

Western Australian **ECONOMIC SUMMARY**

2007 No. 4



Department of Treasury and Finance
Government of Western Australia

Western Australian **ECONOMIC SUMMARY**

2007 No. 4

Released 7 January 2008

Table of Contents

Economic Overview

Overview	1
National and State Accounts.....	3
Households and Housing	7
Population	7
Housing Market.....	7
Consumer Spending	21
Household Finance	24
Price Trends.....	27
Consumer Prices	27
Other Prices	30
Wages.....	31
Labour Market.....	36
Employment and Unemployment.....	36
Labour Market Segments.....	39
Business Conditions.....	47
Operating Conditions	47
Business Investment.....	49
Cost Pressures and Shortages	54
Global Markets.....	56
International Economic Trends	56
Commodity Prices.....	61
Trade.....	64

Articles and Appendices

2007-08 Government Mid-Year Financial Projections Statement.....	69
Economic Outlook.....	73
Glossary	78
Statistical Appendix	85

Overview

World economic growth is robust despite accumulating problems in many developed economies, as the strength of growth in the developing economies has so far more than offset weakness in North America and Europe (page 56).

The global commodity price boom appears to have peaked, with average commodity prices expected to level off or fall slightly in 2008. There is no sign of the boom turning to bust, however, as strong demand is likely to sustain average prices at or near their recent highs. As is usually the case, indexes of average commodity prices smooth out marked differences in the price trends of particular commodities, with both energy and iron ore prices expected to rise further in 2008 (page 61).

This is good news for Western Australia, which is a major exporter of gas and iron ore, but it could have negative repercussions for the global economy, perhaps dampening output growth and adding to inflationary pressures.

Exports made a significant contribution to Western Australia's real economic growth in 2006-07, after a period during which weak or falling export volumes and rising imports combined to reduce the real trade surplus, detracting from growth in Gross State Product (GSP) in both 2005-06 and 2004-05 (page 3).

The magnitude of this recent rise in export volumes still looks quite modest in comparison to the growth in business investment, and therefore presumably production capacity, of recent years.

Export volumes are expected to build up in future, however, as more of the new and expanded capacity in the resources sector comes on stream (page 73).

The extraordinary growth of business investment has been the main reason for Western Australia's rapid economic growth in recent years. Real business investment increased by 164% in the five years from 2001-02 to 2006-07, contributing almost two thirds of total Gross State Product growth over the period (page 49).

Further growth in business investment is expected over the next two years, although the rate of growth is likely to slow to a more sustainable pace (page 75).

This growth in investment has been heavily concentrated in the resource sector, with the Western Australian mining industry accounting for almost 70% of business investment in the State, and 18% of investment Australia-wide, in the year to September 2007¹. Mining contributed most to growth in value added by industry in 2006-07, as it has in 12 of the past 17 years.

Buoyant economic conditions supported strong growth in consumer spending in 2006-07, and although retail sales growth has slowed in recent months, retailers are confident of strong sales growth in the near term (page 23).

The housing market shows more signs of cooling, with leading indicators of activity such as building approvals and commencements showing a downward trend, and house prices flattening. While commencements are falling completions are rising, perhaps indicating that some of the bottlenecks the sector has suffered in recent years are easing. The increasing number of new homes being completed could provide a further moderating influence on house prices, but private sector rents are continuing to climb as a result of historically high prices of investment properties (page 16).

The levelling off of house prices is one of the reasons for a marked deceleration in Perth's inflation rate in recent quarters, with the [Consumer Price Index](#) rising by 2.6% in the year to September 2007, the weakest inflation rate since the September quarter 2004. Prices growth has also slowed because a number of exceptional factors that boosted inflation in 2006 have washed through the data, while recent one-off influences (such as changes in the Child Care Tax Rebate in the September quarter 2007), have tended to depress the Consumer Price Index. While headline inflation is falling in Perth and the other State capitals, many measures of underlying inflation are drifting upwards. This suggests that moderating headline inflation will not persuade the Reserve Bank of Australia that further interest rate rises are not necessary (page 29).

Wages pressures are also starting to build in Western Australia, as several years of exceptionally strong demand for labour starts to be reflected in earnings growth. Although the marked increases in average earnings in the June quarter were not repeated in the September quarter, earnings did not fall either, so growth through the year was still strong. Growth in the [Wage Price Index](#) is less volatile and gives a better indication of underlying wage pressures, and suggests a steadily accelerating trend. Growth in the Western Australian index through the year to the September quarter 2007 of 5.7% was the fastest since this data series began in 1997.

Western Australia's labour market is still very tight, with a recent upward drift in the [unemployment](#) rate due to the State's participation rate reaching new record highs, rather than to any weakening in demand (page 36).

¹ Note that these data from the ABS survey of Private New Capital Expenditure and Expected Expenditure (Cat. 5625.0) are not calculated in the same way as the State Accounts investment data discussed above. The survey covers only private corporations (not unincorporated businesses) and excludes some sectors such as health. These data are in current price (nominal) terms, whereas the contributions to growth are counted in volume (real) terms.

National and State Accounts

2006-07 Annual State Accounts

In November 2007 the Australian Bureau of Statistics (ABS) released its annual State Accounts, the most comprehensive data released on the State's economic activity, and the only available official estimates of Gross State Product (GSP estimates are no longer included in the less detailed quarterly State Accounts releases).

The 2007 publication also included estimates of the volume of value added by industry for the first time, allowing an estimate of output by volume of production – GSP(P) – as well as the methodology based on income and expenditure – GSP(I/E) – used previously. For this and future releases the official growth rate will now be the average of these two measures, GSP(A).

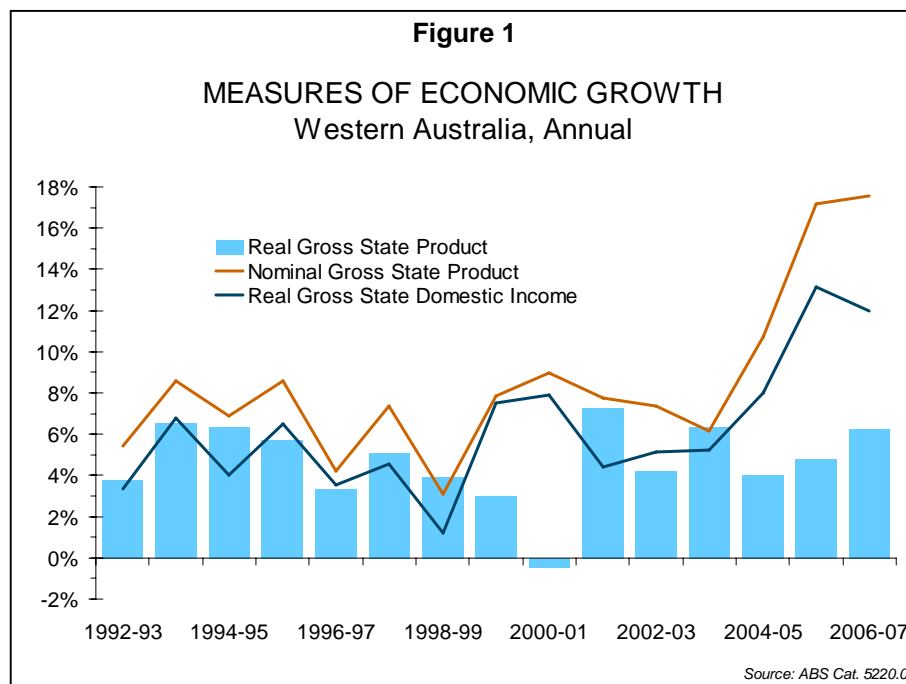
Western Australia's real GSP rose by 6.3% in 2006-07, the fastest growth of the States and Territories. Business investment and household consumption accounted for most of the increase in expenditure during the year, while mining contributed most to growth in value added by industry, as it has in 12 of the past 17 years.

An increase in the trade balance meant that net trade was a positive contributor to growth in 2006-07, unlike 2004-05, when moderate export growth was more than offset by strong import growth; and 2005-06, when exports fell in volume terms, while import growth accelerated.

In 2006-07 Western Australia overtook the Australian Capital Territory to record the second-highest per capita GSP of the States and Territories, behind the Northern Territory (Table 2). At \$68,032, the State's GSP per head is 35% higher than national average GDP per capita of \$50,264.

GROSS STATE PRODUCT GROWTH				
Growth & Contributions to Growth, Original, 2006-07				
	Growth Rate		Contribution to Growth	
	1 year	5 years	1 year	5 years
Private consumption	5.5%	5.2%	2.4%	2.4%
Business investment	22.2%	21.4%	4.5%	3.5%
Dwelling investment	9.8%	4.7%	0.6%	0.3%
<i>Private investment</i>	16.2%	15.9%	4.7%	3.9%
Private demand	12.3%	10.8%	12.2%	9.0%
Government consumption	4.5%	3.3%	0.6%	0.5%
Public investment	4.5%	9.4%	0.2%	0.3%
Public demand	4.5%	4.5%	0.7%	0.8%
State final demand	8.8%	8.0%	7.8%	6.6%
Exports	8.1%	5.2%	3.7%	2.5%
Imports	12.9%	15.6%	2.5%	2.6%
Trade balance	4.7%	-0.1%	1.2%	0.0%
Gross State product	6.3%	5.1%	6.3%	5.1%

Note: both growth rates and contributions to growth are annualised. Contributions do not sum to GSP growth as the Table excludes a large balancing item
Source: ABS Cat. 5220.0



Western Australia's **nominal** GSP has grown rapidly in recent years, increasing by more than 17% in 2005-06 and 2006-07, as rising commodity prices have increased the value of its exports. These price effects are excluded from measures of **real** GSP, which reflect only changes in volumes.

When rapid price growth is being generated by growth in export prices, however, changes in the volume of production alone may not capture the full extent of changes in the community's purchasing power. This is because a given volume of exports can be exchanged for a larger volume of imports.

The ABS captures this effect in its estimates of growth in **real Gross State Domestic Income**. This measure of growth has outstripped the more familiar GSP growth measure for Western Australia in the past three years, reflecting the faster growth in export than import prices (Figure 1).

Industries

The mining sector is Western Australia's largest industry and accounted for more than half of growth in GSP by sector in 2006-07, contributing 3.4 percentage points of the 6.3% growth in GSP (Table 3).

Real gross value added in the mining sector increased by 12.6% over the year, but this was not the fastest growth by industry, as the 15.7% increase in the construction sector's output was even larger. It is likely, however, that a proportion of growth in construction activity arose because of engineering construction work done on investment projects in the resources sector.

Government administration and defence also recorded double-digit growth over the year.

Gross value added in the agriculture, forestry and fishing industry fell by 35.2% over the year, reflecting the effect of drought on the agricultural sector.

NSW	\$48,829
Vic	\$48,037
Qld	\$47,527
SA	\$44,281
WA	\$68,032
Tas	\$42,924
NT	\$68,711
ACT	\$64,591
Aus	\$50,264

Source: ABS Cat. 5220.0

September 2007 National and State Accounts

Western Australia

More recent but less detailed information on the State's economy was published in the September quarter 2007 State Accounts released in November 2007. Western Australia's real State Final Demand rose by 12.0% through the year to the September quarter 2007, with private consumption, business investment and dwelling investment all making significant positive contributions to growth through the year.

Between the June and September quarters real demand rose by 0.3%, due mainly to a drop in business investment and government investment, both of which can be lumpy and volatile from quarter to quarter.

Dwelling investment grew strongly over both the year and the quarter to September, which is perhaps surprising given evidence that the housing market has softened (page 7).

Although leading indicators of housing activity are weakening, a large amount of work is yet to be completed, perhaps accounting for the strength of ongoing activity.

INDUSTRY GROSS VALUE ADDED GROWTH				
Growth & Contributions to Growth*, Original, 2006-07				
	Annual Growth Rate		Contribution to Growth	
	1 year	5 years	1 year	5 years
Agriculture, forestry etc	-35.2%	-2.8%	-1.2%	-0.1%
Mining	12.6%	3.3%	3.4%	1.1%
Manufacturing	7.8%	6.2%	0.6%	0.5%
Electricity, gas & water	1.9%	2.0%	0.0%	0.1%
Construction	15.7%	15.4%	1.0%	0.9%
Wholesale trade	6.2%	10.1%	0.2%	0.3%
Retail trade	8.6%	5.5%	0.4%	0.3%
Accommodation, cafes etc	2.1%	3.0%	0.0%	0.0%
Transport & storage	9.6%	7.1%	0.5%	0.4%
Communication services	5.3%	6.8%	0.1%	0.1%
Finance & insurance	7.3%	3.2%	0.3%	0.1%
Property/business services	4.7%	1.9%	0.4%	0.2%
Government admin etc	11.4%	5.1%	0.3%	0.1%
Education	1.8%	1.3%	0.1%	0.0%
Health & community	2.4%	3.9%	0.1%	0.2%
Cultural & recreation	5.5%	5.6%	0.1%	0.1%
Personal & other services	7.9%	3.9%	0.1%	0.1%
Ownership of dwellings	4.2%	4.4%	0.2%	0.3%
<i>GVA at basic prices</i>	<i>7.0%</i>	<i>5.1%</i>	<i>6.6%</i>	<i>4.9%</i>
Taxes less subsidies	4.4%	4.4%	0.3%	0.3%
Gross state product	6.3%	5.1%	6.3%	5.1%

**Note: both growth rates and contributions to growth are annualised. Contributions do not sum to GSP growth as the Table excludes a large statistical discrepancy*
Source: ABS Cat. 5220.0

Exports rose in seasonally adjusted terms over both the year and the quarter to September, but imports grew more strongly, generating a decrease in the State's trade balance.

Australia

Australia's **Gross Domestic Product** rose by 1.0% per cent over the quarter and 4.3% through the year to the September quarter 2007. Private consumption was by far the largest contributor to growth over the quarter, although through the year to September business investment was also a significant contributor to growth.

Net trade detracted from national economic growth in both the year and the quarter to September 2007.

	Growth Rate		Contribution to Growth*	
	Quarter	Year	Quarter	Year
Western Australia				
Private consumption	1.8%	6.1%	0.8%	3.0%
Business investment	-1.0%	37.3%	-0.3%	8.4%
Dwelling investment	4.9%	14.8%	0.3%	1.1%
Private final demand	0.9%	14.8%	0.7%	12.1%
Government consumption	0.7%	-0.8%	0.1%	-0.1%
Government investment	-11.6%	0.6%	-0.5%	0.0%
Public final demand	-2.3%	-0.5%	-0.4%	-0.1%
State final demand	0.3%	12.0%	0.3%	12.0%
Overseas exports	3.1%	6.5%	n/a	n/a
Overseas imports	8.3%	31.5%	n/a	n/a
Net Trade	-0.6%	-6.8%	n/a	n/a
Australia				
Private consumption	1.2%	4.5%	0.7%	2.5%
Business investment	0.2%	12.9%	0.0%	1.9%
Dwelling investment	1.4%	4.8%	0.1%	0.3%
Private investment	0.1%	10.4%	0.0%	2.4%
Private final demand	0.9%	6.2%	0.7%	4.9%
Government consumption	1.0%	1.3%	0.2%	0.2%
Government investment	-2.3%	11.2%	-0.1%	0.4%
Public final demand	0.4%	3.0%	0.1%	0.7%
Domestic final demand	0.8%	5.5%	0.8%	5.6%
Exports	2.3%	4.6%	0.5%	1.0%
Imports	2.3%	12.8%	-0.5%	-2.8%
Net Trade	-2.3%	-124.9%	-0.1%	-1.9%
Gross Domestic Product	1.0%	4.3%	1.0%	4.3%

**Note: as the ABS does not publish quarterly estimates of Gross State Product, contributions to growth are to State Final Demand for WA, and to Gross Domestic Product for Australia.*
Source: ABS Cat. 5206.0

Households and Housing

Population

Western Australia's estimated resident population increased by 0.5% over the June quarter 2007¹ to stand at 2.1 million. Western Australia's population grew by an estimated 2.3% over the year to 30 June 2007, the fastest of the States and Territories, with Queensland recording the second highest population increase (2.2%). Australia's population grew by 0.3% over the quarter and 1.5% over the year to June 2007, to stand at 21.0 million.

Western Australia's estimated population growth of 46,738 over the year to 30 June 2007 comprised:

- a natural increase (births less deaths) of 16,809 persons (contributing 0.8 percentage points to the 2.3% yearly growth rate);
- net overseas migration (arrivals less departures) of 25,519 persons (contributing 1.2 percentage points to the 2.3% yearly growth rate); and
- net interstate migration (arrivals less departures) of 4,410 persons (contributing 0.2 percentage points to the 2.3% yearly growth rate).

Housing Market

Commentator BIS Shrapnel² warns that the easing of house prices in Perth represents the beginning of a housing market crash, but the Real Estate Institute of Western Australia (REIWA) argues that the market is holding steady³.

Deteriorating housing affordability as a result of rising house prices in recent years has deflected some prospective first-home buyers into the rental market. This, in turn, has led to a tight rental market.

Nevertheless, current housing market indicators suggest that the State's housing market is softening.

¹ Source: ABS Cat. No. 3101.0 (latest data available). The ABS cautions that the June quarter 2007 data are preliminary and are subject to revision.

² Source: 'East versus west', *The West Australian Liftout: Property Report*, 17 November 2007, p. 17.

³ Source: Kelly Davies, 'Housing market defies predictions', *The West Australian Liftout: Property Report*, 17 November 2007, p. 2.

Over the September quarter 2007 Perth house price growth was the lowest of all capital cities¹, and it took longer (on average) to sell a property once it was listed². Perth's rental vacancy rate¹ eased to 3.4% in the September quarter 2007, after reaching a low of 0.8% in the March quarter 2007.

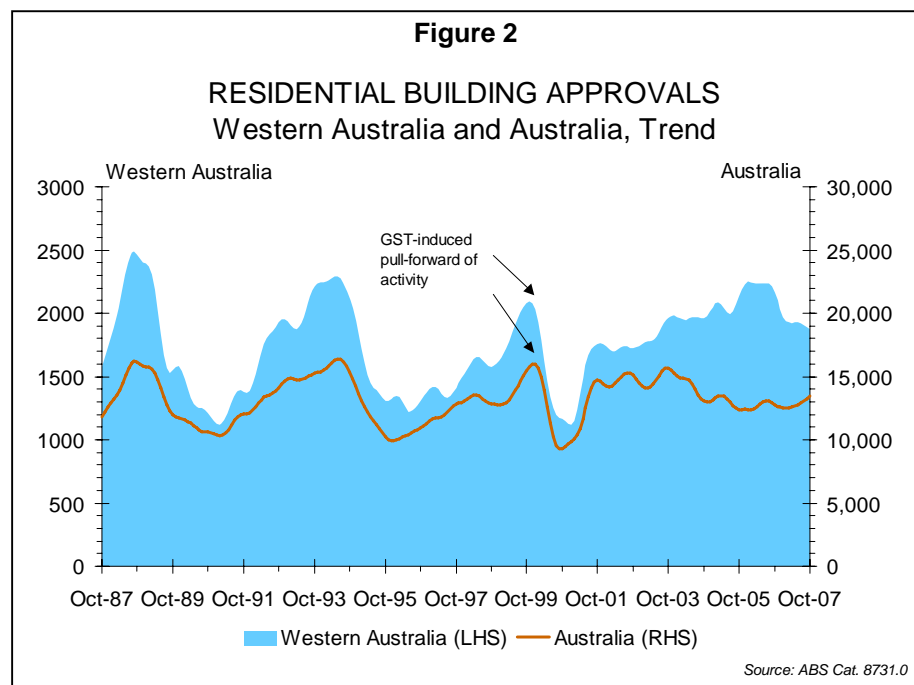
New Housing

Leading indicators of Western Australian dwelling construction, such as building approvals and finance commitments, suggest that the State's housing activity is easing. For example, the trend number of building approvals in Western Australia decreased by 0.7% in October 2007 (Figure 2).

Finance commitments data show that the combined number of finance commitments for the construction of dwellings and for the purchase of new dwellings in Western Australia was 13.3% lower in the three months to October 2007 than in the same period a year previously.

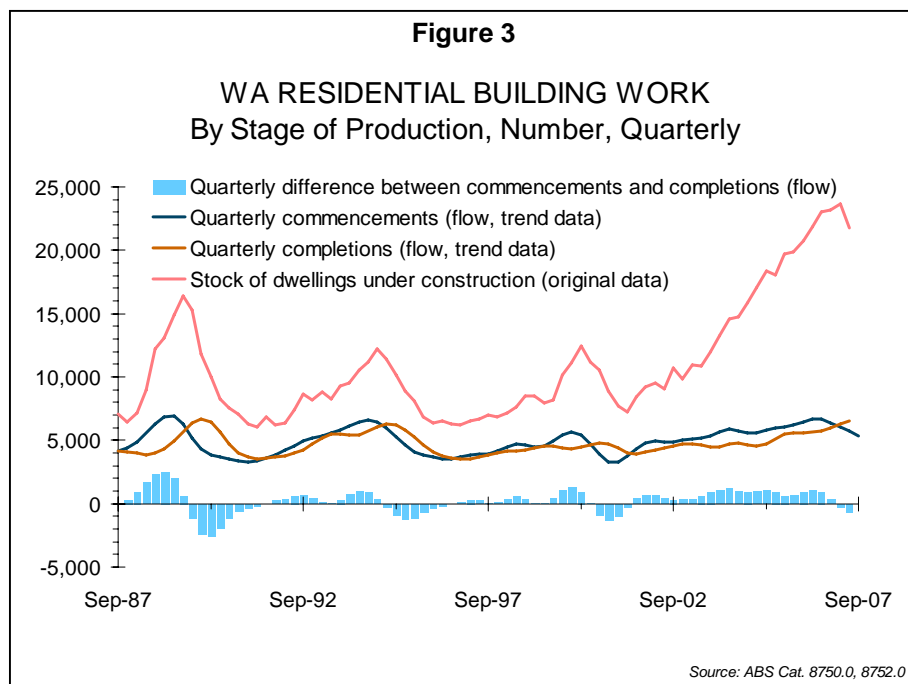
Preliminary estimates suggest that the number of dwelling commencements in Western Australia fell by 8.1% in the September quarter 2007, following a decline of 6.4% in the June quarter.

The number of commencements was 18.2% lower in the September quarter 2007 than September 2006.



¹ Source: Market Facts, REIA, September quarter 2007.

² Source: *Market Update*, REIWA, September quarter 2007.



The trend number of residential building commencements in Western Australia exceeded the trend number of completions in each quarter between September 2001 and December 2006 (Figure 3).

As a result, the number of residential dwellings under construction has built up, reaching a level of 21,787 in the June quarter 2007². This was, however, 7.8% lower than the March quarter 2007 level of 23,639.

This arose despite a rise in the number of residential buildings completed, reaching 24,469 in the year to the June quarter 2007.

Recent data from the Housing Industry Association³ also indicate a fall in the stock of dwellings under construction (Figure 4).

According to a report in *The West Australian*⁴, the large amount of activity yet to be completed means that skilled labour remains in demand and labour shortages are continuing, particularly in the finishing trades.

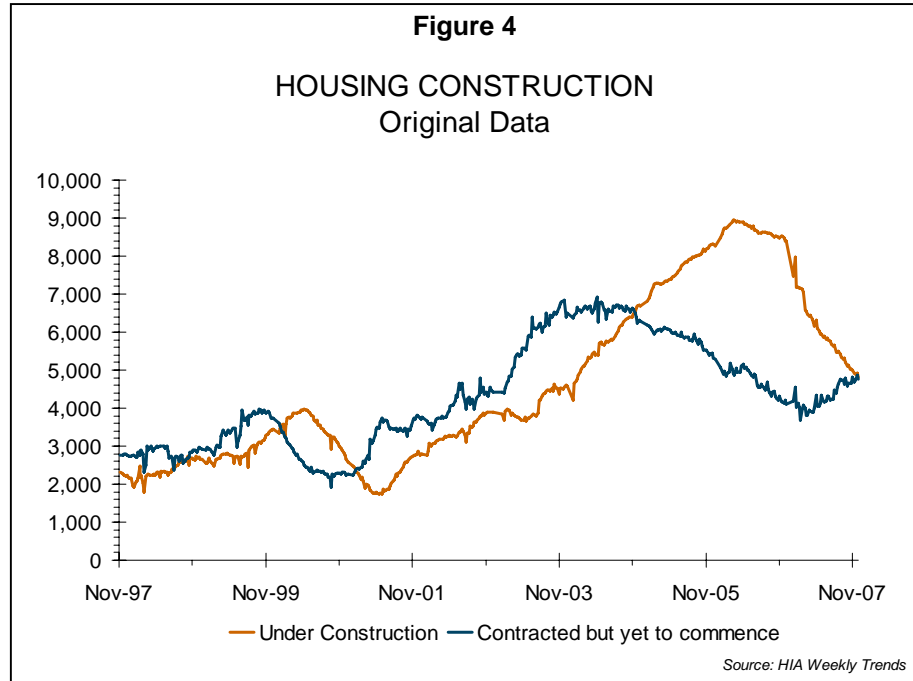
The report also indicates that building construction times are starting to fall.

¹ Source: *Market Update*, REIWA, September quarter 2007.

² June quarter data are the latest currently available for dwellings under construction and dwellings completed. September quarter dwelling commencements data shown are preliminary.

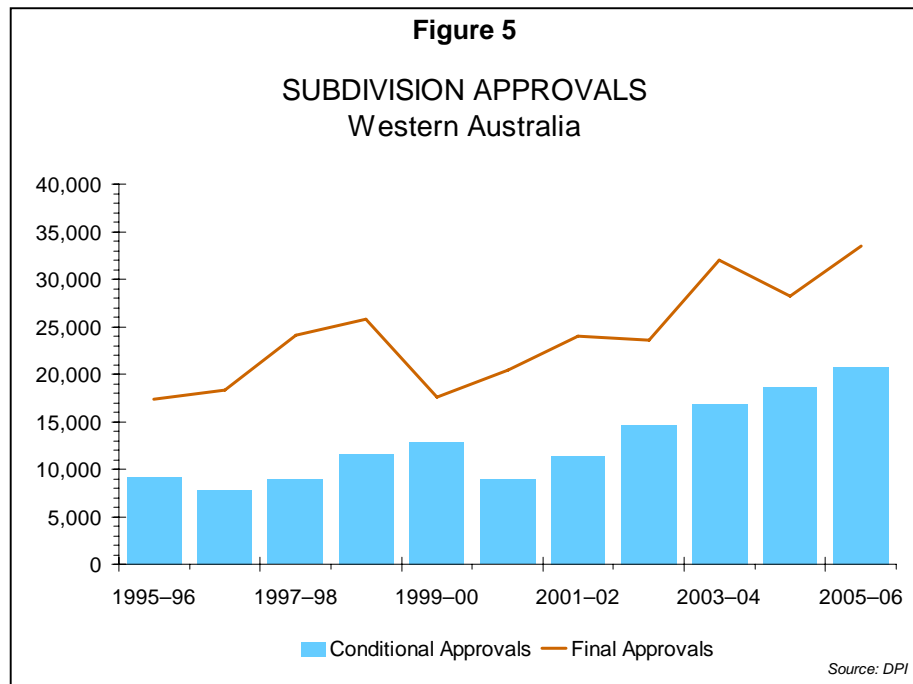
³ Source: *WA Weekly Trends*, Housing Industry Association.

⁴ Source: 'Market cools off after boom', *The West Australian Liftout: Property Report*, 17 November 2007, pp.10-11.



Even with declining building approvals, therefore, the large stock of work currently under construction is likely to help sustain strong levels of residential construction activity over the near term at least.

Once these new dwellings are completed, they could influence the overall housing market supply, potentially lifting the State’s total private, occupied housing stock by around 3%¹.



¹ Source: 2006 Census QuickStats.

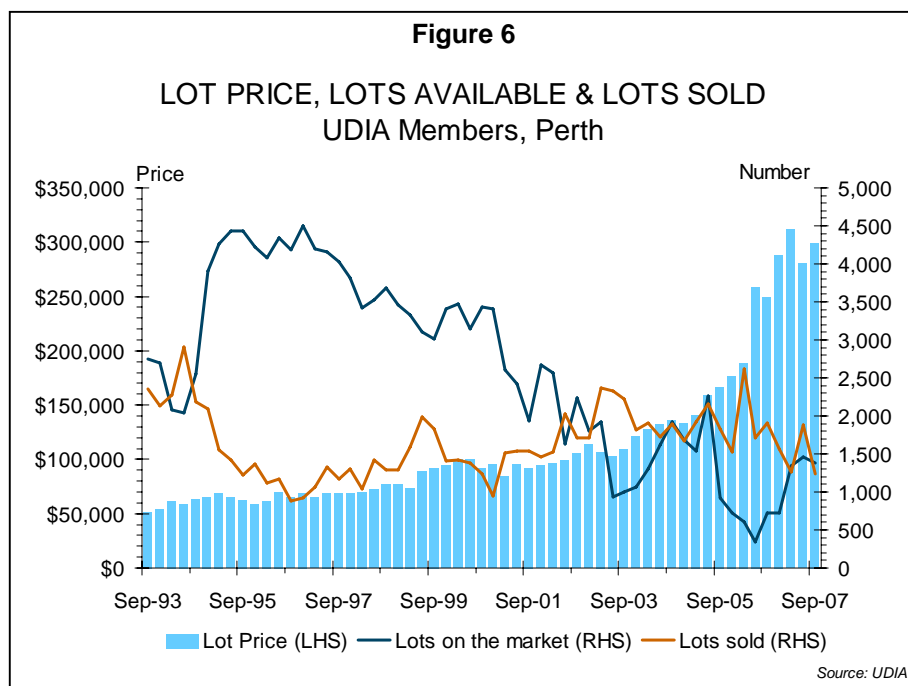
As there are no reliable data available for the number of residential demolitions, new homes only paint part of the supply picture. It is plausible that the demolition rate may have increased as increasing land values provide owners of suitable blocks with more incentive to subdivide their land. If demolitions are rising, then the rate of growth in the housing stock will be slower than growth in new homes completed.

Figure 5 shows that the number of subdivision approvals has been on the increase in recent years.

Land and Lots

According to the *Urban Development Index*¹, a quarterly report on land data published by the Urban Development Institute of Australia (UDIA), there was a sharp fall in the number of lots on the market between 2005 and 2006, reaching a low of 337 lots available for sale in the June quarter 2006. Since then, the numbers have recovered somewhat² (Figure 6).

As a result of the scarce supply of lots between 2005 and 2006, the Perth metropolitan region was faced with a substantial price growth in land lots (it should be noted that the data refer to the number of land lots available for sale on a particular day, not a period average, and therefore can be volatile).



¹ Liaison with UDIA indicates that UDIA members account for about 60% of the market and tend to be larger developers. Although not necessarily representative of the entire sector, UDIA members account for a significant proportion of the market and, therefore, their price and sales trends are likely to be broadly indicative of the market as a whole. The Department of Planning and Infrastructure does not have comprehensive data on land releases, sales, and blocks available for sale, and so these partial UDIA data are the best available indicators.

² Source: *Urban Development Index*, UDIA, September quarter 2007.

According to the *Urban Development Index*¹, 1,379 land lots were available for sale in the Perth metropolitan region at the end of the September quarter 2007. This was a fall of 87 lots from the June quarter 2007 total of 1,466 lots. Production of lots has picked up in recent quarters, but modestly.

The number of land lots sold over the whole of the September quarter 2007 in the Perth metropolitan region was 1,240. The average price of lots sold in the Perth metropolitan region increased by 7.1% over the September quarter 2007 to \$299,472, up 20.4% on September 2006 (Figure 6).

Lot prices are nonetheless high by historical standards. Over the three years to the September quarter 2007, the average price per square metre of lots sold increased by 110%.

Established Housing

The market for established dwellings has softened.

In the three months to October 2007, the number of finance commitments for established housing was 3.9% lower than the same period a year previously².

The decline in the number of finance commitments for established housing is consistent with softening sales in the established housing market. REIWA's data for the September quarter 2007 show that over the quarter:

- the average number of days it took to sell a residential property in Perth increased by 3 days, from 65 to 68 days - higher than the quarterly average of 46 days over the past 10 years, and 36 days more than the average number of days in the September quarter 2006;
- the number of dwellings sold decreased by 1.8%, from 13,241 to 13,000;
- the number of dwellings available for sale at the end of the September quarter 2007 increased by 3.2% from 13,217 to 13,645; and
- the sales to listing ratio decreased by 5.7 percentage points to 61.9%, which is 30.3 percentage points lower than the average of 92.2% in each quarter over 2005-06.

According to a recent report³, the wealthier suburbs in the Perth metropolitan region have recorded stronger market conditions than the capital as a whole, and will continue to do so in future. In contrast, the lower end of the housing market has weakened due to deteriorating affordability and an oversupply of housing in some suburbs.

¹ Source: *Urban Development Index*, UDIA, September quarter 2007.

² Source: ABS Cat. No. 5609.0.

³ Source: 'Rich suburbs still strong', *The West Australian Liftout: Property Report*, 17 November 2007, p. 7.

House Prices

REIWA's preliminary estimate of the median sale price for Perth houses was \$455,000¹ in the September quarter 2007 (Table 5), making it the second most expensive capital after Sydney².

Over the quarter, Perth's median house price increased by 0.7%. Apart from Canberra, which experienced a decline in house price over the September quarter 2007, Perth had the smallest house price growth over the quarter. Over the year to the September quarter 2007, Perth's median house price rose by 3.4% (Figure 7).

The ABS's preliminary estimate of the Established House Price Index for the September quarter 2007 showed a similar pattern to REIWA's median measure, with Perth's index increasing by 1.1% over the quarter, and rising by 2.8% through the year to the September quarter 2007 (Figure 8).

Australian Property Monitors, which also provides estimates of the median house prices, reported that the median price in Perth in the September quarter 2007 increased by 1.3% to \$510,254³.

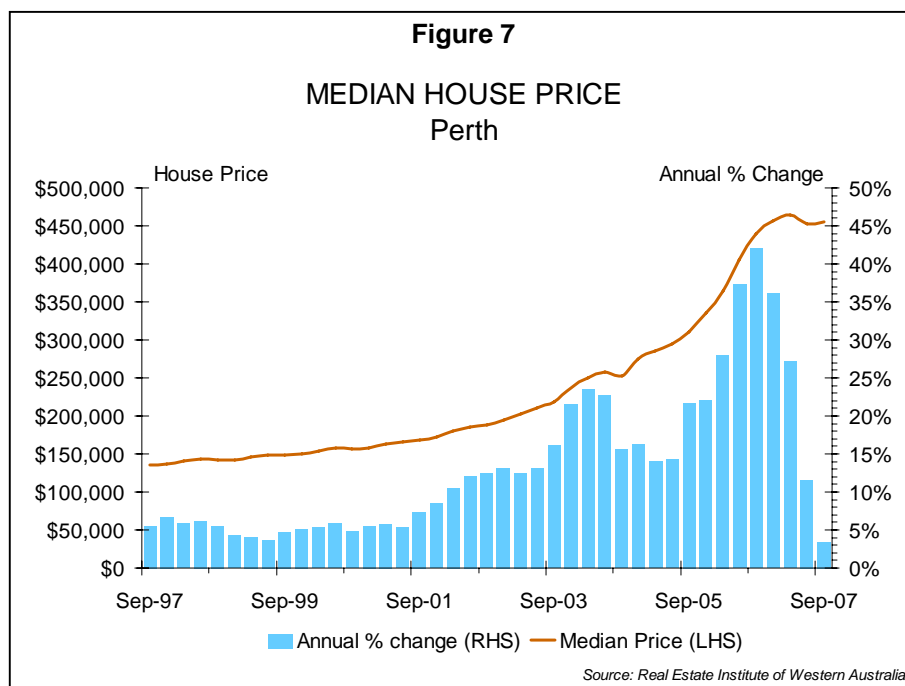
Australian Property Monitors data also show that Perth's median house price increased by 3.3% over the year to the September quarter 2007, down from growth of 40.1% over the year to the September quarter 2006.

