

PART 3: FISCAL OUTLOOK

OVERVIEW

The underlying cash balance estimate for 2003-04 has improved since the 2003-04 Budget, with an underlying cash surplus of \$4.6 billion expected in 2003-04. The underlying cash balance is expected to remain in surplus over the forward years.

Table 5: Australian Government general government sector budget aggregates^(a)

	2003-04		2004-05	
	Budget	MYEFO	Budget	MYEFO
Revenue (\$b)	178.3	182.7	185.0	188.8
Per cent of GDP	22.4	22.8	22.0	22.4
Expenses (\$b)	178.0	178.9	186.5	187.6
Per cent of GDP	22.4	22.4	22.2	22.2
Net operating balance (\$b)	0.3	3.8	-1.5	1.2
Net capital investment (\$b)	-0.4	-0.2	-0.4	-0.3
Fiscal balance (\$b)	0.7	4.0	-1.1	1.6
Per cent of GDP	0.1	0.5	-0.1	0.2
Underlying cash balance (\$b)	2.2	4.6	1.3	3.8
Per cent of GDP	0.3	0.6	0.2	0.5
<i>Memorandum item:</i>				
Headline cash balance (\$b)	1.5	4.0	0.5	2.9
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
Revenue (\$b)	194.2	199.6	204.7	210.5
Per cent of GDP	21.9	22.4	21.9	22.4
Expenses (\$b)	194.2	196.0	202.4	204.6
Per cent of GDP	21.9	22.0	21.6	21.8
Net operating balance (\$b)	0.1	3.5	2.4	5.8
Net capital investment (\$b)	-0.3	-0.1	-0.4	-0.2
Fiscal balance (\$b)	0.3	3.6	2.8	6.0
Per cent of GDP	0.0	0.4	0.3	0.6
Underlying cash balance (\$b)	1.2	4.6	4.7	7.7
Per cent of GDP	0.1	0.5	0.5	0.8
<i>Memorandum item:</i>				
Headline cash balance (\$b)	11.6	14.7	14.8	17.6

(a) All estimates are based on Government Finance Statistics (GFS) standards, but with goods and services tax (GST) revenue collected on behalf of the States and Territories netted off revenue and expenses.

In accrual terms, the fiscal balance estimate has also improved since the 2003-04 Budget, with a fiscal surplus of \$4.0 billion expected in 2003-04. A fiscal surplus is also expected in each of the forward years.

Part 3: Fiscal Outlook

The \$3.3 billion increase in the fiscal balance estimate for 2003-04 since the 2003-04 Budget is primarily due to higher revenue forecasts of \$4.3 billion, largely driven by higher company tax revenue. The higher revenue forecasts are partly offset by higher estimated expenses and net capital investment of \$1.0 billion, largely reflecting new policy measures announced since the 2003-04 Budget. Major new policy measures include MedicarePlus, new listings on the Pharmaceutical Benefits Scheme, additional drought relief funding, and assistance in restoring law and order in the Solomon Islands.

Table 6 provides a reconciliation of the fiscal balance estimates between the 2003-04 Budget and the 2003-04 MYEFO.

Table 6: Reconciliation of Australian Government general government sector fiscal balance estimates^(a)

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
2003-04 Budget fiscal balance	711	-1,148	324	2,812
Per cent of GDP	0.1	-0.1	0.0	0.3
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions(b)				
Revenue	-13	55	207	164
Expenses	1,005	1,461	1,224	1,285
Net capital investment	45	18	-3	-3
Net effect of policy decisions	-1,063	-1,423	-1,014	-1,117
Effect of parameter and other variations				
Revenue	4,343	3,768	5,103	5,586
Expenses	-178	-410	638	999
Net capital investment	168	48	130	250
Net effect of parameter and other variations	4,354	4,130	4,335	4,337
2003-04 MYEFO fiscal balance	4,002	1,558	3,645	6,032
Per cent of GDP	0.5	0.2	0.4	0.6

(a) A positive number for revenue indicates an increase in the fiscal balance, while a positive number for expenses and net capital investment indicates a decrease in the fiscal balance.

