Wage Price Index Forecasts

Australian Energy Regulator

15 March 2023

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

Disclaimer

Copyright

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organization of independent firms affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee. All rights reserved. KPMG and the KPMG logo are registered trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Inherent Limitations

This report has been prepared as outlined with the Australian Energy Regulator in the Scope Section of the contract dated 11July 2022. 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.

The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Introduction section and for Australian Energy Regulator (AER) information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of the AER in accordance with the terms of KPMG's services agreement dated 11 July 2022. Other than our responsibility to AER, 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.

Electronic distribution of reports

This KPMG report was produced solely for the use and benefit of AER and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated 15 March 2023 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report. Any redistribution of this report requires the prior written approval of KPMG and in any event is to be complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of the AER and KPMG accepts no liability if the report is or has been altered in any way by any person.

Forecasts, projections and modelling

Where any of the Services relate to forecasts, projections or other prospective financial estimations prepared by us, we do not warrant that the forecasts, projections or estimations will be achieved. Where any of the Services relate to the analysis or use of forecasts, projections or other prospective financial estimations supplied or prepared by you, we do not warrant that:

- the forecasts, projections or estimations are reasonable;
- the forecasts, projections or estimations will be achieved; or
- the underlying data and assumptions provided to us are accurate, complete or reasonable.

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Introduction

Background and scope of engagement:

In accordance with its responsibilities under the NER and the NGR, the AER must make revenue determinations for NSPs and access arrangement decisions for gas NSPs. The AER assesses proposed forecasts of operational and capital expenditures from providers over a regulatory period. The price of labour is a component of these expenditures and the AER assesses the reasonableness of the proposed forecasts on the basis of independent forecasts.

The AER commissioned KPMG to forecast the price of labour in the electricity, gas, water and waste services (utilities) industry through to FY 2028 for the national economy, New South Wales, Victoria and South Australia. This report provides the following:

- Annual WPI forecasts for;
  - Australia
  - New South Wales
  - Victoria
  - South Australia
- Analysis of the drivers of change in the WPI forecast since September 2022, including enterprise bargaining trends and the economic outlook, covering the;
  - Australia-wide economic outlook for all industries and utilities
  - Relevant state economic outlook for all industries and utilities
  - Outlook for wages in both Australia and the relevant states

As agreed with the AER, all forecasts are as-of 28th February 2023.

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Contents

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Glossary

AAWI	Average Annual Wage Increase	RBA	Reserve Bank of Australia
ABS	Australian Bureau of Statistics	SFD	State Final Demand
AER	Australian Energy Regulator	WPI	Wage Price Index
CPI	Consumer Price Index	NSP	National Service Providers
EBA	Enterprise Bargaining Agreement		
FY	Fiscal Year		
GDP	Gross Domestic Product		
GSP	Gross State Product		
GVA	Gross Value Added		
NER	National Energy Rules		
NGR	National Gas Rules		

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Executive Summary

Resilient household demand has contributed to further rises in inflation. Inflation rose to 7.8% in Q4, the highest rate in decades. The reintroduction of the fuel price excise contributed to the increase, but a wide range of prices also increased, with the trimmed mean CPI rising to 6.90% in Q4. The labour market appears to have reached full capacity in the middle of last year and has remained tight since.

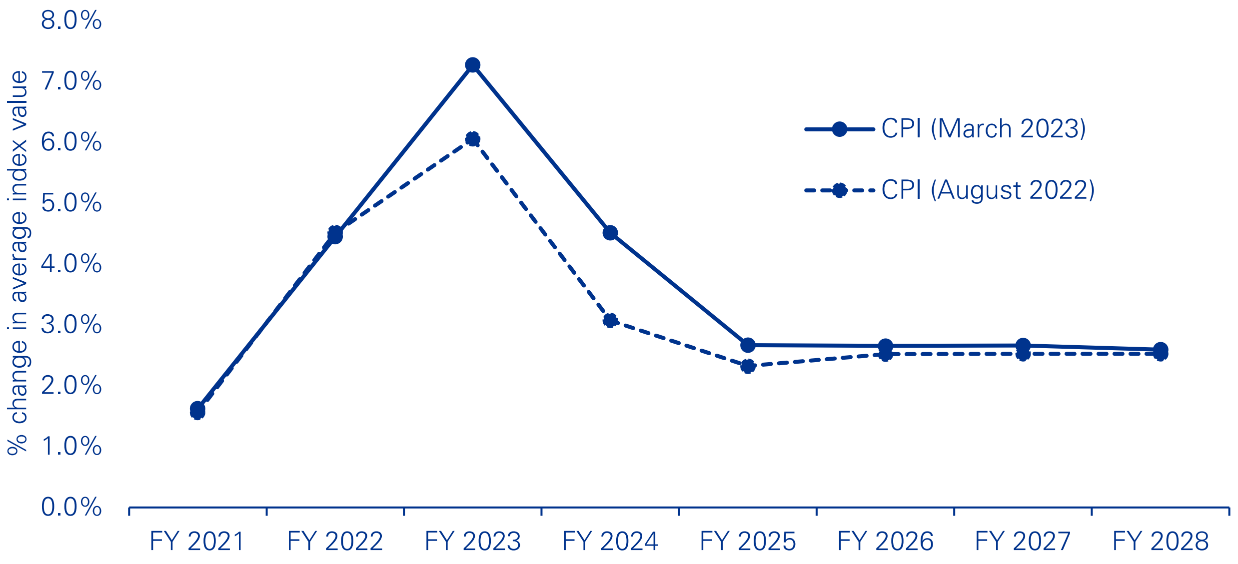
The RBA raised rates to 3.35% at its February meeting and indicated that it believes further rate hikes were likely needed to bring inflation back into its target band. Market pricing currently points to the cash rate being hiked to a peak of around 4.25% by the middle of this year.

While households have held up well so far, the larger interest rate rises will be a drag on activity this year. We expect the pace of GDP growth to continue to moderate. However, a recession is likely to be avoided as rising migration boosts population growth and economic activity. Nevertheless, the activity slowdown should relieve inflation pressures this year.

We expect inflation to decline more gradually over FY23 and FY24 than we had previously forecast in August, returning to around the top of the target band around the end of next year.

Wages grew at their fastest rate in more than a decade (3.3% y/y) in the December quarter but at less than half the pace of inflation. In real terms, wage growth is falling at the fastest pace on record.

CPI forecast compared to previous forecast



Source: KPMG Economics, Macrobond

KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Executive Summary- Utilities

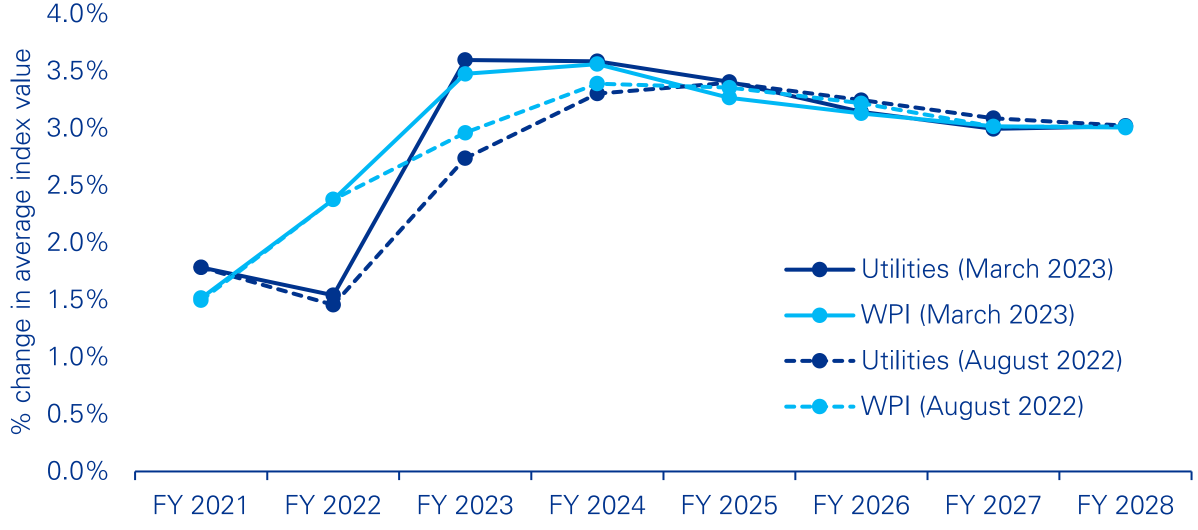
Employment in the utilities industry has been more volatile than overall employment but has recovered to pre-virus levels. While overall job vacancies have declined, job vacancies in the utilities sector have continued to climb in recent months, highlighting that labour shortages remain.

Since December 2021, new agreements signed have continued to have a faster pace of wage growth than pre-existing agreements. As a result, the AAWI has been gradually rising. Evidence of this trend can be deduced from a comparison of 27 EBAs approved in June 2022 at an AAWI of 2.8% with 33 EBAs signed in September 2022 at an AAWI of 3%. Looking ahead to FY23, 132 EBAs expire, with an average AAWI of 2.3% covering 15,700 employees.

Recent utility industry WPI figures for Q3 and Q4 show that wage growth has been strong since the last report, with year-on-year growth in Q4 overtaking the national average by 0.3%. Therefore, we have revised our forecast to reflect this strong growth. The FY23 average is expected to be 3.6%, a 0.9% increase from the previous report. In real terms, the utilities forecast has only declined 0.4% in FY23 from the previous report, with a further 1.1% and 0.4% decrease in FY24 and FY25, respectively. The primary changes to the forecasts between reports stem from changes to inflationary expectations, with only slight changes in labour market forecasts.

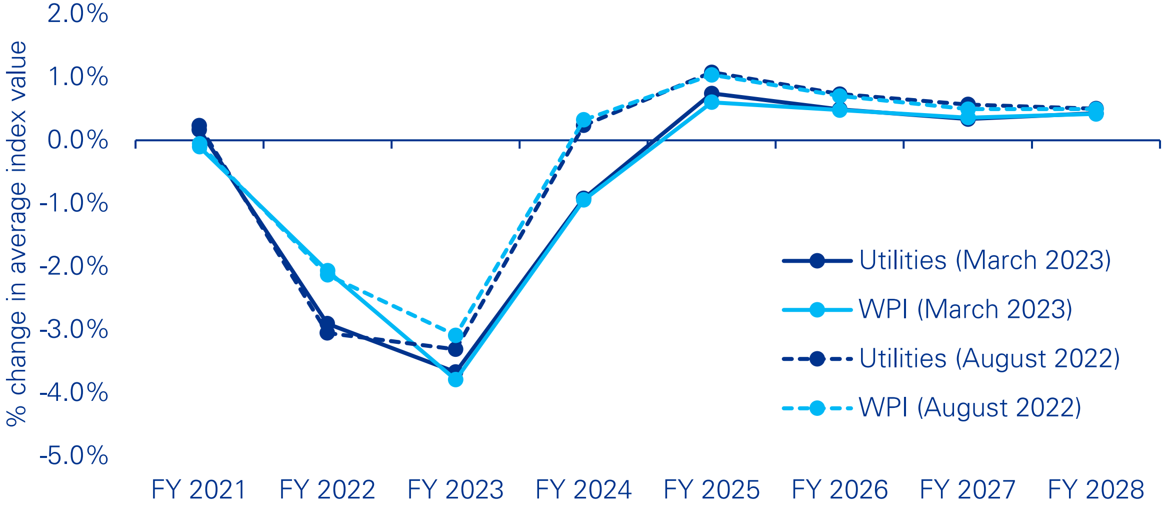
While we expect inflation to ease over the next 24 months, we anticipate wage growth in the sector to remain strong as EBA's expire and reset at elevated rates. Even with inflation expected to ease, the EBA resets are expected to reflect a degree of 'catch up' given the large gap that opened up in FY23 between inflation and wage growth built into previous EBAs.

National nominal utility industry WPI forecast



Source: KPMG Economics, ABS

National real utility industry WPI forecast



Source: KPMG Economics, ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Executive Summary - states

New South Wales

Since the previous report, inflation has peaked higher than expected, and the labour market has remained tighter than expected. Therefore, the NSW all-industry WPI growth rate is expected to peak in FY23 at 3.5%, an increase of 0.1% since the last report.

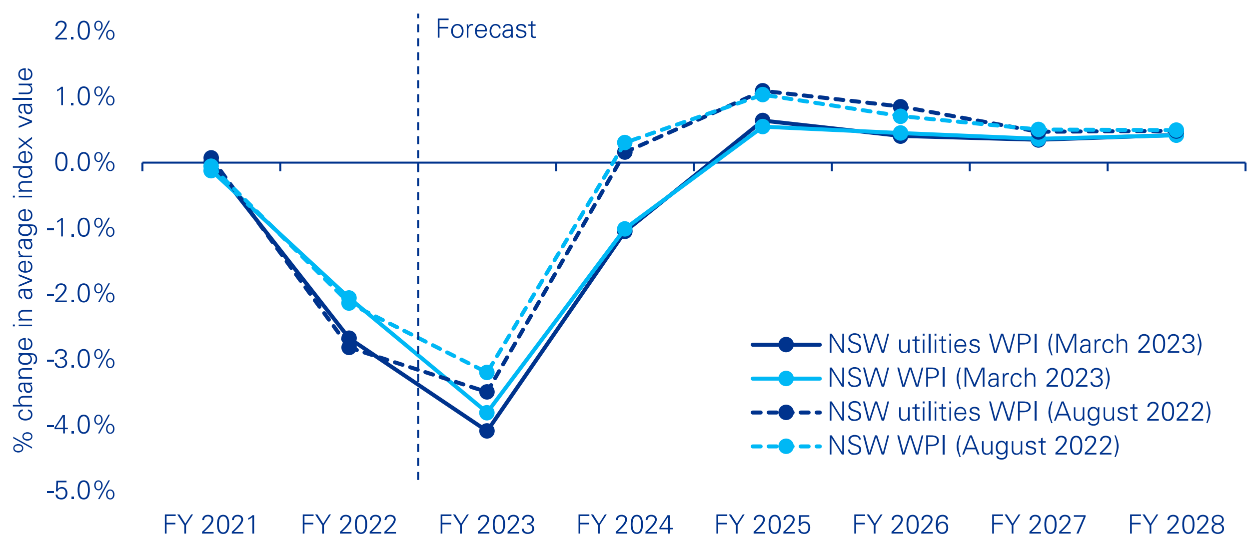
Similar to the state-level all-industry WPI growth rate changes, the utility industry is expected to experience higher wage growth than was forecast in the previous report over the short to medium term. The pace is predicted to peak in FY24, as residual strength in the state labour market and ‘catch-up’ from EBA resets maintains upward pressure.

Victoria

In FY23, we expect the nominal Victorian all-industry WPI to be 3.5%, an increase of 0.6% since the last report. In real terms, the WPI forecast is only 0.5% lower than the previous report, with FY24 being 1.3% lower off the back of higher inflation expectations during FY24 compared to the previous report.

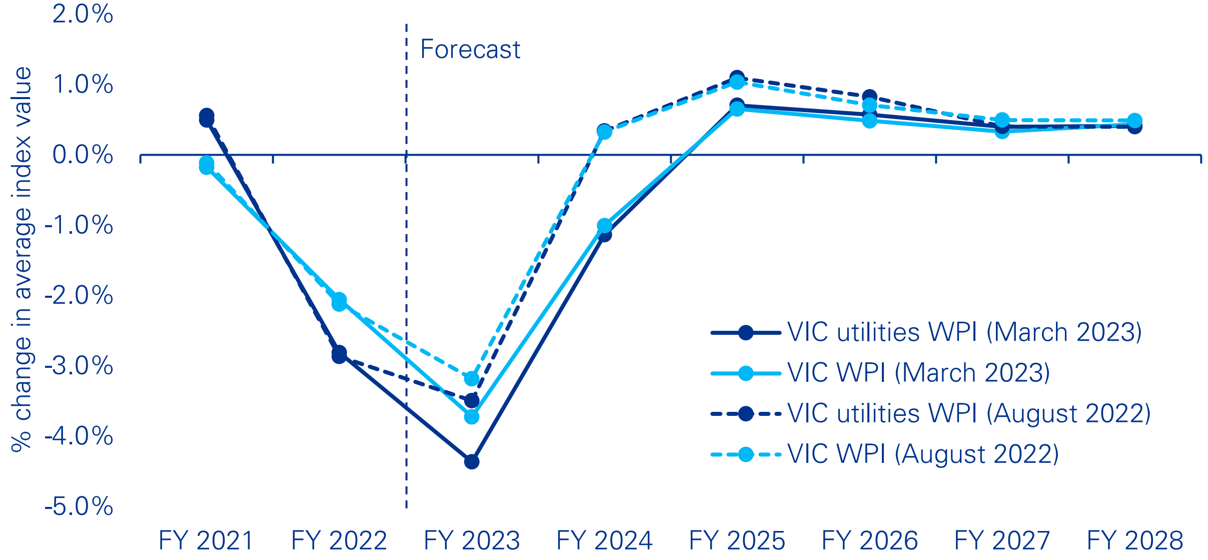
Similar to NSW, the utility industry wage growth has gone from slightly outperforming in FY21 to falling behind all-industry wage growth in FY22. In line with the state-level all-industry WPI growth rate changes, the utility industry is expected to experience higher

NSW real utility industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

Victoria real utility industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

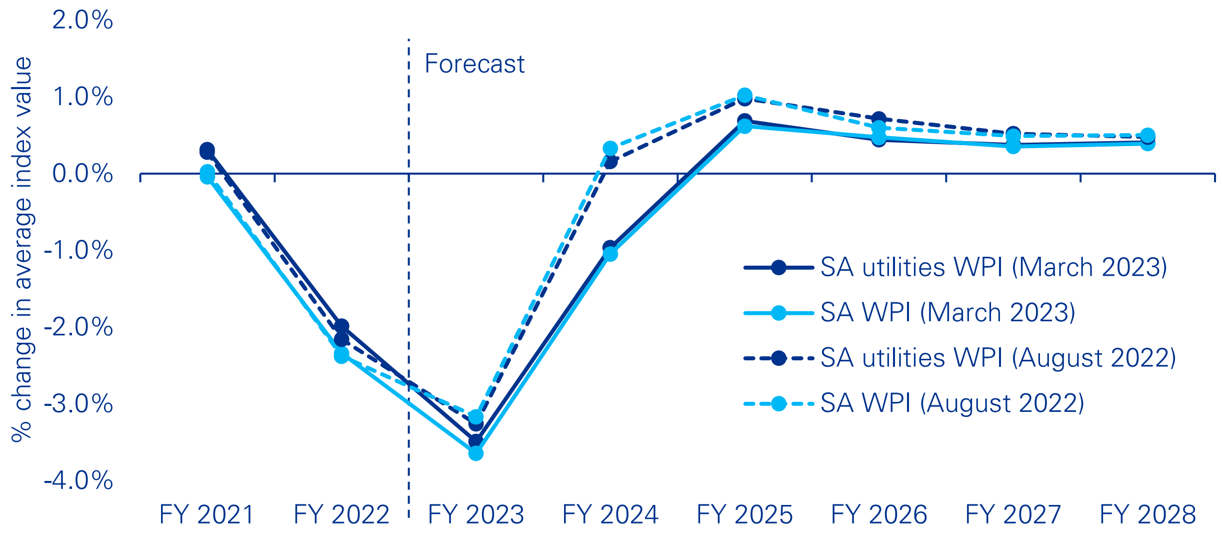
Executive Summary - states

South Australia

As expected, South Australia's wage growth for FY22 was weaker than the national average. However, KPMG's revised projections have wage growth in FY23 0.7% higher than in the previous report reflecting the upward revision to our inflation forecasts, which flows through to higher wages.

