

WA on right track but



■ Peter Milne

The consensus is building that WA is picking itself up, but if inflation leads to interest rate hikes we will be in unfamiliar and dangerous territory.

The mixed feelings were expressed at an Australian Institute of Management WA/West-Business CEO Voice roundtable that asked corporate leaders: "Has WA business turned the corner yet?"

Our economic diversity, the perennial booms and busts, resource sector optimism and the risk of high household debt all featured in the discussion chaired by AIM WA chief executive Gary Martin.

ACIL Allen Consulting executive director WA John Nicolaou said slackness in the labour market was slowly being absorbed with lower underemployment, stable unemployment and full-time job creation growing. "We are on that path towards a sustainable growth path," he said.

Mr Nicolaou said the boom left WA with a bigger, more broadly based economy and a more sophisticated city.

"I think we are on the cusp of growing again at a more healthy three or 4 per cent rate, I just don't think it's going to be a 6-7 per cent rate that we saw during the peak," he said.

Perdaman Group managing director Vikas Rambal strongly believed the State needed more mega-projects.

Mr Nicolaou said he thought that era was gone but investment was returning to the resource sector in the form of expansions of existing projects.

"The mining industry, clearly the dominant industry in the State, has positioned itself really well for the next upswing," he said.

Multiplex regional managing director WA Chris Palandri said there was plenty of capacity in their market to deliver the new projects.

WesTrac chief executive Jarvas Croome agreed there was ample capacity, for now, but he did not want to see a repeat of the boom-bust cycle.

"We've got a real risk here, if we don't continue to keep our global competitiveness as we come out of this cycle we'll lose it again, we're still under wage pressure," he said.

"There is a window of oppor-



I think the leadership is missing in the State.

Vikas Rambal
Perdaman Group managing director



Workplace stress is higher than ever.

Kelly Van Nelson
Ajilon general manager



We've got 130,000 odd people that are underemployed, we've got 80,000 people that are unemployed.

John Nicolaou
ACIL Allen Consulting executive director WA



With the visa situation... we've potentially got a bottleneck on how quickly we can employ people.

Brodie McCulloch
Spacecubed managing director



Employee confidence is still not quite there yet with the traditional resource sector.

Candy Choo
Local Government Professionals WA CEO



We've had a generation of people who have never experienced a recession.

Mark Fitzpatrick
Telethon Speech and Hearing CEO



When the waters are really rough there is lot more opportunity.

Leanne Karamfiles
Deloitte assurance and advisory lead



Do the booms make the busts worthwhile?

Nicky Cusworth
Economic Regulation Authority chair



tunity for us but we've got to make sure we don't get out of control on inflation."

Local Government Professionals WA chief executive Candy Choo said we would never get back to 18-year-olds earning six figures on a mine site, as happened 10 years ago.

Ajilon general manager Kelly Van Nelson said the IT sector was growing after being hit by the globalisation of contracts but was seeing pressure on rates.

"Salaries came down the last five years slowly and incrementally year on year, this is the first

year we've seen that stabilise," she said.

Economic Regulation Authority chairwoman Nicky Cusworth said WA had always been a multi-speed economy and this was a great strength but the rollercoaster had its downside.

"Socially, the disruption of the big changes can be very, very painful," she said.

"But economically, if you look on average for WA over say 10 or 15 years, compared to the rest of the economy we actually look stronger.

"Our wages are stronger, our

unemployment rates are lower."

Some leaders saw hurdles in building the non-resource side of the economy, Mr Nicolaou said WA was underweight in the tourism and education sectors compared with the other States.

Motor Trade Association of WA chief executive Stephen Moir said Perth was still a very expensive place to come to on holiday.

Mr Moir was also concerned about skill shortages and called for policy changes to attract more people into vocational training.

Spacecubed managing director Brodie McCulloch said the visa system could create a bottleneck in supplying a surging demand for robotics and engineering skills over the next five to 10 years if the economy does pick up.

Deloitte assurance and advisory lead Leanne Karamfiles said it was important to remember that there were benefits from challenging times.

"When things are going well and the waters are calm it's very hard to pass competitors, it's very hard to change your

Headline numbers and figures point to a solid recovery



■ Gary Martin

After several years in the doldrums, has the tide of economic fortune finally turned in WA's favour? Or are we witnessing only a few

isolated green shoots that will fail to add up to the sustained broad recovery that is so desperately needed in this State?

