

Part 4: Debt Statement

The Debt Statement provides information on Government gross debt, net debt, Australian Government Securities (AGS) issuance and interest costs.

Gross debt as a share of GDP is expected to be significantly lower than estimated at the 2022 Pre-election Economic and Fiscal Update (PEFO). In 2024-25, gross debt is expected to be \$177 billion lower than forecast at the 2022 PEFO. Gross debt is expected to stabilise at 36.7 per cent of GDP in 2026-27, 8.2 percentage points lower than the peak at the PEFO, before falling to 31.4 per cent in 2034-35. Gross debt as a share of GDP is higher in each year of the forward estimates compared to the 2024-25 Budget.

Net debt as a share of GDP is expected to be lower in 2024-25 and 2025-26, and higher in 2026-27 and 2027-28 compared to the 2024-25 Budget.

- Gross debt is estimated to be 34.0 per cent of GDP at 30 June 2025, 10.9 percentage points lower than estimated at the 2022 PEFO and 0.1 percentage points higher than estimated at the 2024-25 Budget.
- Net debt is estimated to be 19.6 per cent of GDP at 30 June 2025, 13.5 percentage points lower than estimated at the 2022 PEFO and 0.4 percentage points lower than estimated at the 2024-25 Budget.

Interest payments on AGS as a share of GDP are expected to be broadly unchanged from the 2024-25 Budget by the end of the forward estimates.

Interest payments on AGS are estimated to be \$22.9 billion in 2024-25, increasing to \$36.0 billion by 2027-28. Over the four years to 2027-28, total interest payments on AGS are expected to be \$4.2 billion higher than estimated at the 2024-25 Budget.

Australian Government Securities issuance

The Australian Government finances its activities either through receipts or borrowing. When receipts fall short of payments, the Government borrows by issuing AGS.

The Australian Office of Financial Management (AOFM) is responsible for issuing AGS and managing the Government's financing activities. The AOFM exercises operational independence in the execution of its duties. Further details on the AOFM's operations can be found in Appendix A of Budget Paper No.1 Statement 7: *Debt Statement* in the 2024-25 Budget and on the AOFM website at www.aofm.gov.au.

Estimates of AGS 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.¹ 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)² in each year of the forward estimates remains below \$1,200 billion.

Gross debt is estimated to be \$940 billion (34.0 per cent of GDP) at 30 June 2025, increasing to \$1,161 billion (36.7 per cent of GDP) at 30 June 2028. Gross debt is expected to be higher across each year of the forward estimates than at the 2024–25 Budget. This is primarily driven by a deterioration in the headline cash balance, compounded by the impact of higher yields on AGS. However, gross debt is still expected to remain lower across each year of the forward estimates than the 2022 PEFO.

Table 4.1 presents estimates of AGS on issue.

-
- 1 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.
 - 2 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 a given month-end in the particular year.

Table 4.1: Estimates of AGS on issue subject to the Treasurer’s Direction^{(a)(b)}

	Estimates			
	2024-25	2025-26	2026-27	2027-28
	\$b	\$b	\$b	\$b
Face value – end-of-year	940	1,028	1,100	1,161
Per cent of GDP	34.0	36.0	36.7	36.7
Face value – within-year peak(c)	950	1,028	1,102	1,174
Per cent of GDP(c)	34.4	36.0	36.7	37.1
<i>Month of peak(c)</i>	<i>Mar-25</i>	<i>Jun-26</i>	<i>Mar-27</i>	<i>Apr-28</i>
Market value – end-of-year	880	971	1,049	1,117
Per cent of GDP	31.9	34.0	35.0	35.3

- 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: AOFM

Changes in AGS on issue since the 2024–25 Budget

The increase in total face value of AGS on issue primarily reflects the cumulative deterioration of \$33.6 billion in the headline cash balance over the four years to 2027–28 since the 2024–25 Budget. This has been partially offset by the improved underlying cash balance outcome for 2023–24, which effectively pre-funds some of the Government’s future financing requirements.

