



**BUSINESS
NSW**

NSW BUSINESS CONDITIONS

Resilience tested as costs climb

June 2025

Goulburn, NSW Australia



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.

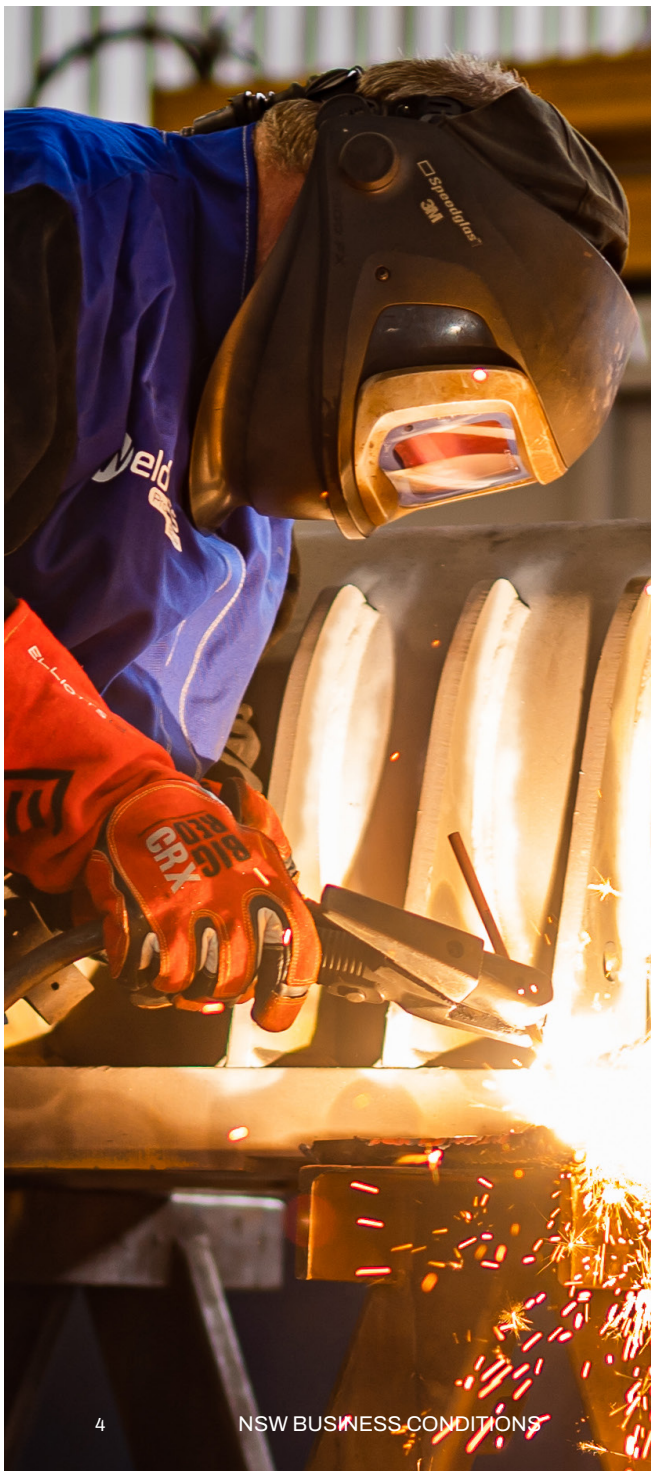
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Executive summary

The resilience of the NSW business community is being tested. Rising insurance and wage costs, skills shortages, a broken workers' compensation system, the AI revolution and an outdated tax system which disincentivises investment and entrepreneurship all weigh heavily on businesses.

More broadly, Australia had a lacklustre 0.2% quarter-on-quarter increase in GDP. However, with economic growth largely driven by population growth, GDP per capita declined for the ninth time in 11 quarters.

The US “Liberation Day” tariffs announced on 2 April have rattled global financial markets and shaken business confidence. Many members have told us the tariffs have forced them to reassess supply chains and international exposures.

Following the 3 May federal election, the Albanese Government returned with a thumping majority. It remains to be seen whether it can deliver the ‘golden triangle’ of productivity growth: low taxes, labour flexibility and affordable, reliable energy. Meanwhile, the Reserve Bank of Australia continued its monetary easing cycle, cutting interest rates by 25 basis points to 3.85% in May, reflecting slowing inflation within its target band.

The latest Business Conditions Survey, conducted from 4 -19 May, received 720 responses from businesses across all key industries and regions in NSW. The results show that business confidence has retreated in the June quarter. Most small businesses reported experiencing or expecting negative impacts from shifting customer or supplier behaviour amid recent market volatility. Despite challenges, businesses remain optimistic for the quarter ahead. The survey also collected business feedback on federal and state policy priorities.

Key findings

- 01 The Business Confidence Index fell to -50.8, slightly worse than the previous quarter of -44.7. Despite the dip, it remains the second highest reading since April 2022. Confidence for the next quarter is stronger with a reading of -29.0.
- 02 Insurance remains the top business cost concern for the second year with over one-third (34%) of businesses reporting an increase in general insurance costs of over 30% in the past 12 months.
- 03 Nearly one in four businesses (23%) that use gas, coal or diesel in operations have struggled with electrification, with the biggest barrier being capital (46%).
- 04 While 27% of businesses reduced staff in the past three months, 80% plan to maintain or grow headcount in the next quarter.
- 05 Most small businesses (68%) source supplies mostly or entirely locally. Additionally, 80% report having no export exposure with only 13% of businesses directly exporting overseas. Only 30% of those exports report being directly impacted by US tariffs.
- 06 Three quarters (75%) of small businesses have been or expect to be negatively impacted by a change in customer demand due to economic uncertainty. Additionally, 64% report that they have been or expect to be negatively impacted by a change in supplier behaviour.
- 07 In response to new tariff announcements, 40% of small businesses are taking action, primarily by focusing on local customers and reviewing supply chains for direct and indirect exposure to US tariffs.
- 08 Following the federal election, businesses want the Federal Government to prioritise energy reliability and affordability, skills and training, and tax reform.
- 09 Ahead of the NSW Budget, 71% of businesses want to see workers' compensation insurance reform in the Budget, followed closely by red tape reduction (66%).
- 10 Following an NSW Government announcement that workers' compensation insurance premiums could increase by 36% over three years for businesses, even for those with no claims against them, nearly half (45%) reported they would reduce headcount, and one-in-five (20%) reported their business would no longer be viable.