Table 5

MEDIAN HOUSE PRICES September Quarter 2007

	Value Quarter	Change Quarter, %
Sydney	\$538,400	1.5
Melb	\$431,000	3.9
Bris	\$383,500	4.7
Perth	\$455,000	0.7
Adel	\$320,000	2.3
Hobart	\$317,000	2.3
Canb	\$425,000	-0.4
Darwin	\$400,000	1.3

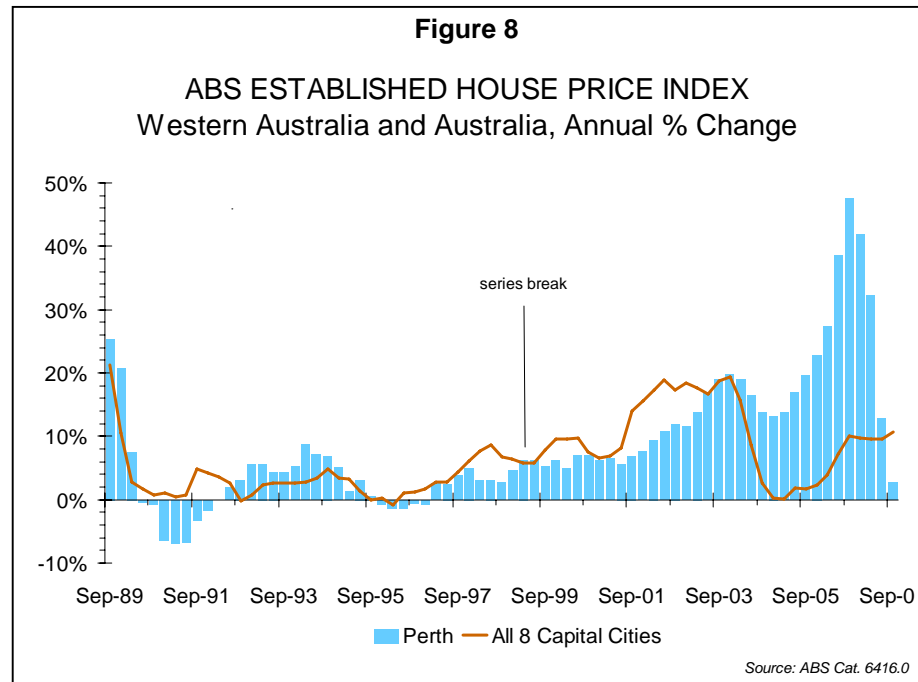
Source: REIA Market Facts;
REIWA Market Update



¹ Source: *Market Update*, REIWA, September quarter 2007.

² Source: *Market Facts*, REIA, September quarter 2007.

³ Source: *Official September Quarter 2007 Housing Data: Composition Adjusted Housing Price Series*, Australian Property Monitors, September quarter 2007.



According to an article in *The West Australian*¹, BIS Shrapnel expects the Perth housing market to be either flat or to experience a 5% to 10% fall in prices over the next three years. REIWA, however, predicts that median house prices in Perth will rise by 5% to 10% a year over the next five years, underpinned by the strong resources sector².

Affordability

Western Australia's strong growth in house prices in recent years has led to deteriorating housing affordability.

As mentioned above (also see [Table 5](#)), Perth's median house price of \$455,000 was the second highest of the Australian capital cities in the September quarter 2007, after Sydney's \$538,400 median price.

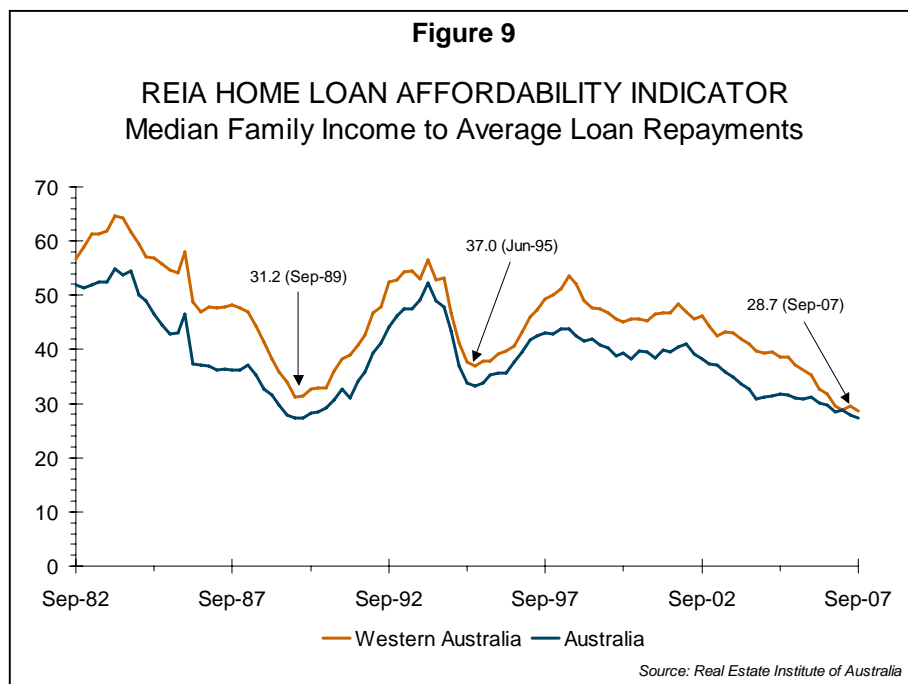
According to a Real Estate Institute of Australia (REIA) report on housing affordability³, Western Australia's index level of 28.7 in the September quarter 2007 was at its lowest since the series began in the March quarter 1980 ([Figure 9](#)).

The State's housing was actually more affordable than New South Wales and Queensland, however, as higher median family incomes offset high house prices.

¹ Source: Dawn Gibson and Ben Spencer, 'Perth house prices tipped to fall', *The West Australian*, 31 October 2007, p. 16.

² Source: Dawn Gibson, 'Perth real estate will fall as rest rises', *The West Australian*, 25 October 2007, p. 14.

³ Source: *Home loan affordability report*, REIA, September quarter 2007.



Data for the December quarter should provide a clearer indication of how affordability is likely to be affected as the effects of interest rate increases in August and November work through.

ABS data on national housing occupancy and costs for 2005-06¹ indicate that:

- 40.4% of low-income households purchasing a home with a mortgage experienced **housing stress**; and
- 49.4% of low-income households renting privately faced housing stress.

The greatest incidence of housing stress is, therefore, in the private rental sector.

Housing stress occurs when the proportion of household income spent on housing does not leave sufficient income to meet other basic needs, and is determined by housing costs and income levels. A common benchmark for housing stress, and the one used here, is households in the lowest 40% of the income distribution paying more than 30% of income on housing costs.

The data on housing costs used in such a threshold indicator of housing stress do not just reflect pure price changes for a standard unit of housing, however, but also reflect changing consumption preferences, for example if tastes trend towards larger or higher quality homes (or smaller or lower quality homes).

For those buying (or seeking to buy) their own homes, housing stress is most acute for first-home buyers.

¹ The situation where households, who are in the lowest 40% of income distribution, are paying more than 30% of household income on housing costs. Source: ABS Cat. No. 4130.0.55.001

The 2005-06 housing occupancy and costs data show that, while 44.9% of first-home buyers spent more than 30% of household income on housing costs in 2005-06 (in line with low-income households), just over 60% of first-home buyers have household incomes in the top 40% of the income distribution. Established home owners will have benefited from the increased value of their homes.

Not all changes in average or median prices reflect changes in the underlying cost of housing, and affordability measures often fail to capture this, so should be interpreted with caution. For example, if tastes trend towards larger or higher quality homes, or if most sales occur in relatively expensive suburbs, then the median price could rise, but this by itself would not be a decline in affordability.

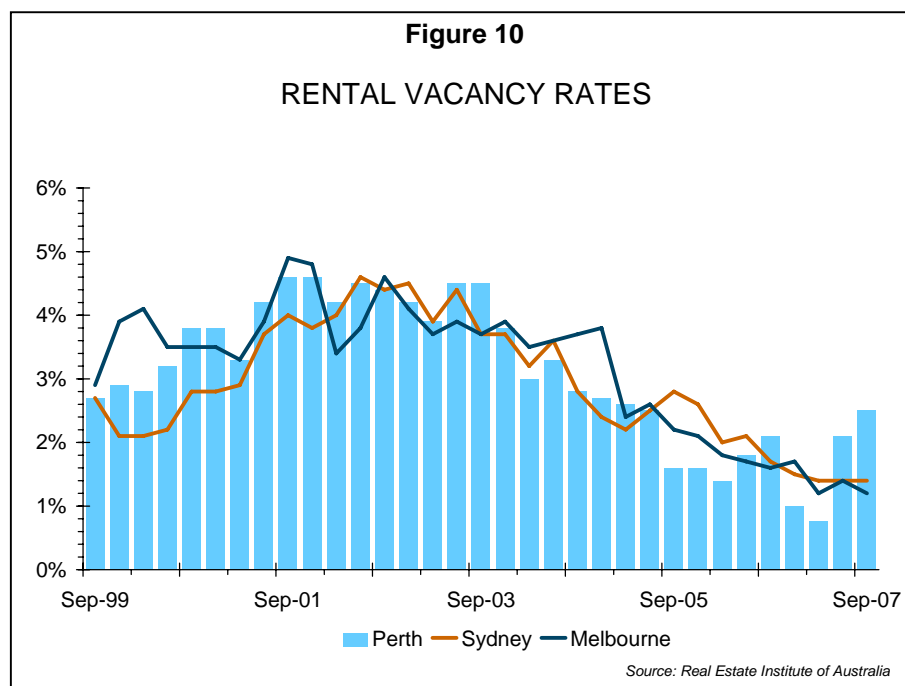
While different parts of the housing market experience different pressures, they are linked. The high house prices faced by prospective first-home buyers have deflected some demand into the rental market, which has resulted in the rental market also facing deteriorating affordability (see next section).

Rental Market

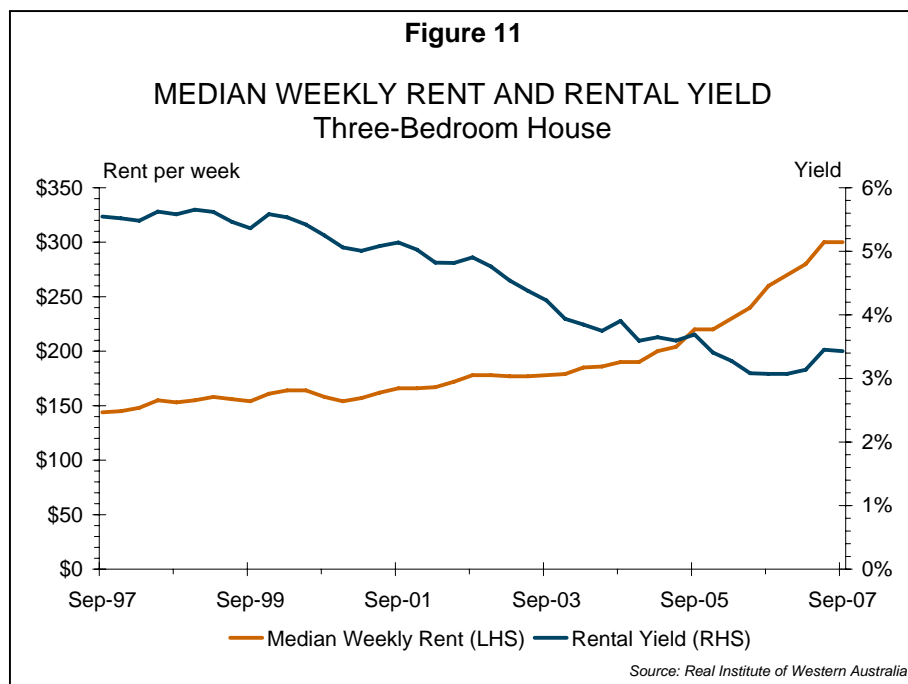
Perth's rental vacancy rate increased from 2.1% in the June quarter to 2.5% in the September quarter 2007, after reaching a low of 0.8% in March (Figure 10)¹. The 2.5% vacancy rate is below Perth's long-term average rental vacancy rate of 3.4% since the series began in March 1980. Compared to the other capital cities, though, Perth's rental vacancy rate in the September quarter 2007 was the highest (Table 6).

	Rate	Change*
Sydney	1.4	0.0
Melbourne	1.2	-0.2
Brisbane	1.6	0.1
Perth	2.5	0.4
Adelaide	1.5	0.2
Hobart	2.2	-0.1
Canberra	2.2	-0.2
Darwin	0.7	-0.5

*% point change from June qtr 07
Source: REIA Market Facts



¹ Source: *Market Update*, REIWA, September quarter 2007.



REIWA's data also indicate that the median rent for a three-bedroom house in Perth in the September quarter 2007 was \$300 a week – the same as the previous quarter (Figure 11). Compared to the September quarter 2005 and September quarter 2006, the median rent for a three-bedroom house in the September quarter 2007 was 36.4% and 15.4% higher, respectively.

Rental data published by REIA¹ and a recent article² indicate that Perth is one of the most expensive cities in the country to rent a house. Tenants in Perth are now paying \$5 and \$40 more a week than their counterparts in Sydney and Melbourne, respectively, for a typical three-bedroom house.

For a two-bedroom unit in Perth, the median weekly rent rose by 3.6%, to \$290, in the September quarter 2007. This was 61.1% higher compared to the same period two years previously, and 20.8% higher than in the same period a year previously.

Although the rental component of Perth's Consumer Price Index has also picked up in recent quarters, rising by 9.6% in the year to September 2007, it is growing much quickly than REIWA's median rents estimates. This could reflect its different composition - the ABS index includes public sector rents, and is representative of both new and existing rental agreements, whereas REIWA's median rents data are only for newly struck private agreements.

Despite growth in rents, the return to an investor for a three-bedroom house in Perth (that is, the **gross rental yield**) of 3.4%, according to REIWA's September quarter 2007 data is below the long-term average of over 5%. There may therefore be some potential for further growth in weekly rents, or falls in prices, over the longer term at least.

¹ Source: Market Facts, REIA, September quarter 2007.

² Source: Dawn Gibson, 'Perth rents higher than Sydney', *The West Australian*, 11 December 2007, p. 18.

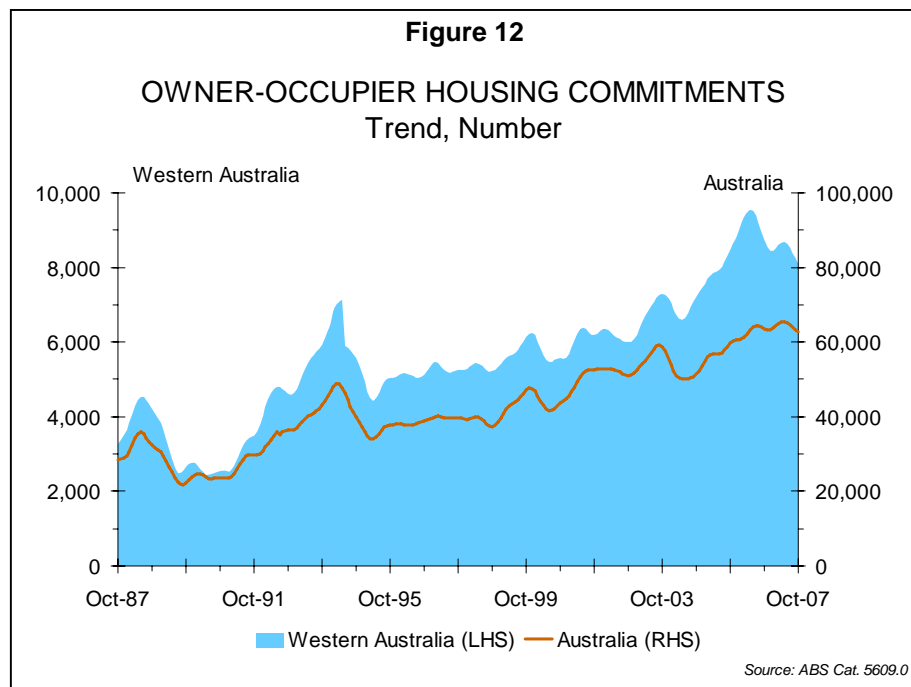
With REIWA's estimated median house price of \$455,000 for the September quarter 2007, the median weekly rent for a three-bedroom house would need to increase from \$300 to \$437.50 (or by 45.8%) to re-establish gross rental yields of around 5%¹.

Housing Finance

Data on housing finance commitments for owner-occupiers², which include refinanced loans, indicate that the number of loan commitments fell by 3.2%, to 8,004, in October 2007 (Figure 12).

Data on housing finance commitments by purpose³ show that growth in finance commitments for new dwellings broadly corresponds to growth in building approvals⁴ (Figure 13).

As discussed on page 8, the combined number of finance commitments for the construction of dwellings and for the purchase of new dwellings was 13.3% lower in the three months to October 2007 than in the same three-month period a year previously (Figure 14)⁵. Figure 14 also shows that the number of housing finance commitments (excluding refinancing) for established houses was 3.9% lower in the three months to October 2007 compared to the same period a year previously.



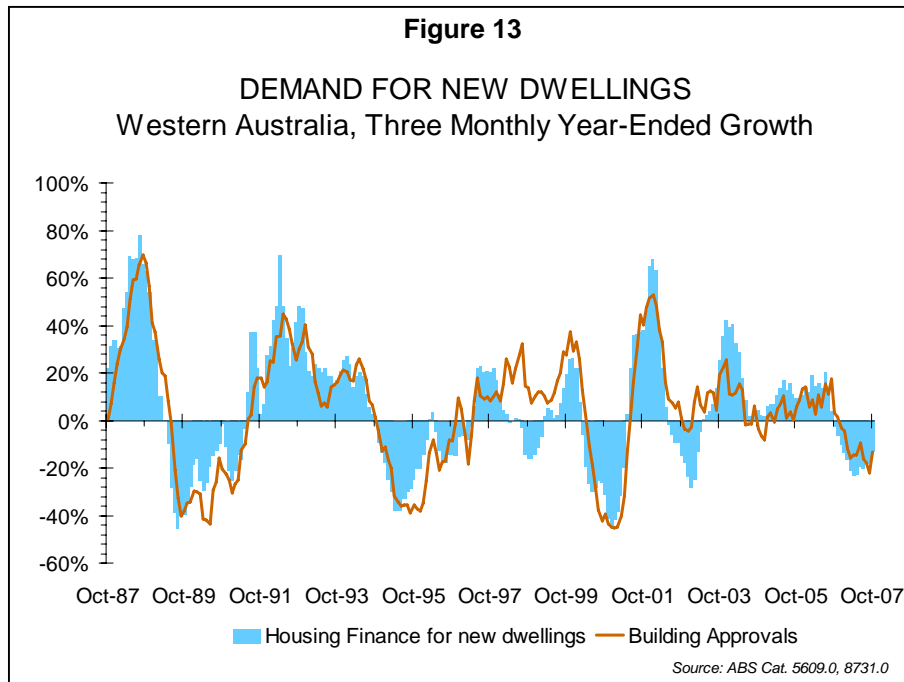
¹ However, this does not mean that rents should or will increase by this magnitude, as rental yields may stay below average for some time, or rental property prices could ease.

² Source: ABS Cat. No. 5609.0.

³ Available only in original terms, not seasonally adjusted.

⁴ Source: ABS Cat. No. 8731.0.

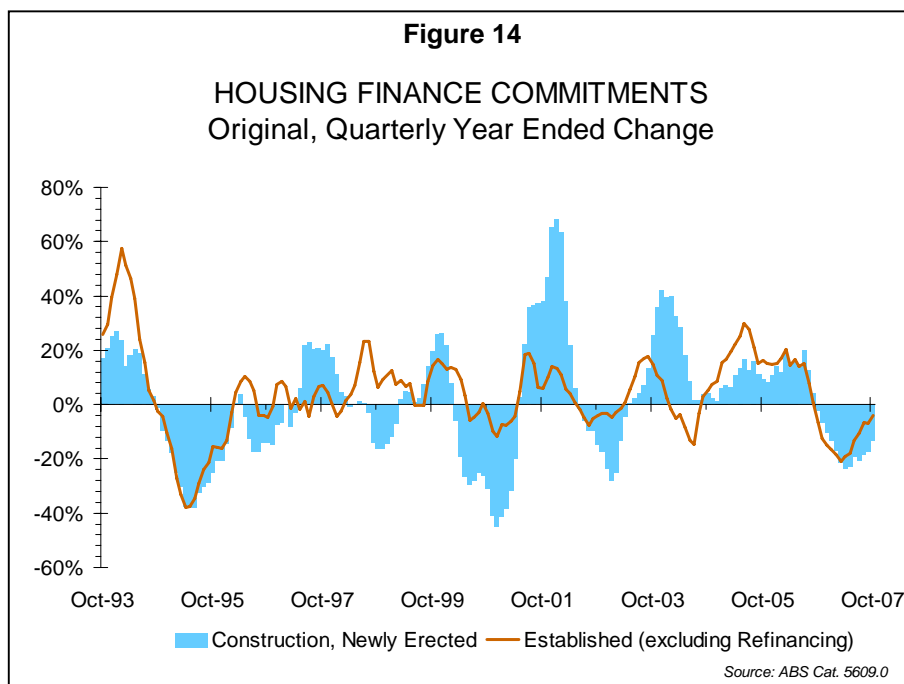
⁵ Source: ABS Cat. No. 5609.0.

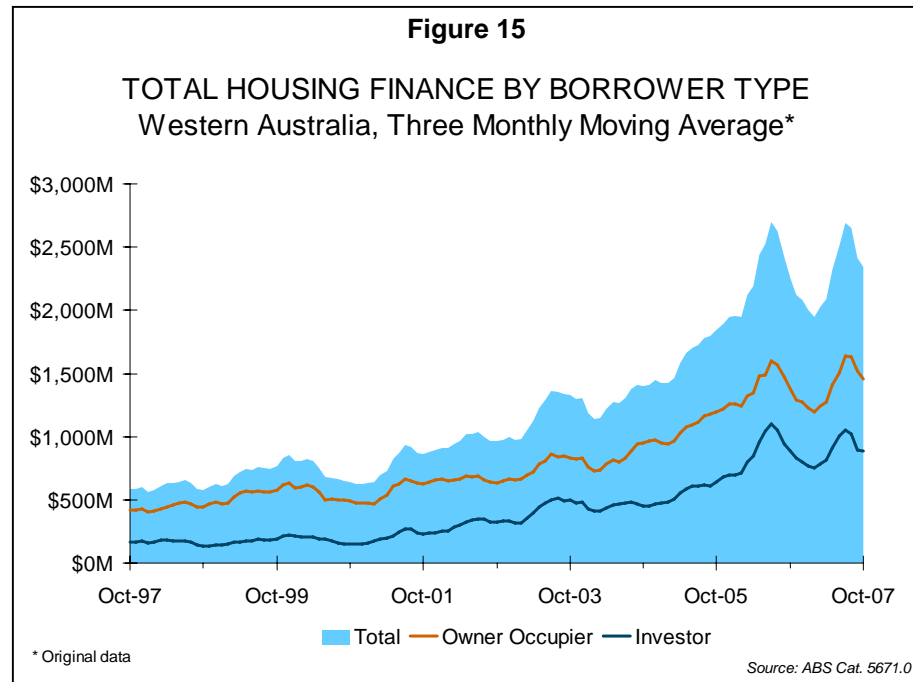


Housing finance data for first-home buyers show that the number of finance commitments was 20.7% higher in the three months to October 2007 than in the three months to October 2006.

In the three months to October 2007, the number of refinanced loans was 13.2% lower than the same period a year previously.

This, in turn, led to a fall of 12.9% in the number of loans for non first-home purchases in the three months to October 2007.





The total value of housing finance commitments¹ was 3.9% higher in the three months to October 2007, compared with the corresponding period a year previously. The value of housing finance for investors rose by 0.3%².

Both owner occupied and investor finance levels have started to decrease in recent months (Figure 15). In conjunction with affordability constraints, and the prospect of diminishing capital appreciation (for investors), the fall in overall housing finance levels in part could reflect the response of home - buyers to the August interest rate rise. Lending finance value data will have also been affected by increases in house prices over the past year.

Data for the next few months should provide a better indication of conditions more generally, and responses to the November 2007 interest rate rise in particular.

A recent article³ reports that mortgage broker Australian Finance Group says demand for its fixed-rate home loans in November 2007 has been the greatest since it started collecting data in March 2004. Lending support to this claim was another article⁴, which reports that mortgage broker Mortgage Choice says more first-home buyers have been taking out fixed-rate home loans in recent months, prompted by worries about another interest rate rise.

¹ For both owner occupiers and investors, and for new and established houses, but excluding refinancing. Source: ABS Cat. No. 5671.0, ABS Cat. No. 5609.0

² Caution should be exercised with the above figures, as growth rates for housing finance by value are subject to price related effects as well as changes in the volume of activity

³ Source: Garry Shilson-Josling, 'Fixed rate loans gaining traction', 7 December 2007 (<http://www.news.com.au/business/money/story/0,25479,22885781-5013951,00.html>).

⁴ Source: 'Fearful are rushing to fix loans', 30 November 2007 (<http://www.news.com.au/business/money/story/0,25479,22852741-5013951,00.html>).

Consumer Spending

Western Australia's consumer spending is strong compared to historical trends and to other States, supported by growing employment and wages, and buoyant consumer spending.

Forecasts published recently in the Department of Treasury and Finance's *Mid Year Financial Projection Statement* predict that household consumption will grow by 4.75% in 2007-08 and by 4% in 2008-09.

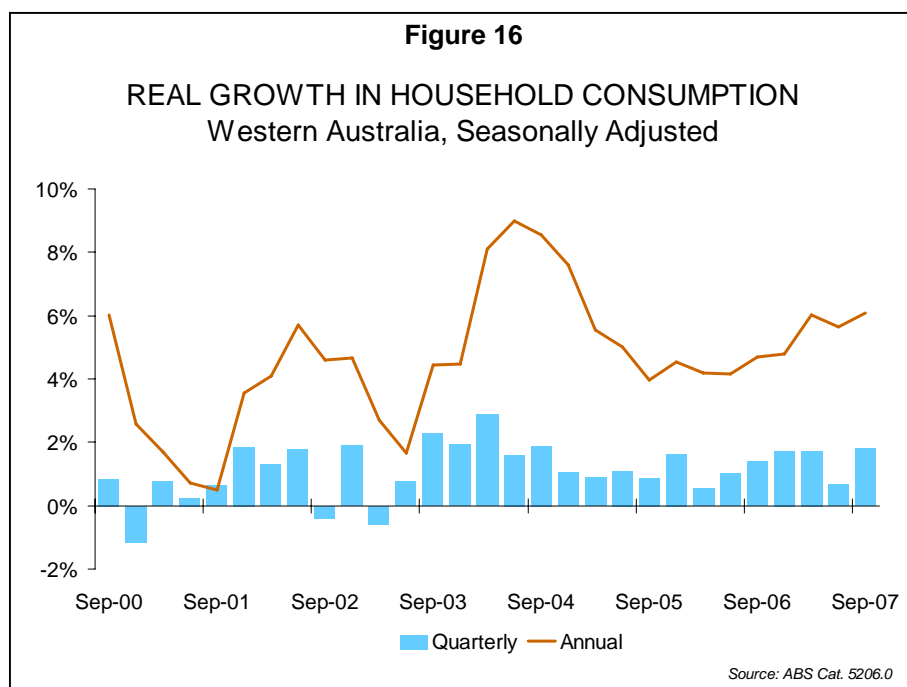
Household Consumption

Real household consumption in Western Australia grew by 1.8% in the September quarter 2007 in seasonally adjusted terms, following growth of 0.7% in the June quarter (Figure 16). Real household consumption increased by 6.1% over the year to the September quarter.

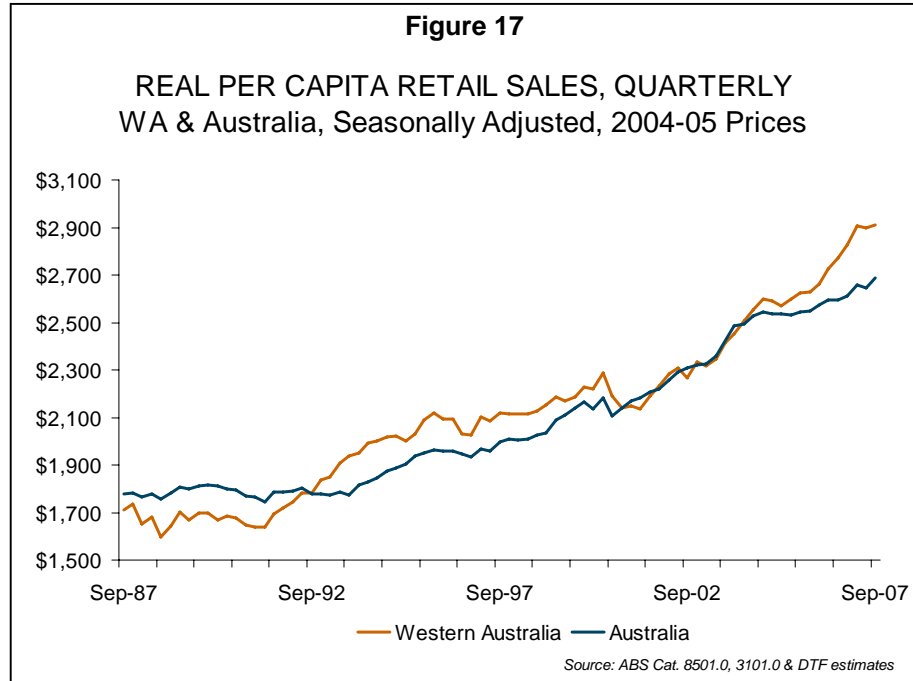
Growth in Western Australia household consumption has been higher than the national average since the December quarter 2003. Australian real household consumption increased by 1.2% during the quarter and by 4.5% over the year to the September quarter 2007¹.

Retail Sales

Real retail sales per capita in Western Australia increased by 0.6% in the September quarter 2007, following a decrease of 0.4% in the June quarter (Figure 17).

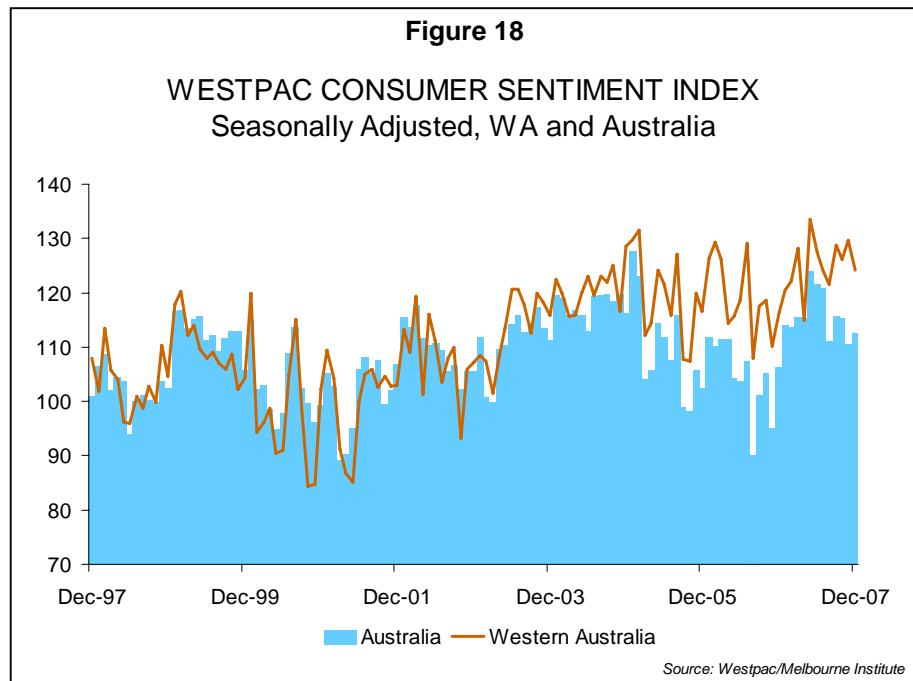


¹ Source: *Australian National Accounts: National Income, Expenditure and Product*, ABS, September 2007, Catalogue 5206.0



Real retail sales per capita in Western Australia grew by 5.1% over the year to the September quarter 2007. Australian real retail sales per capita rose by 1.6% in the September quarter 2007 and by 3.6% in the year to the September quarter.

In **current prices** terms (not adjusted for inflation), the total value of retail turnover in Western Australia increased by 7.0% through the year to October 2007. **Nominal** retail turnover growth in Western Australia decelerated in 2007, and in October fell below the national average of 7.4% in for the first time since March 2004.



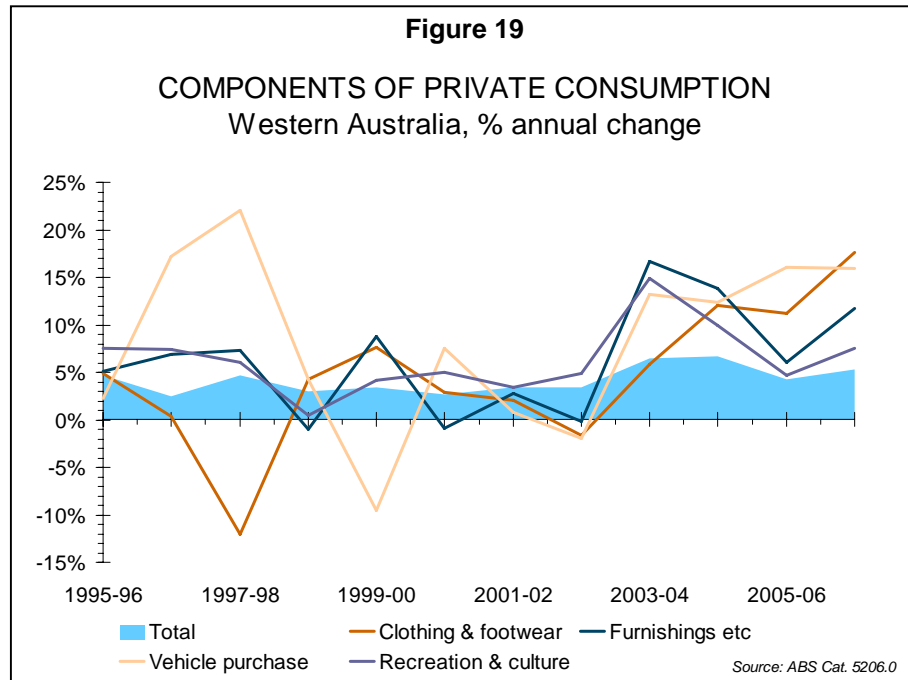
Despite this deceleration, retailers expect strong conditions over the Christmas period¹. Retailers also appear to have a confident outlook for retail sales over the medium term, with a recent media report noting a number of new retail developments and shopping centre expansions in Perth and throughout the State².

Consumer Sentiment

The Westpac-Melbourne Institute of Consumer Sentiment Index for Western Australia has softened from its May 2007 high, and fell in the most recently released December 2007 data (Figure 18). Consumer sentiment in the State remains at high levels by historical standards, however, and is above the national average. The fall in the index for December may reflect the effects of the interest rate increase on 7 November.

Components of Consumption

Western Australia's real household consumption has increased strongly in recent years, growing at an average of 5.7% over the four years to 2006-07. Clothing and footwear, furnishings and household equipment, purchase of vehicles, and recreation and culture, have been the fastest growing components of consumption in recent years (Figure 19). In earlier times, the growth of these components of consumption was more volatile, and has not consistently outgrown total private consumption.



¹ *Boom brings early cheer for Perth retailers*, The West Australian, 10 December 2007, p. 13.

² Jenelle Carter. *Economic strength spurs growth in retail developments*, WA Business News, 1 November 2007, page 18

These categories of consumption hold a discretionary and non-discretionary component, as all can be considered necessary expenditure to some extent, though also include a premium or “high-end” component.

The faster growth in these components of consumption in recent years may be attributable to strong demand for non-discretionary premium items. This most likely occurs during periods of strong economic growth with rising disposable income and household wealth, as has taken place in Western Australia in recent years.

