

Pilbara October 2021 Bi-Monthly Economic Report



HIGHLIGHTS



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COVID UPDATES



COST OF LIVING IN THE PILBARA



COMMODITIES DATA

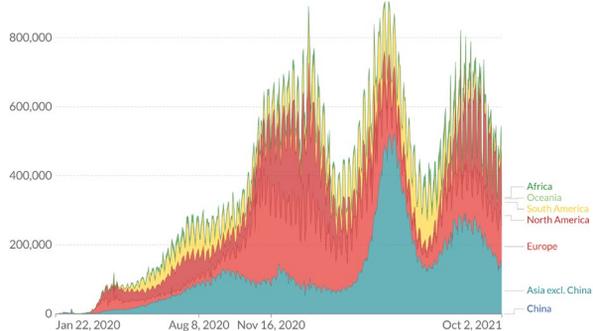


OTHER PILBARA NEWS (INVESTMENT LEGISLATION, GOVERNANCE)

The Reserve Bank of Australia (RBA) kept the cash rate unchanged at a record low of 0.1% during its October 21 meeting. The timing and pace of the economic rebound in Australia remains uncertain and depends much on the easing of COVID restrictions. The RBA reaffirmed its commitment to maintaining supportive monetary conditions and not increasing the cash rate until inflation is within the 2-3 % target range, a condition that is not anticipated to be met before 2024.

In August, BHP and Woodside announced a merger of its oil and gas assets to create a global oil and gas producer (and the largest energy company listed on the ASX) with a presence in the Gulf of Mexico, Australia, Trinidad and Tobago and Algeria. The merged Woodside-BHP Petroleum will be owned 52% by Woodside shareholders and 48% by BHP shareholders and will have market capitalisation of about \$41 billion. The merged business will have a low gearing of 12% and operating cash flows of more than \$US 3 billion placing the entity in a strong financial position to fund the proposed \$US 12 billion Scarborough development and also other low carbon opportunities and projects. The merger is still subject to shareholder, regulatory and other approvals.

Daily confirmed COVID-19 cases
The number of confirmed cases is lower than the number of total cases. The main reason for this is limited testing.



Source: Johns Hopkins University CSSE COVID-19 Data - Last updated 3 October, 09:04 (London time)
OurWorldinData.org/coronavirus • CC BY



COVID UPDATES

RBA advised in September that the widespread COVID outbreak of recent months would have a material impact on the national September Quarter GDP results. It was advised that the impact would be uneven with some areas facing difficult conditions whilst areas not affected by the lockdowns anticipated to grow strongly. Ahead of the recent lockdowns, growth had been strong but wages growth remained muted nationally. Housing prices are also anticipated to grow strongly across the nation

- The Pilbara has remained largely unaffected by COVID lockdowns.
- Western Australian residents can travel to other states but on return are subject to up to a 2 week self quarantine period depending on the risk classification of the travel destinations.
- International travel is forecast to open in November.
- Nearly 200,000 were rejected from entering WA in the past 12 months due to the strict border rules.

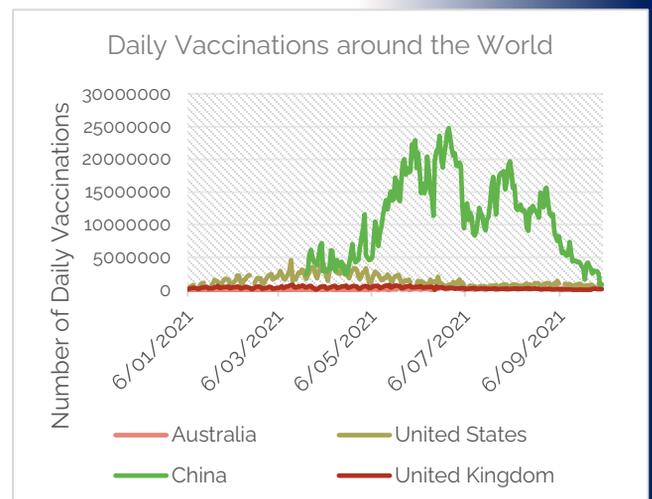
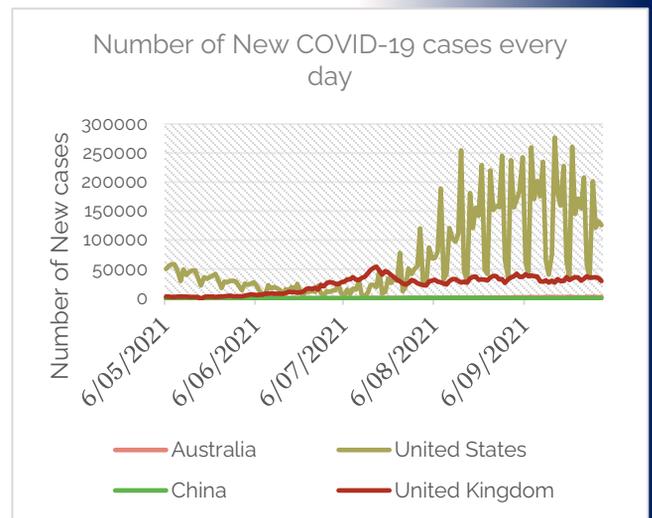
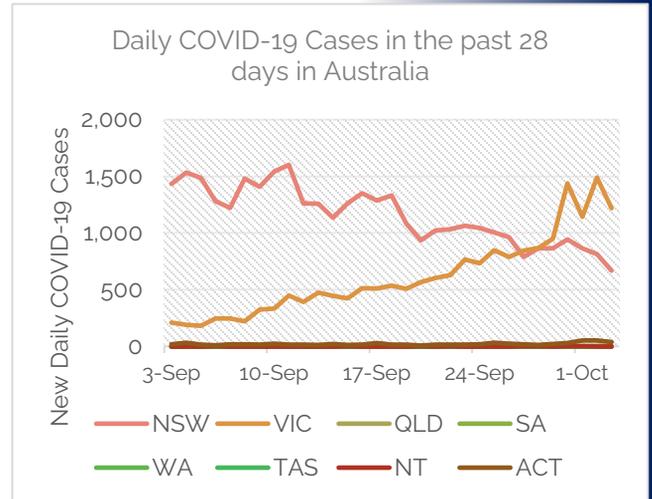
THE WORLD

Globally, the numbers of weekly COVID-19 cases and deaths continues to decline. Over 3.3 million new cases and over 55 000 new deaths globally were reported during the week of 20 – 26 September 2021 a decrease of 10% as compared to the previous week for both cases and deaths. (WHO 2021).

