

CCIWA Business Confidence Survey: September Quarter 2021

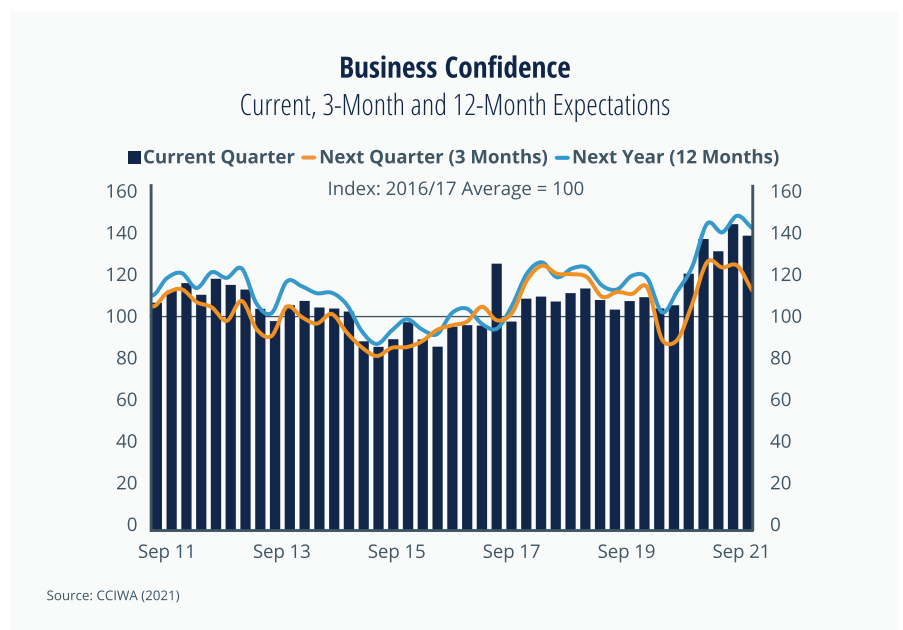
Labour shortages and rising costs temper longer term business outlook

While immediate confidence levels remain at relative highs across the WA business community, confidence in the longer term outlook has taken a hit, signalling that the economic party WA has enjoyed may be drawing to a close as WA looks to emerge from its COVID bubble.

A cocktail of rising material costs, ongoing skilled and unskilled labour shortages, and the reintroduction of hard border restrictions with NSW and Victoria has dented the confidence of WA businesses, sending the longer-term outlook to a 12-month low. The declining longer term confidence is not out of sync with the State Government's own estimations of a rebasing of economic growth beyond the current financial year to levels consistent with pre-COVID growth.

Consistent with previous editions of the *Business Confidence Survey*, skilled labour shortages remain the biggest challenge for the WA business community with 71 per cent of businesses identifying they are struggling to fill a position this quarter – down only slightly since June.

Other factors weighing on the minds of WA business owners include the softening iron ore price and a lack of clarity around WA's plan to reopen



Business Confidence - September 2021

The **longer-term outlook** falls to **lowest level** since September 2020



WA businesses identified that they stand to lose – on average – almost **\$150,000** from **skills shortages** over the next 12 months



About **21%** of vacant roles for WA businesses must be sourced from overseas

Just under half (46%) are **boosting their existing employees' base wage**



7 in 10 (71%) WA businesses identified that they are **struggling to fill a skilled occupation** – down slightly from 79% in the previous quarter



to other States and countries once key vaccination targets are met. Indeed, WA and Queensland are the only States to have not developed a clear vaccination roadmap.

At the same time, record low interest rates and optimism around the domestic vaccine roll out continue to buoy WA business confidence, with 52 per cent of businesses identifying they would support mandatory vaccination in their businesses, 22 per cent indicating they would possibly support the measure, and the remainder either unsure or opposed.

In this edition of the *Business Confidence Survey* we provide a deep dive into the skills crisis and attitudes towards the State Government's use of containment measures.

Short-term outlook softens while longer-term outlook hits 12-month low

Despite edging down in the September quarter, confidence in the short-term (3 month) outlook remains well above pre-pandemic levels.

Short-Term Index down 5.8 Index Points over the quarter to 144.1

Three out of five (58%) WA businesses believe conditions will improve over the next three months, down 8 percentage points since last quarter. About one in ten (13%) anticipate weaker conditions. The remaining 29 per cent anticipate no change – up 4 percentage points since last quarter.

Longer-Term Index down 12.2 Index Points over the quarter to 113.6

The 12-month outlook has declined to its lowest level since September 2020. Two out of five (38%) businesses expect the WA economy to improve over the year ahead, down 19 percentage points since last

quarter. A similar proportion (39%) anticipate no change over the next twelve months, while 22 per cent believe conditions will deteriorate – up 13 percentage points.