(b) Excluding the public debt net interest effect of policy measures.

REVENUE

Total accrual revenue is expected to be \$182.7 billion in 2003-04, an upward revision of \$4.3 billion since the 2003-04 Budget. The revision is largely driven by higher than expected revenue, particularly from tax on companies, reflecting the flow-on effect of the stronger than expected revenue outcome for 2002-03 and evidence of continued strength in company profitability and revenue collections in early 2003-04.

Policy measures since the 2003-04 Budget have decreased revenue by \$13 million in 2003-04 but increase revenue collections by \$413 million over the period 2003-04 to

2006-07. Significant policy measures affecting revenue over the four year period 2003-04 to 2006-07 include:

- a smaller reduction in the maximum superannuation contributions and termination payments surcharge rates and a delay in commencement of the reduction from 1 July 2002 to 1 July 2003, increasing estimated revenue by \$590 million (\$65 million in 2003-04); and
- a free trade agreement with Thailand, in which both nations have agreed to eliminate tariffs on the majority of each other's goods, lowering estimated revenue by \$290 million over the three years commencing from 2004-05.

A full description of all revenue measures since the 2003-04 Budget is provided at Appendix A.

Detailed Australian Government general government sector revenue estimates for 2003-04, compared with the estimates published in the 2003-04 Budget, are provided in Table 7. Detailed cash estimates are listed in Table F3 (Appendix F).

Table 7: Australian Government general government sector revenue (accrual basis)

	2003-04			
	Budget estimate \$m	MYEFO estimate \$m	Change on Budget \$m	Change on Budget %
Taxation revenue				
Income tax				
Individuals and other withholding(a)				
Gross income tax withholding(b)	88,650	88,750	100	0.1
Gross other individuals	19,130	19,410	280	1.5
less Refunds	12,200	12,300	100	0.8
Total individuals and other withholding	95,580	95,860	280	0.3
Companies	32,370	35,650	3,280	10.1
Superannuation funds				
Contributions and earnings	4,050	4,400	350	8.6
Superannuation surcharge	950	1,170	220	23.2
Total superannuation funds	5,000	5,570	570	11.4
Petroleum resource rent tax	1,280	1,280	0	0.0
Total income tax	134,230	138,360	4,130	3.1
Indirect tax				
Excise duty				
Petroleum and other fuel products and crude oil	13,280	13,390	110	0.8
Other excise	7,360	7,360	0	0.0
Total excise duty	20,640	20,750	110	0.5
Customs duty	5,915	5,915	0	0.0
Other indirect taxes(c)	930	920	-10	-1.1
Total indirect tax	27,485	27,585	100	0.4
Fringe benefits tax(d)	3,190	3,150	-40	-1.3
Agricultural levies	579	591	12	2.1
Other taxes	999	1,001	2	0.2
Total tax revenue	166,483	170,687	4,204	2.5
Non-tax revenue	11,842	11,969	127	1.1
Total revenue	178,325	182,655	4,331	2.4

(a) Includes Medicare levy revenue.

(b) Gross income tax withholding includes amounts reported under the Pay As You Go (Withholding) arrangements, as well as amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

(c) Includes the wine equalisation tax, luxury car tax and the final wholesale sales tax liability.

(d) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$370 million in 2003-04).

Estimated total tax revenue in 2003-04 is expected to be \$4.2 billion higher than anticipated at the 2003-04 Budget, principally due to higher than expected company tax revenue. Estimated company tax revenue has increased by \$3.3 billion since the 2003-04 Budget largely due to the flow-on effect of the higher than expected company tax revenue outcome in 2002-03. Higher profitability contributed to a stronger than expected 2002-03 outcome and there is evidence of ongoing strength in profitability and revenue collections in 2003-04.

