



Chamber of Commerce
and Industry WA



wa super
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WA Super – CCI Survey of Business Confidence

September Quarter 2017
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BUSINESS CONFIDENCE ON THREE-YEAR HIGH

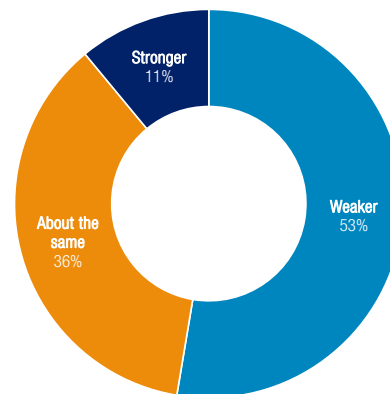
West Australian business confidence has continued to improve in both the short and medium term as the economy adjusts to the end of the resources investment boom.

As the only WA-specific index in the country, the Chamber of Commerce and Industry WA's (CCI) Business Confidence Index provides a snapshot of state-wide economic conditions and business expectations.

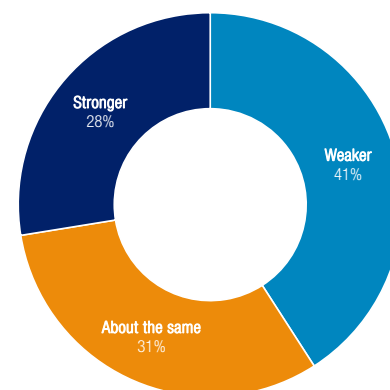
The September quarter *Survey of Business Expectations* indicates that short-term confidence (3 month) is the highest it has been in almost three years.

Short-term confidence grew by over eleven index points, from 100.3 in the June quarter to 111.7 in the September quarter. The proportion of businesses expecting the economy to worsen in the short-term has declined by 13 per cent since the previous

SHORT TERM EXPECTATIONS (3 MONTH)

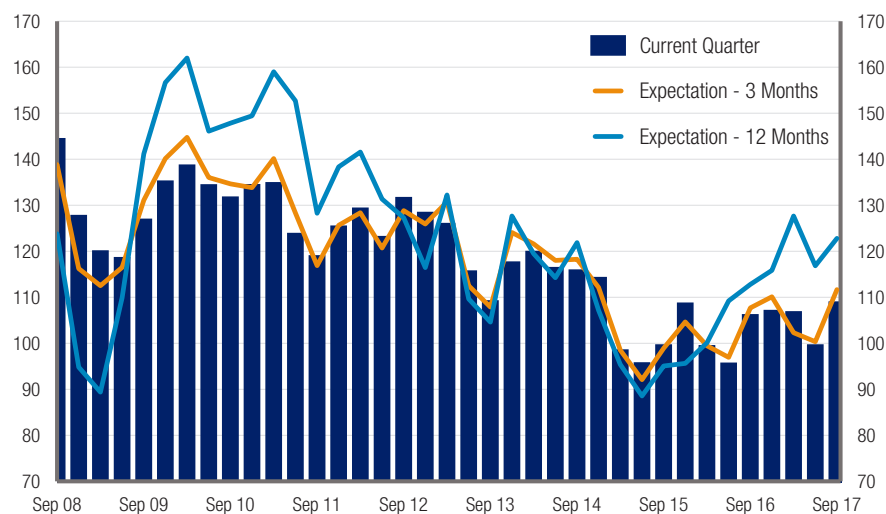


MEDIUM TERM EXPECTATIONS (12 MONTH)



BUSINESS EXPECTATIONS

Current, 3 and 12 month expectations



Index, 100 = 2015/16 Financial Year

THE NUMBER OF BUSINESSES EMPLOYING FEWER WORKERS INCREASED THIS QUARTER TO 27 PER CENT BUT THIS IS EXPECTED TO DROP DOWN TO 20 PER CENT.

quarter, from 66 per cent to 53 per cent, suggesting that confidence in the WA economy is growing.

Looking to the year ahead, businesses are expecting tough conditions to ease, with almost 60 per cent of respondents expecting the WA economy to improve or stay the same. The medium-term confidence index has jumped nearly six percentage points since the last quarter to 122.8. Compared to the same time two years ago, the index has surged 28 points from 95.1.

