

STATEMENT 12: TRENDS IN PUBLIC SECTOR FINANCES

This statement discusses trends in the fiscal balance, cash surplus, balance sheet data (net debt and net worth) and net interest payments for the non-financial public sector at the Australian Government and State/local levels of government, and together at the consolidated level. These indicators are discussed in greater detail in **Statement 8**.

This statement provides a broader context in which to consider developments in the Australian Government's Budget.

For further information on the data used in the charts and tables in this statement, see Appendix B: Data. This statement uses the convention that references to the States include the Territories, and that the combined State and local government sector is denoted as the State/local sector and includes Territory governments unless otherwise stated.

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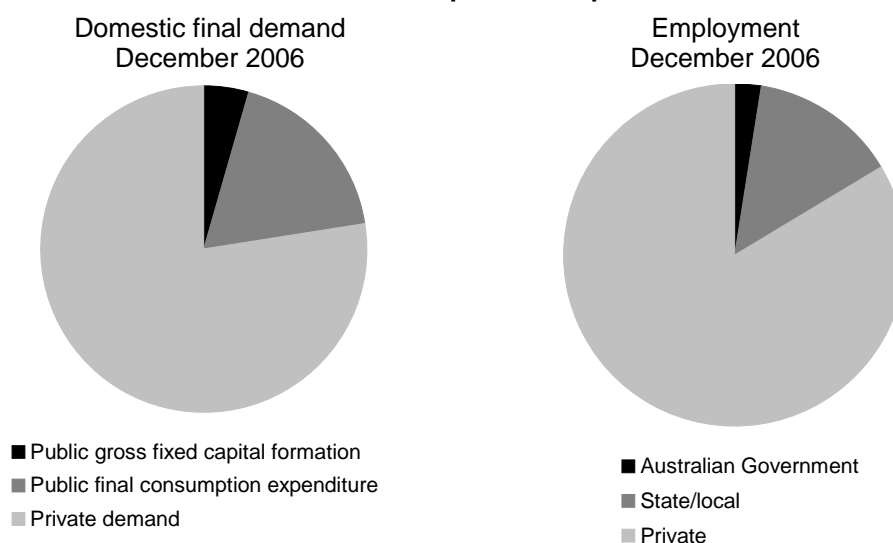
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SIZE AND STRUCTURE OF THE PUBLIC SECTOR

The size and structure of Australia's public sector provides a useful context for interpreting trends in the total public sector. The total public sector¹ constitutes a significant portion of the Australian economy (around 22 per cent of domestic final demand).

Domestic final demand (as shown in Chart 1) is made up of public final demand (which comprises public gross fixed capital formation and public final consumption expenditure) and private demand (consisting of private gross fixed capital formation and private final consumption expenditure). The Australian Government constitutes 38 per cent of public final demand, while the State/local level of government accounts for 62 per cent.

Chart 1: Contribution of public and private sectors



Sources: ABS cat. nos. 6248.0, 6202.0 and 5206.0.

¹ The total public sector includes the non-financial public sector (comprised of the general government sector and the public non-financial corporations sector) and the public financial corporations sector for the Australian Government and State/local levels of government.

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There are significant differences in the roles and responsibilities of the two main levels of government. Major components of the Australian Government's expenses include transfer payments in relation to social security and welfare, and defence expenditure. Transfer payments, such as Australian Government income support payments, are not included in the Australian Government public final demand. Rather, these payments, along with payments that the Australian Government makes to the States and the private sector to assist in funding important services like education and health, are reflected in either State/local public final demand or private demand.

In terms of employment, the total public sector employs approximately 16 per cent of wage and salary earners (Chart 1). The State/local sector accounts for around 13.5 per cent of all wage and salary earners and for 84 per cent of total public sector wage and salary earners. The Australian Government accounts for around 2.5 per cent of all wage and salary earners and for 16 per cent of total public sector wage and salary earners. The State/local sector's larger share reflects that sector's major responsibilities for service delivery in the areas of education, health, transport and public order and safety.

FISCAL BALANCE

As outlined in Figure 1 of Statement 8, the total public sector is made up of the non-financial public sector (NFPS) and the public financial corporations sector. The NFPS is comprised of the general government sector and the public non-financial corporations (PNFC) sector.

The general government sector forms the majority of the NFPS (particularly in terms of revenue and expenses). The PNFC sector tends to be more important at the State/local level, where most PNFCs are concentrated.

The fiscal balance of the Australian Government general government sector is expected to be a surplus of 1.2 per cent of Gross Domestic Product (GDP) in 2006-07 and 0.9 per cent of GDP in 2007-08. The surplus is projected to remain at around 1 per cent of GDP over the forward estimates.

After being in surplus in recent years, the State/local general government sector is expected to record a fiscal deficit of 0.5 per cent of GDP in 2006-07 and remain in deficit over the forward estimates. The forecast deficits reflect smaller operating surpluses and high levels of planned capital investment. Further detail on State general government sector operating and fiscal balances is contained in Budget Paper No. 3, *Federal Financial Relations 2007-08*.

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The consolidated² PNFC sector fiscal balance is expected to be in deficit by 1.1 per cent of GDP in 2006-07 and 2007-08. The increase in the PNFC deficit in recent years mainly reflects increased capital expenditure by PNFCs at the State/local level.

PNFC revenue and expenses have decreased significantly as a share of GDP since the 1990s. This is partly attributable to the privatisation of PNFCs by both the Australian and State/local governments. For example, Telstra no longer forms part of the PNFC sector following the further sell down of the Australian Government's interest in Telstra in 2006-07.

Fiscal deficits at the State/local level are also expected to result in the consolidated NFPS being in deficit in 2006-07 and 2007-08.

Tables 1, 2 and 3 show general government sector, PNFC and NFPS fiscal balance data by level of government.

2 When combined, the Australian Government, State/local governments and universities are referred to as the 'consolidated public sector'.

