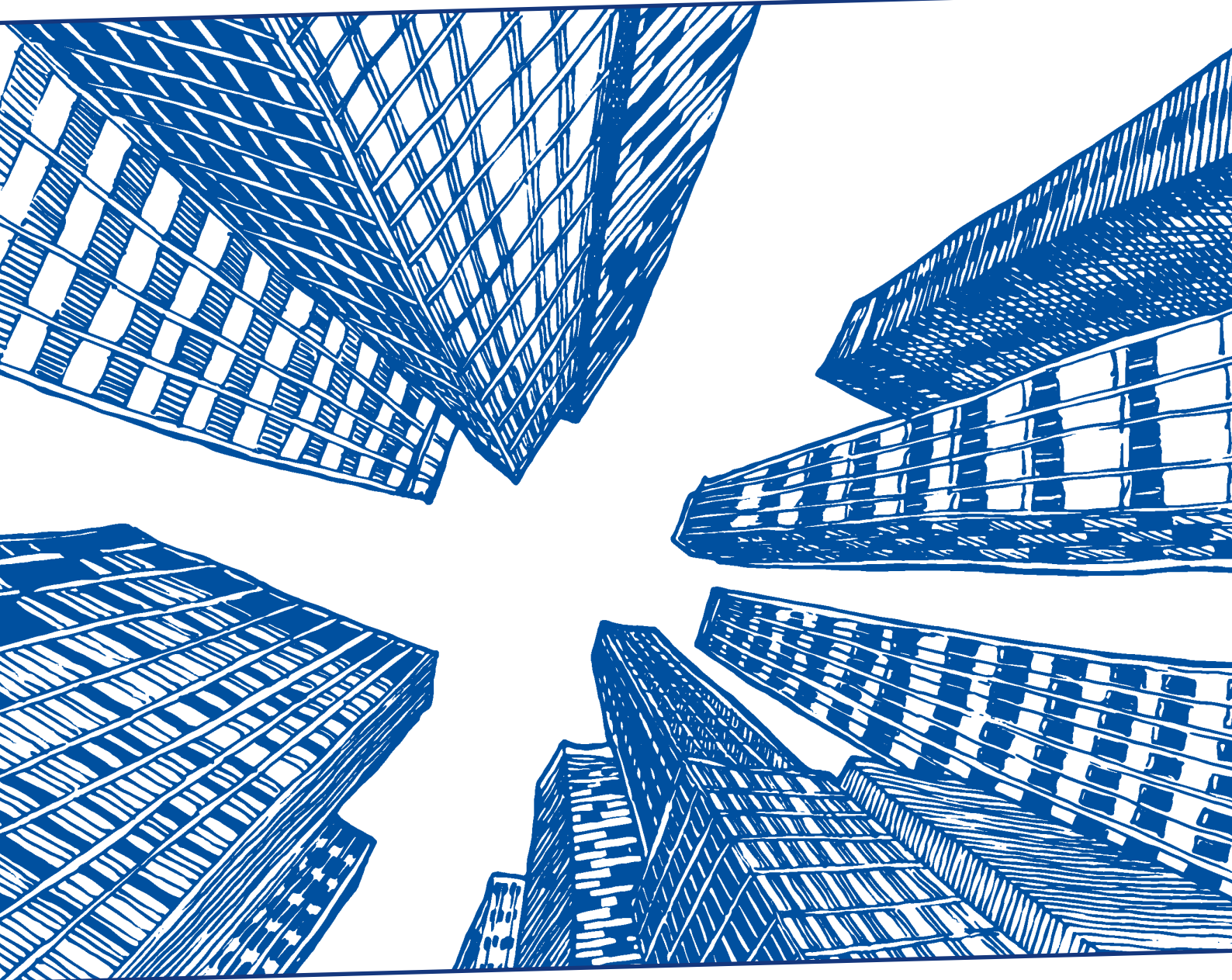


# Business Now

The South Australian Business Chamber  
Survey of Business Expectations

2024 // September Quarter



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# The Economy

## Business Confidence

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### South Australian Confidence Index September Quarter 2024

86.4 points

Up 3.4 points from last quarter

### National Business Confidence Index September Quarter 2024

79.9 points

Up 3.7 points from last quarter

*South Australian Confidence* rose a marginal 3.4 points in the September quarter of 2024 to 86.4 points. While the improvement is pleasing, the index remains well below neutral. Only 15.9% of respondents felt that the South Australian economy will be stronger or somewhat stronger in the next 12 months.

This is the twelfth consecutive quarter (since December 2021) that *SA confidence* has sat below the neutral score of 100.

*National Confidence* also rose in the September quarter, increasing by 3.7 points, though still languishing well below neutral at 79.9 points. Fewer than 11% of respondents thought the national economy would perform stronger or slightly stronger in the next 12 months. The

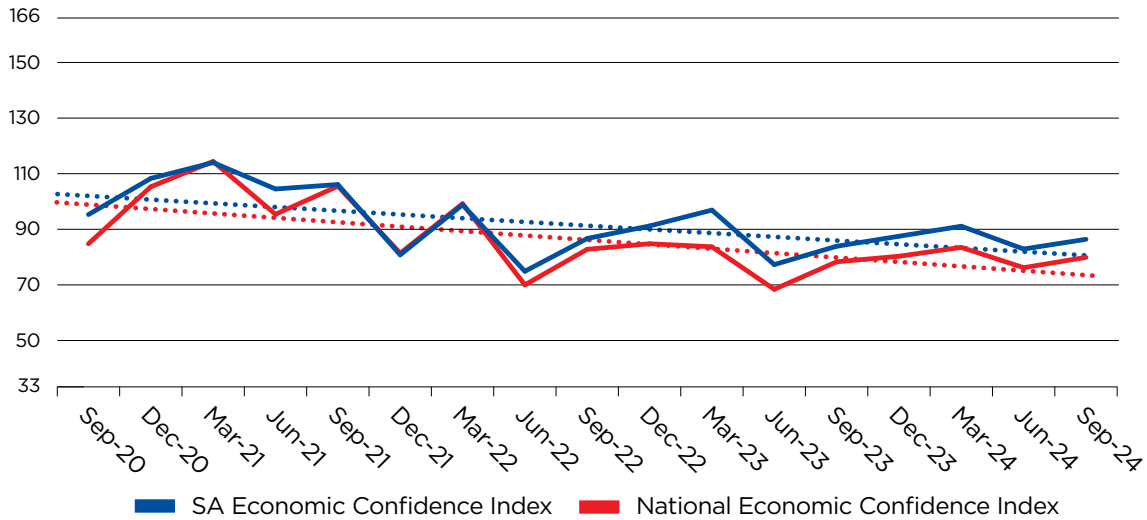
national confidence is currently 1.6 higher than this time last year and is only 0.1 point higher than its two-year average.

Once again, SA optimism has surpassed national levels, with respondents consistently expressing a more cautious outlook on the national economy than on the state economy since March 2022.

Our confidence indices measure how South Australian businesses expect the state and national economies to perform over the next 12 months. Now in its 44th year, this survey is the longest running in the state.

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

Chart 1  
SA & National Economic Confidence Indices



## General Business Conditions

### General Business Conditions Index September Quarter 2024

81.9 points

Down 0.8 points from last quarter

*General Business Conditions* in South Australia declined for the fourth consecutive quarter and has declined in five of the last six quarters. At 81.9 points, conditions are at their lowest point since the June quarter of 2020, at the height of the pandemic. *General Business Conditions* has declined rapidly: 13.8 points in the last year and 20.8 points in the last two years.

Our *Sales/Total Revenue* index is similarly indicative of difficult operating conditions for the state's businesses. While 86.8 points is a small increase on the last quarter, it has declined 9.3 points in the last year and 16.6 points in two

### Total Sales/Revenue Index September Quarter 2024

86.8 points

Up 1.8 points from last quarter

years. It is the sixth consecutive quarter of *sales/total revenue* being below neutral and represents a significant reduction in revenue from mid-2022 to mid-2023.

Our June quarter survey found respondents predicted *General Business Conditions* would be 89 points in the September quarter, and *Sales/Total Revenue* would be 90.8 points. The actual figures, however, are 7.1 and 4 points lower, respectively, and are consistent with previous surveys showing anticipated conditions to be higher than what has eventuated.

Chart 2  
General Business Conditions Index

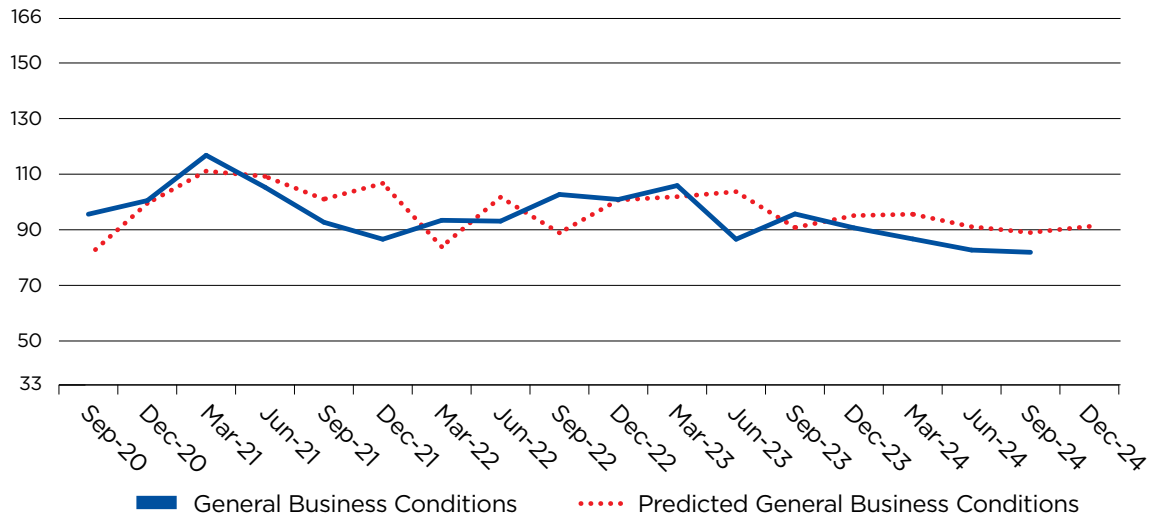
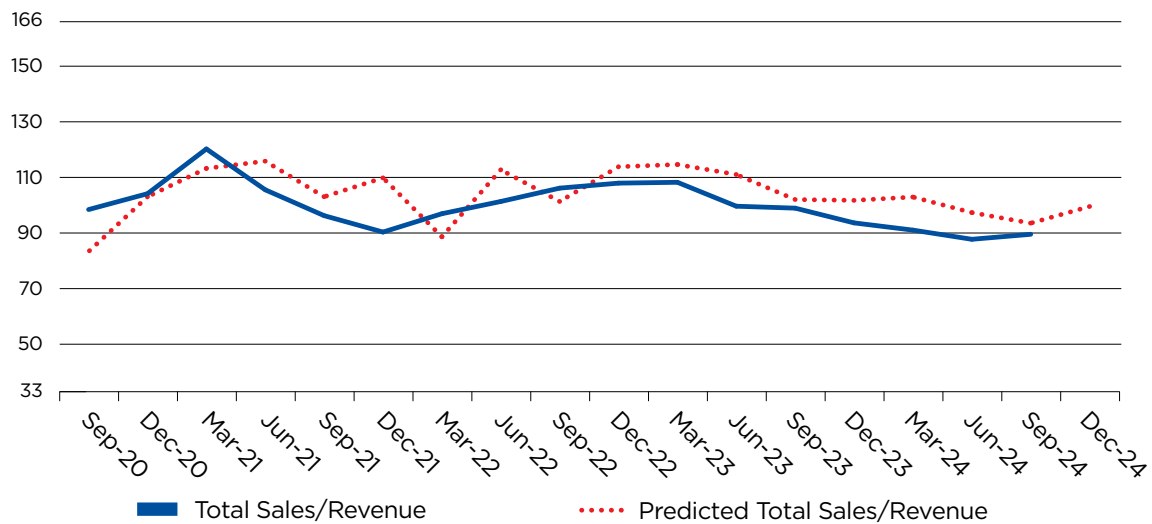


