

March 2024 CCIWA BUSINESS CONFIDENCE SURVEY

Confidence holds steady as worries about labour shortages, cost pressures ease

Western Australian business confidence has held firm on the back of a slight easing in the key headwinds continuing to challenge businesses, namely rising operating costs and labour shortages.

While still elevated, the proportion of businesses in WA seeing rising operating costs (71%) and the availability of skilled labour (68%) as barriers have both declined by four percentage points over the March quarter.

Indeed, the proportion of businesses (65%) reporting they have struggled to fill a position is now the lowest since we began asking this question in June 2021.

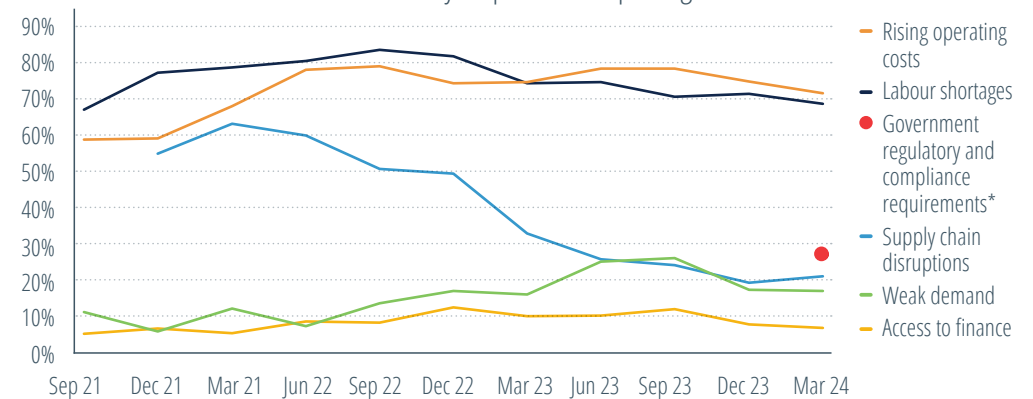
Skilled labour shortages remain most prevalent in the transport (79%), health care and social assistance (76%) and manufacturing (74%) sectors.

Despite these positive developments, significant risks in doing business persist.

In this edition of CCIWA's *Business Confidence Survey*, we asked businesses whether they are facing the risk of closure or significantly scaling back operations this year. Alarmingly, one in five (18%) WA businesses are facing the prospect of having to do so. We discuss these results further in the report.

BARRIERS TO BUSINESS GROWTH

Per cent of survey respondents reporting barrier



*The answer option 'Government and regulatory compliance requirements' was added in the March 2024 edition of the CCIWA Business Confidence Survey. As a result, the data presented in the time series prior to March 2024 does not incorporate data related to this option.

Short-Term Index rises 3.0 Index Points over the quarter

Two in five (38%) WA businesses believe economic conditions will improve over the next three months. A similar proportion (39%) of WA businesses anticipate no change, while the remaining 23% expect conditions to soften.

