

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 170

Topic: GDP Growth

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Senator Bushby asked:

Senator BUSHBY—Looking at your opening statement, Dr Gruen, I see you note that the effect of Cyclone Yasi will be to reduce real GDP growth by around half a per cent and that the resumption of economic activity will add about a quarter of a per cent the following year, 2011-12, but that in the March quarter of 2011 it will have the largest negative impact and could actually lead to GDP being flat that quarter or even negative. How much had you predicted GDP would rise in that quarter, prior to Yasi occurring?

Dr Gruen—I am not sure that we put those numbers into the public domain. We can take that on notice, but I do not think we give out our quarterly profile of estimates of GDP growth. That is a longstanding tradition.

Senator BUSHBY—Is it? Okay. Looking at it the other way—and I am not deliberately doing that—what I am really interested in is the impact you think Yasi will have in that quarter. How bad does it get in that most severe quarter in terms of reducing economic activity?

Answer: The preliminary answer given in the proceedings was correct, Treasury does not publish a quarterly profile of GDP growth.

Treasury estimates that the combined impact of the floods and Cyclone Yasi will be to reduce real GDP growth by around half a percentage point in 2010-11, with the resumption of economic activity and reconstruction expected to add about a quarter of a percentage point to real GDP growth in 2011-12. The largest negative impact should be recorded in the March quarter of 2011.