Economic Briefing
Q1 2026

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Overview

The break out of conflict in the Middle East in March has led to a strong reaction in financial and commodity markets, in particular through the rise of the oil price linked to the closure of the Strait of Hormuz and other disruptions to critical energy infrastructure across the oil-rich Middle East.

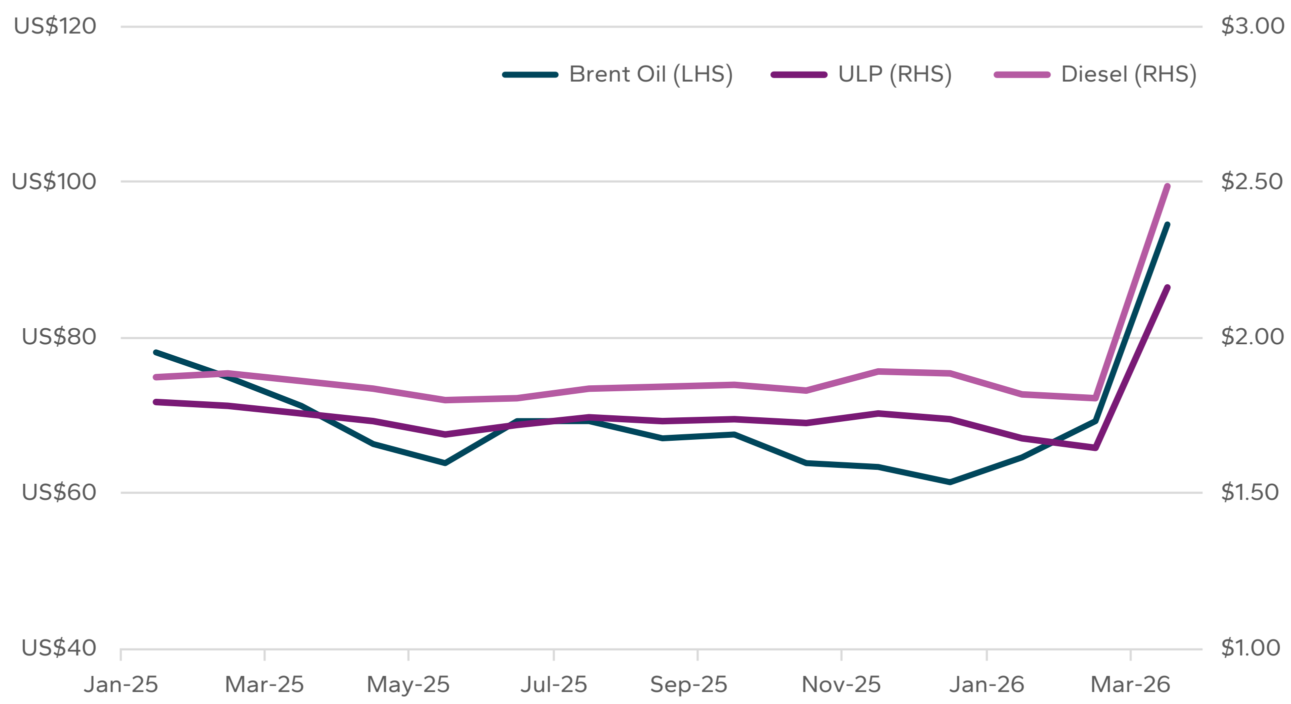
Given the critical role that oil plays in the global economy, there are growing expectations of a downgrade in global growth forecasts if oil prices remain elevated at the $US120-$US150 range over a sustained period. Not only would high oil prices curtail global economic growth, but it would create inflationary pressures that could require central banks to prioritise inflation risks. The pressure to raise interest rates are likely to be most acute in countries already facing 'sticky' inflation challenges over the second half of 2025, such as Australia.

At a local level, the impacts of the conflict in the Middle East are already being felt to the extent that the supply of fuel to Australia has been curtailed, bringing with it acute supply shortages around Australia, and sharp increases in the price of fuel, with the impacts most pronounced in regional areas. Fuel supply shortages – particularly the supply of diesel fuel – are particularly impacting on the resources and agricultural industries where diesel is a key input into production processes.

In the Perth metropolitan area, the average ULP price increased from approximately $1.60 per litre in late February to approximately $2.55 per litre as of late March (Fuel Watch – daily average fuel price). The uplift in the diesel price has been even more pronounced, increasing from approximately $1.80 per litre in late February to over $3 per litre as of late March.

Oil Price and Fuel Price

SOURCE: INTERCONTINENTAL EXCHANGE, FUEL WATCH



Within regional areas of the state, the uplift in the diesel price has been even sharper, approaching $3.20 per litre in the Gascoyne and Kimberley regions as of late March. Supply shortages have complemented concerns about the sharp uplift in prices. Over the second half of March, cases have emerged of petrol stations across several regional areas of the state where supplies of unleaded petrol or diesel have run out.

Prior to the break out of conflict in the Middle East, inflationary pressures re-emerged across the national economy over the second half of 2025 resulting in back-to-back 25 basis point increases to the cash rate at the Reserve Bank of Australia's February and March 2026 meetings. The cash rate now stands at 4.1%, the highest level since February 2025 and just 25 basis points shy of the post-COVID high of 4.35%.

Capacity constraints across key markets, including the labour market, as well as supply chains which are yet to fully normalise following the post-COVID upheaval, are conspiring to place upward pressure on inflation and prices.

Notwithstanding, economic activity in Western Australia remains strong, and continues to be fuelled by sustained high levels of business and public investment. Strong population growth – which continues to outpace the rest of the country – is also contributing to broader economic activity through higher growth rates in household consumption and dwelling investment.

Overseas migration levels to Western Australia continue to normalise following a period of particularly strong inflows, with the Department of Treasury and Finance (DTF) forecasting population growth to stabilise at around 1.7% per year over the medium term.

Substantial rises in property prices across Western Australia have boosted wealth and household consumption, although the rate of house price growth has brought with it housing affordability challenges as a key concern across the broader community.

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

Population growth: Western Australia recorded the strongest growth in total population across all states and territories over the twelve months to June 2025 at 2.2%.

Interest rate outlook: The cash rate was increased at consecutive RBA meetings in February and March, with market expectations for a further two cash rate increases in 2026.

Wage growth: The Wage Price Index for Western Australia rose by 4.1% in the year to December, which was the highest increase across all Australian states and territories.

Implications of Middle East conflict: The conflict in the Middle East is already being felt locally through rising fuel prices, and fuel supply shortages. If the conflict is sustained over a longer period, this will place pressure on inflation and interest rates, and the broader economy.

Domestic Economy

Key points

- **The Australian economy is continuing to grow above expectations, with GDP growth at the highest rate in almost three years.**
- **WA's economy remains strong, recording the second fastest rate of State Final Demand growth of the States and Territories.**
- **The local growth outlook remains heavily influenced by major project development, and interstate and overseas migration which is driving household consumption and dwelling investment.**

Notwithstanding the evolving conflict in the Middle East, the Australian economy continued to grow above expectations in the second half of 2025.

