

PART 3: FISCAL STRATEGY AND OUTLOOK

OVERVIEW

The budget remains on track to record a surplus in 2012-13, well ahead of any major advanced economy. In 2010-11, the underlying cash deficit is expected to be \$41.5 billion (3.0 per cent of GDP), an improvement of 1.3 per cent of GDP on the 2009-10 outcome.

In 2012-13, when the Australian budget is expected to return to surplus, the major advanced economies are still forecast to be in deficit by an average of 6 per cent of GDP. Net debt in the major advanced economies is expected to reach an average of 90 per cent of GDP in 2015, 14 times higher than the expected peak in Australia's net debt of 6.4 per cent of GDP.

A fiscal consolidation of 4½ per cent of GDP is projected for the three years to 2012-13. This would be the fastest fiscal consolidation in at least forty years. Growing tax receipts and falling payments as a share of GDP are working in tandem to deliver the expected consolidation.

The historically high terms of trade and growth in the mining sector as a share of the economy have meant that the budget is more sensitive to developments in commodity and currency markets than in the past. Given the continuing uncertainty around the growth prospects for many of the world's major economies, this is a potential source of volatility for budget estimates.

The projected return to surplus in 2012-13 has been maintained despite the impact of a higher Australian dollar weighing on expected tax receipts. Since the release of the *Pre-Election Economic and Fiscal Outlook 2010* (PEFO), the Australian dollar has continued to appreciate in response to the strong outlook for the Australian economy relative to its international peers as well as the historically high terms of trade.

The Government has continued to deliver its fiscal strategy. Budgeted real growth in spending is less than 2 per cent in the years when the economy is expected to grow faster than trend and the Government has offset all new spending since PEFO. This ensures that the expected timing of the budget's return to surplus is not affected by new spending measures.

In this Mid-Year Economic and Fiscal Outlook, the Government has begun the task of delivering its election commitments, primarily focusing on those with a financial impact in 2010-11.

THE GOVERNMENT'S MEDIUM-TERM FISCAL STRATEGY

The medium-term fiscal strategy has remained unchanged since the Government's first budget in 2008-09. The key elements of the strategy are to:

- achieve budget surpluses, on average, over the medium term;
- keep taxation as a share of GDP below the level for 2007-08, on average; and
- improve the Government's net financial worth over the medium term.

The strategy provides the necessary flexibility for the budget position to vary in line with economic conditions, as it did in response to the global financial crisis, while providing for long-term fiscal sustainability.

In order to return the budget to surplus as quickly as possible after the global financial crisis, the Government also committed to:

- allow the level of tax receipts to recover naturally as the economy improves, while maintaining the Government's commitment to keep taxation as a share of GDP below the 2007-08 level on average; and
- hold real growth in spending to 2 per cent a year until the budget returns to surplus.

The focus remains on returning the budget to surplus, including by continuing to reprioritise existing expenditure consistent with 2 per cent real expenditure growth and by allowing the level of tax receipts to continue to recover naturally as the economy improves.

Once the budget returns to surplus, and while the economy is growing at or above trend, the Government will maintain expenditure restraint by retaining a 2 per cent annual cap on real spending growth, on average, until surpluses are at least 1 per cent of GDP.

Delivering on the fiscal strategy

The Government has continued to demonstrate strong fiscal discipline, as required by the fiscal strategy. This discipline ensures that strengthening economic growth feeds directly through to a strengthening budget position. This strategy is expected to produce the fastest fiscal consolidation in at least 40 years (see Box 3.1).

Real growth in spending will be held to below 2 per cent a year as the economy returns to above trend growth (see Table 3.1). Restraint in spending growth and the natural recovery of tax receipts will see a progressive tightening of the fiscal policy stance over the forward estimates.

Table 3.1: Delivering the 2 per cent commitment

	2010-11	2011-12	2012-13	2013-14
Real payment growth	1.5	-1.1	1.0	1.6

Since PEFO, the Government has offset all new spending decisions over the forward estimates, including those related to election commitments, by finding savings in other parts of the budget.

Table 3.2 shows the net effect of policy decisions taken since PEFO is a net saving of \$82 million over the forward estimates. In assessing performance against the fiscal strategy, the total effect of policy decisions is adjusted to account for amounts that have previously been provided for in the Contingency Reserve. The Contingency Reserve offsets to policy decisions principally relate to official development assistance and provisioning for digital television switchover.

Table 3.2: Delivering fiscal reprioritisation^(a)

	Estimates		Projections		Total
	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	
Effect of policy decisions since PEFO					
Spends	-549	-869	-1,002	-1,169	-3,588
Saves	487	329	1,583	1,047	3,446
Total effect of policy decisions since PEFO	-62	-540	581	-122	-142
Add Contingency reserve offsets to policy decisions	37	8	79	100	224
Net budget impact	-25	-532	660	-22	82

(a) On an underlying cash balance basis.

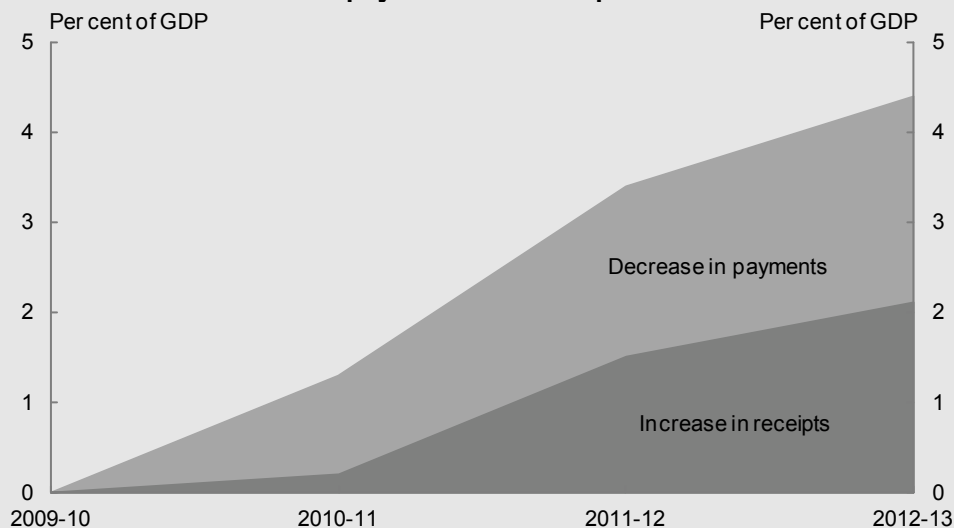
Box 3.1: Fastest fiscal consolidation since the 1960s

In order to return the budget to surplus as quickly as possible following the global financial crisis, the Government's fiscal strategy requires that the level of tax receipts be allowed to recover naturally as the economy improves and that real growth in spending be held to 2 per cent a year until the budget returns to surplus.

This strategy is projected to deliver a 4½ per cent of GDP fiscal consolidation in the three years to 2012-13 (see Chart A). This is the fastest pace of fiscal consolidation in the forty years for which data on the underlying cash balance is available.

The strategy to return to surplus is deliberately designed to work on both the receipts and payments sides of the budget.

