



Chamber of Commerce
and Industry WA

Cost-of-business crisis continues to buffet WA's small and family businesses

CCIWA Business Confidence Survey
December Quarter 2023

Inflationary headwinds and ongoing labour shortages are continuing to buffet Western Australian businesses.

Businesses continue to see rising operating costs as the main obstacle to growing their business over the next 12 months, with three in four (75%) businesses reporting this. The biggest cost pressure is wages, which is compounded by WA having the highest payroll tax burden in the country.

Additionally, businesses are grappling with persistent labour shortages. An alarming proportion of businesses in the professional services (87%), resources (85%) and transport (82%) sectors have reported they are struggling to fill a position.

Encouragingly, the lead up to Christmas has seen weak demand ease as a growth barrier, with nearly one in five (18%) businesses reporting this, down 9 percentage points since September. Although this concern has reduced on aggregate, it remains acute for businesses in the food services, retail trade and agriculture sectors.

In this edition of CCIWA's *Business Confidence Survey* — which attracted 816 responses — we asked businesses what they would be forced to do next Christmas should the proposed changes to casual employment in the Closing Loopholes Bill come into effect, where the company's repayments sit relative to its turnover and whether they are struggling to hire for a particular skillset.

Short-Term Index rises 2.1 Index Points over the quarter

Three in 10 (32%) WA businesses believe conditions will improve over the

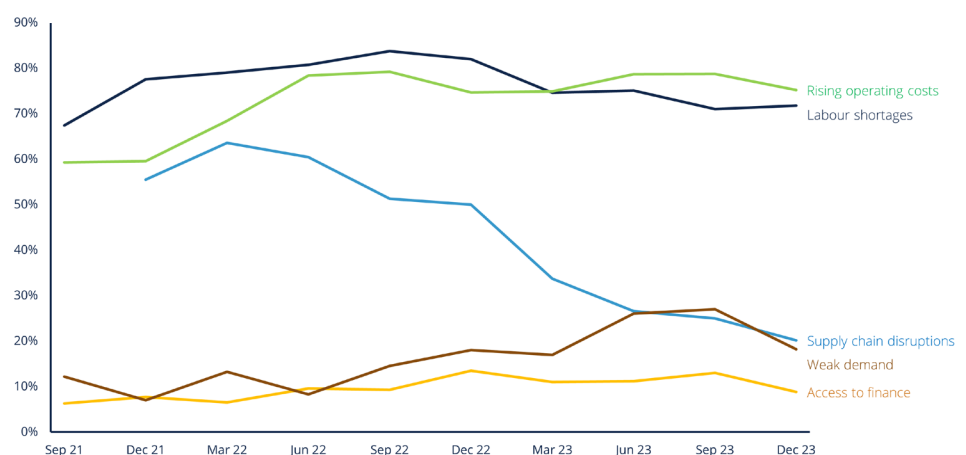
next three months. Two in five (40%) WA businesses anticipate no change, while the remaining three in 10 (28%) expect conditions to soften.

Long-Term Index rises 1.8 Index Points over the quarter

Just over one in five (21%) businesses expect the WA economy to improve over the upcoming 12 months — up 4 percentage points since last quarter — while just over two in five (42%) anticipate no change. The remainder (37%) believe conditions will soften, down 6 percentage points since last quarter.

Barriers to Business Growth

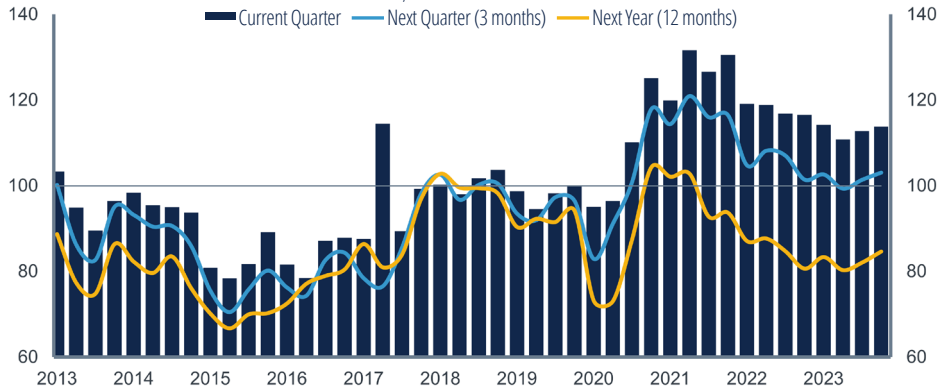
% of survey respondents reporting barrier



Business Confidence

Current, 3-month and 12-month expectations

Index, 100 = 2018 Calendar Year



The industries driving short-term confidence

Businesses in the **information media and telecommunications** industry are leading short-term confidence this quarter. Over half (55%) of businesses in this sector expect conditions to improve over the next three months.

