



**BUSINESS
NSW**

world every city
The Border Mail

NSW BUSINESS CONDITIONS

A Delicate Environment

August 2024

Albury, Murray, NSW.

About Us

Business NSW is the peak business organisation for New South Wales representing the needs of 48,000 businesses across the state.

Our purpose is to create a better Australia by maximising the outcomes and potential of Australian businesses. We achieve this by working with businesses spanning all industry sectors including small, medium and large enterprises.

Operating through our network in metropolitan and regional NSW, and with our state chamber partners, Business NSW represents the needs of business at a local, state and federal level. This is why when we speak, the government listens.

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Manly Food Co-operative, Manly NSW.

TABLE OF CONTENTS

Executive Summary	4
1. Business Confidence	7
Regional Snapshot	8
Industry Snapshot	9
2. Business Prospects	11
3. Barriers to Doing Business	13
4. Concerns About Business Costs	15
Insurance cost	16
5. Concerns About Supply Chains	19
6. Concerns About Interest Rates	21
7. Access to Finance	22
8. Hiring Intentions	24
9. Energy Use	27
10. Business Feedback to Government	30



Executive Summary

For many businesses, the economic outlook has been increasingly uncertain. While economic growth has been almost flat in recent quarters, inflation sits stubbornly above the RBA's target band, dampening expectations for interest rate cuts in the near term. The latest rebound in inflation has even seen the RBA reiterate its cautious stance – not ruling any monetary policy direction in or out.

Amid a challenging economic environment, business confidence has continued to weaken this quarter. The cost of doing business remains the key barrier to business success. Nevertheless, businesses in NSW have shown signs of resilience. When asked to rate their own business prospects for this financial year, most businesses appear to have a neutral outlook. A majority of businesses also intend to maintain the same staff headcount or hire new staff.

The latest Business Conditions Survey was conducted from 28 July to 12 August, with a total of 825 responses covering all key industries and regions in NSW.

Key findings

- 01 The Business Confidence Index has declined for the second straight quarter, dropping from -59.7 to -67.8. However, one in four businesses, on average, is not as downbeat about the outlook for the next quarter.
- 02 The average self-rated business prospects score for the financial year 2024-25 is 5.1 (out of 10). While about two-thirds of survey respondents consider themselves to have at least 'just enough business to survive', 4% consider business shutdown highly likely.
- 03 The cost of doing business is the most common barrier to business expansion, followed by a lack of customer demand, taxes and government charges, and skills shortage.
- 04 The three cost categories that businesses are most concerned about are insurance costs; taxes, levies and other government charges; and energy costs. About one in four businesses reported an increase in general insurance costs of more than 30% in the past 12 months.
- 05 As a result of the increase in general insurance costs, 22% of businesses have insured below their desired level and 12% of businesses have gone without non-mandatory insurance.
- 06 Amongst the businesses that consider supply chain issues as a barrier to expansion, the key issues are high freight costs, rapidly rising product prices, and long delivery times.
- 07 Despite the recent rebound in inflation readings and an unclear interest rate outlook, business concerns about interest rates have been generally steady from the previous quarter. The key concern remains the impact on customer spending.
- 08 28% of businesses have applied for at least one business loan from a bank in the last 12 months, with just over half of them successful for the full amount.
- 09 The majority (59%) of businesses intend to maintain the same headcount in the next three months, while 24% plan to cut staff and 17% plan to hire additional staff.
- 10 68% of businesses have actively managed energy use in the last 12 months, with 43% having sought a new energy deal, 21% having implemented energy efficiency upgrades, and 21% having modified existing products or services to reduce energy use.
- 11 64% of businesses have identified barriers to winning government contracts, with the most common barrier being the high cost or time involved in preparing applications, affecting one in three businesses.

“

We have tightened every belt we can, closely monitor staff productivity, and are brutal in our financial decisions.”

Health Care & Social Services,
Western Sydney

“

We are looking at all avenues to save money to survive the downturn in business, and hope it picks up again in the next 12 months.”

Accommodation & Food Services,
Hunter Valley (excluding Newcastle)

“

We have always kept a close eye on efficiencies. We have a good model. However, when you are so small, there is only so much you can do.”

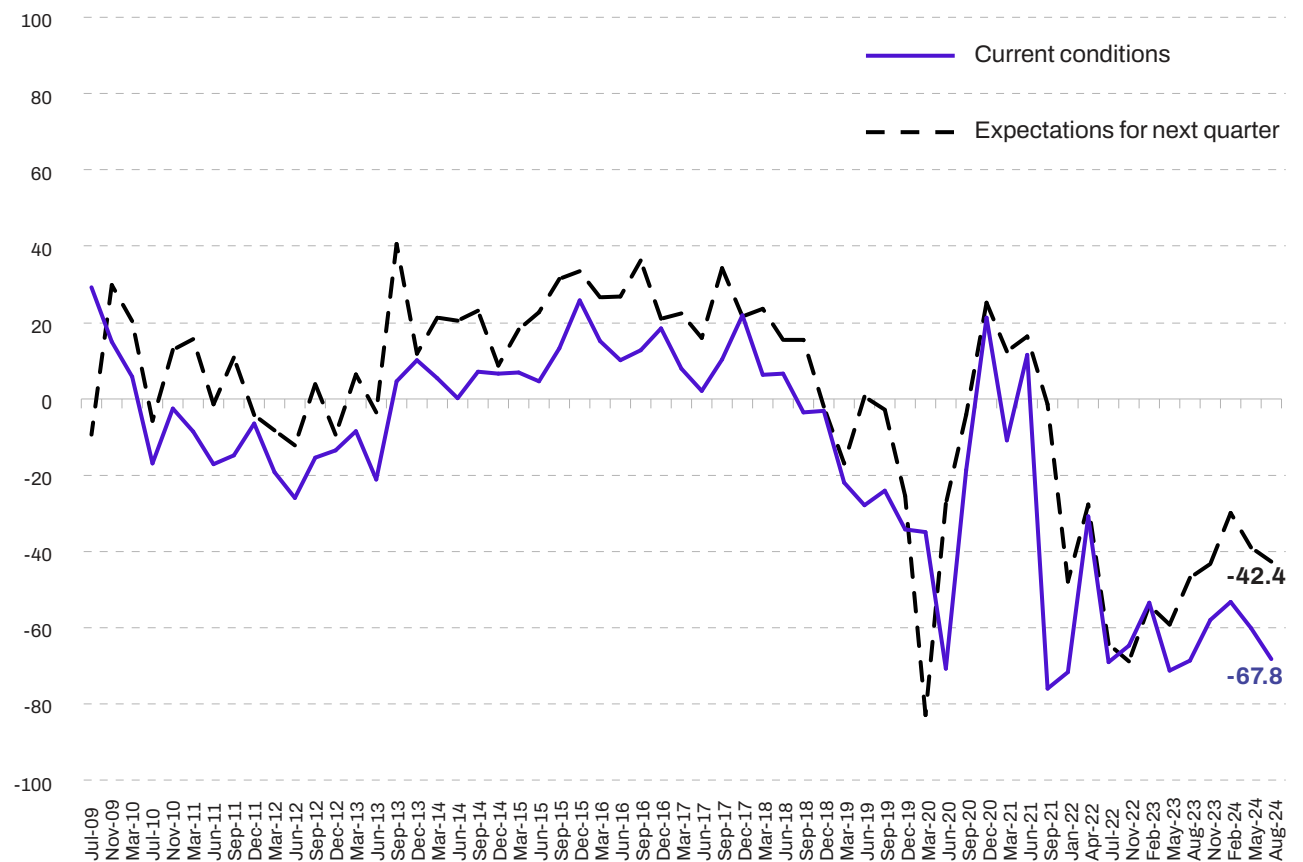
Accommodation & Food Services,
Riverina

1. Business Confidence

The Business Confidence Index has fallen from -59.7 for the June quarter to -67.8 for the September quarter. Following this second consecutive quarter of decline, the latest reading is the lowest in a year, reflecting renewed uncertainties about the economic outlook.

The business confidence reading for the quarter ahead has also fallen from -38.7 to -42.4. Despite the decline, there remains a 25-point gap between the two data series. This suggests that, on average, one in four businesses is not as downbeat about the December quarter compared to the current quarter.

