

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 147

Topic: Constraints on Future Spending

Hansard Page: Written

Senator Bushby asked:

1. Given the constraints voluntarily undertaken by the Government on future spending, what scope or flexibility remains for the Government to undertake future stimulatory fiscal measures?
2. How many government reviews is Dr Henry currently a member of? How many hours a week would be consumed through his participation in those reviews?
3. How many overlapping different forecasts for growth of the Australian economy for have been released since November 2007 by:
 - a) Treasury
 - b) the RBA
 - c) the IMF
 - d) other non-government entities?
4. What is the highest prediction for growth in that period for the current financial year?
 - a) Who provided that forecast?
 - b) What was Treasury's highest prediction for growth for this year?
 - c) What is Treasury's current forecast for growth this year?
5. What is the highest prediction for growth in that period for the 2009/10 financial year?
 - a) Who provided that forecast?
 - b) What was Treasury's highest prediction for growth for this year?
 - c) What is Treasury's current forecast for growth this year?
6. What is the highest prediction for growth in that period for the 2010/11 financial year?
 - a) Who provided that forecast?
 - b) What was Treasury's highest prediction for growth for this year?
 - c) What is Treasury's current forecast for growth this year?

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7. What is the highest prediction for growth in that period for the 2011/12 financial year?
 - a) Who provided that forecast?
 - b) What was Treasury's highest prediction for growth for this year?
 - c) What is Treasury's current forecast for growth this year?

Answer:

1. The Government has stated publicly that it will take whatever action is necessary to support the Australian economy during the global recession.

Based on the current estimates for the global and domestic economy, the Government has put in place a strategy to support the economy in three key phases: (1) immediate cash payments, which have been delivered; (2) smaller 'shovel-ready' programs that are principally supporting housing and construction activity, which are now being delivered; and (3) larger, longer-term infrastructure projects.

- There is evidence that these actions are already providing a significant cushion to the Australian economy, laying the foundations for economic recovery.

The Government has outlined a clear deficit exit strategy based on spending constraint, by which it will hold real spending growth to 2 per cent per annum once the economy grows above trend and until it returns to surplus

2. Dr Henry is currently a member of one review, the Australia's Future Tax System. For the period of February 2009 to June 2009, the average weekly hours spent on this review is 6.275 hours.
3. Assuming the question refers to 2008-09:
 - a) Treasury has released four.
 - b) The RBA has released six (note the forecasts are through the year and therefore not comparable. Please see explanatory notes).
 - c) The IMF has released four (note the forecasts are on a calendar year basis and therefore not comparable. Please see explanatory notes).
 - d) The OECD (other non-government entity) has released four (note the forecasts are on a calendar year basis and therefore not comparable. Please see explanatory notes).
4.
 - a) Please refer to Table 1 and the explanatory notes.
 - b) 2¾ per cent.
 - c) 0 per cent.
5.
 - a) Please refer to Table 1 and the explanatory notes.
 - b) 3 per cent (projection).
 - c) -½ per cent.
6.
 - a) Please refer to Table 1 and the explanatory notes.
 - b) 3 per cent (projection).

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- c) 2¼ per cent.
- 7.
- a) Please refer to Table 1 and the explanatory notes.
 - b) 4½ per cent (projection).
 - c) 4½ per cent (projection).

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Table 1: GDP Growth Forecasts and Projections

<i>Fiscal Years</i>	2008-09	2009-10	2010-11	2011-12
Treasury (year average)*				
Budget 08-09	2 3/4	3	3	3
MYEFO 08-09	2	2 1/4	3	3
UEFO	1	3/4	3	3
Budget 09-10	0	- 1/2	2 1/4	4 1/2
RBA (year average)				
May 09 Statement on Monetary Policy		- 1/2	2 1/4	
June Quarter				
	Jun-08	Jun-09	Jun-10	Jun-11
RBA (through the year)				
Feb 08 Statement on Monetary Policy	3 1/4	3	3	
May 08 Statement on Monetary Policy	2 1/2	2 3/4	2 1/2	
Aug 08 Statement on Monetary Policy	2 3/4	2 1/4	2 1/2	
Nov 08 Statement on Monetary Policy		1 1/2	2	3
Feb 09 Statement on Monetary Policy		1/4	1 1/4	3 1/4
May 09 Statement on Monetary Policy		-1 1/4	1/2	3 1/4
Calendar years				
	2008	2009	2010	
IMF (year average)				
April 08 WEO	3.2	3.1		
Oct 08 WEO	2.5	2.2		
April 09 WEO		-1.4	0.6	
2009 Article IV Concluding Statement		- 1/2	1 1/2	
OECD (year average)				
EO 82	3.5	3.0		
EO 83	2.9	2.7		
EO 84		1.7	2.7	
EO 85		-0.4	1.2	

* Shaded numbers are projections.

Explanatory notes: It is difficult to compare GDP growth forecasts from different agencies for a number of reasons. First, the forecasts contained in the Budget, MYEFO and UEFO documents refer to year average per cent changes on a June financial year basis. In contrast, the IMF and OECD forecasts are published on a calendar year basis. Second, the RBA usually publishes GDP growth on a through the year basis to the June quarter which is not comparable with year average growth. Third, the forecasts contained in the various documents released over a certain year are all finalised at different points during the year and so include different amounts of historical information which again complicates any comparisons.