

Economic Outlook

CEDA ECONOMIC AND POLITICAL
OVERVIEW 2009

Timothy Marney
Under Treasurer

2008 Take Aways

- Capacity constraints will continue to determine growth prospects = capital works and reforms to expand capacity
- Interest rates or tax cuts = tough call!
- Managing State finances
 - same factors driving revenue are now driving costs
 - will continue to involve mutually exclusive choices = think of your household's choices
- Financial volatility will continue to mask robust fundamentals = long run focus the key

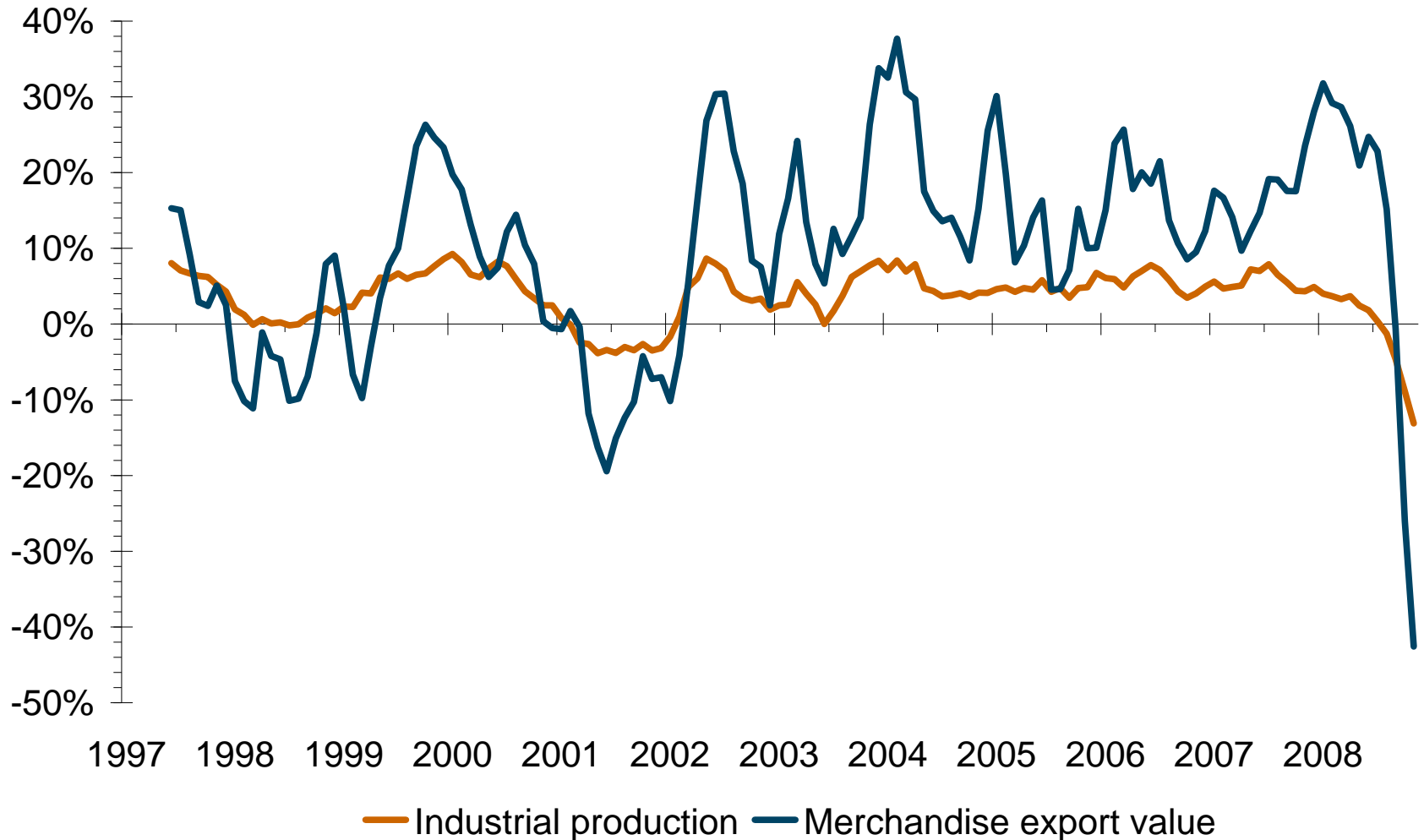
The World

Department of Treasury and Finance

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INDUSTRIAL PRODUCTION & GOODS TRADE

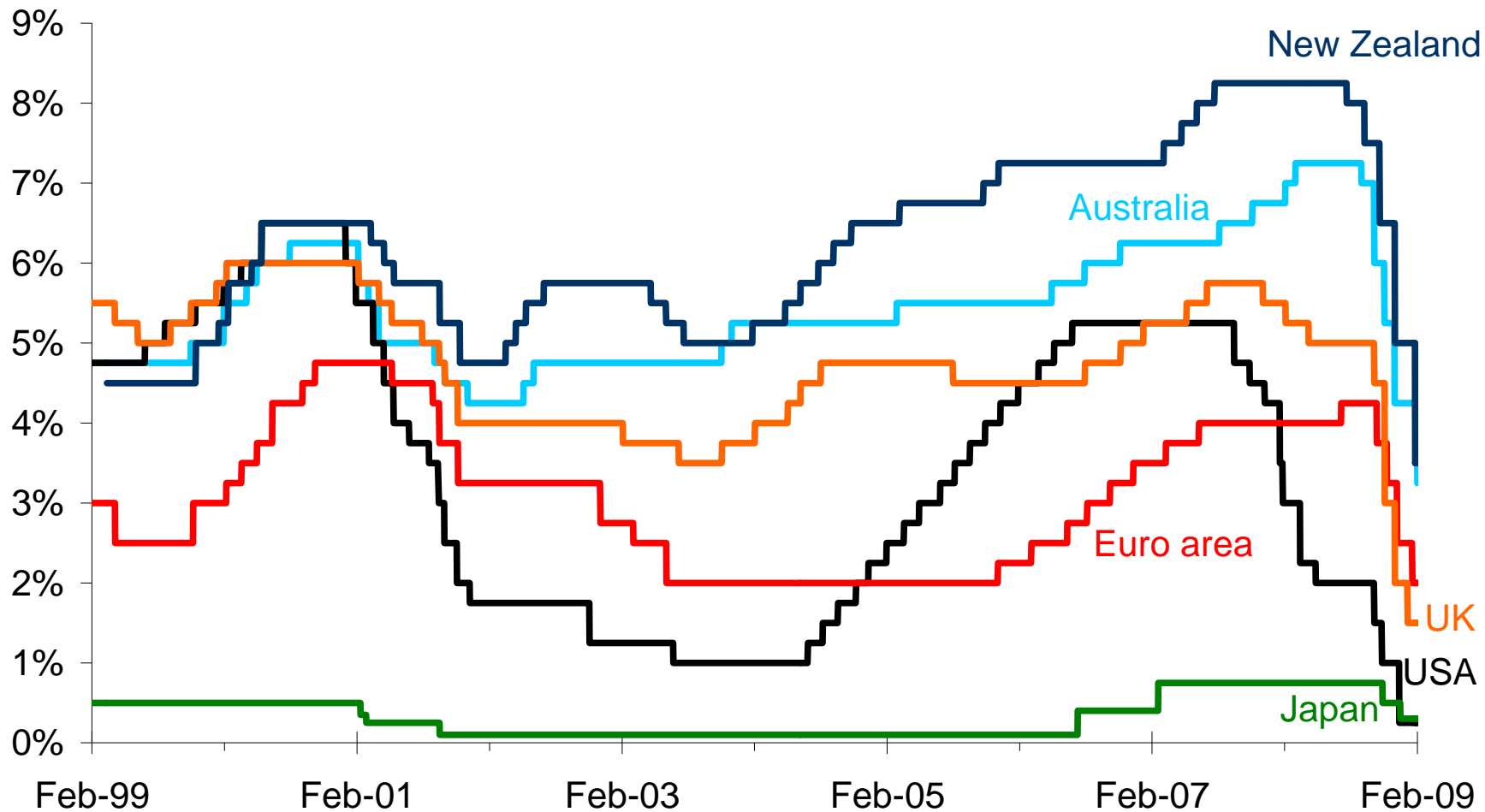
Global, Annualised Three-Month Percent Change



