

Part 1: Australian Government Budget Outcome 2021-22

Overview

In 2021-22, the Australian Government general government sector recorded an underlying cash deficit of \$32.0 billion (1.4 per cent of GDP).

The Final Budget Outcome (FBO) for 2021-22 represents a reduction in the underlying cash deficit of \$47.9 billion compared with that estimated in the 2022-23 March Budget. This was a result of higher receipts of \$27.7 billion and lower payments of \$20.1 billion.

This is the largest variance between a FBO and the preceding fiscal update. It reflects challenges in forecasting during the COVID-19 pandemic, factors described below which have affected receipts and payments, and the earlier-than-usual Budget.

Company and personal taxation receipts were higher than expected, driven by stronger-than-expected commodity prices and employment outcomes, and lower-than-expected utilisation of COVID-19 business support measures.

Payments were lower than expected. This was due to delays in the contracting of COVID-19 spending, temporarily lower-than-expected demand for some health and NDIS services, and the impact of supply chain disruptions and capacity constraints on road and rail infrastructure projects and other spending.

Gross debt was \$895.3 billion (39.0 per cent of GDP) at the end of 2021-22, \$10.7 billion lower than estimated in the Budget. Net debt was \$515.6 billion (22.5 per cent of GDP), \$115.8 billion lower than estimated in the Budget.

Table 1.1: Overview of key Australian Government general government sector budget aggregates

	2021-22 Estimate at 2022-23 March Budget	2021-22 Outcome	Change on 2022-23 March Budget
	\$b	\$b	\$b
Underlying cash balance	-79.8	-32.0	47.9
Per cent of GDP	-3.5	-1.4	
Gross debt(a)	906.0	895.3	-10.7
Per cent of GDP	39.5	39.0	
Net debt(b)	631.5	515.6	-115.8
Per cent of GDP	27.6	22.5	

(a) Gross debt measures the face value of Australian Government Securities (AGS) on issue.

(b) Net debt is 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).

The changes in the underlying cash balance and other fiscal aggregates from Budget were impacted by economic conditions in the first half of 2022.

Nominal GDP grew by 11.0 per cent in 2021-22, higher than the forecast 10¾ per cent at Budget. This reflected a record high terms of trade, which increased by 12.1 per cent in 2021-22 in line with elevated commodity prices and higher-than-expected inflation. Persistently high prices for non-rural commodity exports resulted in 46 per cent growth in mining profits over 2021-22.

Commodity price movements have predominantly resulted from negative supply shocks stemming from the pandemic, Russia’s invasion of Ukraine impacting global energy and food markets, and severe weather events. Commodity prices remain highly volatile and iron ore prices have declined by around 18 per cent since the end of the financial year. The Budget assumed that elevated commodity prices, including for iron ore, unwound to levels consistent with long-term fundamentals.

These shocks to energy and commodity markets have combined with strong demand and capacity constraints in specific sectors (such as dwelling construction and traded goods) to generate significant and broadening price pressure. In response, the Reserve Bank of Australia commenced its first interest rate tightening cycle in over ten years, raising rates by 75 basis points in 2021-22.

Real GDP grew by 3.9 per cent in 2021-22, weaker than the 4¼ per cent forecast at the Budget. While growth was weaker than forecast at Budget, Australia’s economy was resilient throughout the pandemic. Key drivers of the weaker-than-expected real GDP growth were lower net exports, reflecting inclement weather weighing on exports, and a stronger-than-expected recovery in tourism imports and imported goods. Partly offsetting this was a stronger-than-expected rebound in household consumption.

Output growth over 2021-22 was largely driven by strong household consumption and continued government spending responding to COVID-19 and the east coast floods. The recovery in service industries, such as hotels, restaurants and cafes, was a key contributor as restrictions eased in the second half of the financial year. This growth was partially offset by strong business demand for imported goods, and weaker volumes of mining and services exports.

