

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 352

Topic: Projected Surplus

Hansard Page: Written

Senator EGGLESTON asked:

1. The projected surplus in 2012-13 falls in the ‘projection’ period as opposed to the ‘estimate’ period of the budget. What is the difference between a projection and an estimate?

Answer:

The economic parameters for 2010-11 and 2011-12 are forecasts, while the parameters for 2012-13 onwards are projections.

The projections are based on medium-term assumptions, such as real GDP growing at its trend rate, currently around 3 per cent per annum, and the unemployment rate being at the non-accelerating inflation rate of unemployment of around 5 per cent.

In contrast, the forecasts are based on expectations about the short-term outlook for the economy, which may deviate from these trend assumptions.