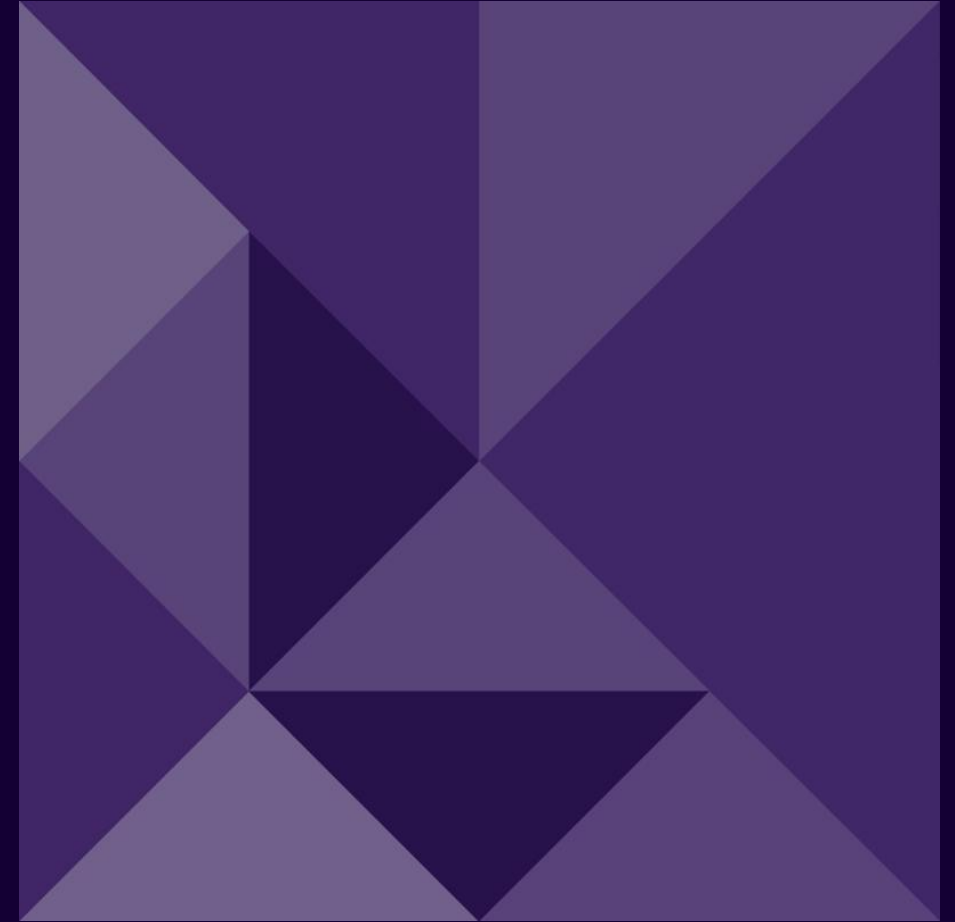


23 April 2026

Quarterly Economic Briefing Q1 2026

Member Presentation



ACIL ALLEN

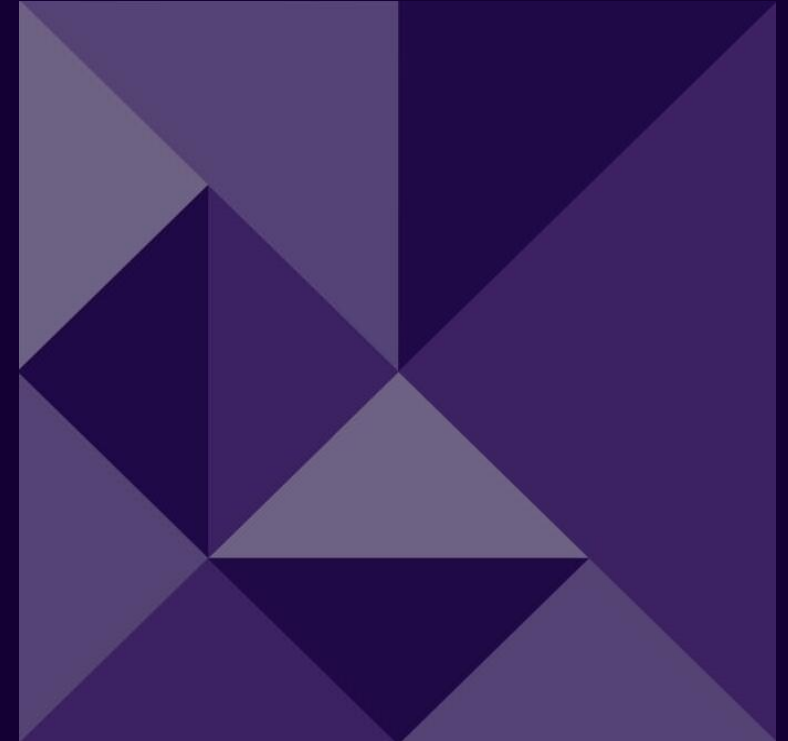
ACIL Allen is Australia's largest independent economics, public policy and strategy advisory firm. As a firm, we specialise in economic analysis, and in understanding how policy decisions can translate into socio-economic outcomes. ACIL Allen has significant resources upon which it can draw. We employ around 60 consultants located in Adelaide, Brisbane, Canberra, Melbourne, Perth, and Sydney.

The firm has built a reputation for quality research, credible analysis, and innovative advice on economic, policy and strategic matters over a period of more than twenty years. ACIL Allen operates across a select range of industries including energy, mineable resources, water and other infrastructure, education, tourism, health and human services policy and provides specialist advice to companies, governments, regulators and industry associations. ACIL Allen has been at the forefront of analysis of changes and policy issues in these sectors. We have helped governments to develop a number of policy mechanisms applied in response to these changes and policy issues. We have also helped many private corporations to develop responsive business strategies in this dynamic environment.

Our analytical and modelling skills enable us to provide robust quantitative estimates of the impacts of market and regulatory risk. We often use risk-based decision tools such as real options frameworks to advise clients on risk management strategies and opportunities. In part, our experience in these roles relates to major infrastructure assets, supporting feasibility assessments, equity raisings, sale and acquisition processes and funding of infrastructure assets, including natural gas and electricity transmission and distribution systems, power stations, roads, railways, airports and ports.

Our consultants are drawn from a wide variety of disciplines including economics, finance, statistics, geology, physics, environmental science, engineering and mathematics. We also offer a diverse range of professional backgrounds in state and federal government, academia and business.

Further information can be found on ACIL Allen's website at www.acilallen.com.au.



Where We Were as 2026 Began

The local economic growth outlook remains heavily influenced by major project development, and interstate and overseas migration which is driving household consumption and dwelling investment.

