
The Business SA
Survey of Business
Expectations

SEPTEMBER
QTR 2022

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Business
now



Business SA
Chamber of Commerce
and Industry South Australia

The Economy

ECONOMIC CONFIDENCE

Business confidence buoyed but remains in negative territory

86.7 pts

South Australian Confidence Index

The September quarter saw the South Australian Business Confidence Index increase by 11.8 points. Despite an unexpected increase, the South Australian economic outlook remains pessimistic. For context, 100 is a neutral score, with 33 and 166 representing the lower and upper bounds of the Index, respectively.

82.8 pts

National Confidence Index

Factors driving this increase in the confidence Index possibly include the lack of new economic shocks in the September quarter. Businesses have become accustomed to rising interest rates and conditions that have become the norm over the last three years. Further, COVID-19 is now more manageable and although still an issue, unlikely to close businesses and borders.

While seven consecutive interest rate rises are cause for concern, their impact on demand is yet to fully play out, with many businesses experiencing unprecedented demand. However, many of these businesses are cognisant that demand could drop off suddenly as tightening monetary policy begins to take effect.

Given the timing, survey results were not influenced by the Federal Budget forecast that painted a bleak picture for the Australian economy over the next two years. As Russia's invasion of Ukraine continues to heavily impact global and domestic energy markets, the forecast of a 56% increase in energy prices is most concerning. Inflation is also tipped to continue to rise, with respective reserve banks responding by hiking interest rates in Australia, Europe and the US.

One silver lining is that members have reported that supply chain disruptions and freight costs are beginning to ease as logistics operators slowly get back on schedule and clear bottlenecks.

South
Australian
Confidence
Index

11.8

points up from
June quarter 2022

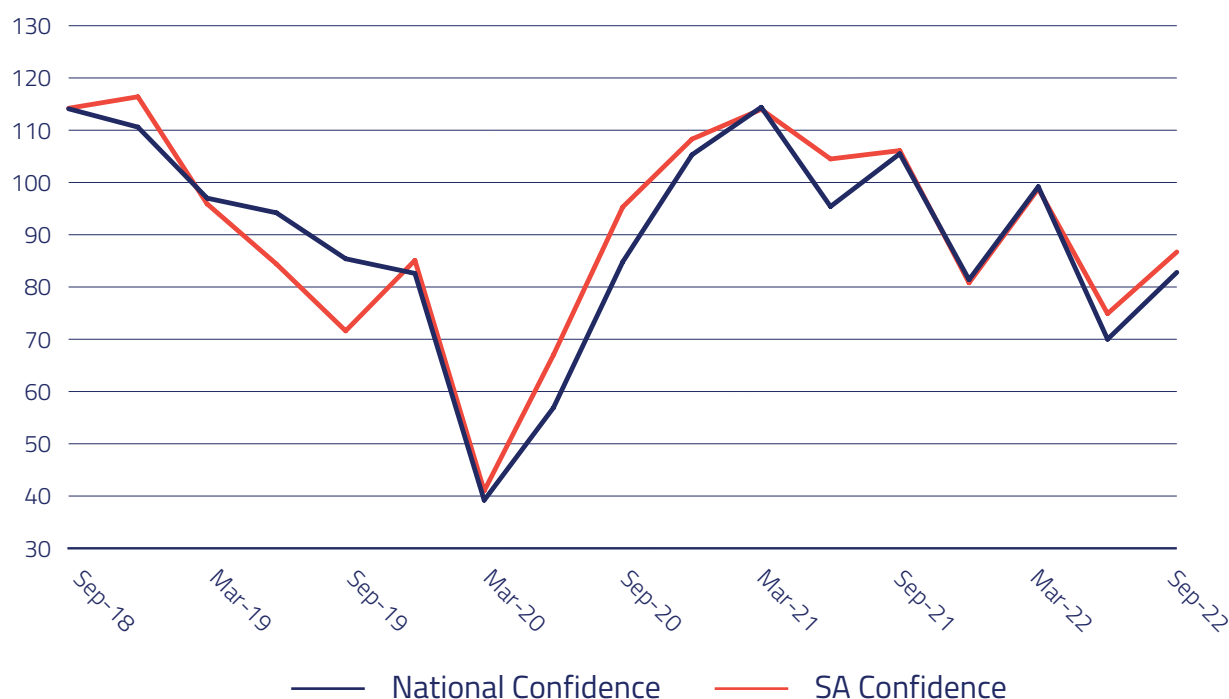


19.4

points down compared
to September quarter
2021



SOUTH AUSTRALIAN AND NATIONAL BUSINESS CONFIDENCE INDICES



ECONOMIC EXPECTATIONS

Business economic expectations fell in line with general expectations in terms of rising inflation and interest rates. This indicates that businesses are expecting increases to hit their peak soon.

At time of writing, the South Australian unemployment rate was 4.3% (seasonally adjusted) in September after being 4.0% across July and August (ABS, labour force). Businesses, for the most part, expect the unemployment rate to stay in this range going forward.

Over the September quarter, the Australian dollar steadily declined in relation to its US counterpart, falling from 68.2 cents to 64 cents. This is expected to continue over the December quarter 2022. This is good news for Australian exporters, making their products more competitive. However, for importers this increases the already high cost of doing business.

	Decrease (%)	Same (%)	Increase (%)
Interest rates	2.8	10.7	86.4
Inflation rate (CPI)	3.4	22.0	74.6
Unemployment rate	9.6	67.8	22.6
Value of \$A (against \$US)	46.3	37.3	16.4

Business Conditions

CONDITIONS INDEX

All hands on deck as businesses manage demand

Like the Confidence Index, the General Business Conditions Index rose, heading into positive territory (above 100 points) for the first time since June 2021. While the cost of doing business has increased significantly over the last 18 months, demand has steadily followed suit. This is seen in the Total Sales/Revenue Index rising steadily over the last three quarters.

Increases in the Conditions and Sales indices were influenced by underlying business performance indicators, with most indicators seeing positive movements. Pleasingly, the Export Sales Index increased 9.7 points reaching 10.37 points. Another highlight was the slight decrease in the following cost indices: Cost of Materials (down 10.6 to 146.4 points) and Cost of Overheads (down 10.4 to 147.4 points). Despite this, both these indices remain close to record level highs.

While businesses continued to experience strong demand, it is concerning to see the Profitability Index remain in negative territory at 96.9. This further highlights the tough operating conditions for South Australian businesses.

