

Pilbara March 2022 Monthly Economic Snapshot





HIGHLIGHTS



COVID UPDATES



COST OF LIVING IN THE PILBARA



HIGHLIGHTS

Interest rates

At the Reserve Bank of Australia (RBA) 01 March meeting, the RBA Board resolved to maintain the cash rate target at 10 basis points. The Board noted that *"the global economy is continuing to recover from the pandemic. However, the war in Ukraine is a major new source of uncertainty. Inflation in parts of the world has increased sharply due to large increases in energy prices and disruptions to supply chains at a time of strong demand. The prices of many commodities have increased further due to the war in Ukraine"*.

The RBA acknowledged that whilst inflation has picked up more quickly than expected, it remained lower than in many other countries. The central forecast is for underlying inflation to increase further in coming quarters to around 3¼ per cent, before declining to around 2¾ per cent over 2023 as the supply-side problems are resolved and consumption patterns normalise

Federal Government Budget 2021/ 2022

On Tuesday, 29 March 2022 the Federal Government Treasurer handed down the budget. The impact of the 2021/2022 Federal Budget on the Pilbara will be discussed in the April Economic Report.

US Bans Russian Coal, Oil & Gas

On 8 March 2022, the US President issued an executive order prohibiting the import of Russian oil, liquified gas and coal into the US; all new investment in the Russian energy by the US; and the financing or enabling of foreign companies in the Russian energy sector by the US.

IEA: additional 60 million barrels

On 1 March 2022, the International Energy Agency's (IEA) 31 members countries (including Australia) agreed to a collective release of an additional 60 million barrels of crude oil to address the energy security impacts arising from Russia's invasion of the Ukraine. The IEA noted that Russia's invasion came against a backdrop of already tight global oil markets, heightened price volatility, commercial inventories that are at their lowest level since 2014, and a limited ability of producers to provide additional supply in the short term.



Pic credit: cefc.com.au



COVID UPDATES

The global economic recovery is facing challenged due to new waves of COVID-19 infections, labour market challenger, supply chain difficulties and rising inflationary pressures according to the United Nations. The highly transmissible Omicron variant has unleashed new waves of infections causing human and economic toll due to lockdowns.