The Australian economy grew by 0.8% in the December quarter, bringing year-on-year growth to 2.6%, up from 2.1% in the previous quarter. It is the highest level of annual economic growth recorded since early 2023, and above the expectations of the RBA who had forecast annual growth of 2.3% in the Statement of Monetary Policy released in February 2026.

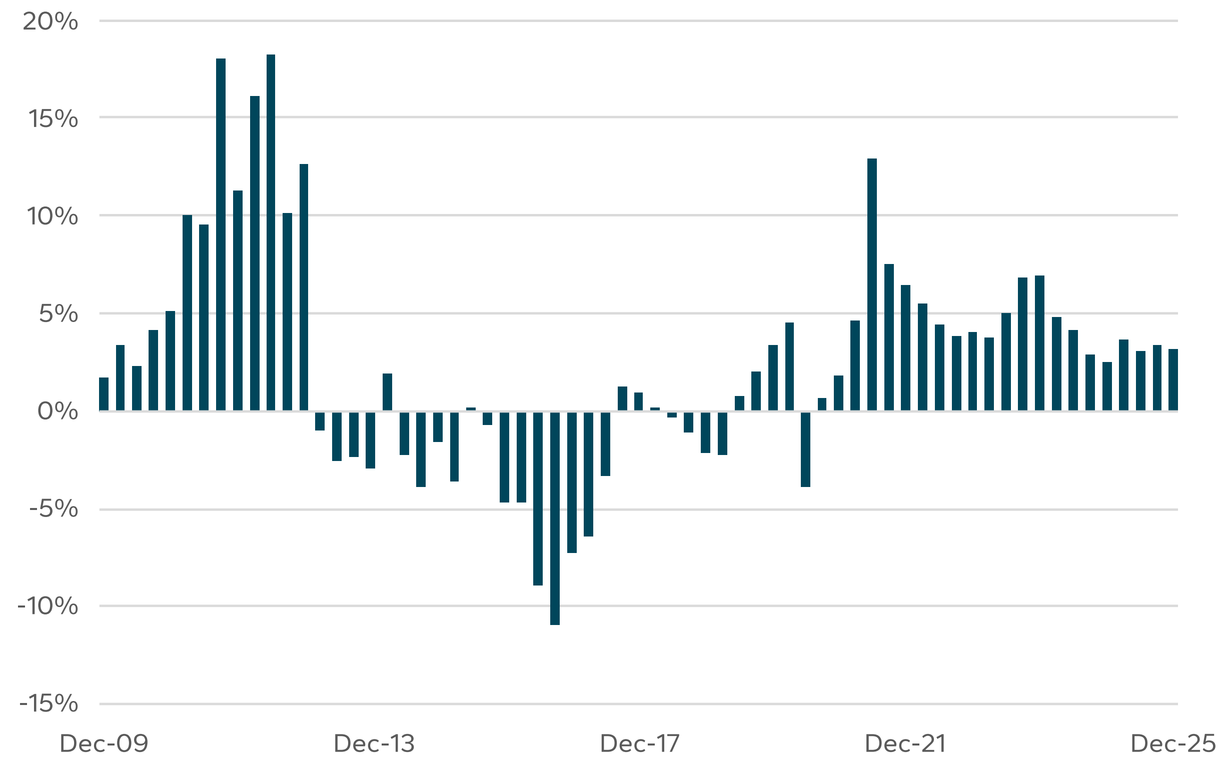
Economic growth at a national level was broad-based and observed across almost all industries, with Construction (-0.5%) and Arts and Recreation Services (-1%) the only two industries to record quarterly declines in their gross value added contribution in the December 2025 quarter. The highest level of quarterly growth was recorded by Mining (2.6%) and Agriculture, Forestry and Fishing (2.5%).

The Western Australian domestic economy, measured by State Final Demand, grew by 0.5% in December, bringing year-on-year growth to 3.2%, which was the second highest level across all Australian states, after South Australia (5%), and tracking above WA Treasury's forecast for State Final Demand growth of 3% for the 2025-26 financial year.

Public investment in Western Australia decreased by 17.3% over the year to December, while public consumption increased by 5.1% over the same period, following the highest quarterly growth (2.2%) since the September 2024 quarter. As a reflection of this, the WA Government's Asset Investment Program totalled $5.9 billion for the six months to December 2025, which was $1.1 billion lower than the same period in 2024-25, according to the December 2025 Quarterly Financial Results Report.

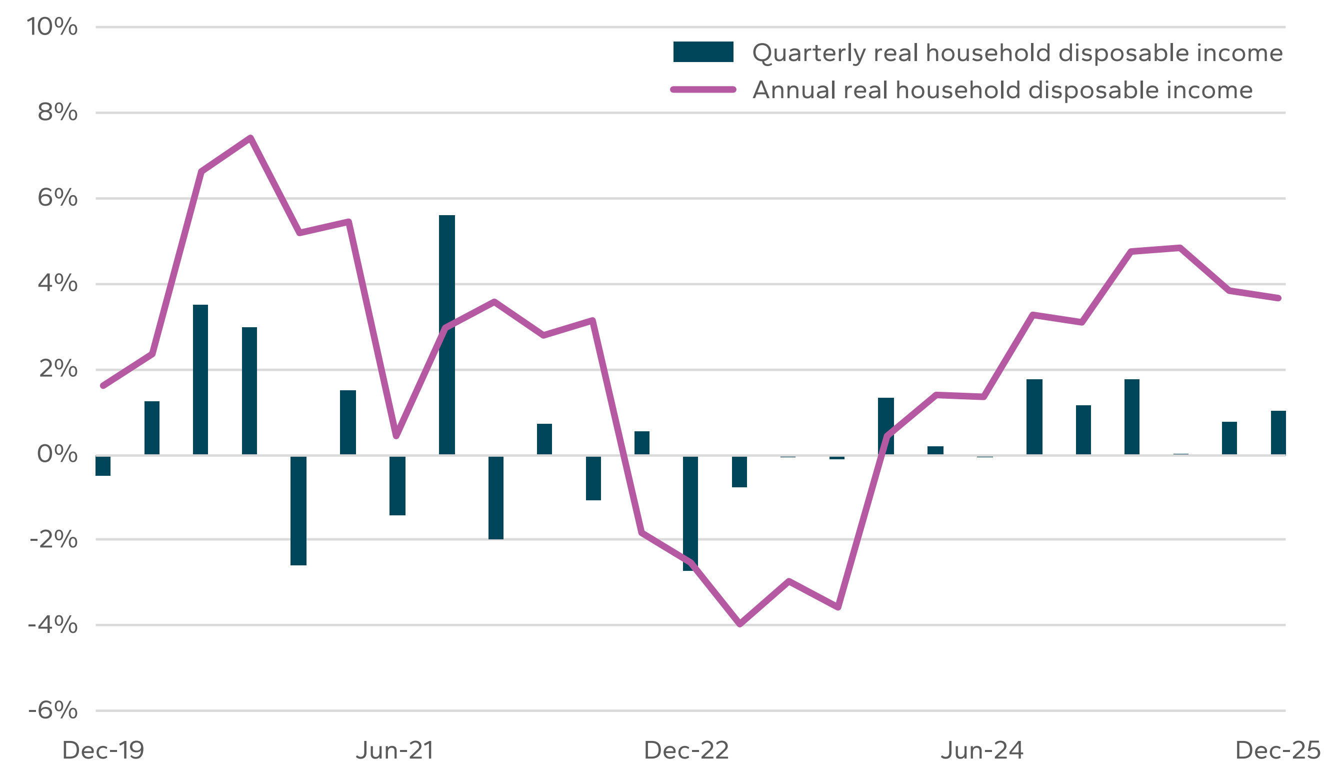
State Final Demand, WA, Annual % Change

SOURCE: ABS; WALGA



Real Household Disposable Income, Australia, Annual v Quarterly % Change

SOURCE: ABS; WALGA



The decline in public fixed capital formation is a reflection of the completion of a number of large capital investment projects in the Perth Metropolitan Area over the course of 2025, including the final stage of the Western Australian Government's METRONET Project.