Additionally, higher yields further contribute to higher estimates of AGS on issue. An increase in yields increases the deficit through higher interest payments but also impacts the face value of AGS required to meet the Government’s financing requirements. The majority of AGS on issue comprises fixed coupon bonds. When yields rise, the price investors are willing to pay for fixed coupon bonds falls so that the rate of return on the bonds adjusts to the prevailing market price or yield. As a result, more bonds need to be issued to raise the same volume of funds³. It is estimated that this dynamic has increased the face value of debt by \$7.0 billion over the forward estimates compared with the 2024–25 Budget.

³ For example, on 4 October 2023 the AOFM issued into an existing bond line with a maturity date of 21 June 2035 and a coupon rate of 2.75 per cent. The face value of issuance was \$800 million but the proceeds received was around \$669 million. The same Treasury Bond line was previously issued on 5 April 2023 when yields were substantially lower, and \$759 million was received for the same \$800 million of face value issued.

Table 4.2: Estimates of AGS on issue subject to the Treasurer’s Direction – reconciliation from the 2024–25 Budget to the 2024–25 MYEFO

	2024-25	2025-26	2026-27	2027-28
	\$b	\$b	\$b	\$b
Total face value of AGS on issue subject to the Treasurer’s Direction as at 2024-25 Budget	934	1,007	1,064	1,112
Factors affecting the change in face value of AGS on issue from 2024-25 Budget to 2024-25 MYEFO(a)				
Cumulative receipts decisions	-0.4	-0.7	-1.1	-1.7
Cumulative receipts variations	-5.3	-14.1	-17.1	-18.8
Cumulative payment decisions	2.5	11.0	16.2	19.1
Cumulative payment variations	1.9	6.5	16.4	23.0
Cumulative change in net investments in financial assets(b)	1.9	4.3	8.8	11.9
Other contributors	5.5	14.5	13.1	15.7
Total face value of AGS on issue subject to the Treasurer’s Direction as at 2024-25 MYEFO	940	1,028	1,100	1,161

a) Cumulative impact of decisions and variations from 2024–25 to 2027–28. 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 4.3 provides a breakdown of the AGS on issue by type of security as at 6 December 2024.

Table 4.3: Breakdown of current AGS on issue

	On issue as at 6 December 2024	
	Face value	Market value
	\$m	\$m
Treasury Bonds	841,249	777,279
Treasury Indexed Bonds	40,685	51,609
Treasury Notes	32,000	31,731
Total AGS subject to Treasurer’s Direction(a)	913,934	860,619
Other stock and securities	5	5
Total AGS on issue	913,939	860,624

a) Includes Green Treasury Bonds

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.

Source: AOFM.

Treasury Bonds

As at 6 December 2024, there were 29 Treasury Bond lines on issue, with a weighted average term to maturity of around 6.6 years and the longest maturity extending June 2054.

One Treasury Bond line is the Green Treasury Bond maturing in June 2034. The Government issued its first Green Treasury Bond in June 2024. Green Treasury Bonds provide financing or refinancing for specific government programs that drive Australia's net zero transition and deliver broader environmental benefits. Annual Allocation and Impact Reports for Green Treasury Bonds will be published from 2025.

