# Part 1: Australian Government Budget Outcome 2022–23

## Overview

In 2022–23, the Australian Government general government sector recorded an underlying cash surplus of $22.1 billion (0.9 per cent of GDP). This Final Budget Outcome (FBO) reflects Australia’s highest ever surplus in nominal terms and the first since 2007-08.

Since the 2022 Pre‑election Economic and Fiscal Outlook (PEFO), the underlying cash balance for 2022–23 has improved by $100.0 billion (4.0 per cent of GDP). This is the largest turnaround in the fiscal position on record between estimate year and outcome in nominal terms.

The improvement in the underlying cash balance has helped ease inflation when it was at its highest. This is a direct outcome of the Government returning 95 per cent of tax receipt upgrades to the Budget. The higher-than-expected tax receipts reflect elevated commodity prices and a stronger labour market.

The labour market strengthened in 2022-23. There were more than 14 million Australians with a job, the unemployment rate was at near-50-year lows, participation was near record highs and wage growth picked up to its fastest rate in around a decade. This resilience meant total wage and salary income (compensation of employees) grew by more than 10 per cent – the highest annual increase in 30 years.

The Government’s responsible fiscal management has resulted in lower debt. Gross debt was $889.8 billion (35.2 per cent of GDP) at the end of 2022–23, $87.2 billion lower than expected at PEFO. Net debt was $491.0 billion (19.4 per cent of GDP), $223.9 billion lower than expected at PEFO. Lower debt today will result in lower interest payments over the medium term.

The 2022–23 outcome represents an improvement in the underlying cash surplus of $17.9 billion compared with the surplus estimated in the 2023–24 Budget. Receipts were $13.9 billion higher than expected, primarily driven by strong company tax returns. Payments were $4.0 billion lower than estimated in the Budget, reducing real growth in payments to ‑4.9 per cent in 2022–23. The outcome for payments is largely driven by lower demand for some programs and reflects delays in some payments, due to ongoing market capacity constraints. Payments for a number of affected programs are expected to occur, instead, in 2023–24 and beyond.

Table 1.1: Overview of key Australian Government general government sector budget aggregates

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2022-23 | 2022-23 | 2022-23 | 2022-23 | Change on |
|  | Estimate at | Estimate at | Estimate at | Outcome | 2023-24 |
|  | 2022 PEFO | 2022-23 October | 2023-24 |  | Budget |
|  |  | Budget | Budget |  |  |
|  | $b | $b | $b | $b | $b |
| **Underlying cash balance** | **-77.9** | **-36.9** | **4.2** | **22.1** | **17.9** |
| Per cent of GDP | -3.4 | -1.5 | 0.2 | 0.9 |  |
|  |  |  |  |  |  |
| **Gross debt(a)** | **977.0** | **927.0** | **887.0** | **889.8** | **2.8** |
| Per cent of GDP | 42.5 | 37.3 | 34.9 | 35.2 |  |
|  |  |  |  |  |  |
| **Net debt(b)** | **714.9** | **572.2** | **548.6** | **491.0** | **-57.6** |
| Per cent of GDP | 31.1 | 23.0 | 21.6 | 19.4 |  |

1. Gross debt measures the face value of Australian Government Securities (AGS) on issue.
2. Net debt is the sum of interest bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Real GDP grew by 3.4 per cent in 2022–23, stronger than the 3¼ per cent forecast in the Budget. However, growth slowed over the year as continued cost‑of‑living pressures and the rise in interest rates led to weakness in consumption and dwelling investment. The Australian economy was also impacted by uncertainty in the global economy which faced elevated inflation, sharp rises in interest rates and tighter financial conditions.

Net exports were consistent with the Budget forecast, with a strong recovery from tourism and education exports offset by Australians travelling overseas in high numbers.

Labour market conditions were strong and resilient in 2022–23. The unemployment rate fell to 3.6 per cent in the June quarter and employment grew by 3.2 per cent through the year to the June quarter, higher than the Budget forecast of 2½ per cent. The Wage Price Index increased by 3.6 per cent through the year to the June quarter of 2023, around the fastest rate in a decade.

Inflation is moderating in the Australian economy, but it remains too high. Global price shocks and supply constraints are unwinding largely as expected. This is leading to an easing in some price pressures, particularly for dwelling construction and traded goods. Inflation was 6.0 per cent through the year to the June quarter, consistent with the Budget forecast.

