

Regional Pulse

Chamber of Commerce and Industry WA

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Chamber of Commerce
and Industry WA

Western Australia's regions are the engine room of the WA economy, supporting a range of key export industries, including resources, agriculture and tourism. In this report, we provide regional breakdowns of key results from the March 2021 CCIWA Business Confidence Survey.

While every measure has been taken to ensure data reliability, particular care should be exercised when using regional estimates as they are subject to smaller sample sizes. Survey results for the Mid-West/Gascoyne were canvassed before the onset of sub-tropical cyclone Seroja.

Pulse Check

The Outlook

Confidence by Region (WA)	Short-Term Conditions (3-Months)			Longer-Term Conditions (12-Months)		
	Stronger	Weaker	About the same	Stronger	Weaker	About the same
South West	52%	14%	22%	65%	14%	22%
Goldfields-Esperance	59%	10%	31%	62%	7%	31%
Wheatbelt	50%	25%	17%	42%	25%	33%
Mid-West/Gascoyne	57%	22%	17%	52%	9%	39%
Pilbara	58%	10%	29%	72%	6%	22%
Kimberley	29%	27%	37%	49%	22%	24%
WA Regions	49%	19%	28%	56%	27%	16%
Perth and Peel	65%	14%	22%	68%	10%	22%

On average, businesses in every WA region are expecting stronger conditions over the next three months compared to those expecting weaker conditions. One out of two (49%) businesses in regional WA expect conditions to strengthen over the next three months, almost three times the proportion expecting conditions to worsen (19%).

Conditions are expected to remain strong over the longer term. Almost three out of five (56%) regional businesses anticipate conditions to strengthen over the next twelve months, while only 16 per cent expect conditions to worsen. The remaining 27 per cent expect no change.

Breaking down the short-term outlook:

- Businesses in the Goldfields-Esperance (59%) and Pilbara (58%) regions are most optimistic, with three out of five anticipating conditions to improve over the next three months. This reflects ongoing strength in the mineral resources sector. As outlined in the December edition of the *CCIWA Business Confidence Survey*, strength in the mining sector is the primary factor driving business confidence across the WA economy.
- In contrast, businesses in the Kimberley are less optimistic about the next three months. Only 29 per cent of businesses in this region are expecting stronger conditions next quarter, slightly higher than the proportion anticipating weaker conditions (27%).
- Businesses in the Kimberley have reported significant difficulty attracting skilled and seasonal workers in recent months, and according to the September 2020 edition of the *CCIWA Business Confidence Survey*, are more reliant on international tourists than other WA regions.

Barriers to Business

What do you see as the biggest barrier to growing your business in the year ahead?	Barriers to Business*							
	Availability of skilled labour	Weak demand	Competitors (foreign and online)	Rising operating costs	Difficulty accessing new finance from banks	International trade tensions	Uncontrolled outbreak of COVID-19	No barriers
South West	18%	12%	4%	10%	2%	0%	20%	12%
Goldfields-Esperance	38%	3%	3%	17%	3%	0%	17%	0%
Wheatbelt	33%	33%	8%	8%	0%	0%	0%	8%
Mid-West/Gascoyne	35%	0%	0%	30%	0%	0%	4%	0%
Pilbara	47%	9%	6%	13%	0%	0%	9%	6%
Kimberley	37%	7%	0%	7%	7%	5%	22%	0%
WA Regions	33%	9%	4%	13%	3%	1%	15%	5%
Perth and Peel	31%	7%	6%	16%	2%	3%	16%	4%

* 'Other' responses have been omitted from the table. As such, row sums may not equal 100 per cent.

One out of three (33%) regional businesses identified skills shortages as the largest barrier to growing their business over the coming year, compared with 28 per cent of businesses located in Perth and Peel.

Concerns around skills shortages were most acute in the Pilbara (47%), Goldfields-Esperance (38%) and Kimberley (37%) regions. Businesses in these regions continue to face difficulty attracting both seasonal and skilled workers in recent months – particularly those that rely on international/interstate migration.

The possibility of an uncontrolled outbreak of COVID-19 in WA continues to weigh on the minds of regional businesses, with 15 per cent identifying this factor as the largest barrier to growing their business in 2021.

Rising operating costs was identified as the number one barrier to growth for three out of ten (30%) businesses in Mid-West/Gascoyne and almost one out of five (17%) in Goldfields-Esperance.

Worker Shortages in Regional WA

In answering this question, respondents were asked to select the **biggest** barrier to growing their business over the year ahead. The results, therefore, only show the number one barrier identified among businesses in regional WA.

