

BUDGET RESET 2: MIND THE GAP

SUMMARY

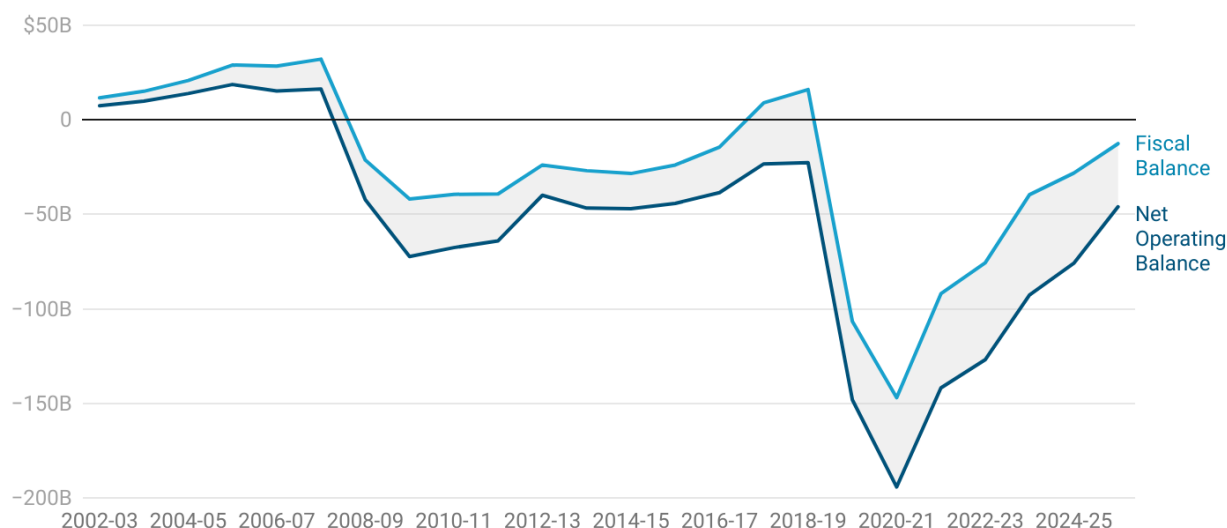
In *Budget reset 2: Mind the gap*, CEDA calls for the Federal Government to introduce targeted support for low-income households, regular program evaluations and productivity payments to states and territories in next month's Federal Budget.

The Government should remain in lockstep with the Reserve Bank of Australia (RBA) and ensure this Budget does not stoke inflation. It must also continue to direct higher tax receipts to budget repair and limit spending growth until debt declines.

In the longer term, the Government will be unable to close the \$50 billion fiscal gap between revenue and spending over the next decade if it does not adopt better policies and practice. Without material change in the budget position over the decade, the Government will be spending more each year on interest to service debt than it will on aged care or Medicare.

Budget balance (all governments)

\$ billion



Source: Commonwealth Budget Papers, October 2022 • Created with Datawrapper

With the RBA review complete and a government response in train by the time of the Budget in May, the Government must now prioritise the fiscal side of the macroeconomic framework. This should be achieved by:

Paying states and territories to introduce reforms that boost productivity, which will bring both a fiscal and economic dividend.

Improving the efficiency of spending by introducing a rolling schedule of program evaluations through the Federal Government's plan to establish an independent Evaluator-General.

Substantially lifting budget transparency and coordination across the Federation.

Accelerating the shift towards climate adaptation through disaster prevention, increasing allocations to the Disaster Ready Fund over time and providing longer term certainty of ongoing funding to assist project proponents' investment decisions.

Building momentum on tax reform.

