

AUSTRALIA AND INDONESIA – LESSONS FROM THE PANDEMIC

PRESENTATION TO A FORUM ON “INDONESIA AND AUSTRALIA – SDG’S
SUPPORTED SUSTAINABLE ECONOMIC TRANSFORMATION”

HOSTED BY MONASH UNIVERSITY AND XSPI

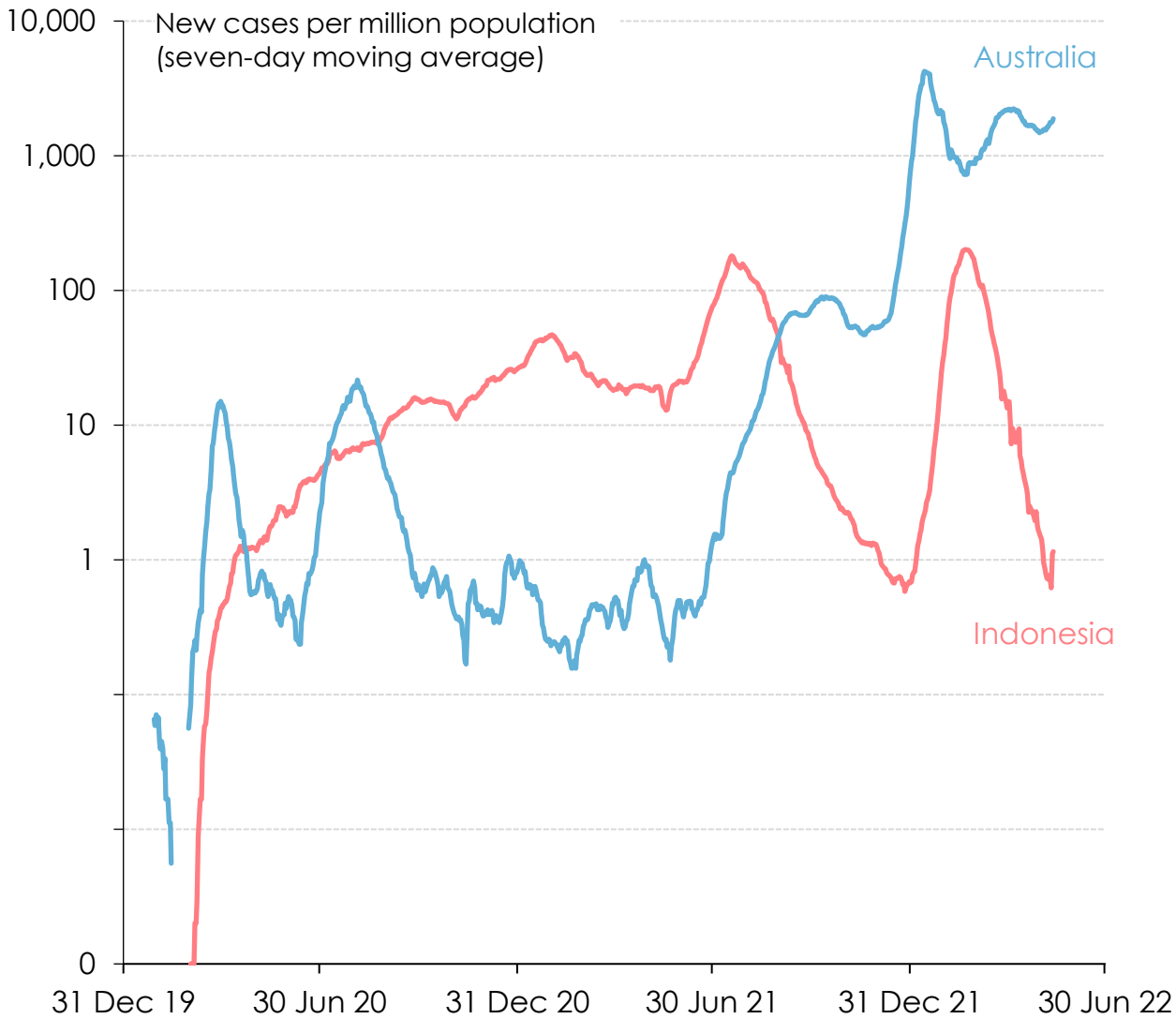
17TH MAY 2022

