

PART 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME 2017-18

OVERVIEW

In 2017-18, the Australian Government general government sector recorded an underlying cash deficit of \$10.1 billion (0.6 per cent of gross domestic product (GDP)). The net operating balance was in deficit by \$4.0 billion (0.2 per cent of GDP).

The Final Budget Outcome for 2017-18 was a \$19.3 billion improvement compared with the underlying cash deficit estimated at the time of the 2017-18 Budget. Total receipts were \$13.4 billion higher than expected and total payments were \$6.9 billion lower than expected. Net Future Fund earnings were \$1.1 billion higher than expected at the time of the 2017-18 Budget.

In net operating terms, the Final Budget Outcome for 2017-18 improved by \$15.8 billion compared with the net operating deficit estimated at the time of the 2017-18 Budget, with revenue \$11.9 billion higher and expenses \$4.0 billion lower than the 2017-18 Budget estimates.

Real GDP grew by 2.9 per cent in 2017-18, slightly stronger than the 2¾ per cent growth forecast in the 2017-18 Budget. Growth in consumption, non-mining business investment and public final demand was stronger than expected, while the detraction from mining investment was smaller than expected. These positive impacts were partly offset by dwelling investment and net exports which detracted from growth. Nominal GDP grew by 4.7 per cent in 2017-18, which was significantly stronger than the 2017-18 Budget forecast of 4 per cent. This was the result of the stronger-than-expected real GDP growth and higher-than-assumed prices for key commodities. Labour market conditions were strong with almost 350,000 jobs created in 2017-18. Employment grew by 2.7 per cent through the year to the June quarter 2018, well above the 1½ per cent growth forecast in the 2017-18 Budget. The unemployment rate was 5.4 per cent in the June quarter 2018, lower than the 5¾ per cent forecast in the 2017-18 Budget. The Wage Price Index increased by 2.1 per cent through the year to the June quarter 2018, with growth in the final quarter slightly stronger at 0.6 per cent. The Wage Price Index growth forecast in the 2017-18 Budget was 2½ per cent.

Australian Government general government sector net debt was \$342.0 billion (18.6 per cent of GDP) at the end of 2017-18, which is \$13.0 billion lower than estimated at the time of the 2017-18 Budget. Australian Government general government sector net financial worth was negative \$562.2 billion and net worth was negative \$418.1 billion at the end of 2017-18.

Table 1: Australian Government general government sector budget aggregates

	2016-17 Outcome \$b	2017-18 Estimate at 2017-18 Budget \$b	2017-18 Estimate at 2018-19 Budget \$b	2017-18 Outcome \$b	Change on 2017-18 Budget \$b
Receipts	409.9	433.5	445.1	446.9	13.4
Per cent of GDP	23.3	23.8	24.3	24.3	
Payments(a)	439.4	459.7	459.9	452.7	-6.9
Per cent of GDP	25.0	25.2	25.1	24.6	
Net Future Fund earnings	3.6	3.2	3.5	4.3	1.1
Underlying cash balance(b)	-33.2	-29.4	-18.2	-10.1	19.3
Per cent of GDP	-1.9	-1.6	-1.0	-0.6	
Revenue	415.7	444.4	456.2	456.3	11.9
Per cent of GDP	23.6	24.4	24.9	24.8	
Expenses	447.8	464.3	468.8	460.3	-4.0
Per cent of GDP	25.5	25.5	25.5	25.0	
Net operating balance	-32.1	-19.8	-12.6	-4.0	15.8
Per cent of GDP	-1.8	-1.1	-0.7	-0.2	
Net capital investment	2.9	0.5	0.7	1.3	0.8
Fiscal balance	-35.0	-20.3	-13.4	-5.3	15.0
Per cent of GDP	-2.0	-1.1	-0.7	-0.3	
<i>Memorandum item:</i>					
Headline cash balance	-43.0	-48.4	-37.1	-25.9	22.5

(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 2017-18 underlying cash deficit was \$10.1 billion, an improvement of \$19.3 billion compared with the estimate at the time of the 2017-18 Budget. This was the result of higher receipts of \$13.4 billion and lower payments of \$6.9 billion, partly offset by higher net Future Fund earnings of \$1.1 billion.

