

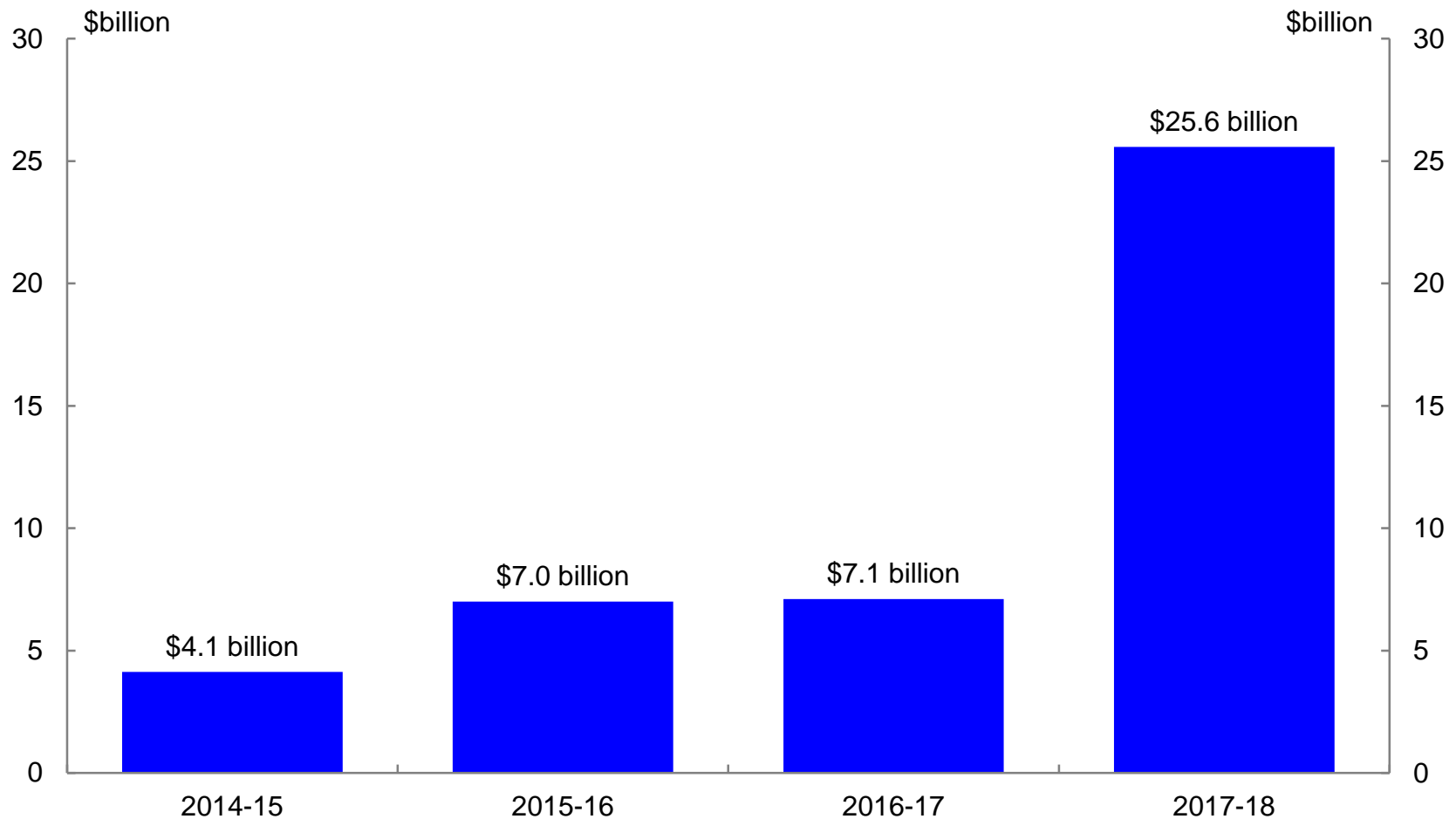


Australian Government
The Treasury

The 2014-15 Budget and sustaining broad-based growth in living standards

Dr Martin Parkinson PSM
Secretary to the Treasury
Tuesday 20 May 2014

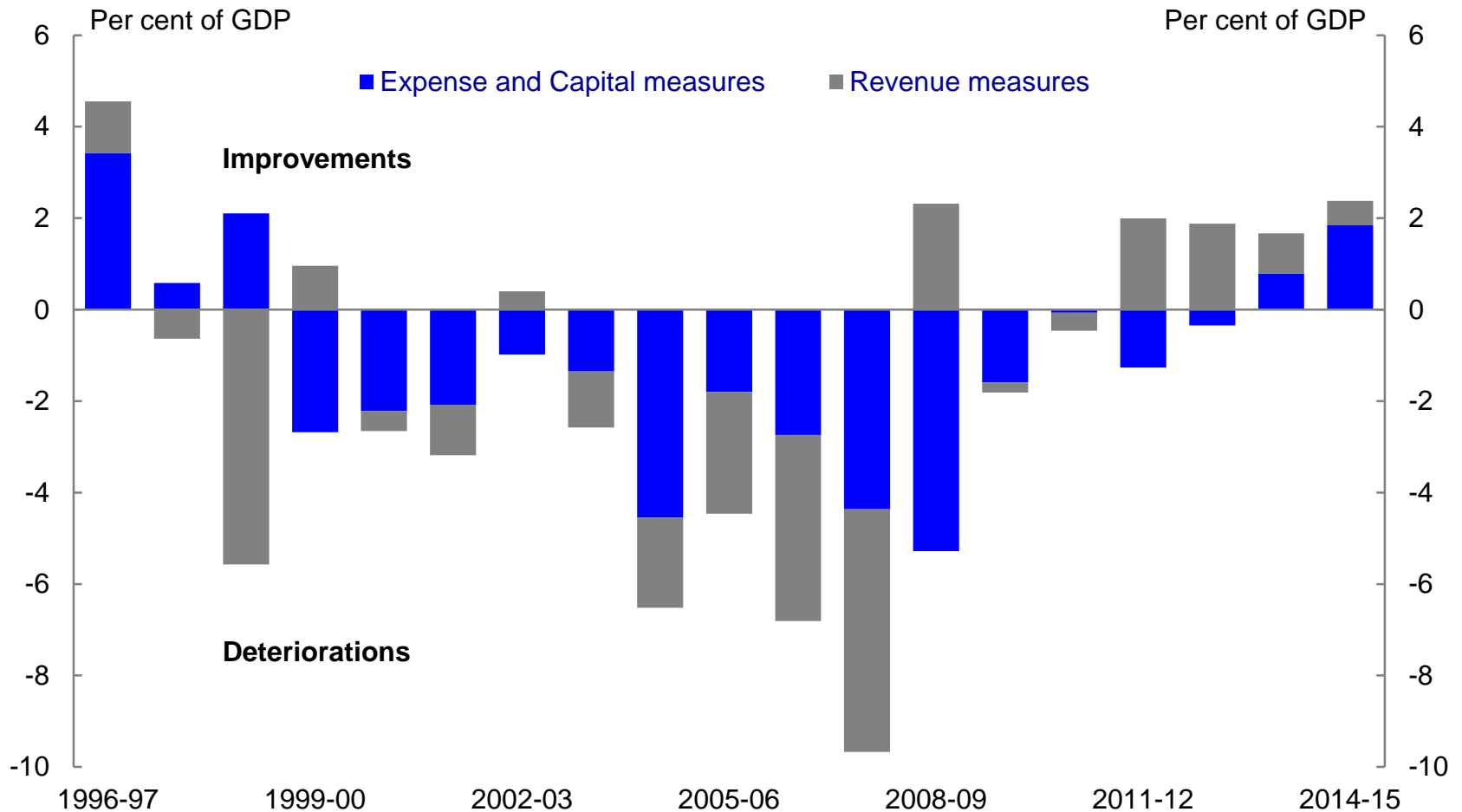
Improvement to the underlying cash balance since the 2013-14 MYEFO



Note: The 2017-18 figure is based on the difference between the 2013-14 MYEFO medium-term projection for 2017-18 and the 2014-15 Budget estimate.

Source: Treasury.

Net impact of policy decisions on the budget balance

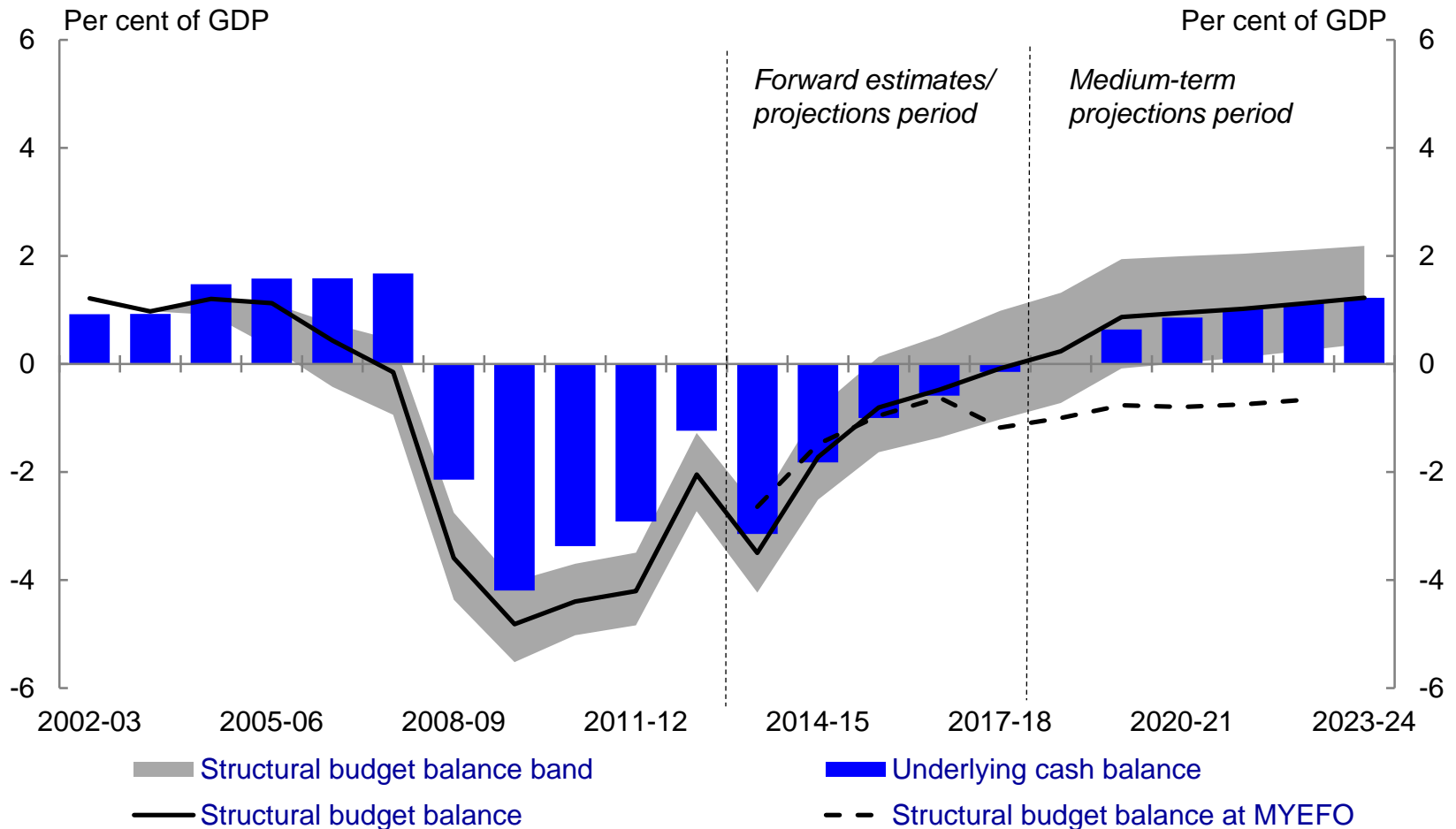


Note: Each column represents the four-year impact of policy decisions made that year, based on data at time of publication. It assumes policy decisions were implemented. Columns up to 1999-2000 include impacts on public debt interest. Columns up to 1999-2000 reflect cash impacts; subsequent columns reflect fiscal impacts.

