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Professional services tipped to grow, as report details decline of Sydney

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Professional services are expected to grow in the year ahead, despite a report detailing the decline of professional services-rich Sydney.

The report, written by the consulting firm SGS Economics and Planning, says slowing growth in Sydney is dragging on the national economy, but boom times in Queensland and Western Australia are picking up some of the slack.

The report, entitled Australian Cities Accounts, says Australia today is less homogenous than it was in the 1980s, due to the growth in business services, the resources boom and the falling influence of manufacturing.

It finds that Sydney accounted for 26.9% of Australia's GDP growth in 1990s, but by 2000 Melbourne was the biggest main economic contributor to national GDP growth, at 18.1%.

In the most recent year, Perth was the main economic contributor, at 20.7%, followed by Melbourne at 20.5% – underpinned by their respective professional services industries.

In the most recent survey, Sydney accounted for just 16.6% of the national economy, following a "lost decade" in which the city suffered from poor housing policies, a lack of investment in transport and limited opportunities for businesses to set up outside the CBD.

Terry Rawnsley, principal at SGS Economics and Planning, expects growth professional services in the year ahead, despite comments from ANZ that health care and mining would dominate job growth in the near term.

"For the next 12 to 18 months, there can be swings in this industry, reflecting industry demand," Rawnsley says.

"But we expect a continuation of growth in professional services," he says, noting the growth in mining-related services in Adelaide and Perth.

Rawnsley says Melbourne needs to heed Sydney's example by continuing to invest in property and transport.

Questioned on the declining influence on manufacturing in Sydney and Melbourne, Rawnsley says he would expect that decline to continue, but noted that manufacturers are continuing to unbundle and focus instead on retail and wholesale rather than production.

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