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PILBARA

Pilbara October 2023 Bi- Monthly Economic Snapshot



HIGHLIGHTS

Interest rates

At its October (and eighth) meeting for 2023, the RBA Board left the cash rate unchanged (again) at 4.10%. Interest rates have been increased by 4% since May 2022 with the aim of reducing Australia's current inflation rate.

The higher interest rates set by the RBA are targeting a more sustainable supply and demand balance and considering this (and the uncertainty surrounding the economic outlook) the Board again decided to hold interest rates steady in October. This will provide further time to assess the impact of the increase in interest rates to date and the forecast economic outlook.

Inflation in Australia has passed its peak but it is still too high and will remain so for some time yet. Timely indicators on inflation suggest that goods price inflation has eased further, but the prices of many services are continuing to rise rapidly and fuel prices have risen noticeably of late. Rent inflation also remains elevated and expected to rise in view of forecast demand.

Further tightening of monetary policy by the RBA may be required to ensure that inflation returns to target in a reasonable timeframe, but that will depend upon the data and the evolving assessment of risks. In making its decisions, the Board will continue to pay close attention to developments in the global economy, trends in household spending, and the outlook for inflation and the labour market.

The RBA Board remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome.

September CPI Data

On Wednesday 25th October the Australian Bureau of Statistics published its September Quarterly CPI data. This data is a critical indicator for the RBA of the effect of its monetary policy and influences the RPB in how it uses monetary policy as an instrument to drive inflation down to its target range of between 2-3%. (Cont' pg 5)



HIGHLIGHTS



COST OF LIVING IN THE PILBARA



OTHER PILBARA NEWS (INVESTMENT, LEGISLATION, GOVERNANCE)





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COST OF LIVING IN THE PILBARA

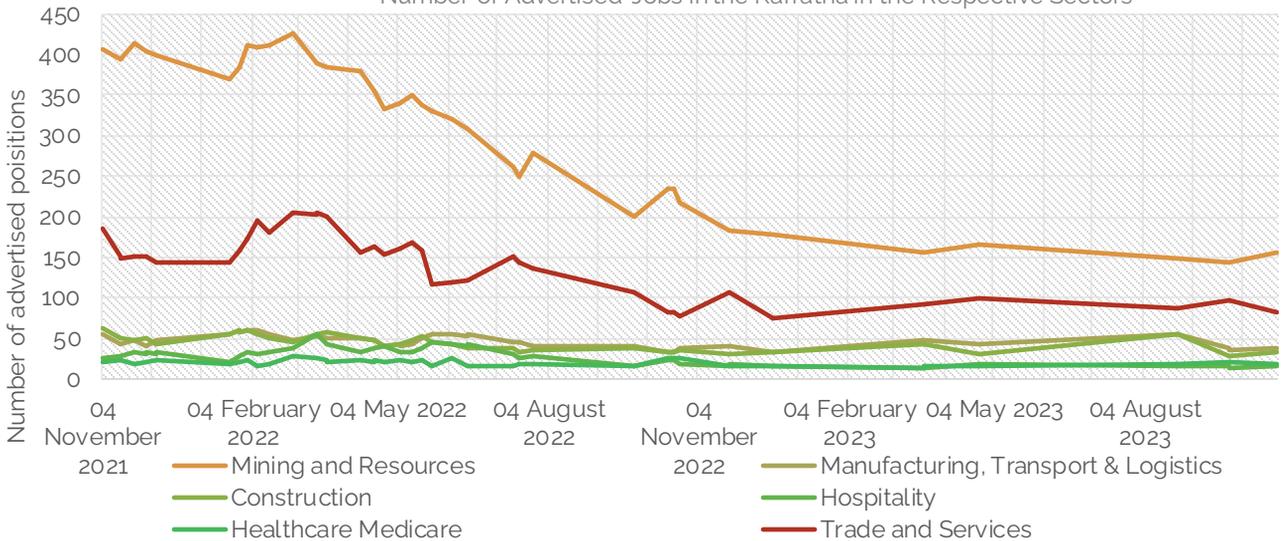
Employment

The unemployment rate in Australia remained at 3.6% in September 2023 while Western Australia's Unemployment was at 3.4% (Australian Bureau of Statistics 2023). The growth in employment has gradually slowed post Covid-19 Restrictions, however the employment-to-population ratio and participation rates are still close to record highs pointing to a tight labour market. However, the Reserve Bank board members noted the supply of workers has increased while demand has moderated (Reserve Bank of Australia 2023).

