

2025-2026 FEDERAL BUDGET BRIEFING

Budget Overview and Initial Market Responses

Treasurer Jim Chalmers has delivered a highly unusual fourth and final Budget in one term of government before the upcoming federal election to be called as soon as this Sunday. This Budget continues the Government’s focus on easing cost-of-living pressures through broad-based tax cuts, energy bill relief, and higher bulk-billing incentives. However, economists and market commentators have raised concerns that this is a pre-election Budget lacking the structural reforms required to drive long-term productivity and economic dynamism.^{1 2}

Despite this, the economic outlook is cautiously optimistic. GDP growth is forecast to lift from 1.5 per cent in 2024–25 to 2.25 per cent in 2025–26, underpinned by private sector activity rather than public spending. Inflation is forecast to track lower than expected and is anticipated to remain within the Reserve Bank’s 2–3 per cent target band, with it going up to 3 per cent next year. This means inflation is still an ongoing issue despite the cost-of-living measures. This could weigh against the RBA’s plans to implement two interest rate cuts by September. Growing budget deficits are forecast over the next ten years. A \$27.6 billion underlying cash deficit in the current fiscal year grows to a \$42.1 billion deficit next year. The deficit is expected to improve slightly to \$35.7 billion in 2026-27 and remain similar in the next two years as well.

Domestic economic outlook ^{3 4}

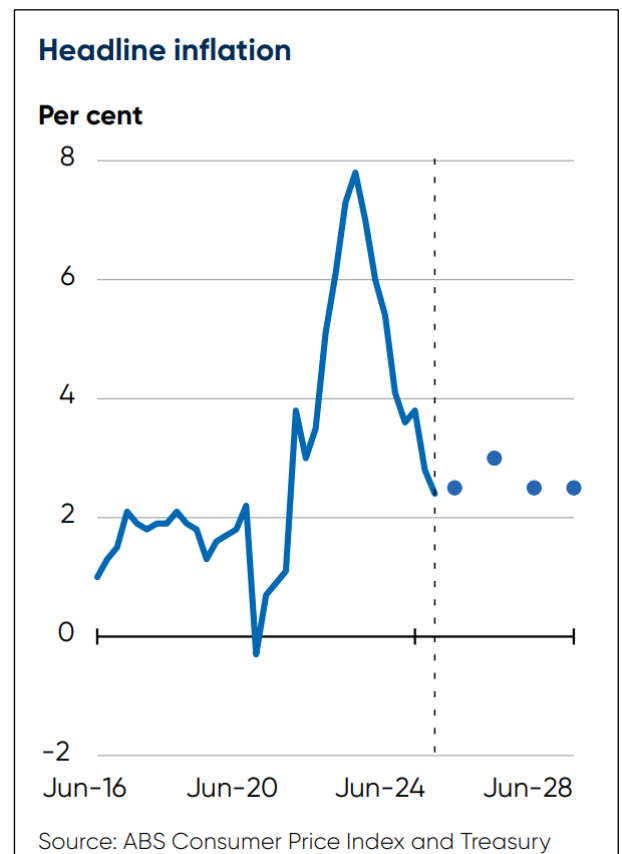
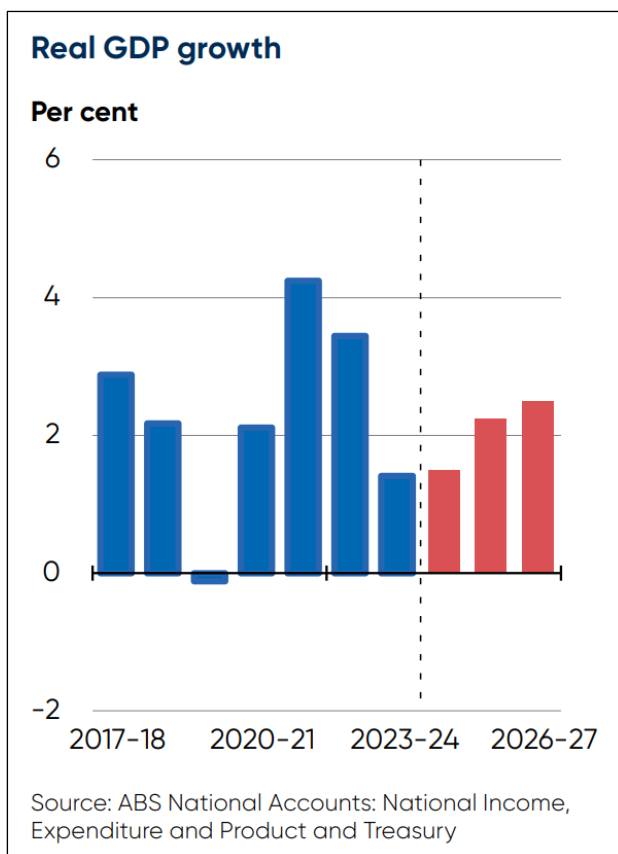
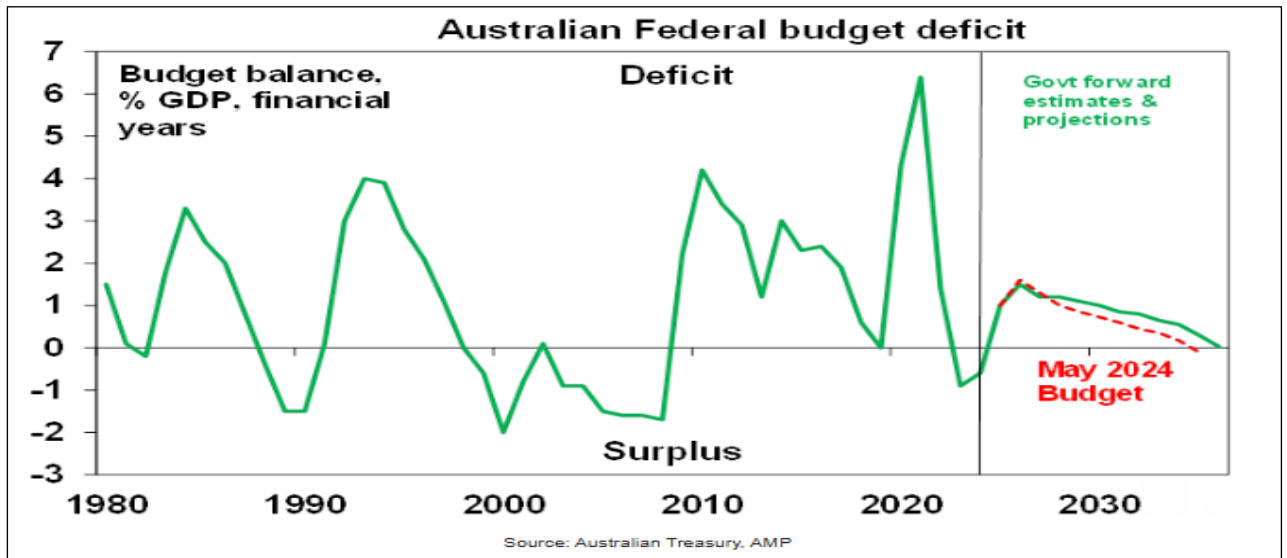
	Outcome		Forecasts			
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Real GDP	1.4	1 1/2	2 1/4	2 1/2	2 3/4	2 3/4
Employment	2.2	2 3/4	1	1 1/4	1 1/2	1 1/2
Unemployment rate	4.0	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4
Consumer price index	3.8	2 1/2	3	2 1/2	2 1/2	2 1/2
Wage price index	4.1	3	3 1/4	3 1/4	3 1/2	3 3/4
Nominal GDP	4.1	4 1/4	3 1/4	4	5 1/4	5 1/2

