

# Melbourne Institute

## *Pathways to Growth: Facing the Headwinds*

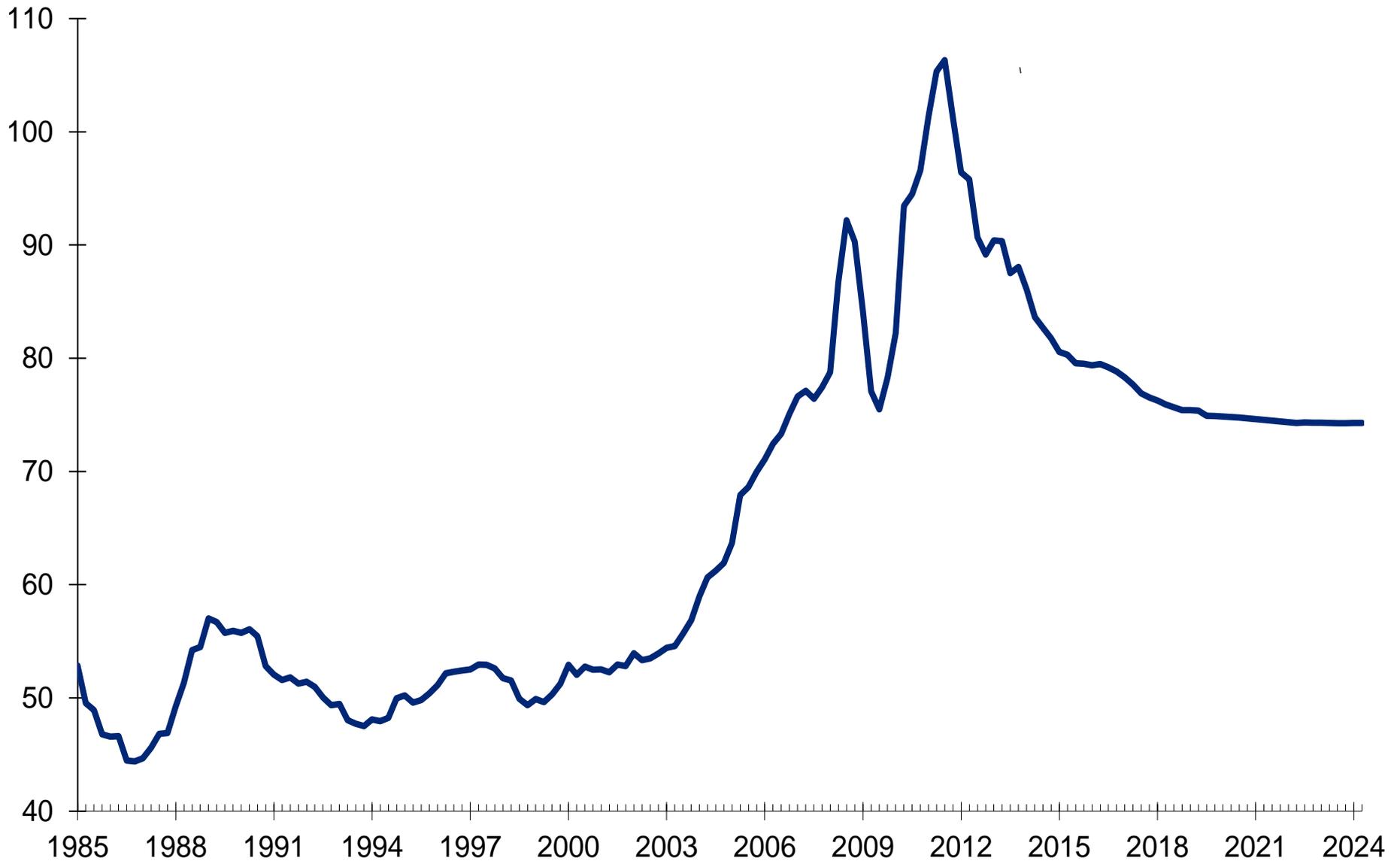
Chris Richardson

**3 July 2014**



# An economy