

# Business NOW



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The Business SA Survey  
of Business Expectations

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December  
QTR 2021



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

Powered by

 **William Buck**



## ABOUT BUSINESS SA

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**Business SA is SA's largest membership-based employer organisation, representing employers and business owners across 17 different industry sectors. Our purpose is to help you grow your enterprise and create a stronger South Australia.**

Like you, we believe in the important roles that business and commerce play in creating a vibrant, dynamic and sustainable society.

We back the job makers and risk-takers.

We back the creators, the innovators and the entrepreneurs.

We back the people who chase their dreams, follow their passions and put it on the line .

We believe that businesses are the engine room of our economy. Businesses like yours generate new ideas, deliver new services and propel us forward. Businesses like yours create jobs, attract new investment and pay taxes. Businesses like yours put food on tables and create wealth for many.

As the independent, representative voice for employers and business owners across South Australia, we want to create the best possible environment for you to succeed. We do this by providing you with knowledge, advice, connection and advocacy. We have been doing this for over 180 years, without fear or favour.

We're proud of our long history, and our sustainability is assured by our future-focus, our strong leadership and our intent to stay ahead of the pack. To serve you better, we constantly seek to answer that enduring question: 'what's next?'

If you are not already a member, please call or email our membership team on (08) 8300 0000 or email [customerservice@business-sa.com](mailto:customerservice@business-sa.com).

# The Economy

## BUSINESS CONFIDENCE

### Confidence takes a hit, but businesses will bounce back

South Australia braced itself for continued challenges during this December quarter. These survey results around business confidence and conditions certainly reflect what we have heard from our members. The Omicron wave threw a curveball at the planned reopening of the state on 23 November 2021 and dropping of restrictions promised at the 90 per cent vaccination target in late December. Unsurprisingly then, the confidence index fell 25.3 points to 80.8 in the December quarter.

Without trivialising matters, the pandemic has certainly caused us to *expect* change. South Australia's business sentiment between October and December 2021 was bleak, particularly for CBD businesses, when the survey was conducted (17-24 January 2022). However, the magic ingredients of economic stimulus and financial support announced on 29 January 2022 by the Government of South Australia are expected to impact conditions and confidence positively. These and the lifting of restrictions bode well for a more buoyant future.

# 80.8

## South Australian Confidence Index

There will be political uncertainty across 2022 with the State Election in March, soon followed by the Federal Election and Local Government elections later in the year. However, we must not lose sight of the South Australian economy's continued success on several metrics, including unemployment and GSP growth.

The next Business SA William Buck Survey of Business Expectations will not run until after the State Election. The results will reflect the South Australian business community's immediate reaction to our new government and the influx of current stimulus and support from the Government of South Australia. We await these results with anticipation.

# 25.3



points down from last quarter, September 2021

# 27.5



points down compared to December 2020

# 7.7



points down compared to December 2011

# BUSINESS CONDITIONS

**Business conditions stagnate as challenges fail to dissipate**

**86.6**

General Business Conditions Index

**83.8**

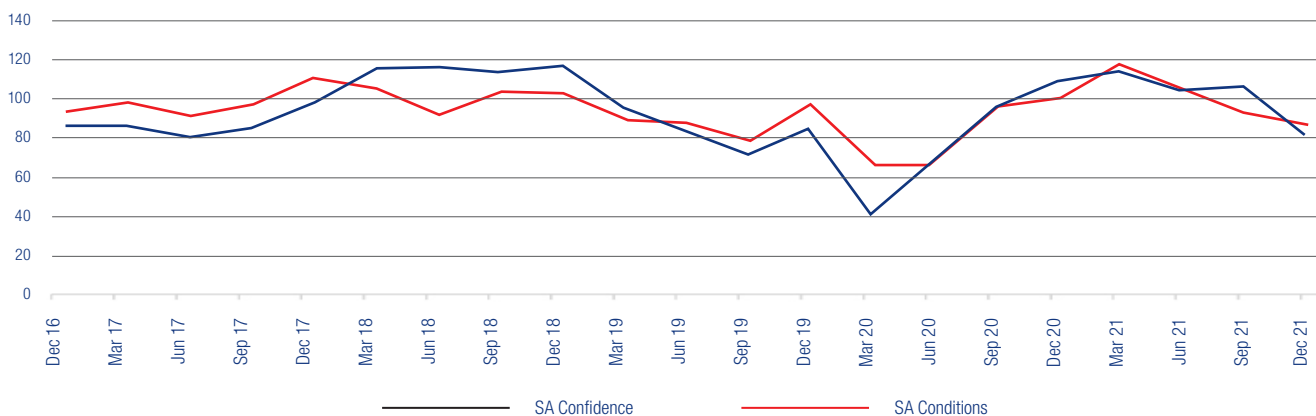
points expected for next quarter, March 2022

The introduction of the Test, Trace, Isolate, and Quarantine (TTIQ) framework late last year presented new challenges in business continuity and workplace health and safety. The role of businesses to manage TTIQ added further complexity. Identifying and managing close contacts (and the resultant quarantine period) exacerbated critical skills shortages and logistical issues that Business SA and many others have reported for the last 18 months.

Rapid Antigen Tests (RATs) have also been an immediate concern for businesses, with their swift introduction causing chaos for procurement for those operating in critical sectors.

Despite the September quarter's expectations of improvement, business conditions fell 6.1 points in the December quarter to 86.6 points. The index was expected to rise to 106.8 points on the back of borders reopening and high vaccination rates.

