

Budget expenditure trends

Briefing note

March 2025 (updated to 2025 Budget)

Summary

This brief summarises recent trends in Commonwealth Budget expenditure in response to claims that expenditure is 'out of control'.

We find that, abstracting from swings in spending during and after COVID lockdowns:

- There was a *period of austerity* from 2014 to 2018 when *real spending per person per year* (adjusted for inflation and population growth) barely grew at all. Under-spending in this period stored up pressures for future budgets in areas such as Jobseeker payments, Medicare and aged care.
- In the most recent period (2022 to 2028 including forward estimates) spending is estimated to grow significantly (an average rise of 1.3% per year) but still below the long-term average (1.7% per year).

Looking into the future, over the 11 years from 2023 (2023-2034) PBO projections suggest that growth in real spending per capita on social programs will be low and uneven:

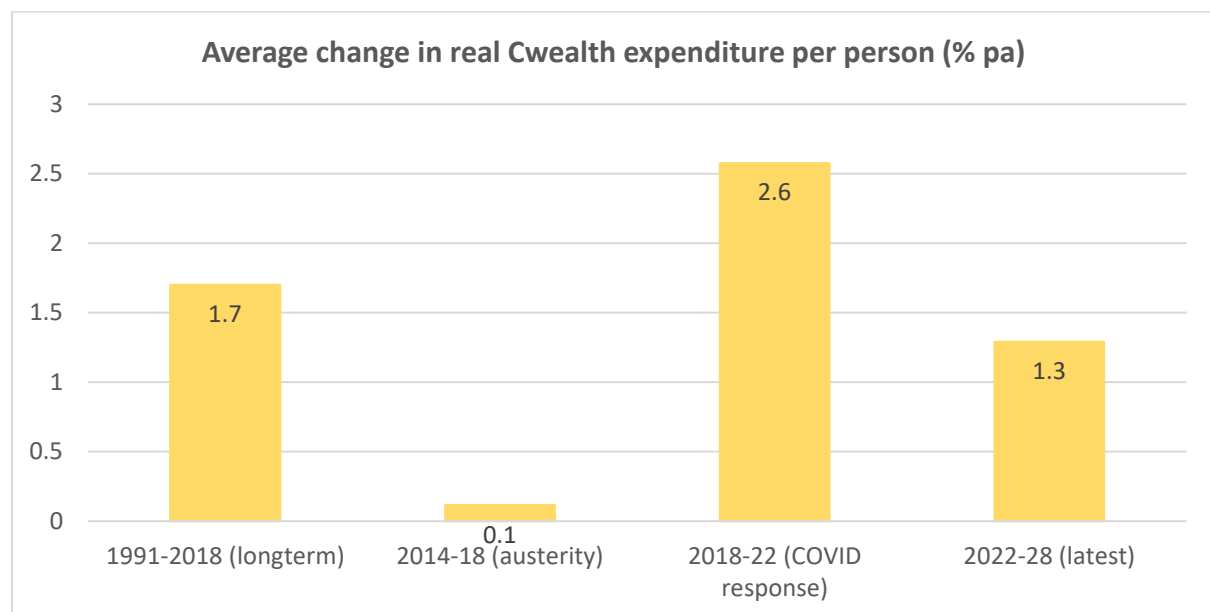
- Real spending per person on *community service entitlement* programs such as Medicare benefits and NDIS is expected to rise by 2.8% per year, on average. The largest increases are for NDIS and aged care – areas of growing need.
- Real spending per person on *social security payments* such as Age Pension, Jobseeker payment and Family Tax Benefits is expected to increase by 1% per year, on average. Among these payments, spending on Family Tax Benefits, Parenting Payment and Jobseeker payments is expected to *decline* in real per capita terms.
- Real spending per person on *government grants* such as GST payments to the States and Territories, schools and hospital funding and public infrastructure, are expected to increase by 0.3% per year, on average. Among these programs, spending on infrastructure, schools, development assistance and universities is projected to *decline* in real per capita terms.
- While variation in public spending trends is expected – for example due to an ageing population - cost pressures and unmet needs in areas such as working age income support payments, health and care services and social housing mean that these budget projections are likely to be unrealistic.

Recent increases in Commonwealth Budget spending are close to the long-term average

Figure 1 shows average annual increases in Budget expenditures, adjusted for inflation and increases in population (i.e. 'real per person expenditures') over four periods:

- The *long-term average* (1991-2018) of 1.7% per year;
- A period of *fiscal austerity* (2014-2018), when overall spending was virtually frozen in real per-person terms (averaging 0.1% per year);
- The '*COVID response*' period (2018-2022) when spending rose then declined sharply (averaging 2.6% per year);
- The *latest six-year period*, including forward estimates from the 2025-26 Budget (2022-2028), when estimated spending increases average 1.3% per year (still below the long-term average).

