

# The supercycle in demand, and its challenges and opportunities for indigenous Australia

**ACCESS ECONOMICS**

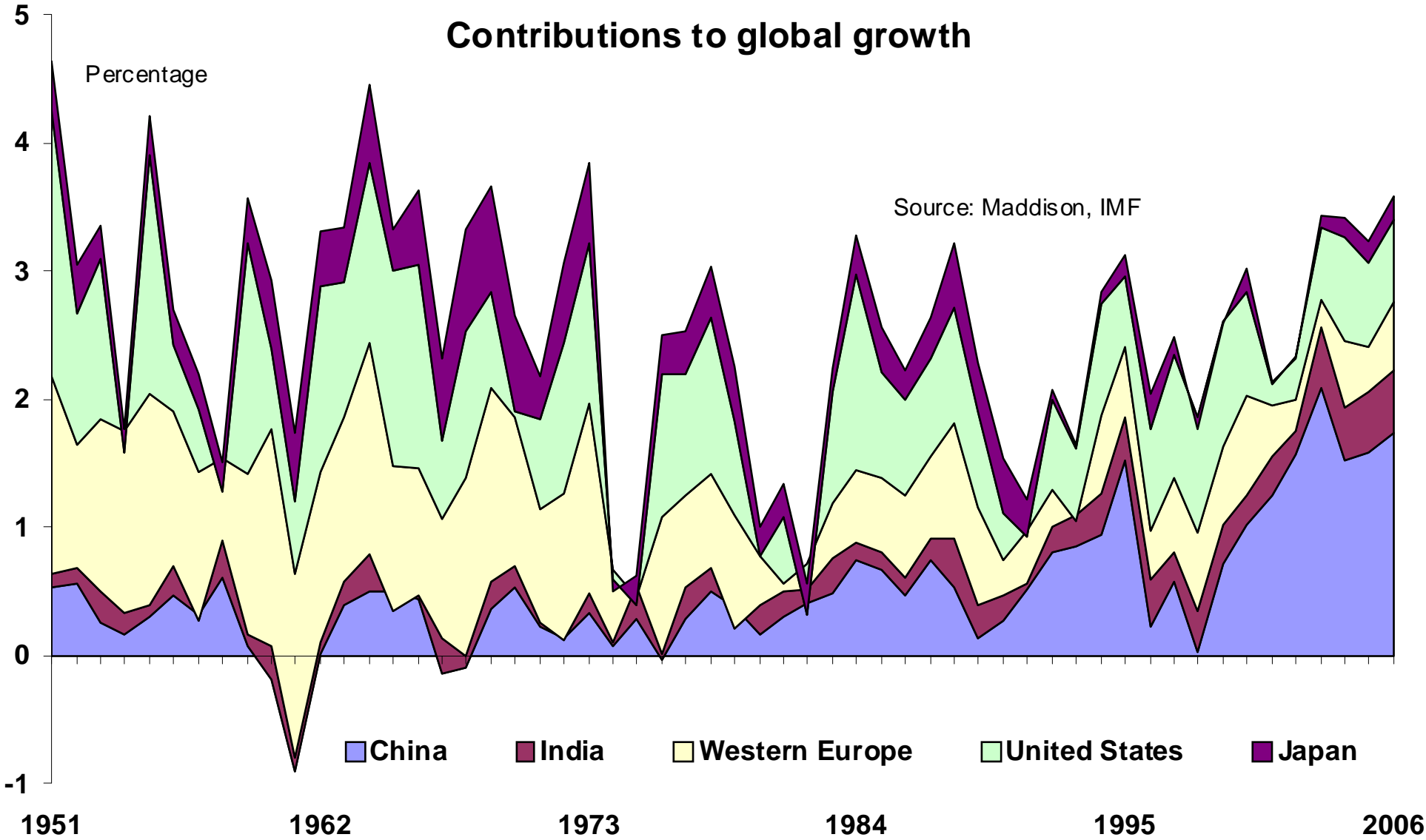
**2 November 2007**



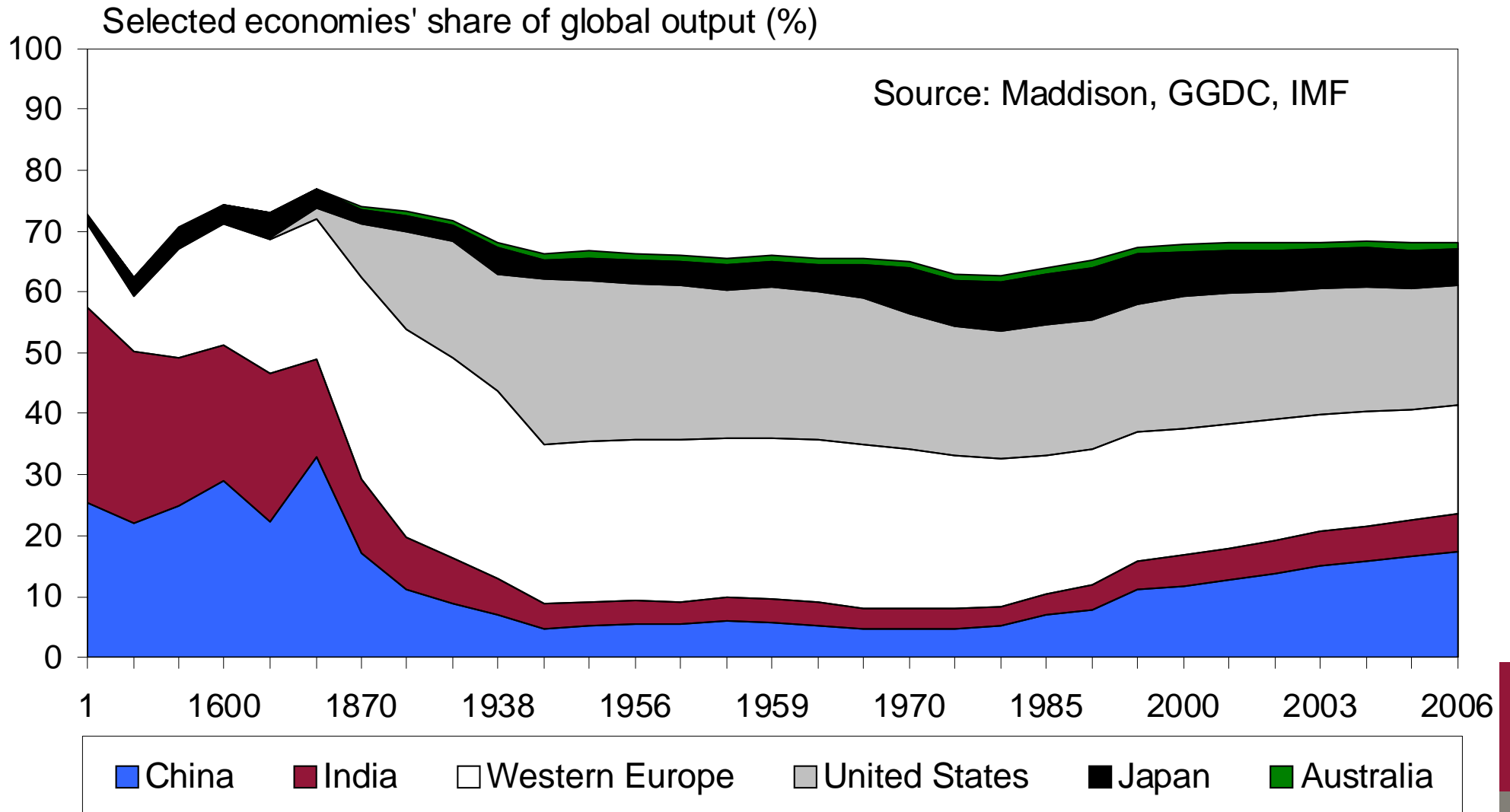
# Global demand



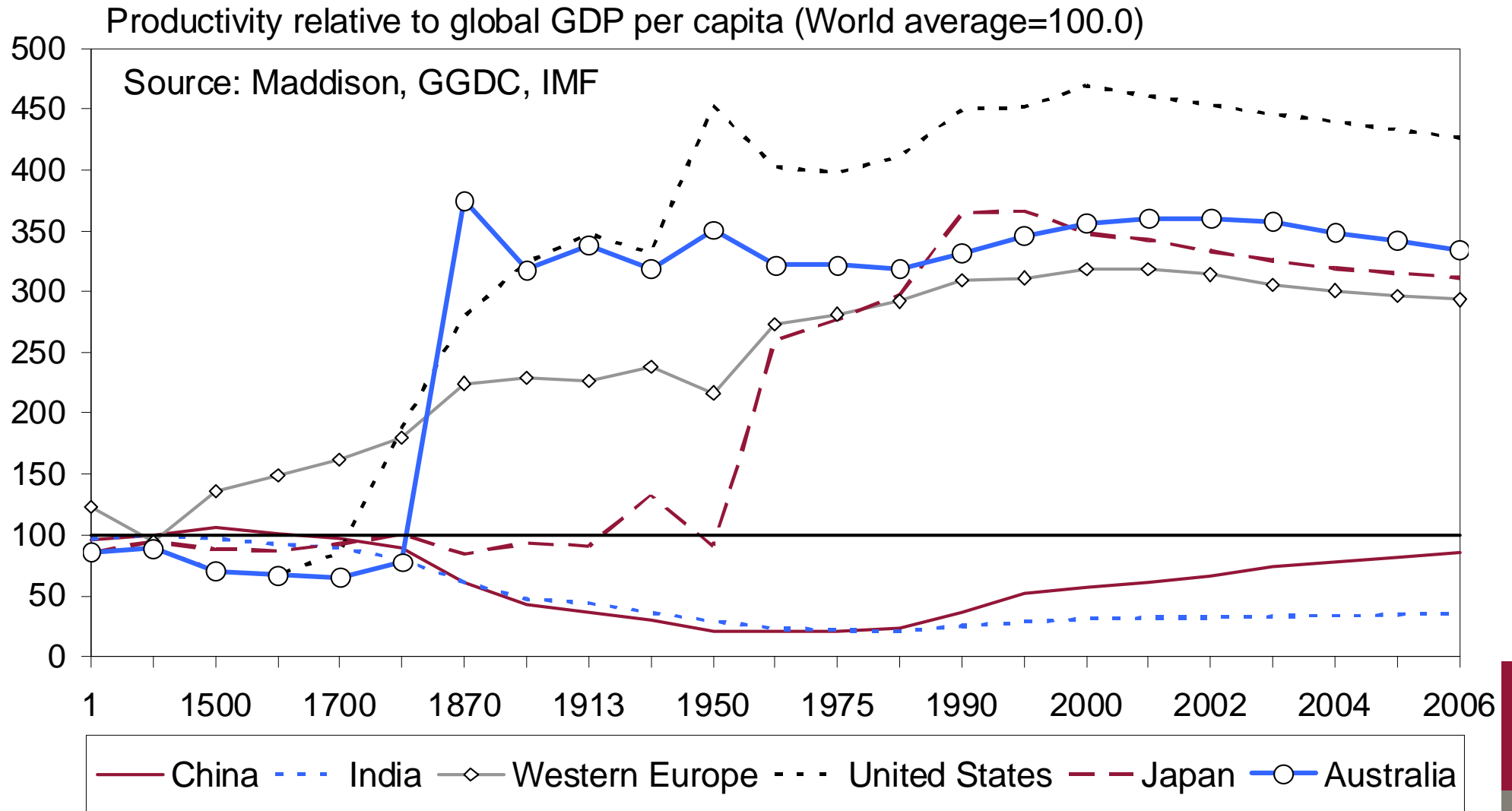
# China takes the driver's seat



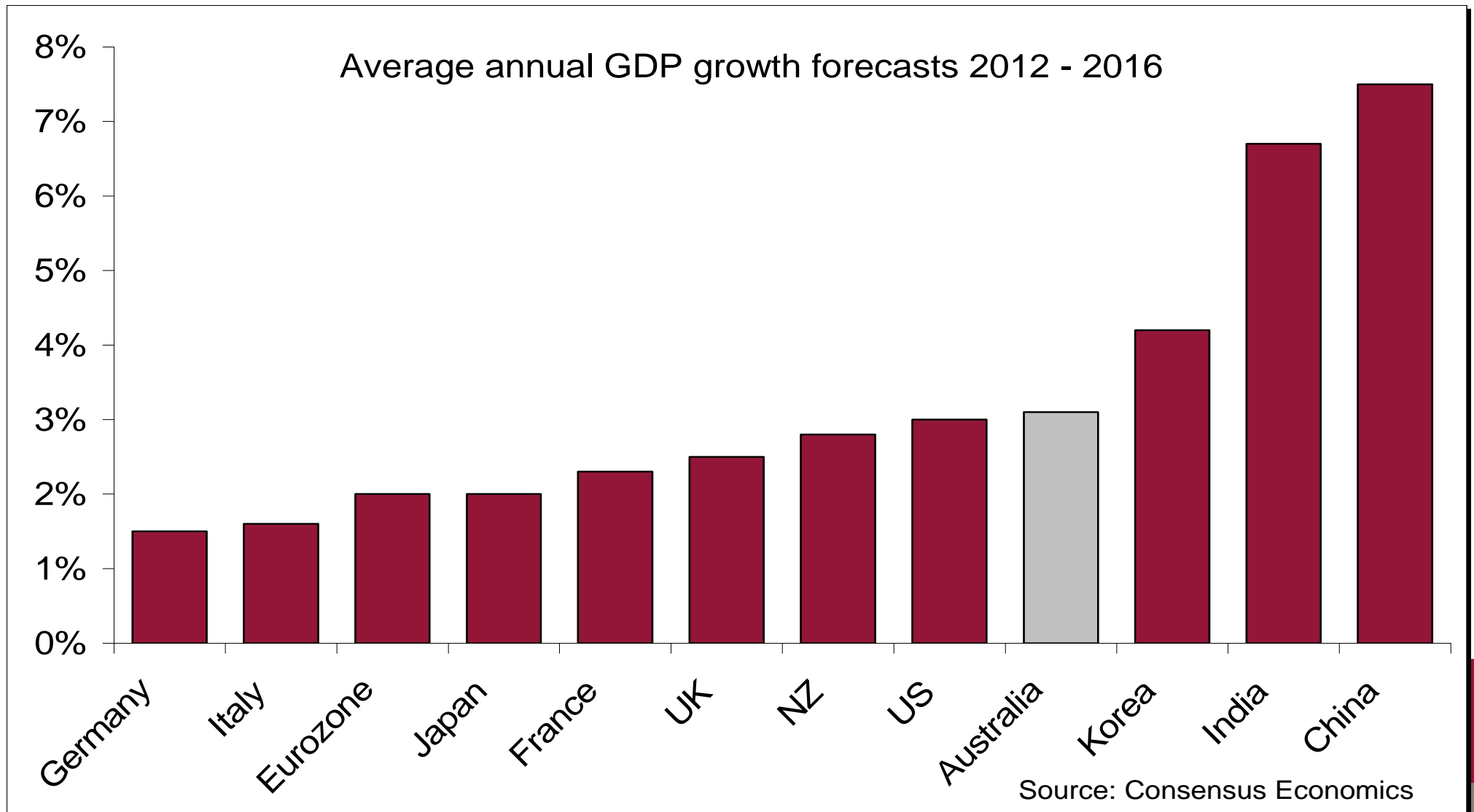
