

MONTHLY FINANCIAL STATEMENTS

Key Message:

- The January year-to-date (YTD) results are worse than expected compared with the 2019-20 MYEFO profile.
- The **underlying cash balance deficit** is **\$26.6 billion**, which is \$3.7 billion higher (worse) than the MYEFO profile deficit of \$22.9 billion.
 - Total tax and non-tax receipts are \$4.8 billion lower (worse) than profiled.
 - Total payments are \$1.1 billion lower (better) than profiled.
- Monthly results are generally volatile due to timing differences between revenue and receipts, and expenses and payments.
 - Care needs to be taken when comparing monthly or cumulative data across years and to full-year estimates, as revenue and receipts and expenses and payments vary month to month.

Key Facts And Figures:

- The January 2020 Monthly Financial Statements was released on 28 February 2020.
- The **underlying cash balance deficit** is **\$26.6 billion**, which is \$3.7 billion higher (worse) than the MYEFO profile deficit of \$22.9 billion.
 - **Tax receipts are \$5.1 billion lower (worse) than profiled.**
 - **Lower total payments of \$1.1 billion** is primarily due to lower than expected personal benefits, grants and subsidies payments.
- The **net operating balance (NOB) deficit** is **\$19.9 billion**, which is \$1.3 billion higher (worse) than the MYEFO profile deficit of \$18.6 billion.
 - This difference results from:
 - : **Lower than expected revenue (\$1.8 billion)**, primarily due to lower than expected individuals and other withholding, customs duty collections and superannuation funds tax revenue, partially offset by higher than expected other revenue.
 - : **Lower than expected expenses (\$433 million)**, primarily due to lower wages and salaries, current and capital grants, and personal benefits expenses, partially offset by higher than expected supply of goods and services expenses.

Coalition Action:

- The Government's fiscal strategy is to achieve budget surpluses, on average, over the course of the economic cycle.
- The 2018-19 Final Budget Outcome showed that the budget has returned to balance for the first time in 11 years. The Government's responsible budget management has ensured the budget has the capacity to deal with immediate challenges, including the bushfires and the ongoing drought.

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QTB Number	QB18-000006	Adviser	s 22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division Name		
Office Responsible	Treasurer	Date of Update	3 March 2020

MONTHLY FINANCIAL STATEMENTS

Background:

- The *Public Governance, Performance and Accountability Act 2013* requires that the Minister for Finance publish monthly financial statements on a basis consistent with the Budget, as soon as practicable after the end of each month.
- On 28 February 2020, Senator the Hon. Mathias Cormann released an additional media release on the January Monthly Financial Statements. His key remarks included:
 - “This not indicative of a trend in the overall budget position or expected final budget outcome.”
 - “We consistently caution, monthly results are inevitably volatile due to timing differences between when receipts are received and when payments are made.”
 - “The months of December and January over the years have consistently been two of the most volatile with the highest deviation from the indicative profile.”
 - “Also, historically, payments exceed receipts until the latter half of the financial year which generally results in the monthly profiles for the first half of the financial year being lower than the final budget outcome.”
 - “The Government is of course very conscious of the fact that the coronavirus, following on from the drought and bushfires, will have a negative impact on our economy and consequently is likely to have an impact on our Budget.”
 - “However it remains too early to assess precisely what that impact will be. We will reconcile all of the relevant data and revised forecasts and projections in the 2020-21 Budget to be delivered on the second Tuesday in May.”

QTB Number	QB18-000006	Adviser	s22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division Name		
Office Responsible	Treasurer	Date of Update	3 March 2020

MONTHLY FINANCIAL STATEMENTS

Key Message:

- The February year-to-date (YTD) results are worse than expected compared with the 2019-20 MYEFO profile.
- The **underlying cash balance deficit** is **\$16.3 billion**, which is \$2.6 billion higher (worse) than the MYEFO profile deficit of \$13.7 billion.
 - Total tax and non-tax receipts are \$5.5 billion lower (worse) than profiled.
 - Total payments are \$2.9 billion lower (better) than profiled.
- Monthly results are generally volatile due to timing differences between revenue and receipts, and expenses and payments.
 - Care needs to be taken when comparing monthly or cumulative data across years and to full-year estimates, as revenue and receipts and expenses and payments vary month to month.