The significant increase in Queensland's Utilities WPI for the December quarter of 2022 and a higher inflation peak motivated us to adjust the WPI forecast for FY23, resulting in an increase of 1% in nominal terms. In real terms, the forecast is only 0.2% lower than the previous report.

South Australia utility industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Executive Summary

Nominal wage forecasts, % average change from previous financial year

	2021	2022	2023	2024	2025	2026	2027	2028
National all-industry WPI	1.5%	2.4%	3.5%	3.6%	3.3%	3.1%	3.0%	3.0%
National utilities WPI	1.8%	1.5%	3.6%	3.6%	3.4%	3.1%	3.0%	3.0%
NSW all-industry WPI	1.5%	2.4%	3.5%	3.5%	3.2%	3.1%	3.0%	3.0%
NSW utilties WPI	1.6%	1.8%	3.2%	3.5%	3.3%	3.1%	3.0%	3.0%
Victoria all-industry WPI	1.4%	2.4%	3.5%	3.5%	3.3%	3.1%	3.0%	3.0%
Victoria utilties WPI	2.1%	1.6%	2.9%	3.4%	3.4%	3.2%	3.1%	3.0%
SA all-industry WPI	1.6%	2.1%	3.6%	3.5%	3.3%	3.1%	3.0%	3.0%
SA utilties WPI	1.9%	2.5%	3.8%	3.5%	3.4%	3.1%	3.0%	3.0%

Source: KPMG Economics, ABS

Real wage forecasts, % average change from previous financial year

	2021	2022	2023	2024	2025	2026	2027	2028
National all-industry WPI	-0.1%	-2.1%	-3.8%	-0.9%	0.6%	0.5%	0.4%	0.4%
National utilities WPI	0.2%	-2.9%	-3.7%	-0.9%	0.7%	0.5%	0.3%	0.4%
NSW all-industry WPI	-0.1%	-2.1%	-3.8%	-1.0%	0.5%	0.5%	0.4%	0.4%
NSW utilties WPI	0.0%	-2.7%	-4.1%	-1.0%	0.6%	0.4%	0.3%	0.4%
Victoria all-industry WPI	-0.2%	-2.1%	-3.7%	-1.0%	0.7%	0.5%	0.3%	0.4%
Victoria utilties WPI	0.5%	-2.8%	-4.4%	-1.1%	0.7%	0.6%	0.4%	0.4%
SA all-industry WPI	0.0%	-2.3%	-3.6%	-1.0%	0.6%	0.5%	0.4%	0.4%
SA utilties WPI	0.3%	-2.0%	-3.5%	-1.0%	0.7%	0.4%	0.4%	0.4%

Source: KPMG Economics, ABS

KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Executive Summary

Key macroeconomic indicators, financial year

	2021	2022	2023	2024	2025	2026	2027	2028
GDP (% change)	2.2%	3.7%	2.9%	1.5%	1.9%	2.4%	2.7%	2.9%
Total Employment (% change)	0.5%	3.2%	3.3%	0.5%	0.6%	0.6%	0.7%	0.7%
Unemployment Rate	6.2%	4.3%	3.5%	3.9%	4.1%	4.2%	4.2%	4.1%
CPI (% change)	1.6%	4.4%	7.3%	4.5%	2.7%	2.7%	2.7%	2.6%

All % change series defined as change in annual sum (GDP) or average (employment and CPI) over the previous year.

Note: We have corrected 2021 values for GDP, unemployment rate and employment.

Source: KPMG Economics, ABS,

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

01

National economic outlook

KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

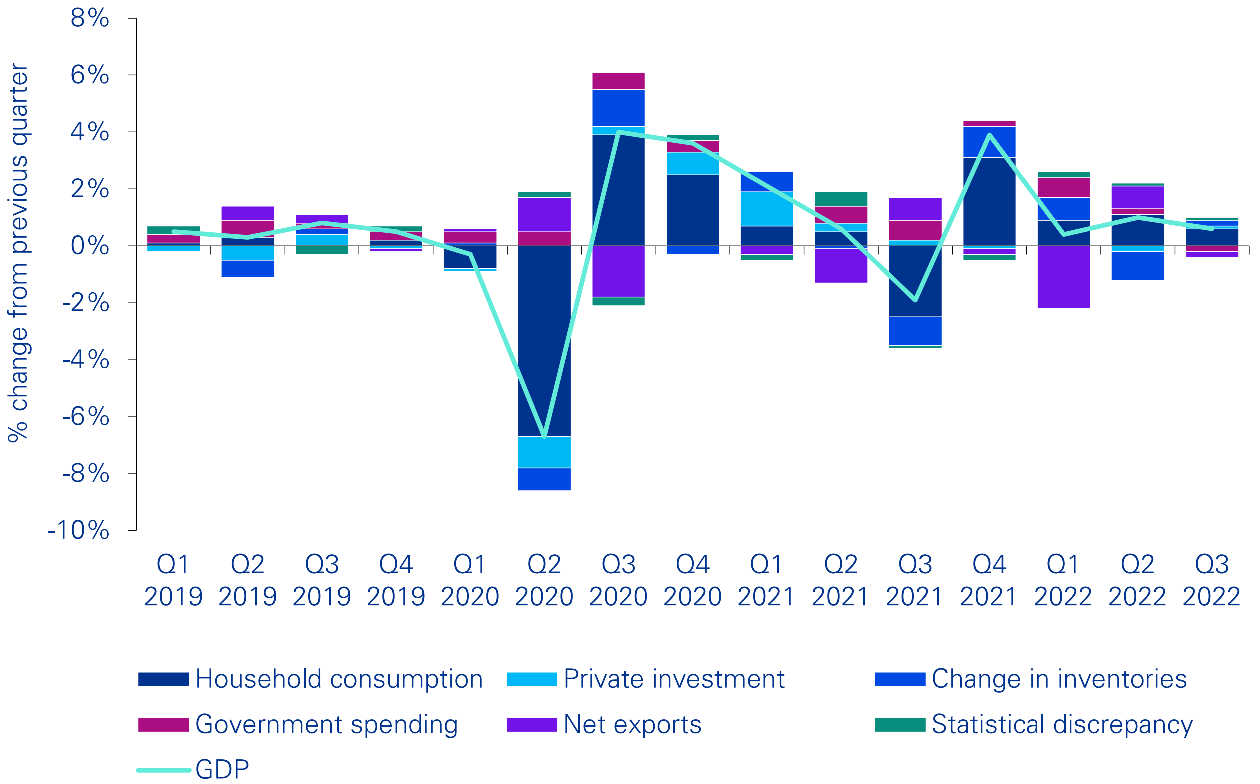
Macroeconomic Overview

The Australian economy fared well in the second half of 2022, shaking off the aggressive pace of interest rate hikes implemented by the RBA and the bad weather which prevented significant construction work from taking place. GDP rose 0.6% q/q in Q3, led by solid consumption as households continued to reduce their rate of saving. The rising cost of living has started to slow the pace of consumption growth, but solid income growth as well as saving buffers have allowed households to continue lifting their consumption levels. Investment remains subdued, barely rising in Q3.

The continued strength in household demand has also contributed to further rises in inflation. Inflation rose to 7.8% in Q4, the highest rate of price growth in decades. The reintroduction of the fuel price excise contributed to the increase in inflation but with trimmed mean inflation rising to 6.90% in Q4, it is evident that the increase in inflation is broad based.

The strength in inflation, along with the tight labour market, has prompted the RBA to continue to take action to ensure inflation returns to the target range over time. The RBA raised rates to 3.35% at its February meeting and indicated that it believes further rate increases are likely to be needed to bring inflation back into its target band. Market pricing currently points to the cash rate being lifted to a peak of around 4.25% by the middle of this year.

Quarterly GDP growth by component



Source: KPMG Economics, Macrobond

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

Liability limited by a scheme approved under Professional Standards Legislation.

Macroeconomic Overview (con't)

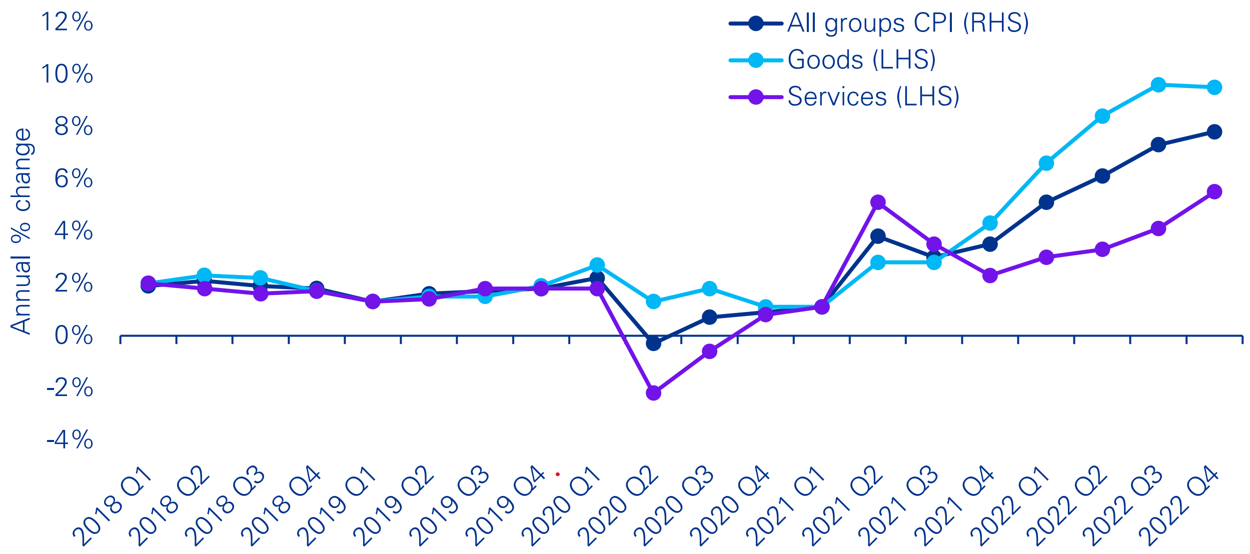
While household consumption has remained resilient so far, the sharp rises in interest rates will be a drag on activity this year. We expect the pace of GDP growth to continue to moderate, although a recession is likely to be avoided as rising migration will provide a boost to the economy.

The slowdown in activity should also help moderate inflation this year, with inflation expected to have now peaked.

- For one thing, fuel prices have passed their peak, following the reintroduction of excise taxes in October. Brent crude oil prices fell by around a third from their peak in Q2 of last year, and have fluctuated at around US$80 a barrel this year. While future developments will greatly depend on the global outlook, such as the impacts of the war in Ukraine, we believe that the peak in oil prices is behind us.
- Food prices are also likely to decline this year. While the ongoing war in Ukraine will keep pressure on food prices, we do no expect a repeat of weather-related disruptions to local food supplies (the National Bureau of Meteorology reports that La Nina conditions are waning).
- While goods prices should now have peaked, the tight labour market and rises in business input costs mean that services inflation may continue to rise a little further and will probably be slow to decline. That suggest inflation is likely to remain above the RBA's target in the near term.

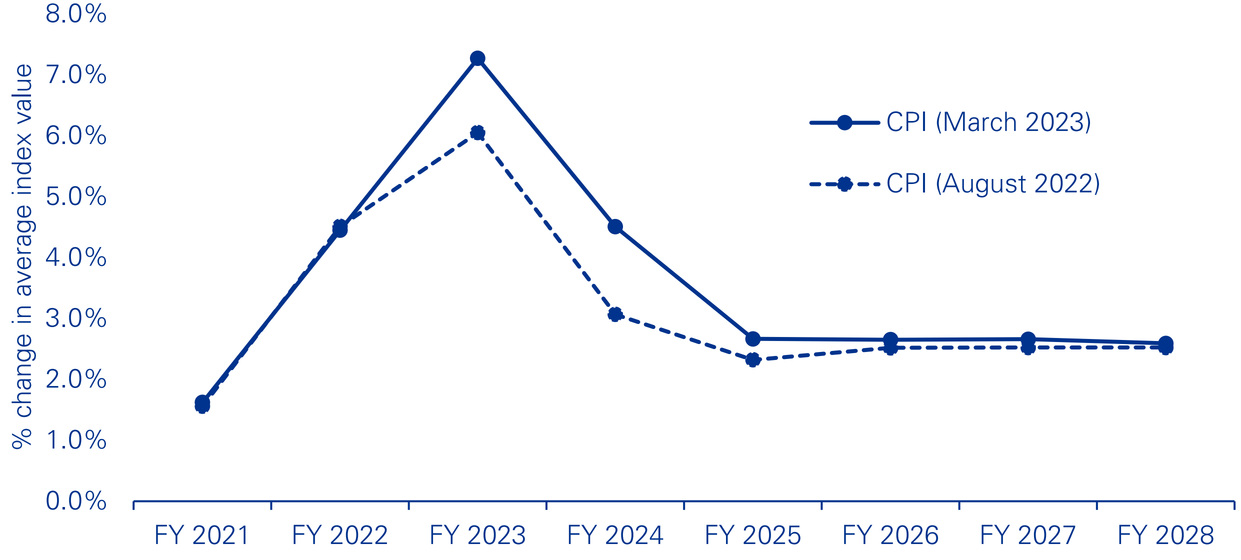
We expect inflation to gradually decline over 2023 and 2024, returning to around the top of the target band towards the end of next year, a stronger rate of inflation than we had forecast in August.

CPI, Goods and services, annual movement



Source: KPMG Economics, Macrobond

CPI forecast compared to previous forecast



Source: KPMG Economics, Macrobond

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Labour market

Employment growth has remained steady in recent months while the participation rate has declined slightly, as interest rate increases begin filtering down into the wider economy.

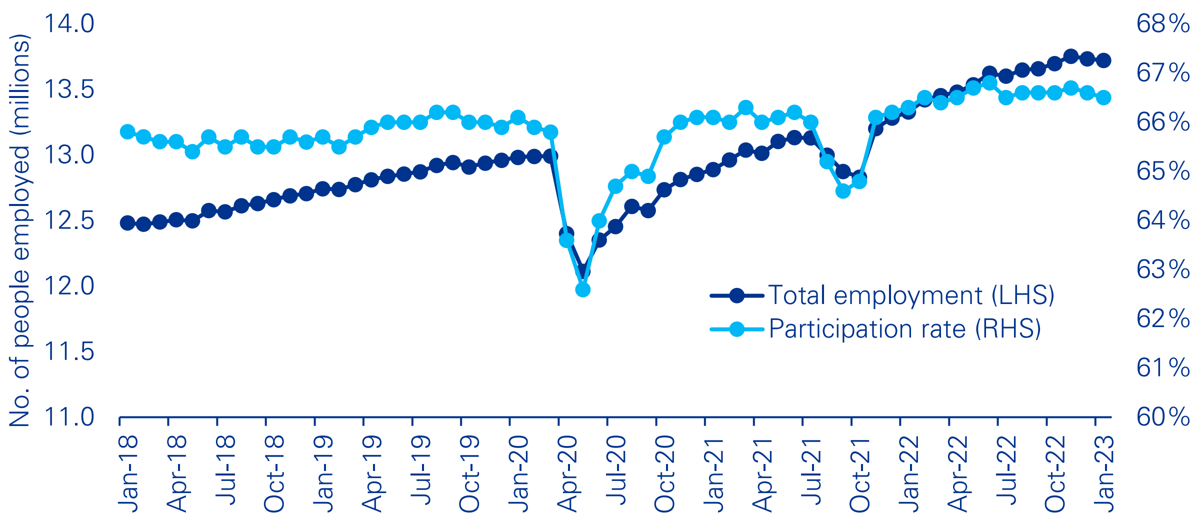
The labour market appears to have reached full capacity in the middle of last year and has remained tight since then. While the unemployment rate rose to 3.7% in January, it is likely that some seasonal volatility may have played a role. The key point is that the labour market is currently very tight and supporting rising wage growth.

