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FOREWORD

This is the Australian Government's second intergenerational report. The report provides a basis for considering the Australian Government's fiscal outlook over the long term and the sustainability of economic growth in light of Australia's ageing population and other factors.

As required under the Government's *Charter of Budget Honesty Act 1998*,

‘An intergenerational report is to assess the long term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change.’

The first intergenerational report was published as part of the 2002-03 Budget in May 2002 and assessed the long-term financial implications of policy commitments current at that time on the overall budget balance. These issues and the effects of demographic change on future economic growth have been developed since 2002. Issues have been discussed in speeches, reports and budget papers, including the consultative document, *Australia's Demographic Challenges* of 25 February 2004 and the research report from the Productivity Commission *Economic Implications of an Ageing Australia* released on 12 April 2005.

This report provides an update of the long-term demographic, economic and spending projections and the implications for the sustainability of fiscal policy. Broad policy choices to address the sustainability challenges are discussed.

NOTES

- (a) The following definitions are used in this report:
- ‘real’ means adjusted for the effect of inflation; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.
- (c) The following notations are used:
- \$m \$ million;
 - * information is not available; and
 - neg negligible.
- (d) References to the ‘States’ include the Territories.
- (e) Projections are based on the *2006-07 Mid-Year Economic and Fiscal Outlook* adjusted for major government decisions announced since that time, up to and including 6 March 2007.

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