September 2023

OUTLOOK

Miracle over?

Outlook is the Chamber of Commerce and Industry of Western Australia's biannual analysis of the WA economy. All growth rates cited in *Outlook* are calculated in terms of annual average growth, comparing four quarters of data to the previous four quarters of data, unless otherwise stated.

Editor: Sam Collins, Senior Economist.

Chamber of Commerce and Industry WA

Economic outlook

Economic Forecast for Western Australia

Forecasts[1,2]	2022-23 Actual	2023-4 Forecast	2024-5 Forecast	2025-6 Forecast
Economic Activity				
Household Consumption	3.25%	1.0%	2.25%	2.5%
Dwelling Investment	-2.4%	6.75%	-4.75%	4.5%
Business Investment	3.5%	6.5%	5.5%	3.25%
State Final Demand	3.6%	2.75%	2.75%	2.5%
Exports	5.3%	1.5%	1.25%	1.0%
Imports	13.9%	5.0%	5.25%	2.5%
Gross State Product	3.5%	1.75%	1.5%	1.75%
Labour Market and Prices				
Unemployment[3]	3.5%	4.0%	4.25%	4.25%
Inflation[4]	5.1%	3.75%	2.75%	2.5%
Wages	3.8%	4.0%	3.75%	3.25%

Footnotes:

[1] Actual outcomes are as reported in the 2021-22 State Accounts, updated with the latest State Final Demand and Balance of Payments data.

[2] Forecasts for economic activity are produced in terms of annual average growth, comparing four quarters of data to the previous four quarters of data.

[3] Annual average through the financial year

[4] Year ended terms; excludes the electricity sub-index.

Outlook at a glance

The global economy appears on track for a soft landing following the rapid increase in interest rates, although China is now emerging as a key watch point for WA's economy, with many now questioning whether the Chinese economic miracle is over.

Global interest rates have shot to their highest level in more than a decade as central banks continue to combat skyrocketing prices. In Australia, the Reserve Bank has raised the cash rate by 4 percentage points in 18 months, while policy rates overseas have been hiked even further.

There is evidence that these efforts are now working, as the economy starts to cool. National retail trade volumes have fallen year-on-year for the first time since September 2021, household consumption has remained relatively flat over the first half of 2023 and the number of job vacancies have fallen for four consecutive quarters.

Global supply chains have also now largely stabilised, with CCIWA's latest *Business Confidence Survey* finding the proportion of WA businesses reporting supply chain issues as a barrier to growth has fallen from 60 per cent in June 2022 to 26 per cent in June 2023. Freight prices have also fallen five-fold to sit just above pre-covid levels, which should continue to flow through to lower final prices.

In turn, inflation has peaked and has started its descent. Year-ended inflation was 6.0 per cent in Australia to June, down from the 7.8 per cent recorded in December. Overseas the decline has been even greater, with the US and Canada recording inflation rates for the year-ended to July of 3.2 per cent and 3.3 per cent respectively.

Services inflation does, however, remain persistent and could have further to rise, driven by the recovery in international travel and the tight conditions in Australia's housing market. At the same time, productivity growth in Australia remains poor, recently falling to its lowest level since 2019. Lower productivity leads to higher unit labour costs, which in turn flows through as higher prices. Both factors risk inflation remaining higher for longer.

And while higher interest rates are needed to cool an overheating economy, it is also set to see the pace of economic growth deteriorate. Already Australia's economic growth rate has begun to decline, growing a modest 2.1 per cent for the year to June 2023, with this trend expected to continue into 2024. And despite the slowdown in activity, labour shortages continue to plague the economy. Indeed, our latest *Business Confidence Survey* identified 75 per cent of businesses are still struggling to fill a vacancy.

Yet amongst all the noise, the biggest concern right now is our largest trading partner, China. China's fading economic recovery has weakened the global growth outlook over the next 12 months. Weak consumer confidence combined with a property sector that continues to struggle has seen growth undershoot expectations, leading to fears of weaker Chinese demand over the next year.

In addition, growing geopolitical fragmentation means there is the potential for further disruptions to international trade and supply chains, as countries increasingly look to protect strategic industries. This is particularly as the Russia-Ukraine war continues and China's relationship with the US remains frosty, with any more interruptions to trade likely to place further upward pressure on prices.

While risks to the economy continue to be tilted to the downside, WA's fundamentals remain robust.

Western Australia's world leading resources sector, wealth of critical minerals, abundance of renewable energy sources and our natural advantages in sectors like space and defence, puts us in a strong position to capitalise on the unique opportunity presented by a shifting global economy – including the transition to net zero, advancements in new technologies and adjustments in international trade patterns.

But we cannot bank on this happening by itself. To attract the investment required to unleash WA's economic potential, it is crucial that government take proactive measures to position Western Australia as the most attractive place to do business, including developing a more competitive payroll tax system, most immediately through a reduction in payroll tax and reducing the unnecessary regulatory burden faced by businesses looking to invest in the industries needed to power our future. The prosperity of Western Australians in the future will hinge on our success in achieving this.

