



**BUSINESS
NSW**

NSW BUSINESS CONDITIONS

Mixed expectations for 2025

December 2024

Tamworth, NSW. Destination NSW.



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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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TABLE OF CONTENTS

| | |
|---|-----------|
| Executive Summary | 4 |
| 1. Business Confidence | 7 |
| Regional Snapshot | 8 |
| Industry Snapshot | 9 |
| 2. Current Challenges of Running a Business | 11 |
| 3. Customer Behaviour | 13 |
| Overall Demand | 13 |
| Purchase Process | 14 |
| Payment | 15 |
| 4. Concerns About Business Costs | 17 |
| 5. Operational Efficiency | 19 |
| 6. Productivity Solutions | 23 |
| 7. Hiring Intentions | 24 |
| 8. Impact of International Students on NSW Economy | 26 |
| 9. Expectations for 2025 | 29 |
| Positive Vibe | 30 |
| Cautious Vibe | 31 |



Executive Summary

The Australian economy has evidently slowed in 2024 but it appears to have achieved a ‘soft landing’. Amid softening consumer demand and slowing inflation, the Reserve Bank of Australia has put interest rates on hold since the last rate hike in November 2023. However, despite the economic slowdown, employment growth has remained strong and this has provided important support for household consumption.

Just as macroeconomic indicators are painting a mixed picture of the Australian economy at present, findings from this Business Conditions Survey are also showing a multi-speed business environment in NSW. Responses to the open-ended question ‘How is 2025 shaping up for your business?’ vary in tone. Some are upbeat and some are more cautious. Overall, pessimists still outnumber optimists, which is why the Business Confidence Index remains in negative territory. The good news is that the gap is narrowing.

The latest Business Conditions Survey was conducted from 27 October to 11 November, with a total of 789 responses covering all key industries and regions in NSW.

Key findings

- 01** The Business Confidence Index has rebounded sharply from -67.8 in the September quarter to -54.0 in the December quarter, but this is still slightly below the reading of -52.9 recorded at the start of 2024.
- 02** The top three challenges of running a business under the current economic environment are financial management, regulation and compliance, and strategic planning.
- 03** Overall customer demand remains soft, with the majority of respondents reporting a decline in customers' frequency of purchases (61%) and quantity per order (58%). There is also more price negotiation (experienced by 38% of respondents) and a stronger appetite for lower cost substitutes (30%).
- 04** 39% of respondents have experienced a longer time for customers to settle their invoices. The customers of concern are small and medium businesses, followed by individual consumers.
- 05** The top three business cost concerns are insurance cost; taxes, levies and other government charges; and wages. Energy cost has slipped outside of the top three for the first time since this survey question started in 2023.
- 06** 58% of respondents consider their business to be operating below full capacity, implying inefficiency, wastage or room for improvement. The three industries with the most scope to improve are manufacturing, construction, and education and training.
- 07** To boost productivity, businesses consider having access to workers with relevant skills to be the most important, followed by continuously upskilling their existing staff. Technological means (such as Artificial Intelligence, automation and digitisation) are ranked third most important.
- 08** The NSW labour market is likely to remain tight in the next three months, as 58% of businesses are maintaining the same headcount and 23% are hiring additional staff.
- 09** 46% of respondents consider international students to have a net positive impact on the NSW economy, with key benefits associated with international students filling job vacancies and their consumption of goods and services. 16% of respondents consider the overall impact to be neutral, while 10% believe international students have a net negative impact on the NSW economy.
- 10** A majority of respondents (58%) remain cautious about the business outlook for 2025, while 28% have a neutral or mixed view. 14% of businesses have a positive vibe about prospects in the new year.



“

Business for 2025 is so hard to predict. We thought things were picking up this quarter, but it didn't happen. Forward bookings are better, but it fails to top off each month.”

Accommodation and Food Services, Murray

“

The difficulty of finding qualified good staff locally is a continuing issue. Business profits are continually squeezed. Businesses can't pass on all the costs to the consumers.”

Construction, Far West and Orana

1. Business Confidence

Following two quarters of decline, the Business Confidence Index has staged a sharp rebound in the December quarter. The latest reading of -54.0 is just below the reading of -52.9 at the start of 2024.

For the quarter ahead, business confidence has also climbed higher, with a reading of -30.5.

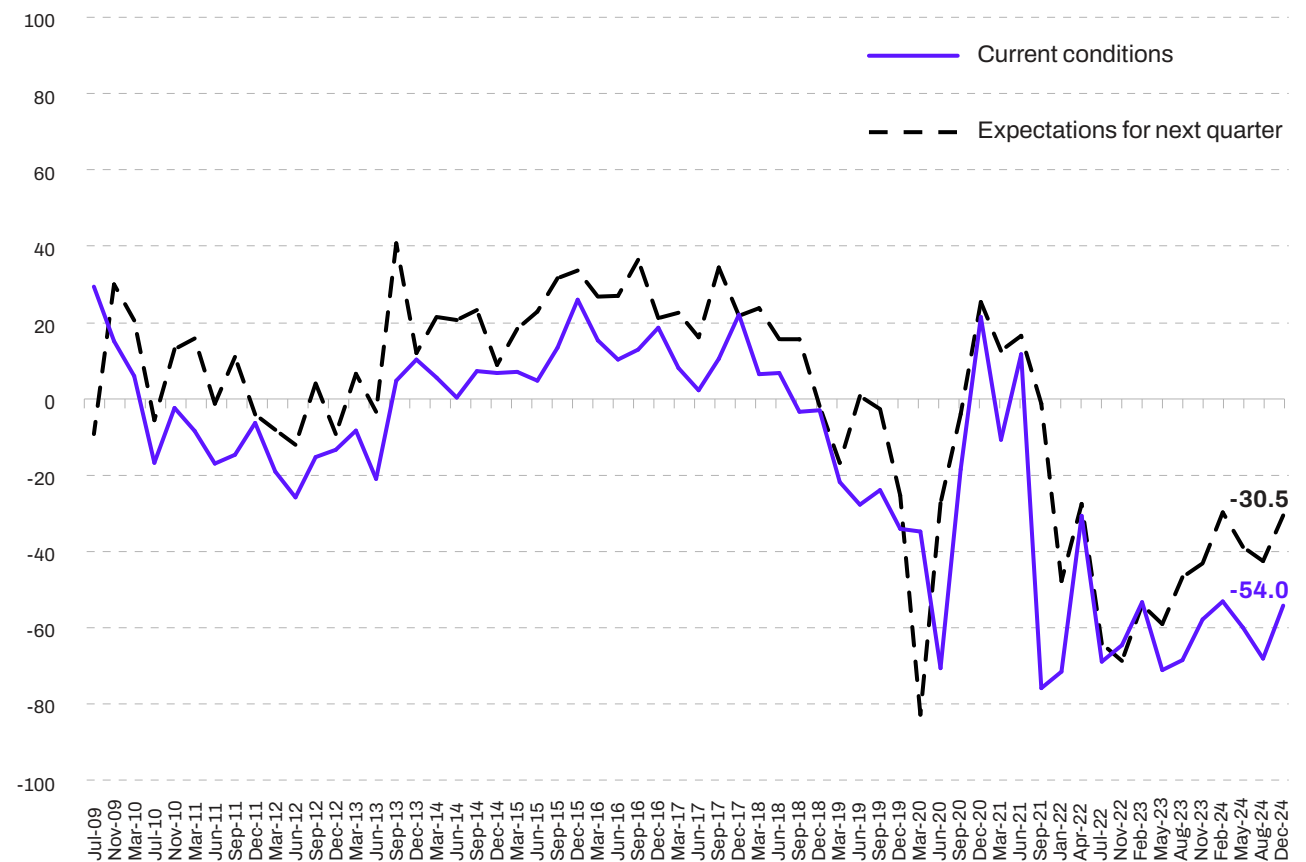
The gradual recovery in business confidence is in line with reports of improving consumer sentiment on the back of slowing inflation.