Higher estimated tax revenue also reflects:

- an upward revision to revenue from other individuals of \$280 million reflecting an improved outlook for unincorporated small businesses;
- a \$350 million increase in expected revenue from tax on the contributions and earnings of superannuation funds due to a stronger outlook for superannuation fund earnings;
- an expected boost to superannuation surcharge revenue (revised up by \$220 million), arising from a smaller reduction in the surcharge tax rate and a change in the accounting treatment of unfunded liabilities in respect of defined benefits schemes;
- an upward revision of \$110 million to estimated excise revenue, mainly due to the impact of higher oil prices on crude oil excise; and
- an upward revision to income tax withholding of \$100 million, primarily reflecting the impact of a slightly stronger than expected outcome in 2002-03.

EXPENSES

Estimated accrual expenses in 2003-04 have increased by \$827 million since the 2003-04 Budget. This increase largely reflects the effect of new policy measures of \$1.0 billion in 2003-04, partly offset by economic parameter and other variations of \$178 million.

Table 8: Reconciliation of Australian Government general government sector expense estimates

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Expenses at 2003-04 Budget	178,031	186,521	194,176	202,351
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions(a)	1,005	1,461	1,224	1,285
Effect of economic parameter variations				
Unemployment benefits	4	4	6	4
Prices and wages	-493	-489	-628	-276
Interest and exchange rates	-342	-384	-404	-456
Total economic parameter variations	-831	-868	-1,026	-727
Public debt interest	-122	-71	23	125
Programme specific parameter variations	4	-150	7	248
Slippage	25	78	96	-41
Other variations	745	601	1,539	1,395
Total variations	827	1,050	1,862	2,284
Expenses at 2003-04 MYEFO	178,858	187,571	196,039	204,635

(a) Excludes the public debt net interest effect of policy decisions.

Part 3: Fiscal Outlook

Policy decisions announced since the 2003-04 Budget have increased estimated expenses by \$1.0 billion in 2003-04. Major new policy measures affecting 2003-04 include:

- \$1.5 billion over four years (\$127 million in 2003-04) for MedicarePlus, a comprehensive package of measures to strengthen Medicare. This funding is in addition to the \$917 million provided under *A Fairer Medicare* in the 2003-04 Budget, resulting in a combined package of measures worth a total of \$2.4 billion over the four years to 2006-07;
- \$899 million over four years (\$198 million in 2003-04) for new listings on the Pharmaceutical Benefits Scheme, including the listing of Enbrel (a drug used to treat severe forms of rheumatoid arthritis), Avandia/Actos (drugs for the treatment of Type II diabetes), and the extension of Mabthera (a drug used in combination with chemotherapy to treat non-Hodgkin's lymphomas);
- \$704 million over three years (\$405 million in 2003-04) for additional drought relief funding. This includes \$644 million over three years for further Exceptional Circumstances declarations and \$58 million over two years for interim income assistance;
- \$274 million over two years (\$236 million in 2003-04) to assist in the restoration of law and order in the Solomon Islands; and
- \$208 million over four years (\$12 million in 2003-04) to fund a number of enhancements to the Our Universities higher education package. The enhancements include \$63 million over four years to expand the Commonwealth Accommodation Scholarships programme and \$51 million over four years to assist disadvantaged groups participate in higher education.

A full description of all expense measures since the 2003-04 Budget is provided at Appendix A.

Since the 2003-04 Budget, parameter and other variations have reduced forecast expenses in 2003-04 by \$178 million largely reflecting:

- a \$404 million decrease in general budget assistance to the States and Territories,¹ largely reflecting higher expected GST revenue in 2003-04 following stronger than anticipated collections in the year to date. Revised Budget Balancing Assistance and GST amounts for each State and Territory are shown in Table 9;

¹ General budget assistance to the States and Territories refers to Budget Balancing Assistance grants adjusted for the effect of an underpayment of GST revenue in 2002-03. See the *Final Budget Outcome 2002-03*, page 79 for further information.