The following section further details some of the key factors set to impact Western Australia's immediate economic outlook.

China now the key global uncertainty

The global economic recovery received an unexpected boost to end 2022, as China announced its reopening following some of the most intensive and extensive lockdowns in the world. Pent-up consumer demand was expected to be unleashed, while improved supply capacity was expected to aid production. A new set of policy measures were also announced in a bid to prop up the flailing property sector.

While signs were encouraging to begin 2023, China's recovery is now in question. Year ended growth for the country was 6.3 per cent in June, far lower than expectations, stoking fears the economy may miss its 5 per cent growth target by the end of the year – already considered modest when it was first announced.

And as the rest of the world continues to battle inflation, China is facing the opposite problem. China slipped into deflation in July, as consumer prices fell 0.3 per cent over the year. This is on the back of a weak household sector, with retail sales already starting to fall after spiking in February. While this will help reduce global prices, a reduction in Chinese demand will also weaken the global growth outlook.

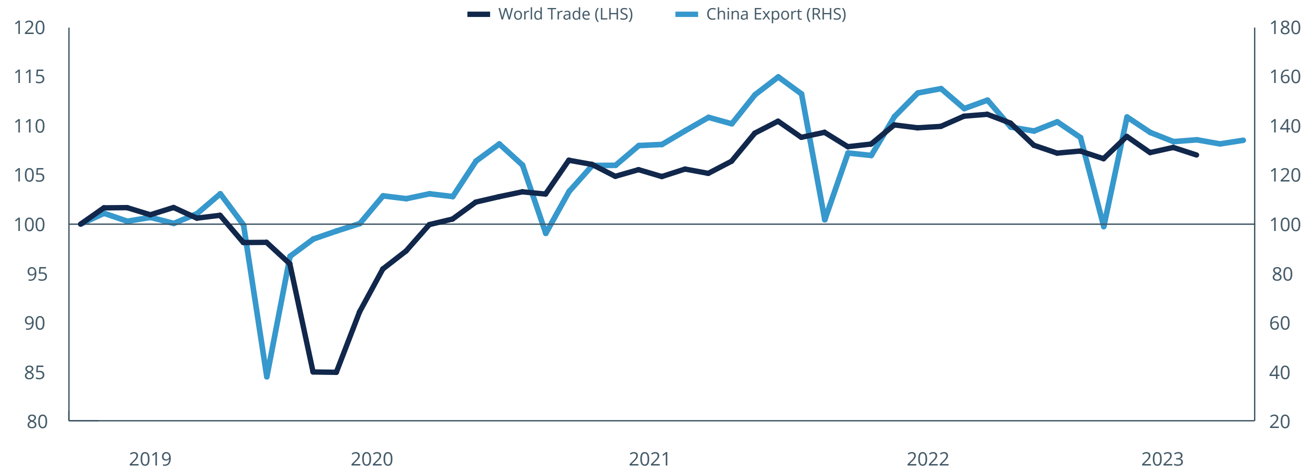
At the same time, consumer confidence has continued to decline, youth unemployment has soared to a record high 21.3 per cent and foreign direct investment has plummeted 87 per cent year on year to its lowest level since records began in 1998. In the case of consumer confidence and youth unemployment, figures have been so poor that updated data has stopped being published altogether.

In addition, China's property sector continues to remain shaky. Real estate investment contracted 17.8 per cent year on year in July, while new floorspace under construction fell 6.8 per cent over the same period. Policy measures designed to buoy the sector have so far had little effect, as debt ridden property developers continue to miss repayments. The risk of contagion continues to grow, as one major shadow bank has also recently missed repayments on trust products, sparking fears that problems have spread to the financial institutions that have funded the real estate boom.

However, despite recently announcing more support, the size of further government funding towards the sector remains uncertain given the high and rapidly rising levels of debt burdening the country. China's overall debt level is estimated to be around 280 per cent of its annual economic output, built up through years of massive borrowing to fund large-scale infrastructure projects. While this helped drive the strong economic growth experienced over the past two decades, a slowing domestic economy means China's debt is starting to catch up with it. Not only does this reduce its capacity to support the current state of the economy, but interest repayments also reduce China's ability to spend on future social and infrastructure projects, limiting future economic growth. We are therefore unlikely to see the significant cash splashing of the past, meaning future growth is likely to trend downwards.

Growing geopolitical fragmentation is also limiting China's future growth prospects as access to new technology, critical supply chains and foreign investment is curtailed. As countries look to onshore more of their operations in strategic industries (for example the United States with the Inflation Reduction Act), global trade patterns have shifted and with that so has the sharing of technology.

World Trade & China Exports
Jun 2019 - Aug 2023 (Jun 2019=100)



Source: CCIWA, Refinitiv

This is particularly the case for China, which in some sectors has begun to decouple from the US and other advanced economies over the past few years, limiting the adoption of new technology and, therefore, the productivity enhancements associated with this.

