South Australian Business Outlook

From tailwinds to headwinds

August 2026

Deloitte Access Economics

ECONOMIC OVERVIEW

Public investment continues to support economic activity in South Australia, though with slower growth forecast for 2026-27.

Amidst a backdrop of global turmoil, broader economic headwinds and higher interest rates, the South Australian economy has proved relatively resilient in the first half of 2026.

State final demand rose by 0.5% in the first quarter, consolidating the strong growth recorded throughout much of 2025. However, signs are also emerging that the state's momentum is beginning to soften.

The tailwinds from public sector spending have continued to underpin economic growth within the state, with public gross fixed capital formation rising 4.9% in March, highlighting the ongoing importance of government infrastructure and capital investment.

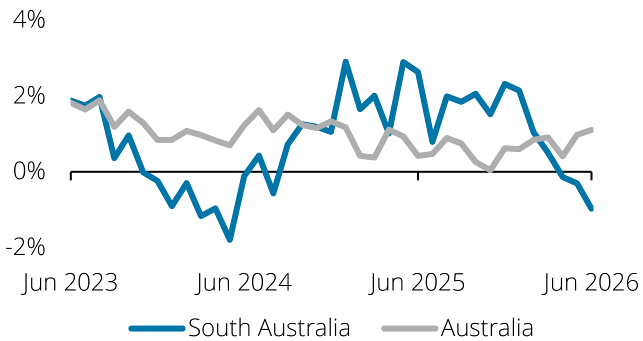
As this period of exceptionally strong public investment begins to mature, the outlook will increasingly depend on whether private sector activity can sustain its momentum.

Notably, early signs suggest this transition may prove challenging. While, private capital expenditure has boomed – up 14.8% over the year to March 2026 – quarterly figures from the ABS suggest business investment has begun to moderate (-0.3% in the March quarter). Combined with historically weak business sentiment - the South Australian Business Chamber reported the second-lowest level of business confidence since 2001 and profitability at a 20-year low in March – this leaves the outlook increasingly uncertain.

These effects are also beginning to be felt by South Australians with one in three businesses reviewing or changing their staffing levels because of these key challenges. While this is yet to emerge in the unemployment rate – SA was flat and below the national rate (4.4%) at 4.3% in May – underlying drivers are beginning to shift.

Demand for employees is slowing with job vacancies contracting by 17.9% over the 12 months to May. At the same time, labour supply has eased as the broader cyclical slowdown in participation has been compounded by an ageing population and slowing population growth.

Chart 1: Employment growth (six-month change), South Australia and Australia



Source: Australian Bureau of Statistics Labour Force.

The combined effect is a labour market with fewer workers entering employment rather than significantly higher unemployment. Employment fell by 1.0% over the six months to June.

A weakening labour market has also begun to place further downward pressure on wages. In real terms, South Australian workers are now experiencing wage growth that is 0.2 percentage points below the national average. A divergence reinforced by elevated underlying inflationary pressures.

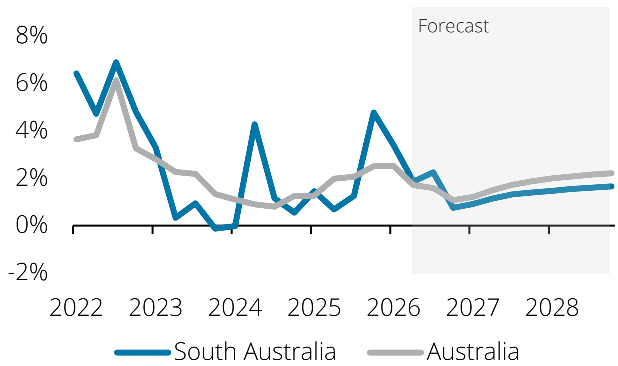
Housing (+8.0%), coupled with accelerating food inflation (+3.1% compared with June 2025), has continued to place strain on household budgets, as annual non-discretionary inflation (+4.7%) outpaced discretionary inflation (+3.5%) for the fourth consecutive quarter in June.

Housing affordability pressures have also intensified, with dwelling prices increasing 11.6% over the year to June despite a record number of houses completed in the year to March (+14,130). With real wage growth not expected to return until 2027-28, household purchasing power is likely to remain constrained through the second half of 2026.

More broadly, South Australia has continued to benefit from rising copper prices. At 81% of the state's export growth over the year, copper lifted annual growth in state export values (+11.4%) to more than three times that of national rate (+3.7%) over the year to May 2026.

