

29 September 2024

# AUSTRALIAN FEDERAL BUDGET BULLETIN

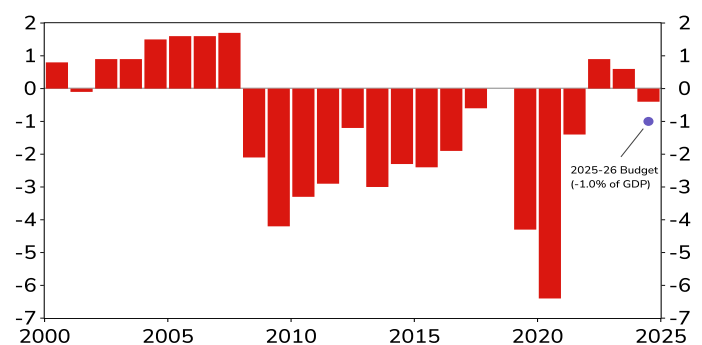
Final budget outcome 2024/25

## Key points

- The Federal budget recorded a deficit of \$10bn (or 0.4% of nominal GDP) in the 2025FY, more than \$17bn better than expected back in March, mainly due to higher company and personal income tax. The small deficit comes even as payments grew to 26.2% of GDP – the highest ratio of payments to GDP in almost 40 years outside of the pandemic.
- We expect at least part of the upside to receipts will carry forward. By using Westpac's commodity price forecasts instead of Treasury's conservative assumptions, we estimate that tax revenue from mining is likely to be \$40bn higher over the next five years than forecast in the March budget.
- This will not be enough to cover higher spending, though. We therefore expect the Federal budget will remain in the red over the next decade.

### Underlying cash balance

% share of GDP



Source: Australian Department of the Treasury, Macrobond, Westpac Economics

**“Windfalls from higher-than-expected commodity prices... continue to offset much of this increase in spending”**

# Lucky streak hides highest payments to GDP in almost 40 years



Pat Bustamante Senior Economist

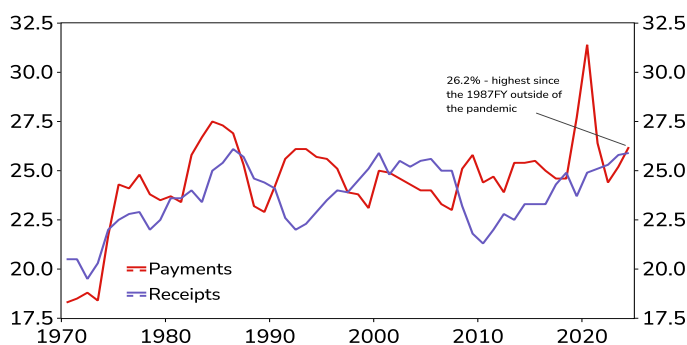
The Federal budget recorded a cash deficit of \$10bn (or 0.4% of nominal GDP) in the 2025FY, around \$17.5bn better than expected back in March. This follows two consecutive surpluses of \$22.1bn and \$15.8bn in the 2023FY and 2024FY, respectively.

The small deficit comes even as expenses increased 8.0% in the 2025FY to 26.2% of nominal GDP – the highest payments to GDP ratio in almost 40 years (or since the 1987FY) outside of the pandemic.

Windfalls from higher-than-expected commodity prices and the still-resilient domestic labour market continue to offset much of this increase in spending, which has grown almost 16% over the past two fiscal years (in the 2024FY and 2025FY) coming out of the pandemic.

## Federal Government Payments and Receipts

% share of GDP



## The detail

The 2024-2025 Final Budget Outcome (FBO) showed that receipts came in \$13bn higher than expected back in March, mainly driven by:

- Higher commodity prices and a larger nominal economy, which delivered a windfall of \$5.3bn in company taxes;
- A more resilient labour market, which delivered a \$3.4bn increase in personal income taxes; and
- Higher super contributions and earnings, which delivered a \$2.9bn windfall in super taxes.

On the other side of the ledger, payments were \$4.6bn lower than expected in March with around \$3.1bn due to lower than expected payments to the states under several partnership arrangements. As states meet milestones specified in these partnership arrangements, which cover a range of policy areas from housing to infrastructure, we expect these payments will flow out the door in the 2026FY.

In addition, the fall in global and domestic yields since March, coupled with lower government debt levels, reduced interest repayments by around \$1.2bn in the 2025FY.

## Will this continue?

Some of the upside recorded in the 2024-2025 FBO will likely carry forward across the forecast period.

