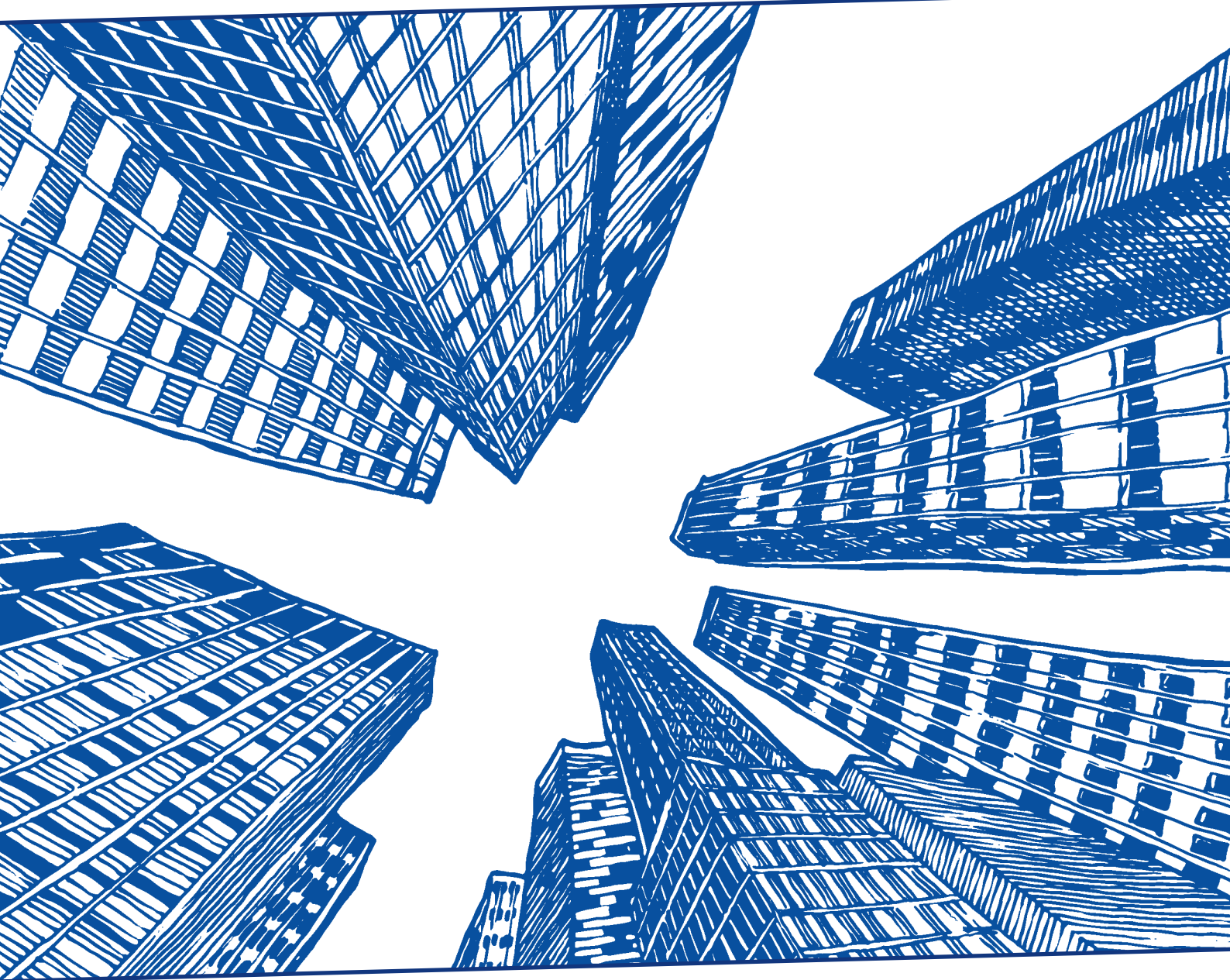


Business Now

The South Australian Business Chamber
Survey of Business Expectations

2024 // June Quarter



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The Economy

Business Confidence

South Australian Confidence Index June Quarter 2024

82.9 points

Down 8.1 points from last quarter

National Business Confidence Index June Quarter 2024

76.2 points

Down 7.2 points from last quarter

South Australian Confidence dropped a significant 8.1 points in the June quarter of 2024 to now be 82.9 points. This decline interrupts three quarters of moderate growth in confidence. 17.5% of respondents feel the South Australian economy will be weaker in the upcoming three months, compared to 10.2% of respondents from our March survey.

This is the eleventh consecutive quarter of *SA confidence* being below the neutral score of 100, stretching back to December 2021.

National Confidence similarly declined in the June quarter, falling 7.2 points to 76.2 points. This decline also comes after three consecutive quarters of improvement. While *national confidence* is well into negative territory, it is 7.9 points higher than experienced 12 months ago.

Similar to state confidence, *national confidence* has been below the neutral score in every survey since the December 2021. Whilst economic

confidence among business operators is negative, respondents are again more positively disposed to South Australia's performance. March 2022 was the last time national confidence outscored state confidence levels.

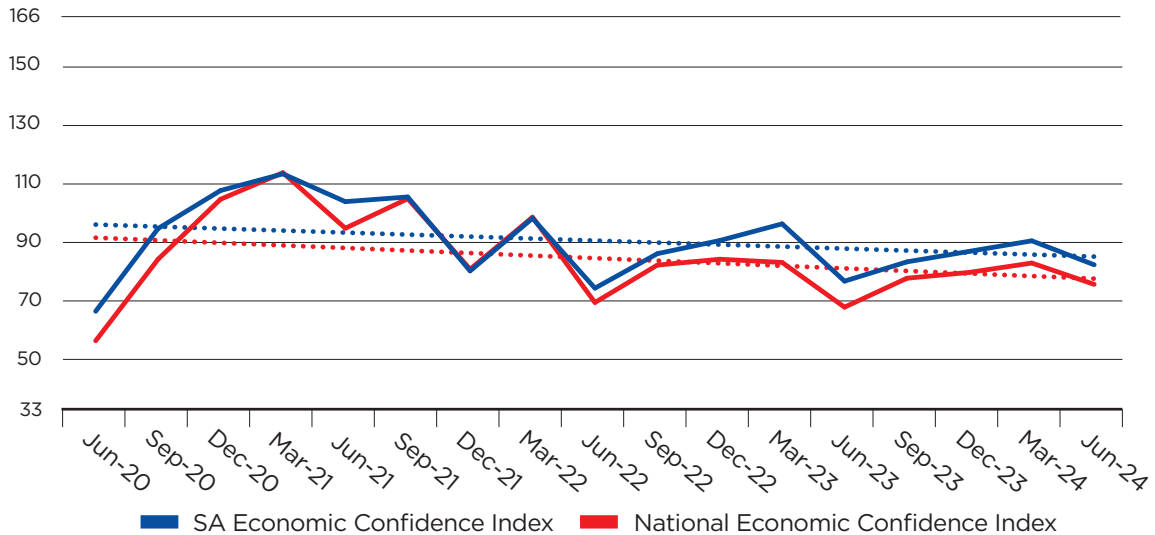
It is interesting that despite declining confidence, South Australia, according to the CommSec State of the States Report remains the leading economy in the country. It is expected that SA will lose the number one place by the time of the next report to Western Australia.¹

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.

¹ CommSec, State of the States report July 2024, 29 July 2024, <<https://www.commbank.com.au/articles/newsroom/2024/07/state-of-the-states-july.html>>

Chart 1
SA & National Economic Confidence Indices



General Business Conditions

General Business Conditions Index June Quarter 2024

82.7 points

Down 4.0 points from last quarter

General business conditions and *total sales/revenue* declined in the quarter by 4 points and 3.2 points, respectively.

General business conditions recorded its lowest score since March 2023. The last three quarters have seen conditions decline by 13 points. The current score of 82.7 is 3.9 points lower than experienced 12 months ago and continues a downward trend that has been experienced broadly since early 2021. *Expected general business conditions* is also showing a prolonged downward trend.

Total sales/revenue also remains deep in pessimistic territory, reaching its fifth consecutive quarter being below 100 points. The average *total sales/revenue* score of the last four quarters is 90.3 points, whereas the average for

Total Sales/Revenue Index June Quarter 2024

85 points

Down 3.2 points from last quarter

the four quarters from June 2022 to March 2023 was 103.2 points. So, whilst the downward trend in the last year appears minor, it represents a significant decline in income for thousands of businesses throughout the state.

Every survey since December 2022 has shown expected *total sales/revenue* to have been higher than the *actual sales* for businesses. This indicates that even with a trend of declining sales, conditions have consistently been worse than respondents have estimated.

With negative conditions continuing to prevail, we have seen a significant uptick in response levels to our surveys as more businesses voice their concerns.

