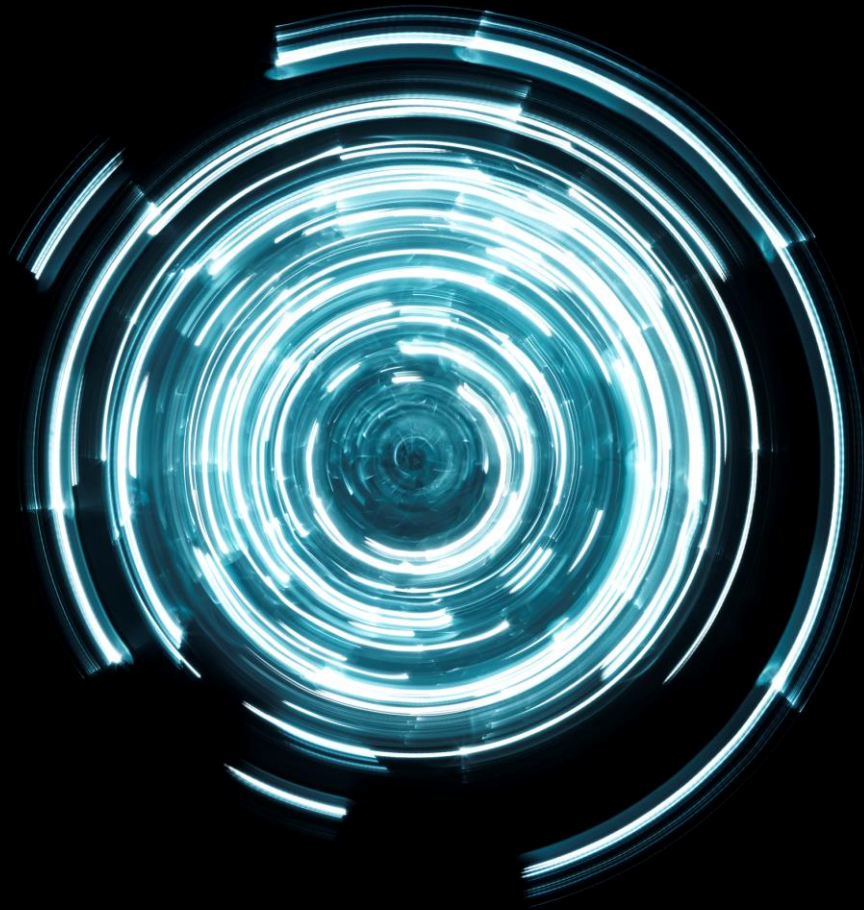


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Federal Budget 2024-25

A big spending budget with an eye to the future

May 2024

Deloitte
Access **Economics**

SUMMARY

Cost-of-living and the Future Made in Australia dominate the 2024-25 Budget announcements, but the increase in spending risks stoking inflation and bringing the Reserve Bank into play.

The 2024-25 Federal Budget handed down by Treasurer Jim Chalmers is a budget for the here and now. Led by substantial cost-of-living measures and a return to industry policy, and braced by immaculate inflation forecasts, the Budget has all the hallmarks of a pre-election economic narrative.

A surplus is forecast for 2023-24, before the budget balance returns to deficit in 2024-25 and beyond. Although a surplus of \$9.3 billion is expected in this financial year – revised up from a -\$1.1 billion deficit forecast just six months ago – the budget bottom line is forecast to be a cumulative -\$13.9 billion worse off over the four years to 2026-27.

That provides an indication of the size of the spending decisions announced in the Budget. As Chart 1 shows, policy changes which increase expenditure loom large in the 2024-25 and 2025-26 financial years. Despite rhetoric, this is a relatively big spending budget, with that spending front-loaded in the near term. That presents clear risks to inflation and threatens to make the work of the Reserve Bank more difficult.

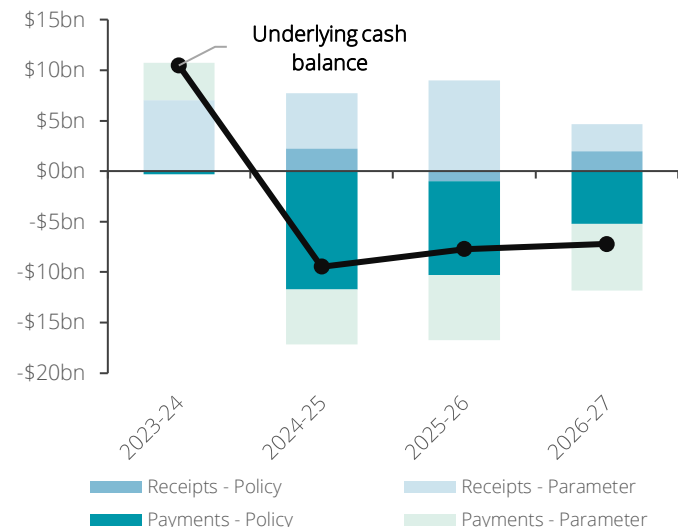
Two clear centrepieces

The 2024-25 Budget centres on providing cost-of-living relief and investing in the Future Made in Australia policy.

Cost-of-living measures in addition to the redesigned (and already legislated) Stage 3 tax cuts include providing energy bill relief to every Australian household and one million small businesses, increasing rent support payments, reducing the cost of medicines, and committing to fund wage increases for workers across the care economy.

Chart 1: Hey, big spender

Contribution to change in underlying cash balance between 2023-24 MYEFO and 2024-25 Budget



Source: The Commonwealth of Australia, 2024-25 Budget

The Future Made in Australia policy will continue to be analysed for years to come. The Budget includes funding for significant production tax incentives to encourage investment in critical minerals and hydrogen, spending to scale up domestic solar panel and battery manufacturing, a plan to inject capital into a single quantum computing company, and a range of measures targeting clean energy and economic sovereignty outcomes.

Many of these initiatives are counter to several decades of economic orthodoxy and represent a gamble with taxpayer money. There are major risks in both design and implementation, and the outcomes – intended and unintended – are yet to fully reveal themselves. Watch this space.

And some missed opportunities

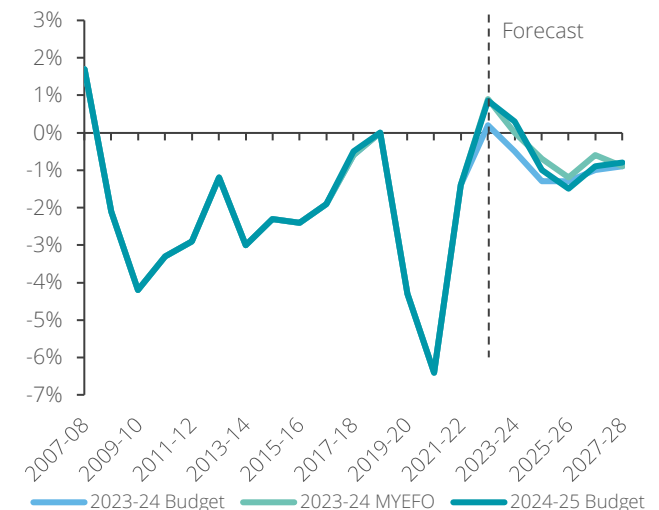
The Budget makes good strides in education and skills reform, funds long-overdue New Vehicle Efficiency standards and makes meaningful investments in mental health and suicide prevention.