SAUL ESLAKE

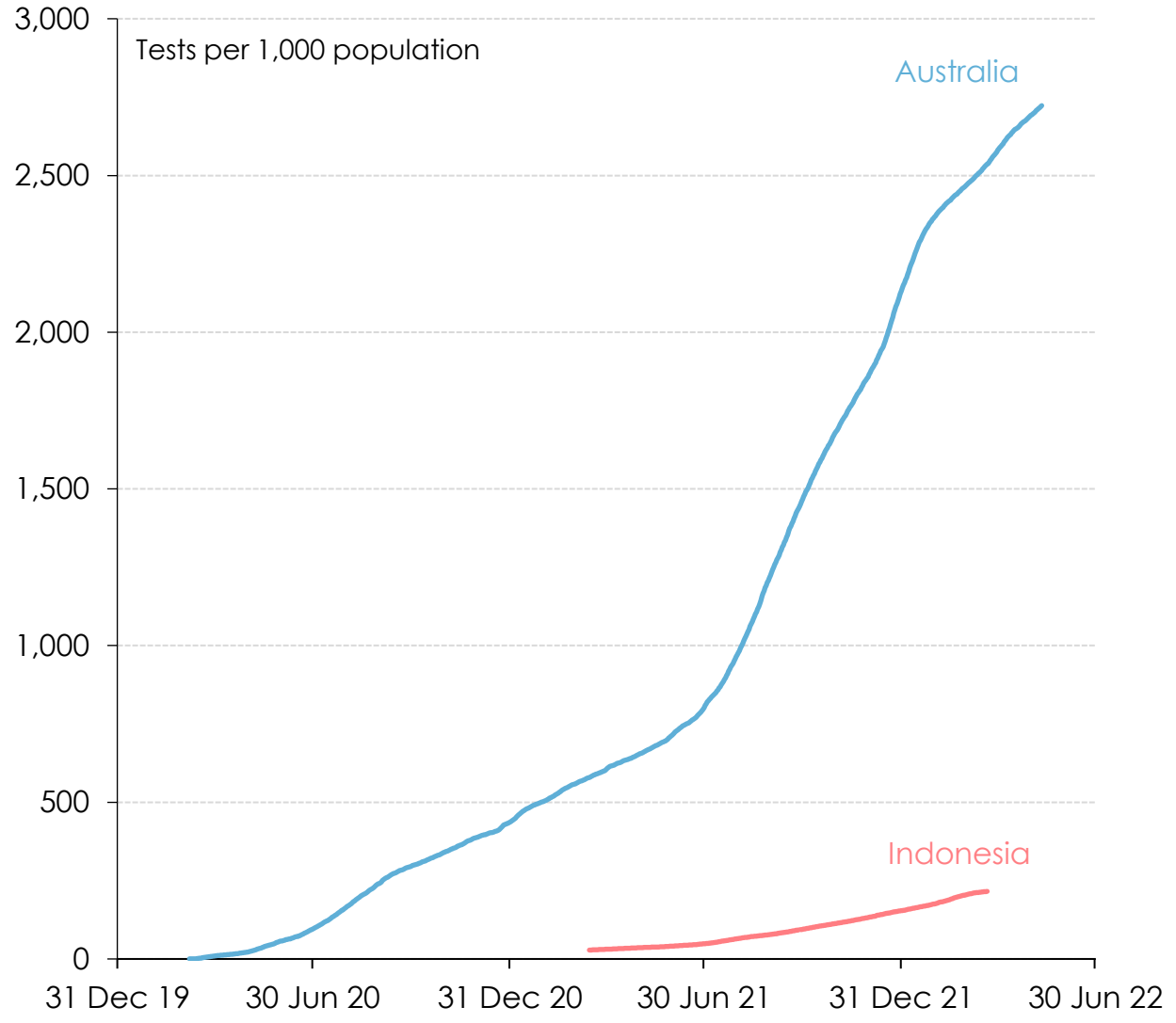
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Australia has had more Covid-19 cases, relative to its population, than Indonesia – although that may be because of much higher testing rates