## SA Business Environment



**6.1**

points down from last quarter, September 2021



**14.0**

points up from December 2020



**15.2**

points up compared to December 2011

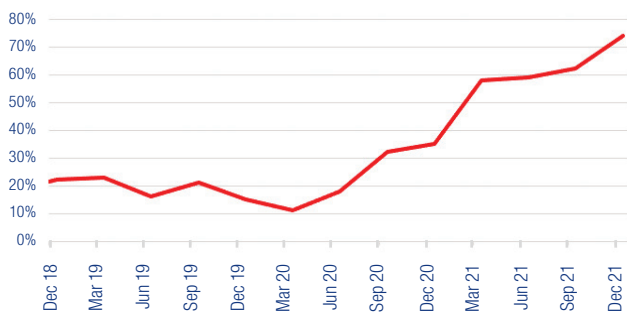


## PUSHING THE WORKFORCE TO THE LIMIT

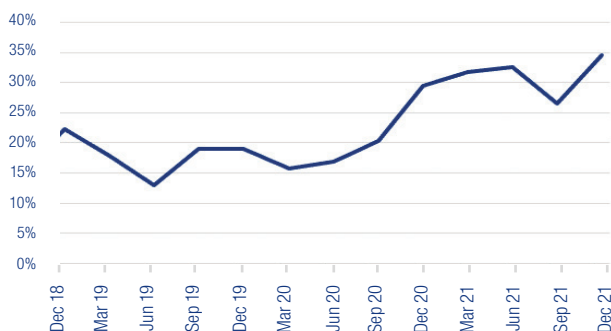
# 34.6%

of businesses saw overtime increase in the December quarter

### Percentage of businesses finding it harder to source labour



### Percentage indicating increased overtime worked



# 73.8%

of businesses found it harder to source labour in the December quarter

# 75.9%

of small business operators worked extra hours to cover staff shortages

This survey monitors the ongoing skills shortages that have impacted businesses over the last three years. The December quarter saw the number of businesses finding it hard to source staff the highest on record, with almost four in five businesses affected.

With the unemployment rate sitting at 3.9 per cent (December 2021, ABS) and the expectation that it remains at that level, businesses can expect little reprieve with the available pool so small. Not surprisingly, businesses reported they have experienced increased competition for staff in their industry, with some seeing workers poached from other organisations.

The last two years have seen overtime soar as almost 34.5 per cent of businesses reported increased overtime as they try to source labour and cover hours lost from staff isolating or quarantining. Since the reopening, 75.9 per cent of SME (1 to 50 employees) business owners and managers have worked extra hours to cover staff shortages.

## CHANGING PURCHASING BEHAVIOUR

# 43.7%

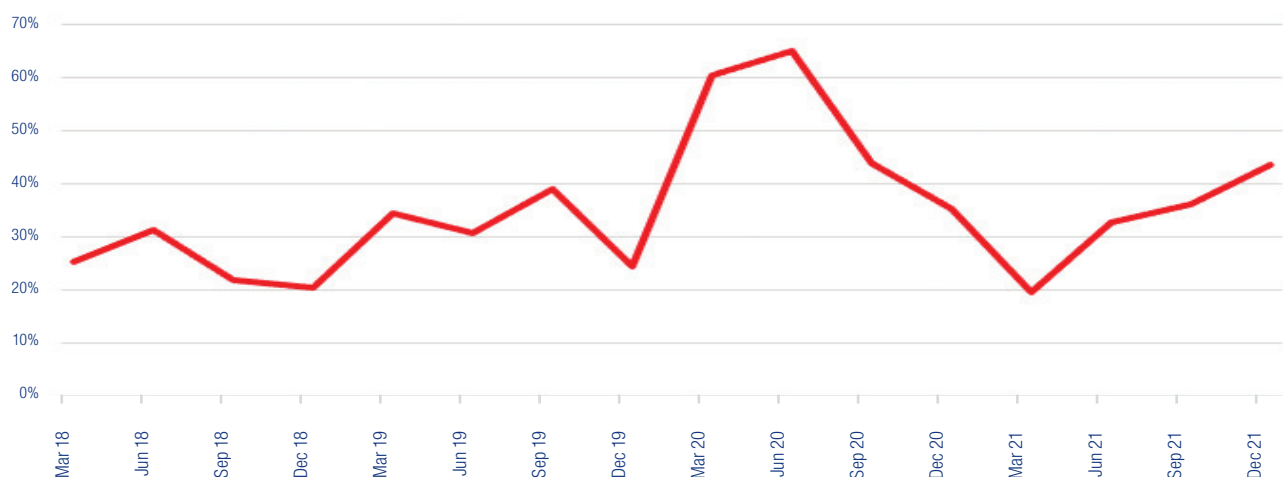
of businesses saw orders decrease in the December quarter

In the December quarter, 43.7 per cent of businesses saw orders decline from the previous quarter, a trend that has been growing since the March quarter of 2021.

57.3 per cent of businesses also reported a change in purchasing behaviour from their customers, citing longer lead times and smaller order quantities. Businesses were also concerned about customers confidence as a result of cancelled orders, quantity reductions and price increases.

Business procurement behaviour saw a marked shift with businesses increasing lead times and stockpiling to ensure adequate supply for operations. Unsurprisingly, 83.3 per cent of wholesalers, 75 per cent of builders, and 68.3 per cent of manufacturers had to change their procurement strategies to combat shortages. Businesses also reported stockpiling to secure supply and contend with inevitable price rises.

### Percentage of businesses seeing decreased orders received



*"We have ordered more and already placed orders for the second half of the year but getting stock here is the issue."*

– **Wholesaler, 1-19 employees, \$1m - \$2m turnover**

*"Have had to prepurchase - long lead time building materials, which affects cash flow."* – **Retailer, 1-19 employees, < \$500k turnover**

*"Buy what we can - whatever we can afford to purchase before price rises again kick us in the teeth."* – **Manufacturing & Construction, 1-19 employees, \$2 - \$5m turnover**

# A Word from William Buck

**JAMIE MCKEOUGH  
MANAGING DIRECTOR,  
CHAIR OF WILLIAM BUCK, AUS/NZ**

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## **THIS IS NOT THE LIVING WITH COVID THAT ANYONE EXPECTED**

Always one to call it as it is, William Buck Managing Director Jamie McKeough says that it is not the skills shortage or supply issues that are the number one concern for business right now. It is the fact that so many workers are wiped out because they've got COVID-19, or they are caught up in the cascading impact of close contacts that don't even have the virus.

