

WA economy tipped for strong growth

- Rebecca Lawson
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FIRING AWAY: CCIWA has lifted its growth forecast for WA after a better than expected end to the 2009-10 financial year. Picture: **File** Source: PerthNow

THE Chamber of Commerce and Industry WA (CCIWA) has revised up its growth forecast for the state after a better than expected finish to the 2010 financial year.

However, the business lobby group has warned the positive outlook for WA may be short-lived, with growing concern that the recovery in the global economy will not be as strong due to uncertainty in Greece, Portugal and other European countries.

In its latest quarterly snapshot of WA's economy out today, CCIWA forecasts economic growth to reach 3.5 per cent in 2009-10, half a percentage point higher than previous forecasts.

"The new financial year has started with a bang for Western Australia with the economy tipped to fire on all cylinders," CCIWA chief economist John Nicolau said.

“As the economy continues to power up, economic growth this financial year will increase by a further 4.5 per cent with all sectors to play an important role.”

The positive outlook for this financial year stems from projections that growth will be built on increased business investment and rising levels of household spending, which will reach 4 per cent this year and driven by the strong population growth the state is expecting.

“That will be good news for consumer driven sectors of the economy, such as retail and hospitality, which are currently struggling due to rising costs, particularly wages which will increase considerably under the new awards system,” Mr Nicolau said.

CCIWA also predicts the state’s unemployment rate to drop to 3.5 per cent by the end of 2010-11. Last week, the Australian Bureau of Statistics showed that WA’s jobless rate had slumped to a 17-month low of 4 per cent for June.

For 2012-13, CCIWA has stuck with its previous economic growth forecast of 6.25 per cent.

“Despite the positive outlook, some short-term risks have emerged for WA,” Mr Nicolau said.

“There’s growing concern that the recovery in the global economy will not be as strong as first expected as a result of the economic uncertainty in Greece and other European countries.

“And locally, higher interest rates and the rising costs for businesses and households have also shaken business and consumer confidence in the June quarter, which may also act as a handbrake to growth over the coming months.

“Despite these risks, the long term outlook for the WA economy remains positive.”