AUSTRALIA

During the first week of October, Australia recorded an average of 1776 COVID new cases each day. The majority of these case have been reported in New South Wales. On October 4, Melbourne replaced the Argentinian capital Buenos Aires to become the world's most locked down city, having spent 246 days in lock down. This grim number has reportedly cost Victoria's economy an estimated \$700m a week.

From 1 January 2022, Western Australian health workers must be fully vaccinated against COVID-19 in order to access health facilities for work purposes. 'Health care workers' include those who provide health, medical, nursing, pathology, pharmaceutical, social work or allied health services to a patient at a health care facility in any capacity; students on placement; and ambulance officers. Access to Tier 1, Tier 2 and Tier 3 medical facilities will require earlier vaccination by health care workers.



Data from COVID-19 Data



COST OF LIVING IN THE PILBARA

This month's spotlight issue focuses on childcare, 65.8% of the Pilbara population is classified as families with children.

The data gathered in this report includes information from Pilbara commercial childcare providers and interviews with Pilbara based families and childcare workers.

ORGANISED CHILDCARE

Private and public childcare services available in the Pilbara cost between \$115 and \$130 for a full working day. Cheaper rates may be offered for permanent spaces. Many centres have waiting lists between 12 - 18 months. This causes Pilbara based families to register unborn children due to the large wait times and makes it challenging for families new to the Pilbara to secure day-care for their children under 5.

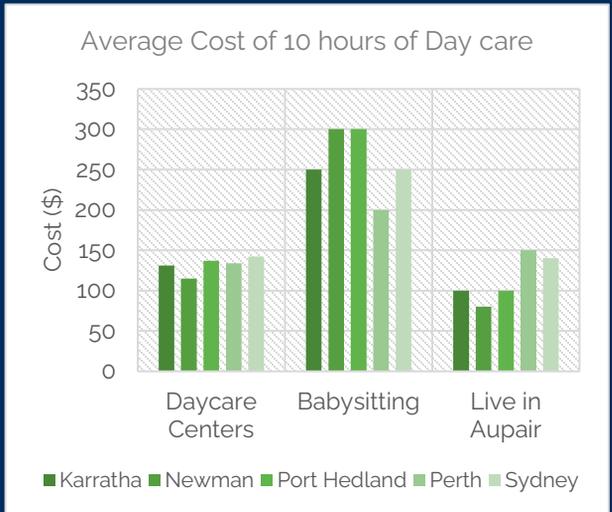
AU PAIRS

Due to State and international border closures au pairs are in high demand in the Pilbara. Pre-covid, families typically offered allowances between \$150 - \$300 for a live in au pair. Currently Pilbara families attempt to attract au pairs with a \$400-\$600 allowances per week with additional monetary, travel, and holiday bonuses. Whilst engaging an au pair presents as a cost-effective option, live in au pairs are in high demand and not currently a viable option for many families.

With borders re-opening, au pair availability is forecast to improve however, costs may remain competitive in order to attract new au pairs to the Pilbara region.

CASUAL BABYSITTING

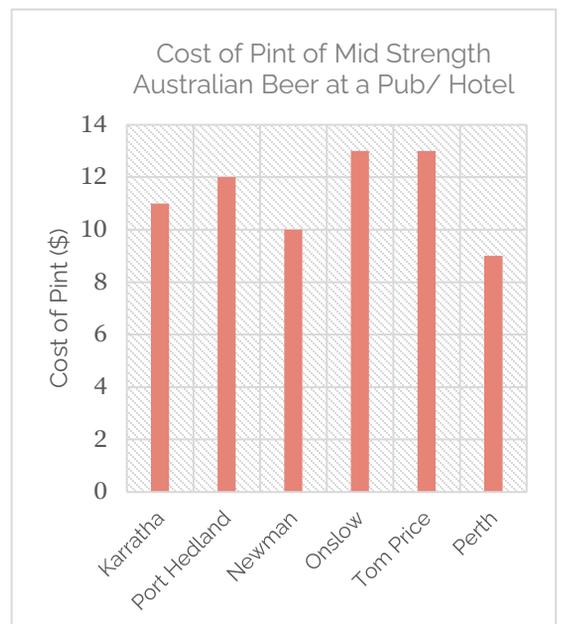
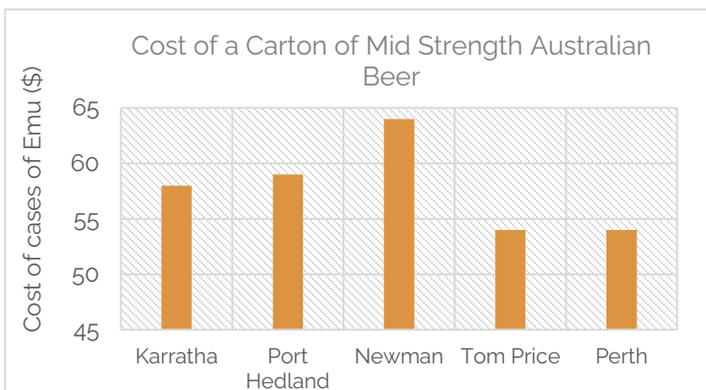
Pilbara babysitting costs have steadily climbed over the past 2 years from \$20 to \$30 per hour for both high school babysitters and professional childcare workers. In comparison, Perth and Sydney babysitting hourly rates range widely between \$15 for young and inexperienced babysitters to \$40 for high skilled qualified childcare professionals.



