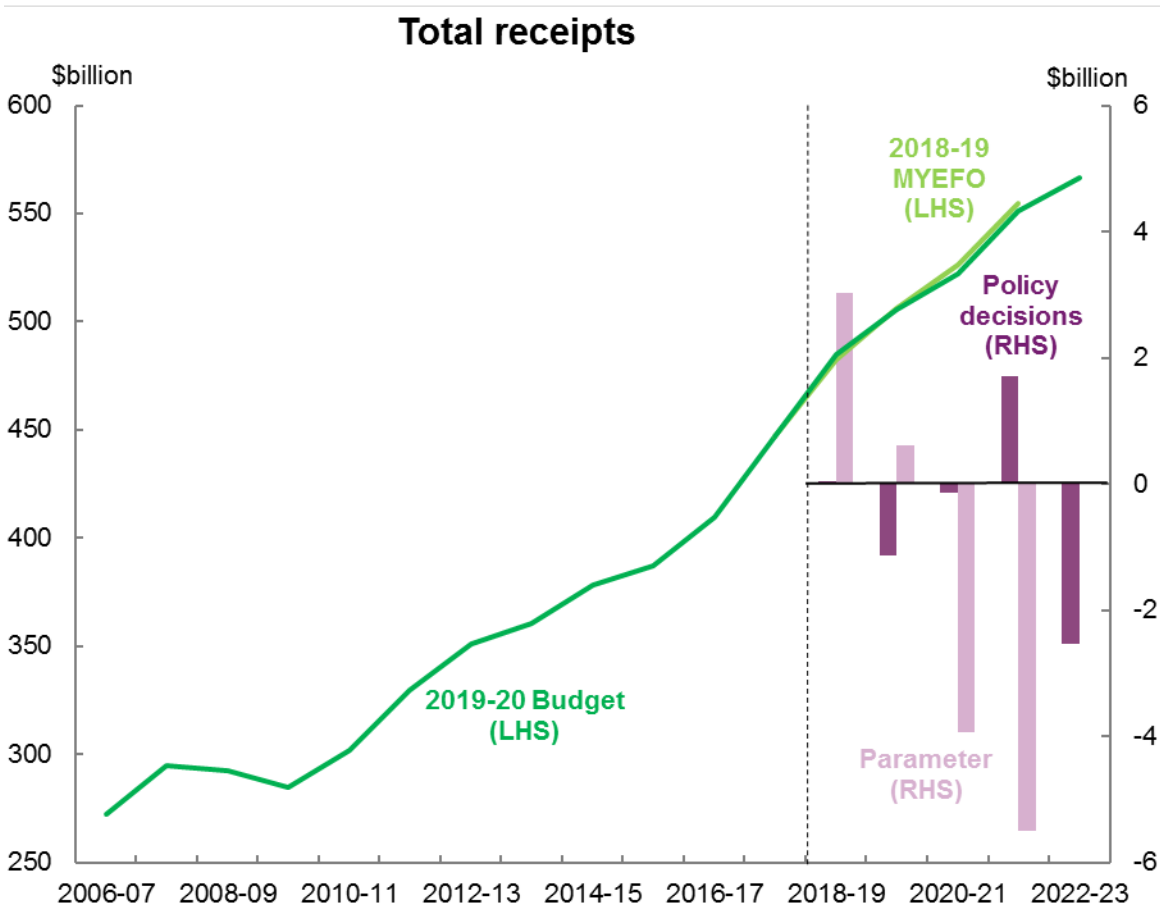
The next largest contributors are Company tax (20%) and the Goods and services tax (14%).



Downward revisions to receipts were driven by weaker economic forecasts

Relative to the 2018-19 MYEFO, parameter variations are expected to decrease receipts by $5.8 billion over the four years to 2021-22, with stronger than expected tax collections in 2018-19 being more than offset by downgrades to the economic forecasts in the later years.

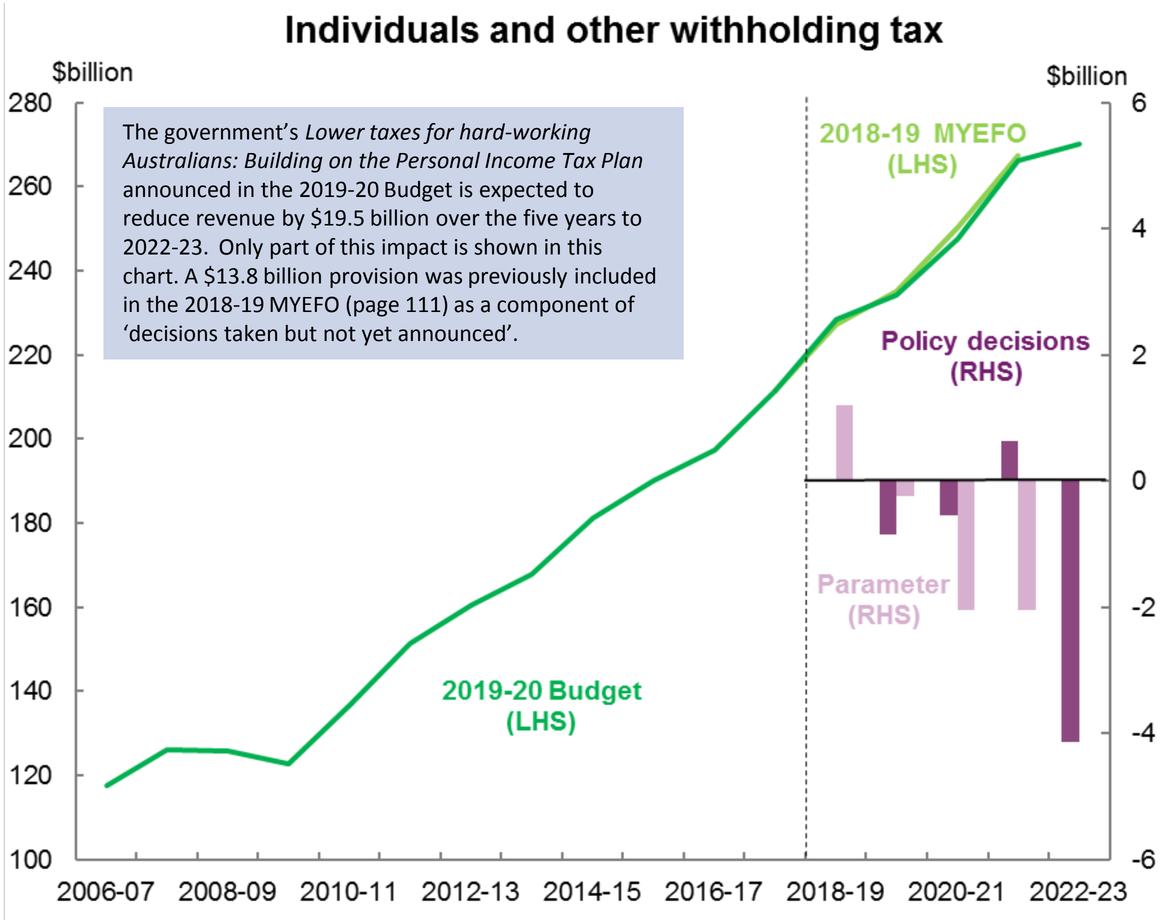
New policy decisions are expected to increase total receipts by $0.5 billion over the four years to 2021-22, and reduce receipts by $2.5 billion in 2022-23. The net effect is that new policy decisions decrease receipts by $2.0 billion over the five years to 2022-23.