¹ ABC, [Laura Tingle breaks down the federal budget](#) (25 March 2025).

² ABC, [Treasurer defends 'tax cuts for every Australian taxpayer' in budget | 7.30](#) (25 March 2025).

³ Commonwealth Treasury, [Budget 2025-26: Budget Paper No. 1](#), (25 March 2025) see page 6.

⁴ Commonwealth Treasury, [Budget 2025-26: Budget Overview](#), (25 March 2025) See page 9.



Economic Uncertainty for the Technology Sector

The technology sector faces uncertainty with the election period and the budget reinforces some of the tensions the sector is facing including:

1. Right-Sizing Government

Finance Minister Katy Gallagher has led efforts to strengthen internal government capability, securing more than \$2 billion in savings by reducing reliance on consultants, contractors and labour hire.⁵ This ongoing rebalancing may influence procurement patterns and how Government engages with the tech sector in future service delivery.

2. Trade Pressures and Regulatory Tensions

Australia's global trade and regulatory settings remain in flux. New 25 per cent tariffs imposed by the United States on steel and aluminium exports causing price increases on Australian exports, alongside tensions over Australia's News Media Bargaining Code and proposed social media age restrictions, have drawn scrutiny from multinational digital firms and international allies. Further, the Government's AI regulatory ambitions – including mandatory guardrails – were recently stalled, reflecting the difficult balancing act between national policy leadership and global competitiveness.⁶

3. Global AI Race and Domestic Capability Gaps

As countries like the USA, Canada, France and Singapore surge ahead with multi-billion-dollar investments in AI infrastructure and commercialisation, Australia continues to lag. Minister Gallagher's recent procurement reforms that recognised and defined 'Australian businesses' in Commonwealth tenders – was a welcome change to support local capability and increase transparency in procurement outcomes.⁷

What's Missing for Tech in the 2025–26 Budget

Artificial Intelligence and R&D Funding

Despite AI being referenced as a "seismic shift" in the Treasurer's Budget speech, the Budget offers no direct funding for AI adoption or broader technology R&D. Major policy directions remain caught up in two yet-to-be-completed reviews⁸:

- The National AI Capability Plan
- The Strategic Review of the R&D System

These reviews are due at the end of 2025, placing significant uncertainty over whether funding will be included in next year's Budget.