Source: Treasury.

Structural budget balance estimates

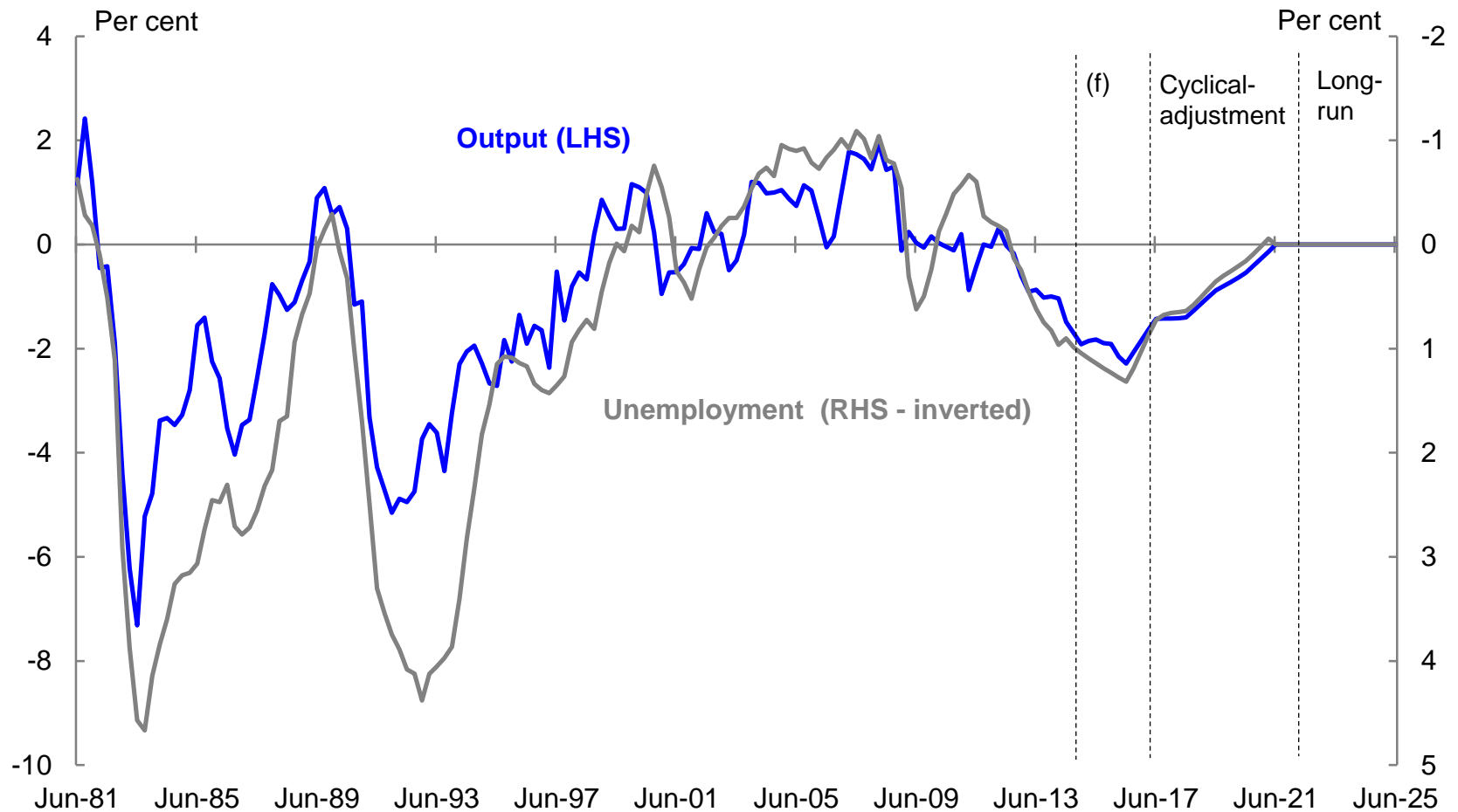
2014-15 Budget



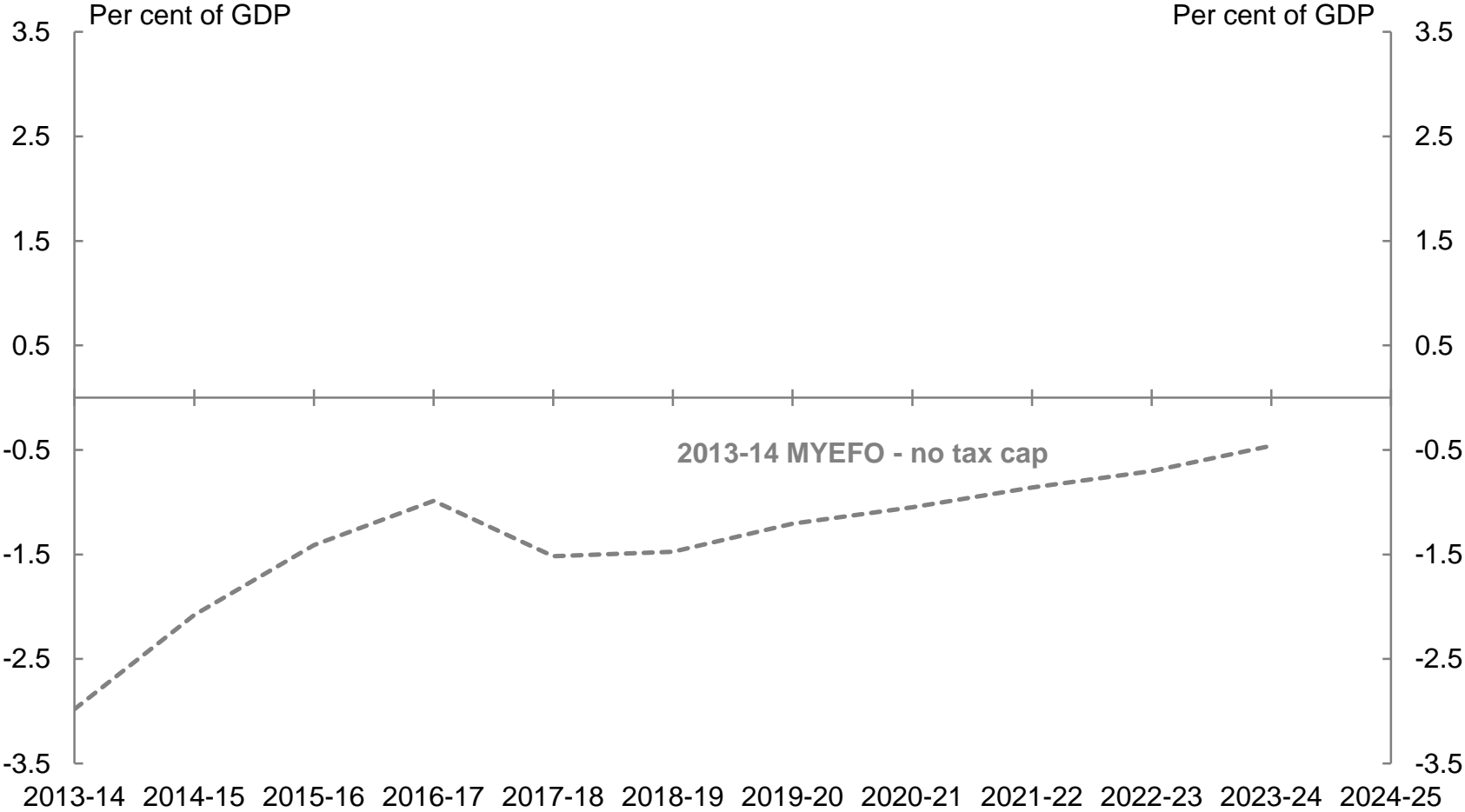
Note: The structural budget balance at MYEFO (dashed line) differs from the estimates published in the 2013-14 MYEFO as it reflects the impact of the change to the medium-term economic projections methodology made at the 2014-15 Budget to ensure comparability.

Source: 2014-15 Budget Paper No. 1, Statement 3 and Treasury.