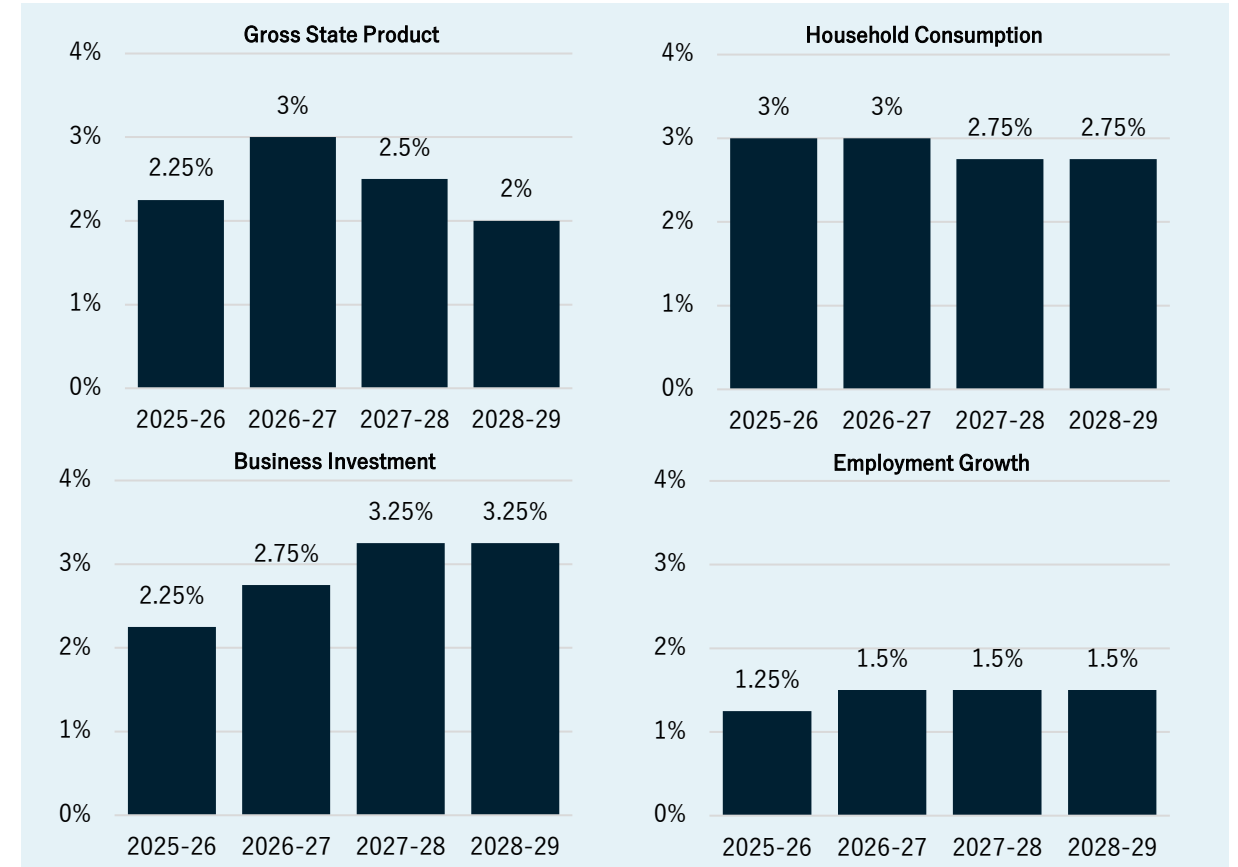
State Final Demand: Increased by 0.5% in December, bringing year-on-year growth to 3.2%, which was the second highest level across all Australian states.

Population Growth: WA recorded the strongest population growth across all states and territories over the 12 months to June 2025 at 2.2%.

Public Investment: Composition of public investment is shifting away from public transport infrastructure, with the balance projected to shift towards roads and ports.

Major Project Pipeline: Characterised by projects spanning the full spectrum of the State Government's target industries and identified priorities.

Figure 2: WA Treasury Economic Forecasts



Inflation and Interest Rates The Big Story

Inflationary pressures picked up in the second half of 2025, with inflation results greater than market expectations.