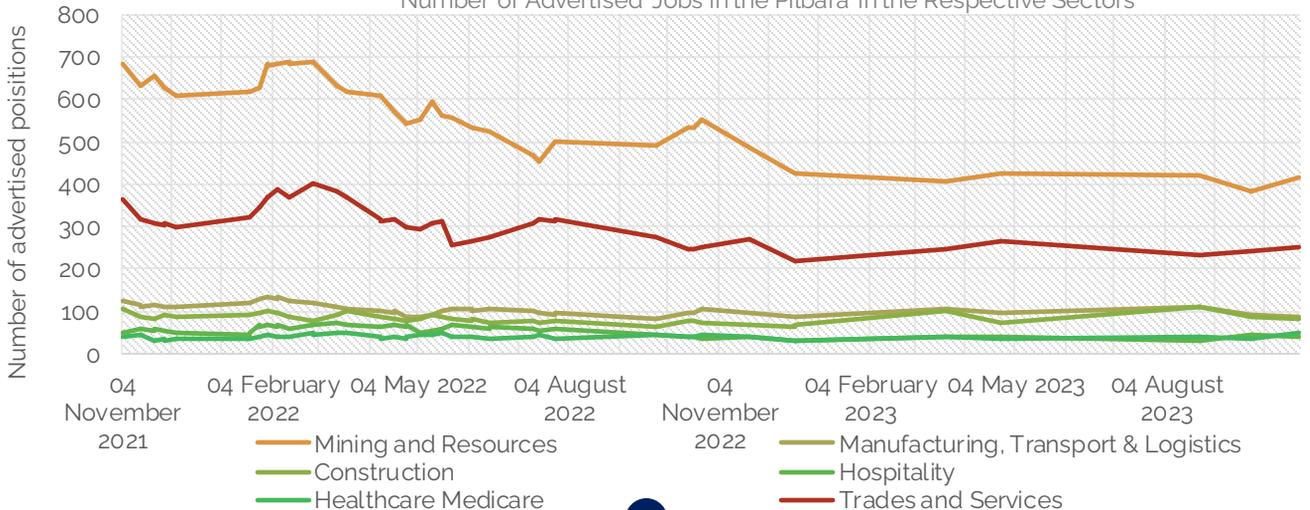
The number of jobs advertised in Karratha has dropped from the start of the 2023/2024 financial year to October 2023. Sectors including Trades and Services, Hospitality and Construction have almost halved the number of job availabilities advertised on Seek in Karratha. Meanwhile, the Pilbara Region's Trades and Services and Mining and Resources sectors have both seen an increase in job advertisements.

The Pilbara Ports Authority has expanded their pathways for marine pilots and increasing learning and employment opportunities for women and the youth through the new Marine Simulator that supports Marine Pilot Training (Pilbara Ports 2023).

Number of Advertised Jobs in the Karratha in the Respective Sectors



Number of Advertised Jobs in the Pilbara in the Respective Sectors





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COST OF LIVING IN THE PILBARA CONT'



Childcare Centre Costs

Childcare prices and availability have been a limiting factor for families wanting to move to the Pilbara region. The average childcare prices range from \$110-\$150 before application of the government childcare subsidy. Karratha's prices currently average at \$141, Port Hedland at \$133, Newman with \$151 for babies and \$133 for toddlers and Tom Price at \$133 (Care for Kids 2023).

Several daycare centres in Port Hedland and Dampier still have 18-month long waitlists for baby centres. Meanwhile private childcare in the form of babysitters has families paying around \$25 -per hour. Recently, new childcare centres have opened including the Karratha Kinder House to help alleviate daycare shortages.