- a \$375 million reduction in superannuation related expenses, largely reflecting the impact of lower estimated inflation on the nominal interest expense for the Australian Government civilian superannuation liabilities;
- a downward revision of \$342 million in foreign exchange expenses, largely reflecting the impact on defence acquisition costs of the appreciation of the Australian dollar;
- a reduction of \$254 million in estimated Family Tax Benefit expenses, mainly reflecting higher than expected customer incomes; and
- a reduction to contingency reserve expense estimates following the inclusion of the provision for underspends in 2003-04. A provision is included each year at the MYEFO to provide for the established tendency of departments and agencies to underspend their budgets in the current financial year.

The above reductions in forecast expenses are partially offset by:

- an increase of \$543 million in expenses for the Pharmaceutical Benefits Scheme, reflecting the use of higher cost drugs in recent prescribing patterns, along with the effect of legislative delays by the Senate in not passing the proposed increase in the Pharmaceutical Benefits Scheme co-payments announced in the 2002-03 Budget;
- an increase in personal benefit payment expenses of \$356 million, largely due to the flow-on effects of a higher than anticipated Male Total Average Weekly Earnings outcome for 2002-03. This variation reflects the Government's ongoing commitment to maintain selected pensions at 25 per cent of Male Total Average Weekly Earnings; and
- an increase of \$205 million relating to the reclassification from revenue offsets to expenses of the research and development refundable tax offset for small companies and the refundable tax offset for large-scale film production. This follows advice from the Australian National Audit Office and is fully offset by an equivalent increase in revenue.

Table 9: Forward estimates of Budget Balancing Assistance and States' gains from tax reform^(a)

2003-04 (\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Guaranteed Minimum Amount	9,777.9	6,868.8	6,046.9	3,008.0	3,046.4	1,313.3	624.3	1,568.8	32,254.4
GST Revenue	9,461.9	6,812.1	6,381.2	3,082.2	3,073.0	1,350.7	648.7	1,647.4	32,457.0
Budget Balancing Assistance	316.1	56.7	0.0	0.0	0.0	0.0	0.0	0.0	372.8
GST in excess of Guaranteed Minimum Amount	0.0	0.0	334.3	74.2	26.6	37.3	24.4	78.6	575.4
2004-05 (\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Guaranteed Minimum Amount	9,965.5	7,074.4	6,288.7	3,123.4	3,167.7	1,377.6	645.5	1,673.7	33,316.6
GST Revenue	9,873.5	7,176.2	6,779.4	3,262.6	3,218.3	1,414.7	676.1	1,719.2	34,120.0
Budget Balancing Assistance	92.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	92.0
GST in excess of Guaranteed Minimum Amount	0.0	101.8	490.7	139.3	50.6	37.1	30.5	45.4	895.4
2005-06 (\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Guaranteed Minimum Amount	10,507.3	7,629.6	6,861.7	3,318.8	3,327.6	1,446.0	687.5	1,749.0	35,527.5
GST Revenue	10,441.8	7,652.4	7,190.8	3,419.5	3,368.8	1,476.0	718.5	1,802.2	36,070.0
Budget Balancing Assistance	65.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	65.4
GST in excess of Guaranteed Minimum Amount(b)	0.0	22.8	329.1	100.7	41.2	30.0	31.0	53.2	608.0
2006-07 (\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Guaranteed Minimum Amount	10,810.0	8,009.9	7,061.2	3,406.3	3,446.4	1,492.4	712.6	1,823.7	36,762.6
GST Revenue	10,983.4	8,183.6	7,616.7	3,603.3	3,557.7	1,550.9	758.4	1,896.0	38,150.0
Budget Balancing Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GST in excess of Guaranteed Minimum Amount	173.4	173.7	555.5	197.0	111.3	58.4	45.8	72.3	1,387.4

(a) Projections from 2004-05 will be affected by variations in Guaranteed Minimum Amount components, GST revenue growth and recommendations by the Commonwealth Grants Commission on the distribution of GST to each of the States and Territories in future years. See Budget Paper No 3, *Federal Financial Relations 2003-04* for details of the Guaranteed Minimum Amount and the distribution of GST revenue among the States and Territories.

