

Regional Pulse

Chamber of Commerce and Industry WA

September 2024



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 September 2024 *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
Peel	36%	55%	9%	15%	49%	36%
South West	30%	36%	34%	8%	47%	45%
Great Southern	28%	54%	18%	19%	59%	22%
Wheatbelt	36%	36%	28%	20%	60%	20%
Goldfields-Esperance	33%	40%	27%	18%	41%	41%
Mid-West/Gascoyne	43%	42%	15%	22%	50%	28%
Pilbara	48%	30%	22%	38%	54%	8%
Kimberley	32%	54%	14%	31%	39%	30%
WA Regions	35%	42%	23%	20%	51%	29%
Perth	34%	40%	26%	21%	43%	36%

Business confidence in regional WA has improved in both the short and longer term over the September quarter. Confidence levels in regional WA are now on par with metro businesses, following comparatively lower confidence in the June quarter.

Looking to the coming quarter, just over a third (35%) of regional businesses anticipate stronger economic conditions, a six percentage points increase from last quarter. An

additional two in five (42%) expect conditions to remain about the same, while one in four (23%) expect weaker conditions.

Over the year ahead, the majority (51%) of regional businesses expect economic conditions to remain about the same. One in five (20%) expect economic conditions to improve, while the remaining three in 10 (29%) expect conditions to worsen.

Diving deeper into the short-term outlook:

- Businesses in the Pilbara (48%), Mid-West/Gascoyne (43%) and Peel (36%) regions are the most optimistic.
 - Businesses in the Pilbara have seen a pick up in confidence over the past six months, increasing 11 percentage points, likely as drier conditions have allowed for greater levels of activity. However, confidence remains subdued compared to the same period last year as iron ore prices have fallen to their lowest levels in two years, moderating the increase in optimism.
 - For businesses in the Mid-West/Gascoyne region, the higher optimism likely stems from increased tourism activity over the peak season.
 - The Peel region has seen a significant rise in the proportion of optimistic businesses compared to last quarter, up 15 percentage points. Stronger confidence among construction and manufacturing businesses in the region has driven this result, at a time when housing demand remains strong and input costs continue to moderate.
- On the other hand, businesses in the Great Southern (28%) are comparatively less optimistic about economic conditions in the upcoming quarter. This is likely due to the relatively dry conditions experienced over winter.

Barriers to Business

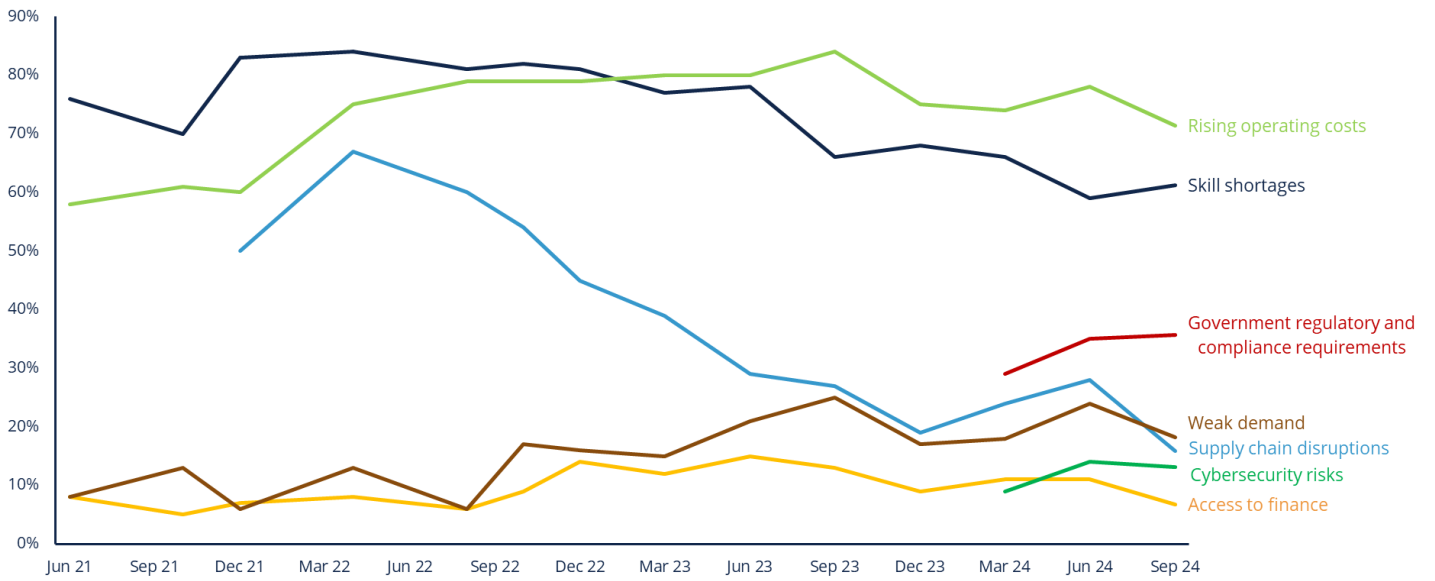
What do you see as a barrier to growing your business in the year ahead?	Barriers to Business							
	Rising operating costs	Availability of skilled labour	Government regulatory and compliance requirements	Weak demand	Supply chain disruptions	Cybersecurity risks	International trade tensions	Difficulty accessing new finance from banks
Peel	64%	61%	33%	18%	6%	15%	3%	6%
South West	71%	53%	26%	32%	19%	3%	6%	6%
Great Southern	72%	51%	38%	15%	17%	15%	15%	13%
Wheatbelt	77%	77%	47%	10%	17%	13%	10%	7%
Goldfields-Esperance	61%	61%	28%	6%	6%	0%	0%	6%
Mid-West/Gascoyne	70%	62%	38%	13%	17%	17%	10%	3%
Pilbara	75%	71%	38%	17%	21%	25%	21%	4%
Kimberley	83%	74%	43%	22%	17%	22%	4%	9%
WA Regions	71%	61%	36%	18%	16%	13%	9%	7%
Perth	71%	61%	32%	24%	22%	12%	8%	8%