Key Facts And Figures:

- The February 2020 Monthly Financial Statements were released on 27 March 2020.
- The **underlying cash balance deficit** is **\$16.3 billion**, which is \$2.6 billion higher (worse) than the MYEFO profile deficit of \$13.7 billion.
 - **Tax receipts are \$5.3 billion** lower (worse) than profiled.
 - **Total payments are around \$2.9 billion** lower (better) than profile primarily due to lower than expected grants and subsidies payments, other payments and personal benefit payments.
- The **net operating balance (NOB) deficit** is **\$10.6 billion**, which is \$1.5 billion higher (worse) than the MYEFO profile deficit of \$9.1 billion.
 - This difference results from:
 - : **Lower than expected revenue (\$3.2 billion)**, primarily due weakness across various heads of taxation revenue, partially offset by higher than expected other revenue across a range of revenue sources.
 - : **Lower than expected expenses (\$1.7 billion)**, primarily due to lower current and capital grants and wages and salaries, partially offset by higher than expected supply of goods and services expenses.

Coalition Action:

- The Government's responsible budget management over the last six and a half years has ensured that the budget has the capacity to respond to the immediate challenges that are being faced (including COVID-19, the bushfires and the ongoing drought) without undermining the structural integrity of the budget.
- The 2018-19 Final Budget Outcome showed that the budget has returned to balance for the first time in 11 years.

QTB Number	QB18-000006	Adviser	s22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division Name		
Office Responsible	Treasurer	Date of Update	03 April 2020

MONTHLY FINANCIAL STATEMENTS

Background:

- The *Public Governance, Performance and Accountability Act 2013* requires that the Minister for Finance publish monthly financial statements on a basis consistent with the Budget, as soon as practicable after the end of each month.

QTB Number	QB18-000006	Adviser	s22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division Name		
Office Responsible	Treasurer	Date of Update	03 April 2020

MONTHLY FINANCIAL STATEMENTS

Key Message:

- The March year-to-date (YTD) results are worse than expected compared with the 2019-20 MYEFO profile.
- The **underlying cash balance deficit** is **\$22.4 billion**, which is \$9.9 billion higher (worse) than the MYEFO profile deficit of \$12.5 billion.
 - Total tax and non-tax receipts are \$11.3 billion lower (worse) than profiled.
 - Total payments are \$1.4 billion lower (better) than profiled.
- Monthly results are generally volatile due to timing differences between revenue and receipts, and expenses and payments.
 - Care needs to be taken when comparing monthly or cumulative data across years and to full-year estimates, as revenue and receipts and expenses and payments vary month to month.

Key Facts And Figures:

- The March 2020 Monthly Financial Statements were released on 24 April 2020.
- The **underlying cash balance deficit** is **\$22.4 billion**, which is \$9.9 billion higher (worse) than the MYEFO profile deficit of \$12.5 billion.
 - **Tax receipts are \$11.4 billion lower** (worse) than profiled.
 - **Total payments are around \$1.4 billion lower** (better) than profiled primarily due to lower than expected grants and subsidies payments, partially offset by higher payments for goods and services.
- The **net operating balance (NOB) deficit** is **\$20.4 billion**, which is \$8.8 billion higher (worse) than the MYEFO profile deficit of \$11.7 billion.
 - This difference results from:
 - : **Lower than expected revenue (\$4.7 billion)**, primarily due to weakness across various heads of taxation revenue, partially offset by higher than expected other revenue.
 - : **Higher than expected expenses (\$4.0 billion)**, primarily due to higher than expected personal benefits and supply of goods and services expenses, partially offset by lower current and capital grants expenses.

Coalition Action:

- The Government's responsible budget management over the last six and a half years has ensured flexibility to respond to the serious economic challenges posed by the coronavirus without undermining the structural integrity of the budget.
- The 2018-19 Final Budget Outcome showed that the budget has returned to balance for the first time in 11 years.

