

Barton Deakin Brief: 2015-16 Mid-Year Economic and Fiscal Outlook**15 December 2015**

The Treasurer, the Hon Scott Morrison MP, and the Minister for Finance, Senator the Hon Mathias Cormann, today released the Government's 2015-16 Mid-Year Economic and Fiscal Outlook (**MYEFO**) in Perth.

The MYEFO must be delivered before the end of January, or within six months of the previous budget.

Key Economic and Fiscal Developments

The Government estimates suggest that Australia's real gross domestic product (**GDP**) growth will increase from 2.5 per cent of GDP in 2015-16 to 2.75 per cent in the 2016-17 financial year. Longer term annual growth rates have been revised down from 3.5 per cent to 3 per cent.

The MYEFO document stated that the Commonwealth deficit for the 2015-16 financial year has been revised up from the \$35.1 billion outlined in the 2015-16 Budget to \$37.4 billion. This equates to a deficit of 2.3 per cent of GDP.

Similarly, the position of the deficit in 2016-17 has been revised up to from \$25.8 billion to \$33.7 billion. At current projections, the Budget will reach surplus in 2020-21, one year later than projected in the 2015-16 Budget. The Government has stated that these revisions are a result of weaker tax receipts, lower commodity prices and low wages growth.

Key statistical assumptions have been revised since the 2015-16 Budget, including the iron ore price, which was revised from an expected US\$48 per tonne to US\$39 per tonne. This, combined with other recalibrated economic assumptions, has led to a downgrade of the projected cash balance by \$9 billion over the forward estimates.

The MYEFO document notes that Government expenditure as a share of GDP is projected to decrease in the near future from 25.9 per cent of GDP in 2016-17 to 25.3 per cent in 2018-19.

After taking into account the provisions made relating to the China-Australia Free Trade Agreement, policy decisions implemented since the 2015-16 Budget represent an improvement to the Budget of \$395 million.

Employment forecasts are positive, with employment predicted to grow by 2 per cent by June 2016, and by 1.75 per cent in the following 12 months. Unemployment is forecast to remain at approximately 6 per cent over June quarters of 2016 and 2017.

The Government reaffirmed its commitment to offsetting all new policy decisions.



New Savings Policies

The Government announced a series of policy changes since the 2015-16 Budget to produce budget savings. These include:

- Recovering payments made to individuals where information provided to Centrelink and to the Australian Tax Office (**ATO**) in the Pay As You Go system are not equivalent. This will produce \$704 million in savings over three years;
- Removing the option of bulk-billing for pathology services, and changes to bulk-billing processes in medical services including diagnostic imagery and magnetic resonance imaging, saving approximately \$639 million over four years;
- Adjusting payments in a range of health workforce programmes to saving \$595 million over four years;
- Better aligning the Aged Care Instrument with the level of care provided by the claimant, saving \$472 million over three years;
- The Government's changes to the child care system, such as the reductions in the Child Care Subsidy for families earning more than \$250,000 per annum and capping places in the Interim Home Based Carer Subsidy, will save \$441 million over four years. Another \$591 million of savings over four years is estimated to come from a larger than expected number of child care fees assistance payments being made in arrears;
- The 'Green Army' programme will be capped at 500 projects per year, producing a saving of \$356.3 million over four years. This will in part offset increases in funding to the social services portfolio;
- The Road User Charge revenue will be frozen at 2015-16 levels for two years to ensure that road quality will be maintained;
- The Government will save \$273.8 million over four years by reducing funding for the Industry Skills Fund. The Fund will continue to receive \$325.7 million over the same four year period; and
- The Government will save \$225 million over four years by removing the family member exemptions for the Newly Arrived Resident's Waiting Period.

Additional Spending

Additional spending measures since the 2015-16 Budget announced in the MYEFO include:

- Increased funding in the resettlement of illegal maritime arrivals in regional processing centres equating to \$341.1 million over two years (2015-16–2016-17) and additional funding for managing legacy casework from these arrivals, amounting to \$499.7 million in the same period;
- The management of onshore immigration detention facilities will receive additional funding of \$212.3 million over four years; and
- The Women's Safety Package will be additionally funded to the amount of \$101.2 million over four years to aid in reducing domestic and family violence;



Further information

To access the full MYEFO document in full, click [here](#).

To view the media release from the Treasurer and the Minister for Finance on the 2015-16 MYEFO, click [here](#).

Barton Deakin produces Briefs on the Governments major economic statements:

- To access Barton Deakin's Brief on the 2015-16 Budget, click [here](#).
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