Business Now

The South Australian Business Chamber
Survey of Business Expectations

2023 // December Quarter

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Contents

The Economy

Business Confidence

South Australian Confidence Index December Quarter 2023

87.5 points

Up 3.6 points from previous quarter

National Business Confidence Index December Quarter 2023

80.3 points

Up 2.0 points from previous quarter

South Australian business confidence has grown moderately in the December quarter 2023, now sitting at 87.5 points. This is an increase of 3.6 points, after growing 6.6 points in the September quarter.

Though the results do point to an increasingly positive outlook among the state's businesses, confidence is still well below the neutral level of 100 and 3.7 points lower than it was 12 months ago.

For the seventh quarter in a row, stretching back to June 2022 our respondents are more bullish about South Australia's economic outlook compared to the national economy.

This edition found national confidence to be 80.3 points – a 2 point increase on the September quarter, but 4.5 points lower than in December 2022. Confidence in both the state and nation have trended downwards over the last three years.

Our June 2023 survey saw a significant drop in confidence among businesses as persistent interest rate rises finally took their toll. Given confidence growth since that time came from a low base, it may be a while before SA businesses are truly optimistic.

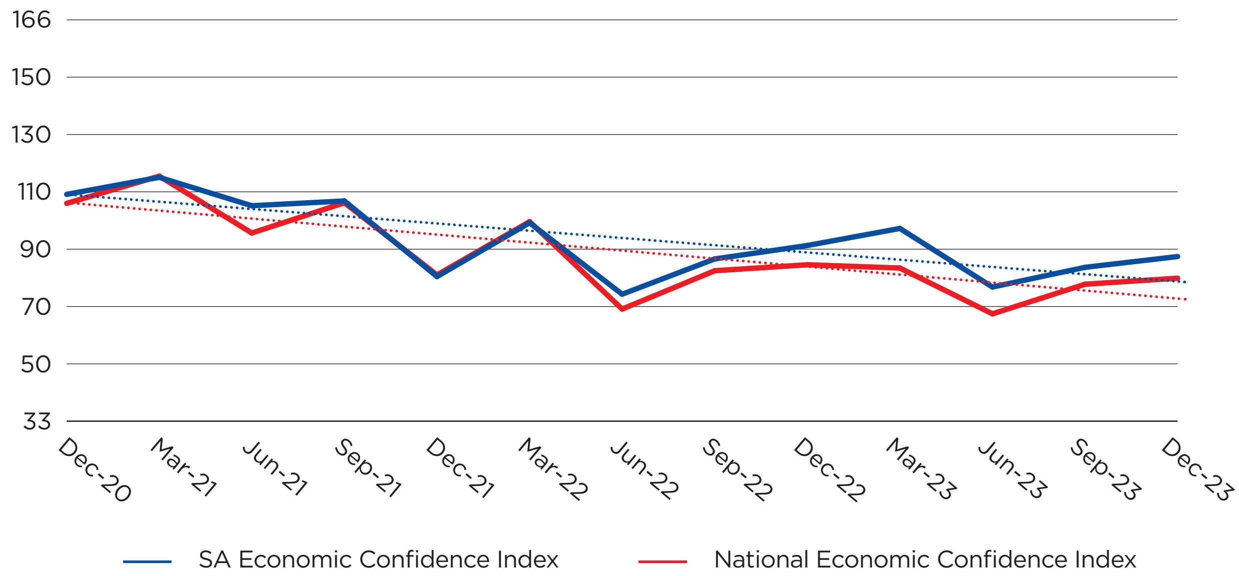
Nevertheless, South Australian businesses have largely weathered challenging conditions well over the past 6 months. Unemployment remains low[i] and for the first time in its 14-year history CommSec ranked South Australia the leading economy in the nation in its *State of the States* report in January 2024.[ii]

Despite these positive signs, there are other indications – as the rest of this report will explore – that there are challenging times ahead for business and the state's economy.

Our confidence indices measure how South Australian businesses expect the state and national economies to perform over the next 12 months. Now in its 43rd year, this survey is the longest running in the state.

For all indices, a score of 100 is neutral, with 33 the lowest and 166 the highest.

Chart 1
SA and National Economic Confidence Indices



General Business Conditions

General Business Conditions Index December Quarter 2023

90.7 points

Down 5.0 points from previous quarter

Total Sales/Revenue Index December Qurter 2023

90.9 points

Down 5.3 points from previous quarter

Chart 2
General Business Conditions Index

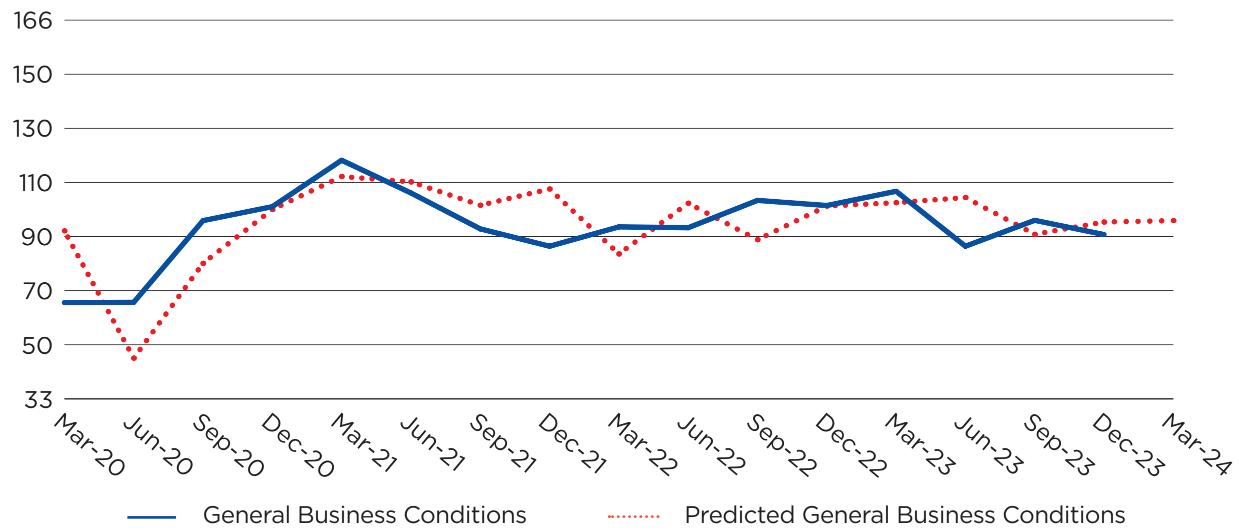
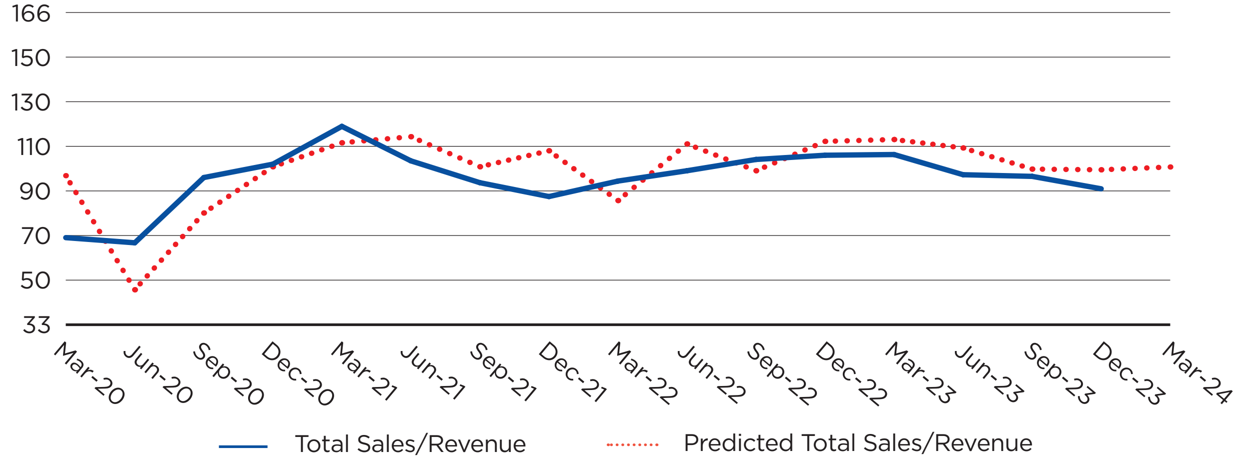


Chart 3
Total Sales/Revenue Index



The December quarter saw a downturn in general conditions and sales/revenue: 5 and 5.3 index points respectively.

Respondents tell us general business conditions are again below neutral (100) for the third consecutive quarter. With prevailing and predicted challenging economic conditions, a sustained period of optimism may still be a way off.

For 4 consecutive quarters there has been a disparity between businesses' *predicted* future sales/revenue compared to their *actual* sales/revenue. The downward trend in both aspects is also noteworthy and aligns with the onset of a slowing economy. December 2023 saw household spending growth slow to its lowest monthly figure since February 2021.[iii] On average, in the last year the difference between *actual* sales/revenue and *predicted* sales/revenue has been 7.2 points, a significant margin.

The December quarter encompassed Black Friday as well as Christmas trading which typically sees a boom in sales for many businesses. However, The Australian Bureau of Statistics (ABS) noted the two industries that suffered the biggest reduction in turnover during the month of December were wholesale trade (down 3.1%) and retail trade (down 3.3%) – a big surprise.[iv]

Total Sales/Revenue Index Predicted for March Quarter 2024.

