Beyond the budget 2021‑22:

supplementary paper

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# Beyond the budget: approach

## About this supplementary paper

This supplementary paper complements the Parliamentary Budget Office’s (PBO’s) *Beyond the budget 2021-22: Fiscal outlook and scenarios* report by providing information on the methodology as well as additional analysis of receipts and payments.[[1]](#footnote-2) The paper is structured as follows: chapter 1 provides a summary of the report’s approach and highlights changes made in the 2021-22 edition of the report, chapter 2 covers the accrual accounting and balance sheet methodology, chapter 3 covers the fiscal sustainability methodology, and chapters 4 and 5 cover the methodology for receipts and payments projections respectively. Chapter 6 provides additional results, summaries of the drivers of change in each category of payments and receipts over the medium term, and changes since the previous report.

## Report objectives and approach: overview

The PBO’s *Beyond the budget 2021-22* report has two key objectives:

* to provide independent, detailed projections of the government’s balance sheet, budget balance, receipts and payments, over the medium-term projections period, currently 2025‑26 to 2031‑32[[2]](#footnote-3)
* to assess fiscal sustainability over the longer term (currently to 2060‑61), using scenario analysis to explore the question: ‘If the government maintains a budget balance broadly in line with historical precedents, is the fiscal position sustainable over the longer term?’.

For the medium-term projections period (2025‑26 to 2031-32), we use the PBO’s suite of models for receipts, payments, and the relationships between them to derive projections for key budget outcomes, such as the budget balance and debt. Consistent with our legislation, we take all estimates for 2021‑22 to 2024‑25—the ‘forward estimates period’—directly from the budget.

For the scenarios period (2032-33 to 2060‑61), we take a high-level approach, assessing sustainability by looking at the trajectory for the debt-to-GDP ratio under a range of plausible scenarios and exploring whether debt grows or falls as a share of the economy over time.

For both the longer‑term scenarios and the medium-term projections in this report, we use the economic and demographic inputs (‘parameters’) from the latest budget and Intergenerational Report, consistent with our legislation. These include assumptions about the growth rate for Gross Domestic Product (GDP), wages, and the size and composition of the Australian population.

To generate budget (‘fiscal’) medium‑term projections, the PBO applies its own assessment of the relationships between these economic and demographic parameters and the budget, and its own assumptions about individual policies. When making these assumptions, the PBO uses its best professional judgement informed by available data and research. For example, the assumed take-up rates for a program such as the age pension are based on analysis including historical trends in take‑up by age and gender and analysis of how these might evolve in future given the maturation of the superannuation system.

Our assumptions around government policy vary depending on the questions we are exploring:

* For medium‑term projections, we assume no new policies. This means that the medium‑term‑projections reflect current government policy and do not assume future government decisions. They provide a reasonable quantitative basis on which to assess the strength and sustainability of the current fiscal position and provide a baseline against which future decisions should be added or subtracted. Where government policy has not been made explicit beyond the forward estimates period, the PBO’s medium‑term projections broadly assume the continuation of current policy settings and arrangements.
* Over the fiscal sustainability scenario period, our high‑level approach assumes that future governments actively respond to future economic and demographic change, such that the overall budget balance remains within the range of historical outcomes. As such, the scenarios do not make explicit assumptions about particular policies.

Table 1-1 provides a comparison of the approach adopted in the PBO’s *Beyond the budget 2021-22: Fiscal outlook and scenarios* report, the 2021-22 Budget and the 2021 Intergenerational Report.

## Changes in this edition of the report

The PBO continuously looks to enhance and expand analysis over time. This edition of the medium‑term projections includes three new elements:

* The first annual update on the sustainability of the Commonwealth’s fiscal position beyond the medium-term, based on the methodology established in the PBO’s [*Fiscal Sustainability*](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Fiscal_sustainability) report using parameters from the latest 2021 Intergenerational Report.
* Comprehensive independent projections of the government’s balance sheet as part of an expanded projections suite. For the 2021-22 report, the PBO has constructed an accrual fiscal accounting framework that provides a more complete reconciliation and disaggregation of the government’s operating statement, the balance sheet, and the cash flow statement. The framework allows the operating statement to be disaggregated by expenses, and for the operating statement to be linked with the balance sheet. The framework provides a link between individual heads of receipts and payments with the cash flow statement.
* Key budget aggregate projections on an accrual as well as a cash basis. Accrual accounting records income when it is earned, and records costs when they are incurred, regardless of when the related cash is received or paid. For many items, accrual and cash estimates are similar, but in some cases they are very different.

In addition to these new features, the PBO has made improvements to the projections approach for several important receipts and payments including company tax, superannuation fund taxes, the Age pension and the National Disability Insurance Scheme (NDIS). Further detail on these models can be found in chapters 4 and 5 in their respective individual receipts and payments methodology section.

Table 1-1: Beyond the budget 2021-22, the 2021-22 Budget and the 2021 Intergenerational Report (IGR)—comparison

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Report / section (time period) | Aim | Parameters | Policy assumptions | Other comments on methodology |
| **PBO, Beyond the budget 2021-22: Fiscal outlook and scenarios**  (2025‑26 to 2031‑32) | Provide independent projections of the fiscal position over the medium term. | Same parameters as the budget, consistent with the PBO’s legislation. | No policy change.  That is, all currently announced policies at the time of the budget are included. No assumptions about any additional future policy are made, except for the Pharmaceutical Benefits Scheme and road and rail infrastructure. | The PBO uses the budget forward estimates as published in the 2021-22 Budget, consistent with our legislation. From 2025‑26, the PBO develops fiscal projections from independent models of receipts and payments programs using budget parameters and applying our own professional judgement.  See chapters 4 and 5 of this paper for more information on the methodology used for each receipts and payments projection model. |
| **PBO, Beyond the budget 2021-22: Fiscal outlook and scenarios, fiscal sustainability assessment**  (2032-33 to 2060‑61) | Assess fiscal sustainability using scenario analysis to explore how different paths for GDP, interest rates and the budget balance affect the trajectory for gross debt. | Middle scenario uses same parameters as the IGR. High and low scenarios for parameters based on historical ranges. | Policy changes over time to maintain the assumed budget position. No assumptions about the specific policy changes. | High level approach based on paths for economic growth, interest rates and the budget balance.  See chapter 3 of this paper for more information. |
| **2021-22 Budget**  (2020-21 to 2031‑32) | Fulfil obligations under the *Charter of Budget Honesty*, including outlining economic and fiscal outlook for Australia and setting out fiscal strategy. | Economic and demographic projections take into account historical averages and long-term trends. | No policy change is assumed over the medium term except for new policy presented in the budget. | Fiscal projections based on economic projections and modelling of receipts and major spending programs.  Over the medium term, the forward estimates for receipts and payments form the base to which future growth is applied. |
| **2021 Intergenerational Report**  (2020-21 to  2060-61) | Fulfil obligations under the *Charter of Budget Honesty* by assessing the long-term sustainability of current government policy over the next 40 years. | Economic and demographic projections take into account historical averages and long‑term trends. | No policy change.  Where long-term operation of policy is not well defined, makes assumptions about trends. | Fiscal projections based on economic projections and modelling of receipts and major spending programs. Uses budget forward estimates and medium term as published in the 2021-22 budget.  See the 2021 IGR for further detail, including p. xvi on the approach to policy assumptions and p. 162 for a visual summary of the projections approach. |