Chart 2
General Business Conditions Index

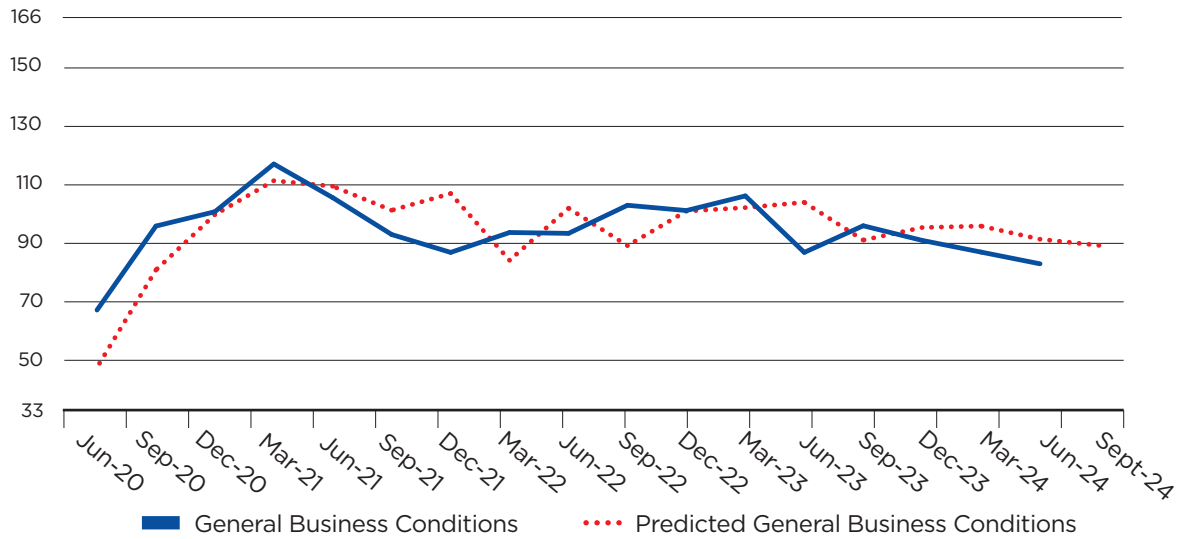
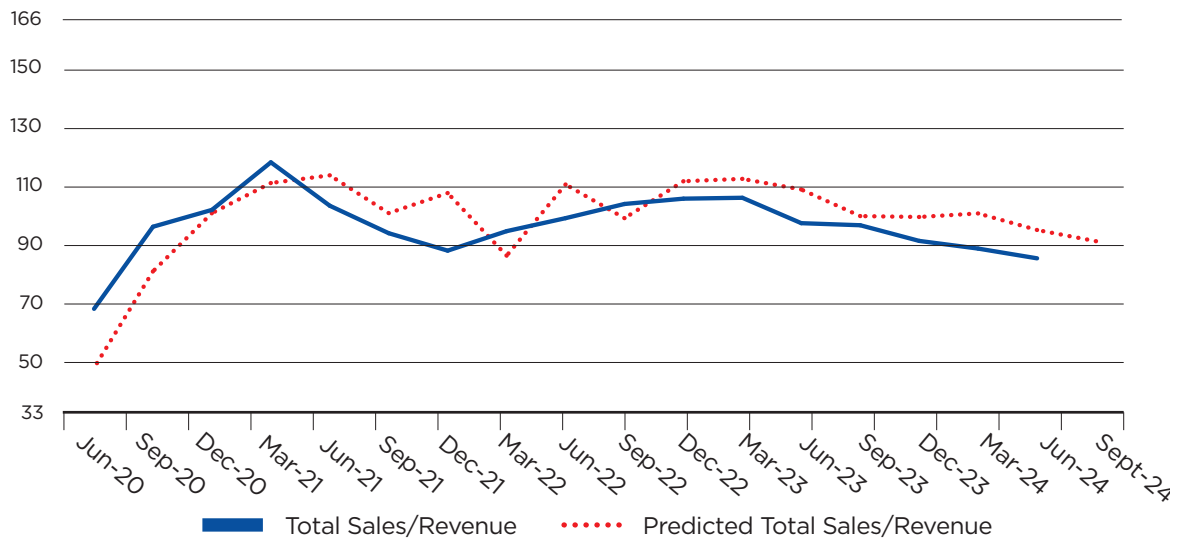


Chart 3
Total Sales/Revenue Index



**Predicted General Business
 Conditions Index for September
 Quarter 2024**

89 points

**Predicted Total Sales/Revenue
 Index for September Quarter
 2024**

90.8 points

Economic Indicators

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

	Decrease	Stay the Same	Increase
Interest Rates	5.9%	46.6%	47.5%
Inflation Rate (CPI)	11.4%	36.4%	52.2%
Unemployment Rate	5.3%	47.5%	47.2%
Value of \$AUD (against \$USD)	32.1%	52.2%	15.7%

In an era of relatively high interest rates, very few (5.9%) of our respondents see a decrease in interest rates forthcoming. The highest proportion of respondents see interest rates increasing in the September quarter. A slightly smaller proportion expect rates to remain stable, as they have since November 2023.

A majority of respondents (52.2%) see inflation increasing in the September quarter, the most recent quarterly figures (released post-survey period) saw the annual inflation rate increase for the first time since December 2022.² It is interesting that just 11.2% of respondents see inflation moderating further, as it has been trending downwards for 18 months.

The expectation of rising inflation and interest rates is contrary to the intentions of the federal government and Reserve Bank who are seeking a further decline in inflation to enable interest rates to come down.

Following a prolonged period of low unemployment, respondents are split between predicting it will remain the same (47.5%) or increase (47.2%). The national unemployment rate has trended upward very moderately in the last couple of years, whereas South Australia's has remained particularly low by historical standards.

Just under a third of respondents feel that the relatively new downward trend of AUD/USD will continue, while the majority (52.2%) predict its value to remain the same throughout the September quarter.

² Australian Bureau of Statistics, Consumer Price Index, Australia, 31 July 2024, <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024>>

Business Demographics

Chart 4
Industry Composition (%)

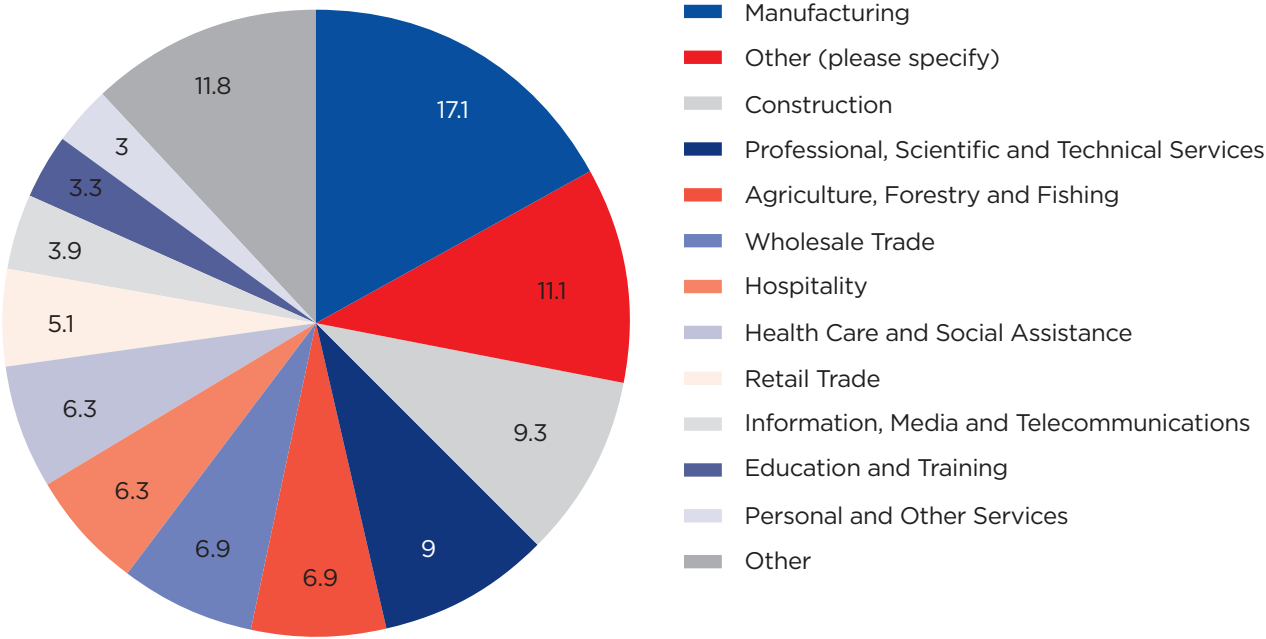
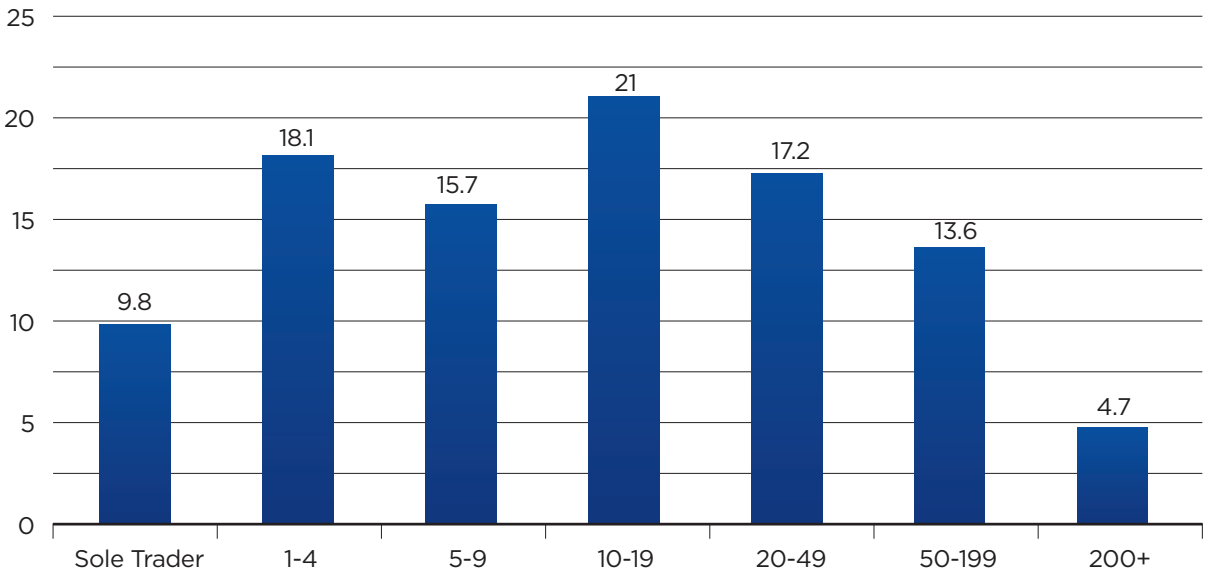