in transition – 1

Terms of trade - index: 2011-12 = 100

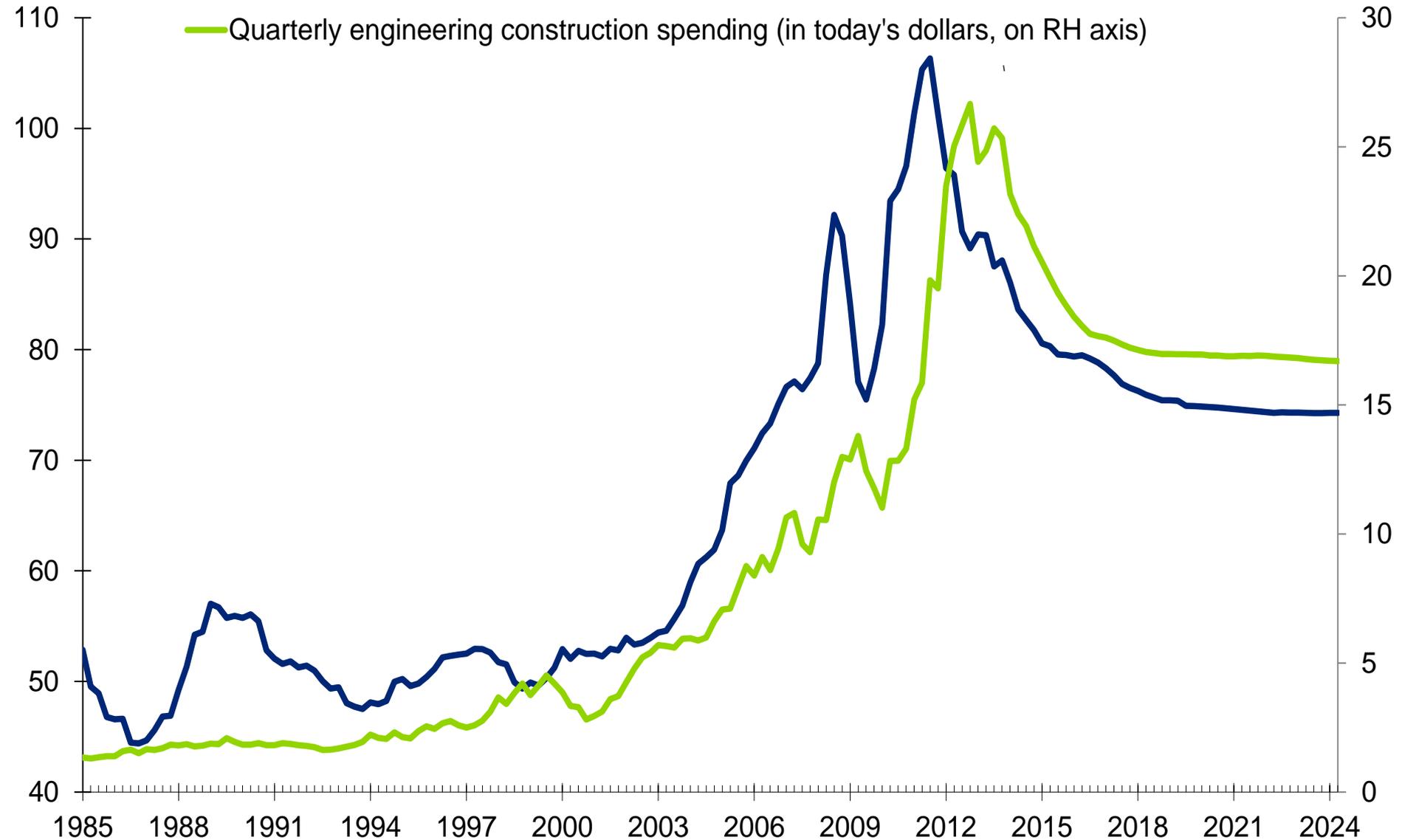


# An economy in transition – 2

— Terms of trade - index: 