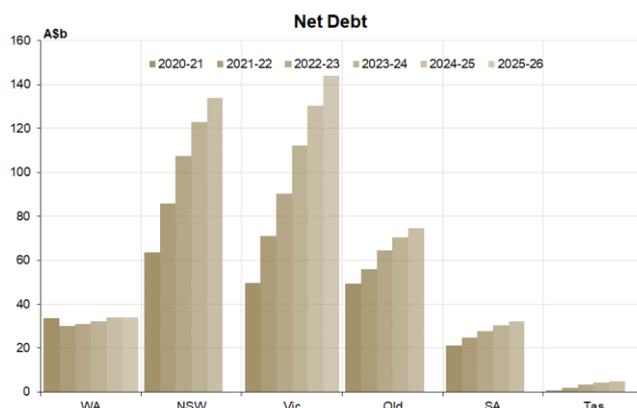
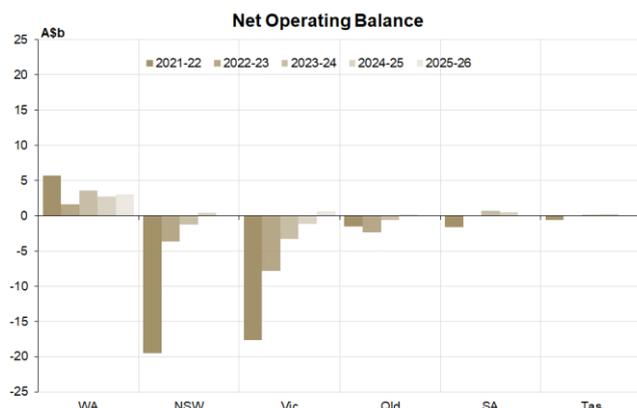


THIS MONTH'S WESTERN AUSTRALIAN DATA HIGHLIGHTS

- Western Australian state final demand rose by 2.2% in Q1, to be 4.9% up through the year.
- Western Australian merchandise goods exports totaled A\$59.2 billion in the three months to April.
- Wages in Western Australia rose by 0.5% in Q1, taking the annual wage growth rate to 2.2%.
- Western Australian employment rose by 5.1% YoY, while the unemployment rate declined to 2.9%.

WESTERN AUSTRALIA STATE BUDGET 2022-23

- Despite heightened volatility and risks in the global economy, Western Australia's economy continues to grow strongly, with domestic economic activity estimated to expand at its fastest rate in a decade in 2021-22.
- According to the Western Australia State Budget 2022-23, real gross state product growth is estimated at 3.75% for 2021-22, including 5.25% growth in real state final demand which will be the strongest in a decade. Further solid growth in state final demand of 4.0% is expected in 2022-23 and 3.0% in 2023-24.
- Growth in 2021-22 is being driven by (i) a strong increase in consumer spending, after the slowdown at the start of the COVID-19 pandemic, as well as (ii) strong business investment growth, which is expected to accelerate again in 2022-23 due to spending on large LNG projects, as well as capital spending across the resources sector to sustain high levels of production.
- The demand for labour is the highest since the global financial crisis. The unemployment rate is forecast to average 3.75% in the coming years.
- As price pressures have accelerated worldwide in the recent months, the Perth CPI is estimated to grow by 4.00% in 2021-22, before moderating to 2.75% in 2022-23 and 2.50% in the following years.
- Strong economic growth, coupled with elevated commodity prices, has boosted the general government operating surplus for 2021-22, which is now estimated at A\$5.7b (1.4% of GSP). Operating surpluses are also forecast in 2022-23 (A\$1.6b) and across the entire forward estimates period, which is an exception among the Australian states.
- The surpluses have materially reduced the State's net debt levels, with net debt on 30 June 2022 now estimated at A\$29.9b (7.5% of GSP), which is A\$2.7b lower than forecast in the 2021-22 mid-year review. For the first time since 2015, net debt has been below A\$30.0b. While net debt is forecast to pick up gradually in the following fiscal years, it is forecast to remain under 10.0% of GSP over the forward estimates



Australian Interest Rates (%)			FX and Equities	
RBA Cash Rate Target	0.35	(↑25 pt)	AUD/USD	0.7173 (↑110 pt)
90-Day Bank Bills	1.77	(↑107 pt)	AUD/JPY	92.35 (↑0.7 pt)
3-year Australian Government Bond	2.98	(↑23 pt)		
10-year Australian Government Bond	3.35	(↑18 pt)	ASX200	7211 (↓224 pt)

