

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 165-169

Topic: Joint Economic Forecasting Group – Macroeconomic Forecasting

Hansard Page: Written

Senator SINODINOS asked:

165. According to the Commonwealth budget 2012-13, the real GDP estimate for the Euro zone in 2013 is at 0.75% where as the IMF and the OCED have forecasted the Eurozone growing at 0.9%. Can Treasury explain how the government produced a result that is different to the IMF and the OECD?
166. When did meetings of the Joint Economic Forecasting Group occur during the 2012-13 budget cycle?
167. On what date did JEEG finalise its macroeconomic forecasts in the context of the 2012-13 budget cycle?
168. In the context of the 2012-13 budget, was there any difference between the forecasts produced by the Joint Economic Forecasting Group and the government forecasts reported in the 2012-13 budget? If so, which parameters were different and by how much?
169. On what date did the government finalise its forecasts?

Answer:

165. The difference between Treasury's real GDP forecasts for the euro area in 2013 and the IMF and OECD's forecasts largely reflects timing and the fluidity of events in Europe. As highlighted by Dr. Parkinson to the Economics Legislation Committee on 31 May 2012, the deteriorating situation in the euro area as Budget 2012-13 approached meant that we needed to write down the forecasts for the euro area in 2012 and 2013 quite significantly.

The IMF's forecasts were published in its World Economic Outlook (WEO) in April 2012 and consequently do not reflect the re-intensification of the European sovereign debt crisis and increasing anxiety around the situation in Spain. The OECD's estimates of GDP growth in the euro area were published in its Economic Outlook 91 (released 22 May) and are based on an 'events free' assumption, which assumes policy actions will be sufficient to prevent destabilising euro area developments. Treasury's forecasts are predicated on the euro area avoiding a disorderly resolution to its sovereign debt crisis, but without resolving fundamental problems, which would be expected to contribute to further financial market turbulence and have negative effects on confidence.

166. The meeting of the Joint Economic Forecasting Group (JEEG) in the lead up to the 2012-13 Budget was on Friday 23 March 2012.
167. The JEEG report forecasts were finalised and distributed to stakeholders from Friday 13 April 2012.

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168. Due to the receipt of new information between the March JEFG forecasting round and the May Budget, there are almost always discrepancies between the two sets of forecasts. The 2012-13 Budget contains the Government's most recent set of forecasts, reflecting all the information available at the time the forecasts were finalised. To help inform public discussion and debate, Treasury has decided to release reports of the JEFG Committee after a period of 2½ years, starting with the March quarter 2008 Report.
169. The domestic and international forecasts in the 2012-13 Budget publication were finalised on Monday 30 April 2012.