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Perth isn't a boom-bust economy

Despite the long-held perception that Greater Perth has a boom-bust economy that rises and falls on the back of the resources sector, a landmark report by the Committee for Perth has dispelled that myth. The report examined a number of key economic indicators and found that the local economy was less volatile and more resilient than the Australian economy.

“As part of the FACTBase Special Report, *Perth as a resilient economy*, researchers have looked back over one of Perth’s most significant periods of economic diversification and expansion from the end of World War II to create a much-needed evidence base to inform future planning. The three key questions the report examined were, how and why the Greater Perth economy has changed over time. How it has experienced and recovered from different shocks, and the level of resilience in particular industries,” said Committee for Perth CEO, Marion Fulker.

“What the research found is that when you compare Western Australia’s gross state product, unemployment rate and housing price volatility with the rest of the country, we outperformed them. It was only on inflation that WA measured poorly against Australia.”

The report revealed that:

- Between 1991 and 2016, Western Australia increased its GSP every year and in 20 of the 26 years, WA outperformed Australia.
- Australia experienced three years of negative GDP growth per capita in 1991, 1992 and 2009. In contrast, Western Australia had only two years of negative growth per capita in 1991 and 2009, and in 18 of the 26 years WA outperforms Australia.
- The Western Australian unemployment rate tends to be lower than Australia’s. Of the 474 monthly unemployment reports between February 1978 and July 2017, in only 24% of these did WA record a rate higher than Australia’s.
- While Perth experienced a significant increase in property prices because of the resources boom, and more recently prices have fallen, these price movements are less volatile than in Sydney and Melbourne between March 2002 and June 2017.

The *FACTBase Special Report - Perth as a resilient economy* is part of the Committee for Perth’s *Bigger and Better Beyond the Boom* research project, which will identify industries that are growing and those in decline, as well as emerging economic threats and opportunities for the future. Ultimately, the final report will outline a blueprint for a vibrant and prosperous economic future for the region.

“What this report does is not only challenge the boom-bust narrative, but points to a Greater Perth economy that has remained resilient in the face of considerable external pressures. The decrease in global commodity prices in recent years has had a significant impact on the Western Australian economy and State finances, causing periods of slower growth. But looking at it broadly, the Greater Perth economy has performed well over a long period, has remained robust in the face of considerable external pressures, and is more stable than the rest of Australia,” added Mrs Fulker.

The FACTBase Special Report, prepared by academics at The University of Western Australia, also found that even though the population of Perth has more than quadrupled since World War II and is now a globally connected city, with a vibrant social life, the resources and agriculture industries continue to play a significant role in the local economy.

“The Primary Industries, agriculture, forestry, fishing and mining are the economic perennials in the Greater Perth economy. The construction industry is another strong performer, capitalising on the recent population growth and the almost frenetic expansion of the resources industries in the 2001-2007 period. Together, these industries continue to be important and there are signs they are innovative and engaging with growth opportunities, both within Australia and internationally,” Mrs Fulker said.

“While they’re not always the biggest employers or have the most firms, the Bright Lights Industries are those which are emerging. Their contribution to the vibrancy and diversity of the Greater Perth economy suggests that innovators and industries that harness creativity, the knowledge economy and have global connections, particularly in Asia, are likely to be at the forefront of our economy in the future. These industries include recreation, the professional, technical and scientific services industries, tourism, higher education and creative industries.”

The report found that growth in Greater Perth’s creative industry, which employs more than 41,000 people, was four times the rate of any other industry in the first half of the 2000s. Between 2006 and 2011, WA’s creative workforce grew at an average annual rate of 3.2% or by 5,956 employees.

“Then there are the Industries in Transition, health care and social assistance, retail and manufacturing. These industries are important, but they are facing economic or social headwinds, which are likely to continue to challenge them in this post-boom period,” Mrs Fulker added.

“The aged care sector, is not only having to respond to an ageing population, but its workforce is also ageing, with predictions that within a decade, more than 50% of the current workforce will need to be renewed.

“Retail is still an important employer, but it is no longer the biggest employer in Greater Perth. The industry is increasingly dominated by retail businesses that can take advantage of economies of scale in product, distribution and marketing. While online shopping, the cost of rents and globalised fashion trends all challenge smaller operators.”

While the private sector drove growth during the 2000s boom, the report found the public sector’s role as a key employer cannot be underestimated in supporting the economy, with the headcount peaking in 2013 at 139,642 employees. While average growth was almost 8%, the departments that grew the most between 2008-16 were the Department of Child Protection 34%, Department of Housing 24%, Department of Health 17.5% and the Department of Corrective Services 13%.

“Taking a long-term view, there are few signs to show that the Greater Perth economy is one that teeters from boom to bust. This report provides the evidence why the Perth economy has been a success, and with the right policy settings will continue to do so into the future,” said Mrs Fulker.

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