



Chamber of Commerce
and Industry WA

WA Business Confidence bounces back

CCIWA Business Confidence Survey
September Quarter 2023



Western Australian business confidence edged up over the September quarter, with both short and longer-term confidence looking slightly more optimistic than in June.

The main factor buoying confidence is a slight loosening in the labour market, with fewer businesses reporting skill shortages as a barrier to growth – now down 13 percentage points since last year.

While slightly more optimistic, WA businesses are still dealing with surging operating costs, with almost four in five (79%) indicating this is a barrier to growth over the next 12 months – unchanged since last quarter. And while the labour market appears to be loosening slightly, labour shortages remain a barrier to growth – as reported by seven out of ten (71%) respondents. In addition, concerns about weakening demand continue to rise, as consumers look to tighten their belts in the face of inflationary pressures and the RBA cash rate now sitting firmly in restrictive territory.

In this edition of the *CCIWA Business*

Confidence Survey, we asked WA businesses how effective strategies have proven in mitigating the impact of rising inflation and interest rates, persistent skills shortages and weakening demand. We also asked businesses what their greatest cost pressures are as well as what they would like to see prioritised in the next State Budget.

Short- and longer-term outlooks pick up

Confidence in both the short-term (3-month) and long-term (12-month) economic outlooks have increased over the September quarter.

Short-Term Index rises 2.6 Index Points over the quarter

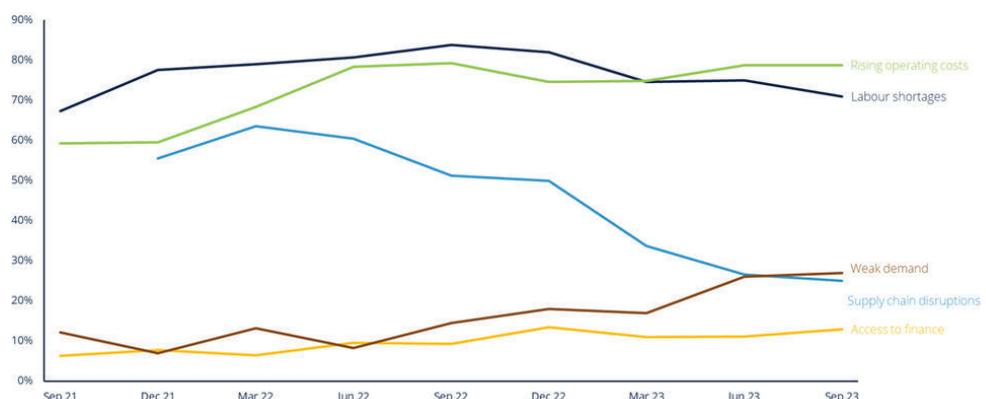
Three in 10 (31%) WA businesses believe conditions will improve over the next three months, up a percentage point since last quarter. Two in five (39%) WA businesses anticipate no change, up 5 percentage points, while the remaining three in 10 (30%) expect conditions to soften, down 6 percentage points since last quarter.

Long-Term Index rises 2.2 Index Points over the quarter

Just under one in five (17%) businesses expect the WA economy to improve over the upcoming 12 months – up a percentage point since last quarter –

Barriers to Business Growth

% of survey respondents reporting barrier



while two in five (40%) anticipate no change. A similar proportion (43%) believe conditions will worsen, up one percentage point since last quarter.

The industries driving short-term confidence

Businesses in the **construction** industry are leading WA business' short-term confidence this quarter. Over two in five (44%) businesses in this sector expect stronger economic conditions, up a significant 10 percentage points since last quarter. This likely reflects the huge pipeline of residential construction set to be completed, along with the slight easing in labour market conditions.

The **professional services** sector no longer leads short term confidence, with now only 14% of businesses in this sector expecting improved economic conditions over the next 3 months. This is now down by 21 percentage points since last quarter and 66 percentage points since March.

The second industry leading short-term confidence is the **resources** sector, with over two in five (43%) businesses in this sector showing optimism in the short term – a 10 percentage point increase since last quarter, in line with stronger prices for some commodities.

Business Confidence

Current, 3-month and 12-month expectations

Index, 100 = 2016/17 Financial Year



A similar proportion (40%) of businesses in the **transport** industry indicated they expect strong economic conditions over the next 3 months – almost unchanged since last quarter. This is followed by **manufacturing**, with one in three (33%) businesses reporting they are optimistic about short-term economic conditions.