Similarly, the underemployment rate, which measures the share of the labour force that already has a job but would like more hours, is also around the lowest levels in decades, indicating that businesses are utilising their workforce as much as possible while they try to hire new workers.

Job vacancies have come off their peak a little in recent months, though there is still nearly one job vacancy for every unemployed person.

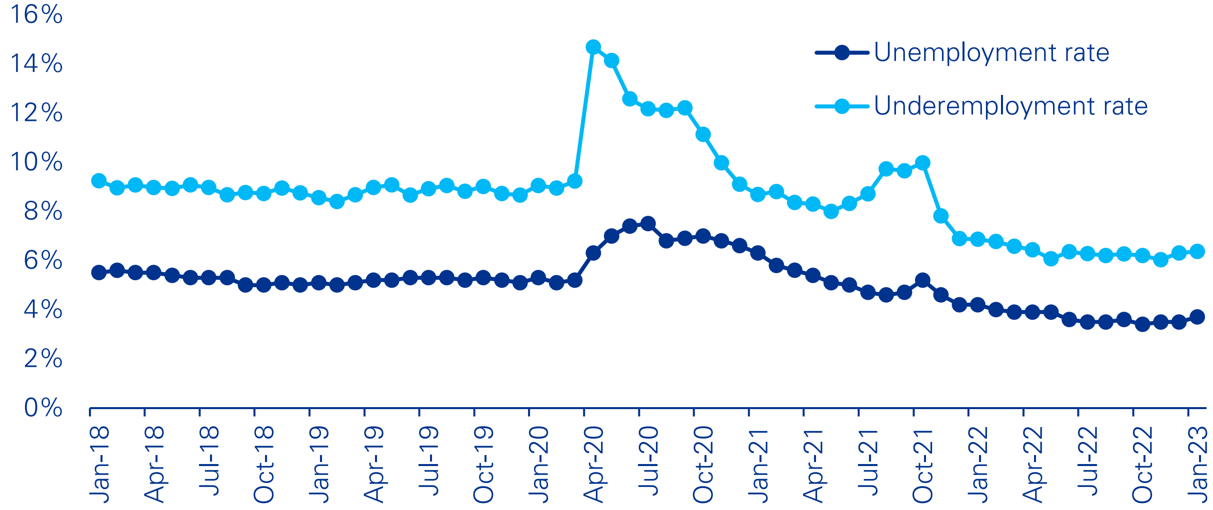
Looking ahead, the expected slow down in economic activity this year should see the labour market loosen a little in the months ahead. But given the initial tightness in the labour market and that we are anticipating a fairly modest economic slowdown, the labour market is likely to remain relatively tight in the near term. We expect the unemployment rate to rise from around 3.5% at the end of last year to around 4.5% by the middle of next year. That is still tighter than pre-virus levels.

Historical employment and labour force participation rate



Source: ABS

Historical unemployment and underemployment rates



Source: ABS

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

Liability limited by a scheme approved under Professional Standards Legislation.

Migration

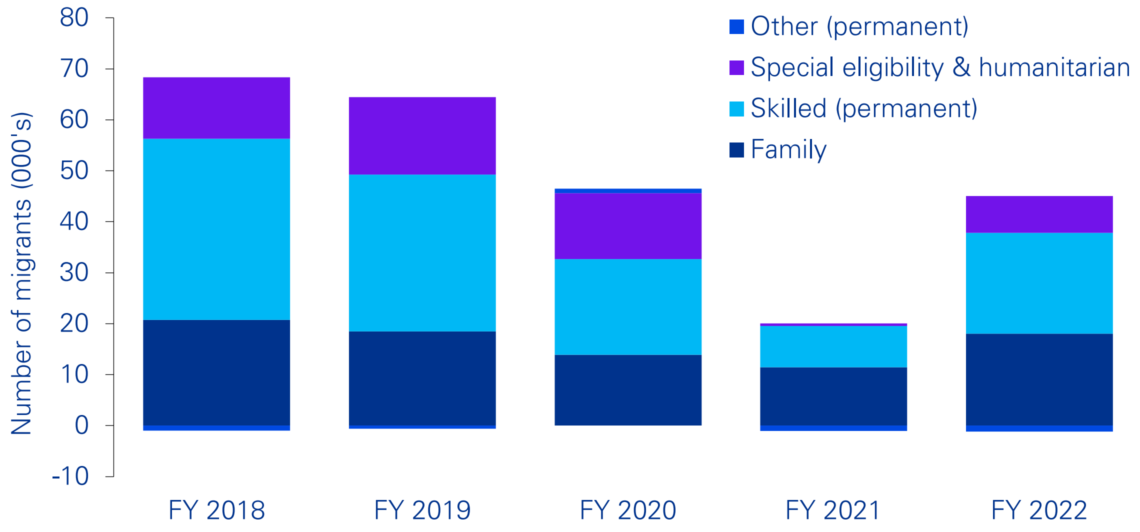
Australia's migration has rebounded significantly in recent months, more quickly than previously anticipated. Since our last report, migration appears to have jumped, reaching pre-virus levels in Q1 2022, despite travel between China still being highly restricted at the time. While seasonally adjusted arrivals dipped in January, we suspect that was due to larger-than-normal seasonal volatility.

Looking forward, it is expected that the recovery in migration will pick up even more steam in the months ahead. With China's borders now largely reopened, this should support the continued rebound in Australian migration. Before border restrictions were imposed in 2020, China was one of Australia's largest sources of migrants.

The constraints in migration inflows in recent years have contributed to the tight labour market, both for highly skilled occupations such as software engineers and chefs, and lower-skilled occupations in hospitality, agriculture and retail (with these roles typically undertaken by temporary workers and students).

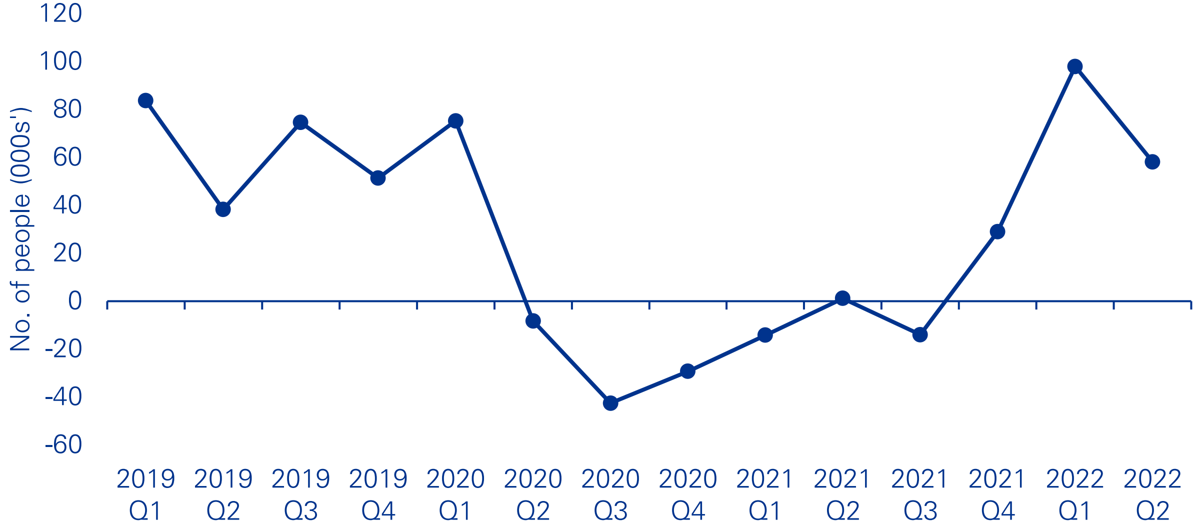
However, in addition to increasing the supply of workers, migration also adds to the demand for good and services across the economy. This, in turn, adds more pressure on the economy and the labour market. As such, a rebound in migration to pre-virus levels this year is unlikely to significantly ease current labour shortages.

Net overseas migrant arrivals by permanent visa class



Source: ABS

Quarterly net migration in Australia



Source: ABS

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

Liability limited by a scheme approved under Professional Standards Legislation.

Wages

Wages grew at their fastest rate in more than a decade (3.3% y/y) in the December quarter, but at less than half the pace of inflation. This means that real wages are falling at the fastest pace on record.

For the private sector, nominal wage growth in the September quarter reflected pay rises based on end-of-financial-year reviews and is a typical time of year for interim pay increases. For September 2022, 46% of jobs received an hourly wage change with the average change being 4.6%, the largest change in the last 10 years. Indeed, wage growth in the private sector is running hot at 3.6% in Q4.

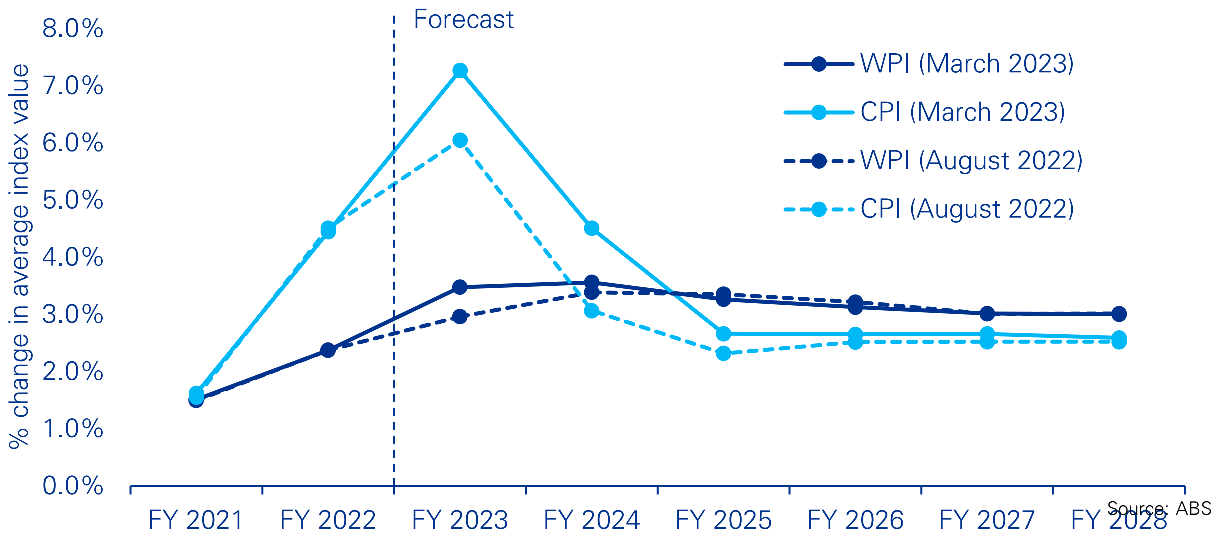
But momentum in wages growth remains mixed across the sectors. In contrast to the private sector, wages growth for workers in the public sector is lagging behind (2.5% y/y), with many in this group subject to multiyear wage agreements that will expire in the future.

Looking ahead, wage growth projections suggest further upward pressure on private sector wages as businesses compete to attract and retain their workforce through larger annual pay resets. Wage growth in the public sector should rise in earnest as more enterprise bargaining agreements 'catch-up' to national wage growth.

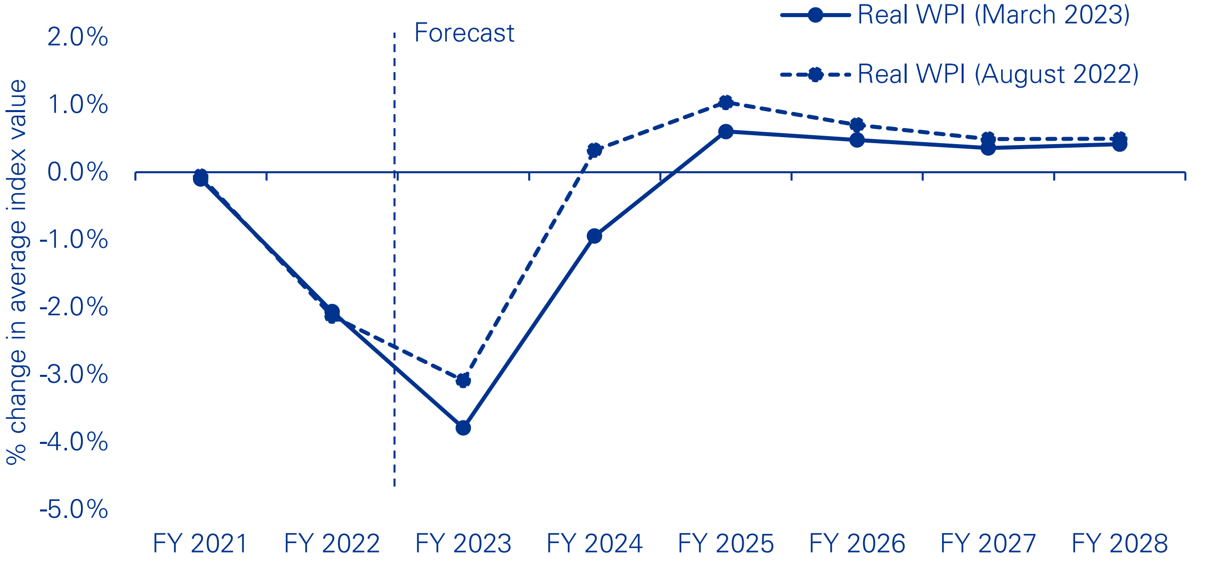
Given this dynamic, nominal wage growth is expected to continue rising, peaking at around 3.8% in the middle of this year from its current rate of 3.3%. Following this, the moderation in growth momentum in the economy is projected to feed through to the labour market, with weaker demand for labour easing pressure on wages. Overall, in the long-run, wage growth rate is expected to be to be a combination of inflation (c.2.5%) and productivity growth (c.0.5%), which is evident from FY 2026 onwards with the nominal WPI growth rate being around 3%.

The pick up in wage growth was a little larger than anticipated in our August report. However the upside surprise in the CPI is much larger. This means that we are now projecting lower real wage growth over the next few years. Our medium run forecasts are broadly unchanged.

National nominal all-industry WPI and CPI forecast



National real all-industry WPI forecast



Source: KPMG Economics, ABS

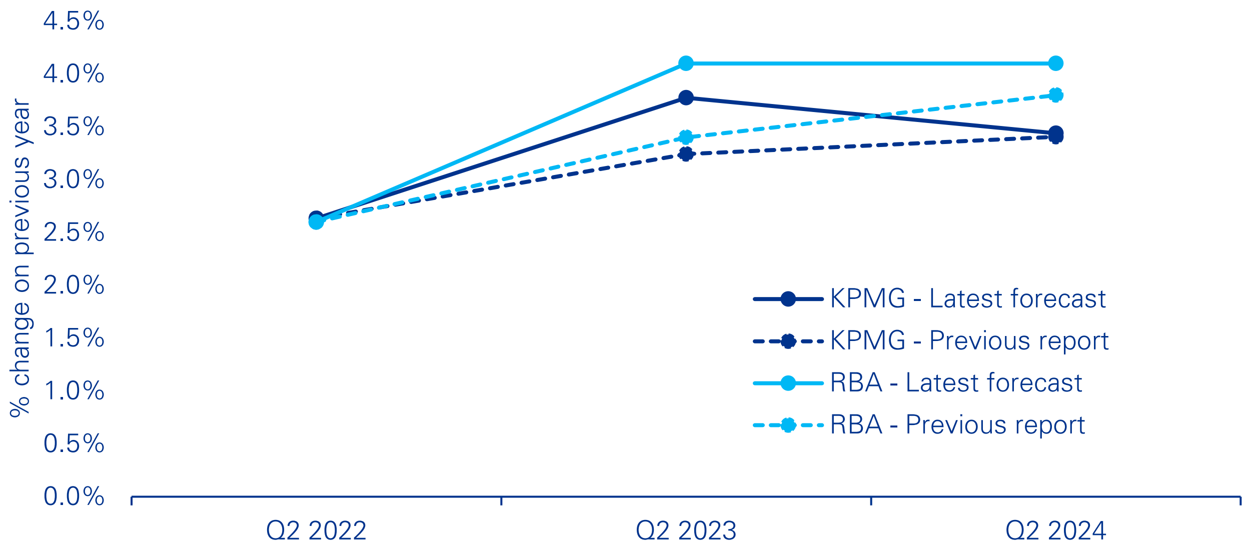
KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Changes since last release

This release sees an upward revision to nominal wage growth, which partially reflects the continued tightness in the labour market in recent months. However, the biggest driver is the higher inflation forecasts feeding into expectations by workers for larger wage increases. Despite this upward revision, our forecast for wage growth is still not as strong as the RBA's, largely because of the RBA's stronger inflation forecasts.

