

June 2024

CCIWA BUSINESS CONFIDENCE SURVEY

Confidence slides as cost pressures climb



Western Australian business confidence weakened over the June quarter as cost pressures edged up – led by rising wages, skyrocketing insurance premiums and taxes.

While labour market conditions continue to ease, skills shortages remain a challenge, with 65% reporting this as a barrier to business growth – although this is the lowest proportion since we began asking this question in September 2021. Adding to labour market constraints is the limited supply of housing, which has already impacted 41% of WA businesses in their attempts to attract staff.

Despite the slip in confidence this quarter, it's important to underline that the State has now recorded 16 consecutive quarters of above average short-term business confidence. This stands in stark contrast to lagging confidence across the rest of the nation and once again reaffirms WA's position as Australia's economic powerhouse. However, it is critical the State does all it can to sustain confidence, especially given the longer-term outlook for businesses is more downbeat. Ahead of the next state election in early 2025, WA businesses have overwhelmingly indicated payroll tax relief as a priority commitment they want to see from the State Government.

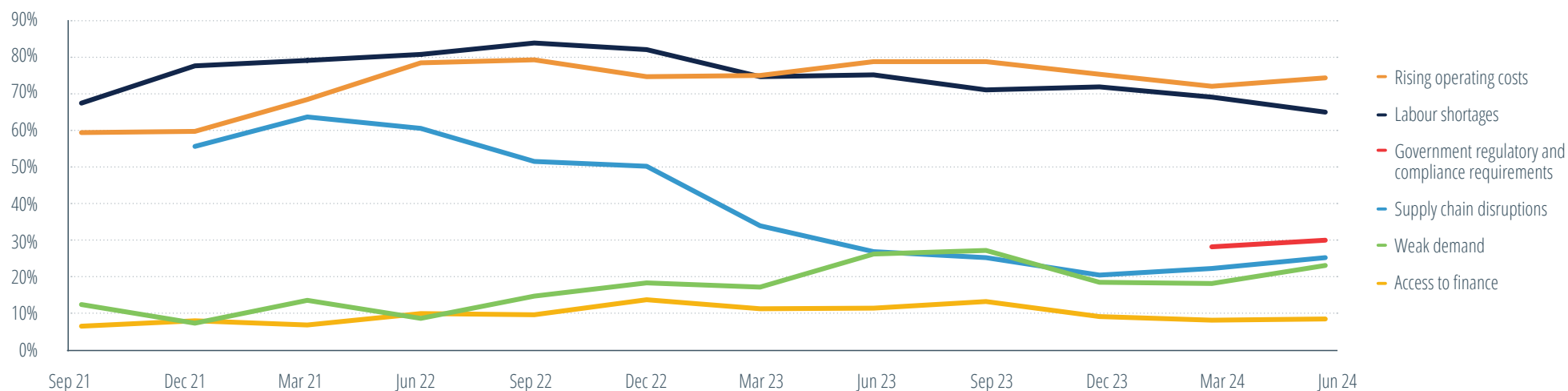
With the rising cost of doing business continuing to be the most significant barrier to growth, two thirds (67%) of respondents indicated payroll tax reform was one of the top three issues they want addressed by the State Government as it would provide instant relief to small and medium sized businesses.

In this edition of *CCIWA's Business Confidence Survey*, we asked businesses what commitments they would like to see from the State Government ahead of the next election, what their main cost pressures are, whether housing shortages are affecting their ability to employ and retain staff, and whether they continue to face skills shortages.



BARRIERS TO BUSINESS GROWTH

Per cent of survey respondents reporting barrier



SHORT TERM INDEX DROPS 1.9 Index Points over the quarter

One in three (35%) WA businesses believe economic conditions will strengthen over the next three months, while one in four (26%) anticipate weaker economic conditions. The remainder (39%) anticipate no change.



