

Regional Pulse

Chamber of Commerce and Industry WA

December 2023



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 December 2023 *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, 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	About the same	Weaker	Stronger	About the same	Weaker
South West	29%	36%	36%	15%	51%	35%
Great Southern	26%	46%	28%	5%	52%	43%
Wheatbelt	18%	46%	35%	12%	40%	48%
Goldfields-Esperance	39%	37%	24%	28%	45%	28%
Mid-West/Gascoyne	24%	46%	30%	5%	57%	38%
Pilbara	62%	23%	15%	54%	27%	19%
Kimberley	17%	37%	46%	20%	29%	51%
WA Regions	28%	40%	32%	17%	45%	39%
Perth and Peel	36%	40%	24%	24%	41%	36%

Regional businesses are slightly more pessimistic about both the short- and longer- term conditions compared to last quarter. Relative to businesses in the metro area, regional businesses are more pessimistic in both the short- and longer- term.

Fewer regional businesses are optimistic about the next 3 months than they were last quarter. Three in 10 (28%) businesses in regional WA expect conditions to improve, down 4 percentage points since September. However, a greater proportion have a steady

outlook, with two in five (40%) businesses expecting conditions to remain the same - up 7 percentage points.

The longer-term outlook has seen a slight swing towards weaker conditions. Less than one in five (17%) regional businesses expect stronger conditions over the next year, down 2 percentage points since September. Conversely, almost two in five (39%) expect conditions to soften, up 3 percentage points.

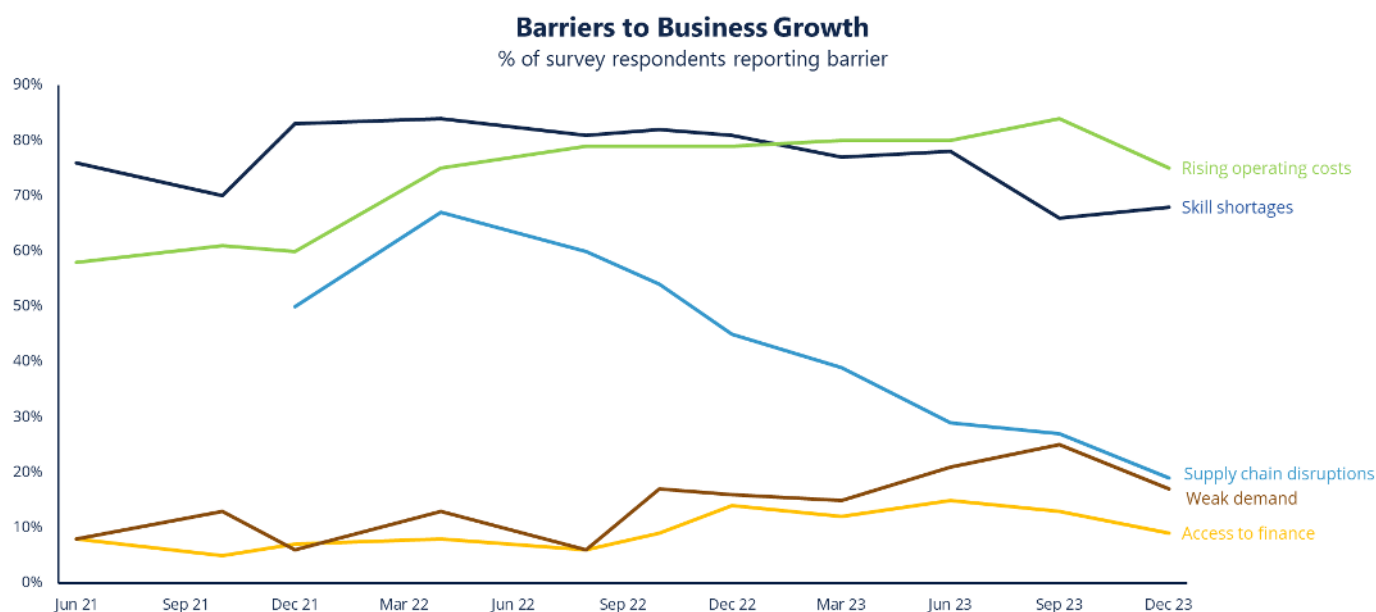
Breaking down the short-term outlook:

- Businesses in the Pilbara (62%) and the Goldfields-Esperance (39%) regions are the most optimistic regarding short term conditions.
 - For Businesses in these regions, this increase in optimism is likely buoyed by the rise in commodity prices experienced over the quarter. The price of iron ore rose around 15% over the December quarter, while the price of gold recovered to hit a record high.
 - Businesses in the Kimberley and Wheatbelt are comparatively less optimistic. Only 17% of businesses in the Kimberley expect stronger conditions over the next three months, likely reflecting the decline in activity during the wet season. Meanwhile just under one in five (18%) businesses in the Wheatbelt region are optimistic about the short term. The relatively lower proportion of businesses expecting stronger conditions may reflect the culmination of several factors, including below median rainfall, the prospect of warmer than average temperatures, and the price of wheat remaining soft.