Nominal GDP grew by a strong 9.7 per cent in 2022–23, slightly lower than the forecast 10¼ per cent at Budget. This reflects lower‑than‑expected terms of trade as commodity prices eased. The Budget assumes these prices unwind to levels consistent with long-term fundamentals, however they remain volatile.

## Budget aggregates

Table 1.2: Australian Government general government sector budget aggregates

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022-23 | 2022-23 | Change on |
|  | Estimate at | Outcome | 2023-24 |
|  | 2023-24 |  | Budget |
|  | Budget |  |  |
|  | $b | $b | $b |
| **Underlying cash balance** | **4.2** | **22.1** | **17.9** |
| Per cent of GDP | 0.2 | 0.9 |  |
| **Receipts** | **635.6** | **649.5** | **13.9** |
| Per cent of GDP | 25.0 | 25.7 |  |
|  |  |  |  |
| **Tax receipts** | **588.1** | **601.3** | **13.2** |
| Per cent of GDP | 23.1 | 23.8 |  |
|  |  |  |  |
| **Non-tax receipts** | **47.5** | **48.2** | **0.6** |
| Per cent of GDP | 1.9 | 1.9 |  |
|  |  |  |  |
| **Payments(a)** | **631.4** | **627.4** | **-4.0** |
| Per cent of GDP | 24.8 | 24.8 |  |
|  |  |  |  |
|  |  |  |  |
| **Net interest payments(b)** | **12.7** | **11.9** | **-0.8** |
| Per cent of GDP | 0.5 | 0.5 |  |
| **Revenue** | **653.8** | **668.4** | **14.6** |
| Per cent of GDP | 25.7 | 26.4 |  |
|  |  |  |  |
| **Expenses** | **644.8** | **637.0** | **-7.8** |
| Per cent of GDP | 25.3 | 25.2 |  |
|  |  |  |  |
| **Net operating balance** | **9.0** | **31.4** | **22.4** |
| Per cent of GDP | 0.4 | 1.2 |  |
|  |  |  |  |
| **Net capital investment** | **10.4** | **9.4** | **-1.0** |
| Per cent of GDP | 0.4 | 0.4 |  |
|  |  |  |  |
| **Fiscal balance** | **-1.5** | **21.9** | **23.4** |
| Per cent of GDP | -0.1 | 0.9 |  |

1. Equivalent to cash payments for operating activities, purchases of non‑financial assets and principal payments of lease liabilities.
2. Net interest payments are equal to the difference between interest payments and interest receipts. Net interest payments are largely tied to the existing stock of Australian Government Securities, meaning there was little change from the 2023–24 Budget estimates.

## Underlying cash balance

### Receipts

Total receipts for 2022–23 were $649.5 billion, $13.9 billion higher than forecast in the 2023‍–‍24 Budget.

Tax receipts were $13.2 billion higher than estimated in the Budget. The higher outcome was almost entirely due to company tax receipts with relatively small variances in other taxes.

* Company tax receipts were $12.7 billion above the Budget estimates. This was primarily driven by receipts from companies in the resources sector, which was bolstered by sustained elevated commodity prices.
* Superannuation fund tax receipts were $0.8 billion above the Budget estimates, primarily due to higher‑than‑expected pay‑as‑you‑go instalments.
* Fringe benefits tax receipts were $0.4 billion above the Budget estimates.
* Receipts from total individuals and other withholding taxes were $0.3 billion below the Budget estimates.
* Receipts from the GST were $0.2 billion below the Budget estimates, consistent with softer‑than-expected consumption.
* Tax receipts from excise and customs duty were $0.2 billion below the Budget estimates, due to weaker‑than‑expected collections for tobacco excise equivalent duty.

Non‑tax receipts were $48.2 billion in 2022–23, $0.6 billion higher than estimated in the Budget. This increase largely reflected higher‑than‑estimated receipts under the Higher Education Loan Program ($0.6 billion), higher‑than‑estimated receipts collected by the Digital Transformation Agency for Whole of Government Information and Communications Technology (ICT) services ($0.5 billion) and higher‑than‑estimated Australian Government Investment Funds earnings ($0.2 billion).

