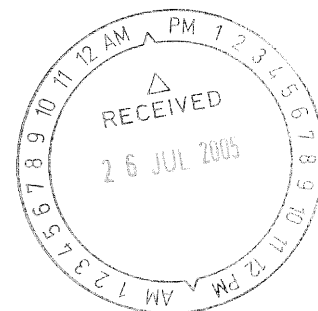


Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

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Budget Estimates, 31 May to 2 June 2005



Question: Bud 86

Topic: Foreign Debt - Comparable Data

Hansard Page: E123/124

Senator Sherry asked:

1. Has there been any analysis or are there any statistics on Australia's level of short-term foreign debt vis-à-vis the level of other countries?
2. The other side of that question on notice would be whether short- or long-term debt has increased in Australia over the last 10 years in proportion to the other.

Answer:

1. According to ABS publication 5302, as of the March quarter 2005, of Australia's \$689.9 billion gross foreign debt liabilities, \$370 billion (or 54 per cent of total foreign debt liabilities) were in long term debt securities and \$320 billion (or 46.4 per cent) were in short term debt securities.

This has been calculated using data provided by the Australian Bureau of Statistics (publication 5302 table 31). Long- and short- term debt are defined as contractually due for repayment in more than one year, and less than one year. Accordingly, a 10 year bond will be reclassified as a short-term instrument as it approaches maturity. To provide internationally comparable data, the World Bank's *Quarterly External Debt Statistics* definition is used, based on the initial form of the security (where a 10 year bond is always classified as a long-term security, regardless of the time till maturity)¹.

Using this definition, Australia's short term foreign debt as a share of total foreign debt is 31 per cent, which falls within the mid-range of countries, below Italy and

¹ The ABS measure for short-term debt will always be higher than the World Bank measure, given that at any point of time, some proportion of the stock of original long-term securities will come due within the next year. This proportion will be defined as short-term by the ABS, but will remain defined as long-term by the World Bank.

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above Germany. The UK has the largest share, at 77 per cent, while the lowest of the advanced economies is Mexico at 11 per cent (see Chart 1).

2. ABS publication 5302 only provides data describing the maturity of Australia's foreign debt since 1996. Over this time, the share of short-term foreign debt to total foreign debt has fallen, from 54.5 per cent to 46.4 per cent (see Chart 2).

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Chart 1: Short-term foreign debt as a proportion of total foreign debt (World Bank definition)

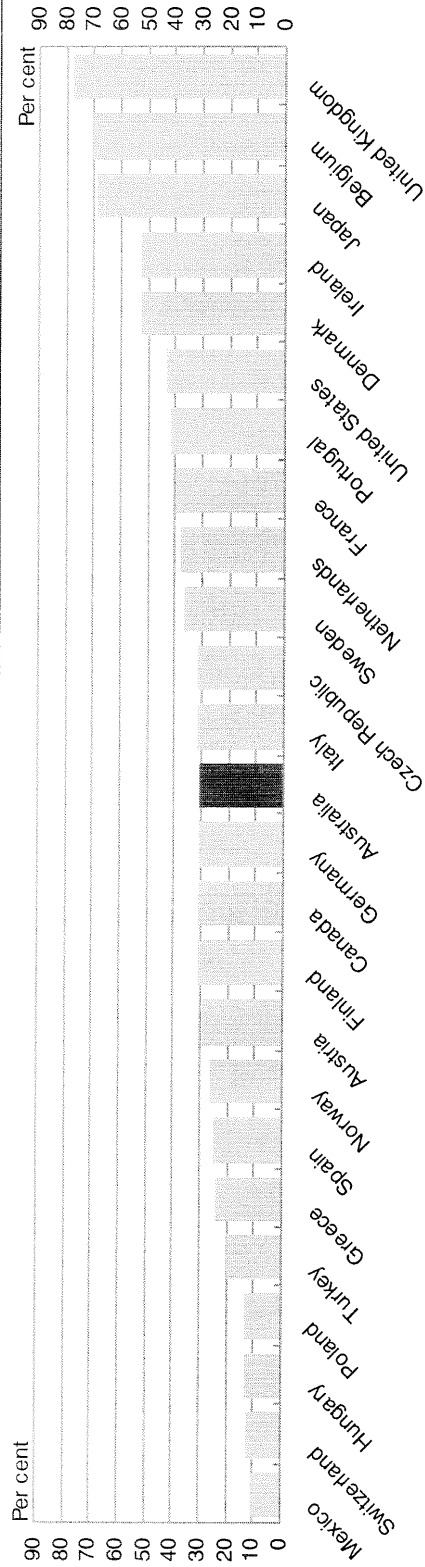


Chart 2: Short-term foreign debt as a proportion of total foreign debt (ABS definition)