On the flipside, only 7% of businesses in the **retail trade** sector and 11% in the **health care and social assistance** sector anticipate stronger conditions – down significantly by 25 percentage points and 18 percentage points respectively since last quarter, likely reflecting the expected slowdown in household consumption.

The **education and training** industry

(14%) also has a relatively lower proportion of businesses anticipating stronger conditions over the next 3 months.

Barriers to business

Operating environments are constantly evolving, and changes vary from one industry to another. In this section, we take a closer look at the main barriers different sectors are anticipating over the 12 months.

Rising operating costs continue to dominate as the leading barrier to business growth in the September quarter, closely trailed by availability of skilled labour. This quarter has also seen mounting concerns around weak demand.



RISING OPERATING COSTS

Identified by **79%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Retail trade (94%)
- Resources (93%)
- Transport (90%)



SKILL SHORTAGES

Identified by **71%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Transport (90%)
- Resources (86%)
- Construction (78%)



WEAK DEMAND

Identified by **27%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Retail trade (53%)
- Agriculture (47%)
- Manufacturing (44%)



SUPPLY CHAIN DISRUPTIONS

Identified by **25%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Agriculture (53%)
- Accommodation & Food Services (39%)
- Resources (36%)

Almost four in five (79%) businesses cited rising operating costs as a barrier to growing their business over the coming year – as rising wages, steep insurance costs and tax burdens exert cost pressures on businesses.

Concerns around rising costs were most prevalent in the **retail trade** sector, with 94% of respondents citing this as a barrier. Other sectors with a relatively high proportion of businesses identifying rising operating costs as a barrier include **resources** (93%), **transport** (90%) and **health care** (90%).

The availability of skilled labour is still the second most prevalent barrier to business growth, identified by seven in 10 (71%) businesses – down 4 percentage points since last quarter. The **transport** (90%), **resources** (86%), **construction** (78%), and **agriculture** (76%) industries saw the largest proportion of businesses citing this as a barrier.

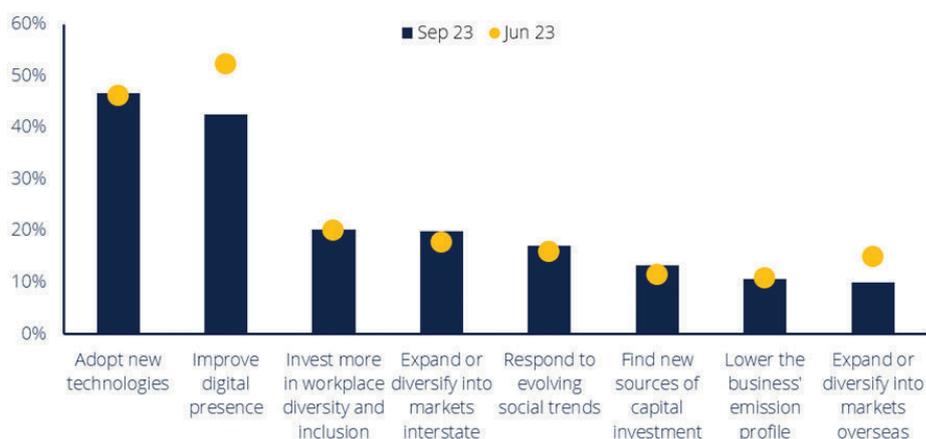
Over a quarter (27%) of businesses identified weak demand as a barrier to growth, up one percentage point from last quarter, in a sign that household spending continues to ease as consumer sentiment cools. The highest proportion of businesses reporting this are in the **retail trade** (53%), **agriculture** (47%) and **manufacturing** (44%) industries.

