

Key themes from Treasury's Business Liaison program

Overview

As part of its quarterly Business Liaison Program, Treasury met and held teleconferences with businesses and organisations during May 2012. Treasury greatly appreciates the commitment of time and effort by the organisations that participate in this program.

Consistent with findings in previous rounds, businesses pointed to the global outlook as a key source of concern with uncertainty around the euro zone continuing to weigh on both sentiment and confidence.

Activity

Strong demand was again evident in the resources sector with firms reporting solid progress on investment projects. Firms linked to the resources sector also continued to report strength in related business such as transport, manufacturing and firms providing services to mining regions.

Outside the resources sector, the story continued to be mixed with some parts of the manufacturing, retail and services sectors reporting slightly improved or steady activity while others reported continued softness. With demand across the some parts of the non-mining economy muted, some firms reported that they were focussed on supporting existing demand rather than organic growth.

In the retail sector, some contacts reported continued softness and that customers were increasingly using online options to purchase goods such as clothing and accessories.

Employment and wages

Firms in the mining sector reported some challenges in recruiting and contracting, in particular for highly specialised technical professions. With a significant pipeline of construction, these shortages were expected to continue in the near-term. In some cases, there were reports that this could lead to either sourcing less experienced staff or breaking up contract work into smaller parts.

In the non-mining economy, some reports suggested that there could be upwards pressure on wages in the construction sector with mining firms increasingly looking to hire workers with complementary skills. However, contacts generally noted that, with demand in other parts of the construction sector relatively weaker, this was unlikely to be a pressure in the near-term.

Financing and investment

Mining sector contacts reported that competition for capital amongst projects within firms was strong.

In the non-mining sector, reports suggest that, post-GFC, banks had tightened their lending requirements with small business owners increasingly using residential property as collateral to secure finance.

