

#1 WESTERN AUSTRALIAN BESTSELLER

OUTLOOK

THE ART OF THE TARIFF



MARCH 2025



Chamber of Commerce
and Industry WA

Economic Outlook

Outlook is the Chamber of Commerce and Industry of Western Australia's biannual analysis of the WA economy.

The editor of *Outlook* is Sam Collins, Senior Economist.



ECONOMIC FORECASTS FOR WESTERN AUSTRALIA

FORECASTS ^{1,2}	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
ECONOMIC ACTIVITY					
HOUSEHOLD CONSUMPTION	5.1%	3.0%	2.25%	2.75%	2.75%
DWELLING INVESTMENT	-1.5%	4.2%	5.0%	7.0%	4.25%
BUSINESS INVESTMENT	2.8%	12.7%	-1.0%	3.25%	3.75%
STATE FINAL DEMAND	3.2%	5.7%	3.0%	2.5%	2.75%
EXPORTS	5.9%	-2.9%	-2.5%	3.5%	1.5%
IMPORTS	14.3%	12.9%	3.0%	2.0%	2.0%
GROSS STATE PRODUCT	3.7%	0.5%	0.25%	2.75%	2.25%
LABOUR MARKET AND PRICES					
UNEMPLOYMENT ³	3.6%	3.7%	3.75%	4.0%	4.25%
INFLATION ^{4,5}	5.1%	4.7%	2.75%	2.75%	2.5%
WAGES ⁴	4.2%	4.2%	3.25%	3.25%	3.0%

Footnotes:

- 1** Actual outcomes are as reported in the 2023-24 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 unless otherwise stated
- 3** Annual average through the financial year
- 4** Year ended terms
- 5** Excludes the electricity sub-index as a result of the Household Electricity Credits provided across the State

Our Key Calls



Inflation and Interest Rates

Inflation in Australia has cooled faster than expected over the last six months, with the trimmed mean inflation rate within touching distance of the Reserve Bank's 2-3% target. Following the first rate cut in February (which we successfully called in the previous edition of Outlook), our view is that Australia's rate cutting cycle will be shallow as we continue to lag behind most other economies.



Global Economy

The global economy has started to diverge, with some central banks well into their interest rate cutting cycles as others still look to hike. While some countries appear weaker than others, overall we expect the global economy to remain resilient in the face of current headwinds.



Jobs Market

WA's job market re-tightened in the run up to the start of 2025. Despite this, we expect the unemployment rate to loosen gradually over the coming years, but to a lesser extent than previously. Expect wage growth to ease a little further in line with this.



Domestic Economy

Western Australia's economic momentum is set to slow over the coming year, however still expect performance to remain solid, particularly compared with the rest of Australia.



Housing Market

While still running hot, WA's housing market has shown some signs of easing. We expect conditions to remain tight over the coming year but see price growth easing from its current rate.

Outlook at a Glance

The global economy is in the midst of a tectonic shift, as a wave of political turnover reshapes the international policy landscape.

A new crop of leaders has arrived, and few are set to have a bigger impact than re-elected US President Donald Trump.

Outlook at a Glance

Trump has already sent shockwaves through global markets, particularly with his widely publicised tariff war. His decision to impose tariffs on key trading partners has spooked many, from both an economic and geopolitical perspective. On the economic front, tariffs are expected to fan the flames of inflation, keep interest rates elevated, and further strengthen the US dollar. These policies are straining diplomatic relations with major economies – including Western Australia's largest trading partner, China.

China is already in Trump's crosshairs, facing a 20% additional tariff on

US-bound exports, with threats of an even harsher 60% blanket tariff still looming as the US looks to further decouple from its biggest competitor. While the extent of the damage these measures could inflict on China's economy is unknown given the ever-changing developments in Trump's protectionist policies, it is likely that this would be a hit to China's export sector. This escalation comes at a precarious time for China, as its struggling property sector continues to dampen economic momentum. Given WA's deep economic ties to China, any slowdown in the world's second-largest economy would be a headwind for our trade-exposed State.

Trump's unconventional diplomacy in global conflicts has further injected uncertainty into the mix. His willingness to negotiate with Russia has seen relations between the two superpowers rekindled, unsettling Western Allies, while his bold plan to transform Gaza into the 'Riviera of the Middle East' marks a radical departure from past US foreign policy. With these conflicts in Ukraine and the Middle East still simmering, the risk of fresh instability continues to cast a long shadow over the global economy. These factors are also likely to drive increased defence spending, as Trump pressures allies to shoulder more of the burden while nations also seek to safeguard their own interests amid this increased uncertainty.

In the background, central banks around the world remain engaged in the delicate balancing act of fighting inflation while avoiding recession. However, they have now diverged on their approach to achieving this, as economic performances vary. In Australia, the Reserve Bank has finally delivered its much anticipated first rate cut, as inflation fell faster than expected – inflation dropped to 2.4% over the year to December 2024, its lowest in just under four years.

In contrast, many other advanced economies have already undergone multiple rate cuts, as their growth trajectories sputter.

Yet, Western Australia is not immune to the slowdown that has hit other regions. Easing population growth, softer prices of some commodities, and a consolidation of business investment are expected to take some of the heat out of the economy this financial year.

Despite these challenges, WA remains primed for long-term prosperity – if the right conditions are set. The global energy transition will require unprecedented levels of investment, a space where WA is well-positioned to shine. Our world-class resources sector, strategic advantages in emerging industries like defence, space and life sciences, and rich natural endowments also give us a strong competitive edge.

To fully capitalise on these opportunities, WA must clear roadblocks to investment. A more competitive payroll tax system, extending the North West Shelf Project, and mitigating the impact of recent industrial relations reforms will be critical steps in ensuring the State remains an attractive destination for capital.

The following sections detail some of the key factors we think are set to impact Western Australia's economic outlook over the coming years.



*Despite these challenges,
WA remains primed for
long-term prosperity...*

Outlook at a Glance

Trump's return sparks global economic uncertainty

Since returning to office in January, Donald Trump has wasted no time in reshaping the US and global landscape. In just a few months, he has announced new tariffs on Mexico, Canada, and China, along with a blanket 25% tariff on steel and aluminium; renewed diplomatic ties with Russia; announced a crackdown on illegal immigration; tasked Elon Musk with slashing government spending; and hinted at further trade restrictions, including a potential tariff on copper, among a raft of other changes.

The biggest question mark globally continues to surround the scope and scale of Trump's tariff agenda. While the 25% tariffs on Canada and Mexico caught many off guard, the additional 20% tariff on China was far below the 60% he threatened during his campaign.

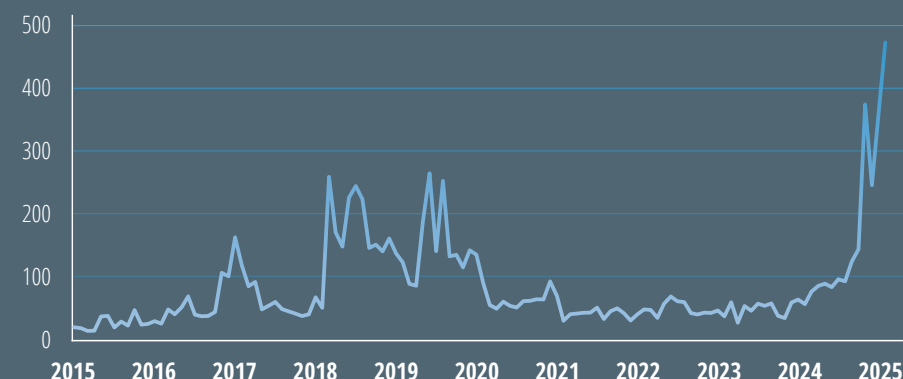
It is possible these measures serve as bargaining tools, particularly to extract concessions – such as tighter border controls with Mexico. However, the risk of full implementation cannot be ignored. Already, impacted nations

have retaliated with their own tariffs, threatening greater fragmentation in global trade. If this continues, businesses worldwide – including those in Western Australia – may need to rethink their supply chains and shift operations.

From a US economic standpoint, tariffs are likely to increase prices along some supply chains, encourage companies to relocate operations inside the US, and shift global trade flows as US demand for some overseas goods falls. But the biggest risk to WA's economy from all this remains the impact on China. Any additional tariffs could hammer China's exports and exacerbate some of the issues already occurring in its economy (see page 9). Assuming no additional stimulus, this could weaken the demand for WA's exports, although you can almost guarantee China's Government will step in to provide assistance, especially if further tariffs are enacted.

Trump's policies have also fuelled a flight to the US Dollar, as markets respond to rising inflation expectations,

TRADE POLICY UNCERTAINTY INDEX



Source: CCIWA, Matteo Iacoviello

the potential for higher interest rates and a search for safe-haven assets. In a sign of this, the US Dollar Index has surged nearly 6% over the past six months, approaching 25-year highs. Meanwhile, the Australian Dollar has fallen 8% against the USD since September, briefly touching its lowest level since 2003 (excluding the initial stages of the pandemic). This should act as a boost to WA's exporters and the State Budget, given it makes Australian products cheaper and iron ore is contracted

in USD. However, it will increase the price of imports, potentially adding to inflationary pressures.

With Trump's policies still evolving, global markets are bracing for more turbulence in the year ahead. The full economic impact will hinge on whether these tariffs escalate into a full-blown trade war or remains a strategic negotiating tool. In any case, the direct impact on WA is likely to be limited, with the greater threat being the impact a potential slowdown on China may have.

Outlook at a Glance

Tariff Fallout: Risk to WA

As mentioned, Donald Trump has wasted no time enacting his aggressive tariff agenda, with sweeping measures already in place or under consideration:

- 25% tariffs on Canada and Mexico
- An additional 20% tariff on China
- A proposed 25% tariff on the European Union
- 25% tariffs on steel and aluminium
- A looming 25% tariff on automotive vehicles
- Potential 25% tariffs on semiconductors and pharmaceuticals
- A possible tariff on copper, details yet to be announced
- Reciprocal tariffs on other nations based on tax policies, exchange rates, and perceived 'unfair practices'.

In response, Canada has retaliated with its own 25% tariffs, while China has imposed 10-15% tariffs on select imports. Mexico is yet to react but has signalled it may follow suit. If fully implemented, these tariffs would push the average US tariff rate from 2.5% to around 10-15% - a significant shift in trade policy.

The US economy is expected to feel the strain, with lower growth and higher inflation key consequences. Estimates suggest around a 0.5 percentage point hit to US growth, while inflation could lift anywhere between 0.5-2 percentage points this year.

The impact will vary across economies, given differing levels of exposure. In Australia, less than 1% of trade is directly at risk, however Canada (12% of trade exposed), Mexico (9%) and even Japan (7%) have far greater exposure.

Western Australia has little direct exposure to the newly announced tariffs. The US ranks as WA's 9th largest export market, accounting for \$3.8 billion in exports in 2023 - of which 77% (\$2.9 billion) is gold, a commodity largely unaffected by tariffs. WA also exports iron ore and alumina to be processed into steel and aluminium elsewhere, meaning it sidesteps these tariffs.

The key watch for WA businesses is the ripple effect stemming from the effect of tariffs on China, the world's most trade exposed economy. With around half of WA's exports sent to the country, any slowdown there is likely to be felt locally. While it is too early to analyse the full impact of tariffs yet, weaker US demand for Chinese goods could hit its export sector, forcing China to find alternative markets. If Australia becomes a dumping ground for surplus Chinese goods, this could place downwards pressure on prices. At the same time, a decline in total demand for Chinese exports due to lower US demand could reduce demand for WA products used as inputs to production - especially from our resources sector - posing risks to our exports sector.

On an individual level, some businesses internationally are already adapting to the new trade landscape, with some shifting production into the US to avoid tariffs, while others are relocating out of impacted countries.

For example, car manufacturers like Honda, Volkswagen, and Hyundai are expanding operations in the US, with Honda and Hyundai shifting production away from Mexico; electronics giants LG and Samsung have also announced plans to boost US manufacturing; and HP has announced it is relocating 90% of its North American production away from China.

While uncertainty surrounds the implementation of tariffs, the direct impact on WA's economy is expected to be minimal, although CCIWA is aware of some WA businesses that are considering establishing manufacturing operations in the US to avoid the tariffs.

However, the rapidly shifting policy landscape - often changing daily - adds a layer of unpredictability. Businesses with exposure to international supply chains will feel the effects more acutely and should brace for a volatile few years.



Outlook at a Glance

Australia finally joins in on the rate cutting cycle – but don't expect a freefall

While many of its peers were well into their rate cutting cycles, Australia continued to hold out. A desire to balance gains in the labour market, combined with stubborn services inflation, meant the RBA stayed the course on higher interest rates.

That was until February, when the RBA finally delivered its long-awaited first rate cut, offering a much-needed reprieve to mortgage holders across the country. While this marks a turning point, don't mistake it for the start of a deep cutting cycle.

Unlike other advanced economies, Australia never raised rates as aggressively in the first place – meaning it also won't need to lower them as much. Inflation has indeed made solid progress toward the RBA's target, but some concerns remain – particularly in the services sector.

While overall inflation has cooled, services inflation remains sticky, reading 4.3% over the year to December 2024 –

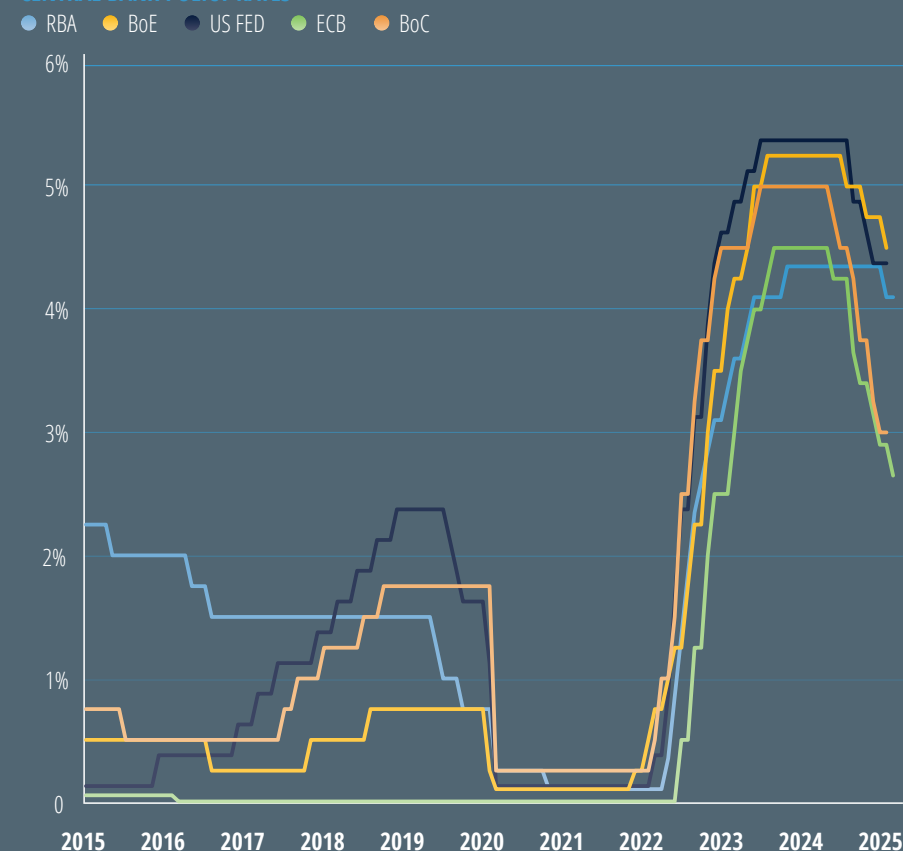
virtually unchanged from the year prior and significantly higher than the 0.8% recorded for goods. This remains a key worry for policymakers, as sustained services inflation could slow the path toward price stability.

At the same time, Australia's strong labour market is a double-edged sword. While robust employment growth is good news for workers, the RBA remains wary that it could fuel wage pressures and reignite inflation. However, with wage growth continuing to ease, this risk appears to be fading – at least for now.

RBA Governor Bullock has also tried to temper market expectations, suggesting that the market is more confident than she is about the path for interest rates. This conservative stance suggests that, while further cuts are likely, they will be measured and gradual.

Given these factors, CCIWA expects the RBA to deliver two more rate cuts in 2025, bringing the cash rate down to 3.6% by year-end.

CENTRAL BANK POLICY RATES



Source: CCIWA, LSEG Workspace

Outlook at a Glance

China's headline results masking issues below the surface

China's economy ended 2024 on a strong note, achieving 5.0% growth for the year – right on its target of 'around 5%' but slightly below the 5.2% recorded in 2023. This performance to end the year has been driven by stimulus measures introduced since September and a surge in exports as many businesses rushed to get ahead of potential tariffs.

Additionally, high-tech manufacturing and equipment production remain key growth areas, reflecting China's strategic pivot toward 'new productive forces' – particularly those supporting the global energy transition.

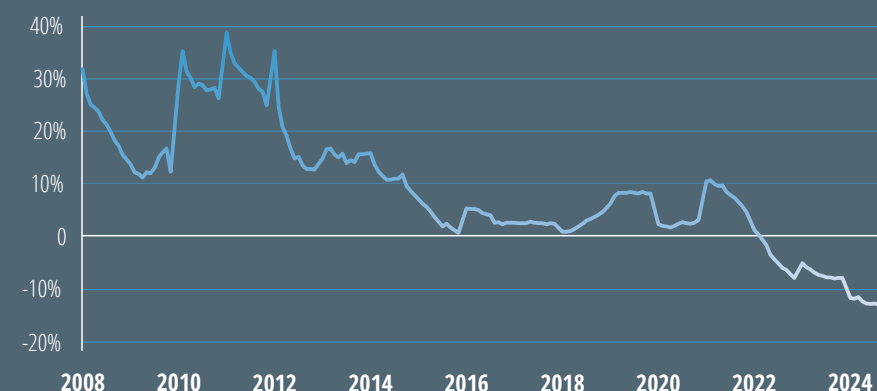
While these headline figures appear solid, they continue to obscure deeper structural issues, most notably the flailing property sector. Real estate investment contracted a further 10.6% over the year to December 2024, while floor space under construction fell 12.1% over the same period – taking the level of residential construction activity in the country 25% lower than just three years ago. Given that China's property sector

drives approximately 30% of the country's steel demand, this sustained downturn has weighed heavily on Chinese steel producers – a critical factor for WA's iron ore industry.

To fill the void from declining domestic demand, China has ramped up steel exports, which are now at levels not seen since late 2015. This has helped sustain demand for iron ore, with prices rising almost 10% since the start of the year. However, China's aggressive steel exports have triggered tensions with trading partners, who have accused it of dumping steel in the global market.

At the same time, China continues to battle deflationary pressures, as consumer confidence remains severely depressed. Consumer prices rose just 0.5% over the year to January 2025, marking two years of inflation below 1%. This weak result stems from poor confidence levels following the aftershocks of the pandemic and declining property prices. Confidence levels remain anchored near record lows, keeping retail spending subdued.

CHINA FLOORSPACE UNDER CONSTRUCTION PER CENT CHANGE, YEAR-ON-YEAR



Source: CCIWA, LSEG Workspace

In a sign of its weakness, retail trade is currently growing at less than half its pre-pandemic rate. A declining population is also placing downwards pressure on aggregate spending levels, a trend that looks set to continue.

While stimulus-driven growth and strong exports have propped up China's economy, its structural weaknesses – particularly in property and consumer spending – remain a significant drag. The key question for WA's economy is whether China's steel exports can continue to

absorb the slack or if deeper trade frictions and weak domestic demand will eventually weigh on growth.

CCIWA remains optimistic that it is not facing a protracted decline, but rather transitioning to a lower, more sustainable growth path. Importantly, the vast amount of steel that will be needed to build the massive amount of transmission infrastructure required as part of the energy transition should support baseline production levels, aiding WA's iron ore exporters over the longer term.

Outlook at a Glance

Housing sector cooling but still facing hurdles

Western Australia's housing market is still running hot, but the intensity has eased. While house prices continue to climb, the pace of growth has slowed considerably – annual house price growth now sits at 15.2% over the year to February, a far cry from the 24.4% peak recorded in August 2024.

In fact, prices rose just 0.4% over January, a pace that, if annualised, would translate to a much more modest 4.9% growth over the next year. Notably, price growth in Perth is now tracking below Brisbane and Adelaide, indicating the market is losing some steam.

One of the key reasons for this slowdown is improving housing supply. The number of dwelling completions surged 28% in the September quarter, reaching its highest level since mid-2016. Similarly, new housing commencements jumped 31%, together signalling an increased capacity to deliver homes.

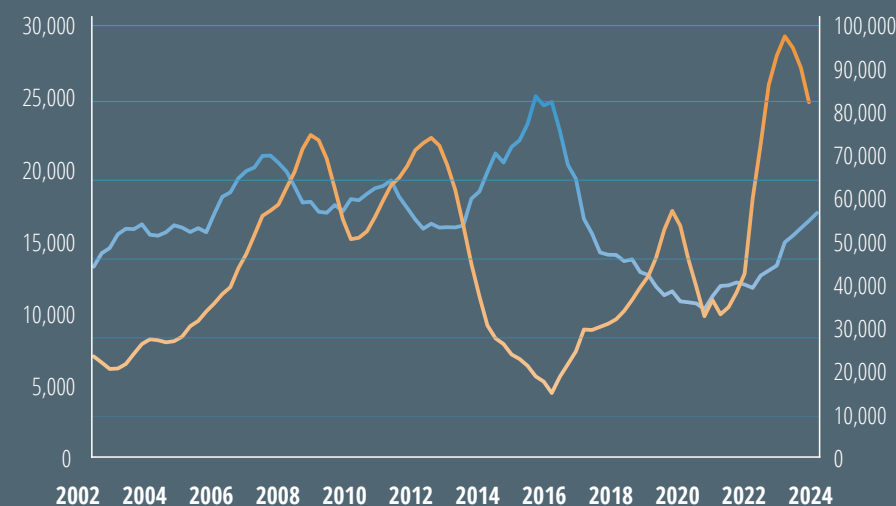
Construction times have also improved. Standard build times are reportedly now back to 12 months, a sharp improvement from the extreme delays seen in recent years, when some homes took up to three years to complete. As a result, builders have made some headway on the housing pipeline for the first time in nearly a year.

At the same time, weaker demand is also taking some pressure off the market. The post-pandemic population surge is fading, with WA's population growing 2.8% over the year to June 2024 – equating to 81,400 new residents. While still strong, this is down from the 3.4% (or 96,400 people) recorded in September 2023. As population growth continues to moderate, fewer people entering the housing market should help create a more balanced environment.

While these factors point to a cooling market, the expected interest rate cuts later this year could provide a fresh boost to housing demand.

HOME CONSTRUCTION AND POPULATION GROWTH

● DWELLING COMPLETIONS (LHS) ● ANNUAL POPULATION INCREASE (RHS)



Source: CCIWA, ABS

Lower borrowing costs will increase purchasing power, drawing more buyers into the market. At the same time, labour shortages in key trades remain a constraint. The Housing Industry Association recently warned that WA must double its intake of overseas construction workers to address the current housing shortfall.

Despite these hurdles, construction activity is expected to pick up over the coming year. However, supply-side constraints, including labour shortages, will continue to limit the pace of expansion. Given these dynamics, CCIWA forecasts dwelling investment to rise 5.0% this financial year, followed by a 7.0% increase in 2025-26.

Economic Growth

Growth in Western Australia's domestic economy has slowed over the first half of the current financial year, rising 3.7% in annual average terms over the year to December 2024.

Driving this has been an easing in household consumption, as cost of living pressures continue to exert pressure on household budgets, while business investment has fallen from its heights of last year as a number of projects are delayed or put on ice due to poor economics.

However, strong public spending continues to support activity, especially as the State Government's mammoth Asset Investment Program continues to be rolled out.

Looking ahead, WA's domestic economy remains on solid footing, although a further slowdown in activity is anticipated.

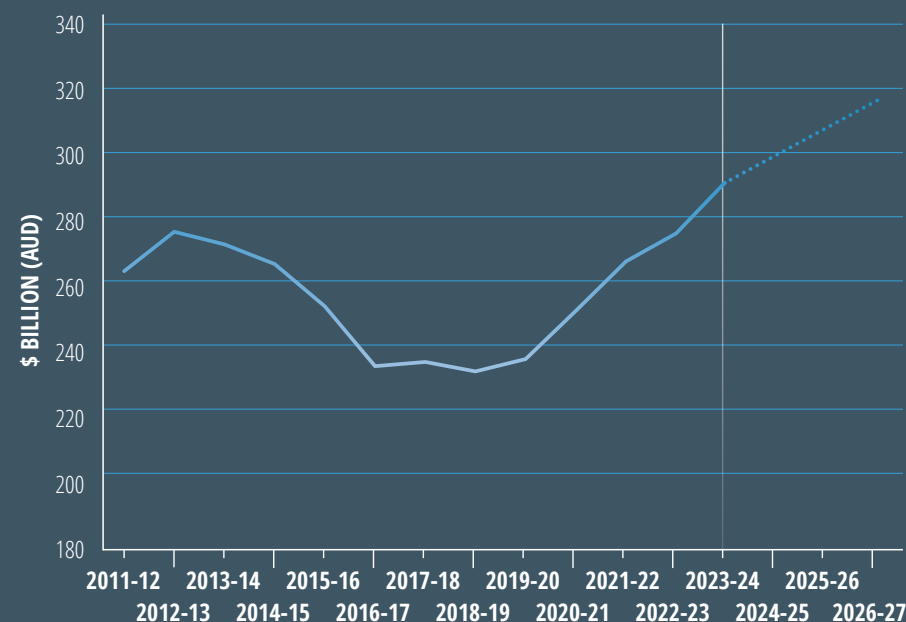
Weaker population growth is expected to drag on household consumption over the coming year, while government spending is also set to pullback from its current level. Growth in activity is expected to accelerate in 2026-27 as real wage growth picks up and more investment projects break ground.

Growth in the overall economy (Gross State Product) is expected to grow only slightly this financial year, as exports fall for a second straight year, offsetting most of the domestic economy's strength. Growth should accelerate in the outyears as iron ore and LNG exports grow on the back of new projects ramping up and coming online.



FORECASTS	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
STATE FINAL DEMAND (%)	3.2	5.7	3.0	2.5	2.75
GROSS STATE PRODUCT (%)	3.7	0.5	0.25	2.75	2.25

STATE FINAL DEMAND CCIWA FORECAST



Source: CCIWA, ABS

Household Consumption

While still solid, the pace of growth in household consumption has undoubtedly lost momentum over the last six months as household budgets continue to be squeezed.

Growth is now at its weakest level since the start of the pandemic, as elevated living costs and restrictive interest rates continue to bite, while population growth has eased from its high in late 2023.

Even with a boost to household incomes from the Federal Government's recent stage three tax cuts, Westpac research suggests only 25% of the extra cash is making its way into the economy, as many households rebuild their financial safety nets instead of spending.

Supporting baseline levels of consumption growth has been the stronger than expected jobs market, with employment growth accelerating over the last six months following a period of softening.

Looking ahead, consumption is expected to gather momentum as these tough conditions ease. Following the RBA's interest rate cut in February, further cuts are on the horizon in 2025, offering mortgage holders some additional breathing room.

While this should encourage spending, the impact remains uncertain, as some households may stash away the extra savings instead. A further drop in inflation, as expected, will also see real wages inch higher, providing another boost to spending.

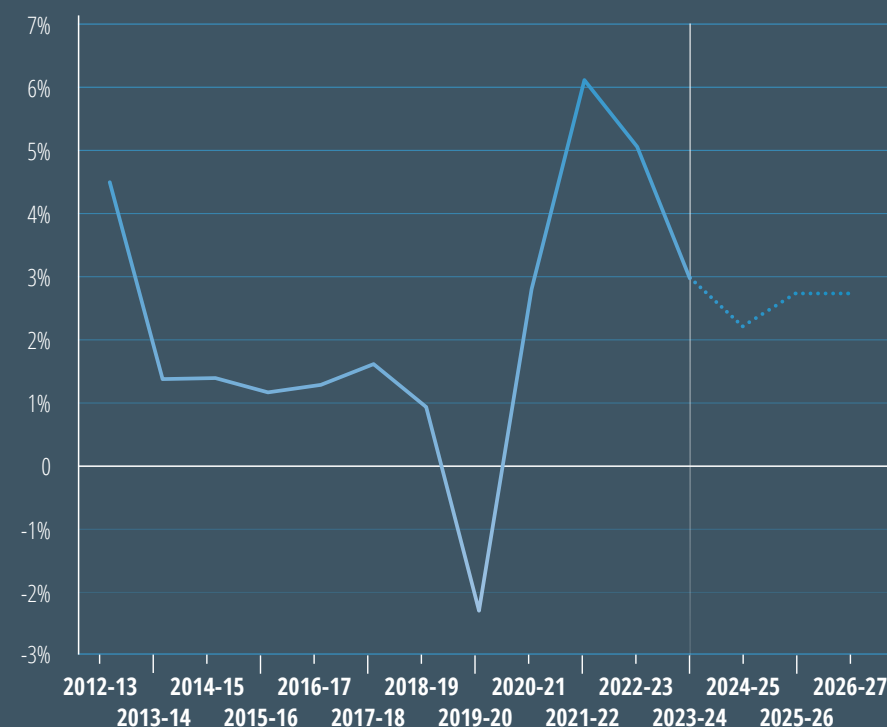
As a result, we expect household consumption growth to slow to 2.25% this financial year, before edging up to 2.75% in both 2025-26 and 2026-27. Risks to this outlook include delayed interest rate cuts, stubborn inflation and stronger than expected population growth.



FORECASTS

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
HOUSEHOLD CONSUMPTION (%)	5.1	3.0	2.25	2.75	2.75

HOUSEHOLD CONSUMPTION GROWTH CCIWA FORECAST



Source: CCIWA, ABS

Business Investment

After a blistering run last financial year - when business investment grew at its fastest pace in over a decade - momentum has now shifted into reverse.

Persistent cost pressures, coupled with some weak commodity prices, have seen the level of business investment lose ground in the early months of the financial year.

In particular, nickel and lithium prices remain stuck in the doldrums, forcing several mines to go into care and maintenance or scale back, including Mineral Resources' Bald Hill lithium mine, PLS' lithium operations and Arcade Lithium's Mt Cattlin mine.

With a bleak medium-term outlook for these commodities, prices – and therefore production – are expected to remain depressed over the outlook period, weighing on investment activity.

Over the longer term, the global push towards decarbonisation is expected to support growth in WA's critical minerals and iron ore sectors, while a number of potential projects in the LNG sector – a key transition fuel in the energy transition – would further support longer term growth.

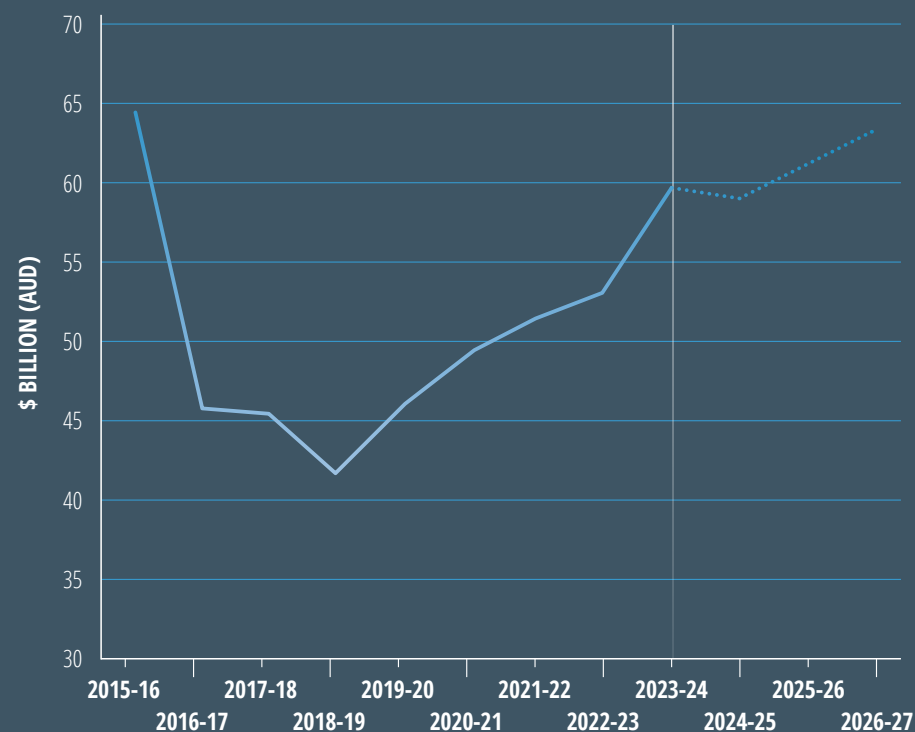
We expect business investment to contract 1.0% over 2024-25, as activity cools following the high levels achieved in the previous year. Growth should bounce back in 2025-26 as existing projects ramp up activity and some new projects, including sustaining activities from the iron ore majors, also break ground. However, regulatory reforms that delay project approvals, persistent cost pressures and any further labour shortages remain key risks to this outlook.



FORECASTS

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
BUSINESS INVESTMENT (%)	2.8	12.7	-1.0	3.25	3.75

BUSINESS INVESTMENT CCIWA FORECAST



Source: CCIWA, ABS

Dwelling Investment

Following years of supply constraints and skyrocketing costs, the outlook for dwelling investment turned a corner over the back end of 2024.

In the three months to September 2024, the number of dwelling completions hit an eight-year high, while new housing starts surged to their strongest level since December 2021.

Adding to this momentum is a cooling in the growth of construction costs. While input prices are still weighing on builders and developers, they rose just 3.5% over the year to December 2024 – a far cry from the eye-watering 18.0% increase seen in mid-2022. The slower pace of cost increases has brought much-needed stability, making conditions more predictable for the industry.

The housing pipeline also remains full, with dwelling approvals climbing 26.3% over the year to December 2024 and strong demand for greenfield lots continuing. This has been underpinned by WA's robust population growth, which rose 2.8% over the year to June 2024, keeping the pressure on housing demand.

Despite the improvement in conditions, the availability of key trades remains a roadblock for the sector and will limit the extent of growth over the coming years. Indeed, CCIWA's upcoming March 2025 Business Confidence Survey found more than seven in 10 (72%) construction businesses see the availability of skilled labour as a major barrier to growth over the next year.

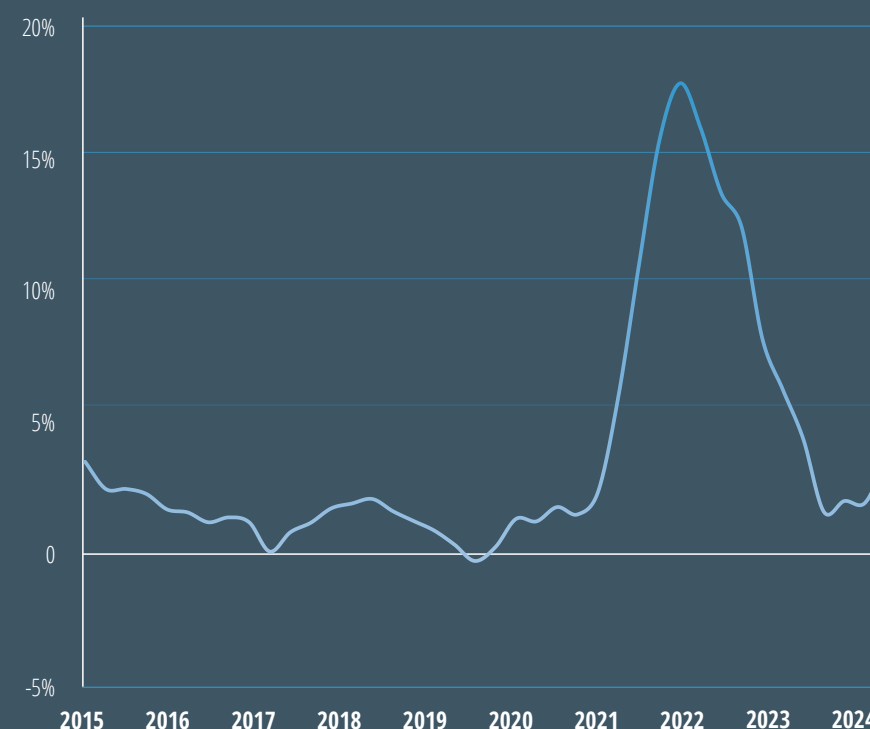
As a result, we expect dwelling investment to grow 5.0% in 2024-25 and 7.0% in 2025-26 as more of the existing pipeline is worked through. However, lingering supply constraints remains a key risk to this outlook.



FORECASTS

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
DWELLING INVESTMENT (%)	-1.5	4.2	5.0	7.0	4.25

INPUT COSTS TO THE HOUSE CONSTRUCTION INDUSTRY PER CENT CHANGE, YEAR-ON-YEAR



Source: CCIWA, ABS

International Trade

After a difficult 2023-24, WA's export volumes are expected to dip again this financial year, as they continue to come down from their record high.

With prices for some commodities – particularly nickel and lithium – losing steam, several producers have pulled back or paused production altogether. On top of this, some severe weather over the wet season in the North of the State has added further disruption, with exports forecast to edge down 2.5% in 2024-25.

Looking ahead, export activity is expected to pick up over 2025-26, as Mineral Resources' Onslow mine ramps up to full capacity. Meanwhile, the iron ore majors are expected to continue operating near full capacity, further supporting export levels. The drag from nickel exports should also begin to fade, as many nickel mines remain in care and maintenance.

Beyond this, Woodside's Scarborough and Pluto 2 extension – which is still targeting first cargo in the second half of 2026 – should help support export growth.

However, China's economy remains a key risk to this outlook, as ongoing weakness in its steel-hungry property sector continues to dampen demand for iron ore. That said, booming growth in its new industry manufacturing sector, along with rising iron ore demand from Southeast Asia, should help offset this. Further delays to project approvals also threatens the outlook for exports, where the resulting blow outs to project timelines would limit the potential exports from the State.

Following two years of rapid growth, import growth is set to moderate this year. As business investment levels out, demand for capital goods is stabilising, slowing growth in goods imports. At the same time, the post-pandemic travel boom has started to normalise, easing growth in services imports. As a result, imports are forecast to grow 3.0% this financial year, easing to 2.0% in 2025-26 as the growth in import services continues to level out.

FORECASTS	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
EXPORTS (%)	5.9	-2.9	-2.5	3.5	1.5
IMPORTS (%)	14.3	12.9	3.0	2.0	2.0



Unemployment

Western Australia's labour market re-tightened in late 2024, with the unemployment rate briefly dipping to its lowest level since August 2022.

Despite the fall in the unemployment rate, wages growth has continued to ease (*see page 18*), indicating that the imbalance between the demand and supply of labour may not be as severe as previously thought.

If this is the case, then the economy may be able to support a lower unemployment rate (and more people in employment) without triggering runaway wages growth that could fuel inflation.

Demand for WA based workers is expected to remain strong over the coming year, supported by growth in construction activity and ongoing large-scale projects. However, the unemployment rate is set to continue to drift upwards over the outyear as the pace of employment growth eases.

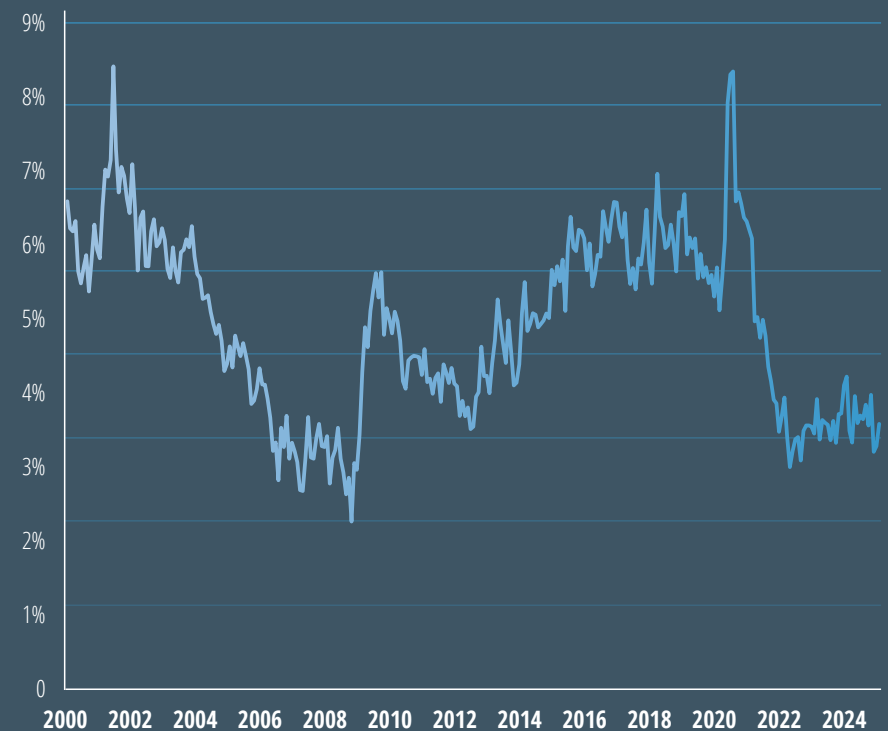
Given this, we forecast WA's unemployment rate to average 3.75% this financial year, before edging up to 4.0% in 2025-26 and 4.25% in 2026-27 as the labour market cools slightly.



FORECASTS

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
UNEMPLOYMENT (%)	3.6	3.7	3.75	4.0	4.25

WA UNEMPLOYMENT RATE SEASONALLY ADJUSTED



Source: CCIWA, ABS

Wages and Inflation

FORECASTS

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
INFLATION (%)	5.1	4.7	2.75	2.75	2.5
WAGES (%)	4.2	4.2	3.25	3.25	3.0

Wages and Inflation

Wages Outlook

After hitting top gear in late 2023, wage growth in Western Australia has eased considerably but remains high by historical standards.

WA's Wage Price Index rose 3.3% over the year to December 2024. While still strong relative to the past decade, this marks a sharp slowdown from the 4.7% peak recorded a year earlier and is now the slowest annual growth rate since September 2022. Adding to the picture, CCIWA's Labour Cost Index has also fallen further over the past six months, further signalling that wage growth momentum is fading. At the same time, weak productivity growth remains a handbrake on further wage growth.

Nationally, productivity declined 1.2% over the year to December 2024, adding to longstanding concerns about Australia's weak productivity growth.

Looking ahead, with inflation expected to ease and the labour market showing signs of softening, we forecast wage growth to land at 3.25% by June 2025, before easing to 3.25% in 2025-26 and 3.0% in 2026-27.

Inflation Outlook

After showing some signs of stickiness mid-last year, inflation has since eased faster than anticipated. In Perth, inflation (excluding electricity) now sits at 3.4% over the year to December – the lowest annual reading since September 2021 and the smallest quarterly increase since June 2020.

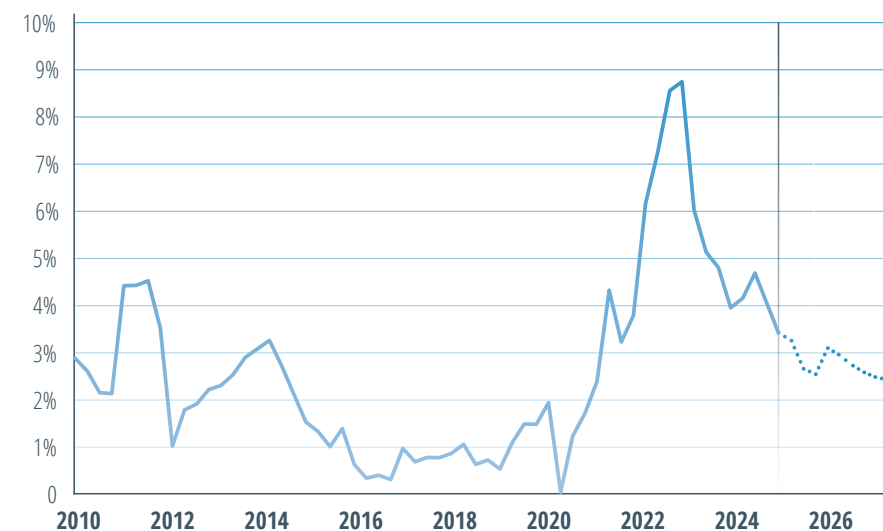
Much of this slowdown is thanks to housing inflation losing momentum, with new dwelling purchases rising just 0.6% and rents increasing 1.3% last quarter. While this is an encouraging sign, services inflation remains a thorn in the side, continuing to place upward pressure on prices. Services prices have risen 4.1% over the year to December 2024, unchanged from the previous year and more than double the current rate of goods inflation.

At the same time, international developments continue to threaten the outlook, although the extent to this is uncertain. In particular, policy shifts in the United States could pressure inflation in both directions. A weak Australian Dollar could also stoke inflation once more, as import prices become more expensive. On the other hand, if trade flows are diverted towards Australia, this could help bring the price of some goods down.

Geopolitical risks are also lingering. While a truce is holding for now, a flare up of conflict in the Middle East could deliver another shock to energy and commodity markets, pushing prices back up. The same can be said for the conflict in Ukraine, which remains a watch given the new relations between Russia and the US.

Looking ahead, we expect inflation in Perth to continue to moderate over the first half of 2025, falling within the RBA's target band by the end of the current financial year as financial conditions remain restrictive. From there, inflation is expected to ease only gradually, returning to the midpoint of the target by 2026-27.

WA INFLATION EX ELECTRICITY CCIWA FORECAST



Source: CCIWA, ABS



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