

CCIWA Business Confidence Survey:
March Quarter 2022

Rising costs, supply chain disruptions and labour shortages dampen WA business confidence

Western Australian business confidence has taken a hit in the first three months of 2022 amid intensified skills shortages, inflationary pressures and supply chain disruptions.

Following a lift in the December quarter of 2021, confidence levels have dropped over both the short and longer-term horizons with both indices suffering their largest quarterly fall since the initial COVID-19 shock in March 2020.

Skilled labour shortages worsened over the three months to March and are now the highest they have been since we started tracking this measure in March 2021. More than four out of five (82%) businesses indicated they were struggling to fill a position this quarter — up 3 percentage points from its previous high last quarter. In response, nearly three out of five (59%) businesses indicated they are boosting existing employees' base wages — up four percentage points since last quarter.

Supply chain disruptions and inflationary pressures are continuing to feed into higher operating costs, with nearly seven out of ten (68%) businesses experiencing higher material costs over the past three months. Rising caseloads of Omicron

BUSINESS CONFIDENCE
Current, 3-Month and 12-Month Expectations
Index, 100 = 2016/17 Financial Year



are another key factor dampening sentiment, with nearly one out of four businesses (24%) experiencing lower staff numbers due to COVID-19 measures.

In this edition of the *CCIWA Business Confidence Survey*, we asked

businesses the extent to which interest rate increases would impact their business, how they are affected by supply chain disruptions and the impacts of recent COVID-19 measures.

Business Confidence - March 2022

Both the **short and longer term** outlook drop after a lift last year



Around **three out of five (61%)** of businesses are investing in **training** new employees or **upskilling** existing employees

More than **4 out of 5 (82%)** businesses are **struggling** to fill a **skilled position**



One out of five (21%) of businesses indicated that an **increase** in interest rates would have a significant impact on their business



Short and longer term outlooks weaken

After edging up in the December 2021 quarter, confidence in both the short-term (3 month) and longer term (12 month) outlooks has declined materially.

Short-Term Index down 14.6 Index Points over the quarter to 130.2

Around two out of five (37%) WA businesses believe conditions will improve over the next three months, down a whopping 24 percentage points since last quarter. About one out of four (27%) anticipate weaker conditions. The remaining 36 per cent anticipate no change – up 11 percentage points. Despite the material decline, confidence in the short-term outlook remains above pre-pandemic levels.

Longer-Term Index down 8.1 Index Points over the quarter to 106.6

The 12-month outlook has fallen to its lowest point since June 2020 after recovering slightly last quarter. Three out of ten (29%) businesses expect the WA economy to improve over the year ahead, down 11 percentage points since last quarter. Two out of five (38%) anticipate no change over the next twelve months, while 35 per cent believe conditions will deteriorate – up 11 percentage points.

The industries driving short-term confidence

In a divergence from previous editions of the *CCIWA Business Confidence Survey*, the **construction** sector now leads WA business confidence, with the highest proportion of businesses expecting stronger conditions over the next three months. However, this was the result of a significant drop in confidence among businesses in the **resources** sector – which previously led business optimism.

One out of two (55%) construction businesses are anticipating stronger conditions over the next three months — down 16 percentage points since last quarter — while just under half (46%) of resources businesses expect stronger conditions, down 27 percentage points.

On the one hand, many construction businesses are facing significant project delays and cost blow outs, underpinned primarily by ongoing supply chain disruptions and rising inflationary pressures. On the other, confidence is being supported by a full pipeline of housing construction.

For businesses in the resources sector, ongoing supply chain disruptions, rising input costs and mounting geopolitical tensions with our largest trading partner may have taken the heat out of confidence this quarter.

Other sectors with a comparatively higher proportion of businesses expecting conditions to improve include education and training (53%), retail trade (47%) and healthcare (44%).

Barriers to business

The **availability of skilled labour** persists as the most prevalent barrier facing the WA business community, followed closely by **rising operating costs** and **supply chain disruptions**. Indeed, higher

costs associated with global supply chain disruptions and inflationary pressures are becoming a much bigger concern for local businesses.

Four out of five (81%) businesses cited skilled labour shortages as a barrier to growing their business over the coming year — up 2 percentage points since last quarter.

Concerns 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 **retail trade** (89%), **agriculture** (84%) and **manufacturing** (83%).

The second largest barrier is **rising operating costs**, identified by seven out of ten (69%) WA businesses — up 9 percentage points since last quarter. Around the same proportion of businesses (66%) indicated that **supply chain disruptions** are a barrier to growth.

Concerns around an **uncontrolled outbreak of COVID-19 in WA** were identified by half (53%) of WA businesses — up 7 percentage points since last quarter — while **international trade tensions** were cited by 11%.