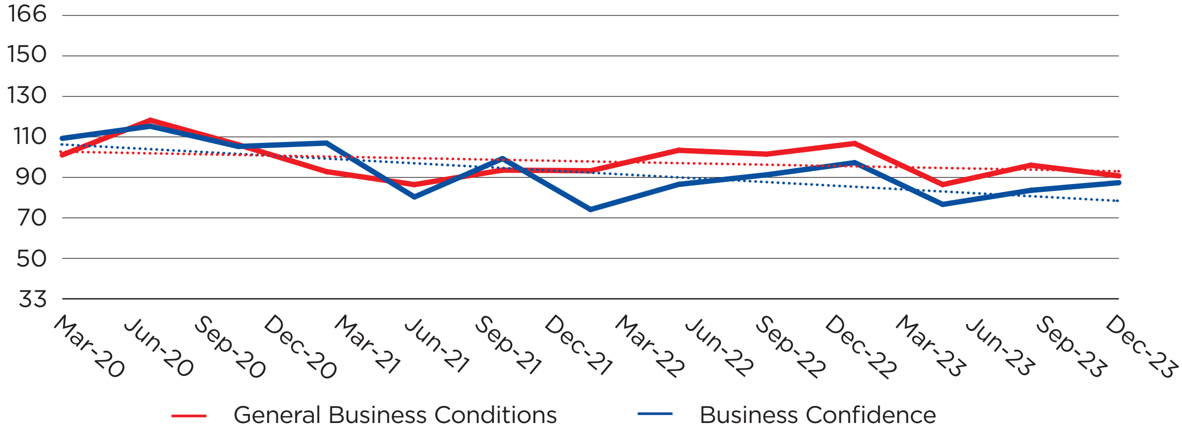
100.2 points

General Business Conditions Predicted Index for March Quarter 2024.

95.6 points

Chart 4

South Australian Business Conditions



Economic Indicators

How do you expect the following indicators to change in the next three months?

	Decrease	Stay the Same	Increase
Interest Rates	13.6%	65.8%	20.6%
Inflation Rate (CPI)	32%	38.6%	29.4%
Unemployment Rate	7%	47.5%	45.6%
Value of $AUD (against $USD)	38%	52.9%	9.2%

Respondents overwhelmingly believe interest rates will remain stable in the next quarter – with nearly two thirds of the vote. 20.6% of respondents view rates turning upwards in the next quarter, a course of action that was not ruled out by the Reserve Bank at its most recent board meeting.[v] A significant minority of respondents (13.6%) predict rates to decline, as some commentators have called for as inflation subsides.

Opinions on the future direction of the inflation rate are varied, the highest number of respondents believing it will remain the same (38.6%). The most recent quarterly figures have seen inflation fall to a two-year low of 4.1% and 32% of respondents see it declining further. Interestingly, nearly 30% of respondents are predicting a rebound in inflation. This is possibly influenced by business operators seeing their input, materials and wage costs increasing substantially and anticipating flow-on effects.

Our respondents' views have changed over the last three months in response to conditions. In September 2023, just 3.5% thought interest rates would decrease, and just 8.4% thought inflation would decrease. These figures have both jumped almost fourfold in this edition.

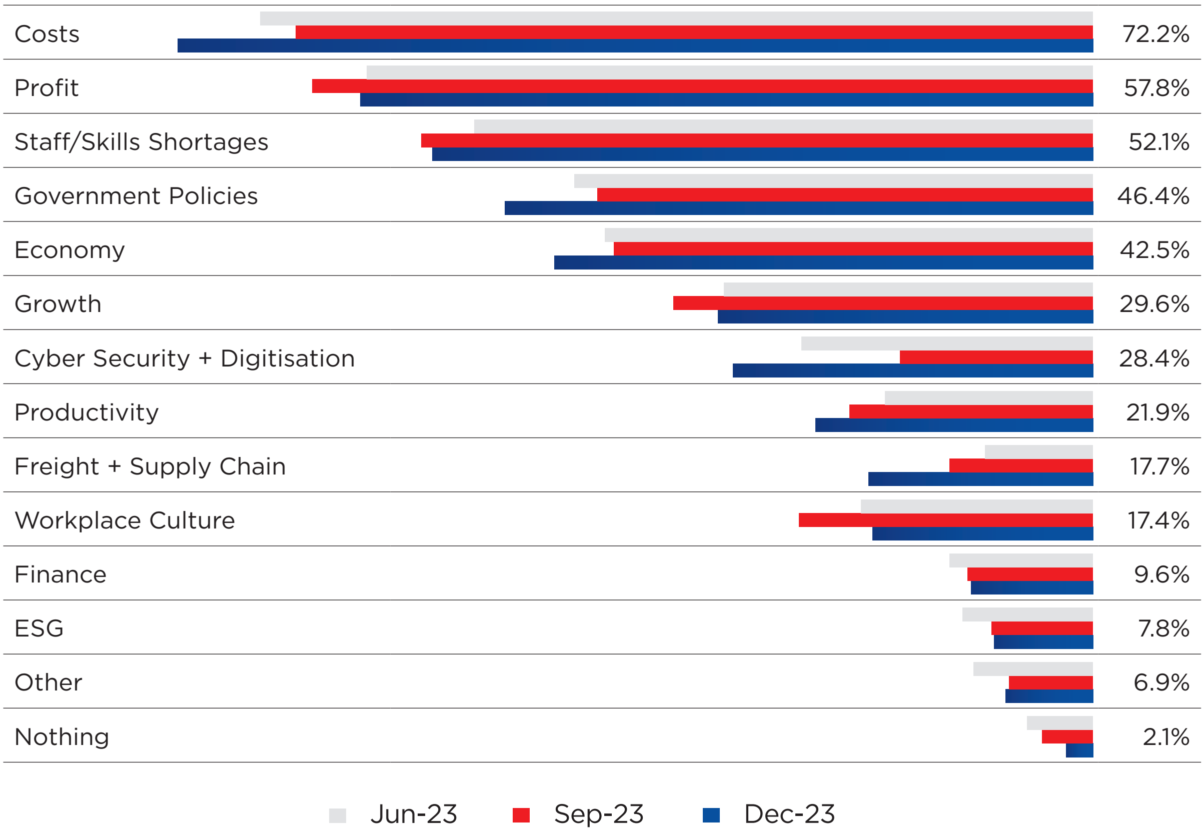
Our respondents see these changes as unlikely to have profound impacts on unemployment in the upcoming quarter however, seeing similar results to the last two quarters. Respondents broadly agree unemployment will remain the same or see a small uptick in the next quarter. Fewer than 10% of respondents predict the value of AUD to rise in the next quarter, believing its drop in value since the start of the year will stabilise or further subside.

Issues Affecting Businesses

Respondents can select up to five main issues currently affecting their business.

Chart 5

Main Issues Affecting Businesses



Costs of doing business such as wages, rent and insurance retained first place and extended its lead as the main issue affecting South Australian businesses. It was selected in this edition by 72.1% of businesses – a substantial 9.2 percentage points more than in September 2023.

Retaining second place was *profitability/profit margins*, selected by 57.8% of respondents. While significant, its striking 14.3% gap from first place shows how vexing costs currently are for South Australian businesses.

Whilst certain data points in the economy appear promising – the vast majority of businesses see both their costs and profitability their top worries should be a big concern for the state. With economic growth likely slowing in 2024, staying profitable and keeping costs down will be a significant challenge for many businesses.

Staff/skills shortages is again the third most prominent issue, selected by 52.1% of respondents, which aligns with the 53% of businesses who reported currently experiencing labour shortages.

Government policies were selected by 46.4% of respondents as a top five issue concerning their business, a 7.3% increase in just three months. The South Australian Business Chamber partly attributes this to the Federal 'Closing the Loopholes' Bill that passed parliament on 12 February 2024.

Interestingly, an issue we mainly associate with the pandemic and its aftermath – *freight and supply chain issues* was selected as a top five issue by 17.7% of businesses in this survey. This is growing as an issue for SA businesses, having been selected by just 8.5% of businesses in June, and by 11.3% in September. The strike action and delays at shipping ports around the country may be a reason for this.

A further interesting finding is the fluctuation in respondents whose top five issues include *cyber security* and *digitalisation*. Selected by 23% in June, 15.2% in September, now almost doubling to 28.4% of respondents. The issue of cyber security and the number of businesses getting hacked continues to gain media attention. It seems that the realisation of the risk attached is beginning to resonate with business.

A further indication of challenging conditions is the proportion of respondents admitting *nothing is a concern* has more than halved in six months, from 5.2% in June 2023 to just 2.1% in December.

Comments on issues affecting business

"The economic conditions remain challenging and so demand, cashflow and profitability are all being squeezed. Inflation is still present is part of the supply chains which continues to put pressure on our business and sector."

"Necessary steps have been taken to slow the economy down... With the cost of doing business increasing and less customers coming through the doors the situation is quite dire."

"Industrial relations bias against employers, especially small businesses who don't have the resources, can be the undoing of a good business. Even when they have ticked all the boxes and do the right thing! And now they are going to get even tougher."

"The new levels of Commonwealth regulation are becoming absurd. We have to consider whether to downsize to get below the 100 person level, so we do not have to employ 1-2 extra compliance staff."

"Cost of compliance takes away profitability for small business. The makers of compliance law seem to tailor it to large businesses which appear to be able to afford it."

"Already under pressure, the constant increase in compliance workload is killing small businesses. We all want to do the right thing... With so much to do and check, we are all worried we'll make a mistake and end up with fines, or even worse."

Case Study

Swagger state primed for property investment opportunities

Editorial by Anthony Caldwell – Manager, Marketing, Media, Communications for the South Australian Business Chamber.

