

# Australian Business Economists

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*Dr Ken Henry*  
*Secretary to the Treasury*  
*“Contemporary Challenges in*  
*Fiscal Policy”*  
*Post-Budget Address*  
*19 May 2009*



**Australian Government**

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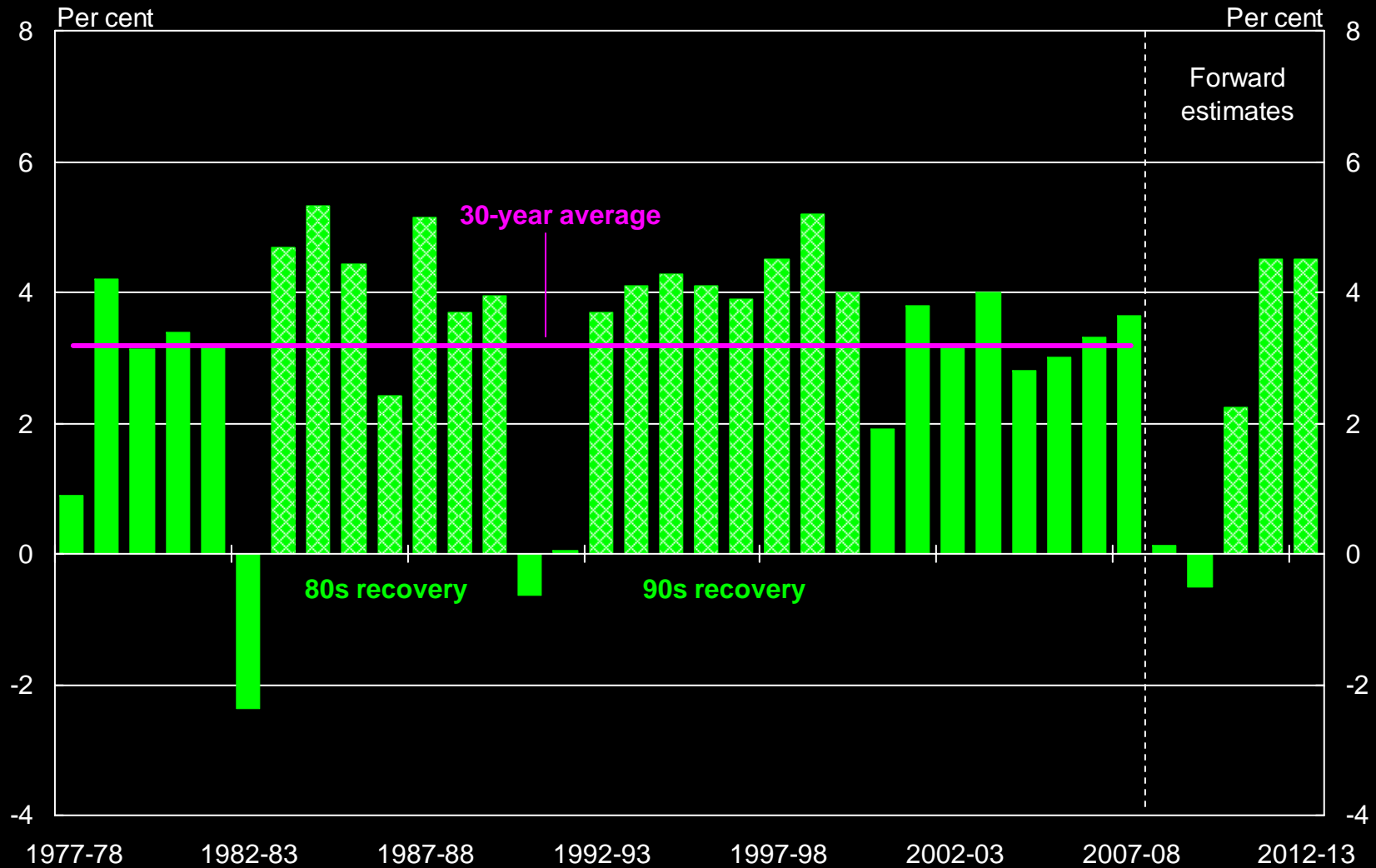
**The Treasury**

# Post Budget Speech

Ken Henry

Tuesday 19 May 2009

# Real GDP growth



Source: ABS Catalogue Number 5206.0 and Treasury.

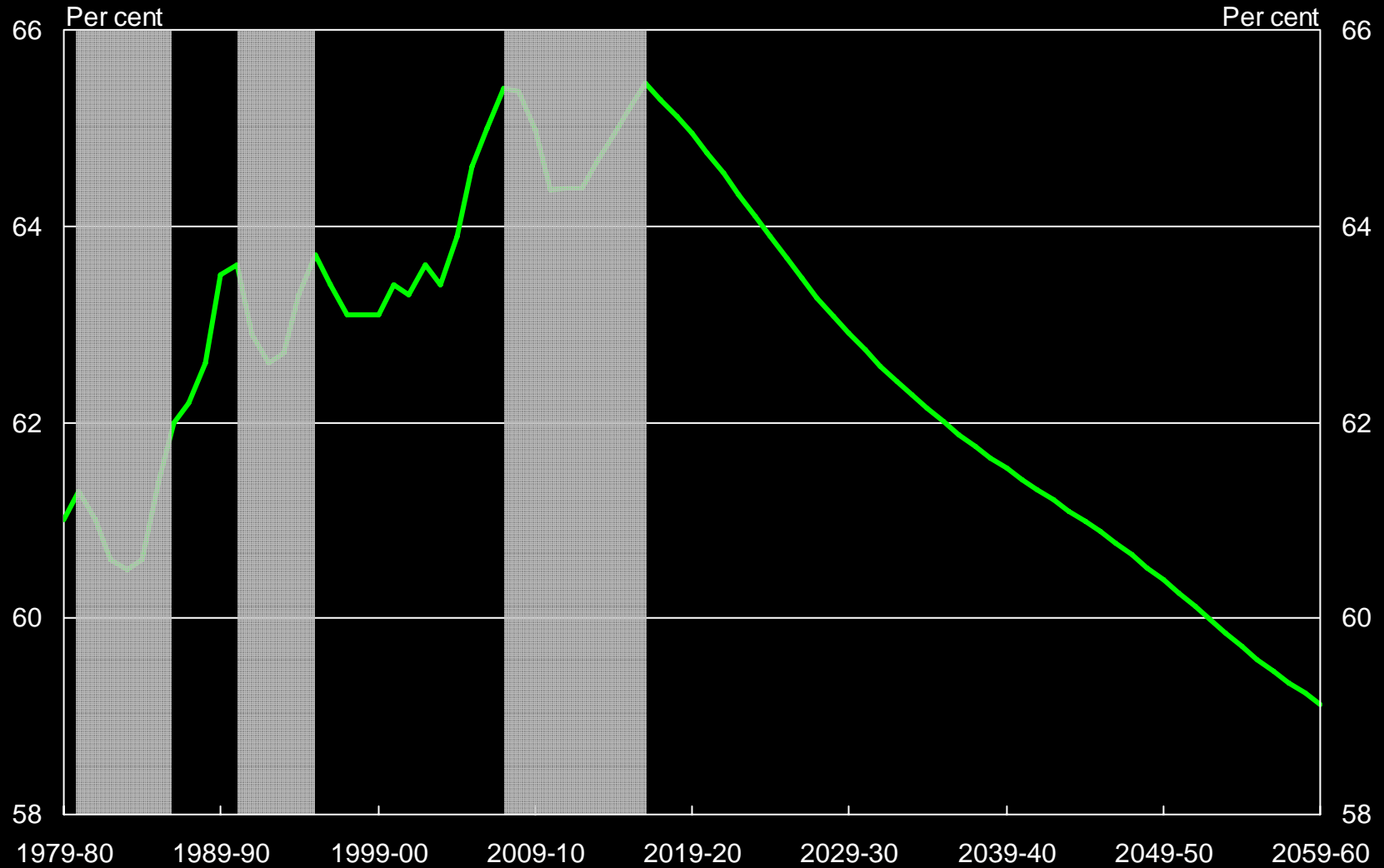
# Contributions to GDP growth

(Year average, per cent)

	Forward estimates					Medium-term projections			
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Real GDP	0	- 1/2	2 1/4	4 1/2	4 1/2	4	4	4	4
Contributions									
Population	1 3/4	1 3/4	1 3/4	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Participation rate	0	-1	-1	0	0	1/2	1/2	1/2	1/2
Unemployment rate	- 3/4	-2 3/4	-1	1	1	1/2	1/2	1/2	1/2
Productivity	-1	1 1/4	2 1/2	2	2	1 1/2	1 1/2	1 1/2	1 1/2
Nominal GDP	5 3/4	-1 1/2	3 3/4	6 1/4	6 3/4	6 1/4	6 1/4	6 1/4	6 1/4

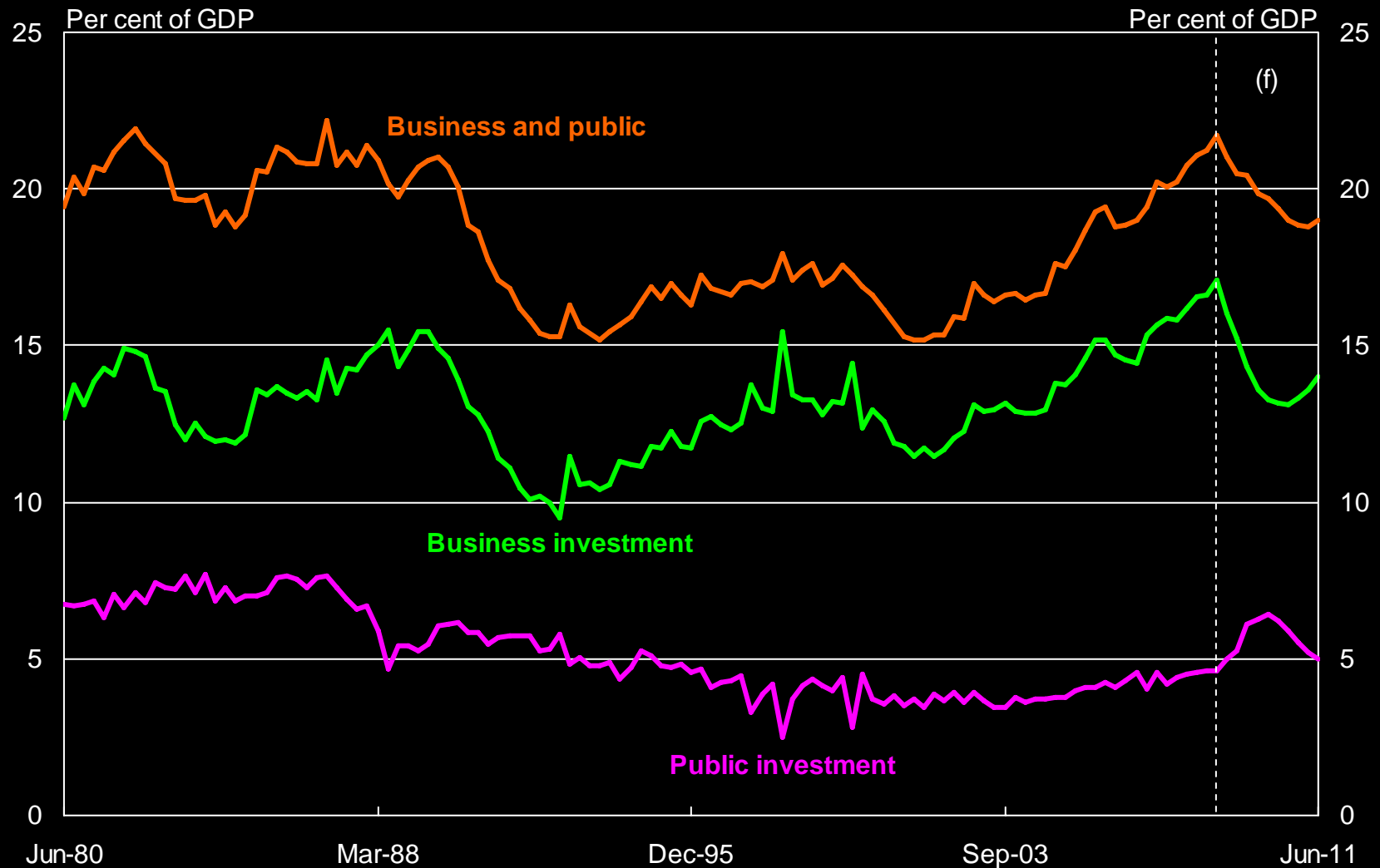
Source: Treasury.

# Participation rate



Source: ABS and Treasury.

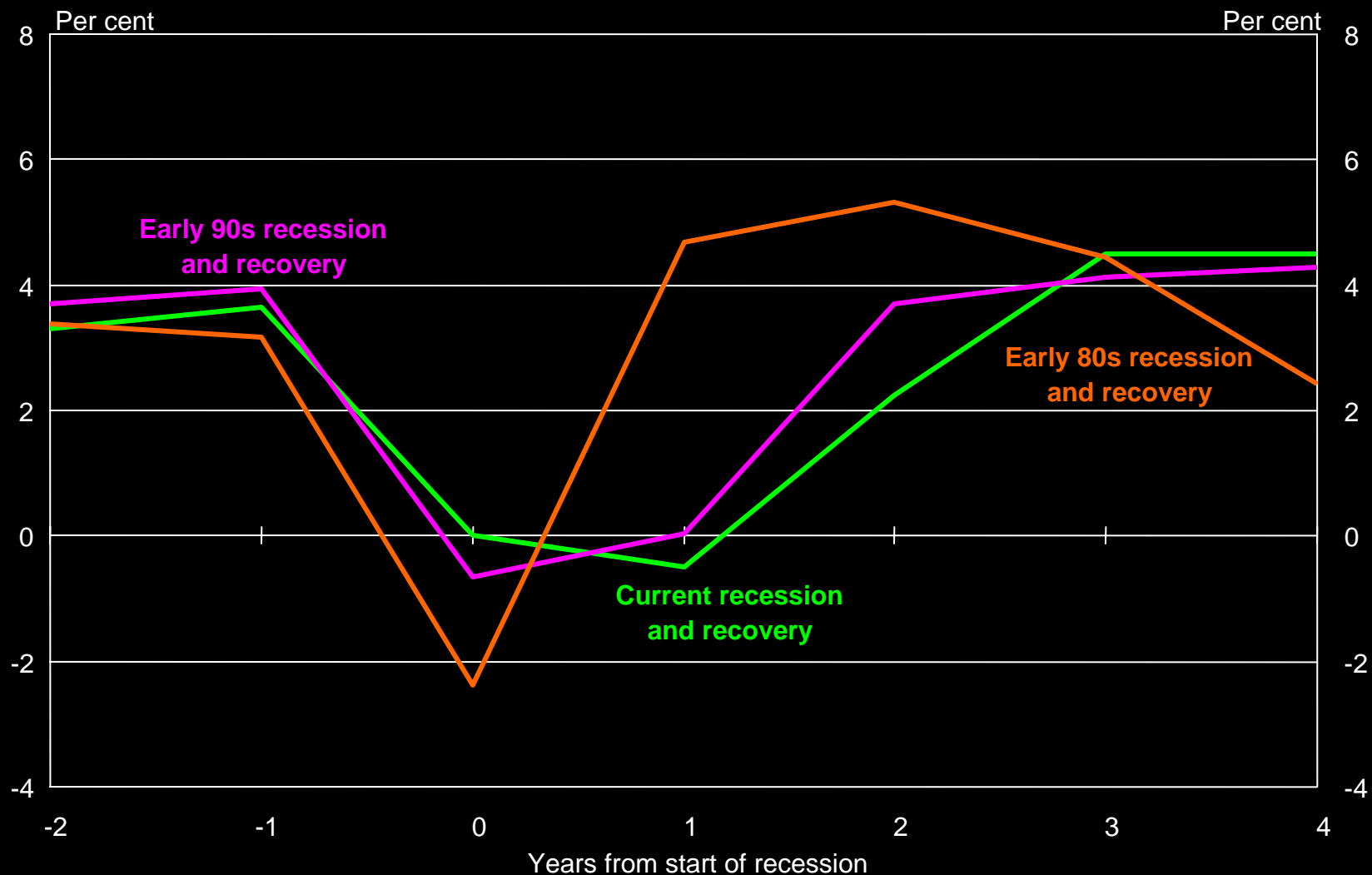
# Business and public investment



Source: ABS Catalogue Number 5206.0 and Treasury.

