



Parliamentary
Budget Office

Guide to the 2022-23 Budget

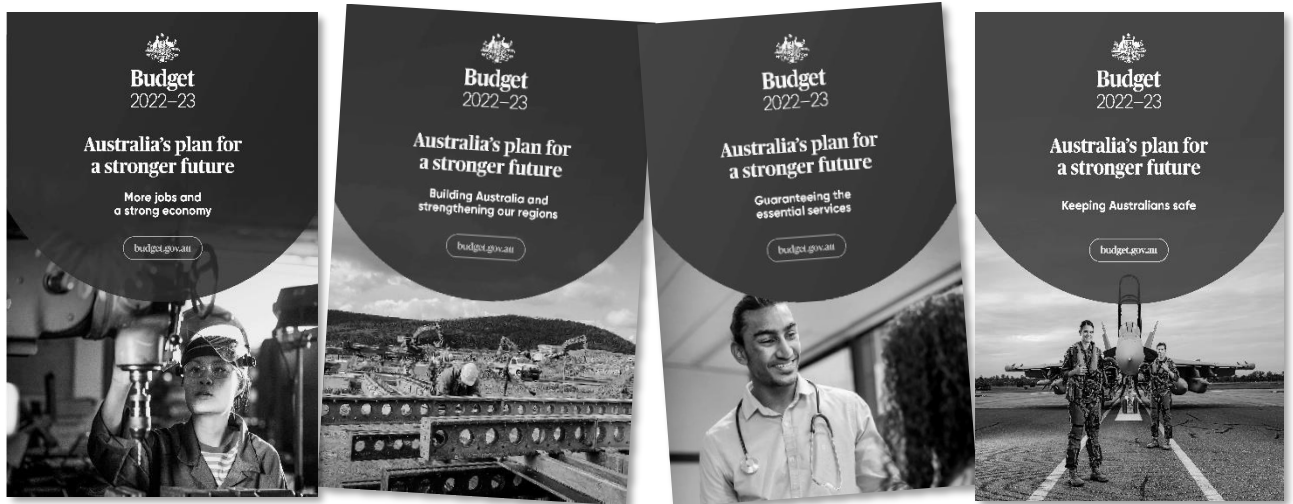
March 2022

This is an introductory guide to
the 2022-23 Budget Papers.
See the PBO's [Online budget
glossary](#) for more detail on key
terms related to the budget.

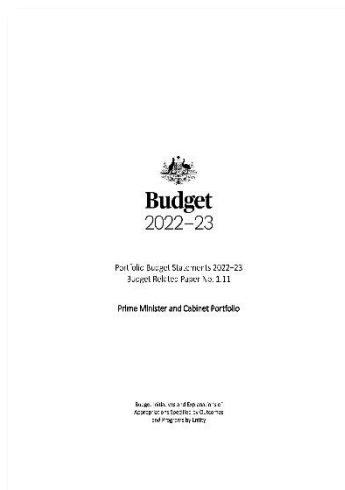
The Budget Papers



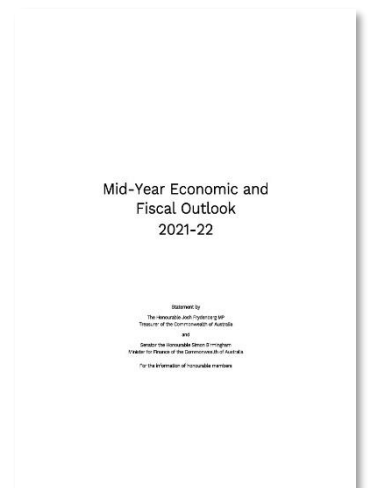
The Budget "At a Glance"



Portfolio Budget Statements



Mid-Year Economic and Fiscal Outlook



The Budget Papers

The Budget is presented in four books, called *Budget Papers*, plus several supporting documents. The Budget can be found at: budget.gov.au

Budget Paper No. 1: Budget Strategy and Outlook

Budget Paper No. 1 (BP1) provides high-level information about the government's fiscal position and the overall economic outlook, including:

- the international and domestic economic outlook (**page 2 of this document**)
- the fiscal outlook of the government (**page 3**), including estimates of the budget balance, revenue, expenditure, and investment
- how the fiscal outlook has changed since the previous budget update (**page 4**)
- the government's balance sheet position, including the assets, liabilities, and debt position of the government (**page 10**).

Budget Paper No. 2: Budget Measures

Budget Paper No. 2 (BP2) contains details of policy measures undertaken since the last Mid-Year Economic and Fiscal Outlook (MYEFO) (**page 6**). Each budget measure is classified according to what aspect of the government's finances it mostly affects (receipts or payments).