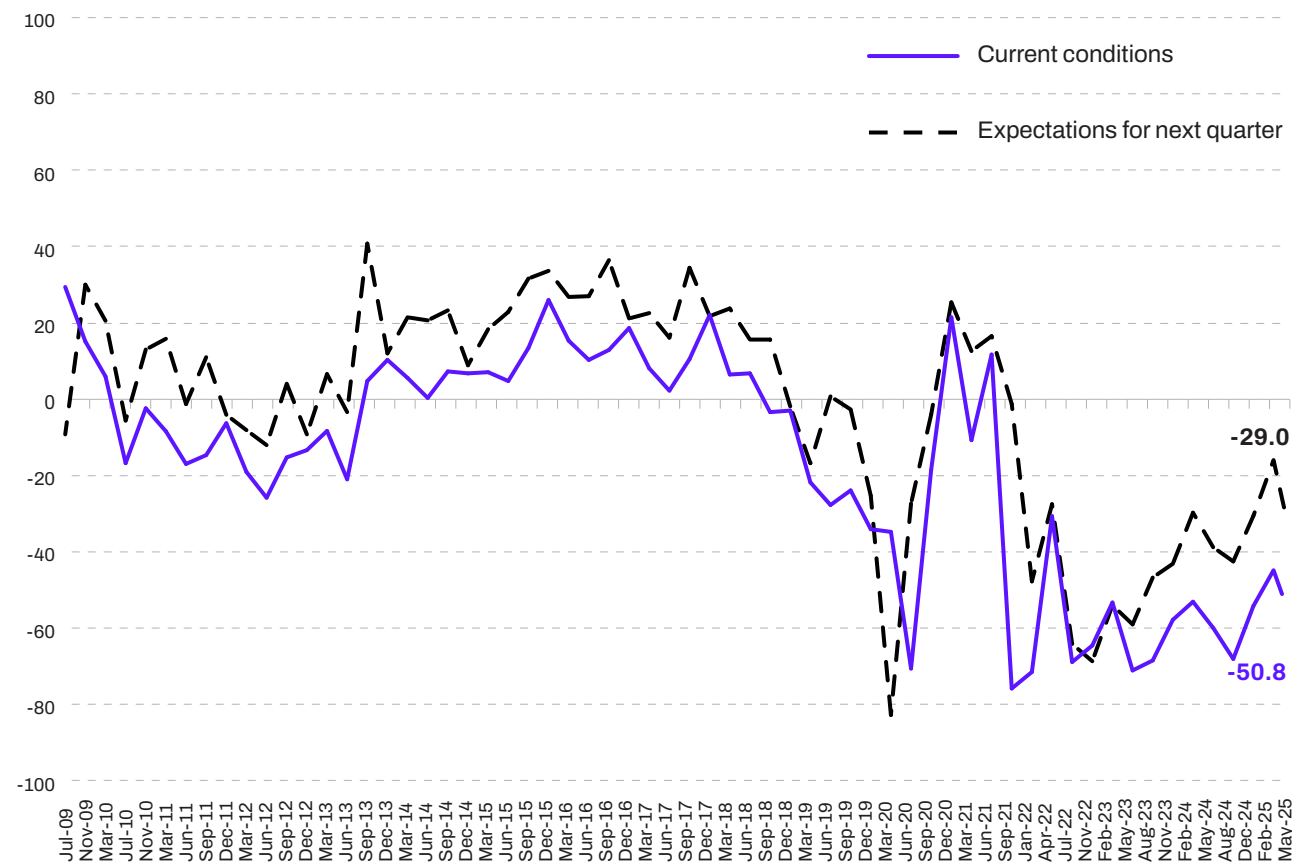


1. Business confidence

The Business Confidence Index fell in the second quarter of 2025, dropping to -50.8 from -44.7. While still negative, it marks the second highest reading since April 2022. Business confidence for the quarter ahead is stronger than the current quarter at -29.0.

Most regions and industries expect improved conditions next quarter. Notably, the Central Coast remained out of negative territory for the second consecutive quarter.

Figure 1: Business Confidence Index





Regional snapshot

Figure 2: Business confidence by region

	Business Confidence Index		
	Last quarter (2025 Q1)	Current quarter (2025 Q2)	Next quarter (2025 Q3)
NSW	-44.7 (n=751)	-50.8 (n=720)	-29.0 (n=720)
Regions expecting economic trajectory to improve			
Central Coast	-11.9 (n=42)	-34.7 (n=49)	0.0 (n=49)
New England and North West	-52.0 (n=50)	-38.5 (n=52)	-34.6 (n=52)
Richmond - Tweed	-31.7 (n=60)	-39.1 (n=46)	-23.9 (n=46)
Murray	-60.9 (n=23)	-43.5 (n=23)	-30.4 (n=23)
Mid North Coast	-41.7 (n=60)	-44.2 (n=43)	-30.2 (n=43)
Central West	-55.1 (n=49)	-49.0 (n=49)	-32.7 (n=49)
Hunter Valley excl. Newcastle	-32.0 (n=25)	-51.4 (n=35)	-31.4 (n=35)
Capital Region	-50.0 (n=38)	-51.5 (n=33)	-36.4 (n=33)
Illawarra	-54.5 (n=22)	-56.4 (n=39)	-28.2 (n=39)
Western Sydney	-55.4 (n=83)	-56.6 (n=83)	-20.5 (n=83)
Eastern Sydney	-47.7 (n=176)	-57.9 (n=145)	-37.2 (n=145)
Southern Highlands and Shoalhaven	-39.3 (n=28)	-63.0 (n=27)	-14.8 (n=27)
Newcastle and Lake Macquarie	-34.6 (n=26)	-63.8 (n=47)	-17.0 (n=47)
Far West and Orana	-57.1 (n=14)	-69.2 (n=13)	-38.5 (n=13)
Regions expecting a deterioration			
Riverina	-48.1 (n=27)	-20.0 (n=20)	-50.0 (n=20)
Coffs Harbour - Grafton	-35.7 (n=28)	-62.5 (n=16)	-75.0 (n=16)

Industry snapshot

Figure 3: Business confidence by industry

	Business Confidence Index		
	Last quarter (2025 Q1)	Current quarter (2025 Q2)	Next quarter (2025 Q3)
NSW	-44.7 (n=751)	-50.8 (n=720)	-29.0 (n=720)
Industries expecting economic trajectory to improve			
Administrative and Support Services	-26.1 (n=23)	-23.8 (n=21)	-14.3 (n=21)
Professional, Scientific and Technical Services	-24.3 (n=111)	-33.7 (n=98)	-16.3 (n=98)
Electricity, Gas, Water and Waste Services	-42.9 (n=7)	-37.5 (n=8)	-12.5 (n=8)
Arts and Recreation Services	-44.4 (n=45)	-39.4 (n=33)	-36.4 (n=33)
Accommodation and Food Services	-38.1 (n=84)	-42.9 (n=77)	-37.7 (n=77)
Information Media and Telecommunications	-27.8 (n=18)	-45.8 (n=24)	-8.3 (n=24)
Financial and Insurance Services	-4.2 (n=24)	-52.9 (n=34)	-26.5 (n=34)
Rental, Hiring and Real Estate Services	-20.0 (n=15)	-52.9 (n=17)	-23.5 (n=17)
Health Care and Social Assistance	-50.9 (n=53)	-53.5 (n=43)	-34.9 (n=43)
Retail Trade	-61.5 (n=104)	-55.7 (n=88)	-23.9 (n=88)
Education and Training	-37.5 (n=32)	-57.9 (n=38)	-31.6 (n=38)
Construction	-47.4 (n=57)	-58.0 (n=50)	-34.0 (n=50)
Manufacturing	-60.0 (n=80)	-58.9 (n=95)	-26.3 (n=95)
Other Services	-66.7 (n=36)	-60.7 (n=28)	-39.3 (n=28)
Agriculture, Forestry and Fishing	-56.3 (n=16)	-61.9 (n=21)	-57.1 (n=21)
Transport, Postal and Warehousing	-78.6 (n=14)	-71.4 (n=14)	-35.7 (n=14)
Wholesale Trade	-60.0 (n=25)	-73.9 (n=23)	-34.8 (n=23)
Industries expecting a deterioration			
Public Administration and Safety	-50.0 (n=4)	0.0 (n=2)	-50.0 (n=2)
Mining	0.0 (n=3)	-83.3 (n=6)	-100 (n=6)

“

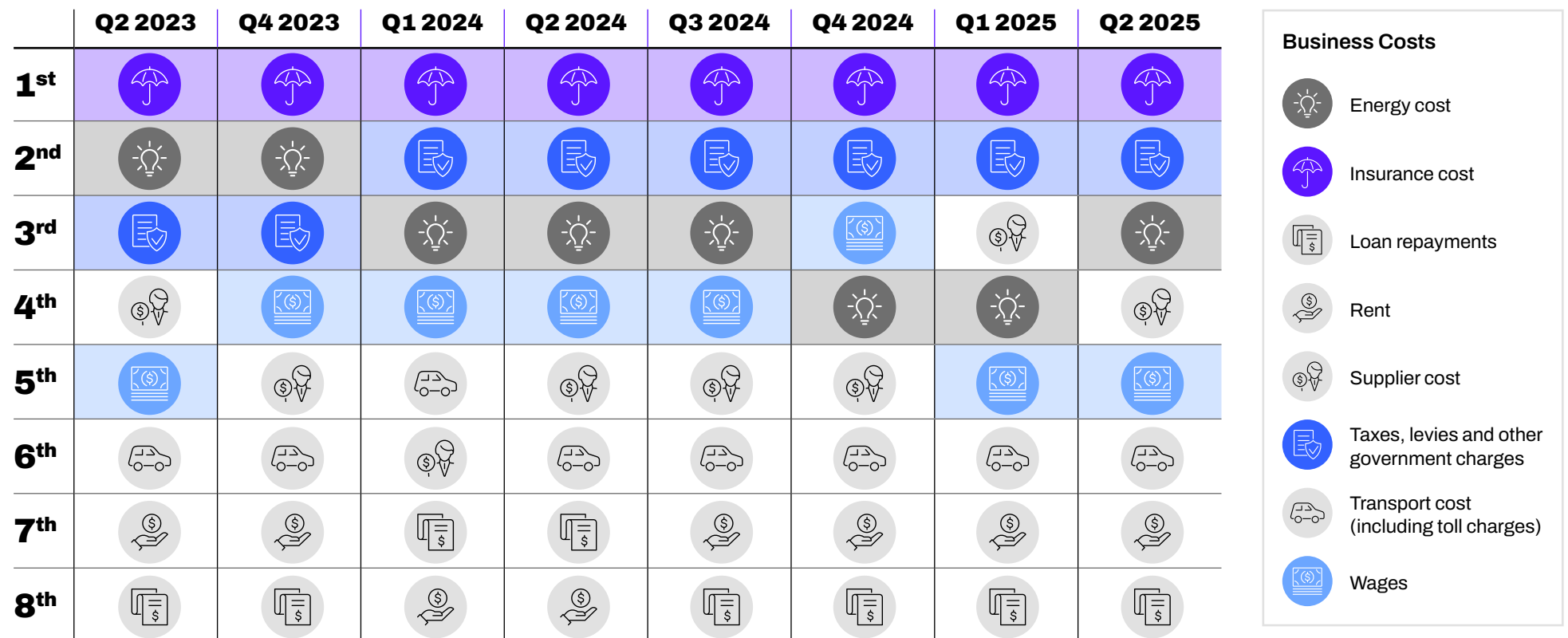
We have had a very slow start to the 24-25FY, but we see business picking up now, that gives us confidence in the 25-26 FY. We have worked hard to improve the profitability of the business, and the work of the last 12 months is finally paying off.”