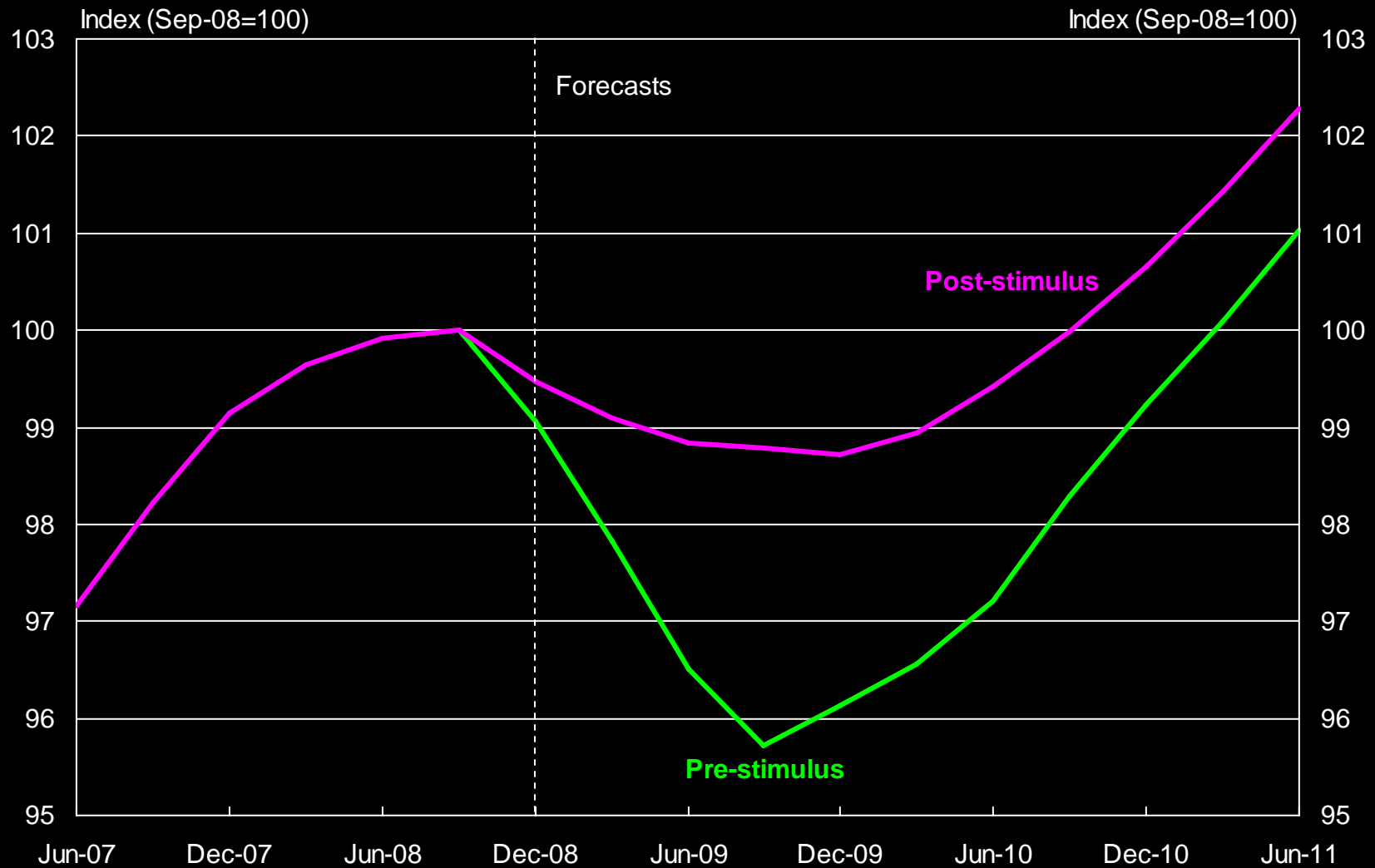
# Recessions and recoveries

(Year average)



Note: Year 0 is 1982-83, 1990-91 and 2008-09.  
Source: ABS Catalogue Number 5206.0 and Treasury.

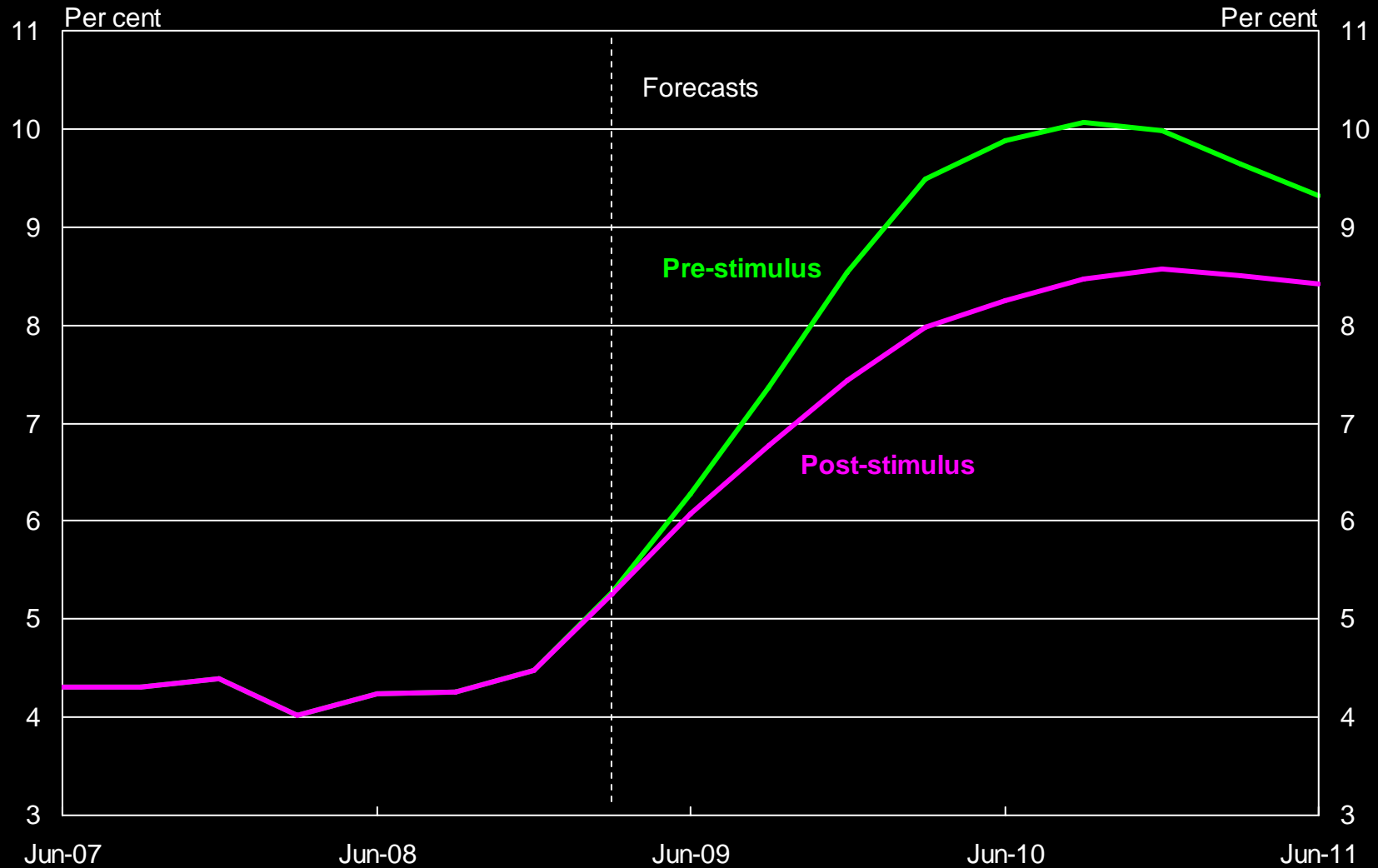
# Effect of fiscal stimulus on real GDP



Source: ABS Catalogue Number 5206.0 and Treasury.

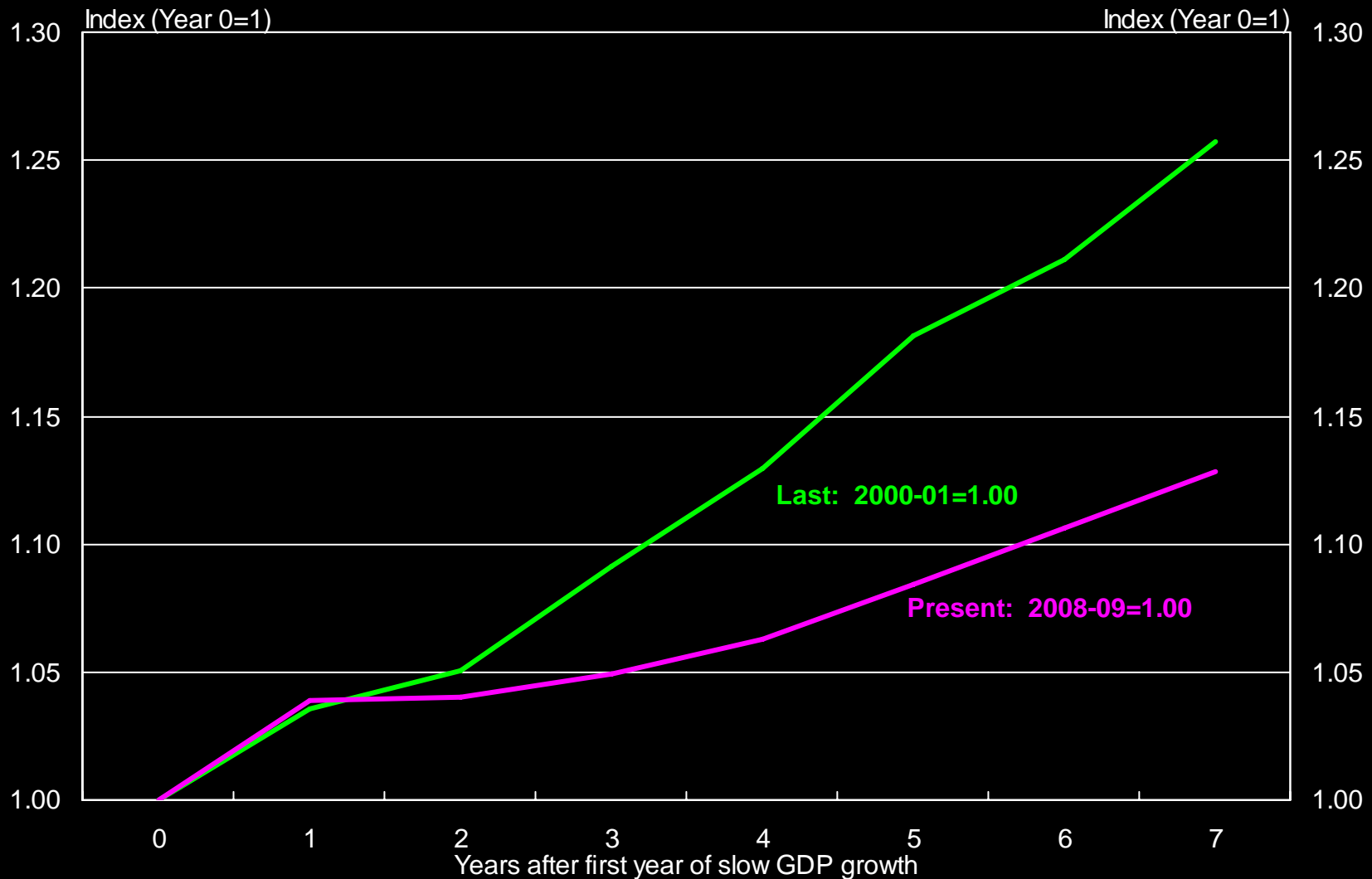


# Effect of fiscal stimulus on unemployment



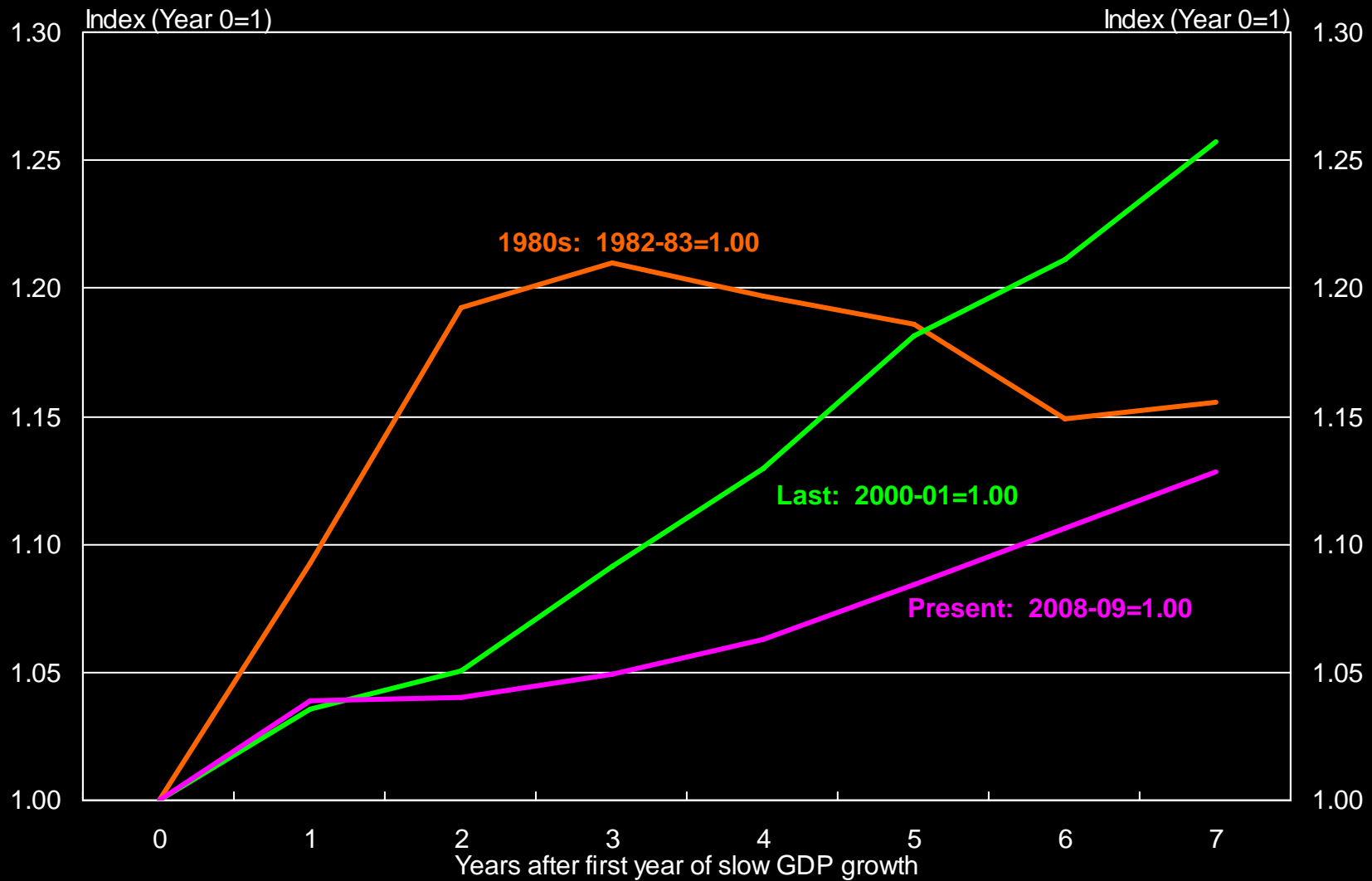
Source: ABS Catalogue Number 6202.0 and Treasury.