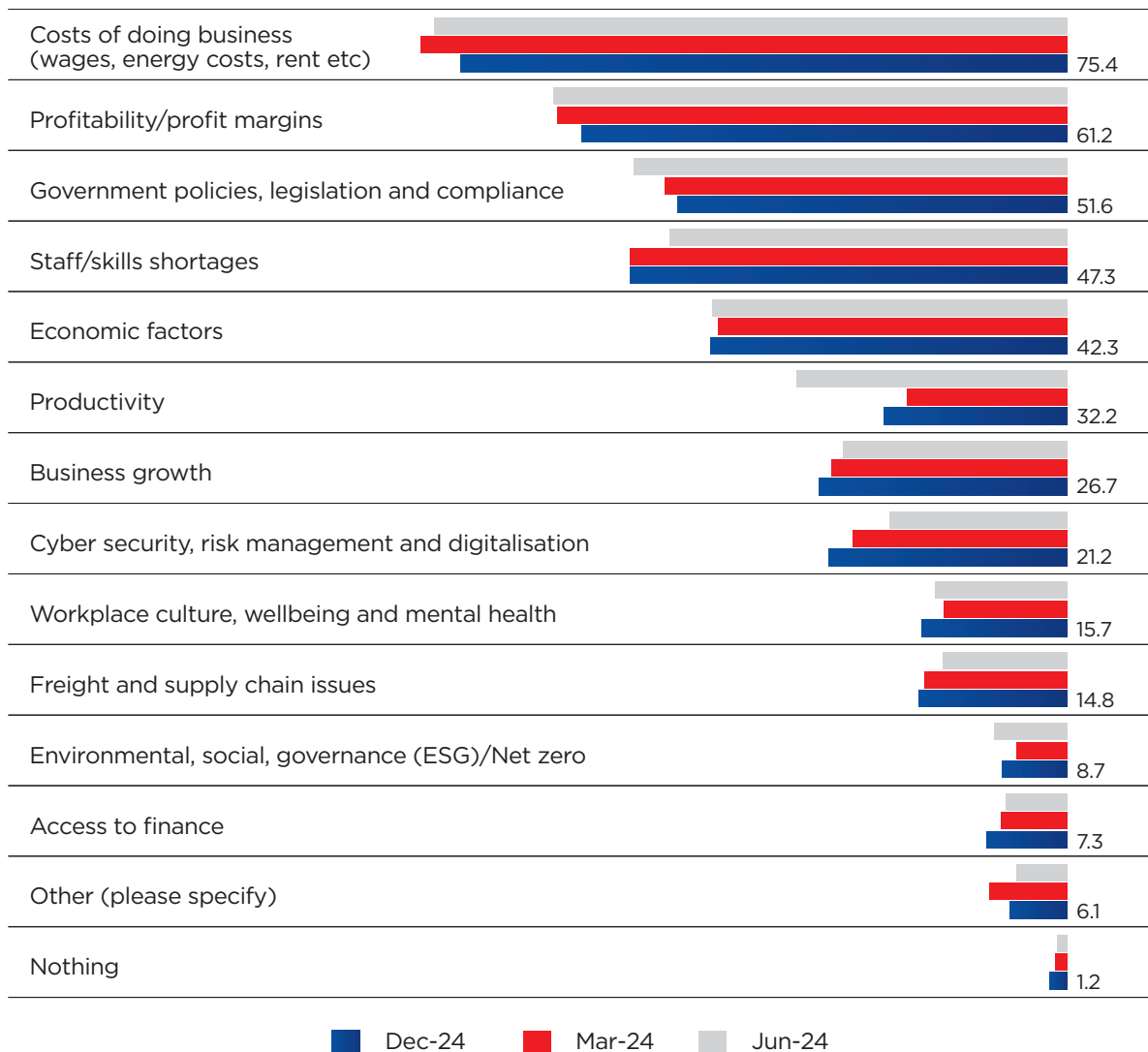
Chart 5
How Many People Does Your Business Employ (%)



Issues Affecting Businesses

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

Chart 6
Main Issues Affecting My Business (%)



Cost of doing business such as wages, labour and insurance is yet again the main issue affecting South Australian businesses. *Cost* has been the main issue in every survey we have asked this question, though its proportion has increased to over 70% of respondents in each of the last three quarters.

Profitability/profit margins again came second as the most prominent issue facing SA businesses, with 61.2% of respondents, an increase from 60.7% last March and from 57.8% in December 2023.

For the first time, *Government policies* is a top three most concerning issue affecting South Australian businesses – moving *Staff/skills shortages* into fourth spot. In recent months the Chamber has informed businesses across the state of a number of federal and state industrial relations legislation changes and that could factor into respondents' increased concern with certain government policies.

Staff/skills shortages declined 4.8 percentage points in this edition. Arguably, with business costs remaining stubbornly high the capacity to employ more staff is declining.

Productivity has become a more prominent issue for South Australian businesses. In this survey where we asked a series of specific questions on the topic which we cover later in the report. 32.2% told us *Productivity* is one of their top five most concerning issues, a significant increase from the 19.1% of respondents who selected this in our March survey.

An issue that is declining in concern for SA businesses is *cyber security, risk management and digitalisation*. Whilst now it is a top five issue for 21.2% of respondents, in December 2023 the proportion was 28.4%, and in March 2024 was 25.6%. It is likely that this issue is still important for business, but has simply been pushed lower as a priority during challenging times as operators focus on the essential operational matters such as cash flow and profitability.

Top 5 Issues Affecting My Business by Industry (%)

Manufacturing	Construction	Professional, Scientific and Technical Services	Agriculture, Forestry and Fishing	Retail Trade
Costs of doing business: 84.2%	Staff/skills shortages: 77.4%	Costs of doing business: 66.7%	Costs of doing business: 82.6%	Costs of doing business: 87%
Profitability/profit margins: 61.4%	Costs of doing business: 74.2%	Profitability/profit margins: 60%	Government policies: 78.3%	Profitability/profit margin: 78.3%
Staff/skills shortages: 52.6	Profitability/profit margins: 58.1%	Productivity: 50%	Profitability/profit margins: 69.6%	Government policies: 56.5%
Government policies: 49.1%	Government policies: 51.6%	Government policies: 50%	Freight/Supply issues: 47.8	Business growth: 39.1%
Productivity: 45.6%	Economic factors: 48.4%	Cyber security: 46.7%	Staff/skills shortages: 47.8%	Economic factors: 34.8%

Chart 15
% of Businesses Reporting Cost of Materials Increasing

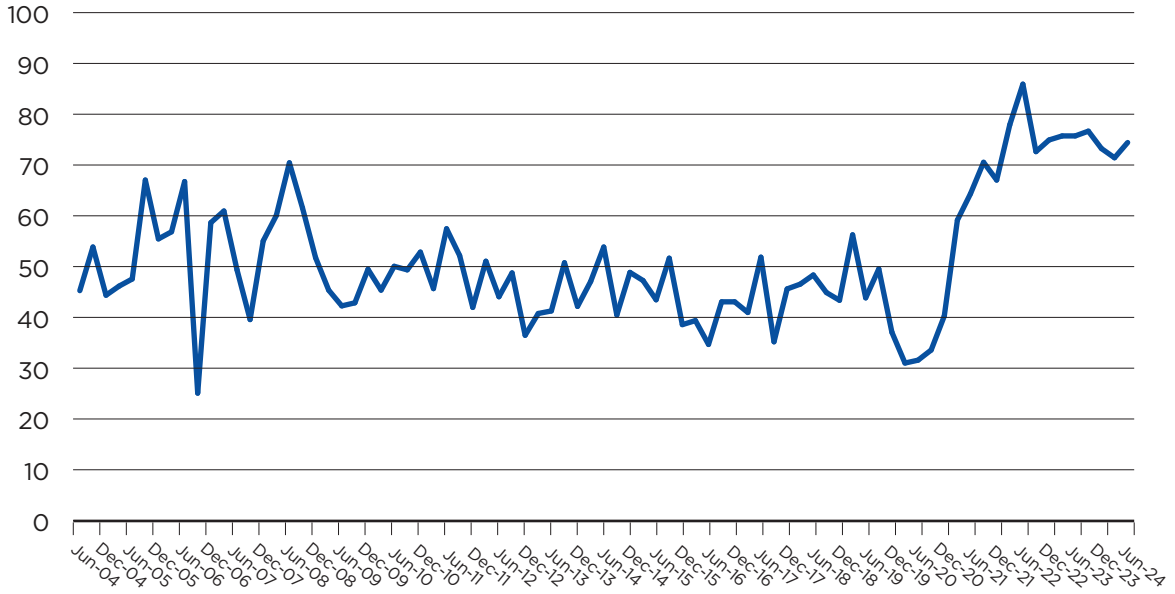
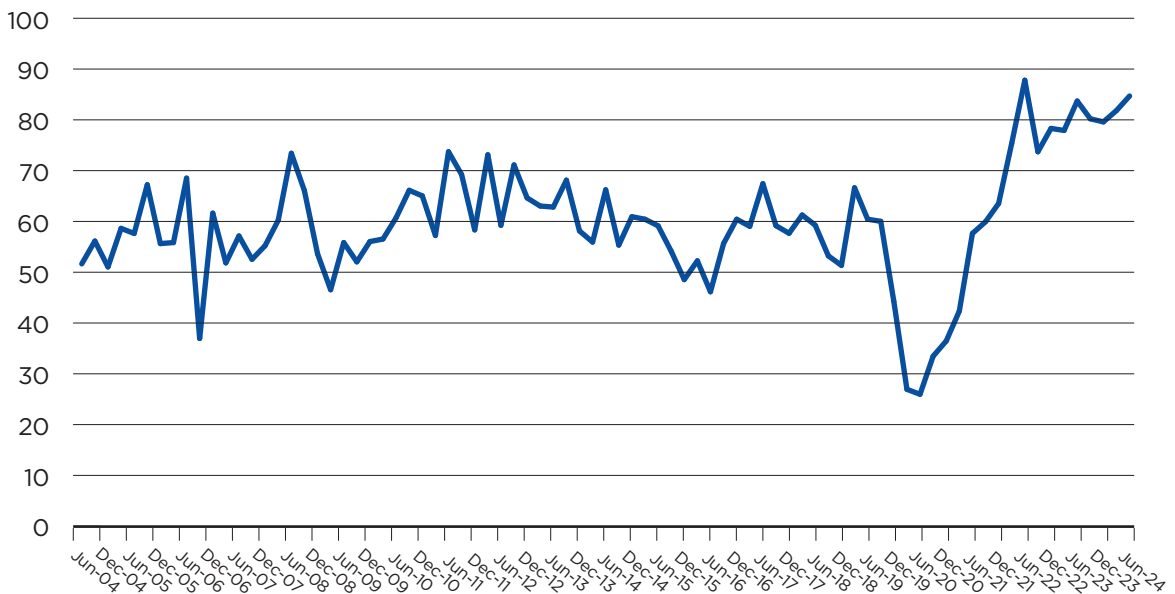


Chart 16
% of Businesses Reporting Cost of Overheads Increasing



Comments on issues affecting business

As a small business, we have been impacted by the flow on of the economy's effect on our customers who are in retail. Their rents have gone up whilst their customers are spending less. It's never been more difficult to do business as people are spending much less on discretionary items, whilst the cost to produce them has increased.

» **Wholesale Trade, 5-9 employees**

I'm quite concerned about the Fair Work legislation amendments taking effect on 26 August 2024. Especially the potential imposition of a union delegate into my small business.

» **Manufacturing, 10-19 employees**

Increasing building costs across the board. Increased statutory reporting and associated government costs associated with the planning and development of new builds have grown to be in many cases unrealistic and excessive burden to clients. The lack of skilled workers coming into construction is a major drawback to expansion of the business.

» **Construction, 5-9 employees**

This downturn is as hard as I have seen, including going back to the 1980's when interest rates were 17% and my overdraft was 29%.

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

The combination of cost of doing business as well as the productivity limitations of new IR Laws is like nothing I have seen before in over 40 years of business.

» **Manufacturing, 5-9 employees**

Wages and super have increased but the Payroll Tax threshold has stayed the same. How is that fair?

» **Retail Trade, 20-49 employees**

Increasing overreach of government crippling small businesses is a major concern. Needing more and more licenses and regulations and audits and that means that we just keep throwing money at the government just to gain their permission to stay in business and do the same business we were doing before.

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

The NDIS price guide is squeezing margins right down, limiting investment and causing market failure. With annual price reviews it's extremely hard to make forward plans.

