

Under embargo until 00.01 am Tuesday 15 December 2015

## Statement from Alex Malley, chief executive of CPA Australia on the Mid-Year Economic Fiscal Outlook (MYEFO)

The Government's mid-year economic and fiscal outlook, or MYEFO, will today confirm what we have anticipated – that continued falls in commodity prices, particularly iron ore has substantially dented government tax revenues and the budget's bottom line.

As an accountant, I am naturally concerned over the deterioration in the budget's financial position. However, a bigger concern would be for our political leaders to continue the trend of chasing a surplus for surplus' sake.

Since 2010 I have said loudly and often that a surplus or a deficit is not a plan. It is an outcome of a plan.

Australians are increasingly demanding a plan to frame our competitive future, and the Government's recent National Innovation and Science Agenda is clearly laying the foundations of such a plan.

It is very important that these foundations are not undermined by the current Budget situation and a desire to return to surplus as quickly as possible.

Challenges for our economy are real and urgent, and have been so for many years. Only two weeks ago the Reserve Bank announced that its index of commodity prices has fallen 11 per cent in Australian dollar terms over the last twelve months.

Even more dramatically, the index is down from an all-time high of 140 in October 2008 to 75 in November 2015 – which puts it back at 2005-2006 levels.

This drop in commodity prices, coupled with both muted wages and employment growth over the period means it is inevitable that the deficit will have increased.

It has also become widely accepted that the projected GDP growth figures in Joe Hockey's May budget should be pretty much discounted.

MYEFO will remove any remaining doubt that the structural transition of the economy is of greater imperative than ever before.

Initiatives such as the Government's innovation and science package last week will play an important role in helping that structural economic adjustment to happen.

Further, the business case for holistic tax reform expected to emanate from the tax white paper process is more important than ever.

Many see the tax reform agenda as purely about tax.

But tax is one of the most important economic levers at governments' disposal – and that is why we need to urgently push ahead and get the settings right – at Federal, State and local levels.

That's why the recent COAG discussions were so important.

The tax reform agenda is about much more than revenue-raising – it is about economic growth, encouraging investment, growing businesses and creating jobs right here in Australia – both now and for the future.

-ENDS-

**Media contact:** Paul Drum at [media@cpaaustralia.com.au](mailto:media@cpaaustralia.com.au) or +61 3 9606 9701