# History reverts



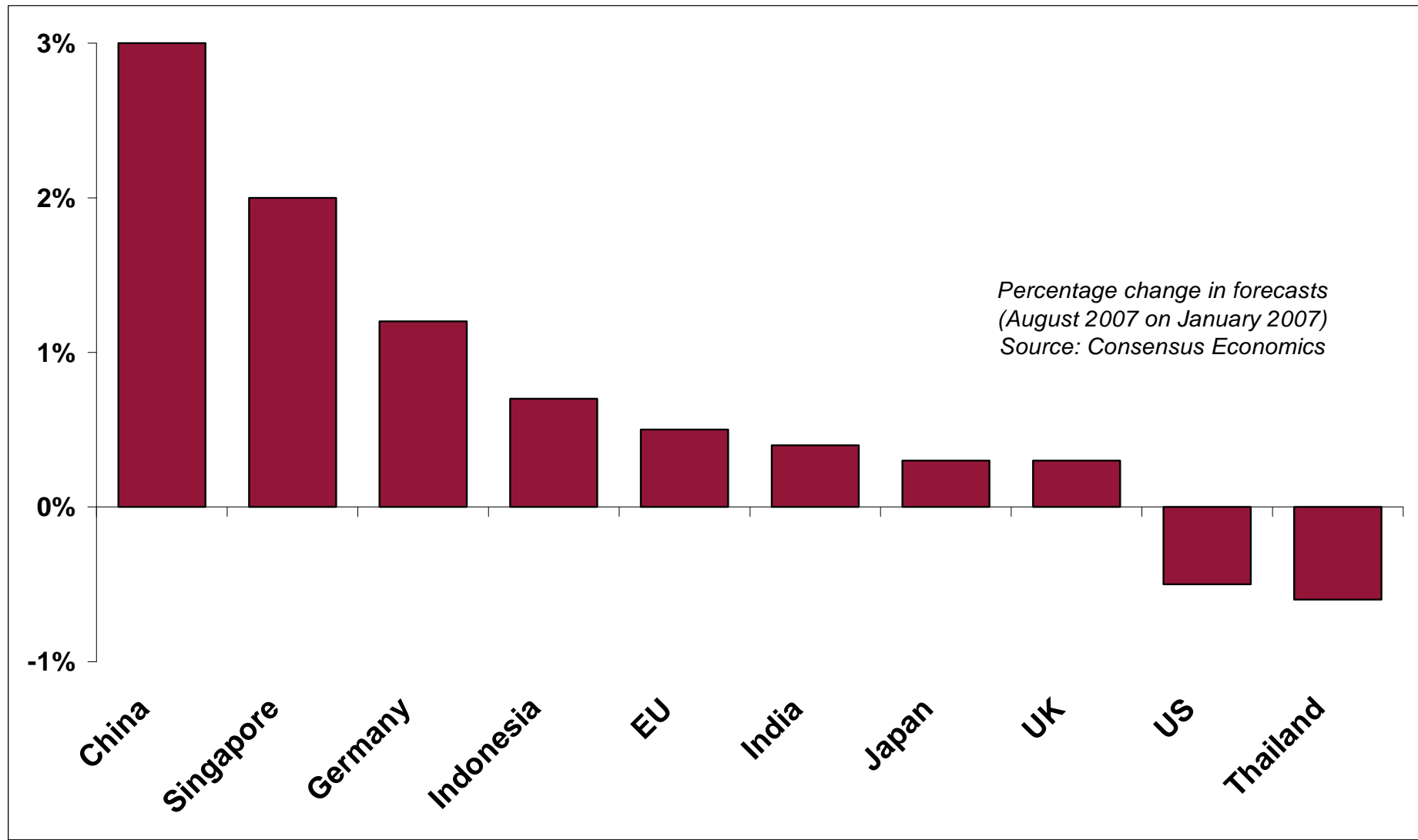
# As productivity miracle moves on



# Benefiting Australia as well as the developing world



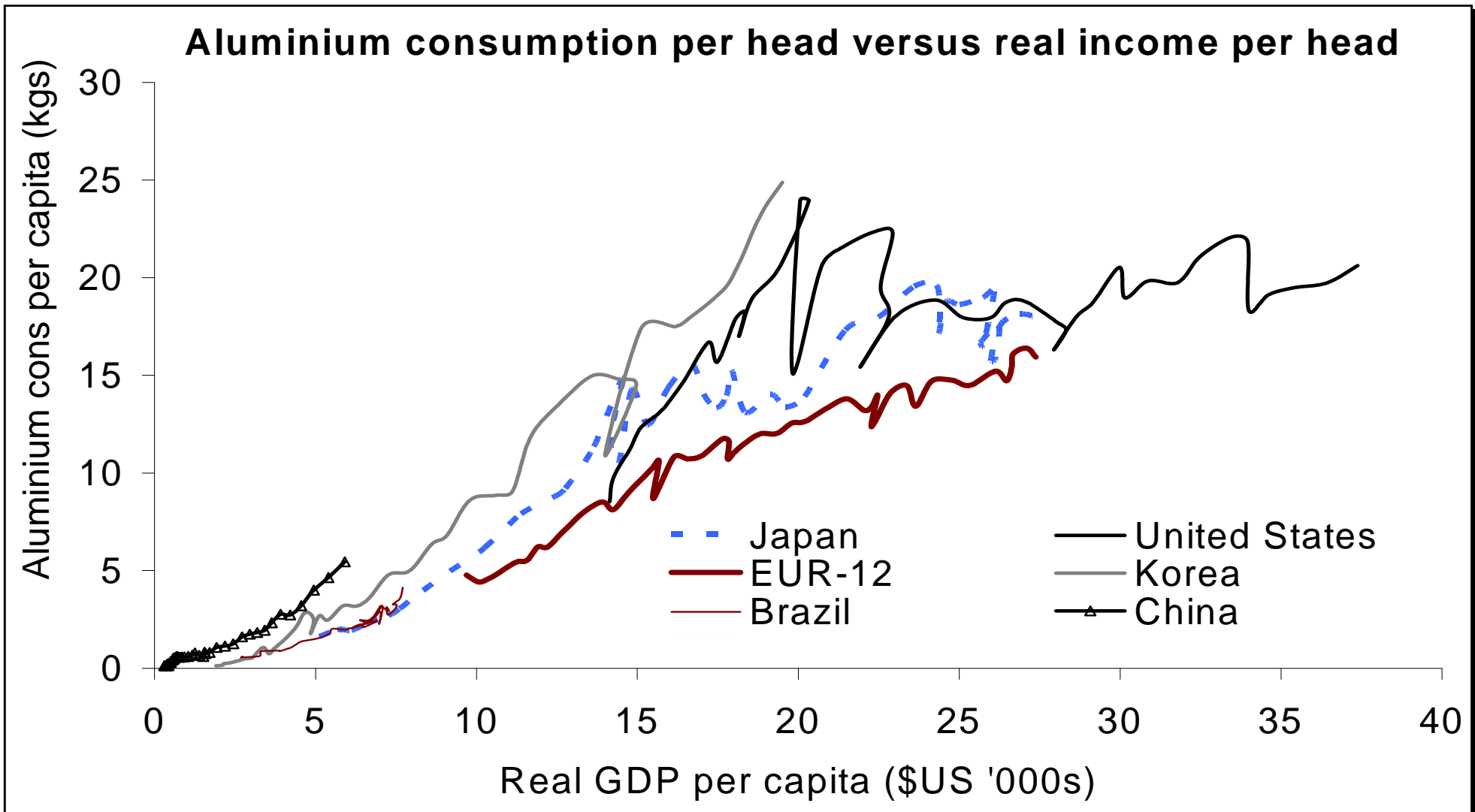
# The story of 2007 is China's acceleration more than it is about the US slowdown