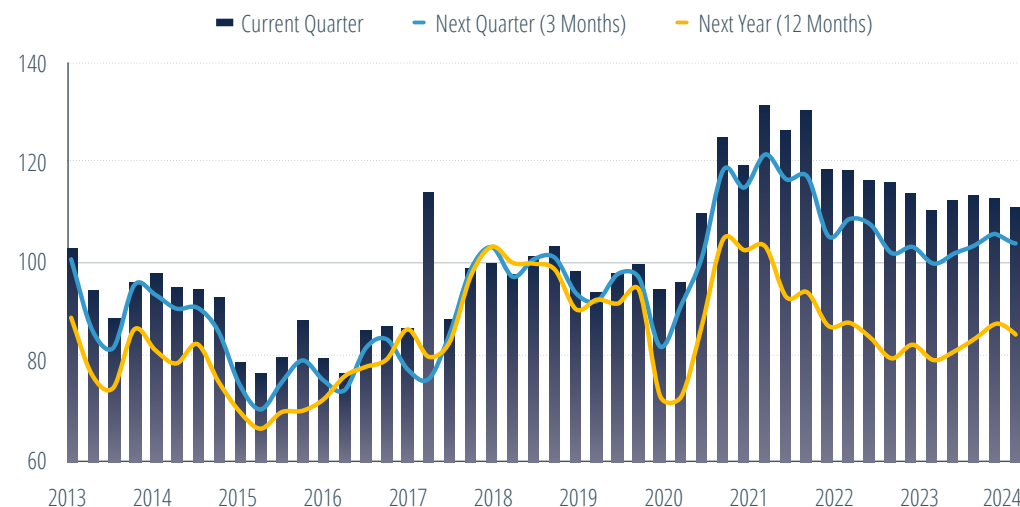
LONG TERM INDEX DROPS 1.5 Index Points over the quarter

Almost one in four (24%) businesses expect the WA economy to improve over the upcoming 12 months, while a third (33%) believe conditions will soften – up four percentage points since the March quarter. The remainder (43%) anticipate no change.

BUSINESS CONFIDENCE

Current, 3-Month and 12-Month Expectations

Index, 100 = 2018 Calendar Year





The industries driving short-term confidence

Businesses in the **construction** industry are leading short-term confidence this quarter. Almost half (48%) of businesses in this sector indicated they expect conditions to improve, marking a 14 percentage point climb since June last year. The increase in optimism is in line with the current and expected strong demand for housing on the back of record population growth, largely from a surge in overseas migration.

The second industry leading in short-term confidence remains the **professional services** sector, with two in five (45%) businesses in this sector reporting a positive outlook. The optimism is likely on the back of solid activity in both the public and resources sectors, although confidence has declined slightly since peaking in the December quarter (53%) but remains well above the September quarter reading (14%).

The **education and training** sector has seen a significant rebound in confidence this quarter, with three in 10 (31%) businesses in the sector expecting conditions to improve over the next three months - up 15 percentage points from last quarter. This rebound could reflect

the announcement of additional funding and incentives directed toward the sector in the latest State and Federal Budgets.

Businesses in the **retail trade** sector have also seen confidence climb. Almost three in 10 (28%) retail businesses reported an optimistic outlook this quarter, recovering from a significantly lower proportion (7%) in the September quarter. This increase likely reflects the continued strength in the household sector up until late. In contrast to this, only 12 per cent of businesses in the **agriculture** sector expect strong conditions, down 15 percentage points from last quarter - in line with the below average rainfall over the year to date. The **wholesale trade** industry (22%) also has a relatively lower proportion of businesses anticipating stronger conditions.

Of note, businesses in the **transport** sector have seen a sharp decline in confidence, with a quarter (24%) of businesses reporting an optimistic outlook this quarter compared with 67 per cent last quarter. This drop in confidence is likely reflective of the higher price of fuel over the quarter and particularly acute labour shortages in the transport industry - with four in five (80%) businesses in the transport sector reporting they are struggling to hire workers.

Barriers to business

The leading barriers to business remain rising costs and the availability of skilled labour. Concerns around rising costs have edged up since last quarter, with three in four (74%) WA businesses reporting it as a barrier to growing their business - now up three percentage points from the March quarter. This barrier is most prevalent in the **arts and recreation services** (92%), **food and accommodation services** (91%) and **professional services** (85%) industries.

