

Survey of Business Expectations

June 2026 Quarter **Report**



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Executive Summary

Business conditions remained weak in the June 2026 quarter, with confidence, general business conditions, sales, profitability and orders all well below neutral and several indicators at historically low levels.

While some measures edged up from March, businesses still face intense cost pressures, weak margins and subdued demand. Materials and overhead costs remain close to 20-year highs, the cost of doing business remains the leading concern, and rising wage pressures alongside weaker employment are adding to an already difficult operating environment.

This quarter's supplementary questions on productivity, government procurement and Federal Budget tax changes provide further insight into the pressures shaping business decisions.

Australia's productivity performance has slipped relative to leading advanced economies, with Treasury analysis indicating Australia ranks around 16th among 41 mature economies on labour productivity measures.

The survey shows how the challenge is playing out at business level: only one in five respondents reported higher worker productivity over the past year, while excessive legislation and compliance was the most identified barrier, alongside economic conditions, affordability and workforce constraints. More than half reported spending at least six hours each week on regulatory and compliance requirements, diverting time and resources from core business activity, investment and innovation.

Government procurement presents opportunities, but the survey highlights the cost and complexity of pursuing them. State Government work attracted the strongest interest, but businesses, particularly smaller businesses, reported that current procurement settings can make competing costly and time-consuming.

The Federal Budget's tax changes are already shaping business decisions. Around three-quarters of respondents had sought or planned to seek professional advice, almost half were considering changing their trust structure, and more than four in ten said the proposed CGT changes could negatively affect investment and growth. The findings highlight both concern about the tax impact and the cost and uncertainty of preparing for the changes.

The overall picture remains one of subdued business sentiment, with South Australian businesses continuing to face high costs, weak margins and softer demand, while regulation, procurement requirements and tax uncertainty add to pressures on time, capital and management attention. Against that backdrop, the next phase will depend not simply on whether confidence edges higher, but on whether businesses have the capacity and certainty to invest, employ, innovate and pursue new opportunities.

Kendall Crowe

General Manager

Policy, Advocacy, Workplace Consulting and International Services

The Economy

Business Confidence

Business confidence improved modestly in the June 2026 quarter but remains historically weak.

The *South Australian Economic Confidence Index* rose 4.9 points to 71.0 points, following the sharp fall to 66.1 points in the March 2026 quarter. Despite the quarterly increase, confidence in the South Australian economy was 13.3 points lower than a year earlier, when the index stood at 84.3 points.

Confidence in the national economy changed little over the quarter, with the *National Economic Confidence Index* only increasing 1.0 point to 57.3 points. This sits well below the 76.8 points recorded in the June 2025 quarter: a year-on-year decline of 19.5 points.

Despite both confidence indices remaining well below neutral, and among their lowest since 2001, South Australian businesses remain more confident in the state economy than the national economy, with the gap between the two indices widening to 13.7 points from 9.9 points in March.

South Australian Confidence Index June Quarter 2026

71.0 points

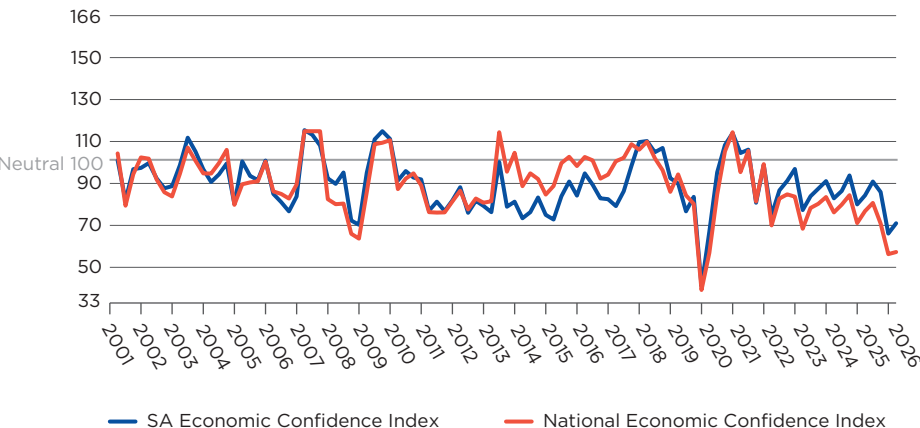
Up 4.9 points from last quarter

National Confidence Index June Quarter 2026

57.3 points

Up 1.0 point from last quarter

2001-2026 SA & National Economic Confidence Indices



General Business Conditions

Despite improving from the previous quarter, the June 2026 *General Business Conditions Index* remains among its weakest since 2001, while the *Total Sales/Revenue Index* is still well below neutral.

The *General Business Conditions Index* rose 6.2 points to 75.9 in the June 2026 quarter, following the sharp fall to 69.7 in March. While 6.2 points lower than a year ago, it came in 11.5 points above the 64.4 points previous respondents had predicted for June. Looking ahead, respondents expect the index to remain broadly unchanged at 75.4 points in the September 2026 quarter.

The *Total Sales/Revenue Index* increased 7.6 points to 84.5 in the June 2026 quarter and was 2.2 points higher than a year earlier. The result was also 14.5 points above the 70.0 points predicted in March, making it one of the clearer positive signals in the quarter. Respondents expect some moderation in the September 2026 quarter, with the index predicted to fall to 81.5 points.

General Business Conditions Index June Quarter 2026

75.9 points

Up 6.2 points from last quarter

Predicted
General Business Conditions Index
for the September Quarter 2026

75.4 points

Total Sales/Revenue Index June Quarter 2026

84.5 points

Up 7.6 points from last quarter

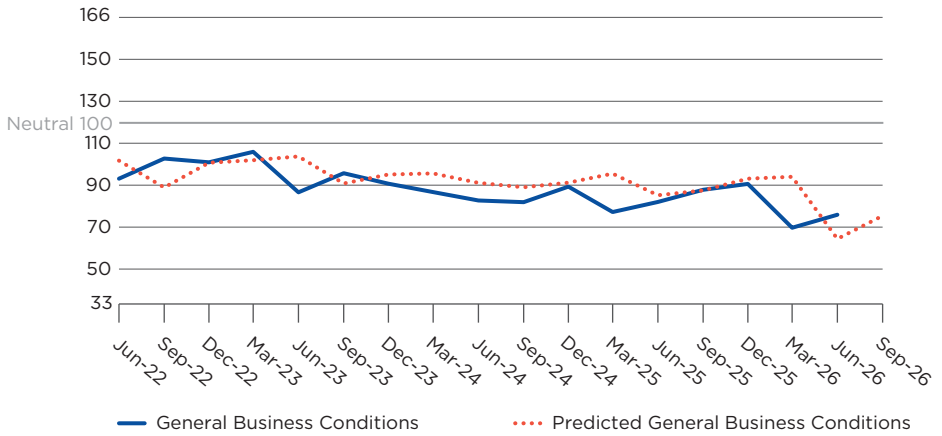
Predicted
Total Sales/Revenue Index
for the September Quarter 2026

81.5 points

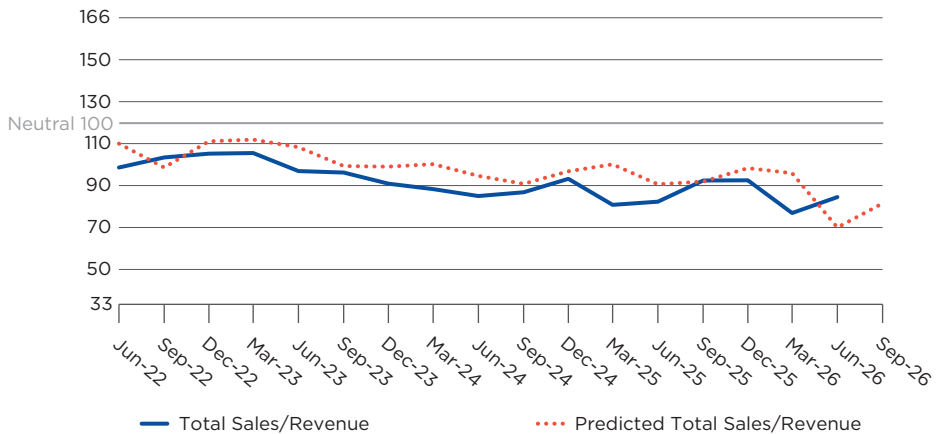
Our confidence indices measure how South Australian businesses expect the state and national economies to perform over the next 12 months. Now in its 46th year, it is the longest running survey of its kind in the state.

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

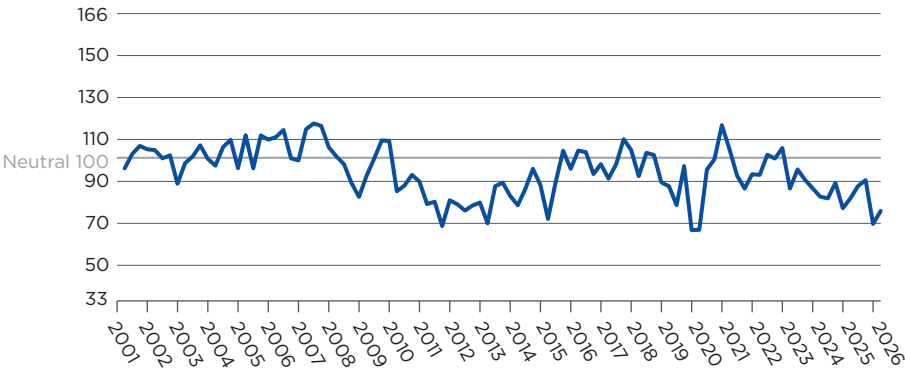
General Business Conditions Index



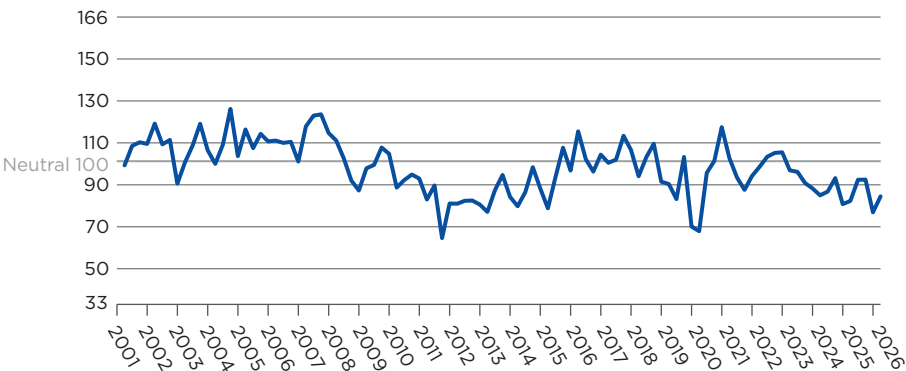
Total Sales/Revenue Index



2001-2026 General Business Conditions Index



2001-2026 Sales/Revenue Index



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

	Decrease	Stay the Same	Increase
Interest Rates	5.2%	35.3%	59.6%
Inflation Rate (CPI)	4.8%	23.2%	72.1%
Unemployment Rate	2.2%	32.0%	65.8%
Value of AUD (against USD)	39..1%	52.4%	8.5%

While over half of SA businesses expect interest rates to increase over the next three months, these expectations have moderated substantially, falling from 85.6% of respondents in the March quarter to 59.6% in June 2026. Meanwhile, 35.3% now expect rates to remain unchanged, up from 11.7% in March. This follows the Reserve Bank of Australia increasing the cash rate target by 25 basis points to 4.35% in May and leaving it unchanged at its June meeting.