Source: IMF Jan 09 WEO Update

OFFICIAL INTEREST RATES

Monetary Policy Targets, National Definitions

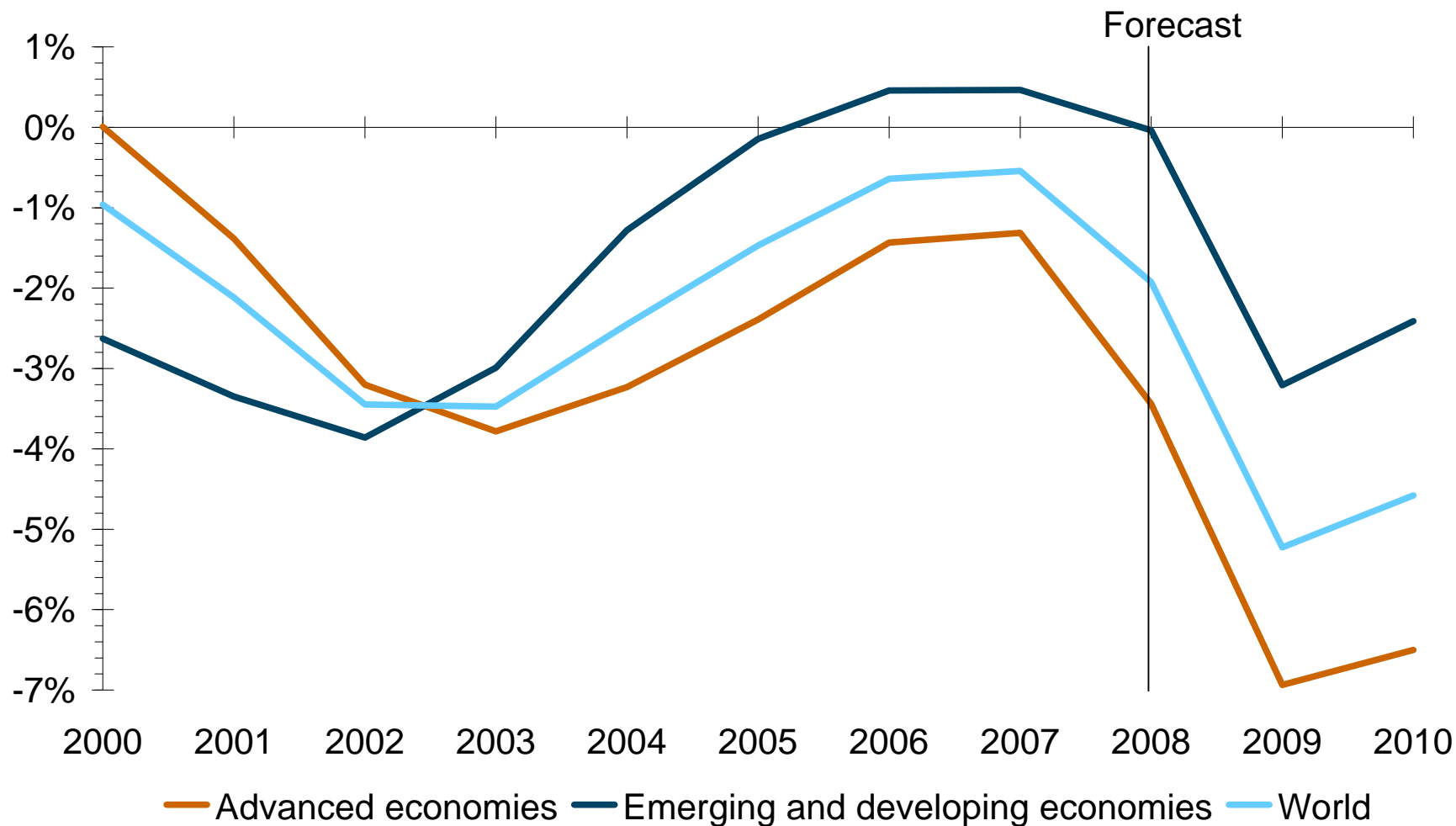


Source: Central Banks (via Datastream)

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GENERAL GOVERNMENT FISCAL BALANCES As % GDP

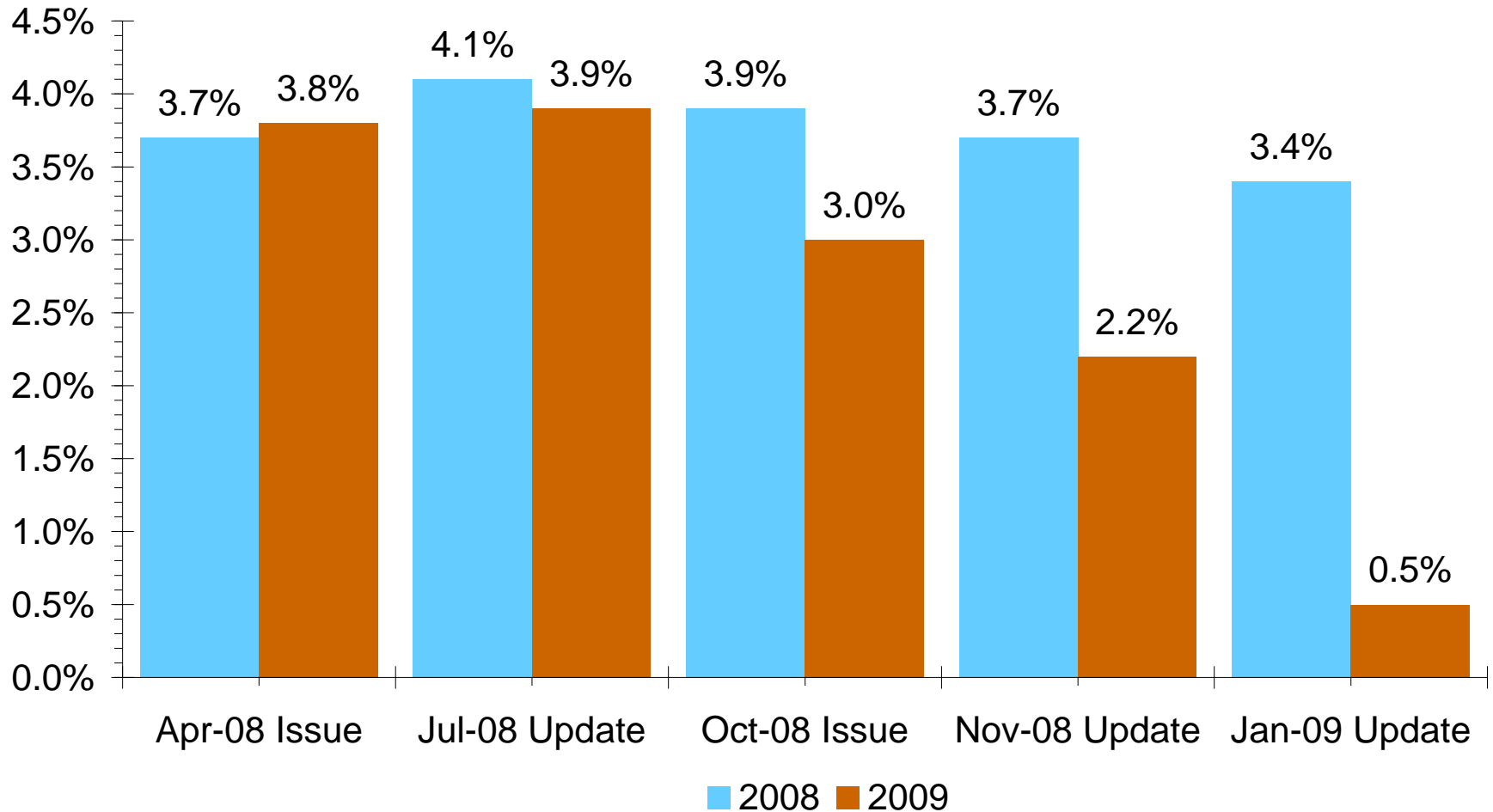


Source: IMF Jan 09 WEO Update

Global Policy Responses

- Symptoms vs Causes
- Short term solutions might be mid term problems
 - “L” rather than “U” shaped scenario
 - “Economic Nationalism” Risk
- Substantial Structural regulatory reform required

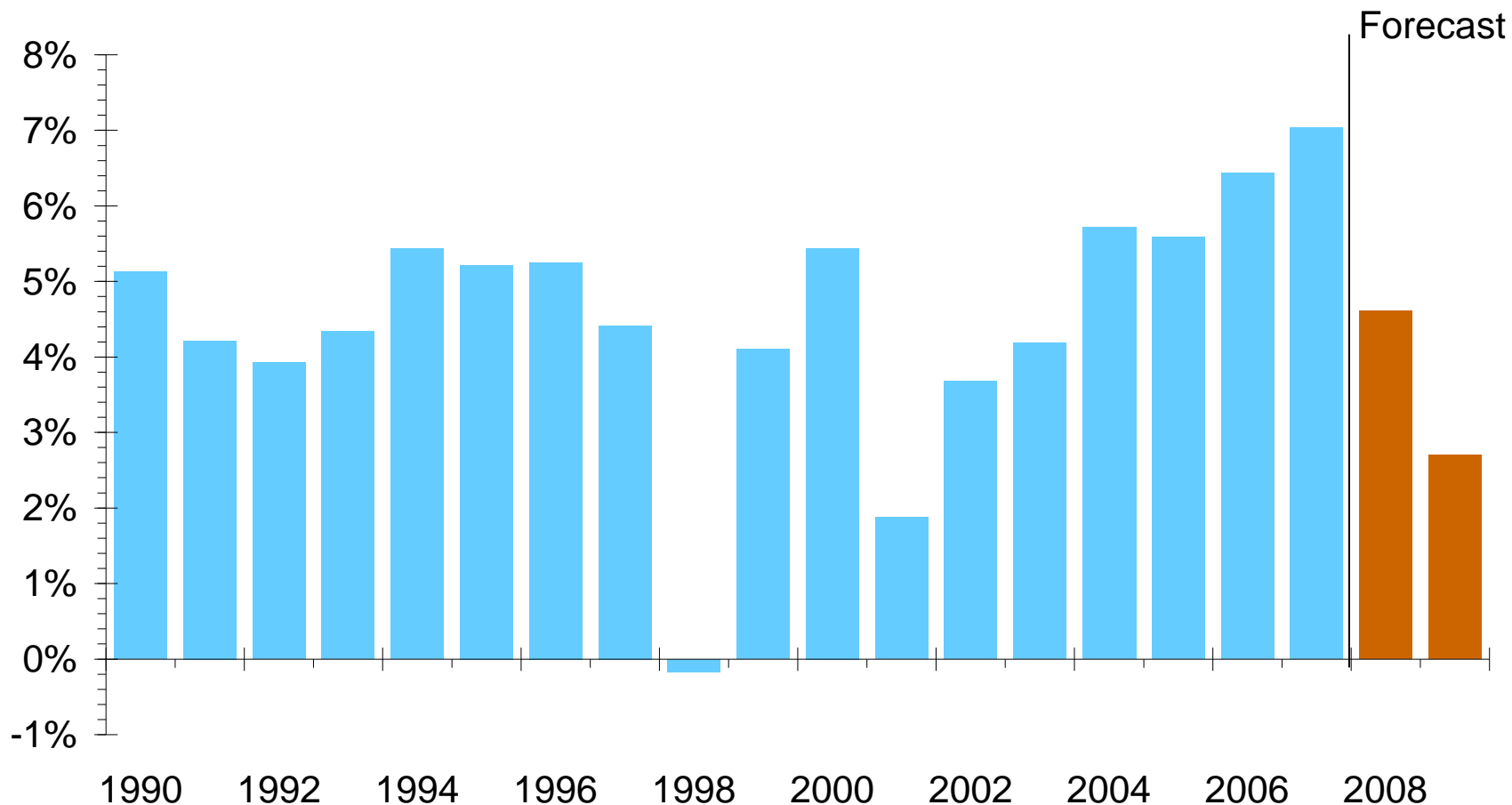
IMF GLOBAL GROWTH PROJECTIONS 2008 and 2009, World Economic Outlook