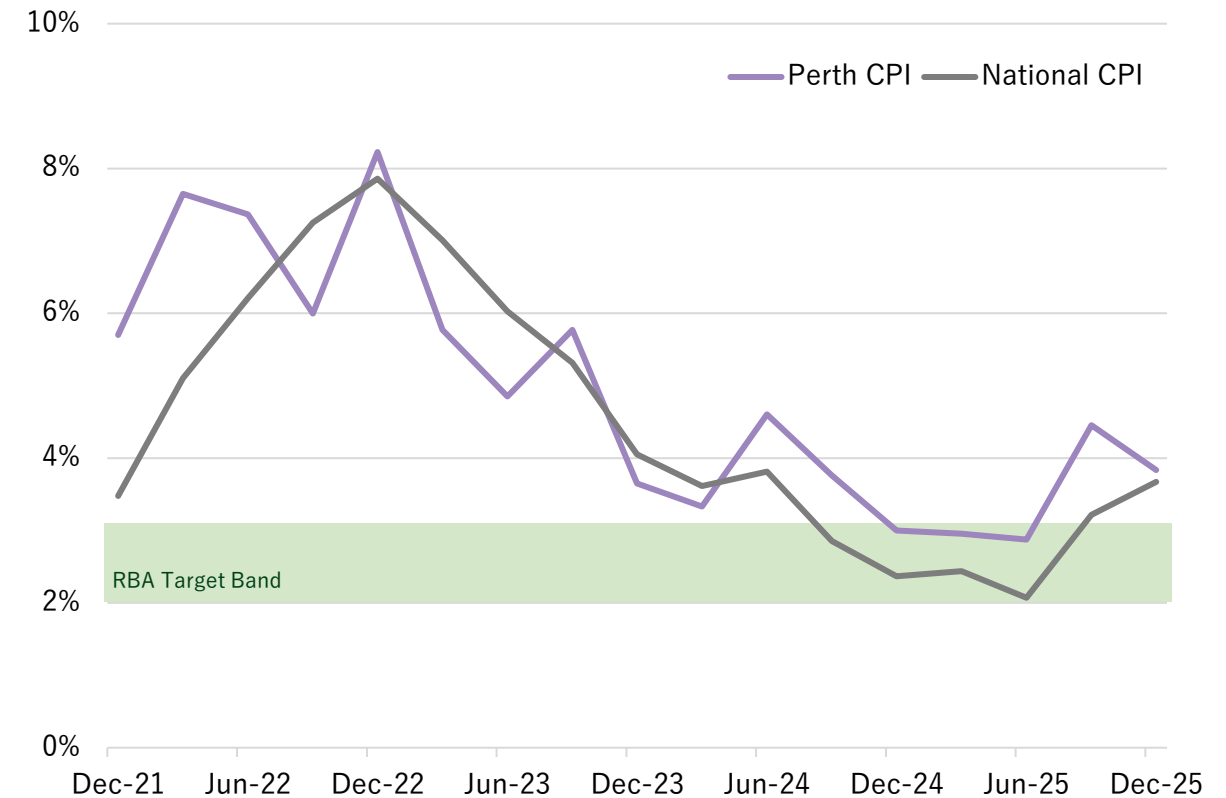
Perth CPI: In annual terms, the Perth CPI of 3.8% over the 12 months to December 2025 was above National CPI of 3.7%, and the equal second highest across all Australian capital cities after Brisbane (5.2%).

Perth CPI: Perth CPI sitting above National CPI has been the case since the June 2024 quarter, albeit the gap has narrowed to its smallest margin as of the most recent data release.

CPI by Sub-Category: Highest annual increases for Perth CPI at an individual sub-category level were recorded in Housing (5.7%) and Education (5.6%), consistent with national trends over the same period.

Cash rate: Increased at consecutive RBA meetings in February and March, with market expectations for a further two to three cash rate increases in 2026.

Figure 3: Perth CPI vs National CPI, Annual % Change



Impact of Middle East Conflict

Turmoil in the Middle East is impacting a range of commodity prices and supply chains, with impacts yet to be felt in official inflation gauges.

