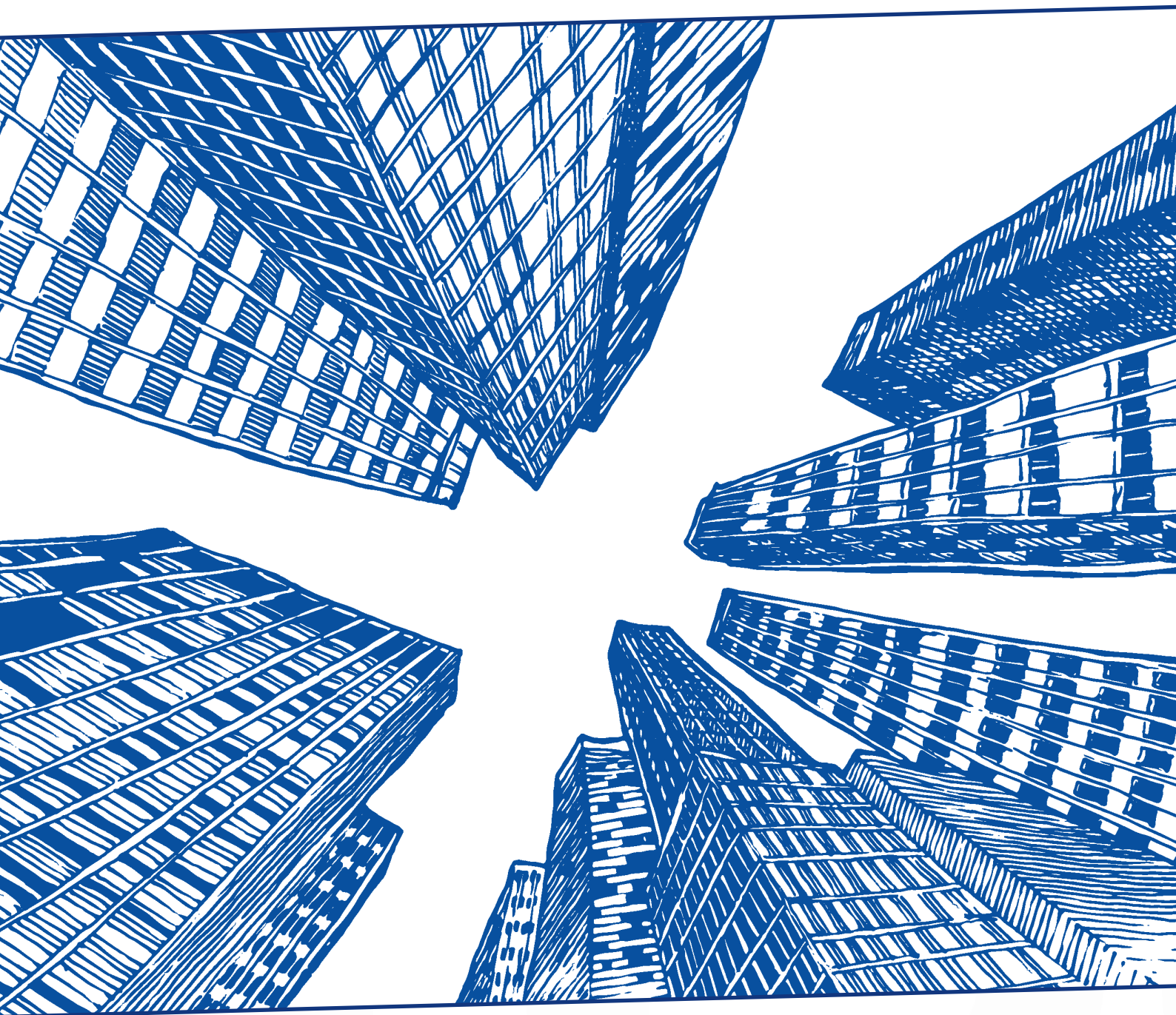


Survey of Business Expectations

December 2025 Quarter **Report**



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Executive Summary

The December 2025 quarter Survey of Business Expectations shows business conditions improved slightly, but confidence about the year ahead has slipped. While business confidence in the South Australian economy remains well above confidence in the national economy, neither index has been in positive territory since September 2021.

Cost pressures continue to dominate. Businesses continue to report higher input and overhead costs and the resulting pressure on margins. Other critical issues include increased regulatory and compliance requirements, broader economic uncertainty and skills availability.

Energy remains a material concern for SA businesses, both in affordability and reliability. Most businesses reported higher electricity bills over the past year. While some are investing to manage costs and reduce emissions, many cannot take such steps, with upfront costs and the return on investment the main barriers.

In this issue, we wanted to understand how higher energy costs are affecting businesses. Over half of respondents reported a negative impact, including reduced competitiveness, efficiency and growth, and for some, pressure just to keep the doors open.

Employment conditions are mixed. Most businesses expect to hold staffing steady, but recruitment challenges remain common and labour shortages continue to affect productivity, meeting demand and growth. Skills also remain a focus, with businesses reporting gaps across employability and technical areas and continued investment in training and upskilling.

This report is released in the lead-up to the South Australian state election and highlights the need for practical, business-focused policy settings that lift productivity, ease cost pressures, strengthen workforce capability and availability, and support businesses across metropolitan and regional South Australia.

Kendall Crowe
General Manager
Policy, Advocacy, Consulting and International Services

The Economy

Our confidence indices measure how South Australian businesses expect the state and national economies to perform over the next 12 months. Now in its 45th year, it is the longest running survey of its kind in the state.

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

Business Confidence

Business confidence weakened in the December 2025 quarter, with SA business sentiment for both state and national economies remaining well below neutral (100 points).

The *SA Confidence Index* was 85.9 points, down 5 points from September 2025 and down 7.9 points compared with December 2024. Expectations for the national economy were weaker again, with the *National Confidence Index* declining more sharply to 70.9 points, down 13.4 points from a year ago and is the lowest reading since the June 2023 quarter (68.4 points).

This marks the largest positive gap in more than 25 years, with the *SA Confidence Index* now 15 points higher than the *National Confidence Index*.

South Australian Confidence Index December Quarter 2025

85.9 points

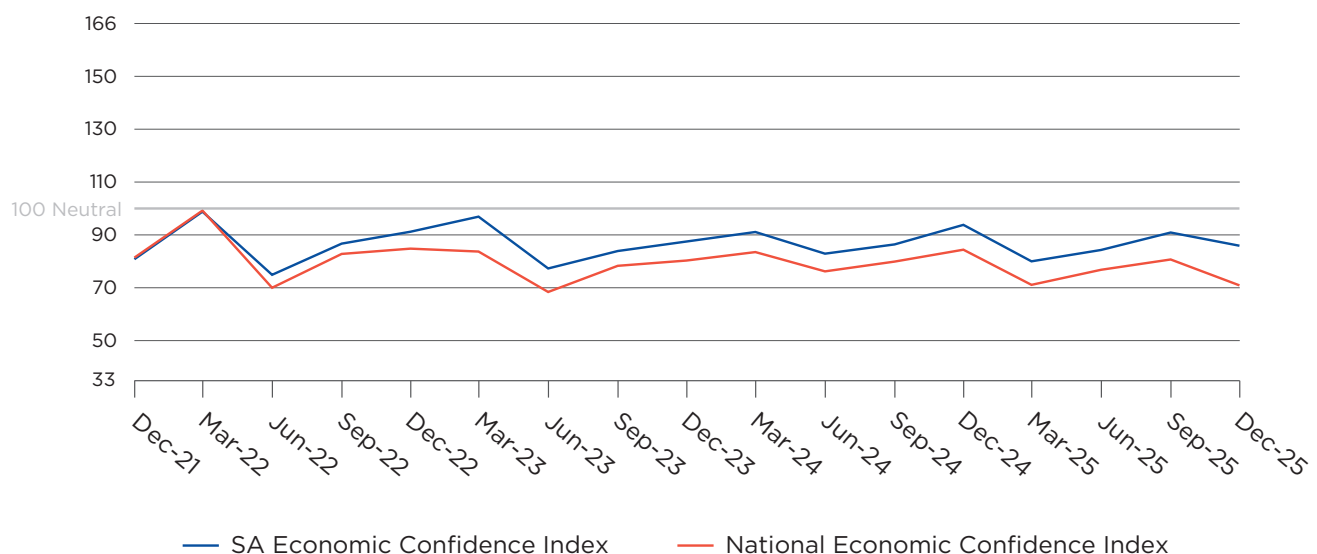
Down 5.0 points from last quarter

National Confidence Index December Quarter 2025

70.9 points

Down 9.8 points from last quarter

Chart 1. SA & National Economic Confidence Indices



General Business Conditions

The December 2025 *General Business Conditions Index* rose to 90.6 points, up 2.8 points from the September quarter, and is also slightly higher than a year ago (89.3 points in December 2024). While this result came in 2.5 points below what September's respondents had predicted (93.1 points), it is the highest reading reported since December 2023 (90.7 points) and respondents predict it will lift to 94 points in the next quarter.

Similarly, the December 2025 *Total Sales/Revenue Index* is sitting at 92.5 points; a marginal increase on the previous quarter and lower than the 98.3 points respondents predicted in the September quarter.

Looking across the other measures, a modest lift in the *Average Selling Price Index* may be helping to offset softer sales conditions, while the *Profitability Index* remaining well below neutral and a very low *Orders Received Index* indicate ongoing pressure for many businesses.

General Business Conditions Index December Quarter 2025

90.6 points

Up 2.8 points last quarter

**Predicted
General Business Conditions Index
for March Quarter 2026**

94.0 points

Total Sales/Revenue Index December Quarter 2025

98.3 points

Up 0.2 points last quarter

**Predicted
Total Sales/Revenue Index
for March Quarter 2026**

95.9 points



Chart 2. General Business Conditions Index

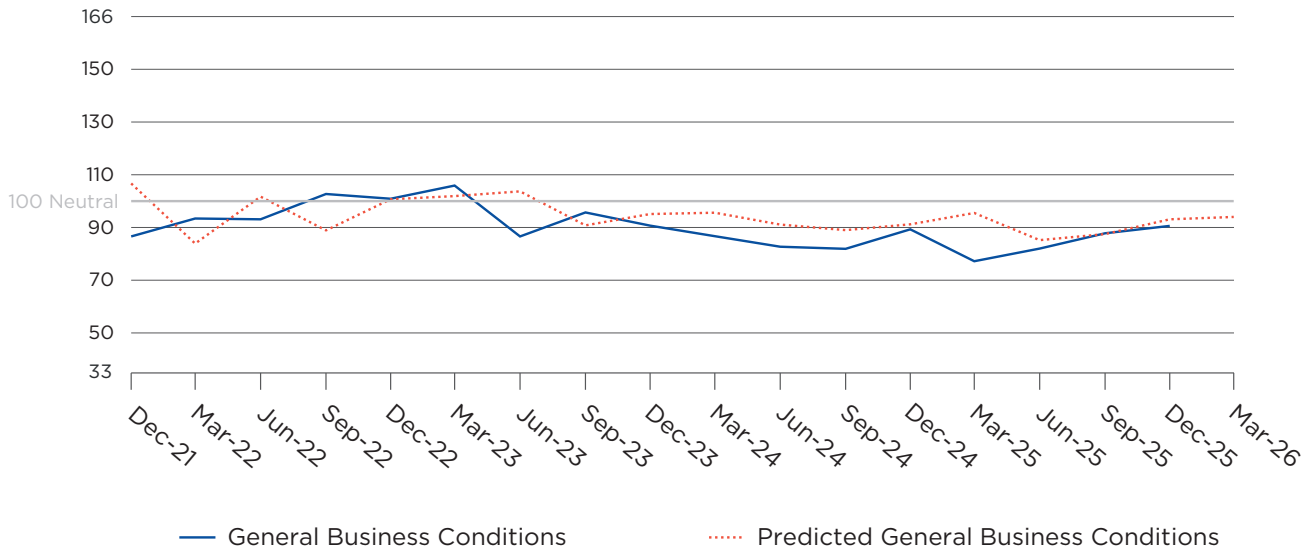
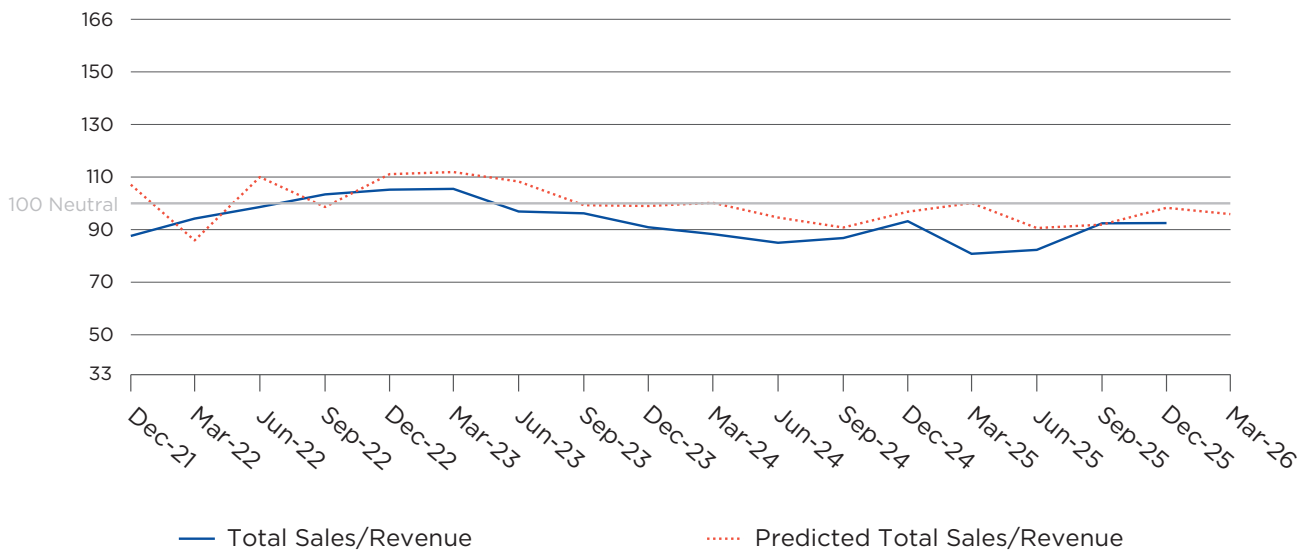


