

STATEMENT 12: TRENDS IN PUBLIC SECTOR FINANCES

This Statement discusses trends in the fiscal balance, cash surplus and balance sheet data (net debt, net worth and net interest payments) for the total non-financial public sector at the Australian and state/local levels of government and also at the consolidated level. These measures are discussed in greater detail in *Statement 8, Financial Reporting Standards and Budget Concepts*.

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 section 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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STATEMENT 12: TRENDS IN PUBLIC SECTOR FINANCES

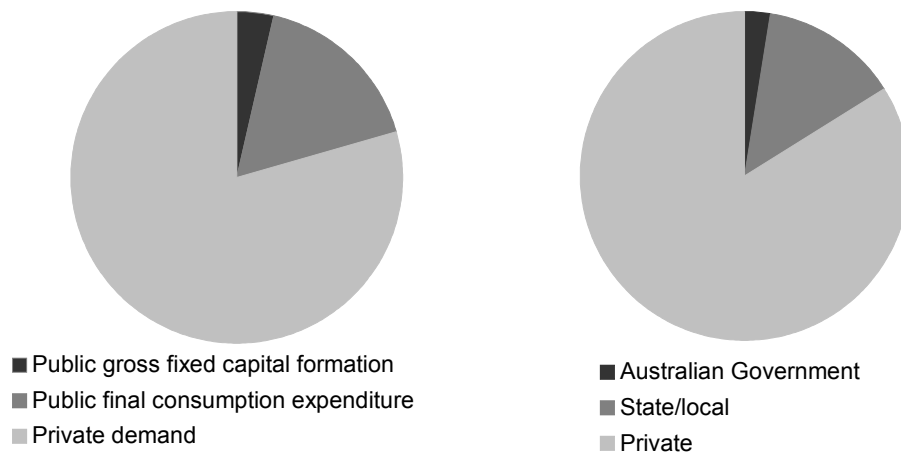
SIZE AND STRUCTURE OF THE PUBLIC SECTOR

The total public sector¹ constitutes a significant portion of the Australian economy (over 20 per cent of domestic final demand). The size and structure of Australia's public sector provides a useful and important context for interpreting the trends in this sector.

Chart 1: Contribution of public and private sectors

Domestic final demand, December 2003

Employment, December 2003



Source: ABS Cat. No. 6248.0, 6202.0 and 5206.0.

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 (which comprises private gross fixed capital formation and private final consumption expenditure). The Australian Government constitutes 37 per cent of public final demand, while the state/local level accounts for 63 per cent.

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.

¹ The total public sector includes the general government sector, public non-financial corporations sector and the public financial corporations sector for the Australian Government and state/local levels of government.

Transfer payments, such as Australian Government income support payments, are not included in public final demand. Rather, these and other 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 approximately 13 per cent of all wage and salary earners and for approximately 84 per cent of total public sector wage and salary earners. The Australian Government accounts for approximately 3 per cent of all wage and salary earners and for approximately 16 per cent of total public sector wage and salary earners. This reflects the state/local 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 revenues 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 fall from a surplus of 0.4 per cent of Gross Domestic Product (GDP) in 2003-04 to a surplus of 0.1 per cent of GDP in 2004-05. It is projected that in 2005-06, the fiscal balance of the Australian Government general government sector will maintain a surplus of 0.1 per cent of GDP, rising to a surplus of 0.3 per cent of GDP by 2007-08.

The fiscal balance of the state/local general government sector is expected to be in surplus by 0.1 per cent of GDP in 2003-04, but is projected to move to a small deficit of 0.1 per cent of GDP in 2004-05. This projection is predominantly based on state 2003-04 mid-year reviews since only Victoria, Western Australia and the Australian Capital Territory have released their 2004-05 Budgets.

The consolidated² PNFC fiscal balance is expected to be in deficit in 2003-04 (0.2 per cent of GDP). This includes an estimated Australian Government PNFC fiscal balance surplus of 0.2 per cent of GDP. The decrease in consolidated PNFC revenue

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

Part 5: Public Sector Trends

and expenses as a share of GDP in recent years is partly attributable to the privatisation of PNFCs by both the Australian and state/local governments.

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

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

	Australian Government			State/local			Consolidated		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	26.7	27.5	-0.8	na	na	na	na	na	na
1997-98	26.2	26.5	-0.4	na	na	na	na	na	na
1998-99	25.7	24.8	0.6	17.5	16.7	0.3	38.0	36.2	1.0
1999-00	26.6	24.7	2.1	17.3	16.4	0.3	38.8	35.9	2.5
2000-01	24.1	23.4	0.9	17.1	16.7	-0.1	38.3	37.1	0.8
2001-02	22.7	23.3	-0.5	16.9	16.5	0.0	36.7	36.7	-0.5
2002-03	23.2	22.4	0.8	17.2	16.5	0.4	38.0	36.5	1.2
2003-04(e)	23.0	22.6	0.4	16.8	16.3	0.1	37.2	36.2	0.6
2004-05(e)	22.5	22.4	0.1	16.3	15.9	-0.1	36.2	35.5	0.1
2005-06(p)	22.2	22.1	0.1	na	na	na	na	na	na
2006-07(p)	22.2	22.0	0.2	na	na	na	na	na	na
2007-08(p)	22.1	21.9	0.3	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.

