

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2016 - 2017

Department/Agency: Treasury

Question: BET108-126

Topic: Fiscal Strategy

Reference: Written - 5 May 2016

Senator: Penny Wong

Question:

108. At the 2013 election, the Abbott Government announced its commitment to reach a surplus of 1% of GDP by 2023-24. When did the Government's fiscal strategy change?
109. What particular factors account for the change to the fiscal strategy?
110. Was the change to the fiscal strategy made by Government Ministers?
111. Did Treasury provide formal advice to Ministers regarding the sustainability or otherwise of the government's former fiscal strategy?
112. Was the final decision to change fiscal strategy a formal decision – or was it a more informal process?
113. What does Treasury regard as the primary (or major) impact of a change in fiscal strategy and the removal of the commitment to achieve a Budget surplus by 2023-24?
114. Do Treasury assessments demonstrate that this specific change in the fiscal strategy allows for budget deficits to occur beyond 2023-24 while still complying with the new fiscal strategy?
115. What change has occurred to the Underlying Cash Balance forecast for the financial year 2016-17, since the 2014 Budget through to the present? Please provide comparative figures.
116. What is the increase in cumulative deficit across the forward estimates, from the 2015 Budget to the 2016 Budget?
117. Were tax receipts as a percentage of GDP 22% in 2014-15.
118. Please advise the last time that tax/GDP was as high as that announced in the Budget.
119. Does the tax/GDP ratio fall or rise over the forward estimates? How much does it rise by?
120. If the tax/GDP ratio is rising, does that mean there is a rising tax burden on the economy? Please explain.
121. Has Treasury provided advice to the government on what impacts there would be on Public Debt Interest (and the Budget), if Australia's three AAA credit ratings were placed on negative outlook? On what day was such advice provided to the Government?
122. Based on its Post-Budget statement, do you believe that the credit agency Moody's is concerned about the Government's ability to retain its AAA rating?
123. What impact do Net Future Fund earnings have on delivering a surplus into the future (included from 2020-21)?
124. What is the projected surplus by end of medium-term (2026-27)?

Senator Ketter also asked the following additional questions:

Further to question 108:

125. When did it change?
126. Why did it change at MYEFO and not earlier?

Answer:**Questions 108-114, 125-126**

The Government announced its current fiscal strategy as part of the 2015-16 MYEFO, published on 15 December 2015. As noted in Box 1 of the 2015-16 MYEFO, the Government's medium-term fiscal strategy is to achieve budget surpluses, on average, over the course of the economic cycle. The fiscal strategy underlines the commitment to budget discipline and outlines how the Government will set medium-term fiscal policy while allowing for flexibility in response to changing economic conditions. The Budget repair strategy is designed to deliver sustainable budget surpluses building to at least 1 per cent of GDP as soon as possible, consistent with the medium-term fiscal strategy.

Question 115

These figures are available in each Budget update and Economic Statement from the 2013-14 Budget.

Question 116**Table 2: Cumulative deficit, 2015-16 Budget and 2016-17 Budget (\$ million)**

These figures are available in the 2015-16 Budget and 2016-17 Budget papers.

Questions 117-120

This information is contained in Budget Paper 1, Statement 10, Table 3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts. Link: http://www.budget.gov.au/2016-17/content/bp1/html/bp1_bs10-03.htm.

Question 121

Treasury has not provided estimates of the impact on public debt interest, and therefore Budget, of Australia being placed on negative outlook.

Question 122

Moody's reaffirmed their AAA ratings for Australia and maintained a *Stable* outlook following a review in August this year. Moody's listed the factors supporting the rating affirmation as:

1. Moody's expectation that Australia's demonstrated economic resilience will endure in an uncertain global environment;
2. A very strong institutional framework;
3. Stronger fiscal metrics than many similarly rated peers - despite the increase in government debt from previous low levels - which we expect to remain consistent with a AAA rating over the medium term.

Question 123

From the time they are included in the underlying cash balance, net Future Fund earnings will either increase underlying cash surpluses, or reduce underlying cash deficits, depending on the Budget position at the time. This budget treatment was agreed in prior to 2005-06, when the Future Fund was established.

Question 124

This information is available in the 2016-17 Budget papers.