But there was precious little in the way of major tax reform, some welcome but relatively modest moves on gender equality, and plenty of talk but not enough action on housing supply. The latter is evidenced by the forecast of zero growth in dwelling investment in the 2024-25 financial year in the Budget assumptions.

Overall, this Budget bakes in a lot of new spending. Not all of it represents good value of money.

Chart 2: Better, and then worse

Underlying cash balance (Share of GDP)



Source: The Commonwealth of Australia, 2024-25 Budget

ECONOMIC OUTLOOK

Australia’s economic growth is expected to remain subdued over the forecast period, while a moderation in inflation will ease pressure on household budgets.

The 2024-25 Budget forecasts real gross domestic product (GDP) to grow by 2% in 2024-25, a downward revision from 2.25% forecast in the 2023-24 Mid-Year Economic and Fiscal Outlook (MYEFO).

This downgrade confirms that parts of the economy are flailing. Households have been the centre of this slowdown as disposable incomes have been squeezed by high interest rates, high prices and rising rental costs.

Following a weaker 2024-25, Treasury forecasts GDP growth to reach 2.25% in 2025-26 and 2.5% in 2026-27. Economic activity is expected to be supported by real wages growth, slowing inflation and continuing employment growth. The revamped Stage 3 tax cuts and an additional \$7.8 billion in cost-of-living relief are also expected to play a role in boosting household spending from current lows towards the backend of 2024.

Treasury is forecasting inflation – as measured by the headline consumer price index (CPI) – will slow from 6.0% in the 12 months to June 2023 to 3.5% in the 12 months to June 2024. Inflation is expected to return to within the Reserve Bank’s target range of 2- 3% by the end of 2024, a full year earlier than the central bank’s own forecasts.

Across-the-board energy bill relief and other measures such as a boost to rental assistance are expected to play a major role in bringing down inflation more quickly. However, strategy risks producing merely a ‘mechanical’ reduction in headline inflation and targets the symptoms of inflation rather than the cause. While the direct effect of the subsidies will lower headline inflation, the indirect effects are likely to add to underlying inflation since they will add to demand.

Wage growth is also expected to moderate, but to a lesser extent than slowing inflation. The 2024-25 Budget forecasts the wage price index (WPI) for Australia to grow by 4% in the year to June 2024 and before moderating to 3.25% to June 2025. While this return to real wage growth is welcome, Deloitte Access Economics estimates that it will be 2031 before Australian households recover the real purchasing power they enjoyed prior to the current inflation shock instigated by the pandemic.

Treasury, like most forecasters, is expecting labour market strength to ease. The unemployment rate is expected to rise to 4.5% by the June quarter of 2025, with moderate growth in employment expected towards the end of the forward estimates. Population growth is also expected to fall in coming years. Net overseas migration is forecast to halve from 528,000 in 2022-23 to 260,000 in 2024-25 – a substantial reduction in line with the Government’s Migration Strategy.

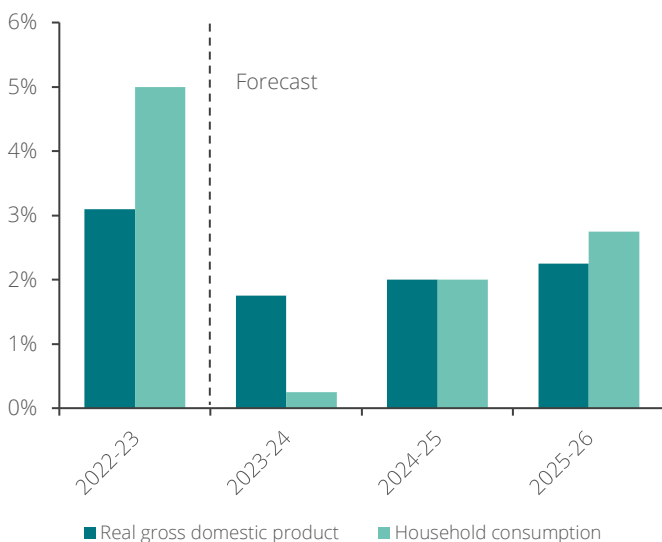
Deloitte Access Economics’ own forecasts paint a relatively weaker picture for the Australian economy, reflecting expectations of a slower recovery in household consumption relative to the Treasury.

Deloitte Access Economics forecasts GDP growth of 1.7% over 2024-25, relative to the Treasury’s forecast of 2.0% growth.

Over the five years to 2027-28, Deloitte Access Economics expects average GDP growth of 2.0% per year, compared to Treasury’s 2.25% forecast included within the 2024-25 Budget.

Chart 3: Economic growth to remain subdued

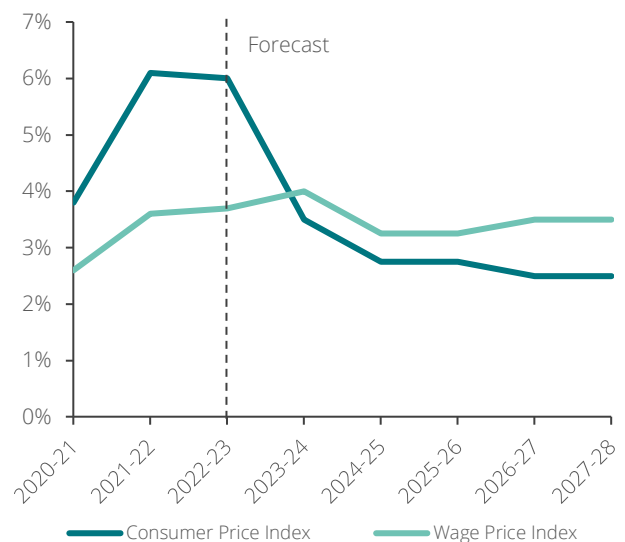
Change on preceding year (per cent)



Source: The Commonwealth of Australia, 2024-25 Budget

Chart 4: Wages and prices expected to soften

Through-the-year growth ending June quarter (per cent)



Source: The Commonwealth of Australia, 2024-25 Budget

HOUSING

The 2024-25 Budget provides some welcome support for vulnerable households, but supply side challenges remain unresolved.

Investments in homelessness services, social and emergency housing lead the Budget’s housing measures alongside another increase to Commonwealth Rent Assistance. That will provide immediate support for the more than one million low-income renters and help Australians that are most exposed to rising rental costs.

