

Part 1: Australian Government Budget Outcome 2020–21

Overview

In 2020-21, the Australian Government general government sector recorded an underlying cash deficit of \$134.2 billion (6.5 per cent of gross domestic product (GDP)).

Since the start of the pandemic, the Government has committed more than \$311 billion in economic and health support. In 2020-21, unprecedented levels of economic support were provided to protect lives and livelihoods through the JobKeeper Payment, the Boosting Cash Flow for Employers, Coronavirus Supplement, the bring forward of Stage 2 of the Government's Personal Income Tax Plan and business investment incentives (Table 2). The Government's decisive actions have been central to Australia's stronger-than-expected economic recovery, which resulted in the deficit in 2020-21 being significantly smaller than expected at the time of the 2020-21 and 2021-22 Budgets.

The Final Budget Outcome for 2020-21 is an improvement of \$26.8 billion compared with the underlying cash deficit estimated in the 2021-22 Budget. This improvement was primarily due to the stronger-than-expected economic recovery from the early effects of the COVID-19 pandemic which is reflected in higher total receipts (\$20.1 billion) and lower total payments (\$6.7 billion).

The improvement in the underlying cash deficit from what was estimated at the time of the 2020-21 Budget is even larger at \$79.5 billion. This improvement was the result of higher total receipts (\$56.1 billion) and lower total payments (\$23.3 billion) compared to the estimates in the 2020-21 Budget.

Table 1: Overview of key Australian Government general government sector budget aggregates

	2020-21 Estimates at 2020-21 Budget \$b	2020-21 Estimate at 2021-22 Budget \$b	2020-21 Outcome \$b	Change on 2020-21 Budget \$b	Change on 2021-22 Budget \$b
Receipts	463.8	499.8	519.9	56.1	20.1
Per cent of GDP	23.8	24.3	25.1		
Payments(a)	677.4	660.8	654.1	-23.3	-6.7
Per cent of GDP	34.8	32.1	31.6		
Underlying cash balance	-213.7	-161.0	-134.2	79.5	26.8
Per cent of GDP	-11.0	-7.8	-6.5		
Net debt(b)	703.2	617.5	592.2	-111.0	-25.3
Per cent of GDP	36.1	30.0	28.6		

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

(b) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements).

Table 2: Summary of key economic and health support payment measures in 2020-21^(a)

	2020-21 Outcome \$b
JobKeeper Payment	68.2
Boosting cash flow for employers	20.9
Coronavirus supplement	14.8
Economic support payments	6.1
Aviation measures	1.8
Supporting apprentices and trainees	1.2
HomeBuilder	0.6
Health measures	10.6

(a) Figures are based on cash payments made during the period 1 July 2020 to 30 June 2021

The improvement in the underlying cash deficit primarily reflects the stronger-than-expected economic recovery following the early COVID-19 outbreaks, with economic activity improving and rising above pre-pandemic levels in the first half of 2021.

Real GDP grew by 1.4 per cent in 2020-21, stronger than the 1¼ per cent forecast at the 2021-22 Budget and significantly stronger than the 1½ per cent fall in GDP forecast at the 2020-21 Budget. This growth was largely driven by an increase in household activity and public consumption. Growth in household consumption was underpinned by strong household balance sheets supported by the Government's economic support and eased restrictions. Dwelling investment increased in late 2020 driven by low interest

rates and government incentives. The increase in public consumption reflects continuing direct economic and health support provided by the Commonwealth as well as State, Territory and local governments. This was partially offset by a fall in net exports due to increasing demand for imported goods from businesses and households, and lower goods exports. Nominal GDP grew by 4.1 per cent in 2020-21, partially owing to a sharp increase in the price of non-rural commodities, in particular iron ore prices.

Labour market conditions continued to strengthen in the first half of calendar year 2021, with employment exceeding pre-pandemic levels by March 2021. The employment to population ratio and the participation rate reached record highs, while the unemployment rate fell below 5 per cent for the first time since 2011, which at the 2021-22 Budget was not expected until late 2022. The wage price index increased 1.7 per cent through the year to the June quarter of 2021 while compensation of employees rose by 3.3 per cent in 2020-21. The consumer price index (CPI) rose by 3.8 per cent through the year to the June quarter of 2021, reflecting a bounce back in childcare prices following ending of the Government's free childcare policy in June 2020, alongside the continued recovery in oil prices. The underlying inflation rate, as measured by the trimmed mean, was 1.6 per cent through the year to the June quarter of 2021.

