

# Regional Pulse

Chamber of Commerce and Industry WA

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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 June 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 than state-wide results.*

## 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	44%	38%	19%	13%	69%	19%
Great Southern	29%	43%	29%	29%	57%	14%
Wheatbelt	60%	10%	30%	30%	30%	40%
Goldfields-Esperance	67%	17%	17%	50%	0%	50%
Mid-West/Gascoyne	35%	12%	53%	12%	24%	65%
Pilbara	69%	31%	8%	38%	15%	46%
Kimberley	29%	57%	14%	29%	29%	43%
<b>WA Regions</b>	<b>47%</b>	<b>26%</b>	<b>26%</b>	<b>25%</b>	<b>34%</b>	<b>41%</b>
<b>Perth and Peel</b>	<b>42%</b>	<b>28%</b>	<b>31%</b>	<b>30%</b>	<b>37%</b>	<b>34%</b>

On average, regional businesses are more optimistic than metro businesses in the short term but are less so over the longer term.

Around one out of two (47%) regional businesses expect stronger conditions over the next three months, compared to two out of five (42%) metro businesses.

Looking to the next twelve months, regional businesses are slightly less optimistic, with one quarter (25%) expecting stronger conditions, slightly less than metro businesses (30%).

## Breaking down the short-term outlook:

- Businesses in the Pilbara (69%), Goldfields-Esperance (67%), and Wheatbelt (60%) regions are most optimistic, with the majority expecting conditions to improve.
  - For businesses in the Wheatbelt, the ongoing Russo-Ukrainian war may have buoyed confidence in this region, as global supply of wheat remains constrained due to a fall in exports from Ukraine and Russia, in turn benefiting Western Australian producers that operate on the spot market. Adding to this is the projection for another bumper wheat harvest this season, with forecasts of total output above 30 million tonnes for the third year in a row.
  - For businesses in the Pilbara and Goldfields-Esperance regions, elevated confidence levels reflect persistent strength in the resources sector. Commodity prices, including nickel and LNG, remained high when the survey was canvassed, in part due to the ongoing Russo-Ukraine conflict. In addition, the iron ore price remained at high levels whilst battery metals such as lithium have also seen continued strong price levels.
  - Businesses in the Kimberley, Great Southern and South West are comparatively less optimistic about the next three months. Nearly three in five businesses in the Kimberley (57%), two in five (43%) in the Great Southern and a similar proportion (38%) in the South West expect economic conditions to worsen over the next three months. This is considerably higher than the regional average (27%) and is likely underpinned by continued labour shortages (including the lack of backpackers) in these regions, as well as a reduced capacity to manage rising operating costs.

## 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 disruption	Weak demand	Rising operating costs	Difficulty accessing new finance from banks	International trade tensions	Uncontrolled outbreak of COVID-19	No barriers
South West	75%	44%	13%	69%	0%	13%	44%	0%
Great Southern	71%	71%	14%	100%	0%	0%	29%	0%
Goldfields-Esperance	71%	57%	0%	86%	29%	0%	43%	0%
Wheatbelt	70%	60%	0%	40%	10%	10%	30%	0%
Mid-West/Gascoyne	94%	47%	6%	94%	6%	12%	41%	0%
Pilbara	77%	85%	8%	77%	8%	31%	23%	0%
Kimberley	100%	71%	0%	100%	14%	0%	14%	0%
<b>WA regions</b>	<b>81%</b>	<b>60%</b>	<b>6%</b>	<b>79%</b>	<b>6%</b>	<b>12%</b>	<b>34%</b>	<b>0%</b>
<b>Perth and Peel</b>	<b>82%</b>	<b>61%</b>	<b>9%</b>	<b>79%</b>	<b>13%</b>	<b>14%</b>	<b>27%</b>	<b>1%</b>

Four out of five (81%) regional businesses identified skills shortages as a barrier to growing their business over the coming year, down 3 percentage points since last quarter and in line with the proportion in Perth and Peel (82%).

Concerns around skills shortages were most acute in the Kimberley, Mid-West/Gascoyne and Pilbara. 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 absenteeism continues to create additional challenges for businesses looking to fill rosters.

Four out of five (79%) regional businesses identified rising operating costs as a barrier to growth, including all respondents in the Kimberley, more than nine out of ten (94%) in the Mid-West/Gascoyne and more than eight out of ten (86%) in the Goldfields-Esperance. Businesses in the agriculture, transport and construction industries have reported rising costs in recent months.

Supply chain disruptions have eased slightly, with three in five (60%) regional businesses reporting it as a barrier to growth in the coming year, down 7 per centage points since last quarter. That includes more than four out of five (85%) businesses in the Pilbara and seven out of ten (71%) in both the Great Southern and Kimberley regions.