2025 will be a year of watching and seeing. The economy is being impacted by cost of living, but that too shall pass.”

Accommodation and Food Services,
New England North West

Figure 1: Business Confidence Index





Regional Snapshot

Figure 2: Business confidence by region

| | Business Confidence Index | | |
|---|---------------------------|------------------------------|---------------------------|
| | Last Quarter (2024 Q3) | Current Quarter (2024 Q4) | Next Quarter (2025 Q1) |
| NSW | -67.8 (n=825) | -54.0 (n=789) | -30.5 (n=789) |
| Regions expecting economic trajectory to improve | | | |
| Murray | -66.7 (n=27) | -24.1 (n=29) | -6.9 (n=29) |
| Coffs Harbour - Grafton | -64.7 (n=17) | -30.8 (n=13) | -15.4 (n=13) |
| Central Coast | -56.3 (n=135) | -31.8 (n=44) | -6.8 (n=44) |
| Eastern Sydney | -65.2 (n=164) | -43.1 (n=188) | -25.5 (n=188) |
| Mid North Coast | -75.9 (n=29) | -52.9 (n=34) | -38.2 (n=34) |
| Hunter Valley exc. Newcastle | -64.0 (n=50) | -56.0 (n=25) | -36.0 (n=25) |
| New England and North West | -59.5 (n=42) | -56.7 (n=67) | -32.8 (n=67) |
| Central West | -81.6 (n=49) | -57.1 (n=49) | -42.9 (n=49) |
| Southern Highlands and Shoalhaven | -88.9 (n=36) | -58.5 (n=41) | -14.6 (n=41) |
| Riverina | -90.9 (n=22) | -60.5 (n=38) | -23.7 (n=38) |
| Newcastle and Lake Macquarie | -71.4 (n=49) | -61.0 (n=41) | -41.5 (n=41) |
| Capital Region | -78.7 (n=47) | -65.9 (n=41) | -34.1 (n=41) |
| Richmond - Tweed | -60.5 (n=38) | -66.7 (n=54) | -42.6 (n=54) |
| Far West and Orana | -63.6 (n=11) | -66.7 (n=12) | -50.0 (n=12) |
| Western Sydney | -69.3 (n=88) | -67.5 (n=77) | -40.3 (n=77) |
| Illawarra | -61.9 (n=21) | -75.0 (n=36) | -41.7 (n=36) |

Industry Snapshot

Figure 3: Business confidence by industry

| | Business Confidence Index | | |
|--|---------------------------|------------------------------|---------------------------|
| | Last Quarter (2024 Q3) | Current Quarter (2024 Q4) | Next Quarter (2025 Q1) |
| NSW | -67.8 (n=825) | -54.0 (n=789) | -30.5 (n=789) |
| Industries expecting economic trajectory to improve | | | |
| Information Media and Telecommunications | -40.0 (n=15) | -36.0 (n=25) | -20.0 (n=25) |
| Agriculture, Forestry and Fishing | -89.5 (n=19) | -38.1 (n=21) | -33.3 (n=21) |
| Transport, Postal and Warehousing | -90.9 (n=22) | -42.1 (n=19) | -21.1 (n=19) |
| Accommodation and Food Services | -69.2 (n=104) | -44.6 (n=101) | -21.8 (n=101) |
| Health Care and Social Assistance | -67.9 (n=56) | -45.2 (n=31) | -16.1 (n=31) |
| Professional, Scientific and Technical Services | -59.2 (n=98) | -50.5 (n=97) | -23.7 (n=97) |
| Manufacturing | -69.5 (n=82) | -52.7 (n=74) | -40.5 (n=74) |
| Administrative and Support Services | -38.5 (n=13) | -53.8 (n=13) | -30.8 (n=13) |
| Education and Training | -44.1 (n=34) | -55.6 (n=36) | -33.3 (n=36) |
| Rental, Hiring and Real Estate Services | -68.4 (n=19) | -56.5 (n=23) | -34.8 (n=23) |
| Wholesale Trade | -72.7 (n=22) | -57.1 (n=21) | -14.3 (n=21) |
| Retail Trade | -74.6 (n=126) | -58.7 (n=138) | -29.7 (n=138) |
| Other Services | -76.7 (n=60) | -59.2 (n=49) | -20.4 (n=49) |
| Construction | -59.7 (n=77) | -63.8 (n=69) | -55.1 (n=69) |
| Arts and Recreation Services | -71.4 (n=35) | -67.6 (n=37) | -40.5 (n=37) |
| Financial and Insurance Services | -81.5 (n=27) | -68.0 (n=25) | -40.0 (n=25) |
| Mining | -71.4 (n=7) | -75.0 (n=4) | -25.0 (n=4) |
| Industries expecting no change | | | |
| Public Administration and Safety | -50.0 (n=2) | 0.0 (n=1) | 0.0 (n=1) |
| Electricity, Gas, Water and Waste Services | -42.9 (n=7) | -60.0 (n=5) | -60.0 (n=5) |



As 2023-24 was a record year and 2024-25 is looking at another significant increase, the only challenge that I have is whether I want to continue to grow. In order to grow, I will need to find additional employee with skills in our field. This is a challenge.”

Retail Trade, Illawarra



“

We are experiencing less lead time and more last-minute bookings, making forward planning, staffing and financial decisions challenging.”

Arts and Recreation Services,
Central West

“

Technology growth is ahead of regulation and policy, so this creates volatility in our electrical manufacturing industry.”

Manufacturing, Central Coast

2. Current Challenges of Running a Business

The economic landscape in recent years has been complex. Businesses – especially small businesses – often talk about experiencing a broad mix of challenges concurrently.

This survey set out to understand the relative severity of the various issues associated with running a business.



We are doing all we can with digital transformation, training and new products. However, the cost of doing business could outweigh the benefits. We will not give up without a fight, but it is stressful.”

Wholesale Trade, Newcastle

The findings indicate that ‘financial management’ is the top challenge. This is not surprising, given the large increase in the cost of doing business over the past three years.

‘Regulation and compliance’ is the next challenge. This is also consistent with Business NSW research that has found excessive regulatory and compliance requirements to be red tape that prevents businesses from reaching their full potential.

Figure 4: Challenges of running a business

| Issues | Score (out of 10) |
|---|-------------------|
|  Financial management | 7.1 |
|  Regulation and compliance | 6.5 |
|  Strategic planning | 6.3 |
|  Marketing | 6.2 |
|  Staff management | 6.2 |
|  Cyber security | 6.1 |
|  Digital transformation and optimisation | 6.0 |

n=789

“

We expect a huge reduction in sales in the new year. We usually receive orders from builders and tradespeople, but they are way below what they normally are at this time of the year.”

