

2002-03 BUDGET PAPER No. 5

**INTERGENERATIONAL
REPORT
2002-03**

CIRCULATED BY
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FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2002-03
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FOREWORD

This is Australia's first Intergenerational Report. The report provides a basis for considering the Commonwealth's fiscal outlook over the long term, and identifying emerging issues associated with an ageing population.

The Intergenerational Report is one of a series of Budget papers, the purpose of which is to provide information supplementary to that in the Budget Speech.

As required by the Government's *Charter of Budget Honesty Act 1998*,

'An intergenerational report is to assess the long term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change.'

While the National Commission of Audit, established by this Government in 1996, considered the impact of demographic change on Commonwealth finances, this report is the first by any Australian government to assess the long-term sustainability of government finances in detail.

The United Kingdom, United States and New Zealand governments, and the Organisation for Economic Co-operation and Development (OECD) and European Economic Policy Committee (EEPC) have also recently prepared similar long-term reports on public finances. These reports, like this Intergenerational Report, use projections to consider long-term sustainability.

The report presents these projections as a percentage of Gross Domestic Product (GDP) so they are considered relative to the size of the economy. Small changes in GDP, even 0.1 per cent, are equivalent to significant amounts in dollar terms when prices are assumed unchanged (real terms). However, the amounts are even more significant in dollar terms when the effect of likely price changes over time is taken into account (Table 1).

Table 1: Projected real and nominal GDP (\$m)

		2001-02	2011-12	2021-22	2031-32	2041-42
Nominal	1.0 per cent of GDP	7,100	12,179	19,467	30,236	46,559
	0.1 per cent of GDP	710	1,218	1,947	3,024	4,656
Real (2001-02 dollars)	1.0 per cent of GDP	7,100	9,583	11,966	14,519	17,465
	0.1 per cent of GDP	710	958	1,197	1,452	1,747

Source: Treasury projections.

Notes

- (a) The following definitions are used in this Budget Paper:
- 'real' means adjusted for the effect of inflation; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.
- (c) The following notations are used:
- | | |
|-----|------------------------------|
| \$m | \$ million |
| ** | information is not available |
| neg | negligible |
- (d) References to the 'States' include the Territories.

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