(b) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(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)(b)}

	Australian Government			State/local			Consolidated		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	5.2	4.9	-0.1	na	na	na	na	na	na
1997-98	5.3	4.8	0.4	na	na	na	na	na	na
1998-99	4.7	4.4	-0.1	6.2	6.2	-0.4	10.9	10.6	-0.5
1999-00	4.0	3.7	0.2	5.8	5.5	0.4	9.9	9.2	0.5
2000-01	3.8	3.7	-0.1	5.4	5.2	0.2	9.2	8.8	0.1
2001-02	3.7	3.5	0.1	4.8	4.7	-0.2	8.6	8.3	-0.1
2002-03	3.2	3.0	0.3	4.6	4.6	-0.4	7.9	7.7	-0.1
2003-04(e)	3.1	2.9	0.2	4.4	4.3	-0.4	7.5	7.3	-0.2
2004-05(e)	3.0	2.7	0.3	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.

(b) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(e) Estimates.

na Data not available.

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

	Australian Government			State/local			Consolidated		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	na	na	-0.9	na	na	na	na	na	na
1997-98	na	na	0.1	na	na	na	na	na	na
1998-99	29.7	28.5	0.5	21.3	20.5	-0.1	45.8	43.8	0.5
1999-00	30.1	27.7	2.3	21.1	19.9	0.7	46.1	42.4	3.0
2000-01	27.3	26.4	0.8	20.7	20.0	0.0	45.0	43.5	0.8
2001-02	25.8	26.2	-0.4	20.0	19.3	-0.2	42.8	42.5	-0.5
2002-03	25.8	24.8	1.0	20.1	19.3	0.0	43.5	41.6	1.2
2003-04(e)	25.5	24.9	0.6	19.4	18.9	-0.4	42.4	41.1	0.4
2004-05(e)	25.0	24.6	0.4	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.

(b) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(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 cash deficits to the consolidated NFPS cash deficit. Panel A 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 shows the sustained improvement in state/local general government balances over the period 1991-92 to 1996-97, from a deficit of 1 per cent of GDP to a cash surplus of 0.6 per cent of GDP. Since then, the state/local sector has maintained surpluses (with the exception of 1998-99). It is estimated that the state/local general government cash surplus will reduce to 0.2 per cent of GDP in 2003-04, compared to 0.6 per cent of GDP in 2002-03. This partly reflects the state governments' expectations of a more subdued property market and hence, reduced state government receipts from property taxes such as conveyancing duty.³

Public non-financial corporations sector

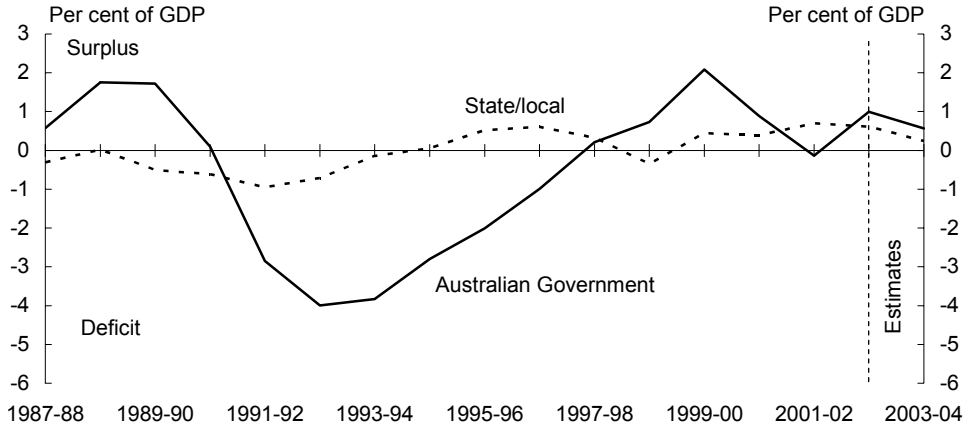
The contribution made by the PNFC sector to the cash surplus of the consolidated NFPS has declined from the late 1980s, with the privatisation of government businesses.

As shown in Chart 3, the consolidated PNFC sector has maintained a cash surplus position through much of the 1990s. The sector is projected to be in deficit in 2003-04, partly due to relatively large deficits in the New South Wales, Victoria, Queensland and Western Australian PNFC sectors.

