

## PART 3: FISCAL OUTLOOK

### OVERVIEW

The Australian Government's underlying cash surplus for 2005-06 is estimated to be \$11.5 billion, an improvement on the 2005-06 Budget forecast. In accrual terms, a fiscal surplus of \$10.4 billion is estimated for 2005-06, an improvement of \$3.0 billion on the 2005-06 Budget forecast. The fiscal outlook is for continuing underlying cash and fiscal surpluses in the forward years.

**Table 5: Australian Government general government sector budget aggregates<sup>(a)(b)</sup>**

	Estimates(c)			
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>214.5</b>	<b>218.6</b>	<b>222.9</b>	<b>227.4</b>
Per cent of GDP	23.1	22.9	23.0	22.6
<b>Expenses (\$b)</b>	<b>206.1</b>	<b>207.0</b>	<b>214.8</b>	<b>216.9</b>
Per cent of GDP	22.2	21.6	22.2	21.5
Net operating balance (\$b)	8.4	11.6	8.1	10.6
Net capital investment (\$b)	1.0	1.2	0.6	0.9
<b>Fiscal balance (\$b)</b>	<b>7.4</b>	<b>10.4</b>	<b>7.5</b>	<b>9.7</b>
Per cent of GDP	0.8	1.1	0.8	1.0
<b>Underlying cash balance (\$b)(d)</b>	<b>8.9</b>	<b>11.5</b>	<b>7.9</b>	<b>9.7</b>
Per cent of GDP	1.0	1.2	0.8	1.0
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>7.9</b>	<b>10.2</b>	<b>18.2</b>	<b>36.2</b>
	Projections			
	2007-08		2008-09	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>233.4</b>	<b>238.3</b>	<b>245.3</b>	<b>249.7</b>
Per cent of GDP	23.2	22.6	23.1	22.7
<b>Expenses (\$b)</b>	<b>225.4</b>	<b>227.3</b>	<b>236.6</b>	<b>237.8</b>
Per cent of GDP	22.4	21.6	22.3	21.6
Net operating balance (\$b)	8.0	11.0	8.8	11.9
Net capital investment (\$b)	0.0	0.1	-0.3	0.1
<b>Fiscal balance (\$b)</b>	<b>8.0</b>	<b>11.0</b>	<b>9.0</b>	<b>11.8</b>
Per cent of GDP	0.8	1.0	0.9	1.1
<b>Underlying cash balance (\$b)(d)</b>	<b>8.5</b>	<b>10.1</b>	<b>9.3</b>	<b>10.7</b>
Per cent of GDP	0.8	1.0	0.9	1.0
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>18.6</b>	<b>10.5</b>	<b>19.4</b>	<b>11.2</b>

(a) All estimates are based on Government Finance Statistics (GFS) standards, but with goods and services tax (GST) revenue collected on behalf of the States and Territories netted off revenue and expenses.

(b) Budget estimates, including the per cent of GDP, are as published in Budget Paper No. 1, *Budget Strategy and Outlook 2005-06*.

(c) For the 2005-06 MYEFO, 2006-07 has moved from a projection to an estimates year.

(d) Excludes expected Future Fund earnings.

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Table 6 provides a reconciliation of the fiscal balance estimates between the 2005-06 Budget and the *Mid-Year Economic and Fiscal Outlook 2005-06* (MYEFO).

**Table 6: Reconciliation of general government sector fiscal balance estimates<sup>(a)</sup>**

	Estimates		Projections	
	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m
<b>2005-06 Budget fiscal balance</b>	<b>7,410</b>	<b>7,458</b>	<b>8,003</b>	<b>9,022</b>
Per cent of GDP	0.8	0.8	0.8	0.9
<b>Changes between 2005-06 Budget and MYEFO</b>				
Effect of policy decisions <sup>(b)</sup>				
Revenue	-81	-129	-126	-141
Expenses	1,525	1,229	1,099	1,115
Net capital investment	230	59	-15	4
Total policy decisions	-1,836	-1,416	-1,210	-1,260
Effect of parameter and other variations				
Revenue	4,192	4,681	5,023	4,550
Expenses	-568	824	764	160
Net capital investment	-63	185	102	372
Total parameter and other variations	4,823	3,672	4,157	4,017
<b>2005-06 MYEFO fiscal balance</b>	<b>10,398</b>	<b>9,714</b>	<b>10,950</b>	<b>11,779</b>
Per cent of GDP	1.1	1.0	1.0	1.1

(a) A positive number for revenue indicates an increase in the fiscal balance, while a positive number for expenses and net capital investment indicates a decrease in the fiscal balance.