Manufacturing, Western Sydney



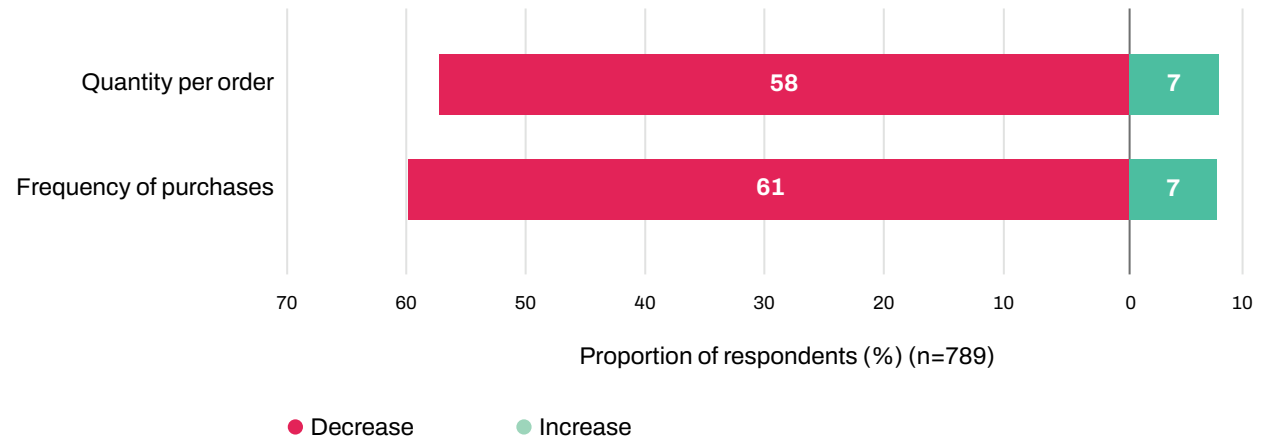
3. Customer Behaviour

The Business Conditions Survey conducted at the start of 2024 found that, as the economy entered the slowdown phase, customers were becoming more demanding in various ways. The latest survey conducted a follow-up on this topic, asking businesses to compare their customers' behaviour in the lead-up to Christmas with the same time last year.

Overall Demand

Overall customer demand remains soft, with 61% of respondents reporting a decline in the frequency of purchases by their customers and 58% reporting a decline in quantity per order. For each of these two measures, only 7% of respondents experienced an increase compared to a year ago.

Figure 5: Overall customer demand

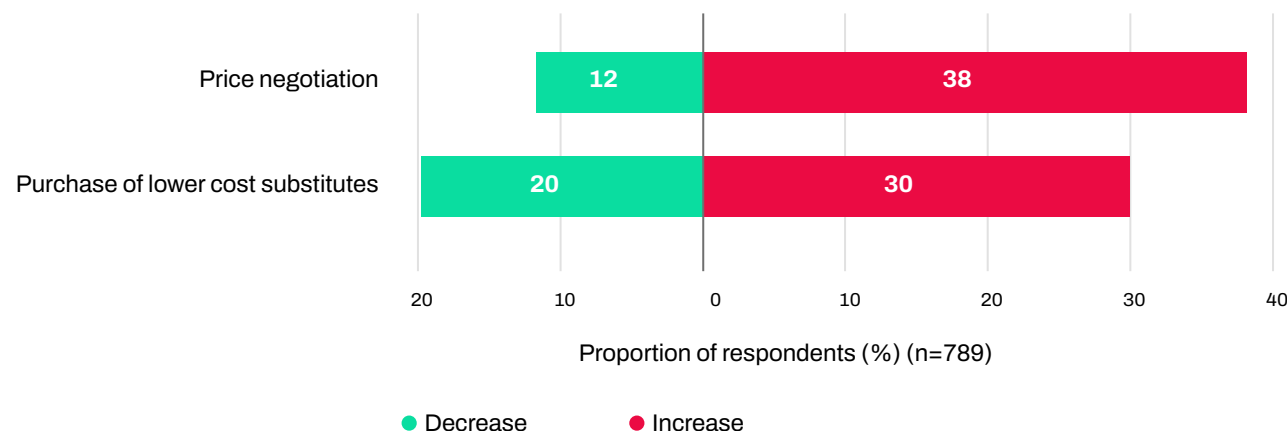


Purchase Process

Amid the still-high cost of living and cost of doing business, customers (both consumers and fellow businesses) have become more price-sensitive:

- 38% of respondents have experienced an increase in price negotiation by their customers
- 30% of respondents have reported an increase in the purchase of lower cost substitutes by their customers.

Figure 6: Price-sensitivity of customers



Dwindling market for us due to saturation with cheaper knock-off products. It's all about price these days. Quality does not seem to matter anymore."

Construction, Eastern Sydney



Consumer spending has shifted to more economic and cheaper brands, and generally customers are purchasing what they need only."

Retail Trade, Capital Region

Payment

Apart from softer customer demand and increased price-sensitivity, 39% of businesses have also experienced a longer time for customers to settle their invoices. The customers of most concern are small and medium businesses, followed by individual consumers.

