

# TREASURY EXECUTIVE MINUTE

Minute No.

12 January 2011

Deputy Prime Minister and Treasurer

## PRELIMINARY BUDGET IMPACT OF THE CURRENT FLOOD CRISIS IN QUEENSLAND AND NEW SOUTH WALES

**Timing:** At your convenience.

### Recommendation/Issue:

- That you note the preliminary budget impact of the current flood crisis in Queensland and New South Wales.

**Noted**

Signature: ...../...../2011

### KEY POINTS

- The impact of the floods on the fiscal outlook remains unclear given the ongoing nature of the disaster.
- Treasury prepared early advice for you last week on the macroeconomic impact of the floods, with key points being that the flooding will:
  - reduce real annual GDP growth by around  $\frac{1}{4}$  to  $\frac{1}{2}$  of a percentage point, with a smaller reduction in nominal GDP reflecting the partial offsetting effect of increases in the prices of commodity exports; and
  - result in a spike in CPI of an additional 0.1 to 0.3 percentage points to headline inflation in the March quarter. This impact is likely to be largely unwound in the June quarter.

[This content has been redacted under Section 47C]

- Government assistance through currently announced disaster recovery and relief programs is likely to exceed \$1 billion, and this will have a negative impact on the underlying cash balance in 2010-11 and 2011-12 (and possibly 2012-13) as the assistance provided will exceed the existing Natural Disaster Relief and Recovery Arrangements (NDRRA) estimates currently in the Budget. Over the longer term, pressure on the Budget could be reduced by funding the repair and replacement of damaged infrastructure (most of which will occur through the NDRRA) through the reprioritisation of existing infrastructure spending. A summary of current Commonwealth assistance is set out in **Attachment A**.
- This advice does not yet take account of the flooding of Toowoomba, Ipswich and Brisbane. We will prepare updated advice next week once the floods have peaked.

- Domestic Economy Division, Tax Analysis Division, Social Policy Division and the Department of Finance and Deregulation have been consulted in the preparation of this Minute.

[This content has been redacted under Section 22]

Manager  
Budget Estimates and Analysis Unit

## ATTACHMENT A

Summary of Commonwealth assistance and estimates variations for Queensland floods<sup>a</sup> as at 12 January 2011

Assistance	Preliminary costs	Measure / variation	Media release
Queensland - Natural Disaster Relief and Recovery Arrangements (funding counter disaster operations for infrastructure with QLD) - restoration of essential public infrastructure (such as bridges, roads, schools) - personal hardship and distress grants	At least \$1 billion <sup>b</sup> (Qld may request \$1 billion in advance)	Variation	PM - 31/12/2010
Bring forward of Financial Assistance Grants to Queensland	nil (\$77 million within year)	Variation	MRARDLG - 5/01/2011
Australian Government Disaster Recovery Payment (AGDRP) - \$1,000 per adult, \$400 per child	\$230 million <sup>b</sup> (approx \$17 million already paid)	Variation	PM - 31/12/2010
Disaster Income Recovery Subsidy (for example Newstart)	\$120 - 140 million <sup>c</sup>	Measure	PM - 10/01/2011
Donation to Queensland Premier's Relief Fund	\$1 million	Measure	PM - 29/12/2010

a) The summary table does not include any extra call on welfare payments such as the Crisis Payment and the Hardship Payment.

b) Does not include costs for Toowoomba, Brisbane or Ipswich.

c) This estimate assumes payment for a single 13-week period. An extension of the period will change the estimated cost of the measure.