

Mid-Year Economic and Fiscal Outlook (2024-25)

On 18th December 2024, Treasurer Jim Chalmers and Finance Minister Katy Gallagher released the Albanese Government's mid-year budget update.

The complete Mid-Year Economic and Fiscal Outlook (MYEFO) budget document can be accessed [here](#).

The MYEFO reflects the Government's focus on maintaining fiscal discipline while addressing cost-of-living pressures and investing in Australia's long-term economic resilience. With **\$14.6bn in additional savings** identified, the Government aims to ensure budget sustainability amid global and domestic economic uncertainties.

Higher interest rates, cost-of-living pressures, and global economic uncertainty have had a greater impact on the Australian economy than anticipated.

Key figures of the update include:

Budget Position

After two back-to-back surpluses, a smaller *deficit* of **\$26.9bn** is forecast for 2024–25. This however represents a \$20bn improvement on the 2022 Pre-election Economic and Fiscal Outlook (PEFO). The Budget is not projected to return to balance until 2034–35.

Economic Forecast and Growth in Domestic Product

Cumulatively, deficits are \$22bn worse over four years, with the deficit projected to increase to **\$46.9bn in 2025-26** (1.6% of GDP) before falling to **\$38.4bn in 2026-27** and \$31.7bn in 2027-28 (1% of GDP).

Gross debt as a share of GDP is expected to stabilise at **36.7% by 2027–28** before declining to **31.4%** in 2035. This new figure is 8.2 percentage points lower than previous projections under the previous Coalition Government.

Economic growth is expected to improve over the forecast period. GDP is expected to increase from **1.4% in 2023-24** to **1.75% in 2024-25**, driven by a recovery in household consumption.

Inflation has moderated, with the **Consumer Price Index** forecast at **2.75%**, easing from 3.8% and returning to the Reserve Bank's target band of between 2-3% in 2024. This is supported by Government cost-of-living relief measures.

The Government has **\$5.5bn** in decisions taken but not yet announced.

Labour Market



Over a million jobs have been created since May 2022, and employment growth is forecast to remain positive, while moderating over time. The unemployment rate is low by past standards and is expected to remain comparatively low over the period, rising to **4.5%** by 2025.

Nominal wage growth has eased but remains at **3.5%** and is expected to remain above its 10-year pre-pandemic average of 2.7%. Real wages are expected to grow due to continued solid wage increases and easing inflationary pressures.

The Government noted that it had improved the Budget by a cumulative \$200bn over the six years to 2027-28, compared with that inherited from the Coalition. Despite \$8.8bn of “unavoidable spending” in the mid-year update and \$16.3bn in changes to payments and programs – the Government has returned 78% of upward revisions to revenue to the Budget bottom line since the election.

Table 1.2: Budget aggregates

	Estimates							
	2024–25		2025–26		2026–27		2027–28	
	\$b	% GDP	\$b	% GDP	\$b	% GDP	\$b	% GDP
Underlying cash balance								
MYEFO	-26.9	-1.0	-46.9	-1.6	-38.4	-1.3	-31.7	-1.0
<i>Budget</i>	-28.3	-1.0	-42.8	-1.5	-26.7	-0.9	-24.3	-0.8
Gross debt(a)								
MYEFO	940.0	34.0	1,028.0	36.0	1,100.0	36.7	1,161.0	36.7
<i>Budget</i>	934.0	33.9	1,007.0	35.1	1,064.0	35.2	1,112.0	34.9
Net debt(b)								
MYEFO	540.0	19.6	609.3	21.3	669.2	22.3	708.6	22.4
<i>Budget</i>	552.5	20.0	615.5	21.5	660.0	21.8	697.5	21.9

The Albanese Government’s economic strategy is backed by various policy commitments, including:

Cost of Living Relief

- Energy bill relief, income tax cuts for all Australians, student loan reductions, and expanded social housing energy programs

Early Childhood Education

- A \$5 billion investment towards universal access to affordable early childhood education and care, including workforce pay increases.

Housing Supply

- The Help to Buy scheme and Build-to-Rent incentives address housing affordability and rental market pressures.

Aged Care Reforms

- \$5.4 billion for the Support at Home program and amendments to ensure residential aged care sustainability.

Structural Reforms and Investments

- Strengthened Medicare through expanded funding for health services and medicines



- Transition to a net-zero economy with an additional \$1.2 billion for modernising energy infrastructure.
- A commitment to gender equality through the “Working for Women” strategy, funding increases for legal assistance, and reducing gender pay gap initiatives.

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