

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Macroeconomic Conditions Division

Question No: 277

Topic: Domestic economy forecasts

Reference: Written

Senator: Ketter, Chris

Question:

Referring to the domestic economy forecasts on page 11 of the 2016-17 MYEFO:

1. Household consumption for 2016-17 was revised downwards from 3 per cent to two and three quarters of a percent. What is the reason for this? What is the effect on the budget bottom line as a result of this?
2. Dwelling investment for 2016-17 was revised upwards by more than double – from 2 to 4 and a half per cent. What’s the driver behind this doubling of growth? Do you have further details as to where this investment is taking place, i.e. which states, which cities? And what types of dwellings we are talking about here?
3. Similarly dwelling investment for 2017-18 was halved – from 1 to half a per cent. What’s the driver behind that?
4. And the non-mining investment figure – down from 3 and a half per cent to 1 and a half percent for 2016-17. What’s driving that? Do you have a breakdown of this by states and territories – given that on page 12 of the MYEFO it stays that the “transition” is playing out differently across the states and territories.
5. Private final demand – what is that made of? Half a percent came off the figure for 2016-17 – what’s the driver behind that?
6. Public final demand – what does that consist of? For 2016-17 and 2017-18 there has been an increase, what’s the reason for that?

Answer:

1-4. The *Mid-Year Economic and Fiscal Outlook 2016-17* (MYEFO) provides an assessment of the factors contributing to changes in domestic economy forecasts in Part 2: Economic Outlook under the Domestic Economic Outlook heading. Table 3.10 and Table 3.14 of MYEFO outline the impact of economic parameter variations.

Dwellings comprises houses and other dwellings such as flats, home units, villa units, duplexes, mobile homes, caravans, etc. used entirely as the principal residences of households.

The forecasts for dwellings and non-mining investment are not broken down on a state by state basis.

5. Private final demand comprises household consumption and private investment – movements in these variables drive changes in overall private final demand. More information on the components of private final demand can be found in the ABS publication *Australian System of National Accounts: Concepts, Sources and Methods 2015*.

6. Public final demand comprises government expenditure on consumption and investment. More information on the components of public final demand can be found in the ABS publication *Australian System of National Accounts: Concepts, Sources and Methods 2015*.

The year average forecast for 2016-17 is affected by a base effect from growth in the June quarter 2016, which was related in part to the listing of the Hepatitis C drugs on the PBS. At MYEFO, public final demand was forecast to grow by 2¼ per cent in 2017-18 – slightly higher than the *Pre-election Economic and Fiscal Outlook 2016* (PEFO) forecast of 2 per cent growth.