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MEDIA RELEASE

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GOVERNMENT TO INCREASE THE DEBT LIMIT

The August 2013 Economic Statement and the 2013 Pre-election Economic and Fiscal Outlook (PEFO) outlined that Commonwealth Government Securities (CGS) on issue were expected to reach the existing debt limit of \$300 billion around December 2013.

These documents also outlined that CGS on issue would continue to increase over the forward estimates and reach \$370 billion by 2015-16.

Since this time, the outlook for the previous Government's last Budget has deteriorated further.

We are advised that on current trends, peak debt will now exceed \$400 billion.

The Australian Office of Financial Management has also previously advised that it is prudent to maintain a buffer of \$40 to \$60 billion of headroom above the peak debt projected in any year to allow for unanticipated events with a fiscal impact.

The debt limit needs to be set so as to provide sufficient headroom to ensure there is stability and certainty for the financial markets about the Government's capacity to finance its operations for the foreseeable future.

We need not look any further than the recent events in the United States to realise how imperative for stability and certainty is for confidence.

As a result, the Coalition will legislate to increase the Commonwealth Government debt limit to \$500 billion.

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