This was partially offset by lower‑than‑estimated receipts from the Pharmaceutical Benefits Scheme due to delays in issuing Risk Sharing Arrangements invoices and lower‑than‑estimated uptake of Paxlovid ($0.9 billion).

Table 1.3: Australian Government general government sector (cash) receipts

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022-23 | 2022-23 | Change on |
|  | Estimate at | Outcome | 2023-24 |
|  | 2023-24 |  | Budget |
|  | Budget |  |  |
|  | $m | $m | $m |
| Individuals and other withholding taxes |  |  |  |
| Gross income tax withholding | 269,600 | 269,264 | -336 |
| Gross other individuals | 69,500 | 69,407 | -93 |
| *less:* Refunds | 42,100 | 42,014 | -86 |
| Total individuals and other withholding tax | 297,000 | 296,658 | -342 |
| Fringe benefits tax | 3,630 | 4,009 | 379 |
| Company tax | 138,400 | 151,068 | 12,668 |
| Superannuation fund taxes | 9,610 | 10,406 | 796 |
| Petroleum resource rent tax | 2,350 | 2,287 | -63 |
| **Income taxation receipts** | **450,990** | **464,427** | **13,437** |
|  |  |  |  |
| Goods and services tax | 81,761 | 81,518 | -244 |
| Wine equalisation tax | 1,150 | 1,107 | -43 |
| Luxury car tax | 1,140 | 1,143 | 3 |
| Excise and customs duty |  |  |  |
| Petrol | 5,600 | 5,680 | 80 |
| Diesel | 13,110 | 13,091 | -19 |
| Other fuel products | 2,760 | 2,722 | -38 |
| Tobacco | 12,700 | 12,596 | -104 |
| Beer | 2,590 | 2,543 | -47 |
| Spirits | 3,390 | 3,348 | -42 |
| Other alcoholic beverages(a) | 1,640 | 1,610 | -30 |
| Other customs duty |  |  |  |
| Textiles, clothing and footwear | 190 | 199 | 9 |
| Passenger motor vehicles | 440 | 445 | 5 |
| Other imports | 1,530 | 1,519 | -12 |
| *less:* Refunds and drawbacks | 700 | 723 | 23 |
| Total excise and customs duty | 43,250 | 43,029 | -222 |
| Major bank levy | 1,540 | 1,525 | -15 |
| Agricultural levies | 631 | 666 | 35 |
| Visa application charges(b) | 2,995 | 3,156 | 161 |
| Other taxes | 4,593 | 4,730 | 137 |
| **Indirect taxation receipts** | **137,060** | **136,873** | **-188** |
|  |  |  |  |
| **Taxation receipts** | **588,050** | **601,300** | **13,249** |
|  |  |  |  |
| Sales of goods and services | 19,200 | 19,282 | 82 |
| Interest received | 6,115 | 7,009 | 894 |
| Dividends and distributions | 5,407 | 5,164 | -244 |
| Other non-taxation receipts | 16,820 | 16,722 | -98 |
| **Non-taxation receipts** | **47,543** | **48,177** | **634** |
|  |  |  |  |
| **Total receipts** | **635,593** | **649,477** | **13,884** |
| *Memorandum:* |  |  |  |
| *Total excise* | *26,070* | *26,022* | *-48* |
| *Total customs duty* | *17,180* | *17,006* | *-174* |

1. ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
2. Prior to the 2022-23 October Budget, ‘visa application charges’ were previously included in 'other taxes'.

### Payments

Payments in 2022–23 were $627.4 billion, $4.0 billion lower than estimated in the 2023‍–‍24 Budget. This reflected lower‑than‑estimated payments across a range of programs, as outlined below.

Some Health and Aged Care programs experienced lower‑than‑estimated demand, including the:

* Medical Benefits program, largely reflecting lower‑than‑estimated payments for COVID‑19 related measures and lower demand for primary care and pathology services ($0.7 billion).
* Pharmaceutical Benefits program, largely reflecting lower‑than‑estimated uptake of COVID‑19 vaccinations in the paediatric cohort, for boosters and for residential aged care and disability support workers ($0.5 billion).
* Aged Care Services program, largely reflecting lower‑than‑estimated payments for Home Care packages, the delay in establishing the Rural Regional and Other Special Needs Building Fund, and delays in executing grant applications for the Commonwealth Home Support program ($0.4 billion).
* Health Protection, Emergency Response and Regulation program, largely reflecting lower‑than‑estimated payments for COVID‑19 vaccinations, and for the National Medical Stockpile warehousing and logistic services ($0.5 billion).
* National Partnership Payments – General Health Services program, largely reflecting delays in finalising projects for community health and hospitals, and lower‑than‑estimated demand for COVID‑19 public health services ($0.4 billion).
* Aged Care Quality program, largely reflecting reduced demand for Aged Care Support Reimbursement ($0.3 billion).