Thriving Futures Program was established in 2020 as a response to the shortage of childcare availability. Since then, five early learning centres are participating in the program, three in Port Hedland and two in Newman. They also work to improve childcare availability by recruiting, training, and focusing on retaining a qualified and sustainable early education workforce (Thriving Futures 2023).

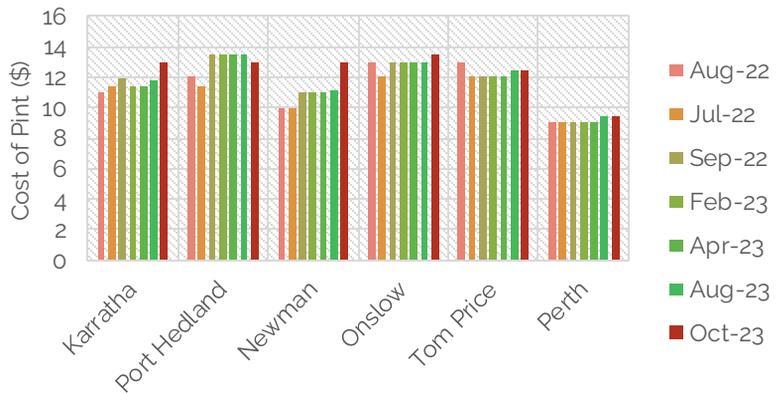
Alcohol Prices in Western Australia

Rural areas report higher alcohol prices compared to metropolitan areas due to higher transports costs (Perth to Pilbara destination) and the associated fuel, storage and electricity costs in the Pilbara destinations. In the Pilbara, the "mining tax' of price hikes in mining towns is an additional contributor to greater alcohol prices.

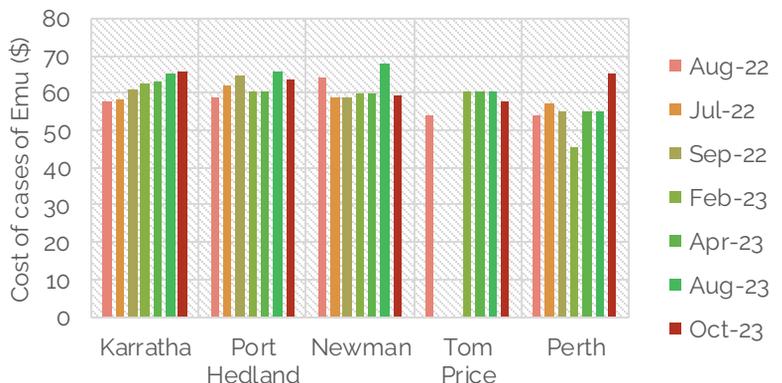
The cost of a pint of Swan Draught in the Pilbara has shown to be consistently 3-4 dollars higher when compared to Perth with the only pints available at comparable Perth prices (\$9.5) during a Pilbara 'happy hour'. Data gathered from the community and a variety of pubs and restaurants shows that Port Hedland, Onslow's and Tom Price's prices are on the higher end. Meanwhile Newman has on average the cheapest pint of beer available. *NB: This does not take into considerations specials and happy hours offered in many of the pubs.*

The prices advertised at bottle shops fluctuate regularly to reflect stock amounts and specials. However, in October 2023, a case of Emu Cans was \$63 on average in Karratha and Perth, while Port Hedland, Tom Price and Newman had a lower average due to regular specials.

Comparing the Cost of a Pint of Swan at a Pub



Cost of a Case of Emu Cans (30 pack)

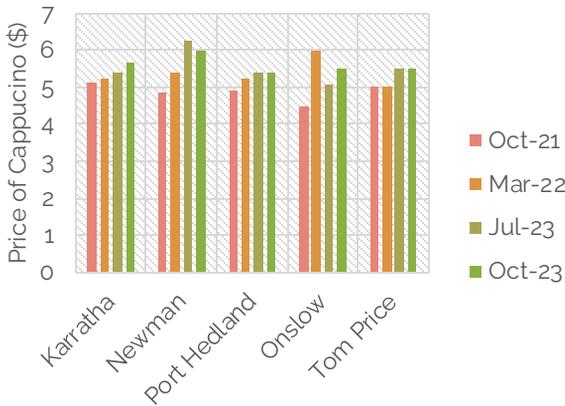




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COST OF LIVING IN THE PILBARA CONT.

