

Part 1: Australian Government Budget Outcome 2019-20

Overview

In 2019-20, the Australian Government general government sector recorded an underlying cash deficit of \$85.3 billion (4.3 per cent of gross domestic product (GDP)). The net operating balance was in deficit by \$92.3 billion (4.7 per cent of GDP).

The global COVID-19 pandemic has caused severe contractions in economic activity and the Government has provided critical and unprecedented support to Australian households, businesses and industries affected since March 2020.

The Final Budget Outcome for 2019-20 is broadly consistent with the July 2020 Economic and Fiscal Update (July Update). The final outcome for the 2019-20 underlying cash balance is an improvement of \$0.5 billion from the preliminary expected outcome at the July Update. The final outcome for net debt was \$491.2 billion at the end of 2019-20, \$3.0 billion higher than the preliminary estimate included in the July Update.

Table 1: Australian Government general government sector budget aggregates since the July 2020 Economic and Fiscal Update

	Economic and Fiscal Update	2019-20 Outcome	Change on Economic and Fiscal Update
	\$b	\$b	\$b
Receipts	469.5	469.4	-0.1
Per cent of GDP	23.6	23.7	
Payments(a)	550.0	549.6	-0.3
Per cent of GDP	27.7	27.7	
Net Future Fund earnings	5.3	5.0	-0.3
Underlying cash balance(b)	-85.8	-85.3	0.5
Per cent of GDP	-4.3	-4.3	
Net debt(c)	488.2	491.2	3.0
Per cent of GDP	24.6	24.8	

(a) Equivalent to cash payments for operating activities, purchases of non-financial assets and net cash flows from financing activities for leases.

(b) Excludes net Future Fund earnings.

(c) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements).

The underlying cash deficit for 2019-20 of \$85.3 billion compares with a forecast surplus of \$5.0 billion at the time of the 2019-20 Mid-Year Economic and Fiscal Outlook (MYEFO). This deterioration in the underlying cash balance was the result of higher total payments (\$57.7 billion) and lower total receipts (\$33.1 billion) compared to the MYEFO estimates. Net Future Fund earnings, which are excluded from the underlying cash balance, were \$0.4 billion lower than expected at the time of the 2019-20 MYEFO.

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In net operating terms, the outcome for 2019-20 was a deficit of \$92.3 billion compared with the surplus of \$8.0 billion estimated at the time of the 2019-20 MYEFO, with expenses \$75.4 billion higher and revenue \$24.9 billion lower than the 2019-20 MYEFO estimates.

As outlined in detail in the July Update, economic outcomes deteriorated significantly in the first half of 2020 due to the COVID-19 pandemic. Real GDP fell by 0.2 per cent in 2019-20 with growth in household consumption and business investment substantially lower than forecast at MYEFO. In contrast, public final demand and net exports were stronger than forecast. Higher public final demand reflected increased government spending in response to COVID-19, while a key factor in the higher contribution of net exports was international travel bans resulting in a large fall in services imports that exceeded the fall in services exports over the first half of 2020. Nominal GDP grew by 1.7 per cent in 2019-20.

Reflecting the contraction in economic activity, labour market conditions weakened substantially in the first half of 2020. Employment fell by 4.3 per cent through the year to the June quarter 2020 and the participation rate fell from a record high of 66.1 per cent in the September quarter 2019 to 63.4 per cent in the June quarter 2020. The unemployment rate increased to 7.0 per cent in the June quarter 2020. The Wage Price Index increased by 1.8 per cent through the year to the June quarter 2020 and compensation of employees rose by 3.7 per cent in 2019-20.

Australian Government general government sector net debt was \$491.2 billion (24.8 per cent of GDP) at the end of 2019-20, which was \$98.9 billion higher than estimated at the time of the 2019-20 MYEFO and around the level projected at the July Update. This primarily reflects the increased borrowing requirement due to the deterioration in the underlying cash balance. Australian Government general government sector net financial worth was negative \$840.6 billion and net worth was negative \$664.9 billion at the end of 2019-20.