Looking towards the December quarter, businesses are expecting conditions to remain steady with strong demand.

102.7 pts
General Business Conditions Index

103.4 pts
Total Sales/Revenue Index

General business conditions

9.5 

points up from last quarter, June 2022

100.7

points expected for the December quarter

Total Sales/Revenue

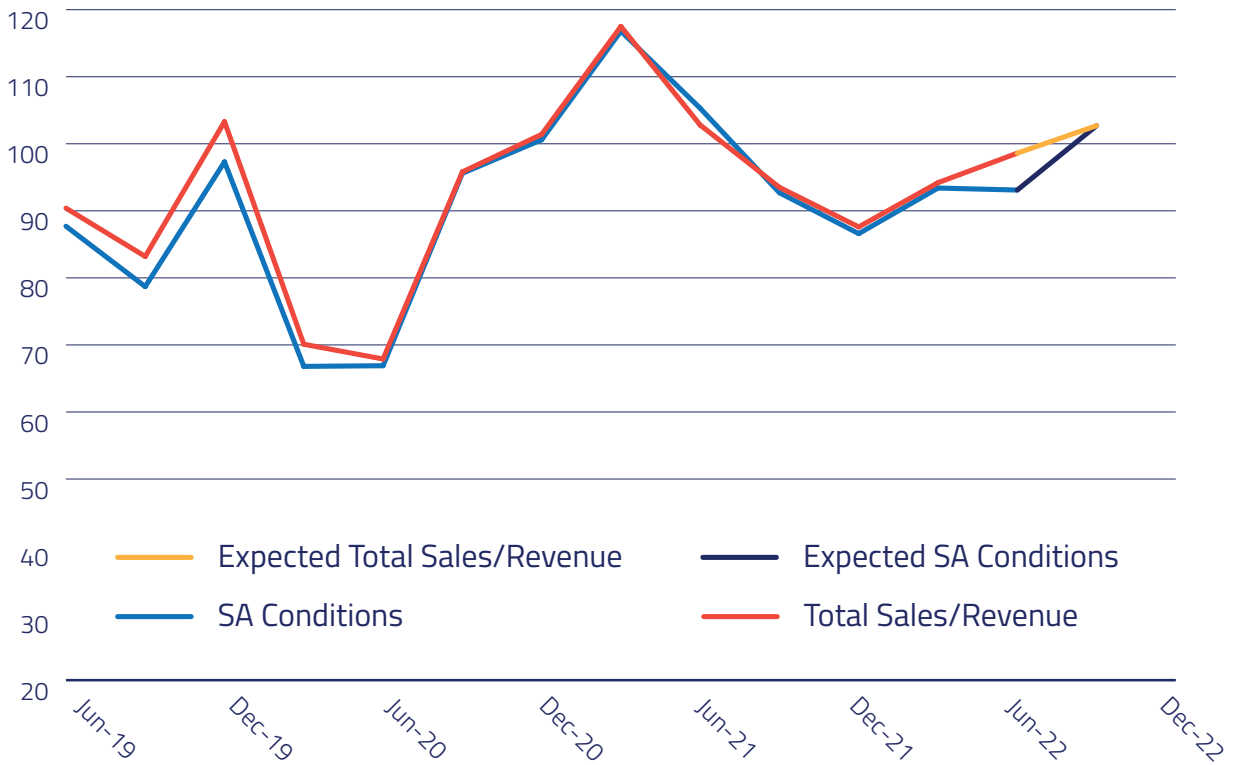
4.8 

points up from last quarter, June 2022

111.1

points expected for the December quarter

SOUTH AUSTRALIAN BUSINESS CONDITIONS



UNDERLYING BUSINESS PERFORMANCE INDICATORS

PROFITABILITY



96.9 pts

Profitability Index for the September quarter 2022

99.2 pts

expected for the December quarter 2022

CASE STUDY



The Right Time for Farming

While the South Australian business community feel the pinch of labour shortages, supply delays, and interest rate uncertainty, this expanding farming enterprise has been busy building. New equipment purchases, improving infrastructure, developing more sustainable soils and enhancing livestock genetics has all been a part of the Willoway Farming program since the business commenced in 2020 during the onset of the pandemic.

This business has a vision and it involves its staff, suppliers and local communities in the process.

With farmers experiencing commodity prices at an all time high, the timing could not have been better for Ben Brinkworth to broaden his Willoway Farming operation. Already a successful farmer in his own right, the addition of properties in the South-East, North-East Pastoral, Wilcannia and Hay regions have seen the newly established Willoway Farming grow into a significant farming business.

Renovations and rebuilds to homesteads, improvements in communication and the adoption of new agtech equipment have been the key focus for Willoway during its first 12 months.

The business might have anticipated a slowdown due to COVID 19, with a lack of trades and material shortages, however, this has not been the case for Willoway Farming.

By engaging trades and contractors early and flying them to their remote properties at Frome Downs Station, Wilcannia and Hay in NSW, they have avoided any down time. Having a fulltime Project Manager on staff to

oversee development and prompt payment from the Adelaide based Head Office has given trades and contractors the security to work with this growing operation.

Being part of the local community is a significant component in their program. Employing locals, sourcing materials from local suppliers and a willingness to give back to the community through sponsorship and involvement all build stronger community ties.

Not only is Willoway Farming building relationships with suppliers, but Local Councils, Government Departments, Members of Parliament and Minister's Offices in SA and NSW. Engaging and working with government staff to improve farm sustainability and long term property plans has been a key focus for the first year. This has included working with local Landscape Boards to remove pests and weeds, the Department for Environment and Water to repair wells and bores in the Great Artesian Basin and implementing biosecurity controls with the Department of Primary Industry. It has even undertaken development and expansion of the Keith airport, which includes infrastructure to support the Royal Flying Doctor and firefighting air support, at its own expense.

Recruiting and retaining the right staff is an essential element at Willoway Farming and there are many skilled workers in the new era of agricultural technology. Mobile phones are now an essential working tool for farm staff with GPS tracking, livestock number recording, water monitoring and other support apps all available from the palm sized device. Robots, satellites, drones and agricultural technology have seen significant advancements in rural

workplaces over the past five years and Willoway is harnessing these programs to constantly improve the operation.

Willoway is one of the businesses participating in the discussions for a technical college in Mt Gambier, involved in graduate sponsorship program at the tertiary level and the implementation of Vocational Education and Training courses taught regionally throughout South Australia. The business has engaged with university and Local Land Services NSW to explore farming projects which reduce water loss and enhance grazing sustainability across pastoral properties.

