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***Q: Summarise these documents for me. What are the key economic and social risks going forward?***

Describo Assistant:

The key economic and social risks going forward based on the documents are:

1. Global uncertainty, high but moderating inflation, and higher interest rates are contributing to cost-of-living pressures and slowing the Australian economy. This creates risks around household consumption, dwelling investment, and overall economic growth.
2. The trajectory of global greenhouse gas emissions and the physical impacts of climate change pose significant fiscal risks. This includes the potential for increased disaster recovery costs, impacts on commodity prices and trade, and risks to industry and government assets.
3. Contingent liabilities, particularly around government guarantees, indemnities, and legal claims, present ongoing fiscal risks that could impact the budget balance.
4. Demand-driven government programs like the NDIS, aged care, and health services face risks around increasing participation and costs that could blow out budget forecasts.
5. Revenue forecasting relies on the observed relationships between the economy, tax bases, and tax revenues, which could shift over time as the economy changes, presenting risks.
6. Major projects like the nuclear-powered submarine program and Inland Rail face cost and delivery risks that could impact budget outcomes.
7. Social risks include the potential for further escalating geopolitical tensions, challenges facing vulnerable groups like low-income households and those impacted by natural disasters, and ongoing impacts of the COVID-19 pandemic.

Overall, the documents highlight the Australian economy and government finances face a range of domestic and global economic, fiscal, and social risks that will require ongoing monitoring and management.

***Q: Expand on the climate and geopolitical risks***

Describo Assistant:

Sure, the documents highlight the following key climate and geopolitical risks:

**Climate Risks:**

- The physical impacts of climate change, such as more severe natural disasters, pose significant fiscal risks through increased disaster recovery costs, damage to government assets, and impacts on commodity prices and trade.
- The transition to a net zero emissions economy also presents risks, as changes in industry composition and the tax base could impact government revenues.
- There is uncertainty around the trajectory of global greenhouse gas emissions and the resulting physical impacts on Australia's economy and finances.
- The budget papers note that effective adaptation and investment in resilience can help reduce the impacts of climate change, but the extent of economic disruption will increase significantly with greater temperature increases.

**Geopolitical Risks:**

- Heightened geopolitical tensions, particularly in relation to Russia's invasion of Ukraine and tensions in the Middle East, are adding to global economic uncertainty and risks.
- Further escalation of current geopolitical tensions could disrupt international trade, add to energy costs, and slow global growth, with flow-on effects for the Australian economy.
- The documents note that geopolitical risks pose risks to inflation, commodity prices, and global economic growth, which could in turn impact the Australian budget outlook.
- Australia's relationships and economic engagement in the Asia-Pacific region are identified as important for Australia's prosperity and security, underscoring the need to manage geopolitical risks in this context.

Overall, the budget papers highlight that climate change and geopolitical instability represent significant and wide-ranging risks that could substantially impact the Australian economy, government finances, and social outcomes in the years ahead. Effectively managing and mitigating these risks will be crucial.

***Q: What are the risks to the higher education sector. Provide document and page references.***

Describo Assistant:

The budget documents do not specifically highlight risks to the higher education sector, but there are a few relevant points:

1. Higher Education Loan Program (HELP):

- The documents note that as of 30 June 2024, the fair value of HELP debt outstanding is estimated to be \$43.2 billion (Page 340).
- It notes that HELP debts are income-contingent loans, where repayment commences when an individual's income reaches the repayment threshold. This creates risks around the timing and amount of HELP debt repayment (Page 340-341).

2. Tertiary Education System Reforms:

- The budget announces \$1.1 billion over five years from 2023-24 to support reforms to the tertiary education system, including measures to boost equity and access (Page 95).
- However, the documents do not explicitly discuss risks to the implementation or outcomes of these reforms.

3. Broader Fiscal Risks:

- The Statement of Risks more broadly outlines fiscal risks facing the government, such as economic conditions, revenue forecasting, and demand-driven programs (Pages 279-280).
- To the extent that higher education funding and policy is dependent on the government's fiscal position, these broader risks could indirectly impact the higher education sector.

In summary, the key risks highlighted in the documents relate to the HELP loan program and the potential for changes in repayment patterns. Broader fiscal risks facing the government could also have indirect impacts on higher education funding and policy. But the documents do not delve into detailed risks specifically for the higher education sector.



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Context of the conversation:

/Users/mlarosa/Desktop/2024 Federal Budget Papers

|- Budget Overview.docx

|- Economic Outlook.pdf

|- Fiscal Strategy and Outlook.pdf

|- Statement of Risks.pdf