Figure 1

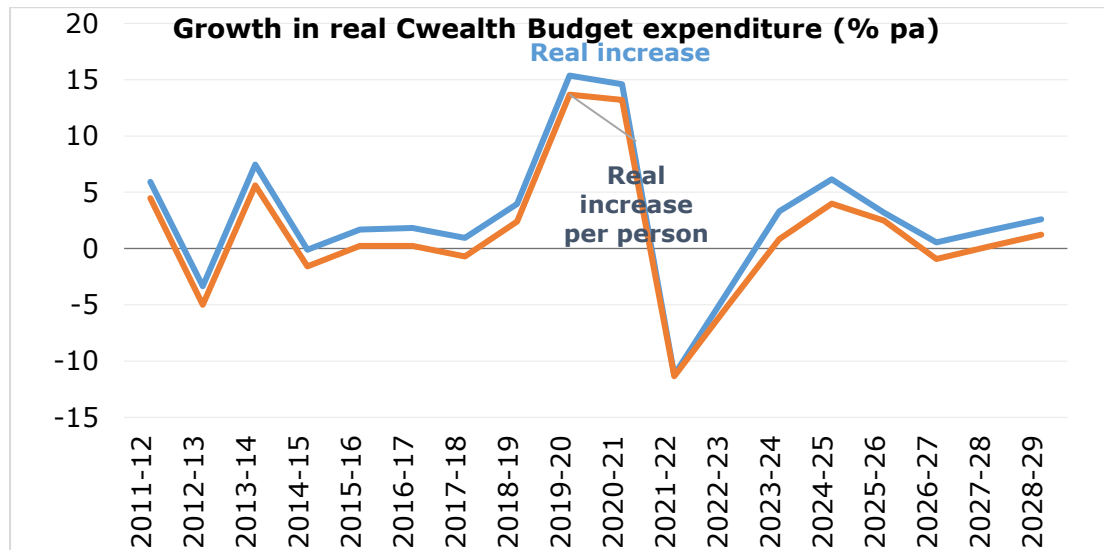


Source: Budget Paper No 1 (2025-26).

Note: Commonwealth General Government Payments.

Figure 2 shows annual increases in Commonwealth Budget spending, adjusted for inflation and increases in population.

Figure 2



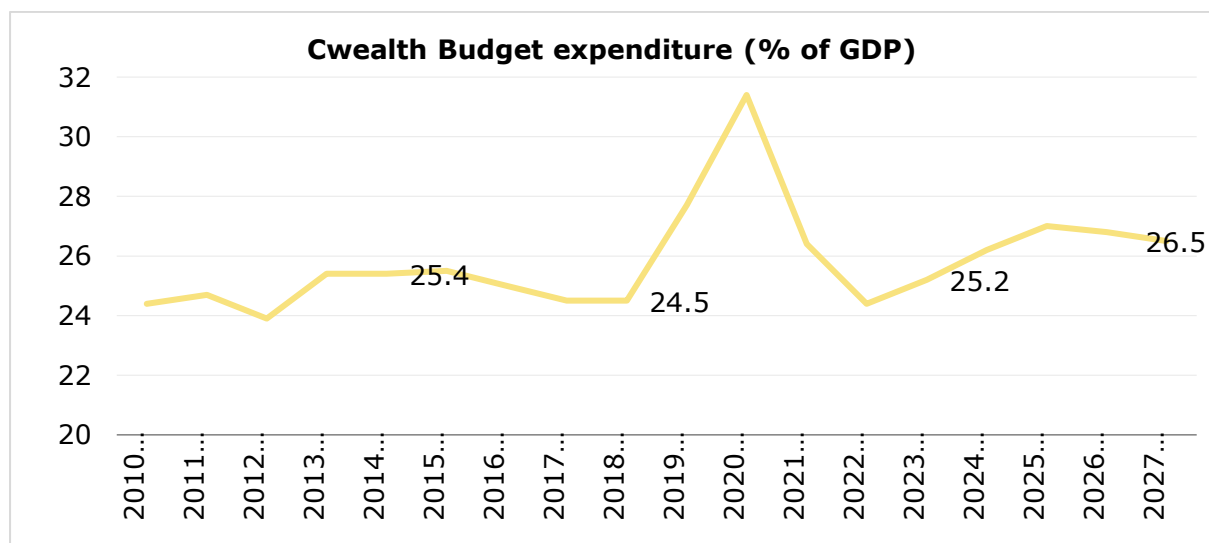
Source: Budget Paper No 1 (2025-26). Note: Commonwealth General Government Payments.

