

Business Now



The Business SA Survey
of Business Expectations

March
QTR 2022



Business SA
Chamber of Commerce
and Industry South Australia

Powered by

 **William Buck**

Economic Expectations

BUSINESS CONFIDENCE

Confidence up 18.0 points from the December quarter 2022.

Business confidence improved significantly in the March quarter with the confidence index increasing 18 points. With the direct impacts of COVID-19 becoming issues of the past and the election of a new State Government there is renewed confidence emanating from business. It's now up to policy makers to work with this optimism and see South Australia into post-COVID economic recovery.

98.8

South Australian Confidence Index

There are risks that can jeopardise this confidence boost with the ongoing war in Ukraine and the impending shocks of inflation, interest rate rises, and wage increases. Unsurprisingly, business concern about inflation has increased over the last two quarters, with businesses relying on physical inputs the most concerned and worried about raising their own prices.

SA Confidence Index



18.0

points up from last quarter, December 2021



15.2

points down compared to March 2021



12.2

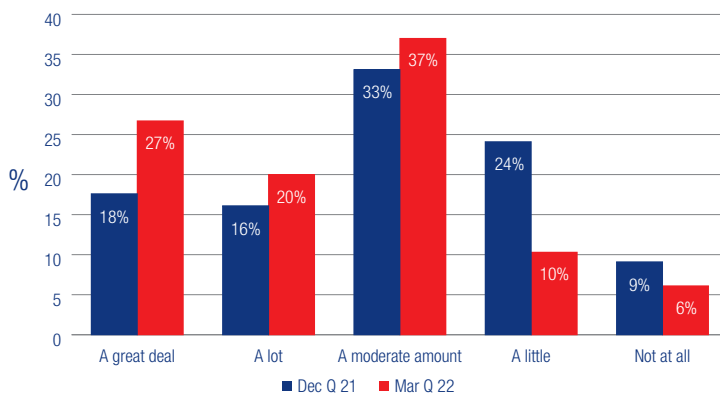
points up compared to March 2012



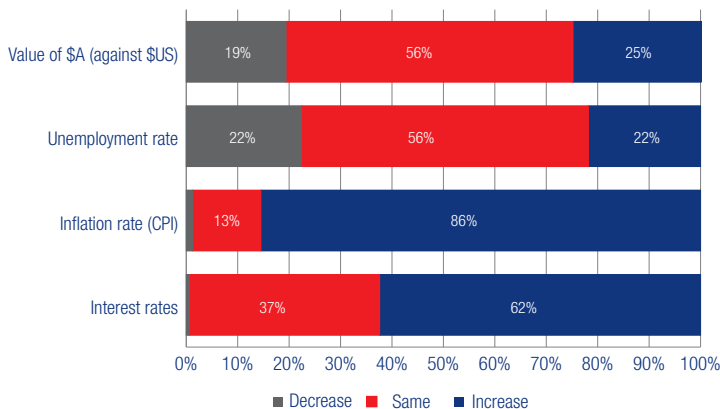
ECONOMIC INDICATORS

"As we rebuild from losing customers throughout COVID, this is the wrong time to be increasing our prices. Higher inflation rates will negatively impact our recovery."

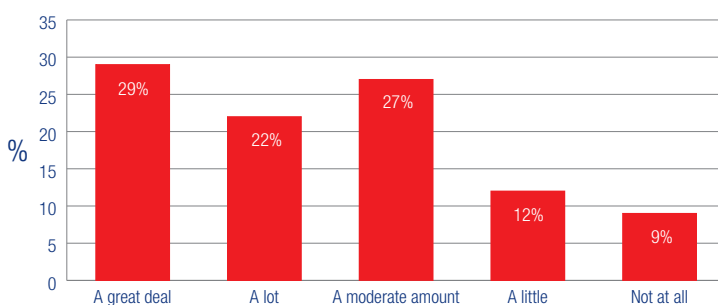
How concerned is your business about inflation over the next 12 months?



Business Economic Expectations for the June Quarter 2022



How concerned is your business about wage rises over the next 12 months?