Data collected from the community

ALCOHOL PRICES

Western Australia's alcohol prices have traditionally been higher than most other States due to transport costs. Prices in the Pilbara are on average 13% higher in pubs/ hotels due to the increased cost of operations, electricity, and salaries. Liquor store prices remain relatively comparable with an average 4% increase in the Pilbara.



Data collected from the community

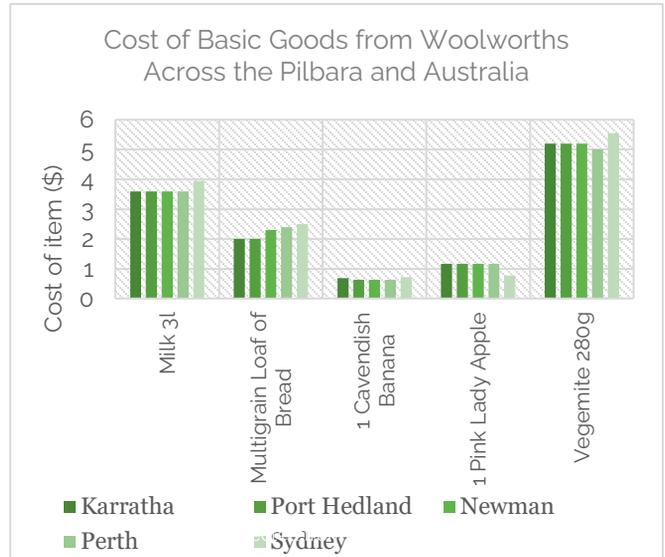


**COST OF LIVING
IN THE PILBARA CONT.**

AVERAGE FOOD COSTS

The average cost of basic goods in the Pilbara are comparable to those in Perth and Sydney.

Overall, when comparing fresh food items to Perth prices are similar to the Pilbara. However for total groceries, Perth has prices on average 22% lower than Karratha (Numbeo 2021). Sydney typically has higher prices for most products however some fruit and vegetables, particular those in season, drop in price significantly due to abundance and availability.



Data collected from the community

CLEANING COSTS

Pilbara cleaning services options are in high demand with waitlists of up to 40 households. Prices are typically discussed in dollars per hour with multiple businesses charging \$50-\$75 per hour with a minimum of 2-3 hours, each visit. Referrals are the most common method for individuals searching for cleaning services and customers can expect to spend on average \$150-\$175 for a 3x2 house in the Pilbara.



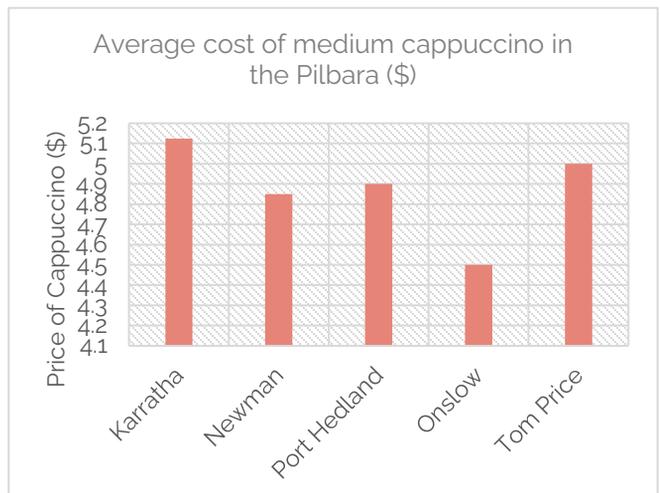
Image credit: WA Government

COFFEE PRICES

One of the staples of living costs in the Pilbara, is a medium size coffee. The graph analyses full milk cappuccino data collected from cafes across the Pilbara.

While service stations offer budget \$1 cappuccinos from machines, barista made coffee prices range from \$4.50 to \$5.80. The most expensive cappuccinos are currently in central Karratha at sit down cafes.

Milk alternatives are increasingly available at all café options with soy, almond and coconut making up the majority of the sales. Cappuccinos made with milk alternatives are priced consistently throughout the Pilbara (additional \$0.50 to \$1.00 extra).



Data collected from the community



**COMMODITIES
SUMMARY**

The resources industry continues to be the backbone of the national economy. Australian resources and energy exports are expected to earn a record \$349 billion for 2021-22.

Australia's iron ore exports are forecast to drop from a record \$153 billion in 2020-21 to \$132 billion in 2021-22 due to lower global prices, notwithstanding export volumes forecast to steadily increase from 868 million tonnes in 2020-21 to 939 million tonnes by 2022-23, (with BHP receiving approval from the Pilbara Ports Authority (PPA) to increase by 40 million tonnes its annual throughput at Port Hedland).

The PPA has increased tonnage charges by 25% at Port Hedland as part of the 2021/2022 budget. This fee rise is forecast to increase port revenue by \$195 million over 5 years.

The forecast growth in both export values and volumes will create many jobs and opportunities in the resources sector, particularly in regional Australia, with the Chamber of Minerals and Energy forecasting a demand for an additional 40,000 skilled workers by mid 2023. This demand is anticipated to place additional pressure on an already tight skilled labour market in the Pilbara. Anecdotally, several employers are experiencing pressure to provide regional housing allowances to employees to offset increasing housing and rental prices due to a lack of available housing and the Federal Government enforced COVID rental moratorium expiring.