On the supply side, additional funding for enabling infrastructure will take some pressure off state and territory budgets, but more ambitious reforms are required to alleviate supply side pressures and boost housing construction. That is evidenced by the forecast of zero growth in dwelling investment in the 2024-25 financial year in the Budget assumptions.

A structural housing shortage

Australia’s housing woes have taken centre stage in the policy debate this year and housing was expected to feature prominently in the 2024-25 Budget. Vacancy rates spent the first part of the year near record lows, rents continue to grow at a rampant pace, and house prices have been resilient even as high interest rates have crushed housing affordability.

The root cause of all this is a structural undersupply of housing, which was exacerbated by a post-pandemic surge in population growth. Through the National Housing Accord (NHA), the Government has set an ambitious target of 1.2 million new dwellings in the five years from 1 July 2024 (see Chart 5). But capacity constraints have plagued the construction industry and weak home building activity means that target will be hard to achieve without significant reforms to help ease supply side challenges.

Welcome support for vulnerable households

The Budget announcement that will have the most immediate impact on housing affordability is a 10% hike in the maximum rate of Commonwealth Rent Assistance (CRA). This will cost \$1.9 billion over five years and help over one million low-income households who are bearing the burden of rapid rental price growth. This change will take the maximum CRA payments to more than 40% higher than the level in May 2022. SQM Research data shows that asking rents have grown by an average of 32% across the capital cities in the two years since then.

The Budget also provides increased funding for social housing and homelessness services through an extended National Agreement on Social Housing and Homelessness, increasing funding by \$423 million compared to the previous agreement. A total of \$1 billion of funding under the National Housing Infrastructure Facility will be targeted toward crisis and transitional housing for those fleeing domestic violence.

These announcements underpin Australia’s social compact by supporting those who are most vulnerable. But broader improvements to housing affordability depend on more ambitious reforms aimed at our structural supply challenges. On that front, the 2024-25 Budget does less.

Supply side challenges remain unresolved

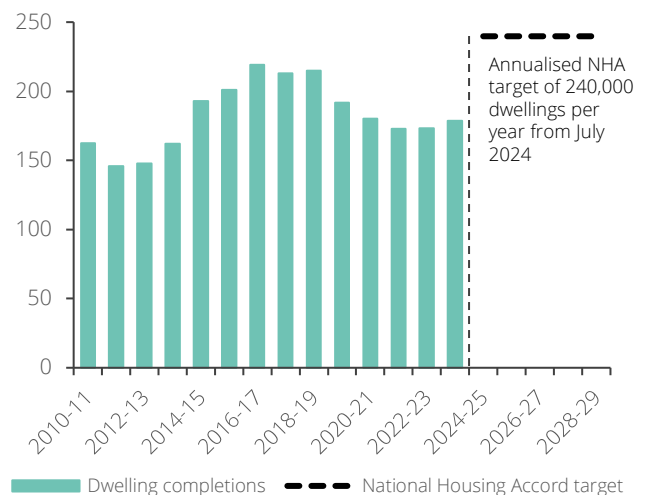
Homebuilders are facing a myriad of challenges, including intense competition for labour and materials, high rates of insolvency following post-pandemic cost pressures, flagging productivity, restrictive interest rates and inadequate supply of serviced land. The 2024-25 Budget recognises these issues but notes that the solutions are complex.

The main housing supply policy in the Budget is an additional \$1 billion in funding for states and territories to deliver enabling infrastructure for housing, such as roads, sewers and water. As states and territories face increasingly tight fiscal positions, this funding will help accelerate infrastructure delivery and unlock more land for housing construction. But adding more infrastructure to the pipeline can only achieve so much without more workers.

The Budget sets out \$89 million in additional funding for 20,000 fee-free TAFE and vocational training places – a welcome increase but one that is short of the labour supply boost that the industry needs. Bolder reforms to training and migration, or a reduction in labour-competing infrastructure spending, are needed to ease labour pressures.

The Budget also flagged an intention to limit the number of international students that universities can enrol based on their provision of student accommodation. If well designed, such a policy could help mitigate the housing market impact of Australia’s rapidly growing international student cohort. Many universities are well placed to deliver accommodation in inner city suburbs that are at the heart of the rental crisis. But new regulations will need strike a balance to ensure they do not handicap one of Australia’s most valuable export industries too heavily.

Chart 5: An ambitious housing target
Annual dwelling completions ('000s) relative to annualised National Housing Accord target (effective from July 2024)



Source: Australian Bureau of Statistics, Deloitte Access Economics
Note: 2023-24 is a Deloitte Access Economics forecast.

EDUCATION AND SKILLS

Implementation of the Accord gets underway and the regulation and management of international education tightens, while an early childhood wage increase provides a prelude to wider reforms.

Higher education

The 2024-25 Budget cements the first stage of the Federal Government's response to the Universities Accord, setting a target for 80% of workers to have tertiary qualifications by 2050. Plans for an Australian Tertiary Education Commission to commence in mid-2025 and smaller spending commitments signal the path forward for addressing some of the Accord's other recommendations.

These announcements build on a recent decision to retrospectively change the Higher Education Loan Program (HELP) indexation. Further opportunities exist to amend the timing of when indexation is applied to debt balances and to more systematically recognise the value society places on long-term investments in Australia's human capital stock.

As well as the change to HELP indexation, the Budget promises around \$900 million over five years from 2024-25 for other higher education initiatives. This includes \$427.4 million for the new Commonwealth Prac Payment (benchmarked to the single Austudy rate) and \$350.3 million for the new bridging courses dubbed FEE-FREE Uni Ready Courses.

The Federal Government's focus in this Budget was delivering these three substantial reforms; the measures account for over 90% of the new spending announced in higher education. However, smaller investments are made in harmonising regulatory, governance and qualification arrangements across HE and VET, and in the Department's IT systems (including strengthening PRISMS), in support of the longer-term Accord response.

Establishment of the National Student Ombudsman and a new National Higher Education Code to Prevent and Respond to Gender-based Violence shows progress on student experience and safety in light of concerns about universities' track record on these issues.

School education

Following a recent national review, the Federal Government is working towards finalising bi-lateral funding agreements with states and territories under a new National School Reform Agreement (NSRA), due to take effect from 2025 (agreements with WA and the NT have been finalised so far). In this context, there is relatively little by way of new measures in the Budget for school education policy.

The new National Priority Initiatives that will form the basis of the NSRA are yet to be finalised but are expected to focus on enduring challenges facing the sector: equity in outcomes, workforce pressures, inclusive education reforms, student mental health and behaviour support. Addressing significant workforce pressures across the country is a pre-requisite for system improvement, with a need to provide varied and more sustainable pathways into and through the profession, including for First Nations teachers.