Chart A: Contribution of payments and receipts to fiscal consolidation



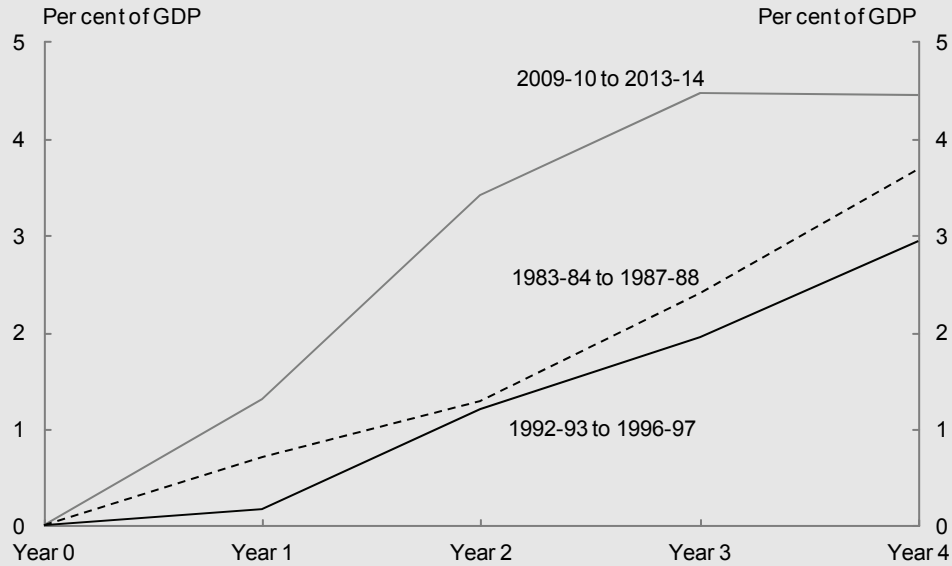
The commitment to allow the level of tax receipts to recover naturally ensures that stronger economic growth and lower unemployment are reflected in a stronger budget position. The commitment to spending restraint ensures that fiscal policy is tightened as the economic recovery proceeds.

This strategy, combined with a fiscal stimulus deliberately designed to be temporary, is delivering the large fiscal consolidation in the three years to 2012-13. Around half of the fiscal consolidation comes from increasing receipts, while the other half is delivered through spending restraint.

A 1.3 per cent of GDP consolidation is projected for 2010-11 alone. With only a modest recovery in receipts expected for 2010-11, the majority of this consolidation comes from lower payments.

Box 3.1: Fastest fiscal consolidation since the 1960s (continued)

Chart B: Australian fiscal consolidations
Change in the underlying cash balance



This consolidation is projected to be considerably faster than after previous economic downturns (see Chart B). The fiscal strategy is expected to result in a pace of consolidation over the first two years that is more than double the pace following the 1980s and 1990s recessions.

This substantial fiscal consolidation ensures the Government is reducing its contribution to aggregate demand as the private sector recovers, which will help temper inflationary pressures.

Medium term

The budget position is projected to continue to strengthen over the medium term. The underlying cash balance is projected to reach a surplus of 1 per cent of GDP in 2016-17 (see Chart 3.1). Net debt is projected to return to zero in 2018-19, after peaking at 6.4 per cent of GDP in 2011-12 (see Chart 3.2).

Chart 3.1: Underlying cash balances projected to 2019-20

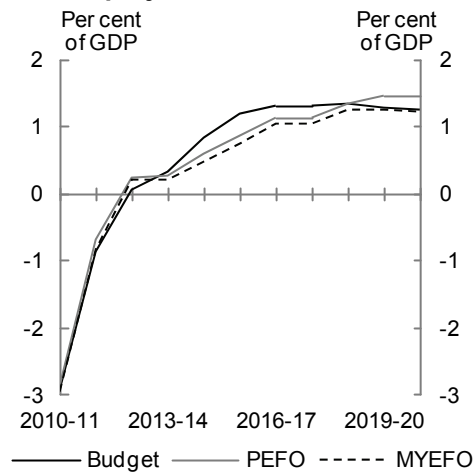
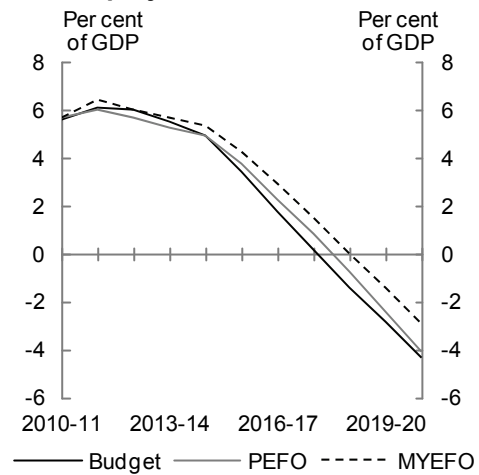


Chart 3.2: Government net debt projected to 2019-20



FISCAL OUTLOOK

The Australian Government's underlying cash deficit for 2010-11 is estimated to be \$41.5 billion (3.0 per cent of GDP). In accrual terms, a fiscal deficit of \$41.9 billion (3.0 per cent of GDP) is estimated for 2010-11.

Table 3.3: Australian Government general government sector budget aggregates

	Estimates			
	2010-11		2011-12	
	Budget	MYEFO	Budget	MYEFO
Revenue (\$b)	321.8	319.7	356.4	355.4
Per cent of GDP	22.9	22.8	24.0	24.2
Expenses (\$b)	354.6	354.3	364.6	362.0
Per cent of GDP	25.2	25.3	24.5	24.6
Net operating balance (\$b)	-32.8	-34.7	-8.2	-6.6
Net capital investment (\$b)	6.8	7.3	3.9	4.3
Fiscal balance (\$b)	-39.6	-41.9	-12.1	-10.9
Per cent of GDP	-2.8	-3.0	-0.8	-0.7
Underlying cash balance (\$b)(a)	-40.8	-41.5	-13.0	-12.3
Per cent of GDP	-2.9	-3.0	-0.9	-0.8
<i>Memorandum item:</i>				
Headline cash balance (\$b)	-48.0	-48.5	-14.6	-15.1
	Projections			
	2012-13		2013-14	
	Budget	MYEFO	Budget	MYEFO
Revenue (\$b)	381.9	380.3	407.2	400.5
Per cent of GDP	24.3	24.5	24.6	24.5
Expenses (\$b)	381.0	376.8	398.0	392.5
Per cent of GDP	24.3	24.3	24.0	24.0
Net operating balance (\$b)	0.9	3.5	9.2	8.0
Net capital investment (\$b)	-1.0	-0.7	2.9	3.7
Fiscal balance (\$b)	2.0	4.2	6.3	4.3
Per cent of GDP	0.1	0.3	0.4	0.3
Underlying cash balance (\$b)(a)	1.0	3.1	5.4	3.3
Per cent of GDP	0.1	0.2	0.3	0.2
<i>Memorandum item:</i>				
Headline cash balance (\$b)	-2.2	-1.1	4.1	1.2

(a) Excludes expected Future Fund earnings.

