



An Australian Government Initiative



Regional Development Australia

PILBARA

# Pilbara November 2023 Bi-Monthly Economic Report



## HIGHLIGHTS



### HIGHLIGHTS



### COST OF LIVING IN THE PILBARA



### COMMODITIES DATA



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

#### WA Key in Minerals Opportunity: PwC Report

On 15 November 2023 PwC released their annual 'Aussie Mine' report which found that the value of Australia's middle-tier miners surged 37 per cent last financial year to \$155.9 billion, dominated by WA critical minerals. WA companies comprised 37 of the nation's mid-tier top 50, including the list's top seven. (cont' Pg 9).



#### Interest rates

On 7 November 2023, the Reserve Bank of Australia (RBA) determined to increase the cash rate by 25 basis points to 4.35%. Interest rates have increased by 4.25% since May 2022 with the higher interest rates aiming to establish a more sustainable balance between supply and demand in the Australian economy.

The RBA believes that inflation in Australia has passed its peak but is still too high. The September 2023 inflation data indicates that while goods price inflation has eased further, the prices of many services are continuing to rise briskly. While the central forecast is for CPI inflation to continue to decline, progress looks to be slower than earlier expected. CPI inflation is now expected to be around 3½ per cent by the end of 2024 and at the top of the target range of 2 to 3 per cent by the end of 2025. The RBA determined that an increase in interest rates was warranted in November today to be more assured that inflation would return to target in a reasonable timeframe.

Returning inflation to target within a reasonable timeframe remains the RBA's priority. High inflation makes life difficult for everyone and damages the functioning of the economy. It erodes the value of savings, hurts household budgets, makes it harder for businesses to plan and invest, and worsens income inequality. And if high inflation were to become entrenched in people's expectations, it would be much more costly to reduce later, involving even higher interest rates and a larger rise in unemployment.

#### Australia's Current Inflation

Australia's inflation rate eased sharply in October because of weak consumer spending thus making it less likely the Reserve Bank Board will introduce another interest rate rise in December 2023.

The consumer price index rose at an annual clip of 4.9% last month compared with a 5.6% pace in September alone, the ABS said on 29<sup>th</sup> November. Economists had expected CPI to come in at 5.2%



# COST OF LIVING IN THE PILBARA CONT'



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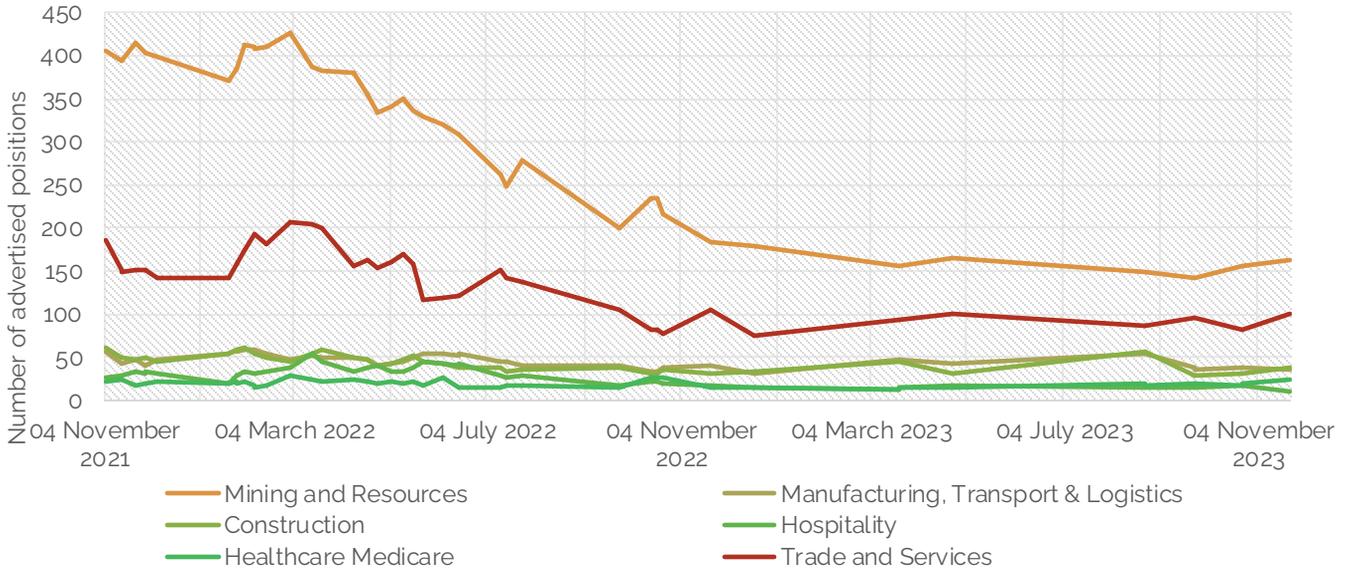
## Employment Trends in the Pilbara

The number of jobs advertised in Karratha and the Pilbara increased from October 2023 and November 2023. Sectors including Trades and Services and Mining and Resources have posted increasing number of advertisements for jobs.