Labour market conditions continued to tighten in 2021-22, with the unemployment rate falling and employment growing by 3.3 per cent through the year to the June quarter, stronger than the 2¾ per cent forecast in the Budget. The Wage Price Index increased by 2.6 per cent through the year to the June quarter of 2022. However, real wages deteriorated as nominal wage increases were more than offset by increases in inflation. Total compensation of employees increased by 5.6 per cent in 2021-22, the highest annual increase for 10 years, primarily reflecting strong employment growth as well as a modest pickup in nominal wage growth.

Budget aggregates

Table 1.2: Australian Government general government sector budget aggregates

	2021-22 Estimate at 2022-23 March Budget \$b	2021-22 Outcome \$b	Change on 2022-23 March Budget \$b
Underlying cash balance	-79.8	-32.0	47.9
Per cent of GDP	-3.5	-1.4	
Receipts	556.6	584.4	27.7
Per cent of GDP	24.3	25.4	
Tax receipts	512.5	536.6	24.1
Per cent of GDP	22.4	23.4	
Non-tax receipts	44.1	47.8	3.6
Per cent of GDP	1.9	2.1	
Payments(a)	636.4	616.3	-20.1
Per cent of GDP	27.8	26.8	
Net interest payments(b)	14.9	15.0	0.1
Per cent of GDP	0.7	0.7	
Revenue	566.4	596.4	30.0
Per cent of GDP	24.7	26.0	
Expenses	639.6	623.0	-16.5
Per cent of GDP	27.9	27.1	
Net operating balance	-73.2	-26.6	46.5
Per cent of GDP	-3.2	-1.2	
Net capital investment	11.1	8.4	-2.7
Per cent of GDP	0.5	0.4	
Fiscal balance	-84.2	-35.1	49.2
Per cent of GDP	-3.7	-1.5	

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

(b) Net interest payments are equal to the difference between interest payments and interest receipts. Net interest payments are largely tied to the existing stock of Australian Government Securities, meaning there was little change from the 2022-23 March Budget estimates.

Underlying cash balance

Receipts

Total receipts for 2021-22 were \$584.4 billion, \$27.7 billion higher than forecast in the 2022-23 March Budget.

Tax receipts were \$24.1 billion higher than estimated in the Budget. Company tax accounted for more than half of the higher outcome, with further significant

contributions from total individuals and other withholding taxes and superannuation fund taxes.

- Company tax receipts were \$14.2 billion above the Budget estimates. Bulk non-rural commodity prices remained at elevated levels for longer than expected, contributing substantially to the strength in company tax receipts. Lower-than-expected utilisation of COVID-19 business support measures such as temporary full expensing and loss carry-back also significantly increased receipts. More broadly, company tax receipts related to activity in prior years were higher than expected.
- Receipts from total individuals and other withholding taxes were around \$6.8 billion above the Budget estimates. This was driven by higher-than-expected collections from withholders, with employment higher than expected. Strength in net rent driven by lower interest rates, capital gains and business income relating to 2020-21 tax returns also contributed to the result.
- Superannuation fund tax receipts were \$2.0 billion above the Budget estimates. Stronger labour market conditions supported higher contributions, which drove an increase in instalments. Early claims by funds of the benefit from large off-market share buybacks conducted through the year were lower than expected.
- Receipts from the GST were \$0.7 billion above the Budget estimates, consistent with stronger growth in consumption.
- Tax receipts from excise and customs duty were \$0.2 billion below the Budget estimates. Stronger-than-expected collections for fuel excise were more than offset by weaker-than-expected collections for tobacco excise equivalent duty.

Non-tax receipts were \$47.8 billion in 2021-22, \$3.6 billion higher than estimated in Budget. This increase largely reflects higher-than-estimated Future Fund investment earnings (\$1.8 billion), receipts under the Unclaimed Superannuation Monies program (\$0.6 billion), and Australian Government Investment Fund earnings (\$0.4 billion).

This was partially offset by lower-than-estimated receipts for the COVID-19 Support program due to the timing of invoicing state and territory governments to receive contributions towards Pandemic Leave Disaster Payments (\$0.7 billion).

