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South Australian Business Outlook

Glass half full

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Access **Economics**

ECONOMIC OVERVIEW

Broad-based growth across the South Australian economy positions the state well to navigate global macroeconomic headwinds

The conflict in the Middle East has sent shockwaves through the global economy, sending inflation expectations soaring while growth forecasts turn down.

In Australia, the sticker shock of higher petrol prices has been immediate, but the pain hasn't stopped there. Fuel is a notable input cost across much of the economy, and as higher costs filter through supply chains, price pressures look set to broaden well beyond the bowser as 2026 progresses.

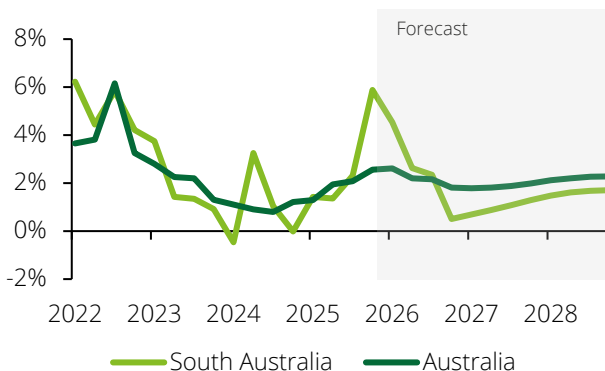
The RBA has opened the year with back-to-back interest rate hikes in response to this stubborn domestic inflation. Now threatening a "hat-trick" of increases, these rising rates are adding to the collection of factors weighing down the Australian economy.

Taken together, these dynamics point to the emergence of a new phase in the business cycle, characterised by both domestic and global price pressures.

Against this backdrop, South Australia faces a challenging road ahead. However, with a strengthened majority, the South Australian Labor Government is well positioned to provide policy stability, supported by a focus on workforce upskilling, education, aged care expansion, and housing initiatives.

Encouragingly, recent economic performance has been strong. Real Gross State Product growth for South Australia (+5.9%) outpaced all other states through the year to December, driven by robust public and private investment, strong export performance, and momentum in both dwelling and non-dwelling construction.

Chart 1: Real annual GSP and GDP growth, South Australia and Australia



Source: Deloitte Access Economics; ABS, National accounts

Households have also benefited from improving labour market conditions, with unemployment among the lowest in the nation (4.0%) and annual employment growth (+3.2%) well above its three-year annualised rate of 2.1%.

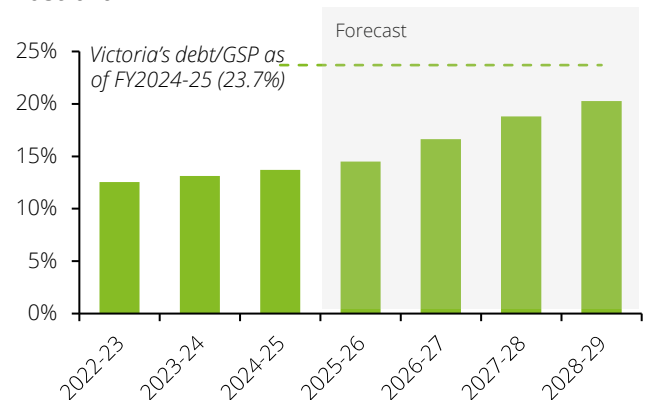
Housing, however, has been a key area of both strength and strain. While recent growth in annual construction approvals has been strong (+10.4% in February, compared to the previous 12-months), supply has continued to struggle to keep pace with demand.

Rental inflation was one of the fastest growing in the nation over the year to February (+4.6%), while house prices have continued to skyrocket (+11.4% to March), further intensifying affordability pressures. Demand has lifted significantly despite the state recording the second lowest population growth across all states and territories, at just 1.1% in the year to September 2025.

More broadly, many of the temporary drivers that have underpinned South Australian growth are beginning to fade, pointing to a slower pace of expansion in coming quarters.

