

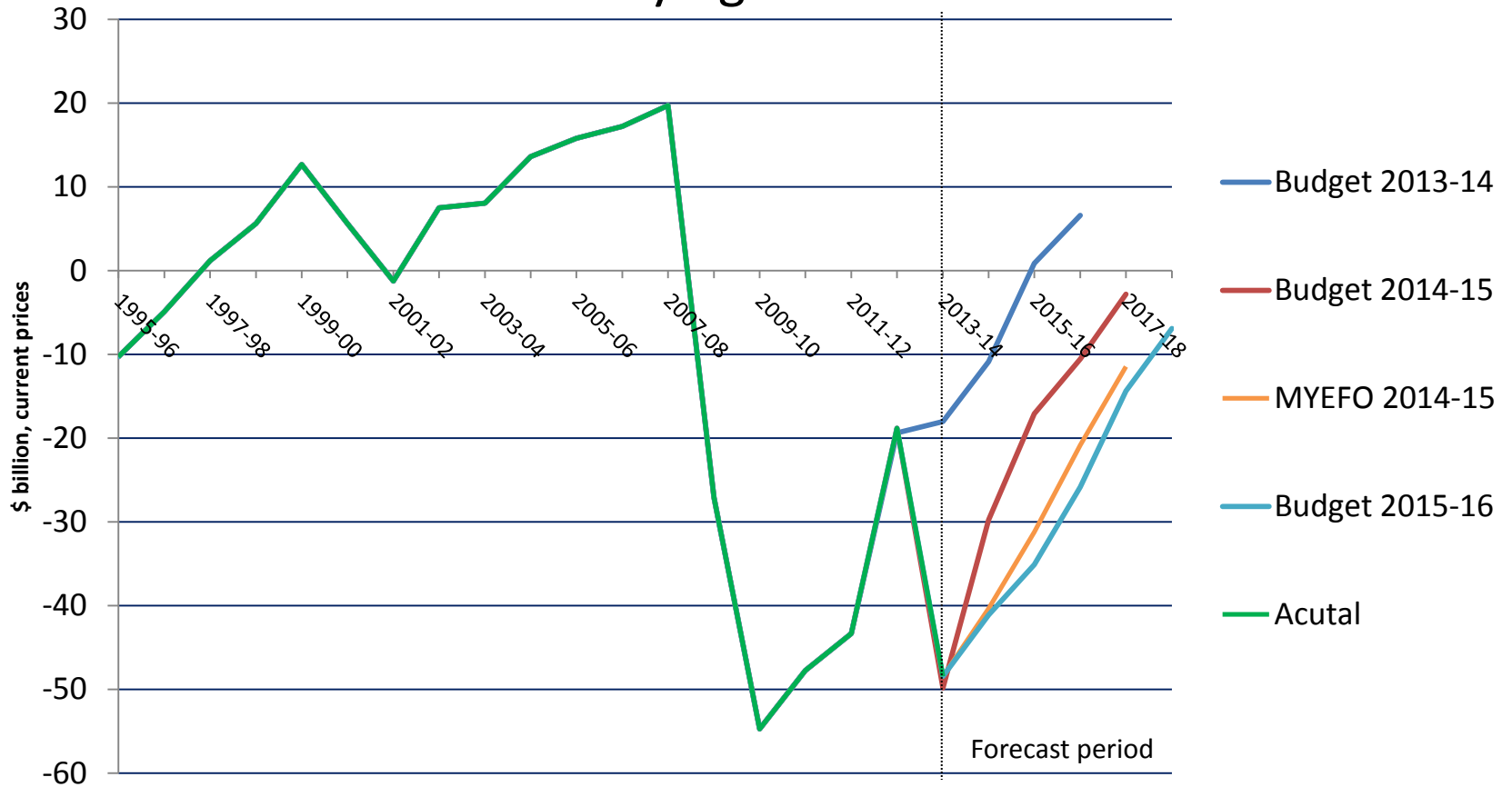
Aid Budget 2015-16

The macroeconomic context

Anthony Swan

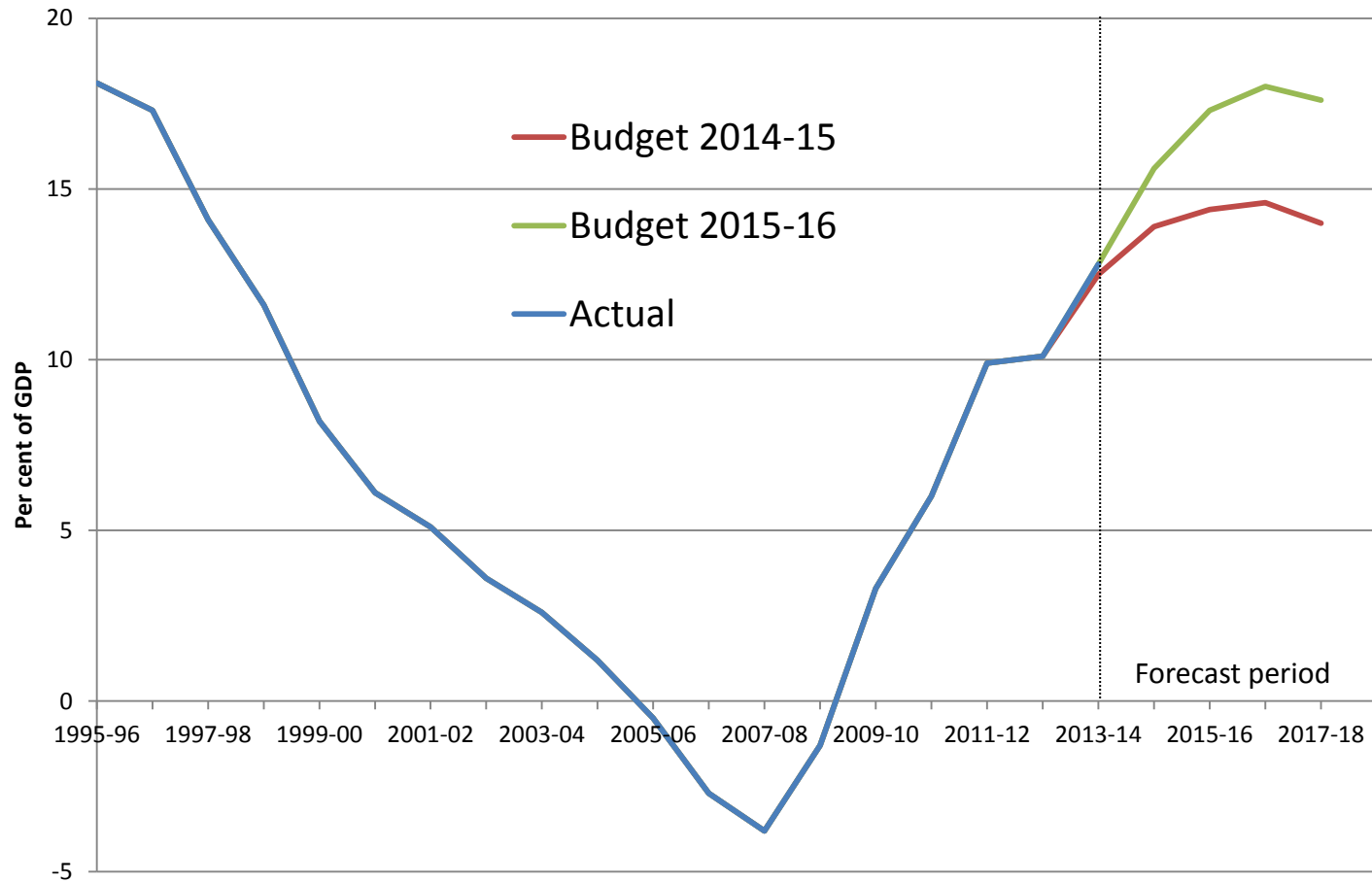
The deficit problem is persisting