If this division continues, then this is likely to act as a drag on China's growth prospects.

While additional stimulus support has been pledged in a bid to renew China's economic recovery, the risk of lacklustre growth in Australia's major trading partner has certainly risen.

Looking forward, CCIWA is more optimistic on China's fortunes than other commentators. Our broad view is the economy is not set for collapse, but rather is undergoing a shift toward stabilising its debt and lower growth rates. The trade slowdown in China is clearly linked to the broader trade slowdown seen across the world (see chart). As such when the global economy adjusts to recent increases in interest rates, we would expect to see China's economic performance improve. And while China's trade patterns will continue to shift away from the Western world in some key sectors, it will increasingly fill the gap with its Asian neighbours, the so-called BRICS nations and potentially Middle East petrostates. With this will come a recovery in the local manufacturing sector and household consumption. . It is also important to note that it plays an oversized role in some critical supply chains such as solar panel manufacture.

The bigger concern for Western Australia's commodity exports in the short-term is the weakness in the property sector. In parts of the economy there is clearly an oversupply in housing stock, and this will weigh on commodity demand for some time. We do remain optimistic however that the combination of investment in renewable infrastructure and further industrialisation across the world will result in strong offsetting demand for the commodities that Western Australia supplies the world.

Interest rates may be close to the peak, but the full effect is yet to hit

While interest rates have risen further over the past six months, the pace of increases has started to slow as central banks edge closer to the peak of the hiking cycle. In Australia, the cash rate now sits at 4.1 per cent as of September, having remained unchanged for the past three months - this follows an increase of four percentage points in the 13 months prior, as the RBA looked to supress inflation through a reduction in demand. Indeed, our latest *Consumer Confidence Survey* found that four in five (81%) WA households have already considered ways they can cut back their spending to help save money.

Markets are still pricing in the potential for one more rate hike in Australia, indicating we're either at or very close to the top of the hiking cycle. While this is good news for mortgage holders, interest rates impact the economy with a lag, meaning we are yet to see the full effect of the current interest rate hikes. Combined with the impact of higher living costs, this should see a pullback in household spending over the next year as these higher interest rates begin to fully flow through.

However, the outlook for consumption remains uncertain. WA's continued tight labour market, strong wages growth and soaring population should all support spending over the year. The extent to which households are willing to continue to dip into their savings to maintain their consumption around current levels will be another important factor in the outlook for consumption. On balance, we expect consumption growth to slow to 1.0 per cent this year, before rising to 2.25 per cent in 2024-25 as the current headwinds facing the consumption outlook start to ease.

The resources sector is set to underpin growth

While weaker growth in consumer spending is set to temper the State's economic growth, our strong pipeline of business investment should help shore up the economy over the coming years.

Despite difficult operating conditions delaying some investment projects over the last year, work is expected to pick up over the next couple of years on the back of a number of big ticket items, primarily in the resources sector - Woodside's Scarborough and Pluto 2 extension being an example. Along with an increasing number of investments in the growing critical minerals sector to support the energy transition, these projects should help support the State's economic growth over the forecast period.

In addition, the iron ore majors continue to operate close to capacity, which should help maintain solid baseline investment as well as export levels. Slowing growth in China has emerged as a risk here, but the massive amount of infrastructure needed to reach net zero should help support demand. We anticipate business investment to grow 6.5 per cent in 2023-24 and a further 5.5 per cent in 2024-25.

WA's housing market to remain tight as international migration strengthens

Western Australia's housing market is under immense strain, with rental vacancy rates at their lowest levels in close to a decade. As a result, rents have risen at a rapid pace, up 13.5 per cent over the year to July 2023 – this is despite rising at a similarly fast pace in both 2021 and 2022. Prospective homeowners aren't finding it any easier either, with listings down a third compared with a year ago while house prices have climbed to fresh record highs.

At the same time, WA's population has exploded following the reopening of international borders. The second half of 2022 saw overseas migrants flock to the state in numbers not seen since 2012, placing further pressure on an already tight housing market. With strong demand for workers set to continue over the coming years, we expect population growth to remain high in the immediate future.

However, this is unlikely to translate into a sustained pickup in dwelling investment until 2025-26. We expect a rise in dwelling investment of 6.75 per cent this year as the current backlog of housing is worked through, but tight lending conditions, labour shortages and economic uncertainty is likely to see few housing commencements in 2024-25. As these headwinds subside, dwelling investment should increase into 2025-26, improving the supply of housing.

Headline inflation has finally started to recede, but services inflation remains stubborn

Both consumers and businesses have been battered by skyrocketing prices over the past 18 months. Our latest *Consumer Confidence Survey* revealed more than half (52%) of Western Australians have dipped into their savings to cover the higher cost of living, while our *Business Confidence Survey* found four in five (79%) businesses indicated the rise in operating costs was a barrier to growing their business.

The good news is that inflation has peaked. Western Australia recorded an inflation rate of 4.9 per cent for the year to June, down from the 8.3 per cent peak recorded in December 2022.