Personal income tax has been revised downward due to both policy decisions and parameter variations

Parameter variations of $3.1 billion account for the majority of the downward revision in personal income tax over the four years to 2021-22, owing to downgraded forecast wage growth. The small upward revision in 2018-19 can be attributed to higher than expected collections, helped by lower than anticipated deductions.

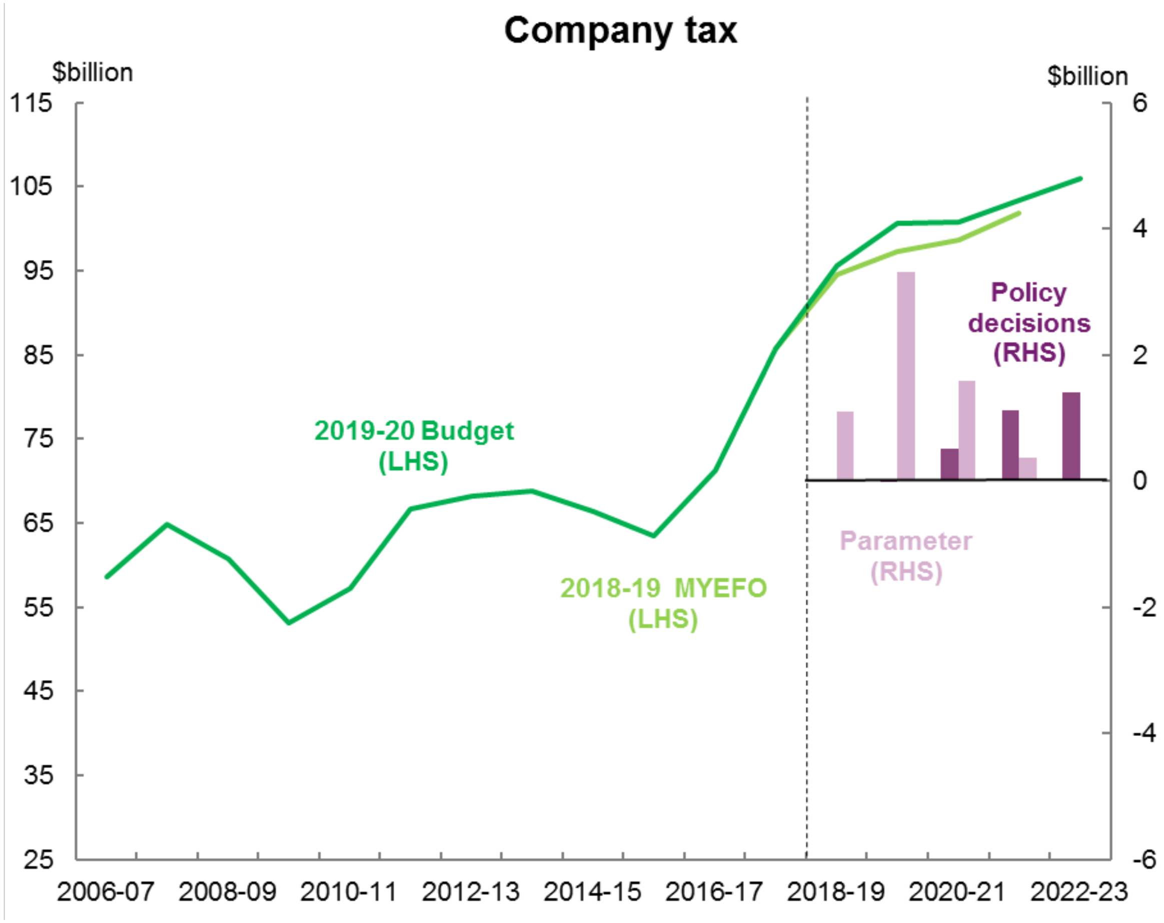
Policy decisions in the form of personal income tax cuts are expected to decrease personal income tax by $4.9 billion over the five years to 2022-23.



Company tax is the only major head of revenue to be revised upward

Parameter variations are expected to increase company tax by $6.4 billion over the four years to 2021-22, owing to higher commodity prices flowing through to increased company profitability.

Policy decisions are expected to increase company tax by $3.0 billion over the five years to 2022-23 following the decision to extend and expand the Australian Tax Office's Tax Avoidance Taskforce.

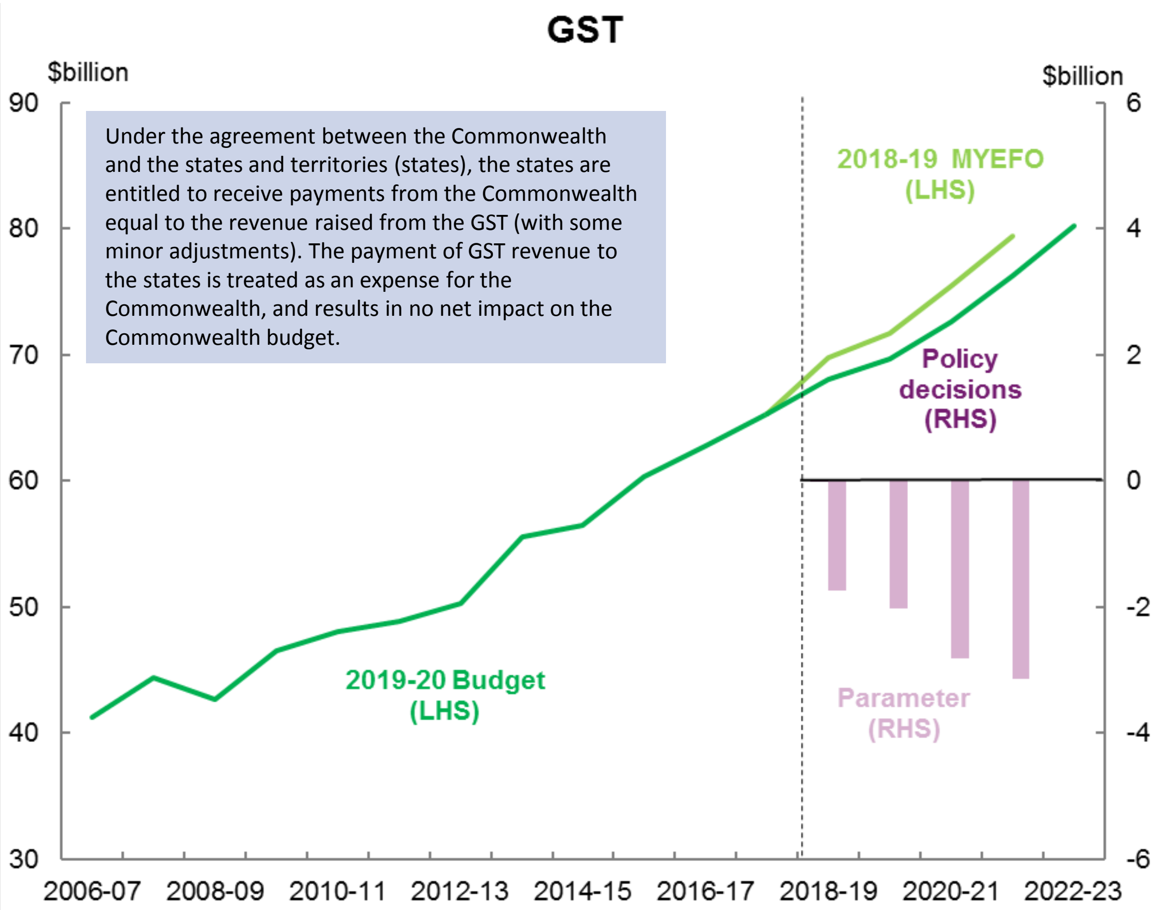


Downward revisions to GST have been largely due to changes to forecast consumption and dwelling investment…

GST has been revised down by $9.7 billion over the four years to 2021-22, due to lower than expected consumption and dwelling investment activity during 2018, forecast to persist over the next four years.