Local investment firm secured $250 million in asset growth in four years, and there's more to come.

Investment firm Leyton Funds has quietly overseen a significant expansion in its property portfolio, soaring from under $100 million in 2020 to $350 million at the beginning of 2024, according to Managing Director Warwick Mittiga.

"We are in a great place at the moment and really excited about the future," he said.

Leyton Funds is a South Australian owned and managed real estate funds management firm acquiring commercial, retail, and industrial property in South Australia, with additional assets in Queensland and Western Australia.

Mittiga, who returned to Adelaide in 2016 after a decade-long property career in London, was appointed as Managing Director in 2020 following a leadership restructure aimed at positioning the firm for exponential growth in the years ahead.

"While we've been in business for more than 15 years, it's only been in the last four that we've really expanded.

"Our business was founded as a family office and although we've grown, we have always retained that ethos of being private investors of our own capital, always with an eye for where we can add value".

Leyton Funds' diverse portfolio includes neighbourhood shopping centres such as Gawler Central, BlueScope Steel's new manufacturing hub at Adelaide Airport, industrial properties at Melrose Park, Beverly and Dry Creek, and a $45 million advanced manufacturing facility in Adelaide's North, a joint venture with Bedford Group expected to be completed in 2025.

"Looking back at the onset of COVID in 2020, there was a lot of uncertainty across every part of the economy including in the property market", said Mr Mittiga.

"However, within a relatively short period markets had roared back through ultra-low interest rates creating a fair bit of dislocation in asset prices.

"Navigating this market was hard, as the wave of capital searching for a home pushed some prices beyond where we felt they should be.

"We tried to be smart about how we found opportunities to invest and sometimes you just have to wait," he said.

Despite a very competitive market, within four years Leyton Funds has expanded its property assets, acquiring 12 new properties, adding $250 million to its portfolio.

> "Our state has some swagger it hasn't had before."

"We managed to grow by focussing on some high-quality new development opportunities and extremely hard work from our whole team".

Mr Mittiga emphasises the firm has a "simple and considered" approach to every property investment by assessing where they can add value, keeping their investment strategy grounded in real estate fundamentals.

"We firmly believe in active management to support our tenants achieve strong business performance, ultimately enhancing real estate value. We try to be really tenant focussed".

Despite Leyton Funds' optimistic trajectory, the firm remains keenly aware of the challenges confronting businesses, particularly rising costs, as highlighted in the South Australian Business Chamber and William Buck's December Quarter Survey of Business Expectations released today.

"Rising costs across every part of operations are posing significant challenges for businesses.

"The results of the survey align with what we hear from tenants.

"Our business success is inherently linked to the performance of our tenants, so we collaborate with them and look to invest in our real estate for mutual gain. This can be anything from solar to reduce energy costs through to direct marketing to drive visitation and turnover", he said.

Looking ahead, the firm sees interesting opportunities, coinciding with more certainty around interest rates on the horizon, priming the state for commercial property investment.

"There's probably a bit more motivation from some sellers now than we've seen recently.

"There's not been much transactional activity over the past 12 months, but we are starting to see opportunities where we feel like there's long term value and pricing driven a bit more by cyclical factors.

"We are not interested in pursuing deals simply for the sake of it," he added. "We're not setting fund acquisition targets, rather assessing opportunities for the right investment outcome.

Mittiga sees his investment decisions are being supported by strong fundamentals from the state. "We are genuinely excited about where South Australia is now and where it can go from here.

"Our resilient state exudes a confidence it hasn't experienced before. There is a buzz about SA.

"I am hearing this from investors right across Australia. Our state has some swagger it hasn't had before".

Warwick Mittiga – Managing Director, Leyton Funds.

Performance Indicators

Profitability Index for the December Quarter 2024

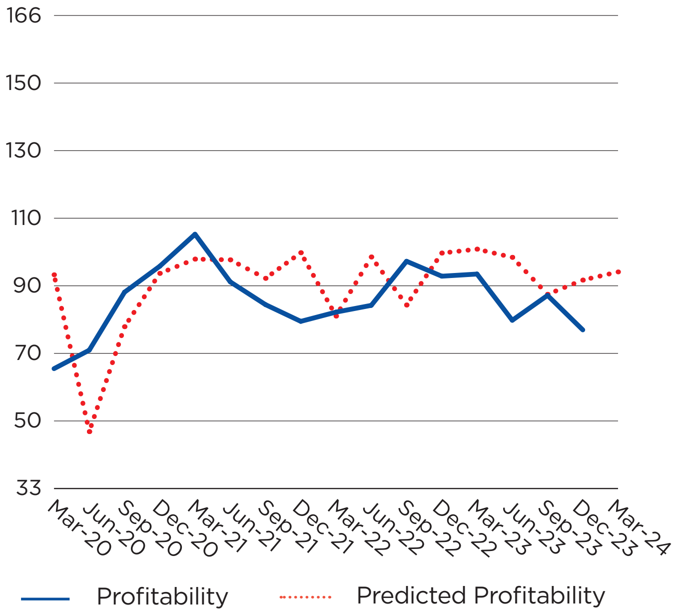
77.6 points

Profitability Index Predicted for March Quarter 2024

93.9 points

Chart 6

Profitability Index



Profitability

Lowest

Since July 2020

9.8 points

Lower than last quarter

14 points

Lower than predicted

Cost of Overheads

144.1 points

3 year average

132.0 points

Average between September 2015 – September 2020

Not below

150.0 points

Since September 2022

Cost of Materials

145.5 points

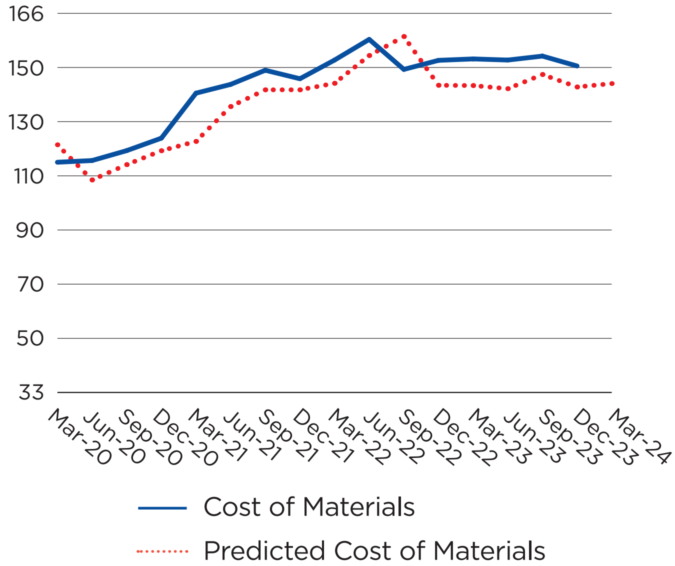
3 year average

125.3 points

Average between September 2015 – September 2020

Chart 7

Cost of Materials Index



Cost of Materials Index for the December Quarter 2023

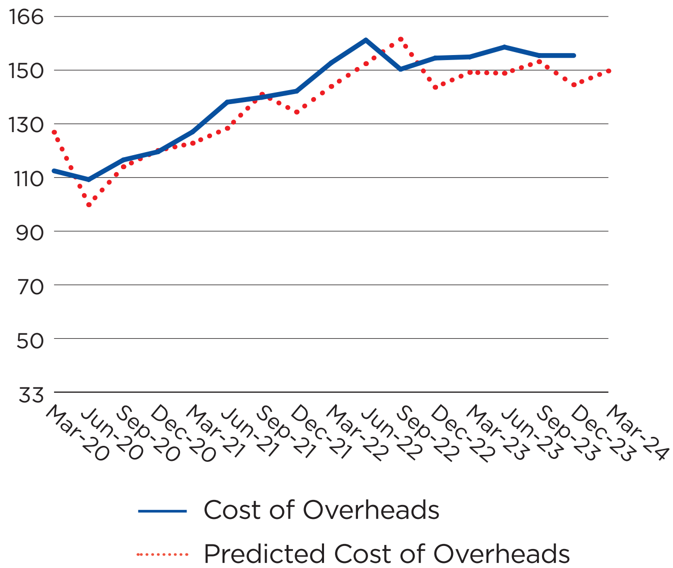
147.6 points

Cost of Materials Predicted Index for the March Quarter 2024

141.4 points

Chart 8

Cost of Overheads Index



Cost of Overheads Index for the December Quarter 2023

152.3 points

Cost of Overheads Predicted Index for the March Quarter 2024

146.8 points

Profitability took a big hit in the December quarter in South Australia, down 9.8 points from September and a whole 15.2 points lower than December 2022. The current score of 77.6 points is the index's lowest point since July 2020.

The divergence in the last 3 months between the predicted value and what was actually experienced by respondents is concerning.

The Chamber believes the increasing cost and complexity of doing business, driven by the recent *Closing the Loopholes* changes to legislation could impact profitability even further. Our profitability index has been above the neutral score of 100 only once since September 2016.