Barriers to Business

What do you see as a barrier to growing your business in the year ahead?	Barriers to Business				
	Rising operating costs	Availability of skilled labour	Supply chain disruptions	Weak demand	Difficulty accessing new finance from banks
South West	80%	63%	17%	23%	9%
Great Southern	83%	58%	12%	19%	7%
Wheatbelt	82%	69%	32%	14%	8%
Mid-West/Gascoyne	69%	69%	10%	26%	15%
Goldfields-Esperance	80%	73%	27%	0%	5%
Pilbara	46%	81%	12%	19%	4%
Kimberley	57%	74%	20%	17%	11%
WA regions	75%	68%	19%	17%	9%
Perth and Peel	76%	75%	21%	19%	9%

Rising operating costs continue to dominate as the leading barrier to business growth over the upcoming 12 months – with three in four (75%) businesses in regional WA identifying this as a barrier. Encouragingly, this has declined by 9 percentage points since



the September quarter. Concerns around rising operating costs were most prevalent in the Great Southern (83%) and constituted the greatest concern for all regions barring the Pilbara (46%) and Kimberly (57%) regions.

The availability of skilled labour is the second most prevalent concern for regional businesses – with almost seven in 10 (68%) businesses reporting this, rising by 3 percentage points since last quarter. The Kimberly (74%) and Pilbara (81%) regions reported the greatest proportion of businesses anticipating this as a barrier over the next year.

Supply chain disruptions in the regions have once again eased, as the proportion of businesses in regional WA reporting this as a barrier declined to 19%, shedding 8 percentage points from the previous quarter. The proportion of businesses reporting this barrier has now halved from this time last year. Supply chain disruptions remain more acute in the Wheatbelt but have eased since last quarter. Over three in 10 (32%) businesses in the Wheatbelt reported supply chain disruptions as a barrier, down 7 percentage points since last quarter.

As we head into the holiday period, concerns around weakening demand eased slightly this quarter, with 17% of regional businesses reporting this as a barrier - down 6 percentage points since September. Businesses in the Mid-West/Gascoyne region are most wary about weakening demand, with over a quarter (26%) of businesses saying this is a barrier to growth.

Worker Shortages in Regional WA

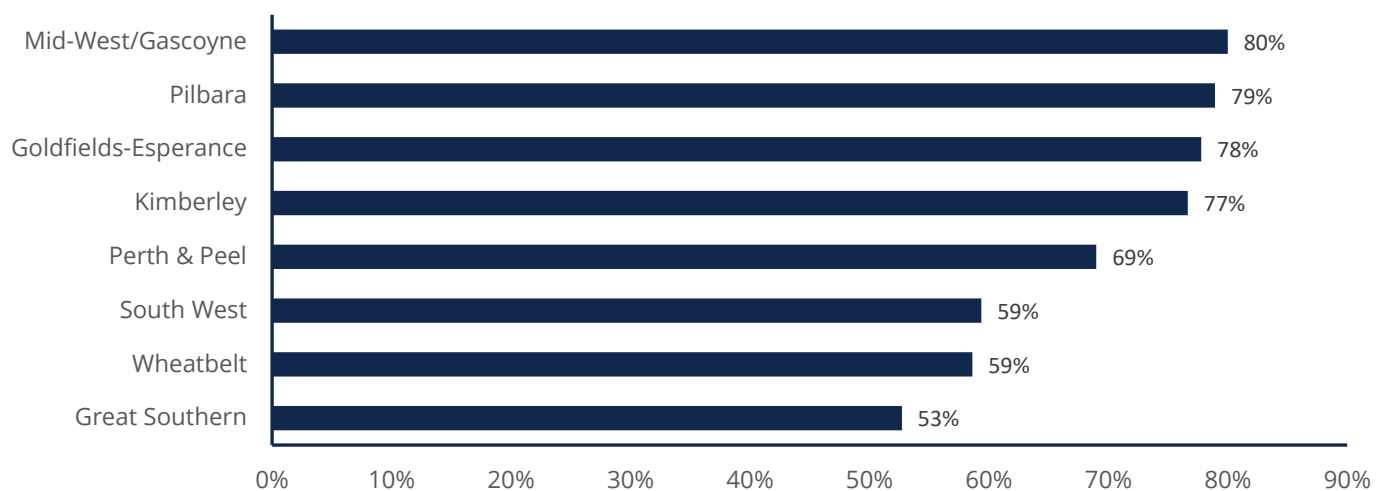
In this edition of Regional Pulse, we look at WA's skills shortages and top occupations in demand by region.