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Contact Officer	s22 [REDACTED]	Contact Number	s22 [REDACTED]
Division responsible	Budget Policy Division Name		
Office Responsible	Treasurer	Date of Update	5 May 2020

MONTHLY FINANCIAL STATEMENTS

Background:

- The *Public Governance, Performance and Accountability Act 2013* requires that the Minister for Finance publish monthly financial statements on a basis consistent with the Budget, as soon as practicable after the end of each month.

QTB Number	QB18-000006	Adviser	s22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division Name		
Office Responsible	Treasurer	Date of Update	5 May 2020

TREASURY MINISTERIAL SUBMISSION

08 May 2020

PDR No. MS20-000927

Treasurer

DELOITTE ACCESS ECONOMICS BUDGET MONITOR MAY 2020**TIMING:** The Budget Monitor (Attachment A) is embargoed until 11 May 2020.**Key Extracts:**

“Yes, the budget is badly bent, but it’s not broken. Today’s emergency policy measures are temporary. When they’re gone, the budget will still be running big deficits: but that will be because the economy is still weak. If our economy gets better, the budget will too.”

“So rapid budget repair would be misguided: the budgetary damage isn’t structural, but the damage to our economy and our jobs would be if we start raising taxes and cutting spending.”

KEY POINTS

- The Deloitte Access Economics (Deloitte) Budget Monitor estimates an underlying cash deficit of \$143.1 billion in 2019-20 and \$131.6 billion in 2020-21, before improving to smaller deficits of \$51.6 billion and \$32.6 billion in 2021-22 and 2022-23 respectively.

Table 1: Deloitte Budget Monitor estimates of key aggregates

	2019-20	2020-21	2021-22	2022-23	Total*
	\$b	\$b	\$b	\$b	\$b
Receipts	474.5	444.8	476.3	505.3	1900.9
Payments	612.1	576.4	527.9	538.0	2254.4
Underlying cash balance	-143.1	-131.6	-51.6	-32.6	-358.9
Structural cash underlying	-162.0	-109.8	-11.4	-2.0	0.0

*Note Deloitte only publishes four years of forward estimates

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Manager, Budget Estimates and Analysis Unit
Budget Policy Division Ext: s22

Contact Officer: s22

Ext: s22

Consultation: Tax Analysis Division, Macroeconomic Conditions Division, Macroeconomic Modelling and Policy Division, JobKeeper Division, Environment, Industry and Infrastructure Division.

REVENUE

“The proverbial just hit the budgetary fan: Some of the damage is due to tax measures such as accelerated depreciation. But the overwhelming bulk of the damage to the tax take is due to the damage to the economy.”

“The upshot is an enormous hit to revenues. Relative to the official forecasts unveiled just before Christmas, revenues are set to fall short by \$29 billion (or 6%) in 2019-20, and that is set to be followed by a shortfall of some \$72 billion (16%) in 2020-21. And that’s a good thing: it’s \$100 billion left in the hands of families and businesses at a time when they really need it.”

- Deloitte forecasts total revenues to be significantly weaker than the MYEFO estimates for 2019-20 across all tax bases. This is primarily driven by weakened economic conditions, with tax policy responses to COVID-19 playing a relatively minor role.
- Individual income taxes are the Budget’s largest source of revenue, and Deloitte forecast reductions in revenue of \$14.5 billion in 2019-20 and \$36.5 billion in 2020-21.
 - In dollar terms, the largest write-down comes from PAYG income taxes, while the largest write down as a proportion of the tax base is in ‘Other Individuals’ which captures the taxes paid by small businesses. Refunds are also forecast to rise.
- Proportionally, the reductions in corporate and other non-individual income taxes is expected to be greater than the reduction to the personal income tax, with a downgrade since MYEFO of \$8.3 billion in 2019-20 and \$26.3 billion in 2020-21.
 - The corporate income tax is predicted to fall by \$8.0 billion in 2019-20 and \$18.3 billion in 2020-21 as the result of falling corporate profits and represents the majority of the downgrade to profit taxes.
 - Taxes on Australia’s gas sector are heavily hit by falls in the global energy price.
 - Taxes on superannuation also fall heavily as a result of lower earnings, lower capital gains and lower superannuation contributions.