Table 4.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 6 December 2024		Timing of interest payments ^(a)		
		\$m				
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	39,400		Twice yearly	21-Apr	21-Oct
2.75	21-Nov-27	35,300		Twice yearly	21-Nov	21-May
2.25	21-May-28	34,600		Twice yearly	21-May	21-Nov
2.75	21-Nov-28	40,500		Twice yearly	21-Nov	21-May
3.25	21-Apr-29	40,200		Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	37,700		Twice yearly	21-Nov	21-May
2.50	21-May-30	38,700		Twice yearly	21-May	21-Nov
1.00	21-Dec-30	39,500		Twice yearly	21-Dec	21-Jun
1.50	21-Jun-31	40,100		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	25,400		Twice yearly	21-Nov	21-May
3.75	21-May-34	24,200		Twice yearly	21-May	21-Nov
4.25	21-Jun-34	7,600		Twice yearly	21-Jun	21-Dec
3.50	21-Dec-34	22,400		Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	20,250		Twice yearly	21-Jun	21-Dec
4.25	21-Dec-35	14,300		Twice yearly	21-Dec	21-Jun
3.75	21-Apr-37	16,200		Twice yearly	21-Apr	21-Oct
3.25	21-Jun-39	10,800		Twice yearly	21-Jun	21-Dec
2.75	21-May-41	14,900		Twice yearly	21-May	21-Nov
3.00	21-Mar-47	14,200		Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	20,200		Twice yearly	21-Jun	21-Dec
4.75	21-Jun-54	8,300		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 6 December 2024, there were seven Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of around 9.1 years and the longest maturity extending to February 2050.

Table 4.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 6 December 2024		Timing of interest payments ^(a)				
		\$m						
3.00	20-Sep-25	4,042	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun	
0.75	21-Nov-27	7,250	Quarterly	21-Nov	21-Feb	21-May	21-Aug	
2.50	20-Sep-30	7,142	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun	
0.25	21-Nov-32	5,550	Quarterly	21-Nov	21-Feb	21-May	21-Aug	
2.00	21-Aug-35	6,250	Quarterly	21-Aug	21-Nov	21-Feb	21-May	
1.25	21-Aug-40	5,900	Quarterly	21-Aug	21-Nov	21-Feb	21-May	
1.00	21-Feb-50	4,550	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 6 December 2024, there were eight Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 4.6: Treasury Notes on issue

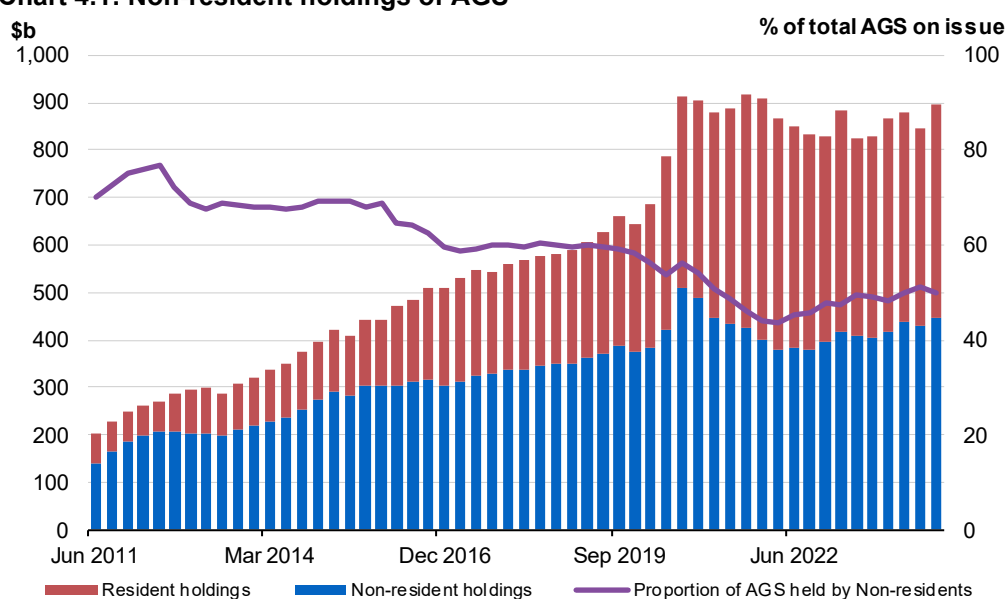
Maturity	On issue as at 6 December 2024		Timing of interest payment	
	\$m			
13-Dec-24	6,000	At maturity		13-Dec
31-Jan-25	7,000	At maturity		31-Jan
14-Feb-25	5,000	At maturity		14-Feb
28-Feb-25	3,000	At maturity		28-Feb
14-Mar-25	4,000	At maturity		14-Mar
28-Mar-25	3,000	At maturity		28-Mar
11-Apr-25	3,000	At maturity		11-Apr
9-May-25	1,000	At maturity		9-May

Source: AOFM.

