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Mine boom tipped to last for decades

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The Reserve Bank has declared the current mining boom can last for decades on the back of China and India.

In an upbeat assessment of the renewed surge in mining operations and resource prices, Reserve deputy governor Ric Battellino used a speech last night on Australian mining booms to argue that the national economy stood to enjoy unprecedented riches.

Mr Battellino said past booms, including the 1850s gold rushes and the recent mineral boom that centred on WA and Queensland, had often ended in tears because of inflation problems, a collapse in commodity prices and an unbalanced national economy.

While mining investment's share of GDP had grown in recent years, it was still well below the level reached in the 1890s and especially the 1850s when the gold rush accounted for more than a third of Australia's national output.

According to Mr Battellino, the biggest advantage for the mining sector now is the floating exchange rate that should ensure inflation remained in check.

This "important degree of flexibility" meant that this boom would be much different to ones long gone.

"In the 30 years since the previous boom, the Australian economy has devel-

oped in ways that should make it better able to accommodate the surge in mining activity that is currently under way," Mr Battellino said.

"The floating exchange rate is a key difference, but goods and labour markets are also more flexible, and the monetary and fiscal policy frameworks are now more soundly based."

Past booms had ended within 15 years, sometimes on the back of resource depletion or domestic developments.

"On this occasion, the growth potential of countries such as China and India suggests that the expansion in resource demand could continue for an extended period, though this will depend at least to some extent on the economic management skills of the authorities in these countries, not to mention our own," Mr Battellino said.

He warned that past booms had ended in inflationary pressures, adding that only after the 1890s boom — when the country was emerging from depression — did inflation not break into double digits.

He made the comments as Treasurer Wayne Swan said the Government would pick and choose from the recommendations made by the Henry tax review, which is due for release in coming weeks.

Mr Swan said tax reform would last a decade or more, playing down suggestions the Government may do everything "straightaway".