Output and unemployment gap estimates

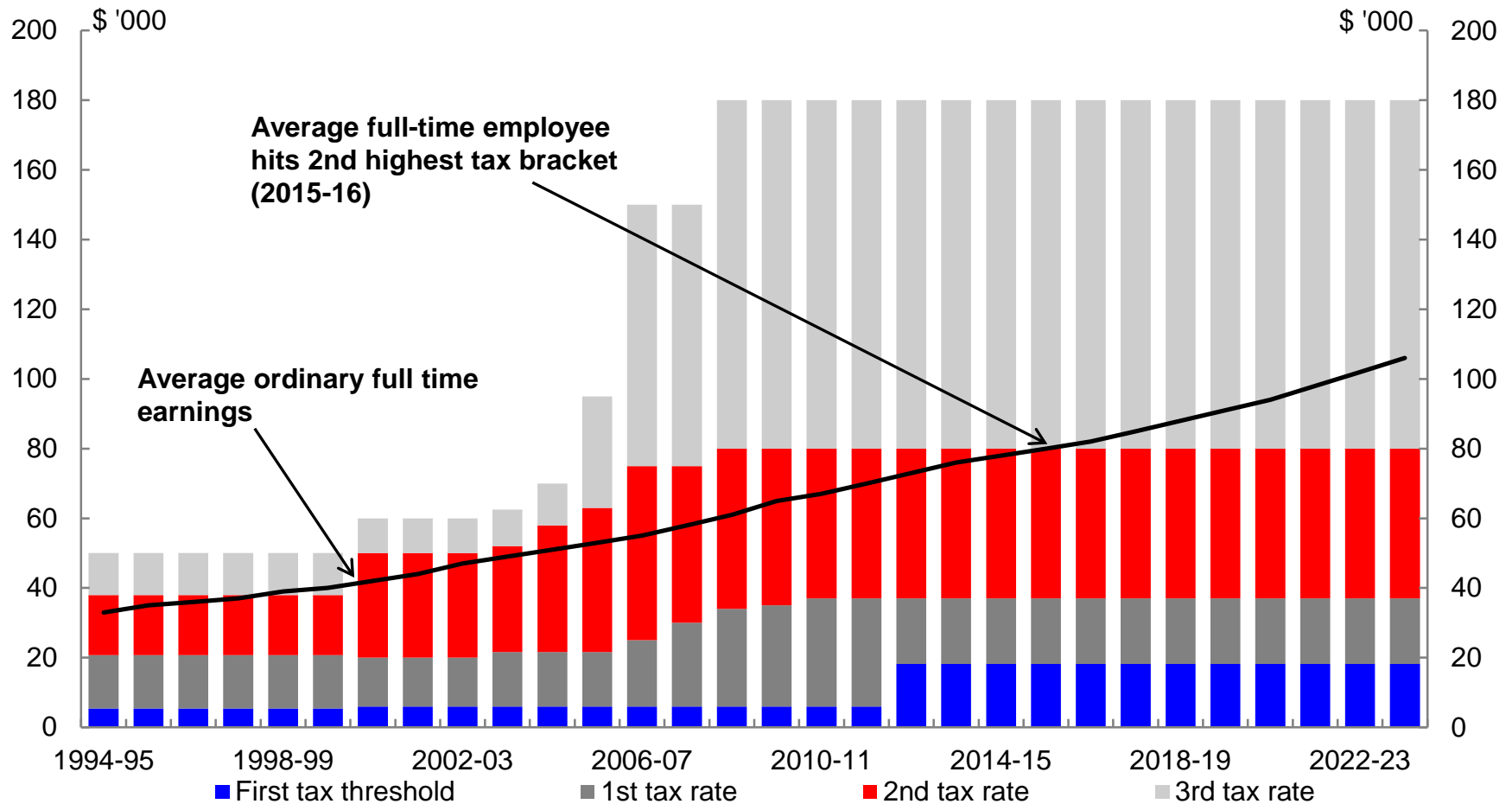


Underlying cash balance projections



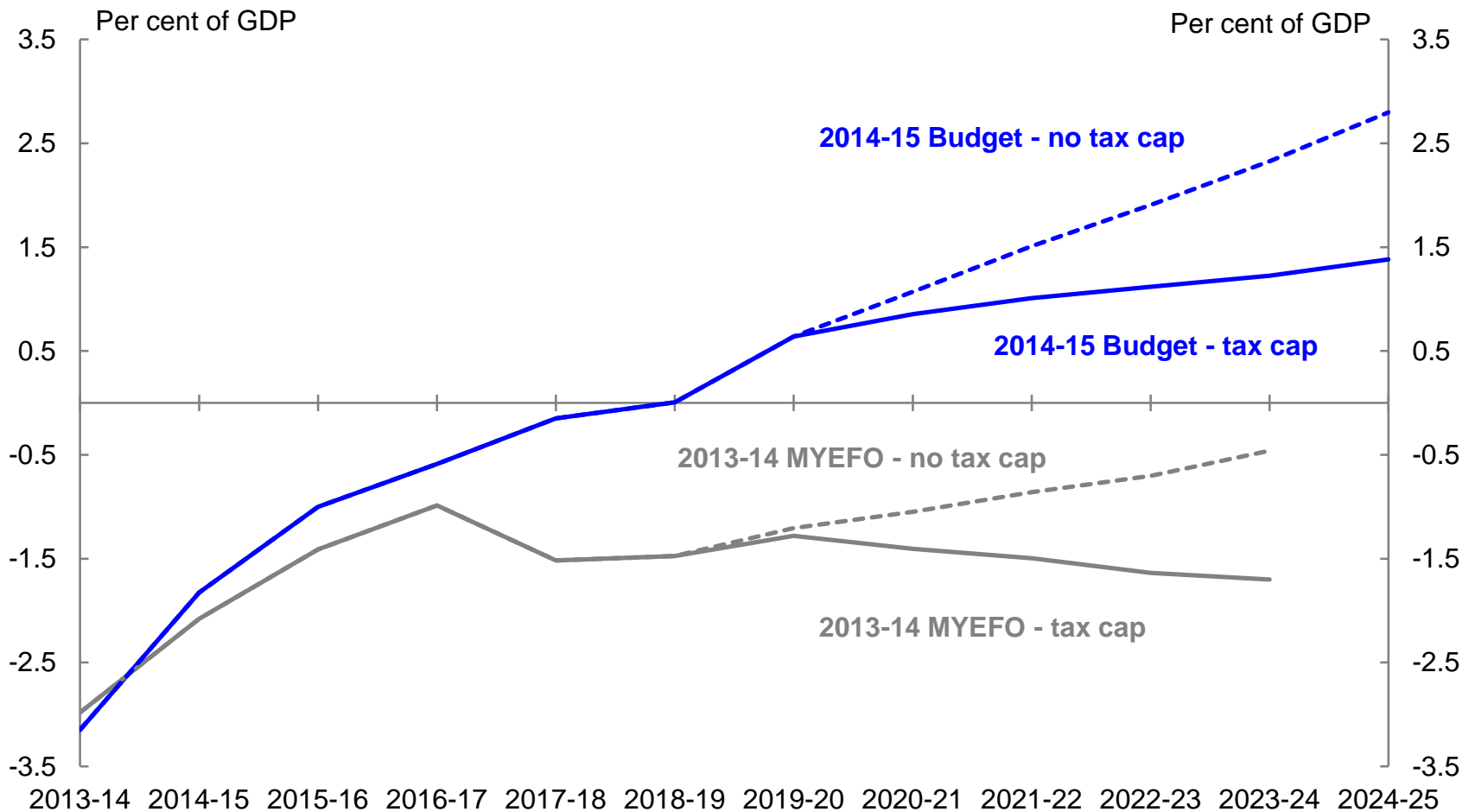
Note: The underlying cash balance excludes Future Fund earnings and payments.
Source: Treasury.

Average full-time employee earnings and personal income tax thresholds



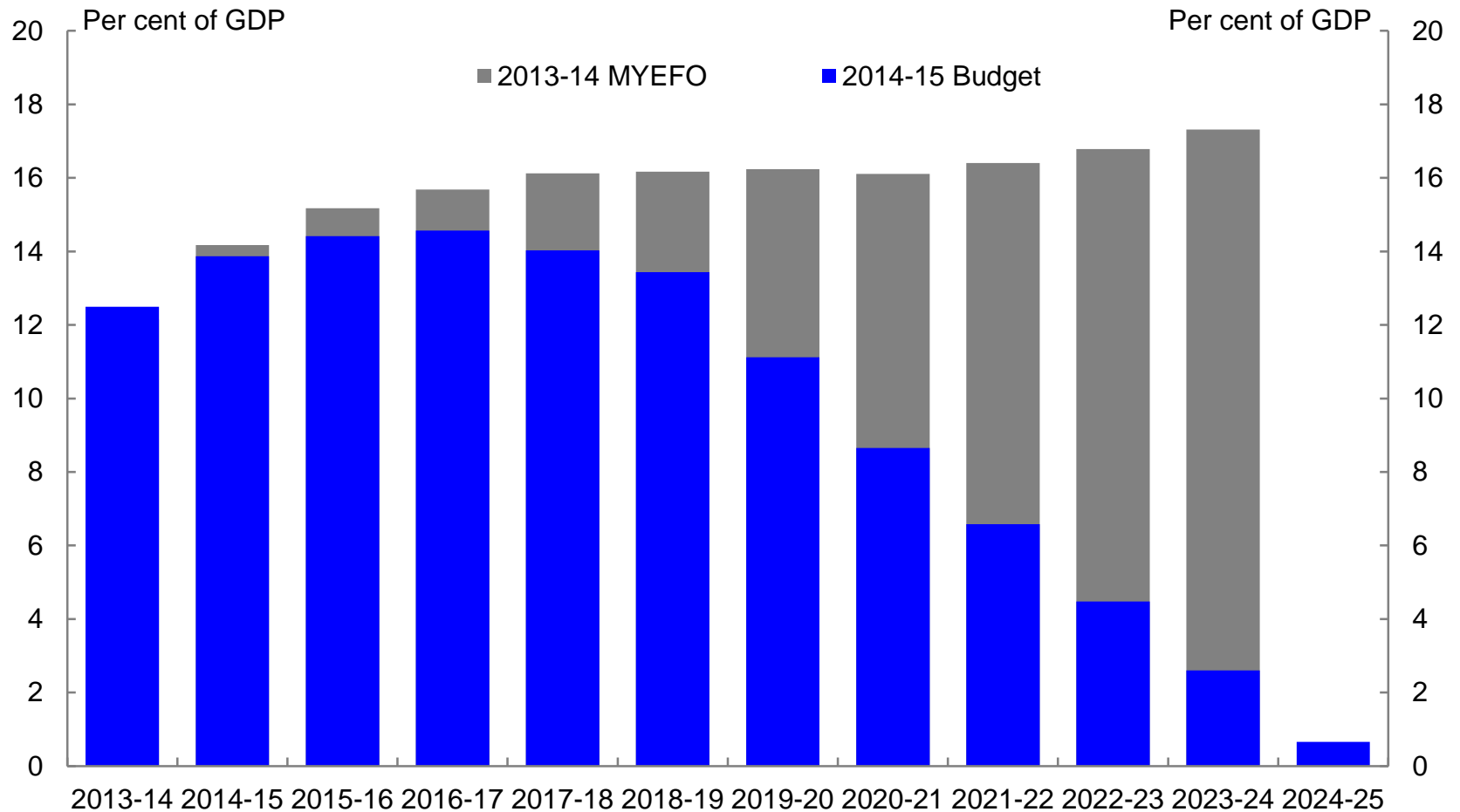
Notes: Based on 2014-15 Budget parameters.
Source: ABS cat. no. 6302.0 and Treasury.