Source: 2021-22 Budget, 2021 Intergenerational Report, the *Charter of Budget Honesty Act 1998*, the *Parliamentary Services Act 1999* and PBO analysis.

# Accrual and balance sheet methodology

## Accrual projections methodology

In addition to reporting budget aggregates on a cash basis (the underlying cash balance), the PBO is now also publishing budget aggregates on an accrual basis (the fiscal balance). Individual heads of receipts and payments will continue to be reported on a cash basis.

Accrual accounting records income when it is earned, and records costs when they are incurred, regardless of when the related cash is received or paid. In contrast, cash accounting records transactions when cash is received or paid out, regardless of when those amounts are incurred.

The fiscal balance is equal to the government's revenue minus its expenses, adjusted for government capital investments, such as military equipment (known as 'net capital investment in non-financial assets'), when they are acquired or sold. The PBO calculates revenue and expenses over the medium term by adjusting the cash projections by an estimate of the future gap between the cash and accrual measures, based on the historical gap or ‘wedge’.

## Balance sheet framework

The PBO has developed a balance sheet projections framework for the 2021-22 report to better reflect the relationship between the government’s balance sheet items and its cash flow. The new framework uses accounting identities to project government assets and liabilities over the medium term. The resulting medium-term balance sheet also links the PBO’s medium-term projections for cash receipts and payments to the associated accrual revenue and expense items.

This accounting framework is consistent with the Australian Government Budget Financial Statements (see 2021-22 Budget, Statement 10, pp. 309314) and involves the production of three linked financial statements:

1. The cash flow statement, which presents all general government sector receipts and payments in cash terms.
2. The operating statement, which presents all general government sector revenue and expenses in accrual terms.
3. The balance sheet, which presents all general government sector assets and liabilities.

Further information on the financial statements, including a visual glossary, is available in Appendix A of the PBO’s [*Alternative financing of government policies*](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Alternative_financing_of_government_policies) report.[[3]](#footnote-4)

These three statements are linked in several ways:

* Most items presented in the cash flow statement are linked to an associated accrual item on the operating statement. The differences between cash and accrual items (the ‘wedges’) are represented on the balance sheet by either a ‘receivable’ (asset) or a ‘payable’ (liability). For instance, if tax receipts are lower than tax revenue, this will be included in the balance sheet as a ‘tax receivable’ on the asset side.
* Cash flows or revaluations associated with the government’s balance sheet are reflected on either the cash flow statement or the operating statement. For instance, when the government makes a loan, this will be included as a payment within the cash flow statement. If that loan is then written off, this will be included as an expense on the operating statement.

The PBO’s balance sheet framework produces medium-term projections for all three financial statements (Figure 2-1).

The PBO models major receipts and payments items using the approaches outlined in chapters 4 and 5 of this paper and combines these projections to produce a cash flow statement.

The PBO produces a medium-term operating statement, which provides corresponding projections for revenue and expenses items in accrual terms. Accrual wedges are based on the historical ratio between revenue and receipts, and expenses and payments. These wedges are also then included on the balance sheet as receivables and payables.

Figure 2-1: PBO balance sheet framework – overview



Source: PBO analysis.

The PBO projects the medium-term balance sheet using stock-flow accounting identities. The resulting complete cash flow statement and balance sheet are then used to inform the projections for government debt issuance and public debt interest payments.

A key advantage of the PBO’s balance sheet framework is that it allows for some flows of income or expenses to be modelled with reference to the corresponding balance sheet item. This is particularly important for areas of government expenditure which are funded via balance sheet financing (such as the National Broadband Network), or receipt items which are associated with earnings from Commonwealth Investment Funds (such as the Future Fund). Figure 2-2 shows an example of how funds are projected, and Figure 2-3 is an example of how receivables are projected under the PBO’s new balance sheet framework. The projections from 2025‑26 in Figure 2‑2 are the PBO’s projections of the DisabilityCare Australia Fund (DCAF) balance on the basis of current policy settings and do not seek to pre-empt future policy adjustments.

The PBO intends to publish a more detailed set of medium-term financial statement projections and additional material explaining the balance sheet at a later date.

Figure 2-2: PBO balance sheet framework – DisabilityCare Australia Fund (DCAF) stock flow



Source: 2021-22 Department of Finance Portfolio Budget Statement, p. 29 and PBO analysis.

Figure 2-3: PBO balance sheet framework – tax receivables and accrued revenue stock flow



Note: Tax receivables and accrued revenue reflect tax recognised but not yet received. For the purpose of this illustrative example, the item ‘tax write-offs and other flows’ is a residual, which includes changes in receivables from taxes administered by the Department of Home Affairs and other agencies.

Source: 2021-22 Budget, Statement 10, and PBO analysis.

## Debt sensitivities: rule of thumb approach

Given the uncertainty around the economy in the near term, Box 2 in the main report applies a rule of thumb translation to the Reserve Bank of Australia’s (RBA’s) downside economic scenario from the August Statement on Monetary Policy to examine the impacts of less favourable economic forecasts on medium‑term gross debt projections. We use two hypothetical illustrative cases for payments, which should not be interpreted as reflecting current or future government policy: no additional payments, and a hypothetical increase. These increases in payments could arise through a combination of automatic stabilisers and fiscal stimulus.

