

THE FUTURE OF THE AUSTRALIAN ECONOMY

SECOND NATSEM LECTURE

HOSTED BY THE NATIONAL CENTRE FOR SOCIAL & ECONOMIC MODELLING (NATSEM)
AT THE INSTITUTE FOR GOVERNANCE & POLICY ANALYSIS, UNIVERSITY OF CANBERRA

MEMBERS' DINING ROOM, OLD PARLIAMENT HOUSE, CANBERRA – 12TH OCTOBER 2016

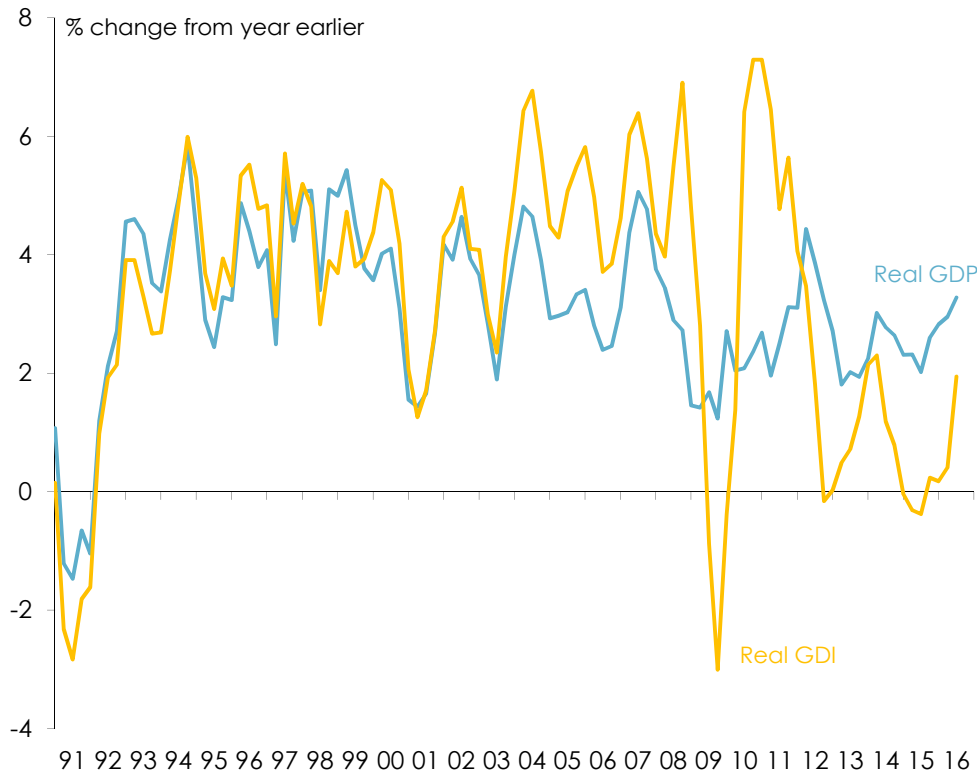
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To begin with, a backwards glance

Australia has now gone 25 years without recession (at least, not by the most widely-used definition of that term)

Economic growth



Unemployment

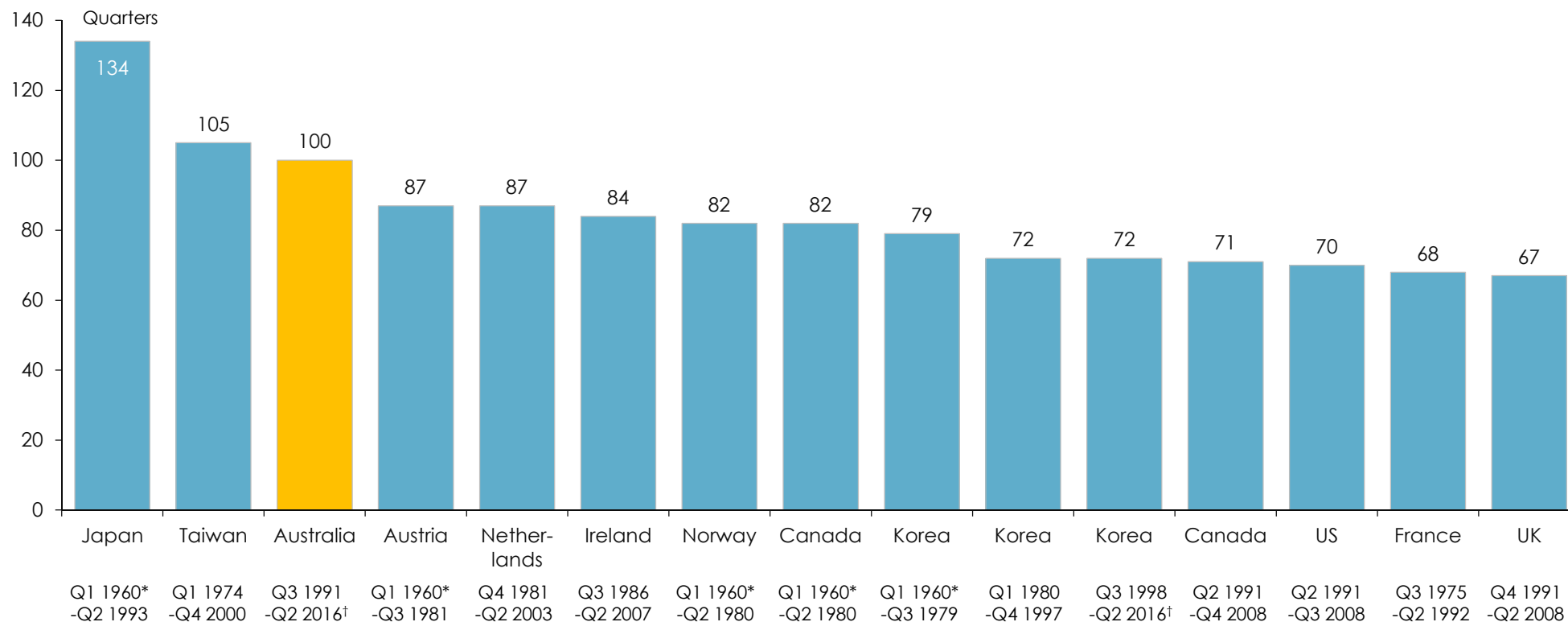


Note: Real GDI (gross domestic income) is real GDP plus net income gains (or losses) arising from changes in the terms of trade.

Source: ABS.

Australia still has some way to go before claiming the 'record' for the longest run of uninterrupted economic growth

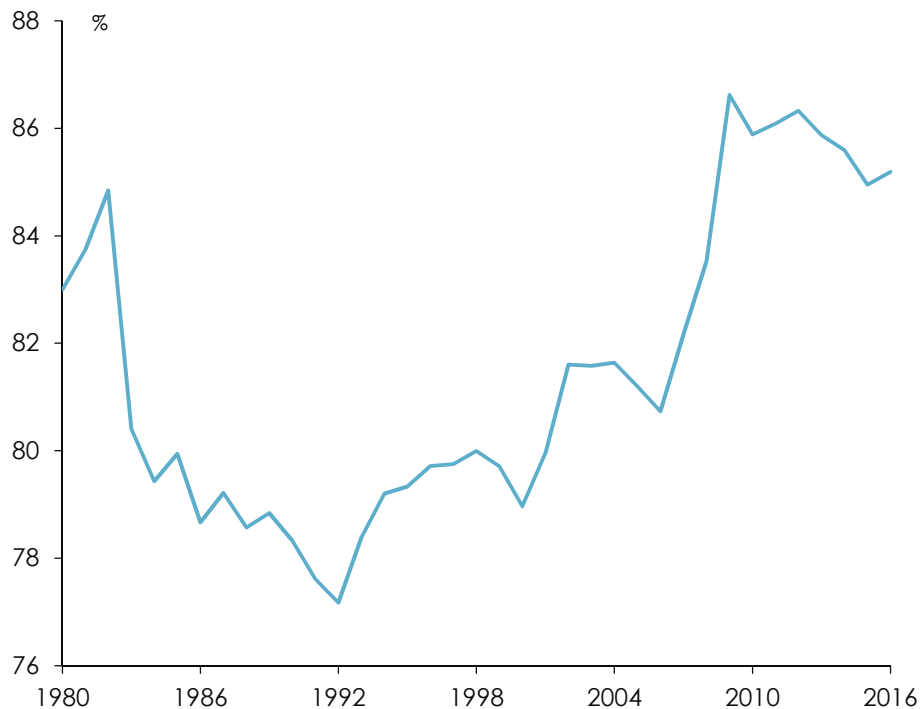
Longest recorded periods without consecutive quarters of negative real GDP growth



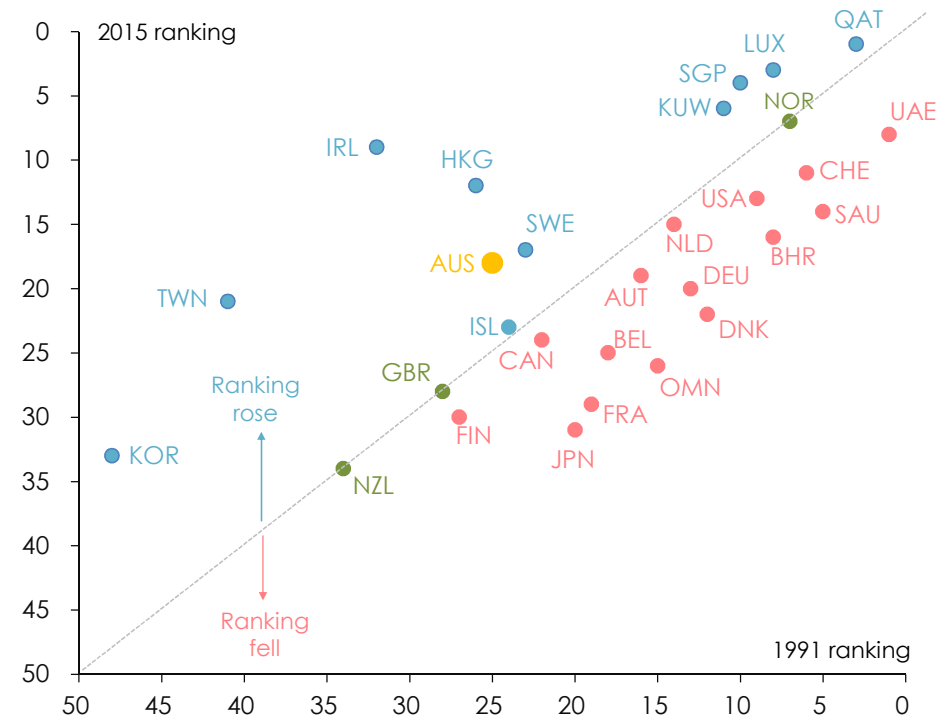
* Earliest available data (so period of uninterrupted economic growth may have begun before this date). † Period of continuous economic growth as yet unfinished. Sample comprises 41 economies for which seasonally adjusted quarterly estimates of real GDP are available.
Sources: OECD, *Quarterly National Accounts*, and national statistical agencies or central banks.

Australia's per capita income has risen significantly relative to other countries over the past 25 years

Australian per capita GDP relative to the United States



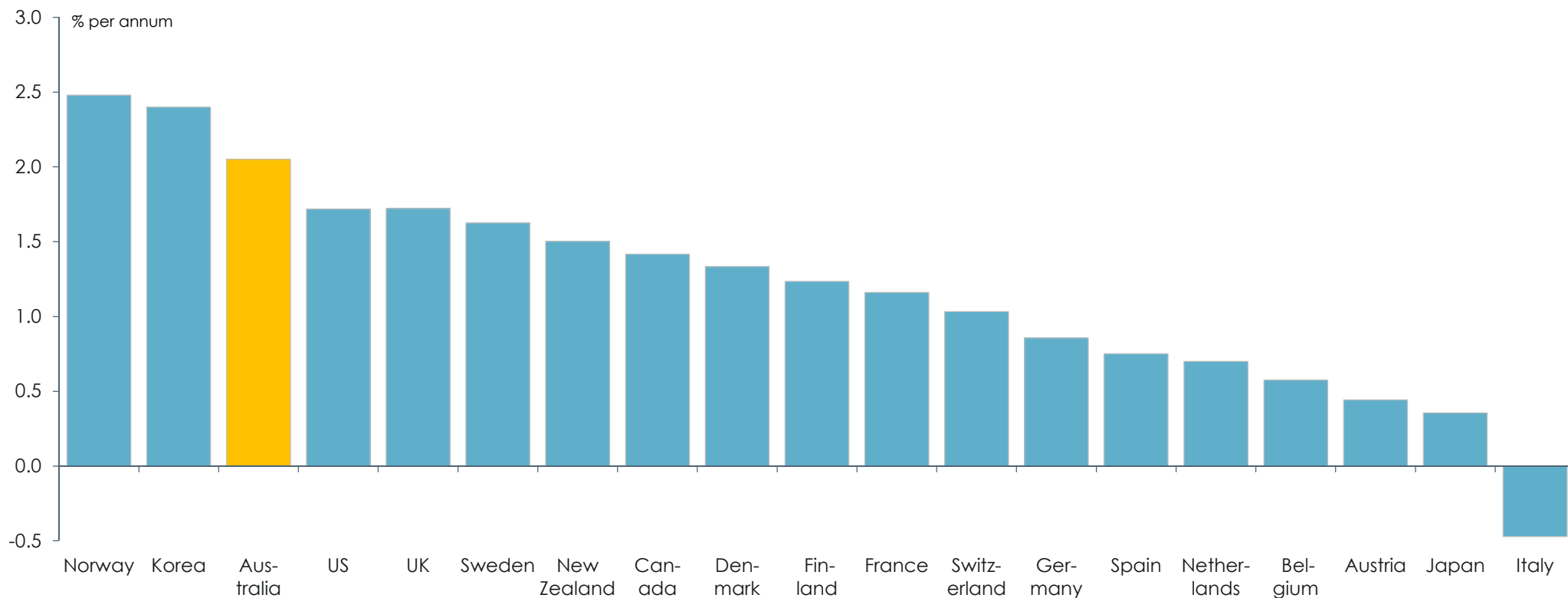
Country rankings in terms of per capita GDP, 1991 and 2015



Note: GDP converted from local currency into US\$ at purchasing power parities (PPPs).
Source: International Monetary Fund, [World Economic Outlook database](#), October 2016.

Australian households have experienced faster growth in per capita real incomes than all but two other OECD countries in the last 25 years

Average annual growth rate of real per capita household disposable income, 1991-2016

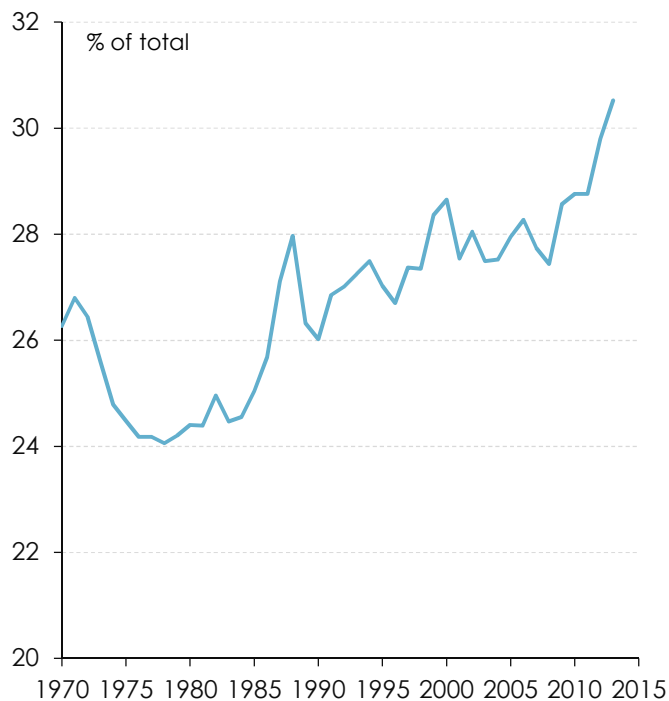


Note: Countries shown are those for which the OECD publishes data on real household disposable income back to 1990.
Sources: OECD, [Economic Outlook Statistical Annex](#), June 2016; IMF, [World Economic Outlook database](#), October 2016.

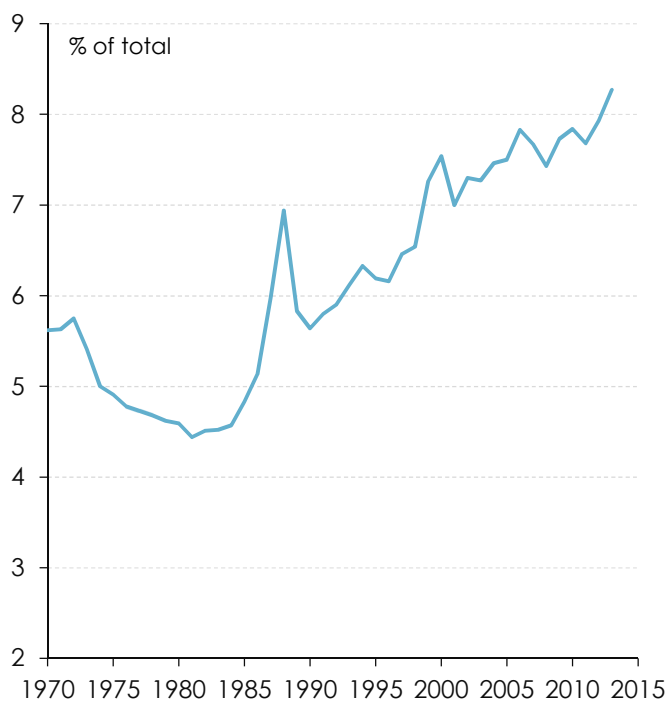
And while those income gains have accrued disproportionately to people at the upper end of the income distribution ...

Upper income groups' share of total pre-tax income in Australia

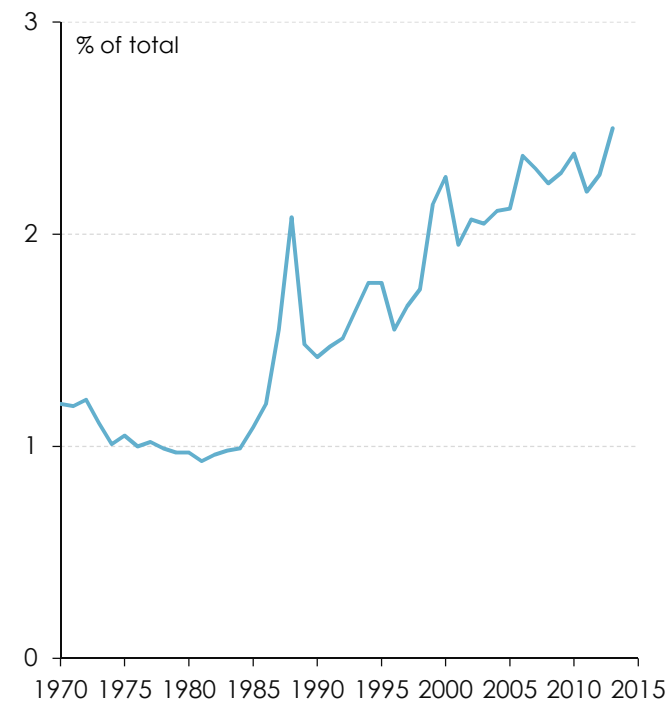
Top 10%



Top 1%



Top 0.1%



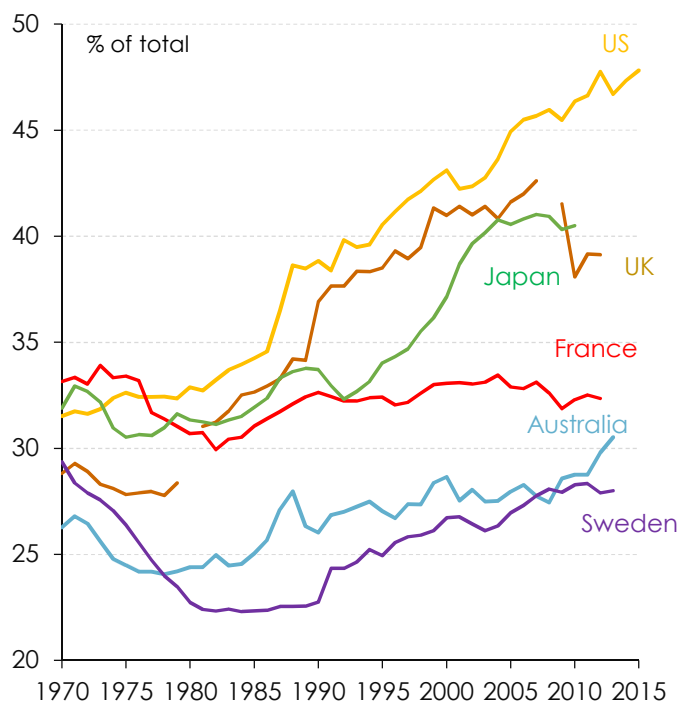
Note: Shares are of pre-tax taxable income as reported to and published by national tax collection agencies.

Source: Facundo Alvaredo, Tony Atkinson, Thomas Piketty, Emmanuel Saez and Gabriel Zucman, [The World Wealth and Income Database](#).

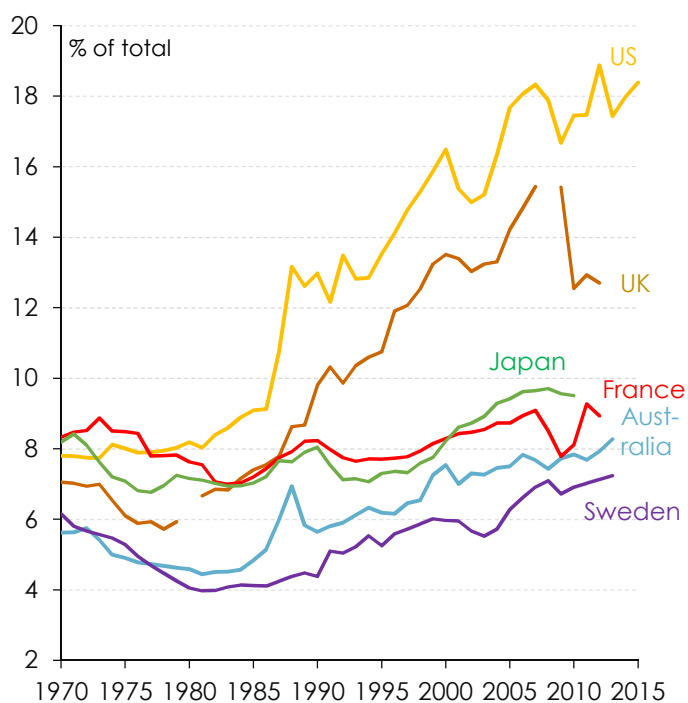
... Australia has actually been at the Swedish end of the international spectrum of trends in income inequality

Upper income groups' share of total pre-tax income in selected 'advanced' economies

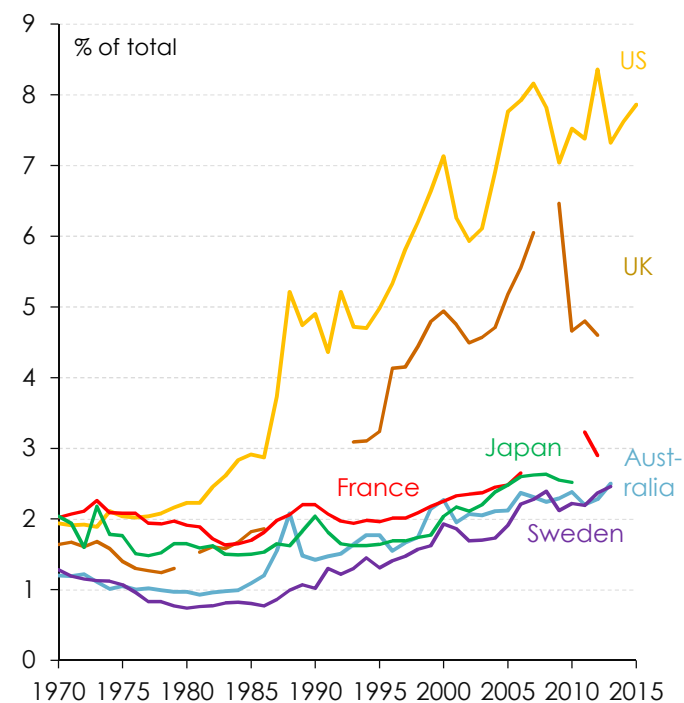
Top 10%



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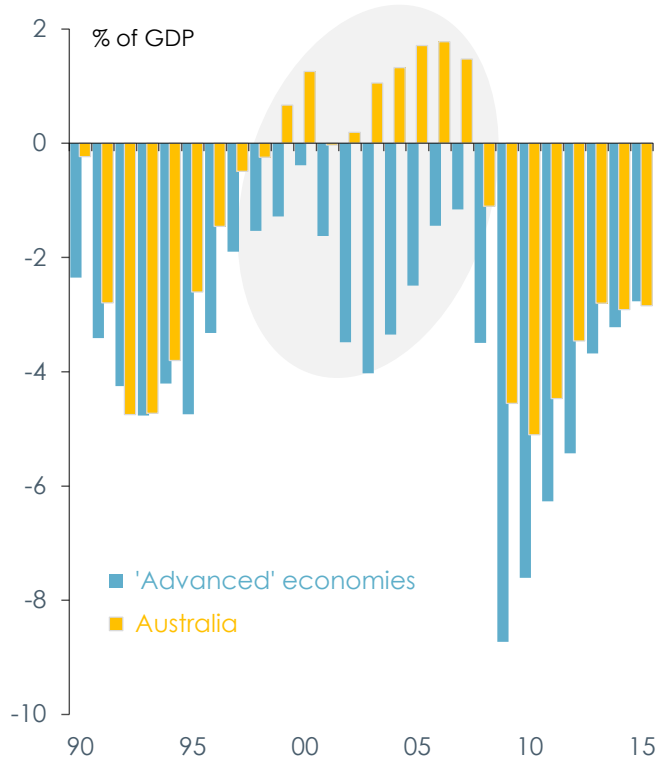


Note: Shares are of pre-tax taxable income as reported to and published by national tax collection agencies.