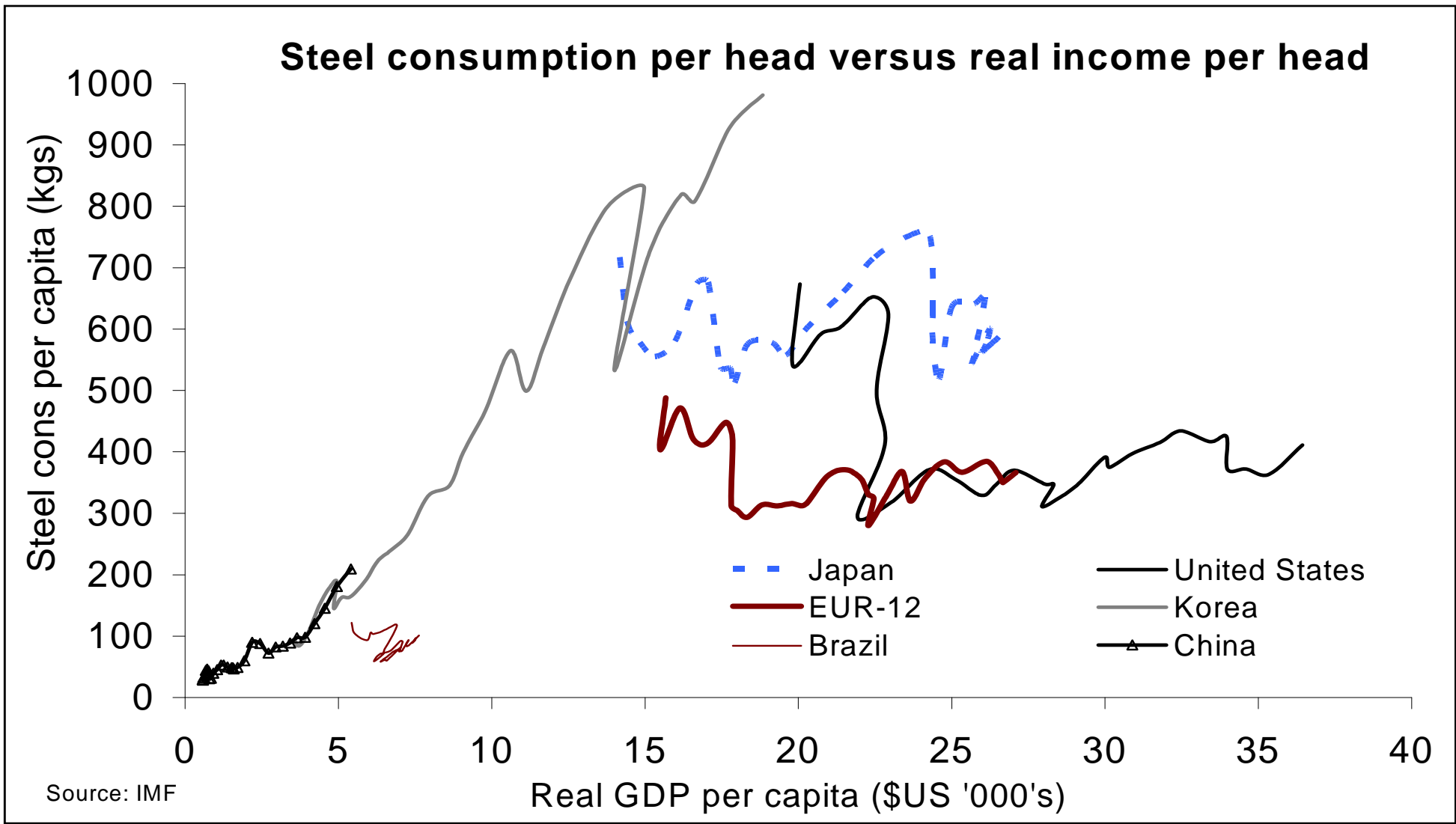
# Commodity demand



# So commodity demand continues to leap ...



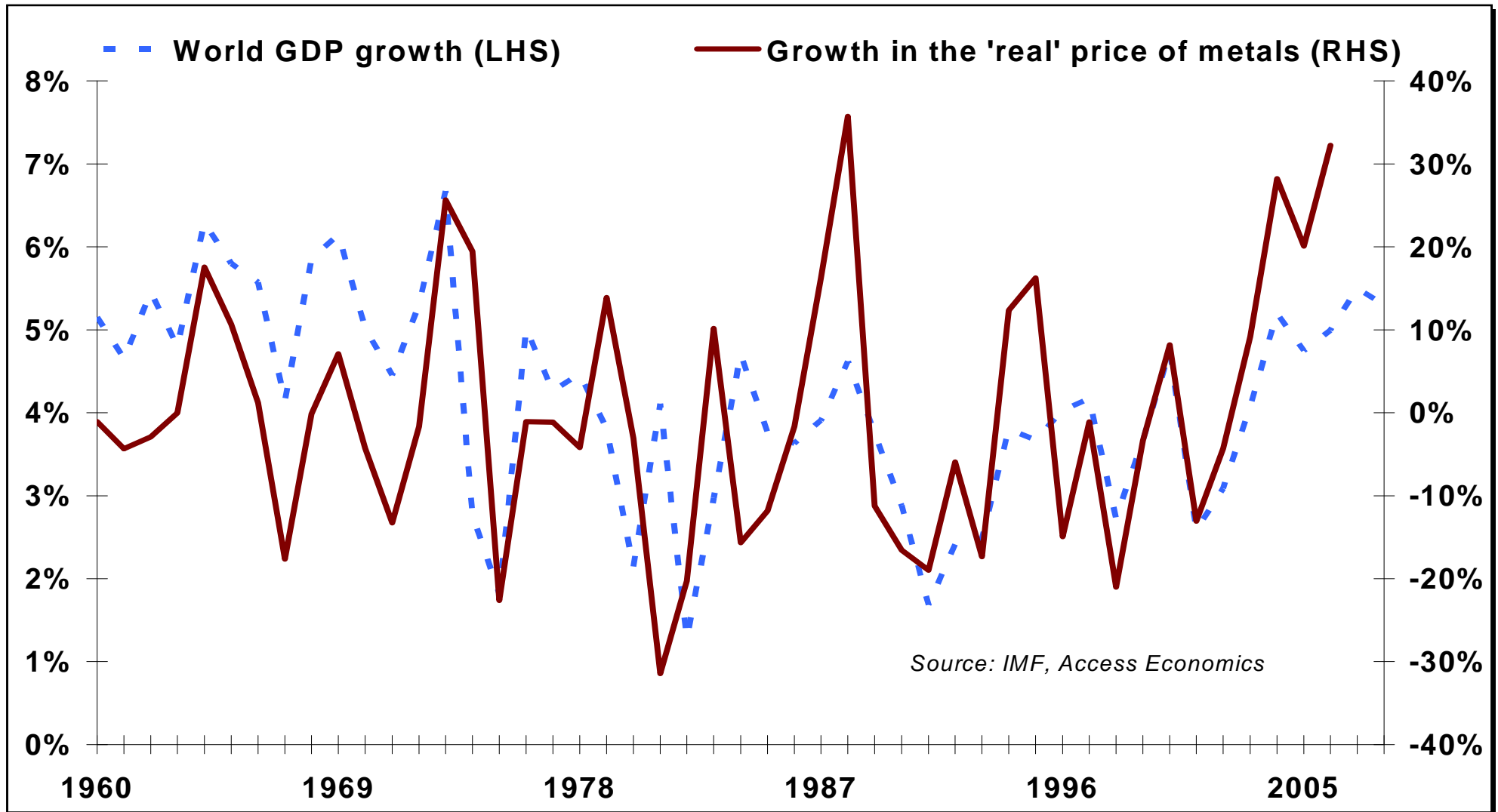
# ... and leap



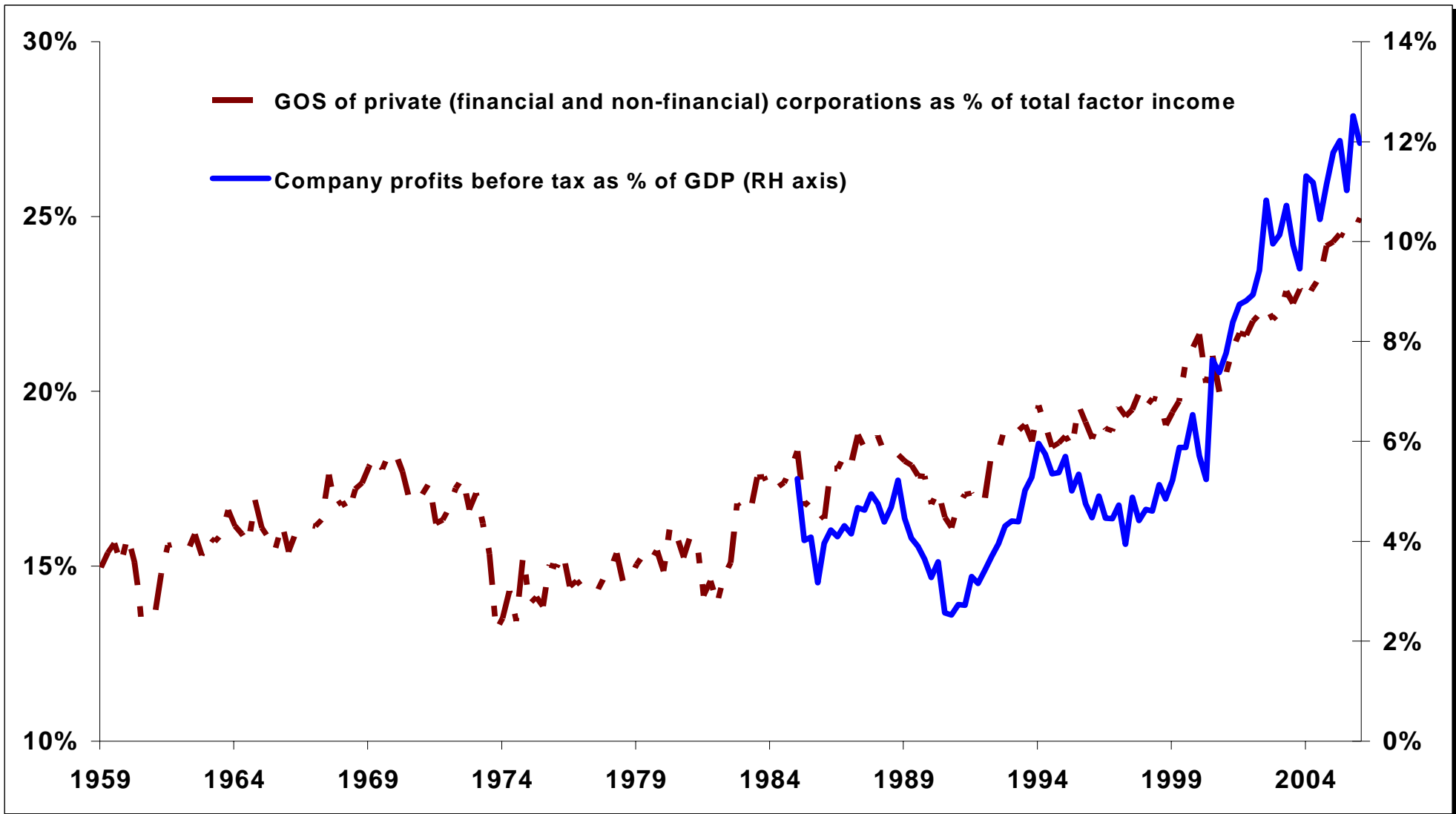
# Price



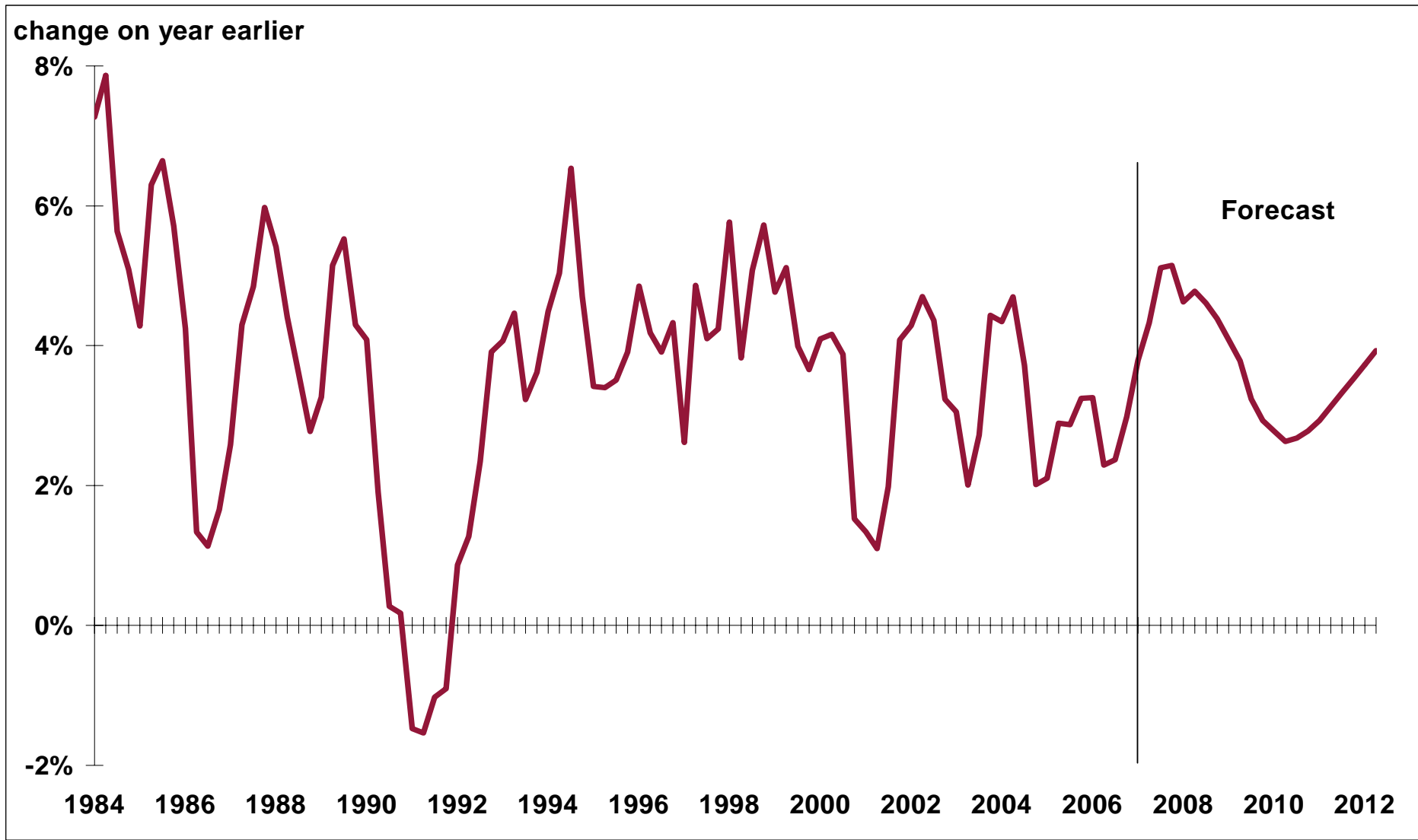
