Federal Budget in Surplus

Monthly Financial Statements

- **Budget**: The Federal Budget is in surplus for the first time in a decade. In the twelve months to March 2019, the Budget surplus stood at $1,544 million (less than 0.1 per cent of GDP).

- **Other surplus measures**: Over the same 12-month period to March, the fiscal balance was in surplus by $7,524 million (0.4 per cent of GDP). The net operating balance was in surplus by $10,699 million (0.6 per cent of GDP).

*The monthly Budget figures can provide insights on the broader economy and policy settings. If fiscal settings are tight, the Reserve Bank may allow easier monetary settings.*

**What does it all mean?**

- The underlying Budget is in surplus for the first time in a decade. The surplus for the full 12 month period to March was $1,544 million, less than 0.1 per cent of GDP (actually 0.08 per cent of GDP). The last time the Budget was in surplus was in the year to January 2009.

- The Government continues to show restraint on spending with payments in the nine months to March around $4.2 billion less than assumed by the finance boffins. Revenues were $544 million higher than where the Department of Finance thought they would be.

- But to highlight the slowdown of the economy (and need for government stimulus), annual growth of GST receipts fell to an 18-month low of 1.8 per cent, just ahead of inflation – estimated to be 1.5 per cent over the period. Businesses and consumers are still spending, but at a slower rate than late last year.

**What do the figures show?**

- In the twelve months to March 2019, the Budget surplus stood at $1,544 million (0.08 per cent of GDP) – the first surplus in a decade. Over the same 12-month period to March, the fiscal balance was in surplus by $7,524 million with the net operating balance in surplus by $10,699 million.

- Smoothed revenues (twelve months to March) were up 9.90 per cent on a year ago – the fastest growth in 6½...
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years. Expenses rose by 3.64 per cent over the same period, the fastest rate in 15 months.

- Annual company tax collections are up 11.6 per cent over the year with net individual tax up 8.9 per cent. In expenses, Health spending is up just 0.4 per cent while Social Security is up 2.8 per cent.

- The Department of Finance noted: “The net operating balance for the year to 31 March 2019 was a deficit of $2,652 million, which is $3,509 million lower than the 2018-19 MYEFO profile deficit of $6,160 million. The difference primarily results from higher than expected revenue and lower expenses.”

- In terms of the underlying cash balance, “The underlying cash balance for the financial year to 31 March 2019 was a deficit of $8,073 million, which is $4,604 million lower than the 2018-19 MYEFO profile deficit of $12,677 million.”

  - **Receipts:** “Total receipts were $544 million higher than the 2018/19 MYEFO profile.”
  - **Payments:** “Total payments were $4,165 lower than the 2018/19 MYEFO profile.”

- In terms of the fiscal balance the Department of Finance noted: “The fiscal balance for the year to 31 March 2019 was a deficit of $4,574 million, which is $4,869 million lower than the 2018-19 MYEFO profile deficit of $9,443 million. As with the net operating balance, the difference primarily results from higher than expected revenue, lower expenses and lower net capital investments.”

- Federal Treasury and the Department of Finance currently expect an underlying deficit of $4.3 billion for 2018/19, well above the current surplus for the 12 months to March.

- Receipts from the Goods and Services Tax stood at $66.591 billion in the twelve months to March, up 1.8 per cent on a year ago and down from the record $67.57 billion in receipts for the year to December.

- Actual GST receipts for the nine months to March stood at $50,339 million, just below the MYEFO ‘profile’ of $51,728 million.

**What is the importance of the economic data?**

- The Department of Finance releases the Government Financial Statements (Niemeyer Statement) almost every month. The statement allows investors to track the current Budget position and provides insights into the effectiveness of fiscal policy.

**What are the implications for interest rates and investors?**

- The turnaround in the Budget position has been nothing short of remarkable. Just a year ago the rolling annual deficit was over $16 billion. At its peak, the budget was in deficit by almost $60 billion. Today the budget accounts are in surplus.

- But it should be noted that the economy has slowed in line with most major economies. The hard part now is to keep the accounts balanced or in small surplus. Modest stimulus currently needs to be applied by the Government to support the economic expansion. But discipline also needs to be shown by the Government and Opposition about future spending promises.

- CommSec expects interest rates to remain unchanged for the foreseeable future.

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