Wage Price Index Forecasts

Australian Energy Regulator

8 April 2024

KPMG

Acknowledgement of Country

KPMG acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present, and future as the Traditional Custodians of the land, water and skies of where we work.

At KPMG, our future is one where all Australians are united by a shared, honest, and complete understanding of our past, present, and future. We are committed to making this future a reality. Our story celebrates and acknowledges that the cultures, histories, rights, and voices of Aboriginal and Torres Strait Islander People are heard, understood, respected, and celebrated.

Australia's First Peoples continue to hold distinctive cultural, spiritual, physical and economical relationships with their land, water and skies. We take our obligations to the land and environments in which we operate seriously.

Guided by our purpose to 'Inspire Confidence. Empower Change', we are committed to placing truth-telling, self-determination and cultural safety at the centre of our approach. Driven by our commitment to achieving this, KPMG has implemented mandatory cultural awareness training for all staff as well as our Indigenous Peoples Policy. This sincere and sustained commitment has led to our 2021-2025 Reconciliation Action Plan being acknowledged by Reconciliation Australia as 'Elevate' – our third RAP to receive this highest level of recognition. We continually push ourselves to be more courageous in our actions particularly in advocating for the Uluru Statement from the Heart.

We look forward to making our contribution towards a new future for Aboriginal and Torres Strait Islander peoples so that they can chart a strong future for themselves, their families and communities. We believe we can achieve much more together than we can apart.

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*This acknowledgement of country has been developed within KPMG Indigenous Network (KIN) should you wish to modify the wording please reach out for consultation of the KIN. The KIN is a culturally safe and supportive space for Aboriginal and Torres Strait Islander colleagues from all geographies, divisions, and levels of the firm and you can get in touch by emailing smoates@kpmg.com.au

Introduction

Background

In accordance with its responsibilities under the National Energy Rules and the National Gas Rules, the Australian Energy Regulator (AER) must make revenue determinations for Network Service Providers (NSPs) and access arrangement decisions for gas NSPs. The AER uses independent forecasts to help in its assessment of forecasts provided by NSPs of their operational and capital expenditures over a regulatory period. The price of labour is a component of the expenditure forecasts provided by the NSPs.

Context

The purpose of this report is to provide the AER with an understanding of the factors that influence wage growth in the Utilities industry. This report is the fourth in a sequence of previous reports from August 2022, March 2023, and August 2023 covering labour price growth forecasts. This report provides updated wage growth forecasts for Australia, New South Wales (NSW), Tasmania, Northern Territory (NT), and the Australian Capital Territory (ACT).

Scope

KPMG's scope of work for this report is:

- Provide annual forecasts through to FY 2029 for:
  - National All-Groups Consumer Price Index (CPI)
  - National and State All-Industry Wage Price Index (WPI)
  - National and State Utilities WPI
- Discuss the key drivers of wage growth and discuss the economic outlook for Australia and the relevant states for this report.

Inherent Limitations

This report has been prepared as outlined with the Australian Energy Regulator in the Scope Section of the engagement letter dated 28 April 2023. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

No warranty of completeness, accuracy or reliability is given in relation to the historical data, analysis or forecasts presented in the text, charts and tables.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Third Party Release

This report is solely for the purpose set out in the Scope Section and for the Australian Energy Regulator's information, and is not to be used for any purpose not contemplated in the engagement letter or to be distributed to any third party without KPMG's prior written consent.

This report has been prepared at the request of the Australian Energy Regulator in accordance with the terms of KPMGs engagement letter dated 28 April 2023. Other than our responsibility to the Australian Energy Regulator, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

Contents

Executive Summary

Executive Summary

Macroeconomic Overview

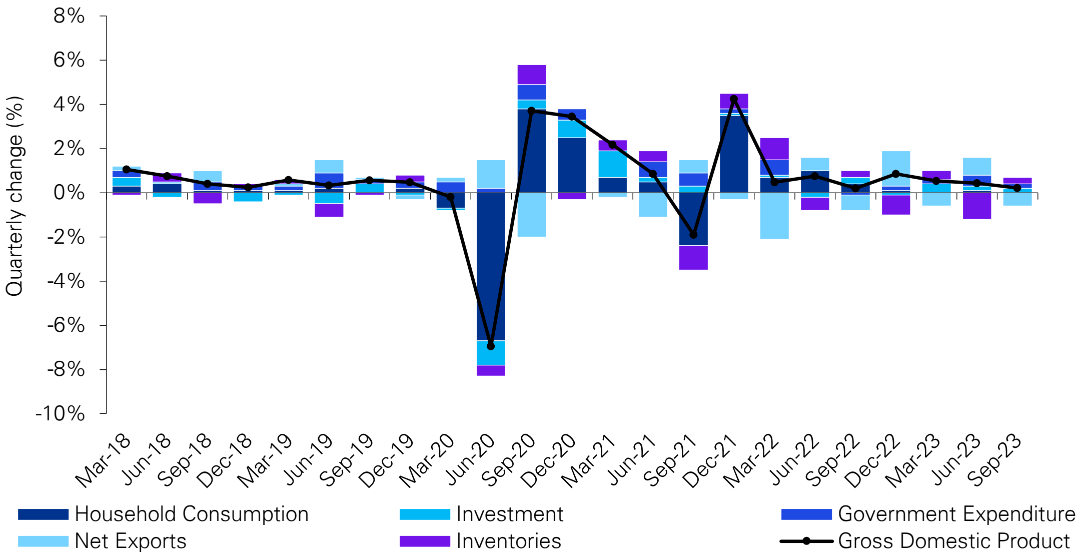
High interest rates and increased living costs moderated economic growth in 2023. This was despite record overseas migration. Chart 1 shows the annual Gross Domestic Product (GDP) growth for September was a mere 0.2%. Modest fiscal tightening is projected to keep economic growth subdued at around 1.8% in 2024. Growth over the period 2025 to 2028 is expected to range from 2.5% - 2.8% per annum.

Inflation declined in the latter half of 2023, with an annual rate of 3.4%. Energy bill relief by governments offset increased energy costs. This was against the backdrop of persistently tight rental markets. The 3.4% annual inflation rate is closing in on the top of the RBA's 2-3% target range. Continuation of this momentum will provide the Reserve Bank of Australia (RBA) with the headroom needed to consider cash rate reductions. KPMG's central scenario has the cash rate falling to 3.85% in the second half of the year.

Labour Market

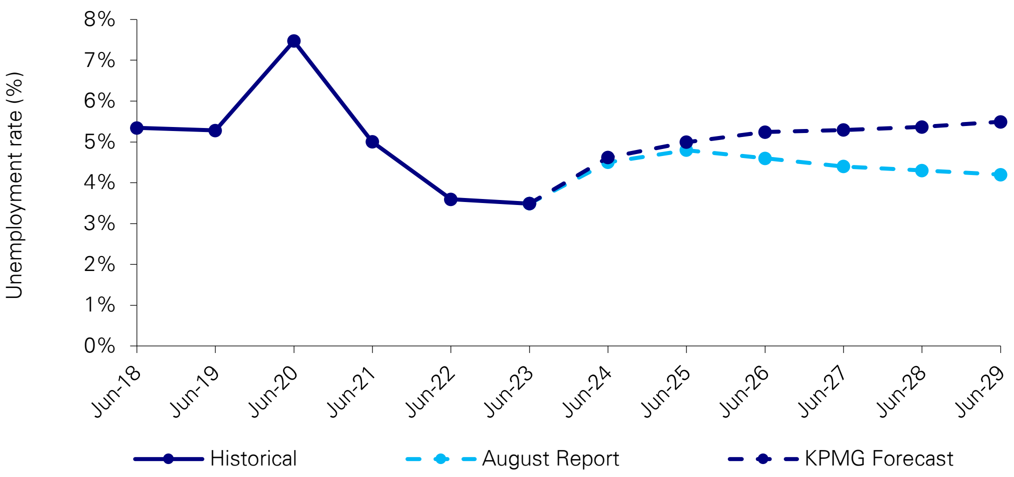
The labour market eased through the second half of 2023. A surge in international migration led to an improvement in the labour supply. Furthermore, moderating economic activity reduced job vacancies. Chart 2 shows KPMG expects the unemployment rate to gradually rise to around 5% by June 2025. This reflects the unexpectedly sharp increase in migration and the increase in labour costs.

Chart 1: Components of Real GDP growth, Australia



Source: Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023)

Chart 2: Unemployment rate forecast, Australia



Source: Labour Force Survey, January 2024 – ABS (2024), KPMG

Executive Summary

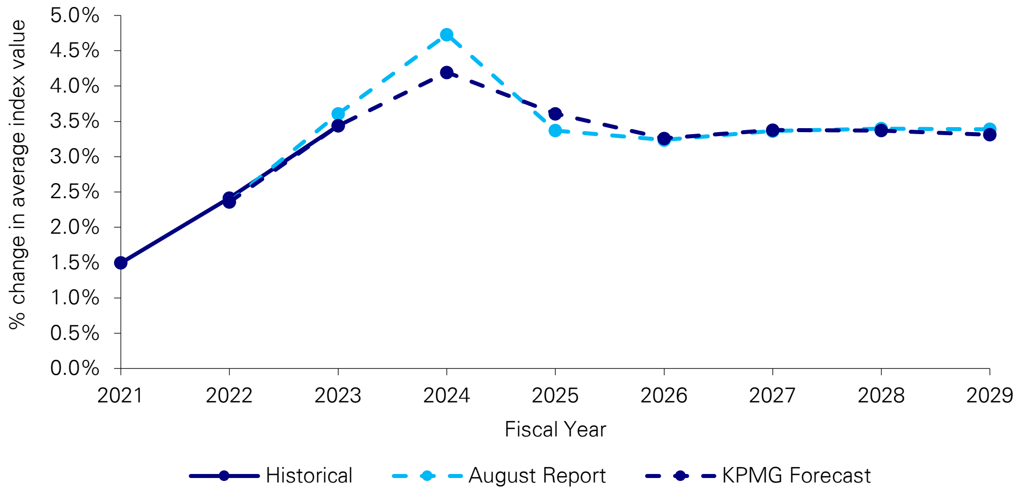
National All-Industry Wage Growth

The All-Industry Wage Price Index (WPI) saw a quarter-on-quarter increase of 0.9%, raising the annual growth rate to 4.2%. The public sector experienced the largest quarterly increase in 15 years at 1.3%. This is largely due to new Enterprise Bargaining Agreements (EBAs) for Healthcare and Education workers. Chart 3 shows the outlook for the National All-Industry WPI. The forecast for FY24 has been revised down from the August report. This is due to declining job vacancies and increased labour supply lowering wage growth. By FY26, wage growth is predicted to stabilise at around 3.3%. An upward revision in the unemployment rate forecast for 2027 - 2030 has dampened long-term wage growth.

National *Utilities* Wage Growth

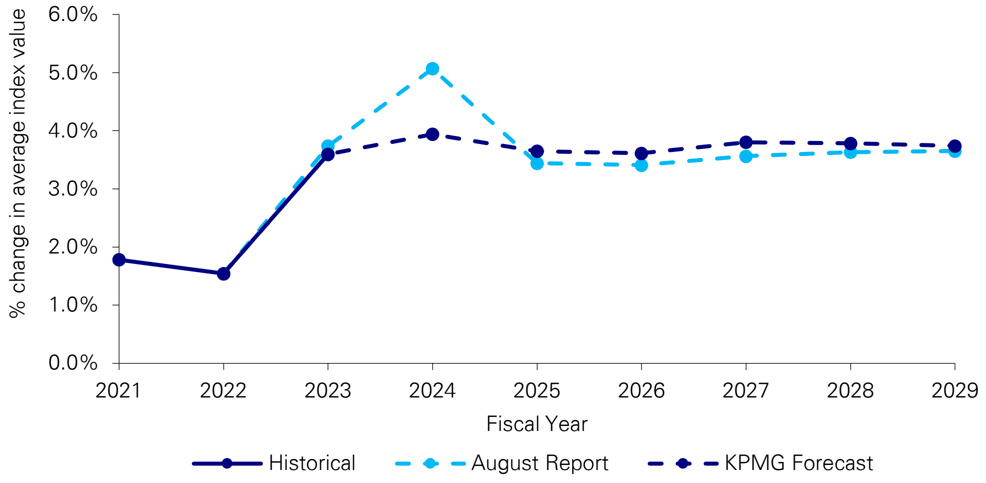
Wage growth in the *Utilities* industry moderated through the second half of 2023. Queensland's annual wage growth declined sharply from September to December. In addition, wage growth was lower than expected for New South Wales and Victoria. This has led to a downward revision of KPMG's FY24 forecast to 3.9%, as shown in Chart 4. Wage growth is then expected to realign with the long-term trend in FY25. This is due to newly approved EBAs having lower growth rates embedded for 2025 and 2026.

Chart 3: National All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 4: National Utilities WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Executive Summary

New South Wales

A record increase in net overseas migration supported the NSW economy in 2023. Despite this, consumption remained subdued owing to elevated interest rates and living costs. Job availability declined, which pushed the unemployment rate up to 4.1% in January 2024. Wage growth picked up significantly in December, recording the strongest quarterly growth in the country. This brought the annual growth rate in line with the national level. Reflecting its substantial scale, NSW's wage growth forecast is closely related to the national forecast.

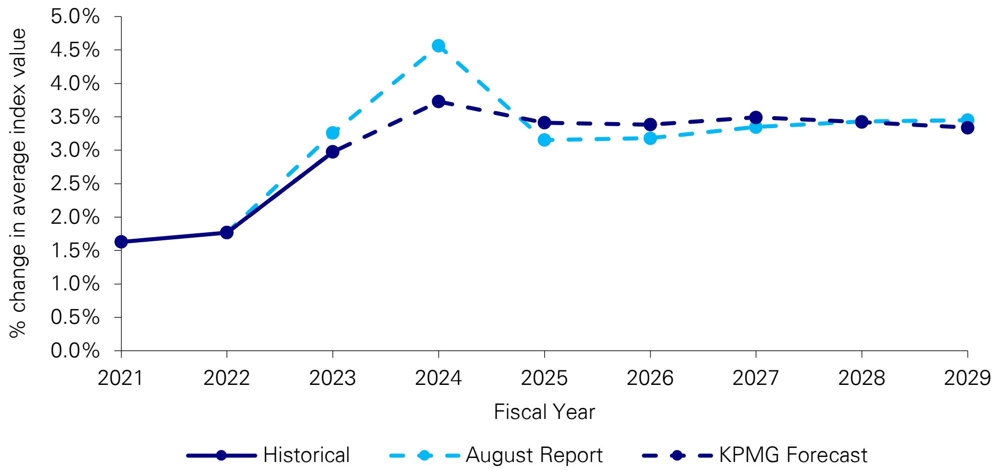
The *Utilities* labour market remains tight. In 2023, only 520 workers lost or left their job. This was the fewest since records commenced. Chart 30 shows the forecast for the NSW *Utilities* WPI, which echoes the national *Utilities* forecast. The expectation for wage growth in FY24 has been adjusted downward, moving from 4.6% to 3.7%. Then wage growth is expected to gradually realign with the August report's estimates.

Tasmania

Tasmania witnessed a decline in State Final Demand (SFD) during the last two quarters of 2023. A key contributor was a decline in net interstate migration which slowed population growth. Furthermore, the NAB Business Survey shows business sentiment in Tasmania is among the lowest in Australia. Despite a tight labour market, wage growth was lower than expected in the December quarter. This led to a downward revision in the FY24 wage growth estimate from 5% to 4.4%.

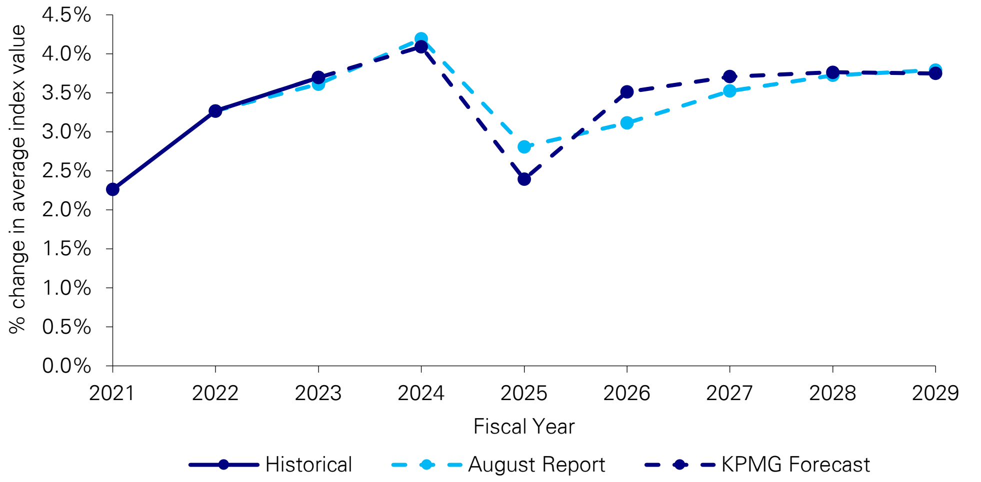
The *Utilities* industry faces significant uncertainties. The Tasmanian Government has pared down the Marinus Link energy transmission venture. This has cast doubt on subsequent energy projects along the pipeline. Chart 38 shows the forecast for FY25 has been revised down to 2.4%. This reflects the current uncertainty in the industry. Wage growth is expected to rebound in FY26 before returning to the August report's estimates.

