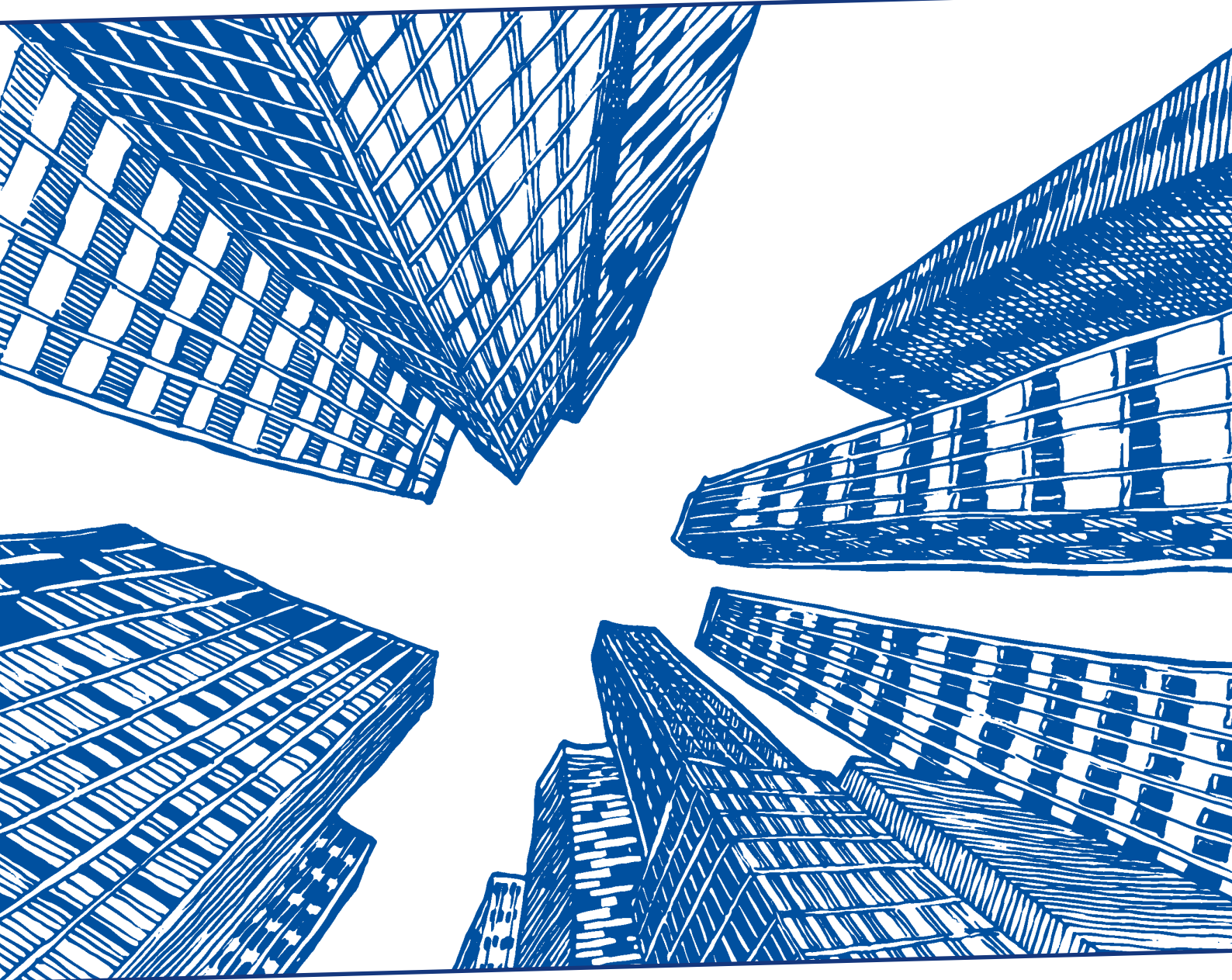


Business Now

The South Australian Business Chamber
Survey of Business Expectations

2024 // December Quarter



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Contents

- The Economy 4
 - Business Confidence 4
 - General Business Conditions 5
 - Economic Indicators 7
- Business Demographics 8
- Issues Affecting Businesses 9
- Energy 15
- Nuclear Energy 22
- Performance Indicators 24
- Interest Rates & Financing 31
- Case Study – Rising costs are not enough to
deter Seeley International’s Commitment to
Manufacturing and Innovating 34
- A Word from William Buck 36
- About the South Australian Business Chamber ... 38

The Economy

Business Confidence

South Australian Confidence Index December Quarter 2024

93.8 points

Up 7.5 points from last quarter

National Business Confidence Index December Quarter 2024

84.4 points

Up 4.4 points from last quarter

South Australian Business Confidence rose 7.5 points in the December quarter of 2024 to 93.8 points. While the improvement is pleasing, *SA Confidence* has sat below the neutral score of 100 since December 2021. 21.7% of respondents believe that the SA economy will be somewhat stronger in the next 12 months, with a further 3% saying it will be much stronger.

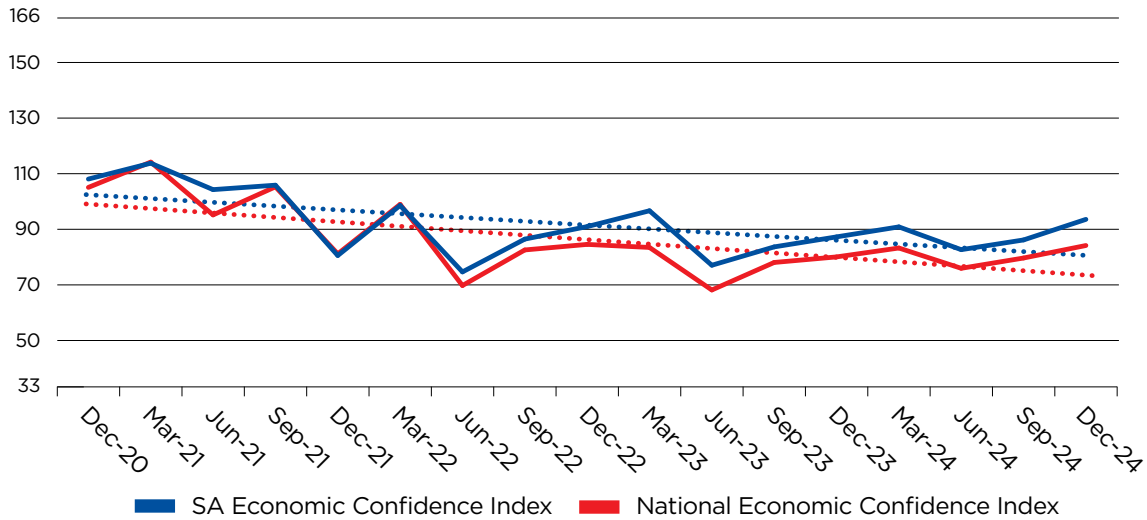
National Business Confidence also rose in the December quarter, increasing by 4.4 points, though still languishing well below neutral at 84.4 points. However, the overarching view is a negative one, with 52.9% of respondents expecting for the next 12 months the Australian economy will be weaker or somewhat weaker, compared to 19.8% of respondents who feel it will be stronger or somewhat stronger in 2025.

Respondents are consistently more bullish about the South Australian economy than the national one. In each survey since June 2022 *SA Business Confidence* has been higher than *National Business Confidence* by an average of 7.3 points.

Our confidence indices measure how South Australian businesses expect the state and national economies to perform over the next 12 months. Now in its 44th 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 & National Economic Confidence Indices



General Business Conditions

General Business Conditions Index December Quarter 2024

89.3 points

Up 7.4 points from last quarter

General Business Conditions improved by 7.4 points to 89.3, after dropping for the past year. While 19.6% of businesses said things improved in the December quarter, 35.6% said they were worse.

The steady increase in *Total Sales/Revenue* is very welcome, with 93.2 points being the highest in over a year. While this turnaround is encouraging, it is only slight, and its score remains below neutral. In this survey 37.8% of businesses still reported declining revenue in the last three months.

Total Sales/Revenue Index December Quarter 2024

93.2 points

Up 6.4 points from last quarter

Respondents expect conditions to keep improving, with business conditions predicted to reach 95.5 points in the first quarter of 2025. This is a 4.3-point increase from last quarter's forecast.

Increased *Total Sales/Revenue* is also expected next quarter with respondents predicting it to hit 100.1 points.

Predicted business conditions and revenue have been consistently higher than actual results in recent years adding credence to the belief that you need to be an optimist to run a business.

Chart 2
General Business Conditions Index

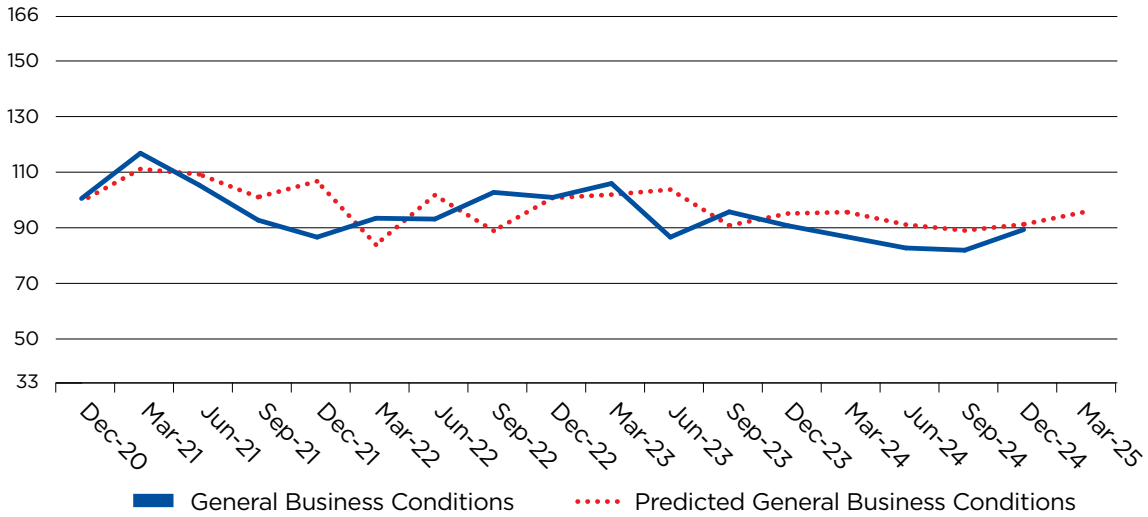
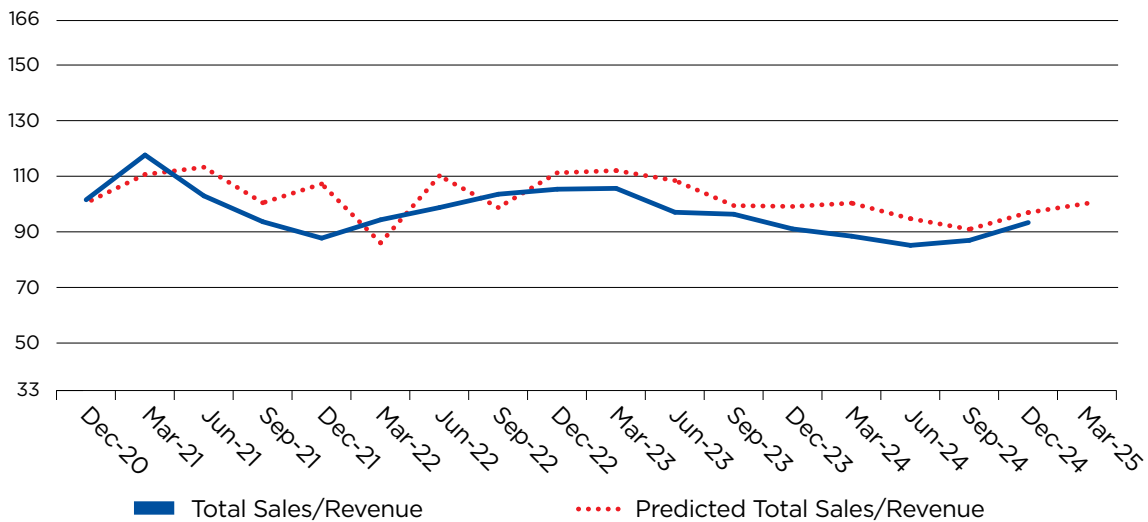


Chart 3
Total Sales/Revenue Index



Predicted General Business Conditions Index for March Quarter 2025

95.5 points

Predicted Total Sales/Revenue Index for March Quarter 2025

100.1 points

Economic Indicators

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

	Decrease	Stay the Same	Increase
Interest Rates	38%	55.7%	6.3%
Inflation Rate (CPI)	25.8%	49.2%	25%
Unemployment Rate	7.9%	53.9%	38.2%
Value of \$AUD (against \$USD)	57.9%	28.9%	13.3%

At the time of the survey, interest rates had not been cut in over four years. While many commentators have been predicting a cut, over half the respondents (55.7%) believe interest rates will remain stable in the next three months. However, we are seeing a shift in sentiment towards a cut with 38% telling us rates will be cut in the March quarter, while in our previous survey only 20.1% said the same.

