

Statement 7: Debt Statement

The Debt Statement provides information on Government gross debt, net debt, Australian Government Securities (AGS) issuance and interest costs over the forward estimates.

Gross and net debt as a share of GDP are expected to be lower each year over the forward estimates compared to the October Budget. Gross debt is estimated to peak at 36.5 per cent of GDP at 30 June 2026, 10.4 percentage points lower and 5 years earlier than estimated at the October Budget.

- Gross debt is estimated to be 35.8 per cent of GDP at 30 June 2024, more than 4 percentage points lower than estimated at the October Budget.
- Net debt is estimated to be 22.3 per cent of GDP at 30 June 2024, more than 3 percentage points lower than estimated at the October Budget.

Interest payments on AGS as a share of GDP are expected to be lower than at the October Budget by the end of the forward estimates, primarily driven by lower issuance of AGS from the improved outlook for the underlying cash balance as well as the impact of lower yields on AGS.

- Interest payments on AGS are estimated to be \$19.8 billion in 2023–24, increasing to \$26.0 billion by 2026–27. Over the 4 years to 2025–26, interest payments on AGS are expected to be \$9.9 billion lower than estimated at the October Budget.



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Statement 7: Debt Statement

Australian Government Securities 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 the Government pays back to investors at maturity, independent of fluctuations in market prices.⁴⁶ 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, the market value of AGS on issue is reported in the Australian Government general government sector balance sheet.

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 then Treasurer directed that the maximum face value of AGS that can be on issue is \$1,200 billion. The estimated face value of AGS on issue subject to the Treasurer's direction (end-of-year and within-year peak)⁴⁷ in each year of the forward estimates remains below \$1,200 billion.

Gross debt is estimated to be \$923 billion (35.8 per cent of GDP) at 30 June 2024, increasing to \$1,067 billion (36.5 per cent of GDP) at 30 June 2027.

Gross debt is expected to be lower across each year of the forward estimates than at the October Budget. The improvement is primarily driven by the improved outlook for the underlying cash balance as well as the impact of lower yields on AGS.

46 For Treasury Indexed Bonds (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.

47 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.

Table 7.1 presents estimates of AGS on issue.

Table 7.1: Estimates of AGS on issue subject to the Treasurer’s Direction^{(a)(b)}

	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	\$b	\$b	\$b	\$b	\$b
Face value – end-of-year	887	923	958	1,015	1,067
Per cent of GDP	34.9	35.8	36.3	36.5	36.5
Face value – within-year peak(c)	913	951	996	1,051	1,106
Per cent of GDP(c)	35.9	36.9	37.7	37.9	37.9
<i>Month of peak(c)</i>	<i>Nov-22</i>	<i>Apr-24</i>	<i>Apr-25</i>	<i>Apr-26</i>	<i>Apr-27</i>
Market value – end-of-year	859	903	944	1,002	1,059
Per cent of GDP	33.7	35.0	35.8	36.1	36.2

- 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: The Australian Office of Financial Management (AOFM).

Changes in AGS on issue since the October Budget

The reduction in total face value of AGS on issue primarily reflects the cumulative improvement of \$100.4 billion in the underlying cash balance since the October Budget. Table 3.3 in *Statement 3: Fiscal Strategy and Outlook* reconciles changes in decisions and variations.

The reduction also reflects a cumulative change in program funding requirements due to the timing of some cash transfers⁴⁸. Much of this impact in 2022–23 is offset by a build-up of the Australian Office of Financial Management (AOFM) cash reserves as the improvement in the underlying cash balance outpaces the reduction in debt issuance.

Further details on the changes to the underlying cash balance and headline cash balance since the October Budget can be found in *Statement 3: Fiscal Strategy and Outlook*.

⁴⁸ The AOFM revised the planned volume of Treasury Bond issuance for 2022–23 to around \$85 billion in January 2023 compared to \$95 billion in October 2022.

