

13 May 2026
Policy Brief.

Australia's 2026 Federal Budget.

Development
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The 2026 Federal Budget has just been released. It totals \$798.1b.

The international affairs budget, including defence, development, diplomacy, intelligence, and international policing, makes up \$76.18b, or 9.54% of the budget.

Budget commitments across all policy areas are largely in keeping with existing trends. Single year variations in defence and diplomacy mean that this is a \$1.45b nominal decline compared to last year.

Two contextual drivers stand out when situating Australia's international affairs budget.

First, global defence spending continues to increase sharply. Notably, the United States has announced plans for a [42% increase](#) in military spending, which does not include the additional costs of the war on Iran.

Second, global Overseas Development Assistance (ODA) has suffered a historic contraction, declining [by almost one quarter](#) in 2025 and projected to decline further.

Australian foreign affairs leaders regularly emphasise the increasing need to use all tools of 'statecraft' in pursuing Australia's interests. The Lab's interactive online database, [BudgetLines](#), presents over 25 years of budget data for all of Australia's 'tools of statecraft', under the umbrella of Australia's international affairs budget. This database and related analyses are the only place where this data can be accessed together at once.

By comparing the numbers across these policy areas, we can analyse what Australia's spending reveals about its priorities and understand how they have changed in the last quarter-century.

In this brief, we look at what the numbers tell us this year.



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One | The 2026-27 Budget

The tables below present year-on-year comparisons between budget years 2025-26 and 2026-27.

Table 1.1 uses nominal data.

Table 1.1: Budget Comparison (nominal)			
Area	2025-26 Budget	2026-27 Budget	Change
Defenceⁱ	\$63.24b	\$62.6b	- \$648.4m
ODA (aid)	\$5.10b	\$5.21b	+ \$112m
Foreign affairs and tradeⁱⁱ	\$5.02b	\$3.96b	- \$1.07b
Intelligence communityⁱⁱⁱ	\$2.12b	\$2.18b	+ \$55.1m
AFP (intl. policing)^{iv}	\$2.15b	\$2.24b	+ \$94.76m
TOTAL (international affairs)	\$77.63b	\$76.18b	- \$1.45b

Table 1.2 uses real (inflation adjusted) data.

Table 1.2: Budget Comparison (real)^v			
Area	2025-26 Budget	2026-27 Budget	Change
Defence	\$63.24b	\$61.07b	- \$2.18b
ODA (aid)	\$5.097b	\$5.081b	- \$15.05m
Foreign affairs and trade	\$5.02b	\$3.86b	- \$1.16b
Intelligence community	\$2.12b	\$2.12b	+ \$2.05m
AFP (intl. policing)	\$2.15b	\$2.19b	+ \$40.1m
TOTAL (international affairs)	\$77.63b	\$74.32b	- \$3.31b

Two | Political context: alms and arms.

The 2026-27 federal budget was delivered in the context of four significant factors.

Conflict implications. The latest [IMF World Economic Outlook](#) shows that the US and Israel war on Iran has dampened the global growth outlook and increased inflation expectations, though the changes in its projections are modest and uncertainty on all measures is high. The IMF highlights that these impacts will be more pronounced in developing economies.

This finding is matched by new Lab [Pulse Check x Southeast Asia](#) data and analysis of the war's impacts in Southeast Asia. Regional experts are indicating the severity of this shock is similar to the COVID-19 pandemic.

Global Official Development Assistance (ODA). In 2023, the Australian Government '[locked in](#) year-on-year ODA growth of 2.5 per cent per annum' from 2026-27.

A historic decline in ODA spending is occurring globally. The most recent [authoritative data](#) indicates a 23.1% decline from 2024 to 2025 in the ODA spend by the members of the Organisation for Economic Co-operation and Development – Development Assistance Committee (OECD DAC). [Many analysts](#) anticipate more significant contraction in the years ahead.