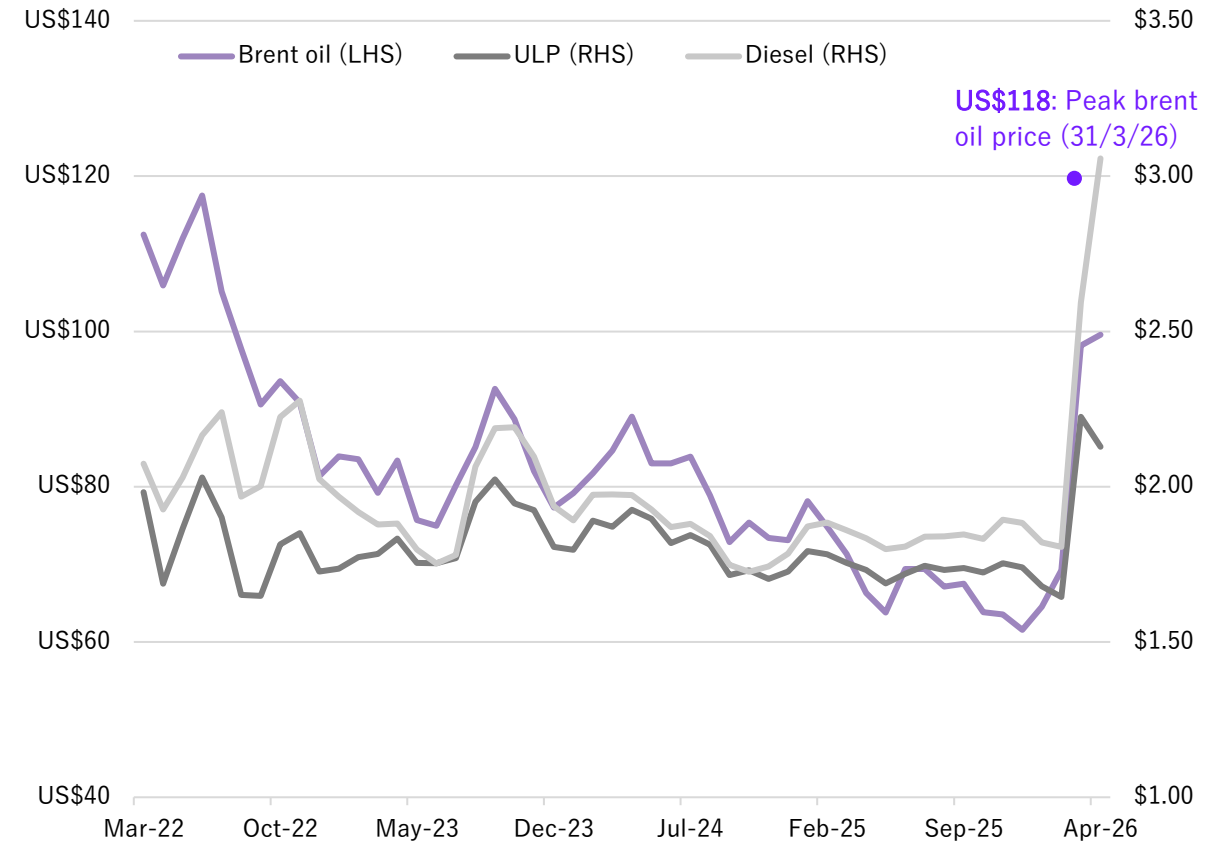
Primary Impact: Increase in oil price has direct impact on fuel prices and in turn transportation costs, including deliveries, freight, trade services and air travel.

Second Order Impacts: Flow through to a wide range of industries, such as grocery prices and commodity products (e.g. petrochemicals and fertilisers).

Potential Industry-Specific Impacts of Prolonged Conflict

- Agriculture – Increased costs for fuel, fertiliser, chemicals and freight.
- Residential Construction – Contractor cost escalation, supply chain disruptions and delays, increased material costs.
- Tourism – Elevated fuel prices raising cancellation levels for popular holiday destinations, such as the north-west region of WA.
- Mining – Downgrading of production forecasts, as a result of higher production costs linked to diesel prices.

Figure 4: Oil Price and Fuel Price



Initial Impacts (via the Local Government Cost Index)

The LCGI is a valuable metric for the sector, but the timing of the current index data is unfortunate in that it doesn't account for the fuel price spike. ACIL Allen developed a scenario to consider the first round fuel spike impact on the LCGI.

The “base” LCGI presented in the Q1 Update does not take into account recent fuel price spikes. WALGA asked ACIL Allen to develop a scenario where a first round impact was estimated and included in the forecast.