Based at Willalooka, Ben and Anthea Brinkworth are the joint owners of Willoway Farming, with James Holland the General Manager of this farming start-up. Having spent their lives in agriculture, none have seen or experienced better prices for rural commodities.

"While we have concerns about a softening Australian economy, increased interest rates and the global fuel price, we are using this time of record rural commodity prices to undertake capital improvements and purchase new farm machinery and equipment, said James.

"We discuss our business with our bank and accountants regularly, undertake reviews and look at opportunities which will add to our operation.

"Similar to all other farming operations, we keep a close eye on the exchange rate, specifically for farm inputs including fuel, fertilizer, machinery and equipment purchases."

As a producer at the start of the supply chain, Willoway Farming is more protected from inflationary cost increases than most other South Australian small to medium businesses, such as manufacturing or retail.

Ben's foresight in expanding Willoway included significant purchases of farm inputs, significant and early orders for farm machinery and new vehicles, building a goods warehouse at Willalooka and employed a Warehouse Manager to store and distribute the items to Willoway Farms. When COVID-19 hit Willoway was in the fortunate position of holding stock so the staff and trades could continue to work.

"We are now starting to see the supply chain impact of COVID, particularly in purchasing farm machinery from overseas, said Ben.

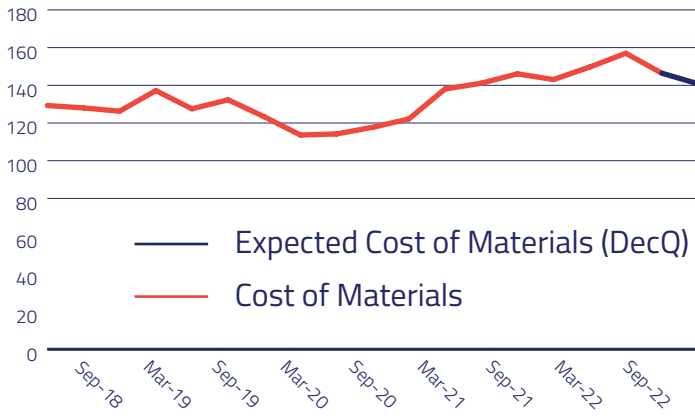
Willoway is undertaking a significant farm improvement program that includes the adoption of new technology and ideas which will enhance sustainability and productive output. Working with other experts in this field, Willoway has some long term plans in this area.

"We are here to build a successful, sustainable, farming operation by invoicing our staff, suppliers and the communities where we operate. Having staff who are remotely based and regional suppliers, it is important for all involved to be aware of what we are doing and where we are headed. Our Willoway Newsletter, facebook and Instagram pages provide a communication link for staff and stakeholders to follow. We have also been successful attracting new recruits via our facebook posts. They say good people attract good people."

Willoway and other agribusiness organisations demonstrate there has never been a better time to be farming in Australia.



Cost of Materials



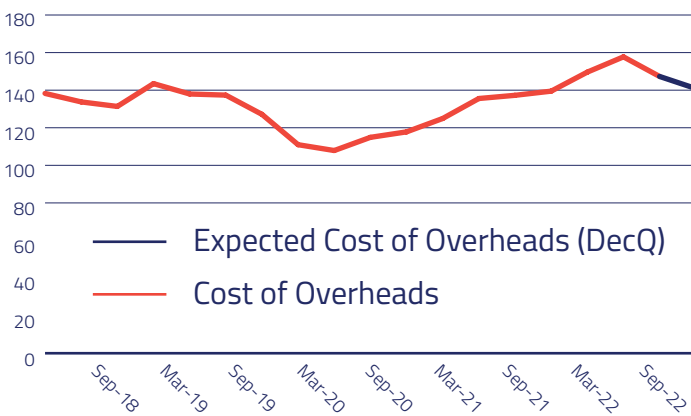
146.4 pts

Cost of Materials Index for the September quarter 2022

140.8 pts

expected for the December quarter 2022

Cost of Overheads



147.4 pts

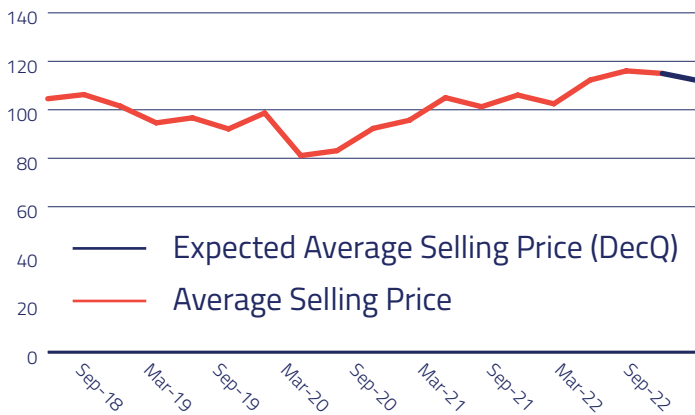
Cost of Overheads Index for the September quarter 2022

141.0 pts

expected for the December quarter 2022

Your success is our business.

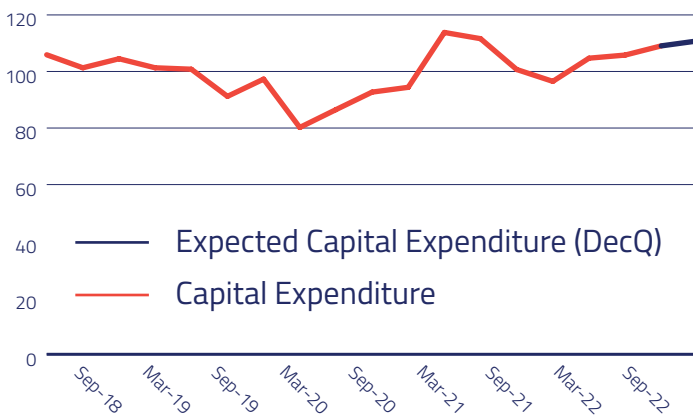
Average Selling Price



115.0 pts
Average Selling Price Index for the September quarter 2022

112.0 pts
expected for the December quarter 2022

Capital Expenditure



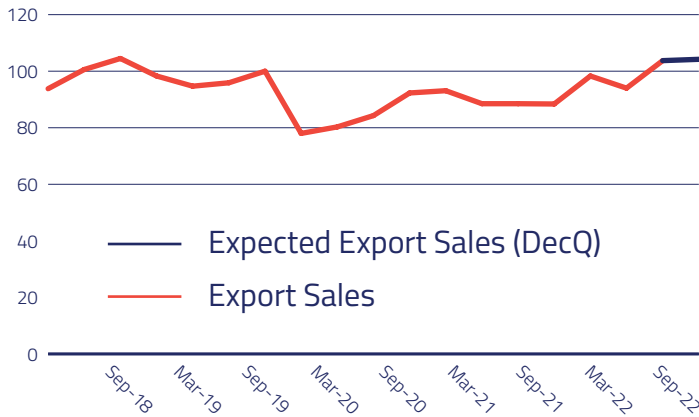
109.1 pts
Capital Expenditure Index for the September quarter 2022