Chart 5: NSW Utilities WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 6: Tasmania Utilities WPI forecast, annual change



Source: KPMG calculation

Executive Summary

Northern Territory

The Northern Territory experienced a decline in SFD during the first half of 2023 with a slight rebound in September. In January 2024, the unemployment rate declined more than any other state or territory. Concurrently, the employment-to-population ratio increased by 1.1 percentage points. This suggests the labour market in the region remains tight. Wage growth aligned with the nationwide trend throughout 2023 and the forecast remains broadly similar to the August report.

The *Utilities* labour market also remains tight with no recorded unemployed persons from August 2022 to August 2023. Chart 7 shows the actual results for FY23 were in line with the August report. The forecast for FY25 has been revised down slightly. This reflects a steeper expected decline from the peak.

Australian Capital Territory

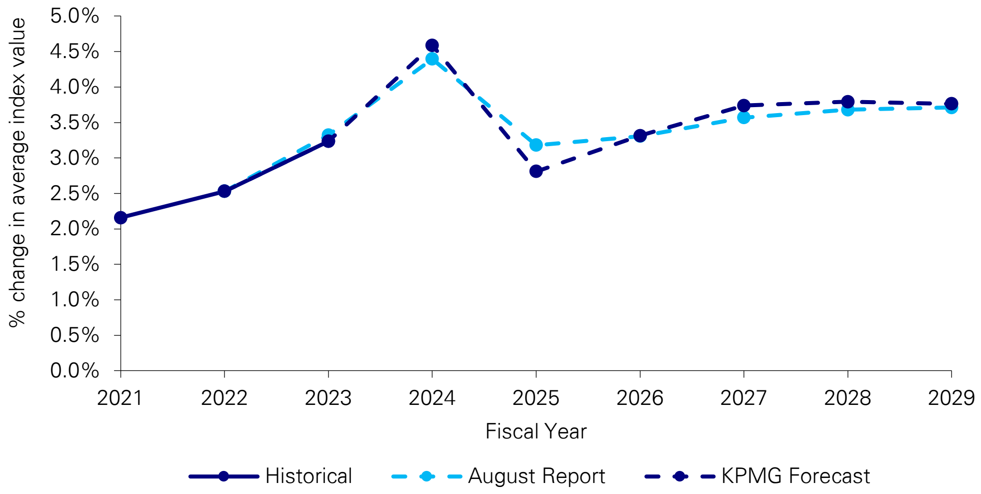
The ACT experienced solid SFD growth in 2023, buoyed by an influx of international students. This helped ease labour market pressure during the second half of 2023. Annual wage growth declined to 3.9% in December, the second lowest in the country. This has lowered the forecast for wage growth in FY24 compared to the August report.

A tight labour market persists in the ACT *Utilities* industry. Chart 8 shows actual wage growth in FY23 was in line with the August report. Lower wage growth through the latter half of 2023 has led to a downward revision of the FY24 forecast. Wage growth from FY25 is largely the same as the August report.

Key themes

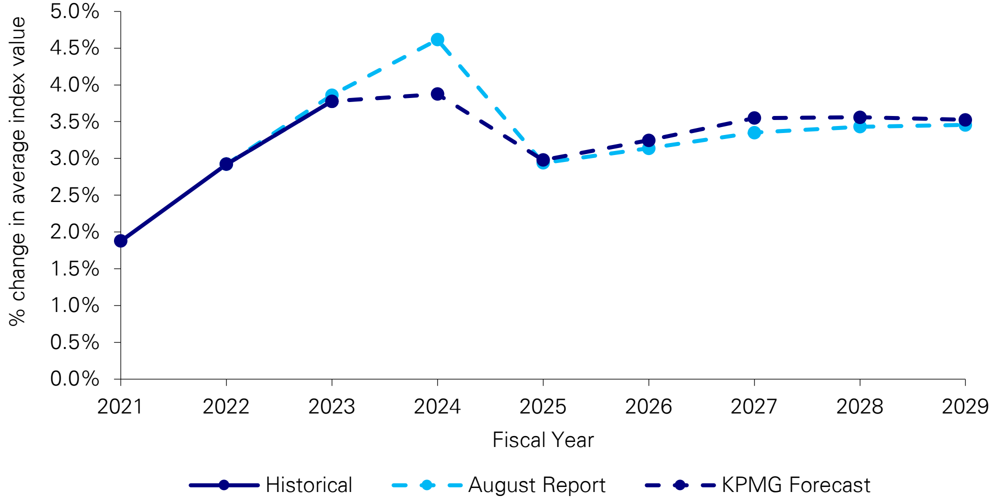
High interest rates and living costs have dampened economic activity. Meanwhile, a surge in international migration helped ease labour shortages. This has lowered wage growth expectations for FY24 compared to the August report. The *Utilities* industry is still experiencing skill shortages. The number of employees losing or leaving their jobs remain at record lows. Furthermore, recently approved AAWIs for EBAs have reached a record highs. This is expected to increase wage growth through 2024. By 2025, wage growth is expected to realign with estimates in the August report.

Chart 7: NT Utilities WPI forecast, annual change



Source: KPMG calculation

Chart 8: ACT Utilities WPI forecast, annual change



Source: KPMG calculation

Summary Forecast Tables

The tables below outline the WPI forecasts contained within this report, which were finalised on the 4th of March 2024. The forecasts begin in Fiscal Year 2024 and are the average percentage change in the WPI from the previous fiscal year.

Table 1: Nominal wage forecasts, % average change from previous financial year

Fiscal Year	2023	2024	2025	2026	2027	2028	2029
National All-Industry WPI	3.4%	4.2%	3.6%	3.3%	3.4%	3.4%	3.3%
National Utilities WPI	3.6%	3.9%	3.6%	3.6%	3.8%	3.8%	3.7%
NSW *All-Industry* WPI	3.3%	4.3%	3.8%	3.3%	3.3%	3.3%	3.2%
NSW *Utilities* WPI	3.0%	3.7%	3.4%	3.4%	3.5%	3.4%	3.3%
Tasmania *All-Industry* WPI	3.8%	4.4%	3.4%	3.2%	3.3%	3.4%	3.3%
Tasmania *Utilities* WPI	3.7%	4.1%	2.4%	3.5%	3.7%	3.8%	3.7%
NT *All-Industry* WPI	2.8%	4.4%	3.7%	3.3%	3.4%	3.4%	3.3%
NT *Utilities* WPI	3.2%	4.6%	2.8%	3.3%	3.7%	3.8%	3.8%
ACT *All-Industry* WPI	3.3%	3.9%	3.8%	3.4%	3.5%	3.4%	3.4%
ACT *Utilities* WPI	3.8%	3.9%	3.0%	3.2%	3.5%	3.6%	3.5%

Table 2: Real wage forecasts, % average change from previous financial year

Fiscal Year	2023	2024	2025	2026	2027	2028	2029
National All-Industry WPI	-3.6%	0.1%	0.8%	0.7%	0.8%	0.8%	0.8%
National Utilities WPI	-3.0%	-3.5%	-0.2%	0.8%	1.0%	1.2%	1.3%
NSW *All-Industry* WPI	-3.7%	0.2%	1.0%	0.7%	0.7%	0.8%	0.7%
NSW *Utilities* WPI	-4.1%	-0.4%	0.6%	0.8%	0.9%	0.9%	0.8%
Tasmania *All-Industry* WPI	-3.3%	0.3%	0.6%	0.5%	0.7%	0.8%	0.8%
Tasmania *Utilities* WPI	-3.4%	0.0%	-0.4%	0.9%	1.1%	1.2%	1.3%
NT *All-Industry* WPI	-4.2%	0.3%	0.8%	0.7%	0.8%	0.8%	0.8%
NT *Utilities* WPI	-3.8%	0.5%	0.0%	0.7%	1.1%	1.3%	1.3%
ACT *All-Industry* WPI	-3.7%	-0.2%	0.9%	0.8%	0.9%	0.9%	0.9%
ACT *Utilities* WPI	-3.3%	-0.2%	0.1%	0.6%	0.9%	1.0%	1.0%

Source: Wage Price Index, December 2024 – ABS (2024), KPMG

National Outlook

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Macroeconomic Overview

Economic growth slowed in 2023 due to higher interest rates and cost of living pressures. However, the economy has performed better than expected, underpinned by record immigration flows.

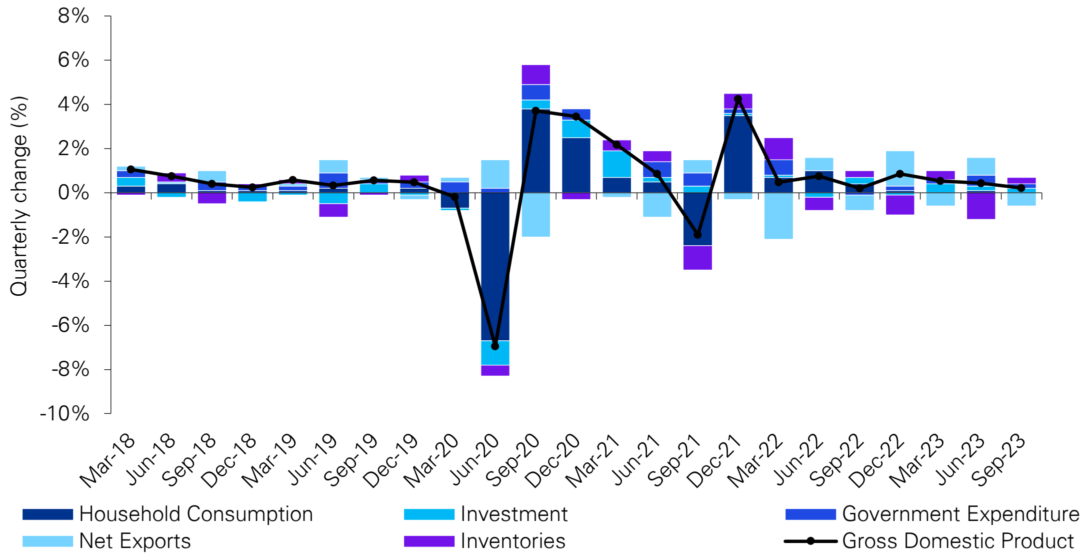
Over the course of 2023, economic growth in Australia moderated reflecting the impact of higher interest rates and cost of living challenges. Chart 9 shows the quarter-on-quarter (q/q) change in Gross Domestic Product (GDP) growth has been subdued, with the September growth figure being only 0.2%.

Household final consumption expenditure remained unchanged overall, with notable increases in vehicle purchases, transportation, and rent/dwelling services. Energy spending dropped significantly due to government subsidies linked to the Energy Bill Relief Fund, which contributed to a 1.1% growth in government expenditure. Furthermore, government investment in infrastructure rose by 0.7%, focused on transport and utilities.

Exports declined by 0.7%, impacted by reduced shipments of coal, minerals, and cereals, though compensated by rises in gold, travel, and meat. Imports grew by 2.1%, with strong increases in travel services (+19.5%), driven by more Australians vacationing abroad and industrial transport equipment purchases.

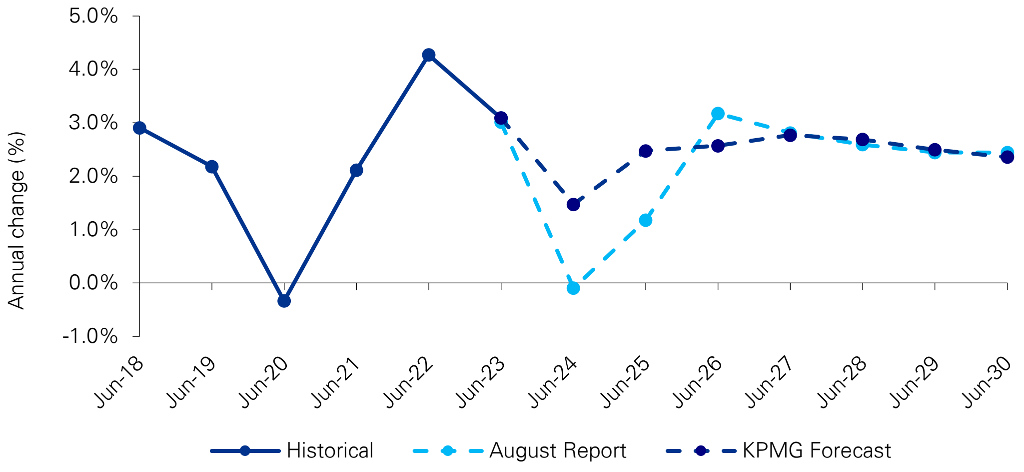
Modest fiscal tightening is projected to keep economic growth subdued at around 1.8% in 2024. Chart 10 shows a revision upwards from the August report as the economy has proven more resilient than expected, with record overseas migration supporting economic growth through 2023. Growth over the period 2025 to 2028 is expected to range from 2.5% - 2.8% per annum. This reflects an expected rebound in dwelling investment, household consumption, and government investment. Fiscal consolidation in the later part of the decade is expected to pull growth back towards, or just below trend. The forecast table for Real GDP growth can be found in Appendix 2.

Chart 9: Components of Real GDP growth, Australia



Source: Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023)

Chart 10: Real GDP forecast, annual growth, Australia



Source: Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023), KPMG

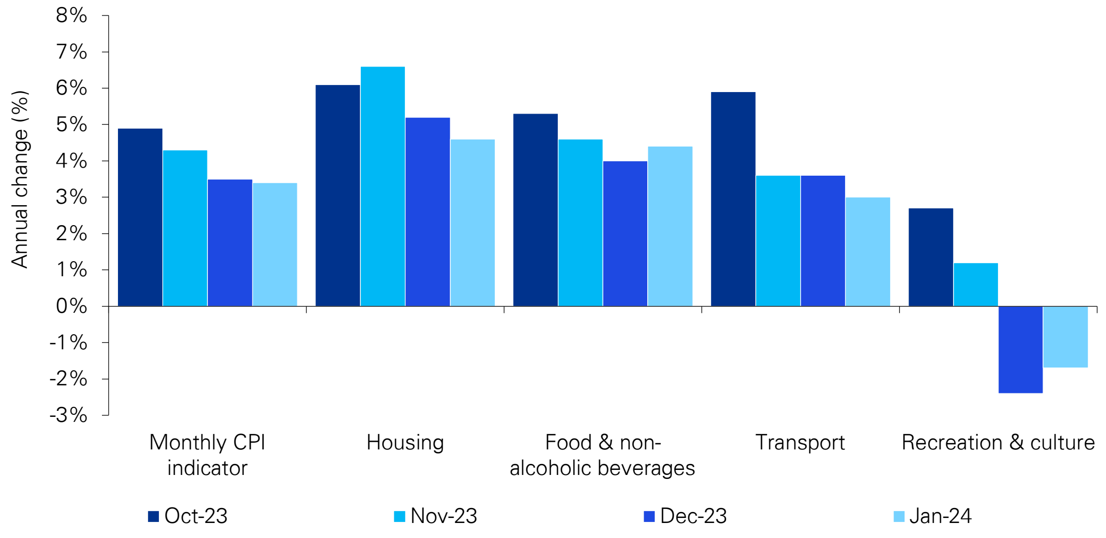
Macroeconomic Overview

Headline inflation declined through the second half of 2023, with KPMG anticipating two rate cuts in the second half of 2024.

Inflation decreased over the latter half of 2023, with Chart 11 showing a year-over-year rate of 3.4% from January 2023 to January 2024. Housing inflation slowed to 4.6%, helped by energy bill relief, against the backdrop of persistently tight rental markets. Prices remain elevated for food, apart from meats, fruits, and vegetables, which saw lower or negative annual inflation. Transport inflation eased to 3% due to lower automotive fuel costs aligning with recent crude oil price trends. Recreation and culture costs declined significantly in December 2023, largely due to the dissipation of a previous sharp monthly increase from the same period in 2022.

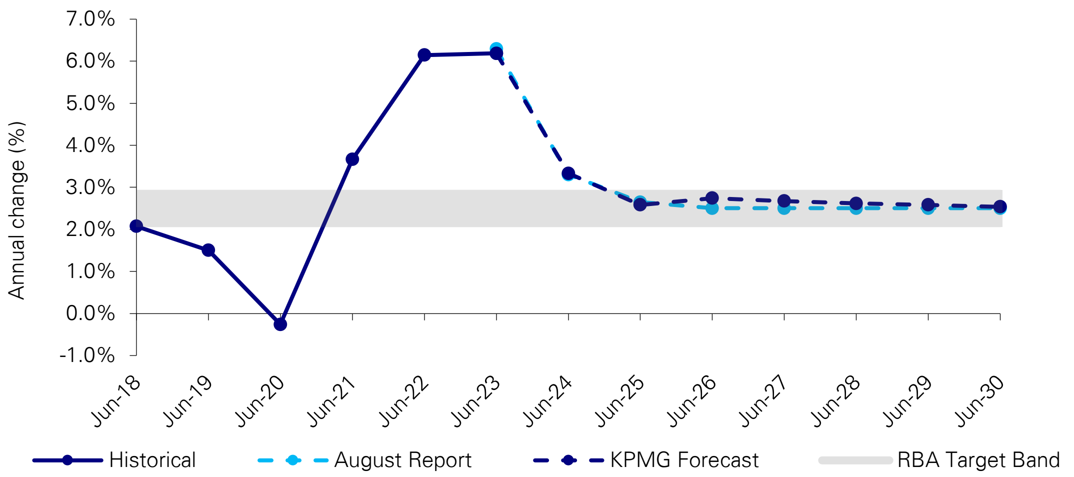
Chart 12 illustrates KPMG's updated inflation forecast. Inflation is expected ease further and reach the RBA target band of 2-3% by June 2025. Easing inflation pressures will provide the Reserve Bank of Australia (RBA) with the headroom needed to consider cash rate reductions. KPMG's central scenario has the cash rate falling to 3.85% in the second half of the year. However, there is uncertainty around persistent inflation risks such as the Middle East conflict and a strong housing market recovery, potentially spurred by buyer expectations of stable rates.