 Skill shortages	 Rising operating costs	 Supply chain disruptions	 An uncontrolled outbreak of COVID-19
Identified by 81% of businesses as a barrier Sectors most likely to report as a barrier: Resources (93%), Retail Trade (89%), Agriculture (84%).	Identified by 69% as a barrier Sectors most likely to report as a barrier: Agriculture (84%), Manufacturing (81%), Resources (79%).	Identified by 66% as a barrier. Sectors most likely to report as a barrier: Agriculture (89%), Retail Trade (84%), Manufacturing (83%).	Identified by 53% as a barrier. Sectors most likely to report as a barrier: Food Services (87%), Professional Services (79%), Education and Training (63%).

Unpacking the key economic headwinds

Supply chain disruptions

Supply chain disruptions have continued to persist into the New Year, and we asked businesses to identify how they have been affected.

More than four out of five (85%) WA businesses identified that they have been impacted by supply chain issues.

Nearly seven out of ten (68%) are suffering higher material costs — up 5 percentage points from last quarter — and more than half (55%) are experiencing delayed delivery of input materials.

Around one out of two (48%) are experiencing delayed delivery of end products to customers and a similar proportion (46%) are facing shortages of input materials.

One out of five (22%) are missing opportunities to bid for new work and a similar proportion (20%) are unable to meet contracts.

Impact of interest rate rises

Financial markets have priced in several interest rate hikes in 2022 and in this edition of the *CCIWA Business Confidence Survey* we asked businesses how these increases would impact them.

One out of five (21%) indicated that an increase in interest rates would have a significant impact on their business. Half (53%) of businesses expressed that an interest rate hike would have some impact on their business and one fifth (21%) indicated that it would have no impact on their business. The remaining 5 percent indicated that they were unsure.

Businesses most likely to indicate a 'significant impact' operate in the retail trade (32%), agriculture (32%), real estate (31%) and resources (31%) sectors.

COVID-19 measures

We asked businesses how COVID-19 measures are impacting them. Nearly seven out of ten (68%) reported that COVID-19 measures were causing stress on existing staff. Three out of five (62%) businesses are experiencing difficulty recruiting staff and three out of ten (30%) are experiencing reduced turnover.

Skills shortages

A persistent issue for businesses is sourcing workers, with more than four out of five (82%) businesses indicating they are struggling to hire for a particular skillset. That reflects a 3 percentage point increase on last quarter, surpassing the peak of 79 per cent in the June and December quarters of 2021.

So, how are WA businesses responding?

- The majority (61%) are **investing in training new employees**, which includes taking on more apprentices and trainees. Those in the retail trade (88%), resources (81%) and manufacturing (65%) sectors are the most likely to be doing so.

- The same proportion (61%) are **upskilling existing employees**, with businesses in the agriculture (86%), resources (73%) and professional services (73%) sectors most likely to be ramping up their training efforts.

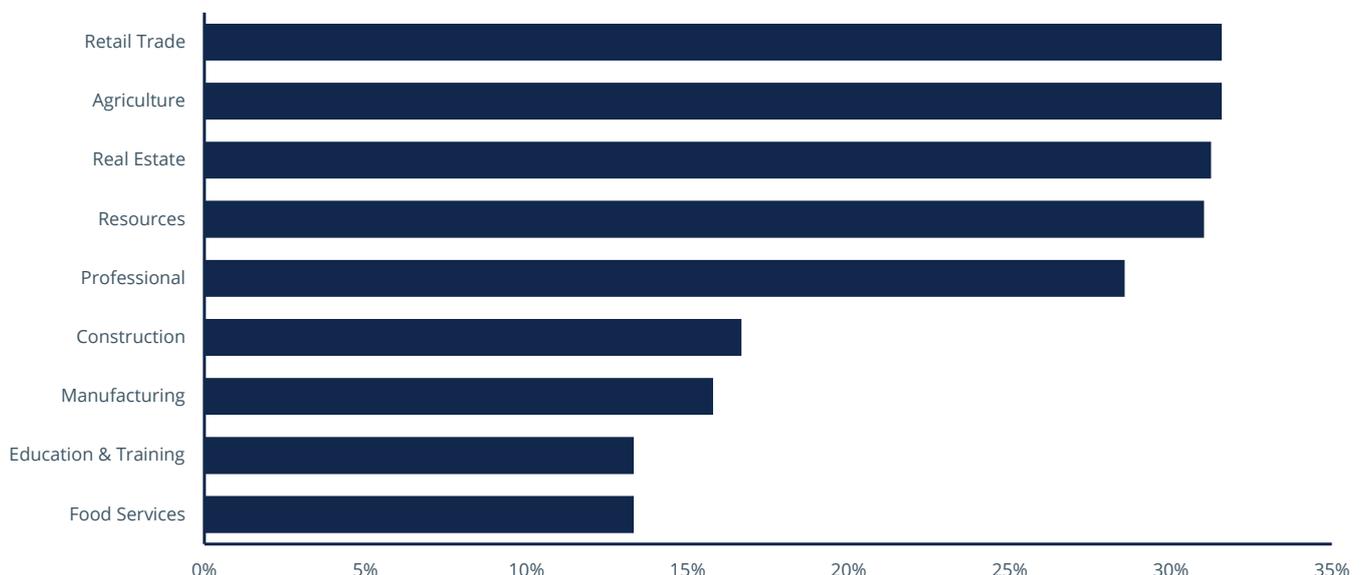
- Almost three out of five (59%) are **boosting existing employees' base wages** – up 4 percentage points from last quarter. These increases are most prevalent in the resources (81%), retail trade (69%) and agriculture (64%) and education and training (64%) sectors. At the same time, nearly one quarter (24%) are providing **one-off financial rewards to existing employees** – up one percentage point from the previous quarter.

