

CCIWA Business Confidence Survey:
March Quarter 2021

Skills shortages greater concern for WA businesses than JobKeeper withdrawal



After recently catapulting to its highest level in 13 years, Western Australian business confidence remains relatively high, down only slightly in the first three months of this year. Ongoing strength in the mining sector continues to be the most significant factor driving confidence, followed by optimism around the nationwide vaccine roll out and record low interest rates. Rising skills shortages and the concern this will push up labour costs is the most significant headwind for confidence. Indeed,

more than half (54%) of WA businesses indicated they are struggling to fill at least one skilled occupation.

While the expiry of JobKeeper at the end of March weighed on the minds of some WA businesses, particularly those that rely on international tourism and global supply chains, the vast majority appear well placed to handle the withdrawal of wage support. In fact, almost one out of two (45%) WA businesses indicated that they plan to expand their workforce over the next

three months, compared to only 10 per cent that expect employment levels to decline.

In this edition of the CCIWA *Business Confidence Survey* we asked businesses a series of questions on energy and climate change policy. In particular, we unpack the business community's top priorities when it comes to their energy supply.

Short and longer-term outlook softens slightly

Confidence in the short-term (3 months) outlook softened in the first three months of this year but remains well above its pre-pandemic level.

Around one out of two (56%) WA businesses believe conditions will improve over the next three months, down 4 percentage points since last quarter. At the same time, almost one out of five (17%) anticipate weaker conditions – up 4 percentage points. The remaining 26 per cent anticipate no change.

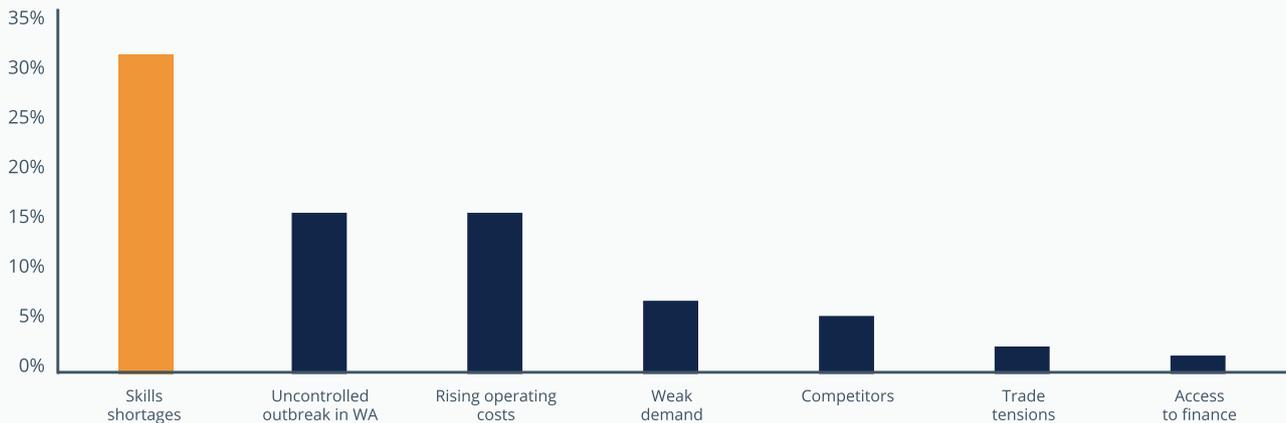
**Short-Term Index down
4.3 Index Points over the
quarter to 141.0**

Business Confidence

Current, 3-Month and 12-Month Expectations



Biggest barrier to growth in the year ahead



Longer-Term Index down 2.7 Index Points over the quarter to 125.0

The 12-month outlook is stronger again. While marginally lower than the previous quarter, three out of five (61%) businesses expect the WA economy to improve over the year ahead, down 5 percentage points since last quarter. One out of four (26%) anticipate no change over the next twelve months, while 14 per cent believe conditions will deteriorate – unchanged since last quarter.

The industries driving short-term confidence

A higher proportion of businesses in every industry expect conditions to improve rather than worsen over the next three months.

