

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

26 February 2014

Question: AET 3026-3027
Topic: Gross Operating Surplus
Hansard Page: page 95, 26 February 2014

Senator WONG asked:

3026-3027.

Senator WONG: You probably cannot answer this, so perhaps take it on notice. It sounds like it should be a macro group question. The GOS has been revised down substantially in 2015-16 and 2016-17. Is that correct?

Mr Brake: That is correct.

Senator WONG: Is there a table that I should be looking at for the purposes of this discussion?

Mr Brake: In terms of the size of the revisions, in table 3.7 on page 34, the third line shows corporate gross operating surplus.

Senator WONG: That is a very substantial reduction of 2¼ and 2¼ in the projection years.

Mr Brake: That would relate to the change in the projection methodology for the terms of trade. Because the terms of trade are weaker and commodity prices are assumed to be weaker, corporate profitability is reduced.

Senator WONG: You have got 1½, but you are essentially more than halving your projection for those two years as a result. Is that correct?

Mr Brake: Yes. That would be right

Senator WONG: It goes from over five, then down to 2¼, then to over five and then down to 2½.

Mr Brake: Yes.

Senator WONG: That is a pretty substantial reduction. Is it your evidence that that reduction is primarily driven by the change to the terms of trade methodology?

Mr Heferen: That is right for 2015-16 and 2016-17, isn't it?

Mr Brake: Yes.

Senator WONG: Are you able to tell me if there is anything else driving that?

Mr Heferen: I think we should take that on notice.

Senator WONG: That is fine. I am happy to do that.

Mr Heferen: We will take it on notice and consult with our macro-economic group colleagues.

Senator WONG: I would appreciate that. You might need to take this on notice: are you able to give me some historical data on how this figure of 2½ compares with growth in this parameter?

Mr Brake: I think we could do that for you. That would be from the national accounts.

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Senator WONG: Are you able to help me with that? Can someone who is not here help me with that?

Mr Brake: We can take it on notice.

Senator WONG: Thank you.

Answer:

3026-3027. The change to corporate gross operating surplus in the projection years 2015-16 and 2016-17 is driven by the change to the methodology for projecting the terms of trade.

Please refer to the testimony from Dr Gruen and Dr Parkinson (Hansard pages 11-13, Economics Legislation Committee 26 February 2014) and Box A: Medium-term projection of the terms of trade on page 17 of the 2013-14 MYEFO for detailed discussions of the change to the projection methodology for the terms of trade.