Chart 3  
Total Sales/Revenue Index



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

91.2 points

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

96.8 points

## Economic Indicators

---

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

	Decrease	Stay the Same	Increase
Interest Rates	20.1%	68.6%	11.4%
Inflation Rate (CPI)	19.8%	49.8%	30.4%
Unemployment Rate	6.1%	51.5%	42.4%
Value of \$AUD (against \$USD)	31.4%	51.9%	16.7%

More than two thirds of respondents feel the next quarter will see interest rates staying the same. Rates have remained steady at 4.35% since November 2023. Though a significant 20.1% of respondents see an interest rate cut forthcoming, as some commentators have forecast.<sup>1</sup>

Inflation recently hit a quarterly low not seen in four years, though is still relatively high compared to other economies.<sup>2</sup> 49.8% of survey respondents see inflation remaining steady in the December quarter, with 30.4% predicting reflation. The International Monetary Fund recently revised its prediction of Australian inflation upwards from 2.8% to 3.6% by the end of 2025, while at the same time extolling that “the global battle against inflation has largely been won”.<sup>3</sup>

On the employment front, responses reveal caution: 51.5% believe unemployment will stay at current levels, while 42.4% foresee an increase, which may reflect concerns about pessimistic business conditions and its impact on job creation. Only 6.1% expect a reduction in unemployment, signalling a degree of uncertainty about future labour market growth in what has been a prolonged period of low unemployment in South Australia.

In terms of currency, just over half (51.9%) expect the Australian dollar to hold steady against the USD, though 31.4% see a potential for further weakening, as has been the trend throughout October.

<sup>1</sup> The Guardian, Fixed and variable home loans fall before expected cash rate cut by RBA, Jonathan Barrett, 11 October 2024, <<https://www.theguardian.com/australia-news/2024/oct/11/fixed-and-variable-home-loans-fall-ahead-of-expected-cash-rate-cut-by-rba>>

<sup>2</sup> Australian Bureau of Statistics, CPI rose 0.2% in the September 2024 quarter, 30 October 2024, <<https://www.abs.gov.au/media-centre/media-releases/cpi-rose-02-september-2024-quarter>>

<sup>3</sup> International Monetary Fund, World Economic Outlook Policy Pivot, Rising Threats, October 22 2024, <<https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024>>

# Business Demographics

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

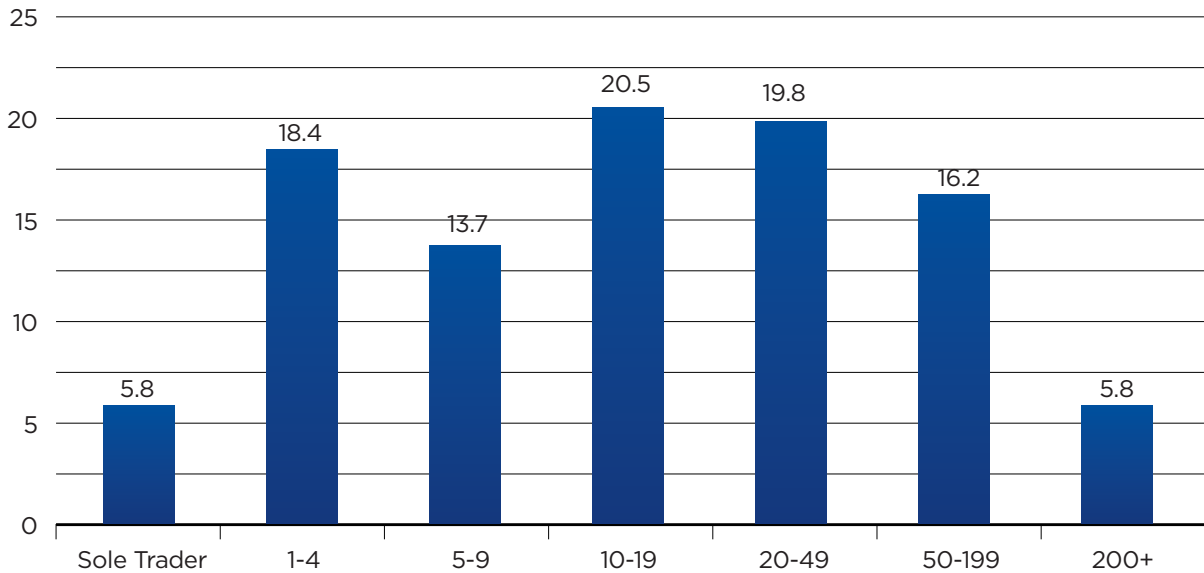
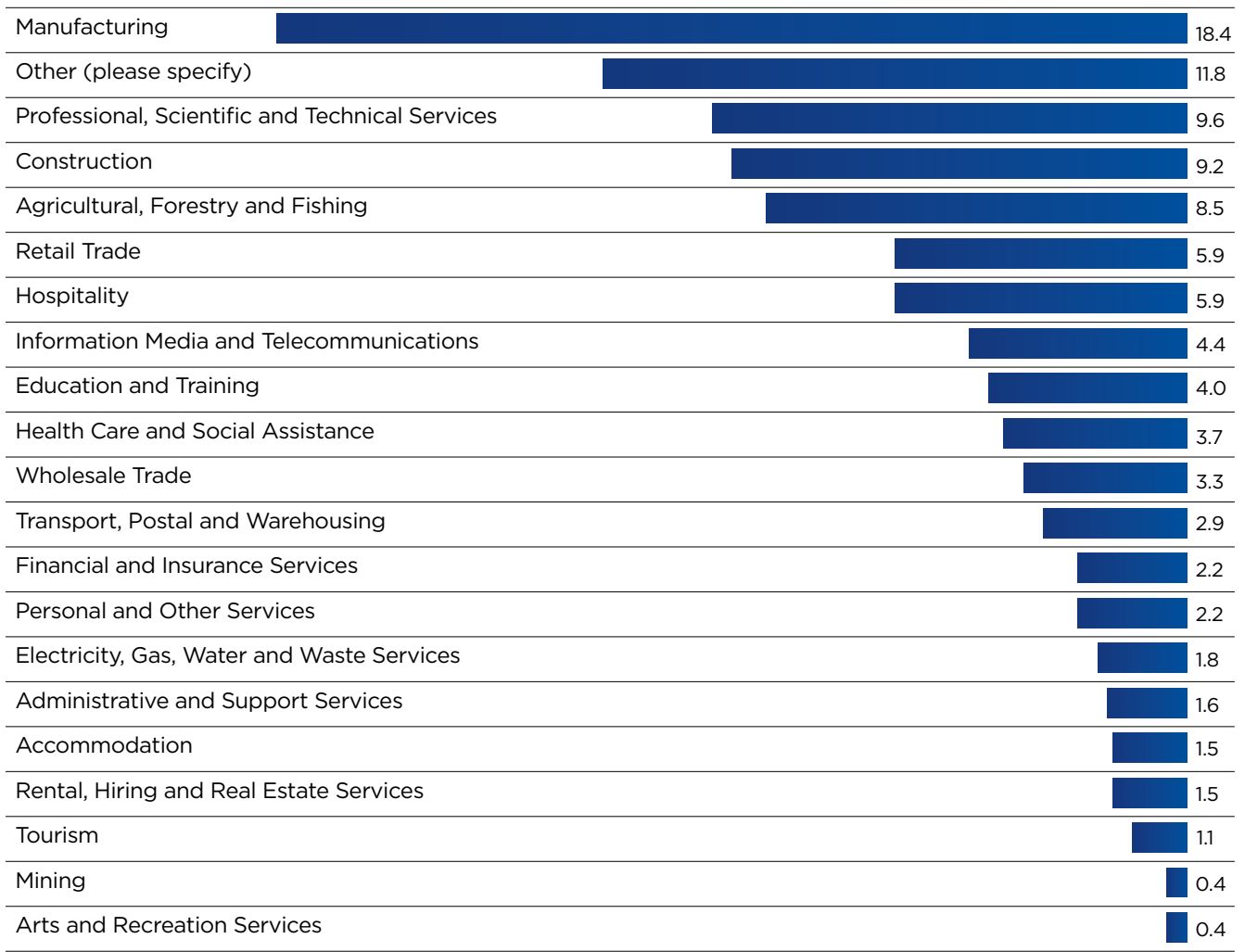


