



**Australian
Bureau of
Statistics**

**30 JUNE 1987
Public Sector Debt
Australia**

Catalogue No. 5513.0

EMBARGOED UNTIL 11.30 A.M. 3 AUGUST 1989

NEW ISSUE

PUBLIC SECTOR DEBT, AUSTRALIA
30 JUNE 1987

IAN CASTLES
Australian Statistician

AUSTRALIAN BUREAU OF STATISTICS

CATALOGUE NO. 5513.0

© Commonwealth of Australia 1989

PHONE INQUIRIES	<ul style="list-style-type: none"> • <i>about these statistics</i>—contact B. Donaghue on Canberra (062) 52 6718 or any ABS State office. • <i>about other statistics and ABS services</i>—contact Information Services on Canberra (062) 52 6007, 52 6627, 52 5402 or any ABS State office.
MAIL INQUIRIES	<ul style="list-style-type: none"> • <i>write to Information Services</i>, ABS, P.O. Box 10, Belconnen, A.C.T. 2616 or any ABS State office.
ELECTRONIC	<ul style="list-style-type: none"> • on VIATEL — key *656#. • on AUSSTATS — phone (062) 52 6017. • on TELESTATS — phone (062) 52 5404.

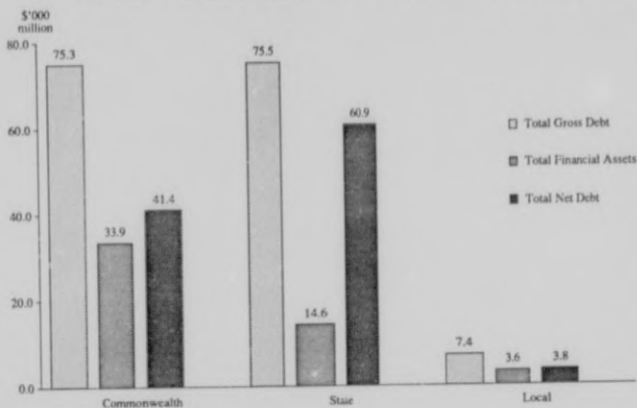
CONTENTS

<i>Table</i>	<i>Page</i>
. . . Summary of Findings	1
. . . Explanatory Notes	3
1. Indebtedness of the Commonwealth, State and Local Governments, by Institutional Sector	8
2. Indebtedness of the Commonwealth and State Governments to Non-Residents, by Institutional Sector	9

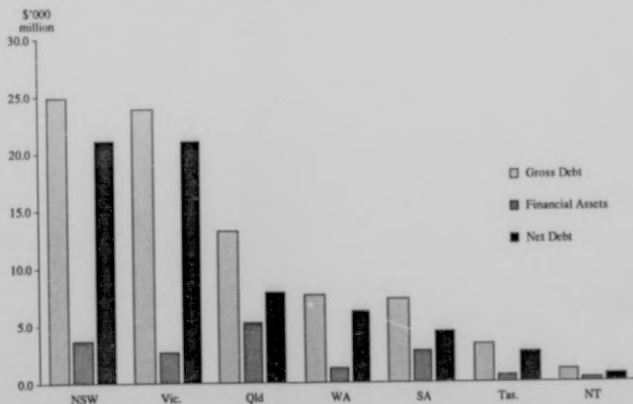
SUMMARY OF FINDINGS

The gross debt of the Australian non-financial public sector was \$130,202 million at 30 June, 1987. At that time the sector held financial assets valued at \$24,087 million, giving a net debt position of \$106,115 million. The Commonwealth's share of the net debt was \$41,425 million (39.0%), the States' share was \$60,867 million (57.4%) and local governments' share was \$3,823 million (3.6%).

COMMONWEALTH, STATE & LOCAL GOVERNMENTS : LIABILITIES, ASSETS & NET DEBT



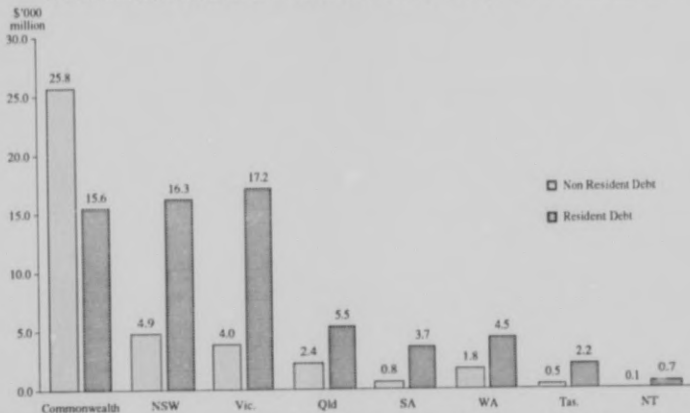
STATE & LOCAL GOVERNMENTS : LIABILITIES, ASSETS & NET DEBT



