

ECONOMIC

Too little too late

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While economists regard the Rudd Government's announced five-point, anti-inflationary package as positive, it's not expected to be a threshold issue for the Reserve Bank.

There are no hard specifics as to where savings will come from, but Labor expects spending cuts to deliver a budget surplus of \$17.9 billion.

Labor's plans to address the home-ownership affordability crisis follows international survey revelations that Australia is the country with the most cities - 18 - listed in the survey's top 50 most unaffordable housing markets.

Underlying sentiment within a speech delivered by RBA's governor Glenn Stevens in London last Friday suggests the bias remains on interest rates going up. Steven's decision will be impacted by recent independent increases to variable mortgage interest rates by Australia's top five banks. But whether he thinks an immediate interest rate rise is warranted may depend on the latest survey of inflation in consumer prices due out later this week.

With All Ords down in early trading today, Australian sharemarket is poised to extend its 10-day losing streak which has shaved \$130 billion off market value. Fuelling further losses were revelations that Investment bank Merrill Lynch had followed its third quarter US\$8.4 billion blowout (due to heavy writedowns totaling US\$16.5 billion worth of sub prime mortgages and bonds) with an annual net loss of US\$9.8 billion.

Meantime, US and local commentators agree President George Bush's \$US150 billion (\$171 billion) rescue package have not gone far enough to allay investor fear that a weakening US and, possibly, global economy would reduce corporate earnings. Not surprisingly, Wall Street investment bank Goldman Sachs recently joined two others, Morgan Stanley and Merrill Lynch, to issue a forecast of recession.

Mark Story