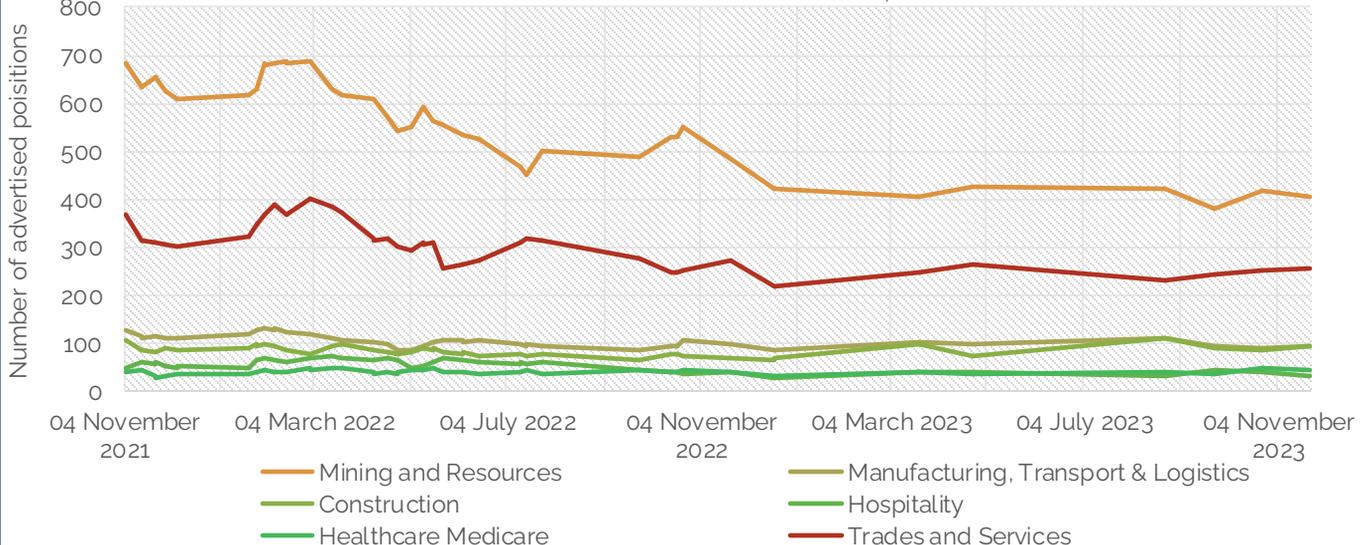
The upcoming months will see over 700 new FIFO Pilbara jobs offered at Fortescue Metals Group new iron ore mine south of Port Hedland. The modern facility will require jobs ranging from HR, finance, mining to trades work all paying 'top of the market' salaries. The Iron Bridge Project is 145km south of Port Hedland with 400 jobs offered by FMG and 300 through contractor Thiess.

Western Australia's unemployment rate is close to its historical low at 3.7%, with the Pilbara's unemployment even lower. It is expected to remain low in the upcoming years with the WA Treasury forecasting a rise to only 4.5% in 2025/2026 in all Western Australia. The work participation rate is at 69.3% that is the highest in the country (Treasury Corporation 2023).

### Number of Advertised Jobs in the Karratha in the Respective Sectors



### Number of Advertised Jobs in the Pilbara in the Respective Sectors





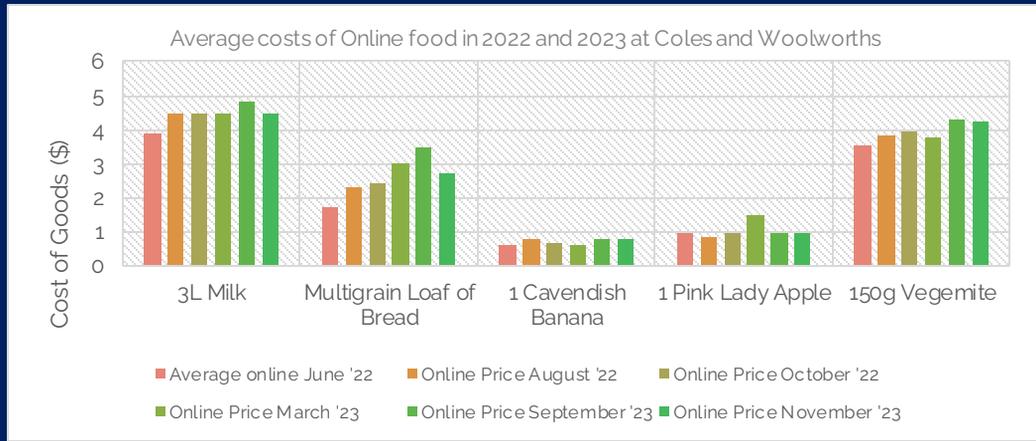
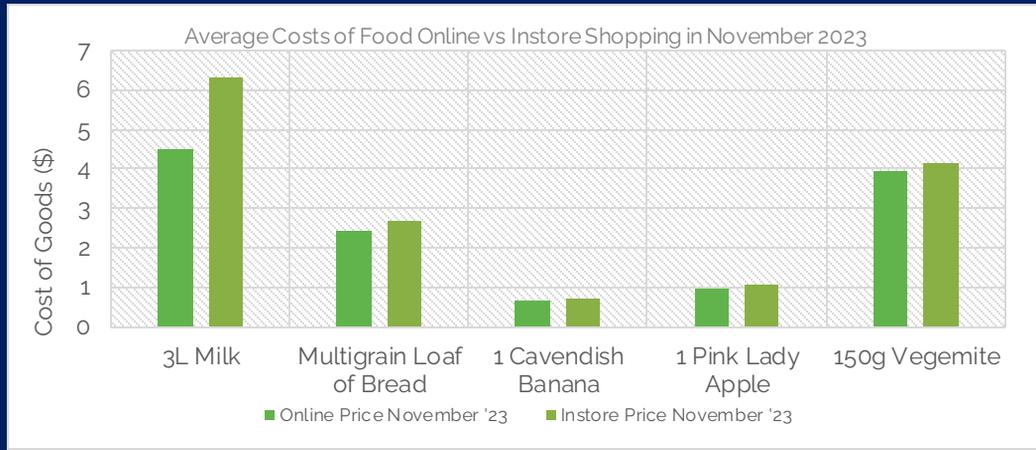
# COST OF LIVING IN THE PILBARA CONT'



