Federal Budget 2022-23

Reform comes second to electioneering

29 March 2022

From the Chief Economist

From a business point of view, the 2022-23 budget had two tasks. One was to avoid creating unwanted demand that might push the Reserve Bank of Australia (RBA) to raise rates sooner – or push them higher – and two was to unlock supply constraints to increase the productive capacity of the economy.

A perfect score would have been given for a budget that avoided price pressure while giving business the best possible platform from which to be as productive as possible. These policies would in turn would lift our GDP potential, make the COVID debt easier to pay off and help address growing demand for government funded health, disability, aged care and defence; particularly important given our ageing population and a geopolitically uncertain world.

On this basis, we give Treasurer Frydenberg a six out of 10.
There were several welcome policies that will give more incentives to work and help more people into training, both of which make it easier to do business.

The improved paid parental scheme will support workforce participation by giving parents more flexibility about how they split their work commitments and greater flexibility for young families.

When the apprenticeship wage subsidy comes to an end in the second half of this year, the Australian Apprenticeships Incentive System will be introduced to support apprentices in priority trades. Help for the most disadvantaged youth to find work will come from ReBoot and indigenous workers will benefit from a $636 million Rangers Program.

Building a better working world

The technology investment boost will give $1 billion in tax relief over four years to small businesses that invest more in digital products and $550 million is available to help them upskill their employees. Reducing red tape for employee share schemes will make it easier for Australia's budding technology companies to be globally competitive in attracting and retaining skilled employees.

Additional infrastructure commitments will all slowly add to the economy's capacity reducing bottlenecks and travel times through grants to State and Territory governments.

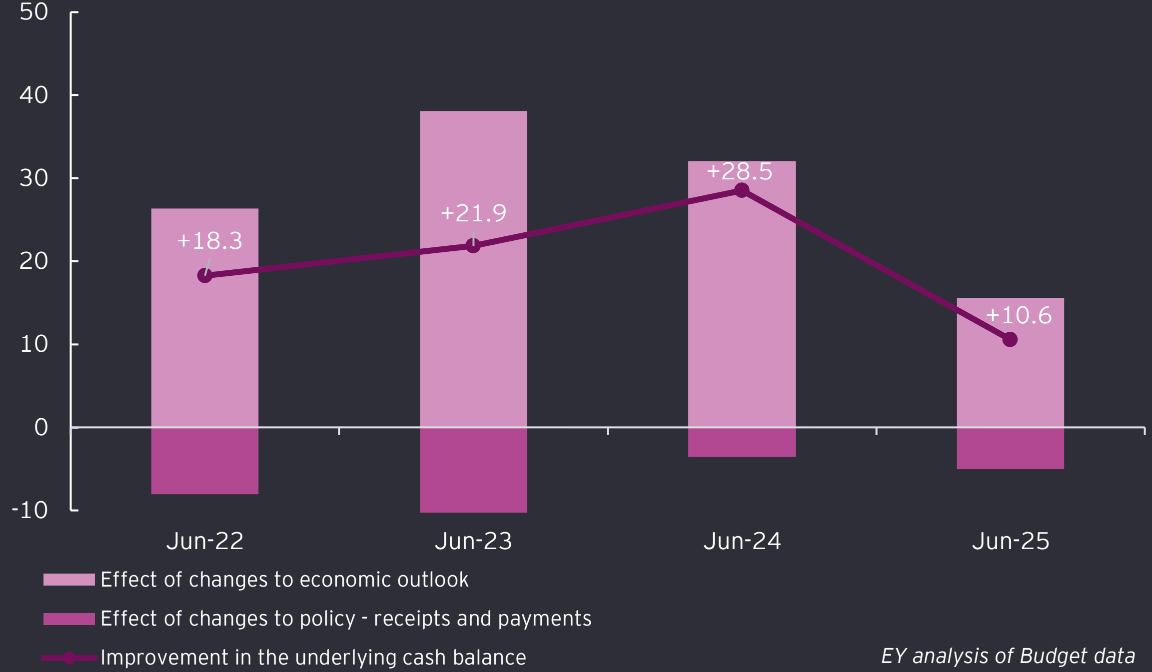
Ultimately, in this budget, Australian businesses were stuck on the sidelines calling for game changing rules to tackle the very real challenges they face with supply blockages, a lack of skilled staff and a global economy that is decarbonising around us.

