

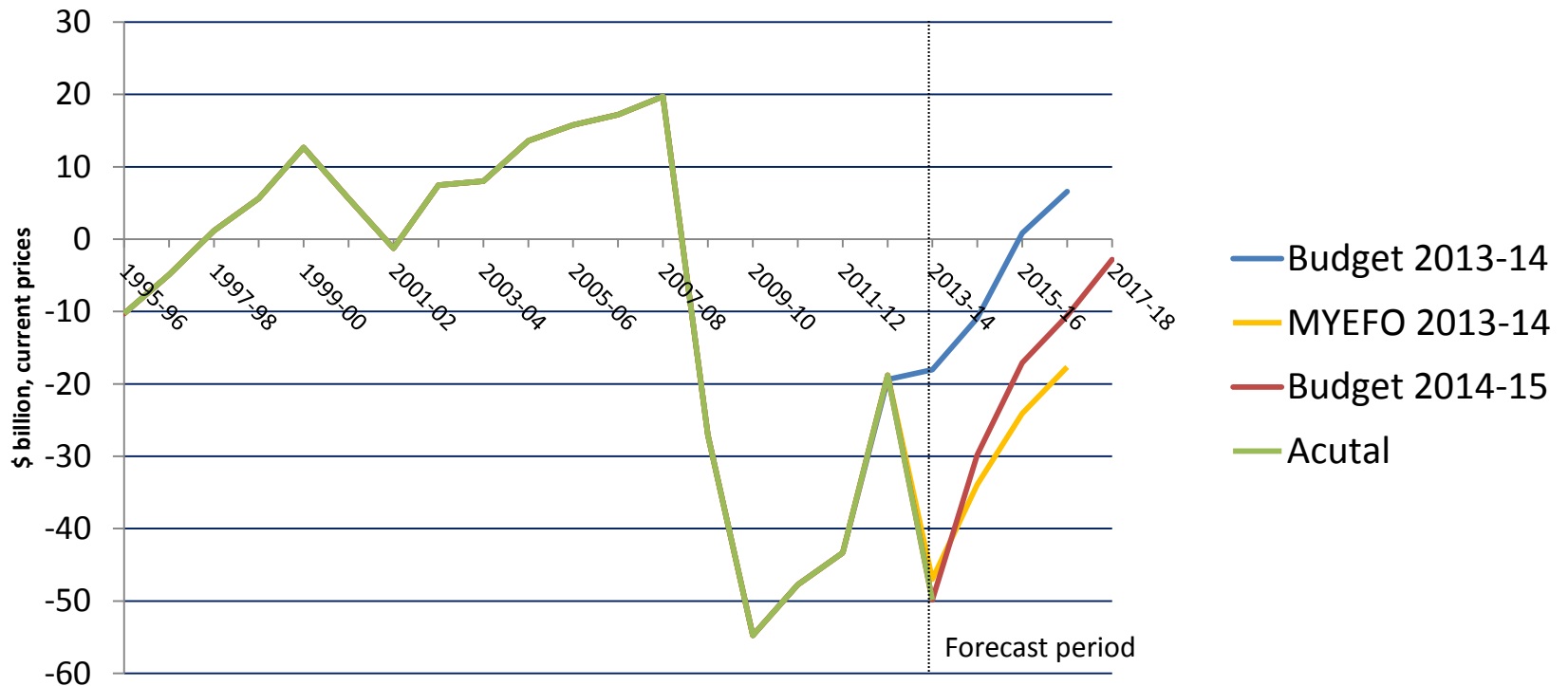
Aid Budget 2014-15

The macroeconomic context

Anthony Swan

There are structural problems to the budget that need fixing

Underlying Cash Balance



Structural problems with the budget

Short – medium term:

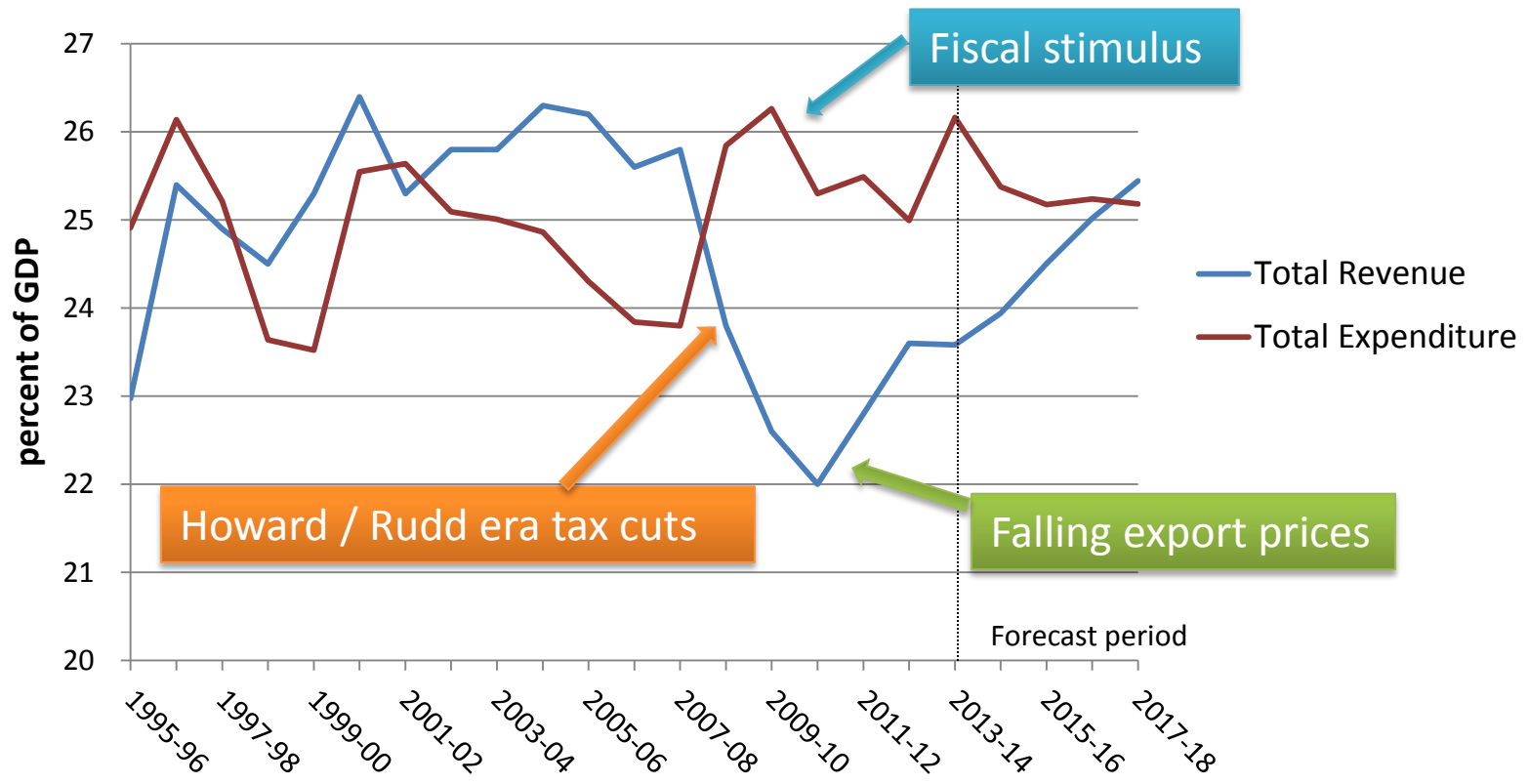
- A revenue problem
- End of the resources boom

Long term:

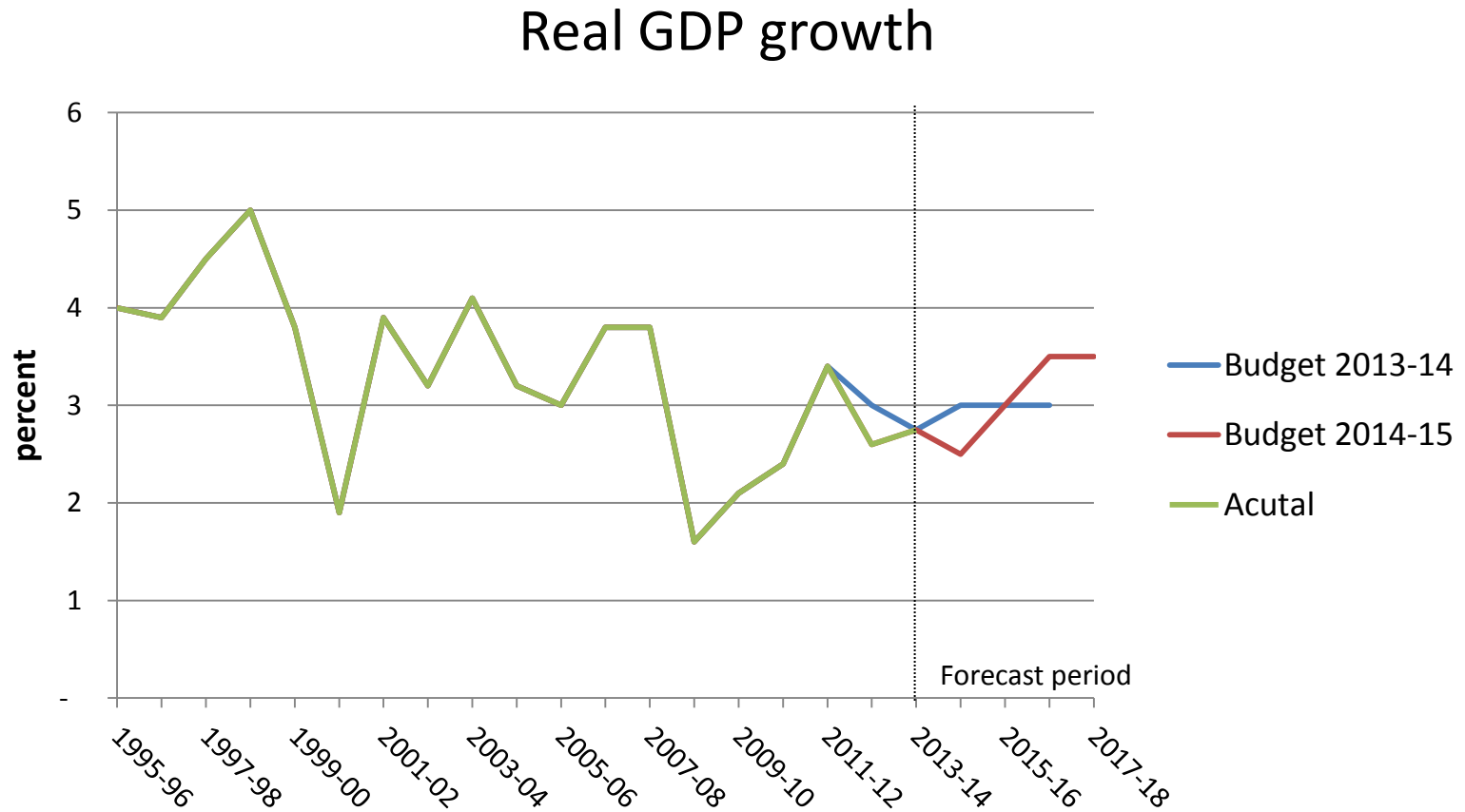
- Fiscal effects of demographic change
- Declining productivity
- A continuation of the revenue problem?