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

	2017-18 Estimate at 2017-18 Budget \$b	2017-18 Estimate at 2018-19 Budget \$b	2017-18 Outcome \$b	Change on 2017-18 Budget \$b
Cash receipts				
Operating cash receipts	432.1	443.8	445.6	13.4
Capital cash receipts(a)	1.4	1.3	1.3	0.0
Total cash receipts	433.5	445.1	446.9	13.4
Cash payments				
Operating cash payments	446.2	445.8	439.9	-6.3
Capital cash payments(b)	13.5	14.1	12.7	-0.8
Total cash payments	459.7	459.9	452.6	-7.1
GFS cash surplus(+)/deficit(-)	-26.2	-14.7	-5.7	20.5
Per cent of GDP	-1.4	-0.8	-0.3	
<i>less</i> Finance leases and similar arrangements(c)	0.0	0.0	0.1	0.1
<i>less</i> Net Future Fund earnings	3.2	3.5	4.3	1.1
Underlying cash balance(d)	-29.4	-18.2	-10.1	19.3
Per cent of GDP	-1.6	-1.0	-0.6	
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes	-22.2	-22.4	-20.0	2.2
<i>plus</i> Net Future Fund earnings	3.2	3.5	4.3	1.1
Headline cash balance	-48.4	-37.1	-25.9	22.5

(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) 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.

(d) Excludes net Future Fund earnings.

Receipts

Total receipts for 2017-18 were \$446.9 billion, \$13.4 billion higher than forecast in the 2017-18 Budget.

Tax receipts were \$418.1 billion, \$13.8 billion higher than the estimate at the 2017-18 Budget. Compared with the 2017-18 Budget, company tax receipts, income tax withholding, superannuation fund taxes and excise and customs duty receipts were higher than expected. This was partially offset by lower-than-expected other individuals tax receipts.

- Company tax receipts were \$6.8 billion (8.7 per cent) above the 2017-18 Budget estimate, consistent with higher-than-expected growth in corporate profits and stronger-than-expected results from ATO compliance activity.

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- Receipts from total individuals and other withholding taxes were \$2.4 billion (1.2 per cent) above the 2017-18 Budget estimate. This was mainly driven by higher income tax withholding receipts, which were \$5.3 billion above the 2017-18 Budget estimate, reflecting stronger employment growth. This was partially offset by other individuals tax receipts, which were \$2.8 billion below the 2017-18 Budget estimate, consistent with lower-than-expected outcomes for unincorporated business income.
- Receipts from superannuation fund taxes were \$2.3 billion (27.7 per cent) above the 2017-18 Budget estimate, reflecting higher-than-expected capital gains due to some superannuation funds exhausting their stock of losses and strong net foreign exchange gains in the 2016-17 income year.
- Total excise and customs duty receipts were \$1.5 billion (4.0 per cent) above the 2017-18 Budget estimate reflecting higher-than-expected fuel and tobacco collections.
- Receipts from the GST were \$676 million (1.1 per cent) above the 2017-18 Budget estimate, consistent with stronger growth in consumption.

Non-tax receipts were \$28.9 billion in 2017-18, \$0.3 billion lower than estimated at the time of the 2017-18 Budget. Excluding Future Fund receipts, non-tax receipts were \$24.0 billion in 2017-18, \$1.6 billion lower than estimated at the time of the 2017-18 Budget. This decrease largely reflects non-tax cash receipts that will be received later than was expected at the 2017-18 Budget.

