



Welcome to the **Strategic Procurement** **Community of Practice**





The Department of Finance acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community.

We pay our respects to all members of the Aboriginal communities and their cultures; and to Elders both past and present.





Time	Item
9:00 – 9.15	Introduction
9.15 – 9.35	Spending More to do Less - A look at inflation and the impact on our economy Ms Kaylene Gulich
9.35 – 9.55	The impact of inflation on supply chain and procurement – Requirements for success Associate Professor Elizabeth Jackson
9.55 – 10.20	Q&A
10.20 – 11.00	Close of formal event – refreshments and networking





Please welcome

Ms Kaylene Gulich

Chief Executive Officer, Western Australia Treasury
Corporation





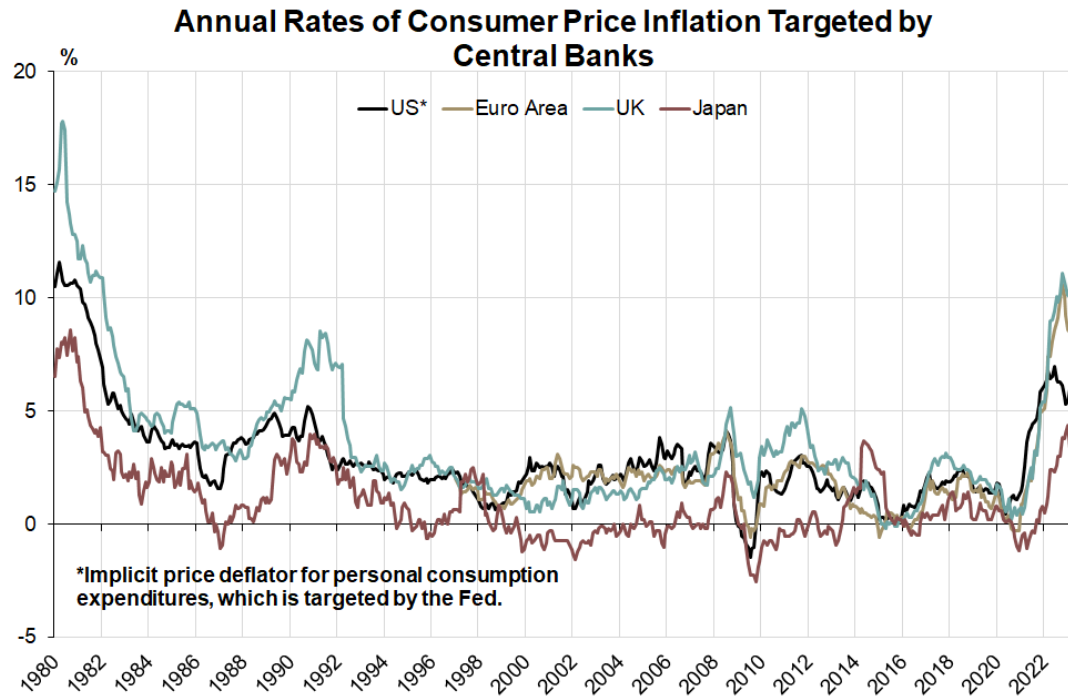
Spending More to Do Less: A Look at Inflation and the Impact on Our Economy

29 March 2023

Inflation is high

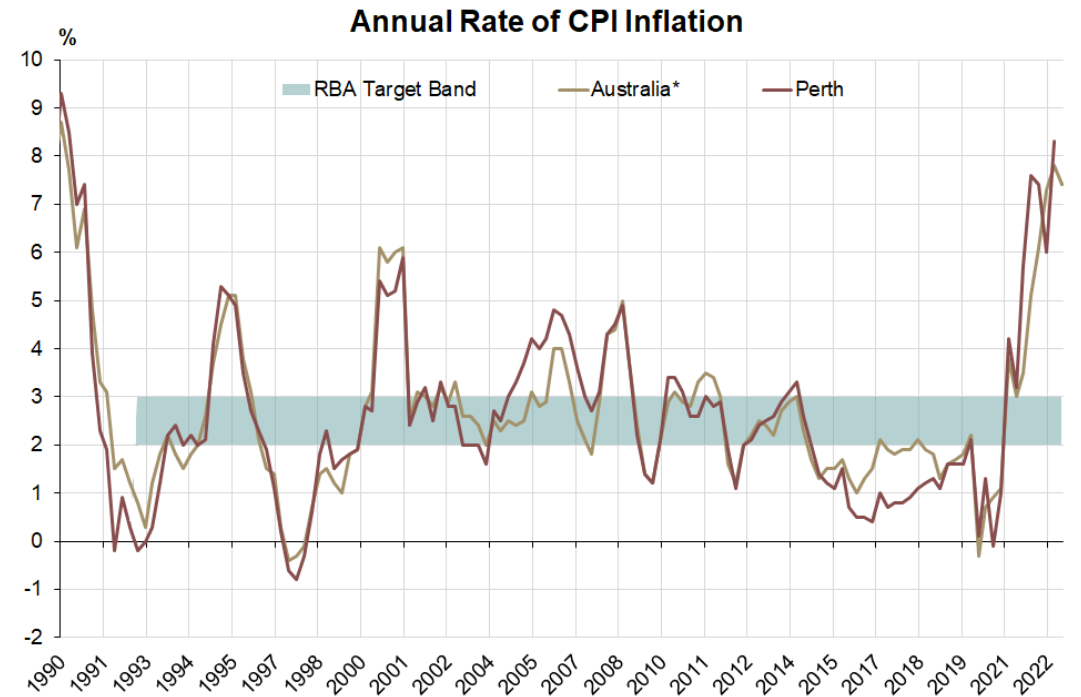
Following decades of moderation, inflation has spiked globally and in Australia.

Inflation is at multidecade highs in all the major advanced economies...



Source: BEA, Eurostat, ONS, Statistics Japan.

... and is the highest in 30 years in Australia and Western Australia.

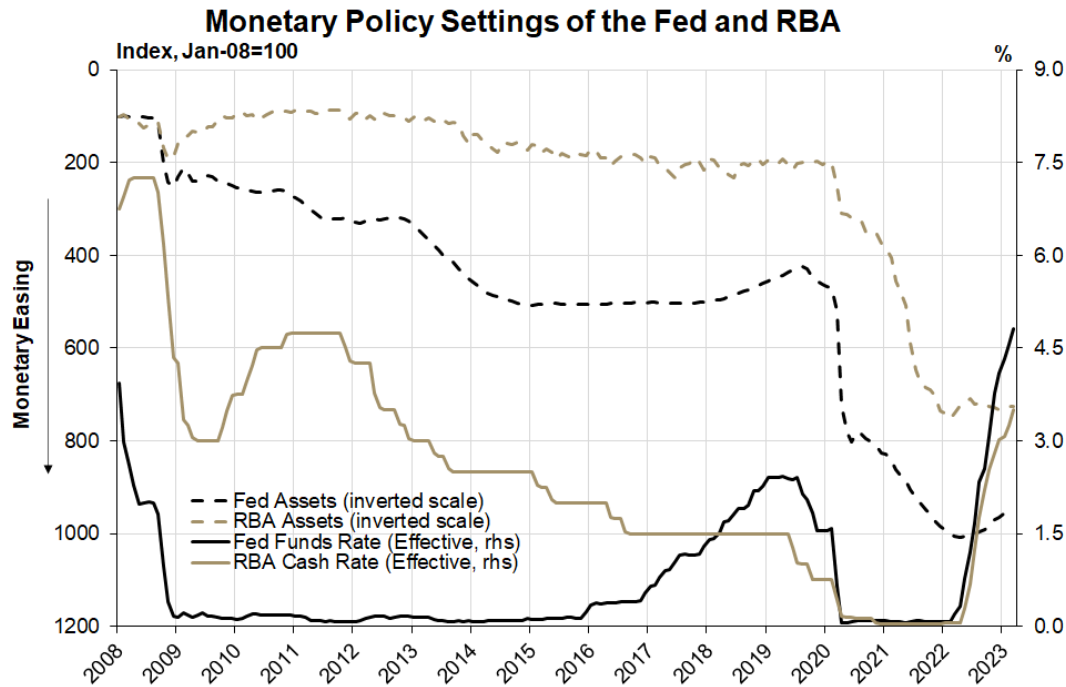


Source: ABS.

