



An Australian Government Initiative



Regional Development Australia

PILBARA

Pilbara July 2023 Bi-Monthly Economic Report



HIGHLIGHTS



HIGHLIGHTS



COST OF LIVING IN THE PILBARA



COMMODITIES DATA



OTHER PILBARA NEWS (INVESTMENT LEGISLATION, GOVERNANCE & COVID)

WA Triple A Credit Rating

Moody's Investors Service has reinstated Western Australia to its highest AAA credit rating, a move the state projects will save it \$2.4 billion in interest over its forward estimates.



Interest rates

At its 4 July 2023 meeting, the RBA determined to leave the cash rate unchanged at 4.1%. This has been a welcome reprieve from RBA policy that has seen interest rates increase some 4% since May 2022. Following its July meeting the RBA advised that "the higher interest rates are working to establish a more sustainable balance between supply and demand in the economy and will continue to do so". The RBA noted that given the uncertainty surrounding the economic outlook, the Board has decided to hold interest rates steady in July. This will provide time to assess the impact of the interest rate increases to date and the economic outlook.

The RBA stated that "inflation in Australia has passed its peak and the monthly CPI indicator for May showed a further decline. But inflation is still too high and will remain so for some time yet. The Board remains alert to the risk that expectations of ongoing high inflation will contribute to larger increases in both prices and wages, especially given the limited spare capacity in the economy and the still very low rate of unemployment. Accordingly, it will continue to pay close attention to both the evolution of labour costs and the price-setting behaviour of firms.

New RBA Governor, Board Members & Board Structure

On 14 July 2023, the Australian Treasurer announced that Michelle Bullock, the RBA Deputy Governor will succeed Philip Lowe as RBA Governor when his term expires on 17 September 2023. Two new board members, former Fair Work Commission president Iain Ross and AustralianSuper chairwoman Elana Rubin have also been announced by the Treasurer to fill two vacancies on the existing RBA Board

In addition to a new RBA Governor, the Federal Government is expected to introduce new legislation by the end of 2023 to amend the Reserve Bank Act to introduce a new dual board structure that will come into effect by July 2024.



COST OF LIVING IN THE PILBARA CONT'