The World

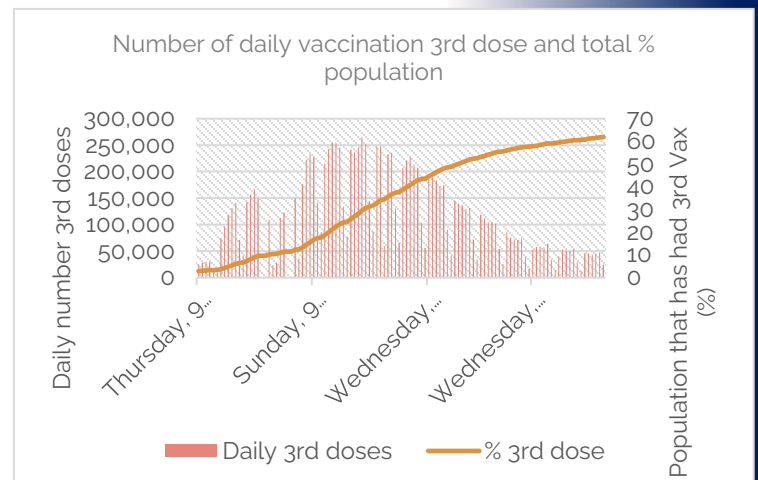
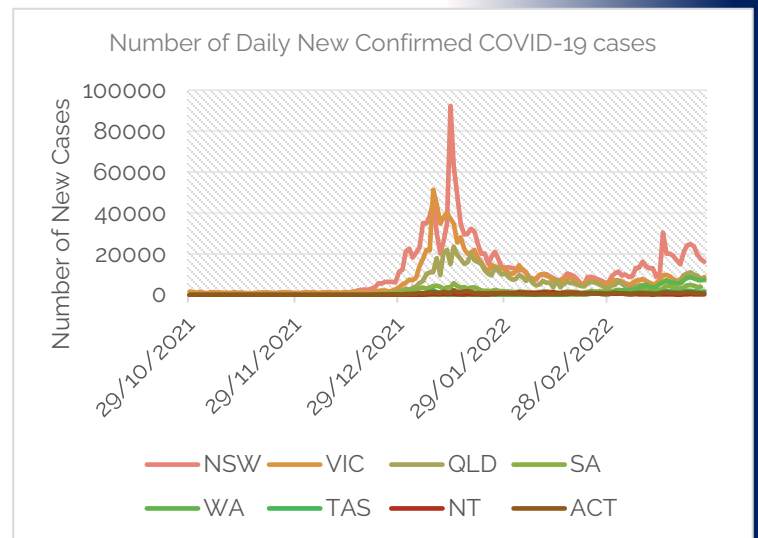
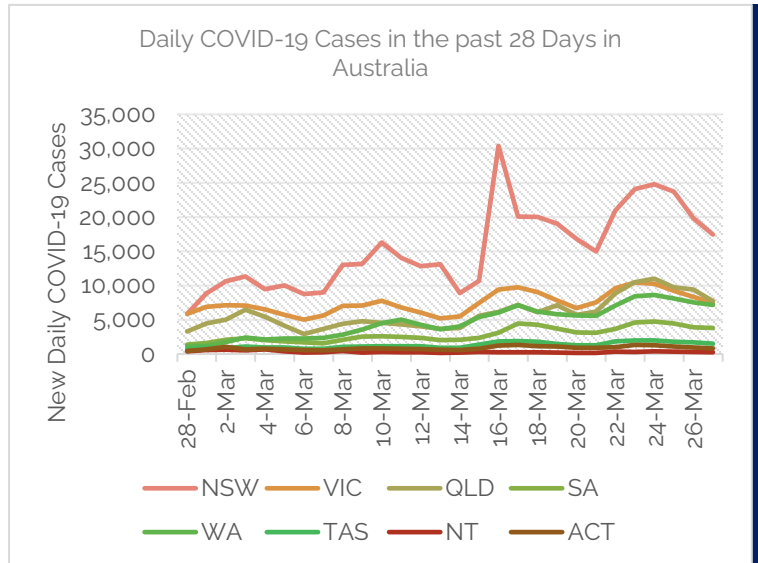
Globally, at the end of March, there have been 476 million cases of COVID-19 with 6.1 million confirmed deaths (World Health Organisation). There have been over 11 million vaccine doses have been administered across the world.

Western Australia

In Western Australia, Public health and social measures are easing to Level 1 on the 31st of March. Masks and proof of vaccinations are required for indoor venues. March saw a spike of Covid-19 cases in the Pilbara with fears for the Indigenous community as the COVID-19 cluster continues to grow. The government has sent out 10 RAT tests to every regional household that registered.

As of the end of March there were over 499,000 known active cases in the state. Around 40,000 of those cases are in the metropolitan area, while the South West and the Pilbara both accounting for about 1,500 active cases as of 28 March 2022.

The rapid spread of the COVID-19 virus throughout the Pilbara has placed significant strain on schools, small business, medical services and the overall community. Schools have had to combine classes, business's have had to shut (for short or long periods of time) and many Pilbara community events have had to be cancelled due to either lack of staff or widespread concerns about the transfer of the virus.