Daily new Covid-19 cases



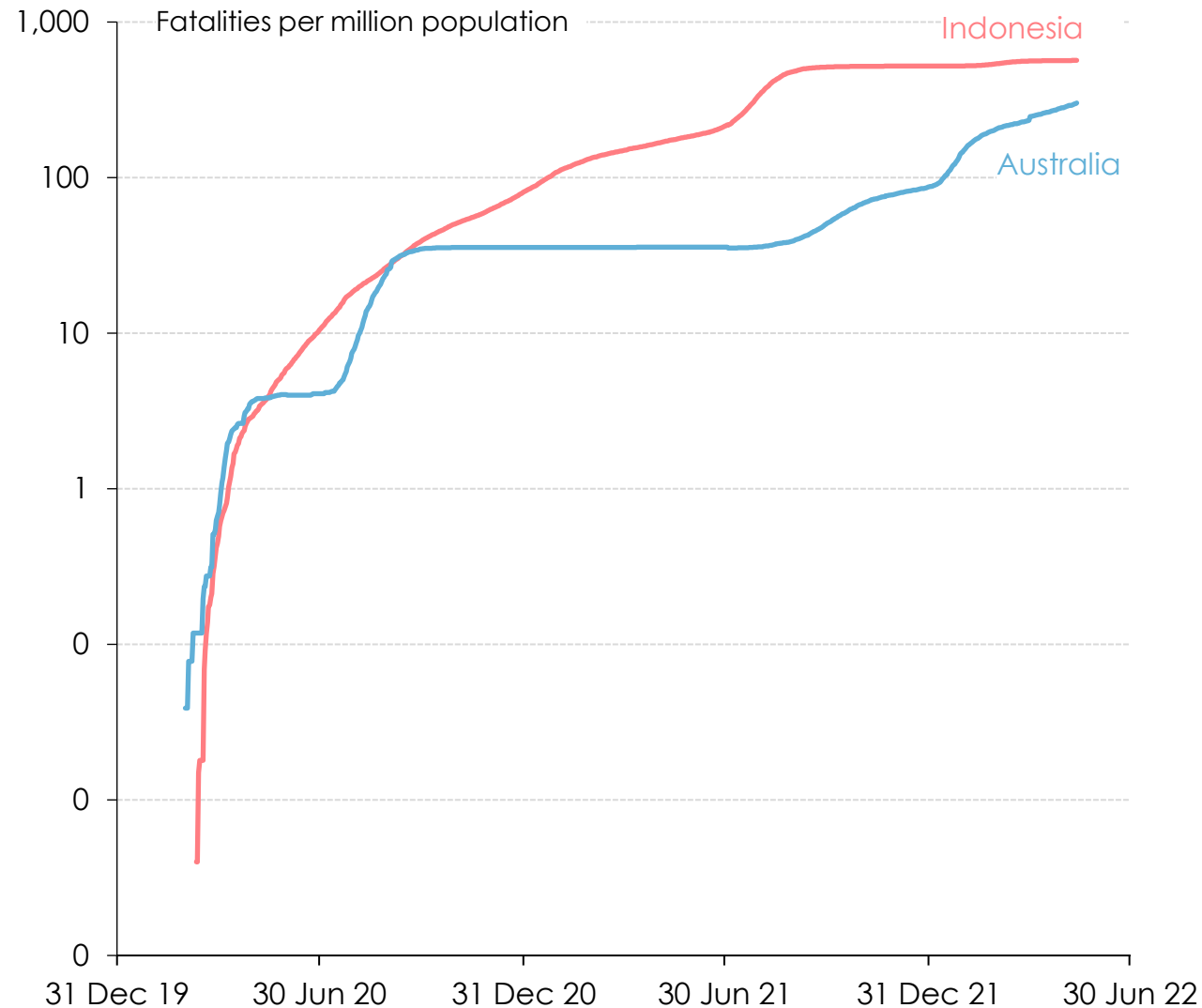
Cumulative testing rates



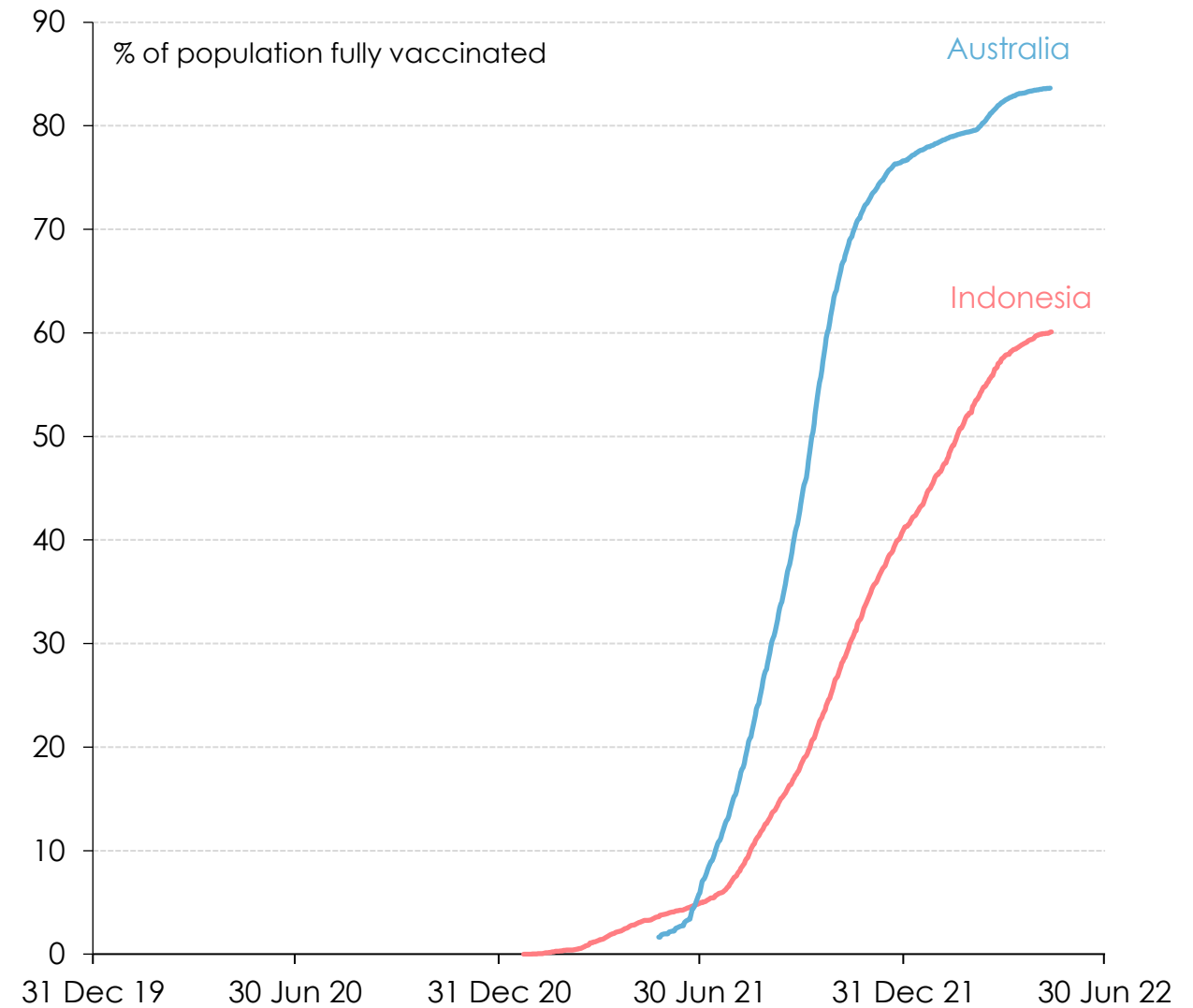
Source: University of Oxford, [Our World in Data](#). Data up to 13th May 2022.

Australia has had relatively fewer Covid-related deaths than Indonesia – at least in part because it has vaccinated more of its population