- Indirect tax forecasts have also been revised down significantly on the basis of lower household consumption. Deloitte is forecasting a fall of \$5.6 billion in 2019-20 and \$9.9 billion in 2020-21.
 - GST revenue is forecast to fall by \$4.6 billion in 2019-20 and \$7.8 billion in 2020-21 as a result of lower consumption and lower housing sales.
- Deloitte note that the negative impact on tax revenues will continue for several years, noting that:
 - The treatment of accumulated losses in the company tax, super taxes, resource rent taxes, and capital gains taxes will reduce revenues for several years after the economy recovers.
 - The economy may take a long time to recover from the current situation.

EXPENSES

“Spending is surging due to policy decisions such as JobKeeper and JobSeeker”

“All up, \$209 billion of policy announcements have been made, almost all adding to spending rather than cutting revenue. But we estimate the actual cost of fighting to protect lives and livelihoods may weigh in at \$199 billion – still stupendous, but a little less than announced.”

“The recession also adds to spending amid higher unemployment, increased government borrowing, and a lower SA. But the impact of these automatic stabilisers is pretty small amid the budget dramas of the moment, as there are largely offsetting savings via weaker wages and prices and lower interest rates.”

- Deloitte calculate that new spending since MYEFO has totalled \$209 billion, the majority of which can be attributed to the Government’s three stimulus packages to address the economic impacts COVID-19.
 - Deloitte estimates that the cost of the JobKeeper is likely be closer to \$100 billion rather than the Government announced \$130 billion. Deloitte suggest this is due to the JobKeeper scheme being introduced at a time when the number of Australians with COVID-19 was at its peak and therefore costed on a worst-case-scenario basis.
- In addition, Deloitte projects that the overall impact of automatic stabilisers is expected to increase spending by \$1.8 billion in 2019-20 and a further \$3.1 billion in 2020-21.
- Deloitte project smaller underlying cash deficits of \$51.6 billion and \$32.6 billion respectively in 2021-22 and 2022-23 respectively, predominantly driven by COVID-19 stimulus spending phasing out.

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- In regards to the budget balance, Deloitte forecasts the JobKeeper payment will cost 'a smidge' less than the \$130 billion forecast.

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DEBT

“Had we entered this crisis with the debts and deficits of the US then, even after allowing for our much smaller economy, our budget would have been in deficit by almost \$100 billion (rather than in balance) and debt would have been \$1.6 trillion (instead of \$392 billion). That gave us political permission to mount a bipartisan fight to protect lives.”

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MONTHLY FINANCIAL STATEMENTS

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Key Message:

- The April year-to-date (YTD) results are worse than expected compared with the 2019-20 MYEFO profile.
 - The results include the impact of the Government’s response to COVID-19.
- The **underlying cash balance deficit is \$40.0 billion**, which is \$32.4 billion higher (worse) than the MYEFO profile deficit of \$7.6 billion.
 - Total tax and non-tax receipts are \$20.4 billion lower (worse) than profiled.
 - Total payments are \$12.0 billion higher (worse) than profiled.
- Monthly results are generally volatile due to timing differences between revenue and receipts, and expenses and payments.
 - Care needs to be taken when comparing monthly or cumulative data across years and to full-year estimates, as revenue and receipts and expenses and payments vary month to month.

