



# Regional Pulse

Chamber of Commerce and Industry WA  
December 2020



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and Industry WA

## DECEMBER 2020

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 December 2020 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.*

## 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
Perth and Peel	61%	13%	25%	68%	13%	17%
South West	59%	24%	18%	59%	24%	18%
Goldfields-Esperance	83%	17%	0%	67%	17%	17%
Wheatbelt & Mid-West	69%	8%	23%	54%	23%	23%
Pilbara	57%	10%	33%	74%	0%	26%
Kimberley	20%	30%	50%	60%	10%	20%
<b>Total</b>	<b>61%</b>	<b>13%</b>	<b>26%</b>	<b>66%</b>	<b>7%</b>	<b>20%</b>

On average, businesses in every WA region except the Kimberley are expecting stronger conditions over the next three months compared to those expecting weaker conditions. Almost three out of five (57%) businesses in regional WA expect conditions to strengthen over the next three months - more than three times the proportion expecting conditions to worsen (14%).

Conditions are expected to remain strong over the longer term. Six out of ten (61%) regional businesses anticipate conditions to strengthen over the next twelve months, while only 17 per cent expect conditions to worsen. The remaining 20 per cent expect no change.

Breaking down the short-term outlook:

- Businesses in the Goldfields-Esperance region are most optimistic, with the vast majority (83%) expecting conditions to improve over the next three months. This likely reflects expectations that conditions in the gold sector will remain strong leading into the New Year.
- Businesses in the Pilbara are also relatively optimistic about the short-term, with more than half (57%) expecting conditions to improve. 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, a higher proportion of businesses in the Kimberley expect conditions to worsen over the next three months (30%) than improve (20%). This primarily reflects the commencement of the wet season, when many primary production businesses slow down and tourist numbers fall. Businesses in the Kimberley have also reported difficulty attracting skilled and seasonal workers in recent months, and according to the September 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 <b>biggest</b> 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
Perth and Peel	32%	11%	3%	7%	2%	7%	22%	2%
South West	47%	18%	0%	6%	0%	0%	18%	0%
Goldfields-Esperance	50%	0%	0%	0%	0%	17%	17%	0%
Wheatbelt & Mid-West	46%	8%	15%	15%	0%	8%	8%	0%
Pilbara	42%	5%	5%	0%	0%	11%	26%	0%
Kimberley	50%	0%	0%	0%	10%	0%	30%	0%
<b>Total</b>	<b>35%</b>	<b>9%</b>	<b>4%</b>	<b>6%</b>	<b>3%</b>	<b>7%</b>	<b>21%</b>	<b>3%</b>

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

More than one out of four (43%) regional businesses identified skills shortages as the largest barrier to growing their business over the coming year, compared with 32 per cent of businesses located in Perth and Peel.

Concerns around skills shortages were most acute in the Goldfields-Esperance (50%), Kimberley (50%) and Wheatbelt & Mid-West (46%) 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 20 per cent identifying this factor as the largest barrier to growing their business in 2021. Businesses in the Kimberley (30%) are most concerned about a possible second wave.

Almost one out of five (18%) businesses in the South West identified weak demand as the largest barrier to growing their business, which may reflect China's decision to impose import restrictions on key agricultural commodities, such as wine and beef.

### 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, 42 per cent of businesses in the Pilbara identified availability of skilled labour as the biggest barrier to growth, while another 8 per cent identified concerns about a second wave. Given that businesses may have concerns about skills shortages and an uncontrolled outbreak of COVID-19 in WA, these results likely understate the incidence of skills shortages across WA's regions.

## LABOUR COSTS

Expectations by Region (WA)

Labour Costs

	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	3%	55%	42%	1%	51%	48%
South West	0%	53%	47%	0%	53%	47%
Goldfields-Esperance	17%	67%	17%	17%	33%	50%
Wheatbelt & Mid-West	8%	15%	77%	8%	38%	54%
Pilbara	5%	26%	68%	0%	32%	68%
Kimberley	0%	30%	70%	0%	40%	60%
<b>Total</b>	<b>3%</b>	<b>50%</b>	<b>47%</b>	<b>2%</b>	<b>47%</b>	<b>51%</b>

Almost one out of two (51%) businesses expect labour costs to increase over the next three months, while a similar proportion (47%) 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 Pilbara (68%), Kimberley (60%) and Wheatbelt & Mid-West (54%).

Expectations of rising labour costs can indicate emerging skills shortages in regional areas, particularly those that rely on seasonal and low-skilled foreign workers. Indeed, more than one out of two (55%) businesses in regional WA expect wage pressures to build compared to 48 per cent in Perth and Peel.