Manufacturing, Western Sydney

2. Business costs

The rising cost of doing business has been a major barrier to expansion, and, for some, threatens their viability. Insurance cost remain the top concern for nearly two years. Since early 2024 insurance cost concerns have been followed by taxes, levies and other government charges. Energy costs have recently climbed in priority, while concern over supplier costs has eased despite growing international trade uncertainty.

Figure 4: Concerns about business costs over time



Insurance

To gauge the impact of rising insurance costs, the latest survey asked businesses about changes over the past 12 months.

“

Insurance, wages and workers comp may just see us scale the business back or close up.”

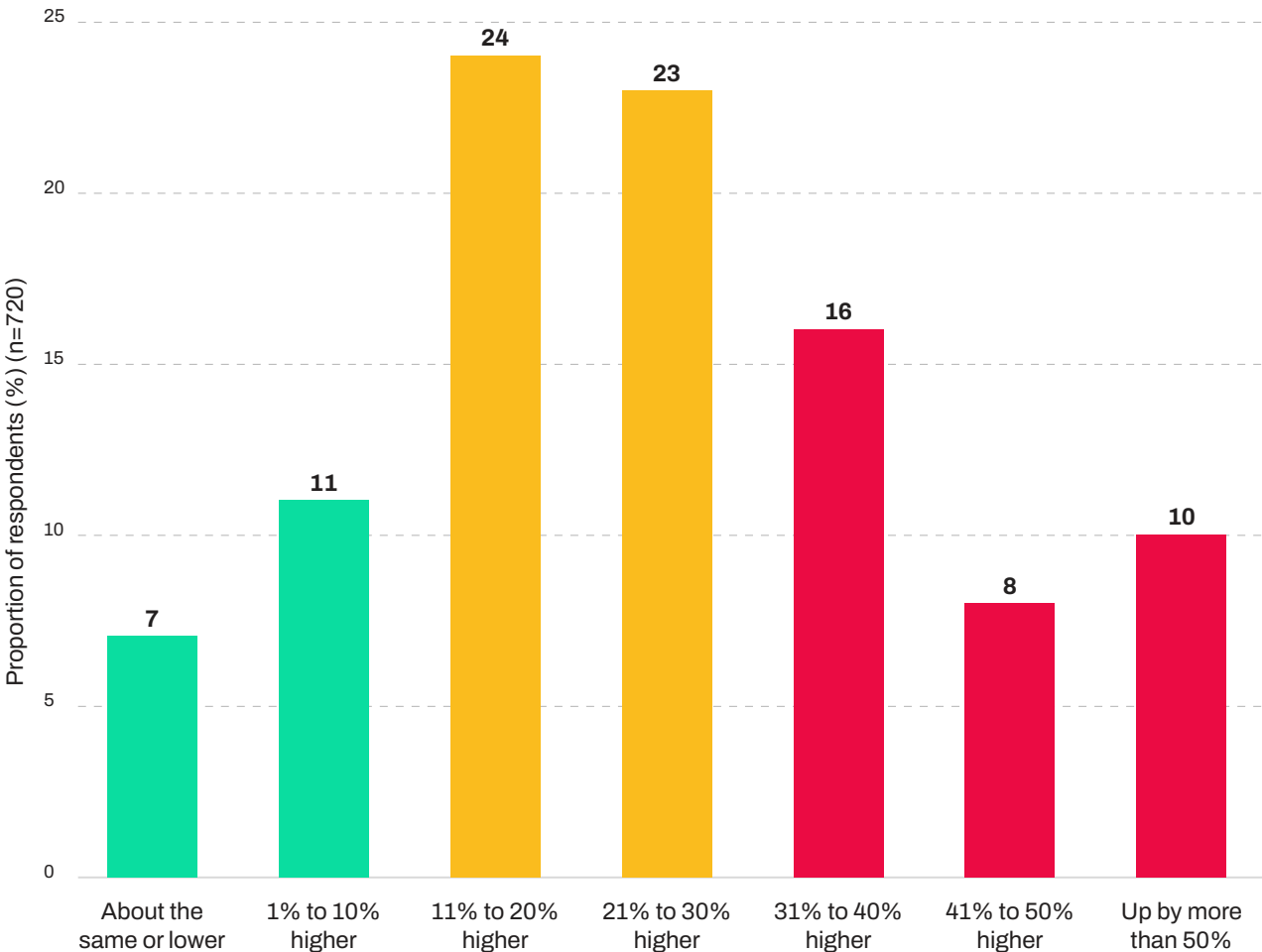
Accommodation and Food
Services, Riverina

“

The increasing costs of running a business - everything from fuel, insurances, software expenses and taxes - are increasingly impacting profitability of business. If business profits are reduced, it leads to less employment, opportunities and efficiencies in business.”

Professional, Scientific and Technical
Services, Western Sydney

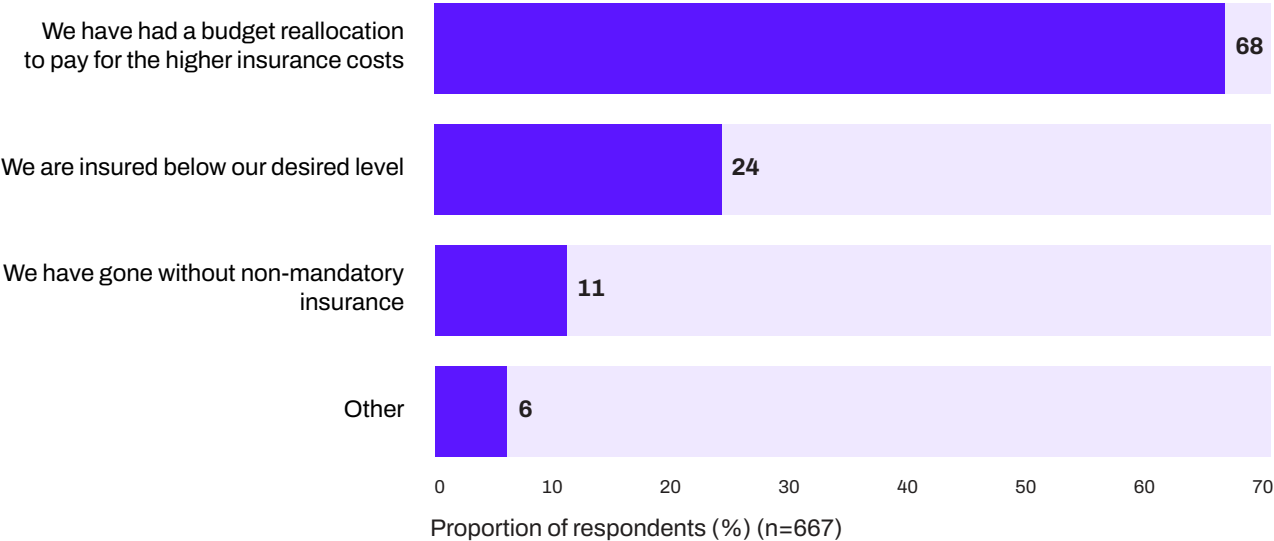
Figure 5: Change in general insurance costs over the past 12 months



With insurance costs the top business concern for two years, the latest survey asked the 93% of businesses who had experienced an increase in insurance costs over the past 12 months how they responded to the increase. Two-thirds (66%) of businesses reallocated budgets to cover the increase, nearly one-in-four (24%) are underinsured and 11% have dropped non-mandatory insurance.

