

Regional Pulse

Chamber of Commerce and Industry WA

December 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 December 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	35%	42%	23%	27%	42%	31%
South West	36%	43%	21%	22%	42%	36%
Great Southern	40%	33%	27%	21%	38%	41%
Wheatbelt	27%	32%	41%	14%	45%	41%
Goldfields-Esperance	55%	36%	9%	32%	59%	9%
Mid-West/Gascoyne	41%	43%	16%	21%	58%	21%
Pilbara	56%	28%	16%	36%	36%	28%
Kimberley	55%	27%	18%	54%	23%	23%
WA Regions	41%	38%	21%	25%	44%	31%
Perth	39%	35%	26%	23%	50%	27%

Over the December quarter, business confidence in regional WA has strengthened in both the short and longer term. Over the next three months, two in five (41%) regional businesses anticipate stronger economic conditions – up six percentage points from last quarter – while a further two in five (38%) expect conditions to remain unchanged. The remaining two in five (21%) expect weaker conditions.

Over the year ahead, one quarter (25%) of regional businesses expect economic conditions to improve, up five percentage points from last quarter. Over two in five (44%) expect economic conditions to stay unchanged, while three in 10 (31%) expect conditions to worsen.

Compared with the metro area, the outlook in regional WA is slightly more optimistic. A greater proportion of businesses in regional WA are expecting stronger conditions in both the short (41%) and longer term (25%), compared with metro area businesses (39% for short term, 23% for long term).

Diving deeper into the short-term outlook:

- Businesses in the Pilbara (56%), Goldfields-Esperance (55%) and Kimberley (55%) regions are the most optimistic.
 - Business confidence in the Pilbara has increased by eight percentage points from last quarter and has reached its highest since December 2023. Relatively high confidence in this region is likely driven by robust production from resources companies over the December quarter, as it coincides with the latter part of the dry season. Also buoying the outlook is the rebound in the price of iron ore, on the back of some stimulus announcements in China, holding above 100 USD/tonne since October.
 - Businesses in the Goldfields-Esperance have seen an even greater surge in confidence, up 22 percentage points from the previous quarter. Stronger levels of optimism are reflective of gold prices remaining elevated. The price of gold continues to hold near record highs, as the safe haven asset remains attractive amid heightened global volatility and strong purchases by some central banks.
 - For businesses in the Kimberley, confidence has also climbed, rising 23 percentage points from last quarter. Stronger confidence is likely fuelled by the opening of the new Brooking Channel Bridge helping to further unlock supply routes in the region, continued economic momentum following the dry season, and the rollout of a public safety program over summer.
- Businesses in the Wheatbelt (27%) are less optimistic about economic conditions in the upcoming quarter compared with other regions. Although high crop yields, challenges posed by recent rainy conditions have delayed harvesting and caused crop damage.

Barriers to Business

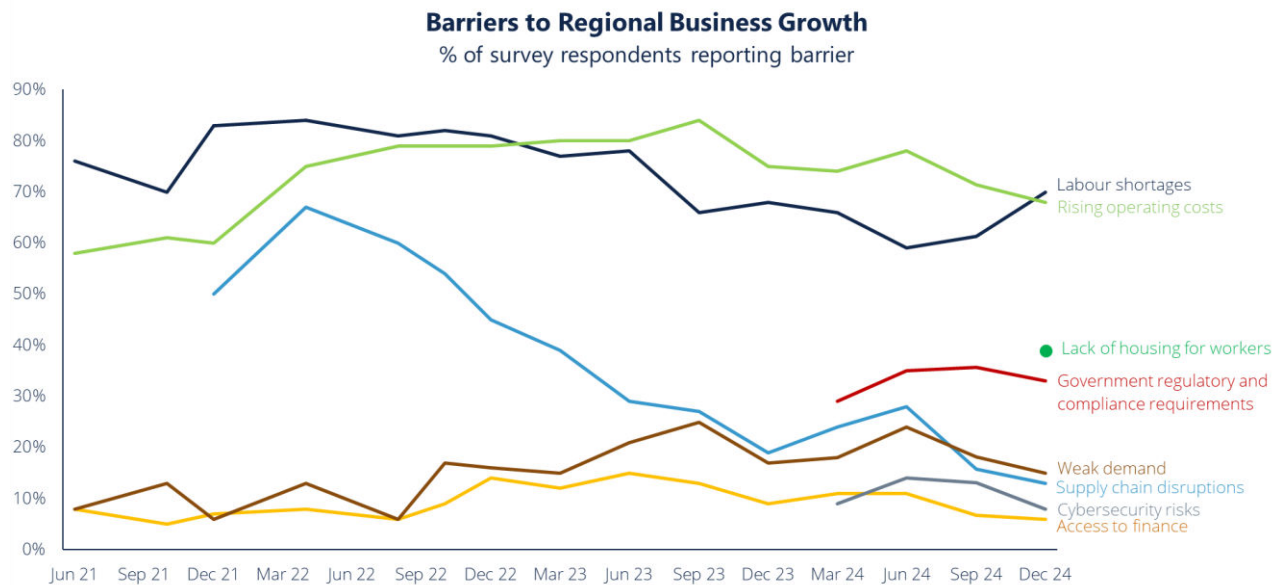
What do you see as a barrier to growing your business in the year ahead?	Barriers to Business								
	Availability of skilled labour	Rising operating costs	Lack of housing for workers	Government regulatory and compliance requirements	Weak demand	Supply chain disruptions	Cybersecurity risks	International trade tensions	Difficulty accessing new finance from banks
Peel	65%	81%	12%	54%	19%	8%	12%	8%	8%
South West	60%	61%	33%	25%	19%	15%	4%	5%	7%
Great Southern	77%	67%	33%	23%	23%	33%	3%	13%	0%
Wheatbelt	64%	82%	55%	27%	23%	18%	18%	0%	0%
Goldfields-Esperance	73%	64%	45%	45%	0%	5%	9%	5%	9%
Mid-West/Gascoyne	89%	68%	45%	29%	11%	3%	5%	5%	5%
Pilbara	64%	72%	40%	40%	12%	12%	12%	24%	4%
Kimberley	79%	64%	79%	36%	0%	14%	14%	0%	14%
WA Regions	70%	68%	39%	33%	15%	13%	8%	8%	6%
Perth	65%	67%	17%	29%	18%	14%	10%	11%	6%