Chart 11: Monthly CPI indicator, annual change, Australia



Source: Monthly Consumer Price Index Indicator, January 2024 – ABS (2024)

Chart 12: All-Groups CPI forecast, annual change, Australia



Source: Consumer Price Index, Australia, December 2023 – ABS (2024), KPMG

Labour Market

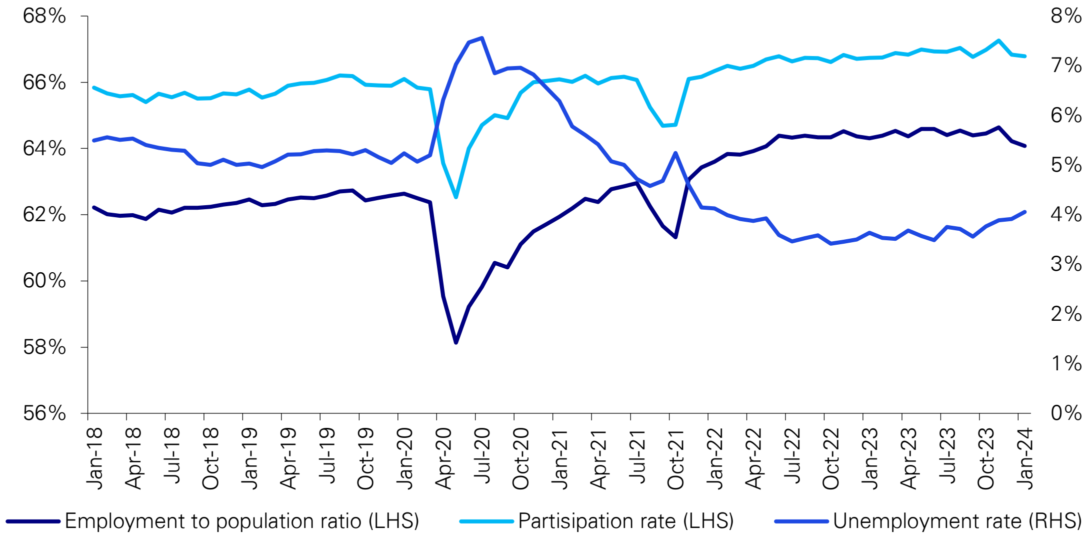
KPMG predicts that the unemployment rate will trend up to a level around the 10-year pre-COVID average.

Labour market pressures eased in the second half of 2023. Demand for workers fell while labour participation remained above the pre-COVID average. Chart 13 shows the unemployment rate increased from 3.6% in September 2023 to 4.1% in January 2024. This is the highest the unemployment rate has been since January 2022. The Australian Bureau of Statistics (ABS) suggests this is due to a higher-than-usual number of people who were not employed but who said they will be starting or returning to work in the future. Furthermore, the employment-to-population ratio, which captures the entire working-age population was 64.1% in January 2024. This was the lowest level since May 2022, but still above the 10-year pre-COVID average of 61.6%. Older age groups are still choosing to remain in the workforce and the demand for low-skilled workers is boosting youth participation.

Labour supply improved from the surge in international migration and demand eased due to the slowdown in economic activity. Job vacancies steadily declined in November 2023, falling 18% from their peak in May 2022. The SEEK's jobs ad index points to a softening in labour demand pressure, with job ad volumes declining 17.5% annually to January 2024. All industries surveyed experienced a decline in job ads.

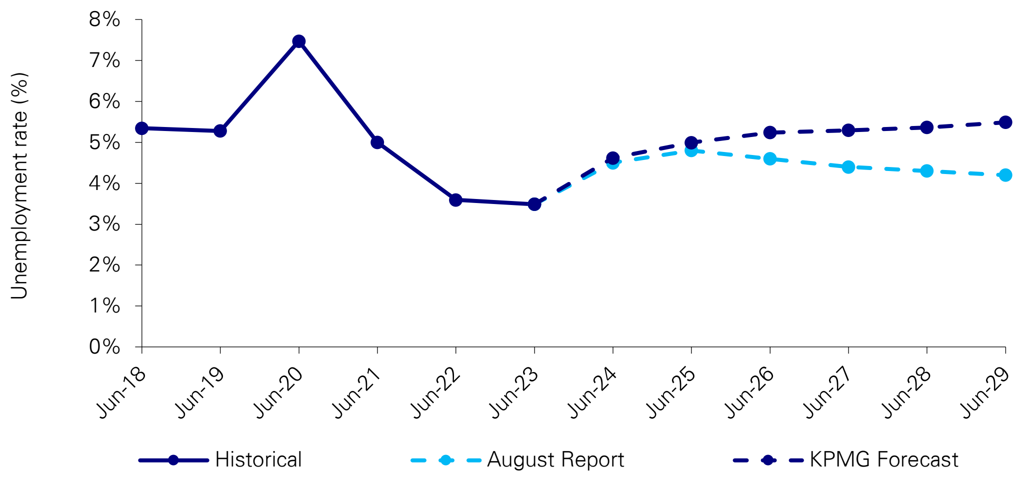
Chart 14 shows KPMG expects the unemployment rate to gradually rise to around 5% by June 2025, closing in on the 10-year pre-COVID average of 5.5%. This forecast has been revised up since the August report, mainly reflecting the impact of the sharp increase in migration through 2023, which was significantly higher than expected. The unemployment rate forecast table can be found in Appendix 2.

Chart 13: Labour market conditions, Australia



Source: Labour Force Survey, January 2024 – ABS (2024)

Chart 14: Unemployment rate forecast, Australia



Source: Labour Force Survey, January 2024 – ABS (2024), KPMG

(a) Job Vacancies, November 2023 – ABS (2023)
(b) Employment Dashboard, January 2024 - SEEK (2024)
(c) Statement on Monetary Policy, February 2024 – RBA (2024)

National Wages

Peak wage growth has been revised down for FY24 but the outlook remains largely unchanged beyond that.

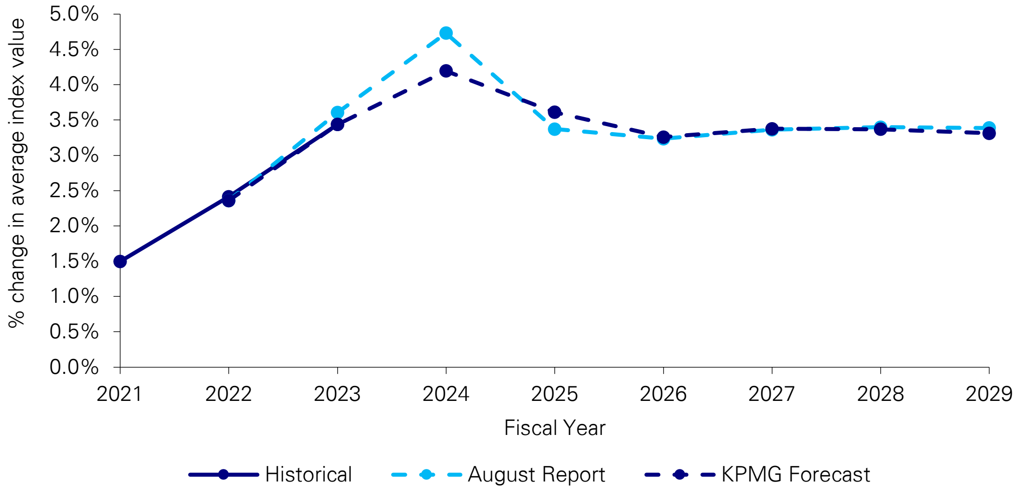
In December 2023, quarterly growth of the WPI increased by 0.9% and annual growth rose to 4.2%. Private sector wages grew by 0.9% q/q, matching the growth of December 2022. Whereas public sector wages saw the highest quarterly increase in 15 years at 1.3%. This was driven by new Enterprise Bargaining Agreements (EBAs) for Healthcare and Education workers resulting from updates to state wage policies.

Chart 15 shows that wage growth in FY23 turned out to be marginally below KPMG's forecast. In FY24, KPMG expects the labour market to continue easing as job vacancies decline and the increased supply of labour moderates wage growth. Annual wage growth is expected to peak in the first half of 2024, and then return to long-term equilibrium levels of around 3.3% by FY26. The key update to the National *All-Industry* WPI forecast since the August report is an upward revision to the unemployment rate in 2027 - 2030. This has put downward pressure on long-term wage growth.

Chart 16 shows the Real National WPI forecast. KPMG's forecast for FY24 has been revised down marginally from the August report to 0%. Real wage growth is projected to peak in FY25 as inflation falls faster than wages, which are assumed to be sticky.

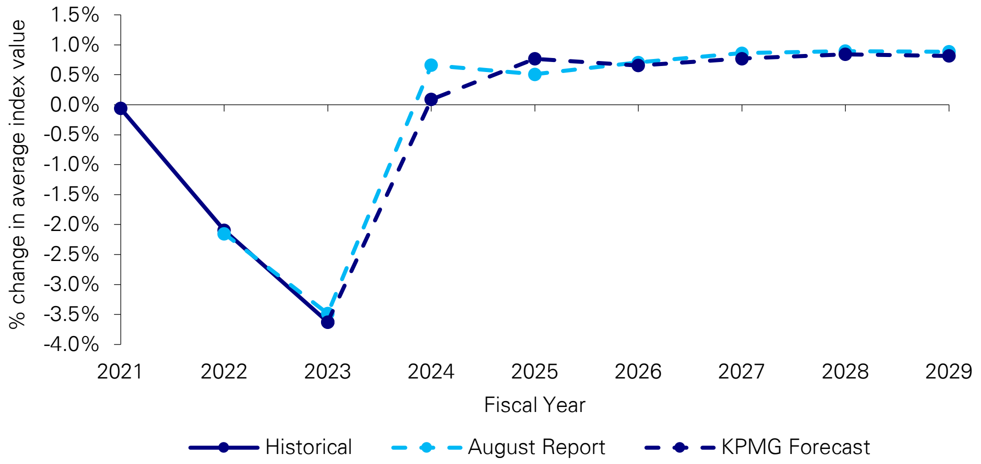
KPMG remains optimistic that labour productivity will rebound to support real wages growth in the longer term. If this does not materialise the unemployment rate is likely to be higher than KPMG is projecting.

Chart 15: National All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 16: Real National All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Utilities Industry Overview

Electricity Generation, Transmission, and Distribution

Australia primarily relies on coal for its electricity, but investment in renewables like wind, solar, and hydro is reducing this dependence. Chart 17 shows Australia's reliance on coal has declined from 85% in 1997 to 48% by 2022. The shift away from high-emission fossil fuels is driven by government policies and societal demands, leading to the planned closure of coal plants such as AGL's Liddell station in 2023 and Origin's Eraring station in 2025. Despite the growth of renewables, challenges persist, including volatile wholesale markets and differing approval processes between jurisdictions. Wind energy in South Australia, New South Wales, and Victoria are surging from strong public sector investment. Pumped hydro is becoming increasingly vital for balancing the intermittent nature of solar and wind, supporting a stable electricity supply.

As large-scale investments in renewables surge, transmission providers are expanding their systems under the Federal Government's $20 billion Rewiring the Nation Plan[a]. This plan includes key projects such as Marinus Link and VNI West. Distribution networks are adapting to allow households to return excess solar energy to the grid. Furthermore, energy-efficient technologies help offset the increase in electricity demand from population growth. Enhanced grid management is also being pursued through the accelerated deployment of smart meters, required in Victoria and encouraged in other states.

Gas

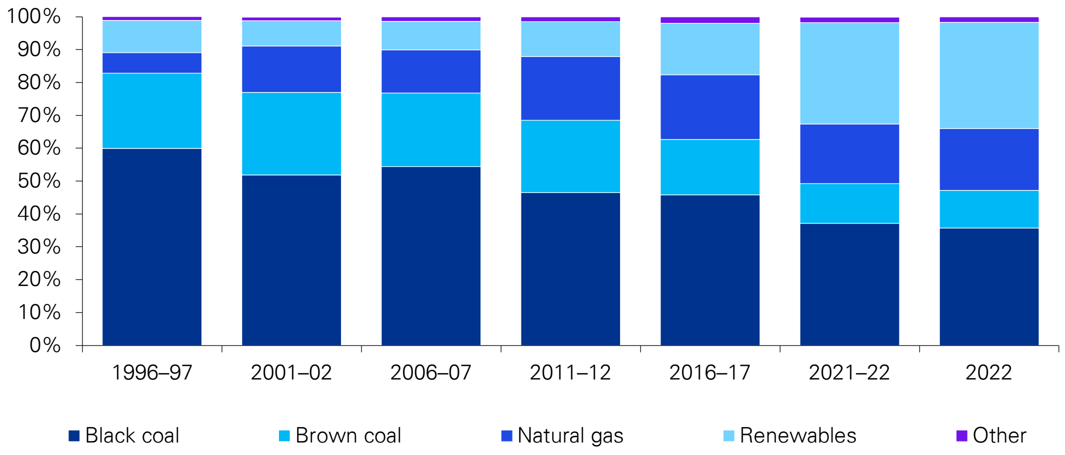
The rise of LNG exports has diverted much of Australia's gas production abroad, elevating local prices to near-global levels. Natural gas consumption within Australia is expected to decline as households adopt more energy-efficient options. Furthermore, demand from gas-fired power stations is expected to decrease with the growth of renewable energy infrastructure.

Water and Waste Treatment

Recent La Niña events have led to enhanced catchment levels and spurred investments in weather resilience projects, specifically for mitigating bushfires and floods. To ensure water security, suppliers are diversifying sources and utilising innovative management techniques for variable weather conditions. With ongoing investments in desalination plants, efforts are being made to reduce emissions and manage costs.

Meanwhile, the Waste Treatment industry has seen a rise in household waste generation, countered by declines in commercial and construction waste activities. Looking ahead, the industry anticipates handling more waste due to the post-pandemic recovery of commercial and construction sectors.

Chart 17: Electricity Generation, by fuel mix, Australia



Source: Australian Energy Update, September 2023 – Department of Climate Change, Energy, the Environment and Water (2023)

(a) 2023-24 Budget – Australian Treasury (2023)

Utilities Labour Market

Skilled labour shortages persist in the Utilities Industry.

Chart 18 shows employment growth in the *Utilities* industry has been steady over the past decade. This trend is expected to continue as Jobs and Skills Australia forecasts only 11,600 new employees will enter the industry by 2028, the lowest increase of all industries[(a)]. Despite the expected low increase in employment, the main occupations that contribute to the *Utilities* industry are currently in short supply. Table 3 below outlines the top six occupations in the *Utilities* industry, representing approximately 24% of the industry's total employment.

Table 3: Top 6 occupations in the Utilities industry

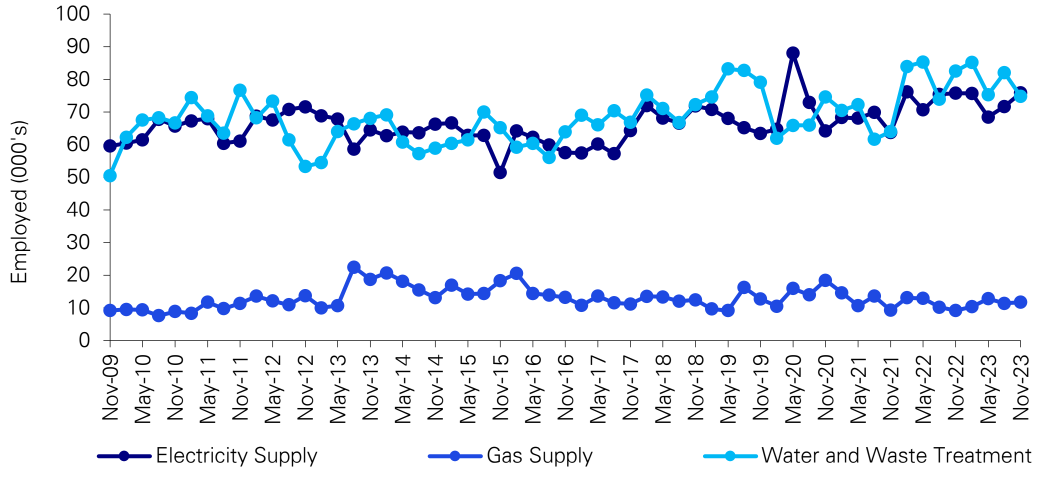
Occupation	Total employed	Currently experiencing a shortage?
Truck Driver (General)	9963	Yes – Nationwide
Electrician (General)	6963	Yes – Nationwide
Electrical Linesworker	4413	Yes – Nationwide
Waste Water or Water Plant Operator	3434	No – No shortage
Program or Project Administrator	3251	Yes – NSW and SA
Electrical Engineer	3226	Yes – Nationwide

Source: Census – ABS (2021), 2023 Skills Priority List – Jobs and Skills Australia (2023)

Five out of the six occupations are currently experiencing a shortage. This is reflected in Chart 19, which shows job vacancies per recently unemployed person in the *Utilities* industry. The chart provides an indicator of labour market pressure. During periods of high labour demand, job vacancies are typically high and people becoming unemployed is low – resulting in a high index value (e.g., first half of 2023). The latest results show the indicator is well above the previous 10-year average, reflecting the ongoing shortage of skilled labour. Furthermore, job vacancies remain robust at 4,800, only slightly lower than the peak of 4,900 in May 2023.