While growth in other commodities was moderate (+2.7%) other external sources of revenue, also provided further resilience. Strong international tourism - expenditure up 16% over the year to March 2026 - helped to partially offset more subdued domestic spending, as a greater dispersion of annual events smooth some of the seasonal volatility historically associated with the state's visitor economy.

Chart 2: Real annual GSP and GDP growth, South Australia and Australia



Source: Deloitte Access Economics; Australian Bureau of Statistics National Accounts.

Taken together, these external drivers have helped support economic activity at a time when domestic growth drivers are beginning to weaken. However, the outlook is expected to become more challenging as stronger headwinds emerge. While public investment will continue to provide near-term support, weaker private sector conditions, fiscal consolidation and slowing population growth are expected to temper growth over the forecast period. Deloitte Access Economics forecasts South Australia's economy to expand by 1.3% in 2026-27 and 1.4% in 2027-28.

INFLATION

Inflation is expected to remain elevated despite easing transport costs

The temporary halving of the national fuel excise in early April contributed to a modest easing in annual headline inflation in South Australia in June, decelerating from 4.4% in May to 4.2%.

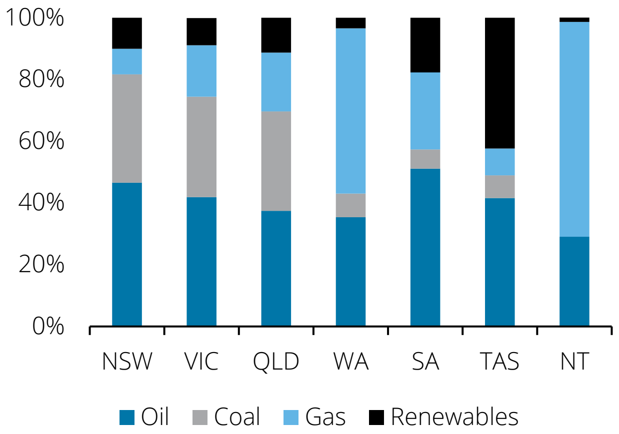
However, this broad-based moderation did little to ease the underlying inflationary pressures within the state, with inflation remaining 0.4 percentage points above the national average. This reflects stronger housing inflation (8.0% compared with 6.8% nationally), compounded by housing accounting for a larger share of household expenditure in the state.

Housing, coupled with accelerating food inflation (+3.1% compared with June 2025), has placed further strain on household budgets, with non-discretionary inflation (+4.7%) now outpacing discretionary inflation (+3.5%) since February 2026.

These pressures are unlikely to ease in the near term. The partial fuel excise relief is due to expire on 2 August, placing upward pressure on fuel prices, while the expiry of Commonwealth and State government electricity rebates earlier this year has placed upward pressure on prices. Electricity prices have accelerated sharply since the start of the year and are now 16.4% higher in South Australia than in May 2025.

The outlook is further complicated by the re-escalation of the conflict in the Middle East. While the direct impact on fuel prices is likely to be broadly similar across jurisdictions, spillovers into broader energy markets may be more pronounced in South Australia. In 2023-24, oil accounted for 51% of the state's primary energy use - the highest share of any jurisdiction – potentially leaving South Australia more exposed to sustained increases in global energy prices.

Chart 3: Energy mix by jurisdiction, 2023-24



Source: Department of Climate Change, Energy and Water.

With housing, food and electricity prices remaining elevated, and renewed upward pressure on fuel and energy costs, inflation in South Australia is expected to remain above the national average in 2026-27.

LABOUR MARKET AND WAGES

Wage growth slows as labour market and demographic challenges mount

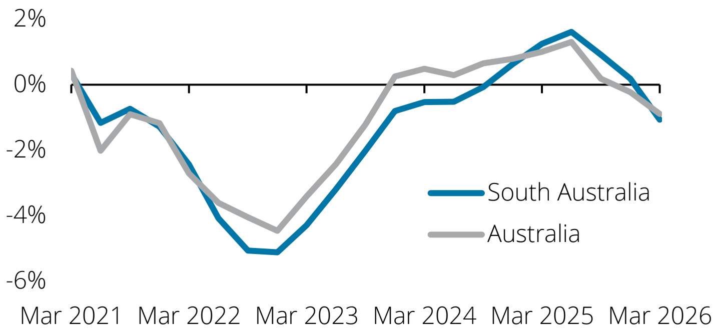
South Australia's unemployment rate increased by 0.1 percentage points to 4.3% in June 2026. While this remains relatively favorable - below the national rate of 4.4% - alternative indicators point to a loosening jobs market.

Demand for labour has slowed. The number of employed persons has decreased (-1.0% lower over the six months to June) and job vacancies have fallen substantially - decreasing in every quarter of the year to May, culminating in a contraction of 17.9% over the last 12 months.