Average cost of medium cappuccino in the Pilbara (\$)



Coffee Prices

Coffee prices in the Pilbara are an indicator of cost of living as grabbing a cup of coffee is a staple in many people's morning routines. The prices medium cappuccino in the Pilbara have been tracked since October 2021 and have seen a steady increase in all Pilbara towns. With the lowest price available at McDonald's at \$5.05 and an average of \$5.5. Meanwhile the average cost of a medium cappuccino in Perth is \$4.6. In comparison, Hobart's, Brisbane, average price is \$4.5, \$5 in Melbourne, while the average cost is \$4.0 in Adelaide.

Cafés and restaurants have had to increase their coffee prices to reflect the increasing cost of running physical business spaces. The price of retaining skilled employees, cost of materials, international freight costs, rising cost of electricity and rent have all contributed to price jumps in cups of coffee. In 2022, coffee sellers say the price of coffee has gone up 20-30% in the past 12 months with price drops not expected for the next 18 months.

Fuel Price Trend

Fuel Prices in the Pilbara

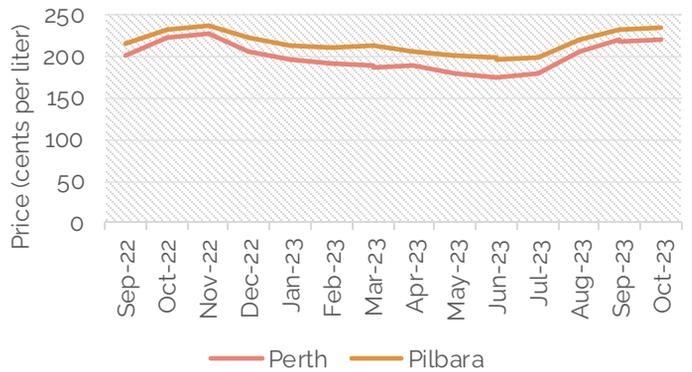
Prices for Diesel and ULP continued to increase in both Perth and Pilbara fuel pump stations. The only exception is ULP in metro areas that dipped to 195.2 from 202.3 cents per litre. Automotive fuel prices rose 7.2% in the September Quarter, the highest quarterly rise since March 2022 (Australian Bureau of Statistics 2023).

The price increase between September to October 2023 was limited at 0.8 and 1.1 cents per litre for Diesel in Perth and the Pilbara respectively, and 0.7 cents per litre for ULP in the Pilbara.

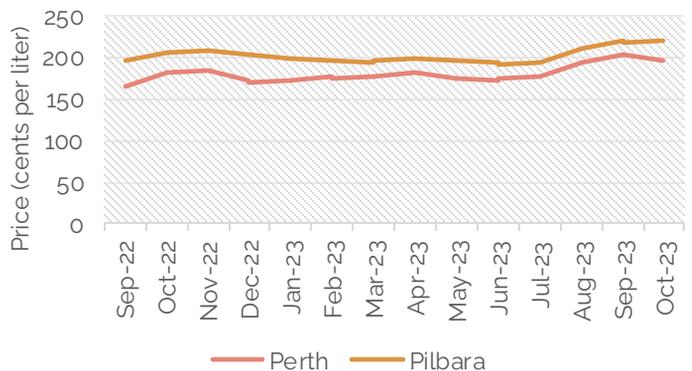
The ongoing high cost of petrol worldwide has been a response to the continuing war in Ukraine, supply constraints and a weaker Australian dollar.

