



PRIME MINISTER

SPEECH BY THE PRIME MINISTER - BUSINESS LUNCH
MENZIES HOTEL, SYDNEY, 19 MARCH 1984

THE PAST YEAR HAS BEEN A MOMENTOUS ONE FOR AUSTRALIA AND, FOR ITS MOST POPULOUS STATE, NEW SOUTH WALES. IN PARTICULAR WE HAVE WITNESSED A MARKED CHANGE IN OUR ECONOMIC FORTUNES, REFLECTED PARTICULARLY IN A LARGE INCREASE IN THE NUMBER OF AUSTRALIANS WHO HAVE JOBS.

IN THIS, THE WRAN LABOR GOVERNMENT OF NEW SOUTH WALES, THE PEOPLE OF NEW SOUTH WALES, THE BUSINESS COMMUNITY OF NEW SOUTH WALES, AND THE UNION MOVEMENT OF NEW SOUTH WALES HAVE MADE A VITAL CONTRIBUTION.

WE ARE NOW BEGINNING THE SECOND YEAR OF OUR ECONOMIC RECOVERY.

A YEAR AGO THE ECONOMY WAS IN THE GRIP OF THE WORST RECESSION IN FIFTY YEARS. DROUGHT BLIGHTED THE RURAL SECTOR. PRIVATE SPENDING WAS WEAK. REAL DOMESTIC PRODUCT DECLINED BY SOME 2 PER CENT IN 1982-83, THE FIRST SUCH FALL SEEN IN 30 YEARS AND THE HIGHEST SINCE 1946-47.

UNEMPLOYMENT HAD RISEN BY OVER 250,000 DURING THE PRECEDING YEAR, SO THAT NEARLY THREE QUARTERS OF A MILLION AUSTRALIANS WERE OUT OF WORK. INFLATION STOOD AT 11.5 PER CENT, MORE THAN DOUBLE THE OECD AVERAGE. INTEREST RATES WERE EXCESSIVELY

NEW SOUTH WALES SHARED IN THE DOWNTURN. INDEED, BECAUSE OF THE STATE'S HIGH CONCENTRATION OF MANUFACTURING INDUSTRIES AND THE EXTREME SEVERITY OF THE DROUGHT IN THIS STATE, CONTRACTION IN THE PERIOD BEFORE WE TOOK OFFICE WAS PARTICULARLY SEVERE IN NEW SOUTH WALES. UNEMPLOYMENT INCREASED BY OVER 100,000 OR 68 PER CENT OVER THE COURSE OF 1982-83.

BUT TODAY THERE IS A BASIS FOR MUCH GREATER OPTIMISM.

THE BREAKING OF THE DROUGHT HAS SEEN A MAJOR AND MUCH NEEDED REVIVAL IN THE RURAL SECTOR. BECAUSE THE DROUGHT WAS MORE SEVERE IN NEW SOUTH WALES, THE RECOVERY IN RURAL ACTIVITY IS SIGNIFICANTLY MORE PRONOUNCED THAN ELSEWHERE.

THE ECONOMIC RECOVERY WHICH IS NOW UNDERWAY EXTENDS WELL BEYOND THE UPTURN IN THE RURAL SECTOR. NEW SOUTH WALES IS PARTICIPATING STRONGLY IN THE MORE GENERAL IMPROVEMENT IN THE AUSTRALIAN ECONOMIC ENVIRONMENT.

THERE WAS STRONG EVIDENCE OF THE BREADTH OF NATIONAL ECONOMIC RECOVERY IN THE SEPTEMBER QUARTER NATIONAL ACCOUNTS.

THESE SHOW THAT NON-FARM PRODUCTION HAD RECOVERED THE GROUND LOST OVER THE PREVIOUS YEAR, HAVING RISEN BY 2.3 PER CENT IN THE QUARTER.

THE PATTERN OF THE TURNAROUND IN THE SEPTEMBER QUARTER WAS MUCH AS EXPECTED, THOUGH THE PACE OF THE IMPROVEMENT WAS MUCH STRONGER THAN ECONOMIC FORECASTERS HAD ANTICIPATED.

