

---

# Federal Budget 2016-2017

## Background Briefing

Thursday - 5th May 2016

---



[budget.gov.au](http://budget.gov.au)

This BACKGROUND Briefing is provided to the LLEN Data Network as a “At a Glance” briefing for **discussion purposes only** and is not intended for public distribution.

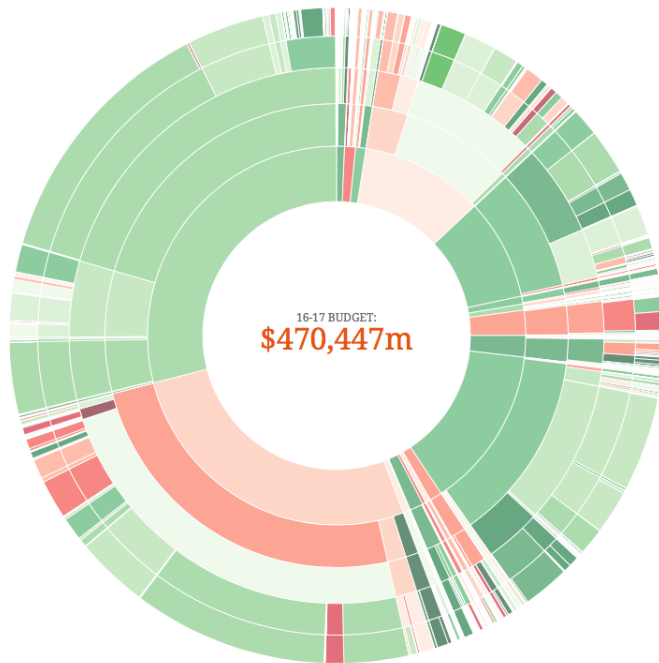
Further details of programme specific analysis and PLACE-BASED assessments will be provided as modelling becomes available during May 2016.

Portal Link: [Budget Briefings Australia](#)

---

## Budget 2016-17 - The Global Context

The Total Budget for the 2016-2017 Financial Year is **\$470,447m** up from \$451,290 in 2015-16.



The economy of Australia is one of the largest capitalist economies in the world with a GDP of US\$1.45 trillion as of 2014.<sup>1</sup>

Following two decades of continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system, Australia enters 2016 facing a range of growth constraints, principally driven by a sharp fall in global prices of key export commodities. Demand for resources and energy from Asia and especially China has stalled and sharp

drops in current prices have impacted growth.<sup>2</sup>

**Australia** experienced a drop in 2014-15 in average wealth from **USD \$422,400** to **USD \$364,900**, but retained its ranking (now third).<sup>3</sup>

### WEALTH

**Australia's wealth** per adult in 2015 is USD \$364,900, **the third highest in the world** after Switzerland and New Zealand.

**Australia accounts for 3.1%** of the wealthiest in the **WORLD**, despite having just **0.4%** of the world's adult population.

**Australia's median wealth** of USD 168,300 is second only to that of New Zealand.

### POVERTY

Australia's *poverty rate* **increased** from **10.2%** to **13.9% of all people**, from 2000/01 to 2014<sup>4</sup> and even more concerning **17.7% of all children**.