The latest Business SA William Buck Survey of Business Expectations commentary tells the story of an increased lack of labour when businesses were already short on labour.

"We feel the impact on morale and recognise the time it takes to manage this. It all adds up to this sharp dip in business confidence in the latest survey.

"From the survey, we see that 67 per cent of businesses were short-staffed due to the COVID-19 restrictions and 11 per cent had to shut down. Over half of business owners saw a change in customer purchasing behaviour through cancellations, reduced people being out and about, and decreased spending.

"These close contact rules are creating massive levels of uncertainty. And it is not just the rules themselves, it is the fact that they keep changing.

"At this point, the survey shows the decision-makers do not appreciate what they're doing to business owners who are bearing the emotional and financial burden. And now, we have added in homeschooling too.

After reading through the pages of stirring examples shared by South Australian business owners in the survey, Jamie is full of questions for our decision-makers.

"Why does South Australia need a different definition of close contact?"

"Don't we want all workers to be returning safely to their workplaces now? This is how we'll get business owners, certainly in the CBD, back on their feet. They need customers.

Jamie reflects on how the September quarter's expectations of a better December quarter didn't materialise.

"We see sales revenue down, material costs higher and overheads rising. While costs are up for most businesses, only 22% were prepared to pass on those cost increases. This trend has and will continue to impact profitability negatively. Businesses need to review their prices as a result of these cost increases.



“Many results dropped sharply in the December quarter. However, this is not due to the opening of the borders, per se. The restrictions that came along with that are causing grief because this is not the living with COVID-19 that any of us expected.

“On top of this, we asked some additional questions in the survey around cyber security and fraud for the December quarter. Nearly one in five businesses said they’d been a victim of fraud in the last three years. 31% were targeted by a scam or digital hack in the December quarter. Half of the businesses were only ‘somewhat’ confident that their business could withstand cyber or fraud attacks and less than half had any formal risk management in place to deal with that.

“Protecting their operations from particularly these cyber and financial risks means being prepared. Having the right insurance is part of this. However, just shy of half of the businesses reported sharp increases in their insurance premiums, so this is only part of the picture. Businesses need to manage these risks better, yet at the moment, the survey is reporting that businesses are not sufficiently prepared.

Final words from Jamie on these December quarter results are that hopefully, they represent a point in time only.

“The decision-makers need to take note of what business is saying in this survey and change the covid restrictions quickly. If that happens, then the South Australian business community can bounce back quickly too.”



# COVID-19

## REVENUE

# 45.8%

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

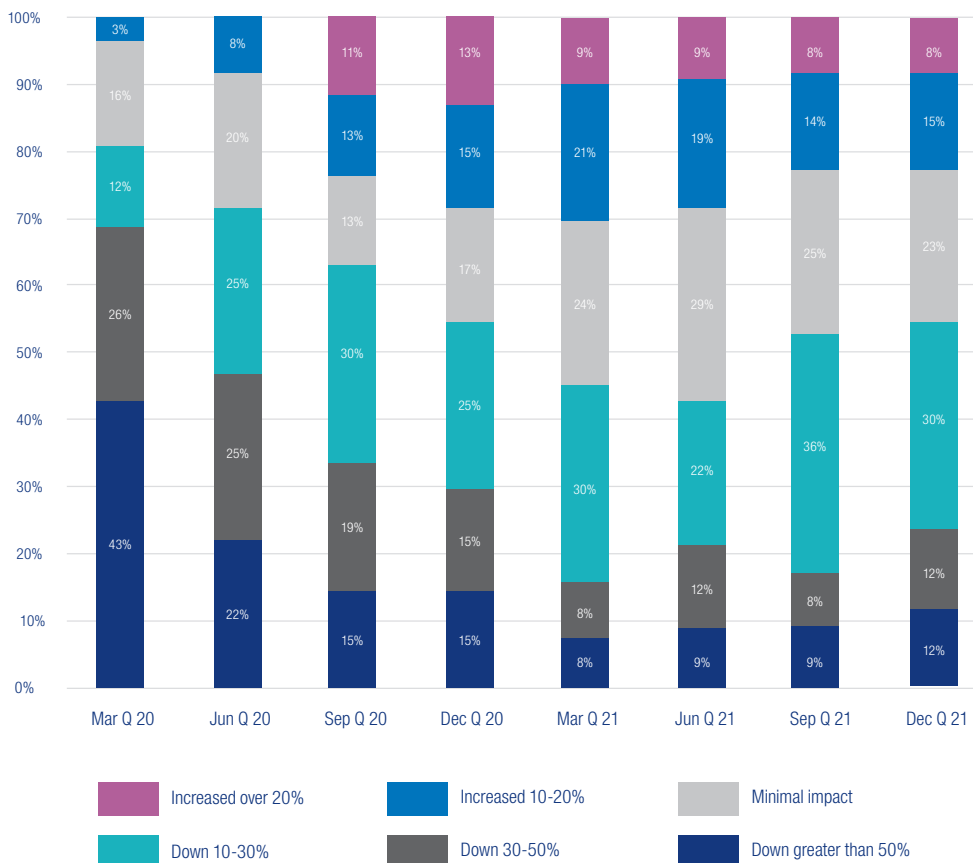
# 24.1%

of businesses said revenue had dropped more than 30 per cent compared to pre-COVID levels

The reintroduction of restrictions and advice to limit movement to avoid public contact during this time saw an increase in the number of businesses reporting that their revenue fell below 30 per cent (on their pre-COVID revenue) compared with the previous quarter.

