



APRIL 16 2021 - 1:57PM

# Saul Eslake thinks promises so far probably won't blow budget

Sean Ford

Liberal and Labor Tasmanian election promises to date probably won't produce bigger budget deficits or higher net debt than were projected in February

That is the view of economist Saul Eslake.

He believes forecast GST revenues higher than previously expected and the Liberals' big underspending on infrastructure commitments should ward off a major blow-out of the February projections, at least this far into the election campaign.

In an economic note, Mr Eslake said state Treasury's Pre-Election Economic and Fiscal Outlook report released last week forecast the general government sector would borrow \$492 million less over the four years to 2023-24 than forecast in the Revised Estimates Report in February and \$847 million less than projected in the budget last November.

That meant net debt was forecast to be \$3.7 billion in mid-2024, "considerably less" than the \$4.1 billion forecast in February and the \$4.4 billion forecast in the budget.

He said the improvement reflected downward revisions of \$484 million of the cash deficits to 2023-24 which were forecast in February.

**He said** that was due to two factors.

They included projected net operating balances out to 2023-24 improving by \$370 million compared with February projections, with a recent upgrade of \$403 million in Tasmania's expected GST share more than making up for a \$33 million increase in forecast operating expenses.

The other was "downward revisions to forecast infrastructure spending totalling \$116 million compared to what had been projected in February, which Treasury says is based on 'recent trends and data in infrastructure outcomes' including 'an annual average underspend of approximately 25 per cent' relative to budget forecasts over the past five years, and 'emerging signs of capacity constraints in some sectors of the construction industry'".

"The upshot of this is probably that the spending promises which have so far been made by the government and the opposition can probably be absorbed without producing a worse bottom line ... than had been projected in February.

"That conclusion is, of course, subject to variation depending on what else is promised between now and the election date, and on what, if anything, is revealed in the fiscal strategy projections which parties are required to present before the election, although these statements are usually produced so close to the election date that serious scrutiny of them is next to impossible."

Mr Eslake took swipes at state Treasury and Public Health authorities (a semi-regular target in recent times).

## **'SOUR POINT'**

"One final sour point is that Tasmania's Treasury remains the only Treasury in Australia which refuses to provide any insights into its views of the economic outlook for the final two years of the forward estimates period, although it's not clear whether this is Treasury's decision or the government's," he said.

He said the difference between the sets of economic forecasts in last week's Treasury report compared to the equivalent document for Western Australia released in February was "really quite striking".

"It's not like the WA Treasury is faced with any less uncertainty regarding the medium-term outlook than Tasmania's, but at least they, like their counterparts in the federal Treasury and in every other mainland state and territory treasury, had a go," he said.

"Maybe, like our Public Health authorities, who seem happy to be the only ones in the country to require people arriving in Tasmania to complete the equivalent of a visa application in order to be allowed into the state and to line up outside for over half an hour in many cases in order to complete those formalities, our Treasury officials know something that their counterparts in the rest of the country don't.

"But if so, like our Public Health authorities, they don't seem to feel any pressing need to share that knowledge with the rest of us."