Since 2007 the deficit problem has largely been driven by low revenue

Revenue and expenditure share of GDP

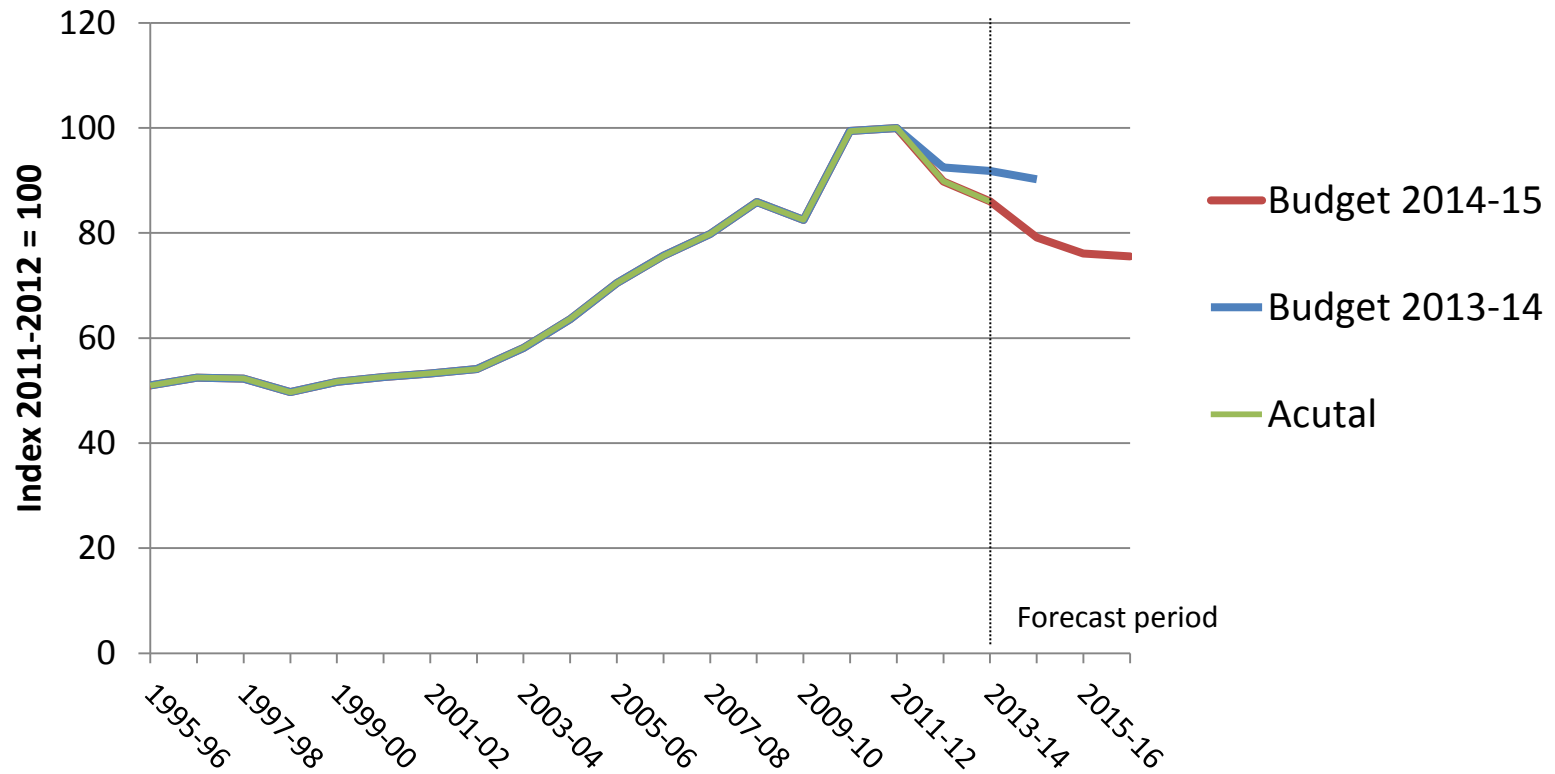


Lower than expected economic growth accounts for some of the reduced revenue.



