



Australian Government

**PRE-ELECTION ECONOMIC
AND FISCAL OUTLOOK
2025**

A report by
**the Secretary to the Treasury and
the Secretary of the Department of Finance**

April 2025

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Manager
Media Unit
The Treasury
Langton Crescent
Parkes ACT 2600
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Notes

(a) The following definitions are used in this Pre-election Economic and Fiscal Outlook:

- 'real' means adjusted for the effect of inflation
- real growth in expenses and payments is calculated using the Consumer Price Index (CPI) as the deflator
- the Budget year refers to 2025–26, while the forward years refer to 2026–27, 2027–28 and 2028–29
- one billion is equal to one thousand million.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:

- estimates under \$100,000 are rounded to the nearest thousand
- estimates \$100,000 and over are generally rounded to the nearest tenth of a million
- estimates midway between rounding points are rounded up
- the percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

-	nil
na	not applicable (unless otherwise specified)
\$m	millions of dollars
\$b	billions of dollars
(e)	estimates (unless otherwise specified)
(p)	projections (unless otherwise specified)

- (e) The Australian Capital Territory and the Northern Territory are referred to as 'the territories'. References to the 'states' or 'each state' include the territories. The following abbreviations are used for the names of the states, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

- (f) In this paper the term 'Commonwealth' refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term 'Australian Government' is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

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Preface

The *Charter of Budget Honesty Act 1998* (the Charter) requires the Secretary to the Treasury and the Secretary of the Department of Finance (the Secretaries) to jointly publicly release a Pre-election Economic and Fiscal Outlook report (PEFO) within 10 days of the issue of the writs for a general election. These writs were issued on 31 March 2025.

The purpose of the PEFO is to provide updated information on the economic and fiscal outlook. The information in the report takes into account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the economic and fiscal outlook that were in existence before the issue of the writs for the election. Where additional material information or risks have emerged since the issue of the writs, the PEFO may provide a qualitative assessment of that information or those risks.

The Charter provides that, where there is information unchanged from that set out in full in an earlier budget report, the PEFO may summarise and state this information is unchanged.

Consistent with the Charter's requirements, the 2025 PEFO includes:

- fiscal estimates for the current financial year (2024–25) and the following four financial years (2025–26, 2026–27, 2027–28 and 2028–29)
- economic and other assumptions for the current financial year and the following four financial years used in preparing these updated fiscal estimates
- discussion of the sensitivity of updated fiscal estimates to changes in those economic and other assumptions
- debt aggregates and similar information presented in the debt statement
- an updated set of financial statements and summary of the external reporting standards used in the preparation of the 2025 PEFO (**Appendix A**)
- a list of policy decisions taken by the Government since the 2025–26 Budget and decisions that were taken but not announced at that time (**Appendix B**)
- an updated statement of the risks that may have a material effect on the fiscal outlook (**Appendix C**).

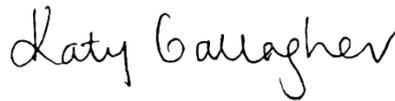
Statement by the Treasurer and the Minister for Finance

Consistent with the *Charter of Budget Honesty Act 1998*, we declare that we have disclosed to the Secretary to the Treasury and the Secretary of the Department of Finance all details of any Government decision, or any other circumstance, that we know about:

- (i) that has, or could have, material fiscal or economic implications; and
- (ii) that neither of the responsible Secretaries could reasonably be expected to know about.



The Hon Jim Chalmers MP
Treasurer
2 April 2025



Senator the Hon Katy Gallagher
Minister for Finance
2 April 2025

Statement by the Secretary to the Treasury and the Secretary of the Department of Finance

Consistent with the *Charter of Budget Honesty Act 1998*, we declare that, to the fullest extent possible, the information in the Pre-election Economic and Fiscal Outlook 2025 for which we are responsible:

- (i) reflects the best professional judgment of the officers of the Treasury and the Department of Finance;
- (ii) takes into account all economic and fiscal information available; and
- (iii) incorporates the fiscal implications of Government decisions and circumstances disclosed by the responsible Ministers.



Dr Steven Kennedy, PSM
Secretary to the Treasury
4 April 2025



Ms Jenny Wilkinson, PSM
Secretary of the Department of Finance
4 April 2025

Pre-election Economic and Fiscal Outlook

Overview

Consistent with the Charter, the 2025 PEFO provides updated fiscal and economic estimates and projections, based on the best professional judgment of the Treasury and the Department of Finance, reflecting all known information at the time of the issue of the election writs on 31 March 2025.

At the time the election writs were issued, the economic and fiscal outlook had not materially changed from that published in the 2025–26 Budget on 25 March 2025.

The underlying cash balance is expected to be a deficit of \$27.9 billion (1.0 per cent of GDP) in 2024–25 and \$42.2 billion (1.5 per cent of GDP) in 2025–26. Gross debt is expected to be 36.8 per cent of GDP at 30 June 2029 and net debt is expected to be 23.1 per cent of GDP at 30 June 2029. Table 1 provides estimates of the major fiscal aggregates over the forward estimates.

Since the issue of the writs:

- On 3 April 2025, the United States administration announced across-the-board tariffs on goods imports into the United States, ranging from 10 to 50 per cent.
- On 4 April 2025, China announced a range of countermeasures, including imposing a 34 per cent tariff on all goods imports from the United States.

This escalation in trade hostilities has created significant economic uncertainty and exacerbates the risks to the economic and fiscal outlook.

Table 1: Budget aggregates

	Estimates					Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
	\$b	\$b	\$b	\$b	\$b	\$b
Underlying cash balance	-27.9	-42.2	-35.4	-37.1	-37.0	-179.5
Per cent of GDP	-1.0	-1.5	-1.2	-1.2	-1.1	
Gross debt(a)	940.0	1,022.0	1,092.0	1,161.0	1,223.0	
Per cent of GDP	33.7	35.5	36.5	36.9	36.8	
Net debt(b)	556.3	620.7	676.3	713.9	768.2	
Per cent of GDP	20.0	21.6	22.6	22.7	23.1	

a) Gross debt measures the face value of Australian Government Securities (AGS) on issue and is presented as at the end of the financial year. The change in the underlying cash balance since the 2025–26 Budget has not materially changed the Government's financing requirement. Gross debt estimates therefore remain unchanged since the 2025–26 Budget.

b) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements) and is presented as at the end of the financial year.

Economic outlook

The economic parameters used to prepare the 2025 PEFO are unchanged from those presented at the 2025–26 Budget. The increase in tariffs announced over the past few days have been more significant than expected. The potential magnitude and persistence of the economic effects of these announcements has resulted in greater-than-usual uncertainty around the outlook.

On 3 April 2025, the United States administration announced across-the-board tariffs on goods imports into the United States, ranging from 10 to 50 per cent. In response, China announced a range of countermeasures, including imposing a 34 per cent tariff on all goods imports from the United States. These tariffs, and other retaliatory responses, will weigh on international trade, investment and growth, and disrupt supply chains. This will have direct and indirect effects on the Australian economy. For further discussion about the risks, see *2025–26 Budget Statement 2: Economic Outlook, Box 2.1: Risks of an escalation in global trade tensions*.

The direct impact from Australia’s bilateral trade with the United States is expected, in aggregate, to be limited given the United States accounted for 4.6 per cent of Australia’s goods exports in 2024. However, particular sectors will be more affected than others. The indirect effects on Australian exports through our other major trading partners, particularly China, will be larger. Ongoing uncertainty in relation to trade hostilities and associated volatility in financial markets will weaken consumer and business confidence, which will have implications for consumption and business investment, including in Australia.

