



September 2024

CCIWA BUSINESS CONFIDENCE SURVEY

Confidence treads water as challenges moderate



Western Australian business confidence has held steady over the September quarter as the impact of rising costs and the availability of skilled labour shortages eased.

Importantly, Western Australian businesses continued to gain ground in finding skilled labour this quarter.

The proportion of businesses reporting they have struggled to fill a position (62%) has continued its downward trend, now at its lowest point since the question was first asked in June 2021.

Also soothing the outlook is less acute concerns around the rising costs of doing business. While still high, the proportion of businesses reporting this as a barrier has fallen to its lowest point since March 2022.

Despite encouraging developments, government regulatory and compliance requirements continue to pose a major obstruction to business growth in Western Australia. In an already challenging environment, businesses are being further hindered by inefficient and overly complex regulations. The growing proportion of businesses reporting this

as a barrier underscores the urgent need for regulatory reform in Western Australia and the nation.

In this edition of CCIWA's *Business Confidence Survey*, we asked WA businesses how effective strategies have proven in mitigating the impact of rising costs of doing business and persistent skills shortages. We also asked businesses about their attitudes towards various energy sources, what their priorities are in considering energy supply and what challenges they would face during a power outage.





SHORT-TERM INDEX RISES Index Points to 105.1 points

1.0

One third (35%) of Western Australian businesses expect economic conditions to strengthen over the coming quarter, while a quarter (24%) believe conditions will soften.

The remaining two in five (41%) anticipate conditions will remain the same.



LONG-TERM INDEX FALLS Index Points to 85.3 points

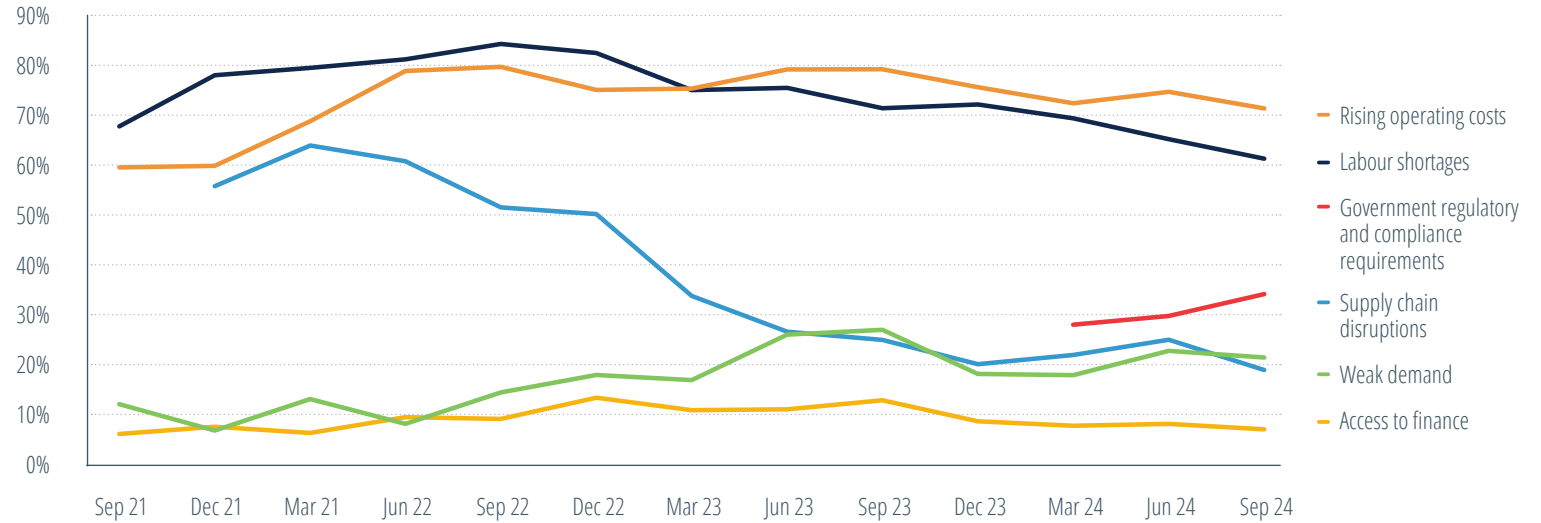
0.7

Looking at the next 12 months, one in five (20%) businesses expect conditions to improve.