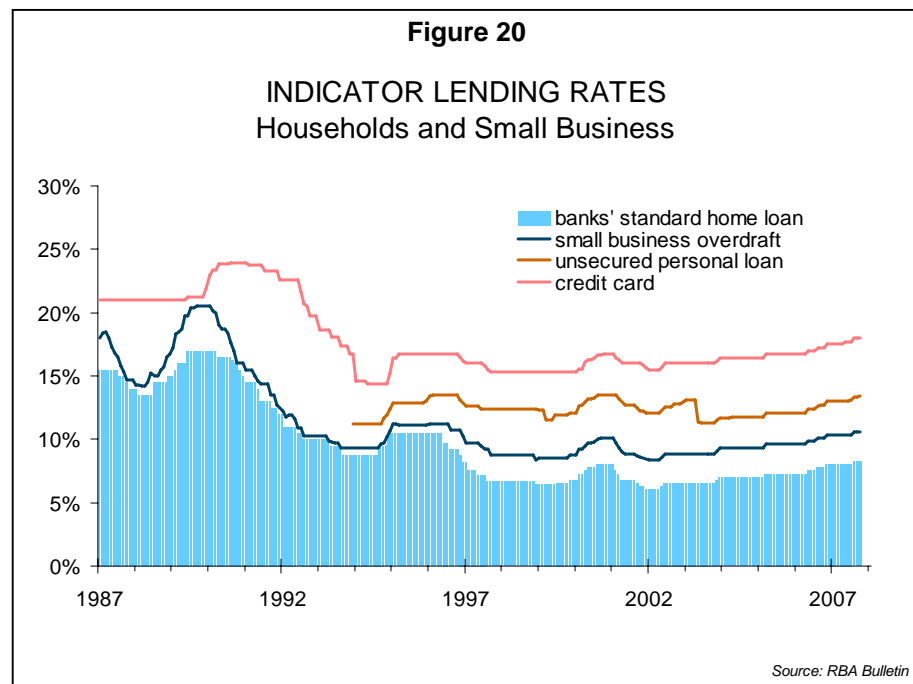
Household Finance

Household balance sheets have improved in recent years, with the value of assets and liabilities rising strongly relative to household disposable income in recent years¹.

Households have enjoyed rapid increases in residential property and equity prices, though they have simultaneously taken on higher levels of debt through larger mortgages. This may have made some households more vulnerable to higher interest rates and falls in property and share prices.

Household Debt

A recent report by Fitch Ratings on Australian residential mortgages found that Western Australia had the smallest percentage of mortgages in arrears¹. The study analysed Australian **securitised** residential mortgages in terms of missed payments by postcode, including over 993,000 loans with a total outstanding balance of \$168 billion.



¹ Source: Reserve Bank of Australia, *Financial Stability Review*, September 2007

Interest Rates

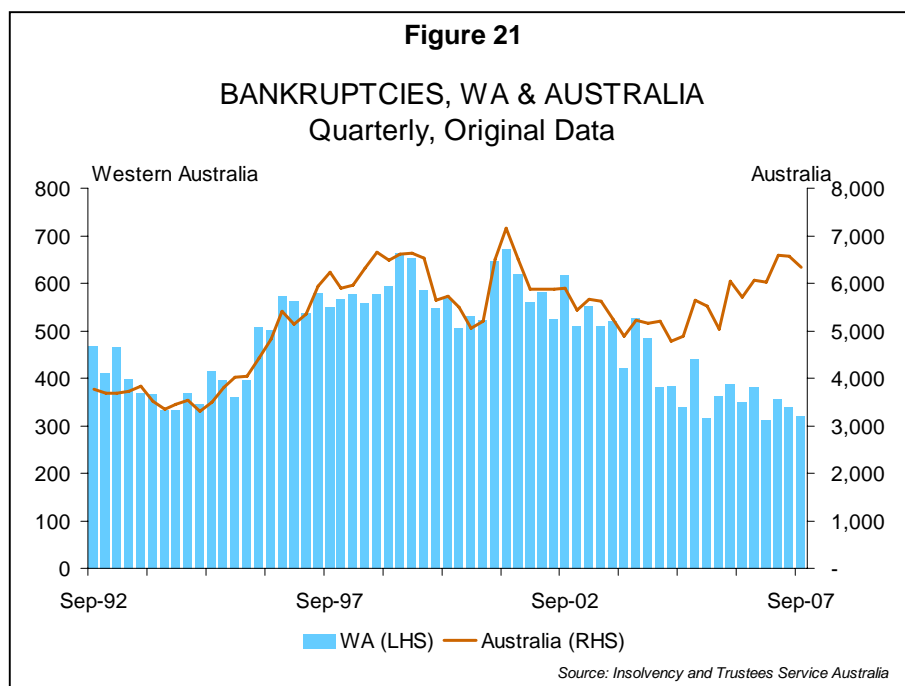
In November 2007, the Reserve Bank of Australia (RBA) increased the cash rate by 25 basis points from 6.5% to 6.75%, following an interest rate rise in August.

Typical interest rates for small businesses and household mortgages and credit card payments have tracked upwards in line with the trend in official rates (Figure 20), and the banks' standard home loan rate reached 8.5% in November, its highest rate since 1996.

Further interest rate increases are likely. The RBA wrote in its November *Statement on Monetary Policy* that "both CPI inflation and underlying measures are likely to rise above 3 per cent on a year-ended basis over the next two quarters"².

In making further deliberations on the direction of interest rates, however, the RBA will balance the inflationary pressures in the domestic economy against continuing instability in financial markets.

In December 2007 the Adelaide Bank lifted interest rates on some wholesale mortgages by 25 basis points, becoming the first bank in recent years to lift its interest rates independently of any increase in the official rate by the RBA³.



¹ Source: Fitch Ratings, *Australian Mortgage Delinquency – by Postcode*, November 2007

² Source: Reserve Bank of Australia, *Statement on Monetary Policy*, 12 November 2007

³ Source: The Australian, *Adelaide Bank first to lift alone*, Andrew Faulkner, 4 December 2007

If other banks also choose to pass on the increased costs of raising funds to borrowers by raising their rates, the expectation of further increases in the official rate will be reduced.

Bankruptcies

Bankruptcy data provide an indicator of financial stress. The number of personal bankruptcies in Western Australia has been relatively steady over the past two years, with 320 bankruptcies recorded over the September quarter 2007, a 5.9% fall from the June quarter ([Figure 21](#)).

National bankruptcy levels have trended upwards in recent quarters, reaching 6,330 in the September quarter 2007.

Price Trends

Consumer Prices

Consumer Price Index

Perth's inflation rate decelerated further in the September quarter 2007, but remains above the national rate.

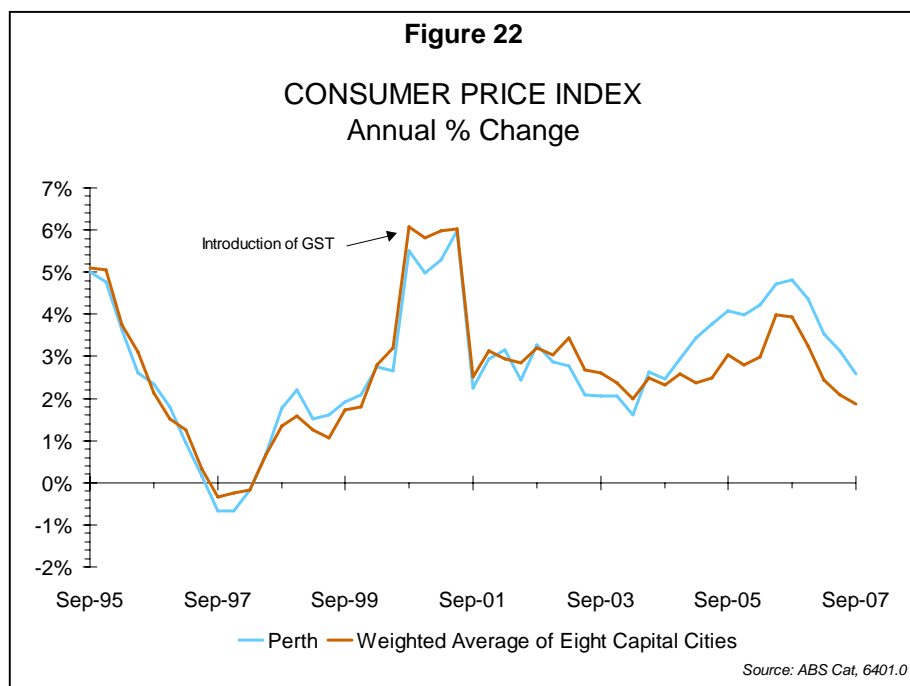
In the year to September, Perth's **Consumer Price Index (CPI)** rose by 2.6%, above the national rate of 1.9% over the same period, although the gap between the two rates of inflation has narrowed slightly (Figure 22).

The largest contributor to Perth's CPI growth over the year was housing (Figure 23) followed by food. Growth in housing costs in Perth was caused by strong growth in rents and house purchase costs¹.

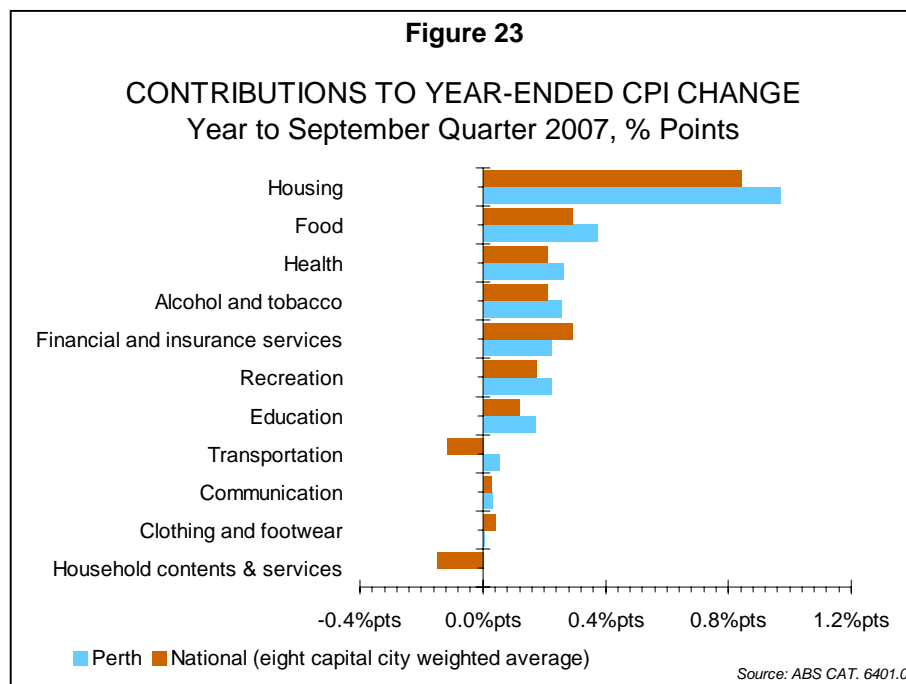
Over the year to the September quarter 2007, these categories contributed 0.4 percentage points each to Perth's 2.6% inflation rate, equivalent to 30% of total CPI growth over the period.

CONSUMER PRICE INDEX		
September Quarter 2007		
	% Change:	
	Quarter	Year*
Sydney	0.4	1.3
Melbourne	0.8	2.1
Brisbane	0.9	2.7
Perth	0.6	2.6
Adelaide	0.7	1.4
Hobart	0.3	1.8
Darwin	1.2	3.2
Canberra	0.8	2.1
Australia	0.7	1.9

** on same quarter a year earlier
Source: ABS Cat. 6401.0*



¹ House purchase prices measure only net additions to the housing stock through acquisition of newly constructed residences (not land), and major improvements to existing homes. It excludes prices for the purchase of established houses, and imputed rent or capital accumulation for existing owner-occupiers



Although the key drivers of Perth's CPI were the same as the national CPI, price growth in Perth was higher in most of the eleven CPI categories than the national equivalent growth over the year to September 2007 (Figure 23), with housing again recording the largest gap in contribution to growth.

The gap between the contribution to inflation of growth in housing costs nationally and in Perth narrowed to 0.13 percentage points over the year to September 2007, however, down from 1.22 percentage points over the year to September 2006.

Looking forward, the Department of Treasury and Finance believes that the gap between Perth and national CPI growth will continue to close as a result of a softening housing market in Western Australia, and in particular weaker housing construction. This should lead the contribution to price growth of house purchase costs to lessen further, although growth in rents could remain strong - see Households and Housing section for more information.

Housing was the largest contributor to growth in Perth's CPI over the September quarter, responsible for half of the 0.6% quarterly growth.

Growth in housing costs was spread across the sub-categories of rents, house purchases, utilities and property rates and charges. This contrasts with previous quarters when house purchases (and more recently, rents) have been the main driver of growth in housing costs.

Food was also a strong contributor to Perth's CPI growth over the quarter (mainly due to rising prices of fruit) as was recreation (as a result of higher prices of overseas holidays and travel and accommodation).

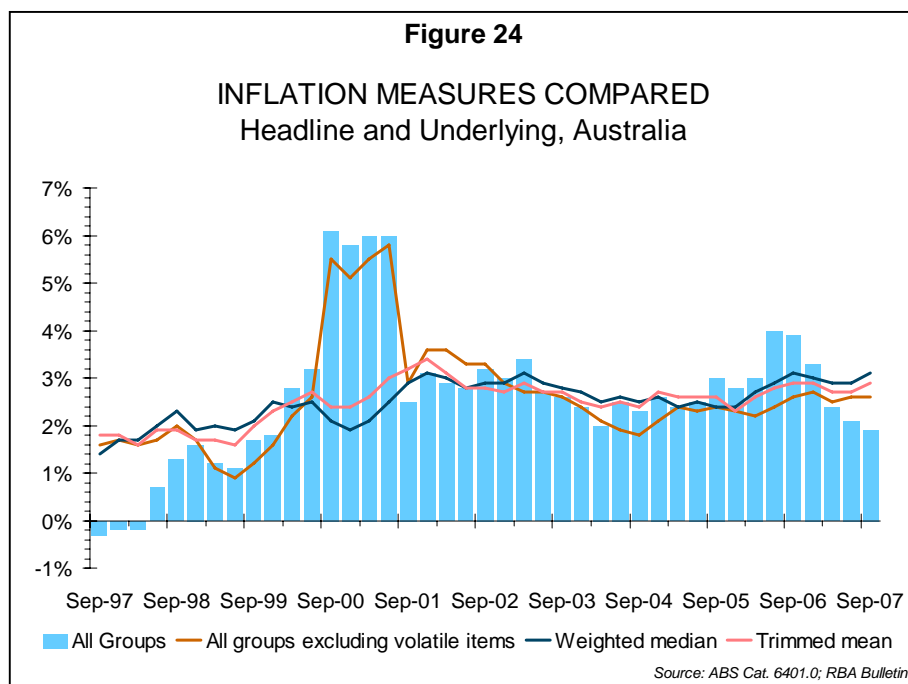
Growth in the Consumer Price Indexes of most capital cities was fairly subdued between the June and September quarters, averaging 0.7%. This partly reflected the Australian Bureau of Statistics bringing the Child Care Tax Rebate into scope over the quarter, however, due to a change in the eligibility criteria. This detracted 0.2 percentage points from national Consumer Price Index growth over the quarter.

Underlying Price Movements

Changes in the headline inflation rate are often driven by one-off effects such as the spike in banana prices that followed cyclone Larry in 2006, or the changed treatment of the Child Care Tax Rebate that detracted from inflation in September 2007. Some inflation measures identify underlying price pressures excluding these effects. The most commonly used are the ABS's index of prices excluding volatile items, and the Reserve Bank of Australia's estimates of *trimmed mean* and *weighted median* inflation¹.

Recent inflation trends show a marked divergence between the headline inflation rate, which has been trending downwards, and the underlying inflation measures, which have drifted upwards in recent quarters (Figure 24). This divergence is due to a number of one-off factors that caused headline inflation to rise above underlying inflation from mid-2005 through 2006 dropping out of the index, while recent exceptional factors, like the Child Care Tax Rebate, have tended to lower headline inflation.

This upward drift in underlying inflation also points to the possibility of headline inflation picking up in 2008, and explains why the Reserve Bank of Australia raised interest rates in 2007 despite inflation trends apparently easing over the year.



¹ See Glossary for an explanation of these estimates

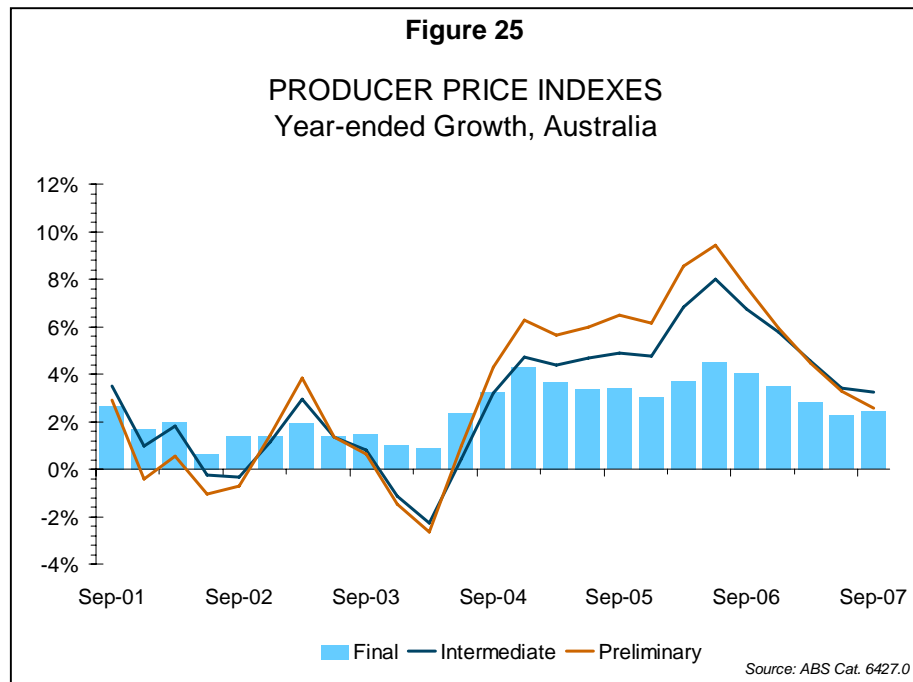
Other Prices

Input Prices

National [Producer Price Index](#)¹ data show that annual price growth for the three production stages (preliminary, intermediate and final) has slowed since mid 2006. However, by historical standards price pressures in the preliminary and intermediate stages have been particularly strong over the past two years. Preliminary and intermediate goods' prices have historically been more volatile than prices of final goods.

At the State level, the Chamber of Commerce and Industry of Western Australia reports that Western Australian businesses are absorbing increases in input costs rather than passing them on to consumers. In its latest *Business Expectations* survey², the Chamber stated that while over 63% of business reported an increase in input costs, 53% of businesses kept prices unchanged over the September quarter.

The survey report comments that this tendency to absorb prices may be starting to change, however, with 38% of respondents expecting to raise prices in the next quarter (see [Business Conditions](#) chapter for more information on business surveys).



¹ See glossary. Producer Price Indexes are not available at the State level.

² September quarter 2007.

Wages

Wages are important input costs for businesses, and growth in wages has picked up in recent quarters. The Commonwealth Bank-CCI *Business Expectations Survey* for September reported ongoing wage pressures in Western Australia as a result of skilled labour shortages, with the wage cost index rising in the September quarter after easing earlier in the year¹.

Wage Price Index

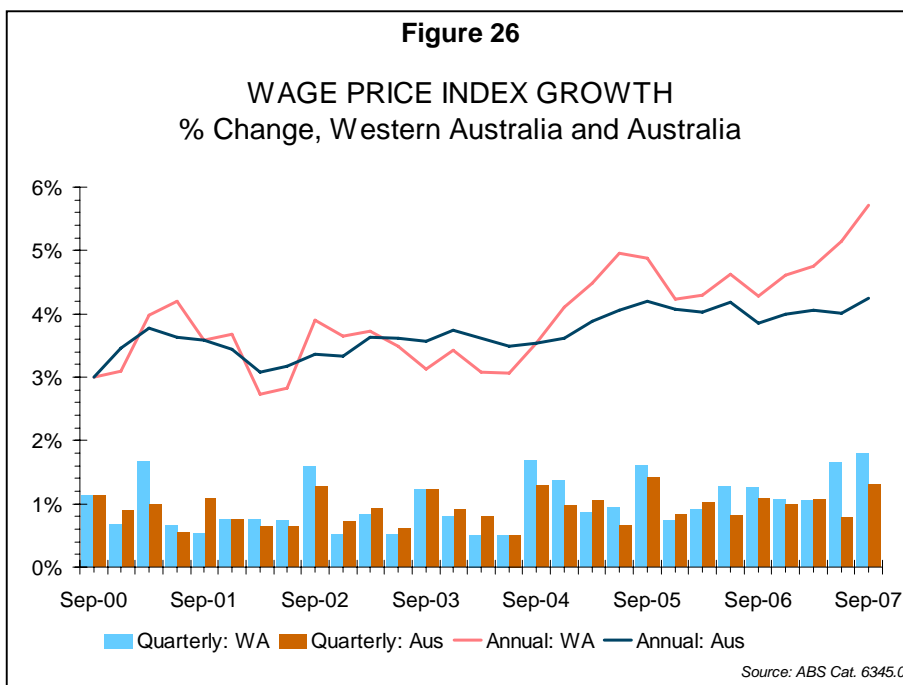
Western Australia's **Wage Price Index** increased by 1.8% over the September quarter 2007, the strongest quarterly growth rate recorded for the State since the index began in 1997. The quarterly growth recorded for Western Australia was also stronger than national growth of 1.3%, and equal fastest of the States and Territories.

Western Australia's Wage Price Index rose by 5.7% in the year to September, compared to 4.2% nationally, with growth the fastest of all States' and Territories' Wage Price Index increases. This annual growth for Western Australia was also the highest for the State since the index began in 1997, and was substantially higher than the long run average rate of growth of 3.7%.

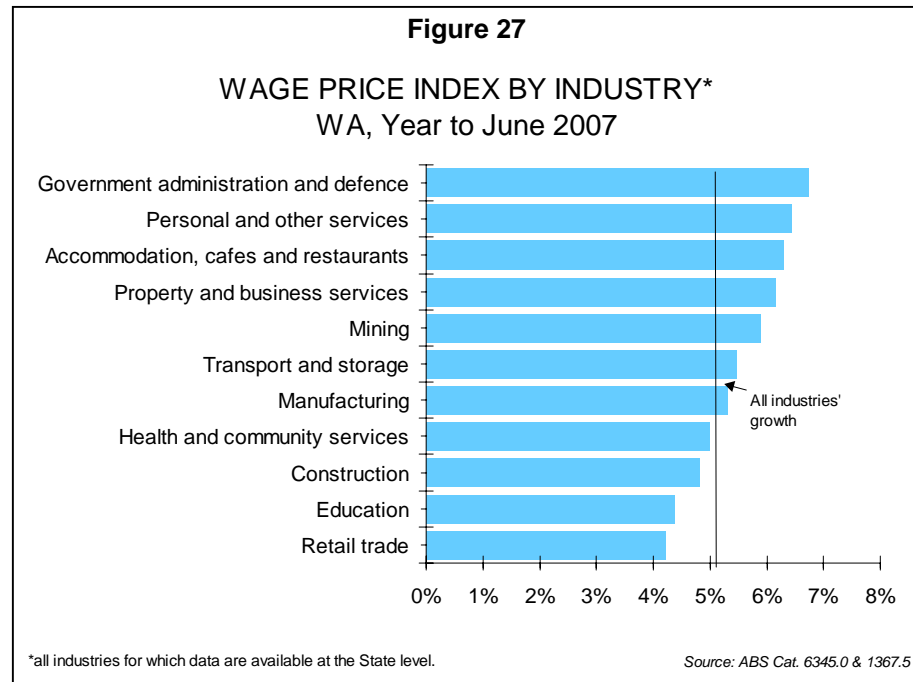
Australia's Wage Price Index growth has also trended upwards in recent quarters, but less markedly than the index for Western Australia (Figure 26).

WAGE PRICE INDEX		
Growth (%), September 2007		
	% Change:	
	Quarter	Year*
NSW	1.3	3.9
Vic	1.0	3.7
Qld	1.2	4.5
WA	1.8	5.7
SA	1.8	4.8
Tas	1.1	4.1
NT	0.8	3.6
ACT	1.5	4.2
Australia	1.3	4.2

* on same quarter a year earlier
Source: ABS Cat. 6345.0



¹ Ibid.



Strong wages growth is perhaps not surprising given the State's low unemployment rate and high labour demand (see page 36). The recent acceleration in growth may point to a general pick-up in wages growth across all industries as well as a lag between employment demand and wage responses.

Over the year to the June quarter 2007¹, seven Western Australian industries recorded above-average growth in their Wage Price Index (Figure 27).

This differs from previous quarters, where wage pressures were confined mainly to industries directly affected by the housing and resources booms, such as mining and construction.

Over the year to the June quarter 2007 no industry's Wage Price Index grew by less than the long-run average growth rate for the Western Australian Wage Price Index of 3.7%.

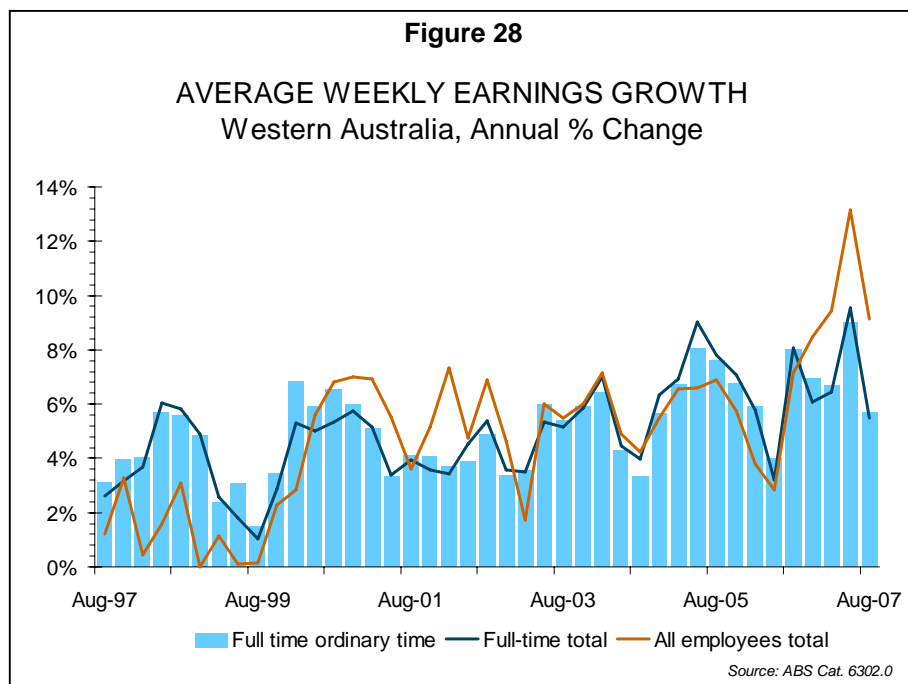
Earnings

Average **annualised** wage increases recorded by the Western Australian Industrial Relations Commission grew strongly in 2006-07, with increases of 4.3%, 4.3%, 3.5% and 3.5% in the September, December, March and June quarters respectively².

Although earnings growth for Western Australia over the three months to August 2007 decelerated from particularly strong growth (of 3.4%) over the three months to May 2007, it was still strong over the quarter and very strong over the year.

¹ The latest published industry by State data are for the June quarter 2007.

² Source: the Department of Consumer and Employment Protection, Labour Market Bulletin – June Quarter 2007.



Average weekly earnings grew by 1.8% over the three months to August, much lower than the 3.4% recorded in the three months to May (highlighting the volatility of quarterly data). Average weekly earnings for Australia grew by 0.6% over the same period. Average weekly ordinary time earnings grew by 1.2% compared to Australia's 1.0% growth over the three months to August 2007.

Average weekly total earnings in Western Australia grew by 9.1% through the year to August, compared to growth of 4.5% nationally. The particularly strong recent growth in this earnings measure may partly be due to the stronger growth in full-time than part-time employment over the past year, as total earnings includes the pay of both full-time and part-time employees. Average weekly full-time ordinary time earnings - which excludes part-timers - rose by 5.7% in Western Australia and 4.9% nationally.

Unlike the Wage Price Index, average earnings can be affected by changes in the composition of the workforce as well as changes in what individuals earn, and for this reason the Wage Price Index is a better measure of underlying wage growth (see [Wage Price Index, average weekly earnings and average weekly ordinary time earnings](#) in the Glossary for more information).

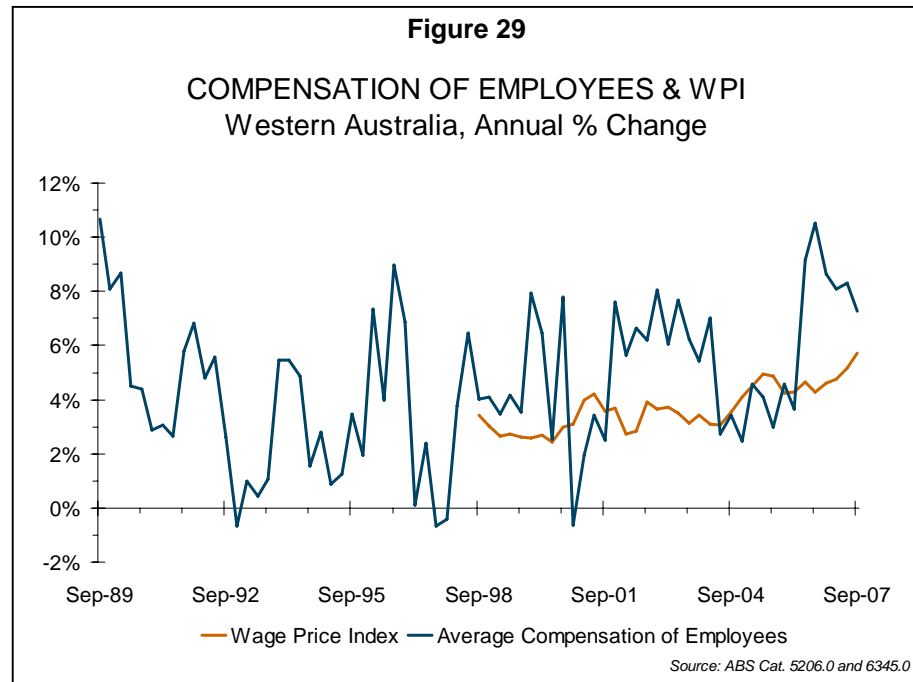
Compensation of Employees

[Compensation of employees](#) is a broader measure of remuneration than average earnings, since it includes payments in kind (such as meals, housing and child care) as well as monetary payments.

Like the average earnings measures it is affected by changes in the composition of the workforce, but its wide coverage makes it a valuable measure of broader earnings trends, and a useful gauge of employees' aggregate spending power.

AVERAGE WEEKLY ORDINARY TIME EARNINGS		
Growth (%), August 2007		
	% Change::	
	Quarter	Year*
NSW	0.9	4.6
Vic	1.6	5.7
Qld	1.2	5.1
WA	1.2	5.7
SA	1.2	4.0
Tas	-0.6	6.7
NT	1.6	2.3
ACT	-0.6	2.5
Australia	1.0	4.9

* on same quarter a year earlier
Source: ABS Cat. 6302.0



This measure can give an insight into changes in non-wage remuneration, which anecdotal evidence suggests is becoming a popular strategy for employers to attract or retain scarce labour¹.

During the September quarter 2007, total compensation of employees in Western Australia grew by 2.7% and by 11.4% over the year to September. This compares to growth of 1.6% and 9.0%, respectively, for Australia.

Dividing total compensation of employees by the number of wage and salary earners yields an estimate of average compensation per employee.

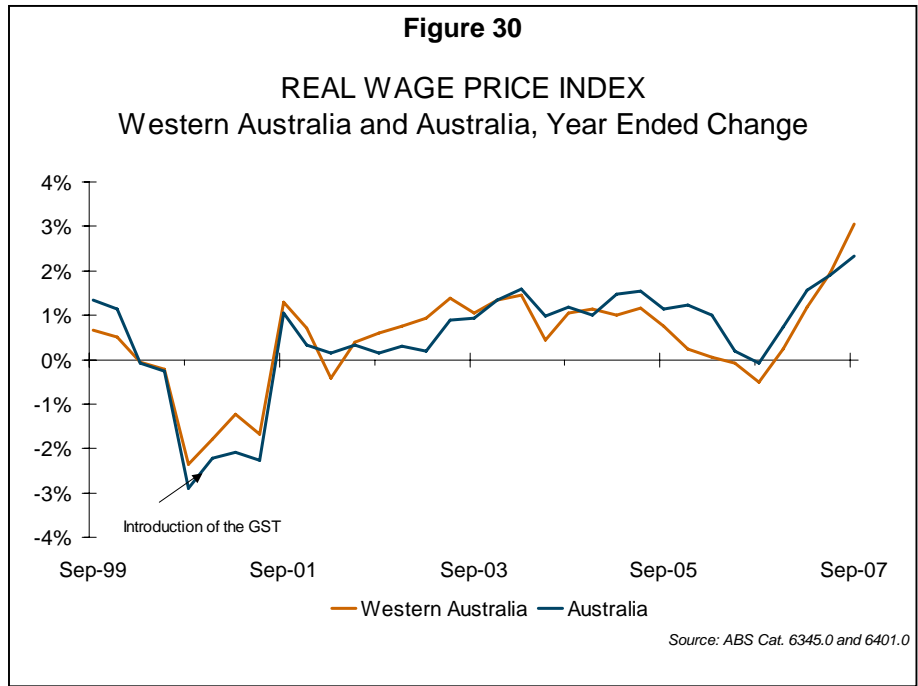
While growth in the average compensation of employees has been much stronger than growth in the Wage Price Index (Figure 29), recent growth in average compensation of employees has decelerated (although it has remained quite strong). Stronger growth in average compensation possibly indicates the significance of non-wage remuneration being used by employers to address skill shortages.

The Commonwealth Bank-CCI *Business Expectations Survey* for the September quarter 2007 supports this conclusion, reporting that the index of non-wage labour costs (which include staff allowances and non-cash benefits among other things) has reached a record high.

Real Wages

Continued strong wage growth combined with more moderate inflation growth recently have seen a pick-up in growth of the real Wage Price Index in both Western Australia and nationally.

¹ Source: "Make top staff stick around", *The Daily Telegraph* (19 November 2007).



Western Australia’s real Wage Price Index grew by 1.2% over the September quarter 2007, while the Australian real Wage Price Index grew by 0.6% over the same period.

In annual terms, real wages in Western Australia grew by 3.0% compared to 2.3% nationally over the year to September 2007.

Labour Market

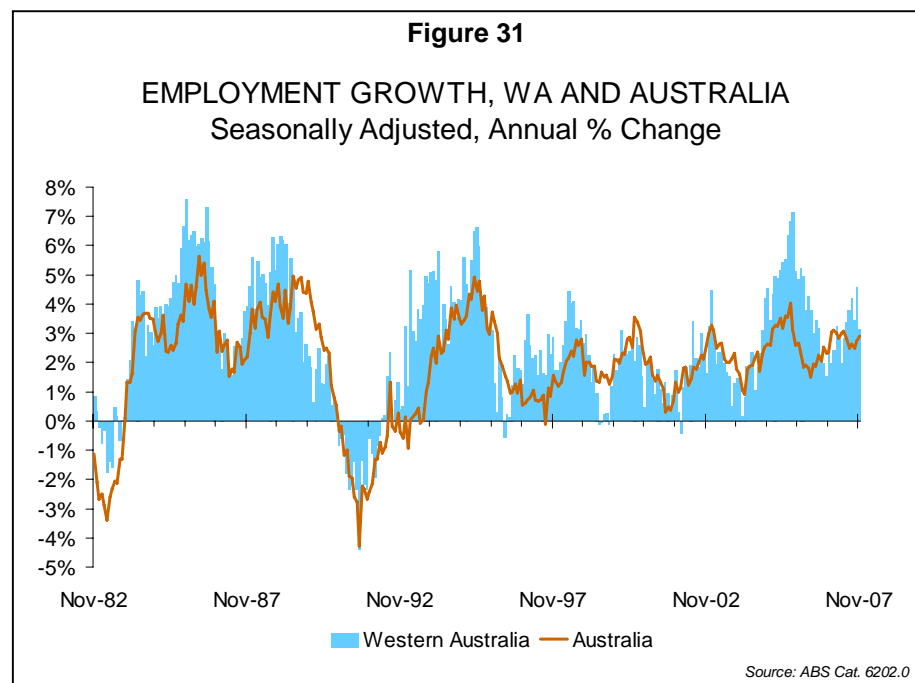
Employment and Unemployment

Employment

Western Australia's seasonally adjusted **employment** increased by 3.1% through the year to November 2007, although growth has slowed in recent months and seasonally adjusted employment fell a little in September and November. In trend terms, employment was flat in November after growth steadily decelerated from June 2007.