Most businesses expect inflation to rise over the next three months, with only a small share anticipating a fall.

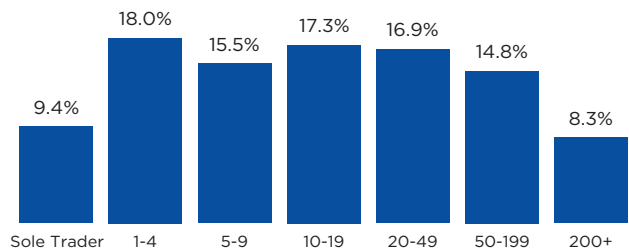
Like the previous quarter, more than two-thirds of respondents expect the unemployment rate to increase over the next quarter. Australian Bureau of Statistics data shows South Australia's seasonally adjusted unemployment rate increased to 4.3% in June 2026, while the participation rate decreased to 64.3%.¹

Most respondents expect the Australian dollar to remain stable or fall against the US dollar, with only a small minority anticipating an increase.

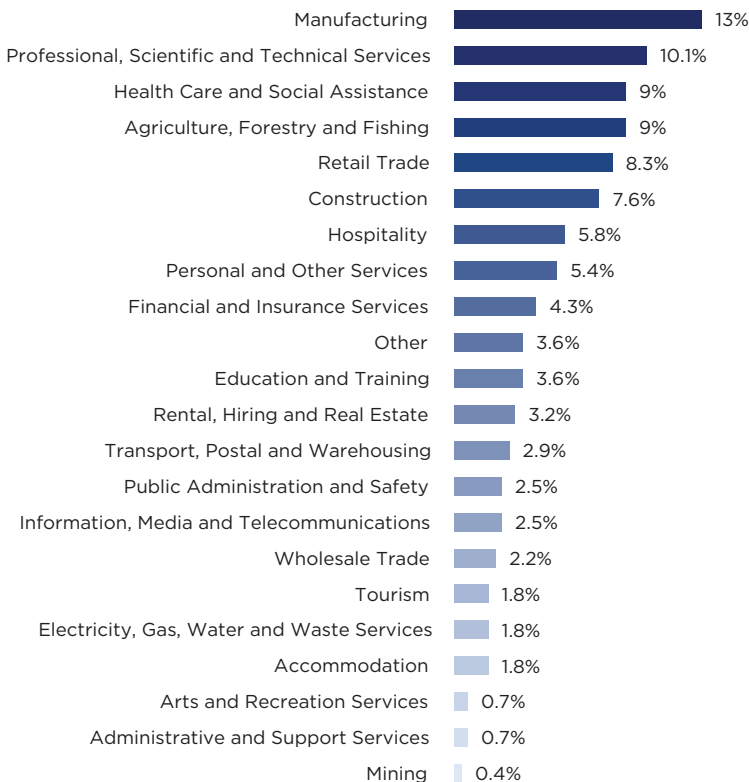
¹ Australian Bureau of Statistics, Labour Force, Australia, June 2026, released 23 July 2026, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/jun-2026>

Business Demographics

How many people does your business employ?



Industry Composition



Issues Affecting Businesses

The *Cost of doing business* remained the most reported issue in the June 2026 quarter, selected by 73.0% of respondents. While this was slightly lower than both March (76.3%) and a year earlier (77.2%), it remained well ahead of all other issues.

Profitability/profit margins remained the second-highest concern at 60.1%, down from 63.7% in March but above 56.2% in June 2025, reinforcing profitability as a persistent pressure for businesses.

Government policies, legislation and compliance rose nearly ten percentage points to 57.6%, from 47.8% in March and 55.9% a year earlier. This moved it ahead of *Economic factors*, cited by 51.4% of respondents, little changed from March but well above 39.5% in June 2025.

Staff/skills shortages fell to 29.9%, from 35.9% in March and 47.7% a year earlier, but remained the fifth-most reported concern.

Among the remaining issues, *Freight and supply chain issues* fell to 17.6% after rising sharply to 33.3% in March, moving it from the sixth to eighth. *Cyber security, risk management and digitalisation* and *Workplace culture, wellbeing and mental health* both rose to 16.9%, while *Business growth* was broadly steady at 27.7%.

All our input costs have jumped, while discounting to drive sales is expected.

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

The cost of inputs are escalating and are becoming increasingly harder to cover and pass on to consumers.

» **Hospitality, 50-199 employees**

High fuel prices have led to increases in freight rates, while high interest has led to reduced consumer spending.

» **Health Care and Social Assistance, 1-4 employees**

The increasing costs of doing business, wage increases, 12% super and taxes make small business extremely difficult.

» **Health Care and Social Assistance, 10-19 employees**

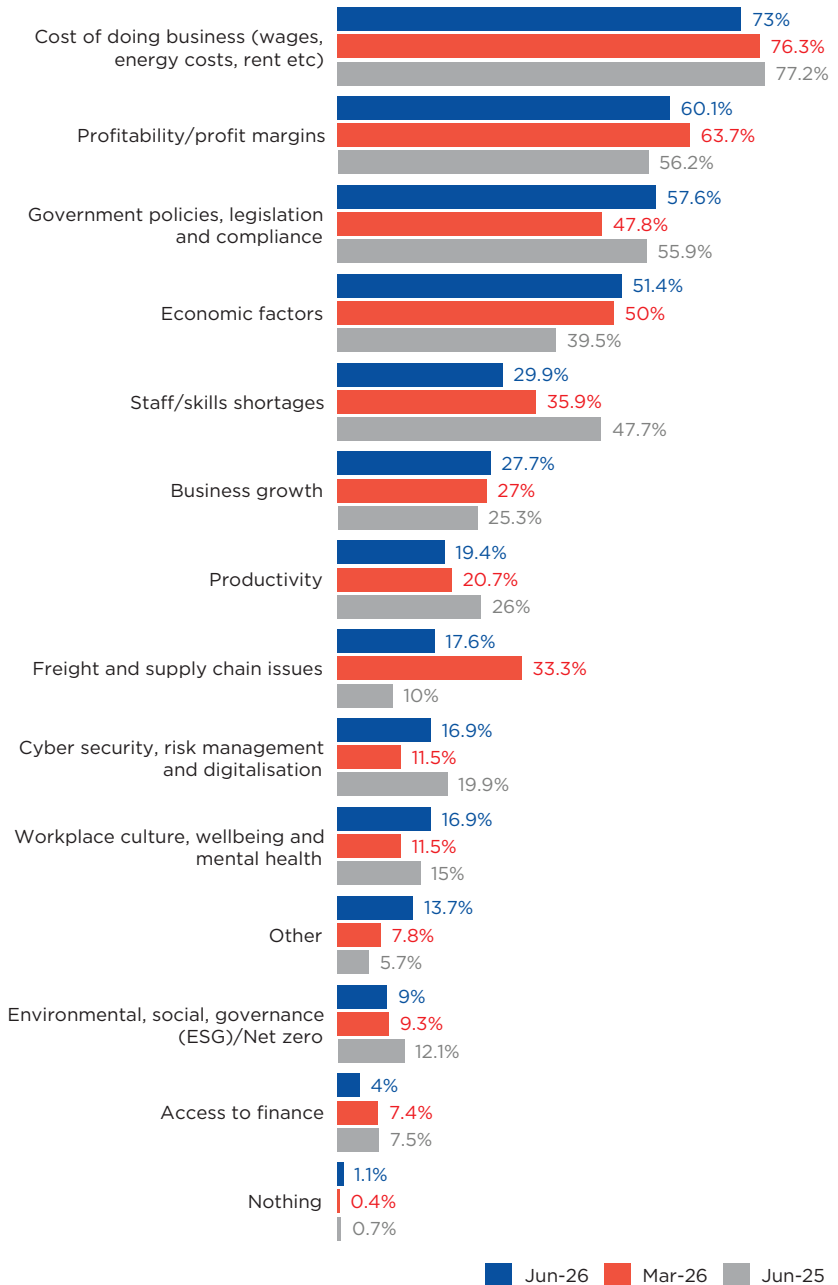
It is becoming increasingly difficult and risky to run a profitable business in Australia. Industry is now overregulated to the point where businesses take as much time completing paperwork as they do conducting their core business.

» **Professional, Scientific and Technical Services, Sole Trader**

EPA, SA Water, government and Tier 1 company compliance takes up around half our office time and reduces what we can do to be productive.

» **Electricity, Gas, Water and Waste Services, 5-9 employees**

Main Issues Affecting My Business



*Respondents could select up to five issues

Top Issues Affecting My Business by Industry

Manufacturing		
1	Cost of doing business	61%
2	Profitability/profit margins	58%
3	Government policies & compliance	56%
4	Economic factors	44%
5	Staff/skills shortages	39%

Professional, Scientific & Technical Services		
1	Cost of doing business	71%
2	Profitability/profit margins	57%
3	Business growth	50%
4	Government policies & compliance	46%
5	Economic factors	43%

Health Care & Social Assistance		
1	Cost of doing business	80%
2	Government policies & compliance	72%
3	Profitability/profit margins	48%
4	Cyber security, risk & digitalisation	40%
4	Economic factors	40%

Agriculture, Forestry & Fishing		
1	Cost of doing business	96%
2	Profitability/profit margins	76%
3	Government policies & compliance	68%
4	Economic factors	60%
5	Freight & supply chain	44%

Retail Trade		
1	Cost of doing business	70%
2	Economic factors	52%
3	Profitability/profit margins	48%
3	Government policies & compliance	48%
4	Freight & supply chain	39%

Construction		
1	Cost of doing business	81%
2	Profitability/profit margins	76%
3	Government policies & compliance	71%
4	Economic factors	57%
5	Staff/skills shortages	52%

Hospitality		
1	Economic factors	56%
2	Cost of doing business	50%
2	Government policies & compliance	50%
2	Profitability/profit margins	50%
3	Staff/skills shortages	25%

Personal & Other Services		
1	Profitability/profit margins	73%
1	Cost of doing business	73%
2	Economic factors	47%
3	Government policies & compliance	40%
4	Business growth	33%
4	Staff/skills shortages	33%

Across industries, *Cost of doing business* was the leading issue in most of the major sectors shown, with Agriculture, Forestry and Fishing recording the highest incidence at 96%.