Table 1: General government fiscal balance by level of government (per cent of GDP)^(a)

	Australian Government			State/local			Consolidated		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	26.0	26.7	-0.8	na	na	na	na	na	na
1997-98	25.4	25.7	-0.3	na	na	na	na	na	na
1998-99	25.0	24.1	0.6	17.1	16.4	0.2	37.1	35.4	0.9
1999-00	25.9	24.3	1.8	16.7	15.9	0.3	37.7	35.2	2.1
2000-01	23.5	22.9	0.8	16.6	16.2	-0.2	37.3	36.2	0.7
2001-02	22.1	22.7	-0.5	16.5	16.0	0.0	35.8	35.7	-0.5
2002-03	22.5	21.9	0.6	16.6	15.9	0.2	36.6	35.3	0.9
2003-04	22.4	21.7	0.6	16.8	15.8	0.4	37.0	35.3	1.0
2004-05	23.0	21.8	1.2	16.8	15.8	0.4	37.5	35.4	1.6
2005-06	23.0	21.3	1.5	16.8	15.7	0.4	37.7	34.7	2.0
2006-07(e)	22.8	21.5	1.2	16.2	15.7	-0.5	37.0	35.0	0.7
2007-08(e)	22.5	21.5	0.9	15.8	15.3	-0.4	36.3	34.6	0.6
2008-09(p)	22.8	21.6	1.0	15.7	15.2	-0.4	36.6	34.7	0.7
2009-10(p)	23.1	21.8	1.2	15.6	15.1	-0.2	36.8	34.8	1.0
2010-11(p)	22.9	21.8	1.1	na	na	na	na	na	na

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(e) Estimates.

(p) Projections.

na Data not available.

Table 2: Public non-financial corporations fiscal balance by level of government (per cent of GDP)^(a)

	Australian Government			State/local			Consolidated		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	5.0	4.8	-0.1	na	na	na	na	na	na
1997-98	5.1	4.7	0.4	na	na	na	na	na	na
1998-99	4.6	4.3	-0.1	6.1	6.1	-0.4	10.6	10.4	-0.6
1999-00	4.0	3.6	0.2	5.7	5.4	0.3	9.6	9.1	0.5
2000-01	3.8	3.6	-0.1	5.5	5.2	0.2	9.2	8.8	0.1
2001-02	3.6	3.4	0.1	4.7	4.5	-0.2	8.3	8.0	-0.1
2002-03	3.1	2.9	0.3	4.5	4.4	-0.3	7.7	7.4	-0.1
2003-04	3.0	2.8	0.3	4.5	4.3	-0.3	7.6	7.2	0.0
2004-05	3.0	2.8	0.2	4.3	4.2	-0.4	7.4	7.0	-0.3
2005-06	2.9	3.1	-0.3	4.4	4.3	-0.7	7.4	7.4	-1.0
2006-07(e)	1.5	1.6	-0.1	4.3	4.2	-1.0	5.8	5.8	-1.1
2007-08(e)	0.6	0.6	-0.1	4.2	4.2	-1.0	4.9	4.9	-1.1

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(e) Estimates.

na Data not available.

Table 3: Non-financial public sector fiscal balance by level of government (per cent of GDP)^(a)

	Australian Government			State/local			Consolidated		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	na	na	-0.8	na	na	na	na	na	na
1997-98	na	na	0.1	na	na	na	na	na	na
1998-99	28.9	27.8	0.5	20.8	20.1	-0.2	44.7	42.7	0.3
1999-00	29.3	27.1	2.0	20.5	19.5	0.6	44.8	41.6	2.6
2000-01	26.6	25.8	0.7	20.3	19.7	0.0	44.1	42.6	0.7
2001-02	25.1	25.5	-0.4	19.5	18.8	-0.3	41.7	41.3	-0.6
2002-03	24.9	24.2	0.9	19.4	18.7	-0.1	42.0	40.4	0.8
2003-04	24.7	23.8	0.8	19.5	18.3	0.2	42.1	40.0	1.1
2004-05	25.4	24.0	1.4	19.5	18.3	0.0	42.6	40.1	1.3
2005-06	25.2	23.7	1.3	19.4	18.2	-0.3	42.6	39.7	1.0
2006-07(e)	24.0	22.7	1.0	19.1	18.6	-1.5	41.2	39.1	-0.4
2007-08(e)	23.0	21.9	0.8	18.7	18.2	-1.4	39.8	38.0	-0.5

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(e) Estimates.

na Data not available.

CASH SURPLUS

General government sector

The Australian Government general government sector has been in surplus since 1997-98, with the exception of a small cash deficit of 0.1 per cent of GDP in 2001-02.

Panels A and C of Chart 2 show the large contribution of past Australian Government general government sector cash deficits to the consolidated NFPS cash deficit. Panel A of Chart 2 also illustrates the improvement in the Australian Government general government sector balance, culminating in the strong surplus outcomes of recent years.

Panel A of Chart 2 also shows the sustained improvement in State/local general government sector balances through the mid-1990s. The State/local sector maintained a cash surplus each year from 1994-95 to 2005-06, with the exception of 1998-99. This improvement was initially due to payments restraint, helped by lower debt servicing charges and, more recently, to the strong growth in revenues related to the property market and GST. In 2006-07, the sector is expected to record a deficit of 0.9 per cent of GDP. The size of the estimated State/local cash deficit in 2006-07 is affected by a one-off \$7.2 billion contribution from New South Wales' General Government Liability Management Fund towards defined benefit superannuation schemes. In 2007-08 the State/local sector is forecast to record a deficit of around 0.4 per cent of GDP.

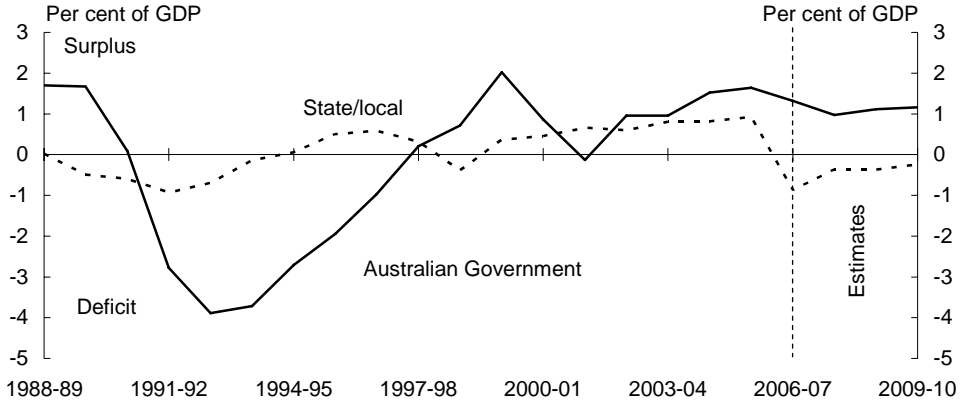
Public non-financial corporations sector

As shown in Chart 3, the consolidated PNFC sector maintained a cash surplus position through much of the 1990s, but has recorded deficits in recent years. A deficit of 1.2 per cent of GDP is estimated for the consolidated PNFC sector in 2006-07 and a deficit of 1.1 per cent of GDP is estimated for 2007-08, mainly reflecting the impact of large capital expenditure programmes by State/local PNFCs.