Australian Government general government sector net debt was \$592.2 billion (28.6 per cent of GDP) at the end of 2020-21, which was \$25.3 billion lower than estimated at the time of the 2021-22 Budget, and \$111.0 billion lower than estimated in the 2020-21 Budget. This primarily reflects the decreased borrowing requirement due to the improvement in the underlying cash balance. Australian Government general government sector net financial worth was negative \$905.9 billion and net worth was negative \$725.2 billion at the end of 2020-21.

Budget aggregates

Table 3: Australian Government general government sector budget aggregates

	2019-20 Outcome	2020-21 Estimate at 2021-22 Budget	2020-21 Outcome	Change on 2021-22 Budget
	\$b	\$b	\$b	\$b
Receipts	469.4	499.8	519.9	20.1
Per cent of GDP	23.6	24.3	25.1	
Payments(a)	549.6	660.8	654.1	-6.7
Per cent of GDP	27.7	32.1	31.6	
Net Future Fund earnings(b)	5.0	na	na	na
Underlying cash balance(c)	-85.3	-161.0	-134.2	26.8
Per cent of GDP	-4.3	-7.8	-6.5	
Revenue	486.3	504.9	523.0	18.1
Per cent of GDP	24.5	24.5	25.3	
Expenses	578.5	659.4	651.9	-7.5
Per cent of GDP	29.2	32.0	31.5	
Net operating balance	-92.3	-154.5	-128.9	25.6
Per cent of GDP	-4.7	-7.5	-6.2	
Net capital investment	4.0	8.6	7.2	-1.4
Fiscal balance	-96.3	-163.2	-136.1	27.1
Per cent of GDP	-4.9	-7.9	-6.6	
<i>Memorandum item:</i>				
Net Future Fund earnings(b)	5.0	5.5	6.6	1.1
Headline cash balance	-93.9	-168.2	-137.5	30.7

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

(b) Under the Future Fund Act 2006, net Future Fund earnings will be available to meet the Australian Government's superannuation liability from 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

(c) Excludes net Future Fund earnings before 2020-21.

Underlying cash balance

In 2020-21, the underlying cash deficit was \$134.2 billion, an improvement of \$26.8 billion since the 2021-22 Budget. This improvement was the result of higher total receipts by \$20.1 billion and lower total payments by \$6.7 billion.

Table 4: Summary of Australian Government general government sector cash flows

	2020-21 Estimate at 2021-22 Budget \$b	2020-21 Outcome \$b	Change on 2021-22 Budget \$b
Cash receipts			
Operating cash receipts	499.6	519.6	20.0
Capital cash receipts(a)	0.2	0.3	0.1
Total cash receipts	499.8	519.9	20.1
Cash payments			
Operating cash payments	642.3	637.3	-5.0
Capital cash payments(b)	16.1	14.3	-1.8
Total cash payments	658.4	651.6	-6.8
GFS cash surplus(+)/deficit(-)	-158.5	-131.6	26.9
Per cent of GDP	-7.7	-6.4	
<i>plus</i> Net cash flows from financing activities for leases(c)	-2.4	-2.5	-0.1
Underlying cash balance	-161.0	-134.2	26.8
Per cent of GDP	-7.8	-6.5	
<i>Memorandum items:</i>			
Net cash flows from investments in financial assets for policy purposes	-7.3	-3.4	3.9
Headline cash balance	-168.2	-137.5	30.7

(a) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.

(b) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.

(c) Principal payments on lease liabilities, which are financing cash payments, are deducted in the calculation of the underlying cash balance to maintain consistency of measure following the implementation of AASB 16.

Receipts

Total receipts for 2020-21 were \$519.9 billion, \$20.1 billion higher than forecast in the 2021-22 Budget.

Tax receipts were \$14.4 billion higher than the estimate at the 2021-22 Budget. This outcome reflects the strength in tax collections across almost all revenue heads, driven by stronger-than-expected economic outcomes and higher-than-expected commodity prices.

- Company tax receipts were \$5.5 billion above the 2021-22 Budget profile, largely on the back of higher-than-expected collections from large companies. Collections from the mining sector continued to be strong, partially owing to a sharp increase in iron ore prices. There were also higher-than-expected payments from companies who

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report on a calendar year basis and pay their balances related to the 2020 income year in June.