In the first case, the rule of thumb has been applied by taking the difference in nominal GDP between the RBA’s downside scenario and the 2021‑22 Budget forecast in 2021-22 and 2022-23. We assume that tax receipts are lower by a quarter of the amount of this change in GDP. This change is then applied to the financing task (that is, the government’s borrowing requirement as estimated by the headline cash balance) to calculate the change in the level of gross debt. The second case builds on the first and adds in the effect of the hypothetical increase in payments.

# Fiscal sustainability methodology

Fiscal sustainability is the government’s ability to maintain its long‑term fiscal policy arrangements indefinitely, without the need for major remedial policy action. This report applies the framework set out in the PBO’s [*Fiscal Sustainability*](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Fiscal_sustainability) report to examine the trajectory of gross debt relative to GDP as a measure of long-term fiscal sustainability.[[4]](#footnote-5) This chapter outlines the methodology and assumptions underpinning each scenario.

## Overview

The long-run scenarios of debt-to-GDP presented in this report reflect variations in three key factors: interest rates (), economic growth () and the government’s budget balance (before interest rates) ()—we refer to this as the -- framework.

The difference between the interest rate on government debt and the rate of economic growth,   
(), is the key to understanding how gross debt changes over time. For a budget in balance before interest payments, (), the gross debt‑to‑GDP ratio will increase when the interest rate exceeds the economic growth rate and decrease when the economic growth rate exceeds the interest rate. This means that it is possible for debt‑to‑GDP to remain constant or fall even while running deficits. The algebraic formula for debt is shown in Box 1.

|  |
| --- |
| Box 1: The trajectory of government debt: interest, GDP growth and the budget balance |
| Gross government debt () at the end of any year () is equal to remaining debt at the end of the previous year () plus interest (), less the budget balance excluding interest (): a budget surplus () will reduce debt while a deficit () will increase debt.  Interest payments are the implied interest rate (*r*) applied to existing debt:  Showing this relative to the size of the economy (*GDP*):  Now noting that GDP is equal to GDP of the previous year plus any growth in GDP (*g*):  The change in government debt as a share of the economy over time—the *trajectory* of the debt-to-GDP ratio—can therefore be expressed as: |

## Summary of assumptions

Our approach does not present one ‘central’ projection, but instead tests the trajectory for debt across a range of economic scenarios for , and , based on the degree to which these factors have varied over time. All scenarios take 2031-32, the end of the medium-term projection period, as the starting point. Table 3-1 provides further detail on the methodology used to determine the middle, upside, and downside scenarios.

Table 3-1: Fiscal sustainability scenarios—summary of assumptions

|  |  |
| --- | --- |
| Factor | Description |
| **GDP growth** | The growth rate of the nominal (dollar value) economy (). The scenarios for GDP growth are constructed using the ‘three-Ps’ framework, consistent with the fiscal aggregate projection model underlying the budget papers and the 2021 Intergenerational Report.  Under this framework, the middle, upside and downside scenarios are focused on long-run trajectories for population, participation and productivity detailed below. The unemployment rate, average hours worked and price growth are held constant under each scenario. |
| Productivity growth | A measure of the efficiency of production. Our estimates are based on the broad measure of GDP per hour worked. Our projections assume productivity growth is constant in the long run, in line with budget and Intergenerational Report projections.  The middle scenario for productivity growth is 1.5 per cent, consistent with the 2021-22 Budget.  The upside and downside scenarios are based on the highest and lowest point of the 25‑year rolling average of GDP per hour worked (a measure of productivity) from 1979‑80 as published by the Australian Bureau of Statistics (ABS) in *Australian System of National Accounts, 2019-20*. As noted in the *Fiscal Sustainability* report, we assume productivity growth of 0.5 per cent over the next three years, reflecting lower‑than‑average productivity growth in recent years–this results in a much lower downside scenario for productivity growth of 1.2 per cent. The upside scenario for productivity growth is 1.8 per cent. |
| Participation rate | The proportion of the working-age population who are currently employed or in search of a job. Participation rate projections vary with demographic trends.  Participation rates are based on the age and sex specific participation rate projections underpinning the 2021 Intergenerational Report, which have been applied to the respective population projections under each scenario. |
| Population growth | The net change in the population after accounting for births, deaths and migration. Population growth will vary in line with demographic trends in fertility and life expectancy, as well as current government policy on migration.  Long-term population growth under the middle scenario is based on the projections underpinning the 2021-22 Budget, developed by the Centre for Population. From the end of the 2021-22 Budget medium-term period, the upside and downside scenarios are based on the variance in the projections published by the ABS in *Population Projections, Australia, 2017 (base)*. The upside and downside scenarios use the high (series A) and low (series C) series respectively. |
| Unemployment rate | The unemployment rate is the percentage of people in the labour force who are unemployed. It is assumed to reach its long-term level of 4.75 per cent by the end of the medium-term period and remain stable, at a rate consistent with stable inflation (known as the non-accelerating inflation rate of unemployment or NAIRU). This assumption is fixed across all scenarios. |
| Average hours worked | The average number of hours worked by persons in job. Our projections assume that average hours worked remains constant across all scenarios. |
| Price growth (inflation) | The general increase in prices over time. Our projections assume price growth in the long run is constant in the middle of the RBA’s target band of 2 to 3 per cent across all scenarios. |
| **Interest rates  (10-year bond yield)** | The average interest rate () on the stock of Australian Government Securities (bonds) on issue. A higher interest rate generates higher interest payments on debt, which will in turn result in debt being higher than it would have otherwise been.  The interest rates scenarios are based on the yield curve assumptions underpinning the 2021-22 Budget, which assume the 10-year bond yield remains fixed over the forward estimates period before converging in a linear fashion to long-run GDP growth (around 5 per cent) over a 15-year period. Our projections assume that the 3-year, 20-year and 30-year bond yields follow a similar linear path.  For the upside and downside scenarios we assume the same deviation from the middle scenario as we do for the upside and downside scenarios for GDP growth (± 0.6 per cent by the end of the scenario period). This assumption extends the range of to ± 1.2 per cent by the end of the scenario period under the best- and worst-case scenarios.  Note that the average interest rate paid on the stock of debt tends to lag current bond rates, and so takes longer to reach the long‑run yield. |
| **Headline cash balance (before interest payments)** | The structural budget balance (). Our analysis focuses on the *headline cash* *balance*, which directly affects the level of gross debt, rather than the underlying cash balance, which does not include items such as asset sales and purchases.  Although interest payments are normally a component of the headline cash balance, our analysis separates these components. To avoid double counting the interest payments, we use the headline cash balance excluding interest payments.  Our projections assume that the budget gradually transitions to the structural level under each scenario after the end of the medium term.  The middle assumption for the headline cash balance is a structural surplus of 0.4 per cent of GDP (before interest payments), which is the most recent 25‑year average (excluding 2019-20). The upside and downside scenarios are based on the highest and lowest points of the 25‑year rolling average of the headline cash balance (before interest payments) as a share of GDP from 1969‑70, resulting in structural headline cash balance assumptions of 1.5 per cent of GDP and 0.0 per cent of GDP respectively.  Both the middle and downside scenarios are deficits once interest is incorporated.  This approach implicitly accounts for the fiscal policy response to both economic booms and downturns that have been present over time. For example, while governments may run greater deficits during downturns, periods of higher economic activity are usually associated with a stronger budget position. |

