

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 debt as a share of GDP is expected to be lower each year over the forward estimates compared to the 2023–24 Mid-Year Economic and Fiscal Outlook (MYEFO). Gross debt is estimated to peak at 35.2 per cent of GDP at 30 June 2027, 0.2 percentage points lower and one year sooner than the estimated peak of 35.4 per cent of GDP in 2027–28 at the 2023–24 MYEFO.

- Gross debt is estimated to be 33.9 per cent of GDP at 30 June 2025, 0.3 percentage points lower than estimated at the 2023–24 MYEFO.
- Net debt is estimated to be 20.0 per cent of GDP at 30 June 2025, 0.5 percentage points higher than estimated at the 2023–24 MYEFO.

Interest payments on AGS are estimated to be \$22.4 billion in 2024–25, increasing to \$34.1 billion by 2027–28.



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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.³⁶ 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)³⁷ in each year of the forward estimates remains below \$1,200 billion.

Gross debt is estimated to be \$934 billion (33.9 per cent of GDP) at 30 June 2025, increasing to \$1,112 billion (34.9 per cent of GDP) at 30 June 2028.

Gross debt as a percentage of GDP is expected to be lower across each year of the forward estimates than at the 2023–24 MYEFO. The \$13.1 billion improvement to the headline cash balance in 2023–24 and the impact of lower yields on AGS contribute to this reduction.

36 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.

37 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				
	2023-24 \$b	2024-25 \$b	2025-26 \$b	2026-27 \$b	2027-28 \$b
Face value – end-of-year	904	934	1,007	1,064	1,112
Per cent of GDP	33.7	33.9	35.1	35.2	34.9
Face value – within-year peak(c)	922	947	1,007	1,071	1,126
Per cent of GDP(c)	34.3	34.4	35.1	35.4	35.4
<i>Month of peak(c)</i>	<i>Apr-24</i>	<i>Apr-25</i>	<i>Apr-26</i>	<i>Feb-27</i>	<i>May-28</i>
Market value – end-of-year	848	886	963	1,026	1,080
Per cent of GDP	31.6	32.1	33.6	33.9	33.9

- 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 2023–24 MYEFO

The increase in total face value of AGS on issue primarily reflects the cumulative reduction in the headline cash balance over the four years to 2026–27 since the 2023–24 MYEFO. Table 3.4 in *Statement 3: Fiscal Strategy and Outlook* reconciles the net cash flows from investments in financial assets for policy purposes affecting the headline cash balance.

Further details on the changes to the underlying cash balance and headline cash balance since the 2023–24 MYEFO can be found in *Statement 3: Fiscal Strategy and Outlook*.

Table 7.2: Estimates of AGS on issue subject to the Treasurer's Direction – reconciliation from the 2023–24 MYEFO to the 2024–25 Budget

	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 MYEFO	909	934	1,007	1,058
Factors affecting the change in face value of AGS on issue from 2023-24 MYEFO to 2024-25 Budget(a)				
Cumulative receipts decisions	-0.1	-2.4	-1.4	-3.3
Cumulative receipts variations	-6.9	-12.4	-21.4	-24.1
Cumulative payment decisions	0.3	12.0	21.3	26.6
Cumulative payment variations	-3.7	1.7	8.2	14.8
Cumulative change in net investments in financial assets(b)	-2.7	2.1	6.5	11.6
Other contributors	8.1	-1.1	-13.2	-20.0
Total face value of AGS on issue subject to the Treasurer's Direction as at 2024-25 Budget	904	934	1,007	1,064

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 7.3 provides a breakdown of the AGS on issue by type of security as at 2 May 2024.

Table 7.3: Breakdown of current Australian Government Securities on issue

	On issue as at 2 May 2024	
	Face value	Market value
	\$m	\$m
Treasury Bonds	823,849	748,718
Treasury Indexed Bonds	40,435	50,922
Treasury Notes	30,000	29,817
Total AGS subject to Treasurer's Direction (a)	894,284	829,458
Other stock and securities	5	5
Total AGS on issue	894,289	829,463

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 2 May 2024, there were 28 Treasury Bond lines on issue, with a weighted average term to maturity of around 6.7 years and the longest maturity extending to June 2054.

