

## Statement 6: Debt Statement

The Debt Statement provides information on Government gross debt, net debt, Australian Government Securities (AGS) issuance, interest costs, and details of climate spending, including the extent to which spending has contributed to debt.

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# Statement 6: Debt Statement

## Overview

Gross and net debt as a share of GDP are both expected to be lower than at MYEFO and decline over time.

Gross debt is expected to be 42.5 per cent of GDP at 30 June 2023, increasing to a peak of 44.9 per cent of GDP at 30 June 2025 before declining to 40.3 per cent of GDP by the end of the medium term.

Net debt is expected to be 31.1 per cent of GDP at 30 June 2023 before stabilising at 33.1 per cent of GDP at the end of forward estimates and falling to 26.9 per cent of GDP by the end of the medium term.

Interest payments on AGS as a share of GDP are expected to remain broadly consistent with estimates at MYEFO and around long-run average levels.

Further detail on debt over the forward estimates is provided below. Charts showing debt projections over the forward estimates and medium term can be found in *Statement 3: Fiscal Strategy and Outlook*.

## Australian Government Securities issuance

The Government finances its activities either through receipts or by borrowing. When receipts fall short of payments, the Government borrows by issuing AGS.

The Australian Office of Financial Management (AOFM) is responsible for issuing AGS and managing the Government's financing activities. The AOFM currently issues three types of securities:

- **Treasury Bonds:** medium to long-term securities with a fixed annual rate of interest payable every six months.
- **Treasury Indexed Bonds (TIBs):** medium to long-term securities for which the capital value of the security is adjusted for movements in the consumer price index (CPI). Interest on TIBs is paid quarterly, at a fixed rate, on the adjusted capital value.
- **Treasury Notes:** short-term discount securities, which mature within one year of issuance. The volume of Treasury Notes on issue will vary over the course of the year, depending on the size and profile of the within-year funding requirements.

Within these three broad categories of AGS, issuance is undertaken into a limited number of maturities (known as lines). The number of lines on issue is determined by

the AOFM as part of its debt portfolio management role. Each line has a fixed maturity date (the date on which the Government repays the principal it has borrowed) and, for Treasury Bonds and TIBs, a coupon rate (the annual fixed interest rate paid on the security).

Concentrating AGS issuance into a limited number of lines (rather than issuing securities with a specific tenor, such as 10 years) ensures each line is sufficiently large that it can be more readily traded in the secondary market. Strong liquidity in the secondary market is attractive to investors and intermediaries, promotes demand for AGS and assists in lowering borrowing costs. All AGS issuance is undertaken in Australian dollars.

The AOFM exercises operational independence in the execution of its duties. Its announced issuance program for each year is determined on the basis of maturing AGS, net new issuance required to fund the Budget and operational considerations.

Operational considerations often mean that the annual issuance program may not be equivalent to the financing task for a particular year. For example, the AOFM may decide there is merit in partially pre-funding the following year's financing task. Alternatively, the AOFM might choose to smooth issuance across several financial years in order to minimise changes in AGS supply from one financial year to the next.

The AOFM aims to maintain an AGS yield curve out to a 30-year benchmark bond. This facilitates a lower risk profile of maturing debt, broadens the investor base and helps to reduce the impact of interest rate volatility on budget outcomes. Further details on the AOFM's debt issuance program are available on the AOFM website at [www.aofm.gov.au](http://www.aofm.gov.au).

## Estimates of AGS on issue

Estimates of AGS on issue are published in both face value and market value terms in this Statement.

- The **face value** of AGS on issue (also referred to as gross debt) is the amount that the Government pays back to investors at maturity, independent of fluctuations in market prices.<sup>1</sup> The total face value of AGS on issue changes when new securities are issued, or when securities are repurchased or reach maturity.
- The **market value** of AGS on issue represents the value of securities as traded on the secondary market, which changes continuously with movements in market prices (often quoted as a yield to maturity). Consistent with external reporting standards,

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<sup>1</sup> For TIBs, the final repayment amount paid to investors includes an additional amount to reflect the impact of inflation over the life of the security. This additional amount is not included in the calculation of face value.

the market value of AGS on issue is reported in the Australian Government general government sector balance sheet.

Table 6.1 contains estimates of the face value (end-of-year and within-year peak)<sup>2</sup> and the market value (end-of-year) of AGS on issue.