Source : Covid 19 Data



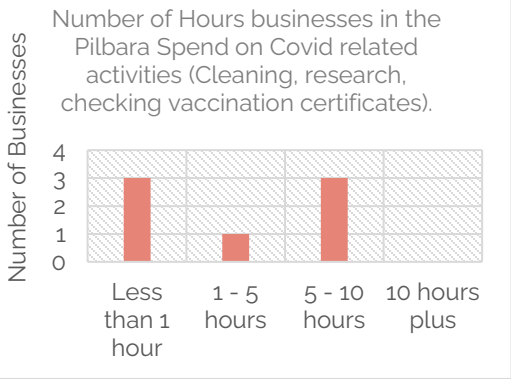
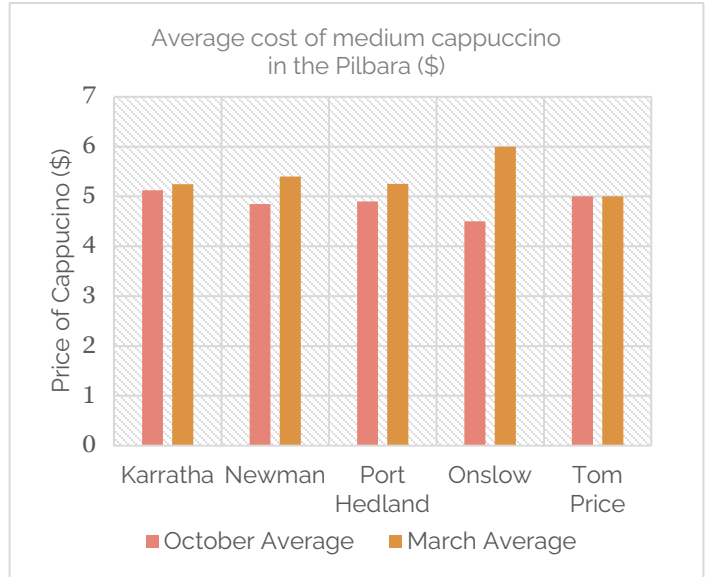
COST OF LIVING IN THE PILBARA CONT.

Coffee Prices in the Pilbara

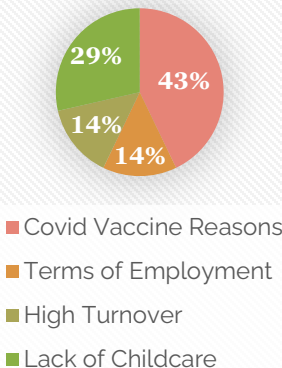
Coffee prices in the Pilbara have increased on average \$0.50 since October 2021. Business owners report that the L4 electricity tariffs, in comparison to L2 tariffs in Perth, significantly impact running costs.

Ongoing increasing fuel prices has also contributed to greater operational costs for coffee vans (due to increased generator costs and freight costs). The WA government's decision to become plastic free on July 1st, 2022, has also placed additional pressure on the supply chain and a 30-40% increase in packaging costs for cafes and coffee vans.

Lack of staff also continues to dominate the challenges experienced by cafes with employers increasing wages but still struggling to find suitable employees able to work.



Main Perceived Challenges of Businesses in the Pilbara in recruiting employees



Cost of Basic Commodities

In recent surveys conducted by the Karratha Districts Chamber of Commerce & Industry and the Port Hedland Chamber of Commerce and Industry in the 1st Quarter of 2022, local Pilbara businesses were asked about their perceptions and concerns about the impact of Covid-19. As can be seen on fig 3, Pilbara businesses spend (on average) 1-5h per week on Covid related activities including additional Covid cleaning, vaccination certificate checking, Covid-19 research and keeping up with Covid-19 mandates and rule changes.

The skilled shortage in the Pilbara has been felt by many organizations, with the interviewed business owners citing Covid Vaccine Mandates as one of the main challenging in recruiting employees as can be seen in Fig 34 The lack of available childcare in the Pilbara region was listed as the second largest challenge.

Of the business owners interviewed, 86% believe that the mandates are affecting their business while the border closures have impacted a smaller 57% of the businesses. As a result, 86% have resorted to increasing their wages and offering additional employment incentives to attract staff. In addition, the mental health impacts on both staff and clients as well as self-isolation mandates are all topics causing unease amongst business owners. Several businesses have flagged that they plan to close at the end of the year due the ongoing employee shortages.

The uncertainty of the changing government regulations and rules has also contributed to overall unease for what the future of small businesses in the Pilbara will look like.