Just over two in five (46%) anticipate no change, while a third (33%) anticipate weaker economic conditions.

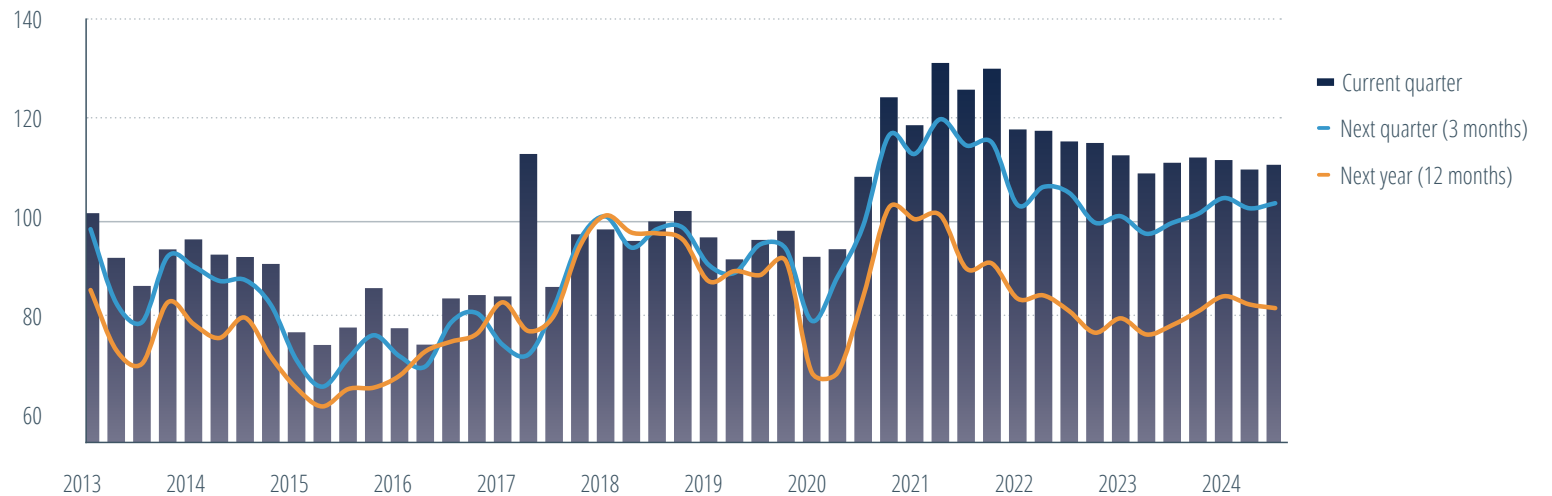
BARRIERS TO BUSINESS GROWTH

% 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 **financial services** sector are leading short-term confidence this quarter, with over half (54%) of businesses in this sector expecting economic conditions to strengthen over the next three months. The relatively higher level of optimism is likely reflective of an increased workload over the start of the 2024-25 financial year.

The second industry leading short-term confidence is the **professional services** sector, with half (47%) reporting they anticipate conditions to improve. The proportion of professional services businesses reporting this has remained steady over the last year, likely as robust public sector investment feeds work into the sector.

Closely following, over two in five (44%) businesses in the **construction** sector reported they expect stronger conditions. This proportion has remained

unchanged from the same time last year and likely reflects the strong demand for housing, despite ongoing labour shortages and elevated input prices still plaguing the sector.

The **agriculture** industry has also seen a considerable rebound in confidence this quarter, with a third (33%) of businesses reporting an optimistic outlook – increasing 22 percentage points from last quarter. The surge in optimism is in line with above average levels of rainfall over the winter months bolstering production, following a period of drier conditions.

On the flipside, only 13 percent of businesses in the **transport** sector expect improved conditions, reflecting a 10 percentage point drop from the previous quarter. The **health care and social assistance** sector (19%) also saw a relatively lower proportion of businesses expecting conditions to improve. This proportion has dropped significantly from the June quarter, down 13 percentage points.