Business Conditions

CONDITIONS AND EXPECTATIONS

Business conditions improve while decline is forecasted for the next quarter.

93.4

General Business Conditions Index

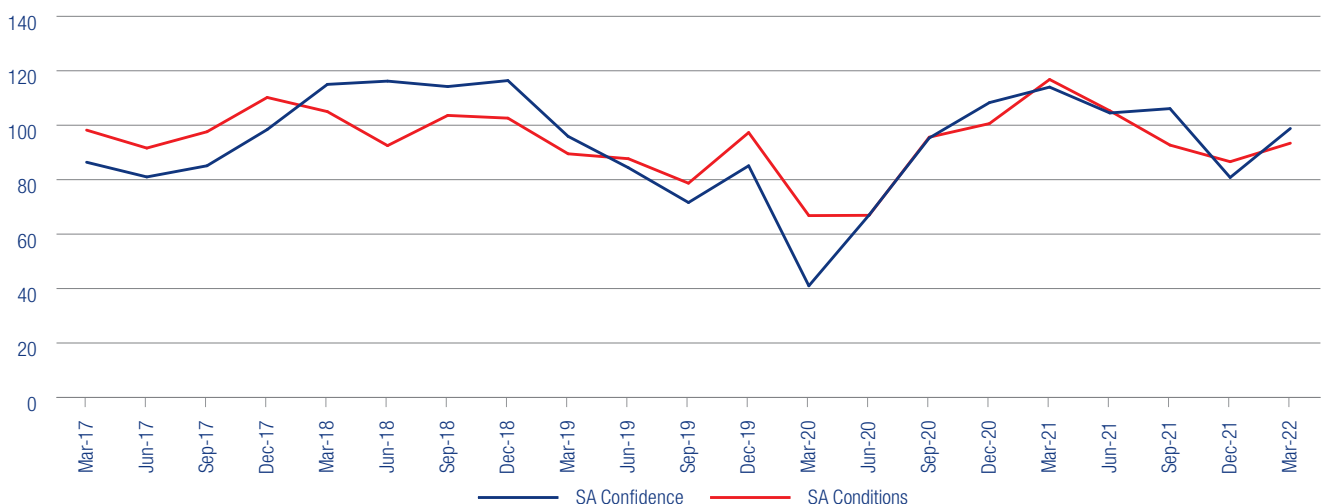
Businesses found conditions slightly better in the March quarter rising 6.8 points from the December quarter 2021. While business confidence for the economy over the next twelve months has seen growth, business expectations for conditions in the June 2022 are forecast to increase.

Pessimism in business conditions is driven by close contact rules and other COVID-related challenges, and the continuing war in Ukraine.

101.7

points expected for next June 2022 quarter

SA Business Environment



6.8

points down from last quarter, December 2021



23.4

points down from March 2021



12.8

points up compared to March 2012



SKILLS AND LABOUR SHORTAGES

Underlying labour market conditions continue to be a significant issue for businesses with a slight decline in the number of businesses finding it hard to source labour, despite continuing to sit at record highs. Consequently, we continue to see overtime levels remain significantly high as businesses cover staff shortages and absenteeism from COVID related rules.

With a tightening labour market and the resumption of normality to the annual wage review the potential of wages catching up with inflationary pressures will play on the minds of many businesses. This only adds to the uncertainty business currently have for the next 12 months.

59.2%

of businesses found it harder to source labour in the March 2022 quarter

113.8

points on the Overtime Index for the March 2022 quarter

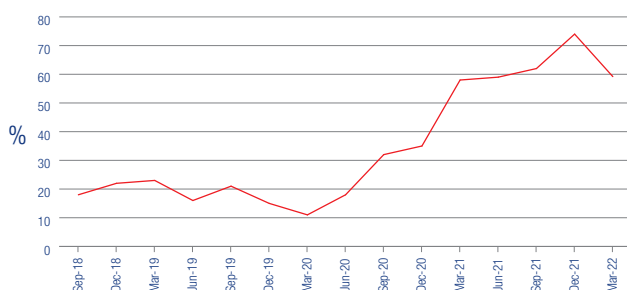
11.3

percentage points down from the December 2021 quarter

2.7

points up from the December 2021 quarter

Percentage of businesses finding it harder to source labour



Overtime Index



COST PRESSURES

Results for cost of materials and overheads for the March quarter 2022 come will come as no surprise with both indices up. Both these indices have seen continuous growth since the start of the pandemic.