## Introduction

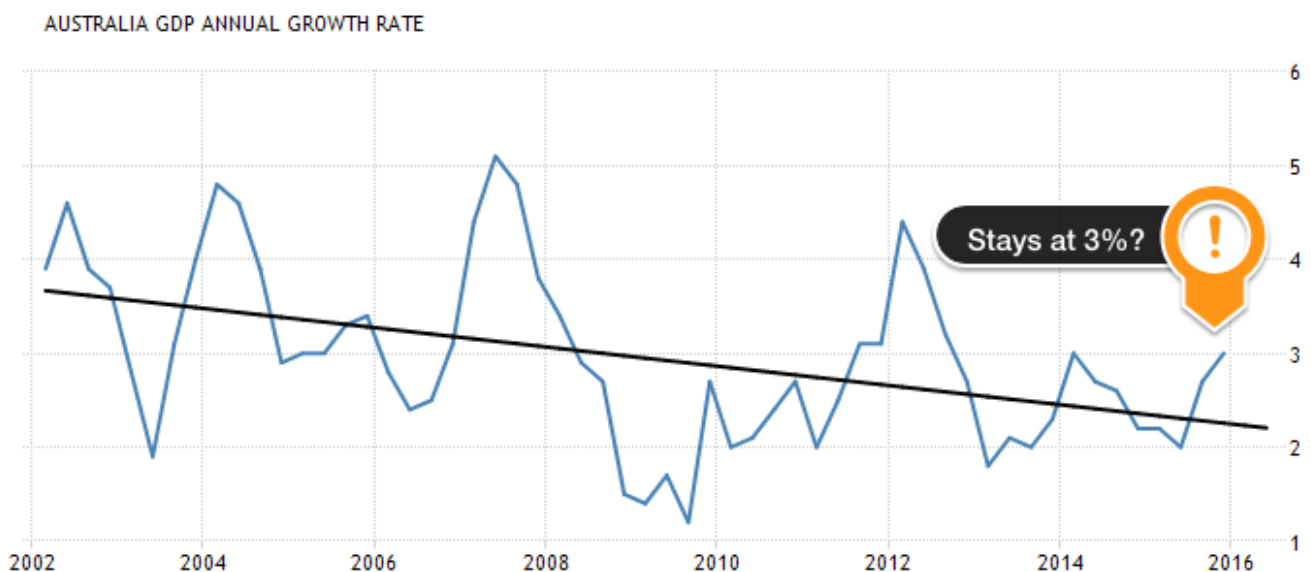
In 2016-17 the Australian economy is *forecast* to strengthen over the next four years. The budget will *not* return to surplus in this time.

Real GDP is *forecast* to grow by 2.5 per cent in 2016-17, before increasing to just growth of 3.0 per cent in 2017-18.<sup>5</sup>

- The **unemployment rate** is forecast to reach 5.5 per cent in 2016-2017 and **remain** at this rate until 2019-20.
- The **employment rate** is forecast to **fall** to 1.75 percent in 2016-2017, falling further to 1.5% percent by 2019-20
- The Government projects economic growth will accelerate in the period 2016-17 and *Real*<sup>6</sup> GDP growth is forecast to grow from 2.5 percent in 2016-17 to 3.0 per cent in 2017-2020 [This has been **revised down by 0.5%** from previous budget.
- *Nominal*<sup>7</sup> GDP is expected to grow by 4.25 per cent in 2016-17 before increasing to 5.0 per cent in 2017-20 [A sharp increase in 2015-16, but reduction of 0.5% by 2020]
- [Editor's Note - Surprise LOW inflation figures will change this.]
- The underlying cash deficit is projected to be \$37.1 billion in 2016-17 (2.5 per cent of GDP), reducing to \$6.0 billion (-0.1 per cent of GDP) in 2019-20

### Annual GDP Growth Rate Since LLENs Began

#### Assumptions?



Source: Trading Economics

## Budget at a Glance - 1 of 3

### Economy

- GDP - **2.5%** [MYEFO 2014 3.0%]
- Previous Budget deficit: **\$29.8 billion** in 2014-15 (to **\$2.8 billion** in 2017-18)
- CURRENT Budget deficit: **\$37.1 billion in 2016-17** (to **\$6.0 billion** in 2019-20)
- Unemployment forecast: **5.5%** [Current 5.75%]

**Consider:** February 2016 - **729,000** Unemployed - **172,900** Job Vacancies<sup>8</sup> [4:1]

### Major Spending Announcements

- **\$1.2 Billion** [between 2018-20] for schools, contingent on reform?
- **\$ 840 million** - Youth Employment Package [Youth Jobs PaTH ]
- **\$ 88.6 million** - Enterprising Youth [NEIS, Transition to Work, ParentsNext]
- **\$29.9 Billion** - Defence - rising to 2.0% of GDP over Ten? years
- **\$ 1.7 Billion** - "Targeted" Welfare - [Dental Scheme, Child Subsidy/ Funds, DSP]
- **\$1.5 Billion** - Infrastructure [ Monash Fwy, Murray Basin Rail, M80 Road, Roads]
- **\$1.1 Billion** - Industry & Innovation

### Major Budget Parameters

#### Budget aggregates

	Actual		Estimates		Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Underlying cash balance (\$b)(a)</b>	<b>-37.9</b>	<b>-39.9</b>	<b>-37.1</b>	<b>-26.1</b>	<b>-15.4</b>	<b>-6.0</b>
Per cent of GDP	-2.4	-2.4	-2.2	-1.4	-0.8	-0.3
<b>Fiscal balance (\$b)</b>	<b>-39.9</b>	<b>-39.4</b>	<b>-37.1</b>	<b>-18.7</b>	<b>-9.8</b>	<b>-2.1</b>
Per cent of GDP	-2.5	-2.4	-2.2	-1.0	-0.5	-0.1

(a) Excludes net Future Fund earnings.