Barriers to business

Concerns around the two leading barriers to business growth, rising costs and the availability of skilled labour, have both eased over the September quarter. Seven in 10 (71%) WA businesses identified rising operating costs as a barrier, the lowest proportion since March 2022. The **agriculture** (93%), **real estate** (91%) and **accommodation and food services** (89%) industries are the most likely to experience rising costs as a barrier.

At the same time, three in five (61%) businesses identified the availability of skilled labour as a barrier to growth. This marks the third consecutive quarter of decline in the proportion of businesses

reporting this as a barrier and is now down 23 percentage points since its peak this time two years ago. These concerns are the greatest in the **construction** (77%), **resources** (73%) and **manufacturing** (73%) sectors.

The third most prevalent barrier remains government regulatory and compliance requirements, with a third (34%) of WA businesses reporting this. This concern has become more widespread over the last six months, increasing six percentage points from the March quarter. The **financial services** (77%), **health care and social assistance** (69%) and **real estate** (68%) sectors are the most likely to experience this as a barrier.



Sectors most likely to report as a barrier:

- 93% Agriculture
- 91% Real Estate
- 89% Accommodation and Food Services



Sectors most likely to report as a barrier:

- 77% Construction
- 73% Resources
- 73% Manufacturing



Sectors most likely to report as a barrier:

- 77% Financial and Insurance Services
- 69% Health Care and Social Assistance
- 68% Real Estate



Sectors most likely to report as a barrier:

- 56% Arts and Recreation
- 35% Professional Services
- 33% Transport

Effectiveness of strategies used to navigate the top barriers to business

As the elevated cost of doing business and skilled labour shortages remain the most widespread barriers facing WA businesses, in this edition of CCIWA's *Business Confidence Survey* we asked businesses how effective they have found any strategies used to help overcome these barriers.

In navigating elevated costs, price adjustments are identified by the greatest proportion of respondents as being effective, with over a third (36%) of businesses reporting this. Improved management of inventories (30%), new measures to boost efficiency (28%) and cutting products or operating costs (27%) are also identified as the most effective strategies.

In contrast, engaging in hedging or risk management strategies (6%) and debt refinancing (7%) are considered least effective.

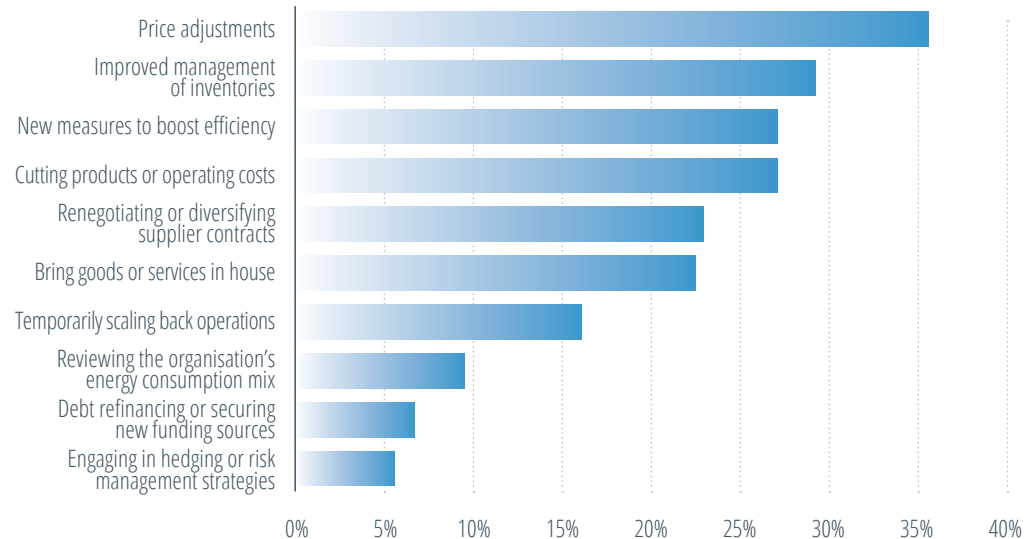
Turning to skill shortages, upskilling existing employees has proven most effective, with almost half (49%) of businesses indicating this is effective.

Other strategies that are considered most effective include investing in training new employees (42%) and boosting employees' base wages (37%).

