

# PART 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME

## OVERVIEW

In 2016-17, the Australian Government general government sector recorded an underlying cash deficit of \$33.2 billion (1.9 per cent of gross domestic product (GDP)). The net operating balance was in deficit by \$32.1 billion (1.8 per cent of GDP).

The Final Budget Outcome for 2016-17 was a \$4.4 billion improvement compared with the underlying cash deficit estimated at the time of the 2017-18 Budget. Total receipts were \$4.1 billion higher than expected and total payments were \$1.2 billion lower than expected. Net Future Fund earnings were \$860 million higher than expected at the time of the 2017-18 Budget.

In net operating terms, the Final Budget Outcome for 2016-17 improved by \$6.6 billion compared with the net operating deficit estimated at the time of the 2017-18 Budget, with revenue \$3.6 billion higher and expenses \$3.0 billion lower than expected at the time of the 2017-18 Budget.

Real GDP grew by 1.9 per cent in 2016-17, slightly stronger than the 1<sup>3</sup>/<sub>4</sub> per cent growth forecast in the 2017-18 Budget. There was a smaller-than-expected detraction from business investment and a stronger-than-expected contribution from public final demand, which offset weaker contributions from net exports and dwelling investment. Tropical Cyclone Debbie is estimated to have detracted around <sup>1</sup>/<sub>4</sub> of a percentage point from growth in the June quarter, with a significant impact on coal exports, in line with the 2017-18 Budget estimate. Almost 250,000 jobs were created over 2016-17 resulting in employment growing by 1.9 per cent through the year to the June quarter 2017, which was stronger than the 2017-18 Budget forecast of 1 per cent. The unemployment rate was 5.6 per cent in the June quarter 2017, slightly lower than the 5<sup>3</sup>/<sub>4</sub> per cent forecast in the 2017-18 Budget. Nominal GDP grew by 6.0 per cent, consistent with the 2017-18 Budget forecast, driven by a strong rise in Australia's terms of trade.

Australian Government general government sector net debt was \$322.3 billion (18.4 per cent of GDP), which is \$2.8 billion better than estimated at the time of the 2017-18 Budget. Australian Government general government sector net financial worth was negative \$529.2 billion and net worth was negative \$390.9 billion at the end of 2016-17.

**Table 1: Australian Government general government sector budget aggregates**

	2015-16 Outcome \$b	2016-17 Estimate at 2017-18 Budget \$b	2016-17 Outcome \$b	Change on 2017-18 Budget \$b
<b>Receipts</b>	<b>386.9</b>	<b>405.7</b>	<b>409.9</b>	<b>4.1</b>
Per cent of GDP	23.4	23.2	23.4	
<b>Payments(a)</b>	<b>423.3</b>	<b>440.5</b>	<b>439.4</b>	<b>-1.2</b>
Per cent of GDP	25.6	25.1	25.0	
Net Future Fund earnings	3.2	2.8	3.6	0.9
<b>Underlying cash balance(b)</b>	<b>-39.6</b>	<b>-37.6</b>	<b>-33.2</b>	<b>4.4</b>
Per cent of GDP	-2.4	-2.1	-1.9	
<b>Revenue</b>	<b>395.1</b>	<b>412.1</b>	<b>415.7</b>	<b>3.6</b>
Per cent of GDP	23.9	23.5	23.7	
<b>Expenses</b>	<b>428.7</b>	<b>450.8</b>	<b>447.8</b>	<b>-3.0</b>
Per cent of GDP	25.9	25.7	25.5	
<b>Net operating balance</b>	<b>-33.6</b>	<b>-38.7</b>	<b>-32.1</b>	<b>6.6</b>
Per cent of GDP	-2.0	-2.2	-1.8	
Net capital investment	3.8	2.0	2.9	0.8
<b>Fiscal balance</b>	<b>-37.5</b>	<b>-40.7</b>	<b>-35.0</b>	<b>5.8</b>
Per cent of GDP	-2.3	-2.3	-2.0	
<i>Memorandum item:</i>				
Headline cash balance	-49.1	-51.1	-43.0	8.1

(a) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(b) Excludes net Future Fund earnings.

## UNDERLYING CASH BALANCE

The 2016-17 underlying cash deficit was \$33.2 billion, an improvement of \$4.4 billion compared with the estimate at the time of the 2017-18 Budget. This was the result of higher receipts of \$4.1 billion, lower payments of \$1.2 billion, partly offset by higher net Future Fund earnings of \$860 million.