The annual inflation rate of 2.4% is the lowest it has been since March 2021, and the last two quarters prices have risen just 0.2%.¹ Nearly half of businesses surveyed expect it to remain stagnant, while the balance is evenly split between an expected increase or decrease.

The jobs outlook is less positive, possibly influenced by South Australia's low unemployment rate and relatively

low business conditions, with 38.2% expecting unemployment to increase and 53.9% expecting no change.

57.9% of respondents expect the Australian dollar to continue weakening, while only 13.3% anticipate it will strengthen. The Australian dollar dropped to 61 US cents in early 2025, its lowest level in nearly five years. This likely reflects concerns that high US inflation and interest rates will continue, as at the time of the survey, the US tariff announcements had not been made.

¹ Australian Bureau of Statistics, Consumer Price Index, Australia, 29 January 2025, <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>>

Business Demographics

Chart 4
How Many People Does Your Business Employ (%)

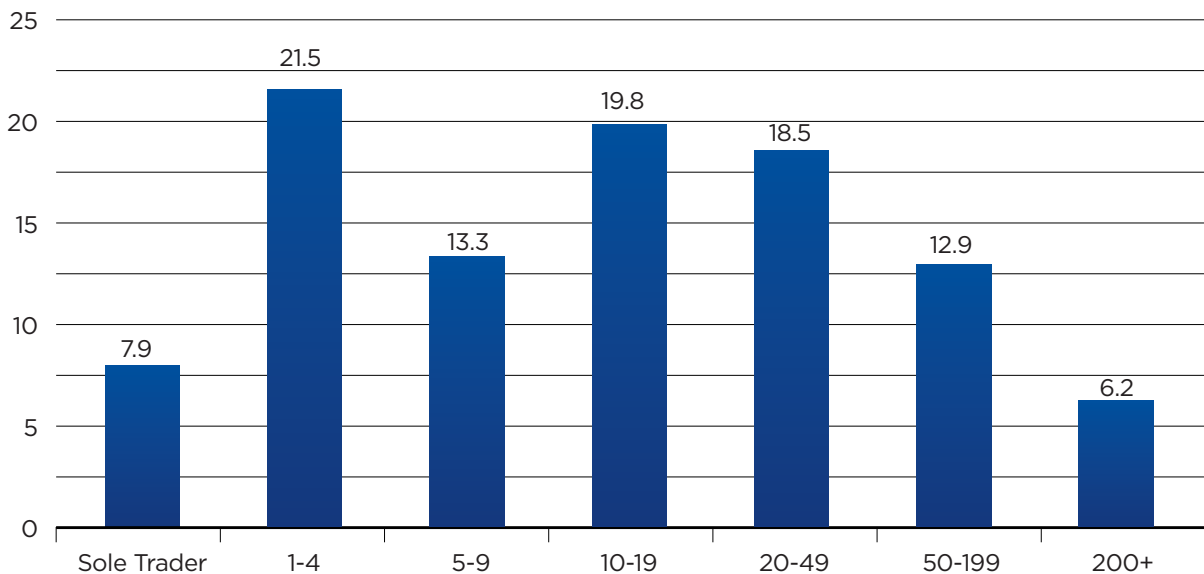
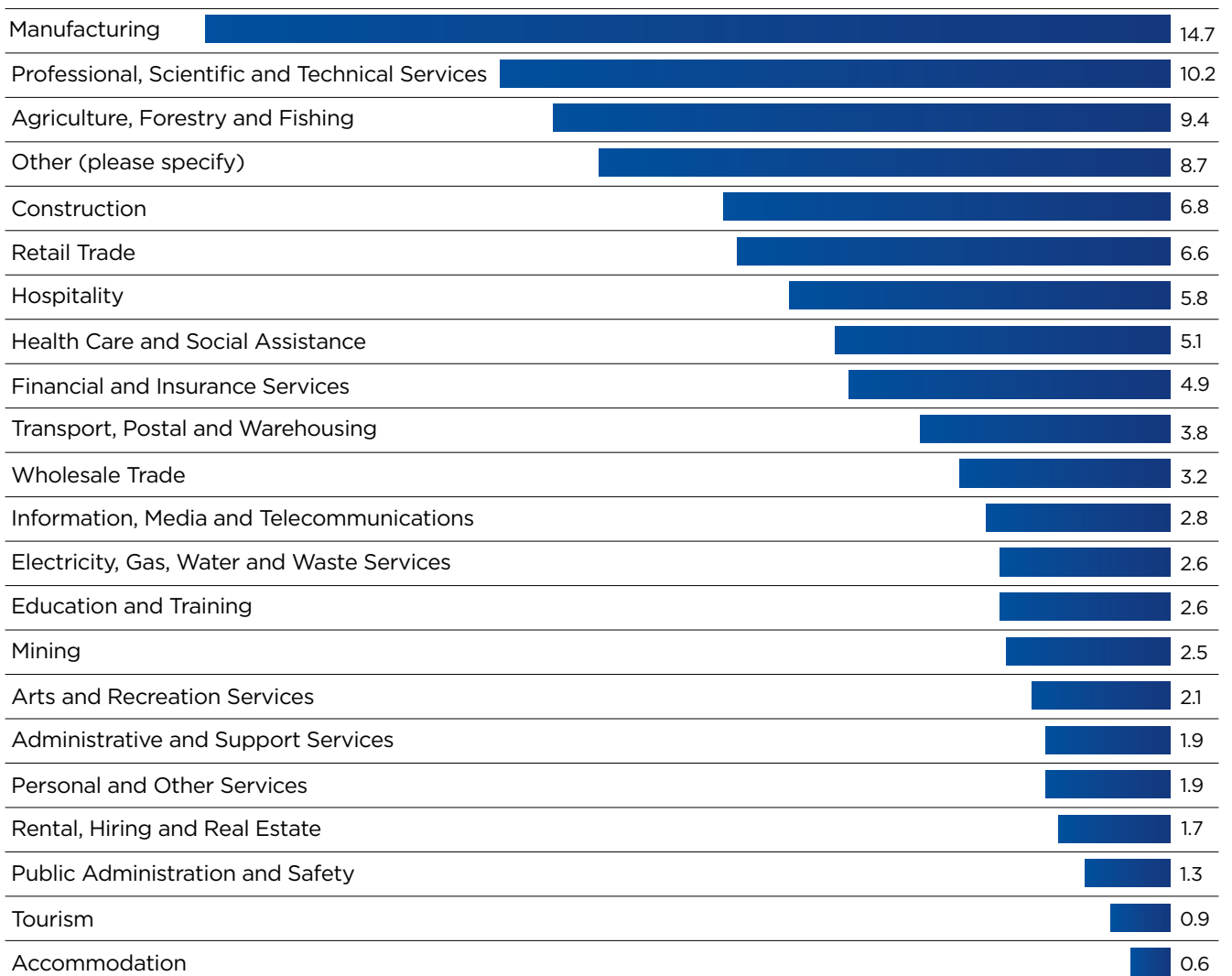
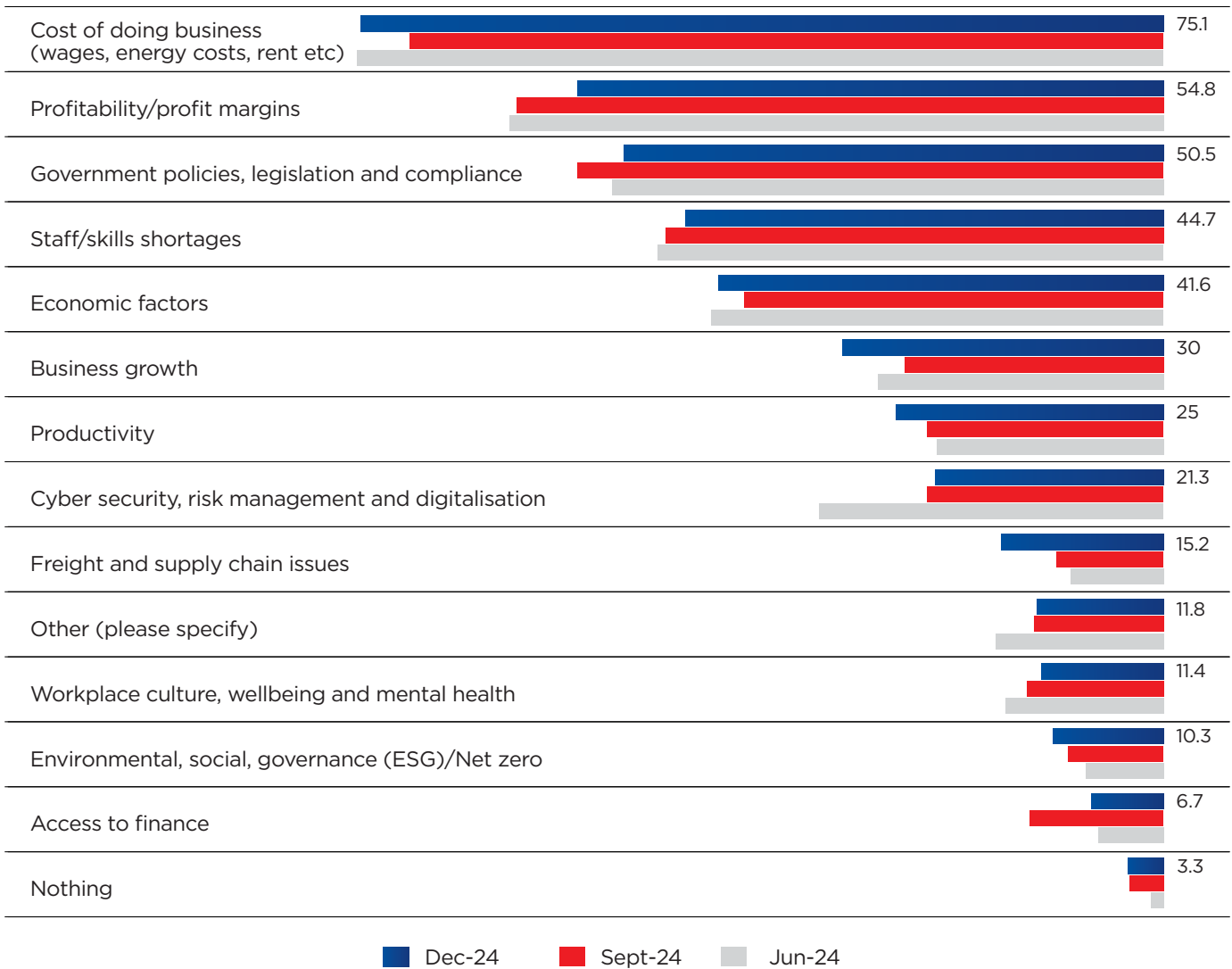


Chart 5
Industry Composition (%)



Issues Affecting Businesses

Chart 6
Main Issues Affecting My Business (%)



In this survey, businesses of all sizes—from sole traders to those with 200+ employees—identified *costs* as their primary concern. It remains by far the most significant issue facing South Australian businesses with 75.1% of respondents naming it one of their top five issues.

Cost was the primary concern across the five most represented industries in the survey—manufacturing, professional services, agriculture, construction, and retail trade. 83% of manufacturing, 86% of agriculture and 87% of hospitality businesses ranked it among their top five concerns.

The second most prominent issue affecting respondents was *profitability/profit margins*. Concerning 54.8% of respondents this quarter, it is down from the previous four quarters.

Government policies, legislation and compliance remains third. Back in September 2023, only 39.1% of respondents saw this as a key issue. However, since the ‘Closing the Loopholes’ federal legislation was passed, more than 50% of respondents have cited government policies as a concern.

Interestingly, this issue is more pronounced among larger businesses, receiving 59% and 61% of votes among businesses with 50-199 and 200+ employees, respectively.

While *Staff/skills shortages* remains an issue, its prominence has declined over the last few surveys.

However, *Staff/skills shortages* remain a major concern for the construction sector. Among respondents in the industry, 69.4% ranked it as one of their top five issues, making it the second most common concern after costs.

The survey results show a clear difference between issues for small businesses compared to their larger counterparts.

Government policies, legislation and compliance is the second most vexing issue (61%) for businesses with more than 200 employees, compared to sole traders and businesses with up to 4 employees where it was the fourth most prominent issue (44.9%).

Perhaps the most striking result is the prominence of *cyber security, risk management and digitalisation* impacting large businesses.

It is the third most prominent issue for those with 200+ employees, selected by 57.6%. Whereas among businesses with fewer than 200 employees, it ranks seventh with only 23.2% voting it in their top five. This difference may be explained by larger businesses having increased risk exposure and/or compliance standards.

While three of the top five business concerns slightly declined from last quarter, other issues have gained importance.

Business growth became a bigger focus, with 30% of respondents selecting it — up 5.8 percentage points from the last survey.

Concerns around *Environmental, Social, and Governance (ESG)/Net Zero* have also grown. In this survey, 15.2% of respondents named it a top-five issue, up 5.2 percentage points from last quarter and nearly double the 7.8% recorded last year.

Comments on the issues affecting business...

The costs of doing business has increased so much and quickly that it has been very difficult to put prices of our goods up to fully reflect the increases. This is due to customer pushback. Weekend wage penalty rates are milking us, when we are open 7 days but the majority of our trade is on the weekend. So we run at a loss all week, to try catchup on the weekends but then have to pay crazy penalty rates. It really is tough to not scare customers away with slight price increases to recoup from cost rises.

