

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 56

Topic: Stimulus Package – Individuals Spending

Hansard Page: E23

Senator Coonan asked:

Senator COONAN—Obviously we will come back to this in more detail, but can somebody at the table tell us how much of the stimulus money from the first two packages has actually been spent, not allocated to the states, and on what it has been spent?

Dr Henry—I think we would have to take that question on notice. I certainly do not have those numbers with me.

Senator COONAN—Could that be looked at in short order so that we have some information reasonably soon?

Senator Conroy—We have taken it on notice.

Senator JOYCE—Some information was provided to the inquiry yesterday about how much has not been spent, so maybe you can do a quick calculation.

Dr Gruen—Can I just clarify the question so that we answer the right question? Are you asking how much of it has been transferred to individuals? Obviously we know about the cheques and who they went to, but then you said ‘spent’, so in principle some of it is spent and some of it is saved.

Senator COONAN—That is right—saved or dealt with other ways.

Dr Gruen—In terms of ‘how much is spent’, we need to look at what has happened to retail trade and we also have to think about what would have happened in the absence of the stimulus package to spending. On the one hand we can give precise answers to the size of the cash payments to individuals; on the other we cannot give precise answers as to how much of that was spent, but we can give estimates.

Senator Conroy—Without seeming to be unhelpful, I am not sure that we have enough time to look back and make that assessment yet. It is just too early in the cycle.

Senator COONAN—It is not only the cash components. I am also asking for the entire stimulus package: what has actually been spent as opposed to just allocated?

Dr Gruen—Yes.

Senator COONAN—Thank you.

Senator JOYCE—Some information was provided to the inquiry yesterday about how much has not been spent, so maybe you can do a quick calculation.

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Senator COONAN—It is not only the cash components. I am also asking for the entire stimulus package: what has actually been spent as opposed to just allocated?

Dr Gruen—Yes.

Senator COONAN—Thank you.

Senator Conroy—Spent by the Commonwealth or spent by the people who received it?

Senator COONAN—By the Commonwealth.

Mr Ray—Are you on the same package as Senator Abetz or the first two packages?

Senator COONAN—The first two packages.

Mr Ray—There have been three.

Senator COONAN—There has been another one. The COAG one as well, I suppose.

Mr Ray—That is four.

Senator COONAN—All stimulus packages, then.

Dr Gruen—Just to clear this up, is it the ESS and the Nation Building and Jobs package, or do you want more than that?

Mr Ray—And the December package and the COAG package.

Senator COONAN—Yes.

Answer:

Regarding the cash payments, as at 30 June 2009, the Australian Taxation Office has made 8.4 million payments totalling \$7.4 billion. In the Updated Economic and Fiscal Outlook it was estimated that there would be 8.7 million tax bonus payments and that, "In the majority of cases the Tax Bonus for working Australians will be paid before 30 June 2009", while "Remaining amounts will be paid in 2009-10". The cost

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of the tax bonus payments was estimated in the Explanatory Memorandum to the *Tax Bonus for Working Australians (No. 2) Act 2009* to be \$7.7 billion.

It is impossible to know for certain how the economy would have evolved without the stimulus packages, however it is possible to estimate the likely effects that the stimulus has had. Treasury is forecasting that around two-thirds of the cash payments will be spent over a number of quarters.

This estimate is consistent with the March quarter National Accounts, which showed that gross domestic product rose by 0.4 per cent, with household consumption rising by 0.6 per cent. Treasury estimates suggests the economy would have contracted by around 0.2 per cent without the stimulus packages.

Regarding the actual spending of the other components of the Government's stimulus packages that Treasury administers, the details will be released at a later date in the Final Budget Outcome.