

December 2024

CCIWA BUSINESS CONFIDENCE SURVEY

## Calls for payroll tax relief grow louder ahead of State Election



**Western Australian businesses have overwhelmingly nominated payroll tax relief as their key ask ahead of the State Election.**

This call comes amid increasing signs Western Australia now has a two-speed economy. Insolvency rates have surged past their pre-COVID levels, and an increasing number of businesses are reporting their profit margins, and by extension their viability, are on the decline. Some of the sectors most likely to be reporting pressure on profits are the agriculture, health and community services, and arts and recreation industries.

At the same time, the overall economy is performing well, which is reflected in strong overall confidence. This comes at a time when the leading barrier to business growth, rising operating costs, settles to its lowest point in three years. Also buoying the outlook are significant declines in the proportion of businesses reporting weak demand and supply chain disruptions as hurdles to business.

Despite the decline in rising operating costs, this remains the top barrier to business growth. As the 2025 State Election approaches, WA businesses have identified a reduction in payroll tax as the top priority for the State Government to address.

With the elevated cost of doing business still posing a significant challenge, three in five (58%) businesses ranked payroll tax reform among the top three commitments they want prioritised, highlighting its ability to provide immediate relief to small and medium-sized businesses.

The availability of skilled labour, however, has bucked its downward trend, with the proportion reporting this as a barrier rising for the first time in 12 months. In addition, the proportion of businesses struggling to fill a position has increased to its highest level since September 2023.

As a result, measures to attract workers into the State was also highlighted as a priority for WA businesses at the upcoming State Election.

In this edition of CCIWA's *Business Confidence Survey*, we asked WA businesses the commitments they would like to see prioritised by State Government ahead of the coming election, the opportunities and challenges the energy transition presents for WA, and the extent to which labour shortages continue to weigh on businesses.



### SHORT-TERM INDEX RISES Index Points to 106.8 points

1.7

One in four (24%) Western Australian businesses expect economic conditions to pick up over the next three months, while two in five (40%) anticipate conditions to weaken. The remainder (36%) expect no change.