BP2 includes a summary table as well as a detailed description of each individual measure (**page 8**).

Budget Paper No. 3: Federal Financial Relations

Budget Paper No. 3 (BP3) contains information on payments made by the government to the states and territories (including GST).

Budget Paper No. 4: Agency Resourcing

Budget Paper No. 4 (BP4) contains information on the funding for each government agency.

Portfolio Budget Statements

The Portfolio Budget Statements (PBS) contain more detail on the proposed activities and expenditures of each agency within each portfolio.

At a Glance

The "At a Glance" documents (often known as "Glossies") are a series of pamphlets which highlight some key aspects of the Budget.

Mid-Year Economic and Fiscal Outlook (MYEFO)

The MYEFO provides an update on the budget position and economic outlook around mid-way through the year. The MYEFO is the main point of comparison for the Budget.

Economic forecasts

The government's economic forecasts underpin the forecasts for taxes and spending.

Budget Paper No. 1 provides high-level information about the overall economic outlook in Statement 1, including a summary of the key items in Table 1.1 (these items are known as 'economic parameters'):

Table 1.1: Major economic parameters^(a)

	Outcome		Forecasts			
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	1.5	4 1/4	3 1/2	2 1/2	2 1/2	2 1/2
Employment	6.5	2 3/4	1 1/2	1 1/2	1	1
Unemployment rate	5.1	4	3 3/4	3 3/4	3 3/4	4
Consumer price index	3.8	4 1/4	3	2 3/4	2 3/4	2 1/2
Wage price index	1.7	2 3/4	3 1/4	3 1/4	3 1/2	3 1/2
Nominal GDP	4.4	10 3/4	1/2	3	5 1/4	5

(a) Real GDP and Nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

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

Economic growth

Growth in the size of the economy, **gross domestic product (GDP)**, is measured by the Australian Bureau of Statistics (ABS).

- **Nominal GDP** measures the total value of goods and services produced. Many budget amounts are presented as a share of nominal GDP, which can assist with making meaningful comparisons over time.
- **Real GDP** removes the effect of price change, or inflation, over time to measure the volume of goods and services produced. The percentage growth in real GDP is one of the most used measures for the health of the economy.

Tip: Have last year's budget nearby so you can compare the economic forecasts.

Employment

Employment is the percentage growth in the number of people who have a job.

The **unemployment rate** is the percentage of the workforce who are looking for a job.

Inflation

Inflation is the growth in prices over time.

A common measure of inflation is the **consumer price index (CPI)**, which captures how much the prices of goods and services purchased by a typical household have grown.

The **wage price index (WPI)** shows how much wages, on average, grow for the same job.

Do you need more information?

Statement 2 of BP1 contains more detail on the economic outlook.



The budget balance

There are many aggregate estimates in the Budget. When people talk about the budget surplus or deficit, they are usually talking about the **underlying cash balance**.

Budget Paper No. 1 provides high-level information about the budget position. The forecast budget balance is shown in Table 1.2

**deficit = negative
underlying cash balance**

Table 1.2: Budget aggregates

	Actual	Estimates					Projections
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total(a) 2032-33
	\$b	\$b	\$b	\$b	\$b	\$b	\$b
Underlying cash balance	-134.2	-79.8	-78.0	-56.5	-47.1	-43.1	-224.7
Per cent of GDP	-6.5	-3.5	-3.4	-2.4	-1.9	-1.6	-0.7
Gross debt(b)	817	906	977	1,056	1,117	1,169	
Per cent of GDP	39.5	39.5	42.5	44.6	44.9	44.7	40.3
Net debt(c)	592.2	631.5	714.9	772.1	823.3	864.7	
Per cent of GDP	28.6	27.6	31.1	32.6	33.1	33.1	26.9

(a) Total is equal to the sum of amounts from 2022-23 to 2025-26.

(b) Gross debt measures the face value of Australian Government Securities (AGS) on issue.

(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).

**surplus = positive
underlying cash balance**

What is a budget surplus?

- The budget is in **surplus** when the government's receipts are greater than its payments.
- The budget is in **deficit** when the government's payments are greater than its receipts.

Many numbers in the Budget are shown on both a cash accounting basis and an accrual accounting basis.

The **underlying cash balance** is a cash estimate while the **net operating balance** (Table 3.8) is an accrual estimate. Differences between the two are often because of *timing*:

- Cash accounting recognises income and expenses when money changes hands.
- Accrual accounting recognises income when it is earned and costs when they are incurred, regardless of when any cash is received or paid. Accrual figures give information about money that will need to change hands in the future.