Dive on to capture our key takeaways in ten charts.

Cherelle Murphy | EY Oceania Chief Economist
29 March 2022

1. A stronger economy and higher commodity prices have boosted the budget bottom line since the Mid-Year update

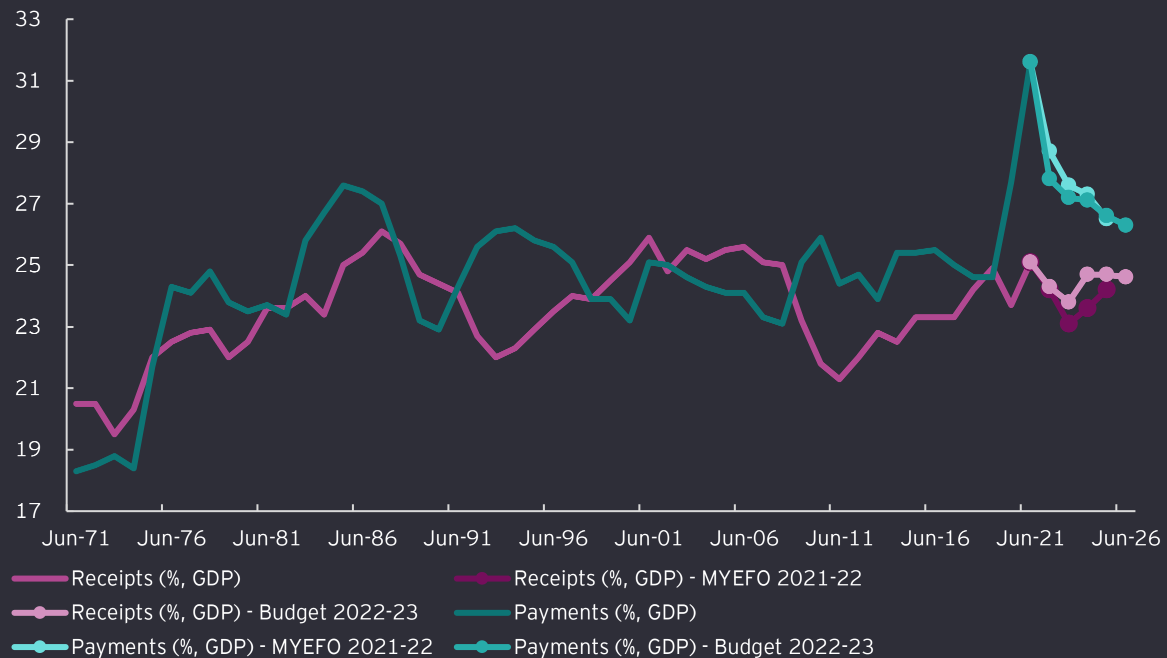
Changes to the underlying cash balance since the 2021-22 mid-year update
$, billions