The availability of skilled labour has overtaken the rising costs of doing business as the number one barrier to business growth in regional WA, identified by seven in 10 (70%) regional businesses. The proportion of those reporting this has increased by nine percentage points from last quarter and has reached its highest level since June 2023. Concerns around labour shortages are most acute in the Mid-West/Gascoyne (89%), Kimberley (79%) and Great Southern (77%) regions.

Closely following, rising operating costs remains a top concern, reported by two thirds (68%) of regional businesses. Encouragingly, this proportion has eased, down three percentage points from the September quarter. Regional businesses most likely to report this as a barrier operate in the Wheatbelt (82%), Peel (81%) and Pilbara (72%) regions.

For the first time, we asked businesses whether a lack of housing for workers is a barrier to growth. The barrier took third place, with almost two in five (39%) regional businesses identifying this concern. Of note, this challenge is significantly more acute in the regions

than in the metro area, with more than double the proportion of regional businesses reporting this. Businesses in the Kimberley (79%) are significantly more likely to report this barrier, while the Wheatbelt (55%), Goldfields-Esperance (45%) and Mid-West/Gascoyne (45%) regions were also likely to report this.



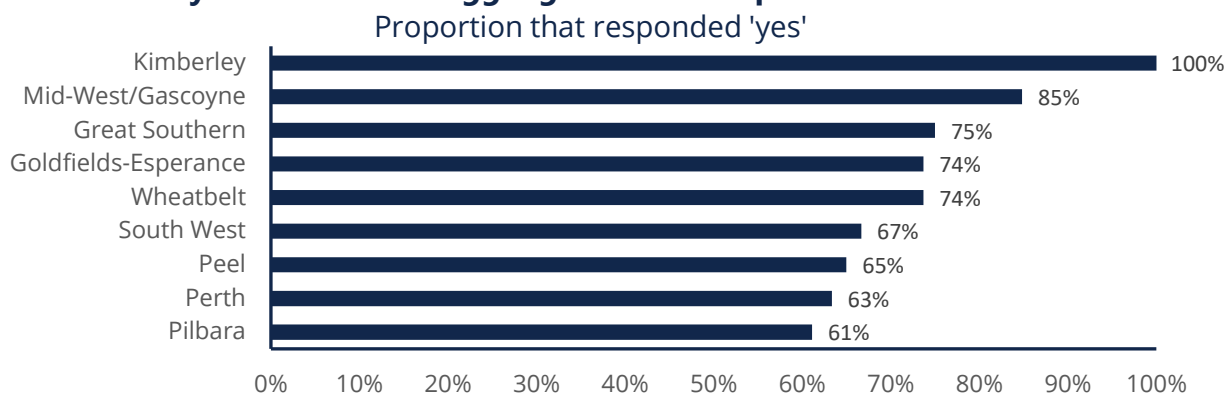
Worker Shortages in Regional WA

Labour market conditions across the State remain tight, with the unemployment rate reading 3.3% in November. In this edition of *Regional Pulse*, we look at skills shortages across WA and the most in demand occupations by region.

