



11 February 2021

Government finances – December quarter 2020

Revenue and expenses are both returning towards pre-pandemic levels

The December quarter results show better-than-expected outcomes for revenue and expenses than those estimated in the 2020-21 Mid-Year Economic and Fiscal Outlook (MYEFO) released on 17 December 2020. Expenses were lower than recent quarters, down from historically high levels, and revenue returned to levels akin to pre-pandemic collections.¹

Net debt grew to \$611.1 billion by December 2020, \$208.0 billion higher (or 52 per cent) than at December 2019. Net debt as a share of GDP is at its highest level since records began in 1970-71.² The 2020-21 MYEFO forecast net debt to reach \$691.9 billion (or 34.5 per cent of GDP) by end of June 2021 and peak at 43.0 per cent of GDP by end of June 2024. Despite this increase, historically low interest rates have kept total public debt interest expenses at their lowest levels since December 2016 (\$8.2 billion for the year to December 2020 compared to \$7.7 billion for the year to December 2016).

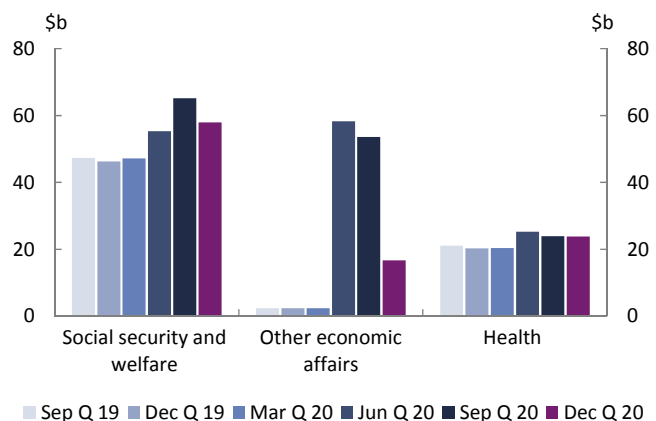
Expenses were \$154.4 billion in the December quarter, an increase of \$31.0 billion (or 25 per cent) from the same period in 2019. This was primarily driven by an increase of \$14.3 billion in 'other economic affairs', the category that includes the JobKeeper payment, and \$11.7 billion in 'social security and welfare' expenses associated with the continuation of the coronavirus supplement. However, expenses declined significantly since the September 2020 quarter, by \$48.3 billion (or -24 per cent). This was largely driven by policy changes that applied from late September, including reductions in the rates of the coronavirus supplement and JobKeeper payment.

Revenue was \$131.4 billion over the quarter, which is \$3.0 billion higher (or 2 per cent) than in the December 2019 quarter and \$21.2 billion (or 19 per cent) higher than the September 2020 quarter. While revenue was low over the June 2020 quarter, it appears to now be stabilising around pre-pandemic levels.

Budget balances

Fiscal aggregates remain broadly in line with 2020-21 MYEFO estimates but differ significantly from recent years. The **fiscal balance** for the year to December 2020 was -\$117.4 billion, \$105.4 billion lower than over the same period in 2019. Similarly, the **underlying cash balance** was -\$116.0 billion, or \$100.8 billion lower.

Quarterly expenses
September 2019 to December 2020



Source: Commonwealth Government Monthly Financial Statements and PBO analysis.

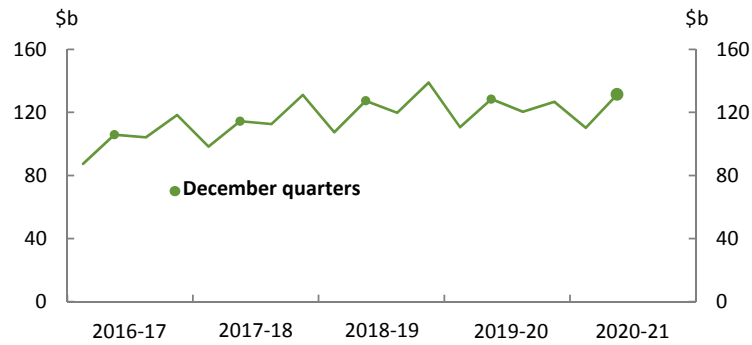
¹ The Commonwealth Government released the financial statements for October 2020 on 27 November 2020, for November 2020 on 23 December 2020, and for December 2020 on 29 January 2021.