Source: IMF World Economic Outlook Database, Various Issues

GROWTH IN WA'S KEY EXPORT MARKETS

Weighted Average Economic Growth, % Change



Source: IMF WEO Database January 2009 and DTF

The Nation

Department of Treasury and Finance

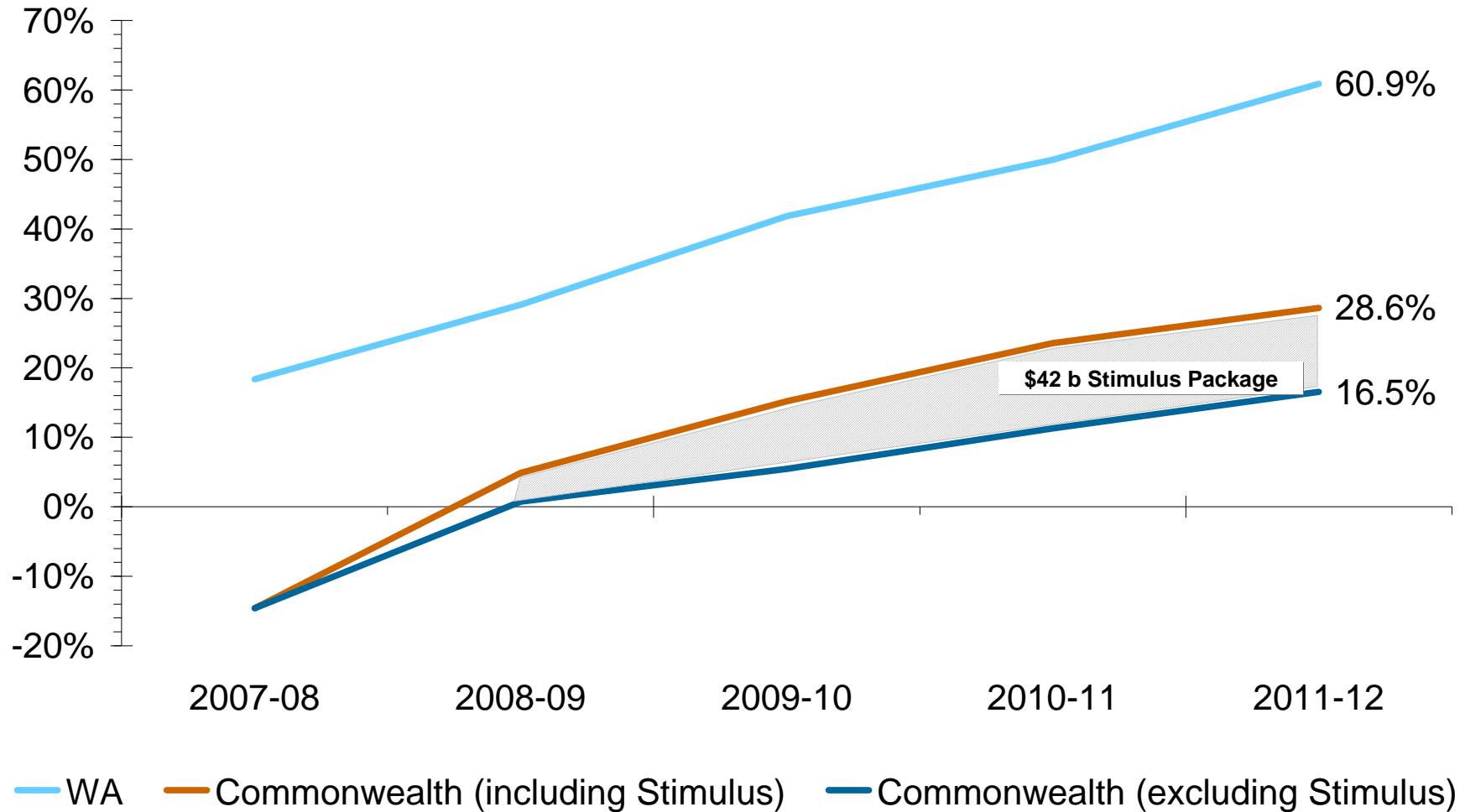
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Australian Policy Stand

- Role of Commonwealth Government
 - Monetary Policy
 - Fiscal Stimulus
 - Tax
 - Transfers
 - Timely, Targeted, Temporary
- Role of State Government
 - Partnering with the Commonwealth
 - Removing impediments to growth
 - Regulatory
 - Approvals
 - Prepare for next economic upturn
 - Infrastructure
 - Workforce

NET DEBT TO REVENUE RATIO

Western Australia and Commonwealth



The State

Department of Treasury and Finance

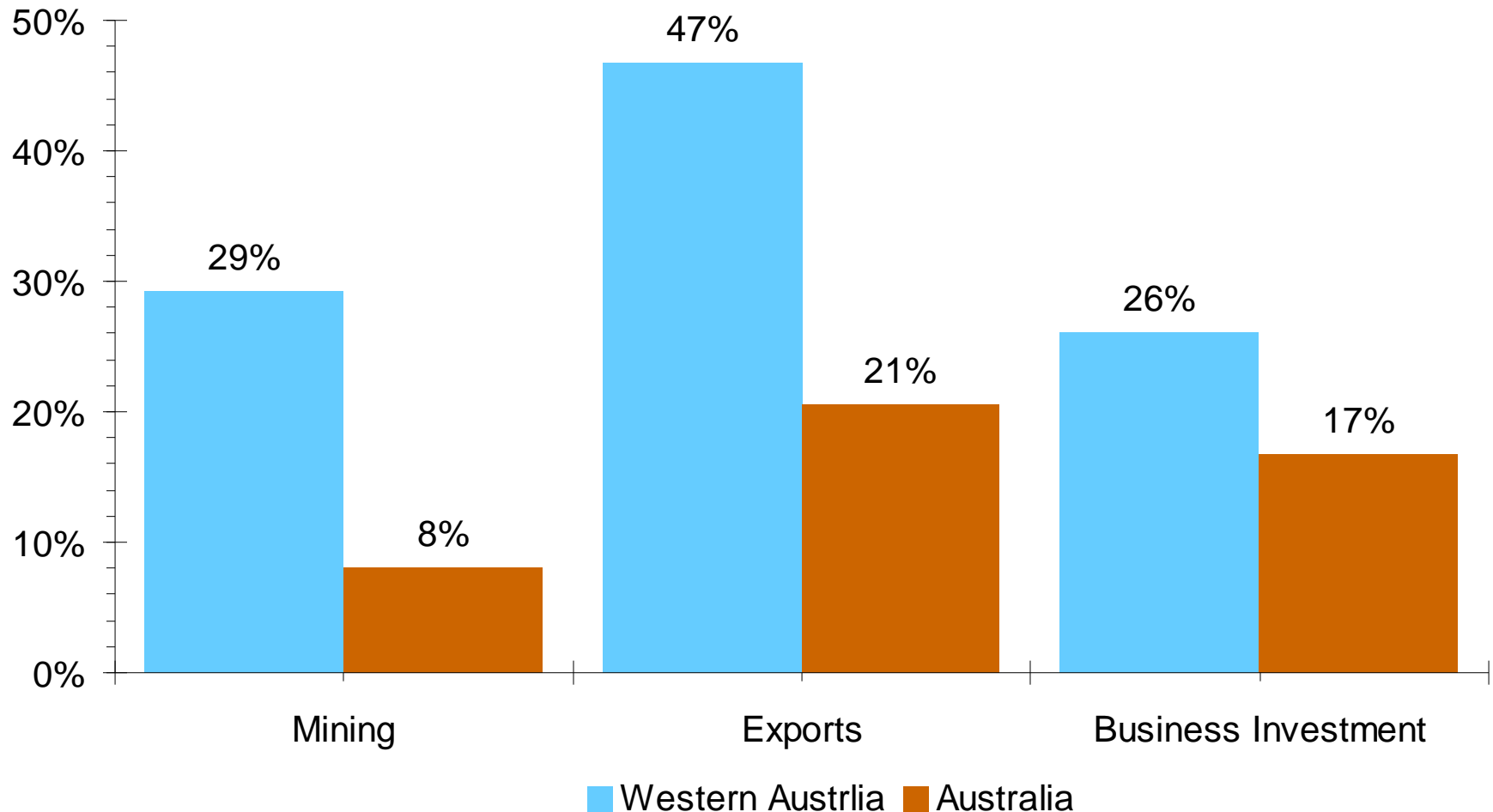
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Where are we headed