110.8 pts
expected for the December quarter 2022





Export Sales



103.7 pts

Export Sales Index for the September quarter 2022

104.2 pts

expected for the December quarter 2022

Orders Received



108.0 pts

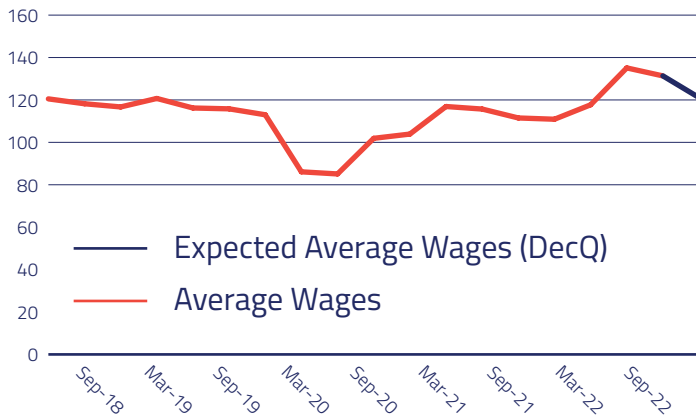
Orders Received Index for the September quarter 2022

107.5 pts

expected for the December quarter 2022

Your success is our business.

Average Wages



131.3 pts

Average Wages Index for the September quarter 2022

121.1 pts

expected for the December quarter 2022

Employment Levels



98.4 pts

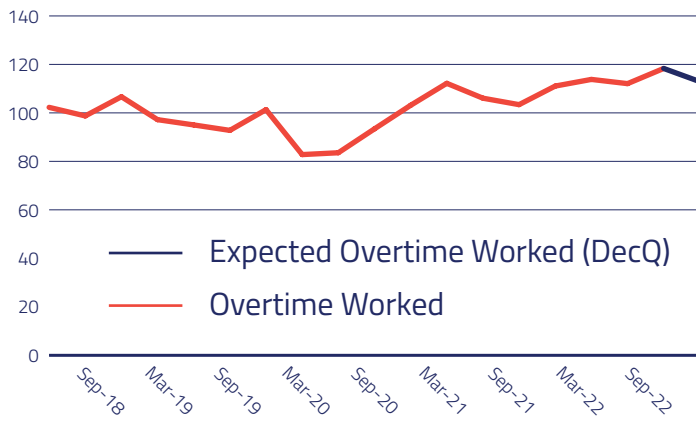
Employment Levels Index for the September quarter 2022

109.0 pts

expected for the December quarter 2022



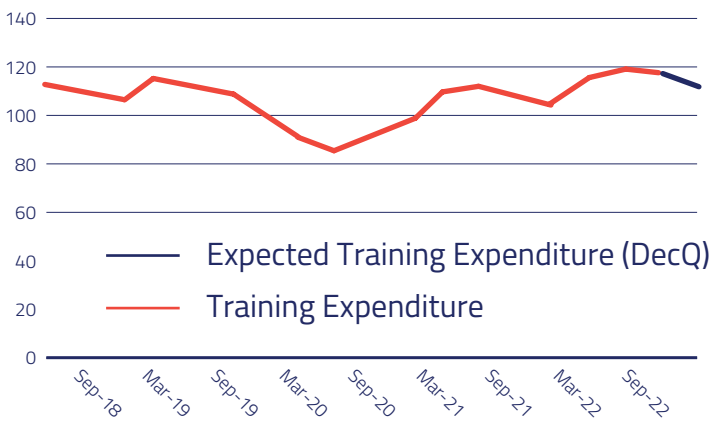
Overtime Worked



118.3 pts
Overtime Worked Index for the
September quarter 2022

112.9 pts
expected for the
December quarter 2022

Training Expenditure



116.6 pts
Training Expenditure Index for
the September quarter 2022

112.9 pts
expected for the
December quarter 2022



Labour, Skills and Migration

LABOUR SHORTAGES

Interestingly, the number of businesses finding it harder to source staff fell by 10.8 percentage points in the September quarter over the previous quarter. Despite this, labour shortage remains a key concern for businesses with many reporting it as a major constraint to meeting demand.

Businesses identified a lack of applicants as the primary reason for being unable to fill vacancies. This is an ongoing trend as per previous editions of Business Now. After two years of the labour market tightening due to closed borders and increasing demand this is unsurprising.

The Federal Government’s increase to the migration cap from 160,000 to 195,000 will somewhat alleviate this issue. However, in the long-term South Australia will need to start actively attracting more workers to cover its increasingly ageing demographic.