2011-12 = 100, on LH axis

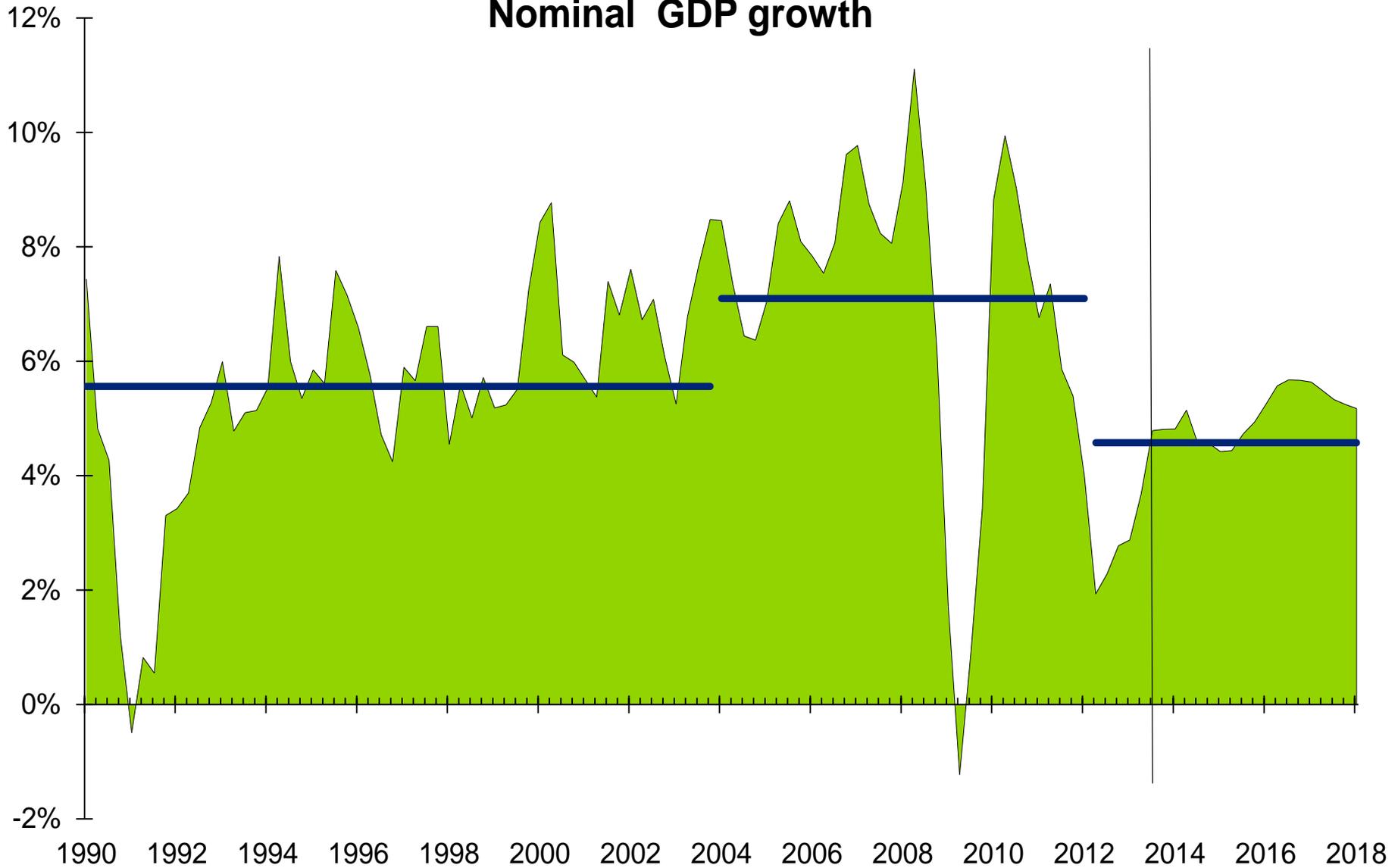
\$ billion

— Quarterly engineering construction spending (in today's dollars, on RH axis)

