



**BUSINESS
NSW**

NSW BUSINESS CONDITIONS

Confidence plummets as costs rise

March 2026

Expressway Spares | Mid North Coast
Member since 2011

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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📷 Troys Hospitality | Eastern Sydney | Member since 2002



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Executive summary

With the 2027 NSW State Election now just one year away, businesses across the state are signalling a clear and urgent set of priorities for the next government.

Confidence has weakened notably this quarter, reflecting rising operating costs, ongoing skills shortages and increasing regulatory complexity. The February interest rate increase had an immediate impact on sentiment, with businesses reporting a sharp decline in confidence about both current and future trading conditions.

Across NSW, firms expect a more challenging operating environment over the year ahead. Forward-looking confidence has fallen to its lowest level in more than two years, and businesses continue to face significant obstacles attracting and retaining skilled workers. Housing availability is a growing barrier to recruitment in regional areas, further constraining capacity to fill critical roles.

Cost pressures remain entrenched. Insurance, government charges and energy continue to be the most burdensome expenses for businesses, with many reporting sustained increases over the past 12 months. Compliance obligations are also weighing more heavily: more than one third of businesses now spend over 21 hours each month on regulatory requirements, and a similar share spend more than \$100,000 each year managing compliance.

With the state election approaching, businesses are sending a consistent message. They want decisive action to reduce costs, make it easier to run a business, and for government to ensure the critical infrastructure is in place to support growth and development across New South Wales.

Addressing these pressures will be essential to restoring confidence and supporting a more competitive and resilient business environment across NSW.

This Business Conditions Survey was conducted from 27th January – 16th February, receiving 741 responses from businesses across the state.

Key findings

- 01 Business Confidence fell** at the start of 2026, with the Index dropping to -52.4 from -42.6 in the previous quarter. Forward-looking confidence also declined to -42.8, the lowest level index score since November 2023.
- 02 Confidence deteriorated sharply** following February's interest rate rise, with a substantial drop among respondents completing the survey after the announcement.
- 03 Hiring intentions remain subdued**, with more businesses planning to reduce staff than add headcount.
- 04 Skills gaps in regional areas are increasingly hard to fill**, with a lack of suitable housing for workers cited as a key barrier.
- 05 Insurance, government charges and energy remain the most burdensome business costs**, as they have done for almost three years.
- 06 Compliance demands continue to rise:** 35% of businesses now spend more than 21 hours each month on compliance, a 7% increase since March 2025.
- 07 Excessive compliance burdens are constraining business**, with 40% of businesses rating the level of regulation they face as 'excessive' and one in three businesses spending more than \$100,000 per year on compliance.
- 08 Businesses are sending a clear message ahead of the 2027 NSW Election:** make it easier to run and grow a business by reducing costs and eliminating unnecessary red tape. Tax burdens, energy reliability, housing supply and enabling infrastructure are key priorities.
- 09 Completing workers' compensation reform** is viewed as the area where government can have the most impact to support businesses.



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In 2026, key challenges include ongoing skills shortages, rising employment and compliance costs, and continued regulatory complexity, particularly across employment, WHS and psychosocial risk obligations. Managing workforce capacity while maintaining productivity and employee wellbeing remains a significant pressure for many businesses.

At the same time, there are clear opportunities. [...] Businesses that are able to adapt to regulatory change, invest in people capability, and take a measured approach to innovation will be better positioned to manage uncertainty and grow sustainably in 2026.”