» **Health Care and Social Assistance, 200+ employees**

Water rates up 20%, council rates up 29% compared with FY24. This is on top of cost increases in labour and electricity over the last few years.

» **Manufacturing, 10-19 employees**

Increased cost of business (goods, electricity, insurance etc) coupled with consumers spending less and lack of supplier choice in regional areas is making business hard to remain profitable, and difficult to be able to invest in upgrades, expansion of services etc.

» **Retail Trade, Sole Trader**

The Labour Market

Chart 9
Are Your Currently Experiencing Labour Shortages? (%)

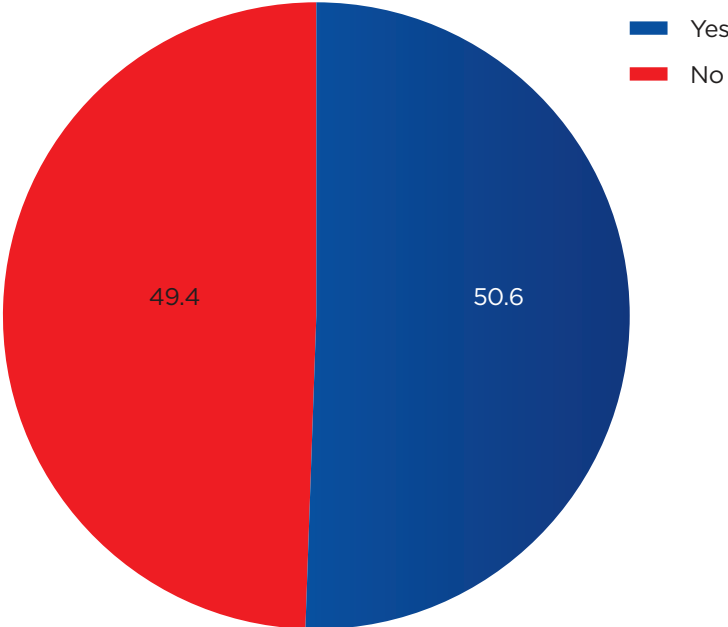
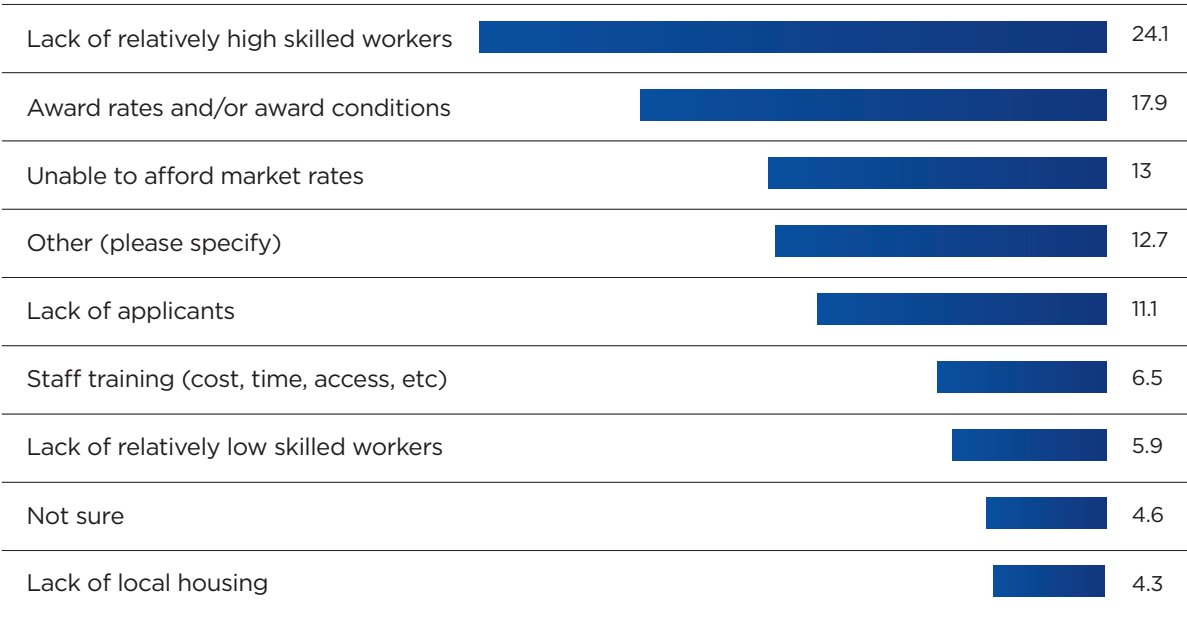


Chart 10
Main Labour Market Challenge? (%)



The proportion of businesses experiencing labour shortages has dropped 5.7 percentage points since our March survey. In this quarter, just over half (50.6%) of all businesses are recruiting. This number is higher (64.5%) for businesses employing 20 or more people, whilst the construction sector is a standout with, 71% actively looking to grow.

Whilst a *lack of relatively high skilled workers* remains the most prominent labour market challenge in the state, it has declined in prominence. 24.1% of businesses felt it their main challenge this survey, compared to 31.8% in March. 51.6% of construction businesses selected it as their main labour market challenge.

The labour market challenges that have increased in prominence are *award rates and/or award conditions*, as well as an *inability to afford market rates*, increasing by 3 and 3.9 percentage points, respectively. *Award rates and/or award conditions* was the main labour market challenge for agriculture businesses and was the equal most prominent issue for manufacturing and retail businesses.

The survey results support the contention that further industrial relations complications, coupled with the high cost of doing business is making employment growth more complex.

Comments on the South Australian labour market

Education and employment awareness needs to go back to school education. Schools need to provide opportunities for more engagement with local industries and do regular work experience. The security of youth employment must start at year 10-12 levels. Years 11/12 today have a casual mindset, then enter the workforce struggling to cope with normal employment commitments.

» **Hospitality, 1-4 employees**

Where have all the tradies gone?

» **Construction, 20-49 employees**

The current shortage in the labour market will change in the next 12 months as businesses close and suddenly we will have unemployment rising.

» **Retail Trade, 5-9 employees**

Our problems are in a federal government regulated industry that is effectively in crisis as a result of issues that have developed over a long time and will take a long time to fix.

» **Health Care and Social Assistance, 5-9 employees**

Finding head office talent is difficult, given the smaller pool of large corporate head offices in SA. Tough to find people willing to work in certain suburbs or regional South Australia

» **Health Care and Social Assistance, 200+ employees**

Productivity

Productivity seems to have become a taboo topic in recent years. If South Australia really wants to capitalise on the opportunities ahead, we must re-open the productivity debate.

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

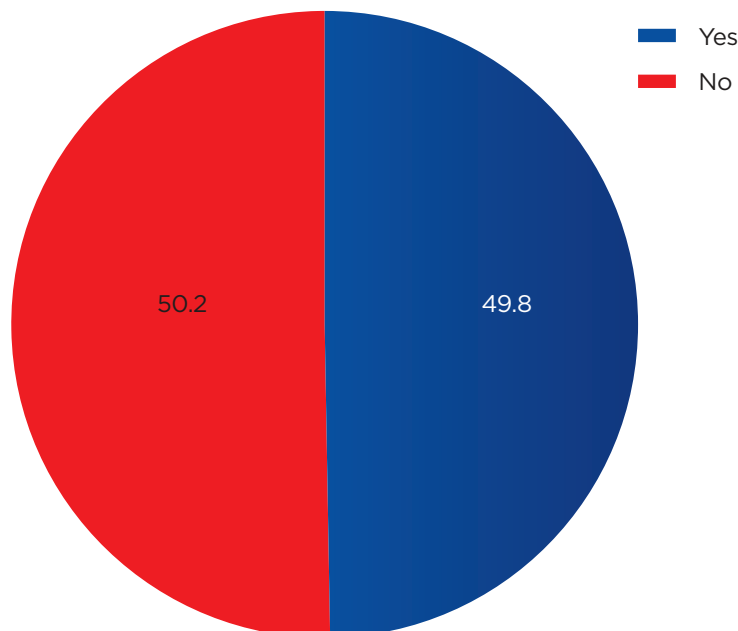
We have been striving to increase our productivity. It's only a 5% rise but it all helps.

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

Productivity is one of the biggest determinants of living standards, and Australia's productivity growth is slowing.³

Over the last 60 years productivity growth in Australia has averaged around 1.8% per year, though in recent years has dipped to around 1.2% per year. Consequently, the federal government has downgraded its productivity growth future estimates from 1.5% per year to 1.2%. Whilst these differences may appear insignificant, productivity growth of only 1.2% is predicted to lead to incomes 40% lower, and working weeks extended by 5% by the early 2060s. Measuring productivity can be challenging, especially accounting for technological changes. In this survey, we asked several questions about productivity and why respondents feel their productivity may have changed.

Chart 11
Does Your Business Track and Report on Productivity Measures? (%)



³ Productivity Commission, Annual productivity bulletin 2024, 29 February 2024, <<https://www.pc.gov.au/ongoing/productivity-insights/bulletins/bulletin-2024/productivity-bulletin-2024.pdf>>

⁴ Treasury, Intergenerational Report 2023, 4 August 2023, <<https://treasury.gov.au/sites/default/files/2023-08/p2023-08/p2023-435150.pdf>>

⁵ Productivity Commission, 5-year Productivity Inquiry: Advancing Prosperity, 7 February 2023, <<https://www.pc.gov.au/inquiries/completed/productivity/report/productivity-volume1-advancing-prosperity.pdf>>

Just under half of all businesses surveyed actively monitor and report on productivity. This is slightly higher for businesses with 20 or more employees at 56.4%. The methods businesses use in tracking productivity are diverse. Some are using software uniquely designed for their business, while Google Analytics, MYOB and Kalviyo were also frequently mentioned. Other means to track productivity included:

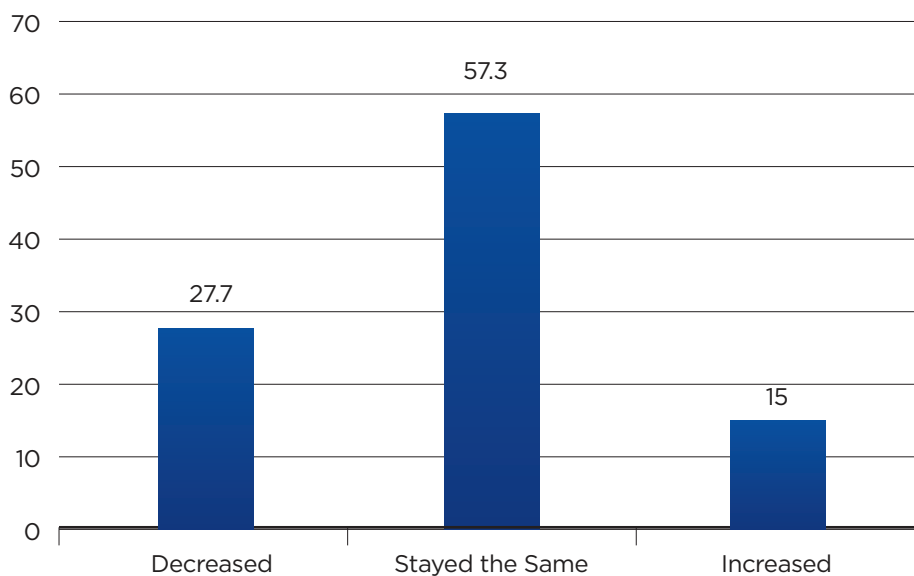
- Total hours work estimated for quoting vs actual hours spend in delivering.
- Wages as a percentage of margin.
- Through Cost of Sales reporting, and GPS vehicle tracking/telematics.
- Conversion of requests, days to satisfy requirement, data quantifying key metrics (activity) per employee.