Australian residents held \$65,842 million (62.0%) of the net debt of the Australian non-financial public sector at 30 June, 1987 with the remaining \$40,273 million (38.0%) being held by non-residents. The Commonwealth's share of net debt to non-residents was \$25,816 million (64.1%) while the States' share was \$14,457 million (35.9%). The net debt to non-residents of the Australian non-financial public sector represented 48.8% of total net debt to non-residents at 30 June 1987.

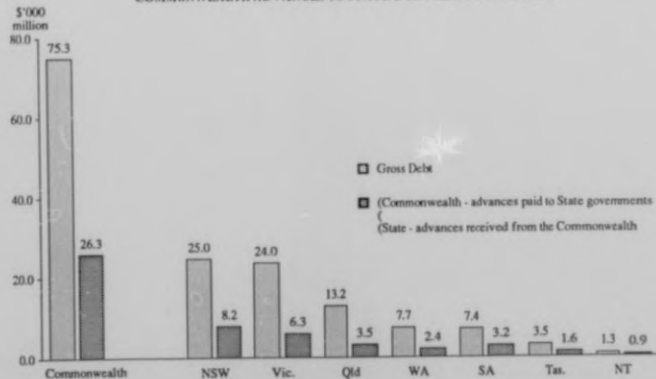
Note: The public sector net debt in this publication does not take account of foreign assets and liabilities of public sector financial institutions - see paragraphs 5 and 8 of explanatory notes. An important component of these assets are the official reserve assets held by the Reserve Bank of Australia. These totalled \$17,594 million at 30 June, 1987.

COMMONWEALTH, STATE & LOCAL GOVERNMENTS: NET DEBT HELD BY RESIDENTS & NON RESIDENTS



Commonwealth government gross debt at 30 June, 1987 included \$26,272 million (34.9%) of monies borrowed by the Commonwealth on behalf of State and local governments. The corresponding advances received by State governments from the Commonwealth comprised 32.0% of the gross debt of the State and local government sector.

COMMONWEALTH ADVANCES TO STATE & LOCAL GOVERNMENTS



EXPLANATORY NOTES

Introduction

This publication introduces a new series of statistics on the financial assets and liabilities of the Australian non-financial public sector. The sector comprises all bodies owned and controlled by the Commonwealth, State and local governments with the exception of financial institutions such as government banks and insurance offices.

2. Statistics are presented on the gross debt, financial assets and net debt of the non-financial public sector, and its components, as at 30 June 1987. A survey to obtain comparable statistics at 30 June, 1988 is underway and results will be available later this year. Regular annual surveys of public sector debt are expected to be conducted around October each year with results becoming available 3 to 4 months afterwards.

3. Table 1 presents statistics of gross indebtedness classified by type of liability, financial assets classified by type of asset, and net debt, which is defined as gross indebtedness less financial assets. These data are broken down by level of government (i.e. Commonwealth, State government by State, and local government) and institutional sector (i.e. general government and public trading enterprises).

4. Table 2 provides statistics of gross and net indebtedness to non-residents for the Commonwealth and each State government. Gross indebtedness to non-residents is broken down into debt denominated in Australian currency and debt denominated in foreign currency, and into debt domiciled in Australia and debt domiciled overseas.

Scope

5. The statistics in this publication cover public trading enterprises and general government bodies owned and controlled by the Commonwealth, State and local governments. Public trading enterprises are undertakings which aim at covering a substantial proportion of their expenses by revenue from the sale of goods and services. General government bodies are all the agencies of government not classified as public trading or financial enterprises, that is, all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. Public financial enterprises are bodies primarily engaged in financial transactions in the market involving both the incurring of liabilities and the acquisition of financial assets. They are excluded from the scope of public sector debt statistics so that these statistics are consistent in scope with ABS government finance statistics and because a large part of their operations is considered to have little in common with the operations of the non-financial public sector. All central borrowing authorities (CBAs) of State governments, except the Western Australian Treasury Corporation, were formerly classified as public financial enterprises. However, all CBAs are now classified as part of the general government sector. They are therefore included in these debt statistics.

