



Government of **Western Australia**
Department of **Treasury**

State Wage Case

The Western Australian Economy

David Christmas

Director

Economic and Revenue

Forecasting

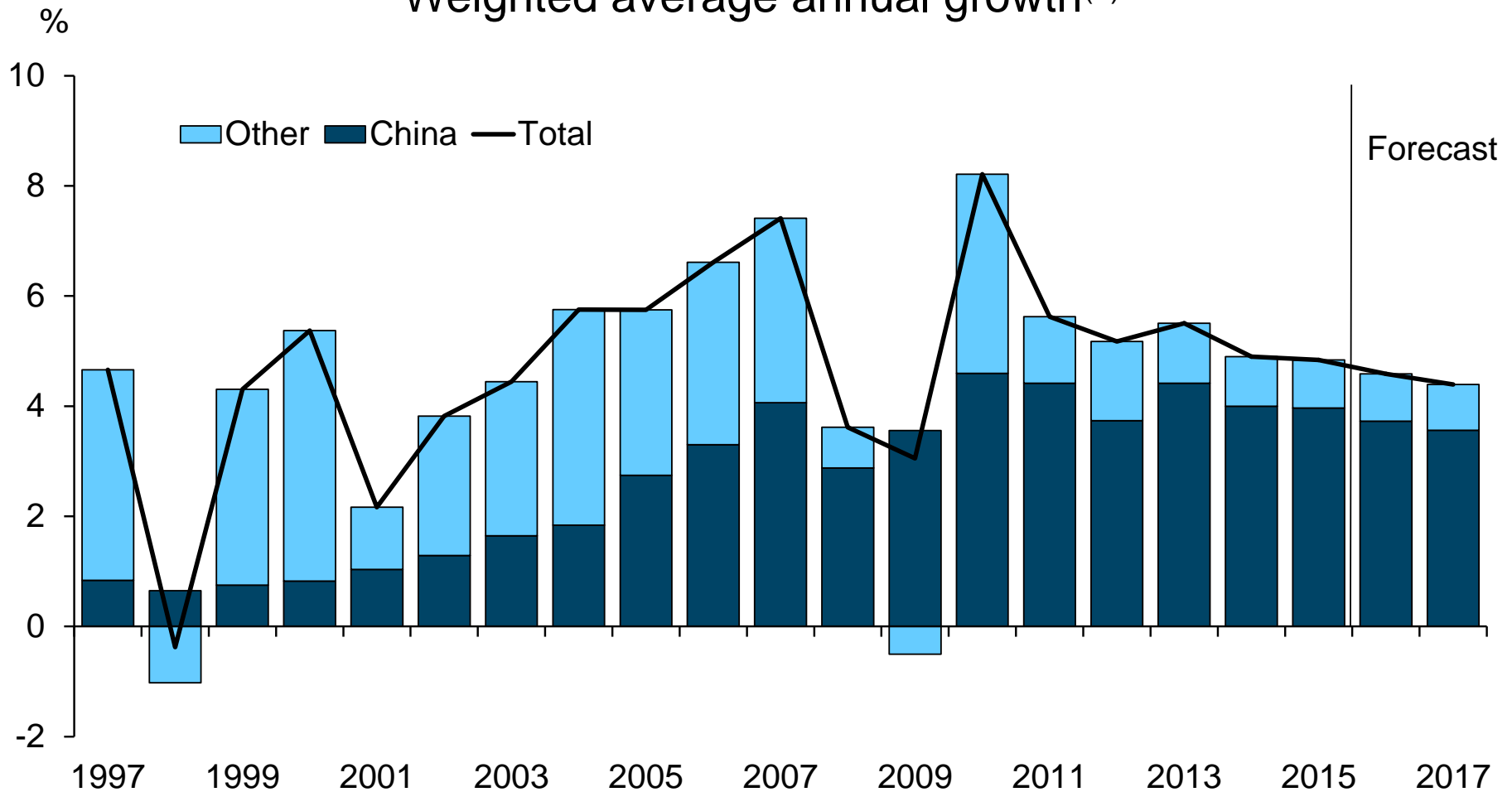




Global and National Context

WESTERN AUSTRALIA'S KEY EXPORT MARKETS

Weighted average annual growth^(a)

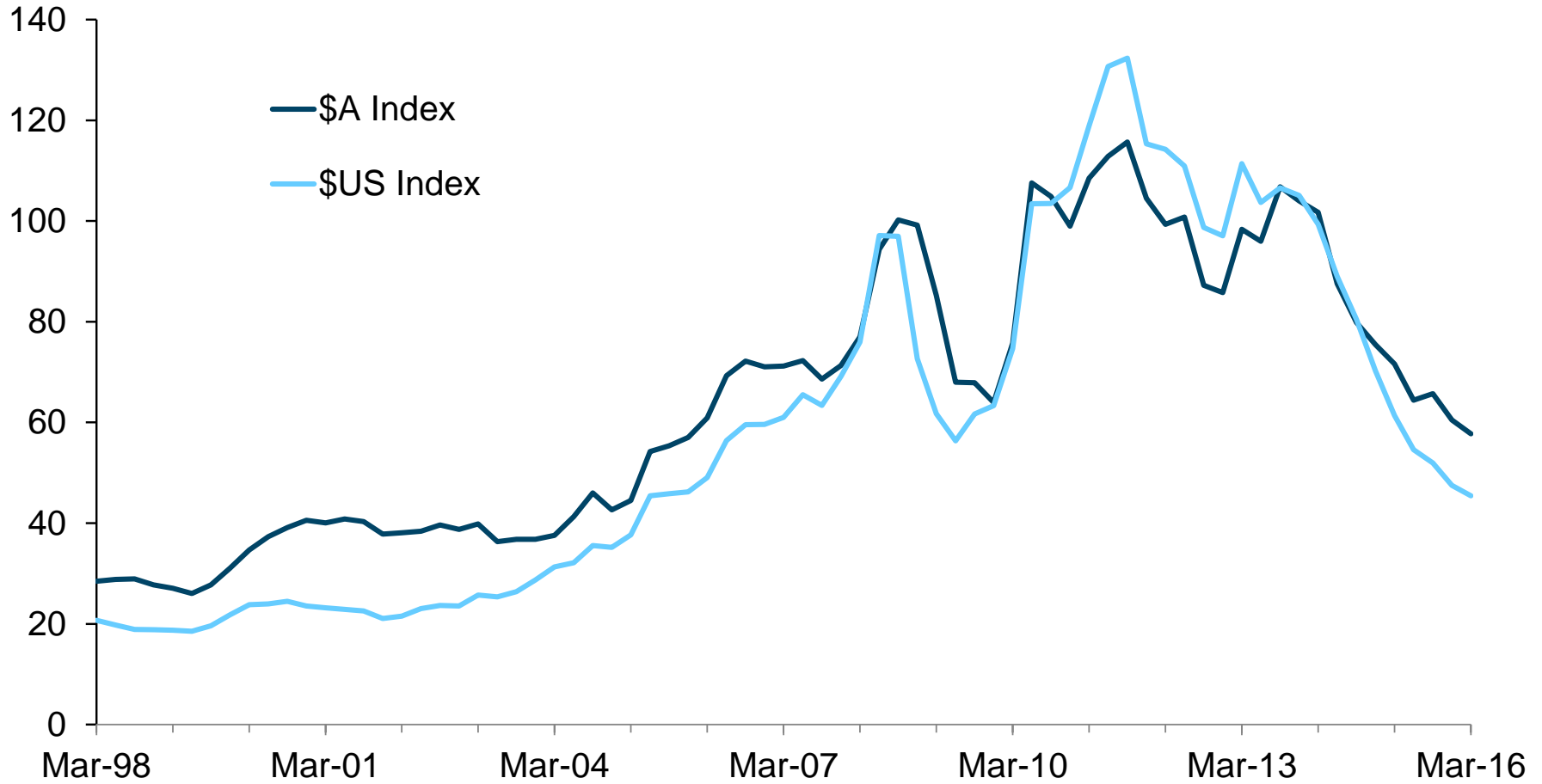


(a) Comprises China, Japan, South Korea, India and nine other countries. Together, these accounted for over 90% of the State's exports in 2015.

Source: IMF & Department of Treasury

COMMODITY PRICE INDEX Western Australia

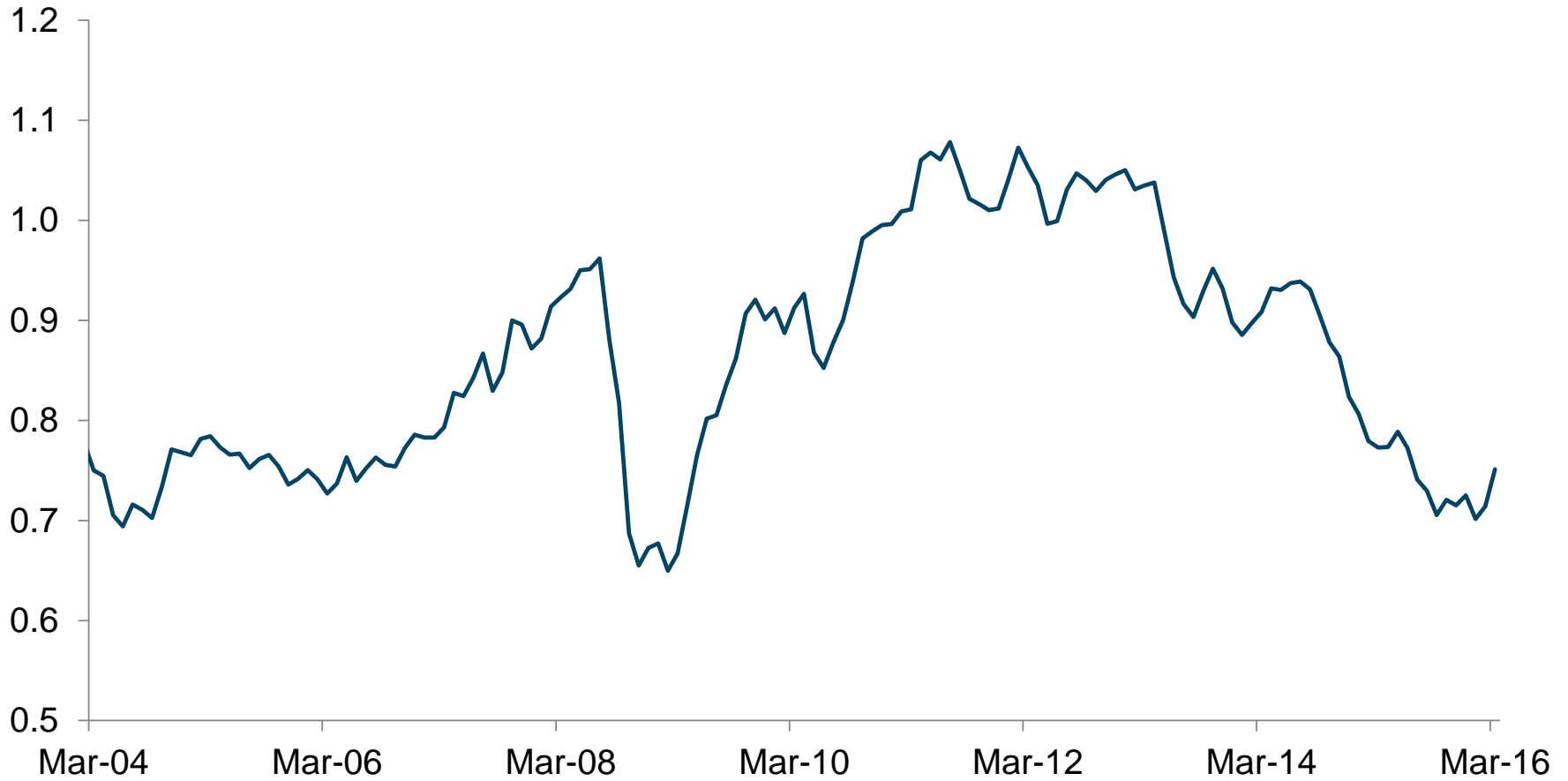
Index (2013-14 = 100)