Certainly some of these green shoots make for compelling arguments that a broad-based recovery is under way.

And none other than the Reserve Bank governor Philip Lowe

declared last month that he felt WA's economy had turned the corner.

"It's not a boom again but there's more sustainable investment going on," he told a Federal parliamentary committee in Canberra.

Our own Treasurer, Ben Wyatt, is cautiously optimistic that a recovery is taking hold, pointing to:

- Jobs growth that is close to its strongest level in five years.
- Increases in Gross State Product and business investment.
- WA population growing at its fastest rate in two years.

It is apt that I refer to the Treasurer because the McGowan Government was elected in March last year on a promise to fix the

State's parlous finances, by reining in spending, reducing the size of the public service, and being more judicious when it comes to infrastructure project selection.

There are certain levers that the Treasurer can pull.

But he, and the entire Government, have also been hoping for some favourable tailwinds.

rate rise could derail it



WA business leaders gathered for the CEO Voice roundtable. Picture: Michael Wilson



There's plenty of capacity in the market to go and deliver new projects.

Chris Palandri
Multiplex managing director WA



Employees are looking to see what the company does to give back.

Jenny Allen
Foundation for the WA Museum chief executive



If we don't continue to keep our global competitiveness as we come out of this cycle we'll lose it again.

Jarvas Croome
WesTrac chief executive



Perth is still a very expensive place to come on holiday.

Stephen Moir
Motor Trade Association of WA CEO



The thing I'm watching the most... when the interest rate dial starts to move.

Heather Zampatti
Bell Potter Securities head of wealth management



relative position in the pecking order," she said.

"But when things are troubled, when the waters are really rough there is lot more opportunity."

WA Museum Foundation director Jenny Allen said she was encouraged when engaging the corporate sector for endowments for the new museum.

"Because it's about tourism, it's about jobs, it's about science, it's about the future for our kids," she said.

Despite the green shoots the business leaders are seeing

there is one overwhelming concern.

If the Reserve Bank tries to reign in growth-fuelled inflation with interest rate hikes, highly levered households and businesses unaccustomed to anything but low interest rates will suffer.

Mr Nicolaou said the recent boom had two aspects.

"There was a mining boom, but there was also a population boom and that... created the market for housing," he said.

Mr Palandri said the green-shoots he saw in construction

were in those suburbs that allowed some higher density but any significant rate rise concerned him.

"I don't think the overall market is ready to adjust to a new norm in interest rates," he said.

Bell Potter Securities head of wealth management Heather Zampatti said having household debt at 200 per cent of income was staggering.

She expected US rates would rise first which, and if the US dollar strengthened in response, Australia would be more competitive.

Australian rates would need to rise at some point, but not yet.

"This is really the thing I'm watching the most... when the interest rate dial starts to move," she said.

Telethon Speech and Hearing chief executive Mark Fitzpatrick said if interest rates rose there would be more defaults on mortgages.

Ms Allen said there was a whole realm of social issues the State would need to deal with.

"It's about health, it's about mental health, it's about homelessness," she said.

of State's economy, with dark clouds in rear-view mirror

So let's look at the numbers. In 2016-17, WA's GSP grew a paltry 0.25 per cent and unemployment was 6.2 per cent, much higher than on the east coast.

Today, GSP growth is about 2.5 per cent — a bit lower than Mr Wyatt had hoped, though it appears on track towards a new "normal" of 3 per cent.

Unemployment levels have fallen to 5.9 per cent and commodity prices, particularly for the State's dominant iron ore and petroleum sectors, have remained perhaps stronger than anticipated.

Then there is the latest mining boom, the hunt for battery minerals such as lithium, cobalt and nickel in particular, which has driven

significant investment in WA in both exploration and development.

And let's not forget the real estate sector, where rental vacancy rates are again falling and median house prices in many areas around Perth are on the rise again, helped of course by this country's stable interest rate environment and WA's improved population growth.

Stockbrokers are pointing to soaring sharemarkets and commercial lawyers are salivating at what they describe as an uptick in business inquiries.

So the headline numbers and signals speak for the emergence of a solid recovery of WA's fortunes, after several years of hangovers from the China-fuelled resources

boom party and the resultant painful structural reform as business, small to large, and the Government undertook their own emergency surgery to cut their inflated cost bases.

■ Gary Martin is chief executive of the Australian Institute of Management WA