- Receipts from total individuals and other withholding taxes were around \$5.0 billion above the 2021-22 Budget profile. This largely reflects higher-than-expected collections across small, medium and large withholders, in line with stronger-than-expected growth in compensation of employees over the second half of the year.
- Receipts from the GST were \$3.1 billion above the 2021-22 Budget profile, mostly reflecting stronger-than-expected tax collections relating to April and May (paid in May and June). There was strong growth in household consumption in 2020-21 reflecting a rebound in consumer spending as health outcomes improved and restrictions were lifted.
- Superannuation fund tax receipts were \$1.3 billion above the 2021-22 Budget profile. This result was driven by stronger-than-expected collections from APRA-regulated funds, particularly due to significant foreign exchange gains observed in the second half of 2020-21.
- Taxation receipts from excise and customs duty were \$0.2 billion below the 2021-22 Budget profile. Stronger-than-expected collections for petrol and alcohol excise were more than offset by weaker-than-expected collections for tobacco excise.

Non-tax receipts were \$46.1 billion in 2020-21, \$5.7 billion higher than estimated at the time of the 2021-22 Budget. This increase largely reflects higher-than-estimated receipts for the Public Sector Superannuation programs (\$2.4 billion), higher-than-estimated receipts under the Unclaimed Superannuation Monies program (\$1.3 billion) and higher-than-estimated Future Fund investment earnings (\$1.2 billion).

Table 5: Australian Government general government (cash) receipts

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	216,500	220,457	3,957
Gross other individuals	47,500	48,769	1,269
less: Refunds	36,000	36,265	265
Total individuals and other withholding tax	228,000	232,961	4,961
Fringe benefits tax	3,900	3,569	-331
Company tax	93,300	98,786	5,486
Superannuation fund taxes	11,670	12,956	1,286
Petroleum resource rent tax	800	786	-14
Income taxation receipts	337,670	349,058	11,388
Goods and services tax	69,782	72,932	3,150
Wine equalisation tax	1,050	1,119	69
Luxury car tax	800	914	114
Excise and customs duty			
Petrol	5,850	5,985	135
Diesel	12,530	12,740	210
Other fuel products	1,550	1,580	30
Tobacco	15,060	14,264	-796
Beer	2,560	2,543	-17
Spirits	3,070	3,160	90
Other alcoholic beverages(a)	1,270	1,301	31
Other customs duty			
Textiles, clothing and footwear	170	178	8
Passenger motor vehicles	340	372	32
Other imports	1,180	1,189	9
less: Refunds and drawbacks	790	729	-61
Total excise and customs duty	42,790	42,582	-208
Major bank levy	1,650	1,619	-31
Agricultural levies	509	525	16
Other taxes	5,219	5,101	-118
Indirect taxation receipts	121,800	124,792	2,992
Taxation receipts	459,470	473,850	14,380

Table 5: Australian Government general government (cash) receipts (continued)

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Sales of goods and services	16,381	16,390	9
Interest received	2,995	2,812	-183
Dividends and distributions(b)	8,493	9,757	1,264
Other non-taxation receipts	12,494	17,105	4,611
Non-taxation receipts	40,361	46,063	5,702
Total receipts	499,831	519,913	20,082
<i>Memorandum:</i>			
<i>Total excise</i>	<i>23,980</i>	<i>24,462</i>	<i>482</i>
<i>Total customs duty</i>	<i>18,810</i>	<i>18,120</i>	<i>-690</i>

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

(b) 'Dividends' has been renamed 'dividends and distributions' to more accurately reflect the transactions included in this item.

Payments

Total payments in 2020-21 were \$654.1 billion, \$6.7 billion lower than estimated at the time of the 2021-22 Budget. Key changes since the 2021-22 Budget include:

- Lower-than-estimated payments under the JobSeeker Income Support program, largely reflecting reduced demand for unemployment benefits due to improved labour market conditions (\$1.2 billion).
- Lower-than-estimated payments under the Medical Benefits program, largely reflecting lower-than-anticipated payments for professional attendances due to lower-than-anticipated payments for after-hours services, partially offset by higher-than-anticipated payments for GP attendance in business hours and telehealth services, and lower-than-anticipated payments for pathology services due to ongoing COVID-19 social distancing and disease control measures reducing the spread of other communicable diseases (\$0.9 billion).
- Lower-than-estimated payments under the Aged Care Services program, largely reflecting lower-than-expected occupancy rates for residential aged care facilities (\$0.7 billion).

