

# Pilbara January 2024 Economic Report



## KEY HIGHLIGHTS



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### COVID



### COST OF LIVING IN THE PILBARA



### COMMODITIES DATA



### OTHER PILBARA NEWS (INVESTMENT LEGISLATION, GOVERNANCE)

#### Interest rates

On 5 December 2023, the RBA held interest rates at 4.35%. This is was a thankful reprieve for Australians heading into the Christmas period who were concerned that the RBA Board would lift the cash rate for a second consecutive month after stating that *'progress in bringing inflation back to the target range of 2-3% was looking slower than earlier forecast'*.

There have been 13 interest rate rises since May 2022 (six in 2023) resulting in Australian households paying on average, more than \$24,000 in interest payments. The RBA is closely monitoring domestic economic conditions, specifically inflation and has not ruled out further increases to the cash rate in 2024.

At the 5 December meeting the RBA Governor, Michele Bullock advised that *"whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonably timeframe will depend upon the data and the evolving assessment of risks. In making its decisions, the Board will continue to pay close attention to development in the global economy, trends in domestic demand and the outlook for inflation and the labour market. The Board remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome"*.

The RBA also stated that there remains a high level of uncertainty around the outlook for the Chinese economy and the implications of overseas conflicts. Domestically there are uncertainties regarding the lags in the effect of monetary policy and how organisations' pricing decisions and wages will respond to the slower growth in the economy at a time when the labour market remains tight.

The outlook for household consumption also remains uncertain with many households experiencing a painful squeeze on their finances whilst others are benefiting from rising house prices and higher interest income.





COVID

**COVID19: 4 Year since the first confirmed case in Australia**

The first official cases of the human coronavirus disease 2019 (COVID-19) were recorded on the 31st December 2019, when the World Health Organization (WHO) was informed of cases of pneumonia in Wuhan, China, with no known cause. On the 7th of January, the Chinese authorities identified a novel coronavirus, temporarily named 2019-nCoV, as the cause of these cases. The disease subsequently spread globally to become the fifth documented pandemic since the 1918 flu pandemic.

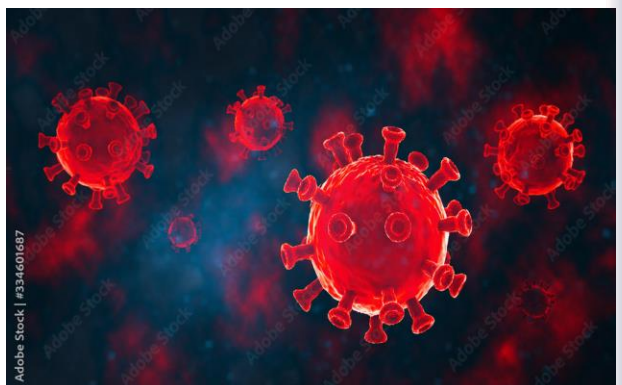
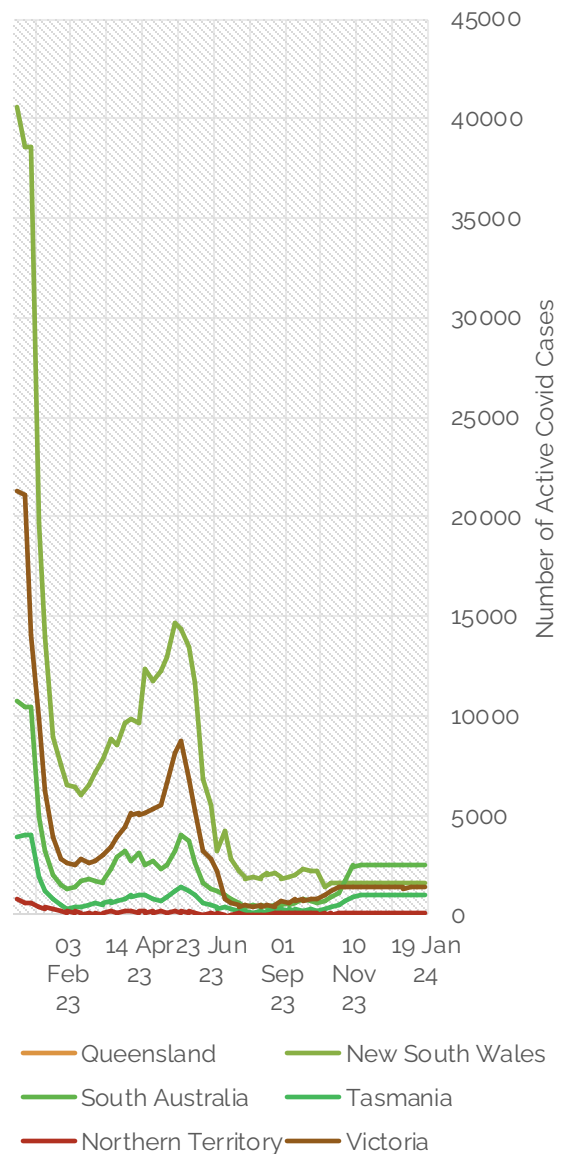
The first Australian case was confirmed on 25 January 2020.

Weeks later, the WHO declared the rapidly spreading COVID-19 outbreak as a Public Health Emergency of International Concern on the 30th of January 2020. It wasn't until the following month, however, on the 11th of February that the novel coronavirus got its official name - COVID-19. Nine days later, the US Centre for Disease Control and Prevention (CDC) confirmed the first person to die of COVID-19 in the country. The individual was a man in his fifties who lived in Washington state. By September 2021, almost two years after COVID-19 was first identified, there had been more than 200 million confirmed cases and over 4.6 million lives lost to the disease. However, this was only the beginning of a pandemic that was to fundamentally change the world.

The rollout of COVID-19 vaccines since 2022 allowed Australia to open international borders and continue economic recovery. In January 2024, there are 26,000 active cases of COVID-19 across the country, with recent increases following the end of the school holidays and people returning to work. Between March 2020 and September 2023, 627,645 deaths were recorded of people who died in Australia from or with COVID-19. The recent new wave of COVID-19 has shown no evidence of an increased death rate, even including aged care and ICU rates. Experts say this is due to the hybrid immunity from previous infection and crucially from high vaccination rates.

Just 2 years ago COVID-19 numbers dictated business proceedings, border closures and quarantines. In 2024, COVID-19 has become normalised in Australian life despite 5-10% of COVID-19 cases experiencing long term impacts of longer than 12 weeks (Australian Institute of Health and Welfare 2024). The post pandemic era has seen the world irreversibly changed with respect to work practices with working from home now accepted in many organisations.

