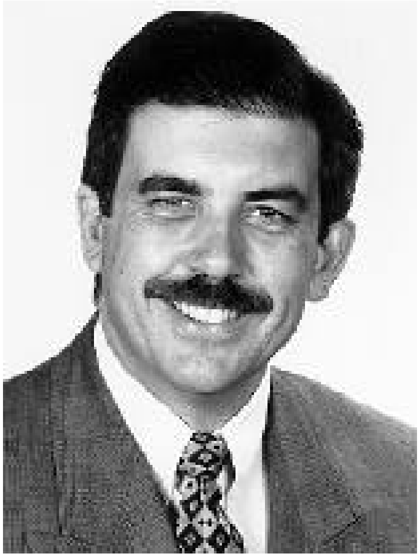

Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 20 October 1998

MINISTERIAL STATEMENT

Japanese Economy

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (9.46 a.m.), by leave: Last week, accompanied by senior executives of the Queensland Treasury Corporation, I met with senior bankers, economists and business leaders in Singapore, Hong Kong and Tokyo. These business leaders are not up-beat about short-term prospects for the region. In fact, while official Japanese Government figures suggest economic growth this financial year of negative 1.8%, Japanese economists expect growth in the current fiscal year to plunge as low as negative 3.2% and, at best, in the next year "recover" to only zero growth.

This, in the second largest economy in the world and Queensland's largest single trading partner, is not good news for the global economy nor for us. If the $A900 billion bank rescue that the Japanese Government is proposing is successful, if America does not slip into recession and if there is not a worldwide credit crunch, there are reasonable prospects for recovery for Japan. Elsewhere in the region other leading economies such as those of Singapore and Hong Kong are now convinced that Japan will not lead any regional economic recovery, and are themselves downgrading growth forecasts.

Already there has been a flight of capital from developing economies which has impacted negatively on the ability of our trading partners in the region to stimulate their economies. Already there has been a marked tightening in credit markets, and in some countries we have seen substantial asset deflation. Words such as "bleak" are often used by economists in the region to describe the short-term economic outlook.

Furthermore, we are kidding ourselves if we think that we are immune to the economic contagion gripping our region. However, Queensland has fared better than most. In fact, Queensland is proving itself remarkably resilient in troubled economic times. Our forecast economic growth rate this year of 3.5%—although down on recent years—is the envy of the region. The Queensland Treasury Corporation—the body which raises debt on behalf of State Government instrumentalities— is able to offer investors seeking a safe haven bonds which are rated AAA by Standard and Poor's and Moody's and are backed by the guarantee of a Government with negative net debt. This makes the QTC—like the Government that guarantees its debt—almost unique in the region.

Queensland's future economic growth will be underwritten by a Government which is committed to strong and sustainable levels of infrastructure spending—spending which will create jobs and increase the wealth of all Queenslanders. Most importantly, our future will be underwritten by being an increasingly outward looking and constructive member of our region. Much of our current economic growth is—some would say surprisingly— underwritten by continued high levels of exports to Asia. This is because with a lower Australian dollar and efficient industries our commodity exports are attractive to our regional partners who are trying to trade their way out of difficulty. Our low cost of operations allows us in many cases to replace lost price premiums with increased sales volumes.

The world economy is in uncharted waters. Japan's Government is running a massive deficit spending program in an attempt to salvage its economy, while the US Federal Reserve has twice cut interest rates in an attempt to stave off slowing growth in the world's largest economy. My recent visit through the region was at times a very sobering experience, but there were two key points that need to be stressed. Firstly, we are entering very tough economic times—in a world of uncertainty and a region of negative growth, with Taiwan and China the only glimmers of light. But secondly and most importantly, Queensland is better placed than most to weather the economic storm and be well positioned to grow strongly as the region recovers.