Table 7.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 2 May 2024		Timing of interest payments(a)		
			\$m			
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	39,400		Twice yearly	21-Sep	21-Mar
4.75	21-Apr-27	37,500		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	35,600		Twice yearly	21-Nov	21-May
3.25	21-Apr-29	36,600		Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	35,500		Twice yearly	21-Nov	21-May
2.50	21-May-30	37,900		Twice yearly	21-May	21-Nov
1.00	21-Dec-30	39,500		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	26,700		Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	24,100		Twice yearly	21-Nov	21-May
3.75	21-May-34	21,200		Twice yearly	21-May	21-Nov
3.50	21-Dec-34	18,600		Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	16,250		Twice yearly	21-Jun	21-Dec
3.75	21-Apr-37	13,800		Twice yearly	21-Apr	21-Oct
3.25	21-Jun-39	10,300		Twice yearly	21-Jun	21-Dec
2.75	21-May-41	14,600		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 2 May 2024, there were 7 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 7.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 2 May 2024		Timing of interest payments (a)				
		\$m						
3.00	20-Sep-25	6,042	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	7,042	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun	
0.25	21-Nov-32	4,950	Quarterly	21-Nov	21-Feb	21-May	21-Aug	
2.00	21-Aug-35	6,050	Quarterly	21-Aug	21-Nov	21-Feb	21-May	
1.25	21-Aug-40	4,850	Quarterly	21-Aug	21-Nov	21-Feb	21-May	
1.00	21-Feb-50	4,350	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 2 May 2024, there were nine Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 7.6: Treasury Notes on issue

Maturity	On issue as at 2 May 2024		Timing of interest payment	
	\$m			
10-May-24	5,000		At maturity	10-May
24-May-24	5,000		At maturity	24-May
7-Jun-24	4,000		At maturity	7-Jun
21-Jun-24	4,000		At maturity	21-Jun
12-Jul-24	4,000		At maturity	12-Jul
26-Jul-24	3,000		At maturity	26-Jul
9-Aug-24	2,000		At maturity	9-Aug
23-Aug-24	2,000		At maturity	23-Aug
13-Sep-24	1,000		At maturity	13-Sep

Source: AOFM.

Green Treasury Bonds

The Government will begin issuing Green Treasury Bonds before 30 June 2024. The initial bond line will be around \$7 billion in size and will mature in June 2034. Issuance of green bonds will not impact gross debt estimates as it will replace issuance of other AGS.

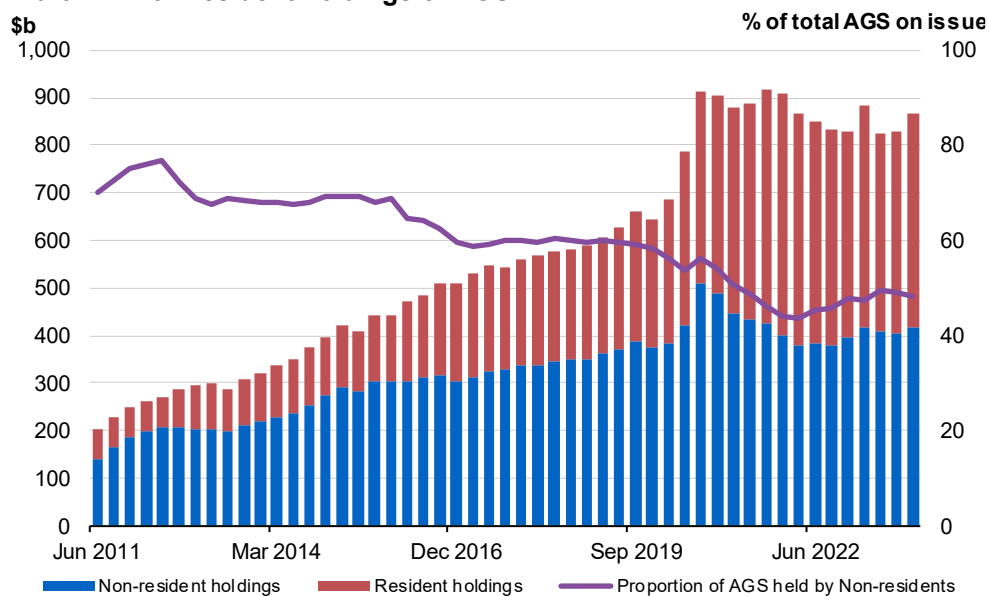
Green bonds provide financing or refinancing for specific government programs with positive climate change and environmental outcomes. Green bonds will enable investors to back public projects that drive Australia’s net zero transformation and progress the Government’s environmental agenda. Green bonds 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.