Source: PBO analysis.

# Receipts projection methodology

The PBO’s projections comprise individual receipt projections of all of the Commonwealth Government’s major heads of receipts.

Up to 2024-25, the PBO’s receipts projections are consistent with the 2021-22 Budget forward estimates period as required by the PBO’s legislation; these budget forward estimates are used as the base for projecting receipts over the medium term.

The PBO’s receipt projections are generally prepared using a ‘base-plus-growth’ methodology. Economic parameters are used to estimate growth rates, which are then applied to the relevant   
base. The economic parameters used to estimate growth rates in this report are the same as   
those underpinning the 2021-22 Budget, as required by the PBO’s legislation.

The PBO’s projections are based on the policy settings underlying the 2021-22 Budget and assume no change to these settings over the medium term. Where government policy has not been made explicit beyond the forward estimates period, the PBO’s projections assume the continuation of the current policy settings.

For policy decisions where the impact is not already factored into the base-year data or the economic parameters, the projected impact of these policies are added to the base projections.

Table 4-1 provides details of the methodology for each category of receipts.

Table 4-1: Receipts projection methodology

| Model | Description | Methodology |
| --- | --- | --- |
| **Gross income tax withholding and gross other individuals and refunds** | These heads of revenue broadly cover all personal income tax, including revenue from salary and wages, the Medicare Levy and Medicare Levy Surcharge, personal income tax offsets, income from profits from unincorporated businesses, primary production and investment activities, as well as capital gains. | The aggregate taxable income for individuals over the medium term is calculated by growing individual income items from the Australian Taxation Office’s Taxation Statistics data by the relevant economic parameters, most notably compensation of employees.  In the analysis (Box 5 in the main report) we assume that incomes grow at the same rate across the distribution, for males and females.  For each year, an average gross tax rate is applied, reflecting the policy settings and the economic parameters at the time of the 2021‑22 Budget.  Projected tax offsets are applied and the timing of tax collections is taken into account to arrive at the receipts projections. |
| **Company tax** | Tax on profits, including capital gains, of incorporated businesses. | The projections are based on an approach whereby company tax revenue is recognised at the point that a company-tax-payable liability arises for a company from its underlying economic activity. Three industry groupings—Mining, Finance and all Other companies—are used in the projection modelling, to reflect structural differences in companies from different industries. The tax base across the three sector groupings is grown with the Gross Operating Surplus economic parameter corresponding to the relevant industry grouping.  Adjustments are made to capture net capital gains and deducted tax losses, as well as the other elements of the tax system (principally the research and development tax offset) that are reported against company tax receipts. |
| **Goods and services tax (GST)** | Indirect tax on the consumption of certain goods and services. | GST receipts are projected based on the growth in consumption, private dwelling investment, and ownership transfer costs. Growth is tapered to account for the declining trend in household consumption subject to GST. For further details on this adjustment, see PBO Report no. 02/2020  [*Structural Trends in GST*](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Structural_Trends_in_GST). |
| **Customs and excise** | Includes customs duties on textiles, clothing and footwear, passenger motor vehicles and other imports, excise on fuel, and excise and customs duties on tobacco and alcohol (except wine, for which wine equalisation tax applies). | Receipts from each category of excise and customs duty are projected in a similar way:  a growth rate is determined using a quantity parameter, and where appropriate, prices are grown using the appropriate price parameter.  For the following customs and excise, the relevant parameters are:   * fuel—private consumption of fuel, real GDP, the CPI and the number of Mondays in a given year, as fuel excise is only accrued on Mondays * textile, clothing and footwear—imports of textiles, clothing and footwear * passenger motor vehicles—imports of non‑industrial transport equipment * other imports—imports of endogenous goods less imports of non-industrial transport equipment, textiles, clothing and footwear * tobacco—private consumption of cigarettes and Average Weekly Ordinary Time Earnings * alcohol—private consumption of alcohol, the CPI and the number of Mondays in a given year, as alcohol excise is only accrued on Mondays.   Provisions for free trade agreements are also applied, consistent with budget estimates. |
| **Superannuation  fund taxes** | Tax on superannuation fund contributions and investment earnings, including capital gains, of Australian Prudential Regulation Authority (APRA) funds and self-managed super funds. | Projections for the taxable income of APRA-regulated superannuation funds and self-managed superannuation funds are based on the structure of a superannuation fund’s tax return.  Historical data from APRA’s Annual Superannuation Bulletin and the Australian Taxation Office’s Taxation Statistics data are grown by relevant economic parameters for projections of taxable income. Statutory tax rates are then applied to the projections of taxable income.  Projected tax offsets are applied and the timing of tax collections is taken into account to arrive at the receipts projections. |
| **Other taxes and charges** | Other indirect taxes and levies, including the major bank levy and agricultural levies. | Other taxes and charges are projected based on the growth in nominal GDP. |
| **Fringe benefits tax (FBT)** | FBT paid by employers, based on the taxable value of the fringe benefit provided to employees. Separate to income tax. | FBT receipts are projected based on the compensation of employees parameter. |
| **Wine equalisation tax (WET)** | A value-based tax on wine consumed in Australia. | WET receipts are projected based on the growth in private consumption of alcohol. |
| **Luxury car tax (LCT)** | A tax on luxury cars sold or imported, where their value exceeds a threshold. | LCT receipts are projected based on the growth in sales of cars, and the motor vehicle price indicator. |
| **Petroleum Resources Rent Tax (PRRT)** | Tax on profits from sales of petroleum products. | PRRT receipts are calculated on a project-by-project basis using expenditure and output data and the oil price parameter underpinning the 2021-22 Budget, which is grown by CPI beyond the forward estimates period. |
| **Non-tax receipts** | Includes interest and dividend earnings (including Future Fund earnings), NDIS contributions from the states and territories, sale of non-financial assets, and other non-tax receipts. | Projections for each component of non-tax receipts are projected using the PBO’s balance sheet framework (see chapter 2 of this paper for more information).  Components are either projected using stock‑flow accounting identities or are grown in line with nominal GDP. |

Source: PBO analysis.