Business plans

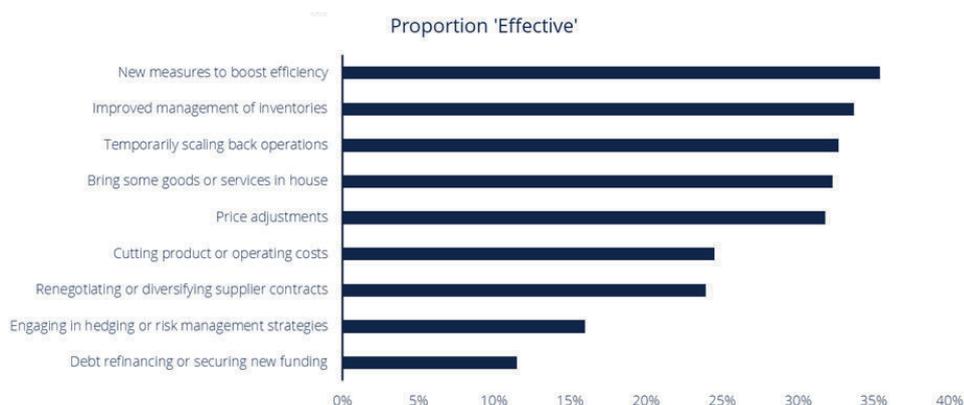
Adoption of new technology is the most prevalent action on the business plan this quarter, identified by around half (47%) of respondents. The September quarter has seen a slight decrease in the proportion of businesses looking to improve their digital presence (47%), down 10 percentage points. Similarly, fewer are looking to expand or diversify into markets overseas (10%), down 5 percentage points – this is potentially a result of ongoing geopolitical risks and a slowing global economy. Other business plans have remained relatively steady since last quarter, including:

- Invest more in workplace diversity

Business plans over the next 12 months



Effectiveness of strategies in mitigating the pressures caused by higher inflation and interest rates



- and inclusion (20%)
- Expand or diversify into markets interstate (20%)
- Respond to evolving social trends (17%)
- Find new sources of capital investment (13%)
- Lower the business' emission profile (11%)
- Expand or diversify into markets overseas (10%)

Effectiveness of strategies used to navigate the top barriers to business

Higher inflation and interest rates, low availability of skilled labour and weak demand are now the biggest barriers to business growth. In this edition of CCIWA's *Business Confidence Survey*, we asked West Australian businesses

about the effectiveness of the strategies they have used to help mitigate the impact of each of these issues.

When asked which strategies are most effective in navigating higher inflation and interest rates, businesses identified that introducing new measures to boost efficiency has been the most effective, with over a third (35%) of respondents reporting this. Other strategies that were considered effective include improved management of inventories (34%), temporarily scaling back operations (33%), bringing some goods or services in house (32%) and price adjustments (32%).

Turning to skill shortages, the most effective strategy businesses have found in overcoming this barrier has been investing in human capital, with more than half (52%) of businesses identifying upskilling existing

employees has been effective and a similar proportion (48%) indicating that training new employees has proved successful. Other strategies that have proven to be effective are boosting employee's base wages (37%), providing one-off financial rewards to existing employees (36%) and declining offers for new work (33%).

With almost two in five (38%) businesses reporting a slowdown in demand for their products and household spending set to weaken further, understanding effective strategies to combat this will be crucial for businesses over the next 12 months. For those businesses that are starting to experience softer demand, 37% said diversifying into new markets or customer segments had proved to be effective. Scaling back operations (35%) and introducing new products or services (30%) has also proved to be successful.

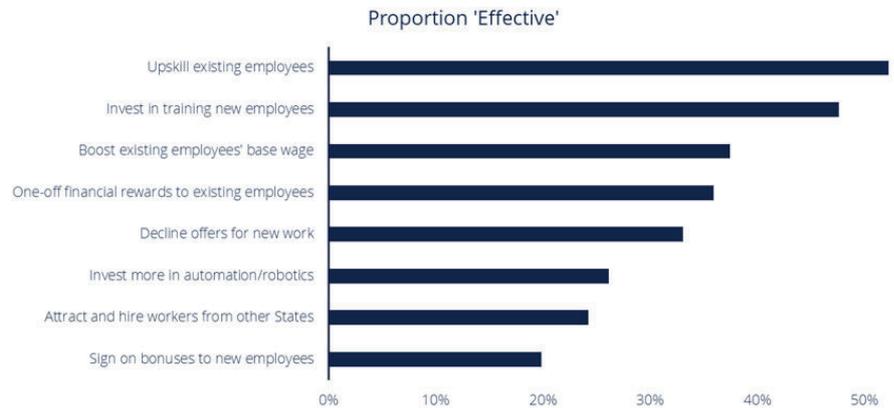
Uncovering the pinch points of business' operating costs

Sustained inflationary pressures and high interest rates coupled with labour market shortages have continued to exert upward pressure on operating costs. In this edition of the *CCIWA Business Confidence Survey* we seek to unmask the greatest cost pressures faced by businesses in WA.

