

Part 4: 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 2023–24 Budget.

- Gross debt is estimated to be 34.0 per cent of GDP at 30 June 2024, 1.8 percentage points lower than estimated at the 2023–24 Budget.
- Net debt is estimated to be 18.4 per cent of GDP at 30 June 2024, 4.0 percentage points lower than estimated at the 2023–24 Budget.

Interest payments on AGS as a share of GDP are expected to be higher than at the 2023–24 Budget by the end of the forward estimates, driven by significantly higher bond yields partly offset by an improved underlying cash balance position and lower debt.

- Interest payments on AGS are estimated to be \$20.0 billion in 2023–24, increasing to \$28.2 billion by 2026–27. Over the four years to 2026–27, total interest payments on AGS are expected to be \$3.6 billion higher than estimated at the 2023–24 Budget.

Australian Government Securities issuance

The Australian Government finances its activities either through receipts or 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 exercises operational independence in the execution of its duties. Further details on the AOFM's operations can be found in Appendix A of Budget Paper No.1 Statement 7: *Debt Statement* in the 2023–24 Budget and on the AOFM website at www.aofm.gov.au.

Green Bonds

The Australian Government will commence issuing green bonds from mid-2024. Australian Government green bonds will be fixed income bonds that provide financing or refinancing for specific government programs with positive climate change and environmental outcomes. Green bonds will enable investors to back public projects that drive Australia's net zero transformation and progress the Government's environment agenda. Sovereign green bonds will boost the scale and credibility of Australia's green finance market and attract more green capital to Australia by increasing transparency around climate outcomes and the availability of green investments. Issuance of green bonds will not impact gross debt estimates as it will replace issuance of existing types of AGS.

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 the Government pays back to investors at maturity, independent of fluctuations in market prices.¹ 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)² in each year of the forward estimates remains below \$1,200 billion.

Gross debt is estimated to be \$909 billion (34.0 per cent of GDP) at 30 June 2024, increasing to \$1,058 billion (35.3 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 2023–24 Budget. The improvement is primarily driven by the improved outlook for the underlying cash balance.

Table 4.1 presents estimates of AGS on issue.

1 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.

2 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 4.1: Estimates of AGS on issue subject to the Treasurer’s Direction^{(a)(b)}

	Estimates			
	2023-24	2024-25	2025-26	2026-27
	\$b	\$b	\$b	\$b
Face value – end-of-year	909	934	1,007	1,058
Per cent of GDP	34.0	34.2	35.2	35.3
Face value – within-year peak(c)	931	976	1,031	1,095
Per cent of GDP(c)	34.8	35.7	36.1	36.5
<i>Month of peak(c)</i>	<i>Apr-24</i>	<i>Apr-25</i>	<i>Apr-26</i>	<i>Apr-27</i>
Market value – end-of-year	832	866	939	998
Per cent of GDP	31.1	31.7	32.9	33.3

- 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

Changes in AGS on issue since the 2023–24 Budget

The decrease in total face value of AGS on issue primarily reflects the cumulative improvement of \$39.5 billion in the underlying cash balance since the 2023–24 Budget. Additionally, the improved underlying cash balance outcome for 2022–23 effectively pre-funds some of the Government’s future financing requirements. See the 2022–23 Final Budget Outcome for further detail.

The lower estimates for AGS on issue is partially offset by the impact of higher yields. An increase in yields increases the deficit through higher interest payments but also impacts the face value of AGS required to meet the Government’s financing requirements. The majority of AGS on issue comprises fixed coupon bonds. When yields rise, the price investors are willing to pay for fixed coupon bonds falls so that the rate of return on the bonds adjusts to the prevailing market price or yield. As a result, more bonds need to be issued to raise the same volume of funds³. It is estimated that this dynamic has increased the face value of debt by around \$23 billion over the forward estimates compared with the 2023–24 Budget.

³ For example, on 4 October 2023 the AOFM issued into an existing bond line with a maturity date of 21 June 2035 and a coupon rate of 2.75 per cent. The face value of issuance was \$800 million but the proceeds received was around \$669 million. The same Treasury Bond line was previously issued on 5 April 2023 when yields were substantially lower, and \$759 million was received for the same \$800 million of face value issued.

