## **Herald Sun**

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HD Loading up on credit

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**DEBT** 

THE Federal Government is poised to boost borrowing to an all-time high as Australia's economy suffers, partly due to deteriorating growth in **China**, analysts say.

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The Government's Mid-Year Economic and Fiscal Outlook, to be unveiled next week by Treasurer Joe Hockey, will probably show a Budget deficit \$5 billion wider than previously thought, Commonwealth Bank analysts say.

The news comes as the jobless rate climbed to its highest level in a decade, threatening to drive up government spending, at the same time as plunging prices for **iron ore** and **coal** crimp revenue from exporters.

That complicates Mr Hockey's plans to end six years of deficits, analysts said. Goldman Sachs' chief economist for Australia Tim Toohey estimated the Budget deficit was about \$30 **billion** worse over a four-year period than the Government predicted in May.

In a note for investors, CBA fixed-income strategists Adam Donaldson and Alex Stanley said a deterioration of \$40 billion to \$50 billion over the four-year period was possible.

Business and consumer confidence dropped this week to the lowest level since before Prime Minister Tony Abbott won last year's election.

The nation is struggling to find alternative drivers of expansion as **mining** investment wanes and falling commodity prices hurt exports.

Iron ore prices have plunged by almost half this year, while thermal coal has declined 26 per cent.

Concern the economy was cooling has boosted bets on interest-rate cuts, with swaps traders now pricing in a more than 80 per cent chance the Reserve Bank will cut the cash rate in the first half of 2015.

The Government sold \$75.2 billion of bonds this year as of yesterday, exceeding last year's \$68.8 billion. That tally was already a record, according to Australian Office of Financial Management figures.

Australia's gross debt outstanding has risen to \$348.2 billion — also a record. Although Australia's debt has grown, the country is one of just nine to hold top credit scores from all three major rating companies — Moody's, Standard & Poor's and Fitch.

The nation's net debt has amounted to about 16 per cent of its economic this year.

That compares with 106 per cent for the US, 244 per cent for Japan and 75 per cent for Germany. according to the International Monetary Fund.BLOOMBERG

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