



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
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PM: Today's inflation rate of .6 per cent for the quarter and 1.9 per cent for the year, I think, indicates that Australian inflation is broadly in check. That we again, in an underlying sense, have an inflation rate at 2 or around 2 or under 2, this squares with the point I have been making and the Treasurer has been making that this is a long way from the 5 - 6 per centage points of inflation which the bond markets have now factored into rates. So, as the country keeps producing low inflation rates, I think, people have got to accept the fact that Australia has changed its form. That is, that it has broken the back of inflation and it is capable of a low inflationary performance, though of course, that inflationary performance will always need to be monitored and worked on in this country as in other countries. But, what we have here is what a lot of other countries don't have and that is relative price stability and strong employment growth. Now, a lot of countries which have a premium only on price stability don't have employment growth. This is true in Europe and it is true of other countries which focus only on price stability. The trick is to get both and by the mix of policy we have I am happy to say that Australia has both. It has got a relatively strong rate of economic growth, 4 per cent employment growth and around 2 per cent inflation. This is a very magic mix, but we have got to keep working on it, be vigilant about it.

J: On those growth rates, Prime Minister there seems to be a bit of a difference between yourself and Mr Willis ...

PM: None what so ever. This is just a beat up from The Financial Review. It is not in any other newspaper and why should I bother with it, frankly.

J: ... (inaudible) ... the drought

PM: The drought will obviously knock a bit out of our GDP - probably about half a percentage point over the course of the year - and depending on how long the drought goes, of course, it can have broader implications for the country as a whole. The good thing is that the non-farm economy is performing strongly and, of course, there's low inflation.

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