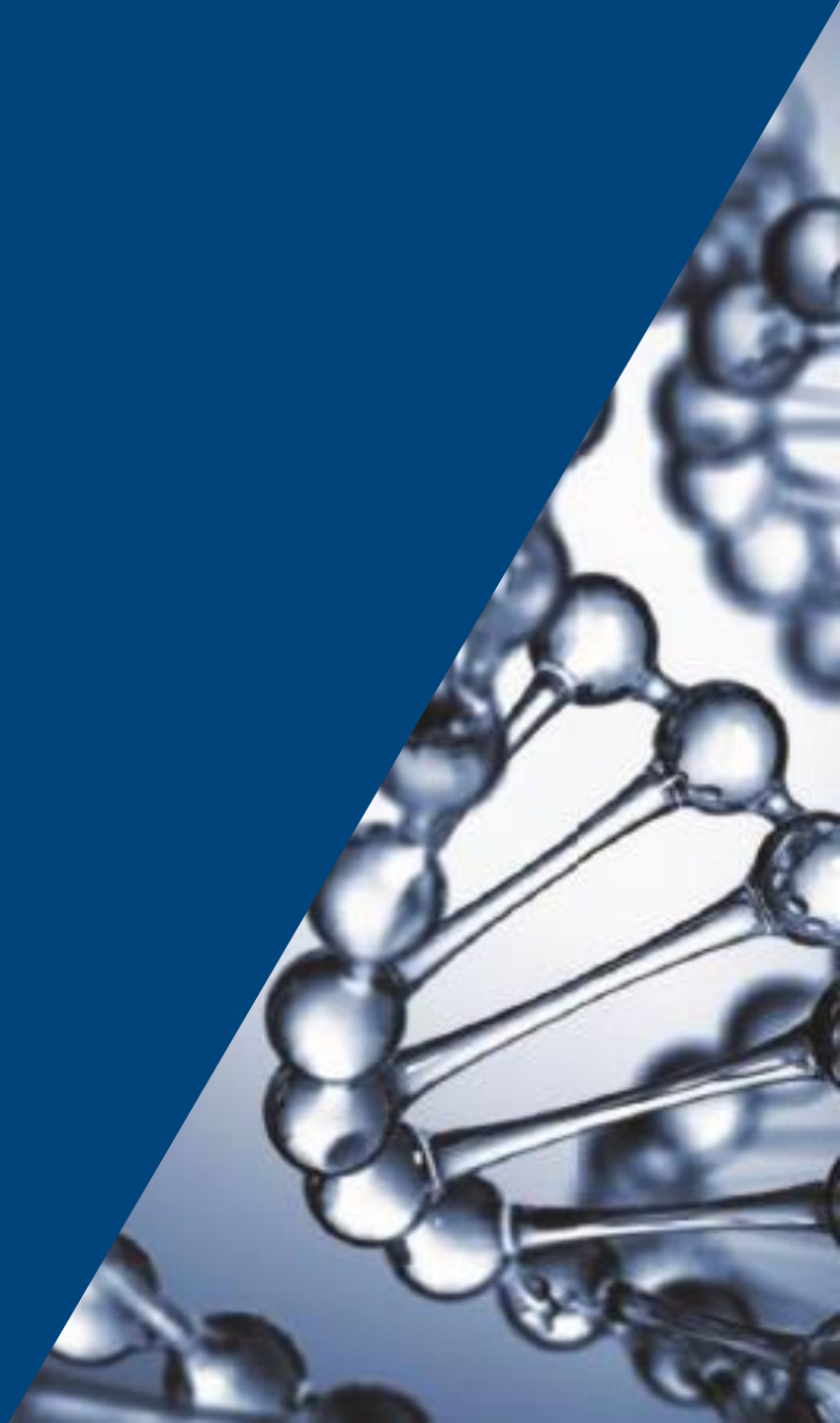


Budget 2022-23 and Macroeconomic Policies

Guay Lim, Professorial Fellow