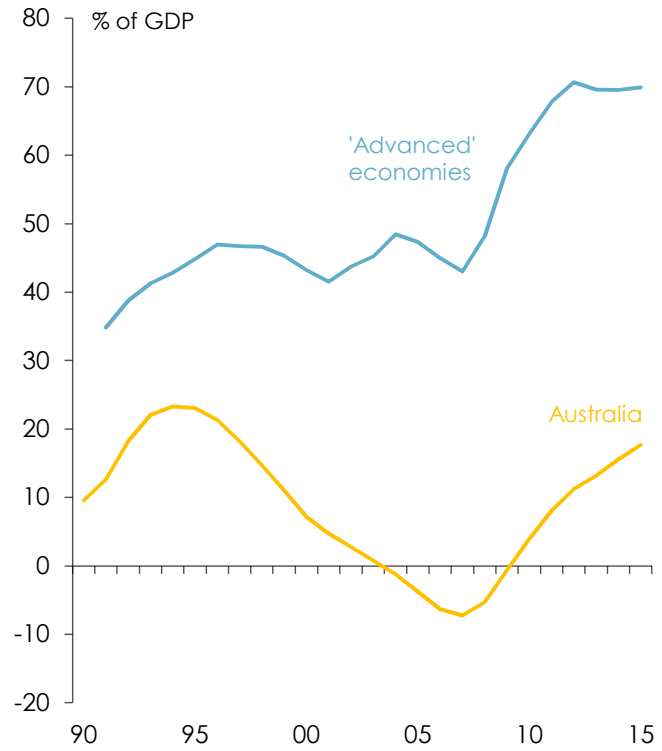
Source: Facundo Alvaredo, Tony Atkinson, Thomas Piketty, Emmanuel Saez and Gabriel Zucman, [The World Wealth and Income Database](#).

Australia's relatively good economic performance over the past 25 years reflects a combination of good management ...

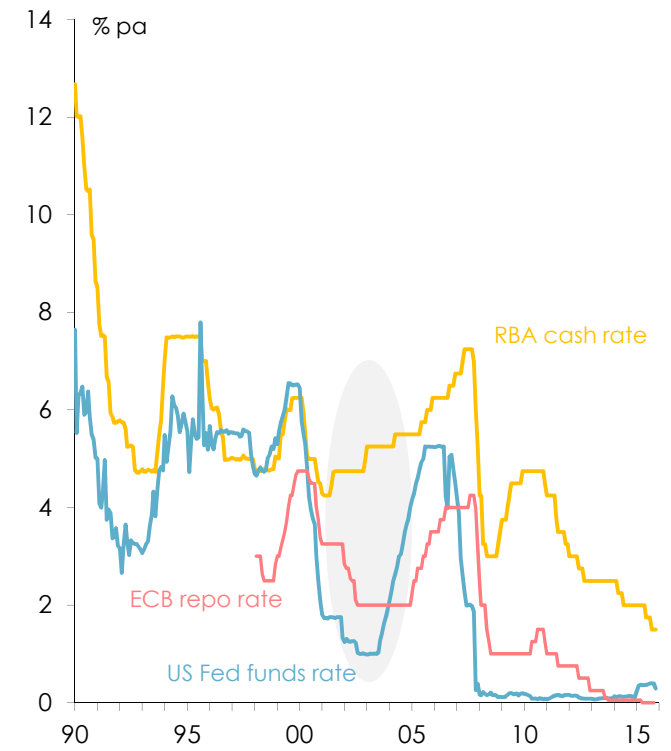
'General government' net lending



'General government' net debt



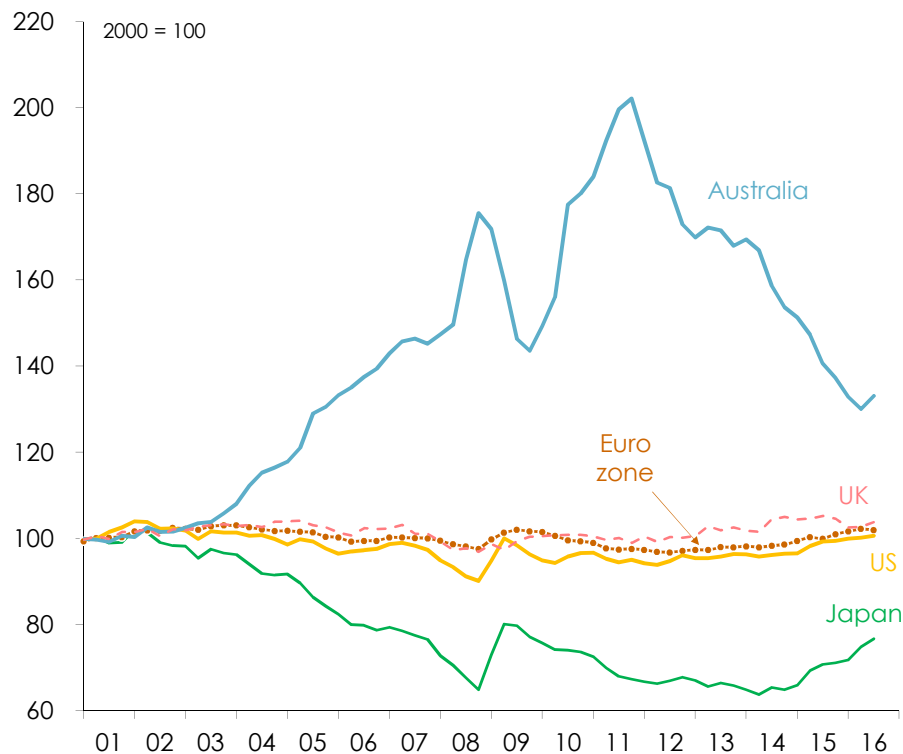
Monetary policy interest rates



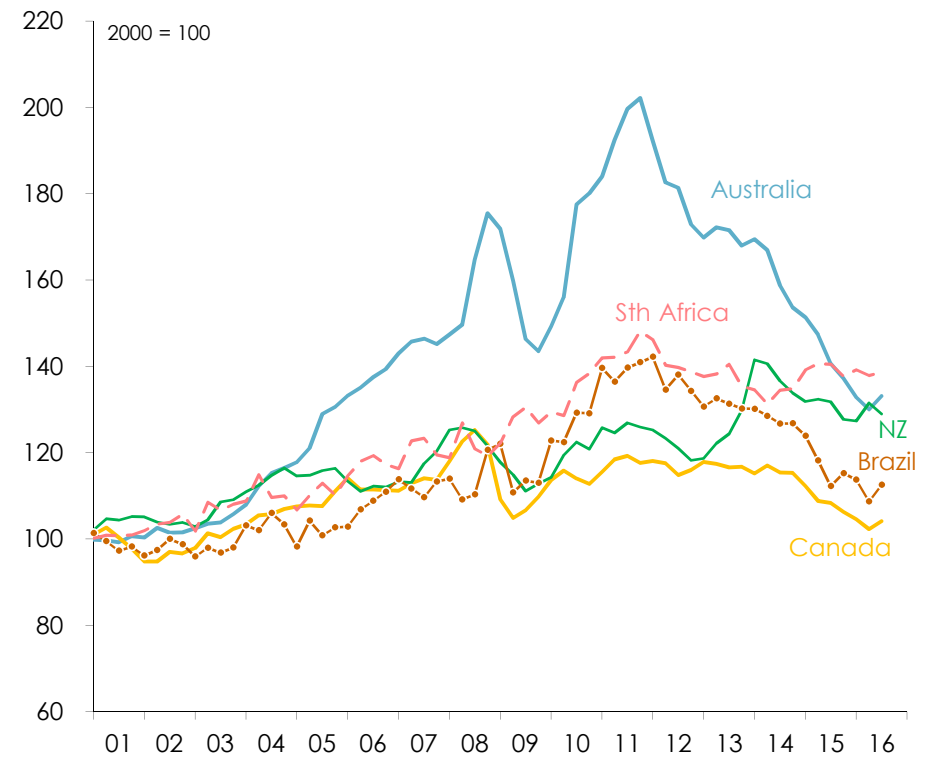
Sources: IMF, [World Economic Outlook database](#), October 2016; Reserve Bank of Australia, US Federal Reserve & European Central Bank.

... and good luck, principally as a result of our unusual (for an 'advanced' economy) economic relationship with China

'Terms of trade' – Australia vs other 'advanced' economies



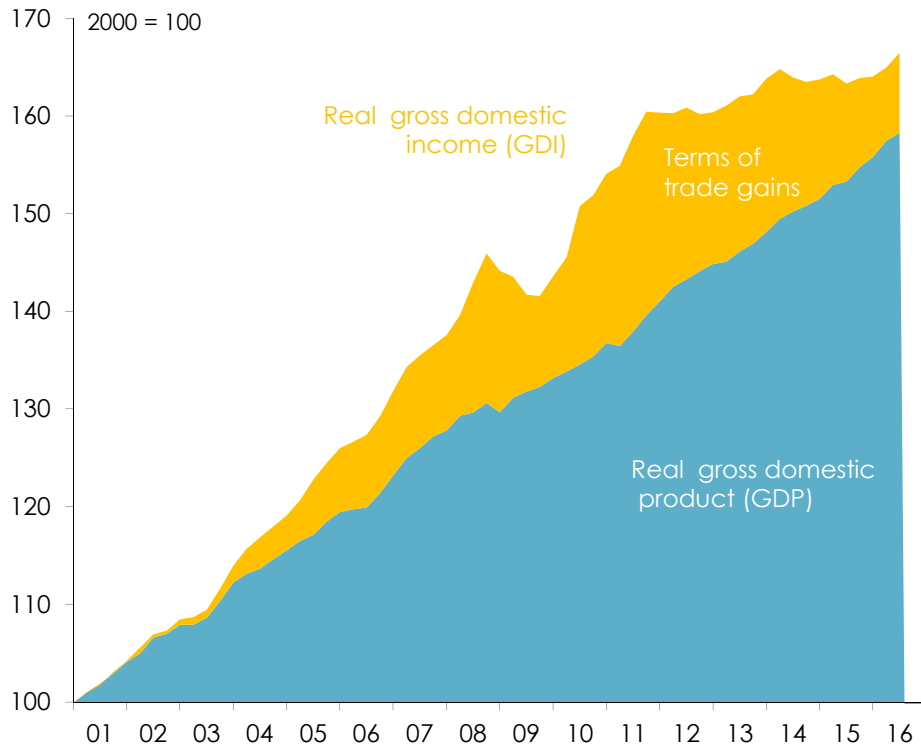
'Terms of trade' – Australia vs other commodity-exporting economies



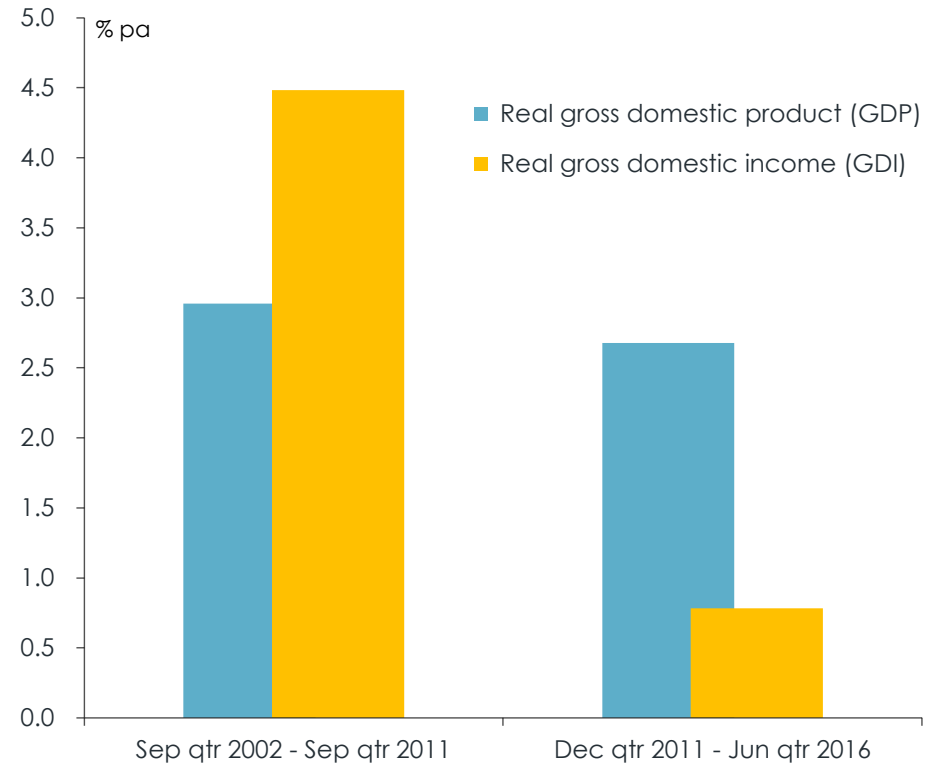
Note: 'The 'terms of trade' is the ratio of the implicit price deflator of exports of goods and services to the implicit price deflator of imports of goods and services.
Sources: ABS; US Bureau of Economic Analysis; Eurostat; UK Office for National Statistics; Japan Economic & Social Research Institute; Statistics NZ; Statistics Canada; Statistics South Africa; Instituto Brasileiro de Geografia e Estatística; author's calculations.

The huge rise in Australia's 'terms of trade' represented a substantial addition to Australia's real income – which is now receding

Gains in real gross domestic income arising from changes in 'terms of trade'



Growth in real gross domestic income (GDI) vs real gross domestic product (GDP)

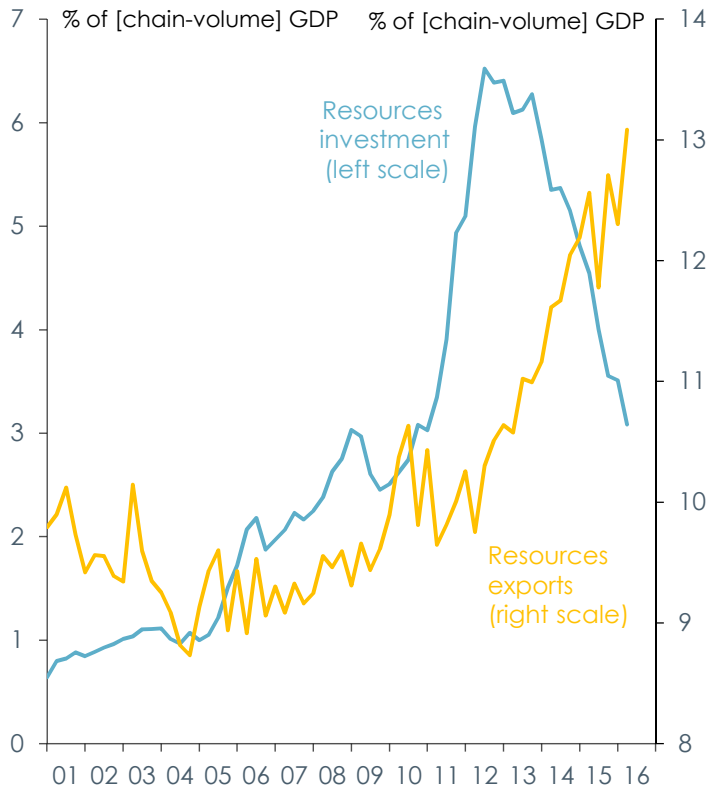


Note: 'The 'terms of trade' is the ratio of the implicit price deflator of exports of goods and services to the implicit price deflator of imports of goods and services. Real gross domestic income (GDI) is real gross domestic product (GDP) adjusted for income gains or losses arising from changes in the terms of trade. Source: ABS.

And now, a look at the present

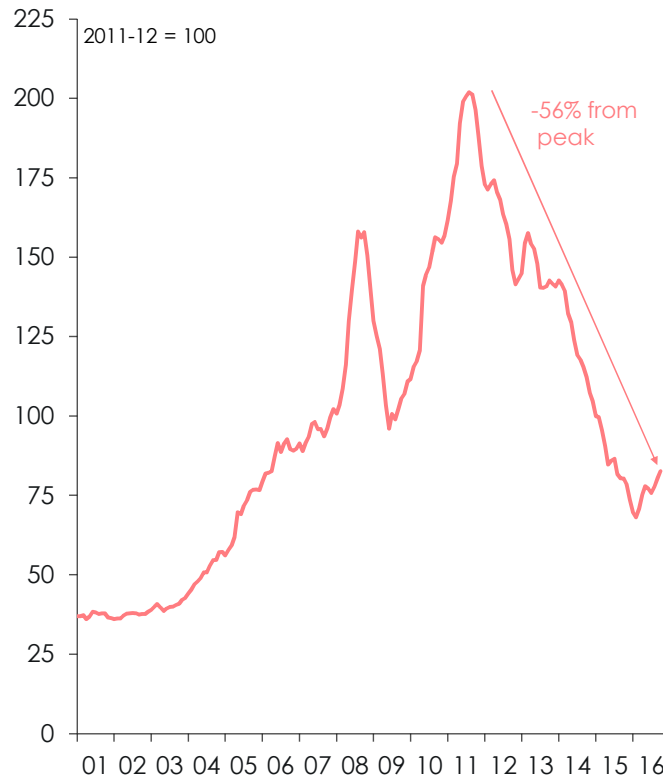
The resources investment boom is over – and while resources exports are rising, they are at falling prices and don't employ as many workers

Australia's resources investment & export volumes

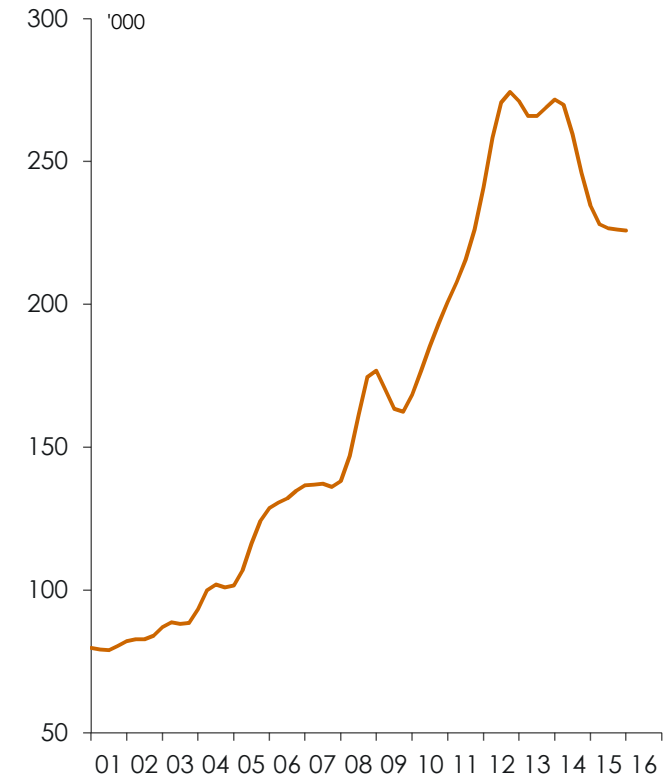


Note: Resources investment includes exploration expenditure.
Source: ABS.

Australia's resources export prices

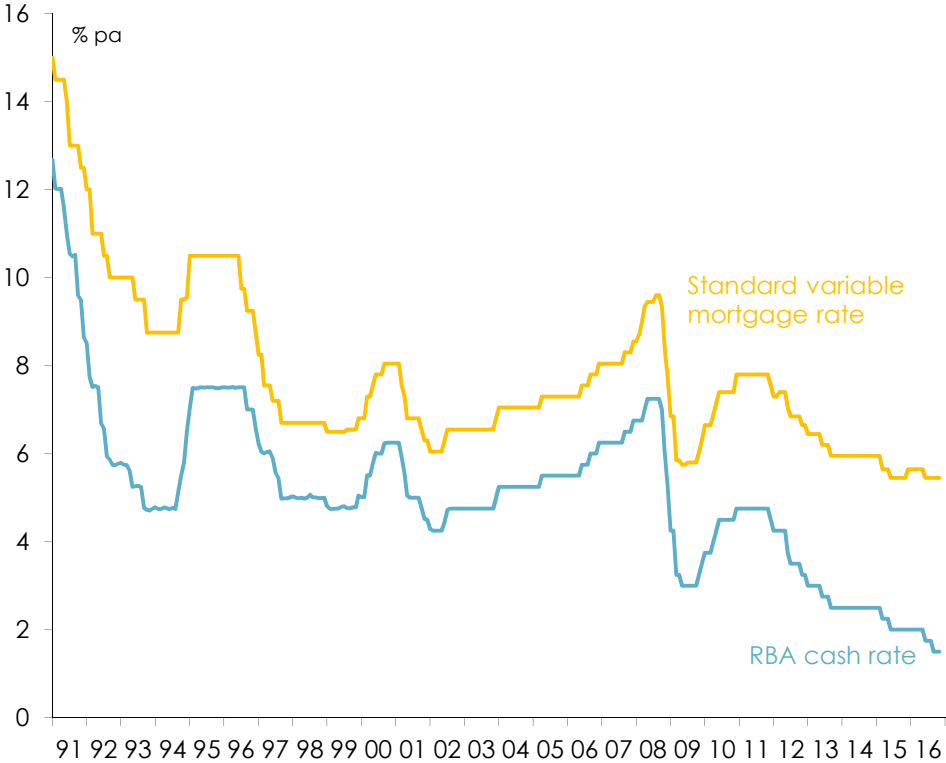


Australia's mining sector employment

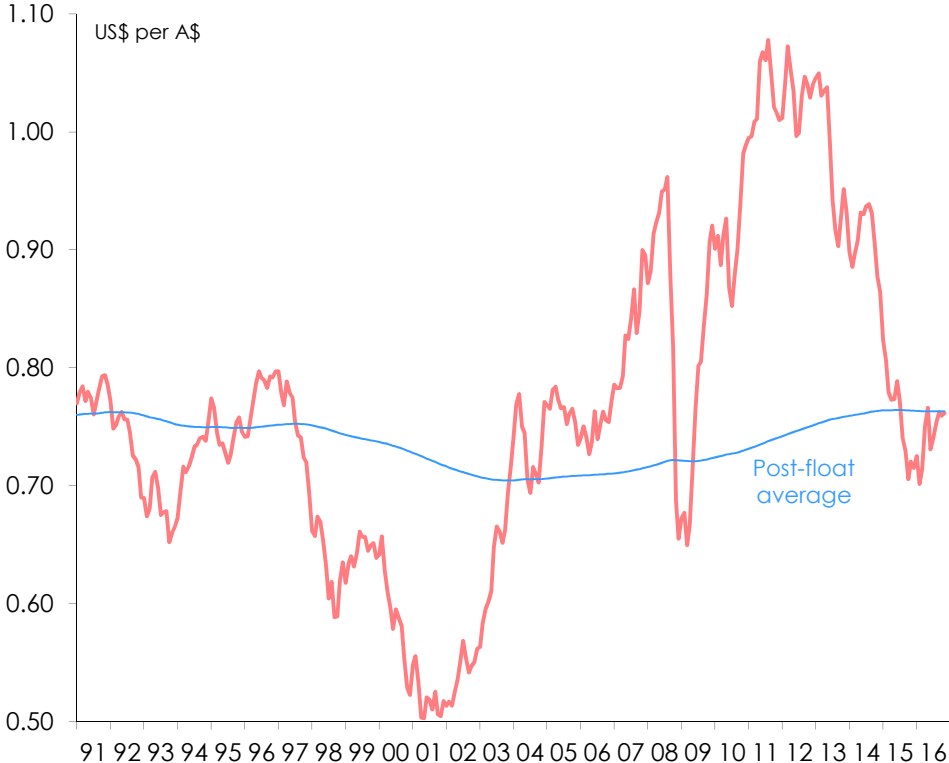


Australia is relying on record-low interest rates and a (now) below-its-long-term-average Australian dollar to support economic growth

Australian interest rates



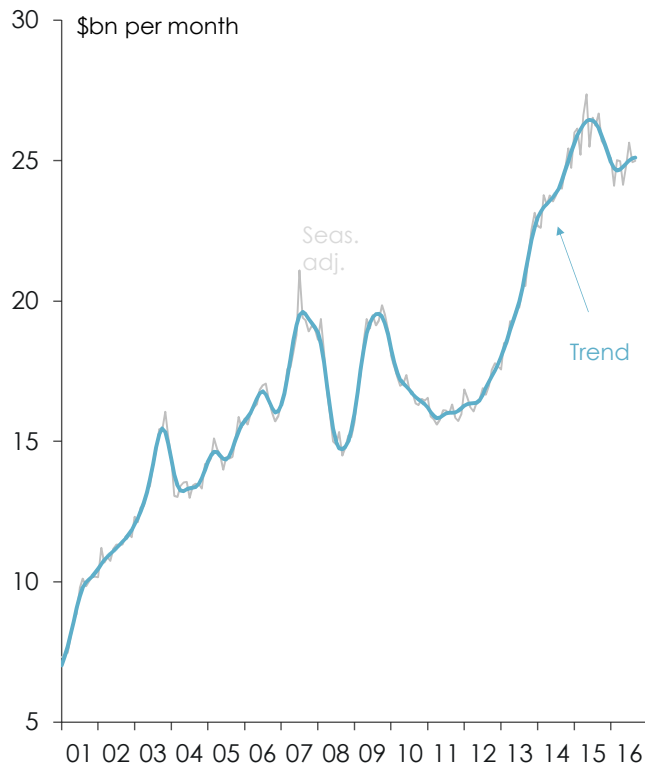
Australian dollar



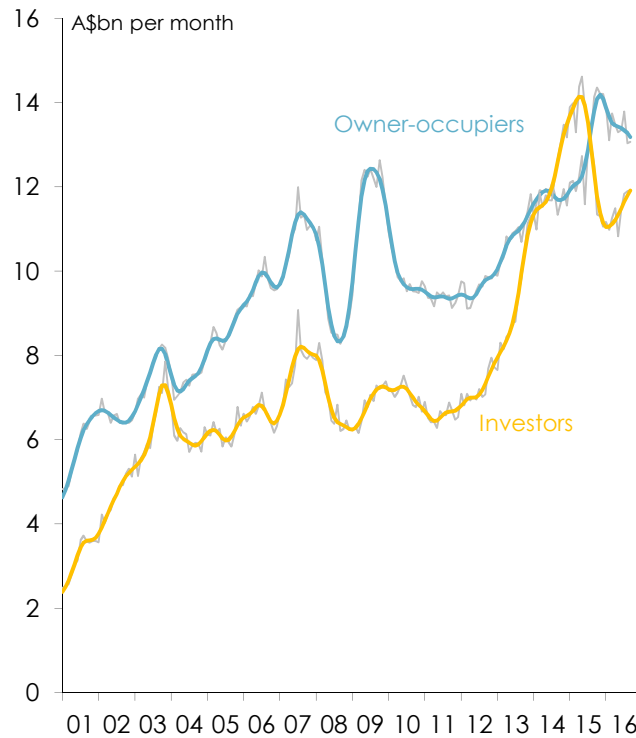
Source: Reserve Bank of Australia.