## Basic Food Good Trends.

Basic food prices collected from the Pilbara primary supermarkets, Coles and Woolworths have been tracked both online and in store to produce this report. During Covid-19 lockdowns in 2020 and 2021, prices were on average lower online. In November 2023 online food prices once again appear lower than in store. This is partially due to limited stock in some supermarkets in the Pilbara, where the cheapest option of milk, for example, is sold out leaving only more expensive alternatives. Fresh fruit and vegetable prices are largely similar online vs in store.

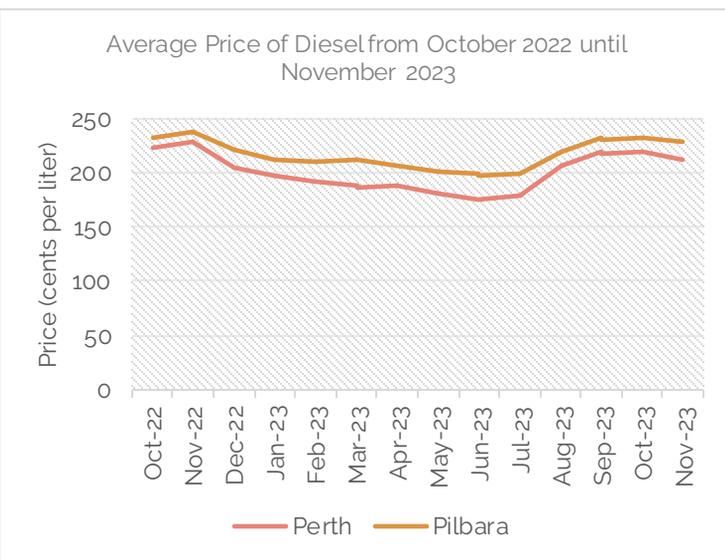
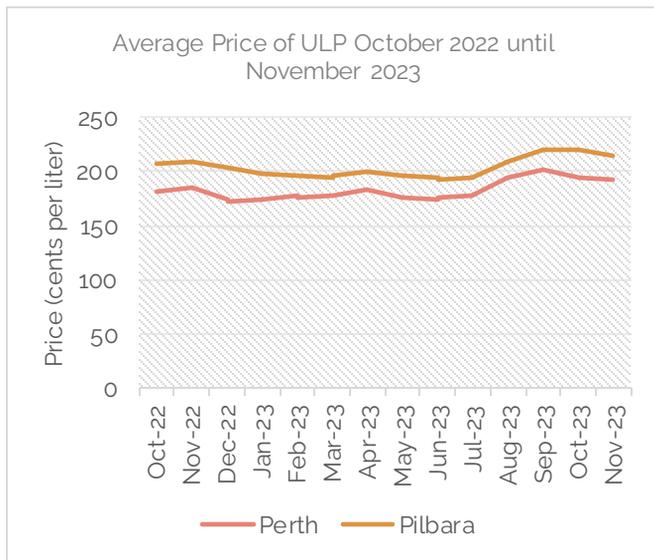
When looking at the change of basic food prices online from June 2022 to November 2023, there has been a slight increase in pantry staples. Fresh fruit and vegetable prices have stayed constant depending on seasonal availability.



## Fuel Price Trends

Diesel and ULP prices have dipped at both Perth and Pilbara fuel pump stations. Diesel had the largest price decrease with average October prices at 219.1 and 232.6 cents per litre for 211.1 and 228.1 in November in Perth and the Pilbara, respectively. Fuel and diesel prices have dropped along with the wholesale prices falling back to crude prices.

Following the Russian invasion of Ukraine, the benchmark price for refined diesel rose significantly above the benchmark for refined petrol as global supply of refined diesel decreased. However, the past few months have seen the consumer prices stabilised.