Figure 1: Business Confidence Index



Regional Snapshot

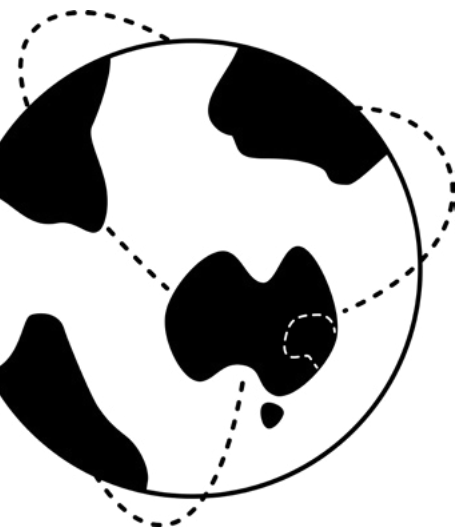


Figure 2: Business confidence by region

	Business Confidence Index		
	Last Quarter (2024 Q2)	Current Quarter (2024 Q3)	Next Quarter (2024 Q4)
NSW	-59.7 (n=879)	-67.8 (n=825)	-42.4 (n=825)
Regions expecting economic trajectory to improve			
Central Coast	-64.9 (n=94)	-56.3 (n=135)	-30.4 (n=135)
New England and North West	-31.3 (n=48)	-59.5 (n=42)	-38.1 (n=42)
Richmond - Tweed	-68.1 (n=47)	-60.5 (n=38)	-26.3 (n=38)
Illawarra	-64.0 (n=25)	-61.9 (n=21)	-52.4 (n=21)
Far West and Orana	-65.0 (n=20)	-63.6 (n=11)	-45.5 (n=11)
Hunter Valley exc Newcastle	-58.8 (n=51)	-64.0 (n=50)	-24.0 (n=50)
Coffs Harbour - Grafton	-57.1 (n=28)	-64.7 (n=17)	-41.2 (n=17)
Eastern Sydney	-51.7 (n=201)	-65.2 (n=164)	-37.8 (n=164)
Murray	-69.0 (n=29)	-66.7 (n=27)	-33.3 (n=27)
Western Sydney	-60.7 (n=89)	-69.3 (n=88)	-48.9 (n=88)
Newcastle and Lake Macquarie	-51.2 (n=41)	-71.4 (n=49)	-59.2 (n=49)
Mid North Coast	-58.8 (n=34)	-75.9 (n=29)	-62.1 (n=29)
Capital Region	-70.2 (n=47)	-78.7 (n=47)	-53.2 (n=47)
Central West	-68.8 (n=64)	-81.6 (n=49)	-57.1 (n=49)
Southern Highlands and Shoalhaven	-90.6 (n=32)	-88.9 (n=36)	-58.3 (n=36)
Riverina	-58.6 (n=29)	-90.9 (n=22)	-59.1 (n=22)

Industry Snapshot



Figure 3: Business confidence by industry

	Business Confidence Index		
	Last Quarter (2024 Q2)	Current Quarter (2024 Q3)	Next Quarter (2024 Q4)
NSW	-59.7 (n=879)	-67.8 (n=825)	-42.4 (n=825)
Industries expecting economic trajectory to improve			
Information Media and Telecommunications	-42.1 (n=19)	-40.0 (n=15)	-26.7 (n=15)
Electricity, Gas, Water and Waste Services	-75.0 (n=8)	-42.9 (n=7)	14.3 (n=7)
Education and Training	-46.2 (n=39)	-44.1 (n=34)	-32.4 (n=34)
Professional, Scientific and Technical Services	-47.5 (n=122)	-59.2 (n=98)	-33.7 (n=98)
Construction	-62.0 (n=71)	-59.7 (n=77)	-41.6 (n=77)
Health Care and Social Assistance	-57.1 (n=49)	-67.9 (n=56)	-48.2 (n=56)
Rental, Hiring and Real Estate Services	-60.7 (n=28)	-68.4 (n=19)	-42.1 (n=19)
Accommodation and Food Services	-73.0 (n=100)	-69.2 (n=104)	-52.9 (n=104)
Manufacturing	-50.6 (n=81)	-69.5 (n=82)	-41.5 (n=82)
Arts and Recreation Services	-55.0 (n=40)	-71.4 (n=35)	-40.0 (n=35)
Wholesale Trade	-70.6 (n=34)	-72.7 (n=22)	-50.0 (n=22)
Retail Trade	-78.8 (n=132)	-74.6 (n=126)	-38.9 (n=126)
Other Services	-54.5 (n=55)	-76.7 (n=60)	-36.7 (n=60)
Financial and Insurance Services	-25.0 (n=28)	-81.5 (n=27)	-59.3 (n=27)
Agriculture, Forestry and Fishing	-71.4 (n=21)	-89.5 (n=19)	-42.1 (n=19)
Transport, Postal and Warehousing	-87.5 (n=24)	-90.9 (n=22)	-68.2 (n=22)
Industries expecting no change			
Public Administration and Safety	-33.3 (n=3)	-50.0 (n=2)	-50.0 (n=2)
Mining	-60.0 (n=5)	-71.4 (n=7)	-71.4 (n=7)
Industry expecting a deterioration			
Administrative and Support Services	-25.0 (n=20)	-38.5 (n=13)	-46.2 (n=13)



Discounting prices is a slippery slope to doom. If people are not spending, what can you do?"

Accommodation & Food Services,
Murray



We have started utilising our stock holding and not replenishing. We are doing all we can to retain all our workforce by carrying out cross fields training and carrying out early maintenance and upgrades on machinery while quiet. But if this current slowdown continues, we will be forced to have to let some staff go unfortunately. "

Manufacturing,
Eastern Sydney

2. Business Prospects

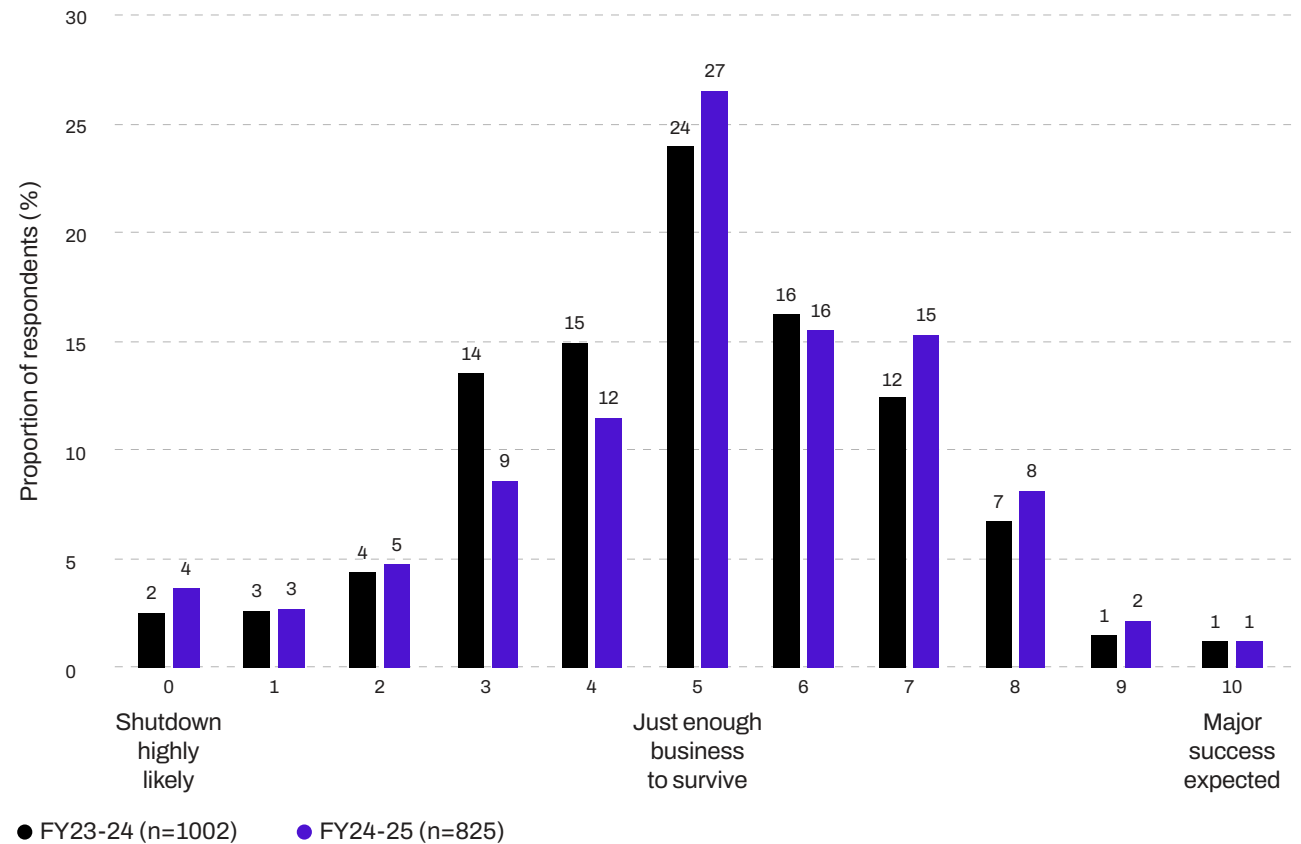
On a scale of 0 to 10, the average self-rated business prospects for the financial year 2024-25 is 5.1, which is interpreted as 'having just enough business to survive'.