How did we get here? (1)

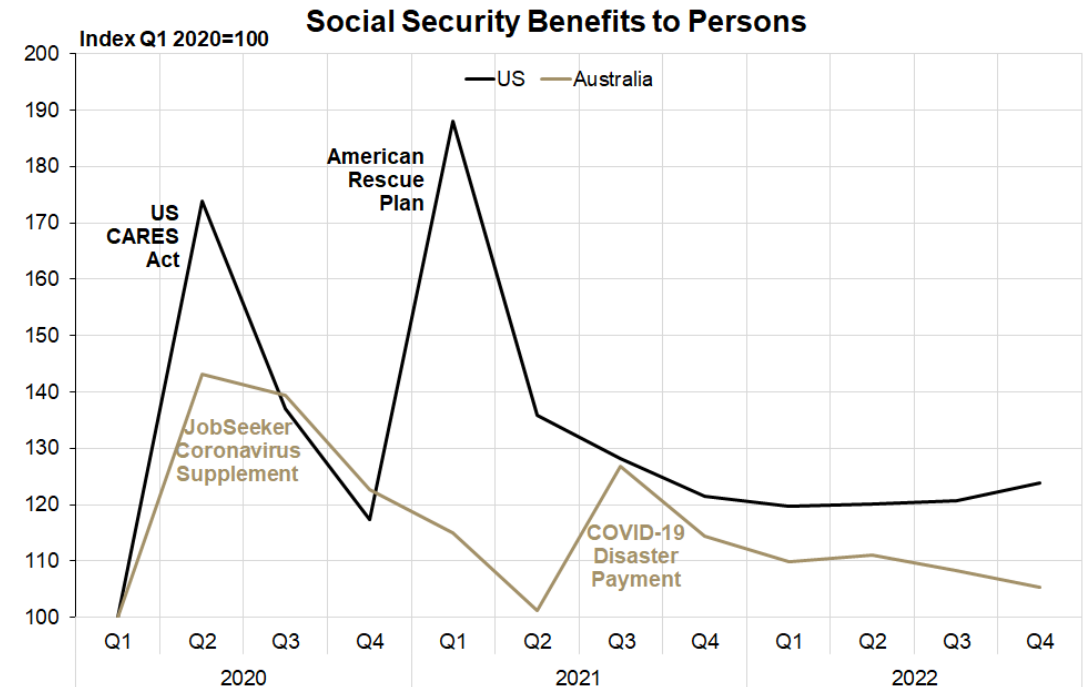
Monetary and fiscal policy

Monetary policy settings, which had been expansionary for years, were eased markedly during COVID-19.



Source: Fed, RBA.

Governments have increased social transfers to compensate for COVID-19 restrictions.

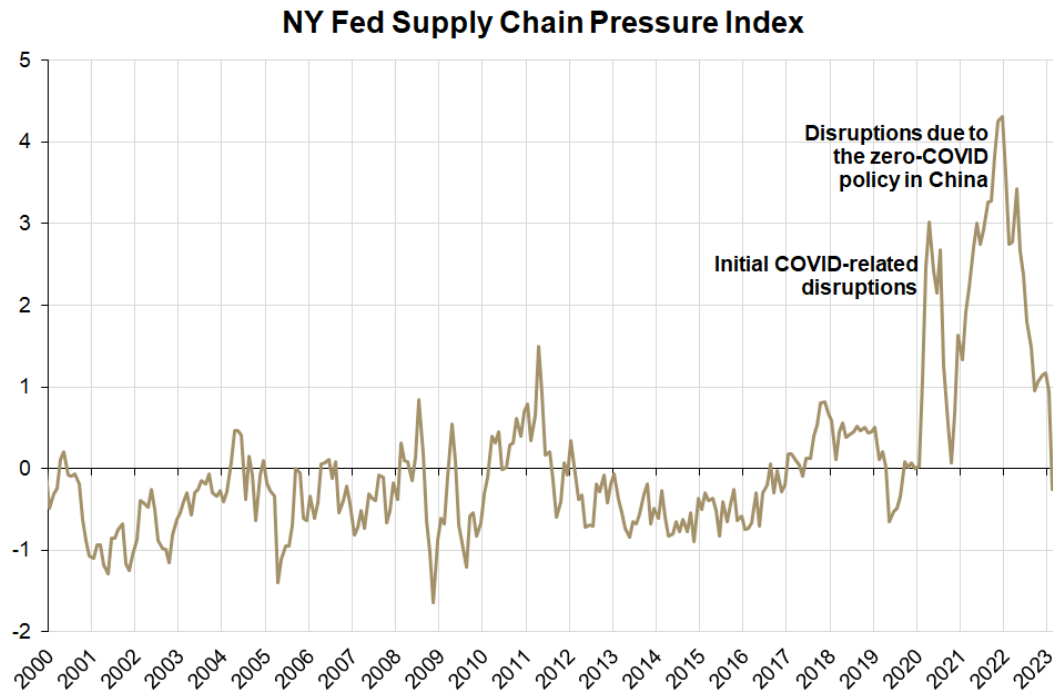


Source: BEA, ABS.

How did we get here? (2)

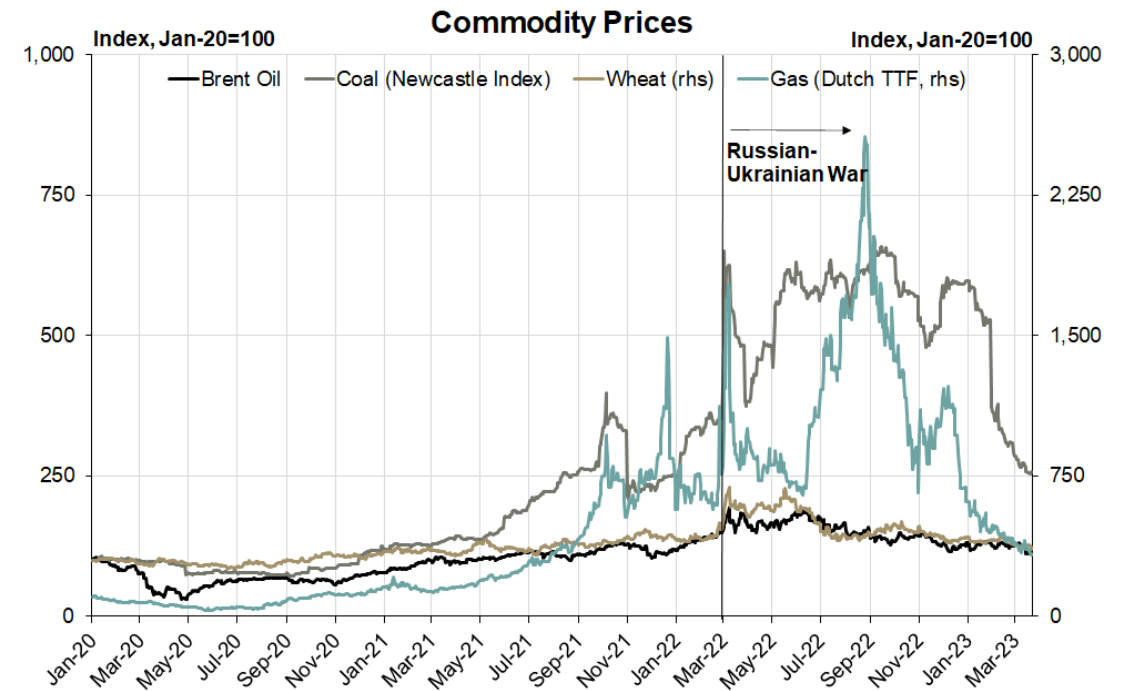
Global supply disruptions and commodity prices

Supply chain disruptions spiked due to COVID-19



Source: New York Fed.