Figure 7: Time to settle invoices

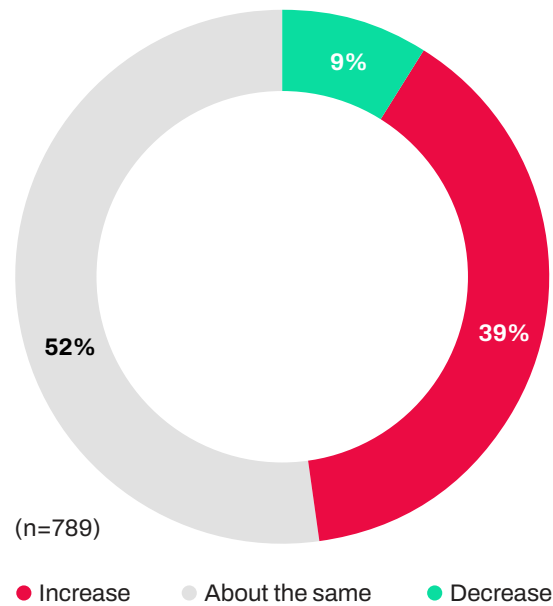
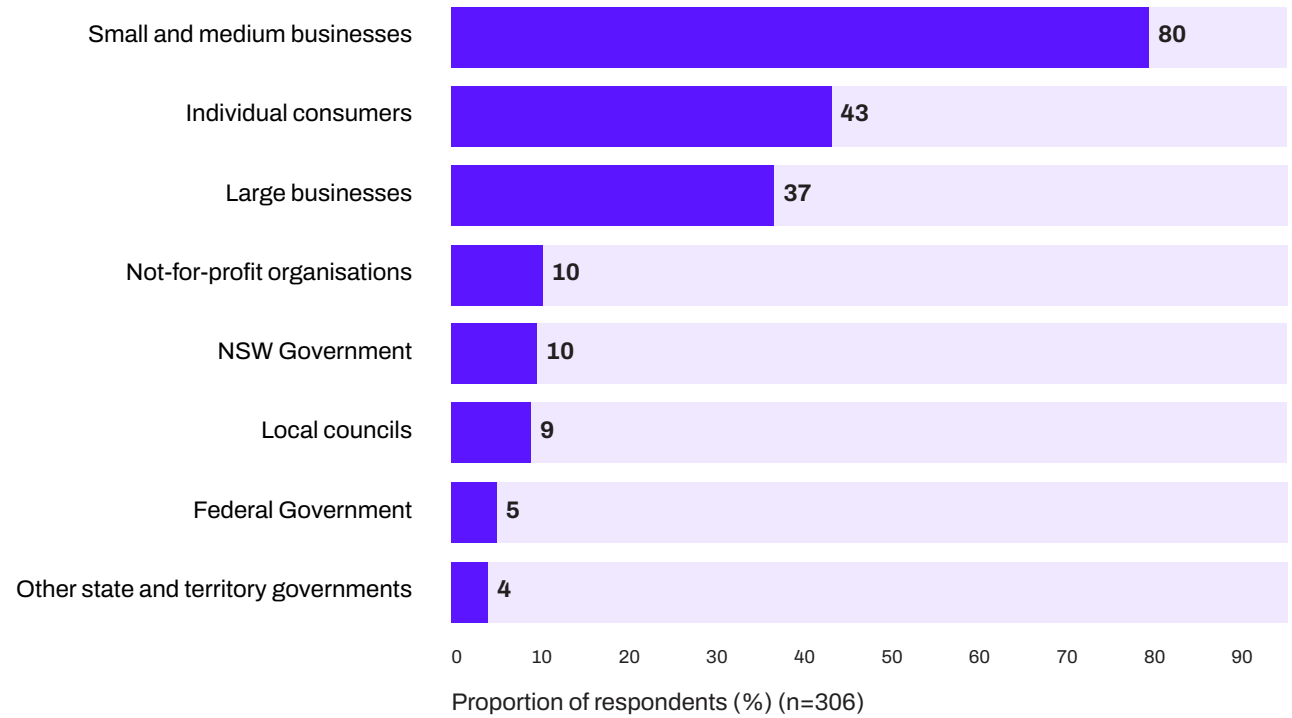


Figure 8: Stakeholders that are taking longer to settle invoices



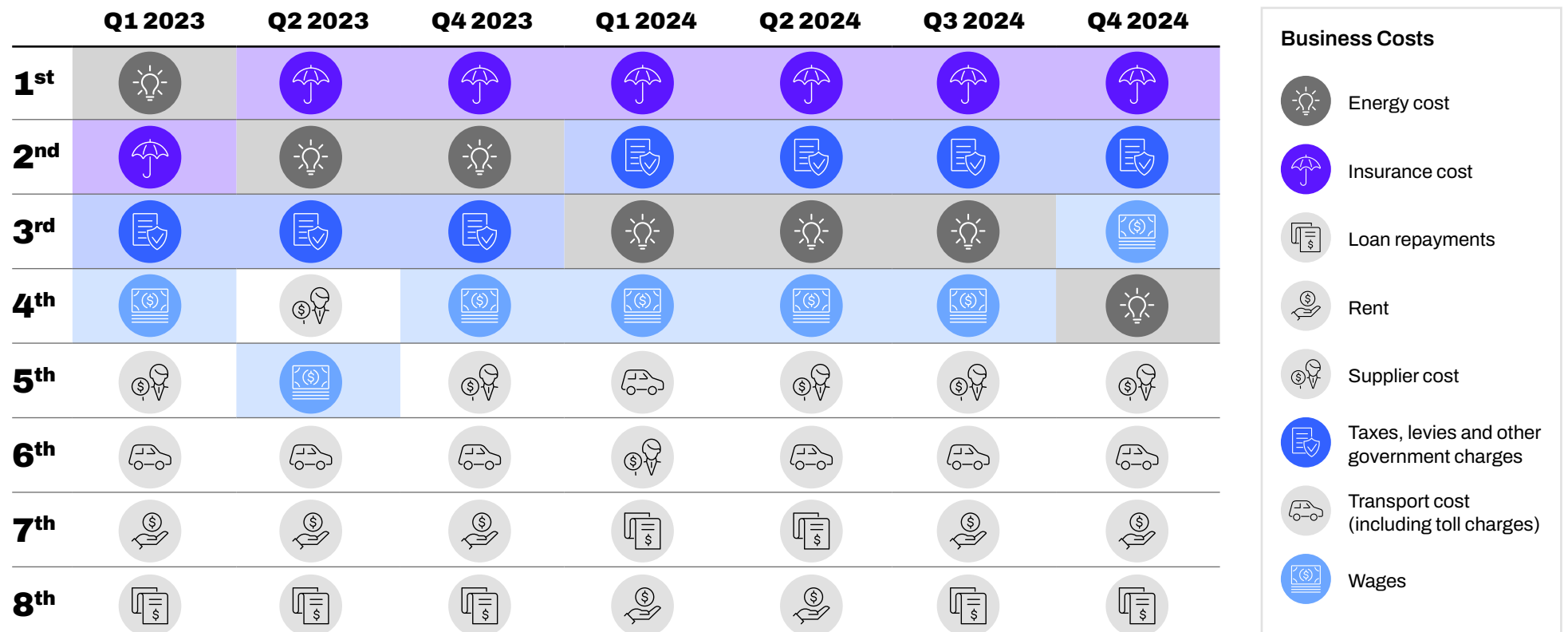
Note: Results have summed to more than 100% as participants were able to select multiple options.



4. Concerns About Business Costs

Insurance remains the number one cost concern amongst businesses, while taxes, levies and other government charges continue to feature in the top three. However, for the first time since this survey question started in 2023, energy cost has slipped outside of the top three, with wages becoming a greater concern.

Figure 9: Business cost concerns over time





5. Operational Efficiency

Businesses were asked in the survey to rate their operational efficiency. Findings show that:

- 58% are operating below full capacity (defined as having inefficiency, wastage or room for improvement in operations)
- 30% are operating at full potential (defined as having all resources utilised as intended)
- 13% are over capacity (defined as having staff and resources unsustainably over-stretched to meet demand).

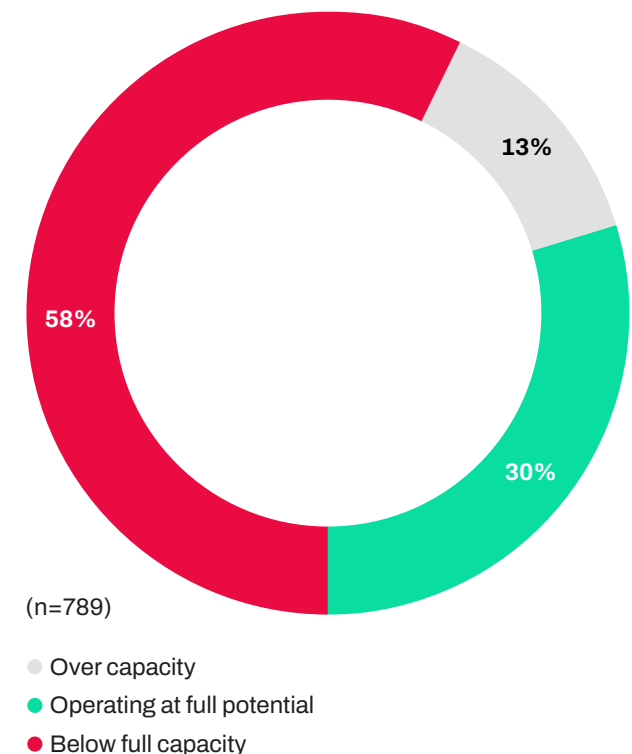
Of the businesses that are over capacity, the majority (54%) have their owners and staff working up to 20% more than their standard hours.

