

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 September 2022 CCIWA Business Confidence Survey. We also take a deeper dive into WA's skills challenges, providing unique insights into the impacts of labour shortages 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	24%	22%	54%	11%	43%	46%
Great Southern	29%	25%	46%	11%	55%	35%
Wheatbelt	41%	35%	24%	24%	35%	41%
Goldfields-Esperance	76%	0%	24%	48%	10%	43%
Mid-West/Gascoyne	30%	30%	40%	0%	40%	60%
Pilbara	69%	15%	15%	46%	23%	31%
Kimberley	57%	22%	22%	29%	33%	38%
WA Regions	41%	21%	37%	21%	39%	40%
Perth and Peel	44%	24%	32%	22%	40%	38%

On average, regional businesses are slightly less optimistic than metro businesses in the short term but have similar expectations over the longer term.

Around two in five (41%) regional businesses expect stronger conditions over the next three months – three percentage points less than metro businesses (44%).

Looking to the next twelve months, regional and metro businesses have similar levels of confidence, with one in five (21%) regional businesses expecting stronger conditions, a similar proportion to metro businesses (22%).

Breaking down the short-term outlook:

- Businesses in the Goldfields-Esperance (76%), Pilbara (69%), and Kimberley (57%) regions are most optimistic, with the majority expecting conditions to improve.
 - For businesses in the Goldfields-Esperance and Pilbara regions, elevated confidence levels reflect continued strength in the resources sector. Commodity prices, including nickel and LNG, remain high, in part due to the ongoing Russo-Ukraine conflict. In addition, the iron ore price has remained relatively steady over the 3 months to September, whilst battery metals such as lithium have also continued to see strong price levels.
 - For businesses in the Kimberley, elevated confidence levels may reflect the easing of labour shortages in the region, partly due to an expected return of seasonal workers. Four in five (79%) Kimberley businesses reported labour shortages as a barrier to business, down from all respondents (100%) last quarter.
 - Businesses in the Wheatbelt, Mid-West/Gascoyne and Great Southern regions are comparatively less optimistic about the next three months. Around one third of businesses in the Wheatbelt (35%), three in ten (30%) in the Mid-West/Gascoyne and one quarter (25%) in the Great Southern expect economic conditions to worsen over the next three months. This is higher than the regional average (21%) 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
South West	92%	54%	16%	89%	11%	14%
Great Southern	63%	49%	35%	75%	5%	19%
Goldfields-Esperance	91%	59%	0%	77%	14%	18%
Wheatbelt	94%	65%	12%	82%	24%	12%
Mid-West/Gascoyne	100%	45%	0%	91%	0%	9%
Pilbara	100%	69%	0%	69%	0%	23%
Kimberley	79%	46%	8%	71%	13%	13%
WA regions	82%	54%	17%	79%	9%	16%
Perth and Peel	85%	51%	14%	78%	11%	16%

Four out of five (82%) regional businesses identified skills shortages as a barrier to growing their business over the coming year, up a slight 1 percentage point since last quarter and slightly below that of Perth and Peel (85%).

Concerns around skills shortages were most acute in the Mid-West/Gascoyne, Pilbara and Wheatbelt. Businesses in these regions continue to face difficulty attracting both seasonal and skilled workers — particularly those that rely on international and interstate migration.

Four out of five (79%) regional businesses identified rising operating costs as a barrier to growth – including nine out of ten in the Mid-West/Gascoyne (91%) and South West (89%), and around eight out of ten (82%) in the Wheatbelt.

Supply chain disruptions have again eased, with around one in two (54%) regional businesses reporting it as a barrier to growth in the coming year, down 6 percentage points since last quarter. That includes seven out of ten (69%) businesses in the Pilbara and nearly two thirds (65%) in the Wheatbelt. Weaker demand has increased as a concern for regional businesses, with almost one in five (17%) identifying this factor as a barrier to growing their business in the year ahead — up 11 percentage points from last quarter. Much of this is driven by the Great Southern, where around one third (35%) of businesses reported weak demand as a barrier to growth.