Chart 9

Average Selling Price Index

50
33

Average Selling Price Index for the December Quarter 2023

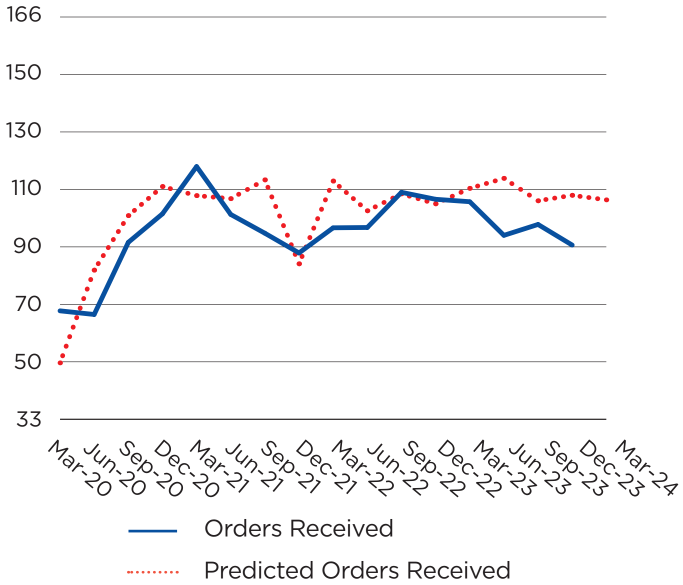
103.3 points

Average Selling Price Predicted Index for the March Quarter 2024

102.8 points

Chart 10

Orders Received Index



Orders Received Index for the December Quarter 2023

90.6 points

Orders Received Predicted Index for the March Quarter 2024

105.5 points

In recent years, our survey results have revealed an explosion in *Cost of materials* and *Cost of overheads* for South Australian businesses. Unfortunately, this quarter shows no change.

To illustrate, in the last 3 years – the average *Cost of materials* score has been 145.5 (166 is the maximum). In the 5 years prior to that the average score was 125.3.

For *Cost of overheads* – the 3-year average is 144.1. In the 5 years between September 2015 and 2020 it was 132.

Whilst these 5-year averages were still high (and well above the mean) for them to rise so substantially given the already high base attests to how expensive doing business has become in South Australia.

Chart 11

Export Sales Index

Export Sales Index for the December Quarter 2023

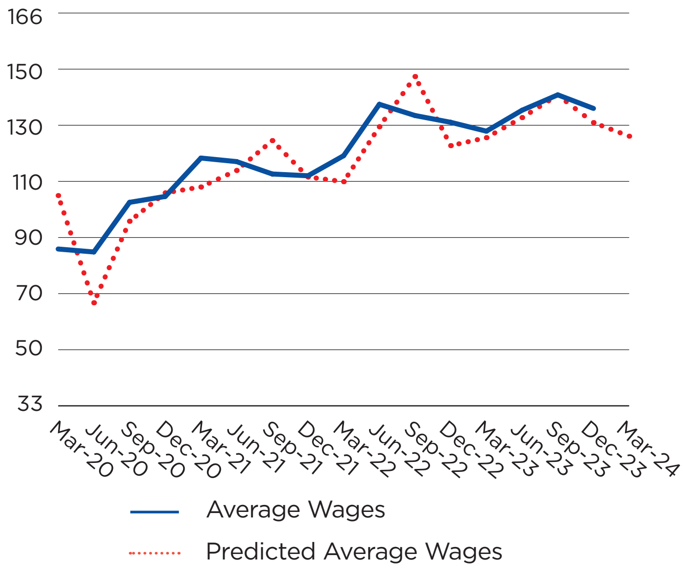
94.2 points

Export Sales Predicted Index for the March Quarter 2024

100.4 points

Chart 12

Average Wages Index



Average Wages Index for the December Quarter 2023

133.7 points

Average Wages Predicted Index for the March Quarter 2024

124.3 points

Persistent rises in electricity prices, wages, insurance and borrowing costs have contributed to these results and show no signs of slowing.

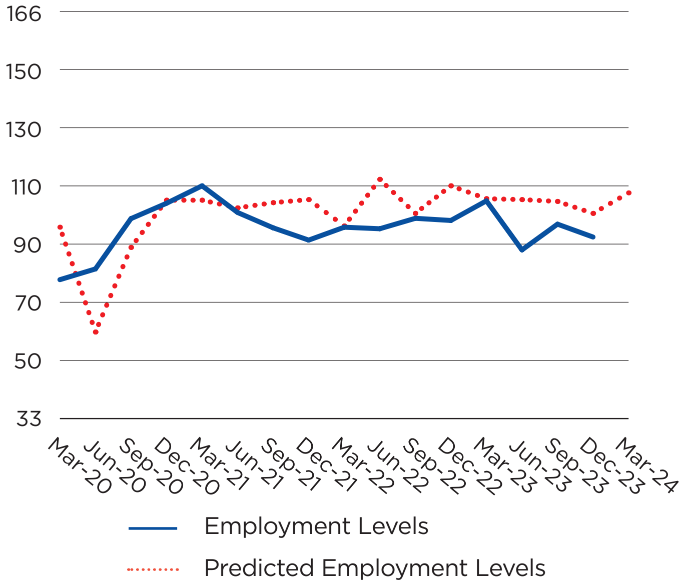
The December quarter saw *orders received* drop by 6.8 points and is a full 15 index points lower than 12 months ago.

This downward trend, as well as a gulf between actual *orders received* and *orders expected* is causing many businesses to drop their prices.

As evidenced by our *average selling price* index declining by 4.8 points in the quarter, and by 17.9 points in the year. *Average selling price*, like the national inflation rate, peaked in December 2022 and has gradually declined since.

Chart 13

Employment Levels Index



Employment Levels Index Index for the December Quarter 2023

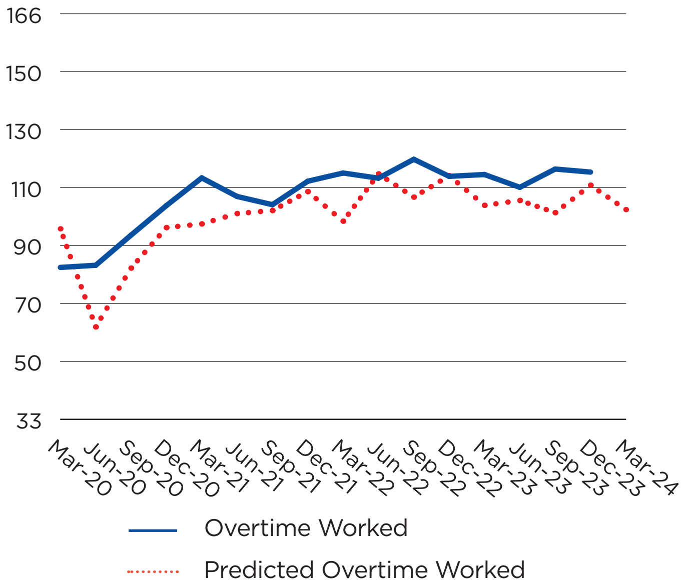
92.3 points

Employment Levels Index Predicted Index for the March Quarter 2024

106.7 points

Chart 14

Overtime Worked Index



Overtime Worked Index for the December Quarter 2023

114.1 points

Overtime Worked Predicted Index for the March Quarter 2024

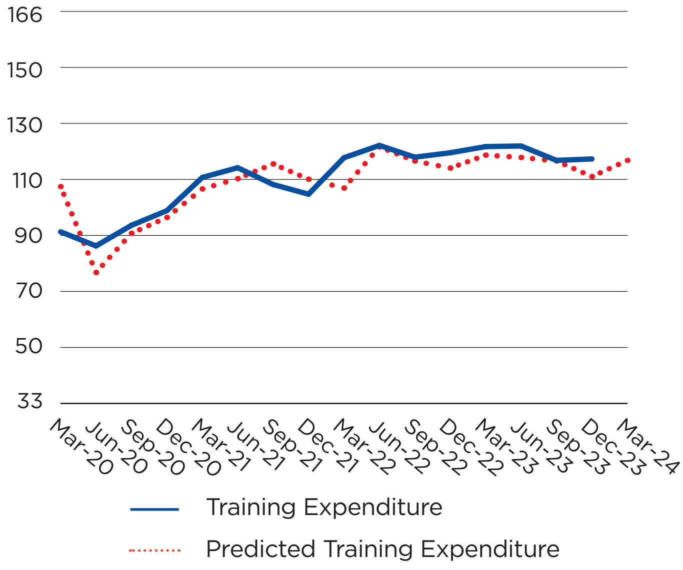
101.8 points

Average wages have been steeply rising and has been the most pressing price increase for SA businesses in the last 12 months. The effects of this rise, caused by skills and labour shortages as well as large increases in award and minimum wage rates flow into other areas of business.

Results shown in the *Employment Levels Index* are consistently below predicted levels and suggest that businesses are unable to recruit as planned, potentially due to prevailing wage increases and the impost of payroll tax.