The professional services sector is leading confidence in the economy, with three out of four (75%) anticipating stronger economic conditions over the coming quarter. This strength in confidence may reflect expectations that interstate borders will remain open as the domestic vaccine rollout ramps up, allowing professional services businesses to travel interstate to visit clients and pitch for work.

More than seven out of ten (73%) businesses in the resources sector anticipate stronger economic

conditions over the coming quarter – down 7 percentage points since last quarter. This decline may reflect expectations that the iron ore price will soften in the coming months (after recently surging to levels not seen since the last mining boom). It may also reflect uncertainty around Australia's relationships with key trading partners.

Other sectors with a relatively higher proportion of businesses expecting conditions to improve include manufacturing (70%), real estate (64%) and construction (62%). As identified in the December edition of the *CCIWA Business Confidence Survey*, the clear majority of businesses in these sectors are heavily reliant on the success of WA's mining industry. Real estate and construction businesses are continuing to see

strong demand for their services as construction stimulus payments flow through the housing sector and Western Australians return home from overseas, boosting demand for properties.

Barriers to business

Three out of ten (31%) businesses identified skilled labour shortages as the largest barrier to growing their business over the coming year, down 4 percentage points since last quarter. While concerns have softened, skilled labour shortages far outweigh the other issues as the top barrier to growth.

Concerns around skilled labour shortages were most acute in the resources sector, with more than half (55%) citing the availability of skilled labour as the largest barrier

 Skill shortages	 An uncontrolled outbreak of COVID-19	 Rising operating costs	 Weak demand
Identified by 31% as a barrier. Sectors most likely to report as a barrier: <ul style="list-style-type: none"> • Resources (55%) • Professional (50%) • Manufacturing (48%) 	Identified by 16% as a barrier. Sectors most likely to report as a barrier: <ul style="list-style-type: none"> • Wholesale Trade (33%) • Real Estate (32%) • Accommodation (26%) 	Identified by 16% as a barrier. Sectors most likely to report as a barrier: <ul style="list-style-type: none"> • Agriculture (30%) • Transport (23%) • Construction (19%) 	Identified by 7% as a barrier. Sectors most likely to report as a barrier: <ul style="list-style-type: none"> • Construction (19%) • Food (15%) • Resources (9%)

to growing their business over the coming year – up 3 percentage points since last quarter.

Other industries with a relatively higher proportion of businesses reporting concerns around skills shortages include professional services (50%), manufacturing (48%) and construction (38%). Looking to the regions, skilled labour shortages affected almost half (45%) of businesses in the Pilbara and around two out of five (38%) in the Goldfields and Mid-West.

Concerns around an uncontrolled outbreak of COVID-19 in WA and rising operating costs are a concern for almost one out of five (16%) businesses, while weak demand was cited by 7 per cent.

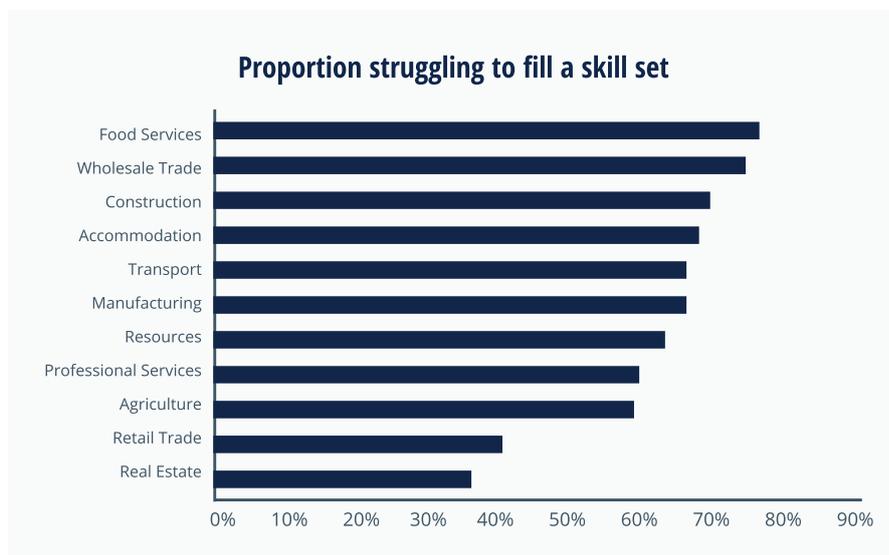
A deeper dive into skills shortages

In this edition of the *CCIWA Business Confidence Survey*, we identified the proportion of WA businesses struggling to hire for a particular skillset.