**Table 2: Summary of Australian Government general government sector cash flows**

	2016-17 Estimate at 2017-18 Budget \$b	2016-17 Outcome \$b	Change on 2017-18 Budget \$b
Cash receipts			
Operating cash receipts	403.5	407.6	4.1
Capital cash receipts(a)	2.2	2.3	0.1
Total cash receipts	405.7	409.9	4.1
Cash payments			
Operating cash payments	428.6	428.2	-0.3
Capital cash payments(b)	12.0	11.1	-0.9
Total cash payments	440.5	439.3	-1.2
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-34.8</b>	<b>-29.4</b>	<b>5.4</b>
Per cent of GDP	-2.0	-1.7	
Finance leases and similar arrangements(c)(d)	0.0	-0.1	-0.1
<i>less</i> Net Future Fund earnings	2.8	3.6	0.9
<b>Underlying cash balance(e)</b>	<b>-37.6</b>	<b>-33.2</b>	<b>4.4</b>
Per cent of GDP	-2.1	-1.9	
<i>Memorandum items:</i>			
Net cash flows from investments in financial assets for policy purposes	-16.2	-13.5	2.7
<i>plus</i> Net Future Fund earnings	2.8	3.6	0.9
<b>Headline cash balance</b>	<b>-51.1</b>	<b>-43.0</b>	<b>8.1</b>

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

(b) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.

(c) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are no longer deducted in the derivation of the GFS cash surplus/deficit.

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

(e) Excludes net Future Fund earnings.

## **Receipts**

Total receipts for 2016-17 were \$409.9 billion, \$4.1 billion higher than forecast in the 2017-18 Budget.

Tax receipts were \$379.3 billion, \$2.1 billion higher than in the Budget. Compared with the 2017-18 Budget, higher-than-expected company tax, GST receipts, superannuation fund tax receipts and excise were partially offset by lower-than-expected fringe benefits tax receipts. Receipts from total individuals and other withholding taxes were broadly in line with the Budget estimates, though higher income tax withholding receipts were offset by lower receipts from other individuals tax.

- Receipts from total individuals and other withholding taxes were broadly in line with the 2017-18 Budget estimate. Higher income tax withholding receipts, which were \$855 million above the 2017-18 Budget estimate, were offset by lower receipts from other individuals. Other individuals receipts were \$829 million below the 2017-18 Budget estimate, largely reflecting weaker-than-expected payments on assessment for 2015-16 income year returns.
- Company tax receipts were \$590 million (0.9 per cent) above the 2017-18 Budget estimate. This reflects stronger-than-expected outcomes from assessments, mainly from smaller companies due in May.
- Receipts from the GST were \$569 million (1.0 per cent) above the 2017-18 Budget estimate, reflecting strength in collections in the last part of the financial year. Higher-than-expected GST receipts will be reflected in higher payments to the States.
- Receipts from superannuation fund taxes were \$488 million (6.3 per cent) above the 2017-18 Budget estimate, partly reflecting lower-than-expected refunds to self-managed superannuation funds.
- Total excise and customs duty receipts were \$197 million (0.6 per cent) above the 2017-18 Budget estimate, largely reflecting higher-than-expected fuel and other customs duty collections, partly offset by lower-than-expected tobacco collections.
- Fringe benefits tax receipts were \$314 million (7.2 per cent) below the 2017-18 Budget estimate, primarily reflecting lower-than-expected on-assessment collections.
- Other taxes were \$565 million (10.7 per cent) above the 2017-18 Budget estimate, primarily reflecting the review of revenue reclassifications. The reclassifications do not affect total receipts.

Non-tax receipts (excluding Future Fund receipts) were \$26.5 billion in 2016-17, \$1.1 billion higher than estimated at the time of the 2017-18 Budget. This increase largely relates to adjustments for medicines subject to commercial pricing arrangements under the Pharmaceutical Benefits Scheme.

