

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates 2012

15 – 17 February 2012

**Question: AET 161 - 162**

**Topic: “Forecasting \$A’s future is a mug’s game.” -  
Sydney Morning Herald**

**Hansard Page: Written**

**Senator BUSHBY asked:**

161. Does Treasury share the same view as the Prime Minister (“Forecasting \$A’s future is a mug’s game.” The Sydney Morning Herald. P.3. 2 February 2012.) that Australia’s currency would remain strong for years to come because of its newfound ‘safe haven’ status as a proxy for the Asian region?
162. Does Treasury have a view on whether it is somewhat perilous to forecast a currency that is historically volatile?

**Answer:**

161. The Prime Minister noted that for the first time Australia has been referred to as something of a global “safe haven”. The Prime Minister also noted a number of factors that have contributed to the recent strength of the Australian dollar. Factors include:
- high commodity prices which have lifted our terms of trade to record highs;
  - Australia’s improved relative risk position, given our low level of government debt and well regulated banking system; and
  - the strength of our economy relative to our peers, reflected in relatively high returns on Australian assets.
162. Treasury does not forecast the exchange rate and only makes technical assumptions regarding the exchange rate.