

# Swan vows discipline despite big challenges

**Peter Martin**  
ECONOMICS CORRESPONDENT

THE Treasurer, Wayne Swan, has recommitted himself to cut spending to return the budget to surplus as a private-sector forecaster predicts this will be twice as difficult as had been believed.

Forecasts sent to clients this morning by the Canberra-based economic-modelling firm [macroeconomics.com.au](http://macroeconomics.com.au) put this year's budget deficit at \$34 billion, rather than the \$23 billion projected in the budget.

The deficit in 2012-13 is \$7 billion rather than the \$3 billion forecast on budget night.

In both years the deterioration is \$11 billion rather than the \$5 billion previously predicted by private forecasters.

"Our model comes up with lower economic growth," the firm's director of budget and forecasting, Stephen Anthony, told the *Herald*. "This means a lower tax take from companies and workers this year, and a lower starting point in future years."

The May budget had net debt peaking at \$107 billion, or 7.2 per cent of gross domestic product this financial year. Macroeconomics says it is on track to keep climbing for at least the next four years, hitting \$137 billion, or 8.3 per cent of GDP in 2014-15.

"Wayne Swan could have prepared the way for tightening in the May budget while the outlook was still strong," Mr Anthony said. "Regrettably he delayed, so now it appears budget cuts will be forced upon us during a downturn."

Mr Anthony said he wanted the Treasurer to cut hard in the upcoming mid-year budget review nonetheless.

"He'll need cuts of \$7 billion to \$11 billion to get back into surplus. It is important to show we are able to maintain fiscal discipline," he said.

Mr Anthony is a former Treasury and private-sector economic modeller. Macroeconomics' clients are mainly in the state and federal public sectors.

He said the easiest and biggest cuts could be found in middle-

class welfare, changes to "things such as means tests and the family tax benefits which ought to accord with Labor values".

Mr Swan is expected to release the mid-year budget review within a fortnight.

He said yesterday it was "very clear" the economy would grow more slowly than expected and that there would be a "significant hit to revenues".

"But I have said we remain determined to return the budget to surplus in 2012-13," he told ABC radio. "Because of what has occurred in the global economy and what has occurred in terms of budget revenues, there will be savings.

---

**'Budget cuts will be forced upon us during a downturn.' Forecaster Stephen Anthony**

"We want to send a very clear message that we are committed to fiscal discipline at a time when many countries around the world are doing very badly through an absence of fiscal discipline.

"We have made the point that when you move to stimulate the economy you have to put in place an exit strategy. We've done that, bringing our budget back to surplus consistent with strong growth. The fact is we have an outlook for growth which is around trend at the moment and that's healthy compared to just about any other developed economy in the world."

People concerned that the cuts would be too deep should "hold fire until they see the statement", he said.

Mr Swan said he believed the Parliament would pass the mining-tax package at its final sitting for the year next week.

If it did not then "what's endangered is that big boost to superannuation for millions and millions of Australian workers and, of course, the tax cut for small business".