International education

The Federal Government's plan to slow growth in temporary migration sees the introduction of measures to stem the intake of international students and align it more closely to the nation's skills needs. Caps would be introduced at both a provider and course level, limiting volumes and impacting composition, with initial funding included in the 2024-25 Budget to design and implement regulations that would require universities to build additional student accommodation if they wish to exceed these caps.

While it's true international students play an important role in meeting the skills needs of the economy, the vast majority of those who make international education Australia's largest service export return home within a short period of completing their study.

Though the move to a more managed market is not without precedent among Australia's international competitor set, it brings with it both economic and reputational risks that will require careful management. It also shapes as further impetus for a wider consideration of the revenue composition of universities and the way in which research is funded (something flagged by the Accord but yet to be met with a substantive policy response).

Vocational education and skills

To support the Federal Government's Future Made in Australia plan, the Budget includes initiatives to address workforce shortages in certain industries. Fee-free TAFE and VET places continue measures from past budgets in housing and construction, in hopes of attracting workers to meet the Federal Government's target of 1.2 million homes by 2029.

The Federal Government has also committed \$265.1 million over four years from 2024-25 to adjust previously scheduled Phase Two Incentive System payments to provide further support for apprentices, trainees and their employers in priority occupations, while it undertakes the Strategic Review of the Australian Apprenticeships Incentive System.

Early childhood education and care

The Government has committed to providing funding towards a wage increase for early childhood education and care workers. How much this will be and how it will be delivered is still unknown, with details to be settled following the Fair Work decision and reviews of the sector by the Australian Competition and Consumer Commission and the Productivity Commission. The wage increase has been long called for by the sector.

The Budget commits some smaller amounts to targeted cohorts, with \$98.4m for the Inclusion Support Program over the next year, and \$29.1m to First Nations peak organisations. Following last year's headline Cheaper Child Care reforms, the modest investments here suggest the Government is awaiting receipt of the Productivity Commission's Final Report before settling on a broader policy and fiscal position.

CLIMATE, ENVIRONMENT AND INDUSTRY POLICY

Australia is staking its claim in the global race to net zero. That comes with a hefty price tag to the tune of \$24 billion over the next decade.

The 2024-25 Budget recognises climate science, the economics of the clean energy transition, and the need for the world to meet net zero commitments. While there will, rightly, be ongoing debate about the Future Made in Australia policy, the spending package outlined in this Budget supports the reality of a net zero world.

The 2024-25 Budget allocates \$24.3 billion for net zero initiatives over the medium term to 2035, though only \$5 billion of this funding will be spent over the five years to 2027-28. More than 70% of this \$5 billion is directed towards industrial and energy commitments aligned with the Government's renewable energy ambitions. This rises to over 90% in 2035, emphasising future-oriented spending for a longer-term net zero vision.

The Government's Future Made in Australia policy may lead to sub-optimal economic outcomes and obvious industry favouritism. A more efficient means of achieving net zero would have been achievable should Australia have maintained a carbon price mechanism. With that option no longer on the table, and with the world racing to decarbonise, Australia's net zero ambitions are reliant on a more 'direct action' approach.

Bigger than its most controversial measures

A flurry of commentary has surrounded the Future Made in Australia policy, thanks to its inclusion of various bold measures. At first glance, \$466 million for a single quantum computing company, and \$1 billion for solar manufacturing, suggest a policy founded on 'picking winners'.

However, a breakdown of the \$24.3 billion price tag reveals it is as much about new branding, as it is a new approach.

While the Future Made in Australia policy undeniably picks winners, the bulk of the funding is allocated to a mix of conventional policies and investment incentives in the new industries required to reach Australia's legislated net zero commitments:

- **Building capability:** \$6.1 billion or 25% of the funding is committed to growing Australia's capabilities across infrastructure, skills, research and commercialisation, in line with the traditional government priorities.
- **Creating new industries:** \$13.7 billion or 56% of the funding is allocated to production tax incentives for critical minerals and hydrogen. In many cases, this funding brings forward investment that will already be required for Australia to successfully decarbonise and goes some way to meet the calls from miners and clean energy players in response to enormous subsidy programs in the United States and Europe.
- **Picking winners:** \$4.5 billion or 18% of the funding will go directly to companies the government believes can succeed in the new economic and policy landscape. Of this funding, more than half is yet to be allocated.

In this context, it is worth focusing on the broader significance of this policy, rather than its most controversial measures.

Reducing emissions in energy and transport

This Budget takes steps towards decarbonising high-emitting industries through policies that will play out over time. The Capacity Investment Scheme to underwrite renewables investment receives no direct funding in the Budget, with long-term costs to become clearer in the future.

Cost-of-living measures to lower energy bills in the short-run are another headliner from this Budget. However, longer-term measures to help households electrify and improve energy efficiency were a missed opportunity, particularly in social and low-income housing.

Long overdue New Vehicle Efficiency standards will play a significant role in reaching net zero. Resourcing of systems to enable and enforce these standards will receive \$154 million over six years, in addition to \$470 million in foregone fuel excise, with the long-term decarbonisation of transport ultimately still dependent on the adoption of electric vehicles.

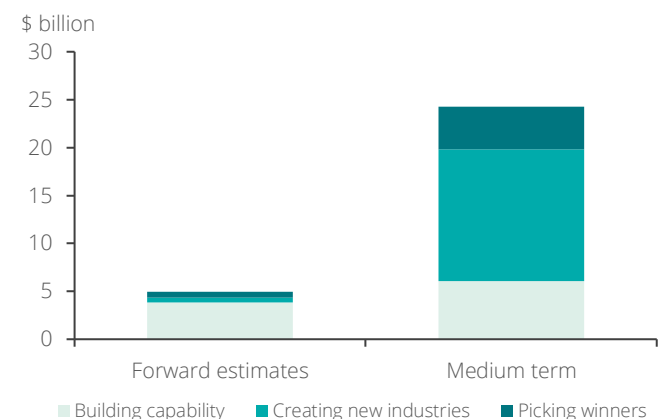
Strengthening net zero industries and skills

The bulk of the new net zero spending, both over the forward estimates and the medium term are in the form of generous production tax credits and other support to the hydrogen and critical minerals industries. In total, those sectors will receive a stonking \$21 billion over the next ten years. Separate investment in domestic solar manufacturing is also included in the Budget, but not yet enough to establish significant local scale across the supply chain.

Importantly, the majority of the spending is going to mechanisms premised on attracting and crowding in private investment. Where the Government's spending on these initiatives is rising to 2035, that's because of a substantial increase in private investment.

Chart 6: Front-loading capability building, not money

The Budget allocates \$24.3 billion for net zero initiatives to 2035, with just \$5 billion over the forward estimates.



HEALTH AND THE CARE ECONOMY

Spending reflects a commitment to improving the flow between primary and tertiary care settings, and to relieve cost-of-living pressures in healthcare.