Positive Covid-19 cases in Australia from July 2022 to January 2024





## COST OF LIVING IN THE PILBARA

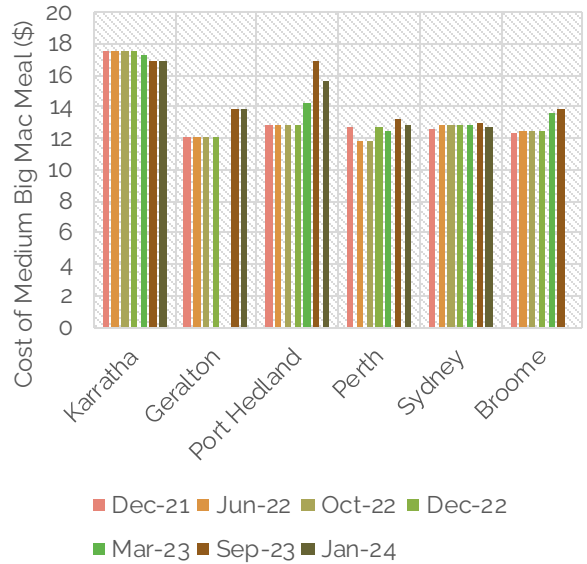
### Fast food price comparisons

'Fast food' prices are one of the key indicators of the cost of living in an area. Since December 2021 we have surveyed McDonalds, Dominos, Chicken Treat and KFC and the Dome Café to ascertain fluctuations in living costs in the Pilbara. Newman's Dome Café was omitted due to decreased opening hours and anomalies in data gathered.

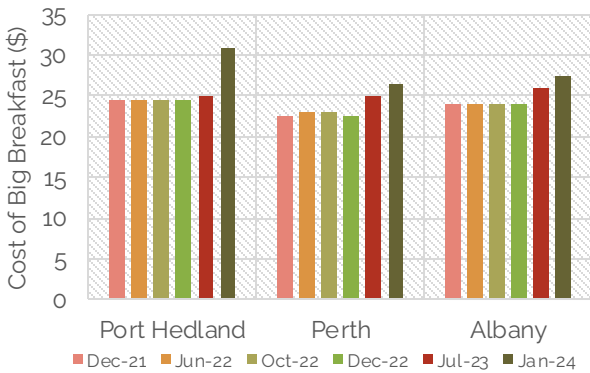
McDonalds, KFC and DOME prices are on average \$3 higher in Karratha and Port Hedland than restaurants surveyed outside of the Pilbara. The cost of these fast-food staples has seen a consistent growth since December 2021. The greatest discrepancy in price between Karratha and other locations remains Domino's Pizza where the traditional pizzas are consistently \$8 more expensive.

Price increases reflect the general cost of living, with restaurants needing to incorporate rising fuel costs, rents and higher labour costs.

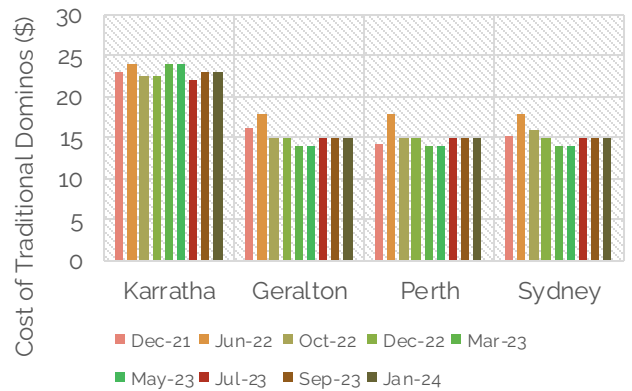
Comparative Cost of Medium Big Mac Meal



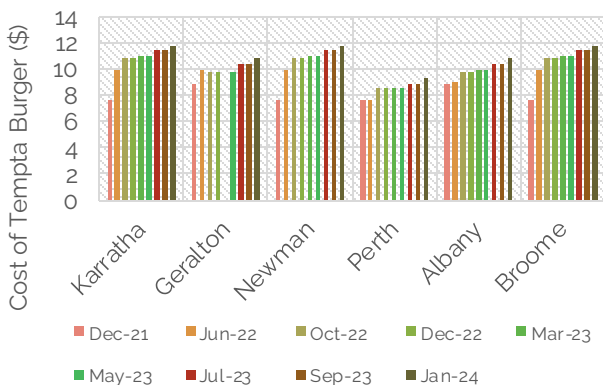
Comparative Cost of Big Breakfast at Dôme Café



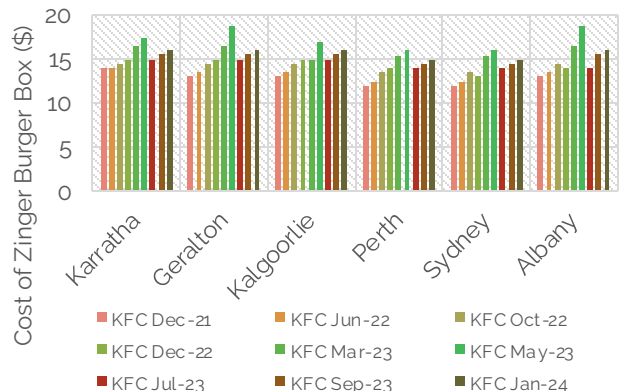
Comparative Cost of Traditional Dominos Pizza