Source: Department of Treasury

MONTHLY AVERAGE EXCHANGE RATE \$US/\$A

US dollars



Source: Datastream

AUSTRALIAN FORECASTS

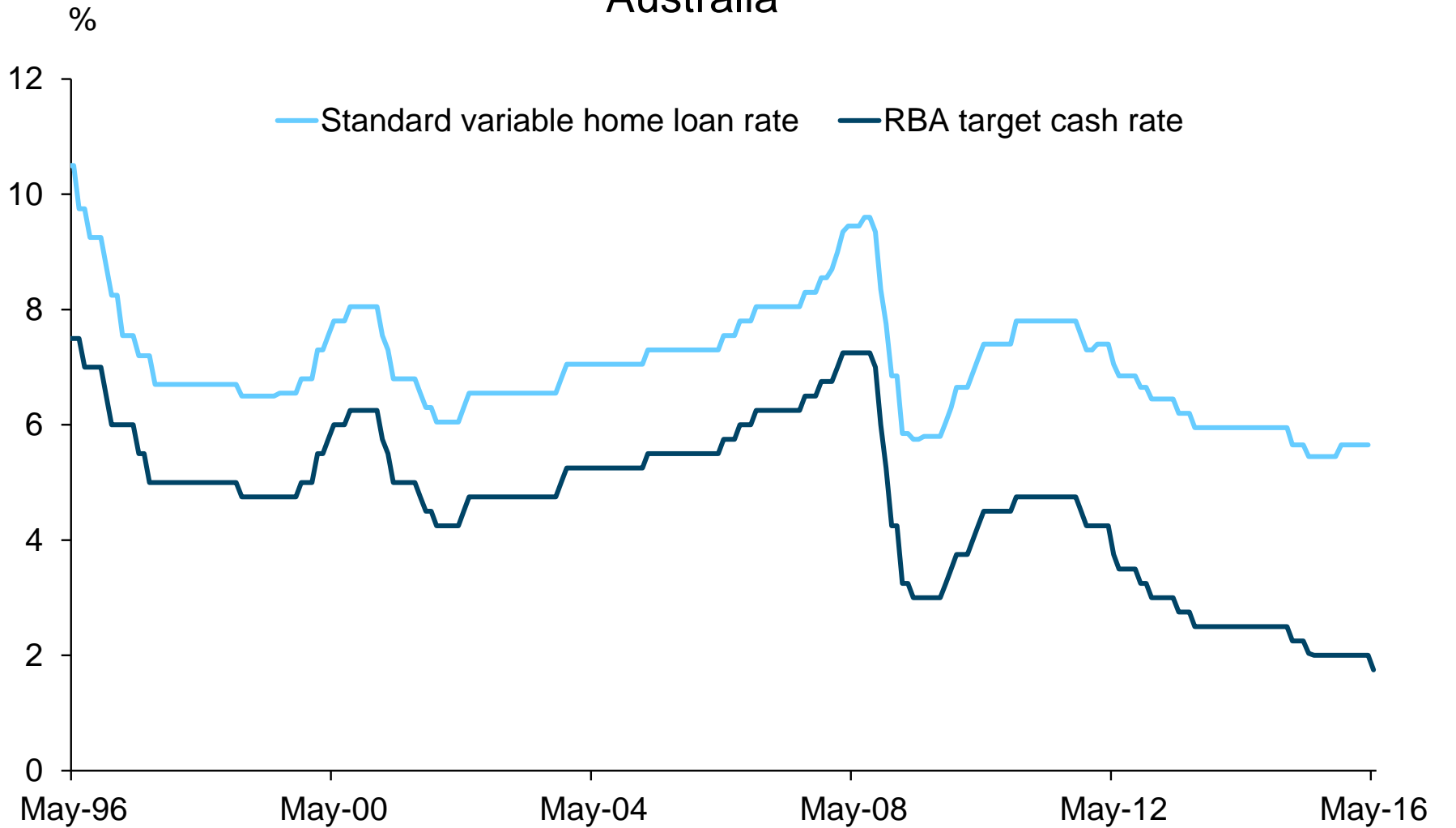
Major economic aggregates, annual growth (%)^(a)

	Actual	Forecasts			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Real GDP	2.2	2.5	2.5	3.0	3.0	3.0
Employment	1.6	2.0	1.75	1.75	1.25	1.5
Unemployment rate ^(a)	6.1	5.75	5.5	5.5	5.5	5.5
Consumer Price Index	1.5	1.25	2.0	2.25	2.5	2.5

(a) Year average unless otherwise stated. In 2014-15 to 2017-18, employment growth is through the year growth to the June quarter. The unemployment rate is the rate for the June quarter. The Consumer Price Index is through the year to the June quarter.