Nationally, seasonally adjusted employment grew by 2.9% over the year to November.

This recent softening in Western Australia's employment growth comes despite strong demand for labour. Business surveys¹ report strong recruitment intentions in the State (see [Job Vacancies](#) section below). However, the scope for employment to increase to meet that demand is limited by a shortage of labour.



¹ Source: Commonwealth Bank-CCI *Survey of Business Expectations*; The Hudson Report – Employment Expectations Oct-Dec 2007.

The State's very low unemployment rate and record high participation rate over recent months mean that the pool of people classified as either unemployed or not in the labour force probably has only a limited potential to contribute significantly to additional labour supply (see [Unemployment](#) below).

Unemployment

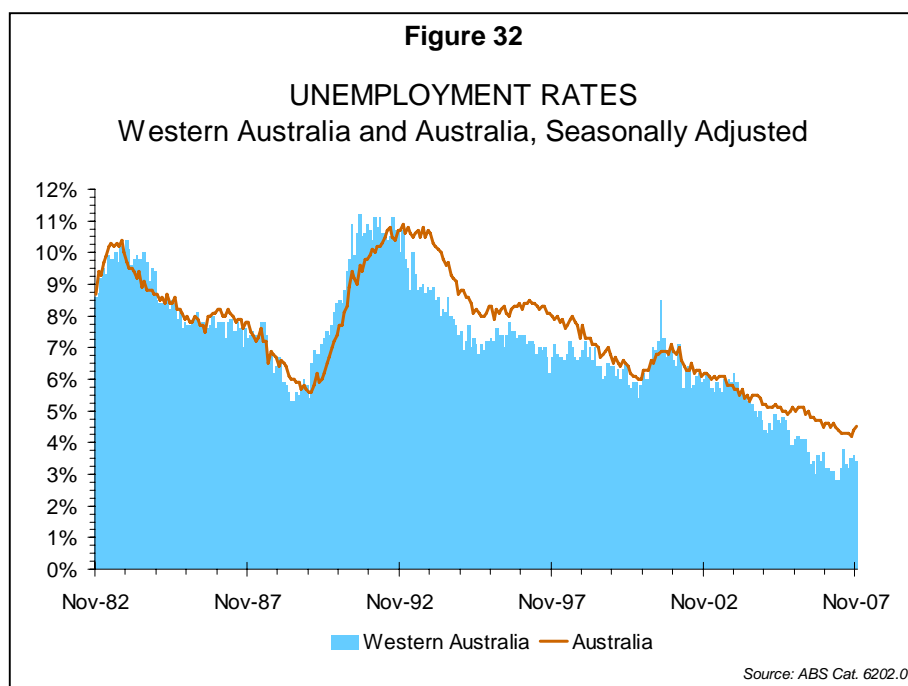
Western Australia's seasonally adjusted unemployment rate has risen from a 34-year low of 2.8% in both March and April 2007 to 3.4% in November 2007. This reflects an increase in labour force participation over the period. Nationally, the unemployment rate has risen slightly since its low of 4.2% in September, to 4.5% in November.

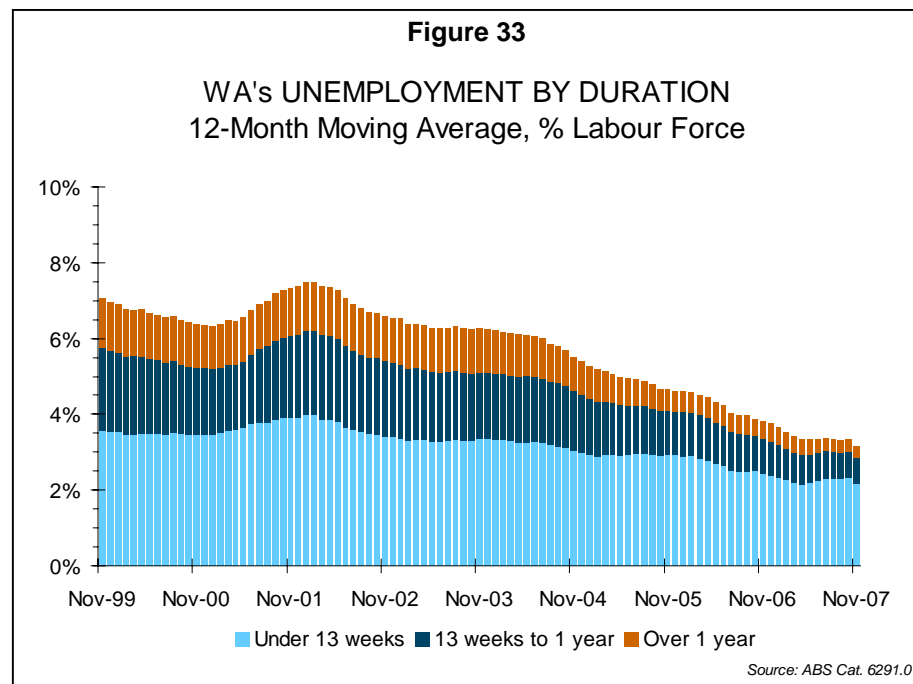
Seasonally adjusted unemployment data can be volatile ([Figure 32](#)). In less volatile trend terms, the State's unemployment rate has gradually risen from 3.0% since the beginning of the year to 3.4% in November 2007 (0.1 percentage points higher than in November 2006).

The State's unemployment rate has been consistently below 4.0% since April 2006, and below 5.0% since October 2004, indicating the strength of labour demand over a relatively prolonged period of time.

The number of unemployed people in Western Australia averaged 37,000 a month over the year to November 2007, while nationally the number of unemployed averaged 480,000 over the same period.

Much of the reduction in the unemployment rate over the past few years has been the result of a substantial decline in the ratio of medium-term and long-term unemployed relative to total unemployment.





The proportion of these has fallen from 29.9% and 18.2%, to 20.4% and 8.7%, respectively, over the past five years.

The short-term unemployed now comprise more than two thirds of the total number of unemployed compared to just over half five years ago (Figure 33).

The short-term unemployed are typically those between jobs or contracts, or new to the labour market. A large reduction in the number of people in this category is unlikely because there will always be new entrants joining the workforce or people changing jobs.

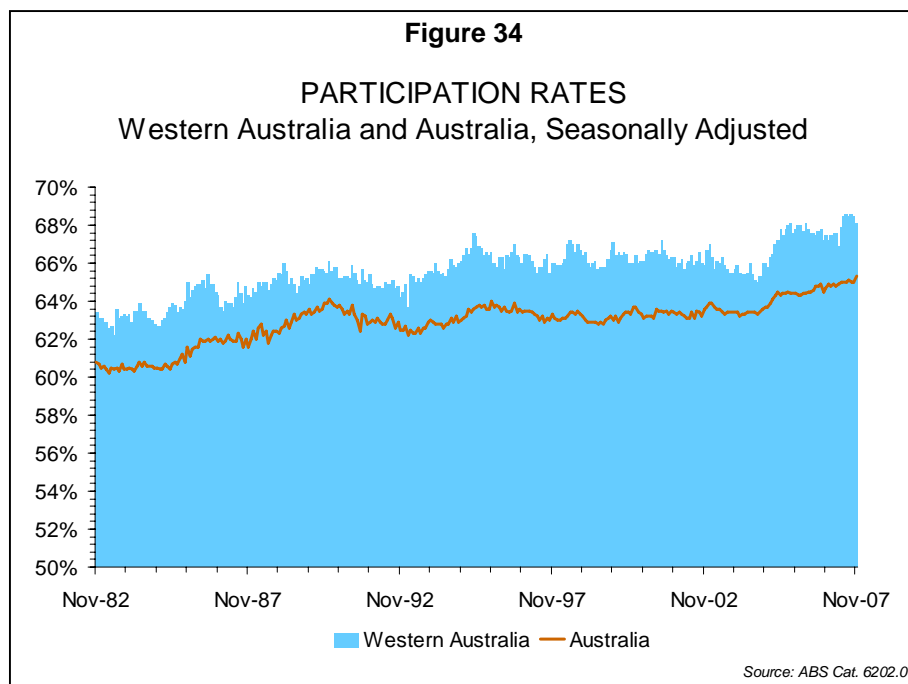
Participation

Strong labour demand in Western Australia over the past few years has encouraged more people to join the workforce, which has had a positive effect on the State's participation rate (Figure 34).

In November 2007, the participation rate for Western Australia dipped somewhat from its recent historical high to be 68.1% in seasonally adjusted terms and 68.4% in trend terms.

However, labour force participation in the State remains higher than at any time before 2007 and well above the rest of Australia, with the national participation rate at 65.3% in seasonally adjusted terms and 65.2% in trend terms in November.

Western Australia's average participation rate over the twelve months to August 2007 of 67.9% was above the national annual average participation rate (65.0%) and also above the participation rates of the other States.



Recent increases in the participation rate may partly be due to changes implemented by the Australian Government to entitlements to some social security benefits through the Welfare to Work legislation¹. From 1 July 2007, an estimated 230,000 income support recipients (including more than 19,000 from Western Australia) are now required to participate in the workforce to retain welfare payments (although it is estimated that some 40% were already working in some capacity before the reforms were introduced). However, as national participation has risen by less than participation in Western Australia, this is unlikely to account for all of the increase in the State's participation rate².

With the participation rate at historical highs, combined with a low rate of unemployment, employment growth has been constrained due to limited supply of additional labour.

Labour Market Segments

Gender, Age and Employment Status

Western Australia's workforce comprised 625,900 men and 489,900 women in November 2007.

Table 10 shows growth in male and female employment nationally and in Western Australia by type.

¹ The ABS has cautioned: "The extent to which the changes to income support programs affect people's behaviours in the labour market will be reflected in labour force statistics, however the ABS is unable to estimate the impact attributable to such changes."

² Source: Minister for Workforce Participation, Hon Dr Sharman Stone, Media Release 9 August 2007.

Female employment grew by 3.2% and male employment rose by 3.0% in the year to November 2007. Full-time employment growth of 4.1% was almost five times the growth in part-time employment of 0.8%.

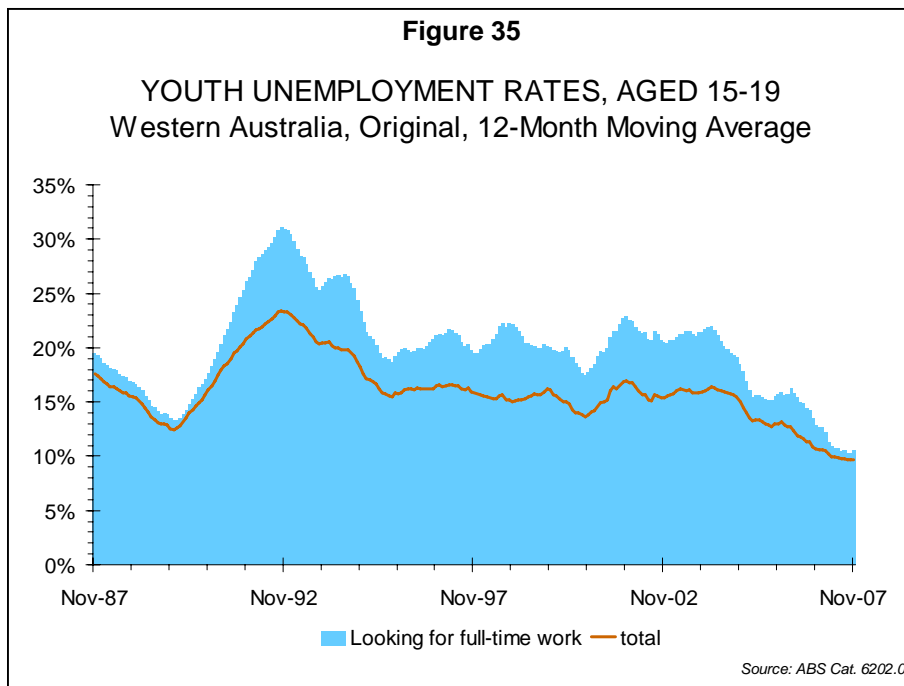
In the 10 years to November 2007, *annualised* growth in female employment was faster than male employment (3.0% compared to 2.2% a year), with part-time employment in Western Australian growing faster than full-time (3.2% compared to 2.3% a year). Western Australia's total employment growth averaged 2.5% a year over the decade, compared to 2.2% nationally.

National long-term employment growth patterns were similar, with female employment growth outstripping male, and part-time employment outstripping full-time over the past 10 years.

Over the past year Australia, like Western Australia, has recorded faster growth in full-time than part-time employment, in contrast with these longer-term trends. However the difference between the two growth rates was less marked than in Western Australia, with national full-time employment rising by 3.3% and part-time employment by 1.9% in the year to November 2007.

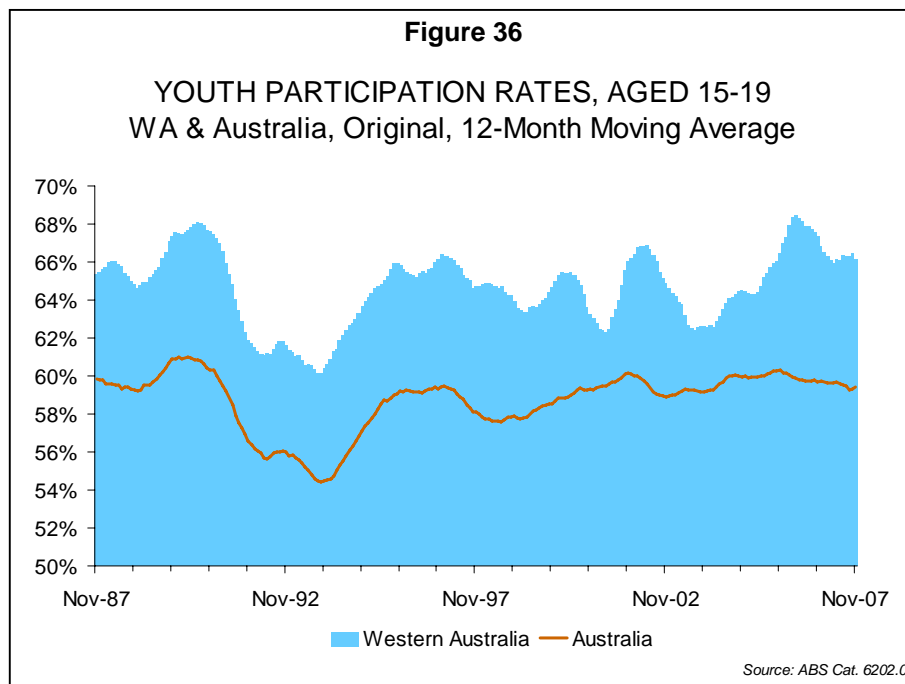
EMPLOYMENT GROWTH					
Seasonally Adjusted					
	Level 000s Nov 07	Annualised % Change Over			
		1 Year Nov 06	2 Years Nov 05	5 Years Nov 02	10 Years Nov 97
Australia					
Males					
Employed: Full-time	4,951.4	3.3%	2.3%	2.3%	1.6%
Employed: Part-time	873.3	0.5%	4.3%	2.5%	3.9%
Employed: Total	5,824.7	2.9%	2.6%	2.3%	1.9%
Females					
Employed: Full-time	2,642.7	3.3%	4.1%	3.1%	2.4%
Employed: Part-time	2,115.7	2.4%	1.0%	2.0%	2.8%
Employed: Total	4,758.5	2.9%	2.7%	2.6%	2.6%
Persons					
Employed: Full-time	7,594.2	3.3%	2.9%	2.6%	1.9%
Employed: Part-time	2,989.0	1.9%	1.9%	2.2%	3.1%
Employed: Total	10,583.2	2.9%	2.6%	2.5%	2.2%
Western Australia					
Males					
Employed: Full-time	540.0	3.0%	3.2%	4.0%	1.9%
Employed: Part-time	85.8	3.1%	1.7%	-0.4%	3.6%
Employed: Total	625.9	3.0%	2.9%	3.3%	2.2%
Females					
Employed: Full-time	262.2	6.3%	5.3%	4.9%	2.9%
Employed: Part-time	227.7	-0.1%	-0.4%	1.6%	3.1%
Employed: Total	489.9	3.2%	2.6%	3.3%	3.0%
Persons					
Employed: Full-time	802.2	4.1%	3.9%	4.2%	2.3%
Employed: Part-time	313.5	0.8%	0.2%	1.0%	3.2%
Employed: Total	1,115.8	3.1%	2.8%	3.3%	2.5%

Source: ABS Cat. 6202.0



Youth Labour Market

The unemployment rate of people aged 15-19 seeking full-time employment in Western Australia averaged 10.6% in the 12 months to November 2007¹, compared to a national rate of 18.5% over the period. The unemployment rate among the total population of 15-19 year-olds (including those seeking part-time jobs, who are mainly in full-time education) was 9.7% in Western Australia over the period. Western Australia’s youth participation rate was 66.2% in the year to November 2007 (Figure 36).



¹ These data are presented as 12-month averages, as the ABS does not publish seasonally adjusted or trend estimates by State, and youth unemployment fluctuates from month to month, especially when school leavers enter the labour market.

Industry and Occupation¹

Employment growth in service industries was generally stronger than in goods producing industries over the twelve months to November 2007 in Western Australia. Employment growth in the State over the period was led by property and business services (6.7%), health and community services (8.2%) and education (10.1%).

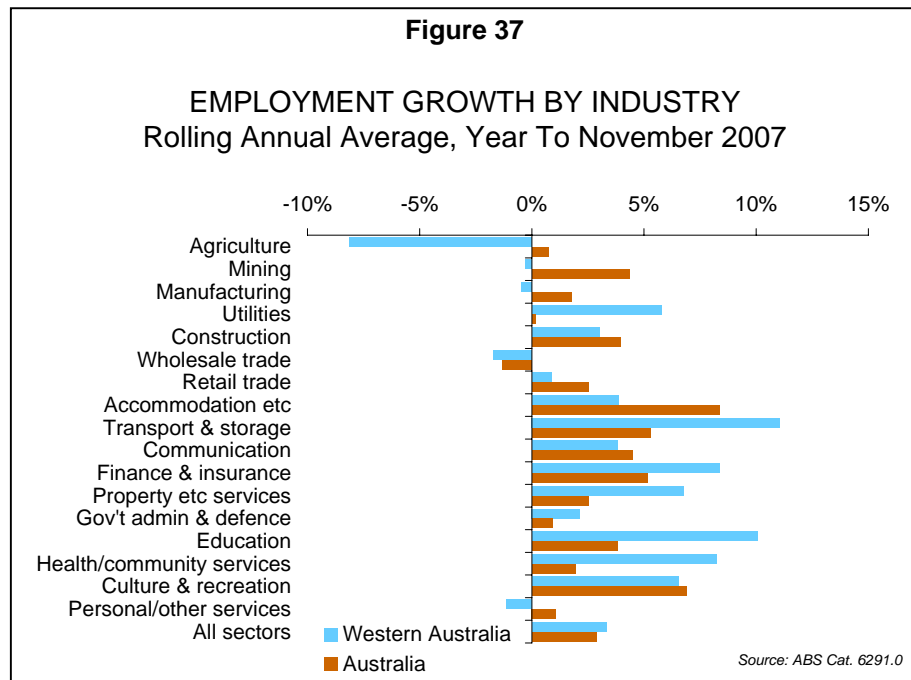
Nationally, employment growth over the period was driven by accommodation, cafes and restaurants (8.3%), retail (2.5%) and construction (3.9%).

The largest employing industries in Western Australia over the year to November 2007 were retail trade (with 14.0% of total employment) property and business services (12.3%) and construction (10.2%), together accounting for over a third of total employment in the State.

Retail trade also employs the most workers nationally (14.6%), followed by property and business services (12.0%) and health and community services (10.5%).

For Western Australia, five sectors recorded falls in employment in the year to November 2007: agriculture, forestry and fishing, the wholesale trade, personal and other services, manufacturing and mining.

The decline in employment in the agriculture, forestry and fishing sector is probably due to the effects of the drought.



¹ As there are no seasonally adjusted estimates of employment by industry, and quarterly data are volatile, the data in this analysis of growth by industry are on an **annual average** basis.

A breakdown of employment data by occupation for Western Australia shows that more people were employed as professionals (22.1%) than any other occupational group over the past twelve months, followed by technicians and tradespersons (19.0%).

Over the year to November 2007 the rate of growth in the number of workers in community and personal services was faster than any other occupational group (7.9%).

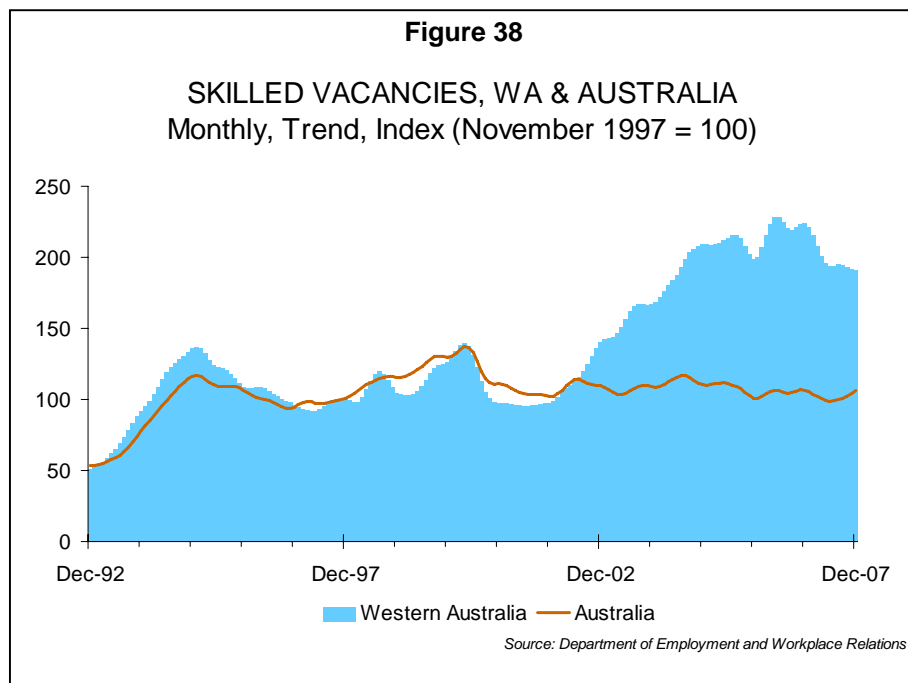
Labour Market Pressures

Many indicators of Western Australian labour market pressures such as job vacancies and skilled vacancies have softened in recent months, although by historical standards they remain high.

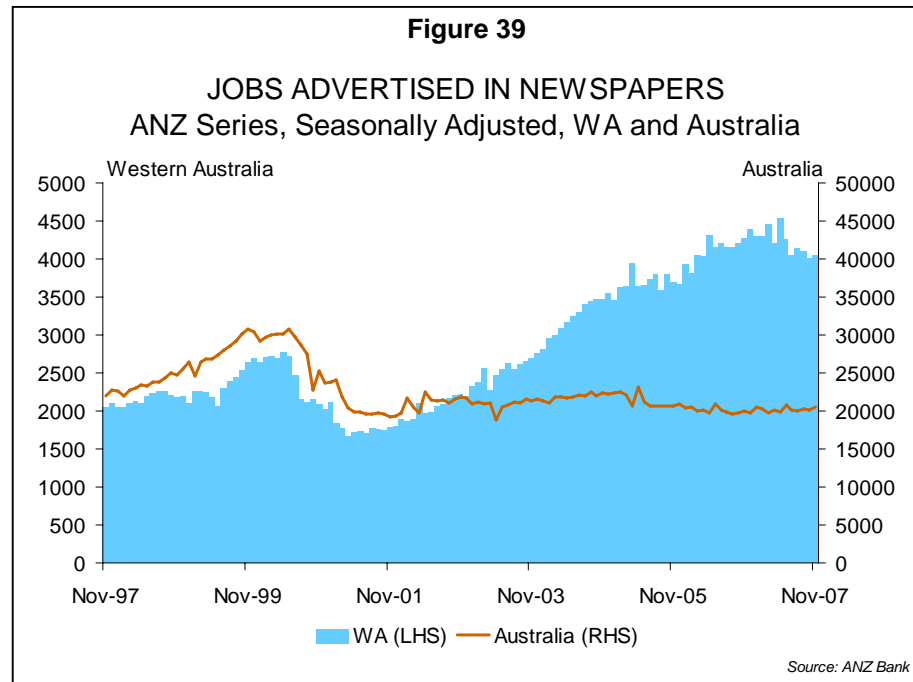
Job Vacancies

Western Australia's Skilled Vacancies Index¹ has fallen since mid-2006, and by December 2007 was 14.6% lower than a year previously (Figure 38).

The decline in the index was due mainly to a fall in the level of job vacancies for trades (down 11.1% over the year to November 2007). In contrast, vacancies for professionals averaged annual growth of 7.1% over the twelve months to November 2007.



¹ Compiled by the Department of Employment and Workplace Relations (DEWR).



Nationally vacancies for both trades and professionals fell over the twelve months to November 2007, down by 1.0% and 2.8% respectively.

The level of newspaper advertisements in the ANZ Job Advertisement series¹ was 5.4% lower in Western Australia for November 2007 compared to November 2006 (Figure 39).

While the number of newspaper job advertisements in Western Australia has fallen from a record high of 4,536 in seasonally adjusted terms in May 2007, it is nonetheless at historically high levels.

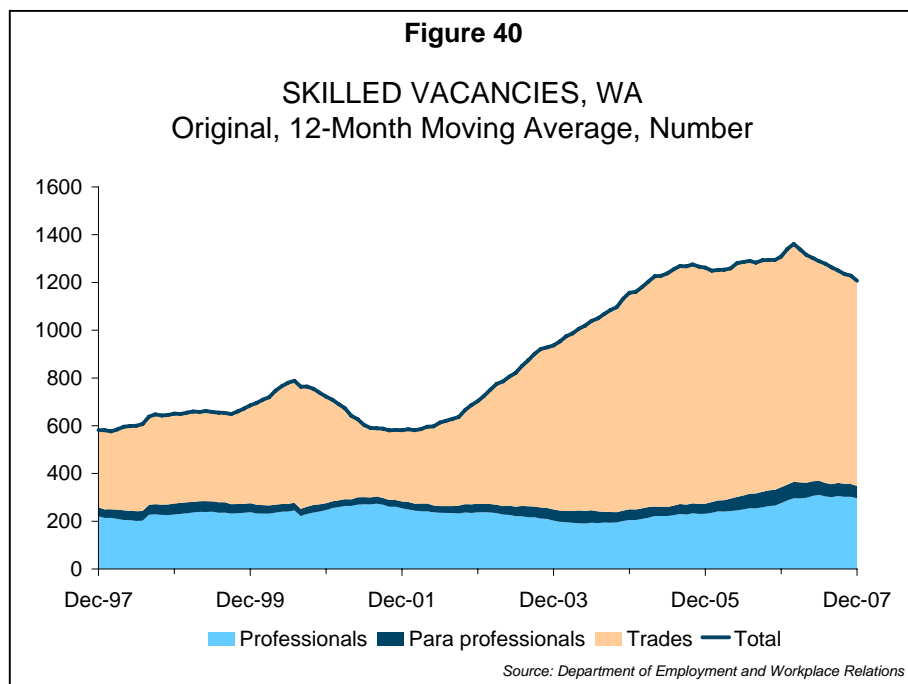
Nationally, the number of newspaper advertisements rose by 3.7% over the year to November 2007. This was in contrast to growth of 40.6% for jobs advertised on the Internet over the same period, highlighting the growing popularity of this method of advertising.

The ANZ advises that the composite newspaper plus Internet job advertisement series provides the best overall guide to national trends in the demand for labour (The ANZ does not publish State level data for Internet job advertisements). This series grew by 36.8% over the year to November 2007.

The Seek Employment Index, which measures the ratio of new job advertisements to job applications on the Seek job website, increased by 1.5% in Western Australia but fell by 2.8% nationally (with falls in all States apart from Western Australia) between September and October 2007.

Over the year, the index was up by 27.1% for Western Australia compared to 12.3% nationally. Seek commented that the indices have been driven by strong labour demand but tight supply¹.

¹ Source: <http://www.anz.com/aus/corporate/EcoComm/JobAds.asp>



The Olivier Internet Job Index² also describes strong growth of Internet job advertisements, increasing by 4.6% over the year to November 2007 in Western Australia.

Business Surveys

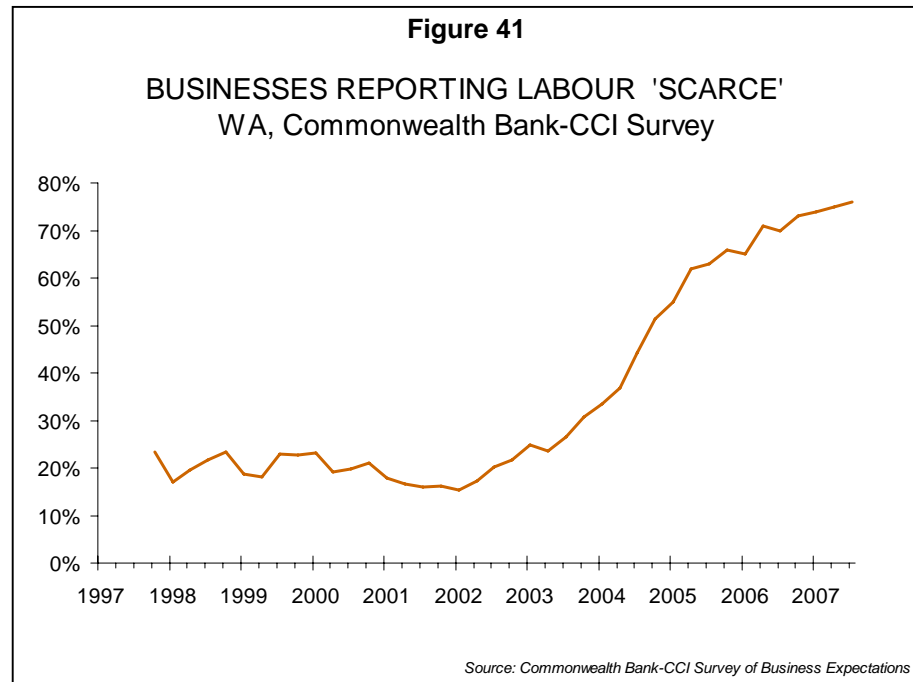
The September 2007 index of employment in the *Commonwealth Bank-CCI Survey of WA Business Expectations* reported the index of labour availability fell to a new record low in the September quarter 2007, and over 76% of respondents reported labour to be “scarce” in the September quarter 2007, compared to 75% in the June quarter 2007 (Figure 41). Over 76% of businesses surveyed expected labour to be scarce in the December quarter 2007, and 40% intended to hire more staff in the December quarter.

The National Australia Bank’s *Quarterly Business Survey* for the September Quarter 2007 reports that business conditions and employment are expected to grow strongly over the next 12 months. It expects continuing strength in the labour market, and ongoing downward pressure on unemployment. However, a concern over the next quarter for the businesses surveyed is the high rates of capacity utilization and a lack of available labour.

The *Sensis Business Index* for November 2007 reported that problems finding and keeping staff were the primary concern of small and medium enterprises over the August to October quarter 2007.

¹ Source: <http://www.seek.com.au/investor/employmentindex.ascx>

² Source: http://www.olivier.com.au/form/internet_job_index.html



The *Hudson Report* for the October to December quarter 2007 reported a continued upward trend in employer optimism in each state. Employer sentiment in WA has reached a new high of 64.2%, 11.8 percentage points higher than in the previous quarter and 21.2 percentage points higher than a year earlier. The State reported the fastest rise in contracting/temporary employment growth in the nation, rising by 6.2 percentage points during the quarter to a record net of 41.6%.

Business Conditions

Business investment in Western Australia has recorded double-digit growth in five of the past six years, and contributed more than half of the real growth in expenditure on **Gross State Product** since 2000-01. The resources boom has been the main driver of business investment, with the State's mining industry accounting for almost 70% of private corporate sector investment in Western Australia in 2006-07, and 17% of business investment Australia-wide.

The effects of this prolonged boom in business investment are starting to flow to exports, although the recent acceleration in export growth is still modest compared to growth in capital expenditure (see page 65).

Businesses are generally experiencing good operating conditions, resulting in strong sales. The evidence is mixed on profitability, however.

Operating conditions

Data on Western Australian business operating conditions were mixed during the quarter. Sales and perceptions of the economy are strong, but some data on profitability are weaker. The labour market seems to be the biggest problem for business, and inflationary pressures appear to be building.

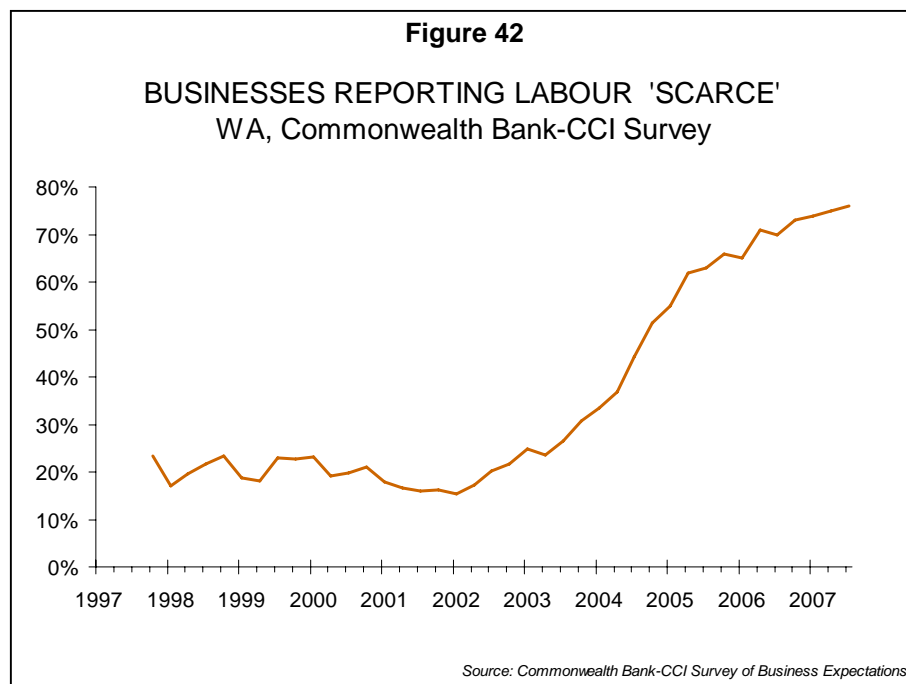
The *Sensis Business Index* measure of business confidence in Western Australia fell dramatically in the November 2007 survey. The survey's index of confidence among small and medium sized enterprises of their own prospects for the next 12 months fell from a net balance of 72% to 61%¹.

The survey reports that the main reason for concern among businesses was the possibility of a change of Federal Government.

Despite the fall in the survey's confidence index, perceptions of the state of the economy improved significantly during the same period. It was also found that Western Australian small and medium enterprises had more favourable perceptions of the state of the economy than in the other States and Territories. A net balance of 77% of respondents in Western Australia believed the economy to be in a growth phase.

Similarly, the September quarter 2007 issue of the Commonwealth Bank-CCI *Survey of WA Business Expectations* found that 80% of businesses surveyed believed the economy would remain strong or strengthen over the next 12 months.

¹ The net balance measure used in the *Sensis Business Index* is calculated as the percentage of respondents who are positive about their prospects less the percentage who are negative.



The ABS's seasonally adjusted *Income from Sales of Goods and Services* series for Western Australia fell during the September quarter 2007 for the first time since March 2004. Income from sales in Western Australia had grown by over 10% a year between March 2005 and June 2007. Due to the previous strong growth, annual income from sales rose by 5.4% over the four quarters to September 2007.