- WA's economy will be affected
 - Financial now beginning to translate into real economies
 - News will get worse before it gets better
 - But our fundamentals are sound

ECONOMIC ACTIVITY COMPARED

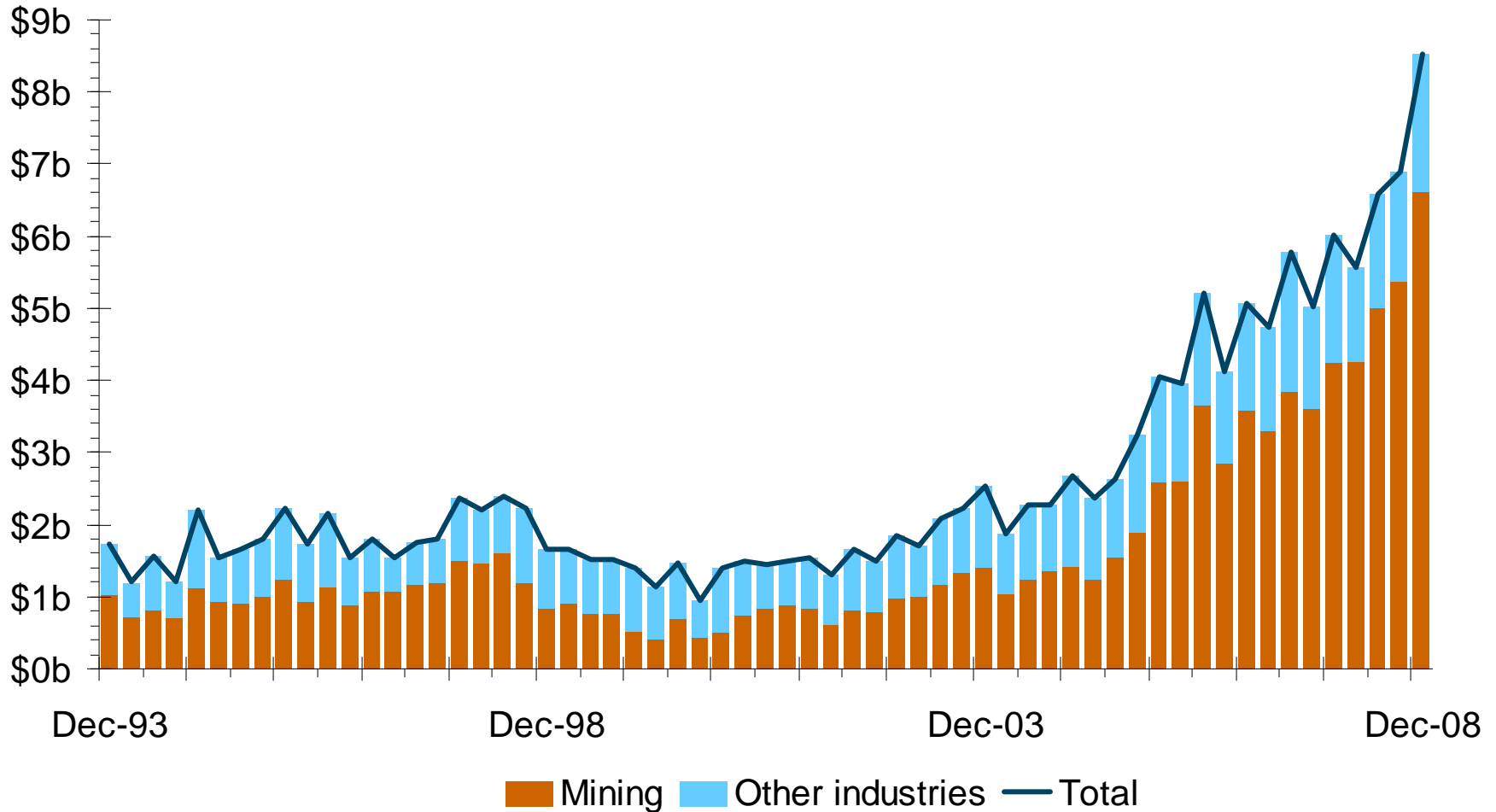
2007-08, As % Gross State/Domestic Product