Record-low interest rates have stimulated a substantial rise in housing demand – and (aided by foreign investors) in building activity

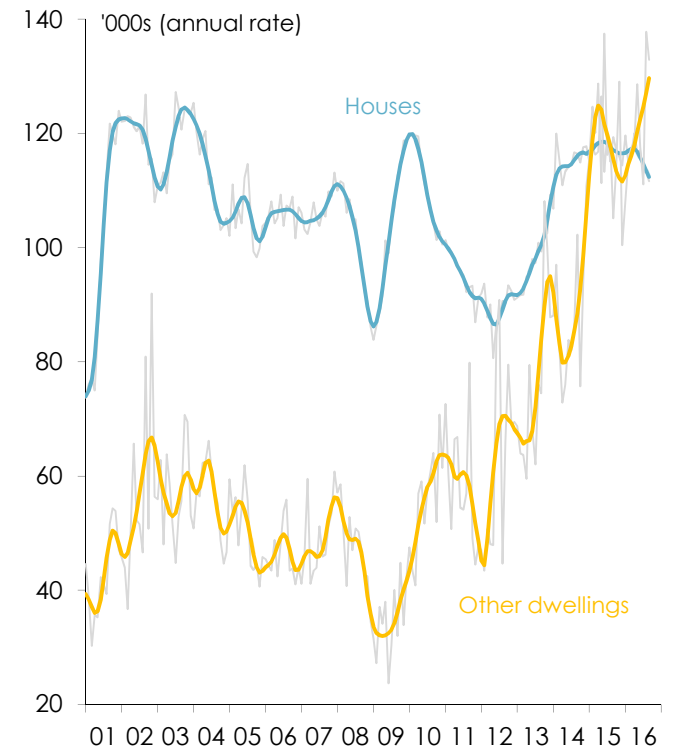
Lending for housing



Lending for housing, by type of borrower



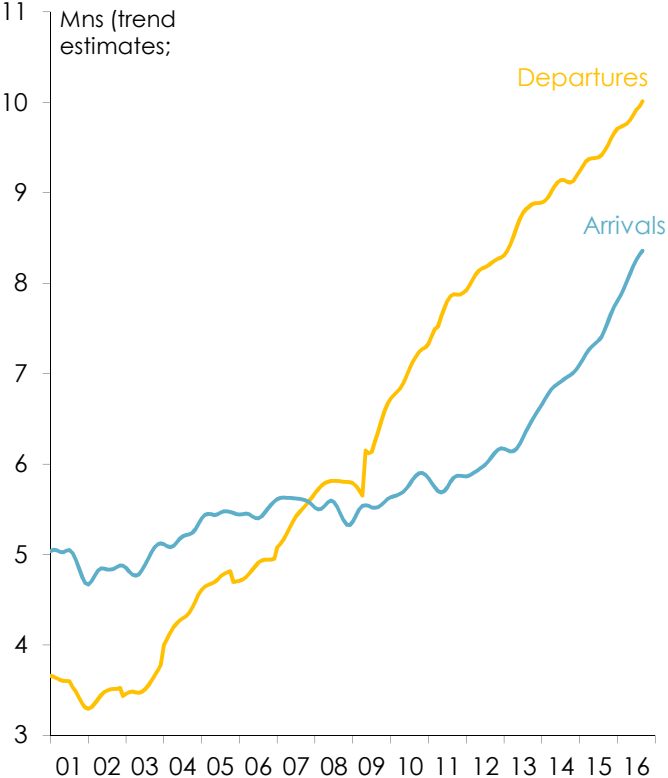
Private residential building approvals, by type of dwelling



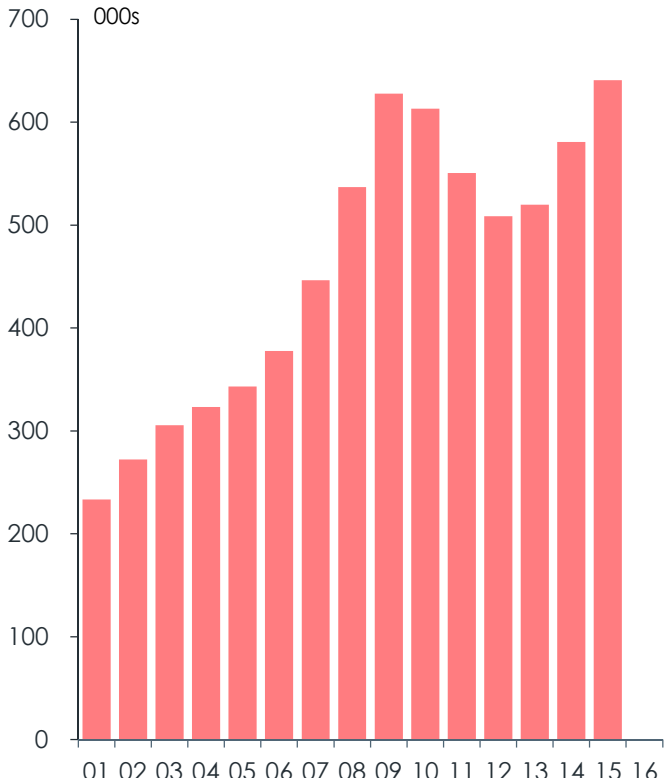
Note: grey lines in first and second charts above show seasonally adjusted data; thicker coloured lines are the ABS 'trend estimates'.
Source: ABS.

The fall in the A\$ has provided a significant boost to exports of services - and of primary and processed food and beverages

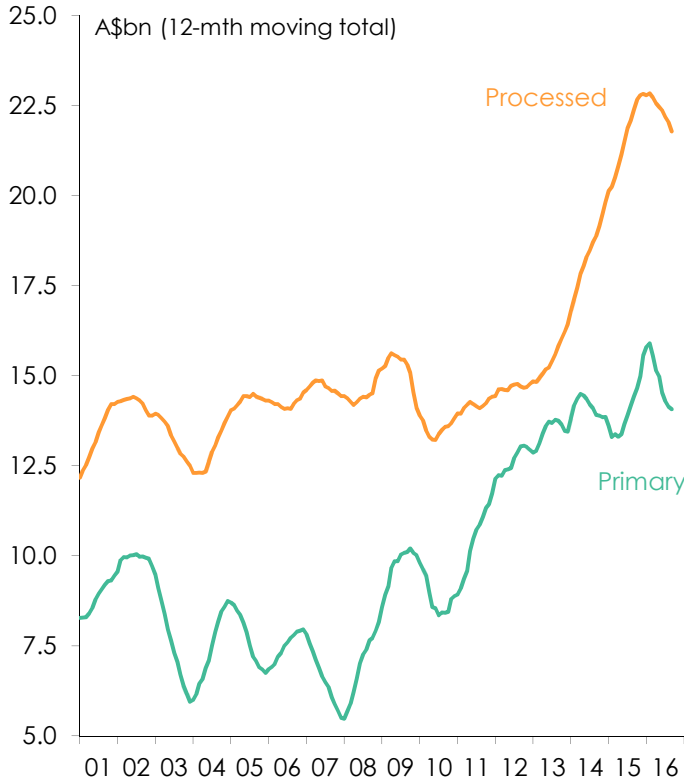
Short-term overseas arrivals and departures



Overseas student enrolments



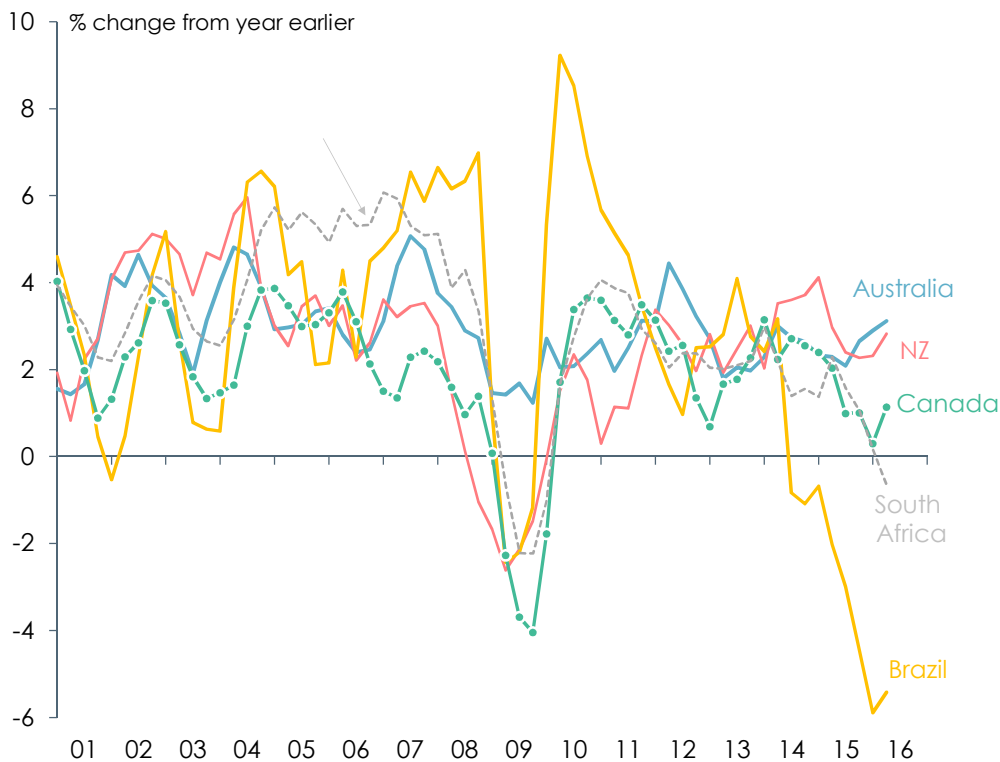
Food and beverages exports



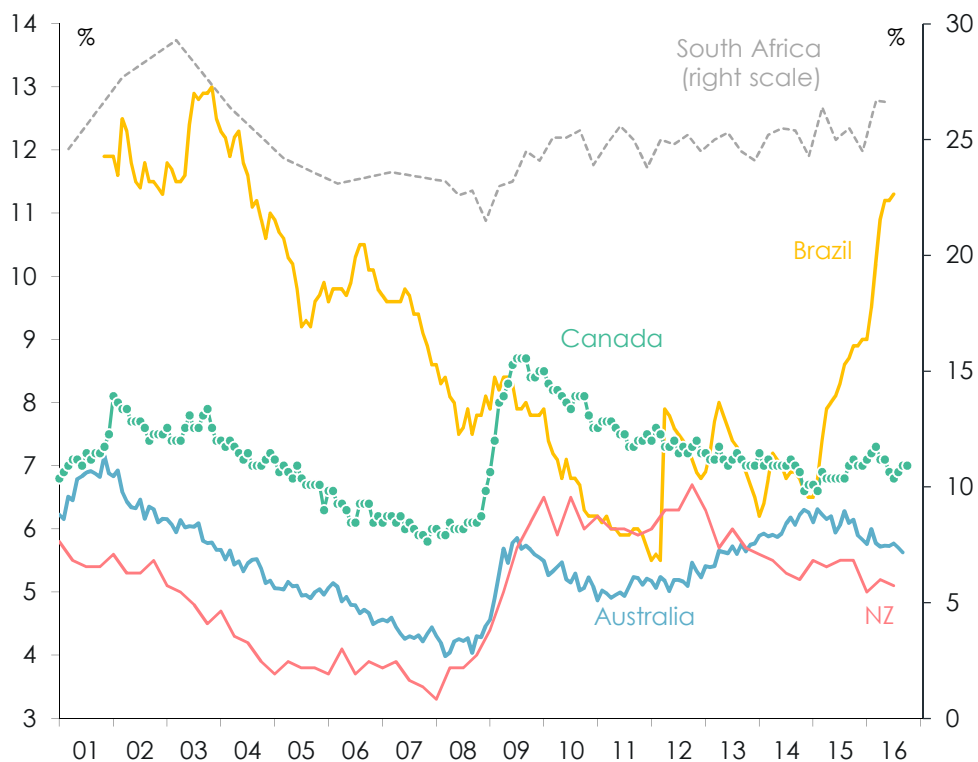
Note: The number of overseas student enrolments shown in the second chart exceeds the number of overseas students in Australia, since some students are enrolled in more than one category (eg higher education and English language). Sources: ABS; Australian Department of Education and Training.

Australia is faring better than most other commodity-exporting economies despite experiencing a sharper fall in its terms of trade

Australia and other commodity exporters – real GDP growth



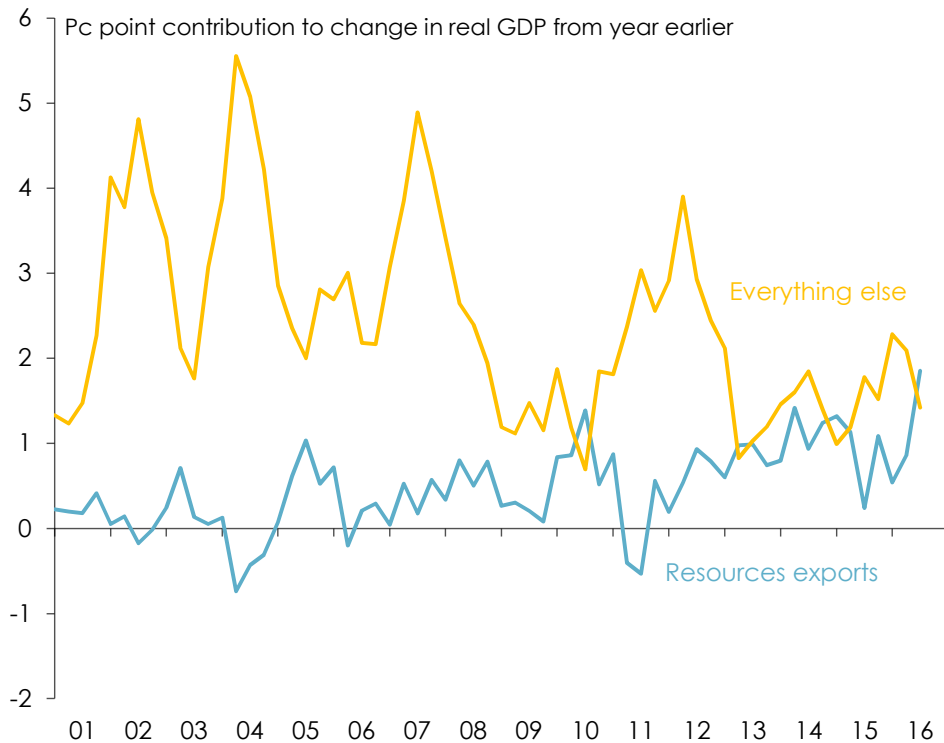
Australia and other commodity exporters - unemployment



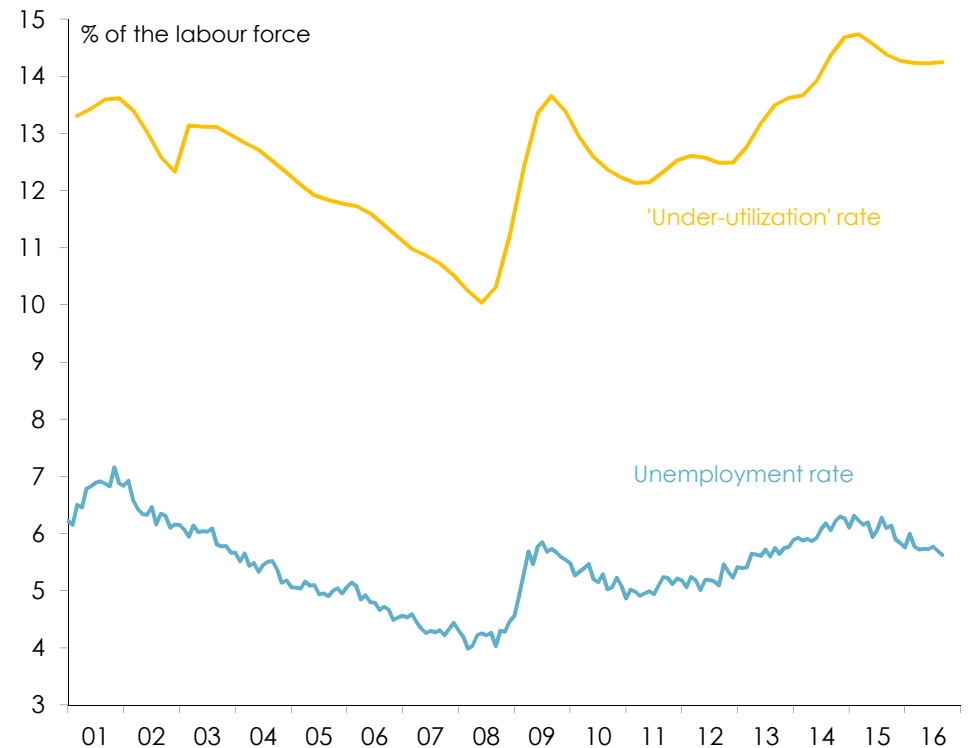
Sources: ABS; Statistics NZ; Statistics Canada; Instituto Brasileiro de Geografia e Estatística; Statistics South Africa.

Nonetheless the Australian economy is still performing 'below par'

Real GDP growth – resources exports vs the rest



Unemployment and 'under-utilization'



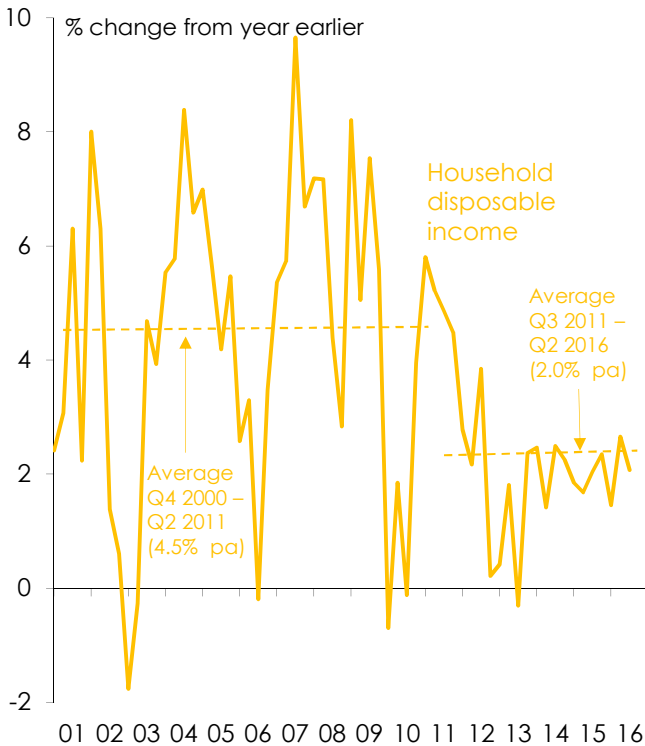
Note: The 'under-utilization' rate is the sum of those unemployed (as per the conventional definition) and those in part-time employment who want and are available to work more hours than they actually did in the labour force survey reference week, expressed as a percentage of the labour force.
Source: ABS.

Weak income growth is weighing on consumer confidence and spending

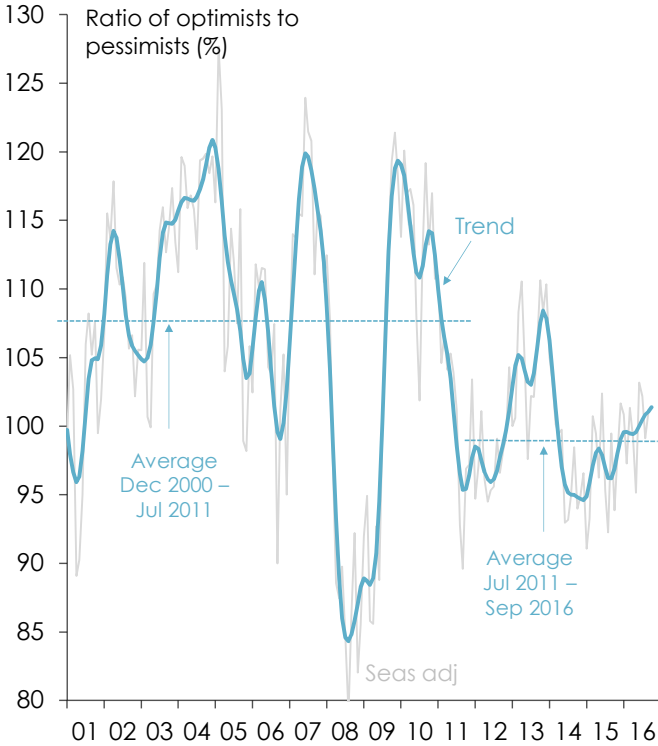
Labour income



Real household disposable income



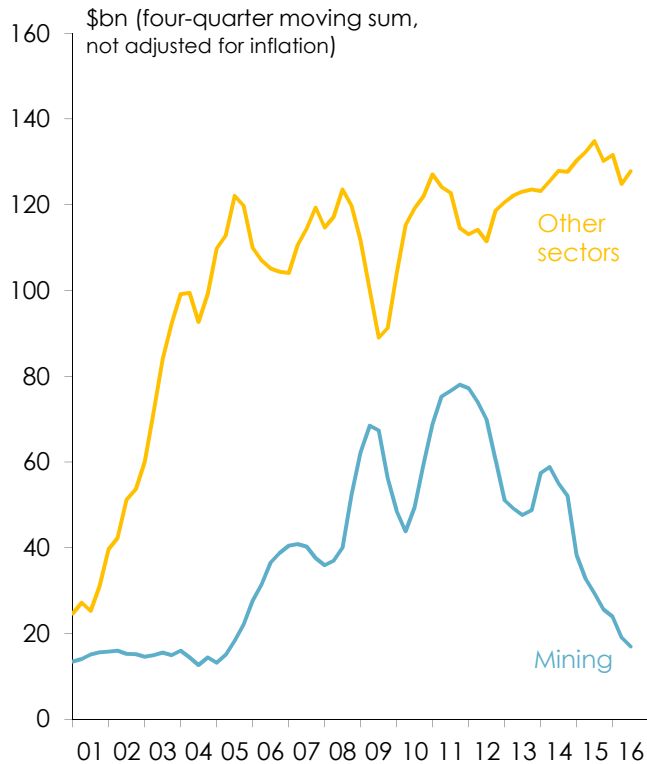
Consumer confidence



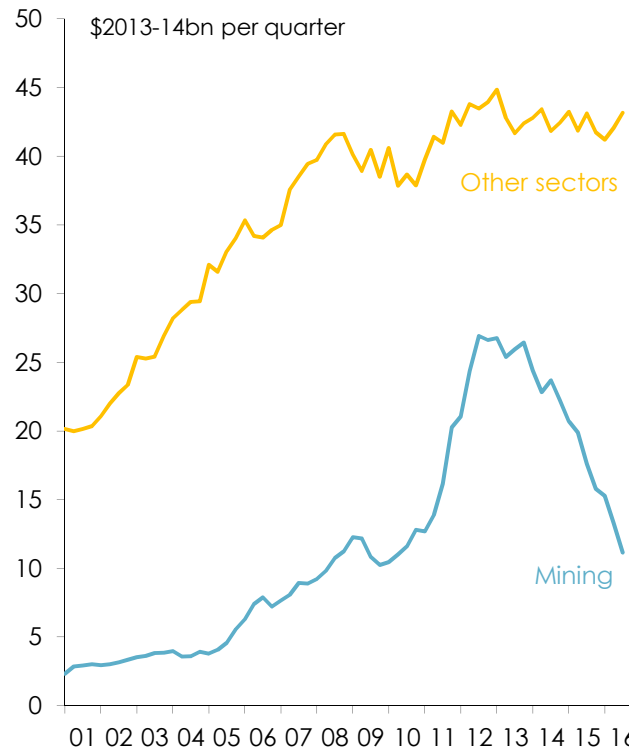
Sources: ABS; Westpac-Melbourne Institute.

Weak profits growth together with economic and political uncertainty are weighing on business confidence and business investment

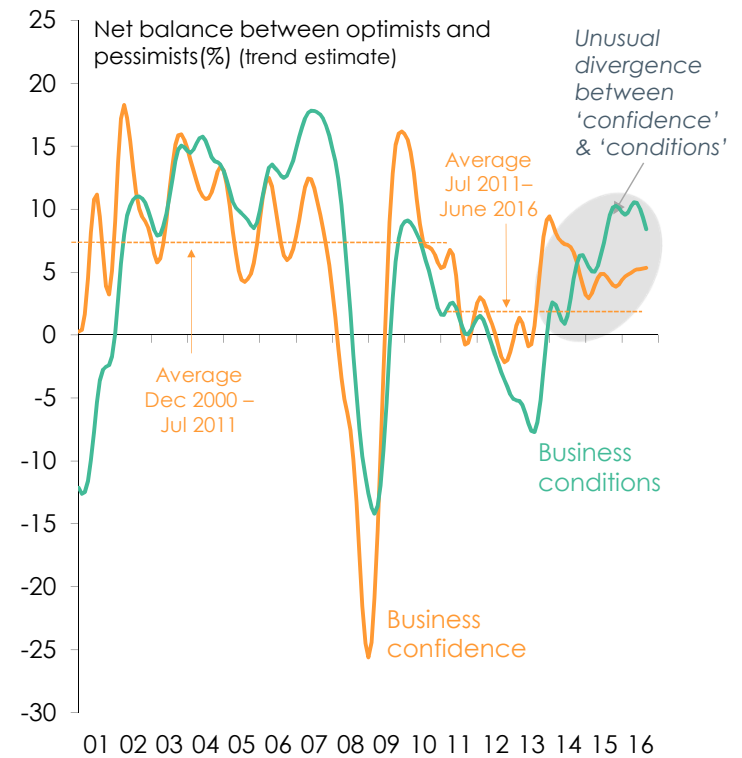
Pre-tax company profits



Business investment



Business conditions and confidence



Note: 'Other sectors' in the company profits survey exclude banks and other deposit-taking intermediaries, insurance and super funds, education & training, and health care & social assistance. Mining investment includes buildings & structures and plant, equipment & machinery from the capex survey plus exploration expenditure; investment by 'other sectors' is the national accounts measure of total new business investment minus this estimate of mining investment.

Sources: ABS; National Australia Bank [Monthly Business Survey](#).