When breaking the data down by industry, those in the hospitality, events and tourism sector were significantly overrepresented, with 40.2 per cent of those businesses experiencing revenue declines greater than 30 per cent operating in these sectors.

### Impact of COVID-19 restrictions on revenue



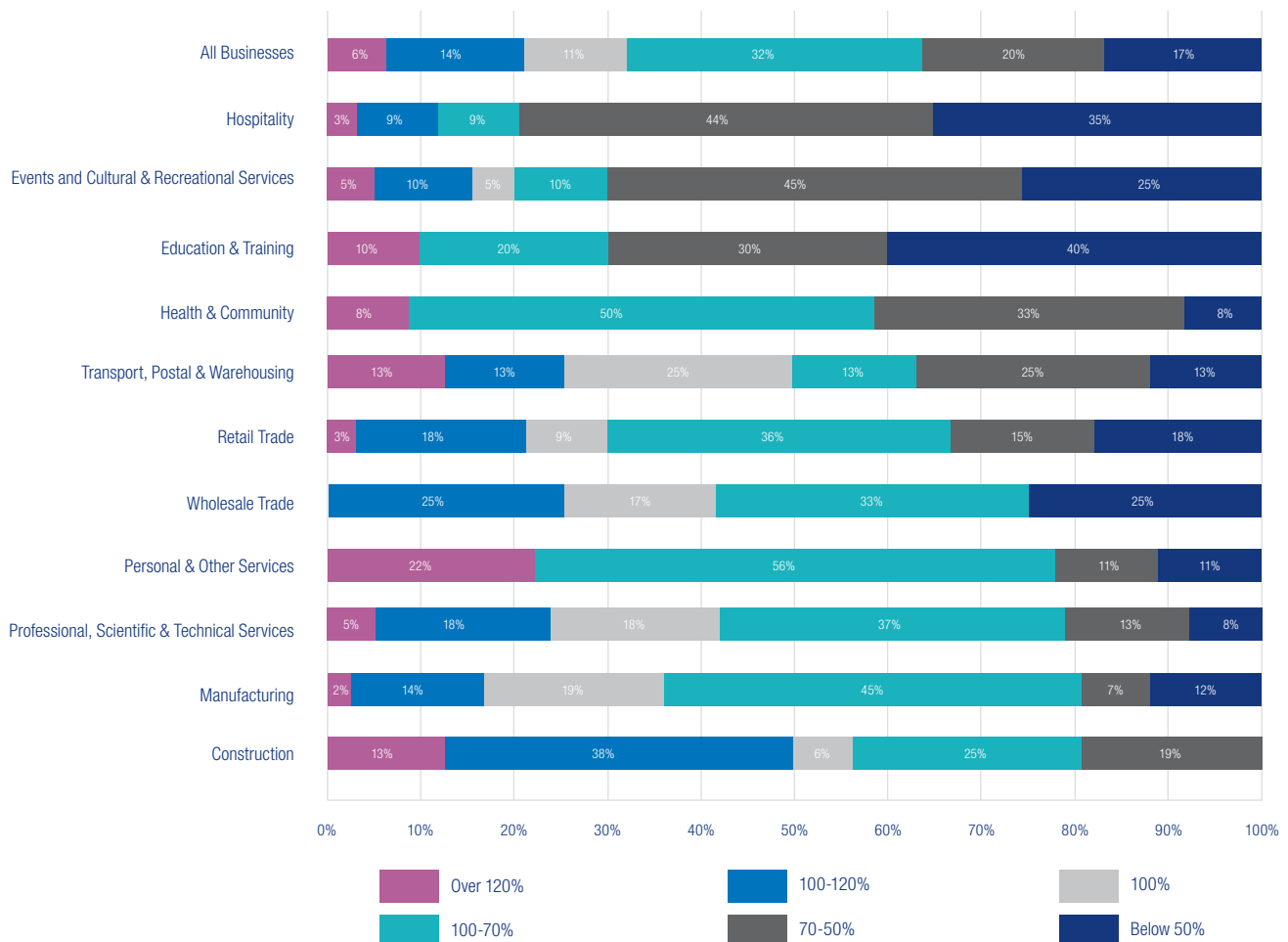
# SALES OUTLOOK

**79.4%**  
of hospitality businesses forecast sales to be below 70% of pre-COVID revenue at the end of the March quarter 2022

Our survey results showed a poor outlook for the upcoming March quarter 2022 with only 31.7 per cent of businesses forecast sales to be at or above pre-COVID revenue. The recent State Government's financial support and stimulus package and restrictions easing in time for the Fringe/Festival period will certainly improve confidence and expectations from now on.

Additionally, the reopened state and international borders will assist businesses dealing with interstate or overseas clients.