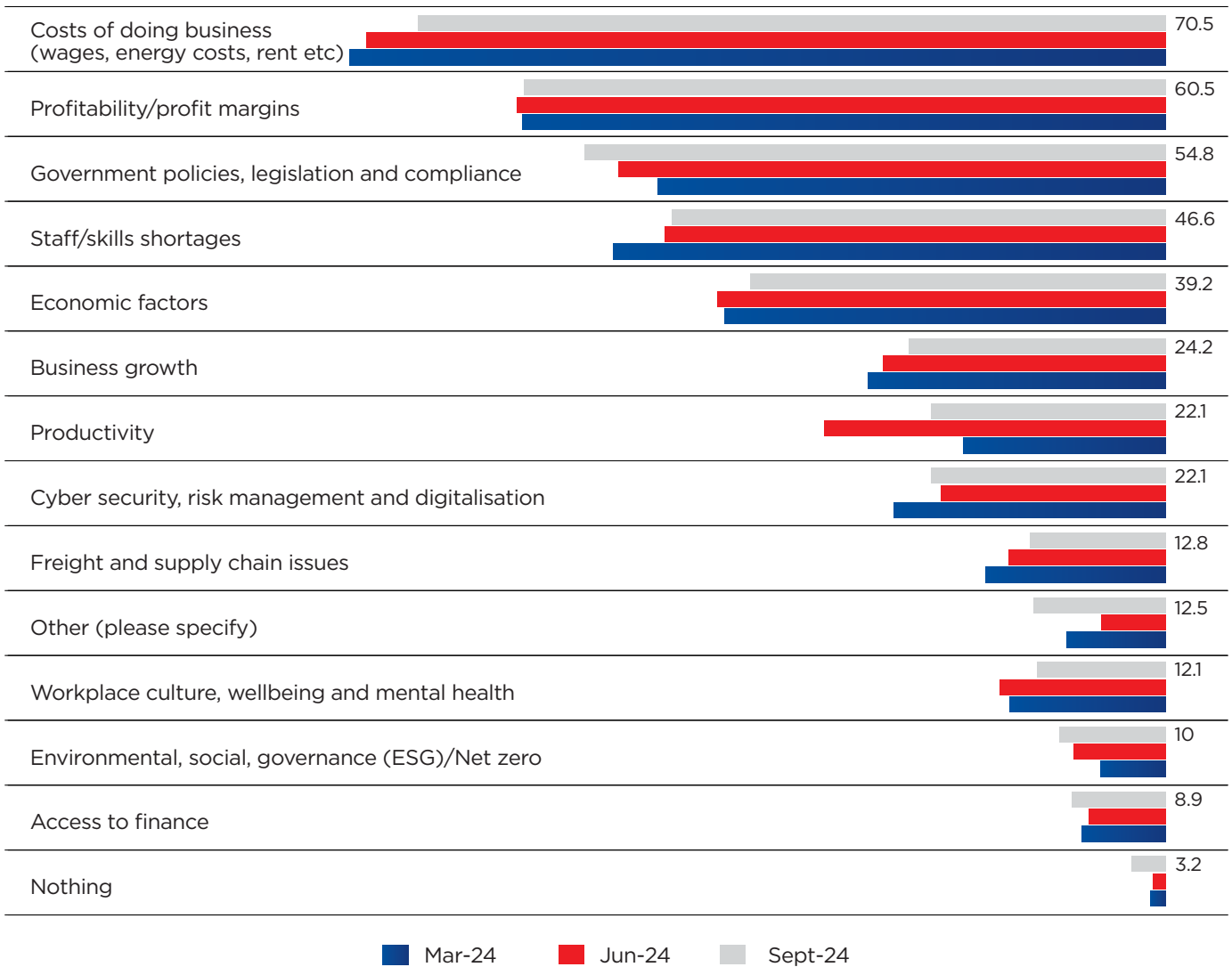
Chart 5  
Industry Composition (%)





# Issues Affecting Businesses

Chart 6  
Main Issues Affecting My Business (%)



*Costs of doing business* continues to be the main issue vexing South Australian businesses, though its prominence declined slightly in this edition to 70.5% of respondents (down from 75.4% in June and 77% in March).

*Profitability/profit margins* remains the second most difficult issue for the state's businesses, selected by 60.5% of businesses.

*Government policies, legislation and compliance* is again the third most pressing issue, growing by 3.2 percentage points since the June quarter, and by 6.9 percentage points since March. We explore this further in the Government Relations section later in the report.

While *Staff/skills shortages* is still a top five issue, it showed a slight decline from the last quarter which, considering the significant proportion of businesses forecasting increased unemployment, could signify a softening of South Australia's labour market.

Fortunately, we have seen an incremental decline in *freight and supply chain issues* over several quarters. In this quarter it is a top five issue among 12.8% of businesses, compared to

17.7% nine months ago. Freight issues are largely concentrated in rural South Australia, and this was named a top five issue for 26.1% of agriculture businesses.

There was a much higher proportion of respondents selecting *Other* issues this quarter (12.5%). The diversity of responses of this cohort was striking, with a range of issues identified including payroll tax, financial viability of clients, and the climate and its impact on insurance prices.

There was a marked decline in the percentage of respondents who viewed *workplace culture, mental health and wellbeing* as a top 5 issue. In this edition it featured in 4.4% of responses, compared to 15.7% in June.

The top three issues of *cost of doing business, profitability and government policies, legislation and compliance* are the same for all sizes of businesses according to this survey. Whereas the top issues diverge slightly for different industries.

### Top 5 Issues Affecting My Business by Industry (%)

Manufacturing	Construction	Professional, Scientific and Technical Services	Agriculture, Forestry and Fishing
Costs of doing business: 80%	Costs of doing business: 76%	Profitability/profit margins: 65%	Profitability/profit margins: 74%
Government policies, legislation and compliance: 64%	Staff/skills shortages: 72%	Costs of doing business: 65%	Costs of doing business: 74%
Profitability/profit margins: 60%	Government policies, legislation and compliance: 64%	Productivity: 50%	Economic factors: 52%
Staff/skills shortages: 50%	Profitability/profit margins: 52%	Government policies, legislation and compliance: 46%	Government policies, legislation and compliance: 35%
Economic factors: 38%	Economic factors: 36%	Staff/skills shortages: 42%	Freight and supply chain issues: 26%

Chart 7  
**% of Businesses Reporting Cost of Materials Increasing**

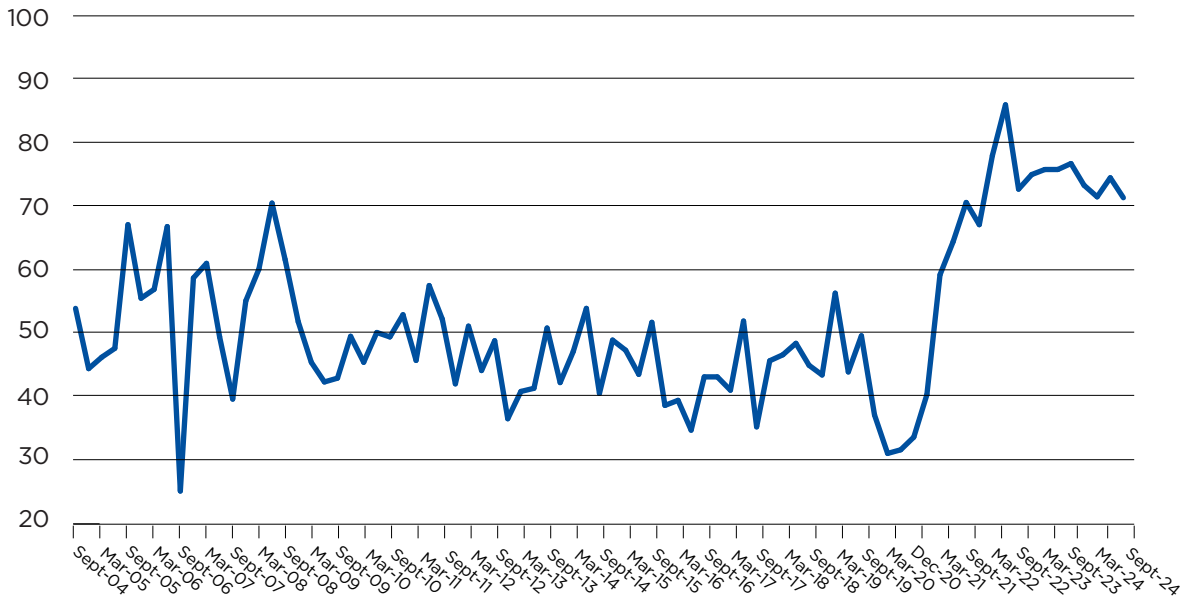
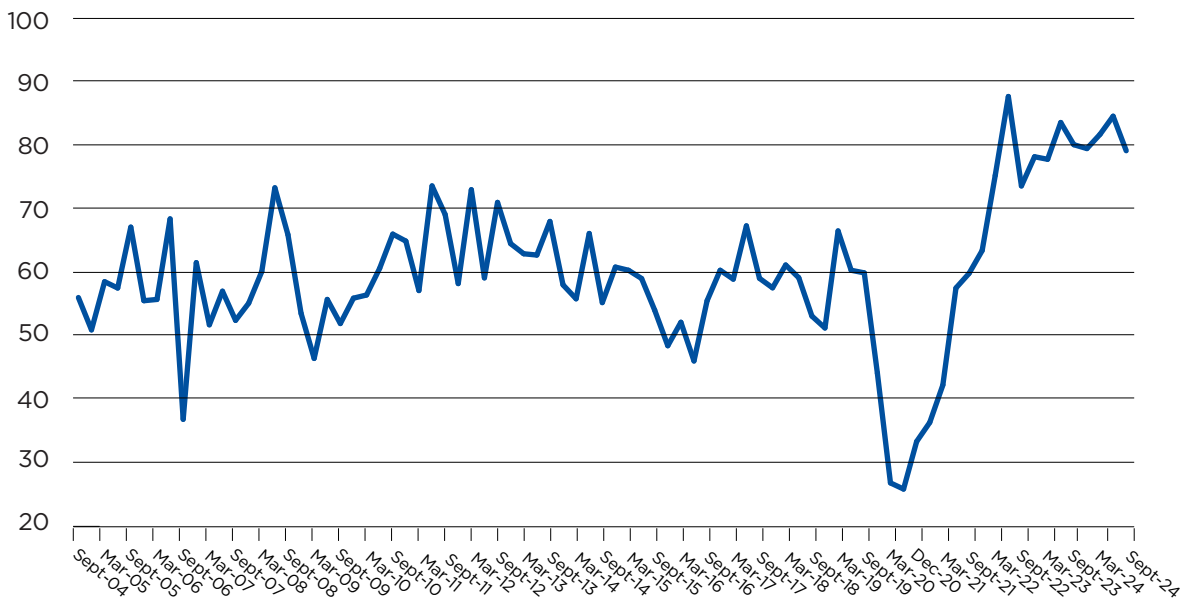