# COMMODITIES SUMMARY

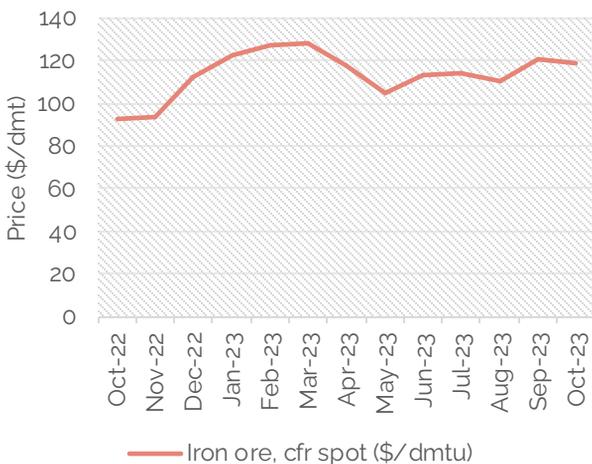


## Iron Ore

Iron Ore prices have rallied in recent weeks after China's central government unveiled a series of measures to revive its flagging economy, in particular the ailing property market. China buys more than two thirds of the world's iron ore, and its demand dictates global prices & production plans by leading miners such as BHP & Rio Tinto. Prices have already defied expectations in 2023 due to stronger than expected Chinese steel exports and growing demand from the infrastructure and manufacturing sectors which has partly offset decline from the property sector.

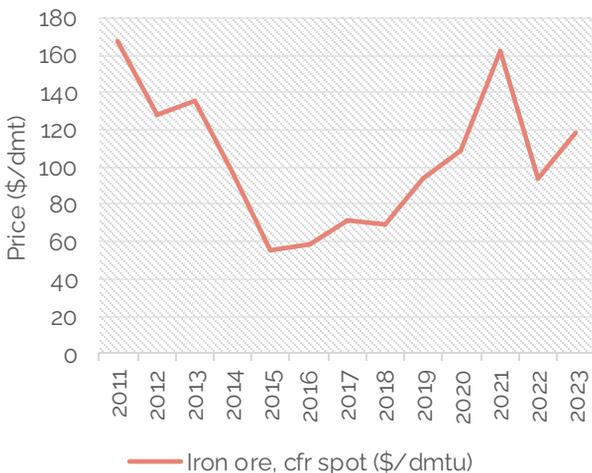
Seaborne iron ore prices are set to climb to as much as US\$150 per tonne in the first half of 2024 following market expectations lifting estimates on expectations of increased demand from China. The price outlook compares favourably with earlier estimates of US\$130 per tonne however still far below the record US\$232.5 per tonne reached in May 2021.

Iron Ore price from November 2022 to October 2023



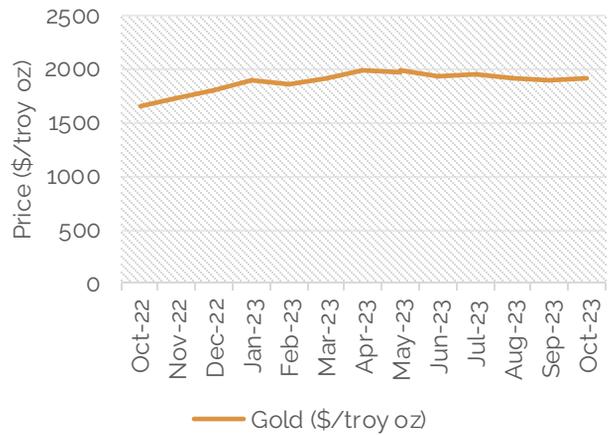
Iron ore, cfr spot (\$/dmt)

Iron Ore price from 2013 to 2023



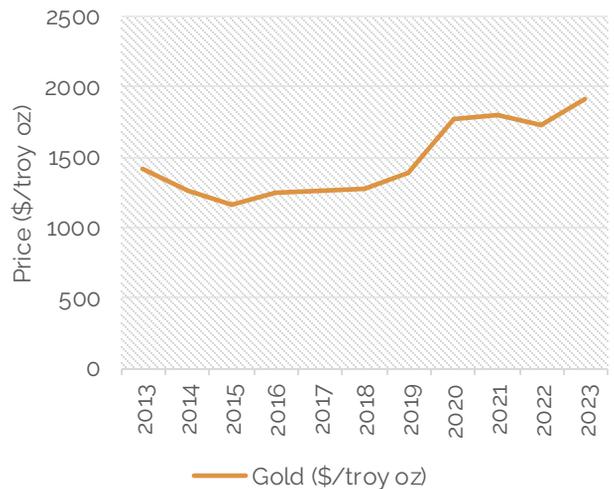
Iron ore, cfr spot (\$/dmt)

Gold Price from October 2022 to October 2023



Gold (\$/troy oz)

Gold Price from 2013 to 2023



Gold (\$/troy oz)

## Gold Price Trends

The Australian dollar gold price set a record high of \$3150 an ounce in the final quarter of 2024 with investors purchasing the precious metal to hedge against the risk of the expanding war in the Middle East, and a global economy carrying record levels of debt (Financial Review 2023). The growing tensions in the Middle East with the potential of escalation in hostilities are pushing up the price of gold in the short term particularly as investors fear higher oil prices equal higher inflation.

Historically tension in the Middle East results in a flight to safety into bonds, but this tension is a potential new inflation shock and the flight's been out of equities into gold as the classic safe haven asset.

De Grey Mining continues to solidify its Hemi project set to be the big gold asset in the Pilbara region. There was an upgrade in the mineral resource of the Hemi deposit that forms part of the larger Mallina gold project. The company aims to produce 553,000oz of gold at Hemi in its first year of operation, at an all-in sustaining cost of \$1229 per ounce.