6. Following an ABS review of the boundary between the public and private sectors in Australia, it has been decided that commodity marketing authorities established under Commonwealth or State legislation should be classified to the public sector. However, only a limited number of such bodies are presently covered in government finance statistics and to preserve consistency as far as possible between those statistics and public sector debt statistics only those marketing authorities covered in government finance statistics in 1986-87 have been included in public sector debt statistics at 30 June 1987. It is intended to progressively include the major marketing authorities in both government finance and public sector debt statistics.

7. Some enterprises included in government finance statistics which do not have significant holdings of financial assets and liabilities have not been included in the public sector debt statistics.

8. The Reserve Bank of Australia is classified as a public financial enterprise and accordingly is excluded from the scope of these statistics.

Interstate comparisons

9. Comparisons of public sector debt statistics for State governments may be significantly affected by differences between States in the mix of operations undertaken by State governments and local governments, with consequent differences in the ratio of debt held between these two sectors. Gross and net debt statistics are provided for the combined State and local government sectors for each State to facilitate interstate comparisons.

10. Statistics presented here for net debt are derived by subtracting financial assets from liabilities. *It should be noted, however, that non-financial assets are not included in the scope of the statistics. Differences between the net debt positions of State governments may therefore reflect differences in the extent to which those governments have chosen to hold financial assets vis-a-vis non-financial assets (e.g. buildings, plant and equipment).*

Data Sources

11. The statistics on Commonwealth and State government debt shown in this publication have been compiled from data supplied by Commonwealth and State governments for their budget sectors and by individual Commonwealth and State enterprises outside the budget sector. In most cases data have been supplied on ABS forms which were distributed and collected by Commonwealth and State Treasuries or State Statistical Co-ordinating bodies. Data for the general government budget sectors were supplied in consolidated form (except for CBAs) and separate information was obtained for individual public trading enterprises and non-budget general government enterprises. Information was also supplied separately for each of the State CBAs.

12. The statistics on local government debt were derived from data compiled for the Standardised Local Government Finance Statistics (SLGFS) series.

13. Statistics on the financial assets and liabilities of the non-financial public sector held by foreign residents were derived from data supplied separately in the ABS's foreign investment surveys. Foreign investment data were modified to reflect scope and conceptual differences as described in paragraphs 38 to 42.

Valuation

14. Liabilities have been valued at face value. Financial assets have been valued at acquisition cost. Face value is the value to be repaid or in the case of securities the nominal value shown on the security. Acquisition cost is the cost actually incurred in acquiring a financial asset.

15. Where a liability has been issued at a discount, the face value includes a component of deferred interest payments. In calculating the present (or book) value of such a liability only the amortised interest should be included and added to the proceeds of the loan transaction, or alternatively unamortised (future) interest payments should be deducted from the face value. In the case of zero coupon bonds, and other deeply discounted securities, the face value can substantially overstate the present value of the liability. Supplementary information is presented in the following table on the borrowing and net debt of State governments, adjusted to present (book) valuation, where significant valuation differences have been reported.

	Borrowing		Net Debt	
	Face value	Present value	Face value	Present value
	— \$ million —			
NSW	13,569	13,401	20,115	19,947
Vic.	16,227	15,776	20,779	20,328
Qld	7,690	7,451	6,063	5,824
SA	3,716	3,337	4,366	3,987
WA	4,999	4,763	6,181	5,945
Tas.	1,546	1,422	2,602	2,478
NT	348	339	762	753

16. Where financial assets or liabilities were held in foreign currencies they have been converted to Australian currency using the exchange rate at 30 June 1987, except where a currency 'swap' has been contracted for debt. In that case the original foreign currency value of the debt has been converted to Australian currency using the exchange rate applied in the 'swap' contract.

Concepts and Definitions

17. Gross debt comprises amounts outstanding at 30 June 1987 on all forms of liabilities of the non-financial public sector except equity, contingent liabilities and employee

related liabilities such as superannuation, long service leave etc. Because of difficulties in obtaining data, trade credit liabilities were restricted to long term trade credit arrangements, namely those where the term of the original contract was for more than one year. Liabilities include lease liabilities under finance leases or similar arrangements, and repayable amounts held as security deposits. Monies held on trust (excluding employee superannuation contributions) are included both as assets and liabilities of government. Coin on issue is not included as a liability of government.