Of the businesses that are operating below full capacity, 43% are operating at only up to half of their full potential.

The three industries with the most scope for improvement are:

- Manufacturing (with 74% of respondents below full capacity)
- Construction (70%)
- Education and Training (67%).

Figure 10: Self-rated operational efficiency



Note: The numbers sum to more than 100% due to rounding.

Figure 11: Distribution of businesses that are over capacity

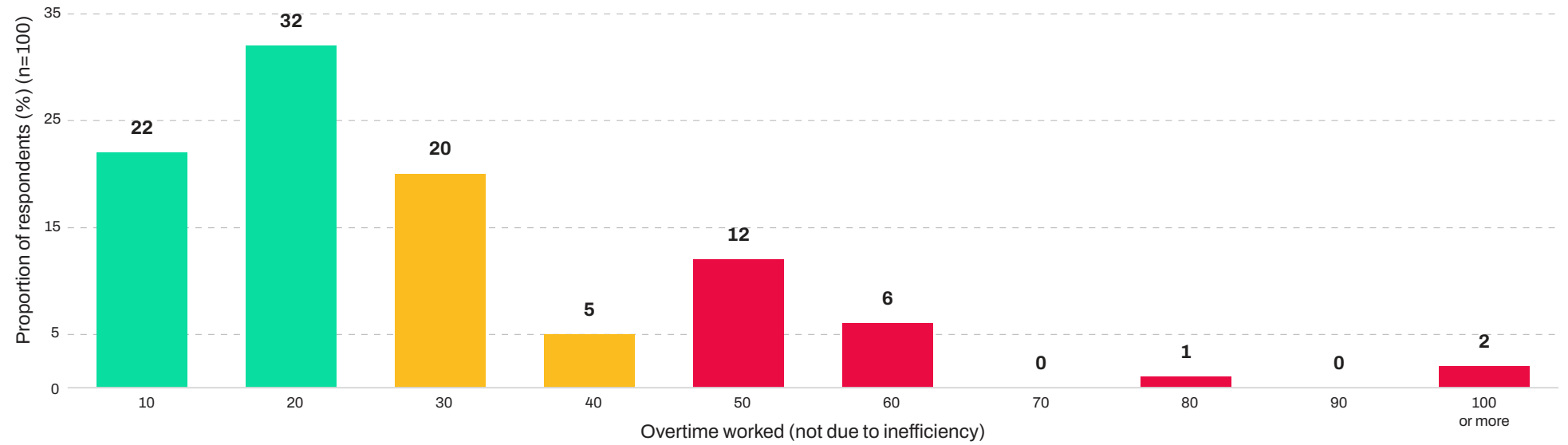


Figure 12: Distribution of businesses that are below full capacity

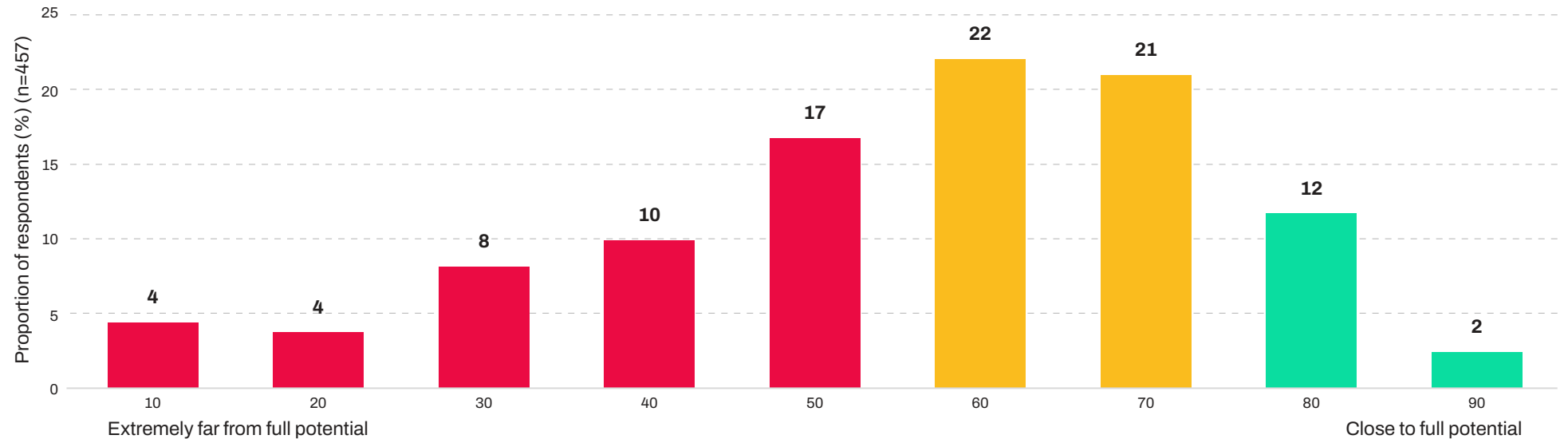
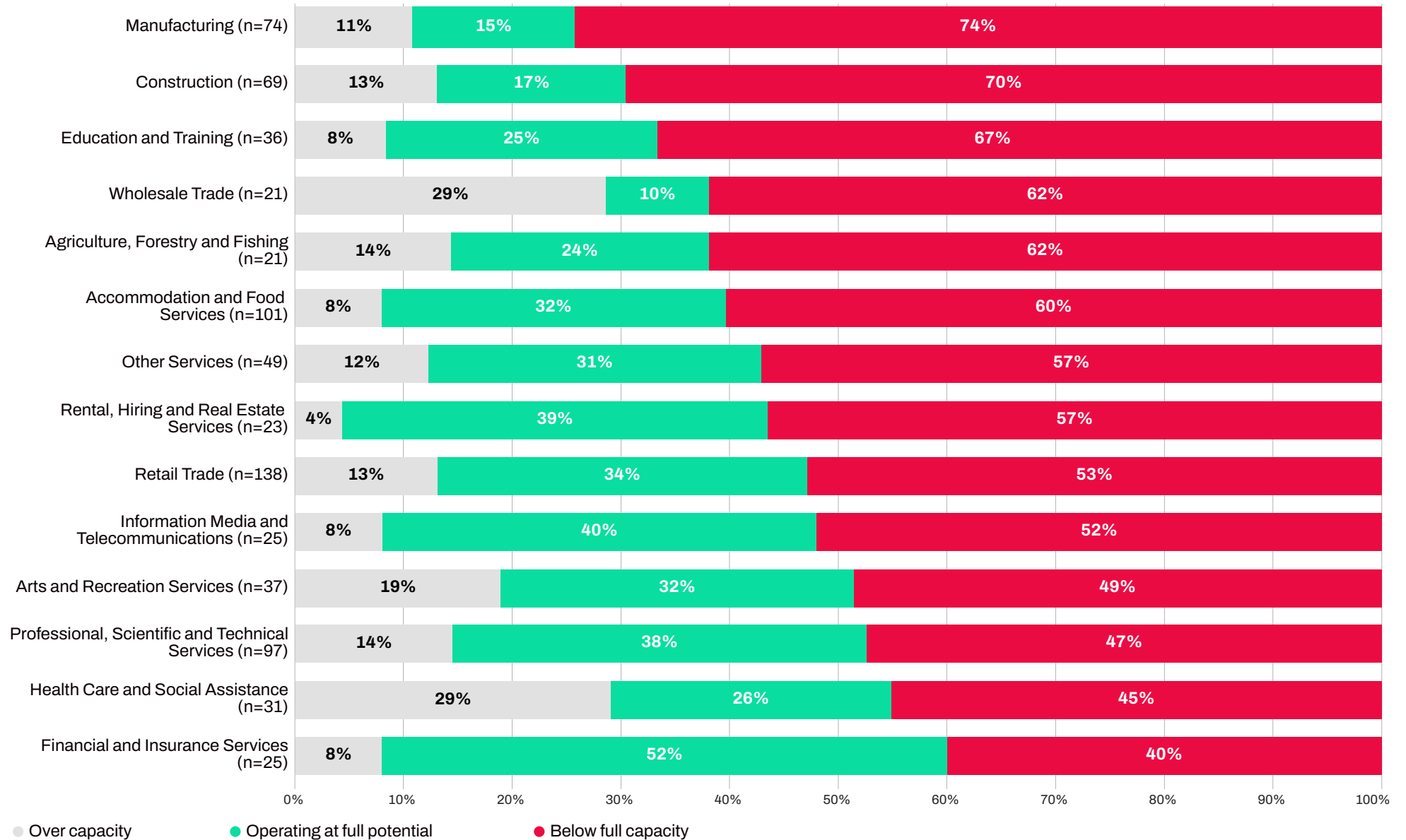


