IPA Report: Debt Repayments To Quadruple By 2030

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"The consequences of two decades of reckless government spending is set to be multiplied as rapidly rising interest rates will cause an explosion to the federal government's debt repayment obligations," said Daniel Wild, Deputy Executive Director of the Institute of Public Affairs.

A landmark study released today by the IPA, *Australia's Debt Disaster: Estimating Interest Repayments on Federal Government Debt by 2030*, finds that annual interest repayments on federal government debt could reach $89 billion by the year 2030.

"With Treasury revising its inflation rate estimate to 7.75%, the RBA cash rate has nowhere to go but up, and fast. As the cash rate has typically followed inflation rate, Australia faces dramatic rises in our government debt servicing costs," Mr Wild said.

The study shows, if the RBA cash rate reaches 7% by 2030, annual debt interest repayments are estimated to reach to $89 billion. This is more **than quadruple the current annual interest repayments** on debt of $20 billion.

Such a scenario means each year Australia's debt interest repayments will be:

- **Double** the current annual **defence budget**,
- **Double** the current annual **education budget**,
- Approximately **three times** the current annual **NDIS budget**, and
- The equivalent to the cost of purchasing **a fleet of six nuclear submarines**.

"The Treasurer Jim Chalmers has acknowledged in his economic update that interest repayments are the fastest growing area of federal government spending," Mr Wild said.

"An annual $89 billion debt repayment bill would mean that debt servicing will become the third highest annual expenditure item in the federal budget, behind only welfare and social services, and health."

"Our massive debt burden is an indictment on all sides of politics, who have run up debt through reckless spending while at the same time asserting that inflation and interest rate hikes were a thing of the past," said Mr Wild.

The study explores three scenarios, which model the impact that rising cash rates will have on government bond yields and interest repayments on debt being rolled over, as well as new debt being added to the nation's balance sheet.

"The government's debt obligations can only be repaid by increasing taxes or reducing spending. Both measures will be disproportionately felt by the middle and working classes," Mr Wild said.

"It's time both sides of politics demonstrate economic leadership by showing restraint and self-control when it comes to committing to spending taxpayers' money."

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