

# Boom state catches the worry virus

**Report** Cathy Bolt

Even booming Western Australia is starting to get worried. Business confidence in the country's fastest-growing economy has weakened rapidly since Christmas, from near record highs to a five-year low, the latest quarterly survey by the state's peak business body shows.

WA Chamber of Commerce and Industry chief economist John Nicolaou said the sentiment change was probably because of the third interest rate rise in a year in February, combined with the volatility in financial markets and uncertainty about the slowing global economy.

Burrup Fertilisers became WA's biggest casualty of the global meltdown this week when its Indian owner, Pankaj Oswal, shelved plans for a \$3 billion float until the market recovers.

But Mr Nicolaou said optimism remained relatively high in resource-rich WA. Seventy-three per cent of the 400 businesses surveyed expected the state economy to remain strong or strengthen in the year ahead, compared with 87 per cent in the previous quarter.

Capacity utilisation hit a record-high average of 84 per cent during the quarter, while 74 per cent of respondents described labour as scarce.

Just over half the businesses surveyed also rated labour shortages as their biggest concern for 2008, followed by wages costs.

Interest rates were the third-ranked concern, followed by workplace relations, ahead of traditional areas of worry such as taxation and government red tape. Climate change was identified as a critical issue by only a small proportion of respondents: less than 3 per cent ranked it in their top three concerns.

In an indication of cost pressures, the survey's index of input costs rose to a near record in the quarter: more than 65 per cent of respondents reported higher input costs. Many WA businesses absorbed cost increases, and only 35 per cent increased their prices in the quarter. Forty per cent indicated they intended to raise prices in the next three months.