Policy decisions are expected to have a negligible impact on GST over the forward estimates.

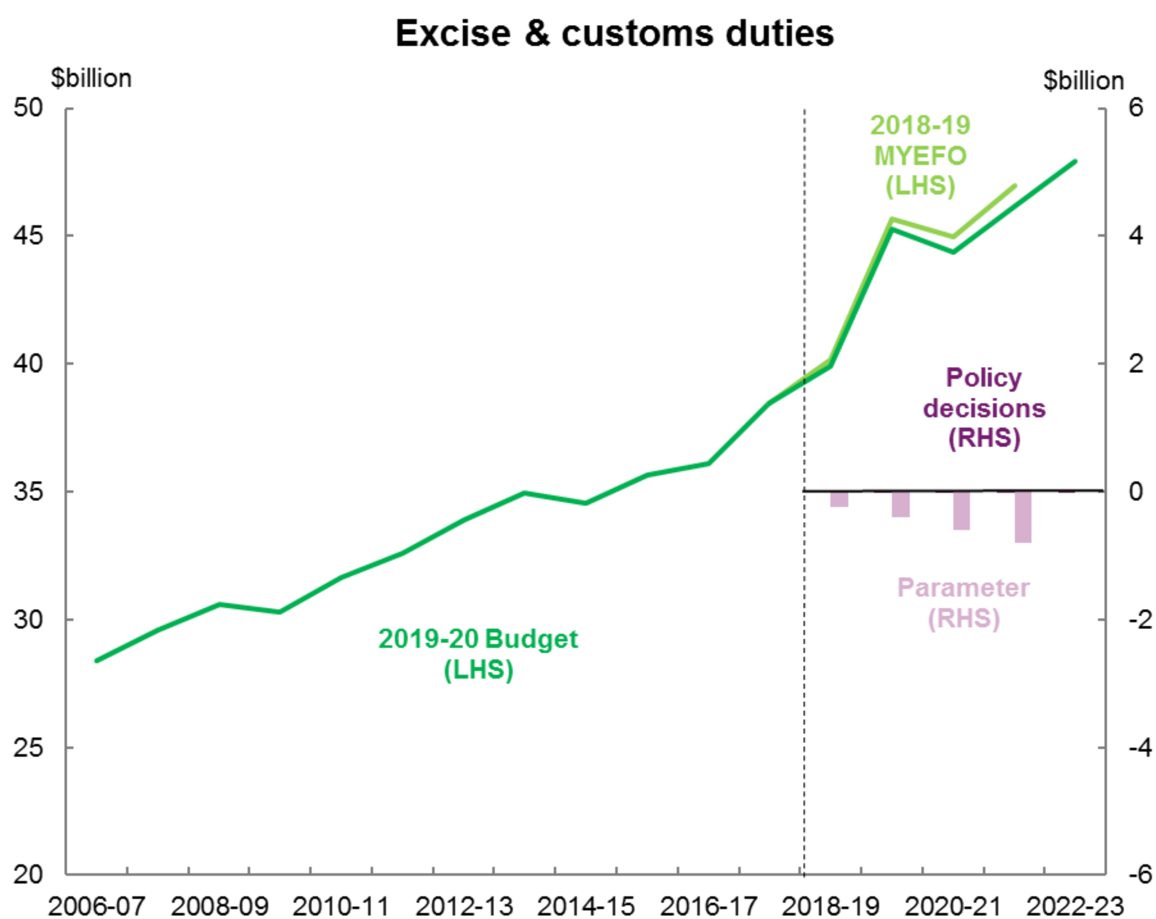
This revision has an equal and offsetting impact on GST payments to states.



…with excise and customs duty also revised downward

Following weaker than expected collections in 2018-19, and revisions to expected household consumption and crude oil excise, parameter variations have decreased forecast excise and customs duty by $2.1 billion over the four years to 2021-22.

Policy decisions are expected to have minimal impact on excise and customs duty over the five years to 2022-23.

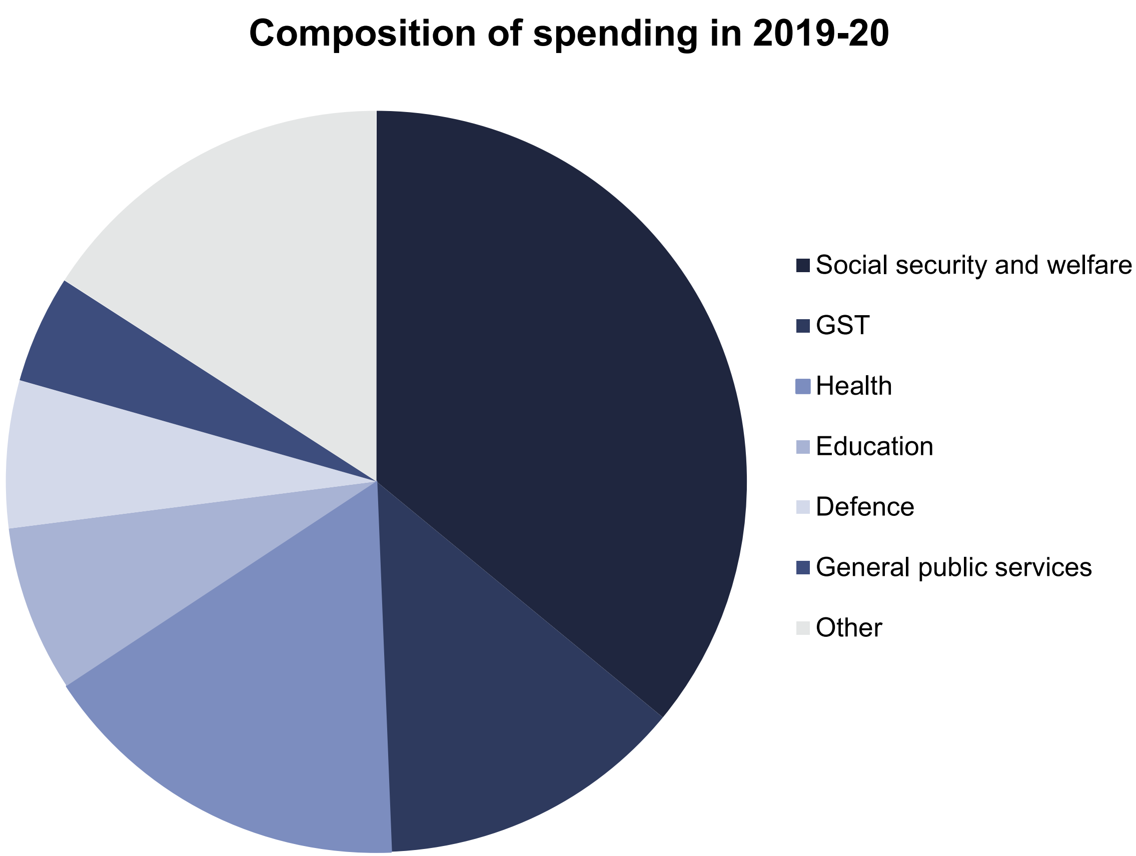


Social security and welfare make up more than one third of all Commonwealth spending

Social security and welfare payments, including assistance to the aged, assistance to people with disabilities and assistance to families with children, account for 36 per cent of all payments.