Underlying cash balance projections



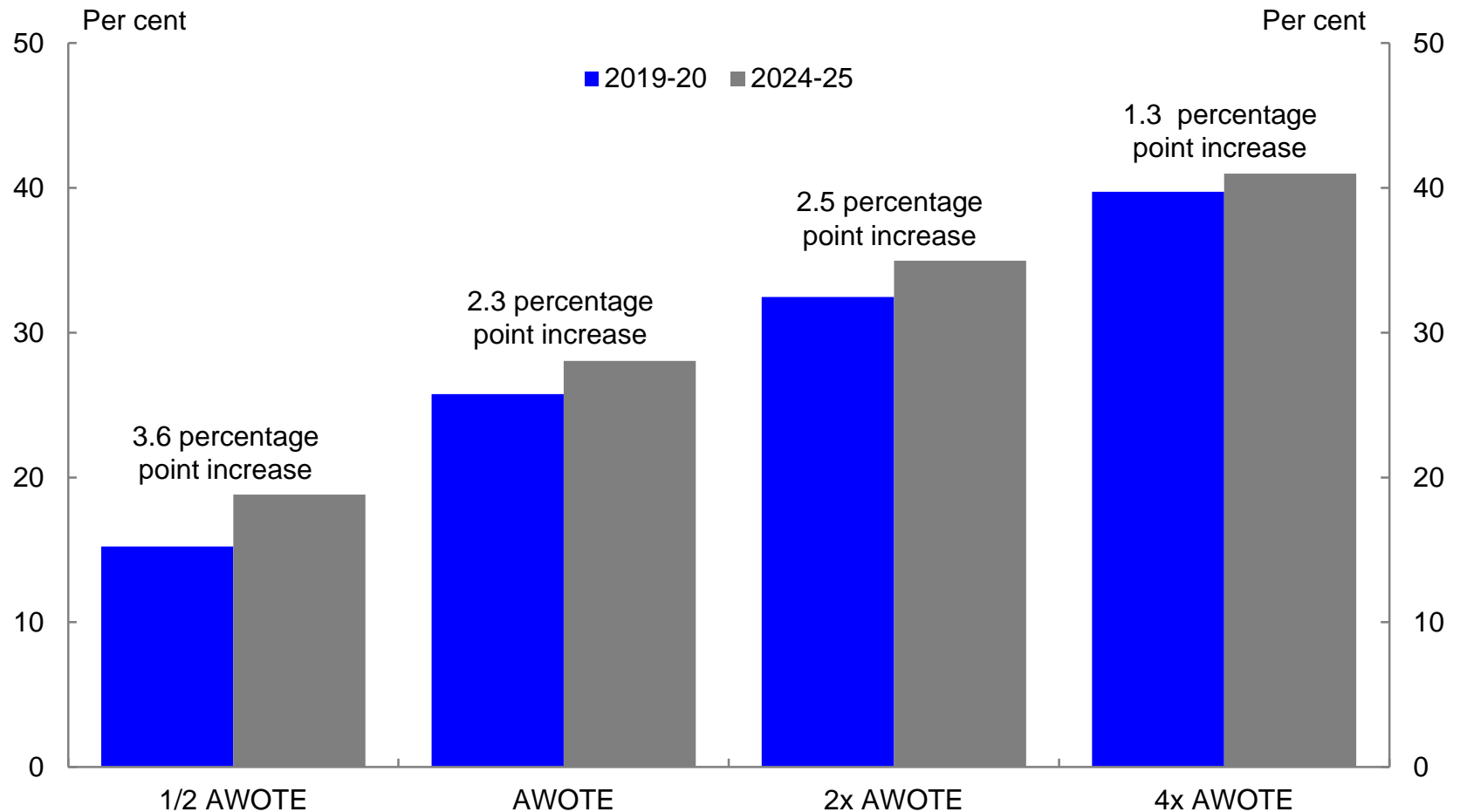
Note: The underlying cash balance excludes Future Fund earnings and payments. 2013-14 MYEFO - tax cap projection was not published in the 2013-14 MYEFO.
Source: Treasury.

Net debt projections



Note: A tax-to-GDP cap of 23.9 per cent has been applied to these projections. 2013-14 MYEFO tax cap projection was not published at MYEFO.
Source: Treasury.

Effects of fiscal drag on the average tax rate



Note: AWOTE refers to average weekly ordinary time earnings.

Source: Treasury.

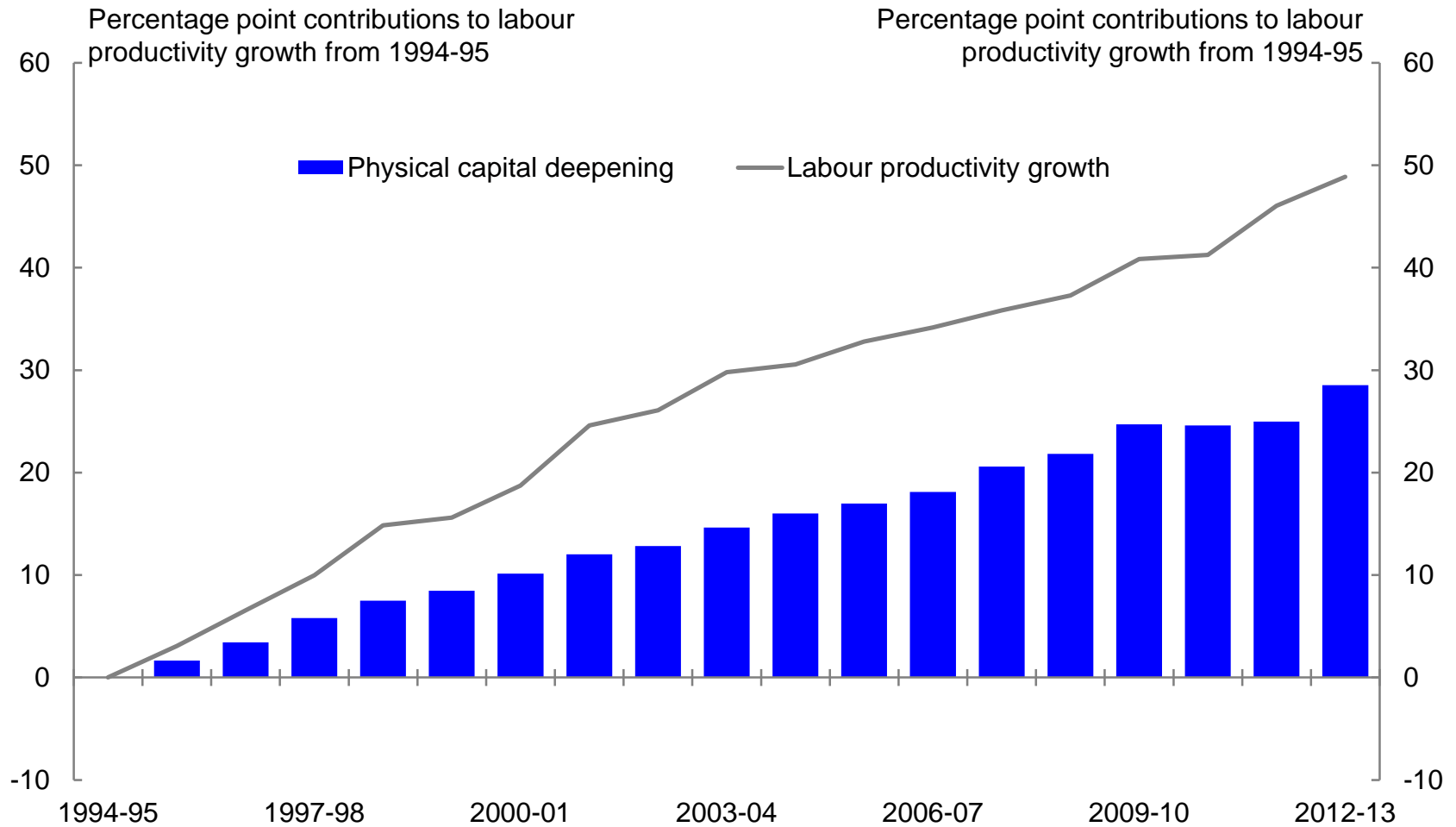
Labour productivity and real wages in Australia



Note: Real wages are nominal hourly wages deflated by the consumption deflator. In contrast, nominal wages deflated by the GDP deflator, known as the real producer wage (not shown) have grown in line with labour productivity throughout the whole period.

Source: ABS cat. no. 5206.0 and Treasury.

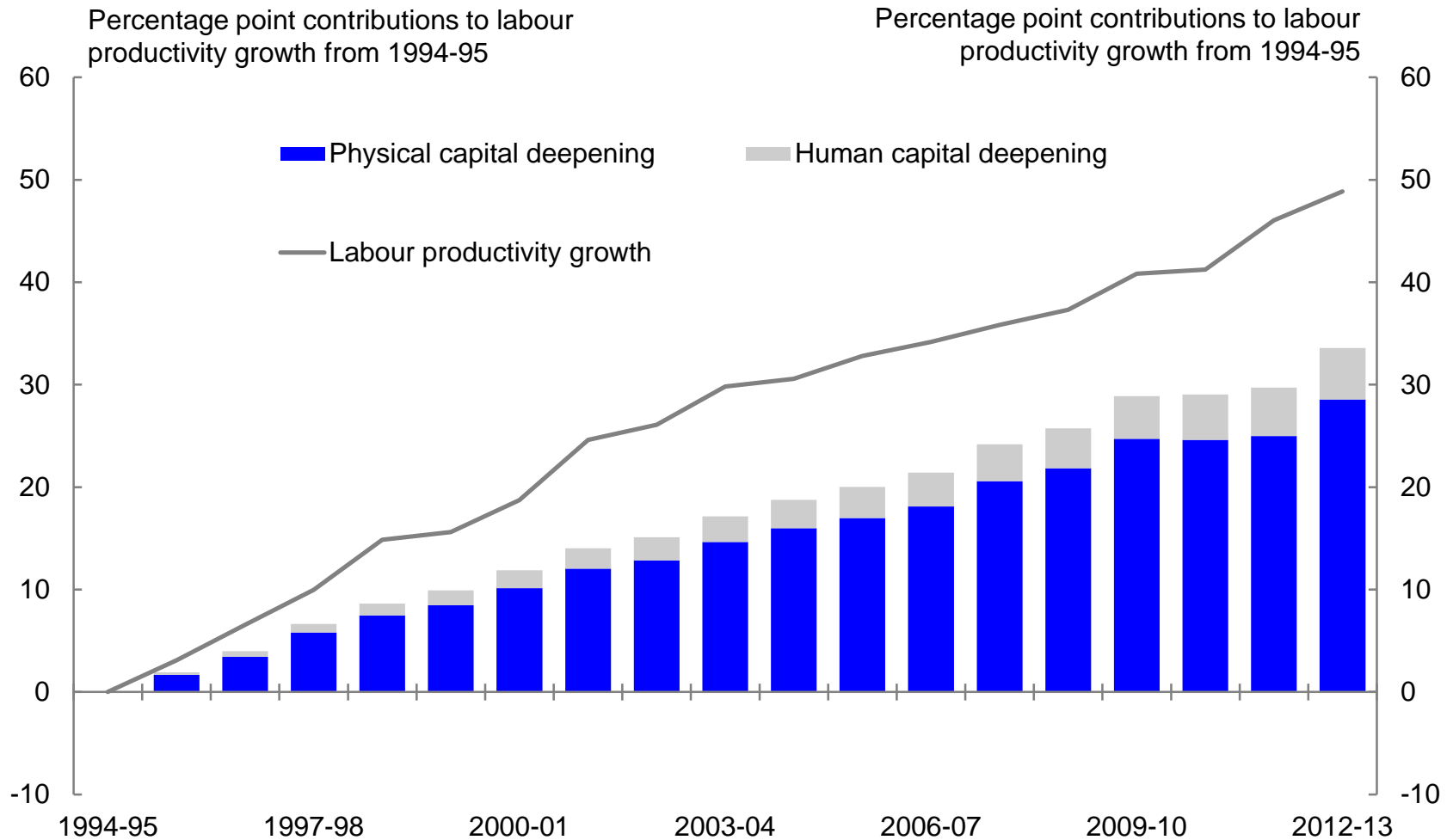
Market sector labour productivity



Note: Data relate to the 16 industry market sector. Results are derived using a Tornqvist index to aggregate nominal value-added shares across industries.

Source: ABS unpublished data and Treasury.