Hospitality was the main exception, with *Economic factors* becoming its leading concern as *Cost of doing business* fell from 88% in the March quarter to 50% in June.

Government policies and compliance also featured prominently across industries, particularly in Health Care and Social Assistance and Construction. In Construction, it rose from 29% in the March quarter to 71% in June, moving from fifth to third.

Freight and supply chain issues remained more prominent in Agriculture, Forestry and Fishing and Retail Trade than in most other sectors.

AI is annihilating our industry (content production, graphic design etc.) We have had to stand numerous people down and will have to keep doing so as AI improves. I do not foresee the company keeping more than two or three staff in the medium term.

» **Information Media and Telecommunications, 20-49 employees**

Lack of quality workers in the available worker recruitment pool. Lack of care of workers in attending the workplace on a regular basis. Generally, lack of available workers in regional areas - no housing, accommodation options limits the pool.

» **Construction, 10-19 employees**

Compliance costs are unreasonable. In health, government charge-out rates are not keeping pace with inflation.

» **Health Care and Social Assistance, 50-199 employees**

Ongoing compliance, taxes, legislation always changing, always needing updating, and always costing.

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

We are finding it virtually impossible to expand our business because there are not sufficient people applying for our jobs. All the school leavers are told to go to university, but university doesn't teach the skills needed for the newspaper industry.

» **Manufacturing, 20-49 employees**

The costs involved with training new apprentices and staff, with the return on investment very low in short term and medium-long term, has made apprenticeships less and less viable for many small businesses in the hair and beauty sector.

» **Personal and Other Services, Sole Trader**

Costs are continuing to increase & eroding profit margins.

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

Top Issues Affecting My Business by Business Size

Sole Trader		
1	Cost of doing business	65%
2	Profitability/profit margins	54%
3	Government policies & compliance	46%
4	Economic factors	42%
5	Business growth	35%

1-4 employees		
1	Cost of doing business	80%
2	Government policies & compliance	66%
3	Profitability/profit margins	62%
4	Economic factors	56%
5	Business growth	28%
5	Freight & supply chain	28%

5-9 employees		
1	Cost of doing business	77%
2	Economic factors	67%
3	Profitability/profit margins	63%
4	Government policies & compliance	51%
5	Business growth	33%

10-19 employees		
1	Cost of doing business	81%
2	Profitability/profit margins	65%
3	Government policies & compliance	56%
4	Economic factors	52%
5	Staff/skills shortages	46%

20-49 employees		
1	Cost of doing business	68%
2	Profitability/profit margins	60%
3	Government policies & compliance	55%
4	Economic factors	51%
5	Workplace culture, wellbeing & mental health	30%

50-199 employees		
1	Cost of doing business	80%
2	Government policies & compliance	73%
3	Profitability/profit margins	61%
4	Economic factors	41%
5	Staff/skills shortages	34%

200+ employees		
1	Profitability/profit margins	48%
2	Government policies & compliance	43%
2	Staff/skills shortages	43%
3	Cost of doing business	39%
3	Economic factors	39%

By business size, *Cost of doing business* remained the leading issue for every group except those with 200+ employees, where *Profitability/profit margins* ranked first.

The largest change was among sole traders, where *Cost of doing business* and *Profitability/profit margins* both fell by around 18% from the March quarter.

Government policies and compliance became more prominent for several business sizes, rising notably among businesses with 1-4 employees and 50-199 employees.

Among businesses with 5-9 employees, *Economic factors* also rose from 57% in March to 67% in June, becoming the second-highest ranked issue for the group.

The pattern among businesses with 200+ employees changed considerably from last quarter. *Cost of doing business* fell from equal first to equal third while *Profitability/profit margins*, *Government policies and compliance* and *Staff/skills shortages* all remained among the leading concerns, albeit at lower levels than in March.

The low productivity, cost of doing business and economics factors have made Australian made products extremely expensive and much less competitive.

» **Wholesale Trade, Sole Trader**

Cost of doing business in regional areas, rising Government costs, increase in interest rates, insurances and wages has reduced profitability to a break-even point - this, paired with uncertainty around new legislation has put further pressure on small business.

» **Agricultural, Forestry and Fishing, 1-4 employees**

The cost of living continues to hurt business. People aren't spending money as they have none left to spend.

» **Retail Trade, 5-9 employees**

In South Australia, the payroll tax threshold has remained unchanged for many years despite substantial wage growth, resulting in more businesses becoming liable for payroll tax and facing higher tax burdens without corresponding growth in real business size or profitability.

» **Information Media and Telecommunications, 10-19 employees**

Much more time is allocated to compliance and bureaucracy, at the expense of actually doing work and being productive. Our productivity has fallen significantly in the last 5 years, as we spend more time on everything except working.

» **Agricultural, Forestry and Fishing, 20-49 employees**

The 4.75 wage case has placed pressure on our services as they are grant funded and their funding was not increased commensurate with our increase in costs.

» **Health Care and Social Assistance, 50-199 employees**

We are obviously heading to a recession and the current uncertainty in the economy is having a huge effect on business confidence.

» **Mining, 200+ employees**

Cost Indicators

The *Cost of Materials Index* fell 3.8 points to 155.1 in the June 2026 quarter but remained near the top of its 20-year range. The 83.9% of businesses reporting increasing material costs also remained historically high, despite falling from its March peak of 88.7%. Respondents expect some moderation in the September 2026 quarter, with the *Predicted Cost of Materials Index* at 147.6.

The *Cost of Overheads Index* declined 2.9 points to 157.1, remaining exceptionally high by historical standards. The 87.3% of businesses reporting rising overheads also stayed close to the March high of 90.0%. Respondents predict the *Cost of Overheads Index* will fall to 151.4 in September, still well above neutral.

Cost of Materials Index for the June Quarter 2026

155.1 points

Predicted Cost of Materials Index for the September Quarter 2026

147.6 points

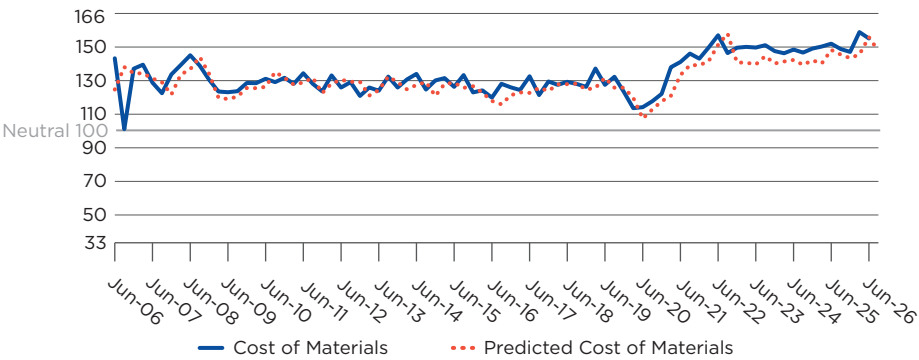
Cost of Overheads Index for the June Quarter 2026

157.1 points

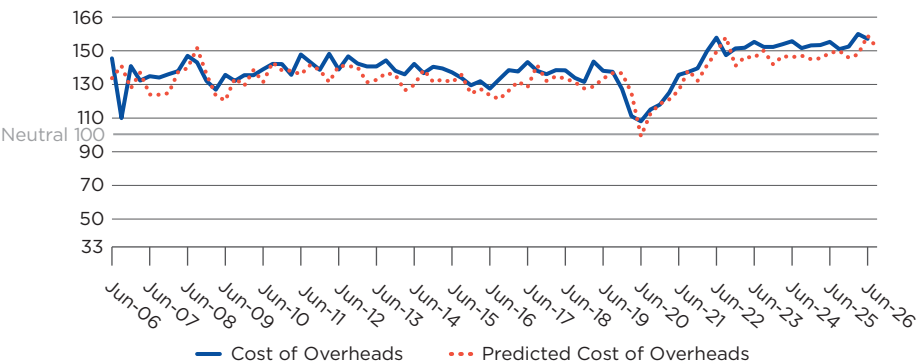
Predicted Cost of Overheads Index for the September Quarter 2026