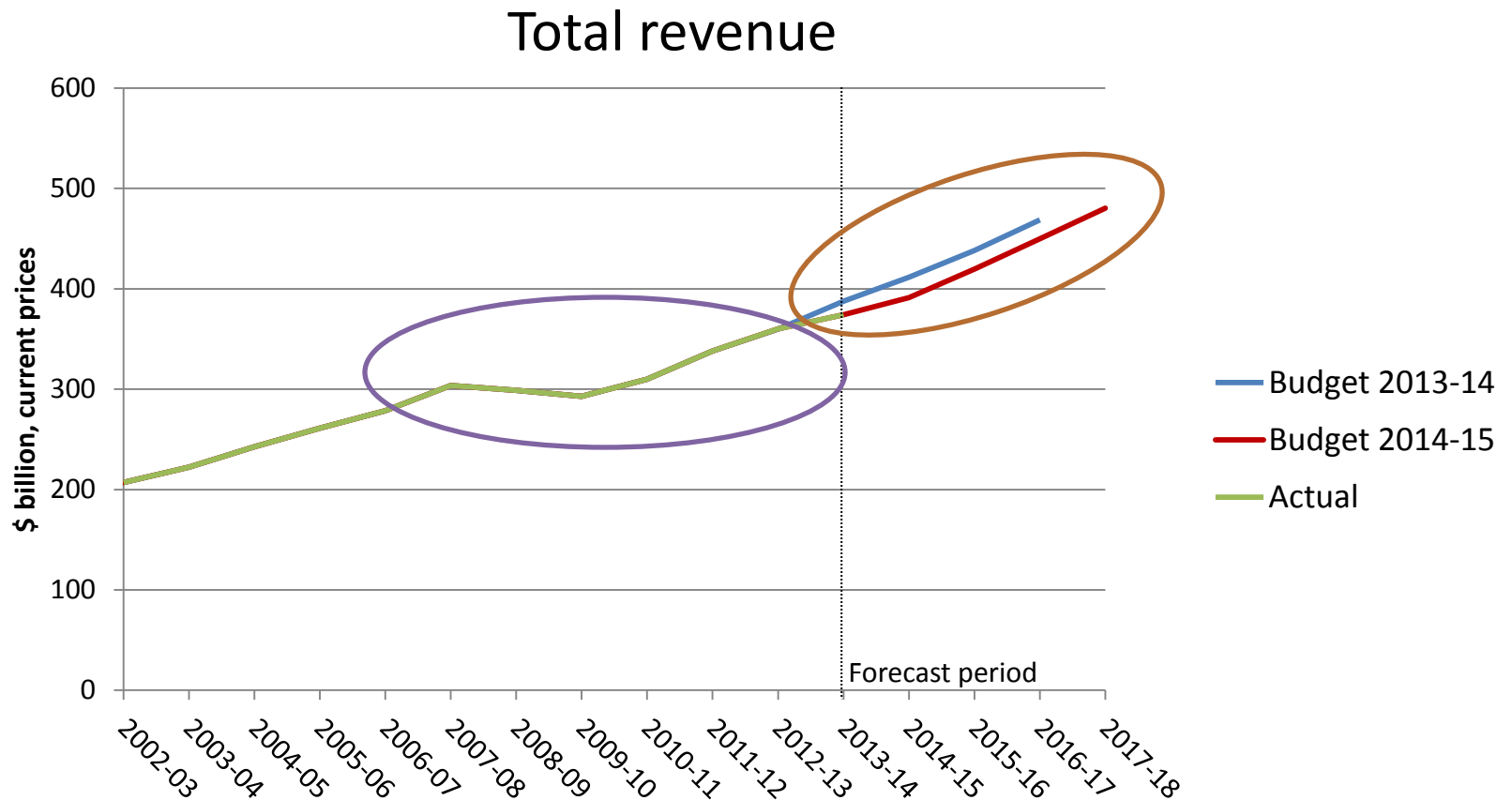
And the end of the resources boom is now a reality...