THE STIMULUS TO GROWTH CAME FROM AN IMPROVEMENT IN PRIVATE SECTOR INTEREST IN HOLDING INVENTORIES, PUBLIC SECTOR DEMAND, PRIVATE CONSUMPTION, DWELLING INVESTMENT, AND A STRENGTHENING OF OUR INTERNATIONAL TRADING SITUATION. AVAILABLE INDICATORS SUGGEST THAT THIS PATTERN OF GROWTH HAS CONTINUED SINCE THE SEPTEMBER QUARTER:

- RETAIL SALES HAVE BEEN STRONG

- MOTOR VEHICLES REGISTRATIONS ARE SHARPLY HIGHER

- HOUSING STARTS AND LENDING FOR HOUSING ARE PROCEEDING APACE

WE INHERITED AN INFLATION RATE OF 11.5 PER CENT. SINCE THEN THE TREND HAS CLEARLY BEEN DOWNWARD. THE ACCORD WILL HELP TO KEEP THE TREND DOWNWARD FOR AT LEAST THE REMAINDER OF THE FINANCIAL YEAR.

EMPLOYMENT HAS BEEN GROWING MUCH MORE STRONGLY THAN EXPECTED IN THE BUDGET FORECASTS. EMPLOYMENT HAS ALREADY GROWN BY MORE THAN THE BUDGET TIME FORECAST FOR THE WHOLE FINANCIAL YEAR. THE UNEMPLOYMENT RATE HAS FALLEN FROM 10.3 PER CENT TO 9.4 PER CENT.

THE TURNAROUND IN NEW SOUTH WALES HAS BEEN PARTICULARLY STRONG. THE MOST RECENT INDICATORS SUGGEST THAT THE RECOVERY IN HOUSING ACTIVITY IS PROCEEDING FASTEST IN NEW SOUTH WALES. MOTOR VEHICLE REGISTRATIONS HAVE RISEN MARKEDLY OVER THE PAST YEAR. NEW SOUTH WALES HAD THE LOWEST INFLATION RATE (7.7 PER CENT) OF ANY STATE OVER THE COURSE OF 1983.

EMPLOYMENT IN NEW SOUTH WALES HAS RISEN SUBSTANTIALLY. OVER THE FIRST EIGHT MONTHS OF THE CURRENT FINANCIAL YEAR EMPLOYMENT IN NEW SOUTH WALES INCREASED BY NEARLY 19,000 OR 1 PER CENT. OVER THE YEAR ENDING FEBRUARY THIS YEAR THE UNEMPLOYMENT RATE FELL BY 0.4 PERCENTAGE POINTS, A SLIGHTLY LARGER DECLINE THAN EXPERIENCED BY THE ECONOMY OVERALL.

WHAT ABOUT THE OUTLOOK FOR THE NATIONAL ECONOMY OVER THE COMING FINANCIAL YEAR?

IT IS THE GOVERNMENT'S BELIEF THAT THE STRONG RECOVERY IN THE CURRENT FINANCIAL YEAR CAN AND SHOULD BE FOLLOWED BY SUSTAINED GROWTH IN 1984-85 AND BEYOND. GOVERNMENT POLICY IS DIRECTED AT ENSURING SUCH AN OUTCOME.

AS THE TREASURER AND I HAVE BOTH BEEN STRESSING RECENTLY, BUSINESS INVESTMENT HAS A CRITICAL ROLE TO PLAY, BOTH IN MAINTAINING THE MOMENTUM OF RECOVERY THROUGH 1984-85 AND IN ENSURING THAT RECOVERY ENDURES.

THE GOVERNMENT'S POLICIES ARE SET TO ENCOURAGE AND SUPPORT AN EARLY REVIVAL IN INVESTMENT.

THE ACCORD IS PLAYING A MAJOR PART IN KEEPING WAGE AND PRICE PRESSURES AS LOW AS POSSIBLE. IT HAS USHERED IN A NEW ERA OF INDUSTRIAL HARMONY AND PROVIDES BUSINESS WITH A MORE CERTAIN BASIS ON WHICH TO PLAN.

WITHIN THE ACCORD, AFTER THE WAGE INCREASE ARISING OUT OF THE CURRENT CASE BEFORE THE ARBITRATION COMMISSION, THERE WILL BE VIRTUALLY NO INCREASE IN WAGES UNTIL THE FIRST HALF OF 1985. THE BENEFICIAL EFFECTS OF MEDICARE ON THE C.P.I. WILL KEEP ANY WAGE INCREASE IN THE SECOND HALF OF THIS YEAR DOWN TO ONE PER CENT OR SO.

