

2026 State Wage Case – Economic Conditions and Outlook^{1,2}

1. Overview

The Western Australian economy, as measured by Gross State Product (GSP), is expected to grow by 3.25% in 2025-26, following growth of 1.3% in 2024-25, reflecting a resilient domestic economy as well as a recovery in the State's trade sector.

GSP is forecast to grow by 2.25% in 2026-27 and average 2% per annum over the outyears, largely supported by domestic economic activity, with the external sector stabilising as resource firms focus on sustaining record production levels and decarbonising their operations.

Western Australia's domestic economy, as measured by State Final Demand (SFD), grew by 3.3% in 2025, continuing to outpace national economic growth, supported by broad based strength across all components of private demand. This included a significant lift in business investment of 5.7%, the highest level of dwelling investment since 2018, and solid growth in household consumption. Private demand increased by 3.9% in 2025, the strongest growth rate of all jurisdictions, contributing more than 85% to overall growth in the domestic economy (the highest contribution share in the nation).

Reflecting this strength in private sector activity, SFD is estimated to grow by 3.5% in 2025-26, after expanding by 3% in 2024-25.

SFD growth is expected to moderate to 2.25% per annum over 2026-27 and 2027-28, as business investment steadies at a high level. Household consumption growth is expected to remain solid, supported by strong income and higher house prices.

Beyond 2027-28, growth in the State's domestic economy is forecast to lift to 2.75% per annum, supported by sustained business investment activity and continued growth in dwelling investment. While household spending is expected to remain solid, growth is forecast to moderate slightly in line with slower growth in population and wealth.

Labour market conditions in Western Australia have strengthened after softening through most of 2025. Employment reached a record 1.68 million people in March 2026, following a strong pick-up in hiring from late-2025, largely driven by the private sector. The unemployment rate averaged 4.1% over the year to March – the equal lowest of any State – and is forecast to average 4% in 2025-26, up from 3.7% in 2024-25.

Wages in Western Australia, as measured by the State's Wage Price Index (WPI), increased by 3.6% in year-ended terms in the March quarter 2026, and are expected to grow at a broadly similar pace (3.75%) in the June quarter 2026 before easing to 3.25% in 2026-27.



¹ The forecasts for Western Australia's economic aggregates in this Attachment are those published in the 2026-27 Western Australian State Budget, released on 7 May 2026.

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 recent rapid increase in the cost of fuel as a result of the Middle East conflict, along with higher interest rates, is putting pressure on household budgets. Perth's Consumer Price Index (CPI)³, excluding electricity, rose by 1.2% in the month of March, driven by a surge in fuel prices. Continued disruption and uncertainty in the Middle East are expected to push inflation up to 5.5% in year-ended terms to the June quarter 2026. Inflation is projected to average 4.0% in annual average terms in 2025-26.

There are a number of risks to this outlook. The external economic environment has become increasingly uncertain and volatile, largely as a result of the conflict in the Middle East. Given the uncertainty regarding the duration and scale of the conflict, the broader macroeconomic effects outside of inflation are not incorporated into central forecasts in the 2026-27 Budget. However, they represent a potential material source of downside risk to both economic growth and inflation outcomes. See Section 8 – Risks to the Outlook for further information.

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

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Actual	Estimated Actual	Budget Year	Outyear	Outyear	Outyear
State Final Demand	3.0	3.5	2.25	2.25	2.75	2.75
Gross State Product	1.3	3.25	2.25	2.0	2.0	2.0
Employment	3.1	1.5	1.75	1.5	1.5	1.5
Unemployment rate ^(a)	3.7	4.0	4.25	4.25	4.25	4.5
Consumer Price Index ^{(b)(c)}	2.8	5.5	3.75	2.75	2.5	2.5
Wage Price Index ^(c)	3.7	3.75	3.25	3.25	3.25	3.0
Population ^(c)	2.2	1.8	1.6	1.5	1.5	1.5

(a) Data expressed as annual average rate 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: Australian Bureau of Statistics, DTF.

Additional forecasts from the 2026-27 Budget are provided in Table 7 at the end of this Attachment.

2. Global Outlook

The global economic outlook, which had been gradually improving through 2025 and early 2026, has deteriorated sharply since the escalation of the Middle East conflict in late February. The effective closure of the Strait of Hormuz, a critical global energy chokepoint, has constrained around 20% of global oil supply and LNG trade, highlighting vulnerabilities in global energy supply chains. The disruption to critical energy flows and damage to key infrastructure have significantly heightened downside risks to global growth while reigniting inflationary pressures.

³ References to the CPI refer to the CPI excluding the electricity sub-component. This reflects that successive household electricity credits have resulted in significant volatility in the headline CPI for Perth.

Beyond energy, the conflict has also disrupted Middle Eastern exports of fertiliser (raising concerns around food prices), helium (used in semiconductor production and healthcare), and naphtha (a key input for plastics), while reshaping global supply chains through longer shipping routes, higher freight costs, and rising insurance premiums.

Given the uncertain duration and intensity of the conflict, the International Monetary Fund (IMF) outlined three scenarios in its April 2026 World Economic Outlook (WEO) – see Table 2.

- Under the **Reference Forecast**⁴, the conflict is short-lived, with global growth easing slightly in 2026 and inflation rising moderately before easing in 2027.
- Under the **Adverse Scenario**⁵, a longer shutdown of the Strait and further damage to energy facilities result in materially weaker global growth and higher inflation in 2026, with impacts easing in 2027.
- Under the **Severe Scenario**⁶, a more prolonged shock causes global growth to fall to a recession-like rate in 2026⁷, while inflation continues to rise into 2027.

The IMF only produces country-level GDP forecasts under the Reference Forecast (Table 2).

Table 2 – IMF Global Economic Forecasts, April 2026 WEO

Annual GDP Growth, Reference Forecasts, %

	2025 Estimate	2026 Forecast	2027 Forecast	2026 Difference ^(a)	2027 Difference ^(a)
World	3.4	3.1	3.2	-0.2	0.0
Advanced Economies	1.9	1.8	1.7	0.0	0.0
United States	2.1	2.3	2.1	-0.1	0.1
Euro Area	1.4	1.1	1.2	-0.2	-0.2
Japan	1.2	0.7	0.6	0.0	0.0
United Kingdom	1.3	0.8	1.3	-0.5	-0.2
Australia	2.0	2.0	1.7	-0.1	-0.5
Emerging Market and Developing Economies	4.4	3.9	4.2	-0.3	0.1
China	5.0	4.4	4.0	-0.1	0.0
India	7.6	6.5	6.5	0.1	0.1
ASEAN 5 ^(b)	4.5	4.1	4.4	-0.1	0.0
MENA ^(c)	3.2	1.1	4.8	-2.8	0.8

(a) Difference from the January 2026 update of the WEO

(b) Indonesia, Malaysia, the Philippines, Thailand and Singapore

(c) Middle East and North Africa

Source: IMF World Economic Outlook, April 2026

⁴ The IMF's Reference Forecast assumes a short-lived conflict, with oil prices averaging \$US82/bbl in 2026 before easing to \$US76/bbl in 2027.

⁵ In the Adverse Scenario, a more prolonged disruption to energy supply sees oil prices rise to an average of around \$US100/bbl in 2026 before easing to \$US75/bbl in 2027.

⁶ The Severe Scenario assumes larger and more persistent disruptions, with oil prices averaging around US\$110/bbl in 2026 and rising to an average of around \$US125/bbl in 2027 before price pressures dissipate in 2028, alongside tighter global financial conditions.

⁷ The IMF April 2026 WEO defines a global recession as GDP growth below 2%.

The IMF Managing Director has been reported⁸ as stating that developments since the April 2026 WEO was finalised mean that the **Adverse Scenario** is 'now in place', suggesting global growth and inflation outcomes may be more aligned with forecasts under the **Adverse Scenario** outlined in Table 3.

Table 3 – IMF Global Gross Domestic Product (GDP) and Inflation Forecasts - April 2026

	<i>January 2026 WEO</i>	Pre-conflict Forecast	Reference Forecast	Adverse Scenario	Severe Scenario
Annual GDP Growth %					
2026	3.3	3.4	3.1	2.5	2.0
2027	3.2	3.2	3.2	3.0	2.2
Annual Headline Inflation %					
2026	3.8	3.9	4.4	5.4	5.8
2027	3.4	3.5	3.7	3.9	6.1

Source: IMF World Economic Outlook, April 2026

Beyond the energy crisis, trade policy uncertainty remains elevated. While tariffs imposed under the US International Emergency Economic Powers Act were struck down in February 2026, they were swiftly replaced with a new 10% global tariff effective 24 February 2026, resulting in the US effective tariff rate falling to 13.5% in March 2026 from 17.4% in January 2026.

Risks to the global economic outlook are discussed further in Section 8 on 'Risks to the Outlook'.

2.1 Global commodity markets

After relative stability during most of 2025, heightened uncertainty due to the Middle East conflict has led to significant volatility in commodity markets. Energy prices surged following the start of the conflict due to disruptions to supply, whilst gold prices coincidentally fell, weighed down by expectations of higher US interest rates and inflation globally. The conflict, especially if prolonged, is expected to keep LNG markets tight and prices elevated.

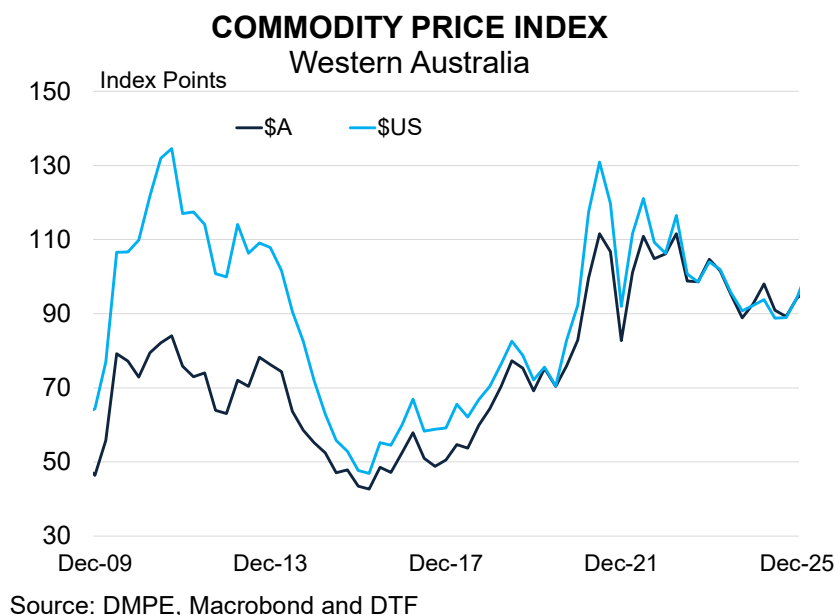
The Australian dollar has risen since late November, supported by expectations of rising Australian interest rates. On 6 May 2026, the Australian dollar reached US72.5 cents, its highest level since June 2022, following the decision of the Reserve Bank of Australia (RBA) to increase the cash rate target to 4.35% in May, the third increase of the year.

The Western Australian Commodity Price Index⁹ remained relatively flat in the September quarter 2025, as strength in gold and iron ore prices largely offset further weakness in LNG prices, before rising in the December quarter 2025, in line with increases in the iron ore and lithium prices.

⁸ Reuters, 'IMF chief Georgieva warns of 'much worse outcome' if Middle East war drags into 2027', 5 May 2026,

⁹ The commodity price index is a weighted index of iron ore, gold, oil, condensate, LNG, copper, nickel, zinc, lithium and alumina.

Chart 1



Iron Ore

The benchmark iron ore price¹⁰ has remained broadly stable over the past 18 months, trading within a relatively narrow range around \$US100 per tonne, despite ongoing volatility in global commodity markets. Prices have remained stable despite more supply coming into the market and softer steel demand within China. Factors influencing the market include:

- Weaker domestic demand in China has been partly offset by stronger exports, including both steel and manufactured goods containing steel.
- A rise in the share of production from blast furnaces relative to electric arc furnaces (which used relatively less iron ore) has supported iron ore demand.
- Prices are also supported by the need for higher-cost supply (~\$US80-100/t), which entered the market after Brazil's 2019 dam collapse.

The outlook for Chinese iron ore and steel demand remains balanced in the near term. Domestic demand weakness is expected to persist, partly offset by external demand. The downturn in China's property sector continues to weigh on domestic demand, more than offsetting support from infrastructure and manufacturing.

Global iron ore production is expected to increase over the outlook period as existing producers expand output and new projects come online. Taken together, moderating demand and increasing supply are expected to result in downward pressure on iron ore prices over the forecast period.

¹⁰ From January 2026, the industry adopted a 61% Fe benchmark price, better aligning with the quality of Western Australian iron ore exports. This does not materially affect market conditions but provides a more representative price.

3. National Economic Conditions and Outlook

The Australian economy, as measured by GDP, grew by 2.0% in 2025, following 1.0% growth in 2024. Growth in 2025 was supported by a 2.1% increase in household consumption during the year, while annual growth for dwelling investment lifted from 0.8% in 2024 to 6.0%, and business investment growth lifted more moderately from 1.0% in 2024 to 1.8%.

The 2026-27 Commonwealth Budget, released on 12 May 2026, noted that the Australian economy 'grew strongly through the year in 2025, with broad growth underpinned by a pick-up in private sector activity across both household consumption and private investment... The unemployment rate has increased but remains low by historical standards, employment has continued to grow, the participation rate remains near its record high and wage growth remains resilient.'

Notwithstanding this strong performance, the 2026-27 Commonwealth Budget also stated that 'the conflict in the Middle East has had a substantial impact on the Australian economy' and that 'the domestic outlook remains highly uncertain'.

'As a result of the conflict and the global oil shock, economic growth in Australia is forecast to slow from 2¼ per cent in 2025-26 to 1¼ per cent in 2026-27 as higher prices across the economy weigh on activity. Higher fuel prices are expected to dampen consumption and put pressure on business operations. In sectors like agriculture and construction, these impacts will be exacerbated by higher fertiliser and plastic prices.'

The 2026-27 Commonwealth Budget projects the Australian economy to 'recover in 2027-28, with economic growth forecast to be 2¼ per cent that year, driven by a pick-up in household consumption as real household incomes recover.'

The 2026-27 Commonwealth Budget also forecasts inflation 'to be 5 per cent through the year to the June quarter 2026, with most of the pick-up attributable to the sharp rise in fuel prices.' The rate of inflation 'is then expected to decline, in line with the assumption that global oil prices ease over 2026-27, to 2½ per cent through the year to the June quarter 2027. Abstracting from the impact of fuel prices, inflation is forecast to sustainably return to the RBA's target band in the middle of 2027.'

The 2026-27 Commonwealth Budget expects the Australian labour market to 'remain resilient despite the impacts of the Middle East conflict. Employment is expected to continue to grow, and the participation rate is expected to remain close to its recent record high. The unemployment rate is forecast to remain low by historical standards, gradually increasing from 4¼ per cent in the June quarter 2026 to 4½ per cent in the June quarter 2027 and the June quarter 2028. The unemployment rate is expected to remain well below its average in the decade before the pandemic.'

Table 4 – Major Economic Parameters, AustraliaAnnual Growth, %^(a)

	Outcomes			Forecasts		
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Real GDP	1.3	2.25	1.75	2.25	2.5	2.5
Employment	2.1	1.5	1.5	1.75	1.75	1.75
Unemployment rate	4.2	4.25	4.5	4.5	4.5	4.25
Consumer Price Index	2.1	5.0	2.5	2.5	2.5	2.5
Wage Price Index	3.4	3.25	3.5	3.5	3.5	3.75

(a) Real GDP and nominal GDP are percentage change on preceding year. Employment, the consumer price index and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.

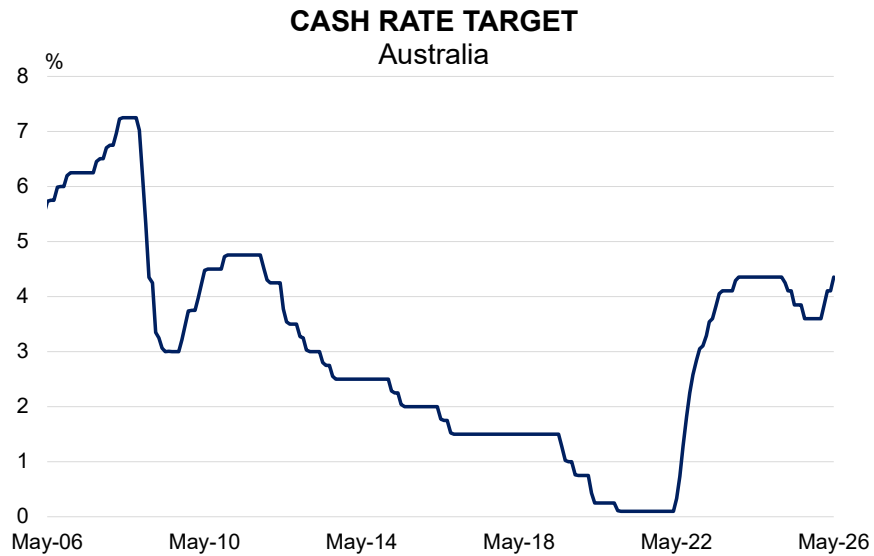
Source: 2026-27 Commonwealth Budget.

The RBA has increased the cash rate by a combined 75 basis points over its past three meetings, lifting the cash rate to 4.35% in May 2026. According to the media release announcing the May decision¹¹, the Monetary Policy Board noted that ‘developments in the Middle East are having an impact on inflation. Higher fuel prices are adding to inflation and there are indications that this is likely to have second-round effects on the prices for goods and services more broadly. This inflation impulse is in addition to the high inflation recorded around the start of 2026, reflecting capacity pressures in the economy.’

The Statement also indicated that the Board assessed that ‘inflation is likely to remain above target for some time and that the risks remain tilted to the upside... it was therefore judged appropriate to increase the cash rate target.’ It also stated that ‘the Board will be attentive to the data and evolving assessment of the outlook and risks to guide its [future] decisions.’

¹¹ Media Statement, “Statement by the Monetary Policy Board: Monetary Policy Decision”, 5 May 2026

Chart 2

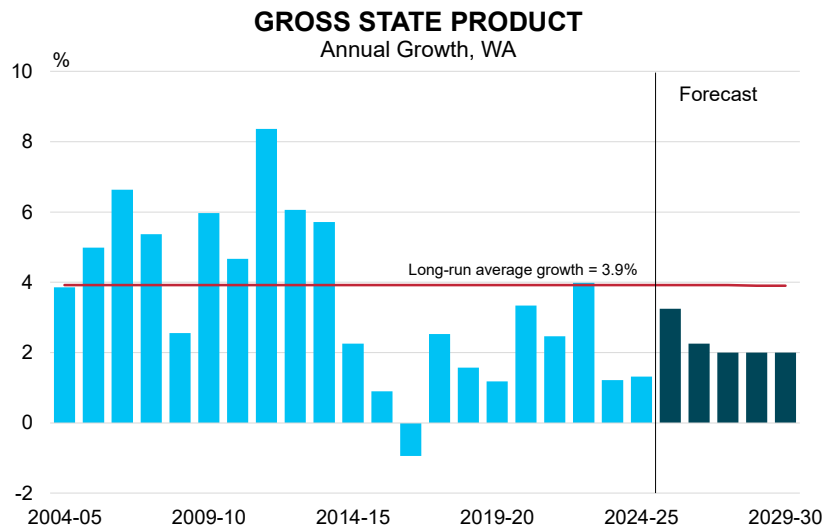


Source: Reserve Bank of Australia

4. Western Australia's Economic Outlook

The 2026-27 State Budget forecasts Western Australia's GDP to grow by 3.25% in 2025-26 and by 2.25% in 2026-27. Economic growth is then forecast to remain steady at 2% per annum from 2027-28 to 2029-30 (Chart 3).

Chart 3



Source: Australian Bureau of Statistics, DTF.

Western Australia's domestic economy (SFD) grew by 3.3% in 2025 and is forecast to strengthen further to 3.5% in 2025-26, supported by broad-based strength across all components of private demand. Strength in 2025 was supported by a significant lift in business investment of 5.7%, the highest level of dwelling investment since 2018, and solid household consumption.

SFD growth is then expected to moderate over 2026-27 and 2027-28 as business investment steadies at a high level. Household consumption is expected to remain solid, supported by strong income and higher house prices.

Table 5 – Components of Economic Growth (Seasonally Adjusted)

Annual Average Growth to December 2025, %

	Western Australia (%)	Australia (%)
Household consumption expenditure	3.0	2.1
Business Investment	5.7	1.8
Dwelling Investment	8.0	6.0
Government Consumption	4.1	3.3
Government Investment	-6.8	0.0
State/Domestic Final Demand	3.3	2.5
International exports ^(a)	-0.1	2.7
International imports ^(a)	1.0	3.8
Gross State/Domestic Product	N/A	2.0

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

Source: Australian Bureau of Statistics

4.1 Consumer Spending

Household consumption in Western Australia remains resilient, increasing by 3% in 2025, after growing by 2.6% in 2024-25. Western Australian households recorded the strongest spending growth nationally in 2025, supported by strong population growth, rising disposable incomes and elevated wealth, driven by growth in property prices.

However, consumption growth has been moderating, reflecting a normalisation in discretionary spending from elevated post-pandemic levels, particularly in categories such as travel and durable goods. While income growth and wealth continue to support consumption, elevated consumer price growth and higher interest rates are weighing on household budgets and are likely to contribute to more cautious spending behaviour. As a result, household consumption growth is estimated to moderate to 2.75% in 2025-26.

Growth is expected to remain at 2.75% in both 2026-27 and 2027-28, before moderating further to 2.5% per annum in the remaining outyears. This profile reflects slowing population growth and a gradual easing in the contribution from wealth as house price growth moderates from the elevated rates of growth in recent years.

4.2 Business Investment

Business investment is forecast to rebound strongly in 2025-26, increasing by 6.75%, following a 0.9% decline in 2024-25. This reflects solid momentum over the second half of 2025, supported by elevated machinery and equipment spending in the iron ore and gold sectors, continued construction activity on large resource projects, very strong growth in non-mining investment, and record minerals exploration.

Business investment is then projected to stabilise at a high level in 2026-27 and 2027-28, underpinned by a strong and diversified pipeline of projects, notwithstanding that work on several major projects is expected to wind down following peak construction, including Scarborough, Crux, the Jansz-Lo Compression project and the Burrup Urea Plant.

Growth is expected to lift to 3.25% per annum over 2028-29 and 2029-30, supported by continued sustaining capital expenditure in the iron ore and LNG sectors, decarbonisation-related investment, and a solid pipeline of prospective projects. The investment pipeline includes projects across both the resources sector and non-mining infrastructure, with notable examples being the Rhodes Ridge iron ore project, Perth Airport's new terminal and runway, and data centre developments.

4.3 Dwelling Investment

Dwelling investment grew by 8% in 2025, following growth of 5.9% in 2024-25, supported by increased activity in both new dwelling construction, and alterations and additions. Around 23,800 new homes commenced in 2025 (up by 22.9%), while completions remained broadly stable at around 20,600 dwellings. As a result, the stock of new dwellings under construction increased significantly, reaching almost 25,500 dwellings in the December quarter 2025.

New dwelling investment reached the highest level since 2018, reflecting the increase in commencements and work done on dwellings under construction. Alterations and additions also reached their highest level since 2016, further supporting growth in total dwelling investment.

Dwelling investment is forecast to increase by 9.5% in 2025-26 (the highest financial year growth since 2013-14), and a further 5.25% in 2026-27. This outlook is supported by leading indicators of building activity, notably sharply higher land sales and steady increases in building approvals. Growth is then expected to average around 2.7% per annum over the outyears, reflecting a gradual easing in demand pressures as population growth moderates, alongside improvements in construction capacity.

International Trade

4.4 Exports

Goods exports grew by 2.3% in the second half of 2025 compared with the same period in 2024, and are expected to increase by 2.5% in 2025-26. This recovery follows two years of declines, largely reflecting the unwinding of adverse weather impacts that limited growth in iron ore and lithium exports, as well as other commodity-specific factors, including the impact of rapid growth in low-cost supply from Indonesia on the Western Australian nickel sector. Growth in 2025-26 is underpinned by an expected increase in iron ore and agriculture volumes. Iron ore exports are expected to lift due to smaller cyclone-related disruptions, together with production ramp ups at Onslow and Iron Bridge. Stronger agriculture exports also support the recovery in exports growth following the record 2025 harvest, together with an expansion in lithium production.

Goods exports are expected to grow by 2% in 2026-27, largely supported by ongoing lithium production ramp-ups, together with modest increases in iron ore and non-monetary gold exports. Agricultural exports are projected to be weaker in 2026-27 than in 2025-26. However, a high level of carryover from the record 2025 harvest is expected to moderate the extent of the decline. Over the outyears, growth is expected to moderate, averaging around 0.75% per annum, reflecting key producers operating at or close to capacity.

Services exports increased by 15.9% in 2025 and are expected to grow by 10.25% in 2025-26 and by 3.75% in 2026-27, in line with the growth profile for international visitor arrivals and education exports. Growth in education exports is supported by increased international student visa allocations and targeted marketing initiatives by the education sector. In 2027-28 and beyond, services exports are forecast to grow at a steady 2.75% per annum, broadly in line with annual average growth over the past decade.

4.5 Imports

Goods imports are estimated to increase by 3.25% in 2025-26, following relatively stable levels in 2024-25. This pick-up reflects stronger imports of capital goods, consistent with the strong lift in business investment. Growth in goods imports is projected to moderate to 1.5% in 2026-27 and average 1.3% per annum in the outyears, in line with more stable growth in private demand.

Services imports increased by 6.7% in 2025 as resident returns (an indicator of the number of Western Australians travelling overseas) exceeded pre-pandemic travel patterns. Services imports growth is forecast to moderate to 2.5% per annum over the forecast period, reflecting the normalisation of travel patterns.

5. The Labour Market

Western Australia's labour market remains strong, supported by a buoyant domestic economy, including a solid rebound in both business and dwelling investment, which has underpinned renewed strength in labour demand. While labour market indicators have been volatile in recent months, employment remains elevated, job vacancies have strengthened, and the unemployment rate remains low by historical standards.

Strong demand for labour in recent months has been met with solid additions to labour supply through population growth, with employment at a record 1.68 million people in March 2026.

Table 6 – Population and Labour Force Forecasts

Western Australia

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Annual Rate (%)						
Unemployment rate	3.7	4.0	4.25	4.25	4.25	4.5
Participation rate	69.1	68.6	68.6	68.4	68.3	68.3
Annual growth (%) ^(a)						
Total population	2.2	1.8	1.6	1.5	1.5	1.5
Working age population (15+)	2.6	2.2	2.0	1.9	1.8	1.7
Employment	3.1	1.5	1.75	1.5	1.5	1.5

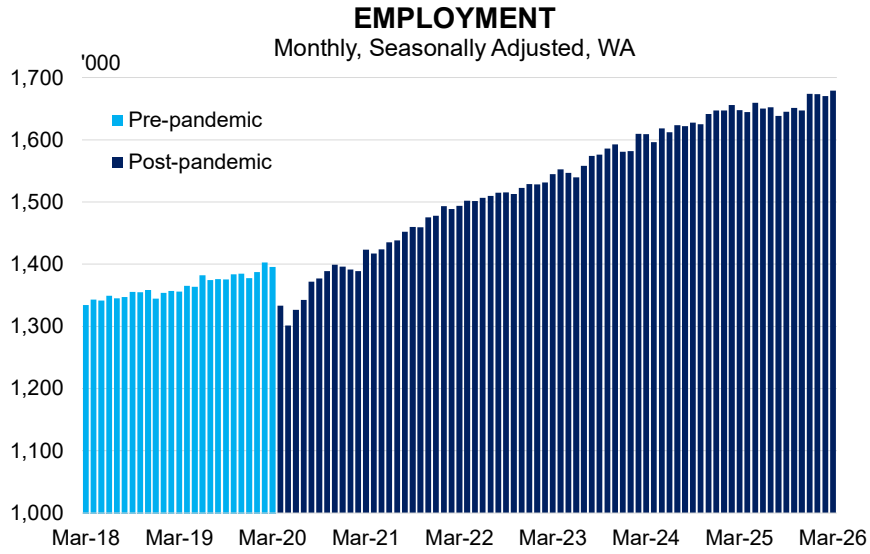
(a) Population growth is expressed in year-ended terms and employment growth is in annual average terms.

Source: Australian Bureau of Statistics, DTF

5.1 Employment

Employment is forecast to grow by 1.5% in 2025-26 and 1.75% in 2026-27, following growth of 3.1% in 2024-25, as the labour market continues to normalise from the period of rapid growth following the pandemic. The growth profile is consistent with the lift in business investment in 2025-26, as well as renewed strength in vacancies and full-time hiring activity in the market sector, pointing to underlying labour market strength. Employment growth is forecast to settle at 1.5% per annum in the outyears, in line with trends in the overall economy.

Chart 4



Source: Australian Bureau of Statistics

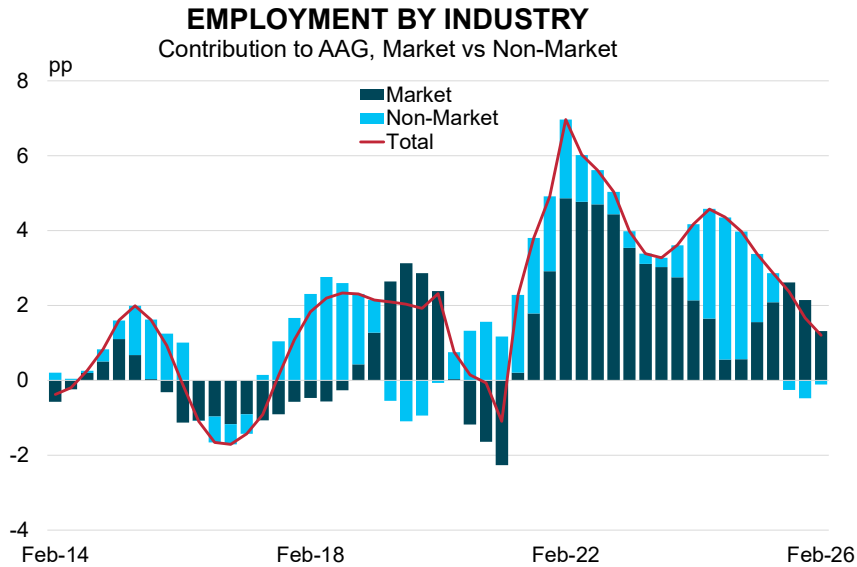
Although monthly outcomes have been volatile, broader labour force and job vacancy data point to stronger underlying conditions than previously anticipated. Unlike in recent years, employment growth is now being driven by the market sector, which contributed 1.3 percentage points to total industry employment growth of 1.2%¹² over the year to February 2026. This points to labour demand being increasingly underpinned by private sector strength (Chart 5).

Annual growth to February 2026¹² was led by manufacturing, utilities, and retail trade. After moderating over much of 2025, employment in the construction industry recovered to reach a record 172,500 people in February.

Also indicative of underlying strength in conditions, the recent rebound has been driven entirely by full-time employment, which contributed 1.9 pp to annual average growth in total employment of 1.6% over the year to March 2026. This is consistent with a firm labour market and suggests stronger employer confidence than would be implied by part-time-led growth.

¹² Employment by industry data is published four times a year in February, May, August, and November and is available in original terms only. Measures of annual growth for employment by industry data is calculated using only these four observations and will therefore differ from measures calculated using headline data, which is published each month.

Chart 5



Source: Australian Bureau of Statistics

5.2 Unemployment and Participation

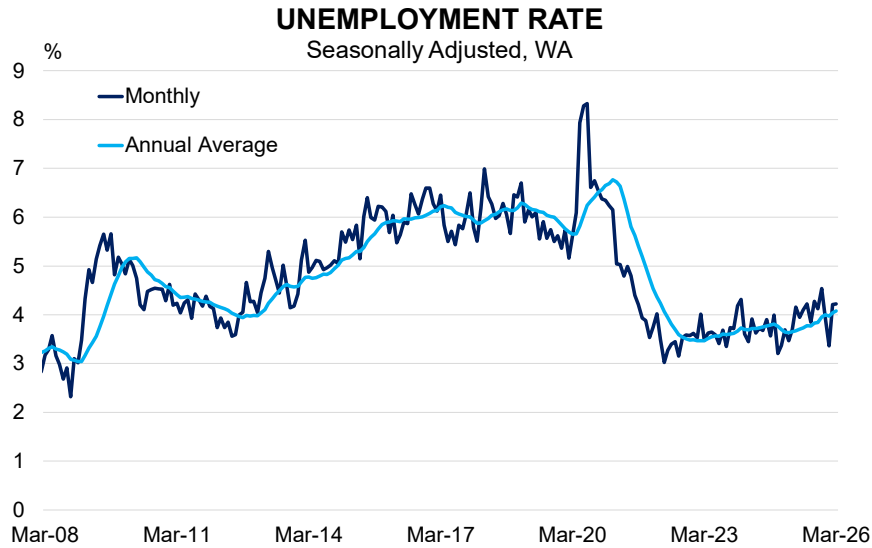
Western Australia's unemployment rate remains low, averaging 4.1% in the year to March, and continues to compare favourably with the rest of the country, reflecting the strength of the State's labour market and broader domestic economy. The unemployment rate is forecast to average 4.0% in 2025-26, consistent with the recent momentum in hiring.

Over the forecast period, the unemployment rate is expected to rise to 4.5% by 2029-30, as growth in the labour force outpaces demand, while remaining well below its long-run average rate.

Western Australia's participation rate remains high by historical standards, despite easing from its recent peak in May 2025, averaging 68.7% in the year to March 2026. The participation rate is forecast to moderate to 68.6% in 2025-26, in line with slowing employment growth and unemployment remaining low by historical standards.

Across the forecast period, the participation rate is projected to ease further to reach 68.3% by 2028-29, largely in line with slightly softer labour market conditions and demographic trends, particularly an ageing population.

Chart 6



Source: Australian Bureau of Statistics

6. Wages

Western Australia's Wage Price Index (WPI) increased by 3.6% over the year to the March quarter 2026, the strongest of all States. This was supported by robust growth in private sector wages, aligning with tight labour market conditions, and strong growth in public wages due to the timing of State Government wage agreements over the past year.

WPI is forecast to grow by 3.75% by the June quarter 2026, with public wages growth expected to moderate from current rates. Wage growth is expected to slow further to 3.25% by the June quarter 2027 and steady around this rate over the forward estimates period. This coincides with a stabilisation of domestic economic growth and a modest easing in labour market conditions, with the unemployment rate expected to drift up slightly.

7. Inflation

Inflation in Perth and nationally has edged higher in recent months, reflecting both domestic price pressures and global factors associated with the conflict in the Middle East. In particular, the conflict has driven up prices for key commodities, particularly crude oil, refined fuels, fertilisers and other petrochemical products. This has increased costs for fuel-intensive industries and across supply chains.

Perth's CPI¹³ increased by 3.7% over the year to the March quarter 2026, lifting from 2.8% in the June quarter 2025. This was driven in part by a 32.7% rise in the price of automotive fuel in the month of March, where the impact of the conflict has been most immediate.

¹³ References to the CPI refer to the CPI excluding the electricity sub-component. This reflects that successive household electricity credits have resulted in significant volatility in the headline CPI for Perth.

As at the Budget cut-off date of 7 April 2026, futures markets indicated further increases in crude oil prices in the near term, reflecting ongoing disruption and uncertainty in the Middle East. This, along with higher travel costs and domestic price pressures, is expected to push inflation to 5.5% in the June quarter 2026 in year-ended terms, despite a temporary reduction in the fuel excise¹⁴. Inflation is expected to be 4% in annual average terms over the 2025-26 financial year.

Inflation is forecast to moderate to 3.75% by the June quarter 2027¹⁵ as fuel prices decline in line with futures market expectations. However, inflation is expected to remain above the RBA's target band, reflecting the gradual pass through of earlier cost increases to consumer prices, including for food and travel. New dwelling inflation is also expected to remain higher for longer, supported by strong demand and elevated industry costs.

Inflation in Perth is forecast to ease further to 2.75% by the June quarter 2028, as the effects of the conflict-related cost shocks dissipate and domestic supply and demand conditions rebalance.

8. Risks to the Outlook

8.1 Global Risks

Risks to the global outlook are firmly tilted to the downside. The Middle East conflict presents the key risk, primarily through the impacts on energy markets, with both direct and indirect effects for Western Australia and its key trading partners. Direct impacts include disruptions to trade via the Strait of Hormuz, rises in fuel, freight and fertiliser prices and emerging supply shortages. Indirect impacts could include lower demand and higher imported inflation from trading partners. The size of these impacts will depend on the conflict's length, extent and intensity which is highly uncertain.

Trade policy remains a risk as additional tariffs could weigh on global investment, disrupt supply chains and accelerate trade fragmentation, particularly if coupled with retaliatory measures. Signs of these effects are already evident in the shifting trade pattern of China away from the US.

While China, Western Australia's key trading partner, is less exposed to the energy crisis than most Asian economies, it is experiencing a gradual slowing of its economy. China's ongoing economic rebalancing away from investment and property-led growth toward technology-driven growth is likely to result in more moderate and less resource intensive growth. This transition has important implications for Western Australia, given its exposure to Chinese demand for bulk commodities.

8.2 Domestic Risks

The transmission of global risks to the domestic economy, particularly through inflation, interest rates, commodity prices and confidence, represents the primary source of risk to the State and national outlook.

While inflation is expected to moderate over the forecast period, recent developments raise the risk that underlying price pressures may remain broader and more persistent than anticipated. If these pressures amplify, inflation nationally may remain elevated for longer, particularly if productivity growth remains weak. This would require a more prolonged period of tight monetary policy, with the RBA having already increased the cash rate three times in 2026 to date (75 basis points in total).

¹⁴ The fuel excise was reduced by 32 cents per litre from 1 April to 30 June 2026, reflecting the Commonwealth Government's temporary halving of the excise, and States and Territories providing a financial contribution to the Commonwealth that is equivalent to the additional GST revenue from higher fuel prices.

¹⁵ In annual average terms, Perth inflation is expected to increase by 4.75%.

Higher fuel prices and potentially higher interest rates mean households are likely to face continued pressure on incomes and borrowing costs, reinforcing more cautious spending, particularly in discretionary categories. Given household consumption is the largest component of the domestic economy, a more pronounced or sustained pullback would weigh on overall economic growth.

Western Australia's exposure to the resources sector represents another important domestic risk channel. While prices for several key commodities are elevated relative to long-run averages – notably for iron ore, gold and lithium – the State's economic performance, investment profile and revenue base remain sensitive to price movements. Should global demand weaken or commodity prices decline materially, this would reduce export earnings and weigh on business investment.

Beyond price effects, the conflict also poses risk to the availability of key inputs for the State's industries, particularly fuel and fertiliser. Any material supply disruptions would most directly affect transport (which consumed almost 45% of the State's diesel in 2023-24), mining (39%) and agriculture (6%), with flow on impacts across the broader economy.

Heightened uncertainty, both global and domestic, may also affect business and household confidence for a prolonged period, leading to more cautious investment and consumption decisions even in the absence of a deterioration in fundamentals.

Overall, while the domestic economy remains resilient, these risks point to the potential for a more pronounced moderation in growth than currently forecast. The outlook is particularly sensitive to the persistence of inflation, the duration of restrictive financial conditions, the pace of adjustment in the housing market, developments in key commodity markets, and potential supply chain disruptions.

Detailed Economic Forecasts

The following table outlines the economic forecasts as presented in the 2026-27 Budget.

Table 7

ECONOMIC FORECASTS						
Western Australia, Annual Growth (%)						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Actual	Estimated Actual	Budget Year	Outyear	Outyear	Outyear
Demand and Output ^(a)						
Household Consumption	2.6	2.75	2.75	2.75	2.5	2.5
Dwelling Investment	5.9	9.5	5.25	3.5	3.0	1.5
Business Investment	-0.9	6.75	1.0	0.75	3.25	3.25
Government Consumption	5.7	3.25	1.0	2.5	2.5	2.5
Government Investment	10.2	-8.0	2.0	1.25	1.25	1.5
State Final Demand	3.0	3.5	2.25	2.25	2.75	2.75
Goods Exports	-4.4	2.5	2.0	1.0	0.75	0.5
Goods Imports	-0.4	3.25	1.5	1.0	1.5	1.5
Net Exports ^(b)	-6.0	3.0	2.5	1.25	0.75	0.25
Gross State Product ^(c)	1.3	3.25	2.25	2.0	2.0	2.0
Labour Market						
Employment	3.1	1.5	1.75	1.5	1.5	1.5
Unemployment Rate ^(d)	3.7	4.0	4.25	4.25	4.25	4.5
Participation Rate ^(d)	69.1	68.6	68.6	68.4	68.3	68.3
Population ^(e)						
Population	2.2	1.8	1.6	1.5	1.5	1.5
Working Age Population (15+)	2.6	2.2	2.0	1.9	1.8	1.7
Prices						
Consumer Price Index ^{(e) (f)}	2.8	5.5	3.75	2.75	2.5	2.5
Wage Price Index ^(e)	3.7	3.75	3.25	3.25	3.25	3.0
Perth Median House Price	18.8	13.5	9.0	4.6	1.5	0.5
Other Key Parameters ^(d)						
Exchange Rate (US cents)	64.8	67.4	68.9	70.4	72.3	74.2
Iron Ore Price (\$US per tonne) Cost and Freight Inclusive (CFR)	100.9	104.7	85.2	72.0	72.0	72.0
Crude Oil Price (\$US/barrel)	73.4	79.9	83.9	75.0	72.8	71.4

a) Based on 2024-25 annual State Accounts data, updated with the latest State Final Demand and Balance of Payments data for the December quarter 2025.

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.