Worker Shortages in Regional WA

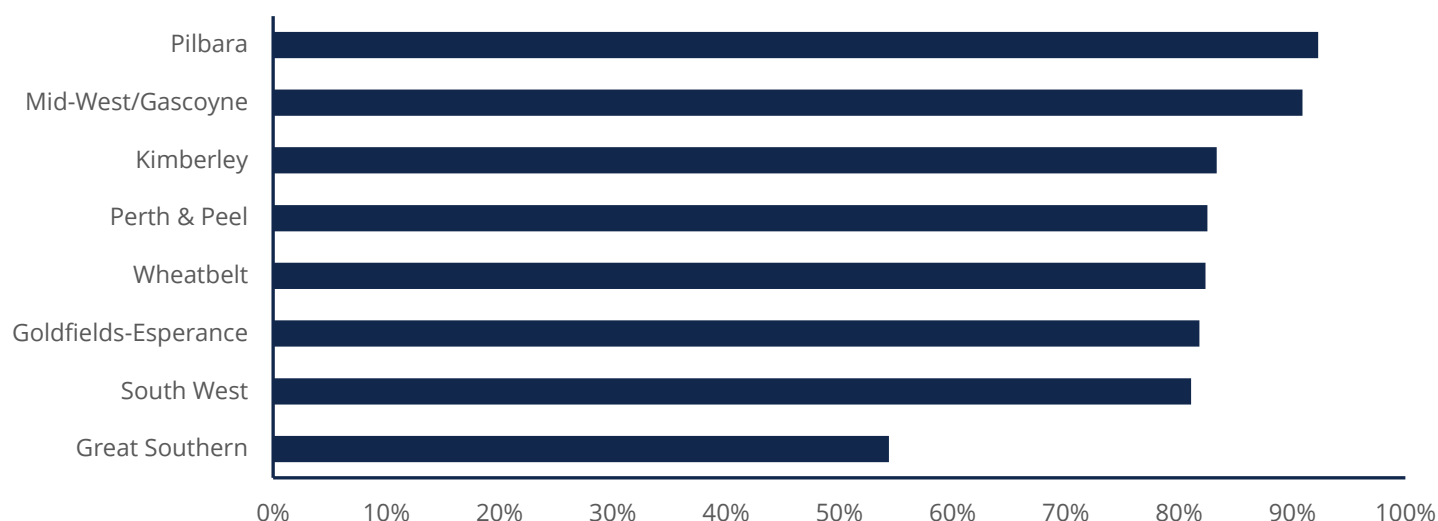
In this edition of *Regional Pulse*, we look at WA's skills crisis and its impacts on regional businesses.

All up, three in four (75%) regional businesses identified they are struggling to fill a skilled occupation.

- Skills shortages are most acute in the Pilbara (92%) and Mid-West/Gascoyne (91%) regions.
- All other regions, with the exception of the Great Southern, had more than four out of five businesses indicate they were struggling to hire skilled workers.

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	Tradespeople	Mechanics	Tradespeople	Technicians	Fitters	Mechanics
2	Technicians	Mechanics	Hospitality workers	Tradespeople	Admin Staff	Tradespeople	Tradespeople	Tradespeople
3	Hospitality Workers	Tradespeople	Education Workers	Hospitality workers	Agricultural Workers	Admin Staff	Engineers	Admin staff

So, how are regional businesses responding?

- The most common response identified is to invest in training new employees (63%), with those in the Wheatbelt (71%) most likely to be upskilling new starters. At the same time, 14% of businesses are providing sign-on bonuses or other incentives to new employees.
- Around three out of five businesses (62%) are boosting their existing employees' wage, including three quarters (75%) in the Pilbara. One fifth (20%) of businesses in the regions are providing one-off financial rewards such as retention bonuses to existing employees.
- Just under three in five (59%) are upskilling existing employees. Businesses in the Pilbara (75%) and the South West (63%) are most likely to be ramping up their training efforts.
- One quarter (24%) identified that they are turning down offers for new work (e.g. tenders) — down 10 percentage points since last quarter. Those in the Goldfields-Esperance (39%) are most likely to be turning down new projects and work.

Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	1%	11%	88%	1%	20%	78%
South West	0%	8%	92%	0%	11%	89%
Great Southern	2%	21%	77%	2%	39%	60%
Wheatbelt	0%	6%	94%	0%	13%	88%
Goldfields-Esperance	0%	14%	86%	0%	32%	68%
Mid-West/Gascoyne	0%	18%	82%	0%	27%	73%
Pilbara	0%	8%	92%	0%	15%	85%
Kimberley	0%	13%	87%	0%	39%	61%
WA Regions	1%	14%	85%	1%	27%	72%
Total WA	1%	12%	87%	1%	24%	74%

Seven out of ten (72%) regional WA businesses are anticipating labour costs to increase over the next three months – up 2 percentage points from last quarter – while around a quarter (27%) expect no change, down 2 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 South West (89%), Wheatbelt (88%) and Pilbara (85%) regions – all higher than the Perth metro area (78%).