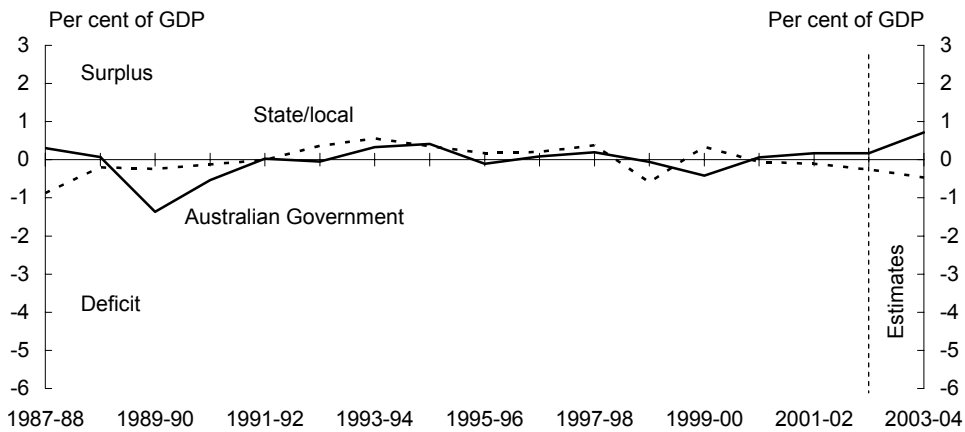
³ As noted in the 2003-04 NSW *Half-Yearly Review*, pages 1, 6-7 and the Victorian 2004-05 Budget Paper No. 2, *Strategy and Outlook*, page 42.

Chart 2: Cash surplus by sector and level of government

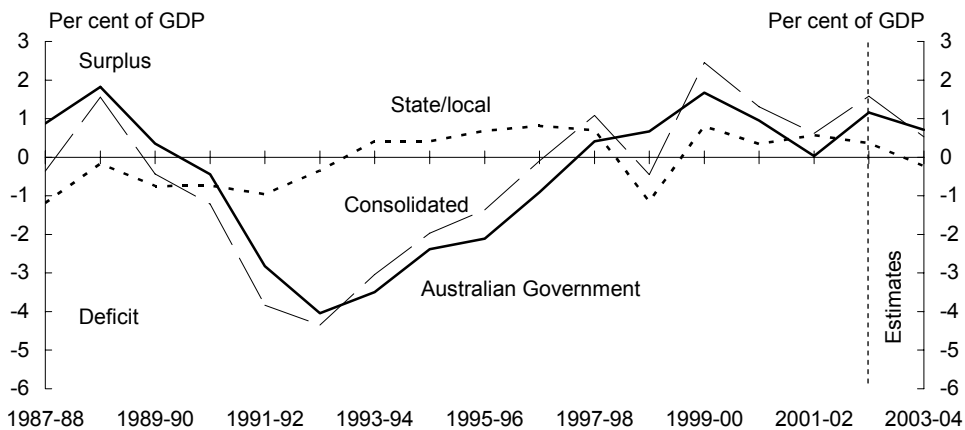
A: General government



B: Public non-financial corporations



C: Non-financial public sector

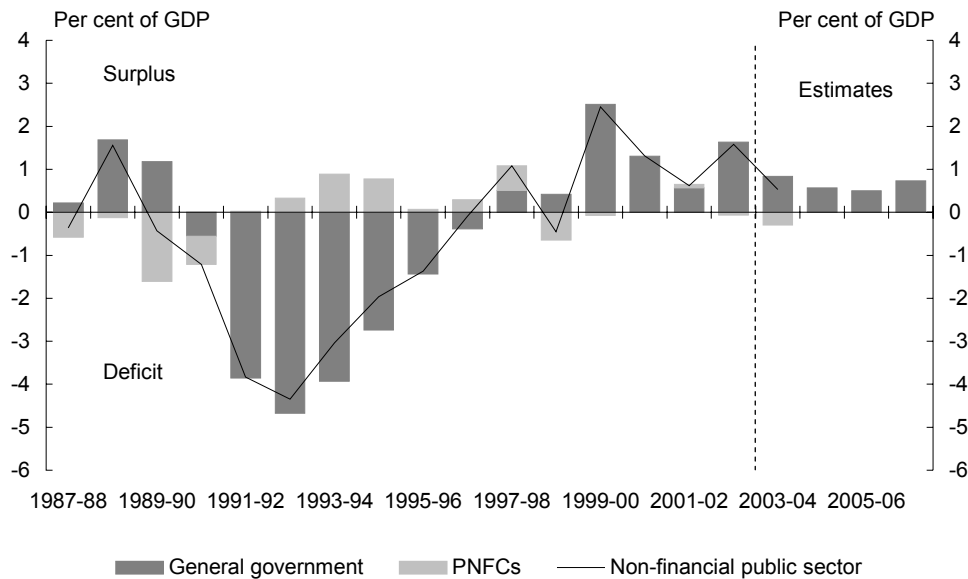


Non-financial public sector

It is estimated that the consolidated NFPS will achieve a cash surplus of 0.5 per cent of GDP in 2003-04.

Chart 3 illustrates that the consolidated NFPS was generally in a deficit position during the early to mid 1990s. The deficit peaked at 4.3 per cent of GDP in 1992-93 before moving into a surplus position in 1997-98. This primarily reflects Australian Government general government cash deficits in the early to mid 1990s. Since 1999-2000, the consolidated NFPS has remained in surplus, due to consecutive surpluses in the consolidated general government sector. The deficit in 1998-99 is 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 PNFCs and NFPS are only available to 2003-04, while general government data is available to 2006-07.

Receipts and payments

Chart 4 shows trends in general government cash receipts and payments at the Australian, state/local and consolidated levels. Due to its size, the general government sector is an appropriate focus for an assessment of public sector receipts and payments. It is also the sector through which governments primarily affect the level of private sector activity.