Non-resident holdings of AGS on issue

As at the September 2024 quarter, the proportion of non-resident holdings of AGS was 50 per cent (Chart 4.1). This proportion is down from historical highs of around 77 per cent in 2012. While the value of non-resident holdings of AGS has 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. In addition, the Reserve Bank of Australia's bond purchase operations in 2020 and 2021 reduced the amount of AGS available to other investors, including non-residents.

Chart 4.1: 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 September 2024, 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 4.7: Liabilities and assets included in net debt

	Estimates			
	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m
Liabilities included in net debt				
Deposits held	418	418	418	418
Government securities(a)	879,842	971,247	1,049,123	1,116,785
Loans	32,250	33,488	34,277	34,430
Lease liabilities	18,066	17,103	16,155	15,935
Total liabilities included in net debt	930,575	1,022,257	1,099,974	1,167,568
Assets included in net debt				
Cash and deposits	72,301	73,883	68,195	64,274
Advances paid	67,346	79,247	94,017	106,829
Investments, loans and placements	250,888	259,819	268,569	287,863
Total assets included in net debt	390,536	412,949	430,782	458,967
Net debt	540,039	609,307	669,192	708,601

a) Government securities are presented at market value.

Changes in net debt since the 2024–25 Budget

Net debt is expected to be lower across the first two years of the forward estimates, and higher in the last two years of the forward estimates compared to the 2024–25 Budget. These movements primarily reflect changes to the financing requirement being offset by greater cash and deposits held across the forward estimates. The slight increase in yields since the 2024–25 Budget has also decreased the market value of AGS on issue, further improving net debt across the forward estimates.

Table 4.8: Net debt – reconciliation from the 2024–25 Budget to the 2024–25 MYEFO

	2024-25	2025-26	2026-27	2027-28
	\$b	\$b	\$b	\$b
Net debt as at 2024-25 Budget (\$b)	552.5	615.5	660.0	697.5
Changes in financing requirement	6.6	18.6	30.5	41.2
Impact of yields on AGS	-12.7	-10.1	-7.5	-4.6
Asset and other liability movements	-6.4	-14.7	-13.9	-25.5
<i>Cash and deposits</i>	-10.3	-16.4	-13.6	-14.5
<i>Advances paid</i>	5.8	4.3	0.6	-1.7
<i>Investments, loans and placements</i>	-1.3	-2.4	-1.1	-9.7
<i>Other movements</i>	-0.7	-0.3	0.1	0.5
Total movements in net debt from 2024-25 Budget to 2024-25 MYEFO	-12.5	-6.2	9.1	11.1
Net debt as at 2024-25 MYEFO (\$b)	540.0	609.3	669.2	708.6

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.

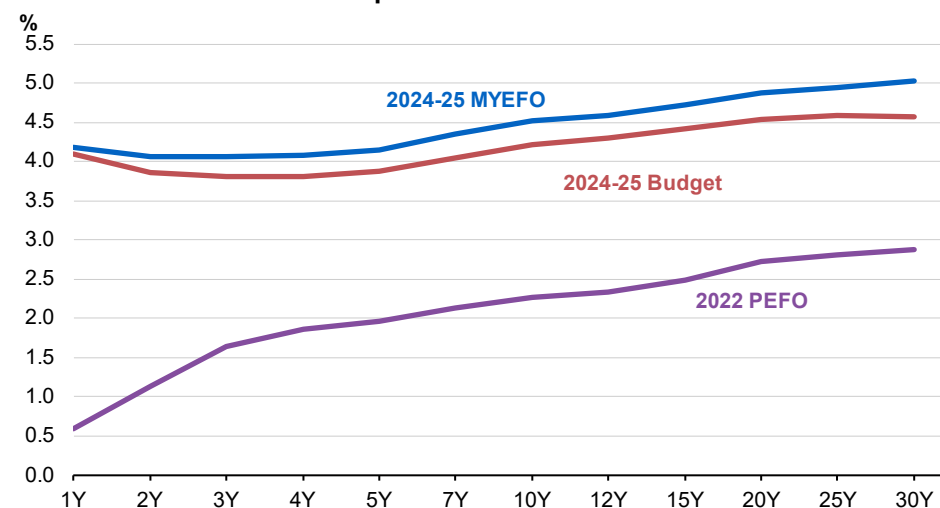
- The cost of AGS already on issue reflects the actual yield at the time of issuance.
- The expected cost of future AGS issuance is based on a recent average of daily spot rates across the yield curve at the time of a budget estimates update.