Table 1.3: Australian Government general government sector (cash) receipts

	2021-22 Estimate at 2022-23 March Budget \$m	2021-22 Outcome \$m	Change on 2022-23 March Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	236,300	239,669	3,369
Gross other individuals	54,200	57,432	3,232
<i>less: Refunds</i>	38,200	38,048	-152
Total individuals and other withholding tax	252,300	259,052	6,752
Fringe benefits tax	3,330	3,331	1
Company tax	109,100	123,308	14,208
Superannuation fund taxes	24,560	26,546	1,986
Petroleum resource rent tax	1,650	1,638	-12
Income taxation receipts	390,940	413,876	22,936
Goods and services tax	72,782	73,498	716
Wine equalisation tax	1,140	1,100	-40
Luxury car tax	880	960	80
Excise and customs duty			
Petrol	4,950	5,015	65
Diesel	11,720	11,744	24
Other fuel products	1,510	1,521	11
Tobacco	12,950	12,604	-346
Beer	2,440	2,461	21
Spirits	3,280	3,213	-67
Other alcoholic beverages(a)	1,440	1,456	16
Other customs duty			
Textiles, clothing and footwear	190	192	2
Passenger motor vehicles	330	361	31
Other imports	1,340	1,378	38
<i>less: Refunds and drawbacks</i>	800	818	18
Total excise and customs duty	39,350	39,126	-224
Major bank levy	1,500	1,454	-46
Agricultural levies	600	626	26
Other taxes(b)	5,289	5,946	657
Indirect taxation receipts	121,540	122,711	1,170
Taxation receipts	512,480	536,586	24,106

Table 1.3: Australian Government general government (cash) receipts (continued)

	2021-22 Estimate at 2022-23 March Budget	2021-22 Outcome	Change on 2022-23 March Budget
	\$m	\$m	\$m
Sales of goods and services	17,626	17,725	99
Interest received	2,557	2,446	-111
Dividends and distributions	9,142	11,564	2,422
Other non-taxation receipts(b)	14,821	16,036	1,215
Non-taxation receipts	44,146	47,772	3,626
Total receipts	556,626	584,358	27,732
<i>Memorandum:</i>			
<i>Total excise</i>	22,370	22,539	169
<i>Total customs duty</i>	16,980	16,588	-392

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

(b) Following a determination issued by the ABS, the Industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation receipt to taxation receipt in the 2022-23 March Budget to reflect the change in the nature of this receipt.

Payments

Payments in 2021-22 were \$616.3 billion, \$20.1 billion lower than estimated at the 2022-23 March Budget. Key programs with lower-than-estimated payments due to COVID-19, supply chain delays, and other factors since the 2022-23 March Budget are outlined below.

A number of programs that provide funding responding to COVID-19 have experienced delays or lower-than-estimated demand including:

- Health Protection, Emergency Response and Regulation program, largely reflecting delays in contract arrangements for COVID-19 vaccine treatment and delays in contract arrangements for Personal Protective Equipment driven by disruptions in global supply chains (\$2.8 billion).
- COVID-19 Support program, largely reflecting lower-than-estimated payments for the Pandemic Leave Disaster Payment as a result of changes in COVID-19 isolation requirements and volatility in estimated payments from January 2022 onwards (\$0.8 billion).
- National Partnership Agreement – COVID-19 Business Support Payment, largely reflecting delays in states' milestone reporting requirements, which are required to be provided prior to the Commonwealth making reimbursements (\$0.4 billion).

- Aged Care Quality program, largely reflecting lower-than-estimated payments for COVID-19 related measures including Rapid Antigen Testing, Support for Aged Care Workers in COVID-19 and the COVID-19 Viability Fund Expansion (\$0.3 billion).

Health-related programs experienced lower-than-estimated demand, including:

- Medical Benefits program, largely reflecting lower-than-estimated payments for face-to-face consultations and difficulties in anticipating the impact of COVID-19 on the demand for Medicare services (\$1.4 billion).
- Assistance to the States for Healthcare Services program, largely reflecting lower-than-estimated payments under the National Health Reform Agreement (\$0.8 billion).