# Evolution of real government spending



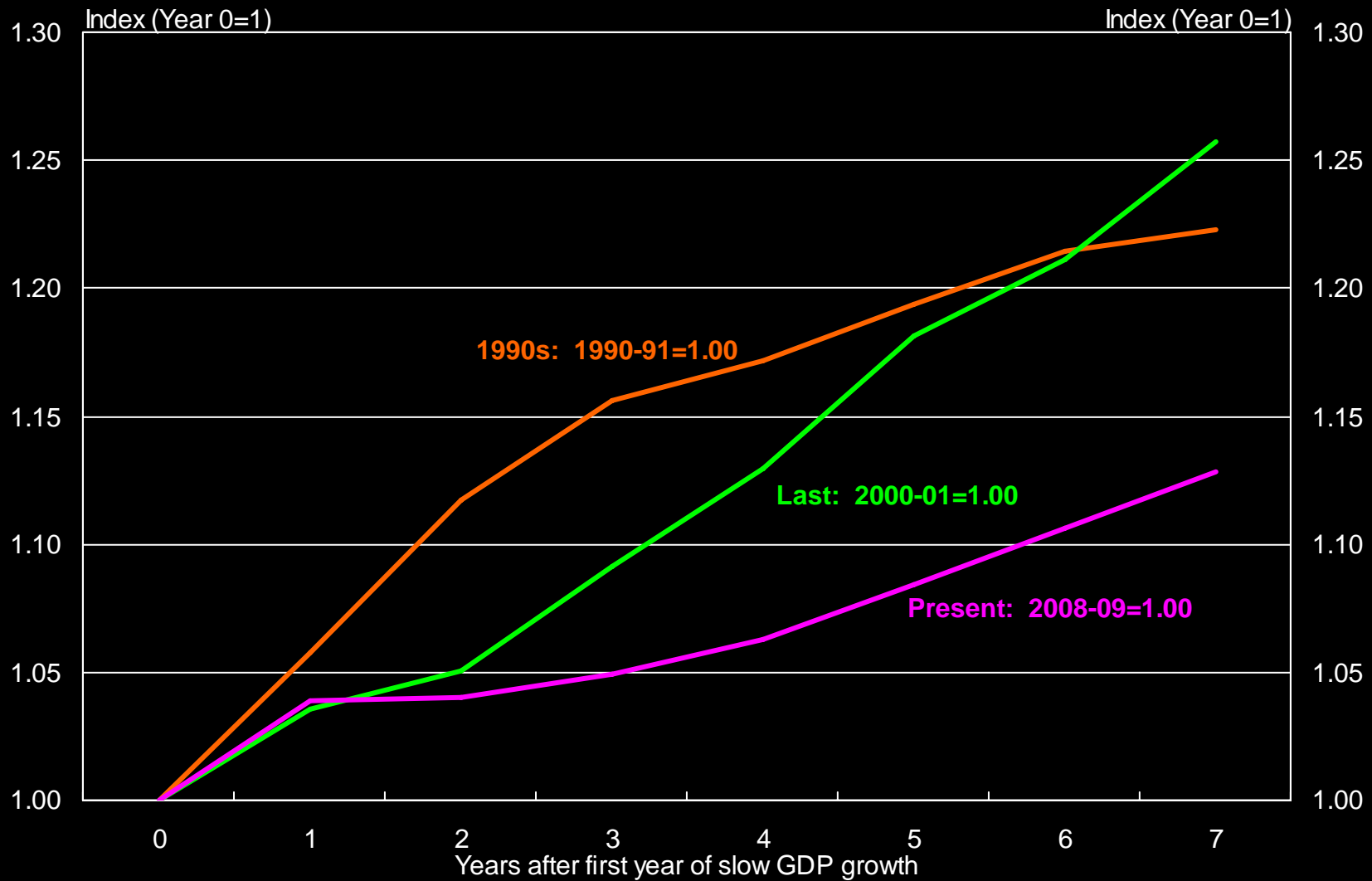
Source: ABS Catalogue Number 6401.0 and Treasury.

# Evolution of real government spending



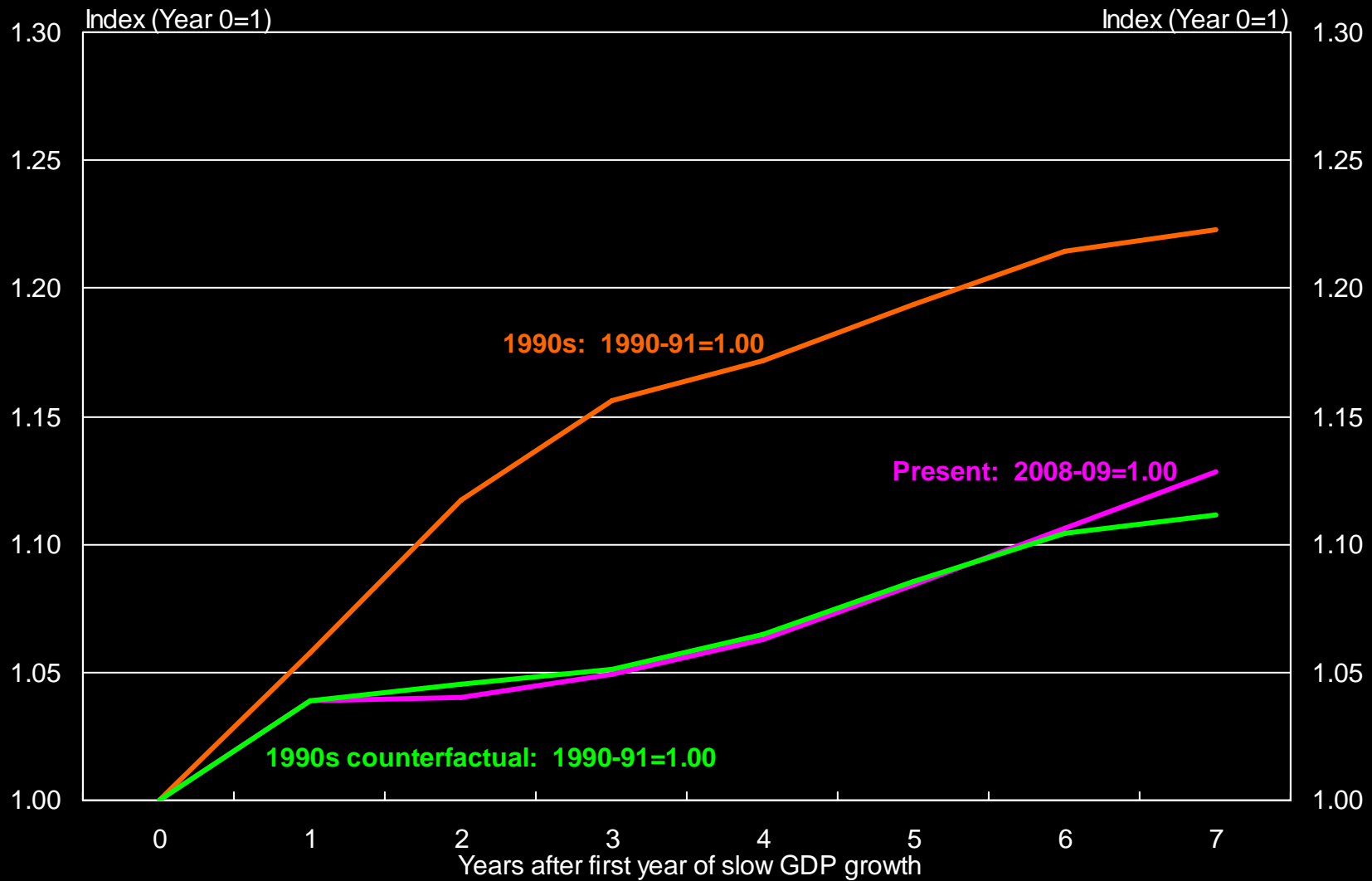
Source: ABS Catalogue Number 6401.0 and Treasury.

# Evolution of real government spending



Source: ABS Catalogue Number 6401.0 and Treasury.

# Evolution of real government spending



Source: ABS Catalogue Number 6401.0 and Treasury.



**Australian Government**

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**The Treasury**

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# Back pocket

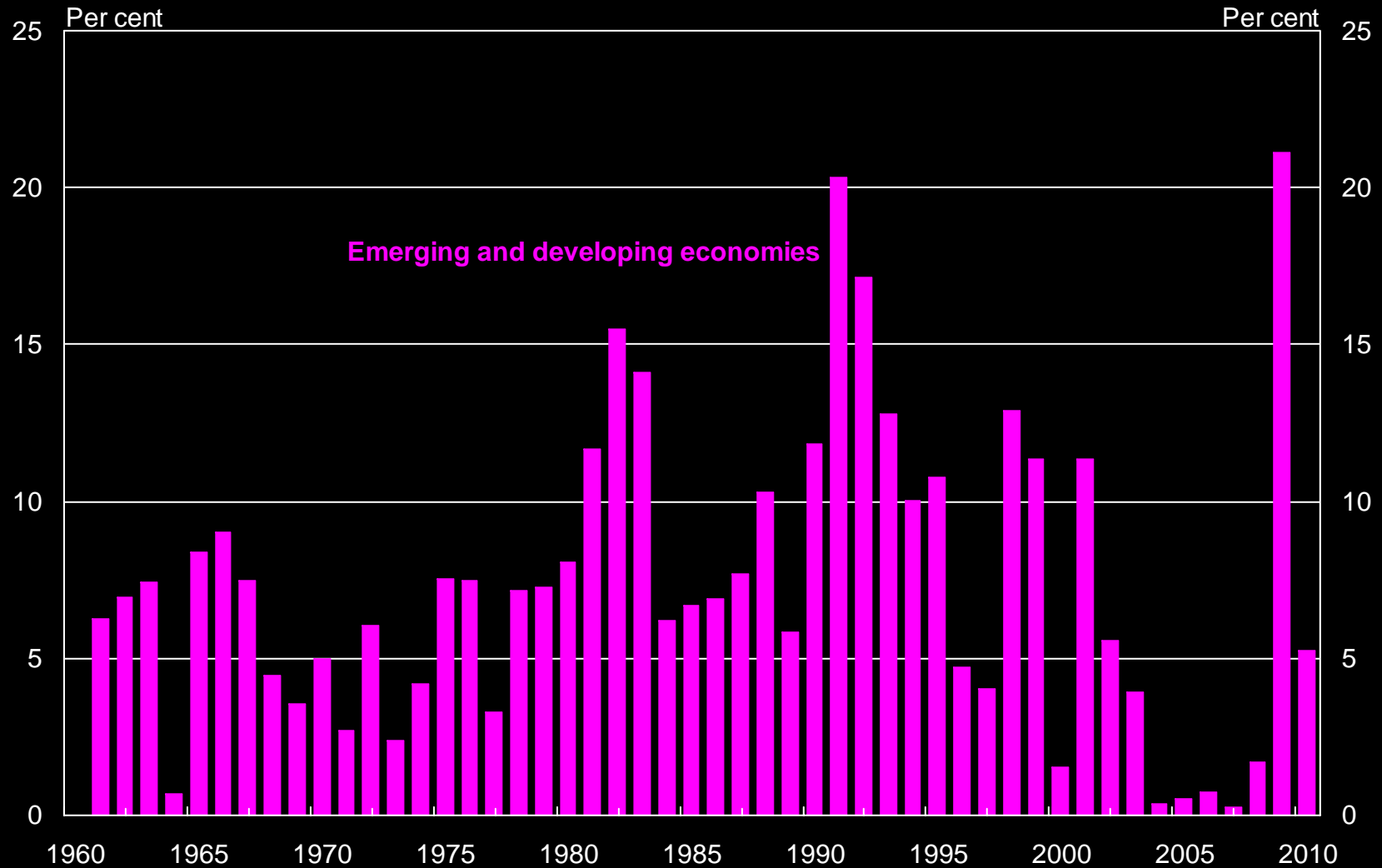
# Countries experiencing recessions



Note: Purchasing-power-parity weighted per cent of countries.  
Source: IMF.