Long-Term Index rises 2.9 Index Points over the quarter

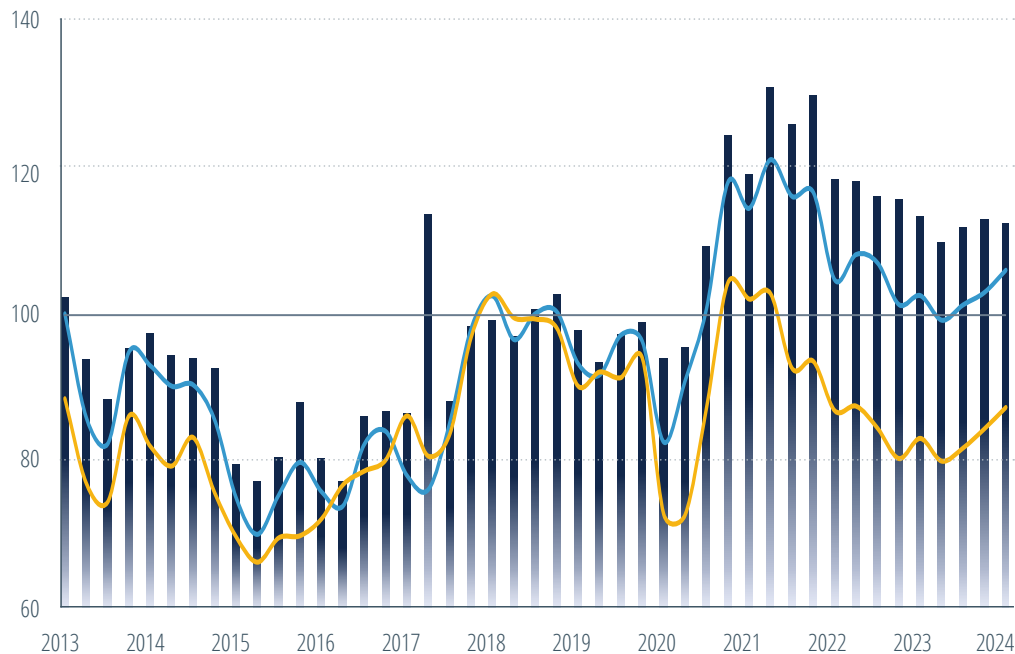
Just over a quarter (26%) of businesses expect the WA economy to improve over the upcoming 12 months – up five percentage points since last quarter – while over two in five (45%) anticipate no change. The remainder (29%) believe conditions will soften, down eight percentage points since last quarter.



BUSINESS CONFIDENCE

Current, 3-Month and 12-Month Expectations
Index, 100 = 2018 Calendar Year

■ Current Quarter — Next Quarter (3 Months) — Next Year (12 Months)



The industries driving short-term confidence

Businesses in the **transport** industry are leading short-term confidence this quarter, marking a significant rebound since the December quarter. Two in three (67%) businesses in this sector expect conditions will improve over the next three months, up 56 percentage points over the quarter. The rebound could reflect more stability in the oil price following volatility stemming from the outbreak of conflict in the Middle East.

The second industry leading in short-term confidence is the **professional services** sector, with almost a half (48%) of businesses in this sector reporting an optimistic outlook. This has remained relatively unchanged since the December quarter after recovering from a significantly low proportion (14%) in the September quarter.

This is closely followed by the **construction** industry, with almost

half (48%) of businesses in this sector indicating they expect stronger economic conditions over the next three months – up five percentage points since the December quarter. This increase likely reflects increasing demand for housing in WA and the moderation in construction input prices over the second half of 2023.

Businesses in the **health care and social assistance** sector have also seen an increase in confidence, although overall confidence levels remain relatively low, with almost three in ten (29%) businesses in this industry expecting stronger economic conditions.

Only 16% of businesses in the **education and training** sector expect stronger conditions – down by seven percentage points. The **retail trade** industry (17%) also has a relatively lower proportion of businesses anticipating stronger conditions, likely reflecting high costs of living continuing to weigh on household spending.

Barriers to business

Rising operating costs and skill shortages remain the leading barriers to business growth over the coming year, although encouragingly, both concerns have eased slightly over the quarter.

Seven in ten (71%) businesses cited rising operating costs as a barrier to growing their business. Concerns around rising costs are most prevalent in the **accommodation and food services** (92%) and **retail trade** (83%) sectors.

A similar proportion (68%) cited the availability of skilled labour as a barrier to growth – down seven percentage

points from this time last year, in line with signs of a loosening labour market. The **resources** (81%), **transport, postal and warehousing** (80%), and **construction** (78%) industries saw the largest proportion of businesses citing this as a barrier to growth.

In this edition of *CCIWA's Business Confidence*, we asked whether government regulatory and compliance requirements was considered a barrier to growth. Almost three in ten (28%) businesses identified this as a barrier. This concern saw the greatest proportion of responses from the **real estate** (55%), **agriculture** (52%) and **transport** (47%) sectors.



RISING OPERATING COSTS

71% of businesses identified this as a barrier.

Sectors most likely to report as a barrier:

- 92%** Accommodation
- 83%** Retail Trade
- 80%** Arts and Recreation



SKILL SHORTAGES

68% of businesses identified this as a barrier.