# Payments projection methodology

The PBO’s payments projections comprise 23 individual projections of key government payments, which in total comprise approximately 80 per cent of total government payments.

Up to 2024-25, the PBO’s payments projections are consistent with the 2021-22 Budget forward estimates period as required by the PBO’s legislation; these budget forward estimates are used as the base for projecting expenditure over the medium term.

Projected levels of payments beyond 2024-25 have been prepared using a range of PBO models based on information provided by government agencies, which take into account factors including population growth, the age structure of the population, estimates of trends in the demand for government services, and program indexation arrangements.

The PBO’s projections are based on the policy settings underlying the 2021-22 Budget and assume no change to these settings over the medium term. Where government policy has not been made explicit beyond the forward estimates period, the PBO’s projections assume the continuation of the current policy settings.

The two exceptions to this approach are projections for payments for the Pharmaceutical Benefits Scheme and road and rail infrastructure. These payments are inextricably linked to decisions of government and to not factor in any policy decisions would result in implausibly low estimates of payments over the next decade. For pharmaceutical benefits, the growth rate is projected using historical per person growth in expenditure, to implicitly capture the impact of new items being listed in the scheme. For road and rail infrastructure, the PBO assumes that as currently announced projects are completed, new projects are commenced. New project spending is estimated by assuming growth tapers to equal the historical rate of road and rail infrastructure spending (0.36 per cent of GDP).

Departmental expenses have been excluded from modelled programs, except in the cases of defence payments and the NDIS where departmental costs are an integral part of the program.

Table 5-1 provides details of the methodology for each category of payments.