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

	2017-18 Estimate at 2017-18 Budget \$m	2017-18 Estimate at 2018-19 Budget \$m	2017-18 Outcome \$m	Change on 2017-18 Budget \$m
Individuals and other withholding taxes				
Gross income tax withholding	186,900	190,600	192,229	5,329
Gross other individuals	46,700	44,200	43,866	-2,834
less: Refunds	29,000	29,100	29,102	102
Total individuals and other withholding tax	204,600	205,700	206,993	2,393
Fringe benefits tax	4,340	4,050	3,911	-429
Company tax	77,800	83,500	84,591	6,791
Superannuation fund taxes	8,460	11,020	10,804	2,344
Petroleum resource rent tax	1,000	1,100	1,116	116
Income taxation receipts	296,200	305,370	307,415	11,215
Goods and services tax	62,558	63,661	63,235	676
Wine equalisation tax	890	910	894	4
Luxury car tax	650	710	695	45
Excise and customs duty				
Petrol	6,250	6,100	6,098	-152
Diesel	10,630	10,970	11,127	497
Other fuel products	1,920	2,000	2,109	189
Tobacco	11,610	11,500	11,879	269
Beer	2,390	2,410	2,451	61
Spirits	2,130	2,220	2,207	77
Other alcoholic beverages(a)	950	970	962	12
Other customs duty				
Textiles, clothing and footwear	170	190	200	30
Passenger motor vehicles	470	510	504	34
Other imports	780	1,200	1,211	431
less: Refunds and drawbacks	420	420	390	-30
Total excise and customs duty	36,880	37,650	38,357	1,477
Major bank levy	1,200	1,150	1,139	-61
Agricultural levies	537	570	555	18
Other taxes	5,387	6,334	5,764	377
Indirect taxation receipts	108,102	110,984	110,638	2,536
Taxation receipts	404,302	416,354	418,053	13,750

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

	2017-18 Estimate at 2017-18 Budget \$m	2017-18 Estimate at 2018-19 Budget \$m	2017-18 Outcome \$m	Change on 2017-18 Budget \$m
Sales of goods and services	11,497	10,283	9,941	-1,555
Interest received	3,233	3,458	3,433	199
Dividends	3,996	4,565	5,407	1,410
Other non-taxation receipts	10,465	10,486	10,072	-393
Non-taxation receipts	29,191	28,791	28,853	-339
Total receipts	433,494	445,146	446,905	13,412
<i>Memorandum:</i>				
<i>Total excise</i>	<i>22,180</i>	<i>22,500</i>	<i>22,703</i>	<i>523</i>
<i>Total customs duty</i>	<i>14,700</i>	<i>15,150</i>	<i>15,654</i>	<i>954</i>

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

Payments

Total cash payments were \$452.7 billion in 2017-18, \$6.9 billion lower than estimated at the time of the 2017-18 Budget. Total payments excluding Future Fund payments were \$452.2 billion, \$7.1 billion lower than estimated at the time of the 2017-18 Budget. The outcome primarily reflects decreases in:

- payments under the National Disability Insurance Scheme (NDIS) program, reflecting lower-than-expected numbers of participants entering the NDIS and lower utilisation of participants' individual support packages (\$2.5 billion);
- payments to the States and Territories due to delays in State-led projects under the Infrastructure Investment Programme (\$1.3 billion);
- payments under the Age Pension program, primarily reflecting the ongoing impact of the previously implemented measure to increase the Age Pension qualifying age to 67 years of age (\$894 million);
- payments under the Family Tax Benefit program, reflecting lower-than-expected average payments and reconciliation payments driven by improving economic conditions, including higher than projected income growth (\$790 million);
- payments to the States and Territories under the National Partnership Payments - Assistance to People with Disabilities, reflecting revised payments schedules from the DisabilityCare Australia Fund (DCAF) due to ongoing negotiations on a full scheme DCAF National Partnership Agreement (\$748 million); and
- payments under the Job Seeker Income Support program, reflecting lower than-expected average payments and recipient numbers attributable to the strong labour market (\$335 million).

The outcome also reflects increases in payments in programs such as the Pharmaceutical Benefits Scheme (\$633 million) as a result of new and amended listings on the scheme and higher-than-expected utilisation of some medicines.

Net Future Fund Earnings

The underlying cash balance excludes net Future Fund earnings. Net Future Fund earnings were \$4.3 billion in 2017-18, \$1.1 billion higher than estimated at the time of the 2017-18 Budget, largely reflecting higher-than-estimated investment earnings.

NET OPERATING BALANCE

The 2017-18 net operating deficit was \$4.0 billion, a \$15.8 billion improvement on the deficit of \$19.8 billion estimated at the time of the 2017-18 Budget. The 2017-18 fiscal balance deficit was \$5.3 billion, a \$15.0 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 \$15.8 billion, and the fiscal balance of \$15.0 billion, compared with the improvement in the underlying cash balance of \$19.3 billion, is the result of additional factors, as outlined below.