Several programs were also impacted by disruptions to supply chains and capacity constraints, resulting in lower-than-estimated payments or payment delays including:

- National Partnership Payments – Road Transport program (\$2.6 billion) and Rail Transport program (\$0.9 billion), largely reflecting delays in milestone payments in projects due to industry constraints, COVID-19 impacts on supply chains, and staff shortages.
- Air Transport program, largely reflecting lower-than-estimated payments due to reduced demand for industry assistance as COVID-19 travel restrictions eased, and lower-than-estimated payments for some aviation programs due to staff shortages and supply chain impacts (\$0.7 billion).
- National Partnership Payments – Natural Disaster Relief program, largely reflecting lower claims requested by states (\$0.5 billion), with those funds to be made available in subsequent years.
- National Partnership Payments – Regional Development program, largely reflecting delays in finalising agreements with states, delays in states' milestone and reporting requirements, and lower-than-estimated payments from the Emergency Response Fund due to delays in states finalising grants processes (\$0.4 billion).
- Local Government program, largely reflecting delays to projects and corresponding payments under the Local Roads and Community Infrastructure Program, due to COVID-19 restrictions and adverse weather events (\$0.3 billion).

Other programs also experienced lower-than-estimated take-up, including:

- National Disability Insurance Scheme, largely reflecting lower-than-estimated uptake of social, community and therapy supports by participants (\$1.4 billion).
- Aged Care Services program, largely reflecting lower-than-estimated demand for Residential Care and complexities following a change in payment arrangements to home care providers to make payments in arrears (\$1.0 billion).
- National Partnership Payments – Assistance to People with Disabilities program, largely reflecting lower-than-estimated payments from the DisabilityCare Australia Fund, as agreement has yet to be finalised between the Commonwealth and Western Australia, with those funds to be made available in subsequent years (\$0.8 billion).
- Growing Business Investment, primarily due to delays in decisions related to the Modern Manufacturing Initiative grants programs (\$0.4 billion).
- Building Skills and Capability program, largely reflecting lower-than-estimated demand for the Australian Apprenticeship Incentives Program (AAIP) and Australian Apprenticeship Support Network, and lower-than-estimated claim rates for other sub-programs within the AAIP (\$0.4 billion).

The outcome also reflects increases in payments in certain programs, including:

- Higher-than-estimated payments for Defence, largely driven by higher-than-estimated supplier payments in relation to repairs, overhaul, and maintenance activities and, to a lesser extent, the settlement payment for the termination of the Future Submarines Program, partially offset by lower-than-estimated capital acquisitions (\$1.3 billion).
- Higher-than-estimated payments for the National Partnership Payments – General Health Services, largely reflecting higher-than-estimated demand from states for COVID-19 public health initiatives (\$0.9 billion).

Net operating balance and fiscal balance

The 2021-22 net operating deficit was \$26.6 billion compared with an estimated deficit of \$73.2 billion in the 2022-23 March Budget. The 2021-22 fiscal balance was a deficit of \$35.1 billion compared with an estimated deficit of \$84.2 billion in the Budget.

Revenue

Revenue is the accrual accounting equivalent of cash-based receipts. The differences between receipts and revenue generally reflect timing differences between the recognition of receipts when cash is received and revenue at the time it is earned.

Total revenue was \$596.4 billion in 2021-22, \$30.0 billion higher than estimated in the Budget. Total cash receipts were \$584.4 billion, \$27.7 billion higher than estimated in the Budget.

Tax revenue was \$550.4 billion in 2021-22, \$25.0 billion higher than estimated in the Budget. Total tax receipts were \$536.6 billion in 2021-22, \$24.1 billion higher than estimated in the Budget. Changes in taxation revenue are generally driven by the same factors as receipts.

Total non-tax revenue was \$46.0 billion in 2021-22, \$5.0 billion higher than estimated in the Budget. Non-tax receipts were \$47.8 billion in 2021-22, \$3.6 billion higher than estimated in the Budget.