Chart 8  
**% of Businesses Reporting Cost of Overheads Increasing**



# The Labour Market

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

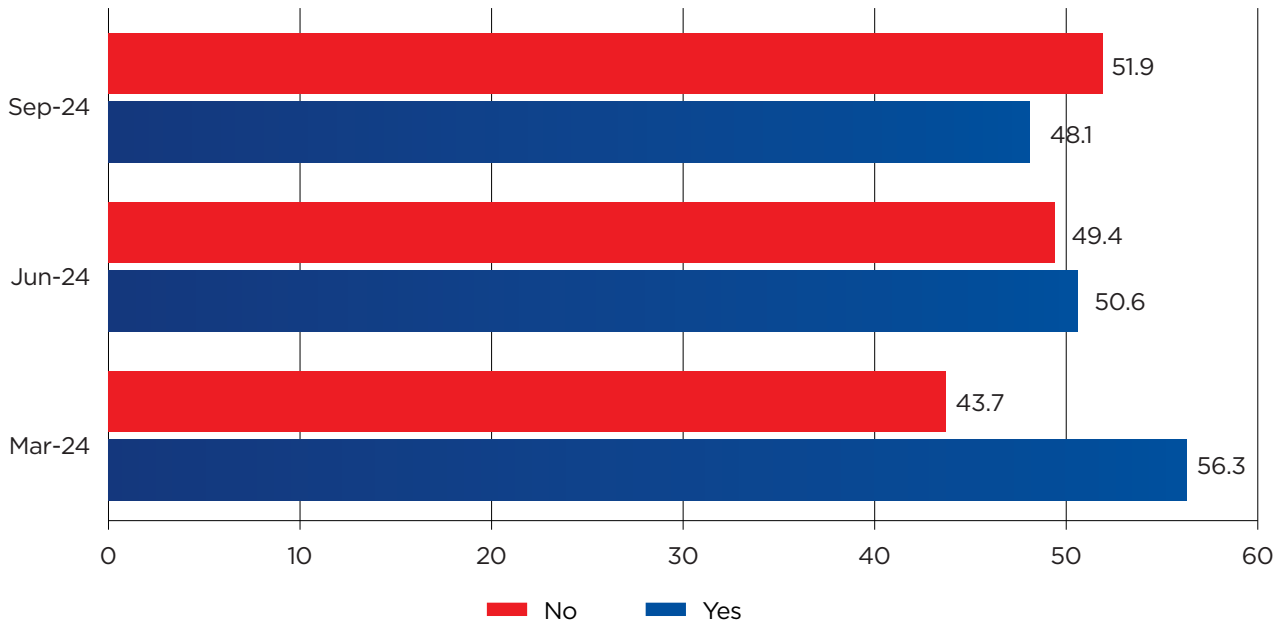
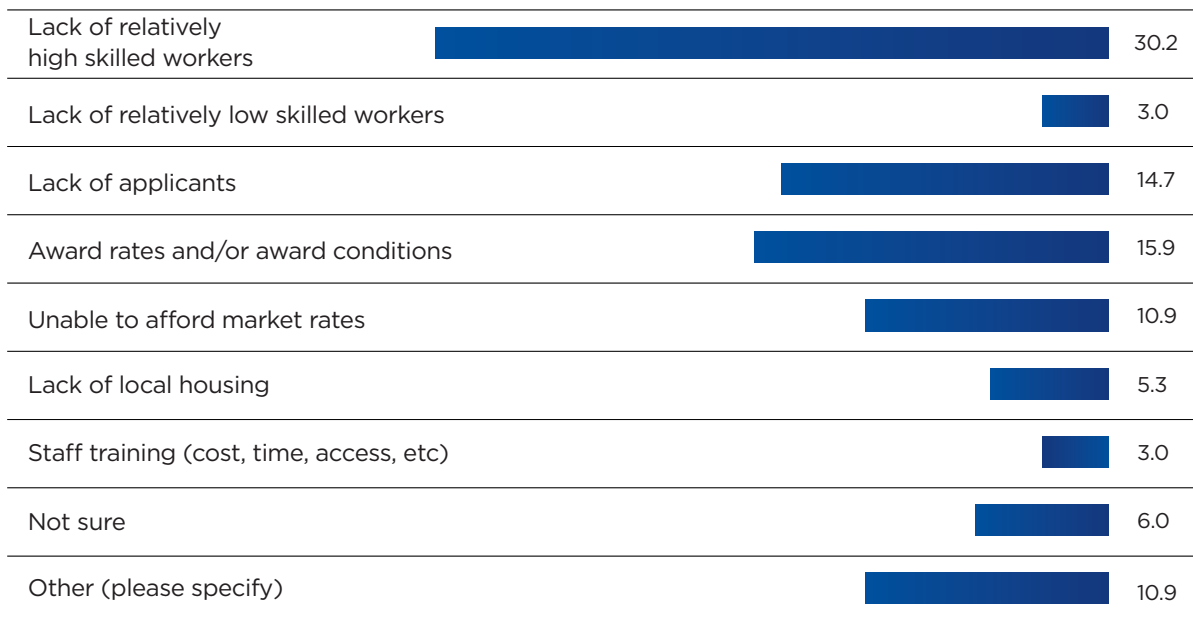


Chart 10  
Main Labour Market Challenge? (%)



Over the last few quarters, we have seen an incremental decline in the proportion of businesses experiencing labour shortages. An 8.2 percentage point decline in just six months suggests the labour market coming into alignment.

A *lack of relatively high skilled workers* is the predominant challenge facing SA businesses in the labour market, selected by 30.2% of businesses, a 6.1 percentage point increase on last survey. This contrasts strongly with only 3% of firms who view a *lack of relatively lower skilled labour* as their most challenging issue in the labour market.

The second most prominent challenge of *award rates and/or award conditions* is a challenge that is concentrated in certain industries – it is the top issue for agriculture businesses (27%) and health care and social assistance businesses (30%).

Labour shortages are more frequently found in larger businesses. Of businesses with 20 or more employees, two thirds are experiencing labour shortages, whereas businesses with fewer than 10 employees, less than a third are experiencing the same issue. The general divergence of labour market difficulties faced by different industries is marked. For example, two thirds of construction businesses are actively looking for new staff and the opposite is the case for professional services businesses.

Chart 11  
Current Labour Shortages by Industry (%)

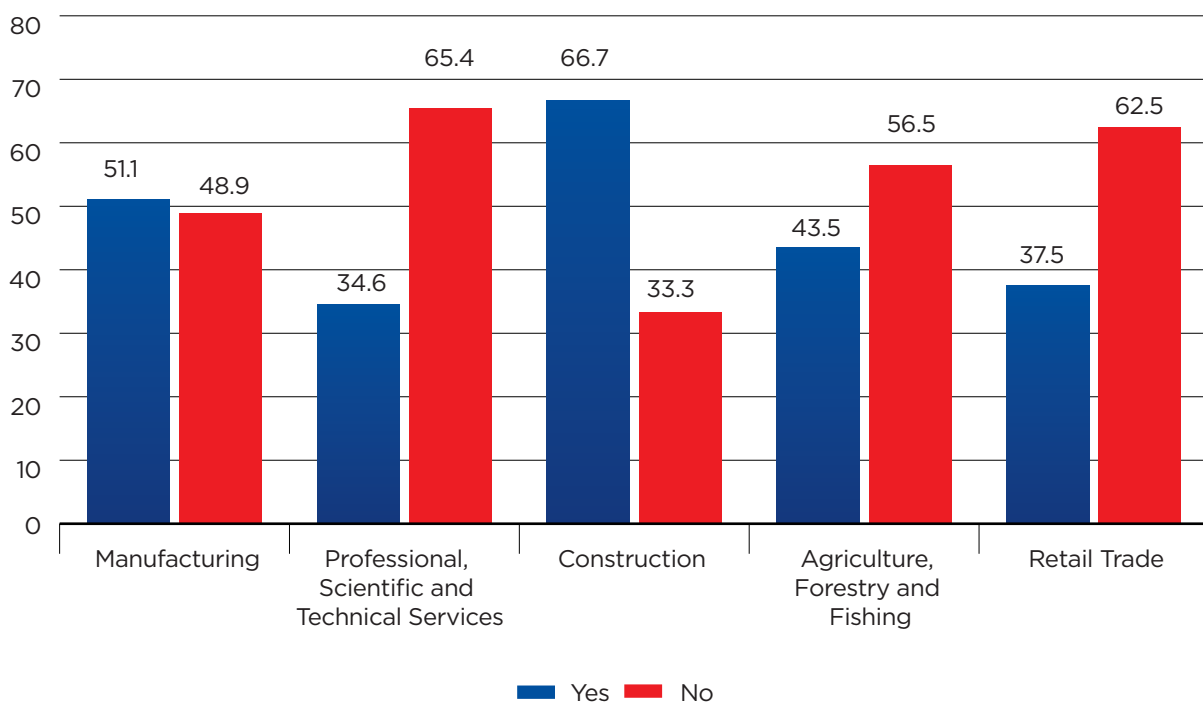
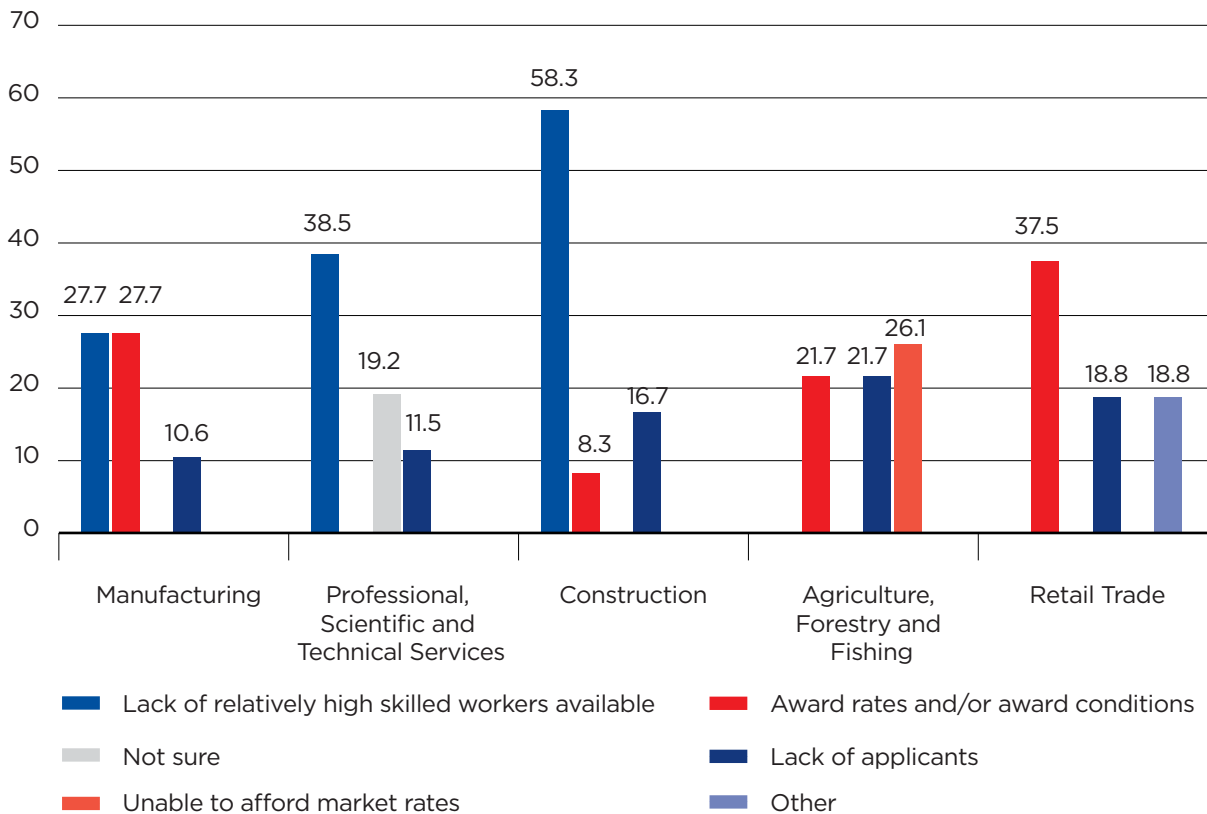


Chart 12  
Main Labour Market Challenge by Industry (%)



