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South Australian Business Outlook

Shifting gears

October 2026

Deloitte
Access Economics

ECONOMIC OVERVIEW

Private investment and exports provide support as South Australia's growth drivers begin to shift

Following a relatively robust period of growth, South Australia's economic momentum slowed to end the financial year - constrained by a drawback in public spending. Private sector demand offset part of this weakness, with underlying drivers of growth beginning to shift across the state.

Real state final demand was flat in the final quarter of 2025-26 - its weakest quarterly result since December 2023 – as annual growth moderated to 2.8% - but still sitting 0.7percentage points above the national rate.

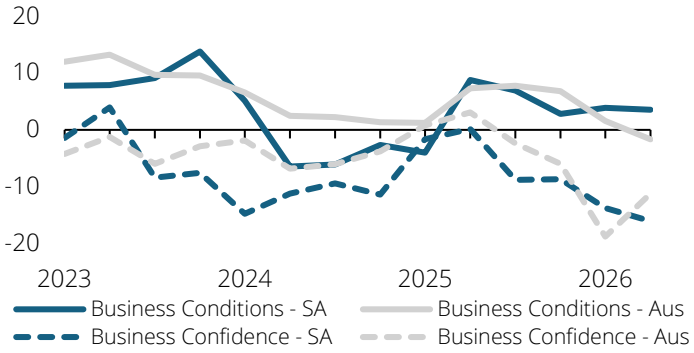
Much of the weakness seen across the quarter reflected a contraction in public consumption (-2.0%), with the state government moving to contain spending. While public investment growth also moderated, the state's extensive pipeline of major infrastructure commitments meant spending remained elevated.

The broader economic environment remains mixed. Labour market resilience and a nation-leading rate of nominal wage growth continue to be offset by elevated inflation, which is eroding household purchasing power and business margins. South Australia's inflation rate exceeded the national rate for the sixth consecutive month in August.

Household demand has suffered as a result, weighing further on private demand. Over the past two years, consumer spending grew by just 2.6% - the equal-lowest increase of any state or territory. Pressures on households are also expected to intensify before they ease – as slower employment growth, persistent inflation and declining house prices constrain real growth in South Australian household spending.

Despite this loss of momentum, private investment remained a relative bright spot for the state. Underlying business investment in South Australia hit a record $20.4 billion in the year to June 2026, up 4.7% over the financial year, a welcome change after two years of contraction. Both non-dwelling construction investment (+5.9%) and machinery and equipment investment (+4.0%) picked up over the year.

Chart 1: Business conditions and confidence (net balance, SA) - South Australia and Australia



Source: NAB Quarterly Business Survey.

However, as the drivers of growth begin to shift and public sector demand recedes, fading confidence, down two percentage points in NAB's September Quarterly Business Survey, points to a more cautious outlook for investment and expansion in the coming quarters.

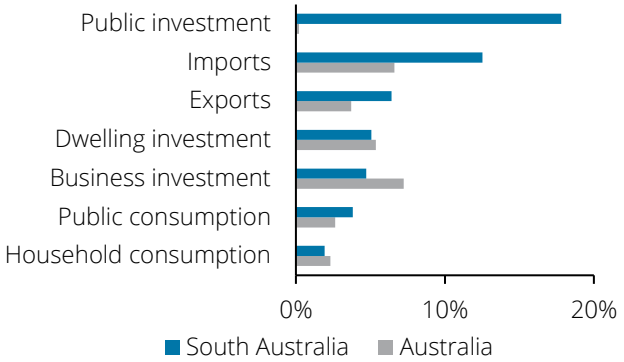
This moderation is expected to be coupled by a slowdown in population growth, with South Australia anticipated to have the third slowest rate of growth in the country – 0.5 percentage points below the national average (1.3%) - in 2026-27. Potential changes in Federal Government migration policy also risk placing further pressure on skills shortages across the state.

That said, modelling by Deloitte Access Economics found that reducing migrant underutilisation to the South Australian-born average could lift labour productivity by 1.2% and add $2.2 billion to annual gross state product. This highlights the considerable and immediate opportunity that lies with people already living in South Australia.