Revenue

Total revenue was \$456.3 billion in 2017-18, \$11.9 billion higher than estimated at the time of the 2017-18 Budget. In comparison, total cash receipts were \$446.9 billion in 2017-18, \$13.4 billion higher than estimated at the time of the 2017-18 Budget.

Taxation revenue was \$427.4 billion in 2017-18, \$12.0 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 \$28.9 billion in 2017-18, \$0.1 billion lower than estimated at the 2017-18 Budget. Non-tax receipts were \$28.9 billion, \$0.3 billion lower than estimated at the 2017-18 Budget.

The \$0.2 billion difference in the size of the variances for non-tax revenue and non-tax receipts largely reflects timing differences between the recognition of revenue and receiving the corresponding receipt.

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

	2017-18 Estimate at 2017-18 Budget \$m	2017-18 Estimate at 2018-19 Budget \$m	2017-18 Outcome \$m	Change on 2017-18 Budget \$m
Individuals and other withholding taxes				
Gross income tax withholding	188,750	192,800	193,809	5,059
Gross other individuals	49,860	46,800	46,768	-3,092
less: Refunds	29,000	29,100	29,102	102
Total individuals and other withholding tax	209,610	210,500	211,475	1,865
Fringe benefits tax	4,430	4,140	3,813	-617
Company tax	79,400	86,700	85,770	6,370
Superannuation fund taxes	8,540	11,060	10,927	2,387
Petroleum resource rent tax(a)	990	1,170	993	3
Income taxation revenue	302,970	313,570	312,978	10,008
Goods and services tax	65,710	66,700	65,282	-428
Wine equalisation tax	900	930	903	3
Luxury car tax	650	730	735	85
Excise and customs duty				
Petrol	6,250	6,100	6,114	-136
Diesel	10,640	10,980	11,157	517
Other fuel products	1,920	2,000	2,113	193
Tobacco	11,610	11,670	11,914	304
Beer	2,390	2,410	2,456	66
Spirits	2,130	2,220	2,209	79
Other alcoholic beverages(b)	950	970	964	14
Other customs duty				
Textiles, clothing and footwear	170	190	200	30
Passenger motor vehicles	490	510	504	14
Other imports	790	1,210	1,211	421
less: Refunds and drawbacks	420	420	390	-30
Total excise and customs duty	36,920	37,840	38,453	1,533
Major bank levy	1,600	1,550	1,527	-73
Agricultural levies	537	571	564	27
Other taxes	6,141	6,578	6,961	820
Indirect taxation revenue	112,458	114,899	114,425	1,967
Taxation revenue	415,428	428,469	427,403	11,975
Sales of goods and services	11,496	10,095	9,770	-1,725
Interest	4,397	3,663	3,317	-1,079
Dividends	3,517	3,797	5,086	1,570
Other non-taxation revenue	9,578	10,152	10,704	1,126
Non-taxation revenue	28,987	27,706	28,878	-109
Total revenue	444,414	456,176	456,280	11,866
<i>Memorandum:</i>				
Total excise	22,190	22,510	22,763	573
Total customs duty	14,730	15,330	15,690	960

(a) This item includes an amount of MRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality. There is no corresponding cash impact for 2017-18.

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

Expenses and net capital investment

Total expenses were \$460.3 billion in 2017-18, \$4.0 billion lower than estimated at the time of the 2017-18 Budget. Total net capital investment for 2017-18 was \$1.3 billion, \$0.8 billion higher than the estimate of \$0.5 billion. This results in a lower-than-estimated net outcome for expenses and net capital investment of \$3.2 billion compared to the 2017-18 Budget.

In comparison, cash payments were \$452.7 billion in 2017-18, \$6.9 billion lower than estimated at the 2017-18 Budget.

The difference of \$3.8 billion between the lower-than-estimated net outcome for expenses and net capital investment of \$3.2 billion and the lower-than-estimated outcome for cash payments of \$6.9 billion is primarily due to sales of non-financial assets, which are included in the calculation of net capital investment but not in cash payments.

