

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2017-18

Finance Portfolio
24-25 May 2017

Department/Agency: Finance

Outcome/Program: 1/1.1

Topic: Debt Projections

Senator: Gallagher

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Date set by the committee for the return of answer: Friday, 7 July 2017

Number of pages: 2

Question:

Senator GALLAGHER: That would be useful. The Pre-election Economic and Fiscal Outlook compared across 2016-17—although we are not doing that in this budget, are we? Even if you look at it from 2017-18 through 2018-19 to 2019-20, there has been a deterioration from what was published in the Pre-election Economic and Fiscal Outlook to the budget. Can you explain that? You are having to borrow more, and I just want to know why.

Senator Cormann: To the extent that there is a deterioration, obviously we have previously reported some of that in the Mid-Year Economic and Fiscal Outlook in 2016-17. In this budget, one of the major decisions that we have made—and we discussed that earlier today—is that we would not start to draw down from the Future Fund, which impacts on the gross debt number. In terms of net debt, net debt is projected to continue to improve over the medium term, falling to around 8.5 per cent, as I have indicated. This is around 0.6 per cent of GDP lower than projected at the 2016-17 MYEFO.

On this, I actually tabled a graph earlier which shows you both gross and net debt.

Senator GALLAGHER: I was not here for that session.

Senator Cormann: We went through that at that.

Senator GALLAGHER: You have done debt already, have you—with the Future Fund?

Senator Cormann: Related to the Future Fund, yes.

Senator GALLAGHER: Okay.

Senator Cormann: Again, debt projections technically are a matter for Treasury. I do not have those graphs with me anymore. I am at a disadvantage.

Senator GALLAGHER: These ones? So in the 2018-19 year, between the PEFO and this budget, it looks to me like you are going to have to borrow \$18.4 billion more at budget time than you were estimating at the Pre-election Economic and Fiscal Outlook. So you think that is related to the Future Fund drawdown?

Senator Cormann: No, the Future Fund impacts on gross debt. What I am saying to you is that compared to the expectations at MYEFO, which we worked through at the last estimates in February, the position over the medium term has actually improved, because we are now projected to reduce net debt as a share of GDP to 8.5 per cent by 2027-28, which is 0.6 per cent of GDP lower than we expected at the time of MYEFO. The graph that I previously tabled shows you how the net debt trajectory in the 2017-18 budget compares with the 2016-17 budget. It shows you that fundamentally. In terms of the specific reasons behind it, I refer you to fiscal—

Senator GALLAGHER: Could you take that on—

Senator Cormann: I am happy to take it on notice.

Answer:

The text on page 7-6 and table 2 on page 7-7 of Budget Paper No.1 provides a reconciliation of the contributors to the change in net debt from the 2016-17 Mid-Year Economic and Fiscal Outlook (MYEFO) to the 2017-18 Budget.

The text and table 3.35 on page 86 of the 2016-17 MYEFO provides a reconciliation of the contributors to the change in net debt from the 2016 Pre-Election Economic and Fiscal Outlook to the 2016-17 MYEFO.