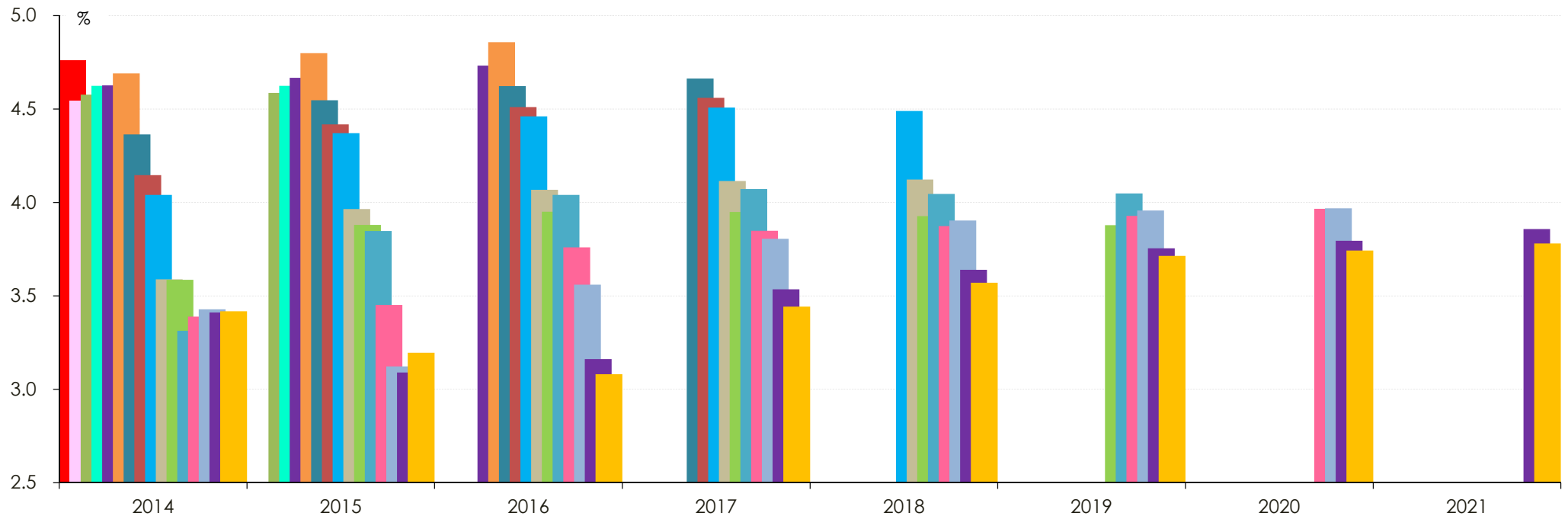
So, to the future ...

In the absence of any major shocks, the most likely economic scenario for Australia is continued moderate growth

- ❑ The probability of experiencing a recession is not a function of how long it has been since the last one
- ❑ Record-low interest rates and an exchange rate now back to around its long-term average are assisting the emergence of new sources of growth after the end of the mining boom
 - further increases in US interest rates should prompt a further fall in the A\$ and obviate the need for further rate cuts
- ❑ In the absence of major domestic or external shocks, Australia could reasonably anticipate economic growth of 2½-3¼% pa over the next 3-5 years, a gradual decline in unemployment, continued low (but not lower) inflation, and (probably) some tentative steps towards returning to ‘more normal’ interest rates from late 2017 or early 2018
- ❑ However, ‘in the absence of major shocks’ is probably an increasingly risky assumption on which to be basing a medium-term forecast ...
 - arguably, there are now more domestic and external risks on the horizon than there have been since the financial crisis
- ❑ ... and Australia is less-well placed to respond to any ‘major shocks’ that may emerge over the next few years
 - since interest rates are already at record lows, public debt is likely to reach a record high in the next two years, and the currency is already back down to its long-term average
- ❑ In addition, Australia needs to deal with some looming longer-term challenges
- ❑ Economic policy should therefore be focused on building resilience to shocks and promoting longer-term growth

Forecasts of growth in the world economy continue to be revised lower

Successive IMF World Economic Outlook forecasts for world economic growth



World Economic Outlook forecasts published in -

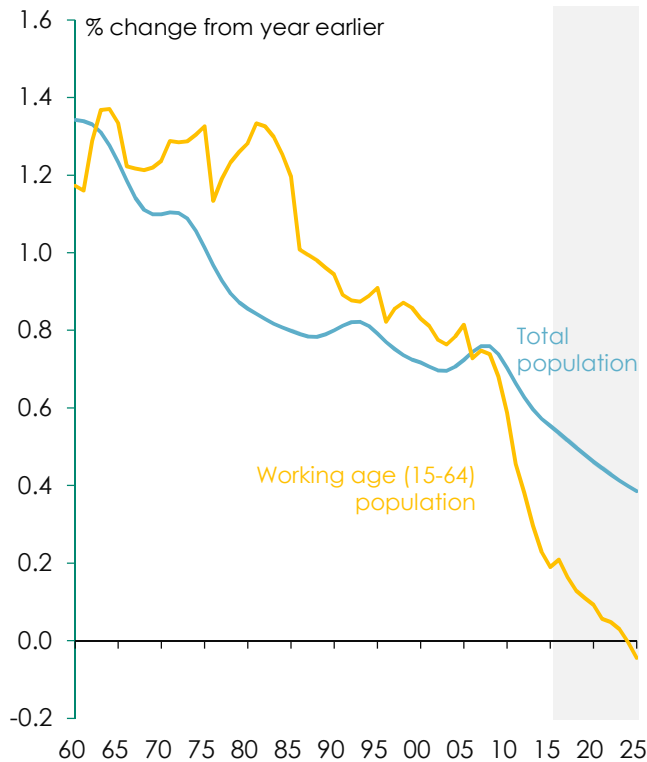
Apr-09 Oct-09 Apr-10 Oct-10 Apr-11 Sep-11 Apr-12 Oct-12 Apr-13 Oct-13 Apr-14 Oct-14 Apr-15 Oct-15 Apr-16 Oct-16

Source: International Monetary Fund, [World Economic Outlook](#), published in April and October each year.

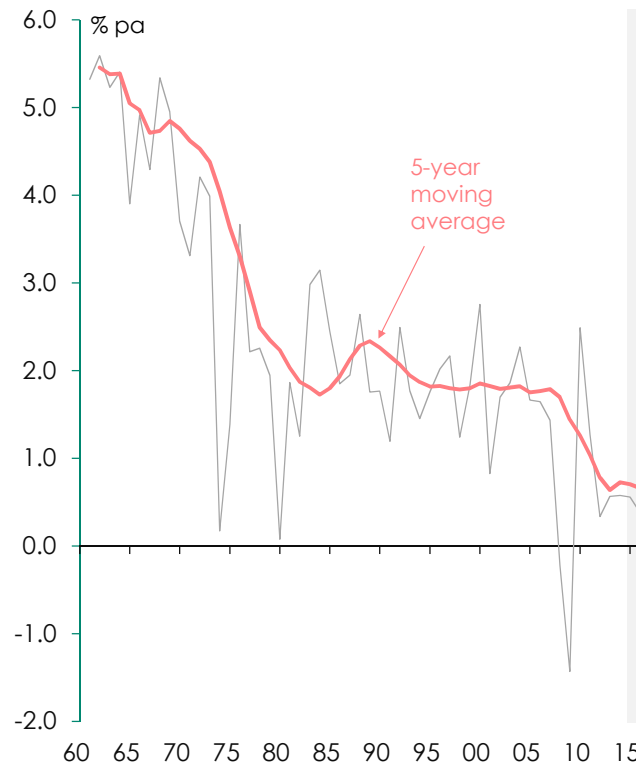
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Potential growth is slowing – particularly among the ‘advanced’ economies’ – reflecting both ageing and slower productivity growth

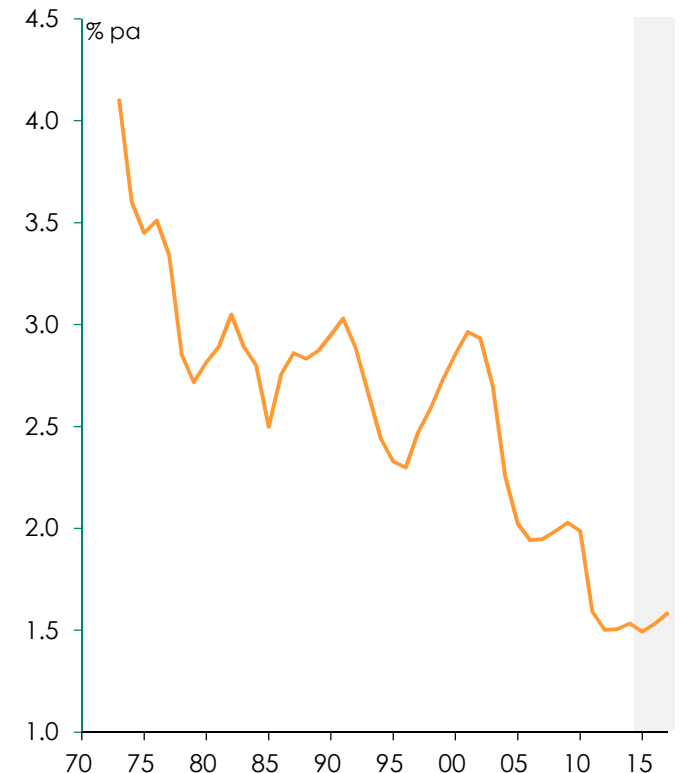
OECD area population growth



OECD area labour productivity growth



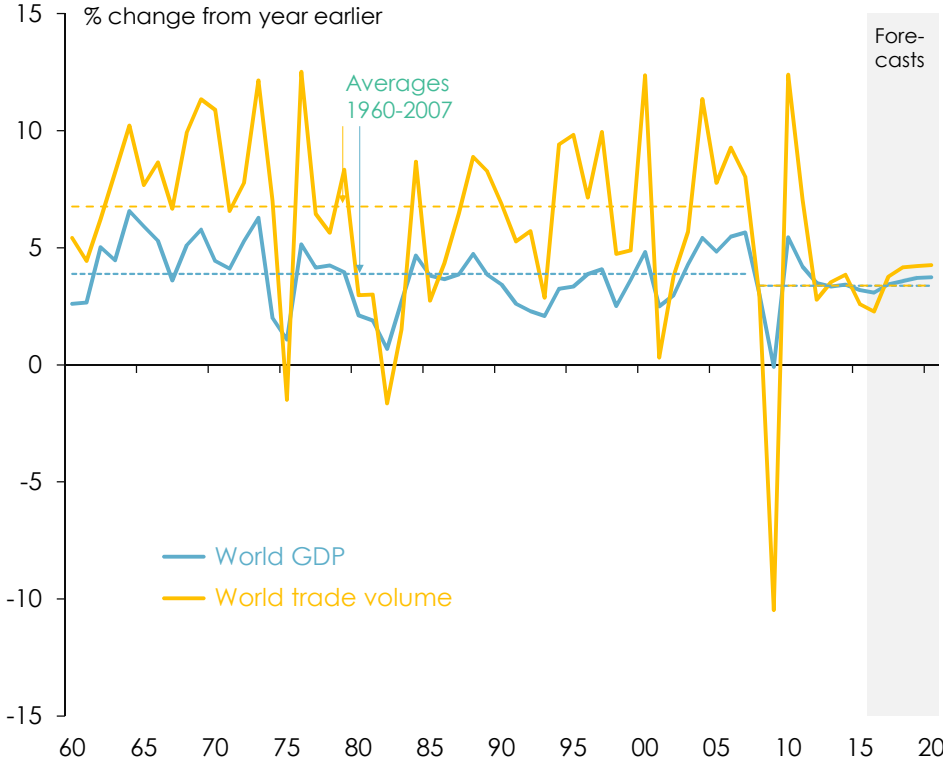
OECD area potential GDP growth



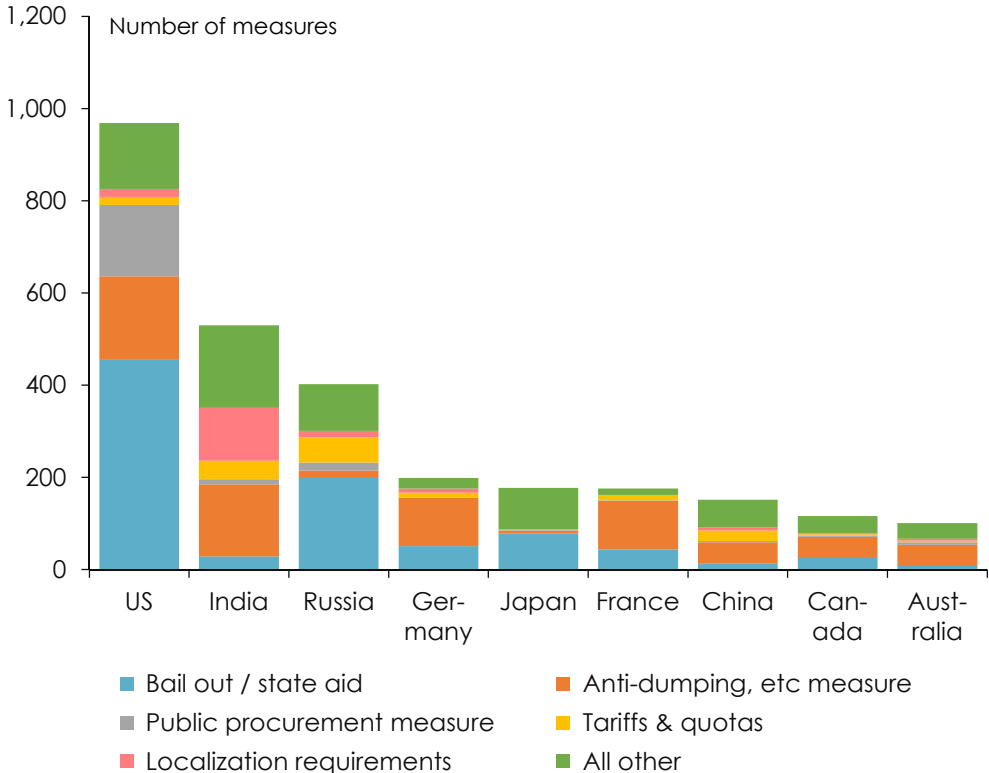
Sources: United Nations Economic & Social Affairs Division, Population Branch, [World Population Prospects - the 2015 Revision](#); OECD, [Economic Outlook Statistical Annex](#). 'Potential growth' means growth in the level of real GDP assuming full employment of the available labour force.

The slowdown in world trade since the financial crisis has probably contributed to the slowdown in productivity growth

World GDP and trade volume growth

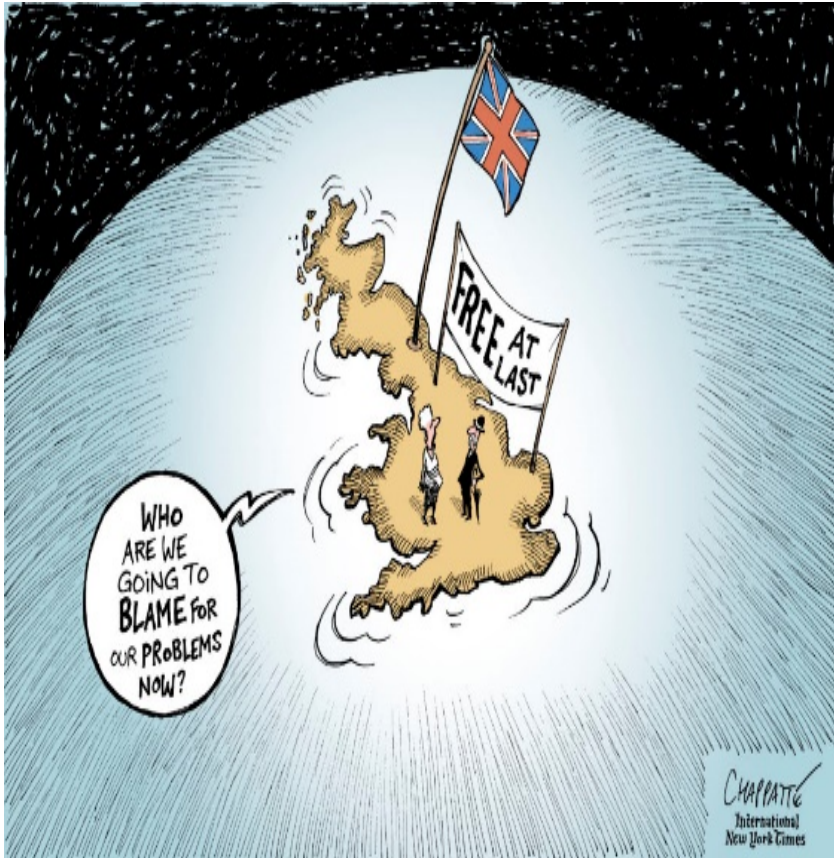


Anti-trade measures introduced since 2008



Sources: IMF, [World Economic Outlook, October 2016](#), Chapter 2; [Global Trade Alert](#).

Yet, around the world, voters seem to be turning against the free movement of goods and services, capital and people ... in the UK ...



- ❑ The 'Brexit' vote was a victory of
 - the old over the young
 - the angry over the ambivalent
 - the fearful over the hopeful
 - the insular over the cosmopolitan .. and
 - people living in small towns and rural areas over people living in big cities
- ❑ It was to some extent a triumph of
 - those who see themselves as 'victims' of globalization, of rapid technological and social change, and of changes in the ethnic or racial composition of society ...
 - over those whom the same people see as the 'perpetrators' of those changes (the 'elites' and 'experts')
- ❑ And it was a vote for greater control by national governments over the movement of goods, services, capital and (especially) people across national borders
 - and against individuals' ability freely to choose where they live, and from where they buy goods and services

... and across Europe ...



Even if the US now looks less likely to switch
from 'Yes we can'...

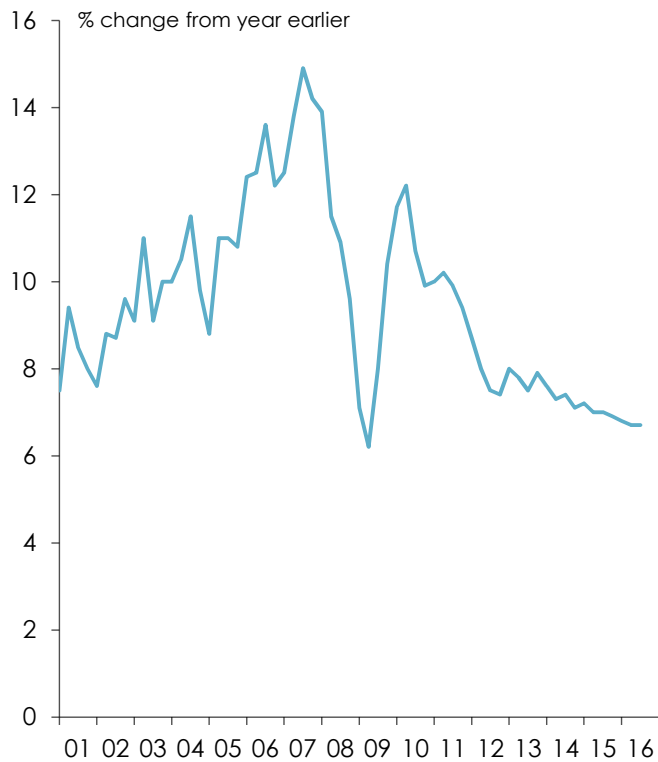
... to 'I alone can'



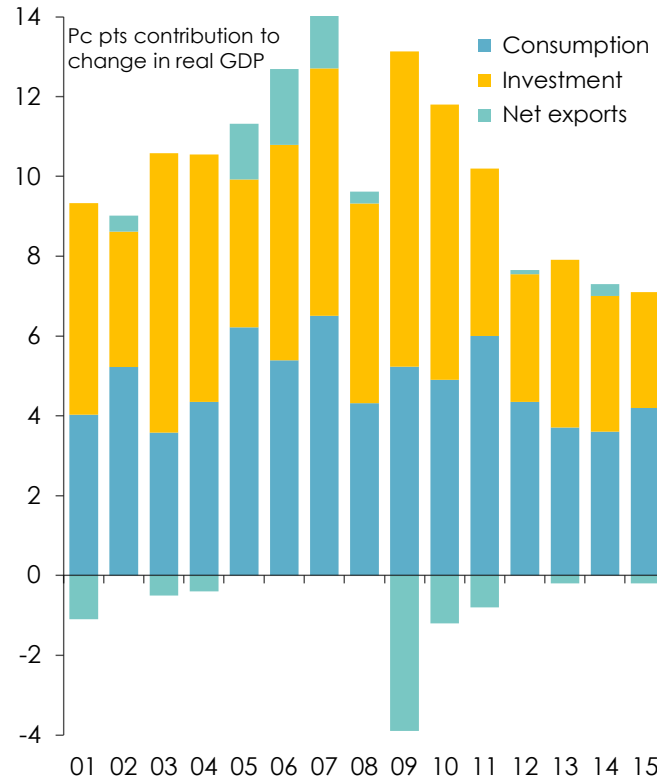
the political mood in the US has turned sour towards freer trade

China's sustainable economic growth rate is slowing – and the 'mix' of Chinese growth is changing

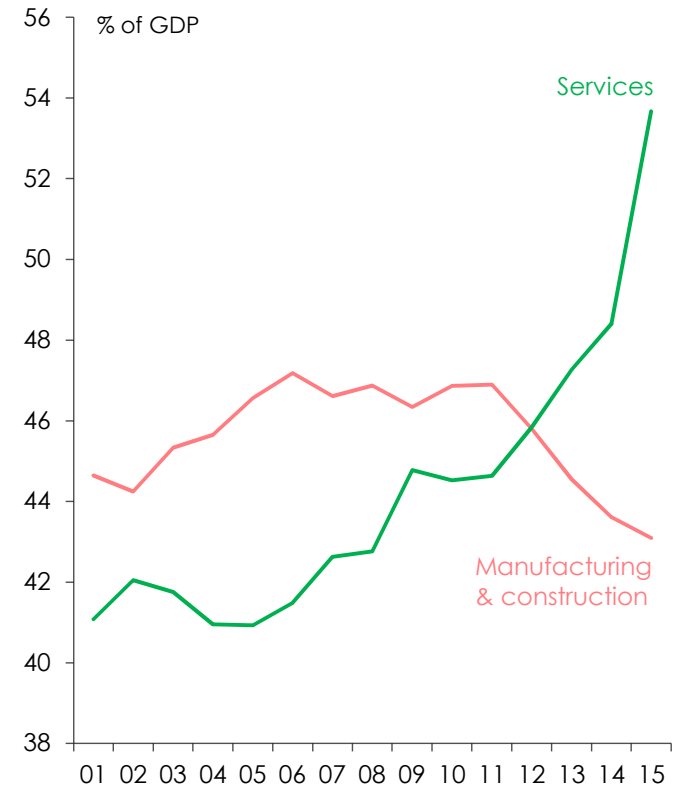
China real GDP



Contributions to annual growth in GDP



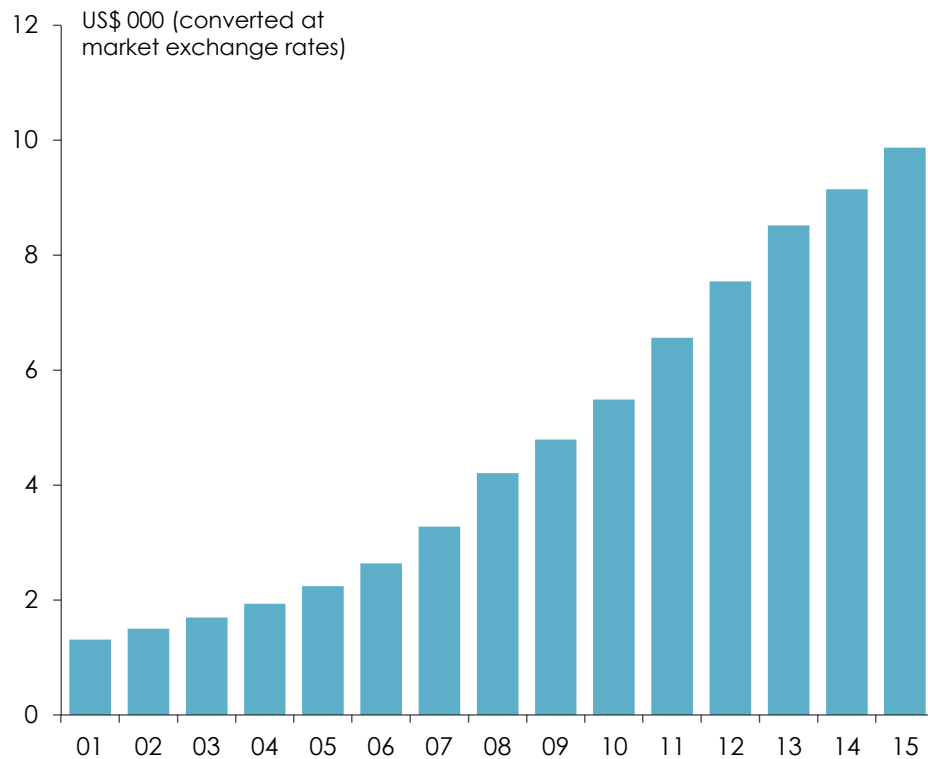
Major sector shares of GDP



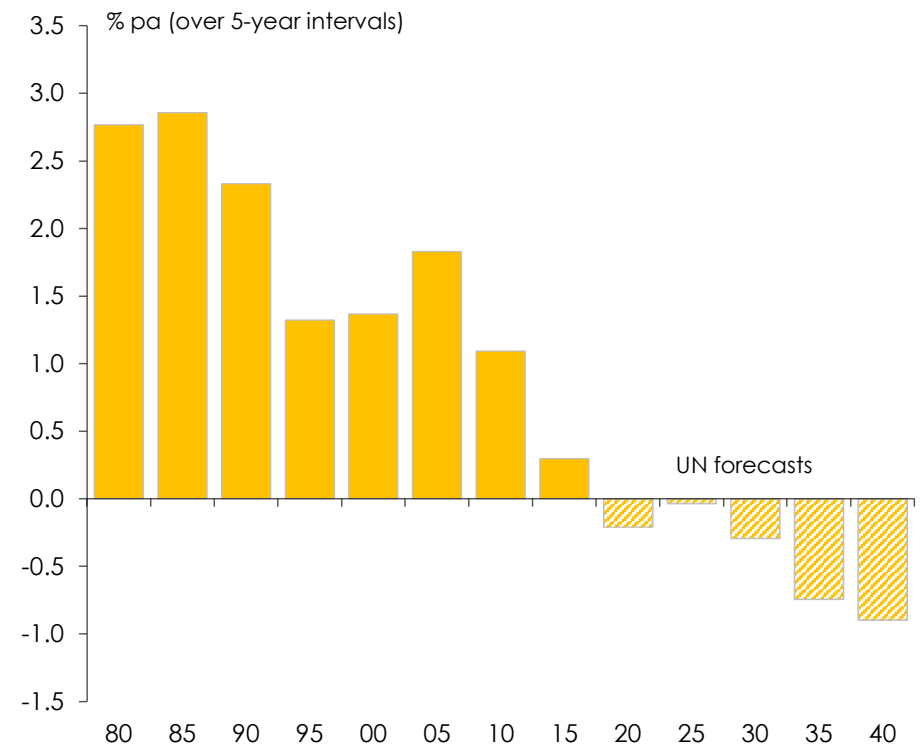
Source: China National Bureau of Statistics (NBS).