Source: 2016-17 Budget, Commonwealth Treasury

INTEREST RATES Australia



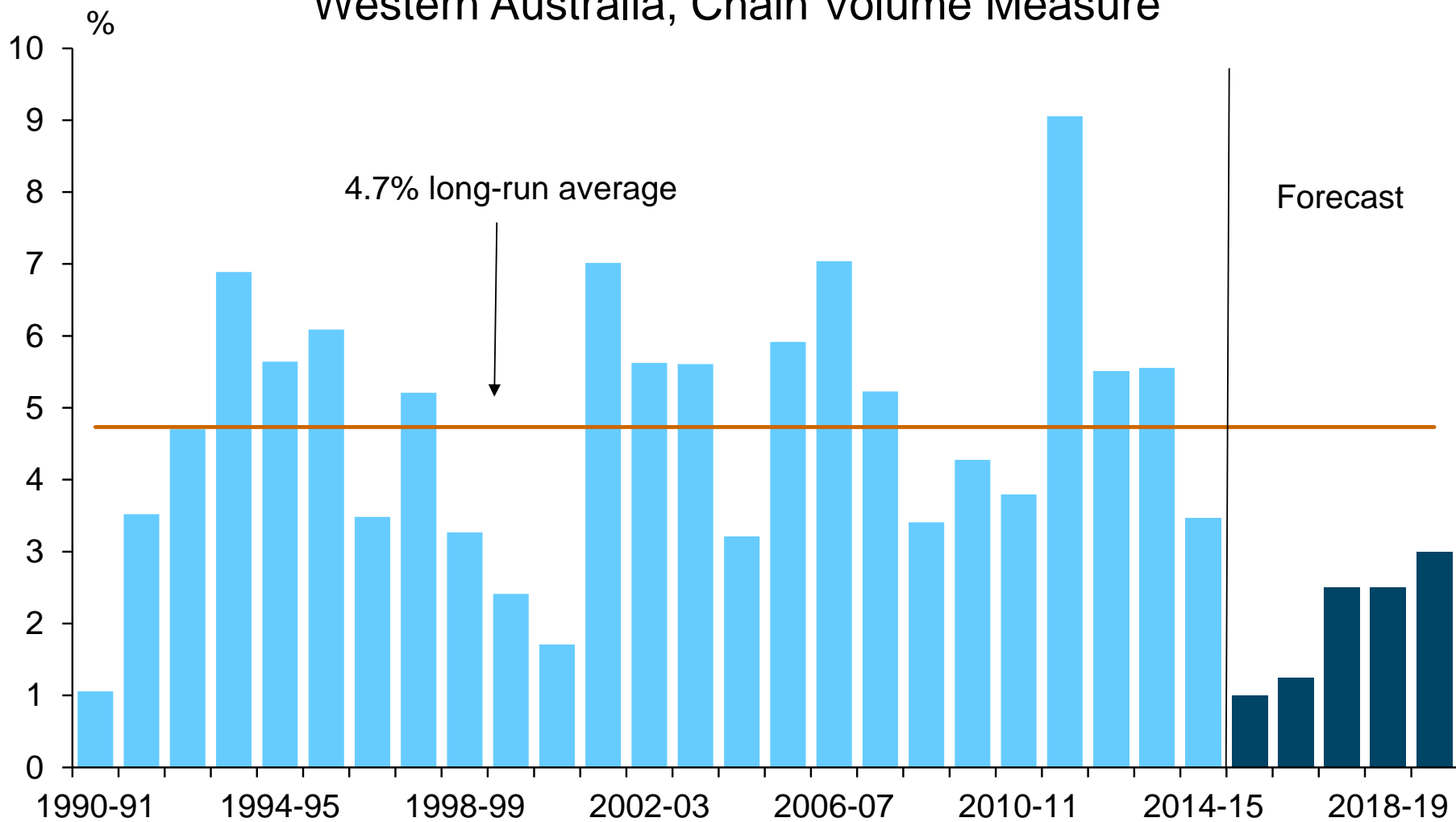
Source: RBA



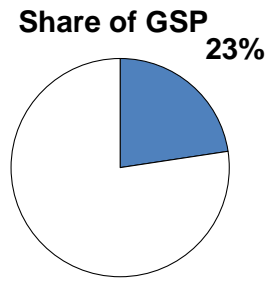
The Western Australian Economy

**State Final Demand and
Gross State Product**

GROSS STATE PRODUCT Western Australia, Chain Volume Measure

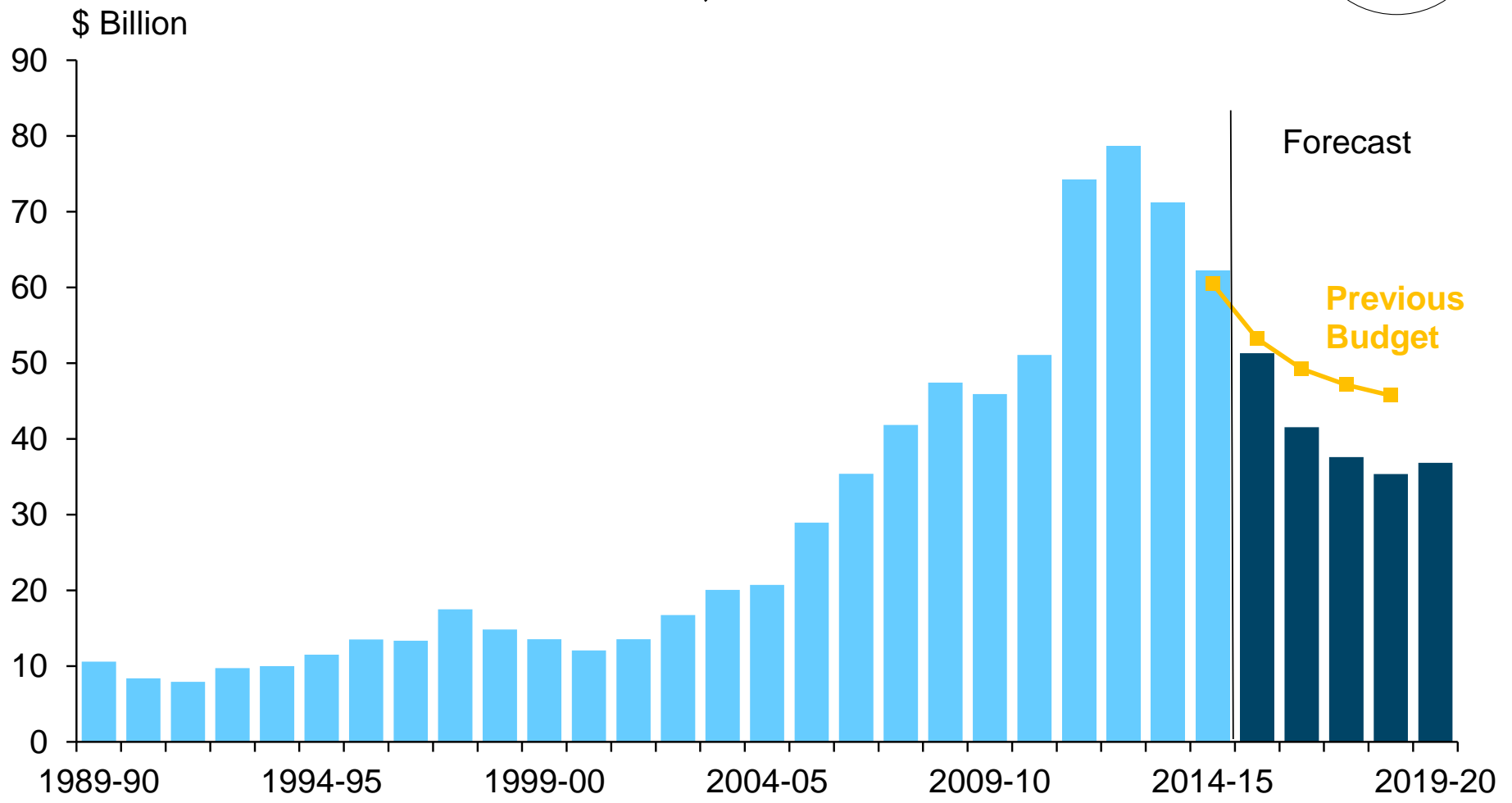


Source: ABS Cat 5220.0 & Department of Treasury

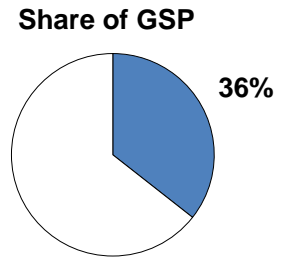


BUSINESS INVESTMENT

Western Australia, Chain Volume Measures

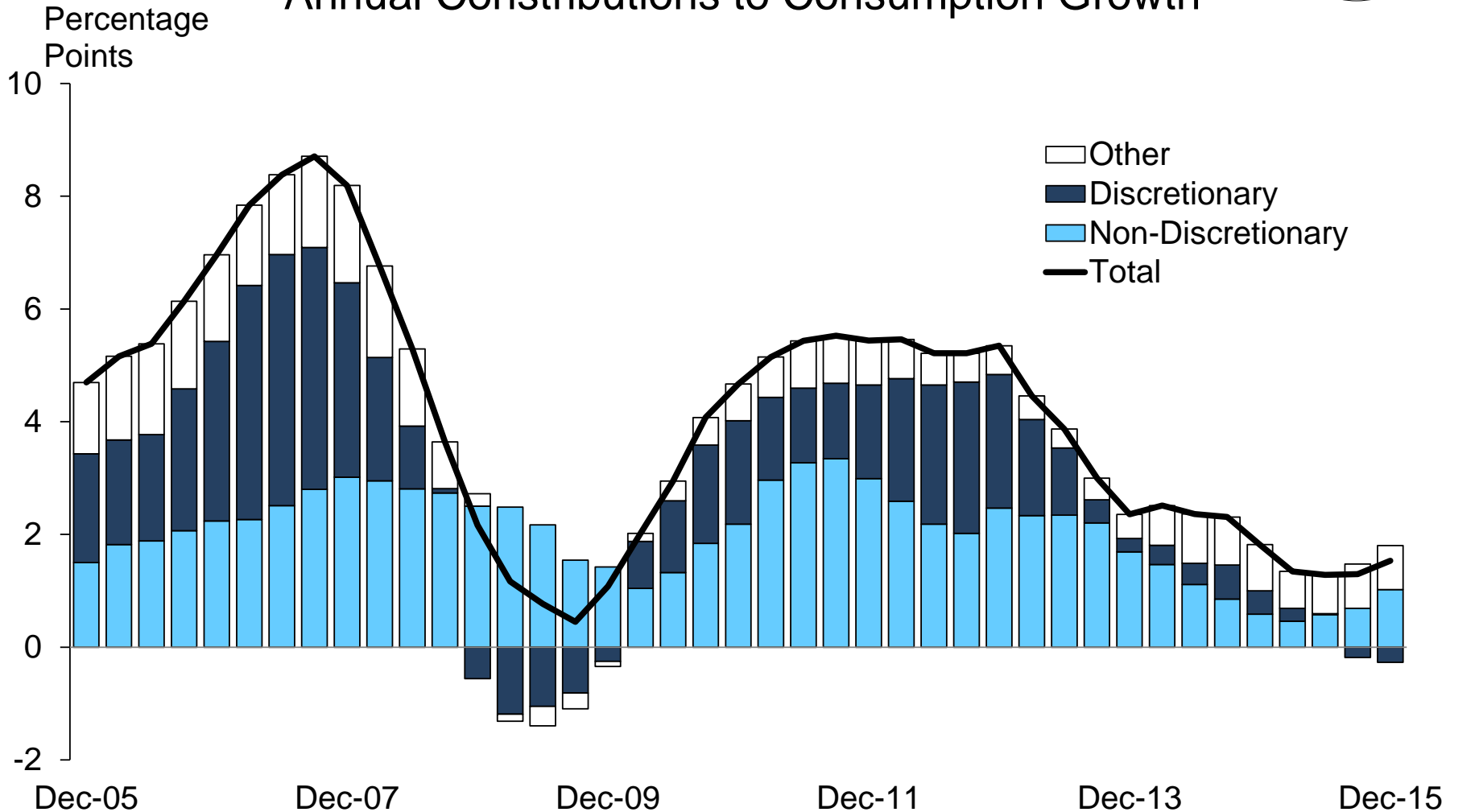


Source: ABS Cat. 5206.0 & Department of Treasury



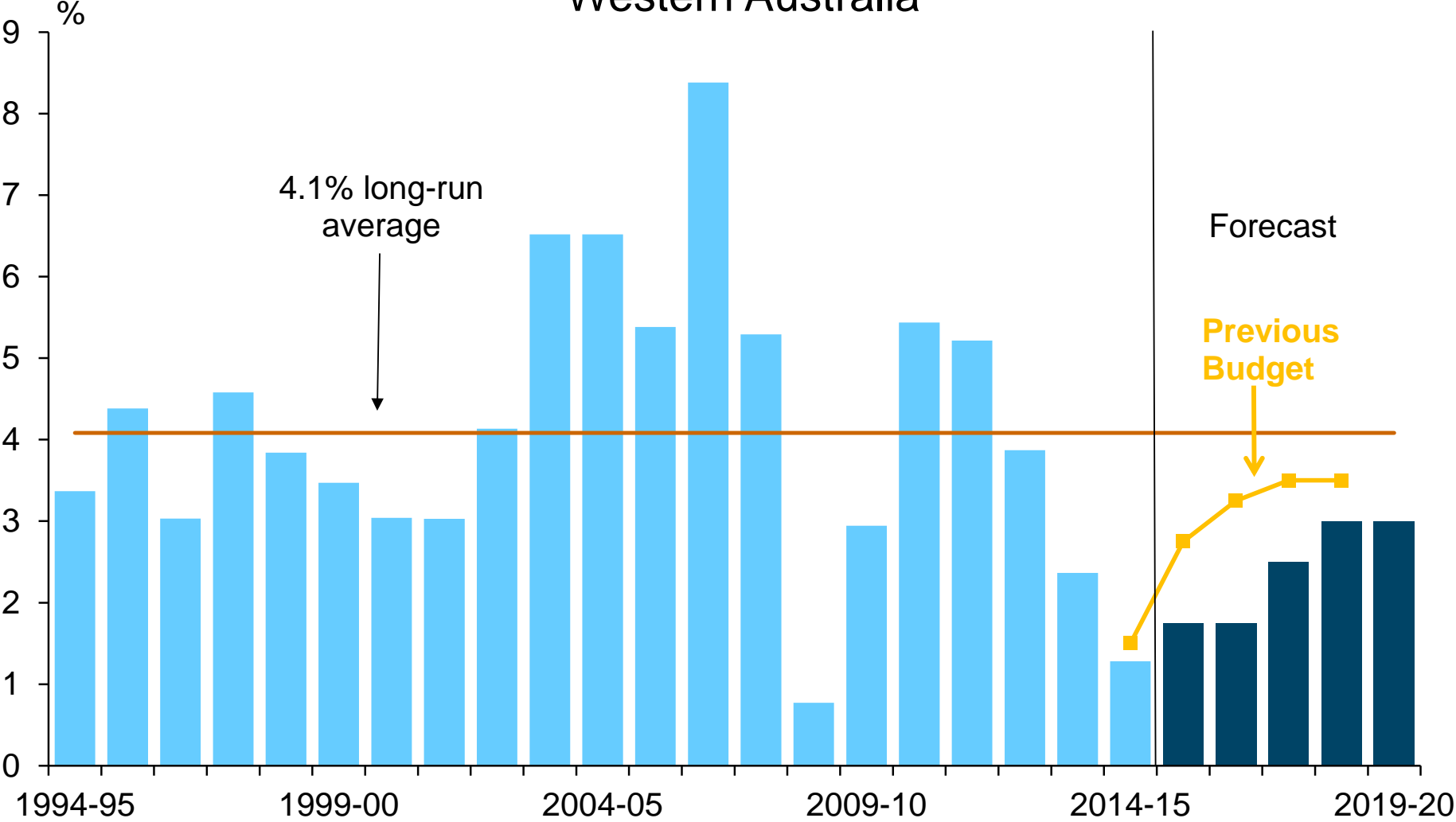
CONSUMPTION BY MAJOR CATEGORY

Annual Contributions to Consumption Growth



Source: ABS Cat. 5206.0

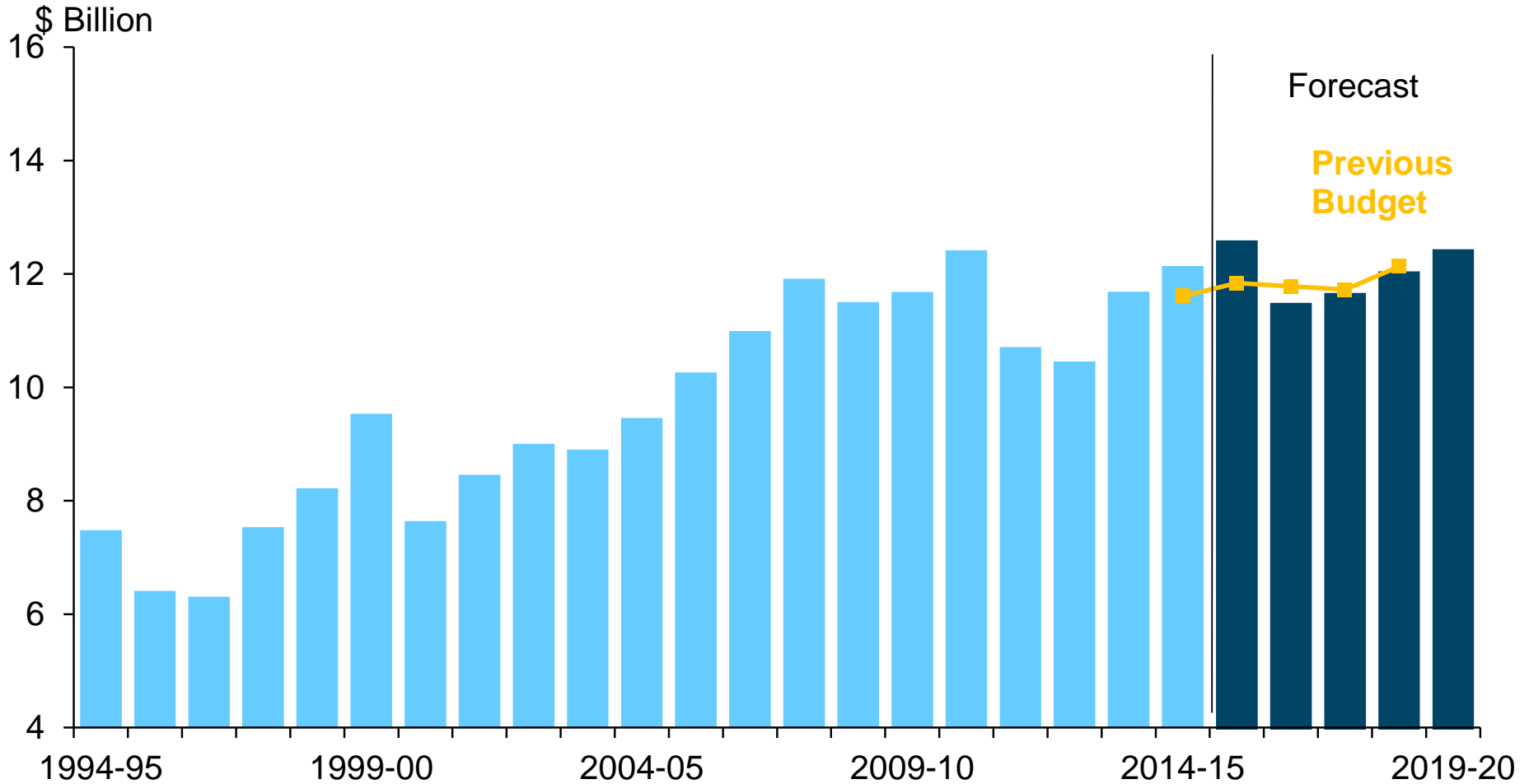
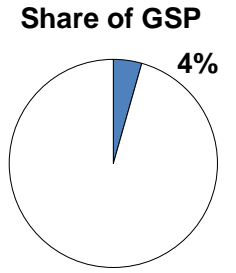
HOUSEHOLD CONSUMPTION Western Australia



Source: ABS Cat 5206.0 & Department of Treasury

DWELLING INVESTMENT

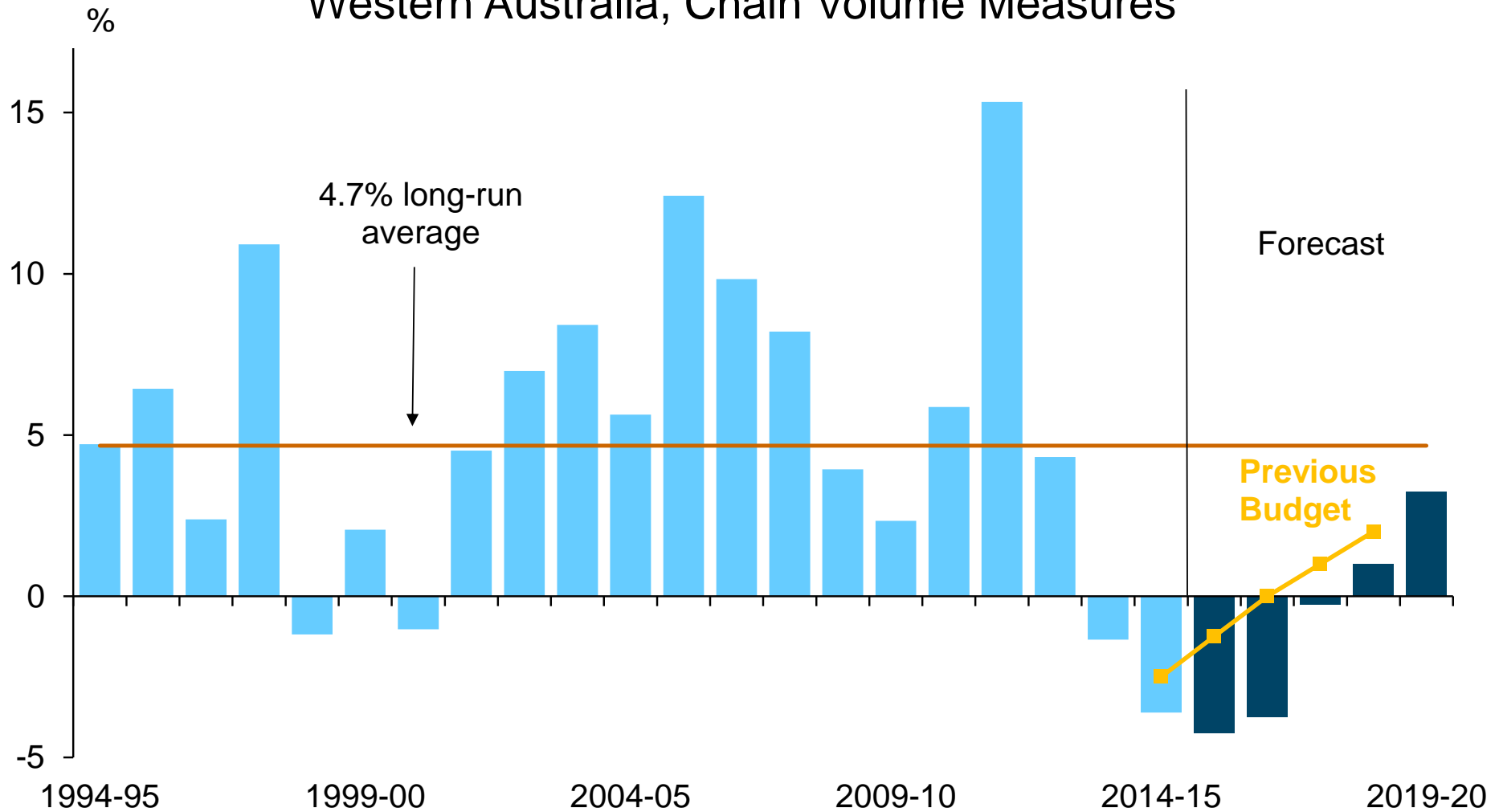
Western Australia, Chain Volume Measures