# COMMODITIES SUMMARY CONT'



## Lithium Carbonate

Lithium prices have fallen sharply from July to November 2023 with many analysts predicting further steep declines in the months ahead as supply outstrips demand. New supply markets from lower quality sources in Africa are adding to the oversupply of the batteries metal.

After rallying for two years to a record high in 2022, lithium prices have declined, battered by a supply glut and unrealised demand growth for batteries. Higher interest rates have cast a pall over global EV sales, forcing some automakers to rethink their strategies. Analysts predict that the lithium supply market won't return to a deficit until 2028.

The biggest use of lithium is lithium-ion batteries, a key component in the green energy transition. Prices of lithium used in batteries in China, also the world's largest producer, have declined 77% in 2023 after Beijing slashed subsidies for electric vehicles from January 2023, dragging down lithium ore prices & hurting global miners' profit margins.

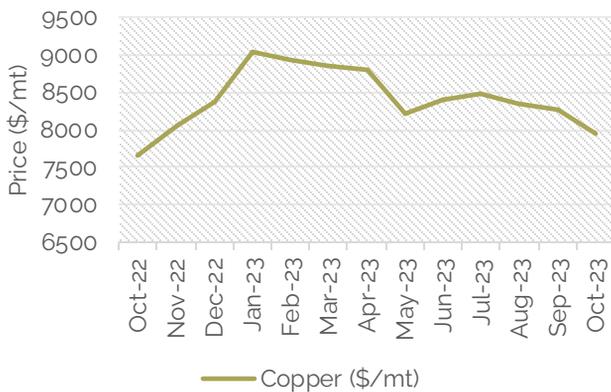
### Lithium Carbonate Prices from January 2023 to November 2023



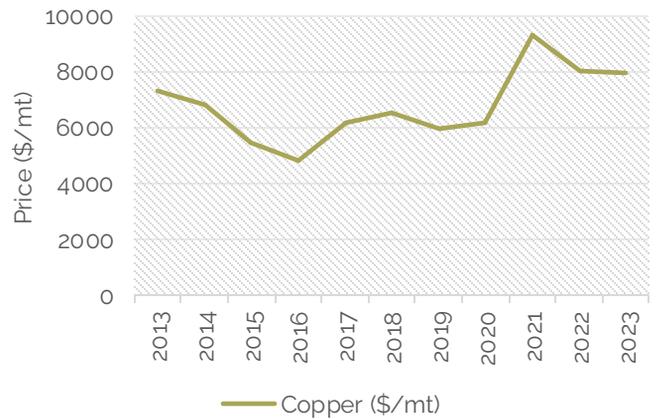
Lithium carbonate min 99.5% cif China prices CNY/T

Data from Trading Economics

### Copper price from November 2022 to October 2023



### Copper price from 2013 to 2023



## Copper Price Trends

Copper prices climbed around 4.4% in November, the first monthly increase since July. Copper is a key contributor to the transition to green energy. Solar panels, batteries and grids require copper to properly function. The increasing demand for electric vehicles and decarbonising energy grids have seen copper prices increase since 2018.

Copper prices ranged from \$8000-\$10,000 per mt in 2023. Copper prices are strongly correlated with China's manufacturing sector and concerns with US interest rate increase. However, this year has seen a contraction in the manufacturing and building sector due to lingering uncertainty from Covid-19 lock downs and economic slowdown.

17Mt of annual copper production is planned, doubling current production, to limit global warming to 1.5 °C. Higher prices should encourage project sanctioning and more supply. However, the conditions for delivering projects is challenging with political, social and environmental hurdles with social and environmental licenses hard to come by in major producing countries in Chile and Peru (Assay 2023).





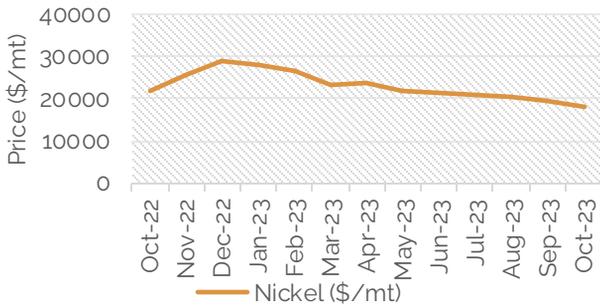
# COMMODITIES SUMMARY CONT'



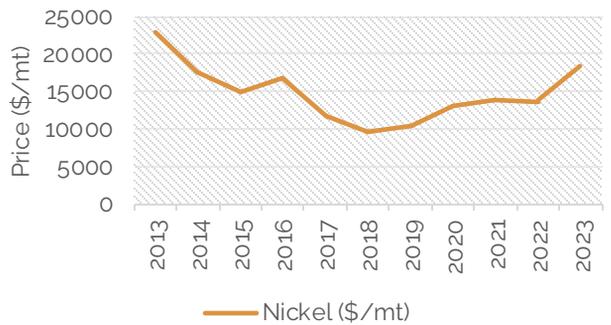
## Nickel

Nickel prices have dropped to around \$20,000 per tonne, the lowest point since June 2021. This is due to a poor demand outlook triggered by elevated interest rates (Trading Economics, 2023). Nickel, like Copper and Lithium, is a key component in electric vehicles. Due to the EV sector experiencing a downturn, the manufacturers of batteries for new EVs is curtailing their buying activity. The price remains connected to China's stimulus measures after economic fragility arising due to residual Covid-19 impacts. Full year production cuts by Glencore did provide some support to the nickel price. Glencore lowered its forecast for 2023 nickel output by 9% due to maintenance outages at the Sudbury smelter. Infinity Mining located 50km south of Marble Bar in Western Australia, will increase their drilling activities after finding nickel assays at the Hillside Project.