**Table 3: Australian Government general government sector (cash) receipts**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	178,500	179,355	855
Gross other individuals	43,700	42,871	-829
less: Refunds	28,300	28,364	64
Total individuals and other withholding tax	193,900	193,863	-37
Fringe benefits tax	4,360	4,046	-314
Company tax	67,800	68,390	590
Superannuation fund taxes	7,730	8,218	488
Petroleum resource rent tax(a)	1,000	981	-19
<b>Income taxation receipts</b>	<b>274,790</b>	<b>275,498</b>	<b>708</b>
Goods and services tax	59,454	60,023	569
Wine equalisation tax	840	842	2
Luxury car tax	650	664	14
Excise and customs duty			
Petrol	6,100	6,174	74
Diesel	10,230	10,341	111
Other fuel products	1,900	1,948	48
Tobacco	10,690	10,453	-237
Beer	2,350	2,375	25
Spirits	2,050	2,057	7
Other alcoholic beverages(b)	920	919	-1
Other customs duty			
Textiles, clothing and footwear	270	279	9
Passenger motor vehicles	500	540	40
Other imports	1,050	1,148	98
less: Refunds and drawbacks	420	397	-23
Total excise and customs duty	35,640	35,837	197
Agricultural levies	532	547	15
Other taxes(c)	5,295	5,860	565
<b>Indirect taxation receipts</b>	<b>102,411</b>	<b>103,773</b>	<b>1,362</b>
<b>Taxation receipts</b>	<b>377,201</b>	<b>379,271</b>	<b>2,070</b>

**Table 3: Australian Government general government sector (cash) receipts (continued)**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Sales of goods and services(c)	8,786	8,050	-736
Interest received	3,003	2,925	-78
Dividends	5,820	6,874	1,054
Other non-taxation receipts	10,914	12,748	1,834
<b>Non-taxation receipts</b>	<b>28,523</b>	<b>30,597</b>	<b>2,074</b>
<b>Total receipts</b>	<b>405,724</b>	<b>409,868</b>	<b>4,144</b>
<i>Memorandum:</i>			
<i>Total excise</i>	21,550	21,800	250
<i>Total customs duty</i>	14,090	14,037	-53

- (a) This item includes a small amount of MRRT receipts relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.
- (b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
- (c) In the 2016-17 Final Budget Outcome, the majority of corporations law fees have been reclassified from non-taxation receipts to taxation receipts and financial institutions supervisory levies have been reclassified from taxation receipts to non-taxation receipts. The taxation receipts and non-taxation receipts series in Appendix B - Historical Australian Government Data have been back-cast from 2001-02 to reflect the sustained change in the nature of these receipts. This results in a net increase in taxation receipts and a net decrease in non-taxation receipts.

## Payments

Total cash payments were \$439.4 billion in 2016-17, \$1.2 billion lower than estimated at the time of the 2017-18 Budget. Total payments excluding Future Fund payments were \$438.9 billion, \$1.3 billion lower than estimated at the time of the 2017-18 Budget. The outcome reflects decreases in:

- payments under the National Disability Insurance Scheme (NDIS) program, reflecting a more gradual transition of participants into the NDIS than estimated and under-utilisation of capital expenditure (\$886 million);
- payments to the States due to delays in State-led projects under the Infrastructure Investment Programme (\$364 million) and Remote Housing national partnership agreements (\$164 million), and lower than estimated claims under the Natural Disaster Relief national partnership agreement (\$137 million);
- payments for the management of Illegal Maritime Arrivals (IMA), reflecting lower than expected costs under the Onshore Compliance and Detention program (\$154 million) and the IMA Offshore Management program (\$102 million);
- payments across a range of employment services programs (\$205 million), largely reflecting lower than expected demand for wage subsidies and activities supported by the New Enterprise Incentive Scheme and the Job Commitment Bonus;
- payments related to the Water Reforms program, largely reflecting delays in State-led infrastructure projects and lower than expected water purchases (\$194 million);

- payments under the Student Payments program, largely reflecting lower than expected number of students receiving income support (\$138 million); and
- payments for a range of education and training related programs under the Building Skills and Capability program (\$131 million), largely reflecting lower than expected take up.

The decreases were partially offset by the provision for underspends in the Contingency Reserve and higher than expected payments under the Pharmaceuticals Benefits Scheme (\$1.2 billion), primarily the result of an increased uptake of medicines.

### **Net Future Fund Earnings**

The underlying cash balance excludes net Future Fund earnings. Net Future Fund earnings were \$3.6 billion in 2016-17, \$860 million higher than estimated at the time of the 2017-18 Budget, largely reflecting higher than estimated dividends received.