It is likely these costs will be passed onto customers through increased prices.

149.7

points on the Cost of Materials Index
for the March quarter 2022

149.7

points on the Cost of Overheads Index
for the March quarter 2022

6.6

points up from the December
quarter 2021

10.1

points up from the December
quarter 2021

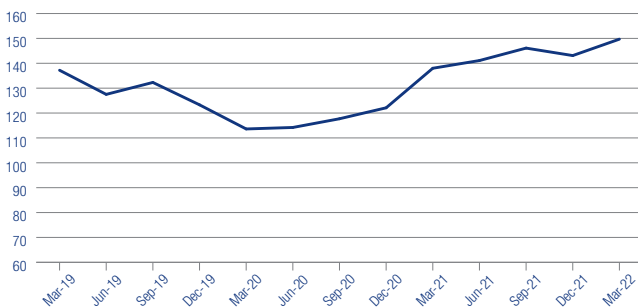
151.3

points expected for the June
quarter 2022

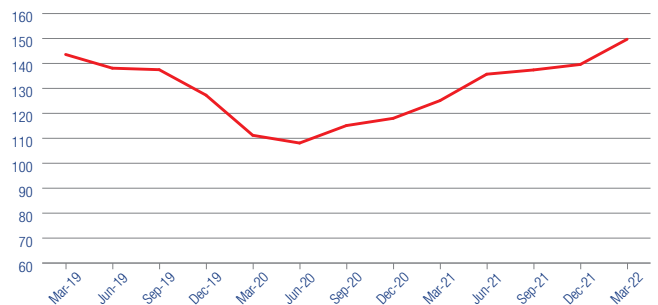
149.4

points expected for the June
quarter 2022

Cost of Materials Index



Cost of Overheads Index



PRICING IMPACTS

112.2

points on the Average Selling Prices Index for the March quarter 2022

114.4

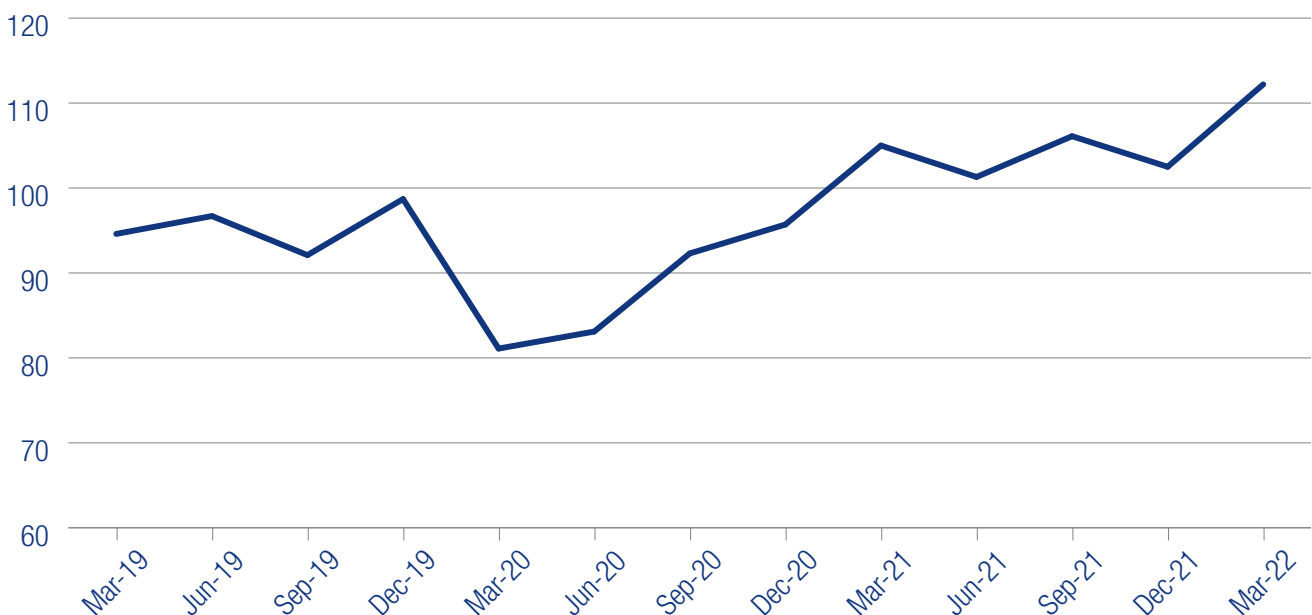
points expected for the June quarter 2022