Comparative Cost of Tempta Burger at Chicken Treat



Comparative costs of Zinger Box from KFC around Australia





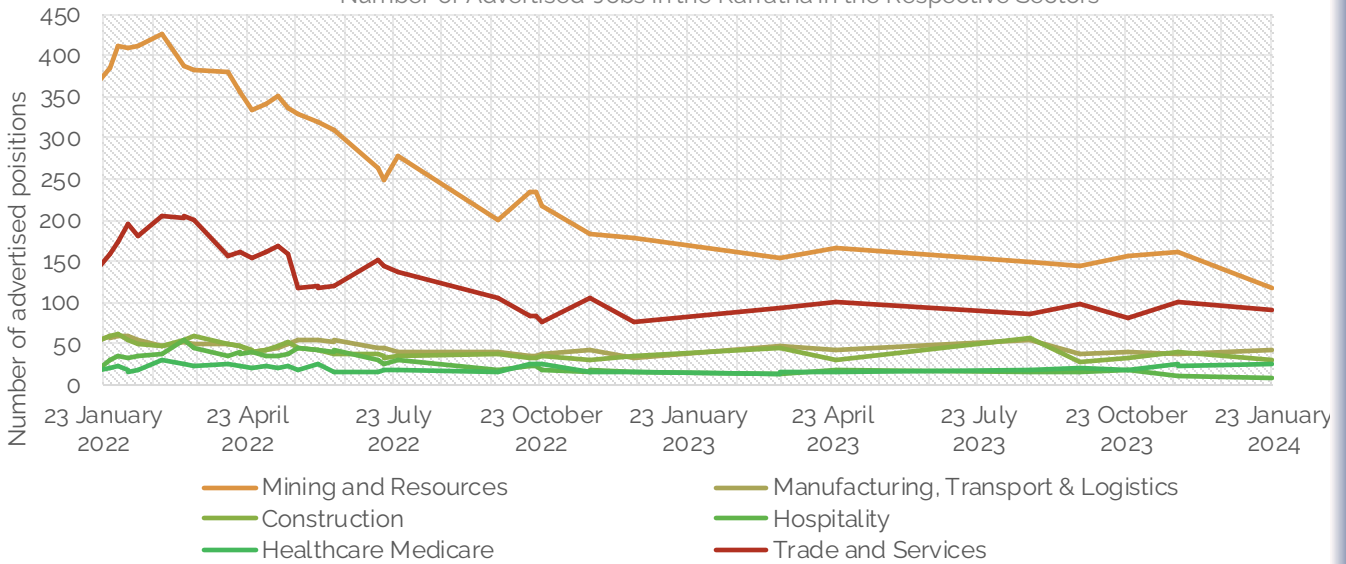
COST OF LIVING IN THE PILBARA CONT.

Employment Trends

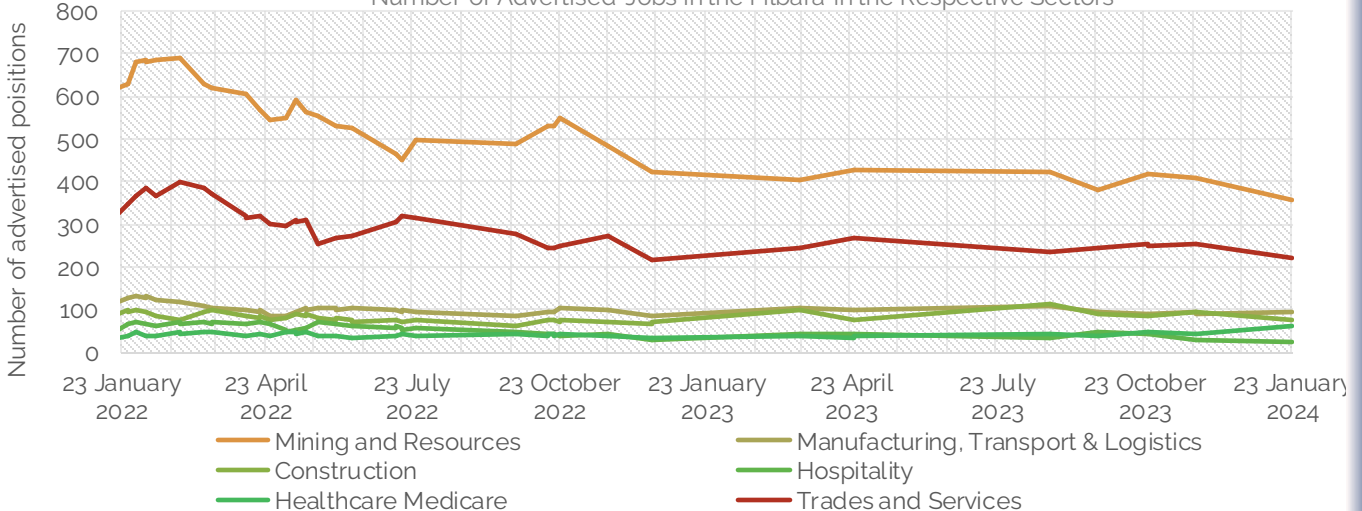
Job vacancies in the Pilbara have decreased by 35% on average since peaking in March 2022 to January 2024. The mining and resources sector saw the greatest drop in advertised jobs (particularly in Karratha) with a total of 700 available positions down to 350. The summer season in the Pilbara typically experiences a downturn in advertised jobs during the school holidays as many residents choose to travel south and employers streamline their work flows accordingly in accordance with regional demand.

Throughout 2023, the Australian skills market remained tight with 88% of employers experiencing skill shortages, with 40% of them saying it has intensified in 2024 (Hays 2024). Meanwhile, an uncompetitive salary (particularly in locations where the cost of living is high) has become the top reason for employees switching jobs, instigated by a volatile economic climate, interest rate increases and high inflation that have seen the cost-of-living soar.

Number of Advertised Jobs in the Karratha in the Respective Sectors



Number of Advertised Jobs in the Pilbara in the Respective Sectors







COST OF LIVING IN THE PILBARA CONT.

Childcare Services in the Pilbara

Childcare services in the Pilbara remain in high demand and in the need of skilled workers. The nine childcare services in the Pilbara surveyed since December 2021 have consistently had long waiting lists for new families arriving in the region. Most childcare centres recommend putting the name down on the wait list for as early as possible.

Childcare is considered one of the greatest barriers to improving equality in the workforce, with many mothers not being able to afford or secure childcare spaces.