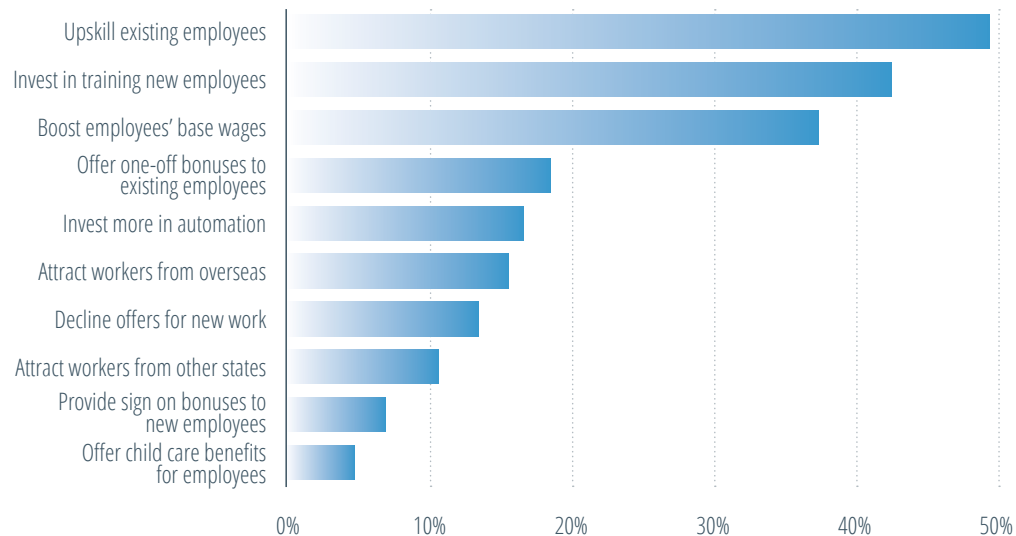
Offering child care benefits (5%), providing sign on bonuses (7%) and attracting workers from other states (11%) are considered least effective in mitigating skills shortages.



EFFECTIVENESS OF STRATEGIES IN MITIGATING THE IMPACT OF HIGHER COSTS



EFFECTIVENESS OF STRATEGIES IN MITIGATING THE IMPACT OF SKILLED LABOUR SHORTAGES



Solar power and natural gas favoured by WA businesses

The energy transition is one of the greatest challenges facing the world economy, however there is significant debate as to which energy sources should be developed to generate future power. In this edition of CCIWA's *Business Confidence Survey*, we investigate the attitudes of WA businesses toward different sources of energy production.

Looking to the responses, solar is by far the most supported energy source, with the large majority (79%) of respondents indicating their support – 36 per cent of which indicated they strongly support it.

The second most supported energy source is natural gas, with three in five (60%) businesses reporting they support this.

Other widely supported energy sources include:

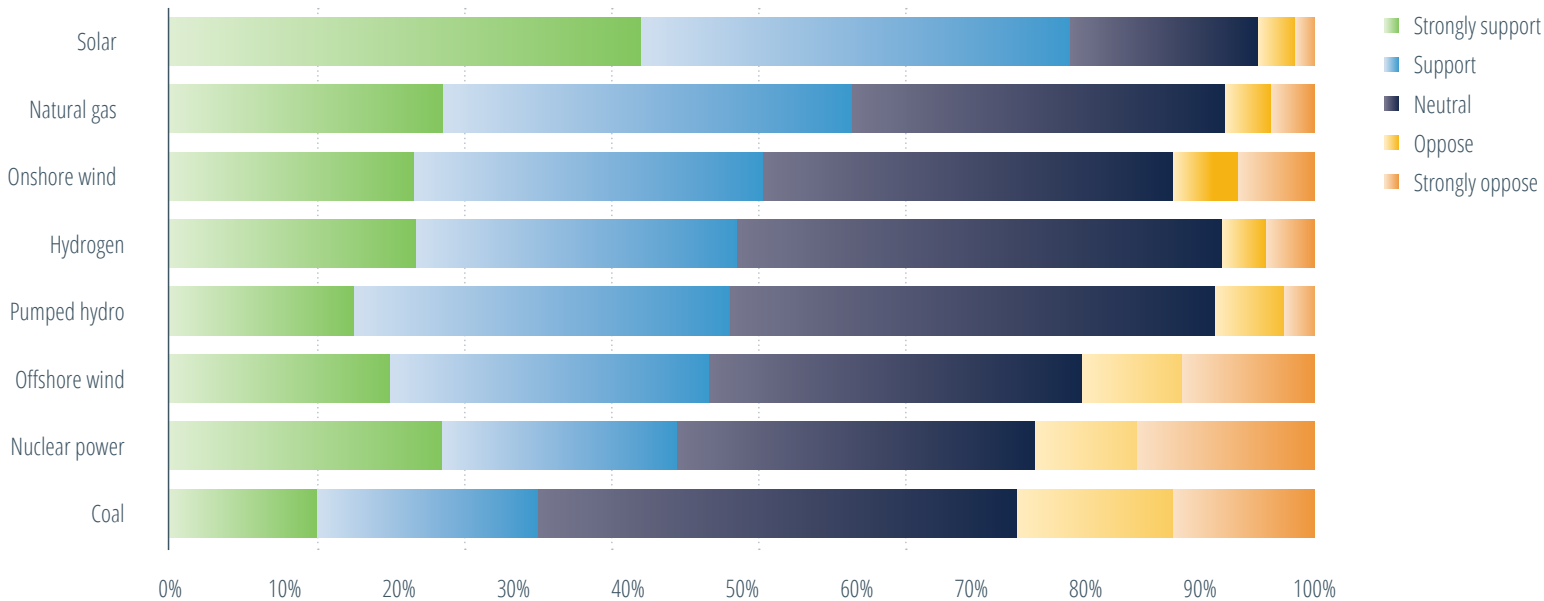
- 52% Onshore wind
- 50% Hydrogen
- 49% Pumped hydro
- 47% Offshore wind
- 44% Nuclear power

While receiving the second lowest total support, nuclear received a significant level of strong support, with 24% of businesses indicating they strongly support the energy source, behind only solar in terms of strong support.

On the flipside, energy production from coal received the greatest opposition. A quarter (26%) of WA businesses identified they oppose coal. Nuclear power is the second most opposed energy source, with a quarter (24%) of respondents indicating this. However, nuclear received the greatest proportion strongly opposing it, with 12% of businesses indicating strong opposition.

The high level of strong support and strong opposition highlight the polarising views that exist around nuclear as an energy source. Overall however, net support (that is, total support less opposition) for nuclear energy across WA businesses is +20.

TO WHAT EXTENT DO YOU SUPPORT THE PRODUCTION OF ENERGY FROM THE FOLLOWING SOURCES?





Reliability is the number one energy supply priority for WA businesses

In this edition of CCIWA's *Business Confidence Survey*, we investigate the priorities for WA businesses when considering energy supply and the challenges they face during power outages.

The leading priority for WA businesses when considering their energy supply is reliability, with one half (51%) of businesses indicating this. This is closely followed by cost, with two in five (42%) businesses indicating this as their leading priority. The remaining seven per cent said the level of carbon emissions is the most important factor for their business.

Breaking this down by business size, small (50%) and medium (56%) sized

businesses are more likely to prioritise reliability, while large businesses are most likely to prioritise cost (48%). This likely reflects larger businesses' greater capability of securing additional energy when primary systems fail. Larger businesses are also significantly more likely to prioritise the level of carbon emissions (16%) than medium (8%) and small (5%) businesses, as stakeholders of large companies push towards environmental targets.