Several programs were impacted by a combination of market capacity constraints and supply chain disruptions, including the:

* National Partnership Payments – Water and Natural Resources program, largely reflecting lower‑than‑expected uptake by states for water efficiency projects ($0.8 billion).
* National Partnership Payments – Road Transport program ($0.5 billion) and Rail Transport program ($0.5 billion), largely reflecting delays in states delivering projects under the Infrastructure Investment Program.
* Regional Development program, largely reflecting lower-than-estimated payments for the Community Development Grants, Building Better Regions Fund, Regional Growth Fund programs, and the Priority Community Infrastructure program ($0.4 billion).
* Road Infrastructure Investment program ($0.2 billion), largely reflecting delays in local governments delivering projects under the Roads to Recovery program.
* Growing innovative and competitive business, industries and regions programs, largely reflecting lower‑than‑estimated payments under the Modern Manufacturing measure ($0.2 billion).

Strong labour market outcomes resulted in lower-than-estimated payments for some programs, including the:

* Family Assistance program, largely reflecting lower‑than‑estimated payments for Family Tax Benefit, driven by the continued strong labour market and positive wage growth ($0.5 billion).
* Parents Income Support program, largely reflecting lower‑than‑estimated payments for Parenting Payment Partnered and Parenting Payment Single recipients ($0.3 billion).
* Student Payments program, largely reflecting lower‑than‑estimated payments on account of the strength of the labour market and a decrease in student enrolments ($0.2 billion).
* Financial Support for Carers program, largely reflecting a lower‑than‑expected number of carer recipients seeking Carer Payments during the last quarter of 2022–‍23 ($0.2 billion).

The Final Budget Outcome also reflects increases to payments in certain programs, including the:

* Local Government program, reflecting the bringing forward of funding from 2023–‍24 for the Financial Assistance Grants program, partially offset by lower‑than‑expected payments for the Local Roads and Community Infrastructure program ($2.6 billion).
* National Partnership Payments – Natural Disaster Relief program, largely reflecting timing differences between cash and fiscal impacts for Disaster Recovery Funding Arrangements ($1.8 billion).
* National Partnership Payments – Housing program, largely reflecting the new $2.0 billion Social Housing Accelerator initiative, announced by the Government in June 2023, which was partially offset by $0.4 billion in lower‑than‑estimated payments for the Home Builder program and Remote Indigenous housing program ($1.6 billion).

## Primary balance

The primary balance, which excludes interest payments and interest receipts related to the existing stock of debt and financial assets, was $33.9 billion (1.3 per cent of GDP) in 2022‑23, an improvement of $17.0 billion (0.7 per cent of GDP) since the 2023–24 Budget.

## Net operating balance and fiscal balance

The 2022–23 net operating surplus was $31.4 billion compared with an estimated surplus of $9.0 billion in the 2023–24 Budget. The 2022–23 fiscal balance was a surplus of $21.9 billion compared with an estimated deficit of $1.5 billion in the 2023–24 Budget.

### Revenue

Revenue is the accrual accounting equivalent of cash‑based receipts. The differences between receipts and revenue generally reflect timing differences between the recognition of receipts when cash is received and revenue at the time it is earned.

Total revenue was $668.4 billion in 2022–23, $14.6 billion higher than estimated in the Budget. Total cash receipts were $649.5 billion, $13.9 billion higher than estimated in the Budget.

Tax revenue was $618.3 billion in 2022–23, $14.1 billion higher than estimated in the Budget. Total tax receipts were $601.3 billion in 2022–23, $13.2 billion higher than estimated in the Budget. Changes in taxation revenue were generally driven by the same factors as receipts.

