

# Business NOW

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The Business SA Survey  
of Business Expectations

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June  
QTR 2021



**Business SA**  
Chamber of Commerce  
and Industry South Australia

Powered by

 **William Buck**

# The Economy

## BUSINESS CONFIDENCE

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Confidence sees first dip in 12 months

**104.5**

South Australian Confidence Index

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South Australian business confidence experienced its first dip since the historical low reached in March 2020. These results shouldn't be misinterpreted as business sentiment post July lockdown, but a reflection of business confidence pre-lockdown and across the entire June quarter. However, the results were likely influenced by the end of JobKeeper and the Government's pre-emptive strike against the delta variant, which saw restrictions tighten for a week at the end of June.

Despite a drop of 9.5 points, the confidence index remains above 100, still significantly better than the June quarter of 2020. As further outbreaks occurred in the eastern states, the very real threat of lockdowns in South Australia played out in the minds of South Australian businesses. Moreover, with the vaccine rollout coming under scrutiny, businesses are finding it hard to see an end in sight.

**9.5**

points down from last quarter, March 2021



**37.5**

points up from June quarter 2020



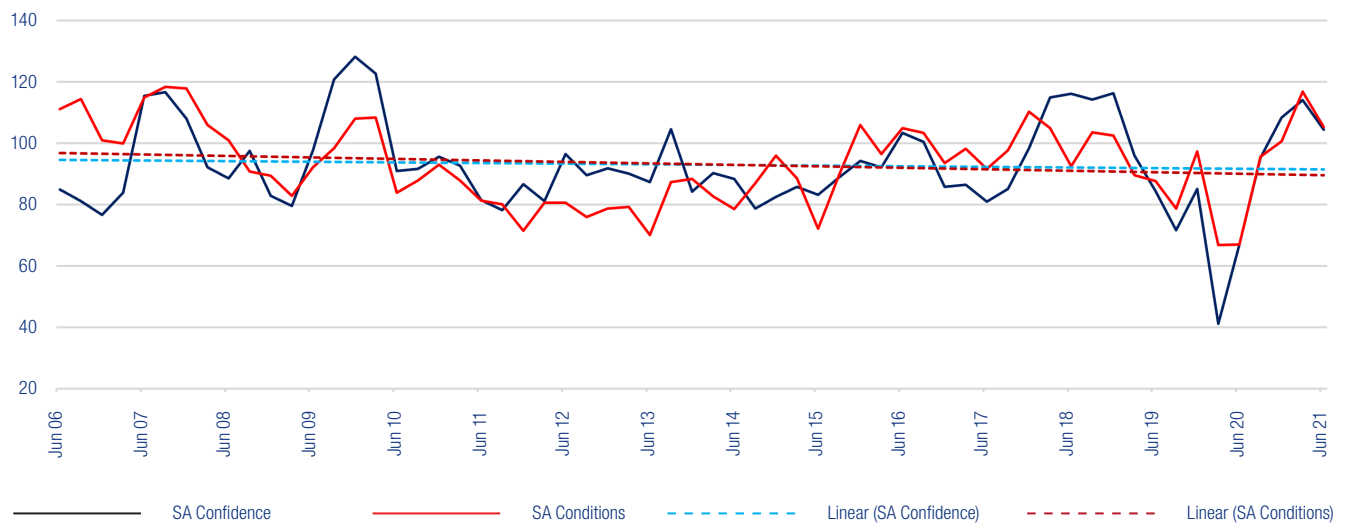
**23.0**

points up compared to June 2011



# BUSINESS CONDITIONS

## SA Business Environment



## Shortage of materials and staff see conditions decline

# 105.3

General Business Conditions Index

# 101.0

points expected for next quarter,  
September 2021

Business conditions in the June quarter also saw a drop, with the index falling 11.5 points to 105.3 points. A tightening of restrictions in the final days of the June quarter was one of many challenges facing businesses, along with the tourism related falls associated with closed interstate borders at various times throughout the quarter.

The continual challenges faced in sourcing both staff and materials remain very live issues for businesses. And with a firm vaccine target date still being determined, businesses continue to live with the challenges of restricted international borders.