THE COMBINATION OF WAGE RESTRAINT AND STRONG GROWTH IN OUTPUT HAS BEEN REDUCING UNIT LABOUR COSTS AND RAISING THE SHARE OF PROFITS IN INCOME.

THE SAME ACCORD WHICH IS DELIVERING A SIGNIFICANT DEGREE OF WAGE RESTRAINT IN THE PROCESS OF ECONOMIC RECOVERY IS ALSO DELIVERING A REMARKABLE IMPROVEMENT IN INDUSTRIAL

RELATIONS. LAST WEEK THE STATISTICIAN TOLD US THAT DAYS LOST PER THOUSAND WORKERS IN 1983 WAS 40 PER CENT BELOW THE PREVIOUS YEAR, AND THE LOWEST SINCE 1967. . .

OUR MONETARY POLICY WILL CONTINUE TO PROVIDE A BASIS FOR SUSTAINABLE REDUCTIONS IN INTEREST RATES AND A FAVOURABLE ENVIRONMENT FOR PRIVATE SECTOR SPENDING.

WE HAVE SEEN SIGNIFICANT REDUCTIONS IN INTEREST RATES THROUGH THE CURRENT FINANCIAL YEAR. DOMESTIC INFLUENCES WILL BE HELPFUL TO CONTINUED IMPROVEMENTS NEXT YEAR. CORPORATE PROFITS WILL BE DISTINCTLY HIGHER THAN THIS YEAR'S IMPROVED LEVELS, SO THAT BUSINESS WILL BE BETTER PLACED TO FINANCE INVESTMENT OUT OF CASH FLOW. WE EXPECT STATE AUTHORITIES TO REDUCE THEIR DEMANDS ON FINANCIAL MARKETS, AS THEY COMPLETE MAJOR INVESTMENT PROGRAMMES AND AS THEIR REVENUES STRENGTHEN WITH ECONOMIC RECOVERY. HIGHER INCOMES WILL HOLD UP HOUSEHOLD SAVINGS. AND THE COMMONWEALTH INTENDS SIGNIFICANTLY TO REDUCE ITS OWN DEMANDS ON FINANCIAL MARKETS. SUBSTANTIAL INCREASES IN PRIVATE INVESTMENT NEXT FINANCIAL YEAR ARE CONSISTENT WITH IMPROVED FINANCIAL CONDITIONS.

THE AUSTRALIAN LABOR GOVERNMENT'S STRATEGY FOR NATIONAL ECONOMIC RECOVERY IS FIRMLY IN PLACE.

IT NOW SEEMS LIKELY THAT GROWTH THROUGH THE CURRENT FINANCIAL YEAR WILL BE STRONGER THAN IN ANY YEAR SINCE THE FIRST COLLECTIONS OF NATIONAL ACCOUNTS DATA MORE THAN TWENTY YEARS AGO.

THERE ARE GOOD PROSPECTS FOR STRONG GROWTH NEXT YEAR AND INTO THE LONGER TERM FUTURE.

THIS STRONG TURNAROUND IN AUSTRALIA'S ECONOMIC FORTUNES HAS DEPENDED ON THE CO-OPERATION OF MANY IMPORTANT GROUPS IN THE AUSTRALIAN COMMUNITY.

IT HAS DEPENDED SIGNIFICANTLY ON THE EXCELLENT RELATIONS BETWEEN THE AUSTRALIAN AND NEW SOUTH WALES LABOR GOVERNMENTS.

IT HAS DEPENDED ON CO-OPERATION BETWEEN TWO GOVERNMENTS WHICH UNDERSTAND EACH OTHER AND WHICH TOGETHER WORK WELL WITH THE TRADE UNION MOVEMENT.

NEVILLE WRAN'S GOVERNMENT HAS MANAGED THE NEW SOUTH WALES ECONOMY THROUGH THE MOST DIFFICULT OF TIMES.

HIS EFFORTS, AND OURS, ARE BEGINNING TO BEAR THEIR FULL FRUIT.

TO BE CONFIDENT THAT AUSTRALIA AND NEW SOUTH WALES CAN •
CONTINUE TOGETHER STEADILY TO GROW, AS I HAVE SAID BEFORE
AND REPEAT NOW -

"I NEED NEVILLE WRAN, NEW SOUTH WALES NEEDS
NEVILLE WRAN, AND AUSTRALIA NEEDS NEVILLE WRAN".