Total non‑tax revenue was $50.1 billion in 2022–23, $0.5 billion higher than estimated in the Budget. Non‑tax receipts were $48.2 billion in 2022–23, $0.6 billion higher than estimated in the Budget.

Table 1.4: Australian Government general government sector (accrual) revenue

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022‑23 | 2022‑23 | Change on |
|  | Estimate at | Outcome | 2023‑24 |
|  | 2023‑24 |  | Budget |
|  | Budget |  |  |
|  | $m | $m | $m |
| Individuals and other withholding taxes |  |  |  |
| Gross income tax withholding | 272,300 | 271,628 | ‑672 |
| Gross other individuals | 73,000 | 74,064 | 1,064 |
| *less:* Refunds | 42,100 | 42,014 | ‑86 |
| Total individuals and other withholding tax | 303,200 | 303,679 | 479 |
| Fringe benefits tax | 3,510 | 4,147 | 637 |
| Company tax | 140,800 | 153,158 | 12,358 |
| Superannuation fund taxes | 9,670 | 10,356 | 686 |
| Petroleum resource rent tax | 2,230 | 1,725 | ‑505 |
| **Income taxation revenue** | **459,410** | **473,065** | **13,655** |
|  |  |  |  |
| Goods and services tax | 88,040 | 87,908 | ‑132 |
| Wine equalisation tax | 1,170 | 1,141 | ‑29 |
| Luxury car tax | 1,150 | 1,187 | 37 |
| Excise and customs duty |  |  |  |
| Petrol | 5,600 | 5,739 | 139 |
| Diesel | 13,160 | 13,227 | 67 |
| Other fuel products | 2,760 | 2,736 | ‑24 |
| Tobacco | 12,700 | 12,667 | ‑33 |
| Beer | 2,620 | 2,567 | ‑53 |
| Spirits | 3,390 | 3,357 | ‑33 |
| Other alcoholic beverages(a) | 1,640 | 1,626 | ‑14 |
| Other customs duty |  |  |  |
| Textiles, clothing and footwear | 190 | 199 | 9 |
| Passenger motor vehicles | 440 | 445 | 5 |
| Other imports | 1,530 | 1,520 | ‑10 |
| *less:* Refunds and drawbacks | 700 | 723 | 23 |
| Total excise and customs duty | 43,330 | 43,360 | 29 |
|  |  |  |  |
| Major bank levy | 1,560 | 1,542 | ‑18 |
| Agricultural levies | 631 | 677 | 46 |
| Visa application charges(b) | 2,995 | 3,156 | 161 |
| Other taxes(b) | 5,883 | 6,253 | 370 |
| **Indirect taxation revenue** | **144,759** | **145,223** | **464** |
|  |  |  |  |
| **Taxation revenue** | **604,169** | **618,288** | **14,119** |
|  |  |  |  |
| Sales of goods and services | 19,078 | 19,013 | ‑66 |
| Interest | 9,053 | 9,892 | 839 |
| Dividends and distributions | 5,361 | 5,291 | ‑71 |
| Other non‑taxation revenue | 16,105 | 15,905 | ‑200 |
| **Non‑taxation revenue** | **49,598** | **50,101** | **502** |
|  |  |  |  |
| **Total revenue** | **653,767** | **668,389** | **14,622** |
| *Memorandum:* |  |  |  |
| *Total excise* | *26,150* | *26,281* | *131* |
| *Total customs duty* | *17,180* | *17,079* | *‑102* |

1. ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
2. Prior to the 2022–23 October Budget, ‘visa application charges’ were previously included in ‘other taxes’.

### Expenses and net capital investment

Total expenses were $637.0 billion in 2022–23, $7.8 billion lower than estimated in the 2023‍–‍24 Budget. Total net capital investment for 2022–23 was $9.4 billion, $1.0 billion lower than estimated in the Budget. This results in a net outcome for expenses and net capital investment of $646.4 billion, which is $8.8 billion lower than the $655.2 billion estimated at Budget.

In comparison, cash payments were $627.4 billion in 2022-23, $4.0 billion lower than estimated in the Budget.

The difference of $19.0 billion between the net outcome for expenses and net capital investment, and the outcome for cash payments, generally reflects timing differences between the recognition of incurred expenses and the finalisation of corresponding payments.

Further information on expenses by function and sub‑function is provided in Appendix A.