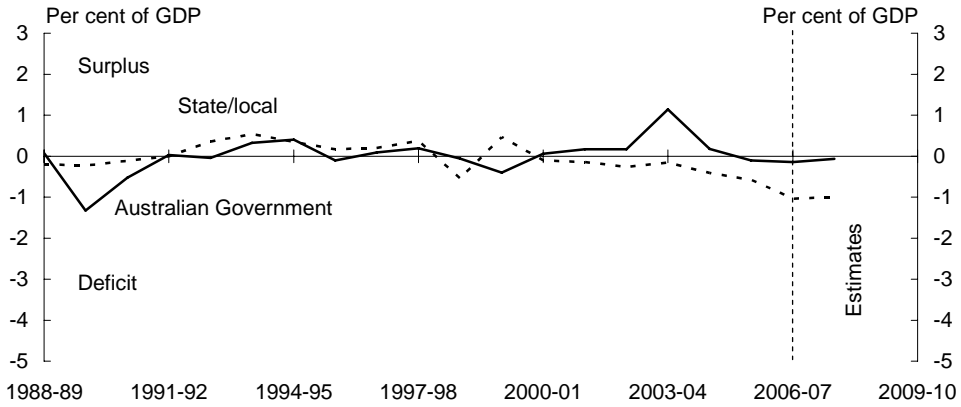
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Chart 2: Cash surplus by sector and level of government

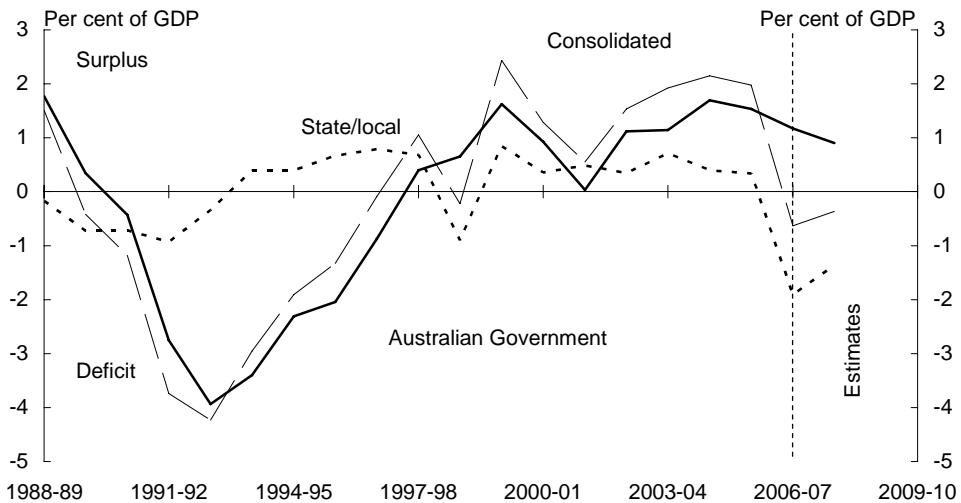
A: General government sector



B: Public non-financial corporations



C: Non-financial public sector

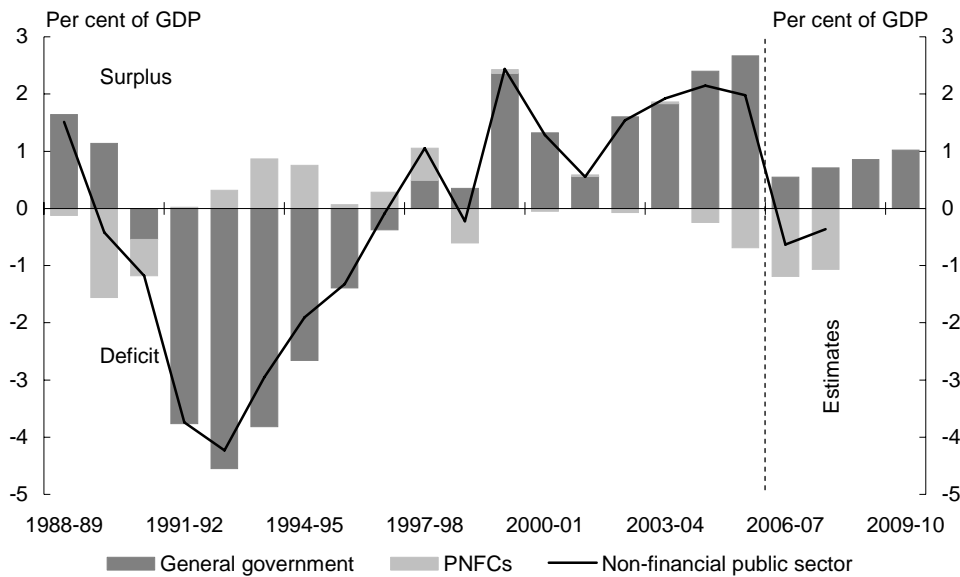


Non-financial public sector

It is estimated that the consolidated NFPS will record cash deficits of 0.6 per cent and 0.4 per cent of GDP in 2006-07 and 2007-08 respectively, with forecast deficits at the State/local level higher than the surpluses at the Australian Government level.