Chinese workers aren't so cheap any more: and there will be fewer of them from now on

Average wages of Chinese urban workers



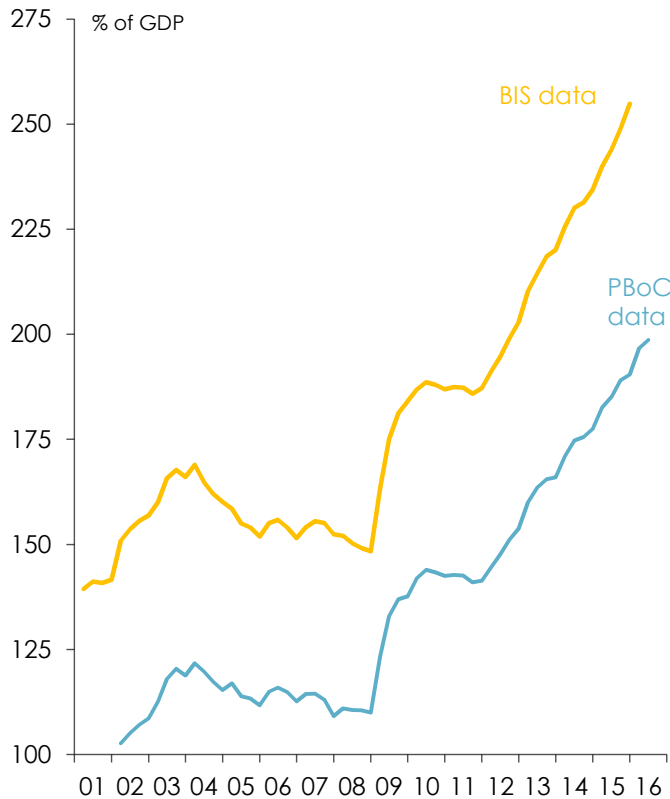
Growth rate of China's working-age population



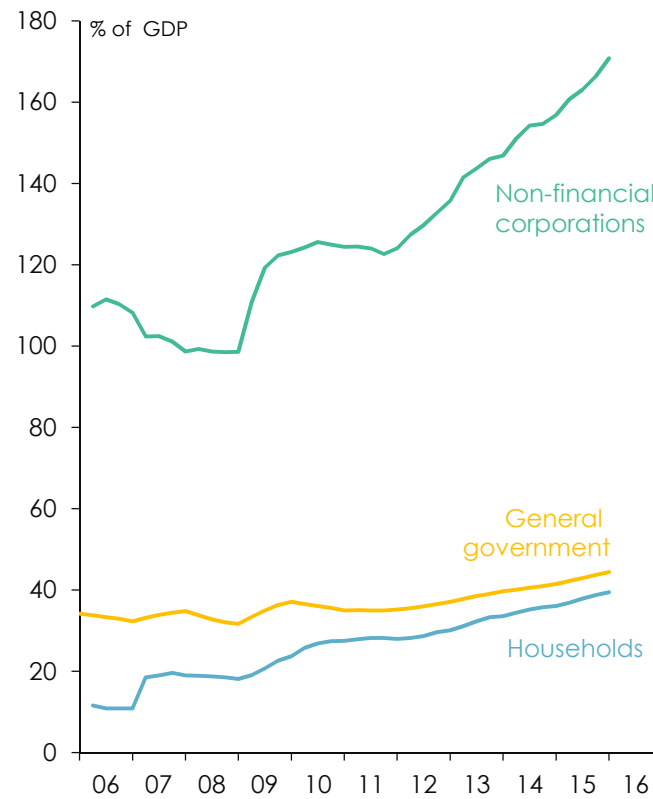
Sources: China National Bureau of Statistics; United Nations Economic & Social Affairs Division, *Population Prospects*.

China now carries a lot of debt – most of which is owed by the corporate sector (especially SOEs) rather than households or government

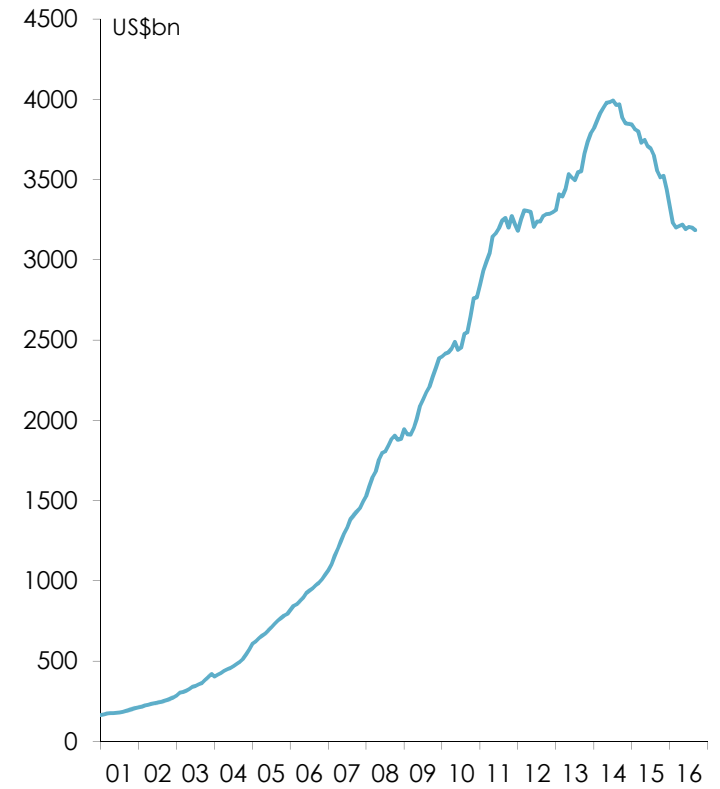
China debt outstanding as a proportion of GDP



Chinese debt outstanding by major sector



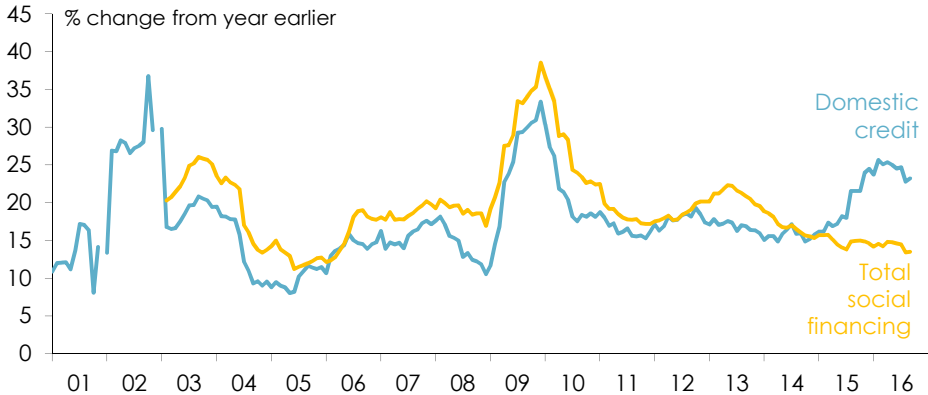
PBoC foreign exchange reserves



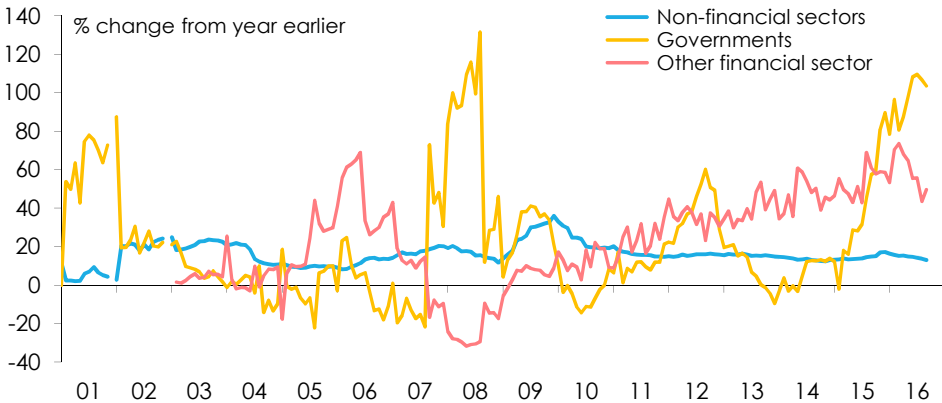
Sources: People's Bank of China (PBoC); Bank for International Settlements (BIS).

The most recent round of Chinese monetary stimulus has been financed in a way which has increased the risks in the financial system

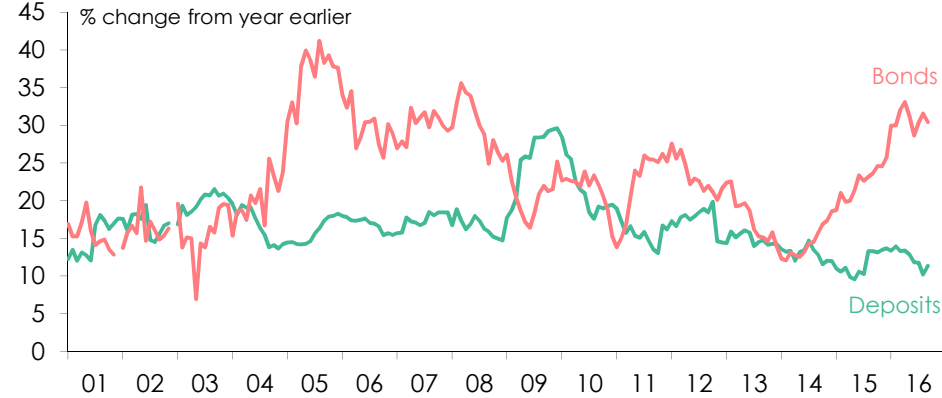
Credit growth - total



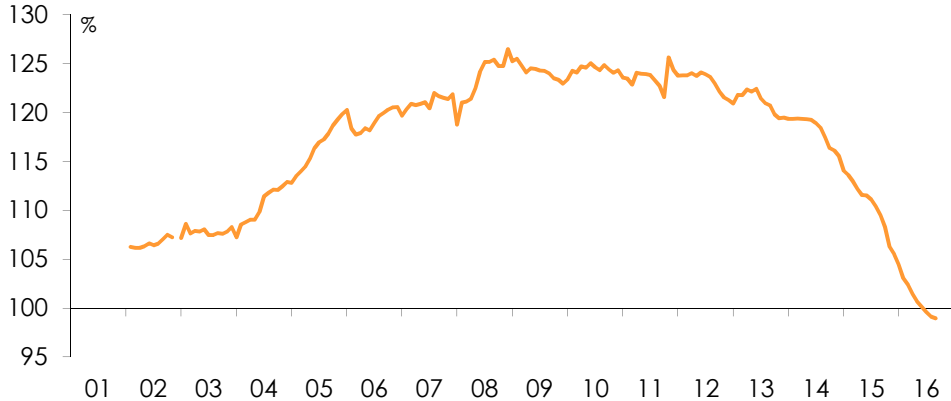
Credit growth - by sector



Banking system liabilities



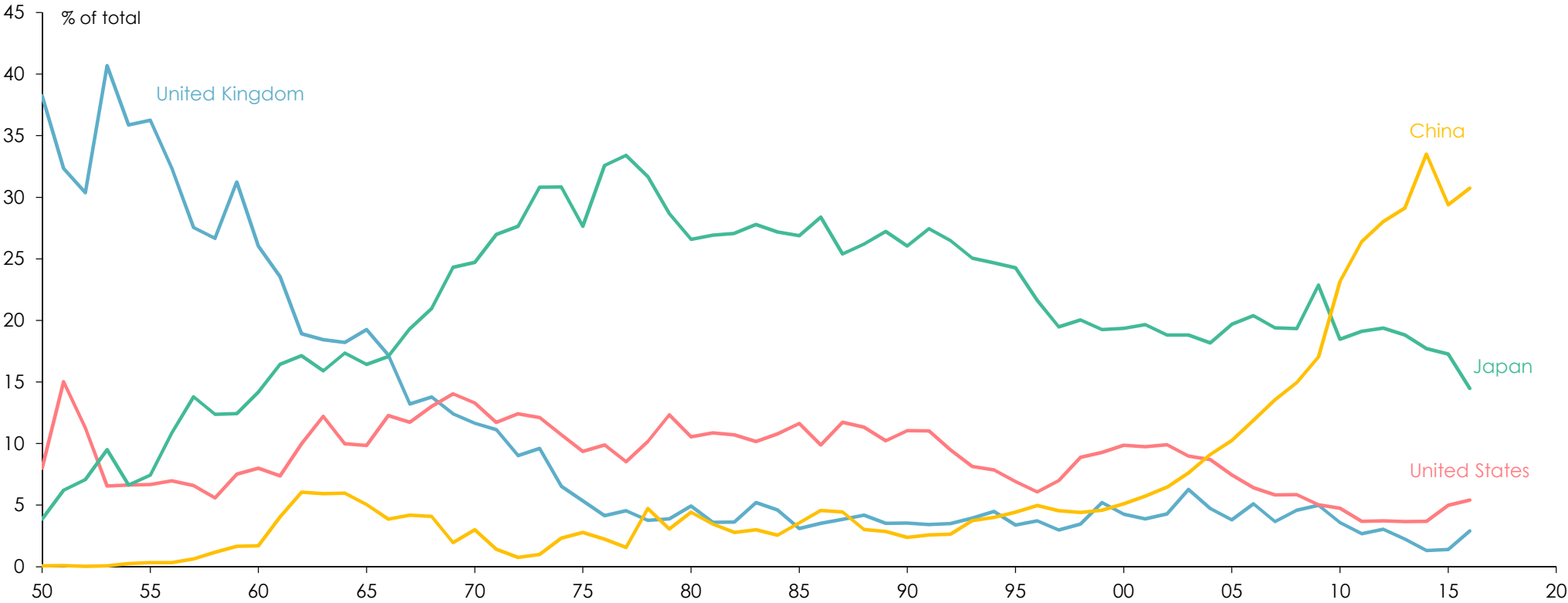
Banking system deposits-to-loans ratio



Sources: People's Bank of China; Thomson Reuters Datastream.

Australia is now more dependent on China as an export market than we have been on any single country since the UK in the 1950s

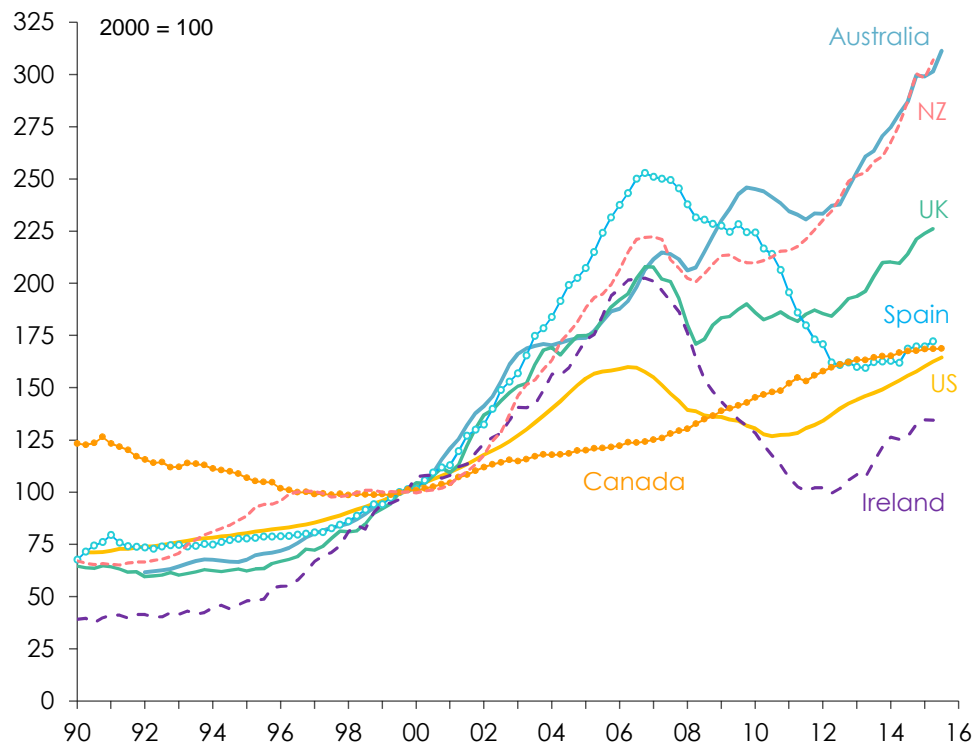
Australian merchandise exports, by destination



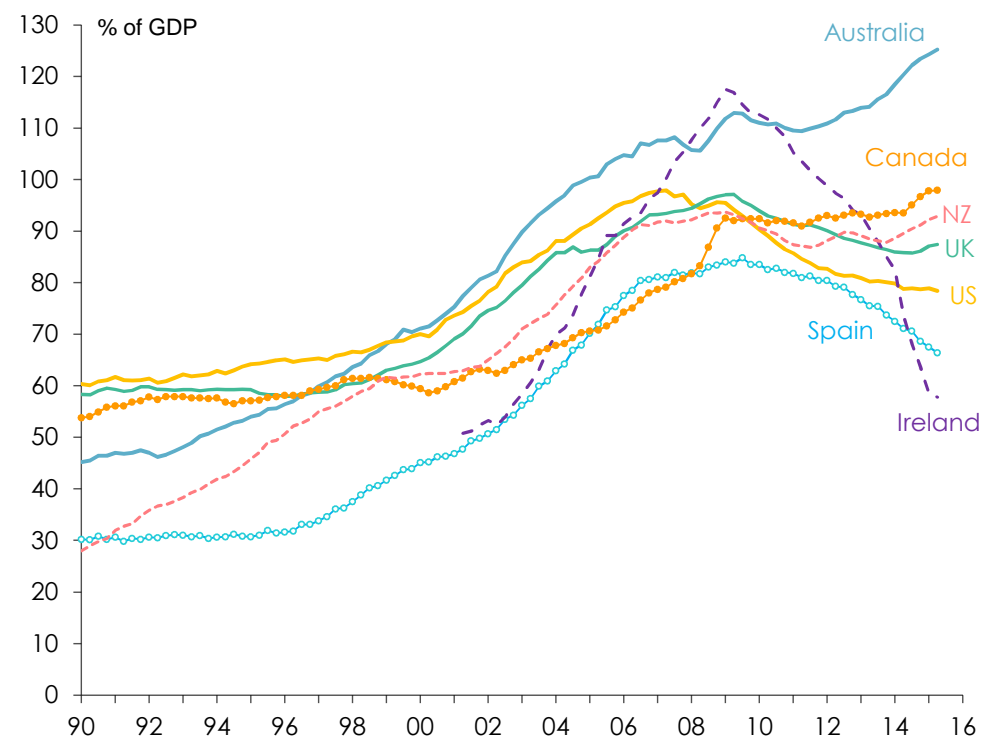
Sources: Department of Foreign Affairs & Trade, [Trade time series data](#); ABS.

Australia now has relatively high residential property prices (by international standards) and very high levels of household debt

House prices – Australia vs other 'advanced' economies



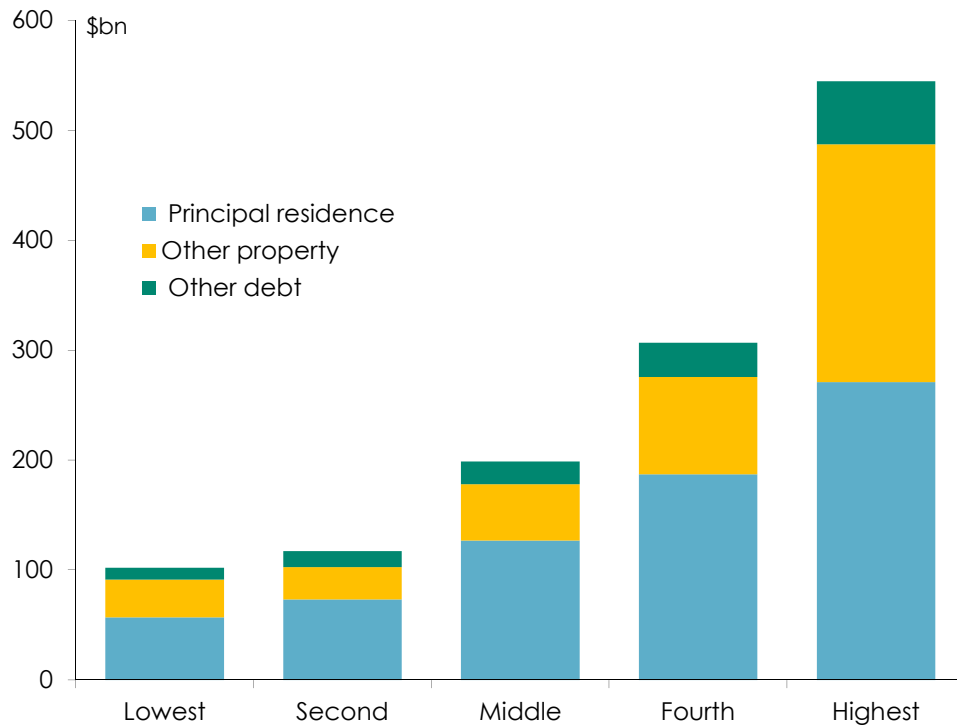
Household debt – Australia vs other 'advanced' economies



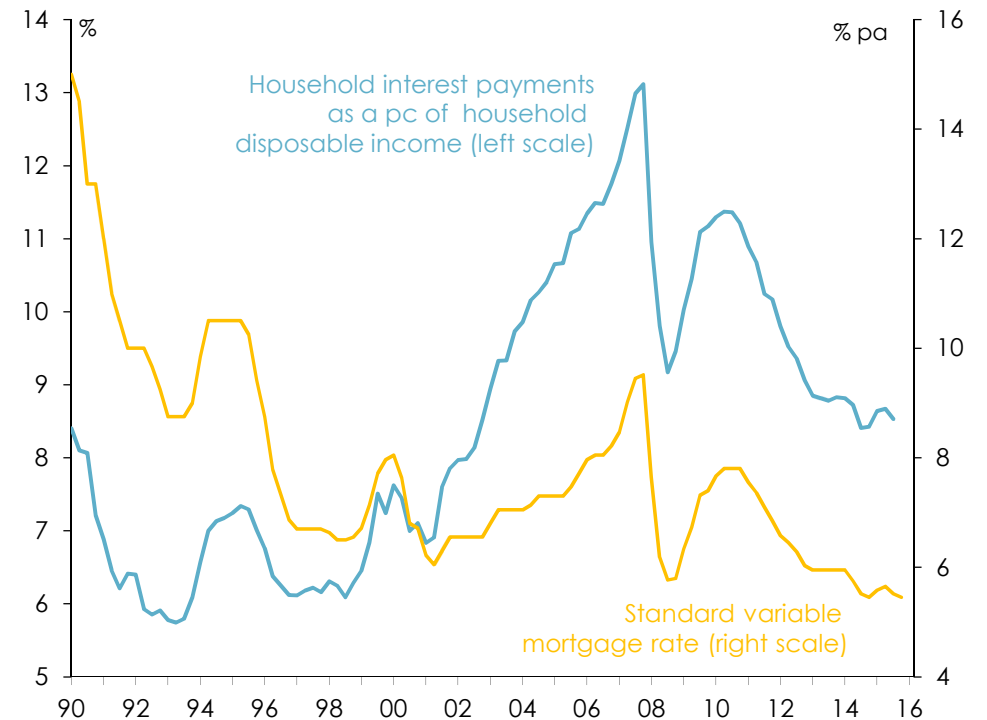
Sources: [RP Data - Core Logic](#); S&P, [CoreLogic Case-Shiller Home Price Indices](#); Bank for International Settlements (BIS), [residential property price series](#) and [credit to the non-financial sector](#) database.