# 11.5

points down from last  
quarter, March 2021



# 38.4

points up from  
June 2020



# 24.3

points up compared  
to June 2011



# COVID-19

## REVENUE

# 57.2%

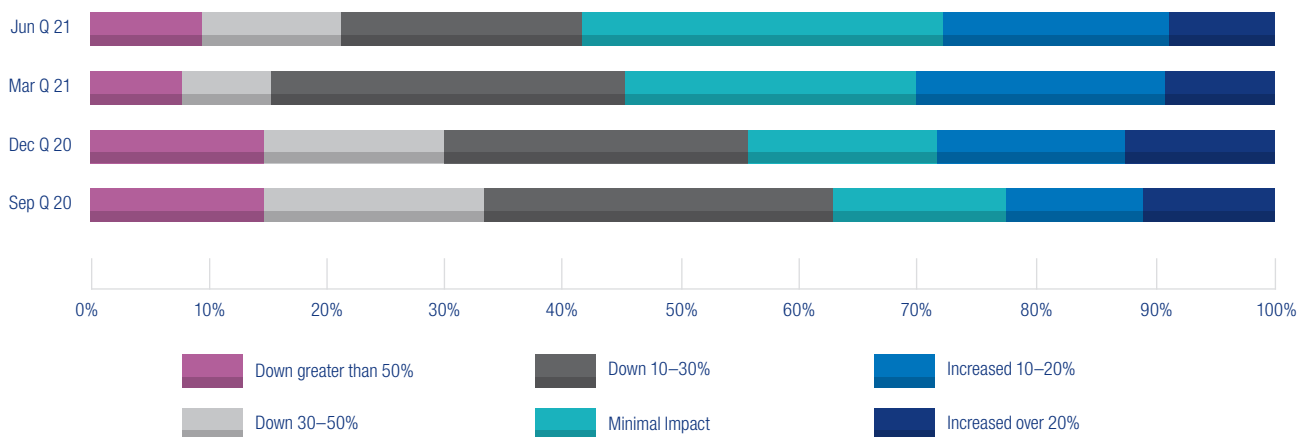
of businesses said revenue was normal or above pre-COVID levels

# 21.1%

of businesses said revenues were down more than 30% compared to pre-COVID levels

Business seemed to be at a steady state regarding the impact of restrictions on revenue, notwithstanding the survey period was pre-lockdown. The number of businesses trading at pre-pandemic levels or above hasn't materially changed since the March quarter. However, we are continuing to see a more two speed economy with some sectors remaining more impacted by COVID-19 restrictions, particularly those exposed to restrictions related to borders and density.