### LONG-TERM INDEX CLIMBS Index Points to 87.6 points

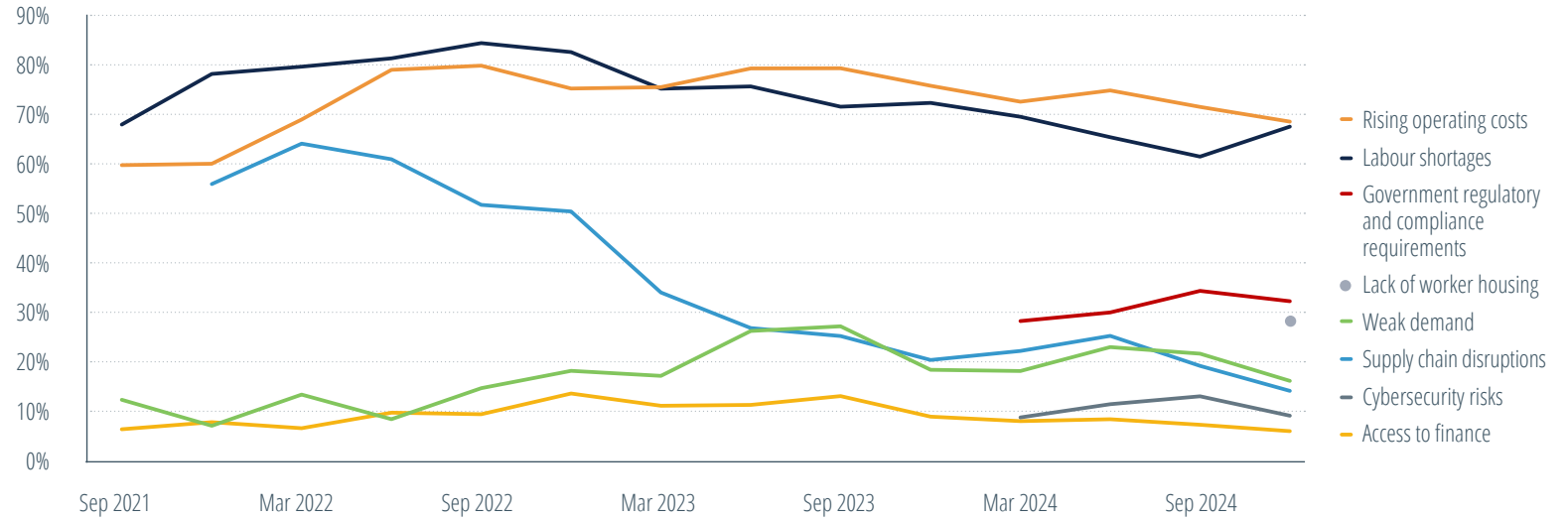
2.4

Looking at the year ahead, three in 10 (29%) businesses expect economic conditions to improve.

Almost one half (47%) anticipate no change, while one in four (24%) anticipate weaker economic conditions.

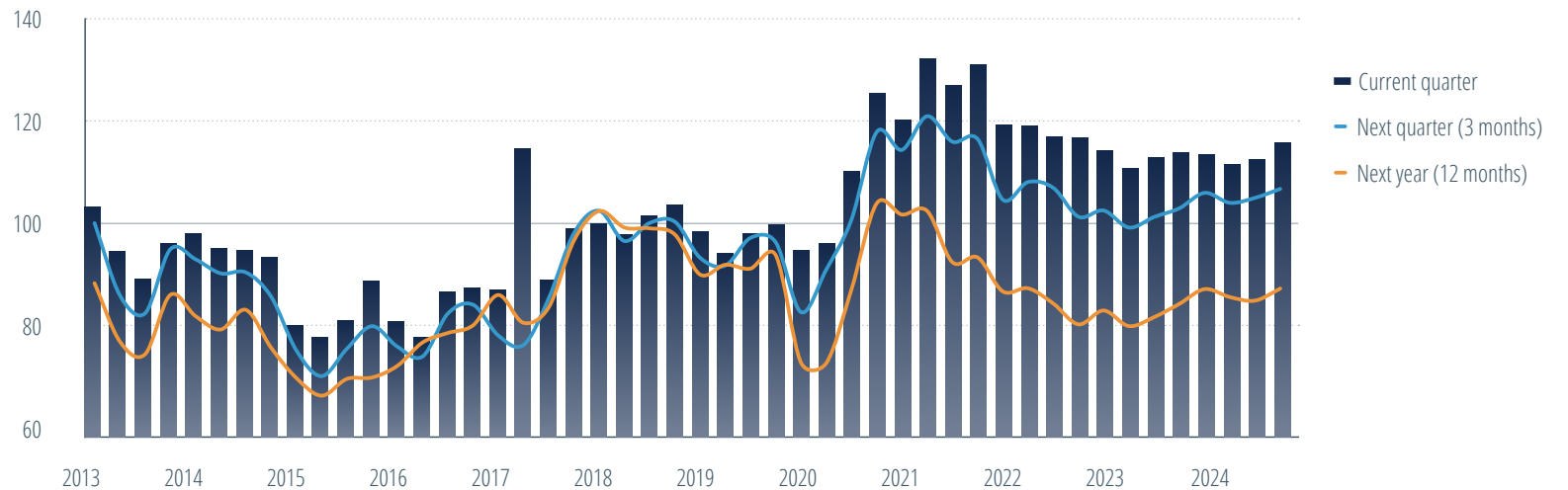
## BARRIERS TO BUSINESS GROWTH

% 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

Business confidence in the **transport** sector has surged and is now leading short-term confidence this quarter.

Three in five (64%) businesses in the sector anticipate economic conditions to improve – increasing by 51 percentage points from last quarter. The strength likely stems from less expensive fuel inputs, driven by the subdued demand for oil due to weaker global growth, despite the persistent threat of conflict in the Middle East. Notably, oil prices have remained around their lowest levels since mid-2021.

