

**Senate Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE

**Treasury Portfolio**

Budget Estimates

2016 - 2017

**Department/Agency: Treasury**

**Question: BET76-78**

**Topic: Non-Mining Investment**

**Reference: Written - 5 May 2016**

**Senator: Chris Ketter**

**Question:**

"In Budget Paper 1, 2-19/20 Treasury states:

"...the recovery of non-mining investment has been slower than expected and leading indicators remain mixed, with some business expectations surveys suggesting the delay may continue into 2016-17" [2-19]

"The pace and timing of a pick-up in non-mining business investment continues to be a key source of uncertainty for the outlook" [2-20]

76. Why is non-mining business investment a key source of uncertainty?

77. These comments are out of step with the Prime Minister's assertions in Budget Week that the economy is undertaking a smooth and successful transition from one focused on mining investment to one on non-mining investment. Is that correct?

78. The business investment forecast figures are not strong - why aren't companies bringing forward investment plans?"

**Answer:**

76.

- Growth in non-mining investment performed well over the terms of trade boom, although activity has moderated substantially in recent years, following the global financial crisis and the sharp unwinding of the mining investment boom.
  - A key characteristic of the mining investment boom has been long planning and lead times associated with investment, which enabled greater certainty over firms' future investment plans. The transition currently underway to broader-based sources of growth, including more activity from smaller firms, means that there is less certainty around surveyed investment intentions.

- Further, non-mining investment can be highly volatile and makes up around 10 per cent of the economy. As such, any swings in the series can have notable impacts on economic growth outcomes.

77.

- For question 77, please refer to pages 29 and 30 of the Official Committee Hansard for the Senate Economics Legislation Committee Estimates on the 6 May 2016.

78.

- There is a wide range of factors that underpin business' decision to invest. A slow recovery in business investment since the GFC has been a phenomenon of many advanced economies.