Table 2: Australian Government general government sector budget aggregates

	2018-19 Outcome	2019-20 Estimate at 2019-20 MYEFO (a)	2019-20 Outcome (a)	Change on 2019-20 MYEFO
	\$b	\$b	\$b	\$b
Receipts	485.3	502.5	469.4	-33.1
Per cent of GDP	24.9	25.0	23.7	
Payments(b)	478.1	492.0	549.6	57.7
Per cent of GDP	24.6	24.5	27.7	
Net Future Fund earnings	7.9	5.5	5.0	-0.4
Underlying cash balance(c)	-0.7	5.0	-85.3	-90.3
Per cent of GDP	0.0	0.3	-4.3	
Revenue	493.3	511.1	486.3	-24.9
Per cent of GDP	25.3	25.4	24.5	
Expenses	484.7	503.2	578.5	75.4
Per cent of GDP	24.9	25.0	29.2	
Net operating balance	8.7	8.0	-92.3	-100.2
Per cent of GDP	0.4	0.4	-4.7	
Net capital investment	6.1	4.2	4.0	-0.2
Fiscal balance	2.6	3.8	-96.3	-100.1
Per cent of GDP	0.1	0.2	-4.9	
<i>Memorandum item:</i>				
Headline cash balance	-7.2	-2.8	-93.9	-91.0

(a) Include impacts resulting from the implementation of AASB 16 in the 2019-20 MYEFO.

(b) Equivalent to cash payments for operating activities, purchases of non-financial assets and net cash flows from financing activities for leases.

(c) Excludes net Future Fund earnings.

Underlying cash balance

In 2019-20, the underlying cash deficit was \$85.3 billion, an improvement of \$0.5 billion since the July Update, with this improvement incorporating changes flowing from the preparation of financial statements. Net Future Fund earnings, which are excluded from the underlying cash balance, were \$5.0 billion in 2019-20, \$0.3 billion lower compared to the July Update.

The underlying cash deficit for 2019-20 of \$85.3 billion compares with a forecast surplus of \$5.0 billion at the time of the 2019-20 MYEFO. This deterioration was driven by the response to and effects of the COVID-19 pandemic, with total payments higher by \$57.7 billion and total receipts lower by \$33.1 billion compared to the 2019-20 MYEFO estimates. Net Future Fund earnings were \$0.4 billion lower than expected at the time of the 2019-20 MYEFO.

Table 3: Summary of Australian Government general government sector cash flows

	2019-20 Estimate at 2019-20 MYEFO \$b	2019-20 Outcome \$b	Change on 2019-20 MYEFO \$b
Cash receipts			
Operating cash receipts	500.8	467.7	-33.1
Capital cash receipts(a)	1.7	1.7	0.1
Total cash receipts	502.5	469.4	-33.1
Cash payments			
Operating cash payments	475.3	534.2	58.9
Capital cash payments(b)	14.3	13.0	-1.3
Total cash payments	489.6	547.3	57.6
GFS cash surplus(+)/deficit(-)	12.8	-77.9	-90.7
Per cent of GDP	0.6	-3.9	
<i>plus</i> Net cash flows from financing activities for leases(c)	-2.3	-2.4	0.0
<i>less</i> Net Future Fund earnings	5.5	5.0	-0.4
Underlying cash balance(d)	5.0	-85.3	-90.3
Per cent of GDP	0.3	-4.3	
<i>Memorandum items:</i>			
Net cash flows from investments in financial assets for policy purposes	-13.3	-13.6	-0.3
<i>plus</i> Net Future Fund earnings	5.5	5.0	-0.4
Headline cash balance	-2.8	-93.9	-91.0

(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) Principal payments on lease liabilities, which are cash flows from financing activities, are deducted in the calculation of the underlying cash balance to maintain consistency of measure following the implementation of AASB 16.

(d) Excludes net Future Fund earnings.

Receipts

Total receipts for 2019-20 were \$469.4 billion, \$0.1 billion lower than the preliminary estimate included in the July Update of \$469.5 billion, and \$33.1 billion lower than forecast in the 2019-20 MYEFO.

Tax receipts were \$431.8 billion, \$32.0 billion lower than the estimate at the 2019-20 MYEFO. Compared with the 2019-20 MYEFO and consistent with the July Update, the weakness was across almost all heads of revenue but largely driven by lower-than-expected company, total individuals and other withholding taxes, and GST.