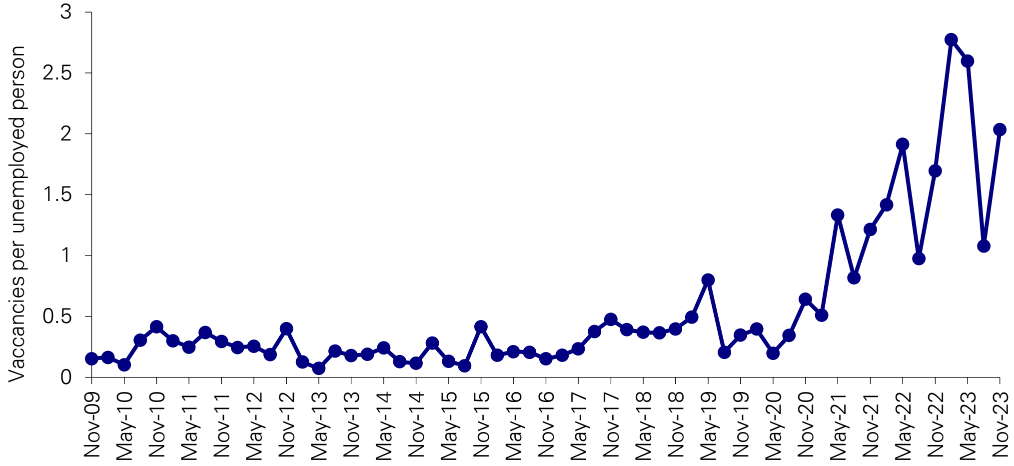
(a) 2023 Employment Projections – Jobs and Skills Australia (2023)

Chart 18: Employment, Utilities industry, Australia



Source: Labour Force Survey, January 2024 – ABS (2024)

Chart 19: Job vacancies per recently unemployed person, Australia



Source: Job Vacancies, November 2023 – ABS (2024) | Labour Force Survey, January 2024 – ABS (2024)

Utilities Labour Market

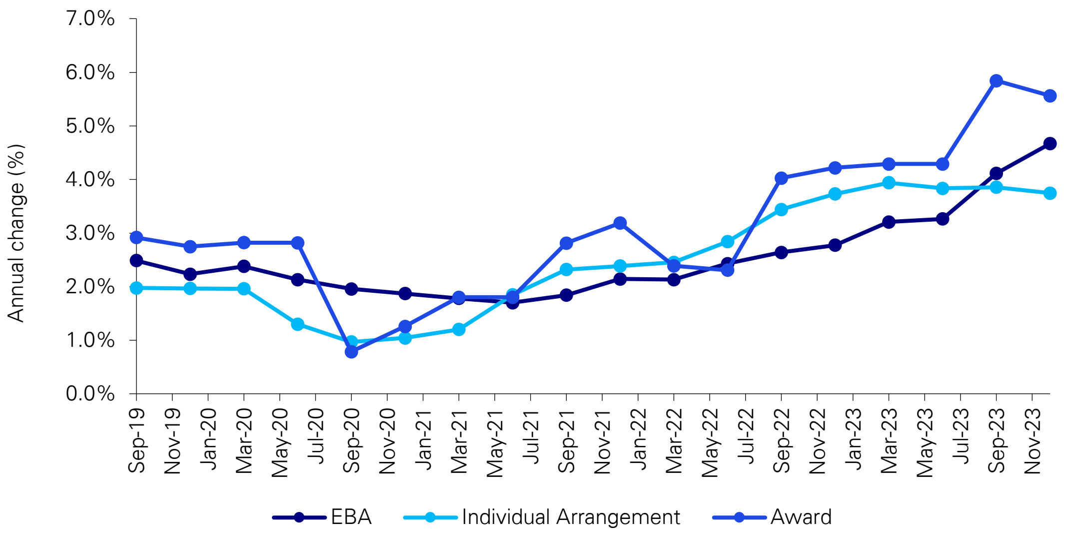
Recent EBAs are approving significant wage growth, but this is expected to moderate by 2026.

The composition of payment methods has remained steady over the past three years. Individual Agreements are most common at 38.7%, up 0.9% from 2021, followed by EBAs at 34%, up 1.1%, and Awards at 23.2%, up 0.2%[(a)].

Chart 20 shows annual wage growth by payment method. The September 2023 quarter reflects the Annual Wage Review's influence, with a 5.75% rise in award minimum wages by the Fair Work Commission. Wage growth for Individual Agreements hit a high in March 2023 of 3.9%, before decreasing to 3.7% in December. This was expected as the RBA liaison program reported a softening in wage increases towards the end of 2023[(b)]. EBA wage growth rose substantially in the September quarter of 2023, increasing from 3.3% to 4.1%. Changes in wage growth for EBA agreements typically take effect in the new financial year and are reflected in the September quarter. The notable increase of 4.1% in September 2023 corresponds with 1,072 agreements covering about 295,000 employees.

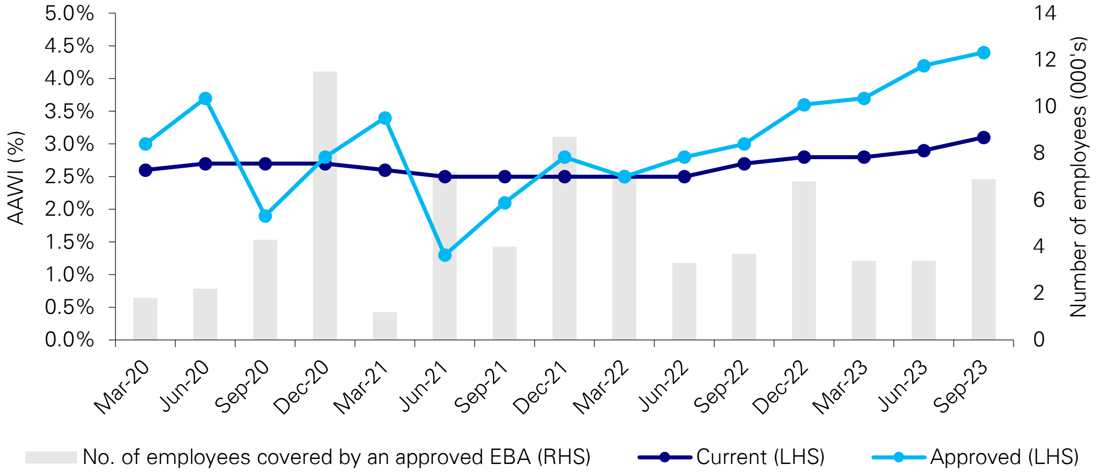
Chart 21 shows a summary of EBA wage growth in the *Utilities* industry, which covers around 57% of employees. The AAWI for recently approved agreements increased to 4.4%, covering a record 6,900 employees in September 2023. This contributed to the AAWI rising to 3.1% from 2.9% for currently enacted agreements. EBAs representing 64% of the industry's workforce are set to expire between December 2023 and September 2024, with AAWIs ranging from 2.5% to 3.5%. The anticipated higher rates in upcoming agreements are expected to further drive wage growth in the industry throughout 2024. However, the RBA's analysis of recent EBAs being lodged shows higher wage increases in 2024 than in the subsequent years of the agreement[(c)]. This suggests recent agreements will make a greater contribution to wage growth in 2024 than in subsequent years.

Chart 20: Annual wage growth by method of pay, Australia



Source: Wage Price Index, December 2023 – ABS (2024)

Chart 21: Current and approved EBAs, Utilities industry, Australia



Source: Trends in Federal Enterprise Bargaining, September 2023 – Department of Employment and Workplace Relations (2023)

(a) Employee Earnings and Hours, May 2023 - ABS (2024)
(b) Statement on Monetary Policy, February 2024 – RBA (2024)
(c) ibid

Utilities WPI

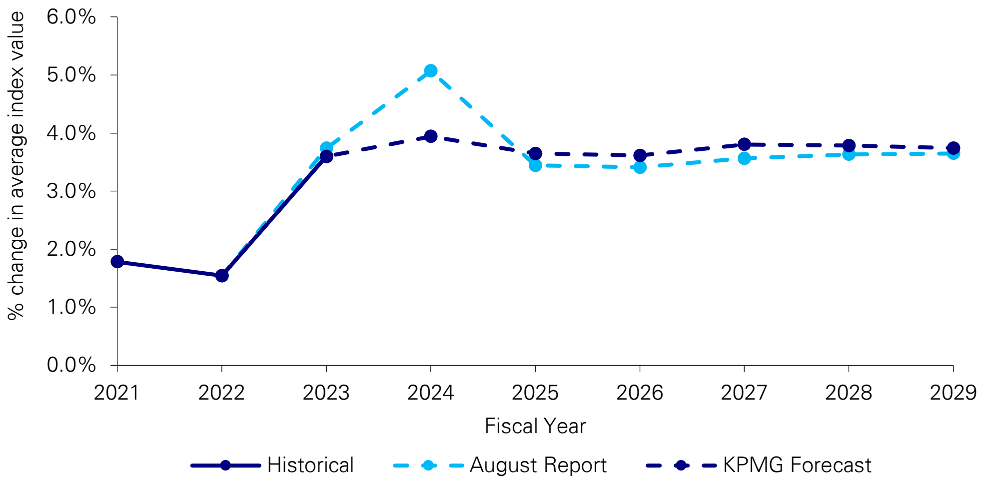
Lower-than-expected wage growth in the second half of 2023 has moderated the forecast for FY24.

After reaching a high of 3.9% in March 2023, wage growth in the National *Utilities* sector has levelled off. The peak in March included an extraordinary annual wage hike for Queensland's *Utilities* industry. This high rate of growth was sustained until September but then declined sharply in December. Consequently, annual wage growth for the National *Utilities* sector declined from 3.9% in September to 3.7% by year's end.

Chart 22 shows that KPMG's forecast for FY23 was close to the outcome of 3.6%. For FY24, KPMG's forecast has been revised down to 3.9%, mainly due to slower-than-expected growth in the New South Wales and Victorian *Utilities* WPI during the first half of FY24. This contrasts with the robust wage increases shown in EBAs depicted in Chart 20 (previous page). Chart 21 offers further context, indicating the AAWI for EBA-employed *Utilities* workers was 3.1% as of September 2023. Considering numerous EBAs in the *Utilities* sector are due to expire between December 2023 and September 2024, wage growth will likely rise in FY24. However, the RBA's review of newly approved EBAs suggests a decline in wage growth rates for 2025 and 2026. Together with the expected decline in growth rates for individual agreements, this points to wage growth realigning with the long-term trend in FY25.

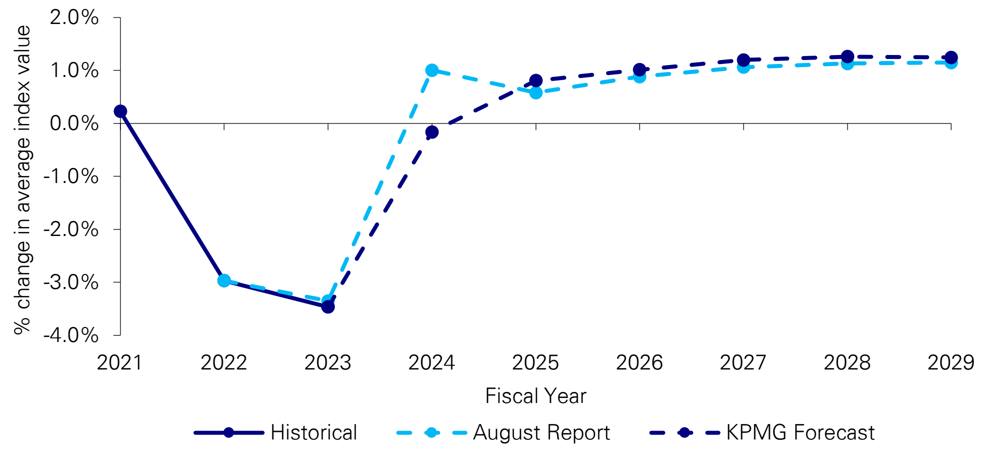
Chart 23 presents updated projections for real *Utilities* wage growth, showing a significant downward revision for FY24 from 1% to -0.2%. Real wage growth is then expected to be positive in FY25 at 0.8% and then realign with the August report's estimates.

Chart 22: National Utilities WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 23: Real Utilities WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

New South Wales Outlook

02

NSW Overview

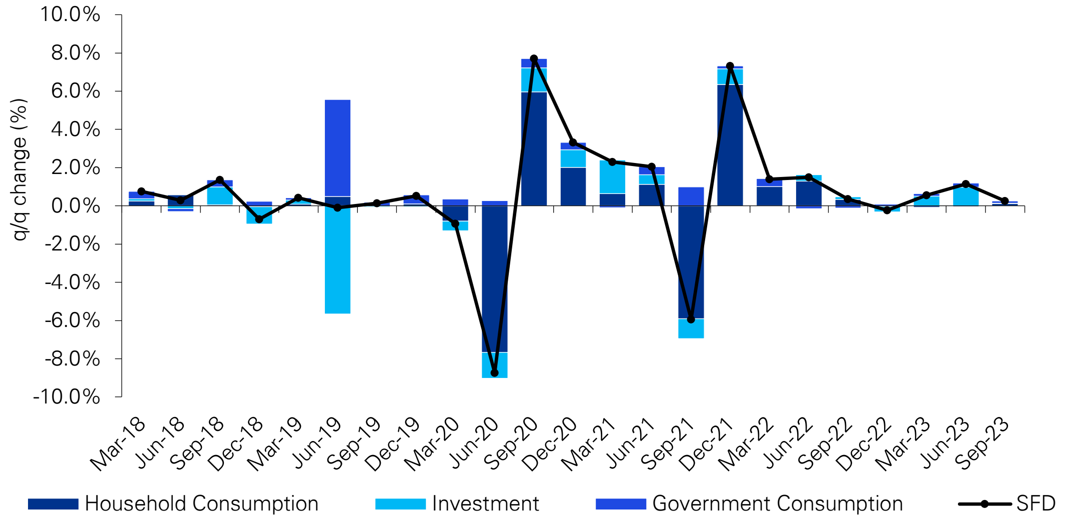
Similar to the broader national economy, NSW is facing below-trend growth and falling inflation.

Economic activity remained resilient in 2023, supported by record-breaking net overseas migration to NSW[(a)]. Despite higher housing prices enhancing household wealth, consumption remained subdued owing to elevated interest rates and living costs. Chart 24 shows business investment has remained strong, with investment being the main contributor to State Final Demand (SFD) growth in the first half of 2023. Government spending has been restrained due to inflation, high bond yields, reduced GST income, and reduced Australian Government infrastructure funding contributions.

The NSW Budget anticipates below-trend economic growth until 2026-27[(b)]. In the short term, dwelling construction is forecasted to stay weak due to low approvals, construction sector capacity, and cost pressures on residential developers. Business investment is expected to stay robust due to population growth and rising capital expenditure, boosted further by the NSW energy transition. Government spending is expected to remain subdued as the government aims for budget surpluses by 2024-25.

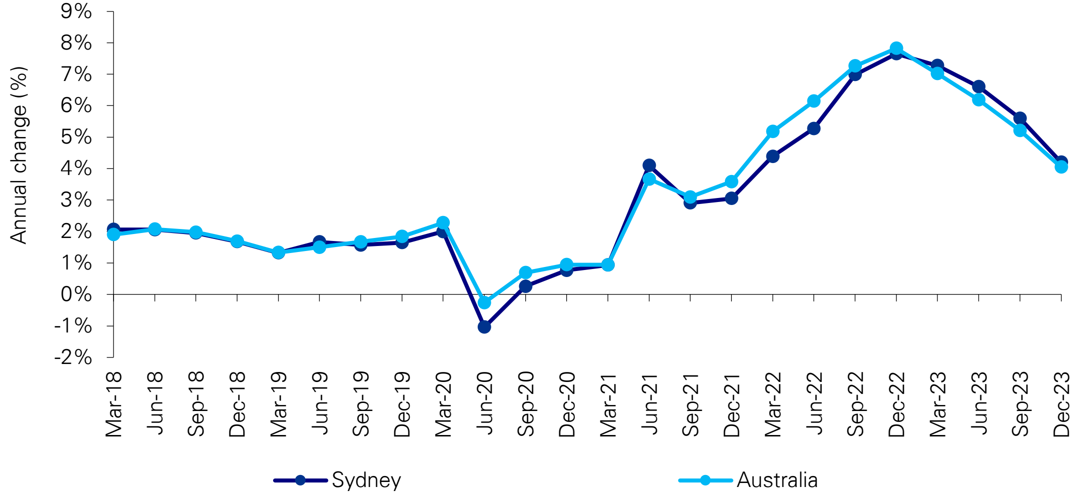
Chart 25 shows easing headline inflation due to softening goods prices and government rebates, especially in the energy sector. Conversely, a historically low rental vacancy rate continues to drive higher rents. The rapid increase in overseas migration put acute pressure on housing as migrants are more likely to rent when they arrive in Australia. This is particularly the case for international students who currently comprise a large share of the inward migration flows. KPMG expects that inflation in NSW will be similar to that for Australia as a whole. Inflation is projected to fall towards the RBA's target range, reflecting the easing of demand due to tighter monetary policy and higher costs of living together and the easing of supply constraints, including in the labour market.

