

WA accounts for 50pc of nation's growth as resources boom shows no signs of slowing

by: Andrew Burrell From: [The Australian](#) June 02, 2012 12:00AM



Fortescue CEO Nev Power and chairman Andrew Forrest. Picture: Tony McDonough
Source: The Australian

FORGET all those bearish forecasts about China's slowing economy. Ignore predictions that iron ore prices are headed for a steep fall. And don't even mention the crisis gripping the eurozone -- it's all a media beat-up, according to Fortescue Metals Group founder Andrew Forrest.

In the most remote and dusty regions of Western Australia, the all-conquering resources industry is simply getting on with the job of digging up and shipping out commodities at a breakneck pace.

And while some caution about longer-term expansion plans has crept into the language of the big miners in recent months, amid a realisation that conditions are becoming much tougher, there are no tangible signs of a slowdown any time soon in WA's Pilbara, the heartland of the resources boom.

On Barrow Island, off the Pilbara coast, US energy giant Chevron and its partners are half-way through the construction of Australia's biggest industrial project, the \$43 billion Gorgon liquefied natural gas plant. Work is also under way at Chevron's \$29bn Wheatstone plant near Onslow. On the Burrup Peninsula, Woodside Petroleum's \$15bn Pluto gas project began exporting LNG last month.

Across the Pilbara, BHP Billiton, Rio Tinto, Fortescue and Gina Rinehart's Hancock Prospecting are spearheading iron ore projects and expansions worth tens of billions of dollars.

"People keep picking up the paper every day and reading about negatives like (Europe), but sometime we have to stand back and look at the bigger picture," MineLife senior resources analyst Gavin Wendt said.

"The world's population has just hit 7 billion people and demand for commodities will remain very strong." Last month, Forrest described the debt crisis in Europe as a beat-up, but noted that Australia was "lucky to be next to Asia and not Europe".

He also said he could not envisage iron ore prices falling below \$US100 a tonne in the coming years -- a floor that would ensure the big miners continue to deliver healthy profits from their Pilbara operations.

"In global economic terms it is more storm in a teacup beaten up by the media," Forrest said of the Europe crisis.

"You speak to the leadership around Asia, the leadership in China and they say 'look, we are not going to bail Europe out, we can get as much demand, or much more for our products, for our jobs growth, for our people by simply putting the money into Asia'."

Sam Walsh, Rio Tinto's head of iron ore, says demand from China is "steady as she goes". "Right now we are continuing to ship flat out, with very good production," he said last month.

Walsh says Rio believes China will grow at about 8 per cent this year and steel will remain a key ingredient as developing economies continue to urbanise at a rapid rate. "I know a lot of people are forecasting doom but we are physically not seeing that," he says. "When we see the iron ore business, it is a very robust business and we see that continuing in both the short term and the long term."

Recent economic data from WA suggests much of this bullishness can be justified. The state's exports were worth a record \$120bn in the year to March. That equates to \$328 million worth of resources being exported from WA each day, or \$13.6m every hour. Five years ago, during the apex of resources boom Mark I, WA's annual exports totalled \$43bn, just one-third of their current level.

In 2007, WA had \$95bn worth of investment projects that were either under way or in the pipeline. That figure has now almost tripled to \$270bn, according to the most recent investment monitor by Deloitte Access Economics.

For a state with just 10 per cent of the nation's population, WA is punching above its weight more than ever. It accounted for more than 50 per cent of the nation's economic growth over the past year. The WA economy expanded by 11.1 per cent last year, fuelled by a 23 per cent boost in business investment and record population growth.

Amid calls by the resources industry for the need to attract thousands more skilled workers from interstate and overseas, WA's unemployment rate fell to just 3.8 per cent in April. This is its lowest level since January 2009 and is well below the national unemployment rate of 4.9 per cent.

In the year to April, WA was responsible for 70 per cent of all jobs created in Australia, according to the Australian Bureau of Statistics. CommSec chief economist Craig James says WA's economy is performing so strongly that it should now be viewed as a country in its own right. "The best way to describe the situation is Western Australia first and daylight second," James says.