The 2024-25 Federal Budget allocates an additional \$10.7 billion for health and aged care and \$468 million for the National Disability Insurance Scheme (NDIS) over the five years to 2027-28. That funding boost reaffirms the Government's commitment to delivering a more sustainable and productive health, care and support economy.

The Budget includes substantial investments in strengthening Medicare, easing cost-of-living pressures with cheaper medicines, embedding new mental health services in Medicare, and initiatives that continue to implement the recommendations of the Royal Commission into Aged Care Quality and Safety.

The Government's efforts to rein in the growth in the cost of the NDIS may have gained traction in this Budget but were wiped out by revised projections of program costs by the NDIS Actuary.

Health

Strengthening Medicare

There is a continued focus on strengthening Medicare in this Budget, with a further \$1.2 billion over five years provided from 2023-24 to improve affordability and the value of primary care. This includes funding for the states and territories to invest in models that enable earlier discharge from hospitals for older persons, improving access to essential services such as the Royal Flying Doctor Service, modernising Australia's digital infrastructure, and improving the integrity and compliance of the Medicare system.

There is a commitment of \$227 million over 2024-25 and 2025-26 to establish a further 29 Medicare Urgent Care Clinics to reduce pressure on Emergency Departments, and \$896 million over four years from 2024-25 for new and updated Medicare Benefits Schedule listings that aim to reduce patient out-of-pocket costs and better reflect modern medical practices.

Improving access to medicines

Continuing the theme of access and affordability, the Government is providing \$3.4 billion over five years for new and amended listings on the Pharmaceutical Benefits Scheme, including treatments for certain types of heart disease, breast cancer and rare diseases.

This is in addition to \$480 million over five years to reduce patient out-of-pocket medicine costs with a one-year freeze on the maximum co-payment for everyone with a Medicare card – a key feature of the government's cost-of-living fight in this year's Budget.

Mental health support

There were meaningful investments in mental health in this year's Budget, with the Government providing \$888 million over eight years to strengthen Australia's mental health and suicide prevention system. This includes funding to support people with mild mental health concerns by establishing a national low intensity digital mental health service that is free of charge and a network of walk-in Medicare Mental Health Centres.

Aged care

Reform of the aged care system sees a \$2.2 billion investment over the next five years with the aim of better integrating the health and aged care systems and making the sector more attractive to workers and recipients.

The Government is supporting older Australians to remain at home for longer with funding for an additional 24,100 Home Care Packages. The allocation also includes \$1.2 billion in critical digital systems to support the introduction of the new Aged Care Act and to deliver on a contemporary IT system.

The Budget notes the details of wage increases for aged care workers, as cover for the second instalment granted by the Fair Work Commission, are to be settled following Fair Work Commission processes.

Of note, the Budget does not include a response to the aged care taskforce which is still being negotiated in Parliament.

NDIS

The NDIS is one of the major long-term cost pressures that threatens to undermine the future health of the Federal Budget. Those cost pressures would have been substantially worsened in this Budget had it not been for offsetting savings.

The Budget included a revised estimate by the NDIS Actuary which was set to increase the cost of the program by \$15.9 billion between 2023-24 and 2027-28 compared to the cost included in MYEFO just six months ago. However, the Government has also banked \$14.4 billion in savings on the program over the four years from 2024-25 as a result of the legislative reforms under the *Getting the NDIS back on track* measure. The combined result is a net \$1.5 billion increase in NDIS payments to 2027-28, which keeps cost growth broadly consistent with the ambitious 8% annual target from 1 July 2026.

SOCIAL EQUITY

The 2024-25 Budget touches on but does not directly address worsening social inclusion and cohesion in Australia, driven by persistent income and wealth inequality and cost-of-living pressures.

Inflation is forecast to slow and ease pressure on household budgets, but the cost-of-living crisis has disproportionately affected Australia's most vulnerable and may have a prolonged impact.

Key initiatives in the 2024-25 Budget including rent subsidies, increased access to health and mental health services, energy rebates and debt relief on student loans. Those measures seek to advance progress across the five domains of a healthy, secure, sustainable, cohesive and prosperous Australia which help to define the Budget's Wellbeing Framework.

However, the Budget was also a missed opportunity to directly address worsening social inequality and cohesion.

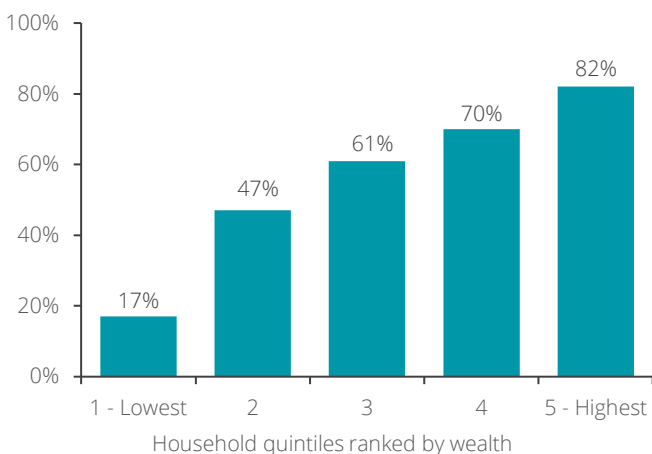
Worsening economic and social inequality in Australia

Australia has a growing challenge around social inclusion and cohesion. The [Scanlon-Monash Index of Social Inclusion and Justice](#) is lower now than it has been since 2007, with the decline driven by rising concern for economic inequality and fairness.

Income and wealth inequality is worsening in Australia. Since 2003, the wealthiest 20% of Australian households have experienced an 82% increase in wealth, compared to an increase of 17% for households with the least wealth.

Chart 7: Wealth inequality is rising

Change in wealth since 2003, by household quintile ranked by wealth (per cent)



Source: [Inequality in Australia 2024: Who is affected and how](#)

Economic and social inequality puts Australia's economic recovery at risk. Responding to the impact of the cost-of-living crisis, the 2024-25 Budget aims to ensure that the path to recovery is inclusive, fair and equitable, in the words of the Measuring what Matters framework.

To ensure that all cohorts are able to share in Australia's future, the 2024-25 Budget includes initiatives focused on low-income households, women, First Nations communities, and people with disabilities.

Addressing financial wellbeing through crisis support and financial literacy

Increased funding will be directed to Australians facing acute and urgent financial pressures with \$138 million to meet sustained high demand for crisis support including emergency relief, food relief and financial support services. The *Financial Wellbeing and Capability Activity* program supports over 580,000 clients, of which over 60% are women.

Expenditure to support economically disadvantaged cohorts targets those facing the most complex barriers to labour force participation

While the 2024-25 Budget does not deliver the universal increase to JobSeeker recommended by the Economic Inclusion Advisory Committee, it does make tweaks to extend eligibility for the existing higher rate of the JobSeeker Payment. A provision of \$41.2 million over five years will see participants with a capacity to work fewer than 14 hour per week receive at least an additional \$54.90 per fortnight.