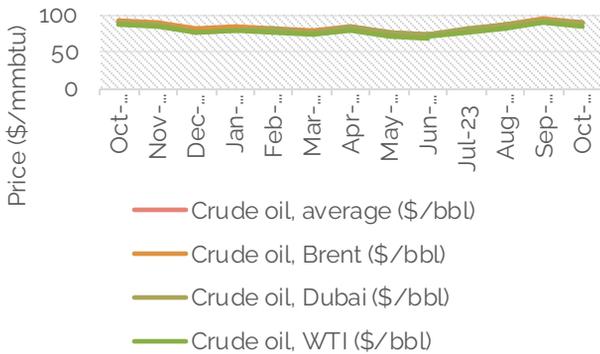
Nickel Price from November 2022 to October 2023



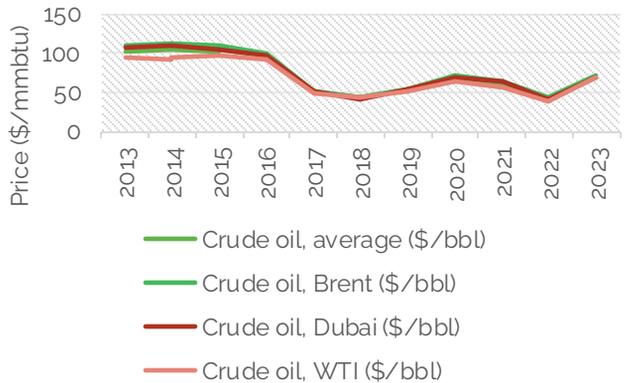
Nickel Price from 2013 to 2023



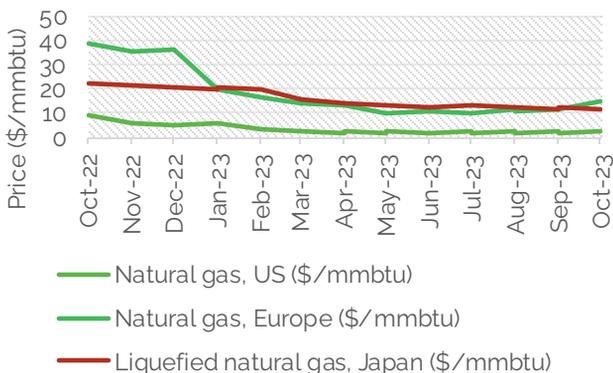
Crude Oil Price from October 2022 to October 2023



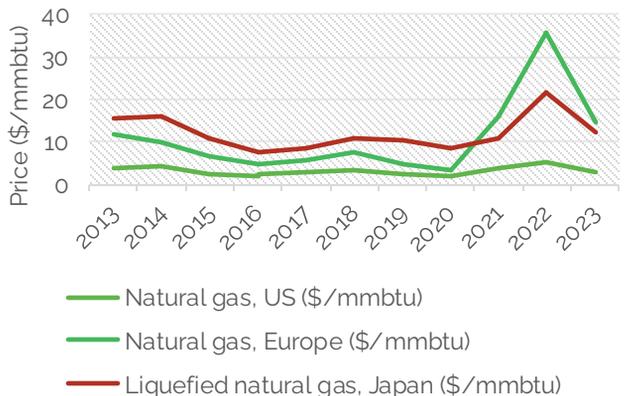
Crude Oil Price from 2013 to 2023



Natural Gas Prices from October 2022 and October 2023



Natural Gas Price from 2013 to 2023





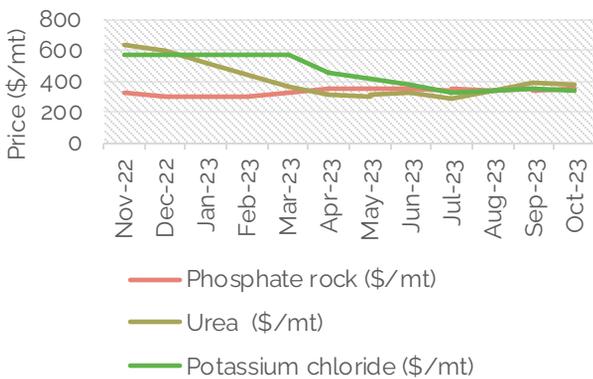
# COMMODITIES SUMMARY CONT'