Underlying cash balance estimates

The 2010-11 underlying cash deficit is expected to be \$712 million higher than forecast in the 2010-11 Budget and \$779 million higher than forecast in PEFO. The revision since PEFO reflects a reduction in cash receipts (excluding Future Fund earnings) of \$1.3 billion, partly offset by a decrease in cash payments of \$554 million.

Table 3.4 provides a summary of Australian Government general government sector cash flows.

Table 3.4: Summary of Australian Government general government sector cash flows

	Estimates			
	2010-11		2011-12	
	Budget	MYEFO	Budget	MYEFO
Cash receipts (\$b)				
Operating cash receipts				
excluding Future Fund earnings	311.1	309.8	344.9	344.4
Future Fund earnings	2.9	3.0	2.9	2.8
Total operating receipts	314.0	312.8	347.8	347.1
Capital cash receipts(a)	0.4	0.4	1.0	1.0
Total cash receipts	314.4	313.2	348.8	348.2
Cash payments (\$b)				
Operating cash payments	340.4	339.3	349.0	347.8
Capital cash payments(b)	11.7	12.2	10.0	9.9
Total cash payments	352.1	351.5	359.0	357.7
Finance leases and similar arrangements (\$b)(c)	0.2	-0.2	0.0	0.0
GFS cash surplus(+)/deficit(-) (\$b)	-37.8	-38.5	-10.2	-9.5
Per cent of GDP	-2.7	-2.7	-0.7	-0.6
less Future Fund earnings (\$b)	2.9	3.0	2.9	2.8
Underlying cash balance (\$b)(d)	-40.8	-41.5	-13.0	-12.3
Per cent of GDP	-2.9	-3.0	-0.9	-0.8
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes (\$b)	-10.2	-10.1	-4.5	-5.6
plus Future Fund earnings (\$b)	2.9	3.0	2.9	2.8
Headline cash balance (\$b)	-48.0	-48.5	-14.6	-15.1
	Projections			
	2012-13		2013-14	
	Budget	MYEFO	Budget	MYEFO
Cash receipts (\$b)				
Operating cash receipts				
excluding Future Fund earnings	370.4	369.0	395.5	388.9
Future Fund earnings	2.9	2.8	3.0	2.8
Total operating receipts	373.3	371.8	398.5	391.7
Capital cash receipts(a)	4.7	4.9	0.5	0.5
Total cash receipts	378.0	376.7	399.0	392.2
Cash payments (\$b)				
Operating cash payments	365.3	361.9	381.9	377.1
Capital cash payments(b)	8.8	8.9	8.7	9.0
Total cash payments	374.1	370.8	390.5	386.1
Finance leases and similar arrangements (\$b)(c)	0.0	0.0	0.0	0.0
GFS cash surplus(+)/deficit(-) (\$b)	3.9	5.9	8.5	6.1
Per cent of GDP	0.3	0.4	0.5	0.4
less Future Fund earnings (\$b)	2.9	2.8	3.0	2.8
Underlying cash balance (\$b)(d)	1.0	3.1	5.4	3.3
Per cent of GDP	0.1	0.2	0.3	0.2
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes (\$b)	-6.1	-7.0	-4.4	-4.8
plus Future Fund earnings (\$b)	2.9	2.8	3.0	2.8
Headline cash balance (\$b)	-2.2	-1.1	4.1	1.2

- (a) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.
 (b) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.
 (c) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.
 (d) Excludes expected Future Fund earnings.

Table 3.5 provides a reconciliation of the variations in the underlying cash balance estimates.

Table 3.5: Reconciliation of general government underlying cash balance estimates

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	\$m	\$m	\$m	\$m
2010-11 Budget underlying cash balance(a)	-40,756	-13,045	1,016	5,432
Per cent of GDP	-2.9	-0.9	0.1	0.3
Changes from 2010-11 Budget to 2010 PEFO				
Effect of policy decisions(b)	-108	135	-309	-5,381
Effect of parameter and other variations	176	2,526	2,796	4,495
Total variations	68	2,661	2,487	-886
2010 PEFO underlying cash balance(a)	-40,689	-10,384	3,503	4,546
Per cent of GDP	-2.9	-0.7	0.2	0.3
Changes from 2010 PEFO to 2010-11 MYEFO				
Effect of policy decisions(b)	-62	-540	581	-122
Effect of parameter and other variations	-718	-1,363	-964	-1,167
Total variations	-779	-1,903	-383	-1,289
2010-11 MYEFO underlying cash balance(a)	-41,468	-12,288	3,120	3,257
Per cent of GDP	-3.0	-0.8	0.2	0.2

(a) Excludes expected Future Fund earnings.

(b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Total policy decisions since the 2010-11 Budget have increased the underlying cash deficit by \$170 million in 2010-11 (see Table 3.5).

Since PEFO, the major policy decisions affecting the underlying cash balance include the Priority Regional Infrastructure Program, Connecting Health Services to the Future, the Taking Action to Tackle Suicide package, the Health and Hospitals Fund Regional Priority Round and the Trade Apprentice Income Bonus. Savings have been achieved from abolishing the Information and Communications Technology Business as Usual Reinvestment Fund; changes to funding under the Water for the Future package and the reallocation of this funding to the purchase of water entitlements; the amendment of the Memorandum of Understanding for the Victorian Regional Rail Link; and revisions to the 50 per cent tax discount for interest income announced in the 2010-11 Budget.

Further detail of the impact of policy decisions on the fiscal outlook is provided in the 'Fiscal balance estimates' section below.

Total parameter and other variations since the 2010-11 Budget have increased the underlying cash deficit by \$542 million in 2010-11, but improved budget balances by \$5.8 billion over the forward estimates.

Receipts

There has been a marked softening in the revenue outlook in recent months. Compared with PEFO, total taxation receipts are lower by around \$2.1 billion in 2010-11 and \$9.7 billion over the four years to 2013-14. This reflects weaker than expected capital gains tax and company tax receipts only partially offset by stronger individuals' income taxes.

Since PEFO, company tax receipts have been revised down by \$2.4 billion in 2010-11, and \$8.1 billion over the four years to 2013-14. The downward revisions reflect the recent appreciation of the Australian dollar, accentuated in the early years by revisions to the pattern of anticipated utilisation of current and prior year losses.

The strong appreciation of the Australian dollar since PEFO is having a damping effect on receipts from taxes on profits through reductions in the incomes of businesses in export-oriented and import-competing industries (see Box 3.2). Affected taxes include company tax, other individuals and resource rent taxes, including the minerals resource rent tax (MRRT). With respect to the net impact of the MRRT, parameter variations have resulted in a decline in receipts of \$3.1 billion over 2012-13 and 2013-14. This is almost entirely due to the appreciation of the Australian dollar, with US dollar commodity prices broadly the same at the end of the projection period as at PEFO.

The 2010-11 Budget flagged that there was likely to be a continued period of subdued tax growth during the initial phase of economic recovery as the stock of prior year losses for companies and capital gains tax is run down (Box 3, Budget Paper 1, Statement 5, 2010-11 Budget). It now appears that the effects of the carry forward of prior year losses are likely to fall more heavily on receipts in 2010-11 and 2011-12 than previously anticipated.