In mid 2021, Australia overtook China as the world's largest gold producing country with gold export earnings forecast at \$29 billion in 2021-22 before a decline to \$27 billion in 2022-23.

Lithium export earnings are forecast to increase from \$1.1 billion in 2020-21 to \$3.8 billion in 2022-23, driven by increased spodumene production and exports of lithium hydroxide.

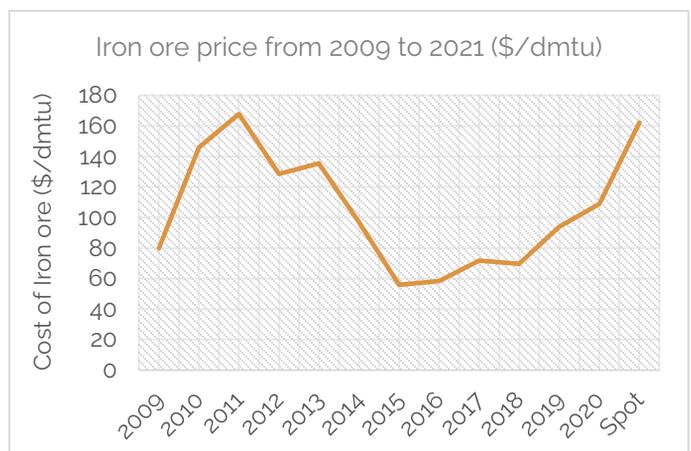
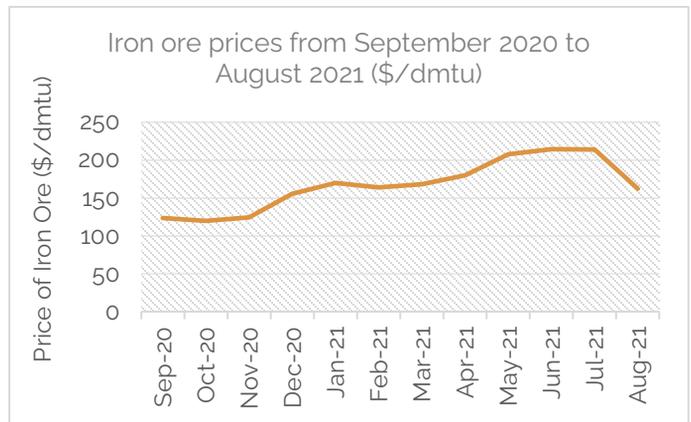
Copper prices has softened in recent weeks amid concerns about slowing growth in China and around the world in the wake of ongoing COVID-19 pandemic.

IRON ORE

Over the past 4 years Australian iron ore companies have been enjoying strong iron ore prices on the back of record Chinese demand and supply disruption in Brazil, where dam safety and absenteeism caused by the COVID 19 pandemic has affected output. While markets have been anticipating iron ore prices to trend lower, the speed of the price contraction has been impressive since spot price records in mid 2021.

After falling to \$US92 per tonne during the third week of September, the price for 62 per cent iron ore has surged above \$US110 per tonne on the final day of trading of the Jul – September quarter, with investors locking in prices ahead of the October week long blackout period bookended by China's Golden week long national holiday.

Prices are still well below those reached in mid-July 2021, when they reached over \$US200 per tonne. Chinese policy regarding its approach to balance economic growth and pollution concerns remain critical to the future iron ore price trajectory as China seeks to limit steel output to reduce carbon emissions. The recovery of South America from COVID and Vale's operations will also influence future iron ore production and supply.



Data from The World Bank



**COMMODITIES
SUMMARY CONT.**

GOLD

Australia's gold exports have increased by 15% to \$28 billion in the year 2020-2021, due to high gold prices and China's removal of gold import restrictions. Growth is projected to remain strong due to high demand and industry output despite some supply and processing disruptions associated with the COVID-19 pandemic.

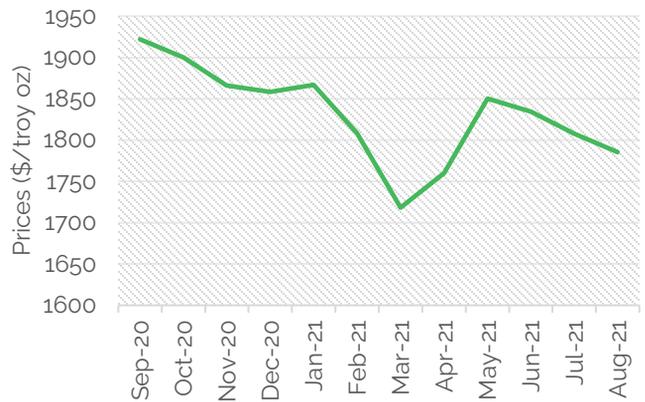
Gold exploration spending increased by 16% during 20/21 in Australia with \$908 million spent in Western Australia out of the total national \$1.3 billion spend.

Wiluna Mining is set to release the feasibility study on its sulfide development expansion after finishing 175km of resource definition RC and diamond drilling over the past 18 months. Eight rigs were used to increase confidence in the Wiluna mining centres' gold resource and high priority mining areas.

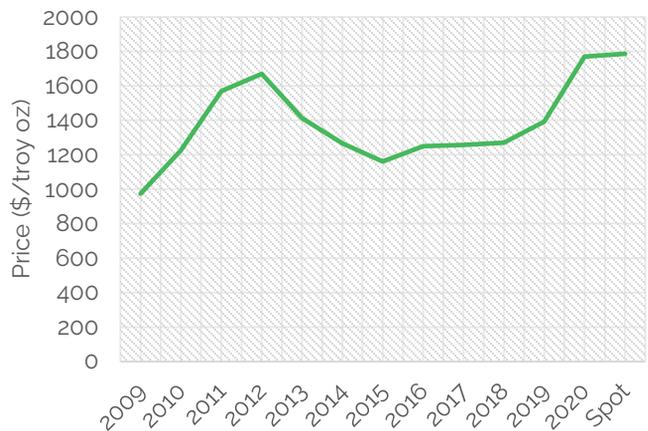
Aruma Resources' Melrose Gold project area was granted approval for its 3,000m first phase RC drilling program. Aruma intend, to conduct geophysics, geochemical, mapping, and soil sampling surveys to refine drill targets in the upcoming quarter.