Source: ABS Cat. 5206.0 & Department of Treasury

STATE FINAL DEMAND

Western Australia, Chain Volume Measures

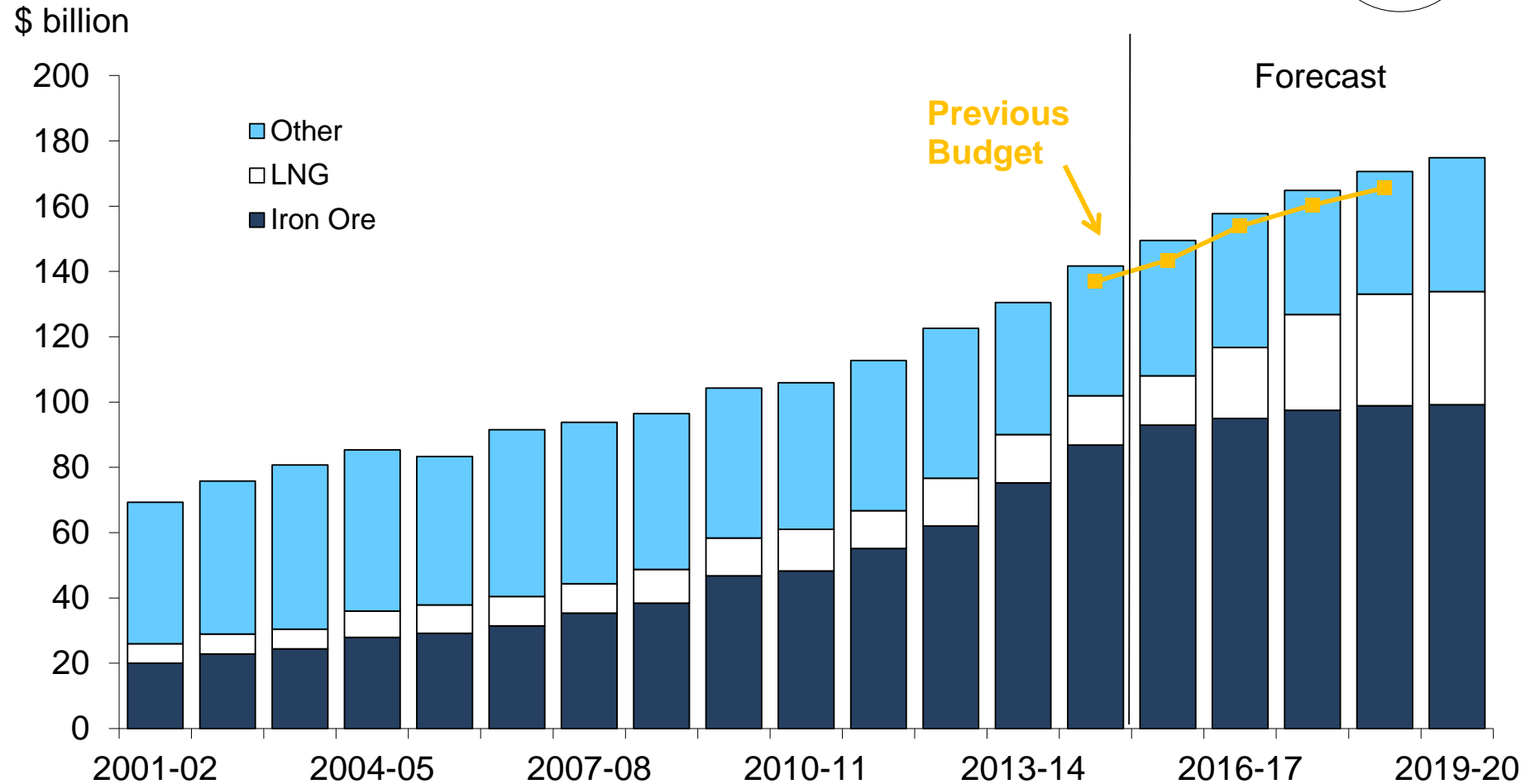
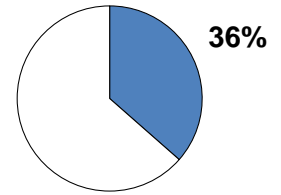


Source: ABS Cat 5206.0 & Department of Treasury

MERCHANDISE EXPORTS

Western Australia, Annual Level

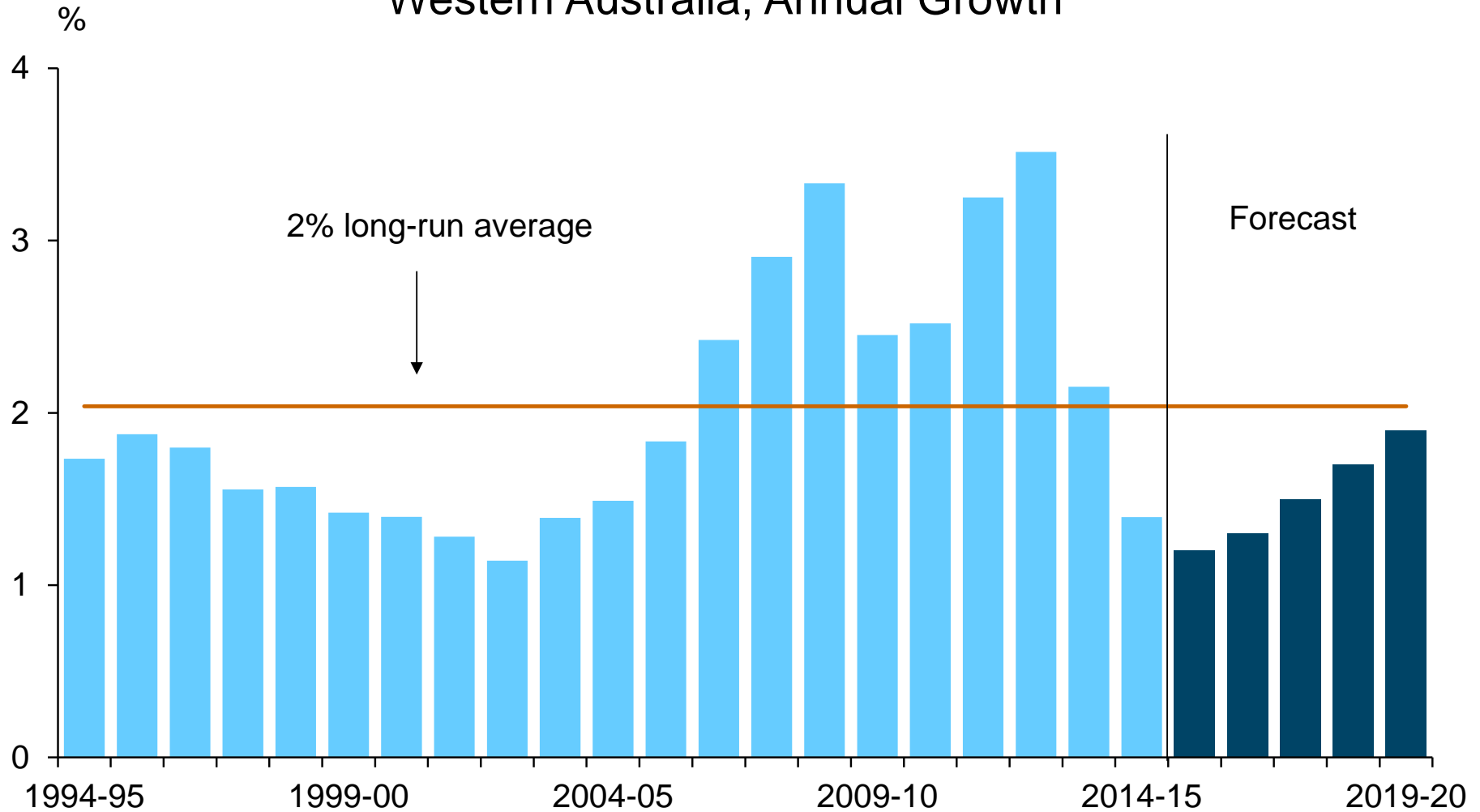
Share of GDP
(Net Exports)



Source: ABS Cat.5368.0, 5302.0 & Department of Treasury

POPULATION

Western Australia, Annual Growth



Source: ABS Cat. 3101.0 & Department of Treasury



Labour Market

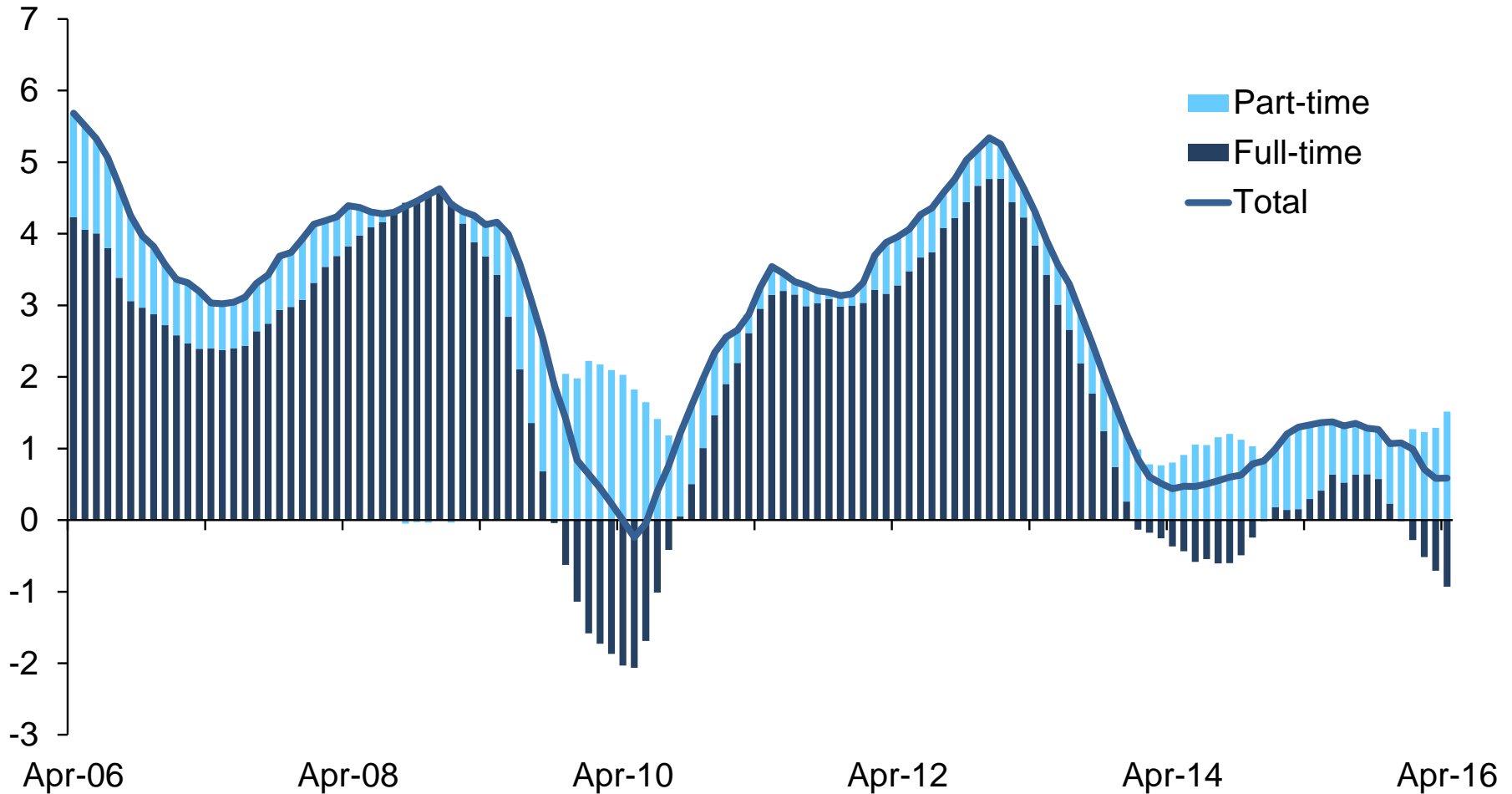
Employment

Unemployment Rate

Participation Rate

EMPLOYMENT

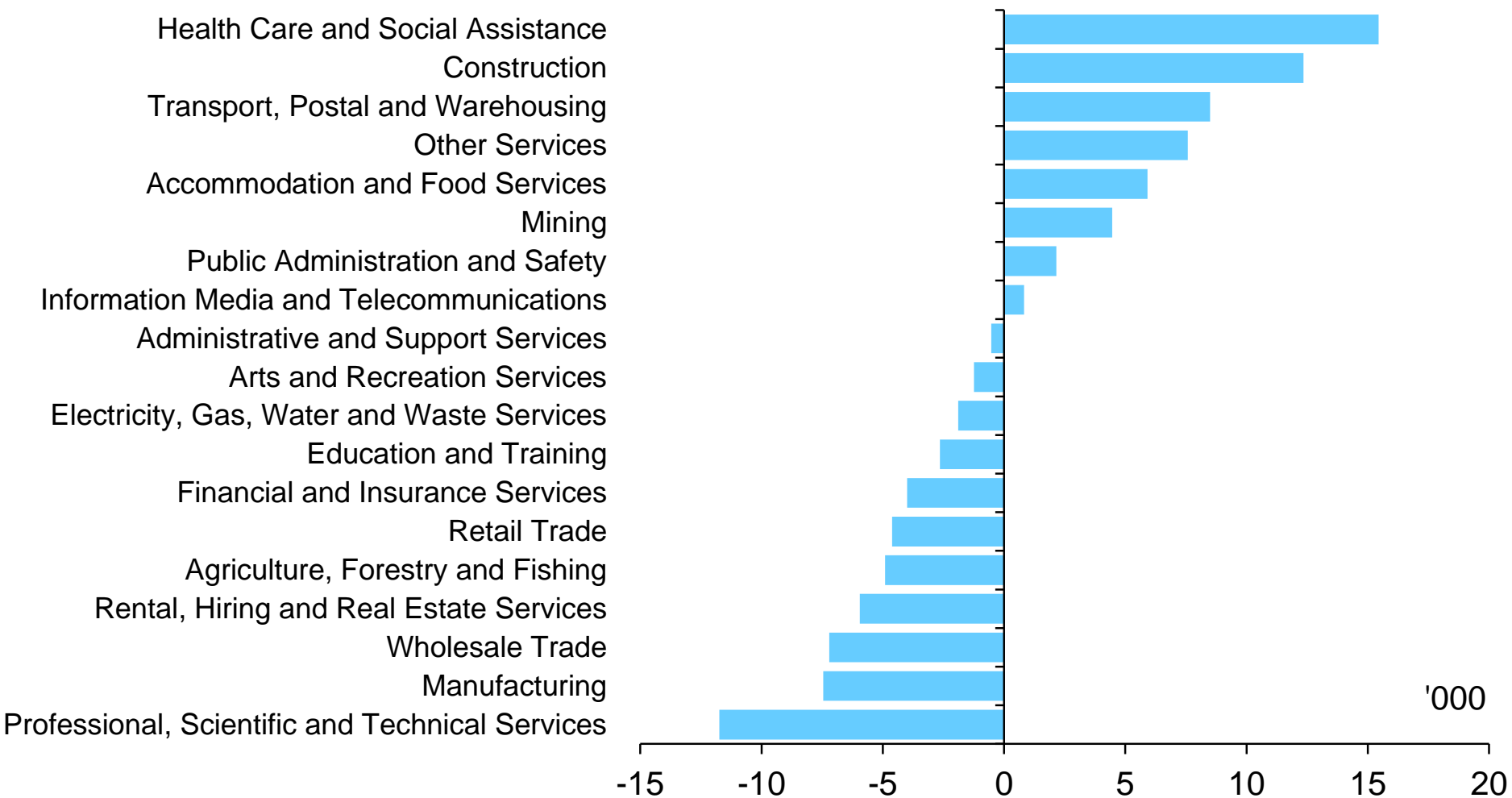
% Percentage Point Contribution to Annual Average Growth