The industries driving short-term confidence

Consistent with previous editions of the *CCIWA Business Confidence Survey*, the **resources** sector continues to lead WA business confidence with three quarters (76%) of its businesses anticipating stronger economic conditions over the next three months. However, that proportion is down 12 percentage points since the June quarter, which may reflect concerns about recent falls in the iron ore price (driven by a slowdown in Chinese demand for the key steelmaking ingredient).

At the same time, global interest in key battery minerals continues to grow, bolstering expectations that demand for key commodities like nickel, copper and lithium will gain momentum as we enter the closing stages of this calendar year. Businesses in the energy industry may also be more optimistic as Brent Crude recently soared north of \$US 81 per barrel – a 3-year high – primarily reflecting stronger competition among nations in the northern hemisphere to secure natural gas ahead of winter.

Other sectors with relatively high proportions of businesses expecting





conditions to improve include transport (75%), education and training (75%), agriculture (64%) and real estate services (63%). Confidence in the transport sector may be underpinned by strong intrastate travel, ecommerce activity and expectations that supply chain issues could improve over the coming year. Conditions in the real estate services remain strong on the back of record-low interest rates and 'fear of missing out' which continue to spur demand for residential properties.

In contrast, less than half (47%) of businesses in the professional services industry are expecting conditions to improve next quarter – down a whopping 28 percentage points since last quarter. As identified in previous editions of the *Business Confidence Survey*, almost half (45%) of professional services businesses are impacted to a 'great' or 'moderate' extent by interstate border closures – primarily as they are unable to travel to the East Coast to meet with clients and pitch for work.

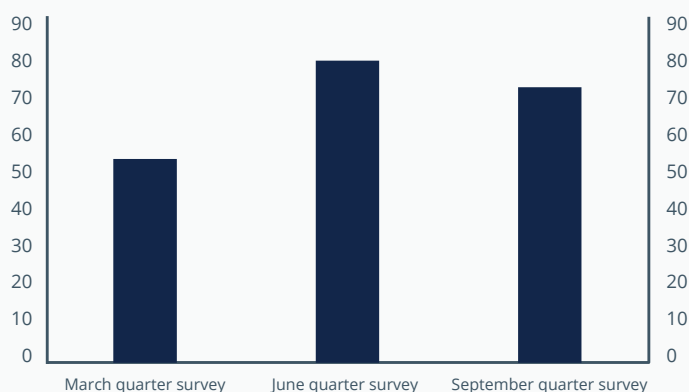
Barriers to business

The availability of skilled labour remains the largest barrier facing the WA business community.

Seven in ten (71%) businesses cited skilled labour shortages as a barrier to growing their business over the coming year, almost 20 percentage points higher than the next largest barrier – rising operating costs (55%).

 Skill shortages	 Rising operating costs	 An uncontrolled outbreak of COVID-19	 International trade tensions
Identified by 71% as a barrier. Sectors most likely to report as a barrier: Resources (86%) Manufacturing (85%) Information Media and Telecommunications (80%)	Identified by 55% as a barrier. Sectors most likely to report as a barrier: Food Services (75%) Agriculture (73%) Construction (72%)	Identified by 52% as a barrier. Sectors most likely to report as a barrier: Accommodation (80%) Information Media and Telecommunications (80%) Resources (71%)	Identified by 13% as a barrier. Sectors most likely to report as a barrier: Wholesale Trade (46%) Agriculture (32%) Accommodation (30%)

% of respondents struggling to fill a position



Concerns about skilled labour shortages were most acute amongst businesses in the **resources** sector – with almost nine in ten (86%) identifying skills shortages as a barrier.

Other industries with a relatively higher proportion of businesses identifying skilled labour shortages as a barrier include **manufacturing** (85%), **information media and telecommunications** (80%) and **construction** (76%). Looking to the regions, skills shortages are affecting more than four out of five (86%) businesses in the Kimberley, and similar proportions in the Wheatbelt (83%) and the Pilbara (82%).

Concerns around an **uncontrolled outbreak of COVID-19** in WA were identified by about half (52%) of WA businesses – up 7 percentage

points since last quarter - while **international trade tensions** were cited by 13 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.

All up, seven in ten (71%) survey respondents identified that they are struggling to fill a skilled occupation – down slightly (8 percentage points) from the previous quarter.

Survey respondents are on average looking to fill seven positions. This implies that the WA business community is looking to fill up to 85,693 positions across the economy. One in four (26%) of those are in accommodation and food services, followed by the construction (18%) and

manufacturing (15%) industries. In the June edition of the *Business Confidence Survey*, businesses identified that they expect to fill roughly one-third (35%) of job vacancies locally. This suggests that WA could be around 55,000 workers short due to closed interstate and international borders.