The Office of the Chief Economist's resources and energy quarterly report states Australia is expected to surpass China as the world's largest gold producer this year. However, after a projected production peak in 2023-2024 is forecast there will be a 2.1 % annual decline in production.

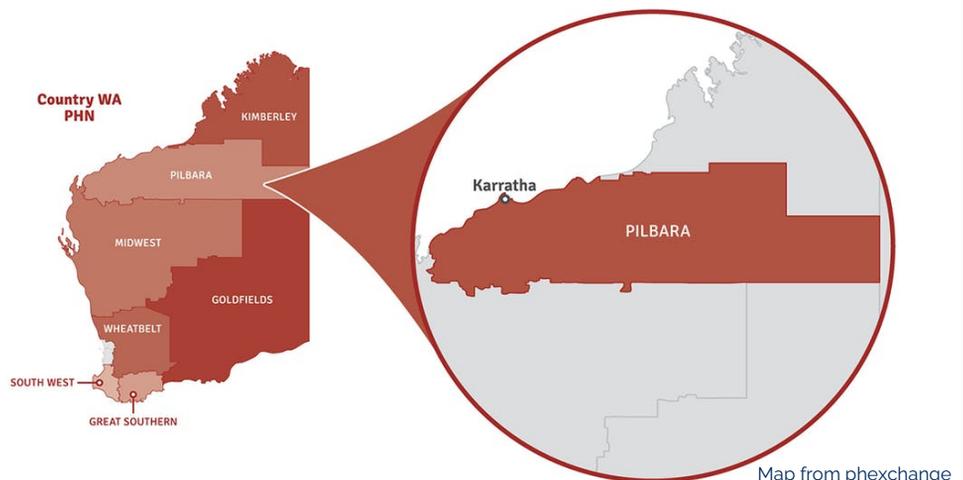
Gold prices from September 2020 to August 2021 (\$/troy oz)



Gold price from 2009 to 2021 (\$/troy oz)



Data from The World Bank



Map from phexchange



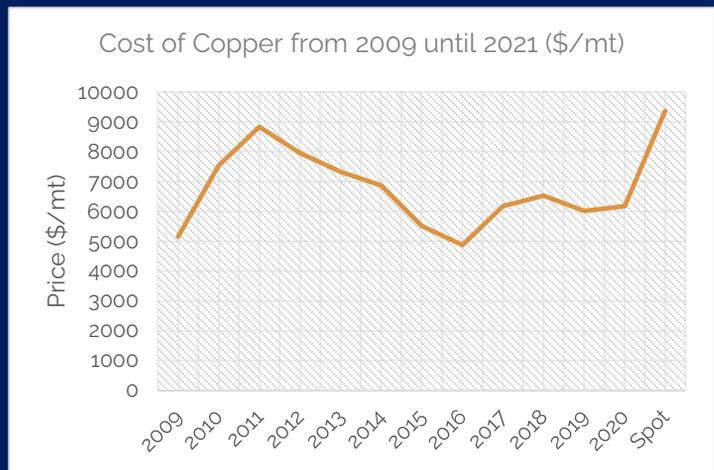
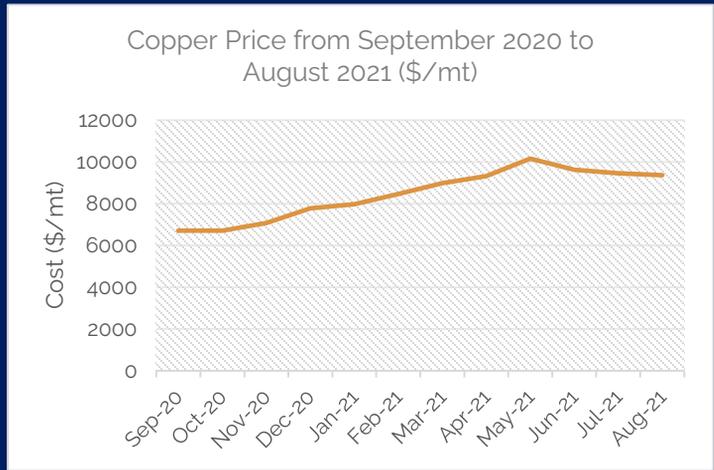
**COMMODITIES
SUMMARY CONT.**

COPPER

Copper prices reached a record high earlier in April 2021 on a combination of rebounding industrial activity in China (the world's largest consumer), expectations of infrastructure spending in the US and a structural shift in global demand from the green energy transition. However, prices have softened in recent weeks amid concerns about slowing growth in China and around the world in the wake of rising COVID-19 infections.

The forecast demand for copper is expected to rise with demand outpacing supply as the supply of copper concentrate is very tight, particularly in China.

The adoption of electric vehicles and renewable energy technologies around the world are creating new sources of demand for copper wiring. It is estimated (JP Morgan) that the energy transition from traditional energy sources (coal, oil and gas) to renewables will increase copper demand threefold by 2030, reaching 15% of total demand.

