**4 March 2021**

# 2020‑21 National fiscal outlook:

# Technical appendix

## Glossary[[1]](#footnote-1)

#### *Expenses*

Expense in the budget context refers to the cost of providing government services, excluding costs related to revaluations such as the write down of assets. Expenses are recorded when costs are incurred, regardless of whether any cash is paid. This reflects an accrual accounting framework.

#### *Fiscal balance*

The fiscal balance is one of several indicators known as 'budget aggregates' that measure the impact of the government's budget on the economy. The fiscal balance is equal to the government's revenue minus its expenses, adjusted for government capital investments when they are acquired or sold. It reflects an accrual accounting framework.

#### *General government sector*

The general government sector consists primarily of government departments and agencies providing public services and benefits for free or at subsidised prices that are funded mainly through taxes.

#### Government businesses [Not available in PBO online glossary]

For the purpose of this report, government businesses refer to public non-financial corporations, which provide services on a fee-for‑service basis. These corporations are funded through a combination of income from the provision of goods and services and government grants.

#### Net capital investment

Net capital investment, sometimes referred to as net acquisition of non‑financial assets, is calculated by deducting the value of any sales of non-financial assets from the value of non-financial assets purchased and adjusting for changes in the value of non-financial assets, such as for depreciation.

#### Net debt

Net debt is a widely used measure of the strength of the government’s balance sheet. Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowings) less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements). It does not include superannuation-related liabilities but may include superannuation‑related assets where these are classified as one of the ‘selected financial assets’ listed above.

#### Net financial worth

Net financial worth is a broader measure of the strength of the government’s balance sheet than
net debt. Net financial worth is the sum of all financial assets (such as cash, or shares in a company) less the sum of all financial liabilities, such as outstanding debts and superannuation-related liabilities.

#### Net operating balance

The net operating balance is an accrual budget aggregate equal to the government's revenue minus its expenses. It does not include net capital investment, but does include the consumption of capital (depreciation). The net operating balance plus net capital investment is equal to the fiscal balance.

The net operating balance is the measure of budget balance used in the annual national fiscal outlook while the PBO’s last medium‑term projections report for the Commonwealth budget uses the underlying cash balance as its main measure of budget balance.

The primary reason for using the net operating balance in this publication is that presenting
the net operating balance and net capital investment allows a clear distinction between recurrent and capital expenses, which is particularly important for understanding state budget positions.

*Public debt interest*

Public debt interest is the borrowing costs of the government, mainly incurred through issuing and servicing government debt, and recorded as a cost to government in the budget.

#### Payments

Payments capture all outgoing cash transactions. In the Commonwealth and state and territory budget context, payments are those that affect the underlying cash balance and comprise cash transactions for operating activities and the purchase of non-financial assets.

#### Revenue

Revenue is government income, recorded at the time it is earned as reported on an 'accrual accounting' basis.

The [At a Glance](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/National_fiscal_outlook) document that accompanies the national fiscal outlook presents net operating balance, fiscal balance and net capital investment, revenue and expenses, and net debt for each state and the Commonwealth as well as national totals.

## Data and method

The budget aggregates in ‘What has changed since the 2019-20 National Fiscal Outlook?' (page 2) comprise Commonwealth, state and territory, and local governments. The section ‘State trends’ only includes state and territory governments, unless otherwise indicated. With the exception of local government projections, this report does not include any PBO projections. The PBO adjusts historical data and budget projections to improve comparability across jurisdictions and over time as discussed below, but does not otherwise adjust historical or budget data. The analysis uses the budget papers as published, so only current government policies at the time of the respective budgets are included.

### Data sources

In general, the scope of this report is the general government sector. The exception is information provided on net capital investment including government businesses.

Historical data, from 2002‑03 to 2018‑19, are sourced from the Australian Bureau of Statistics (ABS), *Government Finance Statistics, Annual, 2018‑19* (formerly known as catalogue number 5512.0). Data for 2019‑20 are sourced from the latest Commonwealth, state and territory budgets or mid-year budget updates. If 2019‑20 data were not provided in the budget, they were instead sourced from the 2019‑20 final budget outcome. Data for the forward estimates period, from 2020-21 to 2023-24, are sourced from Commonwealth, state and territory budgets or mid-year budget updates. The budget updates used in preparing this report are shown in Table A1. The detailed sources for the COVID‑19 amounts announced are shown at Table A2.