Chart 15

Training Expenditure Index



Training Expenditure Index for the December Quarter 2023

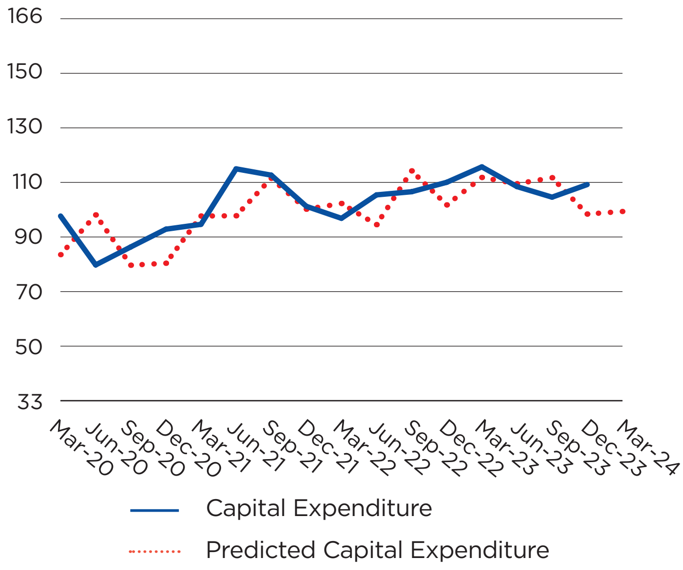
116.0 points

Training Expenditure Predicted Index for the March Quarter 2024

115.5 points

Chart 16

Capital Expenditure Index



Capital Expenditure Index for the December Quarter 2023

108.3 points

Capital Expenditure Predicted Index for the March Quarter 2024

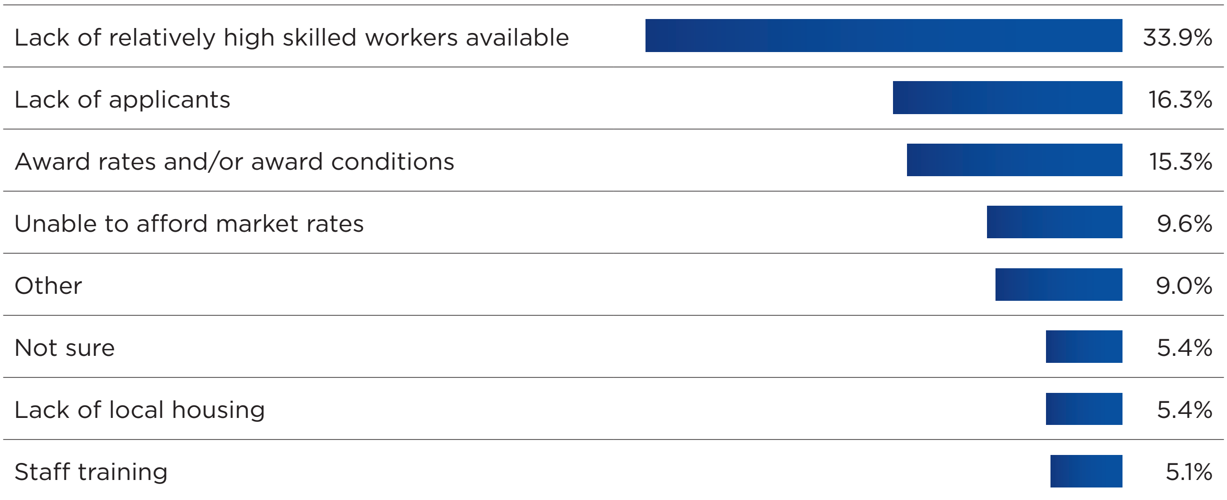
98.9 points

A further inhibitor to recruitment is that a quarter of businesses see their main labour challenge as being *unable to afford market rates* or the *award costs* and *conditions*. We have heard from business operators who are now forced to take other measures to manage wage increases, including rationing hours for staff and taking on longer hours themselves to cover the shortfall. The increase in the *Overtime Worked Index*, as well as the frequency of actual overtime worked being higher than expected further supports this trend.

The Labour Market

Chart 17

Main Labour Market Challenges



53% of SA businesses are currently experiencing labour shortages, down from 60.2% in June and 55.2% in September. However, the anatomy of labour market challenges facing businesses has changed in the last three months.

We made a slight change to the question in this survey, asking respondents to distinguish skills shortages between relatively high skilled and relatively low skilled labour.

In September a lack of suitably skilled workers was selected first by 46.2% of respondents. In December a combination of both high and low skilled labour shortages accounted for 33.9% of answers, with 29.1% of businesses saying sourcing relatively high skilled workers is their most prominent issue relating to labour.

There has been a growth of 5.3 percentage points of businesses whose main labour market challenge is now a lack of applicants for vacant positions. As well as a further growth in businesses seeing award rates and conditions inhibiting their growth and hiring decisions.

With the issue of skills shortages becoming entrenched in the state's economy, a lot of respondents expressed frustrations about work ethic concerns among their staff, particularly of younger staff.

In asking respondents their main issues regarding training their staff, again, costs were the overwhelming issue – selected by 56.5% of businesses. A further 14.3% mentioned having to send staff to Adelaide (if regional) or interstate as a major barrier, itself also arguably cost prohibitive. It is not all bad news however, with 28.9% of businesses not having an issue with training their staff.

Comments on South Australian Labour Market

> *"We have a chronic trade skills shortage, and that is the reason for ALL other problems."*

We are desperately in need of staff in the childcare industry. The situation is getting dire.

It's the most difficult I have found it in the last 51 years to find applicants with a reasonable work ethic and authenticity associated with their application.

"We tend to find that we can fill base level administration jobs here in SA, but for higher skilled professionals in the finance sector we are having to hire interstate."

"SA is in a good position to attract people from interstate and overseas but housing is making that much more difficult for them to relocate. We need build to rent solutions to help with providing short to medium term worker accommodation."

"At the current unemployment rate, SA is pretty well at capacity. This means competition is creating a market where employers are having to 'bid' for staff. Not a healthy situation."

"Hampered by government policy, I quite often employ parolees, the best employees I've had but I find correction services to be highly unprofessional and refuse to be accountable."

Costs of Doing Business

Chart 18

How have your costs of materials changed in the last three months?

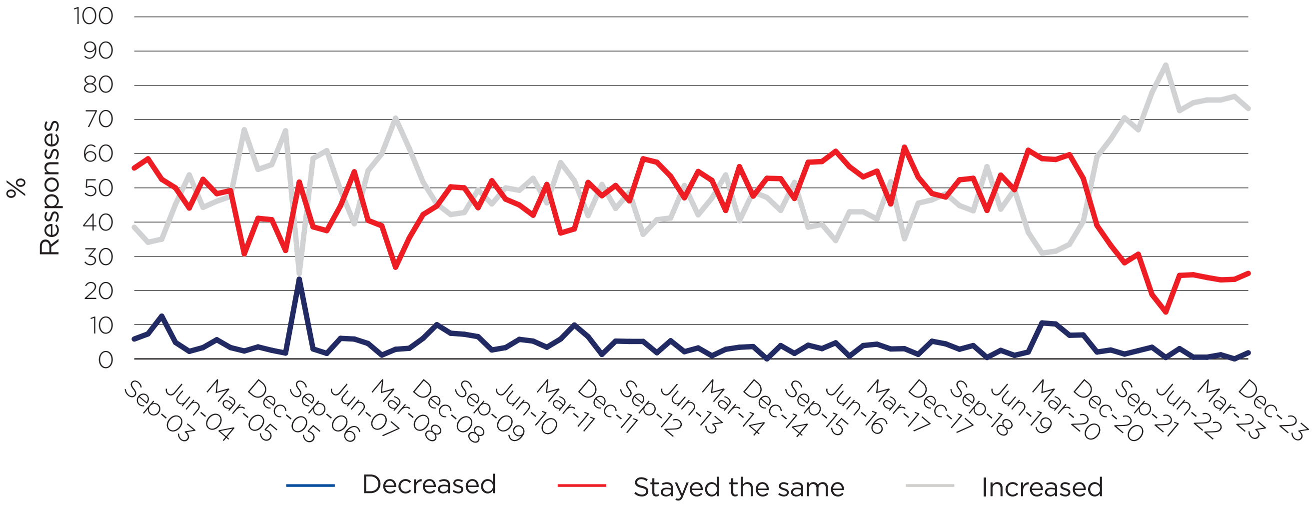
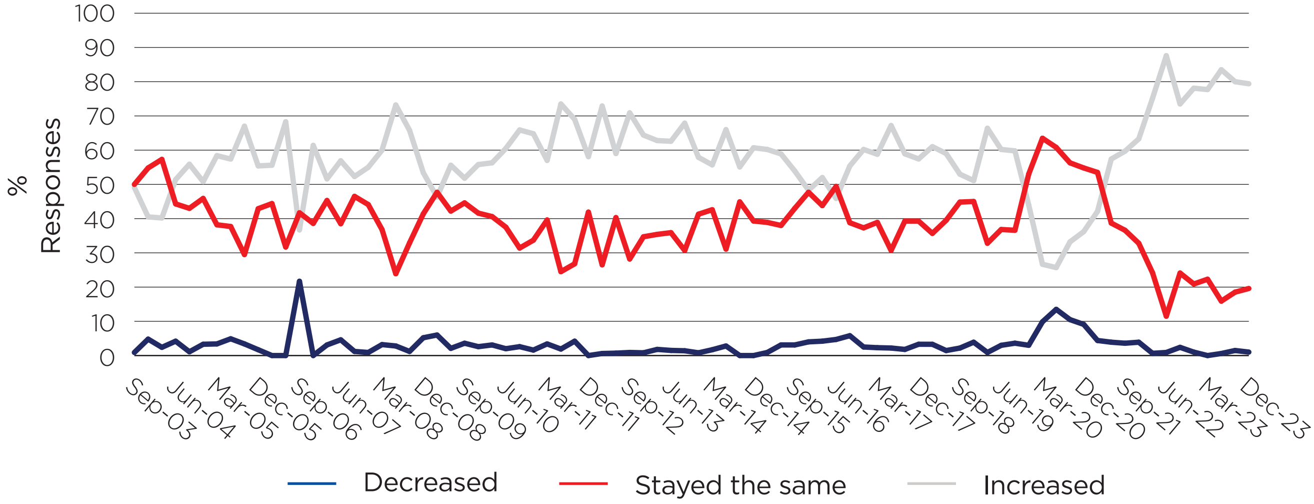


Chart 19

How have your cost of overheads changed in the last three months?