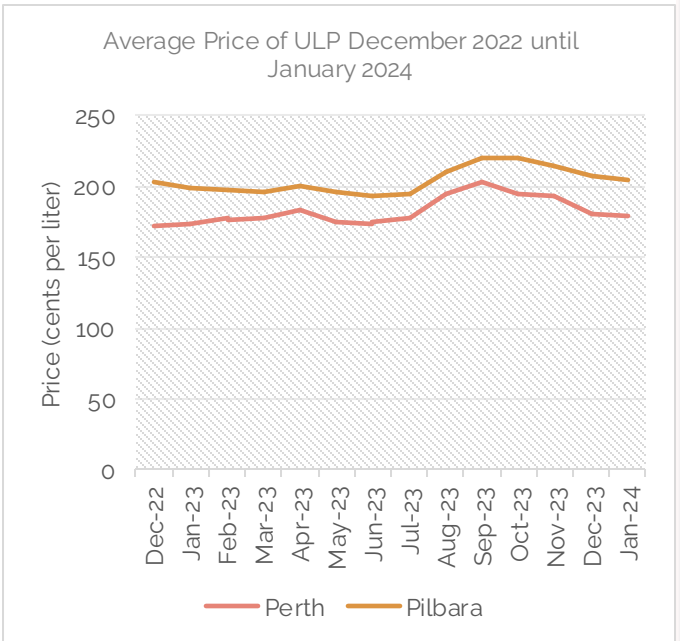
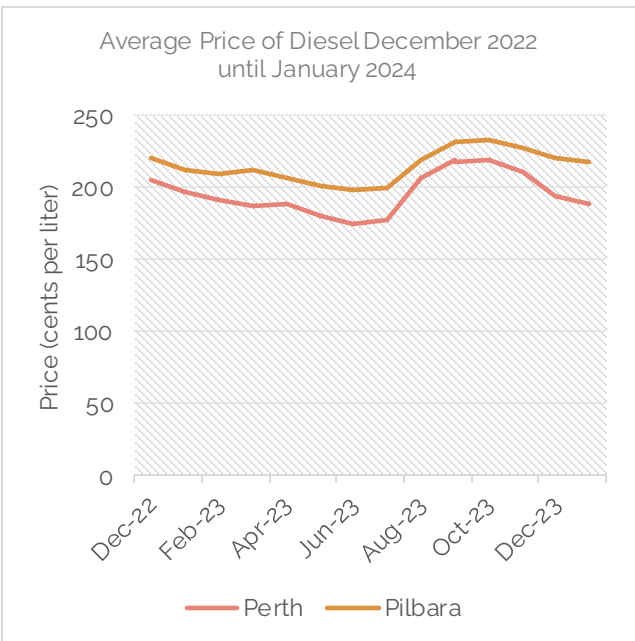
On 18 January 2024, RDA Pilbara announced that the Minister for Immigration, Citizenship and Multicultural Affairs, the Hon Andrew Giles MP, had approved the variation request for the Pilbara DAMA to include the Shire of East Pilbara. This DAMA variation also included the the addition of a further 69 ANZSCO occupations including in the field of 'Child Care'.



Pilbara Fuel Price Trends

Fuel prices at the start of 2024 have continued to decrease since the high of 219 cents per litre in October 2023. Prices in the Pilbara for both ULP and Diesel continue to diverge from the lower prices in Metro areas. The difference in diesel between Perth and the Pilbara was 25 cents per litre on average in January 2024.

This easing of fuel prices follows the stabilising of oil prices stabilising prior to the end of 2023 with major shippers resuming passage following continued attacks (including the Red Sea) that previously pushed oil prices higher. Fuel prices are influenced by international demand and supply for oil. The demand for oil is a function of growth rates of oil importing countries as well as the availability of oil substitutes. The supply of oil is influenced by the political developments in Middle East (the world's greatest producer), world's rate of interest and transportation and insurance costs of transporting crude oil to importing countries.





COMMODITIES  
SUMMARY

**Iron Ore**

2024 is poised to be a successful year for Pilbara's iron ore giants with iron ore prices exceeding predictions to meet \$US145 per tonne, its highest price since April 2022, as optimism builds that China's economic recovery is gaining momentum thanks to a combination of monetary and fiscal stimulus.

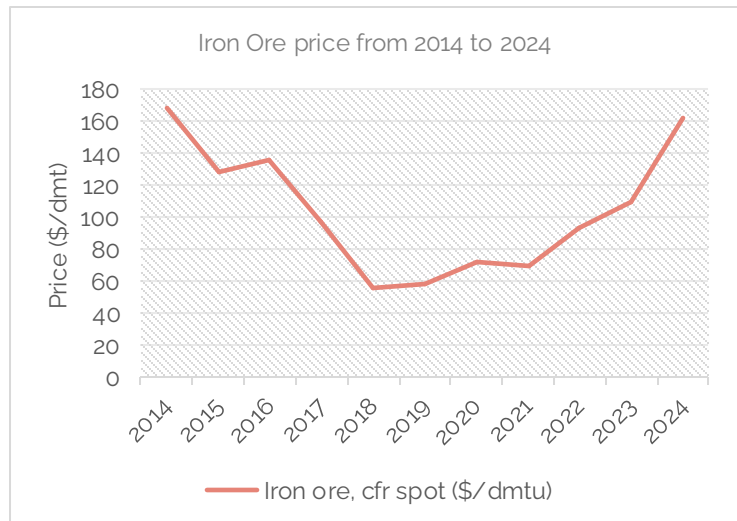
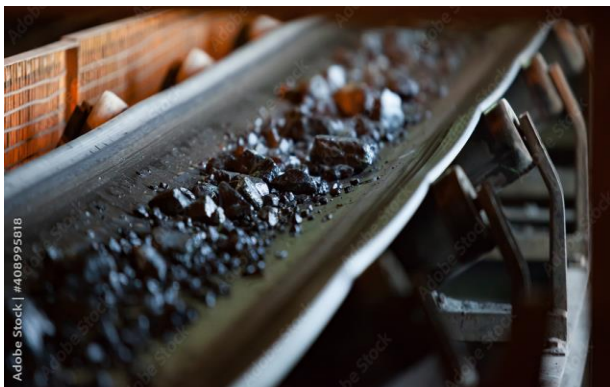
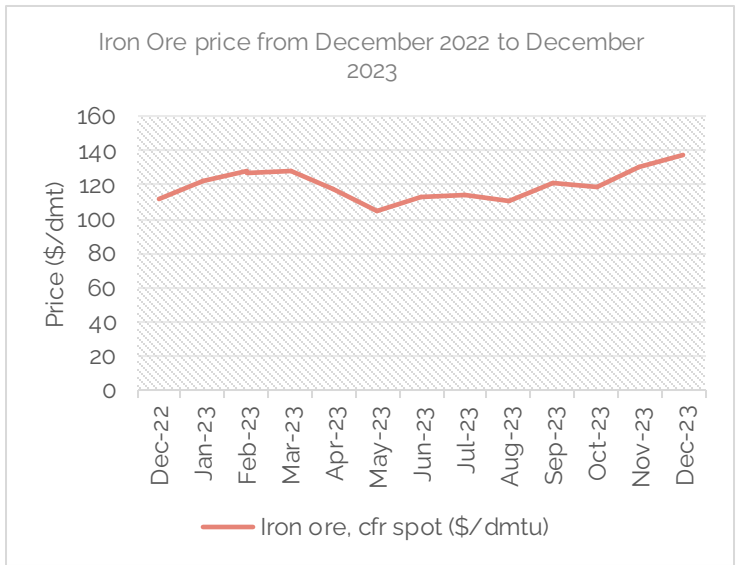
The price surge is a boon to the federal government, which is reliant on sales of the commodity as a major source of tax revenue. A multi-month surge in iron ore prices is poised to deliver the Federal Treasurer as much as \$18 billion in extra tax revenue, bolstering the prospect of a second budget surplus. The mid-year economic and fiscal outlook, released in December 2023, assumed iron ore prices would peak at \$US105 per tonne in the September quarter 2023, falling to \$US60 per tonne by September 2024.