Table 4.2: Estimates of AGS on issue subject to the Treasurer’s Direction – reconciliation from the 2023–24 Budget to the 2023–24 MYEFO

	2023-24	2024-25	2025-26	2026-27
	\$b	\$b	\$b	\$b
Total face value of AGS on issue subject to the Treasurer’s Direction as at 2023-24 Budget	923	958	1,015	1,067
Factors affecting the change in face value of AGS on issue from 2023-24 Budget to 2023-24 MYEFO(a)				
Cumulative receipts decisions	-0.5	-0.7	-0.8	-1.2
Cumulative receipts variations	-16.7	-35.9	-46.2	-66.1
Cumulative payment decisions	1.1	3.8	4.9	6.5
Cumulative payment variations	3.2	3.8	11.6	21.3
Cumulative change in net investments in financial assets(b)	-0.2	-0.3	1.1	3.3
Other contributors	-0.9	5.3	21.5	27.3
Total face value of AGS on issue subject to the Treasurer’s Direction as at 2023-24 MYEFO	909	934	1,007	1,058

a) Cumulative impact of decisions and variations from 2023–24 to 2026–27. 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 4.3 provides a breakdown of the AGS on issue by type of security as at 1 December 2023.

Table 4.3: Breakdown of current AGS on issue

	On issue as at 1 December 2023	
	Face value	Market value
	\$m	\$m
Treasury Bonds	846,749	766,909
Treasury Indexed Bonds	40,585	50,888
Treasury Notes	28,000	27,770
Total AGS subject to Treasurer’s Direction(a)	915,334	845,567
Other stock and securities	5	5
Total AGS on issue	915,339	845,572

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

As at 1 December 2023, there were 29 Treasury Bond lines on issue, with a weighted average term to maturity of around 6.9 years and the longest maturity extending to June 2054.

Table 4.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 December 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	39,600		Twice yearly	21-Apr	21-Oct
0.50	21-Sep-26	38,600		Twice yearly	21-Sep	21-Mar
4.75	21-Apr-27	36,700		Twice yearly	21-Apr	21-Oct
2.75	21-Nov-27	32,200		Twice yearly	21-Nov	21-May
2.25	21-May-28	32,500		Twice yearly	21-May	21-Nov
2.75	21-Nov-28	34,800		Twice yearly	21-Nov	21-May
3.25	21-Apr-29	36,600		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	25,900		Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	22,500		Twice yearly	21-Nov	21-May
3.75	21-May-34	18,800		Twice yearly	21-May	21-Nov
3.50	21-Dec-34	17,800		Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	15,450		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	14,300		Twice yearly	21-May	21-Nov
3.00	21-Mar-47	14,200		Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	19,600		Twice yearly	21-Jun	21-Dec
4.75	21-Jun-54	8,000		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 December 2023, there were seven Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of around 9.0 years and the longest maturity extending to February 2050.

Table 4.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 December 2023		Timing of interest payments ^(a)				
		\$m						
3.00	20-Sep-25	8,042	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun	
0.75	21-Nov-27	7,150	Quarterly	21-Nov	21-Feb	21-May	21-Aug	
2.50	20-Sep-30	7,043	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun	
0.25	21-Nov-32	4,800	Quarterly	21-Nov	21-Feb	21-May	21-Aug	
2.00	21-Aug-35	4,600	Quarterly	21-Aug	21-Nov	21-Feb	21-May	
1.25	21-Aug-40	4,750	Quarterly	21-Aug	21-Nov	21-Feb	21-May	
1.00	21-Feb-50	4,200	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 December 2023, there were seven Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 4.6: Treasury Notes on issue