On one hand, the pipeline of major government projects - while still active - will gradually run its course, with public investment unlikely to sustain its recent pace. On the other, with general government net debt approaching \$37 billion - approximately 20.1% of state output in 2028-29 - fiscal constraints are tightening, making budget repair a clear priority going forward. Total public expenditure growth is projected to average 3.9% per annum over the next three years - a marked step down from 7.3% in the preceding three.

Chart 2: State debt to GDP, actuals and forecasts, South Australia



Source: South Australian Department of Treasury and Finance, Mid-Year Budget Review 2025-26, Deloitte Access Economics

Looking ahead, the outlook remains cautious, with the Reserve Bank expected to maintain a restrictive stance as rising fuel costs sustain inflationary pressures. As wage and employment growth moderate, businesses will need to increasingly rely on productivity gains rather than headcount expansion to drive output. Deloitte Access Economics forecasts that South Australia's real economic growth will enter a period of consolidation, easing to around 0.9% in 2026-27.

This moderation is somewhat a rebalancing rather than a structural downturn. Supported by stronger export prices, underlying private sector momentum, and a resilient labour market, the state is expected to remain resilient despite a more uncertain global backdrop. While headwinds persist, the outlook for South Australia remains glass half full, as the economy successfully consolidates its recent gains to provide a robust foundation for future growth.

INFLATION

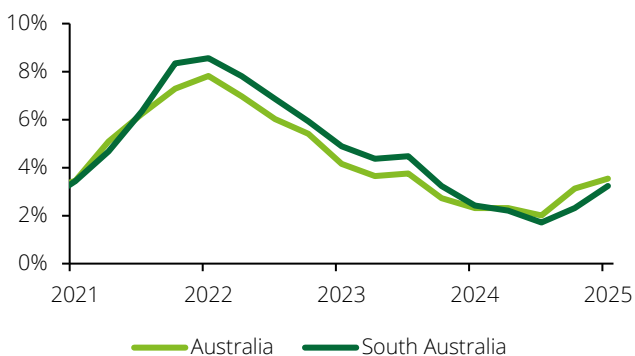
Housing and health keep inflation sticky, compounded by energy

Conflict in the Middle East has placed global supply chains under renewed strain, driving spikes in oil and fuel prices that are being felt around the world. As higher input costs work their way through supply chains, businesses are expected to pass on further pressures to consumers, exacerbating challenges for households and the Reserve Bank alike.

Even before the escalation in the Middle East, inflation in Australia had begun to re-accelerate. Outcomes in late 2025 came in stronger and broader than expected, and price pressures have continued to trend higher in recent months.

While South Australia is not immune to this inflationary uptick – reaching 3.4% in February, its highest level since June 2024 – it does currently lag the national rate of 3.7%. This marks a distinct shift from the 11 consecutive quarters prior to March 2025, when annual price growth consistently outpaced the national rate, averaging 5.7% compared to 5.1%.

Chart 3: Annual CPI inflation, South Australia and Australia



Source: Australian Bureau of Statistics, Consumer price index

Relatively subdued inflation in food and non-alcoholic beverages, combined with the phasing out of other states' electricity rebates - which pushed national electricity prices up 37.0% in the year to February – have been key drivers of this temporary reprieve.

Nevertheless, price pressures persist. Housing costs (+6.0%), are being amplified by South Australia's tight rental market; rental inflation hit 4.6% in the year to February, meaningfully above the national rate of 3.8%. Health prices also recorded the third-highest growth (+3.1%) in the nation over the past 12 months, driven by rising demand, escalating unit costs and stagnant productivity growth.

Looking ahead, while South Australia may be somewhat shielded by its high reliance on renewables, consumers should not expect much relief at the pump. Government tax relief will assist but with essential costs already rising (+3.4%), conflict in the Middle East is expected to further strain household budgets in the near term. As of Tuesday the 14th of April, when the Brent crude oil price was US\$98/barrel, Deloitte Access Economics expects the oil shock to push national headline inflation to 4.5% by June 2026 (noting this is moderated by the fuel excise cut).