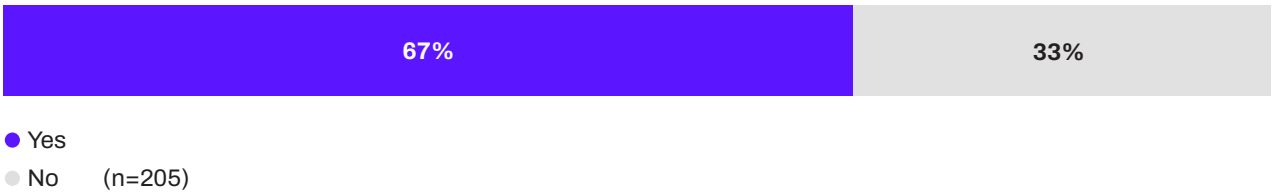
Among those underinsured or uninsured, two-thirds (67%) said they were concerned their business viability is at risk.

Figure 6: Business response to insurance cost increase



Note: Results do not sum to 100% as respondents could select multiple responses. Only businesses that reported an increase in insurance costs over the past 12 months were asked this question.

Figure 7: Business viability at risk as a result of being underinsured



Note: Only those who responded “We have gone without non-mandatory insurance” or “We are insured below our desired level” were asked this question.

Electrification

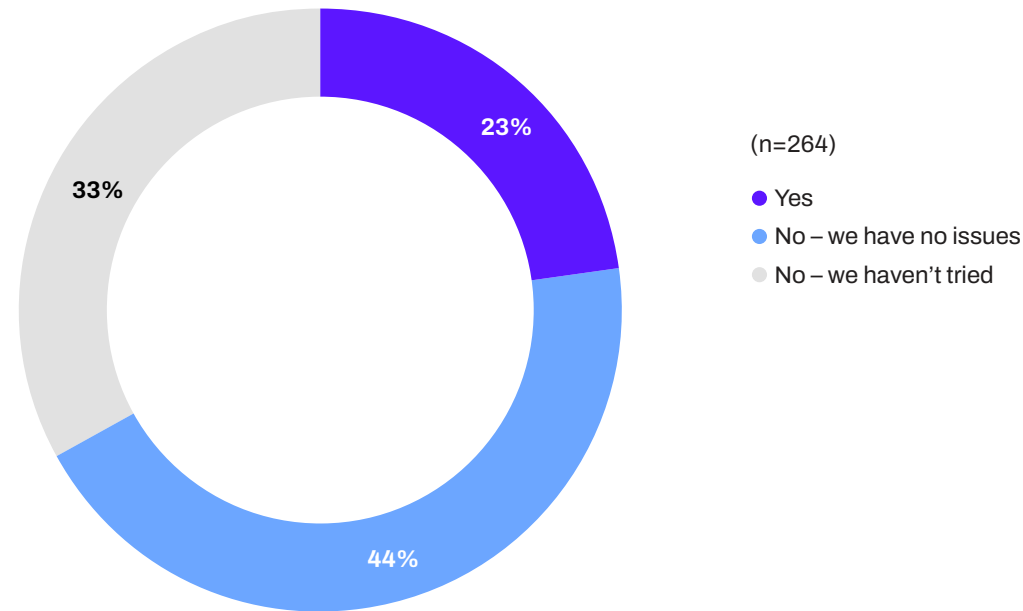
After a period of decline, energy costs have resurged as a business concern. The latest survey found that just over one-in-three (37%) businesses use gas, coal or diesel in their operations. Of those, 44% have transitioned to electrification without issues, 23% have faced challenges, and 33% have not attempted it.



The cost of energy and fuel impacts regional small businesses doing work across large geographical area.”

Administrative and Support Services,
New England North West

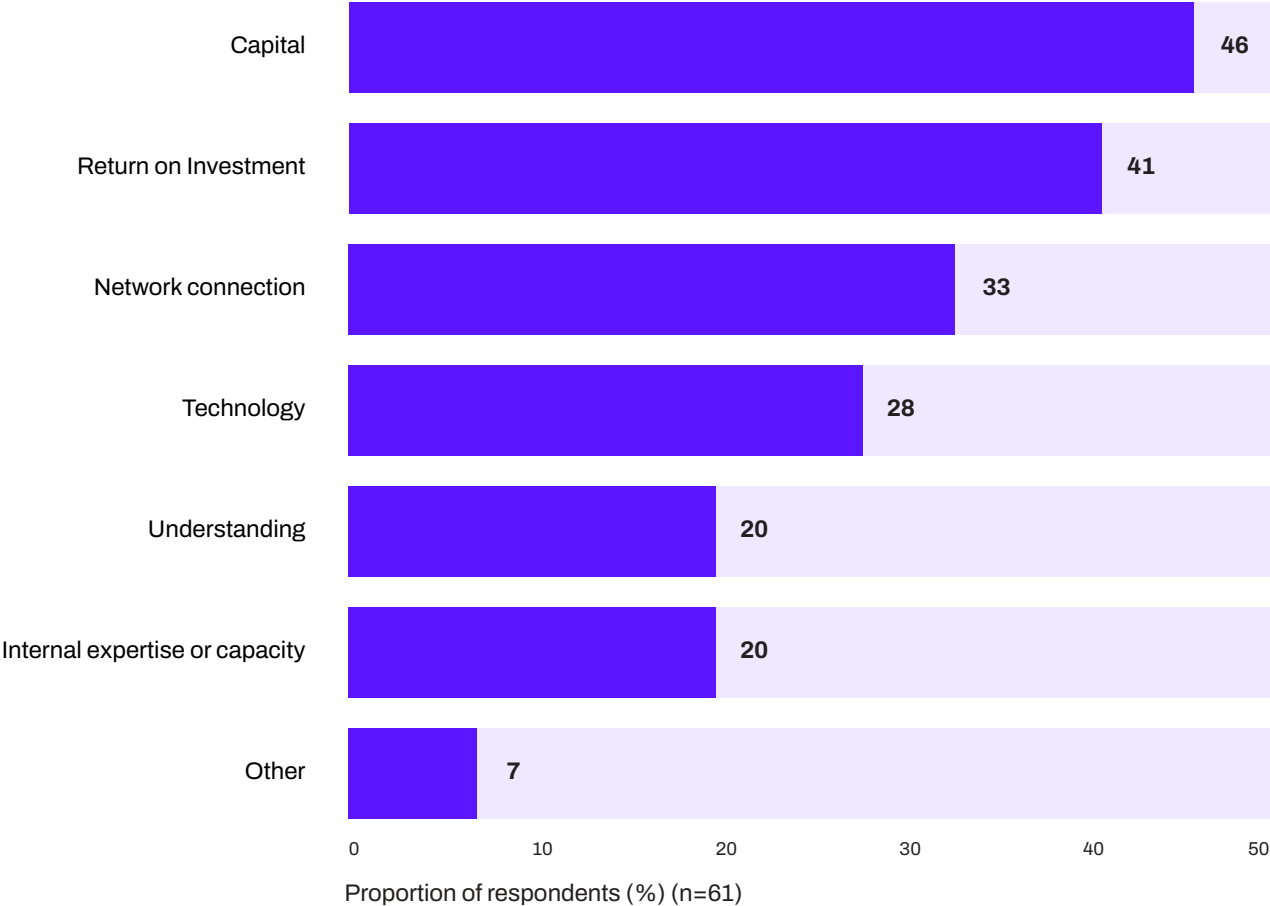
Figure 8: Businesses experiencing barriers to electrification



Note: Only those who responded “Yes” to using coal, gas or diesel in their business operations were asked this question.

The main barriers to electrification were capital (46%) and unclear return on investment (41%). Additionally, one-in-five businesses commented on a lack of understanding of the process or benefits, and a further 20% cited a lack of internal expertise or capacity.

Figure 9: Barriers to electrification for business



Note: Only those who responded “Yes” to struggling with electrification were asked this question. Results do not sum to 100% as respondents could select multiple responses.



3. Hiring

NSW's unemployment fell to 3.9% in April 2025, down from 4.2% in March and below the 10-year average of 4.6%. Despite 27% of businesses cutting staff in the past three months, 80% plan to maintain or increase their workforce in the next quarter, signalling ongoing recruitment challenges. Hiring pressures are particularly acute in Financial and Insurance services, Professional, Scientific and Technical Services, and Construction.

Figure 10: Change of staff headcount

Change of staff headcount in the past 3 months		Plans for staff headcount for the next 3 months	
We have hired additional staff	15%	Hiring additional staff	18%
No change	58%	Maintaining the same headcount	62%
We have cut staff	27%	Cutting staff	20%

“

We need more staff, at all levels - we are spending more and more advertising with mainly low response. We simply cannot find enough staff or more appropriately people who want to work.”