The increase in iron ore prices is largely due to developments in the Chinese economy, with the steel-making sector a major buyer of the commodity.

In December 2023, China's biggest state-owned banks launched a third round of rate cuts as Chinese authorities boosted efforts to lift economic activity.

Beijing had previously announced a 1 trillion-yuan (\$210 billion) plan to support urban revitalisation, providing relief for the steel-intensive property sector amid a wave of developer defaults.

Chinese imports grew in 2023 when compared to the previous year. The Baltic Dry Index, which indicates the rates for bulk carrier ships, climbed 49 per cent in the year to December. Bulk carriers mostly carry iron ore. China accounts for 70 per cent of the world's seaborne iron ore.







**COMMODITIES  
SUMMARY CONT.**

**Gold**

The gold price is expected to continue its growing upward trend in 2024 due to potential interest rate cuts, a weaker US dollar and continued geopolitical risk. The 2023 gold price was supported by the geopolitical risks, sizable central bank purchases and intensifying expectations of major central banks lowering rates.

China and India are poised to lead a resurgence of consumer demand contributing to over half of the 2023 global growth. Since 2014, gold price has experienced a steady upwards trend in 2014 - significant growth due to the 2020 pandemic preceded steady levels in March 2021.

Novo Resources have resumed exploration in January 2024 at its Egina Gold Camp and Balla Gold Project in Western Australia.





**COMMODITIES  
SUMMARY CONT.**

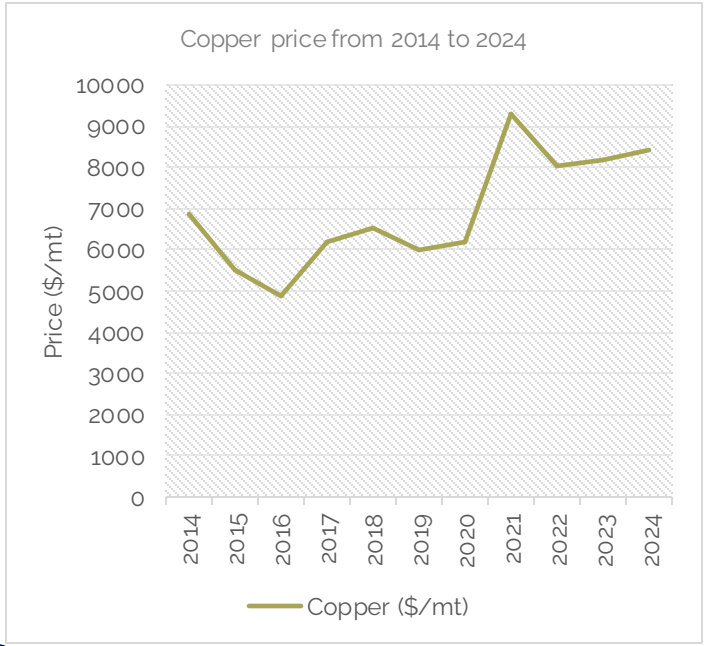
**Copper**

The copper price saw strong growth in the early part of 2023 before sinking through the years second and third quarter. The price at the end of the year reached close to 2023 starting price. There was tight supply and fluctuating demand due to Chinese building and construction sector that represents 30% of the demand. China's economic activities heavily influence global copper prices. The countries fast industrialisation and urbanisation have significantly increased the demand for copper, however the strict zero-covid policies have impacted demand.

The fact that copper is traded in U.S dollars also plays a role in the copper price as currency fluctuations impact it. When the U.S dollar strengthens copper become more expensive in other currencies. This can potentially reduce demand. Other factors that impact copper price include mining production, global demand, scrap availability, currency exchange rates and inventory levels.

Copper is a key component in green energy technology and electric vehicle production keeping its price above the \$8000 per metric ton. Copper is classified as a base metal due to its widespread industrial usage.

Rio Tinto plans to use solar and wind power to minimise electricity production from gas at its Winy copper mine in the northern Pilbara. The projects average annual carbon emissions of 40,000 tonnes a year would be 4 times higher without the wind and solar farm (WA Environmental Protection Authority 2023).







## COMMODITIES SUMMARY CONT.

### Lithium

The lithium price has not yet recovered from the crash in 2023. Lithium, a vital elemental metal, had previously seen price increases due to its demand for battery manufacturing in green technologies and electric vehicle sales. The surge of EV sales pushed lithium price an astounding 1,000% increase from 2021 to the end of 2022 (Stockheads 2024).

However, an increasing supply of lithium from mines in Africa and Australia put downward pressure on prices. The lower consumer demand for EVs in the US and China contributed to further lithium price drops (Carbon Credits 2024).

Pilbara Minerals is responsible for 7% of global supply and plans to stay the course on a \$560 million expansion to a million tonnes per annum at its Pilgangoora mine in the Pilbara (Pilbara minerals 2024).



Lithium Prices from January 2023 to January 2024 (CNY/T)

### Nickel

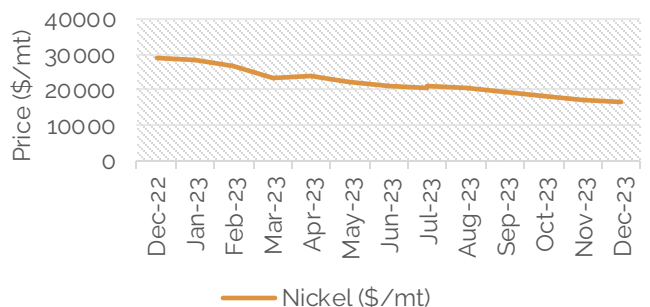
Nickel was the worst performing base metal in 2023, losing 40% of its value and the bearish sentiment towards the metal looks to continue to dominate the nickel market in 2024 (Fast Markets 2024).

China's construction industry is a key consumer of nickel used to make stainless steel. Following the country ending its strict zero-COVID policy it was expected that demand for nickel would increase. The recovery was slower than anticipated, with prices steadily declining from December 2022 to the start of 2024.

The electric vehicle sector and green technologies are both growing purchasers of nickel. Batteries now account for almost 17% of total nickel demand (Investing News Network 2024). Nickel's vital role as a green metal should support higher prices in the longer term. Manufacturers and scientists are working to find alternatives that do not rely on nickel and cobalt for the nickel-manages-cobalt cathodes to mitigate environmental and human rights concerns.