The government and media usually quote the cash figure for the budget balance.

How do I calculate the underlying cash balance?

The underlying cash balance is broadly *equal to receipts less payments*.



Do you need more information?

Detailed information on revenue forecasts can be found in BP1, Statement 4. Detailed information on expense forecasts can be found in BP1, Statement 5.

What has changed since MYEFO?

Budget forecasts are revised as circumstances change. These differences are generally due to either policy decisions or parameter variations.

What are parameter variations, and how are they different to policy decisions?

- The effect of **policy decisions** represents the change to the finances of the government that arises because of the new decisions, or ‘measures’, of the government.
- **Parameter (and other) variations** are any changes to the finances of the government that are not due to a policy decision. These are generally outside the direct control of the government. Parameter variations mostly occur because of changes in the broader Australian or international economy, including changes to the composition or demographics of the Australian population.

The policy decisions and parameter variations sum to the total change in the budget position.

Where can I find information on how the budget estimates have changed?

Budget Paper No. 1, Statement 3 includes a table known as the **reconciliation table** (shown on the next page), which reconciles estimates from the previous budget update with the current estimates. This table is a helpful summary of the Budget because it shows the total change and what has driven that change.

The reconciliation table steps through the how the estimates of the underlying cash balance have changed from the 2021-22 Budget to the MYEFO, then from the MYEFO to the Budget.

How to calculate the effect of policy decisions and parameter variations

Each of these effects can be broken down by which aspect of the government’s finances they impact:

- An increase in receipts has a **positive** effect on the budget balance.
- An increase in payments has a **negative** effect on the budget balance.

Therefore, the total effect of either policy decisions or parameter variations is:

$$\begin{array}{l}
 \text{effect on receipts} \\
 \text{less effect on payments} \\
 \text{1 equals total effect of policy decisions or parameter variations}
 \end{array}$$

How to calculate the total change in the budget balance

$$\begin{array}{l}
 \text{underlying cash balance as at MYEFO} \\
 \text{2 plus total impact of policy decisions since MYEFO} \\
 \text{plus total impact of parameter and other variations since MYEFO} \\
 \text{equals underlying cash balance}
 \end{array}$$

Table 3.3: Reconciliation of the general government sector underlying cash balance estimates

	Estimates					Total(a)
	2021-22	2022-23	2023-24	2024-25	2025-26	
	\$m	\$m	\$m	\$m	\$m	\$m
2021-22 Budget underlying cash balance	-106,619	-99,266	-79,514	-56,966	*	*
Per cent of GDP	-5.0	-4.6	-3.5	-2.4	*	*
Changes from 2021-22 Budget to 2021-22 MYEFO						
Effect of policy decisions(b)	-30,702	-6,428	-4,114	-3,556	*	*
Effect of parameter and other variations	38,075	6,835	-840	3,053	*	*
Total variations	7,372	408	-4,954	-502	*	*
2021-22 MYEFO underlying cash balance(c)	-99,247	-98,859	-84,468	-57,469	-68,069	-308,864
Per cent of GDP	-4.5	-4.4	-3.6	-2.3	-2.7	
Changes from 2021-22 MYEFO to 2022-23 Budget						
Effect of policy decisions(b)(d)						
Receipts	-2,342	-8,351	1,596	602	739	-5,415
Payments	-6,520	8,822	5,732	5,814	4,636	25,004
Total policy decisions impact on underlying cash balance	= -8,861	-17,173	-4,136	-5,212	+ -3,898	-30,419
Effect of parameter and other variations(d)						
Receipts	26,838	39,534	33,358	23,470	29,601	125,963
Payments	-1,449	1,464	1,287	7,898	702	11,351
Total parameter and other variations impact on underlying cash balance	= 28,287	38,070	32,072	15,573	+ 28,898	114,613
2022-23 Budget underlying cash balance	-79,821	-77,961	-56,532	-47,108	-43,068	-224,670
Per cent of GDP	-3.5	-3.4	-2.4	-1.9	-1.6	

*Data is not published.

(a) Total is equal to the sum of amounts from 2022-23 to 2025-26.

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

(c) 2025-26 underlying cash balance as published in the medium-term projections, page 47 of the 2021-22 MYEFO.

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

Do you need more information?

A reconciliation of the net operating balance, which is on an accrual basis, is available in Table 3.9 of BP1, Statement 3.



New measures

A “measure” is a particular policy decision or action the government has decided to take, including an amendment to an existing policy.

Where can I find information on new measures?

Budget Paper No. 2 (BP2) includes details of every measure undertaken **since the MYEFO**. BP2 includes a summary table as well as further details on each individual measure, including:

- a description of the measure
- the projected costs or income associated with the measure.