Over the short to medium term, the composition of public investment is shifting away from public transport infrastructure, with the balance projected to shift towards roads and ports. The State Government's recent commitments to redevelop and expand a range of primary health facilities will also result in public investment remaining high relative to historic averages in the coming 3-4 years.

Household consumption in Western Australia grew by 2.5% over the year to December, while business investment grew by 7.6% over the same period, which is the highest level of annual growth since December 2023.

Strong business investment has been supported by a range of major projects across the state, including several iron ore backfill projects and decarbonisation projects in the mining and resources sector. Commodity prices over the second half of 2025 were also supportive of business investment, in particular in the gold industry, where the average price over the six months to December 2025 was $US3,805/oz which was an uplift on the average price of $US2,570/oz recorded over the six months to December 2024.

The WA Government's Mid-Year Financial Projections Statement indicates that business investment is expected to be supported by a solid pipeline of sustaining capital expenditure across the resources sector, reaching around $68 billion by 2028-29, the highest level in over a decade.

Western Australia's major project pipeline is characterised by projects spanning the full spectrum of the State Government's target industries and identified priorities. This is headlined in the immediate term by various Defence and Defence industries initiatives centred on the AUKUS initiative at HMAS Stirling, complemented by investments in a new Defence Shipbuilding Precinct at the Australian Marine Complex in Henderson. The pipeline of new renewable energy projects in the southern half of the State remains strong, although challenges in building the transmission network capacity to connect projects to the main electricity grid may stretch out the timeline for development.

Household disposable income, an indicator of living standards, increased by 1% in the December quarter at a national level, bringing year-on-year growth down marginally from the previous quarter to 3.6%.

WA Treasury Economic Forecasts

Budget 2025-26	2024-25 % Actual	2025-26 % Forecast	2026-27 % Forecast	2027-28 % Forecast	2028-29 % Forecast
Gross State Product	1.3	2.25	3	2.5	2
Household Consumption	2.3	3	3	2.75	2.75
Business Investment	-0.9	2.25	2.75	3.25	3.25
Dwelling Investment	5.8	9.25	2.75	3.5	3
Goods Exports	-4.4	1.25	3	1.5	1
Goods Imports	-0.5	1.75	2	1.75	1.75
Employment Growth	3.1	1.25	1.5	1.5	1.5
Unemployment Rate	3.7	4.25	4.25	4.25	4.5
Wage Price Index	3.7	3.5	3	3	3
Population	2.2	1.9	1.7	1.7	1.6

Inflation and Interest Rates

Key points

- **The Reserve Bank of Australia has increased the overnight cash rate target to 4.1% in March, marking the second consecutive 25 basis point rise.**
- **Inflationary pressures are yet to abate due to capacity constraints across the Australian economy. This is the principal reason cited by the RBA in its recent Monetary Policy Decisions.**
- **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.**

Over the year to the December 2025 quarter, underlying inflation (as measured by the Trimmed Mean) rose to 3.4 per cent, which was greater than market expectations and substantially higher than expected by the RBA in the Statement on Monetary Policy in August 2025. The pick up in inflation over the second half of 2025 was broad-based, and included services, retail goods, and the cost of building new homes.

At its February 2026 meeting, the Board decided to increase the cash rate target by 25 basis points to 3.85 per cent.

"A wide range of data over recent months have confirmed that inflationary pressures picked up materially in the second half of 2025. While part of the pick-up in inflation is assessed to reflect temporary factors, it is evident that private demand is growing more quickly than expected, capacity pressures are greater than previously assessed and labour market conditions are a little tight. The Board judged that inflation is likely to remain above target for some time and it was appropriate to increase the cash rate target."

Statement by the Reserve Bank Board: Monetary Policy Decision, February 2026

The Board decided to increase the cash rate target a further 25 basis points to 4.1 per cent at the March 2026 meeting. While a split decision (5 voted increase, 4 voted hold), the RBA Governor said the split decision was a matter of timing (the next rates decision is due in May 2026), not whether there was a need to tighten.

In Western Australia, the Perth CPI increased by 0.2% for the December quarter, which was below the 0.6% increase for national CPI and the lowest CPI increase across all Australian capital cities. However, in annual terms, the Perth CPI of 3.8% was above national CPI of 3.7%, and the equal second highest across all Australian capital cities after Brisbane (5.2%). Perth CPI sitting above national CPI, in annual terms, has been the case since the June 2024 quarter, albeit the gap has now narrowed to its smallest margin as of the most recent data release.

The fastest annual increases at an individual sub-category level were recorded in Housing (5.7%) and Education (5.6%), which was consistent with the national CPI over the same period.

Inflation excluding food and energy (being the two most volatile items in the CPI basket historically) also remains elevated and above the RBA's target band of 2-3%, sitting at 3.8% in Perth and 3.3% nationally.