# There is a boom in both demand and price



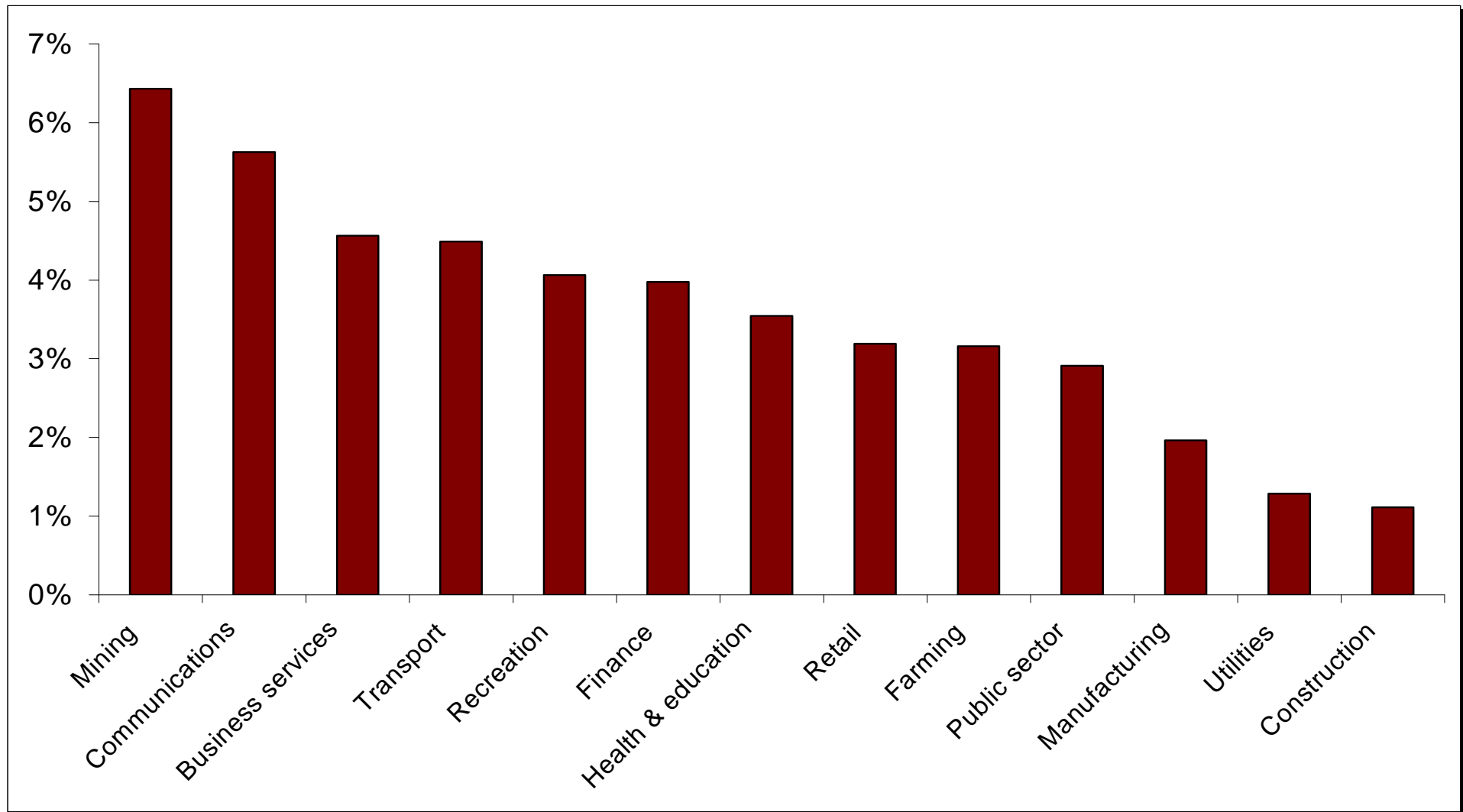
# Sparking a (related) lift in profits and the \$A



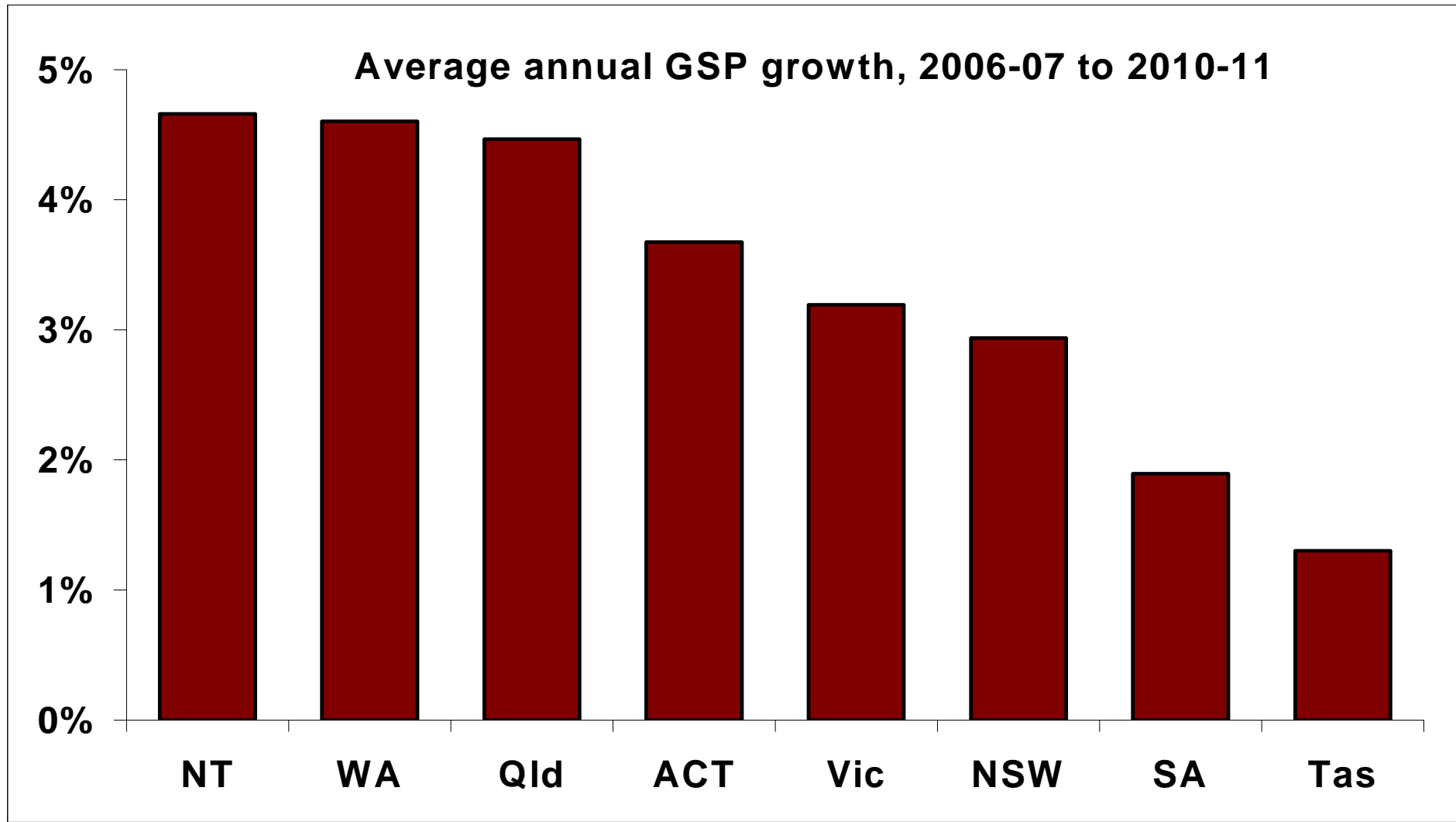
# The long term impact of increased quantities of resource sales is great for Australia