EMPLOYMENT

Over half of businesses (57%) are expecting to keep employment numbers steady over the coming quarter and 23 per cent are expecting to increase the size of their workforce. The number of businesses employing fewer workers increased this quarter to 27 per cent but this is expected to ease to 20 per cent by the end of the year.

Business sentiment regarding employment has improved since its all-time low of 97.2 in June 2015 to 106.1 in the September quarter.

Overall, these are encouraging signs for WA jobs and signal that economic recovery is ongoing.

WAGES

Wages growth has been slow with 62 per cent of businesses experiencing almost no change in their wages. That trend is expected to continue in the next quarter with 61 per cent of respondents expecting their wages to stay about the same as before.

The Wages Index reached at 100.8 this quarter which is around its four-year average.

LABOUR COSTS

Labour costs, which includes employment taxes and areas of spending related to jobs that aren't wages (i.e. superannuation,

training, safety overheads), are expected to increase slightly.

Almost two-thirds of businesses are expecting labour costs to remain stable and a quarter are bracing for higher costs.

Over 22 per cent of businesses said that labour costs increased this quarter, up 4 percentage points since June.

CAPITAL EXPENDITURE

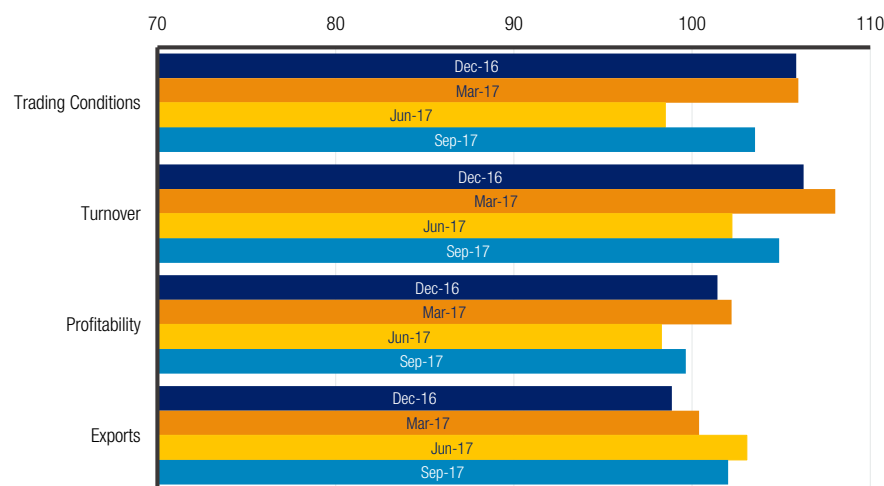
Overall, anticipated capital expenditure for the coming 12 months has decreased with the proportion of businesses indicating that they expect to increase expenditure falling from 26 per cent to 24 per cent. Around 39 per cent expect to spend less over the year, up two percentage points since last quarter.

The proportion of businesses expecting to increase their capital expenditure on buildings over the next year has grown to 14 per cent.

There are also continued encouraging signs for business investment with 19 per cent of businesses expecting to increase capital expenditure on plant and machinery over the next quarter, up from 11 per cent last quarter.

OPERATING CONDITIONS

Index, 100=2015/2016 Financial Year



Index, 100 = 2015/16 Financial Year

SNAPSHOT OF OPERATING CONDITIONS

- The **Trading Conditions Index** has improved since last quarter by 5 percentage points, with 12 per cent of businesses indicating that conditions have improved. The proportion of businesses expecting poorer conditions ahead has also dropped since the last quarter.
- The **Sales Turnover Index** has risen this quarter by 2.7 index points to 104.9. More than 34 per cent of businesses expect sales turnover to increase in the December quarter.
- The **Profitability Index** has also improved, from 98.3 in the June quarter to 99.6 this quarter. Over half of businesses expect profit levels to improve or stay the same. The proportion of businesses with diminished profits has declined by 4 per cent since the previous quarter.
- The **Export Activities Index** slightly declined this quarter overall, dropping 1 index point to 102.0. However, a large majority (77 per cent) do not expect export levels to change in the next quarter.

APPROXIMATELY ONE IN FOUR BUSINESSES EXPECT LABOUR TO BE SCARCE IN THE NEXT QUARTER.