## PRODUCTION

Expectations by Region (WA)	Production					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	14%	29%	57%	10%	33%	57%
South West	12%	24%	65%	19%	31%	50%
Goldfields-Esperance	13%	25%	63%	17%	0%	83%
Wheatbelt & Mid-West	31%	23%	46%	15%	23%	62%
Pilbara	11%	42%	47%	5%	37%	58%
Kimberley	10%	40%	50%	50%	20%	30%
<b>Total</b>	<b>15%</b>	<b>29%</b>	<b>56%</b>	<b>13%</b>	<b>32%</b>	<b>55%</b>

Almost three out of five (55%) WA businesses are planning to ramp up production over the next three months, including the majority (53%) of businesses in regional Western Australia.

Businesses most likely to increase production over the coming quarter operate in the Goldfields-Esperance (83%), Wheatbelt & Mid-West (62%) and Pilbara (58%). This likely reflects expectations that demand for Western Australian mineral commodities, like iron ore and gold, will remain strong leading into the New Year.

Businesses in the Kimberley, however, are not as optimistic. Only 30 per cent plan to increase production over the next three months, while the majority expect production levels to fall (50%). As mentioned, this likely reflects the commencement of the wet season, where primary production businesses slow down and tourist numbers fall.

## PROFIT MARGINS

Expectations by Region (WA)	Profit Margins
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	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	28%	47%	25%	23%	52%	25%
South West	29%	29%	41%	29%	53%	18%
Goldfields-Esperance	17%	33%	50%	17%	33%	50%
Wheatbelt & Mid-West	50%	33%	17%	33%	33%	33%
Pilbara	33%	44%	22%	11%	50%	39%
Kimberley	50%	30%	20%	60%	30%	10%
<b>Total</b>	<b>31%</b>	<b>43%</b>	<b>26%</b>	<b>25%</b>	<b>49%</b>	<b>26%</b>

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 (31%) of WA businesses reported that their profit margins had declined over the December quarter than improved (26%).

More than one out of three (36%) businesses in regional WA reported a decline in profitability over the past three months, compared to 28 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 Pilbara regions expect their profit levels to rise over the next three months.

On the other, businesses operating in the Kimberley (60%), Wheatbelt & Mid-West (33%) and South West (29%) 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%	7%	75%	19%
South West	35%	65%	0%	18%	71%	12%
Goldfields-Esperance	17%	50%	33%	17%	50%	33%
Wheatbelt & Mid-West	18%	27%	55%	25%	33%	42%
Pilbara	11%	74%	11%	11%	78%	11%
Kimberley	10%	30%	60%	10%	70%	20%
<b>Total</b>	<b>13%</b>	<b>69%</b>	<b>18%</b>	<b>9%</b>	<b>71%</b>	<b>21%</b>

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.

Almost one out of four (24%) businesses in regional WA increased their debt or credit levels in the December quarter. This is expected to decrease slightly to 21 per cent over the next three months.

Businesses most likely to take on additional debt operate in the Wheatbelt & Mid-West (42%), and Goldfields-Esperance (33%) regions, while businesses in Perth and Peel appear less likely (19%). Fewer businesses in the South West, Pilbara and Kimberley regions are expecting their debt levels to rise next quarter. On the whole, most regional businesses (64%) 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	8%	52%	40%	4%	62%	34%
South West	6%	59%	35%	0%	65%	35%
Goldfields-Esperance	17%	50%	33%	17%	67%	17%
Wheatbelt & Mid-West	15%	38%	46%	23%	31%	46%
Pilbara	6%	61%	33%	6%	50%	44%
Kimberley	10%	40%	50%	22%	56%	22%
<b>Total</b>	<b>8%</b>	<b>52%</b>	<b>40%</b>	<b>6%</b>	<b>58%</b>	<b>36%</b>

Almost one out of three (39%) businesses in regional WA plan to increase capital expenditure over the next three months, up 8 percentage points since the October edition of *Regional Pulse* and slightly more than those in Perth and Peel (34%). More than four out of ten businesses in the Wheatbelt & Mid-West (46%) and Pilbara (44%) 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	14%	35%	51%	10%	37%	52%
South West	6%	53%	41%	6%	65%	29%
Goldfields-Esperance	17%	0%	83%	17%	17%	67%
Wheatbelt & Mid-West	15%	54%	31%	8%	46%	46%
Pilbara	11%	32%	58%	0%	26%	74%
Kimberley	40%	20%	40%	40%	30%	30%
<b>Total</b>	<b>14%</b>	<b>36%</b>	<b>50%</b>	<b>10%</b>	<b>38%</b>	<b>51%</b>

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 one out of two (48%) regional businesses boosted their staff levels over the past three months, while around one-third (35%) recorded no change to their workforce. Businesses in the Goldfields-Esperance (83%) and Pilbara (58%) regions recorded the strongest rise in employment levels last quarter. Looking ahead to the New Year, businesses remain optimistic about future employment opportunities – particularly those located in the Goldfields-Esperance, Pilbara and Wheatbelt & Mid-West regions.