Health (16%), GST payments to the states (13%), education (7%), defence (6%), and general public services (5%) account for the majority of the remaining share of payments.

These shares are broadly consistent with recent history.

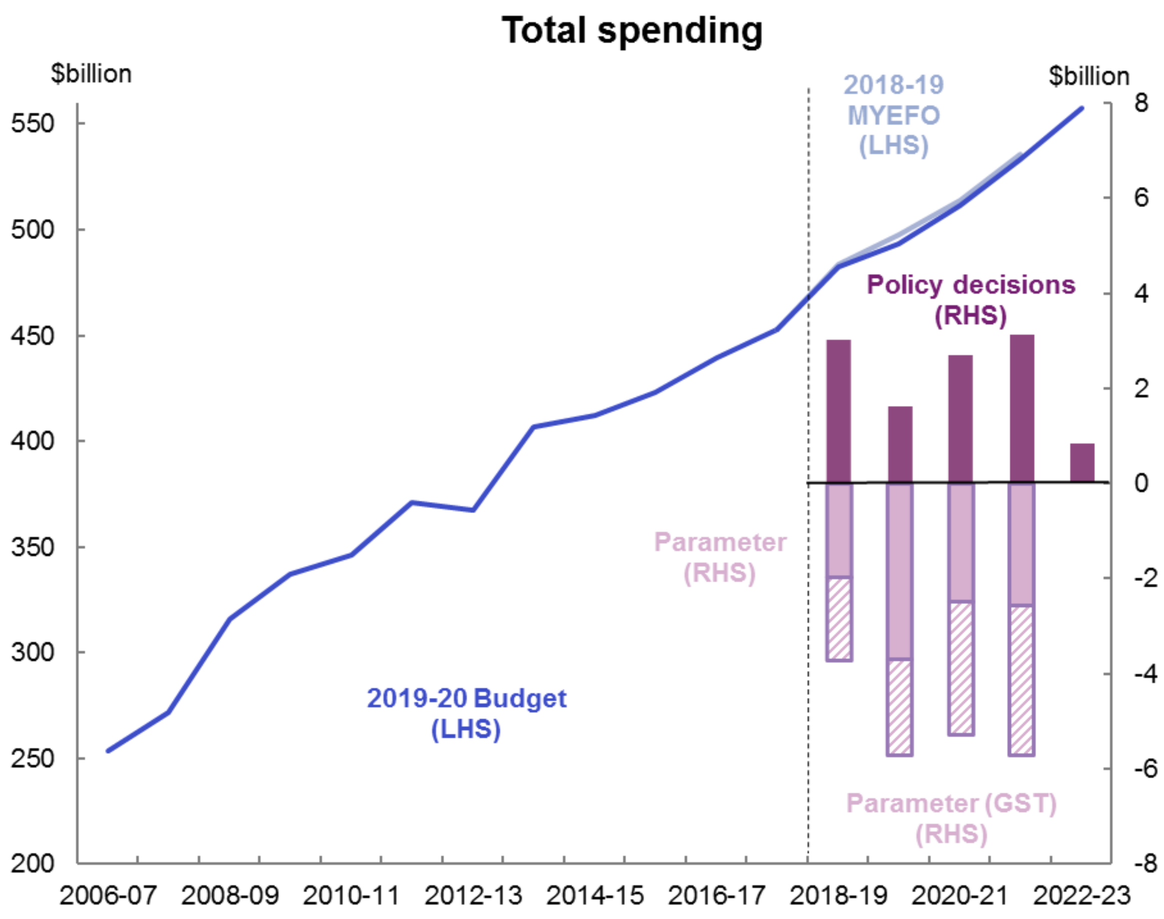


Spending (including GST transfers to the states) has been revised down

Relative to the 2018-19 MYEFO, payments are expected to be $10.0 billion lower over the four years to 2021-22.

Parameter variations have revised total payments down by $20.5 billion over the four years. Downward revisions to GST payments to the states are expected to account for around half of this, with the other major drivers described in the following charts.

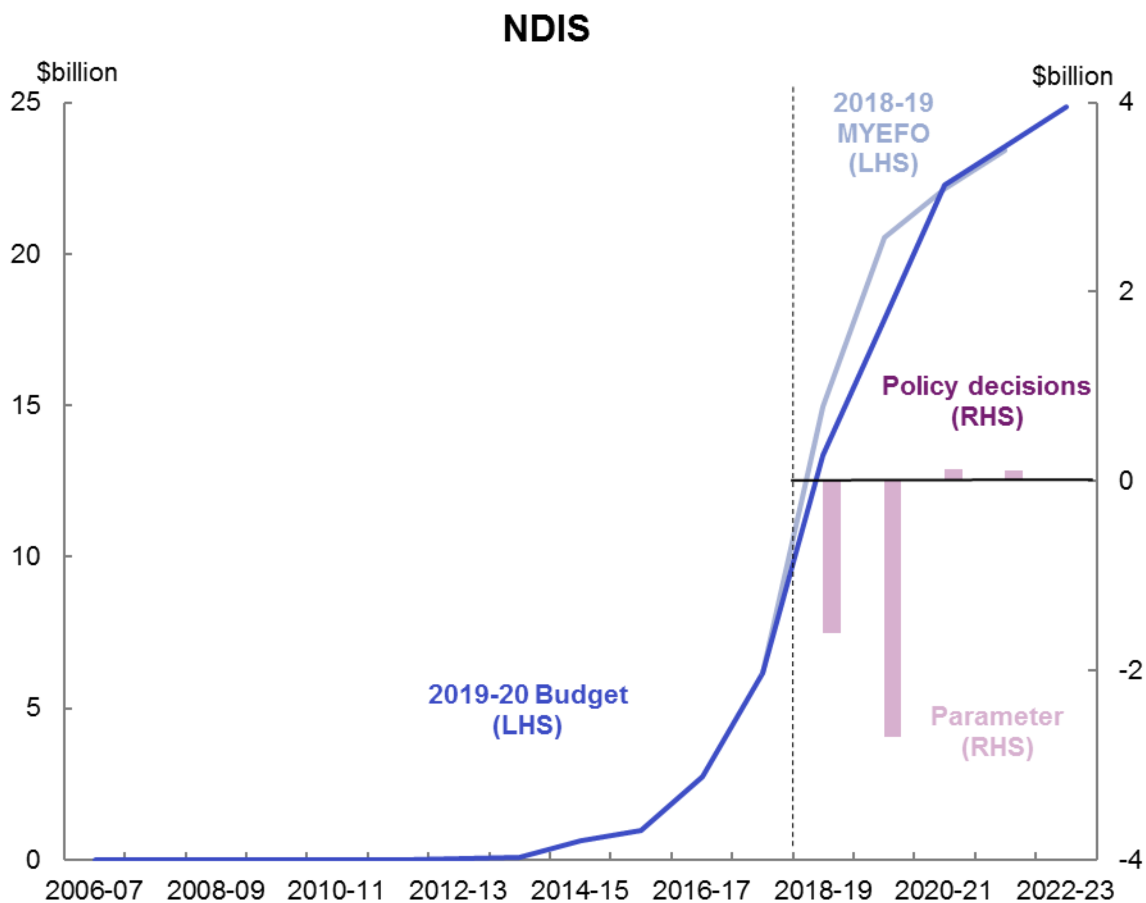
New policy decisions, worth $11.3 billion over the five years to 2022-23, partially offset the parameter variations.