### **NET OPERATING BALANCE**

The 2016-17 net operating deficit was \$32.1 billion, a \$6.6 billion improvement on the deficit of \$38.7 billion estimated at the time of the 2017-18 Budget. The 2016-17 fiscal balance deficit was \$35.0 billion, a \$5.8 billion improvement on the deficit estimated at the time of the 2017-18 Budget.

The cash receipt and payment variations outlined previously have a similar impact on revenue and expenses since net operating, fiscal and cash variances are typically driven by the same factors. However, the improvement in the net operating balance of \$6.6 billion, and the fiscal balance of \$5.8 billion, compared with the improvement in the underlying cash balance of \$4.4 billion, is the result of additional factors, as outlined below.

### **Revenue**

Total revenue was \$415.7 billion in 2016-17, \$3.6 billion higher than estimated at the time of the 2017-18 Budget. In comparison, total cash receipts were \$409.9 billion in 2016-17, \$4.1 billion higher than estimated at the time of the 2017-18 Budget.

Taxation revenue was \$388.6 billion in 2016-17, \$2.5 billion higher than the estimate at the 2017-18 Budget. Changes in taxation revenue were driven by the same revenue heads as receipts.

Total non-tax revenue was \$27.1 billion in 2016-17, \$1.2 billion higher than estimated at the 2017-18 Budget. Non-tax receipts were \$30.6 billion, \$2.1 billion higher than estimated at Budget.

The \$911 million difference in outcomes for non-tax revenue and non-tax receipts largely reflects a decrease in interest revenue, which did not have a corresponding interest receipt impact in 2016-17, primarily reflecting a decrease in concessional student loans.

**Table 4: Australian Government general government sector (accrual) revenue**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	180,150	180,618	468
Gross other individuals	46,730	45,133	-1,597
less: Refunds	28,300	28,364	64
Total individuals and other withholding tax	198,580	197,388	-1,192
Fringe benefits tax	4,450	3,905	-545
Company tax	68,900	71,170	2,270
Superannuation fund taxes	7,760	8,228	468
Petroleum resource rent tax(a)	1,050	976	-74
<b>Income taxation revenue</b>	<b>280,740</b>	<b>281,667</b>	<b>927</b>
Goods and services tax	62,220	62,727	507
Wine equalisation tax	870	850	-20
Luxury car tax	660	674	14
Excise and customs duty			
Petrol	6,100	6,201	101
Diesel	10,240	10,387	147
Other fuel products	1,900	1,955	55
Tobacco	10,690	10,612	-78
Beer	2,350	2,384	34
Spirits	2,050	2,059	9
Other alcoholic beverages(b)	920	923	3
Other customs duty			
Textiles, clothing and footwear	270	279	9
Passenger motor vehicles	500	540	40
Other imports	1,050	1,149	99
less: Refunds and drawbacks	420	397	-23
Total excise and customs duty	35,650	36,091	441
Agricultural levies	532	554	23
Other taxes(c)	5,501	6,078	577
<b>Indirect taxation revenue</b>	<b>105,432</b>	<b>106,974</b>	<b>1,542</b>
<b>Taxation revenue</b>	<b>386,172</b>	<b>388,641</b>	<b>2,469</b>
Sales of goods and services(c)	8,894	8,230	-664
Interest	3,753	2,992	-762
Dividends	3,653	4,998	1,344
Other non-taxation revenue	9,618	10,863	1,245
<b>Non-taxation revenue</b>	<b>25,919</b>	<b>27,082</b>	<b>1,163</b>
<b>Total revenue</b>	<b>412,091</b>	<b>415,723</b>	<b>3,632</b>
<i>Memorandum:</i>			
Total excise	21,560	21,895	335
Total customs duty	14,090	14,196	106

(a) This item includes a small amount of MRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

(b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) In the 2016-17 FBO, the majority of corporations law fees have been reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies have been reclassified from taxation revenue to non-taxation revenue. The taxation revenue and non-taxation revenue series in Appendix B - Historical Australian Government Data have been back-cast from 2001-02 to reflect the sustained change in the nature of these revenues. This results in a net increase in taxation revenue and a net decrease in non-taxation revenue.



## **Expenses and net capital investment**

Total expenses were \$447.8 billion in 2016-17, \$3.0 billion lower than estimated at the time of the 2017-18 Budget. Total net capital investment for 2016-17 was \$2.9 billion, \$829 million higher than the estimate of \$2.0 billion. This results in a lower than estimated net outcome for expenses and net capital investment of \$2.1 billion.