However, much of this reduction has stemmed from the moderation in goods inflation, as the demand for goods has cooled over the last year. On the other hand, services inflation is proving much harder to tame, as spending patterns shift towards services, housing costs continue to rise and international travel prices remain high. The annual rate of services inflation rose further in June, while in comparison the annual rate of goods inflation fell for the third consecutive quarter. Indeed, other economies that have largely managed to bring inflation back under control (such as the US and Canada) have also experienced a period of sustained services inflation, with many anticipating Australia to follow a similar trend. This would see above-target inflation persist for longer than first expected.

Reflecting this, we expect inflation to gradually decline over the next year, returning to the RBA's target band by the end of 2024-25.

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Economic growth

Forecasts	2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
State Final Demand	3.6%	2.75%	2.75%	2.5%
Gross State Product	3.5%	1.75%	1.5%	1.75%

The Western Australian economy has continued to plough ahead over the past six months despite numerous headwinds intensifying. Solid household consumption, a resilient jobs market and strong export activity have continued to feed this economic momentum.

However, this momentum has started to fade, and a slowdown in economic activity is expected. Elevated interest rates and the higher cost of living have already started to weigh on household spending, and this is set to continue over the next year as the full impact of interest rates is felt.

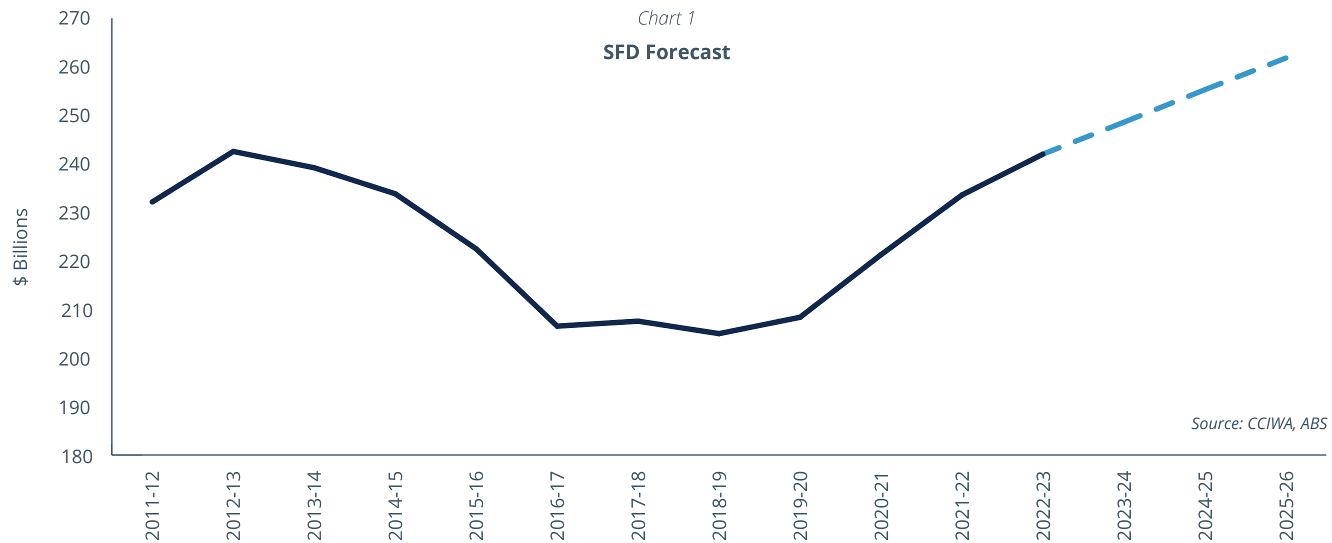
While projected to slow, we expect growth to be underpinned primarily by large-scale business investment, the State Government's Asset Investment Program and the backlog of residential construction to be worked through in the short term. Reflecting this, we forecast domestic economic growth to slow to 2.75 per cent this financial year, however risks remain tilted to the downside.

Growth is then expected to continue at a similar pace over the remaining forecast years, as a pickup in household consumption is offset by a slowdown in business investment. The outlook for non-mining investment also remains soft in the face of ongoing labour shortages and elevated input costs.

Growth in the overall economy (Gross State Product) is expected to fall to 1.75 per cent this financial year, primarily due to the moderation in goods exports as producers operate near capacity as the global economy weakens, while strong growth in imports is also expected to detract from overall activity.

Chart 1

SFD Forecast



Source: CCIWA, ABS

Household spending

A combination of high interest rates and inflationary pressures is set to pump the brakes on household spending over the next financial year. Already we're starting to see signs of consumers pulling back on consumption, as retail trading volumes remained largely unchanged over the past 6 months.

This is expected to extend into the new financial year as the full effect of rapid interest rate hikes force many households to tighten their belts, especially for fixed mortgage holders who need to refinance throughout the year. Indeed, CCIWA's latest *Consumer Confidence Survey* found that four in five (81%) households are looking at ways they can cut their spending over the next year. Compounding this is the fact that many households have already made large one-off purchases over the last two years, likely leading to reduced spending on these items. On the flipside, strong wages growth coupled with the recent explosion in WA's population should help support consumption levels.