Underlying Cash Balance



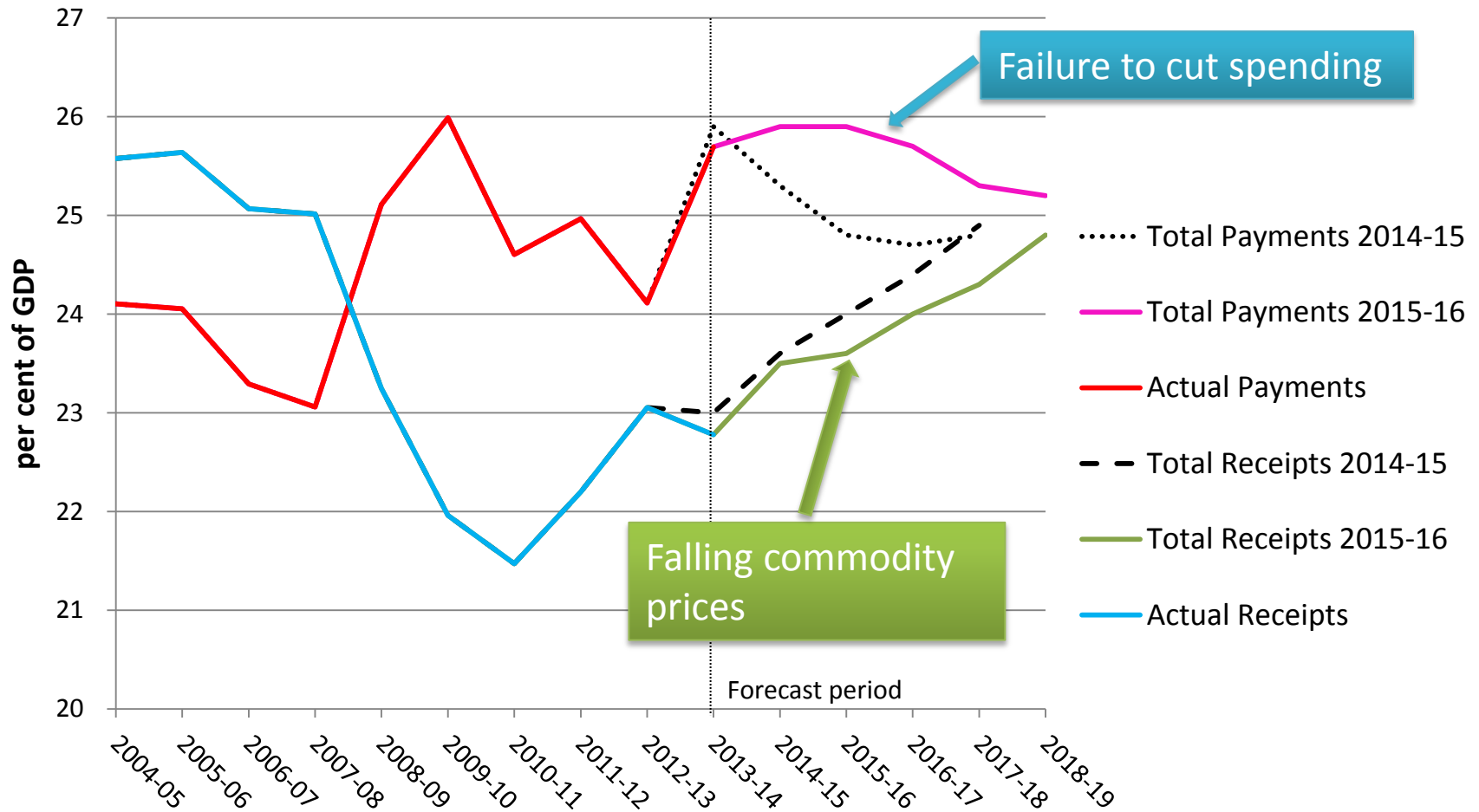
...and the debt problem is worsening

Net Debt

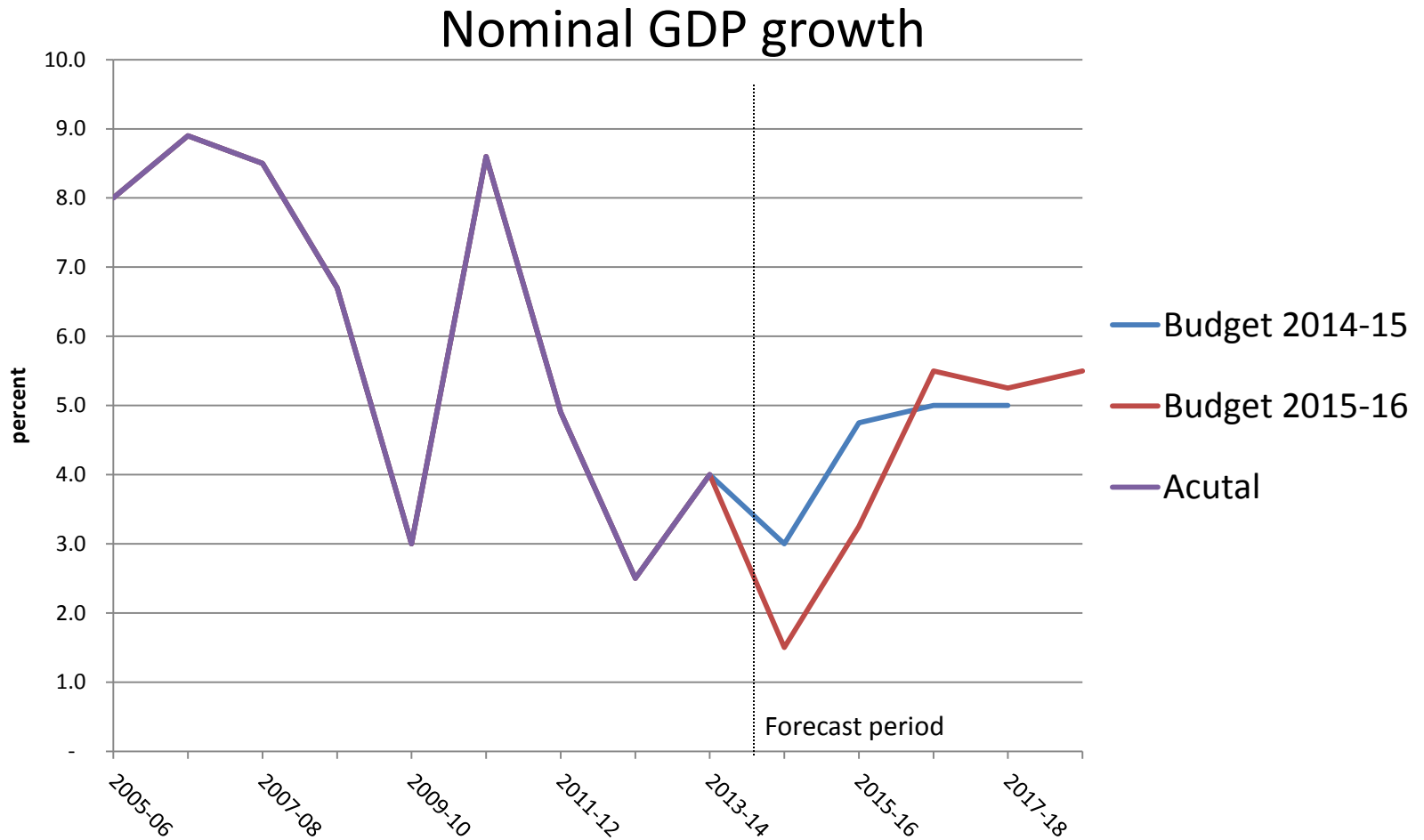


Both revenue and spending have worsened

