

CCIWA Business Confidence Survey:
December Quarter 2021



Business confidence holds firm despite supply chain disruptions and labour shortages

As the festive season swings into action, WA businesses show no sign of leaving the party early.

Following a dip in the September quarter of 2021, confidence levels have ticked up slightly over both the short and longer-term horizons. Steadily increasing vaccination rates and the State Government's reopening announcement have given some assurance to businesses looking to plan their year ahead. Record low interest rates and robust household spending are also powering business sentiment.

While businesses have plenty to celebrate this year, the Grinch lurks in the shadows. Skilled labour shortages persist as the biggest headache for the WA business community, dampening holiday optimism. Four out of five (79%) businesses expressed they were struggling to fill a position this quarter, up 8 percentage points since last quarter and matching the 12-month high of 79% in June. In response, more than half (55%) of businesses indicated they were boosting existing employees' base

wages — up 9 percentage points since the previous quarter.

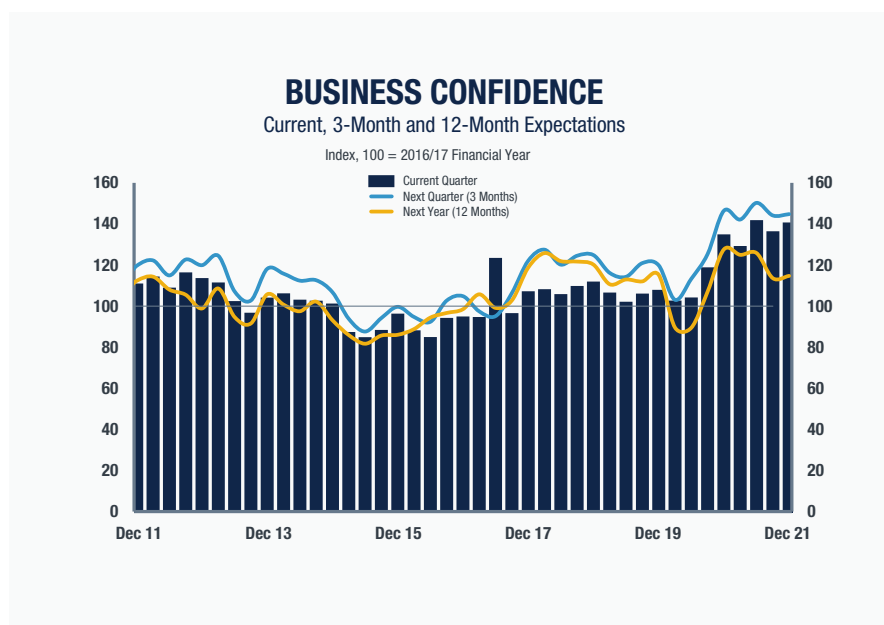
Rising operating costs and supply chain disruptions may also be dampening the festive spirit. In this edition of the *CCIWA Business Confidence Survey*, we ask businesses how supply chain issues are affecting their operations, including how much they stand to lose should prevailing conditions persist.

Concerns about the possibility of an uncontrolled COVID-19 outbreak abated this quarter¹, reflecting WA's climbing vaccination rate. Despite this, many businesses remain concerned about vaccination mandates, reporting that — on average — about 15 per cent of their workforce are hesitant or refusing to be vaccinated.