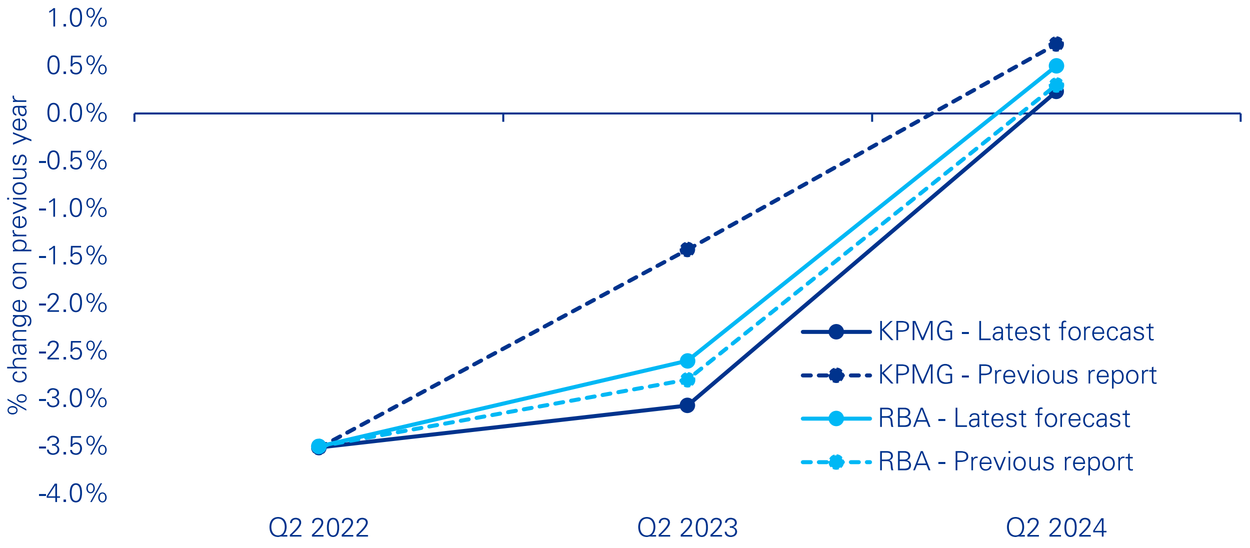
The upward revision to our inflation forecasts also drives a downward revision to our real wage forecasts. This brings our forecasts for real wage growth more broadly in line with the RBA's forecasts. While we have a downward revision to the forecasts over the shorter term, real wage growth is still expected to return to positive territory in 2024.

Nominal WPI forecast comparison between KPMG and the RBA



Source: KPMG Economics, RBA

Real WPI forecast comparison between KPMG and the RBA



Source: KPMG Economics, RBA

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Utilities Sector

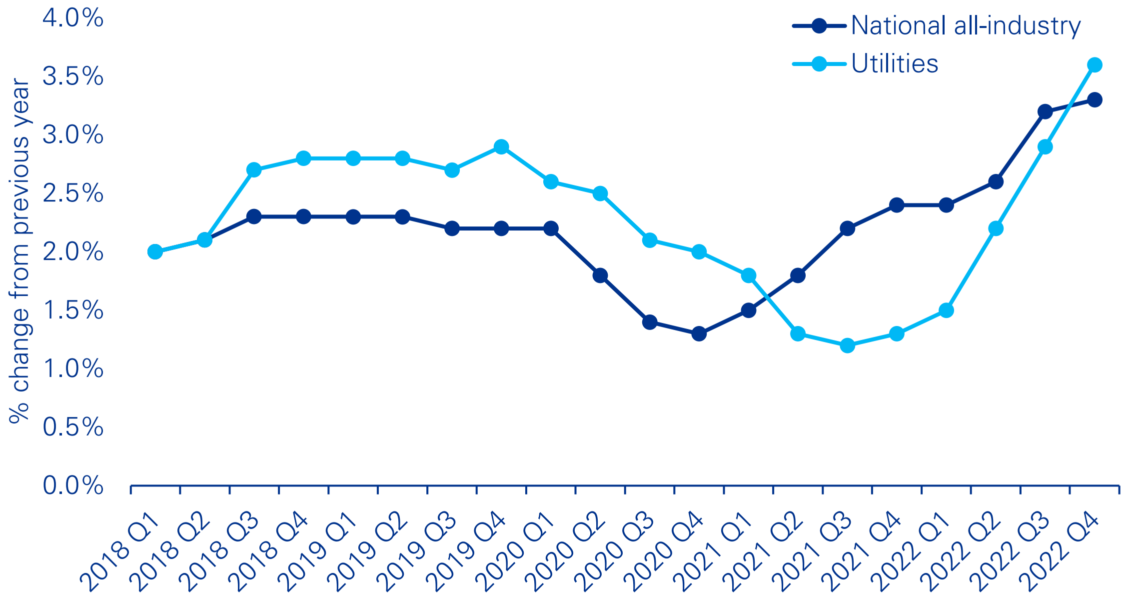
Employment in the utilities sector has been more volatile than overall employment, but the key point is that employment in the sector has recovered to pre-virus levels. Importantly, while overall job vacancies have eased a little, job vacancies in the utilities sector have continued to climb in recent months highlighting that labour shortages in the sector remain severe.

The Trends in Federal Enterprise Bargaining Report provides information about industry wage growth covered by EBAs. For the Utilities industry, there were 323 EBAs current as of September 2022, a decline of 10 EBAs since March 2022. The current AAWI of September's EBAs were 2.7%, which is 0.2% higher than March. EBA AAWI growth rates tend to move faster than the WPI because the WPI excludes non-wage costs such as superannuation and adjustments to the workforce (see Technical Appendix for the WPI definition).

Since December 2021, new signed agreements have continued to have a faster pace of growth than pre-existing agreements, and as a result the AAWI has been gradually rising. Evidence of this trend can be deduced from a comparison of 27 EBAs approved in June 2022 at an AAWI of 2.8% with 33 EBAs signed in September 2022 at an AAWI of 3%.

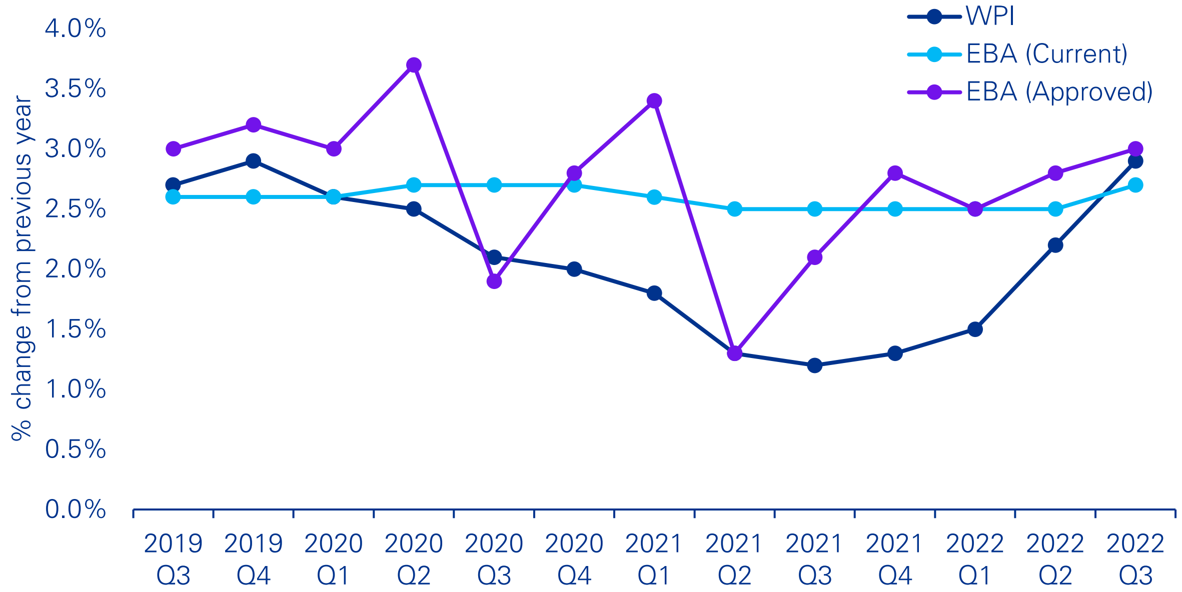
Looking ahead to FY23, there will be 132 EBAs that expire in that year, with an average AAWI of 2.3% covering 15,700 employees. In addition, in FY24, 118 EBA contracts will expire, with an average AAWI of 2.9% covering 28,900 employees. Given the short-term economic environment, these agreements are expected to be re-negotiated at a higher rate, which will flow through to a further increase in the AAWI.

Nominal WPI – utilities compared to all-industry



Source: ABS

National utility industry EBA compared to the WPI



Source: ABS, Department of Employment and Workplace Relations

KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG na… under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Utilities wages: EBAs

New South Wales

As previously outlined, AAWI in EBAs is a useful proxy for near term wage growth in the utility industry given the dominance of EBAs in the sector’s wage setting process. While the ABS reports the wage setting in each state's utility industry, the Department of Employment and Workplace Relations data shows that 24% of employees are on a NSW specific EBA.

The quarterly number of new employees on a new agreement has softened since December 2021 with only 1,900 new employees being signed on a new agreement.

Victoria

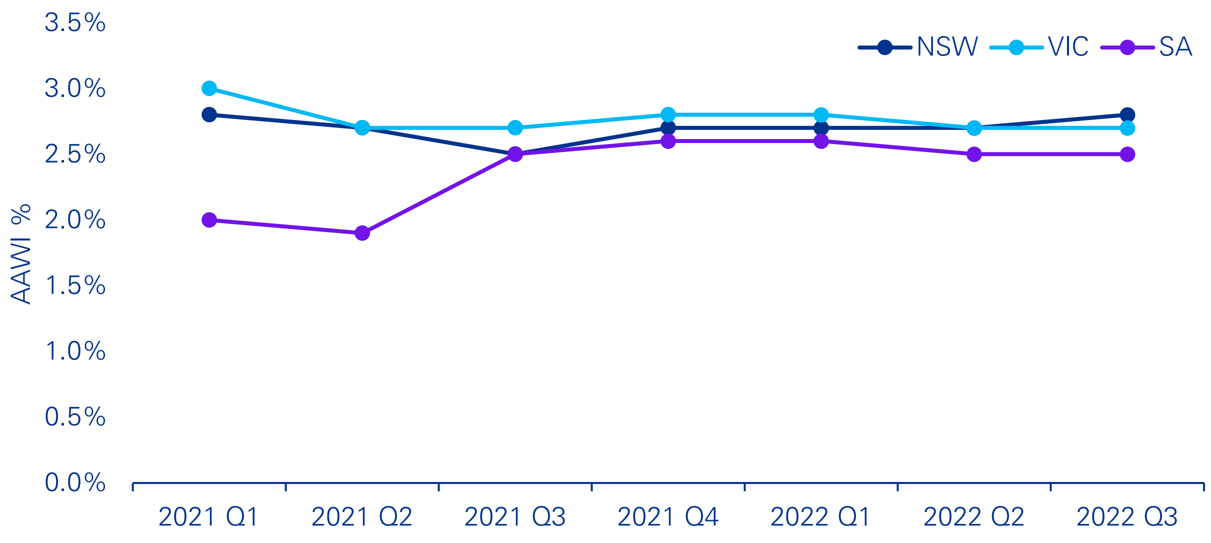
Victoria's EBA renewal is more consistent than NSW, which stems from the state having more EBAs, and requiring more renewals per period, even if the total number of employees is lower.

September 2022 had a higher approved AAWI than the previous two quarters, which coincides with an increase in the number of employees entering into an EBA over the same period. There were 75 EBAs current as of September 2022, with an AAWI of 2.8% with a further 8 approved, covering 400 employees at an AAWI of 2.8%.

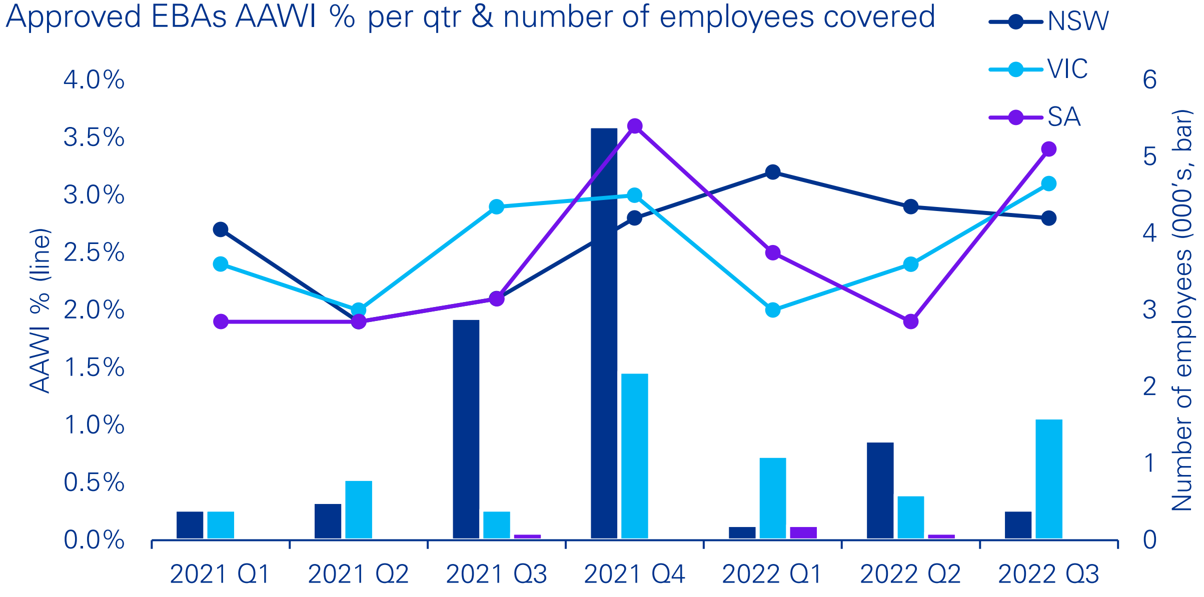
South Australia

Since March 2022, The current EBAs in South Australia have fallen further below NSW and Victoria, while this is partly attributed to recently approved EBAs in March and June quarters being lower than the current rate, its difficult to attribute a trend in wage growth from EBA data in the state given the low number of employees going onto a new EBA each quarter.

Current EBAs AAWI % per quarter



Approved EBAs AAWI % per qtr & number of employees covered



Source: ABS, Department of Employment and Workplace Relations

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

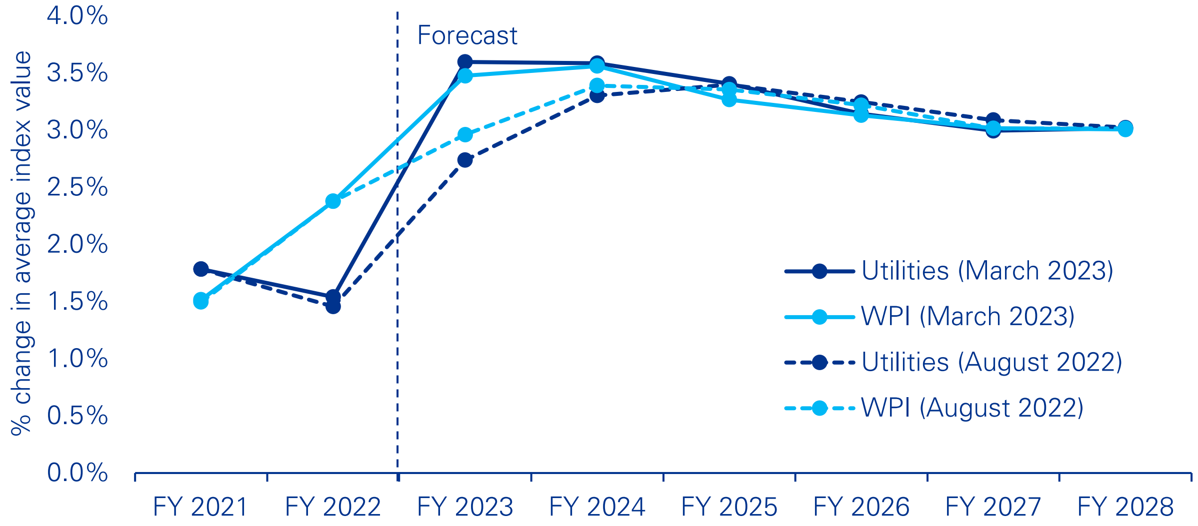
Utilities wages: WPI

Recent utility industry WPI figures for Q3 and Q4 show that wage growth has been strong since the last report, with year-on-year growth in Q4 overtaking the national average by 0.3%. While NSW and Victoria's wage growth in the utilities industry was modest, and within expectations, the wage growth for Queensland in 2022 Q4 was the largest year-on-year increase since March 2013.

We have revised our previous forecast to reflect this strong growth, with the FY23 average expected to be 3.6%, a 0.9% increase from the previous report. In real terms, the utilities forecast has only declined 0.4% in FY23 from the previous report, with further 1.1% and 0.4% decrease in FY24 and FY25 respectively. This signifies that the primary changes to the forecasts between reports are attributed to inflationary impacts, with only slight changes to labour market expectations.

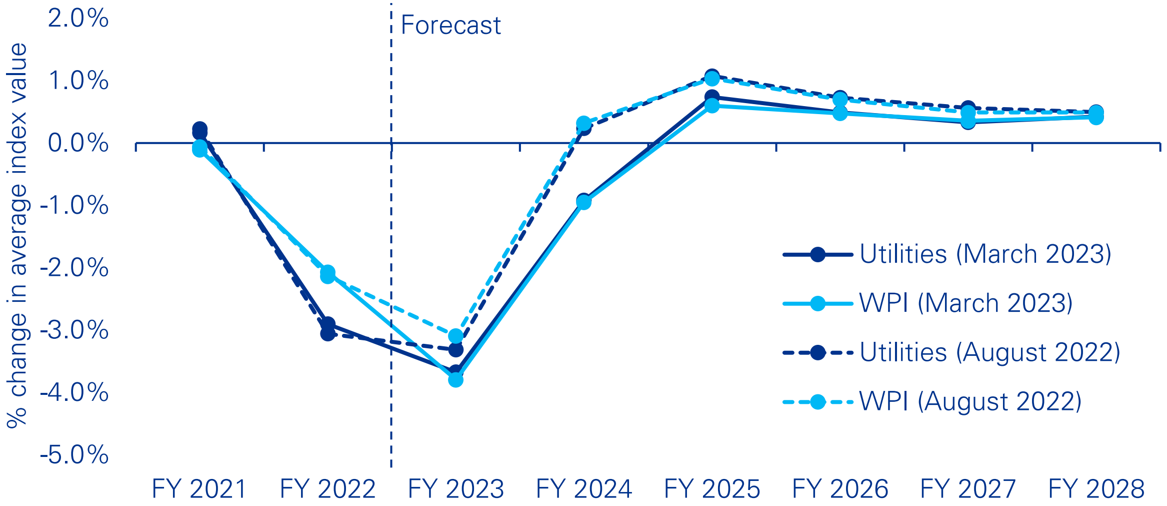
Looking forward, wages growth in the sector is expected to remain strong over the next 24 months as EBA's expire and reset at an elevated growth rate, even with inflation expected to ease, as the EBAs whose yearly growth was lower during the peak inflation period in FY23 'catch-up'.