After COVID support programs were withdrawn, Budget spending rose as a share of GDP, partly due to weak GDP growth

As a percentage of GDP, Commonwealth Budget spending:

- declined from 2014-2018, a period of austerity (from 25.4% to 24.5%);
- rose sharply then declined from 2018-2023 during the COVID response period (from 24.5% to 31.3% and then down to 25.2%);
- rose in the most recent period (2023-2027 – including forecasts) from 25.2% to 26.5%. (Figure 3)

Figure 3

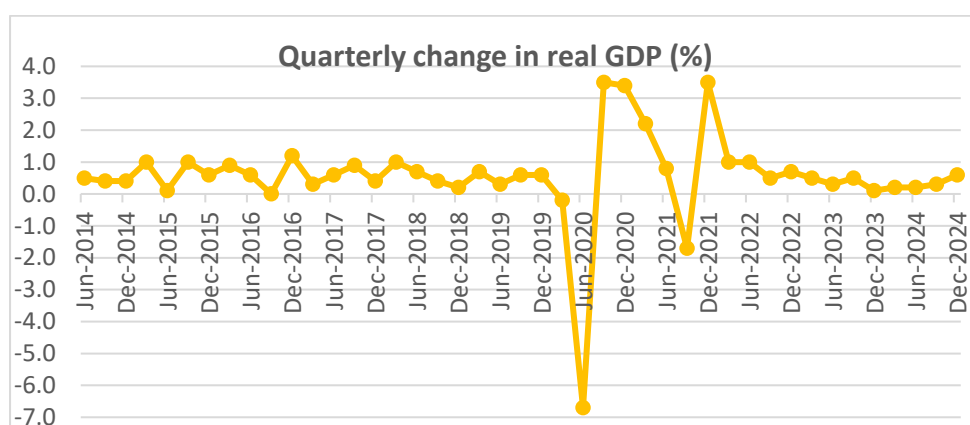


Source: Budget Paper No 1 (2025-26). Note: Commonwealth General Government Payments.

Figure 4 shows that GDP growth has been relatively weak since 2022. This means that *the same increase in spending is a larger share of GDP*:

- From 2014-18, GDP grew by an average of 2.7% per year;
- From 2022-24, it grew by an average of 2.0% per year.

Figure 4



ABS, Australian National Accounts

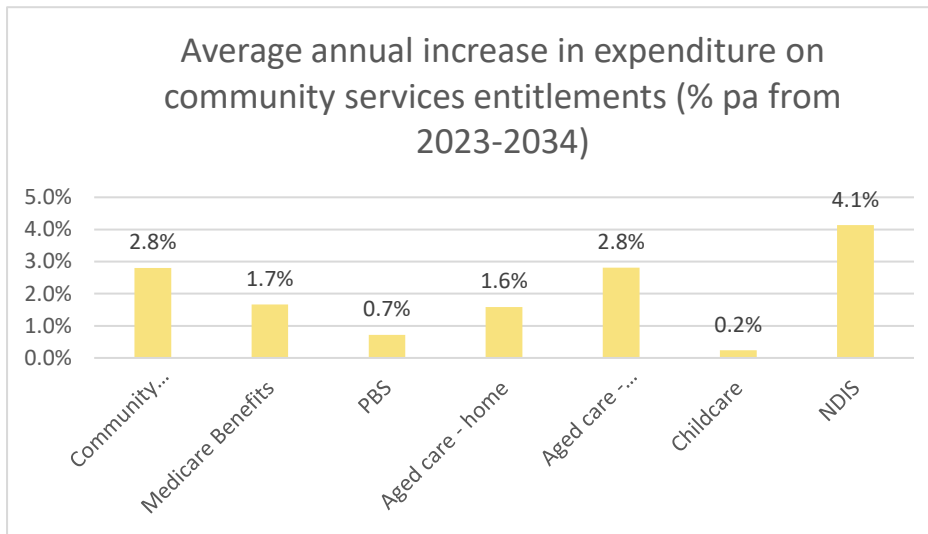
In future, real spending per person on many social programs is projected to grow slowly or decline – this is unrealistic

Figure 5 shows projections of real growth in spending per capita on community service entitlement programs such as Medicare benefits and NDIS, which is expected to rise by 2.8% per year, on average from 2023 to 2034.¹

These are expected to be the fastest growing areas of social expenditure. The largest increases are for NDIS and aged care – areas of rapidly growing need.

¹ Note that expenditure estimates in the following graphs are derived from the 2024 MYEFO and refer to Commonwealth general government 'expenses' (a different category to the 'payments' referred to in previous graphs).

Figure 5



PBO (2024), *Build Your Own Budget*.