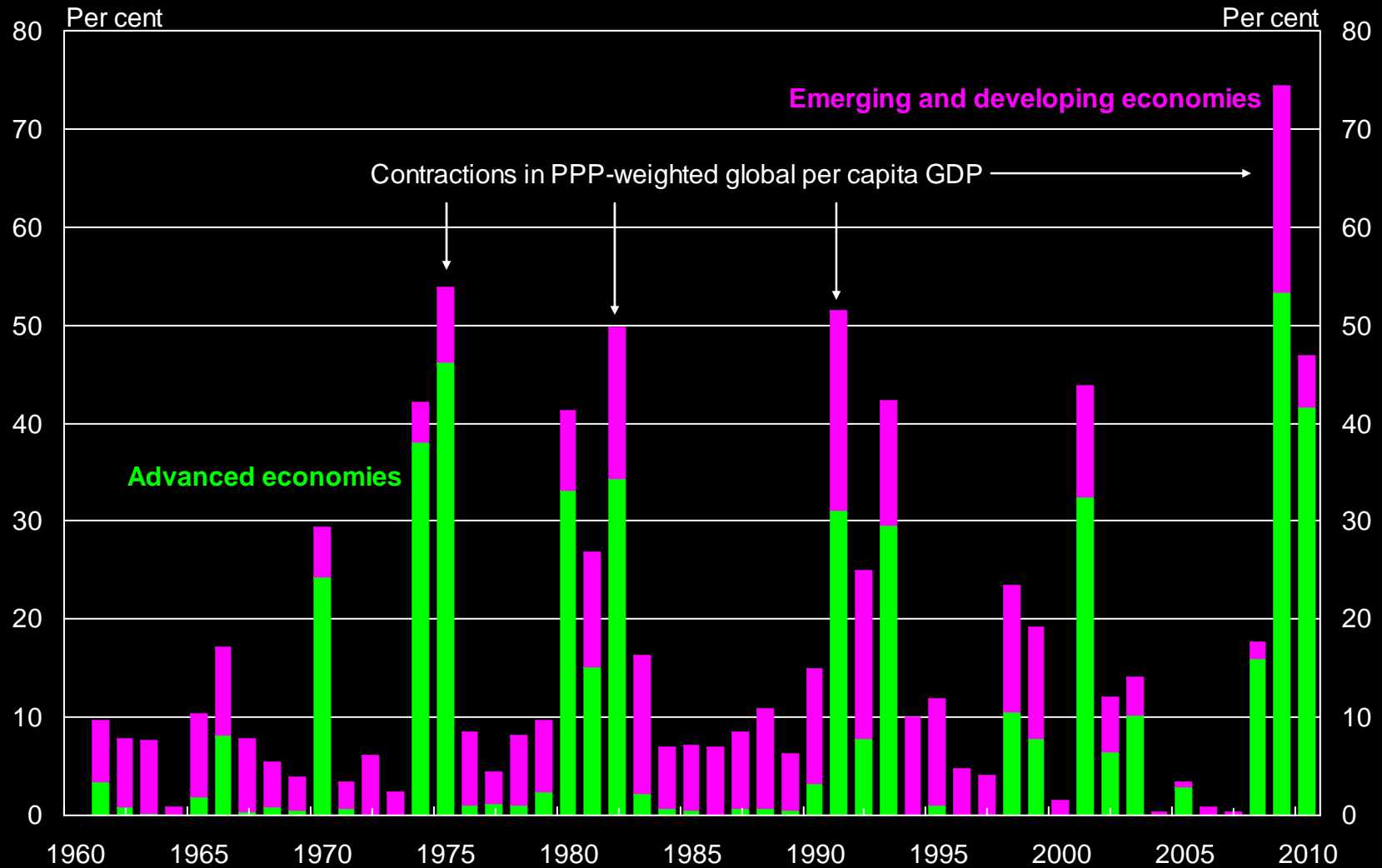


# Countries experiencing recessions



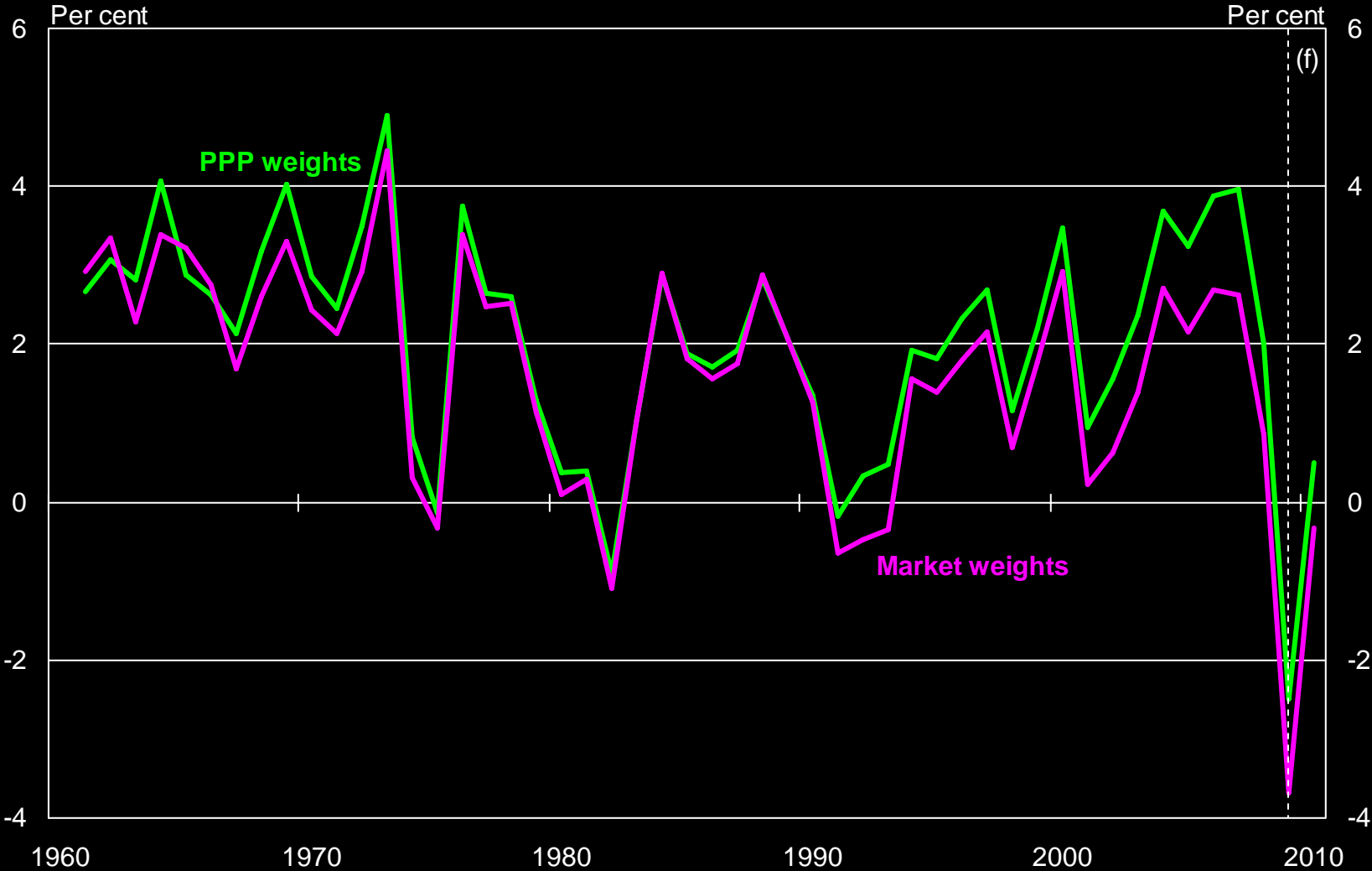
Note: Purchasing-power-parity weighted per cent of countries.  
Source: IMF.

# Countries experiencing recessions



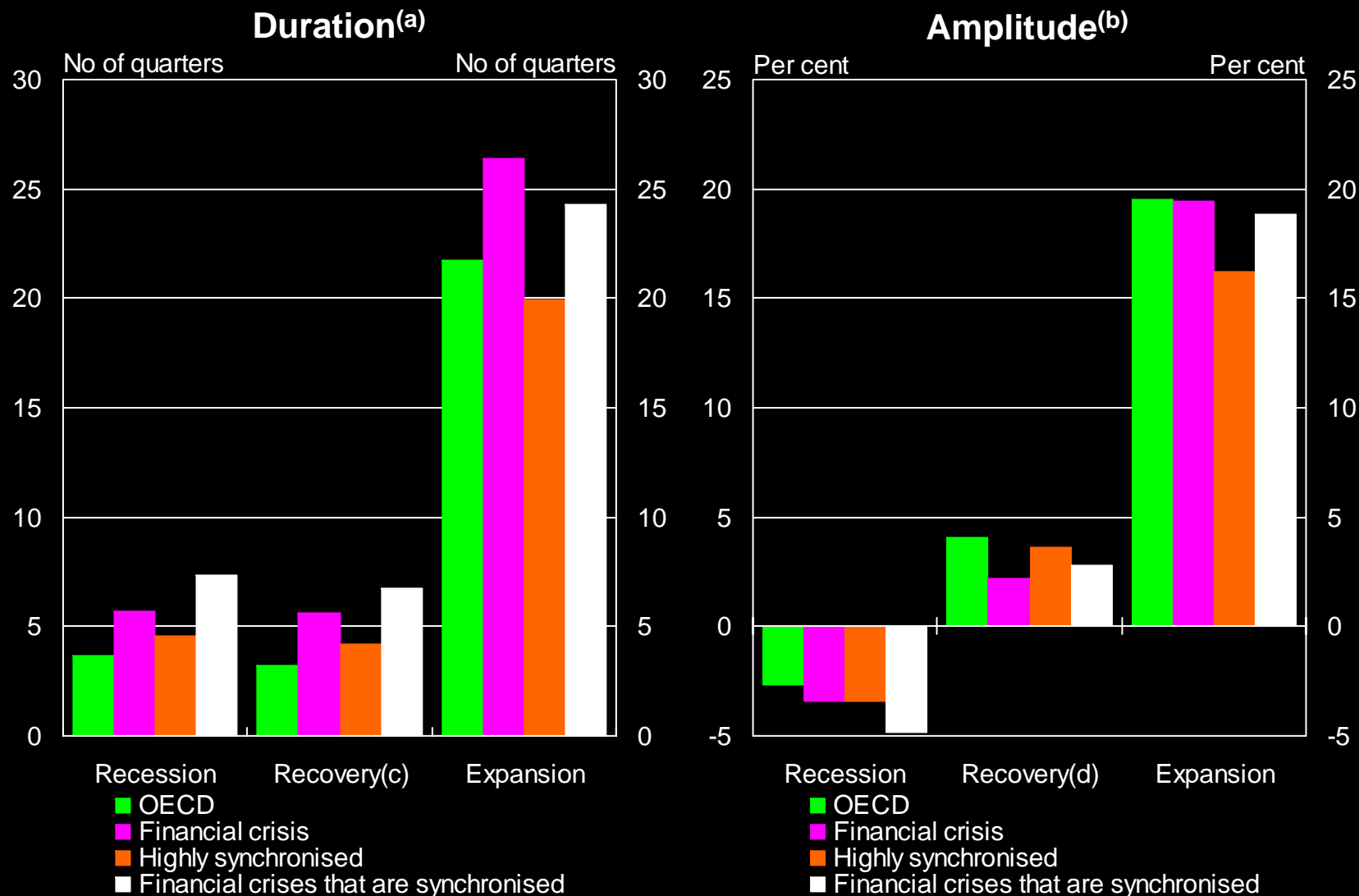
Note: Purchasing-power-parity weighted per cent of countries.  
Source: IMF.

# Real per capita world GDP growth



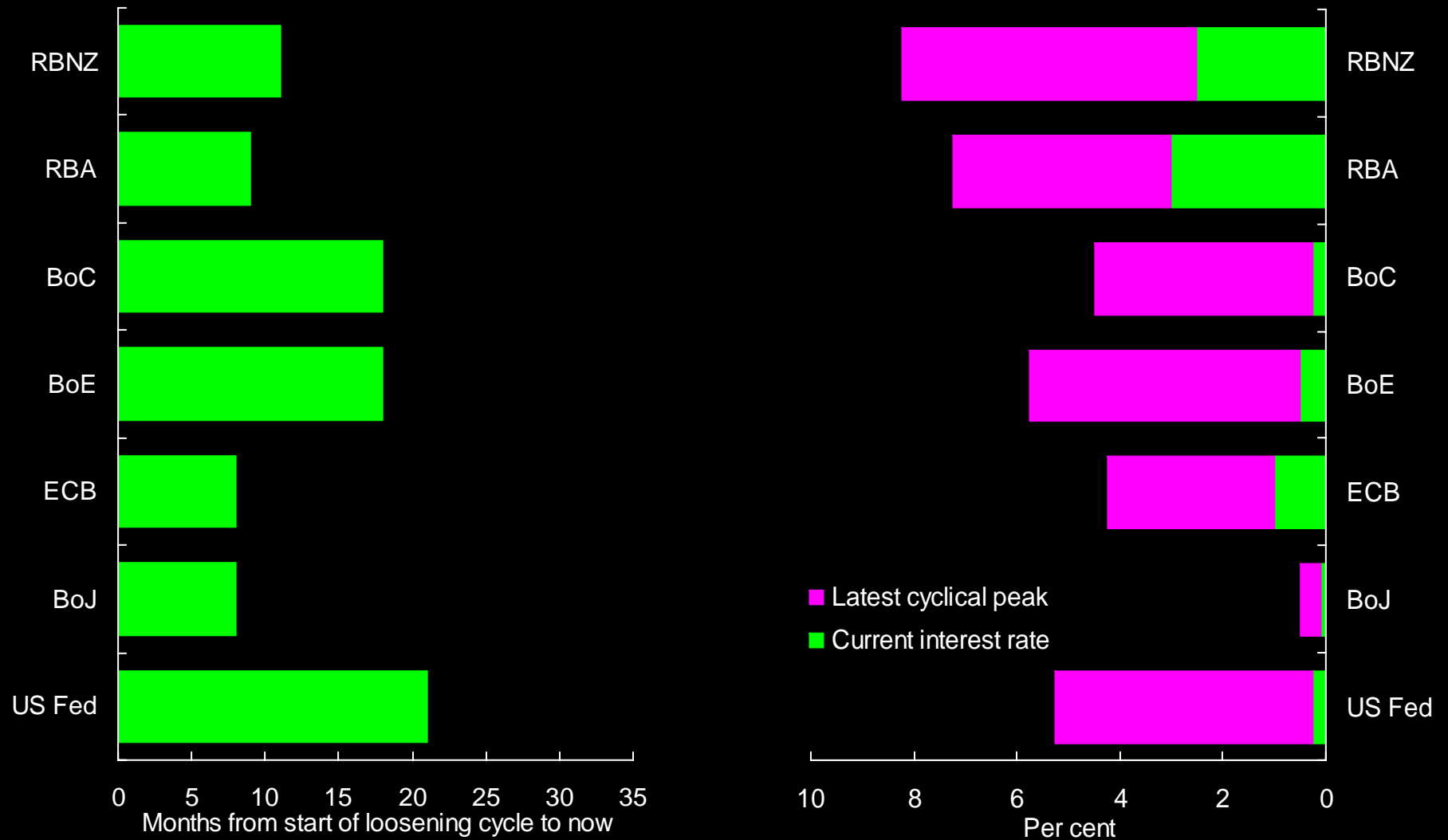
Note: Data for 2009 and 2010 are IMF April 2009 WEO Forecasts.  
Source: IMF.

# Average duration and amplitude of stages in the economic cycle



(a) Duration is the number of quarters from peak to trough for recessions. (b) Amplitude is the percentage change in output from the peak to the following trough of a recession. (c) From the trough, recovery is the number of quarters taken for output to reach the previous peak. (d) Recovery amplitude is the percentage change in output in the four quarters following the trough.  
 Source: IMF 2009c.

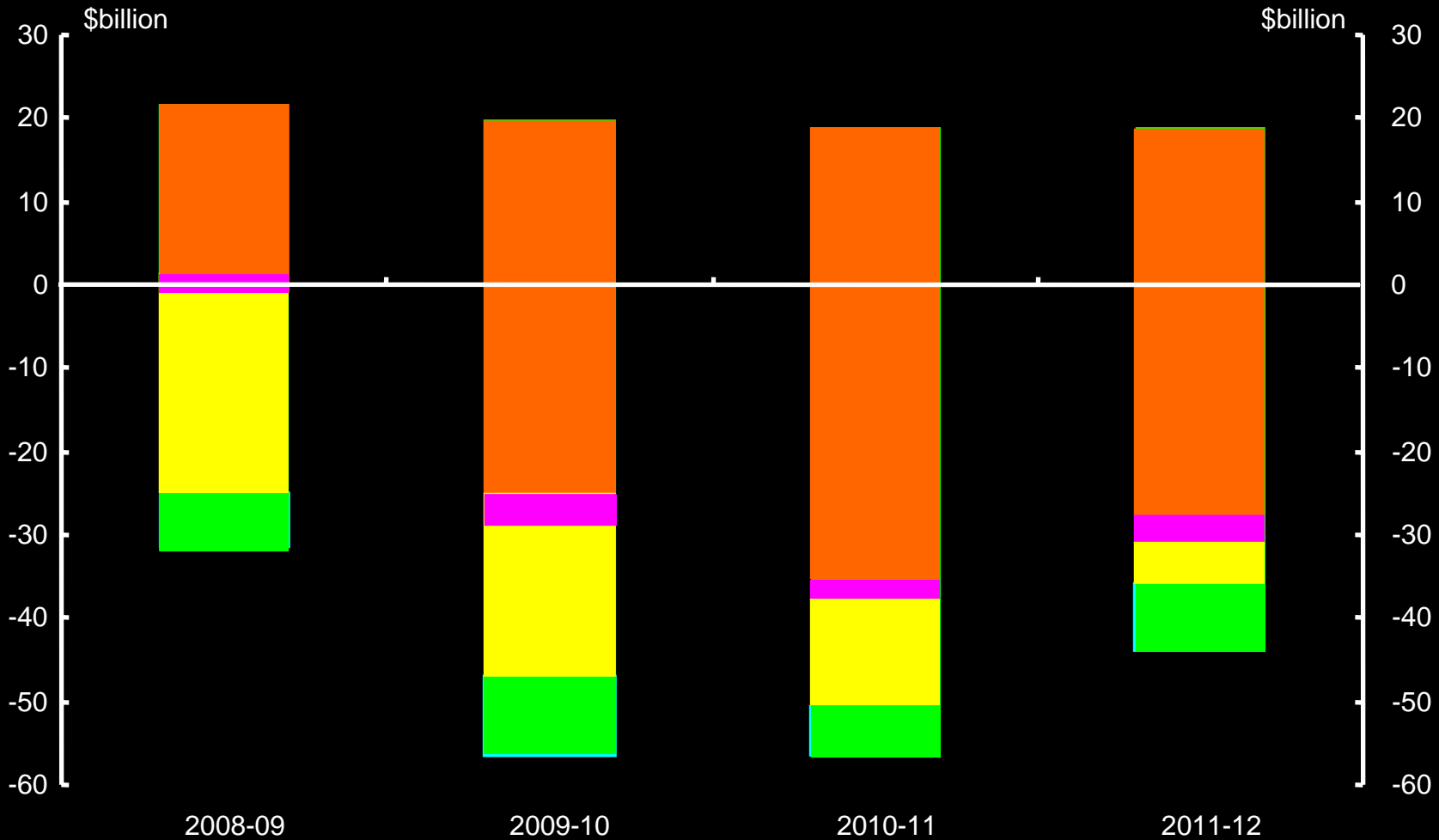
# Monetary policy response



Source: Reserve Bank of New Zealand, Reserve Bank of Australia, Bank of Canada, Bank of England, European Central Bank, Bank of Japan and US Federal Reserve.