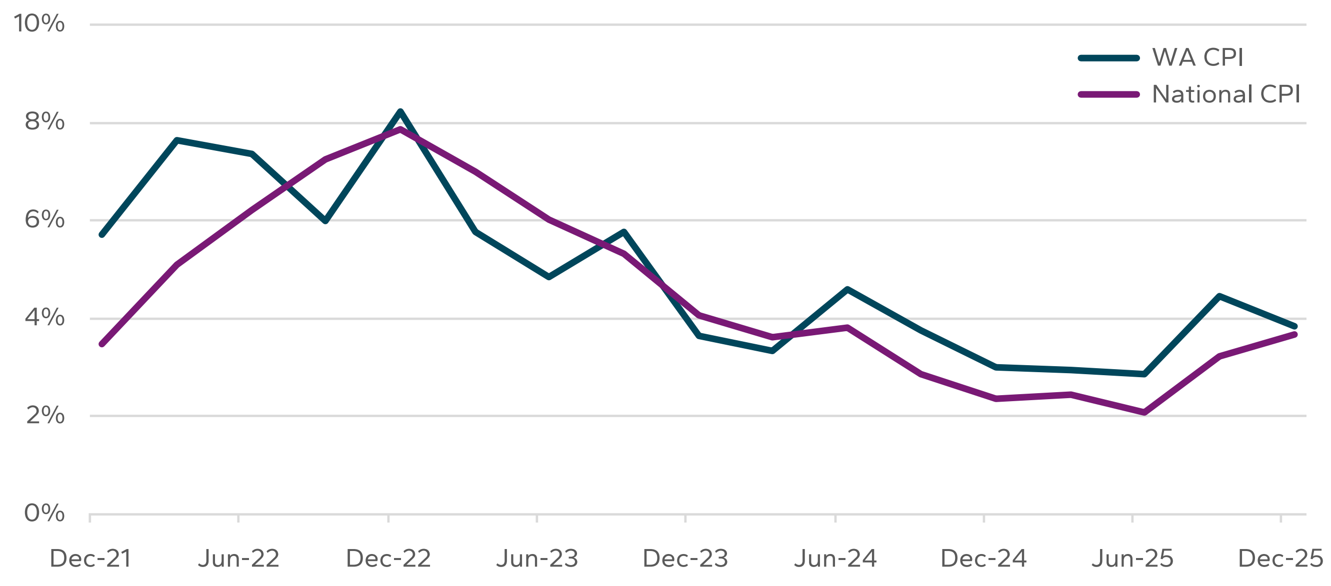
Uncertain Inflationary Outlook

The RBA has commenced an interest rate tightening cycle due to persistently higher than target inflation outcomes across the Australian economy. More pressures may be building in the short term due to a bout of turmoil in the Middle East.

The impact of escalating conflict in the Middle East has already caused global energy prices to spike as the Strait of Hormuz one of the world's key oil transit points which typically carries about one-fifth of global oil and LNG, is blockaded and critical infrastructure is impacted by military activities throughout the region. By the end of March 2026, the brent crude price had increased by approximately 70% to US$115 a barrel compared to an average of US$68 a barrel throughout the 2025 calendar year. An increase in the oil price has a direct impact on fuel prices and in turn transportation costs, including deliveries, freight, trade services, and air travel. Second order impacts are then often felt throughout a wide range of industries, including grocery prices, due to increase in freight and distribution costs. The balancing factor for this inflationary risk is that while higher oil prices can lift some prices, they can also leave households with less discretionary money to spend elsewhere, which can soften demand in other parts of the economy.

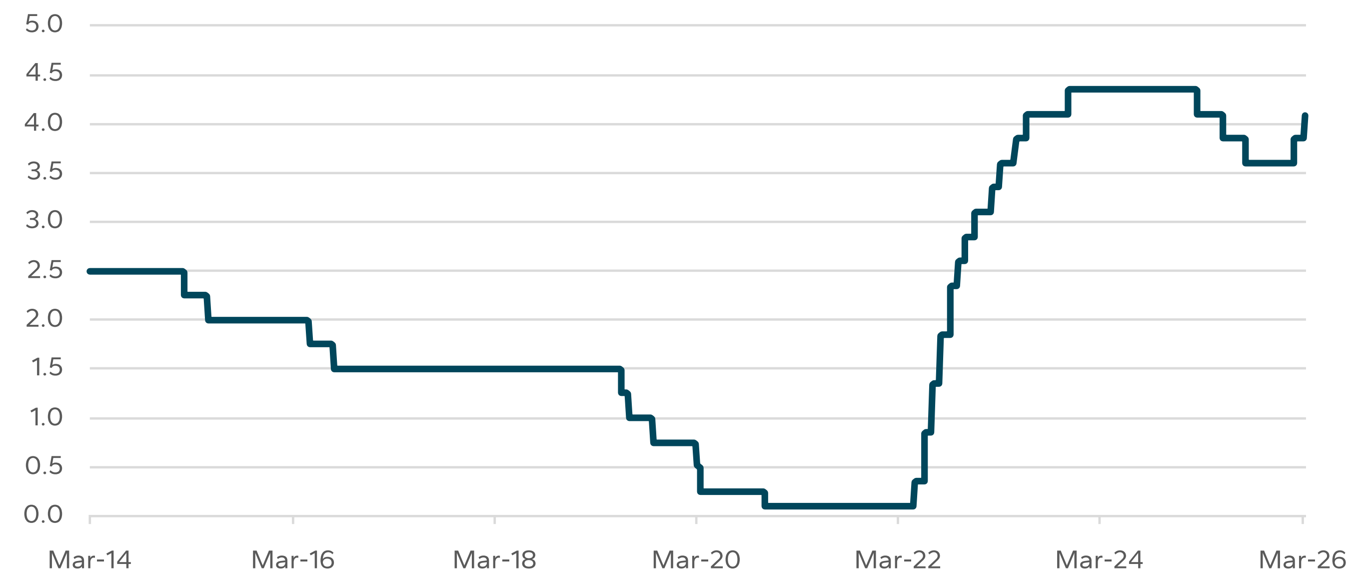
Perth CPI vs National CPI, Annual % Change

SOURCE: ABS; WALGA



RBA Cash Rate Target, Australia, %

SOURCE: ABS; WALGA



Other commodity products such as petrochemicals and fertilisers are also being impacted, which may have longer term implications for industrial production, the agriculture sector, and in turn the broader macroeconomy. Some of these impacts are already being felt domestically with the Western Australian Government working with industry to prioritise delivery and transport of critical fuel and fertiliser inputs to regional locations throughout March.

The impact of the surge in oil and other commodity prices, and challenges to supply chains for these products, would be expected to place further direct and indirect pressure on inflation in the Western Australian and Australian economies in the months ahead. The medium to long term effects of the turmoil are harder to forecast.

Labour Market and Wages

Key points

- **Western Australia's labour market remains tight with relatively low unemployment, continued employment growth, and strong wages growth outcomes.**
- **Public sector wages growth in Western Australia has significantly outpaced private sector wages growth, reflecting a relaxation of the State Wages Policy and drive to increase public sector employment to meet the needs of a growing State.**
- **Notwithstanding the above, employment growth has slowed and is now outpaced by population growth which may suggest an easing of tight conditions in the year ahead.**

Western Australia continues to benefit from a strong labour market, underpinned by a participation rate persistently higher than the national level.

The Wage Price Index (WPI) for Western Australia rose by 4.1% in the year to December, which was the highest increase across all Australian states and territories. Over the past quarter, WA's WPI increased by 0.8%, marginally outpacing the national rise of 0.7%.

Public sector wages in WA increased by 1.1% in the December quarter, bringing annual growth up to 7% which was driven in large part by the 1.9% increase recorded in the September quarter as pay increases took effect at the start of the financial year linked to the implementation of State Government wage agreements.

By contrast, private sector wages growth remains slower, with the WPI growing by around 3.5% in the year to December – effectively half the rate of the public sector. The difference between public and private sectors is likely to reflect a relaxation of the State Government's long-standing policy of wages restraint, and the impact of measures to attract people into the public sector to fill the rising demand across portfolio areas.

As at September 2025, the WA public sector employed a total of 145,413 FTE employees, according to the Public Sector Commission's latest Western Australian Public Sector Workforce Report. Over the five-year period to September 2025, the number of FTE jobs in the WA public sector increased by 23.5%, equating to a total of approximately 28,000 FTE.

