

Rudd refuses comment firmly on economy

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Prime Minister Kevin Rudd has refused to say whether Australia's economy is slowing too rapidly.

Economic data showing a slump in housing approvals, weak retail spending, and consumer and business pessimism have led to calls for a cut in interest rates, presently at 12-year highs.

Asked whether the economy was slowing too quickly, Mr Rudd told ABC Radio: "We believe that when it comes to budget policy, we have done the right thing, it is the right course of action.

"And as I said, a \$22 billion surplus is the best way you can position this economy going forward. It gives you a buffer for the future."

Monetary policy remained the preserve of the central bank, Mr Rudd said.

"If you start to have governments preaching to the Reserve Bank about particular levels of monetary policy at particular times, it is not a good recipe for the long-term future, because then you have the monetary authorities subject to day-to-day political pressure."

Australia was well placed to deal with difficult global economic conditions.

"The bottom line is we have an impact on the global economy flowing through to Australia from the credit crisis coming out of the US sub-prime," he said.

"We have had the further shock to the economy coming off the back of the global oil shock, the biggest that we've seen since the 1970s.

"The key challenge is that we have a course, a pathway through this, and that's got to be built on a strong approach to budget policy and a strong approach to long-term economic reform so that we can come through this in better shape."

Mr Rudd admitted that the economy was slowing and predicted tougher times for family budgets.

"It's obviously happening out there," he told Fairfax Radio Network.

"The big challenge is, as you know, getting the balance right between not having an economy which is plagued by high levels of inflation forcing interest rates up over the long-term, while at the same time ensuring enough activity continues to be generated in the economy.

"We have got our (fiscal) settings as right as we can, but it is going to be tough - tough in the sense of the impact on people's family budgets."

Mr Rudd refused to say whether Australians should brace themselves for job losses as the economy continued to slow.

"We have had inflation running at 16-year highs as of when we came into office. That then flows into interest rates, and we have had 12 of those on the trot going up.

"That then affects the level of activity in the economy, and that in turn affects, ultimately, employment.

"(But) when it comes to the statistics provided by the ABS (Australian Bureau of Statistics), it is not appropriate for politicians or prime ministers to speculate on future data."

Source: theage