

TREASURY EXECUTIVE MINUTE

Minute No.

17 January 2011

Deputy Prime Minister and Treasurer

ECONOMIC IMPACT OF THE VICTORIAN FLOODS

Timing: At your convenience.

Recommendation/Issue:

- That you note this briefing.

Noted

Signature:/...../2011

KEY POINTS

- The recent flooding in Victoria is likely to have only a minor impact on the macroeconomic forecasts.
- According to emergency services and media reports, flooding has mainly affected parts of more sparsely-populated districts in Victoria (Mallee, Wimmera and Loddon), which translates to around 3 per cent of Victoria's employment share.
- While it is too early to put a precise figure on the impact given events are still unfolding, our preliminary estimate of the impact in the March quarter on key areas of economic activity likely to be affected is around \$275 million to \$325 million.
- It is estimated that a substantial portion of this is lost rural production – largely grains and horticulture (grapes). The main crop affected is wheat, despite most of the harvest taking place before the floods. Barley and canola are likely to have been affected (but to a lesser degree).
- The impact on non-rural commodity exports is expected to be minimal. That said, depending on how events unfold, gold mining in Victoria (which is largely undertaken in Bendigo, Stawell and Foster) could be affected, although overall production in Victoria only accounts for around 3 per cent of Australia's total gold production.
- Estimates of the effects of the flooding are likely to evolve as more information becomes available.

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Manager/
Domestic Economy Division