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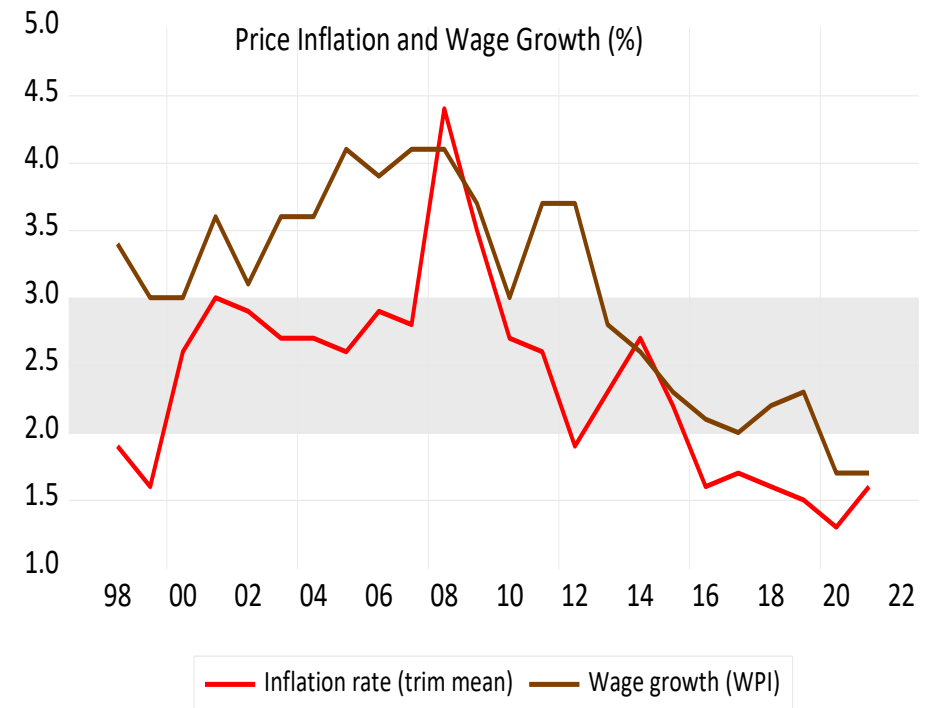
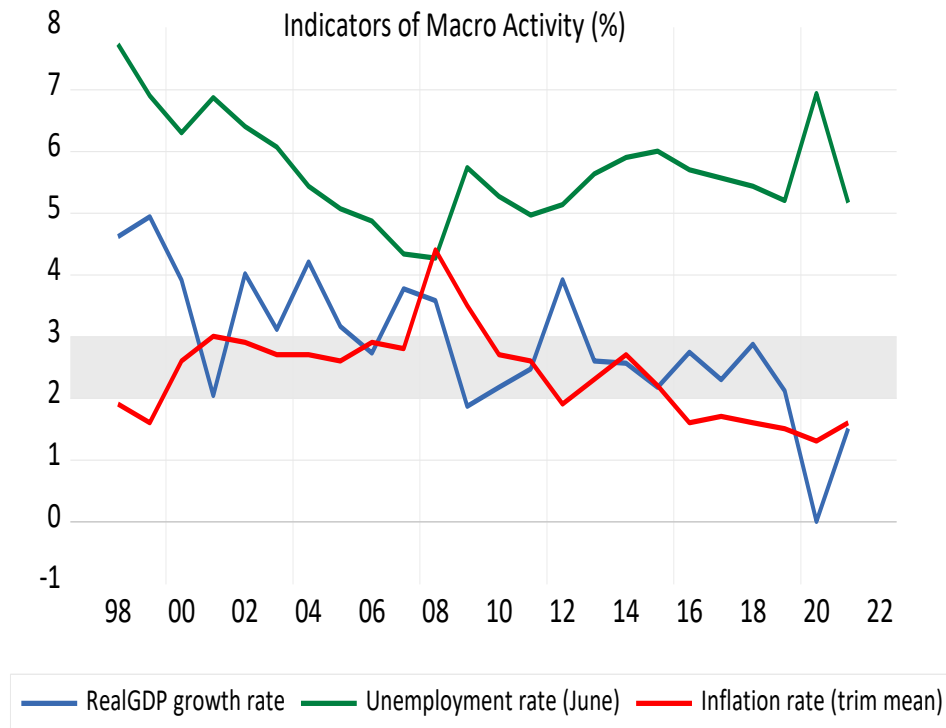
Tuesday, 05 April 2022



