

CCIWA Business Confidence Survey:
June Quarter 2021

Confidence booms as skills pressures grow



The recent cold snap has been unable to take the heat off Western Australian business confidence, with the short-term outlook accelerating to fresh highs in June.

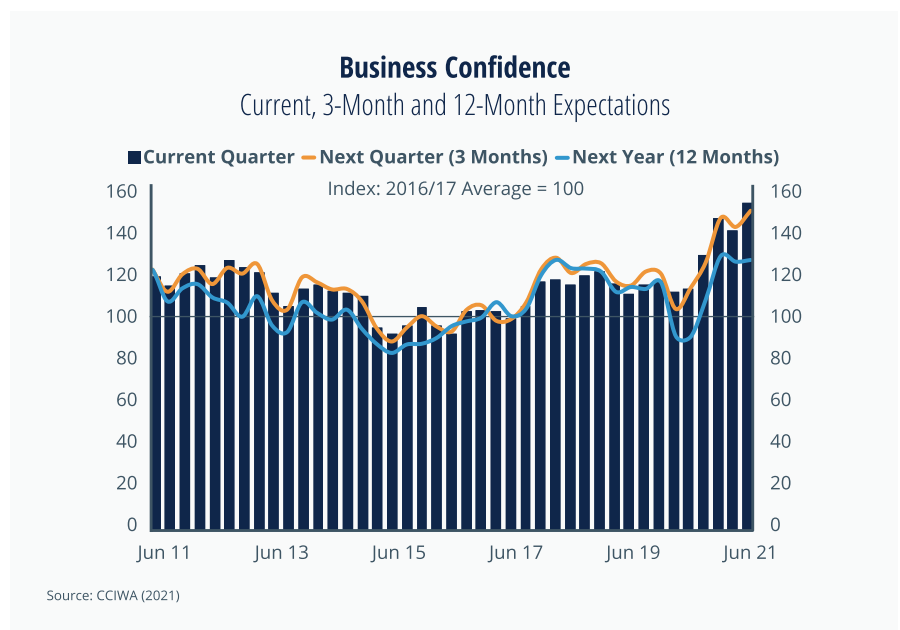
Ongoing strength in the mining sector continues to be the most significant factor driving confidence, followed by the optimism around the domestic vaccine rollout and low interest rates.

At the same time, Western Australian businesses reported significant concerns about rising skilled labour shortages. Close to 80 per cent of survey respondents indicated they are struggling to fill a skilled occupation, up from 54 per cent in the previous quarter.

In this edition of the *CCIWA Business Confidence Survey* we take a deep dive into WA's skills crisis, providing unique insights into its far-reaching impacts on the WA business community.


Short-term outlook surges while longer-term outlook holds steady

Confidence in the short-term (3 months) outlook surged to fresh highs in the June quarter – hitting its highest level since December 2007.




Business Confidence - June 2021

The **short term outlook** surges to **highest level** since December 2007 

WA businesses are – on average – looking to fill roles that require at least **3.3 years** of training and/or experience 

Only **37%** WA businesses expect to fill all of these roles locally 

Just under half (47%) are boosting their existing employees base wage 

Nearly **4 out of 5 (79%)** WA businesses identified that they are **struggling to fill a skilled occupation** – up from 54% in the previous quarter



Concerns about skilled labour shortages were most acute amongst businesses in the resources sector - with almost all (94%) identifying skills shortages as a barrier

Two out of three (66%) WA businesses believe conditions will improve over the next three months, up 9 percentage points since last quarter. At the same time, around one in ten (8%) anticipate weaker conditions. The remaining 25 per cent anticipate no change – the same as last quarter.

Short-Term Index up 8.1 Index Points over the quarter to 149.1

The 12-month outlook has held steady over the three months to June – up only slightly from the previous quarter. Almost three out of five (57%) businesses expect the WA economy to improve over the year ahead, down 4 percentage points since last quarter. One out of three (34%) anticipate no change over the next twelve months, while 9 per cent believe conditions will deteriorate.

Longer-Term Index up 0.9 Index Points over the quarter to 125.8

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.

Consistent with previous editions of the *CCIWA Business Confidence Survey*, the resources sector is leading confidence in the economy with almost nine out of ten (88%) anticipating stronger economic conditions over the coming quarter. This strength in confidence may reflect expectations that demand for Western Australian mineral commodities, like iron ore and gold, will remain strong as we enter the second half of this calendar year.

Businesses in the LNG industry may also be more optimistic as Brent Crude futures recently soared north of \$US 70 per barrel – a 2-year high.

Three out of four (75%) businesses in the manufacturing and professional services sectors anticipate stronger economic conditions over the coming quarter. As identified in the December 2020 edition of the *CCIWA Business Confidence Survey*, these sectors are heavily reliant on the health of WA's mining industry.

Other sectors with a relatively higher proportion of businesses expecting conditions to improve include construction (68%), health care (68%) and real estate (67%). Real estate and construction businesses are continuing to see strong demand for their services as government stimulus payments, low interest rates and 'fear of missing out' spur demand for residential properties and light a fire under WA's construction pipeline.