The *Commonwealth Inscribed Stock Act 1911* (CIS Act) requires the Treasurer to issue a direction stipulating the maximum face value of relevant AGS that may be on issue. Effective from 7 October 2020, the Treasurer directed that the maximum face value of AGS that can be on issue is \$1,200 billion. As required by the *Charter of Budget Honesty Act 1998*, Table 6.1 reports estimates of AGS on issue subject to the Treasurer’s Direction.

When considering these estimates, it is important to note that the AOFM publishes an issuance program for the budget year only. Estimates beyond the budget year are based on a set of technical assumptions and will vary with changes to these assumptions and budget estimates.

**Table 6.1: Estimates of AGS on issue subject to the Treasurer’s Direction<sup>(a)(b)</sup>**

|                                  | Estimates |         |         |         |         |
|----------------------------------|-----------|---------|---------|---------|---------|
|                                  | 2021-22   | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|                                  | \$b       | \$b     | \$b     | \$b     | \$b     |
| Face value – end-of-year         | 906       | 977     | 1,056   | 1,117   | 1,169   |
| Per cent of GDP                  | 39.5      | 42.5    | 44.6    | 44.9    | 44.7    |
| Face value – within-year peak(c) | 906       | 982     | 1,071   | 1,131   | 1,193   |
| Per cent of GDP(c)               | 39.5      | 42.7    | 45.2    | 45.4    | 45.6    |
| Month of peak(c)                 | Jun-22    | Apr-23  | Apr-24  | Apr-25  | Apr-26  |
| Market value – end-of-year       | 929       | 1,004   | 1,088   | 1,153   | 1,207   |
| Per cent of GDP                  | 40.5      | 43.6    | 46.0    | 46.3    | 46.1    |

(a) The Treasurer’s Direction applies to the face value of AGS on issue. This table also shows the equivalent market value of AGS that are subject to the Treasurer’s Direction.

(b) The stock and securities that are excluded from the current limit set by the Treasurer’s Direction are outlined in subsection 51JA(2A) of the CIS Act.

(c) The precise within-year timing of cash receipts and payments is not known. Estimated peaks of AGS on issue are therefore subject to considerable uncertainty.

Source: AOFM.

The total amount of AGS on issue subject to the Treasurer’s Direction is reported weekly on the AOFM website.

In 2022-23, the end-of-year face value of AGS on issue subject to the Treasurer’s Direction is expected to be around \$977 billion, compared with \$1,017 billion at MYEFO.

<sup>2</sup> End-of-year values are estimates of AGS on issue at 30 June for the particular year. The precise timing and level of within-year peaks of AGS on issue cannot be determined with accuracy. The timing of the within-year peak is therefore reported to the given month in the particular year.

The end-of-year face value of AGS on issue subject to the Treasurer’s Direction is expected to reach around \$1,169 billion in 2025-26.

In 2022-23, the face value of AGS on issue subject to the Treasurer’s Direction is expected to reach a within-year peak of around \$982 billion. In 2025-26, this is estimated to rise to a within-year peak of \$1,193 billion. The estimates of within-year peak and end-of-year face value of AGS on issue to the end of the forward estimates period remain below the Treasurer’s Direction of the maximum face value of AGS that can be on issue.

### Changes in AGS on issue since the 2021-22 MYEFO

Table 6.2 shows the change in the estimated end-of-year face value of AGS on issue subject to the Treasurer’s Direction between MYEFO and the 2022-23 Budget.

Gross debt as a share of GDP is expected to be lower across each year of the forward estimates and medium term than expected at MYEFO. The improvement is primarily driven by the improved outlook for the underlying cash balance.

Gross debt as a share of the economy is expected to peak at 44.9 per cent of GDP at 30 June 2025, 5.4 percentage points lower and 4 years earlier than at MYEFO. Gross debt is then projected to fall to 40.3 per cent of GDP by the end of the medium term. At MYEFO, gross debt was projected to stabilise at around 50 per cent of GDP in the medium term.