(b) In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, Bank Account Debits tax is scheduled to be abolished by 1 July 2005. The revenue forgone by the States and Territories is included in each State's and Territory's Guaranteed Minimum Amount from 2005-06 to ensure the States are no worse off. Accordingly, the amount by which GST exceeds the Guaranteed Minimum Amount decreases in 2005-06 compared to 2004-05.

NET CAPITAL INVESTMENT

Estimated net capital investment in 2003-04 has increased by \$212 million since the 2003-04 Budget. This increase represents the combined effect of:

- new policy decisions (\$45 million), including \$32 million allocated across a number of portfolios to assist in the restoration of law and order in the Solomon Islands; and
- parameter and other variations (\$168 million), including \$31 million for the Department of Immigration and Multicultural and Indigenous Affairs reflecting delays in the refurbishment of detention centres, delays in land purchases and adjustments to the Department's capital plan.

Table 10: Reconciliation of Australian Government general government sector net capital investment estimates^(a)

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
Net capital investment at 2003-04 Budget	-417	-381	-256	-448
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions	45	18	-3	-3
Effect of parameter and other variations	168	48	130	250
Total variations	212	66	127	247
Net capital investment at 2003-04 MYEFO	-205	-315	-129	-201

(a) Net capital investment is defined as net acquisition of non-financial assets.

CASH FLOWS

In 2003-04, the underlying cash balance is expected to be a surplus of \$4.6 billion.

Table 11: Summary of Australian Government general government sector cash flows (\$b)^(a)

	2003-04		2004-05	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	177.8	181.5	186.3	190.1
Capital cash receipts(b)	1.1	1.1	0.8	0.8
Total cash receipts	178.9	182.6	187.1	190.9
Cash payments				
Operating cash payments	174.1	175.2	183.4	184.6
Capital cash payments(c)	2.6	2.8	2.4	2.5
Total cash payments	176.7	178.0	185.8	187.1
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
Underlying cash balance	2.2	4.6	1.3	3.8
Per cent of GDP	0.3	0.6	0.2	0.5
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	-0.7	-0.7	-0.8	-1.0
Headline cash balance	1.5	4.0	0.5	2.9
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	194.5	199.5	204.7	210.0
Capital cash receipts(b)	0.4	0.4	0.4	0.3
Total cash receipts	194.9	199.9	205.2	210.3
Cash payments				
Operating cash payments	191.4	192.9	198.4	200.4
Capital cash payments(c)	2.3	2.4	2.0	2.2
Total cash payments	193.7	195.3	200.5	202.6
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
Underlying cash balance	1.2	4.6	4.7	7.7
Per cent of GDP	0.1	0.5	0.5	0.8
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	10.4	10.1	10.1	9.8
Headline cash balance	11.6	14.7	14.8	17.6

(a) Cash flows are derived from the accrual GFS framework excluding GST.

(b) Equivalent to cash receipts from the sale of non-financial assets in the GFS cash flow statement.

(c) Equivalent to cash payments for purchases of new and second-hand non-financial assets in the GFS cash flow statement.

(d) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

(e) Under the cash budgeting framework, these cash flows were referred to as net advances.

The underlying cash surplus estimate for 2003-04 has increased since the 2003-04 Budget by \$2.5 billion. This reflects higher estimated tax receipts largely driven by company tax receipts, partially offset by new policy decisions since the 2003-04 Budget.

Table 12 provides a reconciliation of the variations in the underlying cash balance estimates.