Australian Government receipts and payments estimates 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, the reform of Australian Government and state/local government taxes resulted in total consolidated general government receipts falling from 38.8 per cent of GDP in 1999-2000 to 37.3 per cent of GDP in 2003-04, partly reflecting significant personal income tax cuts and the abolition of Financial Institutions Duty and stamp duty on quoted marketable securities.

The improvement in state finances from 1991-92 is shown in Panel B of Chart 4. The state/local cash deficit peaked at 1 per cent of GDP in 1991-92. After 1991-92, deficits continued to reduce until the state/local sector achieved a surplus in 1994-95. Since 1994-95, the state/local cash position has been in surplus each year, with the exception of 1998-99. This improvement was initially due to payments restraint, helped by lower debt servicing charges and more recently by the strong growth in revenues related to the property market.

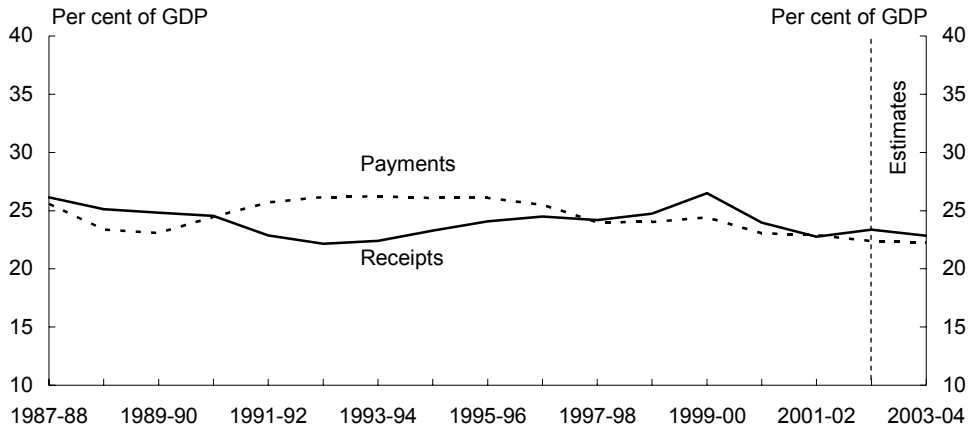
The increases in both receipts and payments in 1998-99 for the state/local sector and in 1999-2000 for the Australian Government sector, shown in Panels A and B of Chart 4, were predominantly due to the move to an accrual accounting framework and the subsequent 'grossing' up of cash receipts and payments,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

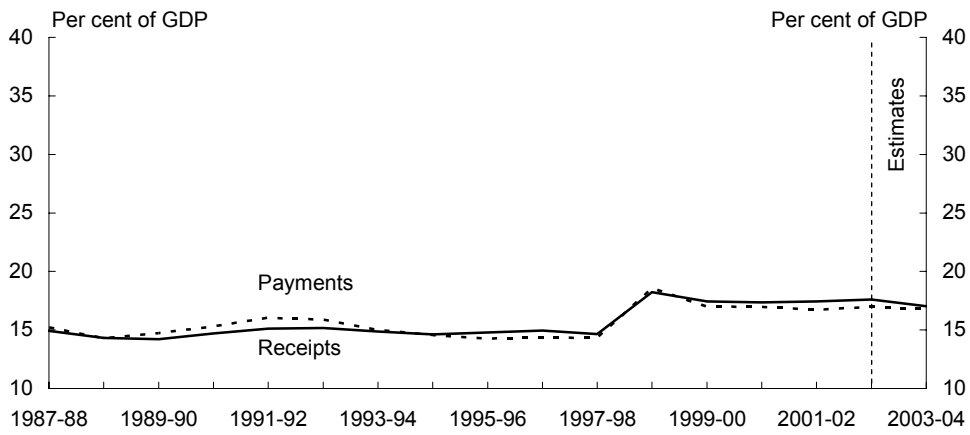
PNFC privatisations over the last decade have occurred in two main sectors – electricity and gas (such as Victorian and South Australian electricity assets) and transport and communications (such as the partial sale of Telstra). Proceeds of asset sales have largely been used to reduce, or contain, the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