Global growth is expected to remain subdued. The Federal Reserve recently downgraded its growth forecasts for the United States for the next three years and are a little below the forecasts presented in the 2025–26 Budget. In contrast, prior to recent tariff announcements, China’s near-term outlook had improved on the back of fiscal support in both late 2024 and early 2025. In Europe, the incoming German government has introduced fiscal reforms to boost infrastructure and defence spending, which should support growth in Europe’s largest economy.

Growth in the Australian economy is expected to gradually pick up over 2025–26. The gains in employment made over the past few years have, to date, been preserved as inflation has moderated and returned to the Reserve Bank of Australia’s (RBA) target band. Wages are expected to grow over the forecast period, as is employment, which will support growth in household incomes and household consumption.

Public final demand growth is expected to moderate but will remain a significant driver of activity in the near-term.

Business investment is expected to remain elevated, but growth will moderate as the pipeline of non-dwelling construction projects is worked through. Growth in dwelling investment is expected to increase from 2025–26 in response to the gradual easing of supply side constraints, reduction in financing costs, and continued strength in housing demand.

Growth in exports is expected to remain weak. Non-rural commodity exports are likely to remain subdued due to ongoing weaker conditions in the Chinese property sector and the effect of trade hostilities. Import growth is expected to slow in 2024–25 as households moderate their expenditure on overseas travel, while goods imports are expected to be supported by strength in infrastructure projects.

The unemployment rate has been broadly stable around 4 per cent over the past year and is expected to rise to 4¼ per cent by mid-2025. Employment growth over the past two years has been driven primarily by employment in the non-market sector. As economic activity picks up, market sector employment growth is expected to gradually recover while non-market sector employment growth moderates.

The most recent Labour Force Survey data indicates potential downside risks to the outlook for both employment growth and labour force participation. However, further data is required to assess the likelihood of these risks materialising.

Growth in the Wage Price Index (WPI) has eased from its peak, alongside moderating inflation and labour market conditions, to be 3.2 per cent over the year to the December quarter 2024. Nominal wages are expected to grow by 3 per cent through the year to June 2025 and 3¼ per cent to June 2026.

Real wages, as measured by annual growth in WPI relative to the annual growth in CPI, grew by 0.8 per cent in the year to the December quarter 2024. Real wages are forecast to grow by ½ per cent in 2024–25 and ¼ per cent in 2025–26.

If productivity growth does not pick up as expected, this would pose a downside risk to wage growth.

Inflation has moderated, in both headline and underlying terms, since its peak in 2022. Growth in goods prices normalised rapidly in 2023 and 2024, and more persistent components of inflation, such as housing and insurance, showed signs of moderation in late 2024. As Commonwealth and state energy rebates expire, headline inflation will be temporarily higher in the near term. Abstracting from temporary factors, inflation is expected to sustainably return to the target band around the middle of 2025.

Nominal GDP is expected to grow by 4¼ per cent in 2024–25. Nominal GDP growth is then expected to slow to 3¼ per cent in 2025–26 as a pickup in economic growth is offset by a moderation in domestic inflation and sharp fall in the terms of trade.

Net overseas migration (NOM) has continued to decline from its peak in 2022–23, which largely reflects lower migrant arrivals. NOM is forecast to ease further over the forward estimates. Arrivals are expected to continue to decline in 2024–25 before stabilising in 2025–26. Departures are expected to pick up from recent sustained lows as the visas of those people who arrived after the pandemic approach their expiry dates. However, low departure rates pose the main risk to NOM forecasts going forward.

Given the increase in tariffs announced last week was larger than expected, there is now more uncertainty around the outlook for economic activity, commodity prices and

inflation. Over the past few days, there have been significant falls in oil prices and a depreciation of the Australian dollar. Both developments would have implications for activity and inflation if they were to persist.

In addition, there have been significant falls in other commodity prices in recent days. If these lower commodity prices were to persist, this would have implications for nominal GDP and revenue. The impact of commodity price movements on nominal GDP and revenue forecasts is detailed in *2025–26 Budget Statement 7: Forecasting Performance and Sensitivity Analysis*.

Table 2 presents the major economic parameters used in preparing the 2025 PEFO. These are unchanged from those presented at the 2025–26 Budget.

Table 2: Major economic parameters^(a)

	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 1/2	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

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. The labour market forecasts do not incorporate the February 2025 release of the ABS Labour Force.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; and Treasury.

Fiscal outlook

The fiscal outlook has not materially changed since the publication of the 2025–26 Budget.

The underlying cash balance is expected to be a deficit of \$27.9 billion (1.0 per cent of GDP) in 2024–25 and \$42.2 billion (1.5 per cent of GDP) in 2025–26.

Table 3 provides estimates of key fiscal aggregates.

Table 3: Australian Government general government sector budget aggregates

	Estimates					Projections	
	2024-25	2025-26	2026-27	2027-28	2028-29	Total	2035-36
	\$b	\$b	\$b	\$b	\$b	\$b	% of GDP
Underlying cash balance	-27.9	-42.2	-35.4	-37.1	-37.0	-179.5	
Per cent of GDP	-1.0	-1.5	-1.2	-1.2	-1.1		0.0
Receipts	703.9	735.4	766.0	797.4	840.8	3,843.5	
Per cent of GDP	25.3	25.5	25.6	25.3	25.3		26.8
Tax receipts	645.2	676.1	707.6	735.9	778.3	3,543.1	
Per cent of GDP	23.1	23.5	23.6	23.4	23.4		24.9
Non-tax receipts	58.7	59.3	58.4	61.4	62.6	300.4	
Per cent of GDP	2.1	2.1	2.0	2.0	1.9		1.9
Payments(a)	731.8	777.5	801.3	834.5	877.9	4,023.0	
Per cent of GDP	26.3	27.0	26.8	26.5	26.4		26.8
Gross debt(b)	940.0	1,022.0	1,092.0	1,161.0	1,223.0		
Per cent of GDP	33.7	35.5	36.5	36.9	36.8		31.9
Net debt(c)	556.3	620.7	676.3	713.9	768.2		
Per cent of GDP	20.0	21.6	22.6	22.7	23.1		20.2
Net interest payments(d)	14.9	18.5	21.2	26.9	28.1	109.6	
Per cent of GDP	0.5	0.6	0.7	0.9	0.8		1.1

a) Equivalent to cash payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.

b) Gross debt measures the face value of Australian Government Securities (AGS) on issue and is presented as at the end of the financial year. The change in the underlying cash balance since the 2025–26 Budget has not materially changed the Government's financing requirement. Gross debt estimates therefore remain unchanged since the 2025–26 Budget.

c) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements) and is presented as at the end of the financial year.

d) Net interest payments are equal to the difference between interest payments and interest receipts.

Underlying cash balance estimates

Table 4 provides a reconciliation of the underlying cash balance estimates from the 2025–26 Budget to the 2025 PEFO.

Table 4: Reconciliation of general government sector underlying cash balance estimates

	Estimates					Total \$m
	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m	2028-29 \$m	
2025-26 Budget underlying cash balance	-27,605	-42,122	-35,706	-37,247	-36,854	-179,534
Per cent of GDP	-1.0	-1.5	-1.2	-1.2	-1.1	
Changes from 2025-26 Budget to 2025 PEFO						
Effect of policy decisions(a)(b)						
Receipts	0	0	0	0	0	0
Payments	4	226	380	276	223	1,109
Total policy decisions impact on underlying cash balance	-4	-226	-380	-276	-223	-1,109
Effect of parameter and other variations(b)						
Receipts	-1	5	4	4	5	17
Payments	279	-178	-715	-432	-44	-1,090
Total parameter and other variations impact on underlying cash balance	-280	183	720	436	49	1,107
2025 PEFO underlying cash balance	-27,890	-42,165	-35,366	-37,087	-37,028	-179,537
Per cent of GDP	-1.0	-1.5	-1.2	-1.2	-1.1	

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

b) A positive number for receipts improves the underlying cash balance, while a positive number for payments worsens the underlying cash balance.