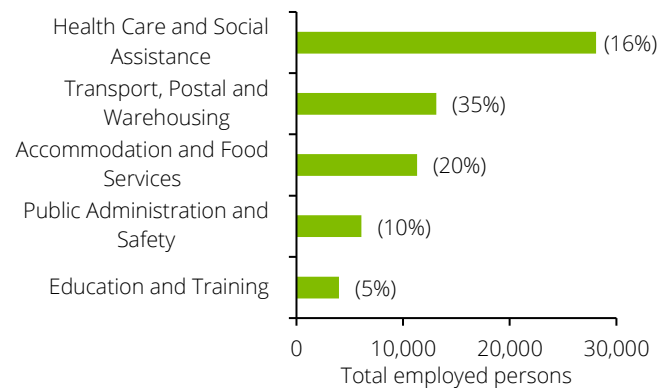
LABOUR MARKET AND WAGES

Health and public investment anchor state's record employment

The South Australian labour market has remained remarkably resilient through 2025, with the state's employment growth (+3.2%) significantly outpacing the national rate (1.8%). This growth has been driven largely by a boom in public and private investment and underpins the state's low level of unemployment – SA's unemployment rate is among the lowest in the nation at 4.0%, compared to 4.3% nationally.

Employment growth of 3.2% in the year to February 2026 was primarily fuelled by the Health Care and Social Assistance sector, which has grown by an extraordinary 16% over the past two years. This surge, sparked by targeted government expenditure, has pushed the sector's share of total state employment to an all-time high of 20.2% - well above the national average of 16.6%.

Chart 4: Top 5 industries by change in employment, two years to February 2026, South Australia



Source: Australian Bureau of Statistics, Labour Force Detailed

This strength has also fed through to household finances, with easing price pressures and a stronger labour market combining to lift real household disposable income by 5.1% in the year to December 2025. That said, this follows a notably constrained period - employment grew by just 1.0% over 2024, compared to 2.7% nationally, and elevated inflation held real household disposable income to just 0.9% annually over the four years to December 2025, half the national rate. The recent improvement is therefore welcome, but the recovery in living standards is still maturing.

Looking ahead, with the RBA expected to deliver a "hat-trick" of rate rises in May amidst rising inflationary pressures across the board, both wage, employment and GSP growth are expected to weaken. Deloitte Access Economics forecasts South Australian employment growth to moderate to 0.7% in 2026-27 and unemployment rate to peak in June 2027 at 4.9%.

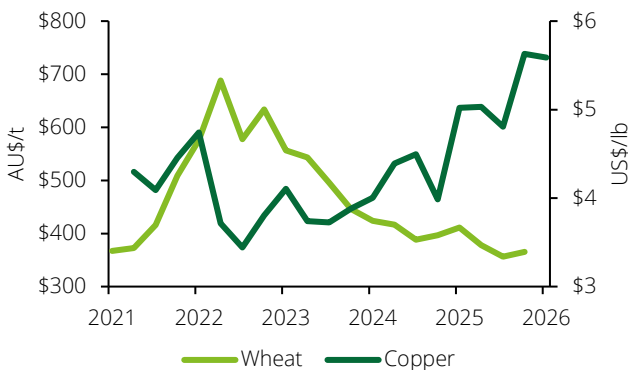
INTERNATIONAL TRADE

Record commodity exports face rising costs and geopolitical headwinds

South Australia's goods exports sector performed strongly in 2025, with total export value reaching \$17.6 billion, up 2.8% over the year to December. Commodities such as beef (+69%), seafood (+94%) and copper (+16%) recorded significant growth, driven by higher prices and renewed export access to China following the reduction in agricultural tariffs.

Notably, refined copper exports reached \$3.1 billion in the 12 months to November 2025, setting a new state record. Copper prices have remained high into early 2026, following prices increasing 41% through 2025. On-going demand for copper - amid a constrained outlook for supply - is expected to underpin further growth in resource exports.

