



WESTERN AUSTRALIAN TREASURY CORPORATION

# Second Quarter Newsletter

2024

WESTERN AUSTRALIAN  
TREASURY CORPORATION

Financial Solutions  
for the Benefit of All  
Western Australians

# Who We Are

Western Australian Treasury Corporation is the central financial services provider for the Western Australian Government.











Established in 1986, we have expertise in a range of products and services and support clients and investors with:

- ✓ Funding and Debt Management
- ✓ Asset and Investment Management
- ✓ Financial Advisory Services
- ✓ Financial Risk Management
- ✓ Treasury Management Services and Systems

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**Kaylene  
Gulich**

Chief Executive  
Officer, WATC



JULY 2024

## From the CEO's Desk

With the second quarter of 2024 now behind us, we look forward not only to the start of the new financial year but the various opportunities it will bring for WATC and the Western Australian public sector.

From an economic standpoint, divergent conditions continue in the major advanced economies, with the US seeing somewhat slower, albeit still solid growth. Euro area growth improved in Q1 after teetering on a brink of recession in the second half of 2023, while Japanese GDP growth has been negative in two of the past three quarters. The most recent data from China pointed to some improvement in economic activity growth in Australia's largest trading partner, but troubles in the property sector continue despite stabilising attempts taken by the government.

The impacts of RBA tightening continue to flow through the Australian economy, leading to a sustained fall in GDP per capita, with the weakness

most evident in the household sector. At the same time, despite the significant decline from its peak in 2022, inflation remains stubbornly above the RBA's target range. Combined with the ongoing strength of the labour market, this forces the RBA to keep their cash rate at an elevated level and maintain a tightening bias, with another rate increase not entirely off the charts.

The Western Australian economy remains the outperformer across the nation, with state final demand seeing the strongest increase over the year of all states in Q1 and the unemployment rate being the lowest nationwide in May. Despite the strong economic performance, Q1 Perth CPI inflation was the smallest of all capital cities. The 2024–25 State Budget, released in May, printed an expected sixth consecutive general government operating surplus, with solid surpluses budgeted to continue in the following years. The net debt forecast trajectory was revised downward again, to remain below 10% of GSP to 2027–28, by far the lowest net debt projection of all Australian states.

*Continued next page →*

It was a busy May for our Markets team who undertook the syndicated launch of a new benchmark bond. Strong investor interest in our issuances continued with total bids for the 4.50% coupon with a 21 July 2032 maturity exceeding \$4.0 billion from 44 bidders. The final issue of \$1.35 billion was allocated to 40 bidders, with solid participation from domestic and offshore investors.

Our packed program of events designed to educate and inform clients from across the Western Australian public sector also continued this quarter. June saw our client services team deliver a foreign exchange seminar on procurement, with six public sector entities engaged. In April, Craig McGuinness, Principal Advisor of Markets and Economics at WATC providing insights into the economic challenges and opportunities for Western Australia in the global transition to net zero. As part of the event's presenting team, I was impressed to see more than 240 online attendees, all of whom are no doubt aware of the need for adaptability to effectively manage what will be a complex but rewarding transition for the State in coming years.

At WATC, we are also excited to be recruiting for a number of positions in various business units across our organisation. While some of our current vacancies are to refill existing positions, other roles are new and will support planned strategic initiatives to support WATC's purpose to provide financial solutions to the benefit of the Western Australian public sector, now and into the future.

As the central financial services provider for the Western Australian Government, we hold a unique role in the Western Australian market.

Our teams have close ties to international debt capital markets, a front row seat in supporting the State's Environmental, Social and Governance transition and a role to play in the evolution of markets in the coming years with changes approaching such as digital technologies, emissions trading schemes and evolving financial risk management requirements.

Our diverse and collaborative team holds an enormous amount of corporate and financial expertise. We are proud of our inclusive culture and strive for continual improvement through open communication and a supportive and respectful work environment. We offer a range of employee benefits beyond remuneration including diversity and inclusion sessions, wellbeing initiatives, flexible work arrangements, professional development opportunities, generous leave entitlements and more.

If you would like to learn more about the benefits of working at WATC or view our current vacancies, see pages [14](#) and [15](#) or visit our [Careers](#) page.

For those WATC team members who are making moves to new organisations, I would like to take this opportunity to thank them for their valuable contributions to our organisation and wish them all the very best in their future endeavours.