Certain pockets of strength are expected to remain bright spots for the state. Export growth maintained its momentum - rising 6.4% over 2025-26 – as favourable seasonal conditions in agriculture and ongoing international demand look to extend a purple patch of growth for commodities. Noting the effects of 'super' El Niño weather event will need to be watched closely.

Housing also continues to be an area of strength, as dwelling commencements reaching a record high in the year to June 2026, supporting the pipeline of future construction activity.

Chart 2: Components of GDP and GSP, annual change, 2025-26



Source: ABS National Accounts, Deloitte Access Economics.

Looking ahead, the state boasts a range of emerging economic opportunities – including its growing defence and space industry, exports of copper and critical minerals, and build out of AI data centres – that provide growth opportunities for the state.

The extent to which these opportunities can be capitalised upon will be an important determinant in the state's medium-term trajectory as the private sector pushes up against a broad array of challenges – including rate rises, geopolitical uncertainty and persistently weak household demand. Deloitte Access Economics expects South Australian economic growth to rise by 1.1% in 2026-27 and 1.3% in 2027-28.

INFLATION

Persistent inflation puts further pressure on households

Annual inflation for South Australia came in at 4.7% in the year to August, marking the sixth consecutive month that South Australia has outpaced national inflation (4.0%). This was the second highest of all states, behind Tasmania, and reinforces how difficult inflation is to tame.

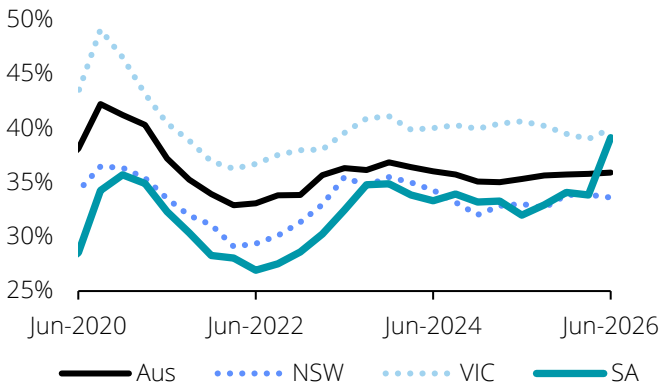
Housing inflation (+7.9%) and transport inflation (+7.6%) were the key contributors. Electricity prices are 21.4% higher than a year ago, reflecting the unwinding of energy bill relief over the course of the year. New dwelling construction costs also remain elevated against a backdrop of broader rising construction costs. On transport, automotive fuel prices rose sharply over the month, as the temporary fuel excise relief ended in early August.

After persistent price pressures around the country, the RBA decision to increase the cash rate to 4.6% in September was widely anticipated. This takes the cash rate to its highest level in 15 years and Deloitte Access Economics expects another rate rise this year, most likely in November.

South Australians may be particularly exposed to higher rates with a recent, and rapid, increase in first home buyers, who are typically more sensitive to rate hikes as recent mortgage holders. In June, the number of first home buyer loans was up 20.3% over the quarter and 23.0% higher than a year earlier. First home buyers as a share of all owner-occupier loans in South Australia rose to the highest level on record (39%) and surpassed the national share (36%) for the first time since 2014.

Although the size of an average South Australian first home buyer loan ($578,500) remains lower than the national average ($627,000), it increased by 12.8% over the year to June. This is significantly higher than those in New South Wales and Victoria (6.4% and 6.2%, respectively) where property price growth has slowed, but remains below Queensland and Western Australia (16.5% and 16.4%, respectively).

Chart 3: First home buyers as a share of total owner occupier dwellings excluding refinancing (by count of loans)



Source: ABS Lending Indicators.

LABOUR MARKET

A solution to our skills gaps is already here

The labour market continues to show signs of easing. The unemployment rate increased by 0.5 percentage points to 4.6% in August – the highest rate since August last year and in line with the national average.