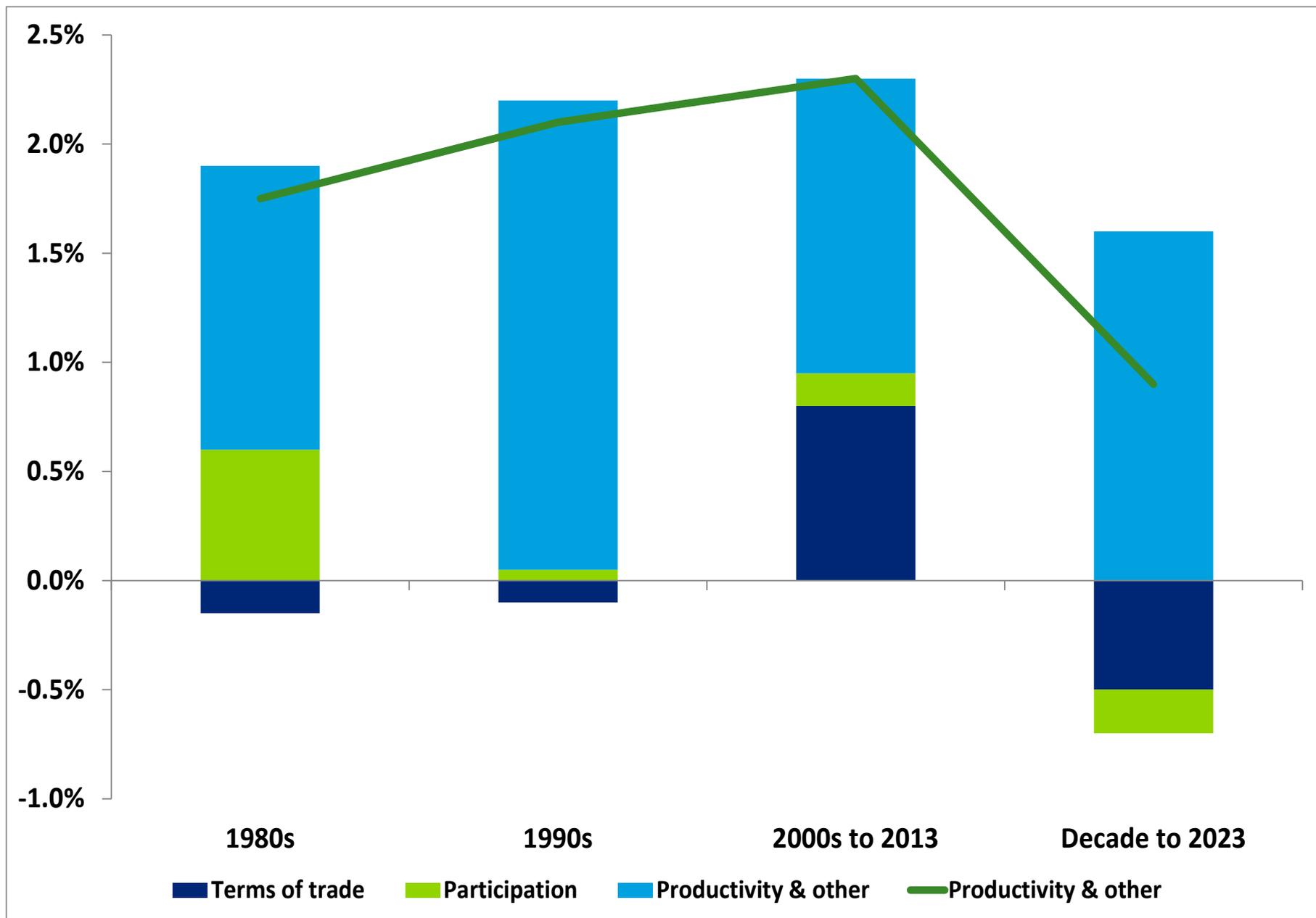


# Nominal growth a useful indicator

## Nominal GDP growth

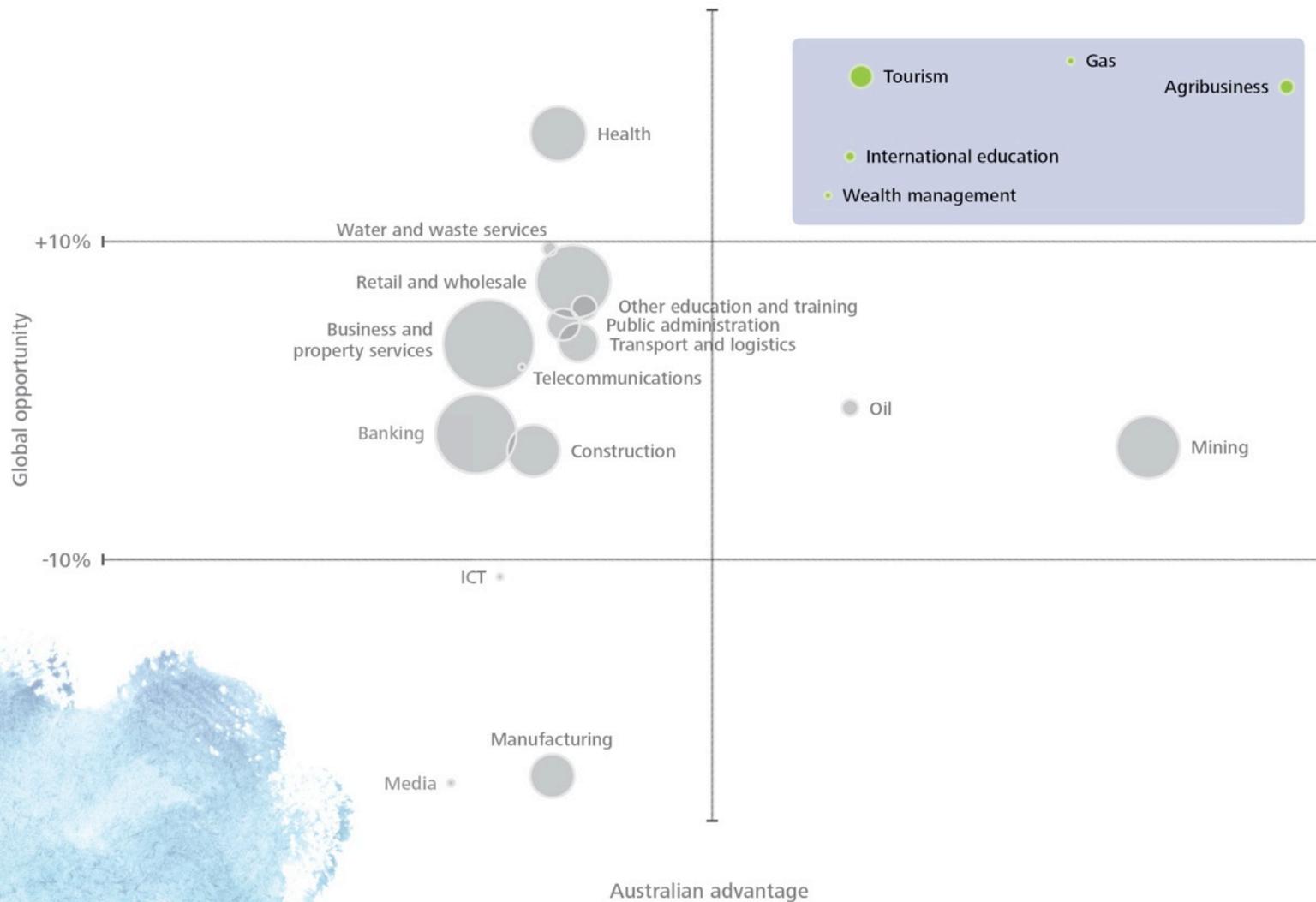


