



2025 State Wage Case – Economic Conditions and Outlook^{1,2}

1. Overview

The 2024-25 Pre-election Financial Projections Statement (PFPS) forecasts the Western Australian economy, as measured by Gross State Product (GSP), to grow by 2.25% in 2024-25, lifting from 0.5% in 2023-24, when GSP growth was slowed by a decline in net exports. GSP growth is then projected to lift to 2.5% in 2025-26, supported by solid growth in the State's domestic economy and a recovery in net exports.

Growth in Western Australia's domestic economy, as measured by State Final Demand (SFD) is expected to moderate from a very strong 5.7% in 2023-24, to a nevertheless strong 3.75% in 2024-25. The moderation in growth in 2024-25 primarily reflects that business investment is consolidating at a high level after very strong growth of 12.7% in 2023-24. The moderation in SFD growth in 2024-25 also reflects that the pace of increase in household spending has eased from very high rates over recent years as a result of cost of living and elevated mortgage rates.

SFD is projected to grow by 2.75% in 2025-26, supported by solid growth in household spending of 3.0%. Household consumption is expected to remain resilient in the near term, buoyed by growth in employment, wages, population and wealth (primarily reflected through house prices). Business investment is also projected to lift, underpinned by a solid pipeline of work, including significant sustaining and decarbonisation spending. Growth in GSP in 2025-26 will also be supported by a positive contribution from net exports.

The 2024-25 PFPS forecasts the State's population to grow by 1.8% in year-ended terms in 2025-26, following 1.9% growth in 2024-25. Population growth has eased significantly from 2.8% growth in 2023-24 when more than 80,000 people were added, primarily through high levels of Net Overseas Migration. Population growth is then expected to ease to 1.7% by June 2028.

Labour market conditions in Western Australia remain robust, with near record employment and a historically low unemployment rate. While the number of job advertisements has eased from a recent peak they nevertheless remain elevated. Consistent with this, hiring has continued as demand for labour remains strong. The unemployment rate is tracking in line to achieve the forecast average of 3.5% in 2024-25, down slightly from 3.7% in 2023-24, but it is forecast to gradually rise to 3.75% in 2025-26 and 4.25% by 2027-28, remaining below its long run average.

Wages, as measured by the Wage Price Index (WPI), grew by 4.2% in year-ended terms in 2023-24 down from an increase of 4.7% in 2023. Growth in the WPI is projected to ease further to 3.75% in 2024-25 and 3.5% in 2025-26.

Importantly, wages growth is forecast to outpace inflation from 2024-25, with real wage growth projected to continue over the forward estimates period. Growth in the Consumer Price Index is forecast to ease to 2.75% in year-ended terms in June 2025 from 4.7% in the June quarter 2024. Inflation is then forecast to ease further to 2.5% by 2026-27.

¹ The forecasts for Western Australia's economic aggregates in this Attachment are those published in the 2024-25 Pre-election Financial Projections Statement, released on 7 February 2025.

² Data for historical levels of activity and historical growth rates are based on data published by the Australian Bureau of Statistics, unless otherwise stated.

The State's economic outlook is subject to several potential risks. The US and some of its trading partners have recently announced a range of new tariff measures, which has led the International Monetary Fund (IMF) to revise down its global growth expectations.

Economic conditions in Western Australia rely heavily on the outlook of the State's major trading partner, China, which is facing challenges in residential construction and subdued domestic demand, and is at further risk due to current trade tensions between China and the US. This particularly presents a risk to the State's resources sector. The dominance of mining in the Western Australian economy also means the State's economy is exposed to movements in commodity prices, with weaker commodity prices remaining a risk to the State's economic activity.

At the same time, other geopolitical tensions remain elevated, including due to ongoing conflicts in Ukraine and Gaza. The extent to which there are broader spillover effects on the global economy and the risks to the Western Australian economy is uncertain.

Table 1 below summarises forecasts for the major economic aggregates, with a more detailed table of forecasts from the 2024-25 PFPS provided in Table 6 at the end of this Attachment.

Table 1 – Major Economic Aggregates, Annual Growth (%)

	2023-24	2024-25	2025-26	2026-27	2027-28
	Actual	PFPS Forecast	Outyear	Outyear	Outyear
State Final Demand	5.7	3.75	2.75	3.25	2.75
Gross State Product	0.5	2.25	2.5	2.5	2.0
Employment	3.8	3.25	1.75	1.5	1.5
Unemployment rate ^(a)	3.7	3.5	3.75	4.0	4.25
Consumer Price Index ^{(b)(c)}	4.7	2.75	2.75	2.5	2.5
Wage Price Index ^(c)	4.2	3.75	3.5	3.0	3.0
Population ^(c)	2.8	1.9	1.8	1.8	1.7

(a) Data expressed as annual average during the financial year.

(b) CPI growth rates are based on the total index excluding the electricity sub-sector.

(c) Growth is expressed in year-ended terms.

Source: Western Australia 2024-25 Pre-election Financial Projections Statement and Australian Bureau of Statistics.

2. Global Outlook

The global outlook has deteriorated since the 2024-25 PFPS, following US trade policy announcements and responses from global trading partners. A series of new tariff measures has pushed effective US tariff rates to their highest levels in over a century, escalating trade tensions and generating significant uncertainty in the global economy.