151.4 points

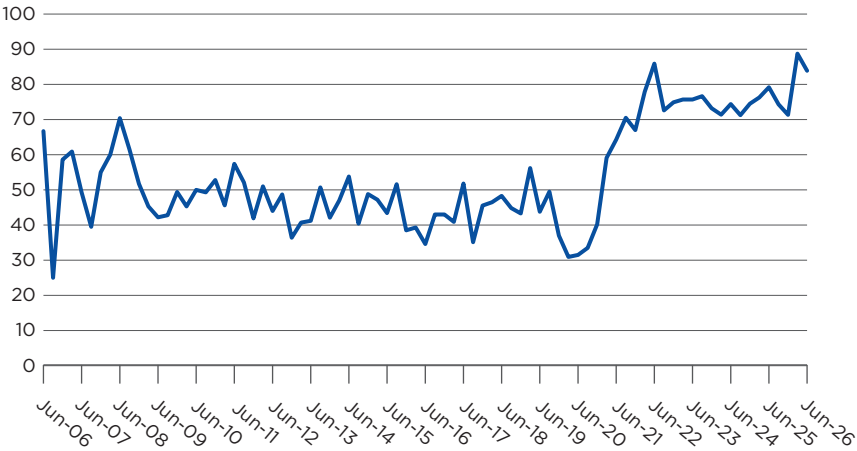
Cost of Materials Index - 20 Years



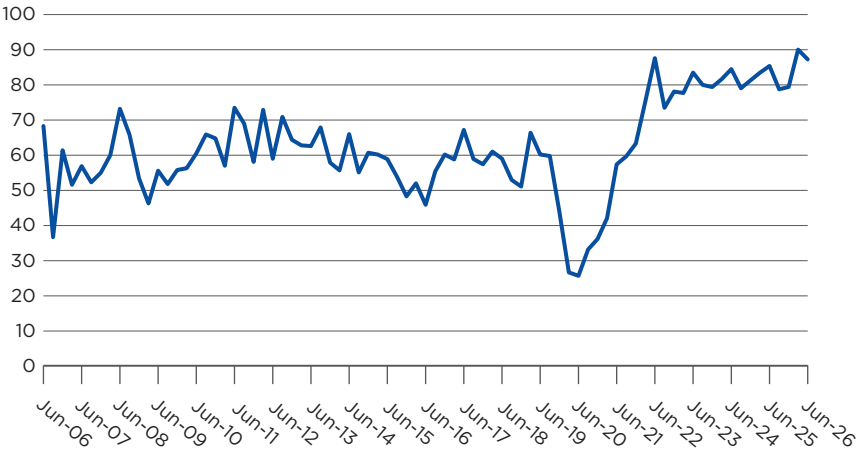
Cost of Overheads Index - 20 Years



% of Businesses Reporting Cost of Materials Increasing



% of Businesses Reporting Cost of Overheads Increasing



Other Performance Indicators

Profitability improved from the March low, with the *Profitability Index* rising 7.7 points to 73.3 in the June 2026 quarter. While this moved the index away from its weakest level in more than 20 years, it remains low by historical standards, with only a modest further increase to 75.6 points expected next quarter.

Pricing conditions were broadly unchanged. The *Average Selling Price Index* slipped 1.0 point to 101.1, remaining close to neutral (100), with respondents predicting the same result for the September 2026 quarter. This indicates that whilst some businesses have increased their prices to recover increasing costs, including the impact of fuel and transport prices, many have absorbed the impact through lower margins.

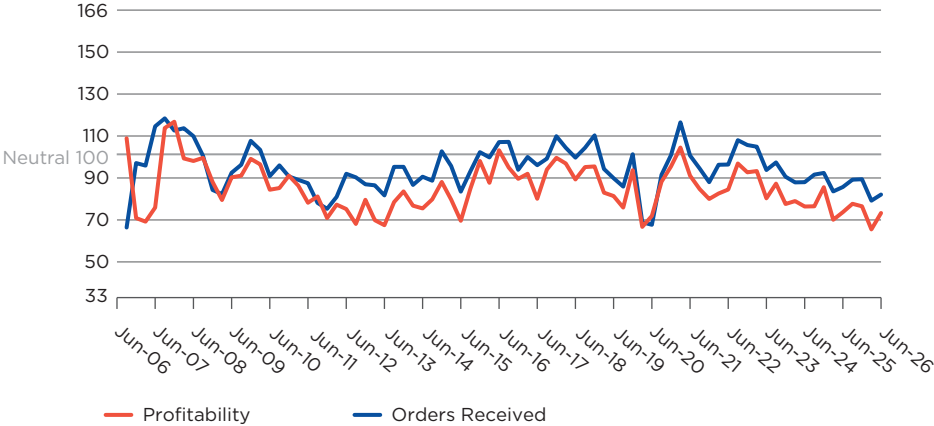
Demand indicators remained subdued. The *Orders Received Index* increased 3.0 points to 82.2 after reaching a more than 20-year low in March and is expected to improve further to 88.7 in September. The *Export Sales Index* declined 2.2 points to 92.4 and is predicted to remain broadly steady next quarter.

The June results show a divergence between labour costs and employment, with the *Average Wages Index* rising sharply by 10.7 points to 137.8, while the *Employment Levels Index* fell 3.3 points to 87.8. Respondents expect the *Average Wages Index* to moderate to 130.5 in September, while *Employment levels* are predicted to decline slightly further to 86.5.

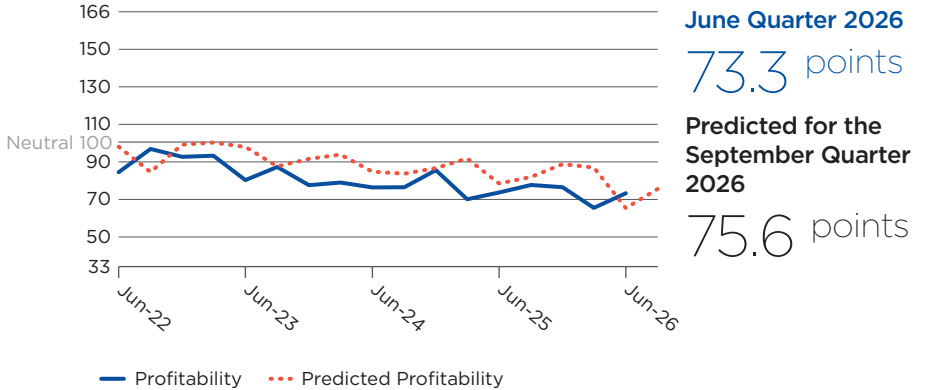
Among investment and capability indicators, the *Training Expenditure Index* edged up to 116.3, while the *Overtime Worked Index* remained close to neutral at 100.6 and the *Capital Expenditure Index* rose to neutral at exactly 100.0. All three are predicted to fall in the September 2026 quarter, with predictions of *Training expenditure* at 108.3, *Overtime worked* at 92.3 and *Capital expenditure* at 87.6.

Wage pressures increased sharply in the June 2026 quarter while employment conditions weakened.

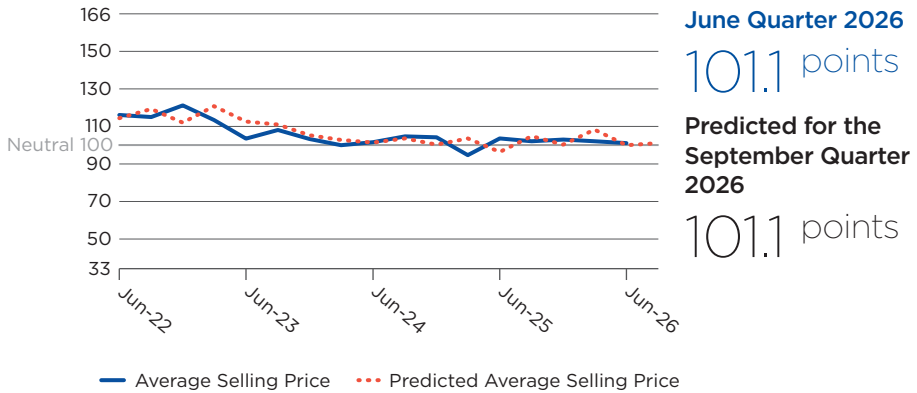
Profitability and Orders Received Indices - 20 Years



