

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 54

Topic: Treasury Modelling – Jobs Growth

Hansard Page: E20

Senator Abetz asked:

Senator ABETZ—That is all understood. We have a package that is certain, an economic environment which is known to us, on which Treasury has said the stimulus as it has been tweaked and arranged et cetera will provide GDP growth between 0.5 per cent and one per cent. It also said it will provide jobs growth of up to 75,000. I am curious to know why we cannot be provided with the jobs figure that would, in effect, match the lower range or 0.5 per cent of GDP growth.

Senator Conroy—As I said, Senator—

Senator ABETZ—Because we have agreed that one per cent would translate to 75,000, then surely, if the Treasury forecast is that it might be as low as only 0.5 per cent, it would also have attached to it a certain number of jobs. I accept it may not be an exact figure, but did Treasury calculate that? At this stage I do not need to know what the number is, but did Treasury calculate that or a range of parameters—say, if it hit 0.75 per cent growth what the jobs growth would be?

Dr Morling—No, we did not.

Senator ABETZ—Would Treasury please go away and model that for us?

Senator Conroy—We will take that on notice, Senator Abetz.

Answer:

The employment effect of fiscal stimulus depends on the size of the GDP impact, when the impact occurs and on the distribution of the impacts over time.

For example, for a GDP impact worth 0.75 per cent of annual GDP, the peak employment effect would be around 75,000 if the GDP impact was concentrated in one quarter, compared with slightly less than 60,000 if the impact was spread evenly across four quarters of the year.