Chart 3 illustrates that the consolidated NFPS was generally in deficit during the 1990s, primarily reflecting Australian Government general government sector cash deficits in the early to mid-1990s. The consolidated NFPS deficit peaked at 4.2 per cent of GDP in 1992-93 before moving into a surplus position in 1997-98. The deficit in 1998-99 was the result of one-off increases in State funding of superannuation liabilities.

Chart 3: Consolidated non-financial public sector cash surplus by sector^(a)



(a) Data for the consolidated PNFC and NFPS are only available to 2007-08.

Receipts and payments

Chart 4 shows trends in general government sector cash receipts and payments at the Australian Government, State/local and consolidated levels, which underpin the developments in cash balances discussed previously. The general government sector is an appropriate focus for an assessment of public sector receipts and payments as it is the sector that collects taxes and provides non-market public services. The general government sector also accounts for the majority of NFPS receipts and payments.

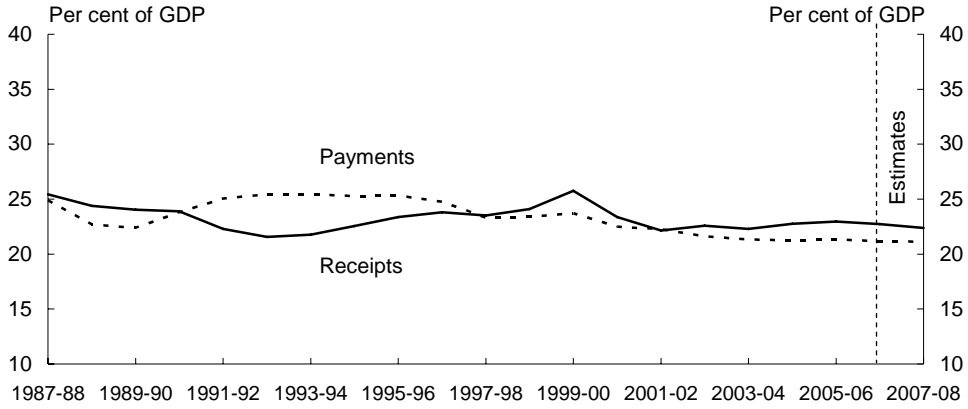
Estimates of Australian Government receipts and payments in Panel A of Chart 4 are net of GST receipts and show a decline in 2000-01 with the introduction of *The New Tax System*. In addition, consolidated general government receipts fell from 1999-2000 due to the Australian Government's tax reforms, which included significant personal income tax cuts and the abolition of a range of taxes at the State level, including financial institutions duty, stamp duty on quoted marketable securities and bank account debits tax.

The increases in receipts and payments in 1998-99 for the State/local sector and in 1999-2000 for the Australian Government, shown in Panels B and A of Chart 4 respectively, were predominantly due to the move to an accrual accounting framework and the subsequent 'grossing' up of cash receipts and payments, whereas prior to this, some cash receipts were netted off payments.

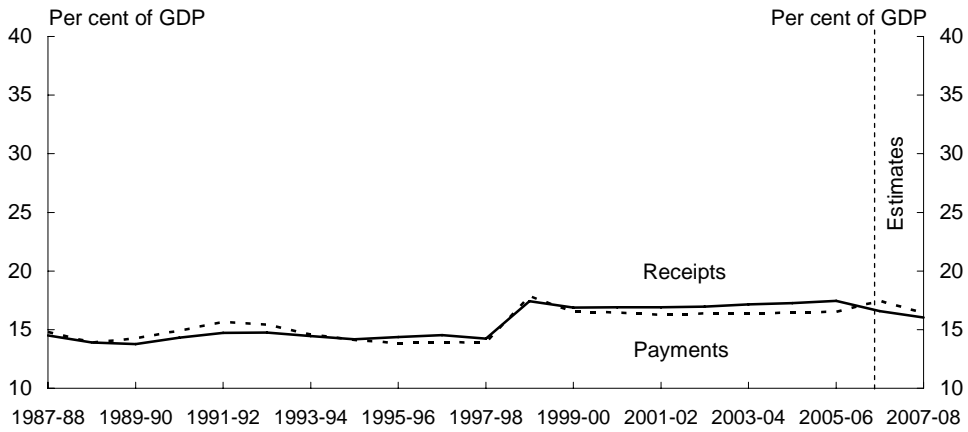
The PNFC sector is an important provider of economic infrastructure and contributes significant revenue to the general government sector, mainly in the form of dividends. State/local governments account for the majority of total PNFC sector payments, reflecting State responsibility for infrastructure and service provision in areas such as electricity, gas, water and public transport.

Chart 4: General government sector receipts and payments by level of government

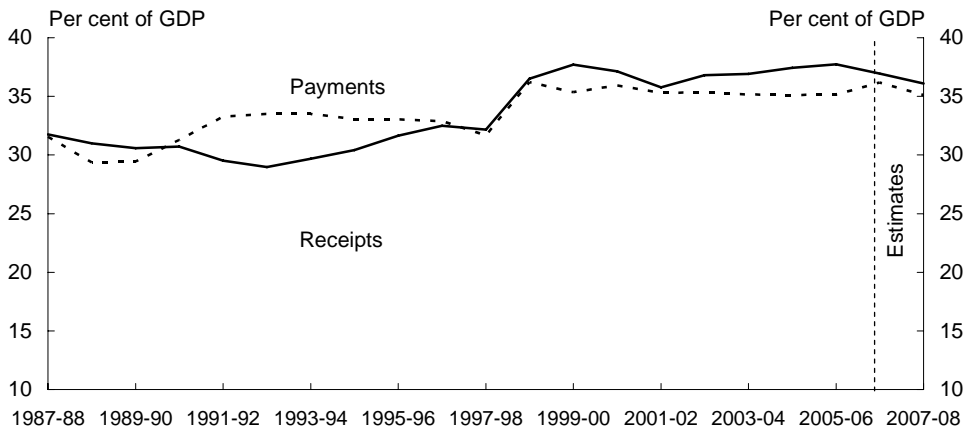
A: Australian Government



B: State/local



C: Consolidated



NET DEBT

Chart 5 shows a consistent decline in consolidated general government sector net debt as a share of GDP from a peak of 24.2 per cent of GDP in 1994-95. The consolidated general government sector eliminated net debt in 2004-05 and its net debt levels are forecast to remain below zero over the forward estimates.