Figure 13: Self-rated operational efficiency by industry



Note: Industries with less than 20 respondents have been excluded.

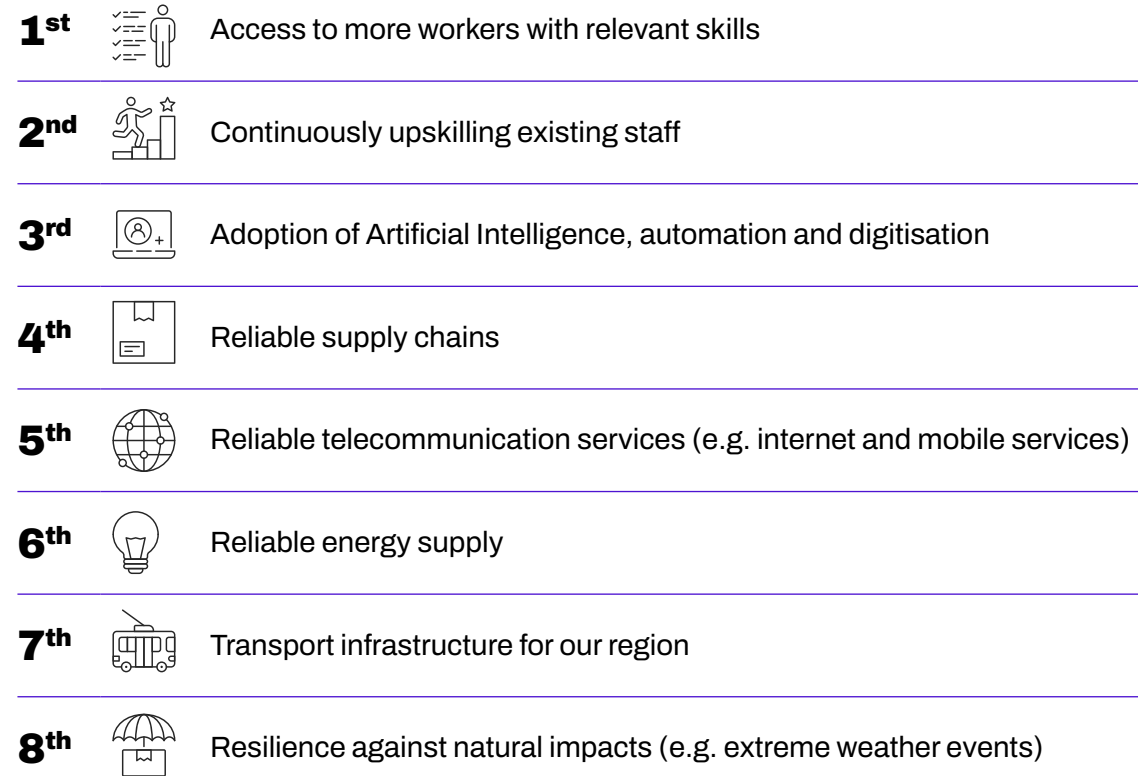


6. Productivity Solutions

To boost productivity, businesses have the strongest focus on workers. They consider having access to workers with relevant skills to be the most important, followed by continuously upskilling their existing staff. Technological means (such as Artificial Intelligence, automation and digitisation) rank third in importance.

Figure 14: Ways to boost productivity (ranked by importance from businesses' perspective)

2024 Q4 (n=789)



7. Hiring Intentions

The NSW unemployment rate has averaged 3.9% over the last 12 months, and it remained low at 4.0% in October 2024, according to labour force data from the Australia Bureau of Statistics.

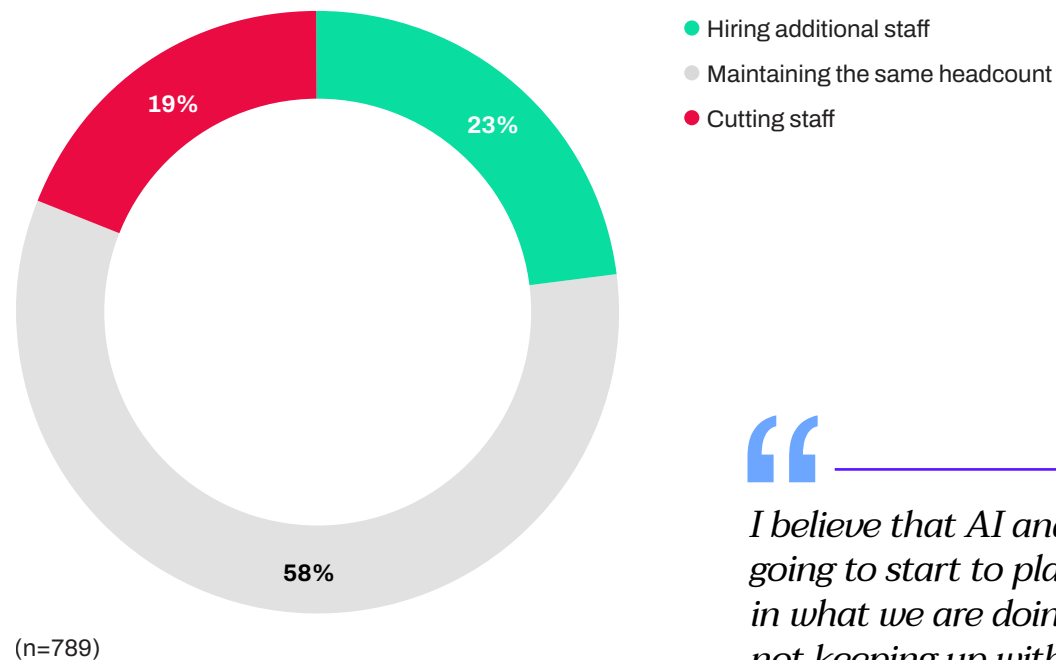
Findings from this survey suggest that the NSW labour market is likely to remain tight in the near term, as 58% of businesses are maintaining the same headcount and 23% are hiring additional staff.



