

**From:**  
**Sent:** Wednesday, 12 January 2011 1:53 PM  
**To:**  
**Subject:** FW: points for Mr Shorten

[This section has been redacted under Section 22]

**From:**  
**Sent:** Wednesday, 12 January 2011 12:22 PM  
**To:**  
**Cc:**  
**Subject:** RE: points for Mr Shorten

David – some briefing points attached.

Phil

**From:**  
**Sent:** Wednesday, 12 January 2011 11:10 AM  
**To:**  
**Cc:**  
**Subject:** points for Mr Shorten

Phil

As discussed, here is the topic that we understand may be raised with the Minister:

“The priority of economic policies: consumer/housing/inflation concerns (especially after the floods) versus the blooming resources and commodities sectors.”

[This section has been redacted under Section 22]

Regards  
David

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## ATTACHMENT

### Macroeconomic policies

- As the economy recovers from the slowdown in growth following the global financial crisis, the monetary and fiscal stimulus put in place in response to the crisis is being withdrawn.
  - Since October 2009, the RBA has increased its official cash rate from a low of 3 per cent to its current 4.75 per cent. Taking account of independent interest rate rises by banks, the RBA now judges monetary policy to be mildly restrictive.
  - The Commonwealth Budget is projected to improve from a deficit of 4.3 per cent of GDP in 2009-10 to a surplus of 0.2 per cent of GDP in 2012-13, the fastest rate of consolidation since the 1960s.
- This means that monetary and fiscal policies are both working to moderate demand growth as the economy moves back to full capacity (with unemployment currently only 5.2 per cent).
  - Along with the high Australian dollar (around 25 per cent above its post-float average), this will help make room for the expected resources investment boom. Consistent with this, we have recently seen relatively subdued growth in household consumption, housing credit and house prices.
- The Queensland flood crisis will temporarily reduce GDP growth and increase inflation, but it is too early to quantify these effects.
  - The Prime Minister has reiterated the Government's commitment to returning the budget to surplus by 2012-13, notwithstanding the associated costs to the budget.