- Company tax receipts were \$13.4 billion (13.7 per cent) below the 2019-20 MYEFO estimate. This was driven in large part by the impact of health restrictions, which have reduced taxable incomes.
- Receipts from total individuals and other withholding taxes were \$9.0 billion (3.9 per cent) below the 2019-20 MYEFO estimate, largely reflecting the COVID-19 pandemic resulting in weaker collections from small, medium and large withholders in line with a deterioration in labour market conditions and lodgement and payment deferrals granted by the ATO.
- Receipts from the GST were \$5.3 billion (8.1 per cent) below the 2019-20 MYEFO estimate, reflecting lower-than-expected household consumption and private dwelling investment. There has been an increase in unpaid debt in 2019-20, in part due to payment deferrals offered to businesses experiencing financial hardship.
- Receipts from excise and customs duty were \$2.2 billion (4.8 per cent) below the 2019-20 MYEFO estimate, also reflecting lower-than-expected household consumption, particularly through tobacco and petrol excise.
- Receipts from superannuation fund taxes were \$1.9 billion (23.7 per cent) below the 2019-20 MYEFO estimate, largely due to impacts from the COVID-19 pandemic on superannuation funds.

Non-tax receipts were \$37.6 billion in 2019-20, \$1.1 billion lower than estimated at the time of the 2019-20 MYEFO. This decrease largely reflects lower-than-estimated receipts related to the Higher Education Loan Program (\$0.6 billion) and the Unclaimed Superannuation Monies program (\$0.5 billion).

Total cash receipts in 2019-20 of \$469.4 billion included \$5.4 billion in Future Fund receipts, which were \$0.4 billion lower than estimated in the 2019-20 MYEFO.

Table 4: Australian Government general government (cash) receipts

	2019-20 Estimate at 2019-20 MYEFO \$m	2019-20 Outcome \$m	Change on 2019-20 MYEFO \$m
Individuals and other withholding taxes			
Gross income tax withholding	218,100	214,426	-3,674
Gross other individuals	49,600	43,713	-5,887
<i>less: Refunds</i>	36,800	36,219	-581
Total individuals and other withholding tax	230,900	221,920	-8,980
Fringe benefits tax	3,940	3,850	-90
Company tax	98,200	84,781	-13,419
Superannuation fund taxes	8,210	6,267	-1,943
Petroleum resource rent tax(a)	1,150	1,052	-98
Income taxation receipts	342,400	317,870	-24,530
Goods and services tax	65,558	60,263	-5,294
Wine equalisation tax	1,090	959	-131
Luxury car tax	670	570	-100
Excise and customs duty			
Petrol	6,200	5,734	-466
Diesel	12,280	12,046	-234
Other fuel products	2,200	1,923	-277
Tobacco	17,210	16,270	-940
Beer	2,520	2,455	-65
Spirits	2,510	2,648	138
Other alcoholic beverages(b)	1,040	1,059	19
Other customs duty			
Textiles, clothing and footwear	200	169	-31
Passenger motor vehicles	400	369	-31
Other imports	1,260	1,142	-118
<i>less: Refunds and drawbacks</i>	500	669	169
Total excise and customs duty	45,320	43,147	-2,173
Major bank levy	1,600	1,612	12
Agricultural levies	520	469	-52
Other taxes	6,633	6,885	251
Indirect taxation receipts	121,391	113,905	-7,487
Taxation receipts	463,791	431,775	-32,016
Sales of goods and services	15,142	15,490	347
Interest received	5,134	3,244	-1,890
Dividends	6,792	7,007	215
Other non-taxation receipts	11,612	11,883	271
Non-taxation receipts	38,680	37,623	-1,057
Total receipts	502,472	469,398	-33,073
<i>Memorandum:</i>			
<i>Total excise</i>	24,290	23,352	-938
<i>Total customs duty</i>	21,030	19,795	-1,235

(a) This item includes an amount of MRRT receipts which has not been 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).

Payments

Total cash payments in 2019-20 were \$549.6 billion, \$0.3 billion lower than the preliminary estimate of \$550.0 billion included in the July Update, and \$57.7 billion higher than estimated at the time of the 2019-20 MYEFO. Higher-than-estimated payments are driven by the Government's response to the COVID-19 pandemic. Key changes since the 2019-20 MYEFO include:

- the introduction of the JobKeeper Payment to help businesses and not-for-profits significantly impacted by COVID-19 cover the cost of their employees' wages and the provision of temporary tax-free cash flow boosts to help entities continue to operate through the economic downturn associated with COVID-19 (\$35.0 billion)
- higher-than-estimated payments across social welfare payment programs, largely reflecting the introduction of the time limited Coronavirus Supplement to new and existing income support recipients and payment of the \$750 Economic Stimulus Payment to eligible pensioners, income support recipients, carers and student payment recipients, together with changes in recipient and average payment numbers reflecting the automatic stabiliser effect of social welfare payments (\$13.1 billion)
- higher-than-estimated payments to the states and territories as a result of the commencement of the National Partnership on COVID-19 Response to support the costs to diagnose and treat patients with, or suspected of having COVID-19 (\$2.9 billion)
- higher-than-estimated payments under the Health Protection and Emergency Response program largely reflecting the Government's response to the COVID-19 pandemic, including for the procurement of personal protective equipment (\$2.1 billion)
- higher-than-estimated payments under the NDIS largely reflecting higher-than-expected average package costs and advance payments to providers to provide cash flow relief and keep services going through the COVID-19 pandemic (\$2.1 billion)
- higher-than-estimated payments to the states and territories under the Natural Disaster Relief program and to individuals under the Australian Government Disaster Financial Support Payments program, largely reflecting support in response to the 2019-20 bushfires (\$1.0 billion).

The outcome also reflects decreases in payments across a number of programs including lower-than-estimated payments to the states and territories for road and rail infrastructure reflecting the slower than anticipated progress on relevant projects, largely due to the COVID-19 pandemic and the 2019-20 bushfires (\$1.7 billion).

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Total cash payments in 2019-20 of \$549.6 billion included \$0.4 billion in Future Fund payments. Future Fund payments in 2019-20 were consistent with the estimate at the time of the 2019-20 MYEFO.

Net Future Fund earnings

The underlying cash balance excludes net Future Fund earnings. Net Future Fund earnings were \$5.0 billion in 2019-20, \$0.4 billion lower than estimated at the time of the 2019-20 MYEFO, largely reflecting lower-than-estimated investment earnings.

Net operating balance

The 2019-20 net operating deficit was \$92.3 billion compared with a surplus of \$8.0 billion estimated at the time of the 2019-20 MYEFO. The 2019-20 fiscal balance was a deficit of \$96.3 billion compared with a surplus of \$3.8 billion estimated at the time of the 2019-20 MYEFO.

Revenue

Total revenue was \$486.3 billion in 2019-20, \$24.9 billion lower than estimated at the time of the 2019-20 MYEFO. In comparison, total cash receipts were \$469.4 billion, \$33.1 billion lower than estimated at the time of the 2019-20 MYEFO.

Taxation revenue was \$447.5 billion in 2019-20, \$25.3 billion lower than the estimate at the 2019-20 MYEFO. Changes in taxation revenue were largely driven by the same revenue heads as receipts.

The revenue estimates are the accrual accounting equivalent of the cash-based receipts estimates. The differences between results for taxation receipts (\$32.0 billion lower than forecast) and taxation revenue (\$25.3 billion lower than forecast) generally reflect timing differences between the recognition of revenue and receiving the corresponding revenue. These differences were primarily shown in GST, total individuals and other withholding taxes, and company tax.

- In part, the weaker result for cash was driven by administrative support offered to taxpayers experiencing financial hardship in response to the COVID-19 pandemic, which allowed some taxpayers to defer payments of liabilities into 2020-21.
- GST was \$5.3 billion below the 2019-20 MYEFO forecast on a receipts basis and \$1.9 billion below forecast on a revenue basis. The weaker outcome against forecast for receipts relative to revenue is due to higher-than-expected outstanding liabilities for GST, including liabilities where the taxpayer has been offered a deferral of payment by the ATO.
- Total individuals and other withholding taxes was \$9.0 billion below the 2019-20 MYEFO forecast on a receipts basis and \$6.7 billion below forecast on a revenue basis. The weaker outcome for receipts relative to revenue is largely due to

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payment deferrals granted as a result of the impact of the COVID-19 pandemic on taxpayers.

- Company tax was \$13.4 billion below the 2019-20 MYEFO forecast on a receipts basis and \$12.0 billion below forecast on a revenue basis. The lower outcome for receipts relative to revenue is largely due to lower provisions for credit amendments to company tax returns.

Total non-tax revenue was \$38.8 billion in 2019-20, \$0.4 billion higher than estimated at the 2019-20 MYEFO. Non-tax receipts were \$37.6 billion in 2019-20, \$1.1 billion lower than estimated at the time of the 2019-20 MYEFO. The \$1.5 billion difference in the variance for non-tax revenue and non-tax receipts largely reflects timing differences between the recognition of revenue and the corresponding receipt for the Reserve Bank of Australia dividend.