EY analysis of Budget data

2. Payments are coming down and receipts are moving higher

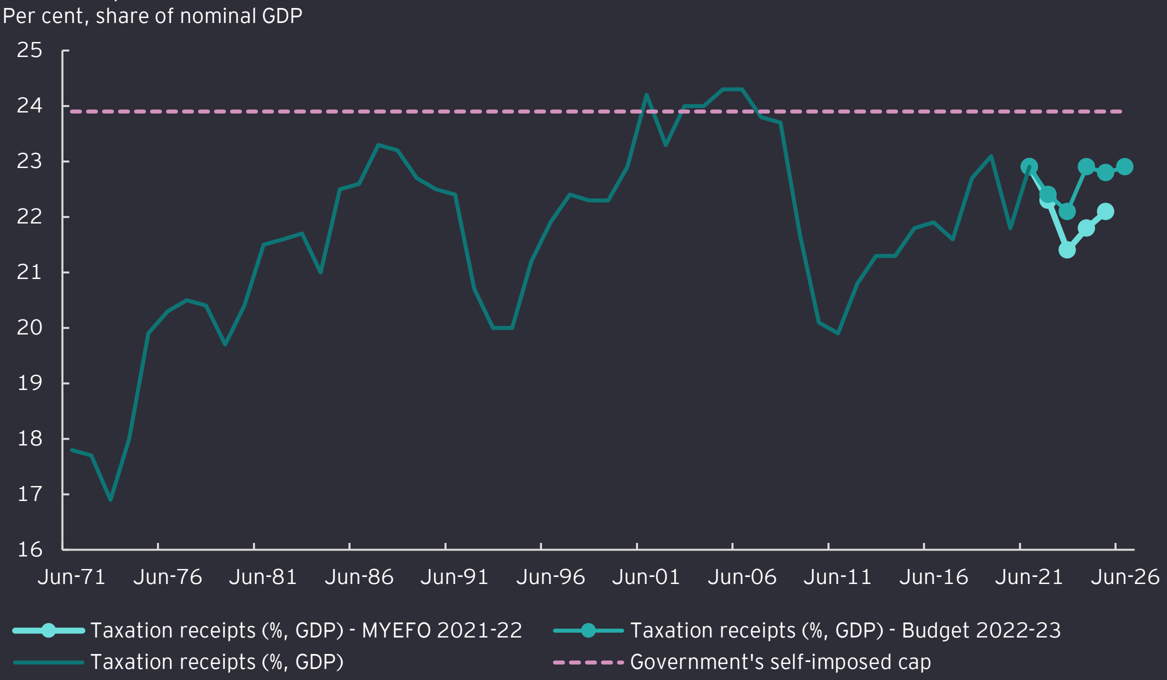
Receipts and Payments
Per cent, share of nominal GDP