About one in three businesses has rated their prospects below 5. This includes 4% of businesses that have given it a score of 0, which represents 'shutdown highly likely'.

Businesses, on average, are slightly more positive about their prospects for this financial year than this time last year when they rated their prospects for the financial year 2023-24.

	FY23-24 (n=1002)	FY24-25 (n=825)
Average score	4.9	5.1

Figure 4: Self-rated business prospects





“

We have made redundancies and not replaced leaving staff in the past 6 months. We have also chosen to restructure the company and don't have a physical office space – just a warehouse.”

Manufacturing,
Richmond-Tweed

“

We have reduced our staff to a bare minimum. We have changed all providers to try to make our input costs more affordable. We have reduced operating hours to save on casual labour. We have ceased trading on Sundays because of the penalty rates. We have sold personal assets to fund the business.”

Accommodation & Food Services,
Central West

“

We have not noted a significant downturn in our business. However, we believe it is a good time to review and gain a better understanding of current pressures on our customers and develop appropriate marketing/sales strategies.”

Accommodation & Food Services,
Hunter Valley (excluding Newcastle)

3. Barriers to Doing Business

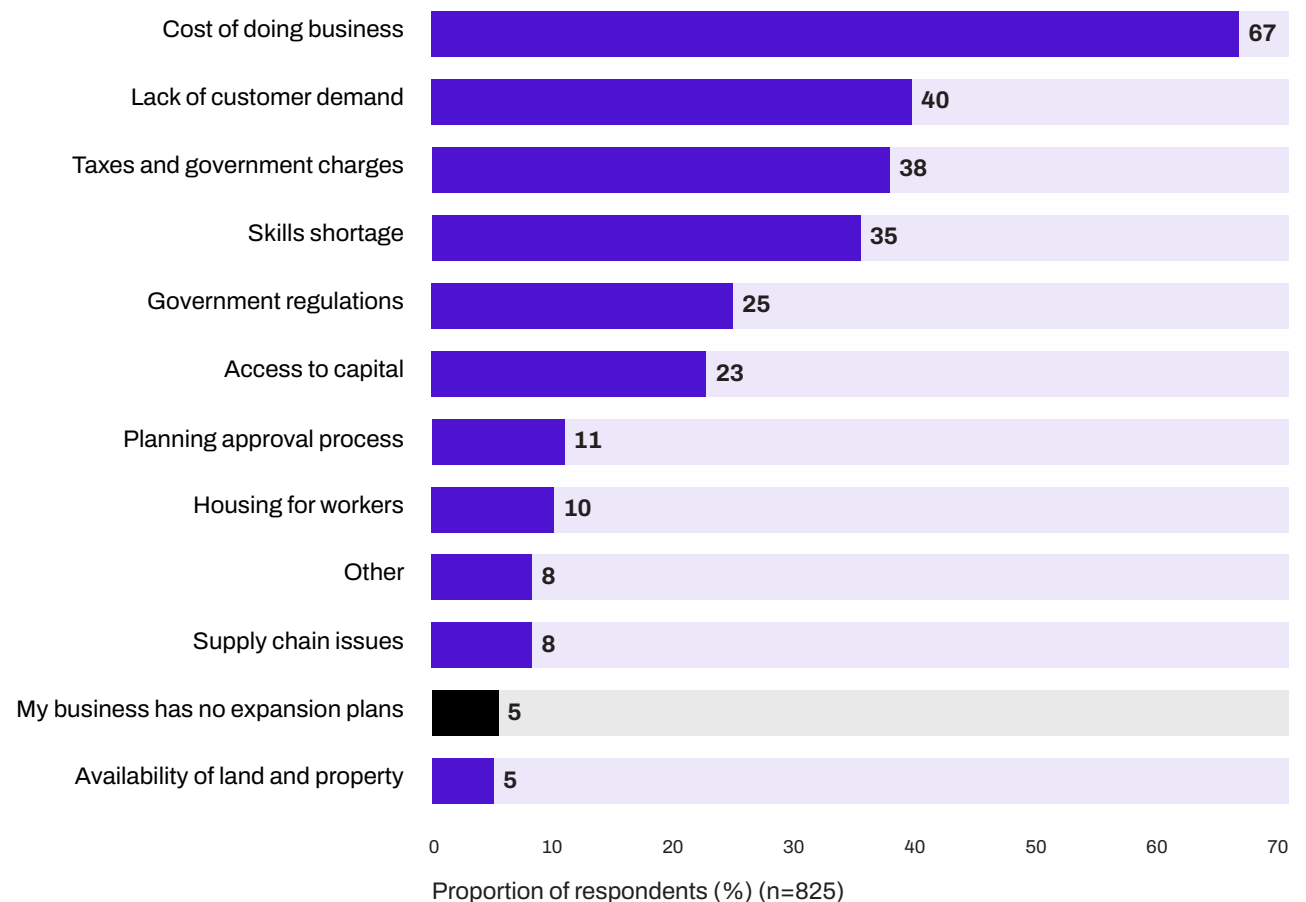
Due to a sizeable gap between the supply and demand for goods and services that emerged during the pandemic, inflation has been a persistent economic challenge.

Inflation is not only affecting household budgets, it is also constraining business expansion as high operating costs erode profits.

The cost of doing business has been the most common business barrier, according to surveys conducted by Business NSW in the past two years.

In the latest survey, 67% of respondents consider the cost of doing business as a barrier to business expansion.

Figure 5: Barriers to business expansion



Results have summed to more than 100% as participants were able to select multiple options.

“

We are now faced with increased cost across all business inputs, in particular wages and insurance, with declining revenue and profit.”

Retail Trade,
Southern Highlands & Shoalhaven

















“

Owners are working longer hours as the cost of staffing does not bring profits. Government legislation has meant that we are needing to spend more time filling in paperwork. This time could be used better within business. We also can't afford to pay someone to come in and do it as it is not income producing.”

Rental, Hiring & Real Estate Services,
New England & North West

4. Concerns About Business Costs

Figure 6: Business cost concerns ranking

	2024 Q1 (n=879)	2024 Q3 (n=825)	
1 st	 Insurance cost	 Insurance cost	
2 nd	 Taxes, levies and other government charges	 Taxes, levies and other government charges	
3 rd	 Energy cost	 Energy cost	
4 th	 Wages	 Wages	
5 th	 Transport cost (including toll charges)	 Supplier cost	↑
6 th	 Supplier cost	 Transport cost (including toll charges)	↓
7 th	 Loan repayments	 Rent	↑
8 th	 Rent	 Loan repayments	↓



The business has reviewed every cost with fine tooth comb and entered negotiations with suppliers, landlord, you name it.”

Accommodation & Food Services,
Central Coast

Insurance cost

General insurance includes property and contents, public liability, professional indemnity, equipment and business continuity.

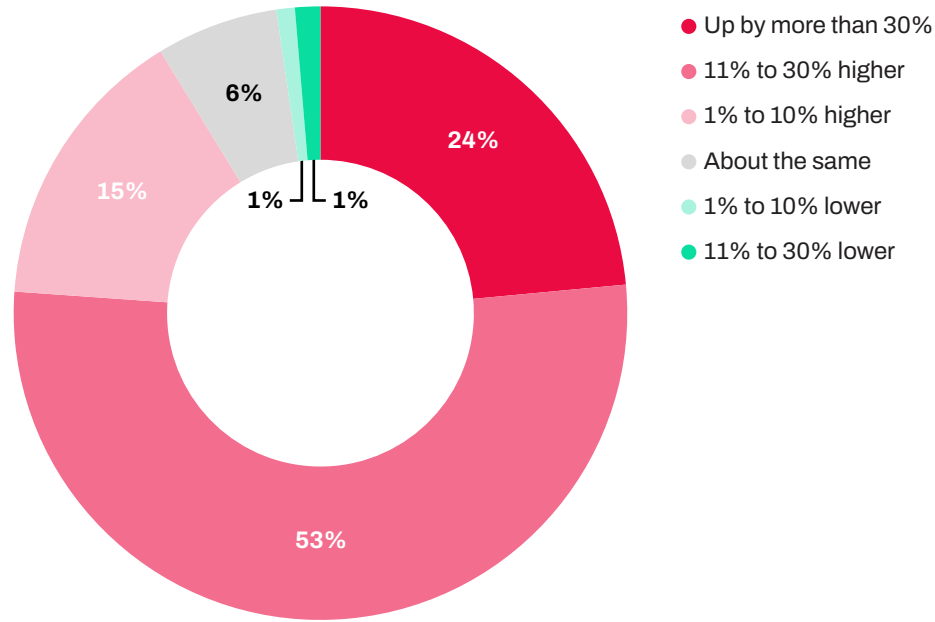
Over 90% of businesses have experienced an increase in general insurance costs in the last 12 months, the majority of which reported an increase of between 11% and 30%. However, about one in four businesses reported an increase of more than 30%.