Source: ABS Cat. 6202.0

ANNUAL CHANGE IN PERSONS EMPLOYED

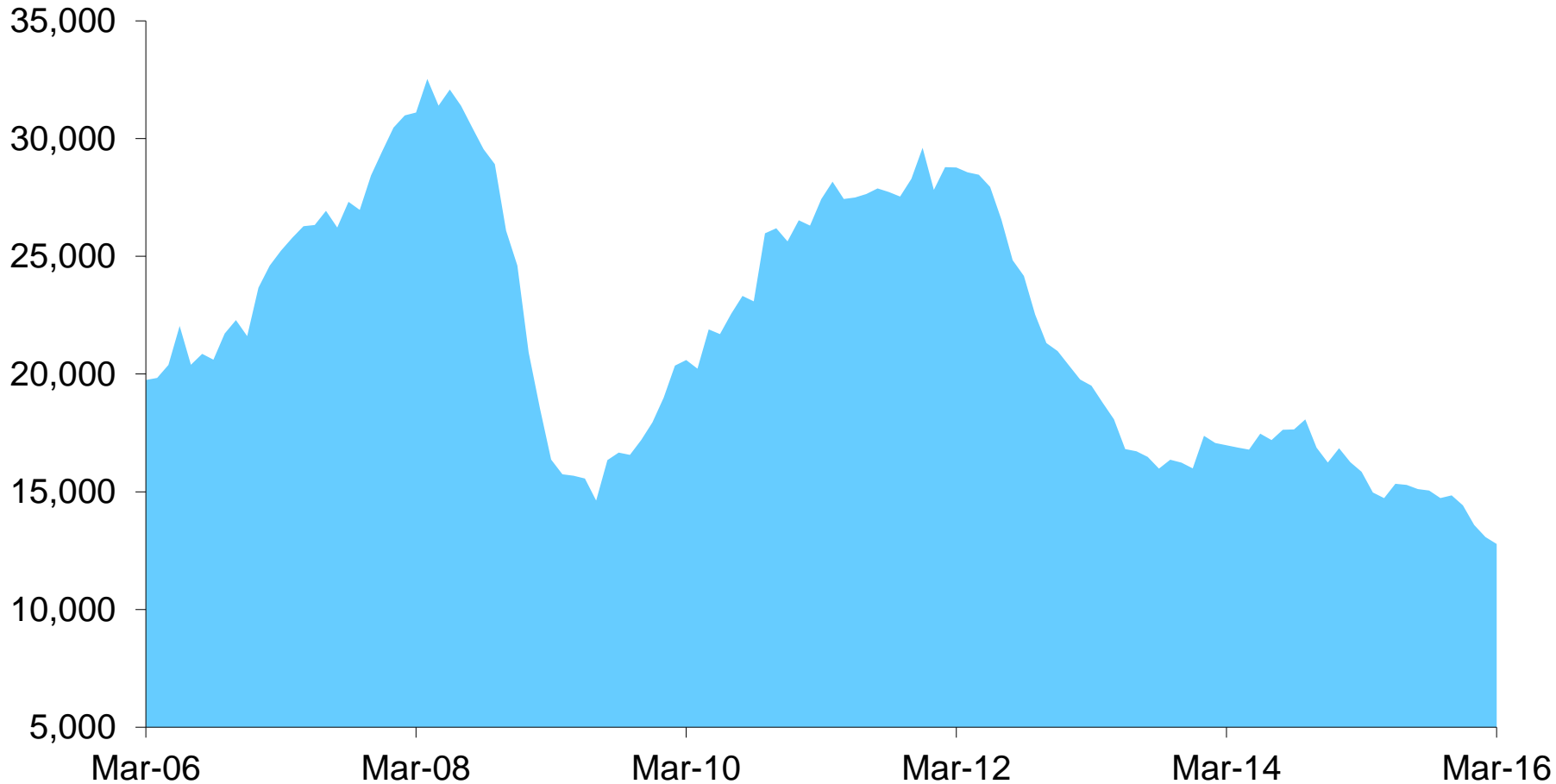
Western Australia, By Industry, February 2016



Source: ABS Cat. 6291.0.55.003

DEPARTMENT OF EMPLOYMENT INTERNET VACANCIES Western Australia, Seasonally Adjusted

