Economic Outlook

- At 4.2 per cent, inflation is at a 16 year high. Economic growth will moderate to 2¾ per cent in 2008-09 because of higher interest rates and slower global growth.
- Powerful countervailing forces confront the economy. Global financial turbulence will slow growth, but rising terms of trade will boost incomes and prices.

Fiscal Outlook

- The Government will deliver a strong surplus of $21.7 billion (1.8 per cent of GDP), with every dollar of new spending in 2008-09 matched by spending cuts.
- Growth in real spending will be 1.1 per cent in 2008-09, the lowest rate for nine years.
- The strong surplus and low spending growth will bear down on inflation, provide funds for long term investment, and ensure a strong budget at a time of global uncertainty.

$55 billion Working Families Support Package

- The Government is helping ease the burden on working families by providing $46.7 billion of personal income tax cuts over four years. This includes increasing the 30 per cent threshold from $30,001 to $34,001 and increasing the low income tax offset from $750 to $1,200.
- The 50 per cent Education Tax Refund will help parents invest in their children’s education, at a cost of $4.4 billion.
- The Child Care Tax Rebate will be increased from 30 to 50 per cent and paid quarterly at a cost of $1.6 billion.
- The Government is introducing a $2.2 billion housing affordability package to assist first home buyers and renters, including enhanced First Home Saver Accounts, a National Rental Affordability Scheme and the Housing Affordability Fund.
- The Teen Dental Plan will help families meet the costs of dental check-ups for teenage children, at a cost of $491 million.
- The Medicare Levy Surcharge thresholds will be made fairer, by ensuring fewer people have to pay.
- Initiatives to help ease rising cost of living pressures include the National FuelWatch Scheme, grocery price monitoring and financial counselling services.
- The Government will provide $2.4 billion in support in 2007-08 to help older Australians and carers with household bills, and Carer Payment (child) will be assessed more fairly.
Meeting our commitments

• The Government’s Education Revolution, costing $5.9 billion over five years, will provide quality learning opportunities for all Australians, help boost productivity and participation, and reduce entrenched disadvantage.
  — Initiatives include the $1.2 billion Digital Education Revolution, $2.5 billion over ten years for Trade Training Centres in Schools and $1.9 billion to improve skills by delivering up to 630,000 additional training places.

• The $3.2 billion National Health and Hospitals Reform Plan will revitalise the public health system.
  — Initiatives include $275 million for GP Super Clinics, a $249 million National Cancer Plan and a National Binge Drinking Strategy.

• The Government will invest $2.3 billion over five years to tackle climate change by reducing emissions, adapting to change and helping Australia play a leadership role.

• The ten-year $12.9 billion Water for the Future plan brings a strategic approach to securing rural and urban water supply, and $2.2 billion for the Caring for our Country program will help protect and improve our natural resources.

• The Government is working with the States through the Council of Australian Governments to deliver better services and produce the right outcomes on matters that affect the daily lives of Australians.

• The Government will provide 3 per cent real growth per year on average in the underlying Defence funding base to 2017-18.

Investing in the future – three new nation building funds

• The Government will invest current and future budget surpluses in three nation building funds.

• The Building Australia Fund will fund shortfalls in national transport and broadband infrastructure.

• The Education Investment Fund will fund capital expenditure in Australia’s higher education institutions.

• The Health and Hospitals Fund will finance the renewal and refurbishment of the nation’s hospitals and health facilities and fund major medical research projects.

Responsible economic management

• The Government has identified savings of $33 billion over four years, including $7 billion in 2008-09.

• Savings measures in the Budget are aimed at reprioritising spending, better targeting tax and benefits, and ensuring Government administration is as efficient as possible.

• The Government will continue to examine spending and taxation in the second stage of the expenditure review and in the comprehensive review of Australian taxation.