Employment growth picked up to 0.1% over the month to August. However, employment sits 0.1% lower than six months ago. Similarly, the number of job vacancies increased over the three months to August (+5.8%) but is 9.6% lower than August 2025. The year-on-year decline in vacancies is much sharper than the national decline, reflecting South Australia's surge in vacancies in 2024–25.

Despite labour market conditions easing at an aggregate level, parts of the economy are still likely to be experiencing skills shortages. Part of the solution is to ensure the skills already available in the state are being used effectively.

Deloitte Access Economics' 2024 work for the Department of Premier and Cabinet found that migrants in the state experience higher unemployment, underemployment and qualification underutilisation than Australian-born workers.

The sharpest gap is in the use of qualifications. In 2023, the qualification-underutilisation rate for migrants was 16.7 percentage points higher than for Australian-born South Australians; migrant unemployment was 1.1 percentage points higher and underemployment 1.4 percentage points higher. That represents both a labour-market inefficiency and a missed economic opportunity. Skilled people working below their capability can leave businesses facing shortages even while relevant expertise is already present in the community.

The potential dividend is material. Deloitte Access Economics' modelling found that reducing migrant underutilisation to the South Australian-born average could place around 39,550 overqualified migrants into more suitable roles, support about 7,180 additional full-time-equivalent jobs, lift labour productivity by 1.2% and add $2.2 billion to annual gross state product.

Better utilisation would not remove every labour constraint, but it could ease pressure in hard-to-fill roles while lifting productivity and participation. In a state where labour supply may remain a persistent constraint, making fuller use of the migrant workforce is one of the clearest opportunities available.

INTERNATIONAL TRADE

Global demand and strong harvest season to keep export values elevated as broader trade headwinds persist

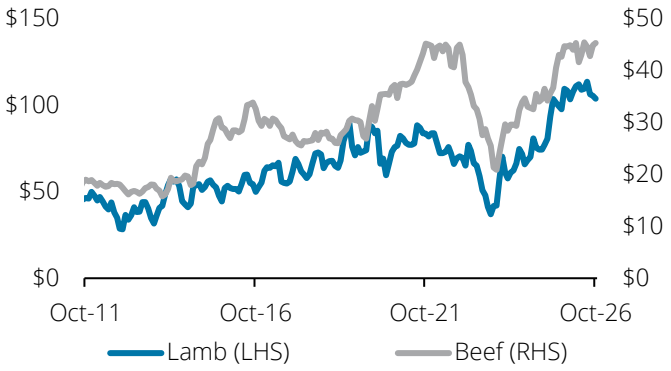
South Australian export momentum has continued into the second half of 2026, with elevated commodity prices and volumes growth pushing annual export value up 14% in the year to August, relative to 5.4% nationally.

Many agricultural commodities have seen a similar uplift as strong global demand has pushed up prices in meat, grains and nuts, which offset declines in wine. This has provided much-needed relief to many farmers across the state who continue to face inflationary pressures driven by the Middle East conflict – national farm input prices rose 9.3% over the year to June according to ABARES.

Red Meat

Demand for red meat continues to be driven by the US, where beef and lamb domestic production has stalled. Prices for Australian lamb are now 40% above its 10-year average, against strong demand and low supply, while beef prices have risen 37% over the past two years.

Chart 4: Beef and Lamb prices (AUD per kg)



Source: Meat and Livestock Australia.

Note: Beef prices are reported in LWC, Lamb in CWT

Looking forward, worsening drought conditions in the US and a broader slowdown in global supply are expected to drive demand over the coming years. However, global trade restrictions have created significant uncertainty: Australian beef exports to China now face a 55% tariff until January 2027 after reaching its safeguard quota in June, and exports to the US are likely to reach its safeguard quota level before the end of the year, allowing the US to apply price restrictions.

