

From
Sent: Wednesday, 5 January 2011 11:05 AM
To:
Subject: FW: re: flood impact calculations

In other words, this suggests looking at the direct impact on $C + I + G + NX$ in the March quarter.

From:
Sent: Wednesday, 5 January 2011 11:02 AM
To:
Cc:
Subject: RE: re: flood impact calculations

A reduction in retail ex-food is an obvious direct effect. There will be some delayed expenditure on essentials, but this is difficult to determine without knowing the extent of the flood damage, and other secondary impacts - eg increased purchases of vehicles and even insurance in future quarters.

From
Sent: Wednesday, 5 January 2011 10:38 AM
To:
Cc:
Subject: RE: re: flood impact calculations

I'm trying to guess what the effect of the flood would be on the average Rockhampton resident's quarterly expenditure. Shops are closed for a time and some will be damaged – but people stocked up for the floods and will catch up on other purchases if they have the time and money. Expenditure should definitely skew towards essentials and away from luxuries. To the extent that consumption is lower because funds are being used to replace the floorboards aggregate GDP will not be affected.

It seems compelling to me that, with lower incomes from interruptions to production household expenditure will suffer a net decline in the area. But then we need to make sure we are not adding losses on the P side to losses on the E side.

All up I think the loss assumed in the calculation is a bit strong, but the base it is applied to is a bit narrow (just retail trade). So I would not argue to change the number. Not that this is much help to anyone.

Cheers
Paul

From:
Sent: Wednesday, 5 January 2011 9:57 AM
To:
Cc:
Subject: re: flood impact calculations

Hi Paul,

Our estimate of the impact of the floods on retail is \$1.2 billion.

This includes some extended effects beyond the first month, and excludes any deduction for food. See attachment for a quick write up of how we got to this number. Please feel free to discuss further with [S22].

Regards,

Household Demand Unit | Domestic Economy Division
Macroeconomic Group
The Treasury