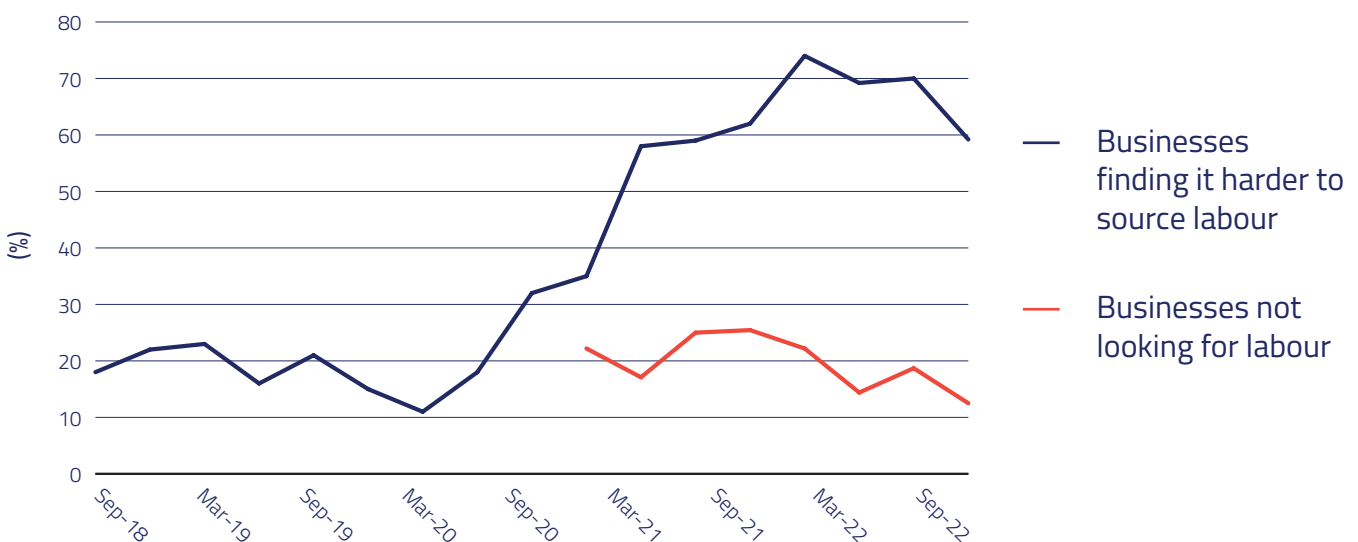
59.2%

of businesses looking for workers found it harder to source labour in the September quarter compared to the previous quarter

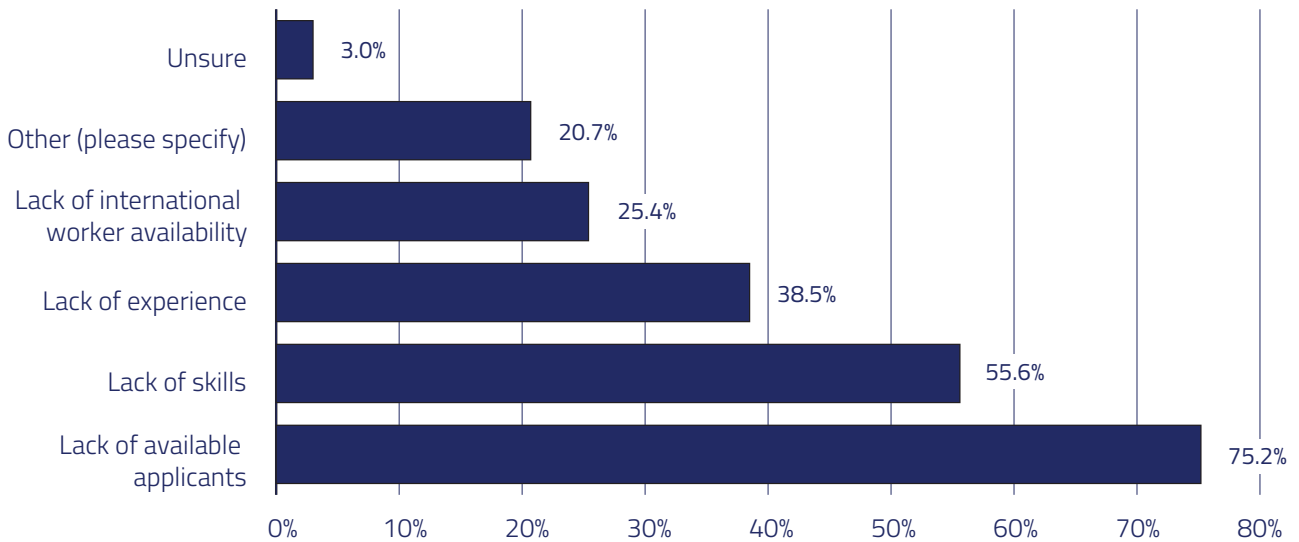
69.6%

of employing businesses experienced labour shortages

BUSINESSES FINDING IT HARDER TO SOURCE STAFF AND BUSINESSES NOT LOOKING FOR STAFF



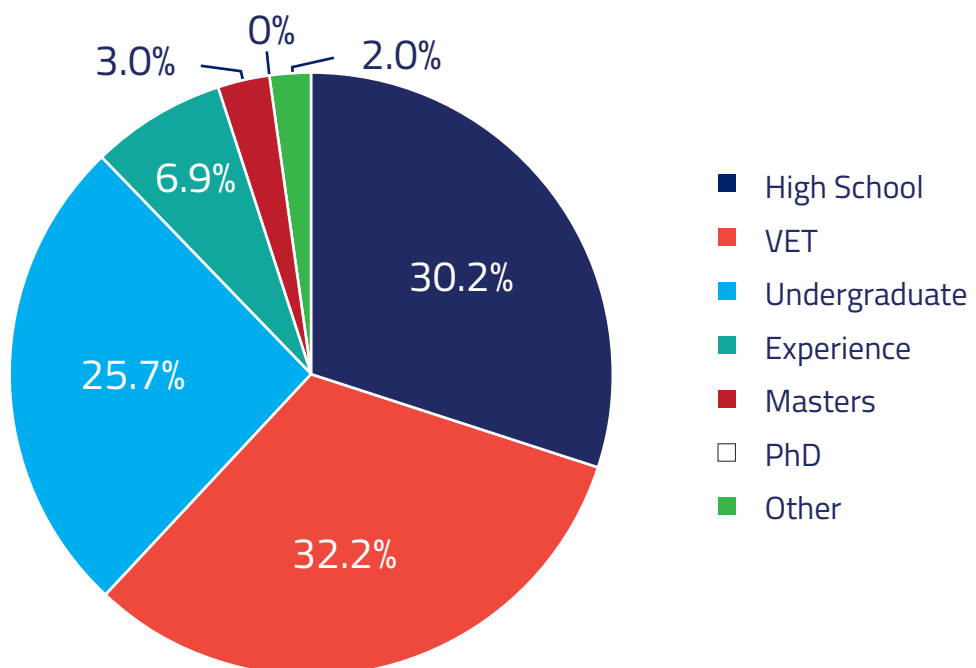
WHAT DO YOU BELIEVE IS THE MAIN REASON FOR LABOUR SHORTAGES?



In this quarter we asked businesses to identify the vacancies they sought to fill over the last 12 months, as well as the level of skill required for those roles. The vacancies identified could be broadly broken down into thirds. One-third required only high school level of education, another Vocational Education and Training and the last third a mixture of university level education and experience.