Sectors most likely to report as a barrier:

- 81%** Resources
- 80%** Transport
- 78%** Construction



GOVERNMENT REGULATORY AND COMPLIANCE REQUIREMENTS

28% of businesses identified this as a barrier.

Sectors most likely to report as a barrier:

- 55%** Real Estate
- 52%** Agriculture
- 47%** Transport



SUPPLY CHAIN DISRUPTIONS

22% of businesses identified this as a barrier.

Sectors most likely to report as a barrier:

- 60%** Transport
- 32%** Retail Trade
- 31%** Manufacturing

Business plans

The most reported action WA businesses plan on undertaking over the upcoming year is to improve their digital presence, with almost half (45%) of businesses indicating this – likely reflecting the need to remain competitive in an online environment. Plans to improve digital presence are most prevalent in the **arts and recreation** (73%), **health care and social assistance** (63%) and **retail trade** (62%) sectors.

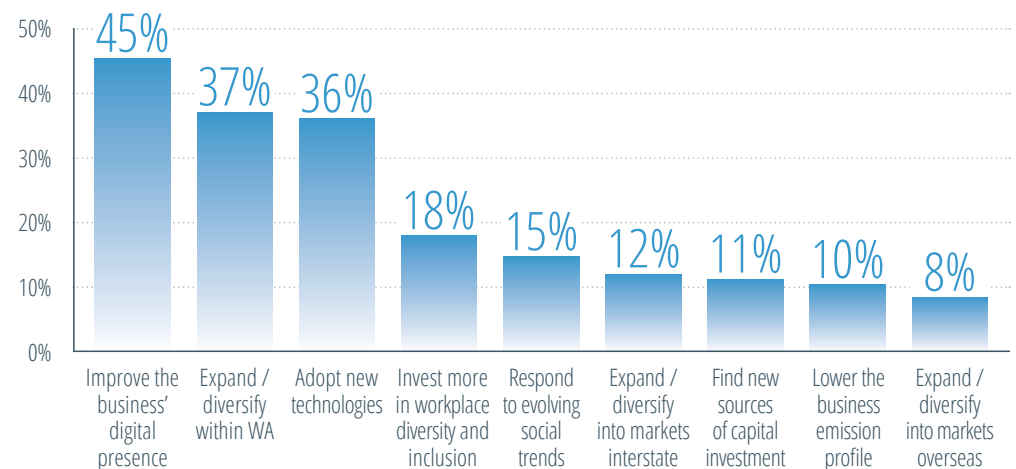
The second most popular plan to be implemented is to expand or diversify within Western Australia, with over a third (37%) of business indicating this. Plans to expand or diversify within Western Australia are most prevalent in the **professional services** (52%), **education and training** (48%) and **resources** (47%) sectors.

A similar proportion (36%) of businesses indicated they are looking to adopt new technologies – this intention has diminished compared with six months ago, down by 10 percentage points. Businesses intending to adopt new technologies are most likely in the **information, media and telecommunications** (78%), **arts and recreation** (60%) and **real estate** (56%) sectors.

Other business plans include:

- 18%** Invest more in workplace diversity and inclusion
- 15%** Respond to evolving social trends
- 12%** Expand or diversify into markets interstate
- 11%** Find new sources of capital investment
- 10%** Lower the business' emission profile
- 8%** Expand or diversify overseas

BUSINESS PLANS OVER THE NEXT 12 MONTHS



Risk of closure or significantly scaling back operation

Inflationary headwinds and ongoing labour shortages are continuing to challenge the viability of many WA businesses. In this edition of *CCIWA's Business Confidence*, we asked businesses whether they are at risk of closure or of significantly scaling down their operations this year.

Looking to the responses, almost one in five (18%) businesses in WA are at risk of closing or significantly scaling back their operations this year. Of those, 14% are at risk of significantly scaling back operations and 4% are at risk of closing all together.

Breaking this down by sector, businesses reporting the risk of significantly scaling down their operations are most likely in the **agriculture** (39%), **real estate** (33%) and **transport** (21%) industries. Those most likely to report the risk of closure operate in the **food and accommodation** (16%), **agriculture** (9%) and **arts and recreation** (7%) sectors.

