

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Additional Estimates
2014 - 2015

Department/Agency: Treasury
Question: AET 372-379
Topic: Intergenerational Report
Reference: written - 16 March 2015
Senator: Wong, Penny

Question:

- 372. Can Treasury confirm the unemployment rate assumptions for all the scenarios outlined in the 2015 IGR?
- 373. Can Treasury confirm that all the scenarios (“previous”, “currently legislated”, “proposed”) have the same unemployment rate assumption?
- 374. Can Treasury confirm that all the scenarios (“previous”, “currently legislated”, “proposed”) assume a 5% rate of unemployment consistent with the NAIRU?
- 375. Can Treasury outline the policy decisions made by this government that are included in the ‘previous policy’ scenario outlined in the IGR?
- 376. Was Treasury instructed to provide draft IGR materials on the ‘previous policy’ scenario by the Treasurer or the Treasurer’s office?
- 377. Was Treasury instructed on what countries to include in Chart 2.5 (page 53) of the IGR? If so, when, by whom?
- 378. Has such a chart as at Chart 2.5 (page 53) with various Australian scenarios at a future point in time been compared in the same chart alongside other nations at the current time, ever been compiled and presented in a Budget document in the last 20 years? If so, when?
- 379. Have former IGRs included ‘previous policy’, ‘currently legislated’ and ‘proposed’ scenarios? If not, why not?

Answer:

- 372. Prior to 2025, the unemployment rate assumed is consistent with the 2014-15 MYEFO economic forecasts and projections. The long-run projections in the 2015 IGR use an assumption of a constant rate of unemployment of 5 per cent. The assumption of 5 per cent unemployment is based on estimates of the Non-Accelerating Inflation Rate of Unemployment (NAIRU). The NAIRU is the lowest sustained unemployment rate that does not cause inflation to increase.
- 373. The unemployment rate assumption is the same in the previous, currently legislated and proposed scenarios.
- 374. Prior to 2025, the assumed unemployment rate is consistent with the 2014-15 MYEFO economic forecasts and projections. The long-run projections in the 2015 IGR use an assumption of a constant rate of unemployment of 5 per cent consistent with the NAIRU.

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375. The scenario 'previous policy' shows fiscal projections associated with the set of policies in place prior to the 2014-15 Budget.
376. As is the normal course of events, the IGR is developed in consultation with the Treasurer and the Treasurer's office.
- 3.77 No. The countries included in the chart provide a comprehensive list of developed countries with which to compare Australia's debt position.
378. Chart 2.5 compares Australia's current and projected net debt position to a range of developed countries. The chart shows Australia's current net debt position is favourable compared to these countries included in the chart. However the experience of Ireland during and after the global financial crisis shows how a Government's balance sheet position can quickly deteriorate in the face of large economic shocks.
- The inclusion of Australia's projected net debt position under the three scenarios indicates the significance of the budget repair task and the importance of reducing government debt. Other countries have found the task of budget repair extremely challenging when net debt reaches the kind of levels currently seen in Greece, Italy and Japan.
379. IGRs are developed in accordance with the Charter of Budget Honesty Act.