» **Hospitality, 10-19 employees**

Our lack of understanding on some State Government regulations (e.g. Return To Work classifications) is a niggle. We need to call on our accountant for advice and guidance way too often.

» **Professional, Scientific and Technical Services, 20-49 employees**

Federal government regulation overreach (eg. proposed water market

reform) is increasing the cost of doing business and adding cost to farmers and taxpayers for no benefit.

» **Electricity, Gas, Water and Waste Services, 20-49 employees**

As a small-medium sized not-for-profit organisation with exceptionally tight budgets, it is becoming harder to meet the needs of our clients without passing on increasing expenses to a demographic that is already financially under significant pressure too.

» **Education and Training, 20-49 employees**

Our insurance costs have more than tripled in recent years. The total cost of insurance is now only mildly less than commercial rent.

» **Tourism, 1-4 employees**

There is an urgent need for the inflation to be reduced by lowering Federal and State Government spending on items of Budget that are not essentials. The Reserve Bank

need to reduce interest rates to stop a serious fall in economic activities.

» **Rental, Hiring and Real Estate Services, 5-9 employees**

Revenue is tightening in SA. We're definitely in a recession despite what SA Gov says about a roaring economy. Not true, all funded by debt.

» **Professional, Scientific and Technical Services, 50-199 employees**

The portable LSL scheme for Community Sector is a new burden adding to our staffing costs this year and complicating our budgets and admin.

» **Health Care and Social Assistance, 20-49 employees**

Far too much bureaucracy and governments basic lack of understanding business, they keep stifling progress with unrealistic labour rules that disadvantage Australia.

» **Transport, Postal and Warehousing, 20-49 employees**

Top 5 Issues Affecting My Business by Industry (%)

Manufacturing	Professional, Scientific and Technical Services	Agriculture, Forestry and Fishing	Construction
Cost of doing business 83%	Cost of doing business 57%	Cost of doing business 86%	Cost of doing business 72%
Profitability/profit margins 67%	Business growth 48%	Profitability/profit margins 66%	Staff/skills shortages 69%
Government policies 50%	Profitability/profit margins 41%	Economic factors 56%	Profitability/profit margins 50%
Economic factors 50%	Staff/skills shortages 39%	Government policies 54%	Government policies 44%
Staff/skills shortages 40%	Cyber security 35%	Staff/skills shortages 36%	Productivity 36%

Top 5 Issues Affecting My Business by Business Size (%)

Sole Trader	1-4 Employees	5-9 employees	10-19 employees
Cost of doing business 57%	Cost of doing business 68%	Cost of doing business 74%	Cost of doing business 83%
Profitability/profit margins 50%	Profitability/profit margins 52%	Profitability/profit margins 54%	Staff/skills shortages 57%
Economic factors 48%	Economic factors 52%	Government policies 50%	Government policies 50%
Government policies 40%	Government policies 46%	Staff/skills shortages 49%	Profitability/profit margins 49%
Business growth 31%	Business growth 39%	Economic factors 39%	Economic factors 40%

We asked respondents what one policy should be implemented now to assist businesses in South Australia.

Responses to this open question varied widely, but energy prices stood out as a key concern. Many respondents shared ideas on reducing costs, with a significant number believing the energy market is overly complex and benefits only a few. Government efficiency was another common topic, along with concerns about transport costs, including vehicle registration, fuel prices, and stamp duty. Payroll tax reform was also a major issue, with dozens of businesses seeing it as the main policy change needed to support growth.

Comments...

Reduce or eliminate the excess of regulations on building and project development.

» **Agriculture, Forestry and Fishing, 50-199 employees**

The cost of housing in SA is the most challenging. Especially after the Vic gov increased property taxes all the "investors" came over here and bought everything under \$700k has meant I've lost two staff. They've moved

back to country locations because they can't find housing. It's insane and must be the number one priority for anyone serious about governing.

» **Manufacturing, 20-49 employees**

Australian business is drowning in unnecessary bureaucratic red tape & interference. Reduce tax. Reduce red and green tape.

» **Transport, Postal and Warehousing, 10-19 employees**

Make SA the state with the least amount of government red tape and compliance. This would make it easier and less costly to do business. It would also attract more business to the state.

» **Accommodation, 10-19 employees**

Alcohol excise rates for spirits far too high and are impeding the industry.

» **Manufacturing, Sole Trader**

Decrease reliance on payroll tax by increasing threshold - make it less expensive to employ new staff.

» **Financial and Insurance Services, 20-49 employees**

Top 5 Issues Affecting My Business by Business Size (%)

20-49 employees	50-199 employees	200+ employees
Cost of doing business 81%	Cost of doing business 84%	Cost of doing business 67%
Profitability/profit margins 66%	Profitability/profit margins 59%	Government policies 61%
Staff/skills shortages 58%	Government policies 59%	Cyber security 58%
Government policies 52%	Staff/skills shortages 58%	Staff/skills shortages 52%
Economic factors 44%	Productivity 30%	Profitability/profit margins 46%

Increase GST to 15%. Lower company rates. Reduce/eliminate payroll tax and stamp duty. Reduce regulation & red tape.

» **Financial and Insurance Services, 10-19 employees**

Index payroll tax to encourage business growth rather than creating a false ceiling for business owners which hampers growth and investment.

» **Manufacturing, 20-49 employees**

Assistance for professional recruitment in regional areas, including priority to regional companies undertaking the regional government projects. Current government procurement policies favour large Adelaide based companies.

» **Professional, Scientific and Technical Services, 10-19 employees**

Scrap the weekend penalty rates for hospitality and let us organise an 'average' rate for 7 days of the week.

» **Hospitality, 10-19 employees**

An understanding that subsidies and grants for nonproductive 'ideas' is not business support. A really consistent, understandable and efficient environment is.

» **Professional, Scientific and Technical Services, 1-4 employees**

Employment law and the award system is utterly unfit for the modern work environment. They are broken and have been captured by lawyers.

» **Manufacturing, 50-199 employees**

Our biggest elephant in the room is labour shortages. Our demographic will see 65 dependents per 100 working Australians by 2050. That means a proportionately smaller workforce of around 35% which will see a progressive productivity collapse. We need a targeted migration program to give industry the skills we need in South Australia.

» **Agriculture, Forestry and Fishing, Sole Trader**

Chart 7
% of Businesses Reporting Cost of Materials Increasing

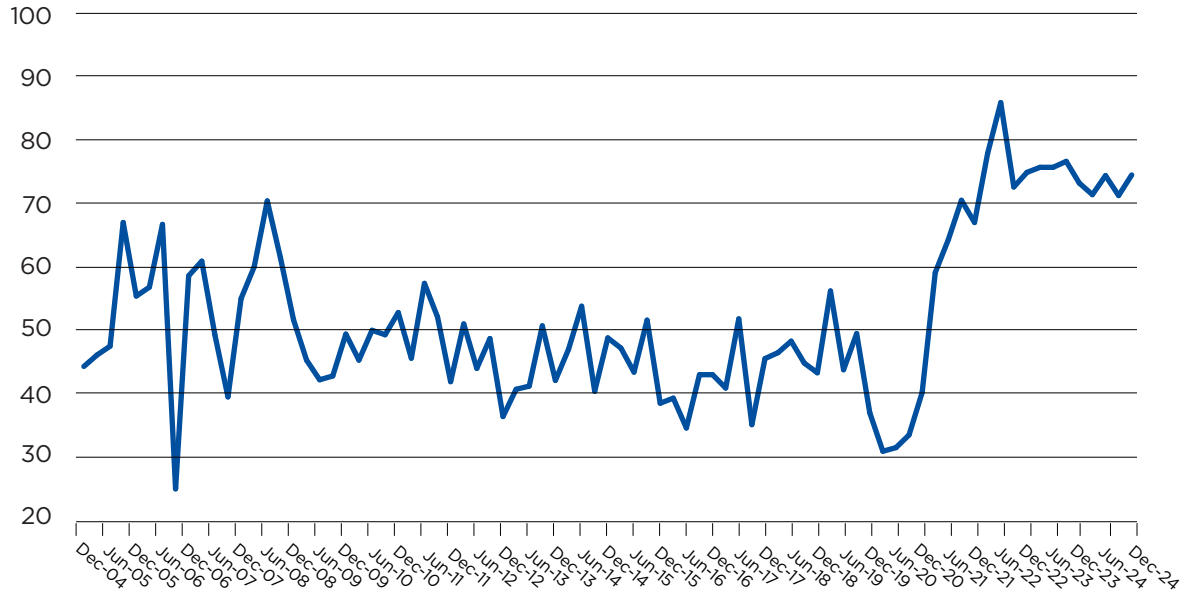
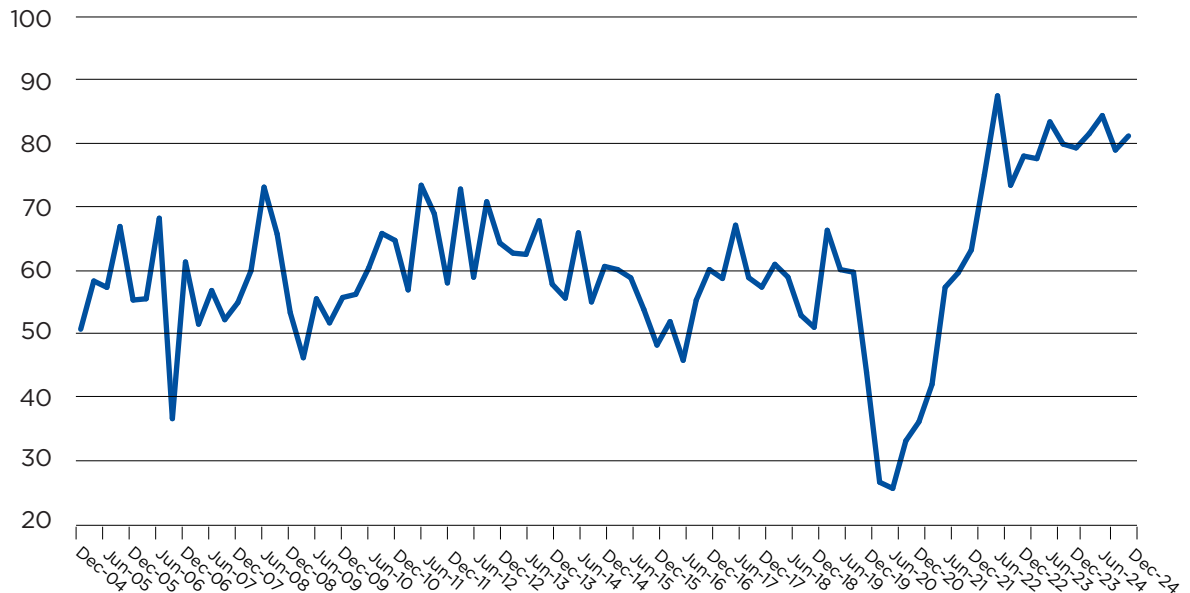


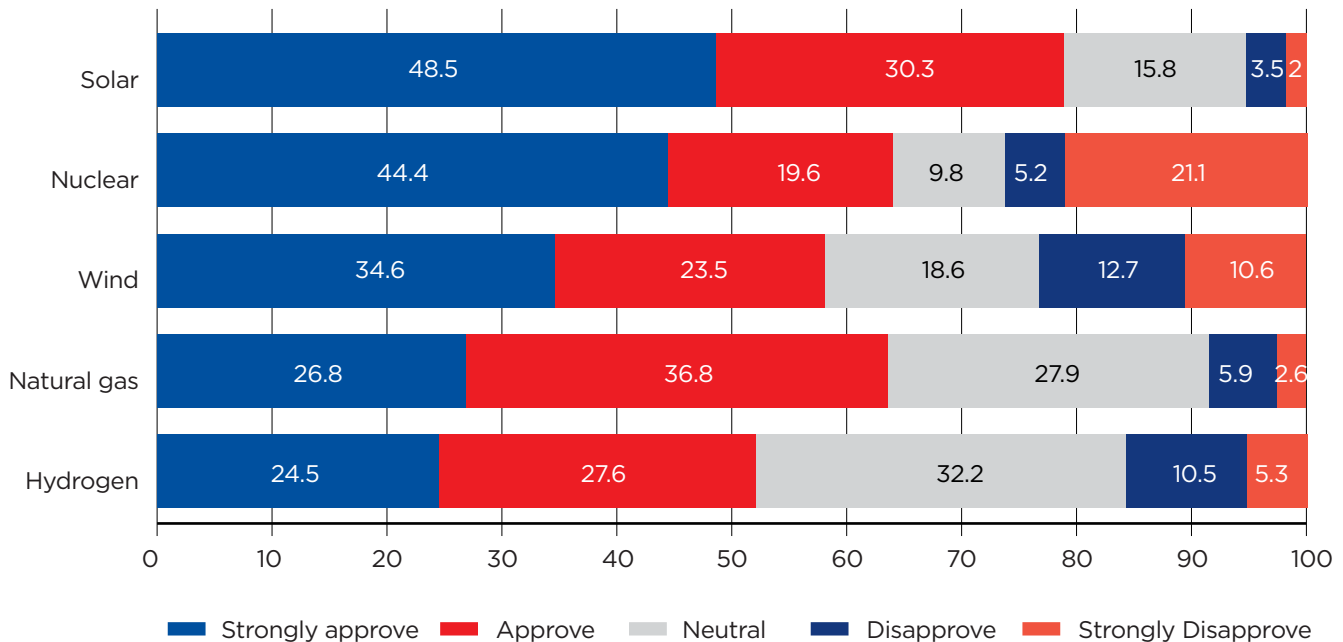
Chart 8
% of Businesses Reporting Cost of Overheads Increasing



Energy

Chart 9

What is Your Level of Support for the Following Energy Sources? (%)



The SA Business Chamber takes a fuel-source neutral approach to energy supply. We advocate for SA businesses to have access to sustainable, reliable and cost-effective energy supplies that support the net-zero transition.

