

Government to inject economic stimulus by accelerating infrastructure spend

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The government is responding to increasing concern about the faltering economy by bringing forward A\$3.8 billion of infrastructure investment into the next four years, including \$1.8 billion for the current and next financial years.

Scott Morrison will outline the infrastructure move in a speech to the Business Council of Australia on Wednesday night, while insisting the government is not panicking about Australia's economic conditions.

The government's action follows increasing calls for some stimulus, with concern the tax cuts have not flowed through strongly enough to spending.

The just-released minutes of the last Reserve Bank meeting show the bank seriously considered another rate cut at its November meeting but held off, partly because it thought that might not have the desired effect. Reserve Bank governor Philip Lowe has previously urged more spending on infrastructure.

Morrison is making appearances in various states to publicise the government's infrastructure plans.

The infrastructure bring-forward over the coming 18 months is \$1.27 billion plus \$510 million in extra funding. Over the forward estimates, the bring-forward is \$2.72 billion plus \$1.06 billion in additional funding.

The government's latest action means since the election it will have injected an extra \$9.5 billion into the economy for 2019-20 and 2020-21. This comprises \$7.2 billion in tax relief, \$1.8 billion in infrastructure bring-forwards and additional projects, and \$550 million in drought assistance to communities.

In his BCA speech, draft extracts of which have been released, Morrison is expected to say that "a panicked reaction to contemporary challenges would amount to a serious misdiagnosis of our

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economic situation”.

“A responsible and sensible government does not run the country as if it is constantly at DEFCON1 the whole time, whether on the economy or any other issue. It deals with issues practically and soberly.”

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He will say that notwithstanding the headwinds, including the drought which has cut farm production, the economy has continued to grow, and is forecast to “gradually pick up from here” with jobs growth remaining solid.

“Against this backdrop, it would be reckless to discard the disciplined policy framework that has steered us through many difficult periods, most recently and most significantly the end of the mining investment boom, which posed an even greater threat to our economy than the GFC.”

The projected return to surplus this financial year would be a “significant achievement”.

Lauding the government’s legislated tax relief, Morrison will say. “Our response to the economic challenges our nation faces has been a structural investment in Australian aspiration, backed by responsible economic management.”

Read more: [*Why we've the weakest economy since the global financial crisis, with few clear ways out*](#)

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Morrison's infrastructure bring-forwards follow his post election approach to the states asking for projects that could be accelerated.

As a result of this process we have been able to bring forward \$3.8 billion of investment into the next four years, including \$1.8 billion to be spent this year and next year alone.

This will support the economy in two ways – by accelerating construction activity and supporting jobs in the near term and by reaping longer run productivity gains sooner.

Every state and territory will benefit, with significant transport projects to be accelerated in all jurisdictions – all within the context of our \$100 billion ten-year infrastructure investment plan.

This bring forward of investment is in addition to the new infrastructure commitments we have made in drought-affected rural communities since the election.

In his address Morrison is also expected to announce the first stages of the government's latest deregulation agenda, aimed at enabling business investment projects to begin faster.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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