An uncontrolled outbreak of COVID-19 has lessened as a concern for regional businesses, with one third (34%) identifying this factor as a barrier to growing their business in the year ahead — down 22 percentage points from last quarter.

## Worker Shortages in Regional WA

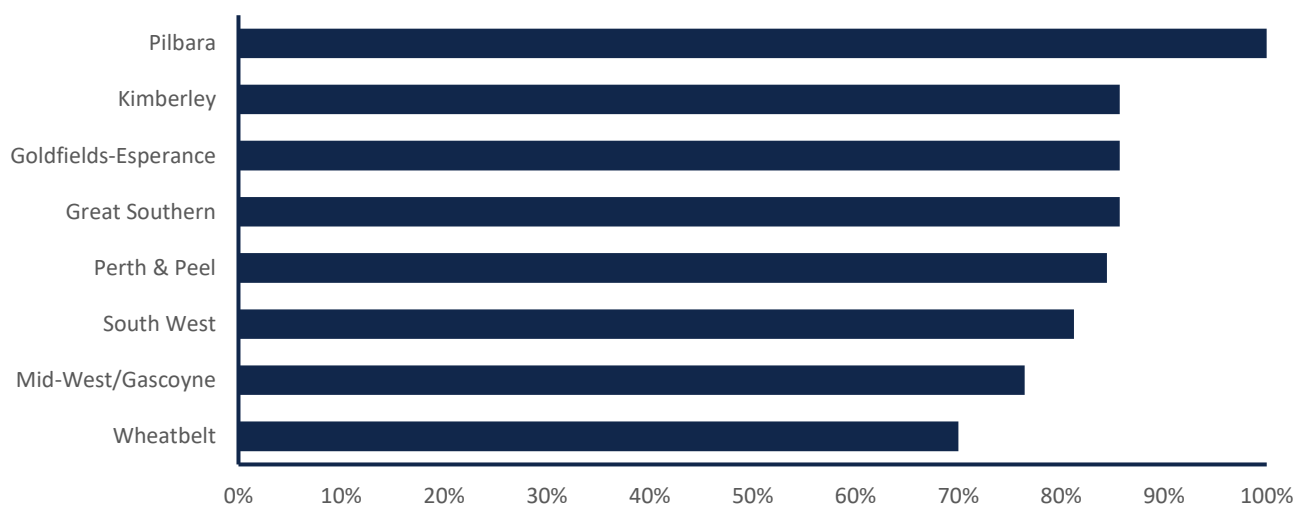
In this edition of *Regional Pulse*, we look at WA's skills crisis and its impacts on regional businesses.

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

- All respondents in the Pilbara indicated they were struggling to fill a skilled position.
- Other regions with a relatively higher proportion of businesses facing skills pressures include the Kimberley, Great Southern and Goldfields-Esperance regions (86%).

### Is your business struggling to hire for a particular skillset?

Proportion that responded 'yes'



Top three occupations in demand by WA region	Perth & Peel	South West	Great Southern	Goldfields-Esperance	Wheatbelt	Mid-West/Gascoyne	Pilbara	Kimberley
1	Tradespeople	Hospitality	Mechanical and Electrical Workers	Mechanics	Tradespeople	Electricians	Fitters	Mechanics
2	Technicians	Mechanics	Construction Trades	Tradespeople	Admin Staff	Tradespeople	Drillers	Tradespeople
3	Hospitality Workers	Butchers	Education Workers	Managers	Agricultural Workers	Admin Staff	Engineers	Health Care Workers

So, how are regional businesses responding?

- The most common response identified is to invest in training new employees (69%), with those in the South West (77%) most likely to be upskilling new starters. At the same time, 11% of businesses are providing sign-on bonuses or other incentives to new employees.
- Nearly seven out of ten businesses (69%) are boosting their existing employees' wage, including four out of five (83%) in both the Great Southern and Goldfields-Esperance regions. One fifth (22%) of businesses in the regions are providing one-off financial rewards such as retention bonuses to existing employees.
- Two thirds (67%) are upskilling existing employees. Businesses in the Wheatbelt (86%), South West (85%) and Pilbara (77%) are most likely to be ramping up their training efforts.
- One third (34%) identified that they are turning down offers for new work (e.g. tenders) — down 3 percentage points since last quarter. Those in the Goldfields-Esperance (67%) and the Kimberley (50%) are most likely to be turning down new projects and work.

