

RBA boss says we may have had the worst of crisis

AUSTRALIA'S economy is showing resilience and will ride out the global slowdown better than other countries, says Reserve Bank governor Glenn Stevens.

Mr Stevens said economic growth would be weak in the near term, however he was relatively upbeat about Australia's prospects later in the year.

"There are reasonable grounds at this stage to think that the Australian economy will come through this very difficult episode, certainly not unscathed, but well placed to benefit from a renewed expansion," Mr Stevens told the House of Representatives' standing committee on economics yesterday.

"Things will be difficult over the next year. But as I have said before, the long-run prospects for Australia have deteriorated by as much as we may all be feeling just now."

ANZ boss Mike Smith backed up the governor's sentiment yesterday,

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saying the local recession may not be as deep as some commentators have suggested.

"Although I have said there will be a severe slowdown in Australia, I am less pessimistic than many and I believe there is cause for optimism that the downturn in Australia may not be as deep and as protracted as many now fear," said Mr Smith.

The ANZ chief said the Obama Administration's \$US780 billion (\$A1.2 trillion) fiscal spending program would benefit the Australian economy, but warned that the re-emergence of economic nationalism and 'over-regulation' could derail the recovery.

Adding to his upbeat outlook, Mr Smith said that the pessimism surrounding economic growth in China had also been 'overdone', with government spending likely to boost infrastructure activity.

Mr Stevens was also optimistic about China's future, saying growth there had 'years to run', which would benefit Australia.

He said Australian consumer confidence and spending had held up better than in other countries over recent months and local financial institutions were strong, profitable and able to lend.

He said the deterioration in the international economy had been so rapid that no policy response could have saved Australia's economy from faltering in the near term.

However, Mr Stevens said the Government's fiscal stimulus, interest rate cuts to record lows and lower exchange rate would support demand as the year goes on.

Economists said Mr Stevens' comments indicated the RBA would slow the pace and size of future interest rate cuts, with some saying the central bank could hold off on delivering a rate cut next month.