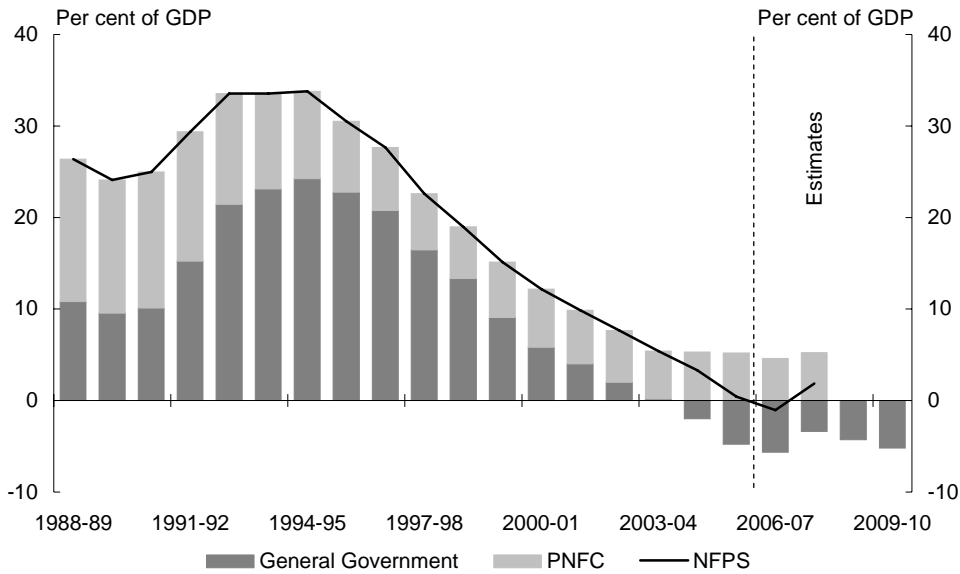
Charts 3 and 5 show the broad correlation between cash deficits and net debt levels. The financing of Australian Government cash deficits resulted in a substantial increase in general government sector net debt as a share of GDP over the early 1990s.

Chart 5 also shows the improvement in PNFC sector net debt as a share of GDP since the late 1980s, reflecting lower levels of capital expenditure, improved efficiency and privatisations. This moderated the deterioration in NFPS net debt as a share of GDP in the first half of the 1990s.

The improvement in NFPS net debt primarily reflects both the Australian Government and the State/local sector moving back into budget surpluses and the application of privatisation proceeds to debt retirement at both the Australian Government and State/local government levels.

PNFC privatisations during the 1990s occurred in two main sectors – electricity and gas (such as Victorian and South Australian electricity assets) and transport and communications (such as Telstra). Proceeds of asset sales have largely been used to reduce, or contain, the growth of general government net debt, resulting in ongoing savings in public debt interest.

**Chart 5: Consolidated non-financial public sector net debt by sector
(as at end of financial year)^(a)**



(a) Data for the consolidated PNFC and NFPS are only available to 2007-08.

As shown in Panel A of Chart 6, Australian Government general government sector net debt as a share of GDP grew from low levels in the late 1980s to a peak of 18.5 per cent in 1995-96. Since then, successive surpluses and asset sales (most notably the sale of Telstra) have improved Australian Government general government sector net debt, with net debt being eliminated in 2005-06.³ Australian Government PNFC sector net debt is expected to be eliminated in 2006-07.

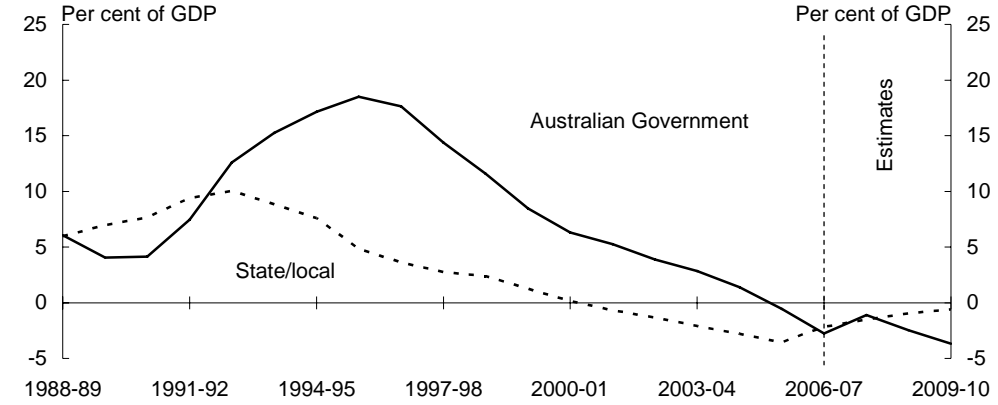
In contrast, State/local general government sector net debt grew more modestly in the early 1990s before declining from a peak of 10 per cent of GDP in 1992-93 to below zero from 2001-02 (Panel A of Chart 6). The State/local PNFC sector also experienced an improvement in net debt levels during the 1990s (Panel B of Chart 6). However, the States continue to hold significant net debt in the PNFC sector. State/local PNFC net debt is forecast to grow from 4.2 per cent of GDP in 2005-06 to 5.3 per cent of GDP in 2007-08. Total State/local NFPS net debt has also remained positive and is forecast to increase from 0.7 per cent of GDP in 2005-06 to 3.8 per cent of GDP in 2007-08 (Panel C of Chart 6). The States are forecasting further increases in net debt over the forward estimates as they borrow to fund their capital expenditure programmes. For further information, see Budget Paper No. 3, *Federal Financial Relations 2007-08*.

3 The forecast level of Australian Government net debt in 2007-08 is a result of an assumption that the Future Fund will increasingly be invested in equities, which are not included in the calculation of net debt.