#### Major economic parameters(b)

	Outcomes		Forecasts		Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Real GDP	2.2	2 1/2	2 1/2	3	3	3
Employment	1.6	2	1 3/4	1 3/4	1 1/4	1 1/2
Unemployment rate	6.1	5 3/4	5 1/2	5 1/2	5 1/2	5 1/2
Consumer price index	1.5	1 1/4	2	2 1/4	2 1/2	2 1/2
Wage price index	2.3	2 1/4	2 1/2	2 3/4	3 1/4	3 1/2
Nominal GDP	1.6	2 1/2	4 1/4	5	5	5

---

## Budget at a Glance - 2 of 3

### Education Portfolio<sup>9</sup>.

**School funding – \$1.2 billion between 2018 and 2020** for schools, contingent upon reform efforts by the States and the non-government schools sector to improve education outcomes.

**School funding** - additional funding for students with a disability (**\$118.2 million**) – The Government is using data from the Nationally Consistent Collection of Data on School Students with Disability (NCCD) to inform additional funding for students with disability.

**Indigenous Student Success in Higher Education** (\$9.7million) – The Government will consolidate support for the Batchelor Institute for Indigenous Tertiary Education (BIITE) by transferring funding to the National Institute program.

**Quality Indicators for Learning and Teaching (QILT)** – improvements (\$8.1 million) – Additional funding will be provided to enhance the information available for people to make informed decisions about their study options.

**Higher Education Reform** – further consultation – The Government **will delay** the implementation of the higher education reforms announced in the 2014–15 Budget by a further year to provide certainty pending the passage of legislation. Jobs for

**Families Package** – deferred implementation

### Youth Employment

- **\$840 million** in a *Youth Employment Package* to help up to 120,000 young people over four years secure jobs.

- Youth Jobs PaTH (Prepare-Trial-Hire) Programme for young people. The pathway will be open to vulnerable job seekers under 25 years of age who are in employment services.

**Consider:** Employment Minister Michaelia Cash [May 4th] advised<sup>10</sup> that the first stage of the Government's new youth employment plan *will be compulsory within five months* of a job-seeker receiving welfare payments.

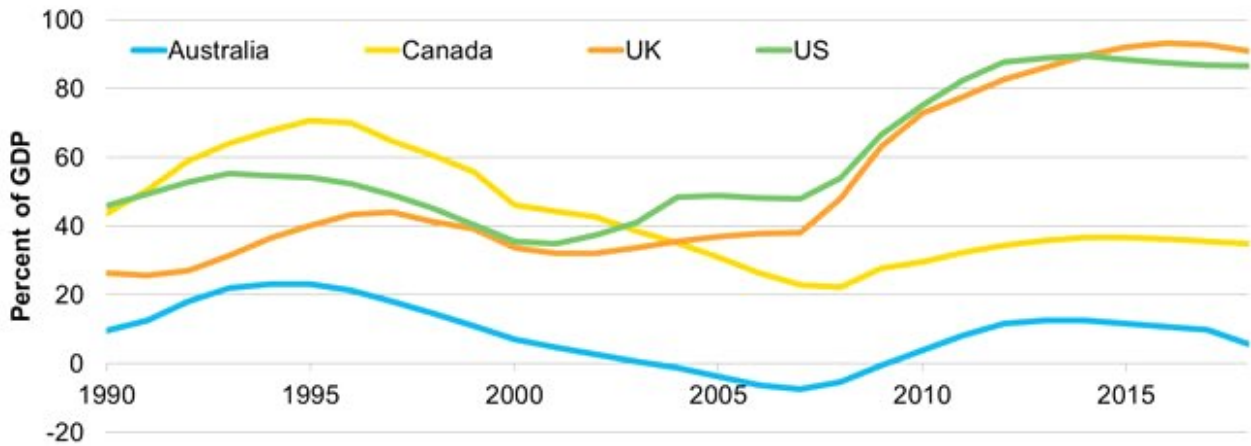
Considerable public debate has arisen regarding susceptibility to “rotting” of scheme and lack of “safeguards” and “controls”. See:

- Anna Patty - [Sydney Morning Herald](#)
- Peta Donald - [ABC News](#)

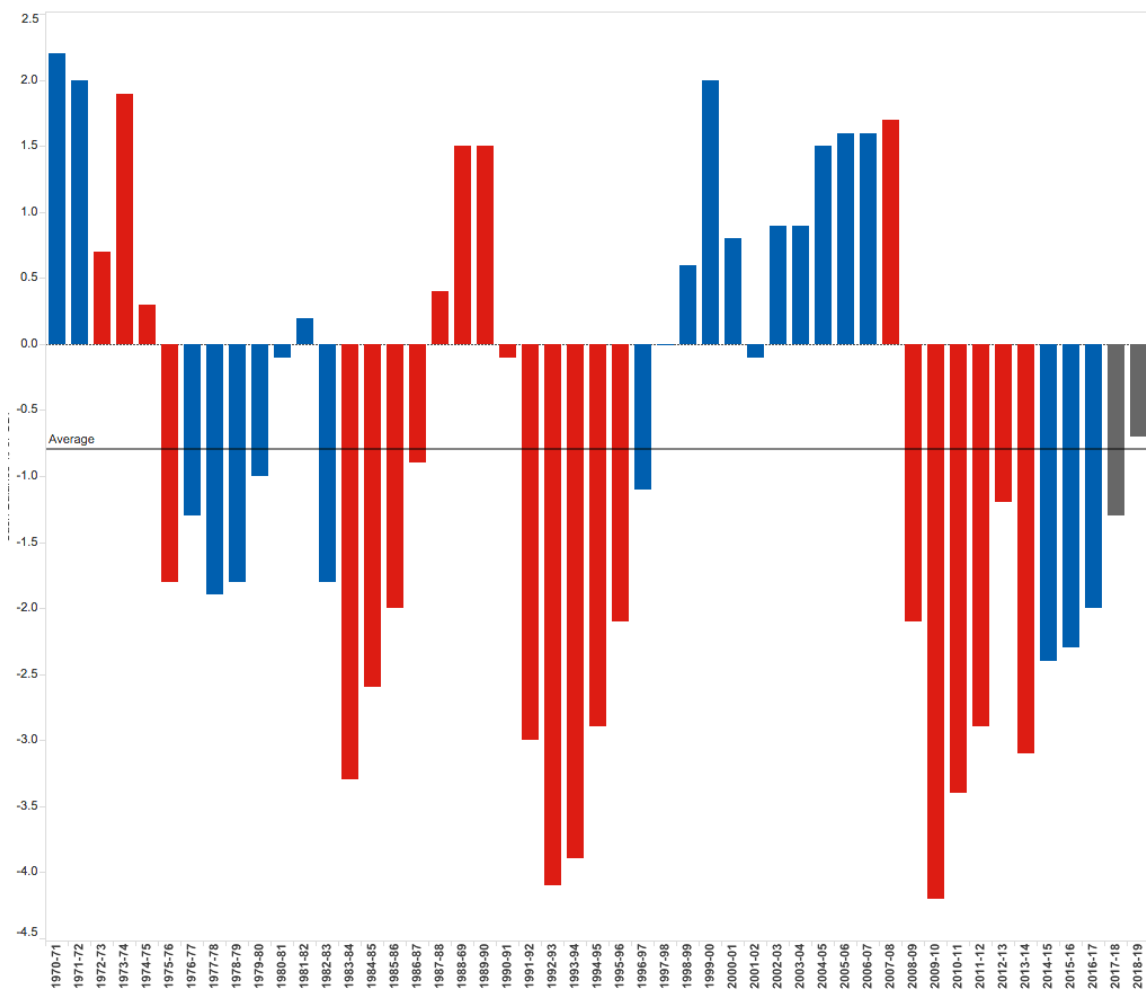
# Budget at a Glance - 3 of 3

## Debt<sup>11</sup> and International Comparison

### Australian Net Debt



### Australian Budget Positions Compared - See Online [Link](#) - Budgets Past<sup>12</sup>



---

## Portfolio Summaries 1 of 2<sup>13</sup>

### Social Services Portfolio [ 28% Budget - 15.6% Growth]

Agency - Dept of Social Services	Budget \$ Billion
Last Year - 2015-16	\$137.6
Current Year - 2016-17	\$127.7
Next Year - 2017-18	\$125.7
Next + 1 - 2018-2019	\$132.5
Next + 2 - 2019-2020	\$145.2

Cost Per Australian = \$5,458.70

### Health Portfolio [ 13% Budget | 9.7% Growth]

Agency - All	Budget \$ Billion
Last Year - 2015-16	\$46.4
Current Year - 2016-17	\$57.9
Next Year - 2017-18	\$65.2
Next + 1 - 2018-2019	\$67.5
Next + 2 - 2019-2020	\$70.5

Cost Per Australian = \$2,830.86

### Education and Training Portfolio [ 8% of Budget | 13.7% Growth ]

Agency - Dept of Education & Training	Budget \$ Billion
Last Year - 2015-16	\$29.5
Current Year - 2016-17	\$36.3
Next Year - 2017-18	\$40.7
Next + 1 - 2018-2019	\$42.3
Next + 2 - 2019-2020	\$45.2

Cost Per Australian = \$1,766.19

## Portfolio Summaries 2 of 2

### Infrastructure and Regional Development Portfolio [ 1% of Budget | 4.6% Growth ]

Agency - Multiple	Budget \$ Billion
Last Year - 2015-16	\$5.0
Current Year - 2016-17	\$4.0
Next Year - 2017-18	\$5.5
Next + 1 - 2018-2019	\$5.3
Next + 2 - 2019-2020	\$4.6

Cost Per Australian = \$237.58

### Employment Portfolio [ 1% of Budget | 4.2% Growth ]

Agency - Dept of Employment	Budget \$ Billion
Last Year - 2015-16	\$2.3
Current Year - 2016-17	\$2.8
Next Year - 2017-18	\$3.2
Next + 1 - 2018-2019	\$3.2
