



6 May 2021

Government finances – March quarter 2021

Fiscal balance results better than was expected at the last budget update

The March quarter results show better outcomes for revenue and expenses than was expected at the 2020-21 Mid-Year Economic and Fiscal Outlook (MYEFO), released on 17 December 2020. Expenses continue to trend down from their high levels in mid-2020, and revenue is higher than the same period last year.¹

Net debt was \$587.5 billion at the end of March 2021, \$23.6 billion less than at the end of December 2020, but \$157.8 billion (37 per cent) higher than at the end of March 2020, when COVID-19 restrictions were implemented. Although expenses remain higher than revenue, debt has decreased in the March quarter. Net debt includes the market value of bonds the government has previously issued. The market value of longer-term government bonds has decreased since the December quarter, lowering the government's net debt. Interest rates remain low by historical standards, helping to keep total public debt interest expenses low.

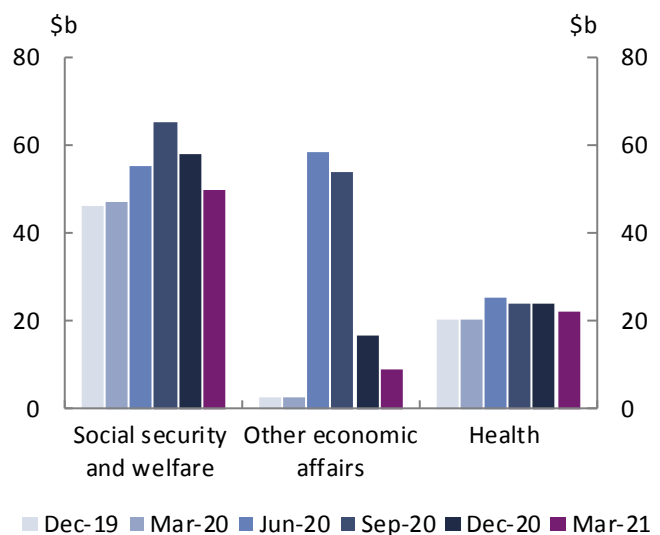
Expenses were \$142.5 billion in the March quarter, \$11.8 billion lower than the December 2020 quarter. The decline was in part driven by the partial unwinding of temporary policies, including the JobKeeper Payment (captured in 'other economic affairs') and the Coronavirus Supplement (captured in 'social security and welfare'), and in part by strengthening economic conditions, as seen in the improved unemployment rate. Expenses are \$11.8 billion (or 9 per cent) higher than the same period in 2020, with more than half of this increase captured in 'other economic affairs'.

Revenue was \$127.2 billion in the March quarter, \$6.7 billion higher than the March quarter 2020. Almost half of this increase came from stronger company tax revenue, reflecting higher iron ore prices.

Budget balances

Fiscal aggregates are tracking better than expected at the 2020-21 MYEFO, but remain significantly lower than they have been in recent years. The **fiscal balance** for the financial year to March 2021 was -\$134.0 billion, a deterioration of \$112.1 billion compared to the same time last year. The **underlying cash balance** was -\$133.3 billion for the financial year to March 2021 compared to -\$22.4 billion for the same time last year.

Quarterly expenses
December 2019 to March 2021

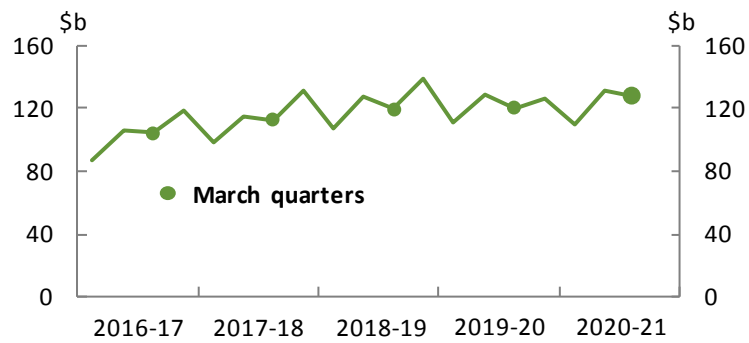


Source: Commonwealth Government Monthly Financial Statements and PBO analysis.