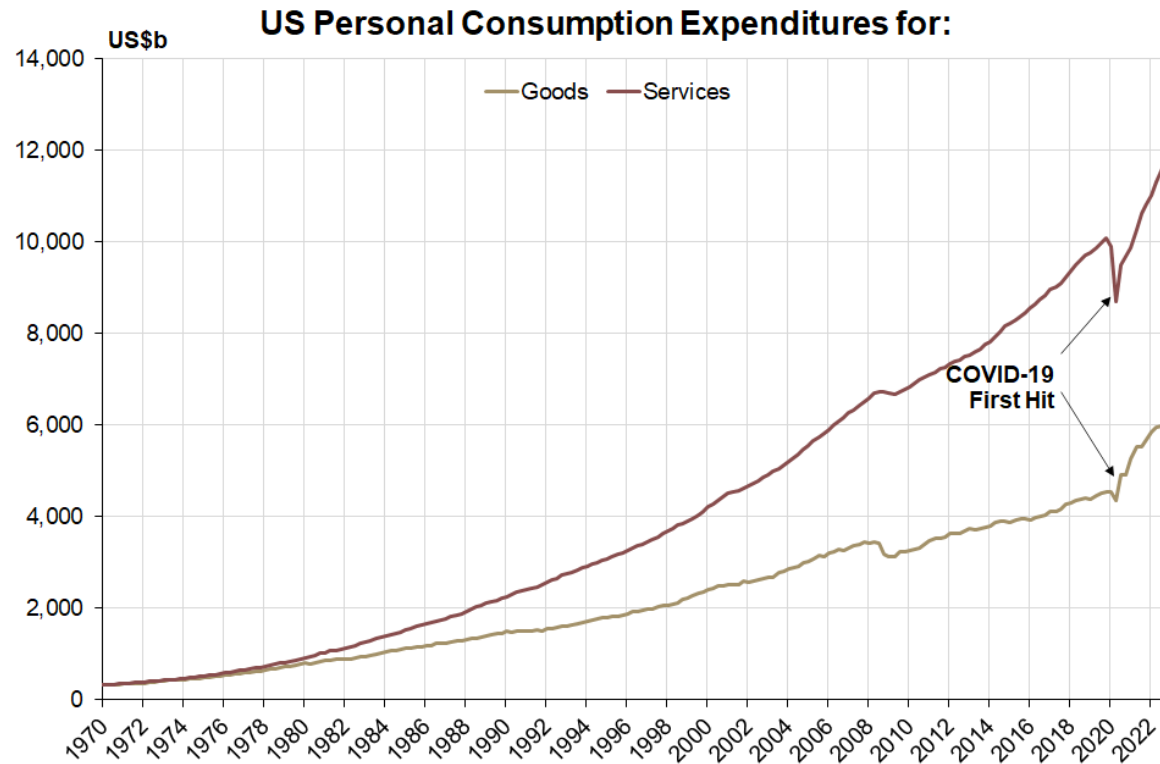
Energy commodity prices surged due to the Russian-Ukraine war



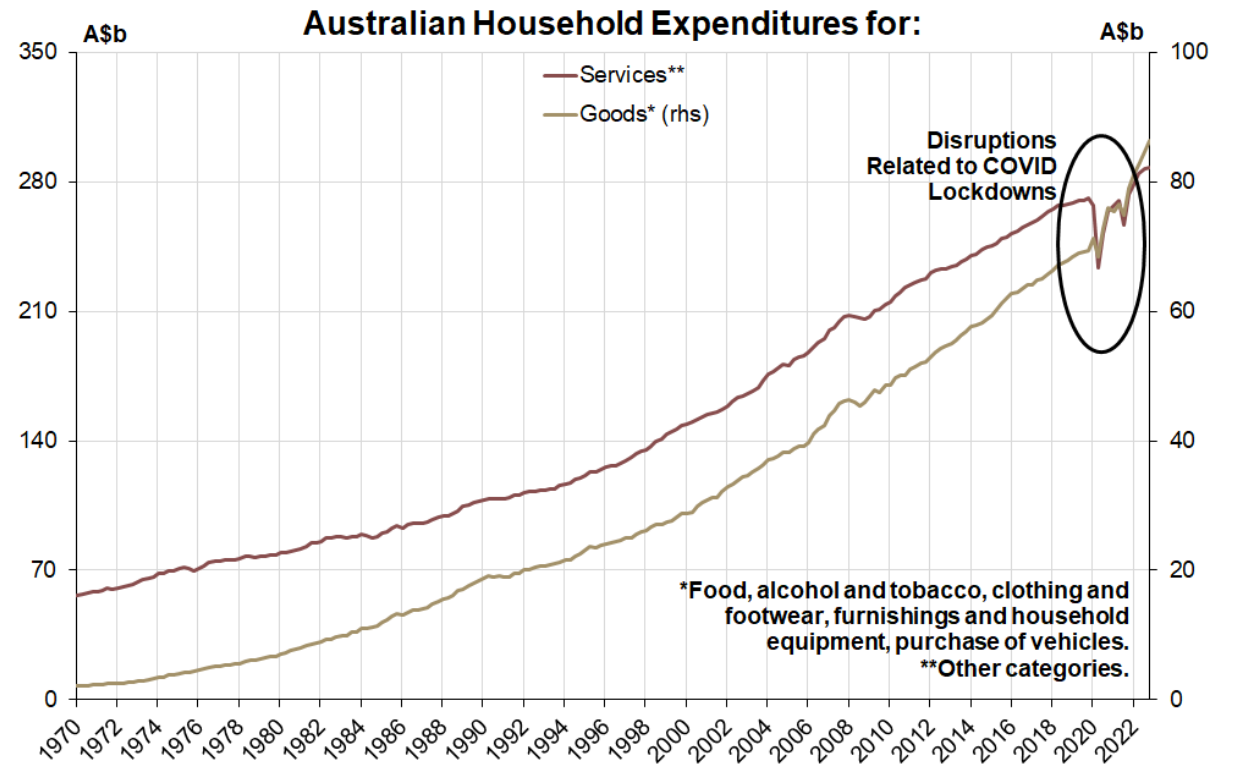
Source: ABS.

How did we get here? (3)

Pent-up demand



Source: BEA.



Source: ABS.

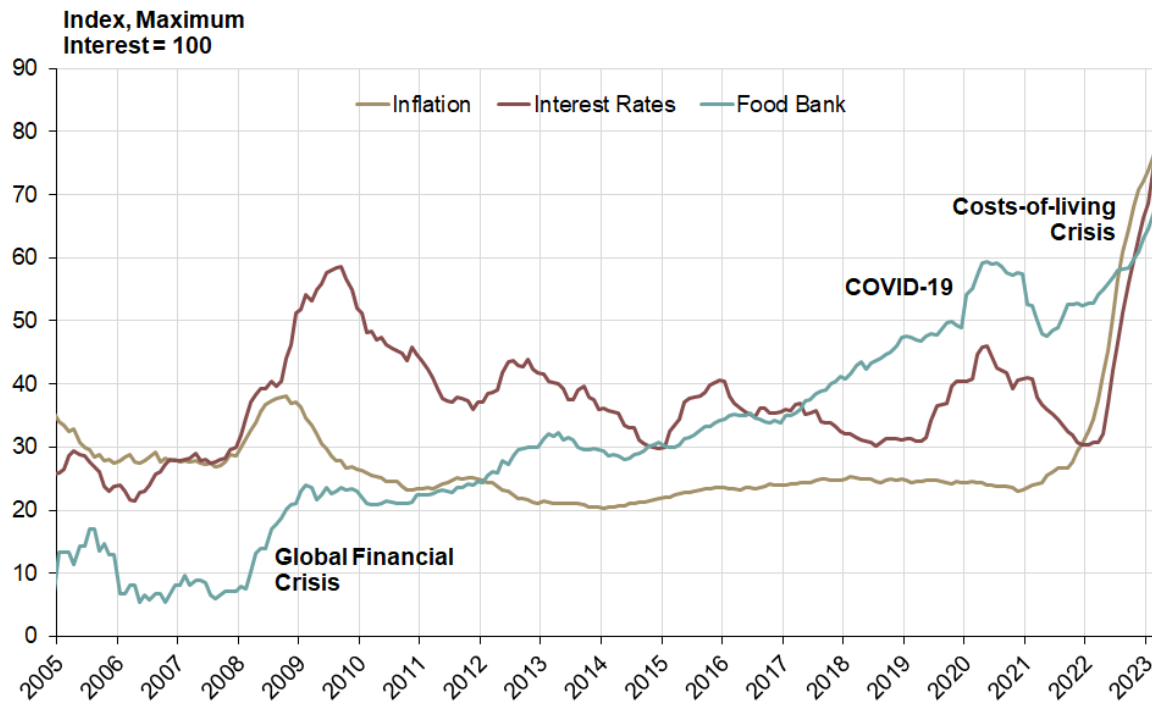


Impacts on households (1)

Anecdotal impacts



Google Search Frequency (12-month Average)



Source: Google Trends.