Table 7.2: Estimates of AGS on issue subject to the Treasurer’s Direction – reconciliation from the 2022–23 October Budget to the 2023–24 Budget

	2022-23	2023-24	2024-25	2025-26
	\$b	\$b	\$b	\$b
Total face value of AGS on issue subject to the Treasurer’s Direction as at 2022-23 October Budget	927	1,004	1,091	1,159
Factors affecting the change in face value of AGS on issue from 2022-23 October Budget to 2023-24 Budget^(a)				
Cumulative receipts decisions	-0.1	-1.9	-7.3	-13.7
Cumulative receipts variations	-28.2	-73.2	-96.2	-111.7
Cumulative payment decisions	1.2	15.0	25.8	34.8
Cumulative payment variations	-13.9	-11.1	-9.8	-9.8
Cumulative change in net investments in financial assets ^(b)	-1.0	-1.9	-1.5	-0.3
Other contributors	2.6	-7.4	-43.6	-43.7
Total face value of AGS on issue subject to the Treasurer’s Direction as at 2023-24 Budget	887	923	958	1,015

a) Cumulative impact of decisions and variations from 2022–23 to 2025–26. 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 purposes only.

Note: End-of-year data.

Breakdown of AGS currently on issue

Table 7.3 provides a breakdown of the AGS on issue by type of security as at 1 May 2023.

Table 7.3: Breakdown of current Australian Government Securities on issue

	On issue as at 1 May 2023	
	Face value	Market value
	\$m	\$m
Treasury Bonds	818,250	777,387
Treasury Indexed Bonds	38,835	50,442
Treasury Notes	37,500	37,288
Total AGS subject to Treasurer’s Direction^(a)	894,585	865,117
Other stock and securities	5	5
Total AGS on issue	894,590	865,122

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.

Appendix A provides further information on the different types of securities.

Treasury Bonds

As at 1 May 2023, there were 28 Treasury Bond lines on issue, with a weighted average term to maturity of around 7 years and the longest maturity extending to June 2051.

Table 7.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 May 2023		Timing of interest payments ^(a)		
			\$m			
2.75	21-Apr-24	35,900		Twice yearly	21-Apr	21-Oct
0.25	21-Nov-24	41,300		Twice yearly	21-Nov	21-May
3.25	21-Apr-25	41,500		Twice yearly	21-Apr	21-Oct
0.25	21-Nov-25	39,200		Twice yearly	21-Nov	21-May
4.25	21-Apr-26	39,100		Twice yearly	21-Apr	21-Oct
0.50	21-Sep-26	37,800		Twice yearly	21-Sep	21-Mar
4.75	21-Apr-27	36,700		Twice yearly	21-Apr	21-Oct
2.75	21-Nov-27	31,400		Twice yearly	21-Nov	21-May
2.25	21-May-28	30,200		Twice yearly	21-May	21-Nov
2.75	21-Nov-28	34,100		Twice yearly	21-Nov	21-May
3.25	21-Apr-29	35,800		Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	34,700		Twice yearly	21-Nov	21-May
2.50	21-May-30	37,100		Twice yearly	21-May	21-Nov
1.00	21-Dec-30	38,700		Twice yearly	21-Dec	21-Jun
1.50	21-Jun-31	38,100		Twice yearly	21-Jun	21-Dec
1.00	21-Nov-31	41,800		Twice yearly	21-Nov	21-May
1.25	21-May-32	39,300		Twice yearly	21-May	21-Nov
1.75	21-Nov-32	29,000		Twice yearly	21-Nov	21-May
4.50	21-Apr-33	23,600		Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	21,100		Twice yearly	21-Nov	21-May
3.75	21-May-34	17,400		Twice yearly	21-May	21-Nov
3.50	21-Dec-34	14,000		Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	10,850		Twice yearly	21-Jun	21-Dec
3.75	21-Apr-37	12,300		Twice yearly	21-Apr	21-Oct
3.25	21-Jun-39	10,300		Twice yearly	21-Jun	21-Dec
2.75	21-May-41	13,800		Twice yearly	21-May	21-Nov
3.00	21-Mar-47	14,200		Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	19,000		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

As at 1 May 2023, there were 7 Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of around 9 years and the longest maturity extending to February 2050.