Historical net debt figures were provided to the PBO through the ABS’s special data service consistent with the presentation in ABS *Government Finance Statistics, Annual, 2016‑17*. The ABS no longer publishes a single measure of net debt, and has instead introduced a debt matrix presentation for public sector debt statistics, disaggregated by government sector and debt instrument. Under the matrix presentation, item code L2 is the closest comparable measure to government reporting of net debt in line with the Uniform Presentation Framework.[[2]](#footnote-2)

Table A1: Budget or budget updates used in preparing this report

|  |  |  |
| --- | --- | --- |
| Jurisdiction | Budget or budget updates used | Date released |
| Commonwealth | 2020-21 Mid-Year Economic and Fiscal Outlook | 17 December 2020 |
| Australian Capital Territory | 2020-21 Budget | 9 February 2021 |
| New South Wales | 2020-21 Half-Yearly Review | 25 February 2021 |
| Northern Territory | 2020-21 Budget | 10 November 2020 |
| Queensland | 2020-21 Budget | 1 December 2020 |
| South Australia | 2020-21 Budget | 10 November 2020 |
| Tasmania | Revised Estimates Report 2020-21 | 15 February 2021 |
| Victoria | 2020-21 Budget | 24 November 2020 |
| Western Australia | 2020-21 Mid-year Financial Projections Statement | 14 December 2020 |

Table A2: COVID-19 amounts announced

|  |  |  |
| --- | --- | --- |
| Jurisdiction | COVID-19 amount announced | Data source |
| Commonwealth | $267 billion | [Mid-Year Economic and Fiscal Outlook 2020-21](https://budget.gov.au/2020-21/content/myefo/download/myefo-2020-21.pdf), page 1. |
| Australian Capital Territory | $0.369 billion | [Canberra’s Recovery Plan](https://www.covid19.act.gov.au/__data/assets/pdf_file/0007/1561903/CV_Economic-Recovery-Plan_0.2_Accessible.pdf), Economic Recovery Roadmap. |
| New South Wales | $29 billion | [The NSW Budget 2020-21 Half-Yearly Review](https://www.budget.nsw.gov.au/system/files/budget-2021-03/The%20NSW%20Budget%202020-2021%20Half-Yearly%20Review.pdf), page 3. |
| Northern Territory | $0.383 billion | [Northern Territory Budget 2020-21](https://budget.nt.gov.au/__data/assets/pdf_file/0005/946715/2020-21-budget-book2.pdf), Budget Paper No. 2, Budget Strategy and Outlook, page 5. |
| Queensland | $7 billion | [Queensland Budget 2020-21](https://budget.qld.gov.au/files/Budget_Strategy_and_Outlook_2.pdf), Budget Paper No. 2, Budget Strategy and Outlook, page 7.[Queensland’s economic recovery plan](https://www.covid19.qld.gov.au/__data/assets/pdf_file/0025/128194/economic-recovery-plan.pdf), page 6. |
| South Australia | $4 billion | [South Australia State Budget 2020-21](https://statebudget.sa.gov.au/budget-docs/2020-21_budget_statement.pdf), Budget Paper No. 3, Budget Statement, page 3. |
| Tasmania | Over $1 billion | [Tasmania Budget 2020-21](https://www.treasury.tas.gov.au/Documents/2020-21-Budget-Paper-No-1.pdf), Budget Paper No. 1, page 4.[Tasmanian Budget 2020-21](http://www.premier.tas.gov.au/__data/assets/pdf_file/0005/563720/Tasmanian_Budget_2020-21.pdf) Highlights, page 10. |
| Victoria | Over $13 billion | [Victorian Budget 2020/21](https://s3-ap-southeast-2.amazonaws.com/budgetfiles202021.budget.vic.gov.au/2020-21%2BState%2BBudget%2B-%2BStrategy%2Band%2BOutlook.pdf), Budget Paper No. 2, Strategy and Outlook, page 1. |
| Western Australia | $5.5 billion | [Western Australia State Budget 2020-21](https://www.ourstatebudget.wa.gov.au/2020-21/budget-papers/bp3/2020-21-wa-state-budget-bp3.pdf), Budget Paper No. 3, Economic and Fiscal Outlook, page 1.[Western Australia Recovery Plan](https://www.wa.gov.au/sites/default/files/2020-07/WA-Recovery-Plan.pdf), page 13. |

### Method

Data are generally comparable across the historical and forward estimates periods, but there are differences in the budget treatment of items across jurisdictions.

Reported revenue and expenses for the Commonwealth and state governments include transfers between governments. For example, GST is collected by the Commonwealth Government, where it is counted as Commonwealth revenue, and then passed onto state governments, where it is counted as state government revenue. When consolidating the national aggregates, totals are adjusted to remove double accounting.

