

WA STATE BUDGET 2017-18

THE WESTERN AUSTRALIAN ECONOMY

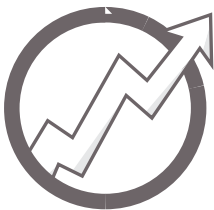
The Western Australian economy is showing signs of recovery.

The McGowan Labor Government is delivering a jobs focused agenda, with responsible financial management and budget repair that is helping build confidence in the Western Australian economy.

The State's economy is expected to have bottomed in 2016-17 and is now showing signs of recovery. Economic growth is forecast to pick up to 3% in 2017-18 up from just 0.25% in 2016-17. This is underpinned by strong growth in net exports.

THE ECONOMY AT A GLANCE

- Gross State Product (GSP) forecast to grow by 3% in 2017-18.
- Unemployment rate expected to have peaked in 2016-17.
- State Final Demand projected to grow for the first time in six years in 2018-19, with modest growth of 1%.

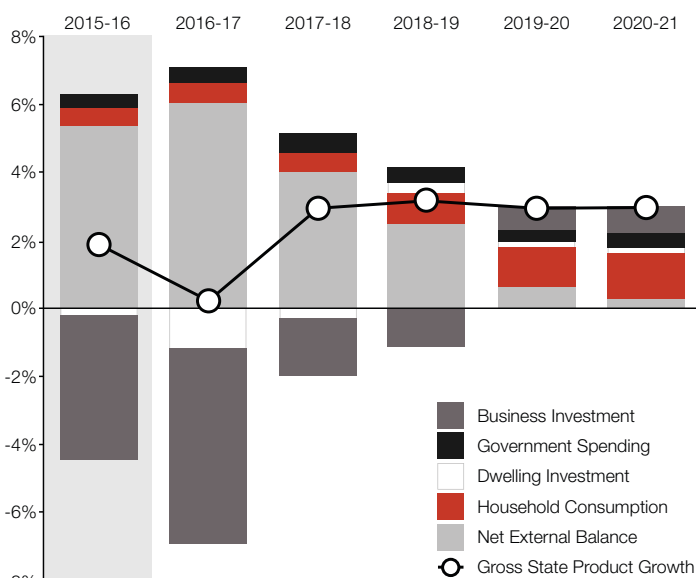


DRIVERS OF ECONOMIC GROWTH

Strong growth in net exports and modest growth in household consumption are expected to result in positive growth in the State's economy. Business investment is forecast to contribute to growth from 2019-20.

- **Western Australia's transition from mining construction to production is almost complete.**
The lessening impact of falling business investment and strong growth in net exports (estimated at 12% in 2017-18) underpin forecast growth in GSP of 3% in 2017-18.
- **Increased labour demand is set to drive a return to employment growth** in 2017-18 (of an estimated 1.5%), although wage growth is forecast to remain subdued.
- Low wage growth, a subdued housing market, and weaker than expected population growth mean that **the domestic economy (as measured by State Final Demand) is projected to contract for a fifth consecutive year** in 2017-18. Modest growth (of 1%) is forecast for 2018-19.
- **Net exports are forecast to remain the largest driver of economic growth for the next two years.**
From 2020-21, household consumption is set to take over as the main contributor – in line with stronger labour market conditions and population growth.

GROSS STATE PRODUCT CONTRIBUTIONS TO GROWTH



WA ECONOMIC ACTIVITY ANNUAL LEVELS

