

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2014 - 2015

Department/Agency: Treasury

Question: AET 250-255

Topic: Borrowing \$100 million per day

Reference: written - 06 March 2015

Senator: Dastyari, Sam

Question:

Treasurer Hockey often refers to a \$100 million a day figure:

HOCKEY – 17 FEBRUARY 2015 “...we are borrowing \$100 million just to pay our daily bills as a government. So, we are collecting \$100 million less tax than we are actually spending every day and that’s unsustainable into the future.”

HOCKEY – 20 FEBRUARY 2015 “...we cannot continue to borrow \$100 million every day just to pay the day-to-day bills of the Federal Government.”

250. How is this \$100 million figure calculated?
251. Did the Treasury provide that advice with that figure to the Treasurer’s office?
252. Is this a figure that Treasury typically uses to monitor the sustainability of government finances?
253. Is this figure unsustainable?
254. If the figure the Treasurer has been using is calculated on the deficit in 2014-15, what was this figure at PEFO? Budget time? MYEFO?
255. Will this figure be lower or higher come Budget time?

Answer:

250. The amount the Government will need to borrow per day is calculated as the estimated underlying cash deficit divided by 365. At the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO) the underlying cash deficit was estimated to be \$40.4 billion in 2014-15.

251. The accuracy of the calculation was confirmed by the Department for remarks made by the Treasurer made after the release of the 2014-15 MYEFO.

252. The sustainability of the Government’s fiscal position is measured by the underlying cash balance, fiscal balance, the level of net debt, net financial worth and net worth, all of which are set out in the Budget Papers. This figure is an alternative representation of the underlying cash balance.

253. Sustained budget deficits lead to increased levels of government debt. In turn, this means that government revenue must be allocated to service the interest payments on this government debt, potentially reducing the resources available for other purposes, or requiring further borrowing. In the 2014-15 Budget, the Government outlined its plan to improve fiscal sustainability by returning the Budget to surplus and reducing government debt on issue.

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254-255. The size of these figures will depend on the estimated size of the underlying cash deficit/surplus at that time.