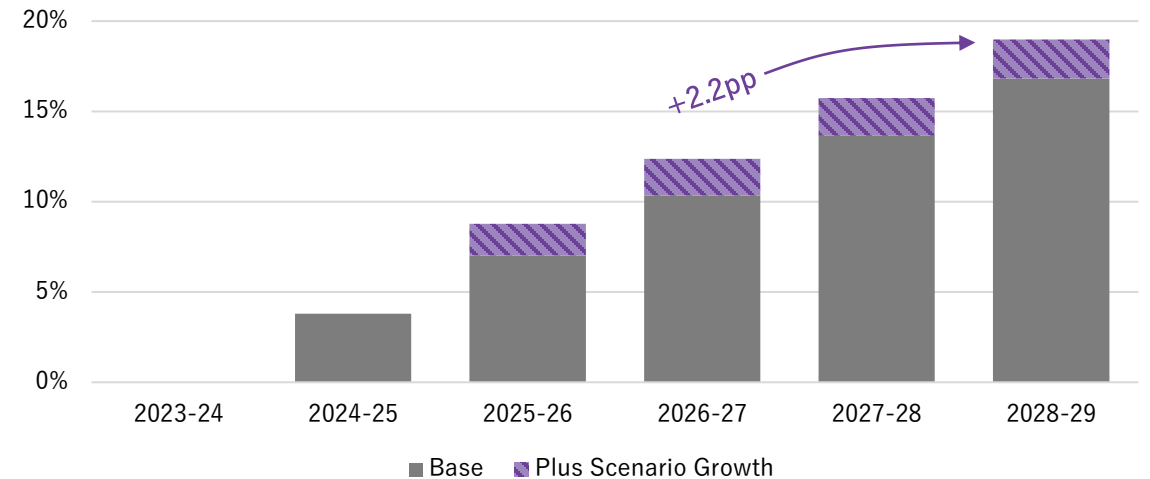
An effective doubling of fuel prices in the March and June quarters of 2026 (relative to September and December 2025) is sufficient to increase the forecast LCGI to **4.8% in 2025-26** (from 3.1% in the base).

As the figure shows, the one-time spike has a compound effect over four years. The LCGI in 2028-29 is 2.2% higher in the Scenario than the base case.

Important to note: this is a conservative and “first round” impact, based on changing underlying parameters. A re-forecast of the LCGI with full data will incorporate additional impacts in Q2.

Figure 5: LCGI Forecast, Base Case & Scenario, Q1 2026

Case	2024-25 (a)	2025-26 (f)	2026-27 (f)	2027-28 (f)	2028-29 (f)
Base	3.8	3.1	3.1	3.0	2.8
Scenario	3.8	4.8	3.3	3.0	2.8



Cumulative impact of short term LCGI increase vs the base case

Medium Term Outlook and Risks (2/2)

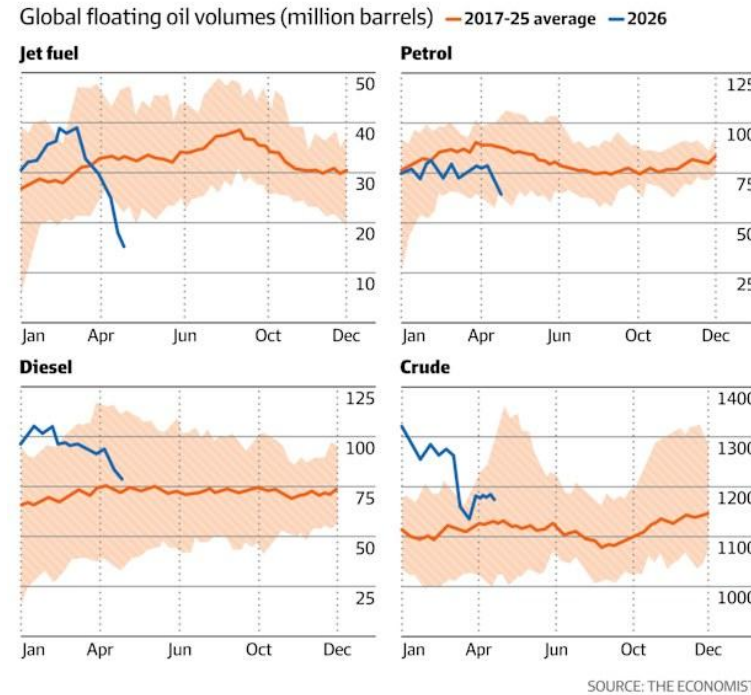
Much remains unknown and subject to a range of factors and forces. What we do know is the physical market oil and gas commodities is expected to become the dominant driver of prices and availability in the months ahead.

The outlook is uncertain. Reports suggest market impacts may worsen in the months ahead as **physical shortages** (rather than market speculation) begin to drive prices.