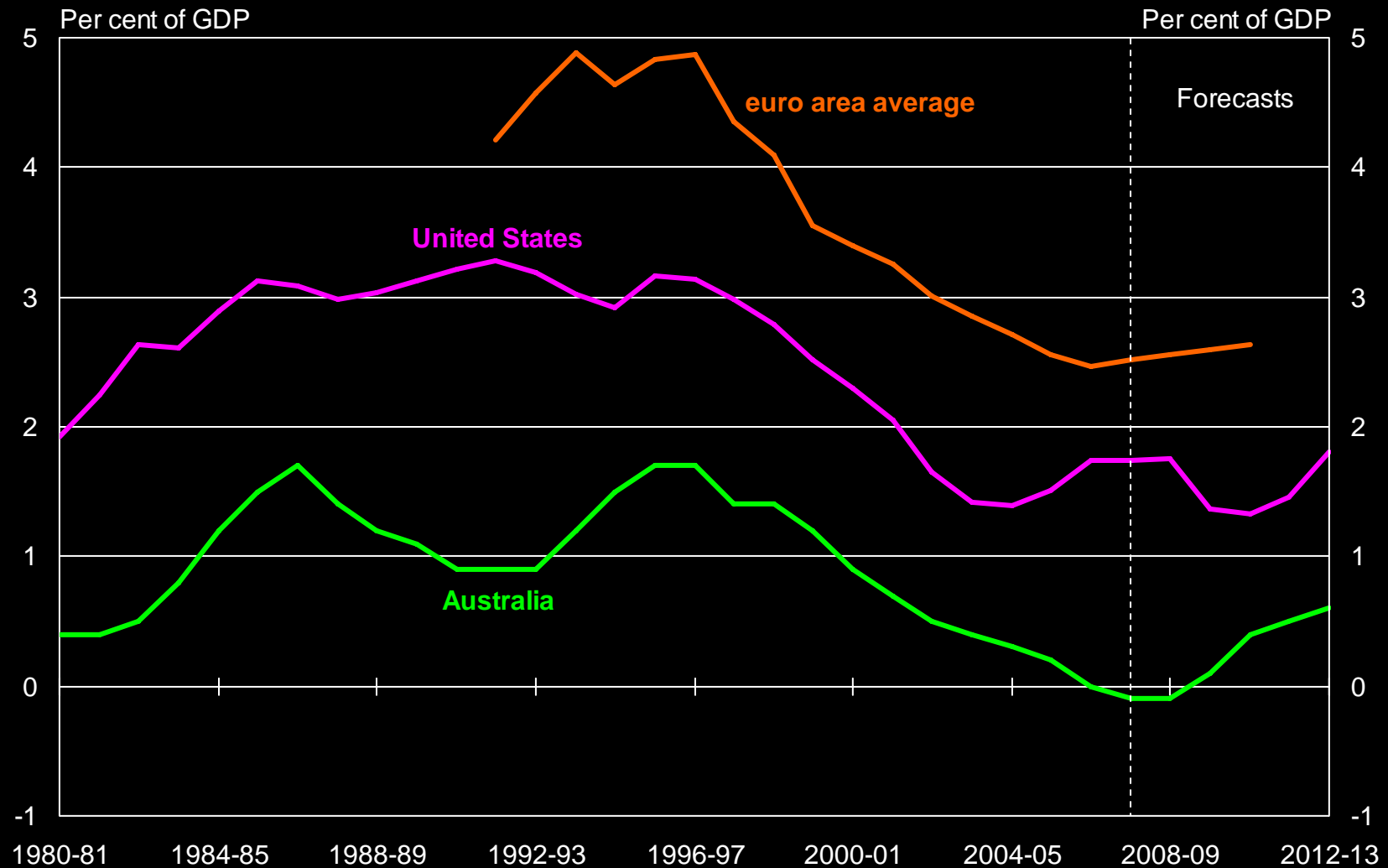
# Variations in the underlying cash balance

- since the 2008-09 Budget



■ Tax receipt revisions
 ■ UCB - 2008-09 Budget
 ■ UCB - 2009-10 Budget
 ■ Other variations - non-taxation and payments
 ■ Other policy decisions
 ■ Major fiscal stimulus packages

# Net interest payments

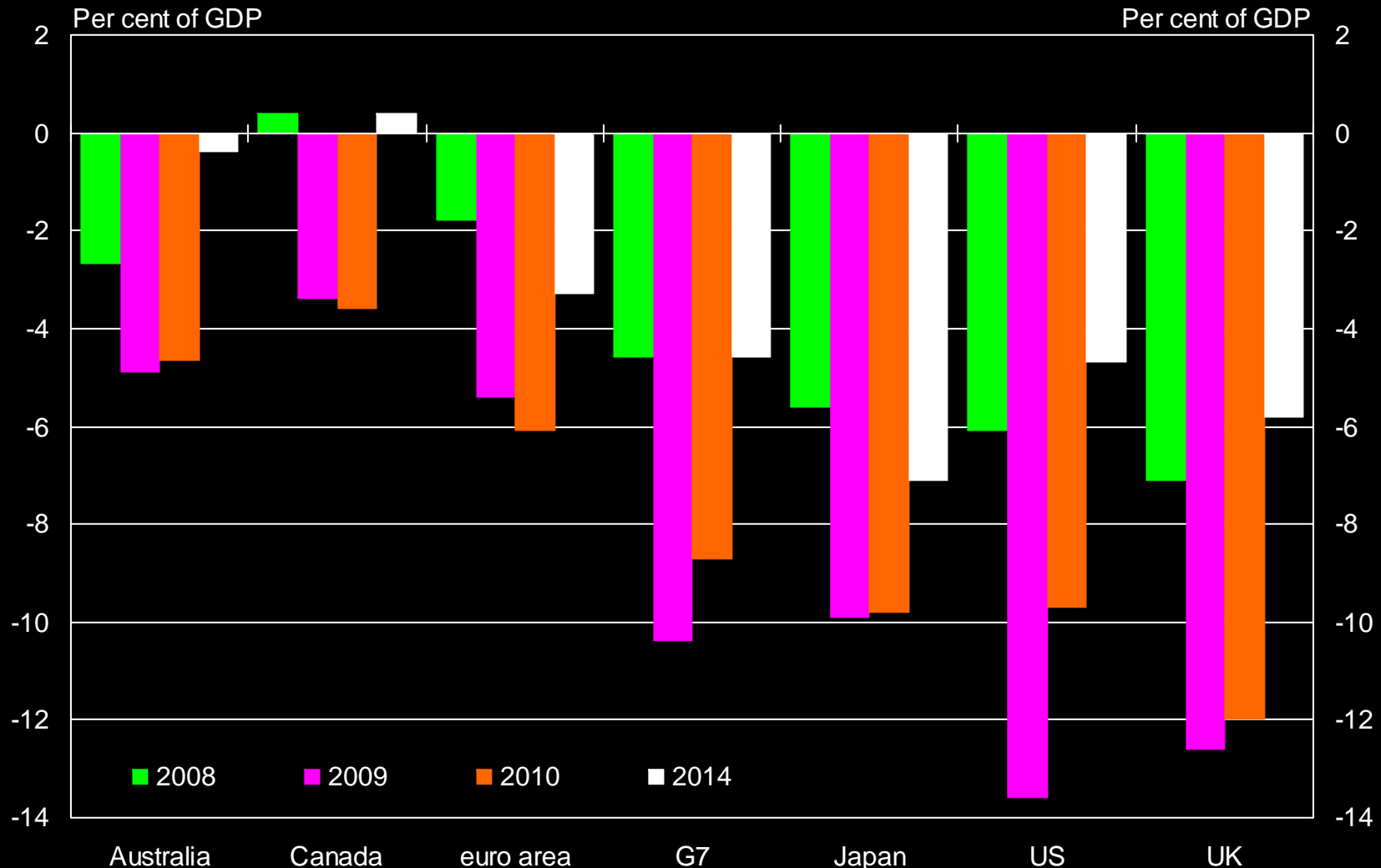


Note: Australian and US data are federal government data. Euro area data are general government data and are for calendar years beginning 1991. Data include announcements up to mid-November 2008 for the euro area and up to March 2009 for the US.

Source: United States Congressional Budget Office 2009, OECD 2008 and Treasury.

The Treasury

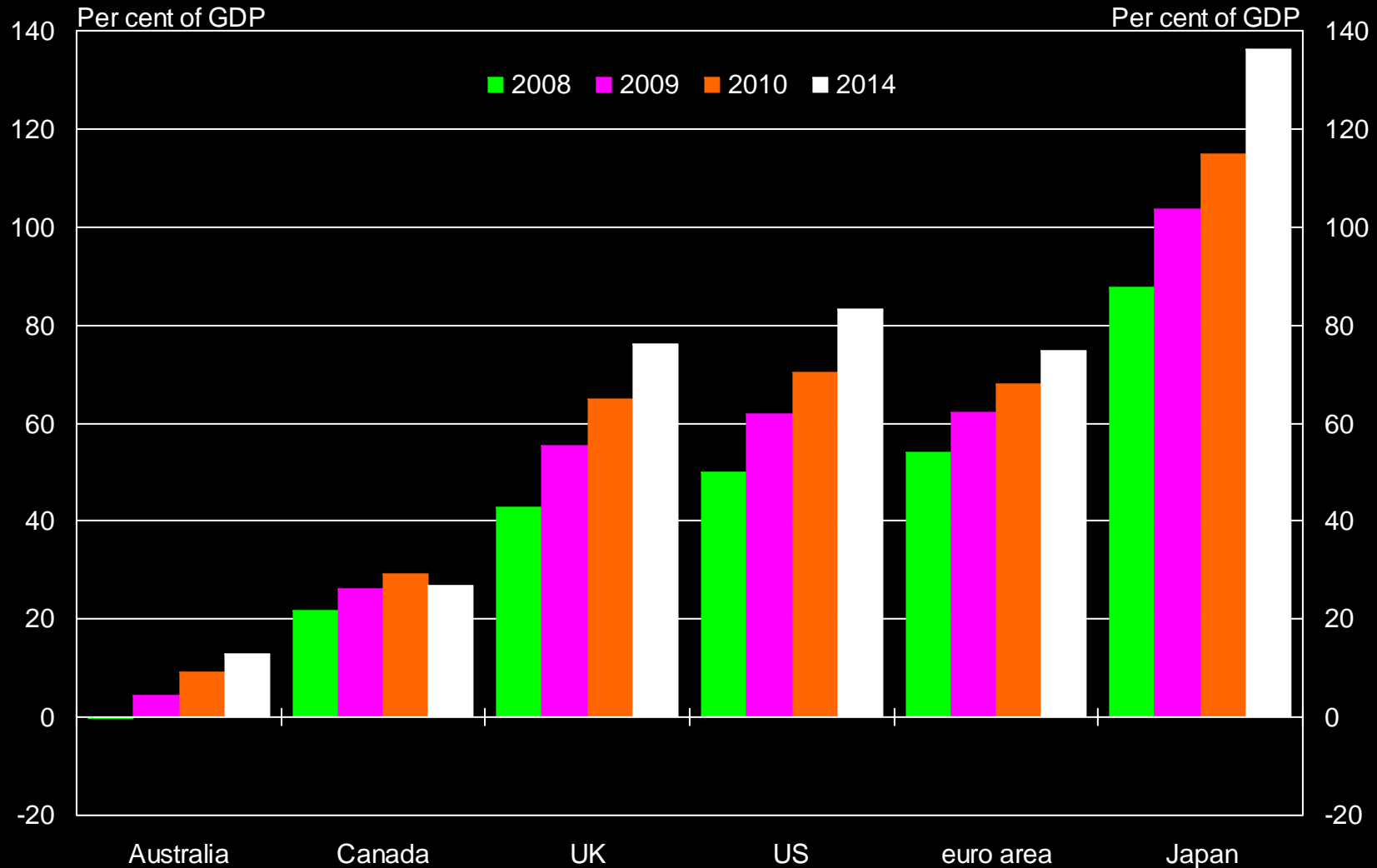
# Budget balance positions for selected countries



Note: Data are general government budget balance, except for Australia which is Australian Government. Data include announcements up to 22 April 2009. UK data are for financial years beginning 2008-09 and data for 2014 refers to 2013-14. Australian data are for financial years beginning 2008-09. US data include financial support measures.  
 Source: IMF, HM Treasury 2009 and Treasury.



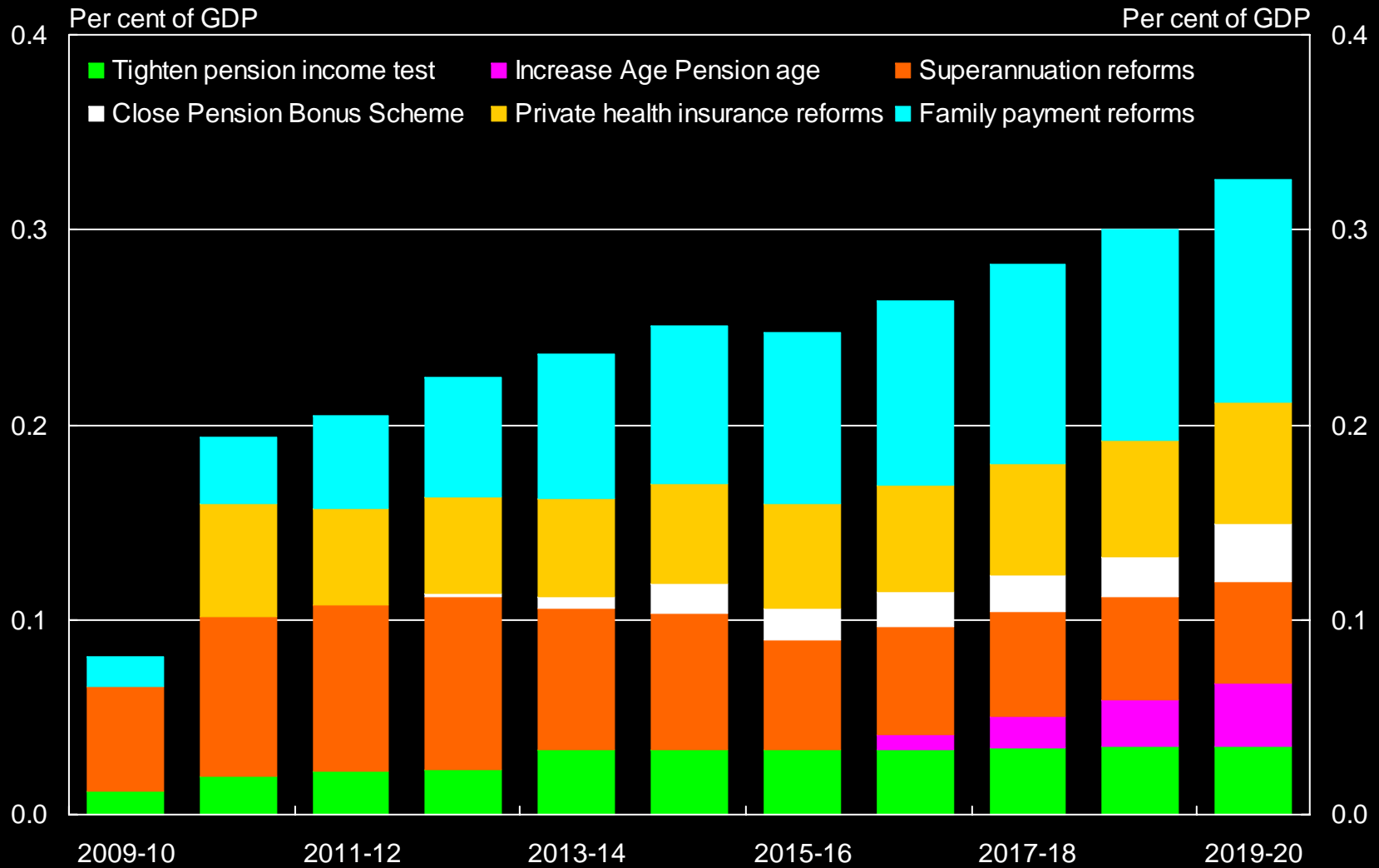
# Net debt for selected countries



Note: Data are general government net debt, except for Australia which are Australian Government debt. Data are as at end of calendar year, except for Australia and the UK where data refer to financial years beginning 2008-09. UK data for 2014 refer to financial year 2013-14.