The **food and accommodation** sector also leads confidence levels, with over half (54%) of businesses in this sector reporting an optimistic outlook. This proportion has climbed significantly from last quarter – up 28 percentage points – and could reflect expectations of increased spending during the holiday season.

This is closely followed by the **construction** industry, with one half (48%) of businesses in this sector indicating they expect stronger economic conditions over the next three months. This marks a seven percentage point rise from last quarter.

It comes at a time when the strong demand for housing continues to feed activity in the sector and supply constraints ease slightly.

Businesses in the **resources** sector have also seen a considerable lift in confidence this quarter, with over two in five (44%) reporting they expect conditions to improve – up 17 percentage points from last quarter.

The rebound in optimism is likely fuelled by price rises in iron ore and gold. The price of iron ore has rebounded on the back of some stimulus announcements in China, holding above 100 USD/tonne since October. Gold prices also continue to hold near record highs, as the safe haven asset remains attractive amid heightened global volatility and strong purchases by some central banks.

Only 14% of businesses in the **health care and social assistance** sector expect improved conditions, an 18 percentage point drop from its peak in June. The lower confidence is likely reflective of the heightened concerns around labour shortages and government regulation, reported by 73% and 45% of businesses in this sector, respectively. The **utilities** (17%) sector also saw a relatively lower proportion of businesses expecting conditions to improve.

## Barriers to business

Rising costs remains the number one concern for WA businesses, with seven in 10 (68%) businesses reporting this. Encouragingly, this proportion has decreased for the second consecutive quarter and has reached its lowest since March 2022. This concern is most widespread in the **real estate** (93%), **accommodation and food services** (92%) and **agriculture** (78%) sectors.

Closely following, labour shortages continue to rank second as a barrier to business growth and has become more prevalent in the December quarter. Two thirds (67%) of WA businesses identified the availability of skilled labour as a barrier – up by six percentage points from September and now at its highest since March this year. The **resources** (78%), **agriculture** (74%) and **health care and social assistance** (73%) industries are the most likely to report labour shortages as a barrier.

Government regulatory and compliance requirements persist as the third leading barrier, with three in 10 (31%) businesses reporting this. This proportion has held relatively steady over the last two quarters. These concerns are the greatest in the **resources** (52%), **health care and social assistance** (45%) and **education and training** (43%) sectors.

For the first time, we asked businesses whether a lack of housing for workers was considered a barrier to growth. Almost three in 10 (28%) businesses identified this as a barrier, highlighting the scale of the current housing issue. This concern saw the greatest proportion of responses from the **accommodation and food services** (46%), **real estate** (43%) and **education and training** (33%) sectors.



 **RISING OPERATING COSTS**  
68% of businesses identified this as a barrier

Sectors most likely to report as a barrier:

- 93% Real Estate
- 92% Accommodation and Food Services
- 78% Agriculture

 **SKILL SHORTAGES**  
67% of businesses identified this as a barrier

Sectors most likely to report as a barrier:

- 78% Resources
- 74% Agriculture
- 73% Professional Services
- 73% Health Care and Social Assistance

 **GOVERNMENT REGULATORY & COMPLIANCE REQUIREMENTS**  
31% of businesses identified this as a barrier

Sectors most likely to report as a barrier:

- 52% Resources
- 45% Health Care and Social Assistance
- 43% Education and Training

 **LACK OF HOUSING FOR WORKERS**  
28% of businesses identified this as a barrier

Sectors most likely to report as a barrier:

- 46% Accommodation and Food Service
- 43% Real Estate
- 33% Transport
- 33% Education and Training



## Payroll tax reform is the top priority for WA businesses as a State Election commitment

With the next State Election approaching in March 2025, we asked businesses what three commitments they'd like to see prioritised by the WA Government.

The top priority for WA businesses, by a significant margin, is a reduction in payroll tax, with three in five (59%) WA businesses reporting this as one of their key priorities. Payroll tax relief has consistently been the number one call since we started asking this in June 2023.