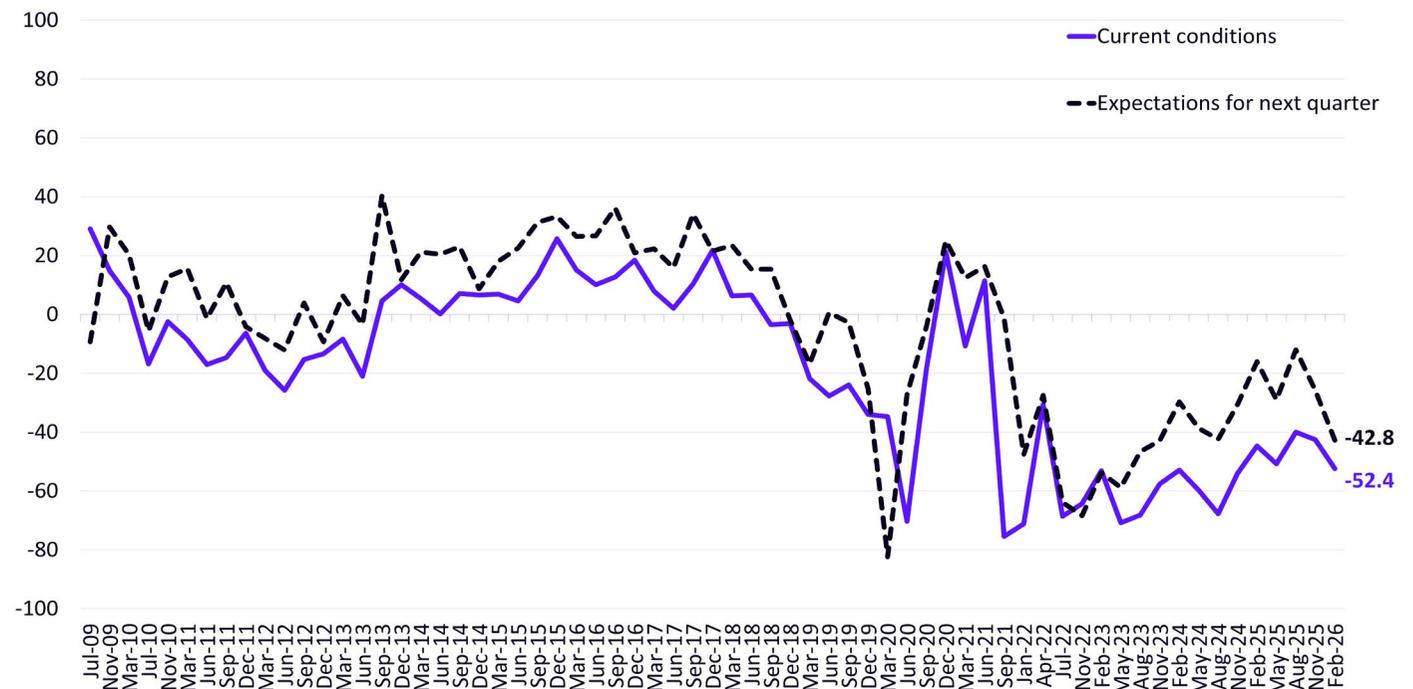
Professional and technical services
– Central Coast

1. Business confidence

The Business Confidence Index dipped further at the start of 2026, falling to -52.4 from -42.6 in the previous quarter. After peaking in August 2025, business confidence has declined for two consecutive quarters for the first time since early 2024. Forward confidence also fell to -42.8, the lowest level since November 2023.

Regions and industry results were mixed, with many reporting lower confidence for the next quarter than the current one.

Figure 1: Business confidence index.





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In 2026, small businesses are facing serious pressure from rising costs, labour shortages, and complex regulations that make it harder to grow or even remain viable. The opportunity is that small businesses are ready to innovate and contribute more, but we need a more supportive operating environment, including reduced red tape and better targeted assistance.”