- Project tracking and applying trends to following projects at time of quoting.
- Regularly monitoring and reviewing actual sales, volumes, and comparison data.
- Monthly and weekly reports on UPT conversion.
- Point of Sale and General Ledger reports based on a selected KPI base.

Echoing the sentiment of productivity growth declining across the economy, just 15% of respondents thought that productivity had *increased* in their business in the past 12 months.

57.3%, by far the highest proportion of respondents, felt that productivity had *stayed the same*, with more than a quarter of surveyed businesses felt productivity had *decreased*.

Chart 12
Over the Last 12 Months, has Productivity in Your Business Changed (%)



Increased productivity

Businesses who reported an *increase* in productivity in the last 12 months were less likely to be experiencing labour shortages and appeared to show greater involvement with staff and higher levels of cohesion. They were also more likely to attribute the productivity increase to improved efficiency, either in staffing or technology, including:

- Focusing on production efficiency and new procedures.
- Working together – employing the right people and listening to them.
- Closely monitoring previous projects and identifying where improvements can be made and implementing change.
- Actively measuring productivity with a view to increase it.

Interestingly, those reporting increased productivity were more likely to be more concerned with *growing their business* and *economic factors* and slightly less likely to be vexed by the *cost of doing business*. Improvements in productivity were concentrated among small businesses, 34.1% of businesses with improving productivity were sole traders or employed between 1 and 4 people.

Productivity unchanged

Of the 57% who report productivity *staying the same*, the most common responses attributed budgetary or staff constraints preventing improvement. This cohort was also the most likely to be concerned with the *cost of doing business* and *government policies*, though were slightly less troubled by *profitability/profit margins*.

- Staff at capacity with no budget to employ more staff to increase production.
- Existing staff working at maximum output. Staff shortages mean the business is less profitable due to an imbalance between overall income and expenses.
- Only improvement would come via major system changes.

- Productive is difficult to measure in a downturn – must balance staffing with orders.
- Poor profitability does not allow investment in more productive equipment.
- Any technological gains have been offset with additional training, social, and management obligations.
- Staff absence through illness has impacted productivity.

Declining productivity

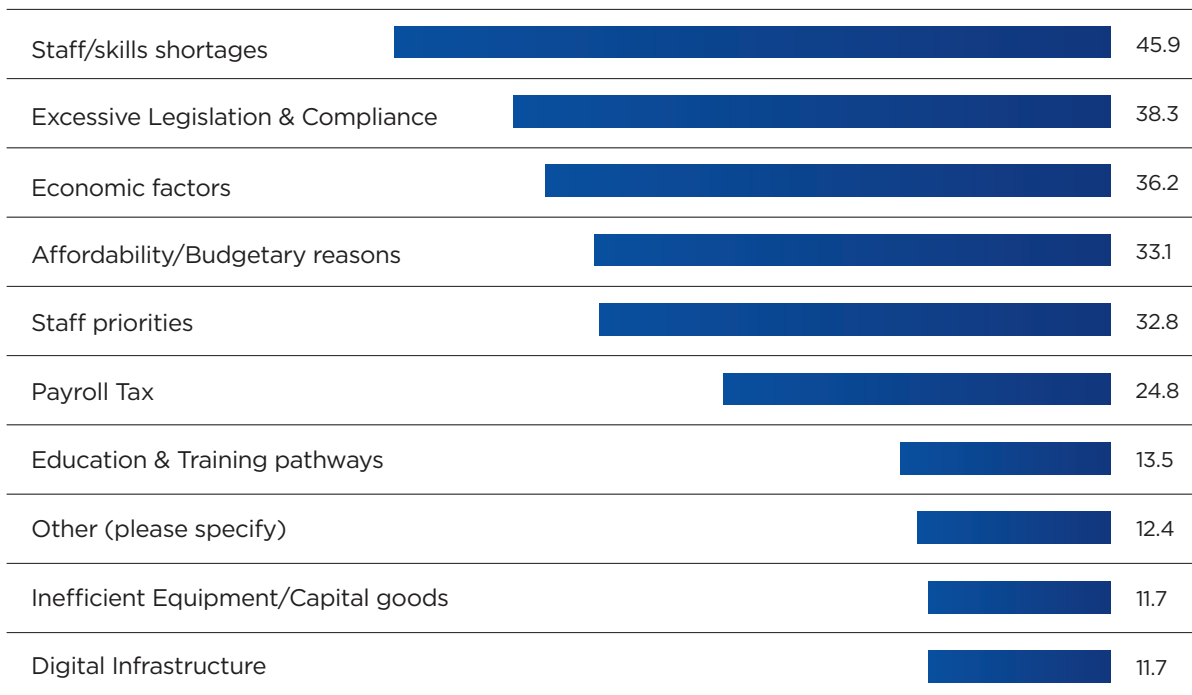
Among the significant number of businesses with *declining* productivity over the last year common responses included budgetary constraints, low profits precluding investment to improve productivity, and staffing issues particularly relating to availability, priorities and morale.

- Team is focusing on building the business, which takes away from delivering work.
- Inability to increase staff levels as skilled workers are moving away from the region.
- New staff require more training.
- Lack of workers overall means we are operating at one third of normal business.
- Team morale can be difficult as the work itself is stressful.
- The cost of living crisis is impacting the team and therefore the business.
- Reduced profitability caused by increase in overheads has limited the opportunity to offer the team professional growth and development. This leads to lack of satisfaction from most staff.
- Increased cost pressures and time spent managing regulatory compliance (eg. changes in IR laws) impacts overall productivity.

Businesses experiencing decreasing productivity accounted for 27.7% of respondents. They also accounted for 46.3% of respondents who thought *workplace culture, mental health and wellbeing* was among their top five issues. Whereas among those with increased productivity, just 2.3% nominated *workplace culture, mental health and wellbeing* among their top five issues.

Those Reporting <i>Decreasing</i> Productivity	Business Reporting <i>Stagnant</i> Productivity	Businesses Reporting <i>Increasing</i> Productivity
More of an issue	More of an issue	More of an issue
Profitability/profit margins	Costs of doing business	Business growth
Workplace culture	Government policies	Economic factors
Productivity	Cyber security	Freight & supply chain issues
Less of an issue	Less of an issue	Less of an issue
Cyber security	Staff/skills shortages	Workplace culture
Economic factors	ESG/Net zero	Staff/skills shortages
Freight & supply chain issues	Profitability/profit margins	Productivity

Chart 13
Main Barriers to Improving Productivity in Your Business? (%)



**respondents could select more than one*

Staff/skills shortages was identified as the primary constraint on productivity growth among SA businesses, with 45.9% of respondents selecting this issue. The fact that five different factors were cited by between 45.9% and 32.8% of respondents highlights the difficulties in achieving productivity improvements. Even if the problem of *staff/skills shortages* was resolved, sustaining productivity gains would remain challenging, as nearly a third of businesses also face constraints related to *affordability/budgetary reasons*, and competing *staff priorities*.

Interestingly, among the 43.6% of businesses who employ less than 10 people the top two constraints were *economic factors* and *affordability/budgetary reasons*.

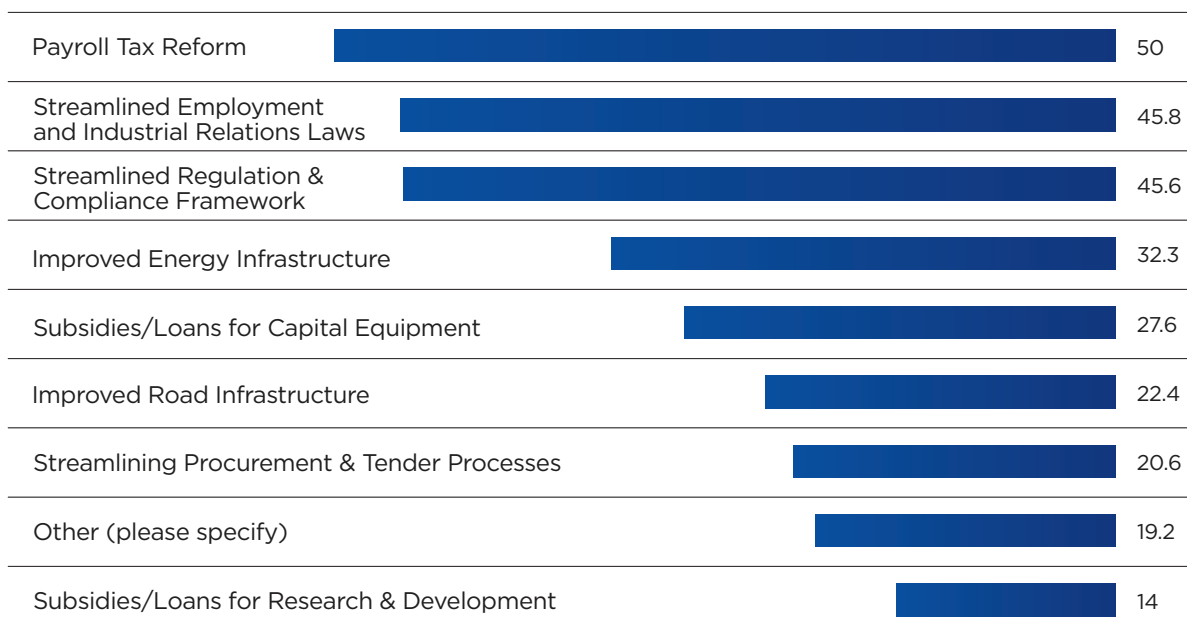
Again, *payroll tax* emerges as a significant constraint on employment and productivity with 24.8% of votes. *Digital infrastructure* and

inefficient equipment/capital goods received the smallest proportion of votes, each with 11.7%. This is notable as among the 15% of businesses who reported improved productivity results in the last 12 months, adoption of technological advancements was a common theme.

