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Documents that are out of scope and/or exempt in full have been deleted from the document set

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Document 1

- **Headline inflation** has been updated to reflect the March quarter CPI release and the higher oil price assumption.

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  – Inflation is still expected to return to within the RBA's target band within 2024-25 s 47E(d)
  s 47E(d)

~~PROTECTED CABINET~~

- Inflation forecasts include **updated assessments of government policies**. In total, the Government's extension and expansion of the **Energy Bill Relief Fund** and further increases to **Commonwealth Rent Assistance** are expected to directly reduce headline inflation by around ½ of a percentage point in 2024-25, compared to if the rebates were discontinued.
  - At the preliminary outlook, Commonwealth EBRF rebates were assumed to be extended into 2024-25 and target a cohort of households, with co-contributions from some states.
    - The revised forecast now incorporates expanded eligibility for Commonwealth rebates to all households. It also includes the announced rebates from July 1 2024 in Queensland, worth $1000 per household and $1372 for eligible seniors, pensioners and concession card holders.
    - The 4 quarters of Commonwealth payments reduce CPI by 0.4 per cent by June 25, compared to if no bill relief extension had occurred, while one-off Queensland payments are not expected to materially impact June quarter inflation forecasts.
    - The net effect of the current and new energy policy reduces headline inflation by 0.1 percentage points in the June quarter 2025. The unwind of these new rebates are expected to add 0.4 percentage points by the June quarter 2026.
  - No further increase in CRA was assumed in the preliminary outlook. The updated outlook assumes maximum rates increase by an additional 10 per cent in September 2024. This will detract around 0.1 percentage points from inflation by the June quarter 2025, which includes a small increase to underlying market rents over the 2024-25 financial year.

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Policy Impacts as of March Quarter 2024

		TTY		QoQ	
Expenditure class	Impact on annual inflation (ppts)	Final price growth (%)	Price growth without policy (%)	Final price growth (%)	Price growth without policy (%)
Electricity (Rebates)	-0.3	2.0	14.9	-1.7	-0.4
Rents (15% CRA)	-0.1	7.8	9.5	2.1	2.1
Cheaper Child care	-0.2	-5.6	15.0	3.9	3.9

- The Government's existing Energy Price Relief Plan (EPRP), Cheaper Child Care and boost to Commonwealth Rent Assistance are directly easing cost of living pressures. These targeted polices are expected to take ¾ of a percentage point off inflation in 2023-24.
- The expansion of the Energy Bill Relief Fund and increase in Commonwealth Rent Assistance are estimated to directly reduce headline inflation by around ½ a percentage point in 2024–25 and are not expected to add to broader inflationary pressures in the economy. These involve:
  - Extending electricity bill relief for the upcoming financial year and expanding eligibility to all households.
  - Increasing the maximum rates of Commonwealth Rent Assistance by 10 per cent in 2024–25.

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s 22 [redacted]

From: s 22 [redacted]@TREASURY.GOV.AU>
Sent: Wednesday, April 24, 2024 5:09 PM
To: Cagliarini, Adam <Adam.Cagliarini@TREASURY.GOV.AU>; Redmond, Ineke <Ineke.Redmond@treasury.gov.au>; D'Arcy, Patrick <Patrick.Darcy@TREASURY.GOV.AU>; s 47E(d) [redacted]@TREASURY.GOV.AU>
Cc: s 47E(d) [redacted]@TREASURY.GOV.AU>
Subject: Budget 2024-25: post-data release CPI profile update

s 22 [redacted]

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Table 2: Tty impact of final changes

	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Impact of final CRA policy	-	-0.01	-0.06	-0.06	-0.06	-0.04	0.01	0.01	0.00	-0.00	-	-	-	-	-	-	-

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Note: the impact of each policy reflects their contribution to annual inflation relative to the current CPI profile in MFRED.

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Impact of the final CRA profile

Consistent with Government decisions made yesterday, we have included the impact of a 10 per cent increase to maximum CRA rates in the inflation outlook. To do this we have:

- Used the same methodology as last year to derive an expected impact of this policy.
- Notable difference this year involve:
  - Scaling the impact observed for a 15 per cent increase last year for a 10 per cent increase this Budget.
  - Adjusted the timing of impact consistent with the was observed last year: 20 per cent of the direct initial impact occurring in the September quarter 2024 followed by the other 80 per cent in the December quarter.
- Importantly, we have still retained our assumption regarding the indirect, offsetting impact of this policy. That is, we expect 30 per cent of the direct impact of the policy to be unwound over the four quarters following initial implementation in the September quarters as leases are renegotiated over the following year.

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What is the inflationary impact of energy bill relief?

- The expansion of the EBRF to all households is expected to directly reduce headline inflation by around half a percentage point in 2024-25. This does not assume any further bill relief by state governments.

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Why isn’t this measure more inflationary given it will add $3.5 billion to the economy?

- This policy is directly reducing inflation as measured in the CPI because it is being applied directly to household electricity bills.
- This measure is not expected to add to broader inflationary pressures.

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ENERGY BILL RELIEF

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- The expanded fund is expected to detract around half a percentage point from headline inflation in 2024-25 as rebates are applied directly to electricity bills. This is separate to any further bill relief by state governments.
  - This means households and eligible small businesses will face lower out-of-pocket energy bill costs, resulting in lower overall inflation.

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