

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

.Question: BET 130

Topic: Debt Limit – Forward Estimates

Hansard Page: Thursday 31 May 2012, page 15-16

Senator JOYCE asked:

Senator JOYCE: Dr Parkinson, can you tell me what the face value of our gross debt is in the forward budget years as at 30 June?

Dr Parkinson: I think you asked that question yesterday and Mr Ray answered it. I do not have the data in front of me. I can dig through the budget papers if you want.

Senator JOYCE: There is a purpose to my asking this. You stated before that basically Europe is more uncertain than it generally is. That is along the lines of what Dr Gruen said.

Dr Parkinson: Yes.

Senator JOYCE: I totally agree with him. This one has its fingers through every section of the banking market. They are dominos. As I have said before, they will split the economic sheets if people try to drop out of the single currency. But it is not just as easy as dropping out of the single currency. There are huge ramifications from doing it. I ask the question because, after planning for the previous financial crisis, you would now be planning for the next financial crisis, would you not? We had a long and involved process of planning for the previous financial crisis, so you have told us before. Are you now planning for the next one?

Dr Parkinson: As I said in the earlier session, we do planning all the time. As I have intimated, we did a lot of planning in the run-up to Christmas last year. We have continued to do that.

Senator JOYCE: During the last one, our debt limit went from \$75 billion and it is now heading towards \$300 billion. What do you plan our debt limit will go to if this next financial crisis crystallises, as it appears it will? We will not have to worry about net debt. You will be asking for an increase in the gross debt limit. What would you presume it will go to next time?

Dr Parkinson: In the budget the government has sought to increase the debt cap from \$250 billion to \$300 billion. That is to provide a buffer. As Mr Ray discussed with you yesterday and as Mr Nicholl from AOFM made clear in his minute, that is to provide a buffer to manage things. I hope that we would not be in a position of having to run up additional debt. The whole point about trying to move fiscal policy back to a medium-term focus is, as I said earlier, to begin to pay down debt and recharge the fiscal buffers in case we need to act again. Obviously if we got hit tomorrow, given where we are, and we had to let the automatic stabilisers operate, even if there was no discretionary policy there would be implications for debt. But what that would be would be a matter of how significant the shock was.

Senator JOYCE: You just said before that you are going to go to the budget papers and tell me what our forward gross debt position is for the coming financial years. Is it actually in the budget papers?

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Dr Parkinson: I am fairly sure it is. There is at least a statement that says we are under \$250 billion at the end of each financial year.

Senator JOYCE: There is a statement, but there is no actual table. If there is, I did not find it. Quite honestly, I would be happy to see it there.

Dr Gruen: We can find out for you whether there is a table.

Dr Parkinson: This is an issue—including that detail about the tables—you went over with fiscal group yesterday. I heard the points you were making. I am happy to take them and move to the substance of the issues.

Senator JOYCE: I do not want to win cheap tricks. I have only read where it says you are going to be below \$250 billion. I have not actually seen any table. If there is one there, take it on notice. I will grab it off you. Every day we see on the news how this current crisis is coming closer and closer in Europe.

Answer:

Statement 7 in Budget Paper 1 (pg.7-17) states that the CGS on issue subject to the legislative limit is projected to be below \$250 billion at the end of each financial year across the forward estimates.

The Government does not publish future projections of the face value of CGS on issue, other than an estimate of the expected volume of Treasury Bonds and TIBs on issue at the end of the current and budget year in Statement 7 (Budget Paper 1).