Short and longer term outlooks strengthen

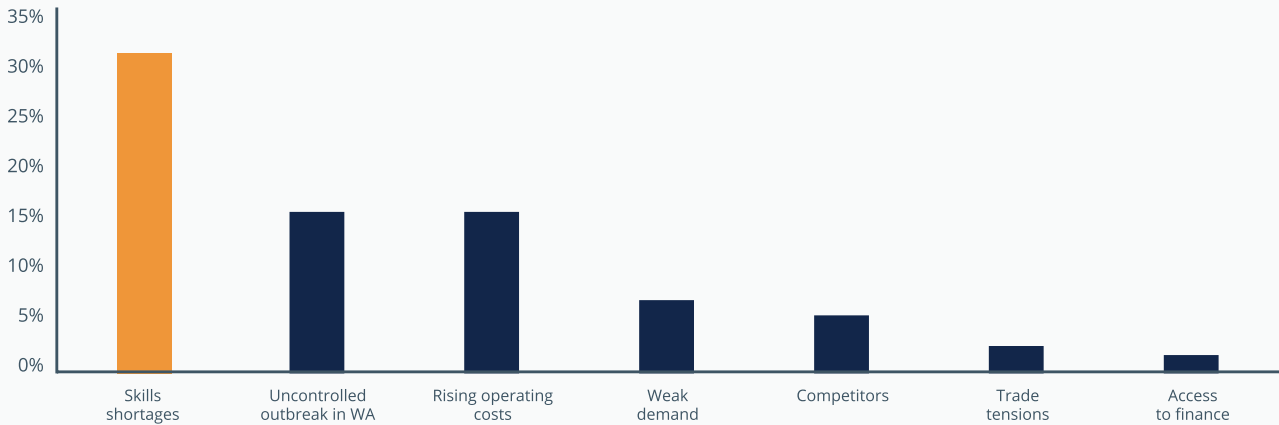
**Short-term Index up 0.6
Index points over the
quarter to 114.8**

After edging down in the September quarter, confidence in both the short-term (3 month) and long-term (12 month) outlooks has improved and remains well above pre-pandemic levels.



¹ The December 2021 CCIWA Business Confidence Survey was distributed before news of the Omicron strain became widespread

Biggest barrier to growth in the year ahead



Three out of five (61%) WA businesses believe conditions will improve over the next three months, up 3 percentage points since last quarter. About one in ten (13%) anticipate weaker conditions. The remaining 25% anticipate no change – down 4 percentage points since last quarter.

Longer-Term Index up 1.1 Index Points over the quarter to 114.7

The 12-month outlook has recovered slightly after declining to a 12-month low last quarter. Two out of five (40%) businesses expect the WA economy to improve over the year ahead, up 2 percentage points since last quarter. A similar proportion (36%) anticipate no change over the next twelve months, while 24% believe conditions will deteriorate – up 2 percentage points.

The industries driving short-term confidence

A higher proportion of businesses in all sectors 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** continues to lead WA business confidence with nearly three quarters (73%) of its businesses anticipating stronger economic conditions over the next three months.

The expected global uptake of electric vehicles is supporting the outlook for key battery commodities such as nickel, copper and lithium. Precious metals such as gold may also face stronger demand as inflationary pressures continue to build across the globe. This, combined with record low interest rates, is underpinning a flurry of activity in the resources sector, with mineral exploration expenditure rising 4.5 per cent nationally over the September quarter.





Other sectors with a relatively high proportion of businesses expecting conditions to improve include construction (68%), manufacturing (66%) and food services (63%). Confidence in the construction sector may be underpinned by

strong residential property demand on the back of record low interest rates and 'fear of missing out'. This is in line with recent ABS data that showed demand for private sector houses in WA rose 16.3% over October, to now sit 81% above pre-pandemic levels.

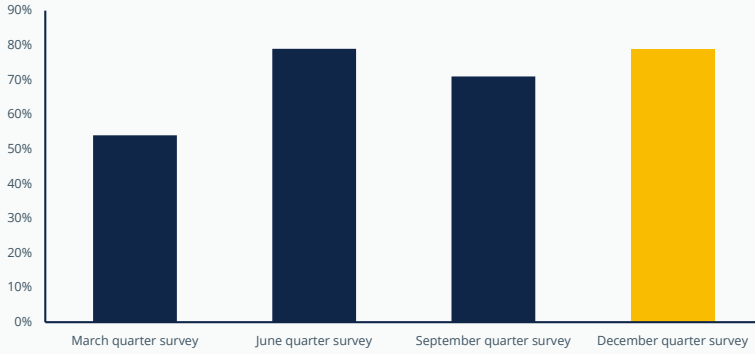
Barriers to business

The **availability of skilled labour** persists as the largest barrier facing the WA business community, although **rising operating costs** and **supply chain disruptions** are also spoiling the party.