National Disability Insurance Scheme (NDIS) spending was revised down as the program reaches maturity at a slower than expected pace

Relative to the 2018-19 MYEFO, the slower than expected take-up of the NDIS is expected to decrease NDIS spending by $4.1 billion in parameter variations over the four years to 2021-22.

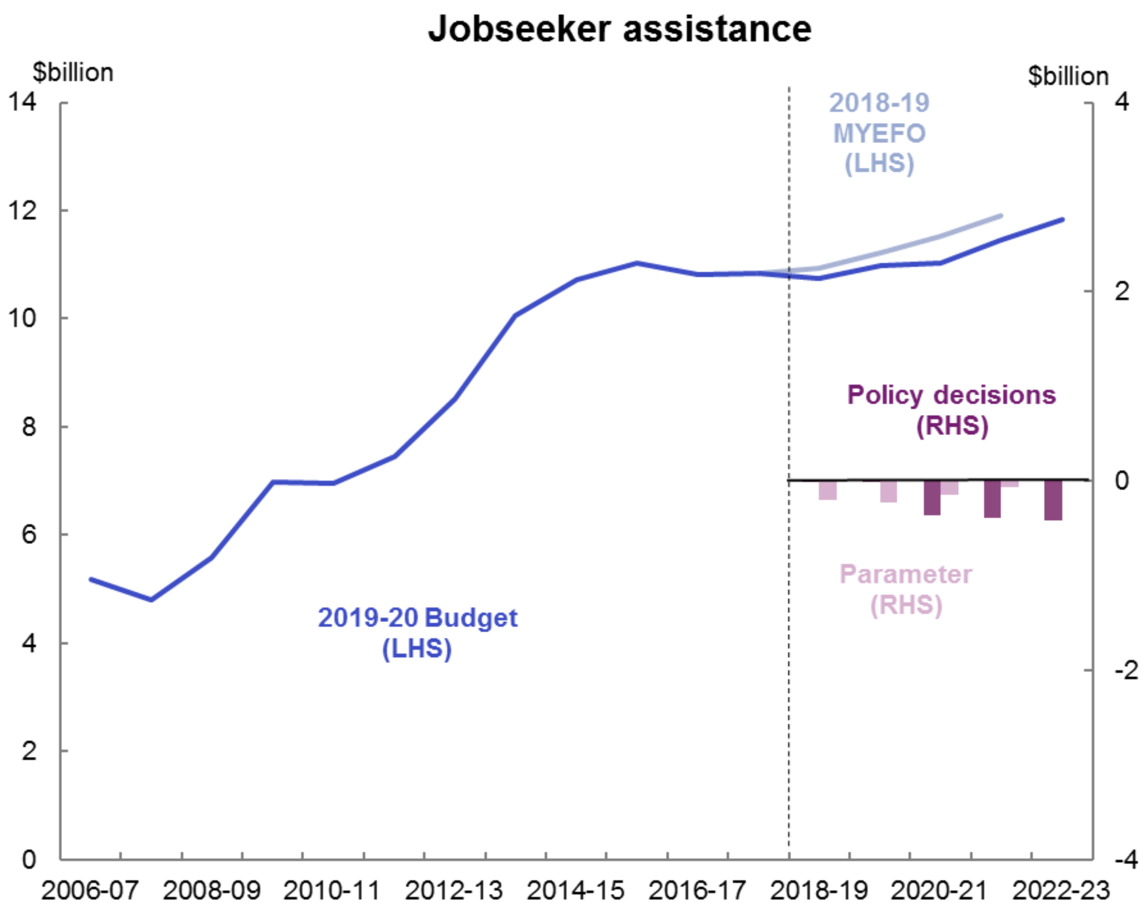
While NDIS spending has been revised down in 2018-19 and 2019-20, the spending profile from 2020-21 is largely unchanged from the 2018-19 MYEFO.



Jobseeker assistance spending has been revised down…

Parameter variations are expected to decrease jobseeker assistance spending by $0.6 billion over the four years to 2021-22. This reflects a reduction in the estimated number of recipients.

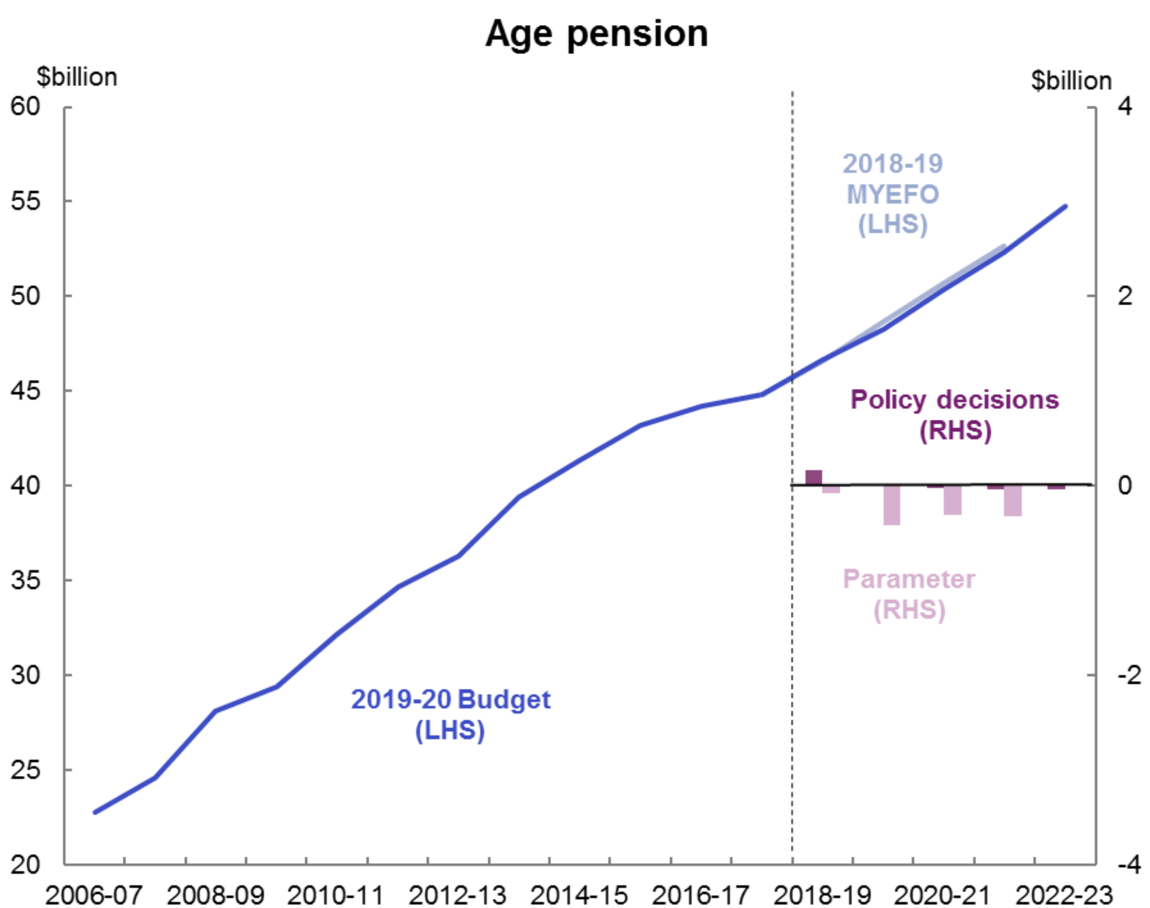
Policy decisions are expected to decrease jobseeker assistance spending by $1.2 billion over the five years to 2022-23. The majority of this results from the implementation of measures that are expected to reduce rates of overpayment.