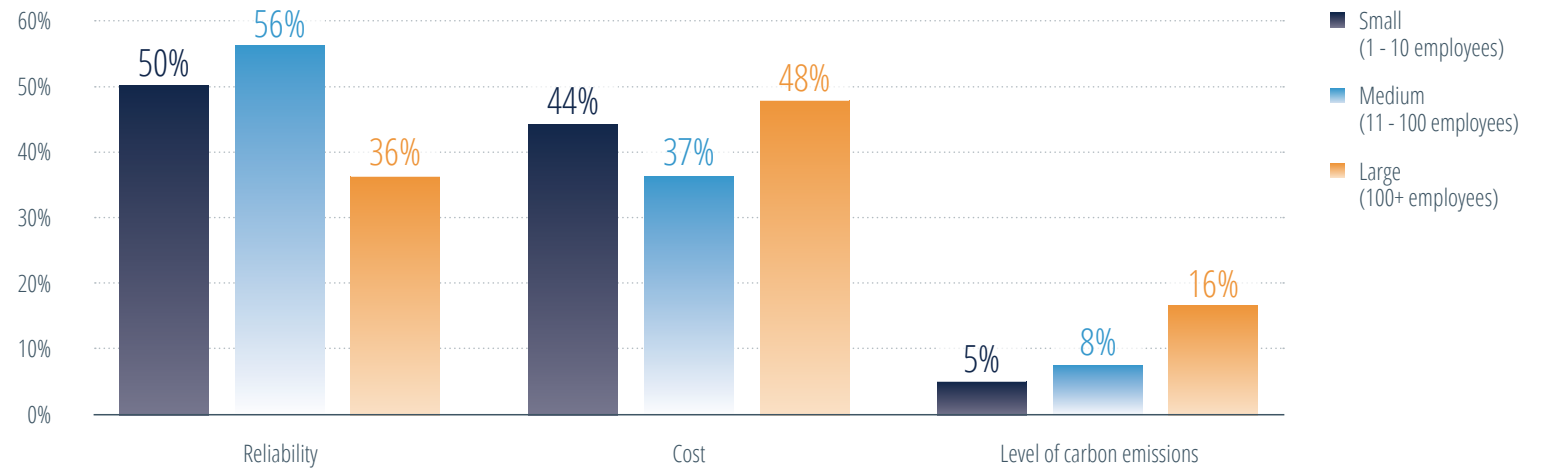
The emphasis on reliability highlights the damaging consequences WA businesses face in the event of a power outage. When asked about their greatest challenges following a loss of power, the inability to use machinery or equipment (67%), loss of revenue (53%) and delays in producing outputs (45%) are the most widespread issues reported.

Other issues include:

- 31%** Loss of data
- 26%** Increased costs from the use of alternative power sources (e.g. generators)
- 22%** Disruption to our supply chain
- 12%** Damages to inventory

Unsurprisingly, smaller businesses are significantly more vulnerable to the damages caused by power outage – with a relatively greater proportion reporting they are faced with the inability to use machinery or equipment and the loss of revenue, compared with their larger counterparts (a 13 percentage point difference for each).

WHEN IT COMES TO ENERGY SUPPLY, WHAT IS OF MOST IMPORTANCE TO YOUR BUSINESS?



Skill shortages

Despite early signs of labour demand easing, conditions remain tight by historical standards.

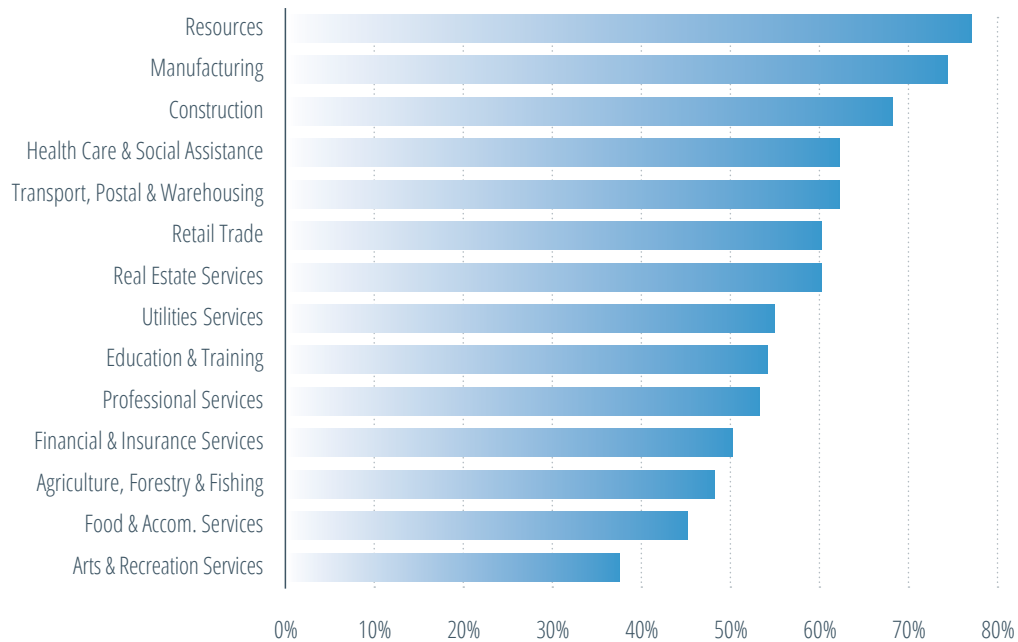
In this edition of CCIWA's *Business Confidence Survey*, we investigate developments in labour shortages.