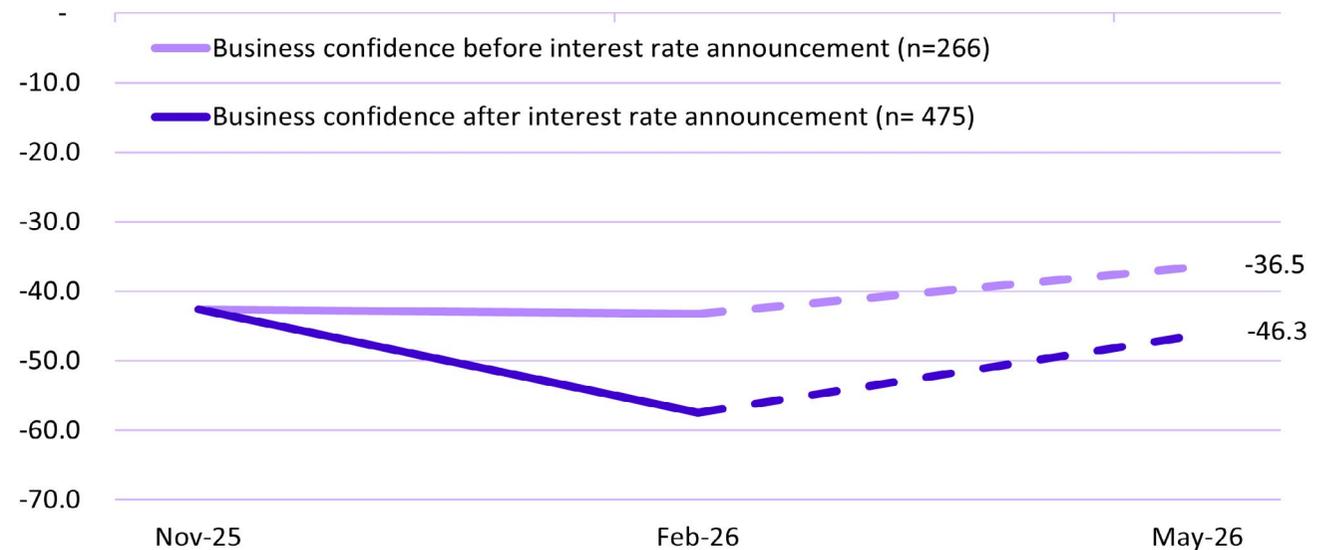
Education and training
– Newcastle and Lake Macquarie

Businesses were able to respond to our survey from Tuesday 27th January to Monday 16th February. On Tuesday 3rd February the Reserve Bank of Australia announced an increase in the cash rate to 3.85%, ending the recent cycle of interest rate reductions.

Our survey shows that this announcement had an immediate discernible impact on business confidence. Our survey received 266 responses before the announcement and 475 responses after. Respondents from before the announcement were considerably more confident about current and future business conditions than respondents after the announcement.

Following the announcement, current and next quarter confidence fell sharply by 14.2 and 9.8 index points respectively. This reflects expectations of weaker customer sentiment and higher debt servicing costs for some businesses.

Figure 2: Impact of interest rate rise on Business Confidence Index.