## Sales Outlook for March quarter 2022 by Industry sector

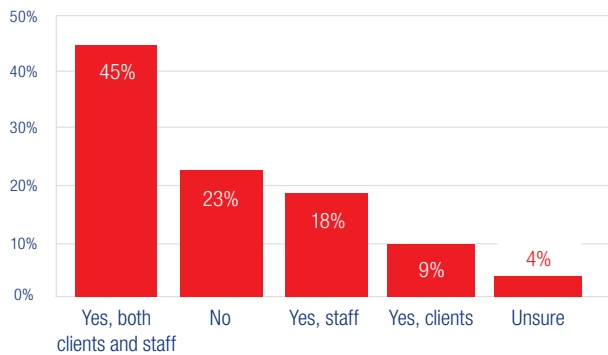


# REOPENING

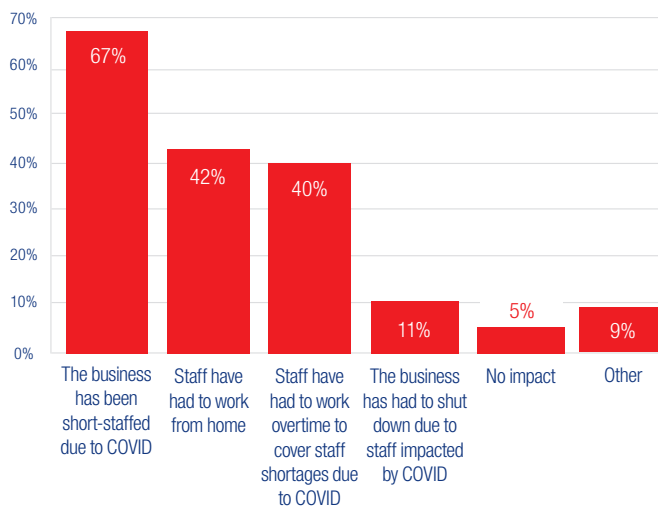
## 67.4%

of businesses had to run short-staffed due to COVID-19

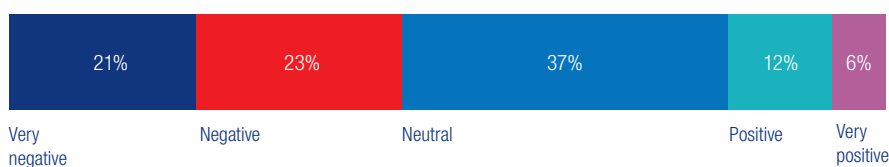
Since the reopening on 23 November 2021, has your business been impacted by staff or clients becoming close contacts?



How has this impacted the day to day running of your business?



Has the reopening of domestic and international borders been positive or negative for your business?



## 45.5%

of businesses were impacted by staff and clients becoming close contacts

This December quarter survey ran at the height of South Australia's Omicron wave in mid-January. This timing would undoubtedly have played a role in the higher volume of negative responses received to the survey. Whereas in the September 2021 quarter, businesses, for the most part, wanted to see international borders open for workers and students and the removal of restrictions at 80% vaccination.

A majority of businesses were impacted by the reopening on 23 November 2021, with 63.9 per cent of businesses having staff away from work due to being a close contact.

*"Uncertainty now exists around whether staff will be able to work due to being required to isolate due to spread of COVID. Staff working from home during current period is disruptive to business and creates inefficiencies."* – **Professional, Scientific and Technical, Sole Trader, < \$500k turnover**

*"Impact on workforce availability and employee safety measures."* – **Professional, Scientific and Technical Services, 20-49 employees, \$5m - \$10m turnover**

Some respondents were pleased with the reopening as it assisted their business:

*"Can visit clients to generate more business and build stronger relationships and partnerships"* – **IT and Software provider, \$500k - \$1m turnover**

*"Skilled migration + border opening would be good. Interstate borders meant both losing and gaining staff."* – **Health & Community services provider, 150-199 employees, \$10m - \$50m turnover**

*"Our business operates across Australia. This makes it easier for our staff to travel interstate to complete quotes and installs."* – **Construction, 50 - 99 employees**