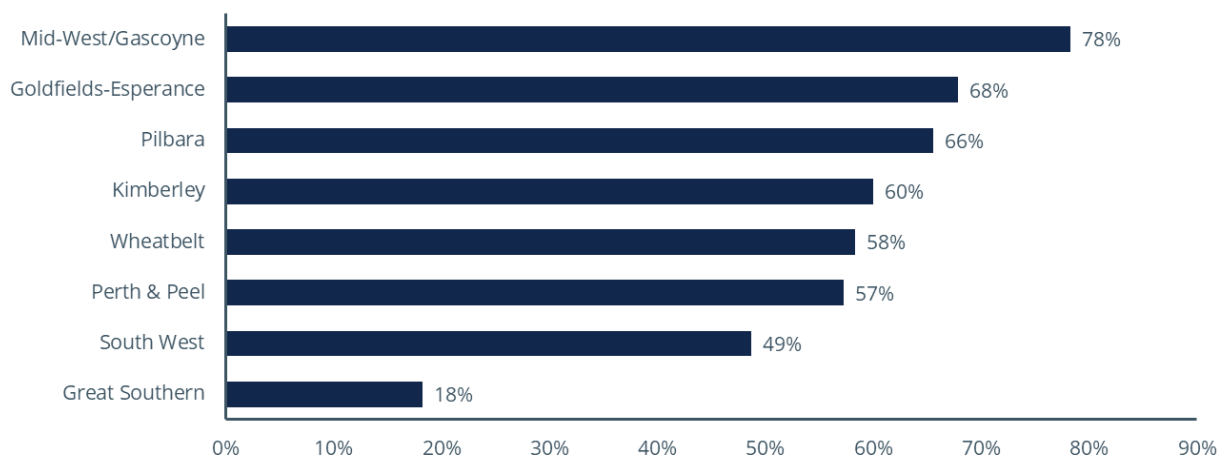
As an example, 47 per cent of businesses in the Pilbara identified availability of skilled labour as the biggest barrier to growth, while another 13 per cent identified concerns about rising operating costs. Given that businesses may have concerns about rising operating costs and an uncontrolled outbreak of COVID-19 in WA, these results likely understate the incidence of skills shortages across WA's regions.

In this edition of *Regional Pulse*, we identify the proportion of regional businesses that are struggling to hire for a particular skillset. We also unpack the types of occupations currently in demand across WA's regions.

Looking to the results:

- Three out of five (59%) regional businesses identified that they are struggling to fill at least one skilled occupation, slightly higher than the proportion in Perth & Peel (57%).
- Businesses in the Mid-West/Gascoyne (78%), Goldfields-Esperance (68%) and Pilbara (66%) regions were mostly likely to identify that they are struggling to fill a skillset.
- Other regions with a relatively higher proportion of businesses reporting difficulty bringing on skilled workers include the Kimberley (60%) and Wheatbelt (58%).

Proportion struggling to fill a skill set



Top three occupations in demand by WA region	Perth & Peel	South West	Goldfields-Esperance	Wheatbelt	Mid-West/Gascoyne	Pilbara	Kimberley
1	Machine Technicians	Labourers	Mechanics	Plant operators	Café staff	Drillers	Tour guides
2	Property Managers	Carpenters	Farm hands	Hospitality staff	Electricians	Truck drivers	Hospitality workers
3	Labourers	Cleaners	Hospitality workers	Truck drivers	Metal trades	Hospitality staff	Mechanics

Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	2%	43%	55%	0%	34%	66%
South West	4%	51%	45%	4%	54%	42%
Goldfields-Esperance	7%	44%	48%	0%	63%	37%
Wheatbelt	9%	45%	45%	9%	55%	36%
Mid-West/Gascoyne	9%	13%	78%	4%	35%	61%
Pilbara	3%	44%	53%	0%	41%	59%
Kimberley	10%	44%	46%	3%	43%	55%
Total	5%	42%	52%	2%	44%	55%

More than one out of two (55%) WA businesses expect labour costs to increase over the next three months, while a similar proportion (44%) anticipate no change. Only 2 per cent expect wage pressures to ease over the coming quarter.

Businesses that expect labour costs to rise are more likely to operate in the Mid-West/Gascoyne (61%), Pilbara (59%) and Kimberley (55%).

Expectations of rising labour costs can indicate emerging skills shortages in regional areas, particularly those that rely on seasonal and low-skilled foreign workers.

Production

Expectations by Region (WA)	Production					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	23%	29%	48%	7%	33%	60%
South West	17%	31%	52%	24%	33%	43%
Goldfields-Esperance	17%	41%	41%	14%	52%	34%
Wheatbelt	25%	42%	33%	18%	27%	55%
Mid-West/Gascoyne	30%	17%	52%	9%	30%	61%
Pilbara	23%	42%	39%	13%	35%	52%
Kimberley	33%	55%	13%	3%	50%	48%
Total	24%	35%	41%	11%	37%	52%

More than one out of two (52%) WA businesses are planning to ramp up production over the next three months, including 47 per cent of businesses in regional Western Australia.