Secondary education's lack of STEM is hurting our industry's young talent pipeline (especially women in IT)."

Information Media and Telecommunications, Central West

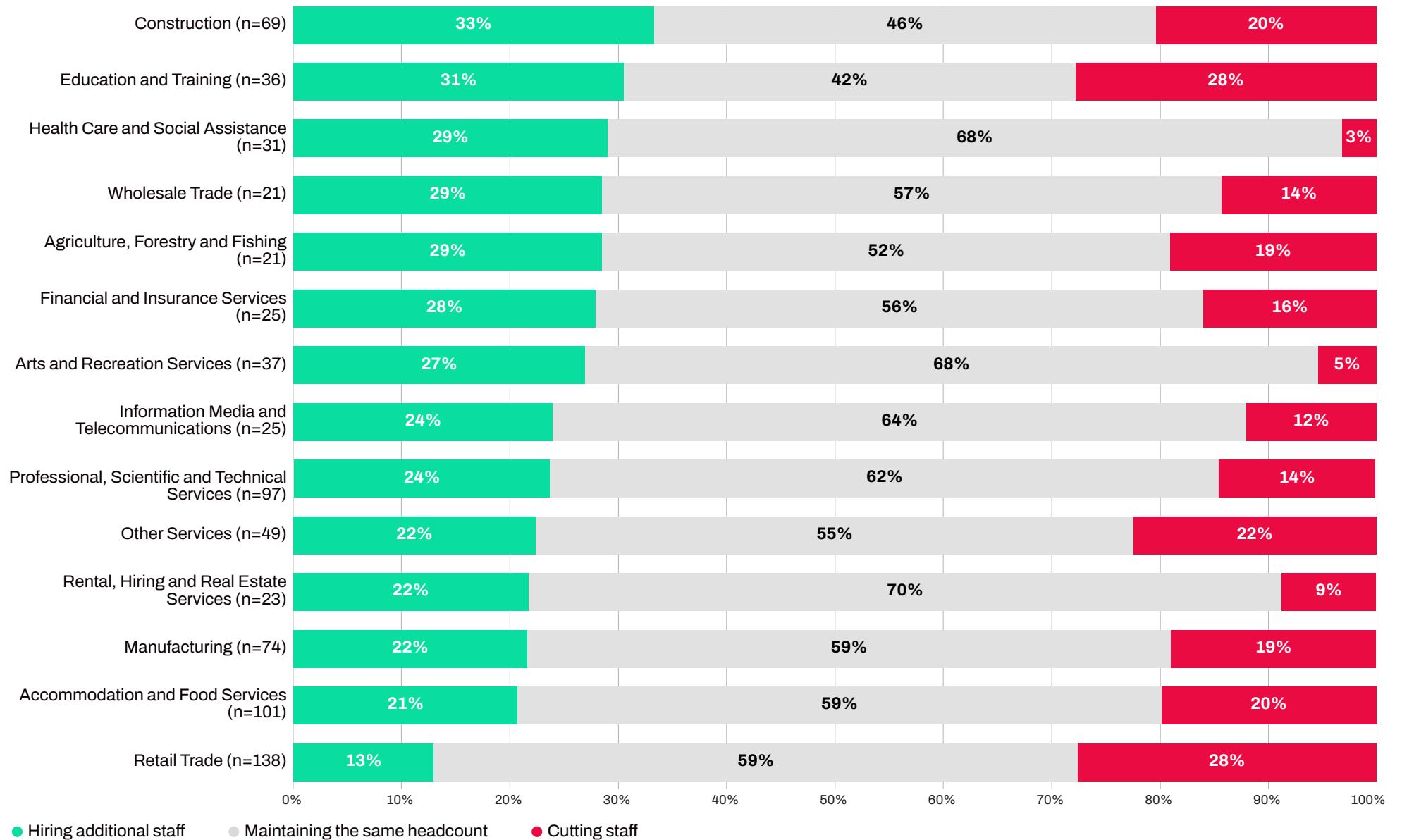
Figure 15: Plans for staff headcount for the next 3 months



I believe that AI and robotics are going to start to play a big game in what we are doing. If you're not keeping up with the current tech, you will be too expensive with longer lead times and this will hurt your bottom line. "

Manufacturing,
New England North West

Figure 16: Plans for staff headcount for the next 3 months (by industry)



Note: Industries with less than 20 respondents have been excluded.

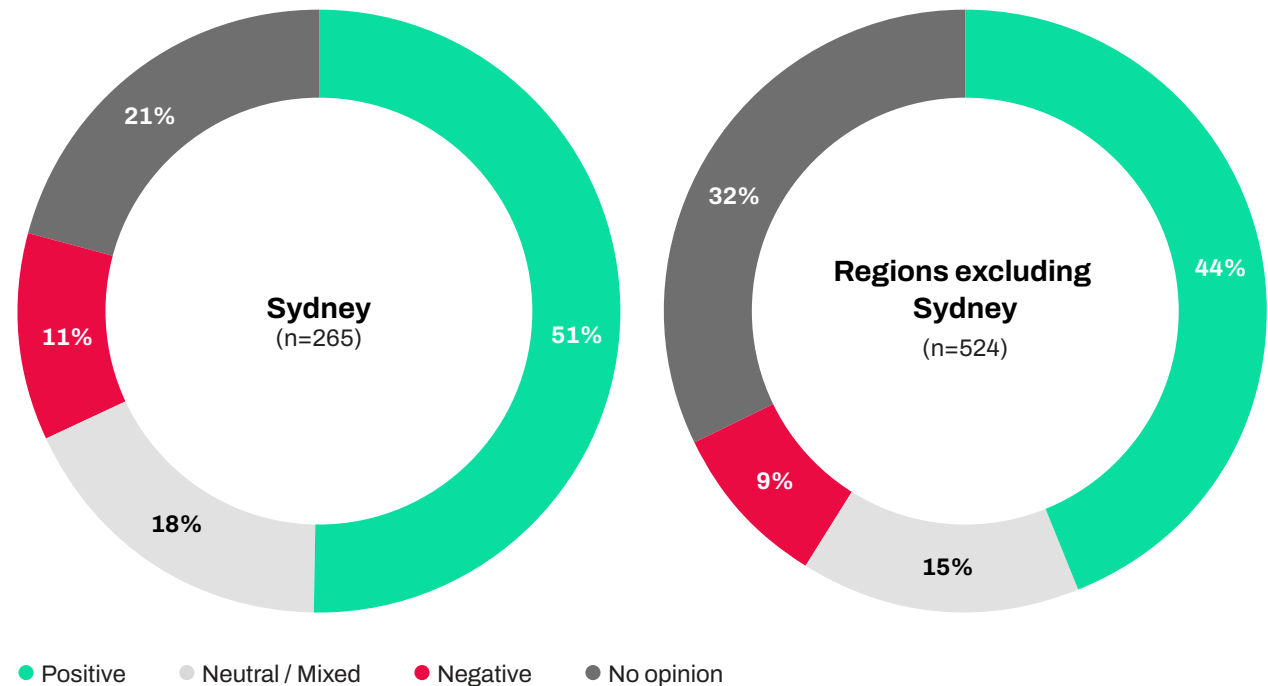
8. Impact of International Students on NSW Economy

Australia's international student intake has been a focal point of policy debate in recent months. This survey gauged the business community's view on the impact of international students on the NSW economy.