- Nearly one in five (18%) are looking to attract and hire workers from other States the same proportion (18%) are providing sign on bonuses or other incentives to new employees.

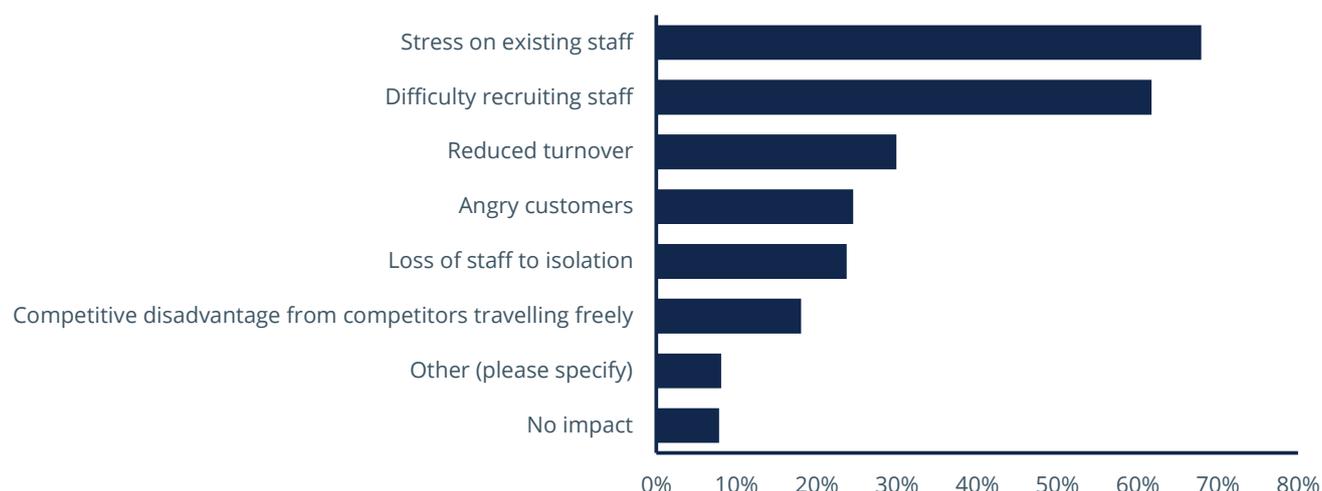
- More than one third (36%) are **turning down offers for new work** (e.g., tenders), including half (53%) in the construction sector, four out of ten (44%) in retail trade and a similar proportion (41%) in food services.

To what extent would interest rate rises impact your business?

Proportion indicating a 'significant' impact



Impact of COVID-19 measures



Top 3 occupations in demand by industry

	1	2	3
Agriculture	Salespeople	Managers	Equipment operators
Resources	Drillers	Mechanics	Technicians
Manufacturing	Machinists	Manufacturing	Boilermakers
Construction	Carpenters	Tradespeople	Operators
Retail Trade	Mechanics	Administrative staff	Customer service
Real Estate	Property Managers	Administrative staff	Salespeople
Education & Training	Trainers	Childcare Professionals	Receptionists
Healthcare	Social support workers	Nurses	Administrative staff
Food Services	Hospitality workers	Chefs	Kitchen hands

Key results from the survey

Indicator (Index)	Actual			Expected	
	Sep 21	Dec 21	Mar 22	1 Quarter	1 Year
Economy					
WA Economic Conditions	134.6	138.9	126.6	130.2	106.6
Operating Conditions					
Employment	116.3	114.0	109.5	117.5	-
Labour Costs	132.5	134.3	135.3	133.4	-
Anticipated CAPEX	-	-	-	112.9	-
Profitability	88.0	89.4	79.0	86.1	-

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 March 2022 is 126.6, which suggests that the average score of survey respondents for economic conditions in March 2022 is 26.6 per cent higher than the average response in 2016/17.

Sample:

Industry	
Manufacturing	21%
Construction	18%
Resources	8%
Agriculture	5%
Retail Trade	5%
Professional	4%
Real Estate	4%
Other	12%
Business Size	
Small (1-10)	38%
Medium (11-100)	52%
Large (100+)	10%

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