Businesses most likely to increase production over the coming quarter operate in the Mid-West/Gascoyne (61%), Wheatbelt (55%) and Pilbara (52%). This likely reflects expectations that demand for Western Australian mineral commodities, like iron ore and gold, will remain strong over the coming months.

Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	36%	48%	16%	22%	52%	26%
South West	39%	27%	35%	31%	46%	23%
Goldfields-Esperance	39%	43%	18%	21%	52%	28%
Wheatbelt	58%	25%	17%	33%	33%	33%
Mid-West/Gascoyne	50%	32%	18%	32%	41%	27%
Pilbara	31%	56%	13%	26%	48%	26%
Kimberley	65%	25%	10%	35%	35%	30%
Total	42%	39%	19%	27%	47%	27%

The COVID-19 pandemic has damaged business profits across the State. Despite large levels of government stimulus and the progressive reopening of the domestic economy, a higher proportion (42%) of WA businesses reported that their profit margins had declined over the March quarter than improved (19%).

Almost half (46%) of businesses in regional WA reported a decline in profitability over the past three months, compared to 36 per cent in Perth and Peel.

Looking ahead, the profit outlook for WA's regions is mixed. On the one hand, a higher proportion of businesses in the Goldfields-Esperance and Perth & Peel regions expect their profit levels to rise over the next three months.

On the other, businesses operating in the Kimberley (35%), and Wheatbelt (33%) and Mid-West/Gascoyne (32%) are more likely to anticipate falling profit levels.

Level of credit and debt

Expectations by Region (WA)	Level of Credit or Debt					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	12%	73%	15%	13%	65%	23%
South West	22%	59%	18%	15%	70%	15%
Goldfields-Esperance	14%	68%	18%	14%	79%	7%
Wheatbelt	8%	75%	17%	9%	45%	45%
Mid-West/Gascoyne	5%	64%	32%	9%	65%	26%
Pilbara	10%	74%	16%	9%	69%	22%
Kimberley	13%	59%	28%	10%	54%	36%
Total	13%	67%	21%	13%	65%	22%

While rising debt levels can be an indication of future expansion plans, it can also reflect increased financial stress as businesses look to maintain operations by taking on short-term debt.

Around one out of five (22%) businesses in regional WA increased their debt or credit levels in the March quarter. Looking ahead to the next three months, 23 per cent are anticipating their debt or credit levels to rise.

Businesses most likely to take on additional debt operate in the Wheatbelt (45%), Kimberley (36%), and Midwest/Gascoyne (26%) regions. Fewer businesses in the South West, Goldfields-Esperance and Pilbara regions are expecting their debt levels to rise next quarter. On the whole, most regional businesses (66%) are expecting their debt or credit levels to remain stable over the next three months.

Capital Expenditure

Expectations by Region (WA)	Capital Expenditure					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	7%	58%	35%	3%	61%	36%
South West	4%	66%	30%	4%	59%	37%
Goldfields-Esperance	14%	57%	29%	17%	55%	28%
Wheatbelt	8%	58%	33%	0%	50%	50%
Mid-West/Gascoyne	9%	30%	61%	0%	48%	52%
Pilbara	3%	48%	48%	6%	55%	39%
Kimberley	10%	46%	44%	8%	55%	37%
Total	8%	54%	38%	6%	57%	38%

Almost one out of three (38%) businesses in regional WA plan to increase capital expenditure over the next three months, around the same proportion as last quarter and slightly more than those in Perth and Peel (36%). The majority of businesses in the Mid-West Gascoyne (52%) and Wheatbelt (50%) regions expect to boost their capital expenditure next quarter. Reigniting the confidence of businesses to invest and grow will be critical to Western Australia's economic recovery.

Employment

Expectations by Region (WA)	Employment					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	13%	43%	44%	4%	43%	53%
South West	16%	39%	45%	19%	35%	46%
Goldfields-Esperance	17%	42%	42%	14%	66%	21%
Wheatbelt	13%	39%	48%	17%	42%	42%
Mid-West/Gascoyne	22%	38%	41%	5%	41%	55%
Pilbara	26%	56%	18%	19%	38%	44%
Kimberley	13%	43%	44%	13%	44%	44%
Total	18%	43%	39%	10%	45%	45%

The progressive reopening of the domestic economy has seen an encouraging recovery in WA's labour market, with almost all of the jobs lost due to COVID-19 now restored. As mentioned, skills shortages are growing in pockets of WA's regional economy, with job ads for mining-related occupations reaching levels not seen since the last mining boom.

Around two out of five (37%) regional businesses boosted their staff levels over the past three months, while around 44 per cent recorded no change to their workforce.

Businesses in the Wheatbelt (48%), Kimberley (44%) and South West (45%) regions recorded the strongest rise in employment levels last quarter.

Looking ahead to the next three months, businesses remain optimistic about future employment opportunities – particularly those located in the Mid-West/Gascoyne, South West, Pilbara and Kimberley regions.