The cost of insurance is the major stressor on our business. It is over 5% of our turnover, with no competition at the supplier level meaning we have to take what is offered. We are aware of numerous other businesses deciding to underinsure or have no insurance in the year ahead in order to keep the doors open.”

Accommodation & Food Services,
Capital Region

Figure 7: General insurance costs in the last 12 months

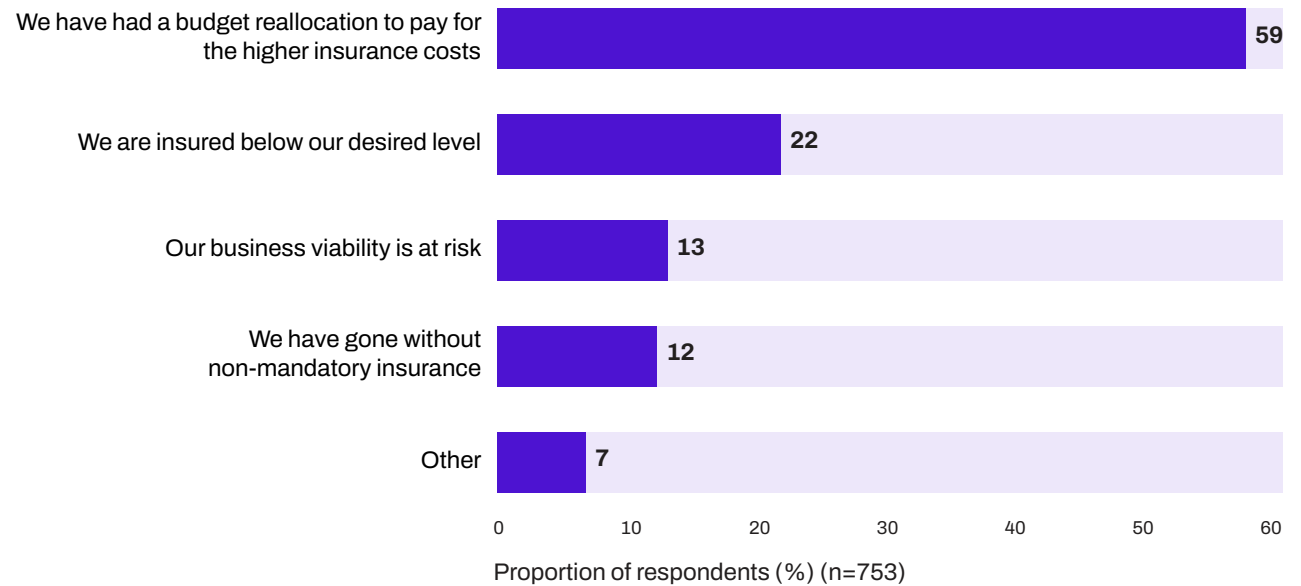


(n=825)

Amongst businesses that have experienced an increase in general insurance costs, 59% have had a budget relocation to pay for the higher insurance costs.

Some businesses have had to insure below their desired level (22%) or go without non-mandatory insurance (12%).

Figure 8: Response to increase in general insurance costs



Results have summed to more than 100% as participants were able to select multiple options.



“

Our business is electrical manufacturing. With the growth in data centres, and requirements for EV and solar upgrades, our industry is struggling to keep up with supply.”

Manufacturing,
Central Coast

“

We are still seeing inflation in raw materials and related industries like freight and support services.”

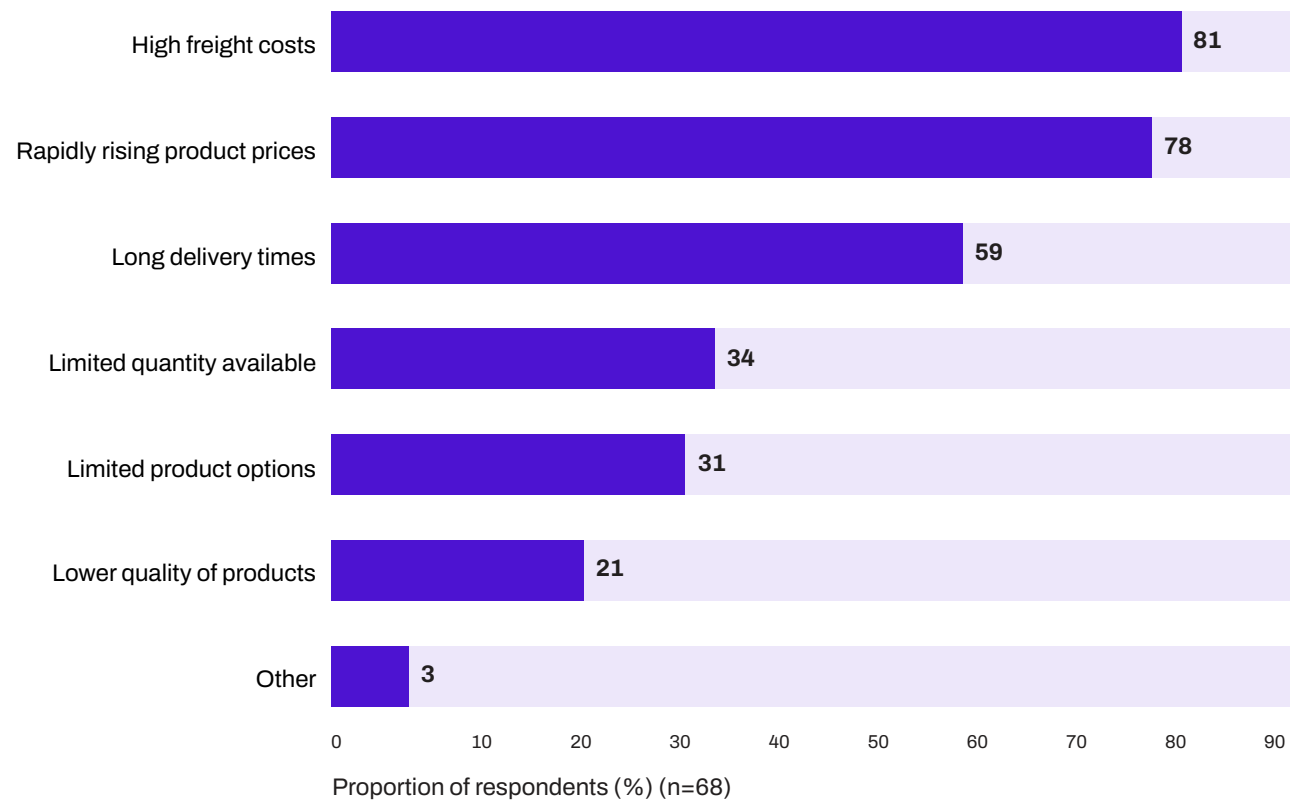
Manufacturing,
Central Coast

5. Concerns About Supply Chains

Although the world has moved on from the pandemic-induced supply chain disruptions, 8% of businesses in NSW have still identified 'supply chain issues' as a barrier to business expansion.

The top three issues are high freight costs, rapidly rising product prices, and long delivery times.

Figure 9: Current supply chain issues*



**Only businesses that reported "supply chain issues" as a barrier to expansion were surveyed.*

Results have summed to more than 100% as participants were able to select multiple options.



“

We don't have any business loans but we have exhausted our personal savings and our business savings built up to guard against downturns. We are running on close to empty.”