It is also notable that the AI Growth Plan proposed ahead of last year's Budget was rejected and failed to progress through Cabinet.⁹ While this year's budget meant science and medical research received a modest \$300 million boost, it still fell short of the

⁵ The Guardian, [Finance minister reveals a further \\$2bn in savings in Tuesday's federal budget](#) (24 March 2025)

⁶ ABC, [This year's federal budget is tiptoeing around the edge of reality at a pivotal point in history](#) (25 March 2025)

⁷ Labor, [Buy Australian Plan Defines Australian Business](#) (3 March 2025).

⁸ Innovationaus, [Budget 2025: Dude, where's my digital economy?](#) (25 March 2025).

⁹ Innovationaus, [Govt knocked back AI plan before last year's Budget](#) (20 March 2025).

significant research infrastructure investments long sought by the sector. Australia's public and private investment in R&D remains well below the OECD average, and the gap is expected to worsen without urgent policy reform.

What's in the Budget for the Technology Sector¹⁰

Industry, Science and Resources

- **\$1.0 billion over seven years** from 2024–25 for the Green Iron Investment Fund to fund green iron projects through capital grants to support producers to establish or transition into low emissions facilities in Australia, including up to \$500 million earmarked to transform the Whyalla Steelworks.

Climate, Energy and Low-Emissions Technologies

- **\$2 billion recapitalisation** of the Clean Energy Finance Corporation to support renewable energy, energy efficiency and low emissions technologies – potentially creating flow-on benefits for tech innovators in cleantech and energy management solutions.

Digital Infrastructure

- **\$3 billion equity investment** over seven years from 2024–25 to NBN Co to upgrade the remaining 622,000 National Broadband Network (NBN) premises on the national fibre-to-the-node (FTTN) network with NBN Co also contributing more than **\$800 million** to the project.

STEM Education and Skills

- **\$2.2 million extend** the Australian Academy of Science school Science Technology, Engineering and Mathematics (STEM) programs to boost the confidence and capability of STEM teachers and support students studying STEM.
- **\$1.5 million** to extend the Let's Count program, delivered by The Smith Family, to build the capacity of educators and parents to improve the mathematical capabilities of preschool children and support their successful transition to school.

Tech modernisation

- **\$228.7 million** to continue [modernising My Health Record](#) and support the digital health reform agenda
- **\$207 million over two years** to deliver the second tranche of stabilisation and uplift of the Australian Securities and Investments Commission's (ASIC) business registers
- **\$53.2 million** to continue implementation of the Single Assessment System and support the staged digital implementation of the Aged Care Act 2024 to ensure continuity of aged care assessment services
- **\$37.8 million** for the Aged Care Quality and Safety Commission to support the staged digital implementation of the Aged Care Act 2024
- **\$5.7 million** to extend funding to ensure sustainability of Australia's electronic [pharmaceutical] prescribing infrastructure

¹⁰ Commonwealth Treasury, [Budget 2025-26: Budget Measures Budget Paper No. 2](#), (25 March 2025).

- **\$5.4 million** to support the National Emergency Management Agency's engagement with the states and territories on a national high-speed and high-capacity mobile broadband emergency response capability
- **\$3 million** over four years from 2025–26 for the Australian Securities and Investments Commission to improve its data analytics capability to better target enforcement activities to deter illegal phoenixing activities, particularly in the construction sector
- **\$1.8 million** in 2025–26 to continue the Measuring Broadband Australia program
- **Unknown amount** for "additional resourcing for the Department of the Prime Minister and Cabinet to strengthen IT systems including whole-of-government systems"

Law Enforcement, Fraud and Scam Disruption

- **\$151 million over four years** to continue enhancements to the National Disability Insurance Agency's (NDIA's) fraud detecting IT systems
- **\$17.1 million** to continue to invest in the NDIA's ability to detect and respond to fraud and non-compliant payments
- **\$6.7 million** to extend the operation of the National Anti-Scam Centre within the Australian Competition and Consumer Commission
- **\$2.2 million** in 2025–26 for the Office of the Commonwealth Ombudsman, the Department of Home Affairs and the Australian Criminal Intelligence Commission to continue to support access to data for law enforcement and national security purposes under the AUS-US Data Access Agreement

Conclusion

While the 2025–26 Budget demonstrates a continuing focus on cost-of-living relief, tech modernisation and clean energy investment, it offers limited immediate benefits for Australia's technology sector. The absence of new funding for AI or R&D highlights a continued reliance on yet-to-be-finalised policy reviews. In the face of escalating international competition in AI and digital infrastructure, the sector will look to the upcoming election and 2026–27 Budget for stronger signals of long-term commitment and ambition.

Read the following AIIA documents below to learn more about how Australia can seize this opportunity to drive productivity and secure our digital future:

- Budget Submission ([link](#))
- 2025 Pre-Election Statement ([link](#))
- Media release responding to 2025-2026 Budget ([link](#))