Over two-thirds of Australian household debt is owed by the top 40% of households – and at current interest rates debt-service burdens are low

Household debt, by income quintile, 2013-14



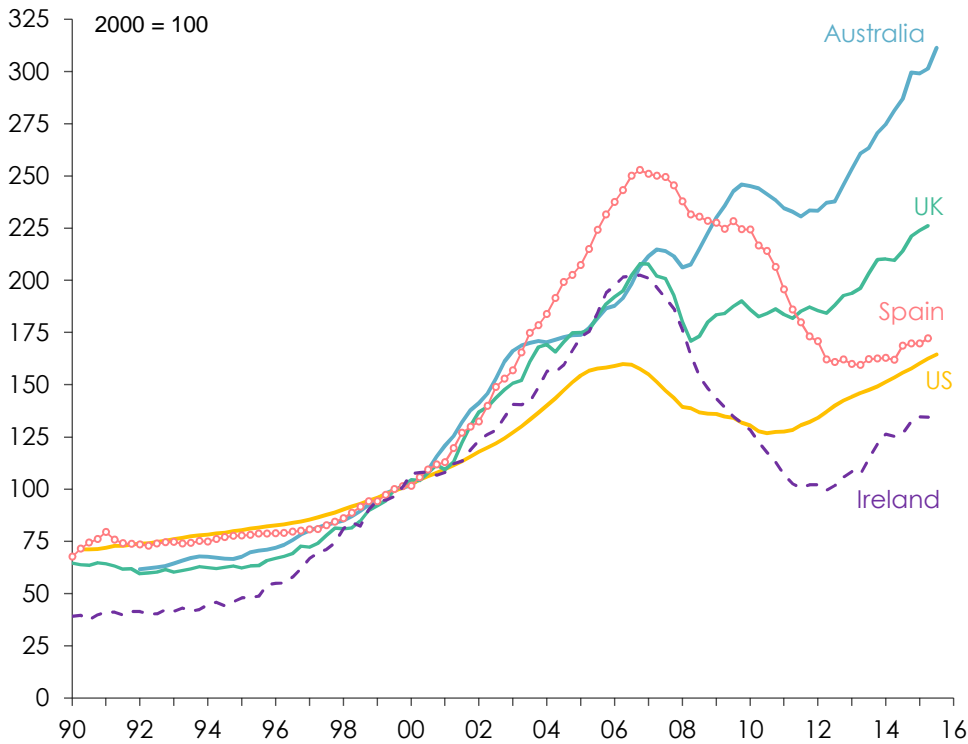
Household debt service ratio and interest rates



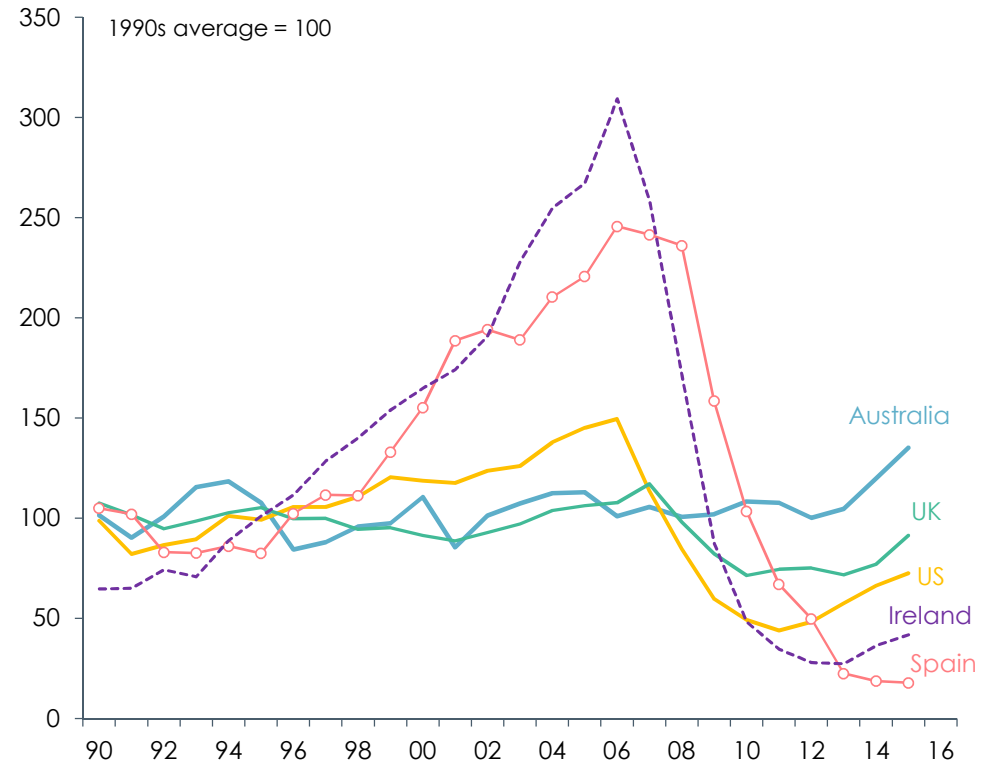
Sources: ABS; RBA.

Countries which have experienced 'housing busts' have done so after periods in which growth in housing supply outstripped housing demand

House prices – Australia vs other 'advanced' economies



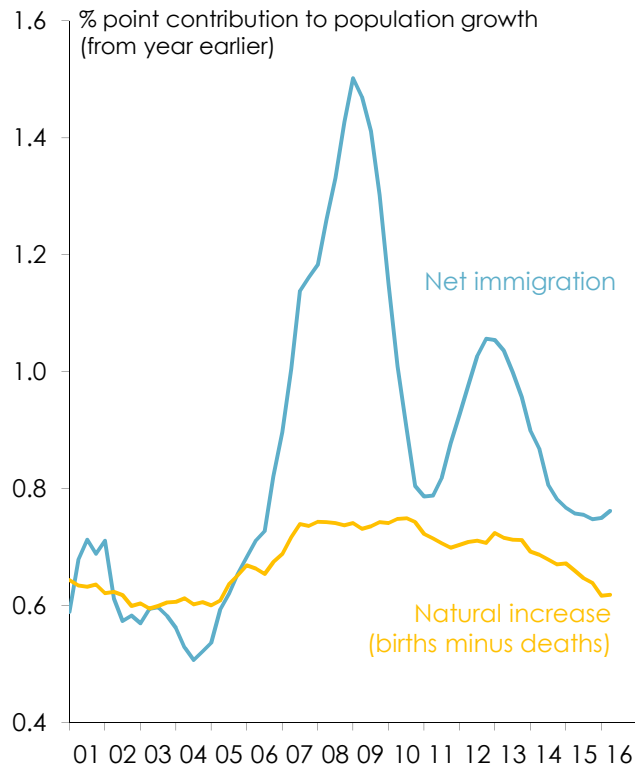
Housing completions – Australia and other selected 'advanced' economies



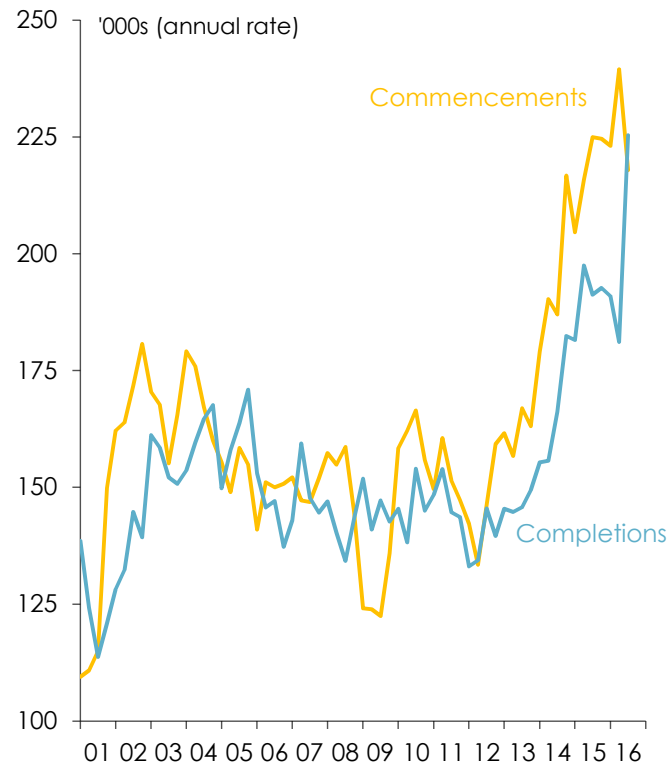
Sources: [RP Data - Core Logic](#); S&P, [CoreLogic Case-Shiller Home Price Indices](#); Bank for International Settlements (BIS), [residential property price series](#) and [credit to the non-financial sector](#) database.

Australian population growth appears to be slowing – while the supply of housing has begun to increase strongly

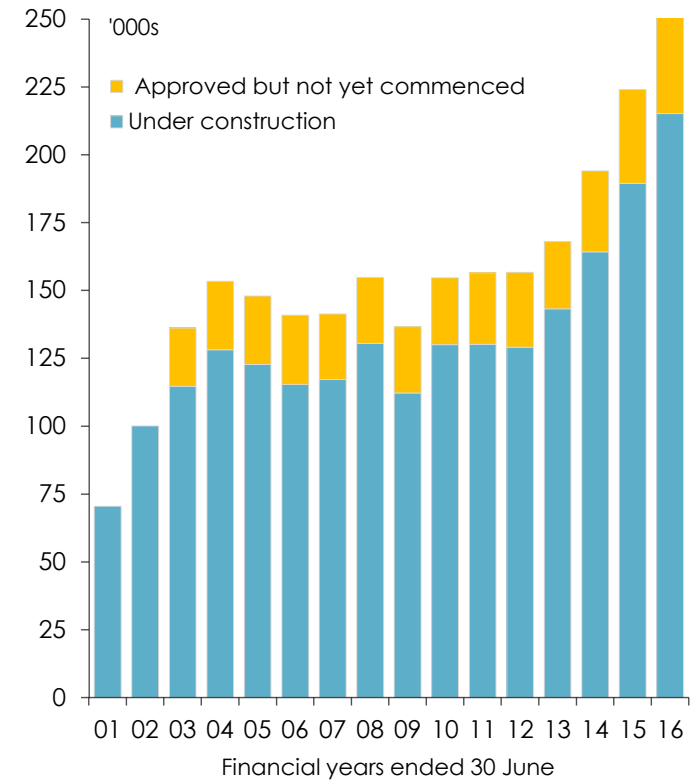
Components of population growth



Residential building completions



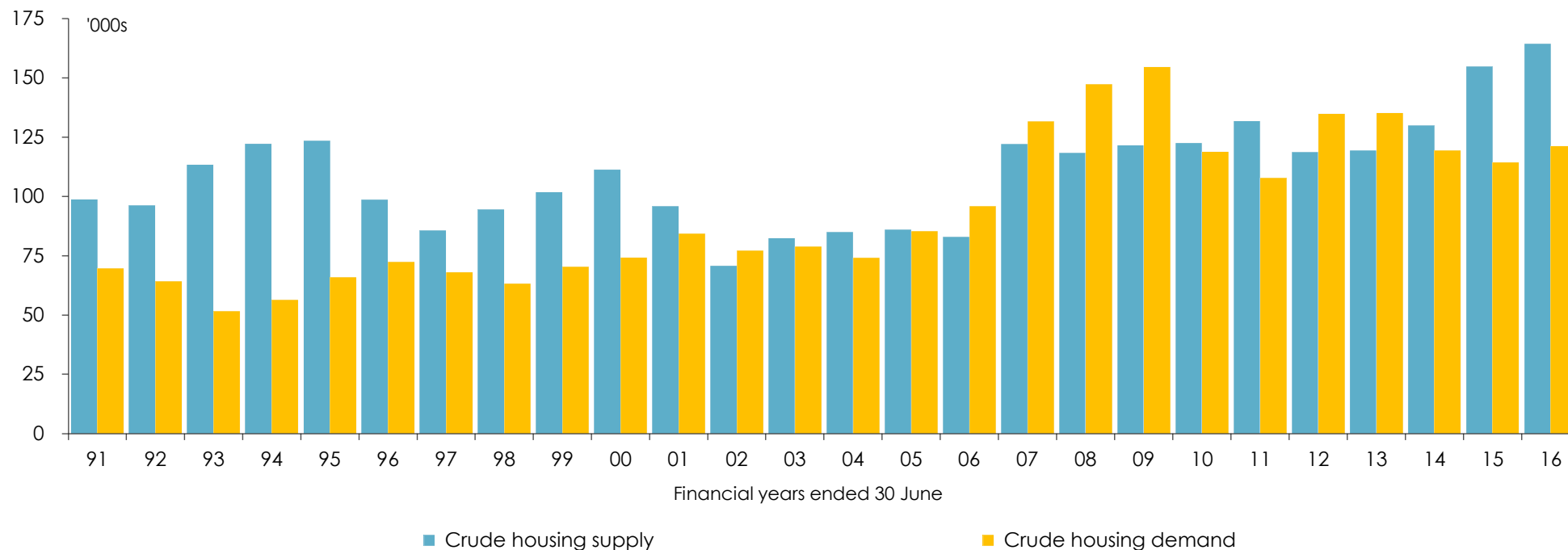
Residential building 'pipeline'



Source: ABS.

The balance between supply and 'underlying' demand in the Australian housing market may change significantly over the next few years

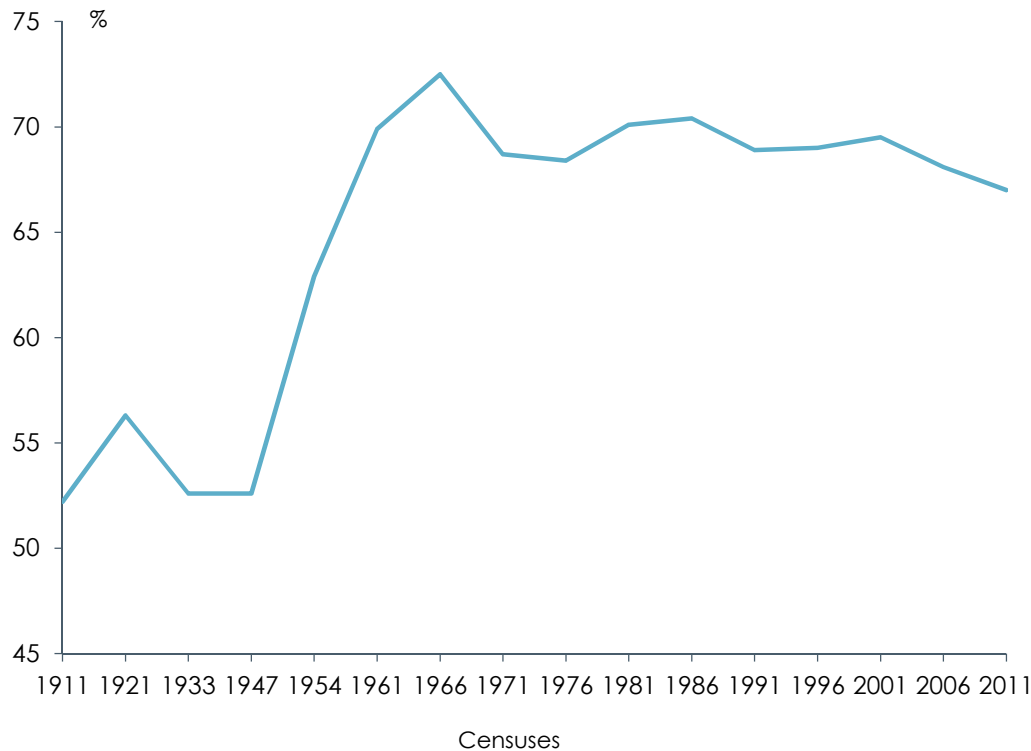
Crude measures of Australian housing supply and demand



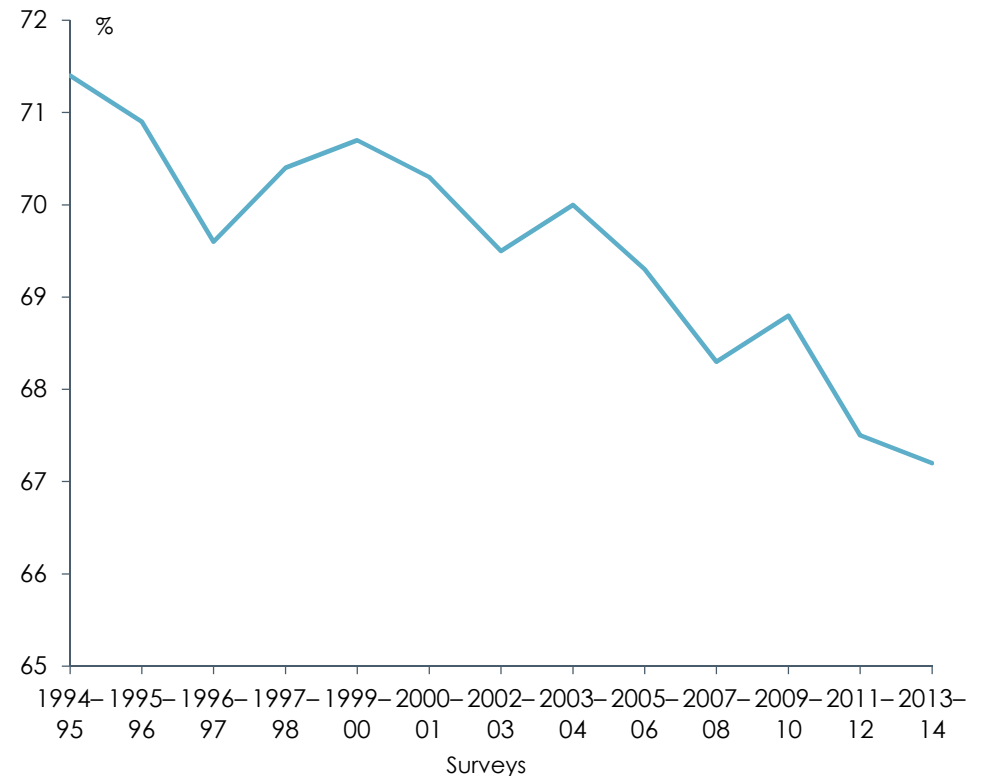
'Crude housing supply' is residential building completions, discounted by the difference between completions and the increase in occupied private dwellings between the two preceding censuses. 'Crude housing demand' is the increase in the population, divided by the average number of persons per occupied private dwelling at the preceding census. Note that other factors apart from housing supply and demand (including for example, the availability and cost of mortgage finance, and changes in government policies) will also affect **actual** housing demand and supply.

Australia's home ownership rate is now lower than at any time since the 1950s

Home ownership rates at Censuses



Home ownership rates at ABS income distribution surveys

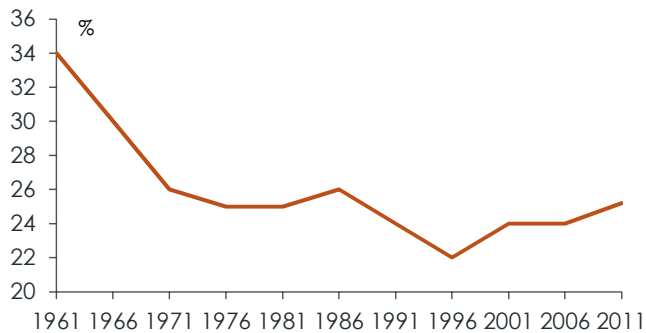


Sources: ABS Census Data QuickStats; ABS, *Household Income and Wealth (6523.0)*; Advisory Council for Intergovernment Relations, *Australian Housing Policy and Intergovernmental Relations*, Discussion Paper No. 14 (1982), Appendix B.

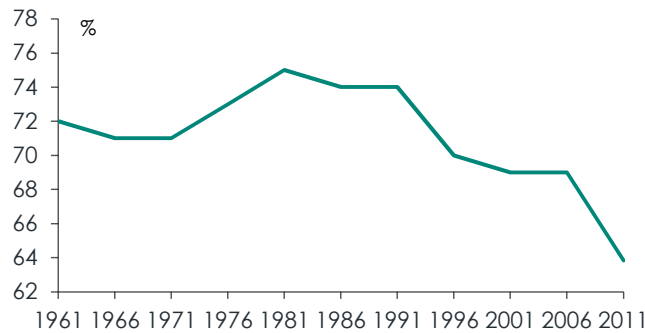
Home ownership rates among households headed by people aged 25-55 have dropped by an average of 9 pc points since 1991

Home ownership rates at Censuses, by age of 'household head'

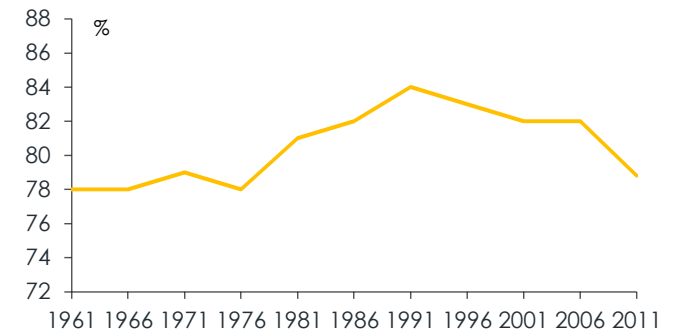
15-24 year olds



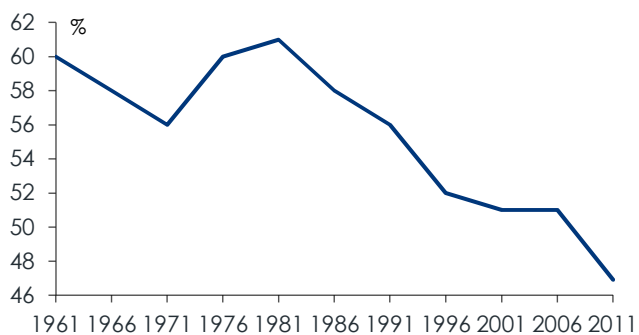
35-44 year olds



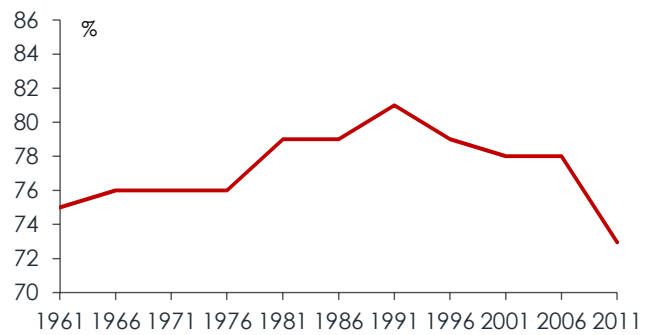
55-64 year olds



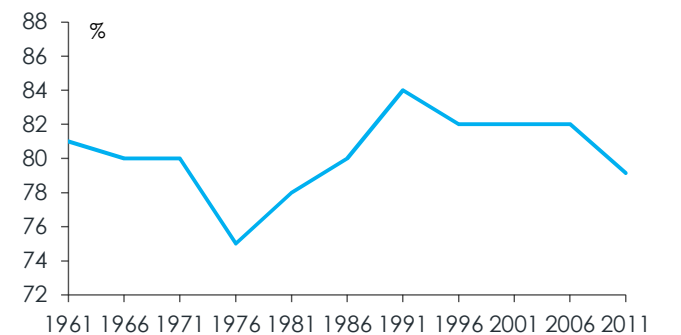
25-34 year olds



45-54 year olds



65 year olds and over

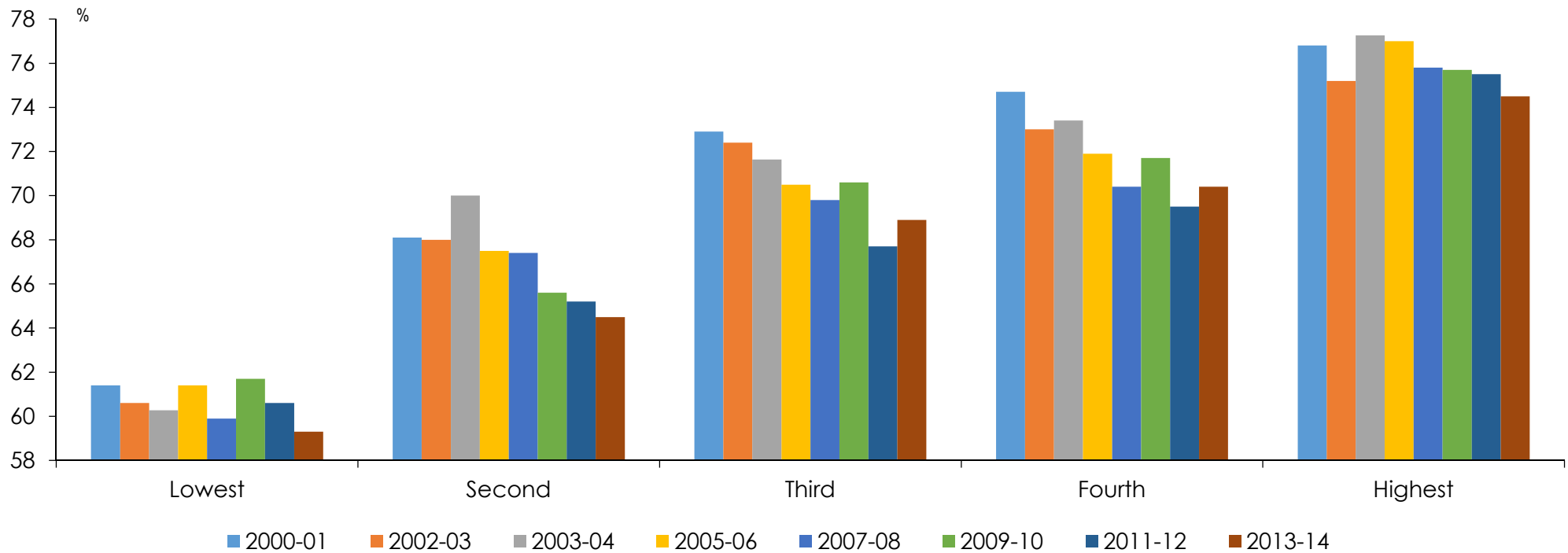


Source: Professor Judith Yates, Submission to the House of Representatives Standing Committee on Economics Inquiry into Home Ownership, June 2015.

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Home ownership rates have dropped by 3½-4¼ pc points among the middle-income households since the turn of the century

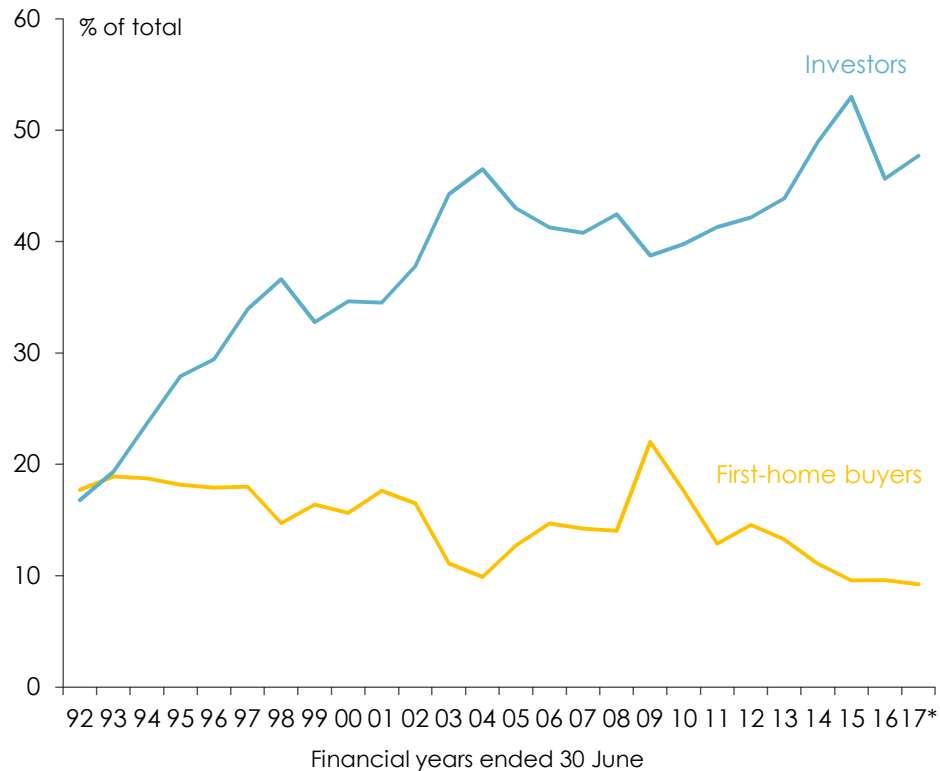
Home ownership rates by income quintile, 2000-01 to 2013-14



Sources: ABS, *Household Income and Wealth, Australia, 2013-14*; *Household Income and Income Distribution, Australia, 2011-12* and previous issues (cat. no. 6523.0).