One out of two (54%) WA businesses identified that they are struggling to fill at least one skilled occupation.

Breaking it down by industry:

- Businesses in the food services (77%), wholesale trade (75%) and construction (70%) sectors were most likely to identify that they are struggling to fill a skillset.



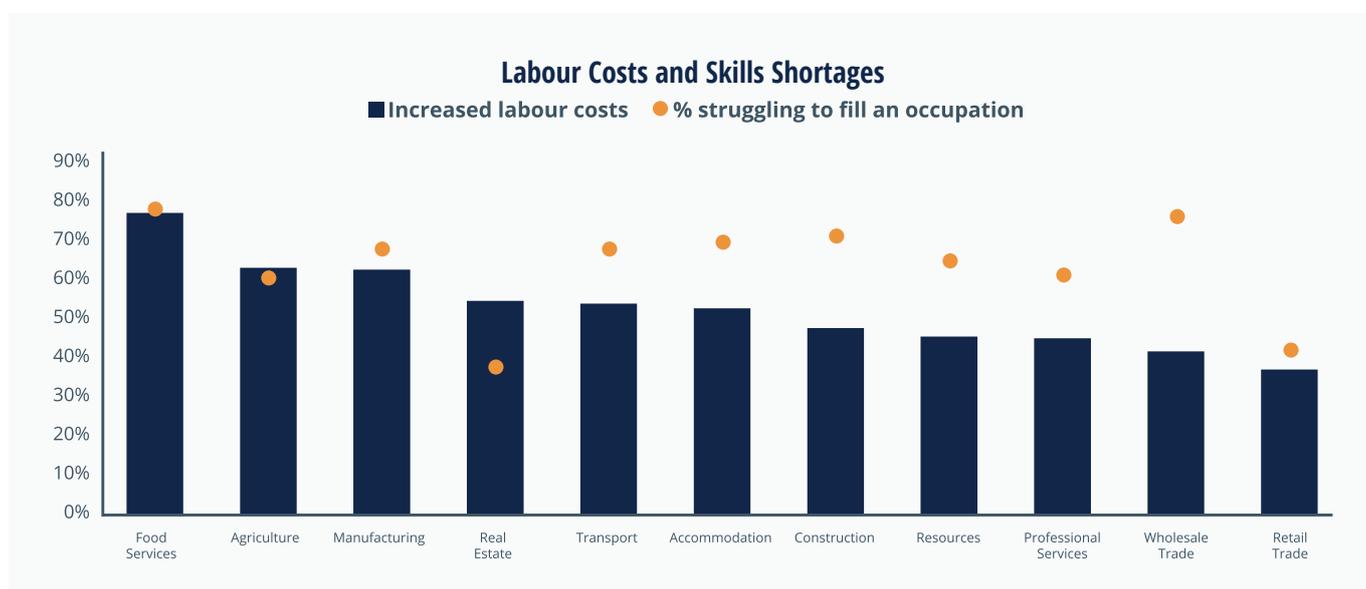
- Two out of three businesses in the accommodation (68%), transport (67%) and manufacturing (67%) sectors reported difficulty filling a skilled occupation.
- Businesses less likely to face difficulty bringing on skilled workers operated in the real estate (36%) and retail trade (41%) sectors.
- Other regions with a higher proportion of businesses struggling to hire skilled workers include Goldfields-Esperance (68%), Pilbara (66%) and the Kimberley (60%). For businesses in the resources sector, the ability to access skilled workers from other states (e.g., FIFO roles) and specialists from overseas is critical to the success of their operations.