On the one hand:

- **Westpac Consumer Sentiment note (14 March 2023)**

“We continue to see particularly high reads on ‘inflation’ news with 58% of respondents recalling news on this topic (...) Around 85% of respondents – an overwhelming majority – viewed the news on inflation, interest rates and the economy as unfavourable.”

- **Judo Bank PMI report (24 March 2023):**

“The fall in overall private sector output was underpinned by weaker demand in March as higher interest rates, still-elevated inflation and softer economic conditions affected new business for both Australian goods and services.”

On the other hand:

- **NAB Business Survey note (14 March 2023):**

“Overall, the survey confirms the ongoing resilience of the economy through the first months of 2023 despite high inflation and the ongoing pass-through of higher interest rates to households.”

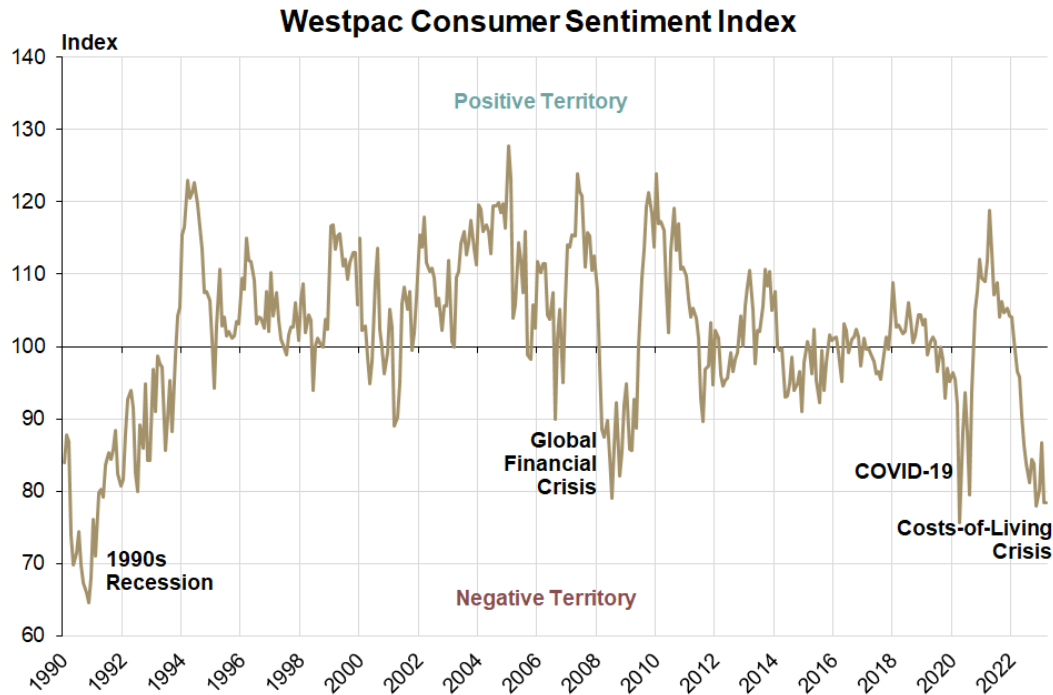
Impacts on households (2)

Confidence and aggregate spending

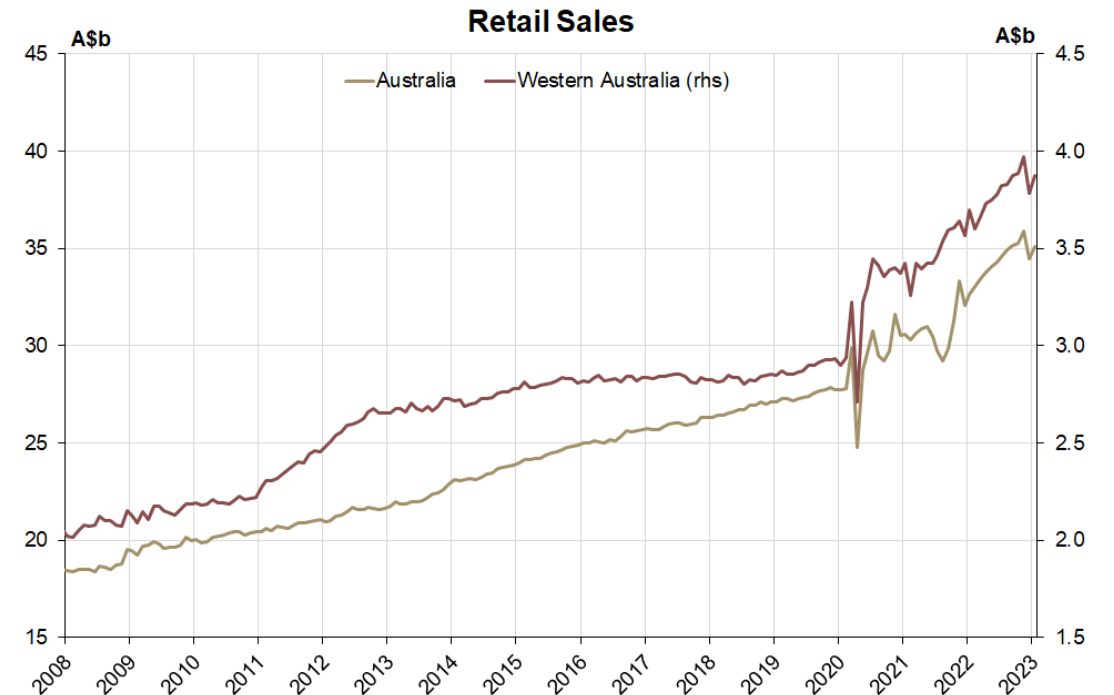
Consumer confidence is at recessionary levels.



However, it is too early to say if consumer spending has fallen.



Source: Refinitiv.

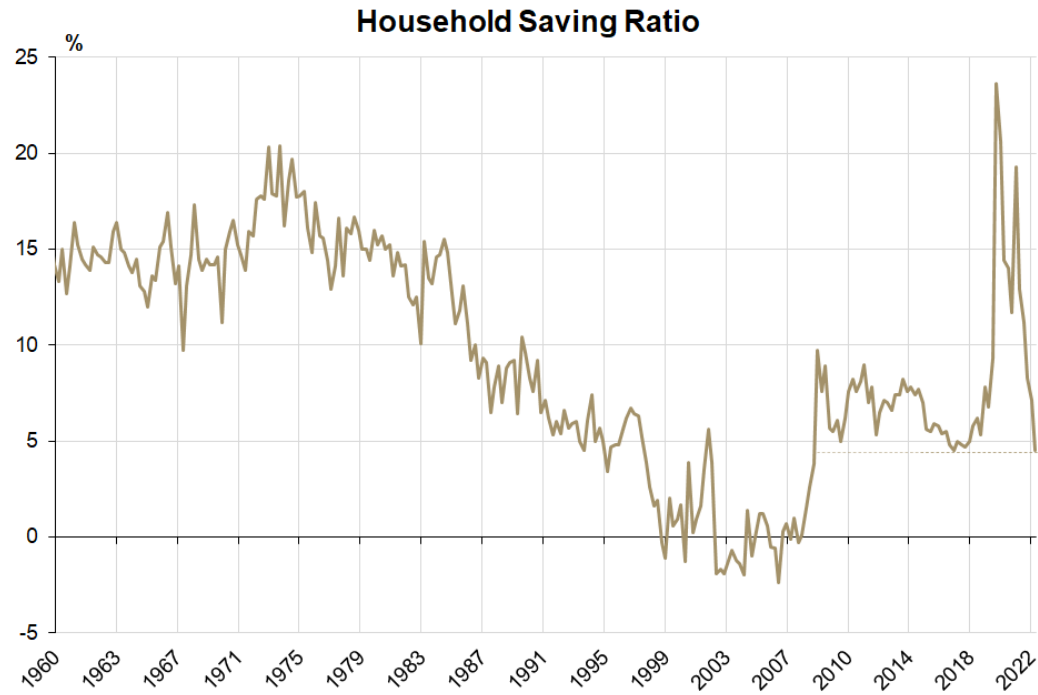


Source: ABS.