Chart 3. Total Sales/Revenue Index



Economic Indicators

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

	Decrease	Stay the Same	Increase
Interest Rates	2.7%	17.3%	80.0%
Inflation Rate (CPI)	2.2%	24.5%	73.4%
Unemployment Rate	3.3%	45.9%	50.8%
Value of AUD (against USD)	30.6%	37.7%	31.7%

Interest rates are expected to increase in the next three months according to 80% of respondents. While rates remained unchanged during the December 2025 quarter, the Reserve Bank of Australia increased the cash rate by 25 basis points on 3 February 2026¹, which may have influenced some responses given the survey timing.

Nearly three-quarters of respondents indicate they expect CPI to increase in the March quarter, while 24.5% expect it to stay the same and only 2.2% foresee a decrease.

The December 2025 Australian Bureau of Statistics data shows South Australia's seasonally adjusted unemployment rate at 4%, with a participation rate of 66.6%.²

South Australia's unemployment rate has sat at historical lows for many months, and the survey suggests businesses believe it has bottomed out. Respondents are fairly equally split on whether it will remain the same (45.9%) or increase (50.8%), but just 3.3% believe it will drop even lower.

Expectations for the Australian dollar against the US dollar are comparatively balanced, with 31.7% expecting the dollar to rise, 37.7% expecting no change, and 30.6% expecting it to fall in the March quarter.

¹ Reserve Bank of Australia, Media Release, 3 February 2026, <https://www.rba.gov.au/media-releases/2026/mr-26-03.html>

² Australian Bureau of Statistics, Labour Force, Australia, December 2025, released 22 January 2026, <https://www.rba.gov.au/media-releases/2026/mr-26-03.html>



Business Demographics

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

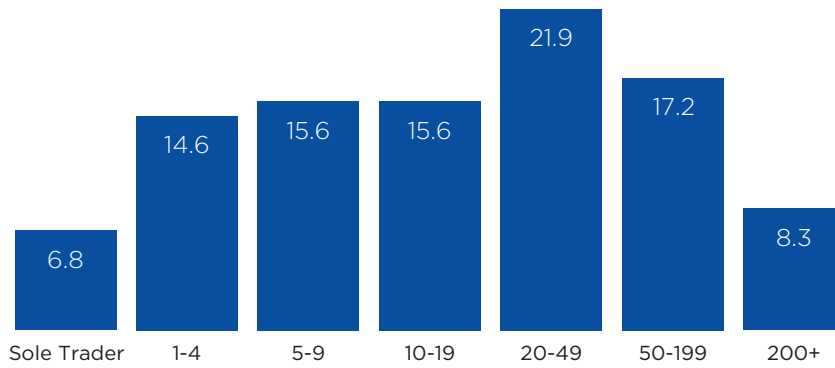
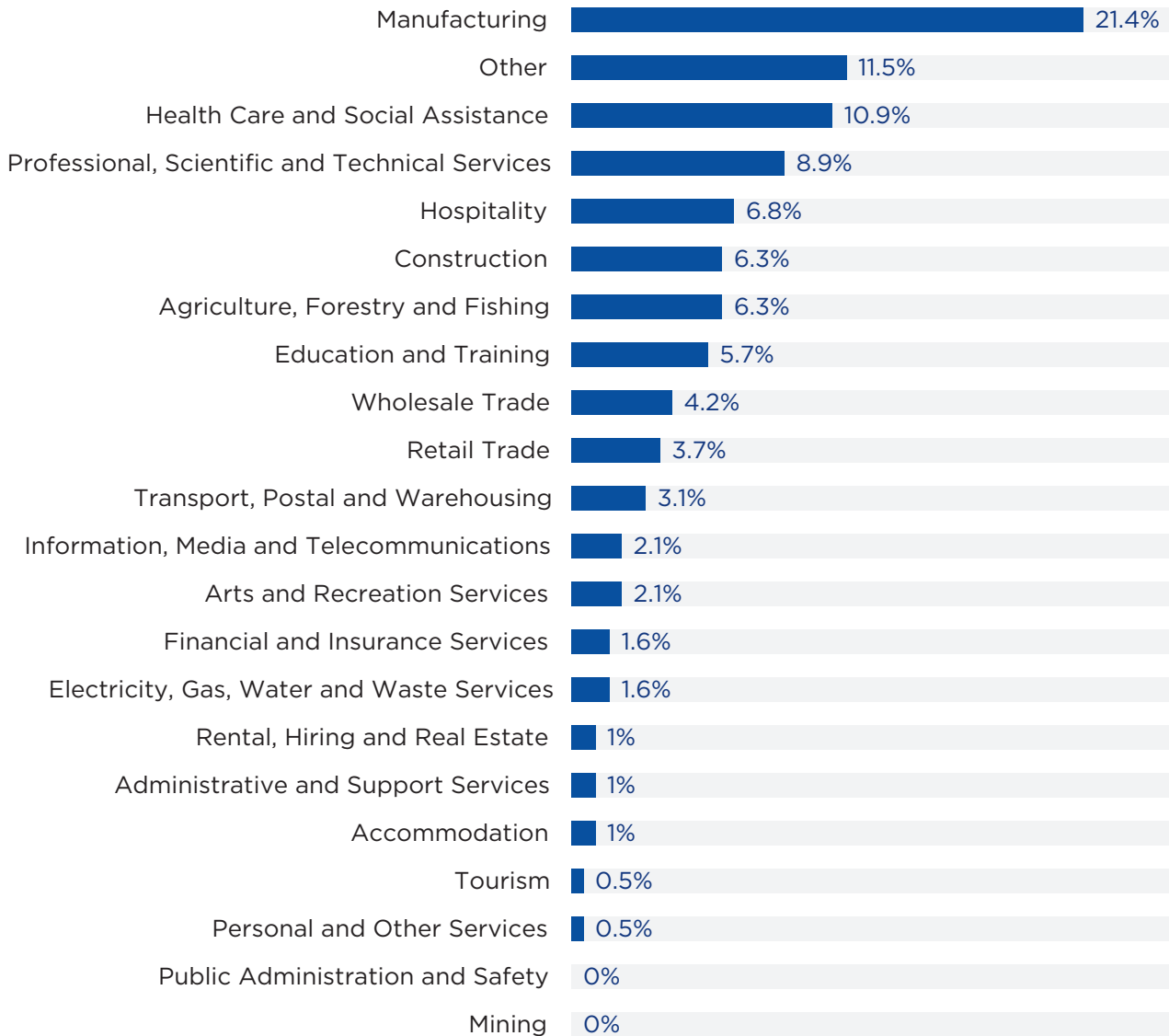


Chart 5. Industry Composition



Issues Affecting Businesses

The *Cost of doing business* was the top issue in the December 2025 quarter, selected by 72.2% of respondents. It has continued to rank well ahead of other concerns, pointing to ongoing, widespread cost pressure for businesses. This is consistent with cost indices remaining well above neutral: *Cost of Materials* at 147.1 points and the *Cost of Overheads* at 152.5 points.

Profitability/profit margins was the second most reported issue, nominated by 56.2% of respondents. This continues to track alongside broader cost pressures; with many businesses reporting that maintaining margins remains difficult. The *Profitability Index* remains well below neutral at 76.5 points.

Over a half of all respondents told us that *Government policies, legislation and compliance* are a material concern for their business, making it the third highest ranked issue.

Economic factors was reported an issue by 41.2% of respondents – shifting this index from the number 5 issue to number 4 in the December quarter. This focus on broader economic conditions and uncertainty aligns with respondents anticipating higher interest rates and inflation over the next three months.

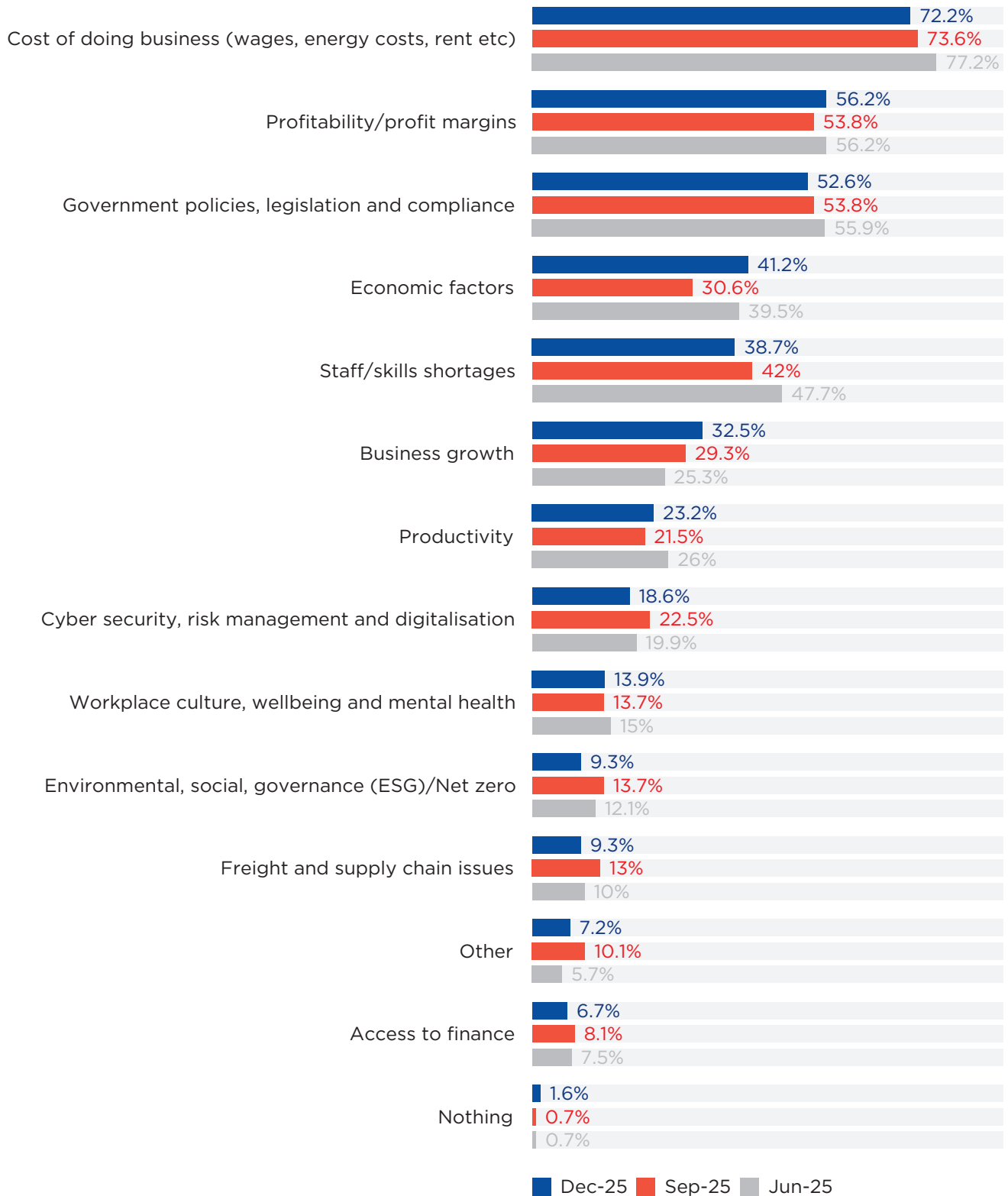
Staff/skills shortages continues to be a significant constraint for a substantial share of businesses and was nominated by 38.7% of respondents.