Of note, confidence in the **professional services** sector has rebounded from the September quarter. More than half (53%) of businesses in this sector expect improved economic conditions, up a significant 39 percentage points since last quarter – likely reflecting the need for consultancy work to service the significant pipeline of public investment projects.

The third industry leading short-term confidence is the **accommodation** sector — with half (50%) of businesses in this sector showing optimism in the short term, up 25 percentage points. This increase in confidence is in line with the holiday season, where tourism businesses can anticipate a boost in activity.

A similar proportion (46%) of businesses in the **resources** industry indicated they expect strong economic conditions over the next three months — remaining steady since last quarter. This is followed by **construction**, with more than two in five (43%) businesses reporting they are optimistic about short-term economic conditions.

On the flipside, only 11% of businesses in the **transport, postal and warehousing** sector expect strong conditions – down significantly by 29 percentage points. Similarly, only 12% in the **health care and social assistance** sector anticipate stronger conditions.

The **retail trade** industry (17%) also has a relatively lower proportion of businesses anticipating stronger conditions over the next three months, likely reflecting concerns around a slowdown in household consumption as the cost of living rises.

Barriers to business

Rising operating costs continue to dominate as the leading barrier to business growth over the next 12 months, closely followed by labour shortages. This quarter has also seen easing concerns around weak demand, supply chain disruptions and access to finance.

Three in four (75%) businesses cited rising operating costs as a barrier to growing their business over the coming year. Concerns around rising costs were most prevalent in the **accommodation** and **arts and recreation** sectors, with 90% and 89% of respondents in each industry citing this as a barrier.



RISING OPERATING COSTS

Identified by **75%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Accommodation (90%)
- Arts & Recreation (89%)
- Finance & Insurance (85%)



SUPPLY CHAIN DISRUPTIONS

Identified by **22%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Wholesale Trade (63%)
- Professional Services (32%)
- Utilities (31%)



SKILL SHORTAGES

Identified by **72%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Accommodation (90%)
- Resources (83%)
- Construction (82%)



WEAK DEMAND

Identified by **19%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Food Services (42%)
- Retail Trade (39%)
- Agriculture (29%)

The availability of skilled labour is still the second most prevalent barrier to business growth, identified by seven in 10 (72%) businesses. The **accommodation** (90%), **resources** (83%), **construction** (82%) and **real estate** (80%) industries saw the largest proportion of businesses citing this as a barrier.

One in five (19%) businesses identified weak demand as a barrier to growth, down 8 percentage points from last quarter — in line with consumers spending more in the lead up to Christmas. Despite the decline, concerns around weak demand persist in the food services (42%), **retail trade** (39%) and **agriculture** (29%) industries.

Business plans

The improvement of digital presence is the most reported action item on the business plan this quarter, reported by almost half (46%) of businesses — marking an increase of 4 percentage points since the September quarter. Plans to improve digital presence are most prevalent in the **real estate** (57%), **information media and telecommunications** (55%) and **arts and recreation** (53%) sectors.

The second most cited plan is to expand or diversify within WA, indicated by two in five (39%) businesses. The **arts and recreation** (65%), **professional services** (53%) and **resources** (53%) sectors saw the largest proportion of businesses citing this as a business plan.

Compared with last quarter, fewer businesses are looking to adopt new



technologies (38%), down 8 percentage points. Similarly, fewer are looking to expand or diversify into markets interstate (12%), down 8 percentage points.