Cumulative Covid-19 deaths

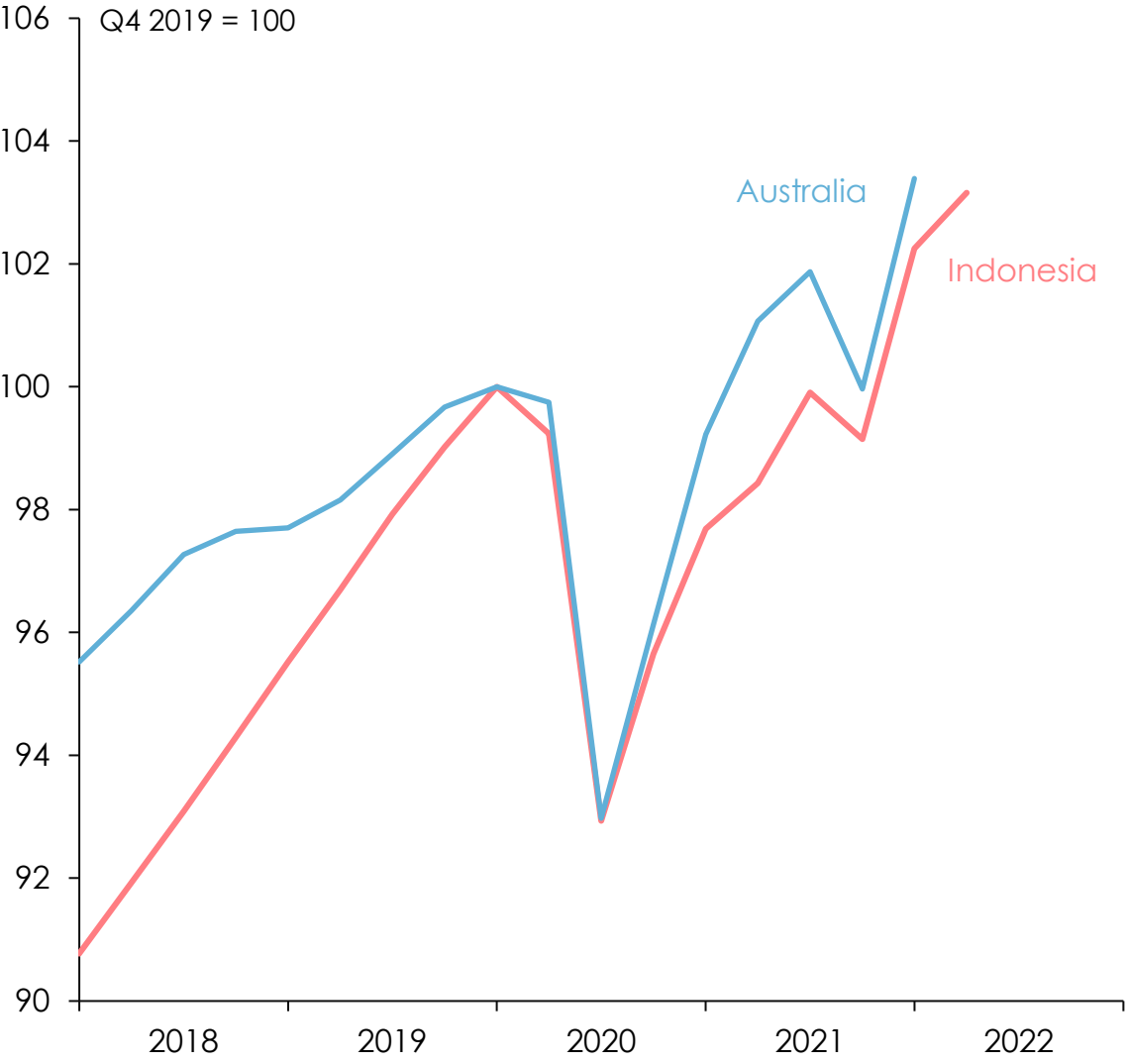


Vaccination rates

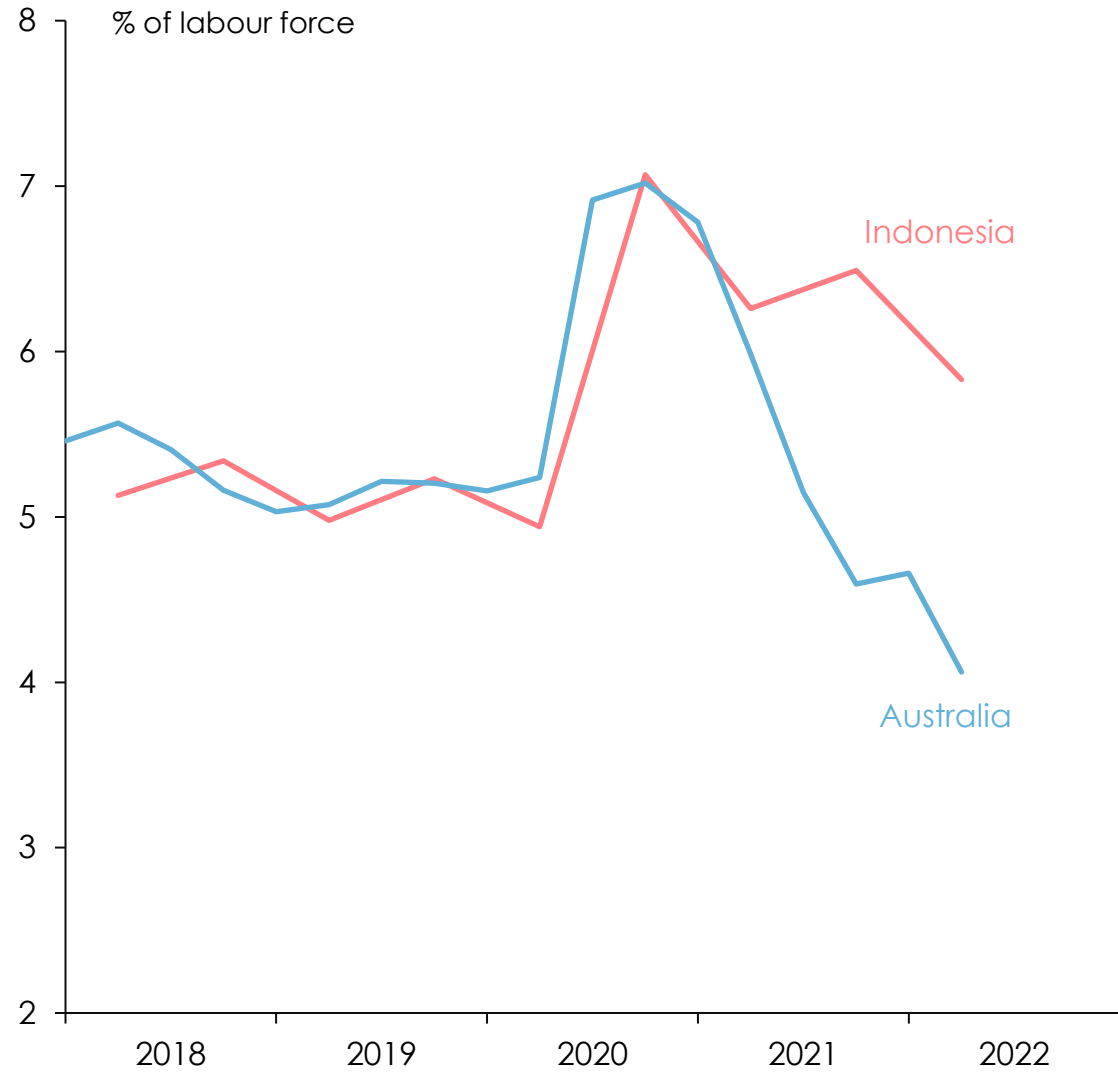


Both Australia and Indonesia experienced severe recessions as a result of Covid restrictions – but both have also had strong recoveries