The respondents to this survey are also, broadly, fuel-source neutral in their preferences and with the cost of doing business being a perennial concern, many are eager for increased energy supply to enable downward pressure on power prices.

South Australia's energy supply is made up of 58% wind, 32% natural gas, 9% solar and 1% of both batteries and liquid fuel/petroleum.²

Solar, by a considerable margin has the most support among SA businesses with 78.8% either approving or strongly approving it – with 54.2%

of respondents having installed solar in their business. Additionally, there are many businesses who wish to install solar but may be prevented from doing so at this time due to costs or lease agreement conditions.

Nuclear energy has been discussed a great deal in the media in the lead up to the Federal election. At the same time, support for this energy source has increased since we last asked the question from 57.2% in 2023 to 64% in 2024. However, there is no doubt that the subject of nuclear energy remains a polarising one as it still has the highest number of Strongly Disapprove votes in the survey.

² Australian Energy Market Operator, National Energy Market (NEM) Data Dashboard South Australia, <<https://aemo.com.au/energy-systems/electricity/national-electricity-market-nem/data-nem/data-dashboard-nem>>

Businesses still see that *natural gas* has a role to play in our transition to net zero with 91.5% either neutral or approving of its place in the mix. Only a small minority were disapproving, with this number in decline from 2023.

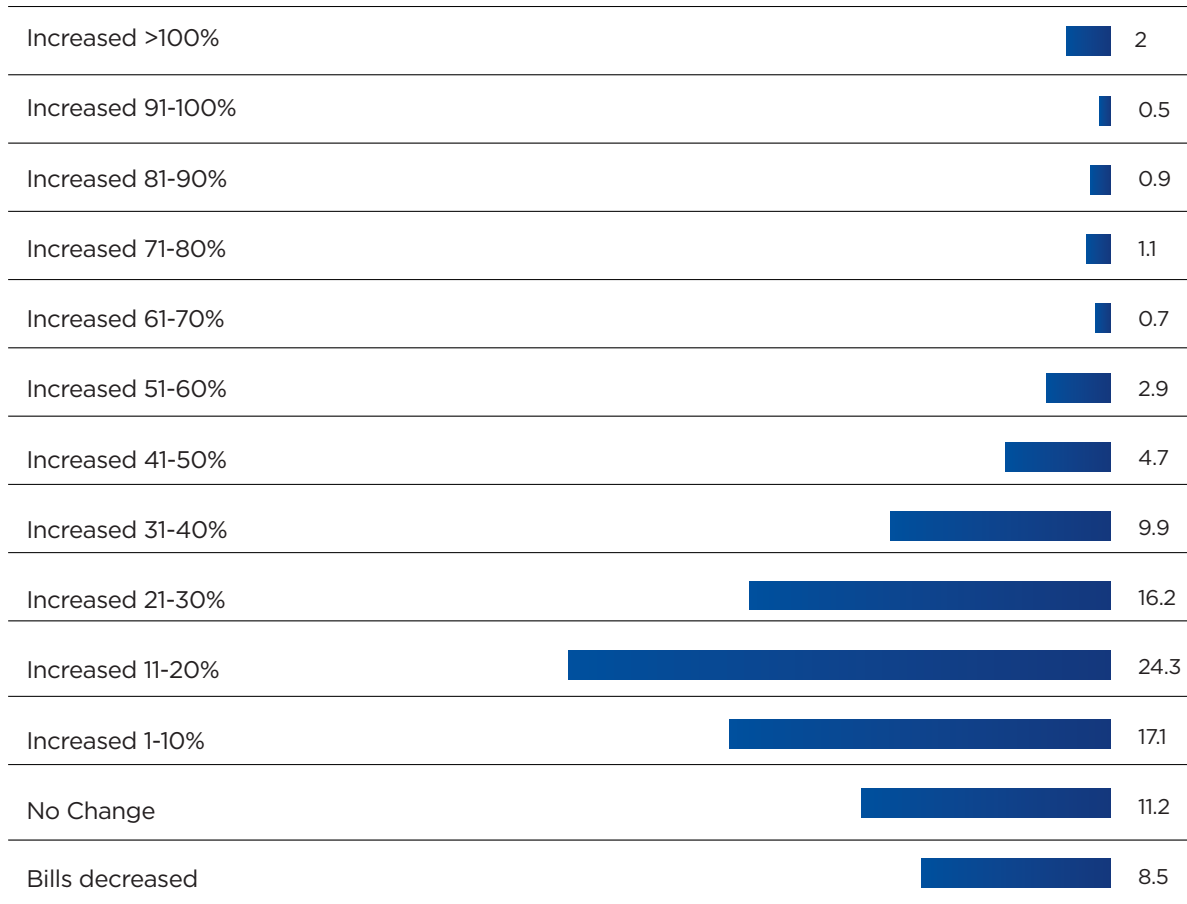
Of all energy sources, *hydrogen* received the lowest approval among our respondents, with

just over 50% supporting its use in the mix and a further 32.2% unsure of their support. When asked the same question in our December 2023 survey, hydrogen was supported by 61.5% of respondents, 9.4 percentage points more than this survey.

Energy Approval & Disapproval (%)				
	% Approval in 2024	% Approval in 2023	% Disapproval in 2024	% Disapproval in 2023
Solar	78.8	83.5	5.5	4
Nuclear	64	57.2	15	22.1
Natural gas	63.6	60.5	8.5	12.2
Wind	58.1	65.2	23.3	13.2
Hydrogen	52.1	61.5	15.8	6.8

* *Approval* = approve and strongly approve. *Disapproval* = disapprove and strongly disapprove.

Chart 10
How Have Your Electricity Bills Changed in the last 12 Months? (%)



The Australian Bureau of Statistics states that “electricity prices fell 9.9 per cent in the December quarter and 25.2 per cent in the past 12 months” in its December 2024 CPI,³ referring to household electricity prices. SA businesses have not received the same respite. In our survey, nearly a quarter of businesses reported their energy bills rising between 11 and 20% in 2024. 22.7% reported their cost increases rising by more than 30%, including 8.1% who said

their bills had risen by more than 50%. 19.7% of businesses saw their bills remain unchanged or decline.

While the survey results show business energy bills increased at a lower rate than the previous two years, ongoing cost increases remain significant and continue to put upward pressure on prices.

³ Australian Bureau of Statistics, Consumer Price Index, Australia, 29 January 2025, <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>>

There remains an opportunity to educate business owners on the complex matter of energy tariffs. 37.3% of respondents were unsure about the tariff their business was on. This was the highest response and indicates an uncertainty for consumers in determining how to secure the best deal. It should be noted that depending on their tenancy situation, some small businesses might not be required to know

their tariff. Notably, 33.3% of sole traders or businesses with 1-4 employees reported being unsure of their tariff.

Of those who understood their position, the two rate tariff was the most common response with 21.4% of responses, just above flat/single rate tariff (19.4%). Several who selected *Other* specified they use the wholesale market.

Chart 11
How Have Your Electricity Bills Changed? (%)

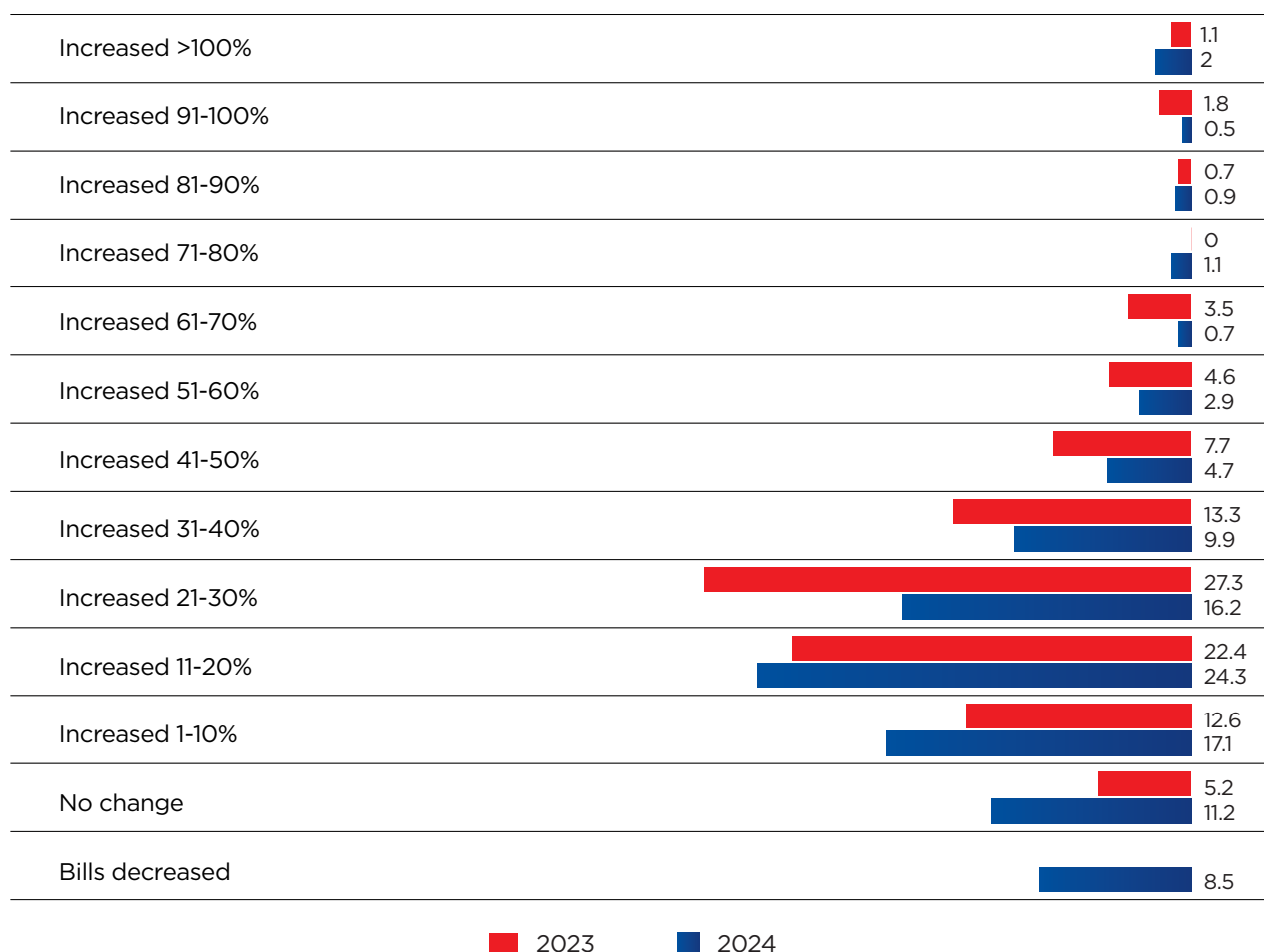
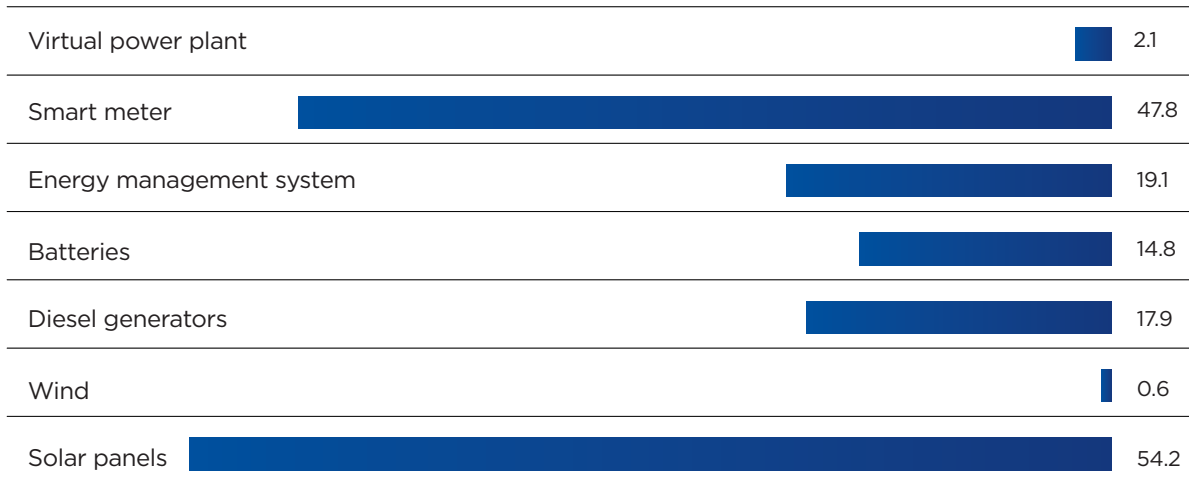