Kaylene Gulich PSM  
CEO

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**Kaylene Gulich PSM**  
**Chief Executive Officer, Western Australian Treasury Corporation**

## Next Year, Maybe.

'There's been a few things that have made the Board alert to the upside risk. (...) if it looks like inflation is not coming sustainably back in the band within a reasonable amount of time, that just increases the risks that inflation expectations will adjust and that will make it harder to get inflation down in the future.'

RBA Governor Michele Bullock – Sydney, 18 June 2024

## The Global Economy

The first half of 2024 saw somewhat slower, albeit still solid expansion in the US economy, while conditions in the other advanced economies remained soft, there are tentative signs of improvement.

US real GDP rose by an annualised 1.4% in Q1 2024, less than half the 3.4% annualised growth in the previous quarter. The weaker outcome resulted mainly from slower growth in personal consumption expenditure and higher imports. The slower growth in personal consumption was due to lower demand for goods, while growth in expenditure on services accelerated. Investment growth was also faster

in Q1, mainly thanks to strong rises in residential property and intellectual property investment. Monthly data suggests that economic activity remained solid in Q2, with early estimates pointing to GDP growth accelerating to an annualised 3% in Q2 2024.

US labour market conditions remain strong but are normalising. Non-farm payrolls increased by a cumulative 1.2 million in the first five months of 2024, compared with a 1.5 million gain in the same period last year. The unemployment rate picked up to 4.0% in May, which is the highest level since early 2022, but still very low by historical standards. The annual rate of wages growth has come off its 2022 highs, but still has a '4' in front of it.

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PCE headline and core inflation rates, which are targeted by the Fed, both declined to 2.6% in May, which is somewhat above the 2% goal. At the same time, the annual rate of US CPI inflation averaged 3.4% in April and May, somewhat above the 3.3% in the first quarter, while core CPI inflation declined to a three-year low of 3.4% in May.

Across the Atlantic, euro area real GDP picked up by 0.3% in Q1, mainly thanks to a positive contribution from net exports, while household consumption was flat and fixed investment fell. The UK emerged from a technical recession in Q1, with household consumption picking up and investment falling further, albeit at a slightly slower pace. Inflation rates are approaching the central bank targets, both in the euro area and UK.

Closer to home, Japanese real GDP fell by 0.5% in Q1, with weakness in private demand partly offset by gains in public investment. However, this followed a strong 0.7% reading for the previous quarter.

The annual rate of Chinese GDP growth was 5.3% in Q1, only a notch higher than the 5.2% registered for the final quarter of 2023. Data for the first two months of Q2 were mixed, but generally pointed to further moderate expansion by China's standards. From the data most relevant for the Western Australian economy, iron ore imports topped 100 million tonnes a month in both April and May, while steel output hit a 14-month high in May. Urban fixed asset investment growth has slowed to 4.0% YoY for the year-to-date, which is still somewhat more than the 3.0% registered for 2023.

## The Australian Economy

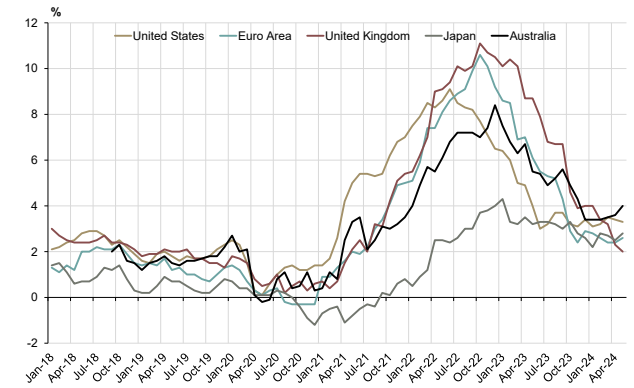
Aussie real GDP rose 0.1% in Q1 2024, to be up 1.1% through the year. Outside of the height of COVID-19, this was the slowest annual rate of growth since Q4 1991. GDP per capita fell by another 0.4%, to be down 1.3% YoY. The composition of growth was also very weak, with inventory changes the largest positive contributor, followed by household and government consumption. Net exports were the biggest drag. Household consumption rose slightly faster than in the previous quarter, helped by spending on essentials, overseas travel, sporting, and music events in the eastern states, while investment declined, dragged down by lower public investment and private construction.

Business conditions continued to ease, with the NAB business conditions index sitting at around its long-term average in May.

