

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 66

Topic: Comparison of Australia's Stimulus Package to Those Overseas

Hansard Page: E49

Senator Pratt asked:

Senator PRATT—I think we have had some discussion of this already. I am interested in how our stimulus package is comparing to those from overseas in terms of its effectiveness? What sorts of comparisons do we have between Japan, the US and Canada, for example, which have had their own packages?

Mr McDonald—I am looking at page 4-7 in statement 4 of the budget papers. This refers to the OECD's interim economic outlook released earlier this year. It found that Australia's fiscal measures were among the most effective in the OECD in terms of stimulating economic activity and supporting employment. There are a couple of elements to that. One is that compared with other OECD countries the amount of stimulus is relatively large. I do not have those figures with me, and I am happy to take that on notice. It is always difficult at a given point in time because you have to choose a cut-off period and it has been a period where further action has been taken by governments, for example.

That study also went through, as did the IMF in a paper for the G20, which is contained in a box in 4-6, and analysed the multipliers that would apply to the different elements of different packages in different countries. There are technical reasons why you would not expect the multipliers to be the same in different countries, even if you had exactly the same package at exactly the same time, because the nature of economies is different. For example, for direct spending and infrastructure the multipliers range between 0.6 and 1.3; for transfer payments they range between 0.4 and 0.8; and the multipliers for revenue measures are between 0.2 and 0.8. The IMF has similar numbers as well. As Dr Gruen has said previously, the multipliers for the budget are between 0.5 and one. I think that is as much as we can say. If there is further information that we can provide on that then we will do so on notice.

Answer:

- In its March 2009 *Interim Economic Outlook*, the OECD presented detailed estimates of fiscal multipliers by type of spending for each OECD country ([Attachment A](#)).
 - According to these estimates, the United States, Japan, Canada and Australia are expected to have similar multipliers in each of the different types of measure (Table 1).

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Table 1: OECD estimates of fiscal multipliers – key country comparison

	Australia		United States		Japan		Canada	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Spending measures								
Infrastructure	0.9	1.1-1.3	0.9	1.1-1.3	0.9	1.1-1.3	0.8	1.0-1.2
Government consumption	0.6	0.7-1.0	0.7	0.8-1.1	0.7	0.8-1.1	0.5	0.6-0.9
Transfers to households	0.4	0.7-0.8	0.5	0.8-0.9	0.5	0.8-0.9	0.4	0.6-0.7
Revenue measures								
Personal income tax cuts	0.3-0.4	0.4-0.8	0.3-0.5	0.5-0.9	0.3-0.5	0.5-0.9	0.2-0.4	0.4-0.7
Indirect tax cuts and other	0.2-0.3	0.3-0.5	0.2-0.3	0.3-0.5	0.2-0.3	0.3-0.5	0.1-0.2	0.2-0.4

Source: OECD Interim Economic Outlook (March 2009)

- Based on these multiplier estimates and announced policies, the OECD noted that Australia and the United States are the only OECD economies that are expected to receive support from their respective stimulus measures of greater than 1 per cent of GDP in both 2009 and 2010.
- In its Concluding Statement for the 2009 Article IV Consultation with Australia, the IMF noted that:

‘The stimulus provides a sizable boost to domestic demand in 2009 and 2010 that will cushion the impact of the global recession. The transfer to households had an immediate impact on activity that helped underpin confidence. The increase in public investment will continue to support activity in the near term, while addressing infrastructure shortfalls.’