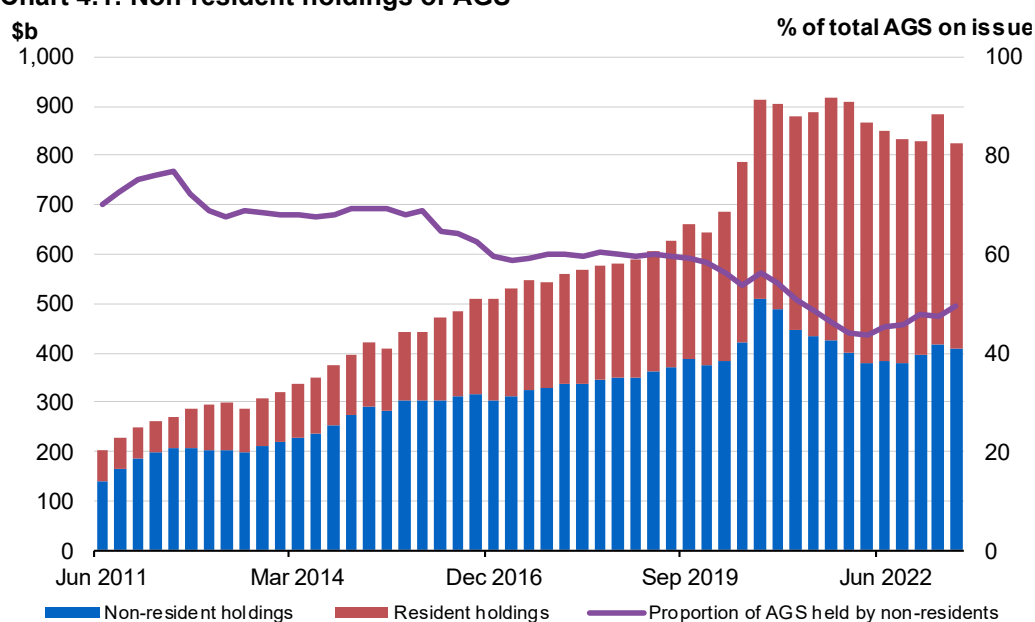
Maturity	On issue as at 1 December 2023		Timing of interest payment	
	\$m			
15-Dec-23	5,500	At maturity		15-Dec
19-Jan-24	5,500	At maturity		19-Jan
9-Feb-24	4,000	At maturity		9-Feb
23-Feb-24	4,000	At maturity		23-Feb
8-Mar-24	4,000	At maturity		8-Mar
22-Mar-24	2,000	At maturity		22-Mar
12-Apr-24	3,000	At maturity		12-Apr

Source: AOFM.

Non-resident holdings of AGS on issue

As at the June 2023 quarter, the proportion of non-resident holdings of AGS was around 49 per cent (Chart 4.1). This proportion is down from historical highs of around 76 per cent in 2012. While the value of non-resident holdings of AGS has 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 4.1: 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 June 2023, 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 placements). 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 4.7: Liabilities and assets included in net debt

	Estimates			
	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m
Liabilities included in net debt				
Deposits held	415	415	415	415
Government securities(a)	832,437	865,993	939,208	997,737
Loans	32,231	32,906	33,389	33,501
Lease liabilities	19,144	18,634	17,333	16,104
Total liabilities included in net debt	884,226	917,947	990,344	1,047,756
Assets included in net debt				
Cash and deposits	80,472	58,888	62,046	63,459
Advances paid	72,270	79,246	88,757	97,628
Investments, loans and placements	240,437	246,483	253,118	262,737
Total assets included in net debt	393,179	384,616	403,922	423,825
Net debt	491,047	533,331	586,423	623,931

a) Government securities are presented at market value.

Changes in net debt since the 2023–24 Budget

Net debt is expected to be lower across each year of the forward estimates than estimated at the 2023–24 Budget. The decrease primarily reflects a lower financing requirement as a result of the improved forecast for the underlying cash balance and a decrease in the market value of AGS on issue.

Table 4.8: Net debt – reconciliation from the 2023–24 Budget to the 2023–24 MYEFO

	2023-24	2024-25	2025-26	2026-27
	\$b	\$b	\$b	\$b
Net debt as at 2023-24 Budget (\$b)	574.9	620.6	665.2	702.9
Changes in financing requirement	-17.1	-33.0	-27.9	-36.7
Impact of yields on AGS	-53.4	-44.8	-34.7	-24.2
Asset and other liability movements	-13.3	-9.4	-16.1	-18.1
<i>Cash and deposits</i>	-19.6	-20.3	-28.4	-28.9
<i>Advances paid</i>	3.8	3.8	2.6	0.9
<i>Investments, loans and placements</i>	1.3	5.7	8.1	8.2
<i>Other movements</i>	1.3	1.5	1.6	1.7
Total movements in net debt from 2023-24 Budget to 2023-24 MYEFO	-83.8	-87.2	-78.7	-79.0
Net debt as at 2023-24 MYEFO (\$b)	491.0	533.3	586.4	623.9

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.