Key Facts And Figures:

- The April 2020 Monthly Financial Statements were released on 29 May 2020.
- The **underlying cash balance deficit is \$40.0 billion**, which is \$32.4 billion higher (worse) than the MYEFO profile deficit of \$7.6 billion.
 - **Tax receipts are \$19.8 billion lower** (worse) than profiled, driven by below profile collections across both income and indirect taxes.
 - **Total payments are around \$12.0 billion higher** (worse) than profiled primarily reflecting the Government’s response to COVID-19, including the following key decisions:
 - : Boosting cash flow for employers
 - : Economic stimulus payments – a one-off \$750 stimulus payment to pensioners, social security, veteran and other income support recipients and eligible concession card holders
 - : National Medical Stockpile – Purchase of Masks, Other Personal Protective Equipment and Pharmaceuticals
 - : National partnership agreement on a joint COVID-19 public health response
 - : Partnership with private health sector to ensure viability and capacity during the COVID-19 response.

QTB Number	QB18-000006	Adviser	s22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division Name		
Office Responsible	Treasurer	Date of Update	03 June 2020

MONTHLY FINANCIAL STATEMENTS

- The **net operating balance (NOB) deficit** is **\$28.9 billion**, which is \$26.7 billion higher (worse) than the MYEFO profile deficit of \$2.2 billion. This difference results from:
 - **Lower than expected revenue (\$11.1 billion)**, primarily due to weakness across various heads of taxation revenue and interest income, partially offset by higher than expected other revenue.
 - **Higher than expected expenses (\$15.6 billion)**, primarily due to higher than expected personal benefits, subsidy expenses, mutually agreed write-downs and supply of goods and services expenses, partially offset by lower current and capital grants expenses.

Coalition Action:

- The Government’s responsible budget management over the last six and a half years has ensured flexibility to respond to the serious economic challenges posed by the coronavirus without undermining the structural integrity of the budget.
- The 2018-19 Final Budget Outcome showed that the budget has returned to balance for the first time in 11 years.

Background:

- The *Public Governance, Performance and Accountability Act 2013* requires that the Minister for Finance publish monthly financial statements on a basis consistent with the Budget, as soon as practicable after the end of each month.
- On 29 May 2020, Senator the Hon. Mathias Cormann released an additional media release on the April Monthly Financial Statements. His key remarks included:
 - “As we have made clear for some time, the COVID-19 pandemic is having a negative impact on our Budget bottom line both because of the negative impact of this health crisis on economic parameters and the fiscal impact of the policy decisions required to support Australians through this period.”
 - “The Government is helping to keep businesses in business, Australians in jobs and to support those who lost their job with \$259 billion or 13.3 per cent of GDP announced in total economic support.”
 - “The fiscal impact of our historically significant support measures is also temporary, limited to the 2019-20 and 2020-21 financial years and is not baking material structural burdens into the Budget bottom line beyond that period.”

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MONTHLY FINANCIAL STATEMENTS

- “Nevertheless, the April Monthly Financial Statements reflect both the impact of the current economic impact of the coronavirus pandemic on both revenue and payments as well as the fiscal impact of the additional economic support measures we have put in place since MYEFO 2019-20.”

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Office Responsible	Treasurer	Date of Update	03 June 2020

BUDGET - FISCAL OVERVIEW AND OUTLOOK

Key Message:

- The Government entered the coronavirus crisis in a position of economic strength, having returned the Budget to balance for the first time in 11 years.
- The Government has taken decisive and unprecedented action to protect Australians and the economy from the effects of the coronavirus, providing \$259 billion or 13.3 per cent of GDP in support for workers, households and business.
- The Government will release an economic and fiscal update on 23 July 2020 and the 2020-21 Budget on 6 October 2020.

Key Facts And Figures:

- The Government's economic response to the Coronavirus crisis is providing \$259 billion or 13.3 per cent of GDP in support for workers, households and business.
- The Government continues to provide updates on the fiscal position through the release of monthly financial statements. See QB18-000006 — Monthly Financial Statements for more detail about the latest monthly financial statements.

Coalition Action:

- The position of strength from which we entered the crisis together with the unprecedented support has ensured we have had the capacity to respond.

Key Quotes:

“This uncertainty [with the effect of Coronavirus] makes it extremely difficult to formulate reliable economic and fiscal estimates over the next few months.