National nominal utility industry WPI forecast



Source: KPMG Economics, ABS

National real utility industry WPI forecast



Source: KPMG Economics, ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

02

State economic outlook

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

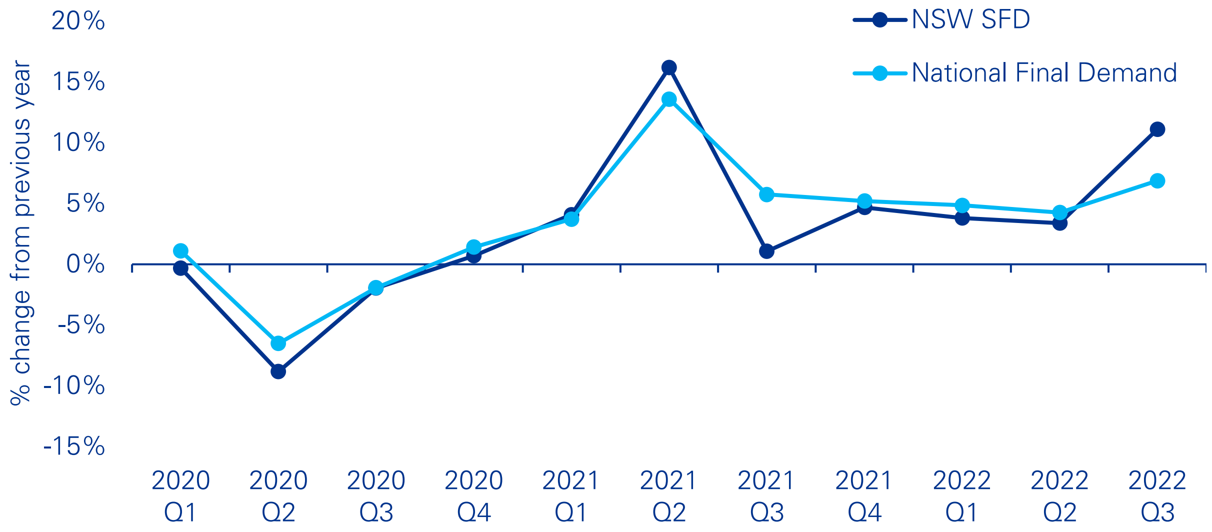
New South Wales Overview

The state's GSP in 2022 is estimated to be around $679 billion, accounting for around 31% of Australia's GDP of $2.2 trillion. State Final Demand (SFD), an indicator of demand in the state's economy, has grown steadily in Q2 2022, with NSW beating the national average by 4.2% in Q3 2022.

Sydney's headline inflation rate, while currently at 7.6%, is still trailing the national average. Sydney is closing towards the national average, though, as NSW Government supported accommodation voucher schemes ended in October 2022. Furthermore, a reduction in the uptake of the NSW Government before-and-after school care vouchers increased childcare expenses for families.

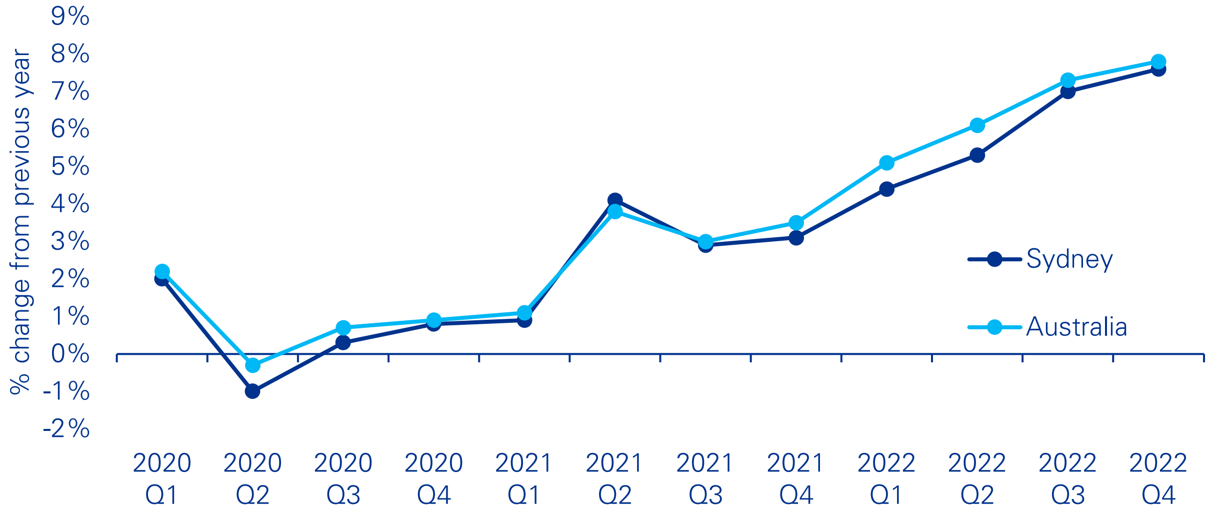
The Australian government is investing $1 billion into NSW as a part of its election commitments. This funding is primarily focused on high-speed rail infrastructure development, with $500 million going towards land acquisition to support high-speed rail connections between Newcastle, the Central Coast and Sydney. Furthermore, NSW will receive $3.2 billion from the federal Rewiring the Nation scheme and the NSW Government has pledged $2.1 billion from the Transition Acceleration Facility. These infrastructure projects cover the Snowy Hydro pumped storage project and wind and solar generation within the state's Renewable Energy Zones.

New South Wales' SFD compared to national final demand



Source: ABS

Headline inflation rate, Sydney compared to the national average



Source: ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

New South Wales Labour Market

As of September 2022, there were 2,049 EBAs across the state with an AAWI of 2.8%, an increase of 0.2% from the previous report (March 2022 data). Wage growth is slowly increasing, in line with the tightening of the local and national labour market, with 219 EBAs approved in September 2022 having an AAWI of 3.2%, an increase of 0.5% from the previous report.

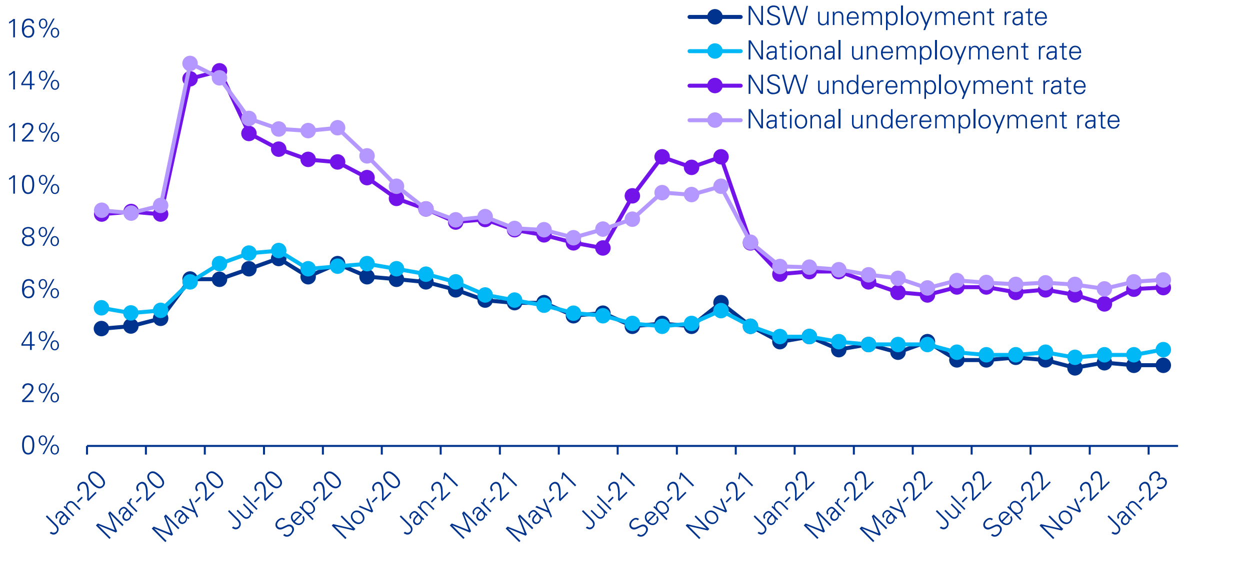
The state has continued to maintain historically low unemployment rates, with October 2022 – January 2023 recording some pf the lowest rates on record.

Similar to the unemployment rate, the underemployment rate has remained at historically low levels, with NSW consistently being below the national average since November 2021. The latest data shows that underemployment in NSW has begun returning to the national average over the last two months.

Overseas migration has rebounded since borders reopened. Net overseas migration in Q1 2022 was 34,287, the highest quarterly increase since ABS records began. While Q2 2022 was softer than this peak, it is expected overseas migration will remain strong in the short term before returning to pre-pandemic levels.

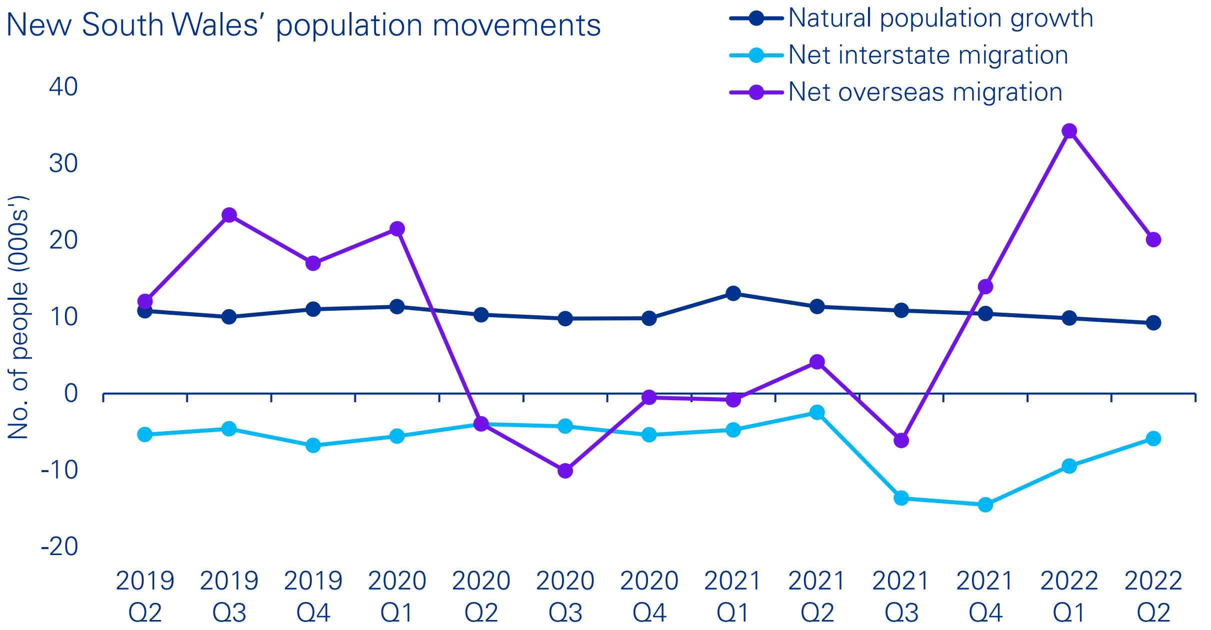
Interstate migration has continued to reduce NSW's population as most migrants move to Queensland or Western Australia. However, net interstate migration has decreased since its peak in Q4 2021 and is trending towards pre-pandemic rates.

New South Wales' labour force trends



Source: ABS

New South Wales' population movements



Source: ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

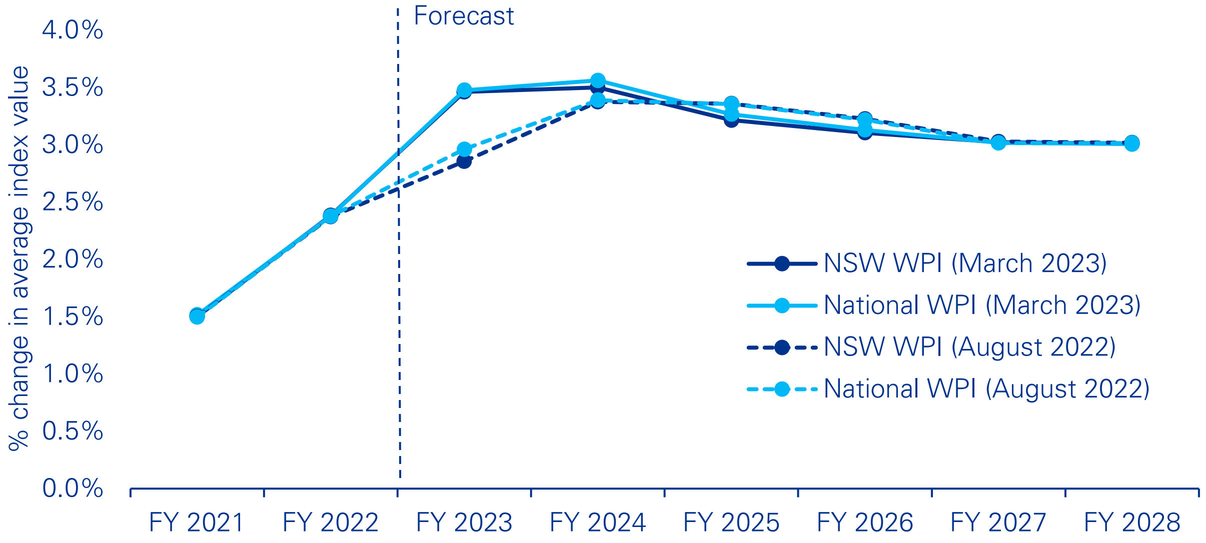
New South Wales All-industry WPI

In line with the state's absolute size, the NSW all-industry WPI is a significant driver of the national all-industry WPI. Therefore changes in each quarter are typically very similar across the two series.

Since the previous report, inflation has peaked higher than expected and the labour market has remined tighter than expected, therefore; the NSW all-industry WPI growth rate is expected to peak in FY23 at 3.5%, an increase of 0.1% since the last report. The impact of inflation is evident when looking at the real all-industry WPI forecast, where the real NSW all-industry WPI growth rate is not expected to be positive until FY25, compared to FY24 from the previous report.

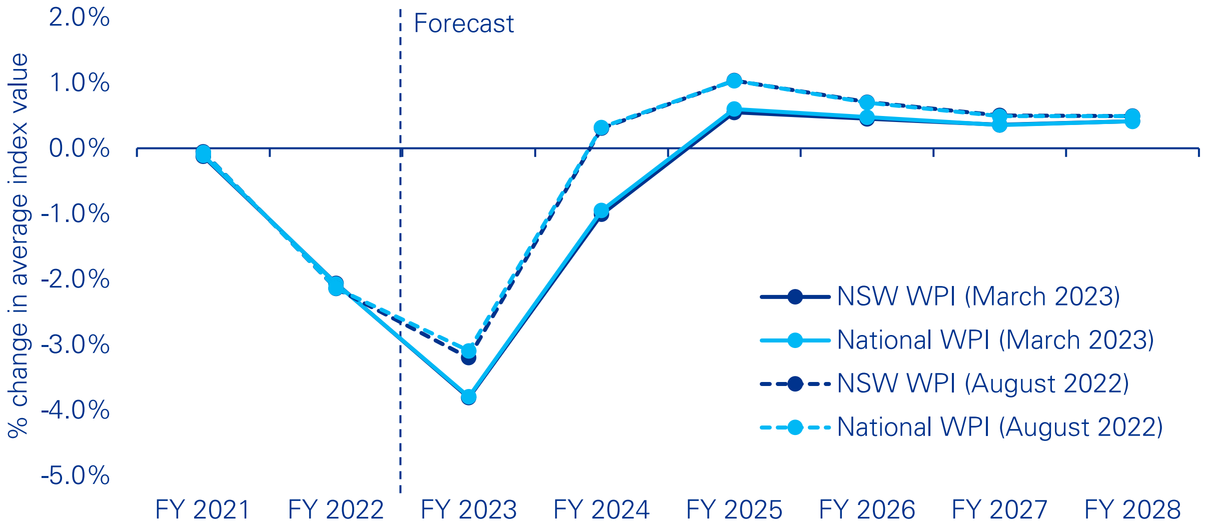
The NSW economy is subject to the same drivers and headwinds outlined for the national economy; the tight labour market is expected to ease into FY24, where slower growth momentum eases pressures. Over the long run, price inflation and productivity growth will be long-run anchors for wage growth.