### Impact of COVID-19 restrictions on revenue over the last four quarters



# Sales Outlook

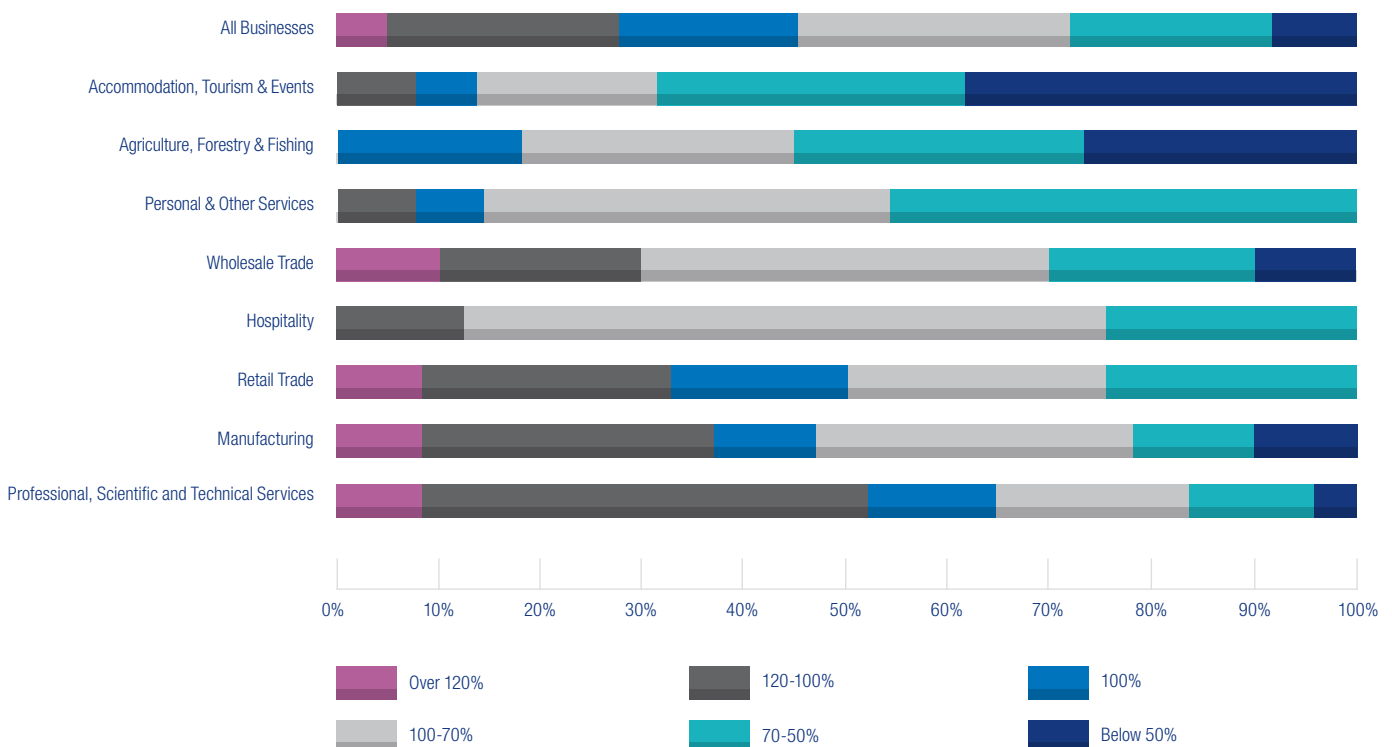
## SALES OUTLOOK

# 9.0%

of businesses expect sales to be below 50% of pre-COVID levels by the end of the September quarter

The sales outlook also continues to look bleak for businesses in the industry sectors still heavily impacted by COVID-19 restrictions. Most worried are businesses operating in the Accommodation, Tourism & Events sector, with 69.2 per cent of businesses forecasting sales to still be below 70 per cent of pre-COVID sales expectations for the September quarter.

### Sales Outlook for the September quarter by selected industry sector



# Vaccine Rollout

## VACCINE ROLLOUT

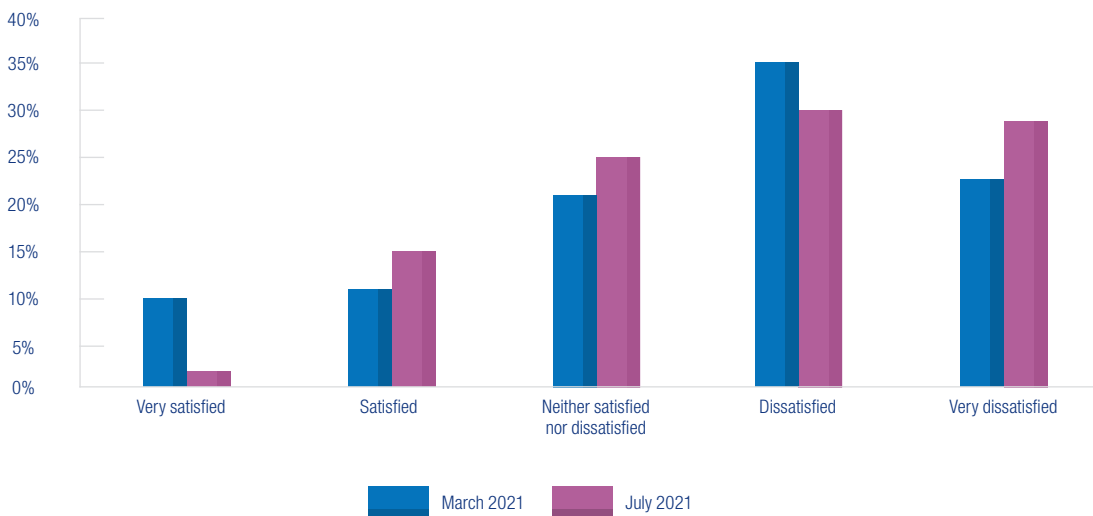
# 58.1%

of businesses either dissatisfied or extremely dissatisfied with the vaccine rollout

For business, the completion of the vaccine rollout is essential to stop the ever present impacts of COVID-19 lockdowns and restrictions. At the time of the writing, Australia was significantly lagging behind the OECD with only 14 per cent of the population fully vaccinated, coming last of 37 countries.

Business satisfaction with the vaccine rollout has slightly decreased since Business SA asked the same question in March. The number of businesses that were very satisfied fell 7.6 percentage points to only 2 per cent. On the other hand, the number of business reporting very dissatisfied increased by 5.2 percentage points to 28.3 per cent. Clearly business patience for the vaccine rollout is waning.