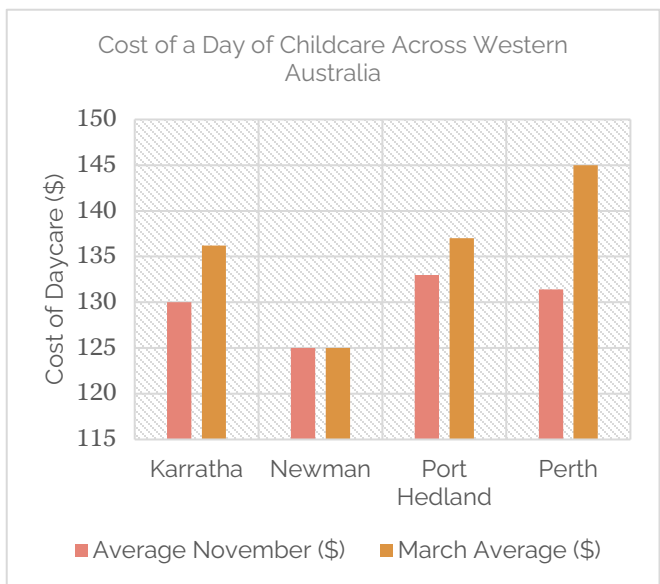
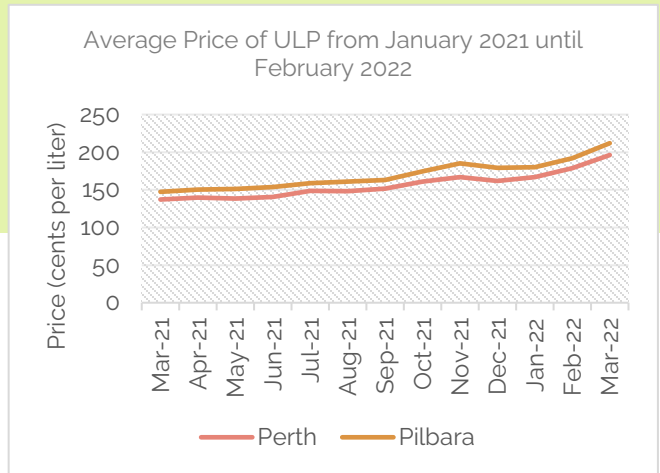
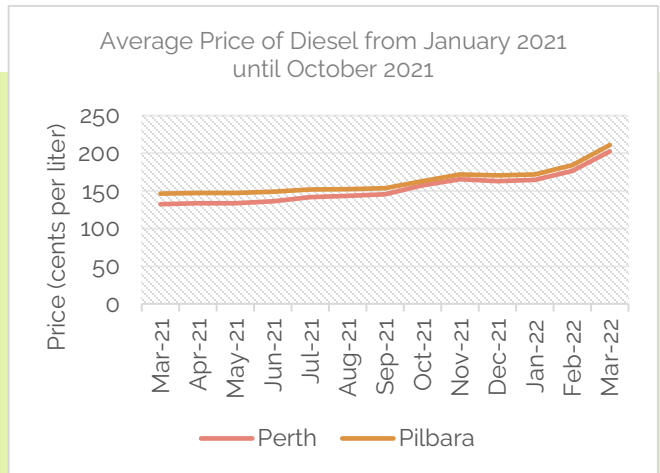
COST OF LIVING IN THE PILBARA CONT.

Fuel Price Trends

WA Fuel prices have continued to increase over the past 12 months in line with underlying oil prices. Record Fuel prices have been recorded across the world since the sanctions of Russia sanctions due to the invasion of Ukraine on the 24th of February 2022.

While the most obvious impact of this has been seen at gas stations, the increased fuel prices are expected to touch everything from food trucks and coffee vans to household bills. Pilbara fuel prices remain on average 10 cents higher for diesel and 15 cents for ULP compared to Perth.

Data from Fuel Watch



Childcare Costs

Since Nov 2021 childcare costs in the Pilbara have increased, on average, \$5 per full day of childcare. The lack of available childcare places continues to soar with centres in Port Hedland currently reporting up to a 4-year waitlist for their babies and toddler rooms. Staff shortages continue to impact Pilbara based childcare centres. Lack of suitably qualified staff has required childcare centres to reduce their services despite the relevant centre's structural capacity to cater for more children. In comparison, since January 2022, several full-service childcare centres have opened in Perth.

On 22 March 2022, a National report "*Deserts and Oases: How Accessible is Childcare in Australia*" was released by Victoria University's Mitchell Institute. This report looked at the number of children under 4 years of age compared to available childcare places. The report showed large gaps in the provision of childcare across rural and regional communities and classified the Pilbara as "*a childcare desert*" due to the lack of available childcare.

