

Sorry to be a bearer of good economic news, but ...

Ross Gittins



Good grief! It seems all the news about the economy this week has been terrible. Is the roof about to fall in?

First we heard consumer confidence took a 7 per cent hit after Treasurer Wayne Swan's all-bad-news budget, then we hear the sharemarket has taken a dive because the Americans can't decide whether things are getting better or still as bad as ever.

By now the dollar's down about US6c. New figures show the mining investment boom is

no more and, to top it off, we hear Ford is ceasing production with up to 10,000 jobs to go.

So, is the roof falling in on the economy?

Fortunately, it's not as bad as it sounds. My guess is the economy will continue motoring along (sorry), not doing brilliantly but not doing too badly either.

Let's put the bad news in context. For a start, the ups and downs in measures of consumer confidence must mean something, but they are an unreliable guide to the prospects for consumer spending.

We all know the sharemarket goes up and down from one day to the next, and of late there has been more up days than down.

The fall in the dollar might be bad news for people planning

overseas holidays or buying imported goods, but it's good news for our hard-pressed manufacturers and tourist operators. My fear is it won't last.

Ford might have announced its closure this week, but it won't actually happen for another three years. That gives its workers plenty of time to find new jobs.

In any case, our workforce of 11.6 million often grows by 10,000 or more in just a month. That might sound like a lot of jobs but, compared with the size of our economy, it's microscopic.

The economy's been growing at an average rate of 3 per cent a year. That's been enough to hold unemployment below 5.5 per cent, though it's true the budget expects the economy to slow a fraction in the coming fin-

ancial year, thereby allowing unemployment to creep up to 5.75 per cent by next June.

It's true the end of the mining boom is likely soon to be reducing rather than adding to the economy's growth, but that is why the Reserve Bank has been cutting interest rates back to their lowest since the global financial crisis: to encourage borrowing and spending on consumer durables, housing and business investment.

And remember this: every time we get a new government hope springs eternal and people cheer up, with punters spending more and businesses investing in renewal and expansion.

How long the good mood lasts depends on the new government's performance, of course.