Terms of trade index



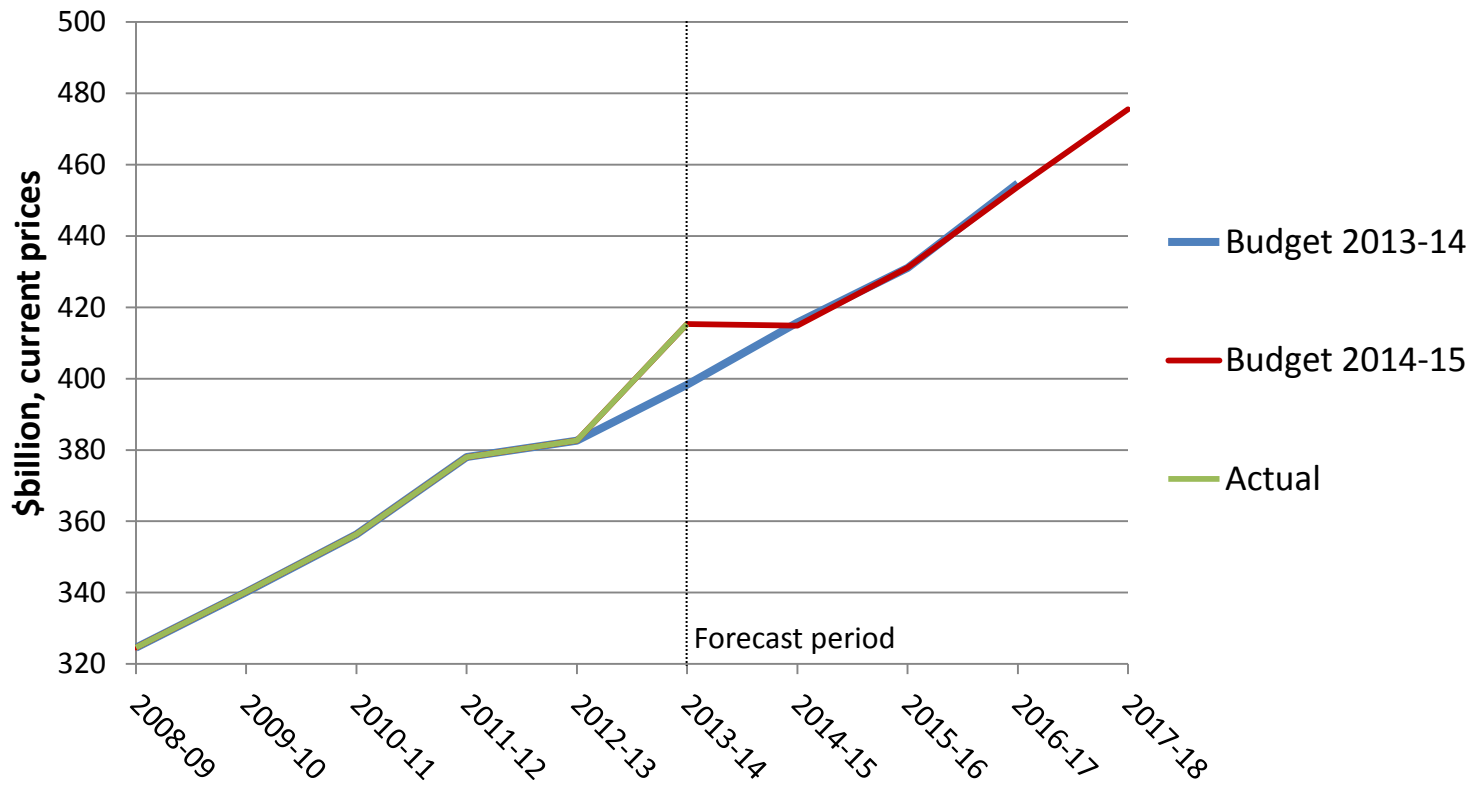
Both tax cuts and a declining terms of trade have made revenue slow to recover.

Can Australia afford further tax cuts in the future?