These downward revisions are partly alleviated by a stronger than expected outlook for wages flowing into greater individuals' income taxes, which have been revised up by \$3.4 billion over the four years to 2013-14 since PEFO.

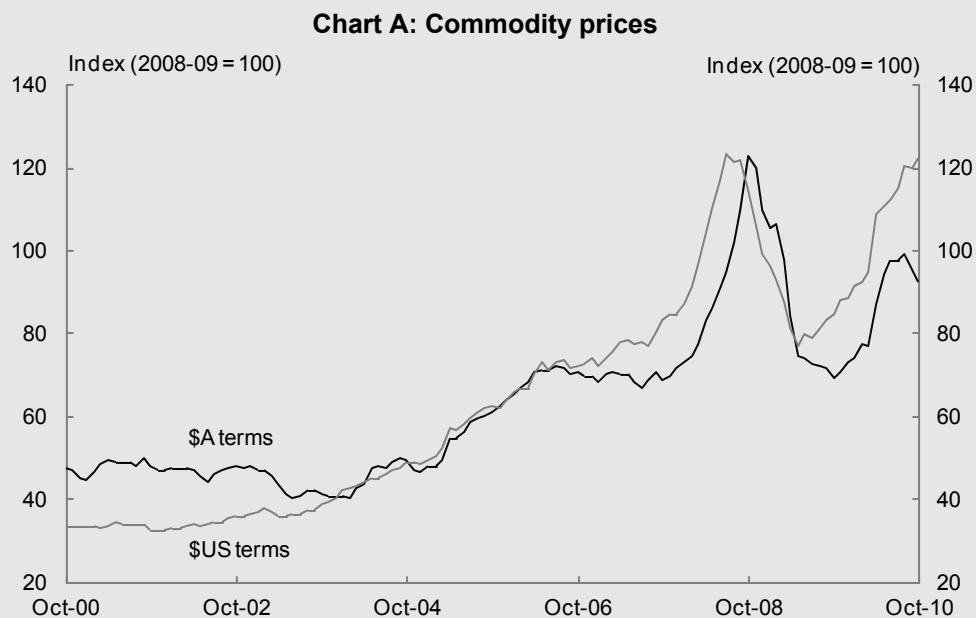
Indirect taxes have been revised down by \$460 million over the four years to 2013-14 since PEFO. GST collections continue to be weaker than anticipated. Customs duties have been revised up, partly associated with the increased exchange rate.

A softer tax-to-GDP ratio is now projected across the forward estimates period. In the early years this is associated with the changing pattern of loss utilisation, including capital gains losses. Despite the recent downward revisions, tax receipts are still projected to grow faster than the economy over the forward estimates, and the tax-to-GDP ratio is expected to reach 22.8 per cent in 2013-14.

Box 3.2: Effects of the exchange rate on revenue

The Australian dollar has appreciated substantially since the start of this year, reaching parity against the US dollar for the first time since 1982. The rise in the dollar has implications for both the Australian economy and taxation revenue. It reduces export incomes and demand for import competing businesses, lowering profitability. As profits fall, so too will taxes on companies, resource rents, and capital gains. The effects also gradually spread to taxes on wages and consumption.

Commodity export earnings have been particularly affected by the recent appreciation, as commodity contracts are set in US dollars. While US dollar prices have been very strong, the appreciation of the Australian dollar has seen a marked difference between US dollar commodity prices and their value in Australian dollars (Chart A).



Source: Reserve Bank of Australia, Statistical Tables.

By convention, the MYEFO economic and fiscal estimates and projections are based on a technical assumption that the Australian dollar exchange rate remains constant over the forward estimates at levels prevailing around the time that the forecasts were prepared. This reflects the observed volatility of the exchange rate and its unpredictability over short term horizons. However, such an assumption may be less useful over the medium and longer term, when factors such as the terms of trade are likely to influence the direction of the currency.

Box 3.2: Effects of the exchange rate on revenue (continued)

The MYEFO projections assume a decline in the terms of trade over the forward estimates and medium term. This is a prudent approach which recognises commodity prices are unlikely to remain at their current high levels indefinitely (particularly as global supply responds). Over the medium term, a decline in the terms of trade is likely to be associated with a depreciating exchange rate, which would tend to moderate the decline in Australian dollar earnings, and hence moderate any fall in government revenue associated with a weaker terms of trade. By assumption, this moderating effect of the exchange rate is not reflected in the budget projections.

The historically high terms of trade and associated growth in the mining sector as a share of the economy have also meant that the budget is more sensitive to developments in commodity and currency markets than in the past. The mining industry now accounts for around 9 per cent of our economy compared to an average of under 5 per cent in the 1990s. The sensitivity of revenue is also heightened by continuing uncertainty around the growth prospects for many of the world's major economies.

Table 3.6: Australian Government general government sector cash receipts — 2010-11

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	129,670	130,900	1,230	0.9
Gross other individuals	29,810	28,750	-1,060	-3.6
less: Refunds	24,570	24,350	-220	-0.9
Total individuals and other withholding taxation	134,910	135,300	390	0.3
Fringe benefits tax	3,750	3,600	-150	-4.0
Company tax	64,760	62,400	-2,360	-3.6
Superannuation funds	7,200	7,290	90	1.3
Resource rent taxes(a)	1,690	1,350	-340	-20.1
Income taxation receipts	212,310	209,940	-2,370	-1.1
Sales taxes				
Goods and services tax	47,399	47,237	-161	-0.3
Wine equalisation tax	770	760	-10	-1.3
Luxury car tax	540	540	0	0.0
Total sales taxes	48,709	48,537	-171	-0.4
Excise duty				
Petrol	6,110	5,910	-200	-3.3
Diesel	7,020	7,080	60	0.9
Beer	2,050	2,000	-50	-2.4
Tobacco	5,610	6,070	460	8.2
Other excisable products	3,950	4,170	220	5.6
of which: Other excisable beverages(b)	940	940	0	0.0
Total excise duty receipts	24,740	25,230	490	2.0
Customs duty				
Textiles, clothing and footwear	680	630	-50	-7.4
Passenger motor vehicles	520	600	80	15.4
Excise-like goods	4,080	3,700	-380	-9.3
Other imports	1,210	1,500	290	24.0
less: Refunds and drawbacks	380	380	0	0.0
Total customs duty receipts	6,110	6,050	-60	-1.0
Other indirect taxation				
Agricultural levies	349	376	27	7.7
Other taxes	2,137	2,135	-1	-0.1
Total other indirect taxation receipts	2,486	2,511	25	1.0
Indirect taxation receipts	82,045	82,329	284	0.3
Taxation receipts	294,355	292,269	-2,086	-0.7
Sales of goods and services	7,848	7,879	31	0.4
Dividends	2,164	2,814	650	30.0
Interest received	5,073	4,779	-294	-5.8
Other non-taxation receipts	5,006	5,464	458	9.1
Non-taxation receipts(c)	20,092	20,936	844	4.2
Total receipts(c)	314,446	313,205	-1,242	-0.4
<i>Memorandum:</i>				
Capital gains tax	8,950	8,700	-250	-2.8
Medicare levy receipts	8,430	8,220	-210	-2.5