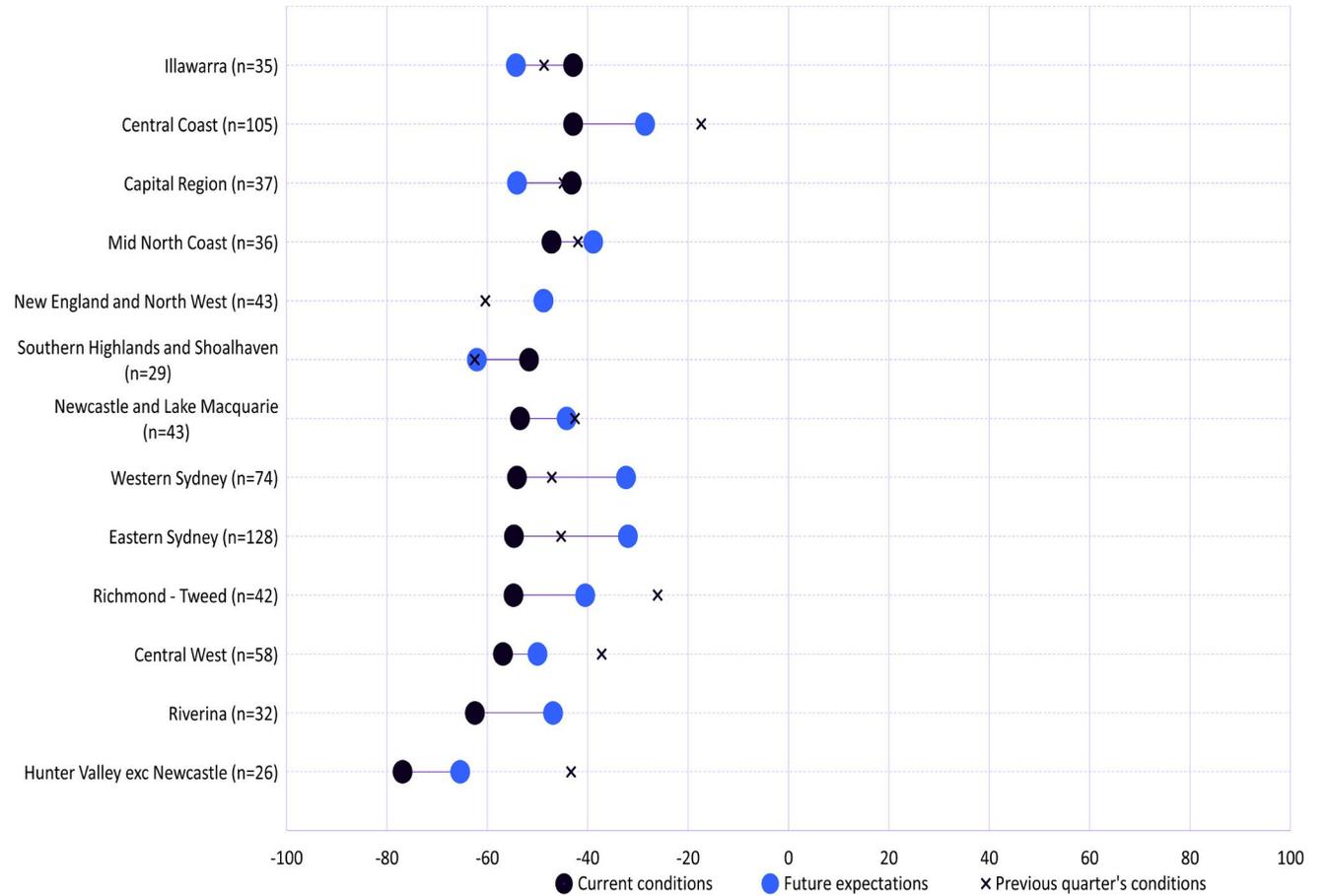


Note: Respondents are categorised as 'before' or 'after' announcement based on their start time of survey being before or after 2:30:00 PM February 3rd 2026.