Australian labour market conditions remained solid in the first two months of Q2, although there are further signs of a slight easing. Employment rose by a cumulative 77.1k in April and May, while the unemployment rate averaged 4.0%, which is somewhat above the 3.9% average for Q1. Annual wages growth decelerated 0.1ppts to 4.1%. The Fair Work Commission announced a slightly more moderate 3.75% increase in the national minimum wage and all modern award wages from mid-2024 against hikes of the 5.75% in 2023 and 4.6% in 2022.

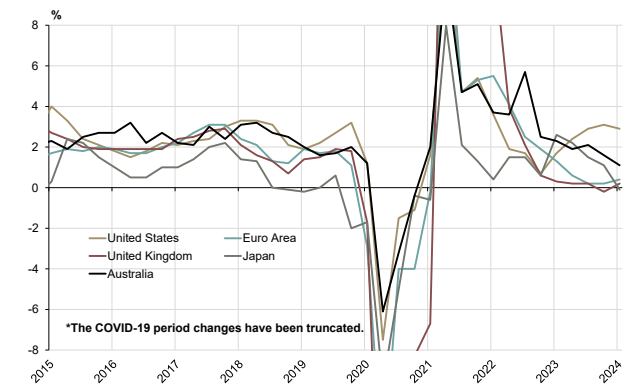
After making good progress through 2023, disinflation slowed in Q1 2024. The annual rate

### Annual Rates of CPI Inflation



Source: Bloomberg

### Annual Rates of GDP Growth\*



Source: Bloomberg

Continued next page →

of CPI inflation eased to 3.6% in headline terms and 4.0% in trimmed mean terms. However, this remains not only above the RBA target band of 2-3% but was also higher than projected, leading the RBA to revise its near-term inflation forecast higher in May. The May CPI indicator suggested that annual headline consumer price inflation picked up to 4.0%, while trimmed mean inflation picked up to 4.4%, suggesting an upside risk to the Q2 CPI report, which will be released in late July. While inflation rates for goods and tradables have declined significantly from their peaks, services and non-tradables price inflation has been sticky. The RBA continues to signal its unease at the slow progress in returning inflation to target and its low tolerance to further upside surprises to the CPI.

The CoreLogic national home value index, rose another 1.8% in Q2, to be up 8.0% through the year. The rise continues to be led by the smaller mainland capital cities.

The Commonwealth Government released its 2024–25 budget, which estimates a second underlying cash surplus in a row in 2023–24. However, the underlying cash balance is expected to fall back into deficit in 2024–25. The debt forecasts were revised down, with gross debt to GDP expected to peak at slightly above 35% in 2026–27, which is low by international standards. The Commonwealth Budget contained a set of cost-of-living relief measures, including universal electricity bill relief and the rejigged ‘Stage 3’ tax cuts.

## The Western Australian Economy

Western Australia continues to outperform the other states, with state final demand rising 4.1% over the year to Q1 2024, by far the most of all states. There was a 1.0% decline in quarterly terms amid a fall in public and private investment, following strong gains in the previous quarters.

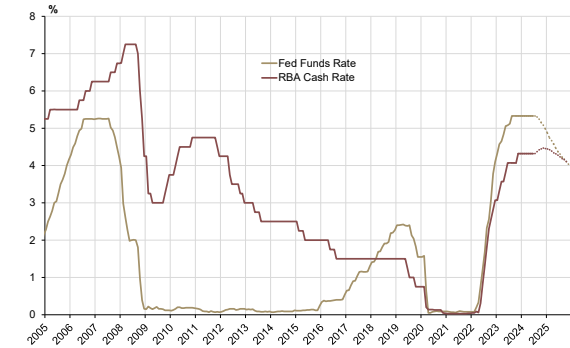
Household consumption rose 0.5%, somewhat more than the 0.4% increase nationwide, led by transport services as well as rent and other dwelling services.

Following some weakness at the turn of Q1 and Q2, Western Australian employment rose by a solid 28.0k in May. The unemployment rate fell back to 3.6%, which was the lowest of all states. In addition, the Western Australian participation rate (69.2%) and employment-to-population ratio (66.7%) remained by far the highest of all states.