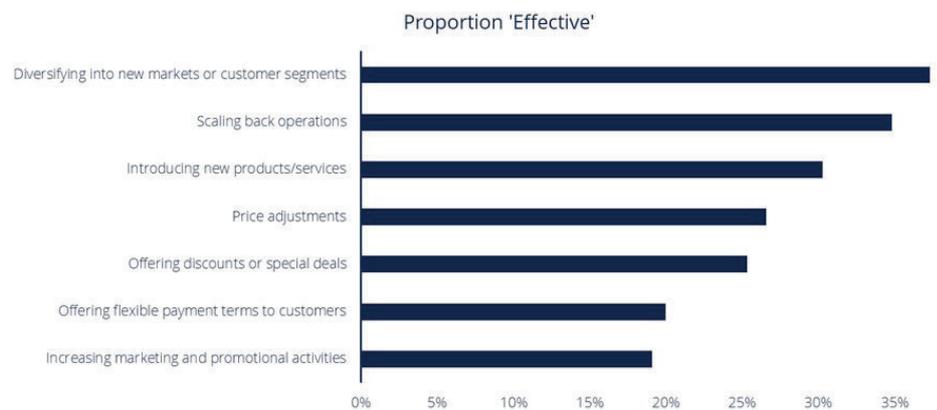
More than three in four (76%) businesses said wages are their greatest cost pressure. The sectors which saw the highest proportion of businesses experiencing wages as a main cost pressure were the food and accommodation services (89%), manufacturing (87%), education and training (86%), and resources (86%) industries.

The second most prevalent cost pressure is insurance costs as premiums continue to skyrocket, with just under three in five (57%) businesses indicating this as one of their main pain points. Businesses most likely to experience insurance cost pressures are in the retail trade (79%),

Effectiveness of strategies in mitigating the impact of skills shortages



Effectiveness of strategies in mitigating the impact weakening demand



construction (76%) and resources (57%) sectors.

Meanwhile, over two in five (44%) cited one of their main cost pressures as

taxes, levies and other government charges. Those in the retail trade (63%), professional services (57%) and food and accommodation services (56%) industries were more likely to indicate



this being an issue.

Other cost pressures cited include:

- Supplier costs (36%)
- Utility costs (36%)
- Transport costs (19%)
- Rent (14%)
- Loan repayments (10%)

Breaking this down by business size, 87% of medium sized businesses are experiencing wage cost pressures. This compares with only 66% of small businesses. Small businesses are the most likely to be experiencing insurance cost pressures (65%) – compared with 42% of large businesses.

Of note, there is a significant disparity among business reporting that their greatest cost pressure is taxes, levies and other government charges by business size. Medium sized businesses have the greatest proportion (51%) of businesses reporting cost pressures by taxes, levies and other government charges. Closely following are small businesses, with over two in five (43%) indicating this, while only 15% of large businesses indicated they experience this cost pressure. This highlights that taxes like payroll tax have an outsized impact on smaller businesses.

Easing the Burden of WA's Payroll Tax a Top Priority next State Budget

In this edition of the CCIWA Business Confidence Survey, we also asked Western Australian businesses what they would like to see in the next State Budget.

Looking to the responses, the majority (68%) of WA businesses would like to see a reduction in WA's payroll tax in the next State Budget – as Western Australian businesses face the nation's most substantial payroll tax burden, contributing significantly to the overall cost of operating a business. The second most cited issue is measures to attract workers into the State – with 52% of businesses indicating this should be a priority. A similar

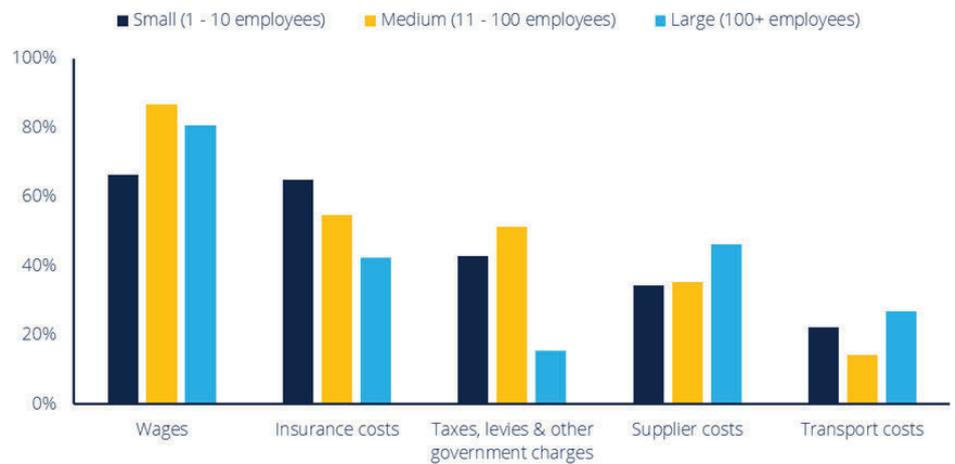


proportion (49%) would also like to see a reduction in stamp duty.