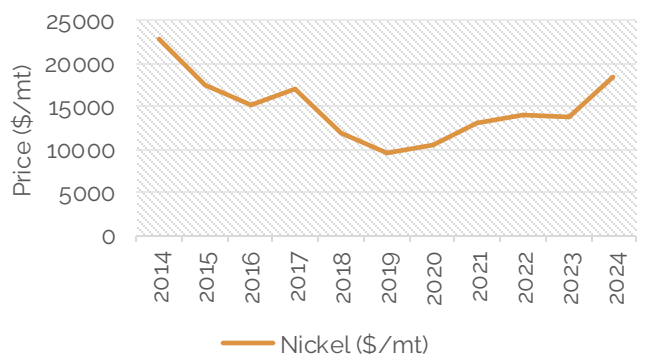


Nickel Price from December 2022 to December 2023



Nickel (\$/mt)

Nickel Price from 2014 to 2024



Nickel (\$/mt)



**COMMODITIES  
SUMMARY CONT.**

**Oil**

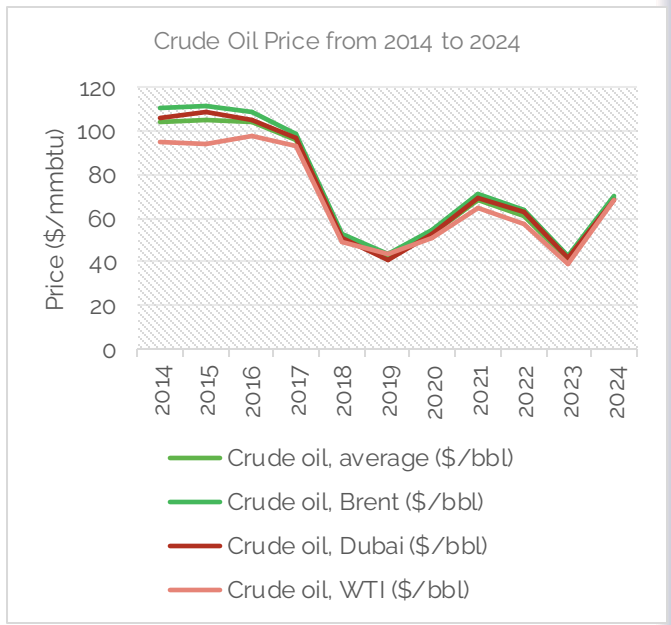
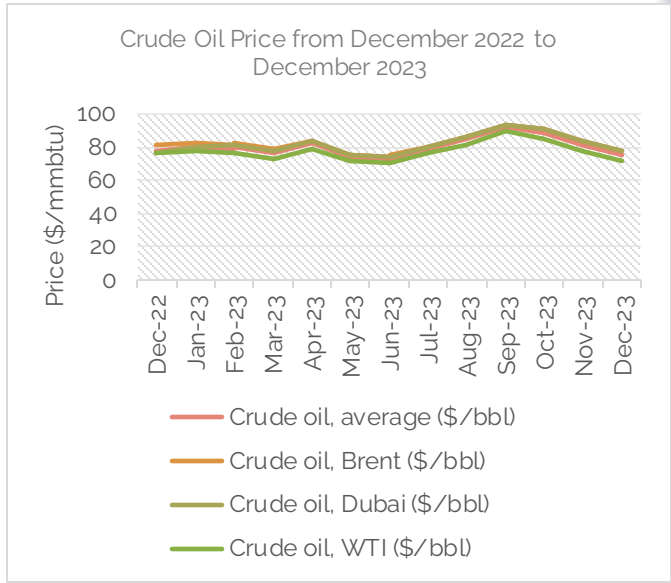
Approximately half of all the petroleum and other liquids produced in the world in 2023 came from OPEC+, the members of the Organization of the Petroleum Exporting Countries and 10 other countries which have coordinated their crude oil production with OPEC since late 2016. It is forecasted that OPEC+ crude oil production will average 36.4 million barrels per day (b/d) in 2024 and 37.2 million b/d in 2025, both less than its pre-pandemic five-year (2015–19) average of 40.2 million b/d.

Brent crude oil price will average \$82 per barrel (b) in 2024 and \$79/b in 2025, close to the 2023 average of \$82/b. Experts forecast relatively little price change based on expectations that global supply and demand of petroleum liquids will be relatively balanced (subject to demand and supply). It is generally expected that Brent crude oil prices are more likely to decline than rise as global oil production will more likely exceed forecast production figures rather than than fall short of forecast. The potential for prices to exceed forecast is largely related to unplanned production disruptions, a risk highlighted by the recently escalating tensions in the Red Sea.

OPEC+ lowered its production targets in 2023 in response to weakening global oil demand and falling crude oil prices. The group's latest agreement, announced on November 30 included 2.2 million b/d of new voluntary cuts to its crude oil production target through March 2024. These cuts are in addition to the existing voluntary cuts and lower production targets set at its June 2023 meeting.

It is important to note that increasing technology shifts in the transportation sector will continue to reduce the petroleum intensity of the global economy. The fuel efficiency of the light-duty vehicle fleet is a key indicator in this regard. Electric vehicles (EV) and hybrids were 18% of US light-duty vehicle sales in the third quarter of 2023 and were 33% of light-duty vehicle sales in China, based on data from Bloomberg Intelligence. Continued adoption of EV and hybrid vehicles will likely displace some motor gasoline consumption.

Currently, coal, oil and gas developments make up the lion's share of Australia's \$77.4 billion in committed resources projects. However, new critical minerals projects – where a final investment decision was approved in 2023, surpassing fossil fuels. Critical minerals are key to the global push to net zero emissions and will influence the continue to influence global oil prices.





COMMODITIES  
SUMMARY CONT.

Gas

New supplies of liquefied natural gas are set to hit global markets late 2024, making 2024 potentially the last year of robust prices in one of Australia's major export earners before a glut causes them to dive. The forecast from Bernstein Research – for a decline of up to as much as 47 per cent by 2027 – comes as Australia has been supplanted as the world's biggest exporter of gas by the US, and as major producers including Woodside Energy and Santos face a decline in output as gas supplies run down at older plants.

It supports findings from the federal government's commodities forecaster that Australia is facing a decline in export earnings from LNG over the next few years from the record \$92.2 billion of the 2023/24 FY.

Bernstein stated that the global squeeze on gas would enter its third year in 2024, but that good news was in store for gas buyers because over 140 million tonnes a year of new LNG supply would start to hit the market from the end of 2024 and for the next three years, representing more than 30 per cent of the existing worldwide market.