Regional snapshot

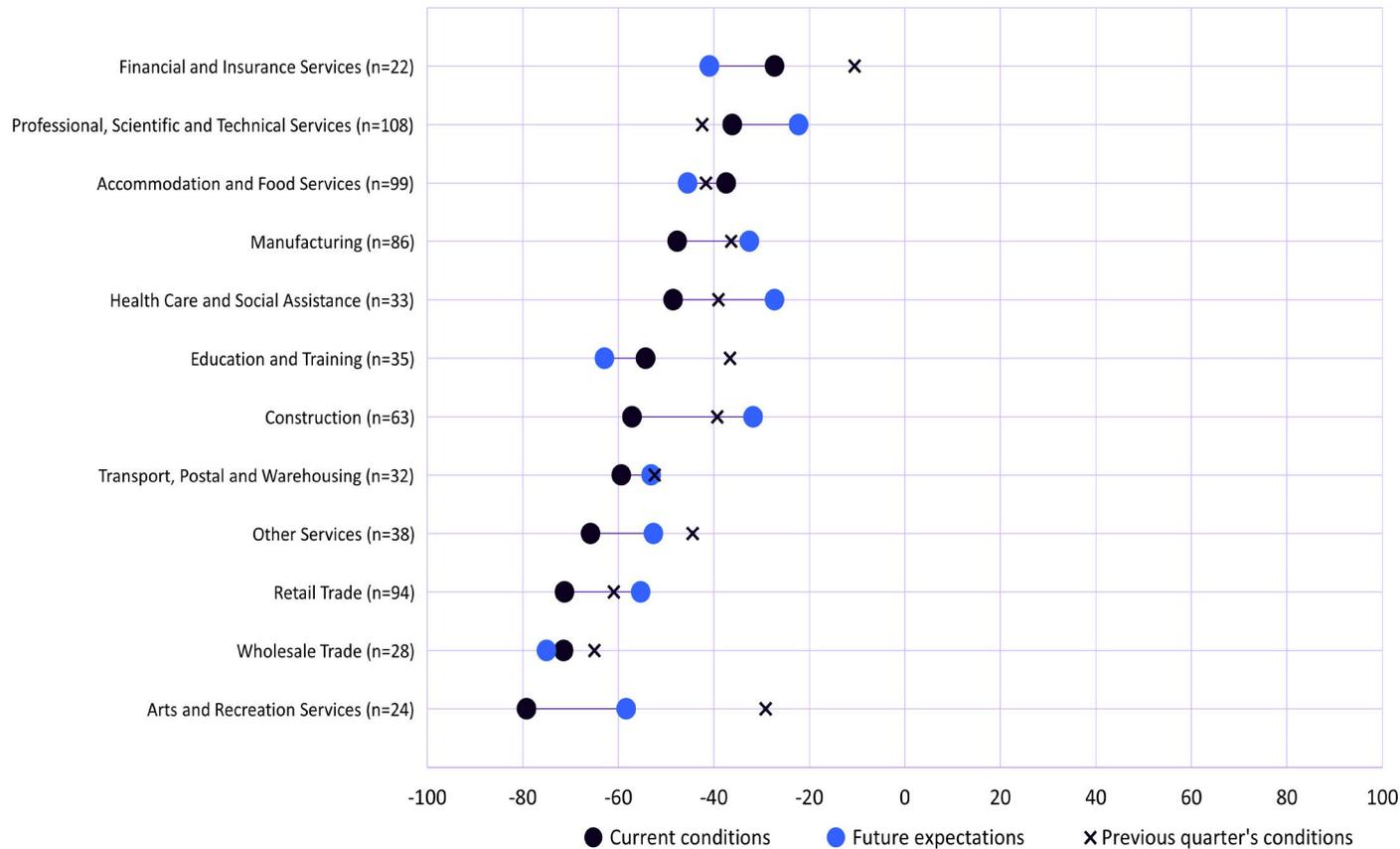
Figure 3: Business confidence by region.



Note: Regions with less than 20 respondents have been excluded. Indicated sample sizes are for 'Current conditions' and 'Future expectations'.

Industry snapshot

Figure 4: Business confidence by industry.



Finding skilled staff and attracting them to a regional area is difficult. There is a shortage of skilled staff locally. Wages have risen a lot but productivity is falling across many industries. Cash flow is definitely being impacted.

Construction – Far West and Orana

Note: Industries with less than 20 respondents have been excluded. Indicated sample sizes are for 'Current conditions' and 'Future expectations'.

2. Hiring

NSW's unemployment rate fell to 4.1% in January 2026, below the 10-year average of 4.5%¹. Although 28% of businesses reduced staff in the past three months, 78% plan to maintain or increase headcount next quarter. This is slightly lower than the four quarter average of 83%. Hiring pressures remain most acute in professional, scientific and technical services, construction, and financial and insurance services. For businesses planning to hire in the next three months, the greatest demand is for sales and services workers, trades workers and professionals.



