

ESTIMATES BRIEF – Hot Issue**2025 PEFO**

Supplementary Budget Estimates – October 2025

2025 Pre-election Economic and Fiscal Outlook**Subject/Issue**

The release of the 2025 Pre-election Economic and Fiscal Outlook (PEFO).

Key facts and figures

	Estimates					Total \$m
	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m	2028-29 \$m	
2025-26 Budget underlying cash balance	-27,605	-42,122	-35,706	-37,247	-36,854	-179,534
Per cent of GDP	-1.0	-1.5	-1.2	-1.2	-1.1	
Changes from 2025-26 Budget to 2025 PEFO						
Effect of policy decisions(a)(b)						
Receipts	0	0	0	0	0	0
Payments	4	226	380	276	223	1,109
Total policy decisions impact on underlying cash balance	-4	-226	-380	-276	-223	-1,109
Effect of parameter and other variations(b)						
Receipts	-1	5	4	4	5	17
Payments	279	-178	-715	-432	-44	-1,090
Total parameter and other variations impact on underlying cash balance	-280	183	720	436	49	1,107
2025 PEFO underlying cash balance	-27,890	-42,165	-35,366	-37,087	-37,028	-179,537
Per cent of GDP	-1.0	-1.5	-1.2	-1.2	-1.1	

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

b) A positive number for receipts improves the underlying cash balance, while a positive number for payments worsens the underlying cash balance.

See Page 6, Table 4, 2025 PEFO.

- The 2025 PEFO was released on 7 April 2025 and provided an update on the fiscal and economic estimates and projections based on the best professional judgement of the officers of the Treasury and the Department of Finance.
 - Consistent with the *Charter of Budget Honesty Act 1998*, the 2025 PEFO was required to be produced within 10 days of the issuing of the writs for 2025 Federal Election (which occurred on 31 March 2025). The PEFO was released within 8 days of the issuing of the writs.

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- The economic and fiscal outlook disclosed in the 2025 PEFO had not materially changed since the publication of the 2025-26 Budget on 25 March 2025 (*see Table 3, page 5 of the 2025 PEFO*):
 - The outlook for receipts was unchanged since the 2025-26 Budget, consistent with the unchanged economic outlook.
 - The outlook for payments over the forward estimates was largely unchanged since the 2025-26 Budget (an increase of \$48.2 million in 2025-26 and an increase of \$19.4 million over the five years to 2028-29).

Measures

- The 2025 PEFO disclosed 26 policy decisions since the 2025-26 Budget (*see pages 23 to 28, Appendix B of the 2025 PEFO*).
- There was one receipt measure, *Small Business Support – instant asset write-off*.
 - This measure extended the \$20,000 instant asset write-off by 12 months until 30 June 2026. This measure was included as a ‘decision taken but not yet announced’ in the 2025-26 Budget so had nil impact on receipts in the 2025 PEFO.
- There were 25 payment measures which had a negative underlying cash balance impact of \$225.8 million in 2025-26 and \$1.1 billion over the five years to 2028-29.
- The largest payment measures were:
 - Commonwealth Funding for Queensland Schools (-\$230.9 million – *see page 24 and footnote (j) page 26, Appendix B of the 2025 PEFO*).
 - Building a Better Future Through Considered Infrastructure Investment (-\$200.0 million – *see page 25 and footnote (s) page 27, Appendix B of the 2025 PEFO*).
 - Flinders HealthCARE Centre (-\$150.0 million – *see page 25 and footnote (z) page 28, Appendix B of the 2025 PEFO*).
 - Rouse Hill Hospital – maternity and birthing services (-\$120.0 million - *see page 26 and footnote (bb) page 28, Appendix B of the 2025 PEFO*).
 - St John of God Midland Public Hospital (-\$120.0 million – *see page 26 and footnote (cc) page 28, Appendix B of the 2025 PEFO*).

2025 PEFOElection Commitments

- The 2025 PEFO included the financial impacts of all Government decisions taken prior to the issuing of the writs on 31 March 2025.
- Consistent with the *Charter of Budget Honesty Act 1998*, the 2025 PEFO did not include commitments that did not constitute decisions of Government and were costed separately during the election campaign.