(b) Excludes the public debt net interest effect of policy measures.

The estimates for 2005-06 and 2006-07 are constructed using the 2004-05 outcomes, year-to-date results and an updated economic outlook. However, the projection years – 2007-08 and 2008-09 – are based mainly on underlying trends in economic parameters and no account is taken of cyclical influences on economic activity.

## REVENUE

Total accrual revenue in 2005-06 is expected to be \$4.1 billion higher than forecast at the 2005-06 Budget, comprising \$1.6 billion in non-tax revenue and \$2.5 billion in tax revenue, driven by the effect of a higher than expected company tax revenue outcome in 2004-05, and stronger than expected employment growth. The increase in non-tax revenue largely reflects Telstra's special dividend.

Policy decisions since Budget have reduced revenue by \$81 million in 2005-06 and \$129 million in 2006-07. Major policy measures reducing revenue over the four year period 2005-06 to 2008-09 include:

- \$26.5 million in 2005-06 (\$63 million over four years) from additions to the listing of prescribed private funds which will assist in promoting private philanthropy; and
- \$3.5 million in 2005-06 (\$59 million over four years) owing to changes to market-linked and other life-expectancy income streams which will provide retirees with smoother and more stable income payments and a greater degree of certainty with respect to pension planning.

A full list of revenue measures announced since the 2005-06 Budget is provided at Appendix A.

Detailed Australian Government general government sector revenue estimates for 2005-06, compared with the estimates published in the 2005-06 Budget, are provided in Table 7.<sup>1</sup> Detailed cash estimates are listed in Table F3 (Appendix F).

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<sup>1</sup> For a description of the revenue heads, refer to Appendix B of Budget Statement 5, Budget Paper No.1, *Budget Strategy and Outlook 2005-06*.

**Table 7: Australian Government general government sector revenue**

	2005-06			
	Budget \$m	MYEFO \$m	Change on Budget \$m %	
<i>Income taxation</i>				
<i>Individuals and other withholding</i>				
Gross income tax withholding	101,140	102,030	890	0.9
Gross other individuals	25,440	25,110	-330	-1.3
less: Refunds	15,000	15,000	0	0.0
Total individuals and other withholding	111,580	112,140	560	0.5
<i>Companies</i>				
Superannuation funds	48,040	48,740	700	1.5
<i>Superannuation funds</i>				
Contributions and earnings	5,070	5,280	210	4.1
Superannuation surcharge	1,240	1,410	170	13.7
Total superannuation funds	6,310	6,690	380	6.0
Petroleum resource rent tax	1,350	2,130	780	57.8
<b>Income taxation revenue</b>	<b>167,280</b>	<b>169,700</b>	<b>2,420</b>	<b>1.4</b>
<i>Excise and customs</i>				
<i>Excise duty</i>				
Petrol	7,410	7,210	-200	-2.7
Diesel	6,420	6,260	-160	-2.5
Other fuel products	150	170	20	13.3
Crude oil	620	480	-140	-22.6
Beer	1,710	1,690	-20	-1.2
Potable spirits	840	790	-50	-6.0
Tobacco	5,340	5,300	-40	-0.7
Total excise duty	22,490	21,900	-590	-2.6
<i>Customs duty</i>				
Textiles, clothing and footwear	790	790	0	0.0
Passenger motor vehicles	1,448	1,350	-98	-6.8
Excise-like goods	1,600	1,700	100	6.3
Other imports	1,533	1,522	-11	-0.7
less: Refunds and drawbacks	300	300	0	0.0
Total customs duty	5,071	5,062	-9	-0.2
<b>Excise and customs revenue</b>	<b>27,561</b>	<b>26,962</b>	<b>-599</b>	<b>-2.2</b>
<i>Indirect taxation</i>				
Wine equalisation tax	700	660	-40	-5.7
Luxury car tax	310	310	0	0.0
Other taxes	220	220	0	0.0
<b>Indirect taxation revenue</b>	<b>1,230</b>	<b>1,190</b>	<b>-40</b>	<b>-3.3</b>
<i>Other taxation</i>				
Fringe benefits tax	3,350	3,470	120	3.6
Agricultural levies	583	599	16	2.8
Other levies	192	192	0	-0.1
Broadcasting licence fees	264	263	-1	-0.4
Other taxes	808	1,402	594	73.5
<b>Other taxation revenue</b>	<b>5,196</b>	<b>5,925</b>	<b>729</b>	<b>14.0</b>
<b>Taxation revenue</b>	<b>201,267</b>	<b>203,777</b>	<b>2,510</b>	<b>1.2</b>
<i>Non-taxation</i>				
Sales of goods and services	4,965	4,900	-65	-1.3
Dividends	3,312	4,318	1,006	30.4
Interest received	2,000	2,319	319	15.9
Other	2,967	3,307	340	11.5
<b>Non-taxation revenue</b>	<b>13,245</b>	<b>14,845</b>	<b>1,600</b>	<b>12.1</b>
<b>Total revenue</b>	<b>214,511</b>	<b>218,622</b>	<b>4,111</b>	<b>1.9</b>