(a) Resource rent taxes in 2010-11 only includes PRRT.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

Table 3.7: Australian Government general government sector cash receipts — 2011-12

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	142,670	144,400	1,730	1.2
Gross other individuals	34,280	33,000	-1,280	-3.7
less: Refunds	27,080	27,100	20	0.1
Total individuals and other withholding taxation	149,870	150,300	430	0.3
Fringe benefits tax	3,920	3,700	-220	-5.6
Company tax	78,030	75,400	-2,630	-3.4
Superannuation funds	8,880	9,080	200	2.3
Resource rent taxes(a)	2,110	2,100	-10	-0.5
Income taxation receipts	242,810	240,580	-2,230	-0.9
Sales taxes				
Goods and services tax	50,630	50,100	-530	-1.0
Wine equalisation tax	830	820	-10	-1.2
Luxury car tax	580	580	0	0.0
Total sales taxes	52,040	51,500	-540	-1.0
Excise duty				
Petrol	6,180	5,880	-300	-4.9
Diesel	7,230	7,290	60	0.8
Beer	2,130	2,170	40	1.9
Tobacco	5,770	5,430	-340	-5.9
Other excisable products	4,780	4,920	140	2.9
of which: Other excisable beverages(b)	1,040	1,020	-20	-1.9
Total excise duty receipts	26,090	25,690	-400	-1.5
Customs duty				
Textiles, clothing and footwear	760	660	-100	-13.2
Passenger motor vehicles	760	810	50	6.6
Excise-like goods	4,350	4,790	440	10.1
Other imports	1,380	1,660	280	20.3
less: Refunds and drawbacks	380	380	0	0.0
Total customs duty receipts	6,870	7,540	670	9.8
Other indirect taxation				
Agricultural levies	355	384	28	8.0
Other taxes	1,988	1,993	4	0.2
Total other indirect taxation receipts	2,343	2,376	33	1.4
Indirect taxation receipts	87,343	87,106	-237	-0.3
Taxation receipts	330,153	327,686	-2,467	-0.7
Sales of goods and services	8,131	8,075	-56	-0.7
Dividends	1,444	1,552	108	7.4
Interest received	4,979	4,498	-481	-9.7
Other non-taxation receipts	5,883	6,384	501	8.5
Non-taxation receipts(c)	20,437	20,509	71	0.3
Total receipts(c)	350,590	348,194	-2,396	-0.7
<i>Memorandum:</i>				
Capital gains tax	11,800	11,300	-500	-4.2
Medicare levy receipts	9,080	8,850	-230	-2.5

(a) Resource rent taxes in 2011-12 only includes PRRT.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

Payments

Parameter and other variations have reduced payments in 2010-11 by \$934 million and by \$6.5 billion over the forward estimates, since PEFO.

Since PEFO, the major parameter and other variations in 2010-11 include increases in payments for Offshore Petroleum Royalties to the Western Australian Government, the National Partnership Agreement on Remote Indigenous Housing and Disability Support Pensions. These increases were partly offset by reductions in payments for Job Services Australia, the Home Insulation Program and the Medicare Services Program as well as the inclusion of an underspend provision.

The payment variations are largely consistent with the expense variations, with the exception of the GST balancing adjustment and accrued superannuation expenses which do not impact on the underlying cash balance. Further details are provided in the following section on the fiscal balance.

Fiscal balance estimates

The fiscal balance is expected to be in deficit by \$41.9 billion in 2010-11, \$2.3 billion higher than forecast in the 2010-11 Budget and \$2.5 billion higher than at PEFO. Since PEFO, this reflects a decrease in revenue of \$2.1 billion and an increase in expenses and net capital investment of \$415 million.

Table 3.8 provides a reconciliation of the fiscal balance estimates.

Table 3.8: Reconciliation of general government fiscal balance estimates^(a)

	Estimates		Projections	
	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
2010-11 Budget fiscal balance	-39,598	-12,093	1,960	6,325
Per cent of GDP	-2.8	-0.8	0.1	0.4
Changes from 2010-11 Budget to 2010 PEFO				
Effect of policy decisions(b)	-106	663	-246	-5329
Effect of parameter and other variations	282	2692	3387	5092
Total variations	176	3,355	3,141	-237
2010 PEFO fiscal balance	-39,422	-8,738	5,101	6,088
Per cent of GDP	-2.8	-0.6	0.3	0.4
Changes from 2010 PEFO to 2010-11 MYEFO				
Effect of policy decisions(b)				
Revenue	318	43	512	154
Expenses	217	571	236	448
Net capital investment	164	-17	-308	-176
Total policy decisions impact on fiscal balance	-63	-511	584	-118
Effect of parameter and other variations				
Revenue	-2,400	-2,761	-3,201	-4,531
Expenses	80	-1,309	-2,211	-3,627
Net capital investment	-46	242	483	752
Total parameter and other variations impact on fiscal balance	-2,434	-1,695	-1,473	-1,656
2010-11 MYEFO fiscal balance	-41,920	-10,943	4,211	4,314
Per cent of GDP	-3.0	-0.7	0.3	0.3

(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) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Revenue estimates

Total revenue has been revised down by \$2.1 billion in 2010-11 and \$11.9 billion over the four years to 2013-14 since PEFO.

Detailed Australian Government general government sector revenue estimates for 2010-11 and 2011-12, compared with the estimates published in PEFO, are provided in Tables 3.9 and 3.10 respectively.

Table 3.9: Australian Government general government sector accrual revenue — 2010-11

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	130,990	132,270	1,280	1.0
Gross other individuals	31,500	30,440	-1,060	-3.4
less: Refunds	24,570	24,350	-220	-0.9
Total individuals and other withholding taxation	137,920	138,360	440	0.3
Fringe benefits tax	3,790	3,660	-130	-3.4
Company tax	66,840	63,680	-3,160	-4.7
Superannuation funds	7,240	7,330	90	1.2
Resource rent taxes(a)	1,810	1,470	-340	-18.8
Income taxation revenue	217,600	214,500	-3,100	-1.4
Sales taxes				
Goods and services tax	49,380	49,130	-250	-0.5
Wine equalisation tax	780	770	-10	-1.3
Luxury car tax	540	540	0	0.0
Total sales taxes	50,700	50,440	-260	-0.5
Excise duty				
Petrol	6,200	6,000	-200	-3.2
Diesel	7,000	7,060	60	0.9
Beer	2,050	2,000	-50	-2.4
Tobacco	5,610	6,070	460	8.2
Other excisable products	3,950	4,170	220	5.6
Of which: Other excisable beverages(b)	940	940	0	0.0
Total excise duty revenue	24,810	25,300	490	2.0
Customs duty				
Textiles, clothing and footwear	680	630	-50	-7.4
Passenger motor vehicles	750	830	80	10.7
Excise-like goods	4,080	3,700	-380	-9.3
Other imports	1,220	1,510	290	23.8
less: Refunds and drawbacks	240	240	0	0.0
Total customs duty revenue	6,490	6,430	-60	-0.9
Other indirect taxation				
Agricultural levies	349	376	27	7.7
Other taxes	2,364	2,374	9	0.4
Total other indirect taxation revenue	2,713	2,749	36	1.3
Indirect taxation revenue	84,713	84,919	206	0.2
Taxation revenue	302,313	299,419	-2,894	-1.0
Sales of goods and services	7,913	7,987	74	0.9
Interest	5,302	5,074	-228	-4.3
Dividends	1,322	1,764	442	33.4
Other non-taxation revenue	4,914	5,438	524	10.7
Non-taxation revenue(c)	19,451	20,263	812	4.2
Total revenue(c)	321,765	319,682	-2,082	-0.6
<i>Memorandum:</i>				
Capital gains tax	8,950	8,700	-250	-2.8
Medicare levy revenue	8,430	8,220	-210	-2.5