…as has spending on the age pension…

The majority of the downward revision in age pension spending is due to parameter variations, totalling $1.1 billion over the four years to 2021-22.

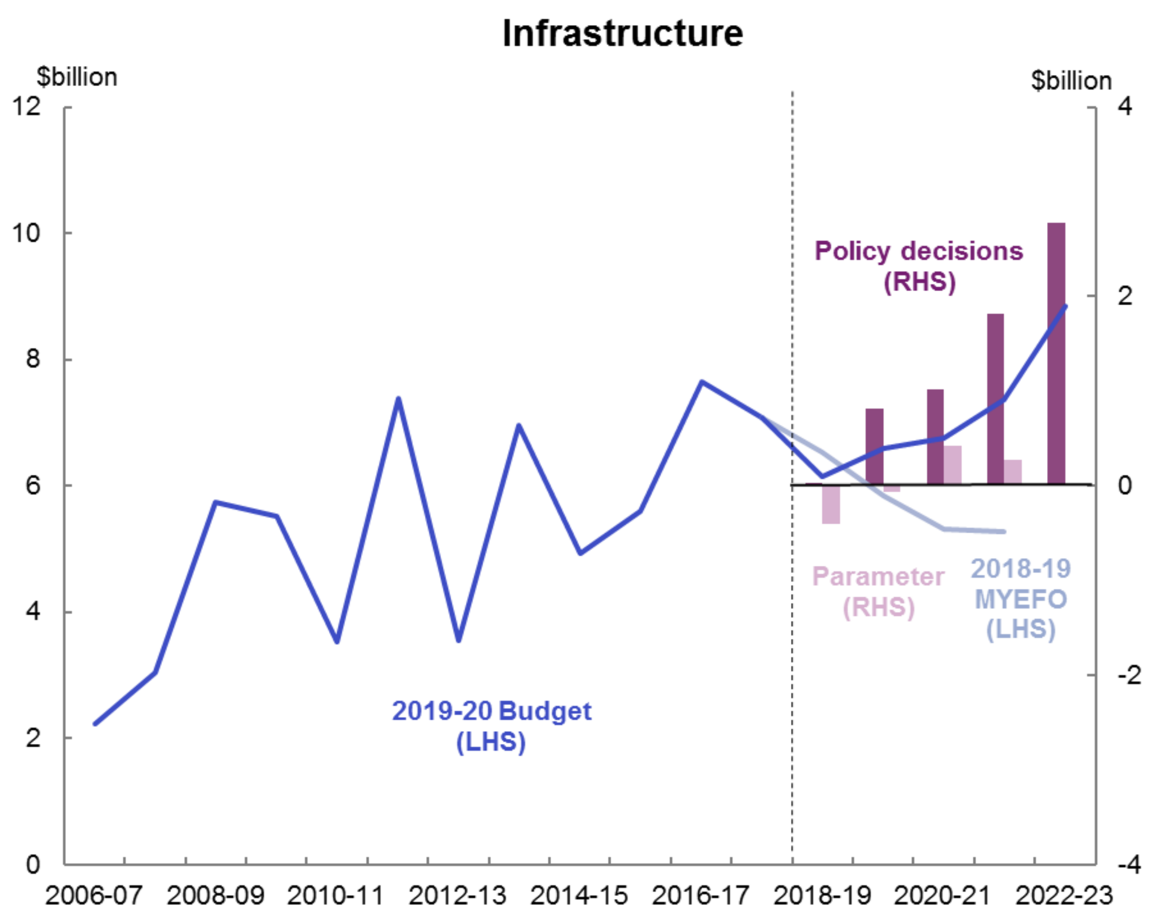
This results from reductions in expected recipient numbers, as well as the downward revision to wage growth (the indexation factor by which age pension payments are increased).



…but infrastructure spending has been revised up due to new road and rail infrastructure grants to the states…

Policy decisions are expected to increase spending on road and rail infrastructure by $6.5 billion over the five years to 2022-23 relative to the 2018-19 MYEFO.

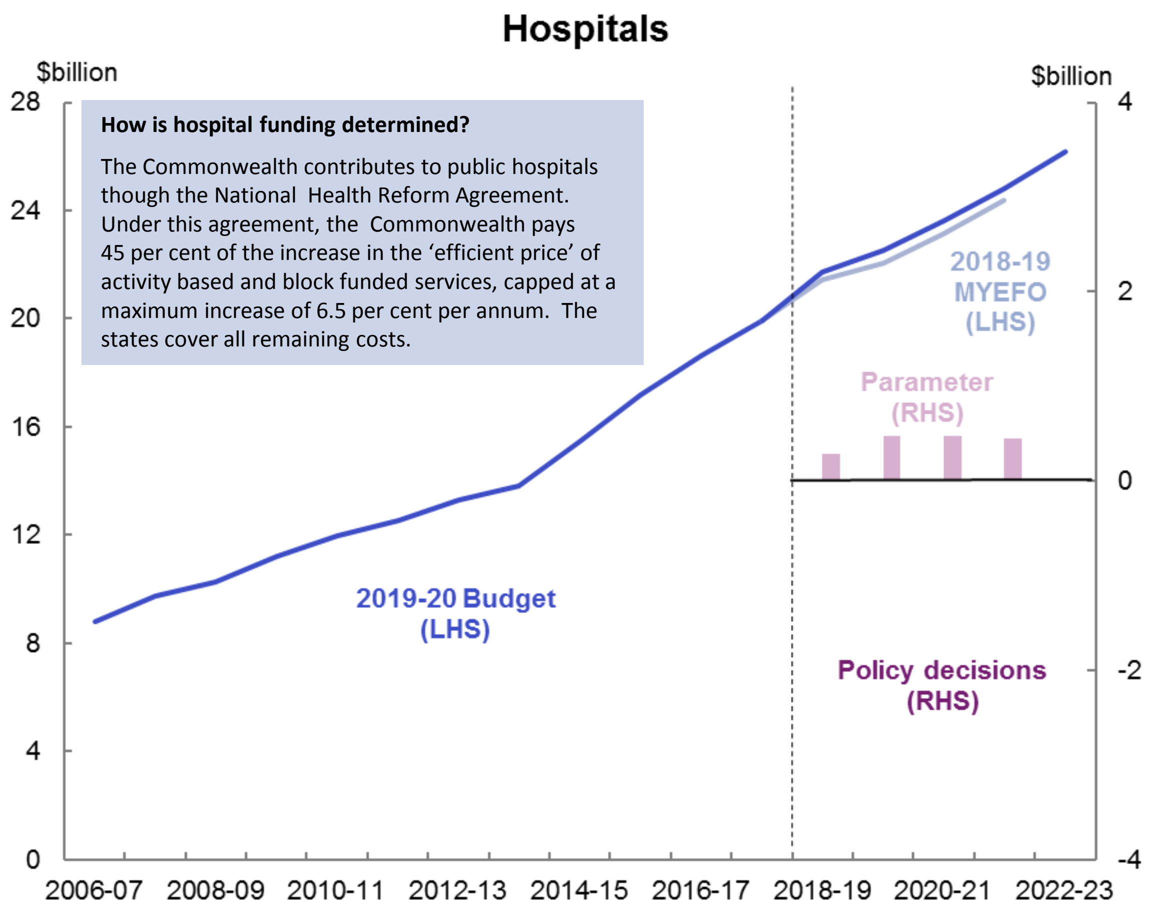
This largely represents new grants to the states under the Government's Infrastructure Investment Program, the majority of which has been allocated to road and rail projects.