Table 5: Australian Government general government sector (accrual) revenue

	2019-20 Estimate at 2019-20 MYEFO \$m	2019-20 Outcome \$m	Change on 2019-20 MYEFO \$m
Individuals and other withholding taxes			
Gross income tax withholding	220,300	217,095	-3,205
Gross other individuals	52,900	48,855	-4,045
less: Refunds	36,800	36,219	-581
Total individuals and other withholding tax	236,400	229,731	-6,669
Fringe benefits tax	4,040	3,939	-101
Company tax	99,800	87,846	-11,954
Superannuation fund taxes	8,460	6,621	-1,839
Petroleum resource rent tax(a)	1,130	921	-209
Income taxation revenue	349,830	329,058	-20,772
Goods and services tax	67,230	65,287	-1,943
Wine equalisation tax	1,110	1,040	-70
Luxury car tax	670	632	-38
Excise and customs duty			
Petrol	6,100	5,676	-424
Diesel	12,080	11,923	-157
Other fuel products	2,170	1,907	-263
Tobacco	16,980	15,981	-999
Beer	2,460	2,434	-26
Spirits	2,510	2,641	131
Other alcoholic beverages(b)	1,040	1,048	8
Other customs duty			
Textiles, clothing and footwear	200	169	-31
Passenger motor vehicles	400	369	-31
Other imports	1,260	1,143	-117
less: Refunds and drawbacks	500	669	169
Total excise and customs duty	44,700	42,622	-2,078
Major bank levy	1,610	1,639	29
Agricultural levies	521	469	-53
Other taxes	7,144	6,778	-366
Indirect taxation revenue	122,985	118,467	-4,518
Taxation revenue	472,815	447,526	-25,288
Sales of goods and services	14,980	14,789	-191
Interest	5,247	3,689	-1,559
Dividends	6,383	8,367	1,984
Other non-taxation revenue	11,723	11,907	184
Non-taxation revenue	38,333	38,752	418
Total revenue	511,148	486,278	-24,870
<i>Memorandum:</i>			
Total excise	23,900	23,116	-784
Total customs duty	20,800	19,507	-1,293

(a) This item includes an amount of MRRT revenue which has not been 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).

Expenses and net capital investment

Total expenses were \$578.5 billion in 2019-20, \$75.4 billion higher than estimated at the time of the 2019-20 MYEFO. Total net capital investment for 2019-20 was \$4.0 billion, \$0.2 billion lower than the estimate of \$4.2 billion at the time of the 2019-20 MYEFO. This results in a higher-than-estimated net outcome for expenses and net capital investment of \$582.6 billion.

In comparison, cash payments were \$549.6 billion in 2019-20, \$57.7 billion higher than estimated at the time of the 2019-20 MYEFO.

The difference of \$32.9 billion between the net outcome for expenses and net capital investment and the outcome for cash payments is primarily due to timing differences in the accounting treatment of expenses and the associated cash flow, including for the July Update measures *JobKeeper Payment* and *Boosting cash flow for employers* and programs such as the Government superannuation schemes.

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

Table 6: Australian Government general government sector expenses by function

	2019-20 Estimate at 2019-20 MYEFO \$m	2019-20 Outcome \$m	Change on 2019-20 MYEFO \$m
General public services			
Legislative and executive affairs	1,355	1,366	11
Financial and fiscal affairs	7,275	7,302	26
Foreign affairs and economic aid	6,293	6,270	-24
General research	3,177	2,940	-237
General services	675	855	180
Government superannuation benefits	11,380	10,739	-641
Defence	32,783	33,187	404
Public order and safety	5,966	6,388	422
Education	35,846	39,885	4,039
Health	83,425	87,023	3,599
Social security and welfare	180,782	196,119	15,336
Housing and community amenities	5,715	5,332	-383
Recreation and culture	3,989	3,971	-18
Fuel and energy	8,161	7,892	-269
Agriculture, forestry and fishing	3,025	2,584	-441
Mining, manufacturing and construction	3,073	2,819	-254
Transport and communication	8,671	7,321	-1,350
Other economic affairs			
Tourism and area promotion	173	165	-8
Labour and employment affairs	3,587	3,810	223
Immigration	3,800	3,488	-312
Other economic affairs nec	2,690	58,030	55,340
Other purposes			
Public debt interest	16,746	16,923	178
Nominal superannuation interest	7,715	7,673	-42
General purpose inter-government transactions	68,547	64,603	-3,944
Natural disaster relief	38	1,863	1,825
Contingency reserve	-1,707	0	1,707
Total expenses	503,180	578,549	75,369

Headline cash balance

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

Table 7 provides further detail between the underlying and headline cash balance estimates of the Australian Government general government sector in 2019-20.