Four out of five (79%) businesses cited skilled labour shortages as a barrier to growing their business over the coming year. Concerns

 <p>Skill shortages</p>	 <p>Rising operating costs</p>	 <p>An uncontrolled outbreak of COVID-19</p>	 <p>International trade tensions</p>
<p>Identified by 79% as a barrier. Sectors most likely to report as a barrier:</p> <ul style="list-style-type: none"> • Resources (93%) • Manufacturing (86%) 	<p>Identified by 60% as a barrier. Sectors most likely to report as a barrier:</p> <ul style="list-style-type: none"> • Construction (72%) • Manufacturing (64%) • Real Estate Services (64%) 	<p>Identified by 46% as a barrier. Sectors most likely to report as a barrier:</p> <ul style="list-style-type: none"> • Professional, Scientific and Technical Services (60%) • Resources (60%) • Real Estate Services (50%) 	<p>Identified by 14% as a barrier. Sectors most likely to report as a barrier:</p> <ul style="list-style-type: none"> • Agriculture (39%), • Professional, Scientific and Technical Services (20%) • Retail Trade (17%)

% of respondents struggling to fill a position



about skilled labour shortages were most acute amongst businesses in the resources sector - with more than nine out of ten (93%) identifying skills shortages as a barrier. Other industries with a relatively higher proportion of businesses identifying skilled labour shortages as a barrier include **manufacturing** (86%), **construction** (84%) and **agriculture** (83%). Looking to the regions, skills shortages are affecting all (100%) businesses surveyed in the Pilbara, nine out of ten (90%) businesses in the Wheatbelt and nearly nine out of ten (88%) businesses in the Great Southern.

The second largest barrier is rising operating costs, identified by three out of five (60%) WA businesses.

Around the same proportion of businesses (58%) also indicated that supply chain disruptions were a barrier to growth, discussed in further detail below.

Concerns around an **uncontrolled outbreak of COVID-19 in WA**

were identified by less than half (46%) of WA businesses — down 6 percentage points since last quarter — while **international trade tensions** were cited by 14%.

Unpacking the key economic handbrakes

Supply chain disruptions

As we enter the festive season, operational pressures are building for many WA businesses.

In this edition of the *CCIWA Business Confidence Survey*, we examine how supply chain disruptions are impacting the WA business community.

More than six out of ten (63%) businesses are suffering higher costs and nearly half (47%) are experiencing delayed delivery of end products to consumers.

One third (34%) of businesses are suffering production setbacks, likely driven by shortages in input

materials which are impacting a similar proportion (35%).

Other prevalent issues include mental health concerns for employees (32%), lost sales (27%) and reputational damage (19%).

Skills shortages

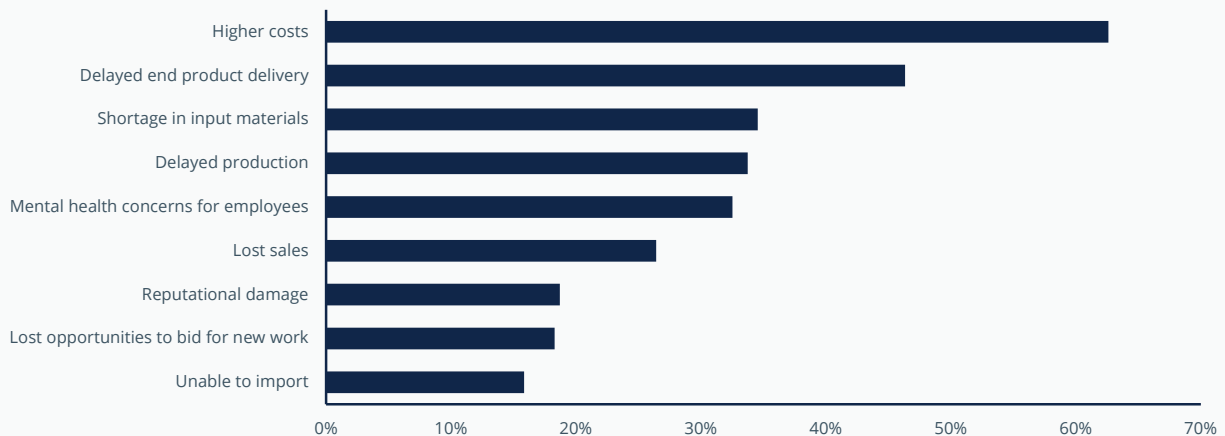
A persistent issue for businesses is sourcing workers, with nearly four out of five (79%) businesses indicating they are struggling to hire for a particular skillset. That reflects an 8 percentage point increase on last quarter, matching the peak of 79 per cent in the July quarter of 2021.