Respondents to this survey clearly told us that the State Government must focus on *payroll tax reform* (50%), *streamlining industrial relations laws* (45.8%) and *streamlining regulation and compliance frameworks* (45.6%) to improve productivity in South Australia. Payroll tax issues are no longer the domain of big business. Among businesses employing 20 or more people, which accounts for 35.5% of the survey, *payroll tax* is by far their priority, selected by 64% of respondents. However, businesses with fewer than 20 employees are now feeling the burden, with 42.7% calling for change.

Chart 14

What Policies Should the SA Government Pursue to Improve Productivity? (%)



Confidence & The Future

While South Australia's underlying economic figures have been healthy compared to long-run averages, our indices for SA Confidence and General Business Conditions have remained in negative territory. We asked respondents why business confidence has been low for the last five years.

Recovery from Covid and government spending in unproductive areas has created false economies, spiralling inflation and lacks fiscal responsibility.

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

Because the government always expects businesses to pick up the bill - payroll tax, higher wages. Especially when people are already spending less. Commercial rents have gone up, materials and costs of business are ridiculous! They make employing staff too expensive and complicated.

» **Manufacturing, 20-49 employees**

Excessive energy cost increases and the nexus between CPI and wages are shipping jobs overseas are lowering the affordable standard of living in Australia.

» **Health Care and Social Assistance,**
5-9 employees

The cost of doing business. However, I do believe the SA Government are creating an investment environment which encourages expansive business outcomes.

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

There is no relief in sight for the rising cost of living. It looks like it is going to get much worse before it gets better. If consumer spending is down, why would business confidence be high? This is also backed on from Covid.

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

This is not just SA. Geopolitical, economic conditions, changes in not only consumer behaviour but also consumer attitudes and employee attitudes. Tax system and compliance/regulations mean it's hard to get ahead as a SME. My job is no longer exciting. I am bogged down in compliance, regulations, WHS and HR.

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

We are naturally a negative and pessimistic state. We do some of the best work in the world, but we don't recognise it. And we certainly don't promote it. An example is the Collins Class submarines. We spend our time bagging them and yet they are astonishing pieces of equipment and other nations recognise just how good they are. There are many, many examples of us doing the best work in the world and we need to be proud of that.

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

Our business operates in 3 states, and in the other 2 there is much less reliance on grants and loans. SA businesses, for some strange reason, seem to have much heavier expectation on securing grants and/or loans in order to fund their requirements.

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

There has been so much change. Employees have the power. High wages, more flexibility. Work environments have changed.

» **Health Care and Social Assistance,**
200+ employees

The Future

We also asked respondents to 'imagine a future where your business and your industry is flourishing. What would be an absolute game changer now to see that happen?'

University ranking at 50 or better.

» **Education and Training, 10-19 employees**

A relaxation of regulatory obligations that add to compliance at the expense of productivity.

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

Reduce government bureaucracy size and cost, improve the efficiency of public services and cut costs, land tax, stamp duties and payroll tax. Hence create incentives to take risks invest and focus on growth.

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

We should be seriously planning for the phasing in of modern nuclear power generation. Many other countries do the same sums we do but come up with different answers.

» **Health Care and Social Assistance, 5-9 employees**

True, synchronous high speed internet for regional areas.

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

Comprehensive infrastructure improvements, particularly in affordable housing and transportation. Ensuring that there is adequate affordable housing close to business hubs would significantly alleviate workforce shortages, making it easier to attract and retain skilled employees. This would boost productivity and reduce operational disruptions caused by high turnover and long commutes.

» **Construction, 5-9 employees**

Lower compliance costs. Government really need to take a pragmatic approach to the balance between compliance and productivity.

» **Other, 10-19 employees**

Increased tourism to Kangaroo Island, especially in winter. Cheaper ferry fares, more reliable service and cheaper airfares. Access to school based trainees.

» **Other, 1-4 employees**

More government spending on major infrastructure projects outside of Adelaide.

» **Construction, 10-19 employees**

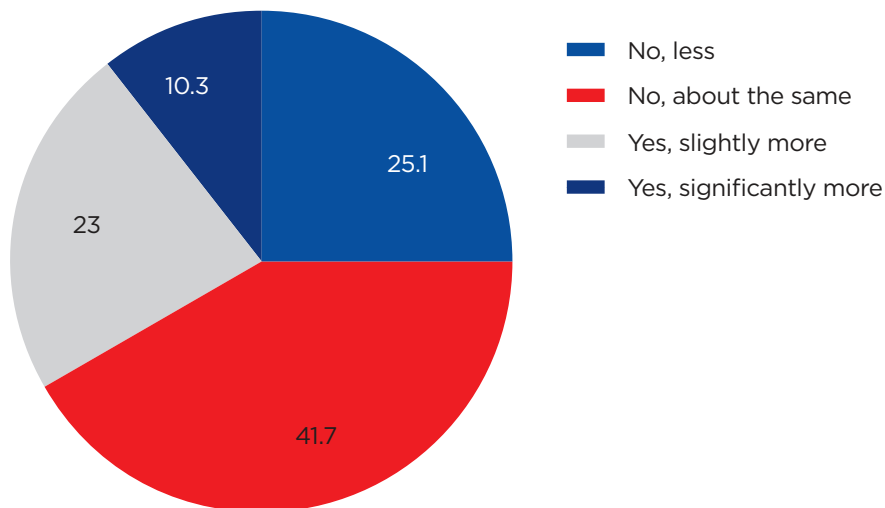
Payroll Tax reform would be a game changer for our business. It impacts our ability as owners to earn an income, also our desire to further invest in the industry.

» **Hospitality, 50-199 employees**

Capital Expenditure & Staffing

Chart 15

Will You Invest More in Capital Equipment in the Next 12 Months? (%)



Only a third of businesses tell us they will invest more on capital goods in the next 12 months. The main reasons against investment were cost pressures. Additionally, high interest rates that, according to our respondents are unlikely to subside, have increased borrowing costs which many respondents said was a factor in their reduction in capital expenditure. More businesses are lacking the financial means to increase capital expenditure and are forced to focus on other priorities.

Chart 16

Is it Easier to Attract and Recruit Staff now Compared to a Year Ago? (%)

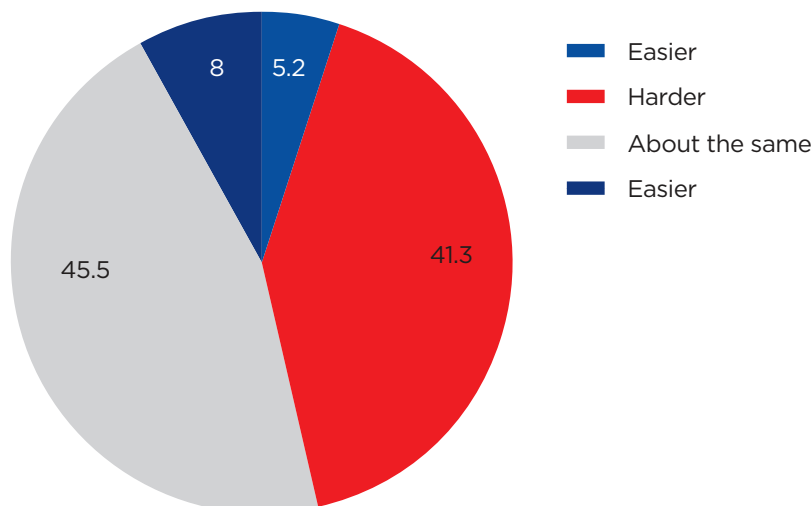
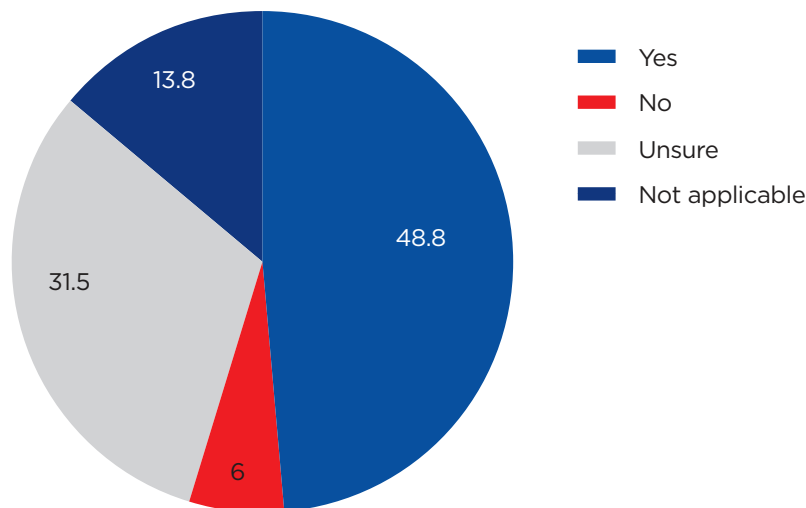


Chart 17
Are You Confident Your Business Strategy Motivates Staff? (%)



We asked: ‘Aside from remuneration, what strategies do you have in place to motivate and retain staff?’

- The business has two priorities – the customers and the team.
- Ensuring workplace and its culture is pleasant, friendly and supportive.
- Educate staff on the benefits of a positive attitude for themselves and the future success of the business.
- WFH, flexible work hours, bonus payments.
- Employee assistance programs, parental leave, flexible and hybrid work and personal development.
- Recognition of team members’ skills and effort and the impact on the business, resulting in a positive, cohesive, forward thinking group.
- Providing tangible pathways for staff to achieve their own goals.
- Providing first class facilities and equipment for the staff to work in and on.
- Relaxed culture.
- Egalitarian workplace, where senior management interact with all levels of staff.