This contraction in sales during the quarter contrasts with the findings of the *Sensis Business Index*, which reported a marked improvement in its sales index in the November 2007 survey. The survey also reports a substantial increase in small and medium enterprises expectations of sales in the coming quarter.

At the national level, the *Income from Sales of Goods and Services* series is available in **chain volume** as well as **current price** terms, and is broken down by industry. Income from sales in Australia grew by 1.6% during the quarter and 6.6% over the four quarters to September 2007, in volume terms. Growth was strongest in the construction industry, where sales volumes grew by 16.3% over the year. Sales growth was quite low in the mining industry, at 1.1% over the year.

Findings on profitability in Western Australia during the quarter were mixed. The *Sensis Business Index* measure of profitability increased from a net balance of -3%, to +10% in the November survey. However, the Commonwealth Bank-CCI survey reported a fall in its index from 96 to 94, with an index number below 100 indicating that more businesses recorded weaker than stronger profits during the quarter. Both surveys reported strong expectations for profitability in the coming quarter.

The tight labour market was a concern for Western Australian businesses during the quarter.

The Commonwealth Bank-CCI survey's index of labour availability fell for the fourth consecutive quarter in September, reaching a new record low, and the survey found that 76% of respondents reported labour as scarce. The survey also found that 76% of respondents were expecting labour to remain scarce in the December quarter.

The labour market is of concern to business nationwide, not just in Western Australia. The *Sensis Business Index* found that finding and keeping staff was the biggest concern for small and medium-sized businesses, with 15% of businesses surveyed across Australia reporting this as a problem.

For further information, see the [Labour Market](#) chapter.

The data from business surveys suggests that inflationary pressures are building. The Commonwealth Bank-CCI survey index of prices charged increased for the third consecutive quarter, with 34% of respondents expecting to increase prices next quarter. Firms' expectations about the prices they will charge next quarter also rose somewhat, with 38% expecting to raise prices next quarter, and only 2% expecting to lower them.

Business investment

Business investment in Western Australia has grown rapidly in recent years, largely driven by new projects and capacity expansions in the resources sector. This construction boom has been in response to strong demand and high prices for the State's commodities.

Business investment has grown at an annual average rate of 21.4% over the five years to 2006-07, and its share of [Gross State Product \(GSP\)](#) has been at its highest level on record for two consecutive years, at 20.2% in 2005-06, and 23.2% in 2006-07¹.

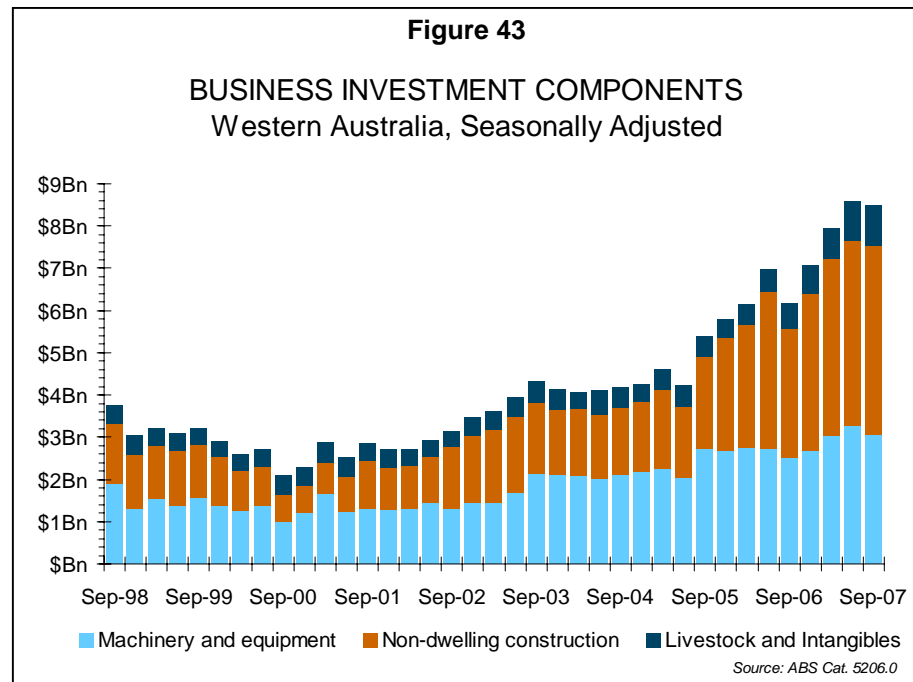
This exceptional period of growth has meant that business investment has been the main driver of growth in the State's economy in recent years, accounting for almost two-thirds of growth in Western Australia's GSP over the past five years, and around half of the growth in [State Final Demand](#).

However, these high levels of investment are only just beginning to feed through into production and exports.

The ABS annual State Accounts data are now broken down by industry in volume terms as well as in [current prices](#). These data show that the mining industry in Western Australia grew by 12.6% in 2006-07, but only by 1.8% in 2005-06, as compared with GSP growth of 4.8% in that year.

The volume of Western Australia's [international exports](#) grew by 8.1% in 2006-07, but contracted by 0.3% in 2005-06, although record high commodity prices means that [nominal](#) growth was strong, at 23.4%. See the [Global Markets](#) chapter for further information on the State's exports.

¹ Note that this is based on the ABS annual State Accounts series, which only goes back to 1989-90.

**Table 11****BUSINESS INVESTMENT
September Quarter 2007**

	% Change:	
	Quarter	Year*
NSW	-1.1	15.0
Vic	2.0	4.9
Qld	-2.3	8.5
WA	-1.0	37.3
SA	-8.6	-8.1
Tas	-5.0	17.2
NT	0.4	-20.0
ACT	-7.2	-8.7
Australia	0.2	12.9

*On same quarter a year earlier.
Source: ABS Cat. 5206.0

The ABS's 2006-07 State Accounts show that business investment contracted by 1.0% in the September quarter 2007, in seasonally adjusted terms (Table 11). However, business investment grew by 37.3% over the four quarters to September, partly because business investment fell by 11.0% in the September quarter 2006, creating a low starting point. This is typical of the volatility in the business investment series.

The fall in business investment during the quarter was driven primarily by a contraction of 6.5% in machinery and equipment investment¹ (Figure 43). While machinery and equipment investment fell substantially during the quarter, engineering construction grew by 4.1%, contributing 1.7 percentage points to growth.

Business investment was strong Australia-wide, growing by 0.2% during the quarter and 12.9% over the year. A 2.3% fall in machinery and equipment was offset by a 1.9% rise in non-dwelling construction (the sum of building and engineering construction).

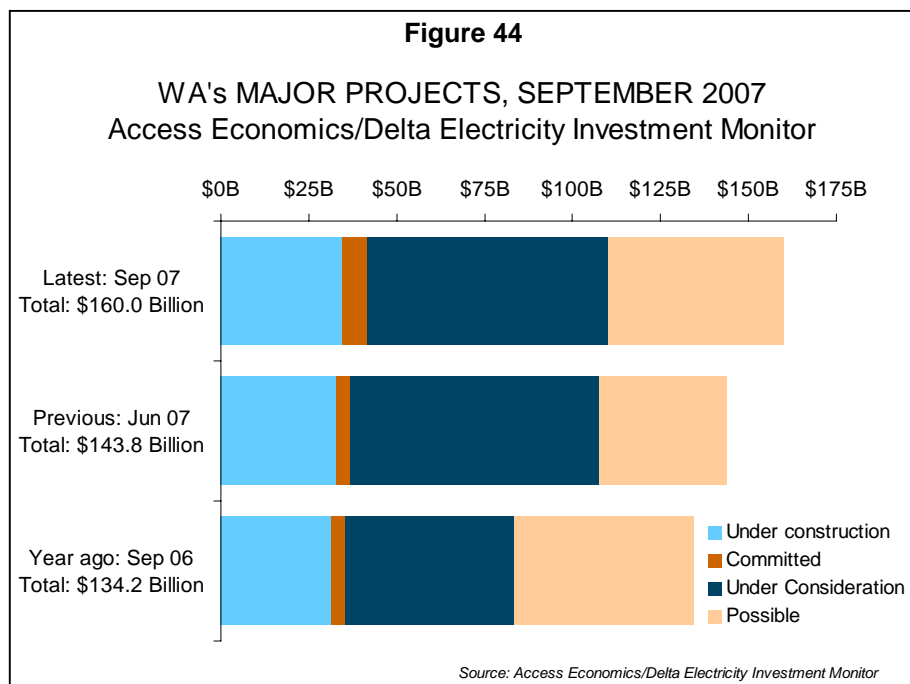
Investment projects under construction

The September quarter 2007 issue of Access Economics' *Investment Monitor* lists \$160 billion worth of current and potential investment projects in Western Australia, an increase of 11.3% on the previous quarter².

The value of projects under construction¹ grew by 4.5% during the quarter, accounting for 1.0 percentage points of total growth.

¹ Western Australia's business investment is broken down into the categories of 'machinery and equipment', 'non-dwelling construction', 'livestock' and 'intangibles'. Non-dwelling construction and machinery and equipment typically make up about 85% of total business investment.

² Note that this figure is not adjusted for inflation.



Projects that were committed to but not yet under construction contributed a further 2.4 percentage points to growth.

The bulk of the increase in the value of current and potential investment projects during the quarter was due to strong growth in the value of projects classified to the "possible" category, which added 9.5 percentage points of the 11.3% total growth. This is the category that is the least likely to proceed, and not all of the projects listed in this category will go ahead.

Recent strong growth in the resources and economic infrastructure sector in Western Australia appears to have slowed. Access believes that this is due to a shortage of workers, rather than weaker demand.

Major in Western Australia projects valued at \$1.0 billion or more under construction during the September quarter 2007 include:

- Woodside Petroleum's \$11.2 billion Pluto LNG project, scheduled for completion in December 2010;
- Fortescue Metals Group's Pilbara iron ore project, including associated port and rail facilities (estimated to cost approximately \$4.1 billion, and scheduled to be completed in mid 2008);
- BHP Billiton's Ravensthorpe nickel project (\$2.9 billion, to be completed in the first quarter of 2008);

¹ Investment projects are categorised as either 'under construction', 'committed', 'under consideration' or 'possible' in *Investment Monitor*.

- The North West Shelf consortium's LNG project and fifth train¹ (\$2.6 billion, scheduled to be completed in August 2008);
- BHP Billiton's Rapid Growth Project 3 (\$2.1 billion, scheduled to be completed in December 2007);
- Newmont/AngloGold's expansion of the Boddington gold mine, plus 100MW gas-fired power station (\$2.0 billion, scheduled to be completed in late 2008);
- The North West Shelf Consortium's Angel gas field development (\$1.6 billion, scheduled to be completed in December 2008);
- The Hope Downs iron ore project (\$1.3 billion, scheduled to be completed in early 2008);
- Rio Tinto's expansion of the Argyle diamond mine (\$1.2 billion, scheduled to be completed in 2009);
- Hamersley Iron's (Rio Tinto) \$1.0 billion upgrade of the Port of Dampier, stage 2;
- Woodside's Enfield, Vincent oil field developments (\$1.0 billion, scheduled to be completed in September 2008); and
- Ascot Holdings' \$1.0 billion commercial office development at Jandakot airport, due for completion in June 2008.

All of these projects except for Ascot Holdings' office project are resource-related.

Outlook for business investment

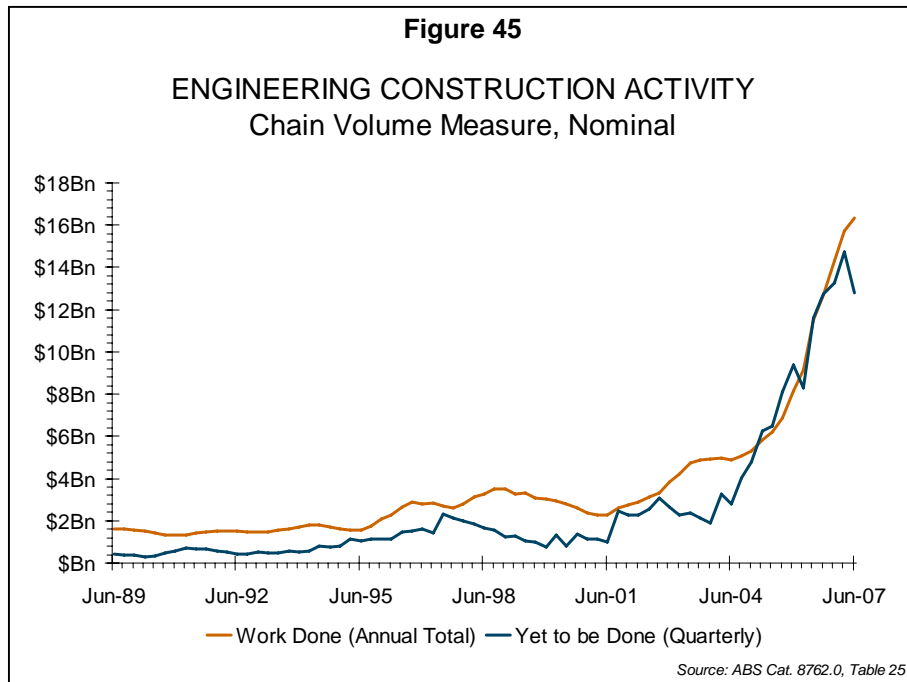
Business investment is likely to remain at a high level for some time, but the rate of growth seen in recent years is unlikely to continue. Demand will probably remain strong in the near term, but supply constraints will limit investment growth.

The ABS *Engineering Construction Activity* series reports a value of work yet to be done of \$12.8 billion for the June quarter 2007. By comparison, over the year to June 2007 \$16.4 billion worth of work was completed (Figure 45).

DTF forecasts for the Mid Year Review

The DTF recently updated its Budget economic forecasts for the Mid-Year Financial Projections Statement, released in late December 2007. The DTF expects business investment to grow by 15.5% in 2007-08 and 2.5% in 2008-09. This is an upward revision from the Budget time forecast of 3.5% in 2007-08 and 2.25% in 2008-09.

¹ Note that this project is listed in the September quarter 2007 issue of *Investment Monitor* as costing \$2.425 billion, but the cost was reported to have risen to \$2.6 billion in *The West Australian* on 12 June 2007; "Shelf gas plant bill hits \$2.6b".



The 23.4% increase in business investment through the year to June 2007 also makes strong annual average growth in 2007-08 more likely, as the year began with quarterly investment levels already significantly above their average in 2006-07.

Future investment projects

The value of prospective investment projects listed in the September quarter 2007 issue of *Investment Monitor* is likely to support demand for further investment in Western Australia for some time.

The *Investment Monitor* lists \$7.3 billion worth of projects classified as "committed" in Western Australia, a substantially higher value than in the June quarter. Major projects listed as "committed" include:

- BHP Biliton's \$2.2 billion Pilbara iron ore rapid growth project 4, due to begin in late 2007;
- BHP and Apache Corp's \$2.0 billion expansion of the Pyrenees oil field, also scheduled to begin in late 2007; and
- Rio Tinto Coal's \$1.1 billion Cape Lambert Port upgrade.

Projects that progress to the "committed" category in *Investment Monitor* generally go ahead. However, with the current shortages of skilled labour and materials, it is not certain that these projects will follow their planned construction schedules, or be completed at their currently estimated cost.

Investment Monitor also lists \$68.4 billion worth of investment projects classified as "under consideration" in Western Australia. This is an increase of 42.2% over the past year.

Major projects under consideration during the September quarter include:

- the \$15 billion Gorgon LNG joint venture (between ChevronTexaco, Shell and Mobil) for two gas liquefaction trains at Barrow Island;
- the \$10 billion proposal for two LNG trains based on the Browse Basin (a Woodside, BP, ChevronTexaco, Shell and BHP joint venture);
- The \$2.0 billion iron ore mine and pellet plant based on Fortescue magnetite deposits, planned by Minerology/International Minerals;
- Yilgarn Infrastructure's \$2.0 billion deepwater port and rail facility at Oakajee, near Geraldton;
- Murchison Metals' \$1.8 billion development of the Jack Hills iron ore project;
- Alcoa's \$1.7 billion Wagerup alumina refinery, stage 3b;
- The Geraldton Iron Ore Alliance's planned \$1.6 billion rail and port development at Oakajee; and
- Gindalbie Gold's Kamara \$1.7 billion magnetite iron ore and pelletising plant. This project's estimated cost was revised up from \$1.1 billion in the June quarter issue of *Investment Monitor*.

It is highly unlikely, however, that all of the projects listed as "under consideration" will go ahead, as some projects are mutually exclusive or are competing for the same customers or resources. For example, both Yilgarn Infrastructure and the Geraldton Iron Ore Alliance are proposing a deepwater port and associated rail facilities for Oakajee, near Geraldton.

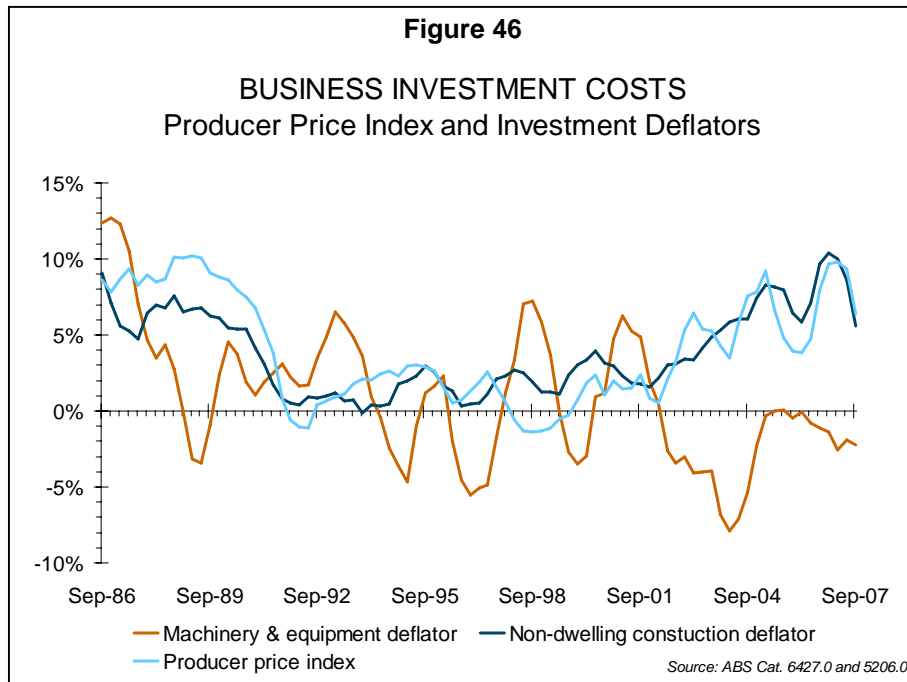
In addition, some \$50 billion worth of projects were listed as "possible" in the September quarter issue of *Investment Monitor*. Many of these projects are tentative and not all of them will proceed.

Cost pressures and shortages

Boom conditions have significantly increased demand for certain materials and skills in Western Australia. This has caused rising operating costs for businesses, as well as significant cost increases and delays in major investment projects.

There has been strong growth in non-dwelling construction costs in recent years in Western Australia. The ABS [Producer Price Index](#) series *Materials Used in Building Other than House Building* increased by 6.4% over the year to September 2007. The Producer Price Index series covers only materials costs, not labour. The non-dwelling construction deflator, calculated from the State Accounts, rose by 5.6% over the same period ([Figure 46](#)).

The machinery and equipment price deflator, however, has been falling in year-ended terms for almost every quarter since June 2002.



As noted in the Operating conditions section of this chapter, the labour market in Western Australia has been tight, and labour costs have been rising in recent quarters.

In one newspaper article, BHP Billiton was quoted as saying that labour shortages were a threat to Western Australia's global market share in the iron ore market¹.

For further information on labour costs and price movements, see the Price Trends and Labour Market chapters.

¹ Source: *The West Australian*, 21 August 2007, 'Labour shortage is biggest threat to iron strength, says BHP'.

Global Markets

International Economic Trends

The outlook for the global economy is fairly robust, even though risks to the outlook have heightened. The global economy became increasingly vulnerable in the second half of 2007 following the international credit and banking crisis linked to the collapse of the United States (US) sub-prime mortgage market, the falling US dollar and rising energy prices.

In its latest World Economic Outlook report, the International Monetary Fund (IMF) noted a moderate slowdown in its projections for global growth from 5.2% in 2007 to 4.8% in 2008^{1,2} driven by a rising financial risk (Table 12).

The OECD's *Economic Outlook* of December 2007 revised down its 2008 and 2009 growth forecasts for the OECD countries, though the baseline scenario depicted in the outlook is still strong despite the recent shocks such as financial turmoil, cooling housing markets, and higher prices of energy and other commodities.

Such shocks have occurred at a time when growth is supported by high employment that boosts income and consumption, by high profits and strong balance sheets that underpin investment and resilience in the face of financial losses and tighter credit, and by a buoyant world trade driven by robust growth in emerging economies³.

The slump of the United States sub-prime mortgage market since late July 2007, and its spill over effects on credit markets in Europe and Japan, is resulting in rising corporate borrowing costs and lower expected growth in leading economies.

Financial Risk and its Economic Implications

Financial markets have been affected by their links with the US sub-prime mortgage crisis. Leading analysts at the IMF, Reuters, Bloomberg and the Economist argue that losses from the falling value of sub-prime mortgage assets could be up to \$US400 billion worldwide.

¹ IMF *World Economic Outlook*, October 2007
<http://www.imf.org/external/pubs/ft/weo/2007/02/pdf/text.pdf>

² The IMF's benchmark real economic growth rate is at purchasing power parity while the UN's benchmark is at market exchange rates (see glossary).

³ OECD *Economic Outlook No.82*, 6 December 2007
<http://www.oecd.org/dataoecd/41/33/35755962.pdf>

Loans to less creditworthy borrowers were structured into complex securities and sold to third parties that were either large clients of banks or had borrowed from them. Just as the housing market was reliant on sub-prime borrowers, the structured debt markets relied on sub-prime investors. Both suffered when their ability to borrow was taken away¹.

The structured debt squeeze could still undermine the global economy by prompting a broader tightening of credit conditions that slows consumer spending. Ongoing mortgage defaults and delinquencies are also leading to a greater level of risk aversion by investors. As a result, tighter lending practices by the investment banking industry pose a risk to global spending. Conversely, if the economy deteriorates before the credit problem is solved, the damage to the financial sector could be severe.

	2005	2006	Current Projections	
			2007	2008
Global Aggregates				
World output, at PPP ¹	4.8	5.4	5.2	4.8
World output, market XRs ¹	3.3	3.8	3.5	3.3
World trade volume	7.5	9.2	6.6	6.7
Advanced economies				
United States	3.1	2.9	1.9	1.9
Germany	0.8	2.9	2.4	2.0
France	1.7	2.0	1.9	2.0
Italy	0.1	1.9	1.7	1.3
Spain	3.6	3.9	3.7	2.7
Japan	1.9	2.2	2.0	1.7
United Kingdom	1.8	2.8	3.1	2.8
Canada	3.1	2.8	2.5	2.3
Other	3.9	4.4	4.3	3.8
<i>All Advanced</i>	2.5	2.9	2.5	2.2
Selected other countries				
China	10.4	11.1	11.5	10.0
India	9.0	9.7	8.9	8.4
Russia	6.4	6.7	7.0	6.5
Brazil	2.9	3.7	4.4	4.0
Selected regions				
Asian NIEs	4.7	5.3	4.9	4.4
Africa	5.6	5.6	5.7	6.5
ASEAN-4	5.1	5.4	5.6	5.6
Middle East	5.4	5.6	5.9	5.9
Euro area	1.5	2.8	2.5	2.1
European Union	2.0	3.2	3.0	2.5

(1) PPP - at purchasing power parity; market exchange rates - at market exchange rates
(see glossary for explanation)
Source: IMF World Economic Outlook, October 2007

¹ The Economist, *Spooking investors*, October 2007
http://www.economist.com/finance/PrinterFriendly.cfm?story_id=10024679

The central banks of the USA and United Kingdom have loosened monetary policy, in marked contrast with Australia's recent tightening, in response to the credit markets squeeze (Figure 47).

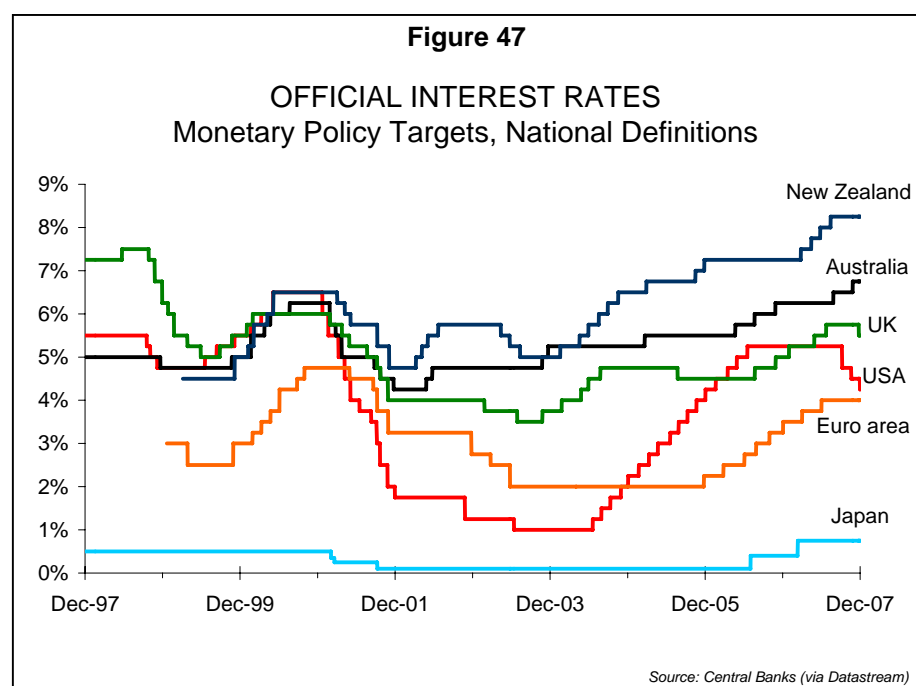
Further cuts in interest rates might signal to the markets that inflation is not a concern for these monetary authorities. With low inflationary expectations, wages and prices might not rise to hold down demand and central banks will have no need to tighten monetary policy. This could prompt a build up of financial imbalances.

However, the sustained growth of emerging markets could help avoid any significant moderation of global economic growth. Much depends on what happens outside the USA.

Slower growth in the US economy has (so far) been more than offset by strong economic activity elsewhere. As the United States' biggest firms generate a large proportion of their profits abroad, this strength has supported their share prices. But while the economies of Japan and the European Union are fragile, there are strong prospects for the booming emerging markets.

The emerging economies are less reliant on the United States economy than they were in the past. A key reason for their fast economic growth is the increase in domestic demand. With small budget deficits in general, emerging economies can boost domestic spending to offset weaker exports if necessary.

China in particular could offset the US economic downturn by shifting more towards domestic consumption. According to IMF, China was the biggest contributor to global growth in 2007. The Chinese economy however relies more on external demand and investment than on consumption. A sudden slowdown in China could lead to accumulating inventories, unemployment, non-performing loans, and sharp declines in corporate earnings.



US Dollar

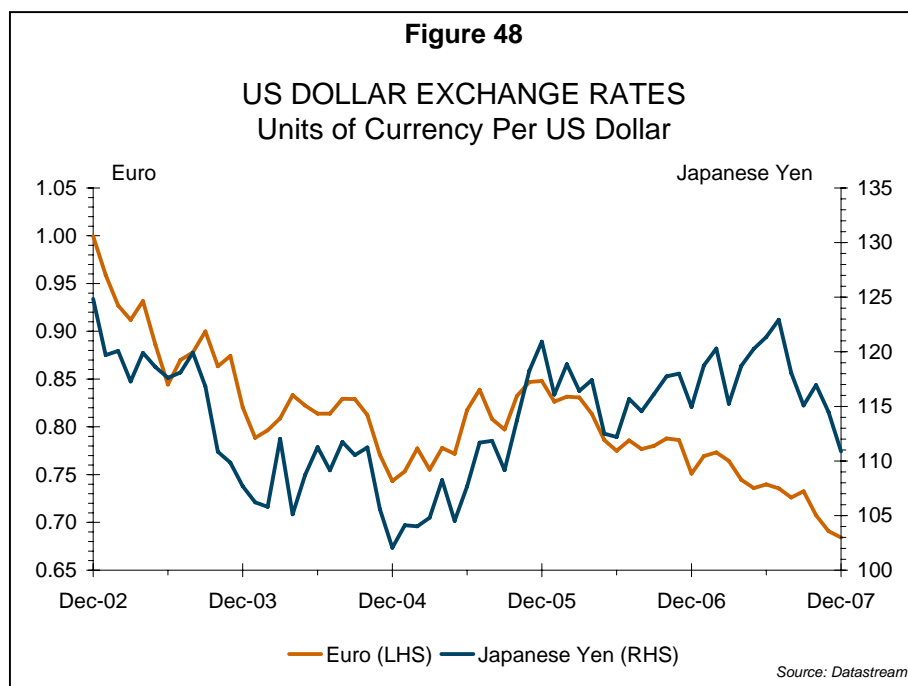
The US dollar dropped against its major trading partners in early November 2007, shortly after the US Federal Reserve reduced its target rate to an 18-month low of 4.5% (Figure 48). As uncertainty over the prospects for the stock markets deepened, the US Federal Reserve cut its target rate again in December to 4.25%, the third rate cut since September.

US economic growth is slowing, reflecting the intensification of the housing correction and some softening in business and consumer spending. Moreover, strains in financial markets have increased in recent weeks. Inflation is also a key risk due to factors like rising oil prices (Figure 49).

Central bankers around the world are working together more closely in maintaining vigilance over the markets. They are also setting up new mechanisms of currency control to prevent the falling US dollar from adversely affecting company profits and economic growth.

The Gulf countries are vulnerable in particular with their currencies pegged to a sliding US dollar. A combination of rising oil prices and the weaker US dollar is straining their economic activity and fuelling inflation.

This could induce these economies to loosen the peg and hence deprive the foreign exchange markets of a reliable buyer of the weak dollar. Such a shift could lead to a drop in US dollar purchases, market panic and quick sales of US assets¹.



¹ The Economist, *Countdown to lift-off*, November 2007
http://www.economist.com/finance/displaystory.cfm?story_id=10191717

Currency controls could deter foreign investment by keeping investors on the sideline. The falling US dollar could also generate a trade conflict between the USA and other major exporting countries that may require the joint intervention of the USA, European Union and Japan.

Oil Prices

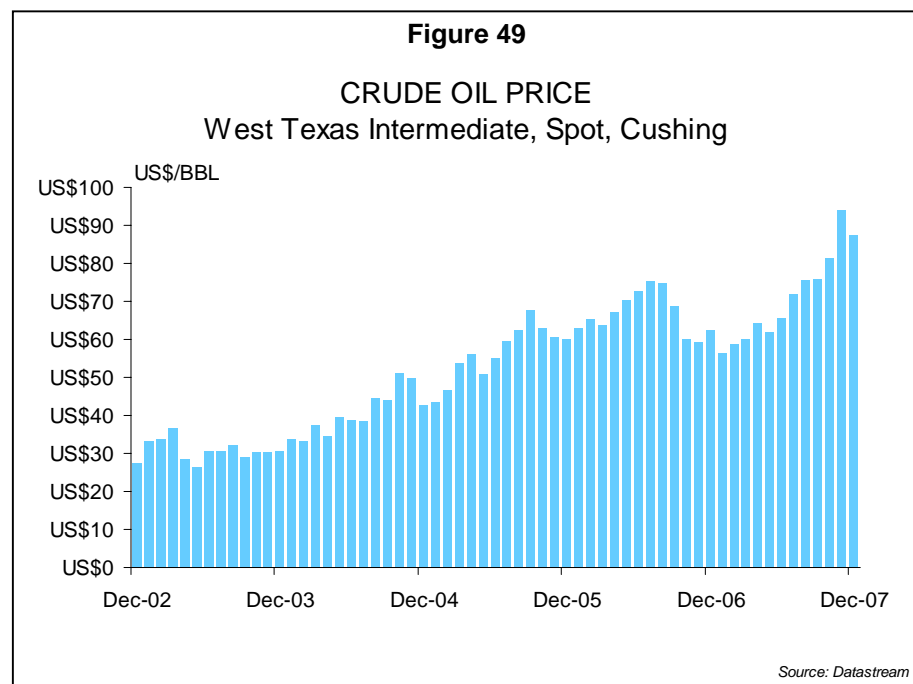
The strong demand in emerging economies and a weaker US dollar have led to a surge in oil prices. Gold and platinum prices have also risen in response to the weaker dollar, while copper and zinc are trading at lower prices amid concerns about credit losses and economic growth.

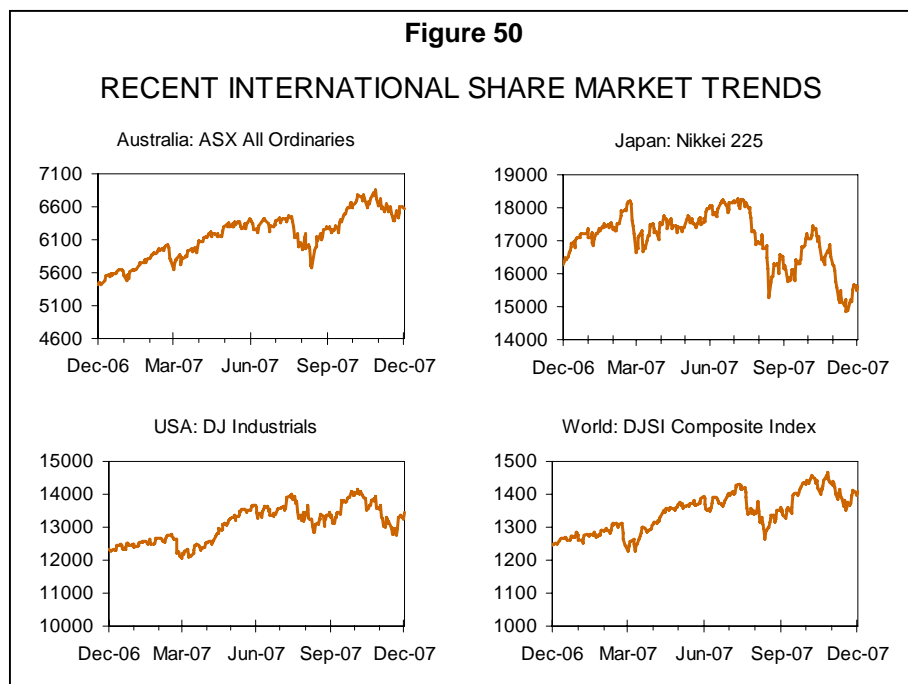
The magnitude of the latest rises in energy prices could provoke a renewed upward pressure on inflation and further restraint in the global economy. With crude oil trading as high as \$US99.29 a barrel on 21 November 2007, the risk of a global manufacturing slowdown is very high.

Rising energy prices are increasing manufacturing costs, while demand is decreasing due to lower consumer and business confidence.

European manufactures also have to accommodate the record rise of the Euro against the US dollar. Chinese and Indian manufacturers and consumers are affected as their governments start lowering energy subsidies. Factors that influence oil prices include strong demand from China and India, international political tensions, speculative investments, weaker US dollar and concerns about supply shortages.

The credit crisis in the financial markets has made investors wary of complex financial instruments, resulting in more money flowing into commodities such as oil and gold. Further price rises could damage global economic growth unless measures are taken to increase oil production and soften oil demand, especially by China and India.





Moreover, a slower US economy in 2008 could curb speculative demand for all commodities, including oil. If the US markets recover from the sub-prime mortgage market turmoil, the US dollar might rise and reduce profits for currency traders who have switched to oil markets¹.

Oil prices are also discussed in the Commodities section below.

Commodity Prices

Strong global demand is supporting high commodity prices and boosting Western Australian incomes and spending, with the USA's housing crisis and subsequent global credit drought so far having little effect on commodity demand or prices.² However, commodity prices globally appear to have peaked, and are no longer growing at the rapid rates recorded between 2002 and 2006.