The second most demanded commitment is a reduction in stamp duty, reported by over a third (38%) of businesses.

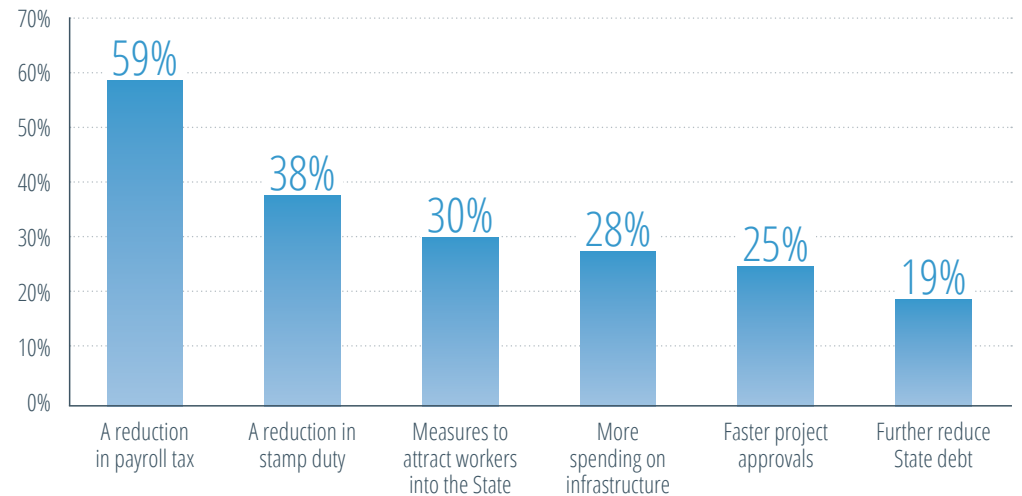
This priority has overtaken new measures to attract workers into the State, which closely followed and was reported by three in 10 (30%) businesses.

### Other priorities requested include:

- 28%** More spending on infrastructure
- 25%** Faster project approvals
- 19%** Further reduce State debt
- 10%** Address barriers to enable more women to access the workforce
- 8%** Grants for SMEs to decarbonise

Businesses that would like to see changes to payroll tax are those that are most likely to benefit from any reform, with three quarters (76%) of medium-sized businesses (11 to 100 employees) indicating this.

## WHAT COMMITMENTS WOULD YOU LIKE TO SEE FROM THE STATE GOVERNMENT AHEAD OF THE NEXT ELECTION?



## Skills shortages

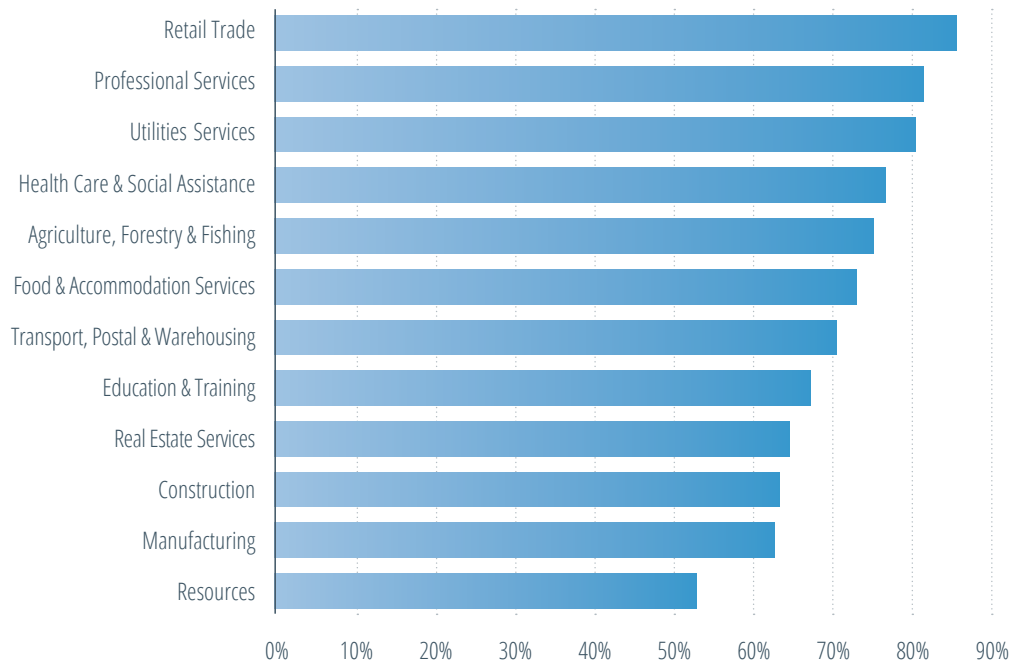
Labour market conditions remain tight, with the unemployment rate reading 4.0% in October. In this edition of CCIWA's *Business Confidence Survey*, we investigate developments in labour shortages across WA.