9.7

points up from the December quarter 2021

Unfortunately for the recovery of businesses these costs will be passed onto customers with many looking to increase prices to cover costs.

Average Selling Price Index



A Word from William Buck

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

AS COVID-19 CLEARS, SIGNIFICANT BUSINESS CHALLENGES REMAIN

At the end of the COVID-19 tunnel, there is a light as we see some real optimism returning in the March quarter of the Business SA William Buck Survey of Business Expectations. Businesses have made up much of the ground lost in the last quarter. We see this through an 18pt boost of confidence from the December quarter and conditions up 7pts.

But this light we see for COVID-19 is not quite there for other significant issues facing businesses. These issues include supply-side challenges such as our often-spoken labour shortages, rising labour, fuel, logistics and materials costs, and supply chain availability. These continue to create difficulties for South Australian business owners.

Nearly 60 per cent of businesses found it harder to source labour in the March quarter, and both the cost of materials and overheads increased. We continued to see significantly high overtime levels in the March quarter as 83 per cent of businesses covered staff shortages and absenteeism from COVID-19 rules, placing more pressure on workforces.

On the demand side, particularly in the CBD and for those businesses in tourism, hospitality and events, there is the question being asked 'where are my customers?'. This is

slowly resolving itself, with more and more workers returning to the city and the socialising that our businesses in those sectors are used to.

This quarter, only 17 per cent of businesses were not impacted by staff catching COVID-19 or being confirmed as close contacts. This has a staggering impact on the ability of businesses to do what they do best. 71 per cent of businesses estimated that they had lost up to 20 per cent of their workdays due to staff having COVID-19 or being close contacts.

On a positive note, we seem to have moved away from the noticeably angry business sector in the December quarter results. Rightly so, though, as business owners struggled with the unexpected restrictions and shifting goal posts as we began living with COVID-19. The March quarter shows us that there are lingering COVID-19 concerns going forward, but this is no longer the dominant concern.

We are left with significant challenges, though, not ones that can be solved overnight. In the March quarter, business owners welcomed the decisiveness of the new Malinauskas Labor Government, and they appreciated that they had been listened to when it came to relaxing the restrictions. But business is looking for more from our new state leaders in

labour related areas such as reducing payroll tax, incentivising employment, and increasing training. They are also calling for reduced red tape and increased local procurement by the state government.

This quarter, two items stood out, one being a real opportunity to increase skilled migration. Businesses have called on government to make it easier to bring skilled migrants into South Australia. They have a critical role to play in correcting the current skills mismatch that we have here in South Australia and the labour shortages.

The second stand out item is a careful caution about government spending. In the current climate where skills are short, too much public spending will result in competition for those scarce skills, potentially to the detriment of the private sector.