The Government will publish annual Allocation and Impact Reports for green bonds separate to the Budget, commencing no more than 18 months after the first issuance.

Non-resident holdings of AGS on issue

As at the December 2023 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.

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 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 7.7: Liabilities and assets included in net debt

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Liabilities included in net debt					
Deposits held	415	415	415	415	415
Government securities(a)	847,774	885,886	962,711	1,026,120	1,080,171
Loans	31,772	32,360	33,379	33,786	33,779
Lease liabilities	19,302	18,649	17,484	16,508	16,115
Total liabilities included in net debt	899,263	937,310	1,013,988	1,076,829	1,130,480
Assets included in net debt					
Cash and deposits	89,311	61,997	57,532	54,634	49,732
Advances paid	67,539	73,193	83,592	94,634	105,091
Investments, loans and placements	242,528	249,588	257,386	267,513	278,151
Total assets included in net debt	399,378	384,778	398,510	416,781	432,974
Net debt	499,886	552,532	615,478	660,048	697,505

a) Government securities are presented at market value.

Changes in net debt since the 2023–24 MYEFO

Net debt is expected to be higher than estimated at the 2023–24 MYEFO across each year of the forward estimates. This increase primarily reflects the impact of lower yields on AGS, as well as an increase in the financing requirement from 2024–25 onwards.

Table 7.8: Net debt – reconciliation from the 2023–24 MYEFO to the 2024–25 Budget

	2023-24	2024-25	2025-26	2026-27
	\$b	\$b	\$b	\$b
Net debt as at 2023-24 MYEFO	491.0	533.3	586.4	623.9
Changes in financing requirement	-5.0	3.6	10.7	20.0
Impact of yields on AGS	20.3	16.3	12.8	8.4
Asset and other liability movements	-6.5	-0.7	5.6	7.7
<i>Cash and deposits</i>	-8.8	-3.1	4.5	8.8
<i>Advances paid</i>	4.7	6.1	5.2	3.0
<i>Investments, loans and placements</i>	-2.1	-3.1	-4.3	-4.8
<i>Other movements</i>	-0.3	-0.5	0.1	0.7
Total movements in net debt from 2023-24 MYEFO to 2024-25 Budget	8.8	19.2	29.1	36.1
Net debt as at 2024-25 Budget	499.9	552.5	615.5	660.0

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.

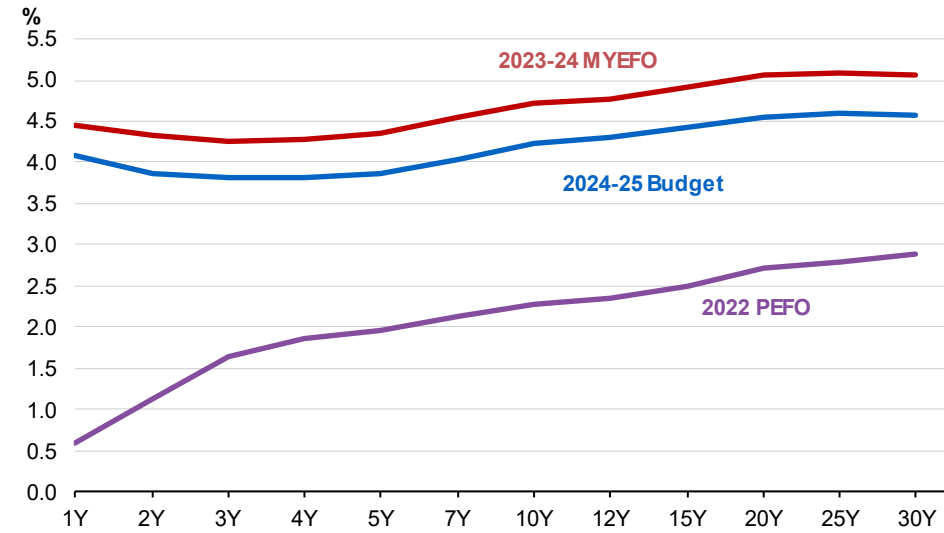
Total interest payments on AGS across the forward estimates are estimated to be broadly similar compared to the 2023–24 MYEFO. This is primarily due to lower yields and improved terms of borrowing offsetting the change in the headline cash balance across the forward estimates.