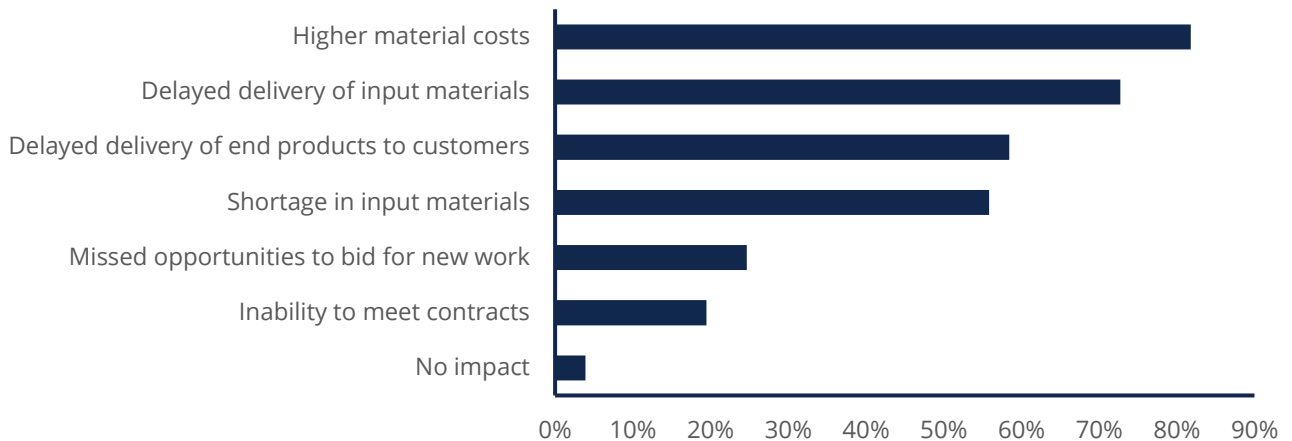
## Impact of supply chain disruptions in Regional WA

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

Higher costs were the most cited impact, identified by more than four out of five (82%) regional businesses — up 5 percentage points from last quarter. That includes all respondents (100%) from the Great Southern as well as nearly nine out of ten businesses in the South West (88%) and the Kimberley (86%).

## 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 (73%), including more than four out of five in the Kimberley (86%) and the Pilbara (85%).
- Delayed delivery of end products to customers (58%), including more than four out of five (85%) in the Pilbara.
- Shortage in input materials (56%), with those in the Great Southern and Kimberley (both 71%) most acutely impacted.
- Missed opportunities to bid for new work (25%), including just over two in five (42%) businesses in the Great Southern and Kimberley.
- Inability to meet existing contracts (19%), which was most frequently reported in the Wheatbelt (50%).

## Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	1%	26%	73%	1%	16%	83%
South West	6%	6%	88%	0%	31%	69%
Great Southern	0%	0%	100%	0%	43%	57%
Wheatbelt	0%	20%	80%	10%	30%	60%
Goldfields-Esperance	0%	17%	83%	0%	29%	71%
Mid-West/Gascoyne	6%	29%	65%	0%	24%	76%
Pilbara	0%	23%	77%	0%	23%	77%
Kimberley	0%	14%	86%	0%	29%	71%
<b>WA Regions</b>	<b>3%</b>	<b>17%</b>	<b>80%</b>	<b>1%</b>	<b>29%</b>	<b>70%</b>
<b>Total WA</b>	<b>2%</b>	<b>25%</b>	<b>73%</b>	<b>1%</b>	<b>21%</b>	<b>78%</b>

Seven out of ten (70%) regional WA businesses are anticipating labour costs to increase over the next three months – down 2 percentage points from last quarter – while three in ten (29%) expect no change, up 12 percentage points. 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 Pilbara (77%) and Mid-West/Gascoyne (76%) regions, although this is less than the Perth metro area (83%).



## Production

Expectations by Region (WA)	Production					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	35%	35%	30%	22%	39%	39%
South West	44%	44%	13%	40%	47%	13%
Great Southern	14%	29%	57%	17%	50%	33%
Wheatbelt	10%	50%	40%	22%	44%	33%
Goldfields-Esperance	17%	50%	33%	0%	29%	71%
Mid-West/Gascoyne	13%	56%	31%	12%	59%	29%
Pilbara	23%	15%	62%	8%	23%	69%
Kimberley	43%	57%	0%	29%	43%	29%
<b>WA Regions</b>	<b>24%</b>	<b>43%</b>	<b>33%</b>	<b>19%</b>	<b>43%</b>	<b>38%</b>
<b>Total WA</b>	<b>32%</b>	<b>38%</b>	<b>30%</b>	<b>21%</b>	<b>41%</b>	<b>38%</b>

Nearly four out of ten (38%) WA businesses are planning to ramp up production over the next three months — up 8 percentage points. This is a similar proportion for the regions.

Businesses most likely to increase production over the coming quarter operate in the Goldfields-Esperance (71%) and Pilbara (69%) regions.

## Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	63%	28%	8%	56%	34%	10%
South West	69%	25%	6%	60%	33%	7%
Great Southern	57%	14%	29%	43%	43%	14%
Wheatbelt	44%	56%	0%	33%	56%	11%
Goldfields-Esperance	43%	43%	14%	43%	14%	43%
Mid-West/Gascoyne	35%	47%	18%	35%	53%	12%
Pilbara	62%	15%	23%	15%	54%	31%
Kimberley	71%	29%	0%	43%	43%	14%
<b>WA Regions</b>	<b>54%</b>	<b>33%</b>	<b>13%</b>	<b>39%</b>	<b>44%</b>	<b>17%</b>
<b>Total WA</b>	<b>60%</b>	<b>30%</b>	<b>10%</b>	<b>51%</b>	<b>35%</b>	<b>14%</b>

Three out of five (60%) WA businesses reported declining profit margins over the June quarter, up 12 percentage points since last quarter. This was slightly less across the regions, with just over half (54%) of businesses reporting a decline in profitability over the past three months.

Looking ahead, the profit outlook for WA's regions remains relatively subdued, with two in five regional businesses (39%) expecting profits to decline next quarter. A higher proportion of businesses in every region other than the Pilbara are expecting profit levels to fall over the next three months, compared to those anticipating profits to rise.

As mentioned, a significant proportion 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	5%	69%	26%	6%	68%	25%
South West	7%	64%	29%	7%	53%	40%
Great Southern	0%	57%	43%	0%	71%	29%
Wheatbelt	11%	56%	33%	0%	78%	22%
Goldfields-Esperance	0%	100%	0%	0%	71%	29%
Mid-West/Gascoyne	41%	47%	12%	24%	59%	18%
Pilbara	0%	85%	15%	0%	85%	15%
Kimberley	0%	67%	33%	0%	83%	17%
<b>WA Regions</b>	<b>12%</b>	<b>66%</b>	<b>22%</b>	<b>7%</b>	<b>69%</b>	<b>24%</b>
<b>Total WA</b>	<b>7%</b>	<b>68%</b>	<b>24%</b>	<b>6%</b>	<b>68%</b>	<b>26%</b>

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 in five (22%) businesses in regional WA increased their debt or credit levels in the June quarter, down 5 percentage points. Looking ahead to the next three months, 24% are anticipating their debt or credit levels to rise.

Businesses most likely to take on additional debt operate in the South West (40%), Goldfields-Esperance (29%) and the Great Southern (29%). On the whole, most regional businesses (69%) 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	4%	59%	37%	3%	63%	34%
South West	7%	33%	60%	20%	53%	27%
Great Southern	29%	0%	71%	0%	71%	29%
Wheatbelt	0%	44%	56%	0%	56%	44%
Goldfields-Esperance	0%	50%	50%	0%	14%	86%
Mid-West/Gascoyne	0%	65%	35%	12%	65%	24%
Pilbara	0%	54%	46%	0%	54%	46%
Kimberley	14%	29%	57%	0%	43%	57%
<b>WA Regions</b>	<b>5%</b>	<b>43%</b>	<b>51%</b>	<b>7%</b>	<b>53%</b>	<b>40%</b>
<b>Total WA</b>	<b>5%</b>	<b>55%</b>	<b>40%</b>	<b>5%</b>	<b>60%</b>	<b>35%</b>

Two in five (40%) businesses in regional WA plan to increase capital expenditure over the next three months – up 10 percentage points from last quarter.

Businesses most likely to ramp up their capital expenditure operate in the Goldfields-Esperance (86%), Kimberley (57%) and Pilbara (46%) regions. 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	22%	36%	42%	11%	42%	47%
South West	38%	25%	38%	20%	67%	13%
Great Southern	14%	29%	57%	0%	71%	29%
Wheatbelt	0%	30%	70%	10%	60%	30%
Goldfields-Esperance	14%	57%	29%	0%	57%	43%
Mid-West/Gascoyne	24%	59%	18%	12%	47%	41%
Pilbara	15%	46%	38%	8%	17%	75%
Kimberley	14%	71%	14%	0%	67%	33%
<b>WA Regions</b>	<b>19%</b>	<b>44%</b>	<b>36%</b>	<b>9%</b>	<b>53%</b>	<b>38%</b>
<b>Total WA</b>	<b>22%</b>	<b>39%</b>	<b>38%</b>	<b>12%</b>	<b>44%</b>	<b>43%</b>

While the opening of WA's borders earlier in March is likely to provide some relief to the labour shortages currently being experienced by WA businesses, this is not likely to be a quick fix. Indeed, WA's unemployment rate of 3.1% in May remains at its lowest level since 2008, and there are now 1.4 job vacancies for every unemployed person looking for work in WA.

Slightly under two in five (36%) regional businesses increased their staff levels over the past three months, while around 44 per cent recorded no change to their workforce. Businesses in the Wheatbelt (70%) 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 Pilbara (75%), Goldfields-Esperance (43%) and Mid-West/Gascoyne (41%) regions.

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