Looking to the regions:

- Nearly four out of five (78%) businesses in the Mid-West/Gascoyne identified they are struggling to fill a skillset. Horticultural businesses in the Gascoyne region in particular rely on the movement of skilled and seasonal workers to meet labor demand over busy harvest periods.

Labour costs

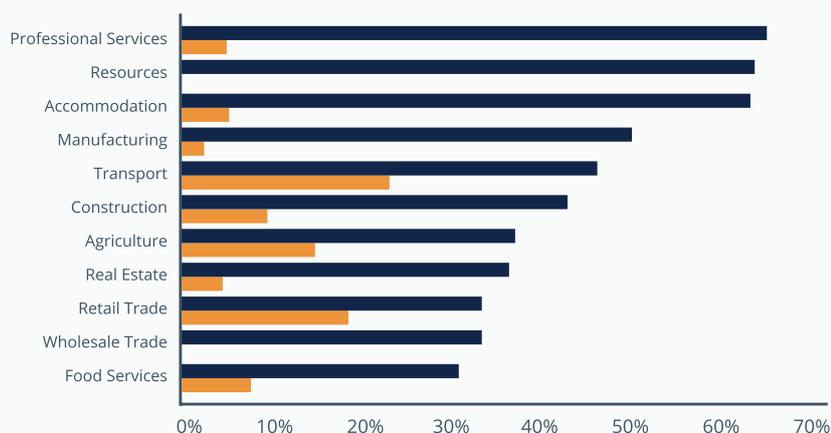
Labour costs are an important indicator of economic activity. While expectations of rising labour costs can indicate growing skills shortages in the economy, they can also signal business' appetite and capacity to expand their workforce.



Employment Expectations - Next Three Months

March 2021

■ Increase ■ Decrease



In the current quarter, one out of two (51%) WA businesses indicated that their labour costs increased – up 4 percentage points since last quarter. Looking forward to the next three months, 54 per cent of WA businesses are expecting labour costs to increase.

Industries most likely to expect rising labour costs next quarter include:

- Transport (75%) – up 25 percentage points since last quarter.
- Resources (73%) - up 11 percentage points since last quarter.

- Real Estate (73%) – up 39 percentage points since last quarter.
- Manufacturing (67%) – up 12 percentage points since last quarter.

Looking to the regions:

- Businesses in the Mid-West/ Gascoyne (61%), Pilbara (55%) and Kimberley (53%) are most likely to expect labour costs to rise over the next three months.
- Businesses in the Great Southern (27%) and Goldfields-Esperance (32%) are less likely to anticipate rising labour costs next quarter.

The withdrawal of JobKeeper

The Federal Government's JobKeeper program is scheduled to expire on 28 March 2021, marking the end of the largest wage support program in Australia's history. In this edition of the *CCIWA Business Confidence Survey*, we identified the likely impact of the withdrawal of JobKeeper on WA's labour market.

Overall, the WA economy is well placed to handle the withdrawal of JobKeeper. Indeed, many WA businesses consider that the expiry of JobKeeper could result in an increase in the availability of workers.

- Almost half (45%) of WA businesses indicated that they plan to grow their workforce over the next three months, while a similar proportion (44%) anticipate no change.
- Only 10 per cent expect to lay off staff – the same proportion as last quarter.

A higher proportion of businesses in every industry are expecting to boost their workforce over the next three months compared to those planning to reduce employment levels.

- Businesses most likely to increase their workforce over the next three months operate in the professional services (65%), resources (64%) and accommodation (63%) sectors.

Top 3 occupations in demand by industry

Top three occupations in demand by industry	1	2	3
Agriculture	Labourers	Farm hands	Truck drivers/plant operators
Resources	Drillers	Boilermakers	Managers
Manufacturing	Machinists	Technicians	Welders
Construction	Carpenters	Concreters	Supervisors
Wholesale Trade	Technicians	Mechanics	Truck drivers
Retail Trade	Sales	Accounts/admin	Electricians
Accommodation	Cleaners	Receptionists	Managers
Transport	Transport drivers	Mechanics	Packers
Real Estate	Property managers	Leasing executives	Office juniors
Professional Services	Engineers	Technicians	Consultants
Food Services	Chefs	Barista	Counter staff