Table 1.4: Australian Government general government sector (accrual) revenue

	2021-22 Estimate at 2022-23 March Budget \$m	2021-22 Outcome \$m	Change on 2022-23 March Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	238,500	242,139	3,639
Gross other individuals	57,500	60,486	2,986
less: Refunds	38,200	38,048	-152
Total individuals and other withholding tax	257,800	264,576	6,776
Fringe benefits tax	3,180	3,261	81
Company tax	111,500	125,914	14,414
Superannuation fund taxes	24,580	26,559	1,979
Petroleum resource rent tax	1,720	2,166	446
Income taxation revenue	398,780	422,476	23,696
Goods and services tax	76,409	76,996	587
Wine equalisation tax	1,160	1,133	-27
Luxury car tax	880	963	83
Excise and customs duty			
Petrol	4,950	5,020	70
Diesel	11,720	11,755	35
Other fuel products	1,510	1,522	12
Tobacco	12,950	12,659	-291
Beer	2,440	2,463	23
Spirits	3,280	3,515	235
Other alcoholic beverages(a)	1,440	1,457	17
Other customs duty			
Textiles, clothing and footwear	190	192	2
Passenger motor vehicles	330	361	31
Other imports	1,340	1,379	39
less: Refunds and drawbacks	800	818	18
Total excise and customs duty	39,350	39,506	156
Major bank levy	1,510	1,456	-54
Agricultural levies	600	646	47
Other taxes(b)	6,692	7,235	544
Indirect taxation revenue	126,600	127,936	1,336
Taxation revenue	525,380	550,412	25,032
Sales of goods and services	17,628	17,834	206
Interest	3,916	4,452	536
Dividends and distributions	6,219	9,051	2,832
Other non-taxation revenue(b)	13,273	14,652	1,379
Non-taxation revenue	41,036	45,989	4,953
Total revenue	566,417	596,401	29,985
<i>Memorandum:</i>			
Total excise	22,370	22,562	192
Total customs duty	16,980	16,945	-35

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

(b) Following a determination issued by the ABS, the industry contribution levy collected by the Australian Transaction Reports and Analysis Centre was reclassified from non-taxation revenue to taxation revenue in the 2022-23 March Budget to reflect the change in the nature of this revenue.

Expenses and net capital investment

Total expenses were \$623.0 billion in 2021-22, \$16.5 billion lower than estimated in the 2022-23 March Budget. Total net capital investment for 2021-22 was \$8.4 billion, \$2.7 billion lower than estimated in the Budget. This results in a \$19.2 billion lower than estimated net outcome for expenses and net capital investment of \$631.5 billion compared to Budget.

In comparison, cash payments were \$616.3 billion in 2021-22, \$20.1 billion lower than estimated in the Budget.

The difference of \$15.1 billion between the net outcome for expenses and net capital investment, and the outcome for cash payments, generally reflects timing differences between the recognition of incurred expenses and the finalisation of corresponding payments.

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

Table 1.5: Australian Government general government sector expenses by function

	2021-22 Estimate at 2022-23 March Budget \$m	2021-22 Outcome \$m	Change on 2022-23 March Budget \$m
General public services			
Legislative and executive affairs	1,933	1,864	-69
Financial and fiscal affairs	9,313	8,898	-415
Foreign affairs and economic aid	7,185	6,096	-1,088
General research	3,533	3,291	-242
General services	832	903	72
Government superannuation benefits	10,326	10,221	-105
Defence	35,882	38,246	2,364
Public order and safety	6,713	6,658	-55
Education	43,357	43,225	-132
Health	111,467	106,185	-5,282
Social security and welfare	227,800	221,427	-6,373
Housing and community amenities	8,431	7,033	-1,399
Recreation and culture	4,716	4,270	-446
Fuel and energy	8,444	9,437	993
Agriculture, forestry and fishing	4,119	3,185	-934
Mining, manufacturing and construction	4,310	3,816	-494
Transport and communication	16,070	11,503	-4,568
Other economic affairs			
Tourism and area promotion	193	189	-4
Labour and employment affairs	8,326	7,592	-734
Immigration	3,917	3,409	-508
Other economic affairs nec	11,195	10,592	-603
Other purposes			
Public debt interest	18,462	18,517	55
Nominal superannuation interest	8,976	8,974	-1
General purpose inter-government transactions	80,934	81,679	744
Natural disaster relief	5,176	5,840	665
Contingency reserve	-2,040	0	2,040
Total expenses	639,569	623,050	-16,520

