

Regional Pulse

Chamber of Commerce and Industry WA

April 2022



Chamber of Commerce
and Industry WA

Western Australia's regions are the engine room of the WA economy, supporting a range of key export industries, including resources, agriculture and tourism. In this report, we provide regional breakdowns of key results from the March 2022 CCIWA *Business Confidence Survey*. We also take a deeper dive into WA's skills and supply chain challenges, providing unique insights into the impacts of labour shortages, rising costs and supply bottlenecks on regional businesses.

While every measure has been taken to ensure data reliability, particular care should be exercised when using regional estimates as they are subject to smaller sample sizes. In this edition, some regions have been omitted from the report due to insufficient sample sizes.

Pulse Check

The Outlook

Confidence by Region (WA)	Short-Term Conditions (3-Months)			Longer-Term Conditions (12-Months)		
	Stronger	Weaker	About the same	Stronger	Weaker	About the same
South West	37%	27%	37%	32%	26%	32%
Great Southern	18%	27%	45%	18%	36%	45%
Wheatbelt	57%	14%	29%	43%	43%	14%
Goldfields-Esperance	43%	7%	50%	50%	36%	14%
Mid-West/Gascoyne	25%	50%	25%	27%	45%	36%
Pilbara	57%	7%	36%	54%	14%	32%
WA Regions	43%	21%	36%	39%	32%	29%
Perth and Peel	37%	26%	36%	27%	35%	38%

On average, regional businesses are more optimistic than metro businesses, on both the short term and longer-term outlook.

In the short term (next three months) 43% of regional businesses expect stronger conditions, compared to 37% for metro businesses.

Looking to the next twelve months, regional businesses are slightly less optimistic, with 39% expecting stronger conditions. This still exceeds metro businesses however (27%).

Breaking down the short-term outlook:

- Businesses in the Wheatbelt (57%) and Pilbara (57%) are most optimistic, with the majority expecting conditions to improve.
 - Geopolitical factors may have lifted confidence in the Wheatbelt this quarter, with the Russo-Ukrainian conflict constraining global supply of wheat - opening opportunities for Australian producers to step in. For those with farmland left undamaged by the recent bushfires, last year's bumper harvests may be continuing to buoy optimism. And despite supply chain bottlenecks and rising fertiliser prices, WA's largest grain growing cooperative CBH is set to invest nearly \$1 billion in new infrastructure and upgrades to improve crop transportation.
 - For businesses in the Pilbara, elevated confidence levels reflect persistent strength in the resources sector. Prices for commodities such as LNG and nickel have skyrocketed amid the Russo-Ukrainian conflict, the iron ore price has held firm, and battery materials such as lithium have enjoyed ongoing price increases on the back of increasing demand for electric vehicles.
 - Businesses in the Great Southern and Mid-West/Gascoyne are comparatively less optimistic about the next three months. Less than one out of five (18%) businesses in the Great Southern and one quarter (25%) in the Mid-West/Gascoyne are expecting stronger conditions over the next three months, while nearly half (45%) and one quarter (25%) respectively are expecting no change. The remaining 27% and 50% respectively anticipate conditions to worsen. Labour shortages — exacerbated by the lack of backpackers and COVID-19 isolation requirements — is likely to be dampening confidence in these regions.

Barriers to Business

What do you see as a barrier to growing your business in the year ahead?	Barriers to Business								
	Availability of skilled labour	Supply chain disruptions	Weak demand	Competitors (foreign and online)	Rising operating costs	Difficulty accessing new finance from banks	International trade tensions	Uncontrolled outbreak of COVID-19	No barriers
South West	80%	53%	17%	7%	70%	3%	13%	43%	3%
Great Southern	91%	55%	27%	0%	82%	9%	9%	73%	0%
Goldfields-Esperance	79%	79%	14%	0%	79%	21%	7%	57%	0%
Wheatbelt	71%	86%	14%	29%	86%	14%	29%	50%	0%
Mid-West/Gascoyne	92%	67%	17%	8%	67%	8%	0%	58%	0%
Pilbara	93%	71%	4%	4%	71%	4%	4%	54%	0%
WA regions	84%	67%	13%	8%	75%	8%	10%	56%	1%
Perth and Peel	77%	64%	14%	10%	68%	7%	11%	55%	0%