In terms of the net economic impact:

- 51% of Sydney-based respondents consider international students to have a net positive impact (compared to 44% of respondents outside of Sydney)
- 18% of Sydney-based respondents rate it as neutral (compared to 15% of respondents outside of Sydney)
- 11% of Sydney-based respondents believe there is a net negative impact (compared to 9% of respondents outside of Sydney)
- 21% of Sydney-based respondents have no specific opinion on this topic (compared to 32% of respondents outside of Sydney).

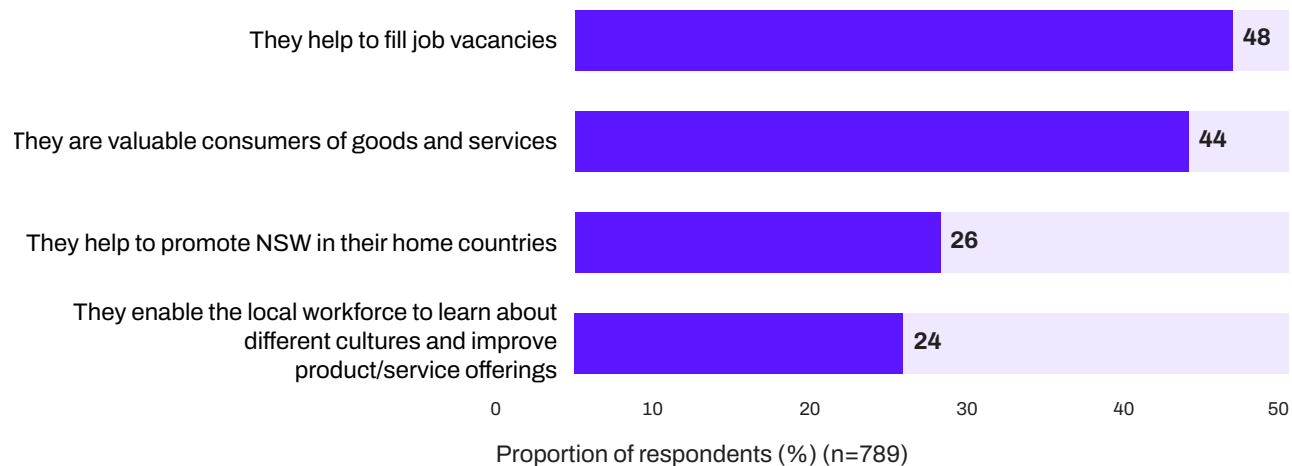
Figure 17: Net economic impact of international students (as rated by businesses)



Note: The numbers sum to more than 100% due to rounding.

Regardless of whether the overall impact is considered positive, neutral or negative, a majority of businesses (56%) have identified some economic benefits associated with hosting international students. The key benefits are related to international students filling job vacancies and their consumption of goods and services.

Figure 18: Economic benefits of hosting international students



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



The government line to reduce students and other visas is very concerning as they take away customers and potential employees.”

Arts and Recreation Services, Richmond-Tweed



9. Expectations for 2025

In the survey, businesses were asked:

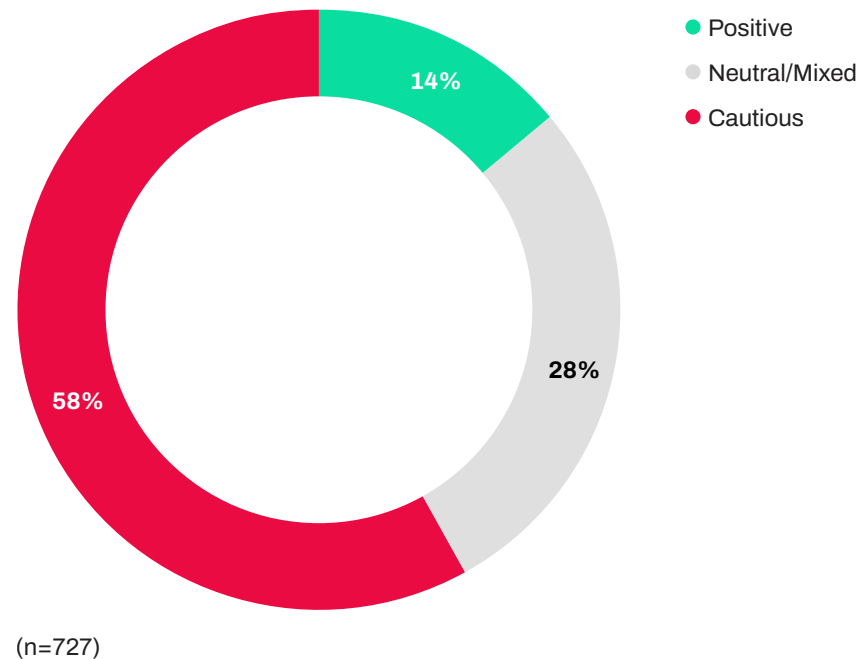
How is 2025 shaping up for your business?

The research team then coded all the responses received to assess the general vibe.

A majority of respondents (58%) have maintained a cautious stance regarding the business outlook for 2025.

While 14% are optimistic about next year, 28% have a neutral or mixed view.

Figure 19: Business expectations for 2025



Positive Vibe



*Clients are already booking in for 2025.
There is definitely a rise in trust with my business,
as I am professional, consistent and adaptable.*

Professional, Scientific and Technical Services, Sydney



*The opportunities for us in 2025 are massive.
We are on the brink of expanding our reach into new
territory via new marketing avenues, and the use of
AI to help us on that path is extremely valuable.*

Retail Trade, Regional NSW



*We are growing as we have created a unique
delivery model for commercial construction that
is attractive for developers and financiers.*

Construction, Regional NSW



*Looking good overall. Lots of export opportunities
opening up and looking promising in China, Taiwan,
Europe and the US, while our domestic base looks
solid and continues to grow organically.*

Accommodation and Food Services, Regional NSW

Cautious Vibe



“

Cost of living increases are not only affecting us personally, but our customers, which is worrisome if it doesn't ease soon. We may need to close up shop.

Professional, Scientific and Technical Services, Sydney

“

It remains a tough environment with high interest costs, insurance premiums, energy price rises and a tricky visitor economy.

Accommodation and Food Services, Regional NSW

“

We are often turning down work because we can't get qualified staff. With high fixed overheads, this means our business will continue to struggle to be profitable.

Construction, Regional NSW

“

I'm seriously considering closing my business due to weak demand and high costs. Rent, power and raw materials are making it hardly worth the effort.

Manufacturing, Regional NSW



Tamworth, NSW. Destination NSW.

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