

## Title:

Asia boom, US bust buffeting Australian economy

## Word Count:

417

## Summary:

Boom in Asia and bust in the United States are buffeting Australia's economy, Prime Minister Kevin Rudd warned Monday as he outlined plans to rein in inflation.

## Keywords:

australia visa, australia immigration, australian visa, australian immigration, immigration to australia, australian travel visa, australia visa application, visa for australia, australia visa services

## Article Body:

SYDNEY (AFP) — Boom in Asia and bust in the United States are buffeting Australia's economy, Prime Minister Kevin Rudd warned Monday as he outlined plans to rein in inflation.

In his first major speech on the economy since his Labor party swept John Howard's conservatives out of office in November, Rudd pledged to slash government spending to produce a huge budget surplus.

The target would be a surplus of 1.5 percent of gross domestic product in the financial year to June 2009, he said -- about 18 billion dollars (15.8 billion US dollars).

At the same time, the government has vowed to honour election pledges for 31 billion dollars in tax cuts.

Rudd told business leaders at a breakfast meeting in Perth that Australia faced "conflicting economic currents."

These were: "A global economy (led by the United States) which appears to be slowing. An ongoing terms of trade boom driven by Asia Pacific economies. And significant domestic inflationary pressures at home."

Accusing the outgoing government of having allowed these pressures to build, Rudd said his five-point plan included incentives to encourage private savings

while tackling skills shortages and infrastructure bottlenecks.

Rudd, who described himself as a fiscal conservative during the election campaign, said producing the budget surplus -- up from the 1.0 percent target of the previous government -- would require discipline.

"That will require a determined, disciplined approach to spending and a hardline-approach to savings," adding that his "razor gang" would cut wasteful spending.

Inflation is expected to exceed the Reserve Bank of Australia's target range of 2-3 percent this year, raising the prospect of further interest rate rises by the central bank.

Rates are at an 11-year high of 6.75 percent after two 25 basis point increases last year, and the effect on mortgage-belt voters is believed to have played a part in the ouster of the previous government.

Rudd noted that the downturn in the economic outlook in the US, Europe and Japan comes as strong growth in the Asia-Pacific region is continuing to drive demand for Australia's rich mineral and energy resources.

"Over coming years, developments in China will increasingly shape both global and Australian economic conditions," he said.

"The Indian economy has become one of our fastest growing export markets and is expected to continue to post impressive rates of economic growth.

"Combined, China and India accounted for around 40 percent of Australia's export value growth in 2006-07."

This economic expansion in the region had heightened the need for careful management of the domestic economy, he said.

"And the most pressing economic challenge domestically is inflation."