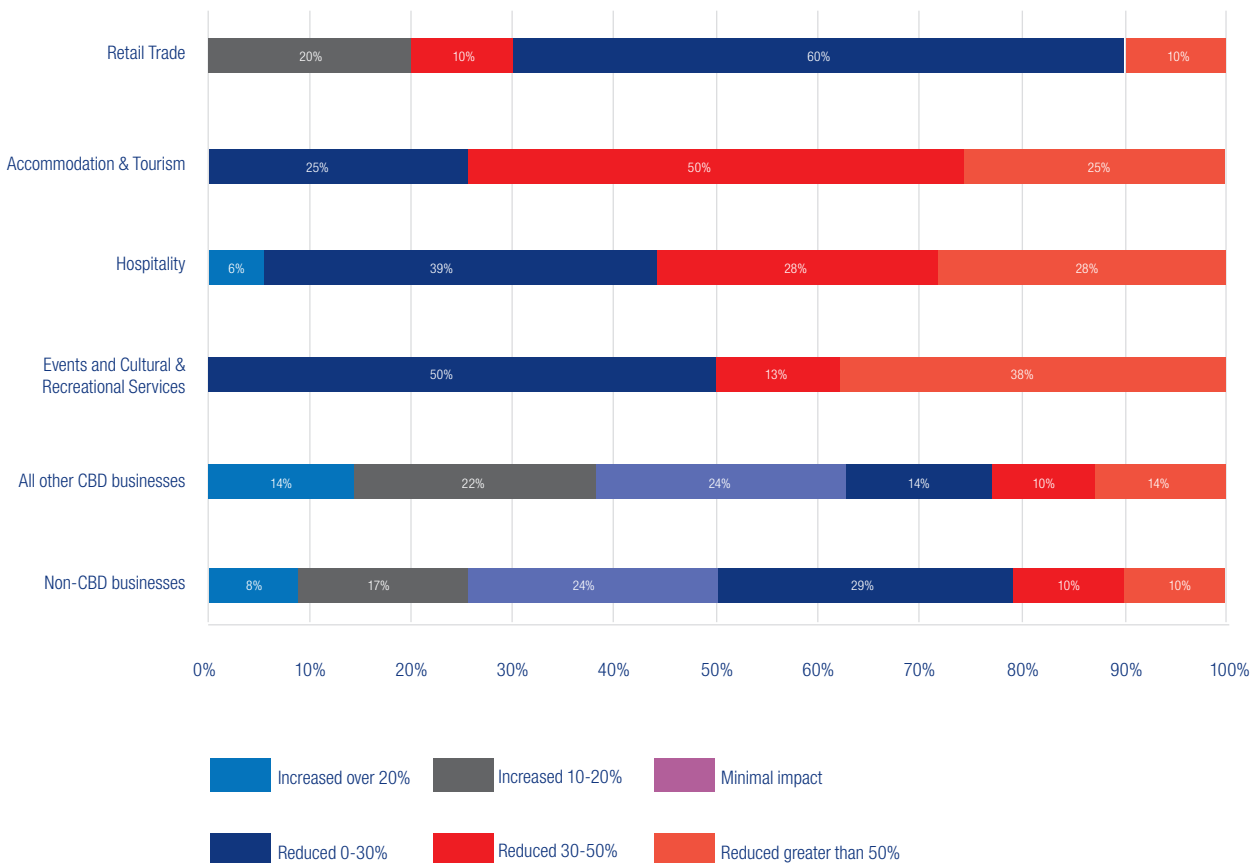
# CITY ECONOMY

The city economy is at the epicentre of the damage caused by the Omicron wave, and in particular, hospitality, tourism and retail businesses have borne the brunt. With most of the public sector working from home at the time of surveying, and given government health advice for the private sector to follow suit, the Adelaide CBD has been likened to a ghost town. The impact on those businesses whose customers are predominantly city office workers, the work from home rule has been catastrophic.

The recent (post-survey period) announcement that public-sector workers should return to the office is most welcome, and we expect the private sector to do the same to further support businesses in dire need of customers.

The announcement of further support from the Adelaide City Council and the State Government will also inject life back into the CBD.

## Impact of restrictions on revenue for CBD businesses in the December quarter 2021



# Case Study

## KUBA KABACINSKI - EXECUTIVE CHAIRMAN MICHAEL HADDY - MANAGING DIRECTOR



### Cyber and IR risks increase with work-from-home

With the benefit of steady conditions and longer-term projects, Consunet know they have been fortunate to continue operating through these challenging times.

Consunet Executive Chairman Kuba Kabacinski appreciates that his company is considerably different from those in customer-facing industries such as hospitality or manufacturing, with many staff on the factory floor.

“It hasn’t all been smooth sailing though. We have seen higher levels of unease and uncertainty in our staff. We expect significant amounts of personal leave to be taken as our staff increasingly become exposed to the virus.

“More broadly, it has been really tough for South Australian businesses, with the conditions and confidence reported in the Business SA William Buck Survey of Business Expectations certainly reflecting this.

“It has been challenging because of broader market factors such as labour supply shortages, supply chain deficiencies, rising inflation and continued COVID-19 impact. All of this constrains business growth.”

Many of Consunet’s COVID-19 challenges centred around the vulnerabilities of a distributed workforce. Cyber security considerations and counter-fraud

measures have been front of mind, as have employee health and safety, and mechanisms to ensure team dynamics remain positive with significantly less adhoc in-office interactions.

“While we have been fortunate to have most of our staff able to work from home, as a cyber security business, we’ve recognised the additional cyber risks that come along with staff working outside of the corporate environment”, says Kuba.

“With any security measure, there are trade-offs between convenience and security. You want your staff to have the ease to undertake their role as they would in the office environment. But you have to protect your operations from a range of cyber risks. And we have also paid close attention to the other risks that come along with staff working remotely at home, such as their wellbeing and safety.”

Kuba Kabacinski recognises that for staff where their home is their workplace, the employer still has a legal duty of care to protect them while they undertake the duties they are employed for.

“In the office, we can control the environment and make sure it is safe for staff to carry out their duties. But in the home environment, though, while I am legally responsible for our people, it is more challenging to ensure safety to the same degree we do in the office.

“Business owners have to balance these increased risks with the health and wellbeing of their staff.”

Consunet is a wholly Australian owned, rapidly growing company with approximately 80 personnel and a vision to build the Australian cyber and spectrum security future. Managing Director Michael Haddy shares that Consunet has felt an impact on their operating conditions with their business development activities benefiting from more permissive border controls.

“To protect your business from the increasing risk of cyber-attack and IP loss, you need to invest in, but also be sceptical of technical countermeasure performance. Investing time in suitable business processes and staff training is equally necessary to control the potential business damage .”

Over the 2020–21 financial year, the Australian Cyber Security Centre received over 67,500 cybercrime reports, an increase of nearly 13 per cent from the previous financial year. While many South Australian businesses are dealing with COVID-19 related impacts, businesses must also consider the damage that a cyber attack can do.

Despite the challenges presented by cyber threats and the general uncertainty that COVID-19 has brought to business over the last two years, Consunet still has some positive words for the future.

Kuba Kabacinski acknowledges the negative aspects of the current environment, but sees a wealth of opportunity ahead. Michael Haddy says to plan for positivity but be a little bit flexible on timing.

“While there may be some challenges ahead, let’s look past that and focus on the medium and long term opportunities to regain that confidence and get going as an economy again. We are certainly working very hard as a business to do just that.”

Australian shipping lines, there are container shortages, lack of accessibility due to congestion here and at other major ports and this has all impacted the business and delayed exporting our finished products.

“So we can meet the challenge of getting the raw materials, we have enough labour and can produce and meet tight deadlines, but then our products sit idle for weeks waiting for a container or a ship.

“So, it’s a complex challenge, and one we haven’t had to solve before. Unfortunately, I don’t think it will be resolved anytime soon. What we are doing to insure against this is manufacturing and holding enough stock so we can account for delays and can meet demand.

“We’re excited about 2022, with international borders expected to open, we’ve committed to exhibit at major international trade shows in Europe and America. This is incredibly important for us, it’s a competitive world, we need to defend and grow our global footprint and these connections will be critical.”