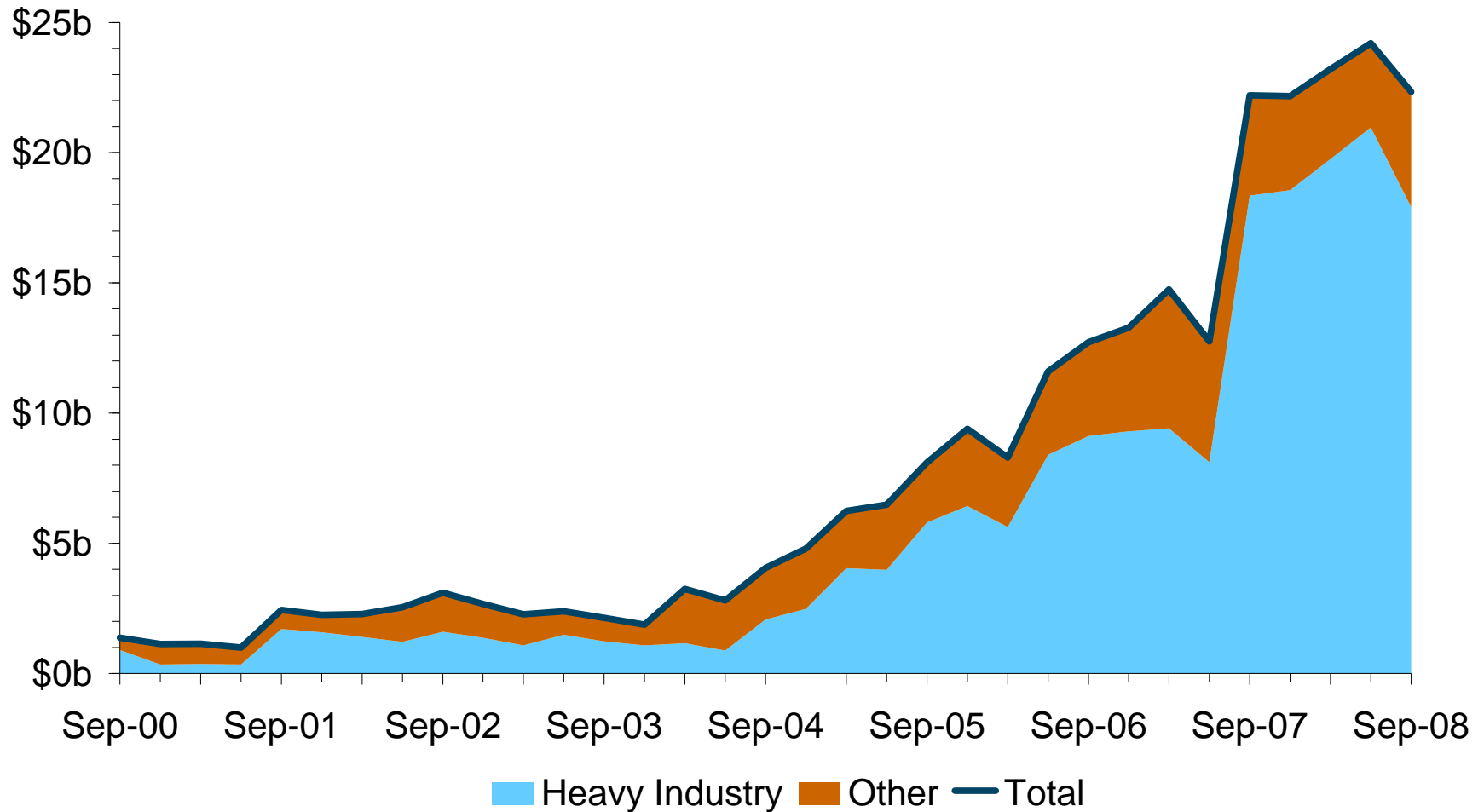
Source: ABS Cat. 5220

BUSINESS INVESTMENT BY SECTOR

Western Australia, Quarterly, Original



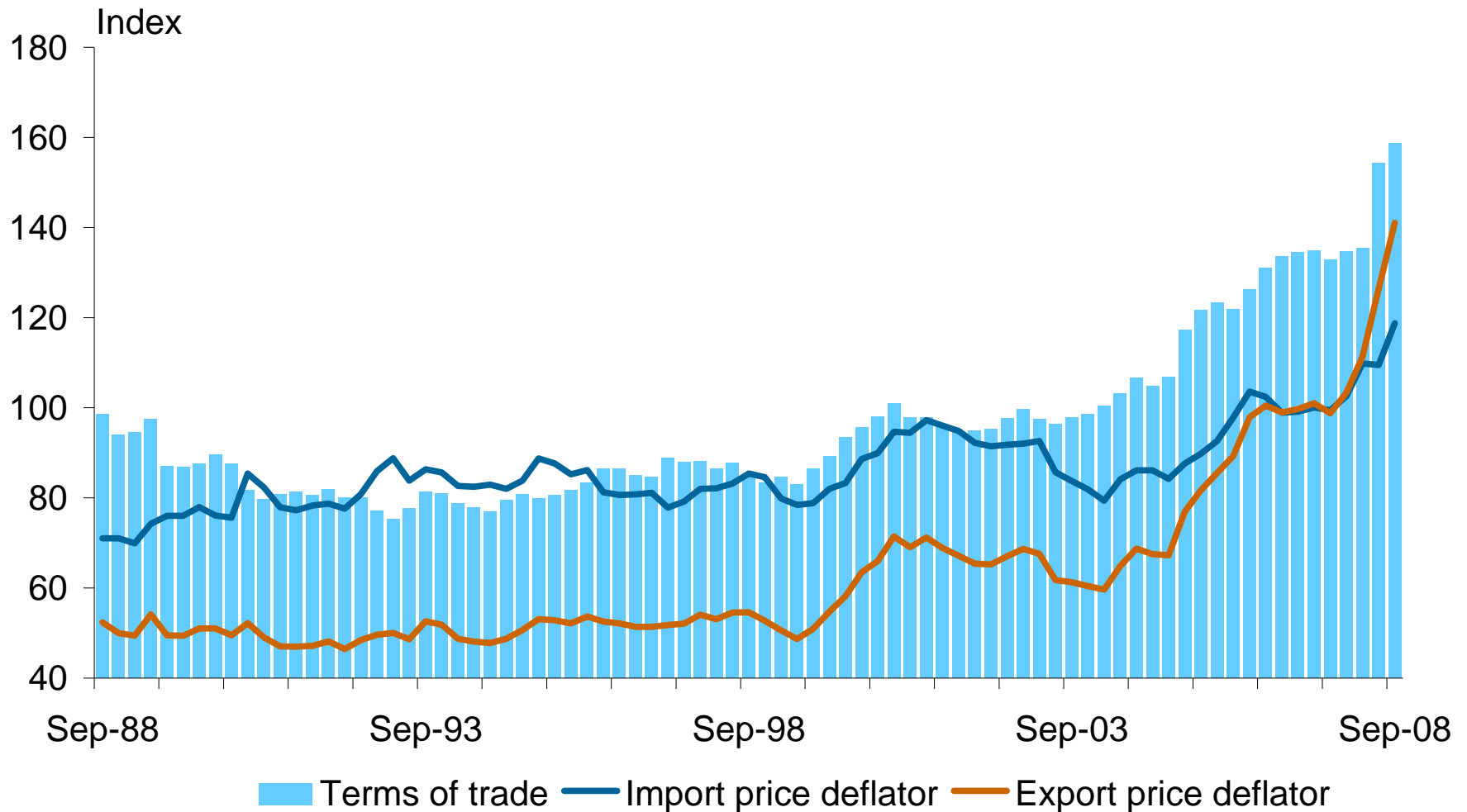
WA ENGINEERING CONSTRUCTION Work Yet To Be Done, Quarterly



Source: ABS Cat. 8762.0

EXPORT AND IMPORT PRICES

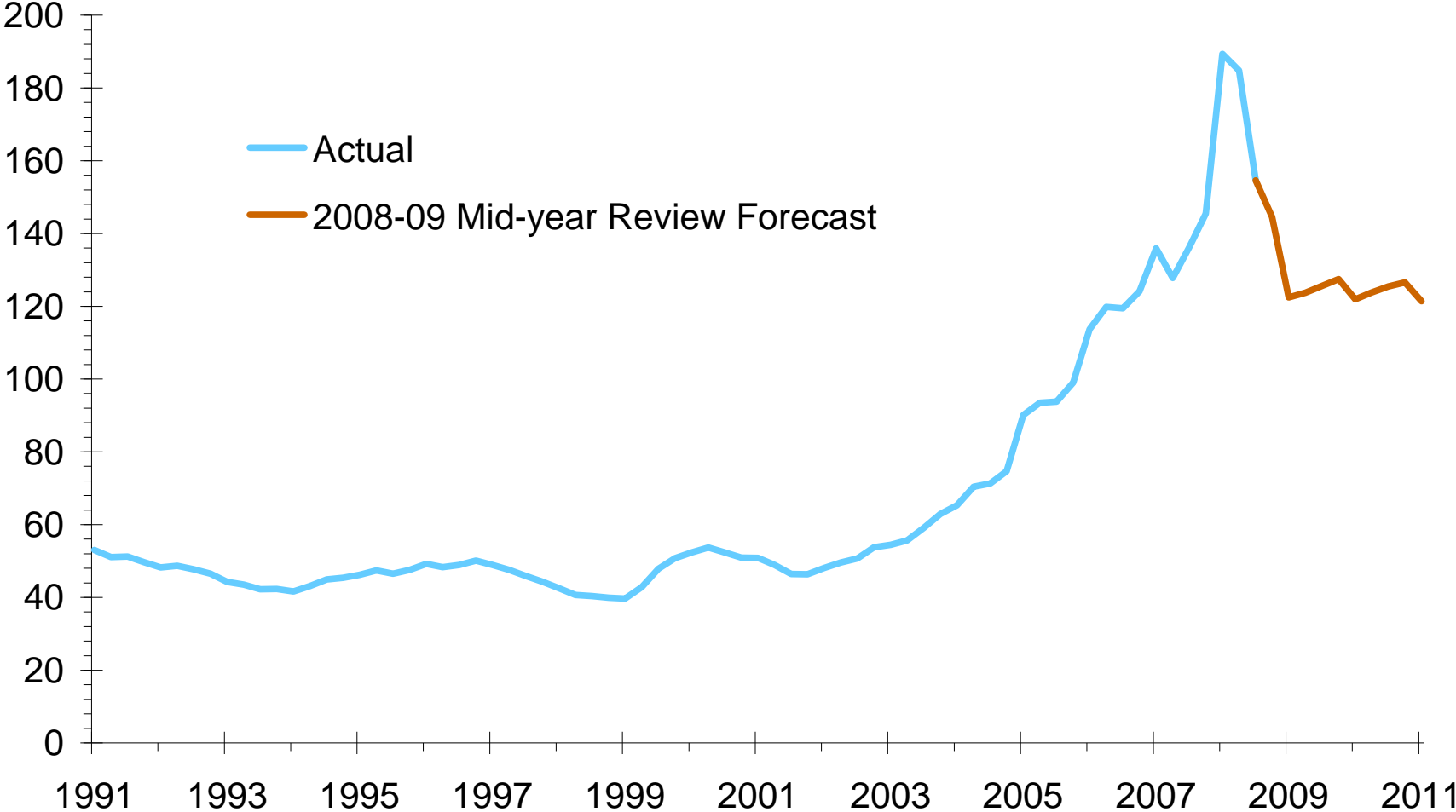
Western Australia, Quarterly, 2004-05 = 100



Source: ABS Cat. 5206.0 (and derived data)