It's well-known that Treasury adopts conservative commodity price assumptions when forecasting, particularly for iron ore. Using Westpac Economics' commodity price forecasts (troughing at USD83/t in September quarter 2026), as opposed to the assumptions used by the Treasury (falling to USD60/t by end-June), we estimate that total upgrades to company tax receipts could be around \$40bn over the next five years. The revenue upgrade would be even larger if Westpac's own iron ore price forecasts end up being too conservative, as they were over the past 12 months.

## Commodity price assumptions\*

	Dec-25	Jun-26	Dec-26	Jun-27	Dec-27
<b>Iron ore (US\$/tonne)</b>					
Westpac Economics	95	86	83	84	86
2025-26 Budget	69	60	60	60	60
<b>Metallurgical coal (US\$/tonne)</b>					
Westpac Economics	182	179	178	180	182
2025-26 Budget	158	140	140	140	140
<b>Thermal coal (US\$/tonne)</b>					
Westpac Economics	110	109	111	112	114
2025-26 Budget	87	70	70	70	70
<b>LNG (US\$/mmBtu)</b>					
Westpac Economics	11.7	9.8	9.8	9.8	9.8
2025-26 Budget	10.9	10.0	10.0	10.0	10.0

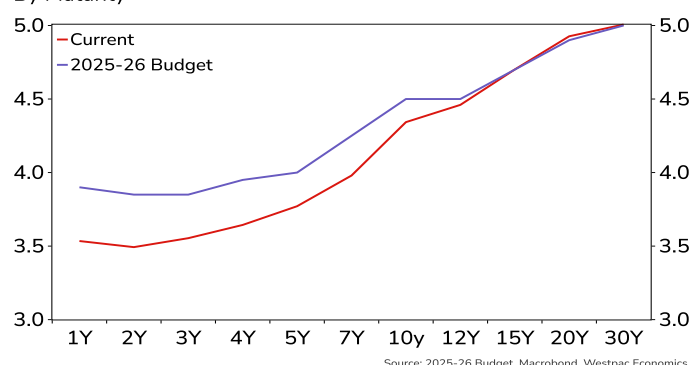
\*All prices are in free-on-board (FOB) terms. Treasury assumes prices decline from elevated levels over four quarters – prices beyond the March quarter 2026 are implied.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Lower global and domestic yields, coupled with lower government debt levels, should also continue to provide the budget with a near term windfall amounting to around \$3.7bn over the next five years. The windfall occurred because the Australian government yield curve shifted lower since the March budget, with the 10-year bond yield around 25 basis points lower. While our forecasts are for yields to drift back up towards the 4% mark over coming years, interest costs will remain below the March budget forecast while yields remain below this level.

## AGS Yield Curve

By Maturity



Despite this, we expect the Federal budget will remain in the red over the next decade.

## Bottom line estimate\*

	2025-26	2026-27	2027-28	2028-29	2029-30*
2025-26 Budget - underlying cash balance	-42.1	-35.7	-37.2	-36.9	-38.5
Upgrade to company tax collections	7	7.1	7.3	8.8	10.2
Lower interest repayments	0.9	0.8	0.8	0.7	0.6
Expected underlying cash balance	-34.3	-27.8	-29.1	-27.4	-27.7
% of GDP	-1.2	-0.9	-0.9	-0.8	-0.8

\*From the medium-term projections in the 2025-26 Budget

## What about off budget spending?

Off budget spending, which effectively captures Government spending through third parties like Housing Australia and the CEFC, increased to \$11.8bn (or 0.4% of nominal GDP) in the 2025FY from \$1.8bn in the 2024FY.

The 2025FY outcome was \$7.3bn less than expected back in the March budget. The undershoot was in part driven by a lower amount of capital flowing to the CEFC (around \$1bn) and Housing Australia (also around \$1bn). This suggests that government support for the energy transition and to address Australia's housing supply challenges could be running behind schedule.

## Is the Federal government supporting economic activity?

What matters for growth in aggregate demand and economic activity is the change in the fiscal position. The Federal budget has gone from a cash surplus of 0.6% of GDP in the 2024FY to a deficit of 0.4% of GDP in the 2025FY – providing an impulse of around 1% of GDP in the 2025FY.

In addition, the headline cash balance, which includes off budget spending and therefore more accurately captures the Government's fiscal impulse, has gone from a surplus of 0.5% of GDP in the 2024FY to a deficit of 0.8% of GDP in the 2025FY – an impulse of around 1.3% of GDP. This is consistent with our expectations (see here) and remains sizeable compared to history.