In value terms, businesses identified that they stand to lose around \$146,406 due to skilled labour shortages over the next 12 months on average, with the median being \$81,080. This indicates that the direct cost to the business community over the next 12 months from skilled labour shortages could be up to \$1.5 billion should current settings prevail¹. Businesses in the **accommodation and food** services sector are likely to be most affected by skills shortages (85%), with the average business expected to be down \$122,091 over the coming year under current arrangements. That is followed by the **manufacturing** sector (82%) where the average business stands to lose about \$176,786, and **resources** sector (81%) where the average business is expected to be down \$143,636.

The crisis cannot be solved without overseas workers

Nearly one out of four (24%) of these vacant roles **must** be sourced from overseas. Businesses in the agriculture (44%), mining (28%), and

Top 3 occupations in demand by industry

	1	2	3
Agriculture	Farmhands	Plant operators	Fitters
Resources	Mechanical fitters	Boilermakers	Mechanics
Manufacturing	Mechanical fitters	Machinists	Welders
Construction	Plant operators	Technicians	Carpenters
Retail Trade	Administrative staff	Hairdressers	Truck drivers
Food Services	Chefs	Floor staff	Managers
Transport	Truck drivers	Project managers	Customer service
Real Estate	Administration	Property managers	Salespeople
Education	Early childhood educators	Researchers	Trainers
Health Care	Support workers	Registered/enrolled nurses	Health professionals

¹ This figure was arrived by applying the median costs incurred within each sector, by the number of employing businesses that have been affected by skills shortages.

manufacturing (28%) industries are most dependent on the overseas labour market as a proportion of their skilled worker shortages.

Shortages are increasing pressure on businesses and their staff

So, how are WA businesses responding?

- The majority are **upskilling existing** employees (51%), or **investing in training new employees** (48%), which includes taking on more apprentices and trainees. Businesses in the manufacturing (68%), resources (67%), and health care (64%) sectors are the most likely to be ramping up their training efforts.
- Just under half (46%) are **boosting their existing employees' base wage**, including nine out of ten (85%) businesses in the food sector, and two out of three in the manufacturing (64%) sector. At the same time, around 16% 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 three out of five resources (57%) businesses and half (48%) in the construction sector.

Mandatory vaccination

In this edition of the *CCIWA Business Confidence Survey*, we asked businesses to identify their level of

support for mandatory vaccinations in the workplace.

- The majority (52%) of WA businesses would support mandatory vaccinations, with support highest in the professional services (71%), education and training (67%) and real estate (63%) sectors.
- One out of five (22%) identified that they would 'possibly' support mandatory vaccines, while the remainder (27%) were either opposed or unsure.

Of those who were either opposed or ambivalent, more than half would be more likely to support mandatory vaccinations if:

- It meant there would be no more lockdowns (56%)
- The Federal Government legislated it (55%)
- It meant there would be no more interstate and/or overseas border restrictions (55%)

Reopening the economy

We asked businesses to identify when they think the State Government should abolish COVID-19 containment measures under different vaccination thresholds.

More than three quarters (78%) of businesses indicated we should abolish **interstate border closures** once 80 per cent of the eligible population is vaccinated. Of those, nearly one out of two (48%) want even faster action. One in ten (13%)

respondents believe interstate border closures should be dropped at 70 per cent and a similar proportion (12%) think they should be abolished immediately.

Seven in ten (71%) businesses think **international border closures** should be abolished when we reach an 80 per cent vaccination rate, with one in four (40%) wanting that process expedited. One in ten (10%) respondents would like international borders brought down at 70 per cent, and the same proportion (10%) want them dropped immediately.

The similarity in the proportion of businesses that think international and interstate border closures should be abolished at 80 per cent could suggest the perceived risk of reopening to both jurisdictions is similar.

When it comes to **snap lockdowns**, more than seven in ten (73%) WA business owners would like them abolished when 80 per cent of the population is vaccinated. Of those, nearly two in three (66%) want to move past lockdowns earlier. More than one in ten (14%) respondents believe they should be abolished at 70 per cent and a similar proportion (15%) think they should be dropped immediately.

Only one in five (20%) businesses believe the use of snap lockdowns should never be abolished, while one in ten indicated that interstate borders (14%) and international border closures (15%) should never be abolished.

Sample:

Industry	
Manufacturing	21%
Construction	8%
Resources	7%
Retail Trade	7%
Professional	7%
Health Care	4%
Professional	5%
Other	41%
Business Size	
Small (1-10)	34%
Medium (11-100)	50%
Large (100+)	16%

Key results from the survey

Indicator (Index)	Actual			Expected	
Economy	Mar 21	Jun 21	Sep 21	1 Quarter	1 Year
WA Economic Conditions	127.4	140.0	134.6	144.1	113.6
Operating Conditions					
Employment	113.9	123.1	116.3	121.6	-
Labour Costs	121.6	129.9	132.5	129.5	-
Anticipated CAPEX	-	-	-	119.0	-
Profitability	91.2	93.2	88.0	96.0	-

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 September 2021 is 134.6, which suggests that the average score of survey respondents for economic conditions in September 2021 is 34.6 per cent higher than the average response in 2016/17.