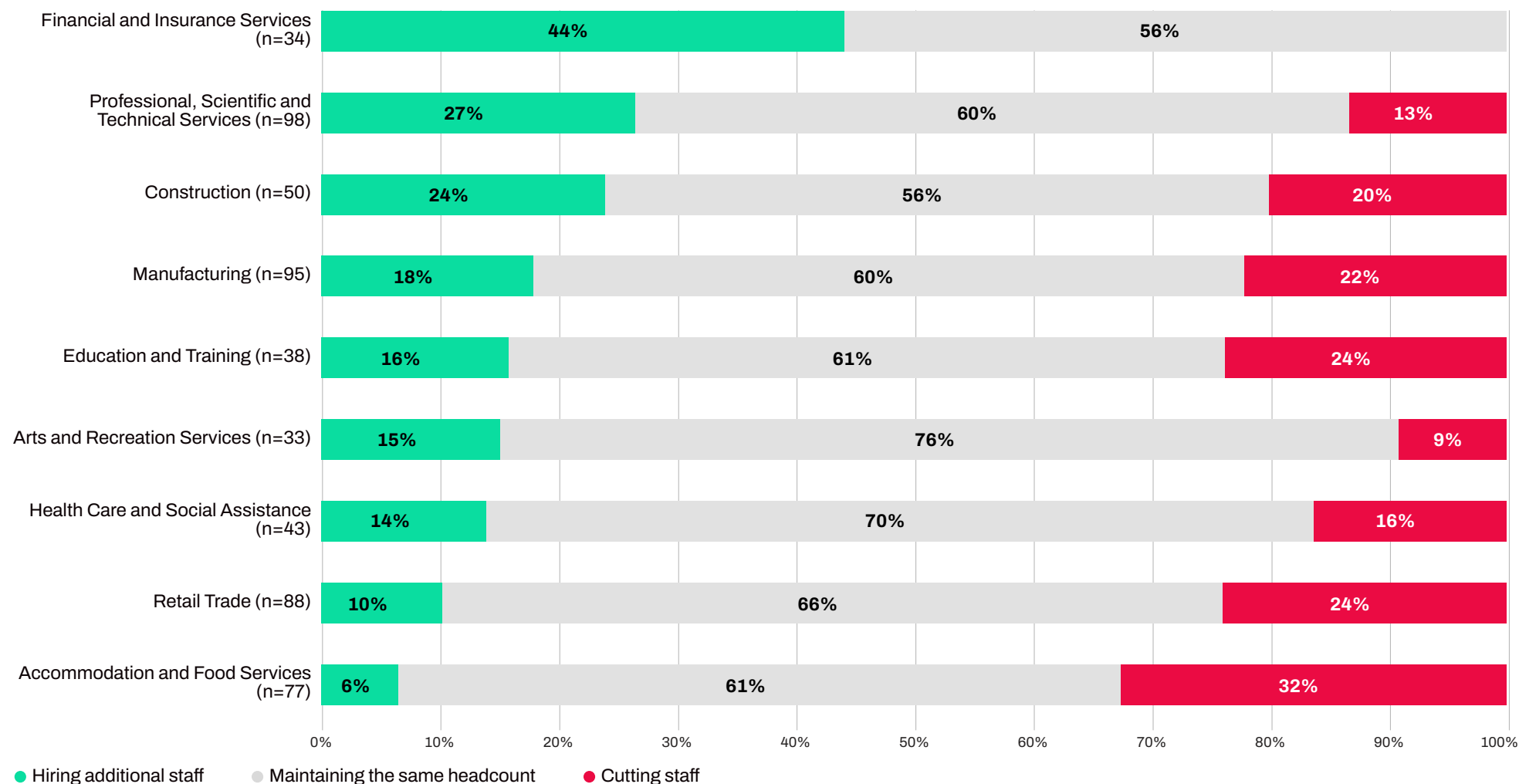
Manufacturing, Western Sydney

“

The recovering economy presents an opportunity for us. We saw a stall in business confidence in Q1 25, but a sharp rise in confidence over the past 4-8 weeks. We are expanding our staff base accordingly.”

Professional, Scientific and Technical Services, Illawarra

Figure 11: Plans for staff headcount for the next 3 months (by industry)



Note: Industries with less than 30 respondents have been excluded.

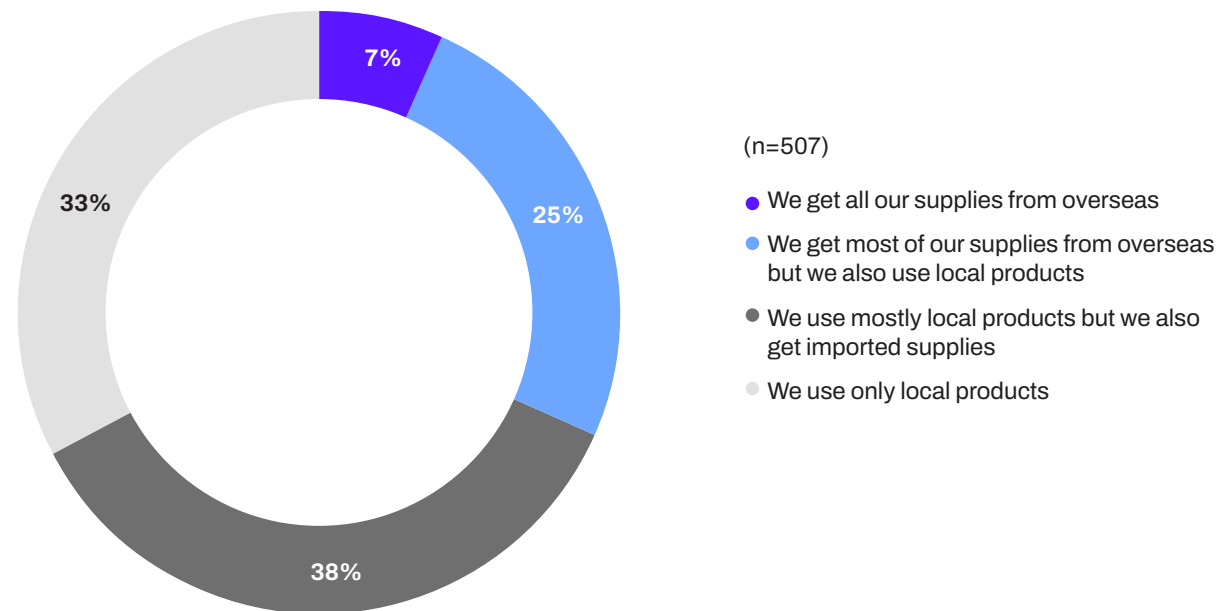
4. Small business exposure to international trade

Imports

In light of recent tariff announcements, the latest survey examined trade exposure among NSW small businesses.

Just under one-third (32%) reported sourcing most or all supplies from overseas, while the majority (68%) rely primarily on local suppliers.

Figure 12: Source of supplies



Note: Only small businesses have been included in these results. Results do not sum to 100% due to rounding.

Exports

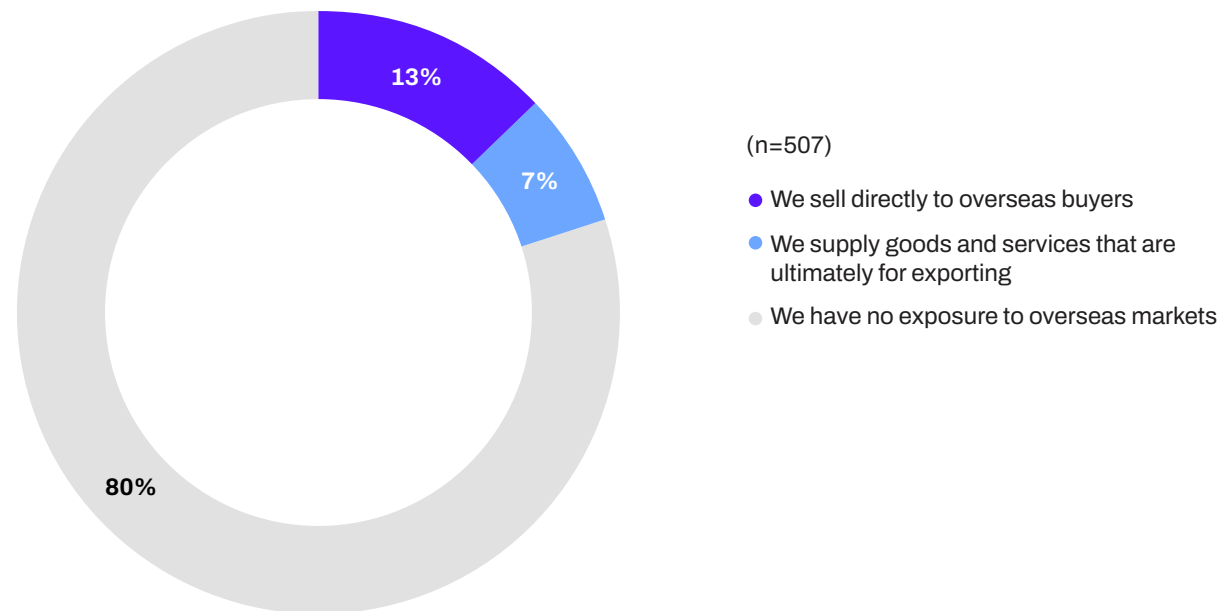
Four in five small business (80%) reported no exposure to overseas markets, while one-in-five (20%) have some market exposure. Among those with direct overseas buyers, fewer than one-third (30%) reported being directly impacted by the US tariffs announced on 2 April.