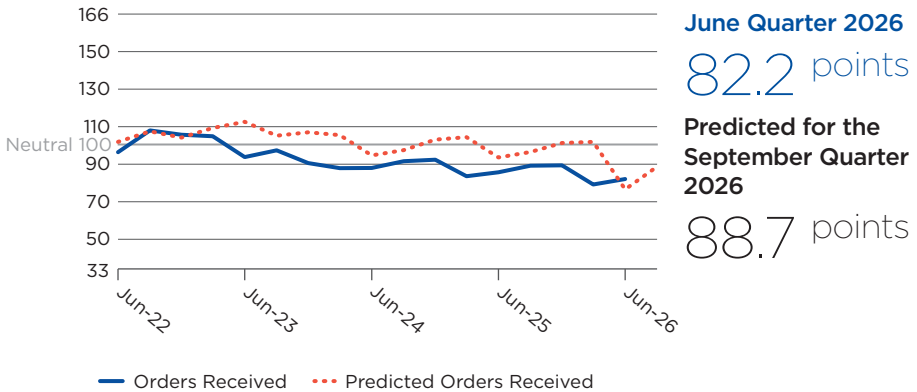
Profitability Index



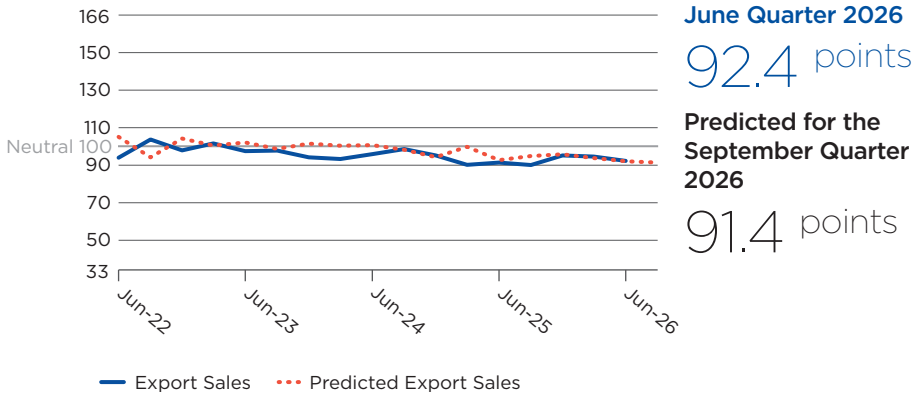
Average Selling Price Index



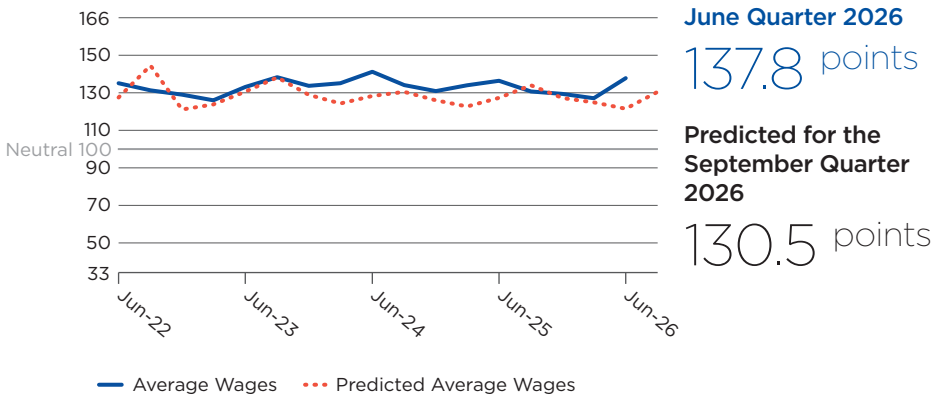
Orders Received Index



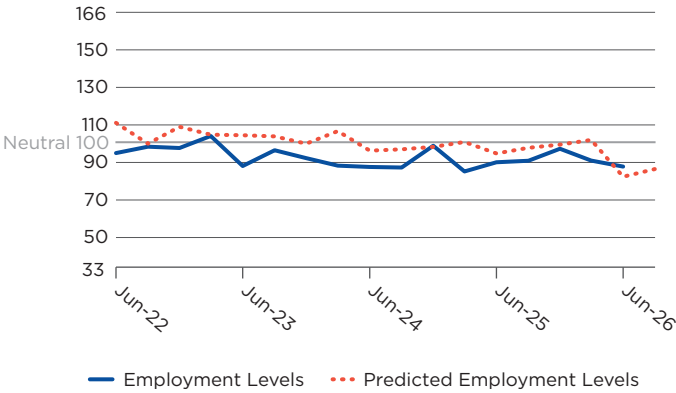
Export Sales Index



Average Wages Index



Employment Levels Index



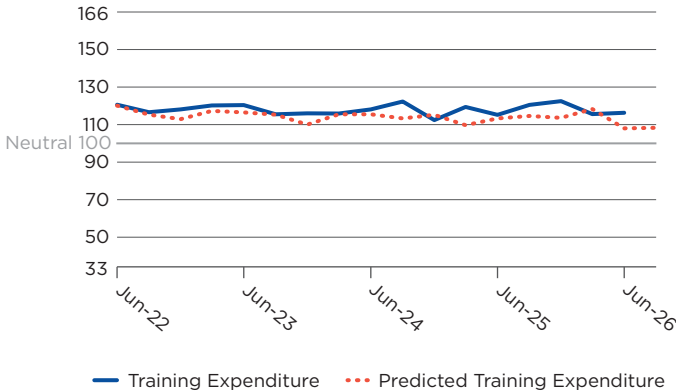
June Quarter 2026

87.8 points

Predicted for the
September Quarter
2026

86.5 points

Training Expenditure Index



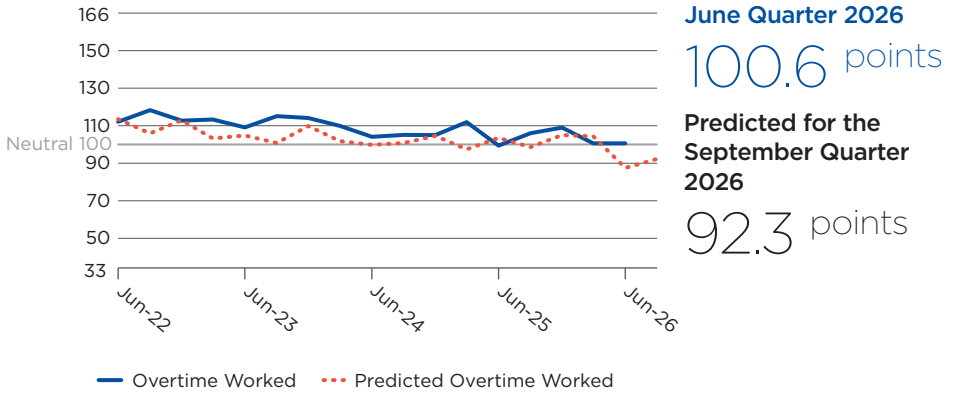
June Quarter 2026

116.3 points

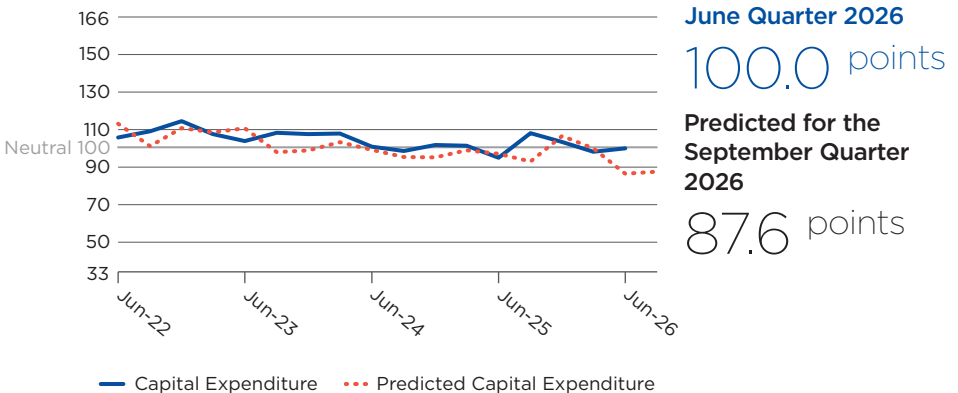
Predicted for the
September Quarter
2026

108.3 points

Overtime Worked Index



Capital Expenditure Index





In the last quarter, what has led to positive outcomes for your business?

Active social outreach, networking events, having a business mentor to consult with.

» **Health Care and Social Assistance, Sole Trader**

Stable workforce and workplace culture.

» **Personal and Other Services, 20-49 employees**

Investing in local suppliers where possible.

» **Manufacturing, 50-199 employees**

Adopting AI integration tool related to administration tasks. We have managed to reduce one clerk's workload by over 60%. Which means more time can be spent in other areas.

» **Manufacturing, Logistics, Seafood Retail and Wholesale, 10-19 employees**

Investment into apprenticeships has increased the company's skills.

» **Personal and Other Services, 50-199 employees**

Streamlining productivity through technology.

» **Financial and Insurance Services, 1-4 employees**

Collaborative partnerships to identify opportunities.

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

Being proactive and not waiting for the business to walk in the door.

» **Financial and Insurance Services, 200+ employees**

New opportunities in a new market which we entered a few years ago.

» **Administrative and Support Services, 5-9 employees**

Internal efficiency gains helping offset rising costs.

» **Health Care and Social Assistance, 50-199 employees**

External federal funding obtained. Working collaboratively to reduce workloads and costs through intra departmental collaboration.

» **Agricultural, Forestry and Fishing, 5-9 employees**

Local advertising has reached new customers.

» **Education and Training, Sole Trader**

Increased sales and demand for products in the way of projects.

» **Manufacturing, 10-19 employees**

Continued investment in staff & existing client relationships.

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

Securing long term contracts for FY2027.

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

Building new projects and re-building collaborative ventures.

» **Retail Trade, 1-4 employees**

We had a holiday, much needed mental health break.

» **Manufacturing, 50-199 employees**



Government Procurement

More than half of respondents (56.0%) told us they had not considered supplying to government in the past 12 months. By comparison, 35.1% reported pursuing work directly with government and 23.0% through a prime contractor, while 14.9% had considered opportunities but did not proceed.

State Government opportunities were the most pursued, with 75.9% of businesses reporting direct engagement, compared with 58.6% for local government and 23.0% for the Federal Government. A similar pattern was evident among businesses supplying through prime contractors.

The leading barriers were closely grouped, with close to a third of respondents citing difficulty finding opportunities (29.5%), complex or time-consuming tender documents (29.5%) and onerous procurement requirements (29.1%). Difficulty connecting with prime contractors or preferred supplier panels was reported by 27.0%, while 24.9% cited pricing pressure/low margins.

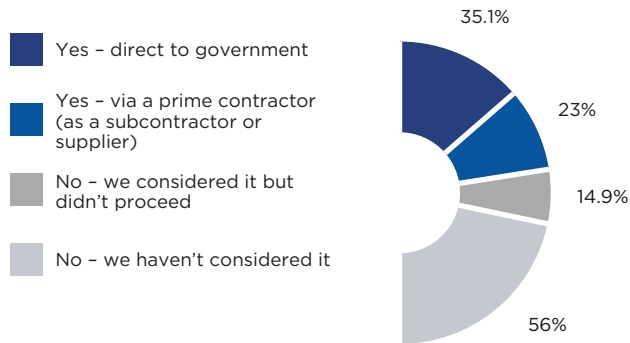
Despite these barriers, almost half of respondents were confident they could meet typical government procurement requirements, while 13.5% were either not confident or not at all confident.

Experience among businesses that had engaged with government procurement was mixed. Successful engagement and receipt of work was reported by 21.4% of respondents, while 14.0% had engaged but received limited work; other reported experiences included commercially unviable pricing, onerous contract requirements, unsuccessful tenders and difficulty accessing decision-makers or opportunities.

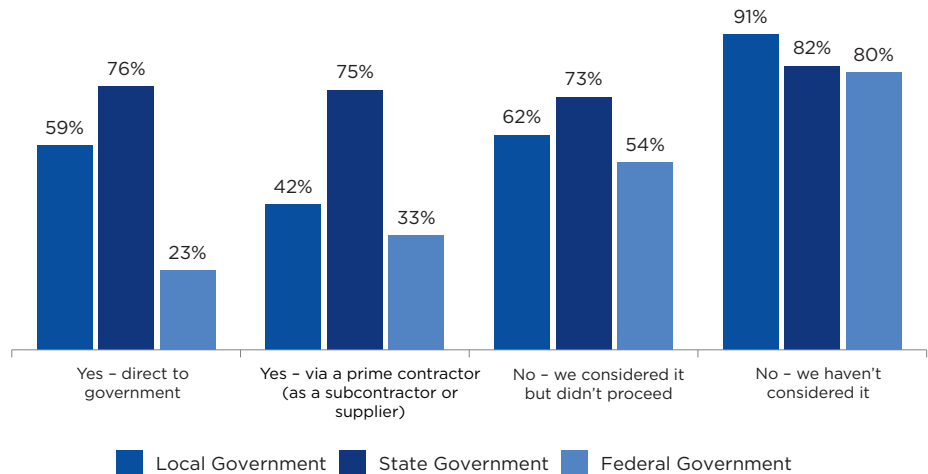
The most nominated suggestion for improvement was clearer and simpler tender documentation and templates, selected by 44.4% of respondents. A single, easier prequalification process recognised across agencies followed at 38.6%, while one-third nominated greater transparency in the tender process. Better visibility of future opportunities and stronger requirements for prime contractors to engage South Australian suppliers were each selected by 31.8%.

Free-text responses broadly reinforced the quantitative results, with businesses referring to the time and cost involved in preparing tenders, difficulty accessing preferred supplier arrangements, pricing and payment issues, and uncertainty about procurement outcomes. Other respondents raised the treatment of South Australian suppliers, including how local businesses are considered within procurement processes.