Parameter and other variations

- Parameter and other variations between the 2025-26 Budget and 2025 PEFO had a positive underlying cash balance impact of \$182.9 million in 2025-26 and \$1.1 billion over the five years to 2028-29, largely reflecting:
 - the drawdown of a Contingency Reserve provision for future policy priorities (\$1.0 billion over three years from 2025-26); and
 - the drawdown of the Contingency Reserve provision to lift the Commonwealth's contribution of the Schooling Resource Standard to 25 per cent by 2034-35 for government schools in Queensland under the Better and Fairer Schools Agreement (Full and Fair Funding 2025–2034), and
- Payments under the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance were also increased by \$281.1 million in 2024-25 relative to the estimates in the 2025-26 Budget due to major disaster determinations, including in relation to ex-Tropical Cyclone Alfred in March 2025. These costs were drawn down from the \$1.2 billion Contingency Reserve provision for disaster recovery costs included in the 2025-26 Budget.

Contingency Reserve

- The Contingency Reserve estimates in the 2025 PEFO reduced since the 2025-26 Budget by \$4.3 billion over the five years to 2028-29.
- In addition to the drawdown of the three provisions outlined above, Decisions Taken But Not Yet Announced (DTBNYAs) included in the 2025-26 Budget or prior rounds were also removed from the Contingency Reserve.
- The largest components remaining in the Contingency Reserve were:
 - an underspend provision in 2024-25;
 - the conservative bias allowance (unchanged since the 2025-26 Budget) (-\$26.1 billion);

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- a provision to reflect the effects of economic parameter revisions received too late in the 2025-26 Budget process for inclusion in entity estimates, and
 - a provision for future payments to the states and territories for the new National Health Reform Agreement and Disability Foundational Supports (-\$9.6 billion).
- The Contingency Reserve also included items that could not be disclosed for commercial-in-confidence or national security reasons and measures which had been announced but could not yet be included in entity estimates, usually due to some uncertainty as to their final cost and/or outcomes (e.g. expected disbursements from the Housing Australia Future Fund, the Disaster Ready Fund and the Green Iron Investment Fund).

Statement of Risks

- Consistent with the Charter, the 2025 PEFO Statement of Risks was only required to disclose those risk and loan items that were either new or substantively changed since the 2025-26 Budget:
 - At the 2025 PEFO, there were no material new risks or material new government loans since the 2025-26 Budget.
 - There was only one risk item that had substantively changed (*Indemnity provided to the Administrator of the Construction and General Division of the Construction, Forestry and Maritime Employees Union*, disclosed in 2025 PEFO, Appendix C, pages 29-32).

Unlegislated measures

- In line with normal practice, and as was the case at the 2025-26 Budget, the forward estimates in the 2025 PEFO reflected the impact of all policy decisions, including those that remained unlegislated.
- The 2025 PEFO did not include an estimate of the net impact of unlegislated policy decisions as was reported in the 2022 PEFO.
 - The impact of the passage of unlegislated measures on the budget estimates was first published in the 2014-15 MYEFO following delays in the passage of key legislative savings measures through the Parliament.
 - Delays in the passage of measures through Parliament are no longer considered to be a key risk to the budget position.
 - The Parliamentary Budget Office regularly publishes a list of unlegislated budget measures with significant financial implications.

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The list was most recently published by the Parliamentary Budget Office on 21 August 2025 and includes all unlegislated measures announced *before* the 2025-26 Budget, and is current as at 30 June 2025.

2025 PEFO**Background**

The *Charter of Budget Honesty Act 1998* (the Charter) requires the Secretaries of Finance and Treasury (the Secretaries) to publicly release a PEFO within 10 days of the issuing of the writs for a general election.

Under clauses 24 and 25 of the Charter, the PEFO is required to include:

- updated Commonwealth budget sector and general government sector fiscal estimates for the current financial year and the following three financial years;
- economic and other assumptions that have been used in preparing updated fiscal estimates;
- discussion as to the sensitivity of the updated fiscal estimates to changes in economic and other assumptions;
- an updated statement of risks, including:
 - contingent liabilities;
 - publicly announced Government commitments that are not yet included in the estimates, and
 - Government negotiations that have yet to be finalised;
- a debt statement, and
- a statement, signed by the Secretaries, to the effect that the information in PEFO reflects all economic and fiscal information available at the time the writs were issued.

The budget estimates published in the PEFO are to be based on external reporting standards. If particular information is unchanged from an earlier budget economic and fiscal outlook report, then the PEFO may instead summarise the information and state that it is unchanged from that earlier report.

Supporting information**Questions on Notice**

- No QoNs asked

Freedom of Information (FOI) Requests

- No FOIs asked.

Recent Ministerial Comments

- Nil.

Relevant Media Reporting

- [Pre-election Economic and Fiscal outlook shows 'dark clouds' for economy as global recession fears mount](#), Oscar Godsell, Sky News Australia, 7 April 2025.

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