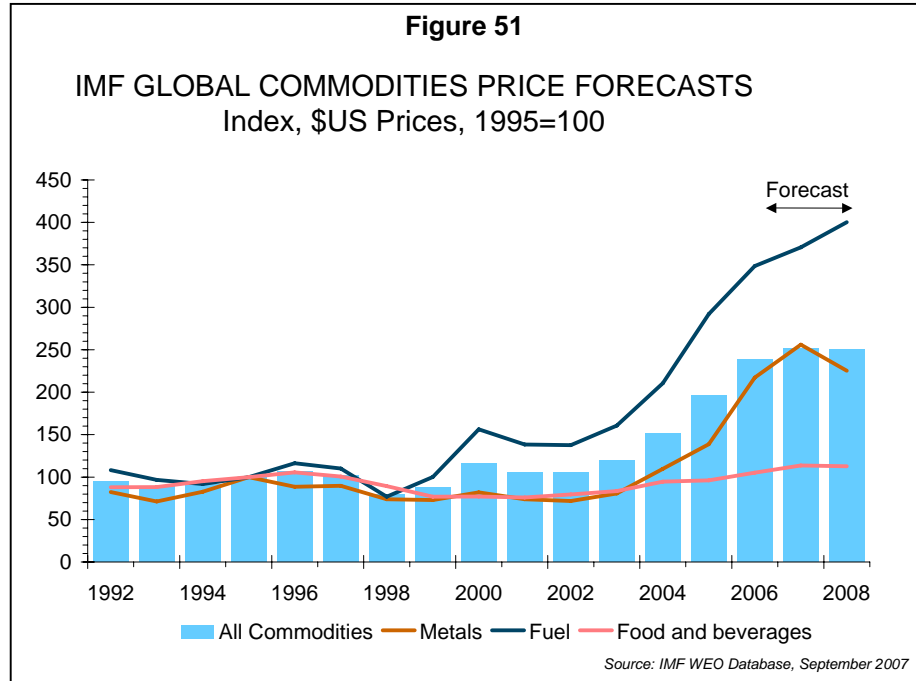
Consensus forecasts expects that strong commodity demand from Asia (and especially from China) will continue, with markets appearing to have shrugged off concerns over the US and global economic outlook following the escalation of the sub prime crisis in the September quarter.

Consensus notes that the prices of most energy and metals commodities will either fall or flatten over the coming year³, with the exception of iron ore and coal prices (which are expected to rise).

¹ Pauly, D. "High oil prices reflect demand from speculators", *Bloomberg*, December 2007 <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aWQiRV/MtBf8g>

² Source: RBA, Statement on Monetary Policy, November 2007

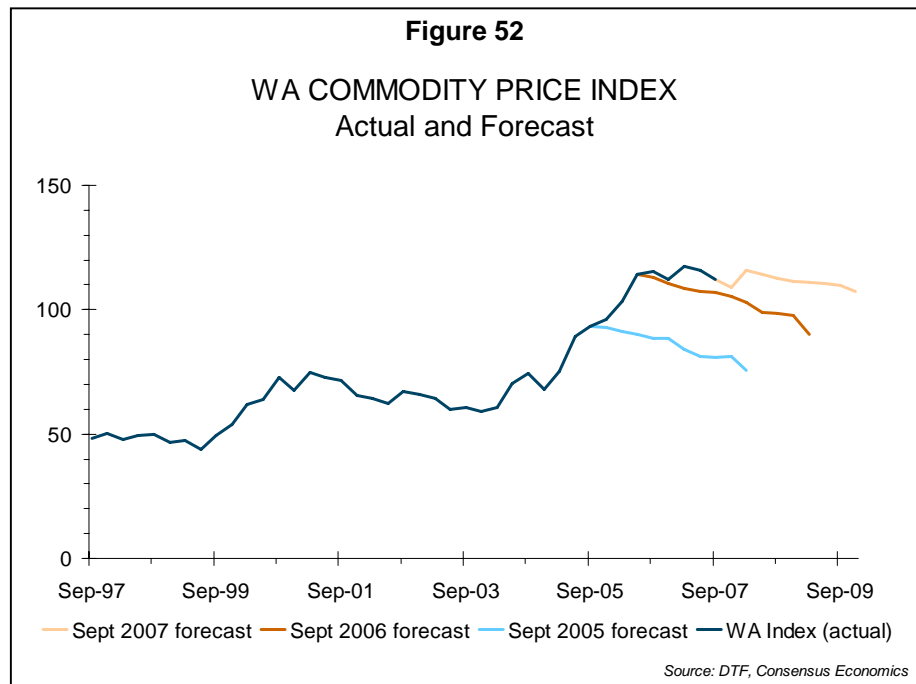
³ Source: Consensus Economics, Energy and Metals consensus forecasts – Minerals Monitor, October 2007



The IMF’s forecasts similarly point to prices flattening in 2008, with metals prices falling somewhat, but fuel prices expected to rise further (Figure 51).

Figure 52 shows what published commodity price forecasts from Consensus Forecasts implied for the Western Australian Commodity Price Index a year ago and two years ago, as well as what the forecasts are currently suggesting.

It indicates that Consensus Forecasts believe that global commodity prices are expected to fall for most of the State’s key resource commodities over the next few years.



Even if the September quarter 2007 forecasts are realised, however, this will take prices for key Western Australian commodities in the December quarter 2009 back to where they were in March 2006.

However, the above chart also shows how over the last few years, Consensus Forecasts has consistently under-estimated the strength and duration of the commodity price boom.

Iron Ore

The global iron ore price is of particular importance to Western Australia, given the presence of major miners in the State, the scale of their projects and the relative size of the State's iron ore resources and production.

Annual iron ore price negotiations are due to commence shortly between Brazil's Companhia Vale do Rio Doce - the world's largest iron ore producer - and its Japanese customers. The price determined at these negotiations acts as a benchmark for other global iron ore suppliers such as BHP Billiton and Rio Tinto, which have operations in Western Australia.

ABARE forecasts that iron ore prices will rise "substantially" in the round of contract negotiations for the Japanese financial year of 2008-09, without giving a numerical forecast. This would be the sixth consecutive year of price increases for iron ore fines and lump¹.

Price growth is expected to be underpinned by growth in global iron ore demand (led in particular by China's steel industry), rising iron ore production costs, the introduction of an iron ore export duty by the Indian Government and a significant depreciation of the US dollar over the past year.²

The Australian dollar has appreciated significantly against the US dollar for most of the past two years (Figure 53). This would ordinarily make the State's exports less competitive on world markets, however with supply contracts generally priced in US dollars, a rising Australian dollar may be advantageous to some producers in Western Australia.

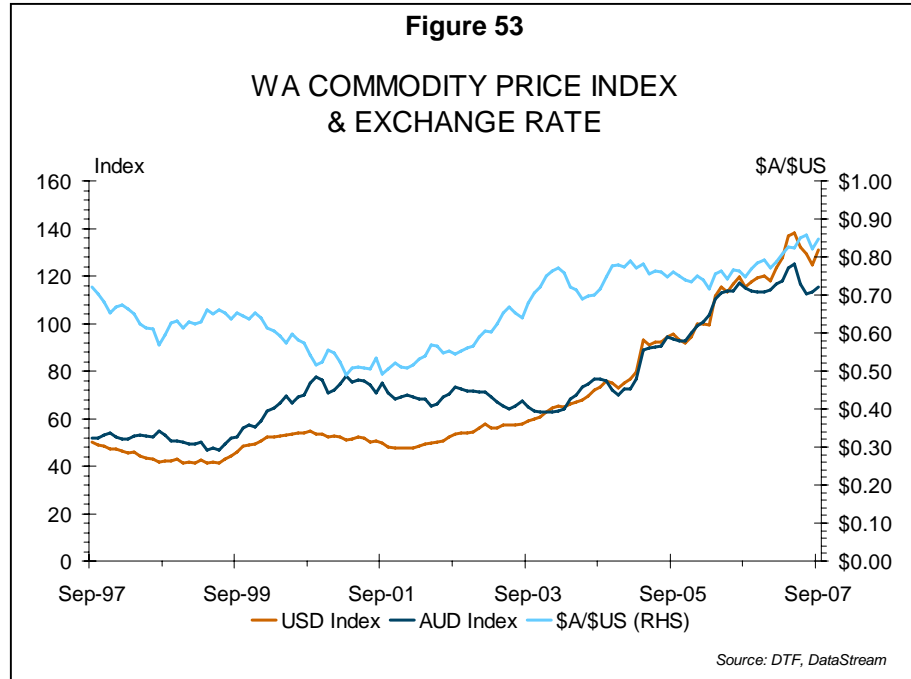
Oil prices

Several factors are likely to place upward pressure on oil prices in 2008, including an expected rise in oil consumption, limited growth in non-OPEC production and low OPEC spare production capacity.

Oil prices are vulnerable to unexpected supply disruptions and geo-political tensions, so the risks to oil prices generally tend towards factors that raise prices.

¹ Source: ABARE, *Australian Commodities*, December quarter 2007

² Source: ABARE, *Australian Commodities*, December quarter 2007



However, the risks to oil price growth appear to be moderated somewhat with the depreciation of the US dollar against major currencies, which has resulted in increased purchasing power for non-US oil importers and has dampened the effect of increased oil prices¹.

ABARE expects that oil demand from most major economies will grow in 2008, particularly in the Middle East, Latin America and China. Given the oil supply outlook for 2008, and the increase in oil prices more recently (in late November, the West Texas Intermediate price exceeded \$US98 a barrel and was approaching the record (real) prices set in 1980), ABARE expects that oil prices will increase by 8% to around US\$77 a barrel in 2008².

Trade

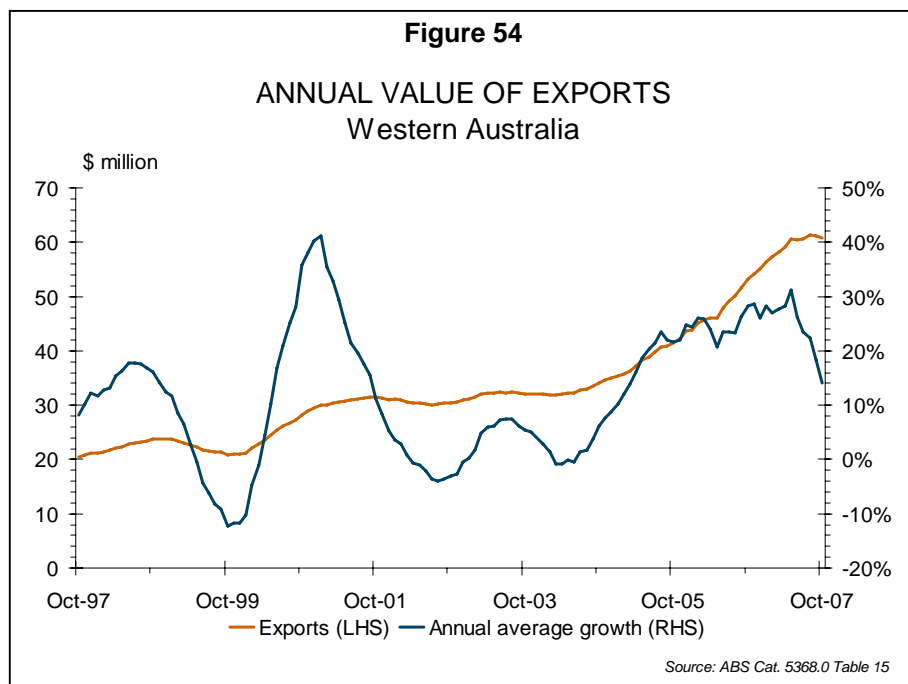
The value of the State's exports totalled \$60.7 billion over the year to October 2007, a 14.1% increase on the year to October 2006. In quarterly real terms, exports rose by 3.1% in the September quarter 2007 (following on from a 0.2% rise in the June quarter), and were up 6.5% over the year.

On a quarterly basis it appears that the volume of the State's exports rebounded in the September quarter after a small increase in the June quarter and a fall in volumes in the March quarter.

Investment commitments in the mining industry over the next few quarters indicate that the investment phase of development is continuing and that there is still considerable scope for an increase in export volumes in the future once projects enter their export phase.

¹ Source: ABARE, *Australian Commodities*, December quarter 2007.

² Source: Ibid



For the time being, however, growth in export volumes is comparatively modest, while import growth is being boosted by business investment and household consumption.

The DTF's 2007-08 Mid-Year review forecasts for exports volumes reflect the view that the investment phase in the State's resources sector is building up and that, in the next couple of years, export volumes will start to reflect additional capacity expansions. Export volumes are expected to increase by 8.0% in 2007-08, followed by growth of 8.5% in 2008-09.

Export markets

Over the year to October 2007, China accounted for 23.1% of Western Australia's exports. This share is slightly less than the combined share of Western Australia's exports to India, Indonesia, South Korea, Malaysia and Singapore, which totalled 23.4% over the same period.

Exports to China have grown on average by 33.2% a year for the past five years. In ten years the value of Western Australia's exports to China has increased tenfold, from \$1.4 billion in the year to October 1997 to \$14.0 billion in the year to October 2007. More recently, the value of exports to China increased by 27.5% in the year to October 2007, when compared to the same 12-month period of a year previously.

While annual growth in the State's exports to China is strong, it has moderated somewhat over the past year compared to annual exports growth of 40% in the year to October 2006.

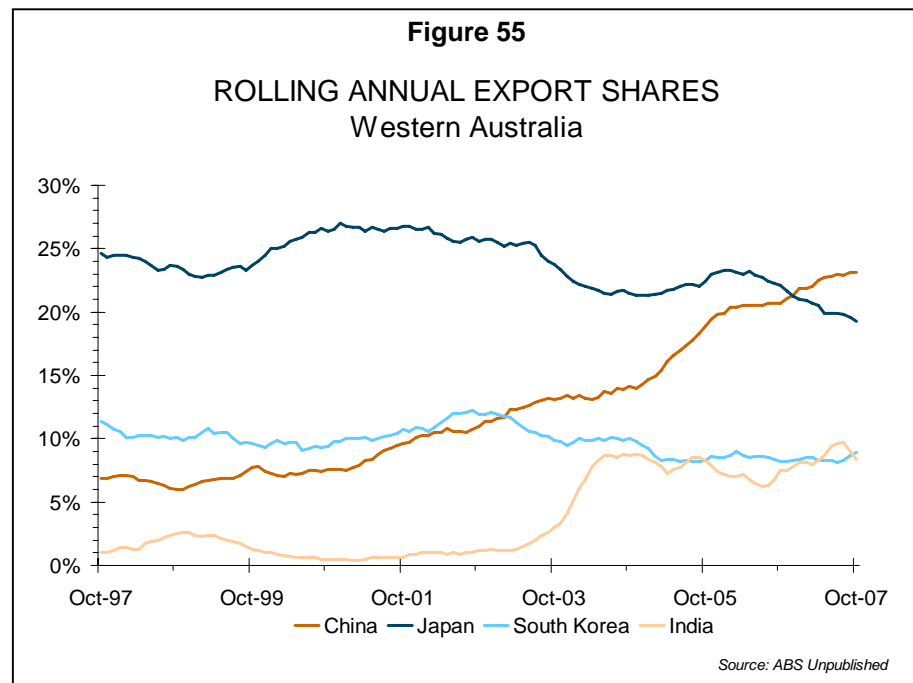
Iron ore and confidential items¹ are the two main Western Australian commodities exported to China. Some 59% (\$8.3 billion) of the State's \$14.0 billion of exports to China over the year to October 2007 were iron ore, while a further 24% (or \$3.4 billion) were confidential items.

The State's exports to Japan totalled \$11.7 billion over the year to October 2007, a fall of 0.2% on the same period a year previously. Growth in exports to Japan has been slowing for some time, adding to the rise in the relative importance of China as the State's major export market. Japan accounted for 19.3% of the State's exports over the year to October 2007, down from a 22.1% share a year previously. As with China, iron ore and confidential items comprise most of the value of Western Australia's annual export items to Japan (37.9% and 38.7% respectively).

Until recently India was Western Australia's third largest export destination. During October 2007 however, it was overtaken by South Korea as the State's third largest export market. Over the year to October 2007, South Korea accounted for 8.9% (or \$5.4 billion) of Western Australia's exports, with India accounting for an 8.4% share (or \$5.1 billion). Exports to India rose faster than exports to South Korea over the year (up 29% and 24% respectively).

Commodity groups

In nominal terms, the value of Western Australia's exports grew by 0.4% (or \$59 million) over the three months to October 2007 compared to the same period of 2006.



¹ Confidential Items comprise alumina, bauxite and LNG. The ABS classifies (and aggregates) these items as "confidential items" to prevent data users from being able to identify production volumes and values from sole (or main) producers of particular commodities.

The largest contributors to the growth in export value came from petroleum (2.3 percentage points) and gold (1.6 percentage points). The main commodities to detract from exports growth over the period were confidential items (1.9 percentage points), wheat (1.4 percentage points) and nickel (1.0 percentage point).

Although the value of exports in the three months to October 2007 rose by a relatively small amount compared with the same quarter of 2006, the State's exports are at a historically high level.

Over the year to October 2007, Western Australia's exports totalled \$60.7 billion, up 14.1% on the year to October 2006.

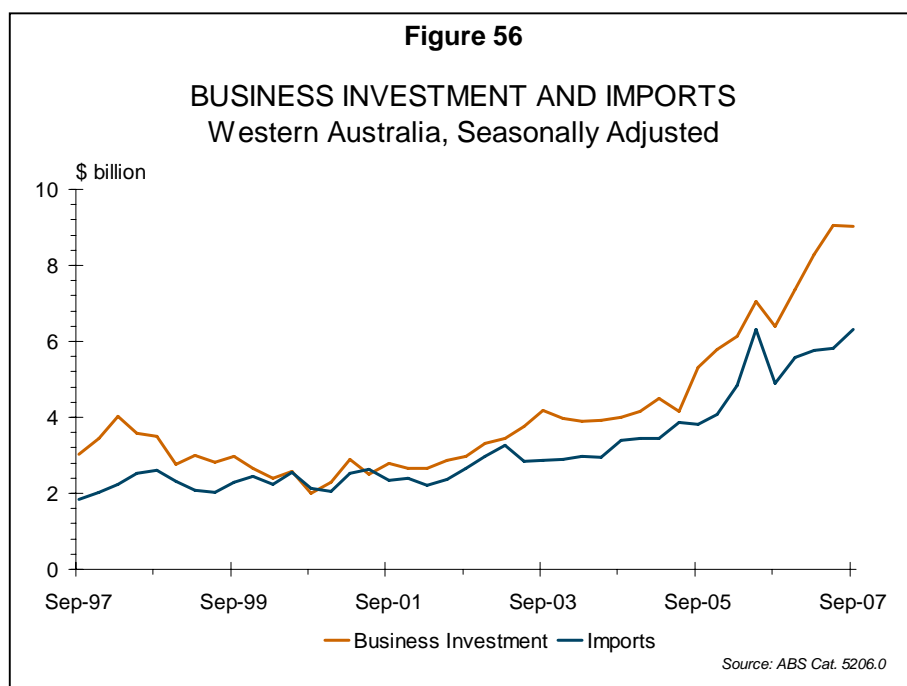
Imports

Import volumes rose by 8.3% in the September quarter 2007, following a decline of 0.2% in the June quarter. In the year to September, imports rose 31.5%. While there is no published breakdown of import volume categories in ABS' State Accounts, mining plant and equipment are probably contributing substantially. Business investment in the State is dominated by the mining industry (page 47), and resources sector projects are typically import intensive during their construction phase.

Figure 56 shows the broad, positive correlation between nominal business investment levels and imports levels over the past decade.

Other ABS surveys indicate that, in nominal terms, plant and equipment imports are the major non-commodity drivers of imports growth.

In the three months to October 2007, imports of plant and equipment rose by 8.6%, or \$134 million. Plant and equipment imports are typically the largest component, but the contribution to imports growth from commodities such as petroleum and gold is also significant.



Petroleum and gold added \$767 million to the State's imports in the three months to October 2007 compared to the same period of 2006, although a share of gold imports is re-exported overseas after entering the State for further refining.

Over the longer term, Western Australia's share of national imports has slowly risen, while the imports share of New South Wales and Victoria is decreasing. This is likely to continue if Western Australia's mining industry continues its expansion. Over the year to October 2007, Western Australia accounted for 12.7% of Australia's imports, up from 12.1% a year earlier and 8.8% ten years earlier.

The Department of Treasury and Finance's 2007-08 Mid-Year Financial Projections Statement forecasts reflect the view that imports growth will remain relatively strong in 2007-08 and 2008-09, rising by 9.0% and 6.0% respectively, reflecting investment in the resources industry and sustained demand for imported household consumer goods.

2007-08 Government Mid-Year Financial Projections Statement

The 2007-08 Government Mid-Year Financial Projections Statement (mid year review) was released on 27 December 2007. The mid-year review is a requirement of the Government Financial Responsibility Act 2000 and outlines developments and changes in the State's financial and economic outlook since the Budget was presented (which for 2007-08 was on 10 May 2007).

The mid year review shows that Western Australia's strong economy is boosting revenue but also increasing pressure on public sector spending.

The revised financial projections are consistent with meeting all of the Government's financial targets, except for the general government expense growth target, in 2007-08. This target is forecast not to be met due to an expense underspend in 2006-07, higher wage and salaries projections and post budget policy decisions. Across the forward estimate years, expense growth is expected to be consistent with the expense growth target.

For the current financial year, the general government operating balance has been revised up by \$378 million, to a forecast surplus of \$1,831 million. This significant growth in both revenue and expenses reflects the continuing strength of the Western Australian economy and associated cost pressures, particularly in the labour market.

Table 13				
COMPLIANCE WITH FINANCIAL TARGETS				
	2007-08	2008-09	2009-10	2010-11
Financial Target				
Real net worth maintained or increased ^(a)	Yes	Yes	Yes	Yes
General government net operating surplus	Yes	Yes	Yes	Yes
Triple-A credit rating maintained via:				
- net debt as a share of revenue at or below 47% ^(b)	Yes	Yes	Yes	Yes
- no increase in real per capita own purpose general government expenses	No	Yes	Yes	Yes
Tax competitiveness maintained ^(c)	Yes	Yes	Yes	Yes
<i>(a) Total public sector.</i>				
<i>(b) Total non financial public sector.</i>				
<i>(c) Tax revenue as a share of gross State product to be below other States' average.</i>				

Variations in revenue between the budget and mid-year review for 2007-08 total \$922 million and include:

- an upward revision to taxation revenue (\$841 million), incorporating higher stamp duty on conveyances, payroll tax, stamp duty on motor vehicle transfers and insurance duty;
- higher grants from the Commonwealth (\$48 million) incorporating upward revisions to North West Shelf petroleum royalties and GST revenue, partly offset by a downward revision to Western Australia's estimated relative tax share;
- higher revenue from agencies' sales of goods and services (\$80 million), reflecting the flow on of higher than expected revenues in 2006-07 (which occurred largely as a result of strong demand for goods and services provided by general government agencies, fuelled by growth in population and the economy);
- higher revenue from public corporations (\$36 million), with estimates for the Water Corporation in particular revised up (as higher than expected land development activity results in increases in developers' contributions);
- an increase in estimated interest income (\$41 million), due to increases in interest rates since the budget was finalised, and higher than expected cash balances (due to the upward revision in the surplus); and
- lower mining royalties excluding North West Shelf royalties (\$147 million), largely reflecting the rapid appreciation of the exchange rate. In addition, the changes include a revised outlook for the iron ore contract price over the 2008-09 Japanese financial year and lower than anticipated nickel prices.

Partly offsetting these changes, estimated expenses for 2007-08 have risen since the 2007-08 Budget by \$544 million, mainly due to:

- the finalisation of the Enterprise Bargaining Agreement for prison officers, and Government offers for other groups, including (but not limited to) nurses, medical practitioners, teachers and TAFE lecturers;
- additional spending by general government agencies on the provision of goods and services to the community (fully matched by higher agency own-source revenue);
- the higher cost of building and maintenance work by the Department of Housing and Works, due mainly to cost increases for contract labour and materials;
- the transfer of a number of roads to the local government sector (no cash impact is recorded from these transfers, although an accrual expense is recognised); and

- the effect of delays and higher project costs for the Shared Services initiative.

Across the outyears, the general government operating surplus has been revised up since budget by an average of \$430 million a year. By 2010-11, flat revenue growth, largely due to a forecast reduction in Western Australia's GST revenue (down \$179 million relative to the budget time projections), is expected to see the general government operating surplus decline to \$1,254 million.

The general government sector is expected to remain net debt free over the entire forward estimates period, with financial assets exceeding gross debt liabilities by a net \$3.1 billion by 30 June 2011. The general government sector first became net debt free in 2003-04.

Across the total public sector, net debt is projected to rise from a record low of \$3.0 billion on 30 June 2007 to \$9.1 billion by 30 June 2011. This is \$935 million higher than the budget time forecast for the end of the forward estimates period.

The increase in net debt since budget is the net result of a range of factors including an improved general government sector operating outlook, a better than expected net debt outturn at 30 June 2007, a deterioration in the public non financial corporations sector's operating outlook and additional infrastructure spending.

GENERAL GOVERNMENT SECTOR				
Operating Statement				
	2007-08	2008-09	2009-10	2010-11
	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m
MID-YEAR REVIEW				
Revenue	18,516	19,315	19,991	20,179
Expenses	16,685	17,449	18,189	18,925
Net Operating Balance	1,831	1,867	1,802	1,254
2007 08 BUDGET				
Revenue	17,593	18,008	18,357	18,529
Expenses	16,141	16,561	17,021	17,681
Net Operating Balance	1,453	1,447	1,336	848
VARIANCE				
Revenue	922	1,308	1,634	1,650
Expenses	544	888	1,169	1,244
Net Operating Balance	378	420	466	406
<i>Note: Columns may not add due to rounding.</i>				

Higher infrastructure spending across the general government sector and the public non-financial corporations sector is expected to more than offset the stronger operating surpluses over the period 2007-08 to 2010-11.

For the public non financial corporations sector, additions to capital works spending projections in 2007-08 since budget time reflect post budget policy decisions, including higher spending on public housing, port expansion in the State's Pilbara region and new water and wastewater projects. In addition, parameter increases in capital spending for 2007-08 are \$382 million since budget time. These include the incorporation of a provision for capital cost escalation for the water and electricity utilities and a capital injection to the Public Transport Authority to accommodate cost increases associated with the New MetroRail project (announced on 3 September 2007).

Despite the higher debt projections, the total non-financial public sector net debt to revenue ratio is forecast to remain well below the Government's 47% target limit, reaching a peak of 38% by 2010-11 (unchanged from the budget time forecast).

A copy of the mid year review is available at:

<http://www.dtf.wa.gov.au/cms/uploadedFiles/myr200708.pdf>

Economic Outlook

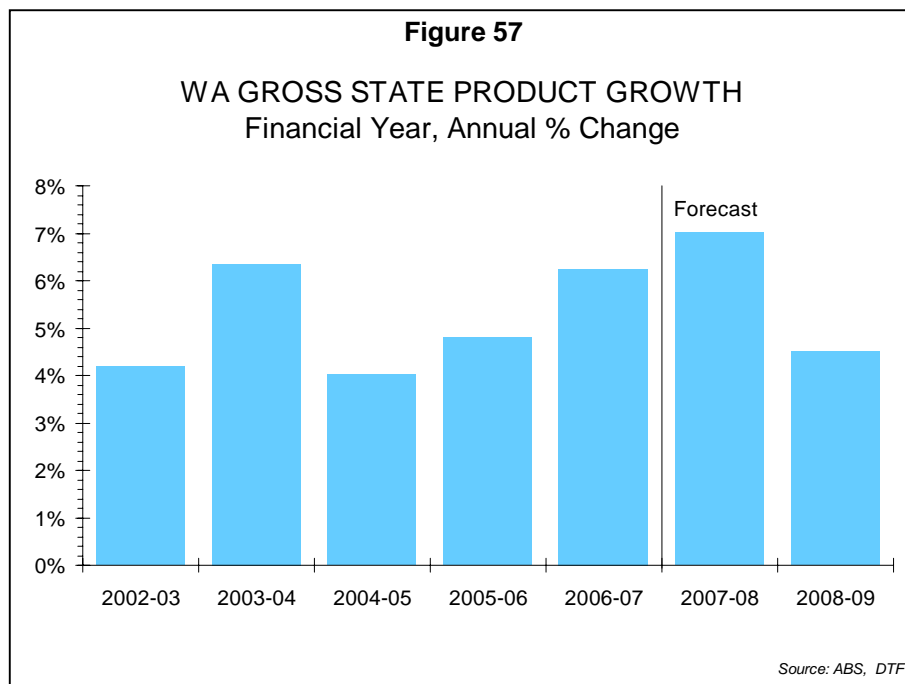
The 2007-08 *Government Mid-year Financial Projections Statement* released on 27 December 2007 contained updated economic forecasts for the Western Australian economy¹. This article summarises the key features of those forecasts.

2007-08 Forecasts

Western Australia's real ² **Gross State Product** (GSP) is forecast to grow by 7.0% in 2007-08, following growth of 6.3% in 2006-07. Domestic demand will be the key driver of growth, forecast to increase by 6.75%.

Business investment and household consumption are expected to make the largest contributions to growth during the year.

Real household consumption is forecast to increase by 4.75% in 2007-08, below its annual average growth rate of 5.7% in the past four years, but above its longer-term average of 4.3% over the past decade. Household consumption will be supported by growth in population, **employment** and wages, and by relatively strong consumer confidence.



¹ A copy can be downloaded from <http://www.dtf.wa.gov.au/cms/uploadedFiles/myr200708.pdf>

² All of the forecasts discussed in this chapter are in real (chain volume) terms.

However, the cumulative effect of recent interest rate rises and the deceleration in growth in retail sales in the past few months are expected to lead to some softening of growth compared to recent years.

The large volume of engineering construction work yet to be done, and the strong growth in business investment in the first half of the 2007 calendar year, suggest that business investment will be strong for at least another year, with growth of 15.5% forecast for 2007-08.

Dwelling investment increased by 9.8% in 2006-07, but leading indicators such as building approvals and commencements are trending downwards, and a small contraction in dwelling investment (of 1.75%) is forecast for 2007-08.

Merchandise imports growth has averaged 17.3% a year for the past five years, fuelled by strong growth in business investment and household consumption (Figure 58). Growth is forecast to moderate somewhat in 2007-08, to 9.0%.

Exports growth is picking up pace, but exports are still growing less quickly than imports. The volume of exports is forecast to increase by 8.0% in 2007-08, following growth of 7.9% in 2006-07.

	2006-07	2007-08	2008-09
	Actual	Forecast	Forecast
	%^(a)	%^(a)	%^(a)
Household Consumption	5.5	4.75	4
Business Investment	22.2	15.5	2.5
Dwelling Investment ^(b)	2.3	-1.75	-0.25
Public Consumption	4.5	4	3
Public Investment	4.5	4.75	2.25
State Final Demand	8.8	6.75	3
Exports ^(c)	7.9	8	8.5
Imports ^(c)	12.3	9	6.5
Net Exports	5.2	7.25	9.75
Balancing Item ^(d)	22.1	7	4.5
Gross State Product	6.3	7	4.5
Employment Growth	2.5	3.5	2.75
Unemployment Rate	3.2	3.5	3.25
Wage Price Index	4.7	5.5	4.75
Average Weekly Earnings	9.6	7	5.25
Consumer Price Index	3.9	3	2.75

(a) GSP components' % changes are in real (chain volume) terms.
(b) DTF methodology includes property ownership transfer costs in dwelling investment, whereas the ABS actual figure shown above does not
(c) Forecast are based on merchandise trade only, excluding trade in services
(d) The balancing item comprises interstate trade, changes in the level of stocks, and a 'statistical discrepancy'. As it is difficult to predict, forecasts in the table assume a fixed ratio of the balancing item to GSP.
Source: ABS for historical data; Department of Treasury and Finance Government Mid-Year Financial Projections Statement

Western Australia's **trade surplus** is forecast to increase in 2007-08, even though imports growth is forecast to exceed exports growth. The value of the State's exports exceeds the value of its imports by a considerable margin, so even comparatively weak growth in percentage terms can lead to the value of exports growing by more than the value of imports in dollar terms.

As a result, net trade is forecast to contribute 1.9 percentage points to the 7.0% growth in Gross State Product forecast for 2007-08.

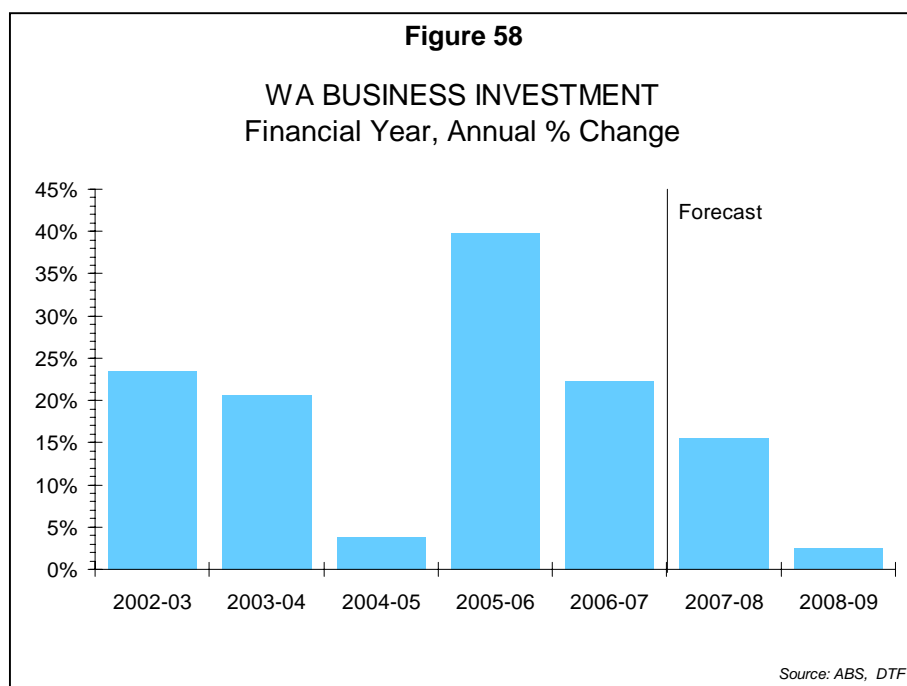
The State's labour market is very tight (see page 36), and conditions are unlikely to ease much in 2007-08. Employment is forecast to increase by 3.5%, while the **unemployment** rate is forecast to average 3.5%. These tight conditions are starting to generate wage pressures, with the **Wage Price Index** forecast to increase by 5.5%, which would be its fastest **annual average growth** since the data series began in 1997 (though it increased by 5.7% in the year to the September quarter on a **year-ended** basis).

The more volatile **average weekly earnings** series is forecast to grow even more rapidly, by 7%, following growth of 9.6% in 2006-07.

Despite these accelerating labour costs, growth in Perth's Consumer Price Index is forecast to ease from 3.9% in 2006-07 to 3.0% in 2007-08. The end of the boom in Perth house prices in combination with the unwinding of temporary factors that boosted inflation in 2006-07 account for most of this deceleration in inflation.

2008-09 Forecasts

Economic growth is forecast to ease to 4.5% in 2008-09, as growth slows in the two key drivers of domestic demand growth in recent years, namely business investment and household consumption.



A further small contraction in dwelling investment is also anticipated, but exports growth is forecast to strengthen somewhat, with exports growth forecast to exceed imports growth for the first year since 2000-01.