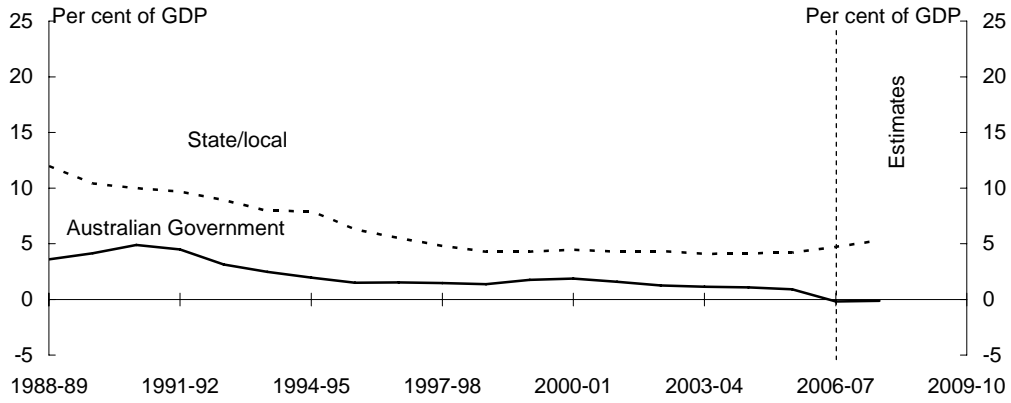
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Chart 6: Net debt by sector and level of government (as at end of financial year)

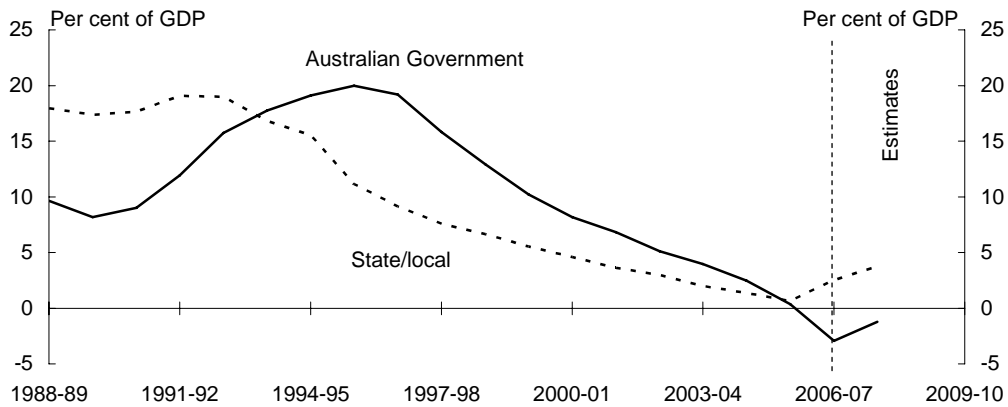
A: General government sector



B: Public non-financial corporations



C: Non-financial public sector



NET WORTH

The State/local general government sector is estimated to have a positive net worth of 61.1 per cent of GDP in 2007-08. State/local net worth has increased in nominal terms each year since 1998-99, but has increased only marginally as a proportion of GDP. The Australian Government general government sector has historically recorded negative net worth. This difference primarily reflects the significant funding provided by the Australian Government to the States and to local government for capital works, with the resultant assets recorded in the balance sheets of the State and local governments. There has been a consistent improvement in the net worth of the Australian Government general government sector since the late 1990s and net worth is projected to be positive by 2008-09, reflecting the contribution of continued budget surpluses and the expectation of higher average investment returns through the Future Fund.

Table 4: General government sector net worth by level of government (as at end of financial year)

	Australian Government(a)		State/local		Consolidated	
	\$b	Per cent of GDP	\$b	Per cent of GDP	\$b	Per cent of GDP
1996-97	-74.4	-13.6	na	na	na	na
1997-98	-68.5	-11.9	na	na	na	na
1998-99	-76.2	-12.5	362.7	59.7	304.6	50.1
1999-00	-40.6	-6.3	390.9	60.6	369.5	57.3
2000-01	-43.3	-6.3	405.6	58.9	382.4	55.5
2001-02	-48.4	-6.6	427.9	58.2	401.8	54.6
2002-03	-53.3	-6.8	470.1	60.1	440.1	56.3
2003-04	-39.6	-4.7	515.3	61.3	500.3	59.5
2004-05	-30.3	-3.4	573.3	63.9	569.3	63.5
2005-06	-22.8	-2.4	609.6	63.1	615.8	63.7
2006-07(e)	-10.9	-1.1	639.0	61.9	659.2	63.8
2007-08(e)	-0.6	-0.1	670.7	61.1	703.1	64.1
2008-09(p)	14.1	1.2	na	na	na	na
2009-10(p)	29.1	2.4	na	na	na	na
2010-11(p)	44.1	3.5	na	na	na	na

(a) There is a break in the Australian Government net worth series between 1998-99 and 1999-2000. Data up to 1998-99 are sourced from the Commonwealth's Consolidated Financial Statements based on Australian Accounting Standards. Data beginning in 1999-2000 are based on the Government Finance Statistics (GFS) framework. For the general government sector, the major change across the break in the series is an improvement in net worth. This is primarily due to the move from valuing investments in public corporations at historic cost to current market value (calculated using the share price for listed corporations). This is partly offset by defence weapons platforms no longer being recorded as assets.

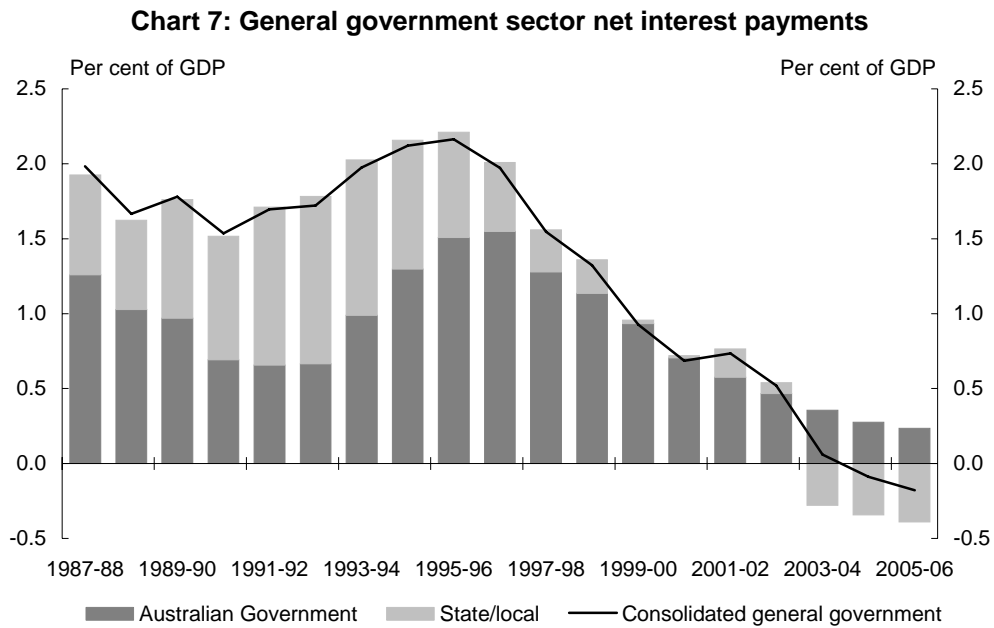
(e) Estimates.