Nominal all-industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

Real all-industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

New South Wales Utilities WPI

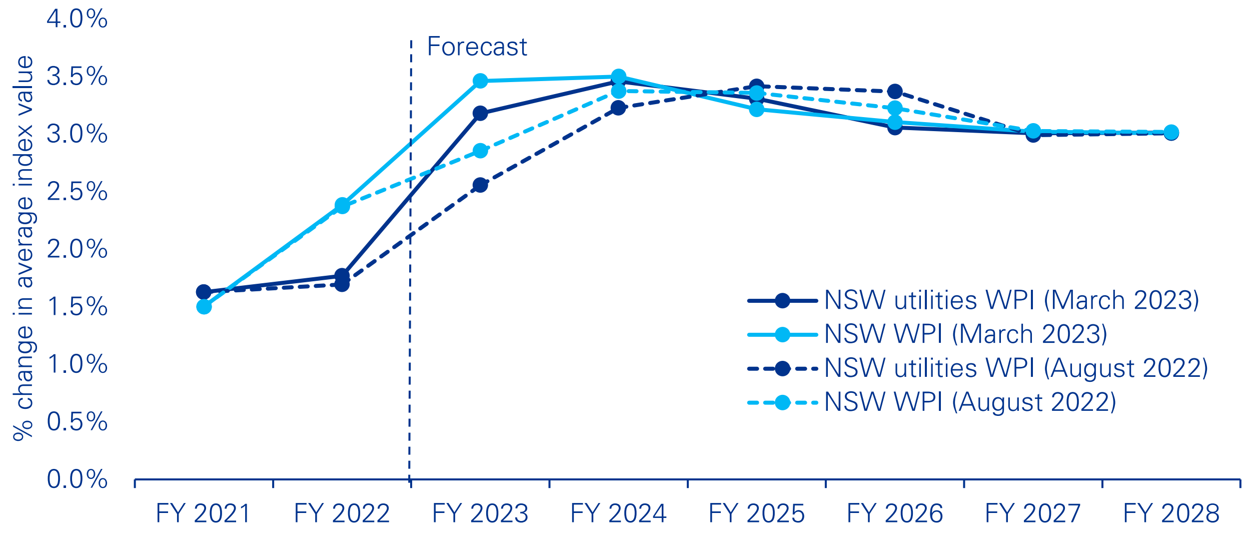
The utility industry wage growth has gone from slightly outperforming in FY21 to falling behind the all-industry wage growth in FY22. Given that a significant portion of the utility industry employees are on an EBA with fixed periods for pay negotiation, it wasn't unexpected that wage growth was slower than in other industries that primarily utilise individual contracts and are more responsive to market conditions.

GVA per employee increased over FY22 by 0.3% from FY21; this modest increase still trails pre-pandemic levels by 14%. As energy demand continues to recover, it is expected that output per employee will continue increasing – while not an immediate driver of wage growth (given the prevalence of EBAs, as previously outlined), productivity growth is a key anchor for the long run.

Similar to the state-level all-industry WPI growth, the utility industry is expected to experience higher wage growth than was forecast in the previous report over the short to medium term. The pace is predicted to peak in FY24, as residual strength in the state labour market and 'catch-up' from EBA resets ~~maintains~~ upward pressure. Over the long run, the pace of growth is expected to track back to economic fundamentals (see Technical Appendix in the previous report).

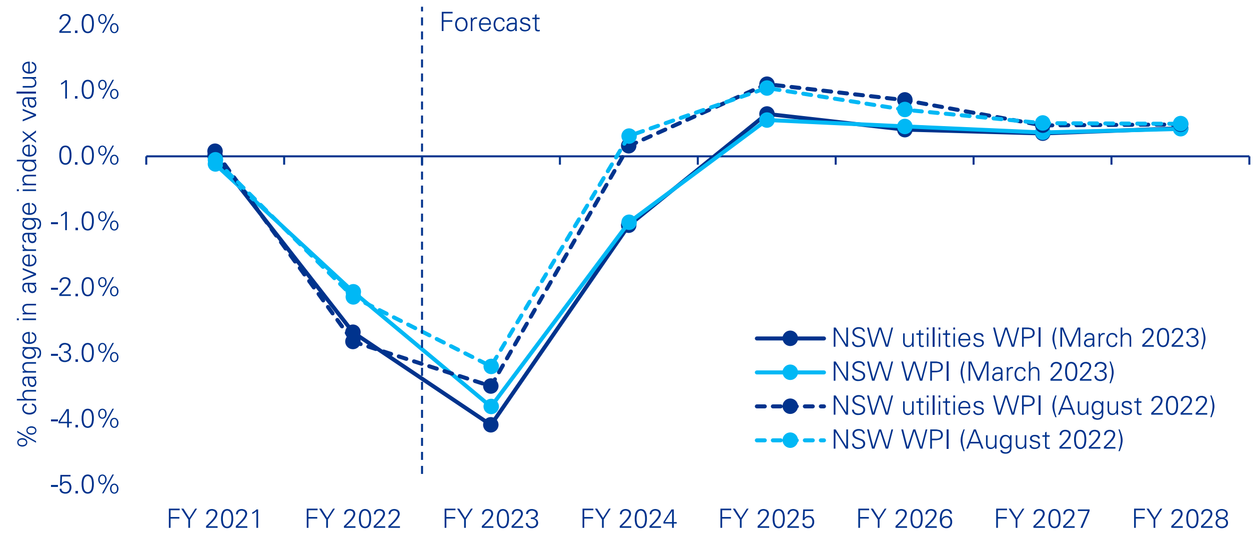
Despite growing nominal wages, KPMG expects a decline in real wages of 3.5% in FY23, 0.6% lower than previous expectations, as inflationary pressures continue to outpace wage growth. KPMG's projections for wages and price inflation (with the acceleration in wage growth lagging behind price inflation) imply that the decline will continue through FY24, with real wages expected to decline by 0.7% since the previous report. In FY25, KPMG expects inflation to return to the RBA target of 2-3%, with real wage growth increasing to a positive level.

Nominal utilities WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

Real utility industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

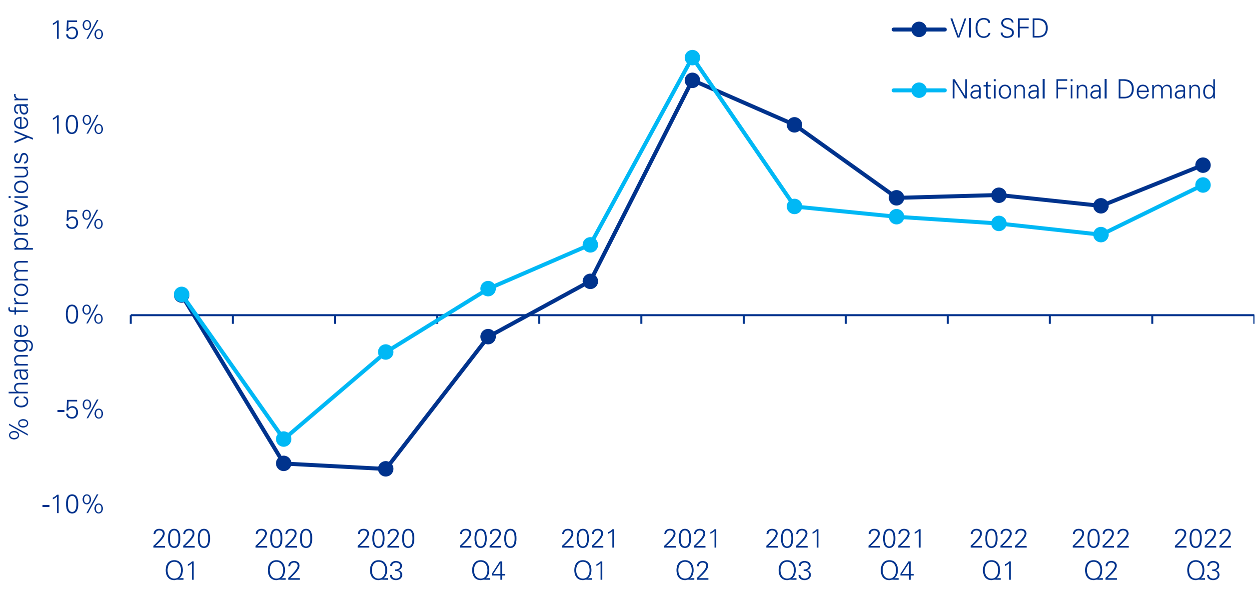
Victoria Overview

Victoria has rebounded after lockdown related restrictions reduced GSP growth in FY21 with a 5.6% increase in GSP growth for FY22. Victoria's SFD has consistently outperformed the national average since 2021 Q3.

Melbourne's headline inflation rate for the most part trailed behind the national average in 2022. The Victorian Government has continued to provide rebates on the cost of living, such as an energy rebate. However, similar to the NSW Government, they ended their travel and food service discount programs in Q4 2022.

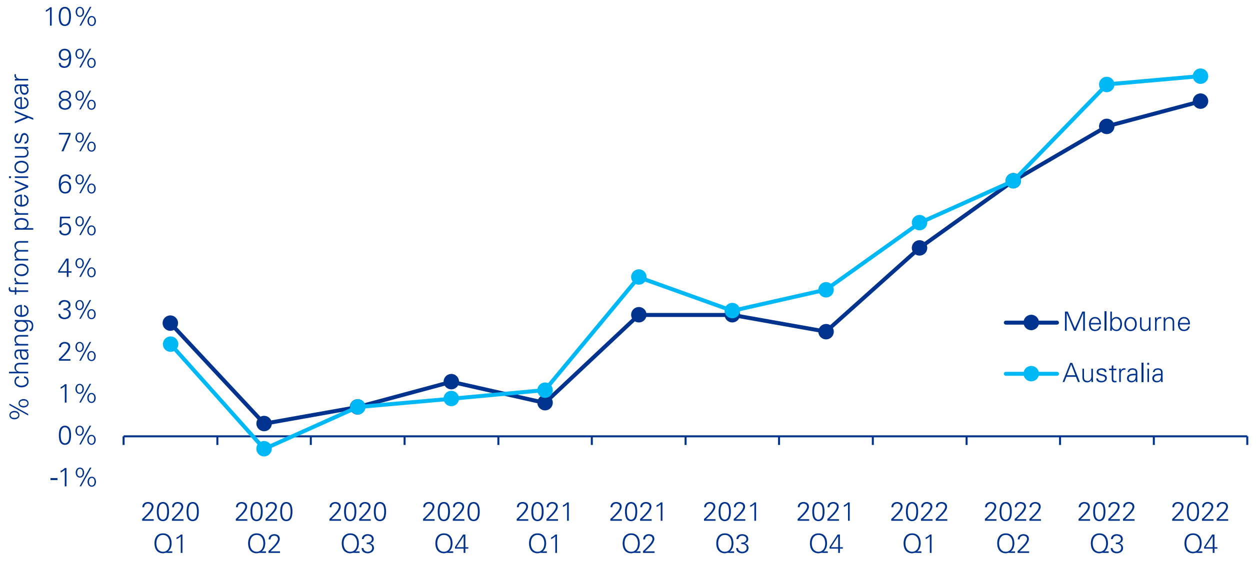
In September 2022, the Victorian Government announced it would be investing heavily into renewable energy storage, aiming to have 2.6 gigawatts (GW) of capacity by 2030 and 6.3 GW by 2035. The government expects this investment to create 12,700 jobs from a $1.7 billion investment and for the state to be 95% powered by renewables by 2035, achieving net zero by 2045.

Victoria's SFD compared to national final demand



Source: ABS

Headline inflation rate, Melbourne compared to the national average



Source: ABS

KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Victoria's Labour Market

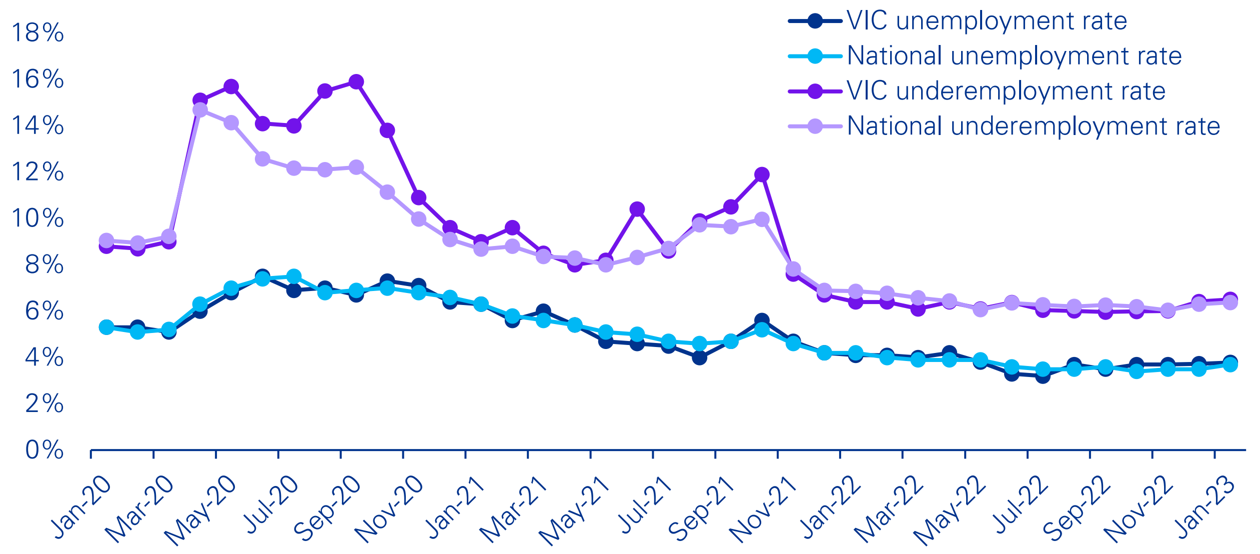
The Victorian economy is Australia's second-largest employer, accounting for 26% of Australia's employment. The workforce is highly metropolitan, with around 77% of all workers in the Greater Melbourne region (November 2022).

As of September 2022, there were 3,449 EBAs across Victoria, with an AAWI of 2.6%. AAWI have been steady in the state, with 378 EBAs approved in September 2022 with an AAWI of 2.4%.

Similar to the national average, Victoria recorded an unemployment rate of 3.8% in January 2023, as labour market conditions continue to be tight across the state. While the unemployment rate has been slightly higher than the national average through the later half of 2022, the underemployment rate has been slightly lower than the national average.

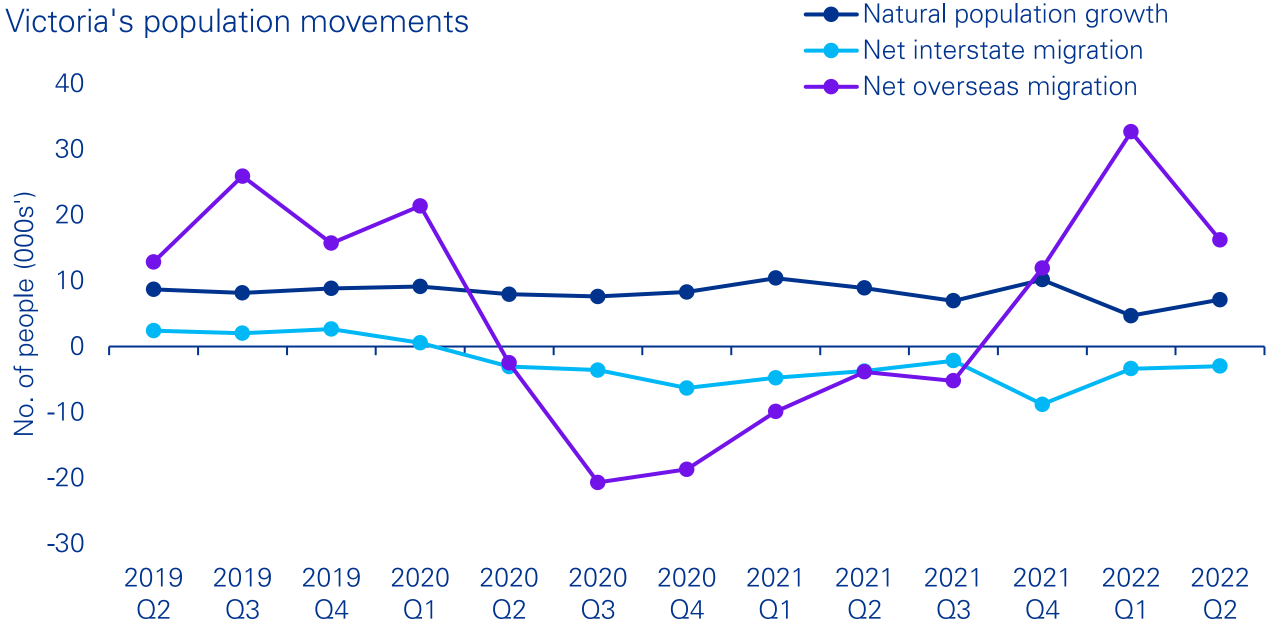
Migration to Victoria followed a similar pattern to NSW, with a significant increase in net overseas migration through late 2021 and into 2022. Furthermore, 2022 Q1 saw the largest single quarter increase in net overseas migrants since ABS records began. Net interstate migration has continued to be a drain on Victoria's population since the beginning of the pandemic, however the decline due to interstate migration is less pronounced than in NSW.