Growth, Debt & Equity

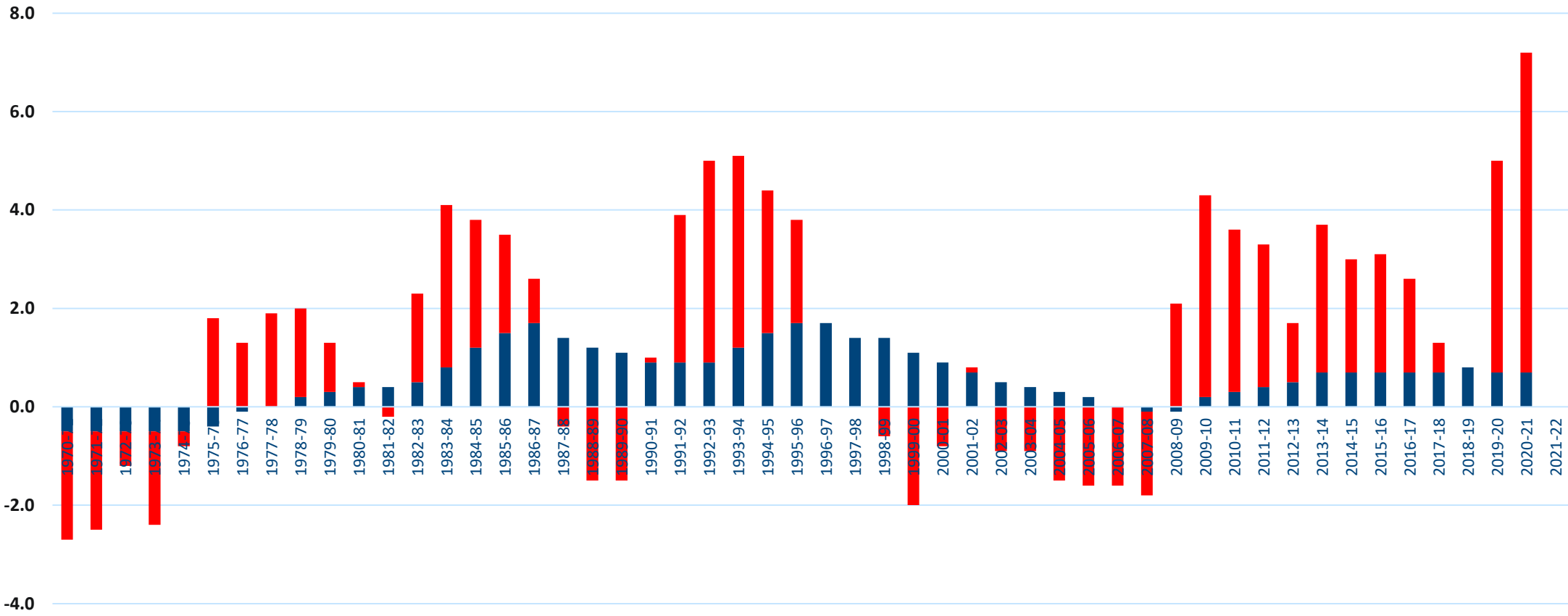
- Issues
 - Under-employment and un-employment rates
 - GDP per capita, productivity & the terms of trade
 - Savings, current account deficits and investment
- Policies
 - Growth: the underemployed & wage growth
 - Debt: the interest - growth differential
 - Equity: the World Bank Human Capital Index for Australia

Stimulating growth in wages



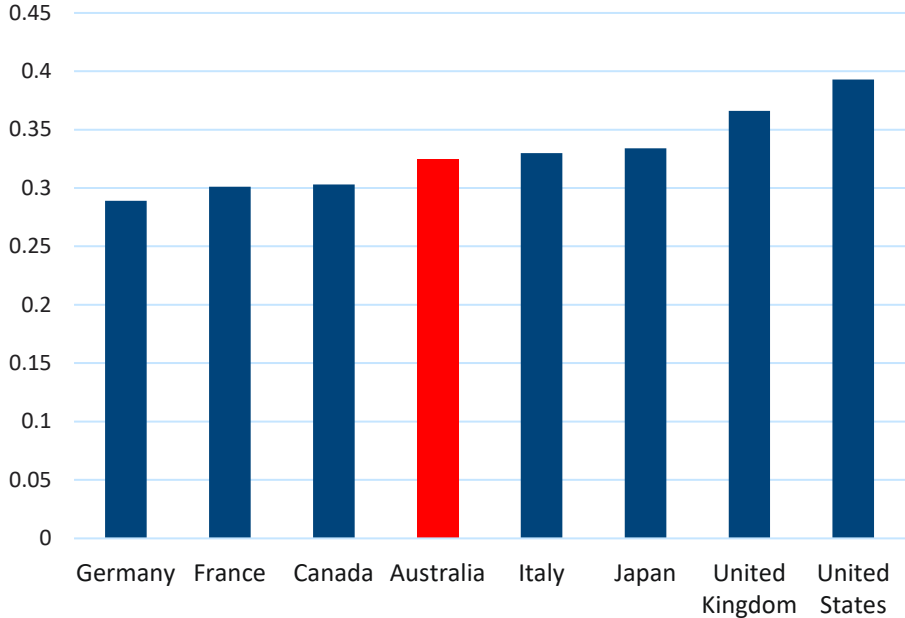
Ensuring debt sustainability

Net Interest Payments (blue) and Underlying Cash Balance (red), % of GDP, Budget Papers