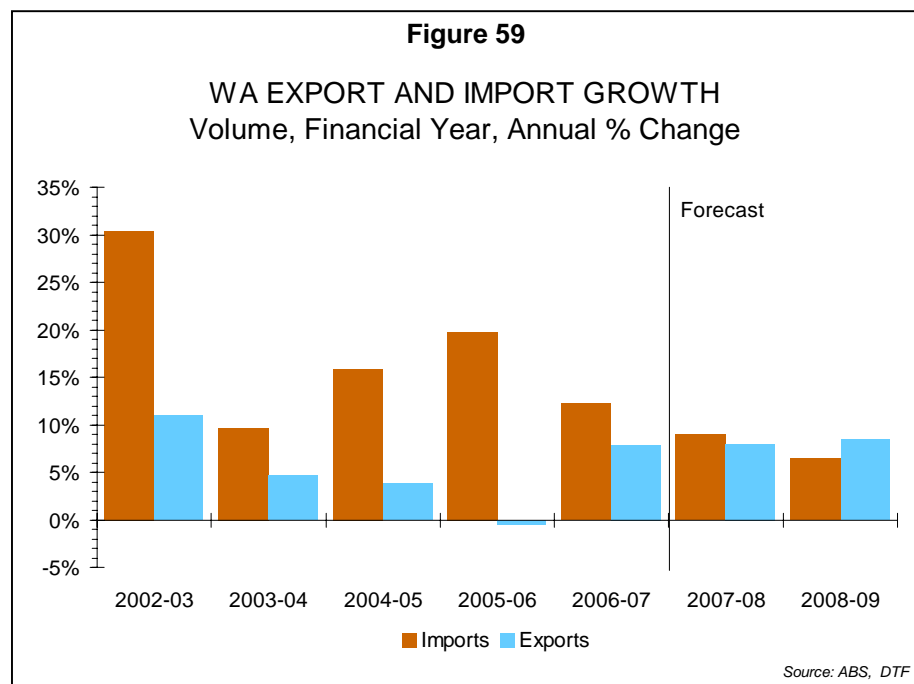
The expected slowdown of business investment growth to 2.5% in 2008-09 reflects the fact that the engineering construction sector appears to be working close to capacity. Activity levels are also expected to level off as the large pipeline of work yet to be completed is finished. However, business investment growth has proved difficult to forecast and has often exceeded forecasts in recent years.

Consumer spending growth is expected to slow to more a more sustainable rate of 4% in 2008-09, as earnings and employment growth eases a little and the full effects of higher interest rates flow through.

Dwelling investment is forecast to be flat in 2008-09. Affordability should improve a little in the next two years as a result of relatively rapid growth in earnings and flat house prices, but this will do little to unwind the deterioration in housing affordability caused by the rapid growth of house prices from 2002 to 2006.

However, any weakening in housing activity will be at least partly offset by relatively strong underlying demand arising from growth in population and incomes.

Net exports are forecast to contribute 2.5 percentage points to the 4.5% growth in Gross State Product forecast for 2008-09. Exports growth is expected to strengthen a little to 8.5% as the resource sector's output expands as a result of expanding capacity in response to the growth in business investment of recent years. Imports growth is forecast to slow to 6.5%, as a result of weaker growth in consumer spending and business investment.



Employment growth is forecast to slow to 2.75% in 2007-08, but the unemployment rate is expected to stay low, at 3.25%. Growth in both the Wage Price Index and average weekly earnings are forecast to ease a little compared to 2007-08, growing at 4.75% and 5.25% respectively.

Inflation is also forecast to ease slightly, to 2.75%.

Glossary

Access Economics Investment Monitor. A quarterly publication that records all public and private sector investment projects in Australia over a value of \$5 million. Projects are classified as “under construction”, “committed”, “under consideration”, or “possible”.

Annual Average An annual average is the average level of an indicator over a one-year period (eg 12 successive months or four successive quarters). It is typically used to provide a representative level of an indicator that is volatile from period to period and for which no seasonally adjusted or trend estimates are available, for example States’ youth unemployment rates. Also known as year-average growth. See also [annual average growth](#), [annual growth](#), [annualised growth](#), [rolling sum](#).

Annual Average Growth The change in the level of an indicator between one 12-month period and the following 12-month period, for example comparing the average (or total) level of retail sales for all of the 12 months between July 2006 and June 2007 with their total level between July 2005 and June 2006. See also [annual average](#), [annual growth](#), [annualised growth](#), [rolling sum](#).

Annual Growth By default, this publication uses annual growth to refer to growth in an indicator between two points one year apart, e.g. between the months of February 2006 and February 2007, or the June quarters of 2003 and 2004. Also known as “through the year” growth or “year-ended” growth. See also [annual average](#), [annual average growth](#), [annualised growth](#), [rolling sum](#).

Annualised Growth. This takes the change in the level of an indicator between two points in time, and estimates the growth that would occur if that growth rate were sustained for a period of one year. For example, “Western Australia’s real business investment rose by 197% in the five years to June 2007, equivalent to annualised growth of 24.3% a year”. Another example is “it increased by 7.3% between the March and June quarters, equivalent to annualised growth of 32.6%”. Annualised growth is a useful way of providing a comparable basis to contrast growth rates over different time periods. Due to compounding, annualised growth is not the simple average of the total increase in an indicator divided by the number of years between its initial and final value (or, for periods of less than a year, the quarterly growth rate multiplied by four, or monthly rate by 12). See also [annual average growth](#), [annual growth](#).

Average Weekly Earnings. Average gross (before tax) earnings of all employees (adult and junior, part-time and full-time) including payments for abnormal hours such as overtime payments, but not payment in kind or benefits such as superannuation.

Average Weekly Ordinary Time Earnings. One week's average earnings, calculated using the same method as [Average Weekly Earnings](#) but excluding payments for abnormal hours such as overtime, and covering only full-time adult employees.

Balancing Item. In the State Accounts, the balancing item comprises the difference between the sum of the estimates of [State Final Demand](#) and [net overseas exports](#) and the estimate of [Gross State Product](#). It comprises changes in inventories and net [interstate trade](#).

Capacity utilisation. The intensity of the use of capital, generally expressed as a percentage of total production capacity. There are methodological problems in measuring capacity utilisation and it is not measured by the ABS. The DTF uses the measures of capacity utilisation produced in the Commonwealth Bank-CCI *Survey of WA Business Expectations* and the NAB Quarterly Business Survey. Both of these measures should be treated with some caution.

Chain volume. A measure of the volume of an economic quantity, adjusted for the direct effect of changes in economy-wide prices over time, also sometime called as "real", or "constant price". The ABS's chain volume measures are "annually-reweighted chain Laspeyres volume indexes referenced to the current price values in a chosen reference year (i.e. the year when the quarterly chain volume measures sum to the current price annual values). Generally, chain volume measures are not additive. In other words, component chain volume measures do not sum to a total in the way original current price components do."

Commonwealth Bank-CCI Survey of WA Business Expectations. A quarterly State-based survey, which measures the confidence of Western Australian businesses in the State economy, as well as their outlook for general business conditions, the [labour force](#) and operating conditions. The indices reported in the survey are not seasonally adjusted.

Compensation of employees. The value of entitlements earned by employees from their employers for services rendered during the accounting period. It covers wages and salaries received by employees in cash and in kind (such as meals, housing, child care, etc), changes in provisions for future employee entitlements and employers' social contributions (such as contributions by employers to pension and superannuation funds).

Constant prices. See [chain volume](#).

Consumer Price Index (CPI). An index of the price of a basket of good and services purchased by households. Growth in the Consumer Price Index is the benchmark estimate of [inflation](#) in Australia.

Current prices. A measure of the value of some economic quantity without adjusting for the effects of general price movements over time, also sometimes called "nominal". This contrasts to [chain volume](#) measures, which abstract from price movements to measure the level of, or change in, the quantity of goods produced or sold.

Domestic Final Demand. A measure of domestic economic activity in the Australian economy, and the national equivalent of [State Final Demand](#). It comprises the sum of consumption spending by households and governments, dwelling investment, business investment, government investment and property ownership transfer costs. It is a component of [Gross Domestic Product](#), which also includes changes in inventories and net overseas trade (exports minus imports).

Employment. Employment is defined as all persons engaged in one or more hours of work during a reference period, as well as some persons temporarily absent from work.

Established house. A dwelling that was completed 12 months or more prior to the lodgement of a loan application, or that has been previously occupied.

Gross Domestic Income. A measure of real purchasing power in the economy, calculated in the same way as real [Gross Domestic Product](#), except that current price estimates of exports of goods and services are deflated by the import price deflator, not the export price deflator, and the actual volume of exports is then deducted from this value. The effect of this calculation is to measure not the volume of exports, but the volume of imports for which they can be exchanged. Gross Domestic Income is a better measure of changes in real purchasing power than GDP when a country's [terms of trade](#) are rising sharply, meaning that a given volume of exports can be exchanged for a larger volume of imports.

Gross Domestic Product (GDP). An aggregate measure of all economic activity in the national economy, and the benchmark most commonly used to measure economic growth. Its state equivalent is [Gross State Product](#). GDP can be calculated as:

- GDP(E) - the sum of all components of expenditure (government and household final consumption expenditure, private and public gross fixed capital formation and net trade);
- GDP(I) - the sum of all income ([compensation of employees](#), gross operating surplus, gross mixed income, and taxes less subsidies on production and imports); or
- GDP(P) - the sum of production by industry.

The most commonly used GDP growth indicator in Australia is an average of these three estimates, GDP(A).

Gross State Domestic Income (GSDI). The State equivalent of [Gross Domestic Income](#).

Gross State Product (GSP). An aggregate measure of all economic activity in a State or Territory, the State equivalent of [Gross Domestic Product](#). The expenditure measure of GSP includes net [interstate trade](#) as well as overseas trade.

Gross rental yields. The annualised median rent divided by the median price of a home.

Housing Stress. Where a household's housing costs consume such a large proportion of its disposable income that it struggles to meet other expenses. A common benchmark for housing stress is households in the lowest 40% of the income distribution paying more than 30% of household income on housing costs.

Inflation. A general upward movement in the level of prices, usually estimated as growth in the [Consumer Price Index](#).

International Exports. Domestically produced goods and services sold into overseas markets.

International Imports. Externally produced goods and services sold into the domestic market.

Interstate Trade. The value of goods and services traded between one State or Territory and the other States and Territories. The ABS no longer publishes estimates of interstate trade, but it nonetheless comprises a significant component of [Gross State Product](#) (and usually, for Western Australia, a significantly negative one – i.e. the State's interstate exports are considerably less than its imports). Interstate trade is included in the balancing item reconciling the sum of the ABS's estimates of [State Final Demand](#) and [net overseas exports](#) with its estimate of [Gross State Product](#).

Labour Force. People willing and available to work, comprising both the employed and the unemployed.

Long-term unemployed. Those who have been unemployed for 52 weeks or more.

Market exchange rate. The market exchange rate is the prevailing exchange rate between two traded currencies. Market exchange rates tend to be more volatile than exchange rates based on purchasing power parity. They may also under- or over- represent a country's relative purchasing power if the exchange rate is set at a level that makes goods produced in one country seem consistently cheap or expensive compared to a comparable bundle of goods in another country. See [purchasing power parity](#).

NAB Quarterly Business Survey. The NAB Quarterly Business Survey documents current conditions and near-term and medium-term expectations of the non-farm business sector, based on a survey of around 900 small and medium-sized enterprises across Australia. Respondents are chosen at random from those firms with 40 or more employees within the major non-rural industry groups. The State results of this survey should be treated with caution, due to the small Western Australian sample size.

Net Exports. The value of exports minus the value of imports.

New housing. Houses under construction or newly built.

Nominal. See [current prices](#).

Participation rate. The ABS calculates the participation rate as the percentage of the adult population (aged 15+) that is active in the [labour force](#); that is, the proportion of the population aged 15 and over who are employed or unemployed. Some countries and organisations, including the OECD, estimate the participation rate as a percentage of people of working age (typically 15-64) not the whole adult population.

Non-conforming loans. A non-conforming loan does not meet banks' normal criteria for funding. Non-conforming loans are the closest Australian equivalent to [sub-prime loans](#) in the United States, although they represent a smaller portion of the total housing loans.

Producer Price Index. The three stages of production Producer Price Indexes track price changes as commodities flow through production processes from the preliminary, through intermediate, to final stages. The construction of the indexes is similar to the CPI, with fixed weighted items observed and periodically reviewed. The CPI and final goods Producer Price Index differ as the CPI measures the actual retail price paid by households for products, while the final goods index measures the price received by the producer exclusive of any taxes on products and transport and trade margins; the coverage of the two indexes differs (the CPI covers both goods and services while the PPI covers only goods); and the indexes have different weighting bases.

Project homes. Dwellings available for construction on a client's block of land. Price changes relate only to the cost of constructing the dwelling (excluding land).

Purchasing Power Parity (PPP). The exchange rate that would equalise the cost of a bundle of goods in two countries. Often, [market exchange rates](#) are at levels that make it cheaper to buy goods and services in some countries than in others, and it is fairly common for developing countries' exchange rates to be at levels below purchasing power parity. This means that developing countries' contribution to global economic growth tends to be under-stated when the volume of growth is calculated at market exchange rates. For this reason, some forecasters (e.g. the International Monetary Fund) prefer to estimate growth in the world economy at purchasing power parity, not market exchange rates. In principle, purchasing power parity also provides a better basis to compare the standards of living in different economies than market exchange rates, although in practice the difficulty of obtaining accurate and timely estimates of purchasing power parity exchange rates means that market exchange rates are often used for this purpose.

Real. See [chain volume](#).

Real Estate Institute of Australia's (REIA) Housing Affordability Index. An index of median family income to average loan repayments.

Rolling Sum. A rolling sum is the sum of the values of an indicator over a one-year period (eg 12 successive months or four successive quarters). It is sometimes used to provide a representative level of an indicator that is volatile from period to period and for which no seasonally adjusted or trend estimates are available, for example States' export levels. See also [Annual Average](#), [Annual Average Growth](#), [Annualised Growth](#).

Securitise. To bundle for sale a collection of financial assets (such as loans) based on the collateral of their underlying income streams and/or asset values.

Sensis Business Index. – Small and Medium Enterprises A survey that documents small and medium sized businesses' assessments of their current conditions and future expectations of sales values, size of workforce, wages bills, prices, profitability and capital expenditure. The main methodological issues with this survey are: the size of the its sample is limited to 225 businesses in Western Australia, of which 195 are based in the metropolitan area; the survey uses an unweighted "net balance" approach (i.e. the percentage of positive responses, less the percentage of negative responses); and, the results reported are not seasonally adjusted.

State Final Demand (SFD). The State equivalent of [Domestic Final Demand](#).

Sub-Prime Loans. Loans to borrowers whose financial circumstances and credit history make them ineligible for loans at normal market rates. In the USA it had been common practice to offer borrowers low introductory "honeymoon" rates for a one or two years, before moving them to relatively high rates reflecting their relatively high risk.

Temporary Business Long Stay Subclass 457 Visa. This visa allows skilled people to come to Australia to work for an approved employer for up to four years. The prospective employer must first apply to become a **standard business sponsor**, which will permit them to sponsor an agreed number of overseas employees over a two-year period. The position nominated to be filled by the overseas employee must meet minimum skill and salary levels.

Terms of Trade. The ratio of export prices to import prices. An increase in export prices relative to import prices means that a larger volume of imports can be purchased with a given volume of exports. An increase in the terms of trade reflects export prices increasing at a faster rate than import prices.

Through the year. See [annual growth](#).

Trade Deficit. The amount of goods and services that a country imports that is in excess of the amount of goods and services it exports.

Trade Surplus. The amount of goods and services that a country exports that is in excess of the amount of goods and services it imports.

Trimmed Mean An underlying inflation measure calculated by the RBA by ordering all the CPI components by their price change in the quarter and taking the expenditure-weighted average of the middle 70% of these price changes. Excludes interest charges prior to the September quarter 1998 and are adjusted for the tax changes of 1999-2000.

Unemployment. Persons who were not working but were actively looking for work in the survey period.

Volume terms. See [chain volume](#) terms.

Wage Price Index (WPI). An index of the cost of a fixed basket of jobs. It is designed to measure changes in wages over time for a fixed quantity and quality of labour input. Unlike the average earnings measures, the Wage Price Index is designed to measure wage changes rather than levels, and is a better measure of underlying wages growth, as it is not affected by changes in the composition of the workforce. The “real” ([constant prices](#)) Wage Price Index is calculated by deflating the Wage Price Index by the relevant [Consumer Price Index](#).

Weighted Median. An underlying inflation measure calculated by the RBA by taking the price change in the middle of the ordered distribution of all CPI components, taking also expenditure weights into account. Excludes interest charges prior to the September quarter 1998, and are adjusted for the tax changes of 1999-2000.

Year ended growth. See [annual growth](#).

Year average growth. See [annual average growth](#).

Statistical Appendix

International Trends	85
Markets and Commodity Prices	89
Commodity Prices	89
Financial and Share Markets	92
Australian and Western Australian Indicators	92
Demography	92
National and State Accounts	93
Trade	97
Business Indicators	98
Labour markets	100
Prices	104
Private Finance and Consumption	105
Building and Construction	107
Vehicle Sales	109

International Trends

REAL GROWTH IN WORLD OUTPUT AND TRADE IMF Estimates and Forecasts

	2008	2007	2006
Trade	6.7%	6.6%	9.2%
Output	4.8%	5.2%	5.4%

Source: IMF WEO Database, September 2007

CURRENT ACCOUNT BALANCES IMF Estimates, Countries, % GDP

	2006	2007	2008
Australia	-5.5%	-5.7%	-5.6%
China	9.4%	11.7%	12.2%
France	-1.2%	-1.6%	-1.8%
Germany	5.0%	5.4%	5.1%
India	-1.1%	-2.1%	-2.6%
Indonesia	2.7%	1.6%	1.2%
Italy	-2.4%	-2.3%	-2.2%
Japan	3.9%	4.5%	4.3%
Malaysia	17.2%	14.4%	13.3%
Mexico	-0.3%	-0.7%	-1.1%
NZ	-8.7%	-8.5%	-8.6%
Russia	9.7%	5.9%	3.3%
Singapore	27.5%	27.0%	25.4%
Taiwan	6.8%	6.8%	7.1%
UK	-3.2%	-3.5%	-3.6%
USA	-6.2%	-5.7%	-5.5%

Source: IMF WEO Database, September 2007

GENERAL GOVERNMENT BALANCES
IMF Estimates, Countries, % GDP

	2006	2007	2008
Australia	1.6%	0.8%	1.0%
France	-2.5%	-2.5%	-2.7%
Germany	-1.6%	-0.2%	-0.5%
India	0.0%	0.0%	0.0%
Italy	-4.4%	-2.1%	-2.3%
Japan	-4.1%	-3.9%	-3.8%
NZ	5.0%	2.9%	2.6%
Singapore	6.4%	5.5%	5.4%
Taiwan	-1.1%	-2.0%	-1.0%
UK	-2.7%	-2.5%	-2.3%
USA	-2.6%	-2.6%	-2.9%

Source: IMF WEO Database, September 2007

GENERAL GOVERNMENT STRUCTURAL BALANCE
IMF Estimates, Countries, % GDP

	2006	2007	2008
Australia	1.5%	0.6%	0.5%
France	-1.9%	-1.7%	-2.0%
Germany	-1.2%	-0.4%	-0.7%
Italy	-3.9%	-1.8%	-2.0%
Japan	-4.0%	-3.8%	-3.8%
NZ	5.0%	4.0%	2.9%
UK	-2.7%	-2.5%	-2.2%
USA	-2.7%	-2.4%	-2.5%

Source: IMF WEO Database, September 2007

GDP AT PPP SHARE OF WORLD TOTAL
IMF Estimates, Countries, % World Output

	2006	2007	2008
Australia	1.0%	1.0%	1.0%
China	15.1%	15.8%	16.6%
France	2.9%	2.9%	2.8%
Germany	3.9%	3.7%	3.6%
India	6.3%	6.4%	6.6%
Indonesia	1.4%	1.5%	1.5%
Italy	2.7%	2.6%	2.5%
Japan	6.3%	6.1%	6.0%
Malaysia	0.5%	0.5%	0.5%
Mexico	1.8%	1.7%	1.7%
NZ	0.2%	0.2%	0.2%
Russia	2.6%	2.7%	2.7%
Singapore	0.2%	0.2%	0.2%
Taiwan	1.0%	1.0%	1.0%
UK	3.2%	3.1%	3.1%
USA	19.7%	19.3%	19.0%

Source: IMF WEO Database, September 2007

GDP GROWTH, CONSTANT PRICES
IMF Estimates, Countries, Annual % Change

	2006	2007	2008
Australia	2.7%	4.4%	3.8%
China	11.1%	11.5%	10.0%
France	2.0%	1.9%	2.0%
Germany	2.9%	2.4%	2.0%
India	9.7%	8.9%	8.4%
Indonesia	5.5%	6.2%	6.1%
Italy	1.9%	1.7%	1.3%
Japan	2.2%	2.0%	1.7%
Malaysia	5.9%	5.8%	5.6%
Mexico	4.8%	2.9%	3.0%
NZ	1.6%	2.8%	2.3%
Russia	6.7%	7.0%	6.5%
Singapore	7.9%	7.5%	5.8%
Taiwan	4.7%	4.1%	3.8%
UK	2.8%	3.1%	2.3%
USA	2.9%	1.9%	1.9%

Source: IMF WEO Database, September 2007

GROWTH IN CONSUMER PRICES
IMF Estimates, Countries, Annual % Change

	2006	2007	2008
Australia	3.5%	2.3%	2.8%
China	1.5%	4.5%	3.9%
France	1.9%	1.6%	1.8%
Germany	1.8%	2.1%	1.8%
India	6.1%	6.2%	4.4%
Indonesia	13.1%	6.3%	6.2%
Italy	2.2%	1.9%	1.9%
Japan	0.3%	0.0%	0.5%
Malaysia	3.6%	2.1%	2.4%
Mexico	3.6%	3.9%	4.2%
NZ	3.4%	2.4%	2.7%
Russia	9.7%	8.1%	7.5%
Singapore	1.0%	1.7%	1.7%
Taiwan	0.6%	1.2%	1.5%
UK	2.3%	2.4%	2.0%
USA	3.2%	2.7%	2.3%

Source: IMF WEO Database, September 2007

UNEMPLOYMENT RATES
IMF Estimates, Countries, % Labour Force

	2006	2007	2008
Australia	4.8%	4.4%	4.3%
France	9.5%	8.6%	8.0%
Germany	8.1%	6.5%	6.3%
India	0.0%	0.0%	0.0%
Italy	6.8%	6.5%	6.5%
Japan	4.1%	4.0%	4.0%
NZ	3.8%	3.8%	4.3%
Singapore	2.7%	2.6%	2.6%
Taiwan	3.9%	3.9%	4.0%
UK	5.4%	5.4%	5.4%
USA	4.6%	4.7%	5.7%

Source: IMF WEO Database, September 2007

GDP AT PPP SHARE OF WORLD TOTAL
IMF Estimates, Regions, % World Output

	2006	2007	2008
Africa	3.4%	3.4%	3.4%
Central and eastern Europe	3.4%	3.4%	3.4%
CIS and Mongolia	3.8%	3.9%	3.9%
Developing Asia	27.0%	28.0%	28.9%
Euro area	14.7%	14.3%	13.9%
Middle East	2.8%	2.8%	2.9%
Western Hemisphere	7.6%	7.5%	7.5%

Source: IMF WEO Database, September 2007

GDP GROWTH, CONSTANT PRICES
IMF Estimates, Regions, Annual % Change

	2006	2007	2008
Advanced economies	2.9%	2.5%	2.2%
Africa	5.6%	5.7%	6.5%
Africa: Sub-Saharan	5.7%	6.1%	6.8%
ASEAN-4	5.4%	5.6%	5.6%
Central and eastern Europe	6.3%	5.8%	5.2%
CIS and Mongolia	7.7%	7.8%	7.0%
Developing Asia	9.8%	9.8%	8.8%
Euro area	2.8%	2.5%	2.1%
European Union	3.2%	3.0%	2.5%
Major advanced economies (G7)	2.6%	2.1%	1.9%
Middle East	5.6%	5.9%	5.9%
Asian NIEs	5.3%	4.9%	4.4%
Other advanced economies	4.4%	4.3%	3.8%
Other emerging countries	8.1%	8.1%	7.4%
Western Hemisphere	5.5%	5.0%	4.3%
World	5.4%	5.2%	4.8%

Source: IMF WEO Database, September 2007

CONSUMER PRICE INDEX GROWTH
IMF Estimates, Regions, Annual % Change

	2006	2007	2008
Advanced economies	2.3%	2.1%	2.0%
Africa	6.3%	6.6%	6.0%
Africa: Sub-Saharan	7.3%	7.6%	6.7%
ASEAN-4	8.2%	4.0%	4.2%
Central and eastern Europe	5.0%	5.1%	4.1%
CIS and Mongolia	9.4%	8.9%	8.3%
Developing Asia	4.0%	5.3%	4.4%
Euro area	2.2%	2.0%	2.0%
European Union	2.3%	2.3%	2.3%
Major advanced economies (G7)	2.3%	2.1%	1.9%
Middle East	7.5%	10.8%	9.2%
Asian NIEs	1.6%	2.0%	2.3%
Other advanced economies	2.0%	1.9%	2.3%
Other emerging countries	5.1%	5.9%	5.3%
Western Hemisphere	5.4%	5.3%	5.8%
World	3.6%	3.9%	3.6%

Source: IMF WEO Database, September 2007

CHINA'S REAL GDP GROWTH
Annual % Change, Not Seasonally Adjusted

	Sep-07	Jun-07	Sep-06
GDP Growth	11.5%	11.5%	10.8%

Source: China Statistical Information Service

Markets and Commodity Prices

Commodity Prices

WA COMMODITY PRICE INDEX All Commodities, Index (2005-06 = 100)					
	Sep-07	<u>Level In:</u> Aug-07	Sep-06	<u>% Change</u> Month	<u>Over:</u> Year
In \$US	130.8	124.8	115.3	4.8%	13.4%
In \$A	115.3	113.4	115.1	1.7%	0.2%
In SDRs	123.4	118.7	113.6	3.9%	8.6%

Source: Department of Treasury and Finance

WA COMMODITY PRICE INDEX Non-Rural Commodities, Index (2005-06 = 100)					
	Sep-07	<u>Level In:</u> Aug-07	Sep-06	<u>% Change</u> Month	<u>Over:</u> Year
In \$US	127.3	122.7	115.5	3.7%	10.2%
In \$A	112.3	111.5	115.3	0.7%	-2.6%
In SDRs	120.1	116.8	113.8	2.9%	5.6%

Source: Department of Treasury and Finance

WA COMMODITY PRICE INDEX Rural Commodities, Index (2005-06 = 100)					
	Sep-07	<u>Level In:</u> Aug-07	Sep-06	<u>% Change</u> Month	<u>Over:</u> Year
In \$US	169.6	146.8	112.6	15.5%	50.6%
In \$A	149.5	133.4	112.4	12.1%	33.1%
In SDRs	159.5	139.2	110.5	14.6%	44.4%

Source: Department of Treasury and Finance

WA COMMODITY PRICE INDEX In Australian Dollars, Index (2005-06 = 100)					
	Sep-07	<u>Level In:</u> Aug-07	Sep-06	<u>% Change</u> Month	<u>Over:</u> Year
Non-Rural Commodities	112.3	111.5	114.53	0.7%	-2.6%
Rural Commodities	149.5	133.4	112.4	12.1%	33.1%
All Commodities	115.3	113.4	115.1	1.7%	0.2%

Source: Department of Treasury and Finance

COMMODITY PRICE INDEX In Australian Dollars, Index (Period Average = 100)					
	Sep-07	<u>Level In:</u> Aug-07	Sep-06	<u>% Change</u> Month	<u>Over:</u> Year
Western Australia	198.2	196.4	156.8	0.9%	26.4%
Australia	155.1	152.4	156.5	1.7%	-0.9%

Source: Department of Treasury and Finance

RBA COMMODITY PRICE INDEXES All Commodities, Various Currencies, 2000-01 = 100					
	Nov-07	<u>Level In:</u> Oct-07	Nov-06	<u>% Change</u> Month	<u>Over:</u> Year
In \$A	135.3	136.0	144.9	-0.5%	-6.6%
In SDRs	185.7	189.7	182.0	-2.1%	2.0%
In US\$	232.3	233.4	213.8	-0.5%	8.7%

Source: RBA, Datastream

RBA COMMODITY PRICE INDEXES
By Group, 2000-01 = 100, Australian Dollars

	<u>Level In:</u>			<u>% Change Over:</u>	
	Nov-07	Oct-07	Nov-06	Month	Year
Non-Rural Commodities	144.5	144.7	161.8	-0.1%	-10.7%
Rural Commodities	112.7	115.0	103.6	-2.0%	8.8%
All Commodities	140.9	138.5	142.2	1.7%	-0.9%

Source: RBA, Datastream

RBA COMMODITY PRICE INDEXES
Commodity Groups, 2000-01 = 100, in SDRs*

	<u>Level In:</u>			<u>% Change Over:</u>	
	Nov-07	Oct-07	Nov-06	Month	Year
Non-Rural Commodities	198.3	201.8	203.3	-1.7%	-2.5%
Rural Commodities	154.7	160.4	130.1	-3.6%	18.9%
All Commodities	185.7	189.7	182.0	-2.1%	2.0%

Source: RBA, Datastream; *SDRs - Special Drawing Rights (a basket of 4 major currencies)

RBA COMMODITY PRICE INDEXES
Commodity Groups, 2000-01 = 100, in US Dollars

	<u>Level In:</u>			<u>% Change Over:</u>	
	Nov-07	Oct-07	Nov-06	Month	Year
Non-Rural Commodities	248.2	248.2	238.8	0.0%	3.9%
Rural Commodities	193.6	197.3	152.8	-1.9%	26.7%
All Commodities	232.3	233.4	213.8	-0.5%	8.7%

Source: RBA, Datastream

ECONOMIST COMMODITY PRICE INDEXES
Commodity Groups, Year 2000 = 100, in US Dollars

	<u>Level In:</u>			<u>% Change Over:</u>	
	Dec-07	Nov-07	Dec-06	Month	Year
All Items	211.4	217.1	186.3	-2.6%	13.5%
All Industrials	218.8	243.6	229.8	-10.2%	-4.8%
Industrials: Metals	244.5	280.6	278.9	-12.9%	-12.3%
Industrials: Non-Food	171.9	175.8	139.8	-2.2%	23.0%
Food	205.7	196.7	152.6	4.6%	34.8%

Source: 'The Economist' via Datastream

CRUDE OIL PRICE
West Texas Intermediate, Spot, Cushing

	<u>Level In:</u>			<u>% Change Over:</u>	
	Dec-07	Nov-07	Dec-06	Month	Year
\$US per barrel	\$94.40	\$94.63	\$61.03	-0.2%	54.7%

Source: Datastream

GOLD
Perth Mint (\$A) And International (\$US) Prices

	<u>Level In:</u>			<u>% Change Over:</u>	
	Dec-07	Nov-07	Dec-06	Month	Year
Bullion US\$/Troy Ounce	\$812.05	\$805.00	\$628.67	0.9%	29.2%
Perth Mint Sell A\$/Oz	\$924.07	\$923.30	\$806.70	0.1%	14.5%

Source: Datastream

ALUMINA					
London Metals Exchange Spot Price					
	Dec-07	Level In: Nov-07	Dec-06	% Change Over:	
				Month	Year
Alumina	\$340.00	\$340.00	\$225.00	0.0%	51.1%
<i>Source: Datastream</i>					

NICKEL					
London Metals Exchange Cash Price					
	Dec-07	Level In: Nov-07	Dec-06	% Change Over:	
				Month	Year
Nickel	\$25,550	\$33,653	\$34,548	-24.1%	-26.0%
<i>Source: Datastream</i>					

COPPER					
London Metals Exchange Grade A Cash Price					
	Dec-07	Level In: Nov-07	Dec-06	% Change Over:	
				Month	Year
Copper	\$6,558	\$6,779	\$6,819	-3.3%	-3.8%
<i>Source: Datastream</i>					

LEAD					
London Metals Exchange Cash Price					
	Dec-07	Level In: Nov-07	Dec-06	% Change Over:	
				Month	Year
Lead	\$2,530	\$3,487	\$1,803	-27.4%	40.4%
<i>Source: Datastream</i>					

TIN					
London Metals Exchange Cash Price (99.85%)					
	Dec-07	Level In: Nov-07	Dec-06	% Change Over:	
				Month	Year
Tin	\$16,478	\$16,825	\$10,975	-2.1%	50.1%
<i>Source: Datastream</i>					

ZINC					
London Metals Exchange Cash Price (99.995%)					
	Dec-07	Level In: Nov-07	Dec-06	% Change Over:	
				Month	Year
Zinc	\$2,400	\$2,640	\$4,475	-9.1%	-46.4%
<i>Source: Datastream</i>					

TITANIUM RUTILE					
Concentrate 95%					
	Dec-07	Level In: Nov-07	Dec-06	% Change Over:	
				Month	Year
Titanium Rutile	\$675.00	\$650.00	\$635.00	3.8%	6.3%
<i>Source: Datastream</i>					

IRON ORE PRICE					
	Sep-07	Level In: Aug-07	Sep-06	% Change Over:	
				Month	Year
In \$A	\$56.00	\$57.71	\$57.87	-3.0%	-3.2%
In \$US	\$47.40	\$47.40	\$43.29	0.0%	9.5%
<i>Source: Department of Treasury and Finance</i>					

TITANIUM BEARING ORES

	Sep-07	Level In:		% Change Over:	
		Aug-07	Sep-06	Month	Year
Ilmenite	\$97.45	\$96.45	\$115.71	1.0%	-15.8%
Rutile	\$778.76	\$795.06	\$897.15	-2.0%	-13.2%

Source: Department of Treasury and Finance

**WOOL
AWC Eastern Indicator**

	Dec-07	Level In:		% Change Over:	
		Nov-07	Dec-06	Month	Year
Wool	\$10.06	\$9.59	\$8.29	4.9%	21.4%

Source: Datastream

**WHEAT
US Indicator Prices**

	Dec-07	Level In:		% Change Over:	
		Nov-07	Dec-06	Month	Year
No.2 Hard (Kansas)	\$9.80	\$7.99	\$5.26	22.6%	86.2%
No.2 Soft Red (Chicago)	\$8.71	\$7.41	\$4.85	17.6%	79.7%

Source: Datastream

Financial and Share Markets**AUSTRALIAN DOLLAR EXCHANGE RATES
Trade Weighted Index, and Key Currencies**

	Dec-07	Level In:		% Change Over:	
		Nov-07	Dec-06	Month	Year
TWI	68.2	69.4	64.3	-1.7%	6.1%
US \$	0.89	0.91	0.78	-3.1%	12.9%
Japanese ¥	97.4	100.0	91.8	-2.6%	6.1%
European €	0.60	0.61	0.59	-1.1%	1.2%

Source: RBA, Datastream

Australian and Western Australian Indicators**Demography****COMPONENTS OF POPULATION GROWTH
Western Australia, 4-Quarter Rolling Sum**

	Jun-07	Level In:		% Change Over:	
		Mar-07	Jun-06	Quarter	Year
Natural increase	16,809	16,490	15,163	1.9%	10.9%
Net overseas migration	25,519	23,662	22,355	7.8%	14.2%
Net interstate migration	4,410	4,073	4,017	8.3%	9.8%
Total	46,738	44,509	42,650	5.0%	9.6%

Source: ABS Cat. 3101.0

**ANNUAL GROWTH IN POPULATION
Western Australia and Australia, Quarterly**

	Jun-07	Mar-07	Jun-06
Western Australia	2.3%	2.2%	2.1%
Australia	1.5%	1.5%	1.5%

Source: ABS Cat. 3101.0

National and State Accounts

REAL GDP GROWTH Australia, % Change, Seasonally Adjusted			
	Sep-07	Jun-07	Sep-06
Annual	4.3%	3.7%	2.6%
Quarterly	1.0%	0.7%	0.5%

Source: ABS Cat. 5206.0

REAL ANNUAL GROWTH IN DOMESTIC DEMAND Western Australia & Australia, Seasonally Adjusted			
	Sep-07	Jun-07	Sep-06
Western Australia	12.0%	9.3%	7.3%
Australia	5.5%	5.0%	3.2%

Source: ABS Cat. 5206.0

REAL GROWTH IN PRIVATE CONSUMPTION Annual, WA & Australia, Seasonally Adjusted			
	Sep-07	Jun-07	Sep-06
Western Australia	6.1%	5.7%	4.7%
Australia	4.5%	3.7%	2.7%

Source: ABS Cat. 5206.0

REAL GROWTH IN BUSINESS INVESTMENT Annual, WA & Australia, Seasonally Adjusted			
	Sep-07	Jun-07	Sep-06
Western Australia	37.3%	23.4%	14.6%
Australia	12.9%	12.4%	6.3%

Source: ABS Cat. 5206.0

REAL GROWTH IN DWELLING INVESTMENT Annual, WA & Australia, Seasonally Adjusted			
	Sep-07	Jun-07	Sep-06
Western Australia	14.8%	12.9%	12.5%
Australia	4.8%	1.5%	-3.6%