The proportion of businesses planning on implementing other plans has remained relatively unchanged since the September quarter, including:

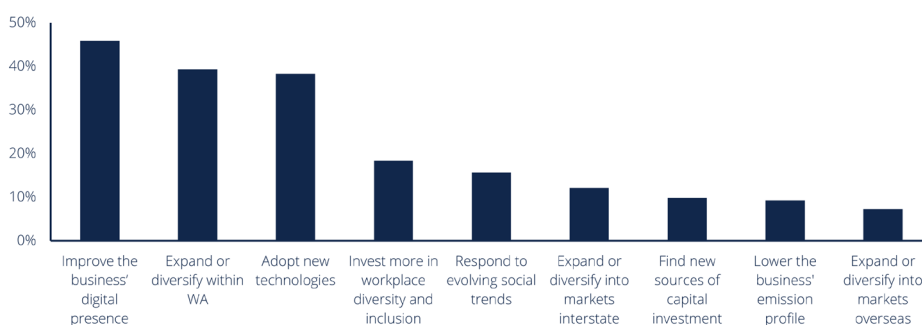
- Invest more in workplace diversity and inclusion (18%)
- Respond to evolving social trends (16%)
- Find new sources of capital investment (10%)
- Lower the business' emission profile (9%)
- Expand or diversify into markets overseas (7%)

The Closing Christmas Bill set to lay off Santa's helpers

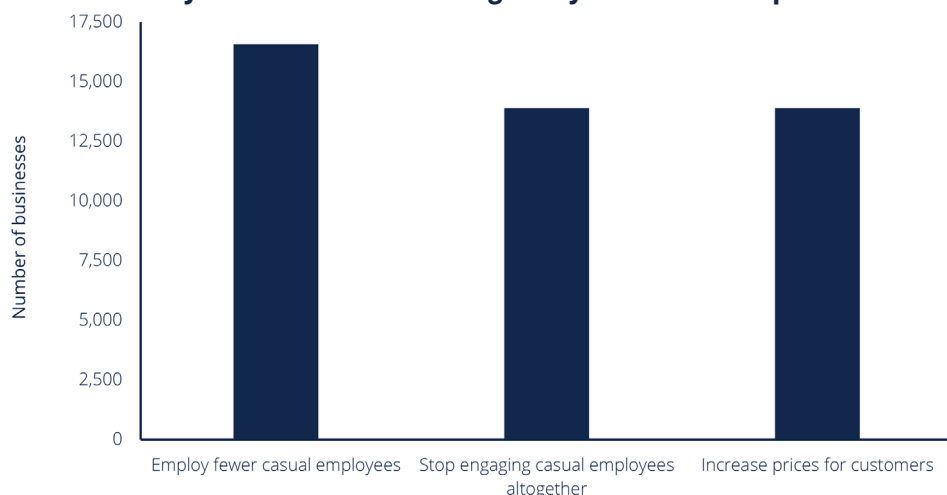
The complexity of the proposed changes to industrial relations (IR) legislation will compromise the flexibility of businesses to meet increased capacity, along with needing to constantly modify practices to avoid falling foul of the law and avoiding large civil penalties. In this edition of *CCIWA's Business Confidence Survey* we dive into the impact the proposed changes to the IR legislation will have on future holiday periods by asking Western Australian businesses what they will be required to do next Christmas in response to the proposed changes to the definition of casual employment.

Looking to the responses, the proposed changes relating to casual employment would see about 18% of WA businesses employ fewer staff and 15% would stop engaging casual employees altogether. This equates to about 16,000 businesses employing fewer staff and 13,900 stopping employing casuals. At the same time, it is expected that around 15% — or 13,900 businesses — would increase prices for customers, leaving WA with less opportunities for Christmas helpers and an overall more expensive Christmas.

Business plans over the next 12 months



In response to the changes to the definition of casual employment, what would you be forced to do during next year's Christmas period?