Market sector labour productivity

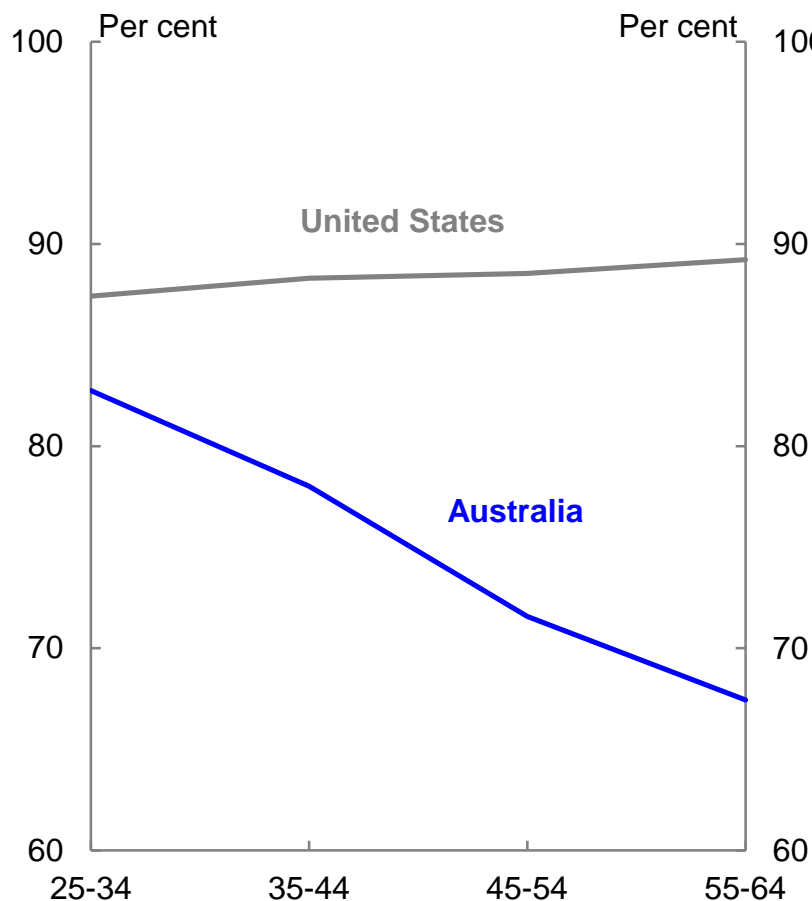


Note: Data relate to the 16 industry market sector. Results are derived using a Tornqvist index to aggregate nominal value-added shares across industries. Human capital deepening reflects changes in quality-adjusted labour inputs relative to hours worked.

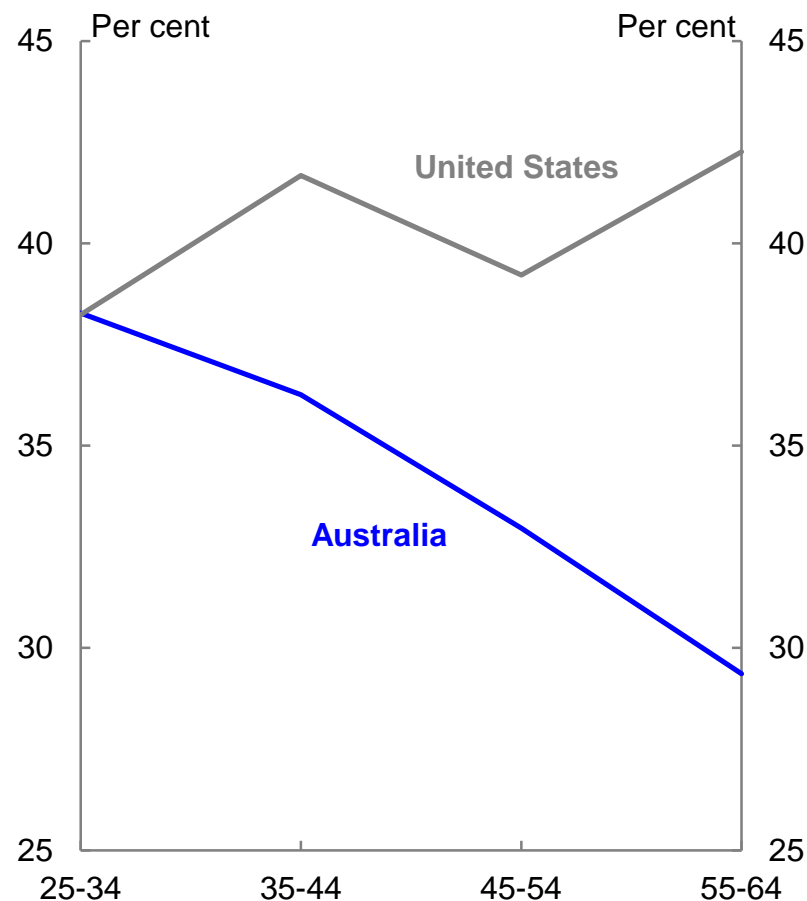
Source: ABS unpublished data and Treasury.

Proportion of males completing secondary and tertiary education

Secondary

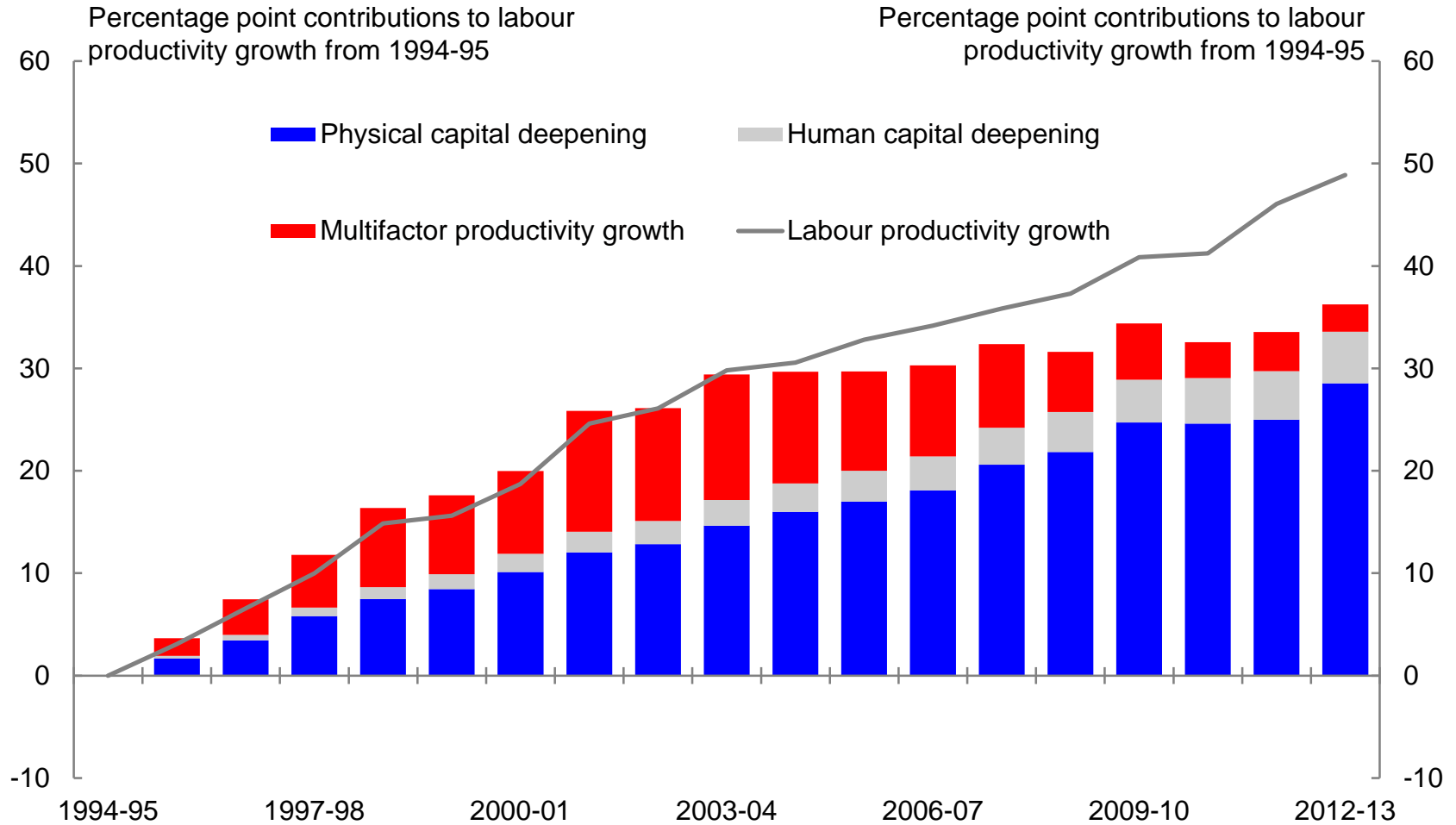


Tertiary



Note: Data are as of 2011.
Source: OECD.

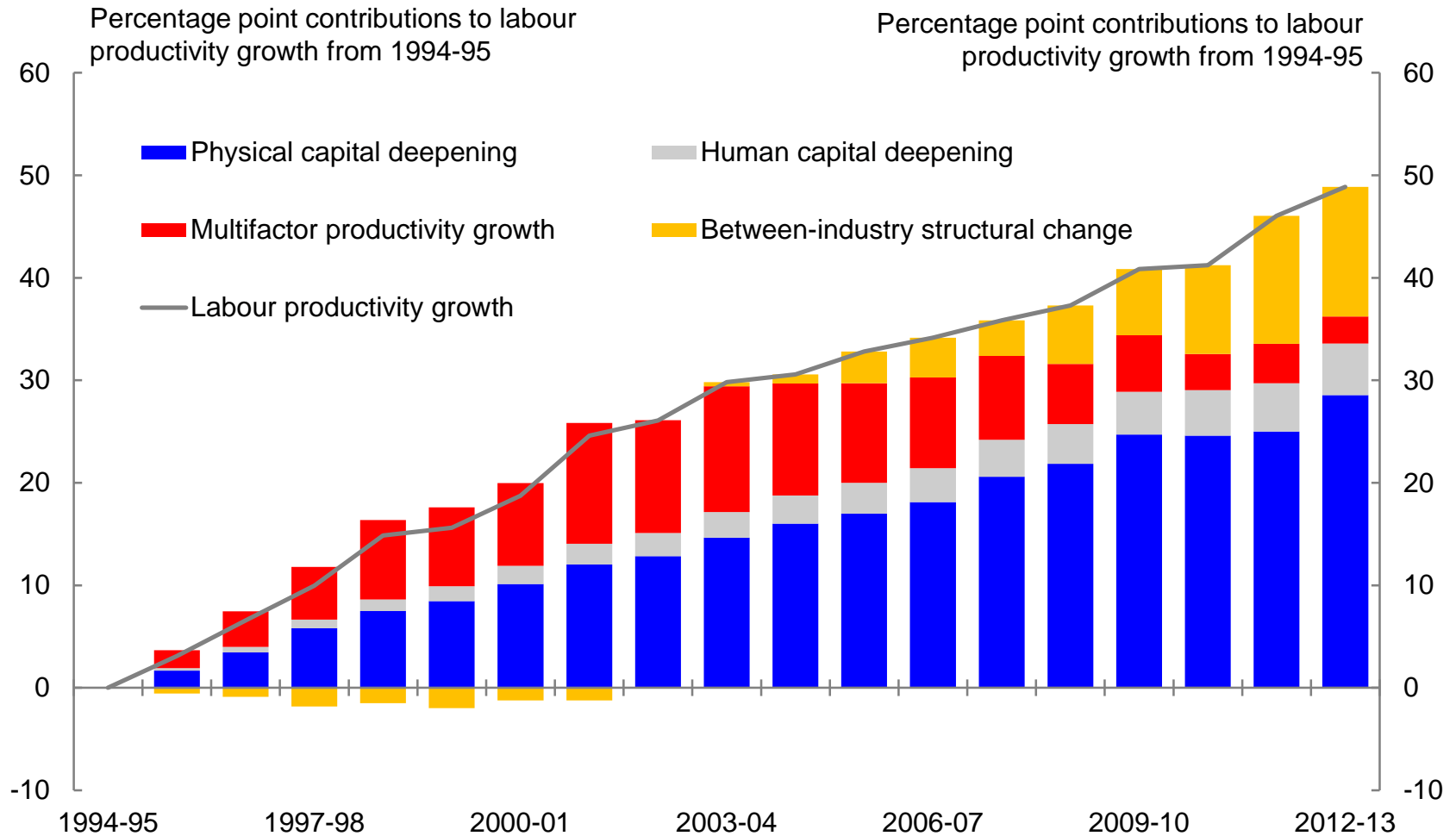
Market sector labour productivity



Note: Data relate to the 16 industry market sector. Results are derived using a Tornqvist index to aggregate nominal value-added shares across industries. Human capital deepening reflects changes in quality-adjusted labour inputs relative to hours worked.