Table 1.6: Australian Government general government sector net capital investment by function

	2021-22 Estimate at 2022-23 March Budget	2021-22 Outcome	Change on 2022-23 March Budget
	\$m	\$m	\$m
General public services	1,819	988	-830
Defence	8,648	6,684	-1,964
Public order and safety	461	-134	-595
Education	65	21	-45
Health	509	2,074	1,565
Social security and welfare	-165	12	178
Housing and community amenities	11	-142	-153
Recreation and culture	354	-35	-390
Fuel and energy	-83	-63	20
Agriculture, forestry and fishing	59	15	-44
Mining, manufacturing and construction	-25	-11	15
Transport and communication	-974	-972	3
Other economic affairs	417	-27	-444
Other purposes	-3	0	4
Total net capital investment	11,092	8,412	-2,680

Table 1.7: Australian Government general government sector purchases of non-financial assets by function

	2021-22 Estimate at 2022-23 March Budget	2021-22 Outcome	Change on 2022-23 March Budget
	\$m	\$m	\$m
General public services	3,441	2,637	-804
Defence	14,160	12,056	-2,105
Public order and safety	1,304	769	-535
Education	91	74	-17
Health	408	392	-16
Social security and welfare	714	918	204
Housing and community amenities	461	365	-96
Recreation and culture	799	452	-347
Fuel and energy	33	17	-16
Agriculture, forestry and fishing	152	125	-27
Mining, manufacturing and construction	12	27	15
Transport and communication	106	104	-2
Other economic affairs	1,330	833	-496
Other purposes	13	4	-10
Total Government purchases of non-financial assets	23,025	18,772	-4,253

Headline cash balance

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

In 2021-22, the headline cash deficit was \$33.3 billion compared with an estimated deficit of \$85.8 billion in the 2022-23 March Budget. The improvement in the headline cash balance of \$52.5 billion was primarily driven by the change in the underlying cash balance.

Net cash flows from investments in financial assets for policy purposes have also improved by \$4.6 billion since the Budget. This is primarily driven by changes to repayments in 2021-22 for the NBN loan with the current loan agreement allowing for flexibility in timing of repayments. It also reflects lower-than-estimated farm business concessional loans through the Regional Investment Corporation due to improved seasonal conditions, and lower-than-estimated outlays for the Australian Business Securitisation Fund, due to favourable conditions in the securitisation market.

Table 1.8 provides further detail between the underlying and headline cash balance estimates of the Australian Government general government sector in 2021-22.

Table 1.8: Australian Government general government sector reconciliation of underlying and headline cash balance

	2021-22 Estimate at 2022-23 March Budget \$m	2021-22 Outcome \$m	Change on 2022-23 March Budget \$m
2021-22 Underlying cash balance	-79,821	-31,962	47,859
plus Net cash flows from investments in financial assets for policy purposes(a)			
Student loans	-3,454	-3,397	57
NBN loan(b)	5,825	6,825	1,000
Trade support loans	-124	-119	5
CEFC loans and investments	-891	-951	-60
Northern Australia Infrastructure Facility	-487	-455	32
Australian Business Securitisation Fund	-648	-9	639
Structured Finance Support Fund	1,218	1,062	-156
Drought and rural assistance loans	-1,912	-1,398	514
Official Development Assistance – Multilateral Replenishment	-135	-127	8
National Housing Finance and Investment Corporation	35	41	6
COVID-19 Support for Indonesia – loan	100	100	0
Financial Assistance to Papua New Guinea – loan	-614	-614	0
Net other(c)	-4,861	-2,298	2,563
Total net cash flows from investments in financial assets for policy purposes	-5,949	-1,340	4,610
2021-22 Headline cash balance	-85,770	-33,302	52,469

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) This financial profile represents the actual repayments for 2021-22. As the loan agreement between the Government and NBN Co allows some flexibility in relation to the timing of the repayment, the remaining amount is included in 2023-24.