### Are you satisfied with the current pace of the vaccine rollout?



# 63.8%

**of businesses that provide onsite flu jabs would be willing to roll out the COVID-19 vaccine at their workplace**

Of the businesses surveyed, 34.7 per cent said they operate an annual flu jab programme. Of these, 63.8 per cent said they would be willing to rollout the COVID-19 at the workplace, 21.7 per cent said not and 14.5 per cent said they would prefer not to say.

Business SA also asked businesses whether they believe restrictions should be eased on the conditional rollout of the vaccine.

**Do you believe restrictions should be removed once an expert determined proportion of the adult population is vaccinated? (i.e. likely to be circa 80%)**



**Do you believe international students and workers should be allowed into Australia if they can prove they have been vaccinated?**



**Once the majority of the population has received both doses of the vaccine (e.g. 80% of adult population), do you believe that people should be able to travel in and out of the country with COVID testing but NO quarantine time on return to Australia?**



We asked businesses about the general sentiment towards the vaccine at their workplace. For the most part, businesses found staff were positive about the vaccine. However, businesses informed us of a number of concerns. Uncertainty was a reoccurring theme brought up by businesses, with poor messaging and the recent formulation of the vaccine the driving factors behind this sentiment.

*"They are very positive towards the program, they know how critical it is to their business sector and continued employment" - Hospitality, 50-99 employees, \$5m - \$10m turnover*

*"Confusion, distrust, misinformation, lack of urgency and structure. Too many messages causing confusion" - Communication Services, 50-99 employees, \$2m - \$5m turnover*

*"Overall very positive. Some doubting the newness of the vaccines"- Manufacturer, 100-149 employees \$50m+ turnover*

# Business Investment

## BUSINESS INVESTMENT

# 49.5%

of businesses have invested in new plant, equipment, and/or machinery over the last 3 months

Over the last 18 months Business SA has seen capital expenditure trend upwards. In the December quarter 2019, only 14 per cent of businesses were indicating an increase in their capital expenditure for the quarter. Now, 39.4 per cent of businesses advised they were increasing capital expenditure.

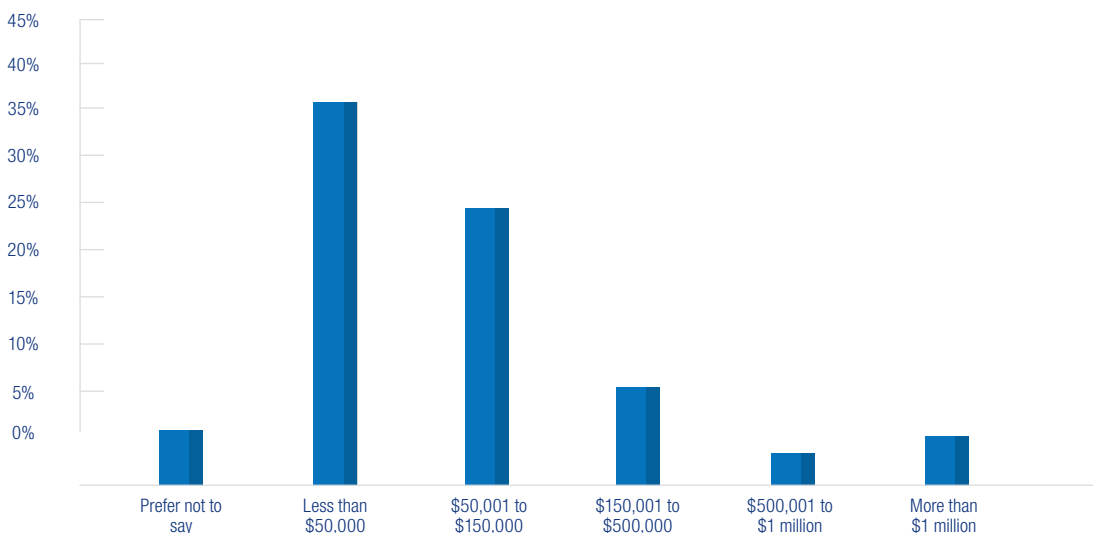
This increase in investment has been in part spurred upon by Government incentives. In particular, 50.4 per cent of businesses said that the full expensing measure introduced by the Federal Government influenced their decision. Moreover, with continuing challenges faced overseas, businesses are turning to local solutions and onshoring wherever possible.

Businesses told us they invested in a range of ways from installing new equipment to building new factories.