Housing supply and affordability is having an impact on our business, when combined with regional skills base. We are finding due to the lack of available skills we are having to relocate people to the Northern Rivers region, however the housing issue is making this more difficult.”

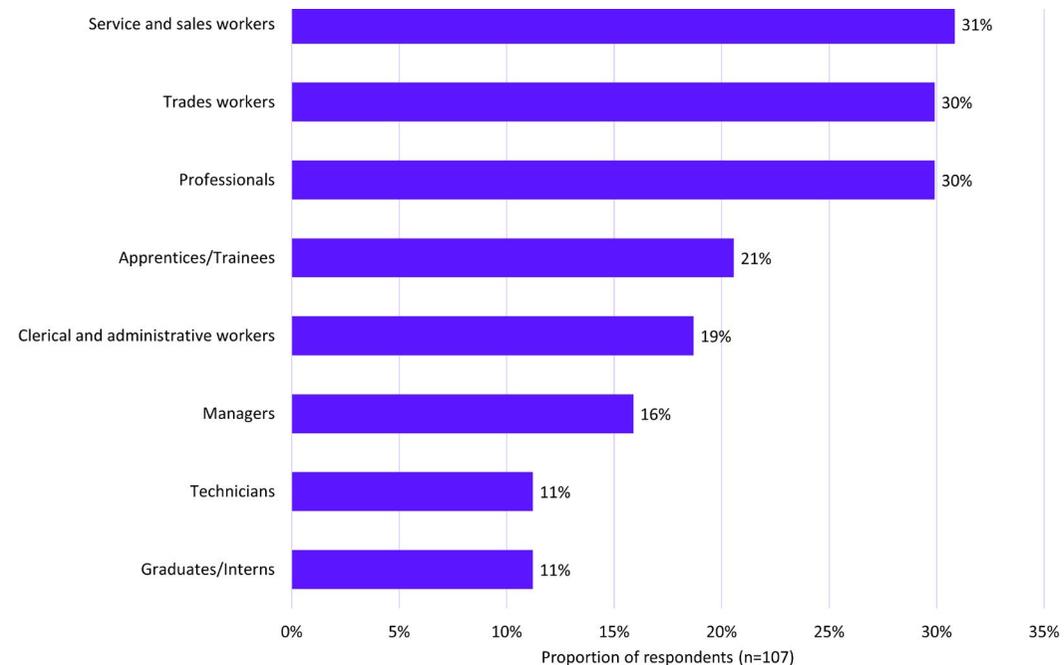
Manufacturing – Richmond - Tweed

Figure 5: Change of staff headcount.

	Change of staff headcount in the past three months		Plans for staff headcount for the next three months
We have hired additional staff	11%	Hiring additional staff	14%
No change	60%	Maintaining the same headcount	63%
We have cut staff	28%	Cutting staff	22%

Note: Results sum to more than 100% as respondents were able to select multiple responses. Only respondents who selected “Hiring” in the previous question were asked what roles they would be hiring.

Figure 6: Roles to be filled



¹ ABS, Labour Force, Australia, January 2026, Catalogue No. 6202.0



The most important problem since Covid-19 is recruiting and keeping staff”