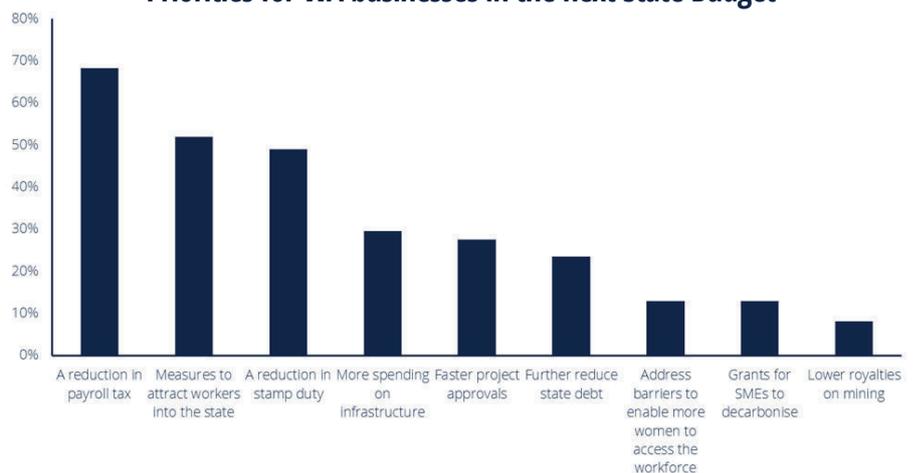
Additionally, three in 10 (30%) businesses would like to see increased spending on infrastructure, while 28% would like to expedite project approvals. Other issues respondents highlighted as priorities include:

- Further reducing the State's debt (23%)
- Addressing barriers to facilitate greater female workforce participation (13%)
- Providing grants to SMEs to assist decarbonisation efforts (13%)
- Lowering royalties on mining (8%)

Main cost pressures by business size



Priorities for WA businesses in the next State Budget



TOP THREE OCCUPATIONS IN DEMAND BY INDUSTRY

	1	2	3
Agriculture	Operators/Technicians	Mechanics	Managers
Resources	Technicians	Mechanics	Engineers
Manufacturing	Welders	Fabricators	Machinists
Construction	Carpenters	Electricians	Truck Drivers
Retail Trade	Warehouse Staff	Salespeople	Managers
Transport, Postal & Warehousing	Truck Drivers	Mechanics	Engineers
Information Media & Telecommunications	Technicians	Salespeople	Engineers
Real Estate Services	Property Managers	Salespeople	Administrative Staff
Professional Services	Engineers	Human Resources Consultants	Draftspersons
Food Services	Chefs	Managers	Butchers
Health Care & Social Assistance	Support Workers	General Practitioners	Cleaners

Business Confidence, September 2023



Both the **short-** and **longer-term outlook** have **picked up** this quarter.



CCIWA's next quarter **Profitability Index** picks up 7.1 index points in the **September quarter**



The **majority** (68%) of WA businesses would like to see a **reduction** in WA's **payroll tax** burden in the next State Budget



Three in four (76%) businesses said the cost of **labour** is their **greatest cost** pressure

KEY RESULTS FROM THE SURVEY

INDICATOR (INDEX)	Actual			Expected	
	Mar 23	Jan 23	Sep 23	1 Quarter	1 Year
Economy					
WA Economic Conditions	121.4	117.7	119.8	126.0	100.5
Operating Conditions					
Employment	112.0	110.4	107.5	112.9	-
Labour Costs	137.2	137.7	139.3	131.5	-
Anticipated CAPEX	114.3	114.5	115.7	-	.
Profitability	80.6	79.5	81.4	91.8	.

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 September 2023 is 119.8, which suggests that the average score of survey respondents for economic conditions in September 2023 is 19.8 per cent higher than the average response in 2016/17.

SAMPLE

Industry	
Manufacturing	19%
Construction	19%
Food & Accommodation	7%
Agriculture, Forestry & Fishing	6%
Retail Trade	6%
Resources	5%
Professional Services	5%
Transport, Postal & Warehousing	4%
Other	29%
Business Size	
Small (1-10 employees)	47%
Medium (11-100 employees)	43%
Large (100+ employees)	10%

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