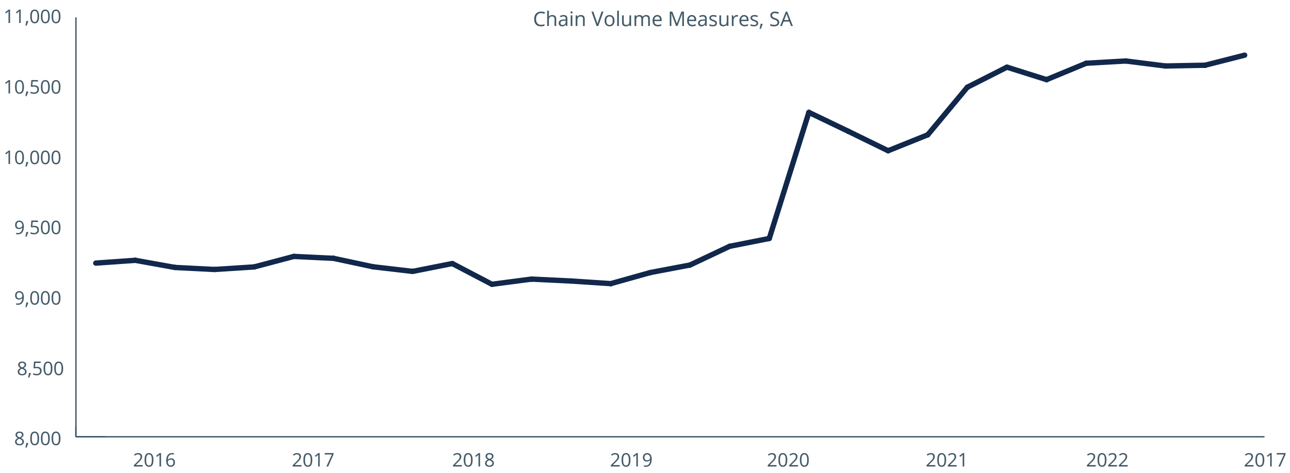
Forecasts	2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
Household Consumption	3.25%	1.0%	2.25%	2.5%

However, there remains significant uncertainty to this outlook. Strong population growth, low unemployment rates and higher wages may help maintain higher than expected baseline consumption levels. This is especially the case for homeowners without a mortgage, many of whom are little affected by interest rates and have continued to increase their spending. On the other hand, further increases to the cash rate and persistent inflationary pressures may weigh further on spending. On balance, we expect consumption to grow by 1.0 per cent in 2023-24, rising to 2.25 per cent in 2024-25.

Chart 2

WA Retail Trade

Chain Volume Measures, SA



Source: CCIWA, ABS

CCIWA's latest *Consumer Confidence Survey* found that four in five (81%) households are looking at ways they can cut their spending over the next year.

Business investment

Challenging operating conditions have persisted throughout 2023, with capacity constraints seeing some projects proceed more slowly than first anticipated. While supply chain disruptions have now largely abated, cost pressures, higher interest rates and labour shortages remain as impediments, causing some businesses to re-evaluate or delay their investment plans. Indeed, CCIWA's latest *Business Confidence Survey* revealed rising operating costs has continued to grow as a concern among WA businesses, with 79 per cent now reporting this as a barrier to growth over the next year, while 17 per cent are looking at delaying prospective projects as a result.

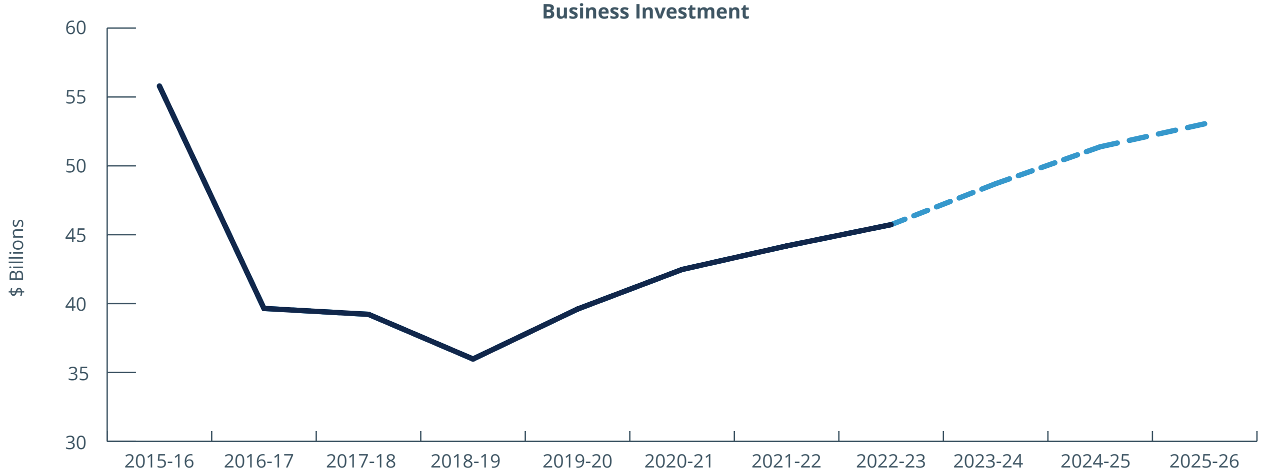
Despite these obstacles, WA's business investment pipeline remains strong, and investment looks set to accelerate as construction ramps up on major resources projects – including Woodside's Scarborough and Pluto 2 extension, Shell's Crux project and Perdaman's urea project. Baseline levels of capital expenditure are also expected to remain robust to sustain current operations for WA's iron ore majors. Iron ore companies continue to operate close to capacity, and the ramp-up of new projects including BHP's South Flank, FMG's Iron Bridge and Minerals Resources' Onslow project, will see additions to production levels.