Performance Indicators

Chart 18
Profitability Index

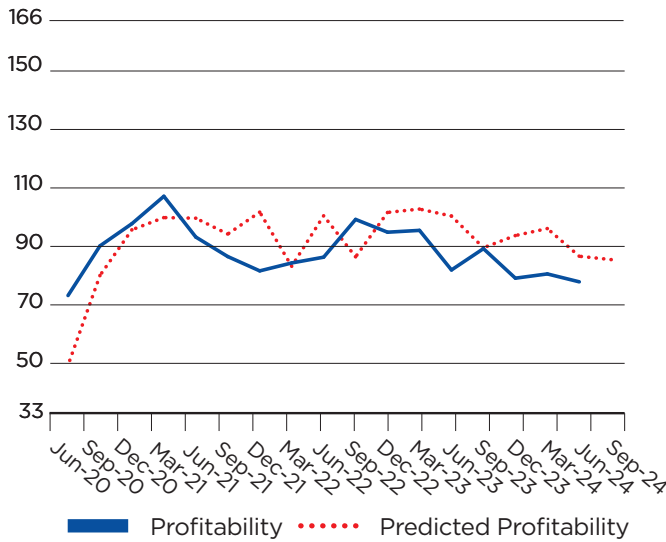
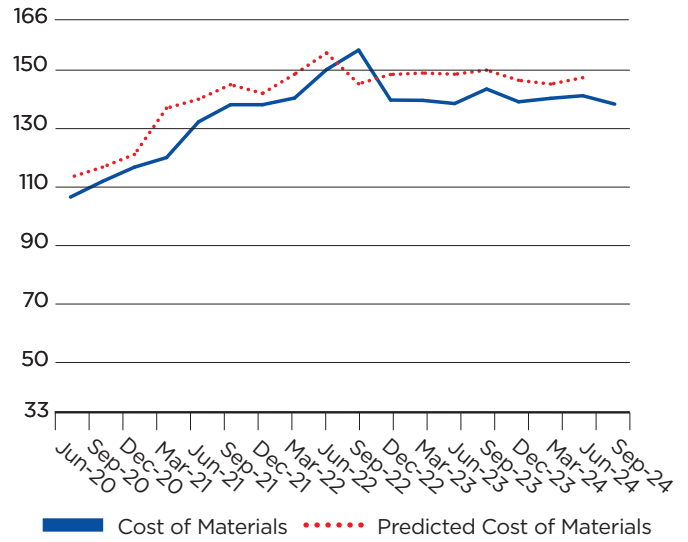


Chart 19
Cost of Materials Index



Profitability Index for the June Quarter 2024

76.4 points

Predicted Profitability Index for the September Quarter 2024

83.7 points

Our *profitability* index is again languishing in negative territory, as it has done for the last three years. This edition's figure of 76.4 points is a 2.6 point decline from last quarter. It is also the lowest score we have recorded since the June quarter of 2020, when amidst the pandemic the index sat only 4.5 points lower. The *predicted profitability* index has only been above the neutral score of 100 *once* since March 2019.

Cost of Materials Index for the June quarter 2024

148.5 points

Predicted Cost of Materials Index for the September Quarter 2024

139.4 points

Whilst our *cost of materials* index has stagnated in the last eighteen months, it remains extremely high. At 148.5 points it represents a 2.2 point increase on last quarter and reflects the fact that more than 70% of respondents saw their materials costs rise. Only 1.7% saw their materials bill decline.

Chart 20
Cost of Overheads Index

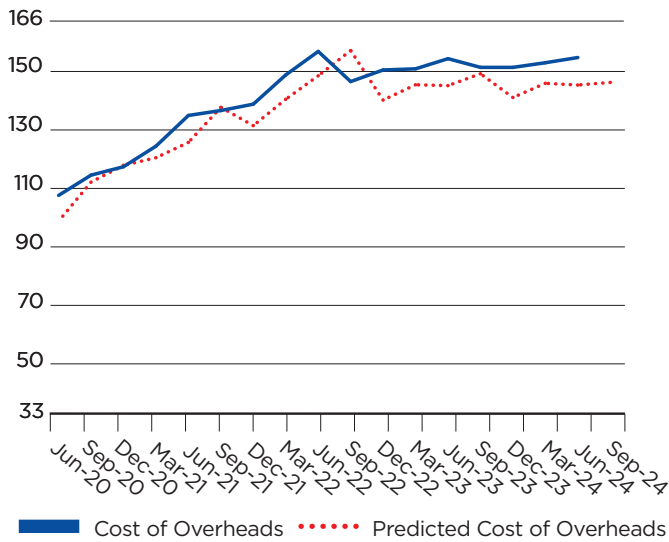


Chart 21
Average Selling Price Index



Cost of Overheads Index for the June Quarter 2024

155.7 points

Predicted Cost of Overheads for the September Quarter 2024

147.1 points

Our *cost of overheads* index rose 1.8 points to 155.7 points. Just 1% of respondents reported their overhead expenses declining in the June quarter, with 84% reporting an increase. The index remains extremely high and on a slight upward trend in line with the last couple of years.

Similar to our *cost of materials* index, *actual overhead* costs are consistently showing to be higher than previously *predicted*. This remains a large contributor to the general pessimism besetting South Australian business operators.

Average Selling Price Index for the June Quarter 2024

101.6 points

Predicted Average Selling Price Index for the September Quarter 2024

103.6 points

Average selling price in South Australia slightly increased by 1.6 points in the quarter. This index has followed the official national inflation figures very consistently, having achieved its peak in December 2022, trending downwards since, before a slight incline in the most recent quarter.

Chart 22
Orders Received Index

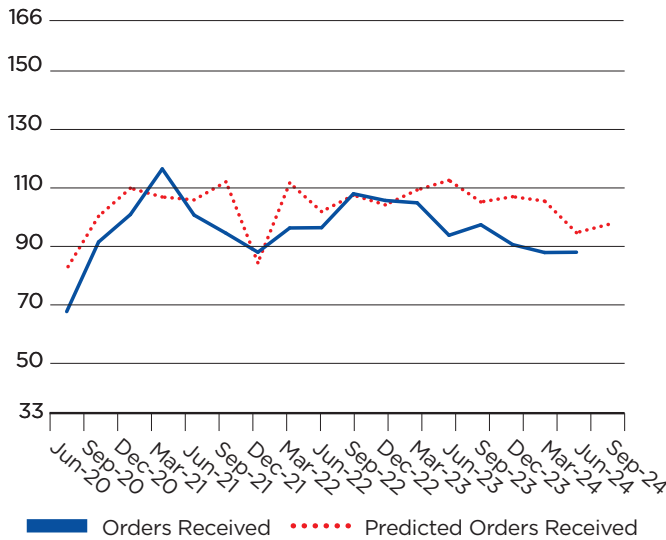
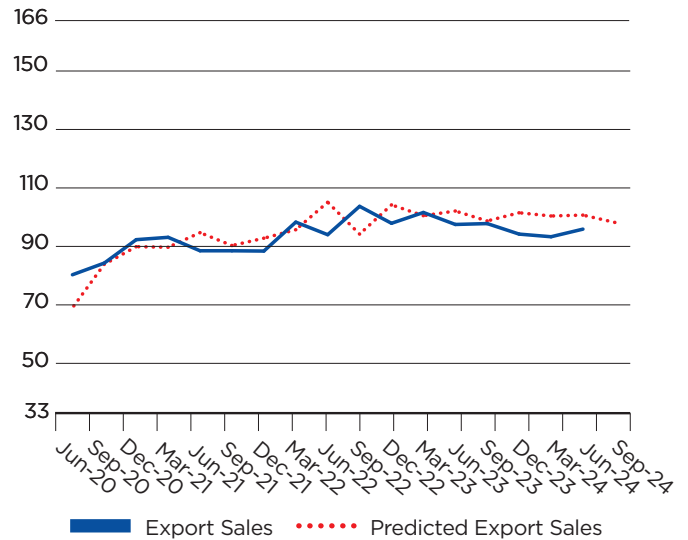


Chart 23
Export Sales Index



Orders Received Index for the June Quarter 2024

88 points

Predicted Orders Received Index for the September Quarter 2024

97.5 points

A common theme of respondents in recent surveys has been the reduction in consumer spending levels and the associated difficult operating conditions that businesses face. The *orders received* index again remains in negative territory, as it has been since March 2023. Again, the *predicted* index of orders received has consistently forecast more optimistic business conditions than has really been experienced over the last 18 months.

Export Sales Index for the June Quarter 2024

95.9 points

Predicted Export Sales Index for the September Quarter 2024

98.2 points

Export sales increased an encouraging 2.6 points in the quarter to now be 95.9 points after having declined in the previous two surveys. Respondents again see more optimistic conditions prevailing in the September quarter. In the 12 months to June 2024, South Australian exports increased by \$138 million, or 0.8%.⁶ Much of this growth has been to China, driven by South Australian wine producers following the removal of tariffs in that country.

⁶ Department of Treasury and Finance, SA Overseas Goods Exports June 2024, 1 August 2024, Liam Scott

Chart 24
Average Wages Index

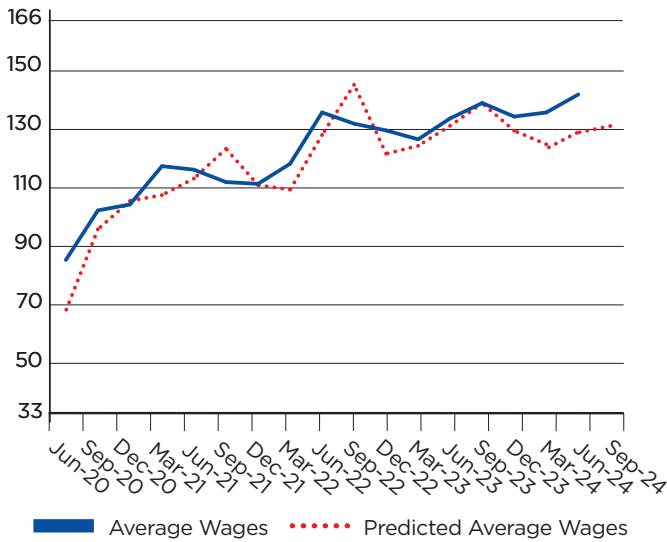


Chart 25
Employment Levels Index



Average Wages Index for the June Quarter 2024

141.2 points

Predicted Average Wages Index for the September Quarter 2024

130.5 points

The *average wages* index figure of 141.2 points is the highest recorded figure since the September quarter of 2005, nearly 19 years ago. It increased a significant 6.1 points in the quarter. This index is also the most steeply inclining performance indicator that we track. In the four quarters of 2021 the average index was 113.7, its average in the most recent four quarters is 137.1 points. Yet skills and labour shortages persist, which pressures businesses to further increase wages.

Employment Levels Index for the June Quarter 2024

87.6 points

Predicted Employment Levels Index for the September Quarter 2024

97 points

Businesses slightly decreased their *levels of employment* in the June quarter, declining 0.7 points, this was the fourth consecutive quarter where the index declined. Its current level of 87.6 points is the lowest recorded level of employment since June 2020, the same date as mentioned in our *profitability index*. This has coincided with a period of very low unemployment in South Australia.