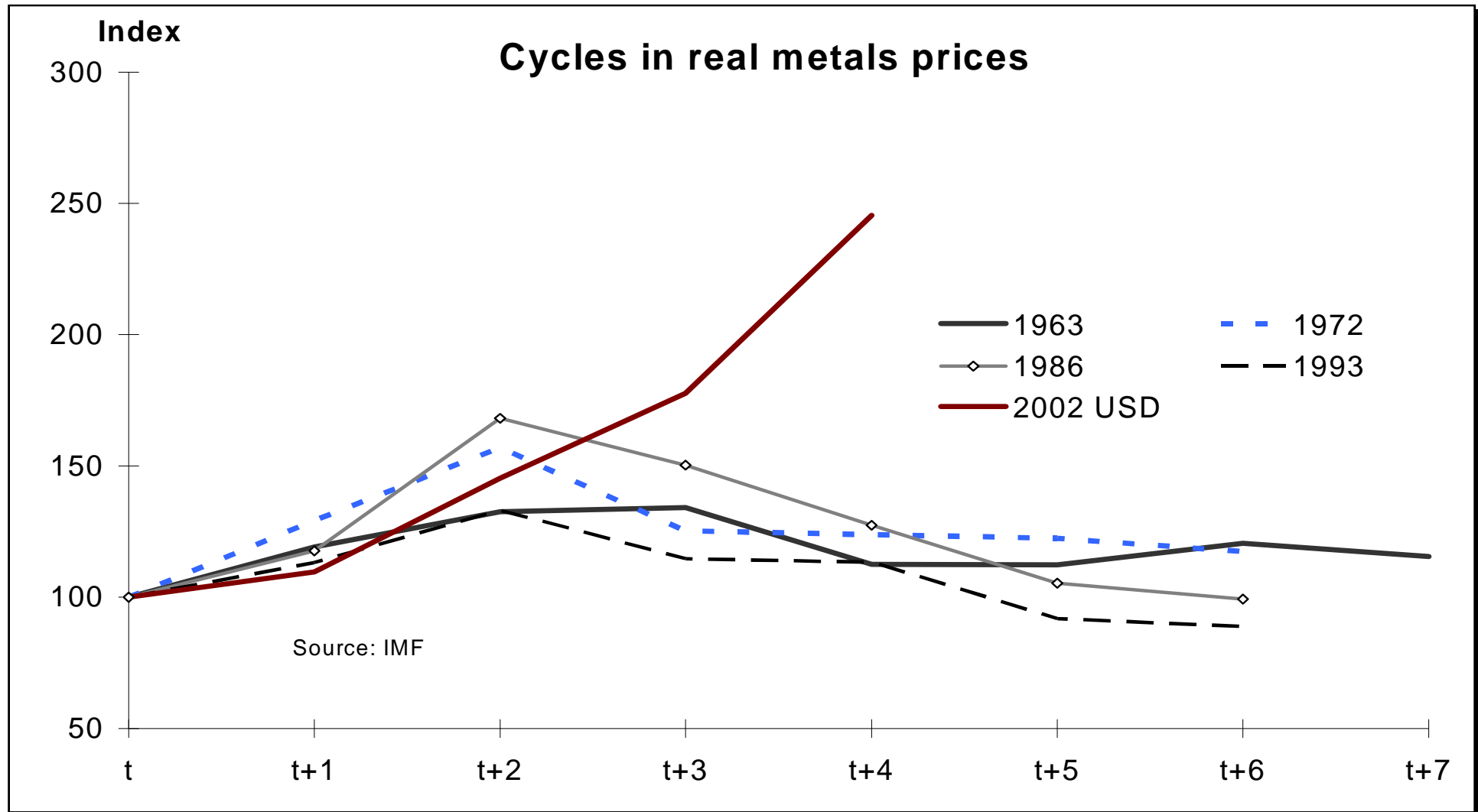
# Hence output (volume) growth – as mining takes the baton from construction