72.2%

of respondents selected
'Cost of doing business'
as their top issue



Chart 6. Main Issues Affecting My Business



*respondents were asked to choose up to five issues

Due to rising costs in electricity, water and council rates it is very hard to be in business and compete with overseas imports which are much cheaper and have little or no tax on the import, due to trade agreements with other countries.

» **Manufacturing, 1-4 employees**

Small businesses find it unsustainable to train new graduates and experienced capable talent is rare... Small businesses can't compete [with] employers like defence or government agencies with much larger employment budgets.

» **Medical equipment, 10-19 employees**

The ever-increasing cost of compliance, lack of skills, and productivity in Australia is at dangerous levels. If Federal Government policies do not start supporting business, they will find their taxation revenue reduce... employing staff is made more and more difficult.

» **Manufacturing, construction, electrical, facilities management, 50-199 employees**

The portable long service leave scheme is not well thought out in relation to what happens to unspent funds if a worker leaves the sector. The amounts should stay in a general pool of funds for the employer rather than [be] absorbed as administrative costs by the fund provider. This has added an additional expense to my business of over \$150k a year. Payroll tax is also a crippling expense and had added over \$400k a year to my expenses.

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

The environment is shifting very quickly; additional compliance demands businesses have to deal with but not enough support to manage the changes.

» **Community and Social Services, 50-199 employees**

Too many compliance regulations that are impossible to follow including Fair Work, WorkSafe, wages, building compliance etc. I feel that I have no time to run the business instead I am ticking boxes to adhere to regulations.

» **Wholesale Trade, 10-19 employees**

We are challenged to generate new income streams to replace government funding/ contracts which have been withdrawn, and to maintain our level of services under multi-year govt contracts which have been renewed but without adequate indexation.

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

Fixed costs such as energy, fuel, insurances, rates are killing business.

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

South Australian taxes are compounding to the point where businesses are lucky to make 10c in a dollar.

» **Retail Trade, 10-19 employees**

The REP scheme has been halved and is being managed very poorly. We will need to shed all SA staff by mid-year unless the approach is changed significantly.

» **Energy Efficiency Services, 20-49 employees**



We need people to support local South Australian bricks and mortar businesses.

» **Retail Trade, 5-9 employees**

As the only employee in the company, tax demands almost make it not worth being in business.

» **Coaching/HR, Sole Trader**

Every day is a balancing act of how to manage. We love our farm but we, as the owners, must be paid fairly for the work we do as well as make a return on the investments put into the farm. It is really hard to do when wages, superannuation, WorkCover, council rates, water licences, registration, insurances etc continue to rise way above the rate of increases we see for the produce we grow. Hearing frequently that the price of food must go down is not fair when farming costs are all going up. We are not always on the receiving end of fair pay like those who draw wages and salaries working for others.

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

Government spending is stifling the country; productivity is going backwards.

» **Manufacturing, 10-19 employees**

I am a very small artisan business that has recently relocated operations from a commercial lease to home in order to survive. I see all around me small business relocating home or closing completely due to operating in a very challenging economic environment. Small business needs a boost to stay alive in SA.

» **Manufacturing, Sole Trader**

Free TAFE courses have created an unfair contestable training market for independent RTOs.

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

Ongoing increase of materials and manufactured products from our suppliers and the high cost of labour makes it unprofitable to continue in business.

» **Manufacturing, 1-4 employees**

Payroll tax is a growth stifling tax and one that I find hard to deal with every month. The amount I pay would employ two more staff and what I can't figure out is that surely it costs the government less for me to employ them than for them to be on unemployment benefits.

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

The imposition of state and federal taxes is far too high and compliance management and time is draining productivity.

» **Manufacturing, 10-19 employees**

Industry results point to some different priorities across sectors. *Cost of doing business* was the leading issue in most industries and was particularly pronounced in Hospitality (100%).

Agriculture, Forestry and Fishing stood out with *Profitability/profit margins* as the top issue (100%), while Construction reported *Staff/skills shortages* as the leading issue (75%) ahead of broader economic concerns.

Government policies & compliance featured in most sectors' top five issues. Professional, Scientific and Technical Services differed from many sectors, with *Productivity* featuring in its top three (53%) alongside cost and profitability pressures.

Top 5 Issues Affecting My Business by Industry

	Manufacturing	Health Care and Social Assistance	Professional, Scientific & Technical Services
1	Cost of doing business 76%	Cost of doing business 81%	Cost of doing business 65%
2	Profitability/ profit margins 63%	Profitability/ profit margins 57%	Profitability/profit margins 65%
3	Government policies & compliance 54%	Government policies & compliance 57%	Productivity 53%
4	Economic factors 41%	Economic factors 38%	Business growth 41%
5	Staff/staff shortages 37%	Business growth 33%	Cyber security/risk management 29%
	Hospitality	Agriculture, Forestry and Fishing	Construction
1	Cost of doing business 100%	Profitability/profit margins 100%	Staff/skills shortages 75%
2	Profitability/profit margins 77%	Cost of doing business 75%	Economic factors 67%
3	Staff/skills shortages 77%	Economic factors 58%	Business growth 58%
4	Economic factors 46%	Government policies & compliance 50%	Government policies & compliance 58%
5	Business growth 38%	Business growth 42%	Profitability/profit margins 50%



The *Cost of doing business* was the leading issue for all employing businesses, rising to 79% for businesses with 20–49 employees and remaining high for larger businesses (75% for 200+ employees).

Sole traders differed, with *Profitability/profit margins* and *Economic factors* the equal top issue (77%), ahead of *Cost of doing business* (54%).

Larger businesses (200+ employees) were more likely to nominate *Productivity* (50%) as a top issue, while mid-sized businesses (50–199 employees) reported *Staff/skills shortages* as a major constraint (55%). *Government policies and compliance* continue to be a significant issue for businesses of all sizes.

Top 5 Issues Affecting My Business by Business Size

	Sole Trader	1-4 employees	5-9 employees	10-19 employees
1	Profitability/profit margins 77%	Cost of doing business 71%	Cost of doing business 67%	Cost of doing business 73%
2	Economic factors 77%	Profitability/profit 61%	Government policies & compliance 67%	Government policies & compliance 60%
3	Cost of doing business 54%	Business growth 43%	Economic factors 60%	Profitability/profit margins 50%
4	Business growth 46%	Government policies & compliance 32%	Profitability/profit margins 57%	Staff/skills shortages 47%
5	Government policies & compliance 38%	Economic factors 29%	Staff/skills shortages 33%	Business growth & Economic factors 30%

	20-49 employees	50-199 employees	200+ employees
1	Cost of doing business 79%	Cost of doing business 73%	Cost of doing business 75%
2	Profitability/profit margins 60%	Government policies & compliance 58%	Profitability/profit margins 63%
3	Government policies & compliance 57%	Staff/skills shortages 55%	Staff/skills shortages 56%
4	Business Growth 40%	Profitability/profit margins 45%	Productivity 50%
5	Staff/skills shortages & Economic factors 38%	Economic Factors 42%	Government policies & compliance 38%

Demand and profitability are keeping us awake at night.

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

The constant cost increases where input invoices price up on a monthly basis means our own margin is squeezed as fixed arrangements do not allow for regular, unplanned price increases.

» **Professional, Scientific and Technical Services (Accounting, Law, Engineering, Marketing etc), 1-4 employees**

We as a small business are squeezed from all directions, fortunately our staff are very supportive.

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

Cost of compliance and the new imposts on businesses have doubled in the last 10 years.

» **Wholesale Trade, 10-19 employees**

Compliance, compliance, compliance.... Time consuming beyond all expectations and repetitive beyond belief... Truly ridiculous and a massive failure by the government to have not set up an easy one stop shop to get an annual compliance certificate. It seems so simple but for some reason is so hard for government.

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

Cost of doing business continues to rise beyond business's ability to pass on the increase. Freight, compliance, payroll tax, wages/penalty rates... You have to squeeze more out of the lemon or grow revenue to spread the increased cost. Small Business is hit the hardest.

» **Manufacturing, 50-199 employees**

Skilled labour shortage of health professionals is a world-wide endemic problem.

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



Cost Indicators

Cost pressures remain widespread, with a large share of respondents reporting higher input costs in the December 2025 quarter. Around 71.3% reported an increase in the cost of materials (with very few reporting a decrease), seeing the *Cost of Materials Index* remain well above neutral at 147.1 points.

Overheads were even more commonly reported as rising, with 79.4% of businesses reported increases in the December quarter, resulting in the *Cost of Overheads Index* rising to 152.5 points. Looking ahead to the March 2026 quarter, respondents expect cost pressures to remain high.