# 18.1%

of businesses were the victim of fraud over the last 3 years

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# 30.9%

of businesses were targeted by a scam or digital attack in the past 3 years

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# Business Investment

## INVESTMENT AND INTEREST RATES

# 35.1%

of businesses have invested in new plant, equipment, or machinery over the last three months

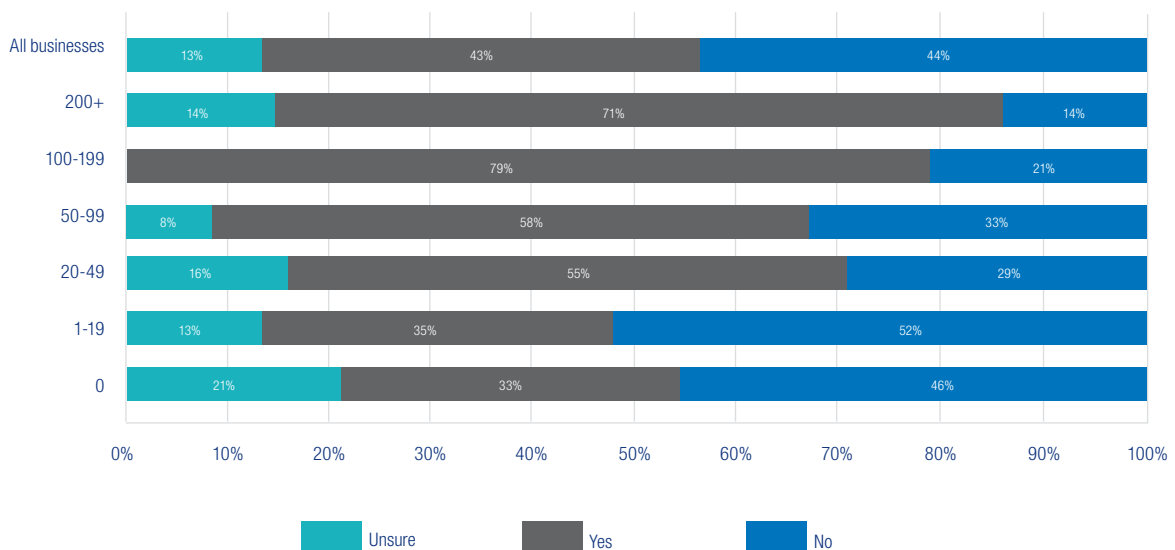
# 43.3%

of businesses are planning to invest in new plant, equipment, or machinery over the next 18 months

Business investment is beginning to taper, with the number of businesses investing in new plant, equipment, or machinery falling 14.4 points from the June quarter. Moreover, businesses planning to invest in new assets over the next 18 months also declined, falling 13.3 points to 43.3 per cent. Interestingly, of those businesses who had invested in new assets, 26.6 per cent indicated the Federal Government's full expensing measure influenced their decision to invest.

When we segmented the results by business size, businesses with fewer than 20 employees were the least likely to invest in new plant, equipment, or machinery over the next 18 months.

Is your business planning to invest in new plant, equipment, or machinery over the next 18 months?





# 43.7%

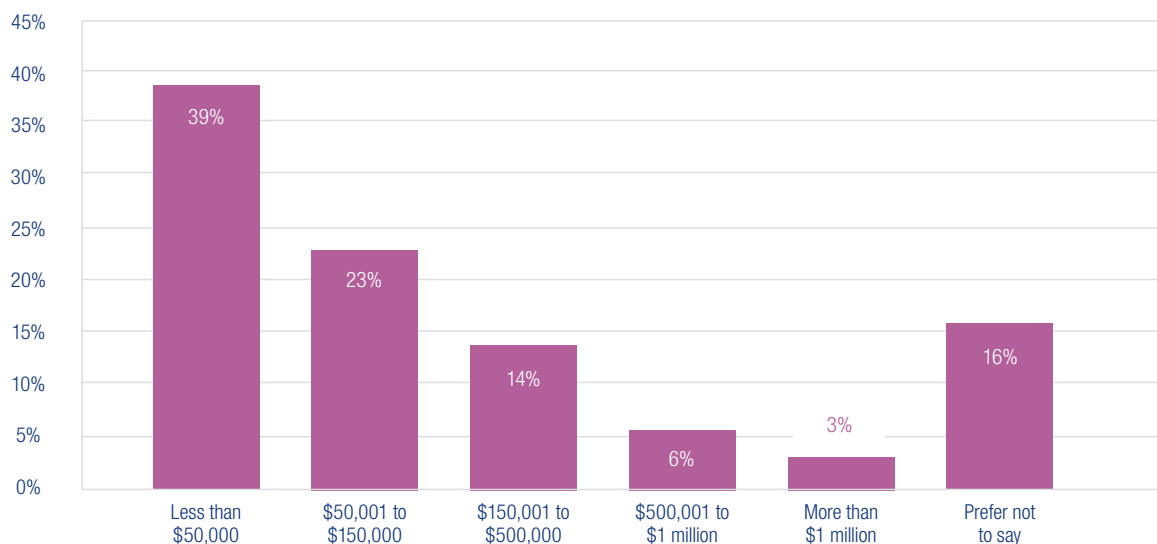
of businesses who had invested in new assets were concerned about possible interest rate rises

# 34.8%

of businesses indicated that a rise in interest rates will not impact any future decisions to invest in plant, equipment, or machinery

New vehicles and IT equipment were at the top of the list for many businesses who invested in the last three months. Businesses also invested in more advanced assets such as moulding machines, CNC machines, and 3D printers.