The Government will also provide \$18.6 million over five years to ensure more flexibility for Carer Payment recipients to undertake work, study and volunteering.

An outcomes fund supports investment in systematic and place-based solutions to intergenerational disadvantage

Building on commitments in the 2023-24 Budget, the Government will provide \$4.7 million over three years from 2024-25 to establish a fund to trial models which address intergenerational and community disadvantage, barriers to employment and inclusive employment models, and housing needs of vulnerable and homeless Australians – to move beyond short-term crisis care.

A suite of measures are targeted at specific cohorts to address intersecting economic and social disadvantage

- Job creation in remote Australia: an investment of \$777.4 million over five years to establish the Remote Jobs and Economic Development which aims to create 3,000 new jobs in remote Indigenous Australian communities.
- An investment of \$253.6 million over five years from 2023-24 is directed to reform employment services and supports for people with disability. This includes funding to support a National Disability Employment Centre of Excellence.
- Continued investment in migration and settlement supports, with further targeted funding being allocated to support priority migrant sub-groups including youth, women experiencing domestic and family violence and Afghan humanitarian entrants.

GENDER AGENDA

The 2024-25 Budget signals serious intent to advance gender equality but substantial additional investment is needed if the aims of the National Strategy are to be met.

As the first budget since the release of the National Strategy for Gender Equality (*Working for Women*), and the Final Report from the Women's Economic Equality Taskforce (WEET), there were high expectations for the 2024-25 Budget to work harder for women.

The most significant investments towards gender equality include \$952 million for women leaving violent partners, \$1.1 billion for superannuation on Government-funded Paid Parental Leave (PPL) and targeted investments in women's health.

The Budget signals 'serious' intent in the words of the Minister for Women. However, it invests in a series of positive but modest measures. There are some examples of a gender lens being applied more broadly across the Budget than solely the Women's Budget Statement (for example, in economic equality and security).

But more work lies ahead to accelerate change, including in preventive action and to shift the harmful gender norms that underlie persistent inequities.

Gender-based violence

Australia is facing a national crisis, with at least 28 women killed in acts of gender-based violence already in 2024. The 2024-25 Budget announcements in the Women's Budget Statement heavily focus on gender-based violence. Larger measures include \$925.2 million to establish the Leaving Violence Program (LVP) over five years; \$109.9 million over two years to the Australian Criminal Intelligence Commission to support enhanced collaboration and information sharing; and \$44.1 million in 2024-25 to support the National Legal Assistance Partnership and Family Violence Prevention Legal Services.

The \$1 billion increase to the National Housing Infrastructure Facility will also be targeted to support housing for women and children experiencing violence and for youth.

More still needs to be done to address the underlying drivers of gender-based violence, with less of a focus on prevention in budget announcements. There are some smaller measures indicated such as the \$6.5 million in 2024-25 for an age assurance pilot to tackle misogyny online.

Unpaid and paid care

The Government has committed to funding a wage increase for early childhood education and care workers, of which 92% are women, but did not allocate specific funding to this in the Budget. A total of \$1.6 billion is allocated over 11 years to support nursing and midwifery, teaching and social work students (also majority women) in higher education and VET while they undertake mandatory placements. Other measures include funding to support Carer Payment recipients and an extension of existing support for parents and caregivers, including to share care, aimed to facilitate an increase in women's economic participation.

Economic equality and security

The 2024-25 Budget's most significant investment towards gender equality is the \$1.1 billion spend over four years (plus an ongoing \$600 million per year) to pay superannuation on Government-funded PPL. Women are the primary recipients (66%) of Government-funded PPL. As such, this investment is a positive step towards reducing the superannuation gap, which sees women retire with around 25% less superannuation than men.

The Government also aims to reduce industry segregation by investing \$55.6 million over four years to improve women's access to training and work opportunities in male-dominated industries, and \$38.2 million over eight years to attract women to education and STEM jobs.

The Budget invests in cost relief by adjusting the Stage 3 tax cuts, lifting the rate of CRA, backdating changes to indexation of student debt, and delivering addition energy bill relief. Many of these initiatives will disproportionately benefit women – for example, 51% of the households eligible for the maximum CRA rate are single women households.

Health

The 2024-25 Budget makes modest investments into women's health, with a particular focus on maternal, reproductive, and sexual health, and research. However, important areas are lacking investment, including preventative healthcare and the broader management of chronic conditions that disproportionately affect women.

The key investment into maternal health is \$56.5 million over four years to implement the recommendations of the MBS Review Taskforce for participating midwives. Women's reproductive health is supported through the provision of free period products to First Nations communities (\$12.5 million over four years), and longer gynaecology consultations for women (\$49.1 million over four years).

The 2024-25 Budget aims to fill severe research gaps in women's health through the allocation of \$53.6 million over four years into research health priorities, including menopause, pregnancy loss and infertility, and by providing \$8.0 million over three years to support development of datasets on miscarriages, and sexual and reproductive health.

Leadership, representation and decision-making

This priority area is not allocated specific funding. The Government is committing to new gender targets for Commonwealth Government Boards and is setting procurement guidelines for organisations with 500 or more employees to commit to and achieve workplace targets through the legislative powers of the Workplace Gender Equality Agency.

TRANSPORT AND INFRASTRUCTURE

A \$120 billion pipeline of infrastructure investment aims to improve prosperity and accessibility, but delivery remains a key challenge.

In the 2024-25 Budget, the Government's Infrastructure Investment Program (IIP) tallies to more than \$120 billion over the next decade, with \$16.5 billion for priority road and rail infrastructure projects.

While every Australian jurisdiction benefits from \$4.1 billion over seven years from 2024-25 for 65 new priority infrastructure projects, a particular focus has been given to the growth regions of Western Sydney and South East Queensland.

Cost pressures and supply constraints underpin a significant departmental funding boost to aid infrastructure delivery.

Navigating cost pressures and constraints in infrastructure delivery a key focus

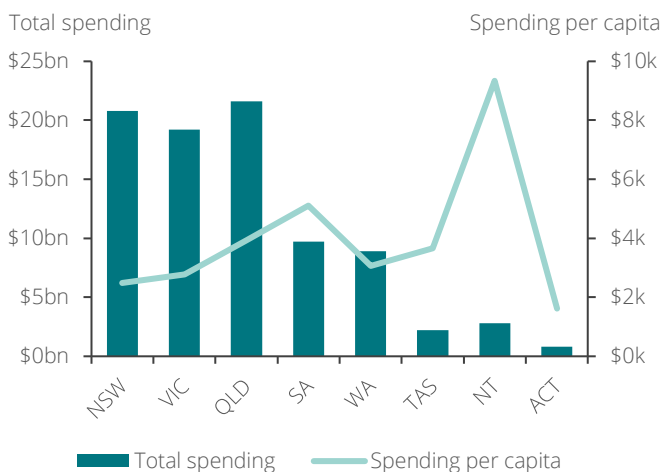
The Government took \$15.4 billion in 'unavoidable spending decisions' in the 2024-25 Budget, some of which address cost pressures for existing projects in the Commonwealth IIP.