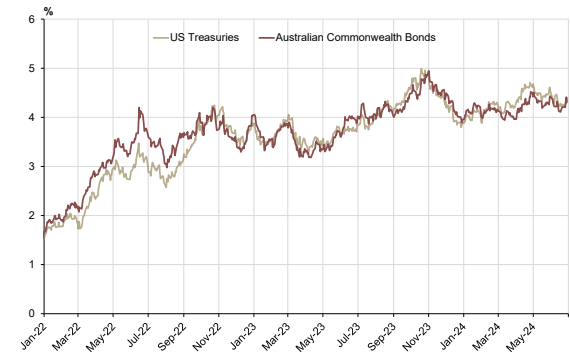
The Perth CPI increased by 0.6% in Q1 2024, the least of all capital cities, while the annual rate of inflation declined by 0.2ppts to 3.4%, which was the lowest nationwide. This was also the slowest rate of Perth CPI inflation since Q3 2021.

According to CoreLogic, Perth home prices rose by 6.4% in Q2, the most of all the capital cities, compared to the national average of 0.8%. Perth home prices are up 23.6% through the year, pushing the median Perth home price to a record high of A\$757k.

### Central Bank Interest Rates - Actual and Expected



### 10-Year Government Bond Yields



### AUD/USD and USD Dollar Index



Data source for above charts: Bloomberg

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The 2024–25 State Budget showed that Western Australia is expected to register its sixth straight general government operating surplus, with A\$3.2b in 2023–24, and solid surpluses expected to continue in the following years. The net debt forecast trajectory was lower again, with net debt estimated to be A\$28.6b (6.5% of GSP) at 30 June 2024 and remain below 10% of GSP in the following years. This is by far the lowest net debt projection of all Australian states.

## Financial Markets

Global markets remained optimistic in Q2 2024, with the MSCI World Index adding another 2.2%. Wall Street also saw fresh record highs in the S&P 500 and Nasdaq, driven by further gains in information technology.

The FOMC has kept the fed funds rate target range unchanged at 5.25-5.50% and released updated forecasts, suggesting a median expectation of only two cuts this year, rather than the three forecast in March. Fed funds rate market expectations were quite volatile in Q2, but generally pointed to one to two rate cuts this year.

However, the easing cycle has started or is well underway in continental Europe. The ECB delivered its first rate cut in June, despite revising their inflation forecasts upwards and said that further decisions would be data-dependent. Also the Swedish and Swiss central banks reduced their policy rates in Q2. In the case of the latter, this was the second rate cut in the cycle. Across the English Channel, the Bank of England is

expected to start its easing cycle sometime in Q3.

Having increased its policy rate to 0.00-0.10% in March, the Bank of Japan stayed put in Q2, but does not rule out another hike in July. Despite this, the Japanese yen continued to depreciate for most of Q2, reflecting uncertainty about the timing and scale of further interest rate increases and other monetary policy settings, including the pace of bond buying purchases.

The upside surprises to the US CPI earlier in the year and recurring concerns over the state of US public finances saw US Treasury yields pick up a little this quarter, with some volatility on the way. Yields rose sharply in early April but have since fallen back.

The Commodity Research Bureau's price index rose 0.6% over the quarter, but results for individual commodities were mixed. The gold price saw further increases, reaching a fresh record high in the second half of May. Oil prices rose sharply in April to the highest level since October last year as Iran and Israel appeared to be heading for war, but prices eased again as both sides stepped back from the brink. Prices fell further as OPEC+ announced a gradual unwinding of its output limits from September this year. Iron ore prices climbed sharply in April, boosted by Chinese government initiatives to support the ailing property sector, but most of the early gains were given back late in the quarter.

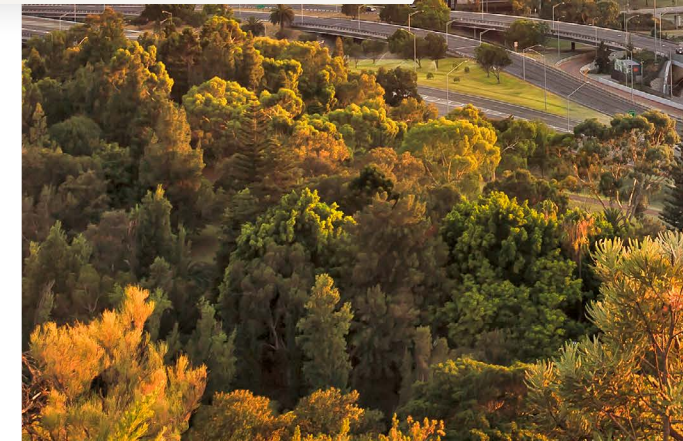
In Australia, the RBA Board left the cash rate target unchanged at 4.35% at its May and June

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meetings, but a 25bps rate hike was discussed at both meetings. The RBA remains concerned over inflation remaining persistently above the target range and continues not to rule anything 'in or out'. A bigger-than-expected increase in the monthly CPI indicator in May has seen traders in the cash rate futures market move to price in around a 50% chance of a 25bps rate hike in the coming months, but a rate cut is not priced in until well into 2025.