**Table 6.2: Estimates of AGS on issue subject to the Treasurer’s Direction — reconciliation from the 2021-22 MYEFO to the 2022-23 Budget**

|   | 2021-22    | 2022-23      | 2023-24      | 2024-25      |
|---|------------|--------------|--------------|--------------|
|   | \$b        | \$b          | \$b          | \$b          |
| <b>Total face value of AGS on issue subject to the Treasurer's Direction as at 2021-22 MYEFO</b>          | <b>919</b> | <b>1,017</b> | <b>1,110</b> | <b>1,189</b> |
| <b>Factors affecting the change in face value of AGS on issue from 2021-22 MYEFO to 2022-23 Budget(a)</b> |            |              |              |              |
| Cumulative receipts decisions   | 2.3        | 10.7         | 9.1          | 8.5          |
| Cumulative receipts variations  | -26.8      | -66.4        | -99.7        | -123.2       |
| Cumulative payment decisions  | 6.5        | 15.3         | 21.1         | 26.9         |
| Cumulative payment variations   | -1.4       | 0.0          | 1.3          | 9.2          |
| Cumulative change in net investments in financial assets(b)   | -0.7       | -0.3         | 0.3          | 1.9          |
| Other contributors  | 6.9        | 0.4          | 14.3         | 4.3          |
| <b>Total face value of AGS on issue subject to the Treasurer's Direction as at 2022-23 Budget</b>         | <b>906</b> | <b>977</b>   | <b>1,056</b> | <b>1,117</b> |

(a) Cumulative impact of decisions and variations from 2021-22 to 2024-25. Increases to payments are shown as positive and increases to receipts are shown as negative.

(b) Change in net cash flows from investments in financial assets for policy and liquidity purposes.

Note: End-of-year data.

**Breakdown of AGS currently on issue**

Table 6.3 provides a breakdown of the AGS on issue by type of security as at 18 March 2022.

**Table 6.3: Breakdown of current Australian Government Securities on issue**

|  | On issue as at 18 March |                |
|--|-------------------------|----------------|
|  | Face value              | Market value   |
|  | \$m                     | \$m            |
| Treasury Bonds                                       | 800,112                 | 799,297        |
| Treasury Indexed Bonds                               | 36,535                  | 48,474         |
| Treasury Notes                                       | 31,500                  | 31,496         |
| <b>Total AGS subject to Treasurer's Direction(a)</b> | <b>868,147</b>          | <b>879,267</b> |
| Other stock and securities                           | 5                       | 5              |
| <b>Total AGS on issue</b>                            | <b>868,153</b>          | <b>879,272</b> |

(a) The stock and securities that are excluded from the current limit set by the Treasurer's Direction are outlined in subsection 51JA(2A) of the CIS Act.

Source: AOFM.

## Treasury Bonds

Table 6.4 lists Treasury Bonds currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 18 March 2022, there were 28 Treasury Bond lines on issue, with a weighted average term to maturity of around 7.2 years and the longest maturity extending to June 2051. Further information on the AOFM's strategy that has lengthened the weighted average term to maturity over the past decade can be found in *Statement 3: Fiscal Strategy and Outlook*.