This waning demand is expected to continue, with Deloitte Access Economics forecasting employment growth to moderate substantially to 0.9% in 2026-27 and 1.1% in 2027-28. While this is the same as the national growth it is still well below the current 10-year average of 2.0%.

Easing labour supply will present a more persistent challenge moving forward. The labour force grew by just 1.3% in the year to June, well below the three-year average of 2.1%, as the effects of an ageing population and slowing population growth begin to materialise.

Chart 4: Annual real wage growth, Australia and South Australia



Source: Australian Bureau of Statistics Consumer Price Index; Australian Bureau of Statistics Wage Price Index.

While these structural challenges are expected to weigh more heavily on the outlook over the medium term, softer demand for labour is already translating into slower wage growth.

Wages in South Australia grew by 3.1% over the year to March 2026, trailing national growth of 3.2%. The gap is more pronounced when accounting for inflation. South Australian workers experienced real wage growth 0.2pp below the national average over the year to March.

With real wage growth not expected to materialise until 2027–28, household purchasing power is likely to remain constrained, reinforcing cautious consumer behaviour through the second half of 2026.

INTERNATIONAL TRADE

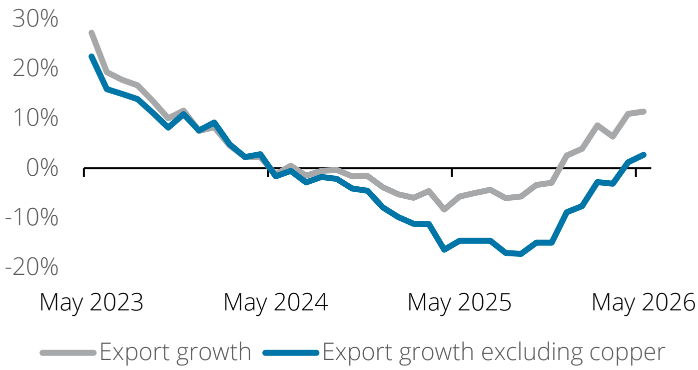
Copper remains the driving force as exports tip over $18.4 billion

The value of exports rose by 11.4% (to $18.4 billion) over the year to May 2026 - second only to New South Wales (+18.6%) and more than three times the national rate (+3.7%).

Substantial growth was experienced in beef (+39%), barley (+60%), lobster (+43%) and tuna (+80%). However, the state's export growth was predominately driven by copper (+40.9%), which has benefited from a surge in global copper prices on the back of AI data centres and electrification-driven demand.

Combined, the value of copper ore and refined copper accounted for 81% of the state's export growth over the year. Without the influence of copper, growth in total export value would have been just 2.7% over the year to May.

Chart 5: Moving annual export growth with and without copper, South Australia



Source: Australian Bureau of Statistics International trade in Goods.

The importance of copper to the state's export headline has intensified. While this allows the state to ride the coattails of advantageous global copper prices, it also leaves South Australia more exposed to downturns. This is amplified by the state's export composition becoming more concentrated – the five largest exports (by value) comprising 53.8% of total exports in May 2026 compared to 50.0% in May 2019.

However, there have been some notable shifts. With the export value increasing four-fold since pre-COVID, beef exports have become a larger share of the state export composition - increasing by 3.9 percentage points since pre-COVID. This reflects increased demand from the United States and Southeast Asia, which has been supported by the Department of State Development's market diversification strategy. In the short-term, growth in the value of beef exports is expected to ease with global beef prices expected to moderate following a period of elevation. Lower cattle turnoff is also expected to reduce total beef export value.

As copper prices stabilise near current highs, growth in South Australia's export of goods and services is expected to consolidate to 4.2% year on year in 2026-27, down from an estimated 7.4% in 2025-26.

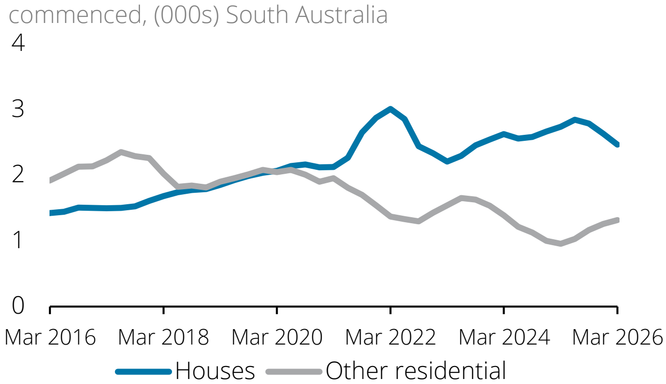
HOUSING MARKET

South Australia breaks completions record

South Australia is making headway in increasing housing stock. Over the year to March, more houses were completed than any other year on record (+14,130). Subsequently, the state saw annual growth (+16.2%) surpass all other jurisdictions, which all experienced fewer completions than the year prior.