The outlook for receipts is unchanged since the 2025–26 Budget, consistent with the unchanged economic outlook. The outlook for payments over the forward estimates is largely unchanged since the 2025–26 Budget, with some changes to the profile of payments between years.

Policy decisions since the 2025–26 Budget have had a negative underlying cash balance impact of \$225.8 million in 2025–26 and \$1.1 billion over the five years to 2028–29.

This primarily reflects policy decisions to: contribute to hospital and health care infrastructure projects in Western Australia, South Australia and New South Wales; provide funding for new and existing projects under the Infrastructure Investment Program in Western Australia, New South Wales and Queensland; and provide additional funding to lift the Commonwealth's contribution of the Schooling Resource Standard to 25 per cent by 2034–35 for government schools in Queensland under the Better and Fairer Schools Agreement (Full and Fair Funding 2025–2034).

Details of all policy decisions taken since the 2025–26 Budget are provided at Appendix B.

Parameter and other variations since the 2025–26 Budget have had a positive underlying cash balance impact of \$182.9 million in 2025–26 and \$1.1 billion over the five years to 2028–29, largely reflecting the drawdown of a Contingency Reserve provision for future policy priorities (\$1.0 billion over three years from 2025–26) and the drawdown of the Contingency Reserve provision to lift the Commonwealth’s contribution of the Schooling Resource Standard to 25 per cent by 2034–35 for government schools in Queensland under the Better and Fairer Schools Agreement (Full and Fair Funding 2025–2034).

Payments under the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance are expected to be \$281.1 million higher in 2024–25 relative to the estimates in the 2025–26 Budget due to recent major disaster determinations, including in relation to ex-Tropical Cyclone Alfred in March 2025. These costs have been drawn down from the \$1.2 billion Contingency Reserve provision for disaster recovery costs included in the 2025–26 Budget. At the 2025 PEFO, \$0.9 billion of this provision remains available to contribute to future costs arising from natural disasters.

In line with normal practice, the forward estimates in the 2025 PEFO do not incorporate additional funding for matters where the Government has agreed to them being time limited or that are considered on a year-by-year or more frequent basis. These include defence operations, costs for new and amended Pharmaceutical Benefits Scheme listings and contributions to states and territories in relation to any future natural disasters under the Disaster Recovery Funding Arrangements.

Discussion of the sensitivity of fiscal estimates to changes in economic assumptions is unchanged since the 2025–26 Budget and can be found in *2025–26 Budget Statement 7: Forecasting Performance and Sensitivity Analysis*.

Contingency Reserve

The Contingency Reserve estimates in the 2025 PEFO have been reduced since the 2025–26 Budget by \$4.3 billion over the five years to 2028–29. Significant decreases since the 2025–26 Budget include:

- the drawdown of a \$1 billion provision for future policy priorities and the provision for the Better and Fairer Schools Agreement.
- the partial drawdown of the \$1.2 billion provision included in the 2025–26 Budget for disaster recovery costs associated with recent natural disasters, including ex-Tropical Cyclone Alfred.

- the removal of decisions taken but not yet announced (DTBNYAs) from the 2025–26 Budget or prior rounds, which have now been reflected against entity estimates.¹ These movements do not impact the underlying cash balance as funding for DTBNYA items has already been reflected in the estimates in the previous budget rounds. The estimates for the 2025–26 Budget measure *Protecting Our Environment* have also been moved from the Contingency Reserve to the relevant entity estimates.

In the 2025 PEFO, the Contingency Reserve estimates reduce expenses by \$2.0 billion in 2024–25, and increase expenses by \$0.3 billion in 2025–26, \$6.3 billion in 2026–27, \$11.7 billion in 2027–28 and \$20.0 billion in 2028–29. The largest components of the Contingency Reserve are:

- an underspend provision in 2024–25 that reflects the tendency for budgeted expenses for some entities or functions not to be met
- the conservative bias allowance, which makes provision for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years (\$3.5 billion in 2026–27, \$7.3 billion in 2027–28 and \$15.3 billion in 2028–29, unchanged since the 2025–26 Budget)
- a provision to reflect the effects of economic parameter revisions received too late in the 2025–26 Budget process for inclusion in entity estimates
- a provision of \$9.6 billion over the five years to 2028–29 for future payments to the states and territories once negotiations have been finalised for the new National Health Reform Agreement (NHRA) and Disability Foundational Supports. This is consistent with the Government’s offer to states and territories of \$17.8 billion over five years for the NHRA, some of which falls outside of the forward estimates period.

The Contingency Reserve contains estimates or funding for a number of items that cannot be disclosed for commercial-in-confidence or national security reasons. It also includes measures which have been announced but cannot yet be included in entity estimates, usually due to some uncertainty as to their final cost and/or outcomes, such as expected disbursements from the Housing Australia Future Fund, the Disaster Ready Fund and the Green Iron Investment Fund.

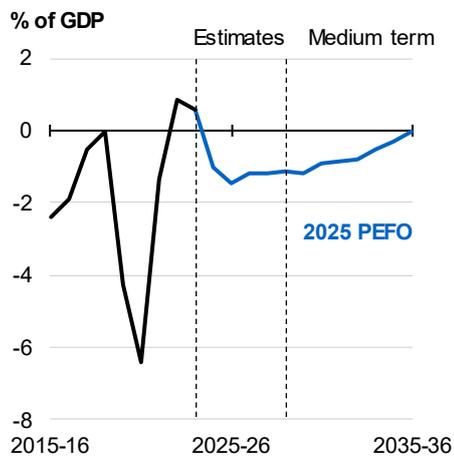
¹ DTBNYA items removed since the 2025–26 Budget are included in Appendix B, with the financial impact included in the relevant footnote.

Medium-term fiscal outlook

There has been no change to the medium-term projections since the 2025–26 Budget. The underlying cash balance is projected to improve over the medium term and is expected to return to balance in 2035–36 (Chart 1).

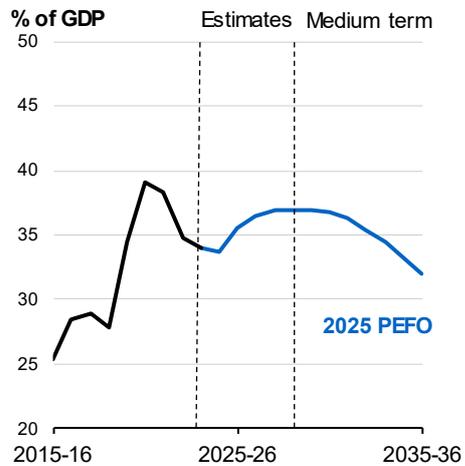
Gross debt is expected to peak at 37.0 per cent of GDP at 30 June 2030, before declining to 31.9 per cent of GDP by 30 June 2036 (Chart 2).

Chart 1: Underlying cash balance



Source: Treasury.