Chart 12
Energy Infrastructure Installed (%)



*respondents could make multiple selections

Chart 13
What Electricity Tariff is Your Business On? (%)

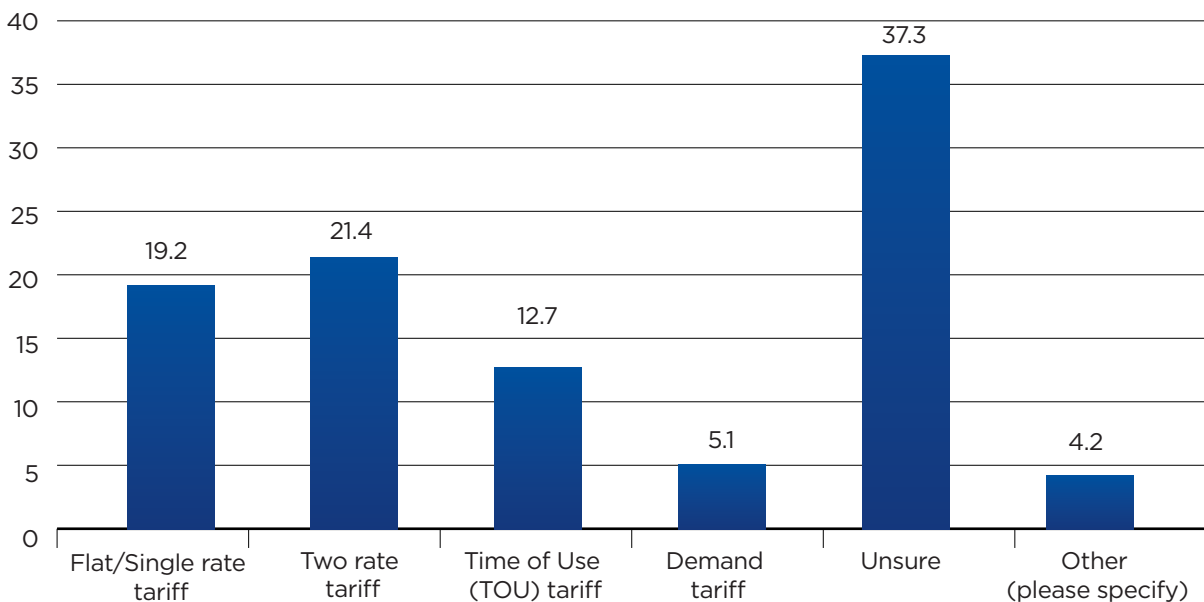
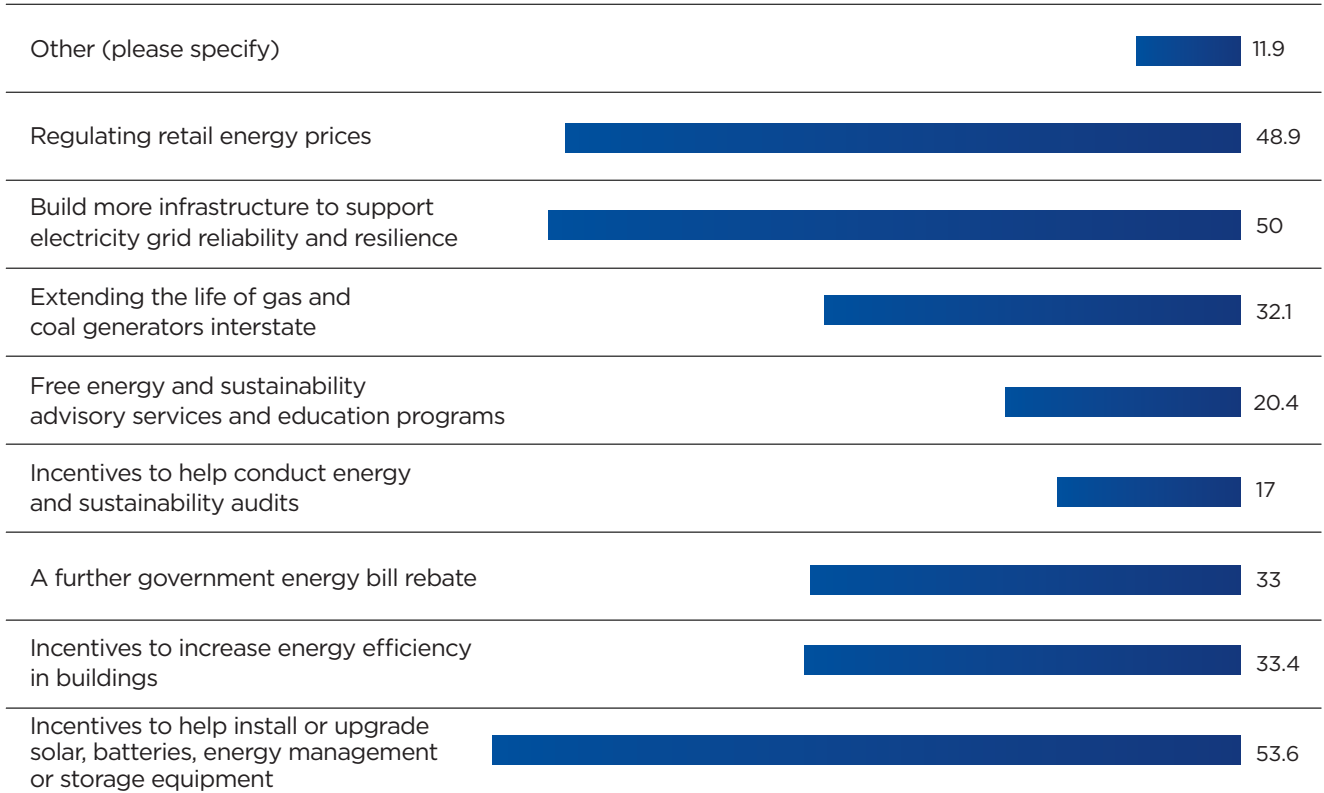


Chart 14
What Energy Measures Would Benefit Your Business? (%)



*respondents could make multiple selections

Comments on energy...

In the two years that I've been involved in this business, our energy costs have almost doubled. Our annual electricity bill is approximately \$1 million, and we can't put solar on the roof as we rent and our landlord will not allow it.

» **Manufacturing, 20-49 employees**

I believe the government should prioritise taking back greater control or oversight of key public infrastructure, particularly in the energy sector. This would enable more equitable access to energy at stable, competitive prices.

» **Professional, Scientific and Technical Services, 1-4 employees**

SA needs data centre attraction. We need more load in the state to exploit our world class renewables. If we get more load the “wires” component of our costs will come down on a per unit basis.

» **Electricity, Gas, Water and Waste Services, 200+ employees**

Further battery/solar subsidies to enable storage of excess renewable energy (from grid or own panels) to reduce the need for coal/gas as the base load source would be great.

» **Manufacturing, 1-4 employees**

Nuclear power is just nonsense for Australia and is a smoke and mirrors distraction.

» **Professional, Scientific and Technical Services, 10-19 employees**

Lift the moratorium on nuclear energy and position the state as the obvious leader in nuclear energy production and lifecycle management.

» **Retail Trade, 1-4 employees**

We are still in very uncertain times with fragile consumer spending. A manic focus on renewable climate issues while all costs are going up and no prospect of reduction is killing business. A transition requires a broad base of solutions to keep the economy competitive and sustainable.

» **Manufacturing, 200+employees**

Uncertainty in the energy market is preventing the long term investment in gas powered generation needed to ensure security of supply. Regulation has substantially increased costs to pipeline businesses and some of this regulation was put in place when the energy landscape was vastly different to the challenges currently being faced and has had unintended outcomes.

» **Electricity, Gas, Water and Waste Services, 20-49 employees**

While some may argue that nuclear energy could be part of Australia’s energy mix, it’s crucial to recognise the financial, environmental, and safety risks that come with nuclear development. I do not support taxpayer-funded nuclear energy projects. If private investors believe nuclear power is a viable option, they should assume full responsibility for both the financial risk and the long-term liabilities, not the public. Government subsidies and funding should instead prioritise accelerating renewable energy infrastructure, which is more cost-effective, quicker to deploy, and aligned with global decarbonisation trends.

» **Professional, Scientific and Technical Services, 1-4 employees**

Nuclear Energy

While the Chamber takes a fuel-source neutral approach in advocating for sustainable, reliable and cost-effective energy supplies, as the subject of nuclear energy will be a key policy platform at the next federal election, we asked an extra set of questions to test the appetite for this among South Australian businesses.

The moratorium on nuclear energy was raised, along with concerns or benefits businesses associated with nuclear as a power source.

In the case of repealing the moratorium (66.5%) and the role of nuclear in the South Australian energy mix (65%), the respondents were approximately two thirds in favour.

Businesses saw the benefits of nuclear outweighing their concerns, with *dealing with nuclear waste* and *the initial establishment costs* the only two concerns scoring greater than 50%, whereas seven potential benefits including *less reliance on other states for power*, *investment and job creation* and *revenue for SA*, all fared above the halfway mark.

Chart 15

Do you think there is a place for nuclear power in South Australia's energy mix? (%)

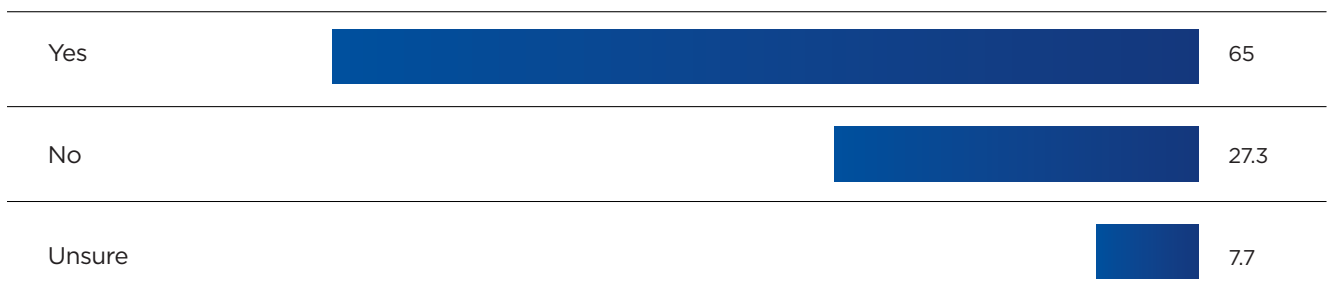


Chart 16

Should Australia's Moratorium on Nuclear be Repealed? (%)