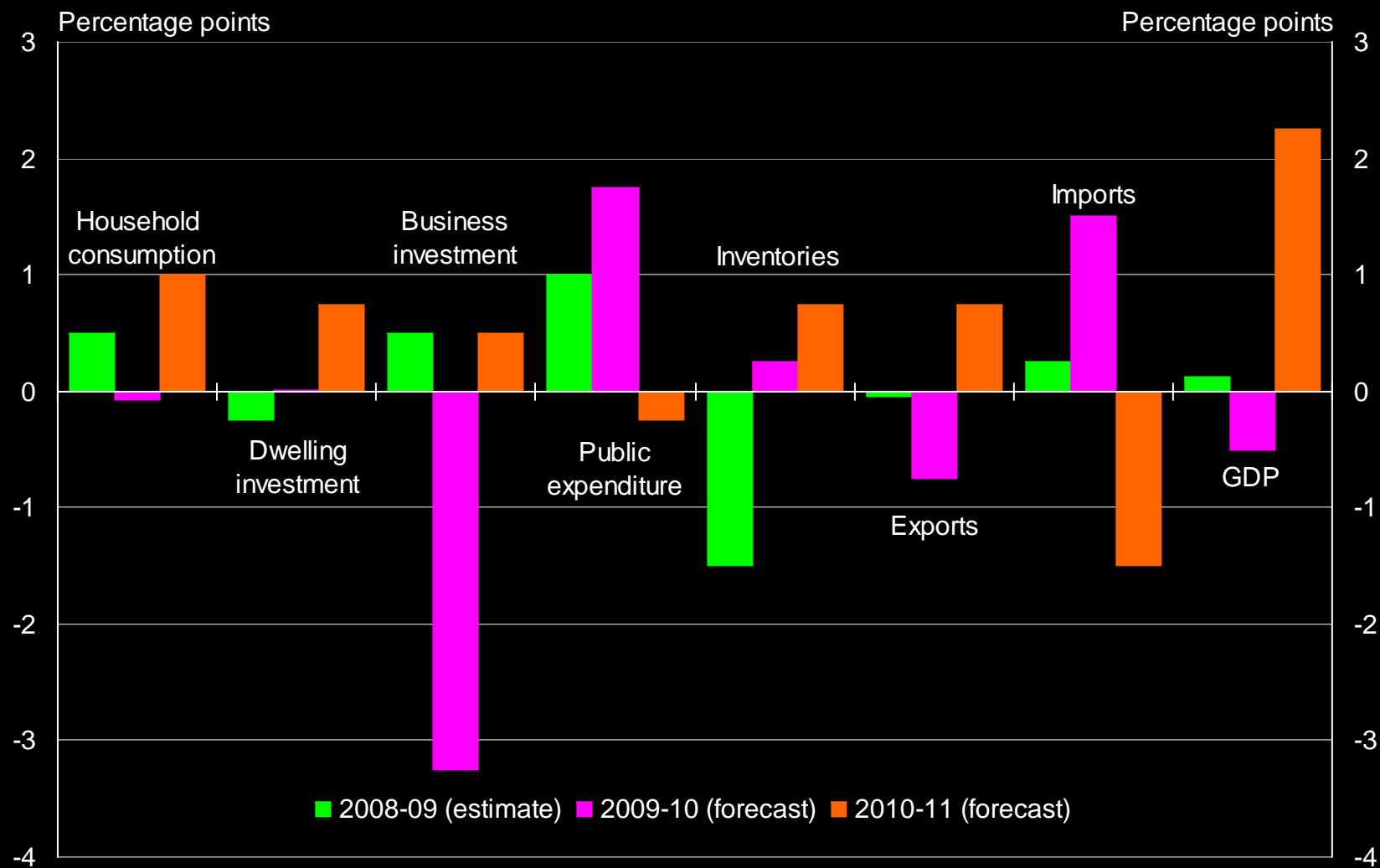
Source: IMF, HM Treasury 2009 and Treasury.

# Structural savings



Source: Treasury.

# Contributions to GDP growth



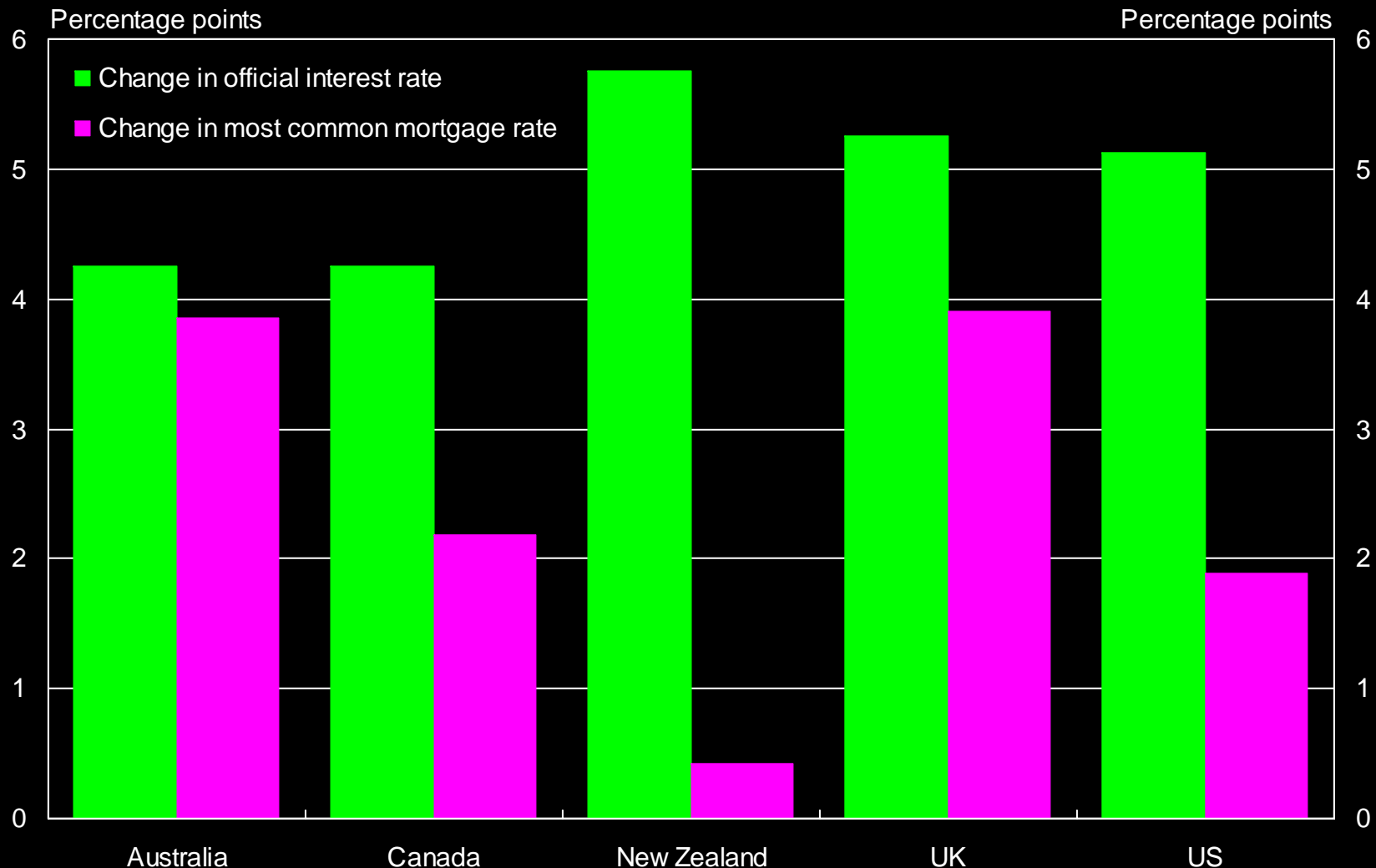
Note: Adjusted for second-hand asset sales from the public sector to the private sector.  
 Source: ABS Catalogue Number 5206.0 and Treasury.

# Monetary policy and the exchange rate



Note: Interest rate differential is between RBA cash rate and US Federal Reserve federal funds rate.  
Source: Thomson Reuters, RBA and US Federal Reserve.

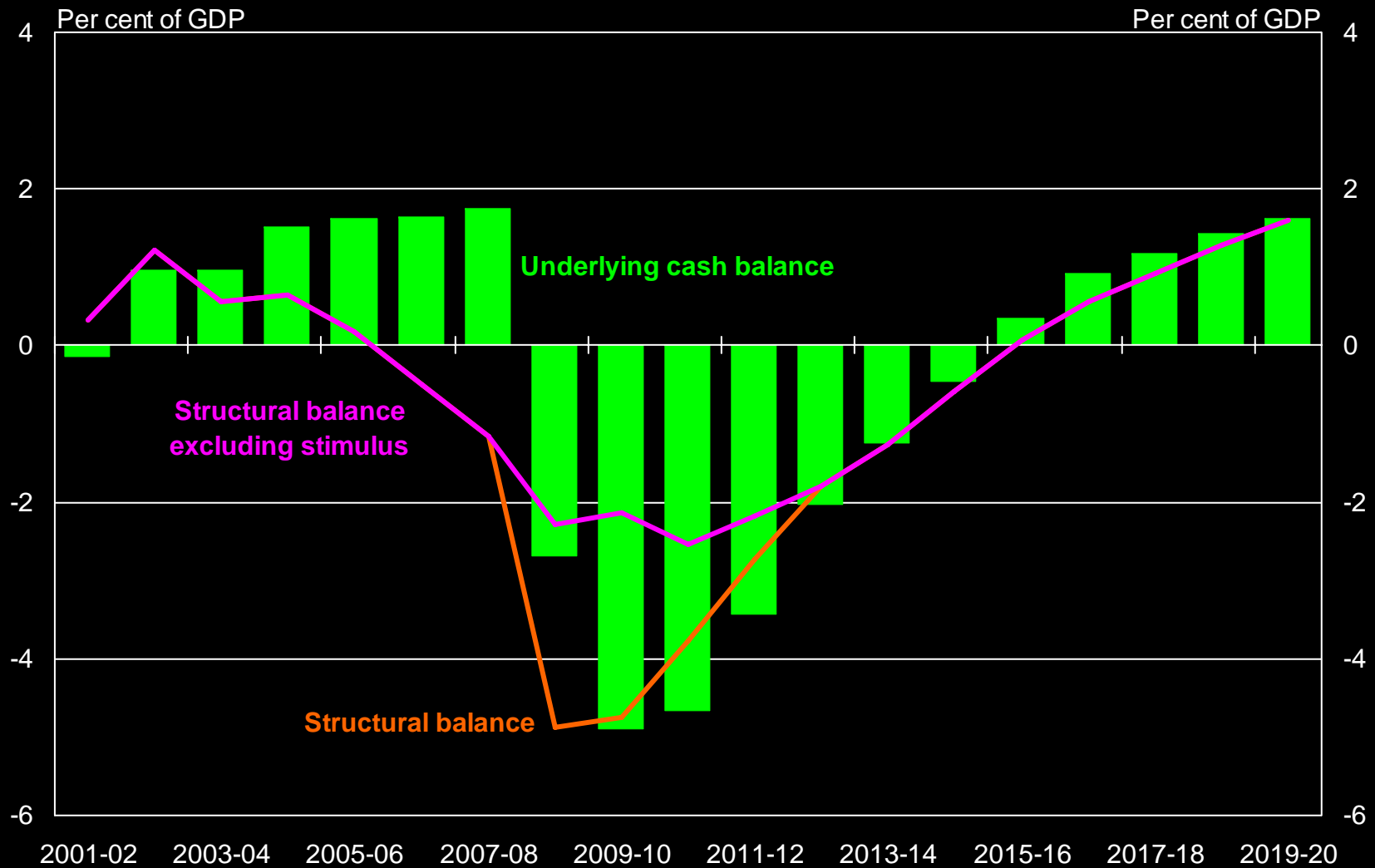
# International monetary policy pass-through



Note: Most common mortgage denotes standard variable mortgage rate (Australia); Conventional 5-year fixed mortgage (Canada); Weighted average of fixed loans (New Zealand); Banks and building societies combined variable rate (United Kingdom); and 30-year fixed mortgage rate (United States)

Source: Reserve Bank of Australia, Bank of Canada, Reserve Bank of New Zealand, Bank of England, and US Federal Reserve/the Treasury