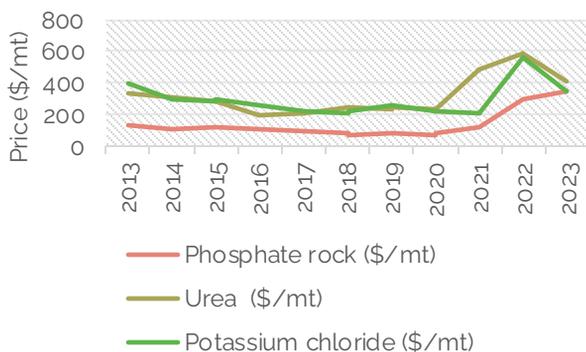
## Fertiliser

In the lead up to the Russian invasion of Ukraine, urea fertilizer prices more than doubled from September to November 2021. The invasion also effected muriate of potash (KCl). Potash prices previously stayed stable even throughout the Covid-19 pandemic. After 2 volatile years in the global fertiliser market, 2023 has seen fertiliser prices steadily decline, a win for farmers and shoppers, with prices back to pre- Ukraine invasion levels.

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



Phosphate Rock, Urea and Potassium Chloride price from 2011 to 2022



## Oil & Gas Prices

Oil prices declined by 4% in late November following an OPEC announcement that its ministerial meeting would be postponed to November 30. Analysts suggest that the meeting had been delayed due to disagreements around current production levels of several members and possible future cuts. Bloomberg subsequently reported that Saudi officials were unhappy with some OPEC members' levels of output with potential non-agreement on 2024 output cuts. Both Brent and WTI prices have fallen for four consecutive weeks, driven by record crude oil production in the United States and worries about waning global demand, particularly in China, the world's biggest oil importer. Brent is down 18% since late September, while WTI has entered a bear market after falling 20% since its peak that month.

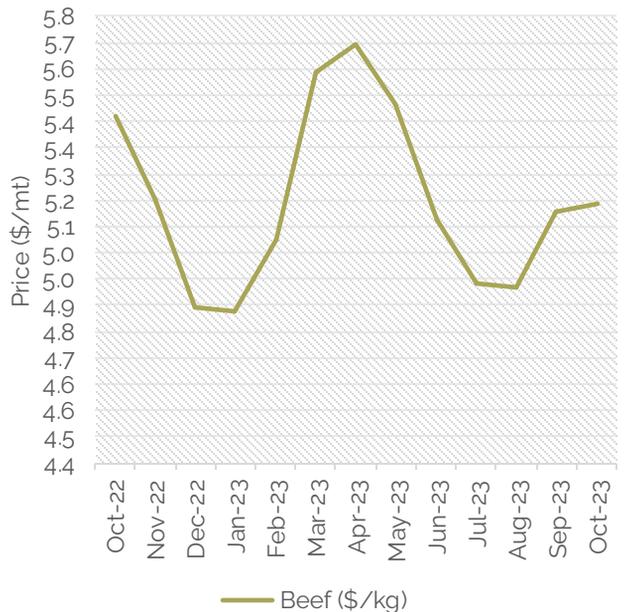
Prices have declined despite a pledge by OPEC in April 2024 to slash its total output by 1.66 million barrels per day until the end of 2023, and additional voluntary cuts announced by Saudi Arabia and Russia in the months following April 2023.

## Beef Prices

Australian cattle prices are likely to remain relatively stable throughout November through to December. The Eastern Young Cattle Indicator (EYCI) lifted 20 cents to 383c/kg in early November. This is the EYCI's highest point since late September. At this level, the EYCI is 5.5 per cent higher month-on-month but down 62.5 per cent from a year ago. Recent rainfall throughout cattle regions in northern states has boosted domestic cattle prices. Additionally, stability in slaughter rates has provided support for prices.

Conversely, the Western Young Cattle Indicator (WYCI) declined 21.2 per cent month-on-month to 387c/kg in the first week of November. This is due to the supply of new season weaners in West Australia.

Beef price from October 2022 to October 2023





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

### Pilbara Rental Market Increases

The cost of renting a residential property in the Pilbara jumped by about 20 per cent in the September 2023 quarter, highlighting the acute housing shortage in the region.

The median weekly rent in Karratha has reached \$1,200 after soaring by 23 per cent in the September quarter and 60 per cent in the past year. Port Hedland residents also faced a big increase in the September quarter, with the median weekly rent up 18.8 per cent to \$950. The annual increase in Port Hedland was 19.1 per cent, implying little growth earlier in the year.

The spike in rental rates in the north-west comes at a time of strong employment growth. This has been driven by giant resources projects, like the expansion of Woodside's Pluto gas plant and construction of Perdaman's Ceres urea plant, and continued investment in iron ore and lithium mines.

Joe White (REIWA president) said the employment growth fuelled the need for rental properties. *"While building constraints are having an impact on all markets, they are greater in regional areas like the Pilbara,"* he said. *"It is difficult to get trades and materials; the cost of construction has risen significantly and is prohibitive for many people. As a result, there is pressure on the rental market to meet the needs for housing".*

### Karratha Algae Farm

On 20<sup>th</sup> November WRS Bioproducts was granted development approval by the City of Karratha council to expand its pilot plant to a 200-hectare operation consisting of two algae lakes, a processing plant and staff buildings. The farm at the Ecohub (located between Karratha and the airport) will cultivate algae to produce beta-carotene, commonly used as a food colouring and health supplement.