Defence. There have been sharp increases in military spending globally. The Trump Administration has announced plans for a [42% increase](#), which would take the US military budget to US\$1.5t (though this still requires passage through Congress). The Administration has also [pressured allies](#) to increase their spending. More generally, Stockholm International Peace Research Institute [data](#) describes a global increase, including an 8.1% year-on-year rise in Asia and Oceania in the most recent figures (2024 to 2025).

Though Australia's Defence budget shows a single year of decline compared to 2025, budget papers show defence portfolio funding steadily rising to \$77.08b (nominal) by the end of the forward estimates in 2029-30.

Making detailed assessments of the Defence budget is becoming harder, including due to the cessation of the Australian National Audit Office's [Major Projects Report](#), which was one of the few sources of detail on major items of Defence spending. While the Deputy Prime Minister Richard Marles, [announced](#) that defence spending as a percentage of GDP in Australia is 2.8%, Lab calculations put this at 2.02% (for 2026-27) based on methods consistent with previous general practice.^{vi}

Domestic economic pressure. It's also important to contextualise the international affairs spend in the Australian domestic context. The Australian Government is making politically difficult budget changes, including a significant cut to the [National Disability Insurance Scheme](#) as well as tax reforms, amidst ongoing [domestic inflationary pressures](#).

Three | Historical trends and forward estimates.

For 27 years, Australia has spent approximately 9% of its federal budget on defence, development, diplomacy, intelligence, and international policing.^{vii} This year, Australia's international affairs budget makes up \$76.18b, or 9.54% of the total Commonwealth budget. This is despite rising global threats and global aid cuts.

Table 2.1 and **Figures 2.1 – 2.3** on the next two pages summarise the changes across these years.

- Defence dominates the budget at approximately 82% of the total \$76.18b spend on international affairs this budget year. There is set to be real growth over the forward estimates.
- Aid has seen the weakest growth over the last 27 years. There is set to be a real decline over the forward estimates.
- Over the last 27 years, funding for Australian diplomacy has been the most volatile. This budget reports a spike of approximately \$1b in DFAT's core operating budget for 2025-26.^{viii} This spike warrants further analysis. There is set to be a real decline over the forward estimates.
- Intelligence community budgets have seen the greatest growth over the last 27 years; Australia now budgets more than five-and-a-half times as much on intelligence agencies as it did in 1999. There is, however, set to be a real decline over the forward estimates.
- International policing has grown a little more than foreign affairs and trade over the 27-year period. There is set to be a real decline over the forward estimates.

Table 2.1 shows expenditure/budgets from 2000-2027, providing five-year increments for Defence, Official Development Assistance (ODA), foreign affairs and trade, the intelligence community and the Australian Federal Police (international policing).

Table 2.1: 27 years of budgets (real)

Area	2000-01	2005-06	2010-11	2015-16	2020-21	2026-27
Defence	\$24.61b	\$30.4b	\$36.63b	\$42.67b	\$52.9b	\$61.07b
Overseas Development Assistance (ODA)	\$3.27b	\$4.54b	\$6.39b	\$5.77b	\$5.65b	\$5.081b
Foreign affairs and trade	\$1.24b	\$2.43b	\$2.84b	\$3.65b	\$5.22b	\$3.86b
Intelligence community	\$362.44m	\$819.7m	\$1.34b	\$1.49b	\$1.85b	\$2.12b
Australian Federal Police (international policing only)	\$626.82m	Data not reported in budget	\$1.9b	\$1.72b	\$1.94b	\$2.19b

Additionally, **Figure 2.1** below outlines real growth between 1999 and 2027:

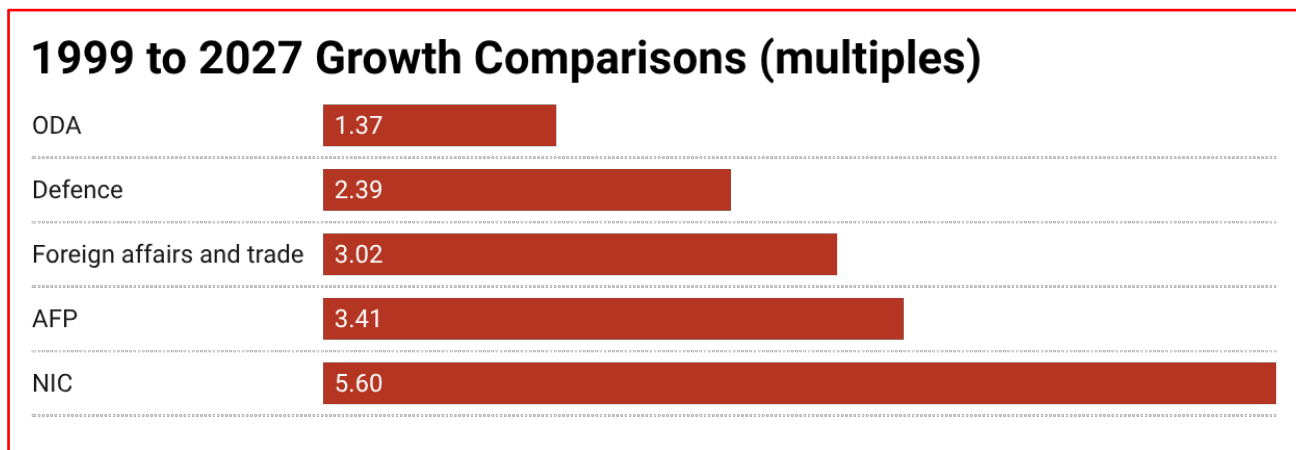


Figure 2.1. 1999-2000 to 2026-2027 growth comparisons. Each bar depicts the 2026-27 budget allocation as a multiple of the 1999-00 allocation, inflation adjusted (for example, if a budget was \$1 in 1999-00 and is \$2 in 2026-27, the multiple is 2).

Finally, **Figure 2.2** and **Figure 2.3** below summarise international affairs budgets between 1999 and 2029, including (2.3) and excluding (2.4) Defence:

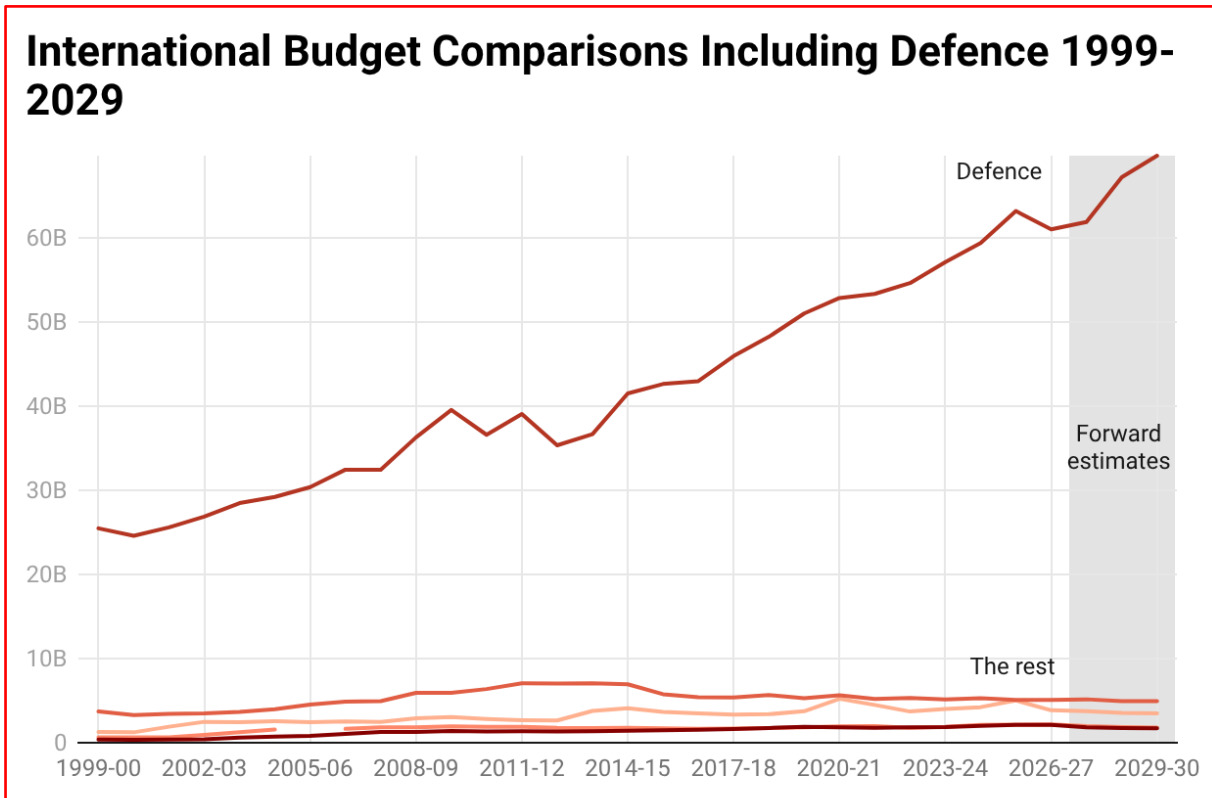


Figure 2.2. International budget comparisons including Defence 1999-2029 (inflation adjusted).