Over the longer-term, the global acceleration toward decarbonisation and associated uptake of electric vehicles is expected to support growth in WA's critical and battery minerals sectors, while a number of large-scale hydrogen projects are also in development.

As such, we expect business investment to grow 6.5 per cent this financial year and 5.5 per cent in 2024-25, before moderating slightly in 2025-26. Persistent inflationary pressures, prolonged labour shortages and regulatory reforms that delay environmental approval timelines remain risks to this outlook.

Chart 3

Business Investment



Source: CCIWA, ABS

Forecasts	2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
Business Investment	3.5%	6.5%	5.5%	3.25%

Dwelling Investment

WA is finally starting to make headway on WA's massive construction pipeline, with the number of houses under construction falling over the last six months for the first time since the onset of the pandemic. However, this has been at the expense of dwelling commencements, with some major builders, such as BGC, announcing they are halting new sales in a bid to help clear the backlog of existing builds that has built up over the last two years.

This surge in the number of dwellings under construction was driven by accommodative borrowing conditions coupled with generous government support payments throughout the pandemic. However, labour shortages, rapid cost escalation and rising interest rates generated gale-force headwinds for the construction industry, which saw build times blowout and profits plummet. This has stifled the ability for many to bid for new work and has seen a rise in the number of building companies being placed into administration, further hampering delivery.

While the focus on current builds will help work through the existing pipeline of housing, it will leave a significant gap once completed. This is especially given the recent decline in the number of building approvals and first homeowner grant applications, which are leading indicators of new residential construction. Combined with the uncertain cost outlook, we expect few major residential developments to commence in the next 12 months.

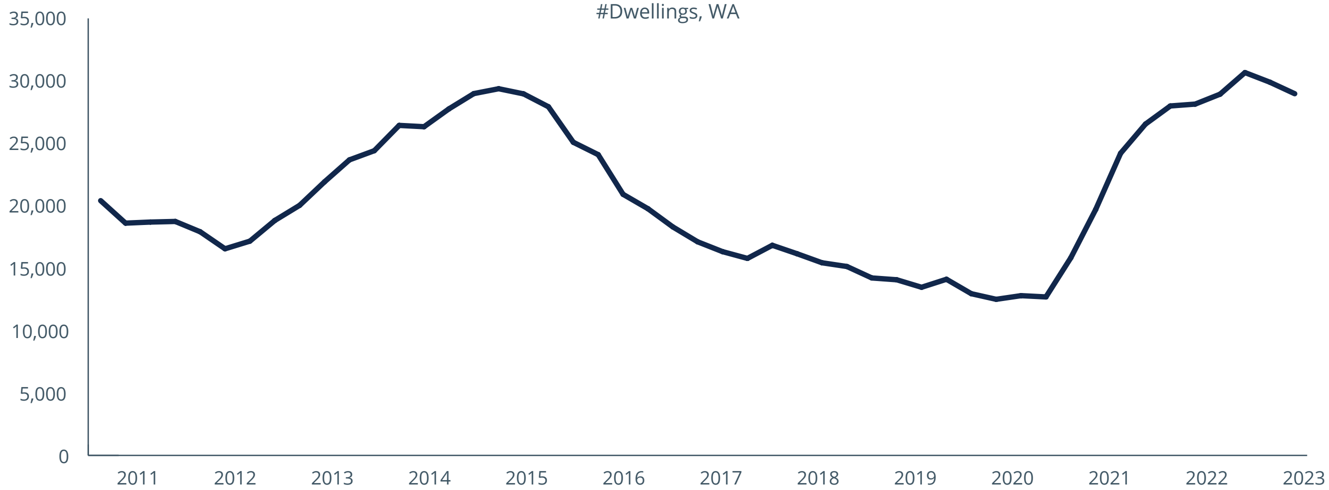
Looking ahead, we expect dwelling investment to accelerate 6.75 per cent in 2023-24 as much of the existing pipeline is worked through, before falling -4.75 per cent in 2024-25 as the pipeline is completed and few new dwellings are commenced. Growth is expected to pick up in 2025-26 as current strong population growth sees the demand for housing intensify and the current headwinds facing builders and borrowers ease.