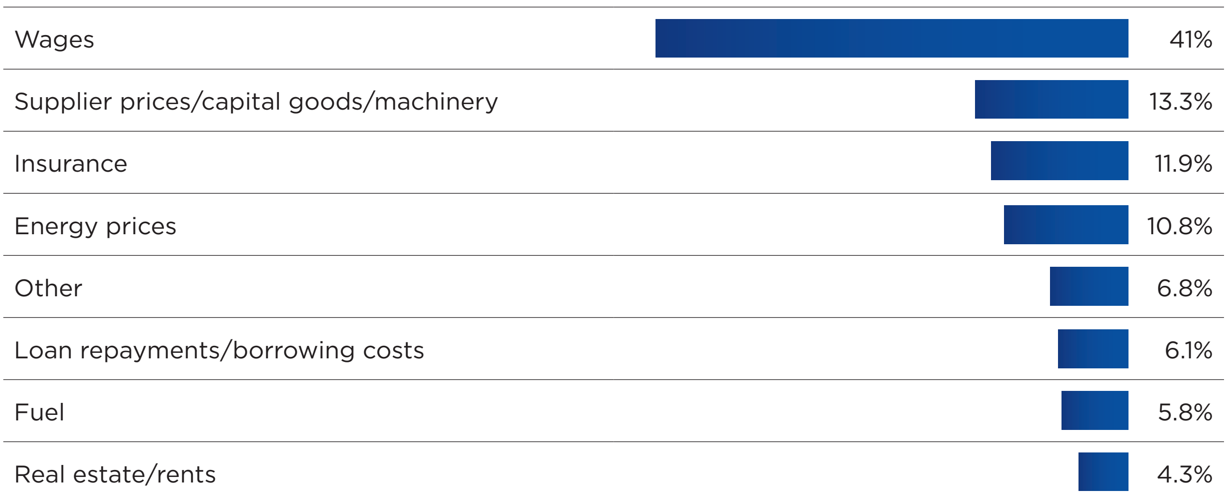


We have collated data from more than 20 years of surveys and the findings reveal the unprecedented nature of cost increases in the last 2-3 years. While business input costs rarely decrease, respondents used to be relatively split between costs remaining unchanged and rising. Nowadays, the vast majority of respondents have switched to reporting their costs as rising.

Rising business input and materials costs have either negatively or significantly negatively impacted 90.7% of South Australian businesses in the past 12 months. We wanted to understand what specific price rise is proving most vexing for SA businesses.

Chart 20

Most challenging cost increase in the last 12 months



41% of surveyed businesses reported wages (*including superannuation and ReturnToWork premiums*) to have been their most challenging cost increase in the last year. This was selected more than three times as frequently as the second-placed response.

The last year has seen a continuation of prominent skills shortages throughout South Australia, leading to the bidding up of wages as these factors have become entrenched. 2023 also saw the highest award and minimum wage increase in Australian history.[vi] Given wages take up a prominent proportion of business expenses it is unsurprising this steep rise has proved a big challenge for so many businesses.

Supplier/capital and machinery prices came second (13.3%). Increased borrowing costs associated with the interest rate increases are putting pressure on capital goods, machinery, vehicle and equipment financing for many businesses.

Insurance came third and was the most challenging price rise for 11.9% of businesses. In the year to December 2023, insurance prices nationwide rose 16.2%, the highest annual increase since March 2001.[vii] Many more categories of insurance have increased in price far beyond that. Additionally, with cyber threats becoming more prominent, many operators are taking out cyber insurance at an additional cost to their business.

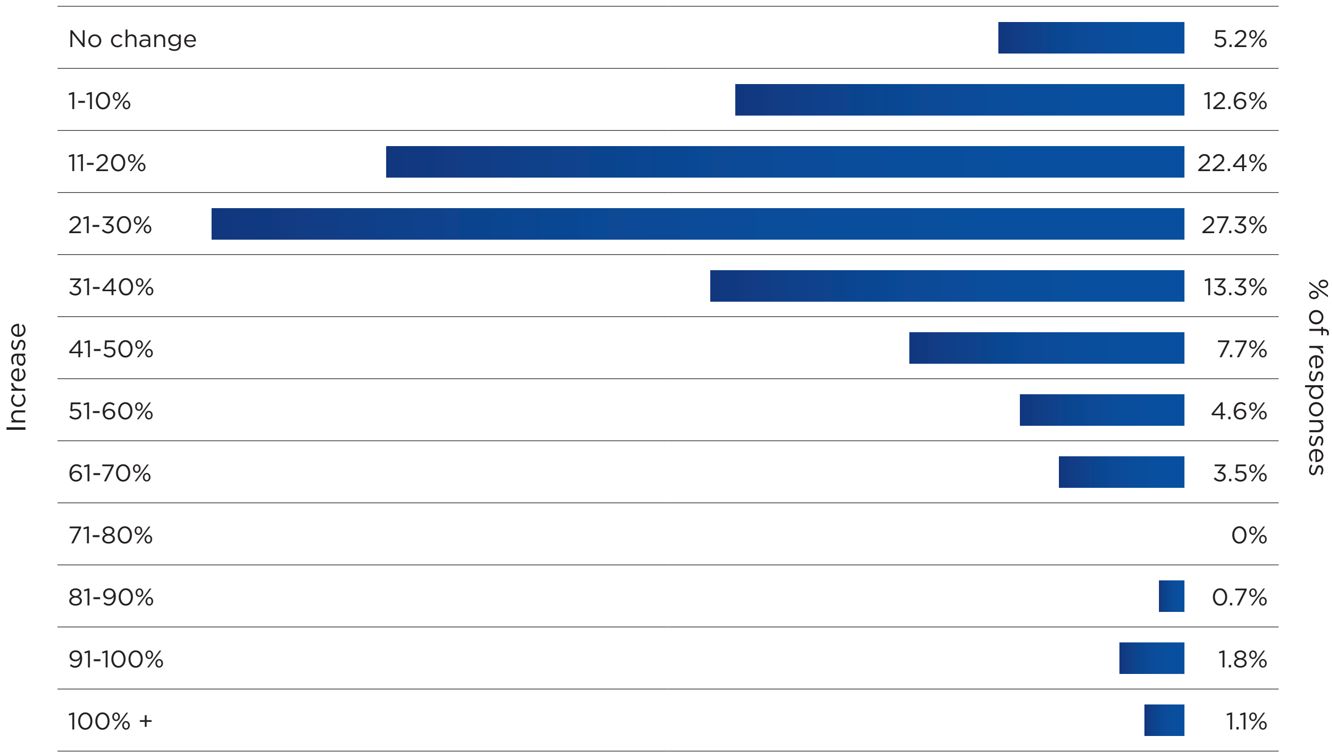
The fourth most constraining cost increase for SA businesses in the year was *energy prices*. This came in a year where in July the Australian Energy Market Regulator confirmed price rises which saw a 28.9% price rise in the small business tariff for South Australia.[viii]

Despite the increases in insurance and energy prices, wage growth remains the most challenging cost increase for business by far.

Energy

Chart 21

How much have your energy bills increased in the last 12 months?



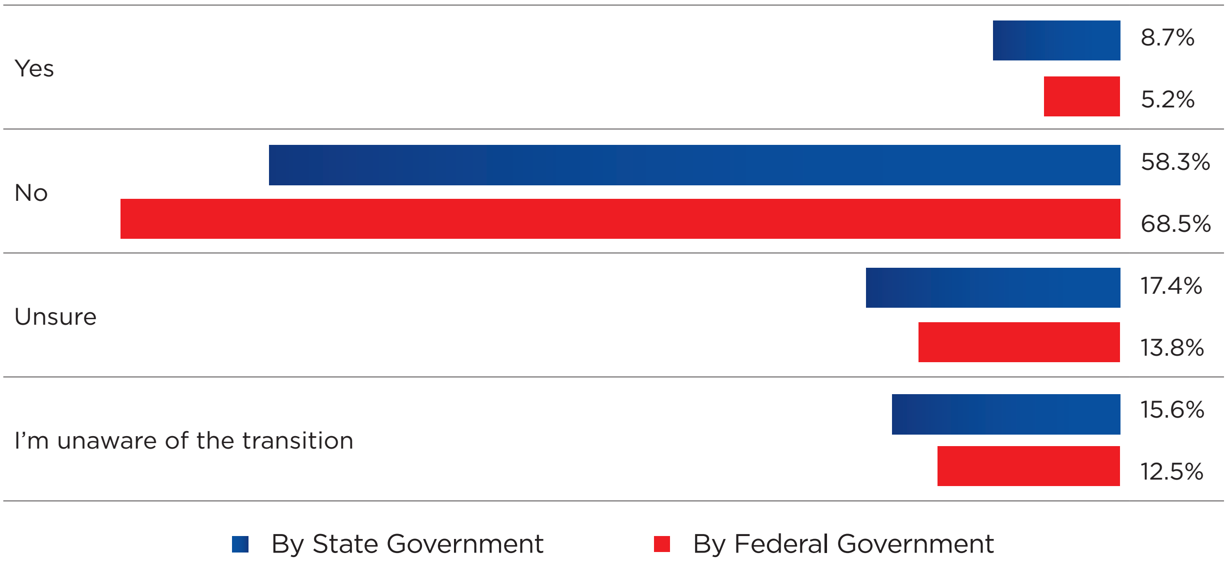
60% of South Australian businesses saw their electricity prices rise 21% or more in 2023 – more than 5 times the current inflation rate. Nearly a third of businesses have seen their prices rise by 31% or more.

The problem is clearly worsening. When we asked this question one year ago – only 38% of businesses had seen their prices rise 20% or more.

Energy Consumers Australia says for SMEs in the six-month period to December 2023 "the greatest increases in annual electricity bills are in South Australia", up by 23%.[ix] South Australia does have an expensive grid, with transmission and distribution costs high due to a small population and large geographic area but prices increasing 5 times inflation is very damaging to business.