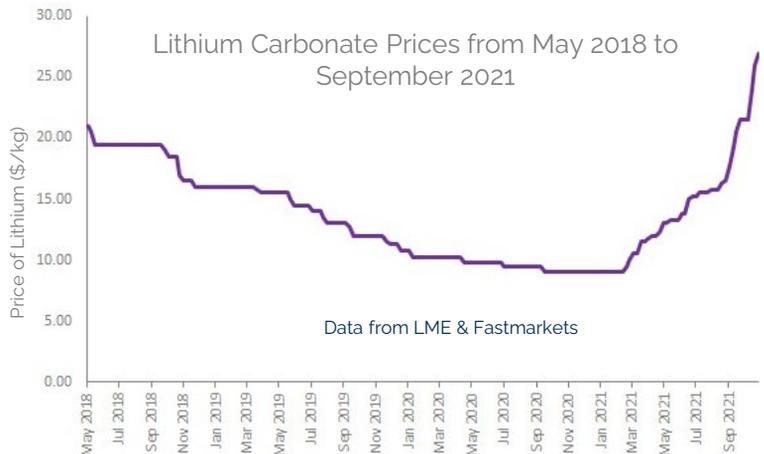


Data from The World Bank

LITHIUM

Lithium prices have increased 254.84% (Trading Economics) since the beginning of 2021 however this growth has turned more cautious due to power restrictions being implemented in China. China began introducing power-consumption limits in several provinces in July 2021 due to power shortages following its carbon-reduction policy.

China's power-cut policy has caused disruption in the battery raw materials supply chain and has brought uncertainty to the price of materials including, lithium, nickel and cobalt (LME). Hydroxide prices in Europe and the United States edge higher, finding support from firm carbonate prices.



Data from LME & Fastmarkets

(Lithium carbonate, 99.5% Li₂CO₃ min, battery grade, spot price c.i.f. China, Japan & Korea, \$/kg midpoint)



**COMMODITIES
SUMMARY CONT.**

NATURAL GAS & CRUDE OIL

Oil jumped to a three-year peak on 4 October after OPEC confirmed it would maintain its current output policy as demand for petroleum products rebounds, despite external pressure for an increase to production as the market recovers from COVID at a greater pace than expected in several countries (Reuters). Brent crude settled up \$1.98, or 2.5%, to \$81.26 a barrel. It rose 1.5% in the final week of September for a fourth consecutive weekly gain, and was back up to prices last seen in 2018.

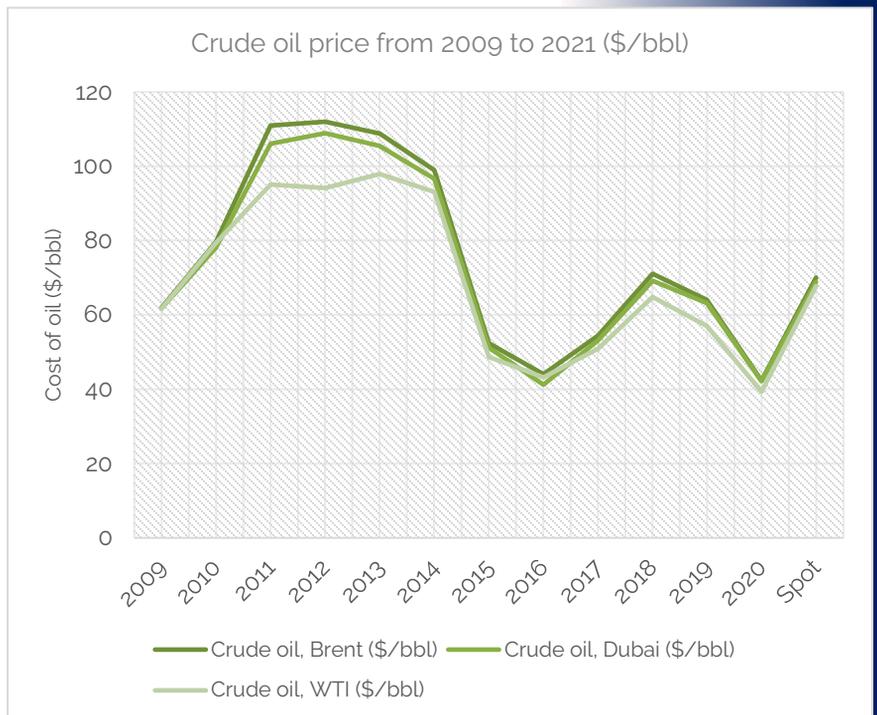
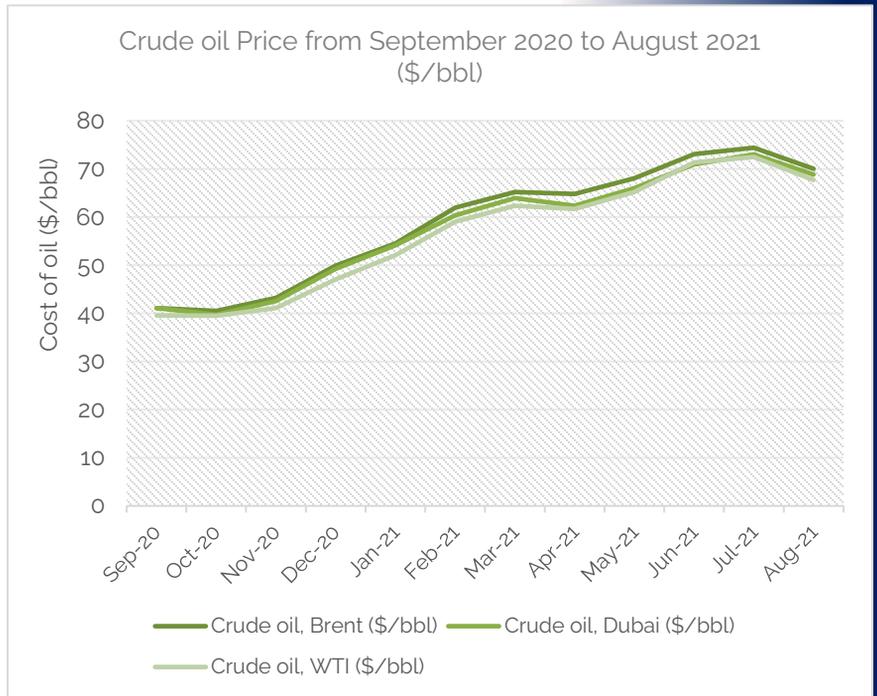
U.S. oil settled up or 2.3%, to US\$77.62 a barrel, the highest since 2014, after steadily gaining since mid-August 2021.