The second most prevalent barrier to businesses remains the availability of skilled labour, reported by more than three in five (65%) WA businesses.

Encouragingly, this proportion continues to ease gradually - now down seven percentage points compared to six months ago. Concerns around skilled labour availability remains greatest in the **manufacturing** (74%), **resources** (73%) and **health care and social assistance** (72%) sectors.

Three in 10 (30%) businesses identified government regulatory and compliance requirements as a barrier to growth. This proportion is now up four percentage points since this was first asked in the March quarter *Business Confidence Survey*. The **education and training** (69%), **agriculture** (54%) and **health care and social assistance** (52%) sectors are the most likely to experience this as a barrier.



RIISING OPERATING COSTS

Identified by **74%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Arts & Recreation Services (92%)
- Food & Accommodation Services (91%)
- Professional Services (85%)



SKILL SHORTAGES

Identified by **65%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Manufacturing (74%)
- Resources (73%)
- Health Care & Social Assistance (72%)



GOVERNMENT REGULATORY AND COMPLIANCE REQUIREMENTS

Identified by **30%** of businesses as a barrier

Sectors most likely to report as a barrier:

- Education & Training (69%)
- Agriculture (54%)
- Health Care & Social Assistance (52%)



SUPPLY CHAIN DISRUPTIONS

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

Sectors most likely to report as a barrier:

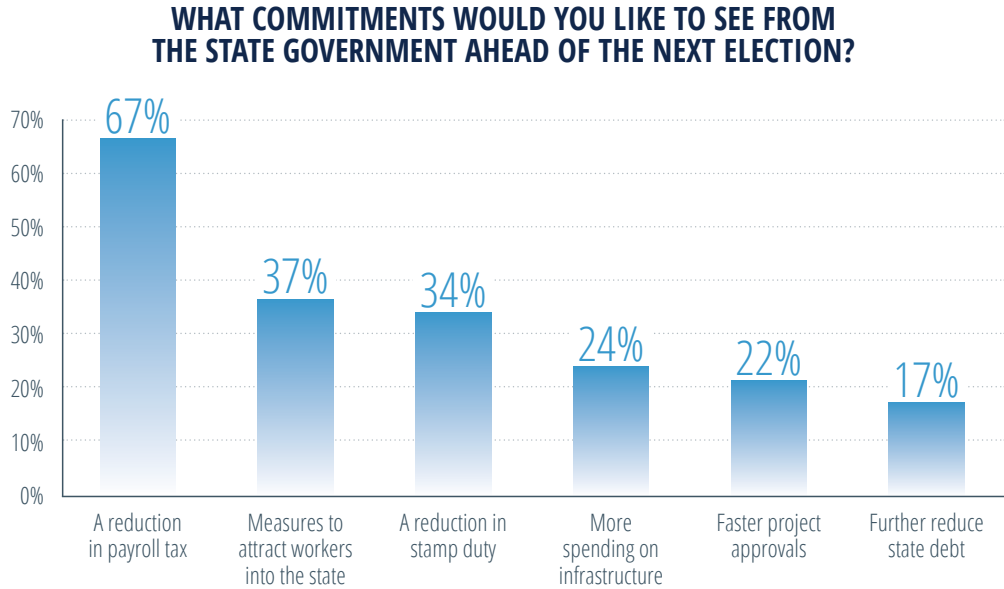
- Retail Trade (46%)
- Food & Accommodation Services (36%)
- Manufacturing (33%)

WA businesses overwhelmingly want to see payroll tax reform as a priority commitment ahead of the next State election

Ahead of the next State election due in early 2025, we asked businesses what commitments they'd like to see prioritised by the WA Government.

Overwhelmingly, the number one commitment WA businesses want to see prioritised is a reduction in payroll tax – with two in three (67%) WA businesses reporting this as one of their top three priorities.

The second most demanded commitment is new measures to attract workers into the state, reported by 37 per cent of businesses.



