

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

10 – 11 February 2010

**Question: aet 94**

**Topic: Employment Gap**

**Hansard Page: E33 (11/02/2010)**

**Senator BUSHBY asked:**

**Senator BUSHBY**—... Coming back quickly to that gap in those charts that we were talking about: you have mentioned on a number of occasions that you have maintained that gap. It is hard to tell from looking at the charts because they are not exactly the same scale, but it appears that the gap has actually shrunk slightly from looking at the chart. You do not give the number, so it is hard to see.

**Dr Gruen**—Let me be as precise as I can be. In the budget and in the MYEFO we used exactly the same multipliers. We got updated information about the timing of the spending and therefore the gap as you see it will not be exactly the same.

**Senator BUSHBY**—It has shrunk by what looks like about one per cent, but it is hard to tell.

**Dr Gruen**—I would be surprised if it is as much as that.

**Senator BUSHBY**—It is not a graph that you can actually measure accurately against.

**Dr Gruen**—No. We got updated information about the timing of the spending and we also did further analysis on how rapidly we thought households had spent the cash transfers. So we used that updated information to update our estimates of the profile, but we used exactly the same multipliers.

**Senator BUSHBY**—So, in effect, using the updated information of what you knew about how people were really reacting to things, the actual impact at any point in time has got a little bit smaller than what it was.

**Dr Gruen**—I am not sure that it has got smaller, but we can certainly get back to you on that.

**Senator BUSHBY**—I would appreciate it if you could take that on notice.

**Answer:**

The overall gap between the real GDP level post-stimulus and pre-stimulus is around the same at both Budget and MYEFO.

At Budget, the stimulus was projected to raise the level of real GDP by 2¾ per cent in 2009-10 and 1½ per cent in 2010-11.

In MYEFO, the stimulus was expected to raise the level of real GDP by 2½ per cent in 2009-10 and 1¾ per cent in 2010-11, a slight rebalancing when compared to the figures in the Budget.

At Budget, the stimulus was estimated to reduce the forecast peak unemployment rate by 1½ percentage points, the same as at MYEFO.