The oil price rally has been fuelled by high gas prices, which have grown by 300%, prompting users switch fuel consumption to oil and other crude products to generate electricity and for other industrial needs.

Demand for natural gas has exceeded pre-COVID-19 highs with oil closely trailing (International Energy Agency). Three-quarters of global energy demand is still met by fossil fuels, with less than a fifth by non-nuclear renewables.

High gas prices are providing a boost to Australia's LNG producers, which look set to benefit from unexpectedly buoyant prices for the next six months.

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Data from The World Bank



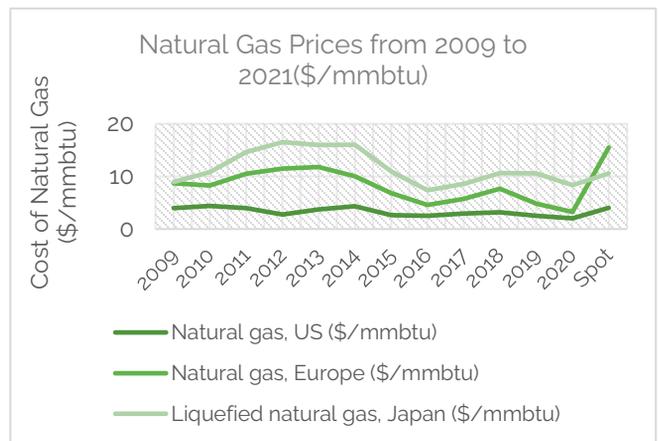
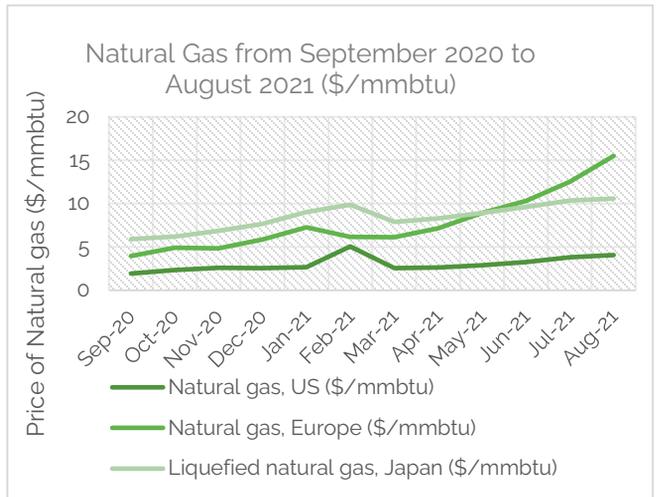
**COMMODITIES
SUMMARY CONT.**

NATURAL GAS & CRUDE OIL CONT.

Spot prices for LNG in Asia are trading at near-record levels for this time of year at almost \$US20 per million British thermal units, before the typically peak-demand northern winter kicks into gear. The market for natural gas transported by tanker has been particularly tight during the northern summer when demand is usually softer (AFR).

While Australia's LNG exporters typically sell cargoes under long-term contracts that are linked to crude oil prices rather than spot rates, the higher forecasts still feed through to increases in estimates for Australian producers (UBS). The high LNG prices have some downsides for Australian producers, both in providing more scope for US LNG exports to compete in the Asian market and running the risk of derailing LNG import plans by emerging price-sensitive markets in Asia such as Vietnam.

However, in the near term, tight supply is expected to sustain high LNG prices during the northern hemisphere winter.



Data from The World Bank

FUEL PRICES IN THE PILBARA

Across WA fuel prices have consistently increased over the past 6 months in line with the underlying increasing oil prices. Pilbara fuel prices compared to Perth are on average approximately 10 cents higher for diesel and 15 cents higher for ULP.

Data from Fuel Watch





**COMMODITIES
SUMMARY CONT.**

FERTILIZER & SALT

Phosphate and urea prices steadily grew during 2021 due to strong demand from key crop growing regions including the USA and high input costs (sulphur and ammonia prices increased due to COVID-19 restrictions limiting supply).