Other priorities requested include:

- 34% A reduction in stamp duty
- 24% More spending on infrastructure
- 22% Faster project approvals
- 17% Further reduce State debt
- 11% Grants for SMEs to decarbonise
- 8% Address barriers to enable more women to access the workforce

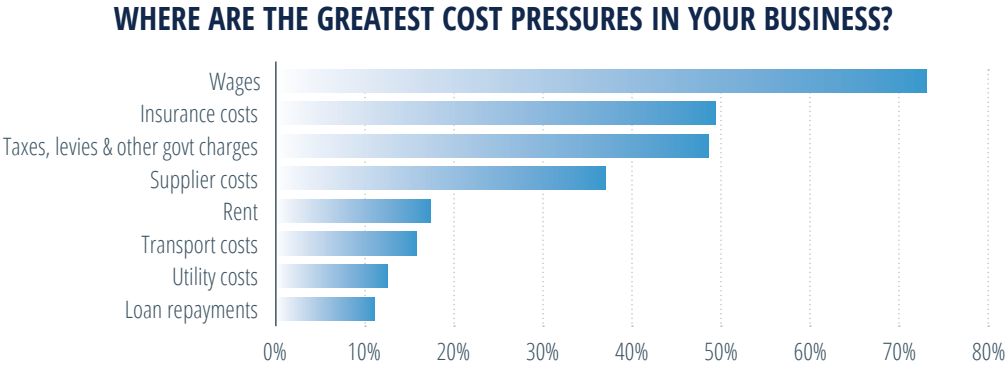
Breaking this down by business size, businesses who would like to see changes to payroll tax are most likely to be those that would benefit from any reform, with four in five (80%) medium sized businesses (11 to 100 employees) indicating this. Businesses most likely to want to see measures to attract workers into the state are in the **food and accommodation services** (68%), **wholesale trade** (50%), **agriculture** (50%) and **utilities** (50%) sectors.

Wages remain the key cost pressure on business

As previously discussed, rising operating costs have increased as a concern for business and remain the leading barrier to business growth. In this edition of the *CCIWA Business Confidence Survey*, we seek to uncover the greatest pinch points faced by businesses in WA.

Looking to the responses, the main cost pressure for businesses remains rising wages, with over seven in 10 (72%) respondents saying wages are one of their top three cost pressures. In turn, the increase in wages leads to a compounding effect on businesses' payroll tax liability.

The proportion of those reporting wages as a cost pressure is down four percentage points since the September quarter when we last asked this, in line with a gradual easing in the labour market and wage growth beginning to stabilise.



Businesses most likely to see wages as a significant cost pressure are in the **health care and social assistance** (83%) and **food and accommodation services** (81%) sectors. The second most prevalent cost pressure is insurance costs as premiums continue to skyrocket, with almost half (49%) of respondents indicating this as one of their main cost concerns. Businesses most likely to experience insurance cost pressures are in the **agriculture** (68%), **health care and social assistance** (58%) and **professional services** (58%) sectors.

A similar proportion (48%) cited taxes, levies and other government charges as a key cost pressure. Those in the **transport** (70%), **real estate** (67%) and **professional services** (58%) industries were more likely to indicate this being an issue.

Other cost pressures cited include:

- 37% Supplier costs
- 17% Rent
- 16% Transport costs
- 12% Utility costs
- 11% Loan repayments