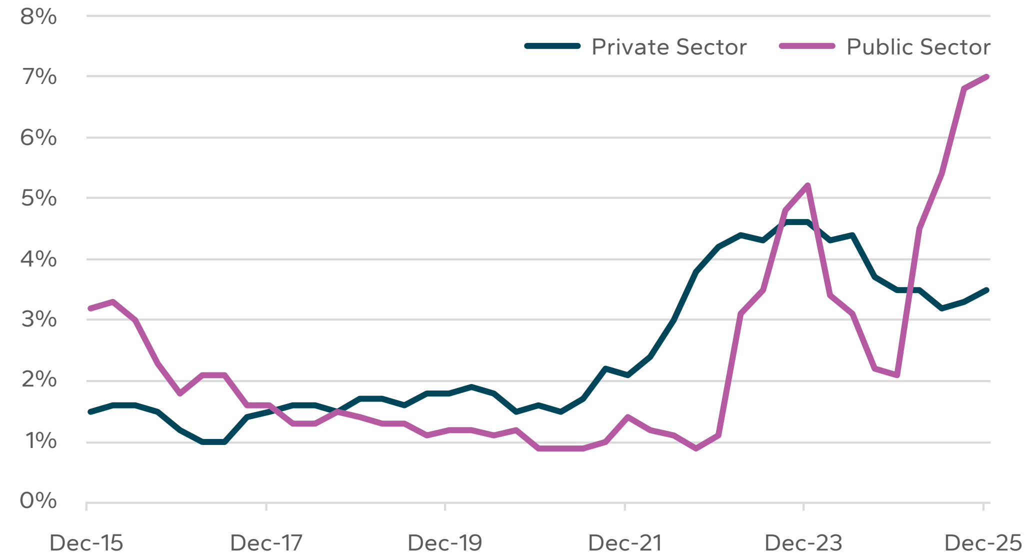
Strong wages growth in Western Australia continues to be supported by the tightness of the labour market. As of January 2026, Western Australia has the lowest unemployment rate across all states and territories in Australia at 3.4%. This is the lowest level the unemployment rate has reached since November 2024 when the unemployment rate in the state was recorded at 3.2%. Over the period in between the unemployment rate in Western Australia reached as high as 4.5% in November 2025, which was the highest level since July 2021.

While employment growth in Western Australia, measured by the total number of employed persons, moderated over the second half of 2025, it remained stronger than the national labour market. Over the year to December 2025, the total number of employed people in Western Australia increased by 1.8%, outpacing the increase of 1.1% recorded at a national level.

The total number of job vacancies across Western Australia displayed a high degree of stability throughout the 2025 calendar year, sitting within a range of approximately 40,400 to 43,200 job vacancies over this period. Interestingly, Western Australia recorded a total of approximately 77,800 unemployed persons in November 2025, which was the highest level recorded since February 2021, although this has declined down to approximately 58,500 people as of January 2026. A growing gap in the number of unemployed persons and job vacancies is an indicator persistent skill gaps in the state's economy.

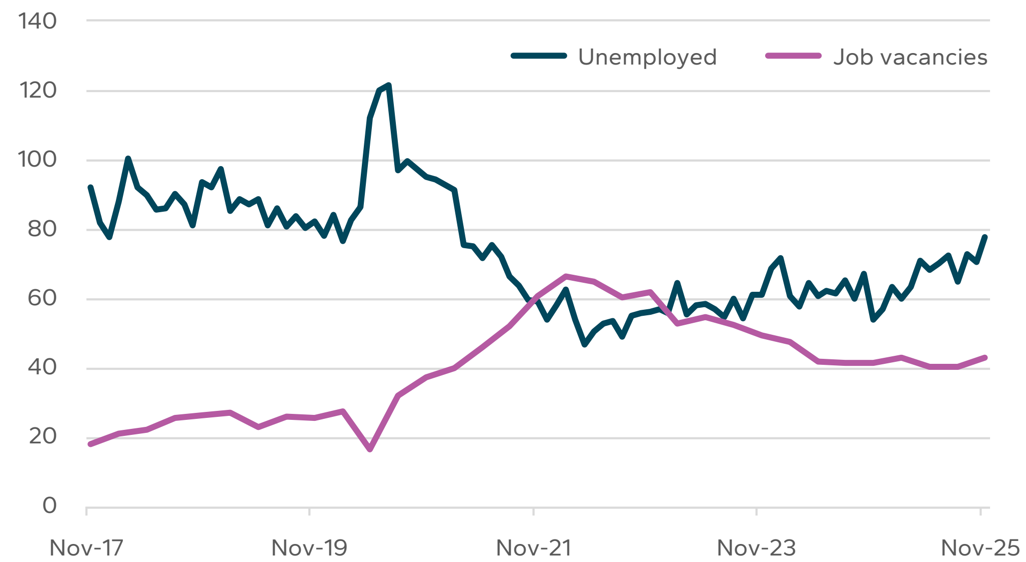
Wage Price Index Private vs Public, WA, Annual % Change

SOURCE: ABS; WALGA



Job Vacancies vs Unemployed Persons, WA, '000s

SOURCE: ABS; WALGA



Population and Housing

Key points

- **House prices in Western Australia have continued to rise faster than the rest of Australia in the final months of 2025 and early 2026, due to historically low supply conditions.**
- **Population growth in Western Australia remains the strongest in the country, although the rate has moderated according to recent data.**
- **Price growth relief may be on the horizon, with dwelling commencement rising.**

Western Australia recorded the strongest growth in total population across all states and territories over the twelve months to June 2025 at 2.2%, with Victoria and Queensland next in line at 1.8%.

Despite strong population growth relative to other states and territories, net overseas migration to Western Australia has continued to decline. The net overseas migration to Western Australia of 2,238 people in the June 2025 quarter was the lowest level recorded in five years.

Strong population growth has continued to be a factor driving the high level of demand in the housing market. The Perth housing market recorded a 2.3% rise in February 2026, bringing the annual increase in dwelling values to 22% and the median value to just below $1 million at $989,211, according to the Cotality Home Value Index.

Stock on market in the Perth metropolitan area sits around historic lows, with only 2,753 properties (houses, units and land) for sale as of the end of February 2026, based on REIWA data. The tightness of the market is reflected by total sales across the Perth metropolitan area each week consistently sitting at just under one third of the total number of properties listed for sale.

Demand in the first home owner market, in particular for units, has been stimulated by the expansion of the Home Guarantee Scheme from 1 October 2025, which removed limits to the number of Government guarantees available and increased property price caps ($850,000 in Perth Metropolitan Area and $600,000 across the rest of the state). The expanded Home Guarantee Scheme gives first home buyers the chance to enter the market with a deposit of as little as 5% and avoid Lenders Mortgage Insurance.

Property prices in Regional WA have also continued their upward swing, recording a 1.6% rise in February 2026, bring the annual increase in dwelling values to 18.6%, according to the Cotality Home Value Index.