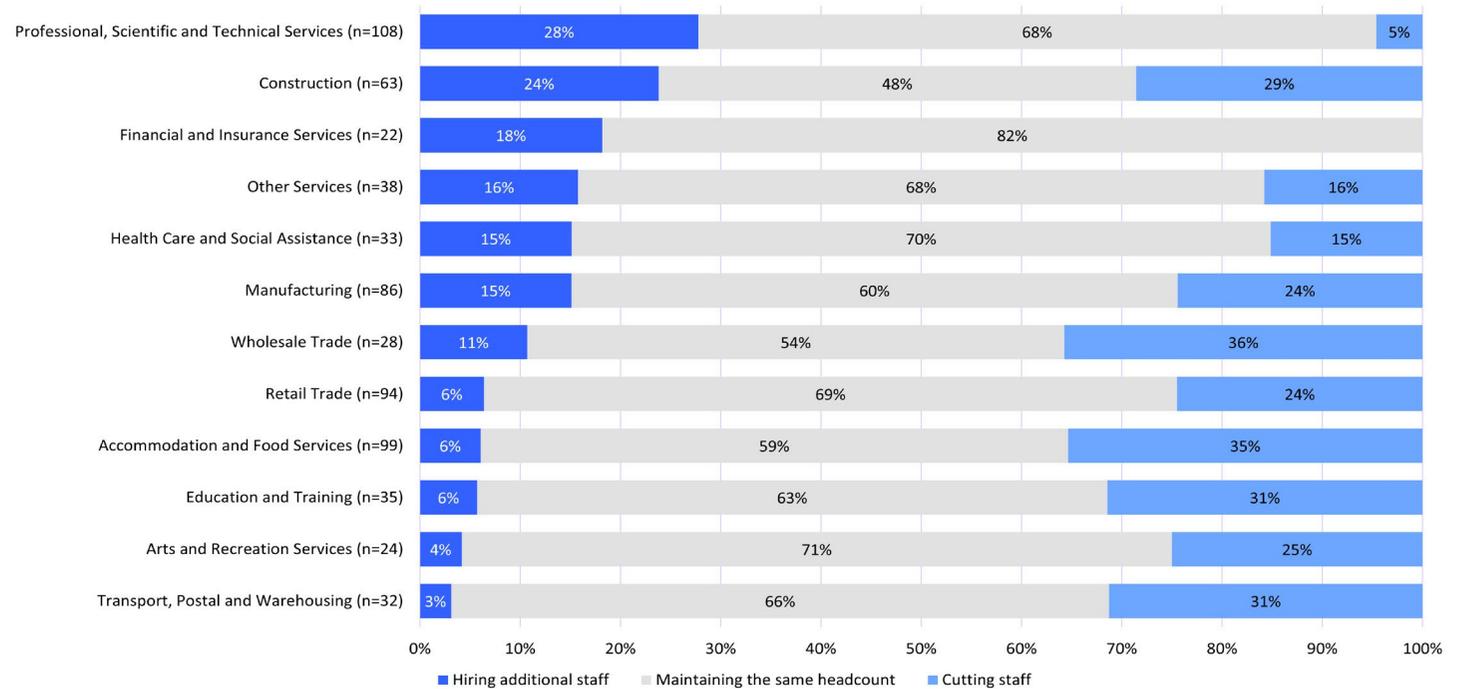
Manufacturing – Western Sydney



We feel the need to reduce staff as the cost to now employ tradesman fulltime is not worth it. The market has hit a ceiling with what it will pay for work to be undertaken and combined with annual increases in tax/ super/ insurance etc, employees have become less viable now.”

Construction – Far West and Orana

Figure 7: Plans for staff headcount for the next three months by industry.



Note: Industries with less than 20 respondents have been excluded. respondents who selected “Hiring” in the previous question were asked what roles they would be hiring.



Finding and retaining staff in the hospitality sector has become increasingly difficult and is now one of the most significant challenges facing small businesses.”