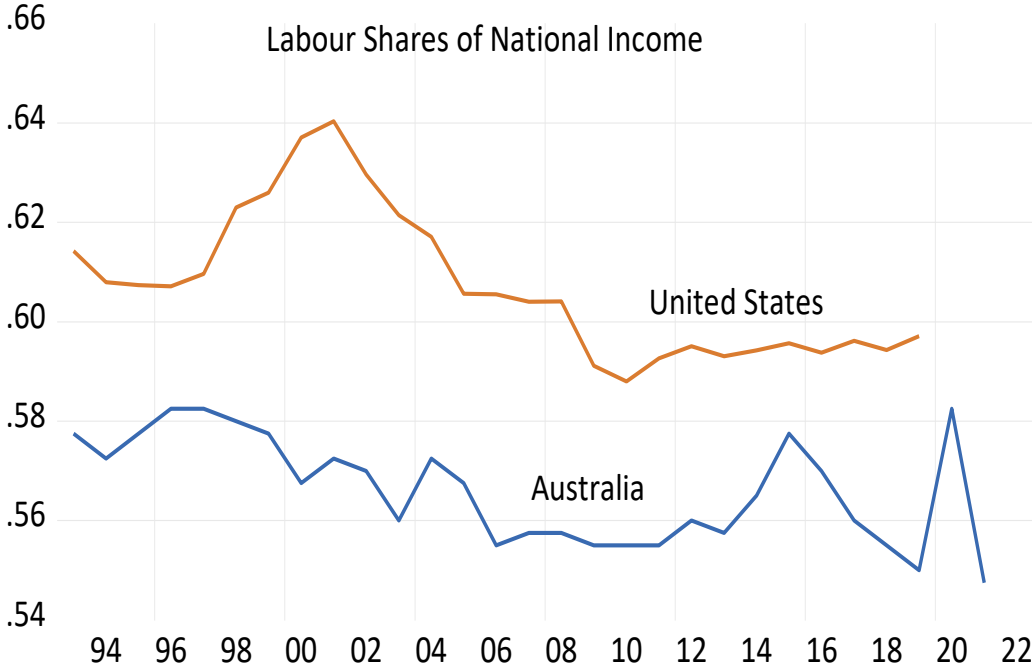


Promoting economic equity

Gini Coefficients (2018), OECD



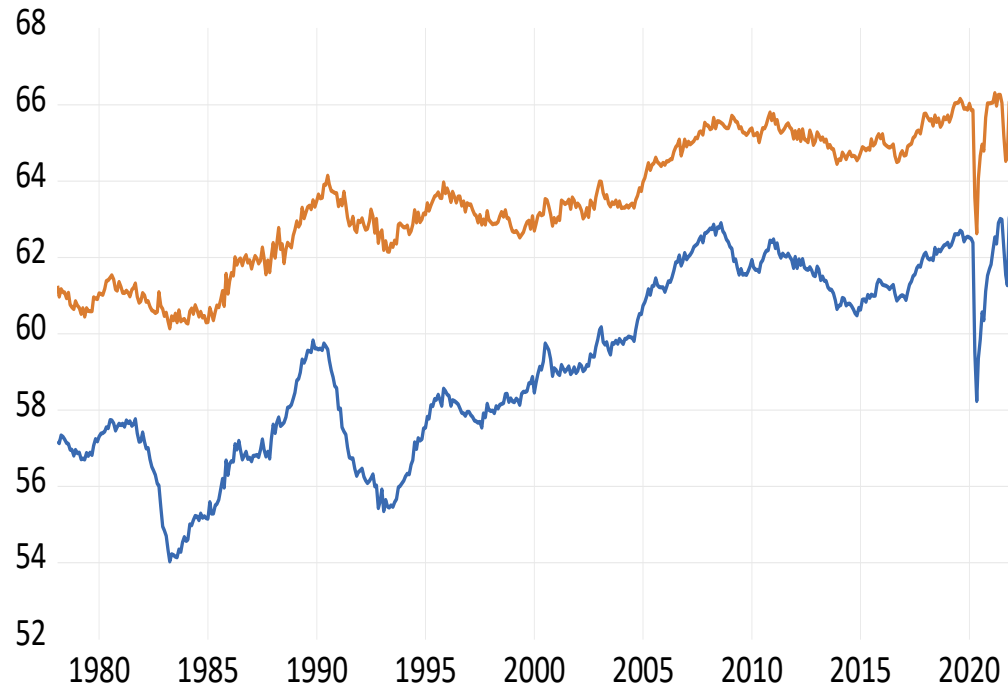
Labour Shares of National Income



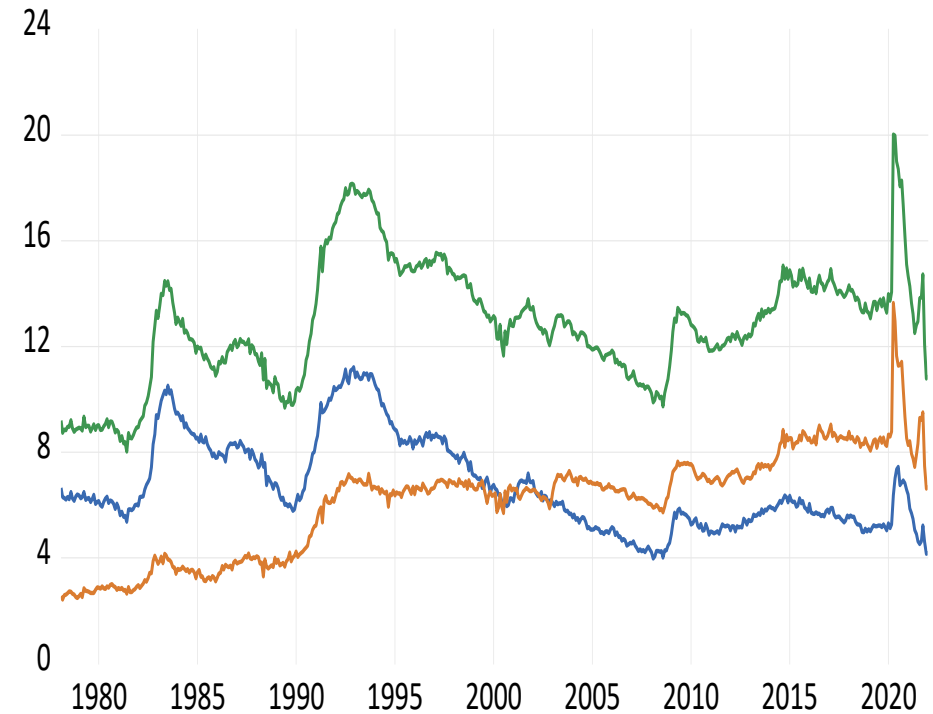
Budget Statement 1: Budget Overview, page 1

“Having achieved the objective of low unemployment, the Government has transitioned to the next phase of the Economic and Fiscal Strategy, which