

Regional Pulse

Chamber of Commerce and Industry WA

March 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 March 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%	28%	36%	19%	43%	39%
South West	34%	36%	30%	29%	30%	41%
Great Southern	26%	45%	29%	16%	45%	39%
Wheatbelt	34%	39%	27%	24%	37%	39%
Goldfields-Esperance	45%	45%	10%	15%	55%	30%
Mid-West/Gascoyne	30%	49%	21%	26%	49%	26%
Pilbara	38%	38%	25%	42%	33%	25%
Kimberley	44%	48%	8%	27%	46%	27%
WA Regions	34%	42%	24%	24%	41%	35%
Perth	41%	39%	20%	27%	48%	25%

Business confidence in regional WA has held firm over the first quarter of 2024, with both short- and longer-term confidence ticking up slightly since December. However, compared with metro businesses, a smaller proportion of regional businesses expect conditions to improve in both the short and long term.

Overall, one in three (34%) regional businesses have a positive outlook for the coming three months, up six percentage points from last quarter. Two in five (42%) expect economic conditions to hold steady, while the remaining one in four (24%) anticipate softer economic conditions, marking an eight percentage point fall from last quarter.

Over the year ahead, one in four (24%) regional businesses expect conditions to pick up - an eight percentage point rise from December - while two in five (41%) anticipate conditions to hold steady. The remaining third (35%) expect conditions to worsen, a four percentage point drop.

Breaking down the short-term outlook:

- Businesses in the Goldfields-Esperance (45%), Kimberley (44%) and Pilbara (38%) regions are the most optimistic.
 - For businesses in the Kimberley, the rise in optimism is likely a result of the wet season coming to an end and activity returning to normal - with tourism activity expected to pick up and the agriculture sector seeing the benefits from strong rainfall.
 - For businesses in the Goldfields-Esperance and Pilbara, this confidence likely reflects the price of gold climbing to a record high and the price of iron ore remaining elevated over the survey period .
- On the flipside, businesses in the Great Southern and Mid-West/Gascoyne are comparatively less optimistic, with only 26% and 30% of businesses in these regions expecting stronger conditions over the next three months. This likely reflects drier conditions during the growing season, lower prices of agricultural exports and the end of the tourist season in the Great Southern.

Barriers to Business

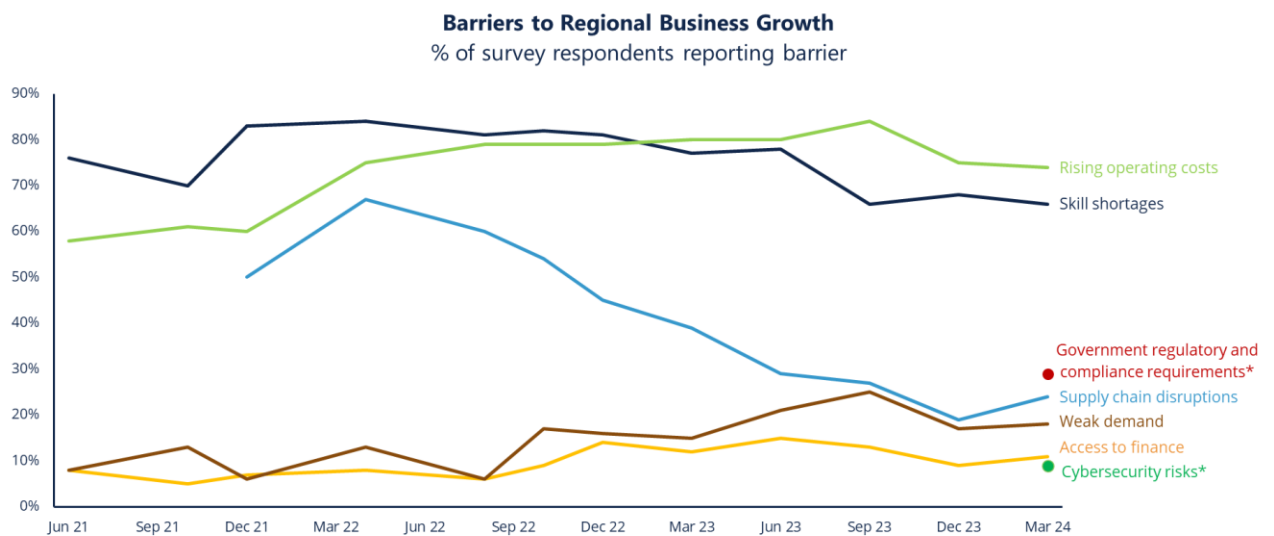
What do you see as a barrier to growing your business in the year ahead?	Barriers to Business							
	Rising operating costs	Availability of skilled labour	Government regulatory and compliance requirements	Supply chain disruptions	Weak demand	Difficulty accessing new finance from banks	Cybersecurity risks	International trade tensions
Peel	61%	52%	33%	7%	19%	9%	9%	4%
South West	79%	63%	34%	19%	27%	13%	7%	10%
Great Southern	73%	61%	30%	19%	24%	10%	7%	4%
Wheatbelt	64%	61%	30%	25%	16%	13%	17%	9%
Goldfields-Esperance	82%	62%	38%	35%	15%	6%	15%	9%
Mid-West/Gascoyne	84%	81%	16%	23%	7%	9%	5%	0%
Pilbara	67%	75%	29%	25%	21%	0%	8%	8%
Kimberley	69%	73%	15%	31%	12%	15%	0%	0%
WA regions	74%	66%	29%	24%	18%	11%	9%	6%
Perth	70%	73%	27%	23%	15%	5%	8%	5%

The number one barrier to regional businesses remains rising operating costs, with three in four (74%) regional businesses continuing to report this as a barrier over the coming 12 months. This proportion dropped one percentage point since December, now marking a 10 percentage point decline from six months ago. Concerns around rising operating costs were most prevalent in the Mid-West/Gascoyne (84%), Goldfields-Esperance (82%) and South-West (79%) regions.

Despite easing slightly, the availability of skilled labour remains the second most prevalent barrier to regional businesses – with two in three (66%) businesses reporting this. This proportion has declined two percentage points since last quarter, likely reflecting the slight loosening in labour market conditions. Indeed, WA’s rate of unemployment has continued to drift upwards, reaching 4.2% in January – the highest rate since August 2021. Businesses in the Mid-West/Gascoyne (81%) and Pilbara (75%) regions are most likely anticipating this as a barrier over the coming year.

In this edition of CCIWA's *Business Confidence*, we asked whether government regulatory and compliance requirements was considered a barrier to growth, with three in ten (29%) regional businesses identifying this as a barrier. This concern saw the greatest proportion of responses from businesses in the Goldfields-Esperance (38%) and South West (34%) regions.

Supply chain disruptions in the regions have ticked up again, with one in four (24%) regional businesses reporting this as a barrier – up five percentage points from December. Businesses in the Goldfields-Esperance (35%) and Kimberley (31%) regions saw the greatest proportion indicate this would be a barrier over the next 12 months.



*The answer options 'Government and regulatory compliance requirements' and 'cybersecurity risks' were added in the March 2024 edition of the CCIWA Business Confidence Survey. As a result, the data presented in the time series prior to March 2024 does not incorporate data related to these options.

Worker Shortages in Regional WA

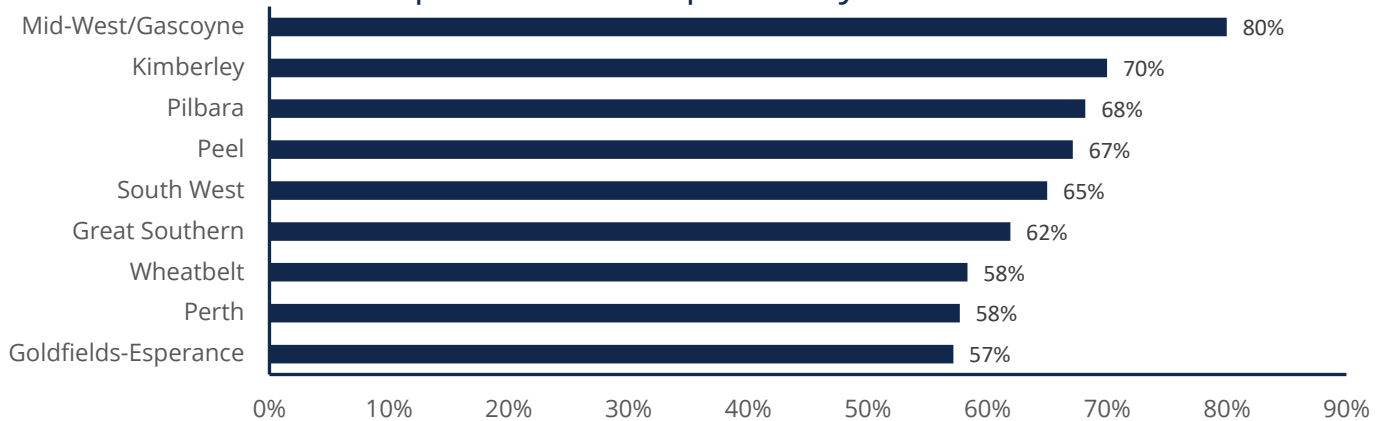
In this edition of Regional Pulse, we look at WA's skills shortages and top occupations in demand by region.

Overall, 65% of regional businesses identified they have struggled to fill a skilled occupation – remaining unchanged from the previous quarter.

- Skill shortages are most acute in the Mid-West/Gascoyne (80%), Pilbara (79%) and Goldfields-Esperance (78%) regions.
- In all other regions, over a half of businesses identified they are struggling to hire skilled workers.

Is your business struggling to hire for a particular skillset?

Proportion that responded 'yes'



Top three occupations in demand by WA region	Perth	Peel	South West	Great Southern	Wheatbelt	Mid-West/Gascoyne	Goldfields-Esperance	Pilbara	Kimberley
1	Trades Workers	Trades Workers	Trades Workers	Trades Workers	Trades Workers	Trades Workers	Trades Workers	Trades Workers	Automotive Mechanics
2	Machine Operators	Machine Operators	Machine Operators	Automotive Mechanics	Automotive Mechanics	Hair-dressers	Sales people	Automotive Mechanics	Trades Workers
3	Automotive Mechanics	Financial Adviser	Sales people	Hair-dressers	Hospitality Workers	Admin Workers	Community and Personal Service Workers	Engineers	Health and Welfare Support Workers

Labour costs

Expectations by Region (WA)	Labour Costs					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	61%	35%	4%	52%	44%	4%
South West	79%	21%	0%	65%	35%	0%
Great Southern	71%	28%	2%	55%	43%	2%
Wheatbelt	60%	38%	2%	55%	42%	3%
Mid-West/Gascoyne	75%	25%	0%	55%	45%	0%
Goldfields-Esperance	82%	18%	0%	72%	28%	0%
Pilbara	79%	17%	4%	79%	21%	0%
Kimberley	79%	13%	8%	74%	26%	0%
WA Regions	73%	25%	2%	63%	36%	1%
Total WA	76%	22%	2%	64%	35%	2%
Perth	81%	18%	2%	66%	32%	2%

Three in four (73%) regional businesses saw the cost of hiring and maintaining staff increase over the March quarter. This has declined slightly by two percentage points since the previous quarter. The proportion of businesses who have seen no change (25%) or a decline (2%) in labour costs have both increased one percentage point over the quarter.

Looking to the three months ahead, over three in five (63%) expect labour costs to continue to rise. Just over one in three (36%) expect labour costs to remain the same, while only 1% expect labour costs to decline.

Businesses expecting labour costs to rise over the next three months are more likely located in the Pilbara (79%), Kimberley (74%) and Goldfields-Esperance (72%) regions.

Production/Sales

Expectations by Region (WA)	Production/Sales					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	35%	35%	29%	61%	16%	24%
South West	37%	26%	37%	40%	40%	20%
Great Southern	35%	32%	32%	45%	38%	17%
Wheatbelt	27%	45%	27%	36%	39%	25%
Mid-West/Gascoyne	47%	34%	19%	36%	46%	18%
Goldfields-Esperance	37%	39%	24%	42%	45%	13%
Pilbara	17%	46%	38%	59%	27%	14%
Kimberley	21%	46%	33%	61%	30%	9%
WA Regions	33%	37%	30%	43%	39%	18%
Total WA	34%	42%	25%	46%	38%	15%
Perth	34%	47%	19%	47%	41%	12%

One in three (33%) regional businesses saw production increase over the quarter – unchanged from December – while 37% saw production remain the same. Three in ten (30%) saw production fall, up three percentage points from the previous quarter.

Looking to the next three months, just over two in five (43%) anticipate production to ramp up – this proportion has increased by five percentage points from December. A similar proportion (39%) expect production to remain the same. The remaining one in five (18%) expect to reduce production. Businesses most likely to ramp up production in the next quarter are in the Kimberley (61%), Peel (61%) and Pilbara (59%) regions.

Profit margins

Expectations by Region (WA)	Profit Margins					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	18%	28%	54%	27%	37%	37%
South West	15%	24%	61%	14%	41%	45%
Great Southern	17%	46%	37%	22%	52%	27%
Wheatbelt	13%	32%	55%	24%	36%	41%
Mid-West/Gascoyne	19%	38%	44%	21%	52%	28%
Goldfields-Esperance	18%	34%	47%	30%	38%	32%
Pilbara	8%	33%	58%	36%	45%	18%
Kimberley	17%	25%	58%	39%	30%	30%
WA Regions	15%	34%	51%	24%	42%	34%
Total WA	15%	36%	49%	24%	43%	33%
Perth	14%	41%	46%	24%	46%	31%

The March quarter has seen constrained profit margins, as only 15% of regional businesses reported an increase in their profit margins. Half (51%) of regional businesses saw their profit margins decline, up four percentage points from December, while the remaining one in three (34%) reported that their profit margins have remained steady.

Over the coming quarter, one in four (24%) regional businesses anticipate their profit margins to increase, up three percentage points from the previous quarter. Two in five (42%) expect their margins to remain steady, while one third (34%) expect thinner margins.

There has been a significant uptick in the proportion of businesses in the Kimberley (39%) and Goldfields-Esperance (30%) regions anticipating stronger results – rising by 32 and 24 percentage points from the previous quarter. For businesses in the Kimberley, the hike likely reflects activity returning to normal following a period of disruption during the wet

season. For businesses in the Goldfields-Esperance, the rise could reflect the price of gold climbing to its highest point in history.

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	29%	57%	14%	24%	64%	12%
South West	28%	53%	18%	22%	69%	8%
Great Southern	14%	75%	11%	19%	71%	10%
Wheatbelt	20%	64%	15%	17%	73%	10%
Mid-West/Gascoyne	16%	74%	10%	28%	66%	7%
Goldfields-Esperance	22%	64%	14%	29%	63%	9%
Pilbara	32%	68%	0%	26%	70%	4%
Kimberley	25%	67%	8%	35%	43%	22%
WA Regions	22%	66%	13%	23%	67%	10%
Total WA	21%	69%	10%	20%	70%	9%
Perth	19%	74%	8%	17%	75%	8%

While an increase in a business' level of credit or debt can signal plans for expansion, it can also signal an increase in financial distress, particularly in the context of high interest rates. Two in three (66%) regional businesses kept their level of credit unchanged over the March quarter, while one in five (22%) increased their level of credit – now down nine percentage points from six months ago.

Looking to the next three months, over two in three (67%) regional businesses expect to maintain their current levels of credit. Almost one in four (23%) expect their debt levels to increase, up 2 percentage points from December. The remaining one in ten (10%) expect their debt levels to decrease.

Businesses most likely to increase their debt levels operate in the Kimberley (35%), Goldfields-Esperance (29%) and Mid-West/Gascoyne (28%) regions.

Capital expenditure

Expectations by Region (WA)	Capital Expenditure					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	52%	42%	6%	29%	63%	8%
South West	39%	52%	8%	33%	57%	10%
Great Southern	35%	60%	5%	33%	64%	3%
Wheatbelt	34%	56%	10%	27%	62%	12%
Mid-West/Gascoyne	47%	47%	6%	33%	53%	13%
Goldfields-Esperance	39%	50%	11%	42%	58%	0%
Pilbara	48%	52%	0%	26%	65%	9%
Kimberley	50%	38%	13%	52%	35%	13%
WA Regions	40%	53%	8%	34%	58%	8%
Total WA	39%	54%	7%	32%	62%	6%
Perth	36%	58%	6%	30%	66%	4%

Looking ahead, the majority (58%) of regional businesses plan to sustain the same level of capital expenditure over next three months, while a third (34%) plan to increase their capital expenditure, up four percentage points from last quarter. The remaining 8% of regional firms plan to decrease their capital expenditure.

Businesses most likely to increase their capital expenditure operate in the Kimberly (52%), and Goldfields-Esperance (42%) regions.

Employment

Expectations by Region (WA)	Employment					
	Current Quarter			Next Quarter		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Peel	37%	51%	12%	31%	52%	17%
South West	34%	48%	18%	34%	51%	15%
Great Southern	31%	46%	23%	34%	57%	9%
Wheatbelt	24%	48%	27%	34%	48%	18%
Mid-West/Gascoyne	44%	38%	19%	33%	57%	10%
Goldfields-Esperance	46%	41%	13%	44%	51%	5%
Pilbara	42%	42%	17%	46%	50%	4%
Kimberley	33%	38%	29%	65%	30%	4%
WA Regions	34%	44%	21%	39%	50%	11%
Total WA	37%	44%	19%	43%	47%	10%
Perth	39%	43%	19%	49%	42%	8%

Over the March quarter, hiring intentions have remained steady compared with last quarter. One third (34%) of businesses in regional WA indicated they hired more workers, while over two in five (44%) indicated they recorded no change in their workforce and the remaining one in five (21%) said their workforce decreased. Indeed, Labour market conditions have softened over the past six months. The unemployment rate ticked up to 4.2% in January, the highest rate since August 2021, but still remains below the decade average of 5.3%.

Looking ahead, the majority (50%) of regional businesses intend to maintain their workforce as is, while almost two in five (39%) expect to expand their workforce – up five percentage points. The remaining one in ten (11%) expect their workforce to decrease.

Businesses in the Kimberley are most likely to see their workforce size up, with 65% of businesses saying this. The potential expansion of staff is in line with increasing tourism and agriculture activity during the dry season. Conversely, businesses in the Wheatbelt

(18%) are most likely to see their workforce shrink – potentially in response to drier than average weather conditions impacting the agriculture sector.

Whilst every effort has been made to ensure that the information contained in this Report is free from error and/or omissions, no responsibility can be accepted by CCIWA, its employees or any other person involved in the preparation of this information for any claim (including without limitation, any liability arising from fault, negligence or negligent misstatement) for any direct or indirect loss or damage arising from any use or reliance on this information, or otherwise in connection with it.