When asked if they have struggled to hire for a particular skillset over the quarter, almost seven in 10 (68%) WA businesses reported they had. This proportion has increased six percentage points from last quarter and is now at its highest since September 2023.

Businesses in the **retail trade** (85%), **professional services** (81%) and **utilities** (80%) sectors were most likely to have struggled to hire a worker. In all other sectors, more than half of businesses have identified they are struggling to fill a position.

Breaking this down by business size, large businesses are more likely to have struggled to fill a position, with over three in four (76%) reporting this. Seven in 10 (71%) medium-sized businesses and over three in five (64%) small businesses said the same.

### % OF BUSINESSES STRUGGLING TO FILL A POSITION



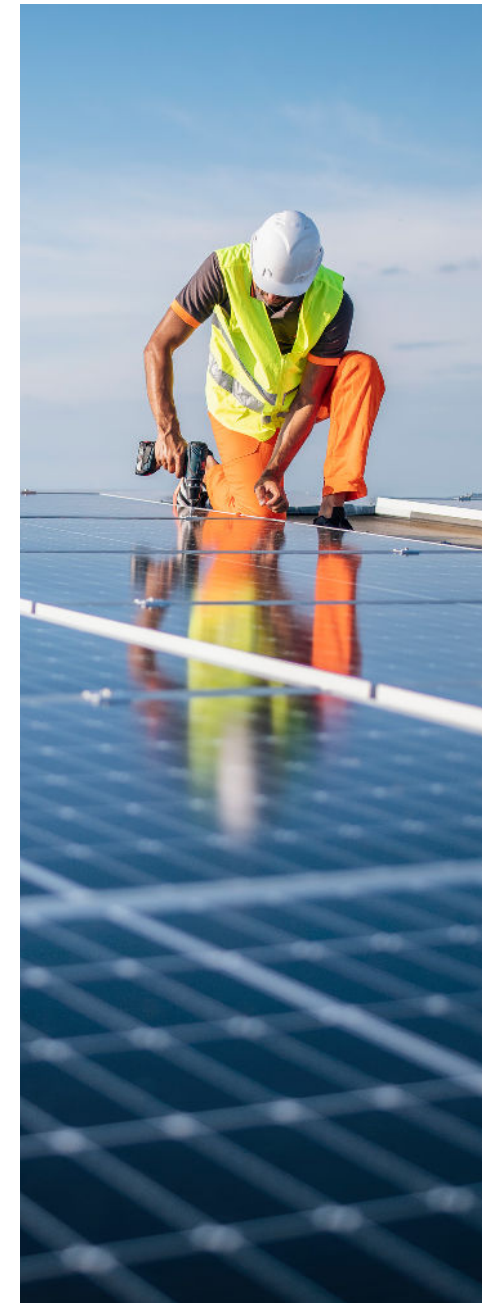
## Skills shortages the key challenge in the energy transition

When asked about the challenges that Western Australia faces during the energy transition, the number one challenge identified by WA businesses was skills shortages, with over two in five (46%) WA businesses identifying this as an issue. This was closely followed by the cost of the energy transition for businesses, reported by two in five (40%) businesses, and the reliability of energy supply, identified by over a third (36%) of respondents.

