Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 96

Topic: Resource Sector

Hansard Page: E29 (03/06/2010)

Senator JOYCE asked:

Dr Kennedy—This might help, Senator: as a proportion of GDP, about six per cent of GDP is allocated to housing construction. So that is roughly the size of the economy in terms of activity that is housing—that is renovations as well as new housing. But I cannot go much further into the details.

Senator JOYCE—So how much of the economy is in the resource sector?

Mr R Murray—Again, these questions should really go to macro group. But from recollection, it is about six per cent.

Dr Kennedy—Roughly the same.

Mr R Murray—About two per cent by employment, something like that.

Dr Kennedy—But, Senator, we would have to take these detailed questions on notice and ask our colleagues in macro group for the figures. It is not something that we do.

Senator JOYCE—If there is a discernible effect in the resource sector, what will be the effect for our economy?

Senator Sherry—Can you clarify 'discernible effect'—

Senator JOYCE—If there is a downturn in the resource sector in the long term, what will be the vulnerabilities in our economy?

Mr R Murray—You should really ask the macro group that question. We can take that on notice, but that really is a question for the macro group.

Dr Kennedy—These are questions for Dr Gruen, who appeared in front of you yesterday.

Answer:

Gross value added in the mining industry was around 7 per cent of GDP in 2008-09.

The effect of a downturn in the mining industry on the wider domestic economy would depend on many factors, including the cause and duration of the downturn in mining. In a simple example, a substantial retracement of commodity prices would tend to reverse some of the mining induced changes currently taking place in the economy. The terms of trade, mining investment and mining employment would each be lower than otherwise.