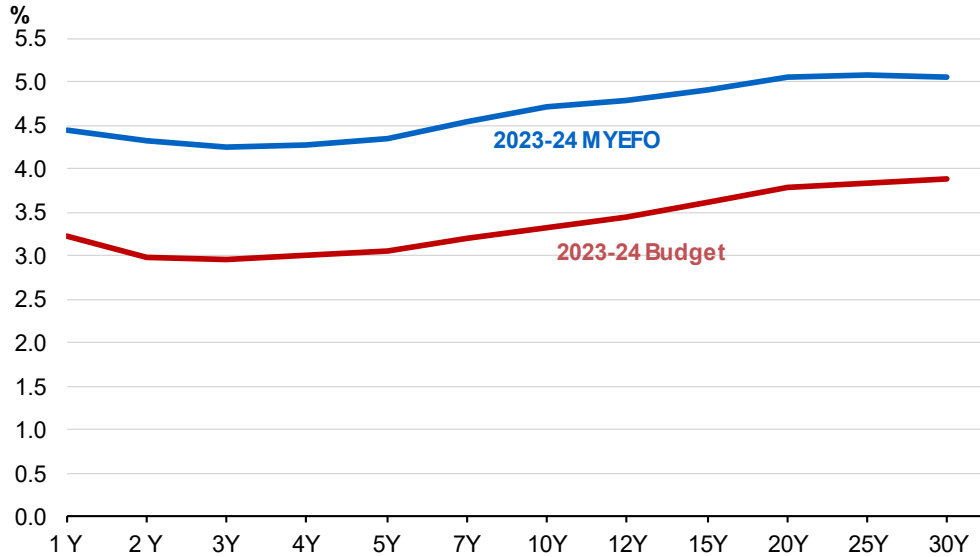
Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

- 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 higher across each year of the forward estimates compared to the 2023–24 Budget. The increase is driven by substantially higher bond yields.

Chart 4.2 shows the yield curve assumptions underpinning the 2023–24 Budget and the 2023–24 MYEFO. Yields are generally higher compared to the 2023–24 Budget. This has resulted in an assumed weighted average cost of borrowing of around 4.7 per cent for future issuance of Treasury Bonds over the forward estimates, compared with around 3.4 per cent at the 2023–24 Budget.

Chart 4.2: Yield curve assumptions from 2023–24 to 2026–27



Source: AOFM.

By the end of the forward estimates total interest payments are \$29.6 billion, of which \$28.2 billion relates to AGS on issue (Table 4.9). Compared with the 2023–24 Budget, interest payments as a share of GDP are estimated to remain the same in each of the first three years of the forward estimates and higher in 2026–27. This is driven by the increase in yields, which more than offsets lower than previously expected issuance due to the improved outlook for the underlying cash balance.

Interest receipts are estimated to be higher across each year of the forward estimates than at the 2023–24 Budget. This is primarily driven by higher earnings from interest on deposits due to higher balances held and the rise in short-term interest rates.

Net interest payments as a share of GDP are estimated to remain broadly similar as the 2023–24 Budget in each year of the forward estimates. Net interest payments as a share of GDP are expected to be 0.5 per cent in 2023–24, reaching 0.8 per cent by 2025–26 before dropping to 0.7 per cent in 2026–27.

Table 4.9: Interest payments, interest receipts and net interest payments^(a)

	Estimates			
	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m
Interest payments on AGS(b)	20,024	21,435	28,048	28,196
Per cent of GDP	0.7	0.8	1.0	0.9
Interest payments(c)	21,544	22,856	29,477	29,643
Per cent of GDP	0.8	0.8	1.0	1.0
Interest receipts	8,862	7,899	7,537	7,731
Per cent of GDP	0.3	0.3	0.3	0.3
Net interest payments(d)	12,682	14,957	21,941	21,912
Per cent of GDP	0.5	0.5	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.

Table 4.10 shows changes in interest expense, interest income and net interest expense over the forward estimates.

Table 4.10: Interest expense, interest income and net interest expense^(a)

	Estimates			
	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m
Interest expense on AGS	22,384	24,674	28,355	33,071
Per cent of GDP	0.8	0.9	1.0	1.1
Total interest expense(b)	27,495	34,276	33,548	38,670
Per cent of GDP	1.0	1.3	1.2	1.3
Interest income	10,034	9,044	8,879	9,395
Per cent of GDP	0.4	0.3	0.3	0.3
Net interest expense(c)	17,461	25,232	24,669	29,274
Per cent of GDP	0.7	0.9	0.9	1.0

- 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) 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.