This follows the November 2023 announcement of a re-prioritisation of funding within the IIP to deliver projects of national significance. The Government will also now re-profile \$2.1 billion to beyond the forward estimates to better align with construction market conditions and project delivery timeframes.

Additionally, almost \$100 million is also committed over five years from 2024-25 (and \$14.2 million per year ongoing) for the Department of Infrastructure, Transport, Regional Development, Communications and the Arts to support the delivery of the nation's infrastructure investment pipeline. These developments all point to a sharpening in the Commonwealth's investment focus as delivery challenges persist.

Chart 8: Major projects league table

Commonwealth Infrastructure Investment Program spending over the next decade by jurisdiction, total and per capita



Source: The Commonwealth of Australia, 2024-25 Budget, Australian Bureau of Statistics, Deloitte Access Economics calculations

Investing in the future

Under these more scrupulous conditions, close attention should be paid to the projects that have made the cut in the latest Budget. New priority infrastructure projects include:

- \$1.9 billion for several road and rail projects in Western Sydney
- \$300 million for the METRONET High-Capacity Signalling Program in Perth
- \$177 million for upgrades to the Warrego Highway in Queensland.

Western Sydney remains a focus in this Budget, with investment in road, rail and air infrastructure in the region now totaling \$17.3 billion. This Budget also confirms the Commonwealth's commitment to existing transformative infrastructure projects, including the Brisbane to Sunshine Coast Rail Link and North East Link.

These initiatives are poised to serve as major catalysts for job creation and economic growth. Additional funding has also been allocated to support the development of infrastructure business cases, amid pressure on the Government to commit to a well-planned infrastructure pipeline.

Regional infrastructure a priority

This Budget also sees an injection of investment in regional and remote infrastructure, including over half a billion dollars for upgrades to critical roads in Northern Australia and an additional \$290 million for the Gippsland Rail Line Upgrade in Victoria.

Following the completion of additional planning, \$720 million will also be released for the construction of the Inland Freight Route in Queensland, providing an alternative to the Bruce Highway and improved connectivity between the New South Wales border and Charters Towers. Separately, the Government is investing \$540 million to improve the reliability of the Australian Rail Track Corporation's interstate freight rail network.

The near billion-dollar national Road Safety Program also contains a focus on expediting the rollout of life-saving road safety treatments on rural and regional roads.

Accelerating the transition to electric vehicles

Australia is playing 'catch up' to comparable markets on transport emissions reduction. Spending that supports emissions reduction will be crucial to driving Australia to net zero by 2050. A \$154.5 million commitment has been made to set up the New Vehicle Efficiency Standard, supporting greater choice of fuel-efficient vehicles for Australians.

DEFENCE

The Government will spend an additional \$50.3 billion on Defence over the next decade – but only 11% over the forward estimates – to implement the *National Defence Strategy*.

Australia's security environment has shifted dramatically over the past decade, driven by surging great power rivalry between China and the United States, and a rapid military build-up across the Indo-Pacific. This dynamic – increasingly characterised not only by conventional militarisation, but technological competition, trade wars and industrial policy – has fundamentally altered Australia's strategic calculus and the assumptions that underpin defence policy.

Australia can no longer safely assume 10 years of strategic warning time to prepare for conflict in the region, while the nature and origin of threats cannot be limited to adversaries less powerful than, or equal to Australia. Compounding this environment are interrelated challenges such as climate change, humanitarian pressures, the growing importance of cyber and space as domains of conflict, and novel military applications of technology, which have driven an urgent pivot in Australia's defence policy.

How did we get here?

The most complex geopolitical circumstances since the end of the Second World War have demanded a reassessment of Australia's strategic posture.

- On entry into office in 2022, the Albanese Government commissioned the *2023 Defence Strategic Review* and the *National Defence Statement* as a first-principles approach to managing – and seeking to avoid – the prospect of major conflict in our region.
- In April this year, the *2024 National Defence Strategy* and the *Integrated Investment Program* were released.
- The *National Defence Strategy* outlines six immediate priority areas that will guide the direction of defence policy – including force structure, posture and procurement – over the coming decade. The *Integrated Investment Program* organises and reprioritises the required investment to execute on these priority areas.

Ultimately, the changes in strategic circumstances and revisions to Australia's defence policy has driven changes in force structure, force posture, and procurement approach.

What changes were included in the 2024-25 Budget?

This Budget included a significant funding redistribution and reallocation across the defence portfolio. While the Budget offers little in the way of detail, it reflects a defence establishment that is preparing for major changes as it continues to reshape Australia's armed forces.

"In a world of rapid economic change and heightened strategic competition, investing in modern defence industries serves our economic and national security interests."

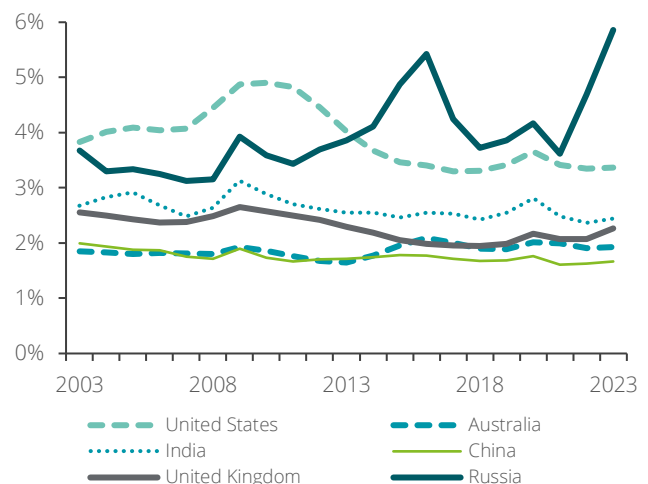
– Treasurer Jim Chalmers

Defence in the 2024-25 Budget

- An additional \$5.7 billion will be spent on defence over the forward estimates, and \$50.3 billion (projected) over the next decade.
- This expenditure is driven by the implementation of the *National Defence Strategy* and *Integrated Investment Program*.
- Defence spending as a proportion of gross domestic product is projected to increase to around 2.4% by 2033-34.
- Of the measures listed, around half will be met from within the existing resourcing of relevant departments.
- Defence workforce challenges remain a prominent feature in this Budget. An additional 8,600 people are required over the forward estimates. This will be difficult to achieve given recent recruitment constraints – between 2020-21 and 2022-23 Defence achieved only 80% of uniformed recruiting requirements.
- While the Budget indicates that real growth in total expenses over the period 2024-25 to 2027-28 is expected to average 2% per annum, real growth in defence expenditure will average 6.3% per annum over the same period.