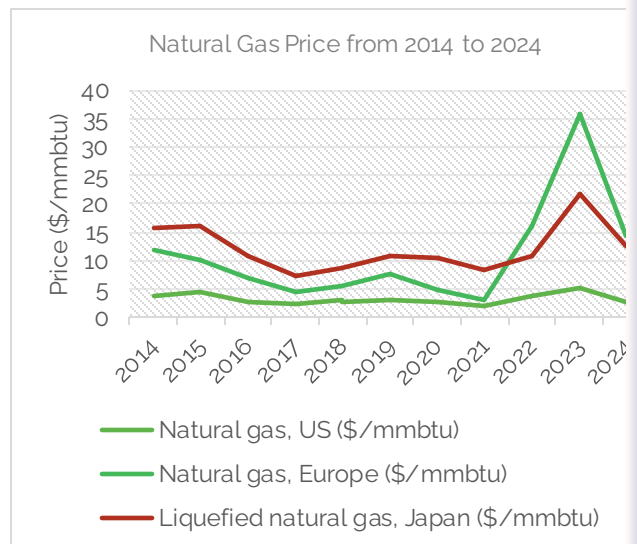
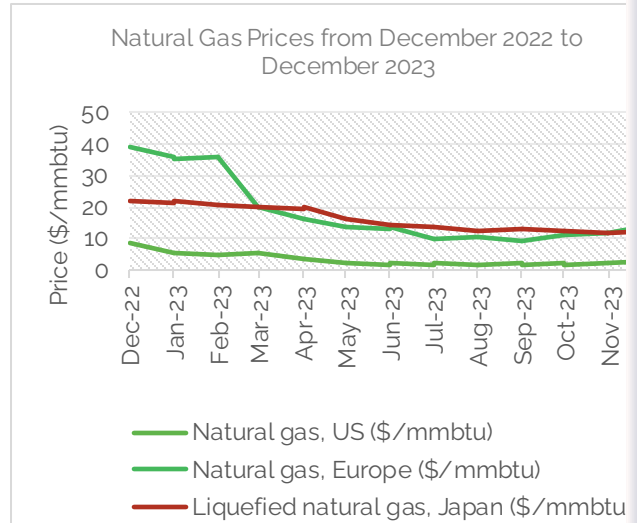
Prices offered for 2023 supply on the east coast remained high in 2023 until shortly before the Government introduced an emergency gas price cap on 23 December 2022.

Since the price cap came into force, the Australian Competition and Consumer Commission (ACCC) has observed an increase in the volume of gas sold under short term contracts for 2023 supply. Most of this gas has been sold below \$12 per GJ, but the ACCC will carefully monitor the details and circumstances of any contracts that could be in excess of the \$12 per GJ price cap.

The ACCC has observed fewer offers for supply in 2024 compared to previous years, despite contracts for 2025 next not being subject to the price cap. This may be due to a combination of factors, including seasonal slowdown and the industry's response to regulatory uncertainty.

*"Contracting activity for 2024 supply has slowed down considerably compared to previous years. However, the imminent commencement of the new mandatory Code of Conduct is expected to provide industry with the certainty they have been seeking to enter into supply contracts into the future."* (AFR)

Prices offered by producers for 2024 supply peaked at just under \$50 per GJ in August last year, before falling to just over \$12 per GJ at the end of last year. Despite not being subject to the cap, most recent producer offers for 2024 supply have settled at slightly over \$12 per GJ, while retail offers have averaged about \$20 per GJ.

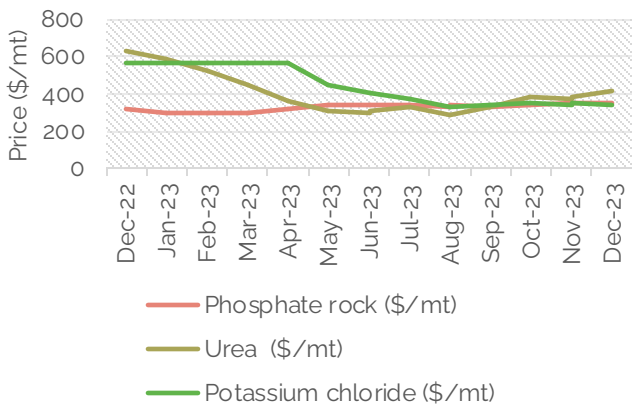




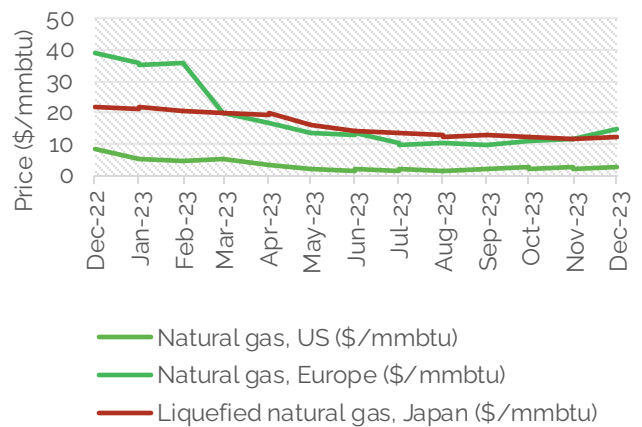


**COMMODITIES  
SUMMARY CONT.**

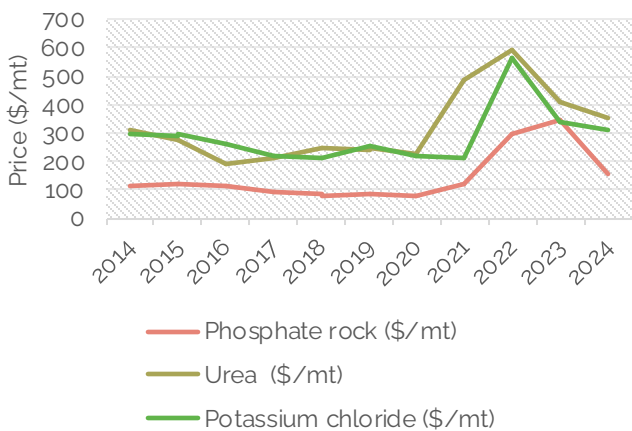
Phosphate Rock, Urea and Potassium Chloride price from December 2022 to December 2023