Impacts on households (3)

Savings and financial stability concerns

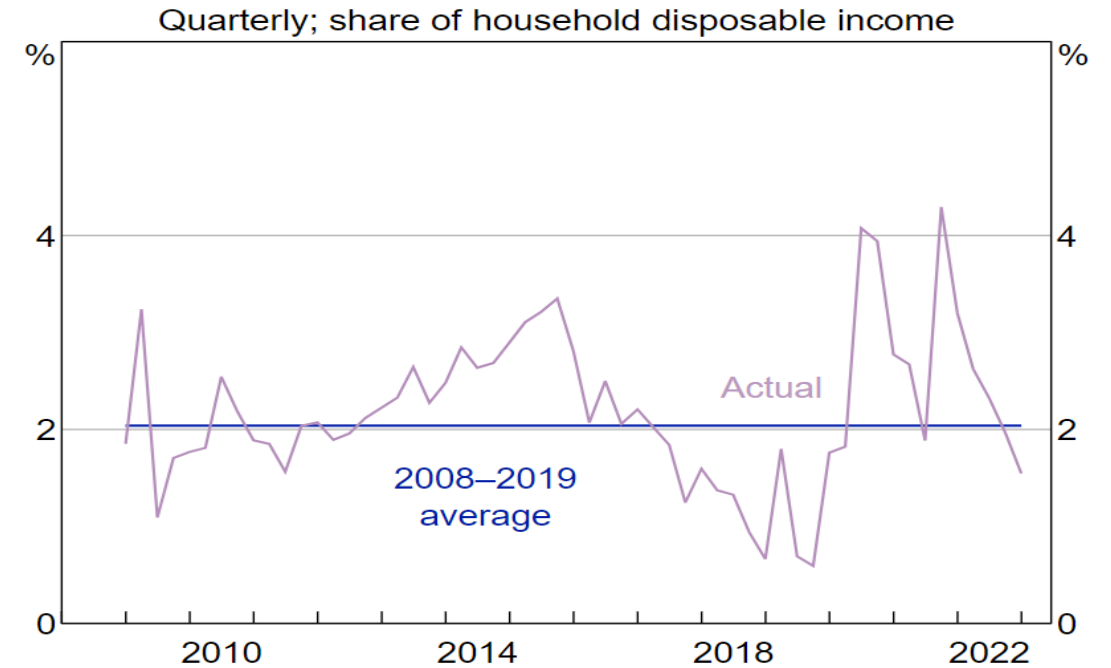
The further aggregate spending is fuelled by reduction in savings...



Source: ABS.

... including those held in mortgage offset accounts.

Extra Mortgage Payments*



* Net payments into offset and redraw accounts.

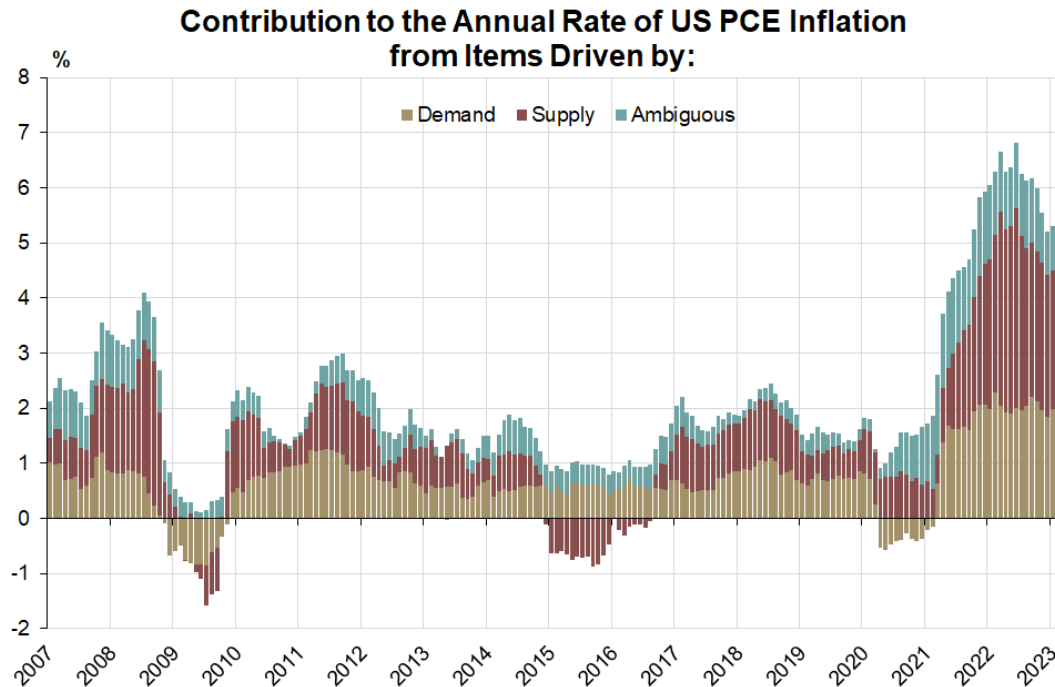
Source: RBA.

Where are we now?



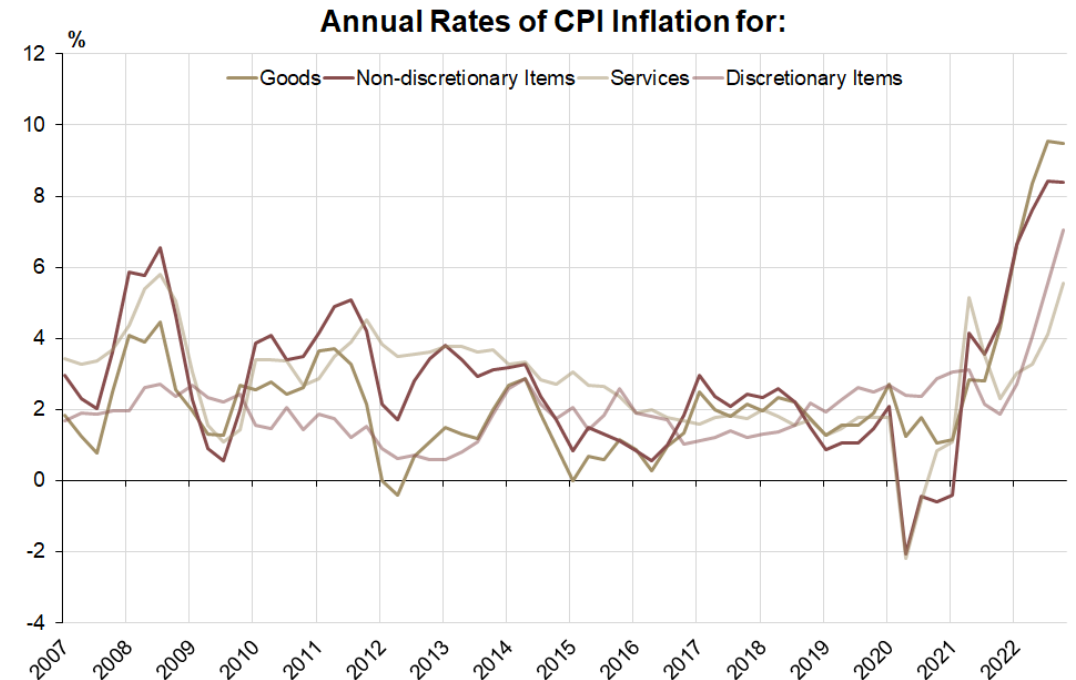
Some factors of inflation are showing signs of slowing, others are not.