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

Table 5: Australian Government general government sector expenses by function

	2017-18 Estimate at 2017-18 Budget \$m	2017-18 Estimate at 2018-19 Budget \$m	2017-18 Outcome \$m	Change on 2017-18 Budget \$m
General public services				
Legislative and executive affairs	1,243	1,212	1,189	-54
Financial and fiscal affairs	6,383	7,352	7,577	1,194
Foreign affairs and economic aid	5,669	5,582	5,407	-262
General research	2,831	3,221	3,009	178
General services	828	692	751	-78
Government superannuation benefits	3,749	6,917	6,589	2,840
Defence	30,051	30,982	29,288	-763
Public order and safety	5,042	5,251	5,345	302
Education	33,800	33,746	33,523	-277
Health	75,277	77,603	76,039	762
Social security and welfare	164,059	162,621	157,745	-6,314
Housing and community amenities	5,351	5,435	5,405	54
Recreation and culture	3,632	3,793	3,735	104
Fuel and energy	6,940	7,515	7,378	438
Agriculture, forestry and fishing	2,972	3,019	2,613	-359
Mining, manufacturing and construction	3,825	2,979	2,592	-1,233
Transport and communication	10,420	9,252	9,180	-1,240
Other economic affairs				
Tourism and area promotion	182	182	187	5
Total labour and employment affairs	3,794	3,832	3,699	-95
Immigration	3,113	3,960	3,725	612
Other economic affairs nec	2,322	2,238	2,249	-72
Other purposes				
Public debt interest	17,154	17,047	17,025	-129
Nominal superannuation interest	10,392	9,241	9,240	-1,151
General purpose inter-government transactions	64,274	66,925	66,604	2,329
Natural disaster relief	9	109	188	179
Contingency reserve	951	-1,916	0	-951
Total expenses	464,262	468,788	460,282	-3,980

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

	2017-18 Estimate at 2017-18 Budget \$m	2017-18 Estimate at 2018-19 Budget \$m	2017-18 Outcome \$m	Change on 2017-18 Budget \$m
General public services	-204	-222	-394	-190
Defence	2,946	2,693	4,618	1,672
Public order and safety	174	179	133	-41
Education	6	-2	-5	-11
Health	85	94	101	16
Social security and welfare	162	285	248	85
Housing and community amenities	57	-10	-83	-140
Recreation and culture	209	115	40	-170
Fuel and energy	3	3	3	1
Agriculture, forestry and fishing	513	459	223	-290
Mining, manufacturing and construction	10	11	8	-2
Transport and communication	-3,034	-3,104	-3,400	-366
Other economic affairs	-17	235	-208	-192
Other purposes	-428	12	0	428
Total net capital investment	484	748	1,284	800

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

	2017-18 Estimate at 2017-18 Budget \$m	2017-18 Estimate at 2018-19 Budget \$m	2017-18 Outcome \$m	Change on 2017-18 Budget \$m
General public services	945	1,034	913	-32
Defence	9,458	8,863	9,964	506
Public order and safety	635	636	658	23
Education	36	24	18	-18
Health	150	156	161	11
Social security and welfare	540	632	610	69
Housing and community amenities	104	68	74	-30
Recreation and culture	543	469	367	-176
Fuel and energy	6	6	7	1
Agriculture, forestry and fishing	561	503	269	-292
Mining, manufacturing and construction	17	17	15	-2
Transport and communication	76	96	83	7
Other economic affairs	471	684	597	126
Other purposes	40	12	0	-40
Total Government purchases of non-financial assets	13,582	13,199	13,735	153

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 2017-18.

At the end of 2017-18, the headline cash deficit was \$25.9 billion, a \$22.5 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 and the reprofiling of the Government's loan to NBN Co, partially offset by the Government's purchase of 100 per cent of the shares of Snowy Hydro Limited from the NSW and Victorian Governments.