…and Commonwealth assistance for public hospitals has also been revised up

Relative to the 2018-19 MYEFO, the upward revision in Commonwealth assistance for public hospitals of $1.7 billion over the four years to 2021-22 is entirely due to parameter variations.

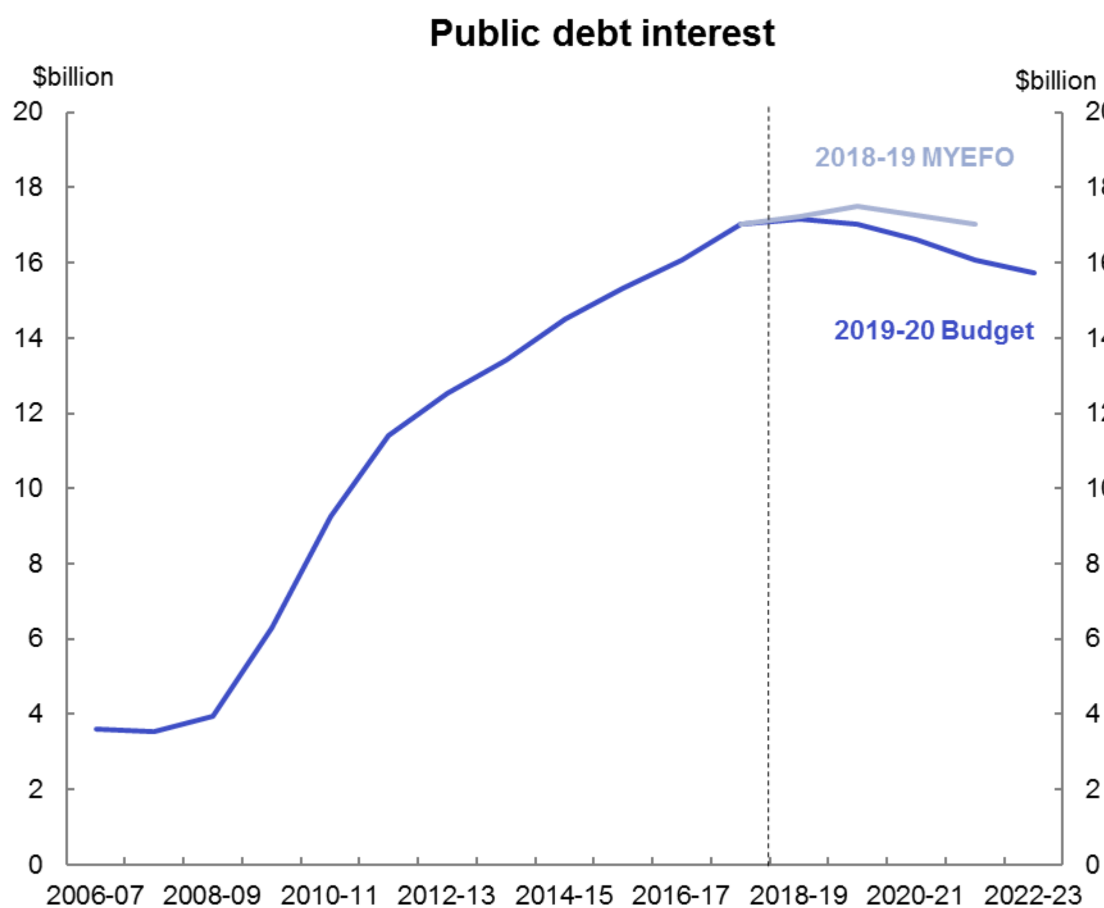
The upward revision largely reflects updated hospital activity growth estimates based on recent historical trends.



Public debt interest spending has been revised down…

Relative to the 2018-19 MYEFO, public debt interest (PDI) is expected to be $2.2 billion lower over the four years to 2021-22.

This results from a lower assumed bond yield in the 2019-20 Budget compared to the 2018-19 MYEFO, consistent with lower domestic and global bond yields.