Total taxation revenue in 2005-06 is expected to be \$2.5 billion higher than forecast at the 2005-06 Budget. The upward revision has been driven by higher expected revenue from wage and salary earners and companies, and reflects the effect of a higher than expected company tax revenue outcome in 2004-05, and stronger expected employment growth.

Estimated revenue from gross income tax withholding for 2005-06 has increased by \$890 million since the 2005-06 Budget, reflecting the flow-on effects of stronger than expected employment growth in 2004-05 and continuing strong employment growth in the first quarter of 2005-06.

Company taxation revenue in 2005-06 is expected to be \$700 million higher than the 2005-06 Budget estimate, largely as a result of a higher than expected outcome in 2004-05.

Higher than expected oil prices and the effect of new fields on petroleum production have led to increases in expected revenue from petroleum resource rent tax, which has been revised up by \$780 million in 2005-06 since the 2005-06 Budget, partly offset by the negative impact higher oil prices have had on oil-related excises which have been revised down by \$480 million.

Expected revenue from other taxes has increased by \$594 million since the 2005-06 Budget, principally as a result of a change in the accounting treatment of the passenger movement charge and the import processing charge from non-taxation revenue.

Non-taxation revenue in 2005-06 is expected to be \$1.6 billion higher than the 2005-06 Budget estimate, including a \$774 million increase in special dividends announced as part of the implementation of Telstra's capital management programme and a \$412 million increase in interest received by the Australian Office of Financial Management on term deposits.

## **EXPENSES**

Estimated accrual expenses in 2005-06 have increased by \$957 million since the 2005-06 Budget. This increase reflects new policy measures of \$1.5 billion in 2005-06, partially offset by a net decrease of \$568 million due to parameter and other variations.

**Table 8: Reconciliation of general government sector expense estimates**

	Estimates		Projections	
	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
<b>2005-06 Budget expenses</b>	<b>206,081</b>	<b>214,806</b>	<b>225,400</b>	<b>236,568</b>
<b>Changes between 2005-06 Budget and MYEFO</b>				
Effect of policy decisions(a)	1,525	1,229	1,099	1,115
Effect of economic parameter variations				
Unemployment benefits	151	281	312	355
Prices and wages	243	1,221	1,141	971
Interest and exchange rates	64	93	64	97
<i>Total economic parameter variations</i>	<i>458</i>	<i>1,595</i>	<i>1,516</i>	<i>1,423</i>
Public debt interest	29	37	89	145
Programme specific parameter variations	-1,332	-594	-576	-422
Other variations(b)	277	-214	-264	-985
<b>Total variations</b>	<b>957</b>	<b>2,052</b>	<b>1,863</b>	<b>1,275</b>
<b>2005-06 MYEFO expenses</b>	<b>207,038</b>	<b>216,858</b>	<b>227,263</b>	<b>237,843</b>

(a) Excludes the public debt net interest effect of policy measures.

(b) The contingency reserve includes an allowance for the established tendency of existing government policy (particularly demand driven programmes) to be higher than estimated in the forward years. This allowance, known as the conservative bias allowance, is progressively reduced so that the budget year conservative bias is zero by the budget. As is standard practice, the conservative bias has been reduced at this MYEFO in the forward years from 2006-07 onwards.

