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Rate rise pushes struggling businesses to the brink

Business Hunter has warned today's Reserve Bank of Australia decision to lift the cash rate by a further 25 basis points to 4.35 per cent risks pushing already-stretched small businesses beyond their limits, compounding cost pressures and accelerating insolvencies.

The decision comes after back-to-back increases in early 2026, with the cash rate rising from 3.60 per cent in late 2025 to 3.85 per cent in February, and again to 4.10 per cent in March, before today's increase.

Business Hunter CEO Bob Hawes said the pace and cumulative impact of rate rises was placing enormous strain on local businesses, particularly those still carrying heavy debt.

"This is another heavy blow for small businesses already battling softer consumer demand, higher energy costs, skills shortages and red tape," Mr Hawes said.

"Small businesses across Australia collectively hold close to \$200 billion in outstanding loans, and around \$144 billion of that is on variable rates. Each interest rate increase flows straight through to cash flow, margins and jobs.

"On top of that, the rate hike comes off the back of a steep rise in inflation, which puts increasing pressure on businesses constrained from passing on price increases."

The past two years have been among the toughest on record for businesses in NSW, with more than 8,800 entering administration since July 2024.

Early results from the latest quarterly Business NSW Business Conditions Survey are pointing towards the worst business confidence on record since the Business NSW Confidence Index began in 2009.

Mr Hawes said both state and federal governments needed to prioritise policy measures that would reduce cost pressures on business.

"The NSW Government can act by abolishing the Emergency Services Levy, lowering the payroll tax rate to below 5 per cent to be competitive with neighbouring states and restoring funding for small business support previously provided under Business Connect," Mr Hawes said.

"Federal Government can contribute by reining in unnecessary spending to relieve inflationary pressure, making the instant asset write-off permanent in the upcoming Federal Budget, reducing the company tax rate to 25 per cent for all businesses and increasing the NSW allocation of regional skilled visas to address the skills shortage.

"These are practical steps that will help businesses stay open and keep people employed."

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