When asked whether they had struggled to hire for a particular skillset, three quarters (74%) of regional WA businesses identified they had. This proportion has also increased 13 percentage points from the September quarter, in line with labour shortages as a barrier to growth also increasing.

- Labour shortages are most acute in the Kimberley (100%), Mid-West/Gascoyne (85%) and Great Southern (75%) regions.
- In all other regions, at least three in five (61%) businesses identified they are struggling to hire skilled workers.

Is your business struggling to hire for a particular skillset?



Top three occupations in demand by WA region	1	2	3
Perth	Trades Workers	Machine Operators and Drivers	Professionals
Peel	Welfare Support Workers	Automotive Electricians and Mechanics	Chefs
South West	Automotive Electricians and Mechanics	Machine Operators	Accountants
Great Southern	Construction Trades Workers	Metal Fitters and Machinists	Truck Drivers
Wheatbelt	Automotive Electricians and Mechanics	Administrative Workers	Fabrication Trades Workers
Mid-West/ Gascoyne	Automotive Electricians and Mechanics	Hairdressers	Plumbers
Goldfields-Esperance	Electricians	Mechanics	Dental Practitioners
Pilbara	Truck Drivers	Engineers	Trades Workers
Kimberley	Trades Workers	Veterinarians	Psychologists

Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	85%	15%	0%	56%	40%	4%
South West	64%	31%	5%	59%	38%	3%
Great Southern	77%	23%	0%	57%	43%	0%
Wheatbelt	71%	29%	0%	35%	60%	5%
Goldfields-Esperance	86%	14%	0%	65%	35%	0%
Mid-West/Gascoyne	79%	18%	3%	65%	30%	5%
Pilbara	82%	18%	0%	57%	43%	0%
Kimberley	77%	23%	0%	54%	38%	8%
WA Regions	75%	23%	2%	57%	40%	3%
Perth	75%	23%	2%	64%	35%	1%

Labour costs remain a key pinch point for businesses in regional WA, with three quarters (75%) of regional businesses reporting the cost of employing and maintaining staff increased over the December quarter. One quarter (23%) reported no change and only 2% identified a decrease. Labour cost increases were most widespread in the Goldfields-Esperance (86%), Peel (85%) and Pilbara (82%) regions.

Over the coming quarter, over half (57%) of respondents expect their labour costs to rise, while two in five (40%) expect no change. Only 3% expect a decrease. Businesses in the Mid-West/Gascoyne (65%), Goldfields-Esperance (65%) and South West (59%) regions are most likely to expect labour costs to climb.

Production/Sales

Expectations by Region (WA)	Production/Sales					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	54%	27%	19%	56%	28%	16%
South West	29%	45%	26%	47%	29%	24%
Great Southern	36%	35%	29%	37%	46%	17%
Wheatbelt	38%	29%	33%	21%	47%	32%
Goldfields-Esperance	30%	45%	25%	50%	40%	10%
Mid-West/Gascoyne	42%	37%	21%	49%	35%	16%
Pilbara	33%	43%	24%	48%	38%	14%
Kimberley	43%	36%	21%	28%	43%	29%
WA Regions	37%	38%	25%	44%	36%	20%
Perth	35%	41%	24%	37%	44%	19%

Businesses in regional Western Australia continue to see sustained strength in their production and sales. Over the three months to December, over a third (37%) of regional businesses reported an increase in their production and sales, while two in five (38%) reported they had remained steady. Only one quarter (25%) said their production and sales fell.

Looking ahead, over two in five (44%) businesses in regional WA are ramping up production, while an additional one in three (36%) expect their production and sales to remain unchanged. One in five (20%) expect softer production and sales results, up six percentage points from last quarter.

Businesses most likely to expect an increase in their production levels operate in the Peel (56%), Goldfields-Esperance (50%) and Mid-West/Gascoyne (49%) regions. On the other hand, businesses in the Wheatbelt (32%) are most likely to expect a decline in production as the harvesting season comes to an end.

Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	27%	35%	38%	28%	32%	40%
South West	17%	40%	43%	26%	41%	33%
Great Southern	18%	28%	54%	22%	33%	45%
Wheatbelt	15%	40%	45%	5%	42%	53%
Goldfields-Esperance	20%	40%	40%	35%	50%	15%
Mid-West/Gascoyne	16%	49%	35%	29%	43%	28%
Pilbara	14%	32%	54%	10%	57%	33%
Kimberley	23%	23%	54%	17%	41%	42%
WA Regions	18%	38%	44%	23%	42%	35%
Perth	20%	40%	40%	21%	47%	32%

One in five (18%) regional businesses reported their profit margins grew, marking a four percentage point increase from last quarter. While almost one half (48%) saw slimmer profit margins, while two in five (38%) reported no change. Despite a slight increase in the proportion of regional businesses reporting increased profit margins, this proportion remains at a low level as headwinds continue to impact business.