When asked whether they have struggled to hire for a particular skillset over the quarter, three in five (62%) WA businesses reported they had. This proportion has continued its downward trend and is now at its lowest point since we began asking this question in June 2021.

Businesses in the **resources** (76%), **manufacturing** (74%) and **construction** (68%) sectors saw the greatest proportion indicate they had struggled to hire a worker. On the flipside, the **arts and recreation** (38%), the **food and accommodation services** (45%) and **agriculture** (48%) industries have a relatively lower proportion of businesses indicating the same.

Breaking this down by business size, medium-sized businesses are more likely to have struggled to fill a position, with seven in 10 (70%) reporting this. Two in five (63%) large businesses and just over a half (56%) of small businesses said the same.

% OF BUSINESSES STRUGGLING TO FILL A POSITION



TOP THREE OCCUPATIONS IN DEMAND BY INDUSTRY

	1.	2.	3.
Accommodation Services	Hospitality Workers	Chefs	Cleaners
Agriculture, Forestry & Fishing	Machinery Operators	Technicians and Trades Workers	Motor Mechanics
Construction	Electricians	Plumbers	Carpenters
Education & Training	Vocational Education Teachers	Early Childhood Teachers	University Tutor
Financial & Insurance Services	Financial Advisers	Insurance Brokers	Administrative Workers
Food Services	Chefs	Cooks	Butchers
Health Care & Social Assistance	Health and Welfare Support Workers	Nursing Professionals	Health Therapy Professionals
Information Media & Telecommunications	ICT and Telecommunications Technicians	-	-
Manufacturing	Welders	Machinists	Automotive Electricians and Mechanics
Professional, Scientific & Technical Services	Digital Marketing Analyst	Web Developers	Electronics Trades Workers
Real Estate Services	Real Estate Sales Agents	-	-
Resources (including mineral resources and oil & gas)	Automotive and Engineering Trades Workers	Machinery Operators and Drivers	Welders
Retail Trade	Automotive Electricians and Mechanics	Hairdressers	Sales Workers
Transport, Postal & Warehousing	Machine Operators and Drivers	Sales Workers	Human Resource Professionals
Utilities Services	Electricians	Telecommunications Linesworker	Occupational and Environmental Health Professionals
Wholesale Trade	Refrigeration Mechanics	-	-

BUSINESS CONFIDENCE, SEPTEMBER 2024



Easing concerns around the leading barriers to growth sees **short-term confidence rise**.



One third (36%) of businesses said **price adjustments** has been the **most effective strategy in navigating the higher cost of doing business**.



The greatest proportion of WA businesses (**79%**) **support solar power** as an energy source.



The majority (51%) of businesses **value reliability** above all else when **considering energy supply**.

KEY RESULTS FROM THE SURVEY

Indicator (Index)	Actual			Expected	
	March 24	June 24	September 24	1 Quarter	1 Year
Economy					
WA Economic Conditions	112.4	110.6	111.5	105.1	85.3
Operating Conditions					
Employment	104.5	104.8	103.4	100.0	-
Labour Costs	115.0	115.3	116.6	109.2	-
Anticipated CAPEX	103.2	105.0	101.3	101.3	-
Profitability	96.0	97.0	97.4	99.3	-
Credit	94.5	97.7	97.9	98.4	
Production	99.1	97.3	99.1	99.1	

SAMPLE

Industry

Construction	24%
Manufacturing	15%
Retail Trade	8%
Health Care & Social Assistance	7%
Resources	5%
Agriculture, Forestry & Fishing	5%
Transport, Postal & Warehousing	5%
Education & Training	4%
Other	27%

Business Size

Small (1-10 employees)	51%
Medium (11-100 employees)	37%
Large (100+ employees)	13%

Total number of responses 669

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 September 2024 is 105.1, which suggests that the average score of survey respondents for economic conditions in September 2024 is 5.1 per cent higher than the average response in 2018.



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