Cost of Materials Index for the December Quarter 2025

147.1 points

Predicted Cost of Materials Index for the March Quarter 2026

145.6 points

Cost of Overheads Index for the December Quarter 2025

152.5 points

Predicted Cost of Overheads Index for the March Quarter 2026

147.8 points

Chart 7. Cost of Materials Index

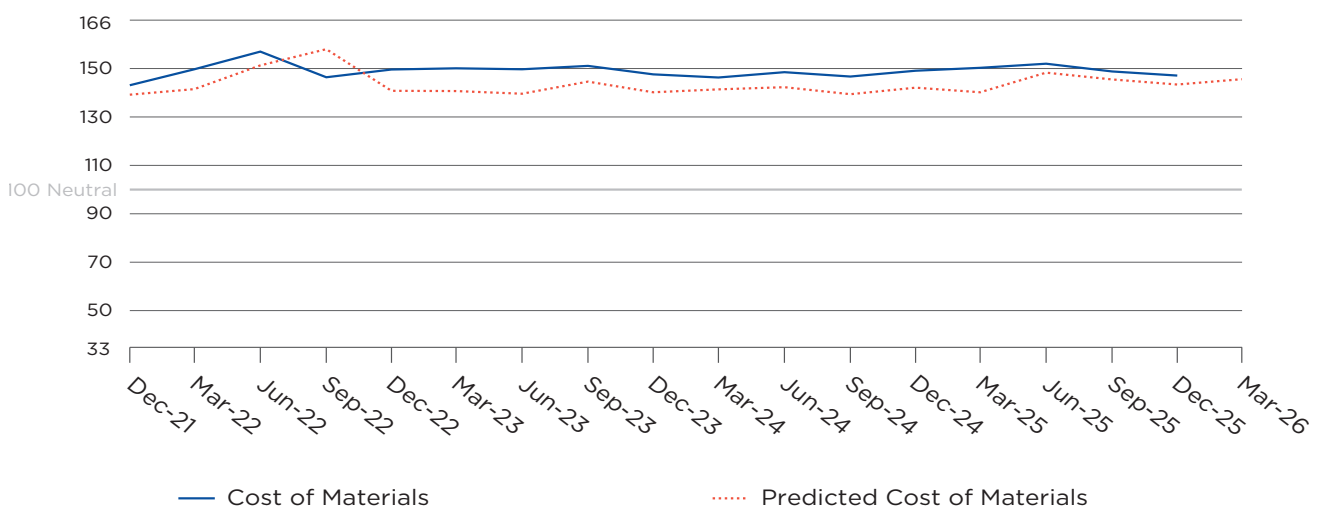


Chart 8. Cost of Overheads Index

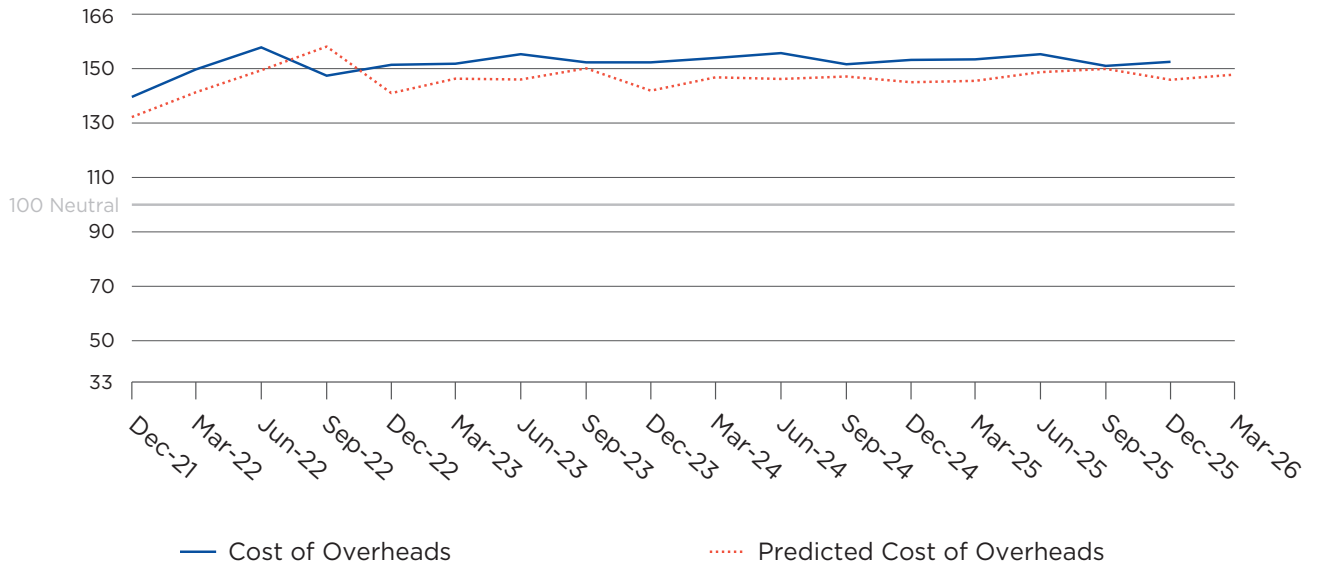


Chart 9. % of Businesses Reporting Cost of Materials Increasing

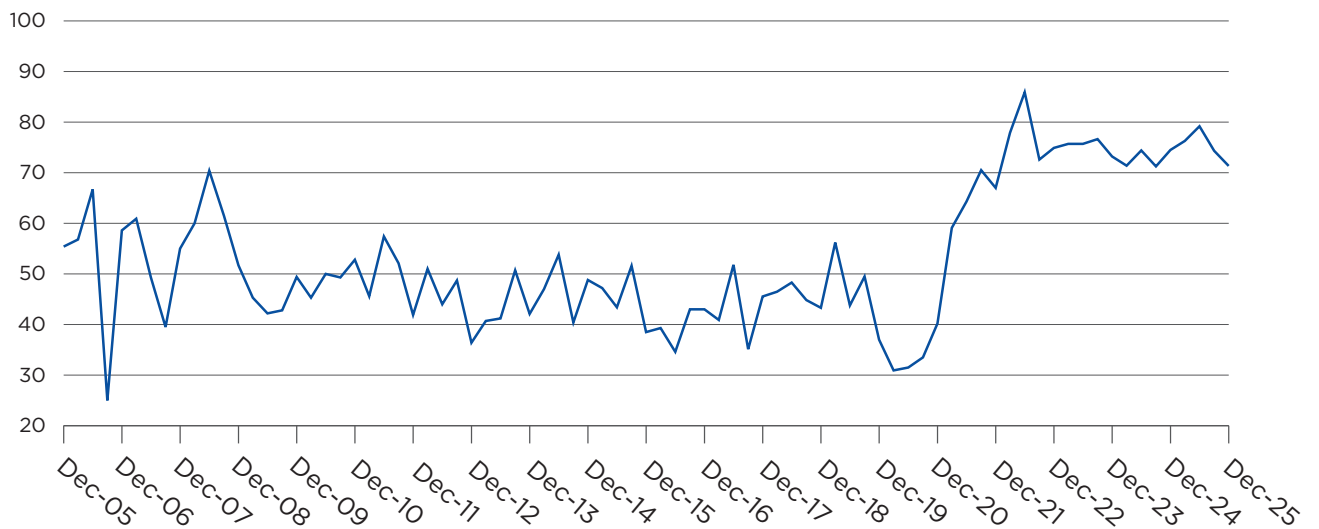
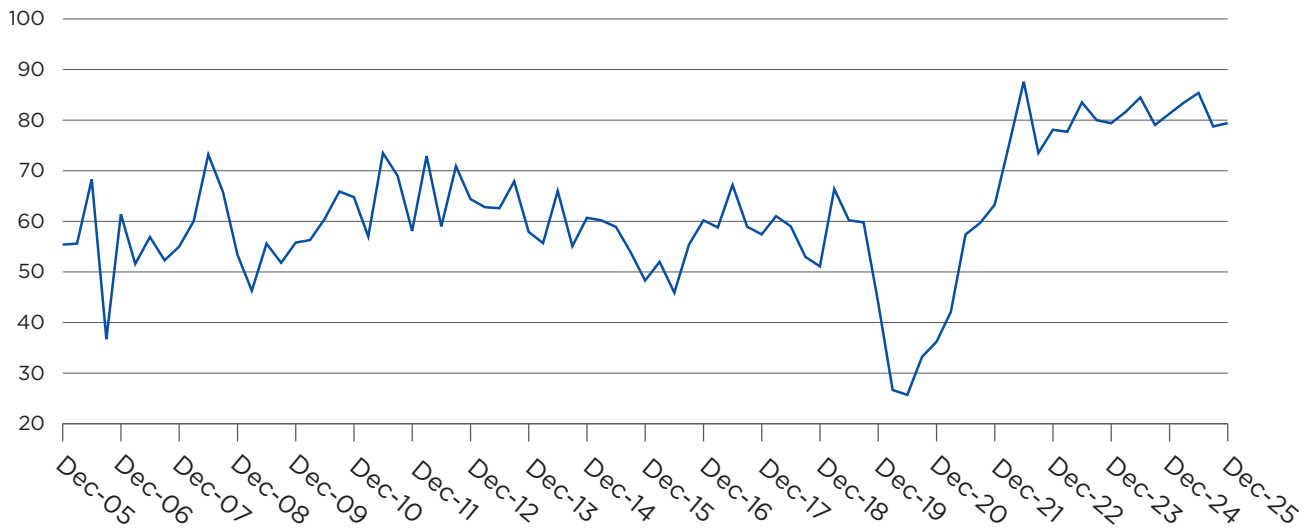




Chart 10. % of Businesses Reporting Cost of Overheads Increasing



Other Performance Indicators

The *Profitability Index* remained well below neutral in the December 2025 quarter at 76.5 points. Looking ahead, SA businesses predict the *Profitability Index* will lift to 87 points in the March 2026 quarter which, while more optimistic, would still sit below neutral.

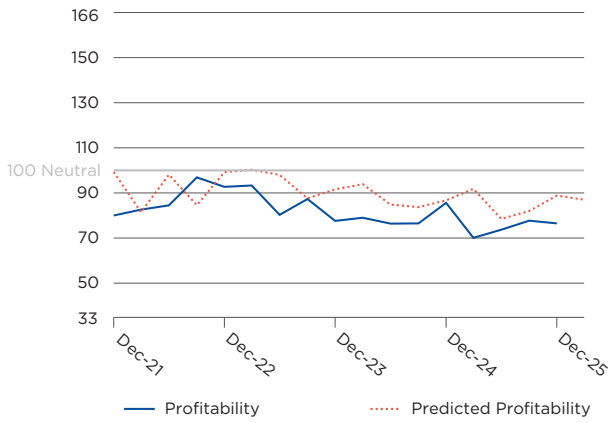
Price and demand indicators were mixed. The *Average Selling Price Index* sits modestly above neutral at 103 points and is predicted to lift further to 108.3 points in the March 2026 quarter. The *Orders Received Index* remained below neutral at 89.4 points, but SA businesses predict a lift in orders to 101.9 points in the next quarter.

Export indicators remained subdued. The *Export Sales Index* sat below neutral at 95.2 points and is predicted to ease slightly further to 93.8 points in the March 2026 quarter. These results are consistent with weaker economic conditions and import demand in key markets such as China and Japan.

Labour indicators continue to point to pressure on wages and staffing capacity. The *Average Wages Index* remained well above neutral at 129.4 points in the December 2025 quarter and though predicted to ease to 124.9 points in the next quarter, widespread wage increases persist. At the same time, the *Employment Levels Index* was just below neutral at 97.3 points and is predicted to rise to 102 points next quarter, while the *Overtime Worked Index* remained above neutral at 109 points and is expected to ease to 104.3 points in the March 2026 quarter.

Investment and capability signals were steadier. The *Training Expenditure Index* remained elevated at 122.5 points in the December 2025 quarter and is predicted to remain high at 118.3 points in the March 2026 quarter. The *Capital Expenditure Index* was slightly above neutral at 103.4 points, with respondents predicting it will moderate to 100 points in the next quarter.