### Other challenges identified include:

- 32%** The cost of the energy transition on households
- 32%** Bureaucratic hurdles and delays
- 18%** Environmental concerns
- 15%** Public acceptance
- 13%** Supply chain constraints
- 10%** Identifying new sources of economic opportunity
- 8%** Identifying industries at risk
- 6%** Access to capital

Looking to the responses by industry, businesses in the education and training sector (72%) are significantly more likely to see the cost of the energy transition on households as a challenge, while a greater proportion of businesses in the agriculture (65%) and transport (65%) sectors identified the cost of the energy transition on businesses as a challenge. In addition, businesses more likely to see skill shortages as a challenge are in the education and training (61%) and utilities (60%) industries.



## TOP THREE OCCUPATIONS IN DEMAND BY INDUSTRY

	1.	2.	3.
Accommodation Services	Chefs	Managers	Receptionists
Agriculture, Forestry & Fishing	Agricultural Technicians	Truck Drivers	Motor Mechanics
Construction	Carpenters	Electricians	Machine Operators
Education & Training	Early Childhood Teachers	Vocational Education Teachers	University Lecturers
Financial & Insurance Services	Insurance Brokers	-	-
Food Services	Chefs	Hospitality Workers	Marketing Professionals
Event Services	Electronics Trades Workers	Managers	Chefs
Health Care & Social Assistance	Psychologists	Social Workers	Support Workers
Information Media & Telecommunications	ICT and Telecommunications Technicians	Cabler	-
Manufacturing	Metal Fitters and Machinists	Carpenters	Structural Steel and Welding Trades Workers
Professional, Scientific & Technical Services	Draftsperson	Engineers	Electronics Trades Workers
Real Estate Services	Real Estate Sales Agents	Administrative Workers	-
Resources (including mineral resources and oil & gas)	Technicians	Metal Fitters and Machinists	Engineers
Retail Trade	Automotive Electricians and Mechanics	Managers	Butchers
Transport, Postal & Warehousing	Truck Drivers	Automotive Electricians and Mechanics	Machine Operators
Utilities Services	Electricians	Plumbers	Managers

## BUSINESS CONFIDENCE, DECEMBER 2024



Both short and longer-term confidence rose over the December quarter.



The majority (59%) of WA businesses reported a **reduction in payroll tax** as one of their **top three priorities** in the upcoming State Election.



Over two in five (46%) WA businesses **consider skills shortages the number one challenge** for WA during the energy transition.



Seven in 10 (68%) WA businesses reported they are **struggling to hire** for a particular skillset.

### KEY RESULTS FROM THE SURVEY

Indicator (Index)	Actual			Expected	
	June 24	September 24	December 24	1 Quarter	1 Year
<b>Economy</b>					
WA Economic Conditions	110.6	111.5	114.7	106.8	85.3
<b>Operating Conditions</b>					
Employment	104.8	103.4	103.4	102.8	-
Labour Costs	115.3	116.6	116.6	97.5	-
Anticipated CAPEX	105.0	101.3	101.3	101.9	-
Profitability	97.0	97.4	97.4	96.2	-
Credit	97.7	97.9	97.9	99.2	
Production	97.3	99.1	99.1	95.5	

### SAMPLE

#### Industry

Construction	24%
Manufacturing	13%
Retail Trade	7%
Health Care & Social Assistance	5%
Resources	4%
Agriculture, Forestry & Fishing	4%
Transport, Postal & Warehousing	4%
Education & Training	4%
Other	35%

#### Business Size

Small (1-10 employees)	46%
Medium (11-100 employees)	40%
Large (100+ employees)	14%

**Total number of responses** 567

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 December 2024 is 106.8, which suggests that the average score of survey respondents for economic conditions in December 2024 is 6.8 per cent higher than the average response in 2018.





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