

WA Super – CCIWA Business Confidence Survey:
March Quarter 2020

COVID-19 shatters business confidence

Western Australian business confidence has plunged to a three year low in the March quarter, according to the latest *WA Super – CCIWA Business Confidence Survey*. The sharp decline in confidence was driven by concerns about the fallout of temporarily shutting down a significant portion of the WA economy over the coming months to contain the spread of COVID-19. Almost all WA businesses (91%) are currently being affected or expect to be affected by the COVID-19 outbreak.

Short-term outlook shattered

Six out of seven (86%) WA businesses expect the WA economy to worsen or remain unchanged over the next 3 months, up 13 percentage points since last quarter, while only 14 per cent expect it to strengthen.

**Short-Term Index down
16.7 Index Points over
the quarter to 102.2**

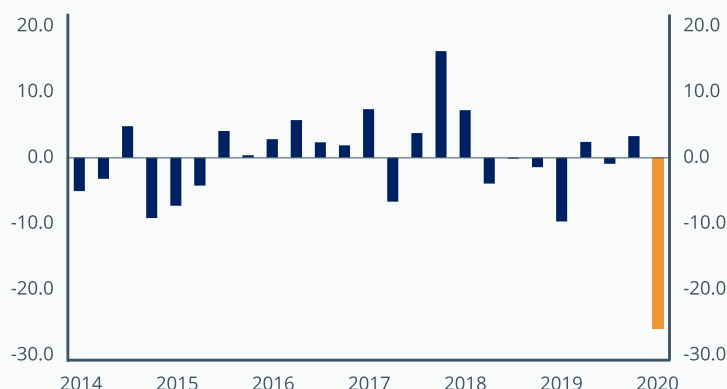
Looking to the year ahead, conditions are expected to remain weak

WA businesses are expecting challenging economic conditions over the next twelve months. Three out of five (61%) businesses expect the WA economy to worsen over the year ahead, up 40 percentage

points since last quarter. This pales in comparison to the 17 per cent that expect conditions to improve, down 24 percentage points. All up, the 12-month outlook recorded its largest quarterly fall on record (25.7 index points).

**Medium-Term Index down
25.7 Index Points over
the quarter to 89.6**

Medium-Term Confidence
Quarterly Change, Index Values



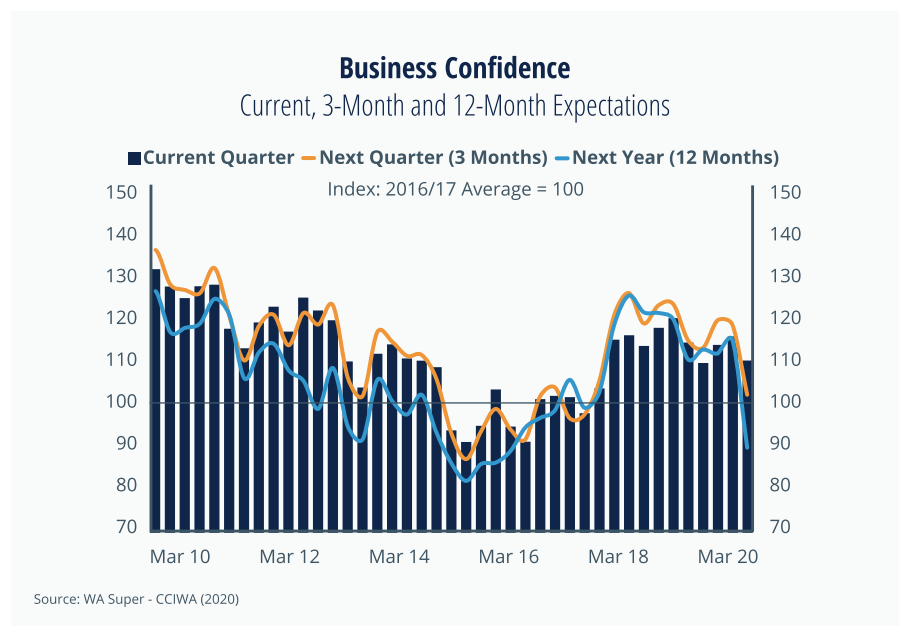


COVID 19

The COVID-19 outbreak has brought a large portion of the Western Australian economy to a standstill. Necessary measures to contain the spread of the virus have resulted in widespread business closures across almost every sector of the economy.

While recent stimulus packages from both the State and Federal Governments and the RBA will go some way to support the survival of many WA businesses over the coming months, the economic implications of current containment measures cannot be understated.

Businesses in every sector of the WA economy have reported heightened levels of concern about future economic conditions,



with a higher proportion of businesses in agriculture (93%), retail (83%), and accommodation and food services (67%) expecting

weaker economic conditions over the next twelve months.

