Australian Government

Intergenerational Report 2026 at a glance

The pace of change is accelerating and intensifying, in Australia and around the world. Five transitions will have profound implications for our economy and society. Artificial intelligence (AI) will be a defining influence on the economy over the next 40 years. Geopolitical fragmentation is increasing and the energy transition is becoming more urgent. The population is ageing more quickly and Australia's industrial base is evolving. At the same time, concerns about intergenerational equity have deepened and trust in institutions has declined.

Australia is better placed, better prepared and has a better plan than most countries to deal with accelerating change, but we cannot be complacent. The Government's ambitious reform agenda to boost productivity and resilience, cut income taxes, boost wages and superannuation, help with the cost of living, improve the sustainability of the budget, help Australians into home ownership and invest in better services will improve living standards for current and future generations of Australians.

Major transitions

The global economy is experiencing a period of remarkable change and the pace of this change is accelerating.

The AI revolution

The economic and social impacts of AI will be profound. AI advancements, adoption and investment are accelerating, with the potential to boost productivity. While there is not yet evidence of significant labour market impacts, it is expected that productivity gains will arise from some tasks being automated using AI, and that demand for labour will increase and change in other areas.

Australia is well positioned to maximise the benefit from the opportunities and minimise the risks. We are a leading destination globally for data centre investment, which has seen a near doubling of capital expenditure since the 2023 IGR. Ensuring AI investment and adoption is aligned with Australia's national interests will improve Australia's competitiveness, resilience and wellbeing in the decades ahead.

Geopolitical fragmentation

Geopolitical fragmentation is gathering pace as conflict becomes more common and strategic competition more intense.

Economic openness will continue to deliver growth, put downward pressure on inflation and drive productivity in Australia. Australia's stable institutions, skilled workforce, deep pools of capital and reputation will benefit us in an uncertain world.

Energy transition

The energy transition will be more important and urgent as global energy supply chains face disruption, the savings from reliable renewable energy and electrification become clearer, and the associated industrial opportunities expand.

The energy buildout is occurring fastest among households looking to unlock electrification savings while historic reforms to gas markets and liquid fuel reserves will boost Australia's energy resilience.

Ageing and the care economy

Australia's population will age more quickly and grow more slowly than projected in the 2023 IGR, primarily due to lower fertility rates. Deaths are projected to outnumber births by the 2060s, a milestone that many advanced economies have already surpassed.

The number of Australians aged 85 and over is expected to triple in the next 40 years, driving increased demand for health and aged care.

Australia’s industrial transformation

Australia’s industrial base will be transformed by the scale of technological, international and demographic structural change.

Services will grow as a share of the economy driven by increased demand for health, education and aged care, underpinned by rising incomes.

Intergenerational equity

Concerns around intergenerational equity have deepened as young Australians are increasingly locked out of the housing market and trends in the tax base add to the pressure on working-age Australians.

The Government is taking action through reforms to boost productivity, support home ownership, rebalance the tax system, and strengthen superannuation.

The economy

The Australian economy is projected to continue to grow over the next 40 years. By 2065–66, the real economy is projected to be more than twice the size and real per capita gross national income to rise by 55 per cent.

Population

Australians are expected to live longer and remain healthier to an older age. Population growth is expected to be 0.9 per cent per year over the next 40 years, down from 1.4 per cent over the past 40 years. Australia’s working-age population is projected to continue growing modestly, making it more demographically resilient than many other OECD countries.

Participation

Labour force participation is projected to rise reflecting increases among women and older Australians. The participation rate is projected to peak at 67.7 per cent in 2039–40, before declining to 64.7 per cent in 2065–66**.** This projection has been substantially upgraded since the 2023 IGR, with real GDP around 2.2 per cent higher in 2062–63 as a result.

Productivity

The rise and adoption of AI is likely to support the achievement of the long-term labour productivity growth assumption of 1.2 per cent per year. This assumption is consistent with the 2023 IGR and broadly in line with the long-term assumptions of many peer economies.

Australia’s productivity performance will depend on adopting innovation, supporting investment, developing skills and delivering regulatory reforms that improve the efficient operation of the economy.

The budget

The fiscal outlook has improved since the 2023 IGR, as the Government has taken action on the fastest growing fiscal pressures. The UCB is expected to improve over the medium term, to a deficit of 0.3 per cent of GDP in 2036–37, before widening to 1.8 per cent of GDP in 2065–66. Compared to the 2023 IGR, the UCB is projected to improve by 1.2 percentage points of GDP in 2062–63.

Gross debt as a share of GDP is projected to decline to 22.2 per cent in the mid-2050s before increasing to 27.4 per cent by 2065–66. Compared to the 2023 IGR, gross debt is 7.2 percentage points of GDP lower in 2062–63.

Revenue

Tax-to-GDP is lower than the 2023 IGR assumption, meaning that the vast majority of the improvement in the projected fiscal position since the 2023 IGR is driven by lower projected payments. Tax receipts are assumed not to exceed their historical high (reached in 2004–05 and 2005–06) of 24.2 per cent of GDP from 2032–33.

Spending

Payments are expected to rise to 27.7 per cent of GDP over the next 40 years, largely driven by population ageing. By 2062–63, payments as a share of GDP are 1.3 percentage points lower than in the 2023 IGR. The Government has taken action on the fastest growing fiscal pressures including through reforms to the NDIS and aged care.

Balance sheet

Australia’s balance sheet is projected to be stronger at the end of the projection period than in the 2023 IGR and remains strong compared to other advanced economies. The Government is leveraging balance sheet investments to build a more productive economy, alleviate supply constraints and fund key government priorities including the energy transition.