Chart 2: Gross debt

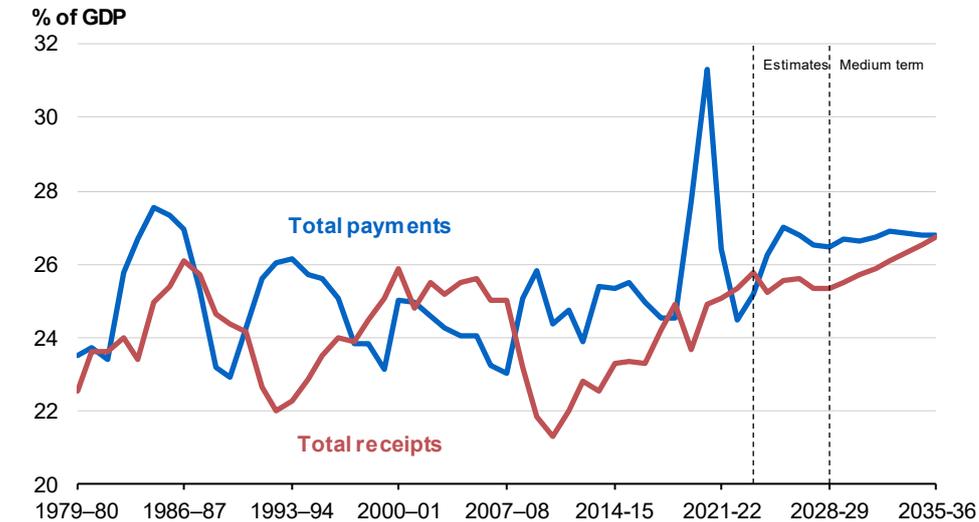


Source: Australian Office of Financial Management, Treasury.

Note: 2025 PEFO gross debt projections are unchanged since the 2025–26 Budget.

Chart 3 shows total payments and total receipts projected to 2035–36.

Chart 3: Payments and receipts



Source: Treasury.

Total receipts are expected to be 25.5 per cent of GDP in 2025–26 and are projected to reach 26.8 per cent of GDP in 2035–36.

Total payments are expected to be 27.0 per cent of GDP in 2025–26 and are projected to reach 26.8 per cent of GDP in 2035–36.

The structural budget balance is expected to return to deficit in 2024–25 and remain in deficit throughout the forward estimates. The structural budget position is then expected to gradually improve towards balance over the medium term. More details can be found in *2025–26 Budget Statement 3: Fiscal Strategy and Outlook*.

Treasury’s medium-term fiscal projections outline the broad trajectory of the fiscal position under current policy settings. They use the forward estimates as a base. Therefore, they are subject to risks and uncertainties similar to those affecting the forward estimates. However, the longer timeframes across the medium term mean these risks and uncertainties can be amplified.

Balance sheet aggregates

Estimates of gross debt, net debt, net financial worth, net worth and net interest payments have not changed materially since the 2025–26 Budget, as reported in *2025–26 Budget Statement 3: Fiscal Strategy and Outlook*. A breakdown of Australian Government Securities on issue was reported in *2025–26 Budget Statement 6: Debt Statement*.

2025–26 Budget Statement 7: Forecasting Performance and Sensitivity Analysis presents analysis about the impact that higher and lower yield assumptions have on the underlying cash balance and gross debt estimates and projections.

Table 5 provides a summary of the Australian Government general government sector balance sheet aggregates.

Table 5: Australian Government general government sector balance sheet aggregates^(a)

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	\$b	\$b	\$b	\$b	\$b
Financial assets	636.7	677.5	715.0	752.9	789.2
Per cent of GDP	22.8	23.5	23.9	23.9	23.8
Non-financial assets	220.6	228.3	236.4	247.6	257.3
Per cent of GDP	7.9	7.9	7.9	7.9	7.8
Total assets	857.3	905.8	951.4	1,000.4	1,046.5
Per cent of GDP	30.8	31.5	31.8	31.8	31.5
Total liabilities	1,427.8	1,527.6	1,610.6	1,701.0	1,786.6
Per cent of GDP	51.2	53.1	53.8	54.0	53.8
Net worth	-570.5	-621.8	-659.2	-700.5	-740.1
Per cent of GDP	-20.5	-21.6	-22.0	-22.3	-22.3
Net financial worth(b)	-791.1	-850.1	-895.6	-948.1	-997.4
Per cent of GDP	-28.4	-29.5	-29.9	-30.1	-30.0
Gross debt(c)	940.0	1,022.0	1,092.0	1,161.0	1,223.0
Per cent of GDP	33.7	35.5	36.5	36.9	36.8
Net debt(d)	556.3	620.7	676.3	713.9	768.2
Per cent of GDP	20.0	21.6	22.6	22.7	23.1
Total interest payments	24.4	27.9	30.2	36.7	38.2
Per cent of GDP	0.9	1.0	1.0	1.2	1.2
Net interest payments(e)	14.9	18.5	21.2	26.9	28.1
Per cent of GDP	0.5	0.6	0.7	0.9	0.8

a) Assets, liabilities, net worth, net financial worth, gross debt and net debt are presented as at the end of each financial year.

b) Net financial worth equals total financial assets minus total liabilities.

c) Gross debt measures the face value of AGS on issue and is presented as at the end of the financial year. The change in the underlying cash balance since the 2025–26 Budget has not materially changed the Government's financing requirement. Gross debt estimates therefore remain unchanged since the 2025–26 Budget.

d) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

e) Net interest payments are equal to the difference between interest payments and interest receipts.

Appendix A: Financial Statements

The financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS).

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the PEFO be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual based Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0), which is based on the International Monetary Fund (IMF) GFS framework
- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards as adopted in Australia for use by the not-for-profit sector and specific standards such as AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

The financial statements have been prepared on the same basis as the budget papers and reflect the Government's policy that the ABS GFS remains the basis of budget accounting policy, except where the AAS is applied because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

Fiscal reporting focuses on the GGS. The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

The Government's key fiscal aggregates are based on the ABS GFS concepts and definitions and include the ABS GFS cash surplus/deficit and net financial worth aggregates. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including the net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework requires disclosure of net debt, net financial worth and net financial liabilities.

Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are unchanged since the 2025-26 Budget and are outlined in the below table.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements. Only one measure of each aggregate has been included on the face statements to avoid confusion.

Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Circulating coins – seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an 'other economic flow'.	ABS GFS
Timing recognition of Boosting Cash Flow for Employers	Expense recognition based on underlying economic activity that gives rise to the Cash Flow Boost payment.	Recognised when the businesses receive payments after submitting their activity statements and having met all requirements.	AAS
Leases	AASB 16 introduced a single lease accounting framework for lessees, which replaced the distinction between operating and finance leases. Right of use assets and lease liabilities are recognised on the balance sheets for leases that were previously accounted for as operating expense.	The distinction between operating leases and finance leases is continued for lessees.	AAS
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an 'other economic flow'.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenue or expenses are recognised.	The issuance and registration of RECs are considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS

Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.	AAS
Timing recognition of vaccine expense	Recognised when vaccines are delivered to the states and territories.	Recognised when the vaccine doses are administered. Vaccine wastage after distributions are recognised as an 'other economic flow'.	AAS
Regional Broadband Scheme	The revenue from the levy on internet service providers (ISPs) and the associated subsidy expense to NBN Co for the provision of regional broadband services are recorded separately on a gross basis.	The revenue from the levy on ISPs and the associated subsidy expense to NBN Co are recorded on a net basis.	AAS
Classification differences			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sale for fiscal balance when licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sale for fiscal balance at time of auction as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	AAS
Classification of Australian Government funding of non-government schools	Direct grants to states and territories made in accordance with bilateral agreements with the Commonwealth and consistent with section 96 of the Constitution.	Personal benefit payments – indirect included in goods and services expenses.	AAS

