

Unusual release puts Treasury under pressure

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The government's improved fiscal forecasts will in effect force the Treasury and Finance departments to adopt the same figures in their independent forecasts, to be published soon after the election is called, former government officials say.

Budget experts said it was unprecedented for a government to update its forecasts just two months after a federal budget and suggested one possible reason was to "lock in" the figures due to be produced by the bureaucracy in the pre-election fiscal outlook (PEFO) 10 days after the election is announced.

"They know that once they release their numbers, it will look very bad on Treasury if they change them for PEFO," a former Treasury official said.

Treasurer Wayne Swan said the update was released early to be "transparent", to clarify the revenue from the mining tax and because there was a new Prime Minister. Contrary to common perception, budget and mid-year updates contain government forecasts, not independent Treasury forecasts.

Though budget publications are almost always in line with Treasury assumptions on the economy and tax revenue, they can be tweaked by the Treasurer to reflect government preferences.

It's understood the 2008 Mid-Year Economic and Fiscal Outlook (MYEFO) was signed off by Treasury's head forecaster, David Gruen, but was later amended to reflect changes directed by department

secretary Ken Henry. It was unclear whether the changes reflected Dr Henry's or Treasurer Wayne Swan's thinking.

Another former official, who asked not to be named, said yesterday's document "squeezed" public servants who would prepare the PEFO and "exploited the Charter of Budget Honesty".

Then treasurer Peter Costello used a similar tactic in 2007 by publishing the MYEFO on the day the Coalition launched its re-election campaign.

Outlook Economics director Peter Downes, a former senior Treasury forecaster, said the department appeared to be under political pressure but the PEFO numbers should be independent.

"It puts them in a slightly difficult position but I'm sure, whatever they're doing, there is nothing untoward and the PEFO will be an independent document, because you can't pander to one party or another, because you don't know who's going to win the election," he said. "The people in Treasury have enough integrity to present whatever their number-crunching came up with."

Another former Treasury official, Stephen Anthony of Canberra consultancy **Macroeconomics**, said yesterday's document probably reflected fresh forecasts from the bureaucracy's Joint Economic Forecasting Group for the September quarter.

The quarterly JEEG forecasting round is usually completed about six weeks after the release of the national accounts by the Australian Bureau of Statistics, which were published for the March quarter on June 2.

One former official said there was too much focus on the forecasts, "because they can be fairly useless".

“But it is problematic if they inflate forecasts to get the revenue numbers up to allow either side of politics to spend more. Particularly if they’re winding back the [resource] super profits tax, they may be tempted to bump up growth forecasts to make the budget look healthier.”

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