Housing shortages are affecting business' ability to employ and retain staff

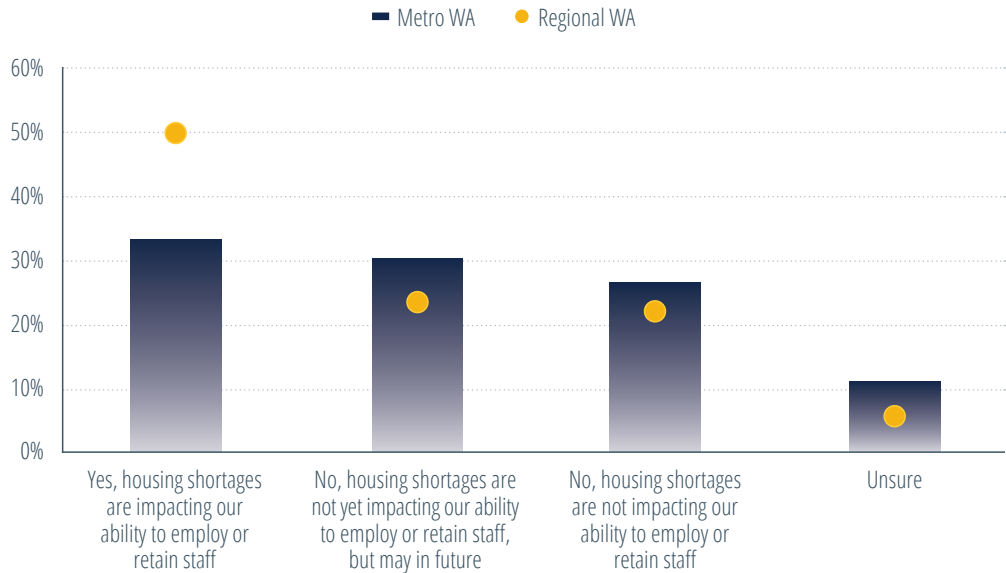
WA's housing market has been extremely tight and anecdotal evidence suggests this is a key reason why businesses have struggled to hire workers. In this edition of CCIWA's *Business Confidence Survey*, we uncover the extent to which housing shortages are impacting business' ability to employ and retain staff.

Looking to the responses, two in five (41%) WA businesses reported that housing shortages are inhibiting their ability to employ or retain staff, while an additional 27% indicated they may be impacted in the future.

This means that overall, almost seven in 10 (68%) WA businesses are seeing the current shortage of housing limit their ability to employ staff.

Of note, there is a significant disparity between the impact of housing shortages on regional and metro business. One half (50%) of regional businesses say they have already been impacted by housing shortages, compared with one third (33%) of metro businesses.

ARE HOUSING SHORTAGES HURTING YOUR ABILITY TO HIRE OR RETAIN STAFF?





Skill shortages

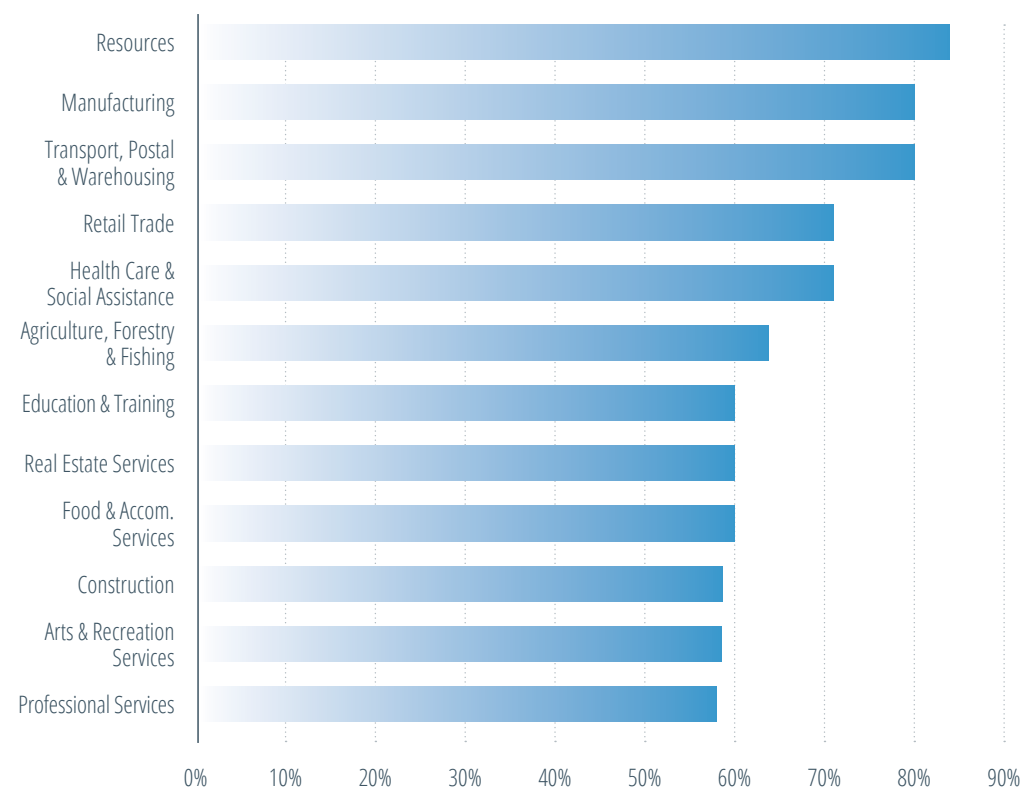
While labour market conditions continue to ease gradually – the unemployment rate drifted up to 3.9 per cent in April – they remain historically tight. In this edition of CCIWA's *Business Confidence Survey*, we asked WA businesses whether they are still struggling to fill a position.