**Table 6.4: Treasury Bonds on issue**

| Coupon<br>Per cent | Maturity  | On issue as at       | Timing of interest payments(a) |        |        |
|--------------------|-----------|----------------------|--------------------------------|--------|--------|
|                    |           | 18 March 2022<br>\$m |                                |        |        |
| 5.75               | 15-Jul-22 | 24,763               | Twice yearly                   | 15-Jul | 15-Jan |
| 2.25               | 21-Nov-22 | 26,500               | Twice yearly                   | 21-Nov | 21-May |
| 5.50               | 21-Apr-23 | 34,200               | Twice yearly                   | 21-Apr | 21-Oct |
| 2.75               | 21-Apr-24 | 34,400               | Twice yearly                   | 21-Apr | 21-Oct |
| 0.25               | 21-Nov-24 | 39,600               | Twice yearly                   | 21-Nov | 21-May |
| 3.25               | 21-Apr-25 | 38,100               | Twice yearly                   | 21-Apr | 21-Oct |
| 0.25               | 21-Nov-25 | 36,800               | Twice yearly                   | 21-Nov | 21-May |
| 4.25               | 21-Apr-26 | 38,100               | Twice yearly                   | 21-Apr | 21-Oct |
| 0.50               | 21-Sep-26 | 32,800               | Twice yearly                   | 21-Sep | 21-Mar |
| 4.75               | 21-Apr-27 | 33,900               | Twice yearly                   | 21-Apr | 21-Oct |
| 2.75               | 21-Nov-27 | 29,700               | Twice yearly                   | 21-Nov | 21-May |
| 2.25               | 21-May-28 | 29,700               | Twice yearly                   | 21-May | 21-Nov |
| 2.75               | 21-Nov-28 | 32,600               | Twice yearly                   | 21-Nov | 21-May |
| 3.25               | 21-Apr-29 | 33,000               | Twice yearly                   | 21-Apr | 21-Oct |
| 2.75               | 21-Nov-29 | 33,400               | Twice yearly                   | 21-Nov | 21-May |
| 2.50               | 21-May-30 | 36,600               | Twice yearly                   | 21-May | 21-Nov |
| 1.00               | 21-Dec-30 | 38,700               | Twice yearly                   | 21-Dec | 21-Jun |
| 1.50               | 21-Jun-31 | 37,300               | Twice yearly                   | 21-Jun | 21-Dec |
| 1.00               | 21-Nov-31 | 40,000               | Twice yearly                   | 21-Nov | 21-May |
| 1.25               | 21-May-32 | 33,200               | Twice yearly                   | 21-May | 21-Nov |
| 1.75               | 21-Nov-32 | 22,800               | Twice yearly                   | 21-Nov | 21-May |
| 4.50               | 21-Apr-33 | 19,800               | Twice yearly                   | 21-Apr | 21-Oct |
| 2.75               | 21-Jun-35 | 9,550                | Twice yearly                   | 21-Jun | 21-Dec |
| 3.75               | 21-Apr-37 | 12,000               | Twice yearly                   | 21-Apr | 21-Oct |
| 3.25               | 21-Jun-39 | 9,900                | Twice yearly                   | 21-Jun | 21-Dec |
| 2.75               | 21-May-41 | 13,500               | Twice yearly                   | 21-May | 21-Nov |
| 3.00               | 21-Mar-47 | 13,300               | Twice yearly                   | 21-Mar | 21-Sep |
| 1.75               | 21-Jun-51 | 15,900               | Twice yearly                   | 21-Jun | 21-Dec |

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.



## Treasury Indexed Bonds

Table 6.5 lists TIBs currently on issue, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 18 March 2022, there were 7 TIB lines on issue, with a weighted average term to maturity of around 10.6 years and the longest maturity extending to February 2050.

**Table 6.5: Treasury Indexed Bonds on issue**

| Coupon<br>Per cent | Maturity  | On issue as at<br>18 March 2022 |           | Timing of interest payments(a) |        |        |        |  |
|--------------------|-----------|---------------------------------|-----------|--------------------------------|--------|--------|--------|--|
|                    |           | \$m                             |           |                                |        |        |        |  |
| 3.00               | 20-Sep-25 | 7,893                           | Quarterly | 20-Sep                         | 20-Dec | 20-Mar | 20-Jun |  |
| 0.75               | 21-Nov-27 | 6,500                           | Quarterly | 21-Nov                         | 21-Feb | 21-May | 21-Aug |  |
| 2.50               | 20-Sep-30 | 6,343                           | Quarterly | 20-Sep                         | 20-Dec | 20-Mar | 20-Jun |  |
| 0.25               | 21-Nov-32 | 3,550                           | Quarterly | 21-Nov                         | 21-Feb | 21-May | 21-Aug |  |
| 2.00               | 21-Aug-35 | 4,350                           | Quarterly | 21-Aug                         | 21-Nov | 21-Feb | 21-May |  |
| 1.25               | 21-Aug-40 | 3,950                           | Quarterly | 21-Aug                         | 21-Nov | 21-Feb | 21-May |  |
| 1.00               | 21-Feb-50 | 3,950                           | Quarterly | 21-Feb                         | 21-May | 21-Aug | 21-Nov |  |

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

## Treasury Notes

Table 6.6 lists the Treasury Notes currently on issue. As at 18 March 2022 there were 8 Treasury Note lines on issue. Treasury Notes do not pay a coupon.