EY analysis of Budget data

3. Tax receipts are expected to rise, but not past the Government's self-imposed 23.9 per cent of GDP limit

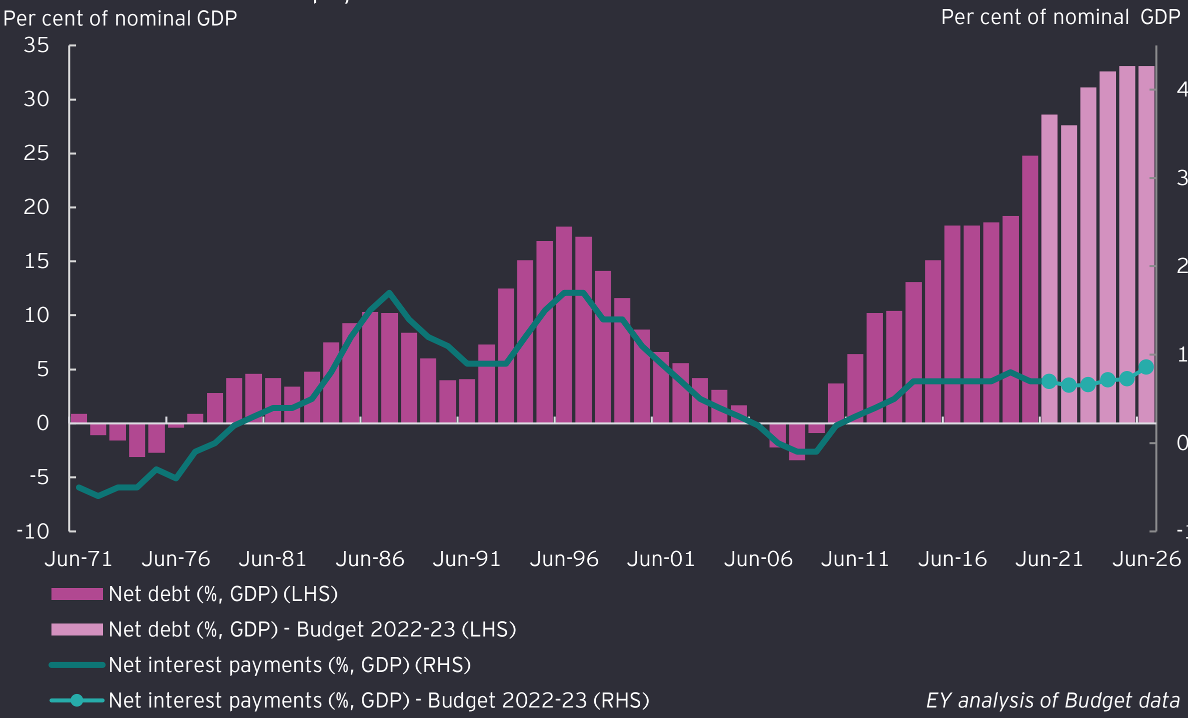
Tax receipts to GDP



EY analysis of Budget data

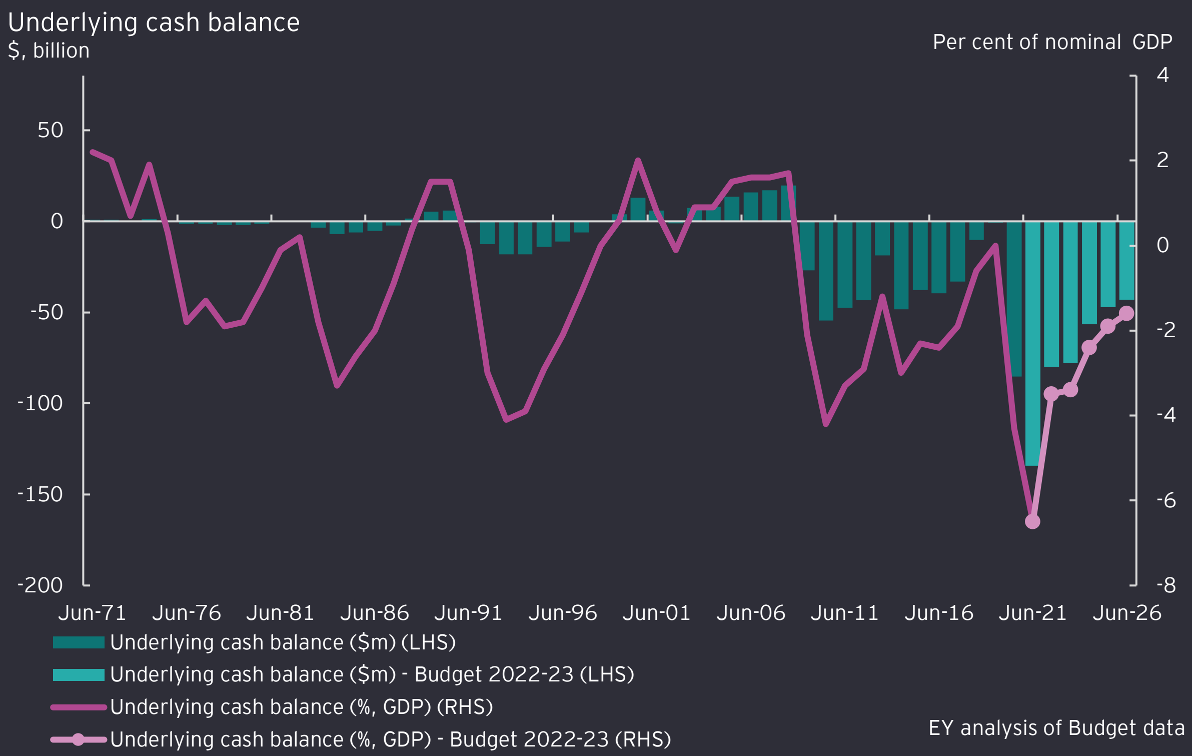
4. Net debt remains high due to COVID-19-related emergency measures, however, interest payments are manageable