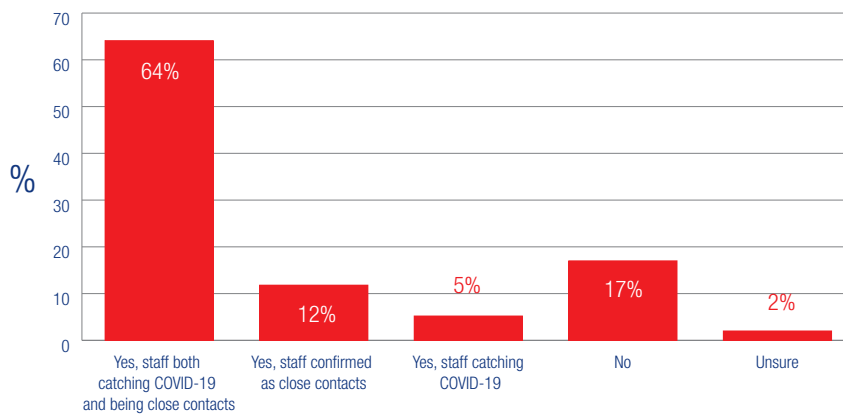
COVID-19

CLOSE CONTACTS

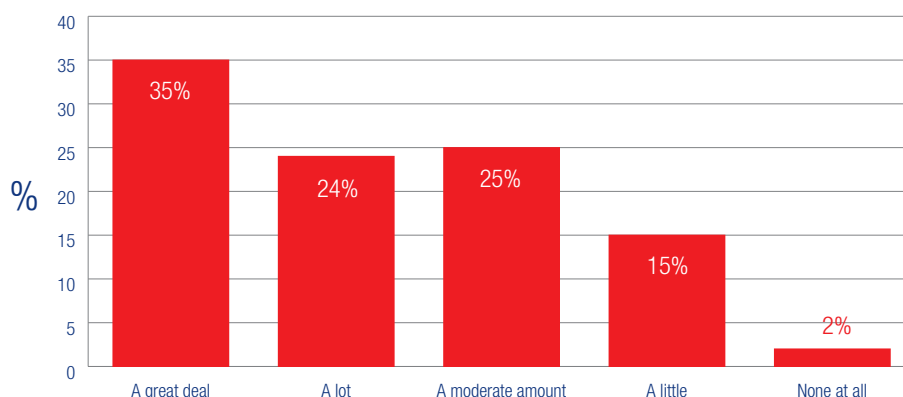
With 81.0 per cent of businesses reporting staff as close contacts or cases, COVID-19 rules continue to impact their operations, with over 1 in 3 impacted 'a great deal' by isolation and quarantine requirements.

Ongoing worker shortages, mean that isolation and quarantine requirements will continue to strain businesses' ability to run and meet demand.

Has your business been impacted by staff catching COVID-19 or being confirmed as close contacts in the March Quarter?



How much have close contact rules impacted your business in the March Quarter 2022?



"We are a face to face service business – close contact rules result in cancellations, not just staff absences. Whilst our overall trade trend has been up compared to last year, we have cancelled at last minute 23% of our bookings."

"Quite simply, they're crippling us."

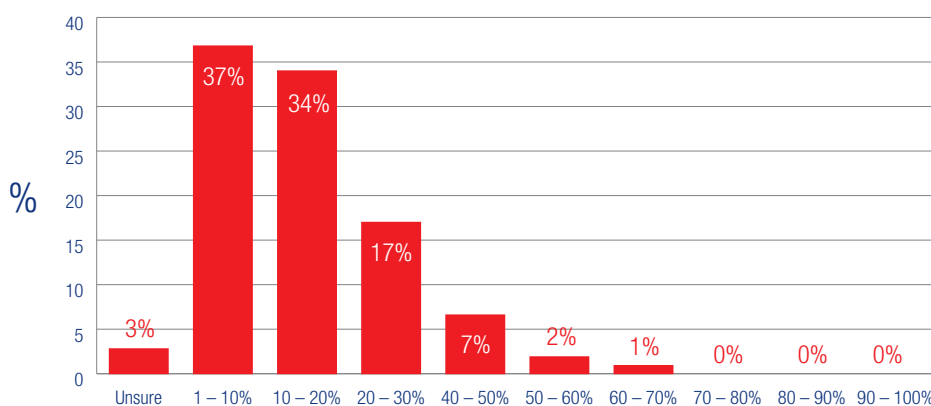
"All covid rules need to be removed including mandated vaccinations, we cannot source staff, complete all jobs and it is creating business losses due to these restrictions"