In the past 12 months, has your business pursued opportunities to supply to government (directly or via a prime contractor)?*



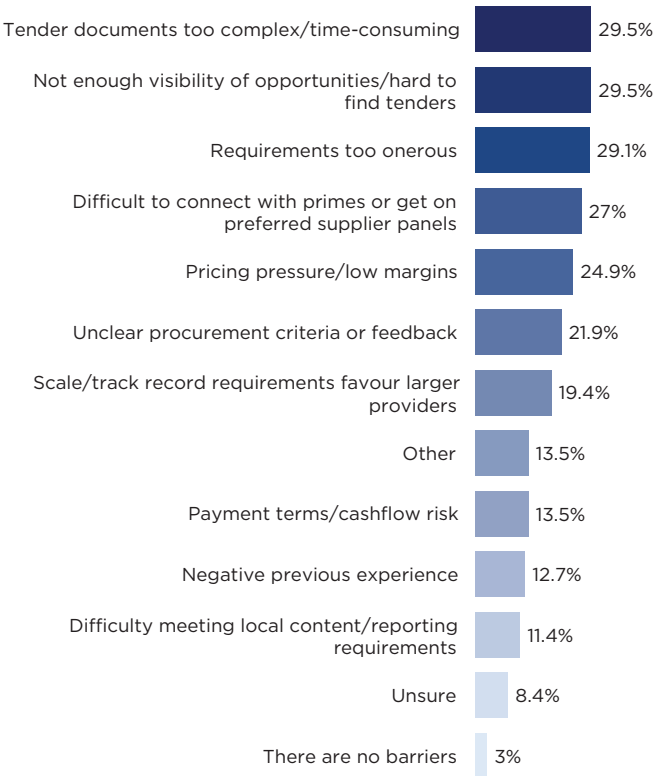
Which level of government procurement?*



*Respondents could select multiple options

Simpler processes
and **prequalification**
rank highly among
requested procurement
improvements.

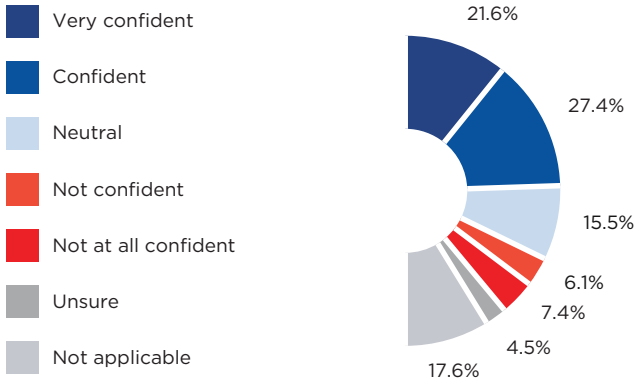
What are the main barriers preventing your business from tendering for government work or supplying into government contracts via larger businesses?



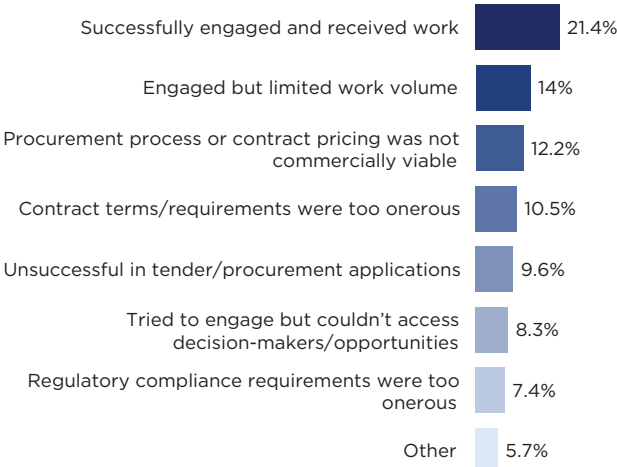
**Respondents could select multiple options*

Procurement barriers
centre on complexity,
access and requirements.

How confident is your business that it could meet typical government procurement requirements?

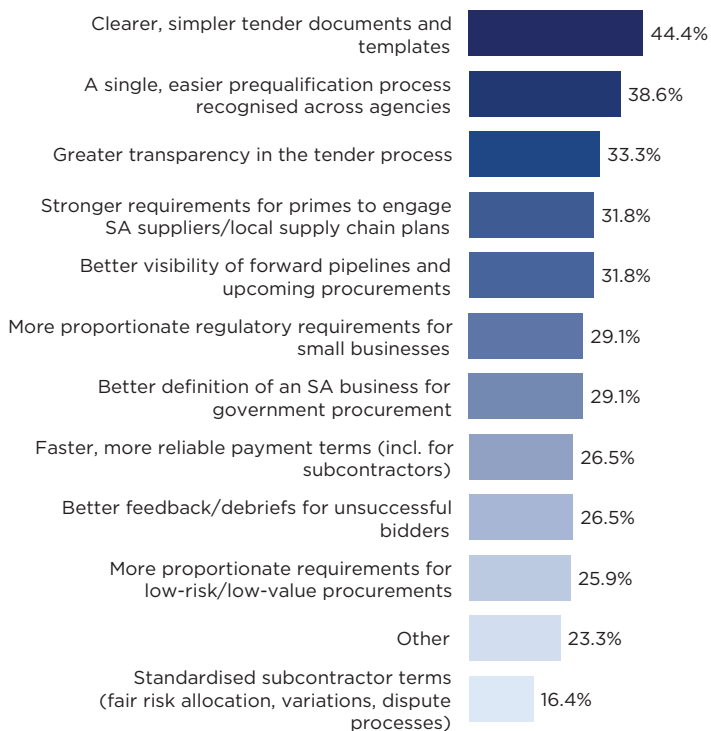


If your business has supplied (or tried to supply) into government contracts directly or via a prime contractor in the past 12 months, what best describes your experience?



* Respondents could select multiple options

Which changes would most improve your ability to win government work (directly or through prime contractors)?



** Respondents could select multiple options*



Government expects small business to have the same level of resources as large business. They make it far too difficult and do not give a damn about personal service and professional response.

- » **Public Administration and Safety, 5-9 employees**

Local council depot was dismissive of our services despite buying similar products interstate.

- » **Manufacturing, 10-19 employees**

Never heard back despite effort and work in applying.

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

Very one-sided power balance, and very onerous process – a week full-time work to complete a tender, who has the spare time for this?

- » **Agricultural, Forestry and Fishing, 10-19 employees**

All conversations essentially move to lowest price.

- » **Manufacturing, 20-49 employees**

Complete nightmare compared to private sector.

- » **Construction, 50-199 employees**

Won work but have backed off as they are failing to pay for the work.

- » **Electricity, Gas, Water and Waste Services, 50-199 employees**

Yes, tenders are time consuming and you only seem to win if you already work with the department.

- » **Education and Training, Sole Trader**

Tenders where there is an incumbent and the process is a 'tick the box' exercise for procurement. [The concern is that] the decision has already been made, and businesses are asked to invest significant resources with little chance of reward.

- » **Professional, Scientific and Technical Services, 5-9 employees**

We tender for work and absorb the costs of that process. If we have tender for the same work for more than 2 years and are not successful, then we don't tender again due to the lengthy process and information required.

- » **Construction, 10-19 employees**

Successful does not mean it was not painful.

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

I only got a tender by paying for someone to help as it was such a big process for a sole trader and on the tools.

- » **Construction, 1-4 employees**

Brutal contract negotiations.

- » **Wholesale Trade, 50-199 employees**

We spend a lot of time tendering knowing that they are only ticking boxes to claim they have given SMEs a go or have satisfied their requirements for local content.

- » **Manufacturing, 10-19 employees**

Need more genuine value for local suppliers earlier in evaluation process. Industry Participation Plan (IPP) is one of last criteria assessed after a range of other prior criteria (incl. experience etc).

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



Productivity

More than half of respondents (56.9%) said their business tracks and reports on productivity measures, while 43.1% either do not measure it or were unsure.

Worker productivity was reported by 43.3% of respondents as unchanged over the past 12 months. Among those reporting a change, decreases were slightly more common than increases, 23.8% and 20.8% respectively.

Free-text responses linked productivity gains to improved systems, training, workflows, technology and AI, management practices and operating with fewer staff.

Those reporting weaker productivity cited lower demand, higher costs, workforce issues, staff wellbeing, regulation and time spent on compliance.

The most frequently selected barrier to improving productivity was Excessive legislation and compliance, reported by 42.7% of respondents.

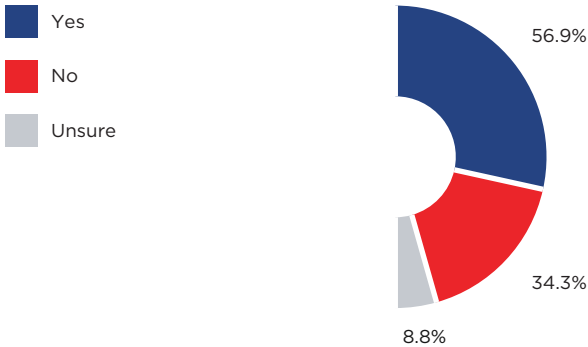
Economic factors and affordability/budgetary reasons were each selected by 39.2%, followed closely by staff/skills shortages at 36.6%. Fewer than one in ten respondents selected digital infrastructure and/or inefficient equipment/capital goods.

When asked which state government policy changes could improve productivity, 50.9% selected a streamlined regulation and compliance framework, followed by streamlined employment and industrial relations laws at 47.4% and payroll tax reform at 42.6%. Improved energy infrastructure was selected by 34.8%, while 31.3% nominated streamlined procurement and tender processes.

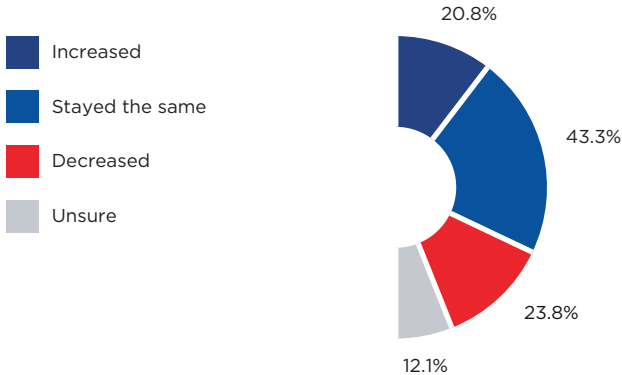
The regulatory and compliance burden represented a significant impost for many businesses. More than half (51.3%) reported spending six hours or more each week on compliance, including 18.8% spending more than 20 hours. Separately, 27.5% reported spending between one and five hours a week. Free-text responses also highlighted that compliance can involve multiple employees and requirements imposed by both government and larger businesses.