At the start of May 2025, the US has imposed a 10% baseline tariff across all countries, along with 25% tariffs on key sectors such as steel, aluminium, and auto imports. US tariffs on China had increased to 145% (though certain products like electronics were subsequently exempted) and in retaliation China had raised its tariffs on US imports to 125% and imposed export controls on certain rare earth mineral exports. Meanwhile, much higher reciprocal tariffs on other trading partners, announced in April 2025, have been paused for 90 days.

On 12 May 2025, following talks in Switzerland, the US and China agreed to scale back tariffs to an additional 30% from end-2024 levels on US tariffs on Chinese imports (still leaving tariff rates at their highest level in a century) and 10% tariffs on Chinese imports from the US.

In its April 2025 *World Economic Outlook* (released on 22 April 2025) the IMF downgraded global growth forecasts from 3.3% across both 2025 and 2026 (in its January 2025 update) to 2.8% and 3%. The IMF notes that ‘the downgrades are broad-based across countries and reflect in large part the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment’. Significant downward revisions for the US and China are large contributors to the overall revision, given the size of their economies and the tariff rates being imposed on each other’s goods directly. Other Asian economies heavily exposed to US trade have also experienced large downgrades (see Table 2).

Table 2 – IMF Global Economic Forecasts April 2025

Annual GDP Growth, %

	2024 Estimate	2025 Projection	2026 Projection	2025 Difference ^(a)	2026 Difference ^(a)
World	3.3	2.8	3.0	-0.5	-0.3
Advanced Economies	1.8	1.4	1.5	-0.5	-0.3
United States	2.8	1.8	1.7	-0.9	-0.4
Euro Area	0.9	0.8	1.2	-0.2	-0.2
Australia	1.0	1.6	2.1	-0.5	-0.1
Emerging Market and Developing Economies	4.3	3.7	3.9	-0.5	-0.4
ASEAN 5	4.6	4.0	3.9	-0.6	-0.6
India	6.5	6.2	6.3	-0.3	-0.2
China	5.0	4.0	4.0	-0.6	-0.5

(a) Difference from the January 2025 Update *World Economic Outlook*

Source: IMF *World Economic Outlook* (WEO), April 2025

The IMF expects growth in advanced economies to slow from 1.8% in 2024 to 1.4% in 2025, with a sharp deceleration in the US weighing heavily on global momentum. In the Euro Area, growth is projected to ease slightly in 2025 amid rising uncertainty and trade barriers, before recovering modestly in 2026, supported by improvements in Germany as it has loosened its fiscal rules to allow for additional defence and security related spending.

Risks to the global economic outlook are discussed in Section 8 on ‘Risks to the Outlook’.

2.1 Global commodity markets

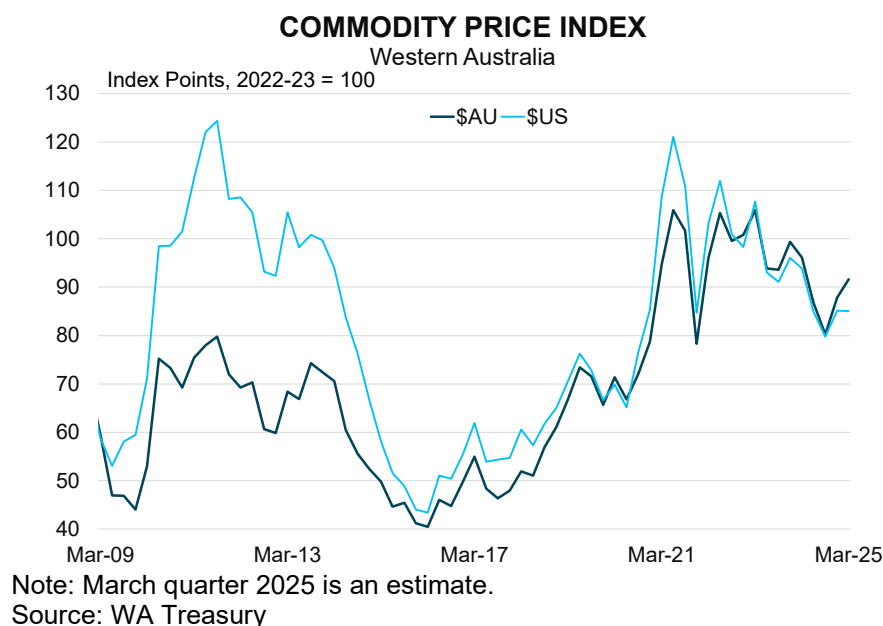
Western Australia’s Commodity Price Index up until the March quarter 2025 remained elevated (see Chart 1). Despite considerable volatility in some commodity prices and the Australian dollar since the US administration’s announcements of universal tariffs, the overall Commodity Price Index measured in either US dollar or Australian dollar terms is likely to have remained elevated going into the June quarter 2025. This reflects that the iron ore price has remained relatively stable, cycling around \$US100 per tonne, the gold price has hit record levels due to uncertainty, and in some instances, prices which initially fell have recovered.

Oil prices dropped to a four-year low of US\$60 per barrel in early May 2025, as concerns over global demand and rising OPEC+ supply weighed on sentiment. Conversely, gold surged to record levels above US\$3,400 per troy ounce in May 2025, as investors sought safe-haven assets.

Most base and industrial metals fell sharply in April 2025 due to tariff concerns but have since retraced back towards levels at beginning of April.

Heightened uncertainty surrounding US trade policy has contributed to a weakening US dollar against most currencies, including the Australian dollar.

Chart 1



Iron ore prices have remained relatively stable since October 2024, trading within a narrow range of US\$96 to US\$109 per tonne. This stability reflects resilient Chinese crude steel production in early 2025, supported by robust exports and improved mill margins, despite escalating global trade tensions. High portside inventories in China also cushioned the impact of supply disruptions from Australia and Brazil.

At the National People's Congress in March 2025, the Chinese government set its 2025 growth target at 5%, unchanged from 2024 (although the IMF is now forecasting 4% growth). While US-China trade tensions present clear downside risks, their impact is somewhat offset by the small share US exports represent to the Chinese economy (3% of GDP in 2024). Authorities are focusing on boosting growth through investment in technology, manufacturing, and targeted support for households and the housing sector.

However, the steel and iron ore demand outlook is softening. Domestic Chinese steel consumption remains subdued amid persistent weakness in the property sector. While there are signs that the property downturn may be stabilising, particularly floor space sold, high inventories of unsold homes are expected to limit any near-term recovery in construction. Meanwhile, Chinese steel exports – now at a eight-year high – face increasing headwinds, with several countries imposing tariffs and launching anti-dumping investigations into Chinese steel products.

On the supply side, global seaborne volumes are set to grow. Brazilian exports have returned to levels prior to the Brumadinho dam disaster, aided by low-grade producers entering the market. Brazilian iron ore exports are expected to increase further in the coming years as Vale expands production. Construction of the large, high-grade Simandou mine in Guinea is progressing, with first ore shipments projected in late 2025, though ramp-up to full production will be gradual. Production at Western Australia's Onslow and Iron Bridge mines is also rising.

While this combination of slowing demand and rising supply means iron ore prices could fall below levels seen in recent years, the State's competitive position is underpinned by the relatively low cost of the vast majority of its iron ore production.

Despite the Western Australian Commodity Price Index being elevated, it has declined over the past year. Reflecting that, in nominal terms, the value of Western Australian goods exports declined by 9.3% to \$233 billion over the year to March 2025 (representing 45.3% of national exports). Goods exports to China fell by 20.1% to \$117.8 billion over the same period (accounting for 51% of total Western Australian exports).

3. National Economic Conditions and Outlook

The Australian economy, as measured by Gross Domestic Product (GDP) grew by 1.0% in the 2024 calendar year following 2.1% growth in the 2023 calendar year. Growth was underpinned by a 4.7% increase in Government consumption during the year, while annual growth in household spending slowed to 0.6% from 2.5% in 2023.

The 2025-26 Commonwealth Budget (released on 25 March 2025)³ notes that ‘despite severe weather at home and global uncertainty, the Australian economy is on track for a soft landing’, whereby it has been able to maintain continuous economic growth and preserve labour market gains, including maintaining a low unemployment rate, while at the same time recording a substantial moderation in inflation. This reflects that ‘unlike every major advanced economy, Australia has sustained positive quarterly economic growth during the most recent phase of monetary tightening’. Moreover, the 2025-26 Budget states that ‘this means that the Australian economy is one of the best placed to navigate ... [the current] period of heightened uncertainty’.

The Budget observes that GDP ‘growth picked up at the end of [2024 and] ... this momentum is expected to continue to build’ with real GDP forecast to grow by 1.5% in 2024-25, 2.25% in 2025-26 and reaching 2.75% in 2027-28 (see Table 3). ‘The improvement in growth is expected to be broad-based and supported by a gradual recovery in growth in private final demand over the forecast period’.

Table 3 – Major Economic Parameters, Australia

Annual Growth, %^(a)

	Actual		Forecasts			
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Real GDP	1.4	1.5	2.25	2.5	2.75	2.75
Employment	2.2	2.75	1.0	1.25	1.5	1.5
Unemployment rate	4.0	4.25	4.25	4.25	4.25	4.25
Consumer Price Index	3.8	2.5	3.0	2.5	2.5	2.5
Wage Price Index	4.1	3.0	3.25	3.25	3.5	3.75

(a) Real GDP growth is the percentage change on preceding year. Employment, the Consumer Price Index and Wage Price Index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: 2025-26 Budget / 2025 Pre-election Economic and Financial Outlook, Commonwealth Treasury.

³ The Commonwealth released a Pre-election Economic and Fiscal Outlook (PEFO) 2025 on 7 April 2025, after it released its 2025-26 Budget in March. As noted in the 2025 PEFO, “the economic parameters used to prepare the PEFO are unchanged from those presented in the 2025-26 Budget” (p.2). As such, the commentary on economic conditions reported is based on the 2025-26 Budget. The PEFO notes however that “the increase in tariffs announced [in early April, after the release of the Commonwealth Budget]...have been more significant than expected. The potential magnitude and persistence of the economic effects of these announcements has resulted in greater-than-usual uncertainty about the outlook” (p.2).

Household consumption is expected to recover, after stalling in the middle of 2024, underpinned by strong employment and wage growth, tax cuts and an easing in inflation. Business investment is also expected to contribute to growth over the forecast period 'supported by investment in renewable energy infrastructure, warehouses and data centres. Dwelling investment is expected to accelerate from 2025-26 in response to robust housing demand and an easing to both supply-side constraints and financing costs'.

The national labour market is expected 'to remain robust over the period ahead', and although employment growth is expected to moderate, the unemployment rate is forecast to peak at a historically low level of 4.25%. Although nominal wage growth has eased, and is forecast to increase by 3.0% in 2024-25, it is projected to pick up progressively to 3.75% over the forecast period and so 'to remain above pre-pandemic rates'. Consumer price inflation is projected to decline to 2.5% in 2024-25, and to remain within the Reserve Bank of Australia's (RBA) 2-3% target range over the forecast period.

The Commonwealth Budget highlights that the strong labour market conditions and moderating inflation have led to five consecutive quarters of annual real wage growth. Annual real wages are forecast to grow by 0.5% in 2024-25, with positive real wage growth forecast in each year of the Budget period.

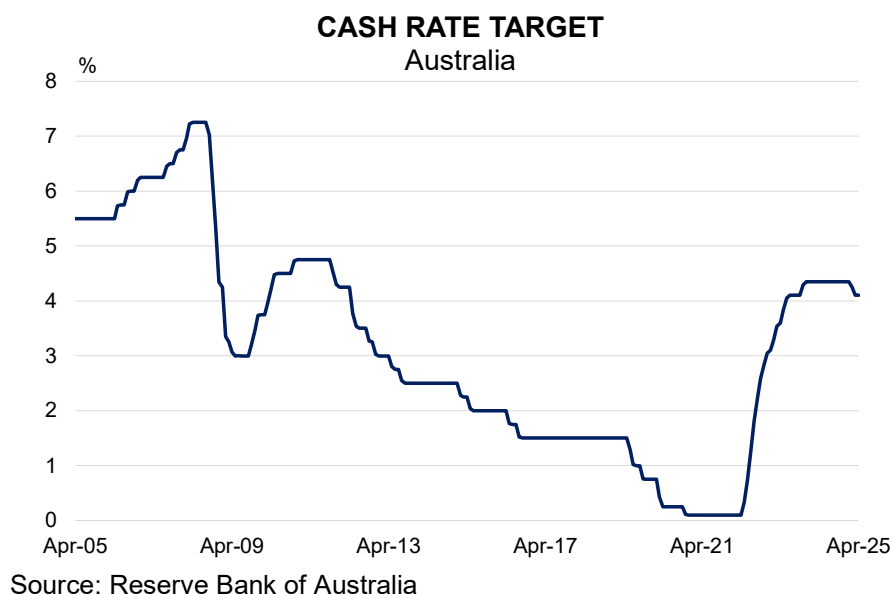
In its Pre-election Economic and Financial Outlook 2025, released on 7 April 2025 following tariff increases announced by the US administration in early April, the Commonwealth notes 'these tariffs, and other retaliatory responses, will weigh on international trade, investment and growth, and disrupt supply chains ... The direct impact from Australia's bilateral trade with the United States is expected, in aggregate, to be limited given the United States accounted for 4.6% of Australia's goods exports in 2024. However, particular sectors will be more affected than others. The indirect effects on Australian exports through other trading partners, particularly China, will be larger. Ongoing uncertainty in relation to trade hostilities and associated volatility in financial markets will weaken consumer and business confidence, which will have implications for consumption and business investment, including in Australia'.

In its latest statement following an interest rate decision, the RBA noted that although 'recent information suggests that underlying inflation continues to ease ... [and while] the continued decline in underlying inflation is welcome, ... there are nevertheless risks on both sides and the Board is cautious about the outlook'. The decision notes domestic risks including that household consumption could be weaker than anticipated, or the labour market could be stronger than projected, as well as uncertainty about the lags in the effect of monetary policy. It also notes global uncertainty which is expected to 'have an adverse effect on global activity ... [although] inflation ... could move in either direction'.

Reflecting its caution, the RBA left the cash rate unchanged at 4.1% on 1 April 2025. This follows its decision to lower the cash rate target by 25 basis points on 18 February 2025 after implementing a cumulative 425 basis points increase between May 2022 and November 2023. This tightening cycle saw the cash rate rising from a record low of 0.10% in April 2022 to sit at 4.35% since November 2023 (Chart 2). To cut rates further, the RBA has indicated that 'the Board needs to be confident that this progress will continue so that inflation returns to the midpoint of the target band on a sustainable basis. It is therefore cautious about the outlook'.⁴

⁴ RBA - *Statement by the Reserve Bank Board: Monetary Policy Decision*, 1 April 2025.

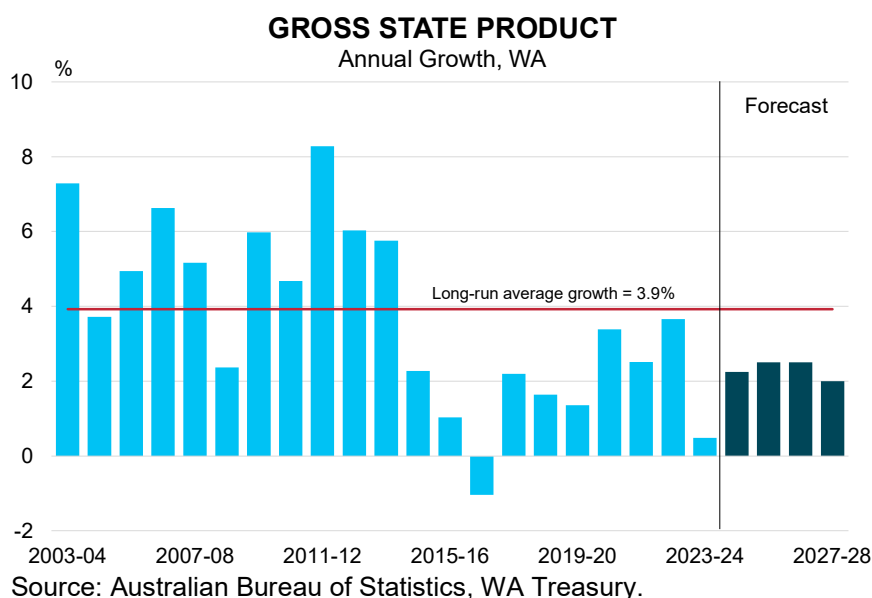
Chart 2



4. Western Australia's Economic Outlook and Risks

The 2024-25 PFPS forecasts Western Australia's GSP to grow by 2.25% in 2024-25 and 2.5% in 2025-26. Economic growth is then forecast to remain around this rate in the remainder of the forecast period. The State's economic growth outlook is largely supported by domestic economic activity, as it has been since 2019-20, although net exports are expected to contribute to growth from 2025-26 onwards, after two years of detracting from growth.

Chart 3



GSP grew by 0.5% in 2023-24, reflecting the combined impact of a strong domestic economy, which expanded by 5.7% over the year, and a weak external sector. Notably, goods exports declined due to disruptions to LNG production, the normalisation of agricultural exports following a record harvest in 2022-23, and a scaling back of mineral production (primarily nickel).

Western Australia's domestic economy continued to perform strongly in 2024, growing by 3.7%. This growth was supported by a resilient household sector, underpinned by strong population growth and robust labour market conditions, combined with strong growth in both Government consumption and Government investment. SFD is forecast to grow by 3.75% in 2024-25, with all components expected to contribute to this expansion.

Table 4 – Components of Economic Growth (Seasonally Adjusted)

Annual Average Growth to December 2024, %

	Western Australia (%)	Australia (%)
Household Consumption	2.0	0.6
Business Investment	1.4	2.1
Dwelling Investment	2.9	-0.4
Government Consumption	5.6	4.7
Government Investment	17.6	3.9
State/Domestic Final Demand	3.7	1.9
International exports ^(a)	-3.8	0.9
International imports ^(a)	5.2	5.5
Gross Product	N/A	1.0

(a) Exports/imports refers to merchandise (goods) and services exports/imports.

Source: ABS Catalogue 5206.0 and 5302.0

A more detailed analysis of the outlook for the individual components of GSP is contained in the remainder of this section.

4.1 Consumer Spending

Household consumption growth eased to 2% in the 2024 calendar year from 3% in 2023-24 as consumers reprioritised spending towards necessities and pulled back on non-essential purchases in response to elevated price growth and interest rates. Nonetheless, Western Australia retains the strongest spending growth of all States.

Household consumption is expected to remain resilient going forwards, buoyed by growth in employment, wages, population and wealth (primarily reflected through house prices to date). Growth in consumption is projected to lift to 2.5% in 2024-25, and reach 3% by 2025-26 as consumers respond to lower cost of living and mortgage rates.

4.2 Business Investment

Business investment growth moderated to 1.4% in the 2024 calendar year, following strong growth of 12.7% in 2023-24, representing a consolidation of capital expenditure at high levels.

In line with this, growth is expected to continue to moderate to 1% in 2024-25. While work on some projects, including in the lithium and nickel sectors, has been halted in light of uncertain market conditions, investment levels are expected to be supported by the progression of a large pipeline of ongoing work on major projects. These include the Scarborough/Pluto Train 2 and Crux LNG projects, as well as Perdaman's Burrup Urea project and the Western Range iron ore project.

Business investment levels are expected to remain robust throughout the forecast period, underpinned by a solid pipeline of current and prospective projects across iron ore, gas, minerals, renewable energy and non-mining infrastructure sectors. Furthermore, increased decarbonisation levels and sustaining capital expenditure in the resources sector as companies aim to maintain high production levels will also support business investment levels in the outyears.

4.3 Dwelling Investment

Dwelling investment grew by 2.9% in 2024, following an increase of 4.2% in 2023-24, as the large volume of outstanding work (21,837 dwellings under construction at December 2024) continues to be completed. While the availability of skilled trades remains an issue, the rate of completions in the second half of 2024 was at its highest level since early 2017.

The PFPS forecast is for growth in dwelling investment to lift to 11.25% in 2024-25 and 9.75% in 2025-26, supported by robust population growth, which coupled with a tight established housing market, is driving demand for new builds.

International Trade

4.4 Exports

The PFPS projects goods exports to stabilise with no growth expected in 2024-25, following a 3.7% decline in 2023-24 – the weakest financial year result for Western Australia’s exports on record. Merchandise exports declined by 4.1% in the 2024 calendar year.

The expectation of stable export levels in 2024-25 reflects the combined impact of Tropical Cyclone Sean on iron ore exports, weakness in nickel exports due to mine closures and relatively weak grain exports in the second half of 2024.

Beyond 2024-25, goods exports are expected to grow in each year of the forecast period - by 2% in 2025-26, 1.5% in 2026-27 and then slowing to 0.75% growth in 2027-28. Growth is underpinned by a rise in lithium exports and a lift in LNG volumes, as the Scarborough Energy project ramps up production.

Services exports grew by 25.7% in 2023-24 and are anticipated to grow by 3.75% in 2024-25 as international student commencements normalise in line with the tightening of student visa policies, although this is expected to be partly offset by the continued return of international visitors to the State. Services exports are anticipated to level off as education exports consolidate and visitor arrivals stabilise.

4.5 Imports

Trends in goods imports are closely linked to projected trends in household consumption and business investment. Reflecting these trends, goods imports are estimated to grow by 0.75% in 2024-25, with growth forecast to increase to 1.75% in 2025-26 and 2.75% in 2026-27.

Growth in services imports is anticipated to ease from 27.4% in 2023-24 to 5.5% in 2024-25, with strong growth over the past two years supported by Western Australians resuming travel overseas. Service imports are anticipated to level off in the final outyear as conditions normalise.

5. The Labour Market

Labour market conditions in Western Australia have remained very strong in 2024-25 to date. Employment in the State was close to record levels in March 2025, with 1.642 million people employed. Growth remains elevated at 3.3% in annual average terms in March, supported by sustained demand for labour and accommodated by strong population growth. While job vacancies have declined over the past year, they remain substantially higher than levels seen prior to the COVID-19 pandemic. This has supported a re-tightening of the unemployment rate in recent months, averaging 3.6% in the year to March 2025, from 3.7% in 2023-24. Strong labour market conditions have also seen the participation remain elevated, with the annual average rate sitting at 68.9% in March 2025.

Table 5 – Population and Labour Force Forecasts

Western Australia

	2023-24	2024-25	2025-26	2026-27	2027-28
Annual Level					
Total population ('000)	2,965	3,021	3,075	3,131	3,184
Working age population (15+) ('000)	2,424	2,475	2,524	2,574	2,623
Employment ('000)	1,582	1,633	1,662	1,687	1,712
Unemployment ('000)	61	59	65	70	76
Unemployment rate (%)	3.7	3.5	3.75	4.0	4.25
Participation rate (%)	68.8	69.0	68.9	68.7	68.5
Annual growth (%) ^(a)					
Total population growth	2.8	1.9	1.8	1.8	1.7
Working age population (15+)	3.3	2.1	2.0	2.0	1.9
Employment	3.8	3.25	1.75	1.5	1.5

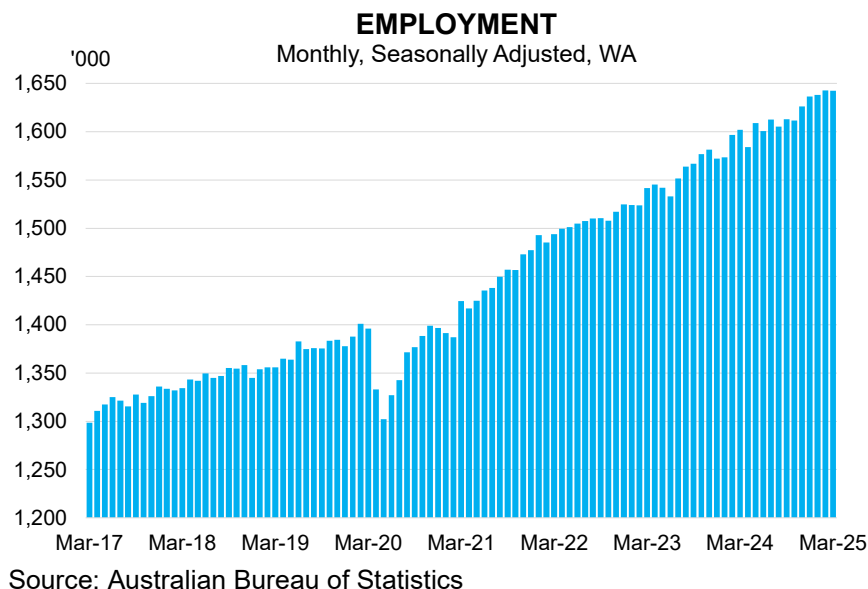
(a) Population growth is expressed in year-ended terms and employment growth is in annual average terms.
Source: ABS and WA Treasury

5.1 Employment

Employment growth remains elevated but has eased to 3.3% in annual average terms in March 2025 from 3.8% in 2023-24. This builds on strong hiring since the onset of the pandemic, as the labour market has been able to effectively absorb strong additions to supply through population growth (Chart 4). Annual average growth in employment is expected to ease further to 3.25% in 2024-25.

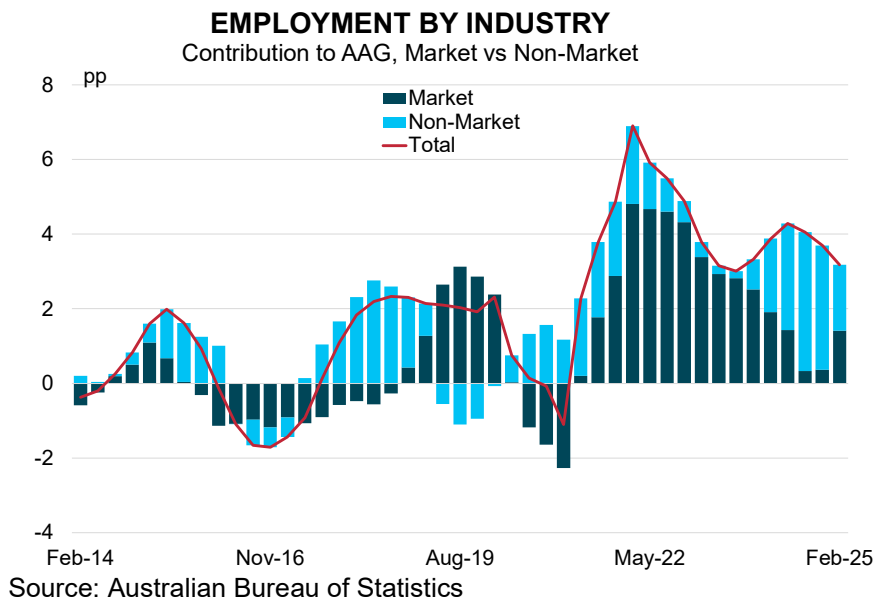
Across the forecast period, annual average growth in employment is expected to moderate to 1.75% in 2025-26 and 1.5% per annum across the remaining outyears. This is consistent with both easing growth in the domestic economy over the forecast period, and a normalisation of growth in the 15-64 years population cohort.

Chart 4



Employment growth over the past year has largely been supported by growth in the non-market sector industries of health care, education, and public administration, with employment growth in the health care industry alone accounting for around half of annual average growth in 2023-24. More recently, however, employment growth in the market sector industries has picked up speed, while non-market sector employment growth appears to be slowing (Chart 5).

Chart 5



5.2 Unemployment and Participation

Western Australia's unemployment rate has fallen slightly over the past year, averaging 3.6% in the year to March 2025 (Chart 6), down from 3.7% in 2023-24. In line with this re-tightening, the unemployment rate is expected to average 3.5% in 2024-25.

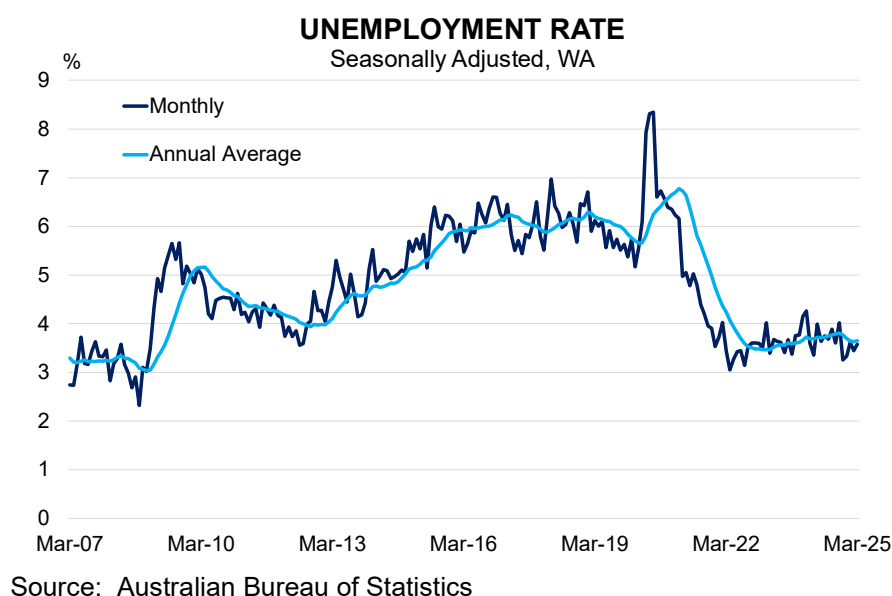
The recent decline fall in the unemployment rate in annual average terms reflects a decline in the number of short-term unemployed people (i.e., people unemployed for 0-3 months), which has fallen back to levels last seen in 2023. At the same time, however, the number of long-term unemployed people (i.e., people unemployed for over 12 months) has been tracking upwards.

As employment growth is expected to moderate, the unemployment rate is forecast to lift gradually across the forecast period, to reach 4.25% by 2027-28. This is well below its long-run average rate of 5.9% (since 1989-90).

Western Australia's participation rate is forecast to remain elevated at 68.9% in 2025-26. This follows a projected participation rate of 69% in 2024-25, the equal second highest annual rate in a financial year ever recorded in the State (behind only 69.3% in 2008-09 and equal to the rate in 2012-13).

In line with an ageing population profile, the participation rate is anticipated to trend lower over the outyears, reaching 68.5% by 2027-28, though remaining above its decade average rate of 68.1%.

Chart 6



6. Wages

Wages in Western Australia (as measured by the Wage Price Index, WPI⁵) grew by 3.7% in year ended-terms to the March quarter 2025, down from a recent peak of 4.7% in the December quarter 2023. This slowing has occurred despite ongoing tightness in the State's labour market, likely reflecting that aggregate labour demand is being sufficiently met with the pool of workers available.

The PFPS forecast is for wages to grow by 3.75% by June 2025 as new State public sector wage agreements flow through. Beyond this, wages growth is forecast to ease to 3% by June 2027 as a degree of spare capacity returns to the labour market and economic conditions normalise.

⁵ Of the various wage indicators published by the Australian Bureau of Statistics, the WPI is generally viewed as the preferred measure of underlying wage growth. This is because the WPI is designed to measure wage changes for a fixed quantity and quality of labour, and thus abstracts from changes in average hours worked and other compositional changes in the labour market.

Real wages increased in the year to the March quarter 2025 (by 0.3%⁶). Annual real wage growth is expected to increase to around 1% by June 2025 and remain positive over the forecast period, as wages growth exceeds the rate of inflation.

7. Inflation

Perth's CPI growth (excluding the electricity sub-component) moderated to 3.4% in year-ended terms in March 2025, significantly below a peak of 8.6% in December 2022. Perth's headline CPI was at an even lower 2.8% in the year to March 2025, although this is being dampened by the latest State and Federal Household Electricity Credit (HEC).

Year-ended growth in Perth's CPI excluding electricity⁷ is forecast to slow further to 2.75% by June 2025, returning to the RBA's 2-3% target band. This partly reflects lower fuel prices, a lessening of wage pressures, and better alignment between aggregate demand and supply. Perth's inflation is expected to remain at 2.75% to June 2026, with housing-related inflation easing as population growth moderates and as industry capacity is gradually restored.

8. Risks to the Outlook

8.1 Global Risks

The global outlook remains highly uncertain. Escalating trade tensions, a slowing Chinese economy, regional conflicts, and volatile financial markets continue to weigh on global growth.

The IMF recently noted that risks to the outlook are firmly tilted to the downside, including further tariff escalation and prolonged trade policy uncertainty, as well as financial market volatility that could disrupt the global monetary system.

The most significant risk to the global outlook stems from geopolitical uncertainty linked to US trade policy and retaliatory measures from key trading partners. This is occurring at a time when the Chinese domestic economy is weak, due to a very subdued property market, and weak household spending. This has made China more reliant on exports, making it vulnerable to US tariffs and other anti-dumping actions (including in relation to its steel exports) by a number of countries.

These risks are mitigated by likely Chinese policy stimulus, as authorities have indicated their intention to support growth if required. The effectiveness of Chinese policy initiatives to boost household demand and infrastructure spending will be particularly important in addressing these risks to growth. A potential weakening in the Australian dollar may also help cushion the impact of external events on the State economy.

⁶ Calculated by comparing year-ended growth in the headline WPI for Western Australia with year-ended growth in the Perth CPI excluding the electricity sub-index.

⁷ The forecast CPI growth rates are based in the total index excluding the electricity sub-index as a result of the successive Household Electricity Credits provided across the State, which have resulted in significant volatility in Perth's headline CPI.

8.2 Domestic Risks

The outlook for Western Australia's economy is subject to several key domestic risks.

While aggregate household consumption in Western Australia has been relatively resilient in recent years, and the outlook is for continued solid growth underpinned by fundamentals such as employment, income and wealth, consumers spending may be lower than anticipated, for example if households become more cautious in response to elevated uncertainty or if mortgage rates are maintained at higher rates than anticipated by market commentators.

The new residential construction market continues to face labour constraints, embodied in elevated job advertisements for both starting and finishing trades. This may constrain the actual amount of work that can be done, despite the pick-up in both commencements and completions in the second half of 2024.

Given the contribution of the State's mining sector, accounting for around 50% of activity, trends in commodity prices can impact on investment decisions. Increased volatility and uncertainty may prompt delays or postponement of some investment decisions, which could result in lower investment outcomes than anticipated.

While the RBA is widely expected to reduce the cash rate in the near future, it has noted that labour market conditions may differ (either being stronger or weaker) than anticipated⁸, which could influence the timing and temper the extent of the RBA's rate reductions.

⁸ Media Release, Statement by the Monetary Policy Board: Monetary Policy Decision, 1 April 2025

Detailed Economic Forecasts

The following table outlines the economic forecasts as presented in the 2024-25 Pre-election Financial Projections Statement – with the exception that actual growth rates have been revised and updated in the table for some parameters for the 2023-24 year. Major releases since the PFPS was published include Balance of Payments data released on 4 March 2025 and the Australian National Accounts on 5 March 2025.

Table 6

2024-25 PFPS ECONOMIC FORECASTS

Western Australia, Annual Growth (%)

	2023-24	2024-25	2025-26	2026-27	2027-28
	Actual	Budget Year	Outyear	Outyear	Outyear
Demand and Output ^(a)					
Household Consumption	3.0	2.5	3.0	3.0	2.75
Dwelling Investment	4.2	11.25	9.75	5.5	1.5
Business Investment	12.7	1.0	3.25	5.5	3.5
Government Consumption	2.9	5.5	1.75	1.5	2.5
Government Investment	16.4	13.5	-5.75	0.5	1.0
State Final Demand	5.7	3.75	2.75	3.25	2.75
Goods Exports	-3.7	0.0	2.0	1.5	0.75
Goods Imports	9.1	0.75	1.75	2.75	2.0
Net Exports ^(b)	-7.6	-0.25	2.0	1.0	0.5
Gross State Product ^(c)	0.5	2.25	2.5	2.5	2.0
Labour Market					
Employment	3.8	3.25	1.75	1.5	1.5
Unemployment Rate ^(d)	3.7	3.5	3.75	4.0	4.25
Participation Rate ^(d)	68.8	69.0	68.9	68.7	68.5
Population ^(e)					
Population	2.8	1.9	1.8	1.8	1.7
Prices					
Consumer Price Index ^{(e) (f)}	4.7	2.75	2.75	2.5	2.5
Wage Price Index ^(e)	4.2	3.75	3.5	3.0	3.0
Perth Median House Price	20.2	15.8	6.1	-1.8	-2.9
Other Key Parameters ^(d)					
Exchange Rate \$US/\$A (US cents)	65.6	64.4	63.3	66.0	68.7
Iron Ore Price (\$US per tonne) Cost and Freight Inclusive (CFR)	119.4	98.0	71.5	71.0	71.0
Crude Oil Price (\$US/barrel)	83.6	76.8	72.9	70.3	69.1

(a) Based on 2023-24 annual State Accounts data, updated with the latest State Final Demand and Balance of Payments data for the December 2024 quarter.

(b) Net exports include international trade in both goods and services.

(c) Forecasts for ownership transfer costs, international trade in services and the balancing item are not separately reported.

(d) Data expressed as annual average during the financial year.

(e) Data expressed in year-ended terms.

(f) The CPI growth rates are based on the total index excluding the electricity sub-index as a result of the successive Household Electricity Credits provided across the State.