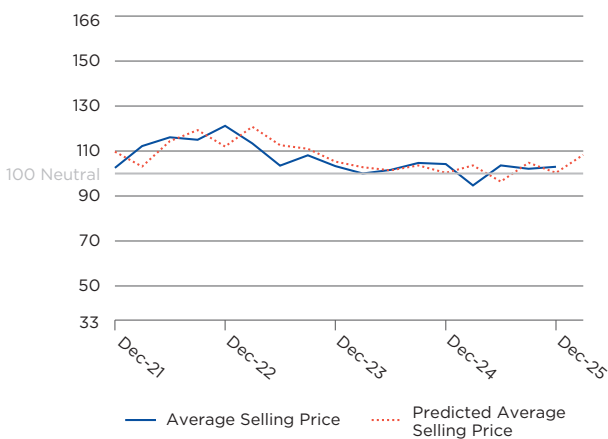
Chart 11. Profitability Index



Profitability Index for the December Quarter 2025
76.5 points

Predicted Profitability Index for the March Quarter 2026
87.0 points

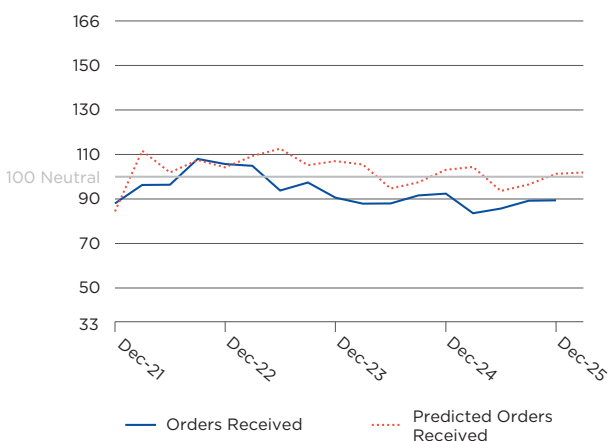
Chart 12. Average Selling Price Index



Average Selling Price Index for the December Quarter 2025
103.0 points

Predicted Average Selling Price Index for the March Quarter 2026
108.3 points

Chart 13. Orders Received Index

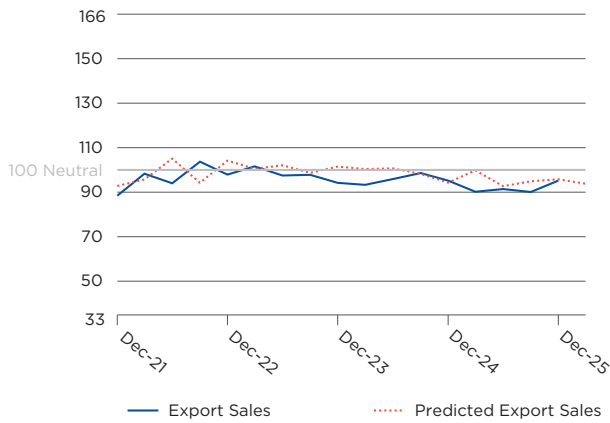


Orders Received Index for the December Quarter 2025
89.4 points

Predicted Orders Received Index for the March Quarter 2026
101.9 points



Chart 14. Export Sales Index



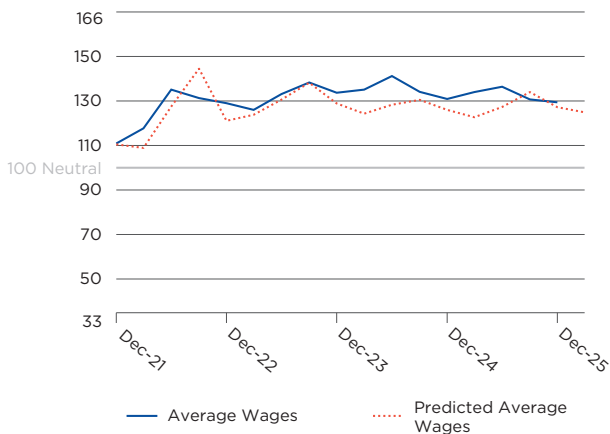
Export Sales Index for the December Quarter 2025

95.2 points

Predicted Export Sales Index for the March Quarter 2026

93.8 points

Chart 15. Average Wages Index



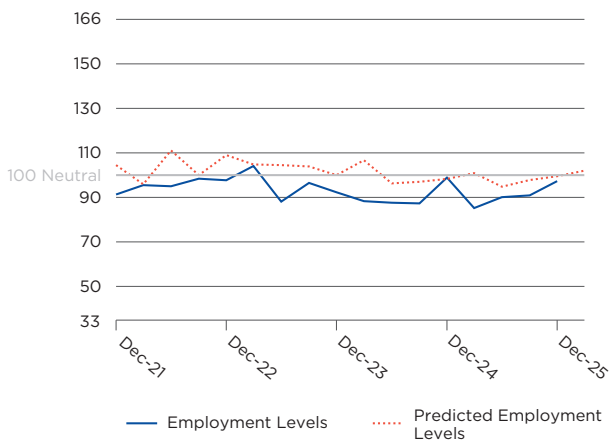
Average Wages Index for the December Quarter 2025

129.4 points

Predicted Average Wages Index for the March Quarter 2026

124.9 points

Chart 16. Employment Levels Index



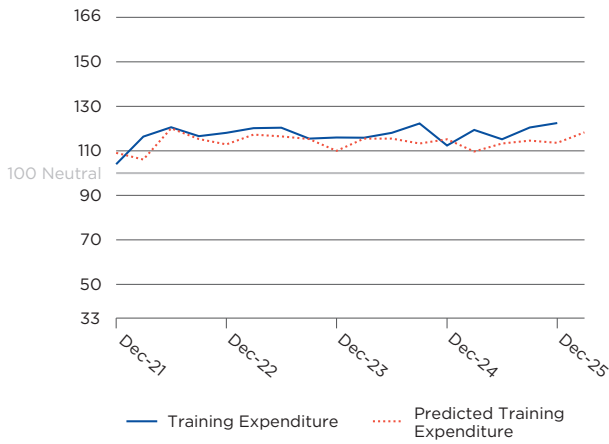
Employment Levels Index for the December Quarter 2025

97.3 points

Predicted Employment Levels Index for the March Quarter 2026

102.0 points

Chart 17. Training Expenditure Index



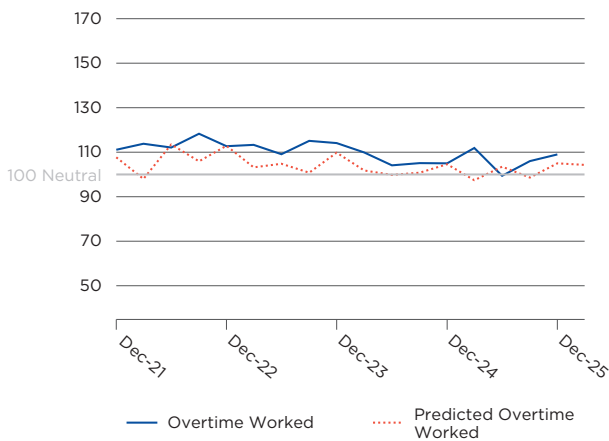
Training Expenditure Index for the December Quarter 2025

122.5 points

Predicted Training Expenditure Index for the March Quarter 2026

118.3 points

Chart 18. Overtime Worked Index



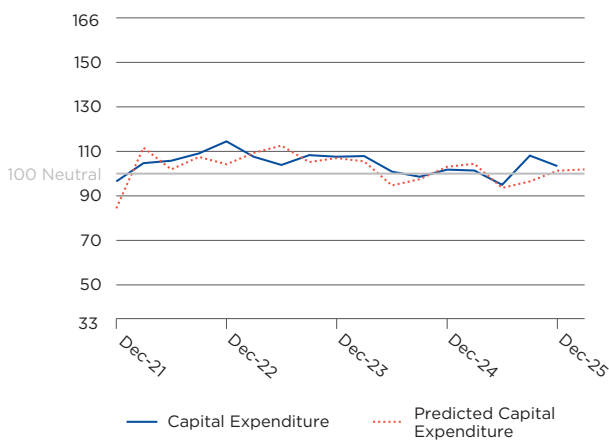
Overtime Worked Index for the December Quarter 2025

109.0 points

Predicted Overtime Worked Index for the March Quarter 2026

104.3 points

Chart 19. Capital Expenditure Index



Capital Expenditure Index for the December Quarter 2025

103.4 points

Predicted Capital Expenditure Index for the March Quarter 2026

100.0 points



Energy Costs and Reliability

Electricity costs continued to rise for most SA businesses. In 2025, 73.2% of respondents reported their electricity bills increased, with the most common annual increase of 11–20%. For 19.1% of respondents, there was no increase in their electricity bills and 7.7% reported a decrease. Compared with earlier years, the response distribution suggests fewer businesses are seeing very large increases, but cost increases remain the norm.

When asked directly about impacts, around half of respondents indicate energy costs are negatively affecting their ability to meet business goals or strategy (14.5% significantly and 35.8% moderately), while 40.5% report no impact and 8.7% were unsure. Among those reporting an impact, the most common effect is reduced ability to remain competitive (57%), followed by impacts on productivity and efficiency (40.7%) and the ability to expand or grow (39.5%).

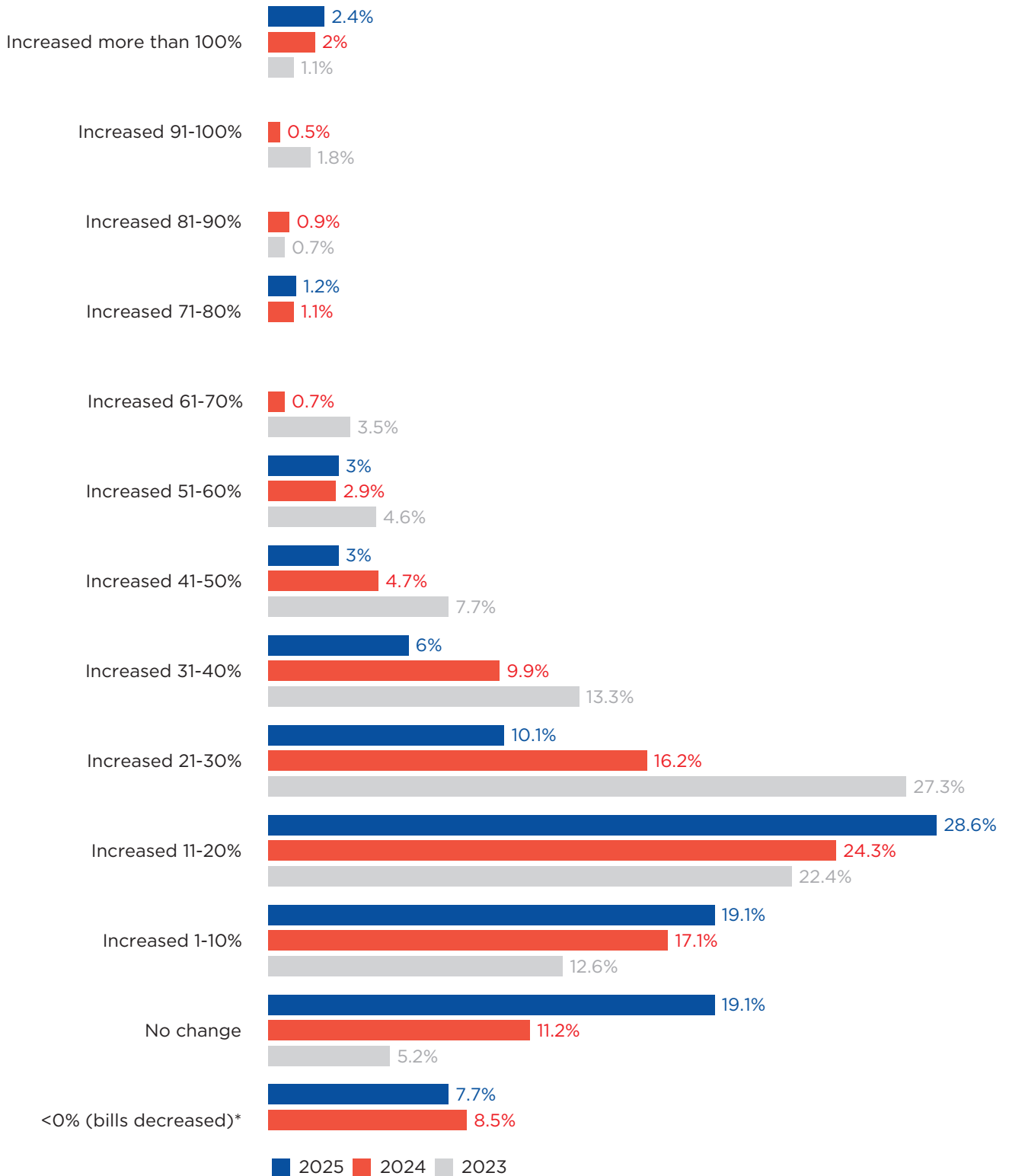
One in 8 businesses impacted by increasing energy costs tell us it is affecting their ability to keep the doors open.

In the December 2025 quarter, just under half (45%) of respondents report reviewing their energy bills/contracts about once a year, while 11.2% review every bill cycle (for example monthly or quarterly). A further 14.8% review every three to four years, typically at contract renewal, and 8.9% review rarely or only when prompted (for example when contacted by a retailer or when prices spike). Around one in ten report that it is not applicable because their landlord or head office manages energy arrangements, while 6.5% are unsure.

