



Parliamentary
Budget Office

Guide to the October 2022-23 Budget

October 2022

This is an introductory guide to
the October 2022-23 Budget
Papers.

See the PBO's [Online budget
glossary](#) for more detail on key
terms related to the budget.

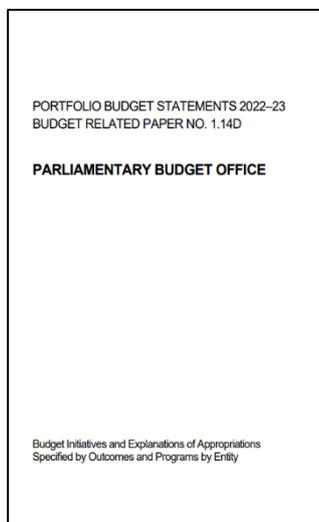
The Budget Papers



The Budget "At a glance" pamphlets and fact sheets



Portfolio Budget Statements



The Budget Papers

The Budget is presented in 4 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 economic and fiscal outlook. For the October Budget this is the 2022 Pre-election Economic and Fiscal Outlook (**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 and fact sheets are a series of pamphlets which highlight 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. In most years, 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			
	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	3.9	3 1/4	1 1/2	2 1/4	2 1/2
Employment	3.3	1 3/4	3/4	1	1 1/4
Unemployment rate	3.8	3 3/4	4 1/2	4 1/2	4 1/4
Consumer price index	6.1	5 3/4	3 1/2	2 1/2	2 1/2
Wage price index	2.6	3 3/4	3 3/4	3 1/4	3 1/2
Nominal GDP	11.0	8	-1	4 1/4	5

economic growth

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 Survey, 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 the last budget nearby so you can compare the economic forecasts. Previous budgets can be found at <https://archive.budget.gov.au>

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 balances

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.

Table 1.2: Budget aggregates

	Actual	Estimates				Projections	
	2021-22	2022-23	2023-24	2024-25	2025-26	Total(a)	2032-33
	\$b	\$b	\$b	\$b	\$b	\$b	
Underlying cash balance	-32.0	-36.9	-44.0	-51.3	-49.6	-181.8	
Per cent of GDP	-1.4	-1.5	-1.8	-2.0	-1.8		-1.9
Gross debt(b)	895.3	927.0	1,004.0	1,091.0	1,159.0		
Per cent of GDP	39.0	37.3	40.8	42.5	43.1		46.9
Net debt(c)	515.6	572.2	634.1	702.8	766.8		
Per cent of GDP	22.5	23.0	25.8	27.4	28.5		31.9

- 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).

deficit = negative underlying cash balance
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 whether any cash is received or paid at the time. Accrual figures give information about money that will need to change hands in the future if it hasn’t done so already.

The government and media usually quote the cash figures 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 5. Detailed information on expense forecasts can be found in BP1, Statement 6.

Budget forecast changes

Budget forecasts are revised from one economic and fiscal outlook report to another as circumstances change. These differences are generally due to either policy decisions or parameter variations.

As this is the first budget since the 2022 general election, the most recent previous economic and fiscal outlook is the 2022 Pre-election Economic and Fiscal Outlook (PEFO).

PEFO provides an up-to-date picture of the economic and fiscal outlook in the lead-up to a general election and is required to be published within 10 days of the issue of the writs.

PEFO for the 2022 general election was published on 20 April 2022.

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 government's new decisions, also known as 'measures'.
- **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 how the underlying cash balance estimates have changed from the March 2022-23 Budget to the 2022 PEFO, then from the 2022 PEFO to the October 2022-23 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:

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

1

The total change in the budget balance for the 2022-23 October Budget is:

- 2** *underlying cash balance as at PEFO*
- plus** *total impact of policy decisions since PEFO*
- plus** *total impact of parameter and other variations since PEFO*
- equals** *underlying cash balance*