# 56.6%

of businesses plan to invest in new plant, equipment, and/or machinery over the next 18 months

### What is the approximate value of this investment?





# William Buck



## BUSINESS ASSISTANCE

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### **A dip in confidence not unexpected.**

First and foremost, I feel it's important to recognise that the June Quarter 2021 results of the Business SA – William Buck Survey of Business Expectations reflect the position of South Australian businesses, as reported by the business community prior to the latest lockdown.

Although I expect that businesses will likely report a further drop in confidence in the September quarter, in light of recent events, we are already seeing business confidence decline as a result of the deteriorating COVID-19 situation we have observed around the country, particularly in late June.

Seeing SA's confidence index drop by 9.5 points, to 104.5 points, is not surprising with many business owners reporting after 3 quarters they are seeing no light at the end of the tunnel. The fall is not as steep as that felt nationally though (down 18.6 points from the last quarter). Concerns over labour force availability (59% saying it was harder to attract labour in the June quarter) and material cost rises (47% finding it difficult to source necessary inputs, stock and/or materials) appears to be dampening the overall outlook among SMEs. These were significant issues facing business during the 2020/21 financial year.

As Australia's vaccine rollout continues to struggle to make solid headway, the prospect of open international borders seems further and further away. This is the sure-fire mechanism to alleviate the pressures of effective trade. With this in mind, businesses may need to consider raising their prices to cover the growing cost of business. An unfortunate result of seeking different and often more expensive supply chains, and of course to help cover the cost of possible future restrictions and lockdowns.

Regarding labour, we are seeing more and more people pursuing careers in security, healthcare, and other essential services in fear that they will not be able to work during future lockdowns. Scenarios like this are putting adverse pressure on industries deemed higher risk of having their hours cut. A double-edged sword for hospitality, tourism, events, and retail

who finding it hard to recruit, often not having the workforce to trade effectively when the opportunities are there during low levels of restrictions.

A welcome relief for all these industries will be the return of international students, particularly in the CBD. The state governments plan, which continues to experience setbacks, will result in a small but steady stream of international students returning.

Business SA stated in a recent media release, that research shows for every three international students in SA, one job is created. Understanding the fact that workers are reported to be scarce, the additional income generated for businesses touched by international students will still be welcomed.

All in all, the June Quarter, William Buck – Business SA Survey of Business Expectations demonstrates that we are still a long way away from putting the pandemic behind us. Pleasingly, 57% of respondents indicated they were planning to invest in new plant, equipment and/or machinery over the next 18 months. Businesses need to be exploring all their options with this in mind by activating any mechanism possible to ensure South Australia collectively pursues a swift return to normality.

A new normal may be achieved by business leading the vaccination effort from here on, by encouraging workforces to get vaccinated when it's their turn or taking advantage of workplace vaccine programs should they come about. Interestingly, 64% of businesses with a flu jab program said they would be willing to roll out the COVID-19 vaccine in their workplace. I also recommend exploring different export opportunities, particularly in regions likely to be the first to open to international travel.

We should also look inside our own organisations and act decisively on implementing a strong workforce by consolidating it based on high performing team members and managing liabilities (such as managing annual leave balances) to the best of your abilities.

The future is bright for South Australian businesses, but there's some way to go.

# Material Shortages

## MATERIAL SHORTAGES

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# 57.7%

of businesses reliant on physical inputs finding it difficult to source inputs, stock and/or materials

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Business SA continues to hear from businesses about the increasing difficulty of sourcing inputs, stock and/or materials. For the June quarter, 57.7 per cent of businesses reliant on physical inputs found it difficult to source, up 12.7 percentage points from the March Quarter, 2021.