73.2%

of respondents reported their **electricity bills increased**

Chart 20. How much have your business's electricity bills changed in the last 12 months (2025)



*Data not collected for bill decreases in 2023



Chart 21. Are energy costs negatively impacting the ability of your business to meet its goals or strategy? (%)

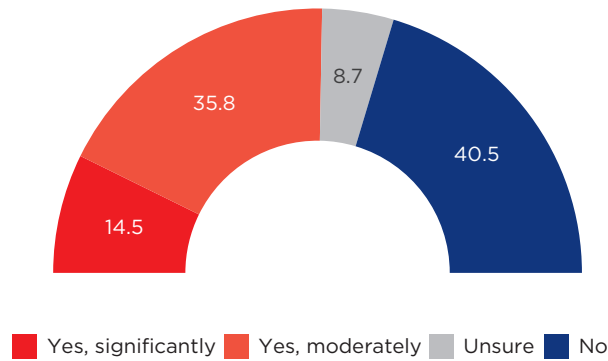


Chart 22. If yes, is this negatively impacting on the ability for your business to: (%)

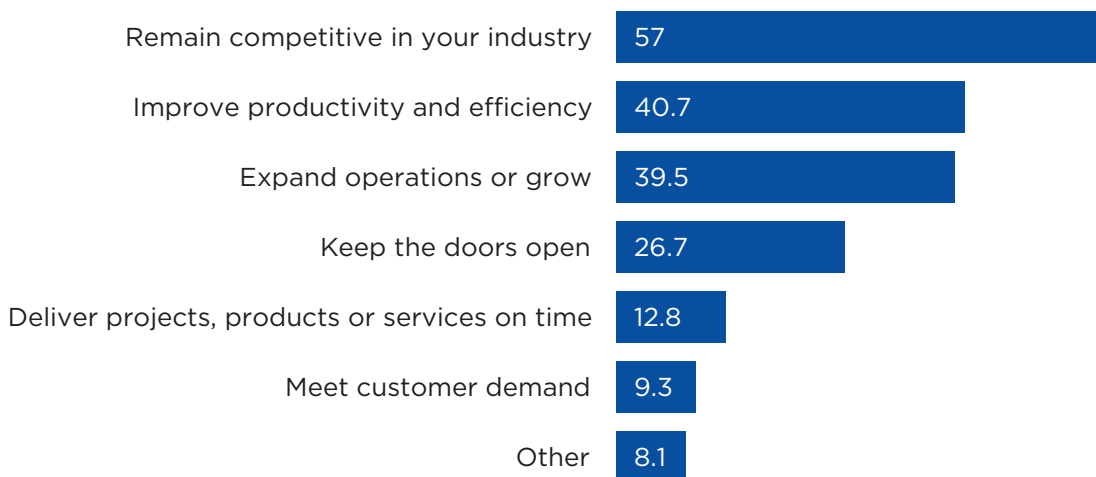
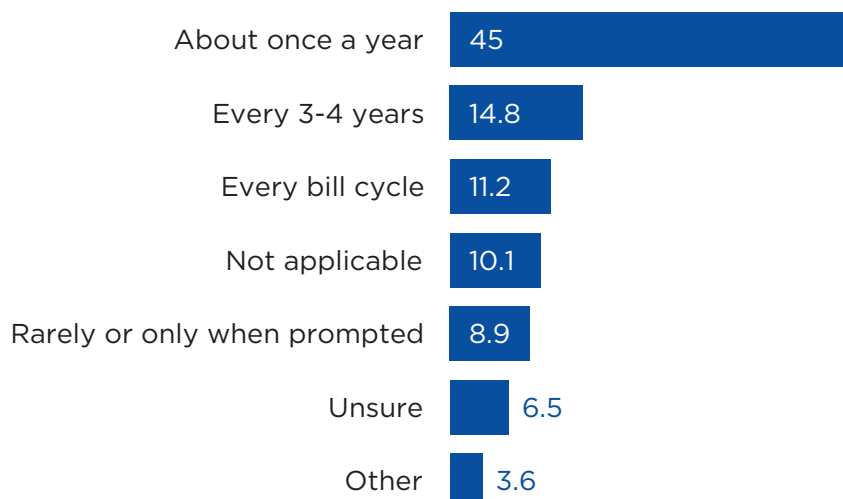


Chart 23. How often do you review your energy bills/contracts? (%)



Electricity reliability is also a significant issue, with almost half of all respondents telling us that outages or disruptions affected their operations at least once in the past 12 months.

For those impacted, the operational consequences are substantial. Staff downtime is the most reported impact (72.6%), followed by lost production or service capacity (67.9%) and customer disruption (45.2%). Nearly a third reported lost sales or income, while a smaller yet still notable share report spoiled or damaged stock (15.5%), equipment damage (13.1%) and safety risks (13.1%).

Energy prices are rising because government policies are prioritizing Net Zero targets and rapid renewable expansion without ensuring affordability. These policy choices are directly pushing power costs higher.

» **Manufacturing, 10-19 employees**

We use an electricity consultant who has regularly been able to find a way to bring bills down.

» **Hospitality, 20-49 employees**

We are installing solar panels and a battery system this quarter. Additionally, we are incorporating a small generator into our backup to cover any longer power outages.

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

We transitioned on 1 January 2025 to a new energy provider; we used to pay \$11k per month - our January 2026 bill was \$17k.

» **Hospitality, 50-199 employees**

We have a large solar plant that offsets electricity during the main working hours, so we are not heavily energy dependent.

» **Manufacturing, 50-199 employees**

Energy costs are crippling our business: up 36%. This is simply unsustainable.

» **Hospitality, 50-199 employees**



Chart 24. In the past 12 months, have electricity outages/ disruptions affected your business operations? (%)

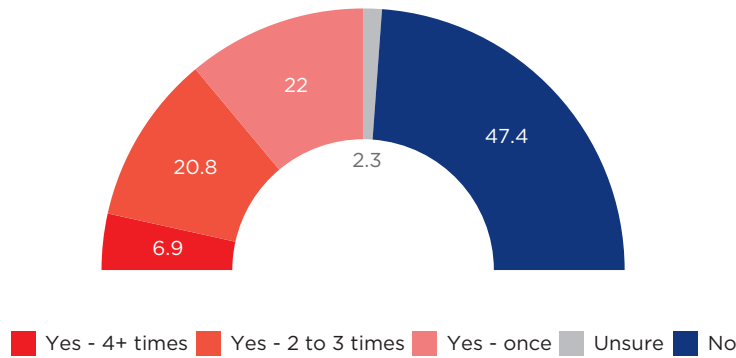
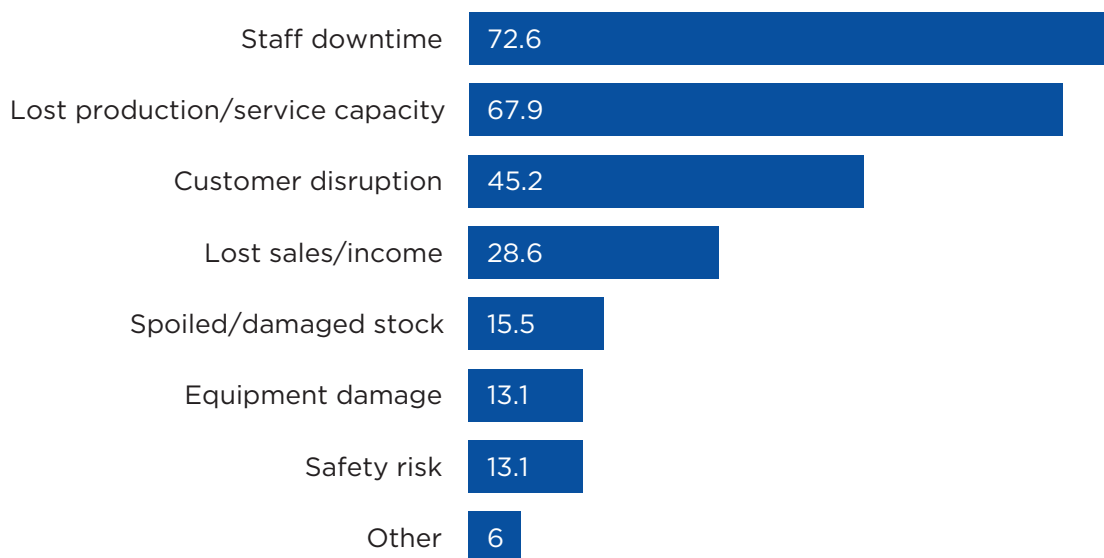


Chart 25. If yes, what was the impact of the outages/disruptions? (%)



Energy Improvements

Energy-related upgrades are widespread, with the installation of solar panels still the most common improvement being implemented. Despite this, there remains a sizeable share of SA businesses who told us they have not made any energy-related improvements (36.3%).

Among the measures reported in both 2024 and 2025, 13.1% report installing batteries (2025), and smaller shares report using an energy management system (2024 results: 19.1% compared with 2025: 4.2%) or diesel generators (2024 results: 17.9% compared with 2025: 4.2%).

Some moderation in electricity bill increases may reflect the uptake of energy improvements reported by respondents, with around a quarter reporting their bills were unchanged (19.1%) or decreased (7.7%) over the past 12 months. These results are consistent with some businesses being able to offset part of their electricity costs through on-site generation or efficiency measures, particularly in an environment where overall operating costs remain elevated.

Investment intentions over the next 12 months are mixed. Around a quarter of respondents indicate they are likely or very likely to invest in energy-related improvements (15.4% and 9.5%, respectively), while just over half tell us they are unlikely (34.3%) or very unlikely (19.5%) to invest.

The most common barrier to further action is upfront cost/financial constraints (53.1%). Other frequently cited barriers include the ROI timeframe being too long or slow (27.8%), uncertainty about prices or policy (27.2%), and site or landlord limitations (24.1%). Time constraints also feature (19.8%), alongside difficulty accessing trusted advice or providers (13.6%) and grid or connection constraints (10.5%).

Chart 26. What energy-related improvements have you implemented for your business?

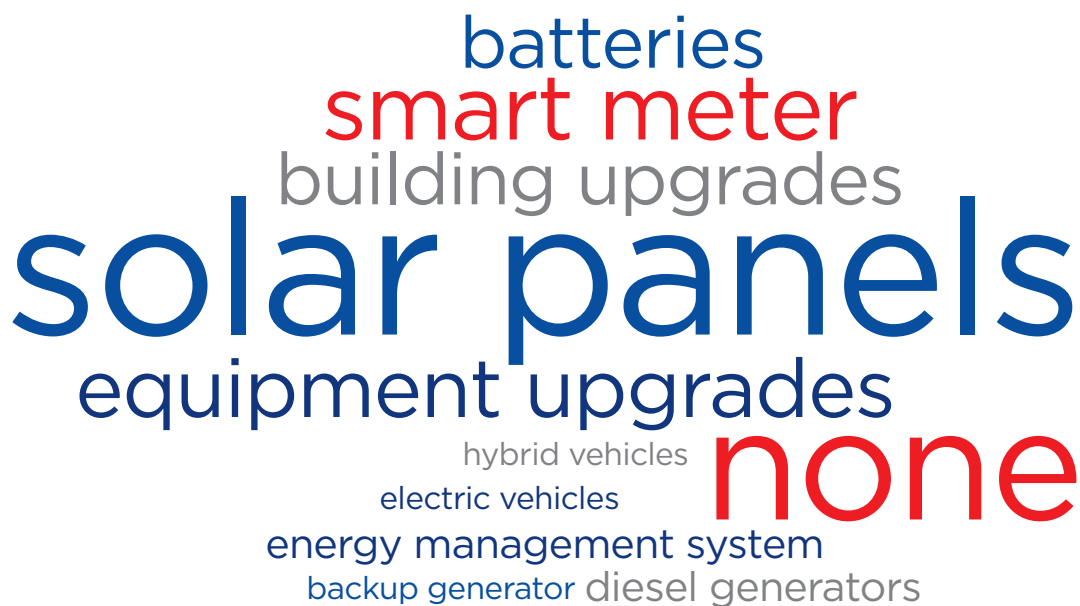




Chart 27. How likely is your business to invest in any energy-related improvements in the next 12 months? (%)