Chart 24: Components of SFD growth, quarterly change, NSW



Source: Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023)

Chart 25: All-Groups CPI, annual change, Sydney



Source: Consumer Price Index, Australia, December 2023 – ABS (2024)

(a) National, State and Territory Population, June 2023 – ABS
(b) 2023-24 Half-Yearly Review – NSW Government (2024)

NSW Labour Market

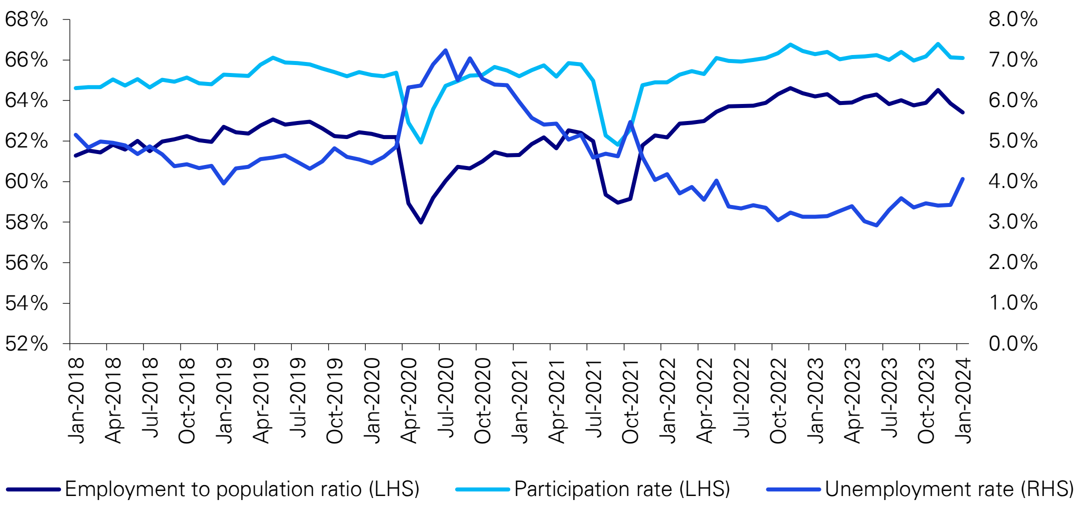
Labour market pressure has been easing through the second half of 2023

The upcoming months are predicted to see softer labour demand and a consequent deceleration in employment growth. Chart 26 shows that the employment-to-population ratio and participation rate as of December 2023 are approaching May 2019 rates. The participation rate did not change between December 2023 and January 2024, meanwhile, the unemployment rate increased 0.7pts to 4.1%. This suggests the increase in unemployment is being driven by lower job availability, rather than higher participation rates.

This is further supported by declining job advertisements and vacancies from recent peaks, and both business surveys and the RBA's liaison program indicate a downtrend in hiring intentions[(a)]. The declining trend of job vacancies per unemployed person, a metric of employment demand, is illustrated in Chart 27. The vacancies per unemployed person have declined from a peak of 1.03 in February 2023 to 0.77 in November 2023. However, the ratio remains higher than the ten-year pre-COVID average of 0.3, suggesting that labour demand will be robust in NSW through 2024.

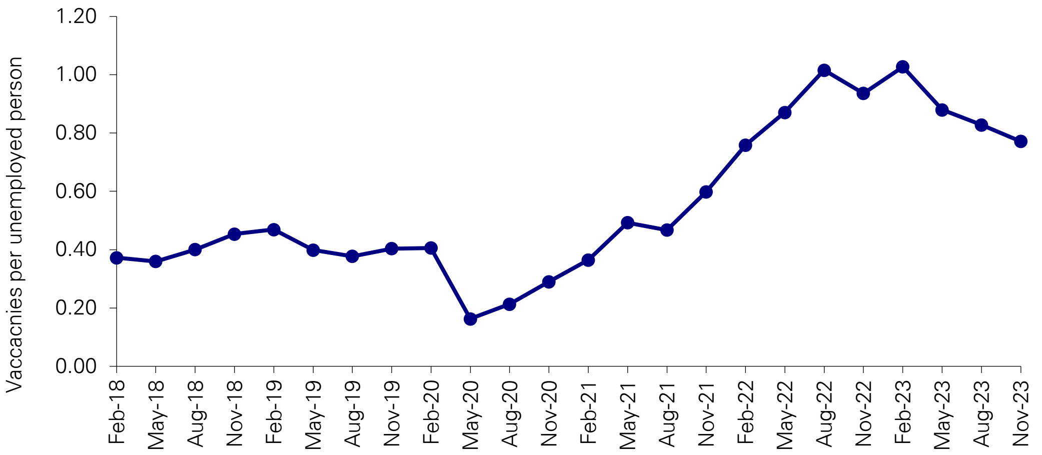
KPMG projects that the NSW unemployment rate will gradually escalate, peaking in 2024-25. Anticipated labour supply increases, stemming from robust population growth and robust workforce participation rates, are predicted to outstrip softer employment growth in NSW.

Chart 26: Labour market conditions, NSW



Source: Labour Force Survey, January 2024 – ABS (2024)

Chart 27: Vacancies per unemployed person, NSW



Source: Job Vacancies, November 2023 – ABS (2024) | Labour Force Survey, January 2024 – ABS (2024)

(a) Statement on Monetary Policy, February 2024 – RBA (2024)

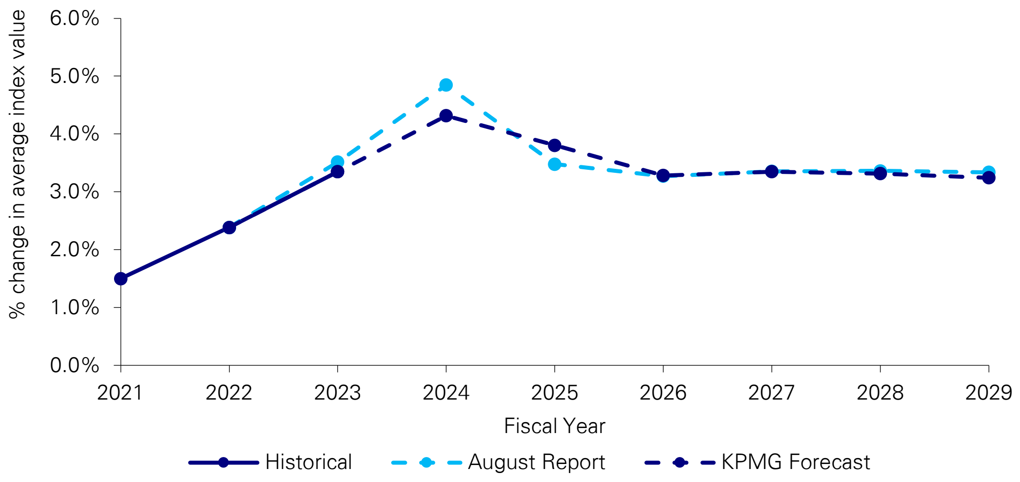
NSW All-Industry WPI

Reflecting the national revision, wage growth in FY24 has been revised down.

Reflecting its substantial scale, the New South Wales All-Industry WPI plays a significant role in steering the National All-Industry WPI, which results in growth rates that are usually closely related. In September 2023, annual wage growth was the second lowest in the country at 3.8%. In December, wage growth picked up significantly, recording the strongest quarterly growth in the country and bringing the annual growth rate in line with the national level.

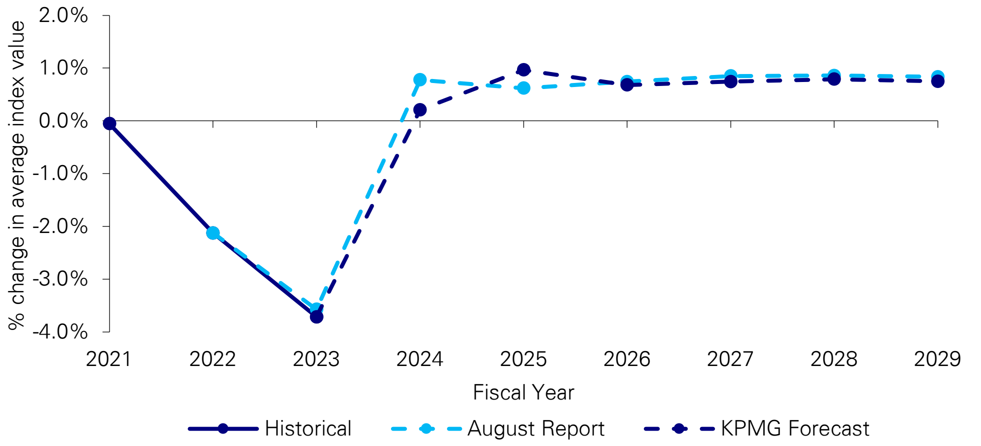
Chart 28 indicates that KPMG's projection for the NSW *All-Industry* WPI in FY23 was close to the outcome. Lower wage growth in the September quarter of 2023 has downgraded the FY24 growth projection from 4.8% to 4.3%. Wage growth is then expected to ease in FY25 and realign to estimates from the August report in FY26. Chart 29 shows that KPMG's projection for real wage growth in FY23 was close to the outcome. The peak in real wage growth is now projected to occur in FY25 as inflation falls faster than wages.

Chart 28: NSW All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 29: Real NSW All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

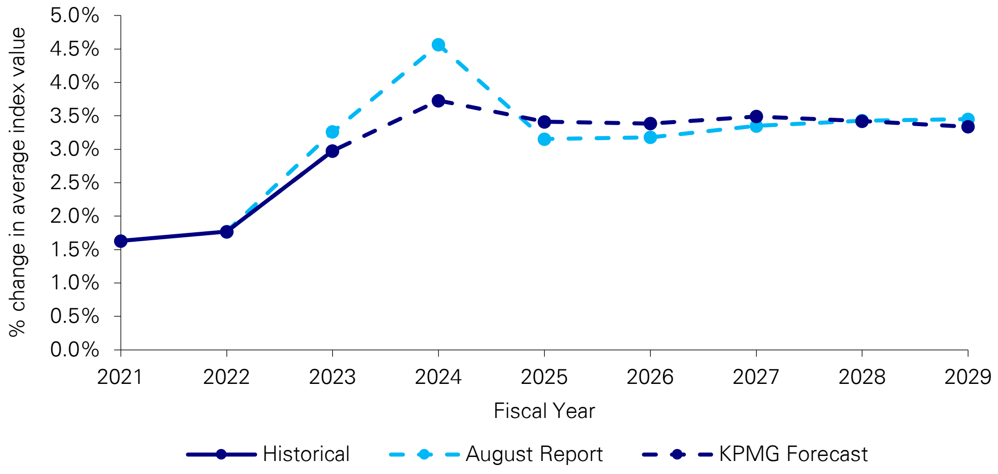
NSW Utilities Industry

Slower than expected wage growth in the second half of 2023 has revised down the FY24 peak.

The *Utilities* industry labour market remains tight – broadly in line with national labour market conditions. Recently unemployed workers in the *Utilities* industry remain well below trend. In 2023, only 520 workers lost or left their jobs in the *Utilities* industry, this is the lowest annual number of workers to lose or leave their jobs since records began in NSW[(a)]. This reflects the extremely tight labour market conditions in the industry, which have put upward pressure on wage growth.

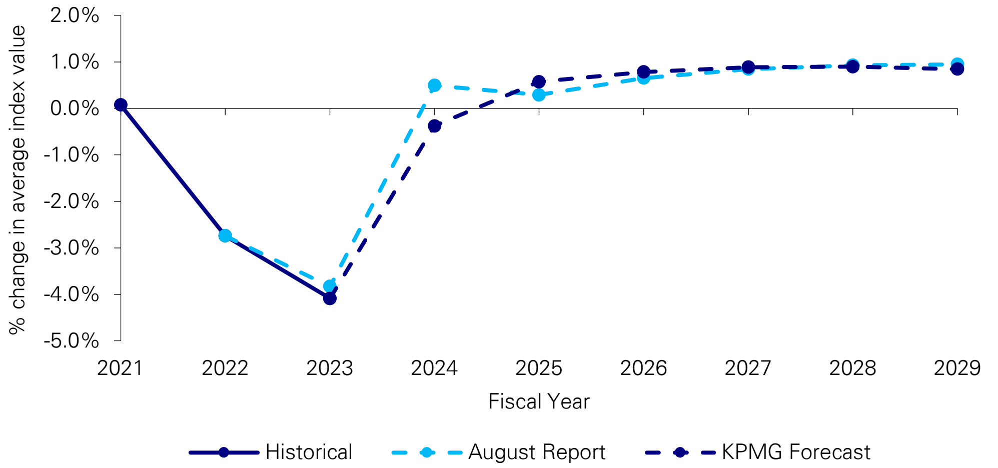
Chart 30 displays the forecast for the NSW *Utilities* WPI, which echoes the national *Utilities* forecast. The expectation for wage growth in FY24 has been adjusted downward, moving from 4.6% to 3.7%. Wage growth is then expected to gradually realign with estimates from the August report. Chart 31 reflects these revisions, with real wage growth for FY24 being revised down. The forecast is then marginally higher in FY25 as inflation falls faster than wages and then is largely unchanged from FY26.

Chart 30: NSW Utilities WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 31: Real NSW Utilities WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

(a) Labour Force Survey, January 2024 – ABS (2024)

Tasmanian Outlook

03

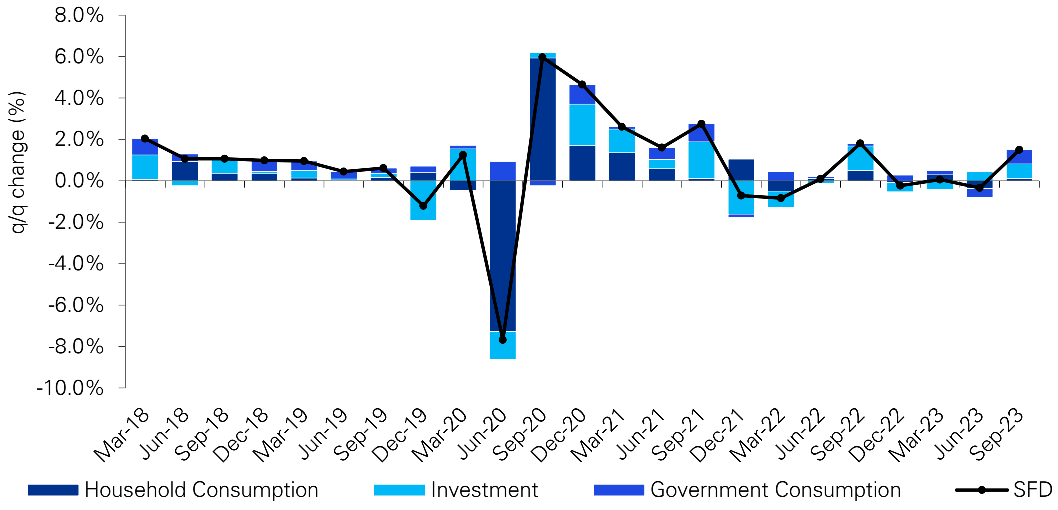
Tasmanian Overview

Tasmania's economy is experiencing below-trend growth, with inflation in Hobart dropping faster than the national average.

Chart 32 shows declining quarterly growth for SFD in the December 2022 and June 2023 quarters. This decline is attributed in part to slowing population growth, driven by high net interstate migration. Population fell in the September quarter of 2023, the first time this has happened since the COVID-19 lockdowns of September 2021. Tasmania experienced a significant dip in housing approvals, decreasing by 53% in November and 20% in December 2023[(a)]. Furthermore, business confidence and conditions ranked one of the lowest according to the National Australia Bank (NAB) Business Survey[(b)].

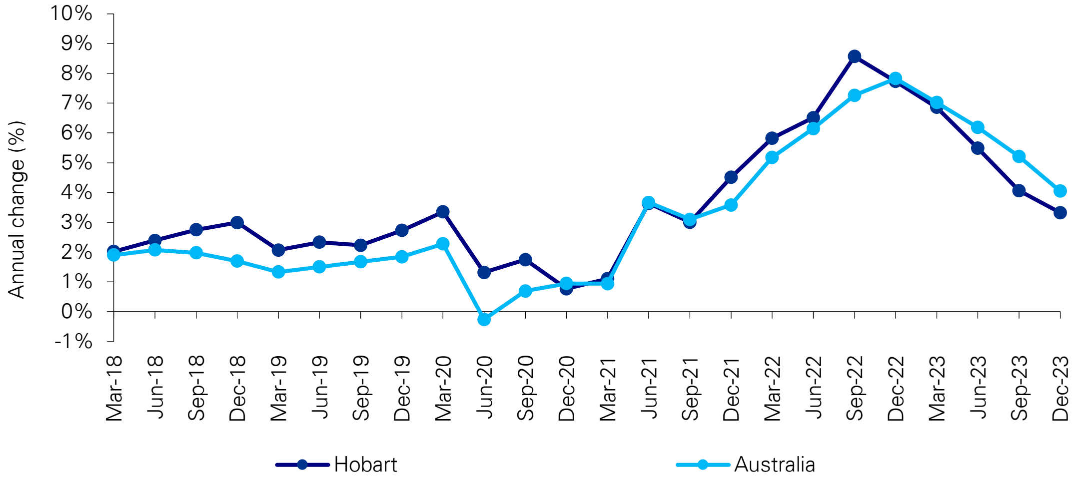
Chart 33 shows Hobart's inflation stood at 3.3% in December 2023, below the national average, with alcohol, tobacco, and housing as the main contributors. Tobacco prices rose sharply following a 5% tax increase from September 2023. Housing inflation was driven by higher costs for new owner-occupied homes and electricity, despite lower rents. These cost rises were attributed to increased construction expenses and the rollback of Energy Bill Relief Fund concessions. Hobart's inflation rate is projected to continue easing, consistent with inflation at the national level.