(a) Resource rent taxes in 2010-11 only include PRRT.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

Table 3.10: Australian Government general government sector accrual revenue — 2011-12

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	143,830	145,610	1,780	1.2
Gross other individuals	35,980	34,700	-1,280	-3.6
less: Refunds	27,080	27,100	20	0.1
Total individuals and other withholding taxation	152,730	153,210	480	0.3
Fringe benefits tax	3,960	3,760	-200	-5.1
Company tax	80,320	77,200	-3,120	-3.9
Superannuation funds	8,950	9,150	200	2.2
Resource rent taxes(a)	2,080	2,070	-10	-0.5
Income taxation revenue	248,040	245,390	-2,650	-1.1
Sales taxes				
Goods and services tax	52,730	52,200	-530	-1.0
Wine equalisation tax	840	830	-10	-1.2
Luxury car tax	580	580	0	0.0
Total sales taxes	54,150	53,610	-540	-1.0
Excise duty				
Petrol	6,270	5,970	-300	-4.8
Diesel	7,210	7,270	60	0.8
Beer	2,130	2,170	40	1.9
Tobacco	5,770	5,430	-340	-5.9
Other excisable products	4,760	4,920	160	3.4
Of which: Other excisable beverages(b)	1,040	1,020	-20	-1.9
Total excise duty revenue	26,140	25,760	-380	-1.5
Customs duty				
Textiles, clothing and footwear	760	660	-100	-13.2
Passenger motor vehicles	870	920	50	5.7
Excise-like goods	4,350	4,790	440	10.1
Other imports	1,390	1,670	280	20.1
less: Refunds and drawbacks	240	240	0	0.0
Total customs duty revenue	7,130	7,800	670	9.4
Other indirect taxation				
Agricultural levies	355	384	28	8.0
Other taxes	2,331	2,337	6	0.3
Total other indirect taxation revenue	2,686	2,721	35	1.3
Indirect taxation revenue	90,106	89,891	-215	-0.2
Taxation revenue	338,146	335,281	-2,865	-0.8
Sales of goods and services	8,179	8,133	-46	-0.6
Interest	5,192	4,842	-349	-6.7
Dividends	1,351	1,426	75	5.6
Other non-taxation revenue	5,226	5,694	468	8.9
Non-taxation revenue(c)	19,948	20,096	148	0.7
Total revenue(c)	358,094	355,376	-2,718	-0.8
<i>Memorandum:</i>				
Capital gains tax	11,800	11,300	-500	-4.2
Medicare levy revenue	9,080	8,850	-230	-2.5

(a) Resource rent taxes in 2011-12 only include PRRT.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

Policy decisions

Policy decisions since PEFO have had no impact on tax revenue in 2010-11 and have increased tax revenue by \$531 million over the forward estimates. Major tax revenue policy decisions include tax breaks for green buildings, reducing tax revenue by \$135 million over the forward estimates, and revisions to the 50 per cent tax discount for interest income, increasing tax revenue by \$670 million over the forward estimates.

Policy decisions since PEFO have increased non-taxation revenue by \$318 million in 2010-11 and \$496 million over the forward estimates. Major non-taxation revenue policy decisions include a special dividend of \$300 million in 2010-11 from Medibank Private Limited which will be paid from excess reserves.

Parameter and other variations

The key economic parameters that influence revenue are shown in Table 3.11. The table shows effects on the Australian Government's main tax bases of the changed economic circumstances and outlook since the 2010-11 Budget.

Table 3.11: Key revenue parameters^(a)

	Outcome	Estimates		Projections	
	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
Revenue parameters at 2010-11 MYEFO					
Nominal gross domestic product (non-farm)	3.8	9.0	5.2	5 1/4	5 1/4
<i>Change since PEFO</i>	0.4	-0.5	-0.1	0	0
Compensation of employees (non-farm)(b)	2.1	8.1	7.2	5 1/2	5 1/2
<i>Change since PEFO</i>	0.2	0.4	0.2	- 1/4	- 1/4
Corporate gross operating surplus(c)	0.5	14.7	0.8	5 1/4	5 1/4
<i>Change since PEFO</i>	0.5	-1.5	-1.8	1/2	1/2
Unincorporated business income	15.6	6.7	3.2	5 1/2	5 1/2
<i>Change since PEFO</i>	-2.2	-0.4	1.8	0	1/4
Property income(d)	9.2	9.7	8.5	5 1/2	5 1/2
<i>Change since PEFO</i>	1.2	-2.2	1.6	0	0
Consumption subject to GST	3.9	5.5	5.5	5 1/2	5 1/2
<i>Change since PEFO</i>	0.1	0.6	0.1	- 1/4	- 1/4

(a) Current prices, per cent change on previous year.

(b) Compensation of employees measures total remuneration earned by employees.

(c) Corporate GOS is the National Accounts measure of company profits.

(d) Property income measures income derived from rent, dividends and interest.

As a result of the revisions to the economic and financial outlook, parameter and other variations have decreased revenue since PEFO by \$2.4 billion in 2010-11 and \$2.8 billion in 2011-12.

Since PEFO, income tax withholding revenue has been revised up by \$1.3 billion in 2010-11 and \$1.8 billion in 2011-12 reflecting strong wage growth.

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Gross other individuals' taxation revenue has been revised down by \$1.1 billion in 2010-11 since PEFO, mainly due to weaker than expected growth in primary producer income and lower than expected capital gains relating to the 2009-10 income year. The 2011-12 estimate has been lowered by \$1.3 billion, mainly due to lower forecast growth rates for incomes from capital gains and rent.

In 2010-11 and 2011-12 forecasts for refunds are broadly in line with PEFO expectations.

With weaker than expected collections to date suggesting that the take up of fringe benefits by employees is not likely to recover as quickly as previously expected, fringe benefits tax has been revised down by \$130 million in 2010-11 and \$200 million in 2011-12 since PEFO.

Higher superannuation tax contributions than forecast at PEFO are expected to be partially offset by reductions in capital gains tax collections. Taxation revenue from superannuation funds has been revised up by \$90 million in 2010-11 and \$200 million in 2011-12 relative to PEFO.

Company tax revenue has been revised down since PEFO by \$3.2 billion in 2010-11 and \$3.1 billion in 2011-12. These revisions reflect prior year losses, weakness in capital gains, and lags in the company tax collections in 2010-11, as well as weaker company profits in 2011-12 associated with the appreciation of the Australian dollar.

