

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 63

Topic: Net Debt Comparison with Japan

Hansard Page: E76 (02/06/2010)

Senator JOYCE asked:

Senator JOYCE—Basically, to get a full picture and to look at our net debt position now, you have to take into account our future liability position as well for debt in the future.

Mr Ray—I am not quite sure what you mean when you say ‘a full picture.’ I do not think that we or the department of finance or the government would disagree with you that net financial worth is a more complete measure of the strength of a balance sheet than net debt, but in terms of international comparisons net debt tends to be the one that is used because that is the one that is most consistent.

Senator JOYCE—There is a timing issue that comes into play and also the big monster in the room is that the government has underwritten \$57 million of state debt but that is not booked in your net debt position, is it?

Mr Ray—No, but it is reported in the statement of risks because it is a contingent liability which is remote.

Senator JOYCE—If you look at the debt of Japan, does Japan disaggregate the government’s debt and the debt of the other related—

Senator Sherry—If Mr Ray does have some knowledge of the Japanese budget and their fiscal groups, accounting standards and reporting then fine. I suspect he does not. We are happy to take that on notice and get some sort of international comparison with perhaps Canada, which has a federal structure, and Germany. I am not sure about Japan but we are happy to take it on notice.

Mr Ray—Just to try and help: if you look at the sorts of indicators that people who look at these things for a living do—that is, people in financial markets, ratings agencies and international organisations—you can look at gross debt to GDP, net debt to GDP, gross interest to GDP, net interest to GDP and tax to GDP, which gives you an indication of future capacity to raise revenue. You can look at various spreads. No single one of these indicators is necessarily the single thing to look at but, if you look at the whole range of those things, Australia’s balance sheet is in pretty good shape.

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Question: Does Japan disaggregate public debt by level of government?

Answer:

We are unaware of any comprehensive, official Japanese Government disaggregation of public debt by level of government.

The Japanese Cabinet Office's *Economic and Fiscal Projections for Medium to Long Term Analysis* released on 22 June 2010 as part of the Japanese Government's recent Fiscal Management Strategy provided a breakdown of some aspects of government finances by level of government. However, government debt data were only provided as an aggregate of all tiers of government.