

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Macroeconomic Conditions Division

Question No: 281

Topic: Wages forecasts

Reference: Written

Senator: Ketter, Chris

Question:

1. What is Treasury's process for determining the wage forecasts?
2. Please provide specific details around the modelling process, and the individual inputs into Treasury's wages forecasts, including data sets and business liaison.

Answer:

1. The Government's macroeconomic forecasts are prepared using a range of modelling techniques including macroeconomic models, spreadsheet analysis and accounting frameworks. These are supplemented by survey data, business liaison, professional opinion and judgment.

2. Data for wage forecasts comes from the National Accounts (ABS Cat. no. 5206.0), the Wage Price Index (ABS Cat. no. 6345.0), the Labour Force, Australia (ABS Cat no. 6202.0) and RBA statistics on inflation and inflation expectations.

The forecasts also incorporate judgments about how developments in one part of the Australian economy affect other parts and how the domestic economy is affected by events in the international economy. The econometric models that underpin the sector forecasts are rigorous, theoretically sound and fit history reasonably well. Treasury has regularly undertaken reviews of its forecasting performance since 2002.