

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Question: bet 85

Topic: Historic trends of the budget

Hansard Page: E24

Senator SHERRY asked:

With the step down, the second step comes to about 10 per cent above the year 2000 levels. What is the significance of the 2000 levels in the sense that we were having a talk earlier about historic trends? Does the 2000 level correspond to that long-term historic trend?

Mr Tune—I would have to check that but I think that, yes, it is around that mark.

Answer:

The projection methodology for commodity prices is explained in Box 6 on page 3-31 of Budget Statement 3, Budget Paper No. 1 2006-07, and in Box 7 on page 3-33 of Budget Statement 3, Budget Paper No. 1 2005-06.

The prices of some key commodity exports are assumed to fall over the first two years of the budget projection period, 2007-08 and 2008-09. They are assumed to return to levels close to those experienced during 2003, before the current sharp price increases began. The prices in 2003 also corresponded closely to longer-run averages in US dollar terms.