Net debt and net interest payments



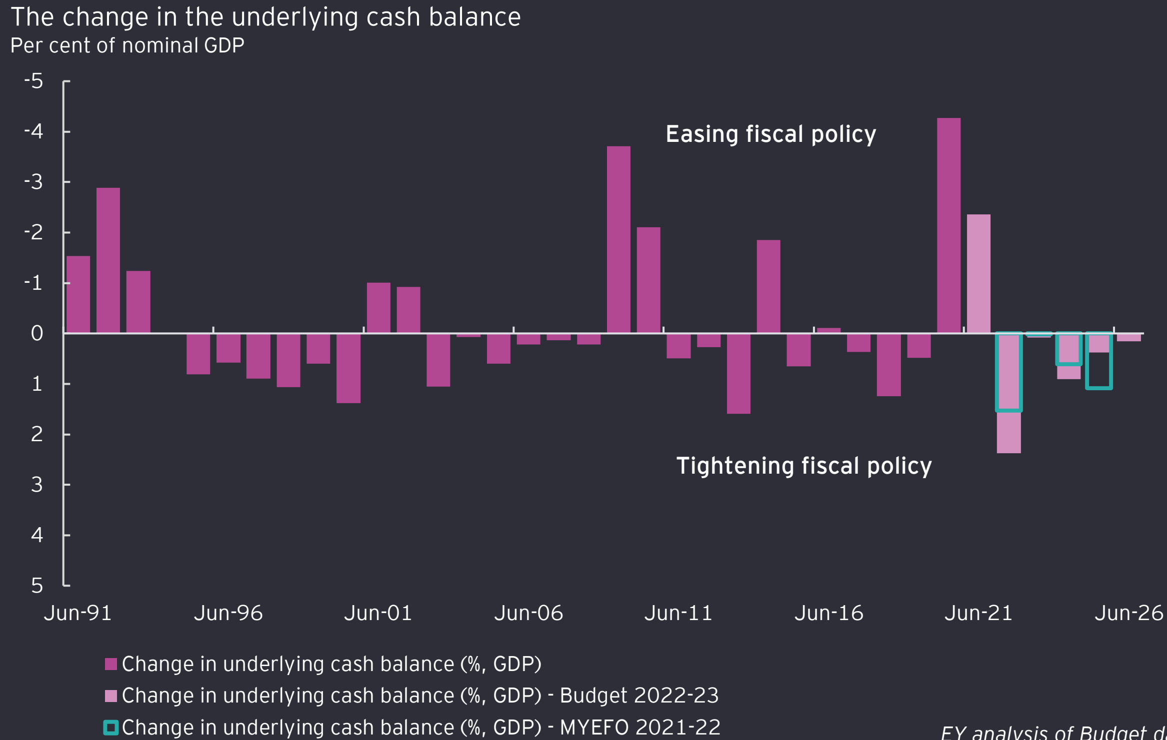
EY analysis of Budget data

5. The budget bottom line was improved, but could have been better if a third of the windfall gains had not been spent



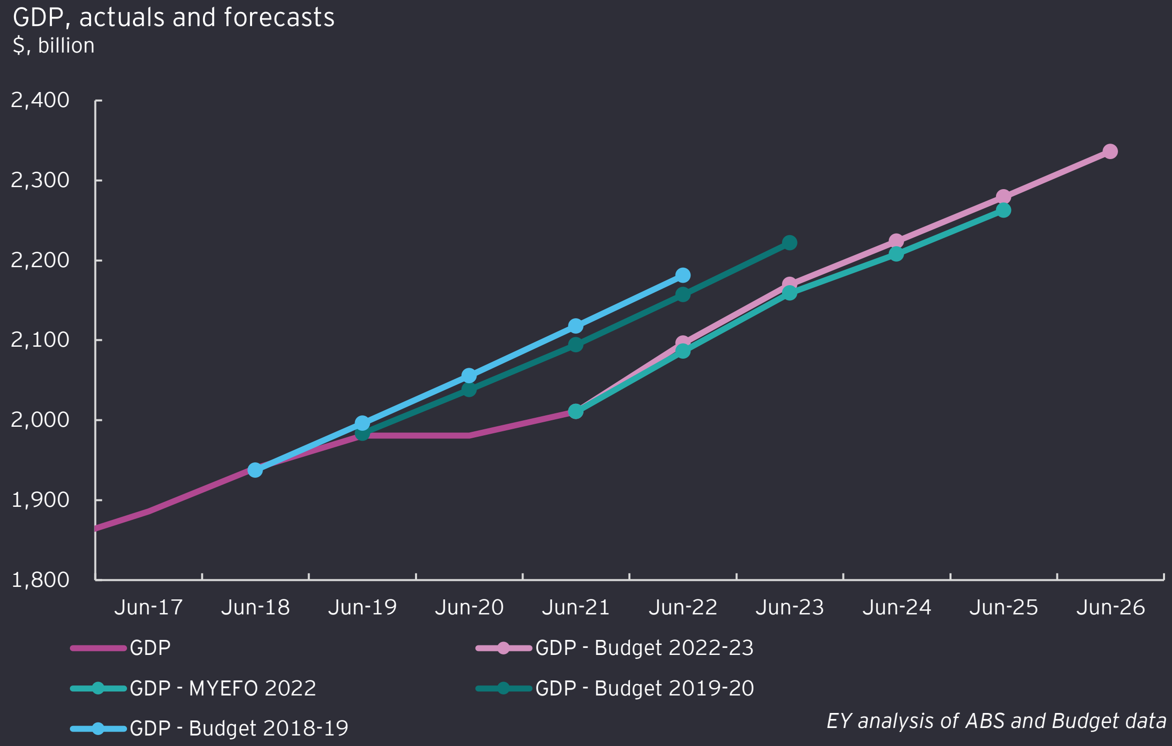
EY analysis of Budget data