Regulation is the top barrier to productivity.

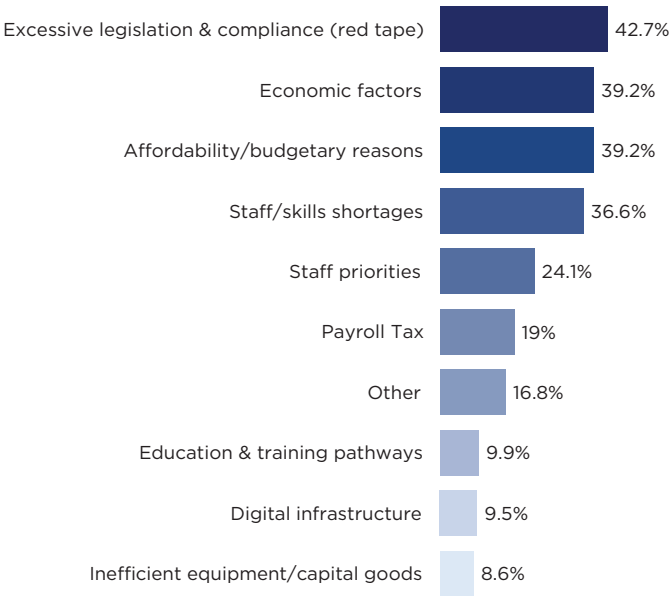
Does your business track and report on productivity measures?



Over the last 12 months, has worker productivity in your business...



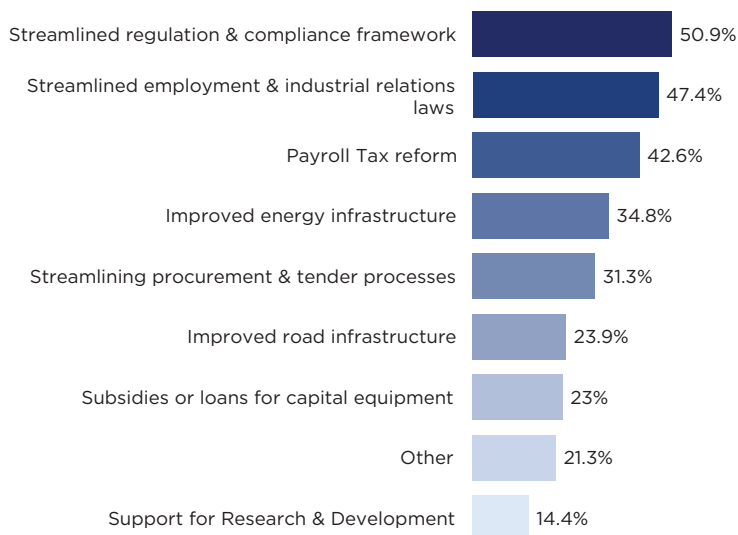
What are the biggest barriers to improving productivity in your business?



**Respondents could select multiple options*

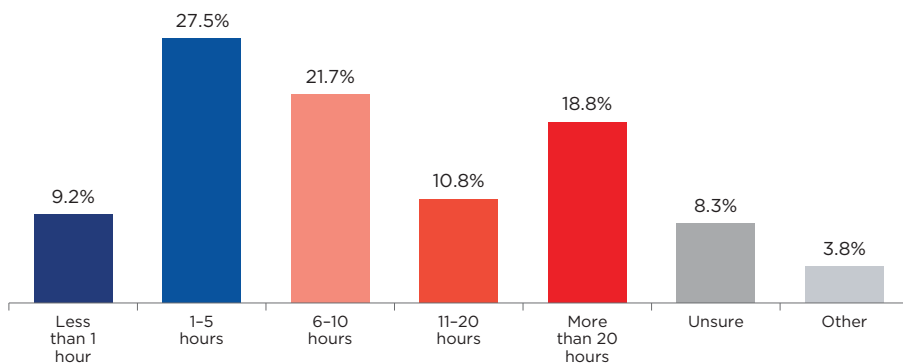
Only one in five businesses report productivity gains in the last year

What policies should the state government pursue to improve productivity?



**Respondents could select multiple options*

On average, how many hours per week does your business dedicate to managing red tape - eg meeting government regulatory and compliance requirements?





Difficult and expensive to implement new technologies in automotive industry.

- » **Personal and Other Services, 20-49 employees**

Increased experience has led to reduced processing times.

- » **Professional, Scientific and Technical Services, Sole Trader**

Too busy surviving day to day to worry about that.

- » **Agricultural, Forestry and Fishing, 1-4 employees**

Productivity has declined over the past 12 months. A significant factor has been the ever-increasing administrative and compliance burden placed on businesses. New Anti-Money Laundering onboarding requirements, increased reporting obligations, changing tax rules and ongoing regulatory changes have diverted management time away from growing businesses, investing in people and delivering for clients. Australian businesses need a period of policy stability and a genuine reduction in red tape so we can focus on productivity rather than compliance.

- » **Professional, Scientific and Technical Services, 200+ employees**

There are legislated restrictions and awards that make productivity gains very difficult.

- » **Health Care and Social Assistance, 50-199 employees**

It's not just the Government sector. It's the Tier ones constantly bombarding us with compliance, and every one of them use a different portal.

- » **Manufacturing, 5-9 employees**

A strong focus on productivity as one of the only levers we can pull to offset rising costs.

- » **Manufacturing, 50-199 employees**

I have been far too preoccupied battling the war against business cost increases which draws me away from being able to put time to individual employees and teams in a manner that allows us to grow and improve business practices.

- » **Manufacturing, Logistics, Seafood Retail and Wholesale, 10-19 employees**

Already at capacity - our problem is the inability to find qualified labour.

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

We are already on the border line of what my team can achieve without overtime/ burnout. We also cannot afford a new hire.

- » **Wedding and Events, 5-9 employees**

Fewer staff as many have been replaced with AI. Remaining staff have the same workload as before but with reduced staff management responsibilities.

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

>10% of our staff time is dedicated to meeting compliance costs.

- » **Health Care and Social Assistance, 50-199 employees**

Streamline red tape - reduce the number of times we enter the same data for difference compliance requirements.

- » **Agricultural, Forestry and Fishing, 5-9 employees**

Lots of busy work easily consumes any productivity gains we make. Government moves a lot of their work into bloated compliance and procurement to wrangle their own internal mess.

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



Taxation and Trusts

The May Federal Budget proposed significant changes to the taxation of capital gains and discretionary and family trusts, with potential implications for business structures, investment and succession planning. The survey asked businesses how they expect these changes to affect them and how they are preparing.

Around three-quarters of respondents had either already sought professional advice on the announced capital gains tax (CGT) and trust taxation changes or plan to do so.

A substantial share of businesses reported using a trust structure, including 26.3% as their core operating structure and 20.3% to hold assets or property.

Among businesses responding to the proposed 30% minimum tax on discretionary or family trust income, 65.0% expect a moderate or severe impact. While 22.5% were unsure, only 2.5% expected no impact.

Almost half (47.5%) reported considering moving their discretionary or family trust into a different entity, 13.3% said they planned to restructure, while 35.0% said the decision was yet to be determined.

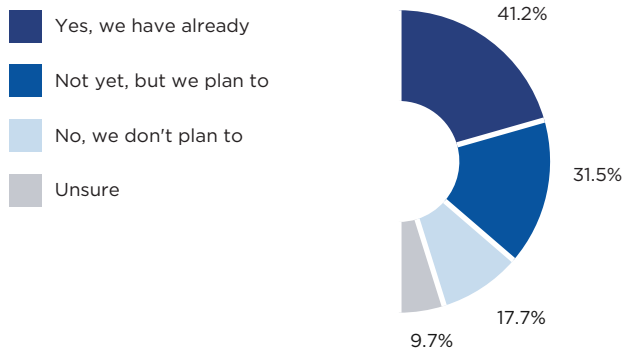
The announced change from the 50% CGT discount to an inflation-indexed model was also reported as relevant to future investment decisions. Some 43.5% said the change would negatively affect whether they invest in and grow their business.

Confidence in navigating the broader Federal Budget tax reforms was low. Almost half of respondents (47.5%) were not very confident, while 14.7% were unsure. Just 37.8% were either completely or somewhat confident they understood the likely impact on their business.

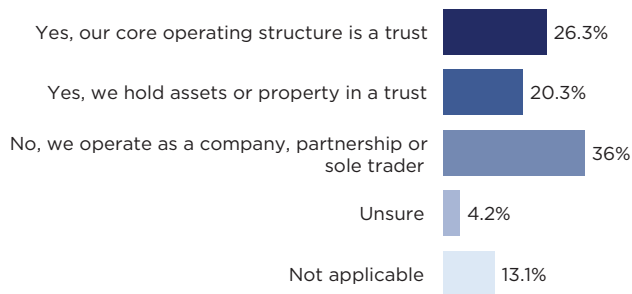
Free-text responses highlighted uncertainty about the changes, the cost of professional advice, valuations and restructuring, and potential impacts on investment, expansion and risk-taking. Respondents also raised concerns about succession planning and the transfer or sale of family businesses.

Some respondents expected little or no impact, while others were awaiting professional advice before making decisions.

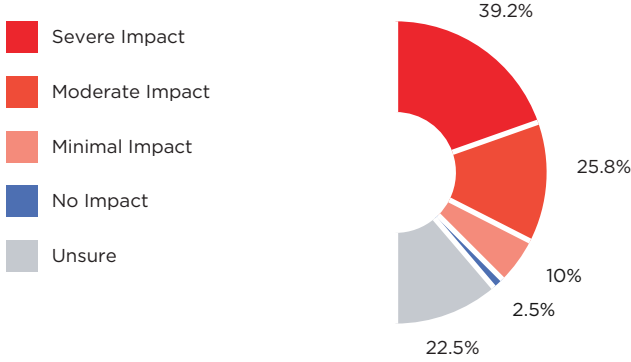
Have you sought out professional advice to prepare for the new capital gains tax and trust taxation rules?