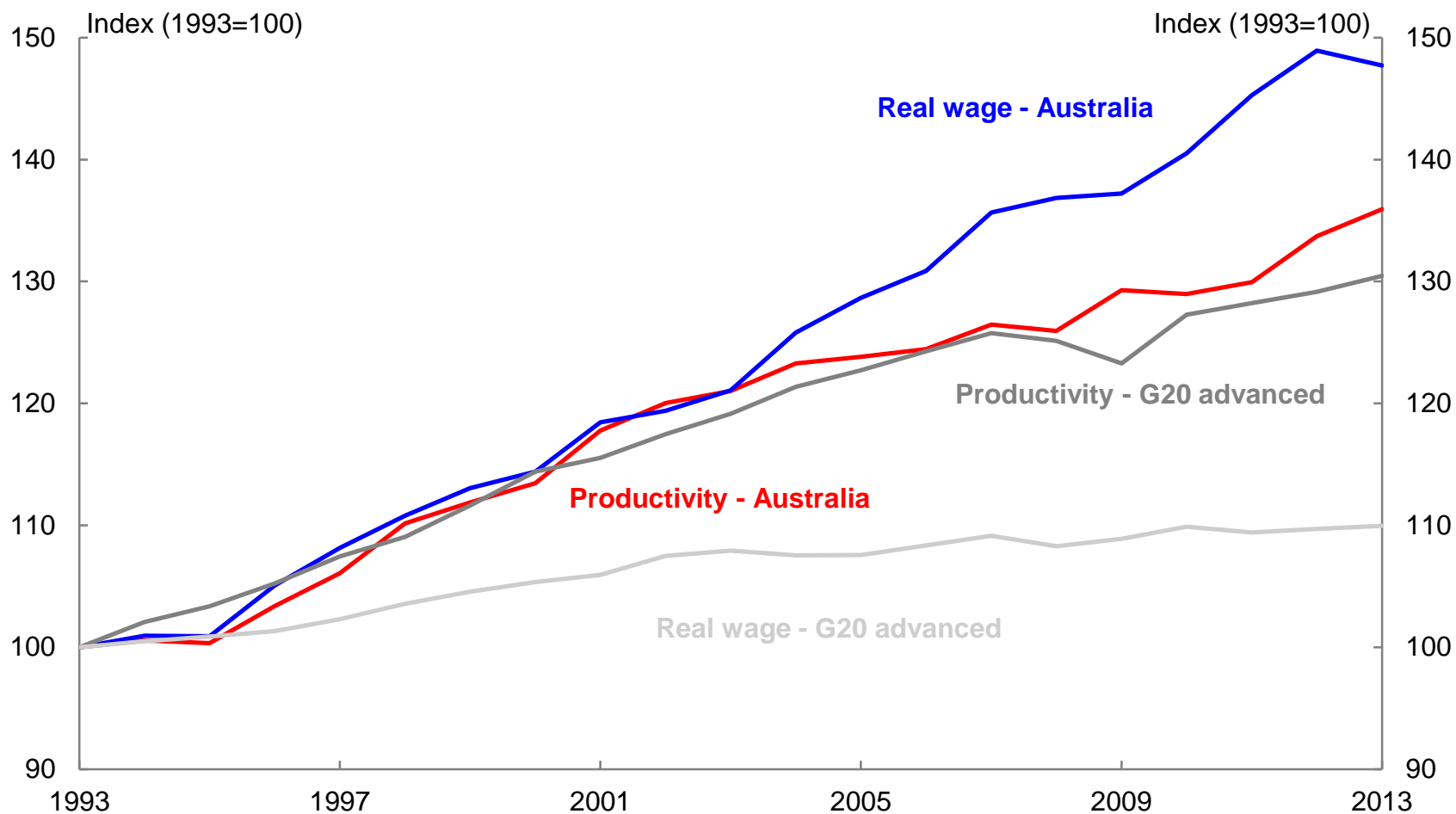
Source: ABS unpublished data and Treasury.

Market sector labour productivity



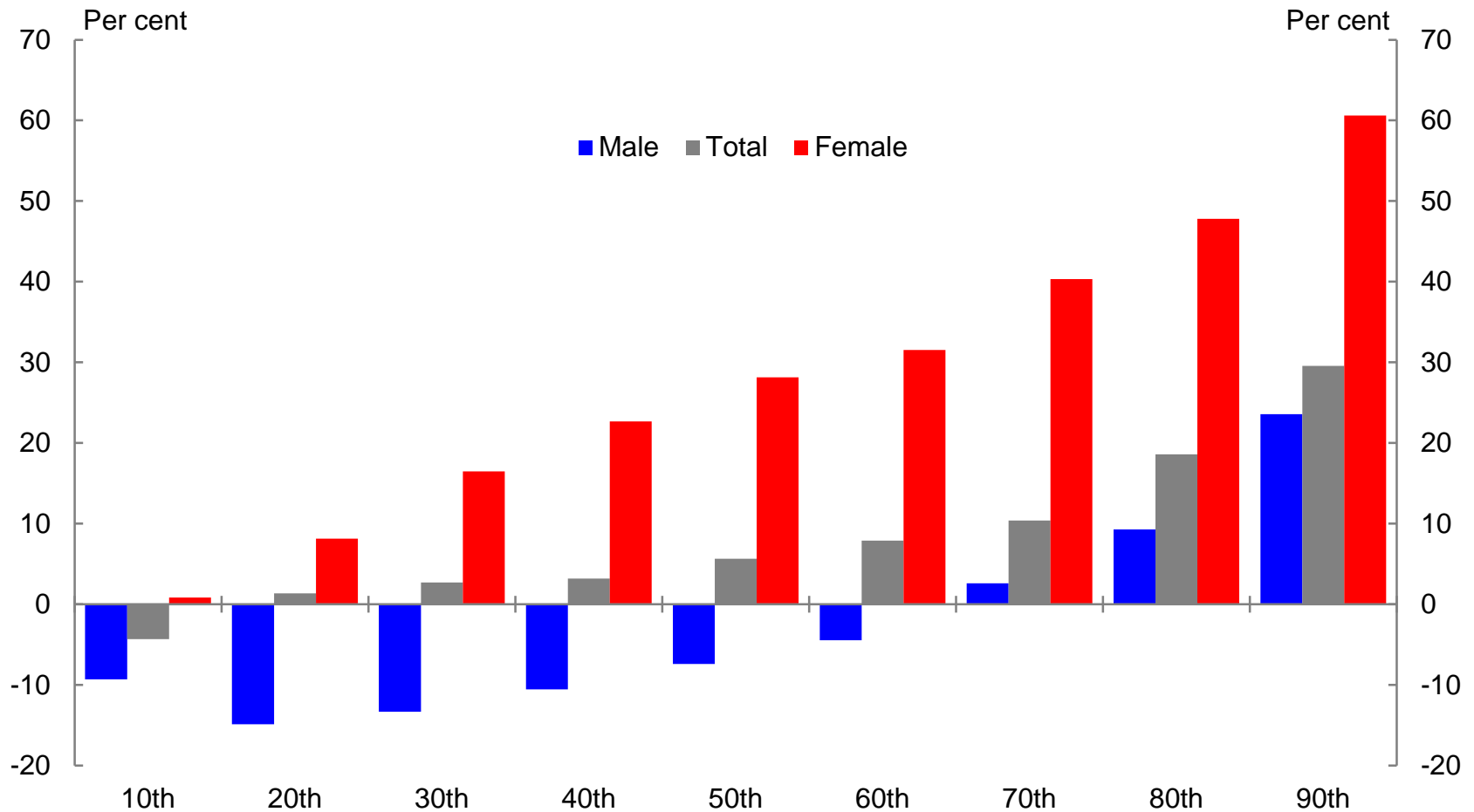
Note: Data relate to the 16 industry market sector. Results are derived using a Tornqvist index to aggregate nominal value-added shares across industries. Human capital deepening reflects changes in quality-adjusted labour inputs relative to hours worked.
 Source: ABS unpublished data and Treasury.

