

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

26 February 2014

**Question: AET 3159**

**Topic: Methodology changes**

**Hansard Page: page 29, 26 February 2014**

**Senator DASTYARI asked:**

**Senator DASTYARI:** I just have a couple of very quick questions, because I am conscious that we are right on time to conclude. We discussed the fact that between PEFO and MYEFO there were differences in methodology and unemployment figures in terms of trade, and also that there are other factors—including how you treat the output gap, which is what Dr Parkinson is going on about—that had a material impact on the budget bottom line as presented in MYEFO. Are we able to take on notice the list of all the methodological changes, including the outlook we discussed and anything else we may have missed between PEFO and MYEFO, as a list? And what is the impact of each item and change that was taken between PEFO and MYEFO?

**Dr Parkinson:** I am happy to do that for the things that are material; but, as I was alluding to before, every time we get a change in or new piece of data, we look again at our methodology.

**Senator DASTYARI:** But everything that is material is understandable.

**Dr Parkinson:** It is only the material stuff, and the material ones are the ones we have talked about. We have talked about them, so there is nothing that I would treat as material that we have not discussed today.

**Answer:**

There were two material methodological changes between PEFO and MYEFO. These were changes to the methodology for projecting the unemployment rate and the terms of trade.

Please refer to the testimony from Dr Gruen and Dr Parkinson (Hansard pages 9-15, Economics Legislation Committee 26 February 2014) and Part 2: Economic Outlook on pages 13-14 of the 2013-14 MYEFO for detailed discussions of the change to the projection methodology for the unemployment rate.

Please refer to the testimony from Dr Gruen and Dr Parkinson (Hansard pages 11-13, Economics Legislation Committee 26 February 2014) and Box A: Medium-term projection of the terms of trade on page 17 of the 2013-14 MYEFO for detailed discussions of the change to the projection methodology for the terms of trade.