

Hansard

Legislative Assembly Budget Estimates Committee A

3rd June 2010

Dr M.D. NAHAN: In the past, because of Western Australia's very project-oriented economy, a supplementary way to forecast issues in this state has been to monitor big projects and how they are going. Is that still the case, because they can be very unpredictable both in time and magnitude at times. On the other hand, they are sometimes more predictable than macroeconomic models?

Mr C.J. BARNETT: Yes, it is. Thinking back in time, I remember doing some work on the impact of the North West Shelf gas project; it was very discrete and it could be measured very easily. The member will notice that these *Budget Statements* contain estimates of the impact of the Gorgon project on the state economic growth rate. We have these large, lumpy projects, and I would think that Treasury takes a fairly conservative view about incorporating them.

Gorgon is into construction; therefore, it would be incorporated, but I doubt that huge weight would be given to some of the projects that are a bit further out. I think that Gorgon and some of the iron ore expansions of the major companies can be treated with certainty now, but there is lumpiness. One of the difficulties is that the growth rate of the Western Australian economy, at least nominally, bounces around all over the place. That is not a true indication of what is happening.

Sometimes the growth rate seems to slow simply because the year before there was a very high injection of capital. I do not know whether the Under Treasurer agrees, but I think it can be wrong to read too much into year-to-year variations in Western Australia because it is so volatile because of that lumpiness. The Under Treasurer might like to comment on that; he will probably disagree with me!

Mr T. Marney: No, I think —

Mr B.S. WYATT: No, he will not comment; therefore he disagrees!

Mr T. Marney: Yes, it is true. As I said earlier, we try to come at forecasting from two different angles. On the one hand, we will do macro aggregate forecasting, not taking into consideration specific projects, and then we look at large projects such as Gorgon. The timing around Gorgon, as we understand it, has shifted in recent months, which has had quite a significant impact on the profile of growth in the forward estimates, as the Treasurer suggested.

As the Premier suggested, therefore the gross state product measures can be quite volatile and do not give a true representation of what the real outcome of growth in community wellbeing actually is. In that context, to get a better sense of what is to the benefit of the people of this state from the state's economic activity, our read is employment and unemployment growth rather than looking at peaks in lumpy hundreds of millions of dollars of single quarters of investment.