

China's growth upsets Australian treasury forecasts

SYDNEY, May 21 (Xinhua) -- China's surprising growth in recent years has contributed to throwing Australian treasury economic and revenue forecasts out of whack, Secretary to the Treasury Martin Parkinson told economists at a budget briefing in Sydney Tuesday. The briefing was called to explain the context of errors in recent economic and revenue forecasts, which are currently undergoing extensive review. Parkinson cited the slower than expected global supply response to Asia's demand for mining resources as a key factor disturbing treasury projections -- as they had originally predicted that supply would soon outpace demand. "We consistently underestimated the strength of growth of emerging Asia, and consistently overestimated the pace at which new global supply would be brought online," Parkinson said. "The result was that the terms of trade nominal GDP were constantly surprising on the upside," he added. The resources sector has seen a massive growth since 2003-04, but is still paying a relatively low tax rate -- lowering the overall tax-to-GDP ratio, and throwing off treasury models that previously did not differentiate between sectors, Parkinson explained. In response to this oversight, the treasury has developed a three-sector model that divides the economy into mining, finance and insurance, and "the rest" categories, to help analysts keep abreast of sector-sensitive forecasts. Emerging Asia has had a significant part to play in changes to the global economy, driving new terms of trade that fall outside historic patterns which must now be taken into account in new forecast models, Parkinson said. In the Australian economic outlook, resources exports to China are expected to continue to have a strong impact, with the sector projected to grow from around 5 percent of GDP to 10 percent -- doubling in size in ten years.