Table 5-1: Payments projection methodology

| Model | Description | Methodology |
| --- | --- | --- |
| **GST transfers to states** | GST receipts less non-general interest charge penalties collected. | See Table 4-1 Receipts projection methodology, GST receipts. Transfers to states are also supplemented by top up payments as in the budget, which leads to slightly higher GST payments than receipts. For further details on this adjustment, see PBO Report no. 02/2020  [*Structural Trends in GST*](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Structural_Trends_in_GST). |
| **Age pension** | The age pension under  the Income Support for Seniors program. | Projected expenditure for the age pension is calculated as projected recipients multiplied by the average payment rate.  Age pension recipients are projected by applying a trend of age pension recipients to the Australian population of age pension age over the medium term, adjusted for changes in the age pension eligibility age.  The projected average rate of payment is based on projections of Male Total Average Weekly Earnings, CPI, and Pensioner and Beneficiary Cost of Living Index, and the proportions of full-rate and part-rate age pension recipients, which are adjusted over the medium term to reflect the maturing superannuation system. |
| **Defence** | The net cost of service for the Department of Defence (including the Australian Signals Directorate), including employee costs, supplies, and purchases of capital including specialist military equipment. | Projections of defence spending over the medium term are based on growth in long-term funding commitments made in the 2020 Defence Strategic Update (p. 54). The base is payment for Defence in the most recent Portfolio Budget Statements.  For 2030-31 and 2031-32, the PBO has assumed growth in defence spending is maintained at the  annualised average growth rate from 2020-21 to 2029-30. |
| **Medicare Benefits Schedule (MBS)** | Comprises Department of Health – related payments under the Medicare Benefits Schedule. | Detailed historical data is used to model payments by age, gender and service type (e.g. general practitioner services, allied health, etc). Historical average levels in services per person and real benefits per service are used to project total payments. This methodology is based on PBO research and is described in more detail in Appendix C – Technical notes and sources of PBO Report no. 04/2015 [*Medicare Benefits Schedule Spending trends and projections*](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Medicare_Benefits_Schedule) |
| **Public hospitals** | Commonwealth payments to states and territories for public hospitals under the National Health reform Agreement. | Projected Commonwealth funding for public hospitals over the medium term is set with reference to the annual determination of the National Efficient Price (NEP).  This funding profile is based on the 2020-2025 National Health Reform Agreement.  The PBO assumes that the funding arrangement will continue over the projection period.  The projection of price growth in providing hospital services is based on the indexation rate in the latest NEP determination.  Growth in the number of patient services is projected based on the trend of historical number of services provided annually. |
| **Aged care** | Consists of subsidies for residential care, the Commonwealth Home Support Program, and subsidies for Home Care Packages. | The number of residential aged care places reflects government policy to provide 80 residential and restorative aged care places per 1,000 persons aged 70 years and over. The number of home care packages reflects the increased number announced in the 2021-22 Budget and is held constant at this number over the medium term. The average cost of each aged care package is assumed by the PBO to grow by a composite index consisting of 75 per cent wages and 25 per cent CPI. The Commonwealth Home Support Program is an annual appropriation projected to grow at a wage cost index plus 3.5 per cent (in line with the aged care measure announced in the 2014‑15 Budget). All other aged care expenditure is grown at the growth rate of nominal GDP over the medium term. |
| **National Disability Insurance Scheme (NDIS)** | Administered and departmental payments of the National Disability Insurance Agency (NDIA) and the NDIS Quality and Safeguards Commission. | Projections of administered costs for participants’ care and support are based on projections of the number of recipients and the average NDIS package costs.  Beyond the forward estimates period, the PBO developed two scenarios for NDIS administered payments, given the unusually high uncertainty around the level and growth of participant numbers and average costs. See Box 6 in the main report for further commentary. The budget aggregates in the main report incorporate the NDIS ‘base’ scenario.  Both scenarios assume that after the forward estimates period, participant numbers would grow towards the level projected by the NDIA Scheme Actuary (see *NDIS Annual Financial Sustainability Report Summary – Interim update*, July 2021) in 2027-28. (The Actuary’s *Interim update* does not publish the projected number of participants and the average cost in every year over the medium term; we have interpolated between projections for 2026-27 and 2029-30 to obtain estimates for 2027-28.)  The ‘base’ scenario assumes participant growth will converge to population growth by 2032‑33, while the ‘high’ scenario assumes that the number of participants continues to grow at a rate of around 5 per cent each year (population growth plus 4 per cent), with no convergence to population growth within the medium term.  For both scenarios, the average cost per participant is grown annually by a combination of wages growth (75 per cent weighting) and the change in the CPI (25 per cent weighting) plus an allowance for participants’ increasing use of their budgets as they become more familiar with the options available to them. However, the ‘high’ scenario assumes that average costs first converge to the 2027‑28 level interpolated from the Actuary’s report.  Spending projections (in cash terms) are assumed to be equal to expenses from 2025-26, largely reflecting a reduction of in-kind payment arrangements between states and territories and the Commonwealth.  Departmental payments beyond the forward estimates period are assumed to grow in line with overall administered spending. |
| **Schools** | Comprises the Quality Schools National Specific Purpose Payment from the Commonwealth to states  and territories for government and  non‑government schools. | Projections are based on the Quality Schools policy. Schools are funded by a per-student amount, based on the Schooling Resource Standard and additional amounts for six loadings that reflect the student profile, location and size of the school.  Schools expenditure over the medium term is based on the projections of the per student funding amount and student numbers, which track school age population. The expenditure estimates reflect the target levels of funding as a share of the Schooling Resource Standard.  These target levels are 80 per cent for non-government schools (Catholic and independent) and 20 per cent for government schools by 2029.  Schools funded below the target will transition by 2023, while those above the target will transition by 2029. |
| **Public debt interest (PDI)** | Interest paid on Australian Government Securities on issue. | Public debt interest payments are projected based on the financing task implied by PBO projections of receipts and all other payments (excluding PDI payments) and adopt the same assumptions regarding interest rates on Australian Government Securities as the 2021‑22 Budget. |
| **Pharmaceutical Benefits Scheme** | Comprises the special appropriation of the Pharmaceutical Benefits Scheme. | Pharmaceutical benefit projections are calculated by taking historical expenditure data, grouped by age and gender cohorts, and calculating the historical per person growth in expenditure. This is then used to derive a trend growth for pharmaceutical benefits payments per person over the medium term. |
| **Payments to individuals (other than the Age pension)** | Social security payments including the Family Tax Benefit; Disability Support Pension; Carer income support (primarily Carer Payment and Carer Allowance); Parenting Payments (Single and Partnered); and income support for the unemployed (includes JobSeeker Payment and Youth Allowance (Other). | Projected expenditure on payments to individuals is calculated as projected recipients multiplied by the average payment rate.  Recipient numbers for each payment are projected by applying historical trends in take-up rates (by age and gender cohorts) to medium-term population projections. Income support payments for the unemployed are also adjusted for projected changes in unemployment and sensitivity to the unemployment rate by age and gender cohorts. Some working age payments are also adjusted to reflect the increase in the age pension eligibility age from 65 to 67 by 2023-24.  The average rate of payment is grown by the respective legislated indexation factor (for example the CPI). |
| **Child care subsidy (CCS)** | Child Care Subsidy | The number of recipients of the CCS is projected based on the rate of population growth of young children plus an additional growth factor (based on historical data) to account for usage growing faster than the eligible population.  Child care prices are projected to grow in line with recent historical trends in child care fees, adjusted to account for the impact of the hourly fee cap.  The average subsidy rate is calculated based on the projected thresholds for the income tests in each future year.  The impact of the measure *Women’s Economic Security Package* has been included as reported in the 2021-22 Budget. |
| **Government superannuation** | Cash payments associated with the unfunded civilian and military schemes. | Projections are based on the *Long Term Cost Reports* updated for developments in subsequent budgets. |
| **Fuel tax credit scheme** | Credits for the excise or customs duty on fuel a business uses in machinery, plant, equipment, heavy vehicles and light vehicles travelling off public roads or on private roads. | Fuel Tax Credit Scheme expenditure is calculated by applying credit scheme rates to projected fuel excise and customs duty revenue collections (see Table 4-1 – Receipts projection methodology, Customs and excise). Credit scheme rates are projected by indexing them in line with the CPI. |
| **Commonwealth Grant Scheme (CGS)** | Grant funding to higher education providers for students enrolled in a Commonwealth Supported Place (CSP) at the institution. | CGS expenditure is calculated based on the arrangements announced as part of the Government’s Job-ready Graduates package, and incorporates CSP student enrolment projections across subject bands, with varying per-student amounts for areas of study. |
| **Private health insurance (PHI) rebate** | Department of Health and Australian Taxation Office payments related to the PHI rebate. | Expenditure on PHI is projected to grow in line with the population, CPI, and coverage ratio. The coverage ratio has been modelled based on recent historical trends. |
| **Road and rail Infrastructure** | Comprises payments for road and rail projects. | The PBO projection accounts for all announced projects and an allowance for new projects in line with recent history.  Expenditure from 2020-21 to 2024-25 reflects the profile of spending on currently agreed road and rail infrastructure projects included in the 2021‑22 Budget.  The PBO assumes spending will taper down from the end of the forward estimates to 0.36 per cent of GDP (its recent historical average) in 2026-27.  The PBO projection is lower than total Commonwealth infrastructure investment as it does not include infrastructure investment funded through equity injections into public non-financial corporations, such as the Australian Rail Track Corporation, or concessional loans, such as the loan to the New South Wales Government for the WestConnex project. |
| **Official Development Assistance** | Comprises expenditure on foreign aid administered by the Department of Foreign Affairs and Trade, and a small component for associated spending in other departments. | After an indexation freeze introduced in the 2017‑18 Budget, Official Development Assistance has been capped at $4.0 billion to 2021-22 before indexation recommences. Expenditure beyond the forward estimates is projected by indexing the payment to growth in the CPI. |
| **Veterans’ support** | Comprises expenditure on income support and health programs for veterans, widowers and dependents. | Projections of expenditure on veterans’ support are based on projected growth in recipient numbers and the average payment for the service provided.  Recipient projections are based on 10-year Pensioner Beneficiary Statistics prepared by  the Department of Veterans’ Affairs.  The average rate of payment is grown by the relevant indexation factor for that program, adjusted for historical trends in payment rates for those payments which are income tested. |
| **Contingency reserve** | The Contingency reserve is an allowance within the budget for policy changes or other items that the government expects but cannot allocate to specific government programs or publish separately in the budget. The Contingency reserve may include a range of items, such as the ‘conservative bias allowance’; items that are too sensitive to be disclosed separately such as those that are commercial in-confidence or that affect national security; provision for underspends in the current financial year; decisions that are taken by government but were not announced before the budget; expenses where the final cost depends on negotiations with another entity such as state and territory governments; and provisions for other specific events and pressures that are expected to affect the budget estimates but have not yet taken place. | Amounts allocated to the Contingency reserve, including the conservative bias allowance and the additional provisions, are grown by the growth rate of nominal GDP over the medium term. |
| **Other payments** | Other payments include payments that are not explicitly modelled by the PBO. This covers government administration, a range of small grant and subsidy programs, and smaller specific purpose payments to the states (ie other than hospitals, schools and infrastructure). | Total payments are modelled using the PBO’s balance sheet framework (see chapter 2 of this paper for more information). ‘Other payments’ is the difference between total payments and all the payments that the PBO models explicitly. |