IMPACTS ON BUSINESS

We asked the 81.0 per cent of respondents impacted by close contacts and COVID cases to estimate the days of work lost from workers unable to come to work (i.e. not working from home). We found businesses were impacted by close contact measures more than confirmed contacts. Businesses

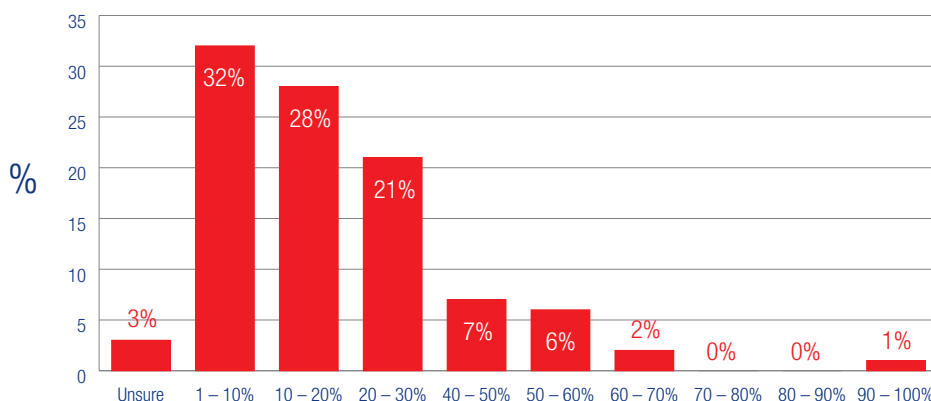
that require staff to be onsite to work are the most impacted with production reduced and orders delayed. Although the borders are now open and most restrictions eased, current measures continue to hinder recovery.

Estimated proportion of total working days lost (all employees) due to staff unable to work due to catching COVID-19?



“It seemed ridiculous to be healthy and sitting at home not being able to work. I hope soon that if a worker feels well, and has a negative RAT (admitting they’re not that sensitive), they should be able to continue to work and live.”

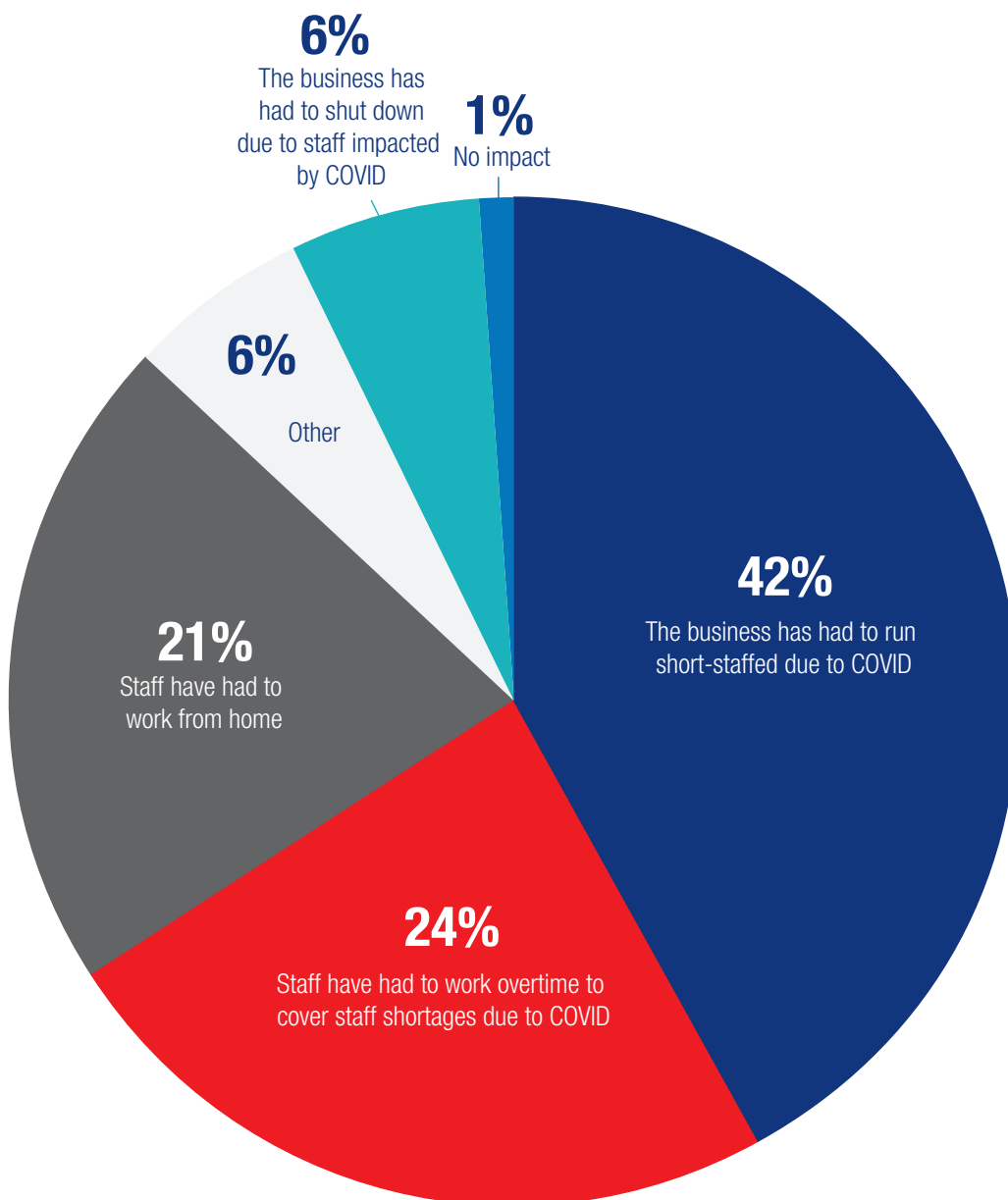
Estimated proportion of total working days lost (all employees) due to staff unable to work due to being a close contact?