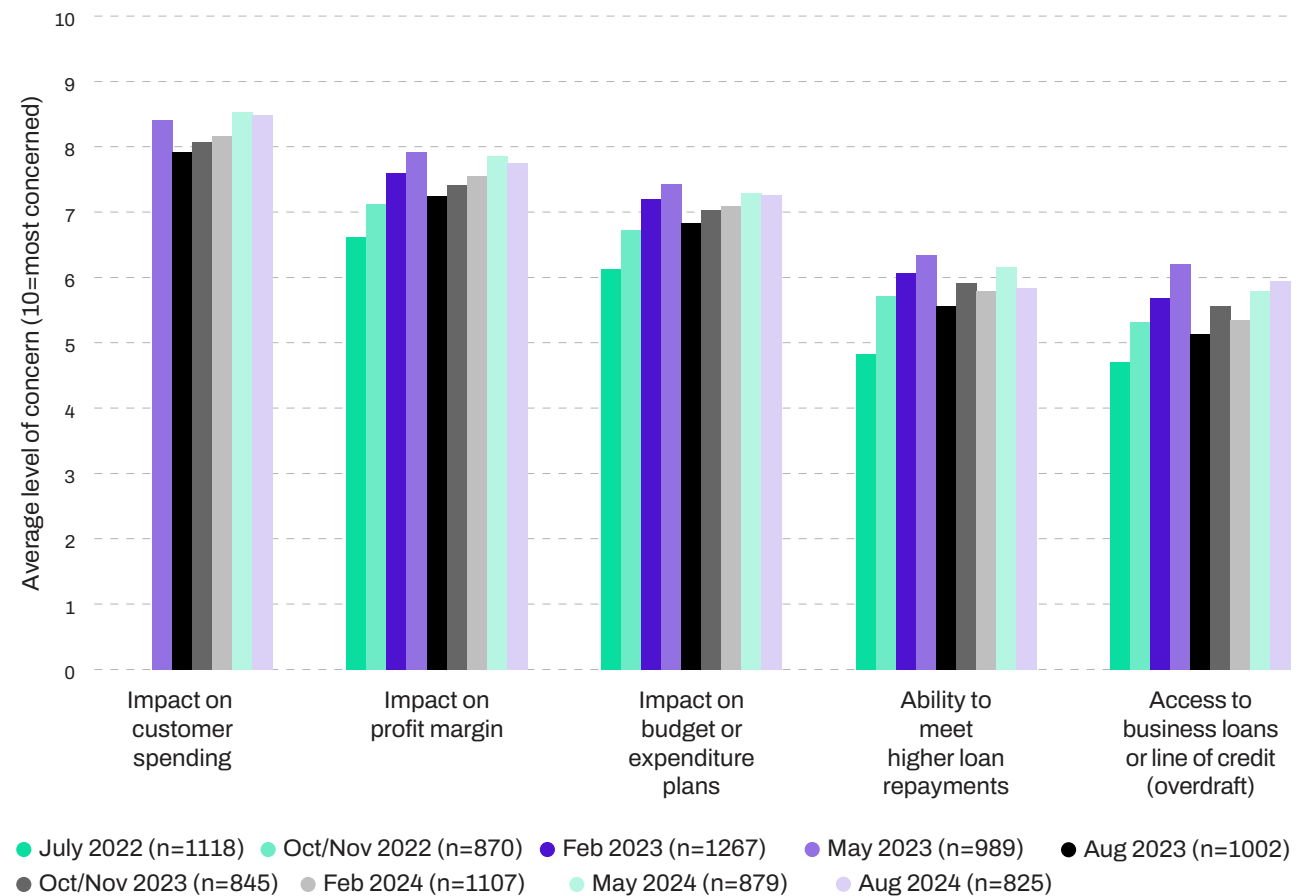
Accommodation & Food Services,
Southern Highlands & Shoalhaven

6. Concerns About Interest Rates

Despite the recent rebound in inflation readings and an unclear interest rate outlook, business concerns about interest rates have been generally steady from the previous quarter.

In relation to interest rates, the key concern remains the impact on customer spending.

Figure 10: Concerns about interest rates (July 2022 – August 2024)

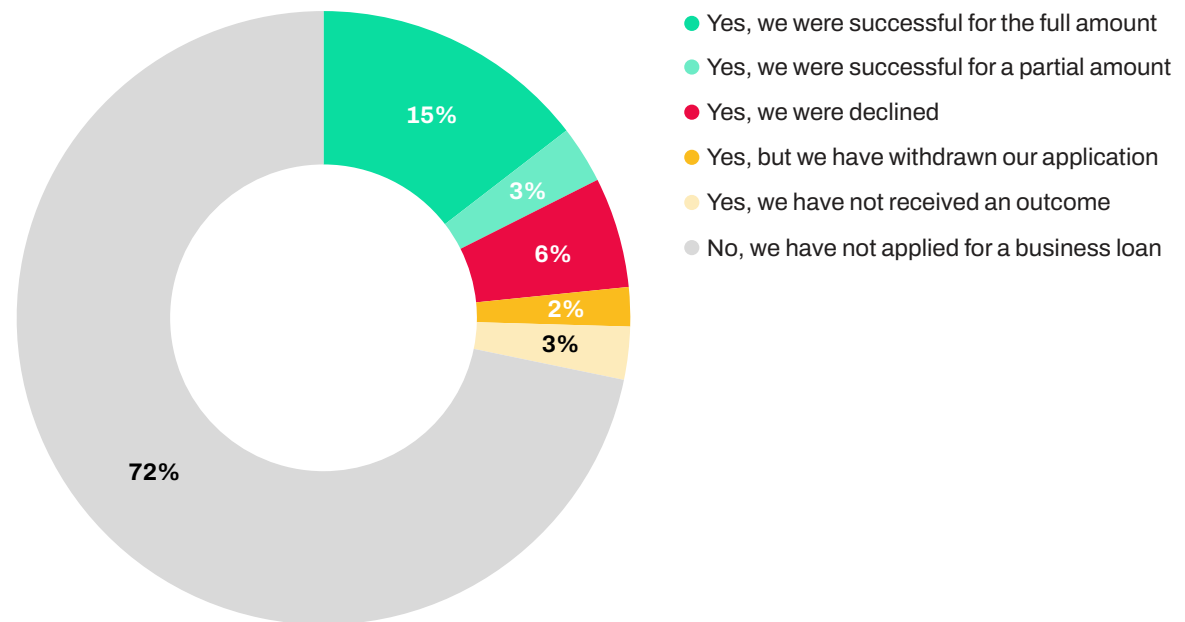


7. Access to Finance

28% of businesses have applied for at least one business loan from a bank in the last 12 months, with just over half of them successful for the full amount.

While 3% were successful for a partial amount, 6% were declined.

Figure 11: Business loan applications in the last 12 months



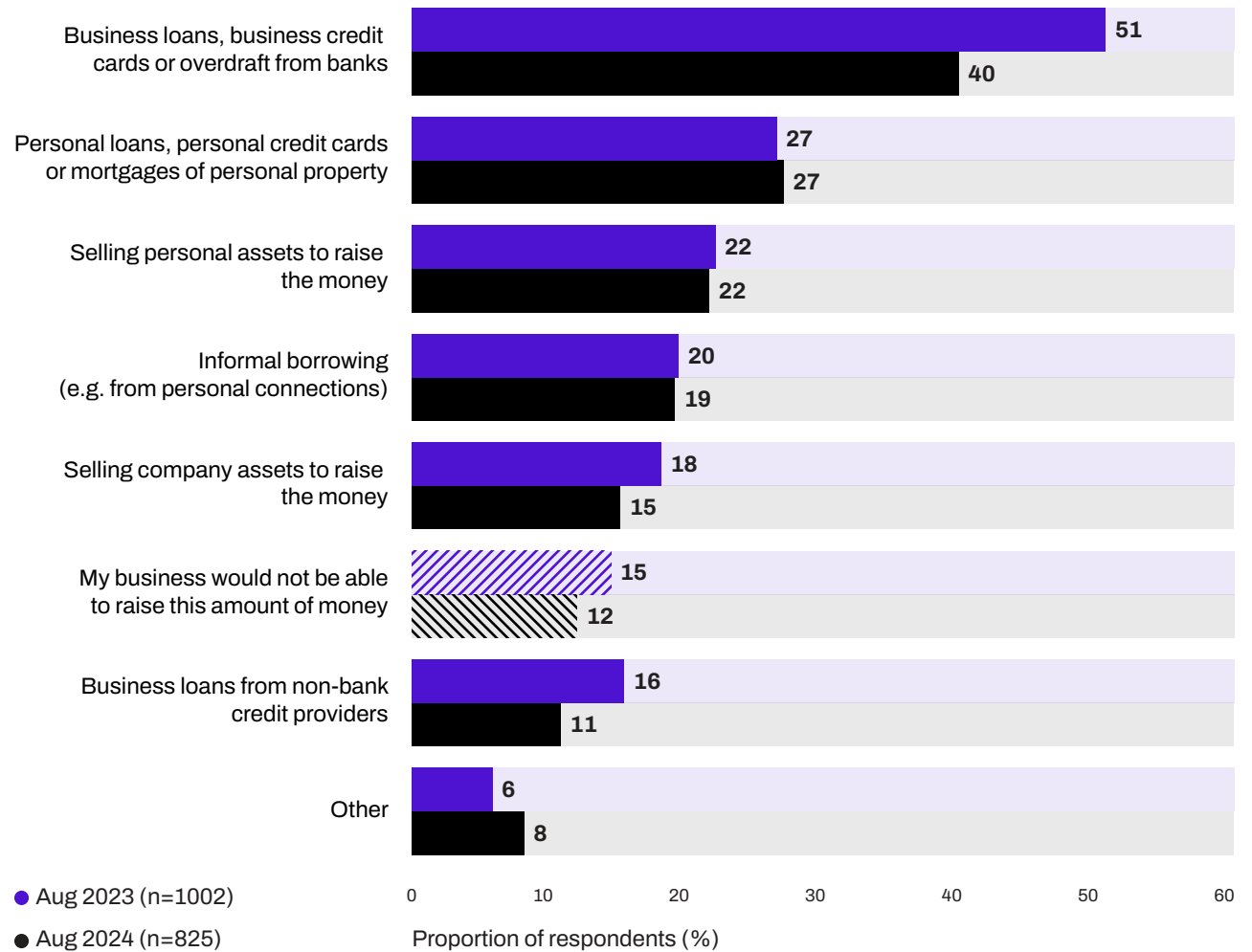
(n=825)

Results have summed to more than 100% due to rounding.