The Ecohub was launched in 2017 with bold plans to build an industrial precinct centred around shared infrastructure and value-adding to waste products. Yara Pilbara headlined the plan with its eye-catching Sahara Forest Project which would see fresh food grown using solar power and recycled seawater.

### WA State Government \$24m Rent Relief Programme

On 8 November the WA state government committed \$24.4 million to support tenants at risk of eviction, in collaboration with community service organisations. The WA Rent Relief Program aims to help Western Australians experiencing financial stress in their renting arrangements, which will be launched in December 2023.

The state government said the relief might involve the payment of arrears and support to cover up to 50 per cent of costs for three months' rent but capped at \$5,000.



### Posco's Green Steel Plans Progress with 900 Hectare Site in the Pilbara

In late November 2023, South Korean steel maker Posco and DevelopmentWA agreed the key commercial terms for a long-term lease for a 900-hectare site in the Pilbara to progress Posco's green steel project. The lease concerns land in the Boodarie strategic industrial area.

Posco chief executive and vice-chairman Hag-Dong Kim and Lands Minister John Carey attended a ceremony to mark the agreement, which was signed by acting Developing WA chief executive Dean Mudford and Posco raw material department head Ji-Won Suh.

In October, an Australian entity named Port Hedland Green Steel lodged plans for the iron ore processing facility in the Boodarie strategic industrial area. The application came about nine months after the WA state government allocated land across the Pilbara's Boodarie and Ashburton strategic industrial areas for a pipeline of seven projects valued at \$70 billion.

In a statement released today, Posco said the next steps to progress the Boodarie site would be an agreement of an option to lease over the area. Mr Kim said green steel was a critical component in the company's decarbonisation plans, with extensive studies into a Pilbara project being undertaken.

### Mineral Resources Investment in Lithium Entities: Develop Global and Delta Lithium

Mineral Resources has increased its investment in lithium interests through securing further shares in Develop Global and Delta Lithium. Mineral Resources now owns a 19.12% share of Delta Lithium (up from 17.44%) and a 13.97% share of Develop Global (up from 12.87%). This adds to Mineral Resources acquisition of lithium and base metal rights in the Pilbara and Goldfields: a 13.6% stake in Azure, a 19.85% in Wildcat Resources and its existing interest in Global Lithium Resources.



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

### Increased Clarity & Certainty for Offshore Gas Projects Sought by Inpex

The Australian head of Japanese gas giant Inpex raised concerns in November 2023 about the retrospective application of new rules to sanctioned gas projects including the safeguard mechanism, price intervention in the east coast domestic market, reforms to LNG export controls and the retrospective overturning of environmental gas approvals.

Tetsu Murayama, (Vice President, Oceania Projects Deputy General Manager, Perth Office), stated that "Australia's deteriorating policy climate for gas threatens future investments to support the \$US45 billion (\$69.5 billion) Ichthys LNG project in Darwin and other investments required to support the potentially 40-year future of Ichthys LNG, Japan's biggest overseas investment".

Mr Murayama also called for "regulatory changes" to provide more clarity and certainty for offshore gas projects, pointing to the legal challenges that have overturned approvals for work at Santos' \$5.8 billion Barossa gas project in the Timor Sea, and Woodside Energy's \$16.5 billion Scarborough venture in Western Australia.

Mr Murayama said that when it came to the safeguard rules, it was the retrospective nature of how they are being applied to already sanctioned projects like Barossa that was the biggest worry. *"What disappoints us a lot is that you know, this new regulation applies to already sanctioned project like Barossa, Scarborough,"* he said. *"This gives us a greater anxiety of the regulatory framework."*

Inpex is separately gearing up for a big increase in spending on renewables to advance Australia's 2030 emissions reduction target.

### Exploration Incentive Scheme Grant for Infinity Mining

Infinity Mining has secured a \$149,675 Exploration Incentive Scheme (EIS) grant from the WA State Government to assist its diamond drilling program at its Tambourah South lithium project. The Tambourah South project is located approximately 709km south-east of Pilbara Minerals' massive Pilgangoora lithium venture and 95km southwest of Global Lithium Resource's Marble Bar lithium project..

The EIS is an initiative kicked off by the Western Australian Government in 2009 in a bid to encourage exploration in the State and to encourage private sector resource exploration for new mineral and energy discoveries.

Infinity's exploration licence features a vast swarm of pegmatites evident at surface, almost all with a north/north-easterly strike, but clustered as a group along a north-south corridor along the western side of the licence. It seems unlikely that many have been tested in the current lithium context – if ever. Infinity Mining attributes its award in the competitive EIS program to its geologically-sustainable model for the potential styles of mineralisation. The model considers all previous surface geological and structural mapping and geochemistry, in addition to recent RC drilling results that highlight a favourable LCT environment.

The entire program will not only prove or disprove the validity of Infinity's model, but if successful, it will potentially go a long way to uncovering previously unknown relationships between deep pegmatite feeder zones and their myriad of surface expressions as vein swarms.

### WA Key in Minerals Opportunity: PwC Report (from pg 1)

Pilbara Minerals climbed to the top of the list in FY23 (ahead of Northern Star Resources and Mineral Resources, IGO and Alkem rounded out the top 5 companies.

The report ranks the 50 largest Australia-listed mining companies by market capitalisation, excluding Australia-based global miner



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