Interestingly, experience was not an option available to respondents but so many specified "Experience" as the "Other" that we created a new category. No businesses had vacancies specifically requiring PhD-level education.

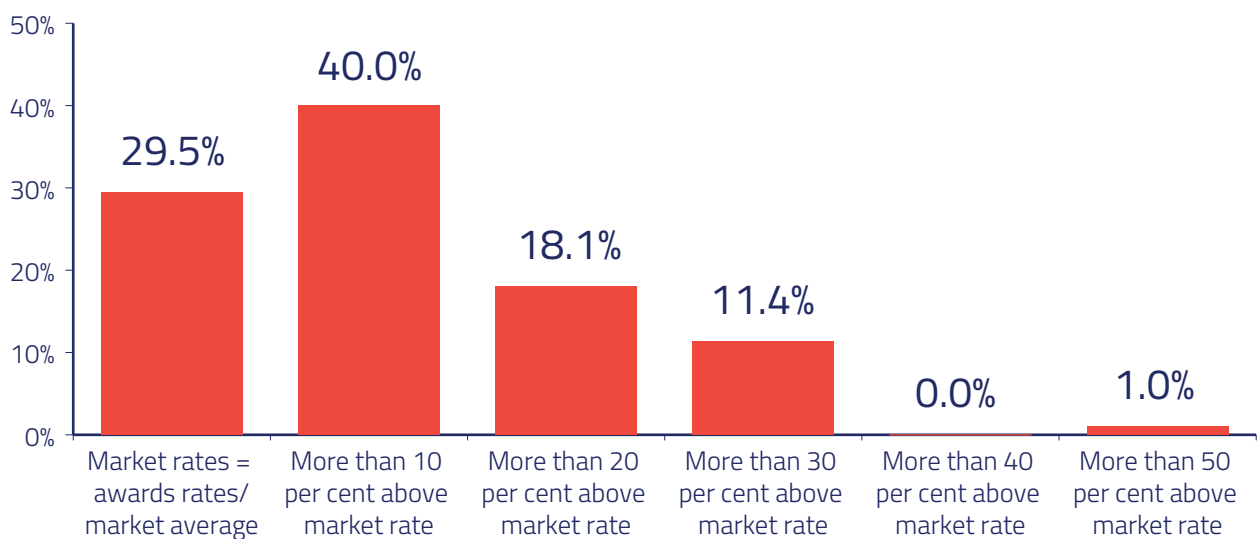
SKILL LEVEL REQUIRED FROM REPORTED BUSINESS VACANCIES



We challenge anyone who says wages are not increasing following this quarter's SOBE. Just over 70% of businesses have told us that they are willing to pay more than 10% over market rates to fill vacancies in their businesses.

Businesses were also asked what other incentives they use to attract new employees. Flexibility in working hours and working from home were highly used incentives. Other businesses also offered salary packaging and vehicles. A small minority of businesses offered starting bonuses ranging from \$1,000 to \$5,000.

HOW MUCH ARE YOU WILLING TO PAY FOR THESE POSITIONS?



STAFF TURNOVER

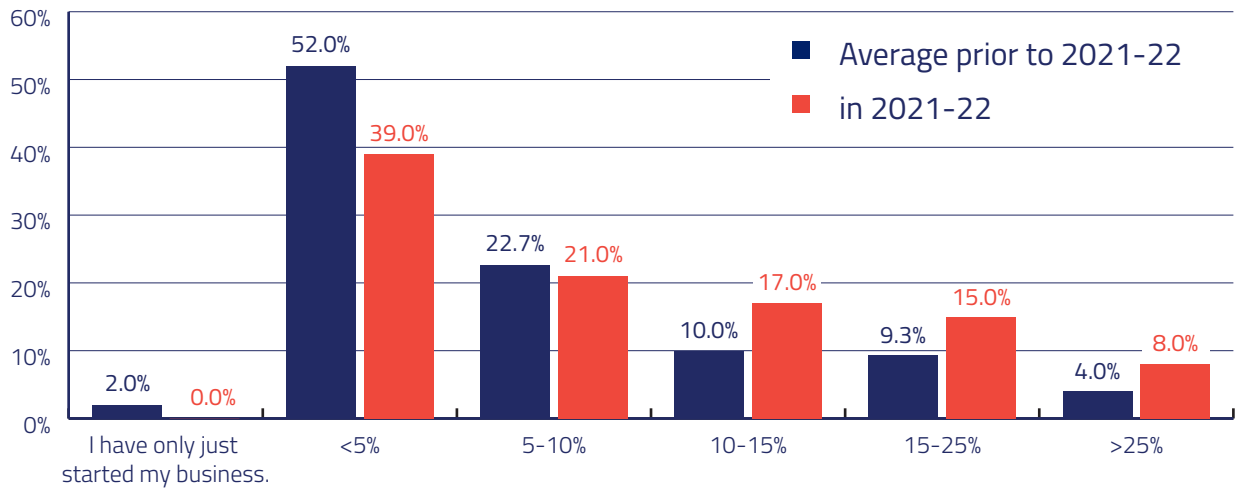
The Great Resignation, which started in early 2021 in the wake of the COVID-19 pandemic, and saw employees reconsider their careers, goals and working conditions, is reflected in these results. Staff turnover has increased considerably for most businesses in 2021-22. 40% of businesses had a staff turnover higher than 10%, compared with 23.3% the year before – almost double. Nationwide in the 12 months to February 2022, 1.3 million people (or 9.5% of all employed) changed jobs, in the highest annual job mobility rate since 2012 (ABS, Job Mobility).

The comments from business operators were indicative of how the labour market had changed in terms of vacancies, wages, and opportunities:

With low unemployment, employers need to work harder to entice and retain employees. People increasingly seem to think the 'grass is greener on the other side', and since getting to that 'grass' is now easy, there is nothing stopping them seeking those greener pastures.