Looking to the responses, two in three (66%) WA businesses reported they are struggling to hire for a particular skillset

– remaining at the lowest proportion since we began asking this question in June 2021.

Looking to the responses by industry, businesses in the **resources** (84%), **manufacturing** (80%) and **transport** (80%) sectors are most likely to have struggled to hire a worker. On the flipside, the **professional services** (58%) and **arts and recreation** (58%) industries have 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.
Accommodation Services	Cleaners	Chefs	-
Agriculture, Forestry & Fishing	Technicians and Trades Workers	Farm Workers	Motor Mechanics
Construction	Electricians	Plumbers	Carpenters
Education & Training	Vocational Education Teachers	Early Childhood Teachers	Ministers of Religion
Financial & Insurance Services	Financial Advisers	-	-
Food Services	Chefs	Hospitality Workers	Butchers
Health Care & Social Assistance	Health and Welfare Support Workers	Registered Nurses	Occupational Therapists
Information Media & Telecommunications	ICT and Telecommunications Technicians	Telecommunications Engineering Professionals	Accountants
Manufacturing	Machinists	Welders	Cabinet Makers
Professional, Scientific & Technical Services	Draftspersons	Electronics Trades Workers	Software and Applications Programmers
Real Estate Services	Real Estate Sales Agents	-	-
Resources (including mineral resources, oil & gas)	Electricians	Heavy Duty Diesel Mechanics	Engineers
Retail Trade	Hairdressers	Motor Mechanics	Technicians and Trades Workers
Transport, Postal & Warehousing	Motor Mechanics	Machine Operators and Drivers	Electricians
Utilities Services	Electricians	Plumbers	Engineers
Wholesale Trade	Sales Workers	-	-

BUSINESS CONFIDENCE, JUNE 2024



Both short-term (3-month) and long-term (12-month) **economic outlooks have dropped over** the June quarter.



Ahead of the next **state Government election**, two in three (67%) WA businesses want to see a commitment to **reform Payroll Tax**.



Two in five (41%) businesses said **housing shortages** are impacting their **ability to employ and retain staff**.



Seven in 10 (72%) businesses said **wages** are one of their **top three cost pressures**.

KEY RESULTS FROM THE SURVEY

Indicator (Index)	Actual			Expected	
	December 23	March 24	June 24	1 Quarter	1 Year
Economy					
WA Economic Conditions	112.9	112.4	110.6	104.1	86.0
Operating Conditions					
Employment	105.8	104.5	104.8	101.1	-
Labour Costs	116.8	115.0	115.3	111.9	-
Anticipated CAPEX	103.1	103.2	105.0	105.0	-
Profitability	98.2	96.0	97.0	96.1	-
Credit	98.8	94.5	97.7	100.6	
Production	101.0	99.1	97.3	95.3	

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 June 2024 is 104.1, which suggests that the average score of survey respondents for economic conditions in June 2024 is 4.1 per cent higher than the average response in 2018.

SAMPLE

Industry

Construction	28%
Manufacturing	15%
Retail Trade	8%
Health Care & Social Assistance	5%
Resources	4%
Agriculture, Forestry & Fishing	4%
Transport, Postal & Warehousing	3%
Education & Training	3%
Other	30%

Business Size

Small (1-10 employees)	55%
Medium (11-100 employees)	35%
Large (100+ employees)	10%

Total number of responses 802



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