Assisting to keep this pipeline healthy, dwelling approvals are at their highest level since May 1985 – 15,176 approvals over the year to May 2026. However, the pipeline is experiencing some bottlenecking. Even with a recent downtick, the number of houses approved but not yet commenced is elevated compared to historical levels.

Chart 6: Average annual dwellings approved not yet commenced, (000s) South Australia



Source: Australian Bureau of Statistics Building Activity.

While promising, the pace of construction will need to remain near record highs to achieve more affordable housing. Even as monthly growth stagnated, South Australian houses were worth 11.6% more than June last year (according to Cotailty's Home Value Index) – clearly signifying demand is outstripping supply.

In part, increasing affordability can be achieved through higher density housing. With detached houses still comprising the lion's share (71.1%) of the state's commencements, South Australia's share sits well above the national average (56.9%). While there's a long way to go for South Australia to replicate the dwelling mix seen on the east coast, a variety of state government initiatives (including a variety of code amendments) aim to increase urban infill and promote higher density housing.

A moderate pullback in dwelling commencements is anticipated through late 2026 and into early 2027, as higher interest rates weigh on demand and construction costs stay elevated. As with other jurisdictions, South Australia is likely to see supply challenges persist , and with them affordability challenges.

TOURISM

International tourism continues to thrive, while domestic tourism takes a hit

International tourism has remained a strength for the state - visitor numbers and expenditure increased by 3.9% and 16.5%, respectively, over the year to March 2026.[1] Despite flight disruptions from the Middle East conflict, Adelaide Airport reported stronger air connectivity in FY26, with international traffic volumes rising by 27.2%, supported by expanded services with Emirates, United Airlines and China Southern.

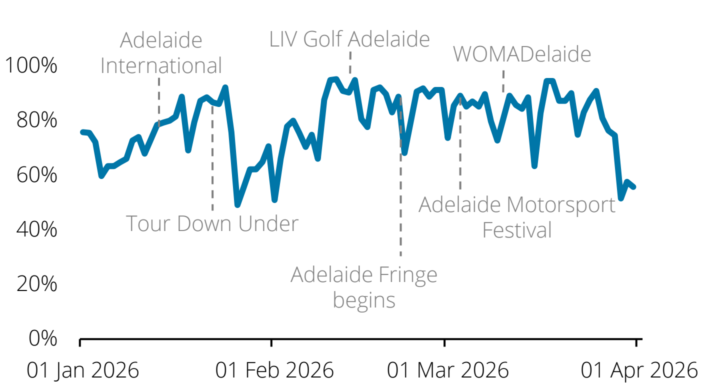
However, domestic patterns have changed with a greater proportion of expenditure attributable to day trips – comprising 31.3% of total expenditure over the year to March 2026, compared to 27.5% in the year prior. This reflects no growth in domestic overnight visitors, while the number of day trips increased (+6.6%).

While it's promising that the number of day trips has increased, stimulating overnight expenditure will result in greater returns. On average intrastate visitors and interstate visitors spend 5.6 and 9.8 times more per trip than a day visitor, respectively.

Traditionally, the state has drawn in interstate visitors through event tourism, a prime example being the calendar of major events in "Mad March". The timing of these events has become more diversified - the Adelaide 500 was shifted to November-December in 2022, Illuminate Adelaide has established a winter tourism drawcard, and AFL Gather Round has extended the March event profile into April.

This has resulted in elevated hotel occupancy across a more sustained period. Reporting from the Adelaide Economic Development Agency reveals greater Adelaide's occupancy was 79.2% in March 2026, compared to the 73.6% national average.

Chart 7: Daily hotel occupancy, South Australia



Source: Adelaide Economic Development Agency modelling using data from STR.

Greater dispersion of events is expected to smooth some of the seasonal volatility historically associated with the state's visitor economy. However, the challenge will be drawing in domestic tourists against the backdrop of cost-of-living challenges and competition from other jurisdictions.

[1] Tourism Research Australia Domestic Tourism Statistics.

BUSINESS

Business investment expected to soften as businesses remain pessimistic

Growing by 14.8% over the year, private capital expenditure in South Australia hit a record $3.1 billion in the March 2026 quarter. However, quarterly growth has been slowing - decelerating from 9.9% in the September 2025 quarter to 0.2% in the March 2026 quarter.

