

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 99

Topic: \$900 Stimulus Cheques

Hansard Page: E5-6

Senator Joyce asked:

Senator JOYCE—Can you please explain to me how a \$900 cheque in the mail puts one tonne of coal on a ship going to China?

Senator Sherry—Hang on, before we go any further. This is not a markets group responsibility, Senator Joyce, and these issues were canvassed extensively yesterday in front of the appropriate group, the macro policy group with Dr Henry, Dr Gruen and others. This is the markets area. If want to ask questions about markets matters, there is six hours available to do that minus 10 minutes, but it is not macro we are dealing with his this morning.

Senator JOYCE—Thank you, Minister. I asked the question whether we are in recession and I asked what is the mechanisms of why we are not in recession. I was given the answer that it was because of the stimulus package. I am now drilling down, because that is to do with the markets, into the details of the stimulus package. We have clearly defined it has got nothing to do with the stimulus package. It has got everything to do with exports which are not, in any way, shape or form, related to the stimulus package. I just want to clear the air of that because there seems to be some misconception out there that the trade figures have some relationship to a \$900 cheque in the mail. It has got absolutely nothing to do with it.

Senator Sherry—Markets group have nothing to do with the \$900 stimulus cheque. They have nothing to do with transport coal costs, nor do they deal with macroeconomic issues that were extensively canvassed yesterday. But in deference to yourself, we will take the question on notice.

Senator JOYCE—The minister has just told me that a \$900 cheque has nothing to do with the markets group. Did the \$900 cheque have nothing to do with any form of stimulus in the economy?

Senator Sherry—It is who is responsible for the area and markets group are not responsible for the area so we will take that question on notice.

Senator JOYCE—You will take it notice whether it had any effect?

Senator Sherry—We will take it on notice, yes.

Senator JOYCE—I imagine it will be very hard to determine whether it had any effect so I can understand why you would take it on notice.

Senator Sherry—Just so I can indicate, I am taking it on notice because you are asking the questions in the inappropriate area and you are starting to repeat questions yesterday which are the responsibility of the macro group. You might want to pad out

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estimates because you are not sufficiently prepared for the markets group to ask a range of questions, of which I could think of many.

Senator JOYCE—I have got some.

Senator Sherry—Good, as I say, matters that relate to macroeconomic issues were dealt with yesterday. I could just foreshadow that we will be taking on notice any further questions about that area.

Answer:

The Government's stimulus payments to households were designed to stimulate domestic demand. Real household consumption rose 0.6 per cent in the March quarter 2009, contributing 0.3 of a percentage point to quarterly GDP growth. Without the payments, Treasury estimates the Australian economy would have contracted in the March quarter by around 0.2 per cent.

The positive contribution from household consumption along with a positive trade balance resulted in GDP rising by 0.4 per cent in the March quarter to be 0.4 per cent higher through the year.