Table 1.5: Australian Government general government sector expenses by function

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022‑23 | 2022‑23 | Change on |
|  | Estimate at | Outcome | 2023‑24 |
|  | 2023‑24 |  | Budget |
|  | Budget |  |  |
|  | $m | $m | $m |
| **General public services** |  |  |  |
| Legislative and executive affairs | 1,574 | 1,685 | 111 |
| Financial and fiscal affairs | 9,309 | 9,187 | ‑122 |
| Foreign affairs and economic aid | 7,622 | 7,522 | ‑101 |
| General research | 3,735 | 3,695 | ‑40 |
| General services | 918 | 1,110 | 192 |
| Government superannuation benefits | 6,947 | 6,912 | ‑36 |
| **Defence** | 40,059 | 41,436 | 1,377 |
| **Public order and safety** | 7,384 | 7,513 | 129 |
| **Education** | 45,876 | 44,932 | ‑945 |
| **Health** | 107,710 | 102,680 | ‑5,030 |
| **Social security and welfare** | 226,378 | 222,911 | ‑3,466 |
| **Housing and community amenities** | 7,135 | 8,352 | 1,217 |
| **Recreation and culture** | 4,840 | 4,641 | ‑199 |
| **Fuel and energy** | 8,953 | 9,093 | 140 |
| **Agriculture, forestry and fishing** | 4,737 | 3,371 | ‑1,367 |
| **Mining, manufacturing and construction** | 4,905 | 5,167 | 262 |
| **Transport and communication** | 13,461 | 12,166 | ‑1,295 |
| **Other economic affairs** |  |  |  |
| Tourism and area promotion | 208 | 204 | ‑4 |
| Labour and employment affairs | 7,521 | 7,410 | ‑111 |
| Immigration | 3,673 | 3,405 | ‑269 |
| Other economic affairs nec | 3,533 | 3,380 | ‑153 |
| **Other purposes** |  |  |  |
| Public debt interest | 22,152 | 22,242 | 90 |
| Nominal superannuation interest | 12,334 | 12,336 | 2 |
| General purpose inter‑government transactions | 89,841 | 92,076 | 2,235 |
| Natural disaster relief | 3,533 | 3,600 | 67 |
| Contingency reserve | 449 | 0 | ‑449 |
| **Total expenses** | **644,788** | **637,025** | **‑7,763** |

Table 1.6: Australian Government general government sector net capital investment by function

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022-23 | 2022-23 | Change on |
|  | Estimate at | Outcome | 2023-24 |
|  | 2023-24 |  | Budget |
|  | Budget |  |  |
|  | $m | $m | $m |
| General public services | 477 | 171 | -306 |
| Defence | 8,592 | 6,523 | -2,069 |
| Public order and safety | -59 | 197 | 256 |
| Education | 24 | 2 | -22 |
| Health | 411 | 1,967 | 1,556 |
| Social security and welfare | 253 | 132 | -121 |
| Housing and community amenities | 468 | 106 | -363 |
| Recreation and culture | 186 | -3 | -190 |
| Fuel and energy | 14 | -12 | -25 |
| Agriculture, forestry and fishing | 50 | 341 | 291 |
| Mining, manufacturing and construction | -21 | 126 | 147 |
| Transport and communication | -27 | -72 | -45 |
| Other economic affairs | 82 | -40 | -123 |
| Other purposes | -8 | 1 | 9 |
| **Total net capital investment** | **10,441** | **9,437** | **-1,004** |

Table 1.7: Australian Government general government sector purchases of non‑financial assets by function

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022-23 | 2022-23 | Change on |
|  | Estimate at | Outcome | 2023-24 |
|  | 2023-24 |  | Budget |
|  | Budget |  |  |
|  | $m | $m | $m |
| General public services | 2,067 | 1,674 | -393 |
| Defence | 14,402 | 12,343 | -2,059 |
| Public order and safety | 789 | 1,140 | 351 |
| Education | 33 | 19 | -13 |
| Health | 497 | 392 | -104 |
| Social security and welfare | 1,245 | 1,097 | -148 |
| Housing and community amenities | 886 | 526 | -360 |
| Recreation and culture | 718 | 572 | -146 |
| Fuel and energy | 46 | 19 | -27 |
| Agriculture, forestry and fishing | 149 | 460 | 311 |
| Mining, manufacturing and construction | 17 | 166 | 148 |
| Transport and communication | 96 | 80 | -16 |
| Other economic affairs | 943 | 872 | -70 |
| Other purposes | 8 | 5 | -3 |
|  |  |  |  |
| **Total Government purchases of non-financial assets** | **21,897** | **19,366** | **-2,531** |

## Headline cash balance

The headline cash balance consists of the underlying cash balance and net cash flows from investments in financial assets for policy purposes (for example, student loans and Clean Energy Finance Corporation loans and equity investments).