### Comments on the South Australian labour market

*There are plenty of entry level roles and people to do them. But the mid to senior manager roles are few and far between and candidates aren't realistic on their wage/condition expectations.*

» **Construction, 5-9 employees**

*There seems to be poor progression path from low/moderate skills to higher levels. The economy is poor in harvesting knowledge capital from older workers and retirees – this is an asset which isn't being capitalised.*

» **Education and Training, 5-9 employees**

*The skills shortage has significantly impacted our business, leading to more frequent injury and property damage incidents. To address this, we have substantially invested in training and safety initiatives. While wages for our trade employees have generally risen over the past four years, with an average increase of 19%, some specialized roles have seen wage growth as high as 66% over the same period.*

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

*There's a strong demand for skilled workers across various industries, particularly in sectors like engineering, IT, healthcare, and professional services, which are all facing significant skills shortages. This demand is compounded by the slow pace of talent supply, leading to a competitive environment where employers must offer more attractive packages and workplace flexibility to secure top talent. South Australia is positioning itself as an attractive destination for both businesses and talent, but the challenge remains in matching the demand with a skilled and available workforce.*

» **Other (Recruitment), 1-4 employees**

*People are not wanting to move rurally and therefore in agriculture we only seem to be able to attract backpackers which causes an ever changing work force. Lack of housing also doesn't help.*

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

*As a manufacturer of alcoholic beverages, we experience very different labour markets. A quite vibrant market for operations staff and a near empty market for quality hospitality staff for our retail operations.*

» **Manufacturing, 1-4 employees**

*We manufacture in the inner city; our 25 staff already have to travel a fair way to work. Many are renters, several are wanting to buy, and the cost of housing pressure on them, is affecting us. We may lose valuable employees because they can't afford housing.*

» **Manufacturing, 20-49 employees**

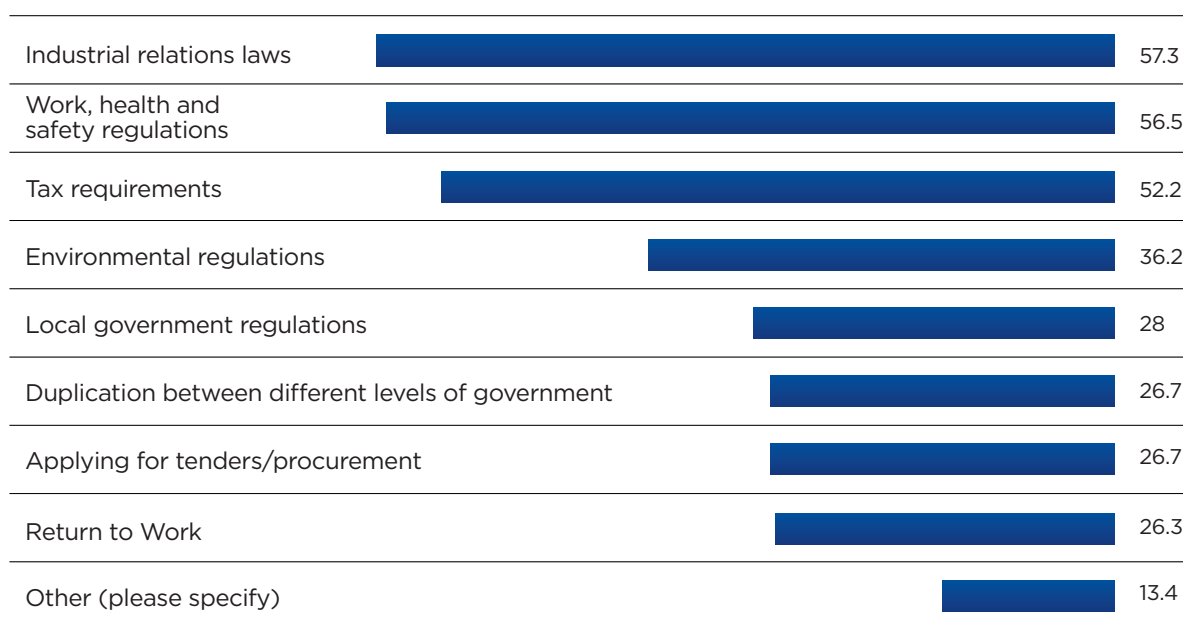
*So hard to find experienced waiters and chefs. Student visa restrictions making it difficult when they can only work 24hrs per week. They also struggle with that money. They could definitely work more and still maintain their studies. Strongly believe if attendance and grades are maintained they should be able to work more.*

» **Hospitality, 10-19 employees**

# Government Regulations

In the past 12 months *Government policies, regulation and compliance* has moved from being the fifth most impactful issue facing businesses to third. In this survey we sought to understand this response in more detail.

Chart 13  
**What Regulations is Your Business Spending More Time On? (%)**



\*respondents could select more than one

Unsurprisingly, following the federal ‘Closing the Loopholes’ legislation coming into law on 26 August 2024, 57.3% of businesses tell us they are spending more time on *industrial relations* compliance. Among other changes, that legislation changed the definition of casual employment to a far more complicated framework, introduced a ‘right to disconnect’ and the concept of ‘employee-like’ workers. Just to comply with such changes, increases the cost of doing business, as was admitted at the time by the Industrial Relations Minister.<sup>4</sup>

Second, 56.5% of businesses told us they are spending more time complying with *work, health and safety regulations*. This could partially be related to the psychosocial code of practice

regulations which were introduced at the end of 2023, bringing positive obligations on employers to mitigate against the threat of psychological harm in the workplace.

Over half of all respondents told us *tax requirements* are taking more of their time these days. Interrogating the data further we found that of those who responded that tax requirements were taking more time, 61.1% said payroll tax impacts their hiring choices.

It is significant that each possible response received a relatively high score. If the lowest scoring regulation is at 26.3% it suggests the cumulative effect of each of these compliance aspects is substantial. Increasing red tape is exasperating business owners. It not only adds

<sup>4</sup> Ministers’ Media Centre, Q&A National Press Club Speech, Closing Loopholes Bill, The Hon Tony Burke MP, 31 August 2023, <<https://ministers.dewr.gov.au/burke/qa-national-press-club-speech-closing-loopholes-bill>>



costs to their operations but takes time away from more productive activity that can help grow their business.

This is best expressed by business operators themselves...

*I believe we will see more SMEs decide that it is not worth running a business in SA with the amount of red tape, which seems to be increasing as well as the level of responsibility for stakeholders and the penalties if something goes wrong.*

» **Manufacturing, 50-199 employees**

*There are more and more regulations, laws and rules around that need to be navigated simply to do what we used to do, and the world is not a better place, just a more costly one.*

» **Construction, 10-19 employees**

*Generally, increasing requirements mean that most business need to hire staff just for the regulation side of things. This is very costly.*

» **Other (Indigenous NFP), 10-19 employees**

## **Comments on the effects of regulations...**

*In the past six months, we've focused more time on compliance with tax requirements, industrial relations laws, and tender applications. Staying updated on tax regulations, particularly payroll tax and GST, has required closer attention, while changes in industrial relations laws have led to revisions in HR policies to ensure compliance. Additionally, navigating the complexities of tendering and procurement, especially meeting guidelines that emphasise First Nations businesses, has become a key priority for securing government and corporate contracts.*

» **Other (Recruitment), 1-4 employees**

*Specific regulations impacting our digital health business is data security and compliance with healthcare standards in different regions. In healthcare, especially when working with sensitive patient data, there's a strong need to comply with regulations like HIPAA in the U.S., GDPR in Europe, and various other data protection frameworks worldwide. Each market has distinct requirements for patient data security, data residency, and patient consent, which significantly impact how we manage and store data within our app. Additionally, medical device regulations vary widely.*

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

*There's a lot more work required for being compliant with IR/WHS for a small business when previously a lot of these issues were just common sense, especially when required to be certified to ISO 45001.*

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

*New Self Insured Standards for RTW and WHS a huge burden.*

» **Manufacturing, 200+ employees**

*Outdated Law Society regulations on trust account activity.*

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

*Brewery operations are insanely regulated. We have to comply with a duplicated container deposit regime in each state, report and pay excise monthly which indexes twice a year to CPI, forever adjust our labels (and reapply for container compliance) to suit the whims of food labelling lobby groups through food standards ANZ. That's before we get to liquor licensing, EPA, food safety, music licensing and import delays for equipment and ingredients.*

» **Manufacturing, 1-4 employees**

*We are an exploration company to mining and hence very restricted within various regulations, Mining Act, WHS Act, EPA and EPBC Act.*

» **Mining, 5-9 employees**

*Issues with return to work cases, focus is always on the employee rights, regardless of lawful dismissal. Current liability for 1 case is looking like \$50k plus, even though compliance investigation found dismissal was reasonable.*

» **Construction, 20-49 employees**

*The Government needs to seek sufficient considerations regarding future changes to the Fair Work Act, IR regulations, Modern Award changes which do not simplify the award. The past 5 years has seen incredible IR changes and a considerable burden on small businesses for record keeping, wage costings, casual employment extinction in casual dominated industries.*

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

*We are one nation with one passport. Why do we have differing Drivers Licences and road traffic departments across the nation? This adds a layer of unnecessary cost to everyday business in Australia. It should be harmonised across the nation.*

» **Manufacturing, 20-49 employees**

*Government policy on a wide range of issues, particularly IR changes have significantly changed the employment relationship in the past 2 years. Pay secrecy, Right to Disconnect etc all have a significant impact on culture and create a very different entitled expectation from the emerging leaders in today's workplace.*

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

*The same job same pay labour hire legislation is not helping employers. They say it is to help the employees but it isn't. It's going to hinder employment. The clients with EBA's don't want to pay for casuals on their EBA, they want them to follow award. There will be less jobs not more. WHS Legislation is over the top and is setting people up to fail and be prosecuted.*

» **Other (Labour Hire), 20-49 employees**

*Increased expectations of participation and response to regulatory consultation processes with tight time frames, increased uplift costs in data systems, and administrative workloads to ensure mandatory compliance is achieved, with limited expectation of real benefit for the business or our customers.*

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

Payroll tax and Return to Work is a nightmare, over \$200k for a 5.5m business, it's not sustainable.

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

The cost of putting all team members through additional "registered training organisations" training for food safety that I've already trained them and have solid training programs around has been ridiculous to tick a box for the govt. They don't realise the impact of cost for the training as well as the labour cost for the team members hours to learn about things that are not even relevant to what we offer.