Chart 32: Components of SFD growth, quarterly change, Tasmania



Source: Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023)

Chart 33: All-Groups CPI, annual change, Hobart



Source: Consumer Price Index, Australia, December 2023 – ABS (2024)

(a) Building Approvals, December 2023 – ABS (2024)
(b) NAB Business Survey, January 2024 – NAB (2024)

Tasmanian Labour Market

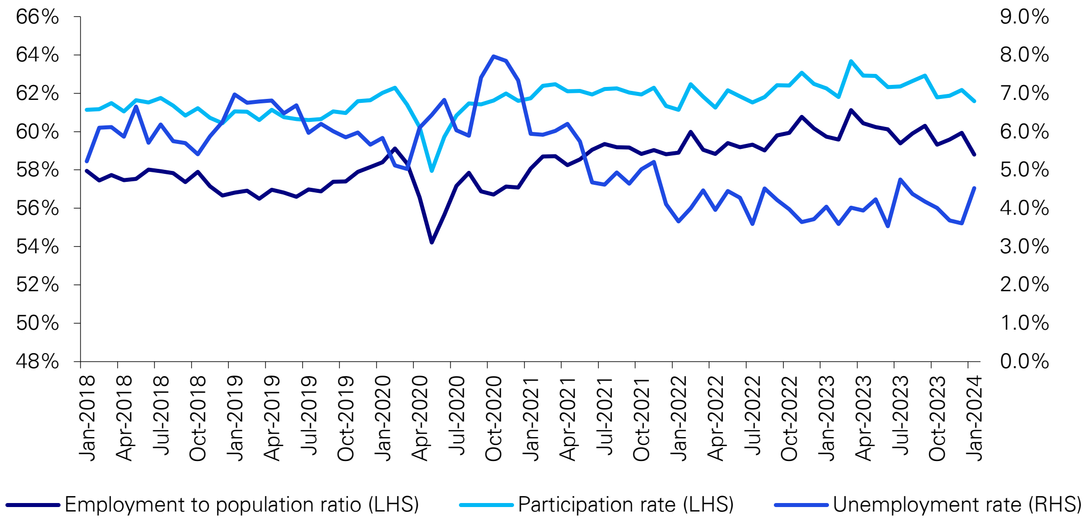
Labour market pressure has eased in early 2024 after a strong second half of 2023.

Chart 34 shows labour market pressure increased in late 2023, with the unemployment rate dropping from 4.7% in July to 3.6% in December. However, conditions eased in January 2024, with the unemployment rate increasing 0.9 pts to 4.5%. This coincided with a 1.1 pts decline in the employment-to-population ratio, following a departure of 9,100 workers from the workforce—the largest monthly exit since early 2020.

Tasmania's participation rate was 5.2 pts lower than the national rate, partly because 32% of its workforce is aged 50 or older, compared to 28% nationally. With a larger ageing population, Tasmania faces increasing retirements over the next decade, limiting labour supply. Compounded by recent higher interstate migration, Tasmania's skilled labour availability is expected to stay tight in the short to medium term.

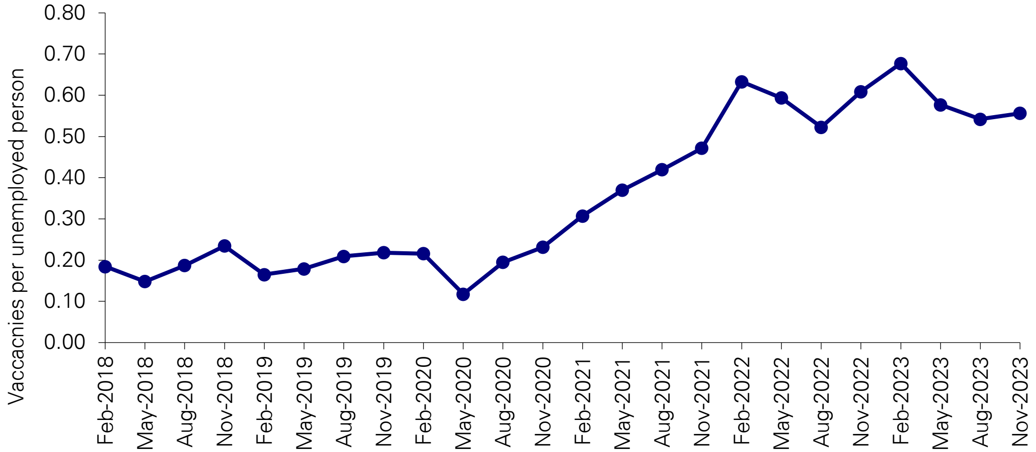
Chart 35 shows a decrease in the ratio of job vacancies per unemployed person in Tasmania, from 0.68 in February 2023 to 0.54 in August 2023. A slight uptick in November 2023 bucked the national trend as declining job vacancies were offset by a decreasing unemployment rate in late 2023. This is expected to be temporary as job vacancies have been consistently falling from their February peak of 7700 to 6500 in November. Furthermore, a sharp increase in the unemployment rate in January 2024 suggests a downward trajectory for the ratio in early 2024. Nevertheless, the ratio remains significantly above the ten-year pre-COVID average of 0.15, suggesting the labour market will remain tight through 2024.

Chart 34: Labour market conditions, Tasmania



Source: Labour Force Survey, January 2024 – ABS (2024)

Chart 35: Vacancies per unemployed person, Tasmania



Source: Job Vacancies, November 2023 – ABS (2024) | Labour Force Survey, January 2024 – ABS (2024)

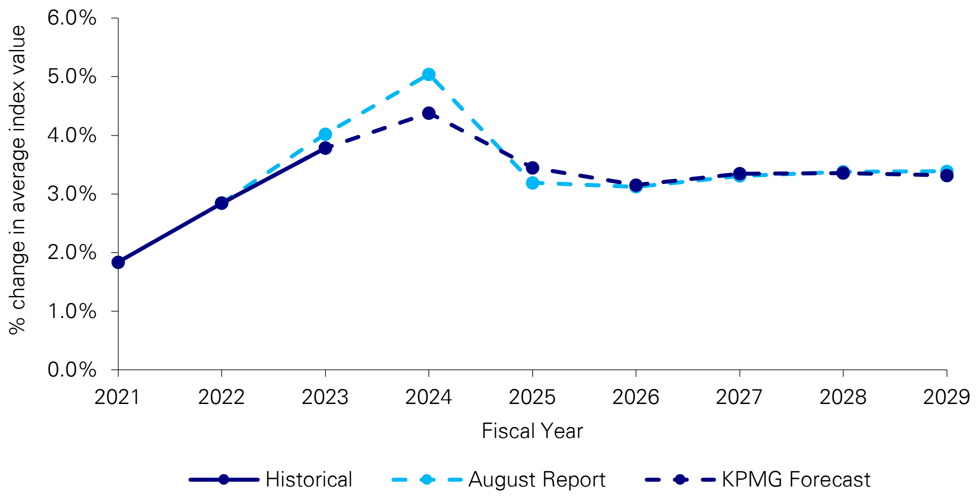
Tasmanian All-Industry WPI

Reflecting the national revision, wage growth in FY24 has been revised down.

Wage growth in Tasmania typically outstrips the national average, with 70% of its workforce under an Award or an EBA, which is well above the national average of 57%[a]. These wage-setting mechanisms often yield higher wage growth[b]. In September 2023, Tasmania saw a 4.4% growth in annual wages, the third highest behind Western Australia and Queensland. However, the December quarter saw Tasmania have the lowest quarterly growth in the country at 0.5%, with a decline in annual growth to 4.3%.

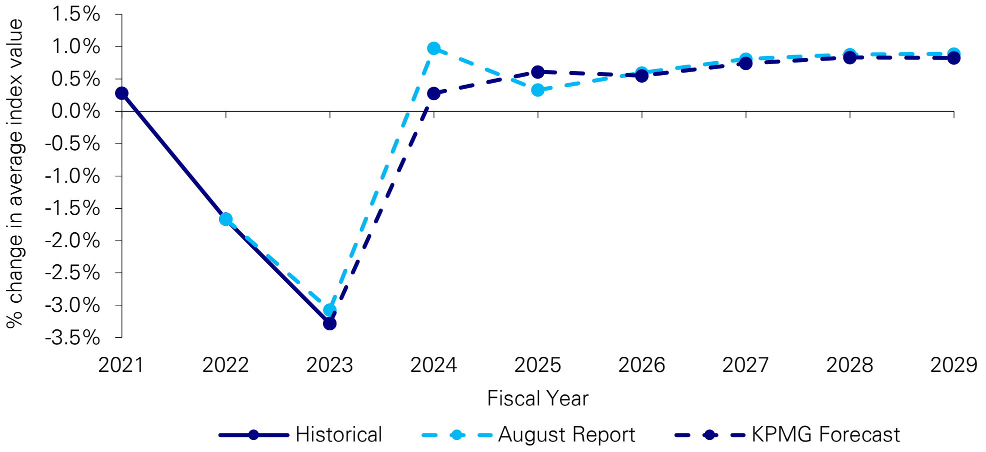
Chart 36 illustrates that the actual Tasmanian All-Industry WPI for FY23 was in line with KPMG's earlier prediction. Lower-than-expected growth in the December quarter has revised down the FY24 wage growth estimate from 5% to 4.4%. Similar to the national profile, wage growth is then expected to ease through FY25 and realign estimates from the August report in FY26. Chart 37 reflects these revisions, with lower real wage growth expected in FY24. The FY25 forecast is marginally higher due to inflation falling faster than wages. The forecast is then relatively unchanged from FY26.

Chart 36: Tasmania All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 37: Real Tasmania All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

(a) Employee Earnings and Hours, May 2023 – ABS (2024)
(b) Wage Price Index, December 2023 – ABS (2024

Tasmanian Utilities Industry

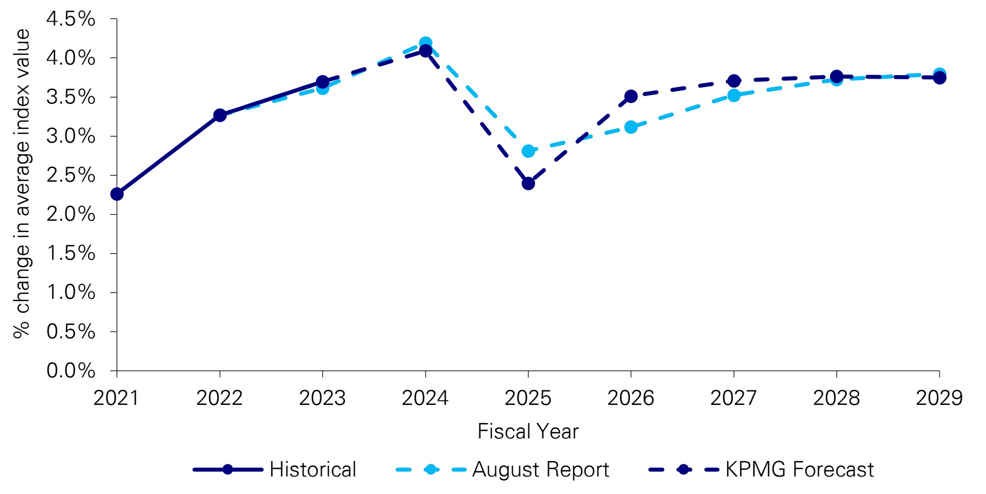
Demand for energy workers may ease due to uncertainty in energy transmission investment.

Post-COVID investment in Tasmania's *Utilities* industry remains steady despite uncertainties surrounding major energy projects and significant cost overruns affecting infrastructure investment. The Tasmanian Government has scaled back the Marinus Link project, one of the flagship energy transmission projects in the state, due to cost overrun concerns. This has created uncertainty for future Tasmanian energy projects, such as HF Global's e-fuel plant and ACEN Australia's wind farm, that were aiming to feed into the Marinus Link.

The labour market remains tight in Tasmania's *Utilities* industry, with no one recently unemployed from August 2021 to November 2022. In 2023, unemployment rose, likely due to TasNetworks's downsizing from over 1,230 to approximately 1,040 FTE positions, with 105 voluntary redundancies and further reductions through controlled vacancies and attrition[(a)]. By November 2023, no one either left or lost their job in the *Utilities* industry[(b)].

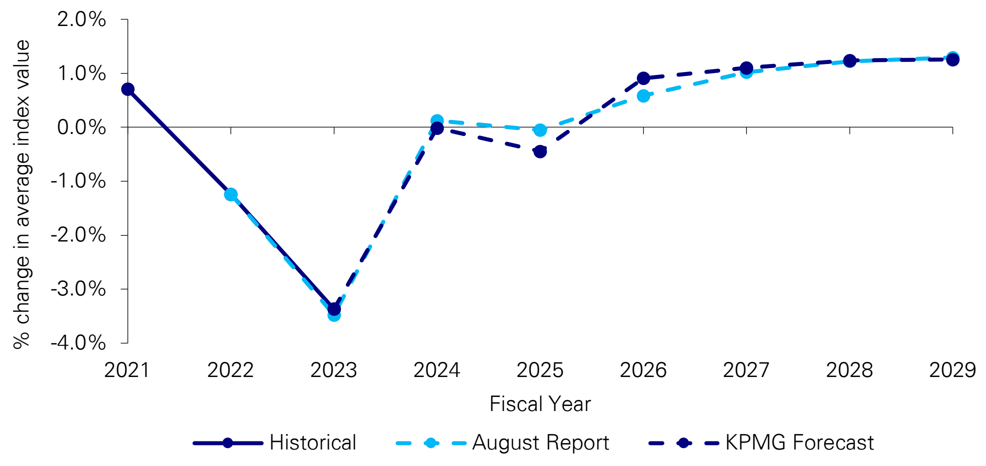
Chart 38 shows the projection for FY23 was close to the outcome. The projection for wage growth has been revised down for FY25, reflecting the uncertainty for key projects in the near term. Wage growth is expected to rebound in FY26 before returning to estimates from the August report. Chart 39 reflects these revisions, with real wage growth being lower in FY25 and then rebounding in FY26. The forecast is then relatively unchanged from FY27.

Chart 38: Tasmania Utilities WPI forecast, annual change



Source: KPMG calculation

Chart 39: Tasmania Real Utilities WPI forecast, annual change



Source: KPMG calculation

(a) Media release, November 2023 – TasNetworks (2023)
(b) Labour Force Survey, January 2024 – ABS (2024)

Northern Territory Outlook

04

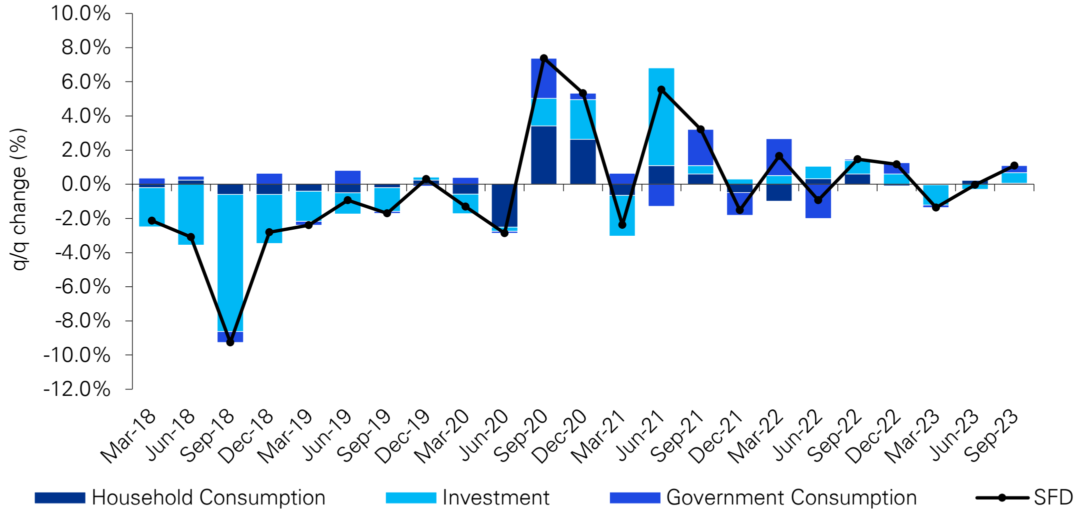
Northern Territory Overview

SFD growth was flat through the year to September 2023, but public sector investment is projected to rise over the next four years.