Interest repayments bite

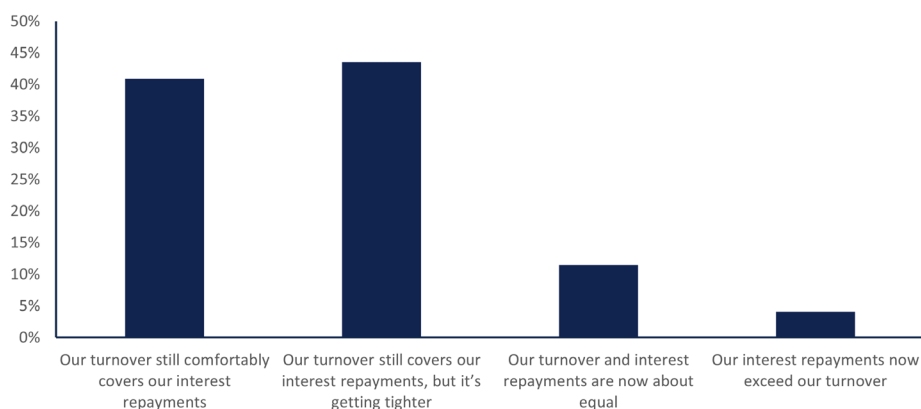
The latest cash rate hike in November marked the fifth rise in the 2023 calendar year, taking the cash rate to 4.35%. In this edition of *CCIWA's Business Confidence Survey*, we asked businesses where their repayments sit relative to turnover as the full impact of interest rate increases continues to flow through.

A large proportion of respondents indicated their turnover remains greater than their interest repayments, with two in five (41%) indicating their turnover still comfortably covers their interest repayments — down 2 percentage points since the June quarter. A similar proportion (44%) indicated their turnover still covers their interest repayments, but it is getting tighter. Just over one in 10 (11%) said their turnover and interest repayments are now about equal. More alarmingly,

around 4% of respondents indicated their interest repayments now exceeded their turnover — however, this is down 2 percentage points compared with six months ago.

Unpacking this further, businesses in the **arts and recreation** (43%), **finance and insurance** (25%), and **education and training** (21%) industries are feeling the squeeze the most, with the greatest proportion of respondents identifying their repayments are now equal to or greater than their turnover. On the flipside, businesses in the **professional services** (100%), **resources** (97%) and **manufacturing** (91%) sectors identified they are the most comfortable with where their level of repayments sit, with greater proportions reporting their turnover still comfortably covers their repayments.

Where does your company's repayments sit relative to your turnover?



Skills shortages

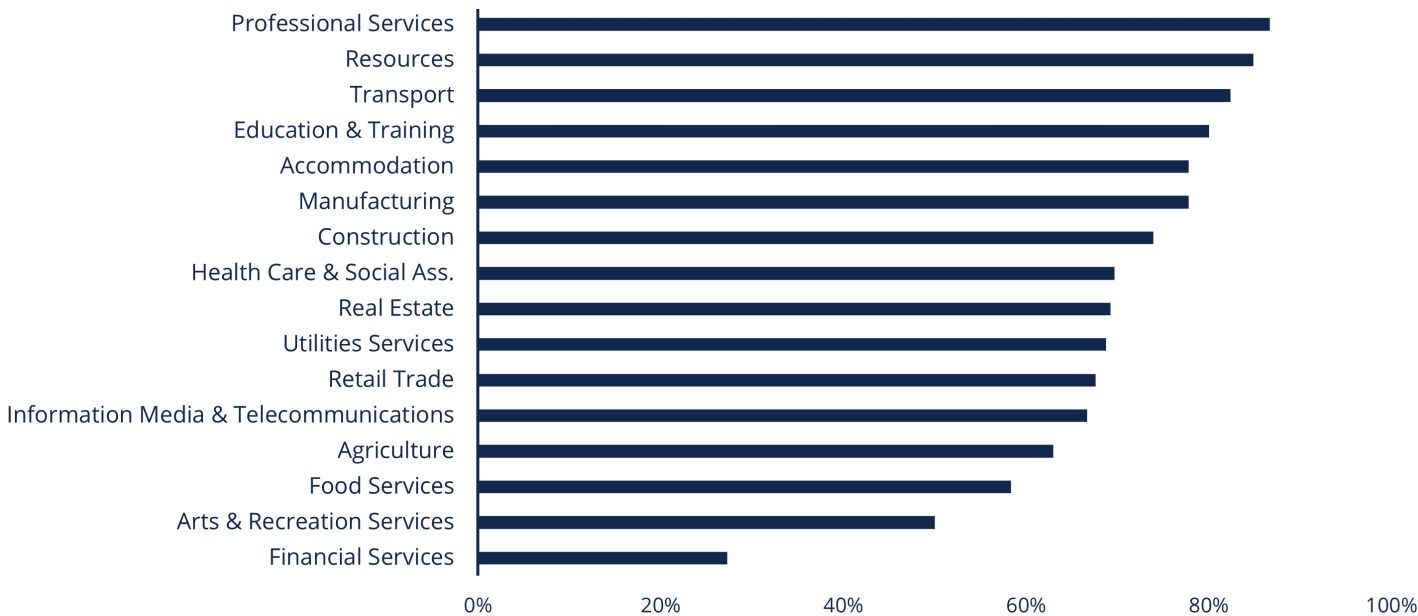
Sourcing workers remains a persistent issue for WA businesses, as labour market conditions have moderated only slightly over the past 12 months. In this edition of CCIWA's *Business Confidence Survey*, we asked WA businesses whether they are struggling to fill a position.