Real GDP



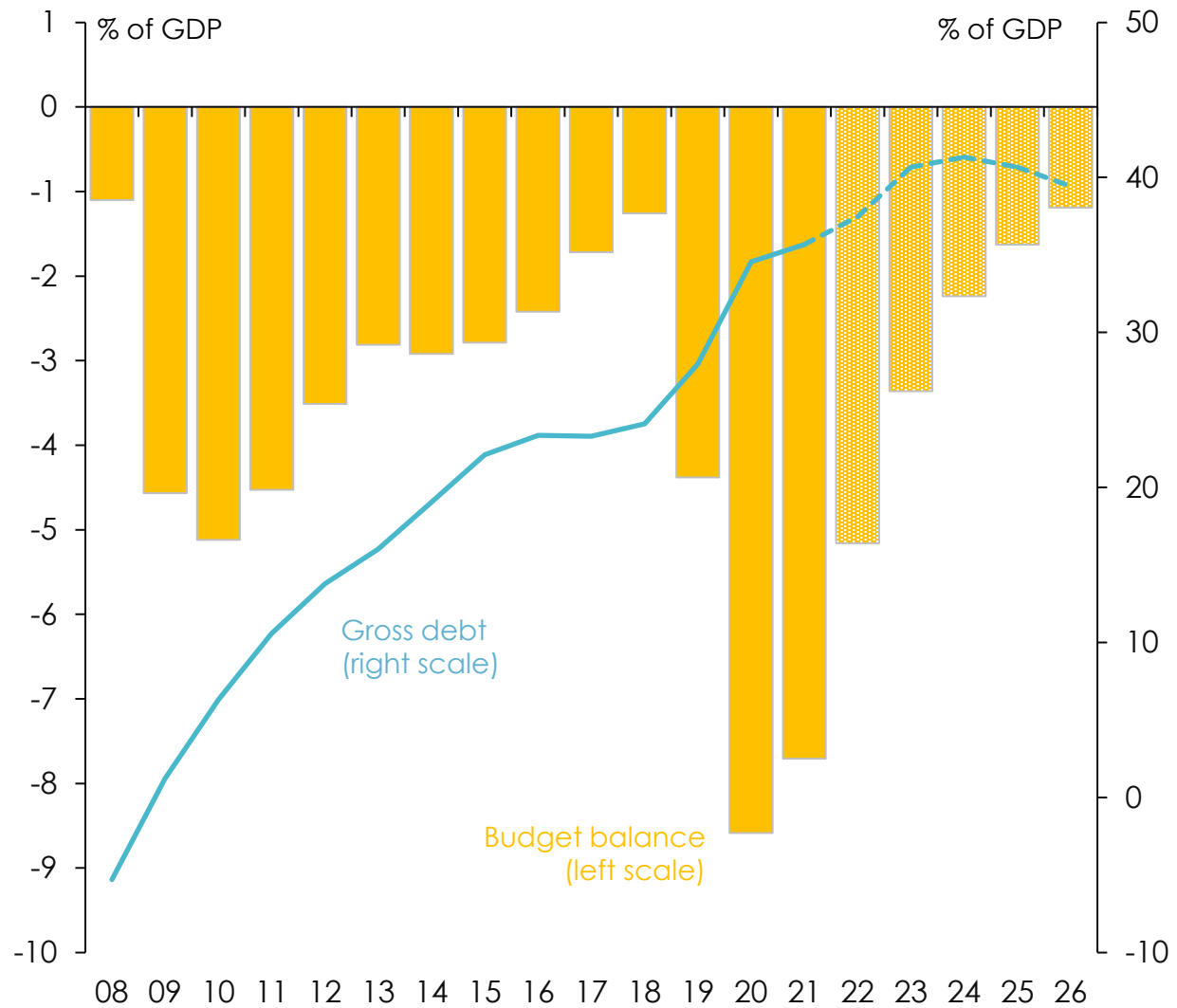
Unemployment



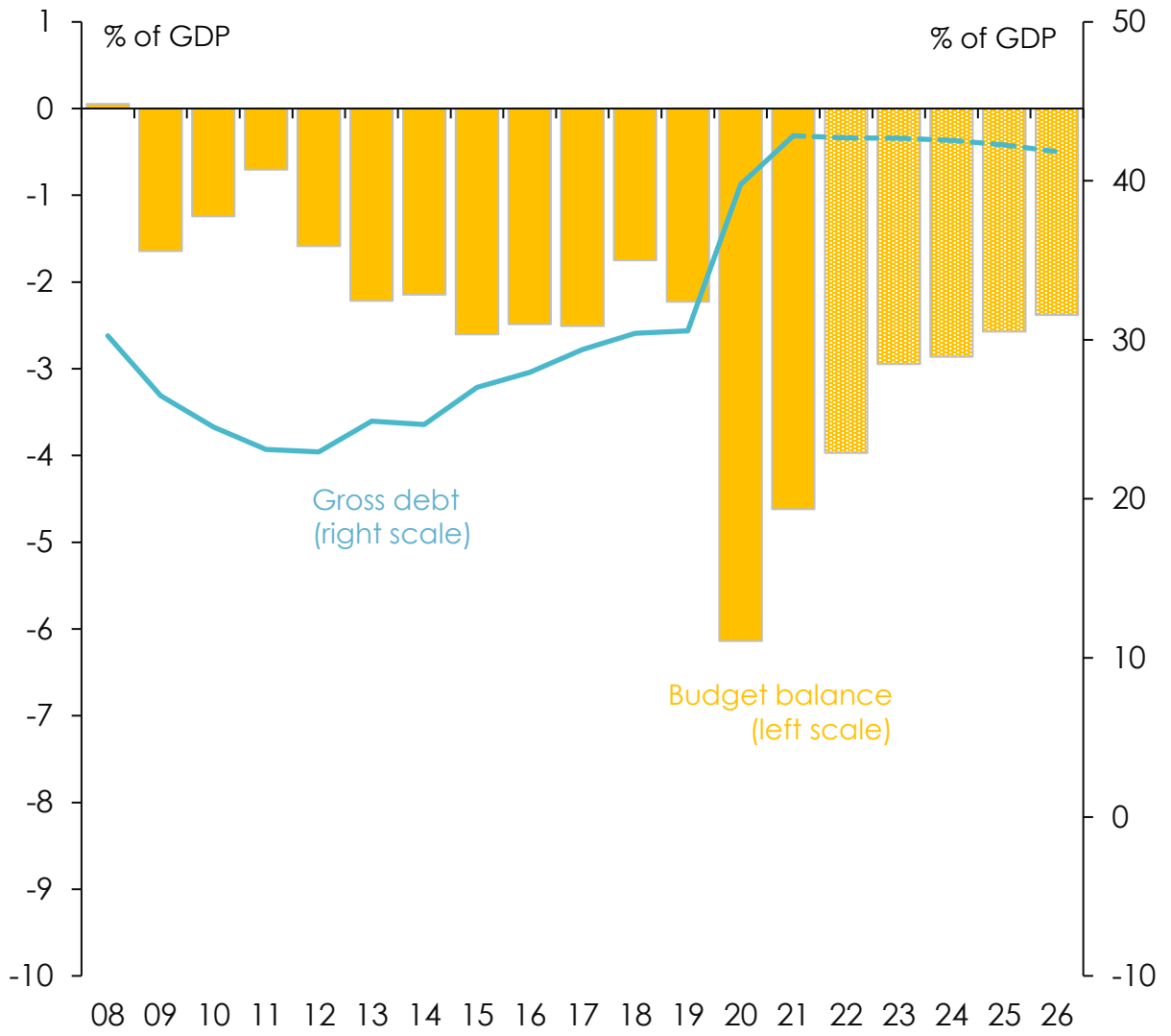
Sources: [Australian Bureau of Statistics](#); [Badan Pusat Statistik Indonesia](#).