Policy decisions announced since the 2005-06 Budget increase estimated expenses by \$1.5 billion in 2005-06 and include:

- \$534 million in 2005-06 (\$633 million over two years) for additional drought relief funding to support primary producers in regions that have been declared eligible for Exceptional Circumstances assistance;
- \$154 million in 2005-06 (\$1.1 billion over four years) for the Connect Australia package. This will improve access to broadband, mobile coverage and communications infrastructure for regional, rural and remote Australia;
- \$111 million in 2005-06 (\$206 million over four years) for the Commonwealth Fisheries Structural Adjustment package which will provide assistance to fishing and related businesses to help secure Australian fish stocks;
- \$99 million in 2005-06 (\$403 million over four years) for the development and implementation of workplace relations reforms, including the introduction of a national workplace relations system, simplification of workplace agreement making processes and better balancing of unfair dismissal laws;
- \$56 million in 2005-06 (\$137 million over four years) as part of the Government's election commitment *A Sustainable Future for Tasmania*; and

- \$50 million in 2005-06 to extend the Higher Bandwidth Incentive Scheme (HiBIS), which will enable the Government to meet strong increases in demand and provide certainty to HiBIS providers.

A full list of expense measures since the 2005-06 Budget is provided at Appendix A.

Since the 2005-06 Budget, parameter and other variations have reduced forecast expenses by \$568 million in 2005-06. This includes:

- a \$283 million reduction in expenses for the Pharmaceutical Benefits Scheme due to revised expectations of growth, driven predominantly by reduced consumption across certain drug groups;
- a \$197 million reduction in Disability Support Pension and Parenting Payment expenses primarily due to lower than forecast recipient numbers;
- a \$194 million reduction in general budget assistance provided to the States and Territories (which, in 2005-06, includes residual adjustment amounts),<sup>2</sup> largely reflecting the difference in 2004-05 GST entitlements and actual GST cash receipts for 2004-05, which is reconciled and accounted for in 2005-06;
- a \$176 million reduction in the Energy Grants Credit Scheme expenses due to a reduction in forecast applications; and
- a reduction in expense estimates following the inclusion of the provision for underspends in 2005-06. A provision is included each year at the MYEFO to provide for the established tendency of departments and agencies to underspend their budgets in the current financial year.

The above reduction in expenses has been partly offset by:

- a \$259 million increase in expenses reflecting the reprofiling of grants from 2004-05 under the Schools Infrastructure Programme and Indigenous Education Agreements;
- a \$182 million increase in projected Medicare benefits payments reflecting revised expectations of the use of Medicare services based on observed trends in spending; and

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<sup>2</sup> See the *Final Budget Outcome 2004-05*, page 85, for further information on general budget assistance.

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- a \$136 million increase in the Age Pension expenses largely due to an upwards revision to the forecast for wages growth, reflecting the Government's ongoing commitment to maintain selected pensions at 25 per cent of Male Total Average Weekly Earnings.

## NET CAPITAL INVESTMENT

Estimated net capital investment in 2005-06 has increased by \$167 million since the 2005-06 Budget. This reflects new policy decisions of \$230 million, including \$116 million for a national medical stockpile associated with the Pandemic Influenza Preparedness package and \$44 million (\$49 million over four years) for property and information technology costs associated with the development and implementation of the workplace relations reforms. This is partially offset by a reduction in parameter and other variations of \$63 million, primarily due to the re-phasing of spending on security for Australian diplomatic missions.

**Table 9: Reconciliation of general government sector net capital investment estimates<sup>(a)</sup>**

	Estimates		Projections	
	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
<b>2005-06 Budget net capital investment</b>	<b>1,020</b>	<b>617</b>	<b>1</b>	<b>-264</b>
<b>Changes between 2005-06 Budget and MYEFO</b>				
Effect of policy decisions(b)	230	59	-15	4
Effect of parameter and other variations	-63	185	102	372
<b>Total variations</b>	<b>167</b>	<b>244</b>	<b>87</b>	<b>377</b>
<b>2005-06 MYEFO net capital investment</b>	<b>1,186</b>	<b>862</b>	<b>88</b>	<b>113</b>

(a) Net capital investment is defined as net acquisition of non-financial assets.

(b) Excludes the public debt net interest affect of policy measures.

## CASH FLOWS

In 2005-06, the underlying cash balance is expected to be a surplus of \$11.5 billion compared to an estimate of \$8.9 billion at the 2005-06 Budget.