18. Financial assets cover the financial claims of the non-financial public sector on other organisations (including other government authorities and overseas organisations) and households and include shares and other forms of equity in companies listed on a stock exchange. While equity investments are considered, conceptually, to be outside the scope of debt, they have been included in the calculation of net debt for practical reasons. However, governments' equity in their own enterprises is excluded and the amount of other equity investment included is not substantial. As for gross debt, trade credit assets are limited to trade credit arrangements where the term is for more than one year.

Classifications

19. Three types of classifications are used in this publication - unit classifications, classifications of financial assets and liabilities and classifications of debt to non-residents.

UNIT CLASSIFICATIONS

20. Unit classifications apply to the organisations and enterprises reporting in the collection holding financial assets and liabilities, and define the various sub-sectors of the non-financial public sector for which statistics are presented. The unit classifications are:

Level of government	Commonwealth, State or local.
State of jurisdiction	State government owning and controlling the unit, and State in which local government authorities are located.
Institutional sector	Distinguishes between public trading enterprises and general government bodies (see definitions in paragraph 5).

The unit classifications used in public sector debt statistics are identical with the equivalent classifications used in government finance statistics.

CLASSIFICATIONS OF ASSETS AND LIABILITIES

21. Financial asset/liability classifications categorise financial assets and liabilities by type of asset/liability. Three types of financial assets and three types of financial liabilities are recognised in the statistics:

Financial Assets

22. Currency and deposits - notes and coin on hand and funds held in the form of accounts with financial institutions, other government authorities, etc. which are recoverable or transferable on demand or at relatively short notice.

23. Advances paid - financial assets resulting from loans made by governments to other government bodies, or for policy purposes. These include the specific purpose loans made by the Commonwealth to State governments and loans made under the Financial Agreement. Loans made by CBAs, other than those for specific policy purposes, are classified as offsets to borrowing rather than as advances paid.

24. Investments - financial assets such as securities and equity in companies listed on a stock exchange, held primarily for the purpose of earning a return or to manage liquidity. Long term trade credit receivable (i.e. where the term of the original contract was for more than one year) has been arbitrarily included under this heading, as amounts reported were relatively small.

Liabilities

25. Deposits held - liability resulting from the holding of deposits from other public sector or private bodies. Superannuation and other employee related trust fund balances have been excluded (from both financial assets and liabilities) but other trust fund balances, and security deposits, have been included.

26. Advances received - loans received from other government bodies, except for loans from CBAs which are classified as borrowing.

27. Borrowing - liabilities incurred as loans (other than advances) or from the issue of securities. Liabilities outstanding under finance leases or similar arrangements and long term trade credit payable (i.e. where the term of the original contract was for more than a year) are also included under borrowing.

CLASSIFICATIONS OF DEBT TO NON-RESIDENTS

28. Public sector gross debt to foreign residents is classified according to whether the gross debt is:

- denominated in Australian or foreign currency
- domiciled in Australia or overseas

29. It should be noted that the classification of debt by currency reflects the currency of the original loan contract. No account is taken of 'swap' contracts (except in valuation, see para 16 above) or other arrangements to hedge against exchange rate movements. Therefore, the value of debt denominated in foreign currency should not be taken as a measure of the foreign exchange exposure of governments.

30. Foreign debt domiciled in Australia includes securities issued in Australia which, while largely targeted at Australian residents, are also taken up by non-residents,

usually through insurance brokers and nominees. Debt domiciled in Australia also includes deposits (other than certificates of deposit issued abroad) held by non-residents with the Reserve Bank and commercial banks in Australia. Debt domiciled overseas refers to all other debt owed to foreign residents, including securities issued in foreign countries.

Consolidation

31. To compile statistics about the financial assets and liabilities for a particular level of government, or any other grouping of public sector units, financial assets and liabilities held with other units within the chosen grouping (sub-sector) have to be matched and eliminated to avoid double counting. The process of matching and eliminating the financial assets and liabilities within the chosen sub-sector is known as consolidation.

32. The consolidation process would ideally match an organisation's liabilities to other organisations in the same sector with the corresponding assets of those other organisations. In practice, organisations incurring liabilities do not always know the current holder of the claim against them (e.g. if the liabilities are marketed securities). In the public sector debt survey, respondents were asked to report the names of public sector organisations against which they held claims as financial assets. This enabled identification of the sectors against which the claims were held and the value of those assets was omitted from consolidated total of assets for each sector concerned. The same amount was then deducted in arriving at consolidated totals of liabilities for the sectors (i.e. without attempting to match the individual assets to individual liabilities). In this process a correspondence was assumed between the different types of assets and liabilities as follows:

<i>Financial Asset</i>	<i>Financial Liability</i>
Currency and Deposits	Deposits Held
Advances Paid	Advances Received
Investments (including long term trade credit)	Borrowing (including long term trade credit)

33. In the case of lending by Central Borrowing Authorities to other organisations within the same government normal consolidation rules were not applied. Instead the value of amounts lent to such organisations was netted off against the amounts borrowed by the CBA.