Chart 22

Has the energy transition been adequately prepared for?



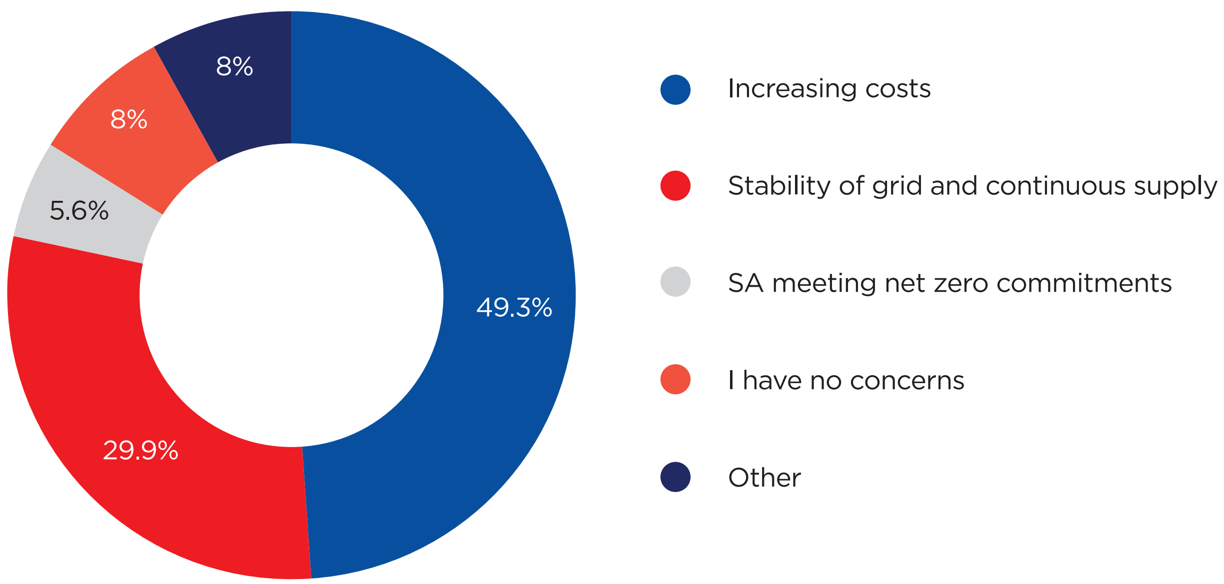
The majority of respondents feel both the State and Federal governments have not adequately prepared for the energy transition, with the State Government viewed more favourably, albeit marginally.

Interestingly, in a year when 60% of businesses saw their energy prices rise at least 21%, views on the governments' management of the energy transition has softened in the last 12 months. When we asked the same question in the December quarter 2022, more respondents thought the State (67%) and Federal (78.5%) governments respectively had not adequately planned for the transition.

Nevertheless, very few believe the governments are adequately prepared.

Chart 23

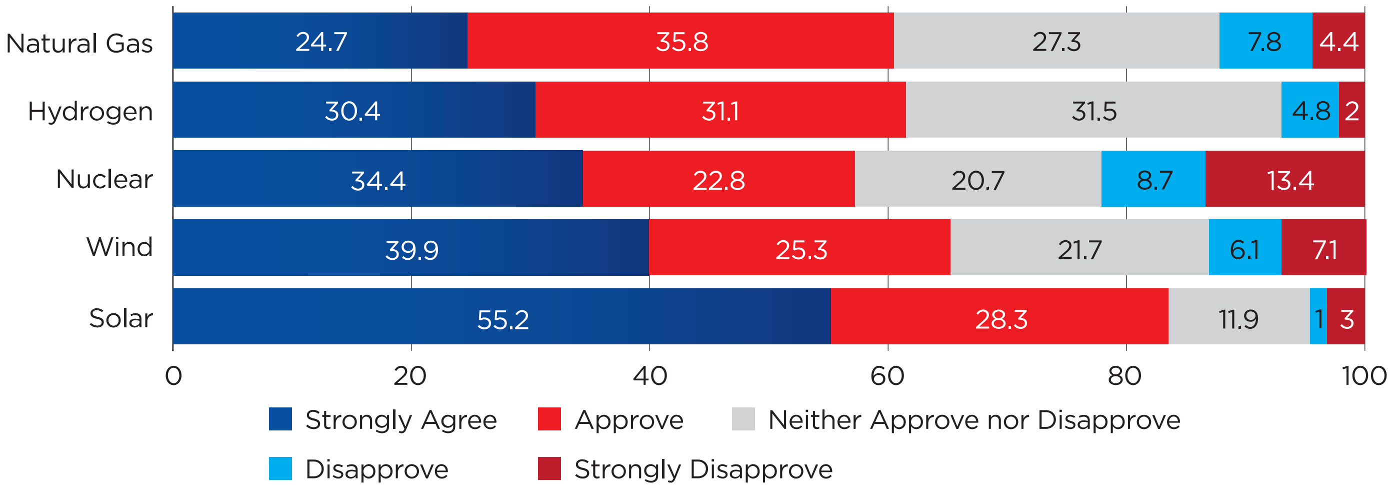
What is your main concern about the energy transition?



Respondents' main concern about the energy transition is the increasing costs, selected by 49.3% of respondents – with a further 29.9% wary of continuous supply in the wake of the transition. Taken together, 79.2% of businesses see increasing costs and grid stability as their main concern regarding the energy transition. This was nearly ten times as frequently selected as the 8% of respondents who say they have no concern regarding the energy transition.

Chart 24

What is your level of support for the following energy sources? (%)



For context, South Australia's energy supply is made up (in the last 12 months) of 61% wind, 30% natural gas, 8% solar and 1% of both batteries and liquid fuel/petroleum.[x]

All major energy sources enjoy widespread support among the state's businesses, with each recording over 55% approval. Many respondents were indifferent to various sources and negative sentiment was minor.

The most supported source is solar power with 83.5%, which is currently used by nearly half of South Australian and around a third of Australian homes.[xi] Interestingly, natural gas attracted the smallest proportion of *strongly approve* responses. Gas currently makes up 30% of the state energy grid and is imperative for stability during the transition period when solar and wind are not at their most productive.

As evidenced by the widespread support for all energy sources – businesses are largely agnostic on the origins of energy. They simply want it to be cheaper and abundant going into the future.

Infrastructure

The State Government is currently preparing its 20-year infrastructure strategy and we gave respondents space to inform us what the priorities should be.

Housing and road infrastructure were by far the most frequently suggested. Availability and affordability of housing has recently become a major issue in South Australia in the wake of pandemic induced demand increases and by increases in population. While predominantly a social issue, it is now very much a business issue as it is constraining staff mobility, thereby impacting recruitment options and growth planning for businesses. In our not-yet released *Regional Voice 2023/24* report we were struck by how prominent an issue this ranked among regional businesses and how constraining it can be, especially for project work requiring short-term stays for workers.

The State Government has recently introduced stamp duty relief for many new constructions and eligible first home buyers and conducted new land releases across the state.[xii] Time will tell regarding the impact these policies will have on affordability and availability.

A further issue raised among respondents was port capacity and associated freight issues. Many rely on freighting goods via road to eastern seaboard ports before exporting which then puts many South Australian businesses at a cost disadvantage compared to interstate competitors. Further improvements in mobile and internet infrastructure are also needed by regional businesses into the future, especially in the state's southeast.

Comments on South Australian Infrastructure

"As an exporter the state's port capacity is inadequate which requires us to send goods to Melbourne by rail to ship from there. Affordable energy is critical for local manufacturing. Housing availability and affordability is clearly an issue which will increase with additional migration."

"Regional freight remains a huge issue in regional areas, like Victor Harbor. The freight route for B Doubles stops at Mount Compass. This results in increased freight costs for all South Coast businesses, as the freight needs to be distributed on smaller trucks."

"More dense housing in the city and suburbs instead of spreading north and south."

"We finally have a northern motorway which has boosted the northern suburbs immensely and made it viable for those who wish to live north and work in the city. The north east, however, is VERY difficult (Golden Grove, Tea Tree Gully etc) - no train and no expressway or road above 60km without traffic lights. The north east could be very liveable if road or rail was improved."

"Roads and Transport. We have a huge opportunity to get this right now, before our population increases any further. My concern though is this will not happen, and Adelaide will become a city renowned for its inability to move efficiently across town."

“More support for infill housing instead of fringe developments.”

“In the South East we still have significant connectivity challenges, which really impacts normal day to day business.”