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

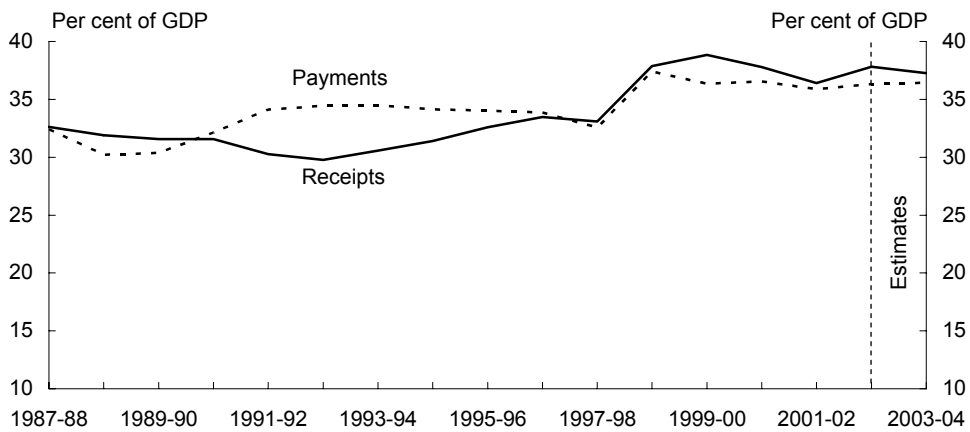
A: Australian Government



B: State/local



C: Consolidated



NET DEBT

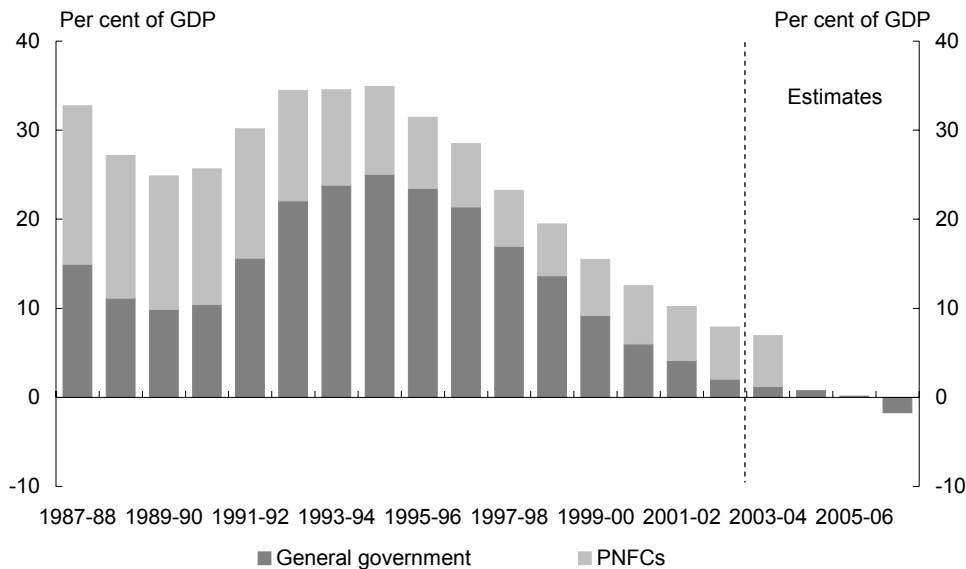
Chart 5 shows that consolidated general government net debt as a share of GDP is expected to continue to decline over the forward estimates period. Consolidated NFPS net debt is estimated to be 6.9 per cent of GDP in 2003-04, compared with the most recent peak of 34.9 per cent in 1994-95.

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 net debt as a share of GDP over the early 1990s.

Chart 5 also shows the decline 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 decline moderated the increase in NFPS net debt as a share of GDP in the first half of the 1990s.

The subsequent 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.

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 2003-04, while general government data is available to 2006-07.

Part 5: Public Sector Trends

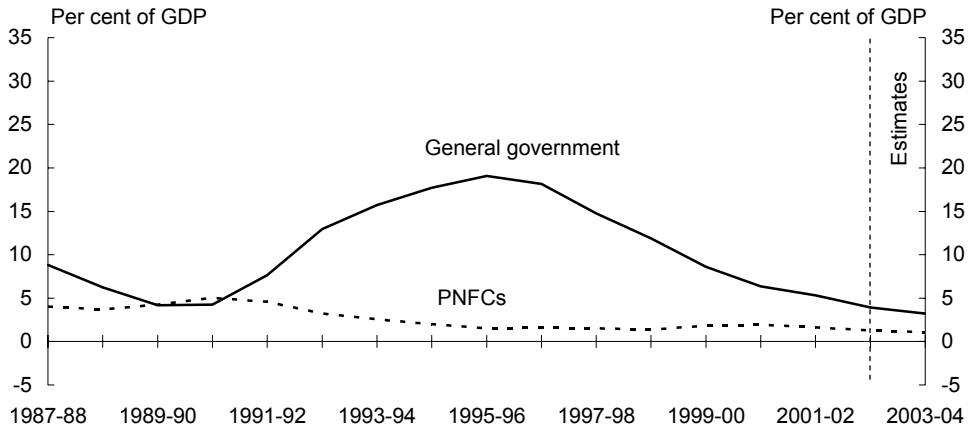
Chart 6 shows that most Australian Government net debt is held by the general government sector whereas almost all state/local net debt is held in the PNFC sector.

As shown in Panel A of Chart 6, Australian Government general government net debt as a share of GDP grew from low levels in the late 1980s to a peak of 19.1 per cent in 1995-96. Successive surpluses and asset sales (most notably the partial sale of Telstra) since then, have reduced Australian Government general government sector net debt to an expected 3.2 per cent of GDP in 2003-04.

