



There's nothing quite like an Australian summer. We see the worst of our summer in its brutal and indiscriminate devastation – the scorching temperatures and devastating bushfires we've seen across Australia this week. We also see the best of it, with families enjoying the beach or a few coldies on the back deck. It makes living here like no other place on earth.

While our summers of heat and heartbreak are just one thing that sets us apart from the rest of the world, another is the sheer resilience of our economy. Unlike other countries, we have a remarkable set of economic indicators – one of the lowest unemployment rates in the developed world, solid growth, contained inflation, strong business investment and low interest rates.

Summer is also a good time of year to look to the future. As the weight of global growth shifts from west to east, it brings with it an unprecedented wealth of opportunities. But this doesn't come for free – we need to work for it by continuing to put in place the bold reforms that will secure the best opportunities for our kids and grandkids. Just as carbon pricing was bitterly fought, but will secure our clean energy future, the next wave of reforms will also be difficult but just as critical in grasping the opportunities of the Asian Century.

That's why this year we will be putting in place historic reforms to education, implementing a world-class NDIS and building on the five pillars of productivity – skills and education, innovation, infrastructure, tax reform and regulatory reform.

Global Outlook

Today, I begin my fourth visit to Hong Kong as Treasurer before travelling on to the United States. One of Australia's unique advantages is our ability to maintain strong and enduring relationships with the economic powerhouses of both China and the US, whose prospects will continue to be central to the global economy this year and in the years ahead.

I'm optimistic that 2013 will be a better year for the global economy, but this critically depends on policymakers around the world doing the right thing for growth and jobs. One cause of optimism is recent evidence that China's economy appears to be stabilising, after economic conditions moderated in 2012.

While the global economy remains hostage to two familiar downside risks – the fiscal situation in the US and the ongoing sovereign debt crisis in Europe – both sides of the Atlantic have recently made encouraging progress in dealing with these challenges. Over the New Year, the US Congress passed a last minute deal to avoid the full effects of the fiscal cliff. This was very welcome progress and avoided the tax rises and spending cuts that would've sent the US back into recession. However, the protracted negotiations to get there and the uncertainty remaining around their debt ceiling, unresolved spending cuts, and the sustainability of their budget in the long term mean that the US has a lot more work to do to restore confidence. Anything less than a comprehensive deal which addresses all these issues will have a lasting impact on the global economy, with substantial damage having already been done.

In Europe, despite some positive steps, huge challenges remain. European Central Bank action has bought Europe more time to resolve their problems, and initial progress has been made in forging a banking union, but many European governments need to put in place longer-term reforms while sustaining jobs and growth. The painful impact of the crisis on European households is evident in data out this week, which showed Europe's unemployment rate rising to a record high of 11.8 per cent in November, more than double the level we've got here in Australia. This underscores the burning need for economic growth and job creation in Europe, while policymakers work to reduce their unsustainable debt levels over time.

Reforms to Secure our Future

I've often said the whole purpose of building economic prosperity is the capacity it creates to help improve people's lives. As a country, we have achieved much over the past five years. We avoided recession, rebuilt after some of the most costly natural disasters in our history and our economy remains a beacon of resilience. The real benefit of getting the big calls right at the toughest moments and keeping Australians in jobs has been the capacity it's given us to put in place the reforms that our country can be proud of.

Hard fought reforms like pricing carbon, building the NBN, or huge reforms in health, aged care, mental health, taking a million taxpayers out of the system by tripling the tax-free threshold, paid parental leave, the Schoolkids Bonus or the biggest boost to the pension this country has ever seen.

Over the next five years, as the economic weight of the world continues to tilt towards Asia, we are in the box seat to take advantage of the opportunities that will flow our way. While Australia is in the right place at the right time, we can't assume a prosperous future will simply happen for us, so we need to put in place the reforms that will ensure our economy remains resilient and responsive to global challenges.

I look forward to 2013 being a year that focuses on the big reforms that are so important to our nation's future and a national economic conversation that focuses on our future based on the facts, not what sounds good on the nightly news.

Our National Plan for School Improvement will ensure the children of today have the high-skill, high-wage jobs of the future. As the Prime Minister said, to win the economic race, we must first win the education race. As we move into the Asian century, we won't have a prosperous economy if the skills of our workforce lag behind our region and the rest of the world – we must do better. Our goal of having Australian schools back in the top five schooling systems in the world by 2025 is ambitious, but essential to ensure our future economic success.

We will launch the first stage of the NDIS in 2013, one of the biggest social reforms our country has seen. For too long, successive Governments have shunned the opportunity to reform disability services, leaving people with a significant and permanent disability and their families behind. This Government is changing that, working with State Governments and the disability sector to deliver an NDIS that will ensure the level of support someone receives doesn't depend on where they live, and will give them the choice and control they deserve.

That's the purpose of a strong, resilient economy – to put in place reforms that ensure we're taking everyone with us, and lock in prosperity for the generations that follow.

The Strength of our People

This weekend marks the second anniversary of the Queensland floods, a catastrophe which took the lives of 35 people and caused immense hardship to tens of thousands of others. It's hard to imagine it's only been two years since the Mud Army donned their gumboots and picked up their brooms to help their neighbours, friends and complete strangers deal with the devastation of losing everything. It comes at a time when, this weekend, bushfires are raging in almost every state.

Whether it's floods or fire, cyclone or storm – the Australian spirit is never stronger than when we face these kinds of events together. We instinctively know that we're stronger together, that when everyone gets the help they need, especially when they're doing it so tough, we're all better off. The strength of our people has been on display this summer as we bank together to tackle bushfires that have again ravaged our landscape, particularly in Tasmania. Our thoughts remain with those whose homes and properties are at risk and our thanks are with the fire personnel and other brave volunteers who battle these trying conditions this week.

Wayne Swan

Deputy Prime Minister and Treasurer

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