Future Fund earnings are excluded from the underlying cash balance. Projected Future Fund earnings from 2006-07 have increased since the 2005-06 Budget due to the provision of an additional \$2 billion of seed capital (\$18 billion in total) and the assumption that the gross proceeds from the sale of Telstra will be transferred to the Future Fund.

**Table 10: Summary of Australian Government general government sector cash flows (\$b)<sup>(a)</sup>**

	Estimates			
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	214.2	218.2	221.7	226.8
Capital cash receipts(b)	0.3	0.3	0.2	0.2
Total cash receipts	214.5	218.5	221.9	227.0
Cash payments				
Operating cash payments	202.0	203.7	210.4	212.7
Capital cash payments(c)	3.1	3.1	2.5	2.6
Total cash payments	205.1	206.8	213.0	215.3
Finance leases and similar arrangements(d)	0.0	0.0	0.0	-0.1
<b>GFS cash surplus(+)/deficit(-)</b>	<b>9.4</b>	<b>11.7</b>	<b>8.9</b>	<b>11.6</b>
Per cent of GDP	1.0	1.2	0.9	1.1
less Future Fund earnings	0.5	0.2	0.9	1.9
<b>Underlying cash balance</b>	<b>8.9</b>	<b>11.5</b>	<b>7.9</b>	<b>9.7</b>
Per cent of GDP	1.0	1.2	0.8	1.0
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	-1.5	-1.4	9.3	24.6
plus Future Fund earnings(f)	0.5	0.2	0.9	1.9
<b>Headline cash balance</b>	<b>7.9</b>	<b>10.2</b>	<b>18.2</b>	<b>36.2</b>
	Projections			
	2007-08		2008-09	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	232.3	237.6	244.1	248.8
Capital cash receipts(b)	0.3	0.2	0.2	0.2
Total cash receipts	232.5	237.8	244.2	249.0
Cash payments				
Operating cash payments	220.7	222.7	231.9	233.3
Capital cash payments(c)	2.3	2.3	2.0	2.2
Total cash payments	223.0	225.0	233.9	235.5
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>9.5</b>	<b>12.8</b>	<b>10.3</b>	<b>13.5</b>
Per cent of GDP	0.9	1.2	1.0	1.2
less Future Fund earnings	1.0	2.6	1.1	2.8
<b>Underlying cash balance</b>	<b>8.5</b>	<b>10.1</b>	<b>9.3</b>	<b>10.7</b>
Per cent of GDP	0.8	1.0	0.9	1.0
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	9.1	-2.3	9.0	-2.3
plus Future Fund earnings(f)	1.0	2.6	1.1	2.8
<b>Headline cash balance</b>	<b>18.6</b>	<b>10.5</b>	<b>19.4</b>	<b>11.2</b>

(a) Cash flows are derived from the accrual GFS framework excluding GST.

(b) Equivalent to cash receipts from the sale of non-financial assets in the GFS cash flow statement.

(c) Equivalent to cash payments for purchases of new and second-hand non-financial assets in the GFS cash flow statement.

(d) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(e) Under the cash budgeting framework, these cash flows were referred to as net advances.

(f) The earnings assume the gross proceeds from the sale of Telstra are transferred to the Future Fund. The Future Fund is assumed to earn a rate of return equal to the yield on other term deposits held by the Government.

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Major new policy decisions and parameter and other variations since the 2005-06 Budget have largely had the same impact on the 2005-06 underlying cash balance as the fiscal balance.

Table 11 provides a reconciliation of the variations in the underlying cash balance estimates.

**Table 11: Reconciliation of Australian Government general government sector underlying cash balance estimates**

	Estimates		Projections	
	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
<b>2005-06 Budget underlying cash balance</b>	<b>8,921</b>	<b>7,933</b>	<b>8,500</b>	<b>9,284</b>
<b>Changes from 2005-06 Budget to MYEFO</b>				
Effect of policy decisions(a)	-1,829	-1,427	-1,202	-1,252
Effect of parameter and other variations	4,360	3,196	2,836	2,693
<b>Total variations</b>	<b>2,531</b>	<b>1,769</b>	<b>1,634</b>	<b>1,440</b>
<b>2005-06 MYEFO underlying cash balance</b>	<b>11,452</b>	<b>9,702</b>	<b>10,134</b>	<b>10,725</b>

(a) Excludes the public debt net interest effect of policy measures.