focuses on **growing the economy** in order to **stabilise and reduce debt** as a share of the economy. The Budget demonstrates the fiscal dividend of a strong economy, with more Australians in work and fewer Australians on welfare, flowing through to a significantly improved fiscal outlook.”

Unemployment and Underemployment

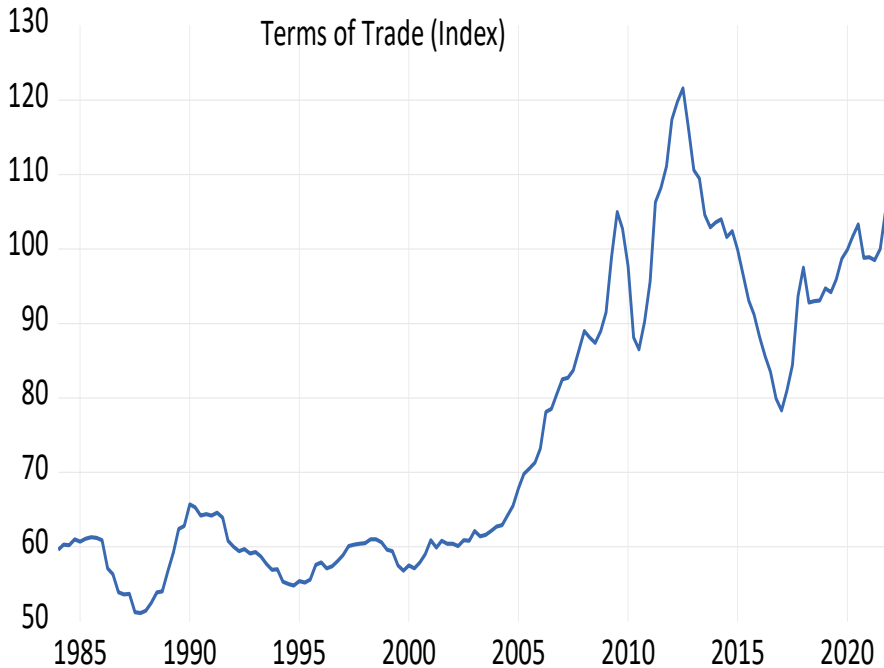
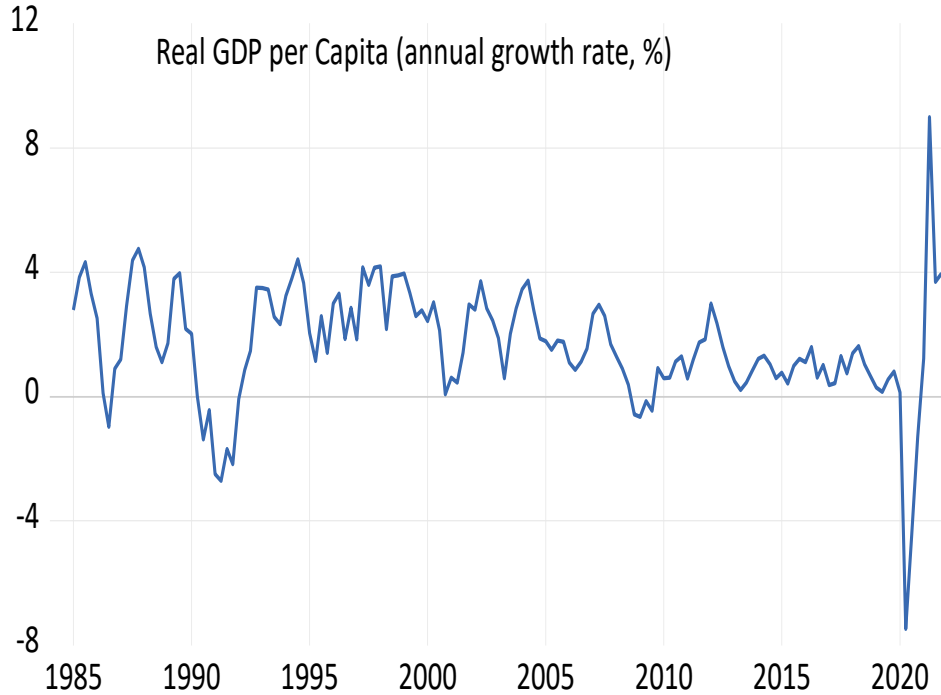