It is obvious that investors have 'squeezed' first home buyers out of the housing market

Shares of total lending for housing to first home buyers vs investors



Taxpayers reporting net rental income losses



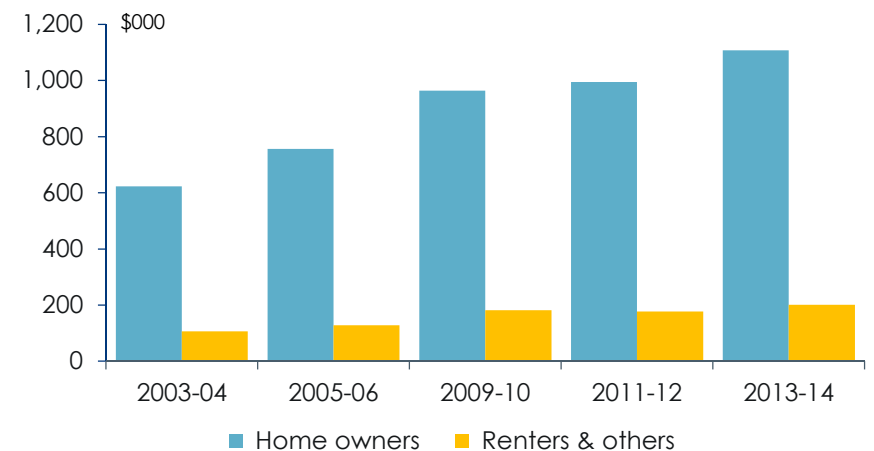
* 2016-17 figures are for first two months at an annual rate.

Sources: ABS; Australian Taxation Office, [Taxation Statistics 2013-14](#).

Does it matter if home ownership rates continue to decline?

- Home ownership has traditionally been regarded as providing a more secure environment for raising families and for promoting a sense of ‘community’ and ‘belonging’
 - other countries (eg Germany & France) have been able to achieve those goals with lower home ownership rates than Australia – but also with other differences including higher taxation and greater regulation
- Equity in homes usually provides the financial base for formation of small businesses
- Home ownership has been the major source of wealth accumulation for middle-income households
 - declining rates of home ownership will probably mean greater disparities in the distribution of wealth
- Australia’s retirement income system implicitly assumes that most retirees will have near-zero housing costs
- Fewer home-owners means greater demand for rental housing from people with (generally) greater economic resources than ‘traditional’ renters
 - which all else being equal means more competition for the available rental housing stock and more upward pressure on rents

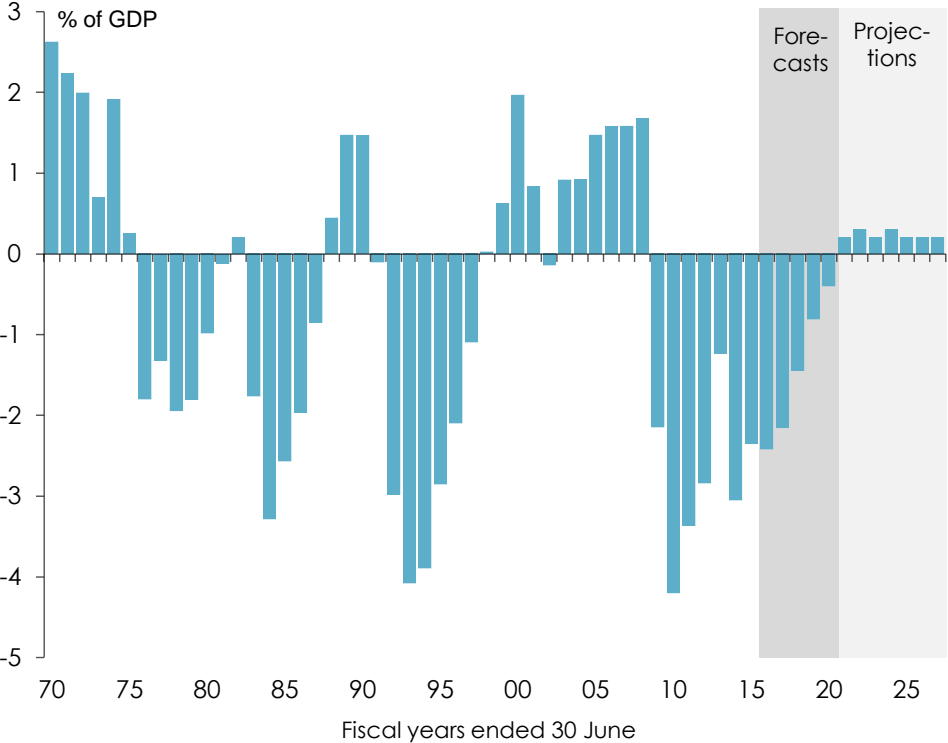
Average household net worth, by housing tenure



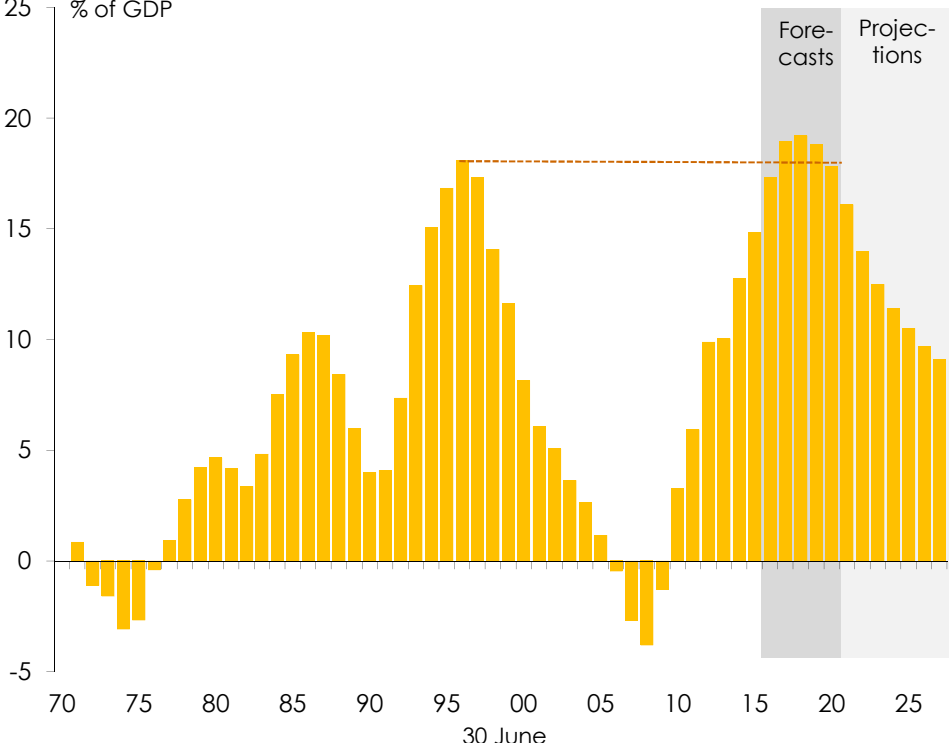
Sources: ABS, Household Income and Wealth (catalogue no. 6253.0), 2013-14; Household Wealth and Wealth Distribution (6554.0), 2011-12 and previous issues.

It's in the context of Australia's capacity to respond to future shocks that the 'budget repair' task remains important

Australian Government 'underlying' budget balance



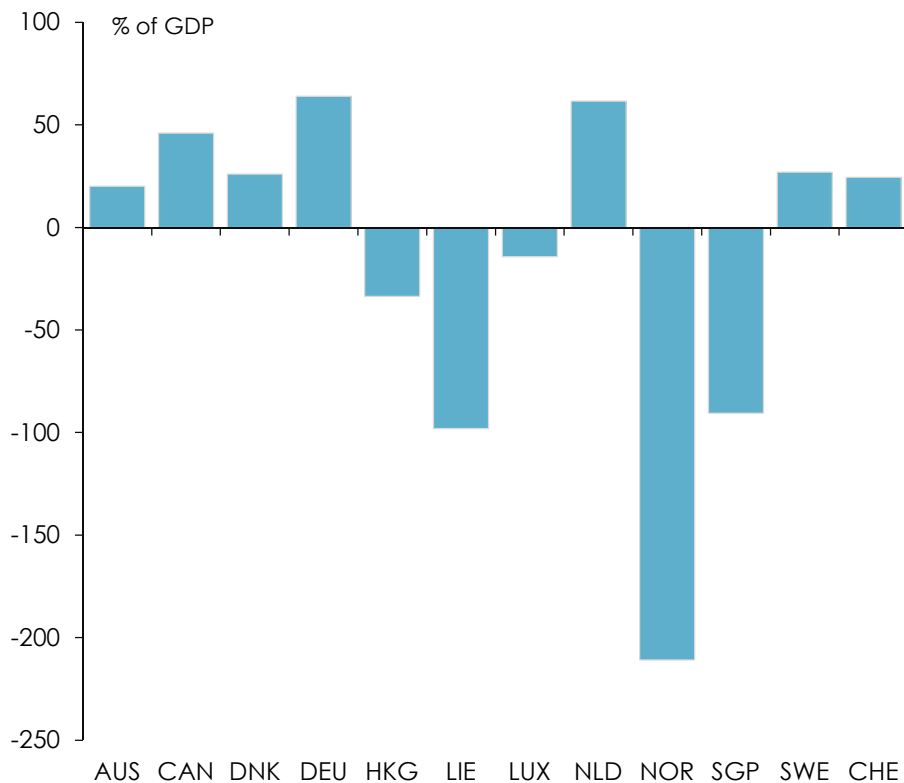
Australian Government net debt



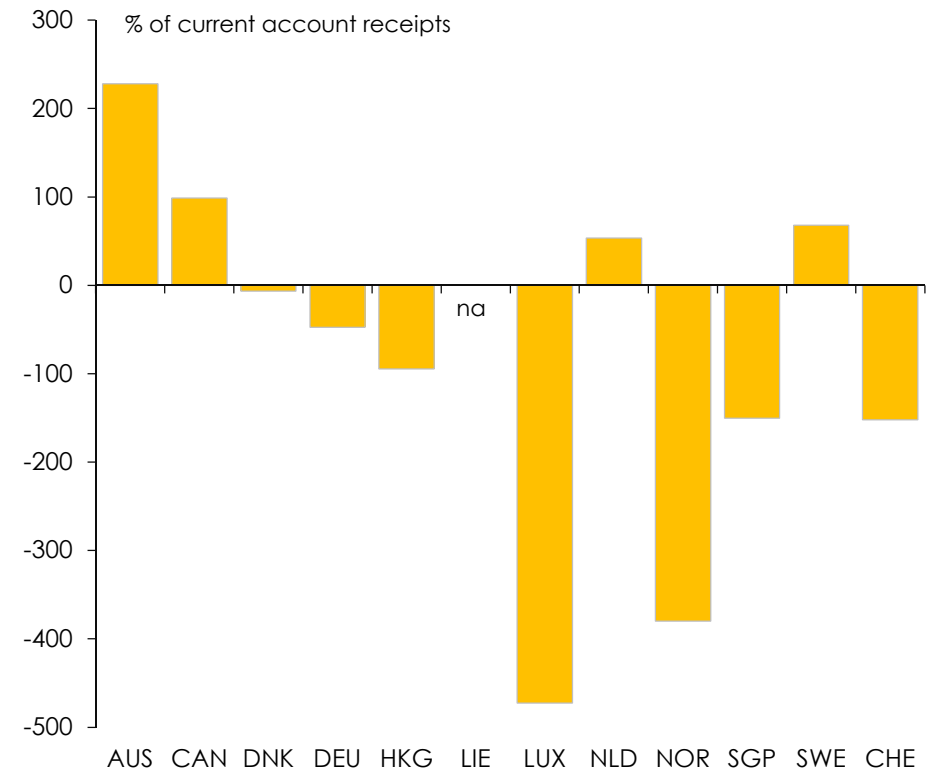
Source: Australian Government, [2016-17 Budget Paper No. 1](#), Statement No. 10.

Australia's public sector debt is still quite low - but Australia has a lot of foreign debt by comparison with other AAA-rated countries

'General government' net debt – AAA-rated countries, 2016



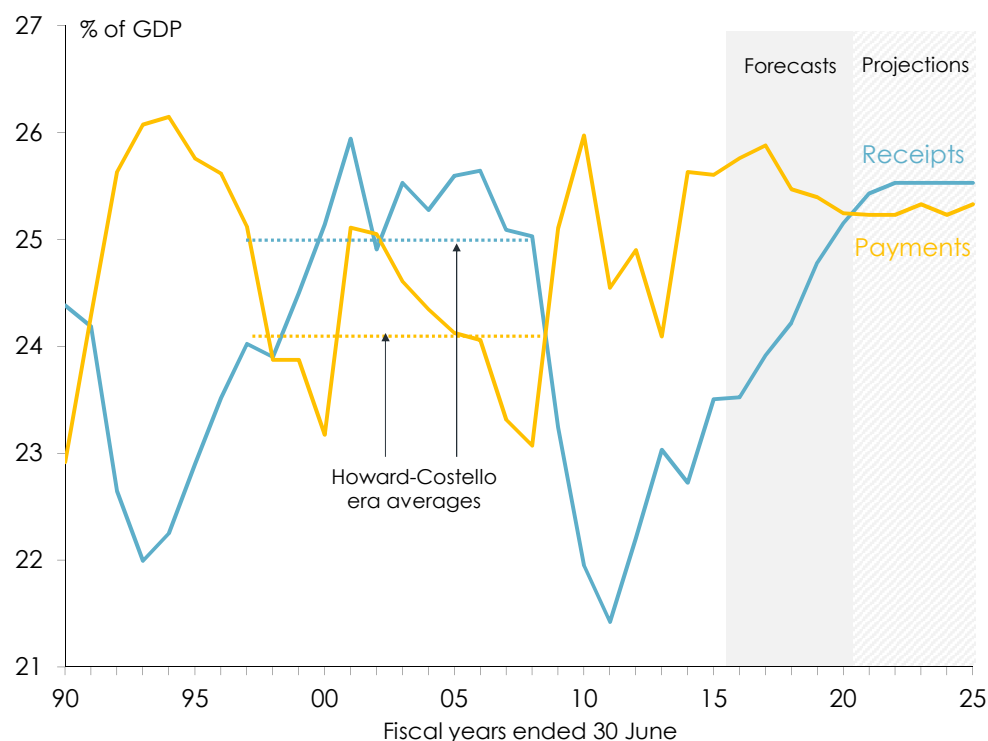
Net foreign debt – AAA-rated countries, 2016



Note: DEU = Germany; LIE = Liechtenstein; LUX = Luxembourg; NLD = Netherlands; CHE = Switzerland.
Source: S&P Global Ratings, [Sovereign Risk Indicators - 2016 Estimates](#), July 2016.

Australia does have a revenue problem, as well as a spending problem – and most of the ‘budget fix’ will come from the revenue side

Federal government spending and revenue as pc of GDP

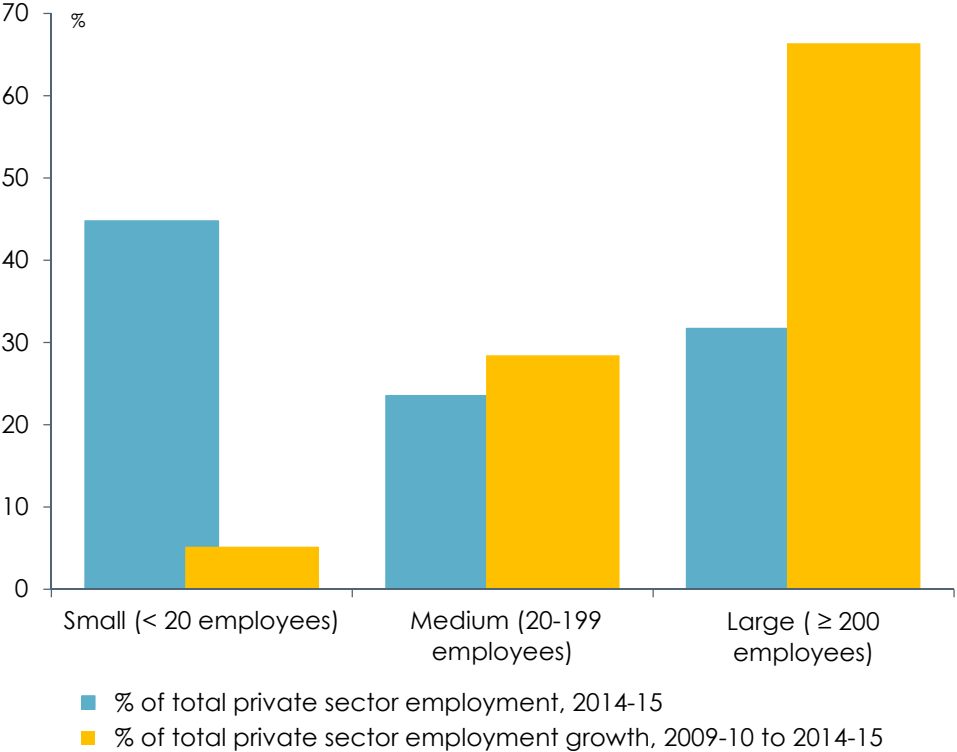


Source: Australian Government, 2016-17 Budget Paper No 1, *Budget Strategy and Outlook*.

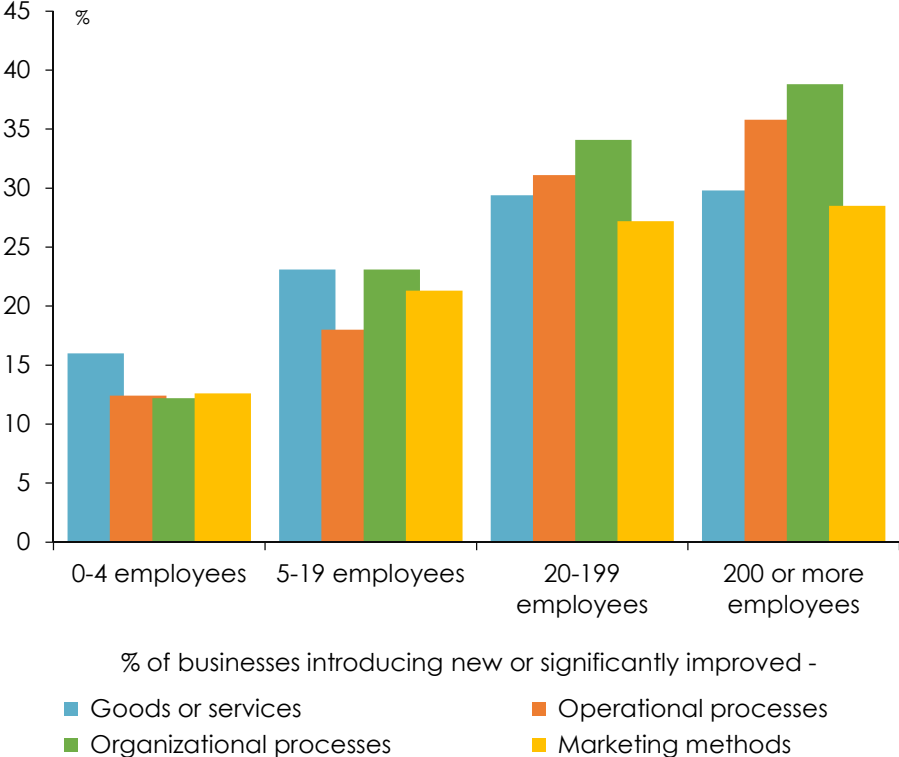
- ❑ Government spending in 2016-17 is forecast to be almost 1 pc pt of GDP above the average for the Howard-Costello years, while revenues will be more than 1 pc pt of GDP below the Howard-Costello average
- ❑ More than three-quarters of the projected improvement in the budget bottom line between 2016-17 and 2020-21 comes from increased revenues – and that in turn depends on optimistic assumptions about growth, and ‘bracket creep’
- ❑ Since the election, the Government has succeeded in legislating about three-quarters of the ‘zombie’ savings measures left over from the 2014-15 Budget, together with changes to superannuation with a ‘bottom line’ impact similar to that envisaged in the 2016-17 Budget
- ❑ The difficulty the Government is likely to experience getting its proposed company tax reductions through the Senate will also help the ‘bottom line’

There's absolutely no evidence to suggest that preferencing small business will provide a greater boost to jobs growth or innovation

Employment and employment growth by business size



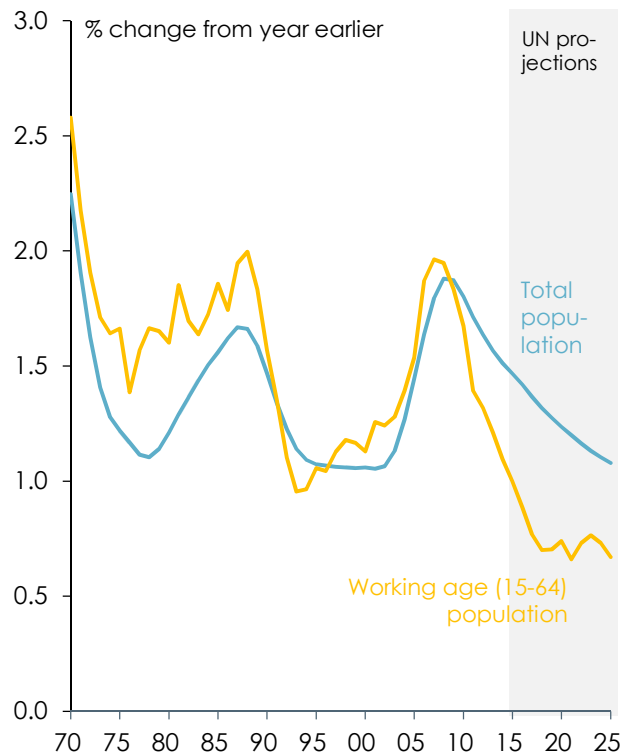
Business innovation, by business size



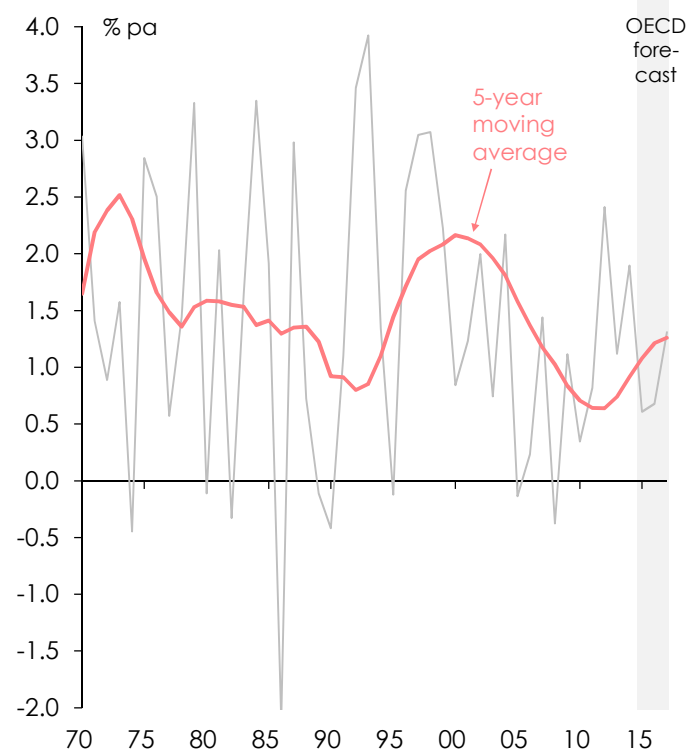
Sources: ABS, [Australian Industry, 2014-15](#) (cat. no. 8155.0); [Summary of IT Use and Innovation in Australian Business, 2014-15](#) (cat. no. 8166.0).