Interest payments on AGS are estimated to be higher across each year of the forward estimates compared to the 2024–25 Budget. The increase is driven by the increased borrowing requirement compared to the 2024–25 Budget, compounded by higher bond yields.

Chart 4.2 shows the yield curve assumptions underpinning the 2022 PEFO, 2024–25 Budget and the 2024–25 MYEFO. Yields are generally higher compared to the 2024–25 Budget and remain significantly higher than the 2022 PEFO. Since the 2024–25 Budget, yields have remained volatile. These movements reflect changes in market expectations for inflation, future cash rates and economic uncertainty more broadly.

The assumed weighted average cost of borrowing has increased to 4.4 per cent for future issuance of Treasury Bonds over the forward estimates in this update, broadly reflecting global trends in volatility of yields. This is higher than the assumed weighted average yields of 4.2 per cent at the 2024–25 Budget and 2.2 per cent at the 2022 PEFO.

Chart 4.2: Yield curve assumptions from 2024–25 to 2027–28



Source: AOFM.

By the end of the forward estimates total interest payments are estimated to be \$37.6 billion, of which \$36.0 billion relates to AGS on issue (Table 4.9). Compared to the 2024–25 Budget, total interest payments as a share of GDP are estimated to remain the same in 2024–25, 2025–26 and 2026–27, and 0.1 percentage points higher in 2027–28. This increase is driven by the increased borrowing requirement and higher yields since the 2024–25 Budget.

Interest receipts are estimated to be higher across each year of the forward estimates than at the 2024–25 Budget.

Net interest payments as a share of GDP are estimated to remain unchanged in 2024–25 at 0.5 per cent, compared to 2024–25 Budget. Net interest payments are expected to increase to 0.9 per cent of GDP by 2027–28, 0.1 percentage points higher than at the 2024–25 Budget.

Table 4.9: Interest payments, interest receipts and net interest payments^(a)

	Estimates			
	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m
Interest payments on AGS	22,921	26,727	29,399	36,006
Per cent of GDP	0.8	0.9	1.0	1.1
Interest payments(b)	24,579	28,147	30,840	37,574
Per cent of GDP	0.9	1.0	1.0	1.2
Interest receipts	9,968	9,659	9,222	10,120
Per cent of GDP	0.4	0.3	0.3	0.3
Net interest payments(c)	14,611	18,488	21,618	27,454
Per cent of GDP	0.5	0.6	0.7	0.9

- 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) Interest payments include interest payments on AGS, loans and other borrowing, as well as interest payments on lease liabilities.
- c) 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.

Table 4.10 shows changes in interest expense, interest income and net interest expense over the forward estimates.

Table 4.10: Interest expense, interest income and net interest expense^(a)

	Estimates			
	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m
Interest expense on AGS	24,355	28,953	33,887	38,328
Per cent of GDP	0.9	1.0	1.1	1.2
Total interest expense(b)	31,499	39,621	41,851	45,873
Per cent of GDP	1.1	1.4	1.4	1.5
Interest income	11,046	11,039	11,095	12,274
Per cent of GDP	0.4	0.4	0.4	0.4
Net interest expense(c)	20,453	28,582	30,756	33,599
Per cent of GDP	0.7	1.0	1.0	1.1

- 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) 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.