In 2022–23, the headline cash surplus was $14.1 billion compared with an estimated deficit of $7.5 billion in the 2023–24 Budget. The improvement in the headline cash balance of $21.6 billion was primarily driven by the improvement in the underlying cash balance.

Net cash flows from investments in financial assets for policy purposes also improved by $3.7 billion since estimated in the 2023–24 Budget. This is primarily driven by increases to student loan repayments and lower‑than‑estimated outflows by the Clean Energy Finance Corporation for Rewiring the Nation and existing loan facilities. It also reflects lower‑than‑estimated concessional loans through the Regional Investment Corporation, and lower‑than‑estimated outlays for the Australian Business Securitisation Fund.

Table 1.8 provides further detail between the underlying and headline cash balance estimates of the Australian Government general government sector in 2022–23.

Table 1.8: Australian Government general government sector reconciliation of underlying and headline cash balance

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022-23 | 2022-23 | Change on |
|  | Estimate at | Outcome | 2023-24 |
|  | 2023-24 |  | Budget |
|  | Budget |  |  |
|  | $m | $m | $m |
| **2022-23 Underlying cash balance** | **4,202** | **22,064** | **17,863** |
| ***plus* Net cash flows from investments in financial assets** |  |  |  |
| **for policy purposes(a)** |  |  |  |
| Student loans | -2,495 | -977 | 1,518 |
| NBN loan(b) | 875 | 875 | 0 |
| NBN investment | -328 | -305 | 23 |
| Trade support loans | -137 | -138 | -1 |
| CEFC loans and investments | -344 | 270 | 614 |
| Northern Australia Infrastructure Facility | -743 | -578 | 165 |
| Australian Business Securitisation Fund | -434 | -192 | 242 |
| Structured Finance Support Fund | 295 | 340 | 45 |
| Drought and rural assistance loans | -244 | 5 | 249 |
| Official Development Assistance - Multilateral Replenishment | -128 | -128 | 0 |
| National Housing Finance and Investment Corporation | -60 | -63 | -3 |
| COVID-19 Support for Indonesia - loan | 100 | 100 | 0 |
| Financial Assistance to Papua New Guinea - loan | -678 | -678 | 0 |
| Net other(c) | -7,368 | -6,493 | 875 |
| **Total net cash flows from investments in financial assets** |  |  |  |
| **for policy purposes** | **-11,689** | **-7,962** | **3,727** |
|  |  |  |  |
| **2022-23 Headline cash balance** | **-7,487** | **14,103** | **21,590** |

1. A positive number denotes a cash inflow; a negative number denotes a cash outflow.
2. This financial profile represents the actual repayments for 2022–23. As the loan agreement between the Government and NBN Co allows some flexibility in relation to the timing of the repayment. The remaining loan balance of $5.5 billion is included in 2023–24.
3. Net other includes amounts that have not been itemised for commercial‑in‑confidence reasons.

## Gross debt, net debt, net financial worth and net worth

At the end of 2022–23, gross debt was $889.8 billion (35.2 per cent of GDP). While there has been a significant improvement in the underlying cash balance, the gross debt outcome is broadly in line with the estimate in the Budget. This reflects the Australian Office of Financial Management’s (AOFM) decision not to deviate from the issuance guidance provided to the market following the Budget for the remainder of 2022–23. The combination of the improved underlying cash balance and AOFM’s adherence to announced issuance plans effectively pre-funds some of the Government’s financing requirement for 2023–24.

At the end of 2022–23, net debt was $491.0 billion (19.4 per cent of GDP), $57.6 billion lower than estimated in the 2023–24 Budget. Net debt is measured by the market value of Australian Government Securities on issue (whereas gross debt is measured by face value) and includes selected financial assets.

