

MAD MARCH A BRIEF RESPITE FOR BUSINESSES

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A busy Mad March period has provided a slight injection of confidence into business owners in South Australia, according to a South Australian Business Chamber survey, but rising energy, wages and rent costs are proving an ongoing challenge for local operators.

The South Australian Business Chamber-William Buck Survey of Business Expectations for the March quarter, released on Tuesday, shows business confidence rose by 3.6 percentage points to 91.1 points, where 100 is a neutral level.

However the business conditions index – a measure of businesses' trading performance – slipped four points to 86.7.

The result contrasts with the same period last year, when businesses reported a 5.7 point increase in business conditions on the back of a bustling festival season and the inaugural AFL Gather Round event.

The most recent report found that 77 per cent of business owners were concerned about the rising costs of wages, energy and rent, with 60.7 per cent also worried about profitability.

South Australian Business Chamber chief executive Andrew Kay said that while the recent festivals and events in South Australia provided a short-term lift in sentiment, spirits remained low due to ongoing economic pressures and the “cost of doing business crisis”.

“The main concern on the minds of business owners this quarter is the ongoing cost of doing business, with profitability, government policies and staff and skills shortages trailing not too far behind,” he said.

“Although they have appreciated the boost of another successful festival season, it hasn't changed the fact that many businesses are struggling to survive, reporting that costs are at an all time high.

“Revenue metrics show economic indicators such as average selling price, orders received and export sales are all down, while cost metrics such as

wages, materials and overheads are still on the incline as inflation remains sticky.”

While the confidence index improved for a third consecutive quarter in March, Mr Kay said it remained well below the neutral level of 100, with 38.7 per cent of businesses surveyed expecting the state’s economy to be weaker in the June quarter.

“South Australian business confidence has not been above the neutral score since September 2021,” he added.

“As the end of the financial year approaches, businesses are becoming concerned about further wage increases in July at the annual wage review, fuelling the cost of doing business crisis.”

To ease the cost pressures facing local businesses, the South Australian Business Chamber is calling for reforms to the state’s payroll tax regime, including increasing the threshold at which businesses must pay the tax – from \$1.5m to \$2.1m – and providing regional businesses with a discount of 50 per cent on the tax.

“These results reinforce why we have advocated for the government to consider payroll tax reform and provide support to help drive productivity and encourage business growth in the upcoming state budget,” Mr Kay said.

Adelaide-based IT business Solutions Plus Partnership, which provides consulting and software services to clients across Australia and New Zealand, has grown rapidly since the onset of Covid-19, growing its team to 41 staff and opening offices in Brisbane and Auckland.

However founder Allan Morichaud, who established the business 10 years ago, said the uncertain economic outlook was causing a slowdown in project sign-ups and customer investment in new technologies, while rising operational costs were eating into profitability.

“Cost pressures are undeniably challenging,” he said.

“Our goal is to double our workforce in the next four years and open offices in more countries, but we’re approaching this strategically and cautiously given the current climate. We won’t rush; we’ll proceed methodically and sustainably.

“We’re weathering the current economic storm by staying true to our values and taking a measured approach.”