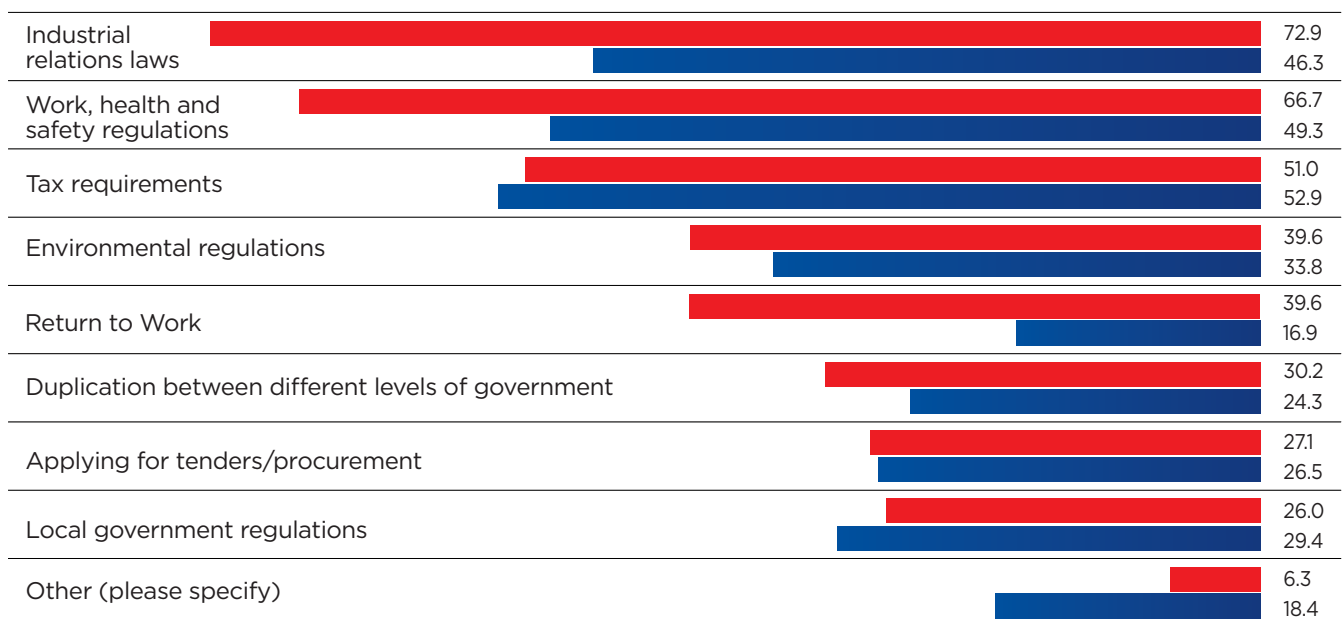
» **Hospitality, 50-199 employees**

Changes to IR laws disproportionately affect small business as it is the owner/operator who has to try and interpret everything and act on it. We need simple, easy, streamlined IR law for both employers and employees so we can get back to working instead of spending countless hours following up on every change.

» **Manufacturing, 1-4 employees**

Chart 14

### What Regulations is Your Business Spending More Time On? (%)



■ Less than 20 employees ■ More than 20 employees

# Artificial Intelligence

In our March 2024 survey, just 25.4% of survey respondents said they had implemented artificial intelligence (AI) into their business.

This survey saw that number more than double with 58.1% of businesses now using AI. While computers and the internet took decades from commercialisation to being ubiquitous in the workplace, uptake of AI appears to be occurring much quicker, arguably due to its low cost, accessibility and users' transferrable skills.

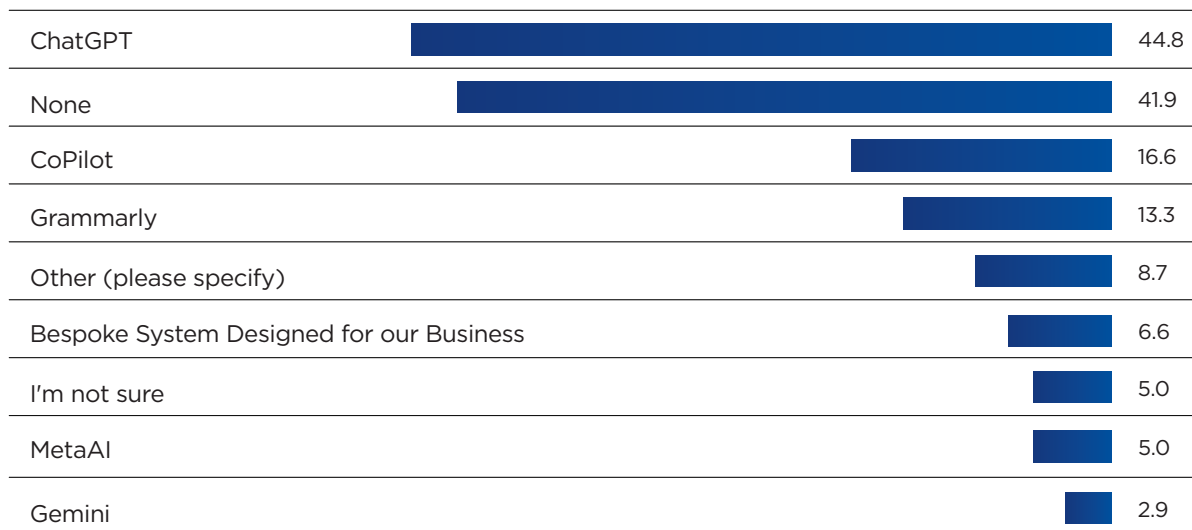
ChatGPT is the clear frontrunner for AI uptake in South Australian businesses with 44.8% of respondents using it.

Indicative of the future of workplaces, is the widespread belief among South Australian businesses about the importance of AI in their firms and industry. 69.4% of respondents feel AI will be either very or potentially important in the future growth of their business. This includes many businesses currently not using AI, so we can expect its uptake to continue.

Over 40% of respondents remain circumspect. 10.8% told us AI will not at all be important to the growth of their business, 12.1% told us it is unlikely to play a major part, and 17.8% are unsure.

Despite widespread early uptake, even if for rudimentary applications such as ChatGPT, only 11.7% of businesses have implemented an AI policy. This is consistent with national data that suggests many businesses are not aware of the risks involved in the implementation of AI and in some cases, owners not actually aware that their staff are using AI in the business. Understanding the risks and benefits of AI, then developing appropriate policies will become increasingly important as the impact of AI becomes more prevalent. It is expected this will also be affected by the uptake of Voluntary AI Safety Standards and potential mandatory guardrails being imposed by government for the safe and responsible use of AI in high-risk settings.

Chart 15  
What AI Does Your Business Use (%)



\*respondents could select more than one

Chart 16  
**How Important is AI to the Future Growth of the Business? (%)**

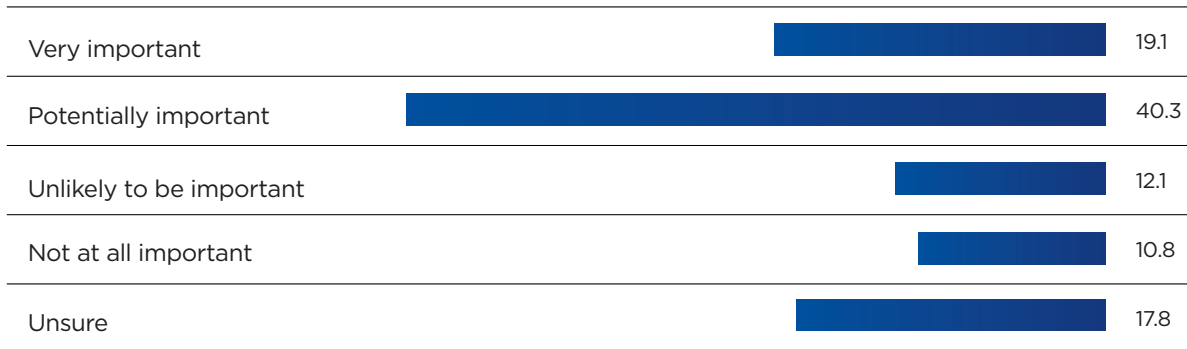
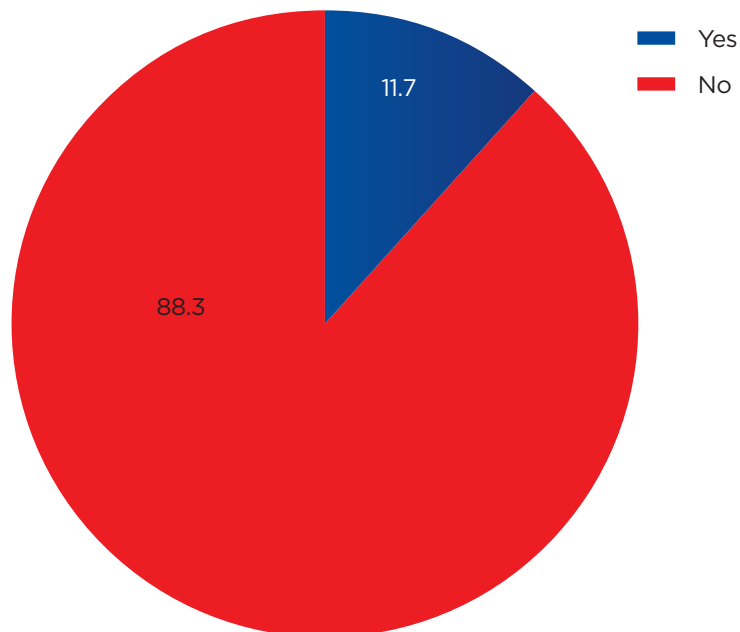


Chart 17  
**Does Your Business Have an AI Policy? (%)**



# Performance Indicators

Chart 18  
Profitability Index

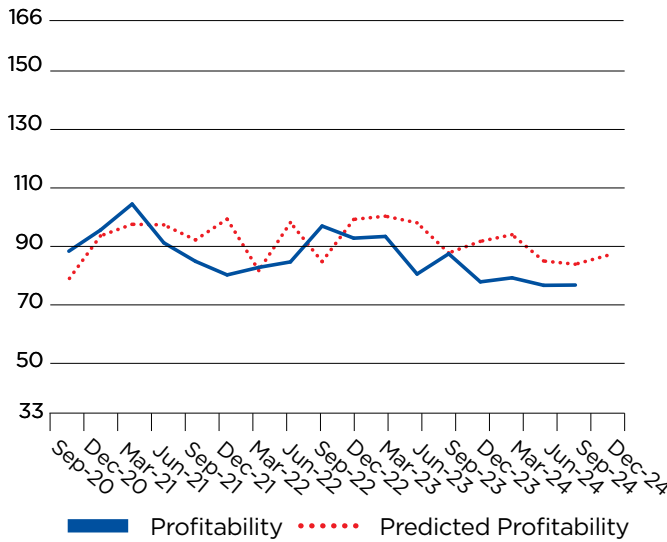
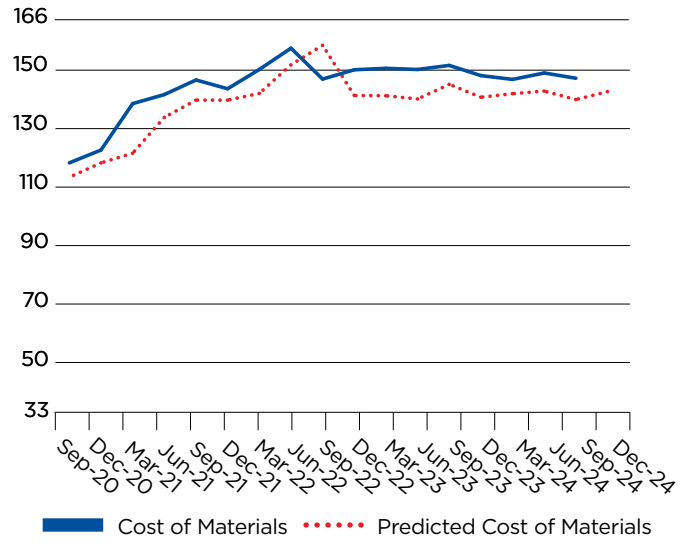


Chart 19  
Cost of Materials Index



## Profitability Index for the September Quarter 2024

76.5 points

## Predicted Profitability Index for the December Quarter 2024

86.7 points

Unfortunately, the *profitability* index score still languishes far below neutral, and has not sat above 80 in the last four quarters or in positive territory since March 2021.