Revenue and expenditure share of GDP

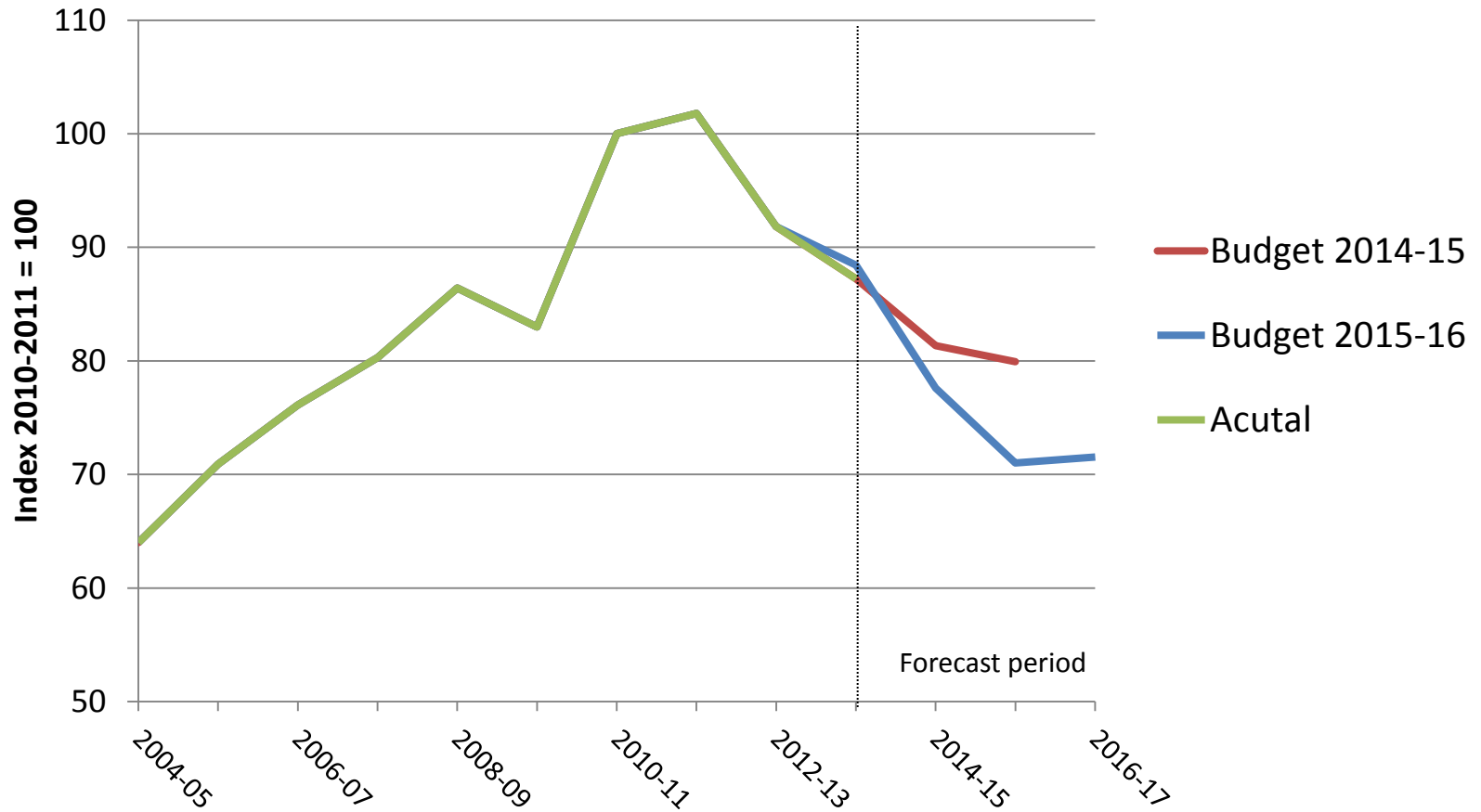


Low GDP growth translates to lower revenue



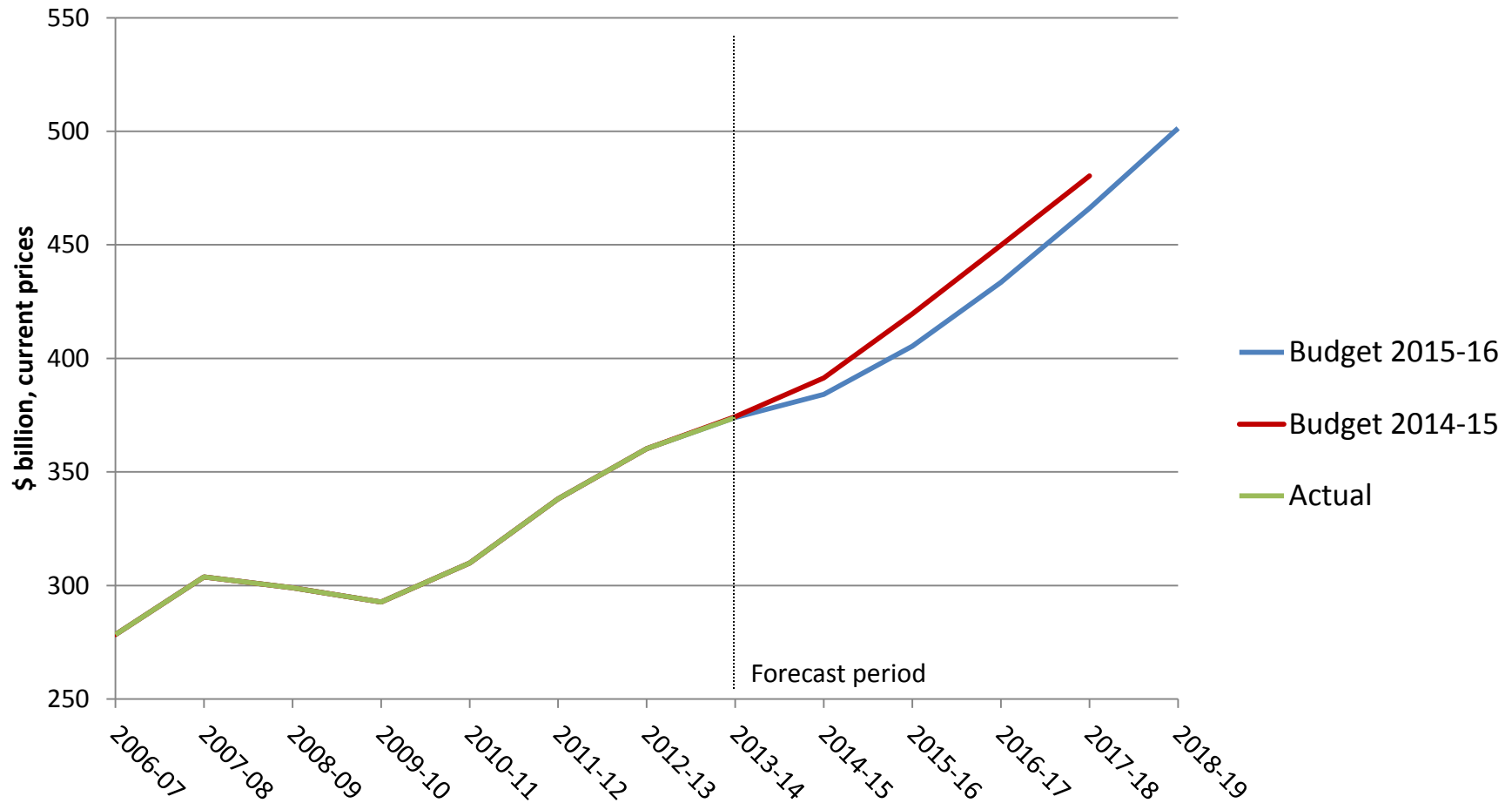