Since PEFO, revenue from petroleum resource rent tax (PRRT) has been revised down by \$340 million in 2010-11 and \$10 million in 2011-12. These revisions partly reflect increases in project development expenditure and the significantly higher expected exchange rate (which reduces oil prices denominated in Australian dollars), offset partially by increases in expected oil and gas prices and stronger than previously anticipated production in 2011-12.

GST revenue has been revised down by \$250 million in 2010-11 and \$530 million in 2011-12 since PEFO, primarily due to slower dwelling investment growth and weaker than expected collections to date.

Since PEFO, excise duty has been revised up by \$490 million in 2010-11, but down \$380 million in 2011-12. Relative to PEFO, customs duty has been revised down by \$60 million in 2010-11 and up by \$670 million in 2011-12.

The revisions are influenced by a better understanding of the impact of the offshore relocation of some tobacco manufacturing. In addition, estimates for fuel excise are broadly unchanged since PEFO, although they incorporate consumers further substituting towards blended fuels and away from unleaded fuels.

Analysis of the sensitivity of the taxation revenue estimates to changes in the economic outlook is provided in Attachment A to this part.

Parameter and other variations since PEFO have increased non-taxation revenue by \$494 million in 2010-11 but decreased the estimates by \$620 million over the four years to 2013-14. This largely reflects:

- higher than expected revenue of \$425 million (\$1.5 billion over the forward estimates) from Offshore Petroleum Royalties reflecting updated production forecasts along with the effects of foreign exchange movements and oil price adjustments. The expected increase in revenue also leads to an estimated \$289 million in additional royalty payments to the Western Australian Government;
- a decrease in expected dividends from the Reserve Bank of Australia (RBA) of \$677 million in 2012-13 and \$811 million in 2013-14 reflecting valuation losses and exchange rate movements; and
- a decrease in expected earnings for the Future Fund of \$125 million in 2010-11 (\$674 million over the forward estimates) reflecting lower than expected interest revenue.

Expense estimates

Total expenses have increased by \$297 million in 2010-11 but decreased by \$5.6 billion over the four years to 2013-14 since PEFO.

Table 3.12 provides a reconciliation of the expense estimates.

Table 3.12: Reconciliation of general government sector expense estimates

	Estimates		Projections	
	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
2010-11 Budget expenses	354,644	364,573	380,997	397,981
Changes from 2010-11 Budget to 2010 PEFO				
Effect of policy decisions(a)	3	-674	-656	-621
Effect of parameter and other variations	-596	-1,160	-1,578	-1,670
Total variations	-593	-1,834	-2,234	-2,290
2010 PEFO expenses	354,051	362,739	378,763	395,690
Changes from 2010 PEFO to 2010-11 MYEFO				
Effect of policy decisions(a)	217	571	236	448
Effect of economic parameter variations				
Total economic parameter variations	212	-666	-320	-316
<i>Unemployment benefits</i>	93	-196	71	15
<i>Prices and wages</i>	29	112	248	271
<i>Interest and exchange rates</i>	-41	-52	-50	-52
<i>GST payments to the States</i>	130	-530	-590	-550
Public debt interest	36	-198	2	110
Program specific parameter variations	1,005	485	331	161
Other variations	-1,172	-929	-2,224	-3,583
Total variations	297	-738	-1,975	-3,179
2010-11 MYEFO expenses	354,348	362,002	376,789	392,512

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Policy decisions

Policy decisions since PEFO have increased expenses by \$217 million in 2010-11 and \$1.5 billion over the forward estimates. Major policy decisions include:

- the establishment of a Priority Regional Infrastructure Program (\$600 million over the three years from 2011-12 and \$800 million in total). Funding will be provided for transport, community infrastructure projects and economic infrastructure following consultation with local communities;
- the introduction of Medicare Benefits Schedule rebates for electronically delivered specialist consultations at a cost of \$352 million over the four years from 2010-11;
- the Taking Action to Tackle Suicide package which provides \$274 million over four years from 2010-11 to tackle suicide and promote better mental health in the community;
- funding of \$22 million in 2010-11 (\$313 million over four years) through the Renewable Energy Future Fund for a number of specific measures to support renewable energy, enhance the take up of energy efficiency and to reduce Australia's carbon emissions. This funding will be met from the existing provision for the Renewable Energy Future Fund;

- funding from the Health and Hospitals Fund Regional Priority Round of \$150 million in 2010-11 (\$315 million over three years), reflecting up to \$240 million for the expansion of Royal Hobart Hospital, and up to \$75 million for the expansion of the Port Macquarie Base Hospital. This is in addition to an upfront contribution to the Royal Hobart Hospital of \$100 million in 2010-11 to enable construction of a Women's and Children's Hospital; and
- a Trade Apprentice Income Bonus scheme costing \$29 million in 2010-11 (\$281 million over four years) to increase the bonuses available to apprentices under the Tool for Your Trade Program.

These policy decisions are partly offset by savings, including reductions in funding for:

- the Renewable Energy Bonus Scheme – Solar Hot Water Rebate by \$75 million in 2010-11 (\$150 million over two years to 2011-12);
- whole-of-government advertising, achieving savings of \$44 million in 2010-11 (\$60 million over four years); and
- projects funded from the Building Australia Fund for the Victorian Regional Rail Link of \$320 million in 2012-13 and \$80 million in 2013-14, with a corresponding increase in funding in 2014-15.

MYEFO begins to deliver on the Government's election commitments, primarily those that have financial impacts in the current financial year or require legislative approval or agreement with third parties. Those commitments with financial impacts that do not commence until 2011-12, or where implementation details are still being finalised, will be progressed in the 2011-12 Budget. A provision for these commitments, which results in a net saving of \$141 million over the forward estimates, has been included in the Contingency Reserve.

A full description of all policy measures since budget can be found in Appendix A. Estimates of Australian Government general government expenses by function and sub-function can be found in Attachment C.

Parameter and other variations

Parameter and other variations since PEFO have resulted in an increase in expenses of \$80 million in 2010-11 and a decrease in expenses by \$7.1 billion across the forward estimates. In 2010-11, this largely reflects expected increases in:

- accrued superannuation expenses for civilian superannuation schemes of \$511 million reflecting revised actuarial calculations on expenses as part of finalising the 2009-10 Final Budget Outcome. This change does not have an underlying cash impact;

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- penalty remissions expenses for the Australian Taxation Office of \$480 million (\$875 million over four years) reflecting higher than expected year to date penalty remissions, in particular for company tax, and a return to average penalty remission levels in the forward years;
- Offshore Petroleum Royalties payments to the Western Australian Government of \$289 million (\$1.0 billion over four years). This expected increase is due to a \$425 million increase in estimated revenue reflecting updated production forecasts along with the effects of revised foreign exchange movements and oil prices;
- expenses for the National Partnership Agreement on Remote Indigenous Housing of \$255 million reflecting the acceleration of building and refurbishing housing in the Northern Territory;
- Disability Support Pension expenses of \$237 million (\$892 million over four years) as a result of higher than expected growth in recipient numbers and higher than expected average rates of payment;
- Medicare Chronic Disease Dental Scheme (CDDS) expenses of \$227 million from a further continuation of this scheme. The Government announced the replacement of this scheme with the Commonwealth Dental Health Program in the 2008-09 Budget; however, the instrument to terminate the CDDS was rejected by Parliament. Closure of the CDDS remains the Government's policy; and
- GST payments to the States and Territories of \$130 million due to a balancing adjustment of \$490 million to account for the difference between actual and estimated GST payments being recognised in 2009-10 rather than 2010-11 as previously expected, partly offset by a downwards revision to forecast GST collections and GST payments to the States of \$360 million. Over the four years to 2013-14, GST payments decrease by \$1.5 billion.