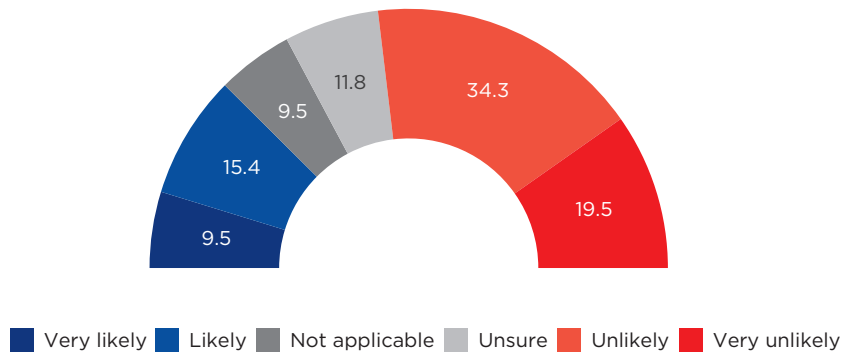
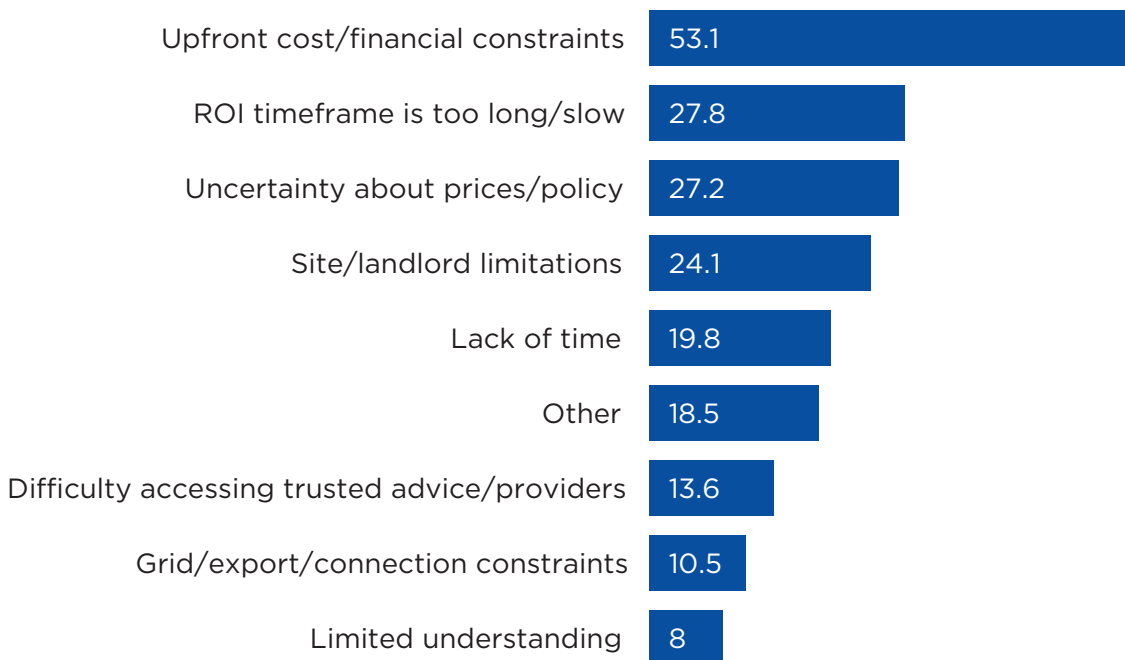


Chart 28. What is stopping your business from taking further action to manage energy costs and/or emissions? (%)



While most support doing things to help the environment, the Federal Government's approach to Net Zero and its lack of planning for a scaled implementation is having broad undesirable effects on all of society, leading to uncertainty and therefore stifling growth and productivity.

» **Manufacturing, Sole Trader**

We are off-grid and continuously improving and investing in better technology.

» **Accommodation, 1-4 employees**

We were looking at purchasing larger equipment to improve efficiency, but our factory needed a power upgrade an expense of over \$110,000, so we decided to outsource manufacturing overseas.

» **Manufacturing, 20-49 employees**

We have invested in a solar array and batteries and produce our own electricity.

» **Manufacturing, 20-49 employees**

At current prices, no energy-related improvements are cost-competitive. High power costs, driven solely by current government energy policy rather than energy shortages, are making it increasingly difficult for manufacturing businesses in Australia to remain viable.

» **Manufacturing, 10-19 employees**

We have installed solar with batteries, and they are working fine.

» **Education and Training, Sole Trader**

We have changed our air conditioning in the factory to a new one which is made in Adelaide, and which should be more efficient. We have changed the switch board to a new one and we are using lighting that does not take up too much power.

» **Manufacturing, 1-4 employees**

Solar where it makes sense and is often a no brainer, but ROI on batteries is not there given we only operate in daylight hours and have large solar plant.

» **Manufacturing, 50-199 employees**



Employment, Recruitment and Skills

Employment intentions over the next 6 to 12 months are mixed. Just over half of respondents plan to maintain current employee numbers, while 33.7% plan to hire more employees and 13.9% plan to reduce employee numbers. This is reflected in the *Employment Levels Index* increasing slightly over the previous quarter.

Recruitment challenges remain common, with 57.5% of respondents reporting they are facing difficulties finding suitable qualified or experienced candidates for key roles. Among those experiencing recruitment difficulty, the most cited barrier is a limited number of suitable applicants (79.2%), followed by a lack of skilled labour available in the market (65.6%). Candidate pay and benefit expectations are also a constraint, with 58.3% reporting expectations exceed what can be sustainably offered.

Labour shortages are negatively influencing business performance for many. Just over half of respondents indicate labour shortages are negatively influencing their ability to meet business goals or strategy, while 43.1% report no impact (2.4% unsure). For those impacted, the most common effect is reduced ability to improve productivity and efficiency (67.4%), followed by constraints on meeting customer demand (57.3%) and expanding operations or growing (51.7%).

Retaining existing employees is the top workforce priority in 2026.

In the next 12 months, 67.5% of respondents are prioritising retention of their existing workforce, followed by managing labour costs (51.5%). Upskilling (37.4%), offering competitive wages and benefits (32.5%) and recruitment (31.3%) are also key priorities.

These results are consistent with the broader labour indicators reported this quarter. The *Average Wages Index* remains well above neutral, while the *Overtime Worked Index* also sits above neutral, suggesting some businesses continue to rely on additional hours to meet operational needs.

57.5%

of respondents are facing difficulties finding suitable qualified or experienced candidates for key roles

People just look for excuses to not work or to shift liability and decision making. Productivity is down but importantly the standard of education is very poor whilst large wages are being demanded.

» **Professional, Scientific and Technical Services (Accounting, Law, Engineering, Marketing etc), 20-49 employees**

We now use offshore staff due to costs in Australia, and a lot of other small businesses are doing the same.

» **Professional, Scientific and Technical Services (Accounting, Law, Engineering, Marketing etc), 1-4 employees**

Have just employed a person to train as key maintenance technician. Have to do this inhouse so it's an investment that comes with extra cost. Too difficult to attract the right person so when someone comes through the door you have to grab them even if the timing is not perfect.

» **Manufacturing, 50-199 employees**

Better employees move on to other opportunities, particularly mining. [Labour shortages] limit time off for the existing employees.

» **Other (please specify) - Recycling, 5-9 employees**

Major issue is finding people who actually want to work and are committed and dependable.

» **Construction, 10-19 employees**

Access to quality team members remains the number one issue for our business - chefs in particular. Western Australia seems to have legislation correct and we are seeing people leave for WA.

» **Hospitality, 50-199 employees**



Chart 29. Over the next 6 to 12 months, do you plan to: (%)

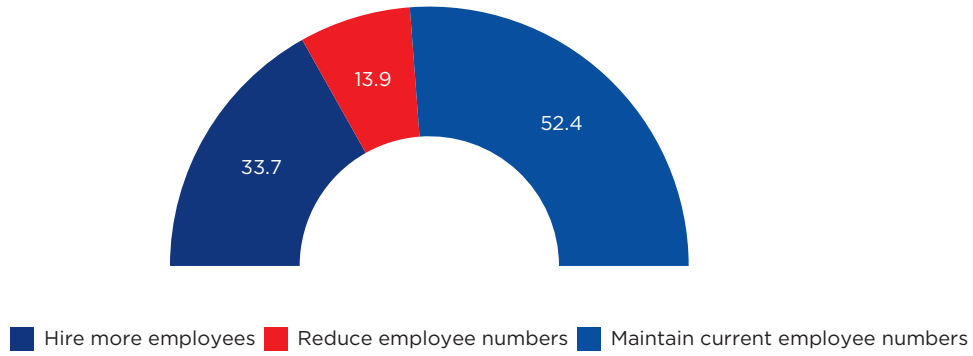


Chart 30. What are the top priorities for your business related to employment over the next 12 months? (%)

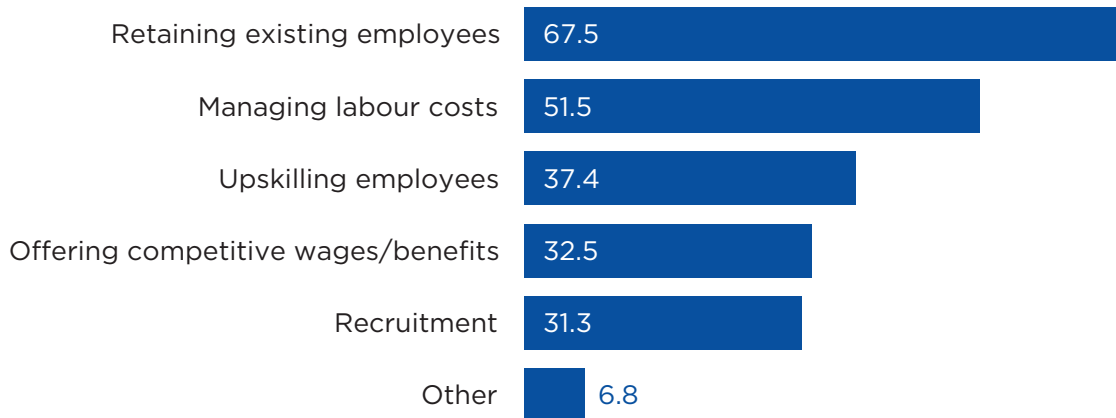


Chart 31. Are you currently facing difficulties in finding suitable qualified/experienced candidates for key roles? (%)

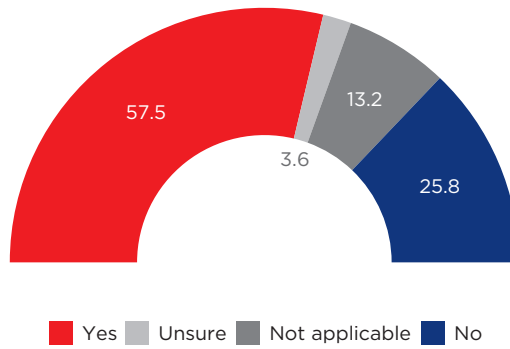


Chart 32. If yes, what are the top barriers to recruiting in your industry? (%)

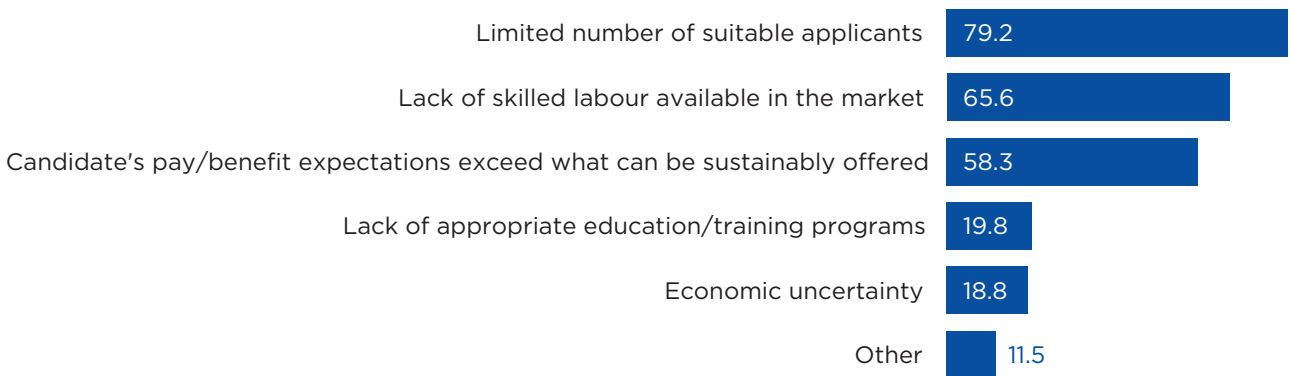




Chart 33. Are labour shortages negatively influencing the ability for your business to meet its goals or strategy? (%)