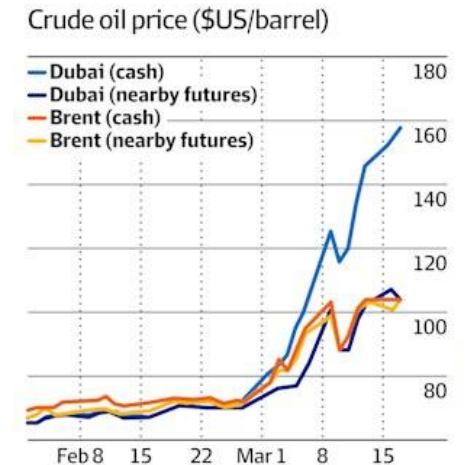
Most of the “pre-closure” refined product flows have now been delivered to Australian ports (see right). Risks of **delays, diversions or outright missed shipments** will persist while supply remains uncertain.

Some analysts suggest future oil and associated **product prices will be permanently higher** due to a change in the risk profile of the supply chains, and damage to infrastructure in the Middle East.

Figure 7: “Floating” Oil & Petroleum Product Volumes vs Historic Range and Average



Source: The Economist (via AFR)



Key Messages: Planning and Budgeting

The uncertainty comes at a difficult point in the cycle for Local Governments.

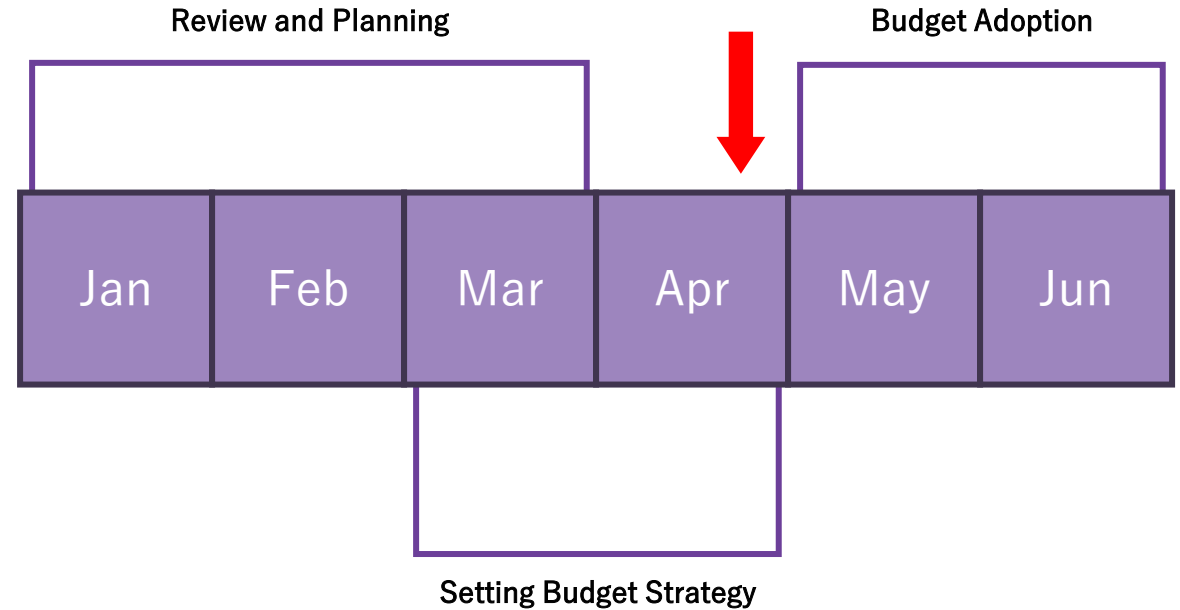
The LGCI will rise in the next edition of the quarterly update, as the specialist forecasting inputs (produced by MacroMonitor) will adjust to the fuel price spike – even higher than the scenario in the Q1 Briefing.

It is important to consider the potential longer term implications: permanently higher fuel prices, leading to second round inflationary impacts across capital and operational costs.

Sector expenditure for FY2026 will have been impacted (relative to expectations), as this is an unforeseen shock. Consider options to address FY2026 outcomes when setting FY2027 budgets.

Choices include raising additional revenue to cover the gap, reviewing expenditure, or borrowings / using reserves to shield ratepayers and service users from additional increases.

Figure 7: Adapted Local Government Budget Cycle (from DLGIRS)



Source: DLGIRS

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