Regional Development Australia
PILBARA

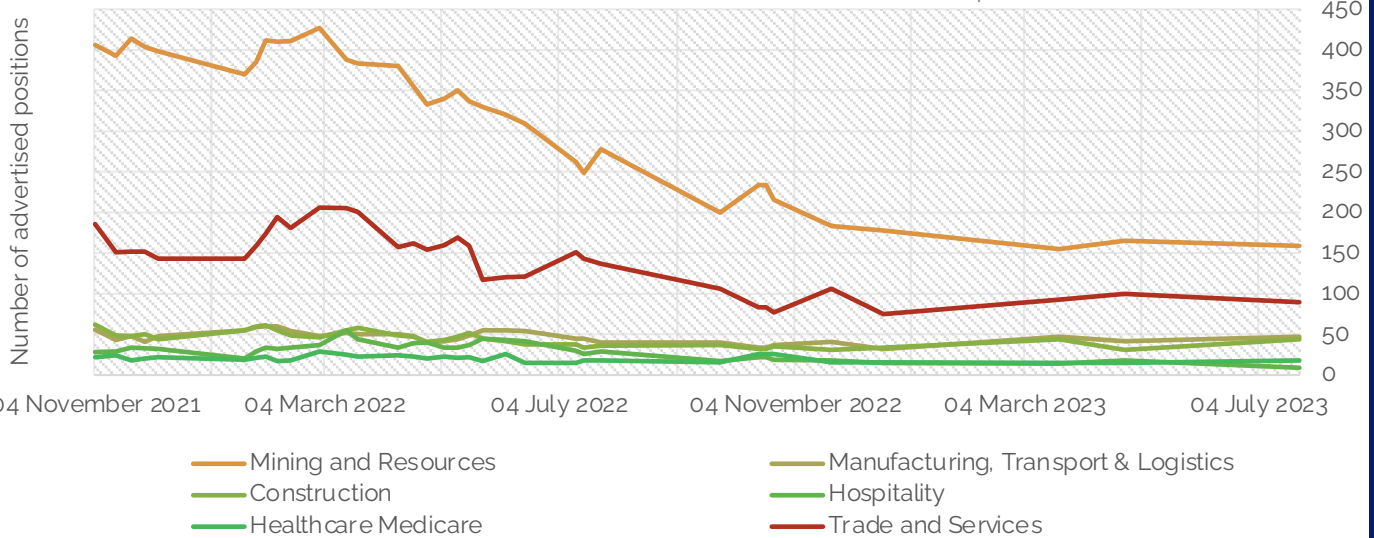


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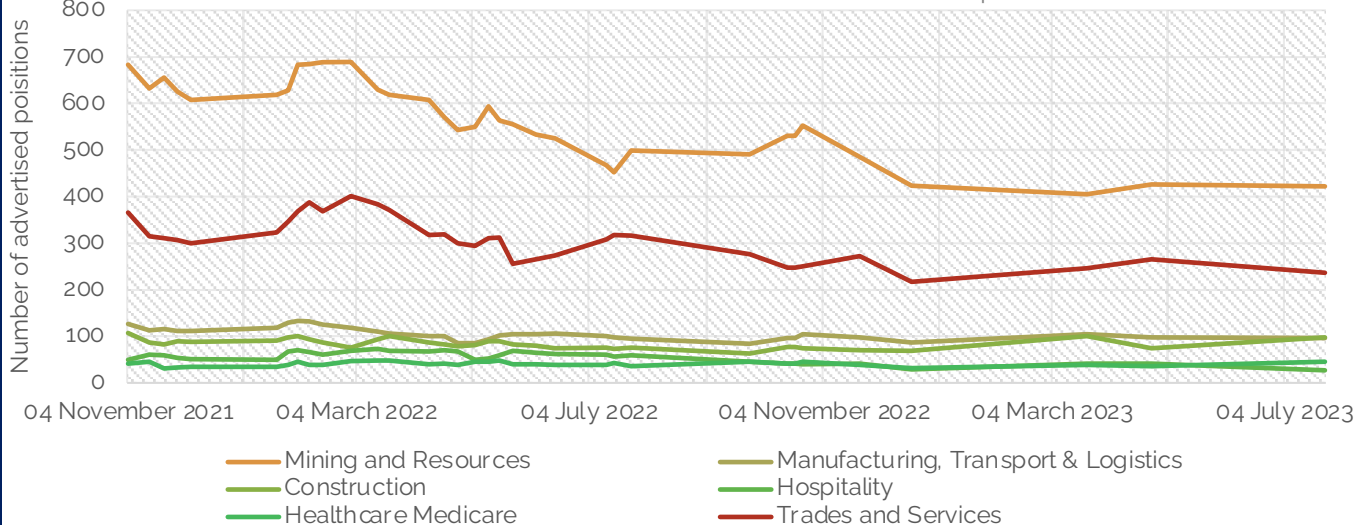
Employment Trends in the Pilbara

The number of advertised jobs on Seek.com continued to decrease in the Pilbara from the start of 2023. Mining and Resources remains the largest employment sector, with around 500 jobs available in Karratha, Port Hedland and surrounds. Since March 2023, several smaller sectors have seen a significant drop in job opportunities. Healthcare and Hospitality were two of those sectors, with half of the job availabilities advertised on Seek when compared to February 2023. Australia wide job advertisements fell 2.3 per cent in June to be down 24 per cent from their peak, according to Seek and NAB's business survey also showed the proportion of firms reporting labour constraints fell sharply in June. Australia's unemployment rate is at 3.5% in June 2023 while Pilbara's unemployment rate was at 1.8% in March 2023 (Pilbara Development Commission). With over 190,000 places available for permanent migration, the Australian government hopes to fill skilled roles that the domestic pipeline of skilled workers is currently unable to fill. Above trend employment rates are expected at the end of the financial year with many skilled roles still unfilled (Westpac 2023). Areas of regional Australia such as the Pilbara continue to see employers struggle to fill rolls. Factors such as the high cost of living, lack of housing availability and high rental costs (Pilbara News 1 July 2023) and lack of childcare options are some of the challengers that contribute to city dwellers being reluctant to make the move to the Pilbara .

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'



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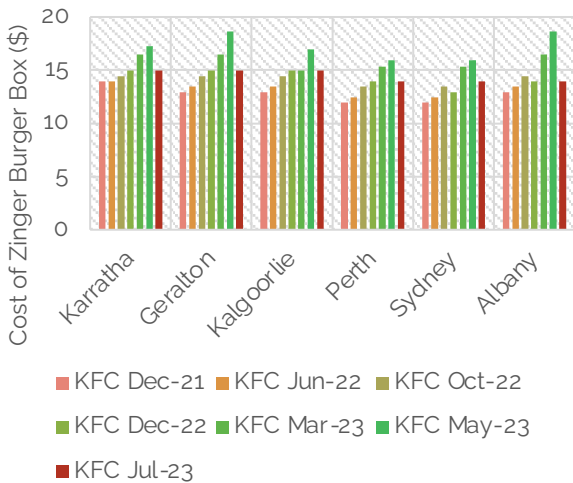
Food Prices in the Pilbara

'Fast Food' prices are a key indicator of the cost of living in any country and region. Pilbara towns have generally experienced considerable price hikes in otherwise reasonably standardised menu items. The high cost of electricity, transport and the struggle to remain staff are common contributors to price increases.

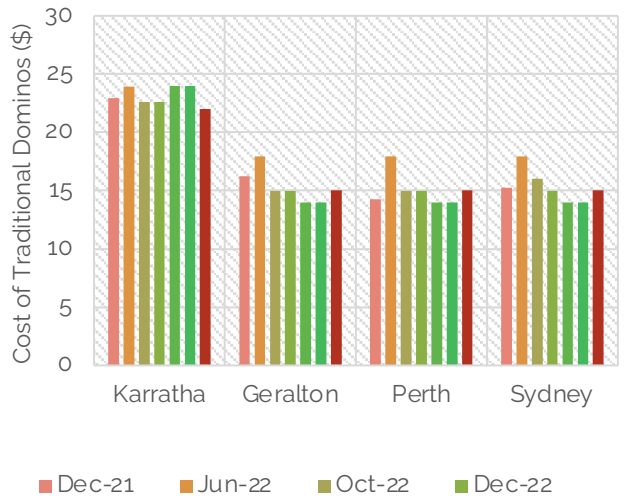
Across many 'fast food options' Karratha has the highest cost of fast-food menu items with the greatest price spike seen in Dominoes traditional pizza. While other franchised locations have had their traditional Pizza price fluctuate between \$12 and \$13, Karratha's prices have ranged between \$22 and \$25.