The recent sharp escalation of geopolitical risk and uncertainty in the Middle East, where more than one third of the world's seaborne oil comes from, is adding to price inflation. The attack by Hamas on Gaza on the 7th of October spurred oil traders to price in a \$3-4/bbl risk premium when markets opened. Towards the end of October, prices have stabilised. There has been no direct impact on supply, but the market remains cautious (International Energy Agency 2023).

Average Price of Diesel from September 2022 until October 2023



Average Price of ULP September 2022 until October 2023





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September 2023 CPI Data

Inflation eased from 6% in Q2:2023 to 5.4% in Q3:2023 while underlying inflation decelerated from 5.9 per cent to 5.2 per cent. But both headline and underlying inflation printed above market expectations – for 5.3 per cent and five per cent outcomes, respectively. This unexpected quarterly reading means the RBA's inflation forecasts look unrealistic, not least because the RBA's forecasts assume an oil price of \$US80 a barrel, where it's currently bouncing around \$US90 and anticipated to increase in light of the geopolitical uncertainty arising from Hamas's invasion of Gaza.

The RBA anticipated the mean inflation to be back to 4 per cent by the end of December, but this will require the Q4:2023 reading to plummet to 0.6 per cent which is highly unlikely. Accordingly, it is anticipated that the RBA will lift interest rates at its November meeting. There is also a strong likelihood that rates will rise again in December.

Waypoint Village Accommodation Expansion

Compass Group plans to build over 550 rooms in a \$79m expansion of Waypoint Village to accommodate employees of BHP's proposed debottlenecking project (estimated to be completed by March 2028).

Port Hedland has grown less than 0.2 per cent per annum since June 2017, and the current shortage is expected to be further exacerbated by an increasing number of non-permanent workers coming to and from Port Hedland in response to the forecast projects being implemented in the region over the next 10 years.

The Town of Port Hedland is also proposing to build a 75 dwelling workers' village that it expects to reduce the accommodation shortfall by about 10 per cent. Construction on the village is expected to commence in the 2024/25 financial year.

Rio Tinto and Yindjibarndi Pilbara Renewables MOU

Rio Tinto has entered into an agreement with Yindjibarndi Energy Corporation (YEC) to assess and develop renewable energy projects in the Pilbara. The venture will initially target development of a solar farm with capacity of between 75 megawatts and 150MW. It is aiming to obtain all approvals and take a final investment decision by the end of 2024 with construction to commence in 2025.

Chevron Agrees New Enterprise Agreement for Gorgon & Wheatstone Gas Facilities

Following protected industrial action in September, Chevron negotiated a new enterprise agreement for its employees at its Western Australian Gorgon and Wheatstone offshore platforms in late October 2023. The enterprise agreement is currently awaiting endorsement from the Fair Work Commission.

WA Government October 2023 Visit to Japan

The WA Premier met with key stakeholders including in Mitsui & Co and Japan Bank for International Co-Operation as part of the WA Government's plan to market its vision for its renewable energy sector strategy.

Mitsui was an early mover in both WA iron ore and LNG and holds interests in producing iron ore joint ventures alongside Rio Tinto and BHP in the Pilbara as well as in key offshore and onshore oil and gas projects. These projects include Waitisa stage two development in the contentious Perth Basin alongside Beach Energy, a stake in the North West Shelf Joint Venture, and a small share in Woodside Energy's untapped Browse LNG project.

WA's Premier, Roger Cook advised that "countries like Japan and other South-East Asian partners are looking to Western Australia to be a significant renewable energy opportunity for their economies. They're looking to decarbonise their economies; they don't have the abundance of wind and solar that we have in Western Australia. They know that we're trusted partners that can stand up a global leading industry, such as we did with iron ore and LNG".

WA Premier Supports Scarborough & Browse Projects as part of Regional Energy Future

Speaking in Tokyo on the second day of the WA Government's mission to Japan, Premier Cook stated that both LNG projects have a role to play in securing the region's energy future. Currently seismic activity on the Scarborough Project is halted pending the review of environmental approvals received. Browse, the nation's largest untapped conventional gas resource, is also awaiting environmental approvals.

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