- 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 (\$0.6 billion).
- Lower-than-estimated payments under the Air Transport program, largely reflecting the near normal return of the domestic aviation sector prior to May 2021 reducing payments under the Domestic Aviation Network Support program and reduced payments under the Tourism Aviation Network Support program as a result of the May 2021 lockdowns (\$0.6 billion).
- Lower-than-estimated payments under the Employment Services program, largely reflecting the lower-than-expected take-up of wage subsidies and other payments due to improved labour market conditions (\$0.5 billion).

The outcome also reflects an increase in payments for the Public Sector Superannuation programs (\$2.0 billion), largely reflecting a change in accounting policy to report the pass-through of defined benefit member superannuation receipts and payments on a gross basis. These amounts were previously reported on a net basis. This change has no net impact on the underlying cash balance as it increases both payments and receipts.

Net operating balance

The 2020-21 net operating deficit was \$128.9 billion compared with a deficit of \$154.5 billion estimated at the time of the 2021-22 Budget. The 2020-21 fiscal balance was a deficit of \$136.1 billion compared with a deficit of \$163.2 billion estimated at the time of the 2021-22 Budget.

Revenue

Total revenue was \$523.0 billion in 2020-21, \$18.1 billion higher than estimated at the time of the 2021-22 Budget. In comparison, total cash receipts were \$519.9 billion, \$20.1 billion higher than estimated at the time of the 2021-22 Budget.

Taxation revenue was \$480 billion in 2020-21, \$14.4 billion higher than the estimate at the 2021-22 Budget. The revenue estimates are the accrual accounting equivalent of the cash-based receipts estimates. Changes in taxation revenue are generally driven by the same factors as receipts.

The differences between the results for taxation receipts and taxation revenue therefore generally reflect timing differences between the recognition of revenue when receipts are owed and receiving the corresponding revenue when receipts are paid.

Total non-tax revenue was \$42.8 billion in 2020-21, \$3.7 billion higher than estimated at the time of the 2021-22 Budget. Non-tax receipts were \$46.1 billion in 2020-21, \$5.7 billion

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higher than estimated at the time of the 2021-22 Budget. The \$2.0 billion difference in the variance for non-tax revenue and non-tax receipts largely reflects a change in accounting policy to report the pass-through of defined benefit member superannuation receipts and payments on a gross basis with no corresponding change to non-tax revenue.

Table 6: Australian Government general government sector (accrual) revenue

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	217,500	221,704	4,204
Gross other individuals	49,500	50,225	725
less: Refunds	36,000	36,265	265
Total individuals and other withholding tax	231,000	235,664	4,664
Fringe benefits tax	4,040	3,501	-539
Company tax	94,300	99,148	4,848
Superannuation fund taxes	11,680	13,037	1,357
Petroleum resource rent tax	840	897	57
Income taxation revenue	341,860	352,246	10,386
Goods and services tax	71,080	74,688	3,608
Wine equalisation tax	1,070	1,101	31
Luxury car tax	800	900	100
Excise and customs duty			
Petrol	5,850	5,995	145
Diesel	12,480	12,761	281
Other fuel products	1,560	1,582	22
Tobacco	15,080	14,264	-816
Beer	2,550	2,547	-3
Spirits	3,070	3,161	91
Other alcoholic beverages(a)	1,270	1,304	34
Other customs duty			
Textiles, clothing and footwear	170	178	8
Passenger motor vehicles	340	372	32
Other imports	1,180	1,191	11
less: Refunds and drawbacks	790	729	-61
Total excise and customs duty	42,760	42,626	-134
Major bank levy	1,640	1,572	-68
Agricultural levies	509	534	25
Other taxes	6,052	6,555	502
Indirect taxation revenue	123,911	127,975	4,064
Taxation revenue	465,771	480,221	14,450
Sales of goods and services	15,947	16,022	76
Interest	2,901	3,033	132
Dividends and distributions(b)	8,038	10,156	2,119
Other non-taxation revenue	12,231	13,580	1,349
Non-taxation revenue	39,116	42,791	3,675
Total revenue	504,888	523,012	18,125
<i>Memorandum:</i>			
Total excise	23,930	24,503	573
Total customs duty	18,830	18,123	-707

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

(b) 'Dividends' has been renamed 'dividends and distributions' to more accurately reflect the transactions included in this item.