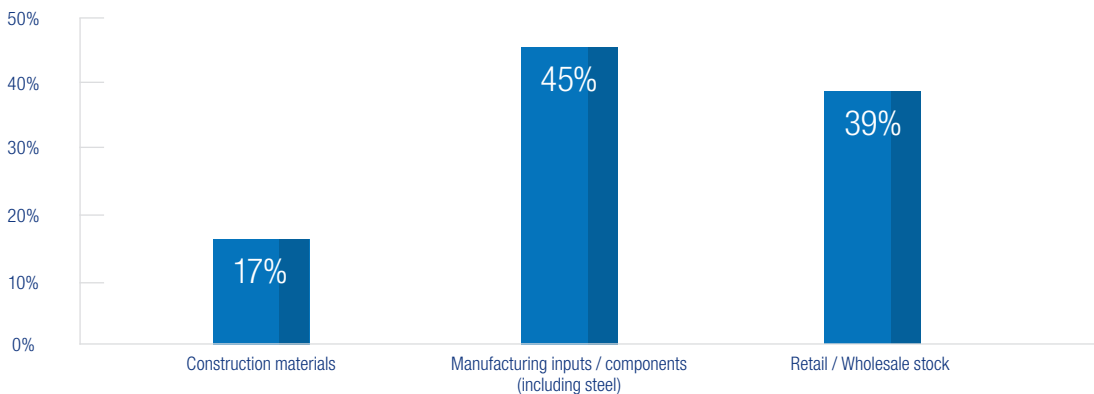
# 12.7%

percentage points up from the March quarter

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*“Costs have risen dramatically with short supply of materials. No longer able to quote fixed price as prices are rising weekly” – Construction, 1-19 employees, \$1m - \$2m turnover*

What input, stock and/or materials is your business finding it hard to access?



# 62.4%

## of business impacted blame global supply challenges

Construction material shortages have been heavily covered in the media but other industry sectors have also been heavily impacted, particularly manufacturing, retailers and wholesalers. Inputs identified by businesses include everything on the spectrum and range from automotive and electronic component to boxes and glue.

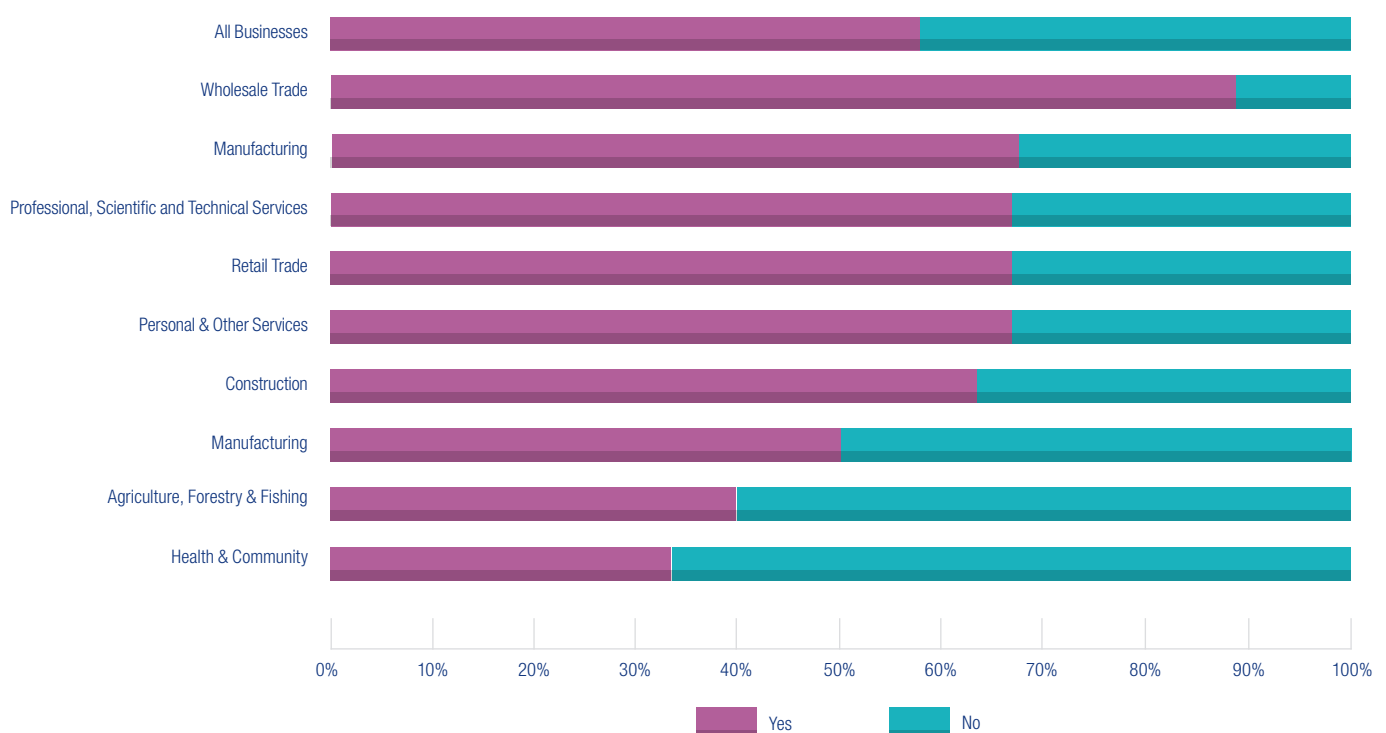
The impact of COVID-19 related impacts overseas continues to play havoc with businesses' supply chain. Of the businesses finding it difficult to source inputs, 54.8 per cent have overseas suppliers, with 62.4 per cent blaming global supply challenges; many sighting international lockdowns and a slowdown in international freight movement.