Relationship to Government Finance Statistics (GFS)

34. Public sector debt statistics show the stock of financial assets and liabilities of the non-financial public sector at the end of the fiscal year, whereas government finance statistics show the transactions (flows) undertaken by the non-financial public sector during the year. The relationship between public sector debt categories and the GFS economic transaction framework (ETF) classification is as follows:

Debt Categories	ETF Classifications
Advances Paid	ETF 25 Advances Paid.
Investments	ETF 45 (part) Increase in Investment, excluding investments of employee superannuation funds and other employee related trust funds. ETF 4902 (part) Increase in Accounts Receivable and Prepaid Expenses, excluding accounts receivable where the term of contract is less than one year.
Deposits Held	ETF 44 (part) Deposits Received (net), excluding employee related trust funds.
Advances Received	ETF 41 Advances Received (net).
Borrowing	ETF 42 Domestic Borrowing (net). ETF 43 Borrowing From Abroad (net). ETF 4901 (part) Increase in Accounts Payable and Prepayments Received, excluding accounts payable where the term of contract is less than one year.
Currency and Deposits	ETF 46 Increase in Currency and Deposits.

35. However, it should be noted that valuation changes (e.g. due to currency revaluation) will be included in public sector debt values but are not included in GFS. Public sector debt liabilities are shown at face value. GFS records cash receipts and payments.

36. The coverage of GFS for 1986-87 and the public sector debt collection at 30 June 1987 are similar except that all CBAs are included in the public sector debt collection but only the WA Treasury Corporation was included in GFS in 1986-87. It is intended to include all CBAs in GFS as soon as practicable.

37. Some enterprise units included in GFS have insignificant holdings of financial assets and liabilities and have not been covered in the public sector debt collection.

Relationship to Foreign Debt Statistics

38. Public sector debt statistics shown in this publication are not strictly comparable with foreign debt statistics shown in ABS foreign investment publications.

39. In public sector debt statistics, long term trade credit payable and long term trade credit receivable are included in gross indebtedness and financial assets respectively. These instruments are excluded from the comparable foreign investment series, foreign borrowing and Australian lending abroad. Also, the public sector debt

series financial assets includes, for practical reasons, equity investments. Such assets are not included in the foreign investment series, Australian lending abroad.

40. As outlined in paragraphs 14 and 15, public sector debt statistics are compiled using valuations based on face values for liabilities and acquisition costs for assets. In contrast, foreign investment statistics are compiled using market valuations for both assets and liabilities.

41. Because of these differences, the derived net debt statistics provided in this publication are not consistent with net debt statistics provided in foreign investment publications.

42. As well as the abovementioned differences attributable to statistical concepts, there are also differences in the scope of the public sector between public sector debt statistics and foreign investment statistics. Public sector debt statistics exclude public financial enterprises and selected marketing authorities; these enterprises are included within the public sector in foreign investment statistics. While separate information on public financial enterprises is available for many foreign investment series, such information is not available for Australian lending abroad and net foreign debt. It is also not possible to obtain separate foreign investment information in respect of those marketing authorities excluded from public sector debt statistics.

Related Publications

43. Statistics on transactions of Commonwealth, State and local governments are available in the following publications:

Classifications Manual for Government Finance Statistics, Australia (1217.0)

Government Financial Estimates, Australia (5501.0) — issued annually

Commonwealth Government Finance, Australia (5502.0) — issued annually

State and Local Government Finance, Australia (5504.0) — issued annually

Taxation Revenues, Australia (5506.0) — issued annually

Foreign Investment, Australia (5305.0) — issued annually

Foreign Investment, Australia (5306.0) — issued quarterly

Current publications produced by the ABS are listed in the *Catalogue of Publications, Australia* (1101.0).

The ABS also issues on Tuesdays and Fridays a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The *Catalogue and Publications Advice* are available from any ABS office.

Symbols and other usages

— nil or rounded down.

. . not applicable.

Electronic services

VIATEL. Key *656# for selected current economic, social and demographic statistics.

AUSSTATS. Thousands of up-to-date time series are available on this ABS on-line service through CSIRONET.

For further information phone the AUSSTATS Help Desk on (062) 52 5404.