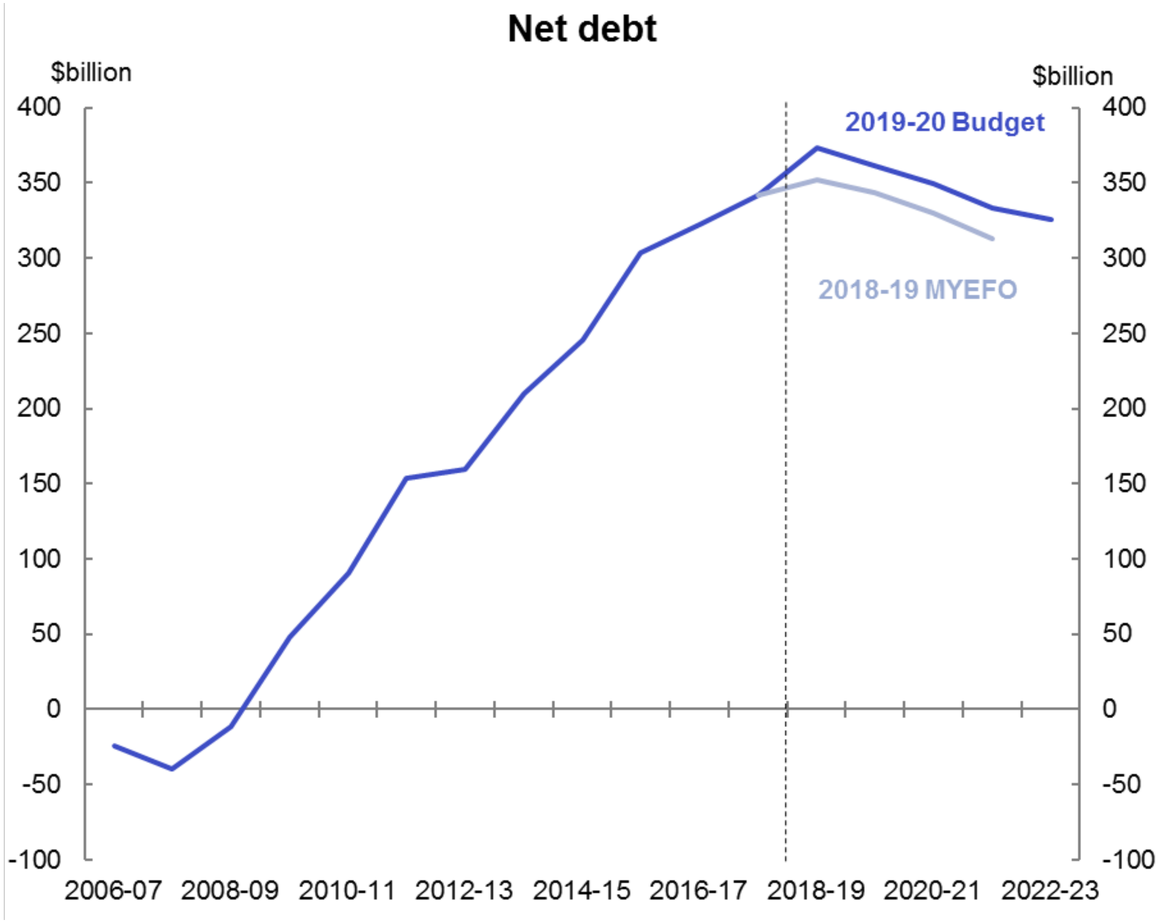


…but net debt has been revised up

Net Debt is expected to be higher over the four years to 2021-22 than was forecast at the 2018-19 MYEFO.

The revision is a result of the downgrade to the interest rate assumption in the 2019-20 Budget. The value of existing bonds – and hence debt – has increased in value compared to new issuances at the lower interest rate.

The downgrade to the interest rate has therefore resulted in an increase in the value of debt but a decrease in public debt interest payments.

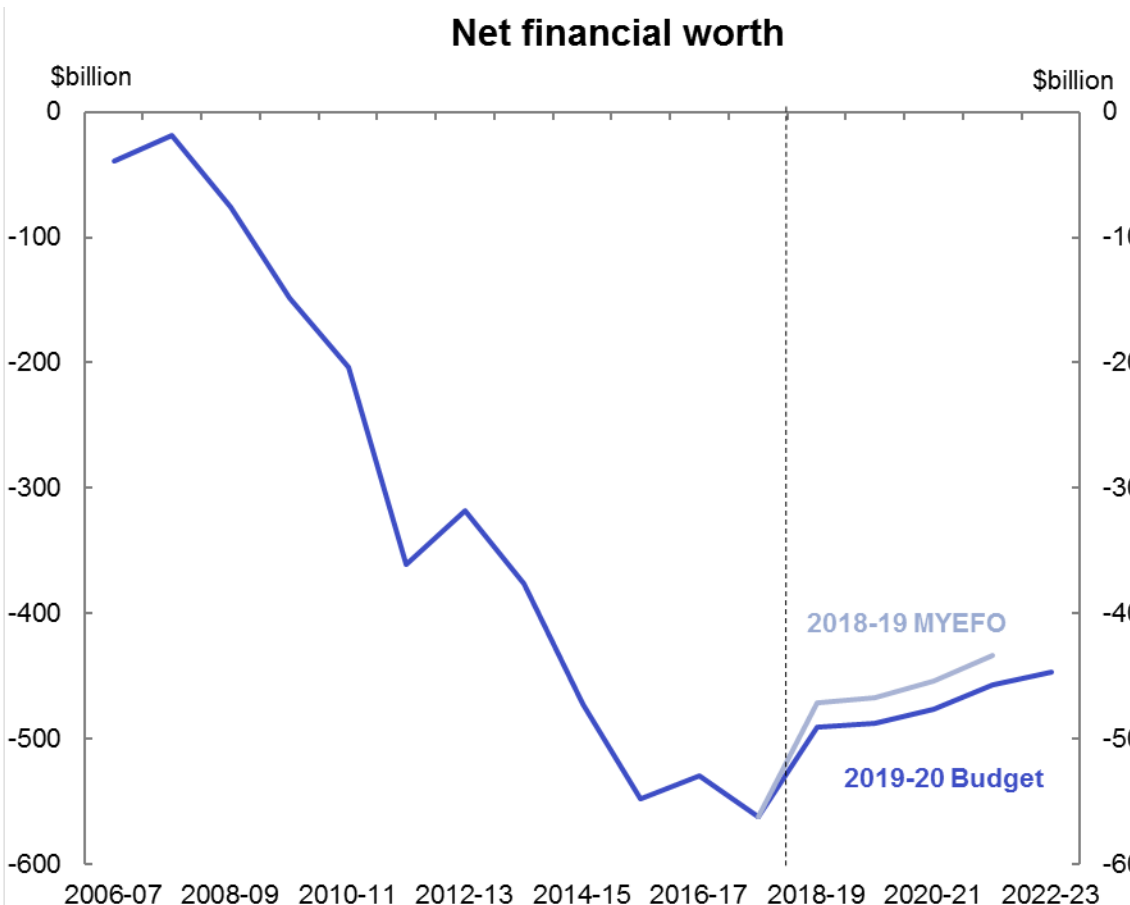


Net financial worth is expected to be lower than at 2018-19 MYEFO

Net financial worth is a broad assessment of fiscal sustainability, and includes assets in the Future Fund and public sector superannuation liabilities.

Net financial worth is expected to improve over the forward estimates, albeit at a lower rate than predicted at the 2019-20 MYEFO.

This decrease in net financial worth is largely attributable to the revaluation of government debt, as explained on the previous chart.



Notes

Data contained in these charts are based on information published in the 2019-20 Budget, the 2018-19 MYEFO, the 2017-18 Final Budget Outcome, and government agency annual reports. Where applicable, additional information provided by agencies has supplemented the publicly available information. This report does not incorporate data from the 2018-19 Final Budget Outcome.

Consistent with Budget Paper No. 2, the charts show the financial impact of policy decisions from 2018-19 to 2022-23. The charts show movements due to parameter and other variations which are only available for 2018-19 to 2021–22. This is because the last year of the forward estimates at MYEFO was 2021-22, with the 2022-23 projection being published for the first time at the 2019-20 Budget.

This differs from the reconciliation of the underlying cash balance table in Statement 3 of Budget Paper No. 1, in which the totals exclude the 2018-19 estimate and include the 2022-23 estimate.

At the aggregate level, the *underlying cash balance*, *total receipts*, and *total payments* charts have been prepared on a cash basis, as the government's key fiscal aggregates are cash based. Charts on individual elements of revenue and expenditure, including net debt and public debt interest, have been prepared on an accrual basis, consistent with the presentation of decisions in the Budget papers.

Since the 1999–2000 fiscal year, Commonwealth Government financial statements have been reported on both an accrual and cash basis. Under accrual accounting, government income is referred to as 'revenue' and costs as 'expenses'. Under cash accounting, government income is referred to as 'receipts' and costs as 'payments'.

The PBO does not have access to the details of provisions for individual items in the Contingency Reserve. Accordingly, the charts in this report are subject to the qualification that they are prepared in the absence of information on the possible impact of any provisions in the Contingency Reserve.