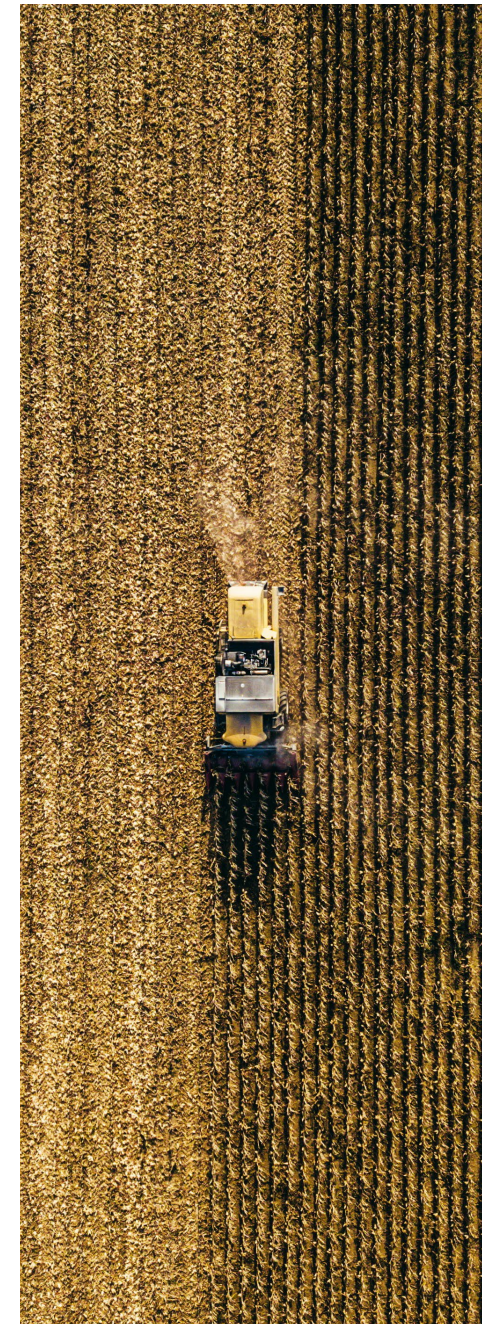
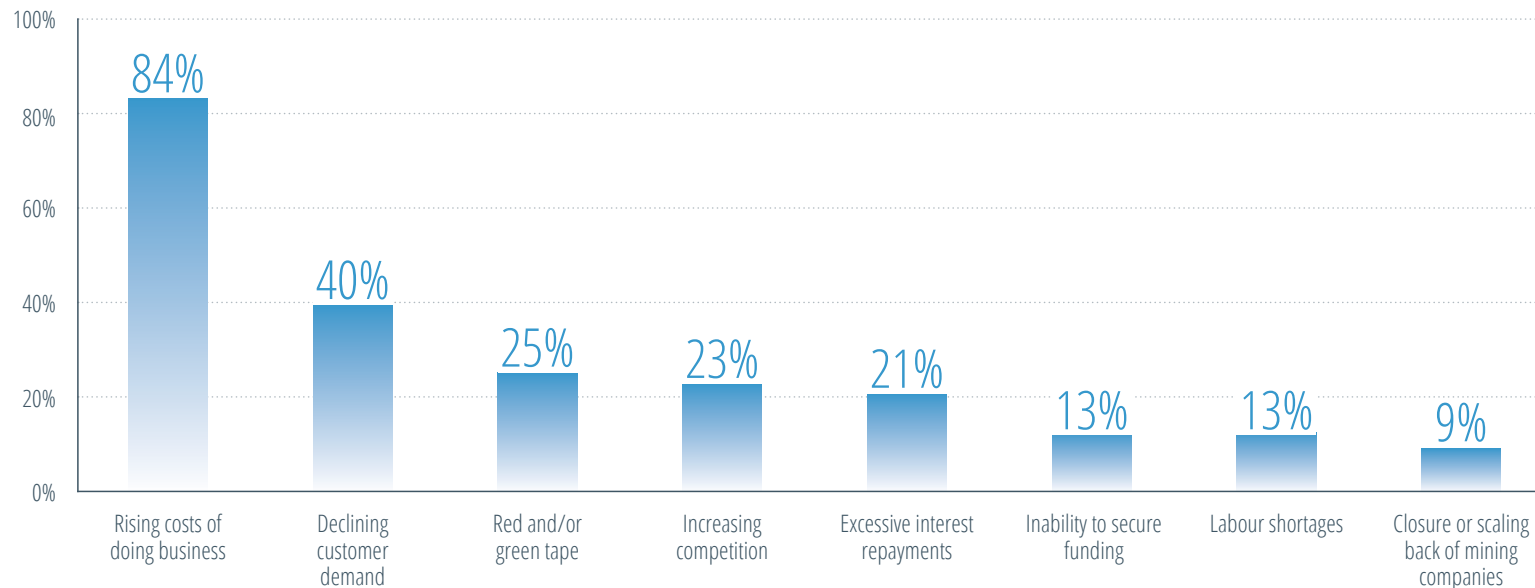
Encouragingly, seven in ten (70%) WA businesses reported they are not facing these risks. The sectors with the greatest proportion of business indicating they are not having to consider scaling back or closing their operations are in the **education and training** (85%), **professional services** (82%) and **health care and social assistance** (79%) sectors.

