



[Home \(/\)](#) / [Ministers \(/ministers\)](#) / [The Hon Dr Jim Chalmers MP \(/ministers/jim-chalmers-2022\)](#)
/ [Media releases \(/ministers/jim-chalmers-2022/media-releases\)](#)
/ 2023-24 Mid-Year Economic and Fiscal Outlook

13 December 2023

2023-24 Mid-Year Economic and Fiscal Outlook

**Joint media release with
Senator the Hon Katy Gallagher
Minister for Finance
Minister for Women
Minister for the Public Service**

The 2023-24 Mid-Year Economic and Fiscal Outlook (MYEFO) is all about responsible economic management because that's the best way to put downward pressure on inflation and ease cost-of-living pressures.

This responsible economic management has helped engineer an historic turnaround in the Budget position, but we know there's more work to do.

Our three-part economic plan is to ease cost-of-living pressures, repair the Budget and invest in the foundations of future growth.

We know people are struggling and our economy is slowing, which is why we are rolling out assistance while getting the Budget in much better shape. We are making welcome and encouraging progress in the fight against inflation.

After delivering the first surplus in 15 years, the mid-year update shows that deficits and debt are now lower in every year of the forward estimates compared to the May Budget and are significantly lower compared to what we inherited.

This result builds on the fiscal discipline that has been the hallmark of our Government since coming to office.

The mid-year update shows that:

- The Government has returned 92 per cent of upward revisions to revenue since the May Budget, and 88 per cent of revenue upgrades since coming to office.

- We have identified a further \$9.8 billion in savings and reprioritisations, with a total of \$49.6 billion since the election.

Because of this, the underlying cash balance is forecast to be a much smaller deficit of \$1.1 billion in 2023-24.

This is an improvement of \$12.8 billion compared to the May Budget, and a \$55.4 billion turnaround compared to what was left by our predecessors.

- Over the four years to 2026–27, the underlying cash balance improves by a cumulative \$39.5 billion relative to the May Budget.
- Over the five years to 2026-27, the underlying cash balance improves by a cumulative \$211.4 billion relative to PEFO.
- Gross debt as a share of GDP is expected to peak lower at 35.4 per cent of GDP in 2027-28, before declining to 32.1 per cent of GDP by the end of the medium term.

We will avoid \$145 billion over 12 years to 2033-34 in interest costs on the debt we inherited, as a result of banking the vast majority of upgrades to revenue.

Through our spending restraint and by returning the vast majority of revenue upgrades to the budget, our fiscal strategy is working alongside monetary policy to reduce inflationary pressures in the economy.

We have also ensured that budget repair has not come at the expense of billions of dollars of cost-of-living relief, which is still being rolled out.

This includes our energy bill relief, cheaper medicines, cheaper childcare, and the biggest increase in Commonwealth Rent Assistance in 30 years.

The ABS has confirmed that our cost-of-living policies have already reduced inflation by $\frac{1}{2}$ ppt through the year to September, and Treasury estimates they will reduce inflation by $\frac{3}{4}$ ppt in the June quarter 2024.

Our disciplined approach to spending has also made room for critical investments that boost the capacity of our economy and lay stronger foundations for growth – including in energy, housing and skills.

The mid-year update builds on our economic plan by taking the pressure off Australians, building our future economy, strengthening Medicare and essential services, and securing our place in the world.

- **Taking pressure off Australians** – by continuing to roll out \$23 billion in targeted cost-of-living relief, investing another \$6.5 billion to boost housing supply and affordability, and more support for Australians to return to work.
- **Building our future here** – by investing around \$3 billion to advance Australia's plan to become a renewable energy superpower, including investments in critical minerals projects, and up to

\$12.6 billion for a landmark National Skills Agreement along with investments in migration reform and the Employment White Paper Roadmap.

- **Strengthening Medicare and securing essential services** – by investing more in urgent care clinics, new and amended PBS listings, mental health and suicide prevention and the ongoing COVID-19 response.
- **Securing our home and region** – by investing in initiatives that build our economic resilience, sustain our environment, strengthen the digital economy and improve trade.

We are getting the Budget in a much better position, helping to ease the pressure on Australians and lay the foundations for future growth despite the many global and domestic challenges coming at us.

In the face of high but moderating inflation, higher interest rates, and uncertainty in the global economy, the economy is slowing in expected ways.

Growth is forecast to moderate in the near-term as these pressures weigh on domestic activity. The economy is expected to expand by 1¾ per cent in 2023–24 before regaining momentum in 2024-25 as improving real incomes growth support a recovery in household consumption.

Inflation is moderating but it is still too high. Global oil prices have driven a near-term uptick in inflation but Treasury still expects inflation to return to the target band on the same timeframe as at Budget time.

We know many Australians are doing it very tough, but welcome and encouraging progress is being made when it comes to the fight against inflation and in the economy more broadly.

While unemployment is expected to tick up slightly, it is at historic lows and has seen the longest consecutive run below 4 per cent since monthly records began.

The participation rate is at record highs, and more than 620,000 jobs have been created since we came to office – a record for a first term government and a faster rate than all major advanced economies.

Wage growth has picked up to its fastest annual rate since 2009, and after two consecutive quarters of positive real wage growth, annual real wage growth is expected to return in early 2024.

The mid-year budget update shows the Albanese Government has found a way to repair the Budget at the same time as we roll out tens of billions of dollars in cost-of-living help and invest in skills, Medicare, energy and housing and other priorities.

Our responsible economic management is all about helping Australians through these tough times at the same time as we set our country up for the future.