Table A1: Australian Government general government sector operating statement

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
Revenue					
Taxation revenue	663,208	694,304	726,735	756,538	801,580
Sales of goods and services	21,166	22,261	23,485	24,301	25,344
Interest income	10,532	10,619	10,662	11,739	12,242
Dividend and distribution income	7,203	7,434	7,786	8,230	8,965
Other	15,458	15,649	14,895	14,626	14,379
Total revenue	717,567	750,268	783,564	815,433	862,511
Expenses					
Gross operating expenses					
Wages and salaries(a)	29,438	30,432	29,591	29,955	30,401
Superannuation	8,728	8,771	9,036	9,403	9,980
Depreciation and amortisation	14,092	14,196	14,677	14,935	15,371
Supply of goods and services	214,659	229,441	234,612	245,611	258,876
Other operating expenses(a)	12,707	12,486	11,989	12,748	13,128
<i>Total gross operating expenses</i>	<i>279,623</i>	<i>295,326</i>	<i>299,905</i>	<i>312,651</i>	<i>327,755</i>
Superannuation interest expense	14,241	15,198	15,685	16,084	16,517
Interest expenses	31,157	38,696	40,350	45,082	48,448
Current transfers					
Current grants	219,286	223,375	229,734	239,378	249,972
Subsidy expenses	19,965	21,398	21,065	21,346	23,628
Personal benefits	162,897	169,310	178,576	187,891	202,474
<i>Total current transfers</i>	<i>402,147</i>	<i>414,084</i>	<i>429,376</i>	<i>448,615</i>	<i>476,074</i>
Capital transfers					
Mutually agreed write-downs	14,884	2,930	3,093	3,293	3,471
Other capital grants	20,706	19,481	18,131	17,067	17,310
<i>Total capital transfers</i>	<i>35,589</i>	<i>22,411</i>	<i>21,224</i>	<i>20,361</i>	<i>20,781</i>
Total expenses	762,757	785,715	806,539	842,792	889,576
Net operating balance	-45,190	-35,447	-22,975	-27,359	-27,065
Other economic flows – included in operating result					
Net write-downs of assets	-13,186	-12,239	-12,860	-13,537	-14,099
Assets recognised for the first time	368	393	420	449	479
Actuarial revaluations	2,191	-1,060	-1,012	-967	-818
Net foreign exchange gains	182	183	0	0	0
Net swap interest received	-478	-7	3	-1	7
Market valuation of debt	-11,466	-13,119	-11,343	-10,905	-9,836
Other gains/(losses)	13,430	9,860	10,474	11,056	11,859
Total other economic flows – included in operating result	-8,957	-15,989	-14,317	-13,905	-12,407
Operating result(b)	-54,147	-51,436	-37,293	-41,265	-39,472

Table A1: Australian Government general government sector operating statement (continued)

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
Non-owner movements in equity					
Revaluation of equity investments	-718	203	0	0	0
Actuarial revaluations	-842	-228	-228	-228	-226
Other economic revaluations	707	145	154	168	167
Total other economic flows - included in equity	-853	120	-73	-60	-59
Comprehensive result –					
Total change in net worth	-55,000	-51,317	-37,366	-41,325	-39,531
Net operating balance	-45,190	-35,447	-22,975	-27,359	-27,065
Net acquisition of non-financial assets					
Purchases of non-financial assets	22,135	22,227	23,355	26,362	25,309
<i>less</i> Sales of non-financial assets	2,538	117	5	5	6
<i>less</i> Depreciation	14,092	14,196	14,677	14,935	15,371
<i>plus</i> Change in inventories	-43	859	467	603	264
<i>plus</i> Other movements in non-financial assets	0	0	0	0	0
Total net acquisition of non-financial assets	5,461	8,774	9,140	12,026	10,196
Fiscal balance					
(Net lending/borrowing)(c)	-50,650	-44,221	-32,116	-39,385	-37,261

- a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.
- b) Operating result under AAS.
- c) The term fiscal balance is not used by the ABS.

Table A2: Australian Government general government sector balance sheet

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	72,723	73,252	70,341	68,318	61,357
Advances paid	66,347	77,939	91,972	104,560	115,397
Investments, loans and placements	239,767	248,576	257,052	282,806	294,224
Other receivables	86,469	92,762	99,347	106,954	116,560
Equity investments					
Investments in other public sector entities	51,637	57,342	59,973	61,199	63,958
Equity accounted investments	6,349	6,485	6,650	6,746	6,885
Investments – shares	113,455	121,108	129,629	122,287	130,798
<i>Total financial assets</i>	<i>636,748</i>	<i>677,464</i>	<i>714,964</i>	<i>752,871</i>	<i>789,178</i>
Non-financial assets					
Land	14,647	14,756	14,883	15,060	15,181
Buildings	50,951	50,875	51,211	52,406	51,588
Plant, equipment and infrastructure	115,529	120,634	126,759	135,457	145,150
Inventories	11,604	12,691	13,585	14,579	15,661
Intangibles	14,725	16,217	16,853	16,981	16,689
Investment properties	221	221	208	176	155
Biological assets	5	5	5	5	5
Heritage and cultural assets	12,800	12,803	12,804	12,808	12,810
Assets held for sale	86	81	81	81	81
Other non-financial assets	6	6	6	6	6
<i>Total non-financial assets</i>	<i>220,573</i>	<i>228,288</i>	<i>236,395</i>	<i>247,559</i>	<i>257,325</i>
Total assets	857,321	905,752	951,359	1,000,431	1,046,504
Liabilities					
Interest bearing liabilities					
Deposits held	418	418	418	418	418
Government securities	883,713	968,449	1,043,956	1,117,991	1,189,011
Loans	32,385	33,885	34,485	34,546	34,215
Lease liabilities	18,584	17,689	16,773	16,634	15,573
<i>Total interest bearing liabilities</i>	<i>935,100</i>	<i>1,020,440</i>	<i>1,095,631</i>	<i>1,169,589</i>	<i>1,239,216</i>

Table A2: Australian Government general government sector balance sheet (continued)

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
Provisions and payables					
Superannuation liability	303,276	313,806	322,911	332,110	340,558
Other employee liabilities	60,944	60,538	62,240	64,195	66,576
Suppliers payables	15,268	15,128	16,572	19,548	20,872
Personal benefits payables	4,299	4,759	4,709	4,392	4,764
Subsidies payables	680	672	664	664	664
Grants payables	5,998	5,667	5,279	5,427	5,430
Other payables	6,144	5,866	5,465	5,344	5,265
Provisions	96,132	100,712	97,092	99,690	103,218
<i>Total provisions and payables</i>	<i>492,742</i>	<i>507,149</i>	<i>514,931</i>	<i>531,370</i>	<i>547,347</i>
Total liabilities	1,427,842	1,527,590	1,610,563	1,700,959	1,786,563
Net worth(a)	-570,521	-621,838	-659,204	-700,528	-740,059
<i>Net financial worth(b)</i>	<i>-791,094</i>	<i>-850,126</i>	<i>-895,599</i>	<i>-948,087</i>	<i>-997,385</i>
<i>Net financial liabilities(c)</i>	<i>842,731</i>	<i>907,467</i>	<i>955,571</i>	<i>1,009,287</i>	<i>1,061,342</i>
<i>Net debt(d)</i>	<i>556,263</i>	<i>620,673</i>	<i>676,266</i>	<i>713,904</i>	<i>768,238</i>

a) Net worth equals total assets minus total liabilities.

b) Net financial worth equals total financial assets minus total liabilities.

c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

d) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Table A3: Australian Government general government sector cash flow statement^(a)