When asked what factors are driving the risk of scaling back or closing, the greatest considerations were the rising costs of doing business (84%), declining customer demand (40%) and red and/or green tape (25%).

Other factors driving businesses to close or significantly scale back include:

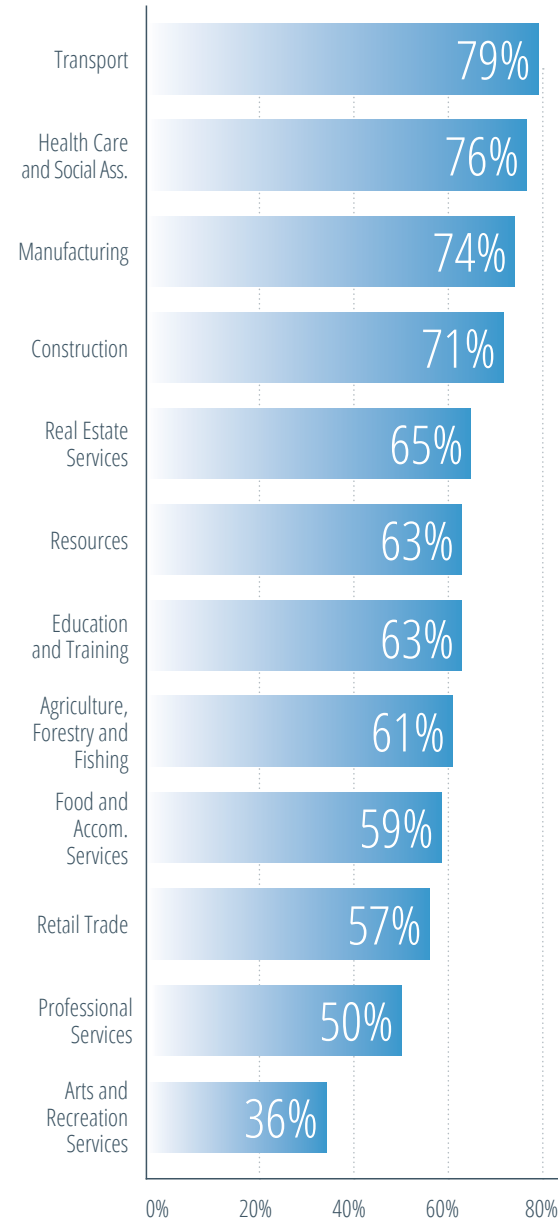
- 23% Increasing competition
- 21% Excessive interest repayments
- 13% Inability to secure funding
- 13% Labour shortages
- 9% Closure or scaling back of mining companies

FACTORS DRIVING THE CLOSURE OF BUSINESSES OR SCALING BACK OF OPERATIONS





PER CENT OF BUSINESSES STRUGGLING TO FILL A POSITION



Skill shortages

Labour market conditions have softened over the past six months.