The report found that the East Pilbara had one of the worst availabilities in the nation with 6 children vying for each spot whilst the West Pilbara had four children vying for each place. Tom Price had the second greatest shortage in the nation with 9 children vying for every 1 childcare place.

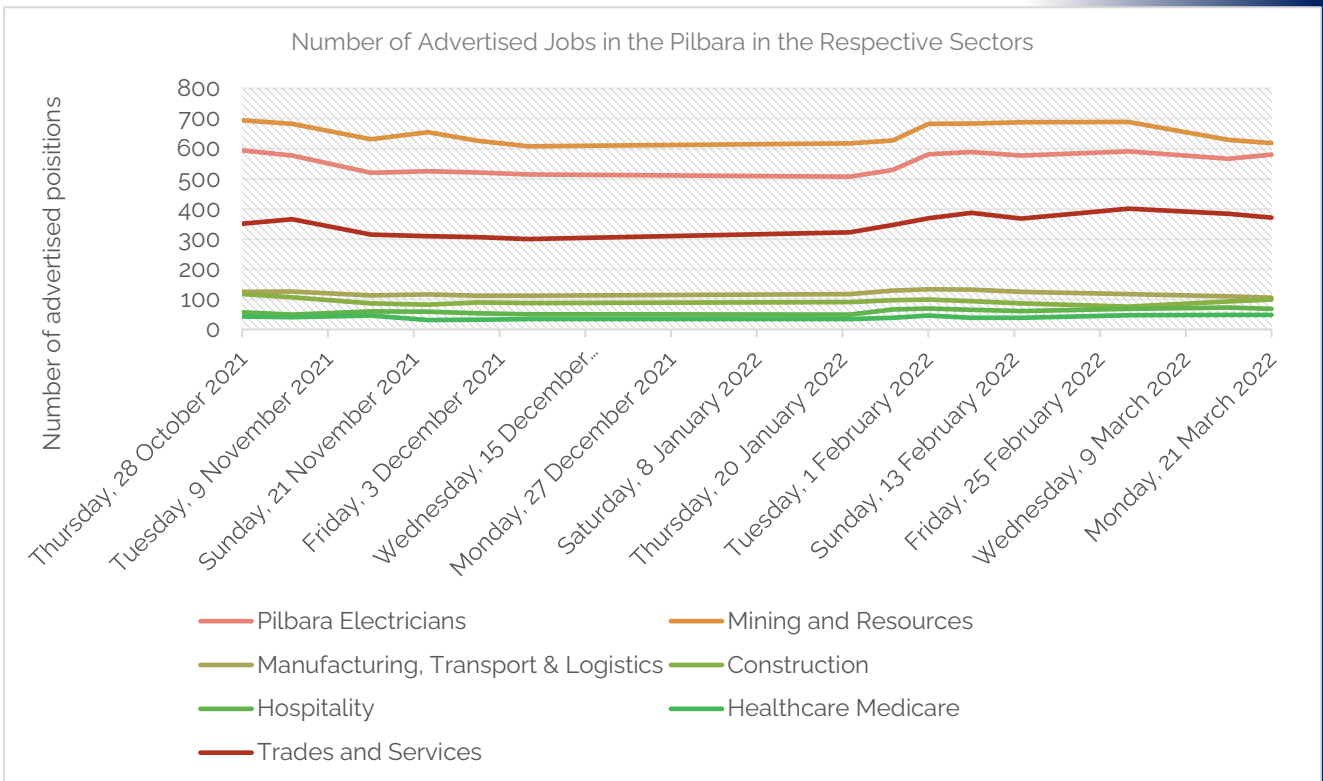
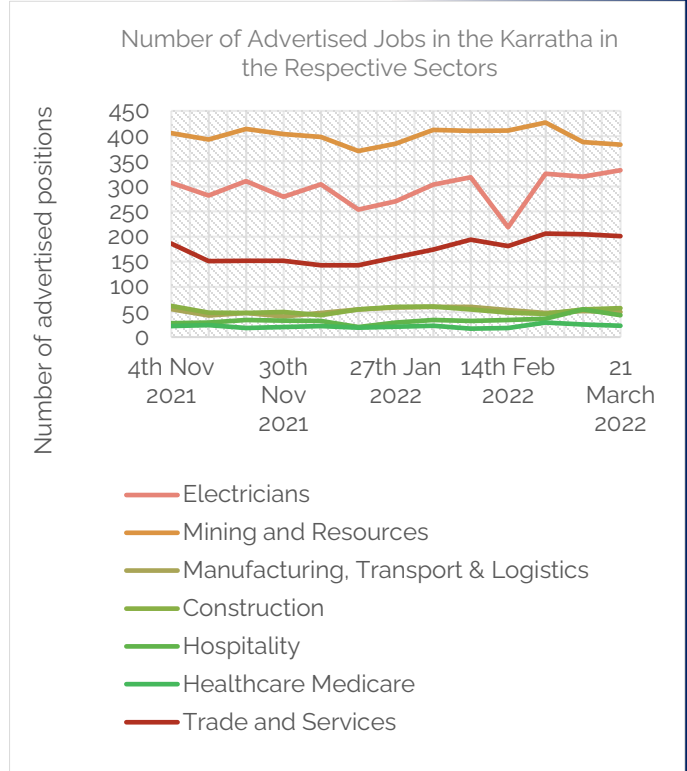
The report noted that '*building more facilities would not help if the providers were unable to get more workers*'.