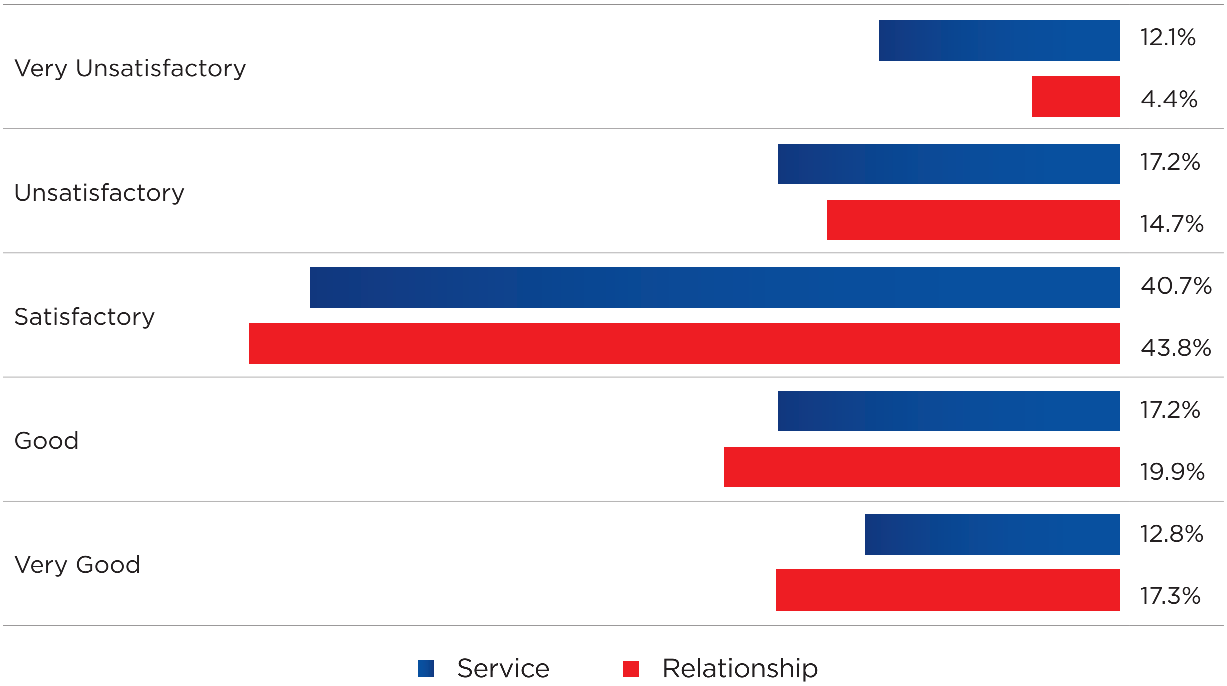
“Fix the totally inadequate access to Adelaide from the massively increased population in the Mt Barker area. Peak hour traffic down the freeway and Glen Osmond Road is getting worse by the day.”

“Invest in a freight ring road to take B-Doubles off of Portrush & other metropolitan roads.”

Banking, Staff Turnover and Future Outlook

Chart 25

How do you view the service from and your relationship with your bank?



The results of these questions were interesting. Respondents view their relationship with the financial institution more positively than they view the services they provide.

Chart 26

Current annual staff turnover? (%)

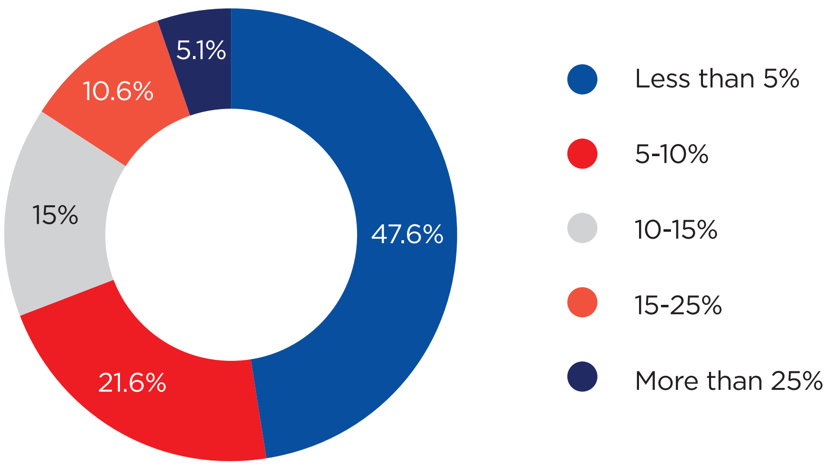
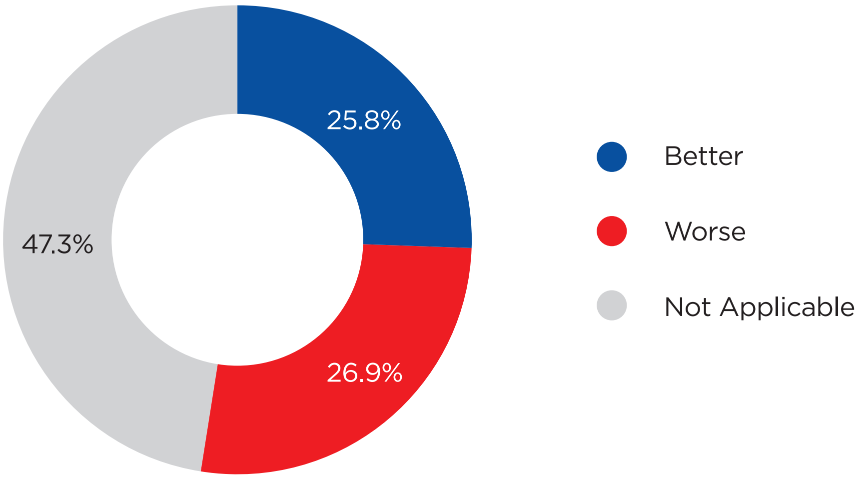


Chart 27

How does this compare to a year ago?



Staff turnover remains a pressing issue for many businesses in the aftermath of the pandemic, partly due to the effect it had on employee preferences. For the 12 months to February 2023, the ABS recorded job mobility at 9.5% - the highest rate in a decade.[xiii] The December 2023 survey saw respondents quite evenly split between believing their turnover is better (25.8%) or worse (26.9%) than a year earlier. Those selecting "not applicable" appear to be very small businesses.

Nearly half of businesses (47.5%) said their turnover is less than 5% annually, and a further 21.6% said it is between 5% and 10%. The overall state of staff turnover in South Australia remains similar to the last couple of years. Arguably, with persisting labour and skills shortages, as well as many facing a cost of living crisis, staff turnover is likely to remain a concern for many South Australian businesses in the near future.

Chart 28

Compared to a year ago, what is the future outlook of your business?

An even split saw 37% of respondents affirming a positive outlook compared to 12 months ago and 36.6% spoke of a negative outlook. For context, a year ago, our South Australian confidence index was 3.7 points higher than it is currently.

This appears to reflect relative stability – but with fewer than 1 in 20 businesses saying their current outlook is 'a lot better' than 12 months ago, it remains a concern.

A Word from William Buck

Written by Jamie McKeough – Managing Director, William Buck
Tuesday 27 February 2024

Breaking down the issues facing bigger businesses

While the broad group of issues facing all businesses are the same, some are far more pronounced in larger businesses, an observation I made while analysing the findings of the December 2023 Quarter Survey of Business Expectations, a collaborative effort between William Buck and the South Australian Business Chamber.

It's becoming increasingly apparent that addressing the challenges faced by the larger end of town demands a nuanced approach distinct from that applied to their smaller counterparts.

Let's be clear, irrespective of headcount or revenue, every aspect of the business spectrum merits attention, particularly during a "cost of doing business crisis", the number one ranked business issue from the survey.

Since the onset of the COVID-19 pandemic, businesses across the board have grappled with shortages in staff and skilled labour, consistently ranking among the top concerns.

Over the past year, an average of 52% of businesses have reported experiencing labour shortages. Yet, when we zoom in on larger businesses, the data paints a stark picture: more than 86% of larger enterprises have faced labour shortages in the last three months alone.

While the scarcity of available labour remains a hugely pressing concern continuing to compromise business' ability to reach their full potential, I've observed a shift in staff turnover, both from the survey and through anecdotal feedback from our clients.

Previous survey responses have underscored the pace of movement in the labour market, where employees exhibit shorter tenures and transition between roles more frequently in pursuit of higher salaries or perceived opportunities. Staff turnover rates are better than a year ago which is a very good thing for stability and productivity within a business.

This is also supported by an examination of SEEK data comparing national job advertisements in December 2023 to the corresponding period in 2022 reveals a 17.4% decline in job postings.

Addressing the skills gap in our state is not a task with a simple solution. This challenge resonates globally, reflecting a widespread workforce readjustment following the pandemic.

South Australia, and indeed Australia as a whole, grapples with the need to develop or import skills from abroad to mitigate shortages across various industries. However, this approach introduces additional considerations, including strains on housing, infrastructure, and navigating complex immigration laws – issues again coming through loud and clear in the survey.

Staff and skills shortages rank as the largest concern for larger businesses, closely followed by the overarching challenge of the cost of doing business, which on a broader scale, stands as the primary issue confronting all businesses.

The growing amount of new government legislation for businesses to adhere to, especially following three tranches of industrial relations reforms are also of significant and increasing concern for large businesses, with 56% saying it's impacting their business, compared to 41% of smaller businesses.

Jamie McKeough
Managing Director,
William Buck Australia

Additionally, 46% of large businesses have expressed concern about cyber security, compared to 26% of smaller businesses.

In good news for the banks 87% of larger businesses described their current relationship as satisfactory or good, with service levels a little behind but still very good at 74%.

The full results and economic analysis of this quarter's South Australian Business Chamber, William Buck survey of Business Expectations can be found at **sabusinesschamber.com.au/businessnow**

William Buck
ACCOUNTANTS & ADVISORS

About the South Australian Business Chamber

The South Australian Business Chamber is SA's largest membership-based employer organisation, representing employers and business owners across 19 different industry sectors.

Our purpose is to help you grow your enterprise and create a stronger South Australia.

SOUTH AUSTRALIAN Business Chamber EST. 1839

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 our membership team on **08 8300 0000** or email **customerservice@sabusinesschamber.com.au**

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SOUTH AUSTRALIAN
Business
Chamber
EST. 1839

Level 1, 136 Greenhill Road
Unley SA 5061
policy@sabusinesschamber.com.au
08 8300 0000
sabusinesschamber.com.au