Compared to a year ago, fewer businesses believe they would not be able to raise emergency finance equivalent to one month's operating expenses.

However, fewer businesses believe they would be able to raise emergency finance via business loans, business credit cards or overdraft from banks.

Figure 12: Ability to raise emergency finance equivalent to one month's operating expenses

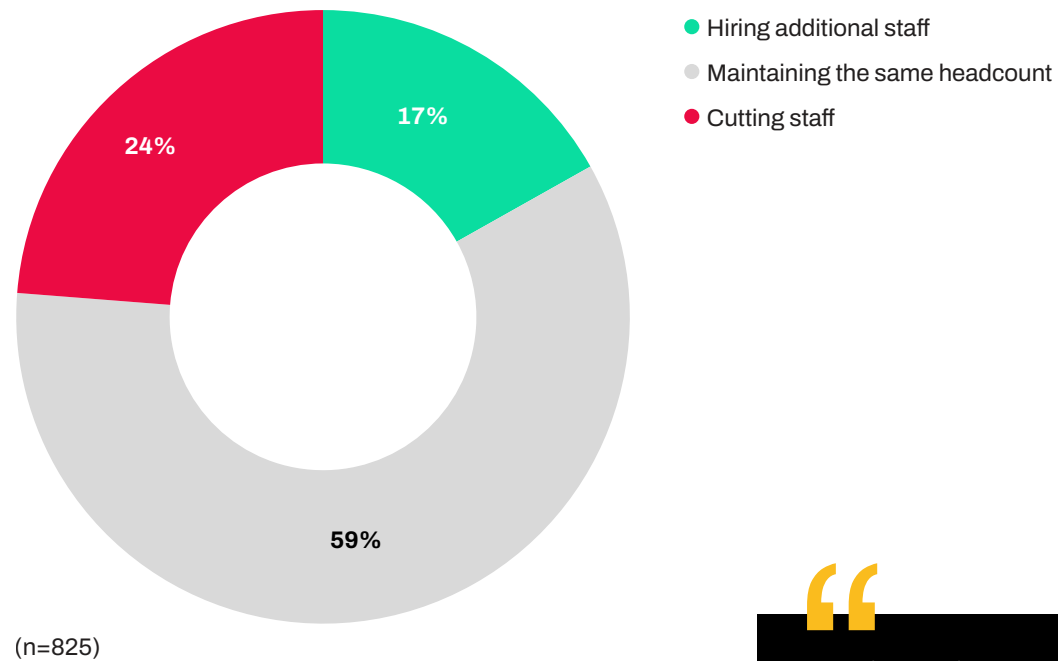


Results have summed to more than 100% as participants were able to select multiple options.

8. Hiring Intentions

According to data from the Australian Bureau of Statistics, the NSW unemployment rate has risen to 4% in July 2024, from the trough of 3% in June 2023. The upward trend in unemployment is set to continue, in line with a subdued economic environment. However, the rise in unemployment is likely to be gradual, as the majority of NSW businesses (59%) intend to maintain the same headcount in the three months ahead and a further 17% intend to hire additional staff.

Figure 13: Plans for staff headcount for the next 3 months



We have had to cut all casual staff, and we have not been able to pay ourselves for some time.”

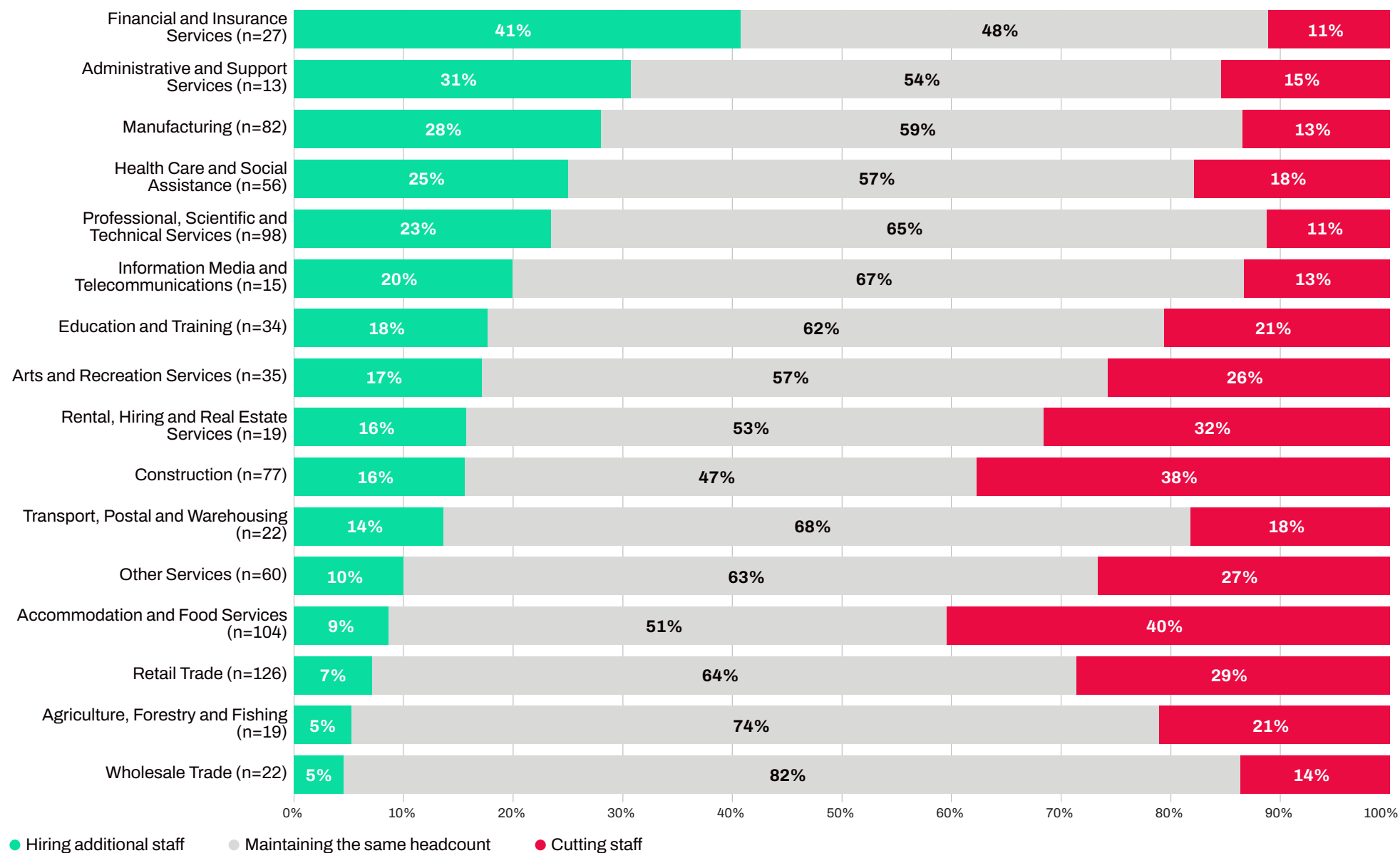
Accommodation & Food Services,
Capital Region



We have been aggressive and hired more staff to look for more opportunities.”

Construction,
Eastern Sydney

Figure 14: Plans for staff headcount for the next 3 months (by industry)



Industries with less than 10 respondents have been excluded.



“

We have entered into payment plans with energy providers where cashflow to pay in full has become difficult, reduced payment terms/window on invoicing to clients, structured contracts over longer periods rather than short-term intense work, sought out business planning advice and assistance, engaged accountant more proactively to plan for expenses arising and other cost reduction strategies.”