Barriers to business

The availability of skilled labour remains the largest barrier facing the WA business community. Nearly four out of five (78%) businesses

cited skilled labour shortages as a barrier to growing their business over the coming year, more than 20 percentage points higher than the next largest barrier – rising operating costs (56%).





Concerns about skilled labour shortages were most acute amongst businesses in the resources sector - with almost all (94%) identifying skills shortages as a barrier.

Other industries with a relatively higher proportion of businesses identifying skilled labour shortages as a barrier include manufacturing (91%), health care (81%) and agriculture (88%). Looking to the regions, skills shortages are affecting almost all businesses in the Pilbara (97%), and four out of five (81%) in the Goldfields.

Concerns around an uncontrolled outbreak of COVID-19 in WA were identified by around half (45%) of WA businesses, while international trade tensions were cited by 11 per cent.

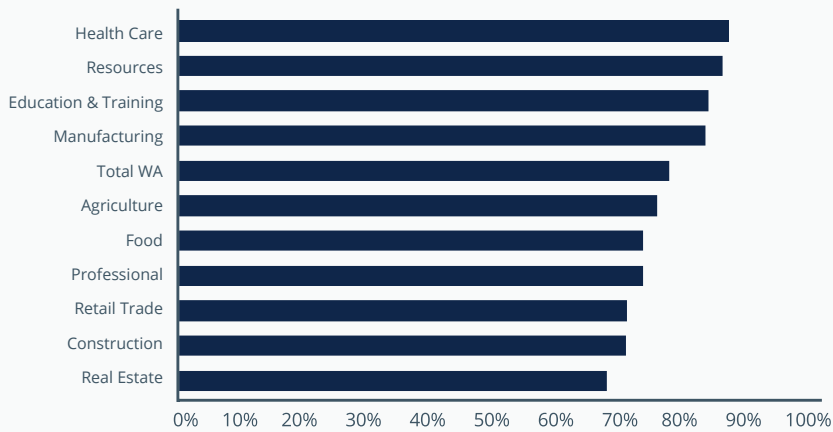
Skills shortages in WA

In this edition of the *CCIWA Business Confidence Survey*, we take a deep dive into WA's skills crisis.

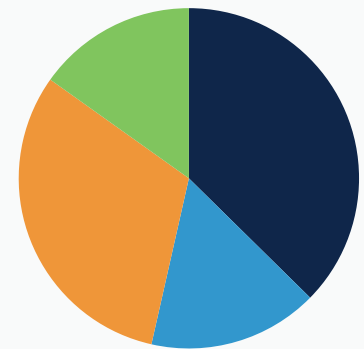
 Skill shortages	 Rising operating costs	 An uncontrolled outbreak of COVID-19	 International trade tensions
Identified by 78% as a barrier. Sectors most likely to report as a barrier: • Resources (94%) • Manufacturing (91%) Health Care (81%)	Identified by 56% as a barrier. Sectors most likely to report as a barrier: • Agriculture (80%) • Manufacturing (70%) • Construction (66%)	Identified by 45% as a barrier. Sectors most likely to report as a barrier: • Real Estate (60%) • Health Care (60%) • Education and Training (57%)	Identified by 11% as a barrier. Sectors most likely to report as a barrier: • Agriculture (23%), • Wholesale Trade (22%) • Manufacturing (17%)

Is your business struggling to hire for a particular skillset?

Proportion that responded 'yes'



To what extent can your business fill the role(s) locally?



All up, four out of five (79%) survey respondents identified that they are struggling to fill a skilled occupation – up from 54 per cent in the previous quarter.

In next week's *Regional Pulse* report, we'll break down the skills challenge by region.

The crisis cannot be solved without overseas workers

Many of these positions require prior training and/or experience. While unskilled roles like grape pickers and labourers remain in high demand, WA businesses are, on average, looking to fill positions that require at least 3.3 years of training and/or experience. Industries that

require the most training/experience include Professional Services (5.2 years), Construction (4 years) and Resources (3.7 years).

Unsurprisingly then, only 37 per cent of WA businesses expect to fill all of these roles locally, while around two out of five (15%) expect they will be unable to fill any roles with local workers. The sectors of the economy that will rely most heavily on workers from outside WA include the Transport, Agriculture, Retail Trade, Manufacturing and Resources sectors.

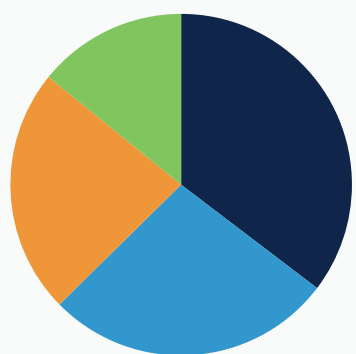
So, where do WA businesses consider the best option for sourcing workers is, if they are unable to fill all roles locally?