Challenges in local markets was also found to be an issue, with 23.7 per cent of businesses blaming increased demand in the local market, constraining business with price increases and long lead times to order goods.

*"Seafreight impacting lower cost commodity items the most. Slow delivery/supply forcing up pricing. Have not seen pricing hikes like this since prior GFC"* - Agriculture, Forestry & Fishing, \$10m - \$50m turnover

*"Lockdowns in countries which prevent the manufacture of goods and also the processing of required paperwork for shipping"* - Wholesale Trader, 1-19 employees, \$5m - \$10m turnover

## Is your business finding it difficult to source necessary inputs, stock and/or materials?



# Case Study

## MICHAEL HORROCKS MANAGING DIRECTOR LIFESTYLE BAKERY

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### The 'Rise' of Gluten Free

Why gluten free? "It's not in relation to any personal allergies or intolerances" said Michael Horrocks, owner of Lifestyle Bakery, one of Australia's largest manufacturers of Gluten Free Breads

"Right back at the beginning, I had a staff member whose mother was Coeliac, we made products for her, and I saw an opportunity that no one else was exploring"

Twenty plus years in the making, Michael Horrocks describes Lifestyle Bakery as a pioneer of Gluten Free, with the overall goal of getting products to the same standard and value as non-gluten free

Experiencing an average of 20 per cent growth every year off the back of high volumes of customer demand, Lifestyle Bakery, who manufacture through their site at Pooraka, supplies considerable quantities of its product to every major supermarket in the nation.

"It's all about effort and strategy" said Michael, who keeps his workforce busy across 3 shifts.

"We recognise the demand for Gluten Free products isn't going away. Our research tells us only a small percentage of consumers of Gluten Free are in fact coeliac and the vast majority are making purchasing choices based on diet and lifestyle choices."

As a manufacturer in the food industry, Michael has not been subject to any of the severe restrictions or lockdowns most of us have felt during the last 18 months. Customer demand increased during this time, particularly during restrictions and lockdowns.

Closed international borders have resulted in the same problems for Michael as they have for many other manufacturing businesses, reporting that no increase in demand can strike out issues in supply chains, or sourcing skilled labour; issues that have been identified in the results of the last three quarters of 'Business Now', the Business SA - William Buck Survey of Business Expectations.

"We've had to adapt," said Michael. "We've all been challenged through COVID, and we have had to work with our entire supply chain to ensure we're ordering and storing enough product and providing long enough lead times on orders to provide minimum disruption to our production."

Lifestyle Bakery's experiences are not dissimilar from many manufacturers during the June quarter. "Trade has been strong, but we haven't seen the excessive demand like we did during the same period last year which was largely locked down," said Mr Horrocks. "We've used the last few months to trial some new products which has been very exciting".

With 20 popular products already under his belt, Michael believes he is entering a new era of Gluten Free Bread, with a fresh product launching soon being labeled a 'game changer' within the industry.

"We'll be trialling something completely different from anything we've done, and I have every confidence

that it will be a success," said Mr Horrocks.

The future certainly does look bright for Lifestyle bakery. With the appetite for bread and baked goods far from subsiding, the only way for Michael Horrocks to go is up.