Table 3.3: Reconciliation of underlying cash balance estimates

	Estimates				Total
	2022-23	2023-24	2024-25	2025-26	
	\$m	\$m	\$m	\$m	\$m
2022-23 March Budget underlying cash balance	-77,961	-56,532	-47,108	-43,068	-224,670
Per cent of GDP	-3.4	-2.4	-1.9	-1.6	
Changes from 2022-23 March Budget to 2022 PEFO					
Effect of policy decisions(a)	-543	-61	-67	-43	-714
Effect of parameter and other variations	568	69	82	175	894
Total variations	25	8	15	132	180
2022 PEFO underlying cash balance	-77,937	-56,525	-47,093	-42,936	-224,490
Per cent of GDP	-3.4	-2.4	-1.9	-1.6	
Changes from 2022 PEFO to 2022-23 October Budget					
Effect of policy decisions(a)(b)					
Receipts	1,410	2,458	3,967	5,253	13,088
Payments	-2,506	1,711	5,980	12,673	22,870
Total policy decisions impact on underlying cash balance	= -1,096	747	-2,014	+ -7,420	-9,782
Effect of parameter and other variations(b)					
Receipts	57,286	33,793	23,689	29,870	144,638
Payments	-15,105	22,064	25,929	29,075	92,173
Total parameter and other variations impact on underlying cash balance	= 42,181	11,729	-2,240	+ 795	52,465
2022-23 October Budget underlying cash balance	-36,851	-44,048	-51,347	-49,561	-181,807
Per cent of GDP	-1.5	-1.8	-2.0	-1.8	

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.

Do you need more information?

A reconciliation of the fiscal 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 PEFO. 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 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 2022 PEFO^(a) (continued)

	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT, COMMUNICATIONS AND THE ARTS (continued)					
Tourist and Heritage Operators' Rail Safety Regulation	-	-	1.6	1.7	1.7
<i>National Faster Rail Agency</i>					
Building a Better Future through considered Infrastructure Investment(b)	-	-1.2	-2.6	-2.6	-2.6
<i>Screen Australia</i>					
Supporting the Arts(b)	-	0.8	-	-	-
Portfolio total	-	-1,013.4	-405.5	-114.9	342.7
PARLIAMENT					
<i>Department of Parliamentary Services</i>					
Department of Parliamentary Services – additional resourcing	-	4.2	4.8	3.4	3.5
Portfolio total	-	+ 4.2	+ 4.8	+ 3.4	+ 3.5
PRIME MINISTER AND CABINET					
<i>Australian Public Service Commission</i>					
Government Spending Audit – Foreign Affairs and Trade – efficiencies	-	-1.6	-2.0	-1.2	-1.3
Outcomes of the Jobs and Skills Summit(b)	-	0.8	3.6	3.5	3.5
Prime Minister and Cabinet – additional resourcing(b)	-	-8.3	-3.0	-3.2	-3.0
<i>Department of the Prime Minister and Cabinet</i>					
Early Investment in a National Strategy to Achieve Gender Equality	-	3.1	-	-	-
Government Spending Audit – Australian Future Leaders Program – reversal	-	-4.0	-4.0	-4.0	-4.0
Pacific Security and Engagement Initiatives	-	nfp	nfp	nfp	nfp
Plan for the National Disability Insurance Scheme	-	11.1	3.9	-	-
Prime Minister and Cabinet – additional resourcing(b)	-	24.7	15.5	4.6	-
Quad Leaders' Summit Policy Priorities and Hosting Proposal	-	18.4	-	-	-
<i>National Indigenous Australians Agency</i>					
15th Anniversary of the Apology to Australia's Indigenous Peoples	-	1.5	-	-	-
Closing the Gap Housing Policy Partnership	-	-	-	-	-
Delivery of a First Nations Voice to Parliament Referendum – preparatory work	-	3.8	2.7	-	-
Eileen Cummings v Commonwealth of Australia – settlement	-	50.5	-	-	-
First Nations – community projects	-	-	-	-	-

= \$15.9m

each row represents an individual measure

portfolio name



department name

KEY

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



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 tables in Budget Paper No. 2.