Production

Expectations by Region (WA)	Production					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	36%	33%	32%	11%	42%	48%
South West	27%	54%	19%	11%	46%	43%
Great Southern	30%	50%	20%	16%	45%	39%
Wheatbelt	18%	29%	53%	18%	29%	53%
Goldfields-Esperance	18%	41%	41%	5%	59%	36%
Mid-West/Gascoyne	18%	64%	18%	9%	36%	55%
Pilbara	8%	38%	54%	8%	23%	69%
Kimberley	22%	52%	26%	14%	59%	27%
WA Regions	23%	48%	29%	12%	45%	43%
Total WA	28%	41%	31%	12%	43%	45%

More than four out of ten (45%) WA businesses are planning to ramp up production over the next three months — up 7 percentage points. This is a similar proportion for the regions, where 43 per cent are planning to increase production.

Businesses most likely to increase production over the coming quarter operate in the Pilbara (69%) and Mid-West/Gascoyne regions.

Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Perth and Peel	65%	25%	10%	49%	29%	22%
South West	73%	19%	8%	54%	27%	19%
Great Southern	61%	32%	7%	40%	40%	20%
Wheatbelt	38%	50%	13%	53%	29%	18%
Goldfields-Esperance	52%	33%	14%	40%	45%	15%
Mid-West/Gascoyne	55%	27%	18%	27%	55%	18%
Pilbara	54%	46%	0%	38%	23%	38%
Kimberley	61%	26%	13%	33%	48%	19%
WA Regions	59%	31%	10%	43%	37%	20%
Total WA	62%	29%	9%	46%	34%	21%

Three out of five (62%) WA businesses reported declining profit margins over the June quarter, up 2 percentage points since last quarter. This was slightly less across the regions, with 59 per cent 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 (43%) expecting profits to decline next quarter. 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, a significant proportion of regional businesses have identified skilled labour shortages and rising operating costs as barriers to growing their business over the coming year, which may in turn be dampening 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	9%	71%	20%	7%	71%	22%
South West	5%	70%	24%	8%	64%	28%
Great Southern	9%	74%	18%	5%	77%	18%
Wheatbelt	6%	56%	38%	0%	63%	38%
Goldfields-Esperance	14%	62%	24%	5%	74%	21%
Mid-West/Gascoyne	30%	40%	30%	9%	82%	9%
Pilbara	8%	58%	33%	0%	67%	33%
Kimberley	9%	73%	18%	5%	76%	19%
WA Regions	10%	67%	23%	5%	72%	23%
Total WA	9%	68%	22%	6%	71%	23%

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. This is particularly true as interest rates begin to rise as they have in the past few months.

Around one in five (23%) businesses in regional WA increased their debt or credit levels in the September quarter, up a single percentage point. Looking ahead to the next three months, the same proportion are anticipating their debt or credit levels to rise.

Businesses most likely to take on additional debt operate in the Wheatbelt (38%) and Pilbara (33%). Overall, most regional businesses (72%) 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	6%	57%	37%	7%	61%	32%
South West	11%	57%	32%	8%	62%	30%
Great Southern	7%	51%	42%	11%	60%	30%
Wheatbelt	6%	44%	50%	19%	44%	38%
Goldfields-Esperance	0%	45%	55%	10%	48%	43%
Mid-West/Gascoyne	18%	45%	36%	9%	73%	18%
Pilbara	0%	42%	58%	0%	42%	58%
Kimberley	4%	39%	57%	9%	48%	43%
WA Regions	7%	48%	45%	10%	55%	35%
Total WA	6%	53%	41%	8%	60%	33%

Around one third (35%) of businesses in regional WA plan to increase capital expenditure over the next three months – down 5 percentage points from last quarter.

Businesses most likely to ramp up their capital expenditure operate in the Pilbara (58%), Goldfields-Esperance (43%) and Kimberley (43%) regions. Maintaining 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	28%	36%	36%	9%	40%	51%
South West	22%	51%	27%	19%	49%	32%
Great Southern	21%	61%	18%	11%	44%	46%
Wheatbelt	6%	38%	56%	18%	29%	53%
Goldfields-Esperance	23%	27%	50%	9%	41%	50%
Mid-West/Gascoyne	27%	64%	9%	0%	73%	27%
Pilbara	8%	23%	69%	0%	25%	75%
Kimberley	26%	35%	39%	5%	57%	38%
WA Regions	20%	47%	33%	11%	45%	44%
Total WA	24%	41%	35%	10%	43%	47%

WA's labour market remains tight. Our unemployment rate returned to 3.1% in August - close to record low levels, while there are still more job vacancies than unemployed people looking for work in WA.

One third (33%) of regional businesses increased their staff levels over the quarter, while just under half (47%) recorded no change to their workforce. Businesses in the Pilbara (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 Pilbara (75%), Wheatbelt (53%) and Goldfields-Esperance (50%) regions.

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