**Table 6.6: Treasury Notes on issue**

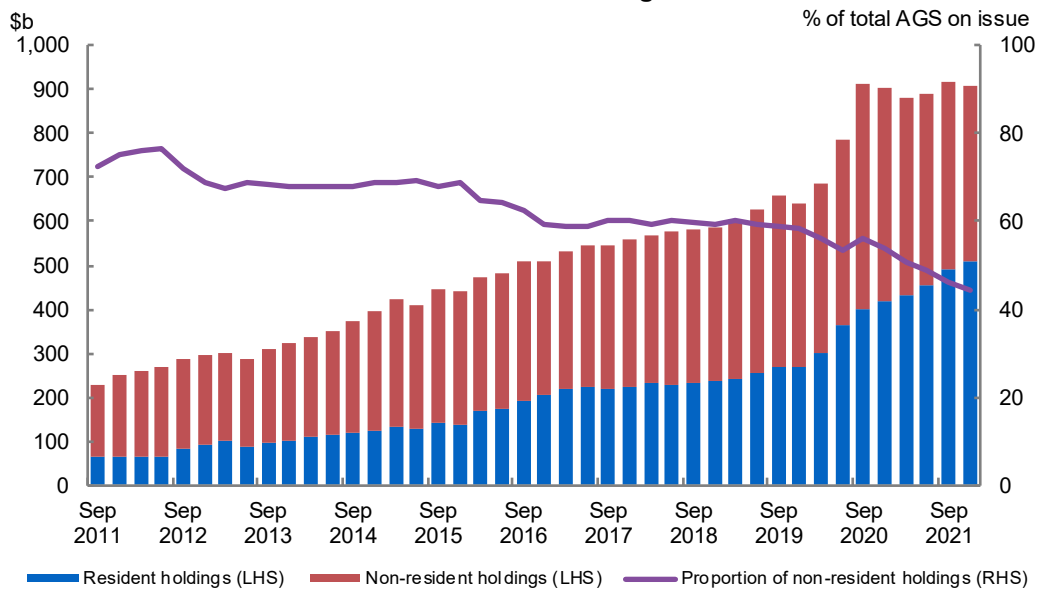
| Maturity  | On issue as at 18 March 2022 |  | Timing of interest payment |        |
|-----------|------------------------------|--|----------------------------|--------|
|           | \$m                          |  |                            |        |
| 25-Mar-22 | 7,000                        |  | At maturity                | 25-Mar |
| 22-Apr-22 | 7,000                        |  | At maturity                | 22-Apr |
| 13-May-22 | 4,000                        |  | At maturity                | 13-May |
| 27-May-22 | 3,250                        |  | At maturity                | 27-May |
| 10-Jun-22 | 3,000                        |  | At maturity                | 10-Jun |
| 24-Jun-22 | 3,250                        |  | At maturity                | 24-Jun |
| 8-Jul-22  | 2,000                        |  | At maturity                | 8-Jul  |
| 22-Jul-22 | 2,000                        |  | At maturity                | 22-Jul |

Source: AOFM.

## Non-resident holdings of AGS on issue

As at the December quarter 2021, the proportion of non-resident holdings of AGS was around 44 per cent (Chart 6.1). This proportion is down from historical highs of around 76 per cent in 2012.

**Chart 6.1: Non-resident holdings of AGS**



Note: Data refer to the repo-adjusted market value of holdings.  
 Source: ABS Balance of Payments and International Investment Position, Australia December 2021, AOFM, RBA.

## Estimates and projections of net debt

**Net debt** is equal to the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the financial obligations of the Australian Government than gross debt.

Not all government assets or liabilities are included in the measurement of net debt. For example, the Government's unfunded superannuation liability is not accounted for in net debt, nor are holdings of equities, for example those held by the Future Fund or the Government's equity investment in the NBN.

Net debt is expected to be 31.1 per cent of GDP at 30 June 2023, lower than the estimate of 34.7 per cent of GDP at MYEFO. Net debt is expected to stabilise at 33.1 per cent of GDP at the end of forward estimates, before improving over the medium term to reach 26.9 per cent of GDP at 30 June 2033. Net debt as a share of the economy is expected to be lower across the forward estimates and medium term than projected at MYEFO.

Table 6.7 contains the liabilities and assets included in net debt over the forward estimates.