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ATTACHMENT A

OECD estimates of fiscal multipliers – all OECD countries

	Openness in 2008	Spending measures								Revenue measures											
		Government consumption				Government investment				Transfers to household				Personal Income tax				Indirect tax			
		Year 1		Year 2		Year 1		Year 2		Year 1		Year 2		Year 1		Year 2		Year 1		Year 2	
		Ref.	High	Ref.	High	Ref.	High	Ref.	High	Ref.	High	Ref.	High	Ref.	High	Ref.	High	Ref.	High	Ref.	High
USA	15.4	0.7	0.7	0.8	1.1	0.9	0.9	1.1	1.3	0.5	0.5	0.8	0.9	0.3	0.5	0.5	0.9	0.2	0.3	0.3	0.5
JPN	14.7	0.7	0.7	0.8	1.1	0.9	0.9	1.1	1.3	0.5	0.5	0.8	0.9	0.3	0.5	0.5	0.9	0.2	0.3	0.3	0.5
DEU	29.5	0.4	0.4	0.5	0.8	0.8	0.8	1.0	1.2	0.3	0.3	0.5	0.7	0.2	0.3	0.3	0.7	0.1	0.2	0.2	0.4
FRA	22.5	0.6	0.6	0.7	1.0	0.8	0.8	1.0	1.2	0.4	0.4	0.7	0.8	0.2	0.4	0.4	0.8	0.2	0.2	0.2	0.4
ITA	22.5	0.6	0.6	0.7	1.0	0.8	0.8	1.0	1.2	0.4	0.4	0.7	0.8	0.2	0.4	0.4	0.8	0.2	0.2	0.2	0.4
GBR	23.9	0.5	0.5	0.6	0.9	0.8	0.8	1.0	1.2	0.4	0.4	0.6	0.8	0.2	0.4	0.4	0.8	0.2	0.2	0.2	0.4
CAN	25.2	0.5	0.5	0.6	0.9	0.8	0.8	1.0	1.2	0.4	0.4	0.6	0.7	0.2	0.4	0.4	0.7	0.1	0.2	0.2	0.4
AUS	19.5	0.6	0.6	0.7	1.0	0.9	0.9	1.1	1.3	0.4	0.4	0.7	0.8	0.3	0.4	0.4	0.8	0.2	0.3	0.3	0.5
AUT	35.2	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.3	0.6	0.1	0.1	0.2	0.3
BEL	47.9	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
CZE	41.8	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
DNK	34.8	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.3	0.6	0.1	0.1	0.2	0.3
FIN	28.9	0.4	0.4	0.5	0.8	0.8	0.8	1.0	1.2	0.3	0.3	0.5	0.7	0.2	0.3	0.3	0.7	0.1	0.2	0.2	0.4
GRC	25.1	0.5	0.5	0.6	0.9	0.8	0.8	1.0	1.2	0.4	0.4	0.6	0.7	0.2	0.4	0.4	0.7	0.1	0.2	0.2	0.4
HUN	44.7	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
ISL	32.6	0.4	0.4	0.5	0.8	0.7	0.7	0.9	1.1	0.3	0.3	0.5	0.6	0.2	0.3	0.3	0.6	0.1	0.2	0.2	0.3
IRL	41.4	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
KOR	36.4	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
LUX	59.0	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
MEX	23.1	0.5	0.5	0.6	0.9	0.8	0.8	1.0	1.2	0.4	0.4	0.6	0.8	0.2	0.4	0.4	0.8	0.2	0.2	0.2	0.4
NLD	41.1	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
NZL	25.1	0.5	0.5	0.6	0.9	0.8	0.8	1.0	1.2	0.4	0.4	0.6	0.7	0.2	0.4	0.4	0.7	0.1	0.2	0.2	0.4
NOR	23.0	0.5	0.5	0.6	0.9	0.8	0.8	1.0	1.2	0.4	0.4	0.6	0.8	0.2	0.4	0.4	0.8	0.2	0.2	0.2	0.4
POL	30.0	0.4	0.4	0.5	0.8	0.8	0.8	1.0	1.2	0.3	0.3	0.5	0.7	0.2	0.3	0.3	0.7	0.1	0.2	0.2	0.4
PRT	29.3	0.4	0.4	0.5	0.8	0.8	0.8	1.0	1.2	0.3	0.3	0.5	0.7	0.2	0.3	0.3	0.7	0.1	0.2	0.2	0.4
SVK	45.7	0.3	0.3	0.4	0.7	0.7	0.7	0.9	1.1	0.2	0.2	0.4	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.3
ESP	24.8	0.5	0.5	0.6	0.9	0.8	0.8	1.0	1.2	0.4	0.4	0.6	0.7	0.2	0.4	0.4	0.7	0.1	0.2	0.2	0.4
SWE	31.7	0.4	0.4	0.5	0.8	0.7	0.7	0.9	1.1	0.3	0.3	0.5	0.6	0.2	0.3	0.3	0.6	0.1	0.2	0.2	0.4
CHE	31.8	0.4	0.4	0.5	0.8	0.7	0.7	0.9	1.1	0.3	0.3	0.5	0.6	0.2	0.3	0.3	0.6	0.1	0.2	0.2	0.4
TUR	22.5	0.6	0.6	0.7	1.0	0.8	0.8	1.0	1.2	0.4	0.4	0.7	0.8	0.2	0.4	0.4	0.8	0.2	0.2	0.2	0.4

Source: OECD Interim Economic Outlook (March 2009)