Source: ABS Cat. 5206.0

REAL GROWTH IN HOUSEHOLD CONSUMPTION Western Australia, Seasonally Adjusted			
	Sep-07	Jun-07	Sep-06
Annual	6.1%	5.7%	4.7%
Quarterly	1.8%	0.7%	1.4%

Source: ABS Cat. 5206.0

WA BUSINESSES' REAL CAPITAL EXPENDITURE 2004-05 Prices, Seasonally Adjusted					
	Sep-07	Level In: Jun-07	Sep-06	% Change Over:	
				Quarter	Year
Quarterly	\$8.5Bn	\$8.6Bn	\$6.2Bn	-1.0%	37.3%

Source: ABS Cat. 5206.0

REAL GROWTH IN DWELLING INVESTMENT
Western Australia, Seasonally Adjusted

	Sep-07	Jun-07	Sep-06
Annual	14.8%	12.9%	12.5%
Quarterly	4.9%	7.2%	3.1%

Source: ABS Cat. 5206.0

REAL ANNUAL GROWTH IN DOMESTIC DEMAND
Western Australia & Australia, Trend

	Sep-07	Jun-07	Sep-06
Western Australia	11.2%	10.5%	9.6%
Australia	5.4%	5.0%	3.3%

Source: ABS Cat. 5206.0

REAL GROWTH IN PRIVATE CONSUMPTION
Annual, Western Australia & Australia, Trend

	Sep-07	Jun-07	Sep-06
Western Australia	5.8%	5.9%	4.6%
Australia	4.1%	4.0%	2.9%

Source: ABS Cat. 5206.0

REAL GROWTH IN BUSINESS INVESTMENT
Annual, Western Australia & Australia, Trend

	Dec-06	Sep-06	Dec-05
Western Australia	21.7%	29.1%	34.6%
Australia	3.6%	5.8%	18.0%

Source: ABS Cat. 5206.0

REAL GROWTH IN DWELLING INVESTMENT
Annual, Western Australia & Australia, Trend

	Sep-07	Jun-07	Sep-06
Western Australia	15.0%	11.6%	8.8%
Australia	2.8%	5.0%	-1.5%

Source: ABS Cat. 5206.0

REAL GROWTH IN HOUSEHOLD CONSUMPTION
Western Australia, Trend

	Sep-07	Jun-07	Sep-06
Annual	5.8%	5.9%	4.6%
Quarterly	1.3%	1.3%	1.4%

Source: ABS Cat. 5206.0

REAL BUSINESS INVESTMENT
Western Australia, 2005-06 Prices, Trend

	Dec-06	Level In: Sep-06	Dec-05	% Change Over: Quarter	Year
Quarterly	\$7.1Bn	\$6.6Bn	\$5.8Bn	6.3%	21.7%

Source: ABS Cat. 5206.0

REAL GROWTH IN BUSINESS INVESTMENT
Western Australia, Trend

	Dec-06	Sep-06	Dec-05
Annual	21.7%	29.1%	34.6%
Quarterly	6.3%	2.8%	12.8%

Source: ABS Cat. 5206.0

REAL GROWTH IN DWELLING INVESTMENT
Western Australia, Trend

	Sep-07	Jun-07	Sep-06
Annual	15.0%	11.6%	8.8%
Quarterly	4.6%	4.5%	1.5%

Source: ABS Cat. 5206.0

WA'S REAL EXPORTS & IMPORTS
Seasonally Adjusted

	Sep-07	Level In:		% Change Over:	
		Jun-07	Sep-06	Quarter	Year
Exports	\$14.2Bn	\$13.8Bn	\$13.4Bn	3.1%	6.5%
Imports	\$6.1Bn	\$5.6Bn	\$4.6Bn	8.3%	31.5%
Balance	\$8.1Bn	\$8.2Bn	\$8.7Bn	-0.6%	-6.8%

Source: ABS Cat. 5206.0

REAL EXPORTS AND IMPORTS
Western Australia, 2005-06 Prices, Trend

	Sep-07	Level In:		% Change Over:	
		Jun-07	Sep-06	Quarter	Year
Exports	\$14.1Bn	\$13.9Bn	\$13.4Bn	0.9%	4.9%
Imports	\$6.0Bn	\$5.8Bn	\$5.3Bn	2.7%	12.7%
Balance	\$8.1Bn	\$8.1Bn	\$8.1Bn	-0.4%	-0.2%

Source: ABS Cat. 5206.0

EXPORT VOLUMES AND VALUES
Quarterly, Western Australia, Seasonally Adjusted

	Sep-07	Level In:		% Change Over:	
		Jun-07	Sep-06	Quarter	Year
Volume (2005-06 prices)	\$14.2Bn	\$13.8Bn	\$13.4Bn	3.1%	6.5%
Value	\$15.7Bn	\$15.7Bn	\$15.1Bn	-0.5%	3.5%

Source: ABS Cat. 5206.0

EXPORT AND IMPORT PRICES
Western Australia, Quarterly, 2005-06 = 100

	Sep-07	Level In:		% Change Over:	
		Jun-07	Sep-06	Quarter	Year
Terms of trade	106.7	110.4	107.4	-3.4%	-0.7%
Import price deflator	103.2	103.3	105.5	-0.1%	-2.1%
Export price deflator	110.1	114.0	113.2	-3.5%	-2.9%

Source: ABS Cat. 5206.0 (and derived data)

TERMS OF TRADE
Western Australia, & Australia, 2005-06 = 100

	Sep-07	Level In:		% Change Over:	
		Jun-07	Sep-06	Quarter	Year
Australia	130.6	131.7	126.9	-0.9%	2.9%
Western Australia	106.7	110.4	107.4	-3.4%	-0.7%

Source: ABS Cat. 5206.0 (and derived data)

GROSS DOMESTIC/STATE PRODUCT GROWTH
Western Australia and Australia, Annual

	2006-07	2005-06	2004-05
Western Australia	6.3%	4.8%	4.0%
Australia	3.2%	3.0%	2.8%

Source: ABS Cat. 5220.0

GROSS DOMESTIC/STATE PRODUCT GROWTH
States, 2006-07, Real Growth

NSW	1.8%
Vic	2.7%
Qld	4.9%
WA	6.3%
SA	0.8%
Tas	2.1%
NT	5.6%
ACT	5.0%
Aus	3.2%

Source: ABS Cat. 5220.0

GROSS DOMESTIC/STATE PRODUCT GROWTH
Five Years to 2006-07, Real Annual Average Growth

NSW	2.1%
Vic	2.9%
Qld	4.9%
WA	5.1%
SA	2.0%
Tas	3.1%
NT	3.8%
ACT	3.2%
Aus	3.2%

Source: ABS Cat. 5220.0

MEASURES OF ECONOMIC GROWTH
Western Australia, Annual

	2006-07	2005-06	2004-05
Real Gross State Income	12.0%	13.2%	8.0%
Nominal Gross State Product	17.6%	17.2%	10.7%
Real Gross State Product	6.3%	4.8%	4.0%

Source: ABS Cat. 5220.0

OUTPUT BY INDUSTRY
Share of Factor Income, 2006-07
Western Australia

Mining	30.0%	8.0%
Manufacturing	8.2%	11.2%
Construction	7.7%	7.5%
Other production	4.8%	4.6%
Wholesale & retail	7.8%	10.7%
Transport	4.7%	4.6%
Finance	4.0%	7.8%
Property etc services	10.9%	13.4%
Health & community services	5.0%	6.7%
Other services	8.7%	13.1%
Other	8.2%	12.5%

Source: ABS Cat. 5220.0

EXPORTS AS % GDP/GSP
Current Prices, By State, 2006-07

	Goods	Services	Total
NSW	9.5%	5.7%	15.2%
Vic	8.8%	4.6%	13.4%
Qld	18.5%	4.0%	22.5%
SA	12.7%	2.6%	15.4%
WA	43.8%	2.9%	46.7%
Tas	17.6%	1.8%	19.4%
NT	28.0%	4.9%	33.0%
ACT	0.0%	4.4%	4.5%
Aus	16.1%	4.4%	20.5%

Source: ABS Cat. 5220.0

GROWTH IN GSP AND GSI
7 Years to 2006-07, Annual Change

	GSP	GSI
NSW	2.2%	3.9%
Vic	2.8%	2.3%
Qld	4.6%	5.6%
SA	2.6%	2.8%
WA	4.6%	7.9%
Tas	2.7%	1.3%
NT	3.8%	5.4%
ACT	3.1%	3.6%
Aus	3.1%	4.3%

Source: ABS Cat. 5220.0

Trade

CURRENT ACCOUNT BALANCE
Seasonally Adjusted, Quarterly

	Level In:			% Change Over:	
	Sep-07	Jun-07	Sep-06	Quarter	Year
Goods and services balance	-\$4.4Bn	-\$3.9Bn	-\$1.7Bn	13.5%	162.4%
Current account balance	-\$15.6Bn	-\$15.6Bn	-\$12.9Bn	-0.2%	20.8%

Source: ABS Cat. 5302.0

EXPORTS, 12-MONTH ROLLING SUM
States, % Australia

	Oct-07	Sep-07	Oct-06
WA	36.3%	36.3%	31.9%
Qld	20.3%	20.6%	22.6%
NSW	16.9%	16.6%	17.2%
Vic	12.0%	12.0%	12.2%
SA	5.7%	5.5%	5.6%
Tas	2.2%	2.2%	2.0%

Source: ABS Cat. 5432.0

WA'S EXPORTS, 12-MONTH ROLLING SUM
By Destination, \$m

	Oct-07	Level In:		% Change Over:	
		Sep-07	Oct-06	Month	Year
China	\$14.0Bn	\$14.1Bn	\$11.0Bn	-0.5%	27.5%
Japan	\$11.7Bn	\$12.0Bn	\$11.8Bn	-2.0%	-0.2%
India	\$5.1Bn	\$5.5Bn	\$4.0Bn	-7.2%	29.0%
Korea	\$5.4Bn	\$5.3Bn	\$4.4Bn	2.2%	24.1%
Singapore	\$1.7Bn	\$1.9Bn	\$1.9Bn	-8.5%	-6.2%
UK	\$3.2Bn	\$2.6Bn	\$3.8Bn	22.9%	-15.9%
USA	\$1.3Bn	\$1.4Bn	\$1.5Bn	-6.1%	-13.7%

Source: ABS Cat. 5432.0

WESTERN AUSTRALIA'S EXPORTS
12-Month Rolling Sum, Level and % Australia

	Oct-07	Level In:		% Change Over:	
		Sep-07	Oct-06	Month	Year
% Australia	36.3%	36.3%	33.0%	-	-
\$ Bn	\$60.7Bn	\$61.1Bn	\$53.2Bn	1.0%	22.3%

Source: ABS Cat. 5432.0

WESTERN AUSTRALIA'S TRADE BALANCE
Current Prices, 12-Month Rolling Sum

	Oct-07	Level In:		% Change Over:	
		Sep-07	Oct-06	Month	Year
Imports	\$23.5Bn	\$23.5Bn	\$21.2Bn	-0.1%	10.8%
Balance	\$37.2Bn	\$37.6Bn	\$32.0Bn	-0.9%	16.3%
Exports	\$60.7Bn	\$61.1Bn	\$53.2Bn	-0.6%	14.1%

Source: ABS Cat. 5432.0

Business Indicators

VALUE OF WA MINERAL PRODUCTION
Calendar Years

	2006	Level In:		% Change:	
		2005	2004	2005	2004
	\$48.4Bn	\$39.5Bn	\$28.5Bn	22.7%	69.9%

Source: DOIR

VALUE OF WA MINERAL PRODUCTION
Financial Years

	2005-06	Level In:		% Change:	
		2004-05	2003-04	2004-05	2003-04
	\$42.8Bn	\$33.4Bn	\$26.4Bn	28.2%	62.2%

Source: DOIR

MAJOR PROJECTS BY STATE, SEPTEMBER 2007
Access Economics/Delta Electricity Investment Monitor

NSW	\$89.5Bn
Vic	\$72.1Bn
Qld	\$122Bn
WA	\$160Bn
SA	\$28.4Bn
Tas	\$7.9Bn
NT	\$14.4Bn
ACT	\$4.0Bn
Unallocated	\$37.3Bn

BUSINESS INVESTMENT BY TYPE
Western Australia, Quarterly, Seasonally Adjusted

	Sep-07	Level In:		% Change:	
		Jun-07	Sep-06	Quarter	Year
Buildings & structures	\$3.6B	\$3.6B	\$3.0B	1.47%	20.3%
Equipment etc	\$1.7B	\$1.9B	\$1.4B	-9.2%	23.9%
Total	\$5.3B	\$5.4B	\$4.4B	-2.3%	21.4%

Source: ABS Cat. 5625.0

BUSINESS INVESTMENT BY TYPE
Australia, Quarterly, Seasonally Adjusted

	Sep-07	Level In:		% Change:	
		Jun-07	Sep-06	Quarter	Year
Buildings & structures	\$9.0Bn	\$10.0Bn	\$7.7Bn	-9.4%	16.9%
Equipment etc	\$11.0Bn	\$11.3Bn	\$10.5Bn	-2.7%	4.7%
Total	\$20.0Bn	\$21.3Bn	\$18.2Bn	-5.8%	9.9%

Source: ABS Cat. 5625.0

BUSINESS INVESTMENT BY SECTOR
Western Australia, Quarterly, Original

	Sep-07	Level In:		% Change:	
		Jun-07	Sep-06	Quarter	Year
Mining	\$3.6Bn	\$3.8Bn	\$2.8Bn	-7.2%	25.3%
Other industries	\$1.4Bn	\$1.9Bn	\$1.3Bn	-27.9%	9.2%
Total	\$5.0Bn	\$5.8Bn	\$4.1Bn	-14.1%	20.3%

Source: ABS Cat. 5625.0

WESTERN AUSTRALIA'S INVESTMENT SHARE
As % Australia, Quarterly, Original

	Sep-07	Jun-07	Sep-06
Mining	18.5%	17.2%	16.2%
Other	7.2%	8.6%	7.3%
Total	25.8%	25.8%	23.5%

Source: ABS Cat. 5625.0

BUSINESSES REPORTING LABOUR 'SCARCE'
WA, % Respondents, CCI-BankWest Survey

	Sep-07	Jun-07	Sep-06
% Respondents	76.0%	75.0%	70.0%

Source: CCI/Commonwealth Bank Survey of Business Expectations

Labour markets

FEDERAL ENTERPRISE AGREEMENTS

Annual % Wage Increase

	Mar-07	Dec-06	Mar-06
Total	3.7%	3.8%	3.8%
Private	3.5%	3.7%	4.0%

Source: DEWR (in RBA Bulletin)

UNIT LABOUR COSTS

Nominal, Annual % Increase

	Jun-07	Mar-07	Jun-06
Unit labour costs	3.0%	2.5%	4.6%

Source: DEWR (in RBA Bulletin)

WAGE SHARE OF GDP

% GDP

	Jun-07	Mar-07	Jun-06
Wage share of GDP	54.3%	53.6%	54.5%

Source: RBA Bulletin

UNEMPLOYMENT RATES

Western Australia and Australia, Seasonally Adjusted

	Nov-07	Oct-07	Nov-06
Australia	4.5%	4.4%	4.6%
Western Australia	3.4%	3.6%	3.2%

Source: ABS Cat. 6202.0

UNEMPLOYMENT RATES

Western Australia and Australia, Trend

	Nov-07	Oct-07	Nov-06
Australia	4.4%	4.3%	4.6%
Western Australia	3.4%	3.5%	3.3%

Source: ABS Cat. 6202.0

PARTICIPATION RATES

Western Australia and Australia, Seasonally Adjusted

	Nov-07	Oct-07	Nov-06
Australia	65.3%	65.0%	64.7%
Western Australia	68.1%	68.5%	67.5%

Source: ABS Cat. 6202.0

PARTICIPATION RATES

Western Australia and Australia, Trend

	Nov-07	Oct-07	Nov-06
Australia	65.2%	65.1%	64.8%
Western Australia	68.4%	68.5%	67.5%

Source: ABS Cat. 6202.0

EMPLOYMENT-POPULATION RATIO

Western Australia and Australia, Trend

	Nov-07	Oct-07	Nov-06
Western Australia	66.0%	66.1%	65.2%
Australia	62.3%	62.3%	61.8%

Source: ABS Cat. 6202.0

EMPLOYMENT GROWTH, WA AND AUSTRALIA
Seasonally Adjusted, Annual % Change

	Nov-07	Oct-07	Nov-06
Western Australia	3.1%	4.6%	2.4%
Australia	2.9%	2.7%	2.4%

Source: ABS Cat. 6202.0

EMPLOYMENT GROWTH, WA AND AUSTRALIA
Trend, Annual % Change

	Nov-07	Oct-07	Nov-06
Western Australia	3.7%	3.9%	2.1%
Australia	2.5%	2.6%	2.6%

Source: ABS Cat. 6202.0

TREND EMPLOYMENT GROWTH, WA
Annual and Three-Monthly % Change

	Nov-07	Oct-07	Nov-06
Annual	3.7%	3.9%	2.1%
Three-Monthly	-0.7%	-0.5%	0.7%

Source: ABS Cat. 6202.0

TREND EMPLOYMENT GROWTH, WA
By Employment Type, Annual % Change

	Nov-07	Oct-07	Nov-06
Part Time	0.7%	1.5%	0.2%
Full Time	4.9%	4.9%	2.9%
Total	3.7%	3.9%	2.1%

Source: ABS Cat. 6202.0

TREND EMPLOYMENT GROWTH, WA
By Gender, Annual % Change

	Nov-07	Oct-07	Nov-06
Females	4.3%	5.0%	1.8%
Males	3.2%	3.1%	2.3%
Total	3.7%	3.9%	2.1%

Source: ABS Cat. 6202.0

YOUTH UNEMPLOYMENT RATES, AGED 15-19
Western Australia, Original, 12-Month Moving Average

	Nov-07	Oct-07	Nov-06
Looking for full-time work	10.6%	10.3%	12.9%
Total	9.7%	9.7%	10.7%

Source: ABS Cat. 6202.0

YOUTH POPULATION RATIOS, AGED 15-19
Western Australia, Original, 12-Month Moving Average

	Nov-07	Oct-07	Nov-06
Employed	59.8%	60.0%	60.1%
Unemployed	6.4%	6.5%	7.2%

Source: ABS Cat. 6202.0

YOUTH PARTICIPATION RATE, AGED 15-19
Western Australia, Original, 12-Month Moving Average

	Nov-07	Oct-07	Nov-06
Participation rate	66.2%	66.5%	67.4%

Source: ABS Cat. 6202.0

YOUTH PARTICIPATION RATES, AGED 15-19
WA & Australia, Original, 12-Month Moving Average

	Nov-07	Oct-07	Nov-06
Australia	59.4%	59.3%	59.7%
Western Australia	66.2%	66.5%	67.4%

Source: ABS Cat. 6202.0

EMPLOYMENT GROWTH BY INDUSTRY
Rolling Annual Average, Year To November 2007

	Western Australia	Australia
Agriculture	-8.1%	0.8%
Mining	-0.3%	4.3%
Manufacturing	-0.5%	1.8%
Utilities	5.8%	0.1%
Construction	3.0%	3.9%
Wholesale trade	-1.7%	-1.3%
Retail trade	0.9%	2.5%
Accommodation etc	3.9%	8.3%
Transport & storage	11.1%	5.3%
Communication	3.8%	4.5%
Finance & insurance	8.4%	5.1%
Property etc services	6.8%	2.5%
Government admin & defence	2.1%	0.9%
Education	10.1%	3.8%
Health/community services	8.2%	2.0%
Culture & recreation	6.6%	6.9%
Personal/other services	-1.1%	1.1%
All sectors	3.3%	2.9%

Source: ABS Cat. 6203.0

WA EMPLOYMENT GROWTH BY INDUSTRY
000s, Rolling Annual Average, Year To November 2007

Agriculture	-73.88
Mining	-0.15
Manufacturing	-0.45
Utilities	0.63
Construction	3.3
Wholesale trade	-0.8
Retail trade	1.3
Accommodation etc	1.7
Transport & storage	4.7
Communication	0.6
Finance & insurance	2.4
Property etc services	8.6
Government admin & defence	1.0
Education	7.0
Health/community services	8.5
Culture & recreation	1.8
Personal/other services	-0.5

Source: ABS Cat. 6203.0

AVERAGE WEEKLY EARNINGS GROWTH
Western Australia, Annual % Change

	Aug-07	May-07	Aug-06
Full time ordinary time	5.7%	9.0%	8.0%
Full-time total	5.5%	9.5%	8.1%
All employees total	9.1%	13.1%	7.1%

Source: ABS Cat. 6302.0

AVERAGE WEEKLY EARNINGS GROWTH
Australia, Annual % Change

	Aug-07	May-07	Aug-06
Full time ordinary time	4.9%	4.6%	2.9%
Full-time total	4.8%	4.4%	2.8%
All employees total	4.5%	4.4%	3.9%

Source: ABS Cat. 6302.0

FULL-TIME ORDINARY TIME EARNINGS GROWTH
Western Australia and Australia, Annual % Change

	Aug-07	May-07	Aug-06
Western Australia	5.7%	9.0%	8.0%
Australia	4.9%	4.6%	2.9%

Source: ABS Cat. 6302.0

WAGE PRICE INDEX GROWTH
States, Annual % Change

	Sep-07	Jun-07	Sep-06
NSW	3.9%	3.8%	3.8%
Vic	3.7%	3.6%	3.5%
Qld	4.5%	4.5%	4.5%
SA	4.8%	4.2%	3.7%
WA	5.7%	5.1%	4.3%
Tas	4.1%	4.5%	4.0%
Aus	4.2%	4.0%	3.8%

Source: ABS Cat. 6345.0

WAGE PRICE INDEX GROWTH
Western Australia and Australia, Annual % Change

	Sep-07	Jun-07	Sep-06
Western Australia	5.7%	5.1%	4.3%
Australia	4.2%	4.0%	3.8%

Source: ABS Cat. 6345.0

WAGE PRICE INDEX GROWTH, WA
By Sector, Annual % Change

	Sep-07	Jun-07	Sep-06
Public	5.2%	5.4%	3.3%
Private	6.0%	5.0%	4.6%
All employees	5.7%	5.1%	4.3%

Source: ABS Cat. 6345.0

Prices

GROWTH IN CONSUMER PRICE INDEX			
Perth and All 8 Capitals, Annual % Change			
	Sep-07	Jun-07	Sep-06
All 8 Capitals	1.9%	2.1%	3.9%
Perth	2.6%	3.1%	4.8%

Source: ABS Cat. 6401.0

GROWTH IN CONSUMER PRICE INDEX			
Perth, Quarterly & Annual % Change			
	Sep-07	Jun-07	Sep-06
Annual	2.6%	3.1%	4.8%
Quarterly	0.6%	1.4%	1.1%

Source: ABS Cat. 6401.0

ESTABLISHED HOUSE PRICE GROWTH			
Western Australia and Australia, Annual % Change			
	Sep-07	Jun-07	Sep-06
Perth	2.8%	12.9%	47.5%
All 8 Capitals	10.6%	9.5%	10.1%

Source: ABS Cat. 6416.0

HOUSE PRICE GROWTH, SEPTEMBER 2007		
Established Houses, Quarterly & Annual % Change		
	Quarterly	Annual
Sydney	1.5%	5.2%
Melbourne	6.7%	17.8%
Brisbane	4.0%	18.1%
Adelaide	5.1%	16.2%
Perth	1.1%	2.8%
Hobart	3.9%	11.6%
Darwin	5.1%	13.1%
Canberra	3.9%	11.2%
All 8 capitals	3.5%	10.6%

Source: ABS Cat. 6416.0

PRODUCER PRICE INDEXES			
By Stage of Production, Annual % Change			
	Sep-07	Jun-07	Sep-06
Intermediate Commodities	3.2%	3.4%	6.7%
Preliminary Commodities	2.6%	3.3%	7.7%
Final Commodities	2.4%	2.3%	4.0%

Source: ABS Cat. 6427.0

PRODUCER PRICE INDEXES			
Preliminary Commodities, Annual % Change			
	Sep-07	Jun-07	Sep-06
Domestic	3.6%	4.3%	7.2%
Imported	-3.9%	-2.5%	11.0%
Total	2.6%	3.3%	7.7%

Source: ABS Cat. 6427.0

PRODUCER PRICE INDEXES
Final Commodities, Annual % Change

	Sep-07	Jun-07	Sep-06
Domestic	3.7%	3.5%	4.8%
Imported	-5.5%	-5.1%	0.0%
Total	2.4%	2.3%	4.0%

Source: ABS Cat. 6427.0

EXPORT AND IMPORT PRICES
Australia, Quarterly, 1989-90=100

	Sep-07	Level In:		% Change:	
		Jun-07	Sep-06	Quarter	Year
Import Prices	112.9	113.8	119.5	-0.8%	-5.5%
Export Prices	142.8	147.2	146.4	-3.0%	-2.5%
Terms of trade	126.5	129.3	122.5	-2.2%	3.2%

Source: ABS Cat. 6457.0

Private Finance and Consumption

CREDIT TO THE PRIVATE SECTOR
Seasonally Adjusted Annual % Change

	Oct-07	Jul-07	Aug-06
Housing	10.4%	9.5%	10.7%
Business	23.6%	22.9%	16.0%
Total	16.2%	15.4%	13.3%

Source: RBA

INDICATOR LENDING RATES
Households and Small Business

	Oct-07	Sep-07	Oct-06
Small business overdraft	10.6%	10.6%	10.1%
Banks' standard home loan	8.3%	8.3%	7.8%
Unsecured personal loan	13.4%	13.4%	12.8%
Credit card	18.0%	18.0%	17.3%

Source: RBA Bulletin

BANKRUPTCIES, WA & AUSTRALIA
Quarterly, Not Seasonally Adjusted

	Sep-07	Level In:		% Change:	
		Jun-07	Sep-06	Quarter	Year
WA	320.0	340.0	382.0	-5.9%	-16.2%
Australia	6,330	6,572	6,073	-3.7%	4.2%

Source: Insolvency and Trustees Service Australia

HOUSEHOLD DEBT AND INTEREST PAYMENTS
Total, As % Household Disposable Income

	Jun-07	Mar-07	Jun-06
Debt	161.3%	158.7%	155.2%
Debt Interest	11.9%	11.9%	11.0%

Source: Reserve Bank of Australia

HOUSEHOLD DEBT			
As % Household Disposable Income			
	Jun-07	Mar-07	Jun-06
Personal	23.4%	22.3%	21.9%
Owner-Occupied Housing	92.8%	92.1%	89.2%
Investor Housing	45.2%	44.4%	44.0%
Total	161.3%	158.7%	155.2%

Source: Reserve Bank of Australia

HOUSING-RELATED DEBT & INTEREST			
Housing Debt As % Household Disposable Income			
	Jun-07	Mar-07	Jun-06
Housing Debt	137.9%	136.4%	133.2%
Mortgage Rate	9.5%	9.5%	8.8%
Housing Interest	8.1%	8.1%	7.6%

Source: Reserve Bank of Australia

ANNUAL RETAIL TURNOVER GROWTH BY STATE	
Seasonally Adjusted, Year To October 2007	
NSW	7.3%
Vic	4.9%
Qld	10.8%
SA	8.4%
WA	7.0%
Tas	5.9%
NT	9.2%
ACT	4.1%
Aus	7.4%

Source: ABS Cat. 8501.0

ANNUAL RETAIL TURNOVER GROWTH			
Western Australia and Australia, Trend			
	Oct-07	Sep-07	Oct-06
Western Australia	8.2%	9.0%	11.8%
Australia	8.0%	7.8%	6.4%

Source: ABS Cat. 8501.0

REAL RETAIL TURNOVER GROWTH BY STATE		
Seasonally Adjusted, September 2007		
	Quarterly	Annual
NSW	2.6%	4.8%
Vic	1.1%	2.3%
Qld	2.8%	8.2%
SA	1.3%	4.7%
WA	1.1%	7.5%
Tas	1.8%	4.1%
NT	1.7%	6.6%
ACT	-0.2%	3.5%
Aus	1.9%	5.1%

Source: ABS Cat. 8501.0

REAL ANNUAL RETAIL TURNOVER GROWTH			
Western Australia and Australia, Trend			
	Sep-07	Jun-07	Sep-06
Western Australia	7.5%	9.4%	8.5%
Australia	4.6%	4.5%	3.9%

Source: ABS Cat. 8501.0

REAL RETAIL TURNOVER GROWTH
Western Australia, Seasonally Adjusted

	Sep-07	Jun-07	Sep-06
Annual	7.5%	8.7%	7.8%
Quarterly	1.1%	0.2%	2.2%

Source: ABS Cat. 8501.0

REAL RETAIL TURNOVER GROWTH
Western Australia, Trend

	Sep-07	Jun-07	Sep-06
Annual	7.5%	9.4%	8.5%
Quarterly	1.0%	1.5%	2.7%

Source: ABS Cat. 8501.0

REAL PER CAPITA RETAIL SALES, QUARTERLY
WA & Australia, Seasonally Adjusted, 2004-05 Prices

	<u>Level In:</u>			<u>% Change:</u>	
	Sep-07	Jun-07	Sep-06	Quarter	Year
Western Australia	\$2,913	\$2,896	\$2,771	0.6%	5.1%
Australia	\$2,686	\$2,645	\$2,594	1.6%	3.6%

Source: ABS Cat. 8501.0, 3101.0 & DTF estimates

Building and Construction

RESIDENTIAL BUILDING APPROVALS
Western Australia & Australia, Seasonally Adjusted

	<u>Level In:</u>			<u>% Change:</u>	
	Oct-07	Sep-07	Oct-06	Month	Year
Western Australia	1,795	2,1113	1,952	-15.0%	-8.0%
Australia	13,553	13,947	12,420	-2.8%	9.1%

Source: ABS Cat. 8731.0

RESIDENTIAL BUILDING APPROVALS
Western Australia & Australia, Trend

	<u>Level In:</u>			<u>% Change:</u>	
	Oct-07	Sep-07	Oct-06	Month	Year
Western Australia	1,872	1,885	2,166	-0.7%	-13.6%
Australia	13,483	13,341	12,796	1.1%	5.4%

Source: ABS Cat. 8731.0

NUMBER OF DWELLING UNITS COMMENCED
Western Australia & Australia, Seasonally Adjusted

	<u>Level In:</u>			<u>% Change:</u>	
	Sep-07	Jun-07	Sep-06	Quarter	Year
Western Australia	5,286	5,750	6,461	-8.1%	-18.2%
Australia	37,647	37,176	37,963	1.3%	-0.8%

Source: ABS Cat. 8750.0

DWELLING UNITS COMMENCED
Western Australia & Australia, Trend, Number

	<u>Level In:</u>			<u>% Change:</u>	
	Sep-07	Jun-07	Sep-06	Quarter	Year
Western Australia	5,380	5,737	6,649	-6.2%	-19.1%
Australia	37,329	37,640	38,307	-0.8%	-2.6%

Source: ABS Cat. 8750.0

RESIDENTIAL WORK DONE, WA & AUSTRALIA
 Seasonally Adjusted, 2004-05 Prices

	<u>Level In:</u>		<u>% Change:</u>		
	Jun-07	Mar-06	Jun-06	Quarter	Year
Western Australia	\$1.2Bn	\$1.2Bn	\$1.1Bn	4.2%	8.9%
Australia	\$9.7Bn	\$10.0Bn	\$9.7Bn	-2.9%	0.1%

Source: ABS Cat. 8750.0

NON-RESIDENTIAL WORK DONE
 WA & Australia, Seasonally Adjusted, 2004-05 Prices

	<u>Level In:</u>		<u>% Change:</u>		
	Jun-07	Mar-06	Jun-06	Quarter	Year
Western Australia	\$0.6Bn	\$0.6Bn	\$0.5Bn	8.6%	14.4%
Australia	\$5.9Bn	\$6.2Bn	\$5.8Bn	-5.4%	0.8%

Source: ABS Cat. 8750.0

TOTAL BUILDING WORK DONE, WA & AUSTRALIA
 Seasonally Adjusted, 2004-05 Prices

	<u>Level In:</u>		<u>% Change:</u>		
	Jun-07	Mar-06	Jun-06	Quarter	Year
Western Australia	\$1.8Bn	\$1.7Bn	\$1.7Bn	5.6%	10.6%
Australia	\$15.1Bn	\$15.7Bn	\$15.1Bn	-3.9%	-0.1%

Source: ABS Cat. 8750.0

TOTAL BUILDING WORK DONE, WA
 Seasonally Adjusted, 2004-05 Prices

	<u>Level In:</u>		<u>% Change:</u>		
	Jun-07	Mar-06	Jun-06	Quarter	Year
Residential	\$1.2Bn	\$1.2Bn	\$1.1Bn	4.2%	8.9%
Non-Residential	\$0.6Bn	\$0.6Bn	\$0.5Bn	8.6%	14.4%

Source: ABS Cat. 8750.0

WA RESIDENTIAL BUILDING WORK DONE
 By Stage of Production, Number, Quarterly

	<u>Level In:</u>		<u>% Change:</u>		
	Jun-07	Mar-06	Jun-06	Quarter	Year
Commenced (trend)	5,802	6,026	6,693	-3.7%	-13.3%
Completed (trend)	6,519	6,281	5,631	3.8%	15.8%
Difference	-717.0	-255.0	1,062	181.2%	-167.5%
Under construction (original)	21,787	23,639	21,859	-7.8%	-0.3%

Source: ABS Cat. 8750.0

ENGINEERING CONSTRUCTION WORK DONE
 WA and Australia, Quarterly, 2004-05 Prices

	<u>Level In:</u>		<u>% Change:</u>		
	Jun-07	Mar-06	Jun-06	Quarter	Year
Western Australia	\$3.7Bn	\$3.7Bn	\$3.5Bn	-1.9%	6.1%
Australia	\$11.8Bn	\$11.9Bn	\$11.1Bn	-0.5%	6.5%

Source: ABS Cat. 8762.0

ENGINEERING CONST. WORK YET TO BE DONE
 Western Australia, Quarterly Value, Current Prices

	<u>Level In:</u>		<u>% Change:</u>		
	Jun-07	Mar-06	Jun-06	Quarter	Year
Heavy Industry	\$8.2Bn	\$9.4Bn	\$8.4Bn	-13.4%	-2.9%
Total	\$12.8Bn	\$14.7Bn	\$11.6Bn	-13.3%	10.2%

Source: ABS Cat. 8762.0

Vehicle Sales

MONTHLY SALES OF NEW MOTOR VEHICLES Western Australia and Australia, Seasonally Adjusted

	Oct-07	<u>Level In:</u>		<u>% Change:</u>	
		Sep-07	Oct-06	Month	Year
Western Australia	10,264	10,403	9,661	-1.3%	6.2%
Australia	86,856	87,851	81,576	1.1%	8.9%

Source: ABS Cat. 9314.0

MONTHLY SALES OF NEW MOTOR VEHICLES Western Australia and Australia, Trend

	Oct-07	<u>Level In:</u>		<u>% Change:</u>	
		Sep-07	Oct-06	Month	Year
Western Australia	10,363	10,331	9,662	0.3%	7.3%
Australia	86,216	87,812	81,525	0.5%	8.2%

Source: ABS Cat. 9314.0

Contacts

The *Western Australia Economic Summary* is compiled by the Economic Assessments Branch of the Department of Treasury and Finance.

For further information on the contents of the *Western Australian Economic Summary*, contact:

Nicky Cusworth	Director	(08) 9222 9161
Michael Eckermann	Assistant Director	(08) 9222 9790
Suhejla Hoti	Principal Policy Officer	(08) 9222 9905
Jessica Crombie	Policy Research Officer	(08) 9222 9196
Yew Lee	Policy Research Officer	(08) 9222 9955
Sebastian Davies-Slate	Graduate Policy Officer	(08) 9222 9936
Andrew Wilkinson	Graduate Policy Officer	(08) 9222 9597

For changes to the mailing list please call (08) 9222 9529.

An electronic copy of this and previous editions of the *Western Australian Economic Summary* can be found at:

http://www.dtf.wa.gov.au/cms/tre_content.asp?id=592

ISSN 1442-3529