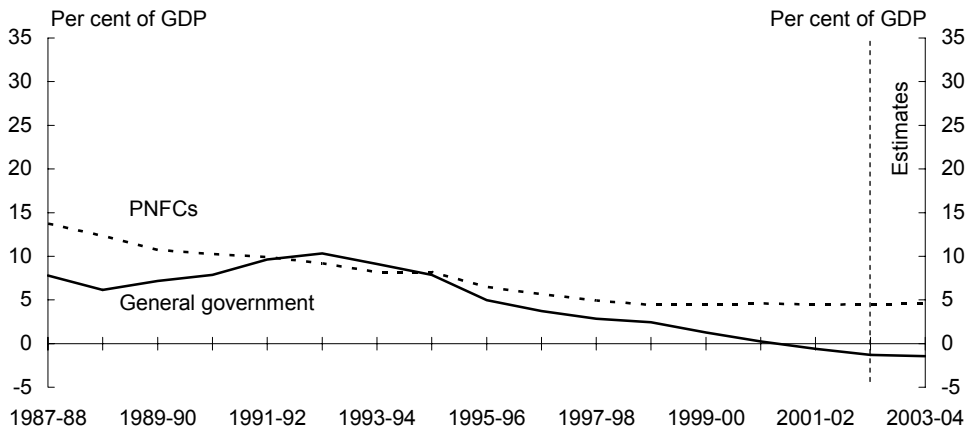
In contrast, state/local general government net debt grew more modestly in the early 1990s and is expected to decline from a peak of 10.3 per cent of GDP in 1992-93 to approximately -1.4 per cent of GDP in 2003-04, as shown in Panel B. This improvement within the state/local general government sector reflects both the impact of asset sales and fiscal consolidation during the second half of the 1990s. However, some individual States continue to face relatively high net debt burdens in either their general government sector or in their PNFC sector (for further information, see Budget Paper No. 3 — *Federal Financial Relations 2004-05*).

Chart 6: Non-financial public sector net debt by level of government and sector (as at end of financial year)

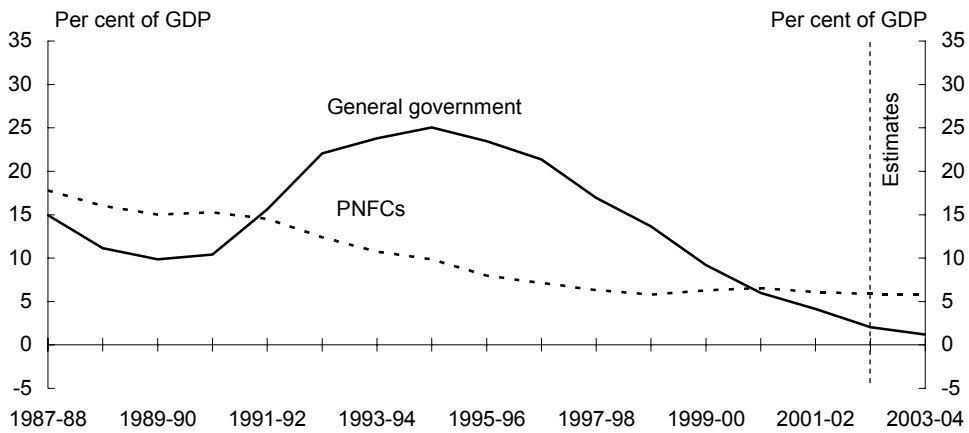
A: Australian Government



B: State/local



C: Consolidated



NET WORTH

The state/local general government sector has an estimated positive net worth of 58.9 per cent of GDP in 2004-05. State/local net worth has increased in nominal terms each year. However, since 1999-2000, net worth has not always grown at the same pace as the economy and hence, represents a decreasing 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 states and local governments' balance sheets.

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

	Australian Government(b)		State/local		Consolidated	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	-74,354	-14.0	na	na	na	na
1997-98	-68,544	-12.2	na	na	na	na
1998-99	-76,150	-12.9	364,053	61.5	305,967	51.7
1999-00	-39,105	-6.2	391,204	62.5	371,165	59.3
2000-01	-41,769	-6.2	406,127	60.5	384,319	57.3
2001-02	-47,553	-6.7	427,062	59.8	401,386	56.2
2002-03	-51,333	-6.8	468,534	62.1	440,682	58.4
2003-04(e)	-43,545	-5.4	488,054	60.2	470,313	58.0
2004-05(e)	-42,836	-5.0	506,318	58.9	491,133	57.2
2005-06(p)	-42,926	-4.7	na	na	na	na
2006-07(p)	-38,515	-4.0	na	na	na	na
2007-08(p)	-37,434	-3.7	na	na	na	na

(a) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(b) 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 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 (which is 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.