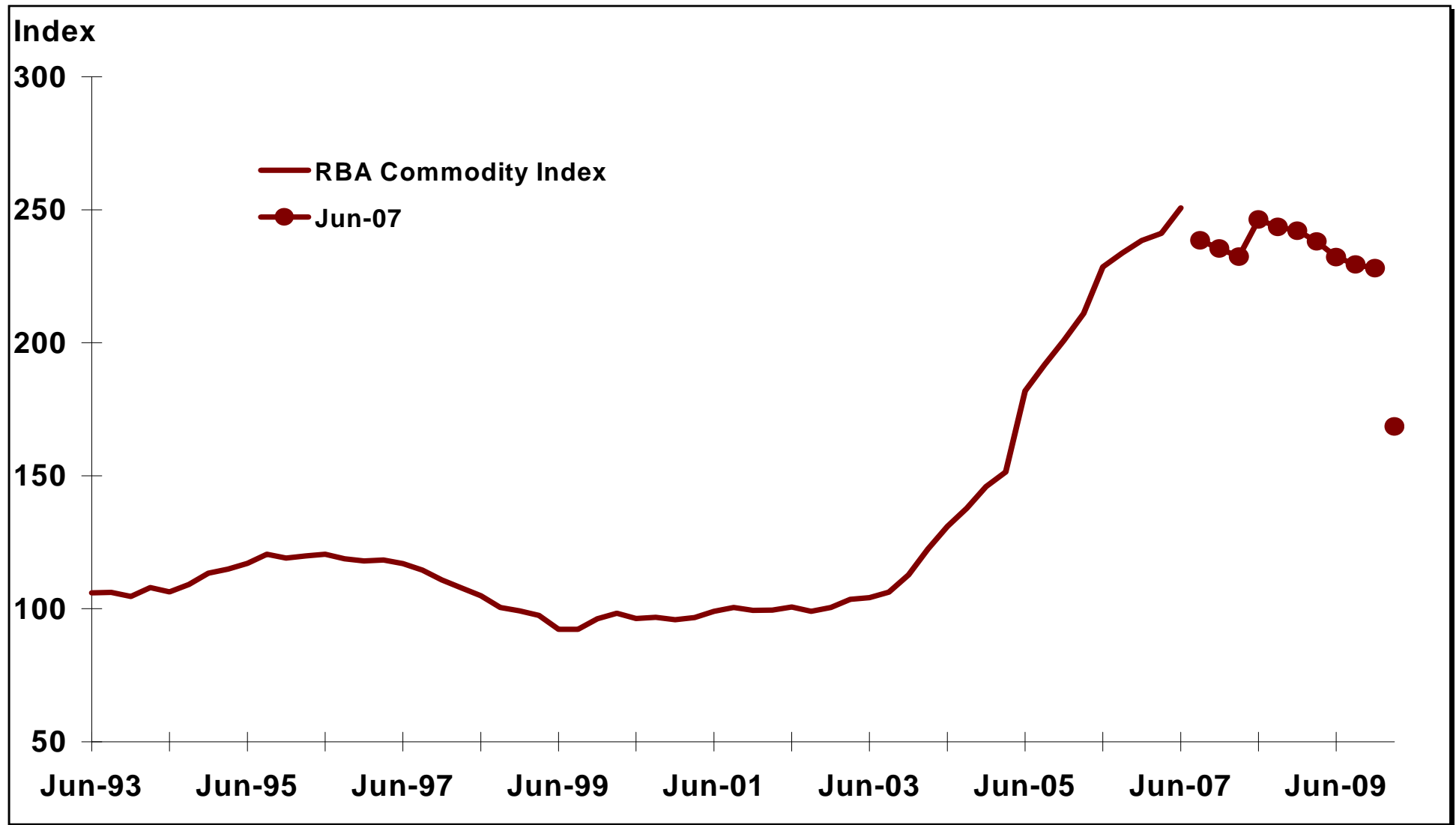
# With the 'sun belt' dominant



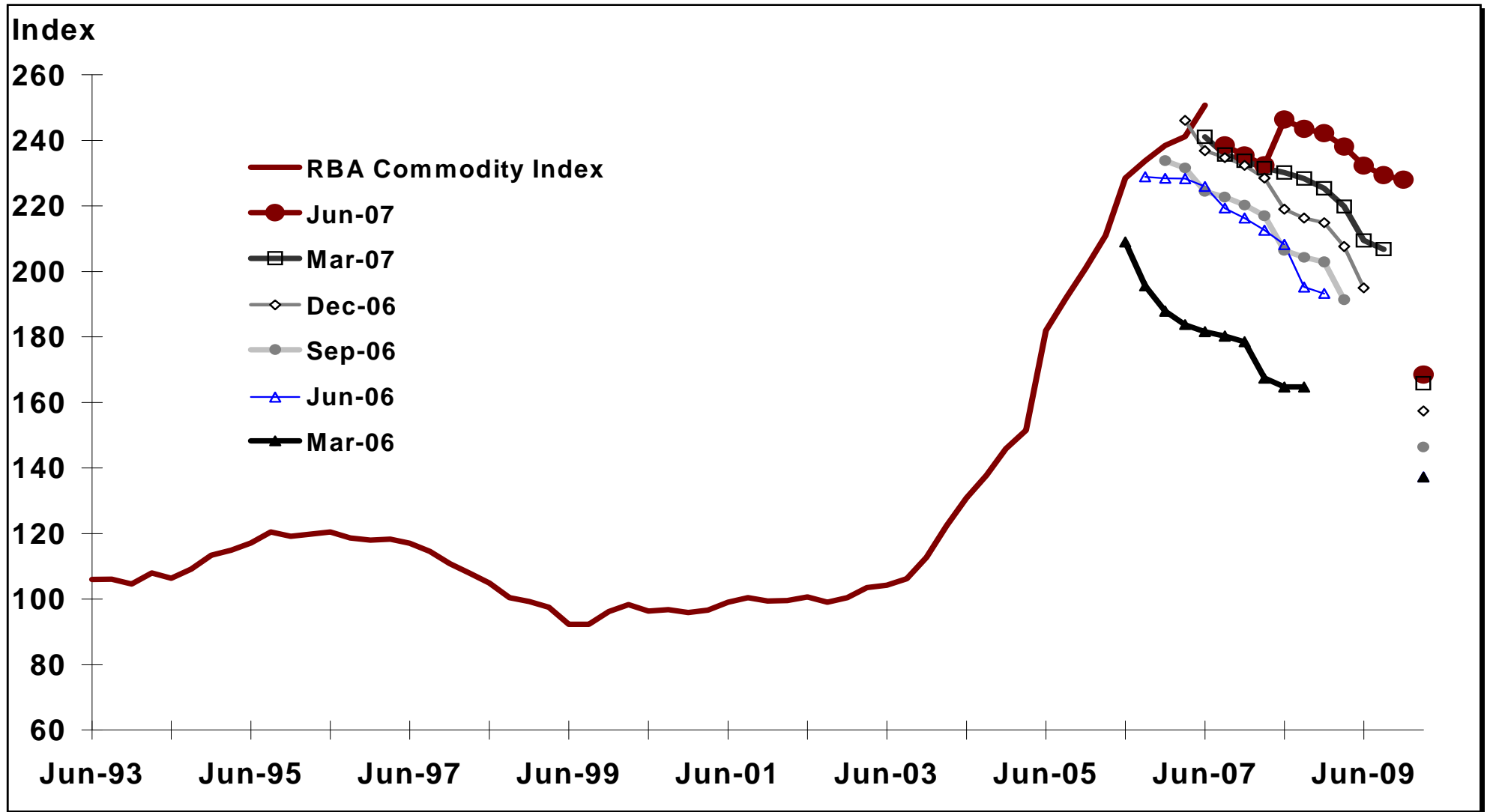
# ... the price impact of this cycle is already long-lived



# But there are commodity price risks if supply (eventually ...) catches up



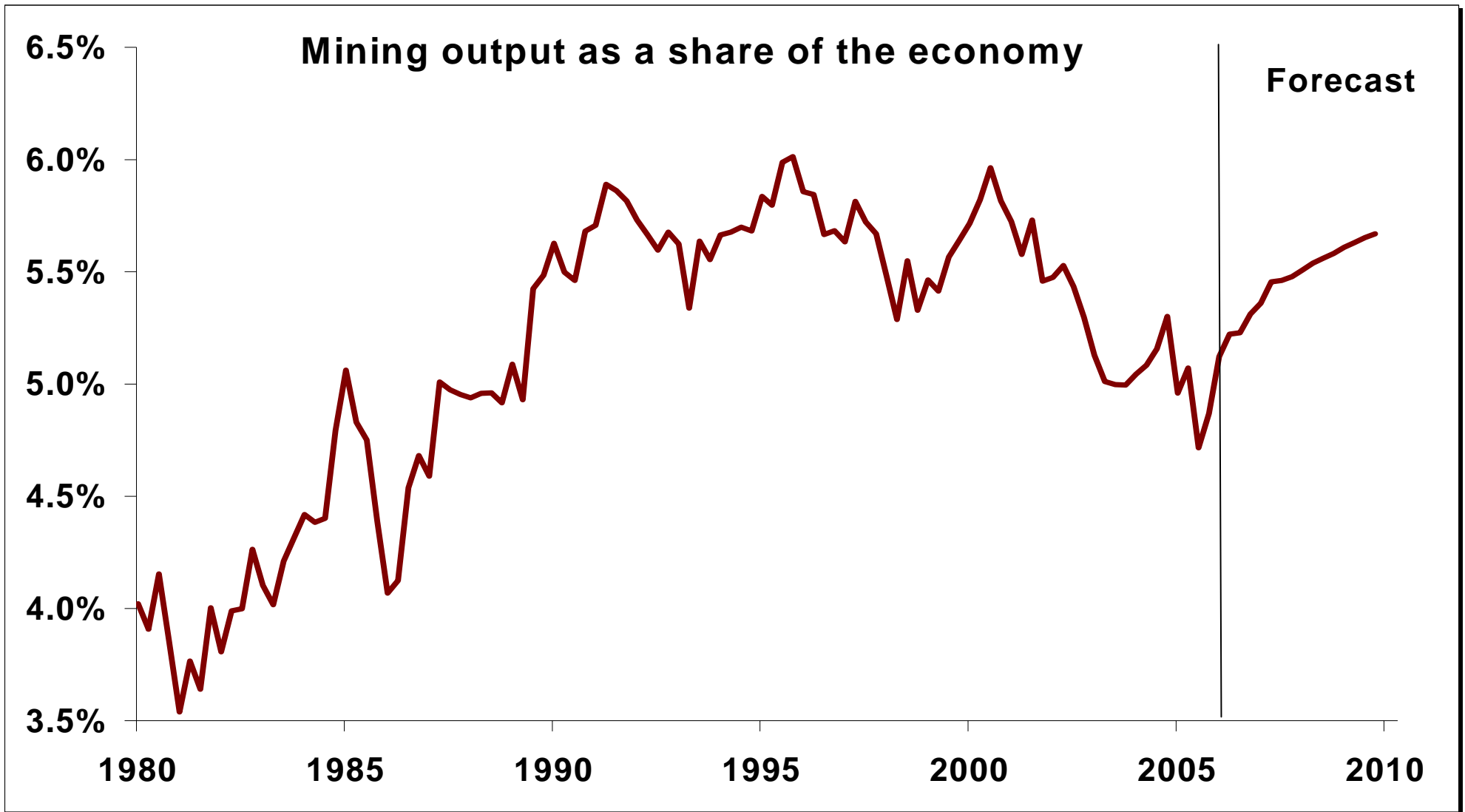
# Or would be, if you trusted forecasters