Smaller businesses (12%) were more than twice as likely than larger businesses (5%) to identify level of carbon emissions as their top priority

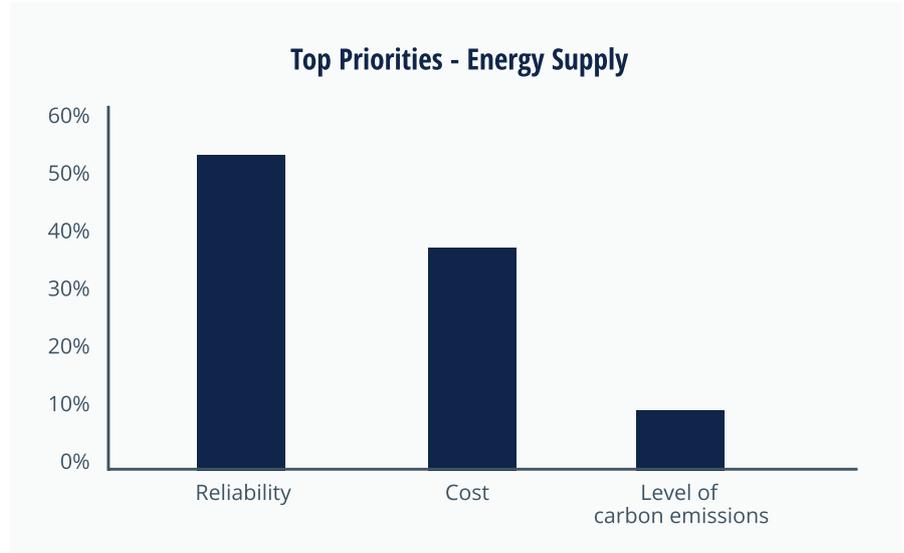
Climate change

This quarter, we identified the business community's top priorities when it comes to their energy supply.

- Reliability is the highest priority for over half (54%) of WA businesses, followed by cost (37%) and level of carbon emissions (9%).
- Two out of three (67%) larger businesses (100+ employees) identified reliability as their top priority, compared with one out of two (51%) smaller businesses (1-10 employees).
- Smaller businesses (12%) were more than twice as likely than larger businesses (5%) to identify level of carbon emissions as their top priority.

We also asked WA businesses if the State Government should set hard targets to achieve net zero emissions, or whether businesses are satisfied with the level of action that the State and Federal governments are taking on climate change.

These results suggest that reliability and cost are key priorities for the WA business community when it comes to their energy supply. Maintaining the reliability and affordability of the electricity network will help to meet the needs of WA businesses as we transition toward lower carbon energy technologies.



Business Confidence - March 2021

The **short and longer term outlook softens slightly** but remains well **above its pre-pandemic level**



1 out of 2 (51%) WA businesses are expecting **labour costs to rise** over the next three months **- up 4 percentage points** since last quarter



More than half (54%) of WA businesses identified that they are **struggling to fill at least one skilled occupation**



The **professional services sector is leading confidence** in the economy, with **3 out of 4 (75%)** anticipating stronger economic conditions over the coming quarter



Key results from the survey

Indicator (Index)	Actual			Expected	
	Sep 20	Dec 20	Mar 21	1 Quarter	1 Year
Economy					
WA Economic Conditions	127.3	144.8	138.6	141.0	125.0
Operating Conditions					
Employment	101.3	121.1	113.9	118.9	-
Labour Costs	108.4	122.4	127.2	125.6	-
Anticipated CAPEX	-	-	-	122.5	-
Profitability	95.4	103.2	93.3	107.2	-

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 2021 is 138.6, which suggests that the average score of survey respondents for economic conditions in March 2021 is 38.6 per cent higher than the average response in 2016/17.

Sample:

Industry	
Manufacturing	21%
Resources	9%
Real Estate	9%
Construction	9%
Retail Trade	8%
Professional Services	6%
Wholesale Trade	4%
Other	34%
Business Size	
Small (1-10)	32%
Medium (11-100)	48%
Large (100+)	20%