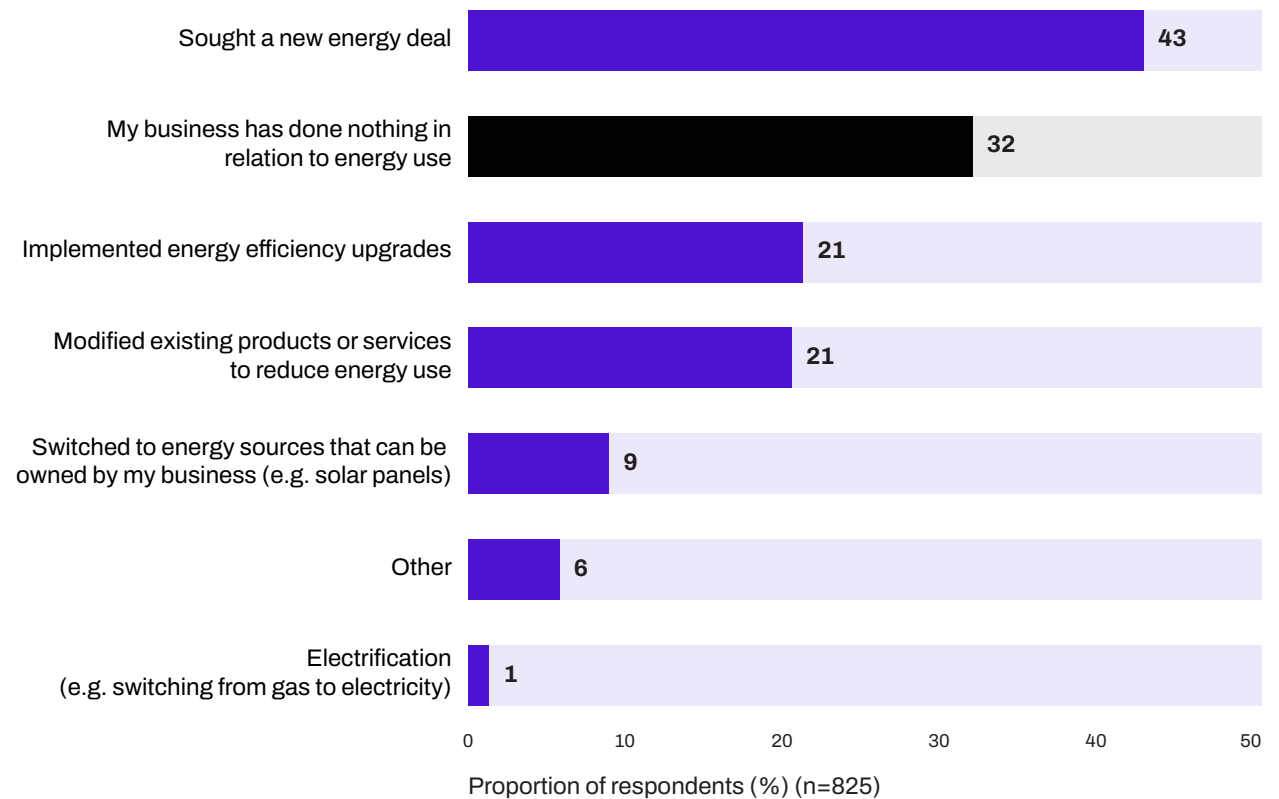
Professional, Scientific & Technical Services,
Illawarra

9. Energy Use

In relation to energy use:

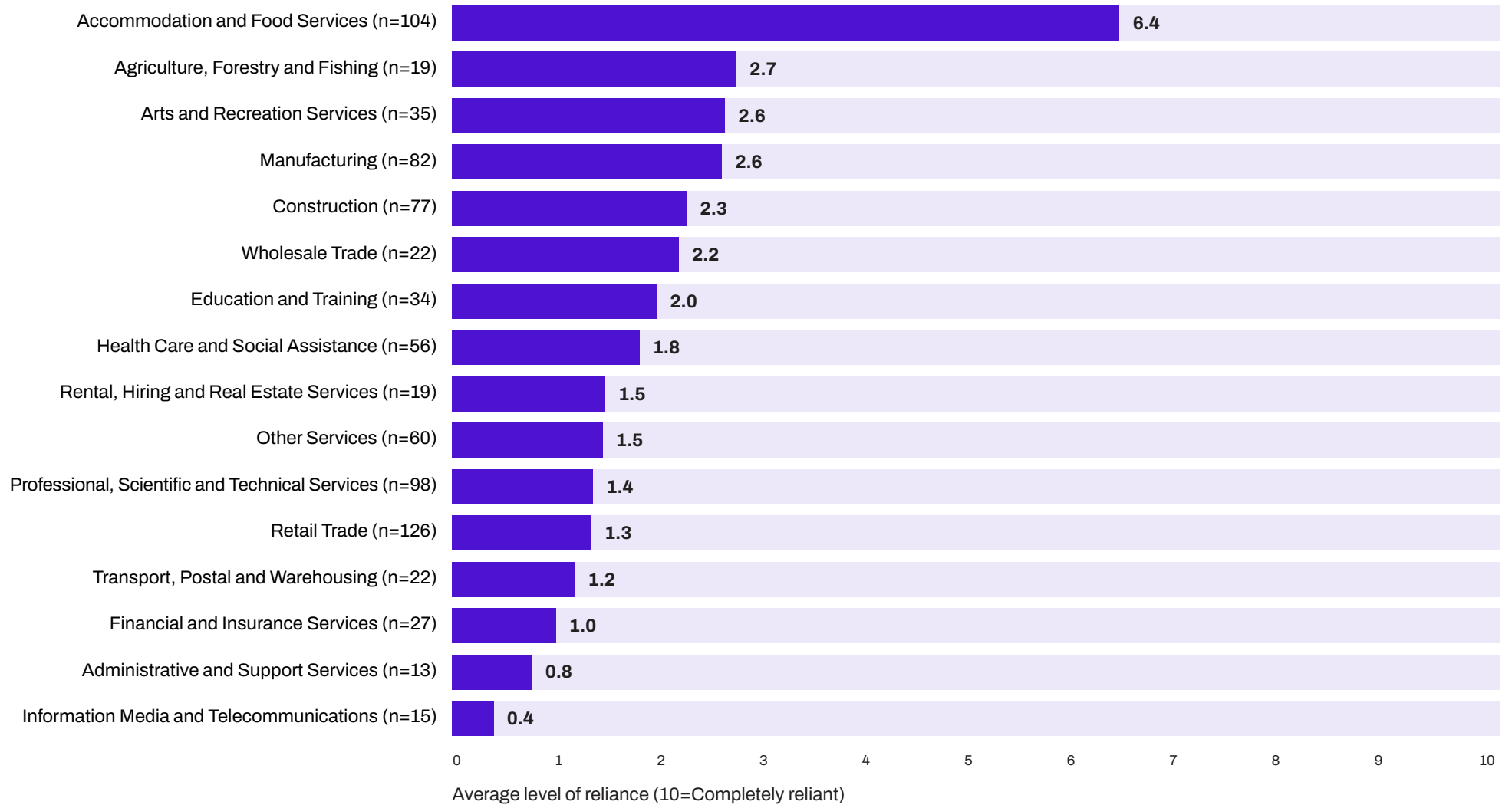
- 43% of businesses have sought a new energy deal in the last 12 months
- 21% of businesses have implemented energy efficiency upgrades
- 21% of businesses have modified existing products or services to reduce energy use
- the Accommodation and Food Services sector is the most reliant on gas
- 39% of businesses are not interested in using renewable gas
- cost savings is the most common motivation to switch to renewable gas.

Figure 15: Managing energy use in the last 12 months



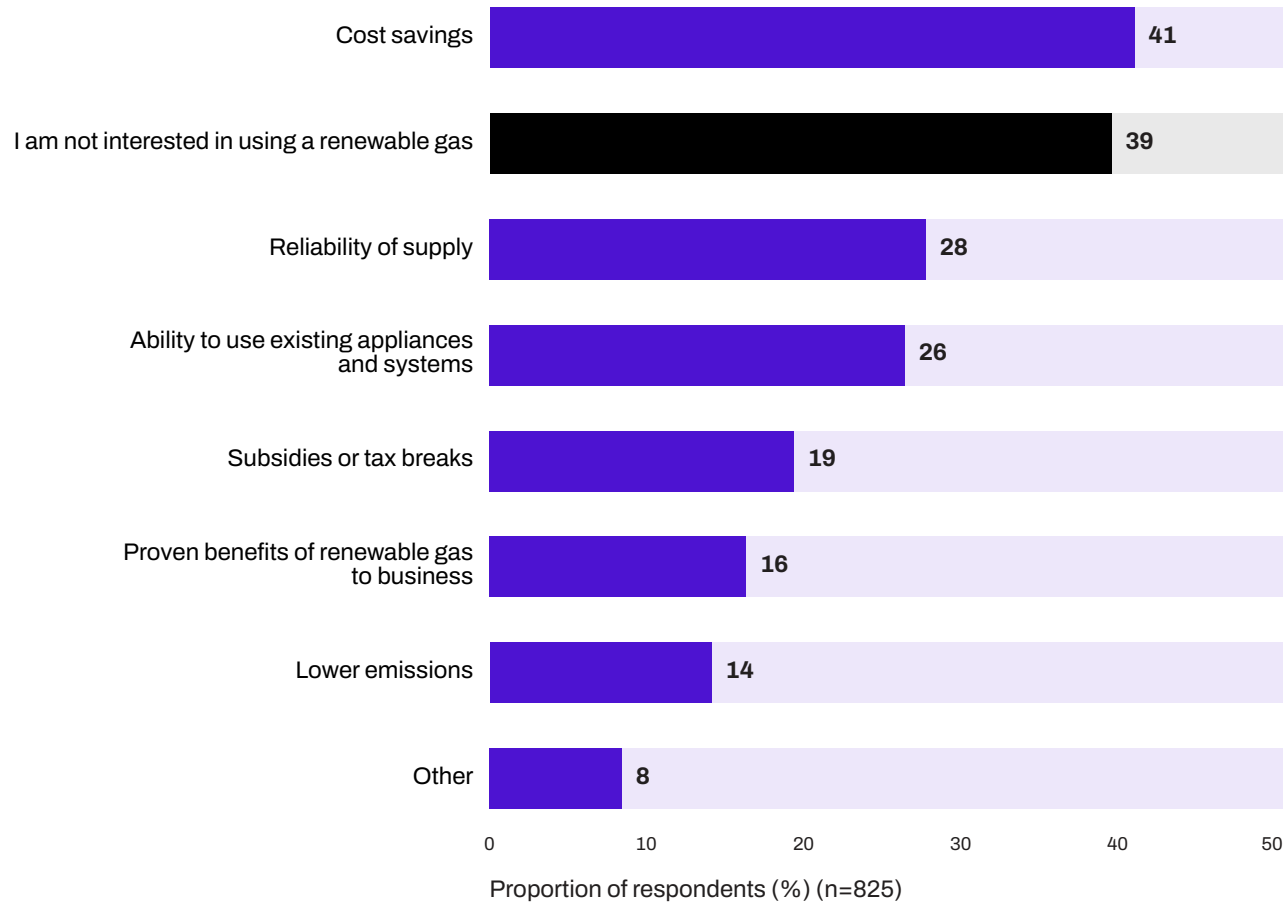
Results have summed to more than 100% as participants were able to select multiple options.

