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PRIME MINISTER

FOR MEDIA

SUNDAY, FEBRUARY 14 1982

ELECTORATE TALK

With the Autumn Session of Parliament about to commence, I would like to take the opportunity of speaking to you about Australia's priorities and prospects, about the challenges we face as a people over the coming months. We need a proper perspective on our achievements in the economic arena because the underlying strength of the Australian economy is great, and we have the right policies in place to keep it well on course.

We need to understand that Australia's economy has been growing, while many other economies have been stagnant or shrinking, and the OECD predicts further growth of over 3% for Australia in 1982, compared with an OECD average of just over 1%. We need to understand the consumer demand remains strong. The value of retail sales last December was 13% higher than in 1980. We need to understand that 83,000 new jobs were created in 1981, that the average unemployment rate throughout 1981 was the lowest for four years, and that while the January unemployment rate was too high, it was still below last year's January rate. We need to understand that business expects continuing strong investment growth this financial year, and that following the projected record of \$1.25 billion on petroleum exploration and development in 1981, the projected figures for 1982 almost doubles that again to nearly \$2.5 billion.

We need to understand that this level of investment would not occur unless there was confidence in Australia's economy. We need to understand that over six years, the Commonwealth has consistently held down its own spending, both in absolute terms and as a proportion of Gross Domestic Product in a way which our major trading partners have not rivalled, and that the recent tightening of budgetary expenditure has been designed to maintain that overall restraint, especially in the face of some unexpected large wage increases.

We need to understand that real household disposable income after tax rose by nearly \$3 billion in 1980/81, and that in the two years to last December quarter, average weekly earnings have increased by over \$13 in real terms. We need to understand that total taxation revenue as a proportion of GDP, is lower in Australia than for all our major trading partners with the exception of Japan. And the Commonwealth budget deficit as a percentage of GDP has been less in Australia than that of all our major trading partners in 1979/80.

There is no doubt whatever that Australia's position in relation to economic management and development is the envy of many other countries because we pioneered and stuck to policy approaches which are increasingly widely recognised as appropriate in the 1980s. The Government's economic policy has the enduring objectives of curbing inflationary pressures, achieving continuing private sector recovery, and gaining sustained improvements in living standards for all Australians.

There are obviously challenges and threats to these objectives, both at home and overseas, and the Government has been responding to these challenges. People are fed up with the kind of strikes and unreasonable wage demands which have been all too common, especially in the second half of the past year which have damaged our international competitiveness, have threatened investment, and have destroyed job prospects for many young people. There were twice as many working days lost through strikes in the 1981 September quarter as in the corresponding period in 1980. The Minister for Industrial Relations, Ian Viner, is bringing forward three measures to address the present industrial situation, both immediately and in the longer term. I have no doubt that these measures are sound. They will help to equalise legal responsibilities and balance the bargaining positions of unions and employers. And I believe the community will give them the support they deserve.

Accelerating wages are the main danger to continued economic recovery, and it is essential that all parties to wage bargains exercise restraint. If wage rises are allowed to exceed the capacity of the economy to pay, Australia will price itself out of international markets, causing loss of jobs and confidence. Consistent with its philosophy, the Government supports wage settlements proceeding on an industry by industry basis. The Government believes that employers and unions bear the prime responsibility for wage settlements, and agreements which ignore the total economic environment can only lead to unemployment and lower growth.

The depressed condition of the world economy also poses a challenge to Australia's economic position. The Australian economy derives enormous benefit from overseas trade and from access to overseas capital markets. At the same time, if overseas economic conditions are poor, if overseas interest rates are high, the Australian economy is bound to be effected. The Government can't totally insulate the Australian economy from the effects of overseas trading, but we can and already have shaped our policies in response to the challenges that they pose. One clear indication of the impact of poor economic conditions overseas can be seen in our balance of payments. Because of our strong growth of real incomes, and the demands created by resource development, our import bill has been rising significantly, but because of depressed world trade, and falling commodity prices, our export earnings have been falling. In this connection, exchange rate management is critical. The Government's approach in this area is one of a carefully managed exchange rate with very gentle, sometimes almost imperceptible adjustments according to the overall state of the balance of payments, but also with an eye to other important considerations such as inflationary implications.

We will continue to follow this practice, and adjust the exchange rate on a gradual basis in line with market circumstances. The exchange rate has already been devalued by 5% against the trade weighted index since early August 1981, and by 5.6% against the United States since early December 1981. The Government recognises that economic management is a continuing process of facing new circumstances, anticipating new challenges and adapting to them.

In the final analysis, the best service the Government can provide to the Australian economy is to create conditions conducive to sustained economic growth by continuing to bear down on inflation and by minimising Government demands on the private sector. This is the foundation on which are policies are built and it provides the only basis for Australia's continued economic success.

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