The good global market sentiment, a rise in global commodity prices and higher RBA cash rate expectations translated into a slight appreciation of the Australian dollar. The AUD/USD climbed by 2.3% in the quarter, while AUD/JPY rose by 8.8%, having established new 30-year highs amid the weakness of the Japanese currency.

After rising to their 2024 highs in late April, Commonwealth bond yields were on a choppy decline for most of the quarter but remain somewhat above their levels from end of Q1.

The ASX 200 has again underperformed against Wall Street, declining by 1.6% in the quarter. ■



**Craig McGuinness**  
PRINCIPAL ADVISOR,  
MARKETS AND ECONOMICS



**Patrycja Beniak**  
SENIOR ANALYST,  
ECONOMICS

## Meet the authors

Find out more about the team who produce our economic commentary and analysis.

[Economic Services Team →](#)





# More Economic Insights

Our team produce a range of publications that provide commentary and analysis.

Market Updates focus on financial markets and local and global economies while Economic Indicators look at key economic data and developments in Australia.

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# WATC Undertakes the Syndicated Launch of a New Benchmark Bond

On 17 May 2024, WATC issued by syndication a new fixed rate Benchmark Bond with a 4.50% coupon and 21 July 2032 maturity.

Prominent performers on WATC's fixed interest panel Commonwealth Bank of Australia, National Australia Bank, UBS AG Australia Branch and Westpac Banking Corporation were appointed as joint lead managers for the syndicated issue.

The new issue found strong investor interest with total bids exceeding \$4.0 billion from 44 bidders, with the final issue volume of \$1.35 billion being allocated to 40 bidders. Domestic investors included asset managers, banks and other official institutions. Offshore investors also participated strongly with over 24% of the issue being placed with various central banks, fund managers and commercial banks. The investor term sheet can be viewed on [our website](#). ▀

## More For Investors

Further details of our borrowing activities and funding sources are available on our website.

[Institutional Investors](#) →

Image courtesy of Tourism Western Australia



# Client Foreign Exchange Presentation

During the quarter, WATC was invited by the Department of Finance to present a Foreign Exchange Seminar to procurement professionals within the Western Australian public sector.

The three-hour Foreign Exchange (FX) session consisted of 16 participants representing six general government agencies and Government Trading Enterprises including the Department of Finance, WA Police, Department of Health, Department of the Premier and Cabinet, Public Transport Authority and Synergy.

WATC presents a series of foreign exchange educational seminars which are available to Western Australian public sector agencies and local governments. If you are interested in attending a foreign exchange seminar or would like to discuss the potential of WATC conducting a foreign exchange seminar for your organisation, please contact our **Client Services** team. ▀

## More Foreign Exchange

To learn more about the FX support we provide to our clients contact our team directly or visit our website.

[Contact our team](#) →

[FX Products](#) →

[Learning Opportunities](#) →

Image courtesy of Tourism Western Australia



## Net Zero Event Success

In April, the second instalment of our Online Economic Mini-series was delivered with Craig McGuinness, Principal Advisor of Markets and Economics at WATC, providing insights into the economic challenges and opportunities for Western Australia in the global transition to net zero.

The event was very popular with over 240 client contacts from more than 60 different agencies representing general government, local government and Government Trading Enterprises joining the 60-minute session.

At WATC, we are always looking for ways to add value to the Western Australian public sector. The mini-series concept is a contemporary approach designed to enhance the ability of public sector clients to make informed financial decisions. If you have ideas for a future mini-series or would like a tailored presentation for your organisation, please contact our [Client Services](#) team. ■

240+

Online attendees present

60

Areas of government represented

If you have ideas for a future mini-series or presentation, contact our team directly.

Contact our team



# Working at WATC

We proudly foster a rewarding work culture that celebrates inclusivity, promotes wellbeing and champions better financial outcomes for Western Australia.