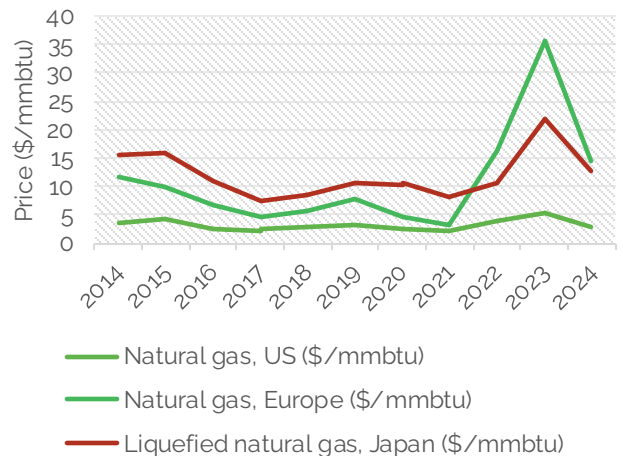
Natural Gas Prices from December 2022 to December 2023



Phosphate Rock, Urea and Potassium Chloride price from 2014 to 2024

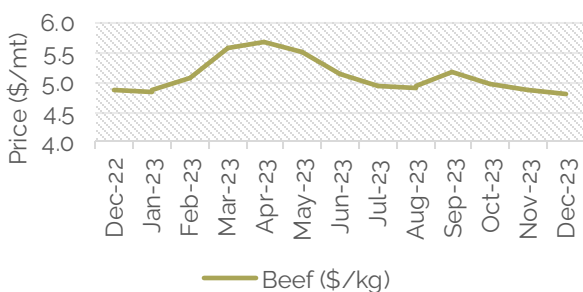


Natural Gas Price from 2014 to 2024



Data from The World Bank

Beef price from December 2022 to December 2023



**Grain Production for the 23/24 Harvest**

Following three years of bumper crops, the 2023/24 harvest was the second smallest in the past 10 years with CBH grain receipts down 45% on average due to low rainfall.



**OTHER PILBARA NEWS  
(INVESTMENT, LEGISLATION, GOVERNANCE)**

**Critical Minerals Volatility**

The West Australian government's budget collected significant mining royalties in 2023, particularly with respect to iron ore and this is unlikely to change notwithstanding the recent excited rhetoric about Australia becoming home to a rich new resources boom in critical minerals.

In early 2023, lithium royalties suddenly grew to be worth \$1 billion a year, for example, albeit a distant second to iron ore.

This growth resulted in great optimism by the WA State Government in early 2023 for the critical minerals processing sector, extending from lithium hydroxide to nickel sulphate to battery manufacturing. However, the collapse in the prices of lithium and nickel in 2023 is also exposing the Federal Government's enthusiastic embrace of more downstream processing and value-adding manufacturing in Australia while also contributing to the green revolution.

Instead, the rapid closure of mines and the increased mothballing of existing or potential processing facilities in WA is dramatic evidence the traditional boom and bust record amid fluctuating prices in the resources industry won't be eliminated in a decarbonising world.



**Sale of Rio Tinto Lake Macleod salt mine to Leichhardt Industrial Group**

Rio Tinto has entered into an agreement with the privately owned Leichhardt Industrials Group to sell its Lake MacLeod salt and gypsum operation located in Carnarvon for US\$251 million (A\$375 million).

Lake MacLeod is one of the three salt operations under Dampier Salt Limited, which is the world's largest exporter of seaborne salt. It has been running since 1967 and now exports 10.3 million tonnes annually. Lake Macleod also mines and exports gypsum to customers in Australia and South-East Asia. Rio Tinto has a 68 per cent ownership of Dampier Salt, followed by Japanese trading houses Marubeni and Sojitz with 22 per cent and 10 per cent each.

**Yara Study to replace Shipping Fuel with NH4**

Yara Fertilisers, a Pilbara based ammonia producer is currently investigating the demand and supply of ammonia as a replacement shipping fuel to help drive decarbonisation, particularly in the iron ore industry.

In late 2023 Yara released the results of a feasibility study that suggests that ammonia bunkering was economically and operationally viable at the Pilbara's two major ports – Hedland and Dampier. Port Hedland and Dampier ports are two of the world's largest bulk export ports and demand for the ammonia bunkering product is estimated to be up to 1.5 tonnes by 2035.

In April 2022 BP joined with Rio Tinto other other stakeholders to progress work on an Australia-East Asia iron ore green corridor with the project aiming to see ammonia-fuelled bulk carriers servicing the corridor as early as 2028.







**OTHER PILBARA NEWS  
(INVESTMENT, LEGISLATION, GOVERNANCE)**

**Woodside**

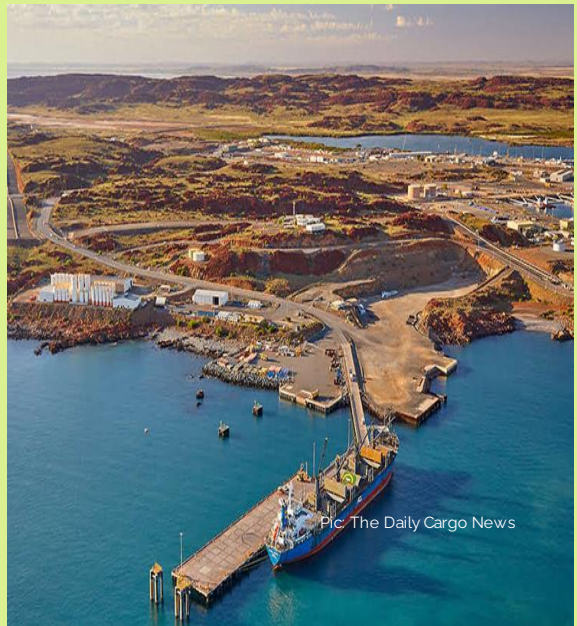
Woodside Energy chief executive Meg O'Neill says the company is 'off to the races' at its Scarborough energy project', after recording record production in its first year post-BHP Petroleum merger.

Woodside hit the high end of its full-year production guidance in 2023, extracting some 187.2 million barrels of oil equivalent across its consolidated business against its target of 183 million to 188 million barrels of oil equivalent.

Full-year revenue was just over \$14 billion. These figures represented a 17 per cent reduction on 2022 revenue of \$16.8 billion, as the price received for Woodside product slipped from \$US98 per barrel to \$US67/barrel. On a quarterly basis, Woodside produced 48.1MMboe for revenue of \$3.35 billion, a 3 per cent quarter on quarter increase.

Woodside will present full-year results in February 2024.

These strong financial and operational figures complete a big year for Woodside, which made significant progress at its Scarborough project off the coast of Western Australia notwithstanding legal challenges to key environmental approvals and the disclosure in 2023 that it was in early talks with LNG producer Santos over a potential merger.



Pic: The Daily Cargo News



Pic: Rio Tinto

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