



# 'Target surplus, but keep on spending'

ROSIE LEWIS

Business leaders have urged the Morrison government to stick to putting the budget back in black but are open to increased spending in some areas, as Josh Frydenberg warns that a "non-negotiable" surplus is critical to maintaining Australia's AAA credit rating.

Australian Industry Group chief executive Innes Willox said there was clear evidence the economy was slowing and while the government's \$158 billion tax cuts package was a "good first step to stimulate demand", there was capacity to provide further stimulus through infrastructure investment.

Mr Willox and Australian Resources and Energy Group chief executive Steve Knott have also demanded six industrial relations reforms to "lift our ailing economy".

"That is not the only answer," Mr Willox said yesterday.

"There needs to be a significant investment in skills and training as well as our schools system; clear-headed tax reform at a federal and state level; a focus on encouraging industry research and development across the economy; and the expansion of programs to improve business capabilities generally.

"A surplus, even a modest one, should always be an aspiration of the government as a sign of good economic management.

"That said, that is why a re-ordering of priorities to allow for targeted and increased spending in areas that will provide the economy with productive growth are crucial."

Australian Chamber of Commerce and Industry chief executive James Pearson said it could

take up to 12 months for the impact of the tax cuts, reduction in the cash rate to 1 per cent and improvement in business confidence to flow through the economy.

"In this context we encourage the government to adopt a wait-

and-see approach over the next few months, to observe the level of improvement in the economy, before it considers any additional stimulatory measures," he said.

"We hope to see the government maintain its focus on delivering the surplus, and reducing government debt, which is approaching \$375bn."

After repeated calls from Reserve Bank governor Philip Lowe for the government to look beyond monetary policy to stimulate the economy via structural reforms and fiscal support, including "further" infrastructure spending, the Treasurer yesterday defended the government's "major" infrastructure program over the decade.

Mr Frydenberg said interest rate cuts, \$100bn worth of infrastructure projects and relaxed

lending restrictions on banks would "continue to see strong economic activity across the Australian economy" when combined with the government's tax cuts package legislated last week.

As of yesterday 810,000 Australians had lodged their tax returns, up from 450,000 on the same day last year, with low and middle income earners able to receive up to \$1080 in tax relief by Friday.

Opposition Treasury spokesman Jim Chalmers said the RBA had been "crying out for some time" for the government to invest more in infrastructure beyond its \$100 billion plan.

Dr Chalmers agreed achieving

a surplus of about \$7 billion this financial year was important, to maintain a AAA credit rating.

**'A surplus, even a modest one, should always be an aspiration of the government'**

INNES WILLOX  
AIG CHIEF EXECUTIVE