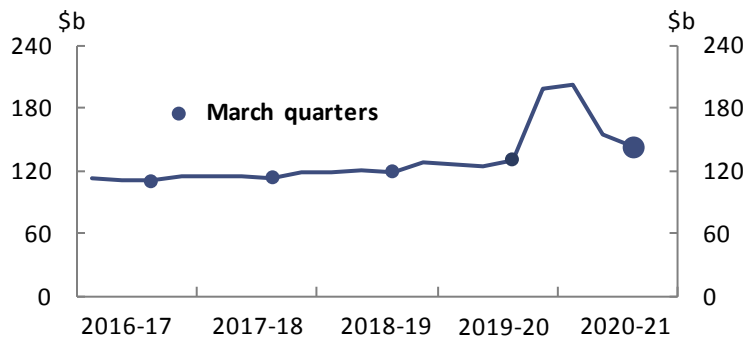
¹ The Commonwealth Government released the financial statements for January 2021 on 26 February 2021, for February 2021 on 26 March 2021, and for March 2021 on 30 April 2021. Monthly Financial Statements are available online at <https://www.finance.gov.au/publications/commonwealth-monthly-financial-statements>.

Key quarterly fiscal aggregates

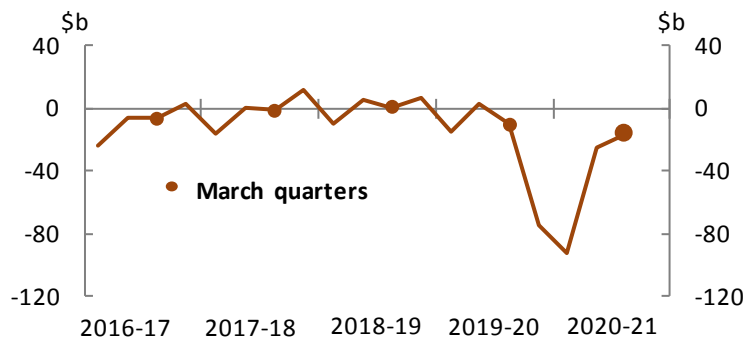
Revenue¹



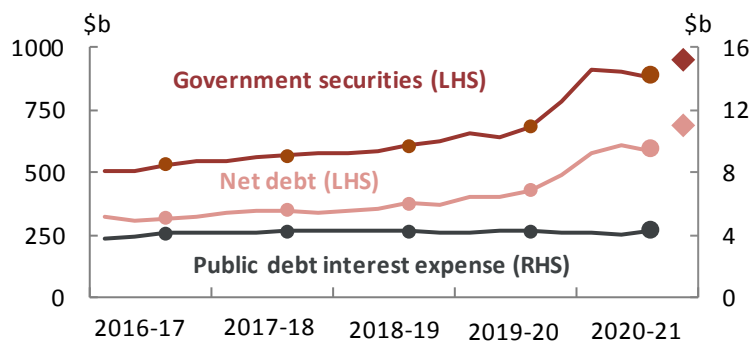
Expenses¹



Fiscal balance¹



Debt and public debt interest²



¹ Numbers are for the quarter. Seasonal patterns for revenue, expenses and fiscal balance reflect key dates in revenue collection and transfer expenditure.

² Diamonds show 2020-21 MYEFO estimates for the end of June 2021. Government securities (also known as government bonds) refers to Australian Government Securities at market value. Public debt interest expenses are interest payments on Australian Government Securities. Government securities and net debt values are as at the end of each quarter; public debt interest values are the expense for that quarter. Dots show results at the end of March for debt or over the March quarter for interest.

Source: Commonwealth Government Monthly Financial Statements, Final Budget Outcomes, 2020-21 MYEFO, and PBO analysis.