Table 7.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 May 2023		Timing of interest payments ^(a)				
		\$m						
3.00	20-Sep-25	8,043	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun	
0.75	21-Nov-27	6,900	Quarterly	21-Nov	21-Feb	21-May	21-Aug	
2.50	20-Sep-30	6,843	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun	
0.25	21-Nov-32	4,200	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	4,350	Quarterly	21-Aug	21-Nov	21-Feb	21-May	
1.00	21-Feb-50	4,150	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

As at 1 May 2023, there were 9 Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 7.6: Treasury Notes on issue

Maturity	On issue as at 1 May 2023		Timing of interest payment	
	\$m			
12-May-23	3,500	At maturity	12-May	
26-May-23	8,000	At maturity	26-May	
9-Jun-23	7,000	At maturity	9-Jun	
23-Jun-23	4,000	At maturity	23-Jun	
7-Jul-23	2,500	At maturity	7-Jul	
21-Jul-23	4,000	At maturity	21-Jul	
11-Aug-23	3,000	At maturity	11-Aug	
25-Aug-23	2,000	At maturity	25-Aug	
8-Sep-23	3,500	At maturity	8-Sep	

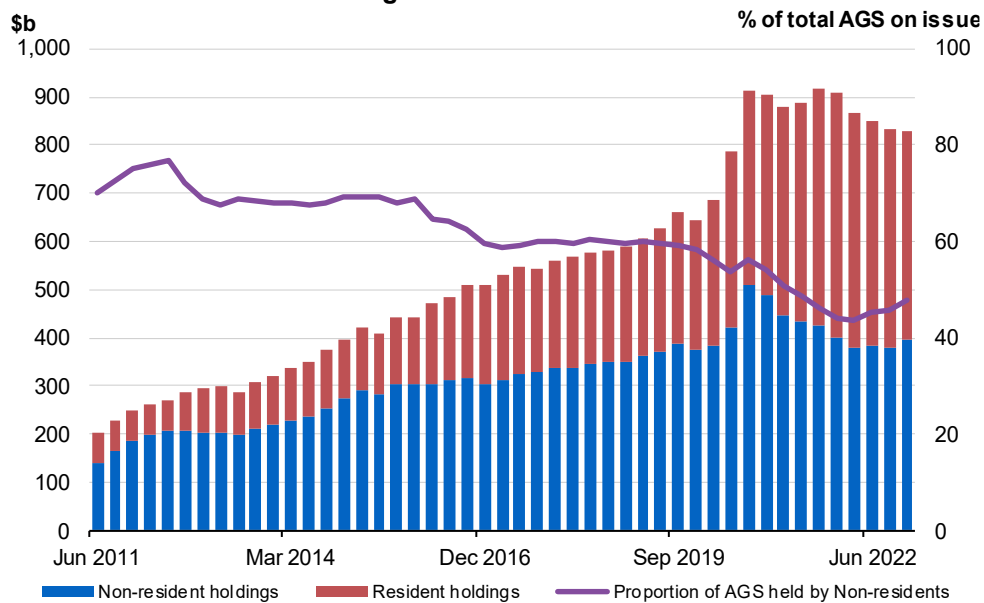
Source: AOFM.

The Government will commence issuing green bonds from mid-2024. Further details on Australian Government green bonds can be found in Box 3.4 in *Statement 3: Fiscal Strategy and Outlook*.

Non-resident holdings of AGS on issue

As at the December 2022 quarter, the proportion of non-resident holdings of AGS was around 48 per cent (Chart 7.1). This proportion is down from historical highs of around 76 per cent in 2012. While the value of non-resident holdings of AGS have increased significantly over this time, the proportion has fallen since the rate of buying by non-resident investors has not matched the rate of issuance. In addition, the Reserve Bank of Australia’s bond purchase operations in 2020 and 2021 reduced the amount of AGS available to other investors, including non-residents.