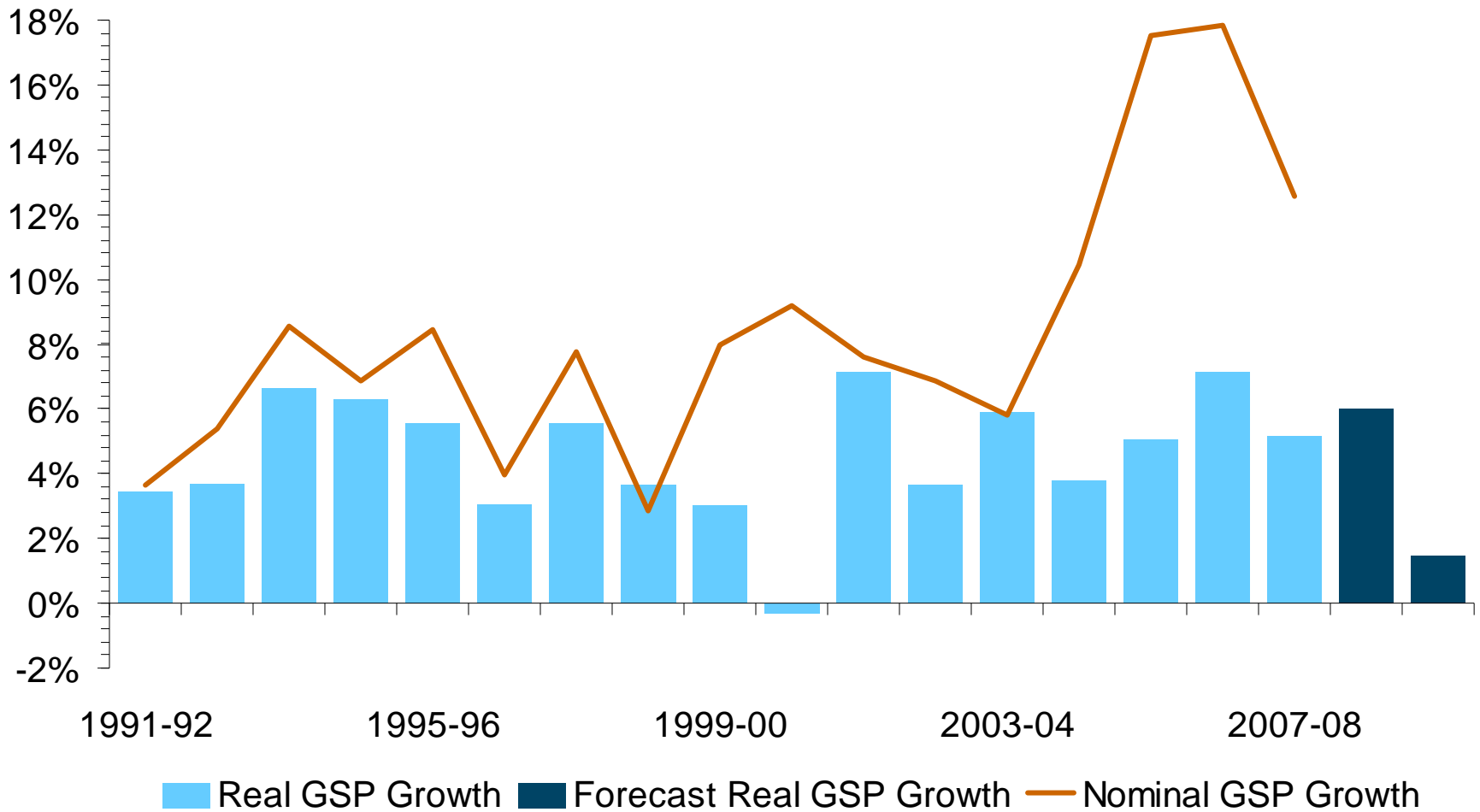
WA COMMODITY PRICE INDEX

US Dollars, Royalty Weights



GSP GROWTH

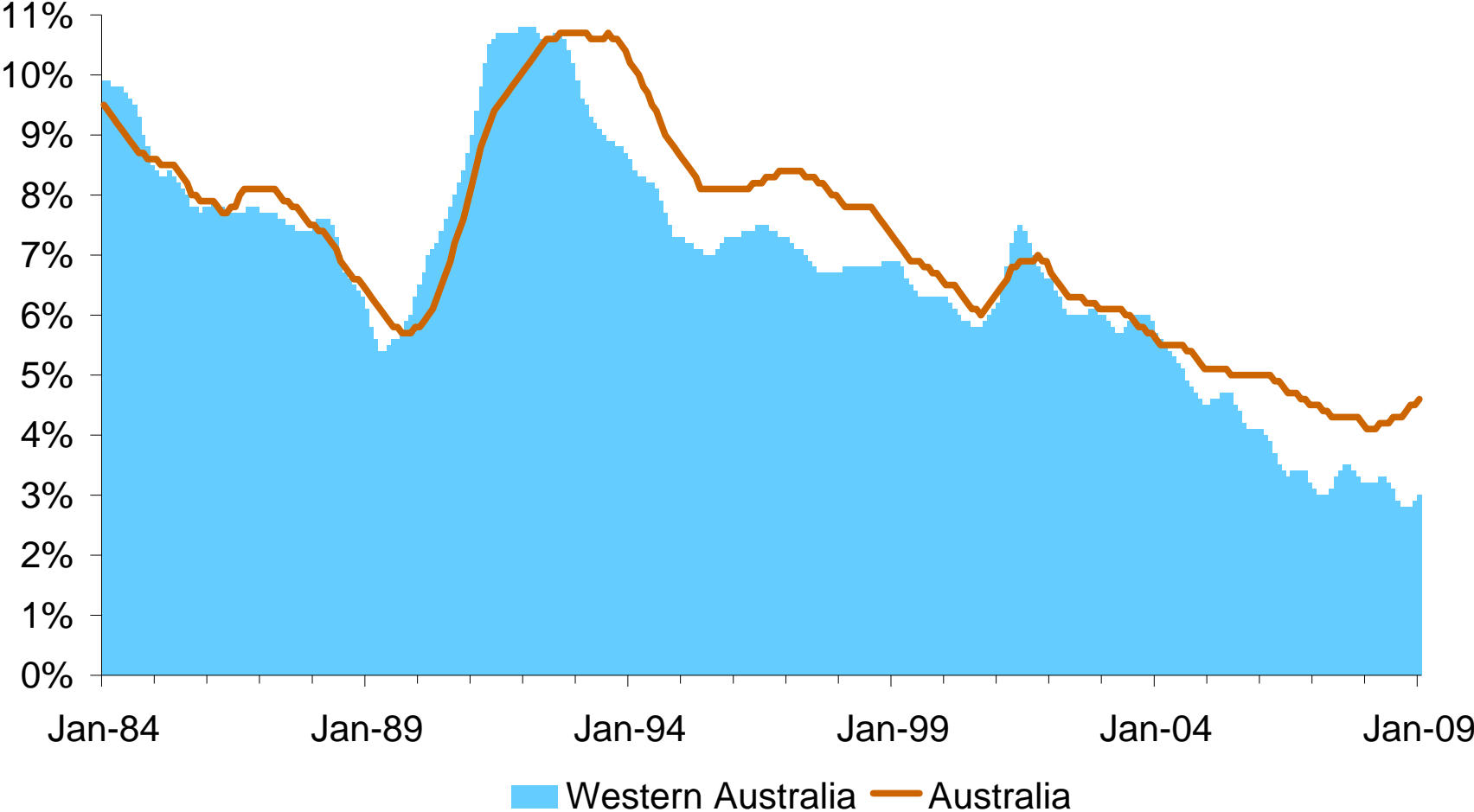
Real, Nominal and Forecast



Source: ABS Cat. 5220.0; DTF

UNEMPLOYMENT RATES

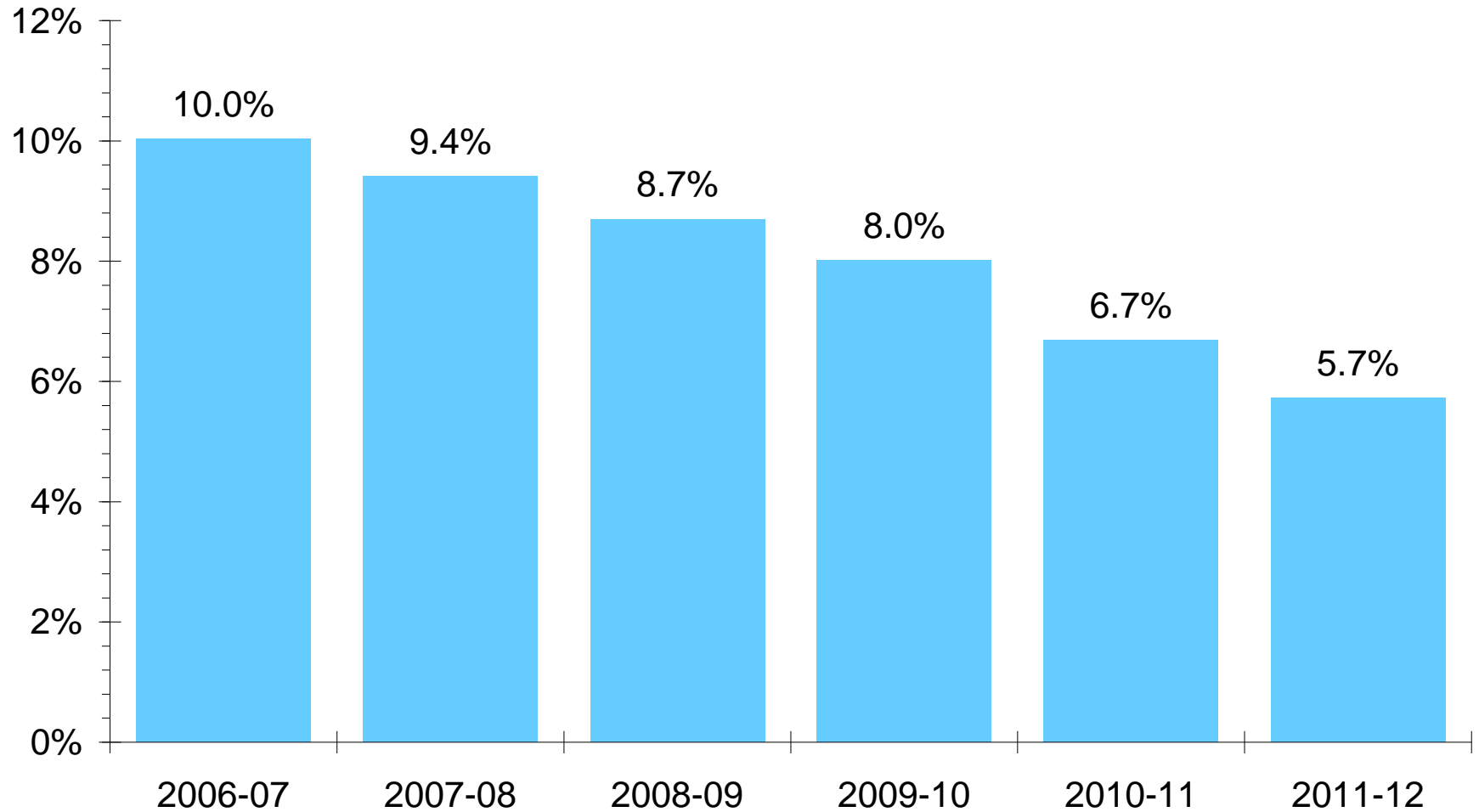
Western Australia and Australia, Trend



