

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

13 – 14 February 2013

Question: AET 1179-1180

Topic: Cash Rate

Written: Received from Committee – 22 February 2013

Senator BUSHBY asked:

1179. The official cash rate is currently at 3 per cent, which is a level that was described in the aftermath of the Global Financial Crisis as 'emergency levels'. Does Treasury consider an official cash rate at 3 per cent in the current economic environment as an emergency level?
1180. What work is the Treasury doing to examine the macroeconomic impact of both domestic and international demographic trends on Australia?

Answers:

1179. Governor Stevens stated on 19 December that:

'Well firstly, it's actually not an emergency level right now...it's calibrated for the circumstances we face, but I don't think we face an emergency of any kind in the way that we clearly did four years ago when the cash rate was here, of course the borrowing rates haven't come down to those same levels'.

1180. Treasury monitors the macroeconomic impact of demographic trends on Australia during each budget update. Treasury's medium-term modelling framework considers the impact of Australia's demographic change on Australia's economic and fiscal outlook over 10 years.
- Medium-term projections of the underlying cash balance and net debt are published in the Budget and Mid-Year Economic and Fiscal Outlook, found at www.budget.gov.au.
 - The Government's *Intergenerational Report* assesses the long-term sustainability of government policies over 40 years, including by taking account of the financial implications of demographic change (as required by the *Charter of Budget Honesty Act 1998*).
 - The Government's latest *Intergenerational Report* (2010) can be found at: http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf
 - Treasury does not undertake international population projections. The most reliable source for population projections is the UN and Treasury uses these to examine international demographic trends.
 - Population statistics are used in a variety of Treasury analyses including long-term GDP projection modelling that was most recently used in the *Asian Century White Paper* and the modelling for the *Strong Growth, Low Pollution* report.
 - Treasury provided analytical input regarding international demographic trends (particularly in Asia) for the White Paper.