The recent slowdown in US inflation is thanks to the supply side, while demand-driven inflation remains sticky.



Source: San Francisco Fed.

In Australia, goods inflation has stabilised at a high level, while services price growth is still accelerating.



Source: ABS.



Where from here?



Walking the tightrope between inflation and recession

- Inflation appears to have peaked, but is set to remain above central bank targets for a couple of years.
- Aggressive monetary policy tightening by the RBA and other central banks should help combat inflation over time. Central banks are determined to bring the inflation rates back to the targets.
- However, this will come at the cost of additional pressure on household finances and spending.
- The contagion risk from troubles of several banks abroad has been contained and Australian banks are well-placed to weather any disruptions in the global banking system.
- This notwithstanding, any renewed deterioration in the global financial system may translate into tightening of lending standards, amplifying the impacts of monetary tightening.







Please welcome

Associate Professor Elizabeth Jackson

Faculty of Business and Law, Curtin University



**GRANDMA SURVIVED THE GREAT
DEPRESSION**



**BECAUSE HER SUPPLY CHAIN WAS LOCAL
AND SHE KNEW HOW TO DO STUFF.**





Brief

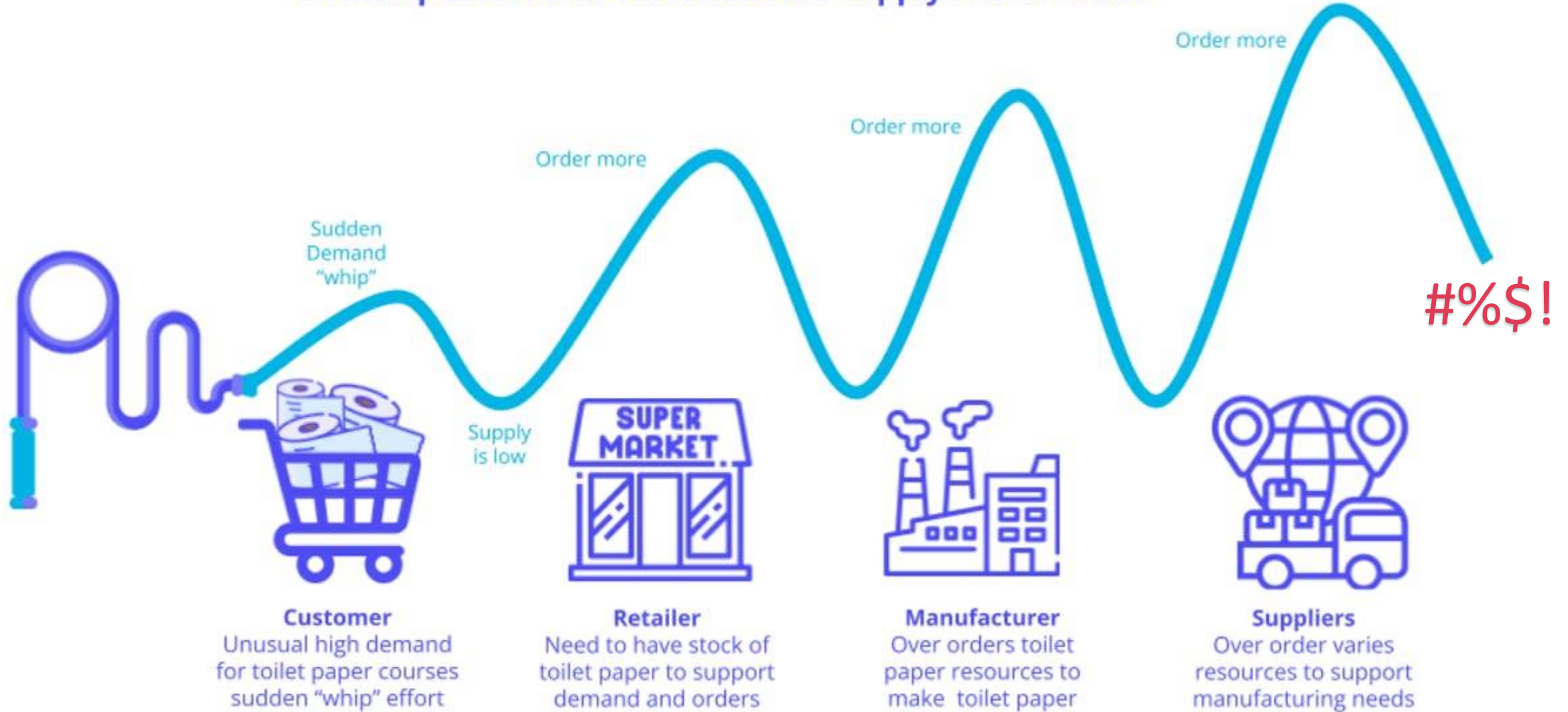
Procurement's Twin Challenge: Managing Inflation and Supply Shortages

Three steps can help companies boost performance while improving supply security.

By Karen Stansfield, Tony Cape, Anna Fritz Månsson, and Borja Tramazaygues

June 14, 2022 • 8 min read

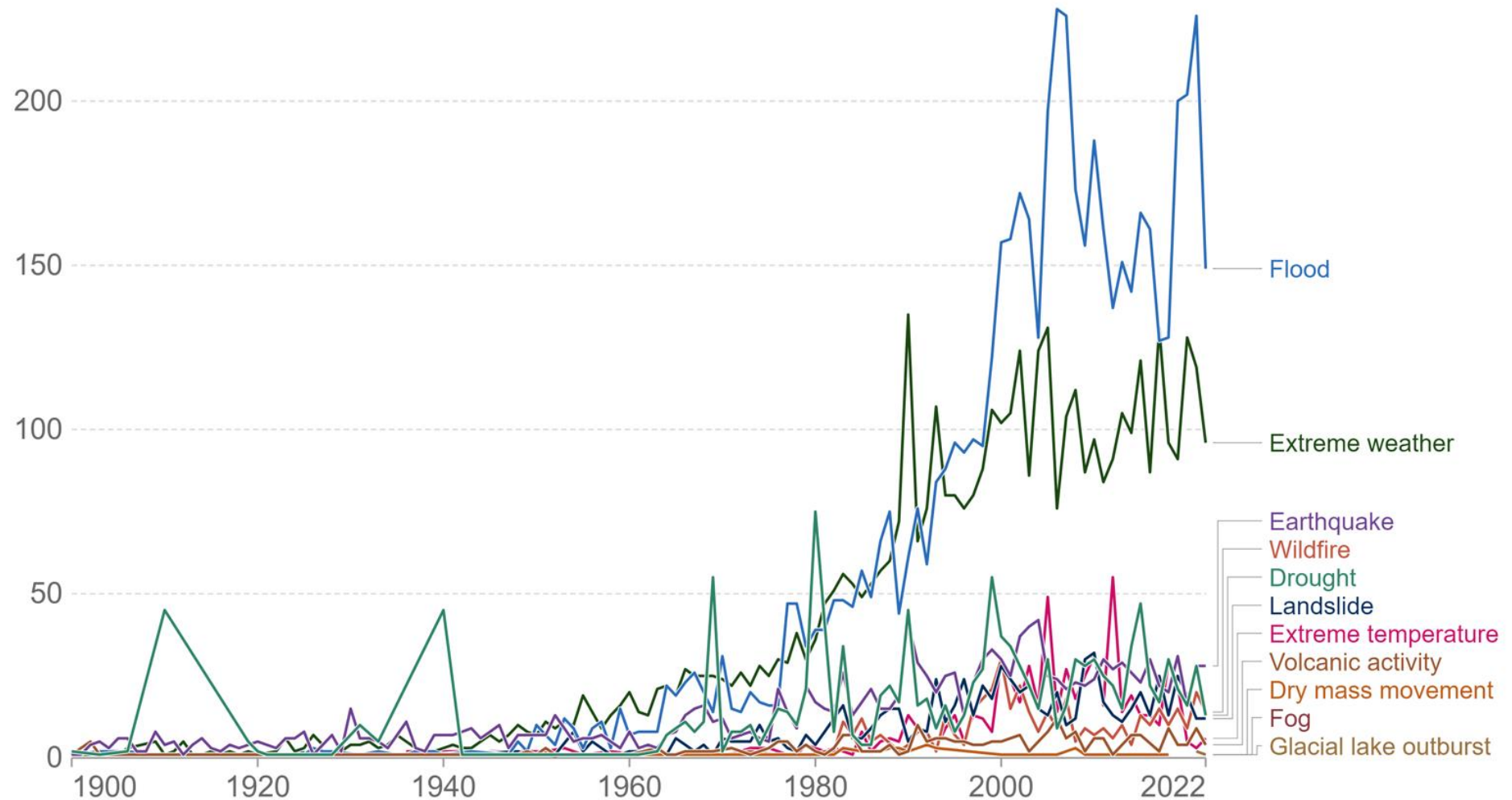
Bullwhip Effect and Current Retail Supply Chain Issues