The measures listed in BP2 are split into 2 sections: **receipts** and **payments**.

How do I interpret the numbers?

The numbers in the table represent the impact of the policy within the portfolio each year.

- A positive number for a **receipts** measure means the government has more money flowing in (and vice versa).
- A positive number for **payments** (or **capital**) measures means the government is spending more (and vice versa).

How do I find relevant measures?

Measures are listed under the relevant policy portfolio, according to the department responsible for implementing the measure.

Note: if more than one department is involved, the same measure may appear under multiple portfolios in the table.

If a topic does not clearly align with ministerial responsibilities, then you may need to look across multiple portfolios to find relevant measures.

For example, most indigenous-specific measures are listed under the Prime Minister and Cabinet portfolio, which includes the National Indigenous Australians Agency, however there may also be measures listed under other portfolios, such as Health, which may include indigenous-specific funding.

Look for relevant terms in the budget measure title or description to find any relevant measures.

Also, check the *Portfolio Budget Statements (PBS)* for more information.

Table 2: Payment measures since the 2021-22 MYEFO^(a) (continued)

	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND COMMUNICATIONS (CONTINUED)					
Screen Australia					
COVID-19 Response Package – additional arts sector support	9.0	-	-	-	-
Special Broadcasting Service Corporation					
National Broadcasters – funding for the next triennium	-	-	-	-	-
Portfolio total	507.0	+ 874.3	+ 1,301.8	+ 1,466.8	+ 1086.5
PARLIAMENT	= \$5,236.4m				
Department of Parliamentary Services					
Parliament House – Enhanced Security	-	10.3	15.2	3.4	0.8
Response to the Independent Review into Commonwealth Parliamentary Workplaces – additional resourcing	-	0.8	-	-	-
Portfolio total	-	11.1	15.2	3.4	0.8
PRIME MINISTER AND CABINET					
Australian Institute of Aboriginal and Torres Strait Islander Studies					
Ngurra Cultural Precinct	-	-	-	-	-
Australian Public Service Commission					
Comprehensive Strategic Partnership with India – new initiatives	-	-	-	-	-
Prioritising Mental Health	-	-	-	-	-
Response to the Independent Review into Commonwealth Parliamentary Workplaces – additional resourcing	-	0.6	-	-	-
Supporting Regionalisation(b)	-	15.4	11.4	6.2	3.0
Department of the Prime Minister and Cabinet					
Australian Future Leaders Program	-	-	-	-	-
Digital Economy Strategy	-	-	-	-	-
Prime Minister and Cabinet – additional resourcing	5.5	30.2	25.4	-	-
Reducing compliance costs for business through enhanced sharing of single touch payroll data	-	-	-	-	-
Response to the Independent Review into Commonwealth Parliamentary Workplaces – additional resourcing	-	2.6	-	-	-
Women’s Leadership Package	-	3.8	6.2	6.2	3.2
Digital Transformation Agency					
Digital Economy Strategy	-	5.9	-	-	-
Indigenous Business Australia					
Indigenous Home Ownership Program Extension(b)	-	-	-	-	-

each row represents an individual measure

KEY
 - zero
 .. rounded to zero
 nfp not for publication
 * unquantifiable

department name

portfolio name



Do you need more information?
 Detailed information on each measure listed in the table can be found directly after the summary table. See next page.

New measures in detail

Further details of each budget measure can be found directly after the summary table in Budget Paper No. 2.

This includes a **description** of the measure and additional **information on funding** sources. If the measure is split across several portfolios, they will all be listed under the detailed measure description.

An example is on the next page.

How do I calculate the total impact of a measure?

The table presents the impact of the measure in each year of the forward estimates (**page 11**). Add together the impact in each year to get the total impact of the measure.

Check the description of the measure to find out if the policy is terminating or ongoing.

- If the impact of a measure is nil in the final year, the policy may be ending.
- If a measure has an impact in the final year, the policy may continue into the future.

A measure can have an effect in more than one section (i.e. receipts and payments). In this case the net impact of the measure can be found by summing up the impact in each year in each section.

Depending on the nature of the policy, particularly those where the financial impact is relevant for many years, the description may cover different time periods.

Other amounts included in the measure description may differ from those shown in the table. For example, they may include funding which:

- has been redirected from another area
- was included in a previous related budget measure.

This funding would **not** show up in the budget tables, which only show the **net impact** on the budget.