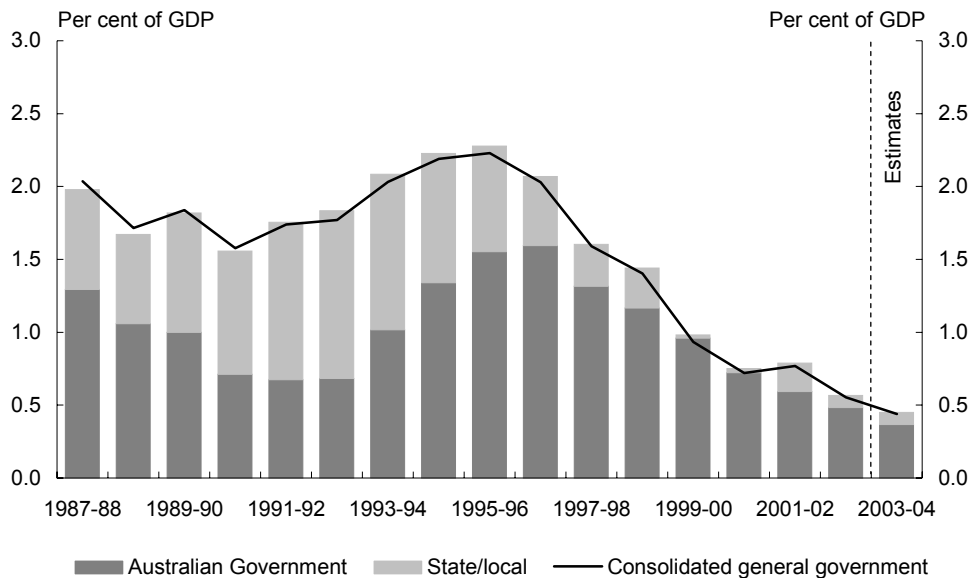
na Data not available.

NET INTEREST PAYMENTS

Consolidated general government net interest payments peaked in 1995-96 at 2.2 per cent of GDP due to the increased level of Australian Government general government net debt. Consolidated net interest payments are expected to fall to 0.4 per cent of GDP in 2003-04 due to reduced Australian and state/local general government net debt since 1995-96 and lower interest rates in recent years.

The contribution of the PNFC sector to NFPS net interest payments has decreased significantly in recent years as reduced investment by PNFCs, improved performance by PNFCs, and privatisations, have reduced PNFC net debt as a share of GDP.

Chart 7: General government net interest payments



APPENDIX A: SUPPLEMENTARY CASH TABLES

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

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus
1987-88	32.6	32.4	0.2	4.0	5.9	-0.6	35.5	37.2	-0.4
1988-89	31.9	30.2	1.7	3.8	5.4	-0.1	34.8	34.6	1.6
1989-90	31.6	30.4	1.2	3.7	6.7	-1.6	34.1	36.0	-0.4
1990-91	31.6	32.1	-0.6	3.8	5.9	-0.7	34.2	36.8	-1.2
1991-92	30.3	34.1	-3.9	3.6	5.4	0.0	32.5	38.2	-3.8
1992-93	29.8	34.4	-4.7	3.6	5.0	0.3	32.0	38.1	-4.3
1993-94	30.6	34.5	-3.9	3.8	4.3	0.9	32.7	37.3	-3.0
1994-95	31.4	34.1	-2.7	3.4	4.5	0.8	33.3	37.2	-2.0
1995-96	32.6	34.0	-1.4	3.0	4.5	0.1	33.9	36.9	-1.4
1996-97	33.5	33.9	-0.4	3.1	4.2	0.3	34.4	35.9	-0.1
1997-98	33.1	32.6	0.5	3.0	3.7	0.6	34.4	34.7	1.1
1998-99	37.9	37.4	0.4	na	na	-0.6	na	na	-0.5
1999-00	38.8	36.3	2.5	na	na	-0.1	na	na	2.4
2000-01	37.8	36.5	1.3	na	na	0.0	na	na	1.3
2001-02	36.4	35.9	0.6	na	na	0.1	na	na	0.6
2002-03	37.8	36.3	1.6	na	na	-0.1	na	na	1.6
2003-04(e)	37.3	36.4	0.8	na	na	-0.3	na	na	0.5
2004-05(e)	36.5	35.9	0.6	na	na	na	na	na	na
2005-06(p)	35.9	35.4	0.5	na	na	na	na	na	na
2006-07(p)	35.6	34.8	0.7	na	na	na	na	na	na

(a) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(e) Estimates.

(p) Projections.

na Data not available.

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

	Australian Government	State/local	Consolidated
1987-88	0.9	-1.2	-0.4
1988-89	1.8	-0.2	1.6
1989-90	0.4	-0.7	-0.4
1990-91	-0.4	-0.7	-1.2
1991-92	-2.8	-1.0	-3.8
1992-93	-4.0	-0.4	-4.3
1993-94	-3.5	0.4	-3.0
1994-95	-2.4	0.4	-2.0
1995-96	-2.1	0.7	-1.4
1996-97	-0.9	0.8	-0.1
1997-98	0.4	0.7	1.1
1998-99	0.7	-1.2	-0.5
1999-00	1.7	0.8	2.4
2000-01	0.9	0.3	1.3
2001-02	0.0	0.6	0.6
2002-03	1.2	0.4	1.6
2003-04(e)	0.7	-0.2	0.5
2004-05(e)	0.5	na	na

(a) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(e) Estimates.

na Data not available.

