

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

10 – 11 February 2010

**Question: aet 93**

**Topic: Government Repayment of Debt**

**Hansard Page: E29 (11/02/2010)**

**Senator BUSHBY asked:**

**Senator BUSHBY**—What impact has the change from 4½ down to four had on one estimated government revenue and the ability of the government to repay debt?

**Dr Gruen**—Again, if we are going to go into this in detail it is probably best to ask Revenue Group, but I will make this point. A crucial number that is relevant for how the economy is performing—it is relevant to the revenue collection—is the dollar value of GDP, rather than the growth rate. The dollar value of GDP is higher than we thought because the downturn has been less severe so, despite the fact that we have lowered the growth rate from 4½ to four, the actual level of nominal GDP in those years is higher than we previously thought—so the growth rate is less.

**Senator BUSHBY**—I understand what you are saying. You are saying that the money will be there regardless of that fact.

**Dr Gruen**—Yes.

**Senator BUSHBY**—So you are saying that that will not have any impact on the forecast ability of the government to repay its debt?

**Dr Gruen**—We gave them our updated estimates in the MYEFO, of nominal GDP being higher than we previously projected and forecast, and we updated the tax collection numbers accordingly.

**Senator BUSHBY**—Just to remind me, if the tax collection numbers are higher, and taking the funds available to government to repay debt, will they have more under this lower growth scenario than they would have had under the earlier higher growth scenario?

**Dr Gruen**—I think the answer to that is yes, but we will make sure.

**Answer:**

Lower forecast growth for real GDP in 2011-12 and 2012-13 is more than offset by higher forecast growth in 2009-10 and 2010-11, resulting in a higher level of real and nominal GDP in all four years.

Between the 2009-10 Budget and MYEFO, upward revisions to forecasts of real and nominal GDP have resulted in upwards revisions of around \$40 billion to revenue across the forward estimates.

Higher revenue will result in an improvement to the fiscal balance and net debt position, all other things being equal.

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**Table 1: Nominal and Real GDP growth forecasts and projections**

		<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
		%	%	%	%
<b>Nominal GDP</b>	2009-10 Budget	-1 1/2	3 3/4	6 1/4	6 3/4
	2009-10 MYEFO	1 1/4	5 1/2	6 1/4	6 1/4
<b>Real GDP</b>	2009-10 Budget	-0.5	2 1/4	4 1/2	4 1/2
	2009-10 MYEFO	1 1/2	2 3/4	4	4

**Table 2: Australian Government general government sector revenue estimates**

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>Total</b>
	\$m	\$m	\$m	\$m	\$m
2009-10 Budget	290,612	294,841	320,776	349,684	1,255,913
2009-10 MYEFO	291,823	303,895	335,937	364,854	1,296,509
Change since Budget	1,211	9,054	15,161	15,170	40,596