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HD We've one export the world really wants

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ust as the economy is getting into its stride, economists are saying watch out. That's the dismal science for you. Should you be worried? Yes, because it sounds like less of the same is in prospect. None of this, by the way, has anything to do with the budget emergency, which in any case has been postponed to another day. For all the grief it caused, the truth is it did precious little about cutting the deficit this financial year - though it bites harder down the track - and thanks to the Senate even less than it was supposed to. There are already signs that the post-budget trauma has been short-lived. In fact one of Australia's most distinguished economists, Ross Garnaut, says the budget is stimulatory. Ditto for monetary policy as well. Come to that, the only thing that's not doing its bit for growth is the dollar and economists say - or rather hope - its fall is just a matter of time. So here we are with low mortgage rates, a year of surging share and property prices, a bottoming out of the number of jobless, a pick- up in housing and better super returns holding the show together for the time being. What, then, are they on about? The dark side of this has been the first year in two decades that wages failed to keep up with inflation - which has kicked up to about 3percent - a real cut that I'**m** sure you've noticed and apparently we'll have to get used to while the **mining** boom unwinds. Ah, the **mining** boom. There's something about miners that almost seems self-destructive. When prices rise they ramp up production so much that it only pushes them down again. It's not flagging demand from **China** but increased global supply that has dragged down **iron ore** prices for instance.

Then again, they don't have much choice: they have to do something to recover the fortune outlayed on capital spending in the first place which, remember, kept the economy on the straight and narrow. Still, you'd think someone could have a word. Where was I? Oh yes, the much greater supply of **iron ore** coming on stream, made possible by the biggest resources investment boom we've ever seen, has boosted exports and for now, lifted growth. The problem is that economic growth, by definition, requires perpetual motion. So while selling a record volume of exports is great, it has to keep increasing - or imports must fall because technically they're deducted from GDP. And the more miners dig, the further prices will fall, and the less income Australia generates. Especially when, as Professor Garnaut points out, four-fifths of **mining** profits leave the country anyway. The only way around this - you guessed it - is for the dollar to tumble. Hang on, I nearly forgot about our one export the world can't get enough of, and an unlikely one it is at that. Did you know Canberra is running a nice little line in flogging government **bonds**, apparently to other central banks? They get one of the world's few AAA rated **bonds** with the bonus of, in their eyes at least, a decent yield. And the Abbott Government gets to borrow on the cheap. This foreign buying has propped up the dollar and caused a rally in the bond market. But failing a fall in the dollar, which this is preventing, it will be hard going for either shares or property to deliver another year of double-digit returns when real incomes are falling. That is, unless offshore investors and speculators, with other things on their minds, remain enthusiastic about us. Still, there's no reason they shouldn't, whatever economists are saying, while they remain intoxicated by rock bottom interest rates.

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