In July 2023, KFC's Zinger Boxes went through a price standardisation across the country reversing the previously steady increase in prices down to \$14.95 in rural areas and \$13.95 in higher populated towns. The only fast-food chain showing an increasing price trend in July 2023 was Chicken Treat. This popular Western Australian food chain has increased their Tempa Burger price by \$1 across all locations for the start of the 23/24 financial year.

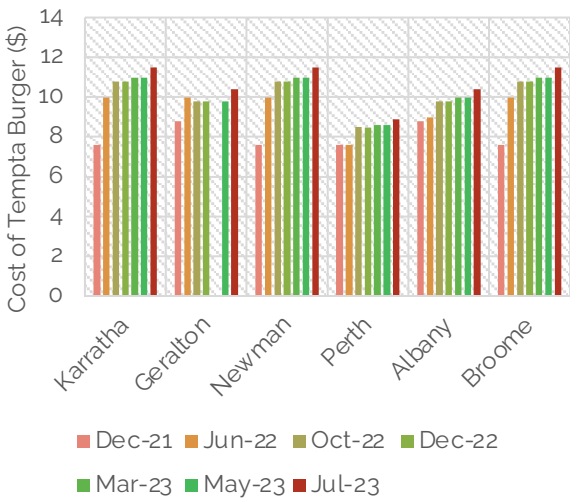
Comparative costs of Zinger Box from KFC around Australia



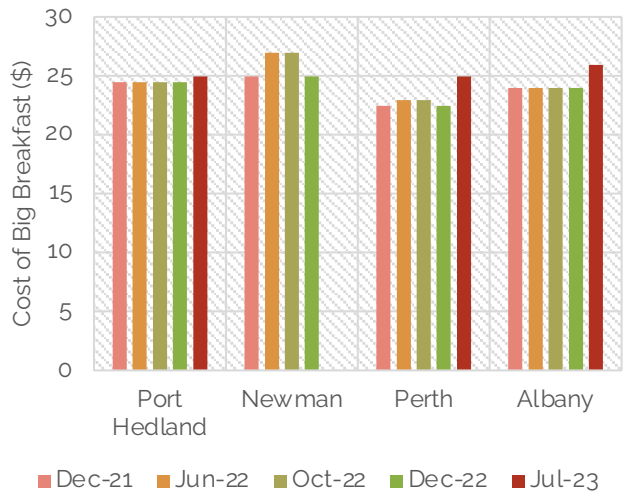
Comparative Cost of Traditional Dominoes Pizza



Comparative Cost of Tempa Burger at Chicken Treat



Comparative Cost of Big Breakfast at Dôme Cafe





COST OF LIVING IN THE PILBARA CONT'



Food Prices in the Pilbara cont.

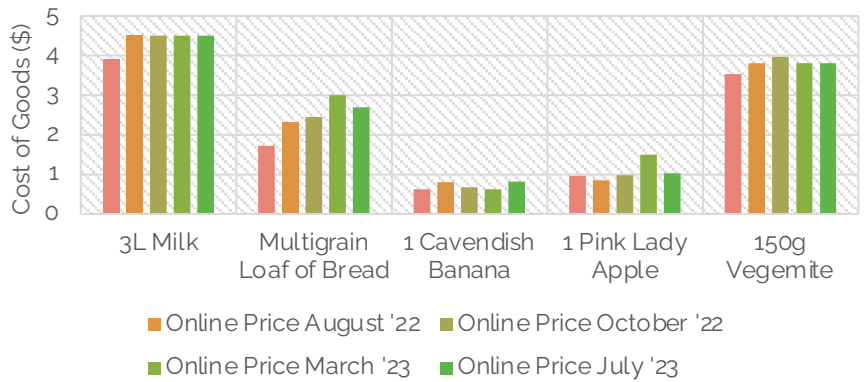
This Pilbara economic report has been investigating the prices of key food goods across Coles and Woolworths in the Pilbara region to compare price trends and examine the price fluctuations between online and in person purchases.

July 2023 has seen a slight drop of prices in Baked Goods (as can be seen by the Multigrain Loaf) and some pantry essentials including vegemite following the consistent growth from August 2022.

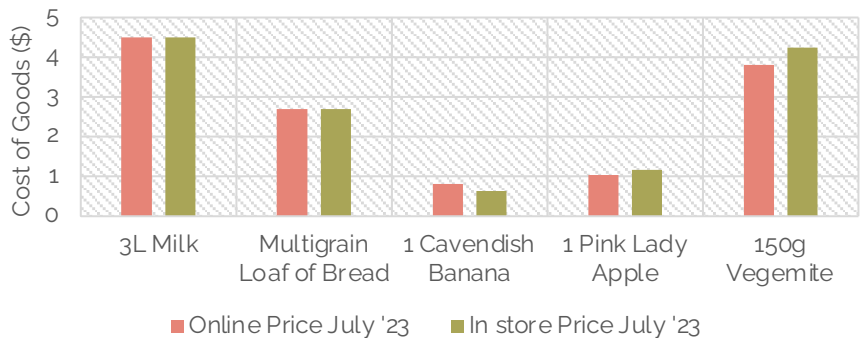
Prices in store and online shopping have now equalised for most items with some discrepancy in fresh fruit due to the per kg measurements in store and per piece purchase options online.

July 2023 price decreases may be a strategic measure by Coles and Woolworths. To date, The Federal Government has not intervened with food inflation, which may change if it continues to outpace headline inflation. Several other countries have threatened price controls on food retailers and suppliers to keep the cost of living manageable (*Financial Review 2023*).