Rising operating costs remains the number one barrier to business growth in regional WA. Encouragingly, this has declined over the three months to September. Seven in 10 (71%) regional businesses reported rising costs as a barrier, down seven percentage points from the June quarter. Regional businesses most likely to report this barrier operate in the Kimberley (83%), Wheatbelt (77%) and Pilbara (75%) regions.

The second most reported barrier to business growth in the regions remains the availability of skilled labour, reported by three in five (61%) businesses. Concerns around labour shortages are most prevalent in the Wheatbelt (77%), Kimberley (74%) and Pilbara (71%) regions.

Government regulatory and compliance requirements persist as the third most prevalent barrier, with over a third (36%) of regional businesses saying this. Businesses operating in the Wheatbelt (47%) and Kimberley (43%) regions are the most likely to experience this as a barrier.

Barriers to Regional Business Growth % of survey respondents reporting barrier



Worker Shortages in Regional WA

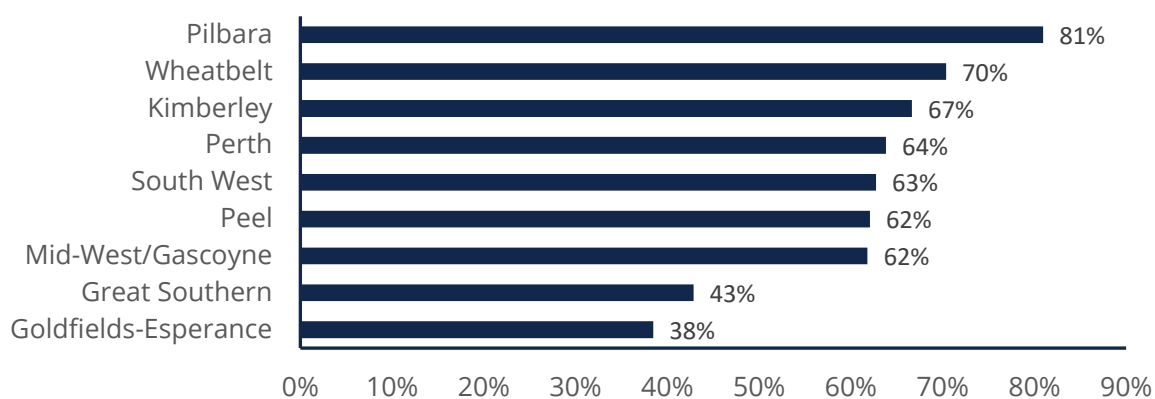
Despite signs of gradual easing in labour demand, labour market conditions remain historically tight. In this edition of *Regional Pulse*, we look at WA's skills shortages and the most in demand occupations by region.

When asked whether they had struggled to hire for a particular skillset, three in five (61%) regional WA businesses identified they had. This proportion has declined five percentage points from the previous quarter.

- Labour shortages are most acute in the Pilbara (81%), Wheatbelt (70%) and Kimberley (67%) regions.
- Skill shortages were reported by a significantly lower proportion of businesses in the Goldfields-Esperance (38%) and Great Southern (43%) regions.