Expenses and net capital investment

Total expenses were \$651.9 billion in 2020-21, \$7.5 billion lower than estimated at the time of the 2021-22 Budget. Total net capital investment for 2020-21 was \$7.2 billion, \$1.4 billion lower than the estimate of \$8.6 billion at the time of the 2021-22 Budget. This results in an \$8.9 billion lower-than-estimated net outcome for expenses and net capital investment of \$659.1 billion compared to the 2021-22 Budget.

In comparison, cash payments were \$654.1 billion in 2020-21, \$6.7 billion lower than estimated at the time of the 2021-22 Budget.

The difference of \$5.0 billion between the net outcome for expenses and net capital investment and the outcome for cash payments is primarily due to timing differences in the accounting treatment of expenses and the associated cash flow, including for the payment of GST revenue to the states and territories under the General Revenue Assistance program and for the Government superannuation programs.

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

Table 7: Australian Government general government sector expenses by function

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
General public services			
Legislative and executive affairs	1,446	1,371	-75
Financial and fiscal affairs	9,013	8,848	-165
Foreign affairs and economic aid	6,949	6,470	-479
General research	3,238	3,069	-169
General services	1,237	1,283	46
Government superannuation benefits	11,153	10,900	-253
Defence	33,375	34,007	633
Public order and safety	6,712	6,655	-58
Education	42,604	42,331	-272
Health	94,533	92,740	-1,793
Social security and welfare	225,394	220,360	-5,034
Housing and community amenities	6,953	6,291	-662
Recreation and culture	4,405	4,096	-309
Fuel and energy	9,090	8,242	-848
Agriculture, forestry and fishing	4,014	3,165	-849
Mining, manufacturing and construction	4,394	4,034	-360
Transport and communication	13,828	12,804	-1,025
Other economic affairs			
Tourism and area promotion	227	210	-16
Labour and employment affairs	6,546	5,260	-1,286
Immigration	3,622	3,419	-204
Other economic affairs nec	73,424	73,179	-246
Other purposes			
Public debt interest	17,123	17,123	0
Nominal superannuation interest	7,004	7,177	173
General purpose inter-government transactions	75,250	78,538	3,288
Natural disaster relief	748	344	-404
Contingency reserve	-2,845	0	2,845
Total expenses	659,437	651,916	-7,521

Table 8: Australian Government general government sector net capital investment by function

	2020-21 Estimate at 2021-22 Budget	2020-21 Outcome	Change on 2021-22 Budget
	\$m	\$m	\$m
General public services	421	-229	-650
Defence	5,868	6,511	644
Public order and safety	312	233	-79
Education	34	8	-26
Health	1,991	1,580	-411
Social security and welfare	-390	-406	-16
Housing and community amenities	-242	-424	-182
Recreation and culture	111	-13	-124
Fuel and energy	21	17	-3
Agriculture, forestry and fishing	41	-53	-94
Mining, manufacturing and construction	-22	-26	-4
Transport and communication	-4	-33	-29
Other economic affairs	478	37	-441
Other purposes	2	1	-1
Total net capital investment	8,620	7,204	-1,416

Table 9: Australian Government general government sector purchases of non-financial assets by function

	2020-21 Estimate at 2021-22 Budget	2020-21 Outcome	Change on 2021-22 Budget
	\$m	\$m	\$m
General public services	1,951	1,352	-599
Defence	11,951	11,906	-46
Public order and safety	1,105	1,087	-19
Education	74	57	-17
Health	268	254	-14
Social security and welfare	444	478	34
Housing and community amenities	336	211	-125
Recreation and culture	544	437	-108
Fuel and energy	15	12	-3
Agriculture, forestry and fishing	134	55	-79
Mining, manufacturing and construction	16	11	-5
Transport and communication	123	84	-38
Other economic affairs	1,353	990	-363
Other purposes	3	2	-1
Total Government purchases of non-financial assets	18,318	16,936	-1,382

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 2020-21, the headline cash deficit was \$137.5 billion compared with an estimated deficit of \$168.2 billion in the 2021-22 Budget. The improvement in the headline cash balance was primarily driven by the change in the underlying cash balance reflecting the stronger-than-expected economic recovery from the COVID-19 pandemic.

