

2011-12 Final Budget Outcome

September 2012

On Monday 24 September 2012, Deputy Prime Minister and Treasurer, the Hon. Wayne Swan MP, together with Minister for Finance and Deregulation Senator the Hon. Penny Wong, released the 2011-2012 Final Budget Outcome. In releasing the Final Budget Outcome, Treasurer Swan reaffirmed the Government's commitment to return the budget to surplus in 2012-13, although he noted that the decline in commodity prices in recent months will require the Government to find additional savings in order to do so.

An electronic copy of the Final Budget Outcome is available in full [here](#).

The Final Budget Outcome

As required by the Charter of Budget Honesty Act 1998, the Final Budget Outcome 2011-12 has been provided within three months of the end of the financial year. Consistent with the requirements of the Charter, the report of the Final Budget Outcome encompasses Australian Government general government sector fiscal outcomes for the 2011-12 financial year and is based on external reporting standards.

The key points of the Final Budget Outcome include:

- **Cash Balance**

In 2011-12, the Australian Government general government sector recorded an underlying cash deficit of \$43.7 billion, equivalent to 3.0 per cent of GDP. This is less than half the average budget deficit recorded for the major advanced economies in 2011. It also compares to deficits of around 10 per cent of GDP in the United States and around 9 per cent of GDP in the United Kingdom. The fiscal balance was in deficit by \$44.5 billion (3.0 per cent of GDP).

In cash terms, the Final Budget Outcome for 2011-12 was a \$661 million improvement compared with the underlying cash deficit estimated at the 2012-13 Budget. This is the smallest variation between the budget estimate and outcome for a decade. This small improvement was the result of total cash receipts (excluding Future Fund earnings) being \$356 million higher than expected and total cash payments \$305 million lower than expected. The reduction in total cash payments primarily reflected lower-than-expected payments across a range of demand-driven and grant-based programs.

- **Tax Receipts**

Tax receipts for 2011-12 were broadly in line with the forecast at the 2012-13 Budget, with total tax receipts around \$290 million (0.1 per cent) higher than forecast. This slight increase is consistent with solid wages and employment growth. However, this figure includes a significant fall of \$876 million in company tax receipts due largely to lower corporate profits.

The Treasurer noted that the impact of the global financial crisis is still being felt in taxation collections, which remain low as a proportion of GDP by historical standards, with accumulated losses continuing to flow through the tax system. Tax receipts in 2011-12 were around \$26 billion or 7.8 per cent below the level that was forecast in the 2008-09 Budget before the crisis. The tax-to-GDP ratio is expected to continue to recover through 2012-13, while remaining well below the pre-crisis projection.

- **Net Debt**

Australian Government general government sector net debt was \$147.3 billion, equivalent to 10.0 per cent of GDP. This result is \$4.8 billion higher than estimated at the time of the 2012-13 Budget. The change was primarily driven by the higher-than-expected market value of Commonwealth Government Securities, owing to lower than expected yields. The Treasurer noted that this net debt level is dramatically lower than the net debt positions for the major advanced economies, which averaged around 83.5 per cent of GDP in 2011.

Australian Government general government sector net financial worth was -\$358.3 billion at the end of 2011-12. Net worth was -\$247.2 billion at the end of 2011-12.

Table 1: Australian Government general government sector budget aggregates

	2010-11 Outcome	2011-12 Estimate at 2012-13 Budget	2011-12 Outcome
	\$b	\$b	\$b
Receipts(a)	302.0	330.0	329.9
Per cent of GDP	21.6	22.3	22.5
Payments(b)	346.1	371.3	371.0
Per cent of GDP	24.7	25.1	25.3
Future Fund earnings	3.7	3.0	2.6
Underlying cash balance(c)	-47.7	-44.4	-43.7
Per cent of GDP	-3.4	-3.0	-3.0
Revenue(a)	309.9	336.4	338.1
Per cent of GDP	22.1	22.8	23.0
Expenses	356.1	373.7	377.7
Per cent of GDP	25.5	25.3	25.7
Net operating balance	-46.2	-37.3	-39.6
Net capital investment	5.3	4.7	4.9
Fiscal balance	-51.5	-42.0	-44.5
Per cent of GDP	-3.7	-2.8	-3.0
<i>Memorandum item:</i>			
Headline cash balance	-51.1	-48.4	-47.0

(a) Includes Future Fund earnings.

(b) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(c) Excludes Future Fund earnings.



Background: The 2011-12 Budget

The 2011-12 Final Budget Outcome relates to the 2011-12 Federal Budget, which was handed down by Deputy Prime Minister and Treasurer Wayne Swan on 11 May 2011. It was the fourth Federal Budget delivered by Treasurer Swan and the first of the Gillard Labor Government. The budget reflected the Government's determination to return to surplus by 2012-13, and incorporated the adverse economic effects and significant spending that had been required following several natural disasters. Specifically, the Budget noted that:

- The domestic natural disasters were expected to reduce real GDP growth in 2010-11 by 0.5 per cent;
- The domestic natural disasters were expected to reduce real production by \$9 billion;
- Australia's GDP was significantly higher than its pre-GFC level, while many other advanced economies are still struggling; and
- The Government forecast a deficit of \$22.6 billion in 2011-12, more than half the forecast deficit from 2010-11 and below pre-Budget forecasts.

Hawker Britton's full analysis of the 2011-12 Federal Budget is available [here](#). The 2011-12 Mid-Year Economic and Fiscal Outlook, released on 29 November 2011, is available [here](#).

Background: The 2012-13 Budget

On 8 May 2012, Treasurer Swan delivered the 2012-13 Federal Budget. Hawker Britton's full analysis of the 2012-13 Federal Budget is available [here](#).

The Government will report on progress in delivering the 2012-13 Budget in the Mid-Year Economic and Fiscal Outlook, which is due to be released before the end of the year. The Final Budget Outcome for the 2012-13 Federal Budget will be released within three months of the end of the 2012-13 financial year.