## Cost of Materials Index for the September quarter 2024

146.7 points

## Predicted Cost of Materials Index for the December Quarter 2024

142.1 points

Fortunately, the prolonged upward trend in the *cost of materials* seems to have abated, with the current 146.7 points below September 2023's figures. Whilst the increasing trend has come to an end and the index is remaining steady, the fact it has remained around 145 - 150 points consistently reflects around 80% of businesses every quarter seeing their cost of materials still rising.

Chart 20  
Cost of Overheads Index

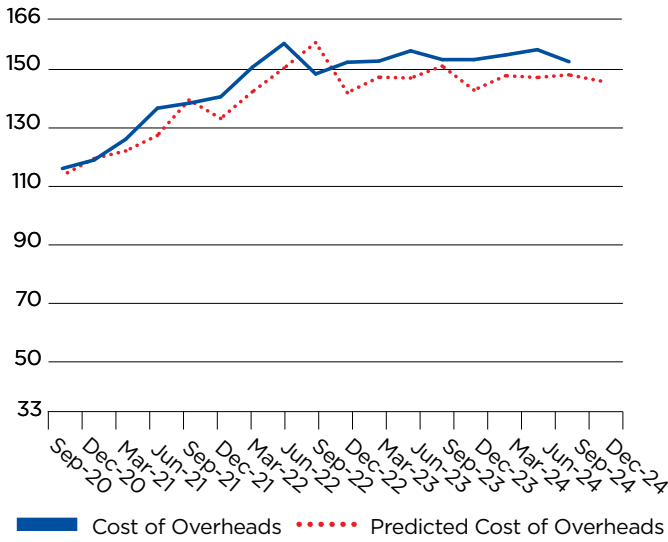
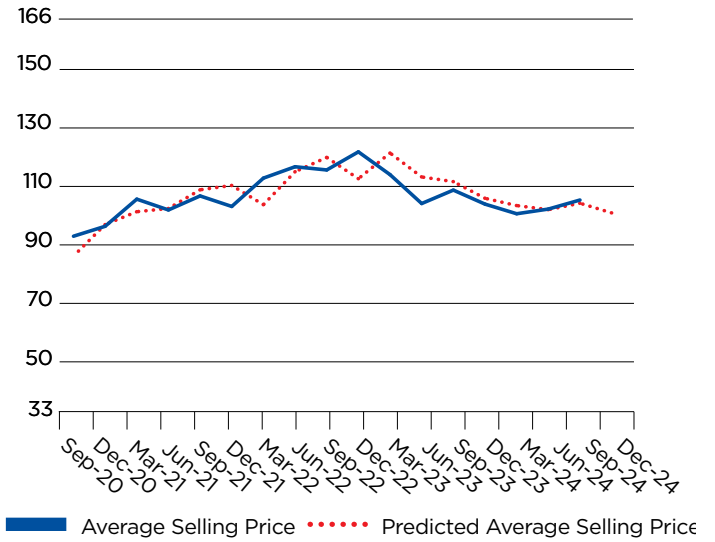


Chart 21  
Average Selling Price Index



### Cost of Overheads Index for the September Quarter 2024

151.6 points

### Predicted Cost of Overheads for the December Quarter 2024

145 points

A similar story is found in our *cost of overheads* index, where its steep climb from mid-2020 to early 2023 has found a new norm, partially because costs can't rise much more. A score of 151.6 still sees 79% of respondents reporting their overhead costs climbing in the September quarter.

### Average Selling Price Index for the September Quarter 2024

104.7 points

### Predicted Average Selling Price Index for the December Quarter 2024

100.3 points

Our *average selling price* has tracked quite closely together with national inflation figures, peaking in December 2022 and steadily declining since. This edition's climb of 3.1 points to now be 104.7 points is curious as we have seen the lowest quarterly inflation in over four years in the September quarter. The predicted index expected to decline would bring the average selling price back in line with the trend of the last couple of years.

Chart 22  
Orders Received Index

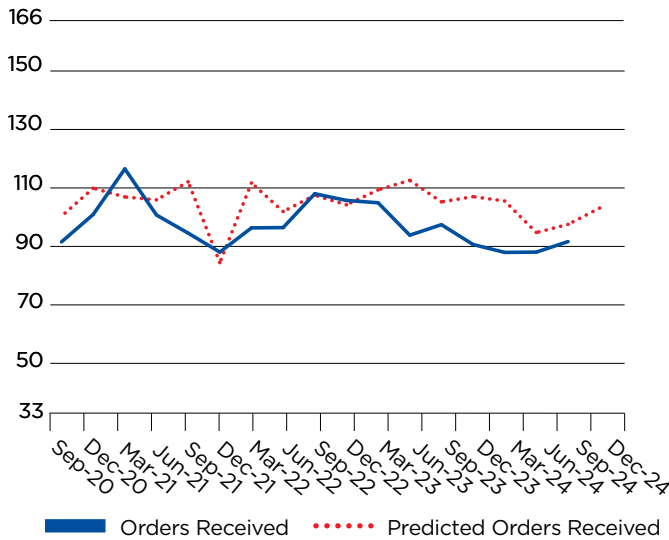
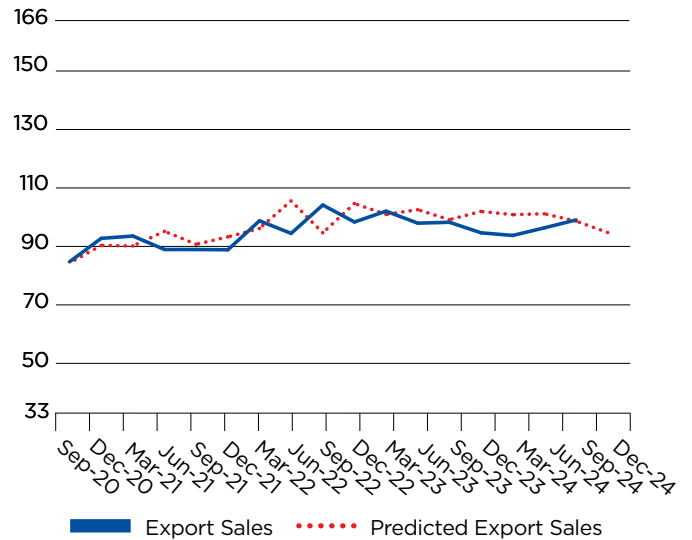


Chart 23  
Export Sales Index



### Orders Received Index for the September Quarter 2024

91.6 points

### Predicted Orders Received Index for the December Quarter 2024

103.1 points

Unfortunately, our *orders received* index sits at 91.6 points, and has languished below neutral in each quarter since March 2023. Declines in discretionary spending throughout the economy have had strong downstream effects on many businesses. Similarly to the profitability index, the discrepancy between predicted outcomes and actual outcomes is consistently more pessimistic than predicted.

### Export Sales Index for the September Quarter 2024

98.6 points

### Predicted Export Sales Index for the December Quarter 2024

94.3 points

*Export sales* has seen an encouraging incremental increase in the last couple of surveys, and this edition sees the index climb 2.7 points to 98.6, nearing neutral. Despite this, export sales are forecast to decline.



Chart 24  
Average Wages Index

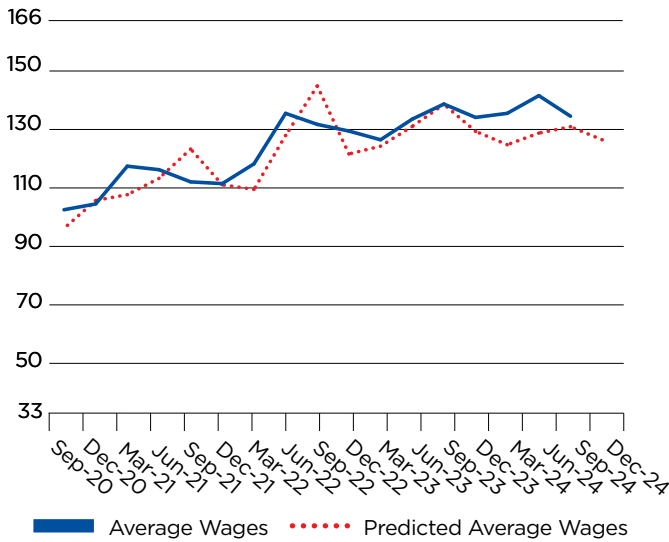
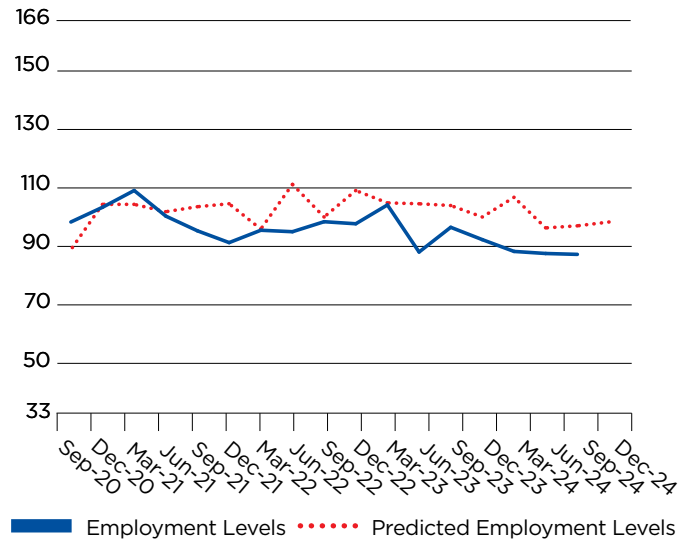


Chart 25  
Employment Levels Index



**Average Wages Index for the September Quarter 2024**

134.1 points

**Predicted Average Wages Index for the December Quarter 2024**

126 points

Average wages has seen the steepest increased trend of all of our indices. It currently sits at 134.1 points, 7.1 points below last survey's apparent peak. This, along with a slightly smaller proportion of businesses experiencing labour shortages, may indicate that conditions in South Australia's labour market are softening.