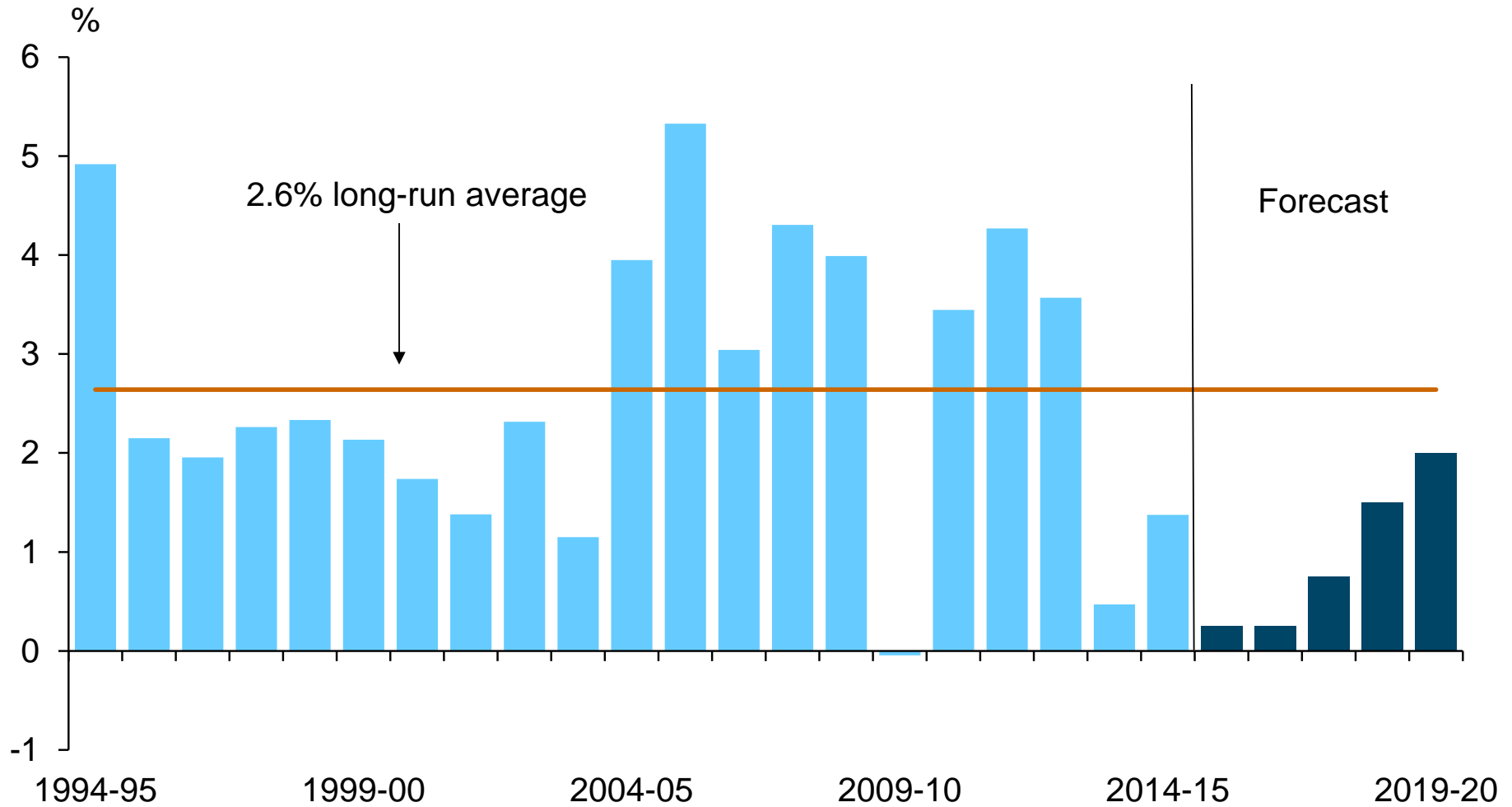
Number of
Vacancies



Source: Department of Employment

EMPLOYMENT

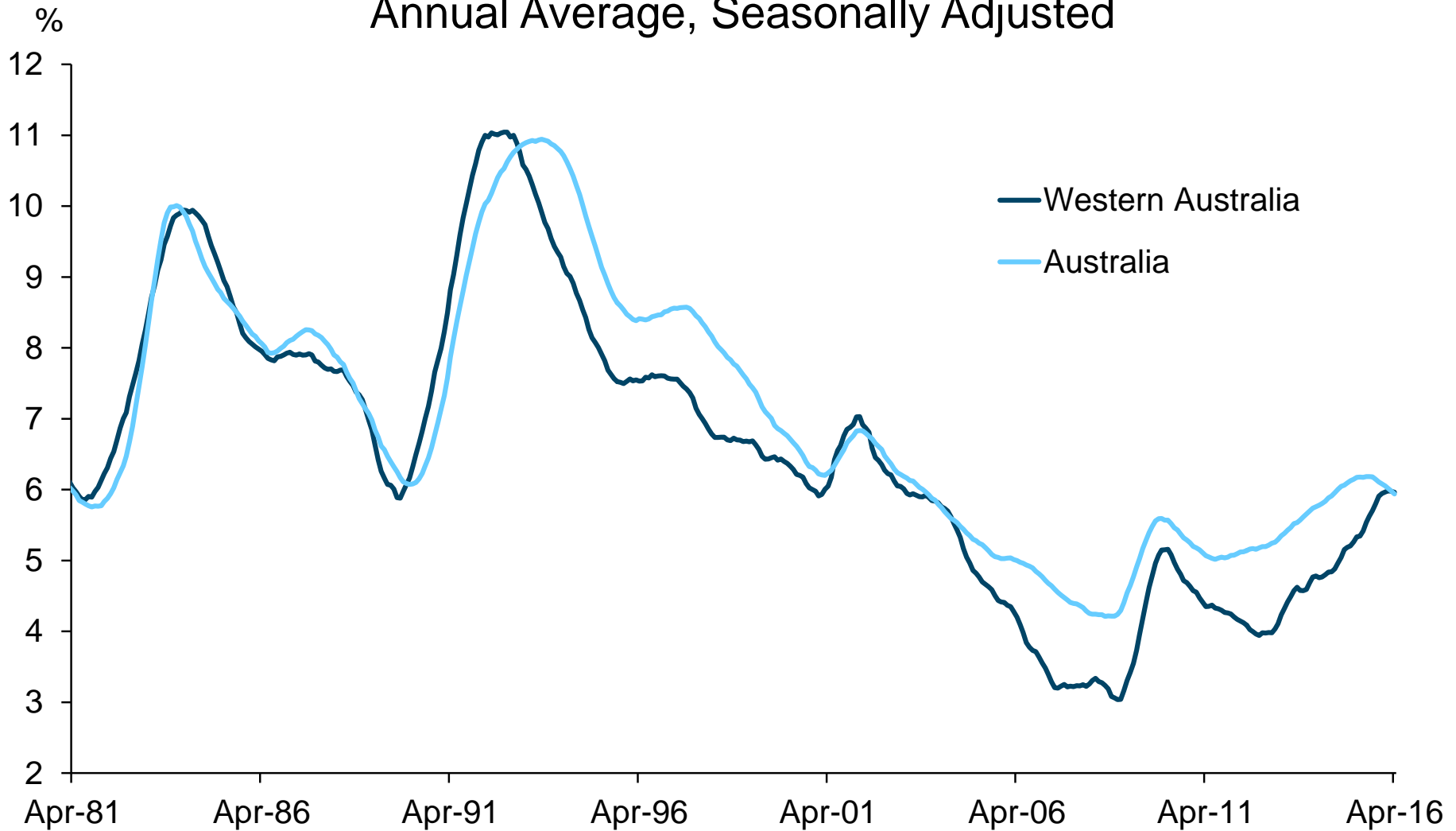
Western Australia, Annual Growth



Source: ABS Cat 6202.0 & Department of Treasury

UNEMPLOYMENT RATE

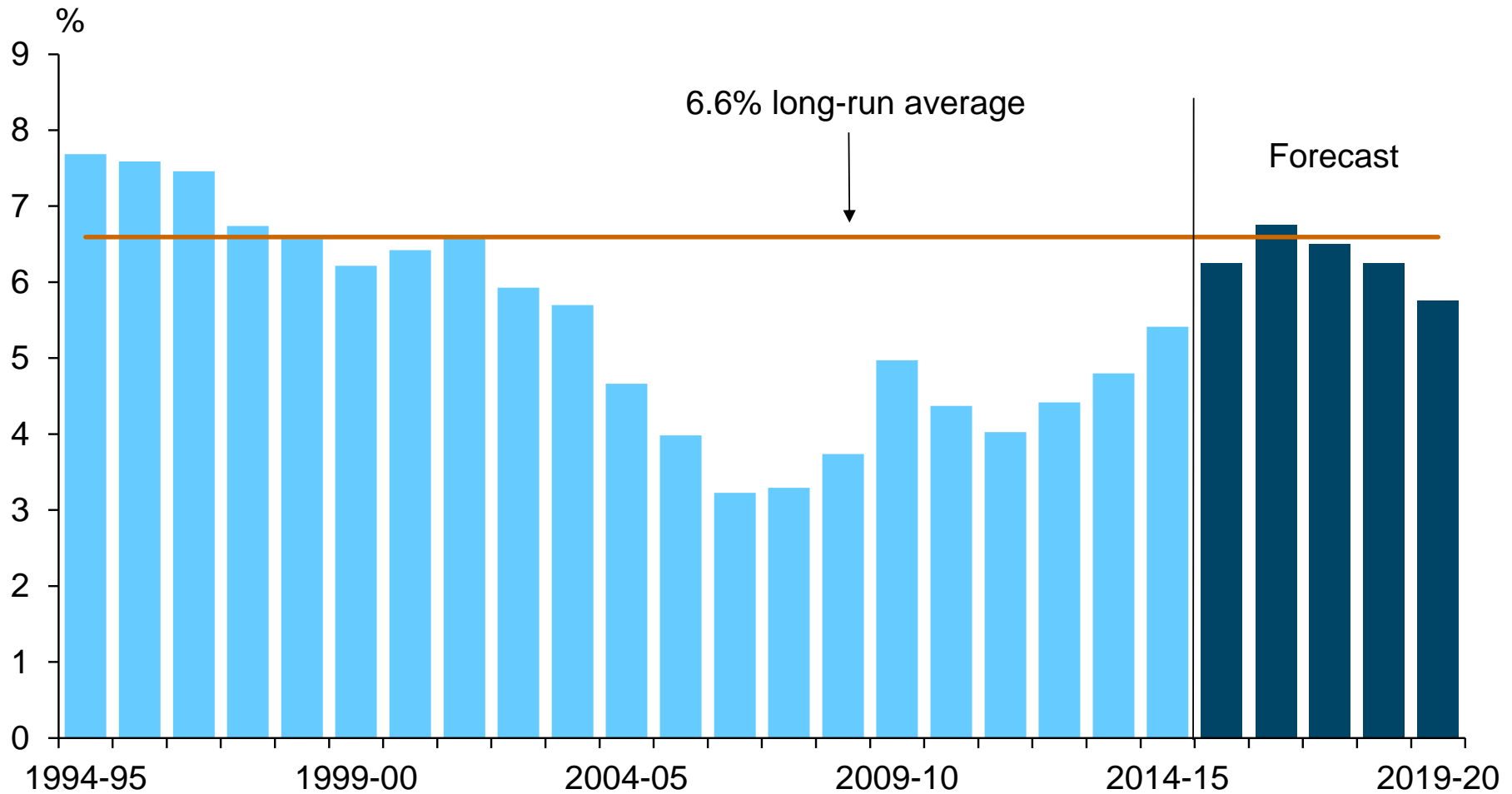
Annual Average, Seasonally Adjusted



Source: ABS Cat. 6202.0

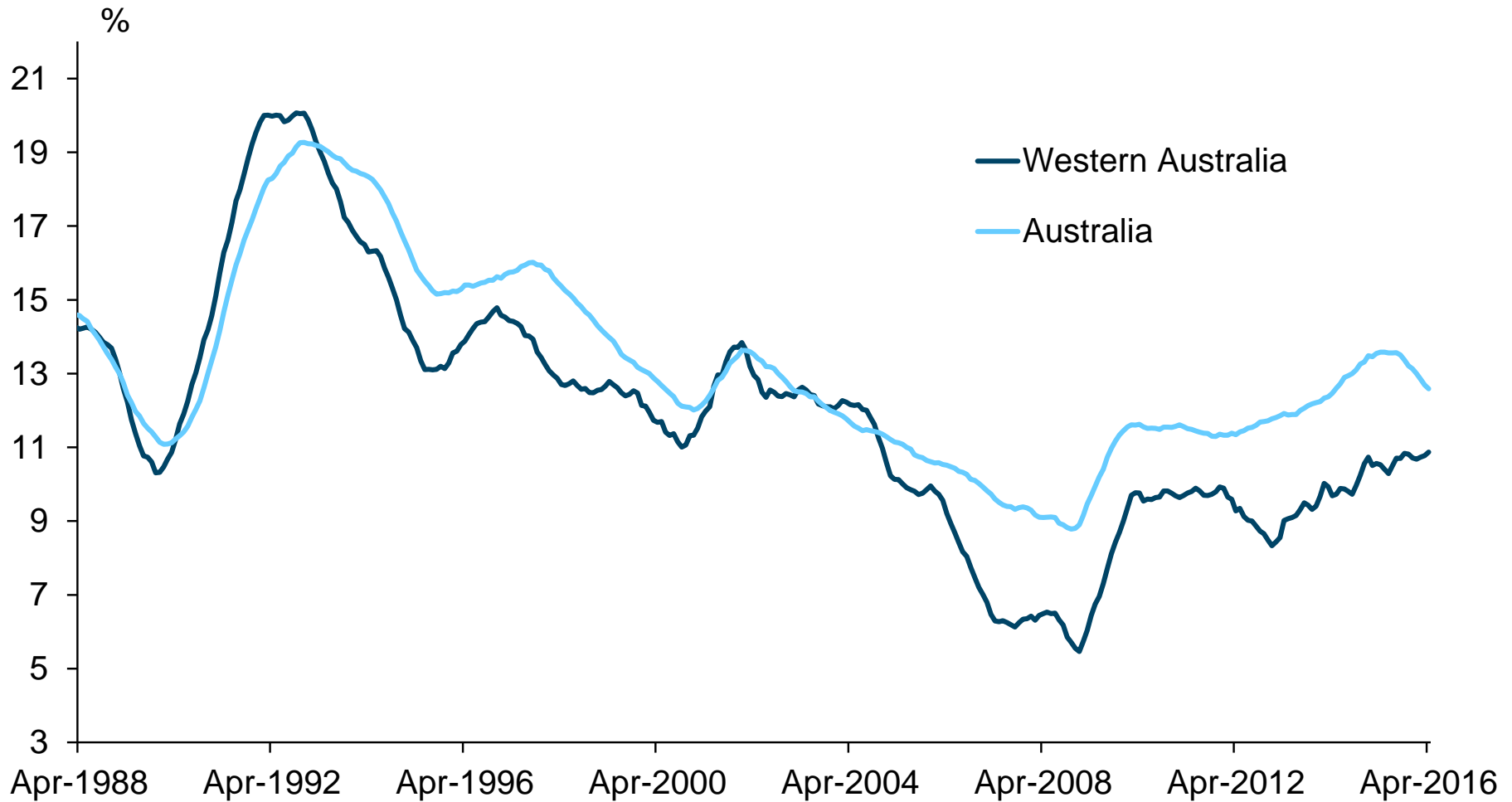
UNEMPLOYMENT RATE

Western Australia, Annual Average Rate



Source: ABS Cat 6202.0 & Department of Treasury

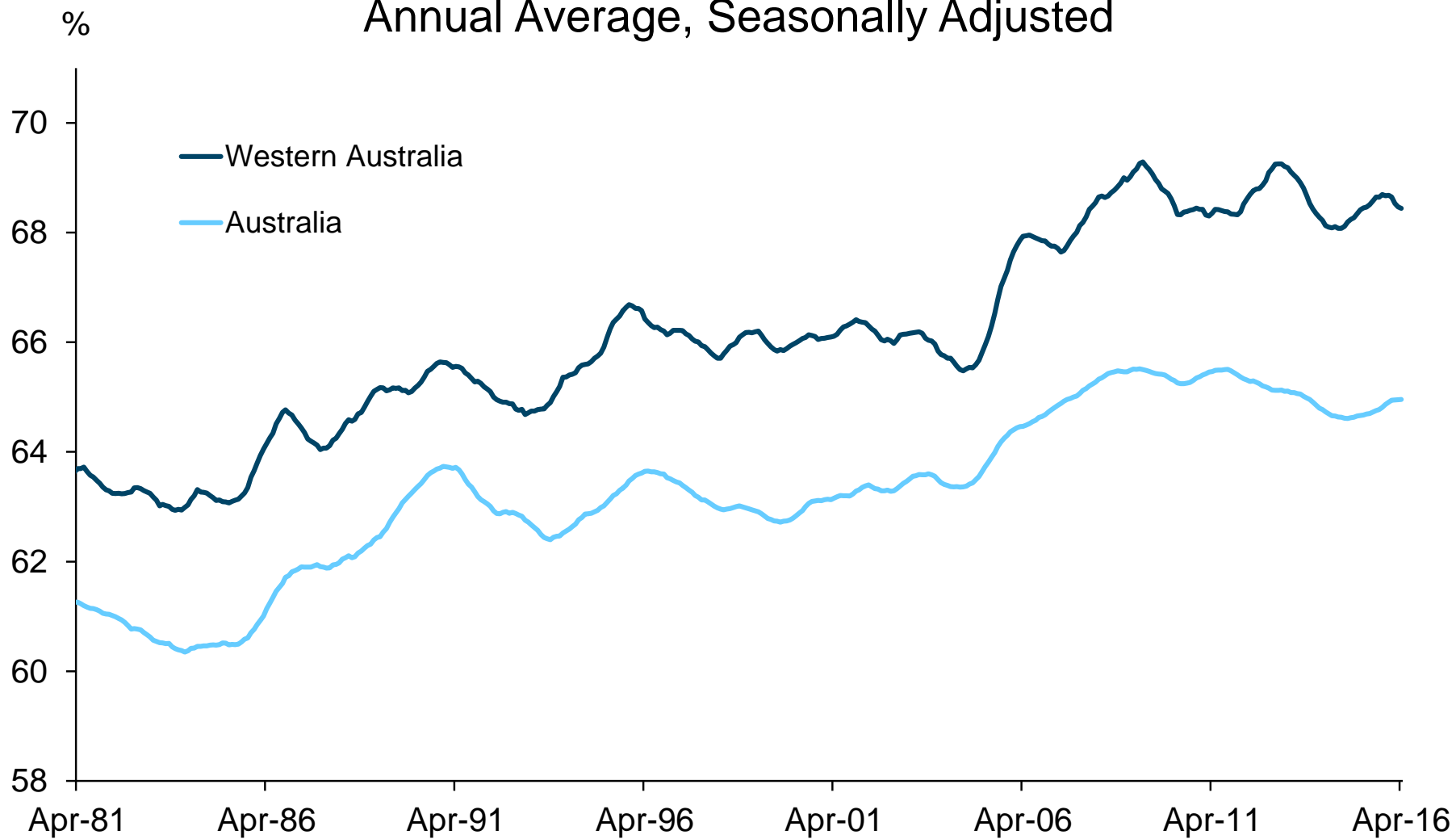
YOUTH UNEMPLOYMENT RATE (15 to 24 years) Annual Average, Original