In comparison, cash payments were \$439.4 billion in 2016-17, \$1.2 billion lower than estimated at the 2017-18 Budget.

The difference of \$956 million between the lower than estimated net outcome for expenses and higher net outcome for net capital investment of \$2.1 billion and the lower than estimated outcome for cash payments of \$1.2 billion includes: lower than expected depreciation as a result of revaluation of specialised military equipment, and timing differences between when payments are made and expenses accrued for a number of programs.

Further information on expenses by function and sub-function is provided in Appendix A.

**Table 5: Australian Government general government sector expenses by function**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>General public services</b>			
Legislative and executive affairs	1,376	1,251	-125
Financial and fiscal affairs	6,359	6,515	156
Foreign affairs and economic aid	6,687	6,383	-304
General research	2,765	2,695	-70
General services	970	625	-345
Government superannuation benefits	9,015	8,811	-204
<b>Defence</b>	28,464	28,051	-413
<b>Public order and safety</b>	5,162	5,189	27
<b>Education</b>	33,237	32,594	-644
<b>Health</b>	73,820	74,445	625
<b>Social security and welfare</b>	155,698	153,192	-2,505
<b>Housing and community amenities</b>	4,700	4,625	-75
<b>Recreation and culture</b>	3,609	3,623	14
<b>Fuel and energy</b>	6,790	6,726	-64
<b>Agriculture, forestry and fishing</b>	2,843	2,626	-217
<b>Mining, manufacturing and construction</b>	3,559	3,253	-306
<b>Transport and communication</b>	9,394	9,139	-255
<b>Other economic affairs</b>			
Tourism and area promotion	192	189	-3
Total labour and employment affairs	3,644	3,444	-200
Immigration	3,847	3,594	-253
Other economic affairs nec	2,157	2,126	-30
<b>Other purposes</b>			
Public debt interest	16,028	16,076	48
Nominal superannuation interest	8,446	8,445	-1
General purpose inter-government transactions	63,448	64,027	579
Natural disaster relief	82	162	80
Contingency reserve	-1,536	0	1,536
<b>Total expenses</b>	<b>450,757</b>	<b>447,807</b>	<b>-2,950</b>

**Table 6: Australian Government general government sector net capital investment by function**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
General public services	295	157	-138
Defence	1,356	3,110	1,754
Public order and safety	77	77	0
Education	13	-5	-18
Health	42	51	9
Social security and welfare	188	-15	-203
Housing and community amenities	56	-117	-173
Recreation and culture	48	47	-1
Fuel and energy	0	-1	-2
Agriculture, forestry and fishing	426	154	-271
Mining, manufacturing and construction	4	4	0
Transport and communication	-555	-545	10
Other economic affairs	84	-41	-125
Other purposes	13	0	-13
<b>Total net capital investment</b>	<b>2,047</b>	<b>2,876</b>	<b>829</b>

**Table 7: Australian Government general government sector purchases of non-financial assets by function**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
General public services	1,142	1,044	-98
Defence	8,191	8,225	34
Public order and safety	534	486	-48
Education	41	21	-20
Health	103	116	13
Social security and welfare	532	379	-153
Housing and community amenities	103	99	-4
Recreation and culture	406	427	21
Fuel and energy	4	3	-1
Agriculture, forestry and fishing	466	199	-267
Mining, manufacturing and construction	11	10	-1
Transport and communication	55	43	-12
Other economic affairs	580	493	-87
Other purposes	13	0	-13
<b>Total Government purchases of non-financial assets</b>	<b>12,181</b>	<b>11,545</b>	<b>-636</b>

## HEADLINE CASH BALANCE ESTIMATES

The headline cash balance consists of the underlying cash balance, net cash flows from investments in financial assets for policy purposes (for example, the equity funding of NBN Co) and net Future Fund earnings.

Table 8 provides further detail between the underlying and headline cash balance estimates of the Australian Government general government sector in 2016-17.

At the end of 2016-17, the headline cash deficit was \$43.0 billion, an \$8.1 billion improvement from the estimate at the time of the 2017-18 Budget. The improvement in the headline cash balance was primarily driven by the improvement in the underlying cash balance, lower than expected number of students accessing income contingent student loans and a revised payment schedule for a number of NBN contracts, which have no impact on the completion of the NBN rollout.