Chart 5: Wheat prices (AUD per tonne) and copper prices (USD per pound)



Source: Department of Agriculture, Fisheries and Forestry, Agricultural commodities and trade data

However, these gains were partially offset by declines in other commodities, including wheat (-42%) and wine (-7.9%), which have been weighed down by global oversupply and softer demand conditions. Looking ahead, conflict in the Middle East introduces significant uncertainty to the outlook. Rising fuel and fertiliser prices - urea up over 50% since the onset of the conflict - are pushing up input costs for farmers and may disrupt key production cycles.

Nevertheless, the outlook for agricultural exports remains broadly positive. Higher winter crop yields and key commodity prices are expected, while the implementation of the new Australian-European Union Free Trade Agreement (A-EU FTA) presents a significant opportunity to expand market access in the EU. Nationally, wine producers are expected to benefit by around \$37 million annually, while beef has secured preferential access to 35,000 tonnes - valued at up to \$661 million per year.

Deloitte Access Economics expects South Australian goods and services exports to grow by 14% over FY26, before consolidating at around that level in FY27, although this outlook remains highly sensitive to global economic conditions and geopolitical developments.

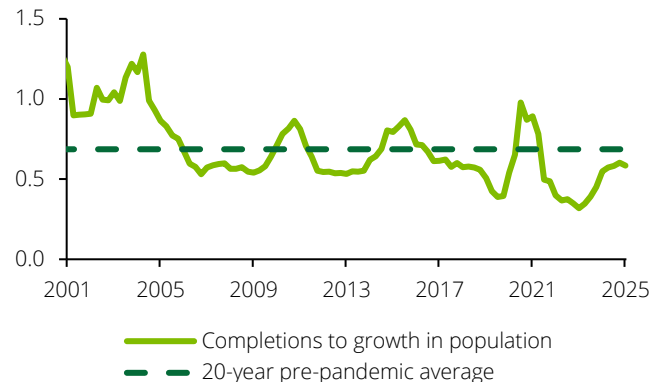
HOUSING MARKET

Dwelling investment at an all time high as affordability hits an all time low

Adelaide median dwelling values grew by 14.6% to \$937,000 over the year to March 2026, significantly outpacing the 9.4% national average. Entrenched supply-demand imbalances are sustaining this price appreciation. High buyer demand is actively depleting available inventory, with sales volumes rising 8.0% year-on-year in March. Because properties are being absorbed swiftly, total listings fell 6.0% over the same period. This persistent downward pressure on available stock continues to drive prices to record levels.

The affordability pressures are most acute within the lower-quartile of the market. According to research by Domain, entry-level Adelaide house prices have surged 159.2% over five years to \$720,000, stretching the average time required to save a 20% deposit to five years and seven months. Rental affordability has also deteriorated to record lows, with median-income households able to afford just 20% of advertised rentals. Beyond the headline numbers, this imposes real economic consequences: a structural shortage of affordable housing constrains labour mobility, erodes discretionary income, and limits retail spending.

Chart 6: Ratio of South Australian dwelling completions to population growth (year-to)



Source: Deloitte Access Economics; Australian Bureau of Statistics, Building activity

The construction sector is responding but struggling to keep pace. Dwelling investment reached a record \$2.35 billion in the December 2025 quarter, with annual approvals of just over 15,000 - tracking ahead of the government's annual target of 13,500 completions. However, completions relative to population growth remain well below pre-pandemic norms - with the ratio of year-to completions to population growth at 0.58 in September 2025, compared to the 20-year pre-pandemic average of 0.69.

Fresh headwinds are also now emerging. The escalating Middle East conflict is re-igniting construction cost pressures, with lots at large-scale developments already facing cost increases of up to \$20,000, according to Satterley Property Group. Combined with persistent capacity constraints and high borrowing costs, Deloitte Access Economics forecasts dwelling investment to consolidate at these elevated levels in 2026-27.