Since the 2023–24 Budget, the relative change in net debt has been larger than the underlying cash balance. This reflects a substantial fall in the market price of bonds on issue as yields have risen, together with an accumulation of cash reserves resulting from the better-than-expected fiscal position.

Net financial worth was ‑$743.3 billion at the end of 2022–23, compared to ‑$750.7 billion estimated in the Budget. Net worth was ‑$538.4 billion at the end of 2022–23, compared to ‑$546.9 billion estimated in the Budget. The changes in net financial worth and net worth since the Budget primarily reflect the better‑than‑expected fiscal position and the factors driving the improvement in net debt explained above, partially offset by an increase in the Government’s reported superannuation liability. The reported increase in the superannuation liability is the result of the difference between the discount rates used to value the Government’s defined benefit superannuation liability at the Budget and the Final Budget Outcome.

At the 2023–24 Budget, the unfunded superannuation liabilities were estimated using an actuarially determined long‑term discount rate of 5.0 per cent per annum. This rate reflected the average annual rate estimated to apply over the remainder of the term to maturity of the liability and the actuaries’ views that short‑term deviations are expected to be smoothed out in the longer term. This approach also reduces the volatility in reported liabilities that would occur from year to year if the market long‑term government bond rate was used.

For the Final Budget Outcome, the Australian Accounting Standards (AAS) require the use of the long‑term government bond rate as at 30 June 2023 that best matches each individual scheme’s liability duration. This results in differences in the superannuation liability between Final Budget Outcomes, and between Budgets and Final Budget Outcomes. For the 2022–23 Final Budget Outcome, the bond rates used were between 4.0 and 4.4 per cent per annum depending on the defined benefit scheme.

The variance in the reported superannuation liability between the 2023–24 Budget and 2022–23 Final Budget Outcome was an increase of $37.3 billion. By way of comparison, the variance between the 2022–23 March Budget and the 2021–22 Final Budget Outcome was an increase of $70.7 billion.

Table 1.9: Australian Government general government sector balance sheet aggregates

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022‑23 | 2022‑23 | Change on |
|  | Estimate at | Outcome | 2023‑24 |
|  | 2023‑24 |  | Budget |
|  | Budget |  |  |
|  | $b | $b | $b |
| **Financial assets** | **559.9** | **585.5** | **25.6** |
| Per cent of GDP | 22.0 | 23.1 |  |
|  |  |  |  |
| **Non‑financial assets** | **203.9** | **204.9** | **1.0** |
| Per cent of GDP | 8.0 | 8.1 |  |
|  |  |  |  |
| **Total assets** | **763.8** | **790.4** | **26.6** |
| Per cent of GDP | 30.0 | 31.2 |  |
|  |  |  |  |
| **Total liabilities** | **1,310.6** | **1,328.8** | **18.2** |
| Per cent of GDP | 51.5 | 52.5 |  |
|  |  |  |  |
| **Net worth** | **‑546.9** | **‑538.4** | **8.5** |
| Per cent of GDP | ‑21.5 | ‑21.3 |  |
|  |  |  |  |
| **Net financial worth(a)** | **‑750.7** | **‑743.3** | **7.4** |
| Per cent of GDP | ‑29.5 | ‑29.4 |  |
|  |  |  |  |
| **Gross debt(b)** | **887.0** | **889.8** | **2.8** |
| Per cent of GDP | **34.9** | **35.2** |  |
|  |  |  |  |
| **Net debt(c)** | **548.6** | **491.0** | **‑57.6** |
| Per cent of GDP | 21.6 | 19.4 |  |
|  |  |  |  |
| **Total interest payments** | **18.8** | **18.9** | **0.1** |
| Per cent of GDP | 0.7 | 0.7 |  |
|  |  |  |  |
| **Net interest payments(d)** | **12.7** | **11.9** | **‑0.8** |
| Per cent of GDP | 0.5 | 0.5 |  |

1. Net financial worth equals total financial assets minus total liabilities.
2. Gross debt measures the face value of Australian Government Securities (AGS) on issue.
3. Net debt is the sum of interest bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
4. Net interest payments are equal to the difference between interest payments and interest receipts. Net interest payments are largely tied to the existing stock of Australian Government Securities, meaning there was little change from the 2023–24 Budget estimates.