Average costs of Online food in 2022 and 2023 at Coles and Woolworths



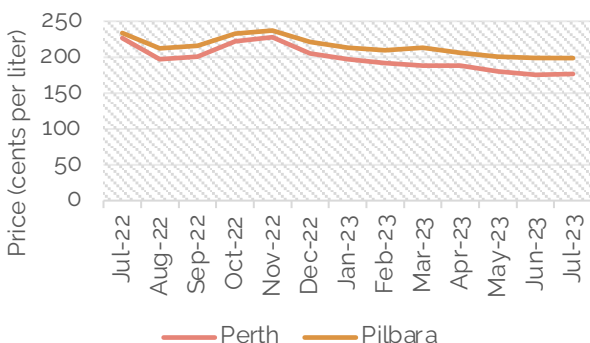
Average Costs of Food Online vs Instore Shopping in WA in July 2023



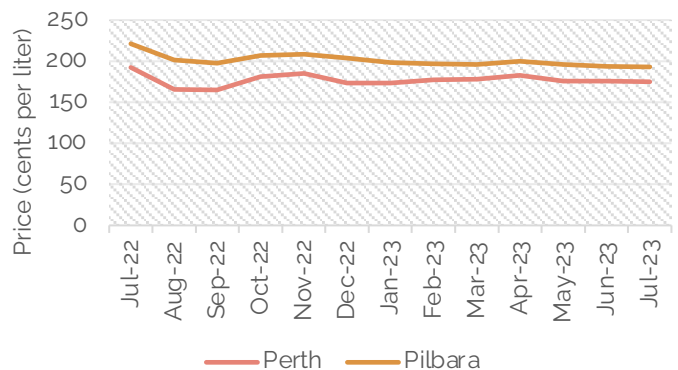
Fuel Prices in the Pilbara

Fuel price trends have remained steady since May 2023 with mild fluctuations in both Diesel and Petrol. Both fuels are slowly decreasing in price from the all-time highs experienced in November 2022. The Pilbara's average Diesel price in July was 198.6 cents per litre while Perth's average fuel price sat at around 176.5 cents per litre. The wide price gap of over 20 cents remaining constant with regional Australian towns experiencing the brunt of high fuel costs. ULP's price differences between Metro and Regional areas were slightly smaller in July 2023, however the Pilbara's 192.9 cents per litre is still 18 cents higher than Perth's average price of 174.6 cents per litre.

Average Price of Diesel from July 2022 until July 2023



Average Price of ULP July 2022 until July 2023





COMMODITIES SUMMARY

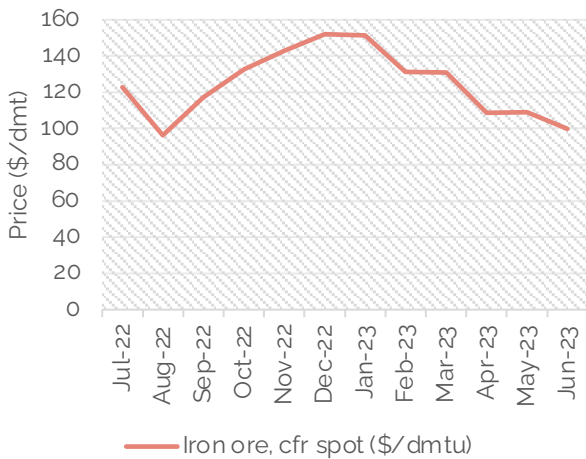


Iron Ore

Weak economic data out of China continues to raise concerns about China's post pandemic economic recovery and therefore demand for commodities including iron ore. However, Pilbara iron ore giants continue to perform strongly amidst softening iron ore prices. Rio Tinto's iron ore division has achieved its most productive first half in five years, putting the miner on track for delivering at the top end of its guidance range with Rio's chief executive Jakob Stausholm Stating that "the miner was now targeting the upper half" of the range promised in January, when the miner vowed to ship between 320 million and 335 million tonnes of Australian iron ore in 2023".

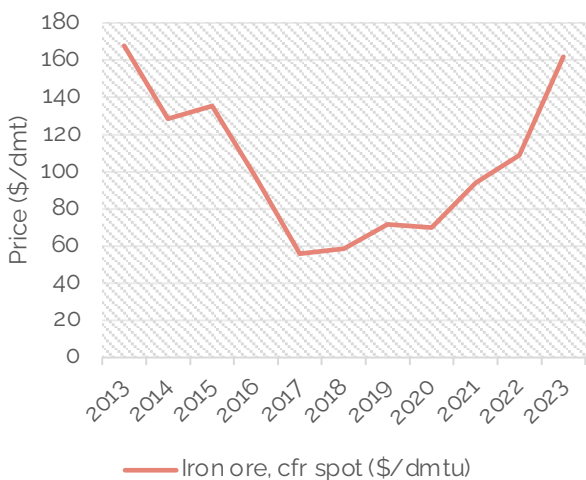
The health of the Chinese economy will be pivotal for Rio's (and other Pilbara miners's) iron ore divisions. To date, China's economic recovery has fallen short of initial market expectations (July AFR).