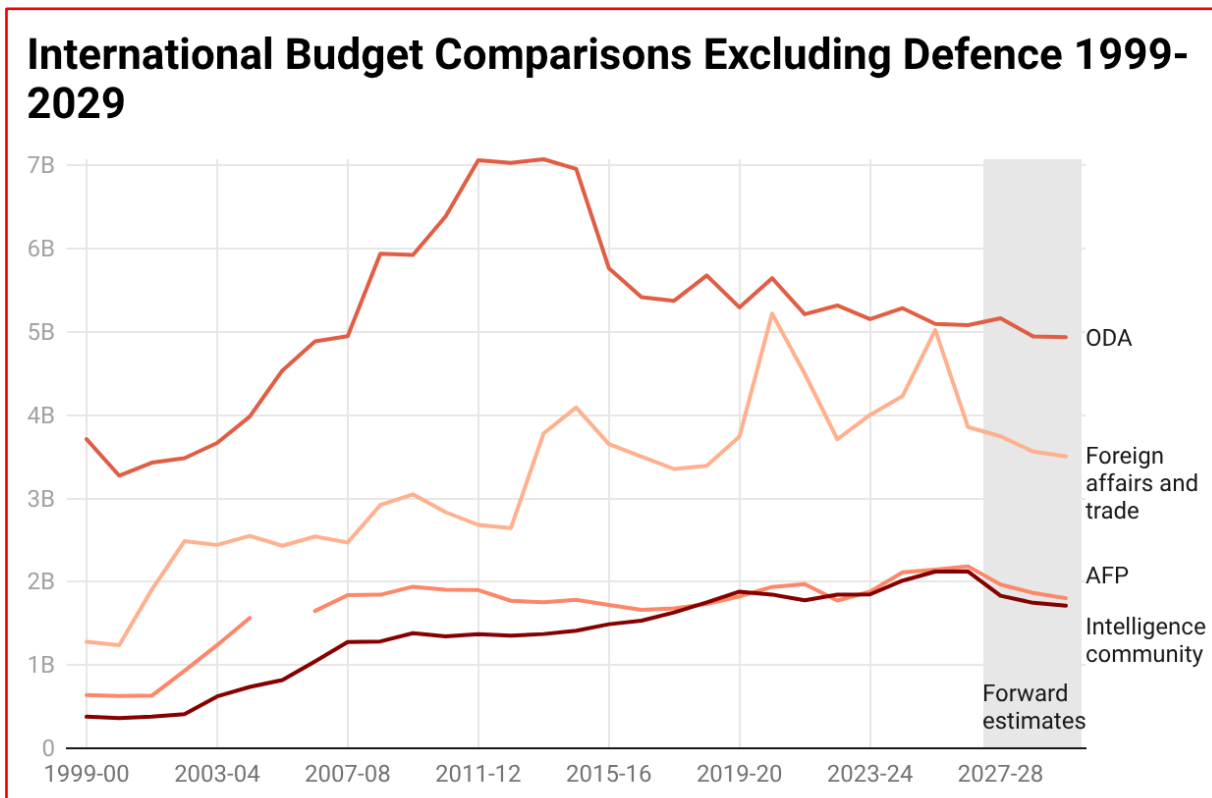


Figure 2.3. International budget comparisons excluding Defence 1999-2029 (inflation adjusted).

Development Intelligence Lab.

About the Lab

The Lab is a think tank working on development cooperation in the Indo-Pacific. We're convinced that great development cooperation comes from unusual collaborations, inspired leadership, good natured debate, and cracking analysis.

Join us for the latest debates on [The Intel](#), where every fortnight we ask three experts one question that's top of mind for the development and foreign policy community. Stay up to date with rich insights on Australian development cooperation in the region through [Our Analysis](#). And keep an eye out for our [Situation Room](#), an off-the-record dialogue to test ideas, deepen understanding, and shape Australian policy and practice.

Further information and acknowledgements

For questions about this analysis please reach out at wleben@devintelligencelab.com or hello@devintelligencelab.com

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Notes:

ⁱ In our analysis, we use defence portfolio figures, inclusive of the Australian Submarine Agency and Australian Signals Directorate, per Table 4A of the Defence Portfolio Budget Statement.

ⁱⁱ 'Foreign affairs and trade' is the Department of Foreign Affairs and Trade (Outcomes 1, 2 and 3), Austrade (Outcome 1) and the ACIAR (Outcome 1). ODA is removed from this estimate by removing programs 1.2 and 1.3 within DFAT Outcome 1 from the total (that is, removing ODA administered by DFAT from the estimate, rather than the total ODA budget). The figures in this paper therefore differ from that presented in our longer, earlier report, *Balancing Act*, linked below.

ⁱⁱⁱ The National Intelligence Community (NIC) is ASIS, ASIO, ONI, ACIC, AUSTRAC (or predecessor agencies). ASD is counted within Defence. Data for other agencies is not available.

^{iv} Excludes Australian Federal Police (AFP) purely domestic functions (Outcome 2 in the Budget Statements).

^v Inflation adjustments have been produced using CPI numbers provided by the ABS and Treasury forecasts for inflation. Historic data and forward estimates are all adjusted relative to 2025-26 using these index numbers, summarised below. Note that the ABS re-referenced the CPI in December 2025, which means that these index numbers appear different to previous Lab budget analyses.

Notes table: CPI used for inflation adjustments							
Year	Pre 2024	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Treasury inflation forecast (%)	n/a	n/a	5	2.5	2.5	2.5	2.5
CPI index		98.43	103.352	105.935	108.584	111.298	114.081
Notes	All per ABS data for June of the given year	CPI per ABS June 2025 data	CPI number per Budget Paper No. 1. Treated as current year.	CPI number per Budget Paper No. 1.	CPI number per Budget Paper No. 1.	Lab assumption of 2.5%	

^{vi} The generally accepted method uses a GDP figure (per Budget Paper No. 1, of \$3.094t for 2026-27), and the defence portfolio budget. It is unclear what further spending is being included to reach a higher percentage of GDP.

^{vii} For our full historic analysis, see *Balancing Act: 25 years of Australian international budgets*. Note due to changing inflation adjustments the exact figures provided in this (May 2026) paper are the most up-to-date.

^{viii} By 'core operating budget' we are referring specifically to Program 1.1 as reported in the DFAT PBS.