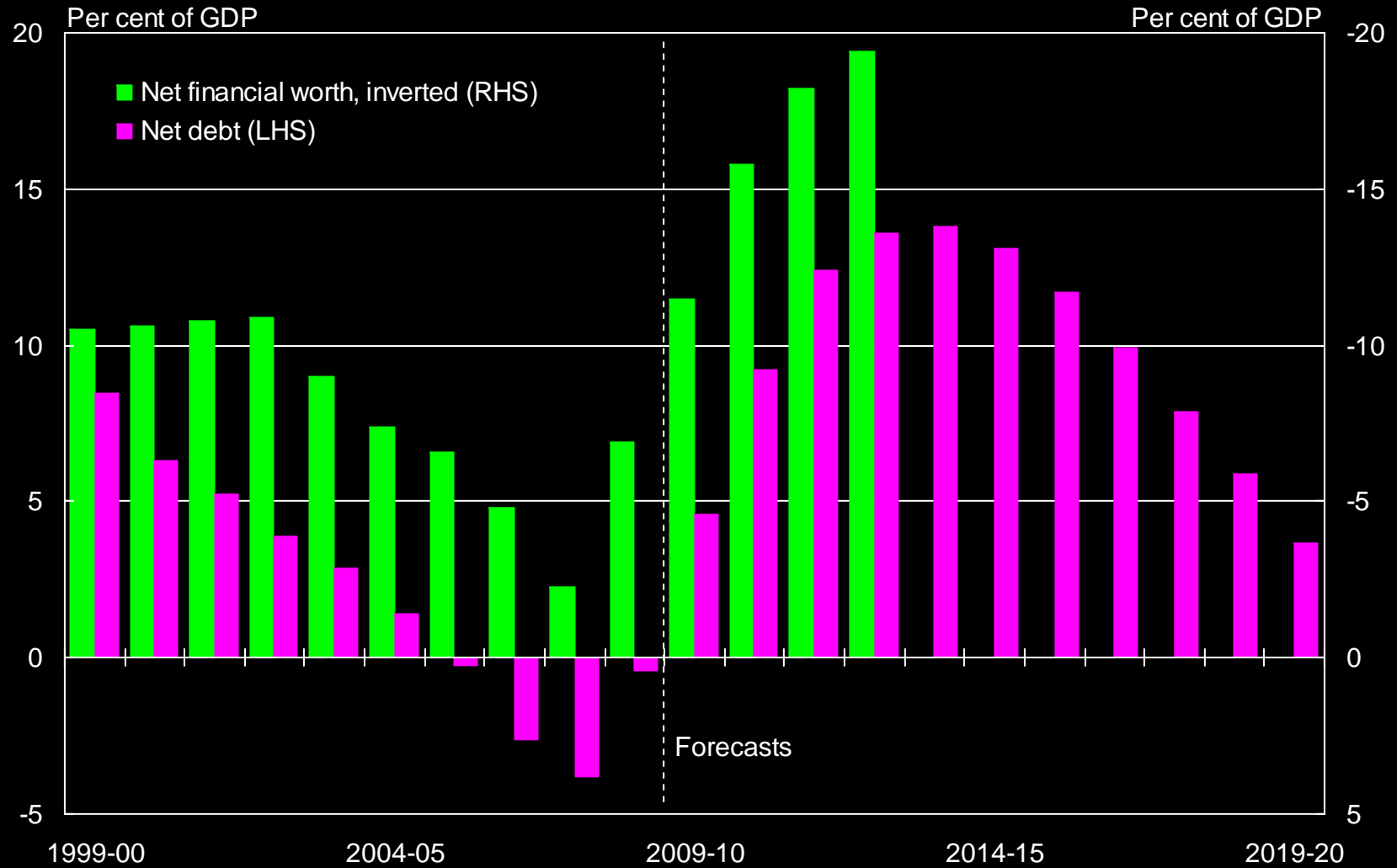
# Structural budget balance



Source: Treasury

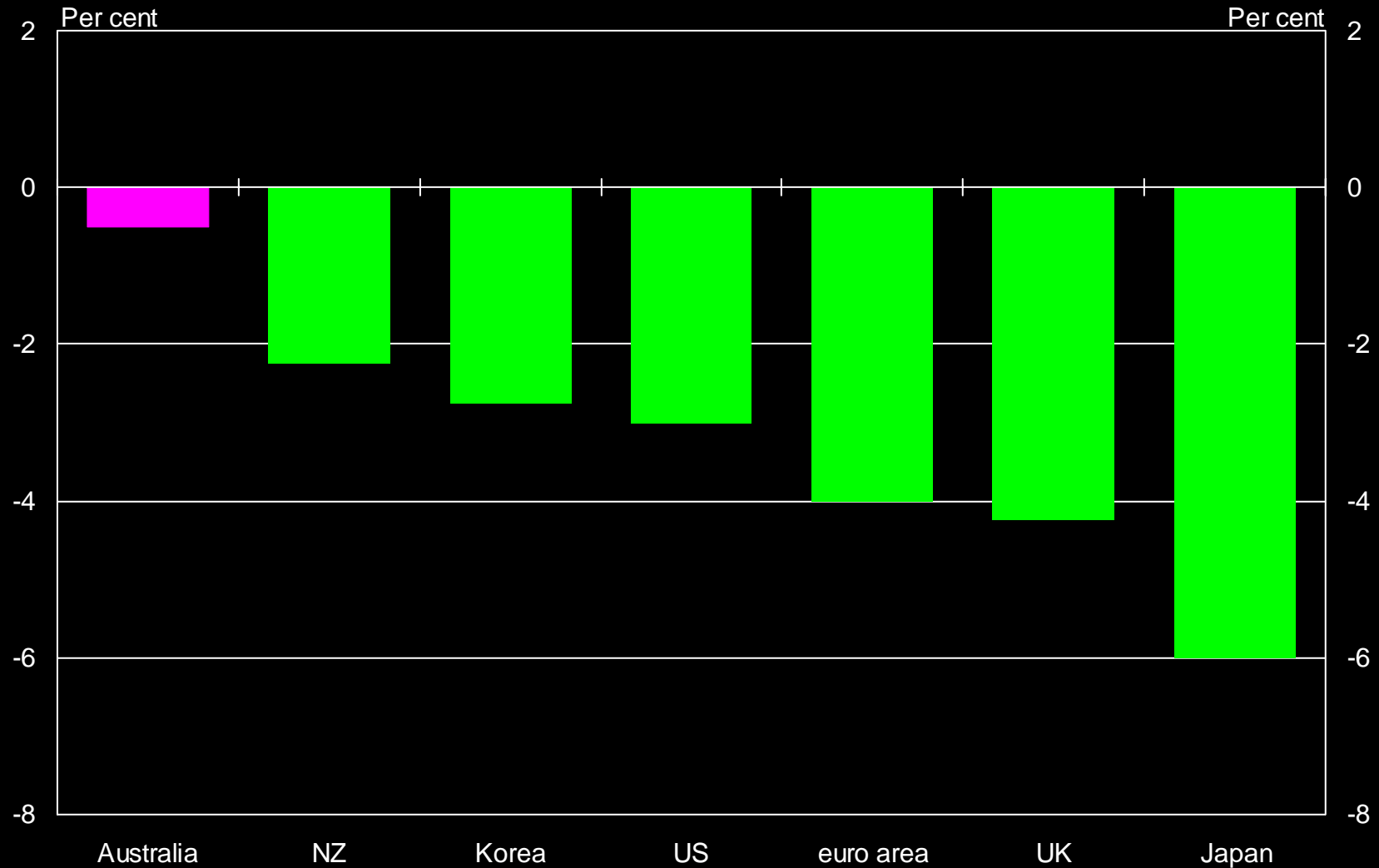
The Treasury

# Australian Government net financial worth



Note: The inverse of net financial worth, that is net financial liabilities, is compared with net debt.  
 Source: Treasury.

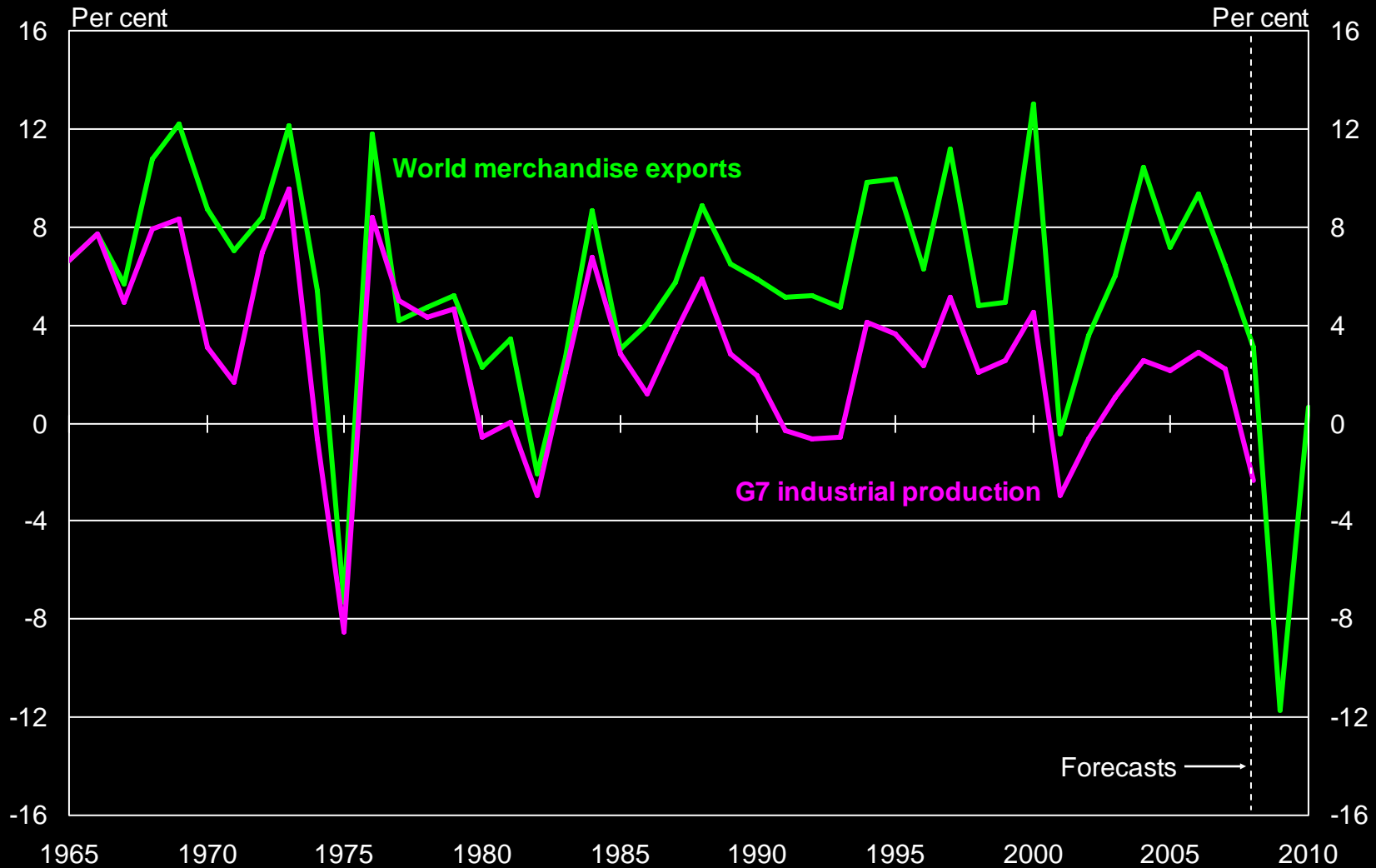
# Forecast GDP growth in 2009



Note: Australian data refer to forecasts for 2009-10.  
Source: Treasury.



# Trade and industrial production growth



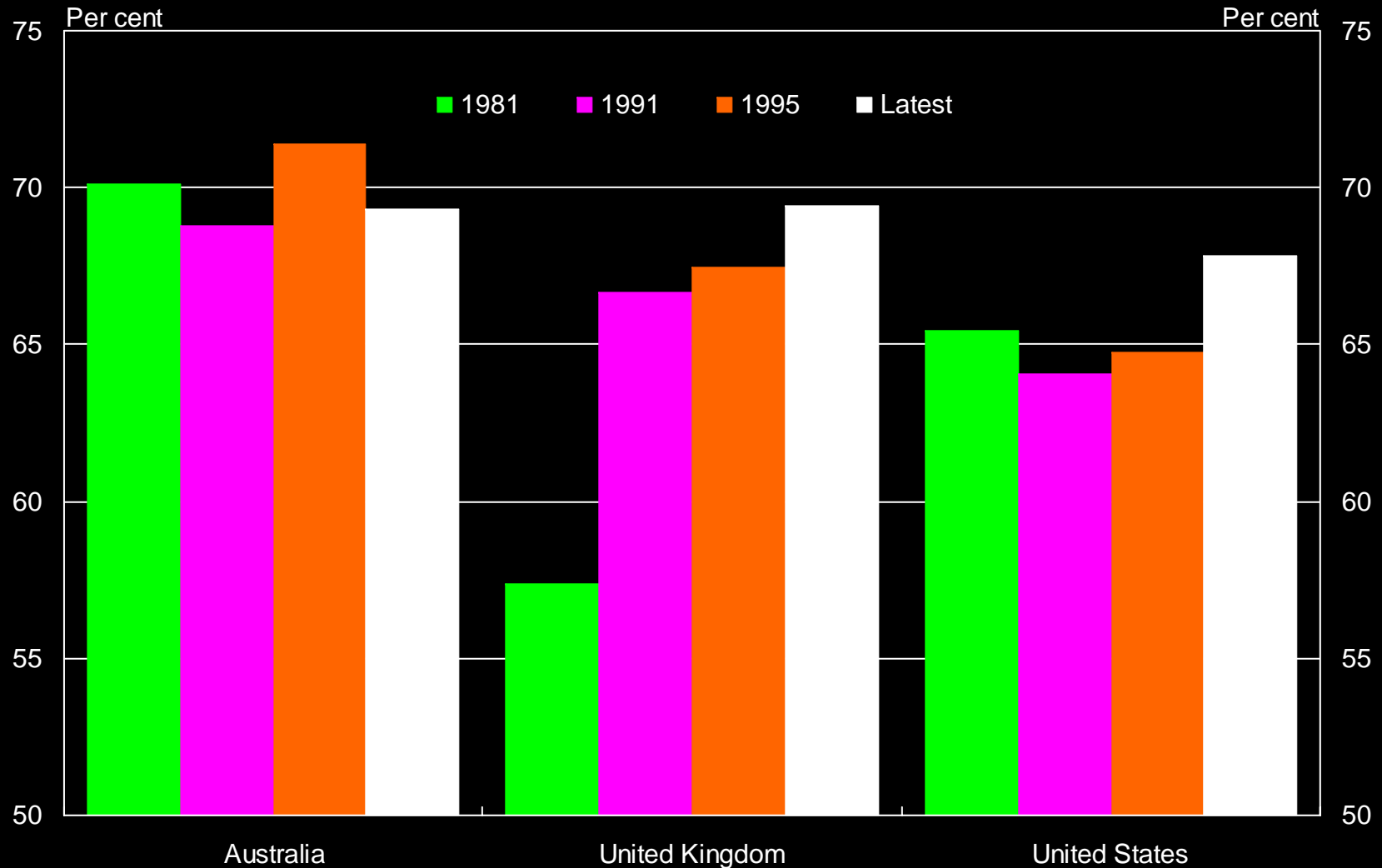
Note: World trade forecasts and data since 1981 are from IMF, earlier data from the World Trade Organisation (WTO).  
Source: IMF, WTO and OECD.

# International forecasts on unemployment



Note: Australia data refers to forecasts for 2009-10 and 2010-11.  
Source: IMF and Treasury.

# Home ownership

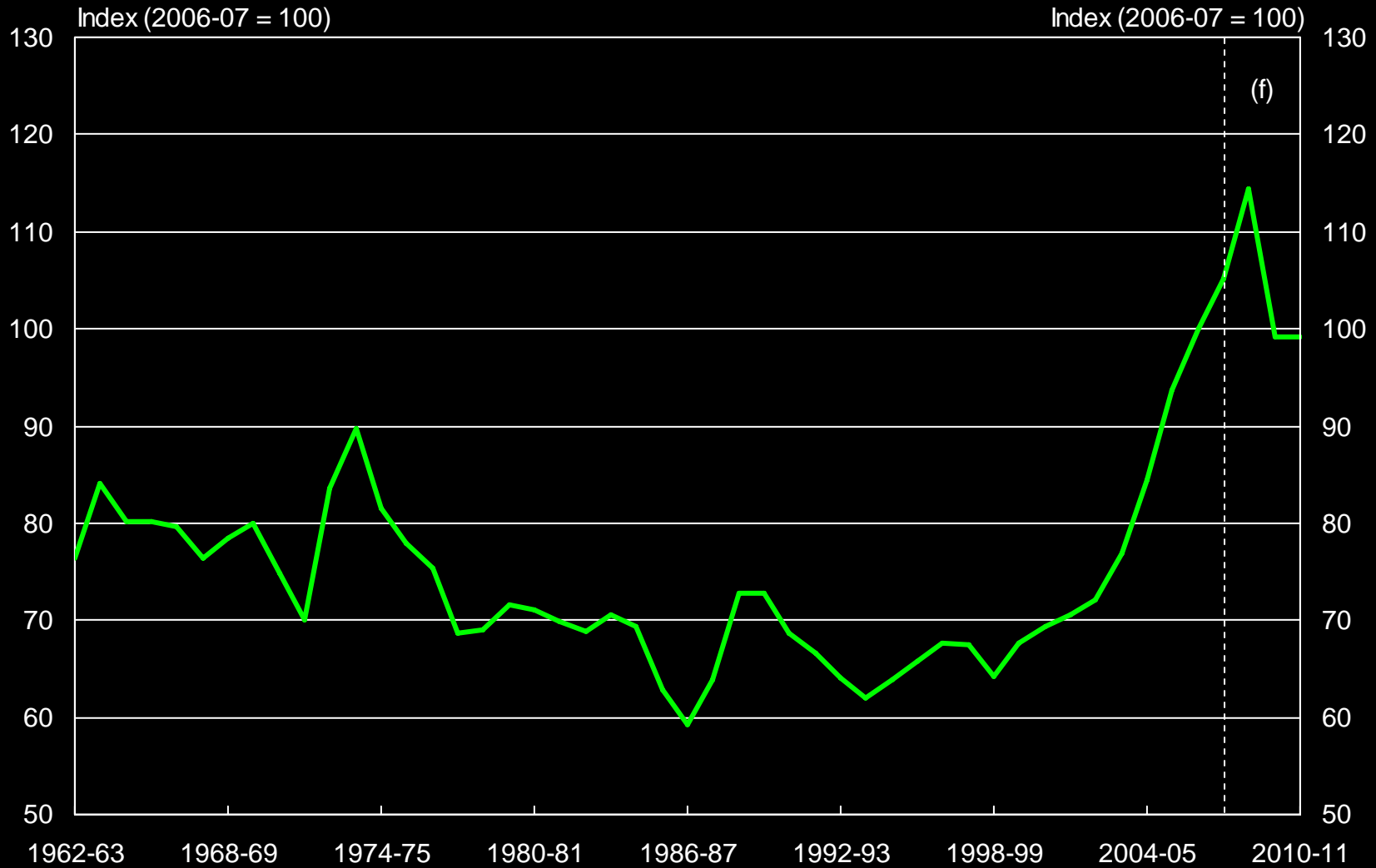


Note: United Kingdom data excludes Northern Ireland; Latest is 2006 for Australia, 2007 for the United Kingdom and 2009 for the United States.

Source: ABS, UK Department for Communities and Local Government and US Census Bureau.