Iron Ore price from July 2022 to June 2023



Iron ore, cfr spot (\$/dmt)

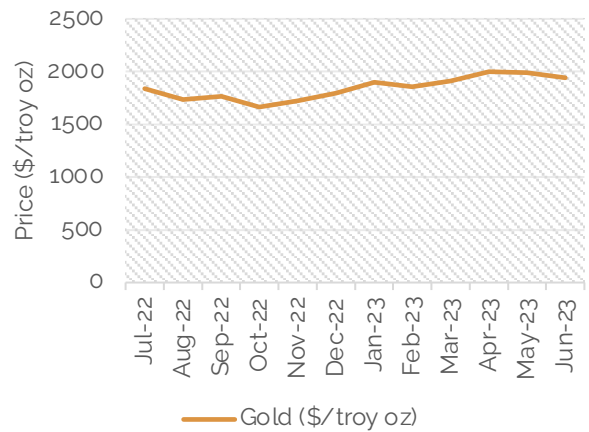
Iron Ore price from 2013 to 2023



Iron ore, cfr spot (\$/dmt)

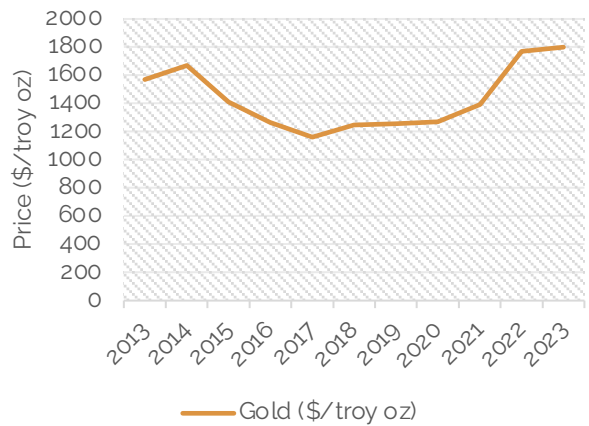
Data from The World Bank

Gold Price from July 2022 to June 2023



Gold (\$/troy oz)

Gold Price from 2013 to 2023



Gold (\$/troy oz)

Gold

Gold prices have experienced a steady decline since May 2023 with fluctuations around the US\$1,960 mark. On a 3- or 6-month scale, the current gold price has grown from US\$1,800 an ounce in March and US\$1,640 an ounce in November 2022.

The price of gold steadied above US\$1,960 an ounce at the end of July 2023 as investors awaited interest rate decisions from major central banks. While the commonly accepted trend is that gold prices fall as interest rates increase, Investopedia notes that there is no long-term relationship between those two factors. In some cases, traders sit on bonds instead of the risk of physical gold (DailyForex 2023).

The Australian exploration company, Red Hill Minerals (**Red Hill**) has intersected gold mineralisation at multiple prospects (Derek Bore Gold, Kens Bore Gold and Jubilee) within its West Pilbara Project. Heritage surveys are planned for expansion and follow up drilling.



COMMODITIES SUMMARY CONT'



Lithium

In July 2023, Lithium prices continued their positive rebound since May following their fall from November 2022 to April 2023. The weak start to the 2023 year began as a result of stalled electric vehicle sales in China that picked up in May. Long term outlook for the battery metal remains strong as it is one of the key components in green technologies in the form of electric vehicles and solar panel energy storage. Earlier this year, abundant lithium-iron-phosphate cathode inventories also allowed buyers to negotiate lithium prices or hold off purchasing materials all together. As a result, some sellers were holding back raw materials to generate scarcity in the market to drive prices upwards.

Australia remains one of the biggest producers of lithium along with Chile, China and Argentina. Western Australia is a strong hold of this green commodity. According to state budget papers released in May, WA is on track to collect \$910 million from lithium in the 12 months to June 30 (ABC 2023).

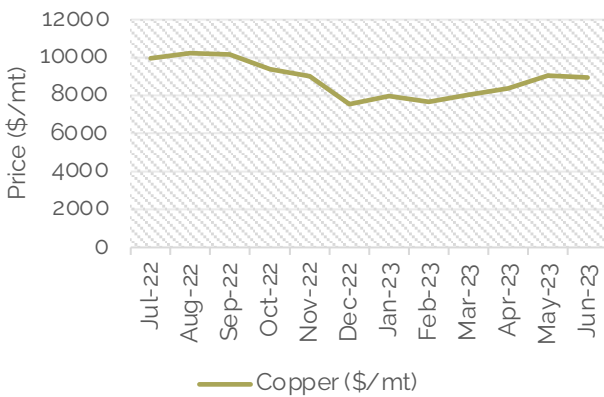
Lithium Carbonate Prices from September 2022 to July 2023



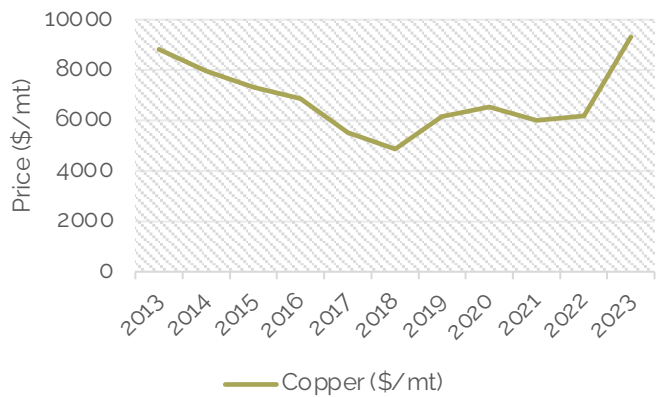
Lithium carbonate min 99.5% cif China prices CNY/T

Data from Trading Economics

Copper price from July 2022 to June 2023



Copper price from 2013 to 2023



Copper

The end of July saw copper prices reaching their highest level since late 2022. Prices have rebounded from their low in May following macroeconomic pressures and economic contraction. Chinese manufacturing closures due to China's zero covid policy further drove prices down earlier in the year. June and July saw a demand recovery following China's commitment to expand domestic demand.