At WATC, we are passionate about supporting and enabling the Western Australian public sector, by using our specialist knowledge of financial markets and financial risk management. Working at WATC is a rewarding endeavour that provides interesting and challenging work in a collaborative workplace culture.

Our people come from a broad range of disciplines including finance, economics, law, accounting, information technology and human resources. We look to employ highly skilled people from diverse backgrounds, who embrace our core values.

## Employee Benefits

Diversity and Inclusion Plan

Supporting Women in Finance

Flexible Work Arrangements

Health and Wellbeing

Continuous Learning

Generous Leave

Reward and Recognition

Contemporary Offices

For more information about the benefits of joining our team, visit our [Careers](#) page.

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At WATC we are committed to diversity and inclusion and value different perspectives and experiences as they make our workplace stronger and richer. As an equal opportunity employer, we encourage individuals from all backgrounds and diversities to apply for vacancies in our organisation.

**Kaylene Gulich PSM**  
Chief Executive Officer,  
Western Australian  
Treasury Corporation



# Recruitment Opportunities

At WATC, we are excited to be recruiting for a number of positions this quarter. While some of our current vacancies are to refill existing positions, other roles are new and will support planned strategic initiatives to meet the financial needs of the Western Australian public sector, now and into the future.

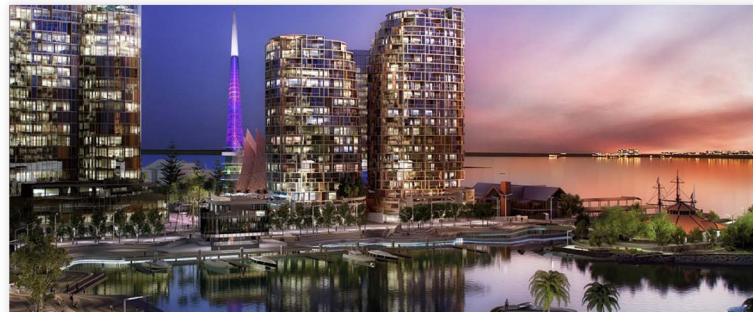
Click on the links below to access the relevant job advertisements that you are interested in.



## Senior Legal and Compliance Analyst

A role focused on the management of compliance and legal risk in line with contemporary practices.

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## Senior Corporate Financial Advisor

Play a role in the financial evaluation of a range of Western Australian public sector investment proposals.

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For more information about applying for an advertised vacancy at WATC, visit our [Careers](#) page.

# New Appointments



*New Appointment*

## Bikash Dahal

ROLE  
IT Support Officer  
TEAM  
Technology and Change

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I work as an IT Support Officer in the Technology and Change team at WATC. As the name of my role suggests, I am a first point of contact for any technical issues and provide users with support to ensure that operations run smoothly and technology functions efficiently across the organisation.

Before commencing work at WATC, I was employed at BP Australia as a Desktop Support Engineer.

I have completed a Master's Degree in Information Technology from Federation University in Sydney and a Bachelor's Degree in Information Management from St. Xavier College in Kathmandu, Nepal.

Outside of work in my free time, I like to explore new places, usually by driving, with my friends and family.



*New Appointment*

## Sakshi Sindhvani

ROLE  
Senior Corporate Financial Advisor  
TEAM  
Advisory Services

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I am a Senior Corporate Financial Advisor in WATC's Advisory Services team and provide specialist advice to clients on financial modelling, policy, and business case support across the Western Australian public sector.

Before WATC, I was a Senior Analyst at the Western Australian Department of Health in the Budget Modelling team. I was responsible for the State's Non-Hospital Services funding model and cost modelling for COVID-19 initiatives, including COVID-19 vaccinations and hotel quarantine. I have also worked across other Western Australian government agencies such as WA Country Health Service and Health Support Services.

I am a Chartered Accountant and hold a Master of Applied Finance (UWA) and Bachelor of Business Science specialising in Finance with Accounting from the University of Cape Town, South Africa.

When I'm not working I love trying new experiences including travelling and learning about different cultures and cuisines. I also enjoy playing squash.



## Getting in Touch

For more information contact the relevant team member using the details below.

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Image courtesy of Tourism Western Australia





## WESTERN AUSTRALIAN TREASURY CORPORATION

Western Australian Treasury Corporation (WATC) is the State's central financial services provider, working with its public sector clients to achieve sound financial outcomes.

WATC's principal activities involve:

- funding and debt management
- asset and investment management
- financial advisory services
- financial risk management
- treasury management services and systems.

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