

# Global Financial Crisis: Impacts and Australia's Response

## Business Forum Luncheon

Friday 17<sup>th</sup> October

### Opening Comments (Heather Ridout)

Prime Minister, Treasurer, Assistant Treasurer, Ministers, ladies and gentlemen.

Thank you for joining us today at such short notice at a special Australian Industry Group lunch to discuss the global economic downturn which has rapidly engulfed us.

The Prime Minister and his senior economic team have joined us today for a frank dialogue about the impact of the financial crisis; in particular the dramatic developments over the past few weeks; and the indications of what is to come.

Prime Minister, in this room we have representatives and leaders of industry, large and small and from the full range of sectors across the economy.

Australian business is perplexed by the recent developments.

- While it is far from universal, for some, **current** conditions still appear relatively healthy.
- For some, particularly those in or connected to the mining and engineering construction sectors, the very buoyant times apparently continuing.
- In contrast, many other sectors businesses have been undergoing more severe adjustments as the housing sector has remained sluggish; as competitive pressures have taken their toll; and as interest rates and input costs have squeezed margins.

The current crisis overlays a slowing – but still two-speed – economy.

At a global level it is becoming clear that we are confronting a once-in-a-lifetime economic upheaval. The financial crisis has spread and is continuing to extend into the real economy. The IMF last week said that the major economies of North America, Europe, Japan and South-East Asia are in or are close to recession.

It is also clear that we are not immune and that Australia too faces a significant downturn in domestic economic activity.

Over the past week, the Australian Industry Group has taken soundings directly from members from around the country about the challenges they face. Some clear messages have been coming through:

- Access to capital – or the lack of it – is significant. For many the credit crunch has hit hard. Banks are increasingly reluctant to lend. Or further borrowing is too expensive to be a realistic proposition.

- Some projects that are not already financially secured are being cancelled or suspended. Forward orders are tapering off. Some report little or nothing on their books after Christmas.
- Investment plans are being put on hold.
- In some sectors, year-on-year sales are down in the double digits.
- Many report that competitors or partners show all the signs of closing up. One member recounted a conversation with a long-time partner who told him he had started his business 35 years ago with only his toolbox and now expected to go home at the end of next week with just his toolbox to show for all his effort.
- Exporters face declining markets. There are reports of ships being turned around fully-laden back to Australia. China's economic activity appears to be slowing.

From a trade perspective in times like these the roles of organisations such as EFIC come into their own. It is important for EFIC to be able to provide additional support for Trade finance and insurance for Australian Exporters to avoid potential serious disruption to trade flows.

Prime Minister, the Ai Group has welcomed the steps taken so far by the Government to address the situation.

The measures announced earlier this week – that now seems such a long time ago – were targeted, timely and temporary. They deserve support.

Today I hope the Ai Group members here will be able to hear directly about the steps already taken, the rationale for them and the challenges we face.

The information behind the decision-making process in government is crucial to our members as they seek to make proper decisions and judgements about how to steer their business through this storm.

Today we will hear from the Prime Minister and Treasurer. After their short presentations we will have an open session for questions. We will then have a short break and will then round off the exchange with a closed session to allow for further private discussion.

Prime Minister, Treasurer and the other Ministers present, on behalf of Ai Group may I thank you for your presence here today. I hope what you hear today from our members will give you a clear picture of the world from the perspective of the factory floor.

I would now like to ask the Ai Group Vice President and Country President and Managing Director of Alstom Power, Chris Raine to formally introduce our guests.