Three out of ten (29%) businesses in the Wheatbelt identified international trade tensions as a barrier to growth over the coming year – up 11 percentage points since last quarter. This primarily reflects increased pessimism around supply chain disruptions and ongoing disputes with our largest trading partner.

Four out of five (84%) regional businesses identified skills shortages as a barrier to growing their business over the coming year, up 1 percentage point since last quarter and a higher proportion than those in Perth and Peel (77%).

Concerns around skills shortages were most acute in the Pilbara (93%), Mid-West/Gascoyne (92%) and Great Southern (91%). Businesses in these regions continue to face difficulty attracting both seasonal and skilled workers — particularly those that rely on international and interstate migration. COVID-19 isolation requirements are creating additional challenges for businesses looking to fill rosters.

Three quarters (75%) of regional businesses identified rising operating costs as a barrier to growth, including nearly nine out of ten (86%) in the Wheatbelt and eight out of ten (82%) in the Great Southern. Businesses in the agriculture, manufacturing and resources industries have reported rising material and equipment costs in recent months.

Supply chain disruptions have intensified, with nearly seven out of ten (67%) regional businesses reporting it as a barrier to growth in the coming year. That includes nearly

nine out of ten (86%) businesses in the Wheatbelt and four out of five (79%) in the Goldfields-Esperance region.

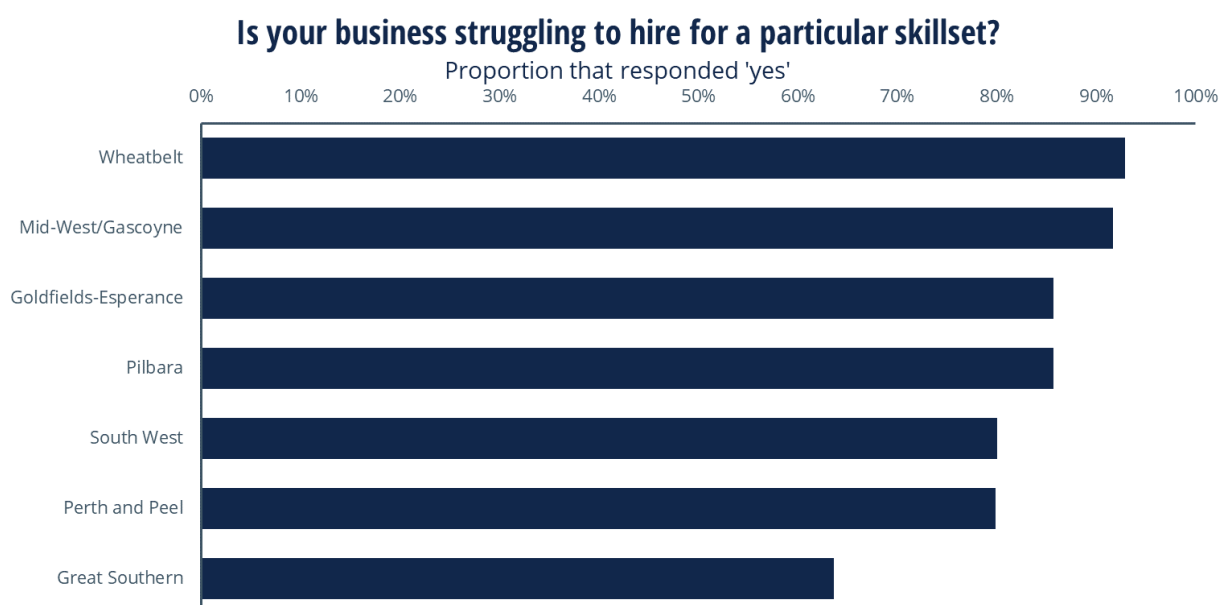
The possibility of an uncontrolled outbreak of COVID-19 in WA continues to weigh on the minds of regional businesses, with more than half 56% identifying this factor as a barrier to growing their business in the year ahead — up 6 percentage points from last quarter.