# Living standards for Australia Pty Ltd: *Productivity or bust*

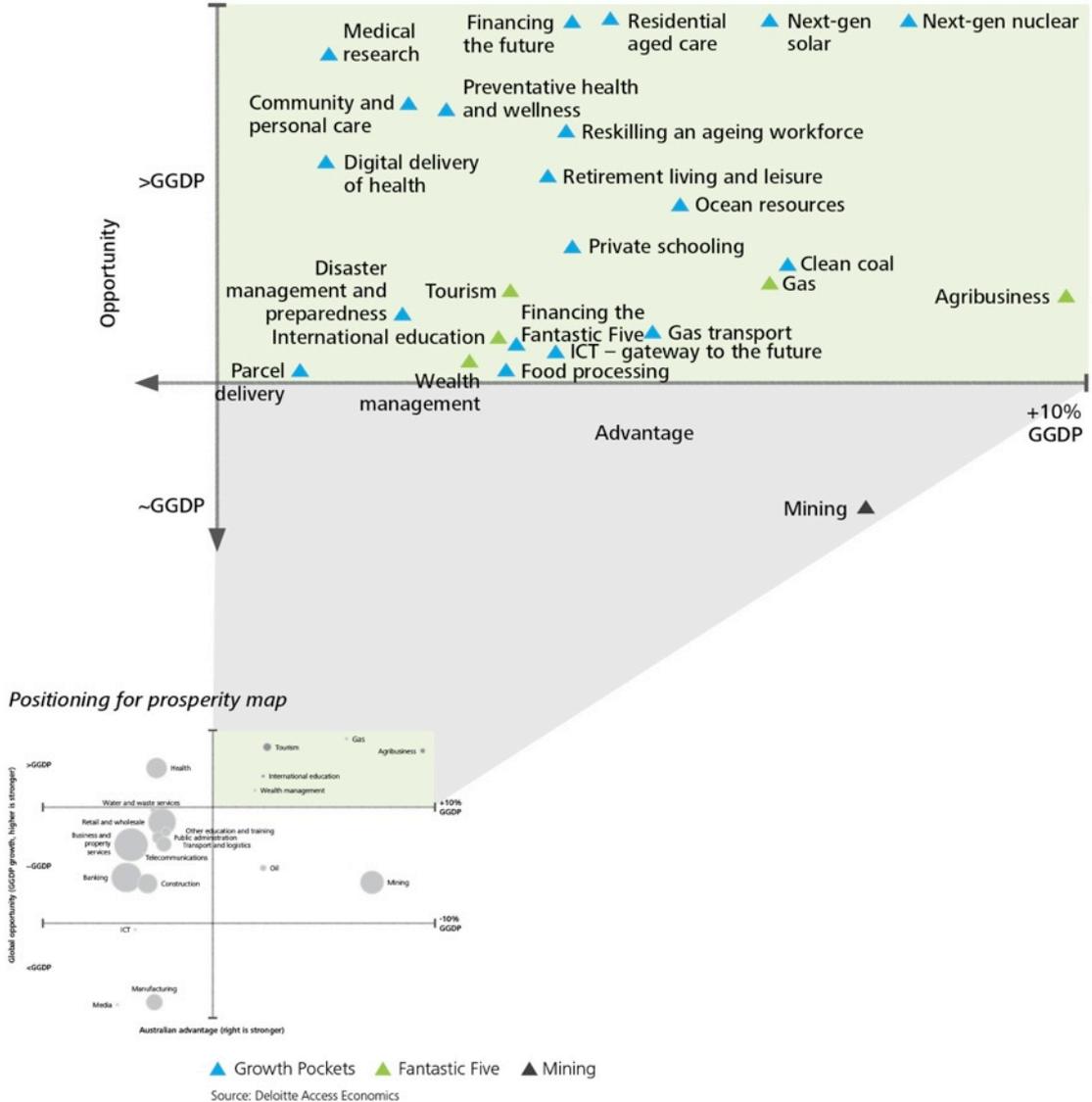