Looking ahead, we expect dwelling investment to accelerate 6.75 per cent in 2023-24 as much of the existing pipeline is worked through, before falling -4.75 per cent in 2024-25 as the pipeline is completed and few new dwellings are commenced.

Chart 4

Residential construction in the pipeline

#Dwellings, WA



Source: CCIWA, ABS

Forecasts	2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
Dwelling Investment	-2.4%	6.75%	-4.75%	4.5%

International Trade

WA's exporters experienced strong results last financial year, with the State's export volumes growing 5.3 per cent in 2022-23. This is the strongest growth in six years, underpinned by a lift in a range of commodity exports, including iron ore, combined with strong growing conditions in the agricultural sector. Indeed, many iron ore producers saw record production levels in the December 2022 quarter, while demand for critical minerals continued to grow. Services export growth also helped drive this result, as international travel picked up through the year and international students started to return to WA. While still strong, momentum in services exports growth is expected to slow as Perth Airport closes in on its pre-Covid capacity and most international students have now returned.

Export volumes are expected to grow at a slower rate over the forecast years. Iron ore exports are expected to continue to underpin growth, as the majors operate close to capacity and some mines, such as BHP's South Flank and FMG's Iron Bridge, continue with their ramp up in production. China remains a key risk, with its property sector continuing to wobble and the potential introduction of caps on steel production looming. Despite this, the iron ore outlook remains stable on the back of increasing investment in decarbonisation infrastructure and greater demand from other Asian economies.

All up, we expect exports to grow 1.5 per cent in 2023-24 as iron ore exports remain steady and international travel into WA continues to build.

Forecasts	2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2022-26 Forecast
Exports	5.3%	1.5%	1.25%	1.0%
Imports	13.9%	5.0%	5.25%	2.5%

Imports of goods are expected to pick up slightly this year on the back of the anticipated acceleration in business investment seeing strong demand for capital goods. International travel will support imports of services as capacity continues to recover, however the pace of growth will decline over the forecast years as flight traffic normalises towards pre-Covid levels. Given this, we expect imports to grow by 5.0 per cent this financial year.

All up, we expect exports to grow 1.5 per cent in 2023-24 as iron ore exports remain steady and international travel into WA continues to build.

Unemployment

Forecasts	2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
Unemployment	3.5%	4.0%	4.25%	4.5%

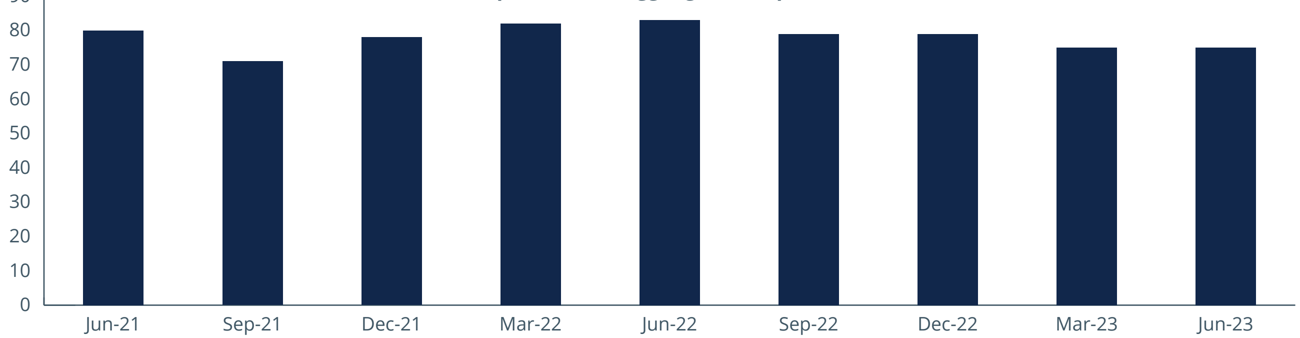
While Western Australia's labour market has shown signs of easing recently, conditions remain strong. Our unemployment rate hit 3.4 per cent in July, remaining near record low levels despite creeping upwards over the last 12 months. Job vacancies have eased only slightly from a historic high in early 2022, while CCIWA's June quarter *Business Confidence Survey* revealed 75 per cent of businesses are still struggling to fill a skilled occupation.

Employment is expected to remain solid over the coming year, as the pickup in both business and dwelling investment will support demand for WA based workers. Despite this, we expect the unemployment rate to rise to 4.0 per cent in 2023-24, as the domestic economy cools and the influx of overseas migrants recorded since the reopening of international borders sees labour supply start to catch up with the demand for new workers.

These factors will see the unemployment rate continue to drift upwards to 4.25 per cent in 2024-25 and 4.5 per cent in 2025-26. Despite the increase, the unemployment rate is expected to remain well below its pre-covid average.