Source: ABS Cat. 6202.0

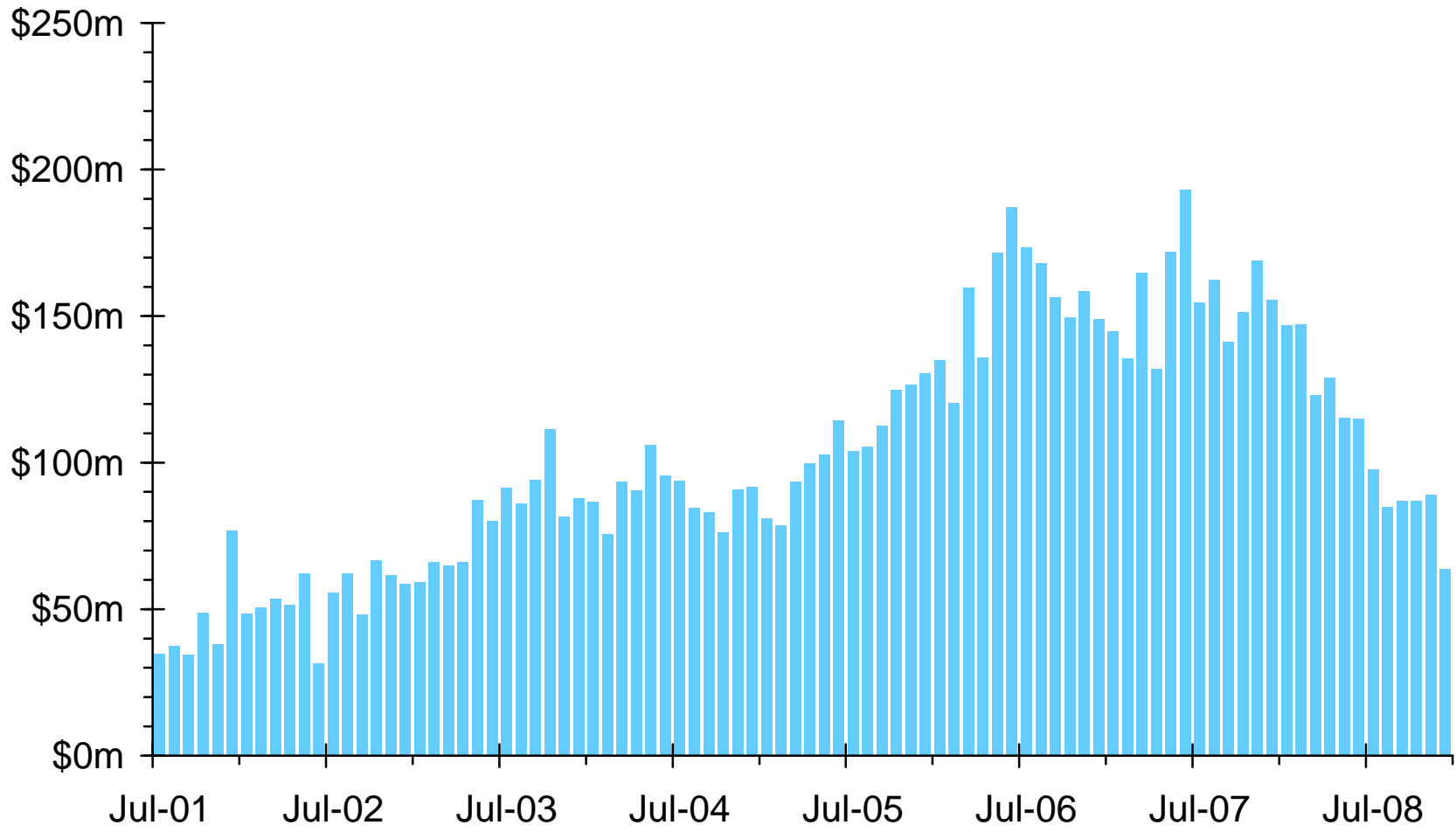
GST SHARE

Western Australia, 2008-09 Mid-year Review Estimates

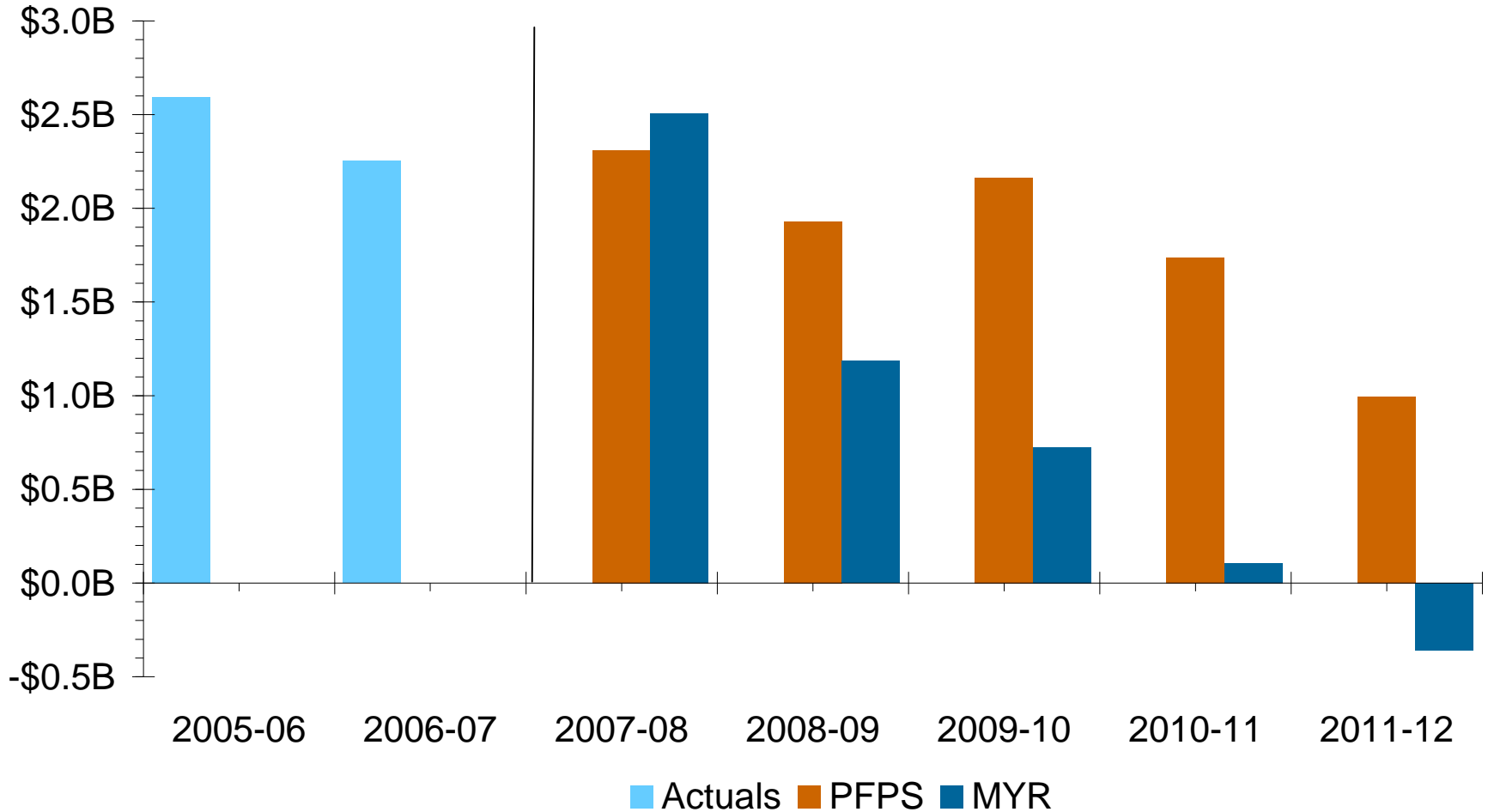


UNDERLYING TRANSFER DUTY

Monthly, Western Australia



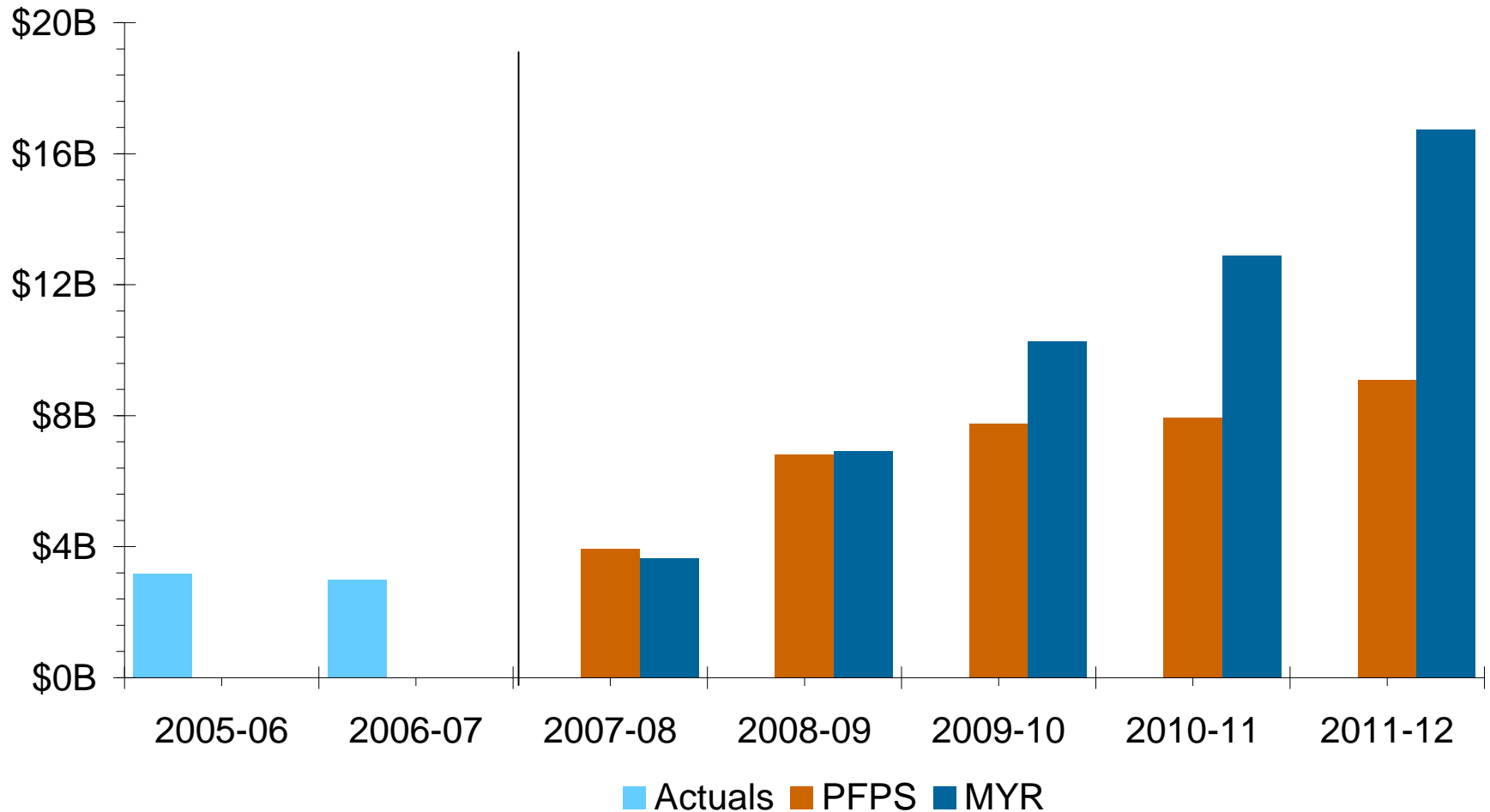
NET OPERATING BALANCE WA General Government