Chart 26
Training Expenditure Index

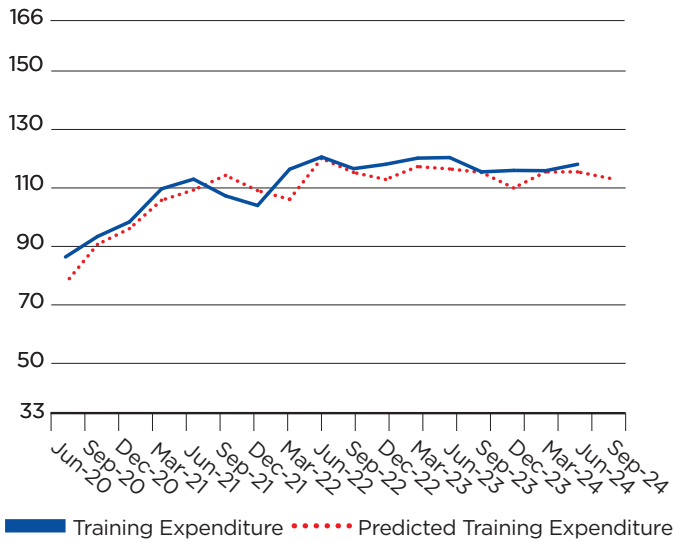
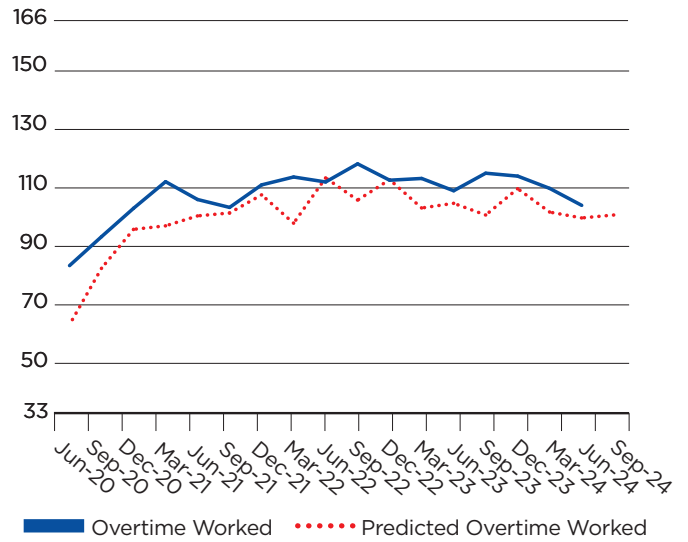


Chart 27
Overtime Worked Index



Training Expenditure Index for the June Quarter 2024

118.1 points

Predicted Training Expenditure Index for the September Quarter 2024

113.3 points

Training expenditure has remained flat in the last couple of years. Although the current score of 118.1 points is its highest figure in the last year, expenditure is predicted to decline in the forthcoming quarter as businesses look to further cut costs.

Overtime Worked Index for the June Quarter 2024

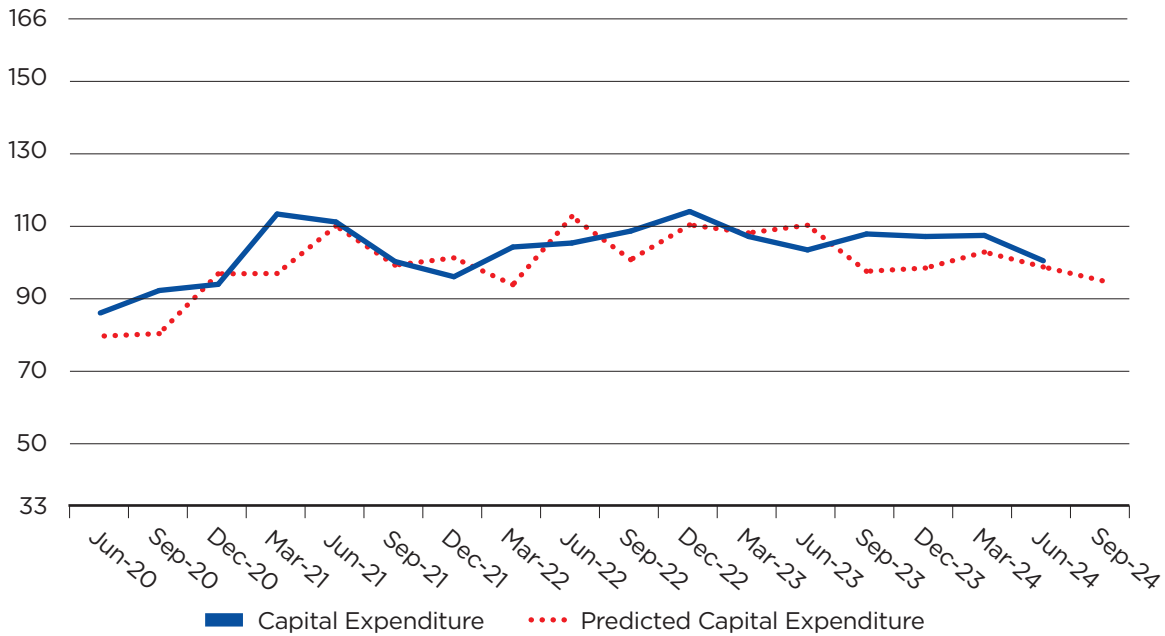
104.1 points

Predicted Overtime Worked Index for the September Quarter 2024

100.8 points

Overtime worked declined a marked 5.8 points in the June quarter, reducing to 104.1 points, following a similar decline of 4.2 points in March. Despite this, the *predicted* overtime worked has generally sat higher than *actual* overtime worked and further highlights the difficult conditions for business operators.

Chart 28
Capital Expenditure Index



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

100.9 points

Our *capital expenditure* index moved the most of all our performance indices this quarter, declining 7 points to now be 100.9 points and was 2.4 points lower than was *predicted* during our March survey. This aligns with the approximately two-thirds of our respondents saying they will not spend more on capital goods compared to the previous 12 months, as previously discussed.

**Predicted Capital
 Expenditure for the
 September Quarter 2024**

95.4 points

This June quarter edition of our Survey of Business Expectations saw cost indices such as *cost of materials*, *cost of overheads*, *average wages* and *training expenditure* climb; all well exceeding the neutral score of 100. Highlighting the challenges faced by business in 2024, revenue indices such as *total sales/revenue* and *profitability* declined once again.

Case Study

Culture is king when it comes to productivity

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

Generous working conditions, employee incentives, ongoing training opportunities, and the occasional team lunch are just some of the initiatives keeping productivity high at this Barossa Valley business..

Cooperages 1912, a subsidiary of the fourth-generation, family-owned Independent Stave Company based in the United States, has been manufacturing and selling premium oak wine barrels and alternatives from its Tanunda cooperage to both Australian and overseas markets for 30 years.

According to Managing Director Mark Roberts, the key to the business's longevity is its stable and dedicated workforce.

"We're incredibly fortunate to have such a committed team," Roberts said.

"Their dedication is the backbone of our success."

The June Quarter Survey of Business Expectations by the South Australian Business Chamber and William Buck reveals that productivity is a top concern for South Australian businesses, with 85% of respondents reporting productivity has either stagnated or declined over the last 12 months.

The survey highlights that staff and skills shortages are seen as the greatest barriers to increased productivity - an issue that

Cooperages 1912 has managed to sidestep with its 16-person strong workforce.

"Our staff are our greatest asset," Roberts added.

"Our business thrives on their effectiveness. We've implemented strategies that not only boost productivity but also keep our team engaged and motivated.

"...the key to the business's longevity is its stable and dedicated workforce.."

"It's a point of pride that our staff retention averages between 8 to 12 years."

While Cooperages 1912 has maintained a strong supply to meet demand, seemingly defying the trend faced by many South Australian businesses, Roberts acknowledges that the company hasn't been immune to industry-wide challenges.



Mark Roberts - Cooperages 1912.

“COVID-19, supply chain disruptions, and the tariff impacts of the Chinese wine market have all taken their toll,” he admitted.

“The loss of such a key market was a significant blow, but we’ve remained focused on working closely with our customers to deliver exceptional service. This ensures positive word of mouth and helps us continue to expand our customer base.”

With the return of the Chinese market and the post-vintage sales season looming, Roberts is optimistic about the months ahead, despite a dramatic decline in general business conditions across the state in June.

“Business is a balancing act,” Roberts concluded. “If we continue to be dynamic, work closely with our customers, and maintain our commitment to quality and sustainability, we’ll continue to trend well in the coming months.”

A Word from William Buck

Written by Adrian Chugg - Managing Partner, William Buck

Tuesday 20 August 2024

A change in mindset is needed to improve productivity.

The June quarter Survey of Business Expectations results released today underscore a concern I've frequently encountered: South Australia is grappling with a productivity problem.

For years, labour shortages have been a significant issue, hindering businesses from reaching their full potential.

The struggle to find talent with the right skills has stifled productivity, a reality highlighted in our survey, where 85% of businesses reported either stagnant or declining productivity over the past 12 months.

The combination of recruitment difficulties and an economic slowdown driven by inflationary pressures has created barriers to productivity. However, a shift is emerging, particularly among larger companies.

“It's not enough to gauge success purely in terms of dollars. I was alarmed to discover that only 50% of businesses have a method for tracking productivity.”

Many businesses with more than 50 employees are adapting by redirecting funds that would have gone towards wages into investments in machinery and infrastructure that enhance efficiencies.

This shift is reflected in our survey, where 32% of respondents indicated plans to invest more heavily in capital equipment within the next year. Among businesses with more than 50 employees, this figure rises to around 43%.

This “do more with less” approach is precisely the kind of initiative that businesses should consider to boost productivity.

I acknowledge such investments are easier said than done, especially for those without substantial financial means. However, for businesses grappling with subpar job applications, this is a critical consideration.

Addressing productivity issues also requires a shift in how we measure business performance. It's not enough to gauge success purely in terms of dollars. I was alarmed to discover that only 50% of businesses have a method for tracking productivity.

Success is not just about the bottom line; it's about driving business activity. A robust balance sheet is the dividend of growth in activity, fuelled by a strong business strategy - one built on a commitment to change and progress.

As expected, June results echoed previous quarters, with the cost of doing business remaining the top concern for operators across the state. We have seen the focus on cost pressures while assisting many businesses with their annual budget/forecasting process.

Inflation is squeezing bottom lines, and businesses are looking for guidance on how to navigate this. While I see inflation beginning to moderate, the best advice I can offer - echoing my predecessor Jamie McKeough's analysis of the March quarter survey - is not to shy away from passing increased costs onto customers.

Adrian Chugg,
Managing Partner
William Buck Australia



In many cases passing on price increases can be challenging, but without productivity gains, it is the only way to ensure that business profitability is sustained. There is an art to increasing prices and the communication strategy is critical.

For over 20 years, I've had the privilege of advising hundreds of businesses as I have progressed my career at William Buck. Now, as the new Managing Partner, I'm eager to continue this journey by partnering with the South

Australian Business Chamber on our quarterly surveys. These insights will guide policy changes aimed at enhancing business conditions across our state.

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

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