In 2019-20, the headline cash deficit was \$93.9 billion compared with a deficit of \$2.8 billion estimated at the time of the 2019-20 MYEFO. The deterioration in the headline cash balance was primarily driven by the dramatic change in the underlying cash balance reflecting the response to and effects of the COVID-19 pandemic.

Table 7: Australian Government general government sector reconciliation of underlying and headline cash balance

	2019-20 Estimate at 2019-20 MYEFO \$m	2019-20 Outcome \$m	Change on 2019-20 MYEFO \$m
2019-20 Underlying cash balance(a)	5,028	-85,272	-90,299
plus Net cash flows from investments in financial assets for policy purposes			
Student loans	-3,901	-3,700	201
NBN loan	-6,143	-6,405	-262
WestConnex	-85	-85	0
Asbestos removal in the ACT — Mr Fluffy loose fill asbestos remediation	900	900	0
Trade support loans	-147	-148	-1
CEFC loans and investments	-769	108	877
Northern Australia Infrastructure Facility	-288	-122	166
Australian Business Securitisation Fund	-200	-15	185
Structured Finance Support Fund	0	-1,685	-1,685
Drought and rural assistance loans	-330	-267	63
Water infrastructure and regional development loans	-190	-90	100
Official Development Assistance — Multilateral Replenishment	-120	-169	-49
National Housing Finance and Investment Corporation	-125	-100	25
Net other(b)	-1,938	-1,855	83
Total net cash flows from investments in financial assets for policy purposes	-13,336	-13,632	-296
plus Net Future Fund earnings	5,468	5,036	-431
2019-20 Headline cash balance	-2,841	-93,868	-91,027

(a) Excludes net Future Fund earnings.

(b) Net other includes 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 2019-20, net debt was \$491.2 billion (24.8 per cent of GDP), \$98.9 billion higher than estimated at the time of the 2019-20 MYEFO. This primarily reflects the increased borrowing requirement stemming from the response to and effects of the COVID-19 pandemic.

Net financial worth was negative \$840.6 billion at the end of 2019-20, compared with negative \$518.8 billion estimated at the 2019-20 MYEFO.

Net worth was negative \$664.9 billion at the end of 2019-20, compared with negative \$346.0 billion estimated at the 2019-20 MYEFO.

The changes in net financial worth and net worth since the 2019-20 MYEFO primarily reflect a significant increase in the borrowing requirement due to the deterioration in the underlying cash balance, and in the Government's reported superannuation liability. The reported increase in the superannuation liability is consistent with previous years and is the result of a large difference between the discount rates used to value the Government's defined benefit superannuation liability at the 2019-20 MYEFO and at the 2019-20 Final Budget Outcome. The approach to valuing the superannuation liability has not changed from previous budgets or Final Budget Outcomes.

At the 2019-20 MYEFO, actuaries determined the long-term discount rate to be 5.0 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 the Final Budget Outcome, the Australian Accounting Standards require the use of the long-term government bond rate as at 30 June 2020 that best matches each individual scheme's liability duration. This requirement results in differences in superannuation liability between one Final Budget Outcome and the next, and between budgets and Final Budget Outcomes, due to the discount rate applied, not as a result of changes in the accrued benefits of the defined benefit schemes. At the 2019-20 Final Budget Outcome, the long-term bond rates used were between 1.0 and 1.7 per cent per annum depending on the defined benefit scheme.

The variance in the reported superannuation liability between the 2019-20 MYEFO and 2019-20 Final Budget Outcome was an increase of \$199.3 billion. By way of comparison, the variance between the 2018-19 MYEFO and the 2018-19 Final Budget Outcome was an increase of \$191.6 billion.

Table 8: Australian Government general government sector net worth, net financial worth, net debt and net interest payments

	2019-20 Estimate at 2019-20 MYEFO \$b	2019-20 Outcome \$b	Change on 2019-20 MYEFO \$b
Financial assets	482.8	534.1	51.4
Non-financial assets	172.8	175.7	2.9
Total assets	655.6	709.8	54.2
Total liabilities	1,001.6	1,374.7	373.1
Net worth	-346.0	-664.9	-318.8
Net financial worth(a)	-518.8	-840.6	-321.7
Per cent of GDP	-25.8	-42.4	
Net debt(b)	392.3	491.2	98.9
Per cent of GDP	19.5	24.8	
Net interest payments	11.4	13.3	1.9
Per cent of GDP	0.6	0.7	

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

(b) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements).