



Australia's long-term fiscal sustainability reporting

1



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AUSTRALIA TO 2050: future challenges





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What's in the 2010 Intergenerational Report (IGR3)

- Long-term demographic and economic projections
- Growing the economy – productivity, participation and population
- Long-term budget projections
- Ageing pressures and spending
- Climate change and the environment
- A sustainable society



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What's in the 2010 Intergenerational Report (IGR3)

- APPENDICES:
 - IGR 2010 projections summary
 - Sensitivity analysis of long-run economic and fiscal projections
 - Methodology
 - IGR 2007 projections



Comparison of the 3 IGRs

2002	2007	2010
Maintaining sustainable government finances	Economic and fiscal sustainability sound foundations	Long-term demographic and economic prospects
Australia's long-term demographic and economic prospects	Long-Term demographic and economic projections	Growing the economy – productivity, participation and population
Projections for spending and revenue	Long-Term fiscal projections	Long-term budget projections
	Sustainability-fiscal policy and economic growth	Ageing pressures and spending
		Climate change and the environment
		A sustainable society



Major challenges

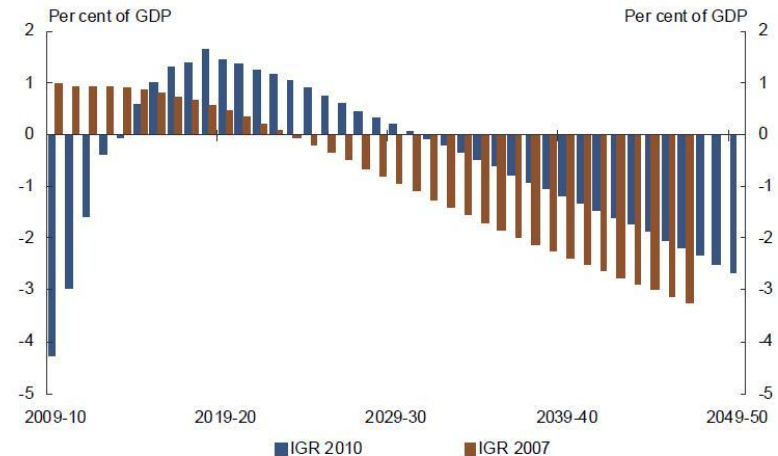
- Ageing population
 - The central plank of responding to the economic and fiscal consequences of an ageing population is to support stronger economic growth in sustainable ways. Economic growth is a function of productivity, participation and population — the ‘3Ps’.
- Climate change
 - Climate change is the largest and most significant challenge to Australia’s environment. If climate change is not addressed, the consequences for the economy, water availability and Australia’s unique environment will be severe.



Key Indicators

- Proportion of the population aged 65+
- Real GDP
- Fiscal gap

Chart: Projected fiscal gap



Note: The fiscal gap is total Australian government receipts minus total Australian government payments (excluding interest).
Source: Treasury projections.



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Key Features

- Report issued every 3 to 5 years.
- 40-year time horizon.
- General Government Sector for national government only.
- Models revenues and major expenditure items in detail.
- Focuses on trends over time.



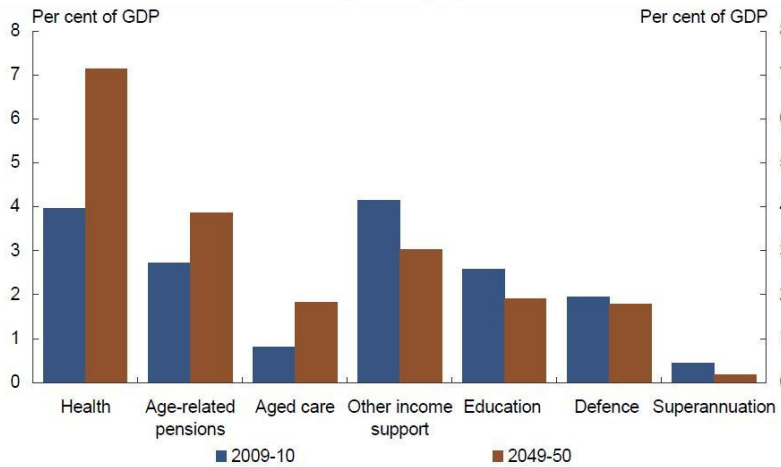
IGR Approach

- The approach is a summary in narrative form.
- The model adopted is practical and portrays the information graphically as well as in narrative form.
- Fiscal gap analysis on a year by year basis and nominal amount.
- Comparison to previous IGR and detailed discussion on changes.
- Disclosure of deviation from principle, basis of projection, key assumptions and sensitivity analysis.
- Comparison to others (e.g. OECD)



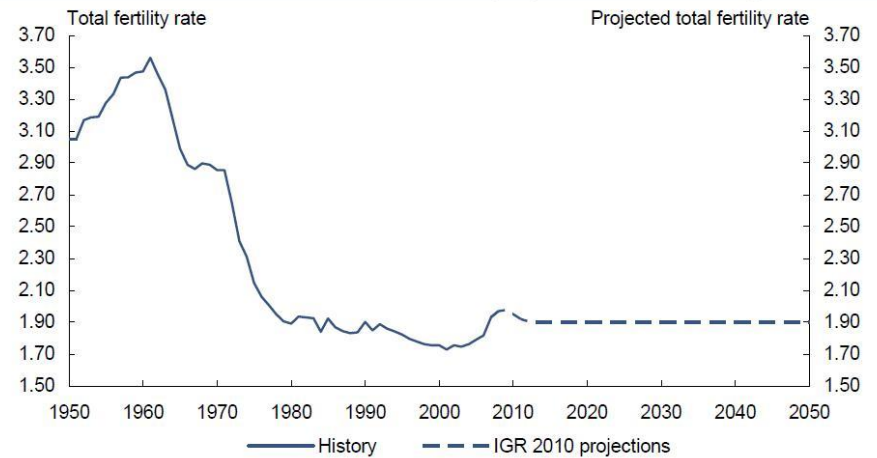
IGR Presentation

Chart 6: Projections of Australian government modelled spending by category



Source: Treasury projections.

Chart 1.3: Australia's historical and projected total fertility rate

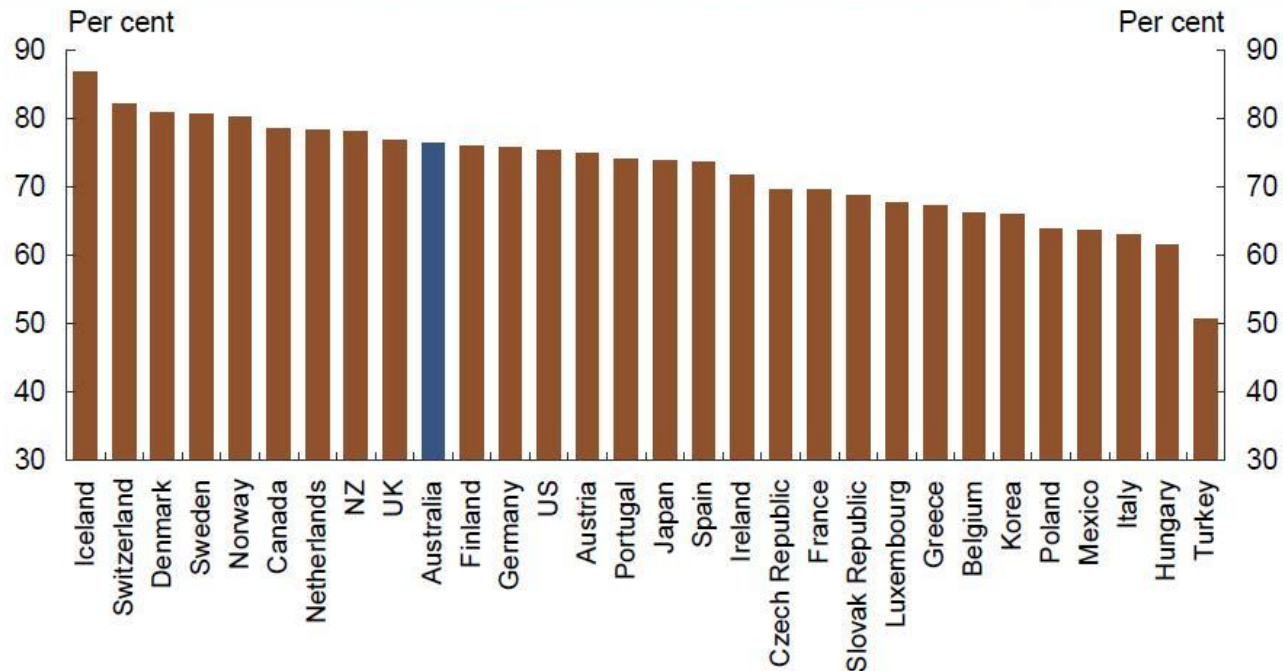


Source: ABS cat. no. 3105.0.65.001 and cat. no. 3301.0 (various), and Treasury projections.



IGR Presentation (cont'd)

Chart 2.1: OECD participation rates 2008, people aged 15–64

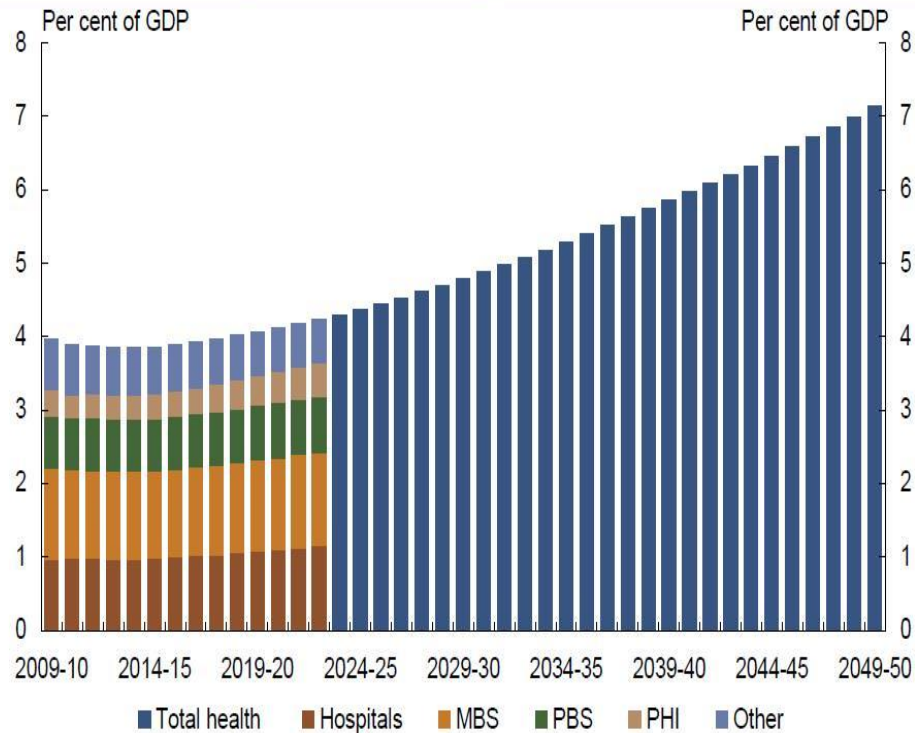


Source: OECD.



IGR Presentation (cont'd)

Chart 4.7: Projected Australian government health spending



Source: Treasury projections.



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Any Questions?