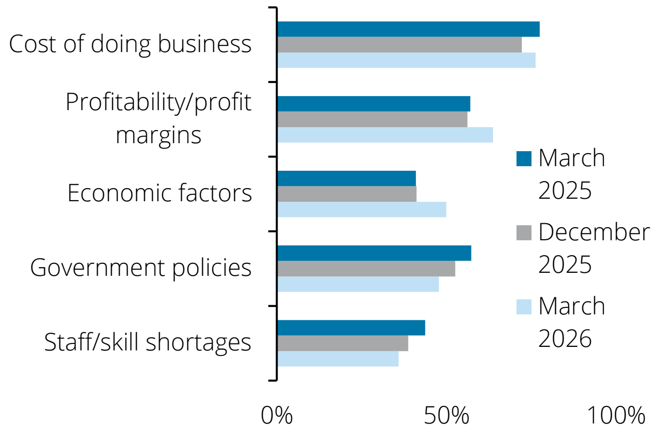
This indicates *some* pockets of the state economy are experiencing stronger business investment. Importantly, this figure only captures new fixed tangible assets and excludes some industries (Agriculture, fishing and forestry and Public administration).

A more consolidated view shows business investment has deteriorated (falling by 0.3% in the March quarter), becoming a drag on State Final Demand.

This reflects business conditions, which according to NAB's Monthly Business Survey, have weakened over the past few months – decreasing from 5 in April to 0 in June.

Similar findings have been cited by the South Australian Business Chamber, which reported the second lowest business confidence since 2001 and profitability at a 20-year low. 'Cost of doing business' remained the leading concern in the first quarter of this year, selected by 76.3% of respondents. Economic factors have become a more prominent concern, increasing from 50.0% of respondents from 41.2% in the December quarter.

Chart 8: Main issues impacting business



Source: South Australian Business Chamber.
Note: Categories as shown in chart are not exhaustive, only top five categories are displayed.

This is likely to become of greater concern as a resolution of the conflict in the Middle East remains uncertain and the vast majority (91.5%) of respondents reporting fuel-related issues impacting their business. For now, most businesses (64.5%) are absorbing additional costs, with those passing on costs limiting it to a modest share.

While sector-specific drivers (including renewable energy investment and defence spending) of business investment have helped to prop up the state, this is expected to moderate as project pipelines mature. Coupled with difficult business conditions, business investment is expected to slow to 2.5% in 2026-27.

Table 1: South Australian economic forecasts

	History	Forecast				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
South Australia, % growth (unless otherwise noted)						
State share of Australian output, %	5.6%	5.6%	5.6%	5.6%	5.6%	5.5%
Total output (real gross state product)	1.0%	2.8%	1.3%	1.4%	1.6%	1.5%
Household consumption	0.7%	2.0%	1.1%	1.2%	1.3%	1.4%
Dwelling investment	12.4%	4.4%	-0.9%	1.9%	2.8%	1.7%
Business investment	-0.2%	4.0%	2.5%	2.9%	2.4%	1.7%
International exports	-6.4%	7.4%	4.2%	3.7%	2.8%	3.2%
International imports	-0.7%	14.9%	6.0%	1.9%	2.5%	2.5%
Population						
Persons ('000s)	1,894	1,913	1,928	1,942	1,955	1,969
% growth	1.1%	1.0%	0.8%	0.7%	0.7%	0.7%
Employment						
Persons ('000s)	960	992	1,001	1,013	1,026	1,040
% growth	1.4%	3.4%	0.9%	1.1%	1.3%	1.4%

Source: Deloitte Access Economics.

Contacts

David Rumbens
Partner,
Deloitte Access Economics
Tel: +61 3 9671 7992
drumbens@deloitte.com.au

Darren Hall
Managing Partner,
Deloitte South Australia
Tel: +61 8 8407 7444
darhall@deloitte.com.au

Shannon Cutter
Manager
Tel: +61 8 8407 7779
scutter@deloitte.com.au

Jasper Roberts
Economist
Tel: +61 8 8407 7424
jasroberts@deloitte.com.au

Angela Watzdorf
Senior Economist
Tel: +61 8 8407 7276
awatzdorf@deloitte.com.au

Adi Sulistiyanto
Senior Economist
Tel: +61 8 8407 7758
adisulistiyanto@deloitte.com.au

Rachel Chapman
Economist
Tel: +61 8 8407 7345
racchapman@deloitte.com.au

Deloitte.

Deloitte Access Economics
Level 25, Festival Tower
1 Station Road
Adelaide, SA, 5000
Tel: +61 8 8407 7000
www.deloitte.com/au/deloitte-access-economics