(c) Net other includes amounts that have not been itemised for commercial-in-confidence reasons.

Gross debt, net debt, net financial worth and net worth

At the end of 2021-22, gross debt was \$895.3 billion (39.0 per cent of GDP), \$10.7 billion lower than estimated in the 2022-23 March Budget. This reduction is smaller than the improvement in the fiscal position as the Australian Office of Financial Management (AOFM) maintained a smooth rate of bond issuance largely in line with Budget estimates. As a result, the AOFM has effectively pre-funded some of the 2022-23 financing task by accumulating cash reserves.

At the end of 2021-22, net debt was \$515.6 billion (22.5 per cent of GDP), \$115.8 billion lower than estimated in the Budget. Net debt is measured by market value (whereas gross debt is measured by face value) and includes selected financial assets. The market price of bonds on issue fell substantially as yields rose. This, together with an accumulation of cash reserves, explains why the change in net debt relative to Budget is larger than the change in gross debt and the underlying cash balance.

Net financial worth was -\$775.7 billion at the end of 2021-22, compared with -\$786.6 billion estimated in the Budget. Net worth was -\$581.8 billion at the end of 2021-22, compared with -\$595.0 billion estimated in the Budget.

The changes in net financial worth and net worth since the Budget primarily reflect the better-than-expected fiscal position and the factors driving the improvement in net debt explained above, partially offset by an increase in the Government's reported superannuation liability. The reported increase in the superannuation liability is the result of the difference between the discount rates used to value the Government's defined benefit superannuation liability at the Budget and the Final Budget Outcome.

At the 2022-23 March Budget, the unfunded superannuation liabilities were estimated using an actuarially determined long-term discount rate of 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 market long-term government bond rate was used.

For the Final Budget Outcome, the Australian Accounting Standards require the use of the long-term government bond rate as at 30 June 2022 that best matches each individual scheme's liability duration. This results in differences in the superannuation liability from one Final Budget Outcome to the next, and between Budgets and Final Budget Outcomes. At the 2021-22 Final Budget Outcome, the bond rates used were between 3.7 and 3.9 per cent per annum depending on the defined benefit scheme.

The variance in the reported superannuation liability between the 2022-23 March Budget and 2021-22 Final Budget Outcome was an increase of \$70.7 billion. By way of comparison, the variance between the 2021-22 Budget and the 2020-21 Final Budget Outcome was an increase of \$163.5 billion.

Table 1.9: Australian Government general government sector balance sheet aggregates

	2021-22 Estimate at 2022-23 March Budget	2021-22 Outcome	Change on 2022-23 March Budget
	\$b	\$b	\$b
Financial assets	566.0	569.7	3.7
Per cent of GDP	24.7	24.8	
Non-financial assets	191.6	194.0	2.4
Per cent of GDP	8.4	8.4	
Total assets	757.6	763.6	6.1
Per cent of GDP	33.1	33.3	
Total liabilities	1,352.6	1,345.4	-7.2
Per cent of GDP	59.0	58.6	
Net worth	-595.0	-581.8	13.2
Per cent of GDP	-26.0	-25.3	
Net financial worth(a)	-786.6	-775.7	10.9
Per cent of GDP	-34.3	-33.8	
Gross debt(b)	906.0	895.3	-10.7
Per cent of GDP	39.5	39.0	
Net debt(c)	631.5	515.6	-115.8
Per cent of GDP	27.6	22.5	
Total interest payments	17.5	17.4	0.0
Per cent of GDP	0.8	0.8	
Net interest payments(d)	14.9	15.0	0.1
Per cent of GDP	0.7	0.7	

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

(b) Gross debt measures the face value of Australian Government Securities (AGS) on issue.

(c) Net debt is 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).

(d) Net interest payments are equal to the difference between interest payments and interest receipts. Net interest payments are largely tied to the existing stock of Australian Government Securities, meaning there was little change from the 2022-23 March Budget estimates