# Next waves

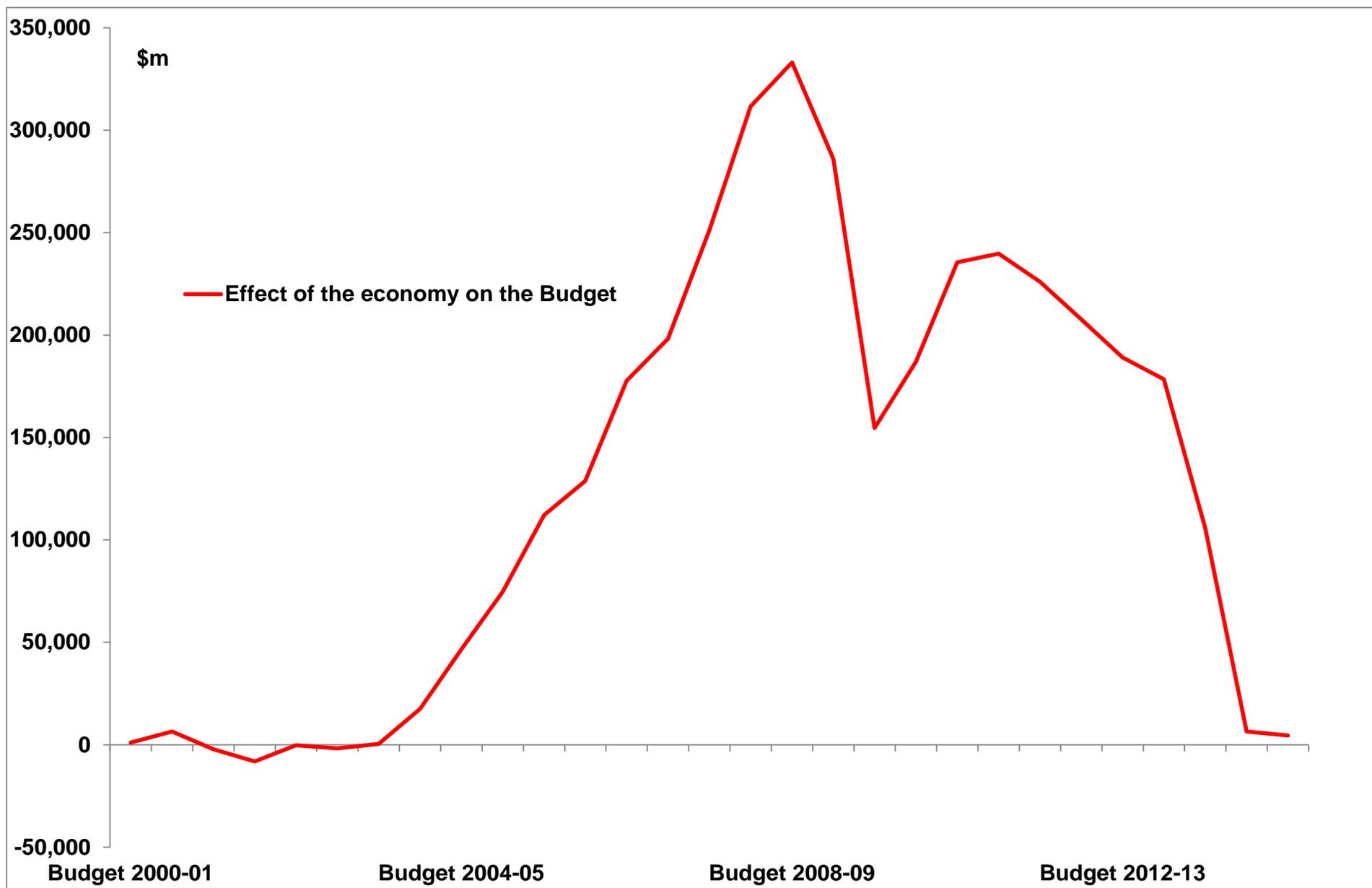
**The Fantastic Five:** Collectively as big as mining over time