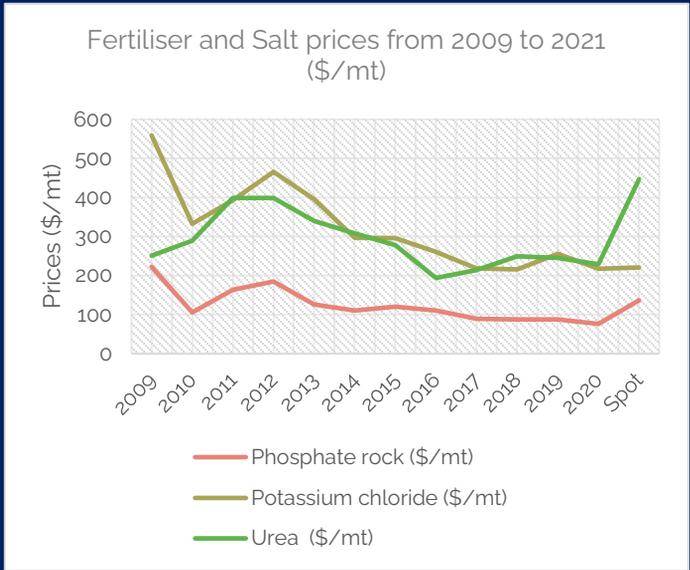
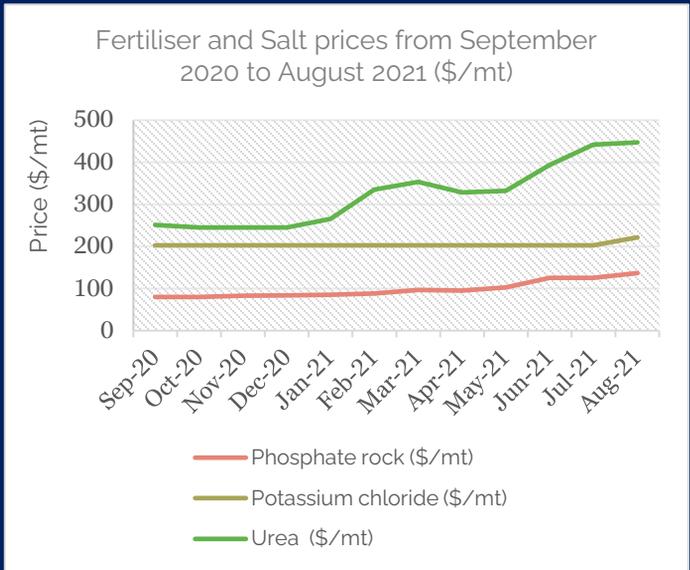
Yara Pilbara is working on its proposal for the existing Pilbara Fertiliser project to include developments of a pilot Renewable Hydrogen Plant and associated infrastructure. The project is currently undergoing review by the WA Environmental Protection Authority.

BCI Minerals' Mardie \$1.2 billion salt and potash project near Karratha is awaiting final investment approval, anticipated to be received around December 2021, subject to it receiving key statutory approvals. BCI Minerals aim for first salt sales in 2024 and first SOP sales in 2026.

The Kalium Lakes Beyondie Sulphate of Potash project has produced its first batch of Sulphate of Potash with scheduled commercial production now underway.

Perdaman Chemicals and Fertilisers (Perdaman) has signed a 20 year offtake agreement with Incitec Pivot Limited's subsidiary, Incitec Fertilizers Pty Ltd, for up to 2.3 million tonnes per annum of granular urea fertilizer from Perdaman's proposed Karratha urea plant. It remains conditional upon Perdaman finalising its project finance for construction of the plant. The \$4.3 billion Karratha urea plant on the Burrup Peninsula is scheduled to start production in the 4th quarter of 2025.

The Leichart's Eramurra Solar Salt Project proposed to be built at Gnoorea (40-mile beach) is awaiting Bankable Feasibility Study and Environmental Approvals.



Data from The World Bank



CATTLE PRICES

Australian cattle price records continue to be broken with the Eastern Young Cattle Indicator (EYCI), (the cattle industry's key market indicator), hitting a new high of 1,031.52 c/kg (cwt) in late August. Rising US cattle prices (due to decreased cattle production) together with reduction in production in both Argentina, Brazil and Canada have resulted in strong demand for Australian cattle, particularly given Australia competes in 90% of its markets with the US. Australian beef exports to China have been lower in 2021, due to strained trade relations between the two countries.



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

PILBARA LOCAL GOVERNMENT ELECTIONS

The Town of Port Hedland, Shire of East Pilbara, City of Karratha and Shire of Ashburton will each hold local government elections on 16 October 2021.

FEDERAL GOVERNMENT 2021-22 BUDGET NATURAL DISASTER INSURANCE SUPPORT

The Federal Government announced a raft of resilience and mitigation measures to better protect vulnerable Australian communities against natural disasters including drought, flooding and cyclones. Such measures included a Budget commitment to underwrite a \$10 billion reinsurance scheme for cyclone and related flooding for privately owned homes, strata corporations and small business.

FEDERAL GOVERNMENT HYDROGEN INVESTMENT

In September 21, the Federal Minister for Energy and Emissions Reduction announced a further \$150 million to the existing \$1.2 billion announced in the 2021/22 budget to establish two additional regional hydrogen hubs under the Clean Hydrogen Industrial Hubs Programme. This will enable the rollout of hydrogen hubs across seven prospective regional sites which include: Bell Bay (Tas), Darwin (NT), Eyre Peninsula (SA), Gladstone (QLD), Latrobe Valley (VIC), Hunter Valley (NSW) and the Pilbara (WA). The Minister stated that the Clean Hydrogen Industrial Hubs will create the domestic demand needed to help the hydrogen industry drive down costs and scale up production creating new job opportunities for the regions.

WA ELECTRICITY RESTRUCTURE & REFORM

From July 2021 Horizon Power’s coastal network and Alinta Energy’s Port Hedland network will be regulated under the Pilbara Network Rules, a fit for purpose regulatory framework including a light-handed third-party access regime, which is codified in the Pilbara Networks Access Code. Designed by Energy Policy WA, with industry collaboration, this revised system will facilitate competition in the region and is expected to lower the cost of electricity for several larger customers. Competition will initially be open to customers who consume more than 1200 megawatt hours per annum.

THE WA ABORIGINAL CULTURAL HERITAGE BILL

The WA Aboriginal Cultural Heritage Bill, is currently with the Aboriginal Affairs Minister to introduce into the WA State Parliament. The bill was designed in the wake of the destruction of the 46,000-year-old culturally significant rock shelters at Juukan Gorge in 2020 and will, if passed, replace the current Aboriginal Heritage Act 1972. The bill aims to provide additional clarity in defining how land users and traditional owners can work together to identify, manage and conserve cultural heritage areas. Under this bill, new offences can attract a penalty of up to \$10 million or imprisonment of up to 5 years.



Image credit: WA Government