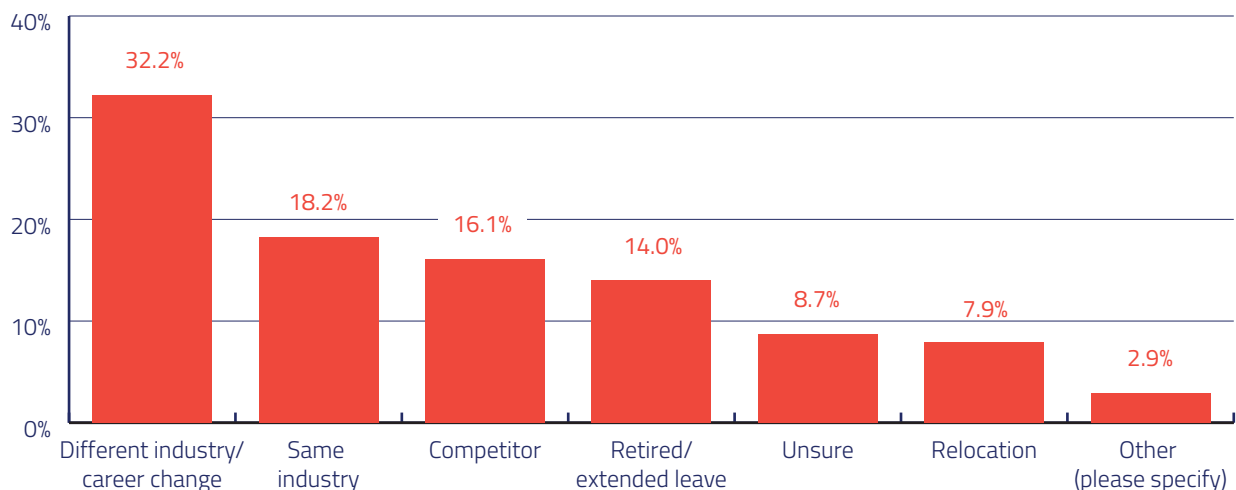
Retailer, 1 - 19 employees

WHAT WAS YOUR ANNUAL STAFF TURNOVER RATE?



Consistent with the narrative of the Great Resignation, according to the survey almost a third of staff (32.2%) who resigned in the past six months pursued a different career and/or started in a different industry. A further 7.9% resigned due to relocation, which is also indicative of post-pandemic changes, with employees seeking lifestyle changes. Approximately one-third (34.3%) remained in the same industry or joined a competitor.

WHERE HAVE EMPLOYEES WHO RESIGNED IN THE PAST 6 MONTHS GONE?



As a result of the tight labour market, employers find it increasingly difficult to retain staff with competitors offering higher salaries and workplace benefits. Just over half (50.7%) of employees mentioned these as their reasons for leaving in the past six months. Lifestyle changes, including 'relocation', 'lack of work-life balance' and 'moving to a more flexible workplace', accounted for the resignation of 60.3% of employees.

The comments from survey respondents further underscored that the motivations and priorities of many workers have changed over the past year. Businesses also highlighted the challenge of employees being head-hunted and offered higher salaries, as well as having to lower certain standards in order to retain staff.

I have not really had people leave, I have simply lowered my standards to help 'ok' employees feel valued (though they are VERY expensive given low productivity). So, I have not had many people leave, but all my employees are very happy, and many do a lot less than I would have accepted 3 years ago...but I feel I have no choice but to accept this now.

Retailer, 1 - 19 employees

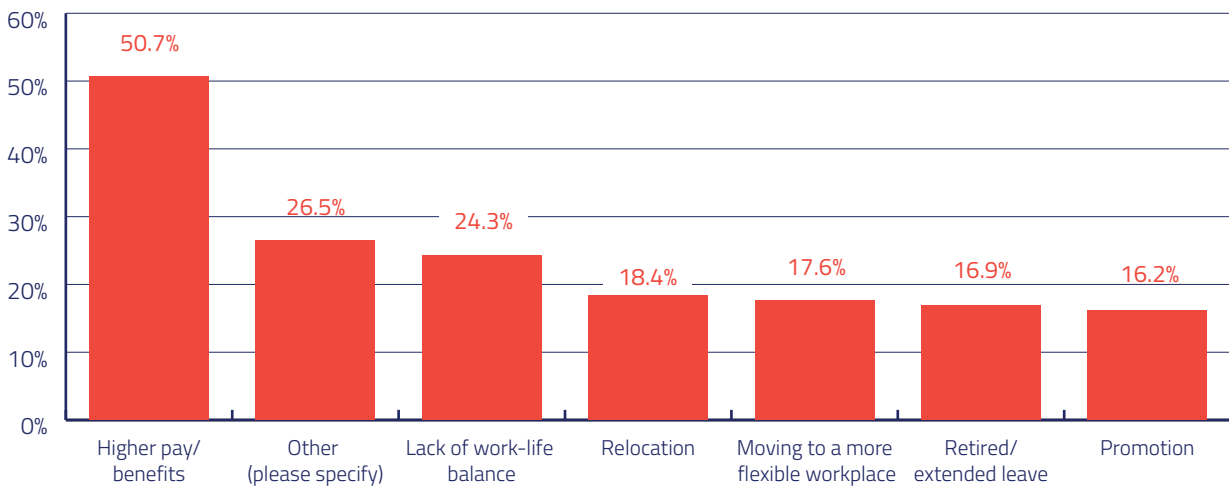
All good employees in many smaller business getting head hunted by the big business. I know of several good competitive businesses closed and more closing due to having no staff to run them.

Waste services, 1 - 20 employees

A renewed sense of seeking greater joy in their work lives. A sense of "you only live once" encouraging people to move on if they feel stagnant.

Agricultural, forestry and fishing, 1 - 19 employees

WHAT REASONS HAVE EMPLOYEES PROVIDED FOR RESIGNING?



To retain their workers, employers have had to increase their wages, some significantly. Over three quarters (77.3%) of respondents have had to increase their wages by over 5% to keep their staff from leaving for a higher wage elsewhere. Almost one-fifth (18%) increased wages by 10% or more. In comparison, the 2021-22 Annual Wage Review announced a 5.2% increase to the National Minimum Wage and a 4.6% increase to the award minimum wages (Fair Work Ombudsman, Minimum Wage Increase).

HOW MUCH HAVE YOU INCREASED WAGES BY IN THE LAST YEAR?

Wages increase	≤4%	5%	6%	7%	8%	9%	≥10%
Respondant	23%	29%	9%	7%	10%	5%	18%

MIGRATION AND ALTERNATIVE HIRING

IN THE LAST YEAR, HAVE YOU CONSIDERED HIRING AN INTERNATIONAL WORKER?		IN THE LAST YEAR, HAVE YOU CONSIDERED HIRING AN INTERNATIONAL GRADUATE?	
Yes	42.3%	Yes	25.5%
No	51.0%	No	68.5%
Unsure	6.7%	Unsure	6.0%

The tight labour market appears to have caused some employers to consider international workers and graduates. Close to half (42.3%) have looked at international workers, while a quarter (25.5%) considered the possibility of hiring an international student who graduated from an Australian educational institution.