Monthly Financial Statements are available online at <https://www.finance.gov.au/publications/commonwealth-monthly-financial-statements>.

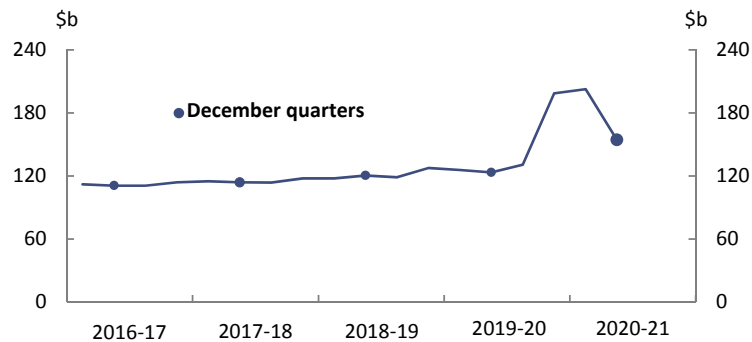
² Prior to 1970-71, only gross debt statistics were recorded. The highest level of gross debt to GDP was recorded shortly after the end of the Second World War at around 120 per cent of GDP in 1946. GDP for the December quarter will be reported in the National Accounts on 3 March 2021.

Key quarterly fiscal aggregates

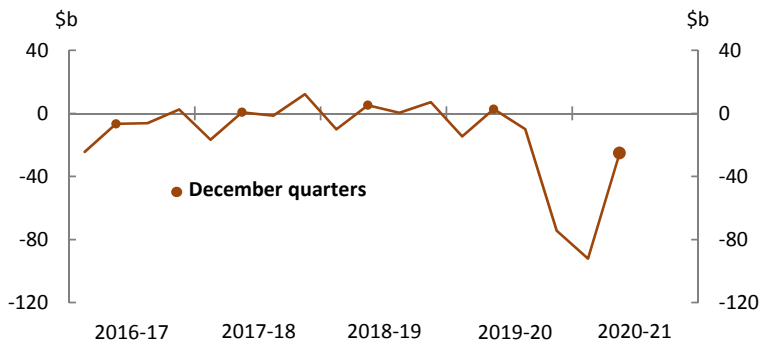
Revenue¹



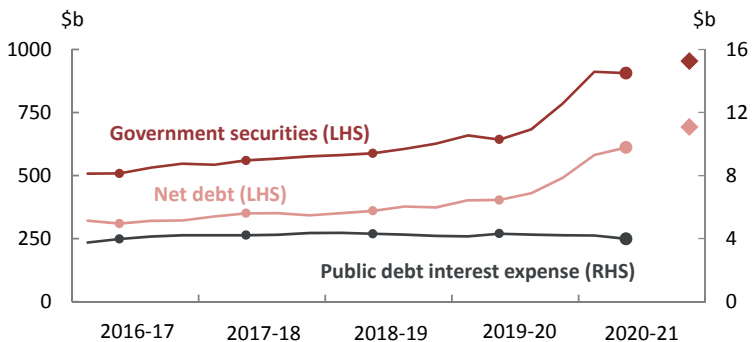
Expenses¹



Fiscal balance¹



Debt and public debt interest²



¹ Seasonal patterns for revenue, expenses and fiscal balance reflect key dates in revenue collection and transfer expenditure.

² Diamonds show 2020-21 MYEFO estimates as at end of June 2021. Government securities refers to Australian Government Securities on issue (also known as gross debt). Public debt interest expenses are primarily associated with debt servicing costs on Australian Government Securities. Government securities and net debt values are as at the end of each quarter; public debt interest values are the expense for that quarter. Dots show results at the end of December for debt or over the December quarter for interest.

Note: The charts use accrual accounting and record income when earned and expenses when incurred, regardless of when the related cash is received or paid. Accrual amounts generally show COVID-19 related impacts earlier than cash amounts.

Source: Commonwealth Government Monthly Financial Statements, Final Budget Outcomes, 2020-21 MYEFO, and PBO analysis.