Source: PBO analysis.

# Drivers of changes in payments and receipts

## Trends in projections over the medium term

Tables 6-1 and 6-2 describe the drivers of changes in all modelled receipts and payments between 2018‑19 and 2031-32. In most previous medium-term fiscal projections reports, the base year of comparison has been the year prior to the budget year, which for this report would be 2020-21. However, the years 2019-20 and 2020-21 were unusual due to the COVID-19 pandemic and associated policy response. In order to compare against a more typical base year, these tables use 2018-19 as a comparison year.

Table 6-1: Drivers of changes in receipts over the medium term

|  |  |  |  |
| --- | --- | --- | --- |
| **Receipts** | **Per cent of GDP** | | **Drivers of change (percentage points of GDP) over the medium term** |
| **2018-19** | **2031-32** | **2018-19 to 2031-32** |
|  | **%** | |  |
| Individuals and other withholding taxes | 11.5 | 11.9 | Increase primarily due to bracket creep, despite the implementation of Stage 2 and 3 of the Government's Personal Income Tax Plan. |
| Company tax | 4.8 | 4.3 | Decreases due to a drop in key commodity prices from their elevated prices in 2018-19. |
| Goods and services tax | 3.3 | 3.4 | Broadly unchanged consistent over the medium term as consumption moves similarly to GDP. |
| Excise and customs duty | 2.0 | 1.9 | Broadly unchanged decreases as some imports decrease significantly relative to GDP over the medium term. |
| Superannuation fund taxes | 0.6 | 0.7 | Broadly unchanged. |
| Other taxes and charges | 0.5 | 0.4 | Broadly unchanged. |
| Fringe benefits tax | 0.2 | 0.2 | Unchanged. |
| Wine equalisation tax | 0.1 | 0.0 | Broadly unchanged. |
| Luxury car tax | 0.0 | 0.0 | Unchanged. |
| Resource rent taxes | 0.1 | 0.0 | Broadly unchanged. |
| **Total tax receipts** | **23.0** | **22.9** | **Broadly unchanged.** |
| **Non-tax receipts** | **1.9** | **1.8** | **Broadly unchanged.** |
| **Total receipts** | **24.9** | **24.7** |  |
| *Memorandum items:* |  |  |  |
| Capital gains tax | 0.9 | 0.9 | Unchanged. |

Note: ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Source: 2018-19 Final Budget Outcome, 2021-22 Budget and PBO analysis.

Table 6-2: Drivers of changes in payments over the medium term

| **Payments** | **Per cent of GDP** | | **Drivers of change (percentage points of GDP) over the medium term** |
| --- | --- | --- | --- |
| **2018-19** | **2031-32** | **2018-19 to 2031-32** |
|  | **%** | |  |
| GST transfers to states | 3.4 | 3.5 | Broadly unchanged - consistent over medium-term as consumption moves similarly to GDP. |
| Age pension | 2.4 | 2.3 | Broadly unchanged. |
| Defence | 1.9 | 2.3 | Increases in line with funding commitments released in 2020 Strategic Update. |
| National Disability Insurance Scheme | 0.6 | 1.7 | Increases reflecting participants growing above population growth and average payments to participants growing faster than wages. |
| Aged care | 1.0 | 1.5 | Increases over the medium term as population ageing leads to greater use of aged care services and due to additional spending in response to the Royal Commission into Aged Care Quality and Safety. |
| Medicare Benefits Schedule | 1.2 | 1.4 | Increases in line with historical trend of increased demand for services. |
| Public hospitals | 1.1 | 1.3 | Increases reflecting the Commonwealth Government's commitment to the states and territories to fund 45 per cent of the efficient growth in activity-based services for public hospitals. |
| Interest payments | 1.0 | 1.1 | Broadly unchanged - increase reflects an increase in expected issuance of Australian Government Securities over the forward estimates period. |
| Schools | 1.0 | 1.1 | Broadly unchanged - growth reflects indexation and expected population growth. |
| Disability support pension | 0.9 | 0.7 | Decreases due to the assumed continuation of the trend decline in the use of this payment. |
| Pharmaceutical Benefits Scheme | 0.7 | 0.6 | Broadly unchanged. |
| Income support for the unemployed | 0.6 | 0.6 | Unchanged. |
| Family tax benefit | 0.9 | 0.5 | Decreases in line with historical decrease due to bracket creep. |
| Child care | 0.4 | 0.5 | Broadly unchanged. |
| Carer income support | 0.5 | 0.5 | Unchanged. |
| Government superannuation | 0.4 | 0.4 | Unchanged. |
| Fuel Tax Credit Scheme | 0.4 | 0.4 | Unchanged. |
| Road and rail infrastructure | 0.3 | 0.4 | Broadly unchanged. |
| Commonwealth Grants Scheme | 0.4 | 0.3 | Broadly unchanged. |
| Private Health Insurance Rebate | 0.3 | 0.3 | Unchanged. |
| Parenting payments | 0.3 | 0.2 | Broadly unchanged. |
| Official Development Assistance | 0.2 | 0.2 | Unchanged. |
| Veterans support | 0.3 | 0.1 | Decreases over the medium term due to decline in recipients. |
| **Total modelled payments** | **20.0** | **21.8** |  |
| **Total payments** | **24.5** | **26.2** |  |
| *Memorandum items:* |  |  |  |
| Government administration | *1.8* | *1.4* | Reduced spending (excluding NDIS and Defence) over the forward estimates extends into the medium term. |
| Contingency reserve provision | *0.0* | *0.6* | Increases over the forward estimates but remains steady in the medium term as the PBO's projections assume that the Contingency reserve grows with nominal GDP. |

Note: The contingency reserve provision is always equal to zero in actual figures.