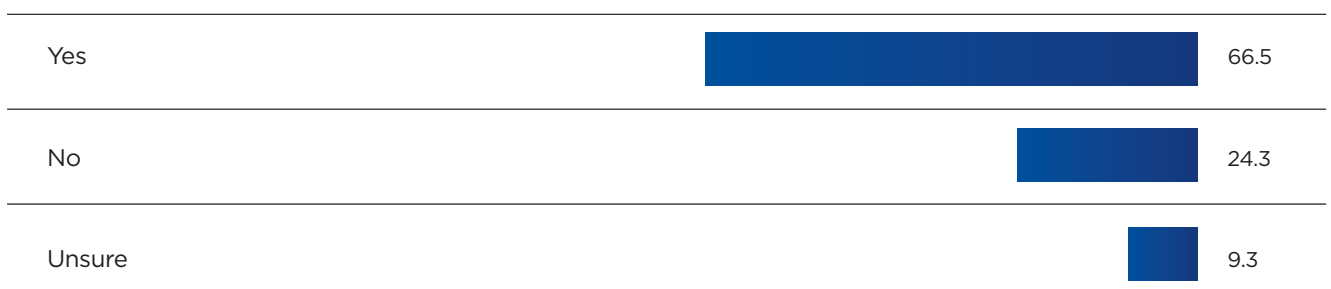
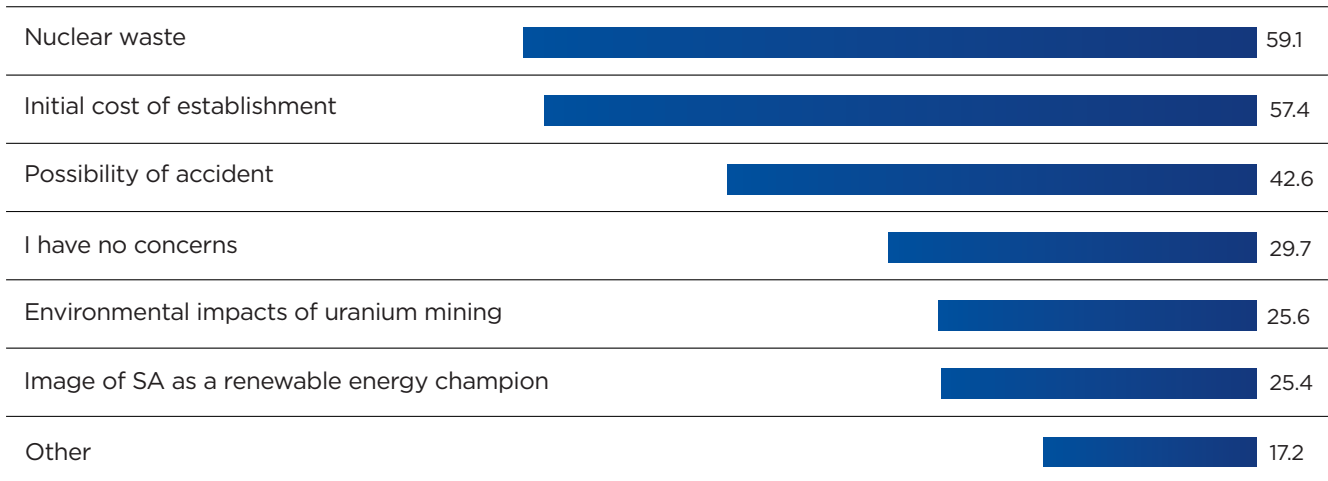
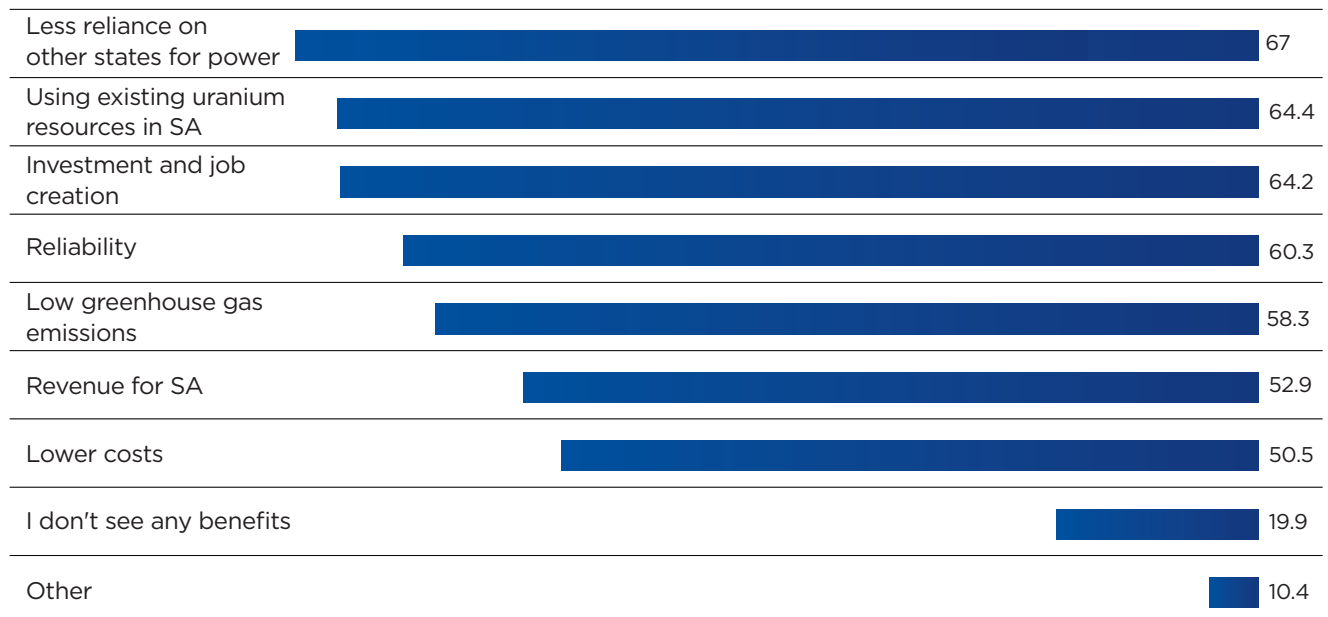


Chart 17
Main Concerns from Nuclear Power in SA(%)



*respondents could make multiple selections

Chart 18
Main Benefits from Nuclear Power in SA (%)



*respondents could make multiple selections

Performance Indicators

Our Profitability Index rose by 9 points to 85.6, noting that last quarter's result was exceptionally low. While the increase is promising, 41% of respondents saw a *decline* in profits over the last three months.

Another index that showed a slight improvement was our Orders Received Index, which increased by 0.8 points to 92.4. However, these small revenue gains were not enough to offset the consistently high and rising costs of doing business.

The Cost of Materials Index rose by 2.4 points during the quarter and has increased 1.5 points over the past year, reaching 149.1 points; its highest level since September 2023.

Similarly, the Cost of Overheads Index also increased, rising by 1.5 points to 153.2, marking the ninth consecutive quarter above 150 points. This reflects the fact that about 80% of businesses have seen their overhead costs rise each quarter for the past couple of years, as shown in *Issues Affecting Businesses*.

In contrast, the Average Selling Price Index has remained between 100 and 108.1 over the last 18 months, with around 60% of respondents reporting stable prices each quarter. This index, alongside its comparison with high wage growth, is discussed further below.

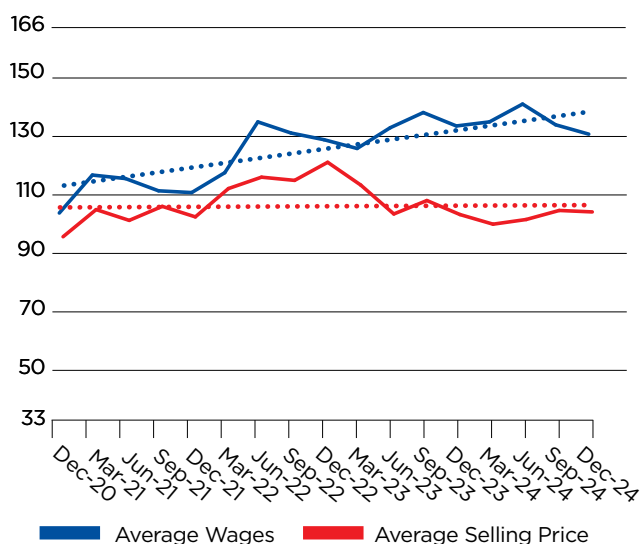
Our respondents indicate that wage growth may have peaked. The Average Wages Index dropped to 130.9 points, marking the second consecutive quarter of decline. Respondents also predict further wage declines. However, 130.9 remains high by historical standards, reflecting the fact that 51.9% of respondents saw their average wage bill rise in the past three months.

The Employment Levels Index rose by 11.6 points, the largest quarterly increase since mid-2020. A slight increase in Capital Expenditure is also a positive sign for SA businesses.

Overall, cost indices continue to rise or remain very high, while revenue indices such as Orders Received, Profitability and Export Sales are below neutral and are not trending upwards. This gap between input costs and output prices is tightening profit margins and makes substantial productivity improvements challenging.

Chart 19

Average Wages vs. Average Selling Price



One way to conceptualise current business conditions is to contrast our Average Wages index against our Average Selling Price index and to think of them as signifying a major cost input (wages) against a major revenue output (selling price).

Note that these are averages, so a rising average wage bill is not a result of putting on extra staff and growing, it's the average amount businesses pay each staff member. Similarly, selling price denotes the average revenue taken in for each good or service sold.

Their divergence over the last couple of years is suggestive of businesses facing high wage growth, while their revenue either remained flat, or they cut prices to retain customers. There will be exceptions but businesses in South Australia

broadly are experiencing significant squeezes on their profit margins. Hence our Profitability Index (below) has been consistently well below the neutral score of 100 for nearly four years. It also signifies that what inflation we are still seeing in South Australia is likelier to be cost-push inflation. This is where production inputs such as wages are what is driving inflation, in contrast to demand-pull inflation where inflation is caused by high demand and low supply of goods and services.

Chart 20
Profitability Index

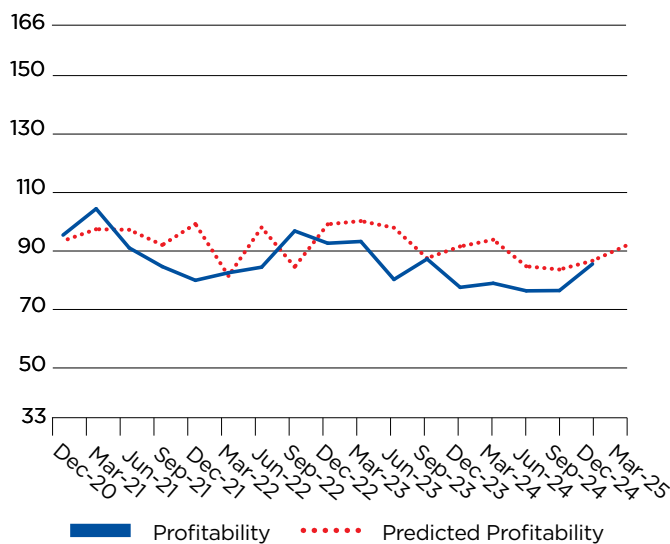
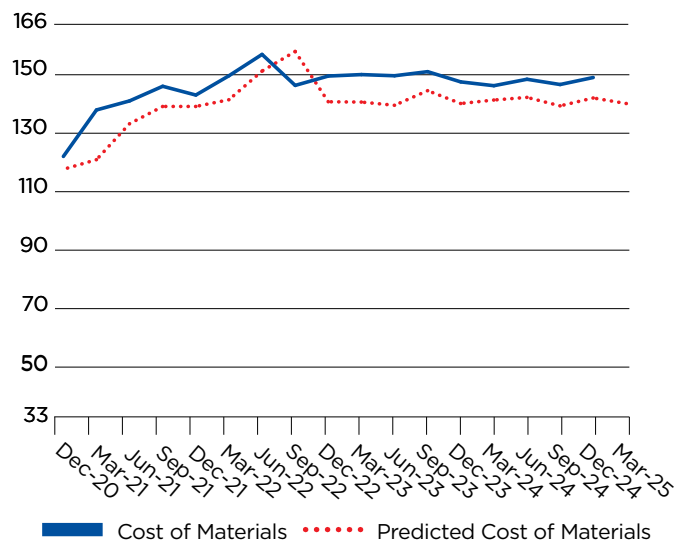


Chart 21
Cost of Materials Index



Profitability Index for the December Quarter 2024

85.6 points

Predicted Profitability Index for the March Quarter 2025

91.8 points

Cost of Materials Index for the December quarter 2024

149.1 points

Predicted Cost of Materials Index for the March Quarter 2025

140.2 points

Chart 22
Cost of Overheads Index

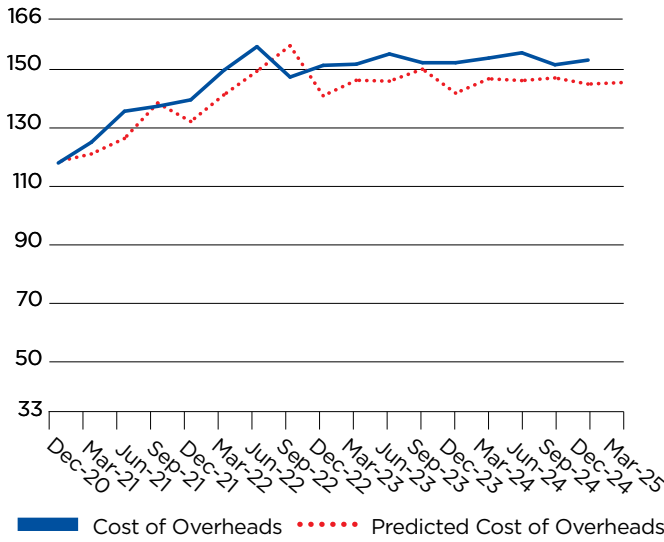
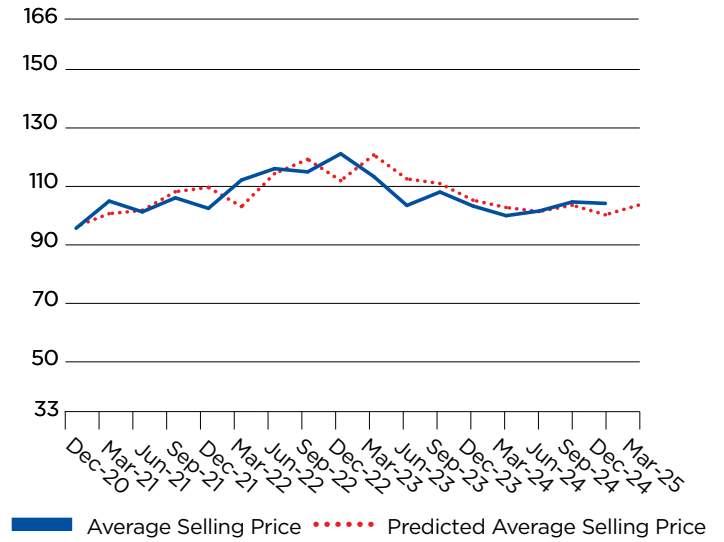