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
Cash receipts from operating activities					
Taxes received	645,242	676,086	707,556	735,939	778,266
Receipts from sales of goods and services	21,796	21,926	22,981	24,200	25,310
Interest receipts	9,520	9,389	8,939	9,798	10,109
Dividends, distributions and income tax equivalents	7,378	7,416	7,766	8,212	8,946
Other receipts	19,720	20,287	18,692	19,195	18,171
Total operating receipts	703,656	735,104	765,934	797,343	840,804
Cash payments for operating activities					
Payments to employees(b)	-46,878	-48,899	-48,875	-50,463	-51,513
Payments for goods and services	-211,497	-228,249	-232,037	-243,396	-257,110
Grants and subsidies paid	-251,076	-266,505	-275,702	-277,940	-289,752
Interest paid	-24,413	-27,885	-30,159	-36,724	-38,224
Personal benefit payments	-163,338	-169,456	-179,384	-188,863	-202,778
Other payments(b)	-11,821	-13,740	-11,047	-11,302	-11,620
Total operating payments	-709,022	-754,733	-777,204	-808,688	-850,998
Net cash flows from operating activities	-5,367	-19,630	-11,270	-11,345	-10,194
Cash flows from investments in non-financial assets					
Sales of non-financial assets	265	254	40	40	41
Purchases of non-financial assets	-20,049	-20,043	-21,377	-23,079	-24,147
Net cash flows from investments in non-financial assets	-19,784	-19,789	-21,337	-23,039	-24,106
Net cash flows from investments in financial assets for policy purposes	-19,076	-23,076	-22,759	-19,961	-18,999
Net cash flows from investments in financial assets for liquidity purposes	-4,520	-4,839	-5,059	-5,711	-6,722
Cash receipts from financing activities					
Borrowing	286,822	742,102	799,231	750,524	763,296
Other financing	12,460	128	128	75	17
Total cash receipts from financing activities	299,282	742,230	799,359	750,599	763,313
Cash payments for financing activities					
Borrowing	-257,239	-669,329	-737,248	-689,674	-707,452
Other financing	-17,891	-5,038	-4,596	-2,892	-2,801
Total cash payments for financing activities	-275,130	-674,367	-741,844	-692,566	-710,253
Net cash flows from financing activities	24,152	67,863	57,515	58,033	53,059
Net increase/(decrease) in cash held	-24,594	528	-2,911	-2,022	-6,962

Table A3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates				
	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m	2028-29 \$m
GFS cash surplus(+)/deficit-(c)	-25,150	-39,419	-32,607	-34,383	-34,300
<i>plus</i> Principal payments of lease liabilities(d)	-2,740	-2,746	-2,759	-2,704	-2,728
Equals underlying cash balance(e)	-27,890	-42,165	-35,366	-37,087	-37,028
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-19,076	-23,076	-22,759	-19,961	-18,999
Equals headline cash balance	-46,966	-65,241	-58,126	-57,048	-56,027

- a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
- b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
- c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
- d) Principal payments on lease liabilities, which are financing cash payments, are deducted in the calculation of the underlying cash balance to maintain consistency of measure following the implementation of AASB 16.
- e) The term underlying cash balance is not used by the ABS.

Appendix B: Policy decisions since the 2025–26 Budget

Table B1: Receipt measures since the 2025–26 Budget

	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
CLIMATE CHANGE, ENERGY, THE ENVIRONMENT AND WATER					
<i>Clean Energy Regulator</i>					
Cheaper Home Batteries Program(a)	-	-	-	-	-
Portfolio total	-	-	-	-	-
TREASURY					
<i>Australian Taxation Office</i>					
Small Business Support – instant asset write-off(b)	-	-	-	-	-
Portfolio total	-	-	-	-	-
Total impact of receipt measures	-	-	-	-	-

- Nil.

(a) This measure can also be found in the payment measures summary table.

(b) This measure extends the \$20,000 instant asset write-off by 12 months until 30 June 2026. It is estimated to decrease receipts by \$310.0 million over three years from 2026–27. This measure was included as a 'decision taken but not yet announced' in the 2025–26 Budget.

Table B2: Payment measures since the 2025–26 Budget^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
CLIMATE CHANGE, ENERGY, THE ENVIRONMENT AND WATER					
<i>Clean Energy Regulator</i>					
Cheaper Home Batteries Program(b)(e)	-	-	-	-	-
<i>Department of Climate Change, Energy, the Environment and Water</i>					
Additional Funding for the Tourism Reef Protection Initiative(f)	-	-5.0	-	-	-
Cheaper Home Batteries Program(b)(e)	-	-	-	-	-
<i>Great Barrier Reef Marine Park Authority</i>					
Additional Funding for the Tourism Reef Protection Initiative(f)	-	5.0	-	-	-
Portfolio total	-	-	-	-	-
DEFENCE					
<i>Department of Veterans' Affairs</i>					
Additional Grant Funding for Ex-Service Organisations(g)	-	-	-	-	-
Medicare Benefits Schedule New Listings(h)	-	..	..	..	..
Pharmaceutical Benefits Scheme New and Amended Listings(i)	0.1	0.5	0.2	0.5	0.6
Portfolio total	0.1	0.5	0.2	0.5	0.6
EDUCATION					
<i>Department of Education</i>					
Commonwealth Funding for Queensland Schools(j)	-	28.5	60.9	68.1	73.4
Portfolio total	-	28.5	60.9	68.1	73.4
HEALTH AND AGED CARE					
<i>Australian Sports Commission</i>					
National Sports Strategy Priority – High Performance – Paralympics Australia(k)	-	2.1	-	-	-
<i>Department of Health and Aged Care</i>					
Asthma Foundation Northern Territory – health professional education and training(l)	-	-	-	-	-
Chronic Conditions Programs(m)	-	-	-	-	-
Drug and Alcohol Health Programs(n)	-	-	-	-	-
Heart Foundation – National Walking Initiative(o)	-	-	-	-	-
Lung Foundation Australia(p)	-	-	-	-	-
Medicare Benefits Schedule New Listings(h)	-	0.7	0.4	0.4	0.4
National Centre of Excellence in Youth Mental Health(q)	-	-	-	-	-

Table B2: Payment measures since the 2025–26 Budget^(a) (continued)

	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
HEALTH AND AGED CARE (continued)					
National Sports Strategy Priority – High Performance – Paralympics Australia(k)	-	-2.1	-	-	-
Pharmaceutical Benefits Scheme New and Amended Listings(i)	4.1	22.1	21.7	22.8	24.8
Portfolio total	4.1	22.9	22.1	23.2	25.2
HOME AFFAIRS					
<i>Department of Home Affairs</i>					
Supporting Social Cohesion(r)	-	-	-	-	-
Portfolio total	-	-	-	-	-
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT, COMMUNICATIONS AND THE ARTS					
<i>Department of Infrastructure, Transport, Regional Development, Communications and the Arts</i>					
Building a Better Future Through Considered Infrastructure Investment(d)(s)	-	-	-	-	-
Establishment of the Queensland Academy for Health Sciences in Rockhampton(d)(t)	-	-	-	-	-
National Capital Investment Framework(d)(u)	-	-	-	-	-
Priority Community Infrastructure Program(d)(v)	-	-	-	-	-
Redevelopment of the Bruce Park Pavilion, Frankston(d)(w)	-	-	-	-	-
Tasmanian Freight Equalisation Scheme(x)	-	48.5	46.5	-	-
West Coast Tasmania Mobile Capacity Uplift Program(y)	-	-	-	-	-
Portfolio total	-	48.5	46.5	-	-
SOCIAL SERVICES					
<i>Services Australia</i>					
Pharmaceutical Benefits Scheme New and Amended Listings(i)	0.1	..	..	..	..
Tasmanian Freight Equalisation Scheme(x)	-	3.5	0.5	-	-
Portfolio total	0.1	3.5	0.4	..	..
TREASURY					
<i>Department of the Treasury</i>					
Building a Better Future Through Considered Infrastructure Investment(d)(s)	-	58.0	100.0	6.0	36.0
Establishment of the Queensland Academy for Health Sciences in Rockhampton(d)(t)	-	15.0	35.0	30.0	-
Flinders HealthCARE Centre(d)(z)	-	4.0	35.0	73.0	38.0
National Capital Investment Framework(d)(u)	-	-	-	-	-