...as does falling commodity prices

Terms of trade index

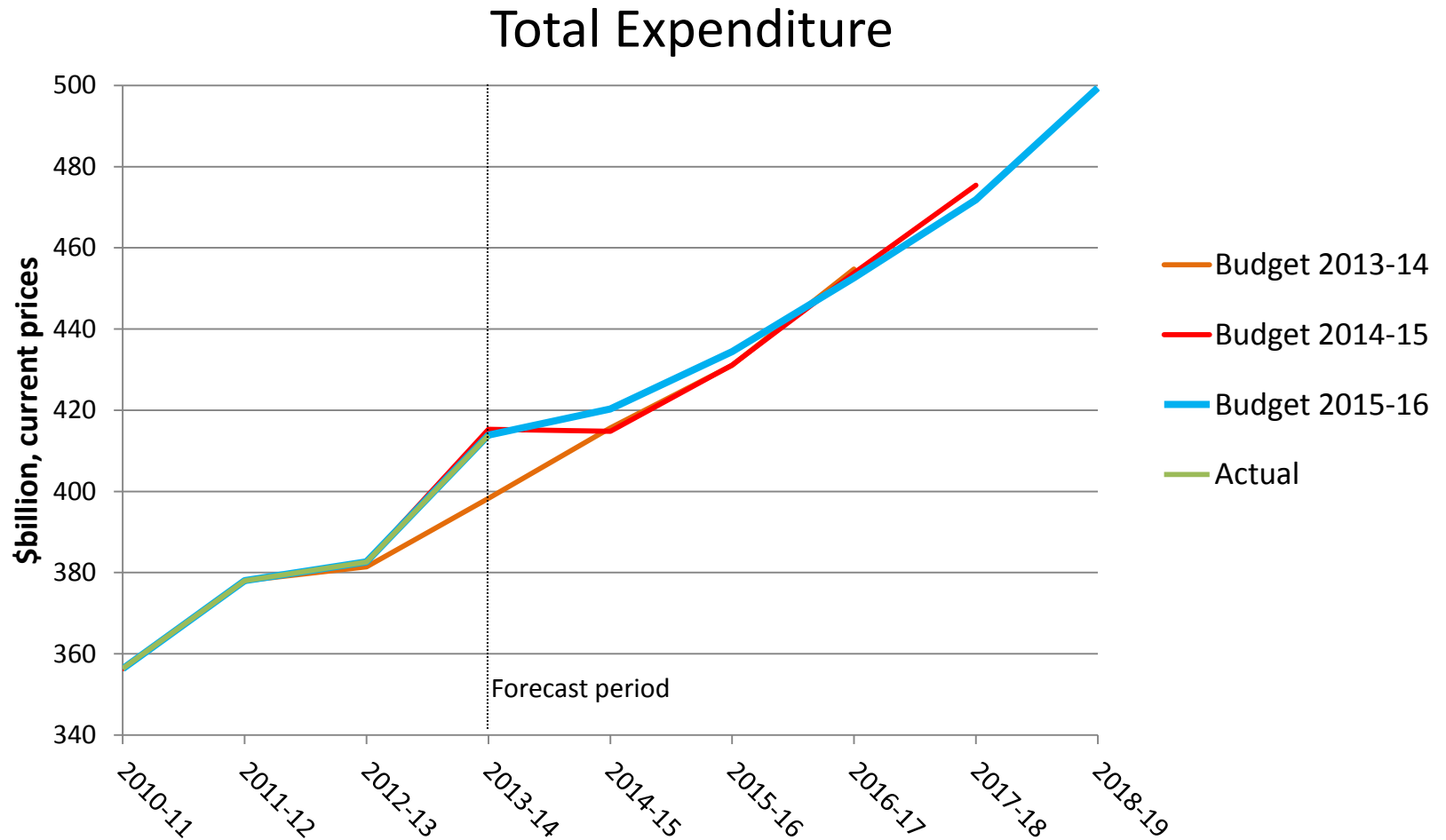


\$50bn lost in revenue is equivalent to 20% of net debt

Total revenue