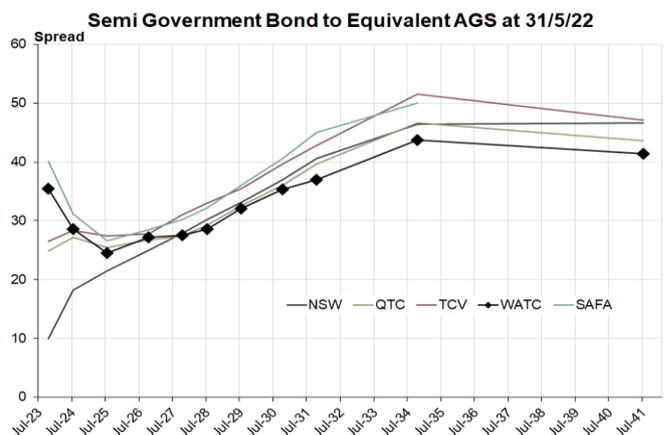
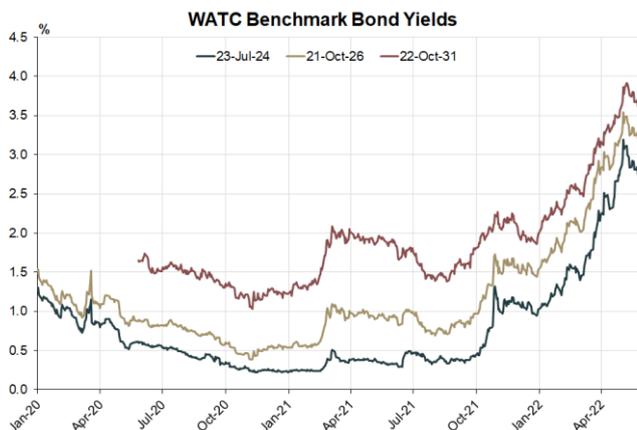
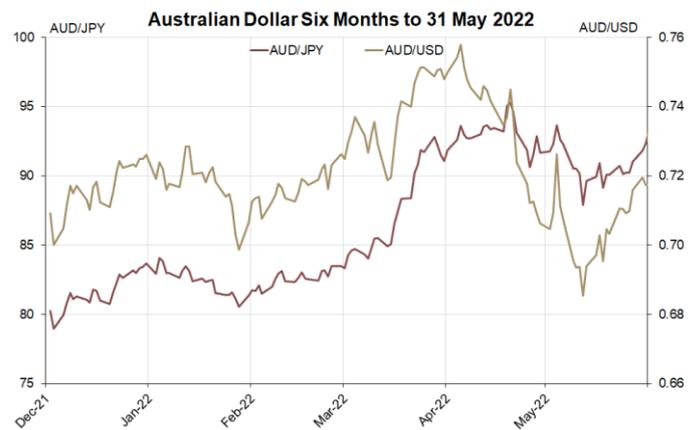
*As at end of the month. Figures in brackets represent the monthly change.

MARKET SUMMARY

- The RBA is expected to increase its interest rate by another 25bps increase to 0.60% at the next Board meeting on 7 June. The probability of a larger, 50bps increase, implied from cash rate futures exceeds 50%.
- Australian bond yields surged to their highest levels since 2014 in early May, as the RBA raised the cash rate for the first time in over a decade and signalled there are more increases to come. However, yields drifted lower over the remainder of the month as traders became concerned over the impact of tighter central bank policy on the global economy. WATC spreads widened for most maturities.
- The Australian dollar appreciated against the US dollar and the Japanese yen this month, supported by high commodity prices, expectations of a large stimulus in China and the start of monetary policy tightening by the RBA. This was reflected in the strengthening of the Australian currency towards the end of the month, following weakness in early May with the AUD/USD declining to the lowest level since the early days of pandemic on 12 May.
- The Australian equity market declined by another 3.0% in April, it is the second consecutive monthly decline.

WATC Benchmark Bond Yields		
Maturity	Yield 31/05/2022	Spread to AGS 31/05/2022
16 October 2023	2.63 (↑21 pt)	+35 pt (↑12 pt)
23 July 2024	2.89 (↑9 pt)	+29 pt (↑4 pt)
23 July 2025	3.15 (↑10 pt)	+25 pt (↑4 pt)
21 October 2026	3.34 (↑14 pt)	+27 pt (↑5 pt)
21 October 2027	3.42 (↑15 pt)	+28 pt (↑6 pt)
20 July 2028	3.48 (↑14 pt)	+29 pt (↑4 pt)
24 July 2029	3.59 (↑16 pt)	+32 pt (↑3 pt)
22 October 2030	3.70 (↑18 pt)	+35 pt (↑5 pt)
22 October 2031	3.75 (↑18 pt)	+37 pt (↑6 pt)
24 October 2034	3.95 (↑19 pt)	+44 pt (↑3 pt)
23 July 2041	4.12 (↑15 pt)	+41 pt (↓8 pt)

*Spreads are to nearest Commonwealth Bond.



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