Table 8: Australian Government general government sector reconciliation of underlying and headline cash balance

	2017-18 Estimate at 2017-18 Budget \$m	2017-18 Estimate at 2018-19 Budget \$m	2017-18 Outcome \$m	Change on 2017-18 Budget \$m
2017-18 Underlying cash balance(a)	-29,396	-18,238	-10,141	19,254
plus Net cash flows from investments in financial assets for policy purposes				
Student loans	-7,944	-5,020	-4,964	2,980
NBN investment	-1,525	-2,035	-2,035	-510
NBN loan	-9,286	-6,682	-5,531	3,755
Snowy Hydro Limited acquisition(b)	0	-6,114	-6,117	-6,117
Residential mortgage backed securities	697	1,929	1,929	1,232
WestConnex	-722	-722	-722	0
Trade support loans	-159	-172	-187	-27
CEFC loans and investments	-596	-2,271	-1,707	-1,111
Northern Australia Infrastructure Facility	-516	-72	-3	513
Drought and rural assistance loans	-229	-102	-108	121
Water infrastructure and regional development loans(c)	-100	-130	0	100
Net other(d)	-1,840	-982	-597	1,243
Total net cash flows from investments in financial assets for policy purposes	-22,221	-22,373	-20,041	2,179
plus Net Future Fund earnings	3,205	3,503	4,305	1,100
2017-18 Headline cash balance	-48,411	-37,108	-25,878	22,534

(a) Excludes net Future Fund earnings.

(b) Australian Government payments in 2017-18 to NSW and Victoria for their shareholdings in Snowy Hydro Limited, including acquisition costs and the right to the States' final dividend.

(c) The 'National water infrastructure loan facility' was renamed to 'Water infrastructure and regional development loans' in the 2018-19 Budget to reflect program changes.

(d) Net other includes proposed equity payments for infrastructure projects. The amounts have not been itemised for commercial-in-confidence reasons.

NET DEBT, NET FINANCIAL WORTH AND NET WORTH

At the end of 2017-18, the level of Australian Government net debt was \$342.0 billion (18.6 per cent of GDP), \$13.0 billion lower than estimated at the time of the 2017-18 Budget. This reflects improvements in the underlying and headline cash balances which reduced borrowing needs, as well as increased investments, loans and placements. This has been partly offset by lower advances paid, predominantly relating to student loans.

Net financial worth was negative \$562.2 billion at the end of 2017-18, compared with negative \$457.8 billion estimated at the 2017-18 Budget.

Net worth was negative \$418.1 billion at the end of 2017-18, compared with negative \$318.1 billion estimated at the 2017-18 Budget.

The changes in net financial worth and net worth since the 2017-18 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 Budgets and at the Final Budget Outcome (FBO). The approach to valuing the superannuation liability has not changed from previous Budgets or FBOs. The variance in the reported superannuation liability between the 2017-18 Budget and 2017-18 FBO was an increase of \$132.2 billion. By way of comparison, the variance between the 2016-17 Budget and 2016-17 FBO was an increase of \$103.8 billion.

At the 2017-18 Budget, actuaries determined the long term discount rate to be 6.0 per cent per annum. This rate reflected the average annual rate estimated to apply over the remainder of the term to maturity of the liability and the actuaries' views that short-term deviations are expected to be smoothed out in the longer term. This approach also reduces the volatility in reported liabilities 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 2018 that best matches each individual scheme's liability duration. This requirement results in differences in superannuation liability between one FBO and the next, and between Budgets and FBO, due to the discount rate applied, not as a result of changes in the accrued benefits of the defined benefit schemes. At the 2017-18 FBO, the long-term bond rates used were between 2.7 and 3.1 per cent per annum depending on the defined benefit scheme.

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

	2017-18 Estimate at 2017-18 Budget \$b	2017-18 Estimate at 2018-19 Budget \$b	2017-18 Outcome \$b	Change on 2017-18 Budget \$b
Financial assets	393.5	406.2	419.0	25.5
Non-financial assets	139.7	141.1	144.0	4.3
Total assets	533.2	547.3	563.0	29.8
Total liabilities	851.3	872.5	981.2	129.9
Net worth	-318.1	-325.2	-418.1	-100.0
Net financial worth(a)	-457.8	-466.3	-562.2	-104.4
Per cent of GDP	-25.1	-25.4	-30.6	
Net debt(b)	354.9	341.0	342.0	-13.0
Per cent of GDP	19.5	18.6	18.6	
Net interest payments	13.4	13.1	13.1	-0.2
Per cent of GDP	0.7	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.