— employment to population ratio (%) — participation rate (%)



— unemployment rate (%) — underemployment rate (%) — underutilisation rate (%)

Standard of Living & Growth in Productivity

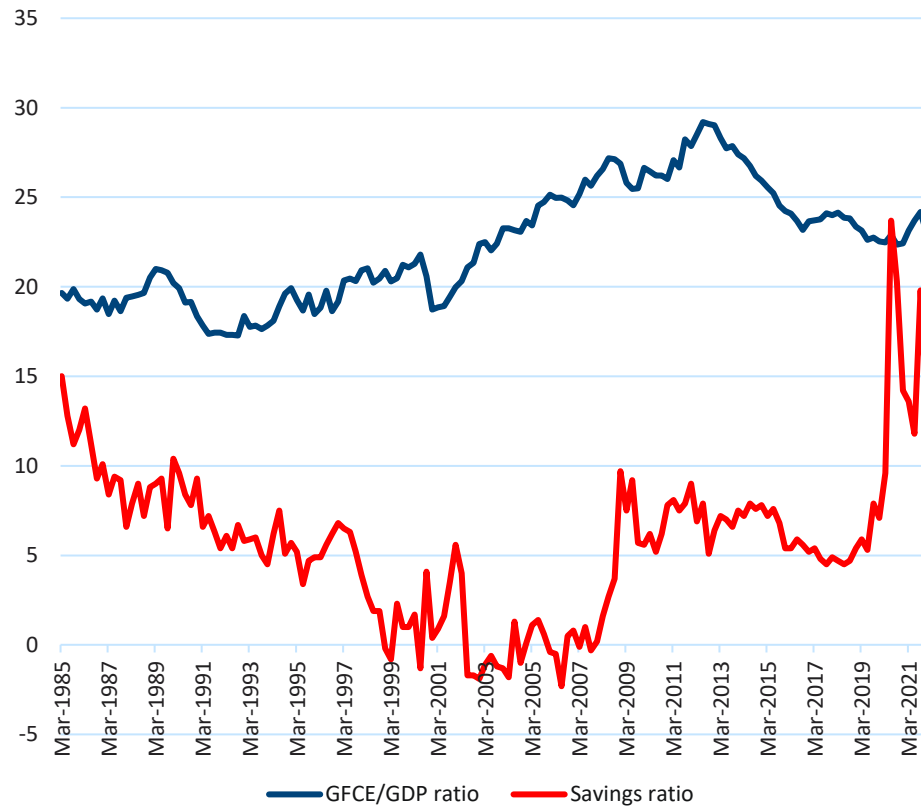