Victoria's labour force trends



Source: ABS

Victoria's population movements



Source: ABS

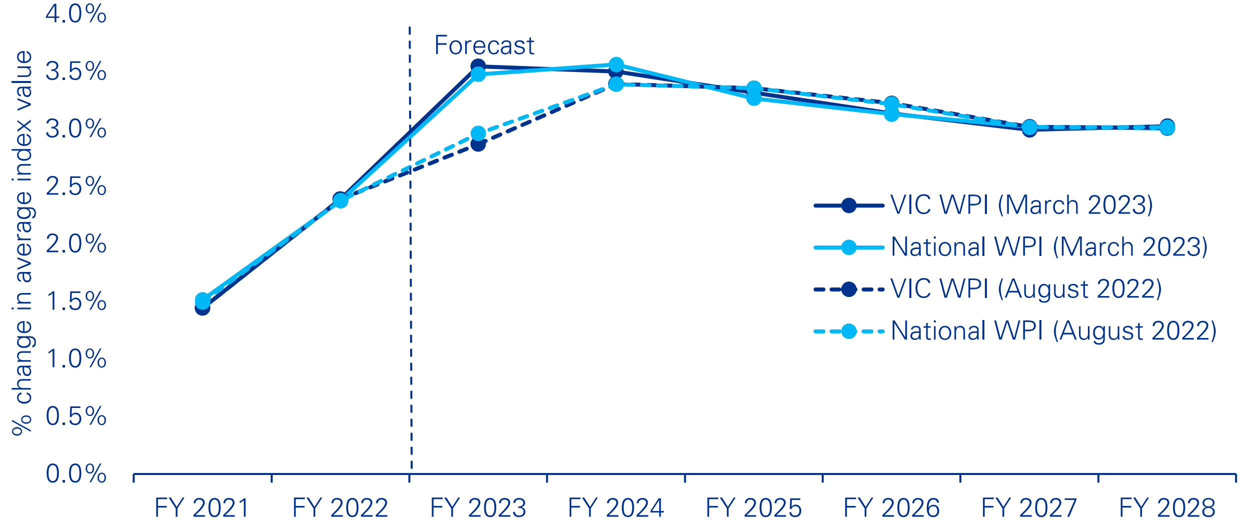
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Victoria All-industry WPI

In FY23 we expect the nominal Victorian all-industry WPI to be 3.5%, an increase of 0.6% since the last report. In real terms, the WPI forecast is only 0.5% lower than the previous report, with FY24 being 1.3% lower off the back of higher inflation expectations during FY24 compared to the previous report.

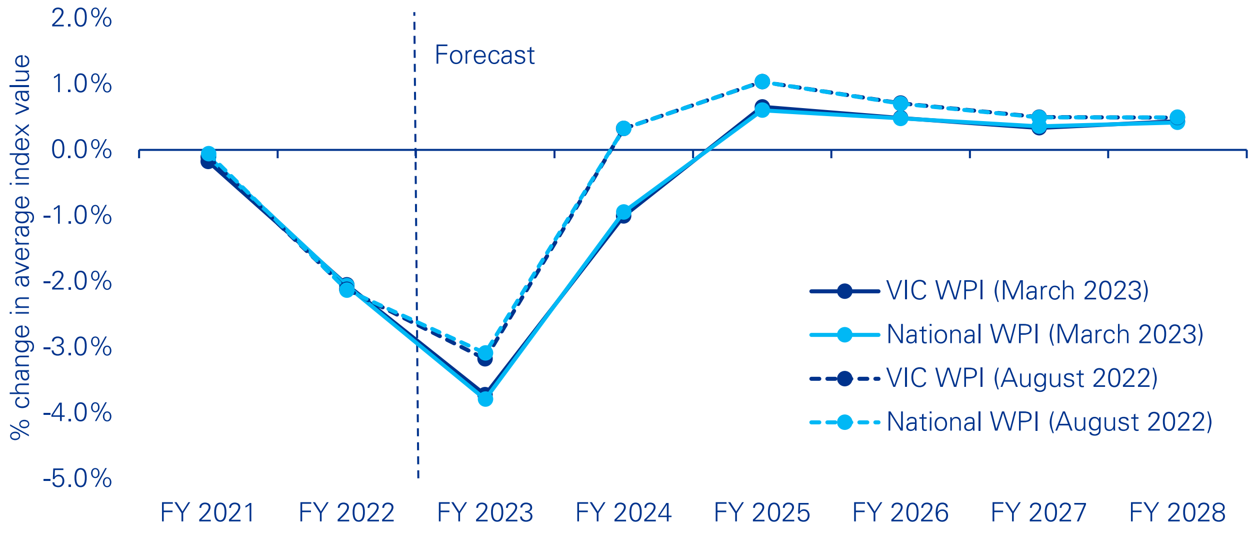
Similar to NSW, Victoria's economy is subject to the same drivers and headwinds outlined for the national economy; the tight labour market is expected to continue through FY24 into FY25, where slower growth momentum eases pressures. Over the long run, price inflation and productivity growth will be long-run anchors for wage growth.

Nominal all-industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

Real all-industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

Victoria Utilities WPI

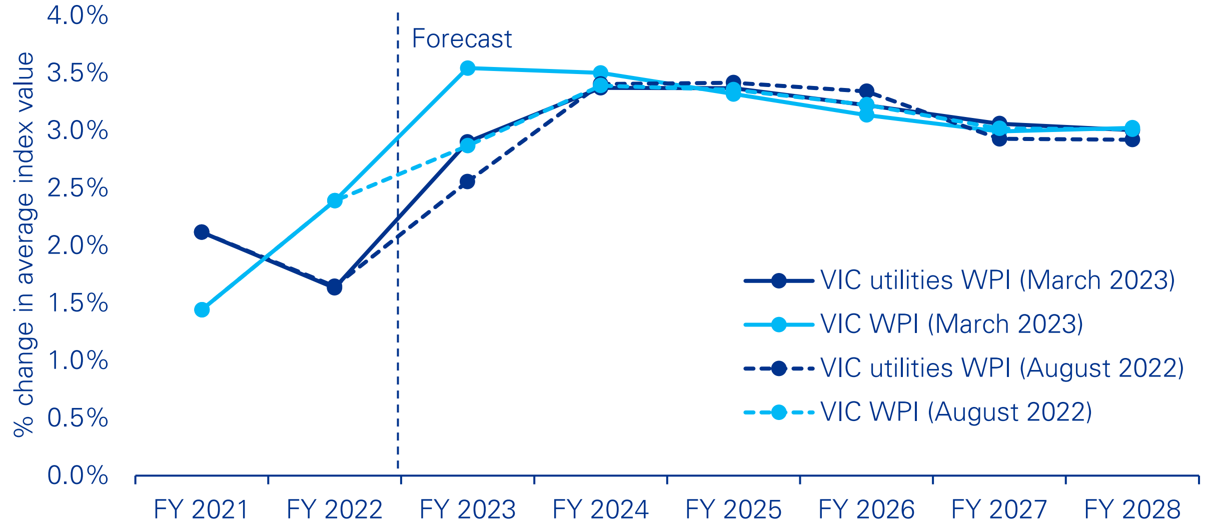
Similar to NSW, utility industry wage growth has gone from slightly outperforming in FY21 to falling behind all-industry wage growth in FY22.

GVA per employee decreased over FY22 by 9% from FY21; however this is attributed to the growth in industry employment (12.8%) as lockdowns eased and the industry returned to pre-covid levels of employment. As energy demand continues to recover, it is expected that output per employee will continue increasing – while not an immediate driver of wage growth (given the prevalence of EBAs, as previously outlined), productivity growth is a key anchor for the long run.

Similar to the state-level all-industry WPI growth rate, the utility industry is expected to experience higher wage growth than was forecast in the previous report over the short to medium term.

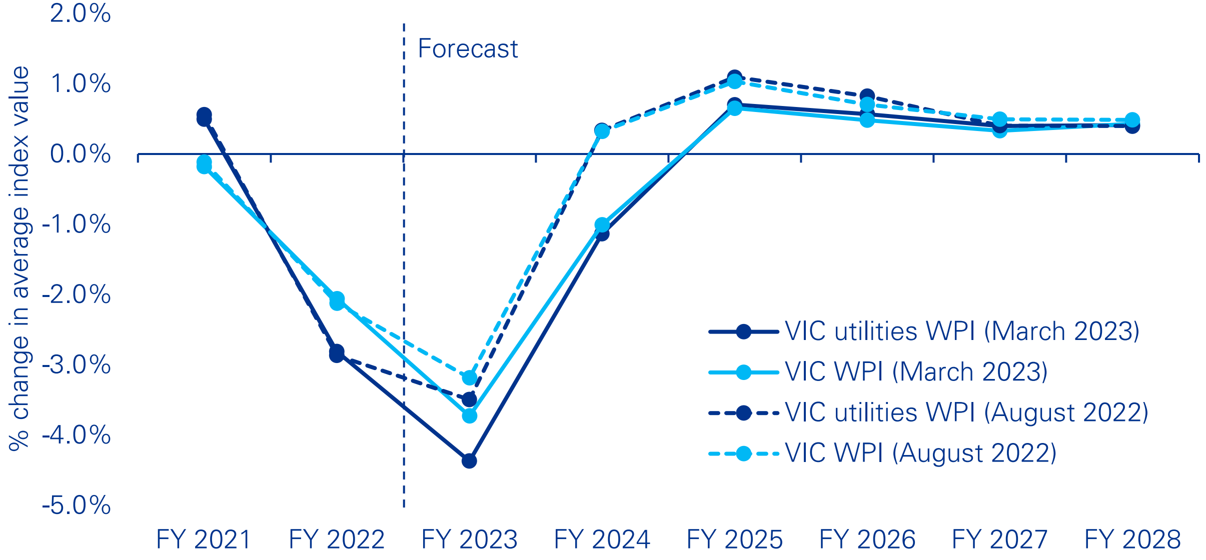
Despite growing nominal wages, KPMG expects a decline in real wages of 4.4% in FY23, 0.9% lower than previous expectations, as inflationary pressures continue to outpace wage growth. KPMG's projections for wages assume that the decline will continue through FY24, with real wages expected to be -1.1%, a decline of 1.4% from the previous report. Real wages are expected to return to positive territory in FY25 and then grow in line with long-run fundamentals through to FY28.

Nominal utilities WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

Real utility industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

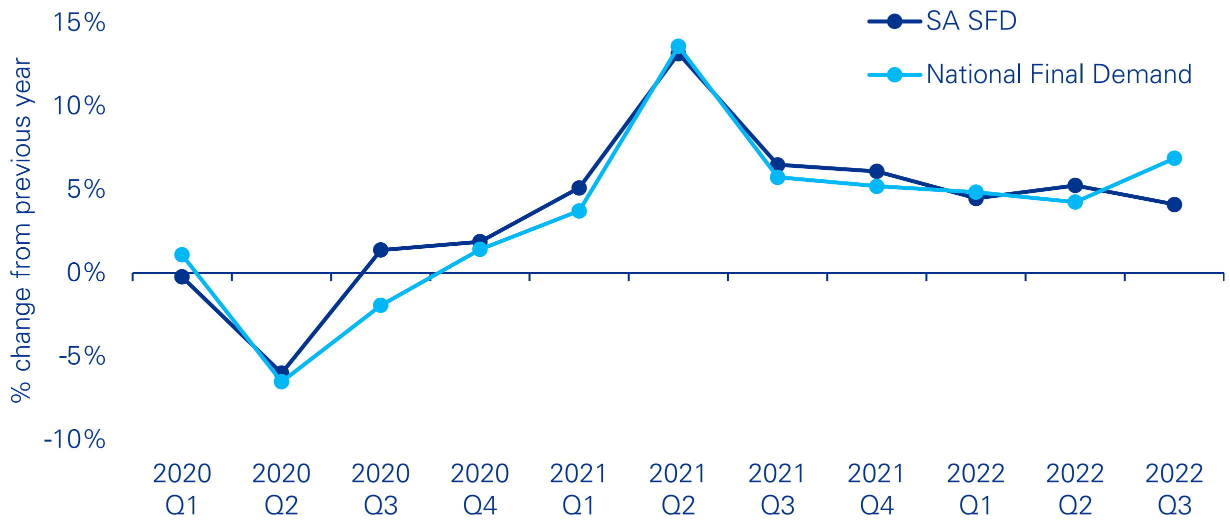
South Australia Overview

South Australia is a relatively small state, accounting for only 5.8% of GDP (June 2022). The state was an outperformer through the pandemic and has continued growing during the post pandemic period, recording GSP growth for FY22 of 5.1%, the second highest in the country. Favourable weather conditions boosted agricultural output and the construction pipeline remains strong, driven in part by the HomeBuilder program.

Adelaide maintained a lower inflation rate than the national average through 2021, but this has reversed through the later half of 2022 . The increases in inflationary pressure stem from higher household gas prices in 2022 Q3 and increases in the prices of domestic holiday accommodation, which was reflected across the country in 2022 Q4.

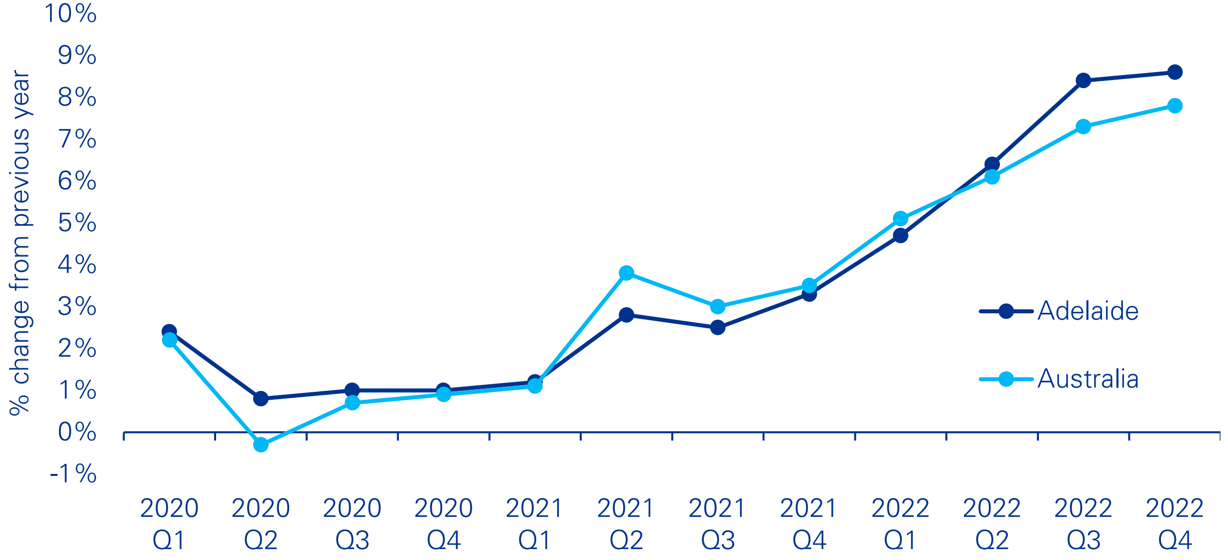
The South Australian Government has recently introduced the largest flood assistance package in history for the state, worth $126 million, as strong rainfall upstream of the Murry River have impacted farmlands and communities along the river, cutting 3,190 properties from power. The package includes $10 million for reconnecting residence to utilities services.

South Australia's SFD compared to national final demand



Source: ABS

Headline inflation rate, Adelaide compared to the national average



Source: ABS

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

Liability limited by a scheme approved under Professional Standards Legislation.

South Australia's Labour Market

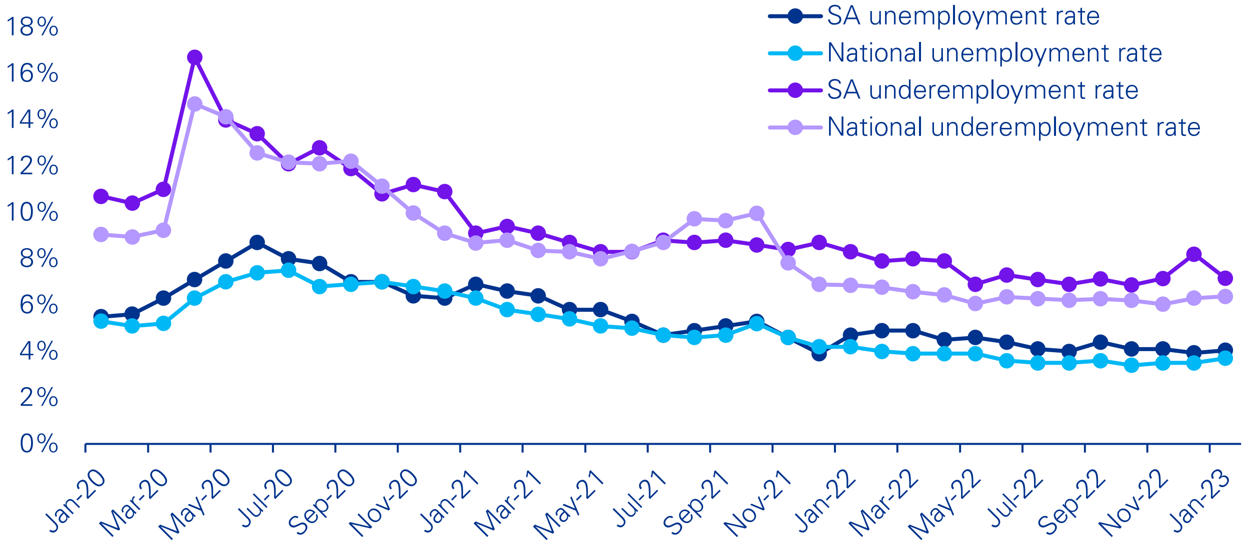
As of March 2022, there were 535 EBAs across South Australia, with an AAWI of 2.5%. Wage growth is slowly increasing in the state, with 51 EBAs approved in March 2022 with an AAWI of 3.4%.

Unlike Victoria and NSW, South Australia has continued to have higher unemployment and underemployment rates than the national average, at 4% and 7.2% respectively in January 2023.

Job vacancies in the state increased 0.4% in November from August which goes against the national average decline of 4.9%, putting downward pressure on South Australia's unemployment and underemployment rates for the short term, as seen in the data for December 2022 and January 2023.