In absolute terms spending cuts have failed

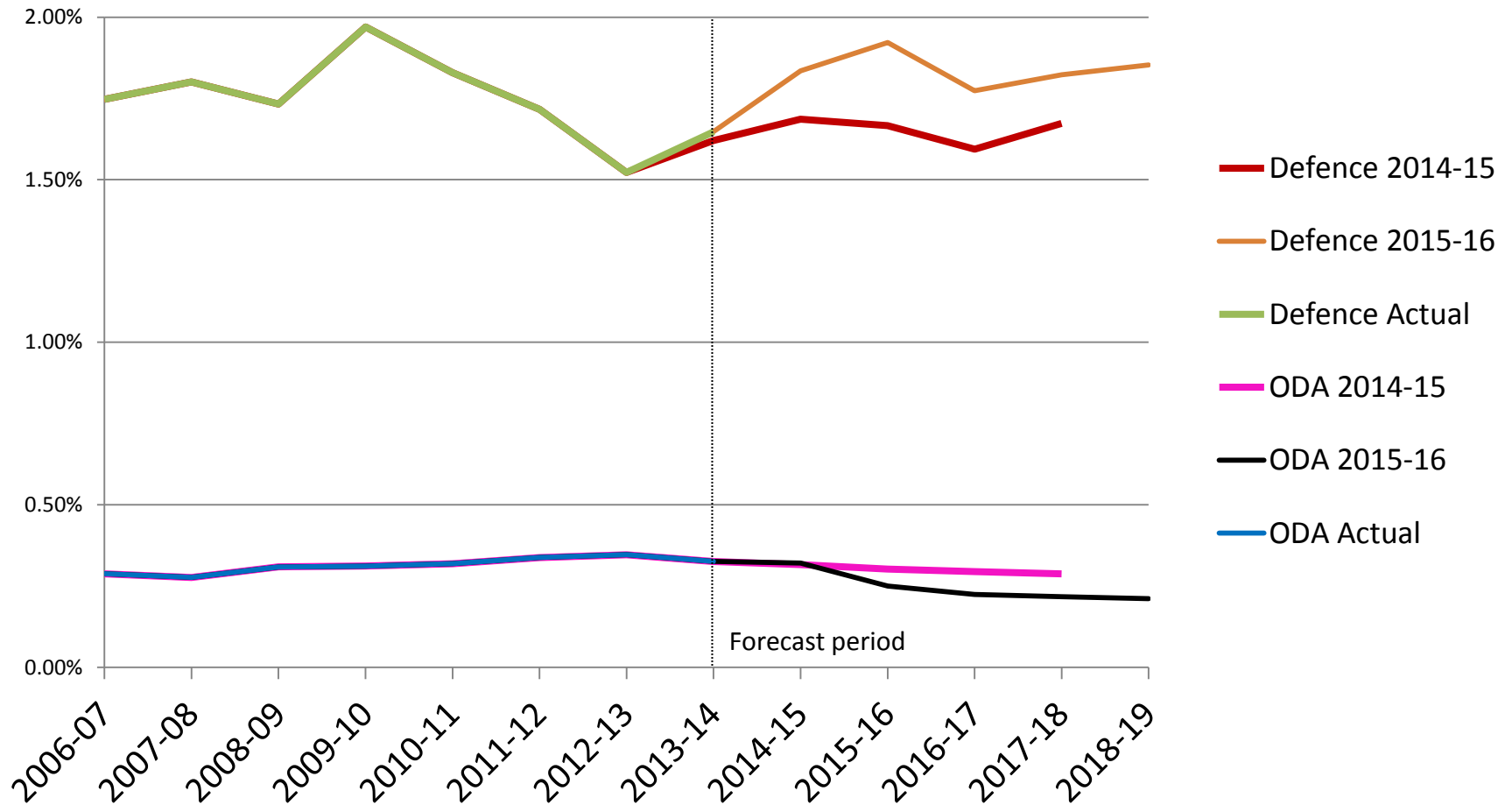


Health spending now and in 40 year's time: the increase dwarfs aid spending



Defence is heading to 2% of GDP despite the “budget repair”

ODA share of GNI vs Defence share of GDP



Overall impression:

Budget repair is on hold

- Weak on revenue raising measures
 - Broadening of the tax base required
 - Low hanging fruit missed (e.g. super concessions)
 - Reform when times are bad?
- Reining in spending is not working

Credibility of return to surplus is in question

- Why are these forecasts more accurate than before?

Fiscal effects of demographic change

- A lot more pressure on low priority spending programs in the future

Thank you