Due to the specific nature and requirements of a business, hiring international workers is not always a viable option, as demonstrated by the responses below.

In the roles where resources are required, a comprehensive knowledge of South Australia is critical.

Rental, Hiring and Real Estate Services, 1 - 19 employees

People who have applied from overseas are way over qualified.

Construction, 1 - 19 employees

Most of our contract work and our Government customer base required various clearances which almost always necessitate Australian citizenship.

Professional, Scientific and Technical Services, 1 - 19 employees

Hiring international graduates is also not always a straightforward solution to labour shortages, as many businesses are not looking for professionals with a tertiary education:

I don't want graduates I need people who understand what the working end of a shovel is.

Construction, 1 - 19 employees

No point hiring a graduate for unskilled work.

Manufacturer, 20 - 49 employees

The majority of employers (57.7%) have considered hiring a worker from an alternative employment pool, for instance someone older or a worker with a disability. As another way of navigating the tight labour market, almost half (45.6%) of employers admitted to somewhat dropping their standards and employing workers who would have previously not been considered.

Most of the people I have hired in the past 18 months would not have been hired by me 3 years ago.

Retailer, 1 - 19 employees

Pretty much anyone who walks in the door we have offered a paid trial shift to and because of the low staffing levels having someone is at the moment better than having no one. We haven't had to yet but have been close to having to close at times we would usually be open or reducing capacity to cope with lack of staff.

Hospitality, 20 - 49 employees

We have filled a couple of vacancies with people we think we can train because experienced people are very hard to find. Previously we would have sought experienced people.

Construction, 20 - 49 employees

IN THE LAST YEAR, HAVE YOU CONSIDERED
HIRING SOMEONE FROM AN ALTERNATIVE
HIRING POOL? E.G. OLDER WORKER, WORKER
WITH A DISABILITY ETC.?

Yes 57.5%

No 34.2%

Unsure 8.1%

IN THE LAST YEAR, HAVE YOU HIRED SOMEONE
WHO PREVIOUSLY WOULD NOT HAVE MET YOUR
PRE-REQUISITES?

Yes 45.6%

No 53.0%

Unsure 1.3%

15.4% of employers have used a migration agent to hire a worker from overseas. While 20.1% believe that the use of a migration agent is an absolute requirement when bringing in people from overseas, a further 30% are unsure about whether migration agents are required.

The comments highlight the numerous difficulties businesses face in bringing in workers from overseas. Most see it as a process that is too lengthy, costly, and difficult:

Very expensive, time-consuming process. Not viable for many small businesses, particularly when a family is migrating as that increases cost substantially.

Personal and Other Services, 20 - 49 employees

Hiring a migrant is something we are interested in however it is costly, and the process can be onerous.

Health Care and Social Assistance Provider, 150 - 199 employees

An area we have not explored due to lack of information and knowing where to start.

Manufacturer, 50 - 99 employees

HAVE YOU USED A MIGRATION AGENT TO
HIRE SOMEONE FROM OVERSEAS?

Yes 15.4%

No 83.9%

Unsure 0.7%

DO YOU BELIEVE YOU MUST USE A MIGRATION
AGENT TO HIRE SOMEONE FROM OVERSEAS?

Yes 20.1%

No 49.0%

Unsure 30.9%



A WORD FROM WILLIAM BUCK

Jamie McKeough

Managing Director, Chair of William Buck, AUS/NZ

How good could it be if we had the people?

Confidence is up across the South Australian business community despite the headwinds of increased costs, successive interest rate rises, and the lack of workers. The September quarter results of the Business SA William Buck Survey of Business Expectations also showed improved business conditions, and sales/revenue, from both the last quarter and 12 months ago. While the costs of running the business, materials and wages may have increased in the quarter, the increases were below expectations.

The biggest challenge for businesses continues to be labour availability, with 70 per cent currently experiencing labour shortages. There are a number of reasons for this including staff turnover - in the last year the number of businesses with annual staff turnover of greater than 10 per cent almost doubled (from 23 per cent to 40 per cent).

So where are the workers going when they leave? One in three is looking for a career change, and one in three remains in the same industry (16 per cent to a competitor). Over half are leaving for higher pay and benefits, 24 per cent seek a better work/life balance, and 18 per cent to a more flexible workplace.

WilliamBuck

ACCOUNTANTS & ADVISORS

I have just returned from the US to meet our global partners, and I can tell you that this labour shortage is a global challenge. The post COVID-19 demand for a more flexible workplace is real, and the demand for workers as a result of heavily government stimulated economies has disrupted labour markets. All this has created the unique set of dynamics that we are currently experiencing meaning businesses short on labour are trying to do more with less, putting extra pressure on workers.

The results around the availability of labour are not necessarily a surprise in this quarter, but we know more about these circumstances. Like that over 45 per cent of businesses have had to hire someone who previously would not have met their pre-requisites. Businesses are also paying more in wages. In fact, 70 per cent will pay more than 10 per cent above market rates to recruit someone (and 30 percent of businesses more than 20 percent above market rates), and a third gave an eight per cent increase or higher (more than the current rate of inflation) to existing workers in the last year. However, only a third of businesses are putting selling prices up. Unless they have realised productivity gains in the quarter this means they are facing less profit and less ability to invest in their business – into jobs, training, plant and equipment, or R&D. This is not the ideal situation, and it continues to be my position that businesses should (if they can) increase their prices to cover these wage and other cost increases.

What can be done? There is no one solution, and last week's Federal Budget announced increased expenditure in skills, however the genuine opportunity for the business community to help solve labour shortages, and the broader Australian economy to benefit, is increased migration. It is an often-quoted statistic that for every migrant that enters Australia, four jobs are created. We have the work here in Australia, combined with a very low unemployment rate, therefore, we lose the broader economic benefit of the work if we send the work overseas. Let's look at the numbers; over the past decade, Australia has had around 160k international migrants per year, which has been increased to 195k in the recent Federal Budget. But we had two years of borders closed and next to no migration. We are still down on intake. The Malinauskas Government needs to ensure we get our share of these migrants into South Australia to help solve our labour shortages, grow our population and contribute to our economy.

Noting that South Australian businesses completed this survey before the announcement of the Federal Budget and the 50 per cent energy price hikes over the next two years.



Your
success

is our
business

About Business SA

Business SA 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 or email our membership team on (08) 8300 0000 or email customerservice@business-sa.com



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