Concerns about copper shortages also contributed to the price surge that can be seen from May. The dominant copper producer, Chile, reported in May a year-on-year decline in production by 14%. This signalled a potential supply constraint in the metal.

Copper is one of the metals instrumental in the transition to a cleaner and greener future. Similarly to lithium and nickel, it is a key component in many low carbon emission technologies. These include wiring on electronic vehicles, solar panels, wind farms, hydro powerplants, renewable panel grids and more.





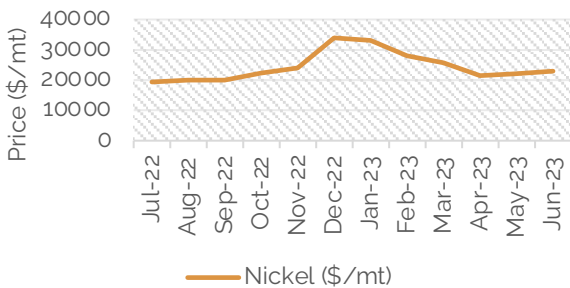
COMMODITIES SUMMARY CONT'



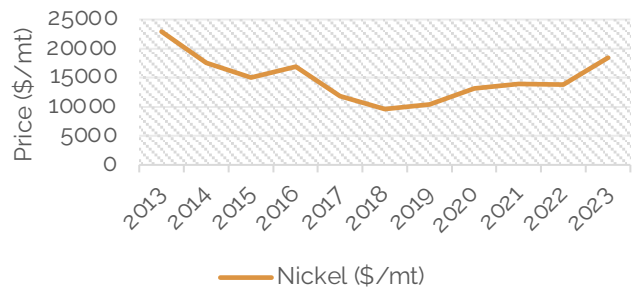
Nickel

Nickel, another critical green energy metal has seen its price increase in the international market with royalties forecast to rise from \$104 million in 2023 to almost \$200 million by 2025-26. Nickel prices rose above US\$21,000 per tonne mark due to low inventories and the expectation for increased demand. China is the major global nickel importer and has stated it will incorporate more measures to support the construction sector driving demand for nickel. Standard and Poor raised its forecast for global car manufacturing in the next three years further contributing to the need for semiconductor materials including nickel. The US continues to impose sanctions on Russian nickel (and copper) producers thus tightening supply (Trading Economics 2023).

Nickel Price from July 2022 to June 2023



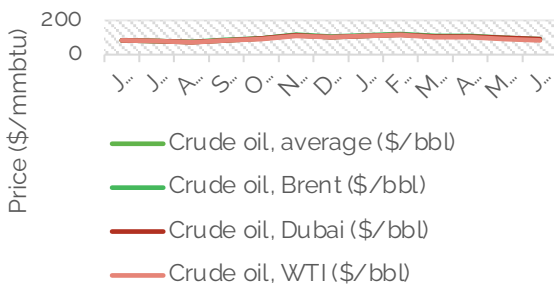
Nickel Price from 2013 to 2023



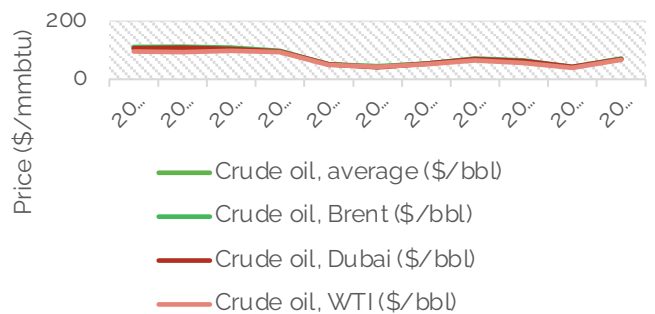
Energy Prices (Oil & Gas)

Oil and gas prices soared last year in the wake of Russia's invasion of Ukraine but energy prices have dropped sharply this year as fears of shortages eased amid global economic challenges. Benchmark Brent crude prices averaged \$80 a barrel in the second quarter of 2023, compared with US\$110 a year earlier. Prices for liquefied natural gas, dropped to US\$11.75 per million British thermal units (mmBtu) from around \$33. Industry expects average LNG prices to linger between \$9 and \$10 mmBtu in the third quarter but anticipates a rise to \$15 mmBtu over winter due to Asian and European demand (Reuters July).

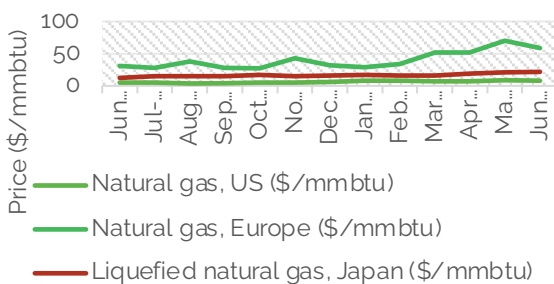
Crude Oil Price from July 2022 to June 2023