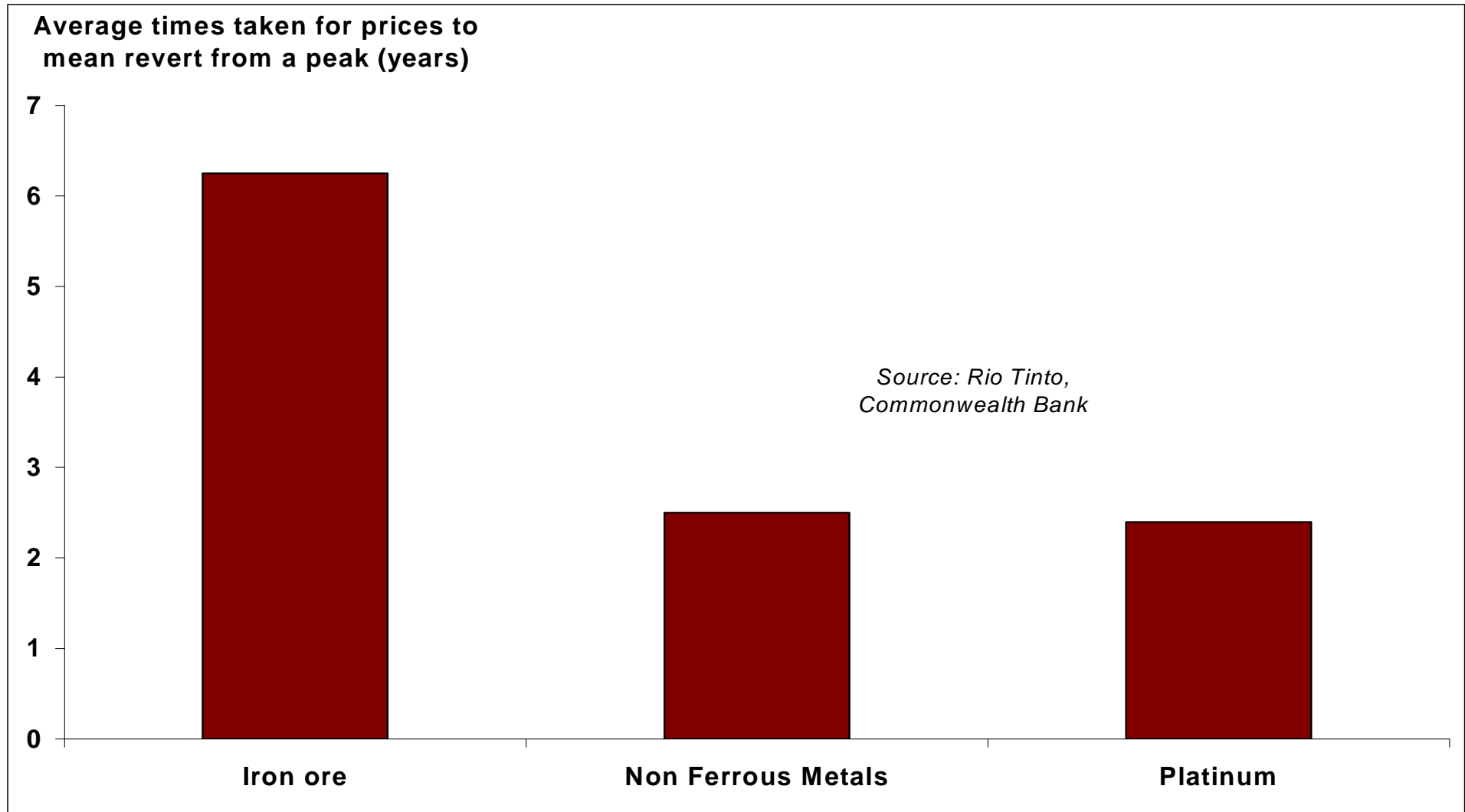
# Supply



# Supply is still struggling to catch up



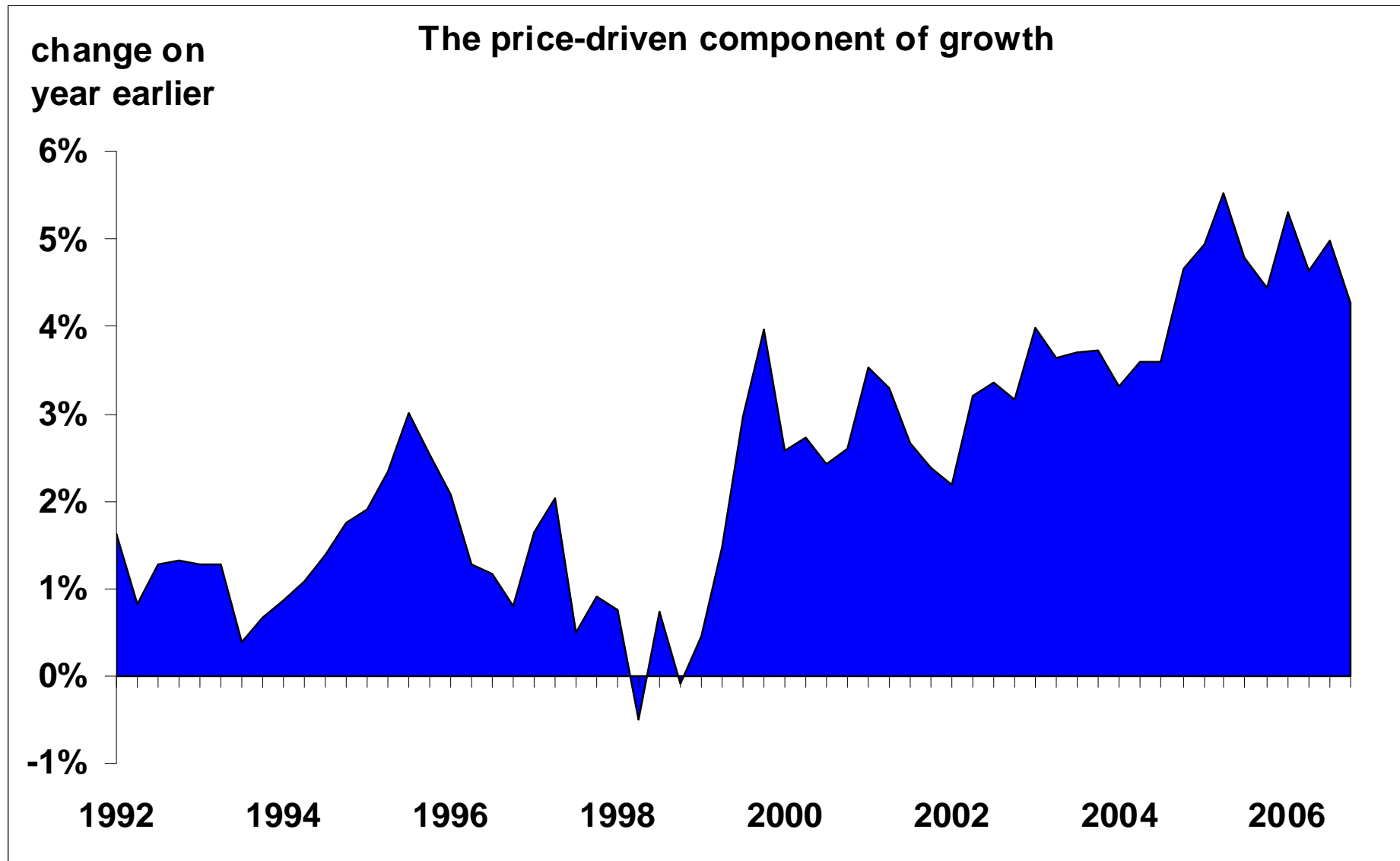
# Because new supply takes a long time



# Summary

- Australia is riding high, in part because the global Industrial Revolution is spreading.
- That is repeating a pattern seen before, with more to come.
- **Global mineral demand is likely to advance for decades.**
- And supply will advance in response to those global trends.

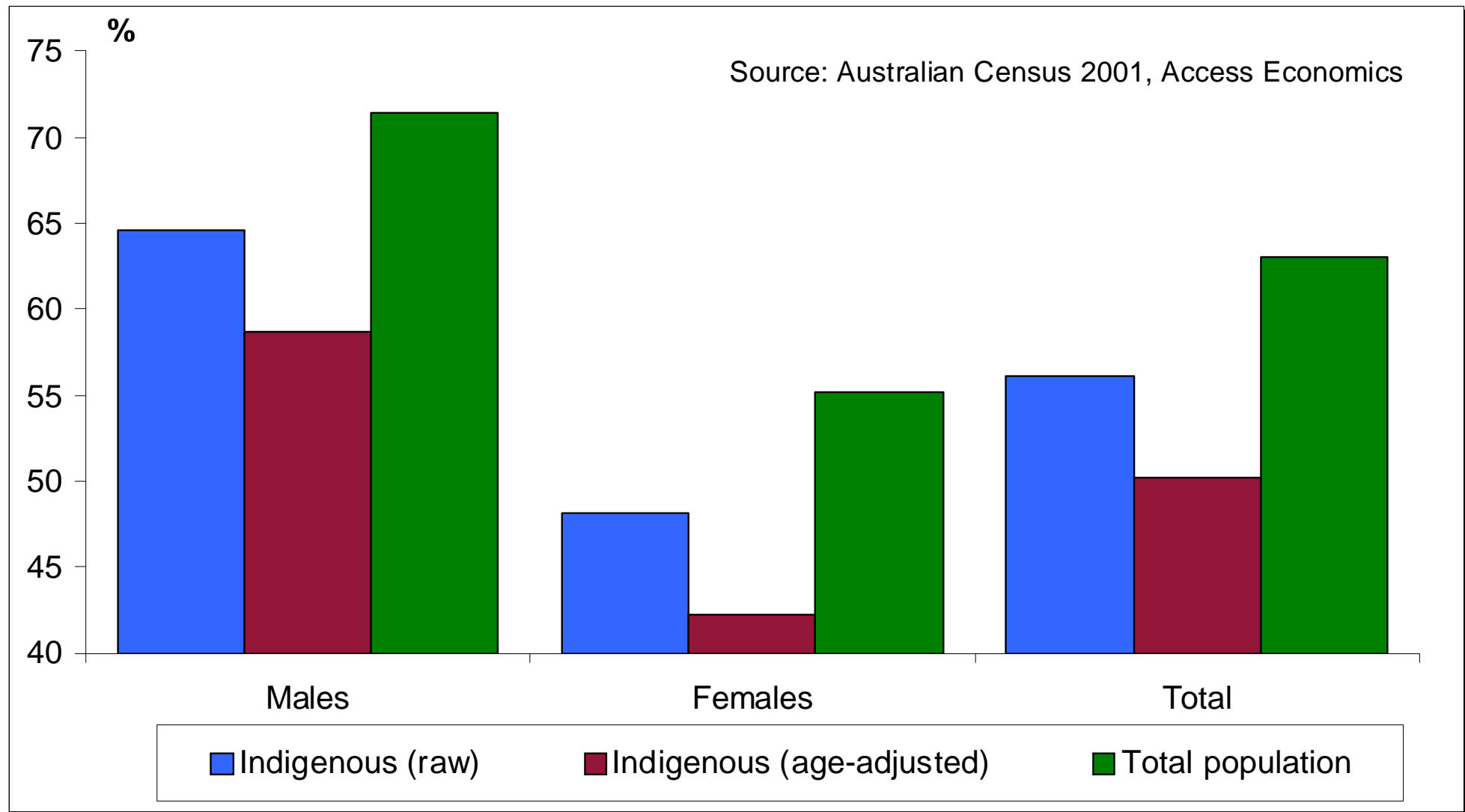
# That has handed Australia considerable wealth



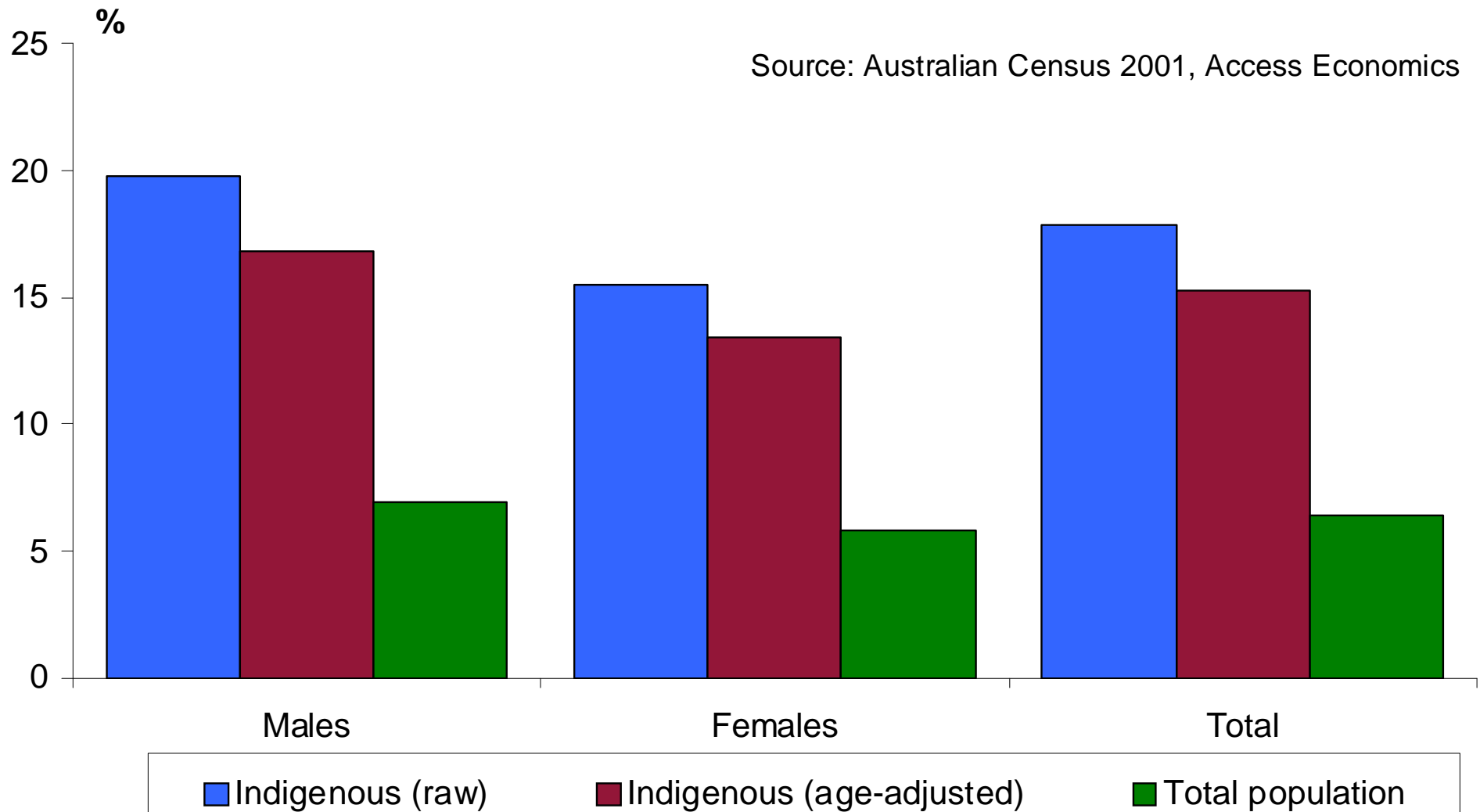
# Indigenous challenge is to convert probably temporary prices into permanent prosperity

- Australia has a clear comparative advantage in mining & resources – **we are the world's best supplier of industrial inputs to Asia.**
- The success of the mining sector has long been tied to economic development in Asia.
- The past and future opportunities are marked by strong growth in key markets for our resource exports. China and India are the 3<sup>rd</sup> wave.
- **But the iron triangle says prices won't last.**
- Indigenous challenge is to convert what may well be temporary prices into permanent prosperity.