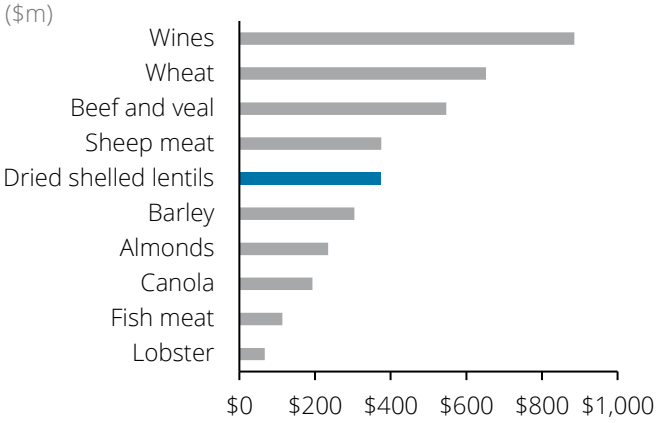
Grains

South Australian grain farmers look to be coming into a purple patch for growth. Drought conditions through the US and Europe, alongside supply chain disruptions across the Black Sea and the Middle East are anticipated to support an uptick in wheat prices in 2026-27.

Wheat exports have been relatively constrained over the past three years as seasonal conditions remained tough for South Australian growers. However, other major wheat exporting states (NSW and Qld) are expected to see reduced yields in 2026-27, which provides an opportunity for South Australia. Yields are forecast to be 31% above the 5-year average after timely winter rainfall in 2026-27 – according to PIRSA's 2026-27 Winter Crop Performance Report.

Similar winter conditions are expected to support strong results for lentils, with yields estimated to be 128% above their 5-year average. Lentils have been a growing story within the state driven by growing international demand, particularly from India and Bangladesh, and also heightened fertiliser prices (lentils reduce the need for nitrogen fertiliser and enhance soil fertility for subsequent crops).

Chart 5: Top 10 South Australian agricultural exports 2025-26 ($m)



Source: ABARES Trade Dashboard.

Wine

Alas, it's a less rosé-tinted outlook for South Australia's biggest agricultural exporter, the wine industry. While opportunities continue to grow in emerging markets and Canada (which has pushed back against US products), weakening global economic conditions and geopolitical uncertainty continue to weigh on growth and consumer demand. Despite restored market access to China in 2024, export volumes have remained subdued and are down 7% over the year to June.

This has left many producers in a difficult position, with many Riverland growers reporting a net loss per tonne produced in the 2026 vintage. Many have been forced into action, converting unviable vineyards to higher-value land uses such as almonds and other horticultural commodities. Land iQ data shows almond plantings in the Riverland have grown from 11,940ha to 14,370ha between 2023 and 2026 - a 30% increase that is expected to broaden through the State government's $109m Wine Industry Support Package.

As this expansion continues so too does the debate around water usage. Victorian research from 2020 finds that an average kilogram of shelled almonds uses almost 9 times as much water as a kg of grapes. However, re-diversification will likely be a timely and commercially beneficial exercise: Australian almond production was valued at around $8,500 per tonne (kernel weight) in 2025, compared with an average of $317 per tonne for Riverland winegrapes.

Overall, the outlook for South Australian agricultural exports remains firm. Global demand across a broad range of commodity groups alongside stronger domestic yields is expected to offset a weakening in global consumer conditions and an elevated Australian dollar.

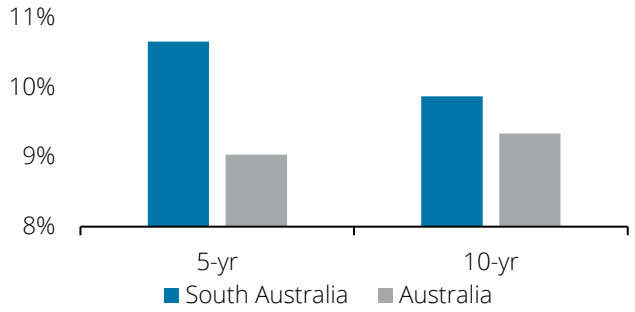
NDIS

South Australia's NDIS dividend and the cost of reform

South Australia has been one of the key beneficiaries of the largest expansion of social spending in modern Australian history, with the NDIS directing billions of dollars into households, service providers and employment. Since its selection as the NDIS launch site for children aged 0-14 in 2014, South Australia has held a disproportionately high share of NDIS participants relative to its population, inflating its per capita NDIS spending to the highest in the country and 23% above the national average in 2025-26.