US tariffs and resultant reciprocity is likely going to limit/reduce competition from US companies in China and Europe. We can work faster/harder to win greater market share in those markets so we will be increasing our efforts there. Expecting to significantly increase our exports as a result.”

Accommodation and Food Services,
Hunter Valley (excluding Newcastle)

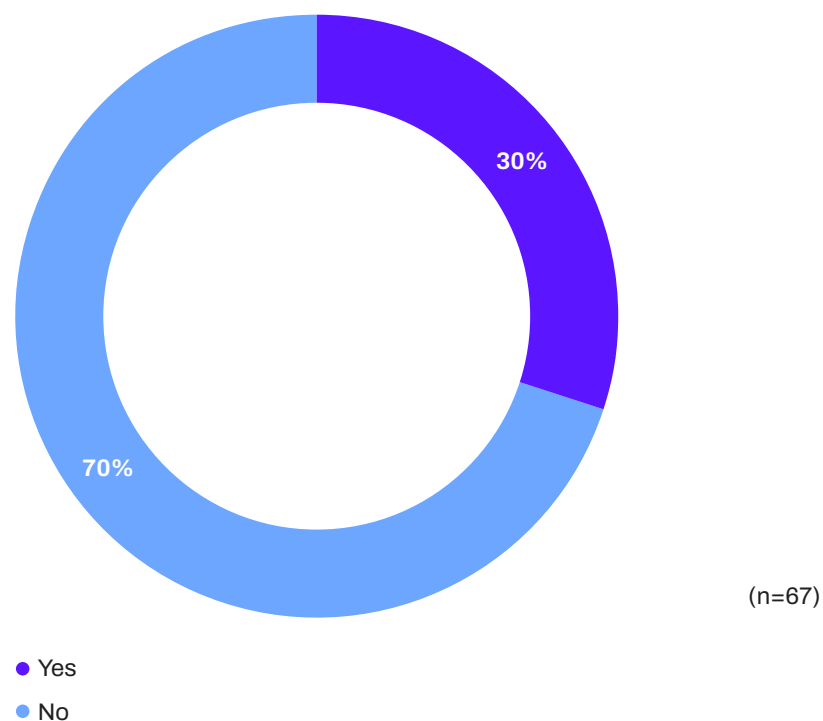
Figure 13: Business export exposure



Note: Only small businesses have been included in these results.

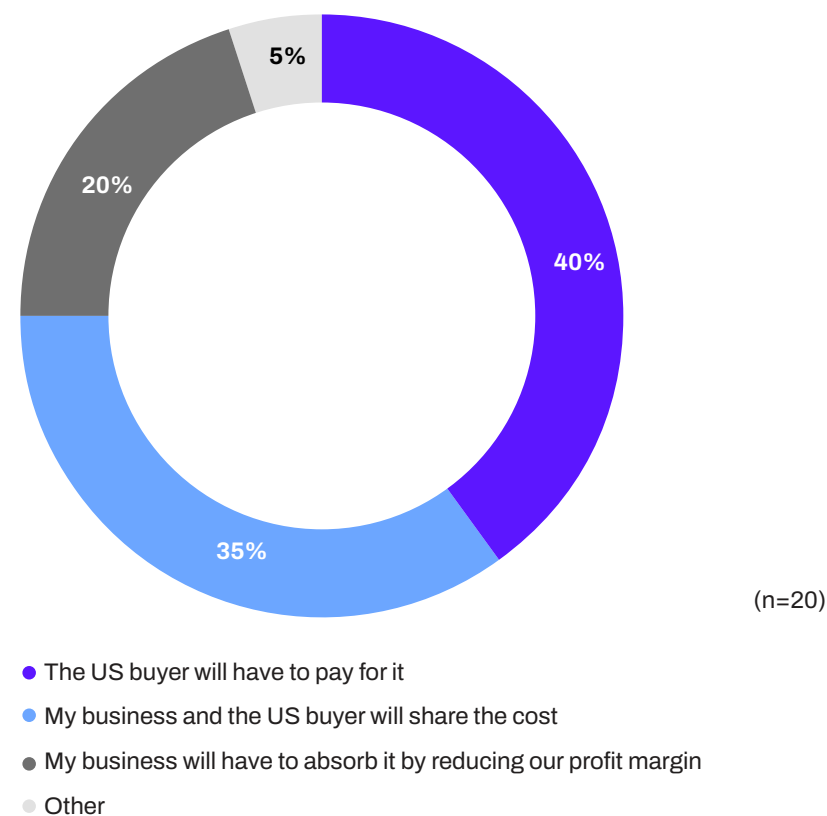
Although tariffs are paid by the importer, over half (55%) of businesses expect to absorb at least part of the cost, either by reducing prices for American consumers or renegotiating terms. Only 40% believed US consumers would bear the full cost.

Figure 14: Overseas exporters' direct exposure to US tariffs



Note: Only small businesses with direct overseas exports have been included in these results.

Figure 15: Who bears the cost of the new US tariffs



Note: Only small businesses who have been directly impacted by the US tariffs have been included in these results.

Impact of recent market volatility

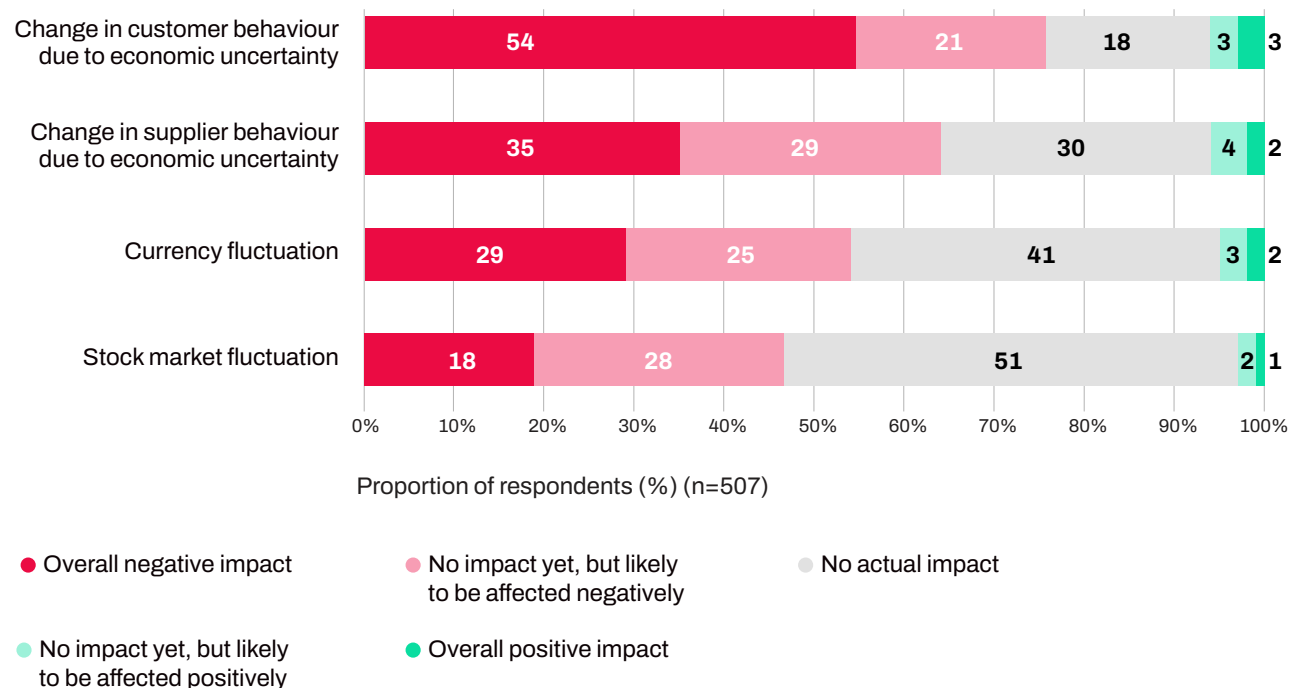
Since the US tariff announcement on 2 April, global financial markets, including Australia, have been volatile. The latest survey reveals most small businesses (54%) have already felt a negative impact from changing customer behaviour due to economic uncertainty, with another 21% expecting this soon. Nearly two-thirds (64%) of businesses reported an overall negative or a likely negative impact from a change of supplier behaviour due to economic uncertainty.