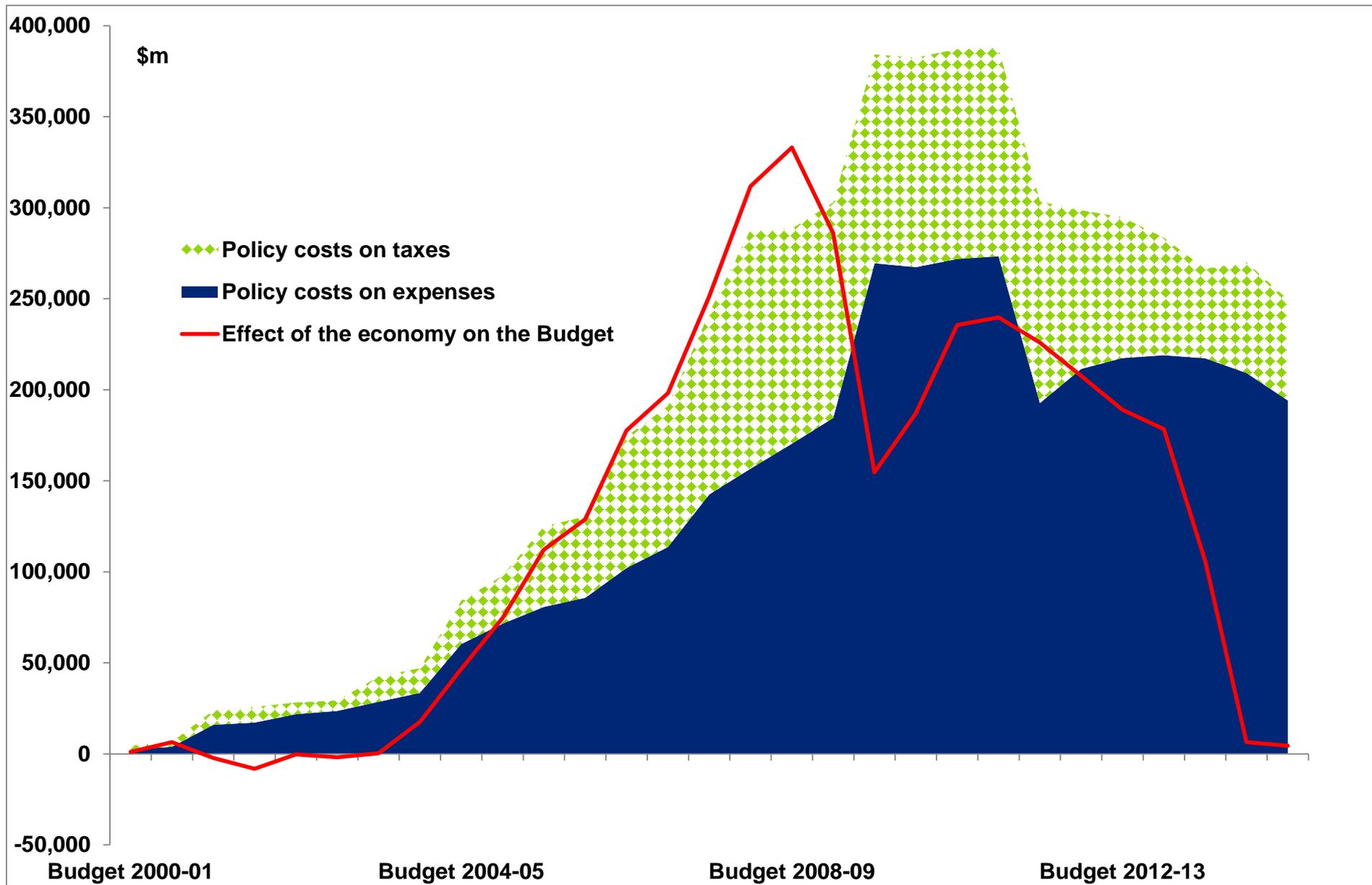
# Deloitte's 25 reasons for optimism on growth