Chart 23
Average Selling Price Index



Cost of Overheads Index for the December Quarter 2024

153.2 points

Predicted Cost of Overheads for the March Quarter 2025

145.5 points

Average Selling Price Index for the December Quarter 2024

104.2 points

Predicted Average Selling Price Index for the March Quarter 2025

103.6 points

Chart 24
Orders Received Index

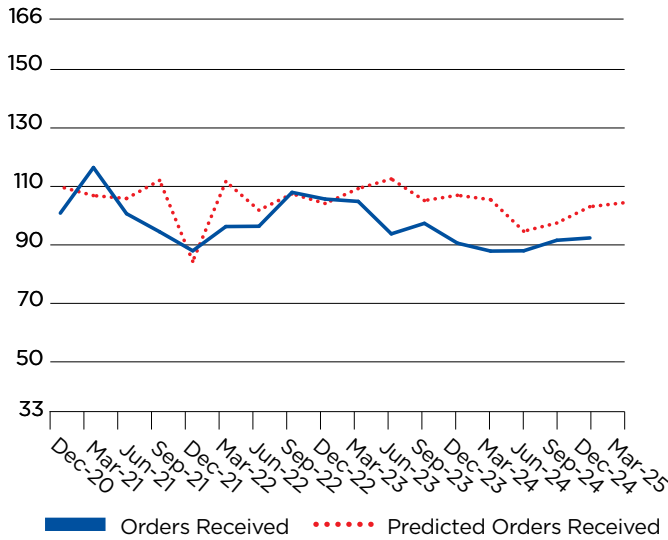
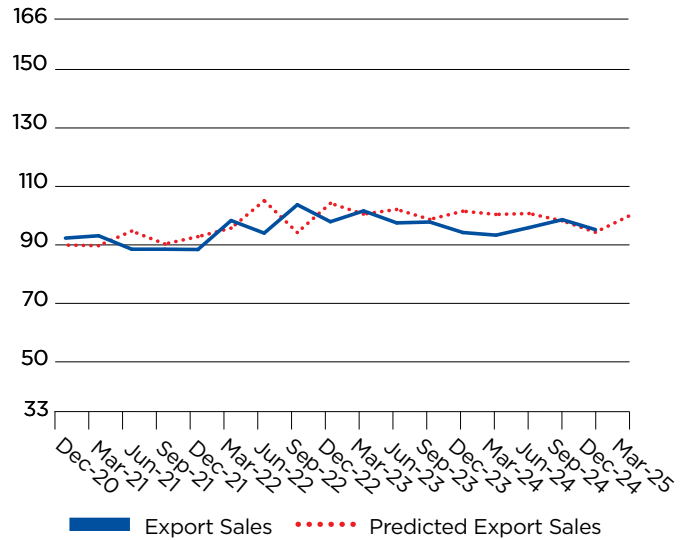


Chart 25
Export Sales Index



Orders Received Index for the December Quarter 2024

92.4 points

Predicted Orders Received Index for the March Quarter 2025

104.4 points

Export Sales Index for the December Quarter 2024

95.2 points

Predicted Export Sales Index for the March Quarter 2025

99.8 points

Chart 26
Average Wages Index

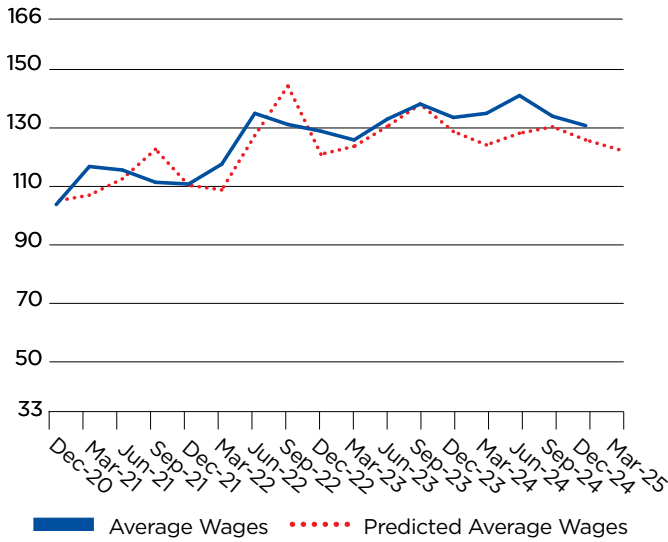
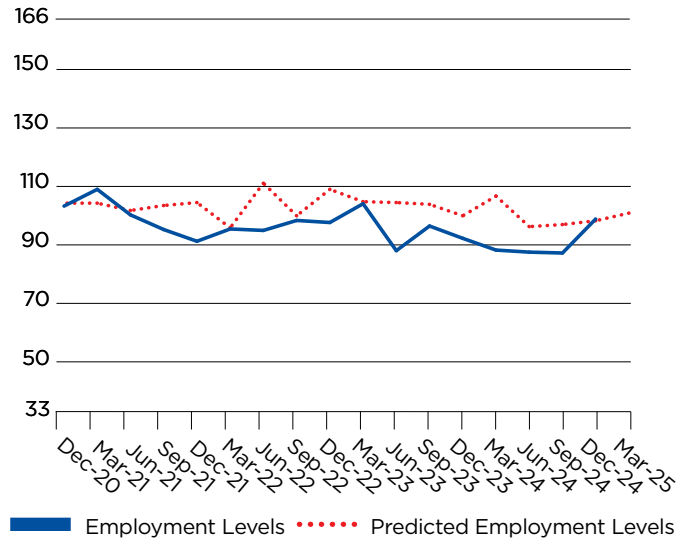


Chart 27
Employment Levels Index



Average Wages Index for the December Quarter 2024

130.9 points

Predicted Average Wages Index for the March Quarter 2025

122.7 points

Employment Levels Index for the December Quarter 2024

98.9 points

Predicted Employment Levels Index for the March Quarter 2025

100.9 points

Chart 28
Training Expenditure Index

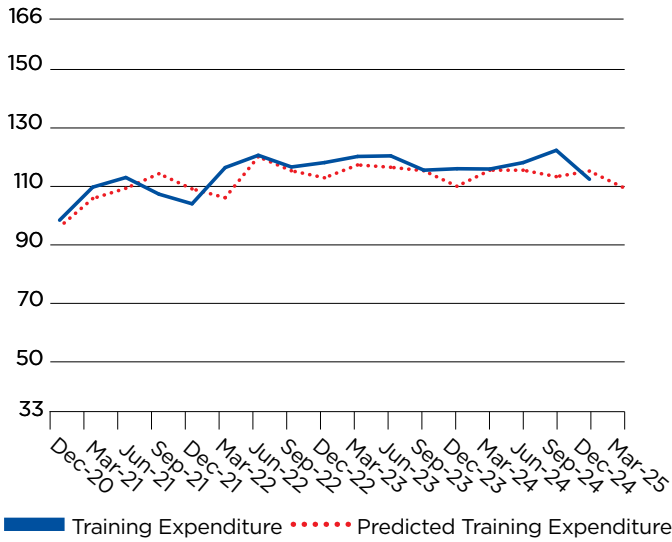
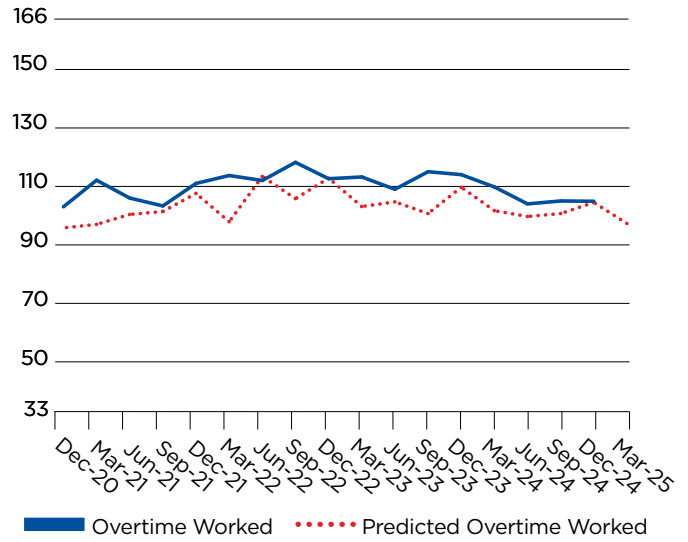


Chart 29
Overtime Worked Index



Training Expenditure Index for the December Quarter 2024

112.4 points

Predicted Training Expenditure Index for the March Quarter 2025

109.7 points

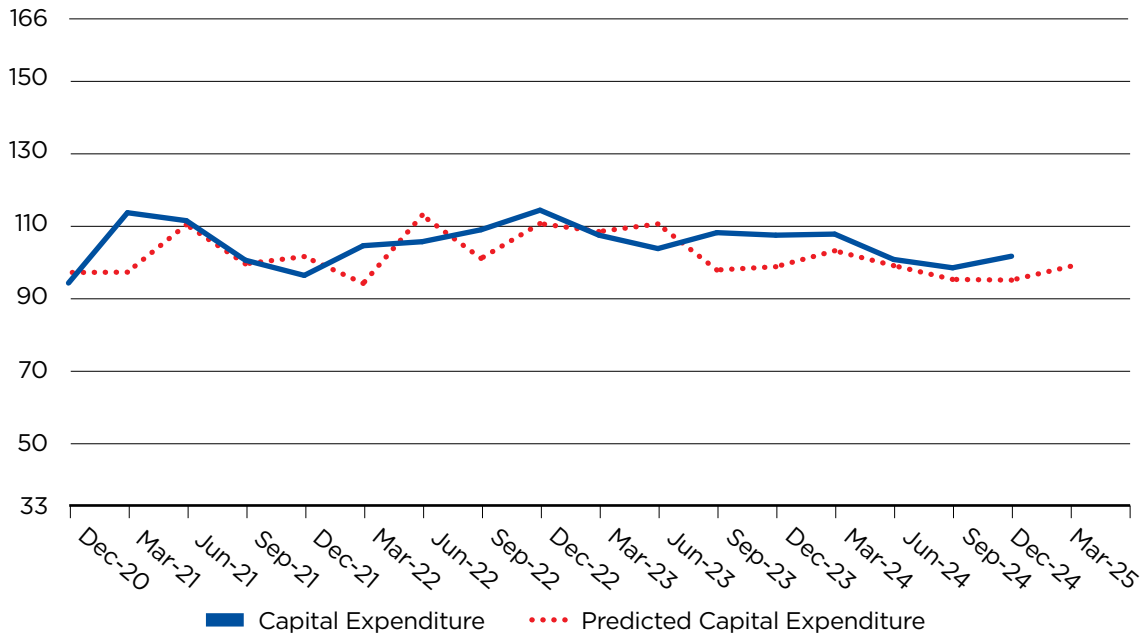
Overtime Worked Index for the December Quarter 2024

105 points

Predicted Overtime Worked Index for the March Quarter 2025

97.4 points

Chart 30
Capital Expenditure Index



**Capital Expenditure Index
for the December
Quarter 2024**

101.8 points

**Predicted Capital Expenditure
Index for the March
Quarter 2025**

99 points

Interest Rates & Financing

Chart 31
Impact of Possible Interest Rate Cuts on Your Business? (%)

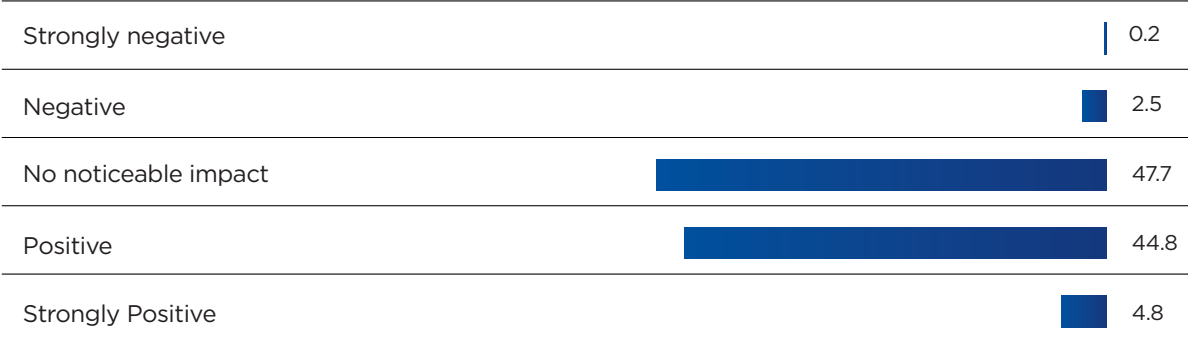
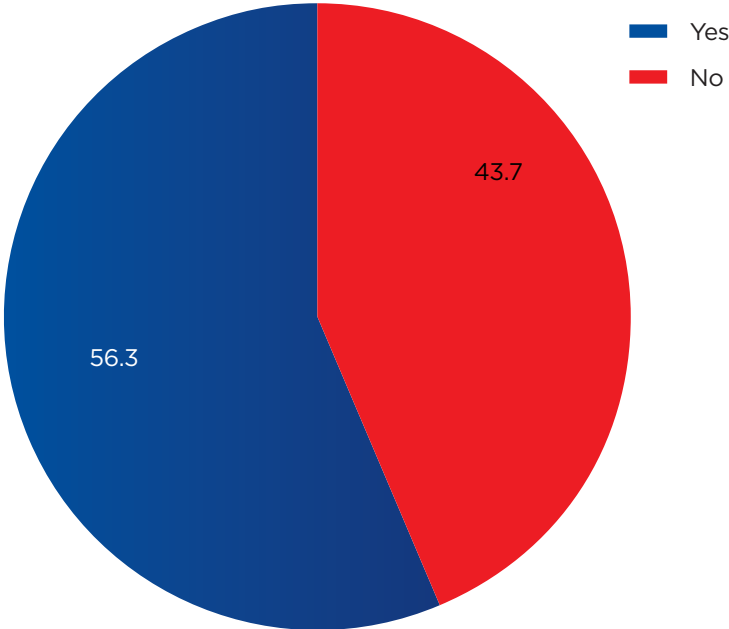


Chart 32
Do Interest Rates Impact Your Customer Base? (%)



Since rates had not been lowered at the time of the survey since November 2020, we wanted to hear from businesses about what a cut in rates might mean for them. While 44.8% believe lower rates would benefit their business, 47.7% told us that interest rate changes would not make a noticeable impact.