Source: Final Budget Outcome 2018-19, 2021-22 Budget and PBO analysis.

## Changes in the PBO’s projections since the previous report

Tables 6-3 and 6-4 describe the reasons for changes in modelled receipts and payments as a share of GDP in this report compared to the previous report.

Table 6-3: Changes in 2030-31 receipts projections

|  |  |  |  |
| --- | --- | --- | --- |
| **Receipts** | **Per cent of GDP,  2030-31** | | **Drivers of difference from previous report  (percentage points of GDP)** |
| **Previous report** | **Current report** |  |
|  | **%** | |  |
| Individuals and other withholding taxes | 11.8 | 11.7 | Broadly unchanged. |
| Company tax | 4.2 | 4.3 | Broadly unchanged - increase due to a stronger-than-expected economic recovery. |
| Goods and services tax | 3.3 | 3.4 | Broadly unchanged - increase due to stronger-than-expected recovery in the economy and household consumption. |
| Excise and customs duty | 1.9 | 1.9 | Unchanged. |
| Superannuation fund taxes | 0.7 | 0.7 | Unchanged. |
| Other taxes and charges | 0.4 | 0.4 | Unchanged. |
| Fringe benefits tax | 0.2 | 0.2 | Unchanged. |
| Wine equalisation tax | 0.0 | 0.0 | Unchanged. |
| Luxury car tax | 0.0 | 0.0 | Unchanged. |
| Resource rent taxes | 0.0 | 0.0 | Unchanged. |
| **Total tax receipts** | **22.7** | **22.8** |  |
| **Non-tax receipts** | **1.7** | **1.8** |  |
| **Total receipts** | **24.5** | **24.5** |  |
| *Memorandum items:* |  |  |  |
| Capital gains tax | 0.7 | 0.9 | Increase due to stronger asset prices, particularly residential property prices. |

Source: PBO analysis.

Table 6-4: Changes in 2030-31 payments projections

| **Payments** | **Per cent of GDP,  2030-31** | | **Drivers of difference from previous report  (percentage points of GDP)** |
| --- | --- | --- | --- |
| **Previous report** | **Current report** |  |
|  | **%** | |  |
| GST transfers to states | 3.4 | 3.5 | Broadly unchanged - increase due to stronger-than-expected recovery in the economy and household consumption. |
| Age pension | 2.5 | 2.3 | Decreased due to a decline of retirement age population accessing the pension and fewer recipients accessing the full rate pensions over the medium term. |
| Defence | 2.4 | 2.3 | Broadly unchanged - decrease due to revisions to expected purchase of specialty military equipment over the forward estimates. |
| National Disability Insurance Scheme | 1.1 | 1.7 | Increases significantly due to upward revision of recipient numbers and average unit costs over forward estimates at 2021-22 Budget, plus higher growth beyond forward estimates reflecting assumed continuation of participant growth exceeding population growth. |
| Aged care | 1.3 | 1.4 | Broadly unchanged - increases due to additional spending on residential care and the number of home care packages. |
| Medicare Benefits Schedule | 1.4 | 1.4 | Unchanged. |
| Public hospitals | 1.3 | 1.3 | Unchanged. |
| Interest payments | 0.9 | 1.1 | Increase due to a higher yield assumption. |
| Schools | 1.1 | 1.1 | Unchanged. |
| Disability support pension | 0.6 | 0.7 | Broadly unchanged. |
| Pharmaceutical Benefits Scheme | 0.7 | 0.6 | Broadly unchanged. |
| Income support for the unemployed | 0.5 | 0.6 | Broadly unchanged. |
| Family tax benefit | 0.6 | 0.6 | Unchanged. |
| Child care | 0.4 | 0.5 | Broadly unchanged. |
| Carer income support | 0.5 | 0.5 | Unchanged. |
| Government superannuation | 0.4 | 0.4 | Unchanged. |
| Fuel Tax Credit Scheme | 0.3 | 0.4 | Broadly unchanged. |
| Road and rail infrastructure | 0.3 | 0.4 | Broadly unchanged. |
| Commonwealth Grants Scheme | 0.3 | 0.3 | Unchanged. |
| Private Health Insurance Rebate | 0.3 | 0.3 | Unchanged. |
| Parenting payments | 0.2 | 0.2 | Unchanged. |
| Official Development Assistance | 0.2 | 0.2 | Unchanged. |
| Veterans support | 0.1 | 0.1 | Unchanged. |
| **Total modelled payments** | **20.9** | **21.8** |  |
| **Total payments** | **26.1** | **26.3** |  |
| *Memorandum items:* |  |  |  |
| Government administration | 1.5 | *1.4* | Broadly unchanged - decreases due to slower nominal GDP growth after the forwards, driven by a faster recovery in the forward estimates. |
| Contingency reserve provision | *N/A* | *0.6* | N/A |

Note: The PBO’s contingency reserve modelling now includes the conservative bias allowance. In previous medium-term projections reports, the conservative bias allowance was included in remaining payments. Due to this change, comparisons for these two payments cannot be made to last year’s report.

Source: PBO analysis.

1. This is the sixth edition of the publication formerly called the Medium‑term fiscal projections report. It has been renamed to reflect the expanded contents including an annual fiscal sustainability assessment which uses scenario analysis. [↑](#footnote-ref-2)
2. The medium term (the current budget year plus the next ten years) is comprised of two sub‑periods, the four-year ‘budget forward estimates period’ (currently 2021-22 to 2024-25) and the medium-term projections period (2025‑26 to 2031‑32). [↑](#footnote-ref-3)
3. PBO Report no. 01/2020, March 2020. [↑](#footnote-ref-4)
4. PBO Report no. 01/2021, April 2021. [↑](#footnote-ref-5)