

Australian Economic Insight

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2025-26 Australian Federal Budget Preview

Australia's 2025-26 Budget will be released at 7:30pm on 25 March 2025.

We expect the budget papers to show an **underlying budget deficit of \$20bn for 2024-25 and \$40bn for 2025-26**. The headline cash balance – which is more relevant in assessing the net debt issuance task – will likely be in deficit by around \$41bn in 2024-25 and \$65bn in 2025-26. Underlying and headline deficits are likely through the forward estimates.

We view the monthly financial statements from the Department of Finance as showing a marked improvement in the fiscal position for this year (2024-25) relative to the Mid-Year Economic and Fiscal Outlook (MYEFO). However, based on the profiling of the budget position in those statements, it looks like the departments of Treasury and Finance are likely to take a more conservative approach and factor-in less of an improvement in the budget starting point than we would.

That conservative approach to the starting point, combined with cost pressures across a range of programs and policy decisions should offset stronger nominal GDP growth in 2025-26. This will produce budget forecasts for 2025-26 and beyond that show a modest improvement on those in the MYEFO but are similar to the estimates in last year's budget.

We expect the **Budget 2025-26 will contain additional net new spending** (policy decisions) of around \$2.5bn in 2024-25, \$10bn in 2025-26 and \$5bn per year beyond that. That would see a discretionary fiscal easing equivalent to around ¼% to ½% of GDP in 2025-26. Such an amount would have no material impact on our growth, inflation or RBA forecasts.

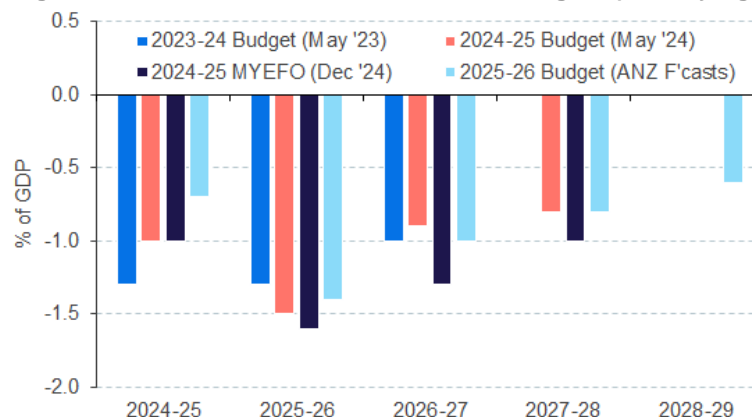
We think the following could be areas of focus in the Budget:

- a rolling over of some cost-of-living relief measures;
- a possible allowance for future increases in defence spending;
- accounting for recent increases in health spending; and
- extensions to the Future Made in Australia package.

Treasury's economic forecasts will generally be little changed from the MYEFO, although there should be a reasonable lift to the nominal GDP growth forecast for 2025-26 and a downward adjustment to the unemployment rate forecast.

The tables over the page contain more detail on our expectations for the underlying and headline cash balances and the economic forecasts that will underpin the Budget.

Figure 1. The evolution of recent federal budgets (underlying cash basis)



Source: Treasury, ANZ Research

Figure 2. Underlying cash balance forecasts, \$bn (% of GDP)

	2024-25	2025-26	2026-27	2027-28	2028-29
Budget 2024-25	-28.3	-42.8	-26.7	-24.3	n/a
May 2024	(-1.0)	(-1.5)	(-0.9)	(-0.8)	
MYEFO 2024-25	-26.9	-46.9	-38.4	-31.7	n/a
Dec 2024	(-1.0)	(-1.6)	(-1.3)	(-1.0)	
ANZ Research estimates for Budget 2025-26	-20.0	-40.0	-30.0	-25.0	-20.0
	(-0.7)	(-1.4)	(-1.0)	(-0.8)	(-0.6)

Source: Treasury, ANZ Research

Figure 3. Headline cash balance forecasts, \$bn (% of GDP)

	2024-25	2025-26	2026-27	2027-28	2028-29
Budget 2024-25	-47.2	-63.8	-46.8	42.0	n/a
May 2024	(-1.7)	(-2.2)	(-1.5)	(-1.3)	
MYEFO 2024-25	-47.8	-70.3	-62.9	-52.5	n/a
Dec 2024	(-1.7)	(-2.5)	(-2.1)	(-1.7)	
ANZ Research estimates for Budget 2025-26	-41.0	-65.0	-56.0	-49.0	-44.0
	(-1.5)	(-2.2)	(-1.8)	(-1.5)	(-1.3)

Source: Treasury, ANZ Research

Figure 4. Major budget economic forecasts

Year average (unless*)	2024-25	2025-26	2026-27	2027-28
Real GDP Growth				
Budget 2024-25	2	2 1/4	2 1/2	2 3/4
MYEFO	1 3/4	2 1/4	2 1/2	2 3/4
Budget 2025-26	1 1/2	2 1/4	2 1/2	2 1/2
Nominal GDP Growth				
Budget 2024-25	2 3/4	4	5 1/4	5 1/4
MYEFO	3 1/4	3 1/2	5	5 1/2
Budget 2025-26	3 1/2	4 1/2	5	5
Unemployment rate*				
Budget 2024-25	4 1/2	4 1/2	4 1/2	4 1/4
MYEFO	4 1/2	4 1/2	4 1/2	4 1/4
Budget 2025-26	4 1/4	4 1/4	4 1/4	4 1/4
Wage Price Index**				
Budget 2024-25	3 1/4	3 1/4	3 1/2	3 1/2
MYEFO	3	3	3 1/4	3 1/2
Budget 2025-26	3 1/4	3 1/4	3 1/4	3 1/4
Consumer Price Index**				
Budget 2024-25	2 3/4	2 3/4	2 1/2	2 1/2
MYEFO	2 3/4	2 3/4	2 1/2	2 1/2
Budget 2025-26	2 1/4	2 1/2	2 1/2	2 1/2

* Level as at June quarter ** Through the year to the June quarter

Source: Treasury, ABS, ANZ Research

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