

STATE ECONOMY — CREDIT RATING

457. Mr J.M. FRANCIS to the Treasurer:

Given that the United States recently lost its AAA credit rating, I am interested to hear the Treasurer update the house on how the Western Australian economy is stacking up and, in particular, whether there are any external indicators that might be able to give us a better measurement of how the economy is looking.

Mr C.C. PORTER replied:

I thank the member for his question and for the casual and non-note-based way in which he asked it.

Mr M. McGowan: He has been practising all morning.

Mr C.C. PORTER: Indeed; he has to have something to do!

Three important reports came out during the winter recess. In the context of what are tumultuous times internationally and times that may well come to have some effect on our economy, it is worth looking at those three reports. I refer to, firstly, the “Deloitte Access Economics–Arup Investment Monitor”; secondly, Deloitte’s economic quarterly business outlook; and thirdly, CommSec’s “Economic Insights” report.

Mr T.R. Buswell: It is a good one.

Mr C.C. PORTER: Indeed; that is one of my favourites. The “Deloitte Access Economics–Arup Investment Monitor” described WA as the heavyweight champion of the Australian landscape, which is a graphic description. It had a particular focus in that report, not just about the amount of business investment that is going on in Western Australia, but about the amount of government and public sector investment, which when we speak about debt—which we often do—is what the debt is paying for. The report in the “Investment Monitor” noted that WA has the highest value of planned projects for health and education anywhere in Australia—the big states and the small states. This government is investing more in economic infrastructure, health and education than anywhere else in Australia, which brings me to this chart, which I quickly show members and note that the total of the infrastructure investment program in Western Australia is \$7.6-odd billion.

Mr P. Papalia: That is much clearer!

Mr C.C. PORTER: It is as simple as I could make it, member for Warnbro—it does not get any simpler than the wagon wheel!

Mr E.S. Ripper: That is the composition of the government’s majority in the Parliament, isn’t it?

Mr C.C. PORTER: Or yours in the party room! Who knows? Members will note on this chart that of the \$7.6-odd billion expenditure in 2011–12 there are very large amounts in: health, \$1.558 billion; electricity utilities, \$1.337 billion; and education, \$850 million. What is very important to note with that figure of \$7.638 billion is that the average yearly spend over the eight years of the previous government was about \$3.17 billion. The fact remains that if members opposite come into this place and talk about debt, at some point as an opposition they have to say what in that wagon wheel they will cut out. What will go?

Several members interjected.

Mr C.C. PORTER: Members opposite will still have to find somewhere else to put people, and that will require extra investment, but we are not quite at that level.

That same report also noted that only Western Australia and Victoria predicted net operating surpluses across all years from 2013–14. The second report was Deloitte Access Economics quarterly “Business Outlook”. It noted that all of the forecasts looked at showed that WA would increase its international exports to a staggering \$165 billion by 2015–16. That reaffirms again that part of that wagon wheel is the economic infrastructure that allows that to occur. The third report was CommSec’s “Economic Insights”. What was very interesting is that the CommSec report prior to this listed the Australian Capital Territory as the standout economy in Australia, so I do not know how much faith I put necessarily in CommSec. However, it said that the state’s unemployment rate was 4.2 per cent in June, which was well below the national average of 4.9 per cent and the lowest of all states. Of course, listening to some of the debate that was engaged in last evening about domestic content, what we would all hope is that those big projects start to flow through and start to create opportunities for small and medium-sized business. It was interesting that someone came to me recently, and in an effort to argue that flow through was not occurring fast enough, they raised with me total bankruptcy figures for the December quarter as the earliest data available. The figures showed that in WA in the December quarter of 2010 there were 386 bankruptcies, of which 100 were business bankruptcies and the rest personal bankruptcies. It did not sound right that that figure somehow was proving that the WA economy is not doing as well as we might like. When one looks at our percentage of population, which is about 10.3 per cent, our percentage of the overall GDP of the

nation is 14.63 per cent; so business is growing in WA. Then the question becomes: what is our percentage of the overall bankruptcies? It is 0.6 per cent. Not only do we have —

Mr E.S. Ripper: So you are happy with the state of the WA economy, are you?

Mr C.C. PORTER: If I had a choice between this economy and anywhere else in the world, I would probably choose WA right now. The point about this is that based on data this is a good jurisdiction to do business in. What we would usually expect is that bankruptcies would be around the same level of the state's share of the total Australian economy. That is what happens in New South Wales, which has about 31 per cent of entire nation's GDP, and about 34 per cent of its bankruptcies; Victoria has about 22 per cent of entire nation's GDP and about 18.76 per cent of its bankruptcies. At the same time as WA is growing business and having a larger share of the national pie, we are shrinking our national share of failures. That is a very healthy situation to be in. No doubt there will be difficult times ahead because of the world economy, but that is not a bad launching pad.