

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 136

Topic: What is the Dollar Value at which the Gross Debt is expected to Peak

Hansard Page: 30 (Thursday 16 Feb)

Senator CORMANN asked:

Senator CORMANN: At what point do you expect gross debt to peak and at what level?

Mr Ray: I think gross debt is peaking as a proportion of GDP in the current year, 2011-12.

Senator CORMANN: Does that include the equity injections into the NBN and all of the other moneys?

Mr Ray: Yes.

Senator CORMANN: It is expected to peak in 2011-12?

Mr Ray: Let me double-check that.

Senator Wong: On the other issue, yes, the NBN injections are included in the budget figures.

Mr Ray: We are expecting government securities on issue to peak as a proportion of GDP in 2011-12.

Senator CORMANN: What is the dollar value at which the gross debt is expected to peak?

Mr Ray: I will take that on notice.

Senator CORMANN: You do not have that to hand?

Mr Ray: No.

Senator CORMANN: This is this financial year we are talking about.

Mr Ray: No. As a proportion of GDP it is peaking, but I think if you look at the balance sheet you will see that—

Senator Wong: The figures I have are that, as Mr Ray has said, gross debt as a percentage of GDP peaks in 2011-12.

Senator CORMANN: Would you take on notice when you expect gross debt to peak, both as a percentage of GDP and in dollar terms, either in the current forward estimates or beyond the current forward estimates and at what level?

Senator Wong: I will add to it if I am incorrect, but my advice is that Mr Ray is correct, that we peak as a percentage of GDP in 2011-12 for both net and gross debt.

Answer:

The Australian Government's balance sheet remains amongst the strongest in the developed world. Australia recently received a AAA credit rating from all three major rating agencies for the first time in our history.

Australia's net debt position remains very low by international standards, with Australia one of only eight countries to have a AAA credit rating with a stable outlook from all three major credit ratings agencies.

The strength of the Government's financial position and the return to surplus in 2012-13 allows the Government to further reduce its already very low levels of gross and net debt as a share of GDP from 2012-13 (both gross and net debt peak in 2011-12 as a share of GDP).

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The average net debt position, as a per cent of GDP, of the major advanced economies (G7) is projected to reach around ten times the expected peak in Australia's net debt.

The face value of CGS on issue is projected to be below the current legislative limit at the end of each financial year across the forward estimates.

Budget Paper 1, Budget Statement 9 (Table 2) contains the projected level of CGS on issue in terms of market value over the forward estimates. In the year since the last Budget, CGS yields have fallen substantially across the yield curve, resulting in lower borrowing rates for the Government. As a result of this fall in yields, the market value of CGS outstanding has increased while the face value is not affected.