**Table 6.7: Liabilities and assets included in net debt**

|   | Estimates      |                  |                  |                  |                  |
|---|----------------|------------------|------------------|------------------|------------------|
|   | 2021-22        | 2022-23          | 2023-24          | 2024-25          | 2025-26          |
|   | \$m            | \$m              | \$m              | \$m              | \$m              |
| <b>Liabilities included in net debt</b>       |                |                  |                  |                  |                  |
| Deposits held                                 | 598            | 598              | 598              | 598              | 598              |
| Government securities(a)                      | 929,091        | 1,004,288        | 1,087,754        | 1,152,547        | 1,206,526        |
| Loans   | 29,640         | 29,583           | 29,403           | 29,151           | 28,837           |
| Other borrowing                               | 19,901         | 20,068           | 19,421           | 18,370           | 16,962           |
| <b>Total liabilities included in net debt</b> | <b>979,230</b> | <b>1,054,537</b> | <b>1,137,176</b> | <b>1,200,665</b> | <b>1,252,923</b> |
| <b>Assets included in net debt</b>            |                |                  |                  |                  |                  |
| Cash and deposits                             | 62,206         | 36,061           | 49,275           | 50,588           | 51,253           |
| Advances paid                                 | 81,915         | 86,550           | 83,582           | 86,997           | 89,438           |
| Investments, loans and placements             | 203,633        | 216,979          | 232,197          | 239,804          | 247,579          |
| <b>Total assets included in net debt</b>      | <b>347,753</b> | <b>339,589</b>   | <b>365,053</b>   | <b>377,388</b>   | <b>388,271</b>   |
| <b>Net debt</b>                               | <b>631,477</b> | <b>714,947</b>   | <b>772,123</b>   | <b>823,277</b>   | <b>864,653</b>   |

(a) Government securities are presented at market value.

### Changes in net debt since the 2021-22 MYEFO

Table 6.8 shows the drivers of the change in net debt between MYEFO and the 2022-23 Budget. Net debt is expected to be lower than estimated at MYEFO across all years of the forward estimates. This primarily reflects the Government's decreased borrowing requirement resulting from the expected improvement in the underlying cash balance, and a decrease in the market value of AGS due to higher yields than were assumed at MYEFO.

**Table 6.8: Net debt – reconciliation from the 2021-22 MYEFO to the 2022-23 Budget**

|   | 2021-22      | 2022-23      | 2023-24      | 2024-25      |
|---|--------------|--------------|--------------|--------------|
|   | \$b          | \$b          | \$b          | \$b          |
| <b>Net debt as at 2021-22 MYEFO</b>                                     | <b>673.4</b> | <b>773.1</b> | <b>855.9</b> | <b>914.8</b> |
| Changes in financing requirement  | -13.1        | -37.4        | -52.1        | -69.6        |
| Impact of yields on AGS   | -27.3        | -27.0        | -25.5        | -23.6        |
| Asset and other liability movements                                     | -1.6         | 6.2          | -6.1         | 1.6          |
| <i>Cash and deposits</i>  | -4.7         | 2.9          | -8.3         | 1.2          |
| <i>Advances paid</i>  | 1.1          | 0.7          | -0.5         | -1.8         |
| <i>Investments, loans and placements</i>                                | 1.8          | 2.5          | 2.5          | 2.0          |
| <i>Other movements</i>  | 0.2          | 0.1          | 0.2          | 0.2          |
| <b>Total movements in net debt from 2021-22 MYEFO to 2022-23 Budget</b> | <b>-41.9</b> | <b>-58.2</b> | <b>-83.7</b> | <b>-91.6</b> |
| <b>Net debt as at 2022-23 Budget</b>                                    | <b>631.5</b> | <b>714.9</b> | <b>772.1</b> | <b>823.3</b> |

## Interest on AGS

The interest costs related to AGS are presented in these statements in both cash and accrual accounting terms. The difference between the cash interest payments and accrual interest expense generally relates to the timing of when the interest cost is recognised.

- **Interest payments** are recognised in the period when they are paid during the life of the security.
- **Interest expense** is recognised in the period in which an expense is incurred during the life of the security, rather than when it is actually paid.

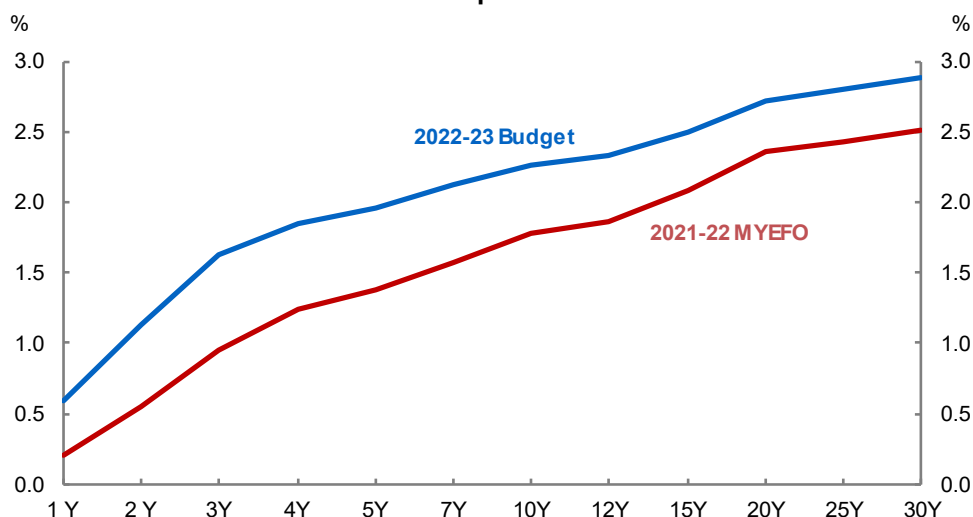
Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