All up, 65% of regional businesses identified they have struggled to fill a skilled occupation – this is down 8 percentage points since the September quarter.

- Skill shortages are most acute in the Mid-West/Gascoyne (80%), Pilbara (79%) and Goldfields-Esperance (78%) regions.
- In all other regions, at least one half of businesses identified they are 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	Wheatbelt	Mid-West/Gascoyne	Goldfields-Esperance	Pilbara	Kimberley
1	Technicians and Trades Workers	Construction Labourers	Technicians and Trades Workers	Machinery Operators and Drivers	Automotive Electricians and Mechanics	Technicians and Trades Workers	Electricians	Automotive Electricians and Mechanics
2	Hairdressers	Automotive Electricians and Mechanics	Machinery Operators and Drivers	Salespeople	Machinery Operators and Drivers	Construction Labourers	Automotive Electricians and Mechanics	Administrative Workers
3	Managers	Real Estate Sales Agents	Automotive Electricians and Mechanics	Technicians and Trades Workers	Administrative Workers	Hairdressers	Engineers	Managers

Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
South West	75%	25%	0%	68%	28%	5%
Great Southern	77%	21%	2%	69%	29%	2%
Wheatbelt	64%	36%	0%	49%	49%	2%
Mid-West/Gascoyne	83%	15%	3%	57%	41%	3%
Goldfields-Esperance	92%	8%	0%	63%	34%	3%
Pilbara	81%	19%	0%	81%	14%	5%
Kimberley	67%	33%	0%	53%	47%	0%
WA Regions	76%	24%	1%	62%	36%	3%
Total WA	80%	19%	1%	65%	33%	1%
Perth and Peel	83%	15%	2%	68%	31%	1%

Around three quarters (76%) of regional businesses saw the cost of hiring and maintaining staff increase over the quarter. This has increased by 7 percentage points since last quarter, likely reflecting the need to increase wages to attract and retain staff as the labour market remains tight.

Looking to the next three months, the majority of regional businesses (62%) expect labour costs to continue to rise – a similar proportion to last quarter. Just over one in three (36%) expect labour costs to remain the same, while 3% expect labour costs to decline.

The Pilbara region has a significantly higher proportion (81%) of businesses expecting labour costs to rise over the next three months compared with the rest of regional WA.

Production/Sales

Expectations by Region (WA)	Production/Sales					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
South West	24%	39%	37%	42%	32%	26%
Great Southern	47%	39%	14%	51%	34%	15%
Wheatbelt	31%	39%	30%	30%	35%	35%
Mid-West/Gascoyne	44%	38%	18%	50%	36%	14%
Goldfields-Esperance	33%	44%	22%	26%	43%	31%
Pilbara	33%	24%	43%	40%	30%	30%
Kimberley	27%	40%	33%	23%	30%	47%
WA Regions	34%	39%	27%	38%	34%	27%
Total WA	38%	37%	25%	42%	35%	23%
Perth and Peel	41%	35%	24%	45%	35%	19%

Just over one in three (34%) regional businesses saw production increase over the December quarter – marking a 7 percentage point increase since September. Almost two in five (39%) saw production remain the same, while the remaining 27% saw production drop.

Looking to the next three months, almost two in five (38%) expect to see production ramp up. A similar proportion (34%) expect production levels to remain steady. The remaining 27% expect to reduce production, up 4 percentage points from last quarter. Businesses most likely to see an increase in production over the coming quarter operate in the Great Southern (51%), Mid-West/Gascoyne (50%) and South-West (42%).

Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
South West	9%	32%	59%	14%	45%	42%
Great Southern	16%	40%	44%	32%	38%	30%
Wheatbelt	12%	38%	50%	18%	28%	53%
Mid-West/Gascoyne	18%	54%	28%	34%	37%	29%
Goldfields-Esperance	11%	44%	44%	6%	49%	46%
Pilbara	33%	14%	52%	40%	30%	30%
Kimberley	14%	38%	48%	7%	39%	54%
WA Regions	14%	38%	47%	21%	38%	41%
Total WA	16%	38%	46%	23%	40%	37%
Perth and Peel	17%	38%	45%	25%	42%	33%

Over the three months to December profits remain relatively subdued, with only 14% of regional businesses reporting an increase in their profit margins. Conversely, almost half (47%) saw their profit margins decrease – while still a high proportion, this has declined 15 percentage points since last quarter.

Looking ahead, most businesses in the regions expect profits to remain the same or decline – in line with overall confidence. Just over two in five (41%) expect profit margins to decline, while a similar proportion (38%) anticipate profit margins will remain the same. One in five (21%) expect profit margins to increase, down 5 percentage points since last quarter.

Businesses in the Pilbara are more likely to see an increase in profit margins - with 40% anticipating a rise profits. This marks a 15 percentage points increase since last quarter, likely reflecting the recent surge in commodity prices.