Lack of confidence for seeking investors in our business due to so much uncertainty around so many things, like tariffs, China, interest rates, FX rates, taxes and lack of business reforms.”

Information Media and
Telecommunications, Eastern Sydney

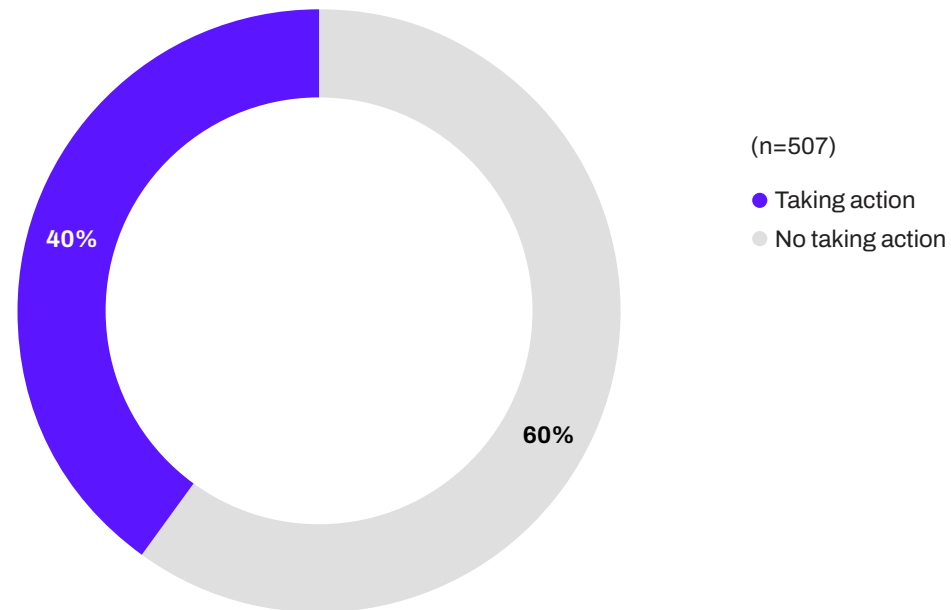
Figure 16: Impact of recent financial markets on small business



Note: Only small businesses have been included in these results.

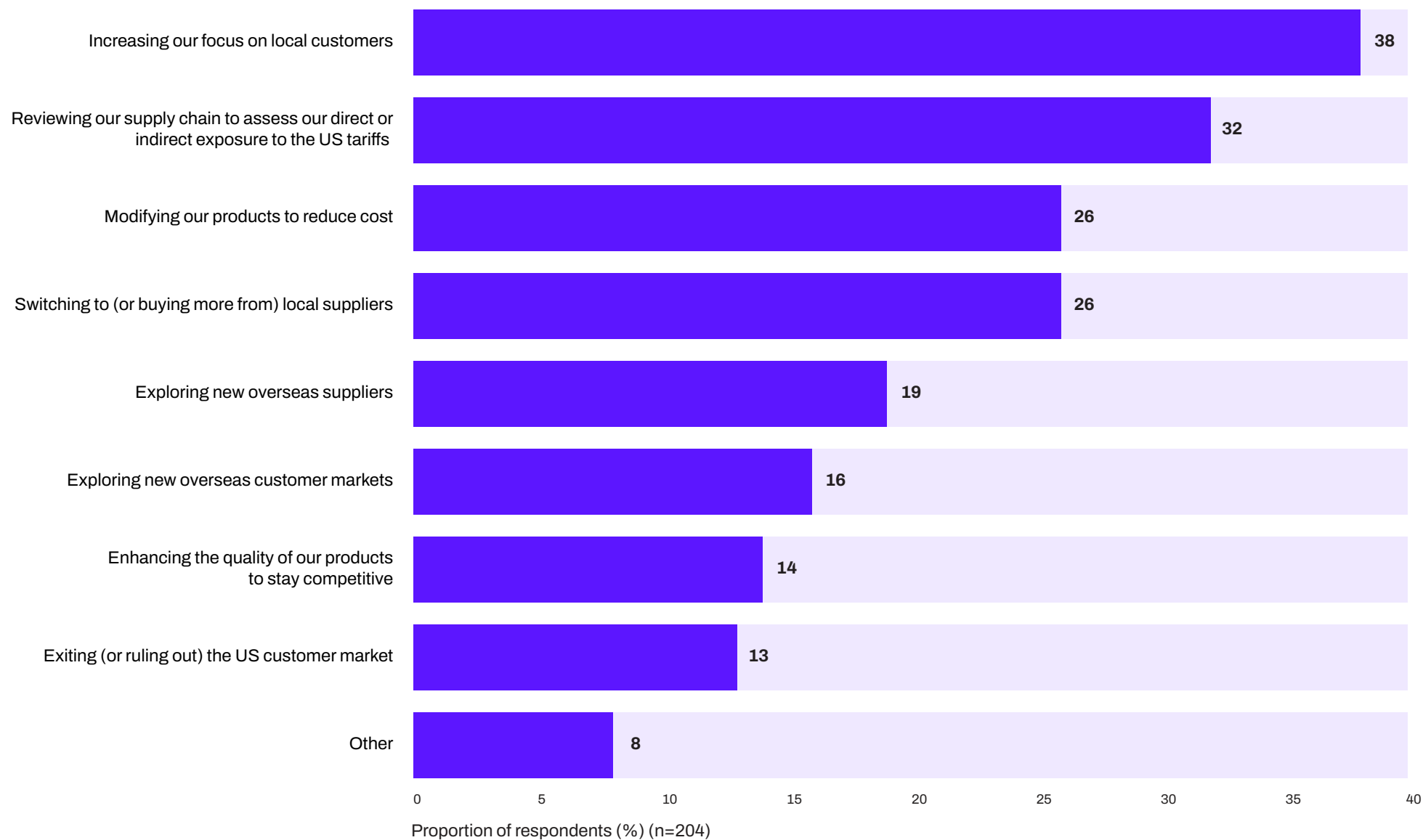
When asked about their response to the US tariffs, 60% of businesses reported taking no action, while 40% reporting taking some action. Of those taking action, the most common measures were increasing focus on local customers (38%) and reviewing supply chains to assess direct or indirect exposure to US tariffs (32%). Additionally, 13% reported exiting or ruling out the US market entirely.

Figure 17a: Business response to new US tariffs



Note: Only small businesses have been included in these results.

Figure 17b: Business actions in response to new US tariffs



Note: Only small businesses have been included in these results. Results do not sum to 100% as respondents could select multiple responses.

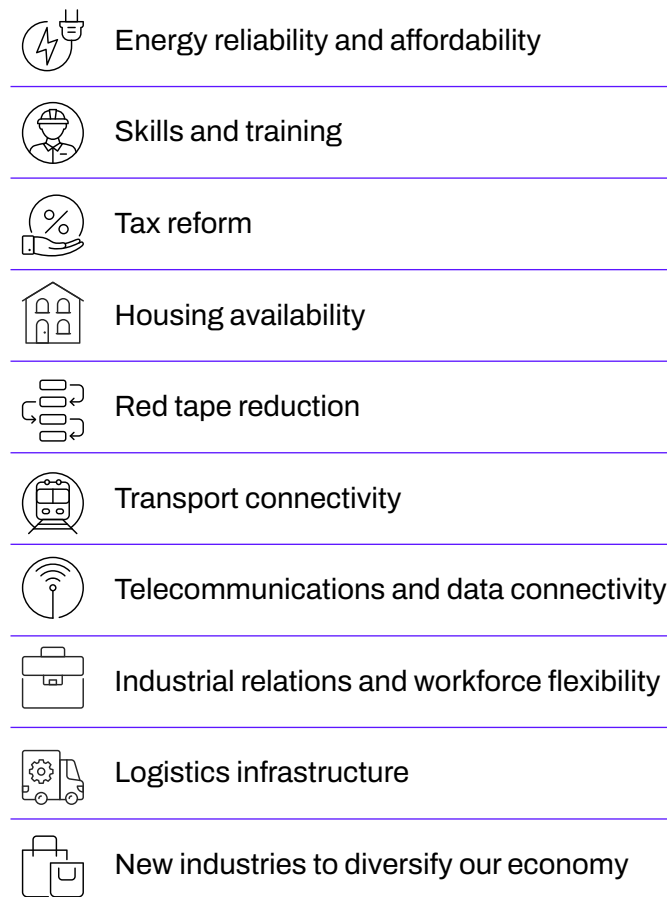


5. Business feedback to government

Federal Government policy

The latest survey, conducted just after the federal election, asked businesses what they wanted the incoming Federal Government to prioritise. Top responses were energy reliability and affordability, followed by skills and training, and tax reform.