(p) Projections.

na Data not available.

NET INTEREST PAYMENTS

Consolidated general government sector net interest payments peaked in 1995-96 at 2.2 per cent of GDP due to the increased level of Australian Government general government sector net debt. Consolidated general government sector net interest payments were -0.2 per cent of GDP in 2005-06 due to reduced Australian and State/local general government sector net debt since 1995-96 and lower interest rates in recent years.



APPENDIX A: SUPPLEMENTARY CASH TABLES

Table A1: Consolidated cash receipts, payments and cash surplus by institutional sector as a per cent of GDP

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts	Payments	Cash surplus(a)	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus(a)
1988-89	31.0	29.3	1.6	3.7	5.2	-0.1	33.7	33.6	1.5
1989-90	30.6	29.4	1.1	3.6	6.5	-1.6	33.1	34.8	-0.4
1990-91	30.7	31.3	-0.5	3.7	5.8	-0.6	33.2	35.8	-1.2
1991-92	29.5	33.3	-3.8	3.5	5.3	0.0	31.7	37.2	-3.7
1992-93	29.0	33.5	-4.5	3.5	4.8	0.3	31.1	37.1	-4.2
1993-94	29.7	33.5	-3.8	3.7	4.2	0.9	31.8	36.2	-3.0
1994-95	30.4	33.1	-2.7	3.3	4.4	0.7	32.3	36.0	-1.9
1995-96	31.6	33.0	-1.4	2.9	4.4	0.1	32.9	35.8	-1.3
1996-97	32.5	32.9	-0.4	3.0	4.0	0.3	33.4	34.9	-0.1
1997-98	32.2	31.7	0.5	2.9	3.6	0.6	33.5	33.7	1.1
1998-99(b)	36.5	36.2	0.3	na	na	-0.6	na	na	-0.2
1999-00(c)	37.7	35.4	2.4	na	na	0.1	na	na	2.4
2000-01	37.1	35.9	1.3	na	na	0.0	na	na	1.3
2001-02	35.8	35.3	0.6	na	na	0.0	na	na	0.6
2002-03	36.8	35.3	1.6	8.5	8.6	-0.1	na	na	1.5
2003-04	36.9	35.2	1.8	8.3	8.2	0.0	42.7	40.7	1.9
2004-05	37.4	35.1	2.4	8.1	8.4	-0.2	43.0	40.8	2.1
2005-06	37.7	35.2	2.7	8.2	8.9	-0.7	43.2	41.3	2.0
2006-07(e)	36.9	36.2	0.5	6.5	7.7	-1.2	41.0	41.5	-0.6
2007-08(e)	36.1	35.1	0.7	5.5	6.5	-1.1	39.5	39.5	-0.4
2008-09(p)	36.3	35.2	0.9	na	na	na	na	na	na
2009-10(p)	36.5	35.3	1.0	na	na	na	na	na	na

(a) Future fund earnings have been excluded from the Australian Government cash surplus.

(b) The increase in general government receipts and payments in 1998-99 is affected by the change from a cash system to an accrual framework by the State/local sector.

(c) The Australian Government sector moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

(p) Projections.

na Data not available.

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Table A2: Non-financial public sector cash surplus by level of government as a per cent of GDP

	Australian		
	Government(a)	State/local	Consolidated(a)
1988-89	1.8	-0.2	1.5
1989-90	0.3	-0.7	-0.4
1990-91	-0.4	-0.7	-1.2
1991-92	-2.8	-0.9	-3.7
1992-93	-3.9	-0.3	-4.2
1993-94	-3.4	0.4	-3.0
1994-95	-2.3	0.4	-1.9
1995-96	-2.0	0.7	-1.3
1996-97	-0.9	0.8	-0.1
1997-98	0.4	0.7	1.1
1998-99	0.7	-0.9	-0.2
1999-00	1.6	0.8	2.4
2000-01	0.9	0.4	1.3
2001-02	0.0	0.5	0.6
2002-03	1.1	0.3	1.5
2003-04	1.1	0.7	1.9
2004-05	1.7	0.4	2.1
2005-06	1.5	0.3	2.0
2006-07(e)	1.2	-1.9	-0.6
2007-08(e)	0.9	-1.4	-0.4

(a) Future fund earnings have been excluded from the Australian Government cash surplus.

(e) Estimates.