Chart 9: How does Australia's defence spending compare?

Military expenditure as percentage of gross domestic product



Source: Stockholm International Peace Research Institute

TECHNOLOGY AND INNOVATION

A bold aspiration to build the world's first commercial quantum computer in Australia, supporting safe use of artificial intelligence (AI), leading with Digital ID, and extending the instant asset write off for small business.

While the Budget has a range of measures to support digital technology and innovation, the big bet is on quantum computing. Measures to trim migration could reduce the pipeline of technology workers at the margin.

While the full details are 'not for publication', the Budget reveals the funding for an investment of \$466.4 million with PsiQuantum and the Queensland Government to build the world's first commercial-scale quantum computer in Brisbane. One economic impact study found this investment will directly support 2,800 high-skilled jobs across the Queensland and the Australian economies and support \$5.1 billion of additional economic activity.ⁱ

The other focus of the Budget is the fast-growing area of AI. While there is much to be done to encourage business take up and innovation using new tools, the focus from a regulator's standpoint is on minimizing risks. That's why the Government has announced a circa \$40 million spend for the safe and responsible development and deployment of AI. It also flags a National Robotics Strategy to promote the responsible production and adoption of robotics and automation technologies in Australia.

Government leadership in digital innovation is a common recommendation from innovation reviews. Indeed, the latest Data and Digital Government Strategy aims to provide world class data and digital capabilities. The Budget commits \$288.1 million to support Australia's Digital ID System. This initiative will help to develop capability for a single-entry point for government services. There will also be \$25.3 million to improve payment times to small businesses and \$23.3 million to increase invoicing adoption.

Extending the \$20,000 instant asset write-off for small businesses for another 12 months will be used by some to upgrade digital systems, which could see greater technology diffusion across the economy and lift productivity.

Tightening the pipeline for the technology workforce

There are 132,200 planned places for skilled migrants, down 5,100 places from 2023-24 and around 10,000 places less than the post-COVID 19 peak of 142,400 places in 2021-22. These are modest changes, but alongside changes to international student intake levels, could have some impact on access to tech talent.

Separately a new program will be established for 3,000 Indian graduates and early-career professionals to be able to live and work in Australia for up to two years. And there is \$38.2 million for a range of science, technology, engineering, and mathematics programs that will help the skills pipeline in the long term.

Targeted investment in improving digital inclusion

In telecommunications, online harms, regional connectivity, digital inclusion and communications resilience received a modest funding extension.

The Budget also includes an investment for First Nations digital inclusion. Through redirecting spending, the Government will invest \$68 million for Wi-Fi in remote communities, digital mentors to improve digital literacy and a program to collect more data.

The Australian Digital Inclusion Index suggests the digital inclusion gap between First Nations Australians and other Australians – as measured by access, affordability and ability – is largest in remote and very remote areas.ⁱⁱ

Cultural policy & media policy

The Budget includes funding for the previously announced National Cultural Policy – Revive, including for national performing arts training organisations, the Australian Film Television and Radio School, live music events, the National Film and Sound Archive of Australia, the Australian Children's Television Foundation, and First Nations programs. Revive is five-year plan to support the Australian media landscape after the impacts of COVID-19 on the industry.

The Budget also included funding regulatory funding to implement a prominence framework for internet-connected television devices and expand the anti-siphoning scheme.

FIRST NATIONS POLICY

Government commits to wide ranging First Nations budget outcomes for Closing the Gap, Employment and Justice initiatives.

A key feature of the 2024-25 Budget is the distribution of support for First Nations people across remote and regional Australia through:

- The Remote Jobs and Economic Development Program, with a goal to create 3,000 jobs in remote Australia and assist income support recipients move into paid employment over five years with a \$11.2 million boost through the National Indigenous Australians Agency (NIAA).
- Commitment to regional and remote community is further enhanced with First Nation's Digital inclusion, extension of mobile black spot funding and support of First Nations Broadcasting Services. A total increase of \$3.0 million in the first year for digital inclusion and \$9.0 million over the forward estimates.
- Commitment to \$15 million over four years from 2024-25 to work with First Nations peoples and communities to support connection to Country through management of drought and climate risks.
- A \$14 million investment in First Nations led renewable energy and carbon credit projects activating economic opportunity on country.
- A commitment of \$140 million in housing repair, new investment and upgrades in the NT over the next four years.

Justice portfolio

- The Budget provides \$99 million in new funding for Aboriginal and Torres Strait Islander Justice initiatives over the next four years.
- Of this, \$81.5 million is new funding for justice reinvestment initiatives and an independent unit to coordinate these initiatives. Aboriginal and Torres Strait Islander Legal Services (ATSILS) legal service peak bodies receive the remainder.
- New investment in Prison to Employment programs of \$6.8 million in the first year starting in 27 select prisons and with a further \$9 million planned over the forward estimates.
- A substantial increase, from a low base, to Indigenous justice under the Attorney General's portfolio (from \$0.9 million to \$1.5 million) for programs to support access to justice, support state and territory services and provide legal support to services supporting survivors of institutional child abuse.
- Establishment of an interim National Commissioner for Aboriginal and Torres Strait Islander Children and Young People Commission on the path to establishing a formal, legislated and independent National Commissioner.

- A total of \$20.2 million over four years from 2024-25 (and \$3.6 million per year ongoing) for the Federal Court and National Native Title Tribunal to reduce the backlog of Native Title claims, resolve post determination disputes and preserve culturally and historically significant native title records that underpin the resolution of future claims.

Health

- The National Aboriginal Community Controlled Health Organisation (NACCHO) receives an extra \$10 million to boost mental health supports for First Nations people.
- Commitment of \$3.5 million for Birthing on Country midwife support as part of an overall increase to First Nations Health initiatives of \$60 million in the first year and a continuing \$1.2 billion over the forward estimates per year.
- A total of \$11 million to improve access to Closing the Gap PBS Co-payment for eligible First Nations people.

Education

- A commitment of \$18 million over the forward estimates to support a new National First Nations Education Policy.
- A commitment of \$29 million over the forward estimates period to support peak First Nations organisations to partner with government on matters affecting First Nations children in early childhood education.

Budget seeks to tackle some of the outstanding legal issues for First Nations people

- The Federal Government has stepped into a broad program of work on Native Title, launching reviews and initiatives into long standing issues such as Native Title claim backlogs and specific funding to the Law Reform Commission to review the Act.
- Almost \$100 million has been set aside to provide resolution payments to eligible people who held an active Youpla Group (funeral insurance) policy.
- Almost \$18 million over three years from 2024-25 to reduce the backlog of complex applications under Aboriginal and Torres Strait Islander Heritage Protection Act 1984 and progress the reform of Australia's cultural heritage laws.

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