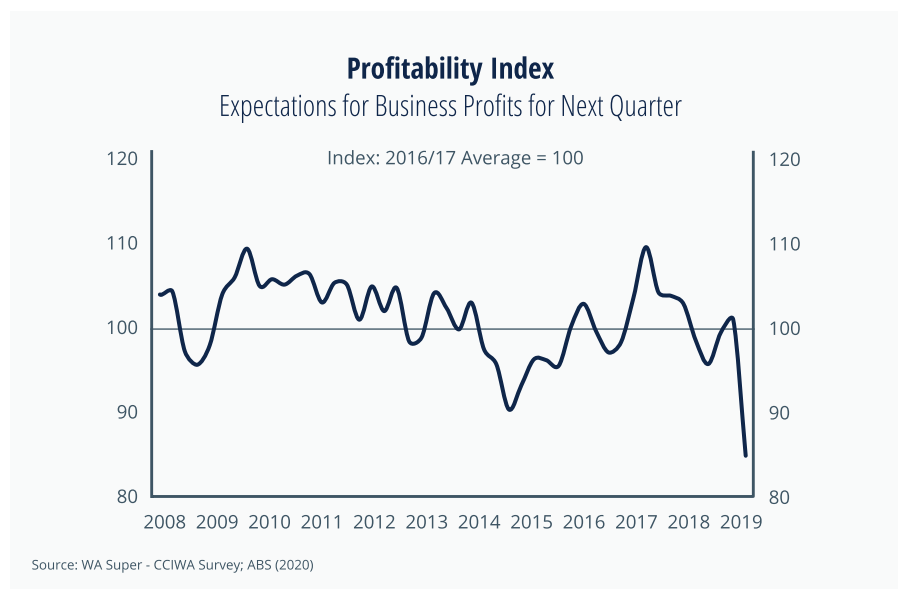
Recent improvements in profit expectations have disintegrated



this quarter, with the Profitability Index plummeting 15.8 Index Points to 85.2 in March – its lowest level on record. One out of two (52%) businesses expect their profit levels to fall over the next three months, up 17 percentage points since last quarter.

Businesses' expectations of future employment opportunities have also fallen sharply, with the Employment Index shedding 13.7 Index Points to 94.8 in March – its largest quarterly fall on record. Three out of four (75%) expect their workforce to contract or remain unchanged over the next three months – up 7 percentage points since last quarter. This includes most retail businesses (91%), construction businesses (83%) and manufacturing businesses (78%).

Recent improvements in profit expectations have disintegrated this quarter, with the Profitability Index plummeting 15.8 Index Points to 85.2 in March



Despite recent developments, there remains a significant amount of uncertainty about the duration and scale of containment measures designed to slow the spread of the virus

Cashflow is the key

As the possibility of a full New Zealand style lockdown looms, businesses across all industries are adapting their operational structures and implementing new measures to support cashflow. In recent weeks, however, dislocations in the financial system have tightened credit markets and strained the ability of many businesses to access funding.

This presents additional challenges for the close to 60 per cent of businesses already reporting difficulty attracting finance (over the past 12 months) and highlights

the importance of ensuring that WA businesses – particularly SMEs – have access to funding during the containment period. We expect that current stimulus measures, including the RBA's \$90 billion term funding facility, will provide some assistance in this area.

So what does this mean?

While overall confidence in the economy remains marginally higher than levels recorded during the Global Financial Crisis (2008-09), this survey occurred prior to the escalation of containment measures to 'Stage 3'. We therefore expect that

business confidence will fall further in coming months, albeit partially offset by recent fiscal and monetary stimulus measures.

All told, the total impact of COVID-19 on the WA business community will be profound. Despite recent developments, there remains a significant amount of uncertainty about the duration and scale of containment measures designed to slow the spread of the virus. To that end, WA businesses report significant concerns about the economic outlook, and for many, it now remains a matter of survival.

Business Confidence, March 2020

Largest fall



in **WA business confidence** (12-month outlook) on record

COVID-19 cited as **largest barrier** to business growth



Profitability expectations hit **lowest level** on record



3 out of 4 (75%) expect their **workforce will contract** or **remain unchanged** over the next three months

Close to **60%**

of businesses reporting

difficulty accessing finance from banks

Key results from the survey

Indicator (Index)	Actual			Expected	
	Sep 19	Dec 19	Mar 20	1 Quarter	1 Year
Economy					
WA Economic Conditions	113.4	115.4	109.7	102.2	89.6
Operating Conditions					
Employment	105.1	109.8	104.1	94.8	-
Labour Costs	128.2	123.2	121.5	113.8	-
Anticipated CAPEX	-	-	-	107.2	-
Profitability	84.4	86.1	83.1	85.2	-

Sample:

Industry	
Manufacturing	18%
Construction	14%
Retail Trade	10%
Agriculture, Forestry and Fishing	6%
Professional, Scientific & Technical Services	6%
Mining	5%
Accommodation and Food Services	5%
Other	36%
Business Size	
Small (1-10)	33%
Medium (11-100)	52%
Large (100+)	15%

Index figures may have changed from previous editions of Business Confidence due to changes in index calculation methodology. The index has been rebased to the average score of respondents over the 2016/17 financial year. The value of the index in any period can be interpreted as the percentage change in average business expectations in that period compared with average business expectations in 2016/17. For example, the index for current economic conditions in March 2020 is 109.4, which suggests that the average score of survey respondents for economic conditions in March 2020 is 9.4 per cent higher than the average response in 2016/17.