

## **Barton Deakin Brief: 2014-15 Mid-Year Economic and Fiscal Outlook**

**15 December 2014**

The Commonwealth Treasurer, the Hon Joe Hockey MP, and the Minister for Finance, Senator the Hon Mathias Cormann, today released the 2014-15 Mid-Year Economic and Fiscal Outlook (**MYEFO**).

Figures reveal that the Commonwealth Budget will record a \$40.4 billion deficit in 2014-15, equal to 2.5 per cent of Gross Domestic Product (**GDP**). This is a deterioration of \$10.6 billion since the initial deficit forecast of \$29.8 billion in May 2014.

The [MYEFO document](#) details a cumulative \$103.9 billion cash deficit over the forward estimates, with the underlying cash balance weakening by \$43.7 billion across these four years. The 2017-18 Budget is forecast to produce an \$11.5 billion deficit (0.6 per cent of GDP), reaching a surplus beyond the forward estimates in 2019-20.

Real GDP is projected to grow at near-trend levels of 3 per cent in the 2015-16 Financial Year. Unemployment is estimated to stabilise at 6.5 per cent in 2015-16.

Projected Australian Government debt in 2023-24 is expected to reach \$499 billion, nearly \$170 billion less than the \$667 billion figure forecast in the 2013-14 MYEFO document.

Treasurer Hockey has indicated that the Coalition Government will not immediately introduce new or higher taxes to mitigate against falling revenue, arguing that any such move will 'unquestionably harm the Australian economy'.

### **Updated figures**

The MYEFO document attributes the deterioration in the budget position to the following factors:

- Tax receipts to the Commonwealth have fallen by \$6.2 billion under projected figures in the six months since the May 2014 Budget. Over the next four years, tax receipts are expected to decrease by \$31.6 billion. The Government has attributed this to declining terms of trade: iron ore prices have reduced by 30 per cent since the May 2014 Budget;
- Company tax receipts are \$2.3 billion less than projected figures in 2014-15 and \$14.4 billion less over the next four years;
- Income tax receipts are \$2.3 billion less than projected figures in 2014-15 and \$8.6 billion less over the next four years;
- \$1.3 billion has been allocated towards counter-terrorism, security and law enforcement efforts. This includes funding for Australia's commitment to military operations in Iraq;
- Spending on means tested welfare and social services payments has increased above projected figures; and
- Delays in passing budget legislation through the Senate have cost the budget \$3.4 billion over the forward estimates. The impact of negotiating legislative amendments with crossbenchers to secure the passage of key budget measures is \$7.2 billion.



## Government consolidation

In response to updated budget figures, the Treasurer today announced further changes to Commonwealth spending. The most significant adjustment will see Australia's foreign aid budget reduced by \$3.7 billion over four years.

The number of Commonwealth agencies will be cut by 175, saving \$539.5 million over four years. These will reforms will result in the:

- Abolition of 139 bodies;
- Consolidation of 15 bodies into Commonwealth departments;
- Transfer of responsibilities for two agencies to non-government bodies; and
- Merger of 25 agencies.

Of these changes, the most significant decision is to consolidate the Australian Government Solicitor (**AGS**) into the Attorney General's Department.

The total number of staff in the Commonwealth public sector is forecast to return to 2007-08 levels in 2014-15.

Further to these efforts, an Australian Government Governance Policy will be created to guide the establishment and design of any future Commonwealth bodies and agencies. A new Australian Government Organisations Register will list all Commonwealth bodies.

Minister Cormann has released a summary of the public sector consolidation measures outlined in the MYEFO document – see [here](#). A media release on these decisions can be accessed [here](#).

## Background

The full MYEFO document can be read [here](#).

A press release from the Treasurer outlining the Government's response to MYEFO can be read [here](#).

The release of the MYEFO figures before the end of January, or six months after the budget, is mandated by the [Charter of Budget Honesty](#).

Barton Deakin's Brief on the 2014-15 Commonwealth Budget, delivered by Treasurer Hockey in May 2014, can be accessed [here](#).

**For more information, please contact [David Alexander](#) on +61 457 400 524 or [Alexander Clark](#) on +61 418 894 040.**