Worker Shortages in Regional WA

In this edition of *Regional Pulse*, we look at WA's skills crisis and its impacts on regional businesses.

All up, four out of five (83%) regional businesses identified they are struggling to fill a skilled occupation.

- Nine out of ten (93%) businesses in the Wheatbelt and a similar proportion in the Mid-West/Gascoyne region indicated they were struggling to fill a skilled position.
- Other regions with a relatively higher proportion of businesses facing skills pressures include the Goldfields-Esperance (86%) and Pilbara (86%).



Top three occupations in demand by WA region	Perth & Peel	South West	Great Southern	Goldfields-Esperance	Wheatbelt	Mid-West/Gascoyne	Pilbara
1	Tradespeople	Hospitality	Mechanical and Electrical Workers	Mechanics	Salespeople	Electricians	Fitters
2	Technicians	Admin staff	Chef/Wait Staff	Tradespeople	Admin staff	Tradespeople	Drillers
3	Machinists	Butchers	Construction Trades	Managers	Accountants	Truck drivers	Carpenters

So, how are regional businesses responding?

- The most common response identified is to invest in training new employees (62%), including taking on apprentices and trainees. Businesses in the Goldfields-Esperance (83%), Mid-West/Gascoyne (82%) and Wheatbelt (77%) are most likely to be training up new employees. At the same time, 17% of businesses are providing sign-on bonuses or other incentives to new employees.
- Three out of five (60%) are boosting their existing employees' wage, including four out of five (83%) in the Pilbara and seven out of ten (71%) in the Great Southern. One fifth (22%) of businesses in the regions are providing one-off financial rewards such as retention bonuses to existing employees.
- Three out of five (59%) regional businesses are upskilling existing employees, with those in the Great Southern (86%) most likely to be ramping up their training efforts.
- One third (35%) identified that they are turning down offers for new work (e.g. tenders) — down 7 percentage points since last quarter. Those in the South West (42%) and Pilbara (33%) are most likely to be turning down new projects and work.

Impact of supply chain disruptions in Regional WA

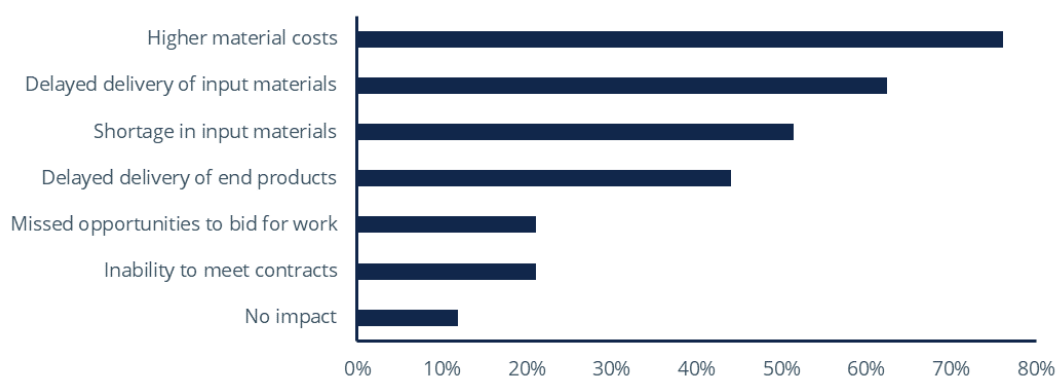
In this edition of the *CCIWA Business Confidence Survey*, we asked businesses how supply chain disruptions are impacting their operations.