Figure 16: Business reliance on gas as energy source



Industries with less than 10 respondents have been excluded.

Figure 17: Motivation to switch to renewable gas



Results have summed to more than 100% as participants were able to select multiple options.

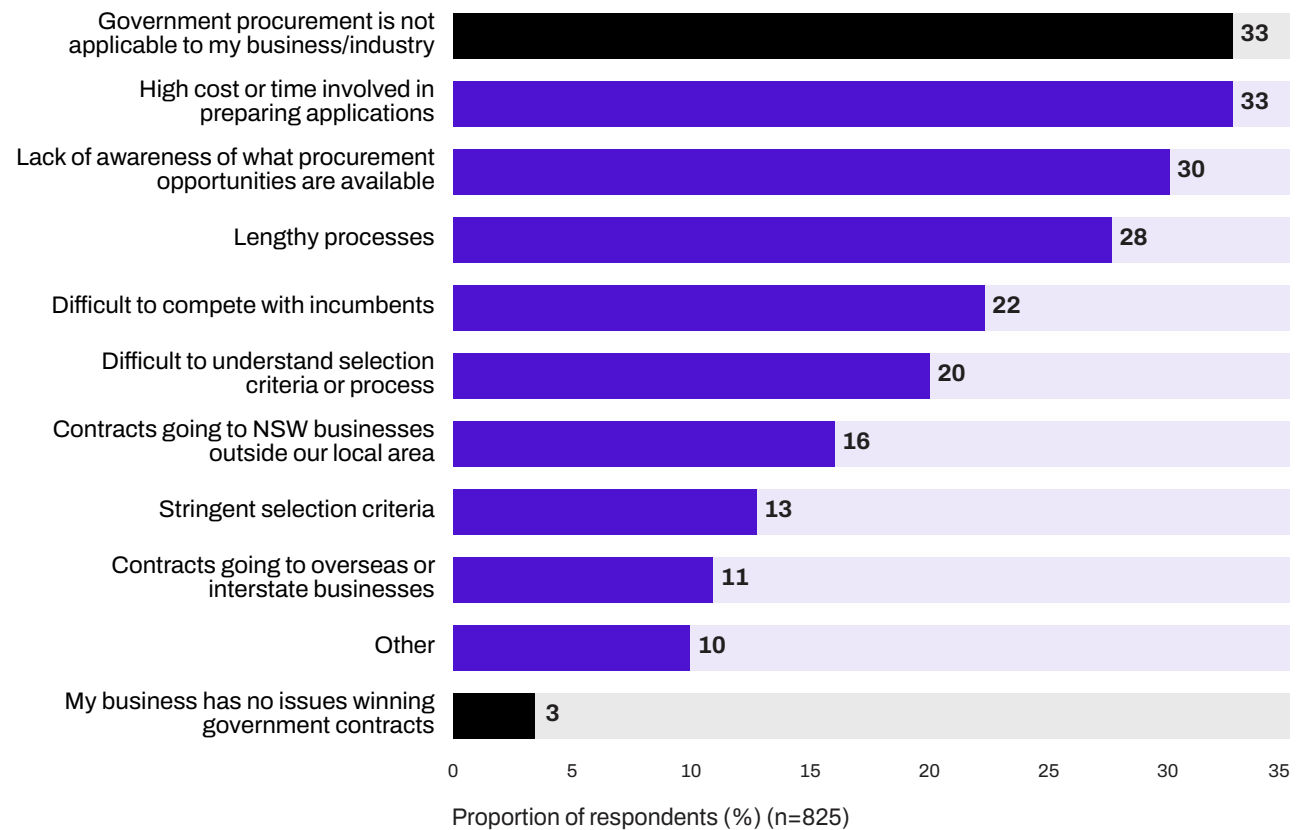


10. Business Feedback to Government

64% of businesses have identified barriers to winning government contracts, with the most common barrier being the high cost or time involved in preparing applications (33%).

A lack of awareness of what procurement opportunities are available (30%) is the next most common barrier, followed by lengthy processes (28%) and difficulty competing with incumbents (22%).

Figure 18: Barriers to winning government contracts



Results have summed to more than 100% as participants were able to select multiple options.

The Federal Government has an 'instant asset write-off' scheme in place that allows eligible businesses to claim a tax deduction for the cost of eligible assets.

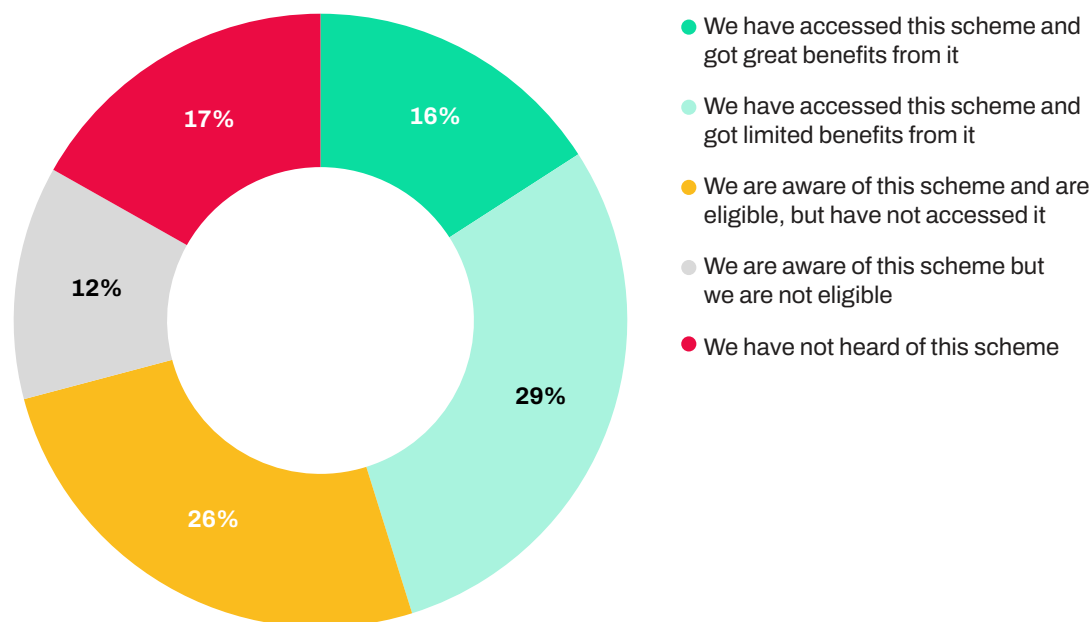
Eligibility criteria and thresholds may change over time. The latest rules indicate:

- eligible businesses are those with aggregated turnover of under \$10 million (i.e. small businesses)
- the claim threshold is \$20,000.

This survey asked small businesses with up to 20 staff members about how beneficial the instant asset write-off scheme has been for their business.

45% of small businesses surveyed have accessed the scheme and got some benefits from it.

Figure 19: Business feedback on the instant asset write-off scheme*



(n=642)

**Only small businesses with up to 20 staff members were asked this question.*



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