

Morrison will deliver better news on debt in budget update

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The 2017 budget update will show an improvement in the outlook for debt compared with projections in May, resulting in significant savings for taxpayers in interest payments in coming years.

Net debt is now expected to peak in 2018-19 at 19.2% of GDP. This is a 0.6 percentage point fall on the 19.8% estimated in the budget. In dollar terms it is A\$11.9 billion less than the May estimate of A\$375 billion.

Net debt at the end of the forward estimates is projected to be A\$355.3 billion, compared with the earlier projection of A\$366.2 billion.

By the end of the forward estimates gross debt is now projected to be A\$23 billion less than estimated in the budget – a reduction from the earlier projected A\$606 billion to A\$583 billion.

This is 1% of GDP lower than projected in May.

The revisions mean taxpayers will save A\$2.3 billion over the forward estimates in interest payments on the debt, with savings growing to a A\$1 billion save in 2020-21.

By the end of a decade, gross debt is estimated to be about A\$40 billion less than projected at budget time.

From the present financial year, the government will no longer be borrowing to pay for recurrent spending. This is a year earlier than forecast in the budget. It will be the first time since the global financial crisis that the federal government is not expected to need to borrow for recurrent spending.

Treasurer Scott Morrison said Monday's update would show the government was "staying the

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course to keep expenditure under control and return the budget back to balance”.

He said the government’s “responsible budget management means we are now in a position to no longer be borrowing to pay for everyday recurrent expenditure like schools funding, Medicare and welfare, a year earlier than forecast”.

“We are no longer putting the equivalent of the national grocery bill on the credit card,” Morrison said.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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