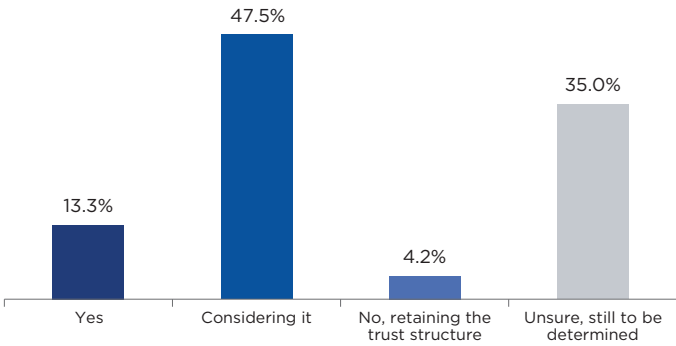
Does your business currently utilise a discretionary/family trust structure?



How will the upcoming 30% minimum tax on discretionary/family trust income impact your business?

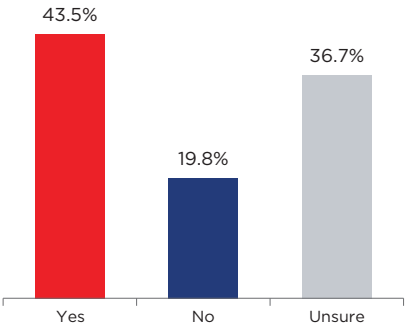


Do you plan to restructure your discretionary/family trust into a different entity?

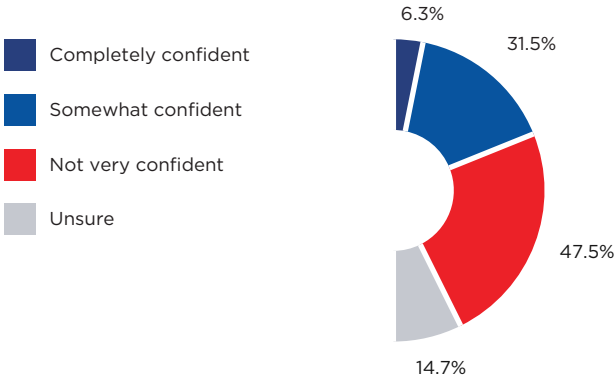


Nearly half **expect the CGT change to affect investment and growth.**

Will the shift from the 50% Capital Gains Tax discount to an inflation-indexed model negatively impact whether you invest in and grow your business?



Do you feel confident navigating how the recent Federal Budget tax reforms impact your business?





It has decreased my appetite to take risk.

» **Personal and Other Services,
20-49 employees**

We are a multi-generational family business, employing workers, and approaching retirement. This could affect a decision about a family member/s continuing in the business or selling.

» **Administrative and Support Services,
1-4 employees**

Expect to pay out more tax for little apparent gain to the business, reduction in cash flow, less incentive to invest back into the business.

» **Retail Trade, 1-4 employees**

We purchased our farm over 10 years ago and invested in ongoing improvements ever since. The CGT change will see most of our reward for hard work over that time taken by the government and our intended legacy for our grandchildren stripped from them.

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

Considering exiting business before 1 July 2027 and taking funds offshore to invest.

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

No incentive to grow.

» **Construction, 50-199 employees**

We will not be investing in any new opportunities.

» **Electricity, Gas, Water and Waste Services,
50-199 employees**

More costs to figure out, costs to change, cost to administer.

» **Manufacturing, 5-9 employees**

Unsure yet, still getting our heads around it all. Lead time of announcement was extremely short. Not enough time to plan properly and seek timely advice.

» **Wedding and Events, 5-9 employees**

It is going to cost money to have our accountant review our set up and how this will impact us.

» **Construction, 10-19 employees**

Operating trust is exempt (agriculture) but land trusts are not. Makes buying/selling land much harder. Also severely impacts succession plans which are currently in process.

» **Agricultural, Forestry and Fishing,
5-9 employees**

We're not asking to avoid paying tax. We're asking for tax rules that recognise genuine family succession and business restructuring. If ownership isn't leaving the family and the business continues to operate, the tax system shouldn't create unnecessary barriers. We want to invest, employ people and pass healthy businesses on to the next generation not spend years and tens of thousands of dollars restructuring around the tax rules.

» **Wine, 20-49 employees**

We are wondering what this will mean for us and whether we can pass our family business on to our children.

» **Personal and Other Services, 1-4 employees**

We will need to get our business valued at the end of FY27 so we have a benchmark value. We are also going to need to move from a Trust Structure to a company structure, which will come at a cost.

» **Construction, 20-49 employees**



Case Study

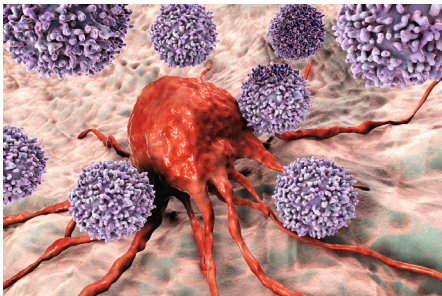
Patient capital and investment policy setting powers the long road to breakthrough

Carina Biotech is taking South Australian science to the world. Emerging from Australia's cooperative research centre system, the Adelaide-based company initially focused on cell therapy manufacturing and sovereign capability before shifting to the development of its own CAR-T cell therapies for solid cancers.

Carina's therapy for patients with advanced metastatic bowel cancer is now the first Australian-discovered CAR-T cell therapy of its type to reach clinical trial. This is a milestone CEO and Managing Director Dr Deborah Rathjen says reflects years of focused scientific and commercial work.

"We went from a standing start in mid-2020 through to having our first clinical trial initiated at the end of 2023," Dr Rathjen says.

CAR-T cell therapy uses a patient's own immune cells, engineering them to recognise and attack cancer. Dr Rathjen describes the cells as "supercharged" hunters that "chew up the cancer cell".



"It takes a village to run a clinical trial," Dr Rathjen says. That village spans universities, hospitals, clinical trial providers, advisers, manufacturers and scientists; underscoring why research, grant, tax and investment settings matter.

This quarter's survey results highlight tax uncertainty, compliance, productivity and investment confidence. For capital-intensive biotech, those pressures can influence whether science keeps moving from laboratory to patient.

Dr Rathjen says Federal Budget changes to capital gains tax and the Research and Development Tax Incentive have created immediate concern. "On budget night I could literally hear investors' wallets close," she says.

The R&D Tax Incentive cash rebate is critical for pre-revenue innovation companies. The proposed reforms would limit refundability to businesses under 10 years old, which Dr Rathjen warns does not reflect biotech timelines.

"Most biotech companies spend 10 years just building their technology platforms and getting the product to a point where it can go into a clinical trial," she says.



There are also concerns about the proposed removal of eligibility for supporting activities, which can include expensive work linked to clinical trials. Changes to tax, grant programs and long assessment timeframes add further uncertainty for investors and companies working to long development horizons.

That matters because biotech often relies on more than one company's science. It depends on patient capital, clinical trial capability, advanced manufacturing and highly skilled people who are difficult to replace.

"If one of the pieces in the funding jigsaw falls over, the impact goes well beyond the company," Dr Rathjen says. "It affects the whole ecosystem around it, including the skilled workforce that can be very difficult to rebuild."

Productivity is another survey theme with clear relevance to biotech. For Carina, it means using AI, improving manufacturing and streamlining clinical processes, while also building deeper expertise and capability.

"It also has a deeper human measure," Dr Rathjen says. "In cell therapy manufacturing, productivity can mean reducing production time, improving product quality, lowering clean room and labour costs, and increasing the chance that patients receive their cells before becoming too unwell."

Despite the challenges, Dr Rathjen says South Australia has strong talent, an accessible ecosystem and a major opportunity to grow our Biotech Precinct, but needs more critical mass, capital and investment.

Carina Biotech takes its name from a southern-sky constellation. In Latin, carina means the keel of a ship, linking it to Argo Navis and the search for the Golden Fleece.

"We're on the search for a future where cancer is defeated," Dr Rathjen says.



Dr Deborah Rathjen
Chief Executive Officer, Carina Biotech

A Word from William Buck

by Adrian Chugg, Managing Partner, William Buck SA

From cost squeeze to tax shock: business confidence under pressure

The June 2026 quarter Survey of Business Expectations shows some relief after a very weak March quarter, but no one should confuse a bounce from a very low base with strength when it comes to business confidence.

Cost of doing business remains the top concern, followed by profitability, government policies and compliance plus broader economic factors. Inflation is still biting, especially for businesses unable to pass on higher costs quickly or in full. Some niche markets are holding up where customers have greater spending capacity, while others face softer demand and less room to move.

The end of the financial year is always a reset point, but this year it comes with more noise around tax, restructuring and what May's Federal Budget changes mean in practice.

The proposed capital gains tax and family trust changes have become a major confidence issue because they may impact reinvestment, succession and long-term business decisions.

Many South Australian businesses use trust structures, either to operate the business or hold assets. The survey shows a large share of respondents expect the proposed 30 per cent minimum tax on trust income to have a moderate or severe impact, and many are considering restructuring.

That does not mean every business should rush to restructure. Treasury has flagged exclusions for some trust types and income streams, while other businesses may see little practical change to effective tax rates. In some cases, the rule changes may enable businesses to simplify their structures.

It is important that owners understand their current structure and what the changes could mean before making decisions. That also fits with the survey results, with many respondents having already sought professional advice and others planning to do so.

The real issue is not just the taxes; it is the uncertainty and the way it changes behaviour.

We are already having conversations with business owners about the trade-off between reinvesting in the business versus taking more profit off the table over time. If trusts or future capital gains are likely to be taxed more heavily that will influence investment decisions now.

Productivity is another important part of the story. Businesses are trying to do more with less, yet red tape and compliance keep taking time away from the work that actually drives the business, like producing unique products or providing high-quality service to customers.

The challenge is that you cannot improve what you do not measure. While many businesses track productivity, a sizeable share still do not. The focus should be simple, useful measures, not another internal administration exercise.

Strategic planning starts before the numbers. Businesses need to understand their point of difference, what drives performance and where opportunities lie: whether through innovation, efficiency, scale, customers, technology or people. Only then should that be fed through to the financials, but looking at profit is not enough.

Businesses also need to understand the balance sheet, cash reserves, working capital and cash flow. Cash is still king and running out hurts even if the profit and loss results look fine on paper.

In this environment, the strongest businesses will step back from the day-to-day, understand what really drives performance, and carefully plan despite the uncertain environment. They will also make informed and considered decisions when it comes to the impact of taxation.

WilliamBuck
ACCOUNTANTS & ADVISORS



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