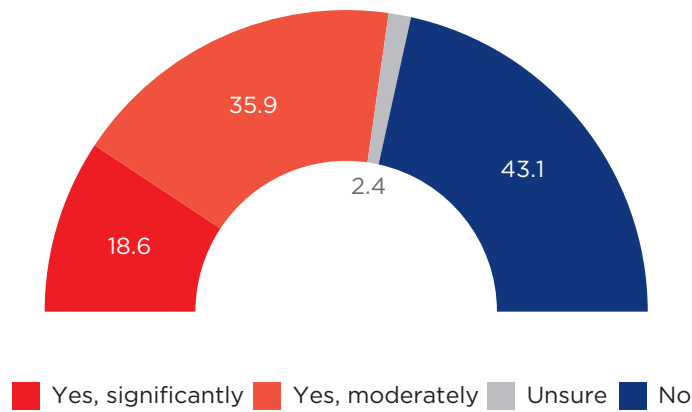
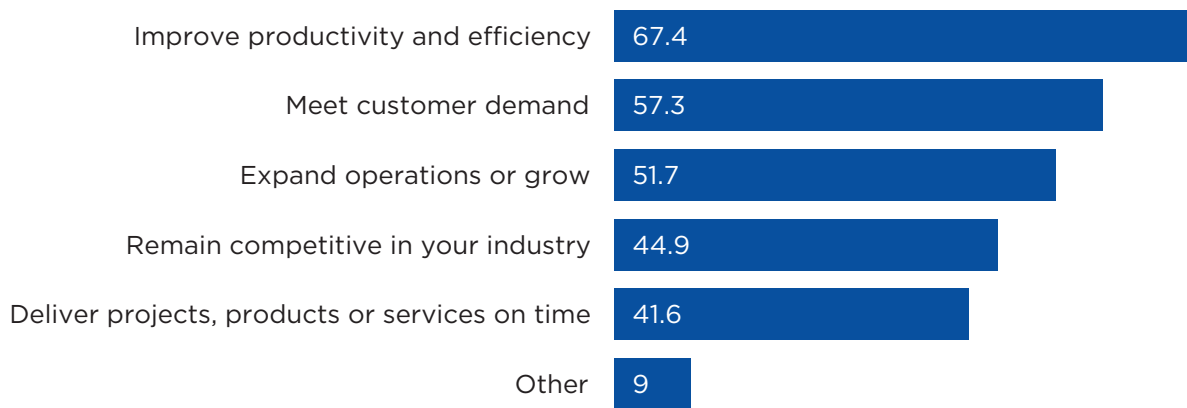


Chart 34. If yes, is this negatively impacting the ability for your business to: (%)



Skills gaps are reported across both technical and transferable capabilities. The most identified areas for improvement in the current workforce are problem-solving and critical thinking (37.2%), customer service and communication (36%), and digital skills (35.4%). Trade skills (31.1%) and managerial/supervisory skills (28.7%) also feature, alongside strategic/leadership skills (24.4%).

Around half of respondents indicate they are investing in upskilling or education programs to address skills shortages, while 39.5% are not investing and 12.6% are unsure. This aligns with the *Training Expenditure Index* remaining elevated in the December 2025 quarter.

Heavy Combination (HC) drivers need two years' experience. If not, we would be penalised with unmanageably high insurance excesses.

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

We cannot address the skills shortages alone. It takes years to train people, then they are poached by government projects and departments as they are offered significantly higher hourly rates. Private business simply cannot compete. Government needs to stop poaching from private business who provide the investment in training staff.

» **Manufacturing, construction, electrical, facilities management, 50-199 employees**

Many businesses are directing resources towards **workforce development** as labour market constraints persist.

We constantly upskill trainers and all staff on a continuous learning cycle.

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

We offer staff training budgets for extended education. We hold lessons learnt and information sharing sessions and offer specialised industry representatives to discuss their products and programs.

» **Professional, Scientific and Technical Services (Accounting, Law, Engineering, Marketing etc), 20-49 employees**



Chart 35. Are you investing in upskilling or education programs to address skill shortages? (%)

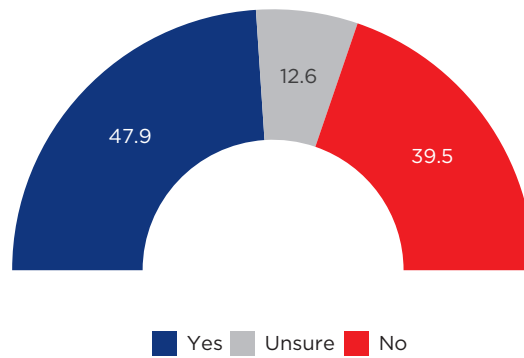


Chart 36. What are the main skills that your business could improve in relation to your current workforce? (%)



Case Study

People, product and purpose: How Bespoke Manufacturing Group is growing in a tough market

In 2019 at his dining room table, Robert Statham started Bespoke Aluminium. This business grew rapidly through high demand for aluminium and acquisition of long-standing South Australian brands.

Today, Bespoke Manufacturing Group (BMG) spans five companies, two major sites totalling over 20,000m² of factory space and about 65 staff, delivering vertically integrated manufacturing and supply chain for customers across South Australia, interstate and overseas. In a challenging economic climate, the group is about growth, values and backing local supply chains.

Through Bespoke Aluminium, Key Manufacturing, Bott Storage Systems, Metalcraft Manufacturing and Gitsham Automotive – BMG covers aluminium supply, contract manufacturing, vehicle storage systems and automotive accessories.

BMG's approach is built on relationships and that also applies to its supply chain. "The whole business was started on relationships," Statham says. "Our relationships with suppliers are just as strong as those with our customers."

"Nationally, we are not aware of another group that brings together aluminium supply, extrusion design, precision machining, advanced surface finishing (including bright, matte and hard anodising) and final assembly within one organisation the way we do," Statham says. "This combination of core capabilities gives us a unique position in the Australian manufacturing landscape. That level of integration gives our customers confidence in quality, lead times and accountability, because there is a single point of responsibility rather than multiple disconnected suppliers."



Robert Statham, Founder and CEO, Bespoke Manufacturing Group

At the company level, the business works with well-known brands across electronics, defence, automotive and industrial sectors, while also supplying high-volume aluminium extrusions, castings and sheet to manufacturers nationally.

On the automotive side, Gitsham Automotive and Bott Storage Systems produce van storage systems and ute canopies, with a growing demand for weekend adventurers. Gitsham's ute canopy is the only Australian made and independently crash tested, on the market, giving it a strong safety, reliability and quality story. "Consumers want something they can use for work during the week and then for fishing or camping on the weekend. That crossover is a big opportunity for us nationally," Statham says.

As the December 2025 quarter Survey of Business Expectations (SOBE) showed, cost pressures are high on the agenda. Statham says aluminium prices, which are tracked against the London Metal Exchange, along with rising energy and wage bills, are a constant focus. BMG is a significant energy user, with electricity and gas powering anodising lines, curing ovens and other high-temperature processes, so the business is investing in efficiency and lower emissions.

"We want to stay efficient and nimble," Statham says. "We'll absorb as much as we can and only pass on what we have to, because ultimately we want our customers to stay competitive, so they can keep selling, and we can keep doing what we do."

Despite the uncertainty reflected in this quarter's SOBE results, Statham remains upbeat and focused on the opportunities this environment creates. Interest rate uncertainty is flowing through to business behaviour, softening customer confidence and causing many to delay purchasing decisions.

He believes this shift is also playing to local strengths. "When customers delay decisions and then require rapid delivery, local manufacturers with capacity and flexibility have a clear advantage," he says.

BMG is investing accordingly, including expanded lights out machining capability and additional capacity to reduce lead times, minimise supply risk and manufacture for stock.

Statham is clear that government has a role to play in backing manufacturers like BMG, particularly through procurement. He believes state and local government procurement frameworks should actively support capable local manufacturers wherever possible before sourcing interstate or overseas, particularly in the procurement of fleet vehicles and automotive systems for government agencies and major utilities.

"It's companies like ours that are feeding into the higher tier suppliers including for OEM, defence, infrastructure and mining projects," he says. "If more people can see what's being done here at a lower level in SA and support local businesses, that's where South Australia's real growth will come from."

People and culture are central to BMG's growth agenda. BMG employs a diverse workforce across trades, technical, design and corporate roles, with apprentices working alongside former Holden and Mitsubishi employees on the factory floor. "People are your biggest asset," Statham says. "Culture and values are huge for us - we want A-players with a good work ethic, great values and personality." The group is deliberately multi-skilling staff so they can move across machines, roles and sites, which both de-risks the business and keeps work more interesting.

"Our ambition is to build one of Australia's most respected product-led manufacturing groups, designed and engineered in South Australia but supplying nationally and internationally," Statham says. "We also see a responsibility to strengthen the supply chains that underpin local manufacturers and OEMs, so capability, skills and investment remain in Australia."

A Word from William Buck

Written by Adrian Chugg - Managing Partner, William Buck SA

Costs bite and talent is tight: why retention is the new growth strategy

In the December 2025 quarter Survey of Business Expectations, business confidence has fallen, with a steeper dip for the national economic outlook. General business conditions have improved slightly, however the cost of doing business and profitability remain the biggest concerns, closely followed by compliance burdens and concerns around the wider economic environment.

Perceptions of the national economy may be coloured by conditions across the border. Many South Australian businesses operate in or trade with Victoria, and negative experiences around costs, regulation and barriers to doing business, influence their national outlook.

A couple of years ago, many businesses were in recruitment mode. Today the focus is firmly on retention, and keeping the right people, with the resilience, engagement and motivation of the team being crucial. The survey backs that up, with retention now rated as a more important HR focus than recruitment, especially while more than half of businesses struggle to find suitably qualified and experienced candidates.

Engagement matters in a tight labour market. The businesses that seem most confident are those investing time with their teams, explaining the plan, listening to concerns and making sure people can see how their role contributes to the bigger picture. “Skilled labour” now means more than tickets and qualifications; business owners talk as much about reliability, resilience and staying power. The open question is whether enough is being invested in upskilling, career paths and workplace culture to build that capability and commitment from within to retain the right team for the long-term.

In the face of staff shortages, artificial intelligence as an efficiency tool is part of the conversation. Many businesses use AI tools to assist with personal productivity such as generating ideas, drafting documents or speeding up research. However for now, most owners still see AI as “useful support” rather than a fundamental shift in how their business works.

New compliance regimes and additional red tape are continually created to address small pockets of non-compliance, imposing an added burden on everyone. We must remember that compliance comes with a cost. At the same time, businesses are concerned about the scale of government spending, and the inflationary pressures this creates in terms of competition for labour and the impact on interest rates. On that note, it is disappointing for businesses that both state and federal governments will not address the high level of wastage and conduct a logical process to simplify and reform business taxation.

As we near the end of the first quarter of 2026, there has been a clear shift in tone. Conversations are now more about making the most of the year ahead, focusing on not just developing strategic plans but putting them into action. The businesses that keep moving forward will be those that stick to a clear strategy, invest in and support their people and stay deliberate about technology and compliance. After all, it's important to remember that people are the foundation of every successful business.



Adrian Chugg, Managing Partner, William Buck SA

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 all industry sectors.

Our purpose is to remove complexity and create opportunity for South Australian business.

At the South Australian Business Chamber, we empower businesses to reach their full potential.

Through our four core pillars — **connect**, **protect**, **advocate**, and **educate** - we're dedicated to helping South Australian businesses grow, succeed, and shape a stronger future for our state.

Learn more about our Membership Benefits at sabusinesschamber.com.au/join.



Discover the benefits of membership

Managing Director
& Member

Small Business
Owner &
Member

Entrepreneur
& Member



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

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





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