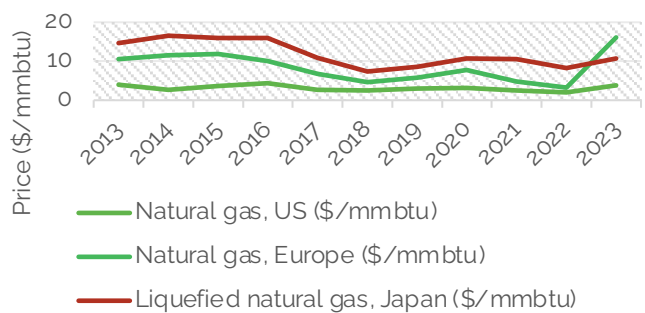
Crude Oil Price from 2013 to 2023



Natural Gas Price from July 2022 to June 2023



Natural Gas Prices from 2013 to 2023





COMMODITIES SUMMARY CONT'

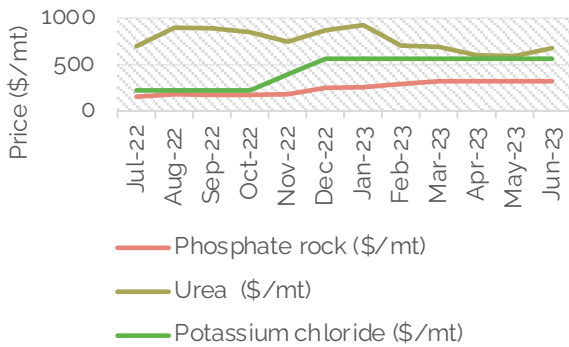


Fertiliser Prices

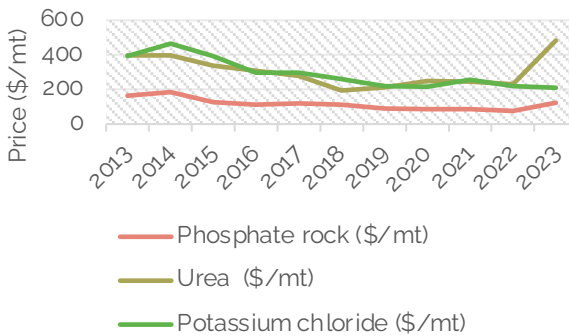
Fertiliser prices continue to soar with prices more than double the averages prices paid between 2017 – 2020. Australia imports 100% of its potassium – one of the nutrients in fertiliser – from the US, Canada and Belarus, but imports from Belarus are currently impossible due to the war in Ukraine.

Australia also imports 93% of its urea, which primarily comes from Qatar, Saudi Arabia and China. This supply is also strained due to China's export bans to secure its domestic supplies.

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



Phosphate Rock, Urea and Potassium Chloride price from 2013 to 2023



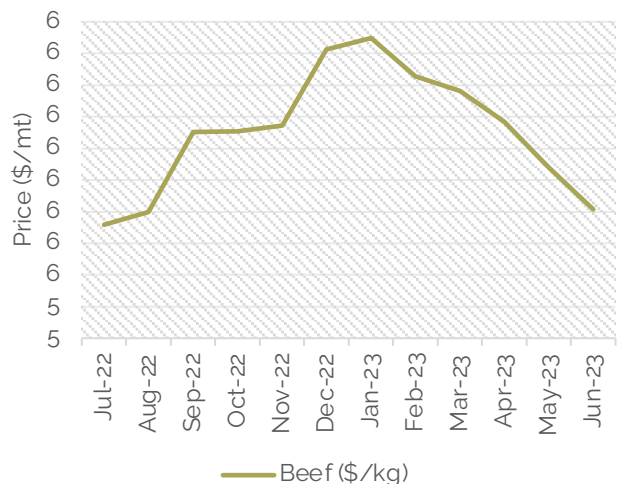
Cattle Prices

After year-on-year record high prices, the bubble has burst for the Australian cattle market and producers in the west are bracing for tough times ahead. Prices have halved for northern cattle destined for live export and dropped about 30 per cent in southern Western Australia, making farmers more inclined to hold onto their stock in the hope markets would improve (however this is unlikely in the near term). A weakened market in eastern Australia means domestic cattle prices are also down significantly.

The cattle industry is also concerned that record Australian cattle prices have inadvertently tightened the volumes of northern cattle that South-East Asian feedlots have the capacity to take as a result of feedlot closures arising from poor profits.

At Broome Port, cattle exports are down 35 per cent from last year and 50 per cent from 2021. The Port of Wyndham is also experiencing reduced exports, according to Cambridge Gulf Limited chief executive Tony Chafer with additional transport challenges arising from the destruction arising from the flooding of the Fitzroy Bridge crossing.

Beef price from July 2022 to June 2023





OTHER PILBARA NEWS (INVESTMENT, LEGISLATION, GOVERNANCE & COVID

ACCC Interim Report Child Care Inquiry

On 5 July 2023 the Australian Competition and Consumer Commission (ACCC) released its interim report into its enquiry into the price and availability of childcare services, how households select childcare services and the impact of Government contributions to childcare (**Interim Childcare Report**).

The Interim Childcare Report collected from a range of childcare providers around Australia as well as a national voluntary survey of more than 4,000 parents and guardians who use childcare services. The Report identified that childcare fees rose faster than inflation and wage growth during the past four years, rising by between 20 per cent (for centre-based day care and outside school hours care) and 32 per cent (for in home care).

The ACCC found that government subsidies offset more than half of childcare fees on average. Even so, the report found that after subsidies, out-of-pocket expenses increased 7 per cent for households using centre based day care services during the past four years, by 12 per cent for households using outside school hours care and 15.8 per cent for households using family day care.

Major changes to the Child Care Subsidy and hourly rate cap will take effect on 10 July 2023. These changes may affect out-of-pocket expenses for households and fees charged by providers. The maximum subsidy rate will increase from 85 per cent to 90 per cent and the maximum household income for households to receive the Child Care Subsidy will increase significantly.