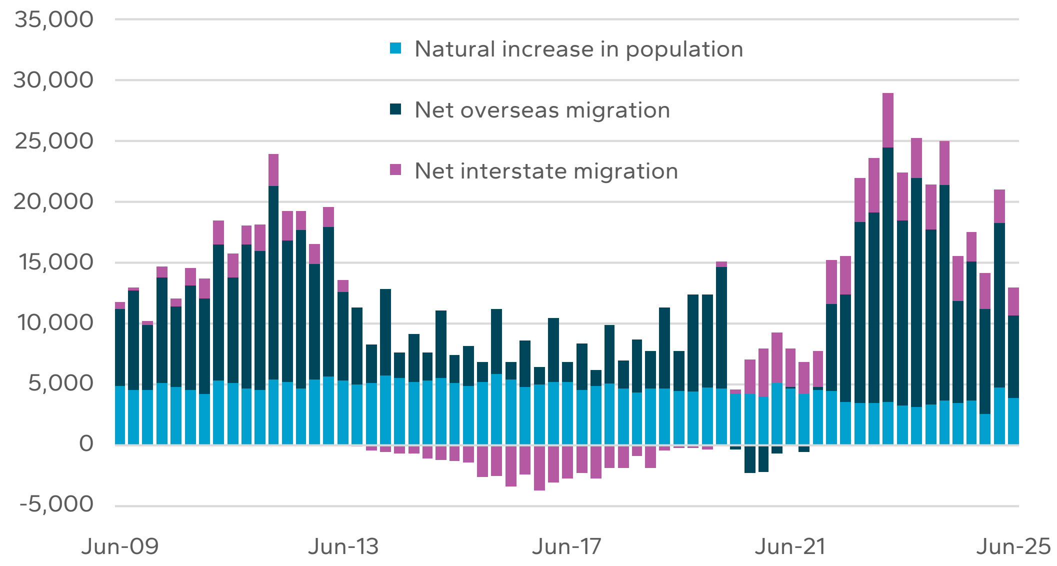
Despite the significant rise in house prices, Western Australia remains Australia's most affordable state, according to the PropTrack Housing Affordability Index. Mortgage costs for a typical home, at just 26% of average household income, remain low compared to the rest of the country. However, the gap between Western Australia and other states has narrowed significantly.

While bringing supply to market continues to be a challenge, a range of indicators reveal sustained, growing construction activity in Western Australia.

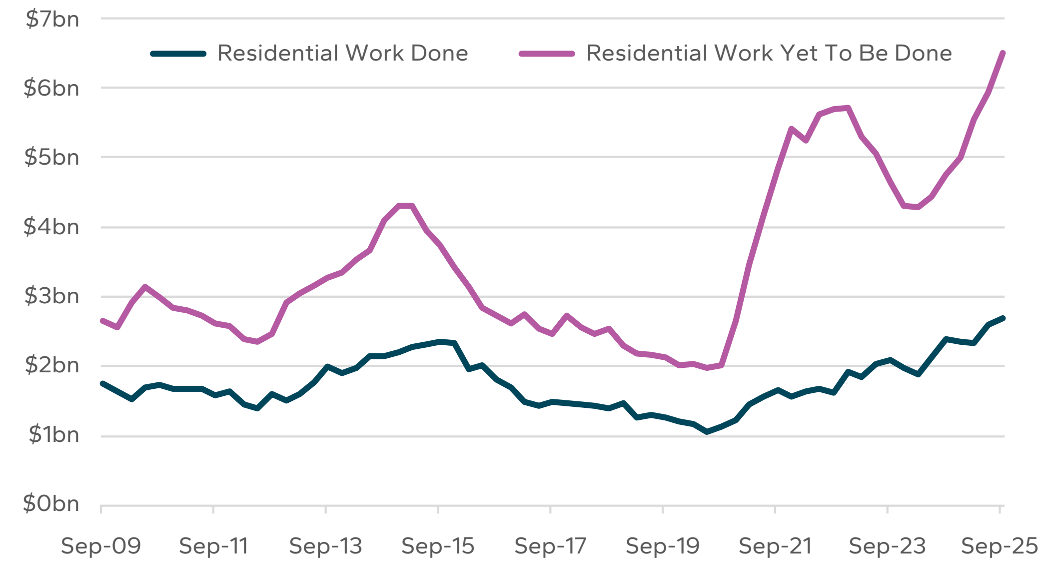
Over the year to September 2025, there were a total of 22,608 dwelling commencements across Western Australia, which is the highest 12-month total since March 2022 and 30.2% higher than the 12-month period to September 2024. Dwelling completions remain just below dwelling commencements, recorded at 22,123 over the year to September 2025, which is 15.9% higher than the 12-month period to September 2024.

Although the demand for housing in Western Australia remains unmet, the narrow gap between dwelling commencements and dwelling completions which is reflective of greater stability within the local construction sector relative to three to four years ago.

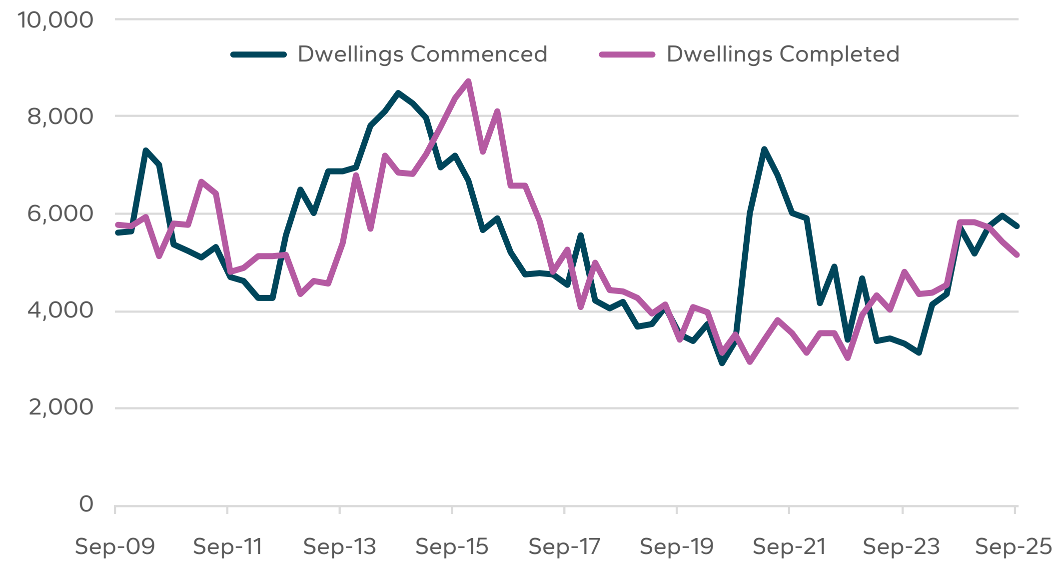
Components of Population Change, WA
SOURCE: ABS; WALGA



Residential Building, Work Done v Work Yet to be Done, WA
SOURCE: ABS; WALGA



Residential Activity, Dwellings Commenced v Dwellings Completed, WA, Number
SOURCE: ABS; WALGA



Local Government Cost Index

Key points

- **Based on available data to Q1 2026, and utilising the same methodology as previous editions WALGA's Local Government Cost Index (LGCI), forecasts suggest an easing of future cost growth relative to recent history.**
- **The current LGCI does not account for any potential cost or price impacts flowing from the recent oil and other commodity price spike and associated impacts on supply chains.**
- **WALGA commissioned ACIL Allen to undertake additional scenario modelling to illustrate potential flow-on impacts of the current oil shock to the LGCI.**

Local Governments have keenly felt the impact of inflation in recent years with the LGCI increasing 4.4% in 2022-23, 3.6% in 2023-24, and 3.8% in 2024-25. Over the year to December, the LGCI increased by 4.8%, however it has started to slow with the 0.9% increase recorded in the December quarter the smallest quarterly increase since the equivalent quarter 12 months earlier.