**Table 8: Details of the Australian Government general government sector items between the underlying and headline cash balance**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Outcome underlying cash balance(a)</b>	<b>-37,600</b>	<b>-33,151</b>	<b>4,449</b>
<b>plus Net cash flows from investments in financial assets for policy purposes</b>			
Student loans	-7,204	-5,143	2,061
NBN investment	-7,700	-7,190	510
Residential mortgage backed securities	881	895	14
WestConnex	-617	-617	0
Trade support loans	-158	-166	-8
CEFC loans and investments	-914	-870	44
Drought and rural assistance loans	-197	-147	50
Net other	-337	-263	74
<b>Total net cash flows from investments in financial assets for policy purposes</b>	<b>-16,246</b>	<b>-13,501</b>	<b>2,745</b>
<b>plus Net Future Fund earnings</b>	<b>2,784</b>	<b>3,644</b>	<b>860</b>
<b>Outcome headline cash balance</b>	<b>-51,061</b>	<b>-43,008</b>	<b>8,053</b>

(a) Excludes net Future Fund earnings.

## NET DEBT, NET FINANCIAL WORTH AND NET WORTH

At the end of 2016-17, the level of Australian Government net debt was \$322.3 billion (18.4 per cent of GDP), \$2.8 billion better than estimated at the time of the 2017-18 Budget.

The improvement in net debt compared with the level expected at the 2017-18 Budget was primarily driven by an increase in investments held by the Future Fund Management Agency, a delay in payments from the DisabilityCare Australia Fund and term deposits held by the Australian Office of Financial Management. This was partly offset by an \$8.4 billion decline in the value of student loans. The decline was driven by a range of factors, including changes to modelling methodology, the application of updated discount rates, and reductions in new loans issued.

Net financial worth was negative \$529.2 billion at the end of 2016-17, compared with negative \$428.2 billion estimated at the 2017-18 Budget.

Net worth was negative \$390.9 billion at the end of 2016-17, compared with negative \$291.7 billion estimated at the 2017-18 Budget.

The changes in net financial worth and net worth since the Budget report a significant increase in the Government's superannuation liability. This reported increase is the result of a large difference between the discount rates used to value the Government's defined benefit superannuation liability at Budget and at the FBO. The approach to valuing the superannuation liability has not changed from previous Budgets or FBOs.

At Budget, actuaries determined the long term discount rate to be 6.0 per cent per annum. This rate reflects the average annual rate estimated to apply over the remainder of the term to maturity of the liability and the actuaries' view that short-term deviations are expected to be smoothed out in the longer term. This approach also reduces the volatility in reported liabilities in the Budget that would occur from year to year if the long term government bond rate were used.

For FBO, the Australian Accounting Standards require the use of the long-term government bond rate as at 30 June 2017 that best matches each individual scheme's liability duration. This requirement of the standards results in differences in superannuation liability between one FBO and another, and between Budget and FBO, that are due to the discount rate applied, not to changes in the accrued benefits of the defined benefit schemes. In particular, at the 2016-17 FBO, the long-term bond rates used were between 3.0 and 3.5 per cent per annum.

**Table 9: Australian Government general government sector net worth, net financial worth, net debt and net interest payments**

	2016-17 Estimate at 2017-18 Budget \$b	2016-17 Outcome \$b	Change on 2017-18 Budget \$b
Financial assets	381.0	385.4	4.4
Non-financial assets	136.5	138.3	1.8
<b>Total assets</b>	<b>517.5</b>	<b>523.8</b>	<b>6.3</b>
<b>Total liabilities</b>	<b>809.2</b>	<b>914.7</b>	<b>105.5</b>
<b>Net worth</b>	<b>-291.7</b>	<b>-390.9</b>	<b>-99.2</b>
<b>Net financial worth(a)</b>	<b>-428.2</b>	<b>-529.2</b>	<b>-101.0</b>
Per cent of GDP	-24.4	-30.2	
<b>Net debt(b)</b>	<b>325.1</b>	<b>322.3</b>	<b>-2.8</b>
Per cent of GDP	18.6	18.4	
<b>Net interest payments</b>	<b>12.2</b>	<b>12.4</b>	<b>0.1</b>
Per cent of GDP	0.7	0.7	

(a) Net financial worth equals total financial assets minus total liabilities.

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