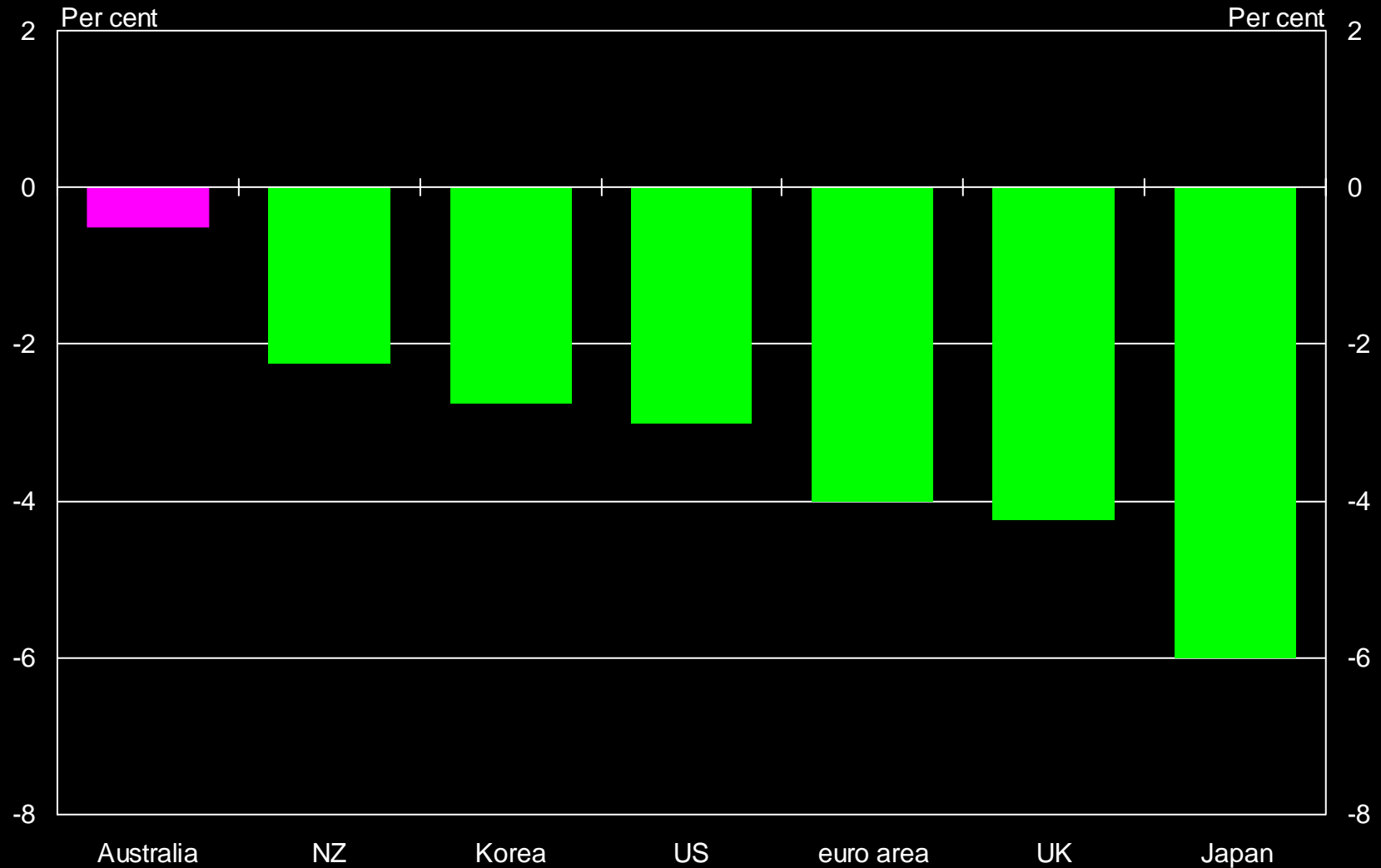
The Treasury

# Terms of trade



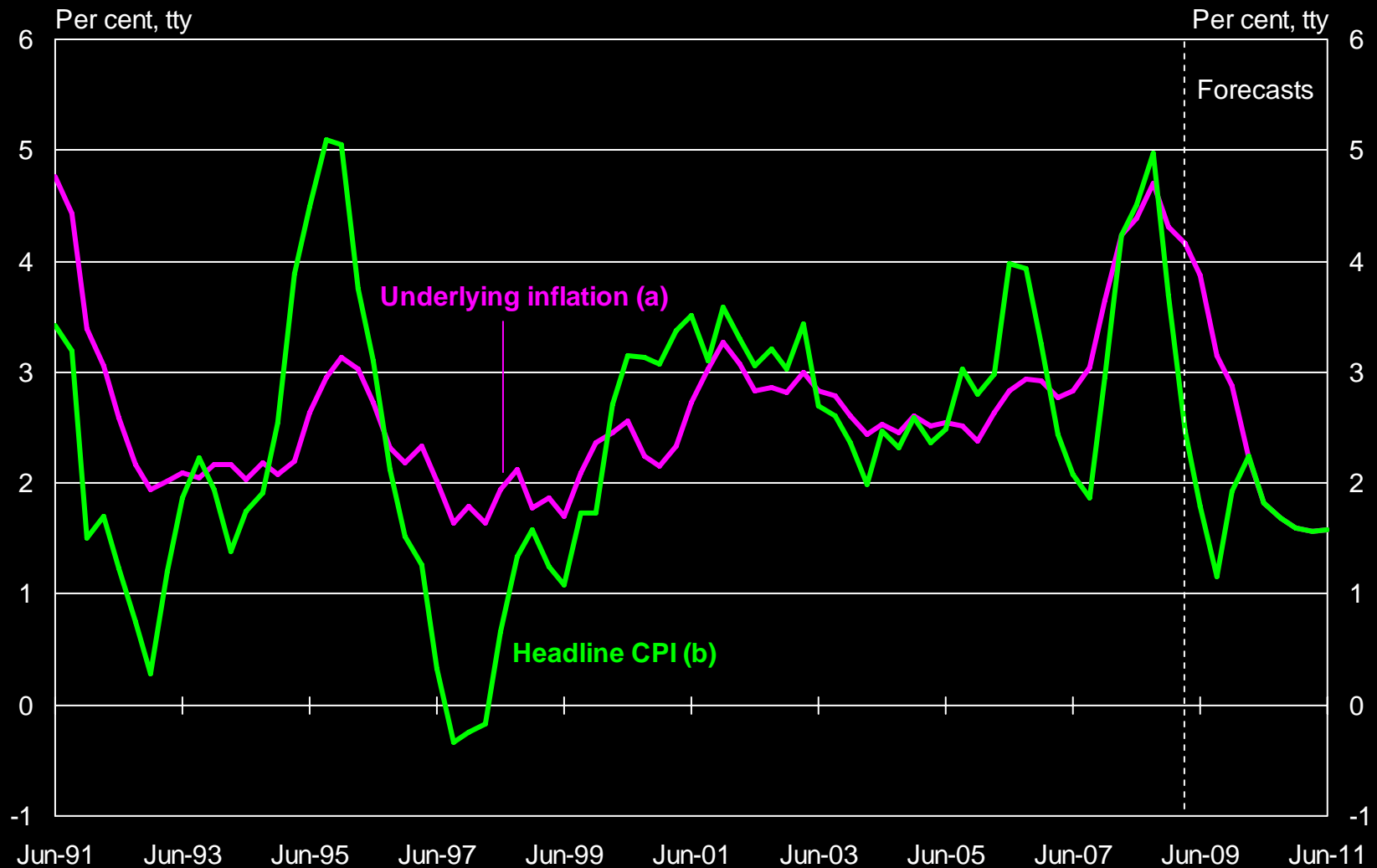
Source: ABS Catalogue Number 5302.0 and Treasury.

# Forecast GDP growth in 2009



Note: Australian data refer to forecasts for 2009-10.  
Source: Treasury.

# Headline and underlying inflation

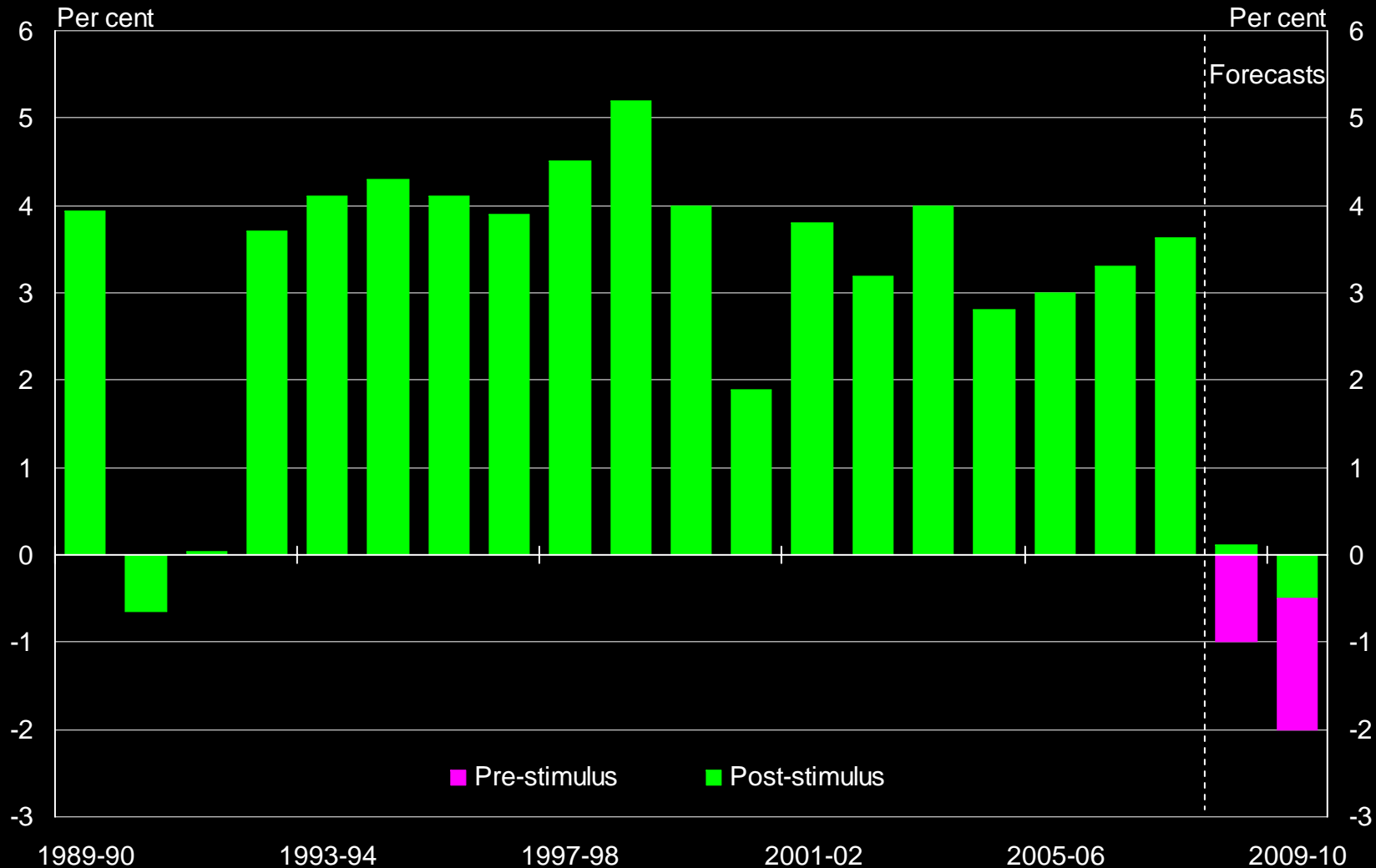


Note: (a) The underlying inflation measure is the average of the RBA trimmed mean and weighted median.

(b) Adjusted for the effects of The New Tax System.

Source: ABS Catalogue Number 6401.0, Reserve Bank of Australia and Treasury.

# Real GDP growth pre- and post-stimulus



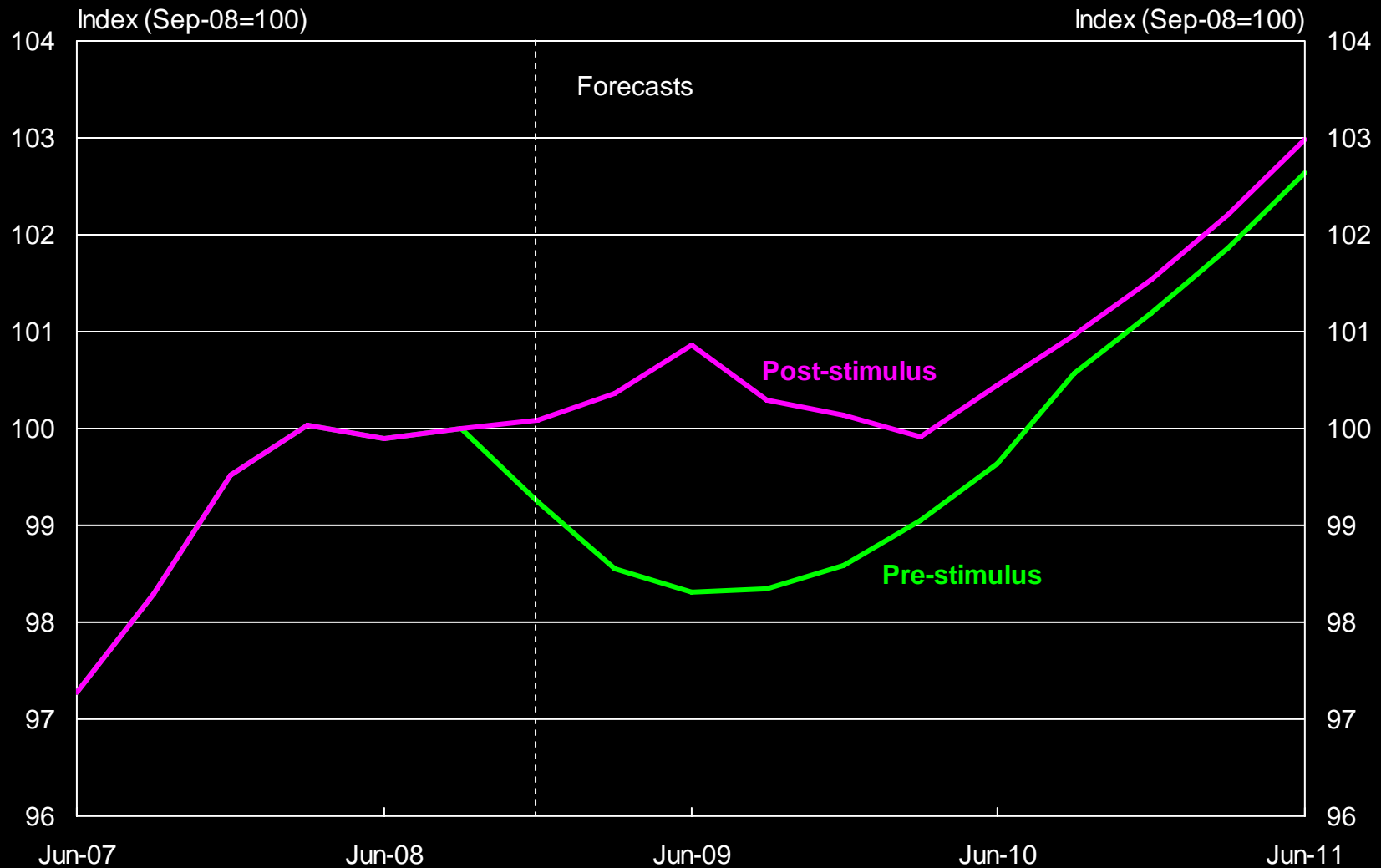
1989-90                      1993-94                      1997-98                      2001-02                      2005-06                      2009-10

Note: Stimulus includes the Economic Security Strategy; November COAG reforms; Regional and Local Community Infrastructure Program; December Nation Building Package; Nation Building and Jobs Plan; National Broadband Network; and the net effect of 2009-10 budget measures.

Source: ABS Catalogue Number 5206.0 and Treasury.

The Treasury

# Stimulus effect on household consumption



Source: ABS Catalogue Number 5206.0 and Treasury.



# Australian Business Economists

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