Level of credit or debt

Expectations by Region (WA)	Level of Credit or Debt					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
South West	34%	62%	5%	24%	65%	11%
Great Southern	21%	68%	11%	16%	65%	18%
Wheatbelt	25%	67%	8%	18%	74%	8%
Mid-West/Gascoyne	24%	70%	5%	14%	78%	8%
Goldfields-Esperance	31%	50%	19%	34%	51%	14%
Pilbara	33%	62%	5%	32%	68%	0%
Kimberley	11%	86%	4%	15%	81%	4%
WA Regions	26%	66%	8%	21%	69%	10%
Total WA	28%	65%	7%	22%	70%	7%
Perth and Peel	29%	65%	6%	24%	72%	5%

While an increase in a business' level of credit or debt can signal plans for expansion, it can also signal an increase in financial distress, particularly in the context of high interest rates. Two in three (66%) regional businesses maintained a steady level of credit over the December quarter, while a quarter (26%) increased their level of credit – down 5 percentage points since last quarter.

Looking ahead, the proportion of businesses planning to decrease their level of credit or debt has reduced, with one in ten (10%) expecting to lower their levels of debt – a 6 percentage point decline. At the same time, almost seven in 10 (69%) regional businesses expect to maintain their current levels of debt, while one in five (21%) expect debt levels to increase - down 2 percentage points since last quarter.

Businesses most likely to decrease their debt levels operate in the Great Southern (18%). On the flipside, businesses most likely to increase their debt are situated in the Goldfields/Esperance (34%) and Pilbara (32%) regions - this may relate to business expansion associated with a number of new investment projects in these regions.

Capital expenditure

Expectations by Region (WA)	Capital Expenditure					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
South West	33%	60%	7%	32%	58%	9%
Great Southern	32%	54%	14%	20%	71%	9%
Wheatbelt	39%	54%	7%	26%	62%	11%
Mid-West/Gascoyne	45%	50%	5%	31%	64%	6%
Goldfields-Esperance	25%	61%	14%	29%	63%	9%
Pilbara	62%	29%	10%	42%	47%	11%
Kimberley	47%	47%	7%	48%	45%	7%
WA Regions	38%	53%	9%	30%	61%	9%
Total WA	38%	56%	7%	32%	62%	6%
Perth and Peel	38%	57%	5%	33%	63%	4%

One in three (30%) businesses in regional WA plan to increase their capital expenditure over the next quarter – a decline of 11 percentage points from last quarter’s expectations. At the same time around 1 in 10 (9%) of regional firms plan to decrease their capital expenditure – down 4 percentage points from the September quarter.

Businesses most likely to increase their capital expenditure operate in the Kimberly (48%), closely followed by those located in the Pilbara (42%) – likely resulting from the commitment to industry diversification in the Kimberly and the investment and scale up of resources projects in the Pilbara.

Continued business investment is a key component to ensuring the sustained prosperity of the state and remains a critical component in the promotion of Western Australian economic output, particularly with the significant investment required in the transition to clean energy.

Employment

Expectations by Region (WA)	Employment					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
South West	36%	45%	19%	38%	44%	18%
Great Southern	36%	52%	12%	32%	67%	2%
Wheatbelt	26%	52%	21%	33%	52%	15%
Mid-West/Gascoyne	58%	35%	8%	47%	50%	3%
Goldfields-Esperance	22%	47%	31%	12%	76%	12%
Pilbara	43%	14%	43%	43%	33%	24%
Kimberley	37%	50%	13%	38%	38%	24%
WA Regions	36%	45%	19%	34%	53%	13%
Total WA	40%	41%	20%	41%	47%	12%
Perth and Peel	43%	37%	20%	47%	42%	12%

WA's labour market has eased slightly further over the December quarter, with both the number of job vacancies and people unemployed rising. Despite this, the labour market remains tight, showing demand for workers remains strong – with the unemployment rate remaining low at 3.8% in October earlier this year.

Over the three months to December, businesses in regional WA have seen a slight shift towards increasing their current staff levels. Over one in three (36%) businesses in regional WA indicated they have increased their staff levels over the quarter – up 6 percentage points since the last quarter – while almost half (45%) indicated they recorded no change to their workforce.

Businesses in the Mid-West/Gascoyne are the most likely to have increased staff levels, with 58% of firms saying this. This potential expansion to staff coincides with the holiday period and the added pressures on local firms to match the demand of incoming tourists to the region.

Looking to the next three months, hiring intentions remain strong. Just over one in three (34%) regional businesses indicated they will be looking to hire more staff. Conversely, only 13% said they will decrease their workforce – down 9 percentage points since the

September quarter. Businesses in the Mid-West/Gascoyne (47%) and Pilbara (43%) regions are most likely to expand their staff.

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