These increases are partially offset by expected reductions in:

- Job Services Australia expenses of \$386 million (\$1.7 billion over four years) resulting from better estimation of the timing of payments and an improvement in expected labour market conditions;
- Home Insulation Program expenses of \$251 million, with a corresponding increase in estimated expenses in 2011-12, to better reflect expected expenditure on Home Insulation Program Review Office activities;
- Medicare Services Program expenses of \$61 million in 2010-11 (\$585 million over four years) resulting from a smaller number of Medicare Benefits Schedule eligible services being delivered in 2009-10 which is expected to flow through to future years; and

- overall expense estimates following the inclusion of a provision for underspends of \$1.0 billion in 2010-11. A provision is included each year in the MYEFO to provide for the established tendency of agencies to underspend their budgets in the current financial year.

Parameter and other variations also include a decrease in expenses reflecting the usual drawdown of the conservative bias allowance of \$3.4 billion over the forward estimates.

Net capital investment estimates

Total net capital investment has increased by \$118 million in 2010-11 and by \$1.1 billion over the four years to 2013-14 since PEFO.

Table 3.13 provides a reconciliation of the net capital investment estimates.

Table 3.13: Reconciliation of general government sector net capital investment estimates

	Estimates		Projections	
	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
2010-11 Budget net capital investment	6,775	3,917	-1,036	2,902
Changes from 2010-11 Budget to 2010 PEFO				
Effect of policy decisions(a)	100	0	0	0
Effect of parameter and other variations	261	175	182	182
Total variations	361	175	182	182
2010 PEFO net capital investment	7,136	4,093	-855	3,084
Changes from 2010 PEFO to 2010-11 MYEFO				
Effect of policy decisions(a)	164	-17	-308	-176
Effect of parameter and other variations	-46	242	483	752
Total variations	118	225	176	576
2010-11 MYEFO net capital investment	7,254	4,318	-679	3,659

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Policy decisions

Policy decisions since PEFO have increased net capital investment by \$164 million in 2010-11 but decreased net capital investment by \$336 million over the forward estimates. Major policy decisions include:

- the bring forward and reallocation of \$250 million of funding from 2013-14 to 2010-11 and 2011-12 under the Water for the Future package for the purchase of water entitlements, from willing sellers, in the Murray-Darling Basin;
- additional funding of \$55 million in 2010-11 for the commissioning of two new immigration detention facilities to accommodate irregular maritime arrivals; and

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- the removal from the Contingency Reserve of the provision for the Information and Communication Technology Business as Usual Reinvestment Fund of \$40 million (\$448 million over the forward estimates).

Parameter and other variations

Parameter and other variations since PEFO have decreased estimated net capital investment for 2010-11 by \$46 million and increased estimated net capital investment across the forward estimates by \$1.4 billion. In 2010-11, this variation primarily reflects an expected decrease in Defence net capital investment of \$387 million (\$1.4 billion over four years) due mainly to foreign exchange movements, partly offset by an increase in the Defence Housing Australia's capital program of \$110 million.

Net debt, net financial worth and net worth

Net debt for the Australian Government general government sector is forecast to be \$79.6 billion (or 5.7 per cent of GDP) in 2010-11, which is broadly consistent with the forecast in the 2010-11 Budget.

Over the forward estimates, net debt is forecast to peak at 6.4 per cent of GDP in 2011-12. This is higher than the forecast net debt peak in the 2010-11 Budget of 6.1 per cent and is driven primarily by changes to both the short- and long-term investment strategies of the Future Fund. The Future Fund changes have resulted in a reallocation of assets from 2010-11 onwards from fixed income investments, which reduce net debt, to equity investments, which are not included in net debt calculations.

By 2013-14 net debt is forecast to fall to 5.7 per cent of GDP.

The Australian Government's net debt remains low by international standards. The average net debt level in the major advanced economies, measured for all levels of government, is estimated to be 74.5 per cent of GDP in 2010. Net debt in the major advanced economies is expected to reach an average of 90 per cent of GDP in 2015, 14 times higher than the expected peak in Australia's net debt.

Net financial worth for the Australian Government general government sector is forecast to be -\$170.5 billion (or -12.2 per cent of GDP) in 2010-11, compared to the 2010-11 Budget estimate of -\$160.6 billion (or -11.4 per cent of GDP). Estimated net worth in 2010-11 is forecast to be -\$63.4 billion, which is \$6.9 billion lower than the 2010-11 Budget estimates. Changes in net worth and net financial worth are largely driven by changes in the value of the Government's investment in the Reserve Bank of Australia owing to revaluation losses associated with the appreciation of the exchange rate.

Table 3.14 provides a summary of Australian Government general government sector net debt, net financial worth, net worth and net interest payments.

Table 3.14: Australian Government general government sector net financial worth, net worth, net debt and net interest payments

	Estimates			
	2010-11		2011-12	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Financial assets	235.6	209.6	238.2	212.7
Non-financial assets	104.2	107.2	107.9	111.5
Total assets	339.8	316.8	346.1	324.2
Total liabilities	396.2	380.1	412.5	396.2
Net worth	-56.5	-63.4	-66.4	-72.0
Net financial worth(a)	-160.6	-170.5	-174.3	-183.5
Per cent of GDP	-11.4	-12.2	-11.7	-12.5
Net debt(b)	78.5	79.6	90.5	94.4
Per cent of GDP	5.6	5.7	6.1	6.4
Net interest payments	4.6	4.4	6.1	5.4
Per cent of GDP	0.3	0.3	0.4	0.4
	Projections			
	2012-13		2013-14	
	Budget \$b	MYEFO \$b	Budget \$b	MYEFO \$b
Financial assets	244.0	220.7	248.5	229.3
Non-financial assets	110.8	114.9	113.1	117.9
Total assets	354.7	335.6	361.6	347.2
Total liabilities	417.7	401.9	417.0	407.8
Net worth	-63.0	-66.3	-55.3	-60.6
Net financial worth(a)	-173.8	-181.2	-168.5	-178.5
Per cent of GDP	-11.1	-11.7	-10.2	-10.9
Net debt(b)	93.7	93.6	90.8	92.5
Per cent of GDP	6.0	6.0	5.5	5.7
Net interest payments	6.5	5.9	6.1	5.9
Per cent of GDP	0.4	0.4	0.4	0.4

(a) Net financial worth equals total financial assets minus total liabilities.

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