Employment growth has been a major by-product of this expenditure, with employment of aged and disabled carers growing at an annual rate of 10% in South Australia over the past 10 years (and an even faster rate in the previous five). This equates to approximately 2.5 times more workers within these occupations compared to 10 years ago.

Chart 6: Compounded average annual growth rate of Aged and disabled carers (ANZSCO 4231) to March 2026



Source: ABS Labour Force, Deloitte Access Economics.

This injection of federal support has also been a driving force beyond the health sector with industries such as retail (cafes) and recreation benefiting from the $900 million spent on the support category social community and civic participation in 2025-26 according to NDIS payment data. Family members of NDIS dependents have also been aided by this support, with funding granting them more time to participate in the workforce and contribute to state output. However, the very factors that have made South Australia one of the largest beneficiaries of NDIS funding growth also leave it disproportionately vulnerable to any tightening of the scheme.

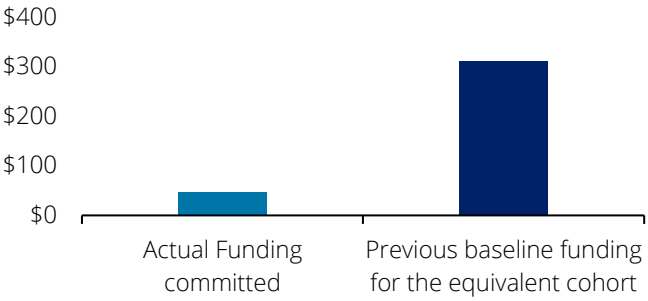
The Federal Government is now attempting to fundamentally reset the trajectory of the NDIS. Tighter eligibility requirements, slower growth in participant plans and reduced expenditure on social based supports announced in April will materially slow the growth of the NDIS and Commonwealth expenditure. By the end of the decade, the reforms are expected to generate approximately $15 billion a year in national savings relative to the previous trajectory.

Based on the state's current share of NDIS spending, Commonwealth NDIS expenditure in South Australia could be around $1.3 billion lower in 2030 than under the previous growth rate. To illustrate the scale of this change, spending of this magnitude is broadly equivalent to that required to support around 10,000–15,000 federally funded NDIS care and administrative roles in South Australia.

However, lower NDIS expenditure does not mean the underlying need for support disappears. Instead, responsibility for meeting that need will increasingly shift towards the state government and Thriving Kids (the program replacing NDIS supports for lower-needs children aged 0-8 with Autism or developmental delay), placing greater pressure on already constrained state resources. Under the previous baseline, support for children with autism and developmental delay who are now expected to be removed or excluded from the NDIS was estimated to cost up to $310 million a year by 2031 – assuming each child receives an annual funding package of $15,000.

Currently, the South Australian and federal governments have committed approximately $50 million dollars a year to South Australia's Thriving Kids program, while no replacement has been announced for the $5,000 reduction in average social support payments for all participants. Both these cutbacks are anticipated to hit South Australians hard, as sector employment slows, and family members or carers used to higher levels of support for their children lower their workforce participation.

Chart 7: Changes in funding for South Australian children with Autism and Development delay - removed or excluded from the NDIS by 2031 ($'000)



Source: Federal Budget, South Australian Budget 2026-26, Deloitte Access Economics.

South Australia does, however, enter this transition a step ahead. The State Government has played a leading and innovative role in developing Thriving Kids, while initiatives such as Preschool Boost, facilitated playgroups and expanded child development checks have begun to build the foundations of a more integrated early-support system.

But a strong foundation can only go so far when the funding gap remains this large. Those leaving the NDIS outside the Thriving Kids age range still face uncertainty about what support, if any, will take its place. For children transitioning to Thriving Kids, the question is whether a fundamentally different model of support can deliver comparable outcomes with substantially fewer resources.