Looking to the responses, seven in 10 (69%) businesses said they were struggling to hire for a particular skillset. This proportion has decreased 7 percentage points since the September quarter, however it remains significantly elevated.

Breaking the results down by industry, more businesses in the professional services (87%), resources (85%) and transport (82%) sectors are struggling to fill a position. Meanwhile, the financial services industry (27%) has a relatively lower proportion of businesses indicating the same.



% of businesses struggling to fill a position



TOP THREE OCCUPATIONS IN DEMAND BY INDUSTRY

	1	2	3
Agriculture	Farm Workers	Agricultural, Fisheries and Forestry Scientists	Technicians
Resources (including Mineral Resources and Oil & Gas)	Trades Workers	Machine Operators and Drivers	Engineers
Manufacturing	Technicians and Trades Workers	Machine Operators and Drivers	Automotive Electricians & Mechanics
Utilities Services	Technicians and Trades Workers	Engineering Professionals	Fire and Emergency Workers
Construction	Construction Workers	Electricians	Plant Operators
Retail Trade	Automotive Electricians and Mechanics	Personal Service Workers	Sales Assistants and Salespersons
Accommodation Services	Chefs	Clerical and Administrative Workers	Managers
Transport, Postal & Warehousing	Automotive Electricians and Mechanics	Road and Rail Drivers	Fabrication Engineering Trade Workers
Information Media & Telecommunications	ICT and Telecommunications Technicians	Telecommunications Engineering Professionals	Electronics Trades Workers
Financial & Insurance Services	Accounting Clerks and Bookkeepers	Administrative Workers	Financial Investment Advisers
Real Estate Services	Real Estate Sales Agents	Advertising and Marketing Professionals	Managers
Professional, Scientific & Technical Services	Engineers	Accountants	ICT Professionals
Education & Training	Child Carers	Teachers	Vocational Education Teacher
Health Care & Social Assistance	Medical Practitioners	Carers and Aiders	Social & Welfare Professionals
Food Services	Chefs	Butchers	Hospitality Workers

Business Confidence, December 2023



Both **short-term** (three month) and **longer-term** (12 month) economic **outlooks** have **picked up** in this December quarter



Seven in ten (69%) businesses say they are **struggling** to hire for a **particular skillset**



15% of businesses indicate their **interest repayments** are **equal** or **greater** than their **turnover**



Three in four (75%) businesses cite rising **operator costs** as a **barrier** to growing their business over the **coming year**

KEY RESULTS FROM THE SURVEY

INDICATOR (INDEX)

Economy

WA Economic Conditions

Operating Conditions

Employment

Labour Costs

Anticipated CAPEX

Profitability

Actual

Jun 23

Sep 23

Dec 23

Expected

1 Quarter

1 Year

SAMPLE

Industry

Construction

Manufacturing

Retail Trade

Health Care & Social Assistance

Resources

Agriculture, Forestry & Fishing

Food Services

Repairs & Maintenance

Other

Business Size

Small (1-10 employees)

Medium (11-100 employees)

Large (100+ employees)

23%

13%

11%

6%

6%

5%

5%

4%

28%

54%

36%

10%

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 2018 calendar 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 2018. For example, the index for current economic conditions in December 2023 is 112.9, which suggests that the average score of survey respondents for economic conditions in December 2023 is 12.9 per cent higher than the average response in 2018.

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