Each measure 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 measure from the 2022-23 October Budget is detailed on the next page.

How do I calculate the total impact of a measure?

The table presents the impact of the measure on a cash basis 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 past the years shown.

A measure can have an effect in both the receipts and payments sections of BP2. 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 and so is not a change in funding.

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

Home Affairs

Migration Program – 2022–23 planning levels

Receipts (\$m)

	2021-22	2022-23	2023-24	2024-25	2025-26
Department of Home Affairs	-	150.0	10.0	10.0	10.0
Australian Taxation Office	-	20.0	195.0	260.0	280.0
Total – Receipts	- +	170.0 +	205.0 +	270.0 +	290.0 +
<i>Related payments (\$m)</i>					
<i>Department of Health and Aged Care</i>	-	21.0	42.9	44.7	46.0
<i>Department of Home Affairs</i>	-	9.2	5.5	3.1	2.1
<i>Department of Social Services</i>	-	8.6	26.6	42.6	50.6
<i>Department of the Treasury</i>	-	5.0	30.0	50.0	50.0
<i>Department of Education</i>	-	1.8	11.7	14.4	17.3
<i>National Disability Insurance Agency</i>	-	0.4	0.5	0.5	0.6
<i>Services Australia</i>	-	0.2	0.5	0.6	0.7
<i>Department of Employment and Workplace Relations</i>	-	-	-	-	-
Total – Payments	- -	46.3 -	117.6 -	156.0 -	167.3 -

total cost of
the measure:

= \$935.0m

less

= \$487.2m

As announced at the Jobs and Skills Summit, the Government will increase the 2022–23 permanent Migration Program planning level from 160,000 to 195,000. This will help ease widespread, critical workforce and skills shortages. Priority will be given to offshore applicants and on-hand applications for the Skilled Independent visa – New Zealand stream.

equals

\$447.8m

This measure is estimated to increase receipts by \$935.0 million and increase payments by \$487.2 million over the 4 years from 2022–23.

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.

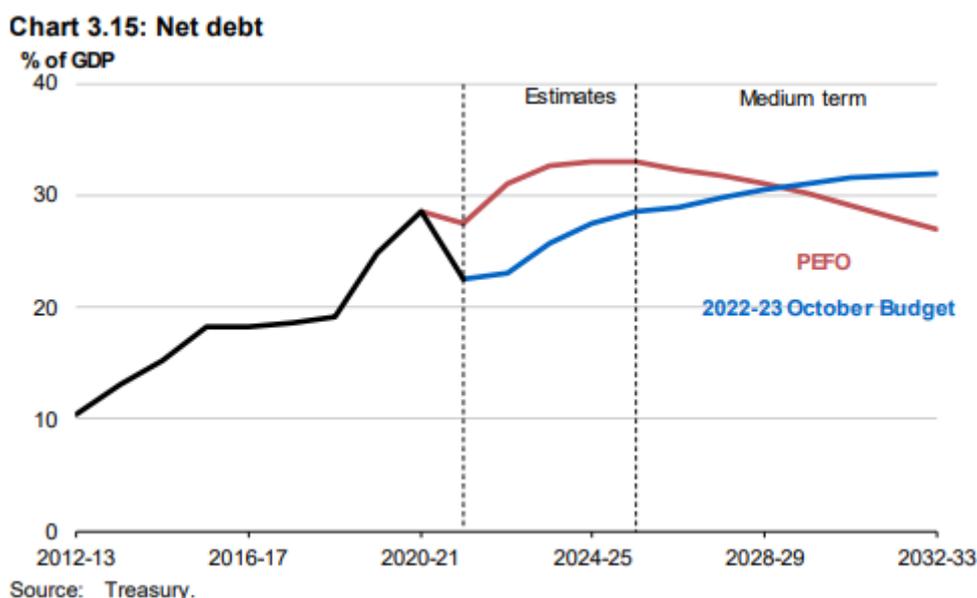
How does the budget balance affect the government's debt position?

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 3.15 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 7, 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](#).