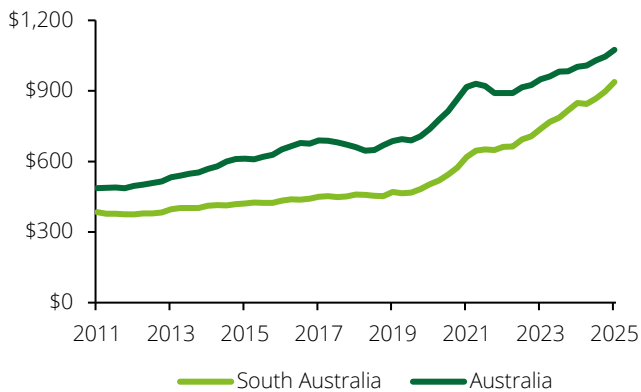
KEY POLICY INITIATIVES

Housing, Education and Health – A billion for housing and a pipeline for workers, but will it be enough?

Housing

Housing policy dominated the March 2026 state election, with the returned Labor SA Government securing a mandate for large-scale interventions to address the structural supply deficits sustaining record-high property values.

Chart 7: Mean price of residential dwellings (\$ thousands), South Australia and Australia



Source: Australian Bureau of Statistics, Total value of dwellings

Despite record levels of dwelling investment in 2025, the market remains critically undersupplied. Growth momentum is unlikely to be sustained over the long-term, as the cyclical nature of the housing market and maturing interest rate effects begin to temper activity.

The re-elected Government has therefore deployed a dual-track policy response targeting both market demand and housing supply. Demand-side initiatives include full stamp duty relief for downsizing seniors purchasing a new home, the expansion of HomeStart loans, and a commitment to build 2,000 rent-to-own homes over the next eight years.

To address the supply deficit more directly, the SA Government has committed \$1 billion to fast-track housing. This includes a \$500 million Housing Fast-Track Fund to purchase strategic urban infill sites and transport corridors for immediate development.

A parallel \$500 million Apartment Fast-Track Fund specifically targets the ‘finance friction’ currently constraining high-density projects. This initiative aims to address the primary bottleneck facing developers: meeting financiers’ rigid pre-sale requirements in a high-cost environment. The scale of this challenge is underscored by recent Property Council of Australia data revealing that 37 approved apartment buildings across the city and North Adelaide remain stalled prior to construction, representing 4,400 unbuilt homes.

Collectively, these commitments aim to target key bottlenecks- namely underutilised land and financing hurdles. However, as the state government has acknowledged, sustainable growth requires more than capital; it necessitates strategic investment into workforce capacity an element governments across Australia are continuing to grapple with.

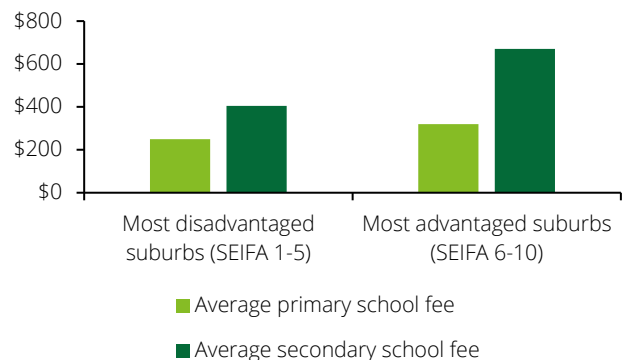
Education

The state government has announced a package of measures across all levels of education aimed at improving labour participation, affordability and the workforce pipeline.

The continued rollout of free three-year-old preschool and expansion of outside school hours care to 68 more schools over 2027-2030 lowers barriers to access to early childhood education and care (ECEC). According to Productivity Commission research, removing all ECEC-related barriers could see an upper-bound increase in national labour supply equivalent to 143,000 FTEs. If distributed on a per capita basis, this would yield approximately 9,800 FTEs in SA. While these measures will not eliminate all barriers, they may increase labour force participation among parents and improve long-term educational outcomes for children.

Cost-of-living relief for parents was another key election commitment with \$148 million promised to abolish public school fees. Planned to rollout in 2027, the policy builds on an existing rebate of \$200 per child, with the total relief estimated to cost taxpayers \$300 million over the next four years. This is expected to provide parents \$382 or \$723 worth of additional relief per year depending if they are primary or secondary students. However, as average public school fees are higher in higher socio-economic suburbs, this policy has the potential to exacerbate inequality if more funding flows to already advantaged communities.

