

## **'Good Position', but More Economic Pain to Come: Swan**

September 22, 2008

Treasurer Wayne Swan has warned Australia should expect further market volatility worldwide as economic instability continues, but says the country is in an "enviable" position.

In a ministerial statement to Federal Parliament today, Mr Swan said that although the recent rebound in markets is welcome, there may still be more uncertainty to come which would affect global confidence and growth.

"We should not imagine that all will now be calm in the international financial system," he said.

"Financial crises are unpredictable and there will undoubtedly be further unpleasant surprises and further volatility over the period ahead as the remaining losses are worked through the system."

Global markets rallied late last week after the US Government injected over \$200 billion into its banking system and issued a ban on the risky practice of short term selling.

Mr Swan acknowledged that investments and superannuation have been affected by global events but said the country's superannuation system is strong and economic growth solid.

The Government is taking further action to shore up the Australian economy such as legislating against short-selling and further regulations of consumer credit regulations.

Mr Swan also reiterated that Australia is not as affected as the US, where the subprime crisis has hit banks hard.

"Australia's largest four banks are among only 12 of the world's top 100 banks with a credit rating of AA or above," he said.

"In Australia subprime mortgages account for only 1 per cent of the mortgage market compared with around 15 per cent in the US."

Mr Swan also welcomed the ban on short-selling in Australia and said the Government would not tolerate market manipulation.

His statement came after a Question Time in which both the Government and Opposition sought to land blows on each other over economic policy and management.

The Opposition attempted to blame the Government for this morning's delay in the opening of the Australian Stock Exchange.

Opposition Leader Malcolm Turnbull accused the Government of having three different positions on short-selling in three days.

"The Australian stock market had to close for one hour today to sort out the confusion created by [Prime Minister Kevin Rudd's] policy gyrations," he said.

"Is the Prime Minister still sure that this is a great time to leave town?"

Short-selling involves the borrowing of shares or securities which are sold in expectation that the price will drop.

After the price drops, the assets are bought back and returned while the seller keeps the difference.

However Mr Rudd accused the Opposition of undermining confidence in the Australian Securities and Investment Commission (ASIC).

"I would suggest to the Leader of the Opposition that a responsible course of action at a time like this is to back our institutions, rather than simply engage in the politically opportunistic course of action which is to simply have a flick at them on the way through," he said.

Mr Rudd has been criticised for his planned trip to the US this week where he will lobby for a seat on the UN Security Council and meet with the chairman of the New York Federal Reserve.

**Source: ABC News**