Source: ABS

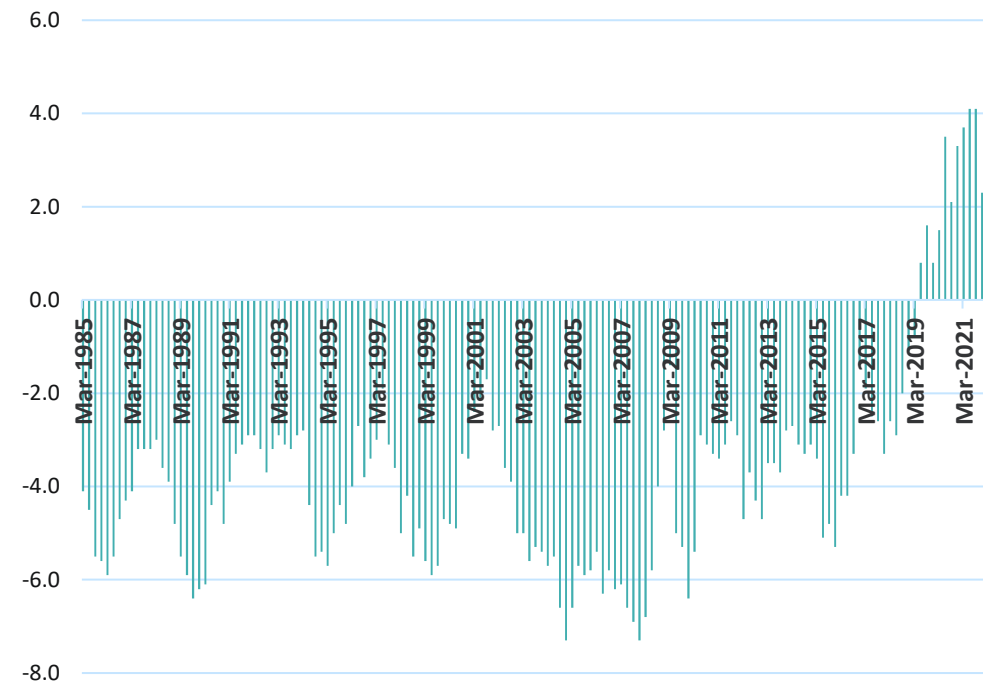


Sources of Funds for Public & Private Investment

Savings and Investment

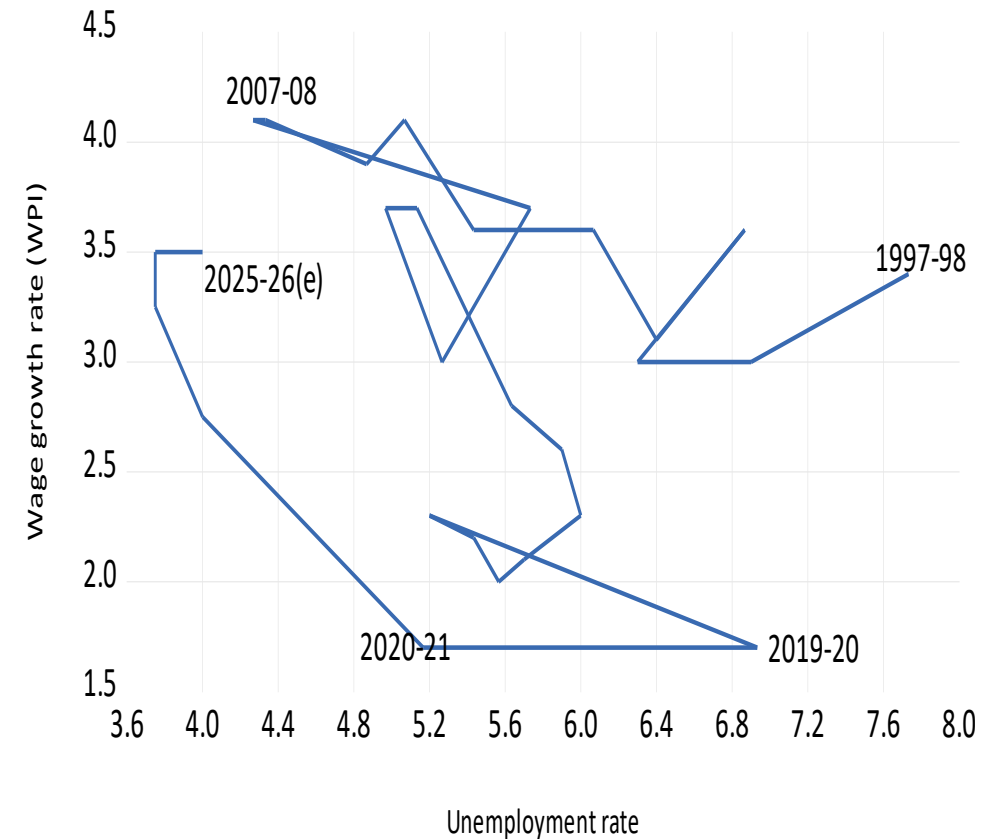


Current Account Balance/NGDP (%)