The main driver of LGCI growth remains wages costs, which make up around a third of the index. Growth in construction costs, which comprise around a quarter of the index, have continued to stabilise primarily driven by the construction market moving closer to a balance between supply and demand, linked to a range of factors including a moderation in supply chain challenges and the completion of major public infrastructure projects, in particular the Metronet program.

Macromonitor forecast annual construction cost growth in Western Australia for Non-Residential Building, Non-Road Infrastructure, and Road and Bridge Construction to sit within a range of 2-3.5% over the three-year period between 2026-27 and 2028-29.

The LGCI is forecast to end 2025-26 up 3.1%, and remain at this level in 2026-27. Subsequently, annual growth of the LGCI is forecast to decline marginally to 3% in 2027-28 and to 2.8% in 2028-29.

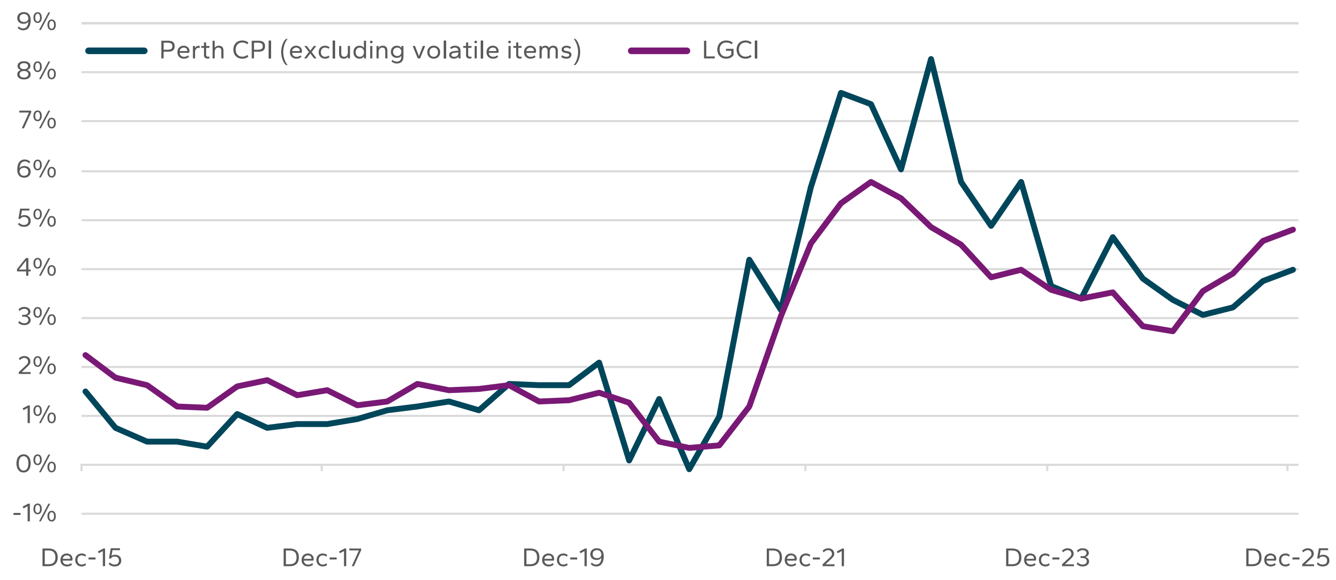
Given current conditions, Local Governments should adopt flexible budgeting strategies, incorporate contingencies, and use adaptive procurement approaches to manage volatility. Although the Local Government Cost Index provides a useful reference point, it does not make provision for regional variations. Local Governments are encouraged to engage directly with suppliers to understand market constraints to inform decision-making around timelines and cost management into local market conditions and constraints. This proactive engagement will support more accurate project timing and cost management.

Local Government Cost Index Table

Component	Weighting	2024-25 (actual)	2025-26 (forecast)	2026-27 (forecast)	2027-28 (forecast)	2028-29 (forecast)
Employee Costs	35%	5.4	4.0	3.5	3.5	3.5
Materials and Contracts	28%	2.4	2.8	2.8	2.7	2.7
Furniture	1%	5.6	7.2	1.3	1.3	1.3
Non-Residential Building	5%	4.9	2.8	3.2	2.8	2.3
Machinery and Equipment	5%	4.5	0.5	1.2	1.2	1.2
Non-Road Infrastructure	9%	3.3	2.3	3.2	2.9	2.4
Road and Bridge Construction	10%	2.2	2.6	3.4	3.2	2.4
Utilities	3%	3.2	3.0	3.0	3.0	3.0
Insurance	1%	4.1	1.9	1.5	1.5	1.5
Other	3%	2.9	3.8	3.3	3.0	3.0
LGCI	**100%**	**3.8**	**3.1**	**3.1**	**3.0**	**2.8**

Perth CPI (ex volatile items) v LGCI, Annual % Change

SOURCE: ABS; WALGA



Note

LGCI will be subject to revision

The significant challenges of forecasting in the current economic environment, mean the LGCI should be used with caution. The LGCI will be subject to revisions in the coming months, as the impact of major economic shocks such as escalating conflict in the Middle East and the impact of recent cash rate rises become clearer.

It is important that Local Governments take into account their own local issues and experiences when considering cost pressures. It would also be prudent for Local Governments to prepare for multiple scenarios for cost increases in coming years.

Scenario Analysis: Oil Price Impacts on LGCI

Key Points

- **To provide guidance on the potential impact of the continuation of fuel supply issues on the Local Government sector, ACIL Allen has developed an indicative scenario that shows an alternative forecast for selected categories of the LGCI.**
- **This scenario analysis is designed to demonstrate how movements in some key input prices can result in changes to the LGCI forecast.**
- **Specifically, the scenario analysis has revised price forecasts for selected sub-components presented by Macromonitor within the Non-Residential Building, Non-Road Infrastructure and Road and Bridge Construction categories, which collectively account for approximately one quarter of the LGCI.**

Fuel supply has emerged as an area of significant concern for the Local Government sector in Western Australia and across the nation. To this point in time, the impacts have been most acute in regional and remote areas.