All up, four out of five (82%) regional businesses have been affected by supply chain disruptions.

Higher costs were the most cited impact, identified by nearly four out of five (76%) regional businesses — up 13 percentage points from last quarter. That includes nearly nine out of ten (86%) businesses in the Wheatbelt.

How has your business been impacted by supply chain issues?

Proportion of regional businesses that responded 'yes'



Businesses also indicated that they are experiencing:

- Delayed delivery of input materials (62%), including more than four out of five (86%) in the Wheatbelt.
- Shortage in input materials (51%), with those in Wheatbelt (71%) and Great Southern (60%) most acutely impacted.
- Delayed delivery of end products to customers (44%), including nearly two thirds (64%) in the Goldfields-Esperance region.
- Missed opportunities to bid for new work (21%), including half (50%) of those in the Wheatbelt.
- Inability to meet existing contracts (21%), which was most reported in the Wheatbelt (43%) and the Goldfields-Esperance region (21%).

Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	1%	22%	77%	5%	30%	69%
South West	0%	23%	77%	0%	37%	63%
Great Southern	0%	45%	55%	9%	18%	73%
Wheatbelt	0%	7%	93%	0%	36%	64%
Goldfields-Esperance	0%	29%	71%	0%	7%	93%
Mid-West/Gascoyne	0%	25%	75%	0%	33%	67%
Pilbara	0%	15%	85%	0%	12%	88%
WA Regions	1%	25%	75%	1%	27%	72%
Total WA	1%	23%	76%	1%	28%	71%

Nearly three quarters (72%) of WA regional businesses are anticipating labour costs to increase over the next three months – up 3 percentage points from last quarter – while one fifth (17%) expect no change. Only 1% expect wage pressures to ease over the coming quarter.

Businesses that expect labour costs to rise are more likely to operate in the Goldfields-Esperance (93%), Pilbara (88%) and Great Southern (73%) regions. They are also most likely to be boosting their employees' base wage in response.

Production

Expectations by Region (WA)	Production					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	29%	39%	32%	20%	40%	39%
South West	25%	43%	32%	37%	37%	27%
Great Southern	9%	64%	27%	27%	55%	18%
Wheatbelt	14%	36%	50%	14%	64%	21%
Goldfields-Esperance	29%	29%	43%	14%	29%	57%
Mid-West/Gascoyne	18%	64%	18%	17%	67%	17%
Pilbara	8%	35%	58%	26%	56%	19%
WA Regions	18%	40%	42%	24%	51%	25%
Total WA	20%	40%	40%	28%	43%	30%

Three out of ten (30%) of WA businesses are planning to ramp up production over the next three months — down 15 percentage points — including 25% of businesses in regional Western Australia.

Businesses most likely to increase production over the coming quarter operate in the Goldfields-Esperance (57%) and South West (27%).

Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	57%	36%	7%	47%	39%	14%
South West	56%	30%	15%	55%	38%	8%
Great Southern	55%	45%	0%	40%	60%	0%
Wheatbelt	75%	17%	8%	50%	43%	7%
Goldfields-Esperance	43%	29%	29%	50%	43%	7%
Mid-West/Gascoyne	42%	42%	17%	58%	33%	8%
Pilbara	36%	40%	24%	48%	44%	7%
WA Regions	50%	34%	17%	52%	41%	7%
Total WA	48%	37%	15%	55%	37%	7%

Half (48%) of WA businesses reported declining profit margins over the March quarter. Across the regions, a similar proportion (50%) reported a decline in profitability over the past three months.

Looking ahead, the profit outlook for WA's regions remains relatively subdued. A higher proportion of businesses in every region are expecting profit levels to fall over the next three months, compared to those anticipating profits to rise.

As mentioned, at least half of regional businesses have identified skilled labour shortages, rising operating costs and supply chain disruptions as barriers to growing their business over the coming year, which may in turn be keeping a lid on profit expectations.