Is your business struggling to hire for a particular skillset?

Proportion that responded 'yes'



Top three occupations in demand by WA region	1	2	3
Perth	Trades Workers	Sales Workers	Professionals
Peel	Trades Workers	Hairdressers	Administrative Workers
South West	Construction Trades Workers	Electricians	Hairdressers
Great Southern	Automotive Mechanics	Motor Vehicle Parts and Accessories Fitters	Truck Drivers
Wheatbelt	Automotive Electricians and Mechanics	Plumbers	Fabrication Trades Workers
Mid-West/ Gascoyne	Electricians	Fabrication Trades Workers	Automotive Electricians and Mechanics
Goldfields-Esperance	Managers	Automotive Mechanics	Plumbers
Pilbara	Trades Workers	Registered Nurses	Chefs
Kimberley	Trades Workers	Cleaners	Hospitality Workers

Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	81%	16%	3%	50%	40%	10%
South West	77%	21%	2%	67%	33%	0%
Great Southern	77%	23%	0%	47%	51%	2%
Wheatbelt	79%	17%	4%	81%	15%	4%
Goldfields-Esperance	81%	19%	0%	63%	37%	0%
Mid-West/Gascoyne	79%	19%	2%	55%	43%	2%
Pilbara	67%	33%	0%	67%	33%	0%
Kimberley	77%	23%	0%	64%	32%	4%
WA Regions	77%	22%	1%	61%	37%	2%
Perth	82%	16%	2%	64%	35%	1%

Almost four in five (77%) businesses in regional WA saw the cost of employing and maintaining staff rise over the three months to September. One in five (22%) reported no change while only one per cent reported a decrease. Rises in labour costs were more widespread in the Peel (81%) and Mid-West/Gascoyne (81%) regions.

Looking to the next three months, three in five (61%) regional WA businesses expect the costs of employing and maintaining staff to climb, while over a third (37%) expect no change. Only two per cent expect a decrease. Businesses operating in the Wheatbelt (81%) are significantly more likely to expect steeper costs of labour over the coming quarter compared with other regional areas.

Production/Sales

Expectations by Region (WA)	Production/Sales					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	33%	57%	10%	50%	39%	11%
South West	28%	36%	36%	37%	42%	21%
Great Southern	29%	49%	22%	43%	50%	7%
Wheatbelt	32%	25%	43%	31%	50%	19%
Goldfields-Esperance	36%	43%	21%	63%	25%	12%
Mid-West/Gascoyne	43%	36%	21%	55%	36%	9%
Pilbara	40%	40%	20%	52%	38%	10%
Kimberley	41%	50%	9%	32%	45%	23%
WA Regions	35%	39%	26%	44%	42%	14%
Perth	32%	44%	24%	46%	37%	17%

Regional WA businesses continue to see sustained strength in their production and sales. Over the September quarter, over a third (35%) of regional businesses saw an increase in production and sales, while two in five (39%) reported they had remained steady. A quarter (26%) said their production and sales declined, although encouragingly this proportion has declined four percentage points from June.

Over the coming three months, businesses in regional WA are likely to be ramping up production, with over two in five (44%) indicated this – now up five percentage points from last quarter. A similar proportion (42%) anticipate production and sales to stay about the same. Only one in seven (14%) expect softer production and sales, down eight percentage points from last quarter.

Expectations of stronger production are more prevalent in the Goldfields-Esperance (63%), Mid-West/Gascoyne (55%) and Pilbara (52%).

Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	19%	42%	39%	37%	40%	23%
South West	17%	36%	47%	17%	38%	45%
Great Southern	4%	47%	49%	27%	53%	20%
Wheatbelt	11%	28%	61%	15%	33%	52%
Goldfields-Esperance	14%	36%	50%	46%	31%	23%
Mid-West/Gascoyne	19%	39%	42%	20%	52%	28%
Pilbara	30%	20%	50%	25%	55%	20%
Kimberley	5%	57%	38%	18%	55%	27%
WA Regions	14%	38%	48%	22%	46%	32%
Perth	14%	40%	46%	26%	45%	29%

As revealed in the barriers to business growth section of the report, the elevated cost of doing business remains an acute pressure point for regional WA businesses. As a result, only one in seven (14%) regional WA businesses reported their profit levels increased over the September quarter, down three percentage points from June. Almost half (48%) saw their profit margins shrink, while two in five (38%) reported no change.