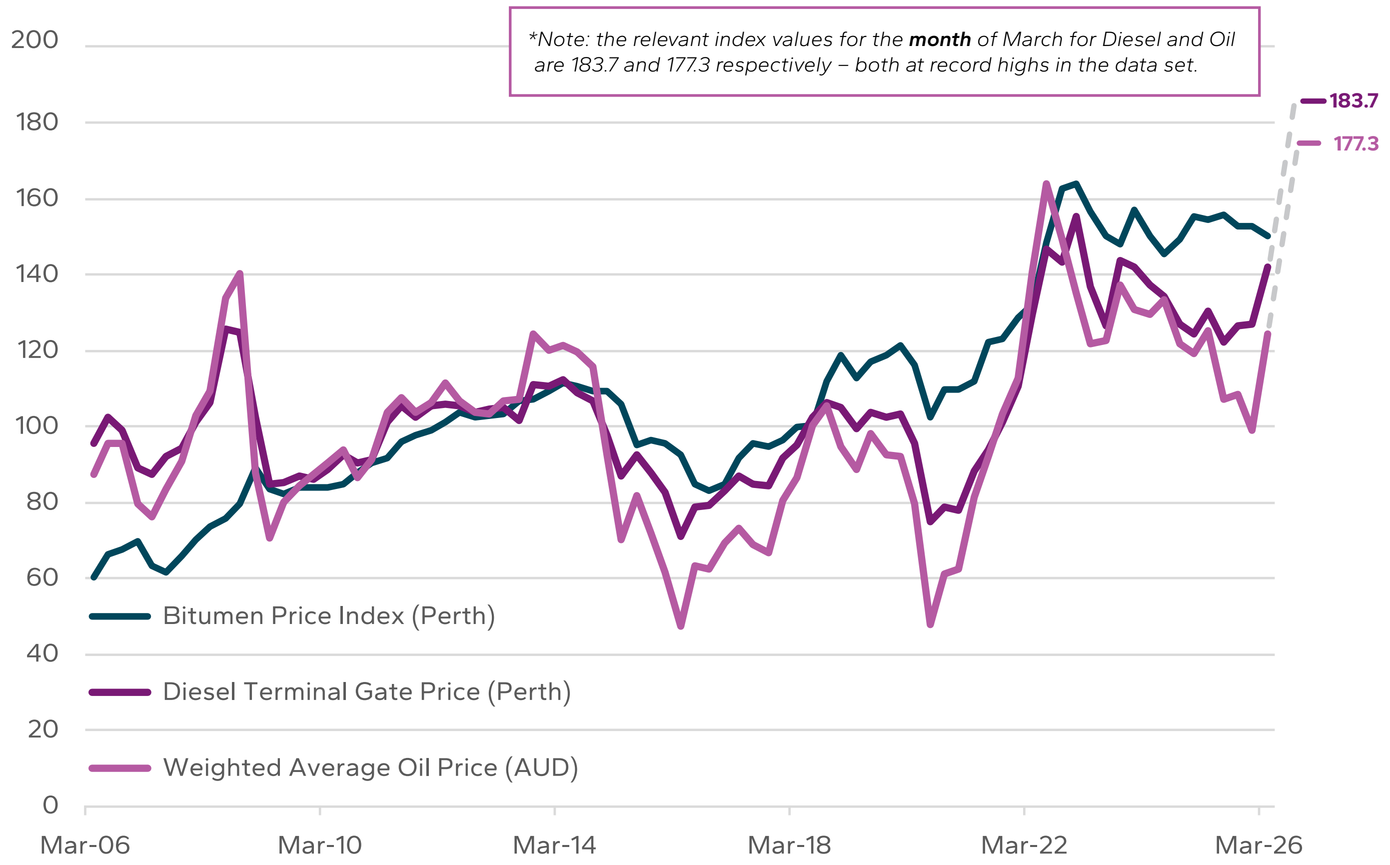
There are a wide range of services provided by Local Government which rely on fuel and are subject to the pressure of increased prices, including urgent road repair, waste services, and water and sewerage operations.

As a specific example, diesel is critical for all stages of road construction and maintenance, from aggregate heating and drying at asphalt plants, to the operation of pavers, rollers, and bitumen sprayers, to material haulage from quarry to site.

The impact of price movements in the oil price extends beyond diesel prices, and flows through to other critical inputs used widely throughout the WA economy, a number of which are critical to Local Government sector, such as bitumen.

Quarterly* Price Movement Trends in Bitumen, Diesel and Oil (Index Values, 2010-2015 = 100)

SOURCE: ACIL ALLEN, FROM VARIOUS SOURCES (MACROMONITOR, WORLD BANK, RBA)



Australia imports the majority of its bitumen supply for asphalt and bitumen spray seal applications, primarily from Asian refineries in South Korea, Singapore, and Thailand, which depend on Middle Eastern crude oil as feedstock. It is understood a number of those suppliers may have cancelled supply commitments or invoked force majeure provisions in response to current conditions. The relationship between movements in the global oil price (in Australian dollar terms), the diesel fuel price (based on the average Perth terminal gate price of diesel fuel) and Macromonitor's bitumen cost index is presented below.

This is one example of what are clear and observable relationships between movements in the price of oil, the price of fuel, and associated input and output prices which impact on the costs faced by the sector in Western Australia.

ACIL Allen developed and applied the following shocks to selected sub-components for calendar year 2026 (on a quarterly basis) within the Macromonitor forecasts:

- **Material costs: 12%**
  (6% in the March quarter of 2026, then 2% in each subsequent quarter)
- **New Construction Equipment: 20%**
  (5% in each quarter of 2026)
- **Plant Hire: 8%**
  (2% in each quarter of 2026)
- **Fuel: 80%**
  (quarterly changes of 75%, 25%, -10%, -10%)
- **Freight: 15%**
  (quarterly changes of 5%, 10%, 0%, 0%)

The scale of the shocks applied by ACIL Allen to the Macromonitor forecasts have been derived based on price increases recorded in Australia during previous periods of upswings in the oil price, specifically December 2007 to December 2008, December 2016 to December 2019, and June 2020 to June 2022. They are not indicative or a forecast of actual or expected price increases, and cannot be used to determine or set price increases for these products or services.

The application of the shocks to the selected sub-components results in a 4.8% increase in the LGCI in 2025-26 (compared to 3.1%) and to 3.3% in 2026-27 (compared 3.1%).

Scenario Analysis – Local Government Cost Index

Component	Weighting	2024-25 (actual)	2025-26 (forecast)	2026-27 (forecast)	2027-28 (forecast)	2028-29 (forecast)
Employee Costs	35%	5.4	4.0	3.5	3.5	3.5
Materials and Contracts	28%	2.4	2.8	2.8	2.7	2.7
Furniture	1%	5.6	7.2	1.3	1.3	1.3
Non-Residential Building	5%	4.9	9.0	4.6	2.8	2.3
Machinery and Equipment	5%	4.5	0.5	1.2	1.2	1.2
Non-Road Infrastructure	9%	3.3	7.4	4.0	2.9	2.4
Road and Bridge Construction	10%	2.2	11.9	4.3	3.2	2.4
Utilities	3%	3.2	3.0	3.0	3.0	3.0
Insurance	1%	4.1	1.9	1.5	1.5	1.5
Other	3%	2.9	3.8	3.3	3.0	3.0
LGCI	**100%**	**3.8**	**4.8**	**3.3**	**3**	**2.8**

In reality, there are likely to be shocks and impacts across all components of the LGCI, such as utilities, which would be impacted by a sustained period of fuel supply issues. These cannot be accounted for within the forecast based on current information.

It is considered likely that the actual LGCI forecast (described in the previous section) will be revised higher over time as more information becomes available.

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