Net cash flows from investments in financial assets for policy purposes have also improved by \$3.9 billion since the 2021-22 Budget. This is primarily driven by lower-than-expected outlays for drought and rural assistance loans, reflecting lower-than-estimated farm business concessional loans through the Regional Investment Corporation, and lower-than-expected outlays for the Structured Finance Support Fund, reflecting improved conditions in the securitisation market resulting in reduced demand for financial support.

Table 10 provides further detail between the underlying and headline cash balance estimates of the Australian Government general government sector in 2020-21.

Table 10: Australian Government general government sector reconciliation of underlying and headline cash balance

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
2020-21 Underlying cash balance	-160,952	-134,171	26,781
plus Net cash flows from investments in financial assets for policy purposes			
Student loans	-3,524	-3,869	-345
NBN loan(a)	5,550	6,258	708
Trade support loans	-75	-99	-24
CEFC loans and investments	-517	-477	40
Northern Australia Infrastructure Facility	-229	-190	39
Australian Business Securitisation Fund	-235	-88	147
Structured Finance Support Fund	-1,186	-64	1,122
Drought and rural assistance loans	-2,714	-763	1,951
Official Development Assistance – Multilateral Replenishment	-78	-78	0
National Housing Finance and Investment Corporation	-91	-25	66
COVID-19 Support for Indonesia – loan	-1,450	-1,450	0
Financial Assistance to Papua New Guinea – loan	-539	-558	-19
Net other(b)	-2,199	-1,962	237
Total net cash flows from investments in financial assets for policy purposes	-7,286	-3,364	3,922
2020-21 Headline cash balance	-168,238	-137,535	30,703

(a) This financial profile represents the actual repayments for 2020-21. 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.

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

Net debt, net financial worth and net worth

At the end of 2020-21, net debt was \$592.2 billion (28.6 per cent of GDP), \$25.3 billion lower than estimated at the time of the 2021-22 Budget. This primarily reflects the decreased borrowing requirement stemming from the stronger-than-expected economic outcomes, partly offset by the effect of decreasing yields since the 2021-22 Budget on the market value of Australian Government Securities.

Net financial worth was negative \$905.9 billion at the end of 2020-21, compared with negative \$769.8 billion estimated at the 2021-22 Budget.

Net worth was negative \$725.2 billion at the end of 2020-21, compared with negative \$586.5 billion estimated at the 2021-22 Budget.

The changes in net financial worth and net worth since the 2021-22 Budget primarily reflect an increase in the Government's reported superannuation liability, partially offset by the improvement in the underlying cash balance. The reported increase in the

superannuation liability is consistent with previous years and is the result of the difference between the discount rates used to value the Government's defined benefit superannuation liability at the 2021-22 Budget and at the 2020-21 Final Budget Outcome.

At the 2021-22 Budget, the unfunded superannuation liabilities were estimated using an actuarially determined long-term discount rate. 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 long-term government bond rate were used.

For the Final Budget Outcome, the Australian Accounting Standards require the use of the long-term government bond rate as at 30 June 2021 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 2020-21 Final Budget Outcome, the bond rates used were between 1.6 and 2.3 per cent per annum depending on the defined benefit scheme.

The variance in the reported superannuation liability between the 2021-22 Budget and 2020-21 Final Budget Outcome was an increase of \$163.5 billion. By way of comparison, the variance between the 2019-20 MYEFO and the 2019-20 Final Budget Outcome was an increase of \$199.3 billion.

Table 11: Australian Government general government sector net worth, net financial worth, net debt and net interest payments

	2020-21 Estimate at 2021-22 Budget \$b	2020-21 Outcome \$b	Change on 2021-22 Budget \$b
Financial assets	509.9	547.0	37.1
Non-financial assets	183.3	180.7	-2.6
Total assets	693.2	727.7	34.5
Total liabilities	1,279.7	1,453.0	173.3
Net worth	-586.5	-725.2	-138.7
Net financial worth(a)	-769.8	-905.9	-136.1
Per cent of GDP	-37.4	-43.8	
Net debt(b)	617.5	592.2	-25.3
Per cent of GDP	30.0	28.6	
Net interest payments	14.1	14.3	0.2
Per cent of GDP	0.7	0.7	

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

(b) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).