Chart 8: Average highest-year-level public school fees (primary and secondary schools), by area of socioeconomic advantage, South Australia



Source: Deloitte Access Economics calculations, using data from News.com, SA public school fees; ABS, Socio-economic indexes for areas (SEIFA)

The workforce pipeline continues to be a focus in expanding construction and engineering “essential skills”. Policy promises include; \$150m to three new technical colleges and \$25.5 million for a new TAFE trades workshop and additional funding toward tertiary and VET programs. These training investments aim to align education with industry needs, building a sovereign workforce pipeline for AUKUS and homes for a transitioning state.

KEY POLICY INITIATIVES

Aged care shortfalls are flooding SA hospitals, and demand is only growing

Health and Aged Care

South Australia's health system has been under intensifying pressure due to a rapidly ageing population and persistent deficits in aged care capacity. The proportion of older people in the state continues to rise disproportionately, with the number of South Australians aged 70+ up 22.7% over the past five years to September 2025 alone.

In conjunction with rising demand, the federal government has increased funding for aged care in the state by 74% in the 4 years to FY24. However, rising wages, more complex patient requirements, and heightened regulatory standards have been key drivers of this expenditure. As a result, the expansion of care capacity has been constrained by protracted construction timelines and structural workforce recruitment shortages.

The consequences of insufficient aged care placements have been starkly illustrated by hospital "bed block," where older patients who no longer need acute care remain in hospital as they cannot access residential aged care or appropriate community support. In South Australia, hospital "bed block" has risen sharply; the number of patients medically cleared for discharge yet remaining in hospital reached 291 in 2025 - a staggering 385% increase since 2022.

To tackle this bottleneck, the State government introduced the "1300 More Aged Care Beds" policy as part of their successful 2026 election campaign. A key focus of this policy is to repurpose the former Women's and Children's Hospital site in North Adelaide into a dedicated Health and Aged Care Precinct, slated to deliver 600 additional aged care beds.

Furthermore, a \$250 million no-interest Aged Care Loan Scheme has been announced, designed to support providers in accelerating capacity expansion by de-risking capital-intensive construction. This reflects a growing shift in state policy, where governments are stepping beyond traditional roles to directly address sectoral capacity constraints - largely driven by the imperative to alleviate mounting pressure on the public hospital system.

Looking ahead, Deloitte Access Economics expects the share of state population above 70 to grow from 15.0% to 17.2% by 2030 - representing an increase of 45,000 people. With health initiatives already consuming over half of all new state expenditure, and hospital activity rising faster than forecast - according to the Auditor-General's 2025-26 Budget Insights report - further support will be imperative. Balancing these growing service delivery requirements against an already constrained budget will remain a primary fiscal challenge for the state moving forward.

Table 1: South Australian economic forecasts

	History 2024-25	Forecast 2025-26	2026-27	2027-28	2028-29	2029-30
South Australia, % growth (unless otherwise noted)						
State share of Australian output, %	5.6%	5.7%	5.6%	5.6%	5.6%	5.5%
Total output (real gross state product)	1.0%	3.8%	1.1%	1.4%	1.7%	1.5%
Household consumption	0.7%	1.8%	1.3%	1.7%	1.6%	1.5%
Dwelling investment	12.5%	7.3%	0.0%	1.0%	2.5%	1.6%
Business investment	-0.2%	5.1%	3.2%	2.1%	2.0%	1.6%
International exports	-6.6%	14.0%	-0.5%	1.9%	2.1%	2.3%
International imports	-0.7%	11.8%	3.3%	1.9%	2.3%	2.9%
Population						
Persons ('000s)	1,895	1,914	1,927	1,940	1,954	1,967
% growth	1.1%	1.0%	0.7%	0.7%	0.7%	0.7%
Employment						
Persons ('000s)	960	993	1,002	1,011	1,025	1,038
% growth	1.4%	3.4%	0.9%	0.9%	1.3%	1.3%

Source: Deloitte Access Economics

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