Source: ABS Cat. 6202.0

PARTICIPATION RATE

Annual Average, Seasonally Adjusted



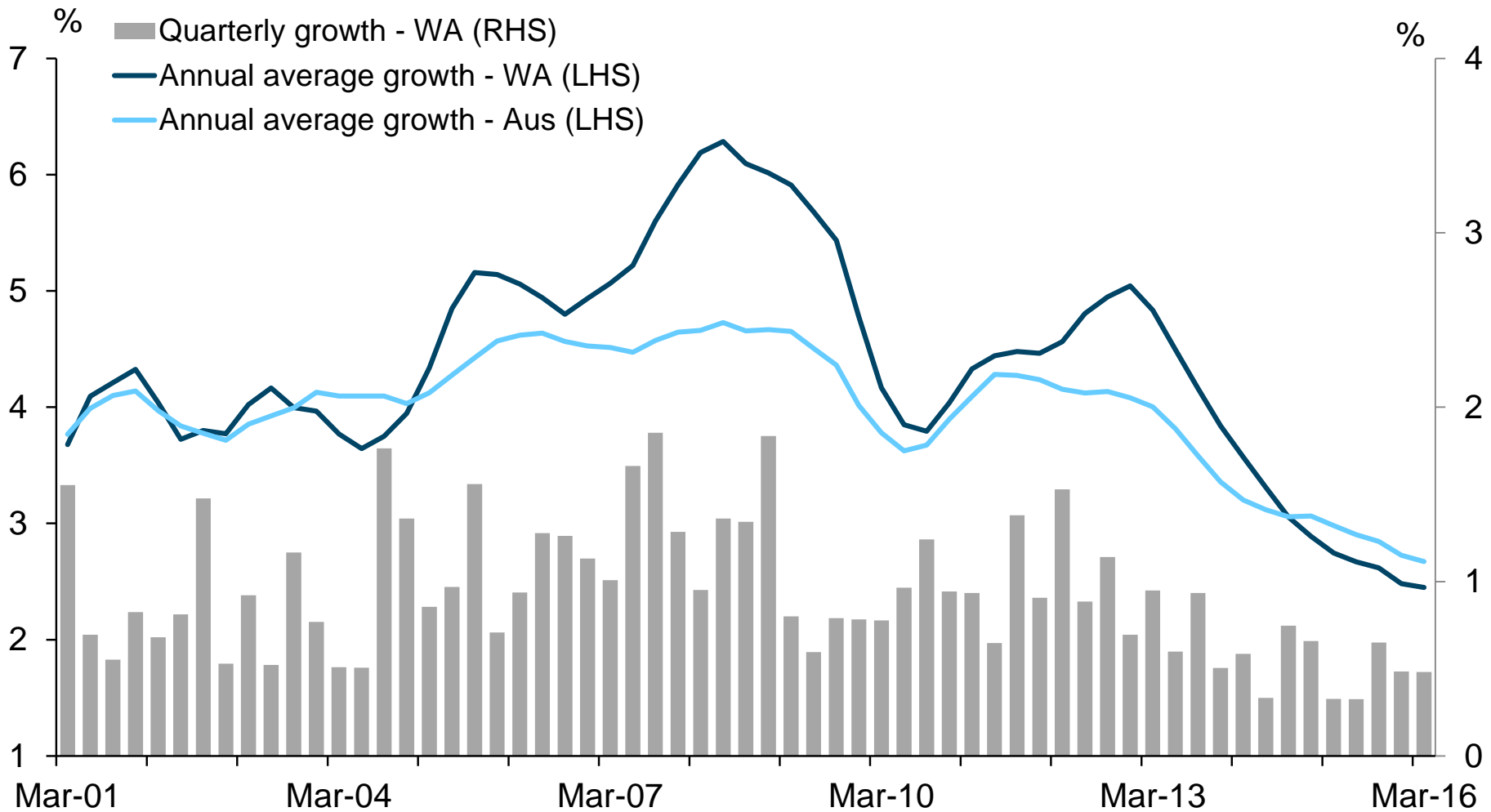
Source: ABS Cat. 6202.0



Wages

Western Australia Wage Price Index

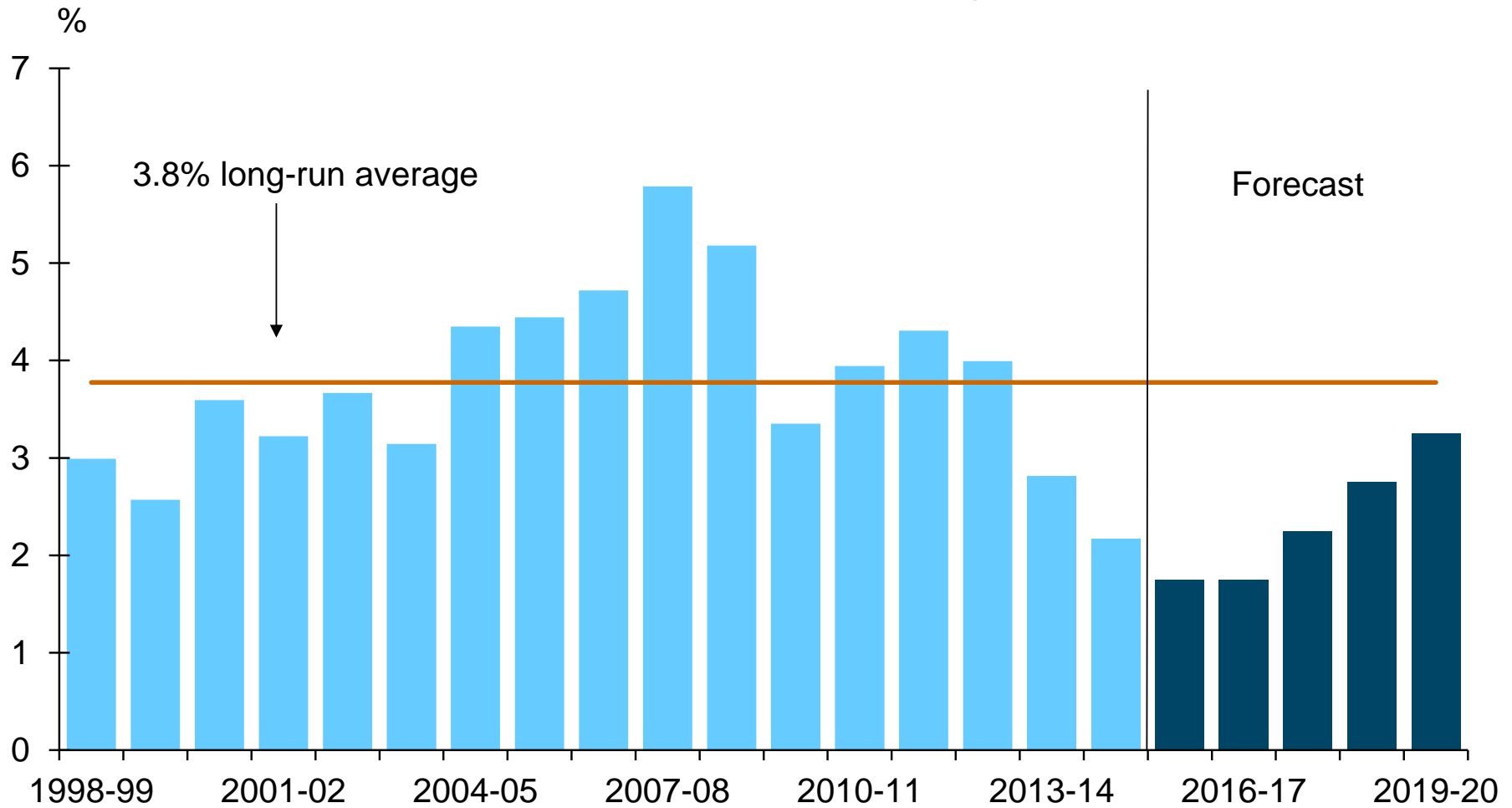
WAGE PRICE INDEX



Source: ABS Cat. 6345.0

WAGE PRICE INDEX

Western Australia, Annual Average Growth



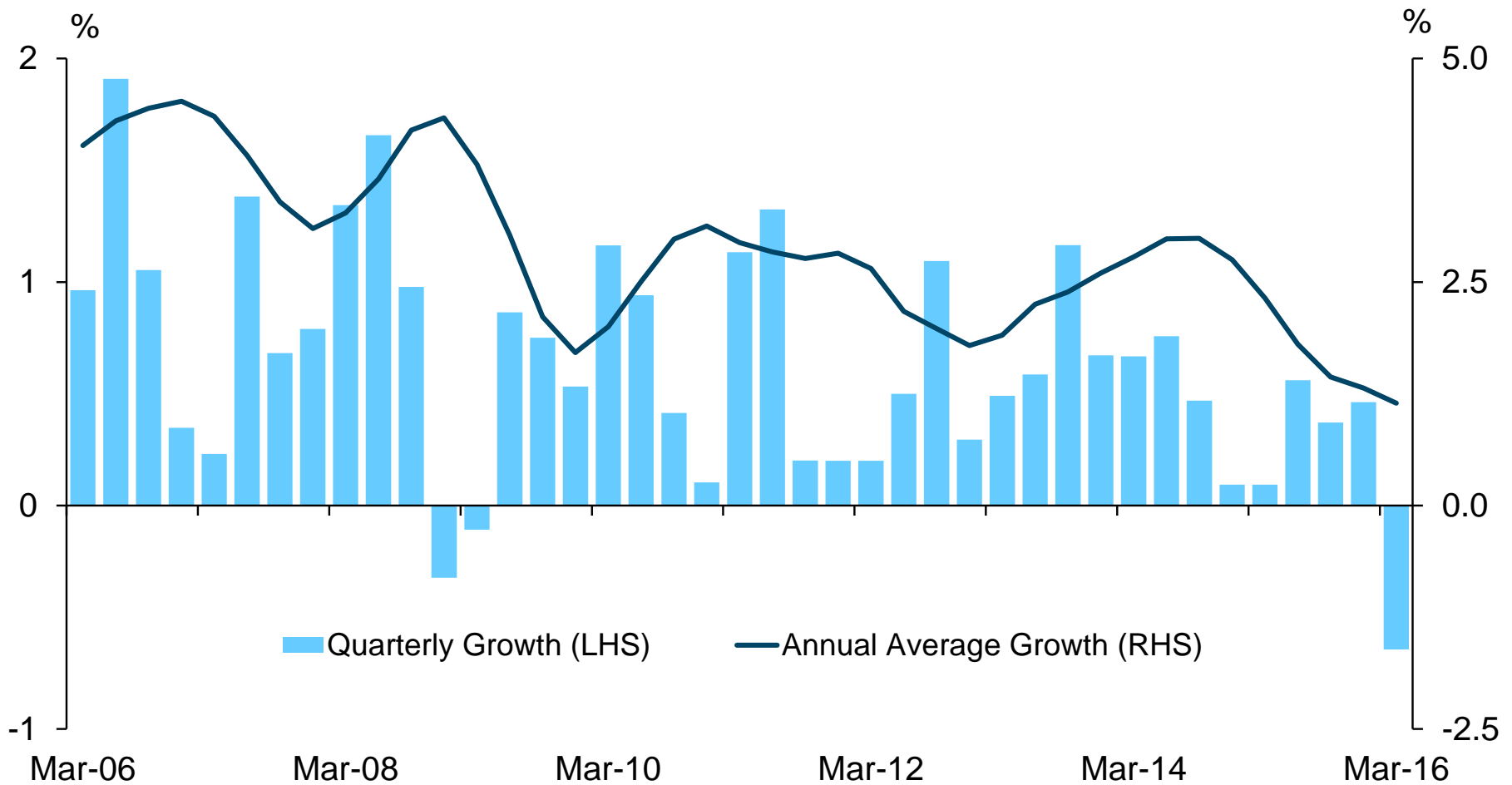
Source: ABS Cat 6345.0 & Department of Treasury