So, how are WA businesses responding?

- The majority are **upskilling existing employees** (56%), with businesses in the resources (64%), construction (59%) and agriculture (53%) sectors most likely to be ramping up their training efforts.
- More than half (55%) are **boosting existing employees' base wages** – up 9 percentage points from last quarter. These increases are most prevalent in the agriculture (67%), retail trade (60%) and manufacturing (59%) sectors. At the same time, nearly one quarter (23%) are providing one-off **financial rewards to existing employees** – up 5 percentage points from the previous quarter.
- More than half (54%) of businesses are **investing in training new employees**, which includes taking on more apprentices and trainees.

How supply chain disruptions are affecting WA businesses

Proportion 'agree'



Top three occupations in demand by industry			
	1	2	3
Agriculture	Technicians	Administrative staff	Managers
Resources	Boilermakers	Engineers	Fitters
Manufacturing	Boilermakers	Welders	Engineers
Construction	Carpenters	Tradespeople	Administrative staff
Real Estate	Property managers	Sales consultants	Administrative staff
Retail Trade	Salespeople	Yard hands	Managers
Food Services	Counter staff	Customer service	Bakers/cooks
Financial and Insurance Services	Accountants	Administrative staff	Bookkeepers
Transport	Truck drivers	Technicians	Warehouse labourers
Healthcare	Allied health professionals	Nurses	Aged care workers

Those in the resources (64%), manufacturing (59%), and agriculture and real estate (53%) sectors are the most likely to be doing so.

- Nearly one in five (16%) are looking to attract and hire workers from other States while about one in ten (12%) are providing sign on bonuses or other **incentives to new employees**.

- Nearly one third (31%) are **turning down offers for new work** (e.g., tenders), including half (50%) in the resources sector, nearly half (45%) in construction, and two out of five (40%) in retail trade.

Business Confidence, December 2021

Both **the long and shorter term outlook lift** following **a dip last quarter**



More than three out of five (63%) businesses are suffering **higher costs** as a result of **supply chain disruptions**



Nearly three out of five (58%) businesses indicated that **supply chain disruptions** are a **barrier to growth**



Four of five (79%) businesses are **struggling to fill a position** this quarter



KEY RESULTS FROM THE SURVEY						SAMPLE	
Indicator (Index)	Actual			Expected		Industry	
	Jun 21	Sep 21	Dec 21	1 Quarter	1 Year		
Economy							
WA Economic Conditions	140.0	134.6	138.9	144.8	114.7	Manufacturing	24%
Operating Conditions						Construction	10%
Employment	123.1	116.3	114.0	118.9	-	Real Estate	10%
Labour Costs	129.9	132.5	134.3	130.8	-	Agriculture	7%
Anticipated CAPEX	-	-	-	114.3	-	Resources	7%
Profitability	93.2	88.0	89.4	90.9	-	Retail Trade	5%
						Professional	4%
						Other	32%
						Business Size	
						Small (1-10 employees)	34%
						Medium (11-100 employees)	54%
						Large (100+ employees)	12%

Note: 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 December 2021 is 138.9, which suggests that the average score of survey respondents for economic conditions in December 2021 is 38.9 per cent higher than the average response in 2016/17.