Australia did somewhat more fiscal stimulus than Indonesia (because it could)

Australia

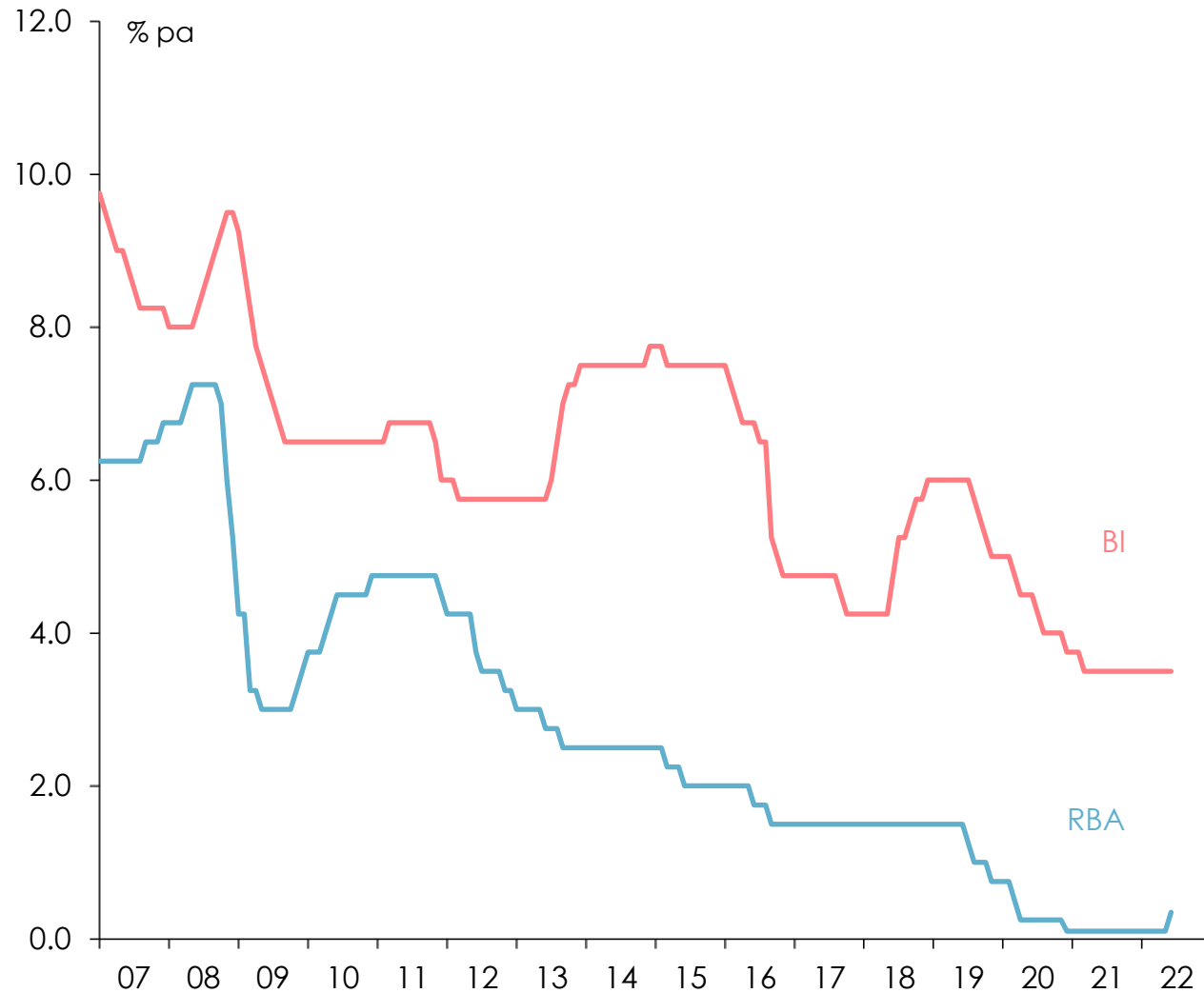


Indonesia

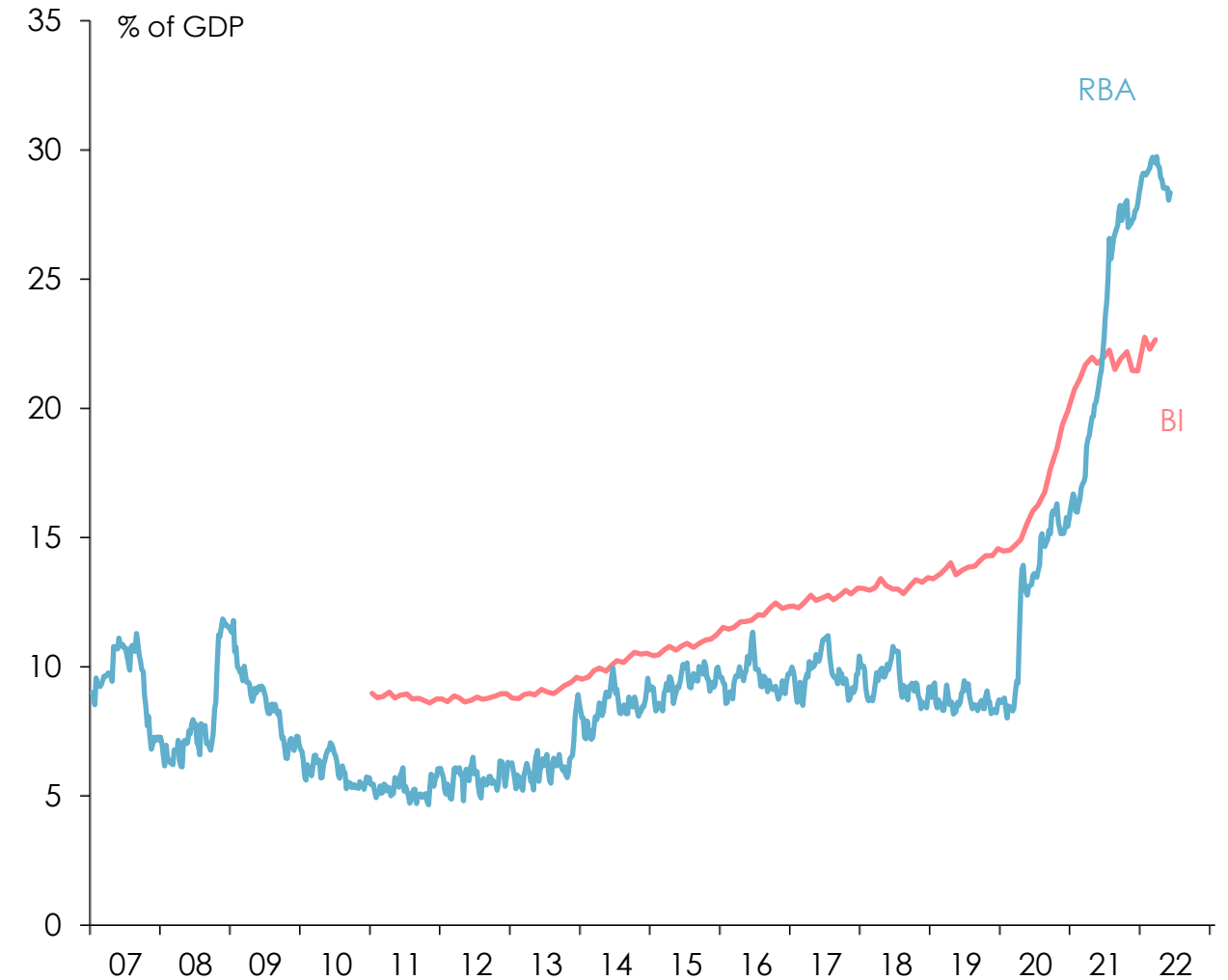


Australia's and Indonesia's central banks both cut their policy interest rates to record lows – and engaged in (different forms of) 'quantitative easing'