- Almost one out of four (23%) consider interstate as their best option, including two out of five (44%) resources businesses and almost one out of three (31%) in the construction sector.
- More than one out of ten (14%) consider overseas as their best option to source skilled workers, including around a third of businesses in the agriculture (35%) and transport (33%) sectors.
- Around one out of four (27%) will look to both domestic and international markets.
- This implies that until there is access to overseas workers, at least one in five WA jobs will go unfilled.

Top 3 occupations in demand by industry

	1	2	3
Agriculture	General farm workers	Plant/Machinery operators	Production Managers
Resources	Boilermakers	Mechanical Fitters/Riggers	Drillers
Manufacturing	Electrical Trades	Boilermakers/Welders	Machinists
Construction	Electrical Trades	Carpenters	Engineers
Retail Trade	Hairdressers/Barbers	Sales Assistants	Beauty Therapists
Food Services	Chefs	Floor staff	Baristas
Transport	Truck drivers	Mechanics	Automotive Technicians
Real Estate	Administration	Sales Representatives	Property Manager
Professional Services	Engineers	Architects	Administration
Education	Childcare Educators	Primary/Secondary Teachers	VET Trainers
Health Care	Registered & Enrolled Nurses	Aged care workers	Disability support workers

Best option for sourcing workers



■ Can fill all locally **35%**
■ Overseas & Interstate **27%**
■ Interstate **23%** ■ Overseas **14%**

Shortages are increasing pressure on businesses and their staff

The impacts of skills shortages extend far beyond a quieter workplace.

- Seven out of ten (69%) WA businesses reported that shortages are increasing pressure on existing staff. Pressure appears greatest in the education and training (100%), health care (81%) and manufacturing (77%) sectors.
- Two out of five are experiencing project delays (40%), higher training/onboarding costs (41%), and increased risk of substandard product and/or service delivery (42%). Half of businesses in the construction and professional services sectors are unable to apply for tenders or new project opportunities. Project

delays are most common in the manufacturing (67%), construction (51%) and resources (45%) sectors.

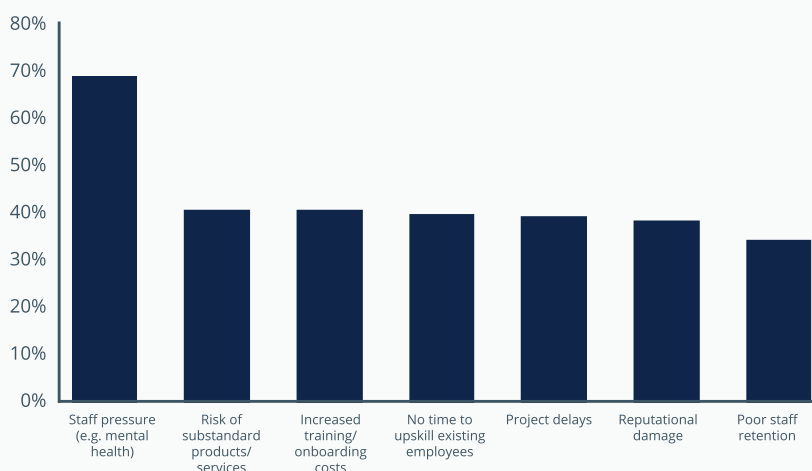
- WA businesses are in turn concerned about reputational impacts, with 39% indicating this is a concern. In line with the concerns around project delays above, reputational concerns are high in the resources (48%), manufacturing (41%) and construction (37%) sectors. This is also a key concern for businesses in the health care and assistance sectors (56%).

So, how are WA businesses responding?

- The majority (56%) are investing in training new employees, which includes taking on more apprentices and trainees. Businesses in the food services (73%), resources (64%) and
- One out of two (51%) are upskilling existing employees, including four out of five (78%) in the education sector and two out of three (67%) in health care.
- Just under half (47%) are boosting their existing employees base wage, including two out of three businesses in the agriculture (68%) and resources (67%) sectors. At the same time, around 12% of businesses are providing sign-on bonuses or other incentives to new employees.
- One out of four (27%) are turning down offers for new work (e.g., tenders), including two out of five (43%) construction businesses and one out of three (36%) in the resources sector.

manufacturing (63%) sectors are the most likely to be ramping up their training efforts.

How are skills shortages affecting your business?



Key results from the survey

Indicator (Index)	Actual			Expected	
	Dec 20	Mar 21	Jun 21	1 Quarter	1 Year
Economy					
WA Economic Conditions	144.8	138.6	152.3	149.1	125.8
Operating Conditions					
Employment	121.1	113.9	123.1	124.7	-
Labour Costs	122.4	124.1	132.5	134.3	-
Anticipated CAPEX	-	-	-	125.7	-
Profitability	103.2	93.3	95.4	99.1	-

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 June 2021 is 152.3, which suggests that the average score of survey respondents for economic conditions in June 2021 is 52.3 per cent higher than the average response in 2016/17.

Sample:

Industry	
Manufacturing	19%
Construction	18%
Resources	8%
Retail Trade	7%
Health Care	6%
Agriculture	5%
Professional	4%
Other	33%
Business Size	
Small (1-10)	36%
Medium (11-100)	46%
Large (100+)	18%