Figure 18: Policy areas businesses want the Federal Government to prioritise

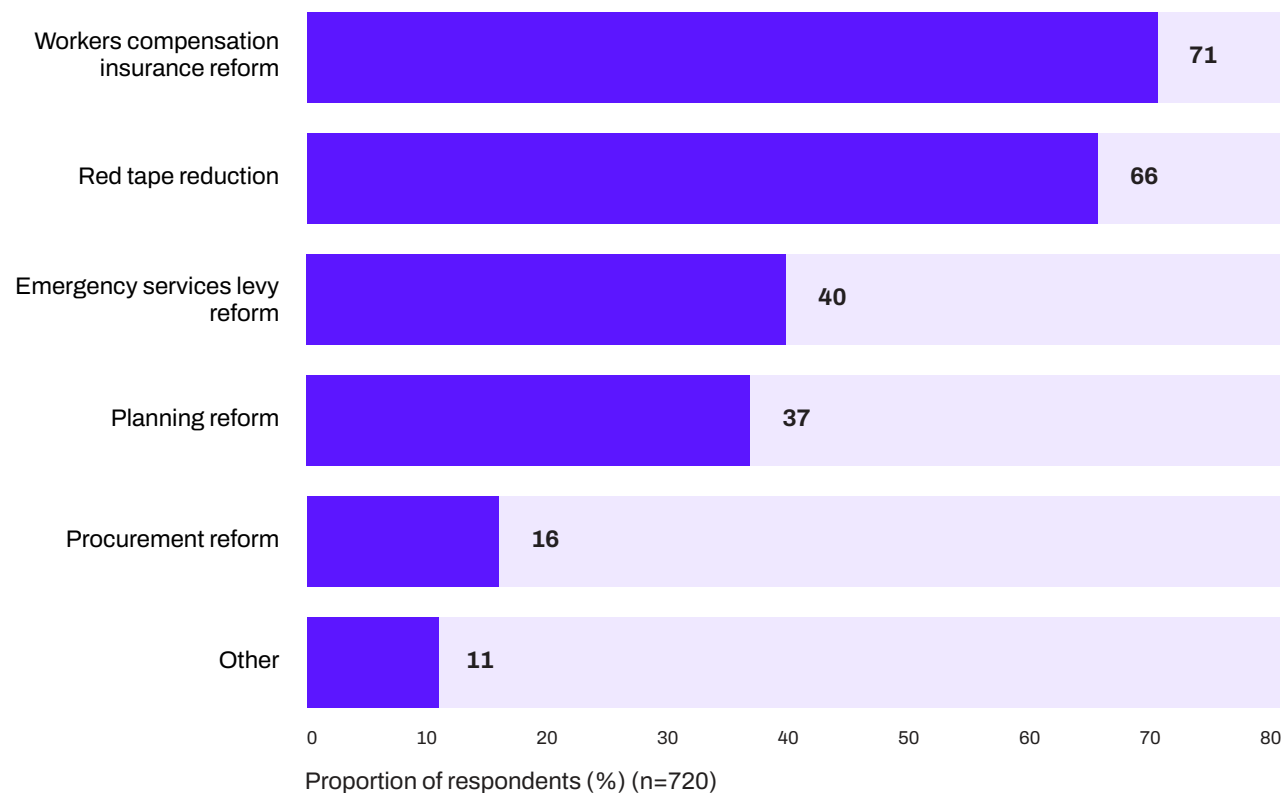


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NSW State Budget

In the lead-up to the NSW Budget, 71% of businesses want to see workers' compensation insurance reform, followed closely by 66% seeking red tape reduction.

Figure 19: Business wants for NSW Budget



Note: Results do not sum to 100% as respondents could select multiple responses.

Workers' compensation

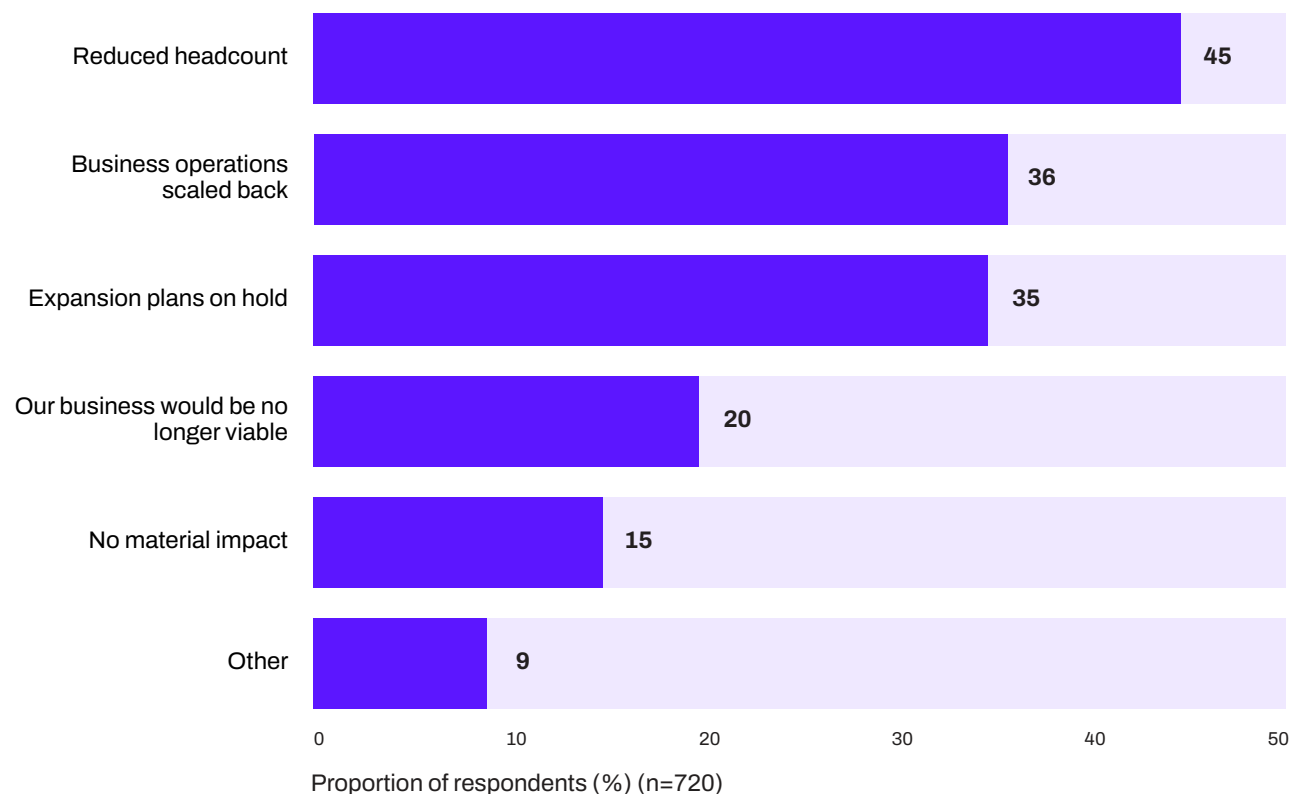
Following the NSW Government's announcement of a potential 36% increase in workers' compensation premiums over three years, even for claim-free businesses, the latest survey revealed significant concern. Nearly half (45%) of businesses reported they would reduce staff as a result, one in five (20%) reported their business would no longer be viable and only 15% expected no material impact.



Our main concern is workers' compensation premiums as we have no control over what we pay (no ability to price check). There is also no accountability if we are not receiving a satisfactory service (no ability to change suppliers). This is a major concern as we are essentially held hostage by the government."

Construction, Eastern Sydney

Figure 20: Impact of a 36% increase in workers' compensation insurance premiums over three years



Note: Results do not sum to 100% as respondents could select multiple responses.



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CONTACT

Ben Pike

Head of Marketing and Media

Ben.Pike@businessnsw.com



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