Expectations around next quarter profits remain relatively flat, with two in five (42%) regional businesses expecting their turnover to stay unchanged and a third (35%) anticipating their profit margins will shrink. Less than one quarter (23%) expect an increase in profit margins.

Businesses most likely to expect their profit margins to increase operate in the Goldfields-Esperance (35%), Mid-West/Gascoyne (29%) and Peel (28%) regions. On the flipside, businesses in the Wheatbelt (53%), Great Southern (45%), Kimberley (42%) are more likely to expect their profit margins to shrink.

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%	63%	4%	26%	65%	9%
South West	28%	66%	6%	21%	73%	6%
Great Southern	21%	72%	7%	21%	75%	4%
Wheatbelt	35%	50%	15%	32%	63%	5%
Goldfields-Esperance	20%	70%	10%	20%	75%	5%
Mid-West/Gascoyne	31%	52%	17%	26%	59%	15%
Pilbara	14%	86%	0%	5%	90%	5%
Kimberley	36%	64%	0%	42%	58%	0%
WA Regions	27%	65%	8%	23%	70%	7%
Perth	26%	68%	6%	20%	72%	8%

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 December, over a quarter (27%) of regional WA businesses increased their debt levels, while more than three in five (65%) held their levels of credit unchanged. One in ten (8%) indicated their debt levels decreased. This is relatively unchanged since last quarter.

Looking to the coming quarter, seven in 10 (70%) regional businesses intend to maintain their current level of credit or debt. Over one in five (23%) intend to increase their debt, while 7% plan to reduce their debt levels. Businesses operating in the Kimberley (42%) are significantly more likely to be increasing their debt levels.

Capital expenditure

Expectations by Region (WA)	Capital Expenditure					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	48%	52%	0%	35%	65%	0%
South West	31%	61%	8%	24%	69%	7%
Great Southern	57%	40%	3%	38%	59%	3%
Wheatbelt	40%	50%	10%	32%	52%	16%
Goldfields-Esperance	40%	60%	0%	25%	70%	5%
Mid-West/Gascoyne	41%	51%	8%	25%	69%	6%
Pilbara	40%	50%	10%	5%	90%	5%
Kimberley	46%	54%	0%	31%	61%	8%
WA Regions	41%	53%	6%	27%	67%	6%
Perth	33%	61%	6%	31%	63%	6%

Over the three months to December, two in five (41%) regional businesses reported they increased their capital expenditure, up seven percentage points from last quarter. Half (53%) of businesses reported they maintained their capital expenditure levels steady, while only 6% reported a contraction in their capital investment.

Over the coming quarter, two thirds (67%) of regional businesses are committed to sustaining their levels of capital expenditure, while close to three in 10 (27%) plan to increase their commitments. Only 6% intend to decrease their investment. Regions with a higher proportion of businesses planning to increase their levels of investment include the Great Southern (38%), Peel (35%) and Wheatbelt (32%).

Employment

Expectations by Region (WA)	Employment					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	42%	42%	16%	44%	48%	8%
South West	38%	43%	19%	34%	57%	9%
Great Southern	33%	44%	23%	48%	35%	17%
Wheatbelt	29%	47%	24%	40%	40%	20%
Goldfields-Esperance	35%	40%	25%	40%	60%	0%
Mid-West/Gascoyne	45%	29%	26%	32%	41%	27%
Pilbara	27%	41%	32%	38%	52%	10%
Kimberley	22%	57%	21%	36%	43%	21%
WA Regions	36%	42%	22%	38%	48%	14%
Perth	45%	37%	18%	42%	49%	9%

Employment levels in regional WA remain robust, with a third (36%) of regional businesses reporting they grew the size of their workforce and an additional two in five (42%) reporting they sustained their staffing levels. One in five (22%) said they had reduced their workforce.

Looking ahead, half (48%) of regional businesses indicated they intend to maintain the size of their workforce, while almost two in five (38%) said they plan to grow their workforce, up eight percentage points from last quarter. One in seven (14%) expect to see their staffing levels decline.

Hiring intentions over the next three months are strongest in the Great Southern (48%) and Peel (44%) regions. For businesses in the Great Southern, this coincides with the delay of some harvesting activities due to rainy conditions during a season of above-average production levels. In the Peel region, this also coincides with higher anticipated levels of production and sales.

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