Chart 7.2 shows the yield curve assumptions underpinning the 2022 Pre-election Economic and Fiscal Outlook (PEFO), 2023–24 MYEFO and the 2024–25 Budget. Yields are lower compared to the 2023–24 MYEFO, reflecting a moderation in market expectations for inflation and future cash rates.

Volatility in yields over the past two years has influenced the outlook for interest payments. The supply of bonds, expectations for future monetary policy and perceptions of risks all influence yields. While yields have fallen since the end of 2023, they remain significantly higher than at the 2022 PEFO.

At the 2022 PEFO, the weighted average cost of borrowing was 2.2 per cent, rising to 3.8 per cent at the 2022–23 October Budget. The weighted average yield fell to 3.4 per cent at the 2023–24 Budget, before increasing to 4.7 per cent at the 2023–24 MYEFO. Since then, the assumed weighted average cost of borrowing has fallen to 4.2 per cent for future issuance of Treasury Bonds over the forward estimates in this budget.

Chart 7.2: Yield curve assumptions from 2024–25 to 2027–28



Source: AOFM.

By the end of the forward estimates total interest payments are \$35.6 billion, of which \$34.1 billion relates to AGS on issue (Table 7.9). Compared with the 2023–24 MYEFO, interest payments as a share of GDP are estimated to be broadly unchanged since the 2023–24 MYEFO.

Interest receipts are estimated to be higher across each year of the forward estimates than at the 2023–24 MYEFO and broadly unchanged as a share of GDP.

Net interest payments as a share of GDP in 2024–25 are estimated to be broadly similar to the 2023–24 MYEFO. Over 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 of GDP by 2027–28.

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

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Interest payments on AGS(b)	20,967	22,364	26,052	28,339	34,057
Per cent of GDP	0.8	0.8	0.9	0.9	1.1
Interest payments(c)	22,685	23,824	27,502	29,833	35,585
Per cent of GDP	0.8	0.9	1.0	1.0	1.1
Interest receipts	10,404	9,275	8,705	9,051	9,591
Per cent of GDP	0.4	0.3	0.3	0.3	0.3
Net interest payments(d)	12,281	14,549	18,797	20,782	25,994
Per cent of GDP	0.5	0.5	0.7	0.7	0.8

- 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 increases in 2025–26 and 2027–28 primarily reflect Treasury Indexed Bond lines maturing in those years.
- 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.

As well as cash accounting terms, interest costs related to AGS are also presented on 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.

The Government’s total interest expense in 2024–25 is estimated to be \$33.4 billion, of which \$24.1 billion relates to AGS on issue. 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				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Interest expense on AGS	22,533	24,083	28,259	32,422	35,733
Per cent of GDP	0.8	0.9	1.0	1.1	1.1
Total interest expense(b)	27,667	33,414	34,300	39,085	41,190
Per cent of GDP	1.0	1.2	1.2	1.3	1.3
Interest income	11,131	10,276	9,998	10,573	11,338
Per cent of GDP	0.4	0.4	0.3	0.3	0.4
Net interest expense(c)	16,536	23,138	24,302	28,511	29,853
Per cent of GDP	0.6	0.8	0.8	0.9	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.

Appendix A: AGS issuance

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. This will include the Green Treasury Bonds the Government will begin issuing before 30 June 2024.
- **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 ten 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.