Labour productivity and real wages in Australia and G20 advanced economies

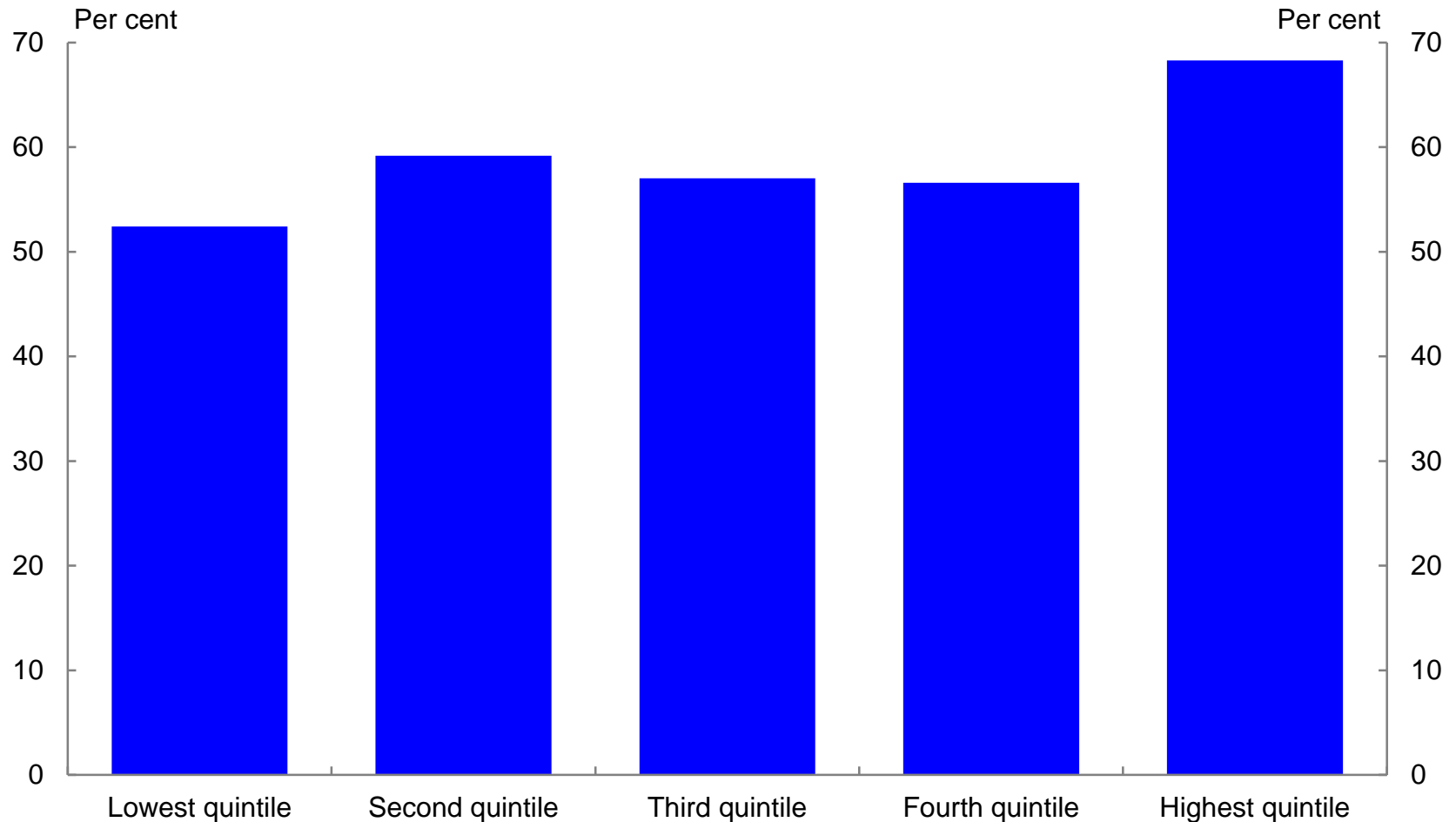


Note: The methodology used to calculate G20 advanced aggregates is described in Appendix I of ILO's Global Wage Report 2012-13.
Source: ABS cat. no. 5206.0 and unpublished International Labour Organisation estimates.

US hourly real wages growth by decile 1979-2011



Australian real disposable household income growth from 1994-95 to 2011-12



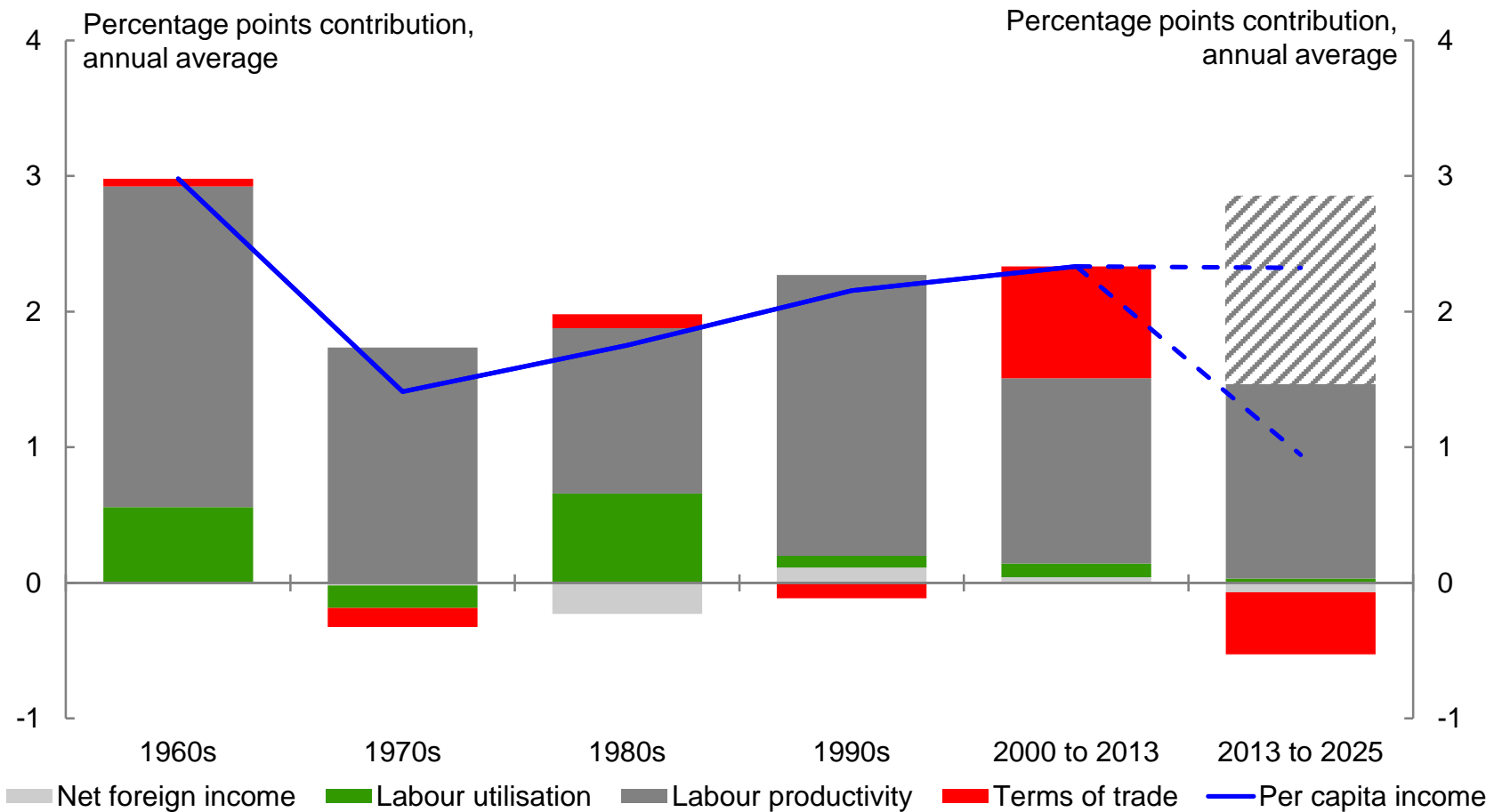


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Backpocket

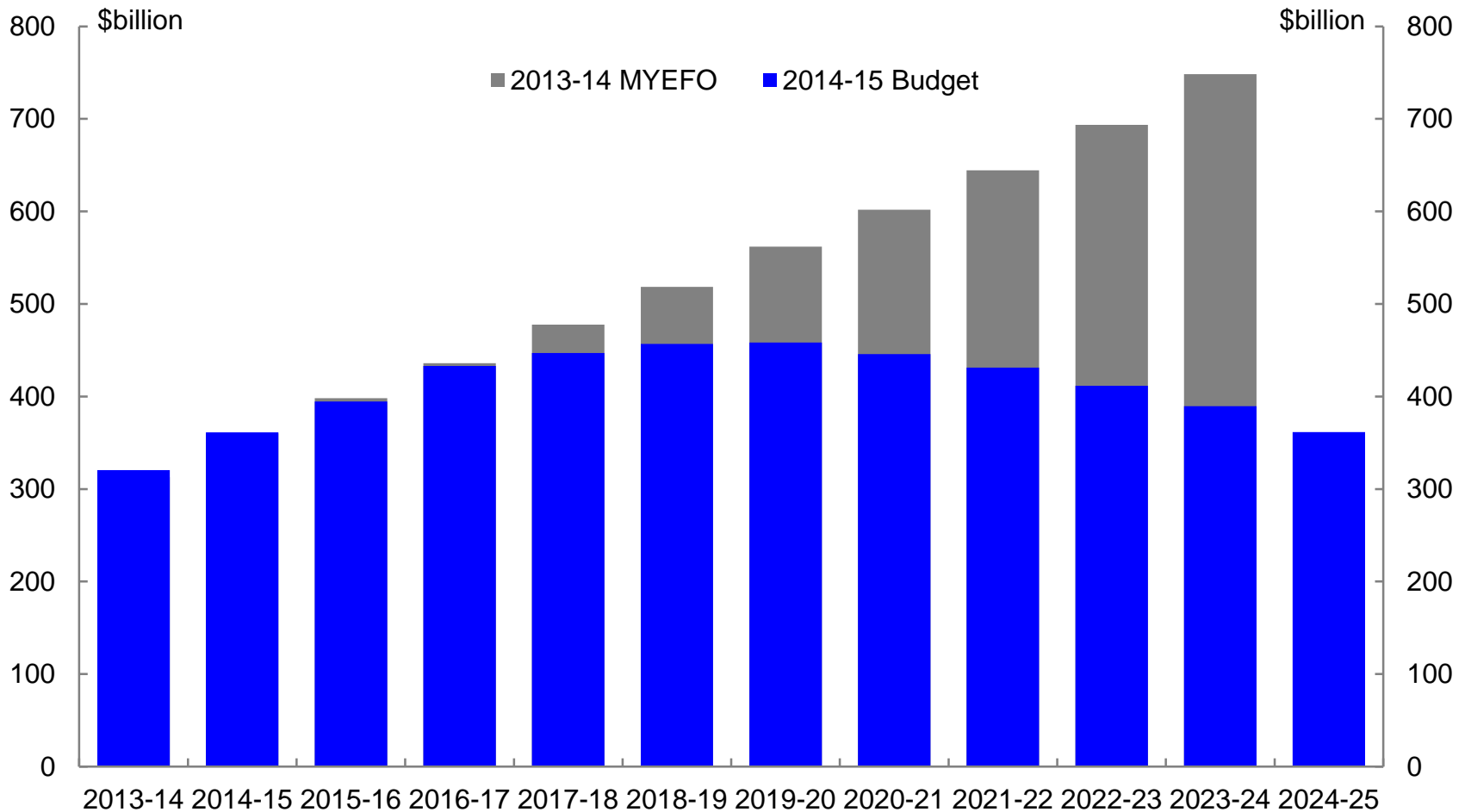


Sources of growth in national income per capita



Note: Contributions to income growth in the period 2013 to 2025 are consistent with the forecasts and projections detailed in 2014-15 Budget Statement 2. The hatched area represents the additional labour productivity growth required to achieve long-run average growth in real gross national income. Source: ABS cat. no. 5204.0 and Treasury.