Chart 7.1: 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 2022, AOFM, RBA.

Net debt

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

Table 7.7: Liabilities and assets included in net debt

	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m	\$m
Liabilities included in net debt					
Deposits held	406	406	406	406	406
Government securities ^(a)	858,661	902,988	943,825	1,001,798	1,058,666
Loans	30,161	31,007	31,518	31,895	31,916
Lease liabilities	19,610	19,073	18,572	17,271	16,005
Total liabilities included in net debt	908,839	953,474	994,322	1,051,369	1,106,994
Assets included in net debt					
Cash and deposits	64,365	60,841	38,538	33,624	34,591
Advances paid	76,862	76,032	83,061	91,341	98,566
Investments, loans and placements	219,031	241,748	252,171	261,244	270,909
Total assets included in net debt	360,258	378,621	373,770	386,208	404,066
Net debt	548,581	574,852	620,552	665,161	702,928

a) Government securities are presented at market value.

Changes in net debt since the October Budget

Net debt is expected to be lower than estimated at the October Budget across each year of the forward estimates. This improvement primarily reflects a lower financing requirement as a result of the Government's improved outlook in the underlying cash balance, partially offset by lower levels of cash and deposits held at bank.

Table 7.8: Net debt – reconciliation from the 2022–23 October Budget to the 2023–24 Budget

	2022-23	2023-24	2024-25	2025-26
	\$b	\$b	\$b	\$b
Net debt as at 2022-23 October Budget	572.2	634.1	702.8	766.8
Changes in financing requirement	-39.4	-75.6	-125.1	-135.0
Impact of yields on AGS	20.1	15.7	12.7	9.3
Asset and other liability movements	-4.3	0.7	30.1	24.0
<i>Cash and deposits</i>	-9.4	7.5	41.1	39.3
<i>Advances paid</i>	-0.2	-0.6	-3.2	-7.7
<i>Investments, loans and placements</i>	6.7	-4.8	-7.1	-7.3
<i>Other movements</i>	-1.4	-1.5	-0.7	-0.3
Total movements in net debt from 2022-23 October Budget to 2023-24 Budget	-23.6	-59.2	-82.2	-101.6
Net debt as at 2023-24 Budget	548.6	574.9	620.6	665.2

Interest on AGS

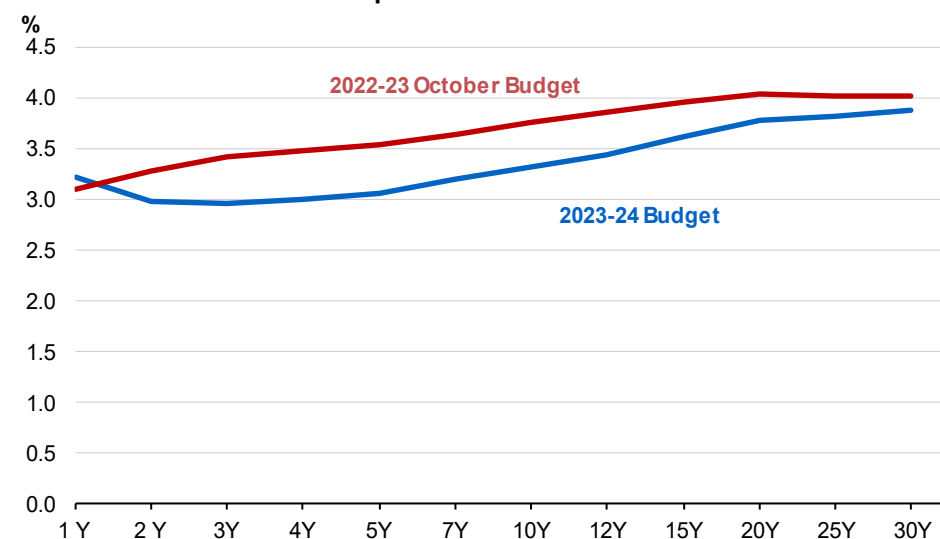
Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

- The cost of AGS already on issue reflects the actual yield at the time of issuance.
- The expected cost of future AGS issuance is based on a recent average of daily spot rates across the yield curve at the time of a budget estimates update.