## Approximate value of investment

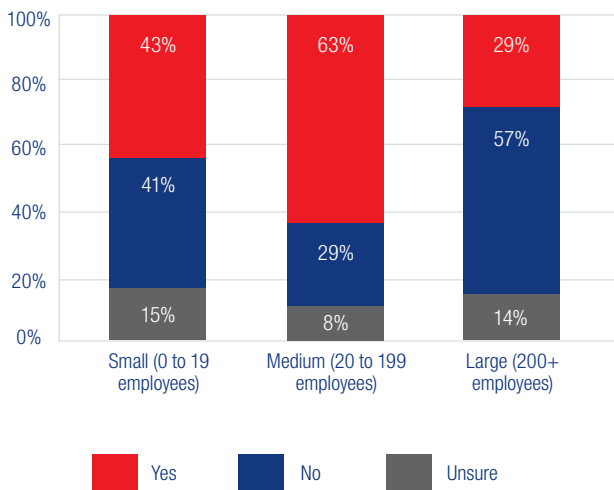


# Insurance

## 49.1%

of businesses experienced a significant rise in insurance premiums over the last 12 months

### Has your business experienced a significant rise in insurance premiums in the last 12 months?



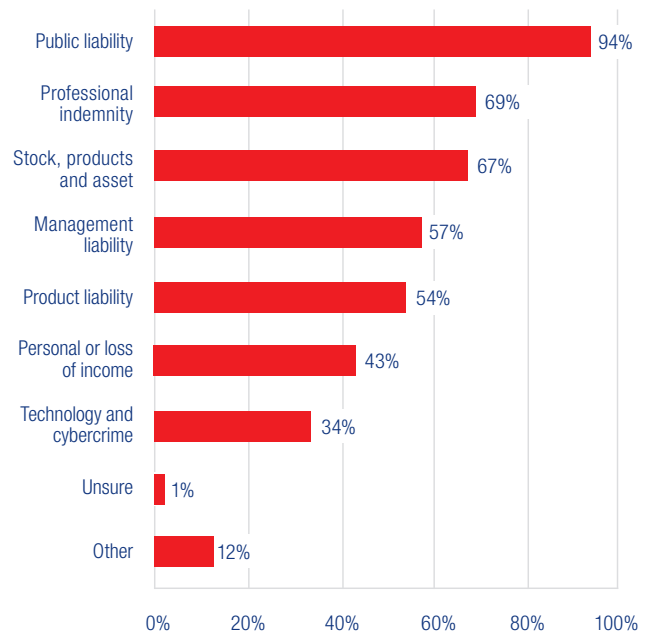
Business insurance is proving an increasing challenge in both accessibility and affordability. Medium-sized businesses were the most affected, with almost two in three reporting significant premiums rises in the last year.

Public liability insurance is used widely by business and has risen to become their most significant challenge alongside asset insurance.

*“Finding it hard to renew cover on certain aspects of our business” – Tourism operator 1-19 employees, < \$500k turnover*

*“We had to cease trading for three months last year due to an inability to secure public liability insurance in the entertainment sector even though we have been trading for 25 years” – Hospitality, 1-19 employees, \$500k - \$1m turnover*

### What insurance does your business currently use?

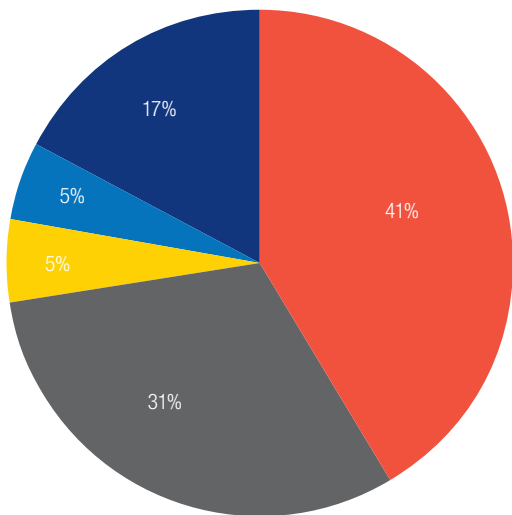


# 82.9%

of impacted business's premiums have increased over 10% in the last 12 months

*"Every year, I cut more out of our insurance policy... and yet every year the cost of the policy increases sharply. I suspect by 2024 I won't be able to afford insurance."* – **Agriculture, Forestry & Fishing, 1-19 employees, \$500k - \$1m turnover**

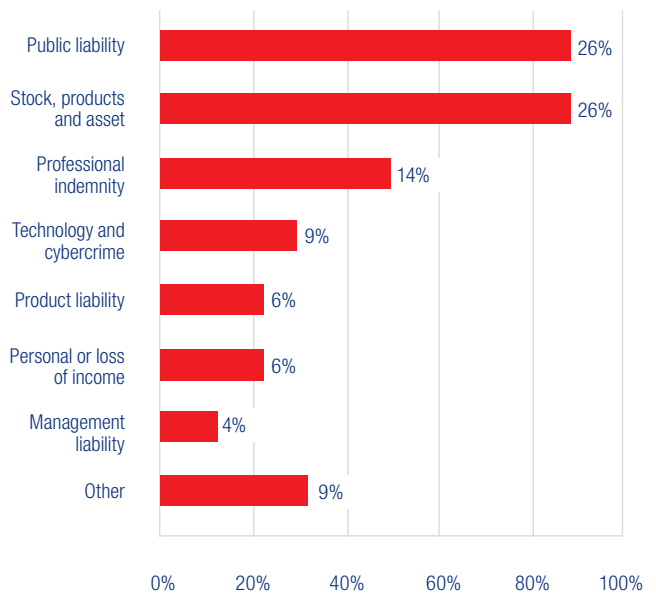
## How much have your insurance premiums risen by?



Premium Increase

- 0-10%
- 10-20%
- 20-30%
- 40-50%
- Over 50%

## What insurance increase has had the biggest impact on your business?





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