- The cost of AGS already on issue uses the actual interest rates incurred at the time of issuance.
- The expected future issuance of AGS is based on the prevailing market rates across the yield curve at the time of a budget estimates update.

The recent increase in market yields has resulted in an assumed weighted average cost of borrowing of around 2.2 per cent for future issuance of Treasury Bonds over the forward estimates, compared with around 1.7 per cent at MYEFO.

Chart 6.2 shows the yield curve assumptions underpinning MYEFO and the 2022-23 Budget. For Budget updates, a recent average of daily spot rates is used to derive a fixed yield for the forward estimates to minimise the likelihood of locking in high or low yields during volatile periods.

**Chart 6.2: Yield curve assumptions from 2021-22 to 2025-26**



Source: AOFM.

The Government’s total interest payments in 2022-23 are estimated to be \$17.9 billion, of which \$17.4 billion relates to AGS on issue (Table 6.9).

**Table 6.9: Interest payments, interest receipts and net interest payments<sup>(a)</sup>**

|                              | Estimates |         |         |         |         |
|------------------------------|-----------|---------|---------|---------|---------|
|                              | 2021-22   | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|                              | \$m       | \$m     | \$m     | \$m     | \$m     |
| Interest payments on AGS (b) | 17,006    | 17,379  | 19,712  | 21,021  | 25,676  |
| Per cent of GDP              | 0.7       | 0.8     | 0.8     | 0.8     | 1.0     |
| Interest payments(c)         | 17,456    | 17,894  | 20,288  | 21,631  | 26,322  |
| Per cent of GDP              | 0.8       | 0.8     | 0.9     | 0.9     | 1.0     |
| Interest receipts            | 2,557     | 2,820   | 3,393   | 3,670   | 3,932   |
| Per cent of GDP              | 0.1       | 0.1     | 0.1     | 0.1     | 0.2     |
| Net interest payments(d)     | 14,899    | 15,074  | 16,895  | 17,961  | 22,390  |
| Per cent of GDP              | 0.7       | 0.7     | 0.7     | 0.7     | 0.9     |

(a) Interest payments and receipts are a cash measure, with the relevant amount recognised in the period in which the interest payment is made or interest is received.

(b) The increase in 2025-26 primarily reflects a Treasury Indexed Bond line maturing in that year.

(c) Interest payments include interest payments on AGS, loans and other borrowing, as well as interest payments on lease liabilities.

(d) Net interest payments are equal to the difference between interest payments and interest receipts.

Interest payments as a share of GDP are expected to remain broadly consistent with estimates at MYEFO over the forward estimates, with the expected impact of the recent rise in interest rates partially offset by lower issuance of AGS. By the end of the medium term, interest payments as a share of GDP are projected to be lower than projected at MYEFO, as assumed higher interest rates are more than offset by the expected lower issuance of AGS. Interest payments as a share of the economy are expected to remain around the 30-year average of just under one per cent through the forward estimates.

The Government’s interest expense in 2022-23 is estimated to be \$21.5 billion, of which \$19.8 billion relates to AGS on issue. Table 6.10 shows the Government’s estimated interest expense, interest expense on AGS, interest income and net interest expense over the forward estimates.