INPUT COSTS

The cost of materials and supplies has been increasing since mid-2016. The Input Costs Index was the highest this quarter in over two years at 103.3.

The cost of materials and supplies rose for 35 per cent of businesses this quarter and remained unchanged for the majority (59%).

SAMPLE:

Industry	
Manufacturing	14%
Construction	13%
Property and Business Services	11%
Retail trade	9%
Mining	8%
Transport and Storage	8%
Agriculture, Forestry, Fishing	7%
Personal Services and Other Services	7%
Health and Community Services	6%
Other	17%
Business Size	
Self-Employed	5%
Small (1-10)	35%
Medium (11-100)	46%
Large (100+)	14%

Over 42 per cent of businesses expect input costs to increase in the coming quarter, up 9 per cent since last quarter.

LABOUR AVAILABILITY

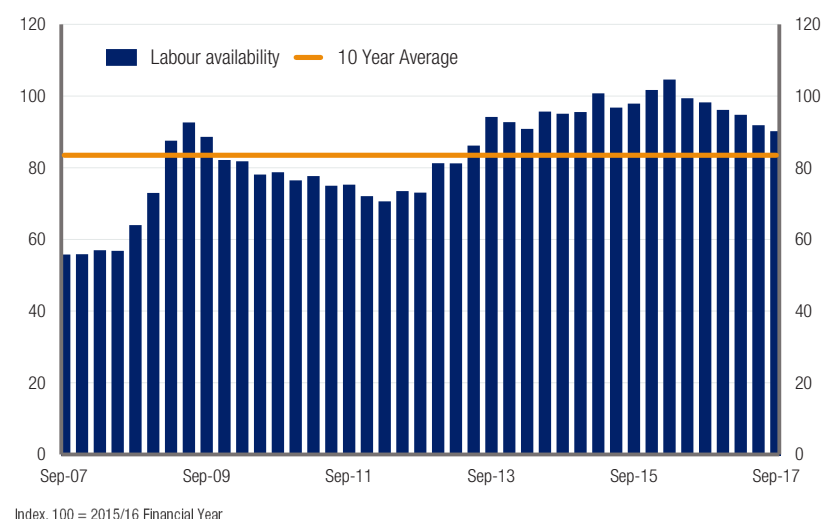
Business expectations on labour availability remain almost unchanged from the previous quarter, with 78 per cent of businesses stating that availability was adequate

or abundant. However, only 75 per cent of businesses expect availability to remain adequate or abundant in the December quarter.

Approximately one in four businesses expect labour to be scarce in the next quarter, which is around the same response rate when the same question was asked in June.

LABOUR AVAILABILITY - CURRENT QUARTER

Index, 100=2015/2016 Financial Year



KEY RESULTS FROM THE SURVEY

Indicator (Index)	Actual		Expected		Indicator (Index)	Reported		Expected		
	Mar 17	Jun 17	Sep 17	1 Quarter		1 Year	Mar 17	Jun 17	Sep 17	1 quarter
Economy										
WA Economic Conditions	105.9	98.7	108.1	111.7	122.8					
Operating Conditions										
Trading conditions	106.0	98.5	103.5	105.4	-					
Sales turnover	108.0	102.2	104.9	107.4	-					
Profitability	102.2	98.3	99.6	104.3	-					
Export sales	100.4	103.1	102.0	103.9	-					
Employment										
Number of employees	107.0	107.8	103.7	106.1	-					
Labour availability ^a	93.9	91.0	89.3	88.0	-					
Costs & Prices										
Total unit labour cost	102.0	101.5	101.3	104.3	-					
Average wages	99.7	99.2	100.8	104.1	-					
Non-wage labour costs	100.3	99.4	102.0	106.9	-					
Input costs	94.2	102.0	103.3	106.9	-					
Prices charged	106.5	98.2	99.5	103.1	-					
Capital Expenditure										
Anticipated CAPEX (next 12 months)	112.7	108.0	109.1	-	-					

Notes: The index has been rebased to the average score of respondents over the 2015/16 financial 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 2015/16. For example, the index for current economic conditions in September 2017 is 108.1, which suggests that the average score of survey respondents for economic conditions in September 2017 is 8.1 per cent higher than the average response in 2015/16.