Taken together, these changes mean the transition is likely to fall particularly heavily on South Australia. The same outsized NDIS footprint that benefited the state during the scheme's expansion now leaves it unusually exposed as that expansion slows. However, reform remains important. **The challenge that remains is not whether reform should occur, but how its costs are managed in states whose economies have become most closely tied to the scheme's expansion.**

AI

Record capital expenditure, but the data centre boom is just beginning

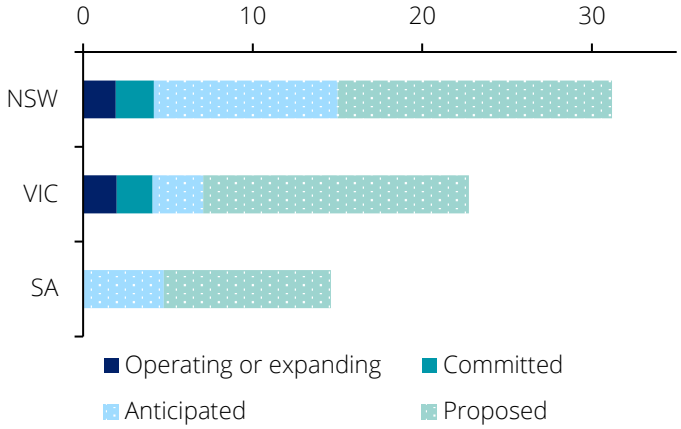
Underlying business investment in South Australia hit a record $20.4 billion in the year to June 2026, up 4.7% over the financial year, a welcome change after two years of contraction (-3.4% in 2023-24 and -0.2% in 2024-25). Both non-dwelling construction investment (+5.9%) and machinery and equipment investment (+4.0%) picked up over the year.

Data centres have dominated the national story, with investment in data centre construction and expansion projects growing for the eighth straight quarter. However, none of South Australia's upcoming data centre projects have yet broken ground and data from the Australian Energy Market Operator (AEMO) confirms that to date, most data centre activity in South Australia is 'anticipated' or 'proposed', with none 'committed'. While some of the capital expenditure strength seen in the quarter may reflect pre-build activity, this suggests that South Australia will face a substantial pipeline of data centre investment if these projects proceed to construction.

Of note, Sydney-based data centre operator IREN Limited has proposed a $10.0 billion campus at Bundey in the state's Mid North. If approved, it would become one of the largest data centres in Asia Pacific. AEMO expects data centre development to be a key driver of future electricity consumption: AEMO forecasts large industrial electricity consumption in South Australia to more than double by 2035-36, driven by mining, smelting and data centres.

However, it is not easy to progress projects of this size and complexity. AEMO notes that since 2025, about 36% of known projects have been cancelled, at all stages of development. This highlights the challenges of delivering data centre projects at scale, including growing electricity and water requirements and, critically in South Australia, significant construction worker shortages. Deloitte Access Economics expects underlying business investment growth to ease but still be a strong 3.2% in 2026-27.

Chart 8: Data centre development pipeline, rated capacity (gigawatts)



Source: AEMO 2026 Electricity Statement of Opportunities.

Table 1: South Australian economic forecasts

	History	Forecast				
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
South Australia, % growth (unless otherwise noted)						
Total output (real gross state product)	2.7%	1.1%	1.3%	1.7%	1.6%	1.5%
State share of Australian output, %	5.6%	5.6%	5.6%	5.5%	5.5%	5.5%
Household consumption	1.9%	1.1%	1.0%	1.4%	1.6%	1.6%
Dwelling investment	5.1%	-0.5%	1.9%	3.3%	1.8%	1.3%
Business investment	4.7%	3.2%	3.0%	2.3%	1.5%	1.2%
International exports	6.4%	-0.8%	4.0%	3.2%	3.4%	3.3%
International imports	12.5%	1.7%	4.3%	2.5%	2.4%	2.2%
Population						
Persons ('000s)	1,913	1,928	1,942	1,956	1,969	1,983
% growth	1.0%	0.8%	0.7%	0.7%	0.7%	0.7%
Employment						
Persons ('000s)	988	993	1,004	1,019	1,034	1,048
% growth	3.1%	0.5%	1.2%	1.5%	1.4%	1.4%

Source: Deloitte Access Economics.

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