The unemployment rate ticked up to 4.2% in January, the highest rate since August 2021, but still remains below the decade average of 5.3%.

When asked whether they have struggled to hire for a particular skillset over the quarter, almost two thirds (65%) of WA businesses reported they had – marking the lowest proportion since we began asking this question in June 2021.

Looking to the responses by industry, businesses in the **transport** (79%), **health care and social assistance** (76%) and **manufacturing** (74%) sectors are most likely to have struggled to hire a worker. On the flipside, the **arts and recreation** (36%), **professional services** (50%) and **retail trade** (57%) industries have a relatively lower proportion of businesses indicating the same.

Breaking down the responses by business size, a larger proportion of medium sized businesses (employing 11 to 100 employees) reported they are struggling to fill a position compared to their larger and smaller counterparts. Over three in four (77%) medium sized businesses reported this, while just under three in four (73%) larger businesses and slightly more than one half (56%) of smaller businesses said the same.

TOP THREE OCCUPATIONS IN DEMAND BY INDUSTRY

	1.	2.	3.
Agriculture, Forestry & Fishing	Farm Workers	Horticulture Trades Workers	Motor Mechanics
Resources (including mineral resources, oil & gas)	Trades Workers	Machine Operators and Drivers	Engineers
Manufacturing	Technicians and Trades Workers	Machine Operators and Drivers	Labourers
Utilities Services	Electricians	Arborists	Automotive Electricians
Construction	Construction Workers	Electricians	Engineers
Retail Trade	Automotive Electricians and Mechanics	Sales Assistants and Salespersons	Hairdressers
Accommodation Services	Cleaners	Managers	-
Transport, Postal & Warehousing	Machine Operators and Drivers	Automotive Electricians and Mechanics	Engineers
Information Media & Telecommunications	Clerical and Administrative Workers	Telecommunications Engineering Professionals	ICT and Telecommunications Technicians
Financial & Insurance Services	Clerical and Administrative Workers	Financial Brokers and Dealers, and Investment Advisers	Software and Applications Programmers
Real Estate Services	Real Estate Sales Agents	-	-
Professional, Scientific & Technical Services	Engineers	Architects, Designers, Planners and Surveyors	Accountants
Education & Training	Early Childhood Teachers	Vocational Education Teachers	Child Carers
Health Care & Social Assistance	Health and Welfare Support Workers	Medical Practitioners	Clerical and Administrative Workers
Food Services	Hospitality Workers	Chefs	Managers

BUSINESS CONFIDENCE, MARCH 2024



Both short-term (3-month) and long-term (12-month) **economic outlooks have picked up** in the March quarter.



Almost **one in five (18%) businesses are at risk of closing** or significantly scaling back their operations this year.



Rising operating costs remains the most prevalent barrier to business growth over the next 12 months, reported by 71% of businesses.



Two in three (65%) businesses said they are **struggling to hire for a particular skillset** – the **lowest proportion** since we began asking this question in June 2021.

KEY RESULTS FROM THE SURVEY

Indicator (Index)	Actual			Expected	
	Sep 23	Dec 23	Mar 24	1 Quarter	1 Year
Economy					
WA Economic Conditions	111.9	112.9	112.4	106.1	87.5
Operating Conditions					
Employment	100.5	105.8	104.5	104.8	-
Labour Costs	118.7	116.8	115.0	110.1	-
Anticipated CAPEX	102.8	103.1	103.2	-	-
Profitability	91.3	98.2	96.0	97.7	-

SAMPLE

Industry

Construction	24%
Manufacturing	14%
Retail Trade	10%
Resources	7%
Health Care & Social Assistance	6%
Professional Services	5%
Food Services	5%
Education & Training	4%
Other	25%

Business Size

Small (1-10 employees)	53%
Medium (11-100 employees)	36%
Large (100+ employees)	11%

Total number of responses 759

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 March 2024 is 112.4, which suggests that the average score of survey respondents for economic conditions in March 2024 is 12.4 per cent higher than the average response in 2018.



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