Table 12: Reconciliation of Australian Government general government sector underlying cash balance estimates

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
2003-04 Budget underlying cash balance	2,172	1,325	1,235	4,668
Per cent of GDP	0.3	0.2	0.1	0.5
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions(a)	-1,012	-1,116	-738	-832
Net effect of parameter and other variations	3,475	3,621	4,110	3,897
Total variations	2,463	2,504	3,372	3,064
2003-04 MYEFO underlying cash balance	4,635	3,829	4,608	7,733
Per cent of GDP	0.6	0.5	0.5	0.8

(a) Excludes the public debt net interest effect of policy decisions.

While the 2003-04 underlying cash balance estimate has improved by \$2.5 billion since the 2003-04 Budget, the estimated fiscal balance has improved by \$3.3 billion. Major new policy decisions impacting on the underlying cash balance in 2003-04 are largely the same as those impacting on the fiscal balance. While parameter and other variations generally have similar cash and accrual effects, variations that improve the 2003-04 fiscal balance estimate relative to the underlying cash balance include:

- an expected increase in the level of revenue recognised but not expected to be paid in 2003-04 in relation to income tax withholding, other individuals and company tax. This improves the fiscal balance by \$680 million relative to the underlying cash balance; and
- a reduction in estimated superannuation related expenses, largely due to the impact of lower estimated inflation. This improves the fiscal balance by \$375 million relative to the underlying cash balance.

Headline cash balance

A headline cash surplus of \$4.0 billion is forecast for 2003-04, compared with the surplus of \$1.5 billion expected at the 2003-04 Budget. The increase in the 2003-04 headline cash surplus estimate since the 2003-04 Budget largely reflects the improvement in the estimated underlying cash balance.

The headline cash balances in the forward years remain in surplus, and generally increase in line with the improvement in the underlying cash balance.

NET DEBT AND NET WORTH

With the budget remaining in surplus, net debt is expected to continue to fall in 2003-04 and the forward years. Since the 2003-04 Budget, the estimated level of net debt for 2003-04 has fallen from \$29.8 billion to \$23.3 billion mainly reflecting the higher than anticipated final budget outcome for 2002-03 and an upward revision to the projected surplus for 2003-04.

As a result of the lower level of net debt, estimated net interest payments are also expected to continue to fall in 2003-04 and the forward years. Having peaked at \$8.4 billion in 1996-97, net interest payments are expected to decline to \$3.1 billion in 2003-04.

Australian Government general government sector net worth is expected to improve to -\$43.3 billion in 2003-04, compared with -\$46.1 billion expected at the 2003-04 Budget, reflecting an improvement in the fiscal outlook since the 2003-04 Budget.

Table 13: Australian Government general government sector net worth, net debt and net interest payments (\$b)

	2003-04		2004-05	
	Budget	MYEFO	Budget	MYEFO
Financial assets	96.1	96.0	96.9	96.5
Non-financial assets	35.5	36.4	35.1	36.2
Total assets	131.5	132.3	132.0	132.7
Total liabilities	177.6	175.6	179.7	174.9
Net worth	-46.1	-43.3	-47.8	-42.3
Net debt(a)	29.8	23.3	27.6	18.7
Per cent of GDP	3.7	2.9	3.3	2.2
Net interest payments(c)	3.4	3.1	3.2	2.8
Per cent of GDP	0.4	0.4	0.4	0.3
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
Financial assets	86.4	88.6	76.7	79.3
Non-financial assets	34.9	36.2	34.6	36.1
Total assets	121.4	124.8	111.3	115.4
Total liabilities	169.4	162.0	157.4	147.5
Net worth	-48.1	-37.1	-46.1	-32.2
Net debt(a)(b)	14.1	2.4	-1.8	-16.5
Per cent of GDP	1.6	0.3	-0.2	-1.8
Net interest payments(c)	3.7	3.1	2.1	1.2
Per cent of GDP	0.4	0.3	0.2	0.1

(a) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

(b) Includes the impact of the further sale of the Australian Government's shareholding in Telstra.

(c) Australian Government cash interest payments less cash interest receipts. The 2005-06 projections include the recognition in cash terms of the capital growth on inflation indexed bonds maturing in that year.