Due to COVID lockdowns and isolations; shipping, shipping contains and labor shortages are not able to respond quick enough to meet demand from the supply chain

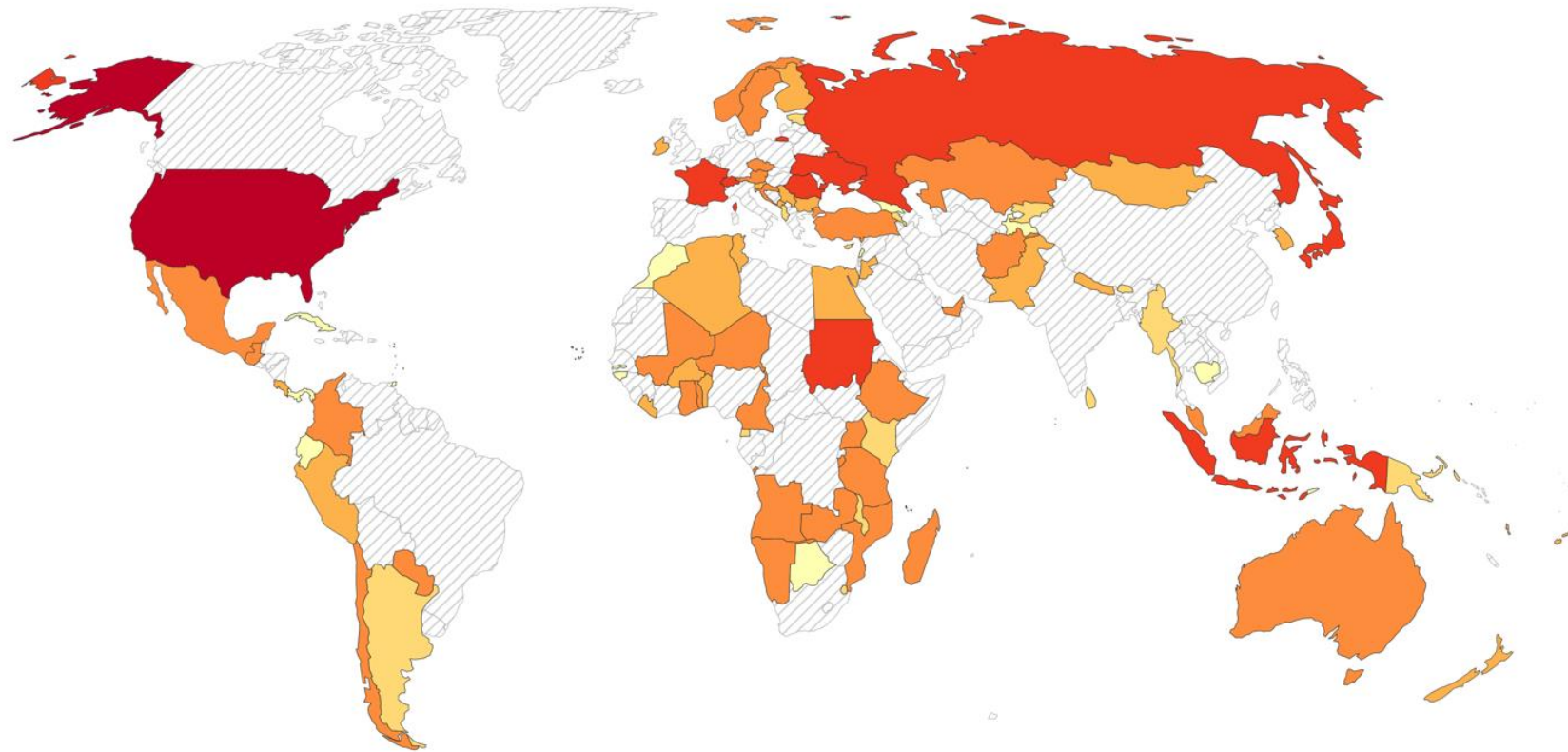
Number of recorded natural disaster events, 1900 to 2022

The number of global reported natural disaster events in any given year. This includes those from drought, floods, extreme weather, extreme temperature, landslides, dry mass movements, wildfires, volcanic activity and earthquakes.



Direct disaster economic loss, 2020

The monetary value of total or partial destruction of physical assets existing in the affected area. Direct economic loss is nearly equivalent to physical damage.



Major supply chains disrupted by bushfires



STAFF WRITER

January 9, 2020, 10:25 am



0
SHARE



341



Supply chains into Western Australia have been brought to a standstill by bushfires as major supermarkets in Perth wait on food and other household essentials as stranded trucks await the Eyre Highway shutdown.

Potholes, warped rail lines and washed-away roads: flood-hit regions face infrastructure crisis

Even with the deployment of extra staff and machinery, repairs are likely to take 'many months' - and cost billions