Table B2: Payment measures since the 2025–26 Budget^(a) (continued)

	2024-25	2025-26	2026-27	2027-28	2028-29
	\$m	\$m	\$m	\$m	\$m
TREASURY (continued)					
Priority Community Infrastructure Program(d)(v)	-	-	-	-	-
Redevelopment of the Bruce Park Pavilion, Frankston(d)(w)	-	5.0	-	-	-
Response to Supermarkets Inquiry(aa)	-	5.0	-	-	-
Rouse Hill Hospital – maternity and birthing services(d)(bb)	-	20.0	40.0	40.0	20.0
St John of God Midland Public Hospital(d)(cc)	-	15.0	40.0	35.0	30.0
Portfolio total	-	122.0	250.0	184.0	124.0
Total impact of payment measures(c)	4.3	225.8	380.1	275.8	223.2

.. Not zero, but rounded to zero.

- Nil.

(a) A minus sign before an estimate indicates a reduction in payments, no sign before an estimate indicates increased payments.

(b) This measure can also be found in the receipt measures summary table.

(c) Measures may not add due to rounding.

(d) The Treasury manages Commonwealth payments to the states and territories.

(e) This measure commits \$2.3 billion over four years from 2025–26 (and an additional \$1.2 billion from 2029–30 to 2034–35) for the Australian Government to cover the cost of a 30 per cent upfront discount (declining to 15 per cent by 2030) on the cost of installing household battery systems, delivered through the Small-scale Renewable Energy Scheme. This measure was included as a 'decision taken but not yet announced' in the 2025–26 Budget.

(f) This measure commits \$5.0 million in 2025–26 for the Great Barrier Reef Marine Park Authority to conduct reef monitoring and protection activities. The cost of this measure will be met from within the existing resources of the Department of Climate Change, Energy, the Environment and Water.

(g) This measure commits an additional \$0.2 million in 2025–26 for the Grants in Aid Program to support Ex-Service Organisations participating in the consultation and co-design process to implement recommendations of the Royal Commission into Defence and Veteran Suicide. The cost of this measure will be met from within the existing resources of the Department of Veterans' Affairs.

(h) This measure commits \$2.0 million over four years from 2025–26 (and \$0.4 million per year ongoing) for two new Medicare Benefits Schedule (MBS) listings to ensure the MBS remains clinically appropriate and reflects modern medical practices.

(i) This measure commits \$97.4 million over five years from 2024–25 for new, amended and temporary listings on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme as recommended by the Pharmaceutical Benefits Advisory Committee. The revenue from rebates negotiated as part of purchase agreements is included in the estimates but not in the measure because the disclosure of funding would reveal individual arrangements between third parties and the Commonwealth that are confidential and commercially privileged, which cannot be disclosed under Deeds of Agreements.

(j) This measure commits \$230.9 million over four years from 2025–26 (and an additional \$2.6 billion from 2029–30 to 2034–35) to enable the Commonwealth to lift its contribution of the Schooling Resource Standard to 25 per cent by 2034–35 for government schools in Queensland under the Better and Fairer Schools Agreement (Full and Fair Funding 2025–2034).

(k) This measure commits \$2.1 million in 2025–26 for Paralympics Australia to support the attendance and participation of Australia's Paralympians in the 2026 Milano-Cortina Winter Paralympic Games. The cost of this measure will be met from within the existing resources of the Department of Health and Aged Care.

(l) This measure commits \$0.2 million in 2025–26 for Asthma Foundation Northern Territory to support the health and wellbeing of Aboriginal and Torres Strait Islander children in the Northern Territory. The cost of this measure will be met from within the existing resources of the Department of Health and Aged Care.

- (m) This measure commits \$8.0 million in 2025–26 to continue delivery of preventive health and chronic disease initiatives to support Australians with chronic conditions. The cost of this measure will be met from within the existing resources of the Department of Health and Aged Care.
- (n) This measure commits \$2.6 million in 2025–26 to continue support for alcohol and drugs rehabilitation and treatment services in areas of identified need. The cost of this measure will be met from within the existing resources of the Department of Health and Aged Care.
- (o) This measure commits \$3.2 million in 2025–26 for the Heart Foundation of Australia to extend the National Walking Initiative to support physical activity participation. The cost of this measure will be met from within the existing resources of the Department of Health and Aged Care.
- (p) This measure commits \$1.0 million in 2025–26 for Lung Foundation Australia to continue delivery of services supporting individuals living with occupational respiratory disease. The cost of this measure will be met from within the existing resources of the Department of Health and Aged Care.
- (q) The measure commits \$5.1 million over two years from 2025–26 to support the continued operation of the National Centre of Excellence in Youth Mental Health (NCEYMH) and to undertake an evaluation of the NCEYMH. The cost of this measure will be met from within the existing resources of the Department of Health and Aged Care.
- (r) This measure commits \$20.0 million over two years from 2025–26 for one-off, ad-hoc and non-competitive grants to support multicultural communities and social cohesion. This includes: \$5.0 million for a new community hall at the St Rafqa Maronite Church in Austral; \$3.0 million for community security upgrades in the Ballina, Tweed and Byron Shire Councils; \$0.7 million for facilities upgrades to the Taha Centre in Dandenong; \$0.3 million to support the Lunar New Year Festival in Box Hill and the Tet festival in Prairiewood; \$0.1 million for upgrades to the St Joseph Italian Community Centre in Paralowie; and \$54,725 to replace ovens at the Altavilla Club in Beulah Park. The delivery of these grants will be subject to an assessment of value for money and compliance with the applicable requirements of the *Commonwealth Grants Rules and Principles 2024*. This measure was included as a 'decision taken but not yet announced' in the 2025–26 Budget.
- (s) This measure commits \$881.1 million over eight years from 2025–26. This includes: \$604.7 million over eight years from 2025–26 for projects in Western Australia (\$309.7 million for METRONET: Byford Extension, \$225.0 million for Reid Highway – Erindale Road Grade Separation and \$70.0 million for Wanneroo Road – Hepburn Avenue Grade Separation); \$226.4 million over five years from 2027–28 for projects in New South Wales (\$114.4 million for New Richmond Bridge – Stage 2, \$100.0 million for the Westbound Overpass at the Maitland Roundabout, and \$12.0 million for Bucketts Way and Medowie Road/M1 Intersection Upgrades – Planning); and \$50.0 million over four years from 2028–29 for projects in Queensland (\$30.0 million for Angus Smith Drive Upgrade and \$20.0 million for Kennedy Highway – Barron River Bridge). The cost of this measure will be partially met from existing funding for the *Infrastructure Investment Program*.
- (t) This measure commits \$80.0 million over three years from 2025–26 towards the establishment of the Queensland Academy for Health Sciences, Rockhampton, Queensland.
- (u) This measure commits \$102.0 million over four years from 2025–26 to support urban infrastructure projects in the Australian Capital Territory, including \$68.9 million for the design and construction of the Canberra Aquatic Centre, \$31.1 million for the design and development of the Canberra Convention and Entertainment Centre Precinct, and \$2.0 million for the Department of Infrastructure, Transport, Regional Development, Communications and the Arts to support project delivery. This measure was included as a 'decision taken but not yet announced' in the 2025–26 Budget.