The projections of revenue and expenses for New South Wales and Western Australia have been adjusted by the PBO to improve comparability across periods. The budget estimates published by New South Wales and Western Australia exclude Commonwealth transfers that ‘pass through’ their state accounts and, as such, their reported revenue and expenses do not include these amounts (these mainly relate to payments to non‑government schools and local governments which the Commonwealth makes through the states). In contrast, the ABS requires that the full ‘grossed up’ amount be reported. Revenue and expenses for New South Wales and Western Australia from 2019‑20 onwards are adjusted using the estimates of these transfers in state and Commonwealth budget papers.

The projections of net debt for the Australian Capital Territory are adjusted by the PBO to be consistent with the Uniform Presentation Framework.

Charts comparing variables from the previous and current outlook use the GDP projections underpinning the corresponding Commonwealth budget update when calculating shares of GDP. For example, the net debt projections from the 2019‑20 outlook are expressed as a share of the GDP projection in the 2019‑20 outlook.

From 2019‑20, aggregated local government data on revenue and expenses are projected by the PBO using historical trends, and net capital investments are projected in line with the projected GDP. These projections use the methodology adopted in the 2019-20 outlook. The impact of the COVID‑19 pandemic is not taken into account in the local government projections because there is limited aggregated information available. The impacts are also highly uncertain and likely to differ between locations.

COVID-19 responses as a proportion of income are calculated by dividing COVID-19 response packages as reported by the Commonwealth and state and territory budgets by the total revenue of each government in 2018-19 (adjusting for transfers between governments). The 2018-19 reference year is used as it is the last complete financial year not affected by COVID-19.

|  |
| --- |
|   |

National spending on the response to COVID-19 is calculated by aggregating all reported COVID-19 response packages from the Commonwealth and state and territory budget papers over the forward estimates. Local government spending on COVID-19 is not included in this calculation.

### Supplementary data tables

Additional data on the net operating balance, revenue, expenses and net debt for the forward estimates period are provided below. These tables are also available in the *Chart and additional data* spreadsheet in the PBO’s [data portal](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Data_portal).

|  |
| --- |
| Table A3: Net operating balance |
| **Net operating balance** |  | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |  |
| **National** | **% of GDP** | 2.6 | -5.2 | -11.1 | -5.4 | -3.7 | -2.2 |   |
| **$b** | 51.5 | -103.2 | -222.1 | -110.5 | -77.9 | -48.7 |   |
| **Commonwealth** | **% of GDP** | 2.0 | -4.7 | -9.2 | -4.8 | -3.8 | -2.6 |   |
| **$b** | 38.9 | -93.5 | -185.2 | -98.2 | -81.0 | -57.1 |   |
| **State and territory** | **% of GDP** | 0.1 | -1.1 | -2.4 | -1.2 | -0.5 | -0.3 |   |
| **$b** | 2.3 | -21.0 | -49.0 | -25.3 | -10.7 | -6.0 |   |
| **Change in net operating balance since 2019-20 National Fiscal Outlook** |  |  |  |  |  |  |  | **Total revisions (2019-20 to 2022-23)** |
| **National** | **% of GDP** | 1.5 | -6.6 | -12.8 | -7.9 | -5.8 | - |   |
| **$b** | 30.0 | -130.3 | -257.0 | -160.2 | -123.1 | - | **-670.6** |
| **Commonwealth** | **% of GDP** | 1.6 | -5.4 | -10.1 | -6.2 | -4.8 | - |   |
| **$b** | 30.4 | -106.4 | -203.3 | -127.0 | -101.6 | - | **-538.3** |
| **State and territory** | **% of GDP** | 0.0 | -1.2 | -2.7 | -1.6 | -1.0 | - |   |
| **$b** | -0.3 | -24.0 | -53.9 | -33.5 | -21.9 | - | **-133.3** |