**Employment Levels Index for the September Quarter 2024**

87.3 points

**Predicted Employment Levels Index for the December Quarter 2024**

98.3 points

Our employment levels index declined slightly to 87.3 points in the September quarter, its fourth consecutive quarterly decline. In this edition, just 11.6% of businesses increased the number of staff on their books in the last quarter, whereas 16.5% believe they will hire more next quarter.

Chart 26  
Training Expenditure Index

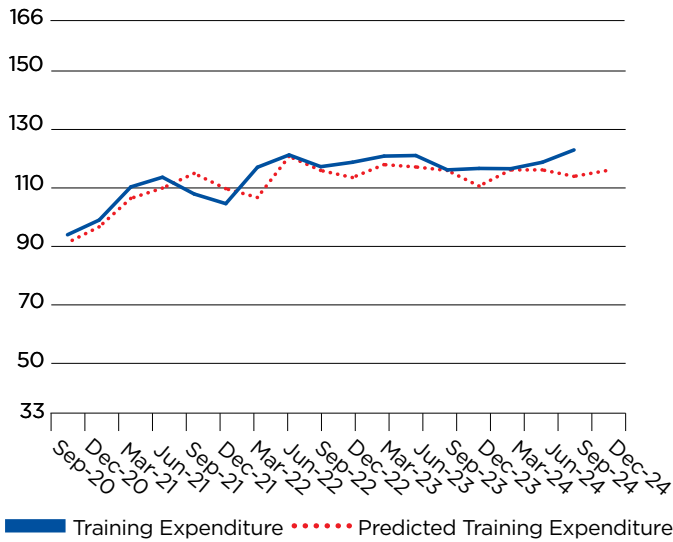


Chart 27  
Overtime Worked Index



**Training Expenditure Index for the September Quarter 2024**

122.3 points

**Predicted Training Expenditure Index for the December Quarter 2024**

115.2 points

*Training expenditure* has seen an increase in the last two quarters having remained flat for a couple of years. Its rise of 4.2 points to its current figure of 122.3 is, remarkably, the highest figure since June 2008, more than sixteen years ago. It is also 6.9 points higher than this time last year.

**Overtime Worked Index for the September Quarter 2024**

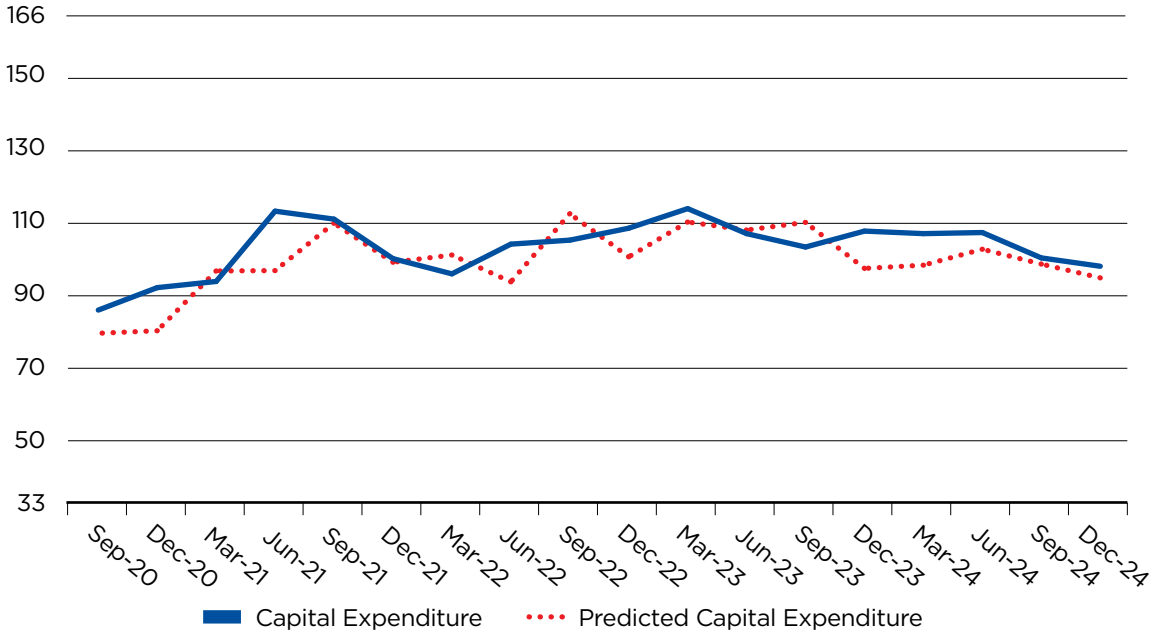
105.1 points

**Predicted Overtime Worked Index for the December Quarter 2024**

104.6 points

*Overtime worked* rose a minor 0.9 points in the quarter, bucking its declining trend of the previous year from when the index was 10 points higher. Despite this, the predicted overtime worked has generally sat higher than actual figures and further highlights the difficult conditions for business operators.

Chart 28  
**Capital Expenditure Index**



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

98.6 points

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

95.2 points

*Capital expenditure* declined 2.4 points in the quarter, after also having decreased 6.9 points in the June quarter. Further, the fact it is forecast to decline should be a concern, as capital expenditure is a major determinant in productivity growth.

# Case Study

## Investment into innovation essential to manufacturing growth amidst tough business conditions

Case Study by Jake Spain – Senior Marketing Executive for the South Australian Business Chamber.

Flyte Extruded Plastics currently stands as the largest custom sheet extruder in Australasia. However, Managing Director David Osborn explains that rising energy costs and new compliance regulations may make it difficult to invest in the innovation and people needed for the business to continue to grow in South Australia.

“My sense is that for a lot of small business owners, growing and preserving margins is increasingly challenging - the appetite for potential investment into innovation and growth is being affected due to energy costs and the complexity of the compliance landscape”.

“For example, in the two years that I have been involved in this business, our energy costs have almost doubled”.

Data from the September Quarter South Australian Business Chamber and William Buck Survey of Business Expectations reveals that the Cost of Overheads Index has reached 151.6 points. This index suggests that nearly 79% of respondents reported increasing overhead expenses, with no significant relief in sight.

Flyte Extruded Plastics is no stranger to innovation, as they specialise in recycling customers’ granulated waste back into sheet products that can be used for both commercial and industrial purposes.

David explains that his team thrives on developing products to solve unique problems across various sectors, but fears that these growth strategies will be curtailed by the growing complexity of the compliance landscape.

“For example, in the two years that I have been involved in this business, our energy costs have almost doubled”.

“Realistically, as a small business owner, I’m never going to have a dedicated HR department, so our management team and I are having to take on that burden and continue to educate ourselves to ensure we are compliant across our business,” he says.



David Osborn – Flyte Extruded Plastics.

The September Quarter South Australian Business Chamber and William Buck Survey of Business Expectations also reveals that over 57% of businesses now spend more time on industrial relations compliance, primarily due to recent legislative changes that have redefined casual employment and introduced a “right to disconnect” policy.

Similarly, 56.5% of businesses report dedicating more resources to work health and safety compliance, especially following the implementation of new psychosocial safety guidelines.

Despite tough business conditions, David and his team are continuing to focus on innovation as a source of growth, and like 58% of business owners, they are exploring artificial intelligence as a means of optimising business processes.

“Like many businesses we are in the early stages, but business conditions have caused us to ask the question, could AI help us optimise some of our processes, and whilst the initial investment is steep, we feel it will play a major role in our manufacturing program going forward”.

In an environment, where manufacturing continues to be moved offshore, David is proud to be a privately owned manufacturer operating in South Australia and hopes policies can be developed to ease the burden on small business owners and ensure the longevity of many long-standing South Australian businesses.

“We have been proudly manufacturing in South Australia for over 40 years, and we are determined to be here for another 40”.

# A Word from William Buck

Written by Adrian Chugg - Managing Partner, William Buck

Tuesday 19 November 2024

## South Australian businesses caught between regulation or growth

South Australian Confidence rose a marginal 3.4 points in the September quarter as businesses face unprecedented compliance demands.

According to the September quarter Survey of Business Expectations released today, compliance issues have surged in importance for businesses, ranking as the third-most pressing challenge after profitability and the cost of doing business.

The report reveals that 57.3% of businesses are spending more time on industrial relations compliance, largely due to the new 'Closing the Loopholes' law, which introduced complex definitions around casual employment, the 'right to disconnect,' and expanded rights for employee-like workers.

While this regulation aims to foster a healthier workplace environment, the resources required to implement these protocols can be particularly taxing for small businesses with limited staff.

Conversations with our clients consistently echo these findings - with many citing this administrative burden not only increases operational costs but also takes valuable time and focus away from core business activities, impacting overall productivity and growth.

Businesses simply cannot afford to increase operational cost any further, with 70.5% of respondents already citing high operational costs as a critical issue impacting their ability to maintain profitability and expand.

From rising material expenses to labour costs, businesses are finding it increasingly difficult to balance these with competitive pricing and growth initiatives.

The Cost of Materials Index, for example, sits at an elevated 146.7 points, indicating that a majority of businesses are still grappling with rising supply costs.

Additionally, overhead costs have remained steep at 151.6 points, further constraining cash flow for businesses of all sizes.

This reality means that even the smallest fluctuations in revenue can significantly affect financial viability, especially for some small and mid-sized enterprises in industries doing it particularly tough.

“This reality means that even the smallest fluctuations in revenue can significantly affect financial viability, especially for some small and mid-sized enterprises in industries doing it particularly tough.”

As costs continue to outpace revenue, I am seeing more and more South Australian Businesses explore strategies to alleviate this burden by looking at optimising their business processes with automation and Artificial Intelligence (AI). The challenge with AI is understanding its practical application to many businesses and identifying the actual problems to be solved or opportunities to be maximised.





Adrian Chugg,  
Managing Partner  
William Buck Australia

The data shows 58.1% of businesses now use AI; a significant increase from when we asked in March, when just over a quarter of businesses said they were using AI.

With compliance challenges, labour shortages, and the increased cost of doing business, 69.4% of respondents now feel AI will be either very or potentially important in the future growth of their business.

These findings call for a strategic response, one that simplifies regulatory frameworks and supports businesses in finding affordable paths to productivity gains. All levels of Government should be mindful that the regulatory burden faced by businesses cannot continue to grow indefinitely without having consequences.

South Australia needs policies that address core productivity concerns, from easing regulatory

complexity to incentivising capital investment and skill development.

Without this, the state's businesses will remain caught in a cycle that curtails both profitability and growth, ultimately affecting South Australia's economic future.

These results and more are explained in the Business Now report, highlighting findings in the **September quarter South Australian Business Chamber, William Buck Survey of Business Expectations**.

**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](mailto:customerservice@sabusinesschamber.com.au)



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Level 1, 136 Greenhill Road  
Unley SA 5061  
[policy@sabusinesschamber.com.au](mailto:policy@sabusinesschamber.com.au)  
08 8300 0000  
[sabusinesschamber.com.au](http://sabusinesschamber.com.au)

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