

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 273

Topic: Interest Payments

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Senator Bushby asked:

Senator BUSHBY: Thank you. I have a couple of other questions which you might be able to answer or might not. It appears that net interest payments continue to rise until the last figure in that table of 2014-15 to 7,498.

Dr Gruen: But not as a percentage of GDP, as you can see.

Senator BUSHBY: No, but in terms of actual figures. It is mainly stable as a percentage of GDP.

Dr Gruen: Indeed.

Senator BUSHBY: It is continuing to increase in terms of actual number.

Dr Gruen: Yes.

Senator BUSHBY: Are there any projections for what it is likely to do in the years following that?

Dr Gruen: Yes. There are in the sense that the chart that we were talking about with Senator Joyce shows you projections of net debt, and in order to get projections of net debt you have to have background information.

Senator BUSHBY: So will the \$7½ billion be the peak or does it get higher?

Dr Parkinson: I do not know the answer to that.

Senator BUSHBY: Could you take that on notice.

Dr Parkinson: Yes. Senator, these are questions which AOFM, the Australian Office of Financial Management, and our Fiscal Group colleagues could answer off the top of their head.

Senator BUSHBY: They are on later tonight.

Dr Gruen: Did you say AOFM are on tonight?

Senator BUSHBY: They are on late tonight, yes.

Dr Parkinson: Then you will be able to ask them.

Senator BUSHBY: Can you take it on notice as well. Even if it is answered tonight, I would appreciate Treasury's perspective on that as well.

Answer:

The fiscal aggregates in the budget are underpinned by a set of forward estimates, consisting of short-term economic forecasts for the current and budget year, and projections based on medium-term assumptions for the subsequent three years. The Government also publishes medium-term projections for the underlying cash balance and net debt, by extending the projection methodology a further seven years.

Net interest payments are calculated as part of the medium-term projections that underpin the medium-term fiscal outlook published in the 2011-12 Budget. In the 2011-12 Budget, net interest payments in the medium term were projected to reach a peak of less than \$8 billion in 2015-16, before falling to zero by the end of the medium term.