

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 95

Topic: Australia's Debt - Investment

Hansard Page: E28 (03/06/2010)

Senator JOYCE asked:

Senator JOYCE—What countries have less debt than us? Or what countries have more? From the answer I got back on notice, the ones that were more than us were Greece, Iceland, Ireland, Hungary, Portugal and Spain.

Mr R Murray—New Zealand.

Senator JOYCE—And New Zealand. That was about it. Every other country was better off than us.

Mr R Murray—Here you are talking about figures of total debt and of course a lot of those countries have significant deficits. As you know with Greece, it has a very long history of a significant lack of credibility in financial markets and that translates through, when you look at it, to the significant premium on all of their government debt, but also on their private debt. So when you say whether countries are better off or worse off, then I think you would need to take into account all of those factors. We have been, over a very long period, a net importer of capital. That has waxed and waned. A lot of this is because we have significant investment opportunities. If you look at the overall savings record within Australia, in fact taking into account total savings—so that is by the business sector, the household sector and the government sector; the government sector has to be taken into account as well—we have a pretty good track record against OECD countries from a saving point of view. But particularly over recent times we have had significant investment—

Senator JOYCE—Where is that significant investment?

Mr R Murray—It is true that in the early part of this decade some of that was driven by the housing sector, but in recent times most of that build up in private investment to GDP has in fact been in the business sector, and a lot of it in the resources sector.

Senator JOYCE—In the resources sector, right.

Mr R Murray—So you need to take into account all of those issues.

Senator Sherry—A lot of it is in the resources sector.

Senator JOYCE—That is interesting.

Mr R Murray—But it is not the only place where there has been a lot of business investment.

Senator JOYCE—But that is by far and away the majority of it.

Mr R Murray—No, I am not sure that that is true.

Senator JOYCE—If not, then where is it?

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Mr R Murray—I would have to check that; I am not sure if that is true.

Senator Sherry—Senator, one of the difficulties here is that—you referred to this in your earlier reference to the answer which was provided by the macro group—we are really crossing back into significant areas of responsibility of the macro group. If you want to ask, as I suspect you will, some detailed questions about foreign investment in Australia then there certainly are issues in relation to foreign investment in Australia we could go to, because that is the direct responsibility of the markets group. But the broader macro issues of national debt, government debt and private debt are issues for macro.

Answer:

Mining investment represented 17.8 per cent of private gross fixed capital formation in 2008-09. As a share of GDP, mining investment was 4.3 per cent in 2008-09.

Gross fixed capital formation by industry is detailed in table 64 from the ABS publication 5204.0, which is available on the ABS website.