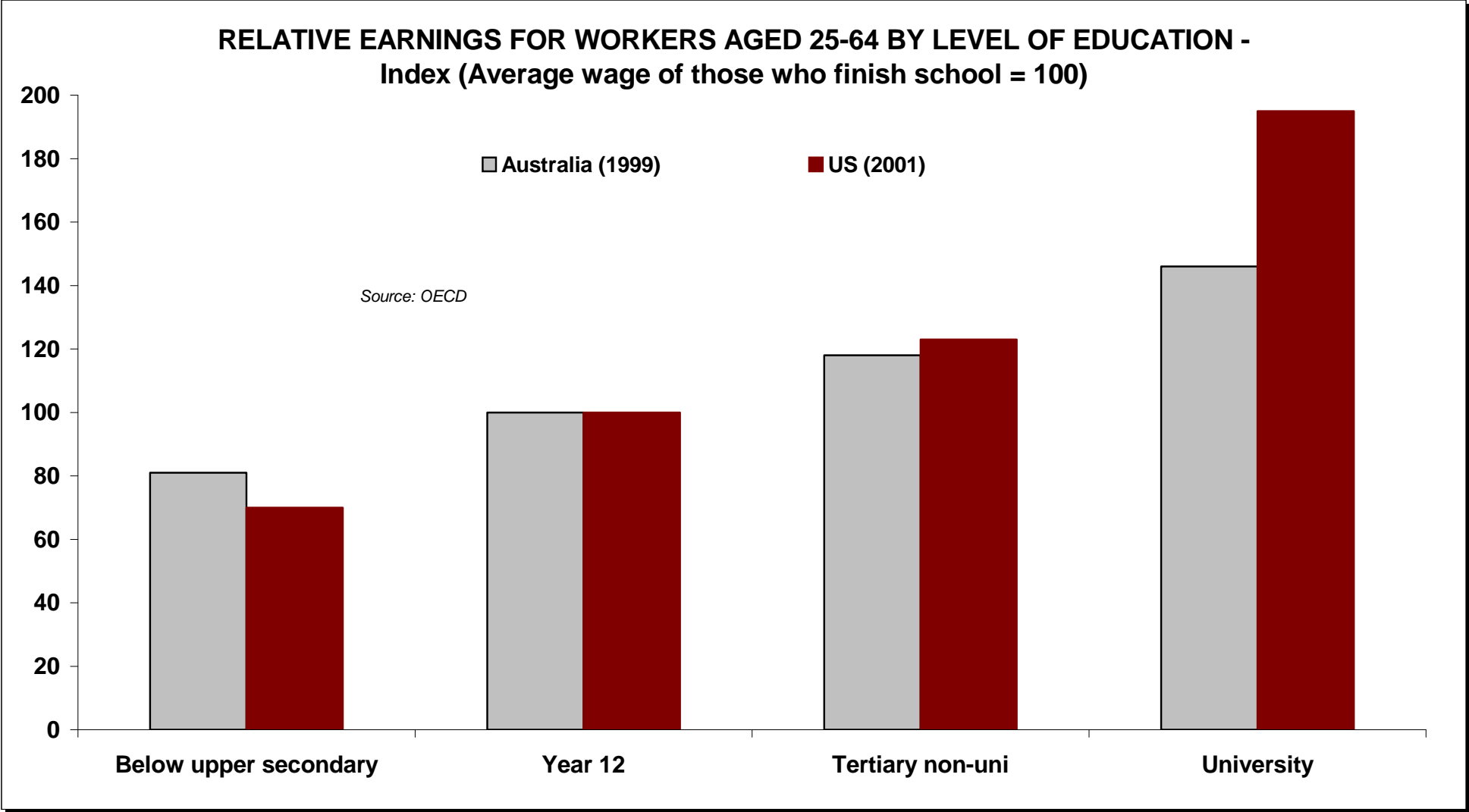
# Participation – can do better ...



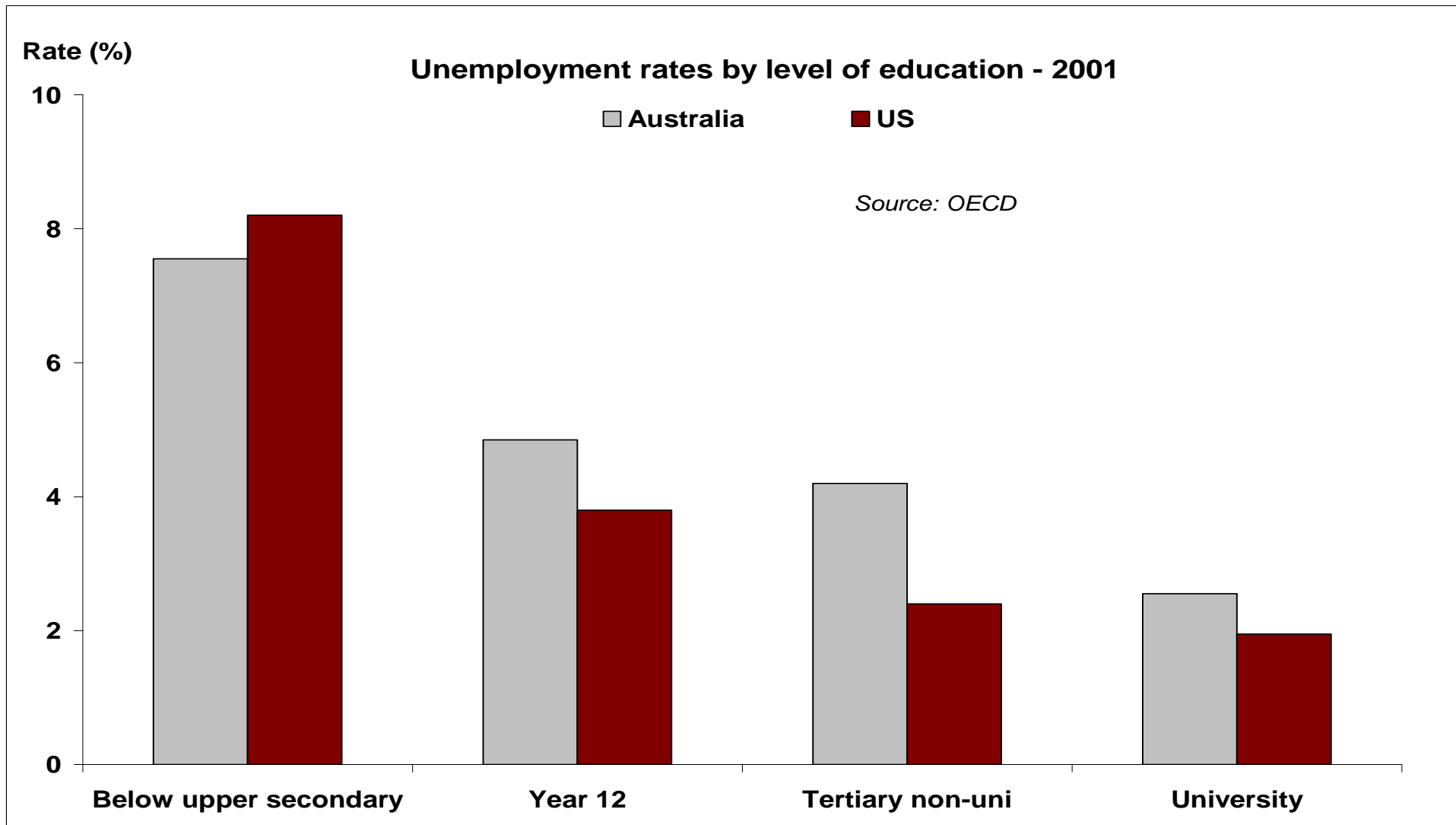
# Unemployment too



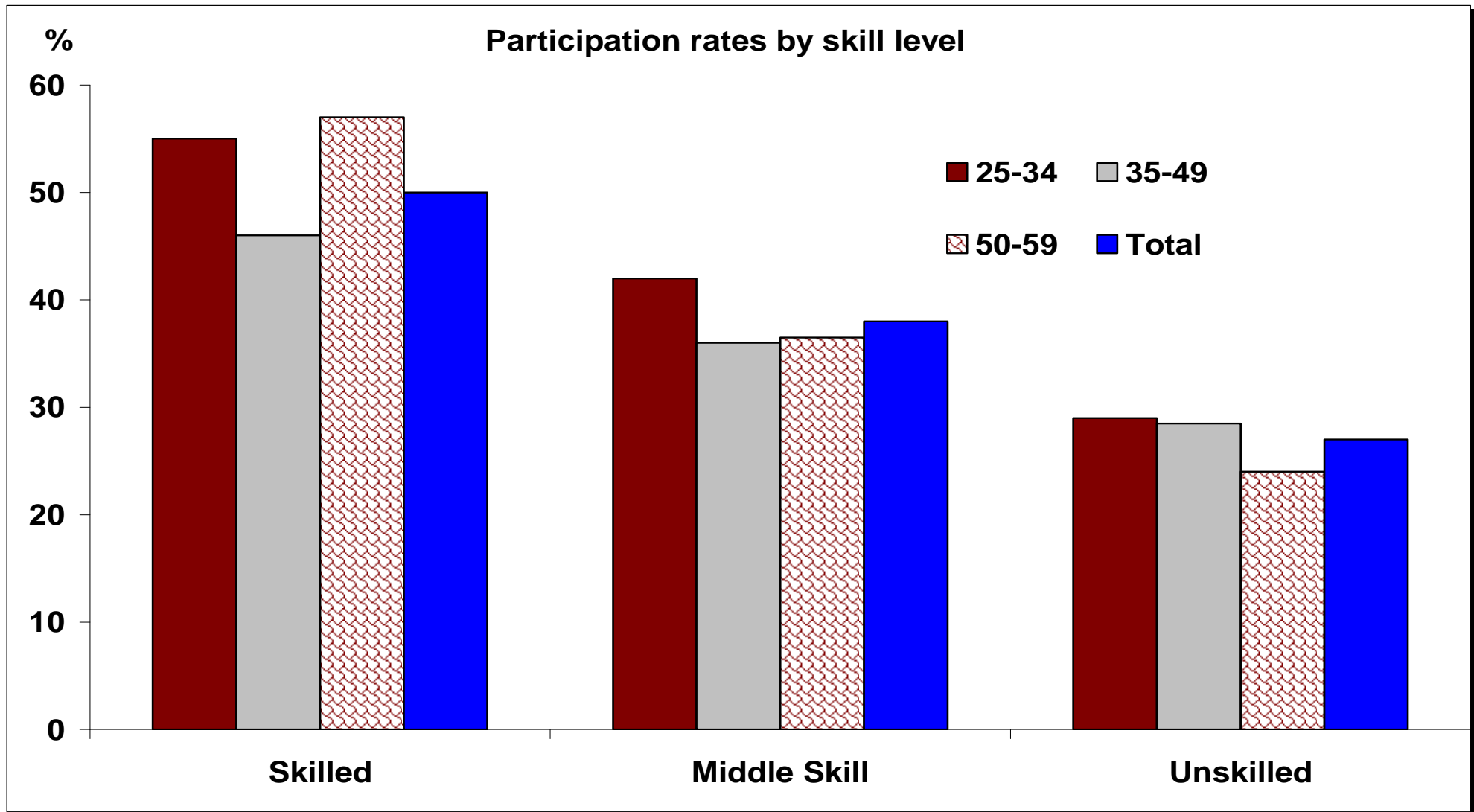
# Training is worth it



# As is evident in unemployment



# And in participation



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