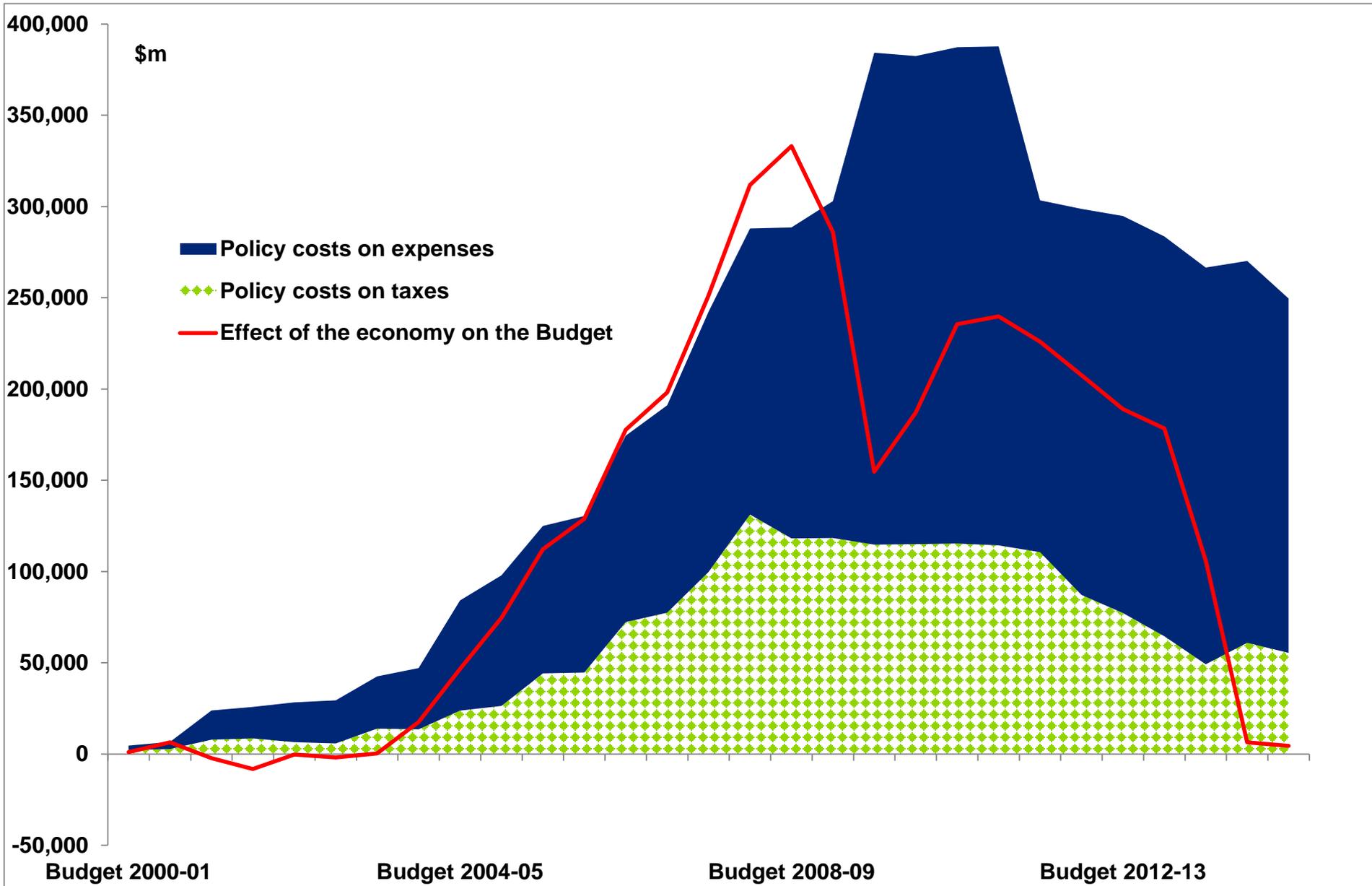
# The 'rivers of gold' rolled in – and out



# We spent for fun, then for defence against the GFC



# We cut old taxes – and then raised new ones



# The summary ...

Australia was the fastest growing rich Western nation in the past decade, and we forecast it to retain the title in the next decade.

Yet major challenges and opportunities lie ahead:

- Demographics boosted our living standards in the 1970s and 80s, followed by productivity in the 90s and a surge in the terms of trade last decade: But that bunch now look more problematic, with both ageing and commodity prices likely to be headwinds.
- Asia's boom is changing shape: That will open up growth options in gas, agribusiness, tourism and education, as well as rolled gold opportunities in those businesses linked to health and ageing.
- The Budget isn't in crisis, but it is in need of much more repair than many realise: A temporary boom was spent on permanent promises. Politicians on both sides of the aisle need to lead the repair job – and those outside parliament need to lend a hand.



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