Australia is less challenged by demography than most other 'advanced' economies, but still needs stronger productivity growth to offset it

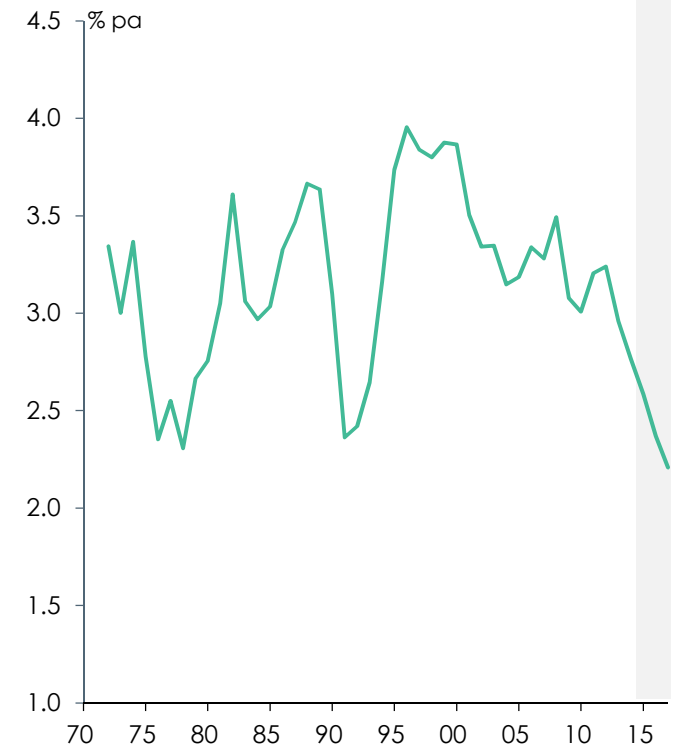
Australian population growth



Australian labour productivity growth



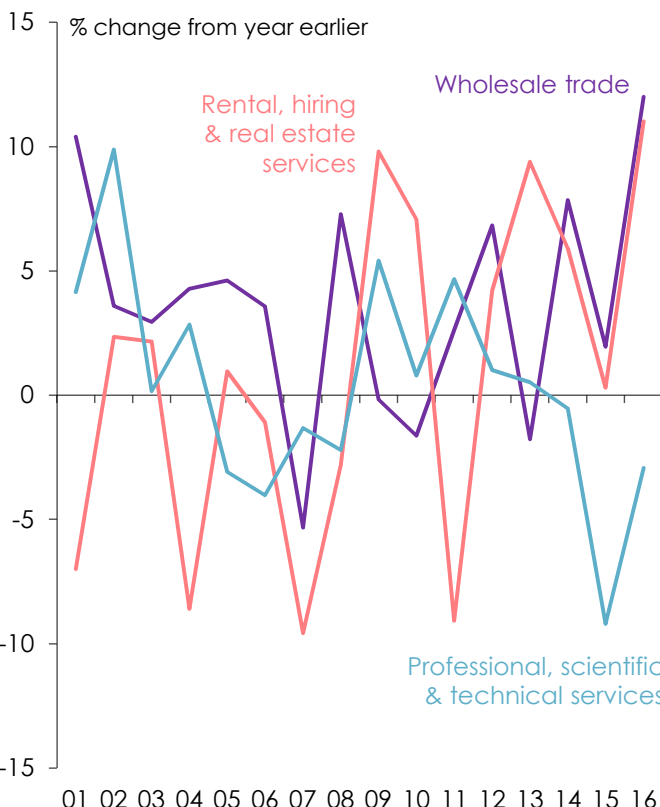
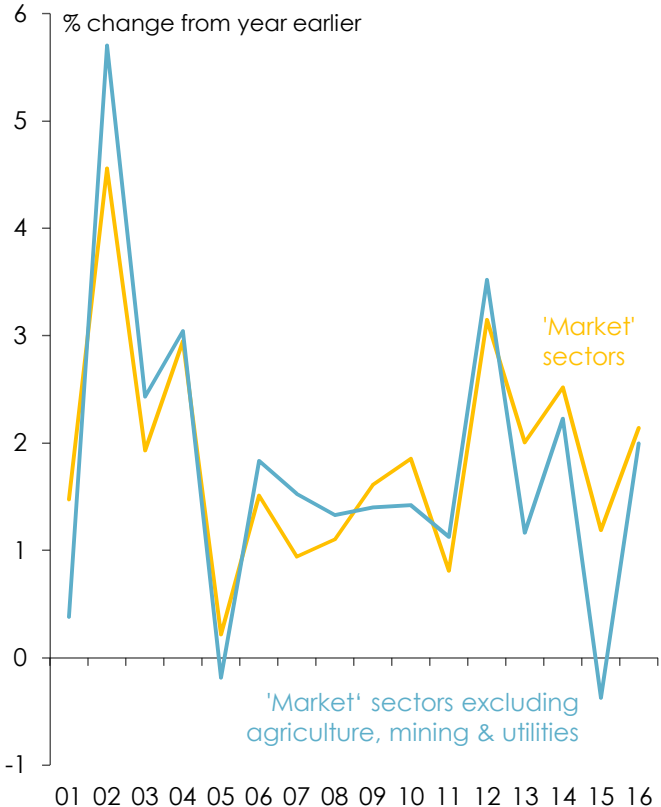
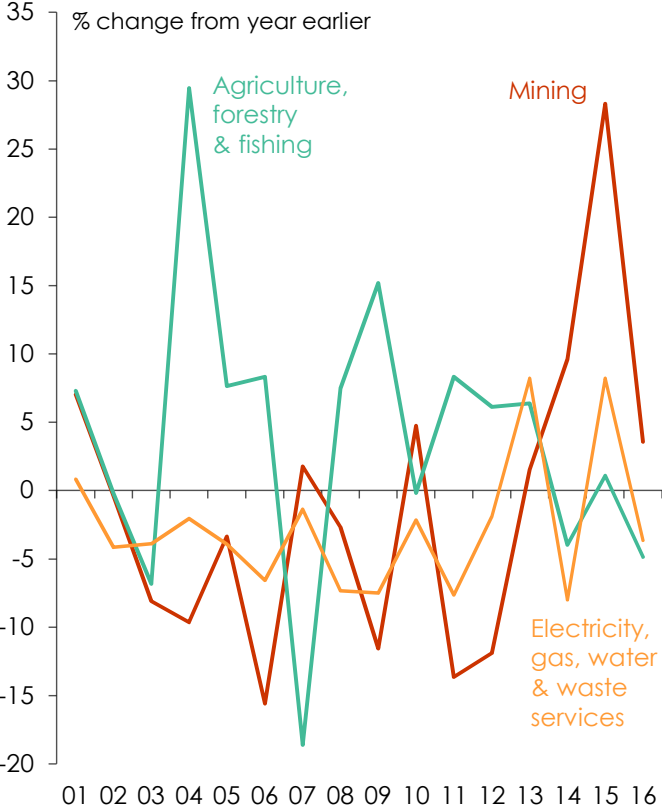
Australian potential GDP growth



Sources: United Nations Economic & Social Affairs Division, Population Branch, [World Population Prospects - the 2015 Revision](#); OECD, [Economic Outlook Statistical Annex](#). 'Potential growth' means growth in the level of real GDP assuming full employment of the available labour force.

The recent revival in labour productivity growth appears to owe much to the 'phase shift' (from construction to production) in the mining sector

Labour productivity growth – selected sectors and groupings of sectors

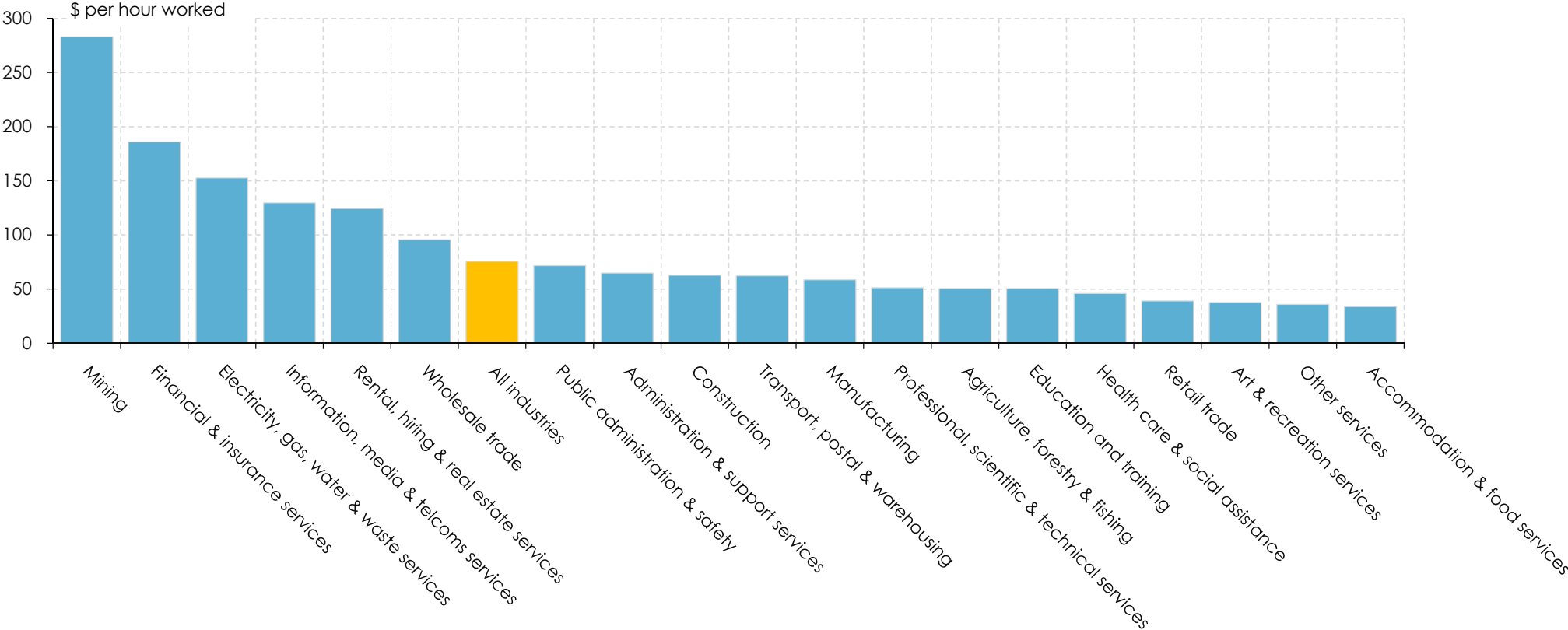


Note: labour productivity calculated as chain-volume gross value added per hour worked. 'Market' sectors exclude the public administration & safety, education & training, and health care & social assistance sectors (as well as ownership of dwellings).

Source: ABS.

The transition away from resources-led growth is likely to have a negative impact on the level of economy-wide labour productivity

Levels of labour productivity by industry, 2015-16

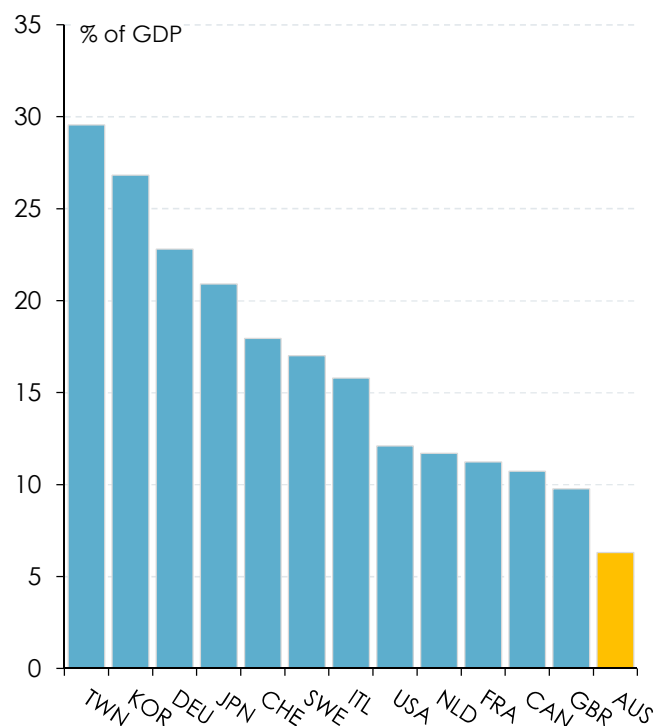


Note: Labour productivity defined as gross value added (in 2013-14 chain volume terms) per hour worked. Source: ABS.

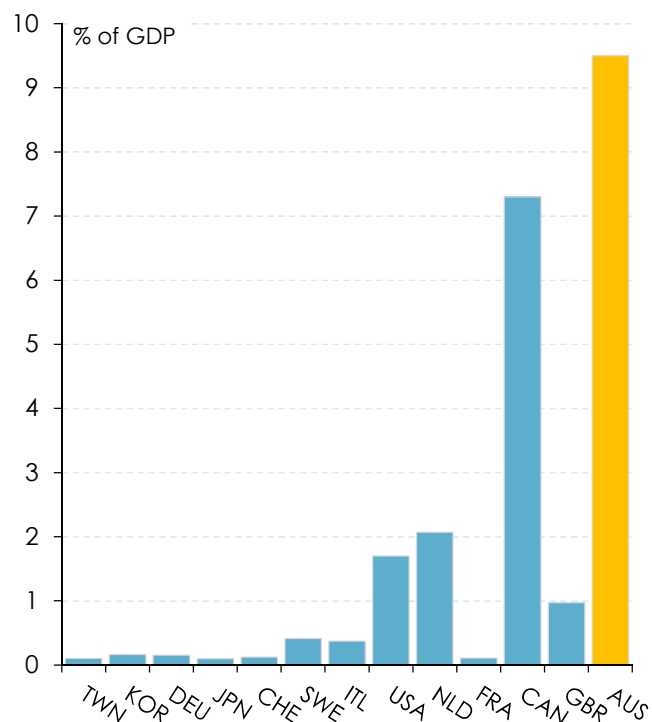
The quest for higher productivity won't be assisted by 'manufacturing fetishism' – the sum of sector shares of GDP can't exceed 100%

Sector shares of GDP – selected 'advanced' economies, 2015

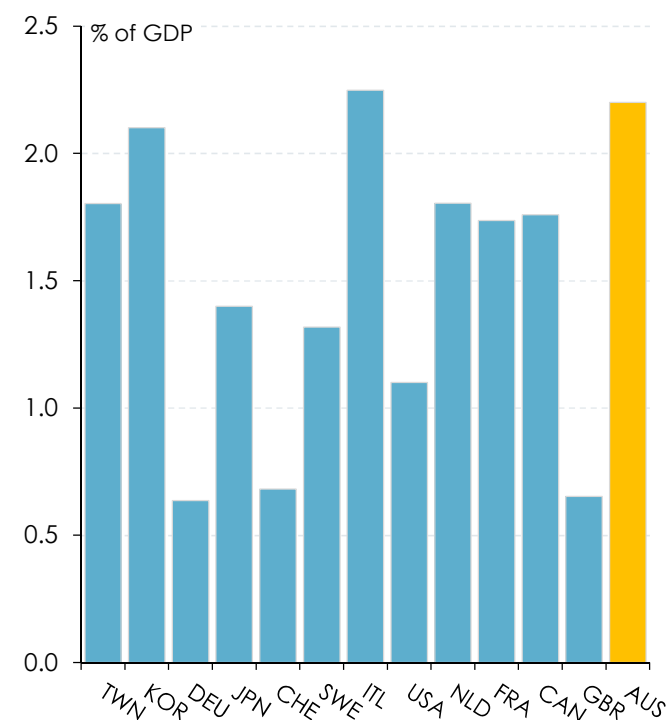
Manufacturing



Mining



Agriculture, forestry & fishing

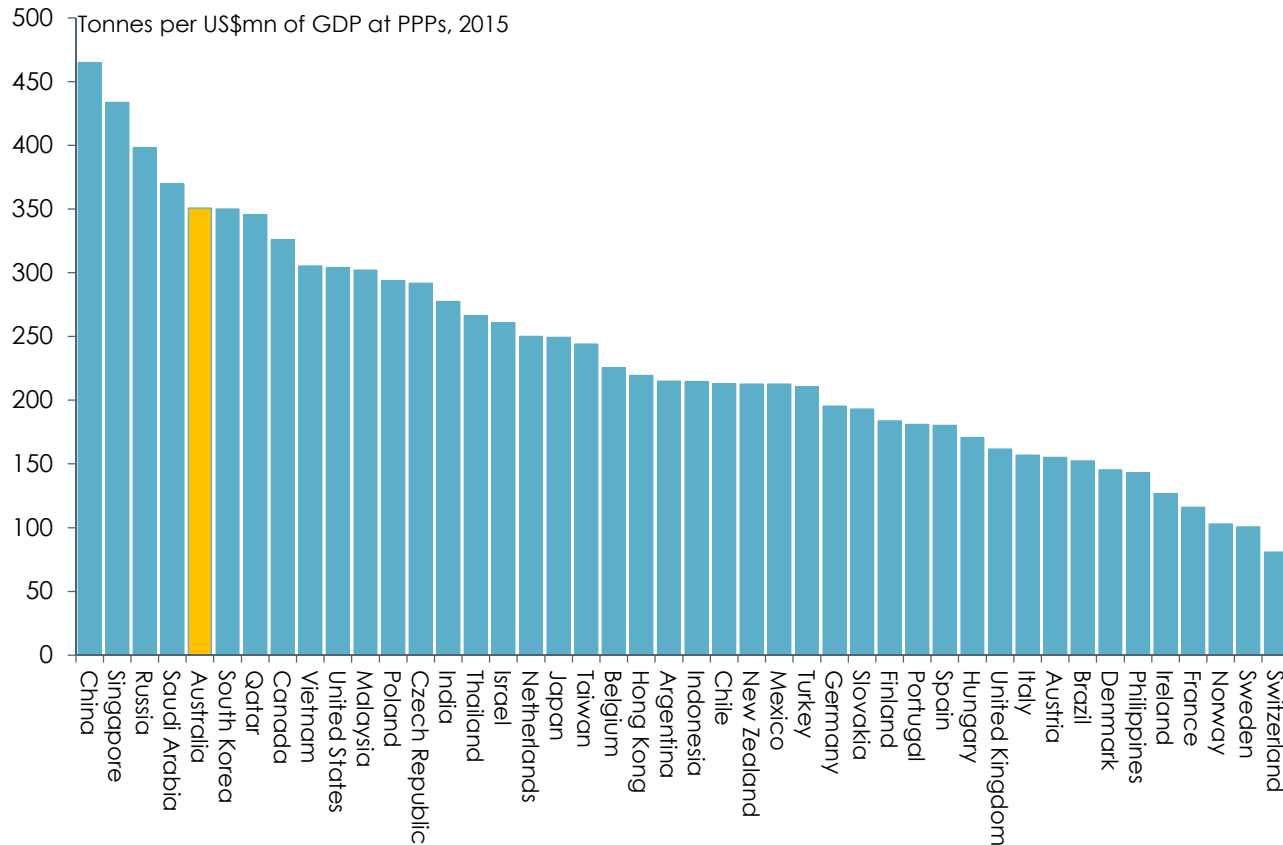


Note: Data for Australia are for 2015-16; Japan are for 2013; for Canada, 2013; and for Taiwan, 2014.

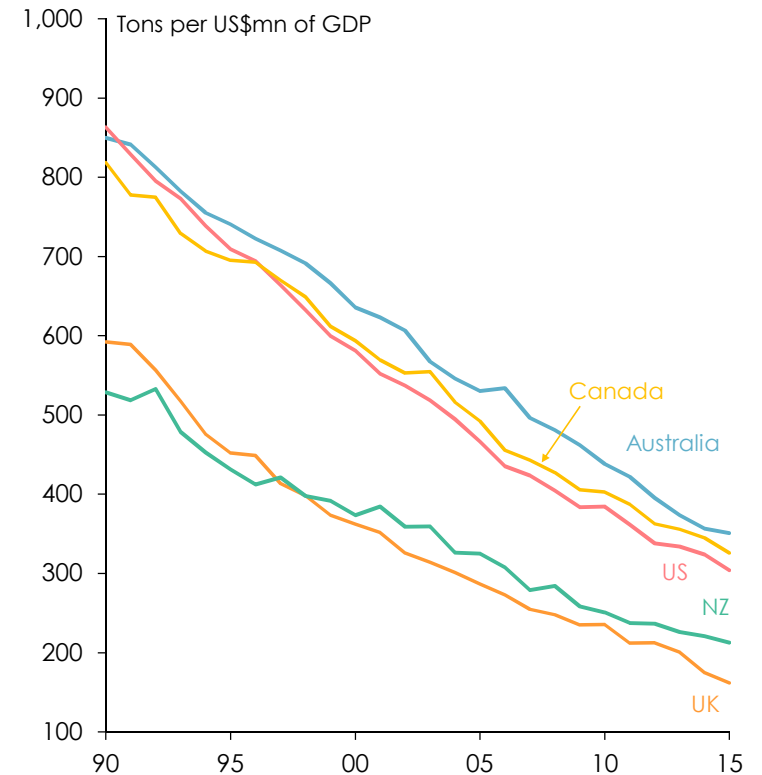
Sources: ABS, US Bureau of Economic Analysis; Statistics Japan; Eurostat; Statistics Canada; Korea Statistical Information Service; Taiwan Statistical Bureau

Australia will ultimately face a bigger carbon emissions reduction task than most other 'advanced' economies

CO₂ intensity of economic activity, 2015



Change in CO₂ intensities, 1990-2015



Sources: BP, [Statistical Review of World Energy, 2016](#); IMF, [World Economic Outlook database](#), October 2016.

Fiscal policy should play a more active role in promoting longer-term economic growth

‘Accommodative monetary policy alone cannot lift demand and may ... generate undesirable side effects ... Growth-friendly tax and expenditure policies include reforming labour taxes and social benefits to incentivise labour force participation; reforming corporate income taxes and providing well-targeted incentives to boost research and development investment; increasing productive capacity through infrastructure investment; and facilitating improvements in human capital’

— IMF, [World Economic Outlook, October 2016](#), p. 31

‘Infrastructure spending has a role to play in sustaining growth and also in generating confidence ...

It would be confidence-enhancing if there was an agreed story about a long-term pipeline of infrastructure projects, surrounded by appropriate governance on project selection, risk-sharing between public and private sectors at varying stages of production and ownership, and appropriate pricing for use of the finished product.

The impediments to this outcome are not financial. The funding would be available, with long term interest rates the lowest we have ever seen or are likely to ... The impediments are in our decision-making processes and, it seems, in our inability to find political agreement on how to proceed’

— Glenn Stevens, ['Economic Conditions and Prospects: Creating the Upside'](#),
Address to an Economic Society of Australia luncheon, Brisbane, 10th June 2015

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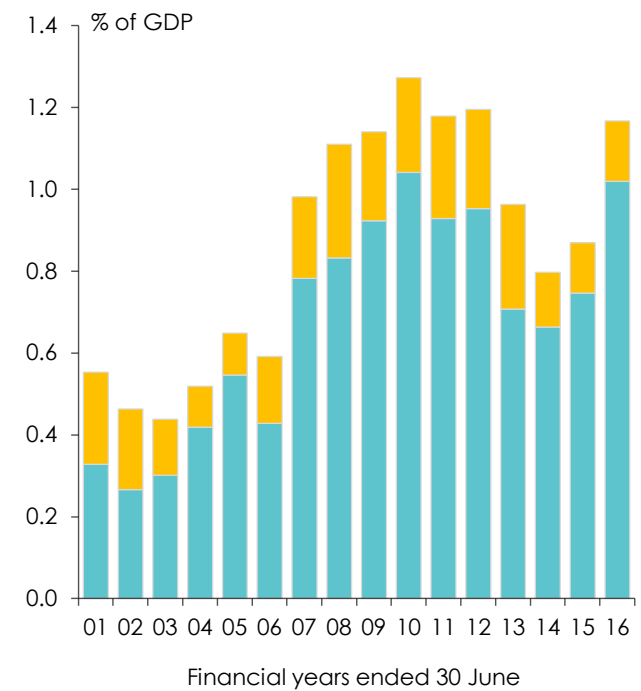
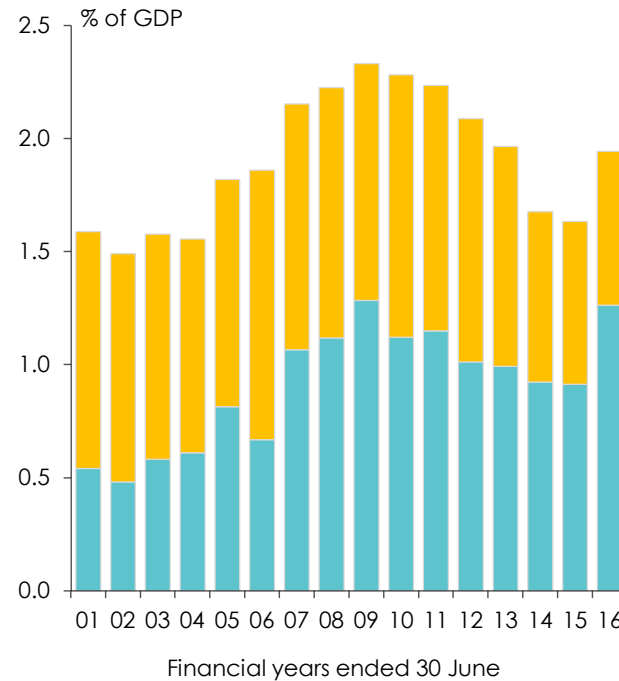
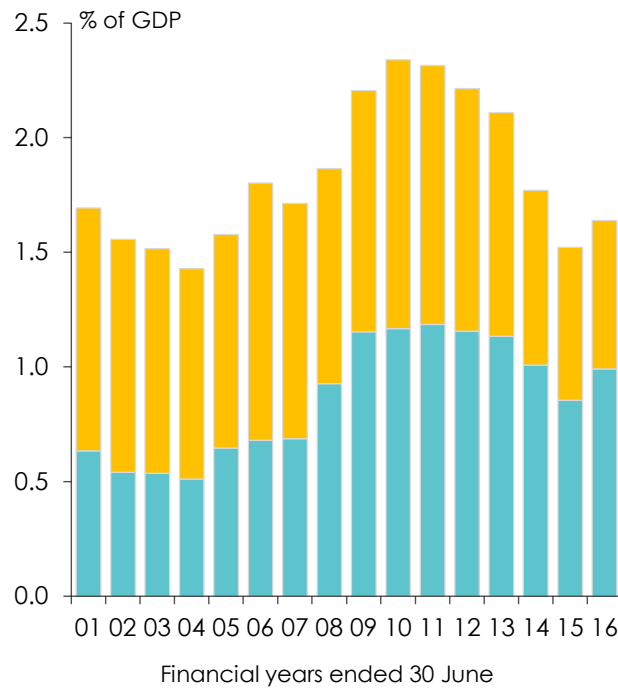
Public sector infrastructure spending has fallen in line with the unwinding of the resources investment boom – but may be picking up again

Indicators of engineering construction activity for the public sector

Value of work done

Commencements

Work yet to be done



■ Work by the private sector for the public sector
 ■ Work by the public sector for the public sector

Source: ABS.

Conclusion

Conclusion

- ❑ **The Australian economy has performed well over the past 25 years – not merely in avoiding recession (as conventionally defined), but in delivering tangible improvements in living standards for a larger proportion of the population than has been the case in many other ‘advanced’ economies**
- ❑ **Australia’s economic performance over the past 25 years reflects a combination of ‘good management’ and ‘good luck’**
- ❑ **Australia’s economy is now undergoing a transition to a less certain future as the resources boom fades**
 - this transition is being accomplished less painfully than in most other commodity-dependent economies
- ❑ **If nothing goes wrong, the next 2-4 years for the Australian economy will look a lot like the last 2**
- ❑ **However, it is increasingly unlikely that ‘nothing will go wrong’**
 - there are growing risks in the external environment, including persistently slow growth and a rising tide of authoritarianism and anti-globalization sentiment in ‘advanced’ economies, and a greater risk of a ‘hard landing’ in China
 - there is also a currently low, but increasing, set of risks associated with Australia’s housing market, and with the high level of household debt
- ❑ **Australia also needs to address some important emerging long-term challenges**
 - Including those associated with demographic change, slow productivity growth, and climate change
- ❑ **Australia needs to build greater economic resilience to shocks, and to address these longer-term challenges**
 - further reductions in interest rates aren’t going to be the answer, as they have been in the past

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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