- (v) This measure commits \$125.0 million over two years from 2025–26 for the *Priority Community Infrastructure Program* Round 2 to support community infrastructure projects across Australia. This includes: \$25.0 million for Bacchus Marsh Aquatic Centre; \$16.0 million for Bega Pool; \$10.0 million for Canning Vale Sports Complex; \$10.0 million for Southern Suburbs Community Centre and Library; \$10.0 million for Carss Park Pool; \$10.0 million for Zuccoli Community Hub; \$5.0 million for Saltwater Reserve – Point Cook Community Hub; \$4.8 million for Shared Pathway Missing Links; \$4.0 million for basketball courts at the Mandurah Aquatic Centre; \$3.9 million for Sparks Reserve upgrade; \$3.6 million for Deloraine Football Club redevelopment; \$2.9 million for Stage 2B of the Hartfield Park redevelopment; \$2.6 million for Jubilee Reserve redevelopment; \$1.9 million for Christie Park Master Plan Stage 2A; \$1.8 million for Black Gully Linear Reserve and Captain Cook Reserve; \$1.4 million for Sydney Pargeter Reserve; \$1.4 million for Marine Rescue; \$1.0 million for Grovedale Football Netball Club Burdoo Reserve Facility upgrade; \$1.0 million for Hoxton Park Reserve; \$0.5 million for Forest Lake Water Play Park; \$0.4 million for Port Phillip EcoCentre redevelopment; \$0.4 million for David Campese Oval – netting and fencing infrastructure upgrade; \$0.4 million for Max Pawsey Reserve; and \$0.1 million for Phoenix Community House upgraded facilities. The delivery of these grants will be subject to an assessment of value for money and compliance with the applicable requirements of the *Commonwealth Grants Rules and Principles 2024*. This measure was included as a 'decision taken but not yet announced' in the 2025–26 Budget.
 - (w) This measure commits \$5.0 million in 2025–26 for the redevelopment of the Bruce Park Pavilion, Frankston, Victoria.
 - (x) This measure commits \$99.0 million over two years from 2025–26 to increase the rate of assistance for the *Tasmanian Freight Equalisation Scheme* (TFES) by 25 per cent from 1 July 2025 and conduct a review of TFES and the *Bass Strait Passenger Vehicle Equalisation Scheme*.
 - (y) This measure commits \$9.8 million over four years from 2026–27 to the West Coast Tasmania Mobile Capacity Uplift Program. The cost of this measure will be met by reallocating funding from the 2022–23 October Budget measure titled *Better Connectivity Plan for Regional and Rural Australia*.
 - (z) This measure commits \$150.0 million over four years from 2025–26 towards the construction of the Flinders HealthCARE Centre at the Flinders University campus, Adelaide, South Australia.
 - (aa) This measure commits \$5.0 million in 2025–26 for the Treasury to undertake work on supermarket sector pricing and implement relevant recommendations of the Australian Competition and Consumer Commission's supermarkets inquiry 2024–25.
 - (bb) This measure commits \$120.0 million over four years from 2025–26 towards the construction of facilities for maternity services as part of the Rouse Hill Hospital, New South Wales.
 - (cc) This measure commits \$200.0 million over six years from 2025–26 towards the expansion of the St John of God Midland Public Hospital, Western Australia.
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Appendix C: Statement of Risks

Overview

Full details and explanations of fiscal risks, contingent liabilities and assets, and Government loans are provided in the *2025–26 Budget Statement 8: Statement of Risks*. That Statement includes all risks that have been assessed as meeting a materiality threshold – which is that they would have a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period.

Consistent with the Charter, the 2025 PEFO updates only those fiscal risks, contingent liabilities and assets, and Government loans that have arisen or materially changed since the 2025–26 Budget, and other risks that may affect the fiscal outlook.

There is one contingent liability that has been modified since the 2025–26 Budget, which is outlined below. All other risk and loan items included in the *2025–26 Budget Statement 8: Statement of Risks* still accurately reflect the risk to the fiscal outlook.

Fiscal Risks

Fiscal risks comprise general economic developments or specific events or factors that may affect the fiscal outlook. In some cases, the likelihood of a fiscal impact may be reasonably certain but will not be included in the forward estimates because the timing or magnitude is not known.

The receipt and payment estimates and projections published in the 2025 PEFO are based on a range of economic and other parameters, and are consistent with the 2025–26 Budget.

The economic and fiscal estimates and projections are based on the best professional judgment of the Treasury and the Department of Finance, reflecting all known information at the time of the issue of the election writs. To the extent that unanticipated changes in economic conditions or program specific parameters occur, their impact will flow through to government payment and receipt forecasts and hence the fiscal position.

As discussed in the *Economic Outlook*, recent trade hostilities present material downside risks to the economic outlook, which, if realised, could in turn affect the fiscal outlook. The fiscal outlook could also be impacted by the recent significant flooding in Western Queensland.

Unlegislated measures

In line with normal practice, and as was the case at the 2025–26 Budget, the forward estimates in the 2025 PEFO reflect the impact of all policy decisions, including those that remain unlegislated.

Consistent with normal practice, the estimates in the 2025 PEFO assume that unlegislated policy decisions will be legislated and take effect from the next possible commencement date. Where legislation is not passed by the scheduled commencement date, is passed with amendments to the original decision, or is rejected, there is a risk of a variation to the fiscal position outlined in the 2025 PEFO.

The Parliamentary Budget Office regularly publishes a list of unlegislated budget measures with significant financial implications. The latest list was published on 19 February 2025 and is available at www.pbo.gov.au.

Contingent Liabilities and Assets

There are a range of factors that may influence the actual budget outcome in future years, including matters that are not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood, and the realisation of contingent liabilities or assets.

As outlined in the 2025–26 Budget, a large number of the contingent liabilities 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 fiscal position is also subject to a number of guarantees issued by the Australian Government, such as those relating to guarantee schemes for the banking and financial sector, payments by the Export Finance and Insurance Corporation and the superannuation liabilities of the Commonwealth Bank prior to its sale to the private sector.

Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions and legal cases concerning the Australian Government.

There is one material update to an existing contingent liability since the 2025–26 Budget.

Indemnity provided to the Administrator of the Construction and General Division of the Construction, Forestry and Maritime Employees Union

Since the 2025–26 Budget, the Commonwealth has entered into a deed of indemnity with the Administrator of the Construction and General Division (and its branches) of the Construction, Forestry and Maritime Employees Union. The indemnity is to ensure that, in the event relevant provisions in the *Fair Work (Registered Organisations) Act 2009* and/or the *Fair Work (Registered Organisations) (CFMEU Construction and General Division Administration) Determination 2024* (which contain an indemnity) are found to be invalid, the Administrator and persons acting under his direction have continued indemnity in certain circumstances. The indemnity is uncapped for certain liabilities (although subject to compliance with its terms) and currently unquantifiable as the potential liability cannot be accurately estimated at present.

Government Loans

The 2025–26 Budget estimates include a number of loans, which all contain some element of credit risk that they will not be repaid in full, although in most cases this risk is small. There are no new loans and no material updates to the Government loans disclosed in the *2025–26 Budget Statement 8: Statement of Risks*.



Australian Government

**PRE-ELECTION ECONOMIC
AND FISCAL OUTLOOK**

2025