Budget Estimates & the Wage Growth-Unemployment Rate Relationship

	Real GDP (growth rate)	Unemployment Rate	CPI (inflation rate)	WPI (growth rate)	Employment (growth rate)
2020-21	1.5	5.1	3.8	1.7	6.5
2021-22 (e)	4.25	4.0	4.25	2.75	2.75
2022-23 (e)	3.5	3.75	3.0	3.25	1.5
2023-24 (e)	2.5	3.75	2.75	3.25	1.5
2024-25 (e)	2.5	3.75	2.75	3.5	1.0
2025-26 (e)	2.5	4.0	2.5	3.5	1.0



Debt Accumulation Equation & Budget Estimates

$$B_t + Tax_t = (1 + r_t)B_{t-1} + Gov_t$$

$$Y_t = (1 + g_t)Y_{t-1}$$

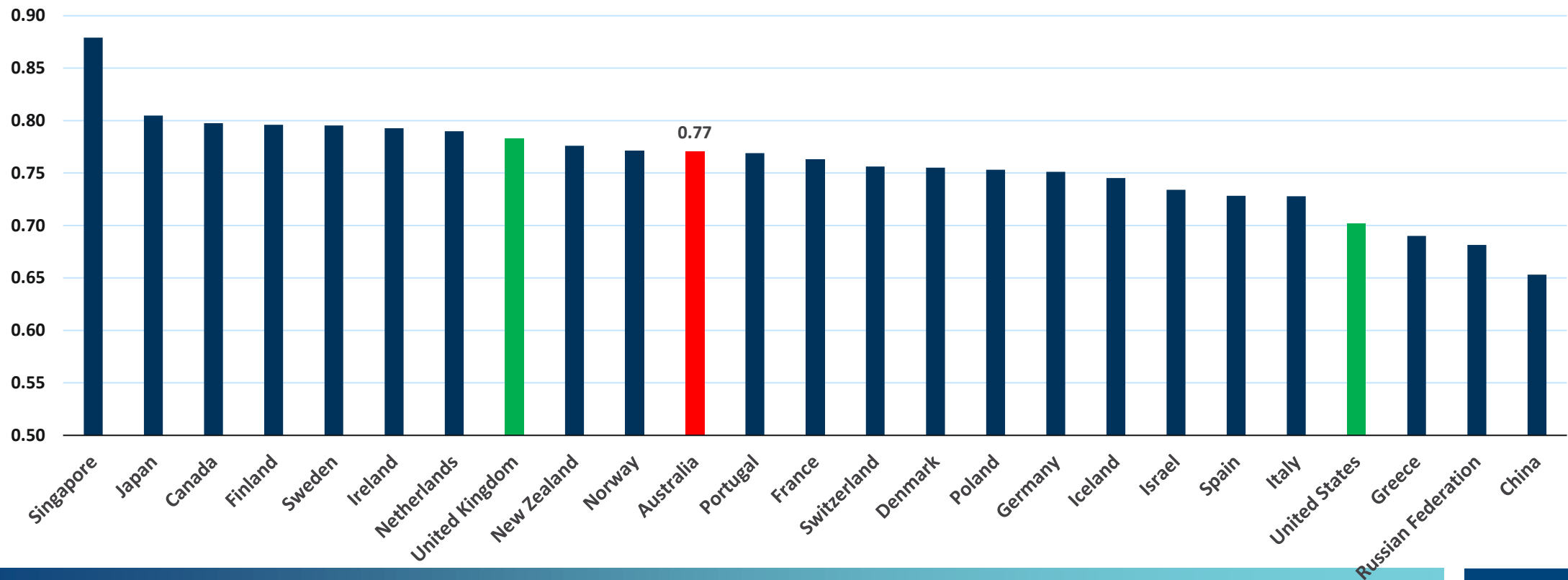
$$b_t = \left(\frac{B_t}{Y_t} \right); \quad d_t = \left(\frac{Gov_t - Tax_t}{Y_t} \right)$$

$$\Delta b_t = \frac{(r_t - g_t)}{(1 + g_t)} b_t + d_t$$

	Gross Debt/GDP (%)	Receipts/GDP (%)	Payments/GDP (%)	(1+r)/(1+g) (implied)	Nominal GDP growth rate (%)
2020-21	39.5	25.1	31.6		4.4
2021-22 (e)	39.5	24.3	27.8	0.911	10.75
2022-23 (e)	42.5	23.8	27.2	0.990	0.5
2023-24 (e)	44.6	24.7	27.1	0.993	3
2024-25 (e)	44.9	24.7	26.6	0.964	5.25
2025-26 (e)	44.7	24.6	26.3	0.958	5

World Bank Human Capital Project: a global effort to accelerate more and better investments in people for greater equity and economic growth

World bank: Human Capital Index (2020), 174 countries (Index range: 0.29-0.88)



Budget & Macroeconomic Policies

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