|  |
| --- |
| Table A4: Revenue |
| **Revenue** |  | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |  |
| **National** | **% of GDP** | 35.0 | 34.6 | 33.8 | 33.4 | 33.7 | 34.5 |   |
| **$b** | 683.6 | 687.7 | 678.9 | 678.9 | 711.0 | 762.2 |   |
| **Commonwealth** | **% of GDP** | 25.2 | 24.5 | 24.0 | 23.2 | 23.5 | 24.4 |   |
| **$b** | 492.3 | 486.3 | 482.1 | 472.6 | 494.9 | 538.5 |   |
| **State and territory** | **% of GDP** | 14.5 | 14.3 | 14.3 | 14.8 | 15.0 | 14.8 |   |
| **$b** | 283.1 | 284.4 | 286.6 | 301.5 | 315.8 | 327.7 |   |
| **Change in revenue since 2019-20 National Fiscal Outlook** |  |  |  |  |  |  |  | **Total revisions (2019-20 to 2022-23)** |
| **National** | **% of GDP** | -0.5 | -1.7 | -3.4 | -5.1 | -4.4 | - |   |
| **$b** | -10.2 | -32.8 | -68.6 | -103.7 | -92.8 | - | **-297.9** |
| **Commonwealth** | **% of GDP** | -0.2 | -1.4 | -2.6 | -4.5 | -4.1 | - |   |
| **$b** | -3.4 | -27.5 | -52.1 | -92.2 | -85.6 | - | **-257.4** |
| **State and territory** | **% of GDP** | -0.1 | -0.3 | -0.8 | -0.5 | -0.3 | - |   |
| **$b** | -2.0 | -6.9 | -15.4 | -9.9 | -7.0 | - | **-39.3** |

|  |
| --- |
| Table A5: Expenses |
| **Expenses** |  | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |  |
| **National** | **% of GDP** | 32.4 | 39.8 | 44.9 | 38.8 | 37.4 | 36.7 |   |
| **$b** | 632.1 | 790.9 | 901.0 | 789.4 | 788.9 | 810.9 |   |
| **Commonwealth** | **% of GDP** | 23.2 | 29.2 | 33.3 | 28.1 | 27.3 | 26.9 |   |
| **$b** | 453.5 | 579.8 | 667.3 | 570.7 | 575.8 | 595.7 |   |
| **State and territory** | **% of GDP** | 14.2 | 15.4 | 16.7 | 16.1 | 15.5 | 15.1 |   |
| **$b** | 277.8 | 305.4 | 335.7 | 326.7 | 326.5 | 333.7 |   |
| **Change in expenses since 2019-20 National Fiscal Outlook** |  |  |  |  |  |  |  | **Total revisions (2019-20 to 2022-23)** |
| **National** | **% of GDP** | -2.1 | 4.9 | 9.4 | 2.8 | 1.4 | - |   |
| **$b** | -40.2 | 97.5 | 188.4 | 56.5 | 30.3 | - | **372.7** |
| **Commonwealth** | **% of GDP** | -1.7 | 4.0 | 7.5 | 1.7 | 0.8 | - |   |
| **$b** | -33.9 | 78.9 | 151.2 | 34.8 | 15.9 | - | **280.9** |
| **State and territory** | **% of GDP** | -0.2 | 0.9 | 1.9 | 1.2 | 0.7 | - |   |
| **$b** | -4.7 | 17.1 | 38.5 | 23.6 | 14.9 | - | **94.1** |

|  |
| --- |
| Table A6: Net debt |
| **Net debt** |  | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |
| **National** | **% of GDP** | 20.1 | 29.6 | 43.7 | 51.5 | 56.3 | 58.7 |
| **$b** | 392.7 | 586.9 | 876.9 | 1047.7 | 1186.5 | 1297.9 |
| **Commonwealth** | **% of GDP** | 19.3 | 24.7 | 34.5 | 39.3 | 41.9 | 43.0 |
| **$b** | 377.8 | 491.2 | 691.9 | 798.5 | 884.3 | 951.7 |
| **State and territory** | **% of GDP** | 1.8 | 5.8 | 10.3 | 13.3 | 15.4 | 16.8 |
| **$b** | 35.0 | 114.9 | 205.6 | 271.2 | 325.6 | 370.9 |
| **Change in net debt since 2019-20 National Fiscal Outlook** |  |  |  |  |  |  |  |
| **National** | **% of GDP** | -0.5 | 7.2 | 21.0 | 29.0 | 34.4 | - |
| **$b** | -10.0 | 143.8 | 421.8 | 590.0 | 724.9 | - |
| **Commonwealth** | **% of GDP** | 0.2 | 6.6 | 17.1 | 22.9 | 26.5 | - |
| **$b** | 4.3 | 130.2 | 342.4 | 465.2 | 558.2 | - |
| **State and territory** | **% of GDP** | -0.5 | 0.8 | 4.1 | 6.2 | 8.0 | - |
| **$b** | -10.7 | 15.4 | 81.4 | 127.0 | 169.2 | - |

1. For expanded definitions of these and other budget‑related terms, please see the PBO’s [Online Budget Glossary](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/online_budget_glossary) on our website. [↑](#footnote-ref-1)
2. The Uniform Presentation Framework can be found at <https://treasury.gov.au/publication/p2019-t365789> [↑](#footnote-ref-2)