DAY TO DAY IMPACT OF COVID

The majority of businesses have run short staffed and needed to use overtime. And some, primarily in the service industry, have had to shut down for a time due to a lack of staff.

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



CORPORATE AIRCRAFT CHARTER 'FARES' WELL WITH NEW ELECTRIC OPPORTUNITIES



**CHRIS ANGLBERGER,
MANAGING DIRECTOR
CORPORATE AIRCRAFT CHARTER**

As a leader in their field looking to reduce their carbon footprint, COVID-19 helped Corporate Aircraft Charter with that goal in a most unwelcomed way. Flights were grounded due to the significant impact that COVID-19 had on the tourism sector, and this South Australian owned company had to pivot like most others across the past two years.

Corporate Aircraft Charter Managing Director Chris Anglberger says that people's reluctance to travel, or inability to due to restrictions, has been the hardest knock.

"COVID-19 has been our greatest challenge over the last two years. Not so much with our staff contracting the virus but the flow-on effects on our clients.

"Having read through the March quarter results for the Business SA William Buck Survey of Business Expectations, I certainly agree with much of the sentiment expressed by other South Australian business owners.

"The borders reopening late last year changed the situation completely for us. People are travelling again, both for work and pleasure. This has improved our situation significantly, and we're heading back towards something that looks like 'normal'.

"Outside of COVID-19, we've certainly seen external

pressures impacting our operations. A massive challenge for us at the moment is the cost of jet fuel which has increased by 40% in the last 12 months. Fuel is a significant portion of our operating costs, and it needs careful management.

"Another challenge we face at the moment are skill shortages but not in the traditional areas that we normally experience. Pilots have traditionally been in extremely short supply, particularly with ratings required to fly our aircraft but the last 12 months has seen a change in this.

"The area that is really thin on the ground is aircraft maintenance engineers, it is extremely difficult to find candidates. Many other maintenance organisations are finding the same thing. There is very little training of apprentices in the field, particularly from larger organisations and a reluctance young people wanting to get into the field. It is an extremely rewarding career path and I would encourage any young person to pursue it.

"Like many of the other businesses reporting in the survey, we have experienced supply chain issues. It is incredibly difficult to purchase aircraft in the current market due to low stocks and inflated prices.