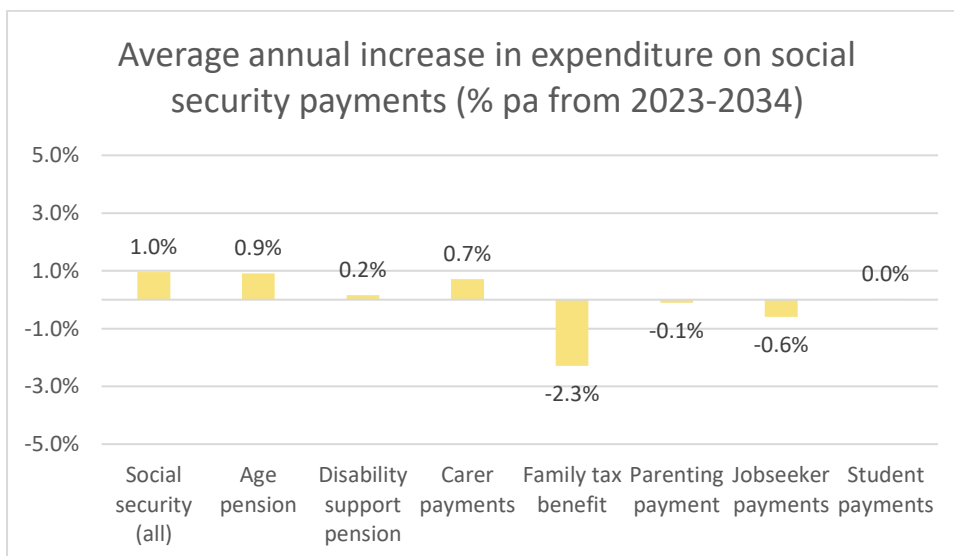
Note: Average real annual per capita increases in Commonwealth expenses.

Figure 6 shows real spending per person on *social security payments* such as Age Pension, Jobseeker payments and Family Tax Benefits, which is expected to grow only slowly, by 1% per year on average.

Of these payments, spending on Family Tax Benefits, Parenting Payment and Jobseeker payments is expected to *decline* in real per capita terms:

- These payments are only indexed to increases in the CPI rather than wage movements - that is, they are frozen in real terms. This is not sustainable.

Figure 6

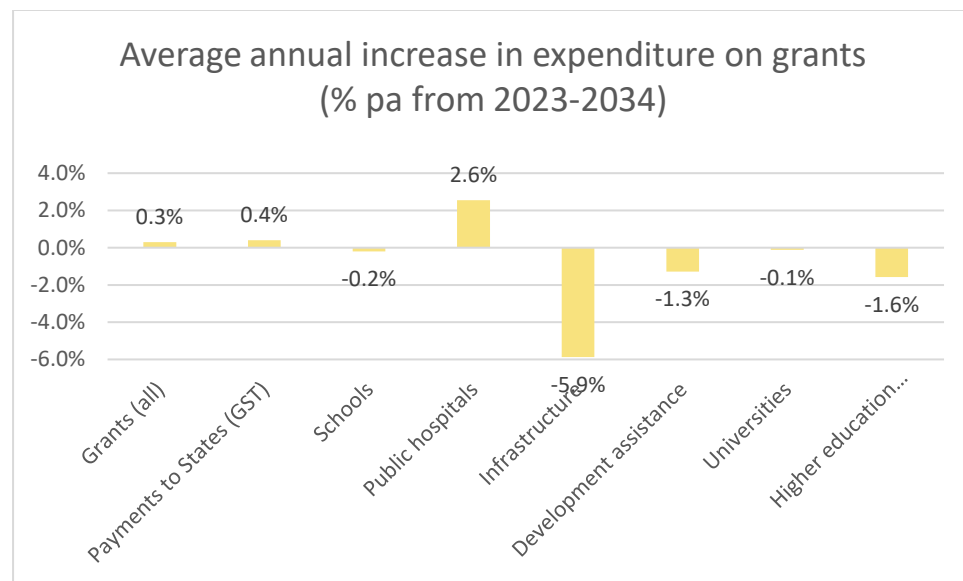


PBO (2024), *Build Your Own Budget*.

Figure 7 shows real spending per person on *government grants* (payments for services as distinct from the personal entitlements discussed above) such as GST payments to the States and Territories, schools and hospital funding and public infrastructure. This is expected to increase by just 0.3% per year on average.

Among these programs, spending on infrastructure, schools, development assistance and universities is projected to decline in real per capita terms.

Figure 7



PBO (2024), *Build Your Own Budget*.

Note: Average real annual per capita increases in Commonwealth expenses.

While variation in public spending trends is expected – for example due to an ageing population - cost pressures and unmet needs in areas such as working age income support payments, health and care services and social housing mean that these projections of weak growth in Budget spending on social programs are unrealistic.