Guaranteeing Medicare – Digital Health

Payments (\$m)

	2021-22	2022-23	2023-24	2024-25	2025-26
Australian Digital Health Agency	-	64.5	-	-	-
Australian Institute of Health and Welfare	-	1.7	0.6	0.3	0.3
Total – Payments	-	+ 66.2	+ 0.6	+ 0.3	+ 0.3
<i>Related receipts (\$m)</i>					
Australian Digital Health Agency	-	32.3	-	-	-

total cost:

= \$67.4m

less

= \$32.3m

equals

\$35.1m

The Government will provide \$35.2 million over 4 years from 2022-23 to support Digital Health programs. Funding includes:

- \$32.3 million in 2022-23 to continue the Intergovernmental Agreement on Digital Health with the states and territories, which supports initiatives such as My Health Record and the Health Care Identifiers Service, for a further year
- \$2.9 million over 4 years from 2022-23 to improve the security of the Australian Institute of Health and Welfare's data holdings by migrating them to cloud-based services and off-site data centres.

KEY

- zero

.. rounded to zero

This measure builds on the 2021-22 Budget measure titled *Digital Economy Strategy*.

Government debt

Net debt is a key measure of the government's balance sheet and is often used as an indicator of the sustainability of the government's financial position.

Borrowing can provide governments with flexibility to respond to unanticipated events, such as an economic downturn.

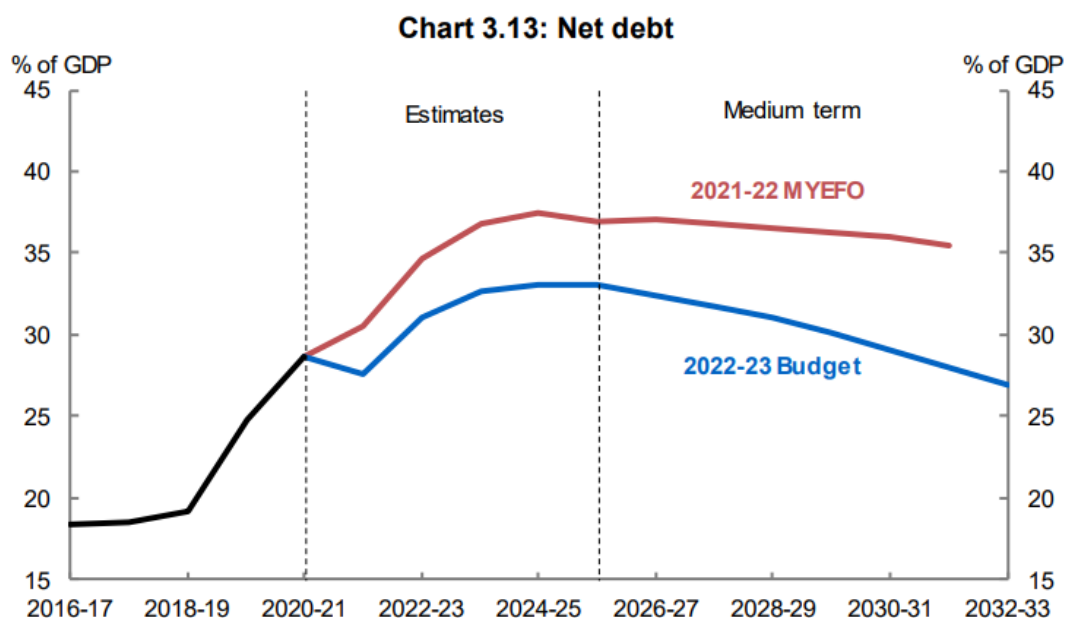
How does the budget balance affect the government's debt position?

The government's debt position is affected by the amount spent or saved each year.

- A deficit means the government will need to borrow to cover expenses, and so will increase net debt. Additional debt will also increase interest payments in future years.
- A surplus means the government can pay down debt and will decrease interest payments in future years.

How is debt calculated?

The Budget provides figures for both **gross debt** and **net debt**. Gross debt shows what the government owes, but it does not include any of the government's financial assets that offset its debt. In contrast, net debt does include those assets, and is equal to the sum of selected financial liabilities *less* the sum of selected financial assets. Chart 3.13 of BP1, Statement 3 visualises net debt as a share of GDP.



Do you need more information?

Detailed information on debt is available in BP1, Statement 3, Statement 6, and Statement 10



Time periods used in the Budget



- The **budget year** is the financial year covered by the Budget, which is 2022-23.
- The **forward estimates** cover the budget year and the three years following, which are 2022-23 to 2025-26.
- The **medium term** is the seven years following the forward estimates, which are 2026-27 to 2032-33.

For more explanations of key budget terms, see the PBO’s [Online budget glossary](#).