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Holiday season prospects not so festive for regional businesses

Businesses across the Hunter and NSW are facing a tough lead-in to Christmas, with rising inflation and the prospect of an interest rate hike adding to the pressure.

The latest [Business NSW Business Conditions \(BCS\) survey](#) – which surveyed 700 businesses in November - reveals customers are spending less, pushing for discounts and delaying invoice payments more frequently than as cost-of-living pressures bite.

“More than a third of businesses in the Hunter region report the size and frequency of purchases are down compared to the same period last year,” Business Hunter CEO Hawes said.

“Many businesses are also noting a marked trend for customers to opt for lower-cost substitutes.

“As a result, we’ve seen business confidence dip a few points across the region compared with the September quarter.”

Across NSW, almost half of businesses (42 per cent) report customers are buying less often, while 37 per cent say average order sizes have shrunk.

The survey highlights growing price sensitivity across the economy:

- 32 per cent say customers taking longer to pay invoices
- 30 per cent are facing more price negotiations
- 24 per cent report buyers switching to cheaper alternatives.

Energy, insurance and government taxes and charges remain the key cost pressures on business operations. Many businesses fear the ongoing impact of the NSW Parliament’s impasse on workers compensation reform, with further debate on the legislation now delayed until next year.

Almost half of businesses say they will have to scale back or reduce staff if reforms are not implemented and the forecast 36 per cent premium hike over three years goes ahead.

Results on business efficiency were mixed across the Hunter region, with 59 per cent of businesses in Newcastle and Lake Macquarie and 47 per cent of Hunter Valley businesses indicating they have been working at or above capacity over the past three months, compared with 51 per cent across NSW.

“Unfortunately, this still indicates that about half of businesses are working below capacity, which is where the cost pressures on both business and customers are manifesting,” Mr Hawes said.

“However, there is some light on the horizon, with businesses generally anticipating an uplift in trading conditions in the new year.

“Hiring intentions for the next quarter are positive, especially in the Hunter Valley area, where more than 40 per cent of respondents are planning to increase their staff headcount.

“This may be related to intakes of new apprentices and trainees, especially in the manufacturing and construction sectors.”

The majority of Hunter respondents to the survey were small businesses with up to 20 employees, a cohort Mr Hawes said provided a good pulse check on the state of business generally.

“Smaller operators deal with the challenges and cost pressures of the business environment at a very granular level so they are a good barometer for what is happening across the board,” he said.

“For these many smaller operators, delayed payments and constant discounting hit their cash flow hard.”

Mr Hawes appealed to Hunter consumers to support local retailers and service providers as much as possible during the upcoming holiday season.

“The BCS survey shows that local businesses are doing it tough. We’re urging shoppers to support the businesses that support their communities and provide that priceless personal service you can’t get online by spending their Christmas dollars locally where they can.”

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