Next + 2 - 2019-2020	\$3.2

Cost Per Australian = \$136.83

### Agriculture & Water Portfolio [ 1% of Budget | - 6.8% Reduction ]

Agency - Dept of Agriculture	Budget \$ Billion
Last Year - 2015-16	\$1.7
Current Year - 2016-17	\$2.5
Next Year - 2017-18	\$3.2
Next + 1 - 2018-2019	\$3.4
Next + 2 - 2019-2020	\$3.1

Cost Per Australian = \$137.73



---

## References

<sup>1</sup>Trading Economics

<sup>2</sup> CIA World Fact Book - <https://www.cia.gov/library/publications/the-world-factbook/geos/as.html>

<sup>3</sup> Credit Suisse - Global Helath Report 2015

<sup>4</sup> ACROSS - Accessed May 5 2016 - <http://across.wpengine.com/poverty-2/>

<sup>5</sup> Australian Budget Papers No1 2016-2017 - <http://budget.gov.au/2016-17/content/bp1/html/>

<sup>6</sup> [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2013/September/Looking\\_back\\_nominal\\_and\\_real\\_GDP\\_growth](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2013/September/Looking_back_nominal_and_real_GDP_growth)

<sup>7</sup> Ibid

<sup>8</sup> ABS Job Vacancies Australia Feb 2016 - <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6354.0>

<sup>9</sup> WhaleSongServices - <http://whalesongservices.com.au/clientportal/australian-federal-budget-2016/>

<sup>10</sup> ABC News - <http://www.abc.net.au/news/2016-05-05/work-internships-not-voluntary-michaelia-cash-says/7386580>

<sup>11</sup> [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/BriefingBook44p/AustGovDebt](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/AustGovDebt)

<sup>12</sup> WhaleSongServices - Budgets Past - <http://whalesongservices.com.au/clientportal/budgets-past/>

<sup>13</sup> Budget Paper No.1 -Overview - Real Growth Portfolio: Table 3