Statement 12: Trends in Public Sector Finances

Table A3: General government sector net interest payments by level of government

	Australian Government(a)		State/local	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1973-74	-306	-0.5	451	0.8
1974-75	-267	-0.4	474	0.7
1975-76	-389	-0.5	526	0.6
1976-77	-161	-0.2	555	0.6
1977-78	-106	-0.1	582	0.6
1978-79	126	0.1	609	0.5
1979-80	290	0.2	634	0.5
1980-81	444	0.3	801	0.5
1981-82	475	0.3	785	0.5
1982-83	654	0.4	1,034	0.6
1983-84	1,327	0.6	1,347	0.6
1984-85	2,462	1.1	1,405	0.6
1985-86	3,626	1.4	1,159	0.5
1986-87	4,387	1.6	1,493	0.5
1987-88	4,019	1.3	2,127	0.7
1988-89	3,722	1.0	2,158	0.6
1989-90	3,848	1.0	3,153	0.8
1990-91	2,834	0.7	3,364	0.8
1991-92	2,739	0.7	4,397	1.1
1992-93	2,912	0.7	4,901	1.1
1993-94	4,549	1.0	4,771	1.0
1994-95	6,310	1.3	4,182	0.9
1995-96	7,812	1.5	3,636	0.7
1996-97	8,449	1.5	2,515	0.5
1997-98	7,381	1.3	1,617	0.3
1998-99	6,901	1.1	1,363	0.2
1999-00	6,014	0.9	156	0.0
2000-01	4,855	0.7	106	0.0
2001-02	4,238	0.6	1,390	0.2
2002-03	3,641	0.5	581	0.1
2003-04	2,994	0.4	-2,349	-0.3
2004-05	2,463	0.3	-3,068	-0.3
2005-06	2,265	0.2	-3,772	-0.4
2006-07(e)	175	0.0	na	na
2007-08(e)	-391	0.0	na	na
2008-09(p)	-161	0.0	na	na
2009-10(p)	-1,175	-0.1	na	na
2010-11(p)	-1,051	-0.1	na	na

(a) There is a break in the Australian Government net debt and net interest payments series between 1998-99 and 1999-2000 (the first year of accrual budgeting). Up to 1998-99, Australian Government debt instruments are valued at historic cost. From 1999-2000 onwards, Australian Government debt instruments are valued at market prices, consistent with accrual GFS standards.

(e) Estimates.

(p) Projections.

na Data not available.

Table A4: Non-financial public sector net debt(a)

	General government						PNFCs		NFPS	
	Australian Government		State/local		Consolidated		Consolidated		Consolidated	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1987-88	27,359	8.6	24,201	7.6	46,410	14.5	55,293	17.3	101,703	31.9
1988-89	21,982	6.1	21,683	6.0	39,232	10.8	56,363	15.6	95,595	26.4
1989-90	16,121	4.1	27,672	7.0	37,989	9.6	57,794	14.5	95,783	24.1
1990-91	16,936	4.1	31,322	7.7	41,380	10.1	60,745	14.9	102,125	25.0
1991-92	31,132	7.5	39,167	9.4	63,525	15.2	59,011	14.1	122,536	29.4
1992-93	55,218	12.6	44,020	10.0	94,048	21.5	52,878	12.1	146,926	33.5
1993-94	70,223	15.3	40,693	8.8	106,439	23.1	48,021	10.4	154,460	33.6
1994-95	83,492	17.2	37,039	7.6	117,973	24.2	46,482	9.6	164,455	33.8
1995-96	95,831	18.5	24,981	4.8	118,053	22.8	40,135	7.7	158,188	30.5
1996-97	96,281	17.6	19,757	3.6	113,236	20.8	37,748	6.9	150,984	27.7
1997-98	82,935	14.4	15,937	2.8	95,122	16.5	35,371	6.1	130,493	22.6
1998-99	70,402	11.6	14,492	2.4	81,008	13.3	34,240	5.6	115,248	19.0
1999-00	54,538	8.5	7,961	1.2	58,430	9.1	39,146	6.1	97,576	15.1
2000-01	43,465	6.3	989	0.1	40,204	5.8	43,762	6.3	83,966	12.2
2001-02	38,642	5.3	-4,909	-0.7	29,439	4.0	43,265	5.9	72,704	9.9
2002-03	30,375	3.9	-10,404	-1.3	15,580	2.0	44,033	5.6	59,613	7.6
2003-04	23,948	2.8	-17,492	-2.1	1,487	0.2	44,103	5.2	45,590	5.4
2004-05	12,453	1.4	-24,994	-2.8	-17,771	-2.0	47,519	5.3	29,749	3.3
2005-06	-5,337	-0.6	-34,382	-3.6	-46,052	-4.8	50,204	5.2	4,216	0.4
2006-07(e)	-28,444	-2.8	-22,458	-2.2	-58,318	-5.6	47,700	4.6	-10,620	-1.0
2007-08(e)	-12,049	-1.1	-16,537	-1.5	-37,153	-3.4	57,494	5.2	20,339	1.9
2008-09(p)	-28,366	-2.5	-11,007	-1.0	-49,138	-4.3	na	na	na	na
2009-10(p)	-43,887	-3.7	-7,028	-0.6	-61,929	-5.2	na	na	na	na
2010-11(p)	-59,233	-4.7	na	na	na	na	na	na	na	na

(a) Between 1997-98 and 1999-2000 there is a structural shift in the net debt series as jurisdictions moved from the cash GFS framework to the accrual GFS framework. Consistent with this framework, some jurisdictions value net debt at market prices, while other jurisdictions continue to value net debt at historic cost. Australian Government net debt is valued at market prices from 1999-2000.

(e) Estimates.

(p) Projections.

na Data not available.

APPENDIX B: DATA

The information in this statement is consistent with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) reporting framework for the public sector.

The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth State Financial Relations* is that the GST is collected by the Australian Taxation Office, as an agent for the States, and appropriated to the States. The Australian Government accrual revenue and expenses and cash receipts and payments measures included in this statement therefore differ from ABS GFS measures by treating the GST revenue as State tax revenue. For the Australian Government, this statement uses the underlying cash balance, which excludes estimated future fund earnings.

Data are sourced from Australian Government Final Budget Outcomes, Australian Treasury estimates, and the ABS 1997-98 and 2005-06 GFS (cat. no. 5512.0). State data for 2006-07 onwards are sourced from Victoria's and the Northern Territory's 2007-08 budgets and other jurisdictions' 2006-07 mid-year reports. Net debt data prior to 1998-99 are sourced from the ABS 1998 Public Sector Financial Assets and Liabilities (ABS cat. no. 5513.0), and the ABS 1999-2000 Government Finance Estimates (ABS cat. no. 5501.0).

Australian Government budget aggregates, including net debt for 1999-2000 onwards, have been revised relative to the respective Final Budget Outcomes to ensure that data are consistent across the accrual period.

Due to methodological and data source changes associated with the move to an accrual accounting framework, time series data that use measures derived under both cash and accrual accounting should be used with caution. Statement 13 provides more information on specific factors affecting the comparability of data between years.