Interest payments on AGS are estimated to be lower across each year of the forward estimates when compared to October Budget. This improvement is primarily driven by a lower financing requirement resulting from an improved outlook for the underlying cash balance. To a lesser extent, lower yields are also contributing to the reduction in interest payments.

Chart 7.2 shows the yield curve assumptions underpinning the October Budget and the 2023–24 Budget. Yields are generally lower compared to the October Budget, reflecting some moderation in market expectations for inflation and future cash rates. This has resulted in an assumed weighted average cost of borrowing of around 3.4 per cent for future issuance of Treasury Bonds over the forward estimates, compared with around 3.8 per cent at the October Budget. This remains significantly above the 2.2 per cent at PEFO.

Chart 7.2: Yield curve assumptions from 2023–24 to 2026–27



Source: AOFM.

By the end of the forward estimates total interest payments are \$27.1 billion, of which \$26.0 billion relates to AGS on issue (Table 7.9). Compared with the October Budget, interest payments as a share of GDP are estimated to be lower across each year of the forward estimates driven by the improved outlook for the underlying cash balance and lower yields.

Interest receipts are estimated to be higher across each year of the forward estimates than at the October Budget.

Net interest payments as a share of GDP in 2022–23 are estimated to remain at same level as October Budget. Over the forward estimates, net interest payments as a share of GDP are expected to be lower than October Budget reaching 0.8 per cent by 2025–26 before dropping to 0.7 per cent in 2026–27.

Table 7.9: Interest payments, interest receipts and net interest payments^(a)

	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m	\$m
Interest payments on AGS(b)	17,724	19,799	21,238	27,061	25,969
Per cent of GDP	0.7	0.8	0.8	1.0	0.9
Interest payments(c)	18,792	21,052	22,382	28,186	27,147
Per cent of GDP	0.7	0.8	0.8	1.0	0.9
Interest receipts	6,115	7,654	7,168	6,930	7,160
Per cent of GDP	0.2	0.3	0.3	0.2	0.2
Net interest payments(d)	12,677	13,398	15,214	21,256	19,987
Per cent of GDP	0.5	0.5	0.6	0.8	0.7

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.

Appendix A: AGS issuance

The AOFM is responsible for issuing AGS and managing the Government's financing activities. The AOFM currently issues 3 types of securities:

- **Treasury Bonds:** medium to long-term securities with a fixed annual rate of interest payable every 6 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 3 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 holding higher or lower cash balances. The AOFM may also choose to smooth issuance across several financial years in order to reduce changes in AGS issuance 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.

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.

Appendix B: Interest on AGS

The interest costs related to AGS are presented 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.

Table 7.10 shows changes in interest expense, interest income and net interest expense over the forward estimates.

Table 7.10: Interest expense, interest income and net interest expense^(a)

	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m	\$m
Interest expense on AGS	22,129	22,591	23,878	26,214	29,067
Per cent of GDP	0.9	0.9	0.9	0.9	1.0
Total interest expense(b)	26,789	27,762	33,076	31,064	35,316
Per cent of GDP	1.1	1.1	1.3	1.1	1.2
Interest income	9,053	9,426	8,669	8,561	9,069
Per cent of GDP	0.4	0.4	0.3	0.3	0.3
Net interest expense(c)	17,736	18,336	24,407	22,503	26,247
Per cent of GDP	0.7	0.7	0.9	0.8	0.9

- 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.