Chart 5

% of respondents struggling to fill a position



Source: CCIWA

We expect growth to be underpinned primarily by large-scale business investment, the State Government's Asset Investment program and a strong pipeline of residential construction, although risks are tilted to the downside.

Wages and inflation

Inflation outlook

The battle to tame inflation remains one of the most pressing issues facing the global economy.

Initially spurred on by supply-side disruptions, demand-side factors have become the primary drivers of inflation over the past year. While this started with robust demand for goods following the significant amounts of stimulus injected into the economy through the pandemic and the inability to use services during lockdowns, goods inflation has largely subsided as demand has cooled and spending patterns have returned towards normal. However, this shift has seen services inflation remain stubbornly high, as pent-up demand for international travel continues to be unleashed and rents have surged following the lowest vacancy rates recorded in a decade.

This has seen inflation remain elevated – in Western Australia, inflation is now 4.9 per cent year-on-year to June 2023. While still high, this is the lowest reading of all states and territories.

In good news, inflation has peaked in most economies around the world. Supply chain issues have dissipated, while the sharp hike in interest rates globally has also helped cool demand, further taking some heat out of the economy. We expect this to continue over the coming year, as interest rates remain high and begin to take full effect.

Forecasts	2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
Inflation	5.1%	3.75%	2.75%	2.5%
Wages	3.8%	4.0%	3.75%	3.25%

As such, we expect Perth CPI to hit 3.75 per cent by June 2024 in year ended terms, before gradually returning to the RBA's target inflation rate of 2-3 per cent in 2024-25.

Key risks include consumer demand remaining stronger than expected, services inflation remaining stubbornly high on the back of high rent growth and weak productivity growth keeping unit labour costs elevated.

Wage outlook

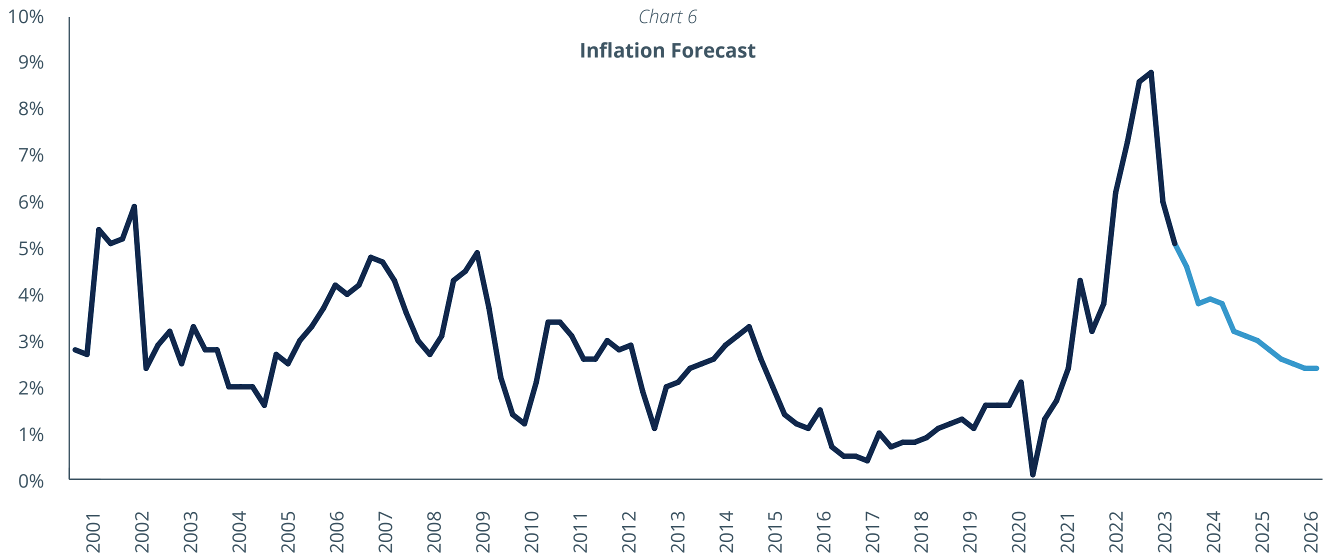
The sustained strength of the labour market has continued to apply upward pressure to labour costs throughout the entire WA economy.

WA businesses continue to raise base wages as a measure to attract and retain staff, with our June quarter *Business Confidence Survey* revealing almost three in five (56%) WA businesses are still lifting base wages to combat skills shortages, while 81 per cent indicated they had experienced an increase in their labour costs.

With tightness in WA's labour market expected to continue, combined with the significant increase to the national minimum wage, we anticipate base wage pressures to rise further over the next year, before easing slightly in the later forecast years. We expect the headline Wage Price Index to hit 4.0 per cent this financial year in annual average terms, easing to 3.5 per cent in 2023-24 and 3.25 per cent in 2025-26 as the labour market continues to cool.

Chart 6

Inflation Forecast



* Ex-electricity only after 2020

Source: CCIWA, ABS

Chamber of Commerce and Industry WA

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