Source: DTF

NET DEBT POSITION

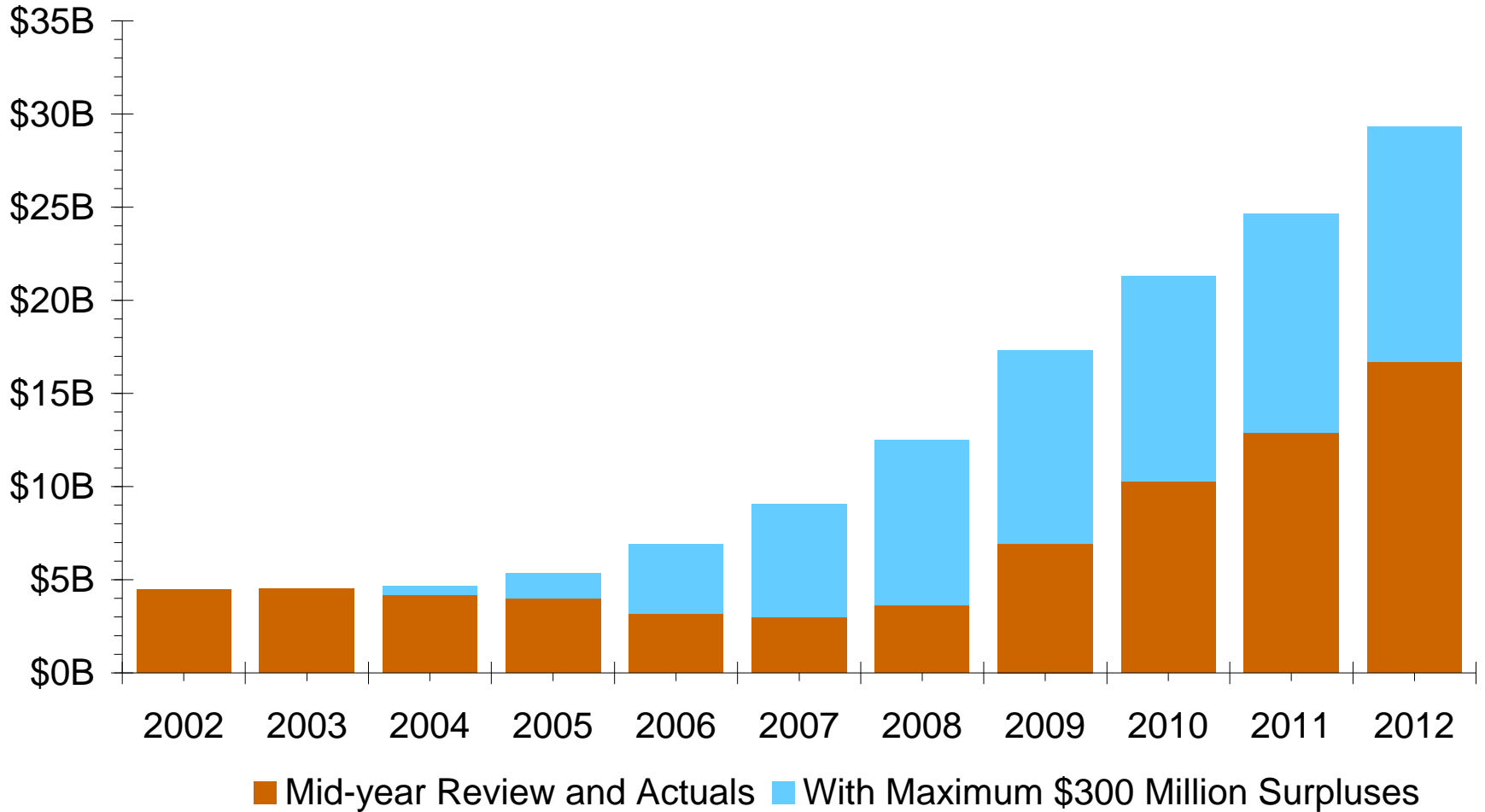
30 June 2008, Total Public Sector



Source: DTF

NET DEBT POSITION

Total Public Sector



Source: DTF

Cuts may force families to wash, feed patients

ROBERT TAYLOR
STATE POLITICAL EDITOR

Nurses have dealt another blow to the State Government over its budget cuts, claiming that washing hospital patients has become "non-essential" care and warning that relatives may be asked to bathe and feed them.

After Health Minister Ken Haines told nurses on Friday to write to their bosses if they thought patient care was being affected by the Government's drive for an across the board 3 per cent budget cut, the Australian Nursing Federation yesterday produced a long list of areas it said were being hit.

With the Health Department's budget set to be slashed by \$120 million over the next four years to accom-

modate the cuts, the ANF said nurses would be forced to enlist relatives to help with care.

"Nurses are saying that if the cutbacks continue, the only way to maintain some basic care is to ask for help from the relatives — for jobs like washing and feeding patients," ANF secretary Mark Olson said. "Some nurses have been told that washing patients and attending pressure area care is considered non-essential."

Dr Haines said on Friday that front-line services should not be affected by the Government's budget cuts and he would write to nurses inviting them to report any breaches to their supervisors.

Mr Olson said ANF headquarters had received hundreds of emails from

nurses highlighting the effect of cuts and he questioned Dr Haines' instruction to complain to hospital administrators.

"What is the point of nurses reporting to their bosses when it is the bosses implementing the cutbacks," Mr Olson said. "The ANF suggests the nurses be invited, and for that matter encouraged, to write directly to the Minister."

Mr Olson claimed that Royal Perth Hospital nurses had been told that the first nurse who called in sick on a given day would not be replaced with casual staff, only those calling in second and subsequently. He said other hospitals had cut home-visit midwife services and dispersed with pre-admission nurses.

"In some hospitals the nursing assistants are being included in the minimum safe nursing numbers. That means the Government is now replacing qualified nurses with unqualified carers," Mr Olson said.

"Assistants who were brought in to assist nurses because of the shortage of qualified nurses and who were able to provide assistance with toileting, washing, feeding and pressure area care are being removed but the nurses have been given no additional staff."

Yesterday, Dr Haines said nurses who had concerns should write to him or the director-general of health.

"No action will be taken against people who bring forward issues," he said. "Any issues raised will be dealt with on a case-by-case basis."

But Dr Haines said he made no apologies for "becoming more efficient". "With health having one of the biggest budgets, it is important that they comply with the efficiency savings the same as we expect other departments to," he said.

Shadow treasurer Ben Wyatt said the Government had abdicated responsibility for the budget cuts process to bureaucrats.

"It's been left to the bureaucratic leadership and that's why we've seen these sorts of results coming out of health and police," he said.

"They're not scrupulously telling the bureaucrats what areas they should be focusing on."

► DAILY STARVE

7

WA Policy Challenges

- Structure of State's finances and service delivery needs rebuilding
- Government day-to-day expenses
 - Up 45% over the past 5 years
 - 5.6% per head annually

Spending

- Health up 50%
 - 8.5% in annually
 - 6.3% per person each year
- Education up 42%
 - 7.3% annually
 - 5.2% per person each year
- Law and order up 66%
 - 10.6% annually
 - 8.5% per person each year

Efficiency

- Productivity in hospitals has gone from best to worst (1996/97 to 2004/05)
- 2nd highest spend per student (though teacher spend is comparable)
- Spend on Police is 15% higher than the national average

Outcomes

- 4.6% of patients waiting a year + for elective surgery in WA – nationally its 3.1%
- Indigenous access to health services improved nationally but worsened in WA
- WA students' test performance (reading, writing, spelling) and participation below the other States
- WA's perceptions of "crime where we are" are the worst for housebreaking and second worst for physical assault in a public place seventh in general satisfaction

AAA Credit Rating

S&P's Net Financial Liabilities as Share Revenue

	2008-09	2009-10	2010-11	2011-12	S&P rating Threshold
	%	%	%	%	%
Western Australia	51.4	63.9	70.8	80.2	90
New South Wales	100.7	99.6	97.1	98.8	120-130
Queensland	79.2	99.6	109.5	111.6	100-110
Victoria	66.7	75.8	82.4	89.0	130
South Australia	86.7	94.4	91.2	85.6	80-90
Tasmania	99.5	101.6	101.5	96.1	60-70 to get back to AAA
Commonwealth	26.6	n.a.	n.a.	n.a.	

Since Mid-year Review

- Further falls in the revenue base (eg.GST)
- Further deterioration in financial aggregates in prospect
- COAG/Federal stimulus package

2009 Take Aways

- Structural Policy challenges internationally
- News will get worse before it gets better as financial translates into real economies
- Commonwealth Government to lead economic stimulus
 - It has the fiscal muscle and policy levers
- Structure of State's finances and service delivery needs rebuilding