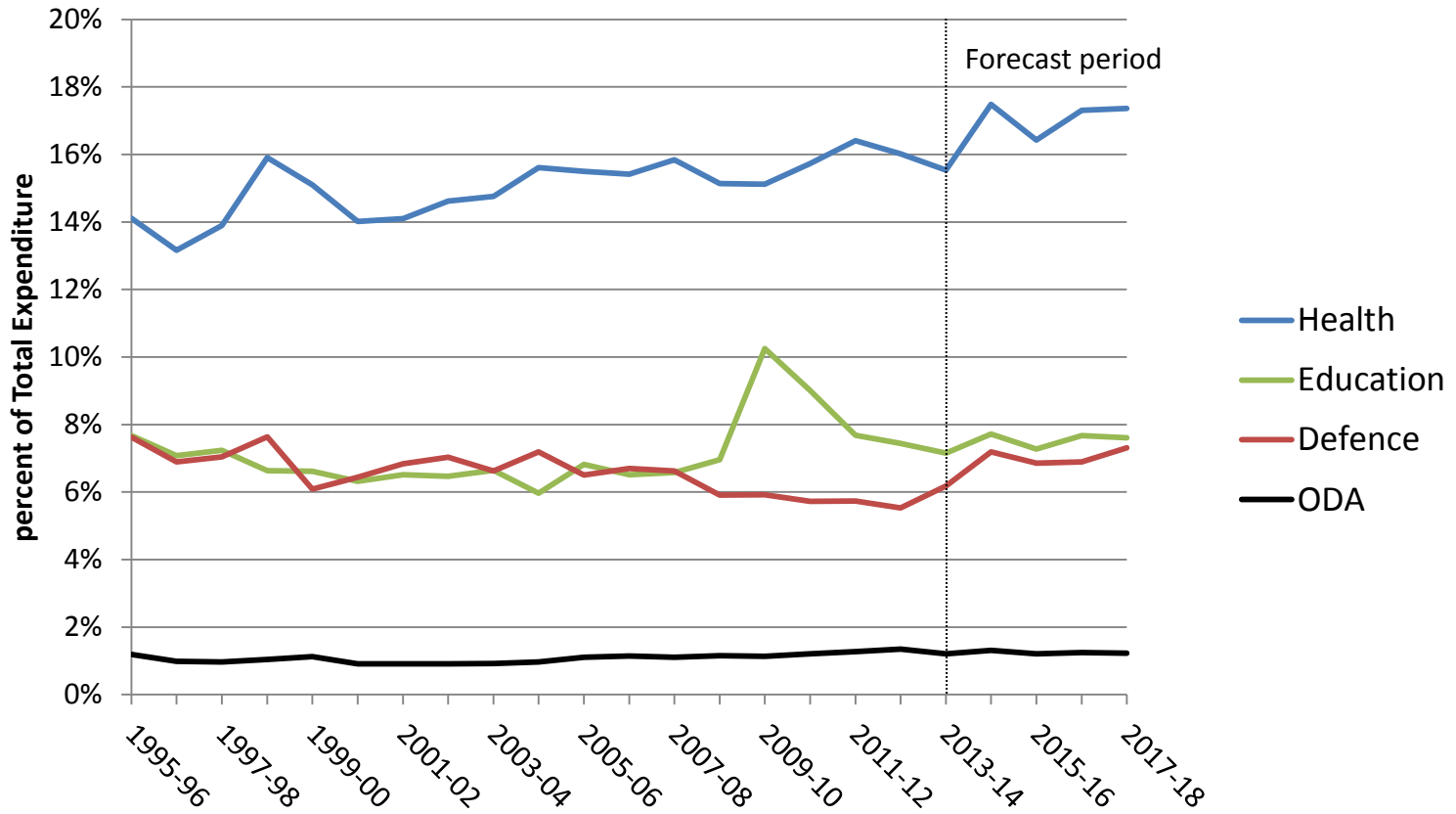
Changes to spending reflect reprioritisation rather than cuts

Total Expenditure



Health spending is increasing over time and is one indicator of the long term structural problem ahead.