6. Fiscal policy remains accommodative, but is tighter than it was at the Mid-Year update



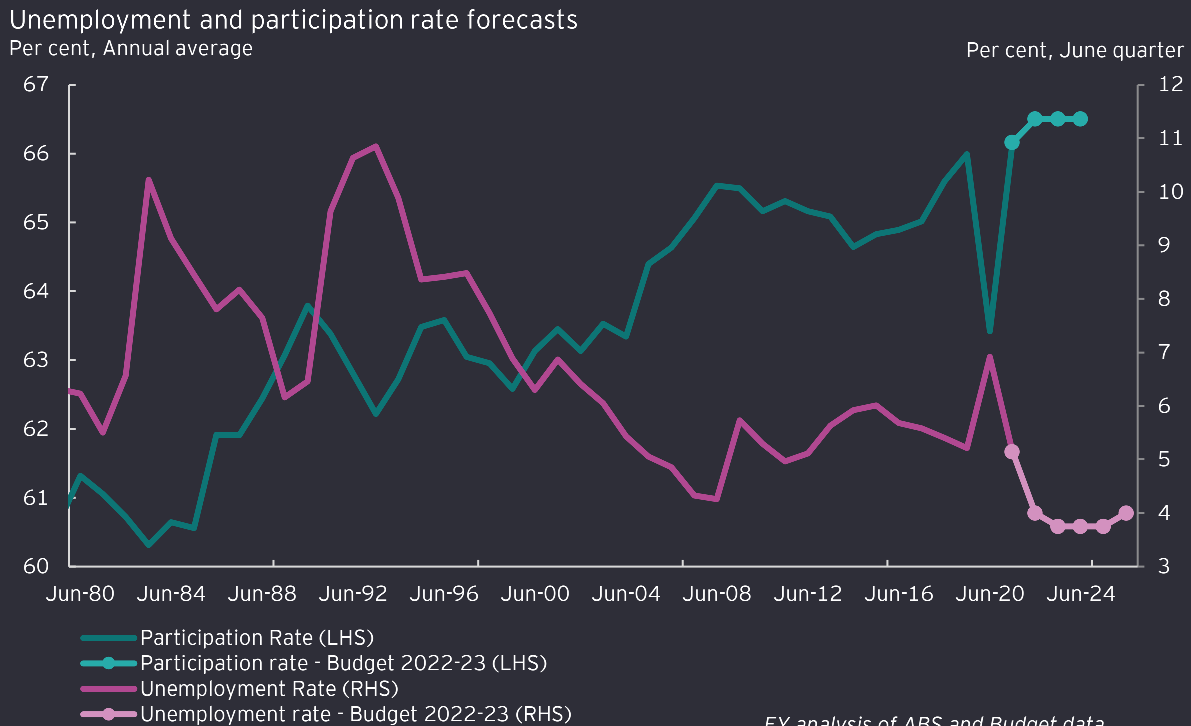
EY analysis of Budget data

7. GDP estimates are slowly converging to pre-pandemic projections



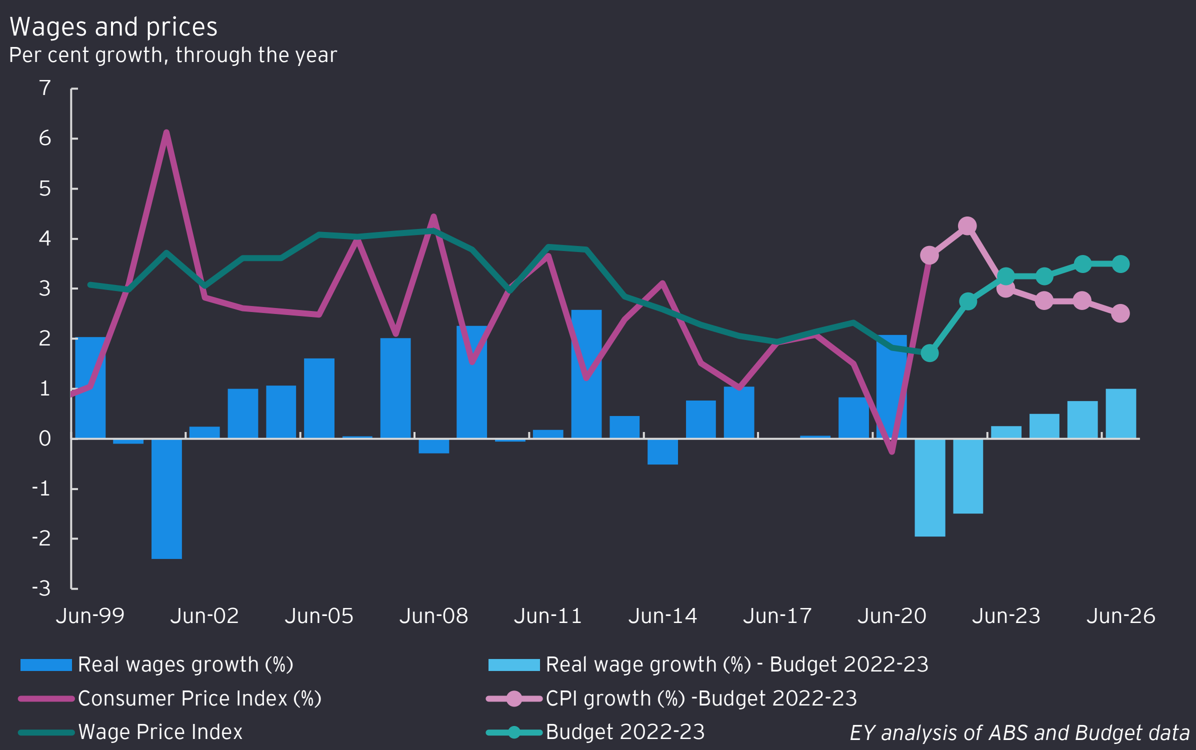
EY analysis of ABS and Budget data