# Business Stress

## BUSINESS STRESS

**80.8%**  
of respondents have had their personal workload increase this year

**51.3%**  
of respondents have seen a significant increase in work-related stress

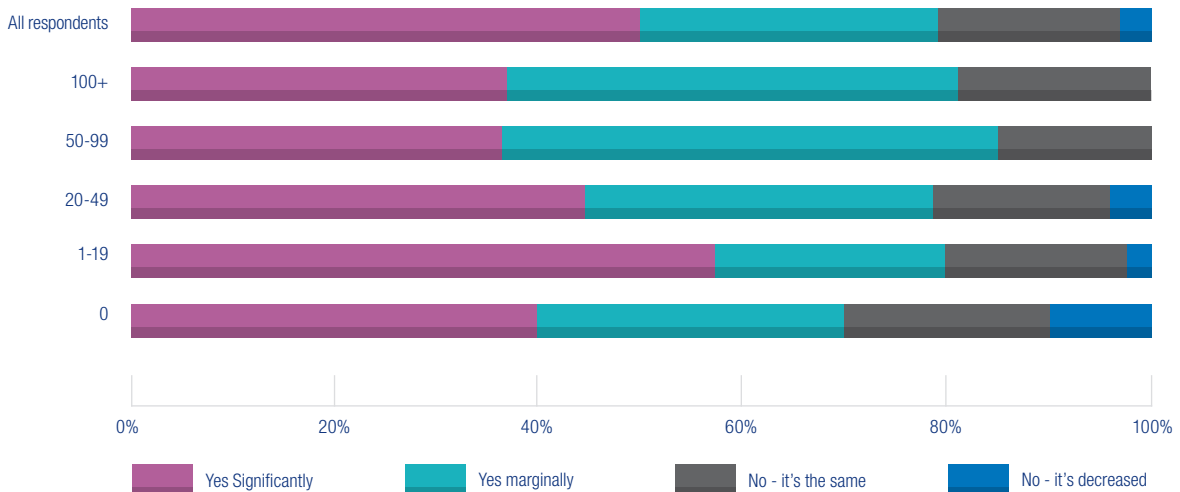
For people in small business (1-19 employees), work-related stresses have increased significantly over the last year, with 56.6 per cent reporting a significant increase in work related stress. When we disaggregated this by industry sector, respondents in the Hospitality and Professional, Scientific and Technical Services experienced the highest rates of significantly increased stress, 87.5 and 69.6 per cent respectively.

Thankfully, 80.7% of respondents felt they had adequate support from their management/team.

*“On average 25% of our pre-booked custom cancels every week. Some of this is fear, some illness - a lot is financial hardship. I am working longer hours for similar or less money in order to keep the business solvent.”*

*“I have never had a more stressful period in my professional life. This has clearly caused issues with friendships, family and health.”*

### Has your level of work-related stress increased over the past year?



# Business Advisory

## BUSINESS ADVISORY

# 33.0%

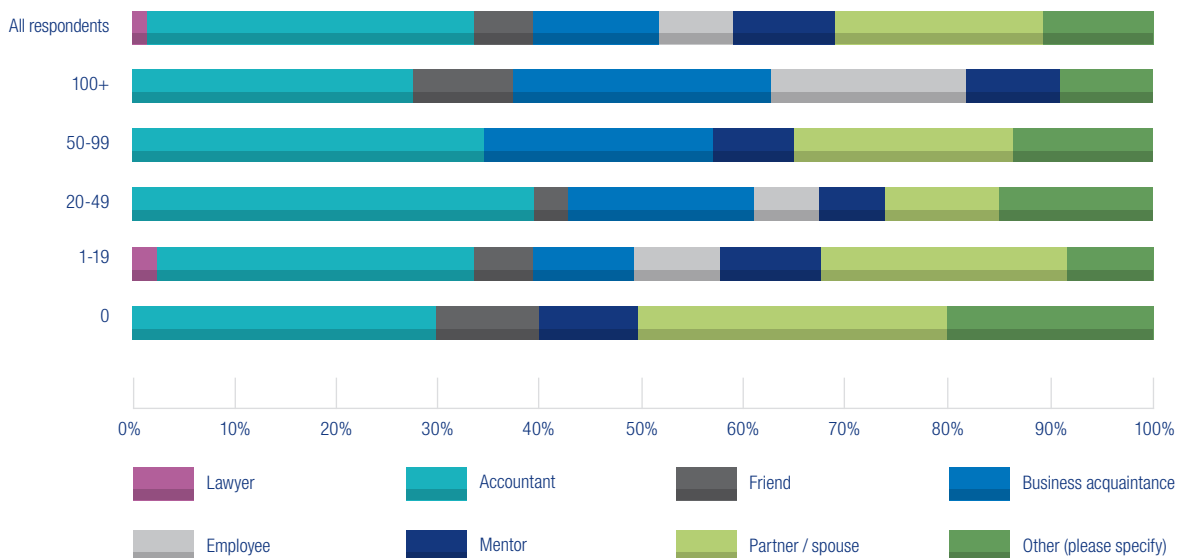
of businesses said accountants were their No.1 Advisor

Businesses looked to a number of sources advice but for one in three businesses, their accountant was their No.1 trusted advisor. As businesses grew in size, their no.1 advisors changed as well. In particular employees and business acquaintances became a bigger of source of advice.

# 30.0%

of sole traders rely on their partner/spouse for advice

### Who is your No 1 trusted advisor?





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