## NET DEBT AND NET WORTH

Net debt is expected to be eliminated by the end of 2005-06 after falling from a peak of \$95.8 billion (18.5 per cent of GDP) in 1995-96. Since the 2005-06 Budget, the forecast level of net debt has fallen from \$6.1 billion to -\$1.3 billion – reflecting a higher than anticipated final budget outcome for 2004-05 and an upward revision to the estimated surplus in 2005-06.

Over the forward years net debt is expected to fall further, primarily reflecting the assumption that the full sale of Telstra is achieved in the second half of 2006. However, the net debt projections are sensitive to the financial asset composition of the Future Fund flowing from the finalisation of an investment strategy by the Future Fund Board of Guardians.

The estimating assumption for Telstra sale proceeds is based on a historic 90 day average. This figure has no implications for future judgements on sale or on appropriate return. The estimating assumption for the sale structure is based on sale of all the Government's shares in the second half of 2006, on a single instalment basis. The Government has not made any decision to sell, or if the sale proceeds, the structure of the sale, the nature of securities to be sold or the quantity of shares to be sold. The structure ultimately adopted may well be different depending on market circumstances and expert advice at the time. Transfer of Telstra sale proceeds to the Future Fund has also been adopted as an estimation assumption.

As a result of the lower level of net debt, net interest payments will continue to fall in 2005-06 and beyond. Having peaked at \$8.4 billion in 1996-97, net interest payments are expected to decline to \$2.5 billion in 2005-06.

With the budget remaining in surplus, Australian Government general government sector net worth is expected to improve to -\$26.7 billion in 2005-06 compared with -\$27.8 billion at the 2005-06 Budget. Net worth over the forward estimates is expected to continue to strengthen with the establishment of the Future Fund and, for the first time, is projected to become positive in 2008-09.

**Table 12: Australian Government general government sector net worth, net debt and net interest payments**

	Estimates			
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	127.9	129.5	138.5	142.2
Non-financial assets (\$b)	42.4	44.4	43.1	45.3
<b>Total assets (\$b)</b>	<b>170.3</b>	<b>173.9</b>	<b>181.6</b>	<b>187.6</b>
<b>Total liabilities (\$b)</b>	<b>198.1</b>	<b>200.7</b>	<b>202.0</b>	<b>204.5</b>
<b>Net worth (\$b)</b>	<b>-27.8</b>	<b>-26.7</b>	<b>-20.4</b>	<b>-16.9</b>
<b>Net debt (\$b)(a)(b)</b>	<b>6.1</b>	<b>-1.3</b>	<b>-14.0</b>	<b>-39.8</b>
Per cent of GDP	0.7	-0.1	-1.5	-4.0
<b>Net interest payments (\$b)(c)</b>	<b>2.8</b>	<b>2.5</b>	<b>1.2</b>	<b>0.3</b>
Per cent of GDP	0.3	0.3	0.1	0.0
	Projections			
	2007-08		2008-09	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	151.5	158.1	163.4	172.9
Non-financial assets (\$b)	43.0	45.4	42.8	45.6
<b>Total assets (\$b)</b>	<b>194.5</b>	<b>203.6</b>	<b>206.2</b>	<b>218.5</b>
<b>Total liabilities (\$b)</b>	<b>208.2</b>	<b>210.6</b>	<b>212.1</b>	<b>214.6</b>
<b>Net worth (\$b)</b>	<b>-13.7</b>	<b>-7.0</b>	<b>-5.9</b>	<b>3.9</b>
<b>Net debt (\$b)(a)(b)</b>	<b>-34.6</b>	<b>-52.7</b>	<b>-56.4</b>	<b>-66.6</b>
Per cent of GDP	-3.4	-5.0	-5.3	-6.1
<b>Net interest payments (\$b)(c)</b>	<b>-0.2</b>	<b>-1.3</b>	<b>-1.3</b>	<b>-2.0</b>
Per cent of GDP	0.0	-0.1	-0.1	-0.2

(a) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

(b) Includes the impact of the further sale of the Australian Government's shareholding in Telstra and the assumption that gross receipts are transferred to the Future Fund. Pending the establishment of an investment strategy for the Fund, the estimates assume that the Future Fund earns a rate of return equal to the yield on other term deposits held by the Government.

(c) Australian Government cash interest payments less cash interest receipts. The 2005-06 estimates include the recognition in cash terms of the capital growth on inflation indexed bonds maturing in that year.