TELESTATS. This service provides foreign trade statistics tailored to users' requirements. Further information is available on (062) 52 5404. Also, from 19 July 1989, the monthly balance of payments publication was released on this service.

Further information is available on (062) 52 5404.

Floppy disk service

Selected ABS services are available on floppy disk. Further information is available on (062) 52 6684.

TABLE 1. INDEBTEDNESS OF THE COMMONWEALTH, STATE AND LOCAL GOVERNMENTS AT 30 JUNE 1987, BY INSTITUTIONAL SECTOR (a)

Sector	Gross indebtedness			Financial assets			Net debt		
	Deposits held	Advances received	Borrowing	Total	Currency and deposits			Total	
					Advances paid	Investments			
— \$ million —									
Commonwealth Government									
General Government	365	—	67,429	67,794	2,493	34,893	844	38,230	29,564
Public Trading Enterprises	44	6,247	7,552	13,843	403	—	1,578	1,981	11,862
Commonwealth Government	399	—	74,894	75,293	2,887	28,647	2,334	33,868	41,425
State Governments									
New South Wales									
General Government	747	8,169	3,220	12,136	43	2,834	1,088	3,965	8,171
Public Trading Enterprises	18	2,806	10,534	13,358	159	115	1,140	1,414	11,944
State Government	656	8,169	13,569	22,394	92	142	2,045	2,279	20,115
State and Local Government	655	8,190	16,199	25,044	281	246	3,277	3,804	21,240
Victoria									
General Government	546	6,302	4,344	11,192	123	1,578	72	1,773	9,419
Public Trading Enterprises	17	775	11,935	12,727	102	832	432	1,366	11,361
State Government	487	6,297	16,227	23,011	150	1,630	452	2,232	20,779
State and Local Government	487	6,304	17,231	24,022	295	1,636	887	2,818	21,204
Queensland									
General Government	42	2,804	4,838	7,684	163	4,557	2,904	7,624	60
Public Trading Enterprises	22	4,216	2,859	7,097	61	703	331	1,095	6,002
State Government	45	3,483	7,690	11,218	205	1,723	3,227	5,155	6,063
State and Local Government	45	3,483	9,701	13,229	343	1,538	3,522	5,403	7,826
South Australia									
General Government	222	3,181	1,197	4,600	97	2,382	1,218	3,697	903
Public Trading Enterprises	3	1,402	2,523	3,928	202	135	130	467	3,461
State Government	56	3,181	3,716	6,953	130	1,114	1,543	2,587	4,366
State and Local Government	114	3,181	4,121	7,416	355	1,072	1,462	2,889	4,527
Western Australia									
General Government	144	1,509	752	2,405	36	2	755	793	1,612
Public Trading Enterprises	44	857	4,259	5,160	201	200	191	592	4,568
State Government	55	2,366	4,999	7,420	103	202	934	1,239	6,181
State and Local Government	55	2,368	5,326	7,749	129	269	1,020	1,418	6,331
Tasmania									
General Government	101	1,622	315	2,038	92	1,065	134	1,291	747
Public Trading Enterprises	2	834	1,339	2,175	32	44	245	321	1,854
State Government	95	1,622	1,546	3,263	115	275	271	661	2,602
State and Local Government	95	1,622	1,738	3,455	142	275	304	721	2,734
Northern Territory									
General Government	5	877	335	1,217	28	816	38	882	335
Public Trading Enterprises	2	798	14	814	2	380	5	387	427
State Government	7	877	348	1,232	30	398	42	470	762
State and Local Government	7	877	369	1,253	32	380	52	464	789
Total State Governments	1,401	25,994	48,097	75,492	825	5,486	8,314	14,625	60,867
Total Local Governments	59	278	7,086	7,423	771	200	2,629	3,600	3,823
Total Commonwealth and State Governments									
General Government	2,172	24,462	82,431	109,065	3,075	48,125	7,052	58,252	50,813
Public Trading Enterprises	153	17,935	41,016	59,104	1,162	2,410	4,052	7,624	51,480
Commonwealth and State Govt	1,798	—	122,129	123,927	3,710	8,138	9,787	21,635	102,292
Total Commonwealth, State and Local Governments	1,838	—	128,364	130,202	4,462	8,061	11,564	24,087	106,115

(a) Totals down do not always add because holdings of assets and liabilities between categories cancel out (see paragraphs 31 to 33 of the explanatory notes).

Recommended retail price: \$11.50



2055130012872

ISSN 1031-7112