56.3% of respondents told us customer demand does change because of interest rate settings.

This is more concentrated in industries that would generally be dependent on discretionary spending such as retail, hospitality, tourism and personal services. Among those businesses, 71.8% say their customers' behaviour is impacted by interest rates, compared to professional, scientific and technical services businesses where 43.2% say the same.

Chart 33
How Important is Debt Funding to Your Business? (%)

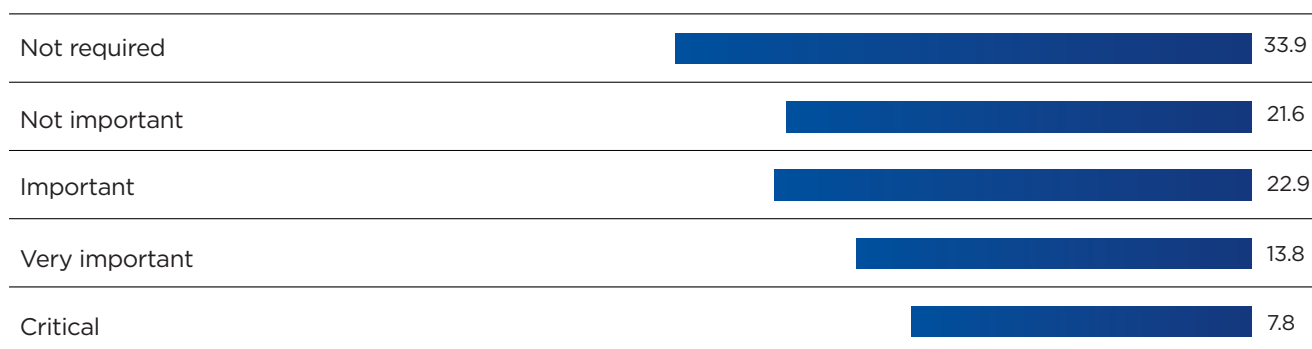


Chart 34
How Does Your Business Utilise Bank Funding? (%)

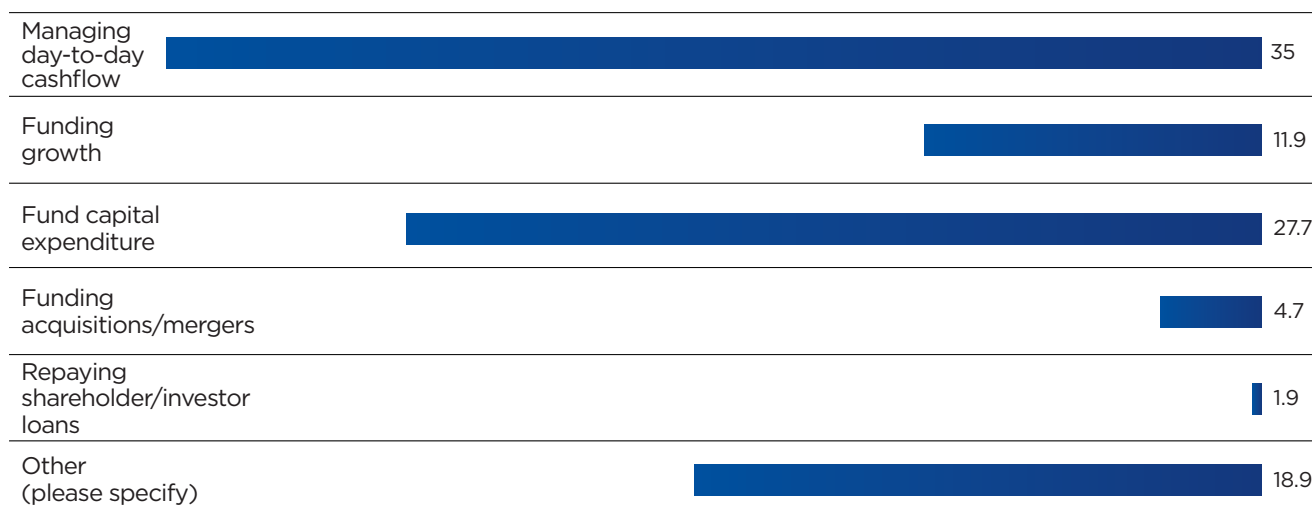
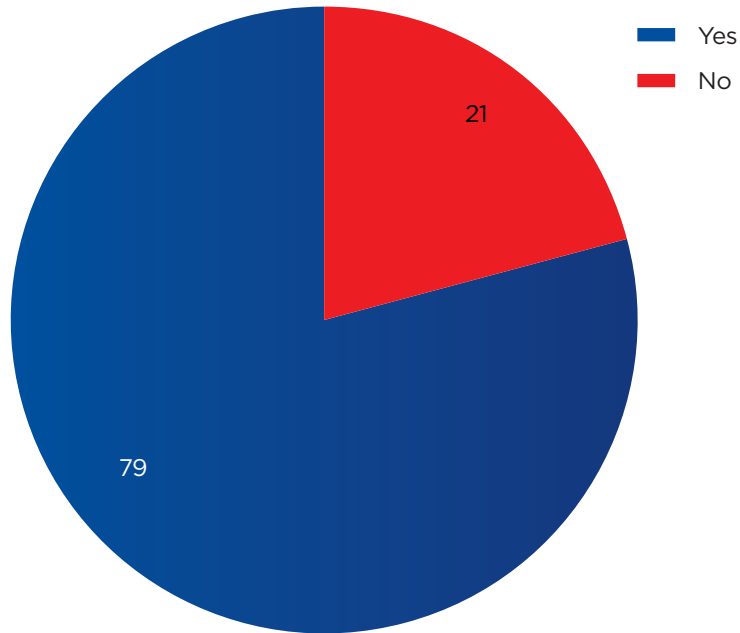


Chart 35
Can Your Business Access the Funding You Need? (%)



Debt funding is quite important to a subset of capital-intensive industries in South Australia such as manufacturing and agriculture. 16.4% of those firms say it is *critical* for business, compared to just 5.2% of all other sectors. Respondents with 200 or more employees were also reliant on debt funding, with 16.7% telling us it is *critical* and a further 25% saying it is *very important*.

Bank funding is utilised in *managing day-to-day cashflow* by 35% of respondents and to *fund capital expenditure* by 27.7%. The vast majority of the 18.9% who selected *Other* mentioned that bank funding is not utilised by their business.

While 79% of surveyed businesses are able to access debt/capital funding as required, the remaining 21% may be highly leveraged which could be a concern. *Access to finance* is typically only selected as a Top 5 Issue by about 8-10% of respondents.

Case Study

Rising costs are not enough to deter Seeley International's Commitment to Manufacturing and Innovating

Case Study by Darcy Matthews - Policy Adviser at the South Australian Business Chamber

Three key issues persist that keep the cost of doing business rising according to Seeley International, Australia's largest manufacturer of air conditioners and ducted gas heaters. But these won't stop this southern suburbs family business with 500 employees from doubling down on Australian manufacturing and energy-efficient innovations.

Seeley International Group Managing Director Jon Seeley sees persisting inflation, anti-business Federal Government workplace policy and a weak Australian dollar as the three reasons doing business in Australia remains costly and is hurting our competitiveness.

When it recently came time to re-sign their multi-year energy agreements, prices rose 60%. "Government energy policies have undoubtedly been driving up energy costs and expansionary federal budgets are driving inflation throughout the economy," Seeley said.

Data from the most recent South Australian Business Chamber Survey of Business Expectations reflected concerns about business costs. The Cost of Overheads Index was 153.2 points out of a maximum of 166. Reflecting the view that 81.3% of respondents saw their costs rise in the last quarter of 2024. The index has been above 150 points since December 2022.

Industrial relations are another challenge. Regarding the changes to the casual employment definition, Mr. Seeley said, "We had legal clarity around casual employment; now we do not."

The business has seasonal peaks and troughs. Typically experiencing a summer peak in Adelaide and a winter peak at its soon to be closed Albury plant in New South Wales which cost 85 permanent jobs plus 40 seasonal roles.

"The flexibility of casual employment was crucial for our business and staff, but with it being made more complex, we've had to consolidate our workforce in SA to stay efficient."



Jon Seeley – Seeley International Group Managing Director

The federal industrial relations changes have also “introduced legal confusion, increased compliance costs and introduced unnecessary conflict into a lot of workplaces”, Mr. Seeley says. He contrasts this with “the pragmatic policies pursued at the state level, one of the reasons I’m bullish on South Australia.”

A weak Australian dollar is the third reason Mr. Seeley says business costs are remaining high.

Despite costly conditions, Seeley International is proudly committed to “doubling down on Australian manufacturing”, as it has done since 1972. This proud identity will continue to form a key priority for Seeley into the future.

As will continuous innovation, especially in the energy efficiency of their products. Their Climate

Wizard technology consumes up to 80% less energy than other air conditioning units, as well as their Dominator heat pump air conditioner designed to easily replace gas heaters as some markets gradually transition away from gas.

“We see increasing demand for energy efficiency, which our products provide as a huge part of our growth strategy going forward. Especially overseas, where we hope to see substantial sales growth in the United States.”

Mr. Seeley remains optimistic about the long-term future of the family business.

“Despite cost challenges, we’re committed to manufacturing great products in Australia and expanding globally; our continued investment in energy-efficient technology has us confident we can meet growing demand both nationally and internationally.”

A Word from William Buck

Written by Adrian Chugg – Managing Partner, William Buck

Tuesday 25 February 2025

SA business confidence up slightly, but certain costs still bite.

South Australian business confidence rose by a reasonable 7.5 points in the December quarter of 2024, despite business costs continuing to climb.

According to the South Australian Business Chamber's Survey of Business Expectations, released today, South Australian business confidence has risen to its highest level since March 2023. But, lingering high costs of doing business reflects a more challenging operating environment for many South Australian Businesses. 75.1% of respondents voted costs as the most significant issue affecting their operations, 20.3 percentage points more than the second most voted which was profitability/profit margins.

The cost increases and squeeze on business profitability highlights the challenging environment facing so many businesses. On balance, it's surprising that businesses are more optimistic about conditions than they were last quarter.

Energy price hikes remain a huge part of this, 38.9% of surveyed businesses reported their bills increasing 21% or more in the last year, with 8.1% saying they rose by more than half.

Energy prices are pushing many businesses to invest in generating power as close to where they consume it as they can to decrease their exposure to grid infrastructure charges and minimise electricity costs. 54% of respondents have solar panels installed in their businesses while only 15% of respondents have batteries. I suspect as battery technology improves this will become more widespread, especially among electricity intensive industries.

Another expense that is topical is the price of servicing debt. While it's certainly not critical for every business, many capital intensive businesses using leverage are feeling the impact of prolonged higher interest rates. For most businesses, while this month's interest rate cut alone will be immaterial, the change in sentiment among consumers could herald a brighter outlook.

The survey's Cost of Materials and Cost of Overheads indices both rose in the quarter and remain at near all-time highs, and have been elevated for the last couple of years. One of the main issues with the prolonged high-cost business environment is that businesses have already pursued many practicable cost-saving measures across their operations. As a result, identifying and implementing further measures is becoming increasingly challenging. This is perhaps most true of agriculture and manufacturing firms, 86% and 83% respectively voted costs of doing business among their main issues.

After passing on previous price rises to customers, many businesses now looking to increase prices further are meeting resistance, particularly as inflation has eased.



Adrian Chugg,
Managing Partner
William Buck Australia

As a result, businesses in this space are finding their profit margins are continuing to be compressed. Global trade faces a period of uncertainty and likely volatility in the short term. The direct impact of Trump's tariffs will play out over time, but the indirect impact on our exporters could be interesting. If, for example, competing nations move away from exporting to the US, this may increase competition for Australian goods in other markets and prove challenging.

I do get a sense from many businesses I speak to that there is an appetite for nuclear energy to form part of our energy mix. This isn't universal, but after years of energy price rises, many businesses wish to see a long-term solution, and while acknowledging the pitfalls of nuclear such

as establishment cost, lead times and the politics of it, many clients feel its time has come.

Without a significant improvement in the cost of doing business in South Australia, the small increase in confidence we are seeing will remain fragile.

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.



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

Discover the benefits of membership

Managing Director
& Member

Small Business
Owner &
Member

Entrepreneur
& Member

Since 1839, our expert services made SA businesses stronger. Whether you're a micro-business or a multinational we serve you, our members, to strengthen the local business community- for the benefit of all South Australians.

Your success is our business. Visit sabusinesschamber.com.au to join today





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