**Table 6.10: Interest expense, interest income and net interest expense<sup>(a)</sup>**

|                           | Estimates |         |         |         |         |
|---------------------------|-----------|---------|---------|---------|---------|
|                           | 2021-22   | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|                           | \$m       | \$m     | \$m     | \$m     | \$m     |
| Interest expense on AGS   | 18,443    | 19,784  | 21,206  | 23,056  | 24,614  |
| Per cent of GDP           | 0.8       | 0.9     | 0.9     | 0.9     | 0.9     |
| Total Interest expense(b) | 20,638    | 21,481  | 22,567  | 24,666  | 25,922  |
| Per cent of GDP           | 0.9       | 0.9     | 1.0     | 1.0     | 1.0     |
| Interest income           | 3,916     | 3,751   | 4,294   | 4,576   | 4,649   |
| Per cent of GDP           | 0.2       | 0.2     | 0.2     | 0.2     | 0.2     |
| Net interest expense(c)   | 16,722    | 17,730  | 18,273  | 20,090  | 21,274  |
| Per cent of GDP           | 0.7       | 0.8     | 0.8     | 0.8     | 0.8     |

(a) Interest expense is an accrual measure, with the relevant amount recognised in the period in which the expense is incurred, but not necessarily paid.

(b) Total Interest expense includes interest expense on AGS, loans and other borrowing, as well as interest expense on lease liabilities and other financing costs (including debt not expected to be repaid (DNER)).

(c) Net interest expense is equal to the difference between interest expenses and interest income.

## Climate spending

The Government has outlined a practical, responsible way to deliver net zero emissions by 2050 while preserving Australian jobs and generating new opportunities for industries and regional Australia. Consistent with Australia’s Long Term Emissions Reduction Plan, the Government will invest more than \$22 billion in clean energy technologies, which is expected to unlock more than \$84 billion of total private and public investment to achieve lower emissions, while retaining our energy independence. Key investments include:

- \$2.5 billion for projects through the Emissions Reduction Fund - Australia's carbon offset scheme
- \$2 billion for further abatement through the Climate Solutions Fund
- \$1.5 billion to develop a world-leading Australian clean hydrogen industry
- \$1.0 billion in additional funding to protect the health and resilience of the Great Barrier Reef, extending the Federal Government’s investment under the Reef 2050 Plan to more than \$3.0 billion
- investments with Australia international partners, including \$565 million for international low emissions technology partnerships

Table 6.11 aggregates select climate spending, including:

- the Clean Energy Finance Corporation (CEFC), which invests in renewable energy, energy efficiency and low emissions technologies
- the Australian Renewable Energy Agency (ARENA), which supports research and development of renewable energy and related technologies
- the Clean Energy Regulator, which administers legislation to reduce carbon emissions and increase the use of clean energy.

**Table 6.11: Select climate spending from 2021-22 to 2025-26**

|                        | Estimates |         |         |         |         |
|------------------------|-----------|---------|---------|---------|---------|
|                        | 2021-22   | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|                        | \$b       | \$b     | \$b     | \$b     | \$b     |
| Climate spending(a)(b) | 2.0       | 2.0     | 1.9     | 1.5     | 1.3     |

(a) Spending in this table is on a headline cash balance basis – that is, payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with Clean Energy Finance Corporation investments.

(b) These figures do not include expected repayments from the Clean Energy Finance Corporation over the forward estimates.



### Impact of select climate spending on debt

Spending is financed through either receipts or debt. This Statement assumes that the proportion of climate spending being financed through new debt (as opposed to receipts) is equivalent to the proportion of total spending financed by debt. This is shown in Table 6.12.

**Table 6.12: Impact on debt – select climate spending as a proportion of total spending**

|  | Estimates |         |         |         |         |
|--|-----------|---------|---------|---------|---------|
|  | 2021-22   | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|  | \$b       | \$b     | \$b     | \$b     | \$b     |
| Climate spending(a)  | 2.0       | 2.0     | 1.9     | 1.5     | 1.3     |
| Total Spending(b)  | 642       | 638     | 643     | 672     | 694     |
| Climate spending (per cent of total spending)                        | 0.3       | 0.3     | 0.3     | 0.2     | 0.2     |
| Change in face value of AGS from<br>previous year(c)                 | 89        | 71      | 79      | 61      | 53      |
| Contribution to change in face value of AGS<br>from climate spending | 0.3       | 0.2     | 0.2     | 0.1     | 0.1     |

(a) The calculation of climate spending in this table is on a headline cash balance basis – that is, payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with the Clean Energy Finance Corporation investments.

(b) The calculation of total spending in this table is on a headline cash balance basis – that is, total payments and net cash flows from investments in financial assets for policy purposes.

(c) Calculations of the change in the face value of AGS are calculated using total AGS on issue.