Chart 40 shows a decline in SFD in the first two quarters and a minor recovery in September 2023. The Northern Territory Government projects a 3.1% SFD increase in 2023-24, followed by a dip in 2024-25 as the Barossa Gas project's construction phase concludes and private investment drops. Significant public investment is anticipated over the next four years from the Federal Government. The Department of Defence has committed $3.8 billion for infrastructure upgrades, which will require skilled labour for design and construction. Additionally, the Australian Government revised the Northern Australia Infrastructure Facility (NAIF) mandate to drive northern community benefits, focusing on social infrastructure like housing. Existing NAIF investments include contributions to Charles Darwin University, the Darwin Ship Lift, and airport upgrades in Darwin, Tennant Creek, and Alice Springs.

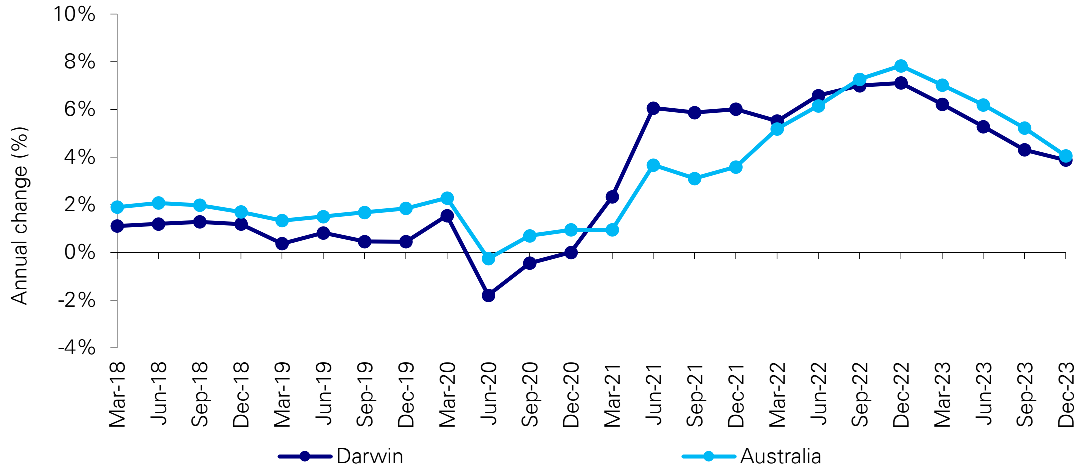
In 2023, the NT saw a decline in annual inflation, mirroring the national trend as shown in Chart 41. The region experienced a decline in housing inflation due to government subsidies. Furthermore, the Sports Voucher Scheme for school children ended, pushing up education costs in December. KPMG expects that Darwin's inflation will follow the national average.

Chart 40: Components of SFD growth, quarterly change, NT



Source: Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023)

Chart 41: All-Groups CPI, annual change, Darwin



Source: Consumer Price Index, Australia, December 2023 – ABS (2024)

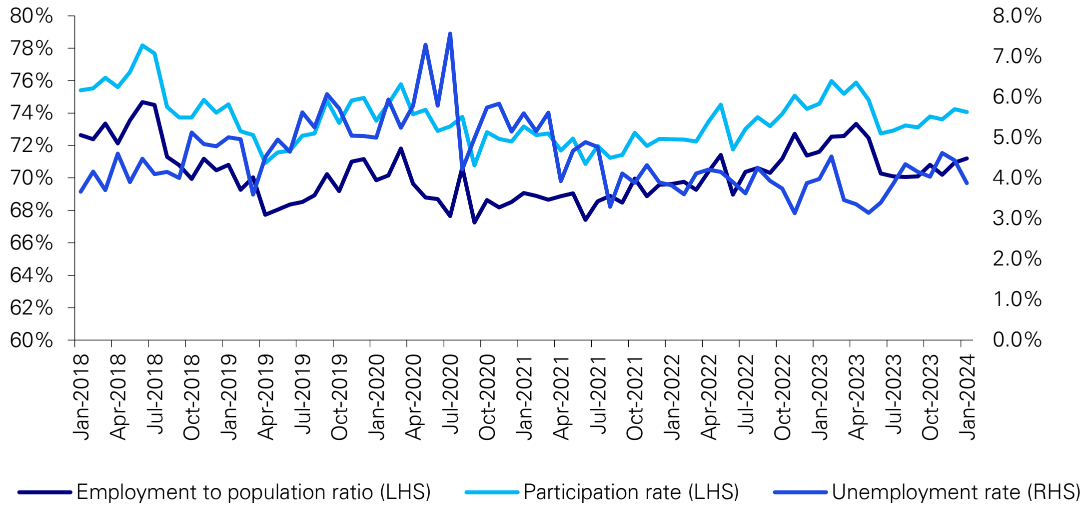
Northern Territory Labour Market

Declining job vacancies and an easing of labour market conditions are expected to increase the unemployment rate in 2024.

Chart 42 highlights that the Northern Territory recorded the biggest monthly unemployment rate drop of all states and territories, falling by 0.6 points from December 2023 to January 2024. Furthermore, the employment-to-population ratio rose by 1.1pts and the participation rate remained steady at around 74%. In combination, these statistics suggest that labour market conditions remain robust.

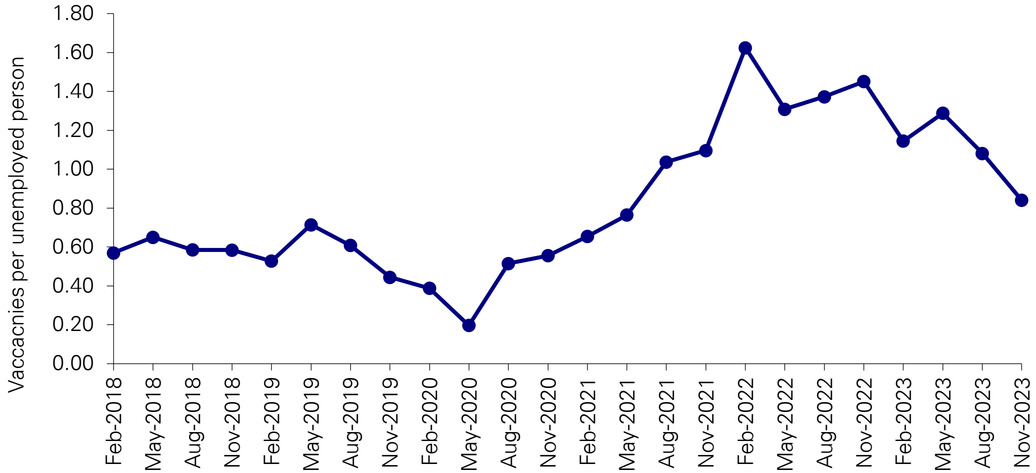
Chart 43 reflects a decreasing trend in the vacancy-to-unemployment ratio in NT, dropping from 1.15 in February 2023 to 0.84 in November 2023. This is similar to NSW. An increase was observed in May 2023, correlating with the lowest unemployment rate of the year. However, job vacancies have fallen from a high of 8,500 in February 2022 to 5,200 in November 2023. Despite the decline, the ratio remains above the ten-year pre-COVID average of 0.63, suggesting continued strong labour demand in NT into 2024.

Chart 42: Labour market conditions, NT



Source: Labour Force Survey, January 2024 – ABS (2024)

Chart 43: Vacancies per unemployed person, NT



Source: Job Vacancies, November 2023 – ABS (2024) | Labour Force Survey, January 2024 – ABS (2024)

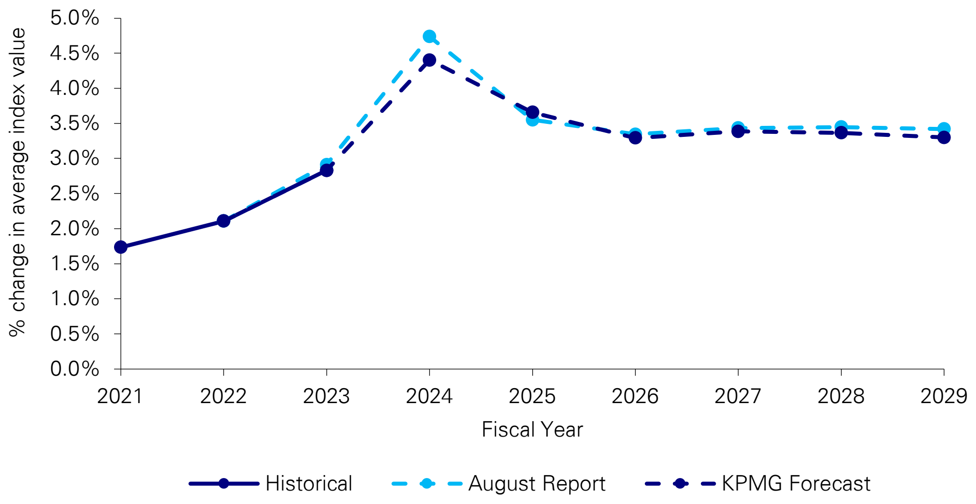
Northern Territory All-Industry WPI

Wage growth expectations are broadly similar to the August report.

Wage growth in the NT has aligned with the nationwide trend throughout 2023. As of March, the NT's All-Industry WPI stood at 2.9%, which was lagging behind the national average of 3.6%. By September wage growth in NT had accelerated to 4.2%. This slightly surpassed the national average by 0.1 pts and remained aligned to the national average in December.

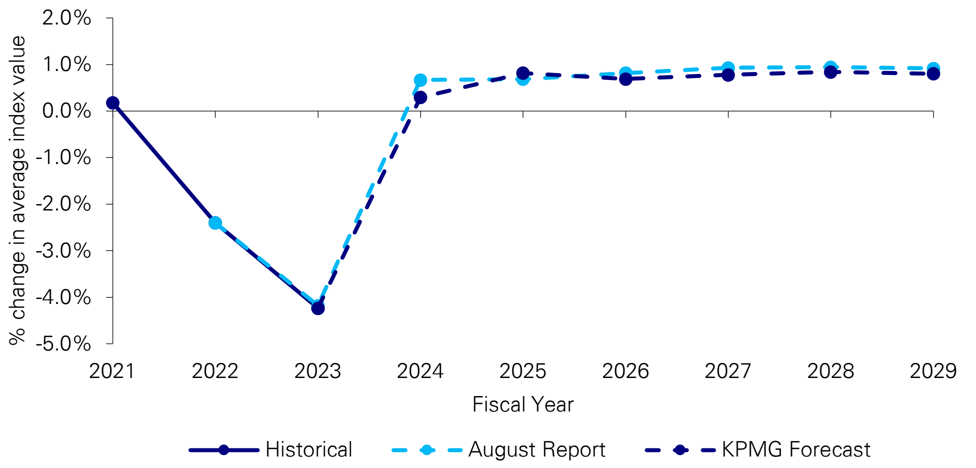
Chart 44 shows actual NT *All-Industry* WPI for FY23 was in line with previous expectations. The forecasts have had a minor revision down for FY24. The forecasts from FY25 are largely unchanged from the August report. Chart 45 shows the actual real wage growth achieved in FY23 was in line with previous estimates. Real wage growth is still expected to be positive in FY24.

Chart 44: NT All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 45: NT Real All-Industry WPI forecast, annual change



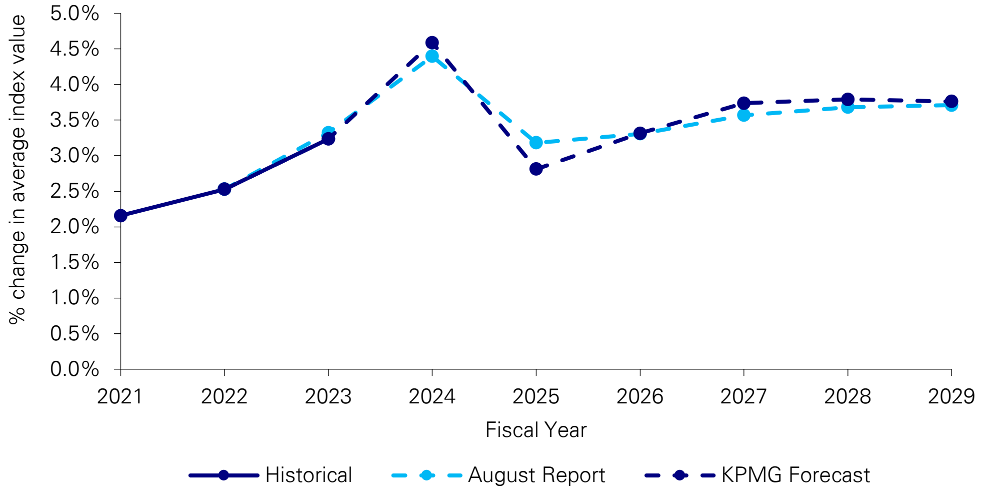
Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Northern Territory Utilities Industry

The tight labour market in the *Utilities* industry is anticipated to persist into the first half of 2024.

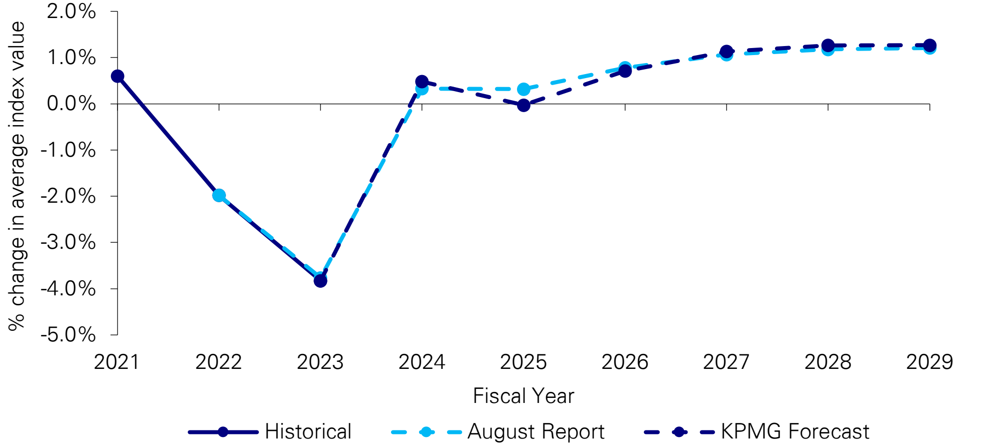
The *Utilities* labour market in the NT remained tight through 2023, with zero new unemployment reported from August 2022 to August 2023, followed by an increase of 200 in November[(a)]. Chart 46 shows actual results for FY23 were in line with the forecast from the August report. The forecast for FY24 is largely unchanged. The forecast for FY25 has been revised down slightly, reflecting a steeper expected decline from the peak. Wage growth is then expected to realign with long-term growth rates. These revisions can be seen in Chart 47, which shows real wage growth slightly lower in FY25 before realigning with the long-term trend at around 1.2%.

Chart 46: NT Utilities WPI forecast, annual change



Source: KPMG calculation

Chart 47: NT Real Utilities WPI forecast, annual change



Source: KPMG calculation

(a) Labour Force Survey, January 2024 – ABS (2024)

KPMG

Australian Capital Territory Outlook

05

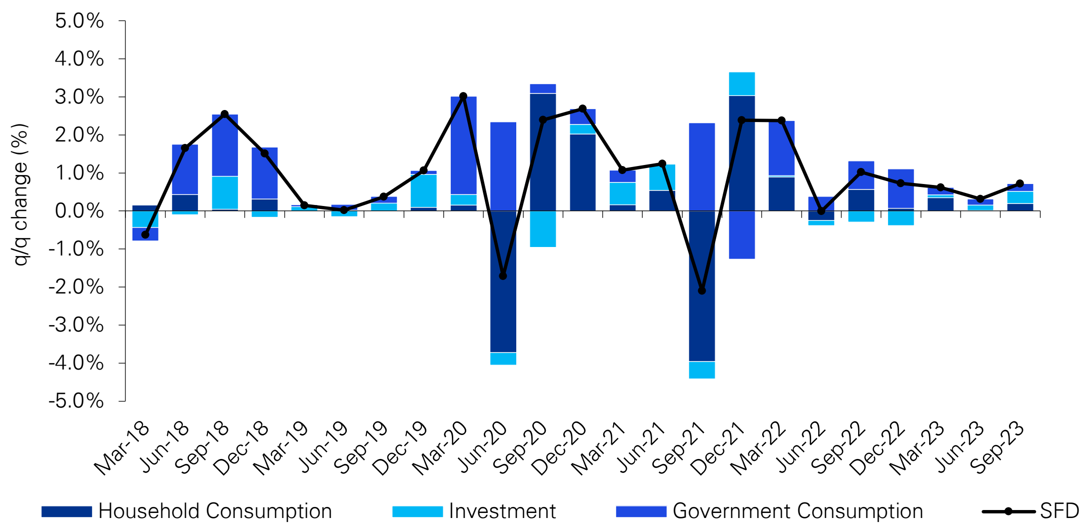
ACT Overview

The ACT economy was supported by the arrival of overseas students in 2023. Government investment is expected to be strong in 2024.

Chart 48 shows strong SFD growth through 2023, notably driven by rising investments. The ACT Government forecasts strong public investment in FY24, propelled by its Infrastructure Investment Program. Significant contributions to this growth are expected from investments in social and affordable housing, Canberra Hospital's Expansion, Light Rail Stage 2A, and the new Woden CIT campus. Furthermore, around 87% of recent population growth has been from overseas immigrants, with a majority being international students. This is expected to support export growth through 2024. Despite the anticipated growth in exports and investment, the ACT Government predicts a slowdown in economic growth for FY24 due to reduced household spending amid rising interest rates and living costs.