Inflation

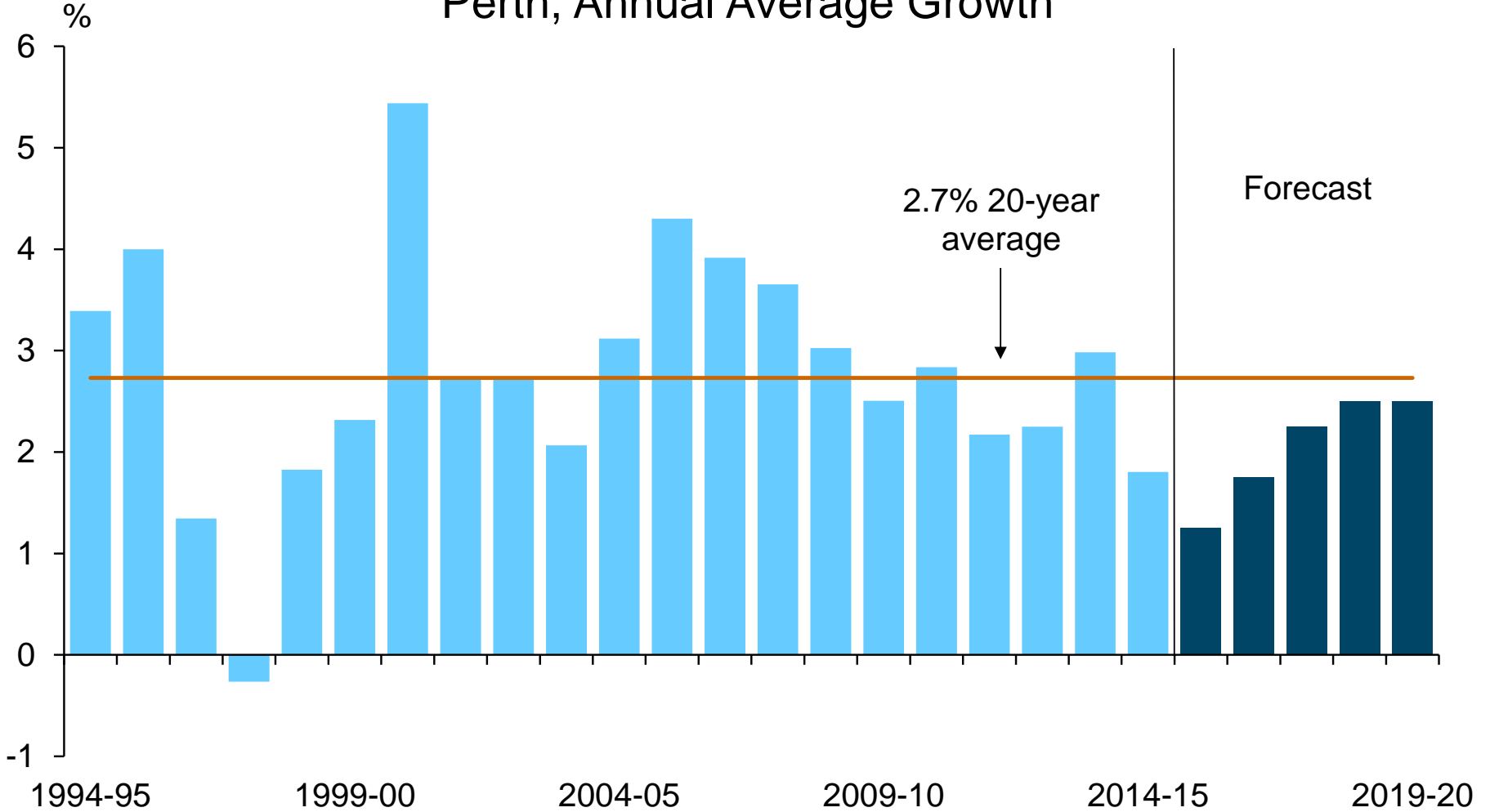
Perth Consumer Price Index

CONSUMER PRICE INDEX Perth



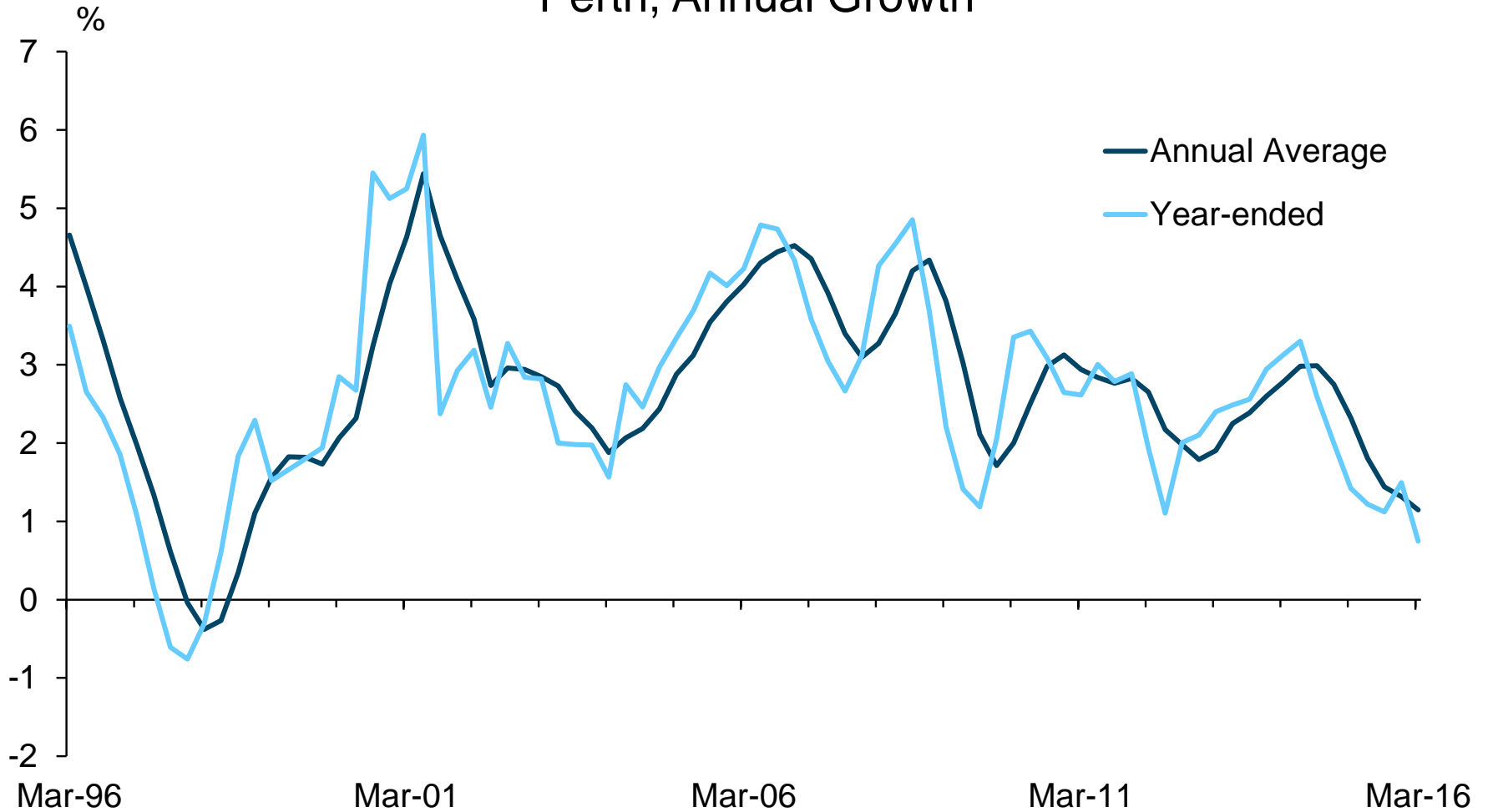
Source: ABS Cat. 6401.0

CONSUMER PRICE INDEX Perth, Annual Average Growth



Source: ABS Cat 6401.0 & Department of Treasury

CONSUMER PRICE INDEX Perth, Annual Growth



Source: ABS Cat. 6401.0

CONSUMER PRICE INDEX FORECASTS

Annual Growth (%)

	2015-16	2016-17	2017-18	2018-19	2019-20
WA Treasury 2016-17 Budget	1.25	1.75	2.25	2.5	2.5
RBA , May 2016 Statement on Monetary Policy	1.0	1.5 – 2.5	1.5 – 2.5	n.p.	n.p.
Commonwealth Treasury 2016-17 Budget	1.25	2.0	2.25	2.5	2.5

Note: CPI growth forecasts for the Commonwealth Treasury and RBA are in year-ended terms.

RISKS TO THE OUTLOOK

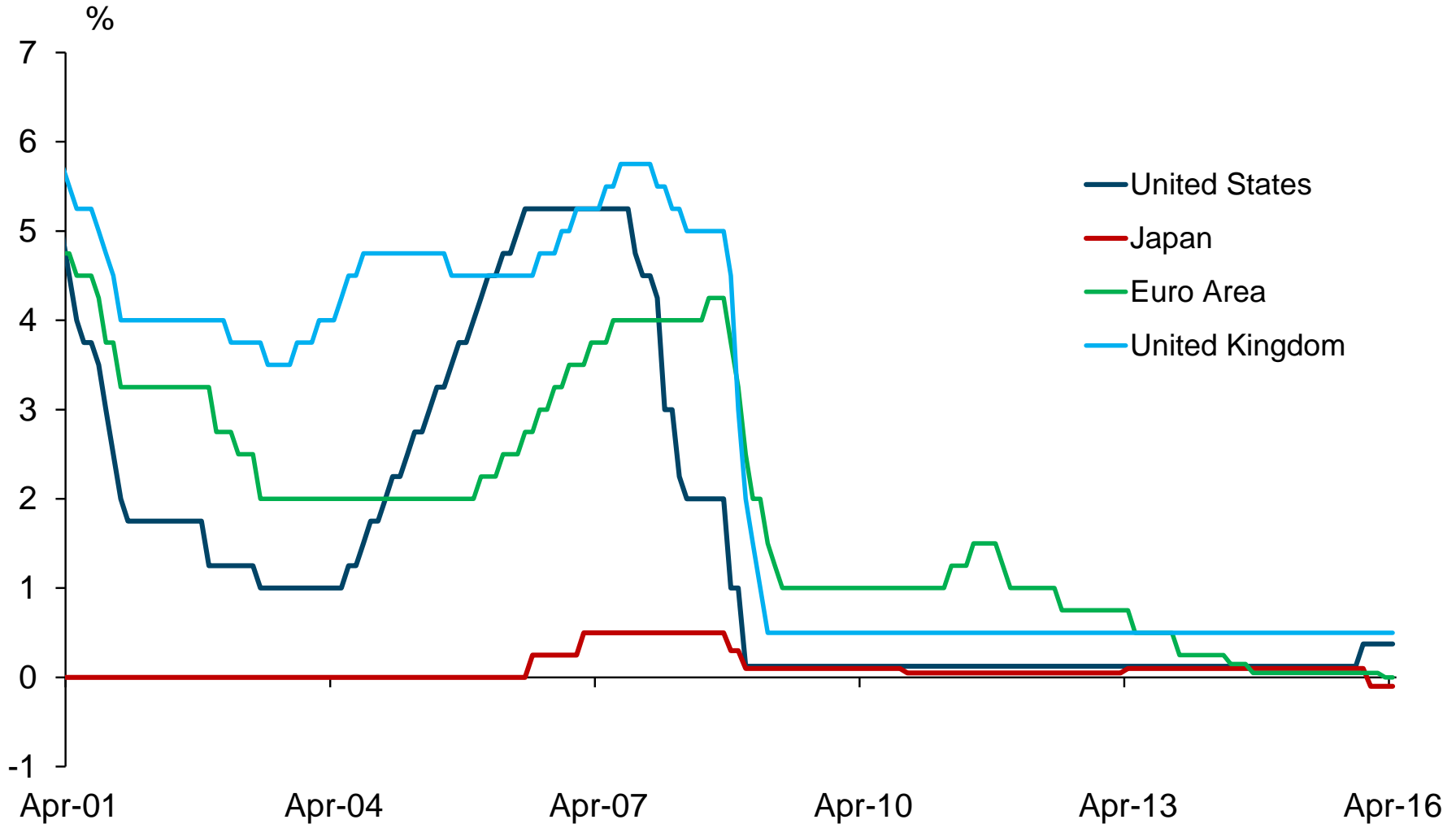
Global

- China's demand for the State's iron ore
- Monetary policy in the United States

Domestic

- Magnitude and timing of business investment decline
- Over-supply in the housing market
- Weaker employment and population growth

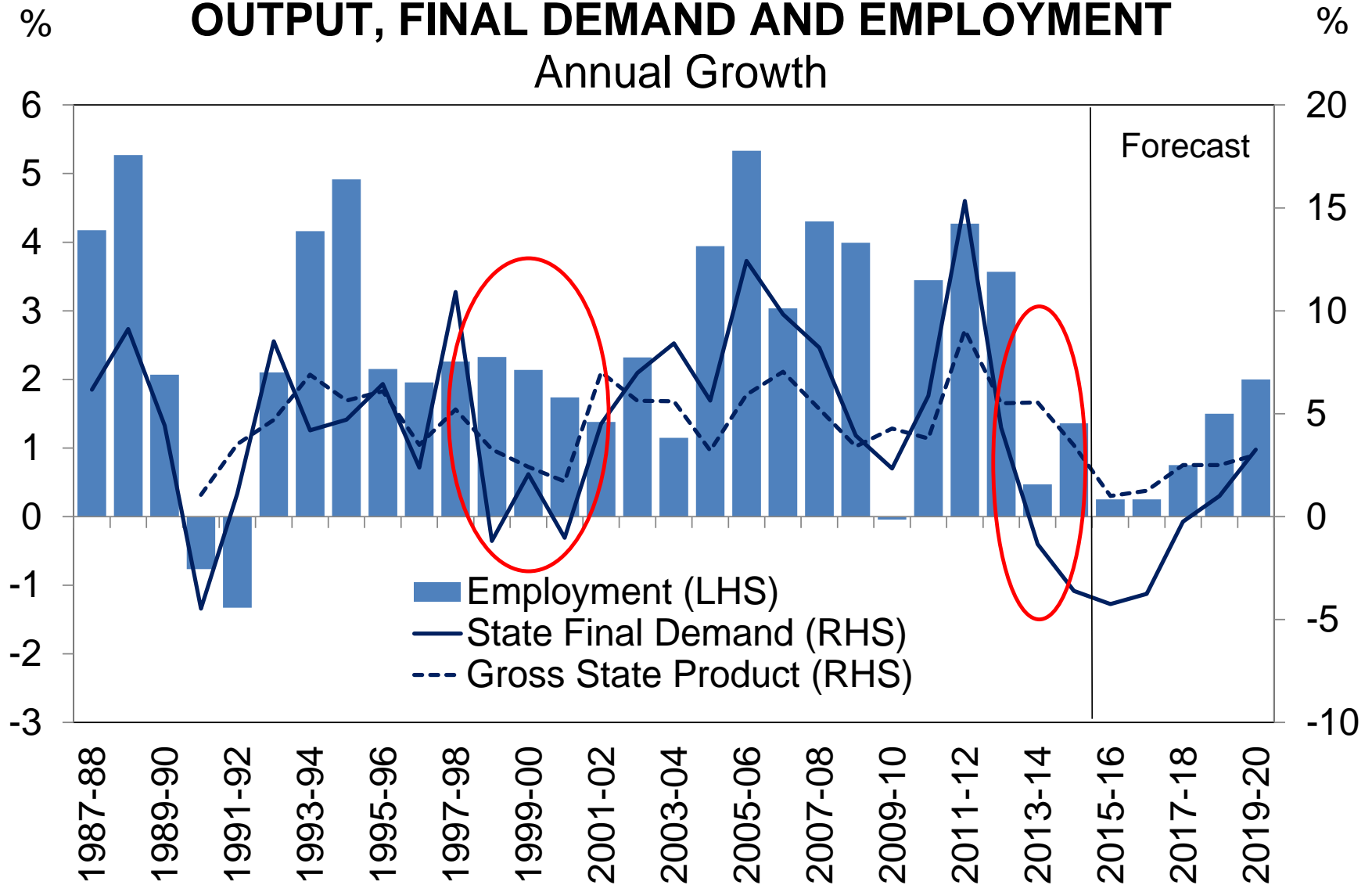
INTERNATIONAL OFFICIAL INTEREST RATES



Source: RBA

OUTPUT, FINAL DEMAND AND EMPLOYMENT

Annual Growth



WESTERN AUSTRALIAN FORECASTS

Major Economic Aggregates, Annual Growth^(a) (%)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
State Final Demand (SFD)	-3.6	-4.25	-3.75	-0.25	1.0	3.25
Gross State Product (GSP)	3.5	1.0	1.25	2.5	2.5	3.0
Employment	1.5	0.25	0.25	0.75	1.5	2.0
Unemployment rate ^(b)	5.4	6.25	6.75	6.5	6.25	5.75
Consumer Price Index (CPI)	1.8	1.25	1.75	2.25	2.5	2.5
Wage Price Index (WPI)	2.2	1.75	1.75	2.25	2.75	3.25
Population	1.4	1.2	1.3	1.5	1.7	1.9

(a) Annual average growth unless otherwise stated.

(b) Average rate over the year.

Source: 2016-17 State Budget