The ACCC has been working with childcare providers to gather information about the cost of providing services, what drives prices and how local markets operate. Building a cost database and undertaking detailed cost analysis is a key focus in the months ahead, as well as monitoring the early effect of the Government's changes to the Child Care Subsidy.

A consultation paper will be published in September 2023. The consultation paper will include discussion of the cost of providing childcare and other issues outlined in the terms of reference. It will also identify a preliminary view on potential draft findings and recommendations. Interested parties will be invited to make submissions in response to the consultation paper.

A final report is due to the Treasurer by 31 December 2023.

The lack of childcare options and places in the Pilbara together with a lack of available and/ or affordable housing options continues to have an impact both on retaining and attracting people in the Pilbara.



Gas and the move to renewables

The role of gas in Australia's energy transition remains contentious. Victoria last week moved to curtail its use, banning the installation of gas in new builds from 2024, a move that is widely seen as an illustration of Australia's second most populous state's attitude towards the fuel source.

The move have received political support from environmentalists, who claim the use of gas will slow Australia's energy transition to renewable energy sources.

APA CEO Adam Watson has stated that Australia does not yet have alternatives to gas to support renewable energy generation, and the country should embrace the comparative advantages of gas. Gas developers insist Australia has little time to waste. Australia has set an ambitious target of having renewable energy generate more than 80 per cent of the country's electricity by 2030. Coal currently provides more than 60 per cent of the country's electricity, demonstrating the scale of the challenge. However, Australia is struggling to build renewable energy generation sources quickly enough to compensate for the retirement of coal power stations, and as a result, Australia is struggling to develop sufficient dispatchable capacity.

Illustrating ever-growing tight supplies, the ACCC said the east coast had sufficient supplies for the next 18 months, but it would be tight and likely dependent on favourable weather conditions.

But Australia's gas industry remains frustrated by ongoing delays in regulatory permissions for projects, which executives say is indicative of the lukewarm attitude of the government towards gas.

The difficulty is not replicated in Western Australia, where gas has been highlighted as a catalyst in the state moving to having renewable energy provide about a third of its electricity generation. WA is poised to see another gas region developed, with the Perth Basin the centre of a frenzy of activity.



OTHER PILBARA NEWS (INVESTMENT, LEGISLATION, GOVERNANCE & COVID

Rio's Half Year Results

On 26 July, Rio Tinto announced its half yearly results stating a net profit of \$US5.7bn, with its statutory result reduced by a \$US800m impairment to its Australian aluminium assets. The company's underlying earnings were 34 per cent lower than the first half of 2022,

Rio's WA iron ore division booked underlying earnings of \$US5.8bn in the first half, down 11 per cent from the first six months of 2022. However, these results are in the face of a 14 per cent decline in average iron ore prices in the period, with Rio's Pilbara operations delivering average unit production costs of \$US21.20 a tonne in the period – towards the bottom end of its \$US21 to \$US22.50 a tonne annual guidance, and US60c a tonne below those in the first half of 2022 – although those were still significantly affected by additional costs due to the Covid-19 pandemic. Rio shipped 136.4 million tonnes of iron ore in the first half of 2023 – up 8 per cent and its best result in five years – and now says it is on track to hit the upper half of its 320 to 335 million tonne shipment guidance for 2023.

CMEWA Response to the Enough is Enough Report

On 31 July 2023, the Chamber of Minerals and Energy WA released a 26-page response plan for the sector to stamp out inappropriate behaviour through the adoption or recommendations identified in the WA Government's damning Enough is Enough report.

Yindjibarndi & ACEN Renewables Agreement

The Yindjibarndi Aboriginal Corporation (**Yindjibarndi**) have signed a deal to develop one of Australia's biggest renewables projects in partnership with Philippines-listed ACEN. Yindjibarndi and ACEN have joined forces on an ambitious plan to develop, own and operate large-scale renewable energy projects of up to 3 gigawatts in Western Australia's iron ore-rich Pilbara.

Project Horizon

By the end of 2024, a high-capacity data cable connecting the Pilbara to Perth will be switched on therefore boosting the region's ability to seize opportunities arising from technology improvements. Known as Project Horizon, the \$150m plan will see a 2000km fibre-optic cable extend from Perth to Port Hedland where it will connect to existing subsea cables running to Darwin and south-east Asia. A high-capacity fibre-optic network is critical for industries increasingly focused on data and technology, including advanced manufacturing and companies increasingly utilising cloud-based computing services for their operations.

The Federal Communications Minister, Michelle Rowland said the cable would narrow Australia's digital divide stating that "*Diversification of our international cable landing points is strategically important for Australia's telecommunications resilience*".

Critical Minerals Market Review 2023

In July 2023 the inaugural edition of the *Critical Minerals Market Review* was released and provides a major update on the investment, market, technology and policy trends of the critical minerals sector in 2022 and an initial reading of the emerging picture for 2023. Through in-depth analyses of clean energy and mineral market trends, this report assesses the progress made by countries and businesses in scaling up future supplies, diversifying sources of supply, and improving sustainable and responsible practices. It also examines major trends for individual minerals and discusses key policy implications.

FMG & Yindjibarndi Compensation Claim

On 7 August 2023, the estimated \$500m compensation claim by the Yindjibarndi Aboriginal Corporation concerning FMG's mining activity at its Solomon iron ore mine without an Indigenous Land Use Agreement will commence, presided over by Justice Stephen Burley.



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