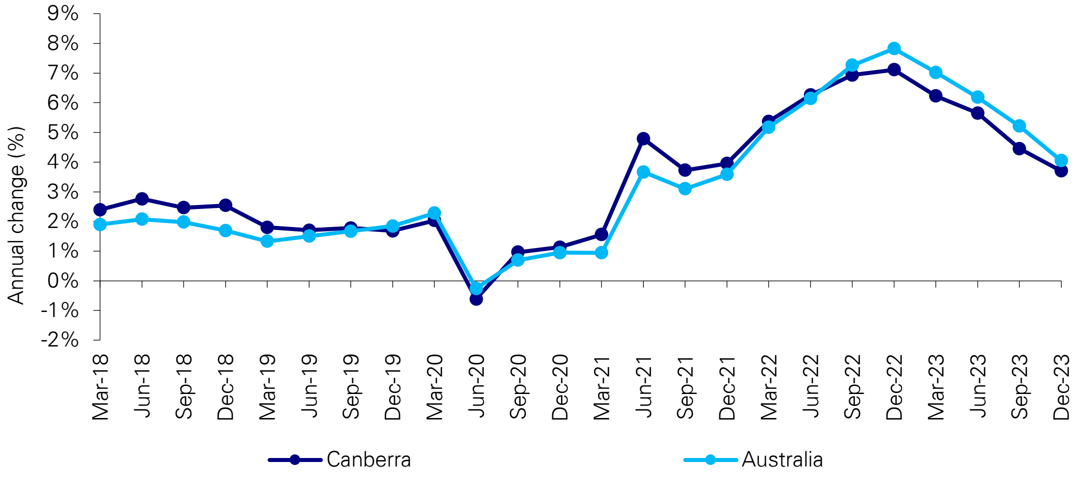
Chart 49 shows Canberra's inflation has been slightly below the national average at 3.7%. ACT's *Utilities* Concession Scheme helped keep housing inflation down through energy subsidies.

Chart 48: Components of SFD growth, quarterly change, ACT



Source: Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023)

Chart 49: All-Groups CPI, annual change, Canberra



Source: Consumer Price Index, Australia, December 2023 – ABS (2024)

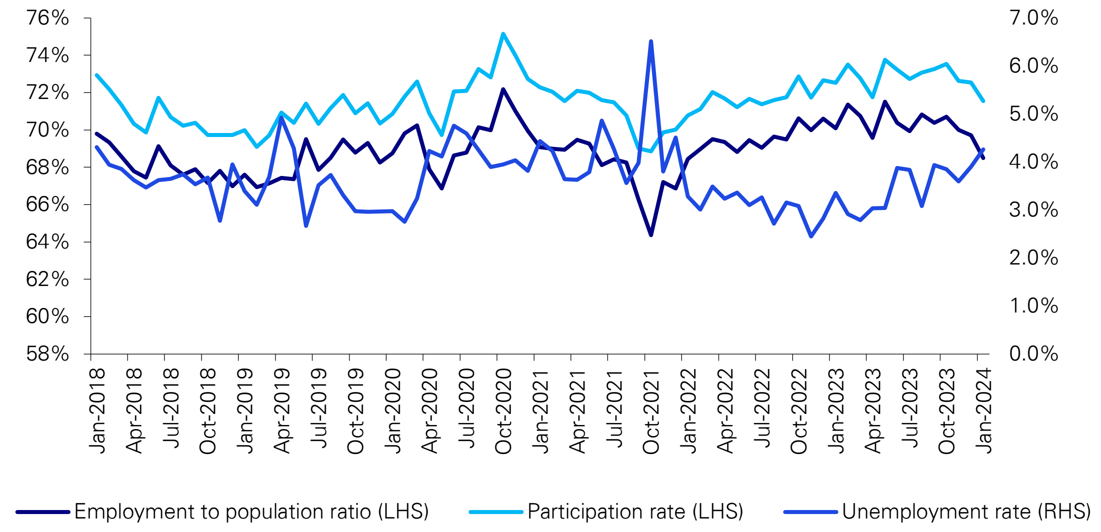
ACT Labour Market

The labour market softened in the latter half of 2023 and labour demand is expected to decline through 2024.

Chart 50 indicates that the ACT's labour market weakened in late 2023. The unemployment rate rose to 4.1% in January 2024 and the employment-to-population ratio and participation rate declined sharply, approaching their 10-year pre-pandemic average.

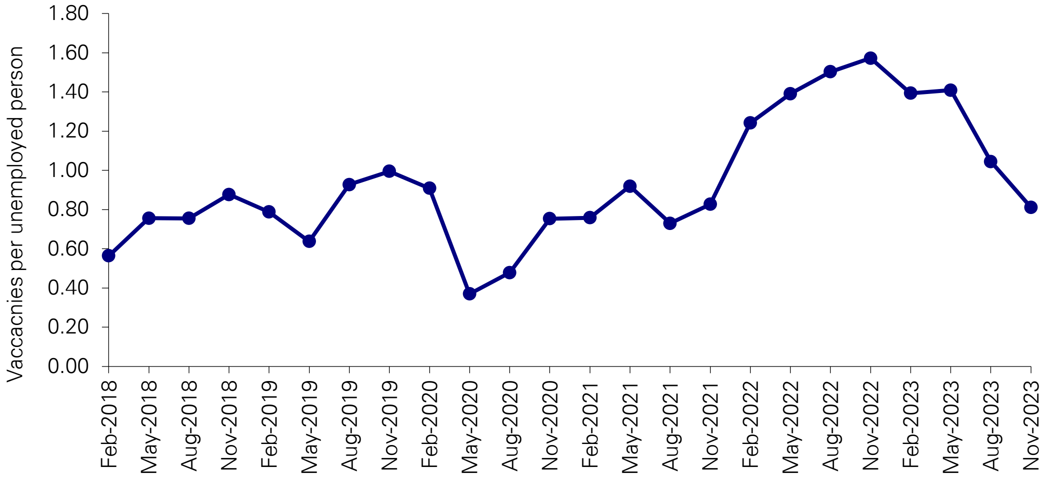
Chart 51 shows the job market in the ACT weakened in 2023. There was a significant drop in job vacancies per unemployed person in November 2023, declining to 0.81. The main driver for this downturn is the reduction in available job positions. In January, the number of vacancies dropped to 8,600 from 10,400 in August 2023, marking the most substantial decrease since the pandemic[(a)].

Chart 50: Labour market conditions, ACT



Source: Labour Force Survey, January 2024 – ABS (2024)

Chart 51: Vacancies per unemployed person, ACT



Source: Job Vacancies, November 2023 – ABS (2024) | Labour Force Survey, January 2024 – ABS (2024)

(a) Job Vacancies, November 2023 – ABS (2024)

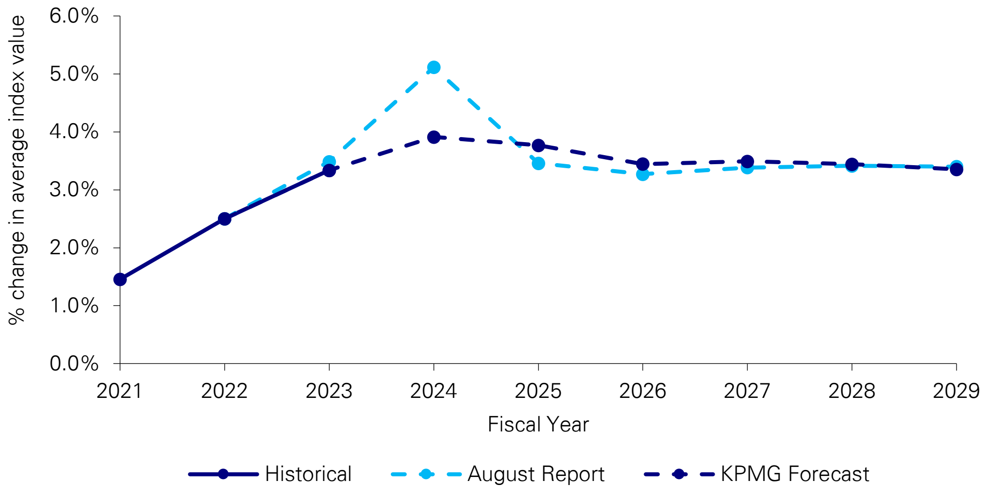
ACT All-Industry WPI

Reflecting the national revision, wage growth in FY24 has been revised down.

In the ACT, around 51% of employees are on an EBA, which typically rolls over wage growth in the new financial year. This is reflected in wage growth peaking in September 2023 at 4.3%. In December, annual wage growth declined to 3.9%, the second lowest in the country ahead of Victoria.

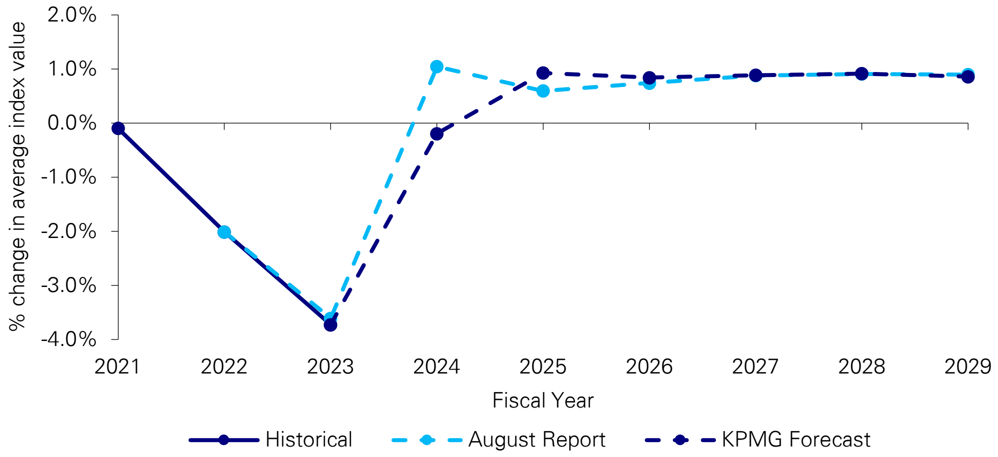
Chart 52 shows wage growth was in line with the August report's projections in FY23. Slower-than-expected wage growth in the second half of 2023 has flowed through into the forecast for FY24. Wage growth is then expected to ease in FY25 and realign with the August report's estimates in FY26. Chart 53 reflects these revisions, with real wage growth lower in FY24. The FY25 forecast is slightly higher due to inflation falling faster than wages and then largely unchanged from FY26.

Chart 52: ACT All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

Chart 53: ACT Real All-Industry WPI forecast, annual change



Source: Wage Price Index, December 2023 – ABS (2024), KPMG

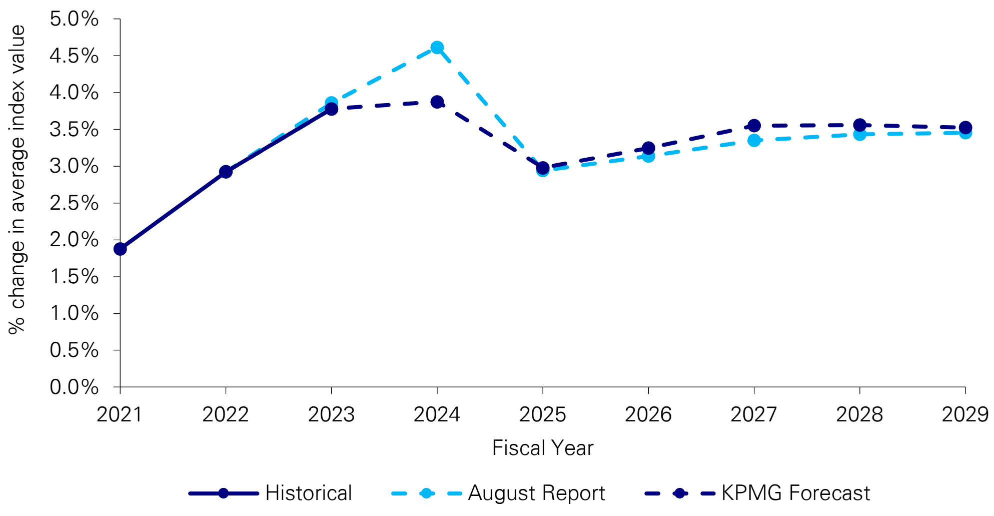
ACT Utilities Industry

The FY24 forecast has been revised down, mainly due to slow wage growth in the second half of 2023.

A tight labour market for the *Utilities* industry persists in the ACT. There was an absence of recently unemployed persons from February 2021 through October 2022. There was an exodus of 400 employees in February 2023. Since then, no further departures or job losses have been reported[(a)].

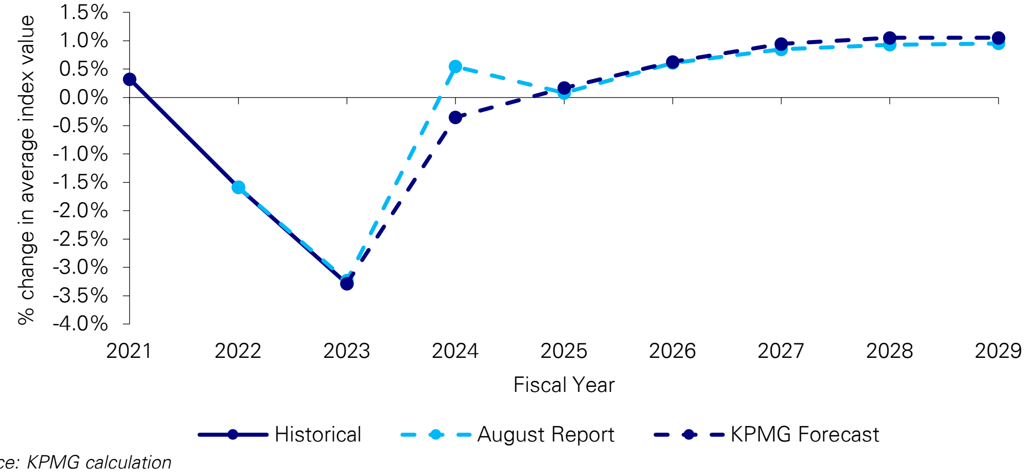
Chart 54 shows actual wage growth in FY23 was in line with the August report's forecast. Lower wage growth through the latter half of 2023 has revised down the forecast for FY24. Wage growth from FY25 is largely the same as the previous report. These revisions are reflected in Chart 55, with lower wage growth in FY24 and a largely unchanged forecast from FY25 onwards.

Chart 54: ACT Utilities WPI forecast, annual change



Source: KPMG calculation

Chart 55: ACT Real Utilities WPI forecast, annual change



Source: KPMG calculation

(a) Labour Force Survey, January 2024 – ABS (2024)

Appendices

06

Appendix 1: WPI Assumptions

WPI definition

WPI, as currently defined by the ABS, is a measure of changes in the price of labour in the Australian labour market, similarly to calculating the CPI. The WPI follows price changes in a fixed "basket" of jobs and the ABS strips out productivity growth (as a result of changes in the mix of the workforce and roles undertaken), labour inputs and compositional changes. Furthermore, the WPI does not include mandated superannuation contributions as it is a non-wage cost, similar to the payroll tax, public holiday compensation, and other worker's compensation.

Seasonal adjustment of state WPIs

The National *All-Industry* WPI used for forecasting includes a seasonal adjustment by the ABS to account for public holidays, events or other seasonal influences which occur systematically over the course of a calendar year and influence the WPI from quarter to quarter.

Sources of WPI data

The ABS publishes the WPI nationally and for all state and territory jurisdictions at the aggregated industry level. WPI data is available for all-industries nationally. However, the WPI is not released for each industry for all states due to small sample sizes and confidentiality reasons. In the case of the *Utilities* sector, the ABS releases state indices for New South Wales, Victoria and Queensland. KPMG has therefore created the series for Tasmania, Northern Territory and ACT using the state’s all-industries WPI series, EBAs in the respective states for the *Utilities* sector, the implied ‘other states’ *Utilities* WPI series and other labour market indicators such as employment. Therefore, there is no guarantee that the estimated *Utilities* industry WPI for the respective states matches what the ABS data would report if it were made available to the public.

In this report, estimating the three state’s and territory’s WPI included variables such as:

- National *All-Industry* WPI growth;
- Overall national *Utilities* wage growth;
- Other states *Utilities* and *All-Industry* wage growth;
- Industry EBAs in the states and;
- Labour Force statistics in the states.

This approach is consistent with the September 2022 estimate for the South Australia *Utilities* WPI.

Appendix 2: Additional forecasts

Table 4: Additional forecasts, annual change.							
		Forecast					
Fiscal Year	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Real GDP	3.1%	1.5%	2.5%	2.6%	2.8%	2.7%	2.5%
Unemployment rate	3.5%	4.6%	5.0%	5.2%	5.3%	5.4%	5.5%

Note: The percent change series defined as change in annual sum (Real GDP). Unemployment rate is the June value for each year.

Source: Labour Force Survey, January 2024 – ABS (2024), Australian National Accounts: National Income, Expenditure and Product, September 2023 – ABS (2023), KPMG

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07

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