Central bank policy interest rates

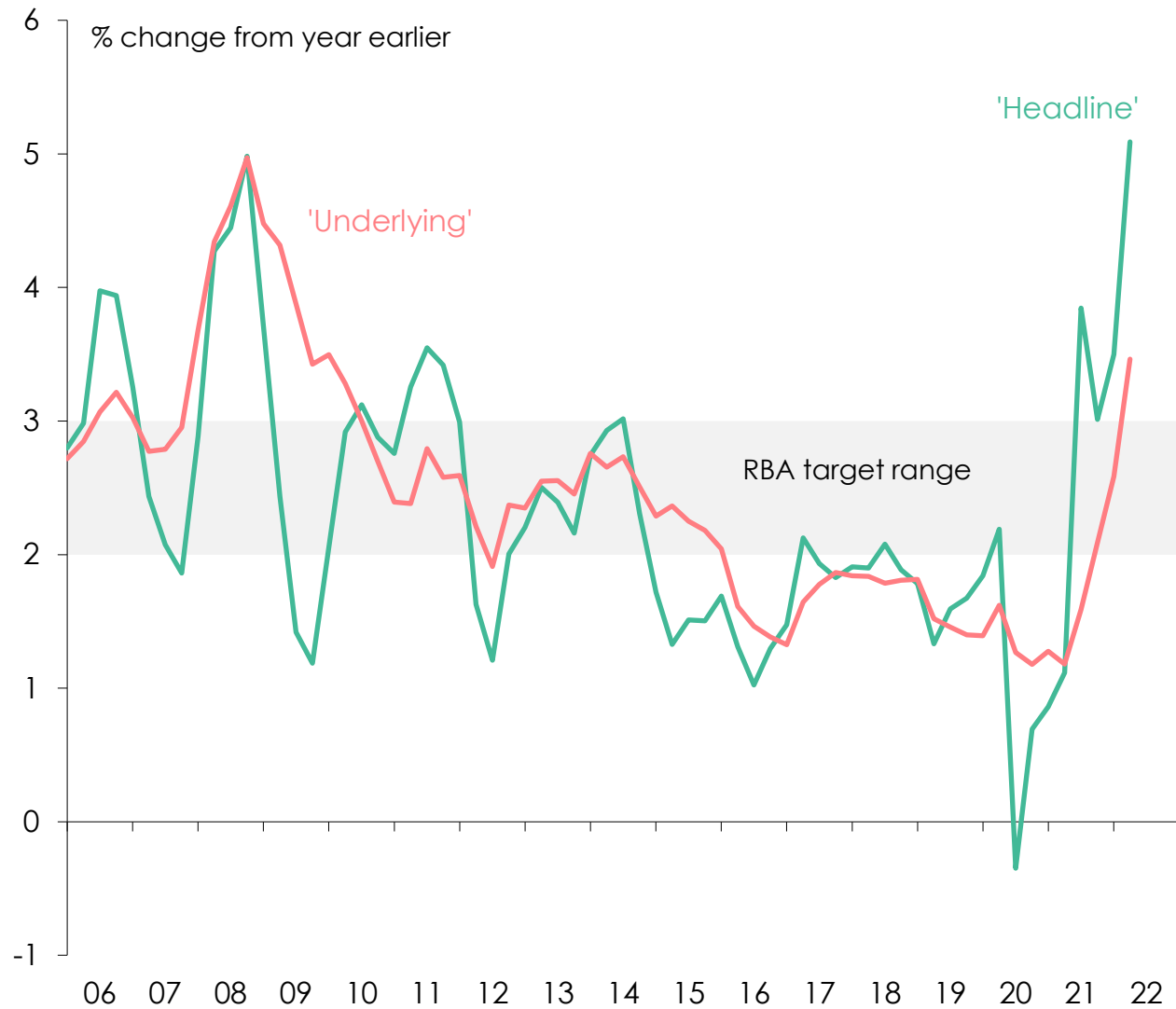


Central bank balance sheets

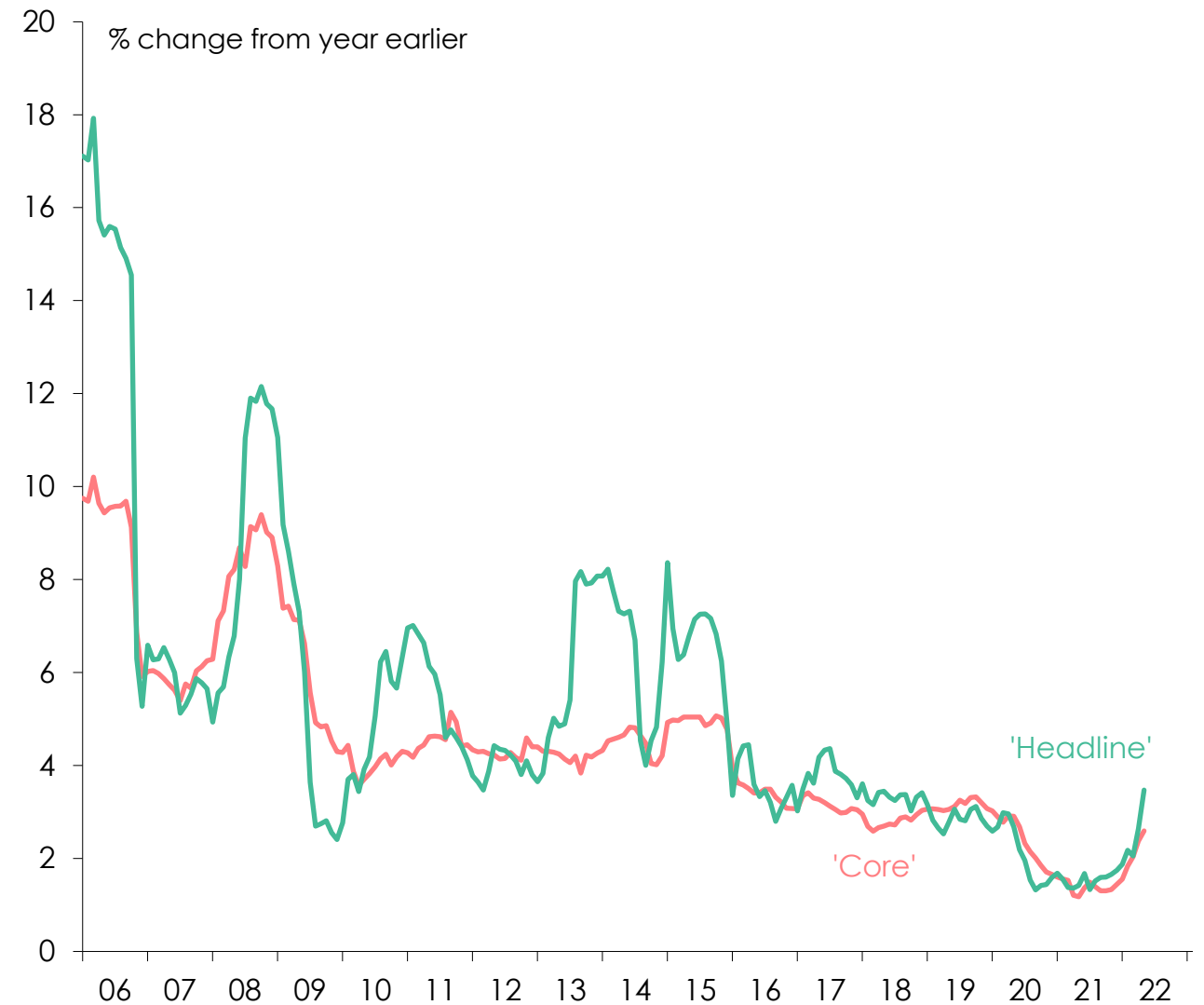


Australia now faces a bigger inflation challenge than Indonesia – although Indonesia will also need to keep inflation under control

Australian inflation



Indonesian inflation



Economic challenges ahead of Australia (whoever wins on Saturday!)

❑ Climate change

- Australia is very exposed to the effects of climate change (fires, floods, storms etc) – as is Indonesia (sea level rises)
- Australia has higher per capita CO₂ emissions than almost any other developed economy
- Australia is a major exporter of fossil fuels (as is Indonesia)
- Australia risks being seen as an ‘international pariah’ if we don’t take serious action to reduce our emissions (and we could face ‘carbon tariffs’ on a wide range of our exports)

❑ Falling commodity prices

- commodity prices are currently at very high levels but are likely to fall over the medium term given the on-going slowdown in China’s economy (and the absence of any ‘new Chinas’)

❑ Public finances

- although there’s no immediate risk of a ‘fiscal crisis’, if Australia wants to be able to respond as forcefully to any future economic shock as it did to the global financial crisis or Covid-19, the budget position needs to be ‘repaired’ over time

❑ Household debt, housing and interest rates

- Australia has one of the highest household debt-to-income ratios in the world, and most of it is at ‘floating’ interest rates
- which means Australian households are very exposed to rising interest rates
- and we also have increasing economic and social problems arising from deteriorating housing affordability

❑ Productivity growth

- Australia’s labour productivity growth performance over the past 10-15 years has been abysmal – and there is no political appetite to do anything about it

❑ Deteriorating international and regional security environment

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