8. Australian workers have never been more utilised; flexible parental leave changes will lift workforce participation further



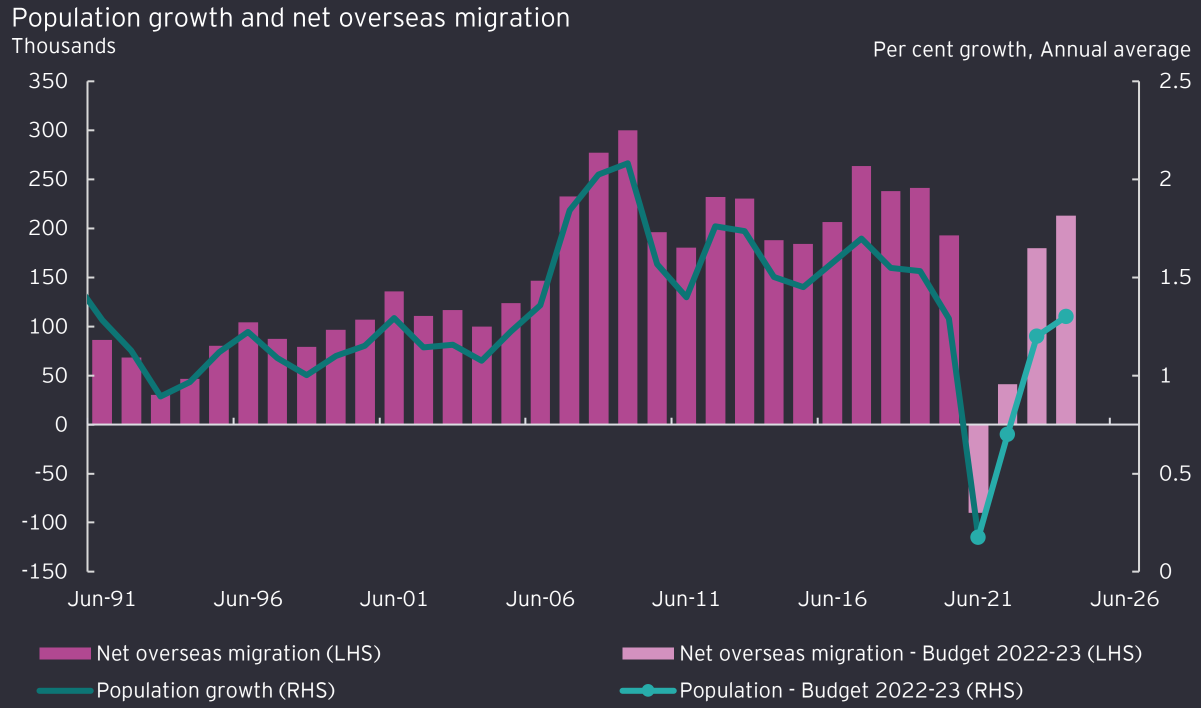
EY analysis of ABS and Budget data

9. Strong labour market conditions should translate into stronger wage growth



EY analysis of ABS and Budget data

10. Upwardly revised net overseas migration will help ease supply side pressure and raise economic potential



Source: EY analysis ABS and Budget data

EY can help

The future is uncertain, but the path there doesn’t need to be.

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