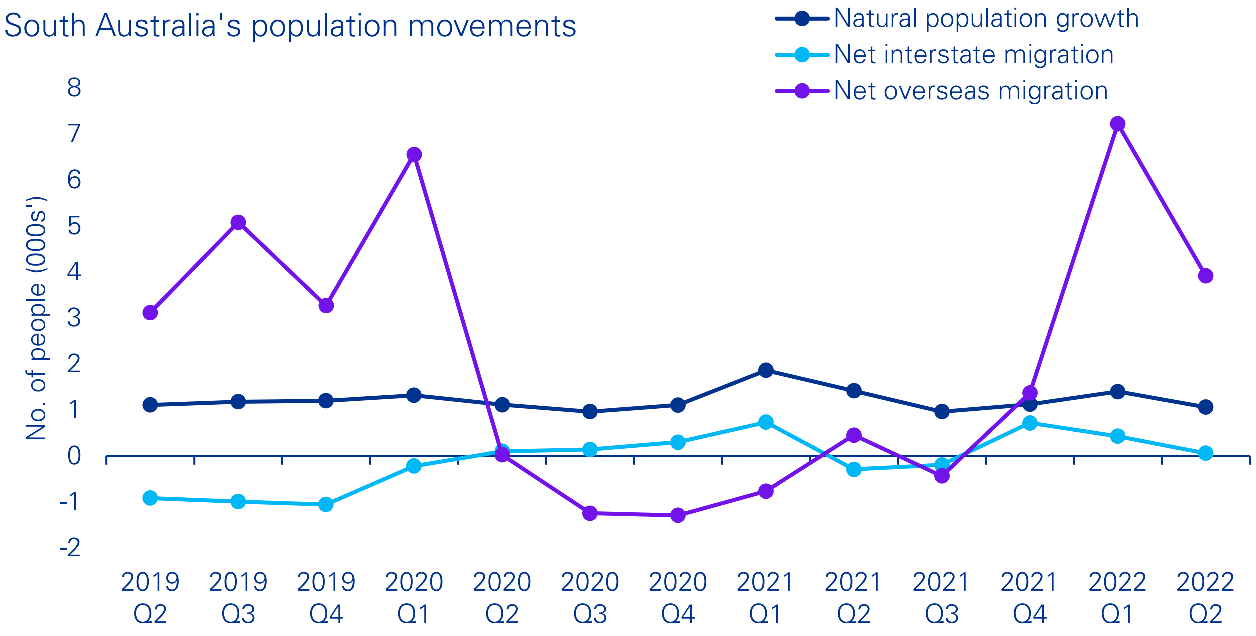
Similar to the larger states, South Australia recorded strong net overseas migration in 2022 Q1 as restrictions in Australia and globally eased and confidence returned for migrants. However, the state also has benefited from positive net interstate migration as people have moved away from Victoria and NSW to the smaller states.

South Australia's labour force trends



Source: ABS

South Australia's population movements



Source: ABS

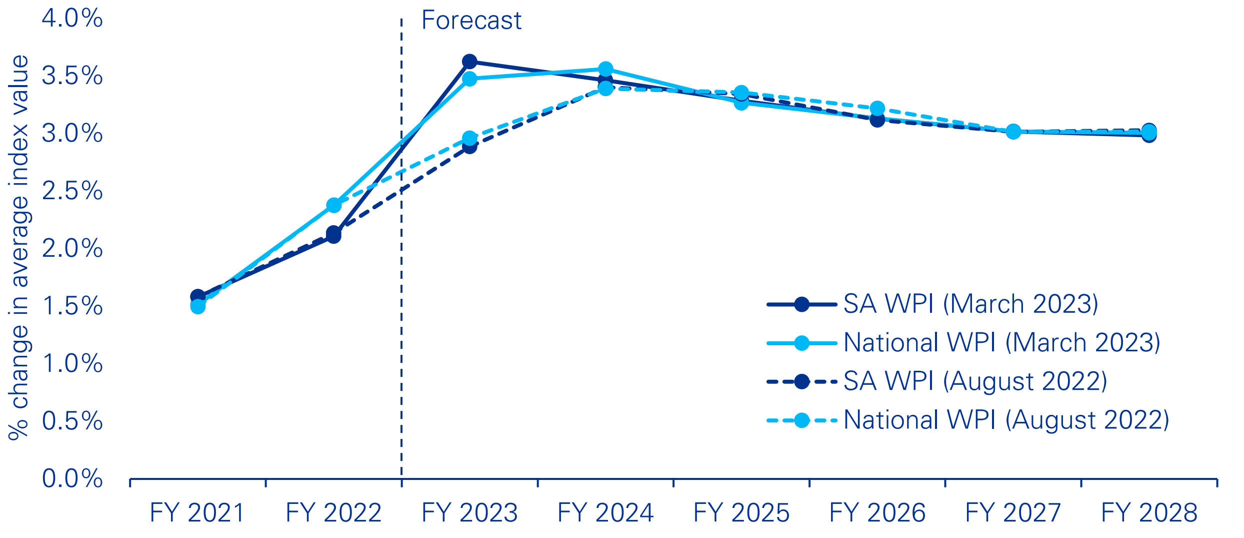
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

South Australia All-industry WPI

South Australia's wage growth for FY22 was weaker than the national average as expected in the previous report. However, KPMG's revised projections have wage growth in FY23 0.7% higher than in the previous report reflecting the upward revision to our inflation forecasts, which flows through to higher wages.

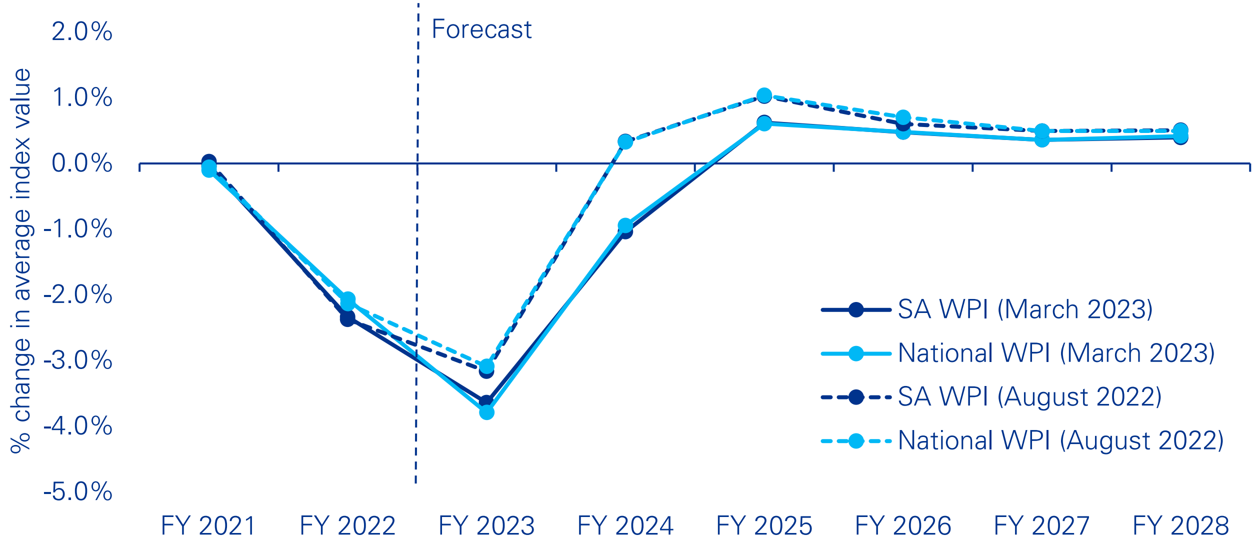
Similar to Victoria and NSW, South Australia's real wage growth is anticipated to be negative during FY24, down 0.7%, before retuning to positive territory in FY25.

Nominal all-industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

Real all-industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

KPMG
©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

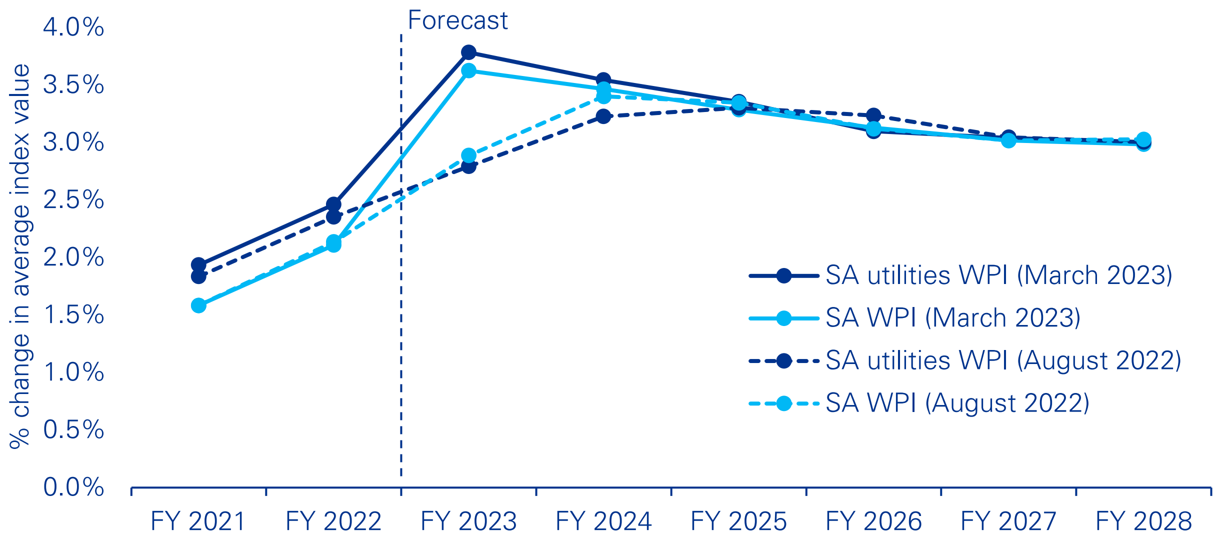
South Australia Utilities WPI

Since the previous report, the ABS has revised some of its total employment estimates from the labour force survey. This impacts how KPMG estimates South Australia's utilities WPI, which is calculated using utilities employment (see Technical Appendix in the previous report for more information). Therefore, there is a slight change to the estimated FY21 and FY22 wage growth results from the previous report. However, given the low impact of the re-weighting, the subsequent changes to the estimated WPI for South Australia's utilities industry is insignificant at only 0.1% lower for FY21 and FY22.

The significant increase in Queensland's Utilities WPI for the December quarter 2022, a higher inflation peak and enterprise bargaining agreement data for South Australia, showing an agreement was signed in the state at a AAWI of 3.4%, motivated us to adjust the WPI forecast for FY23, resulting in an increase of 1% in nominal terms. In real terms, the forecast is only 0.2% lower than the previous report.

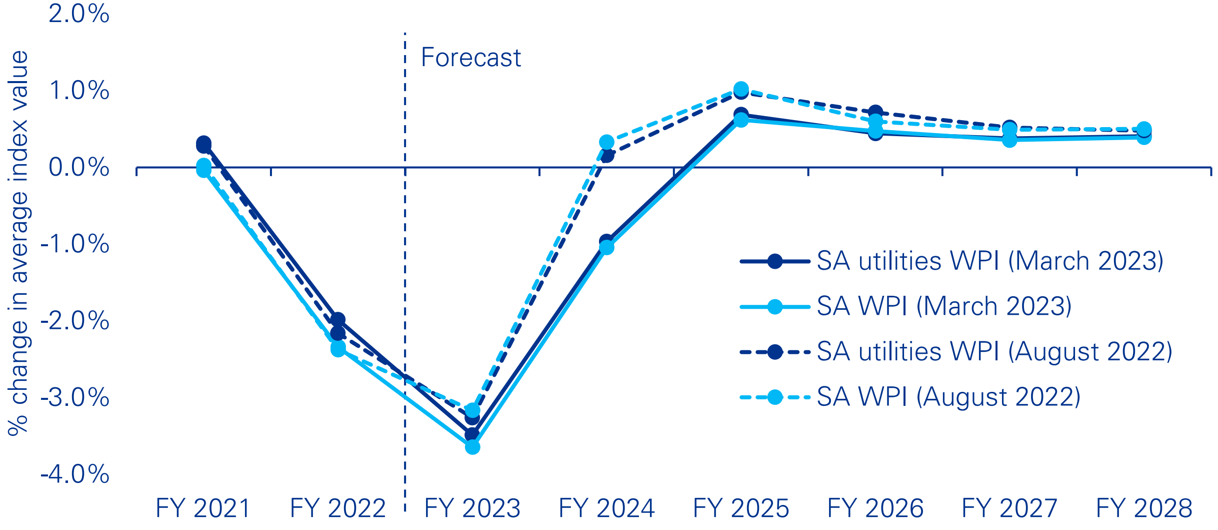
Similar to the other states, the most significant change between this report and the previous report is the real WPI forecast in FY24, which is 1.2% lower. Real wage growth is not expected to be positive until FY25.

Nominal utilities WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

Real utility industry WPI forecast (average growth each FY)



Source: KPMG Economics, ABS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

State forecast tables

Nominal wage forecasts, % average change from previous financial year

	2021	2022	2023	2024	2025	2026	2027	2028
NSW all-industry WPI	1.5%	2.4%	3.5%	3.5%	3.2%	3.1%	3.0%	3.0%
NSW utilties WPI	1.6%	1.8%	3.2%	3.5%	3.3%	3.1%	3.0%	3.0%
Victoria all-industry WPI	1.4%	2.4%	3.5%	3.5%	3.3%	3.1%	3.0%	3.0%
Victoria utilties WPI	2.1%	1.6%	2.9%	3.4%	3.4%	3.2%	3.1%	3.0%
SA all-industry WPI	1.6%	2.1%	3.6%	3.5%	3.3%	3.1%	3.0%	3.0%
SA utilties WPI	1.9%	2.5%	3.8%	3.5%	3.4%	3.1%	3.0%	3.0%

Source: KPMG Economics, ABS

Real wage forecasts, % average change from previous financial year

	2021	2022	2023	2024	2025	2026	2027	2028
NSW all-industry WPI	-0.1%	-2.1%	-3.8%	-1.0%	0.5%	0.5%	0.4%	0.4%
NSW utilties WPI	0.0%	-2.7%	-4.1%	-1.0%	0.6%	0.4%	0.3%	0.4%
Victoria all-industry WPI	-0.2%	-2.1%	-3.7%	-1.0%	0.7%	0.5%	0.3%	0.4%
Victoria utilties WPI	0.5%	-2.8%	-4.4%	-1.1%	0.7%	0.6%	0.4%	0.4%
SA all-industry WPI	0.0%	-2.3%	-3.6%	-1.0%	0.6%	0.5%	0.4%	0.4%
SA utilties WPI	0.3%	-2.0%	-3.5%	-1.0%	0.7%	0.4%	0.4%	0.4%

Source: KPMG Economics, ABS

Source: KPMG Economics, ABS

KPMG

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public
Liability limited by a scheme approved under Professional Standards Legislation.

References

Andrews, THD 2022, Australia’s Biggest Renewable Energy Storage Targets | Premier of Victoria, www.premier.vic.gov.au.

Australian Bureau of Statistics 2020, Wage Price Index, Australia, June 2020 | Australian Bureau of Statistics, www.abs.gov.au.

— 2022a, Australian National Accounts: National Income, Expenditure and Product, September 2022 | Australian Bureau of Statistics, www.abs.gov.au.

— 2022b, Australian National Accounts: State Accounts, 2021-22 financial year | Australian Bureau of Statistics, www.abs.gov.au, viewed 31 January 2023, <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/2021-22-financial-year>.

— 2022c, Job Vacancies, Australia, November 2021 | Australian Bureau of Statistics, www.abs.gov.au.

— 2022d, National, state and territory population, June 2022 | Australian Bureau of Statistics, www.abs.gov.au.

— 2023, Labour Force, Australia, Australian Bureau of Statistics.

Chalmers, THDJ 2022a, A responsible Budget in uncertain times | Treasury Ministers, ministers.treasury.gov.au, viewed 2 February 2023, <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/responsible-budget-uncertain-times#:~:text=Wages%20growth%20is%20expected%20to>.

— 2022b, Ministerial Statement on the Economy | Treasury Ministers, ministers.treasury.gov.au.

Department of Employment and Workplace Relations 2022, Trends in Federal Enterprise Bargaining - Department of Employment and Workplace Relations, Australian Government, Department of Employment and Workplace Relations.

Department of Energy, Environment and Climate Action 2022, A clean energy future, Energy Victoria.

Martin, P, Boisvert, E & Fedorowytsch, T 2023, ‘Large funding package for River Murray flooding as more levee breaches hit Murraylands’, ABC News, 2 January, viewed 31 January 2023, <https://www.abc.net.au/news/2023-01-03/agricultural-levee-breaches-along-lower-murray/101823084>.

Minister for Infrastructure, Transport, Regional Development and Local Government 2022, $1 billion infrastructure boost for NSW, minister.infrastructure.gov.au.

Prime Minister of Australia 2022, Landmark Rewiring The Nation deal to fast-track Clean Energy jobs and security In NSW | Prime Minister of Australia, www.pm.gov.au, viewed 31 January 2023, <https://www.pm.gov.au/media/landmark-rewiring-nation-deal-fast-track-clean-energy-jobs-and-security-nsw#:~:text=The%20Albanese%20Government%27s%20Rewiring%20the>.

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Document Classification: KPMG Public

Liability limited by a scheme approved under Professional Standards Legislation.

Contacts in relation to this document:

Michael Malakellis
Principal Director
Planning and Infrastructure Economics
T: +61 7 3233 9592
E: mmalakellis@kpmg.com.au

KPMG.com.au

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

Liability limited by a scheme approved under Professional Standards Legislation.

Document Classification: KPMG Public