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BUDGET OVERSPENDING THREATENS SHAKY SURPLUS ASSUMPTIONS

The Gillard government's predicted Budget surplus is threatened by the dual pressures of a weak economy and continuing spending growth, according to an analysis of the 2012-13 federal Budget by free market think tank the Institute of Public Affairs.

'An additional fall in the terms of trade, contributing to a GDP decline of 0.5 per cent, would alone wipe out the threadbare cash surplus next year,' IPA Research Fellow Ms Julie Novak said.

'And the government's heroic revenue growth assumptions are not founded on the reality of a low-growth Australian economy and external threats such as a worsening of the European debt crisis.'

The vulnerability of the government's Budget to adverse changes in economic circumstances underlines the fact that the commonwealth continues to have an overspending problem.

'Treasurer Wayne Swan wants to give an impression that he's pulled a fiscal austerity rabbit out of the hat by pushing spending forwards and backwards,' Ms Novak said.

'However the main drivers of commonwealth spending, especially welfare handouts to favoured political constituencies, remain largely untouched and have increased in this Budget.'

'Despite some encouraging measures, such as tightening eligibility for single parent payments, middle class welfare is further entrenched in this Budget,' Ms Novak said.

'The government concedes welfare spending will grow by four per cent next year and by 14 per cent to \$150.4 billion over the forward estimates, with much of this directed to those not in desperate need of support.'

'Compounding the overspending on existing programs is that the Gillard government has built new spending pressures, such as the NDIS and carbon-tax welfare, into the fiscal system.'

'With population ageing already starting to add to fiscal pressure, the government deserves censure for not taking a systematic approach to spending reductions especially in the big three areas of welfare, health and education.'

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