

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2014 - 2015

Department/Agency: Treasury

Question: AET 197-200

Topic: Nominal GDP and Terms of trade

Reference: written - 06 March 2015

Senator: Dastyari, Sam

Question:

197. How are the terms of trade comparing with macroeconomic forecasts in MYEFO?

198. Terms of trade were predicted to fall by 13.5 per cent in MYEFO in 2014-15; can you provide more information about how the Terms of Trade has track against this prediction?

199. Unless iron ore and coal rebound strongly, would it be correct to assume that there will be pretty significant revenue write downs in the upcoming Budget?

200. When MYEFO was released the government said it would not seek to offset the impact falling iron ore prices would have on commonwealth revenues: is it likely that the Budget deficit will increase again from the \$40.4 billion forecast at the time of MYEFO?

Answer:

197. The terms of trade fell 1.7 per cent in the December quarter 2014, to be broadly on track with the MYEFO forecast for 2014-15.

198. See answer to 197.

199. While US dollar prices for iron ore and coal have fallen further since MYEFO, there will be important offsetting effects on mining export revenue and therefore tax receipts. This includes the fall in the Australian dollar and stronger-than-expected mining export volumes over the past two quarters.

200. Updated budget estimates will be released on 12 May.