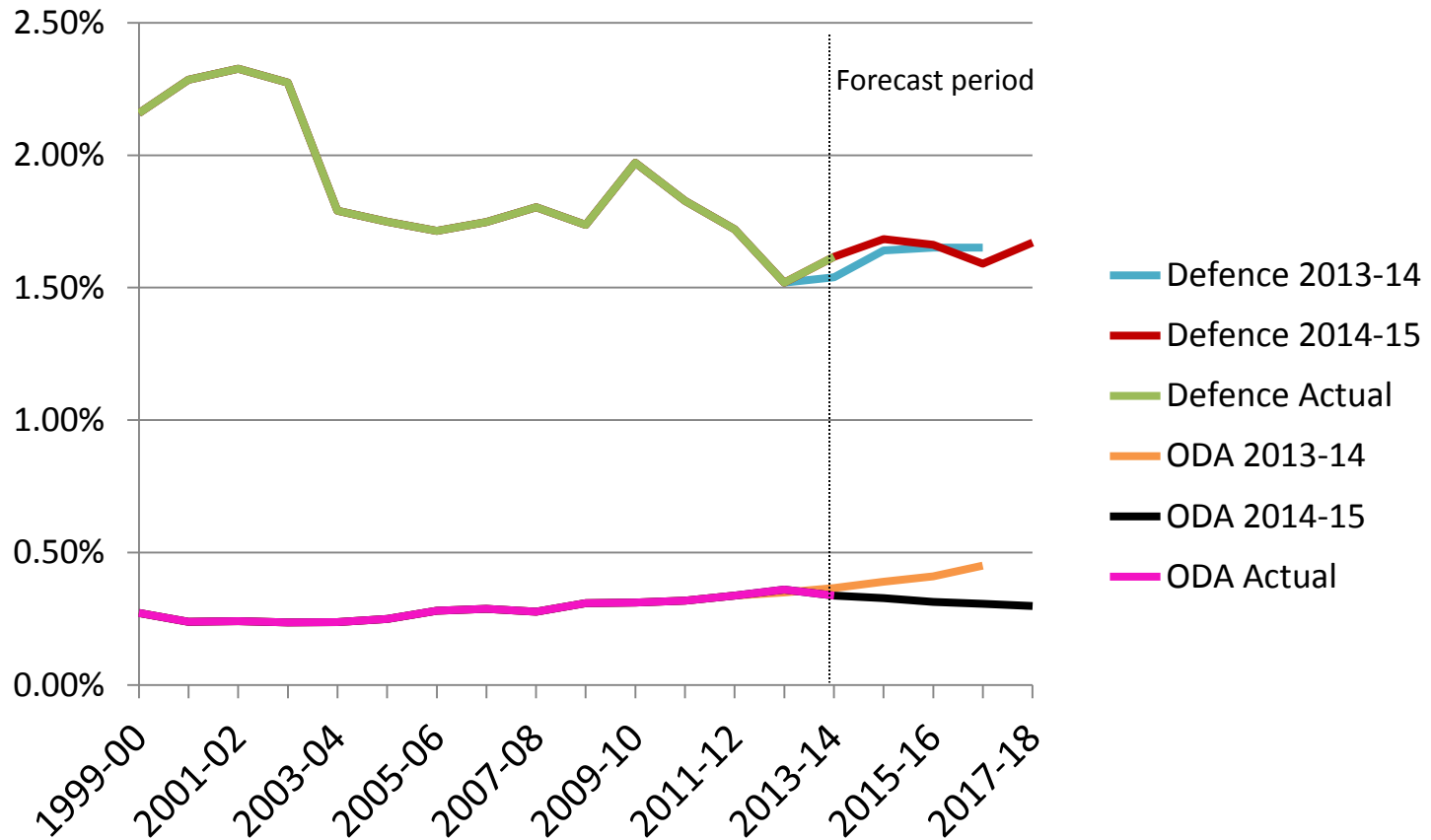
Sector shares of Total Expenditure



All this adds up to a difficult financial position for ODA.

Is Defence the new Aid?

ODA share of GNI vs Defence share of GDP



Thank you