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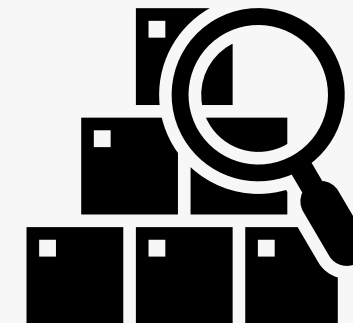
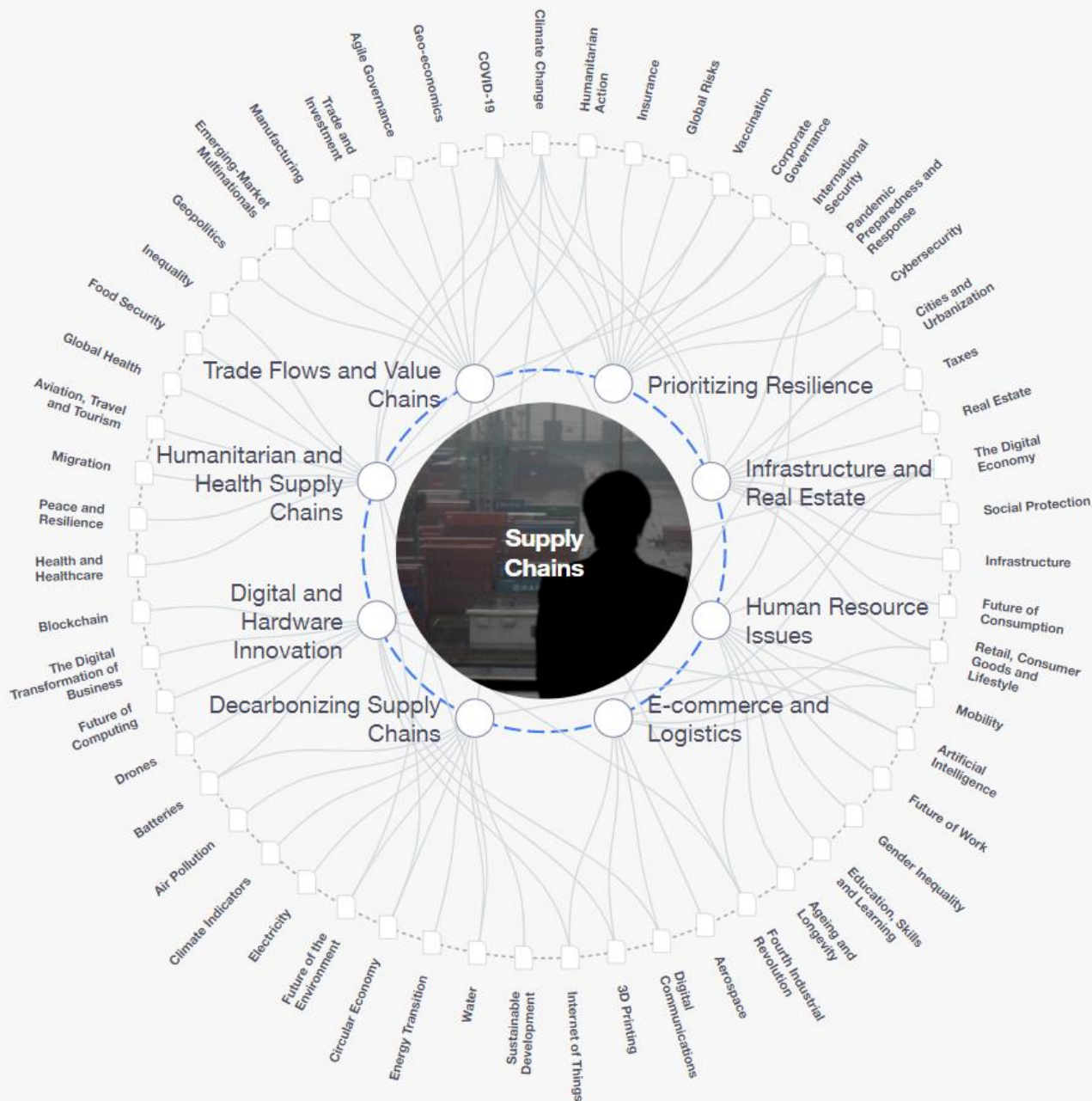
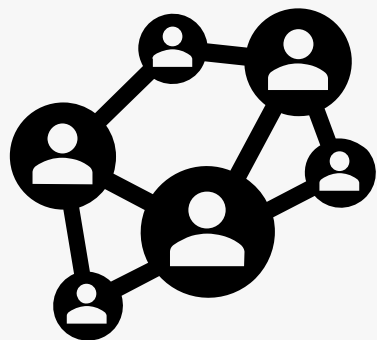
Flood damage on the Parkes-Condobolin railway line in central west NSW. Photograph: Mike Bowers/The Guardian

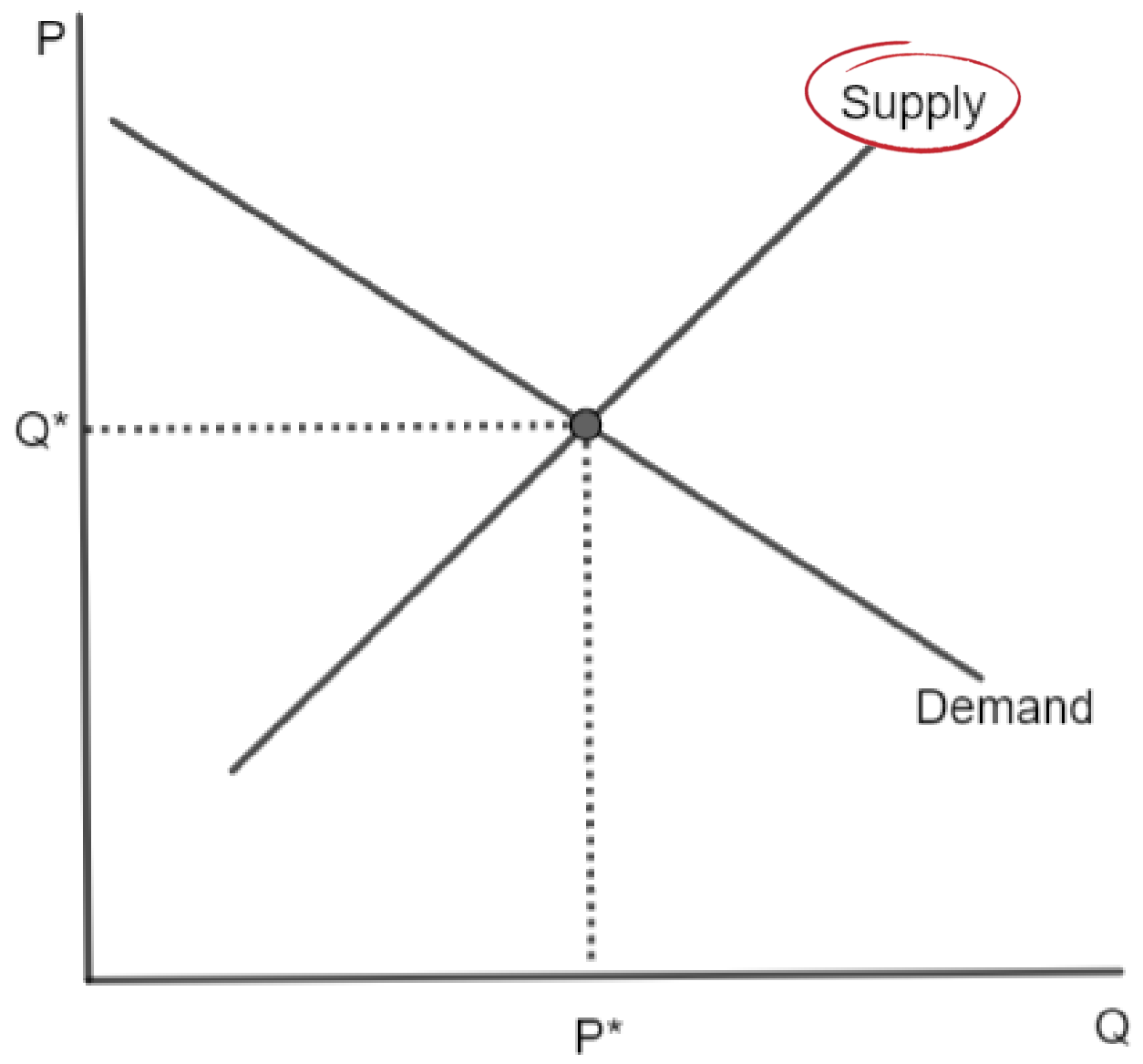
WA road freight prices rise 20 per cent due to rail disruptions in eastern states

ABC Midwest & Wheatbelt / By Bridget Herrmann
Posted Mon 28 Nov 2022 at 3:53pm



High fuel cost is one of the reasons for the increase in freight prices. (ABC News: Andrew O'Connor)





Requirements for success



STRONG,
DIVERSIFIED
SUPPLIER
RELATIONSHIPS
WITH RENEWED
SOURCING
STRATEGIES



DEMAND
MANAGEMENT



AGILE
DISTRIBUTION
SYSTEMS WITH
GOOD
CONNECTIVITY



A CLEAR LINE OF
SIGHT:
TRANSPARENCY,
VISIBILITY AND
COMMUNICATIONS



TRANSFER RISK:
UPSTREAM,
DOWNSTREAM,
EXTERNALLY,
INTERNALLY?



STRESS TEST, BE
BRAVE, FAIL FAST
WITH NEW IDEAS
FOR CHANGE AND
INVESTMENT



Curtin University

The impact of inflation on supply chain and procurement – Requirements for success

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School of Management & Marketing
Faculty of Business & Law
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Q&A





**We value your feedback –
please take a few
minutes to complete this
survey**