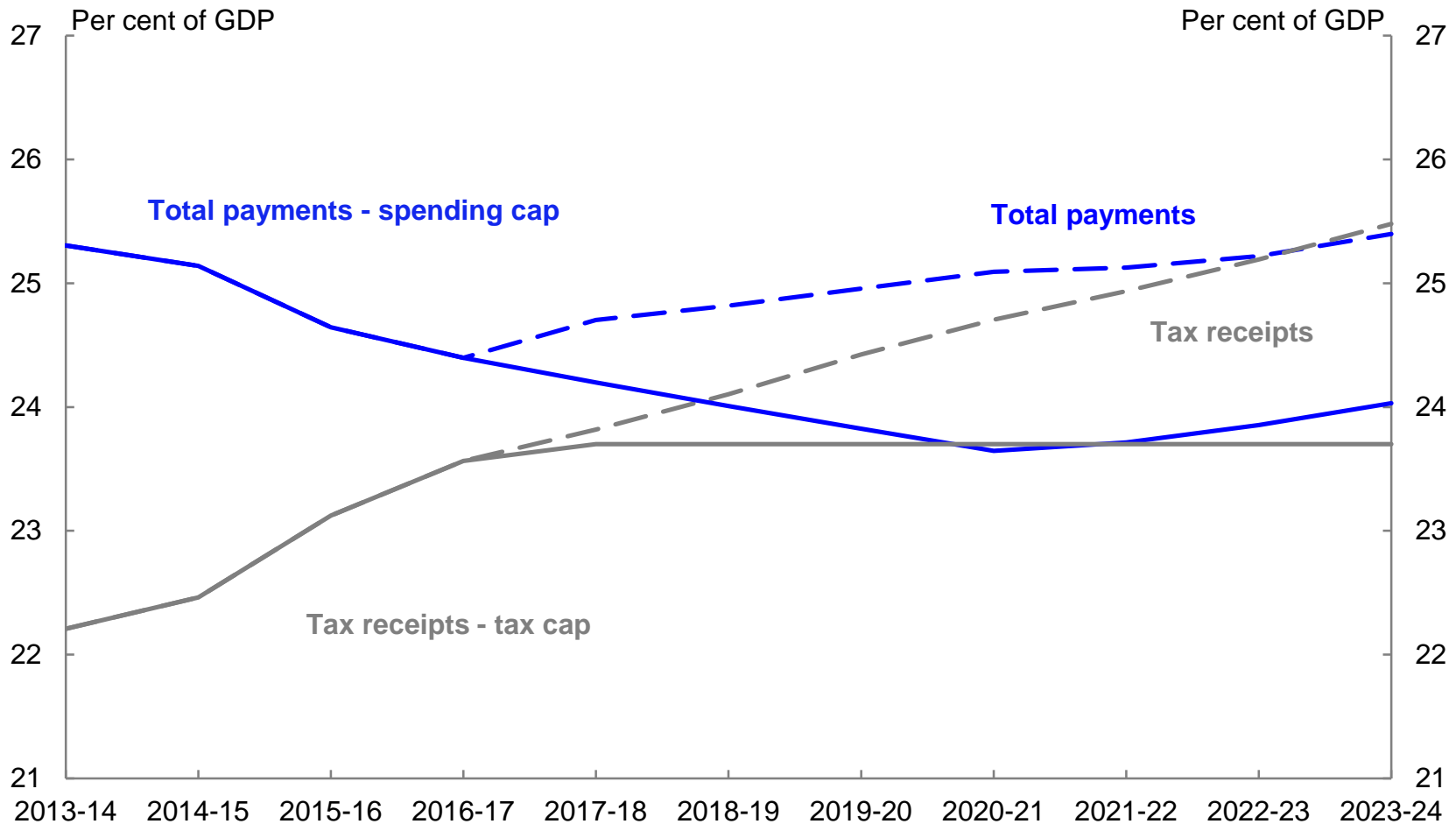
Face value of Commonwealth Government Securities on issue projections



Note: A tax-to-GDP cap of 23.9 per cent has been applied on these projections. 2013-14 MYEFO tax cap projection was not published at MYEFO.

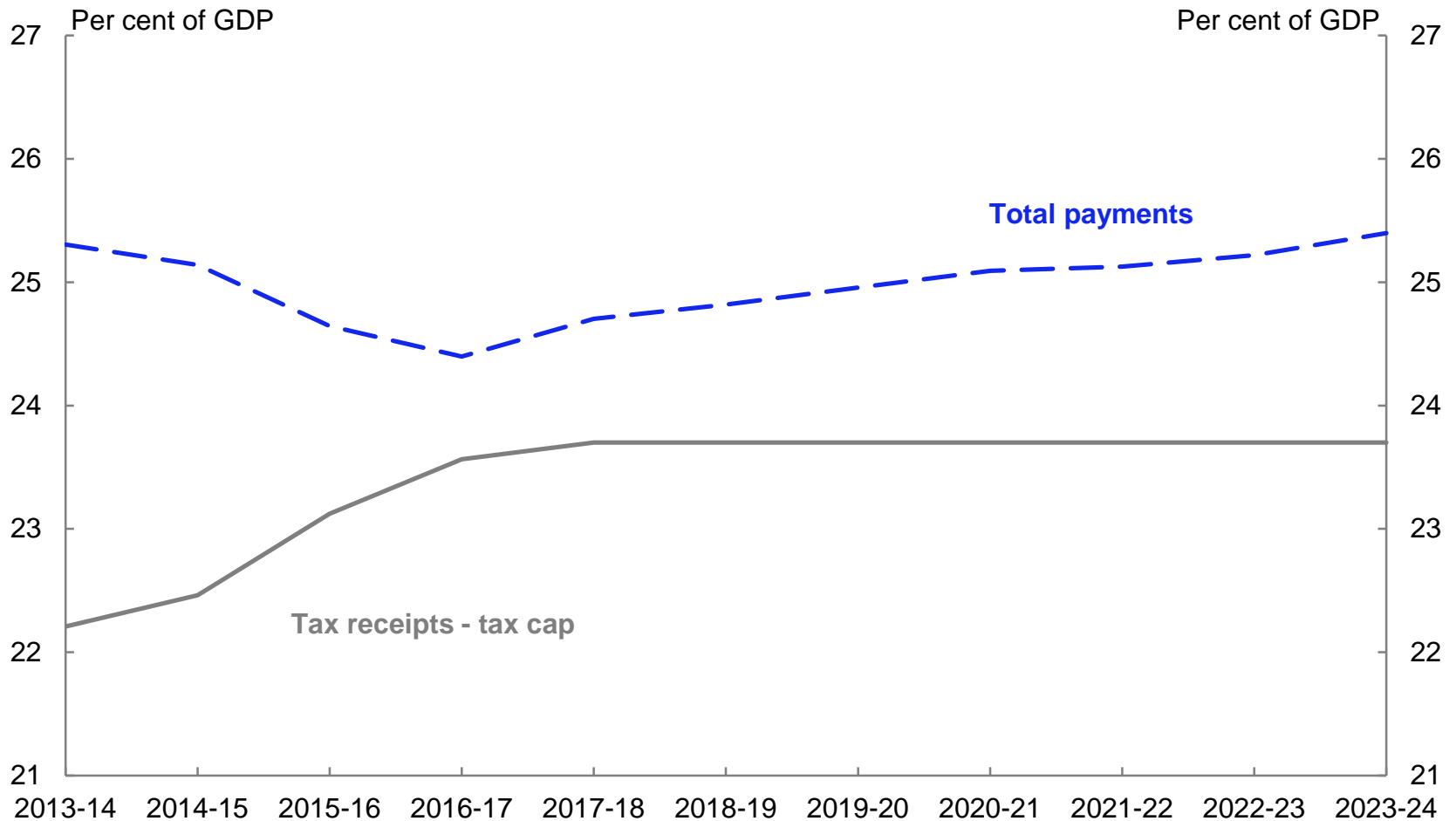
Source: Australian Office of Financial Management and Treasury.

Total payments & tax receipts projections at the 2013 PEFO



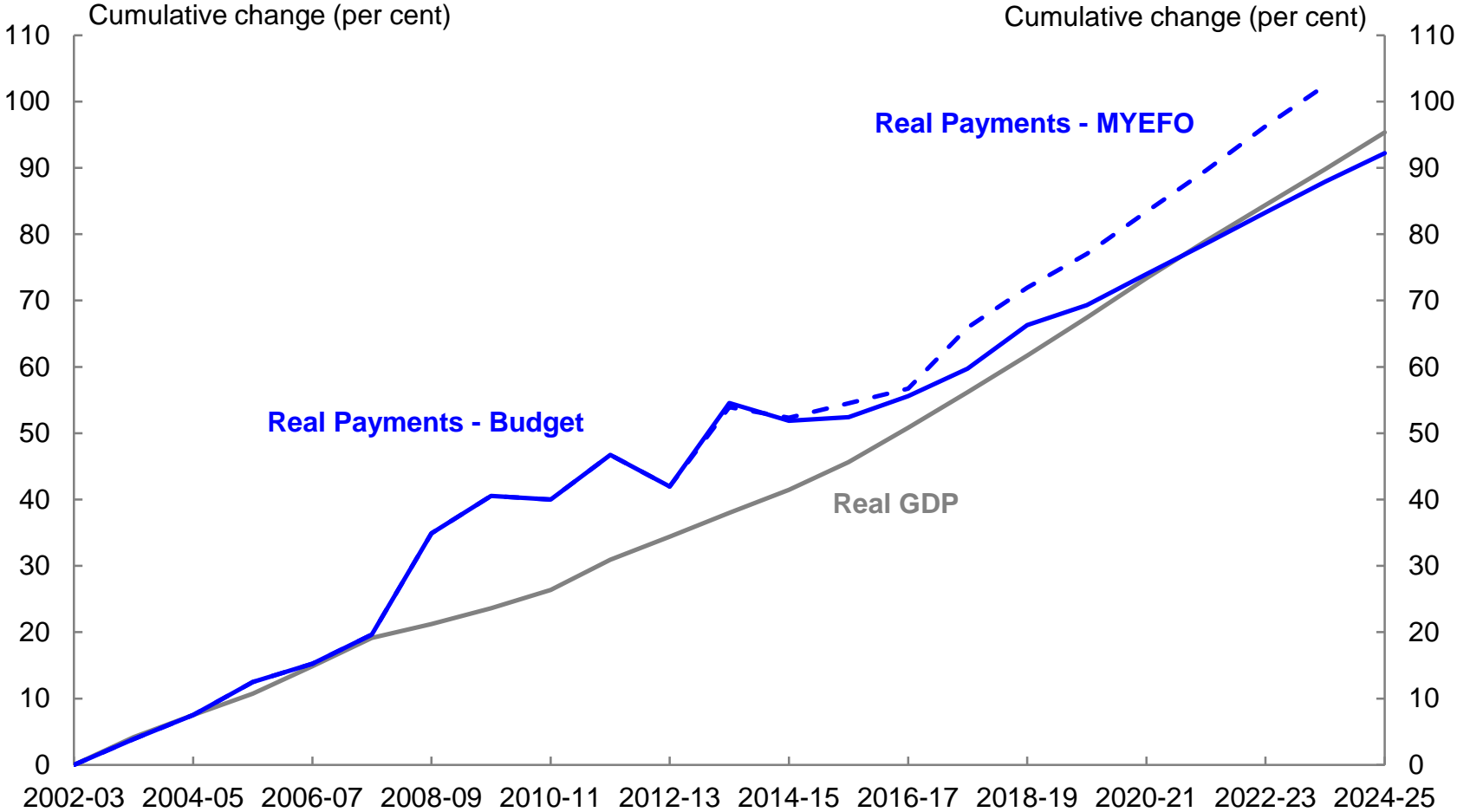
Note: The tax cap (23.7 per cent of GDP) and spending cap (2 per cent per annum cap on real spending growth) are consistent with the former Government's fiscal strategy. Tax receipts make up the bulk, but not all, of total receipts. Non-tax receipts make up around 1.5 per cent of GDP a year. Source: Treasury.

Total payments & tax receipts projections at the 2013 PEFO



Note: The tax cap (23.7 per cent of GDP) and spending cap (2 per cent per annum cap on real spending growth) are consistent with the former Government's fiscal strategy. Tax receipts make up the bulk, but not all, of total receipts. Non-tax receipts make up around 1.5 per cent of GDP a year. Source: Treasury.

Growth in real payments and GDP



Source: ABS cat. no. 5206.0 and 6401.0, 2014-15 Budget, previous budget papers and Treasury calculations.