Expectations around next quarter profits remain relatively flat, with two in five (46%) regional businesses expecting their turnover to stay unchanged. While three in ten (32%) anticipate their profit margins to slip. Only one in five (22%) expect an increase.

Businesses in the Mid-West/Gascoyne (46%) are significantly more likely to expect their profit margins to increase. Other regions with greater proportions of businesses anticipating an increase in profit margins are the Peel (37%) and Great Southern (37%) regions. On the flipside, businesses in the Wheatbelt (52%) and South West (45%) are notably more likely to expect slimmer profit margins over the coming quarter.

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
Peel	33%	57%	10%	17%	59%	24%
South West	27%	62%	11%	29%	60%	11%
Great Southern	25%	68%	7%	16%	79%	5%
Wheatbelt	36%	61%	3%	33%	63%	4%
Goldfields-Esperance	36%	57%	7%	36%	57%	7%
Mid-West/Gascoyne	31%	65%	4%	21%	67%	12%
Pilbara	28%	67%	5%	16%	74%	10%
Kimberley	9%	86%	5%	18%	68%	14%
WA Regions	28%	66%	6%	24%	67%	9%
Perth	20%	75%	5%	21%	72%	7%

While an increase in businesses' debt levels may indicate future expansion plans, it can also reflect an increase in financial distress, particularly in a high interest rate environment. Over the three months to September, three in 10 (28%) ramped up their debt levels, while two thirds (66%) of regional businesses kept their levels of credit unchanged. Six per cent reported their debt levels decreased.

Looking ahead, two thirds (67%) of regional businesses intend to maintain their current level of credit or debt. A quarter (24%) plan to increase their debt levels, while one in 10 (9%) expect to reduce their debt levels.

Businesses most likely to increase their debt levels operate in the Mid-West/Gascoyne (36%), Wheatbelt (33%) and South West (29%) regions – this may be reflective of financial pressure following drought conditions early in the year.

Capital expenditure

Expectations by Region (WA)	Capital Expenditure					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	48%	49%	3%	33%	60%	7%
South West	28%	56%	16%	27%	58%	15%
Great Southern	24%	65%	11%	16%	75%	9%
Wheatbelt	43%	50%	7%	28%	61%	11%
Goldfields-Esperance	38%	56%	6%	19%	69%	12%
Mid-West/Gascoyne	38%	60%	2%	27%	62%	11%
Pilbara	55%	45%	0%	47%	42%	11%
Kimberley	32%	64%	4%	32%	64%	4%
WA Regions	34%	58%	8%	27%	62%	11%
Perth	38%	58%	4%	30%	65%	5%

Capital investment in regional WA remains robust, with one third (34%) of regional businesses reporting they increased their capital expenditure over the September quarter. Three in five (58%) businesses reported they maintained their capital expenditure levels steady, while one in 10 (8%) said their levels of investment declined.

Over the next three months, three in five (62%) regional WA businesses are committed to sustaining their levels of capital expenditure, while close to three in 10 (27%) plan to increase their commitments. Only one in 10 (11%) intend to reduce their investment.

Businesses most likely to increase their capital expenditure operate in the Pilbara (47%), Peel (33%) and Kimberley (32%) regions. This is in line with increased activity over the dry season and increased spending alongside the major public capital works underway.

Employment

Expectations by Region (WA)	Employment					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	32%	49%	19%	27%	63%	10%
South West	18%	63%	19%	28%	57%	15%
Great Southern	22%	56%	22%	21%	70%	9%
Wheatbelt	38%	41%	21%	30%	55%	15%
Goldfields-Esperance	53%	35%	12%	37%	44%	19%
Mid-West/Gascoyne	28%	49%	23%	40%	51%	9%
Pilbara	48%	43%	9%	30%	50%	20%
Kimberley	36%	46%	18%	19%	57%	24%
WA Regions	30%	51%	19%	30%	56%	14%
Perth	37%	45%	18%	43%	42%	15%

Employment levels in regional WA remain strong, with the majority (51%) of regional WA businesses reporting they maintained their staffing levels. An additional three in 10 (30%) said they increased their workforce, while one in five (19%) said they had cut their workforce.

Over the coming quarter, the majority (56%) of regional businesses said they plan to maintain the size of their workforce, while one in three (30%) said they intend to grow their workforce. One in seven (14%) expect to see their staffing levels decline.

Hiring intentions are most prevalent in the Goldfields-Esperance (40%), Mid-West/Gascoyne (37%), and Wheatbelt regions, coinciding with the start of the harvesting season in the agriculture-intensive areas and increased workload in the mining regions due to ongoing public works.

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