Having regard to this situation, the Government has decided to defer the 2020-21 Budget until 6 October 2020. This will provide more time for the economic and fiscal impacts of the coronavirus, both in Australia and around the world, to be better understood. It will also ensure that the 2020-21 Budget can set out the path to economic recovery.”

Joint Media Release with Finance Minister, 20 March 2020

“The scale of the economic shock is hitting the budget bottom line. The monthly financial statements for March provide the most recent report on the Budget position.

The unprecedented speed and scale of the Government's economic response has driven a rapid increase in borrowings. While there will be a significant increase in Government debt which will take many years to repay, our measures have been designed in a way that protect the structural integrity of the budget.

QTB Number	QB19-000055	Adviser	s22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division		
Office Responsible	Treasurer	Date of Update	03 June 2020

BUDGET - FISCAL OVERVIEW AND OUTLOOK

Australians know there is no money tree. What we borrow today, we must repay in the future. Temporary and targeted, the new spending measures were not designed to go forever but to build a bridge to the recovery phase.”

Ministerial Statement, 12 May 2020

“The Government has taken the decision to defer the economic and fiscal update to 23 July 2020, so that it can incorporate the outcomes of the JobKeeper review.

Delivering the update in July will also enable the economic and fiscal outlook to take account of progress made under the three step plan outlined by National Cabinet in early May which had the objective of seeing a sustainable COVID safe Australia in July 2020.

The Government will continue to provide updates on the fiscal position through the release of the Australian Government General Government Sector Monthly Financial Statements.”

Joint Media Release with Finance Minister, 3 June 2020

QTB Number	QB19-000055	Adviser	s22
Contact Officer	s22	Contact Number	s22
Division responsible	Budget Policy Division		
Office Responsible	Treasurer	Date of Update	03 June 2020

BUDGET - FISCAL OVERVIEW AND OUTLOOK

Background:

Final Budget Outcome

- The 2018-19 **Final Budget Outcome** was released on 19 September 2019. In 2018-19, for the first time in over 11 years, the Budget was in broad balance. The deficit of \$690 million represents 0.0 per cent of gross domestic product.
- The 2018-19 underlying cash deficit was \$0.7 billion, an improvement of \$13.8 billion compared with the estimate at the time of the 2018-19 Budget.
 - This improvement was the result of higher total receipts of \$11.5 billion and lower total payments of \$6.6 billion.
 - Net Future Fund earnings, which are excluded from the underlying cash balance, were \$4.3 billion higher than expected at the time of the 2018-19 Budget.
- During the shorter period from the 2019-20 Budget to the 2018-19 FBO, the underlying cash balance improved by \$3.5 billion, primarily driven by a \$4.6 billion reduction in payments.

Key facts from the 2019-20 MYEFO

- The 2019-20 MYEFO showed that the budget remained on track to return to surplus in 2019-20 for the first time in 12 years.
- The underlying cash balance was projected in the 2019-20 MYEFO to improve from broad balance in 2018-19 to a surplus of \$5.0 billion in 2019-20 (0.3 per cent of GDP). Underlying cash surpluses were expected to continue over the remaining years of the forward estimates and build over the medium term.
- Over the four years from 2019-20, the cumulative underlying cash surplus was expected to be \$23.5 billion.
- The Government had charted a responsible path back to surplus with the total improvement in the underlying cash balance between 2013-14 and 2019-20 expected to be 3.3 percentage points of GDP.
- The Government has taken a disciplined approach to prioritising new spending.
 - Since the 2016 election, the Government has implemented around \$70 billion of budget repair measures that have strengthened the budget position.
 - Real growth in spending was expected to average 1.3 per cent per annum between 2019-20 and 2022-23.
 - Spending on interest payments on government borrowing was expected to fall from \$19.0 billion in 2018-19 to \$14.5 billion by 2022-23.
- Net debt was expected to decline in each year of the forward estimates and the medium term, falling from 19.5 per cent of GDP in 2019-20 to 1.8 per cent of GDP by 2029-30.

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Office Responsible	Treasurer	Date of Update	03 June 2020