# Corporate Directory

## Westpac Economics / Australia

**Sydney**  
Level 19, 275 Kent Street  
Sydney NSW 2000  
Australia

E: [economics@westpac.com.au](mailto:economics@westpac.com.au)

**Luci Ellis**  
Chief Economist Westpac Group  
E: [luci.ellis@westpac.com.au](mailto:luci.ellis@westpac.com.au)

**Matthew Hassan**  
Head of Australian Macro-Forecasting  
E: [mhassan@westpac.com.au](mailto:mhassan@westpac.com.au)

**Elliot Clarke**  
Head of International Economics  
E: [eclarke@westpac.com.au](mailto:eclarke@westpac.com.au)

**Sian Fenner**  
Head of Business and Industry Economics  
E: [sian.fenner@westpac.com.au](mailto:sian.fenner@westpac.com.au)

**Justin Smirk**  
Senior Economist  
E: [jsmirk@westpac.com.au](mailto:jsmirk@westpac.com.au)

**Pat Bustamante**  
Senior Economist  
E: [pat.bustamante@westpac.com.au](mailto:pat.bustamante@westpac.com.au)

**Mantas Vanagas**  
Senior Economist  
E: [mantas.vanagas@westpac.com.au](mailto:mantas.vanagas@westpac.com.au)

**Illiana Jain**  
Economist  
E: [illiana.jain@westpac.com.au](mailto:illiana.jain@westpac.com.au)

**Neha Sharma**  
Economist  
E: [neha.sharma1@westpac.com.au](mailto:neha.sharma1@westpac.com.au)

**Ryan Wells**  
Economist  
E: [ryan.wells@westpac.com.au](mailto:ryan.wells@westpac.com.au)

## Westpac Economics / New Zealand

**Auckland**  
Takutai on the Square  
Level 8, 16 Takutai Square  
Auckland, New Zealand

E: [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

**Kelly Eckhold**  
Chief Economist NZ  
E: [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

**Michael Gordon**  
Senior Economist  
E: [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

**Darren Gibbs**  
Senior Economist  
E: [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

**Satish Ranchhod**  
Senior Economist  
E: [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

**Paul Clark**  
Industry Economist  
E: [paul.clarke@westpac.co.nz](mailto:paul.clarke@westpac.co.nz)

## Westpac Economics / Fiji

**Suva**  
1 Thomson Street  
Suva, Fiji

**Shamal Chand**  
Senior Economist  
E: [shamal.chand@westpac.com.au](mailto:shamal.chand@westpac.com.au)



 [westpaciq.com.au](http://westpaciq.com.au)

©2025 Westpac Banking Corporation ABN 33 007 457 141 (including where acting under any of its Westpac, St George, Bank of Melbourne or BankSA brands, collectively, “Westpac”). References to the “Westpac Group” are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

## Things you should know

We respect your privacy: You can [view our privacy statement at Westpac.com.au](#). Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

This information, unless specifically indicated otherwise, is under copyright of the Westpac Group. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior written permission of the Westpac Group.

## Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

**Conflicts of Interest:** In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the

performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

**Author(s) disclaimer and declaration:** The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author’s knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

## Further important information regarding sustainability-related content

This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

## Additional country disclosures:

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). You can access [Westpac’s Financial Services Guide here](#) or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

**Note:** Luci Ellis, Westpac Chief Economist is a member of the Australian Statistics Advisory Council (ASAC) which is a key advisory body to the Minister and the Australian Bureau of Statistics on statistical services. Luci does not have access to sensitive data/ reports in her capacity as a member of ASAC.

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac (“WNZL”). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz).

**Singapore:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this

Disclaimer continues overleaf ►



material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

**Fiji:** Unless otherwise specified, the products and services for Westpac Fiji are available from [www.westpac.com.fj](http://www.westpac.com.fj) © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia and registered as a branch in Fiji. The liability of its members is limited.

**Papua New Guinea:** Unless otherwise specified, the products and services for Westpac PNG are available from [www.westpac.com.pg](http://www.westpac.com.pg) © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia. Westpac is represented in Papua New Guinea by Westpac Bank - PNG - Limited. The liability of its members is limited.

**U.S:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-

regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

**UK and EU:** The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found [here](#). Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictions of the future. While the forecasts are based on reasonable assumptions, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.