COST OF LIVING IN THE PILBARA CONT.

Job Availabilities

The mining and resources sector remains the largest employer in the Pilbara region. Seek data shows that the amount of job vacancies increased at the start of 2022 after a slight decline at the end of 2021. Throughout the Pilbara signs are appearing in shop windows advertising job vacancies and the need for staff.





OTHER PILBARA NEWS (INVESTMENT, LEGISLATION, GOVERNANCE)

\$255 million in NAIF Funds to Pilbara Projects

On 24 March 2022 the WA Government signed the \$255 million Northern Australia Infrastructure (NAIF) loan documents that will support the proposed \$4.3 billion Perdaman urea project in the Pilbara. This project will convert WA natural gas into approximately two million tonnes of urea per annum.

These documents formally approved two major loans: \$160 million to the Pilbara Ports Authority for a new multi-user wharf and facilities at the Port of Dampier, and \$95 million to the Water Corporation for the expansion of the Burrup seawater supply and brine disposal scheme that will connect to the Perdaman urea plant.

The two loans are the first NAIF investments into WA Government entities.

Town of Port Hedland Economic Development & Tourism Strategy

The Town of Port Hedland have endorsed their Economic Development and Tourism Strategy (the Strategy) to guide long-term direction for economic and tourism development in the Town of Port Hedland.

The Strategy sets out a range of strategic initiatives to drive the activities for the Town of Port Hedland to grow economic and tourism development with the goal of achieving over 5,000 new jobs and 11,600 new residents by 2041.

Opportunities identified to promote economic diversity include housing, renewable energy, Mining Equipment, Technology and Services (METS), the Maritime Precinct, building local supply chains, community and social infrastructure, and the diversification of the region's metals and minerals base.



Pic credit: miningnews.net

Mardie Salt

On Friday, 25 March the West Australian Premier formally launched the construction of BCI Minerals's Mardie Salt & Potash project in the Pilbara. This project is set to become Australia's largest solar salt project and the third biggest solar salt operation globally. At a cost of \$1.2 billion, the project will cover an area of 120sqkm and comprise nine massive evaporation ponds, crystallisers as well as salt washing and sulphate of potash processing plants. Mardie will provide jobs for about 500 workers over its two-year construction period and 200 permanent roles once in operation. It is also expected to inject \$4 billion in gross regional product into northern Australia over a minimum of 60 years. Once operating, the project is expected to produce more than 5 million tonnes of salt a year.

Designated Area Migration Agreement (DAMA) Approved

In late March 2022 the Federal Government approved the Pilbara Designated Area Migration Agreement (DAMA). Further details will be contained in the April 2022 Economic Update.

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