"What we've seen is that many wealthy individuals and corporations in the USA have purchased their own aircraft during the pandemic to avoid large crowds at airport terminals flying in commercial airlines. That has had a real impact on our ability to increase our stock here in Australia.

“We used the time over the pandemic to look at how we can create opportunities for our business. We realised that we could procure larger aircraft to attract a larger market and increase our capability. So, we have been doing our market research and discussing this with existing clients and are now actively seeking new markets and clients.

“For the longer term, we are evaluating electric aircraft, which is an extremely exciting prospect. We have been talking to manufacturers for a while now. Some aircraft under development would suit our plans, which are anticipated to be available from 2026.

“We all have a social responsibility towards a sustainable future and I would like Corporate Aircraft Charter to be at the forefront of this.”



CORPORATE SOCIAL RESPONSIBILITY

52.5%

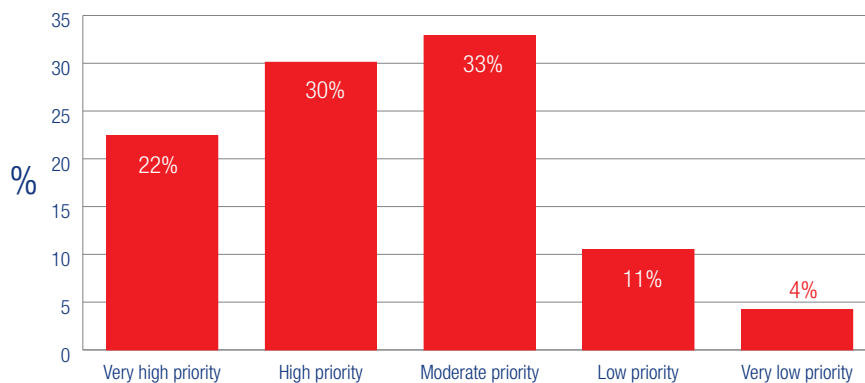
of businesses view Corporate Social Responsibility as a high or very high priority for their business

63.0%

of businesses increased or maintained their levels of community support

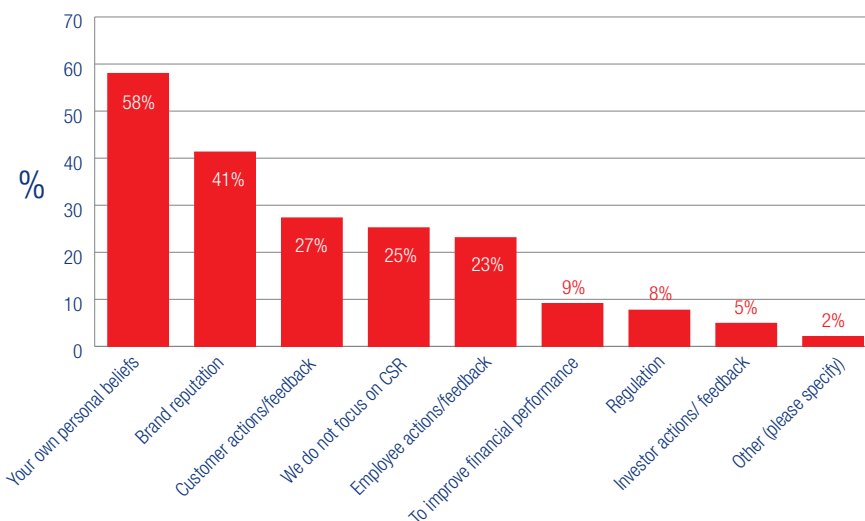
For the majority of businesses making sure they support the community was seen as a high priority for both their image and employee engagement. Businesses also told us they were on the receiving end of support, with many highlighting the backing received from others in the business community.

How does your business view Corporate Social Responsibility?



"CSR adds value to our bottom line. We achieve this by partnering and establishing the right internal and external narrative to increase sales and staff engagement."

What is driving your company's approach to Corporate Social Responsibility?



"We are a 100% Aboriginal owned and operated business that has been operating since the year 2000 and give back to our community wherever we can."

"We actively support projects and clients that deliver Social Return on Investment."



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