Table A3: General government net interest payments by level of government^(a)

	Australian Government(b)		State/local	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1972-73	-266	-0.6	449	0.9
1973-74	-306	-0.5	451	0.8
1974-75	-267	-0.4	474	0.7
1975-76	-389	-0.5	526	0.7
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	0.7
1984-85	2,462	1.1	1,405	0.6
1985-86	3,626	1.5	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	1.1	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	1.1
1994-95	6,310	1.3	4,182	0.9
1995-96	7,812	1.6	3,636	0.7
1996-97	8,449	1.6	2,515	0.5
1997-98	7,381	1.3	1,617	0.3
1998-99	6,901	1.2	1,633	0.3
1999-00	6,014	1.0	134	0.0
2000-01	4,855	0.7	187	0.0
2001-02	4,238	0.6	1,402	0.2
2002-03	3,641	0.5	625	0.1
2003-04(e)	2,980	0.4	672	0.1
2004-05(e)	2,873	0.3	na	na
2005-06(p)	3,820	0.4	na	na
2006-07(p)	2,560	0.3	na	na
2007-08(p)	1,401	0.1	na	na

(a) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(b) 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 Government Finance Statistics (GFS) standards.

(e) Estimates.

(p) Projections.

na Data not available.

Table A4: Non-financial public sector net debt^{(a)(b)}

	General government						PNFCs		Non-financial public sector	
	Australian Government			State/local			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	8.8	24,201	7.8	46,410	14.9	55,293	17.8	101,703	32.7
1988-89	21,982	6.2	21,683	6.2	39,232	11.1	56,363	16.0	95,595	27.2
1989-90	16,121	4.2	27,672	7.2	37,989	9.9	57,794	15.0	95,783	24.9
1990-91	16,936	4.3	31,322	7.9	41,380	10.4	60,745	15.3	102,125	25.7
1991-92	31,132	7.7	39,167	9.6	63,525	15.6	59,011	14.5	122,536	30.1
1992-93	55,218	13.0	44,020	10.3	94,048	22.1	52,878	12.4	146,926	34.5
1993-94	70,223	15.7	40,693	9.1	106,439	23.8	48,021	10.7	154,460	34.6
1994-95	83,492	17.7	37,039	7.9	117,973	25.0	46,482	9.9	164,455	34.9
1995-96	95,831	19.1	24,981	5.0	118,053	23.5	40,135	8.0	158,188	31.5
1996-97	96,281	18.2	19,757	3.7	113,236	21.4	37,748	7.1	150,984	28.5
1997-98	82,935	14.8	15,937	2.8	95,122	16.9	35,371	6.3	130,493	23.3
1998-99	70,402	11.9	14,367	2.4	80,787	13.6	34,433	5.8	115,219	19.5
1999-00	53,768	8.6	7,885	1.3	57,647	9.2	39,334	6.3	96,981	15.5
2000-01	42,651	6.4	1,703	0.3	40,125	6.0	43,957	6.5	84,082	12.5
2001-02	38,024	5.3	-4,280	-0.6	29,539	4.1	43,461	6.1	73,001	10.2
2002-03	29,665	3.9	-9,757	-1.3	15,519	2.1	44,185	5.9	59,703	7.9
2003-04(e)	26,024	3.2	-11,704	-1.4	9,711	1.2	46,539	5.7	56,250	6.9
2004-05(e)	24,696	2.9	-13,327	-1.6	6,527	0.8	na	na	na	na
2005-06(p)	22,289	2.5	-15,821	-1.7	1,380	0.2	na	na	na	na
2006-07(p)	7,435	0.8	-18,557	-1.9	-16,471	-1.7	na	na	na	na
2007-08 (p)	-8,306	-0.8	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.

(b) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(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) GFS reporting framework for the public sector.

Data are presented both by level of government and institutional sector. 'Level of government' refers to the distinction between the Australian and state/local governments. When combined, the Australian and state/local governments and universities are referred to as the 'consolidated 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.

Data are sourced from the ABS *1997-98 Government Finance Statistics* (Cat. No. 5512.0) and *2002-03 Government Finance Statistics* (Cat. No. 5512.0), Australian Government Final Budget Outcomes and jurisdictions' 2003-04 mid-year reports or 2004-05 Budgets (for Victoria, Western Australia and the Australian Capital Territory). Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

Since the move to accrual budget reporting, cash surplus data from the cash flow statements are used. Cash receipts are now proxied by receipts from operating activities and sales of non-financial assets, and cash payments are proxied by payments for operating activities, purchases of non-financial assets and acquisitions of assets under finance leases. 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.

Consistent with the revised GFS treatment announced by the ABS (ABS Cat. No. 5501.0, released October 2002), the Australian Government general government surplus measures in this Statement, from 1998-99 onwards, incorporate the interest component of superannuation related payments by the Australian Government general government sector in respect of accumulated public non-financial corporations superannuation liabilities.

Net debt data are sourced from the ABS *1998 Public Sector Financial Assets and Liabilities* (ABS Cat. No. 5513.0), the ABS *1999-2000 Government Finance Estimates* (ABS Cat. No. 5501.0), *2002-03 Government Finance Statistics* (Cat. No. 5512.0) and Australian Government *Budget Paper No. 1, Budget Strategy and Outlook 2004-05*, Statement 13. Net

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debt numbers from 2003-04 are taken from jurisdictions' 2003-04 mid-year reports, 2004-05 budgets and Australian Government Treasury estimates.

Australian Government budget aggregates, including net debt for 1999-2000 onwards, have been revised relative to the 2002-03 *Mid-Year Economic and Fiscal Outlook* and the respective Final Budget Outcomes to incorporate changes associated with the market valuation of net debt.

