

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2016 - 2017

Department/Agency: Treasury

Question: BET79-84

Topic: AAA Credit Rating

Reference: Written - 5 May 2016

Senator: Chris Ketter

Question:

"79. The credit rating agency Moody's has indicated that the government's failure to make any progress in reducing debt and the deficit will put Australia's AAA credit rating at risk - does Treasury agree with Moody's?

80. Adam Donaldson, head of fixed income research at the Commonwealth Bank of Australia, said after the Budget that the government is "skating on thin ice" with respect to maintaining our AAA rating - does Treasury agree with Commonwealth Bank?

81. What are the implications of Australia losing our AAA rating?

82. What would the impact be on interest costs on Australia's national debt?

83. What would the impact be on household and business borrowing costs?

84. What would the impact be on sub-national entities, such as states and territories?"

Answer:

79-80. International ratings agencies determine sovereign credit ratings, and are best placed to comment on what factors they have taken into account in doing so.

81-84. Credit ratings represent the opinion of the agencies that assign them, whereas the interest rates faced by the Australian economy are determined by global market conditions and broader economic and financial developments. It is therefore not possible to provide a definitive answer.