Level of credit or debt

Expectations by Region (WA)	Level of Credit or Debt					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	4%	71%	25%	5%	67%	28%
South West	7%	62%	31%	10%	67%	23%
Great Southern	11%	44%	44%	22%	56%	22%
Wheatbelt	0%	57%	43%	0%	71%	29%
Goldfields-Esperance	0%	57%	43%	14%	43%	43%
Mid-West/Gascoyne	33%	42%	25%	25%	67%	8%
Pilbara	4%	96%	0%	4%	88%	8%
WA Regions	7%	66%	27%	9%	70%	21%
Total WA	6%	67%	28%	6%	71%	24%

While rising debt levels can be an indication of future expansion plans, it can also reflect increased financial stress as businesses look to maintain operations by taking on short-term debt.

One quarter (27%) of businesses in regional WA increased their debt or credit levels in the March quarter. Looking ahead to the next three months, 21% are anticipating their debt or credit levels to rise.

Businesses most likely to take on additional debt operate in the Goldfields-Esperance (43%), the Wheatbelt (29%) and South West (23%). On the whole, most regional businesses (70%) are expecting their debt or credit levels to remain stable over the next three months.

Capital expenditure

Expectations by Region (WA)	Capital Expenditure					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	7%	55%	38%	5%	67%	28%
South West	7%	62%	31%	10%	68%	23%
Great Southern	11%	44%	44%	30%	50%	20%
Wheatbelt	0%	57%	43%	7%	50%	43%
Goldfields-Esperance	0%	57%	43%	7%	64%	29%
Mid-West/Gascoyne	33%	42%	25%	0%	75%	25%
Pilbara	4%	96%	0%	0%	63%	37%
WA Regions	7%	66%	27%	7%	63%	30%
Total WA	6%	67%	28%	7%	57%	36%

Three out of ten (30%) of businesses in regional WA plan to increase capital expenditure over the next three months – up 2 percentage points from last quarter.

Businesses most likely to ramp up their capital expenditure operate in the Wheatbelt (43%), Pilbara (37%) and Goldfields-Esperance (29%). Bolstering the confidence of businesses to invest will be critical to Western Australia's sustained economic strength.

Employment

Expectations by Region (WA)	Employment					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	26%	36%	38%	17%	38%	45%
South West	23%	40%	37%	22%	46%	32%
Great Southern	18%	45%	36%	28%	32%	40%
Wheatbelt	0%	31%	69%	29%	43%	29%
Goldfields-Esperance	14%	29%	57%	14%	29%	57%
Mid-West/Gascoyne	0%	73%	27%	30%	50%	20%
Pilbara	8%	38%	54%	24%	34%	41%
WA Regions	14%	39%	48%	22%	41%	37%
Total WA	16%	38%	46%	25%	37%	38%

Internet jobs vacancies in WA increased 3.4 per cent in March and 18.8 per cent over the past 12 months. The figure now stands 88.7 per cent higher than where it was before the pandemic and the overall level of job vacancies in WA has eclipsed that seen during the last mining boom.

However, WA's hard border measures – in place through much of the March quarter – have made it harder for businesses to access the overseas labour market and meet rising skilled labour demand. The upshot of this, as outlined on Page 4, is that skills shortages continue to pervade WA's regional economy. While the opening of WA's borders in early March will help to relieve some of these shortages, it is not likely to be a quick fix and tightness in WA's jobs market is expected to remain for some time.

Nearly half (48%) of regional businesses boosted their staff levels over the past three months, while around 39 per cent recorded no change to their workforce. Businesses in the Wheatbelt (69%) recorded the strongest rise in employment levels over the quarter.

Looking ahead to the next three months, hiring intentions remain solid – particularly among businesses located in the Goldfields-Esperance (57%), Pilbara (41%) and Great Southern (40%)