Accommodation and food services – Riverina

3. Business costs

Business cost concerns

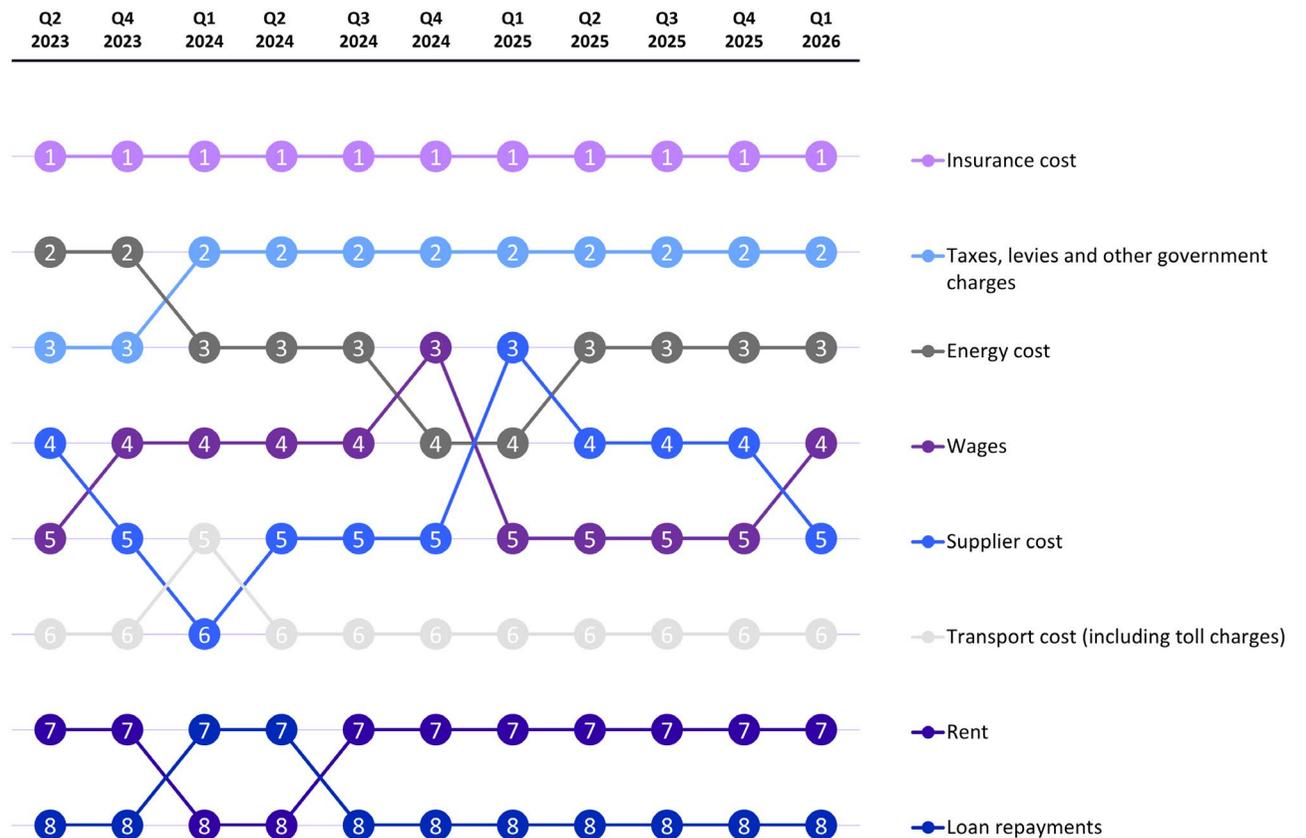
Business cost concerns have stabilised in recent quarters. Insurance costs remain the top concern – a position held for almost three years. Since early 2024, this has been followed by taxes, levies and other government charges. Energy costs remain as an elevated concern, while concern about supplier costs has eased despite ongoing international trade uncertainty.



Workers compensation, insurances and soaring energy prices are the three biggest challenges at the moment.

Retail trade – Newcastle and Lake Macquarie

Figure 8: Ranked concerns about business costs over time.





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Every major expense has risen — rent, insurance, utilities, wages, supplies, fuel. Small businesses can't always pass these costs on to customers without losing trade, so margins are being squeezed to the point where survival is uncertain. Small businesses provide local jobs, support community life and train the next group of workers, yet we feel policy decisions are made without genuine understanding of day-to-day pressures.”

Education and training,
Newcastle and Lake Macquarie

4. Feedback to Government ahead of 2027 state election

Government policy

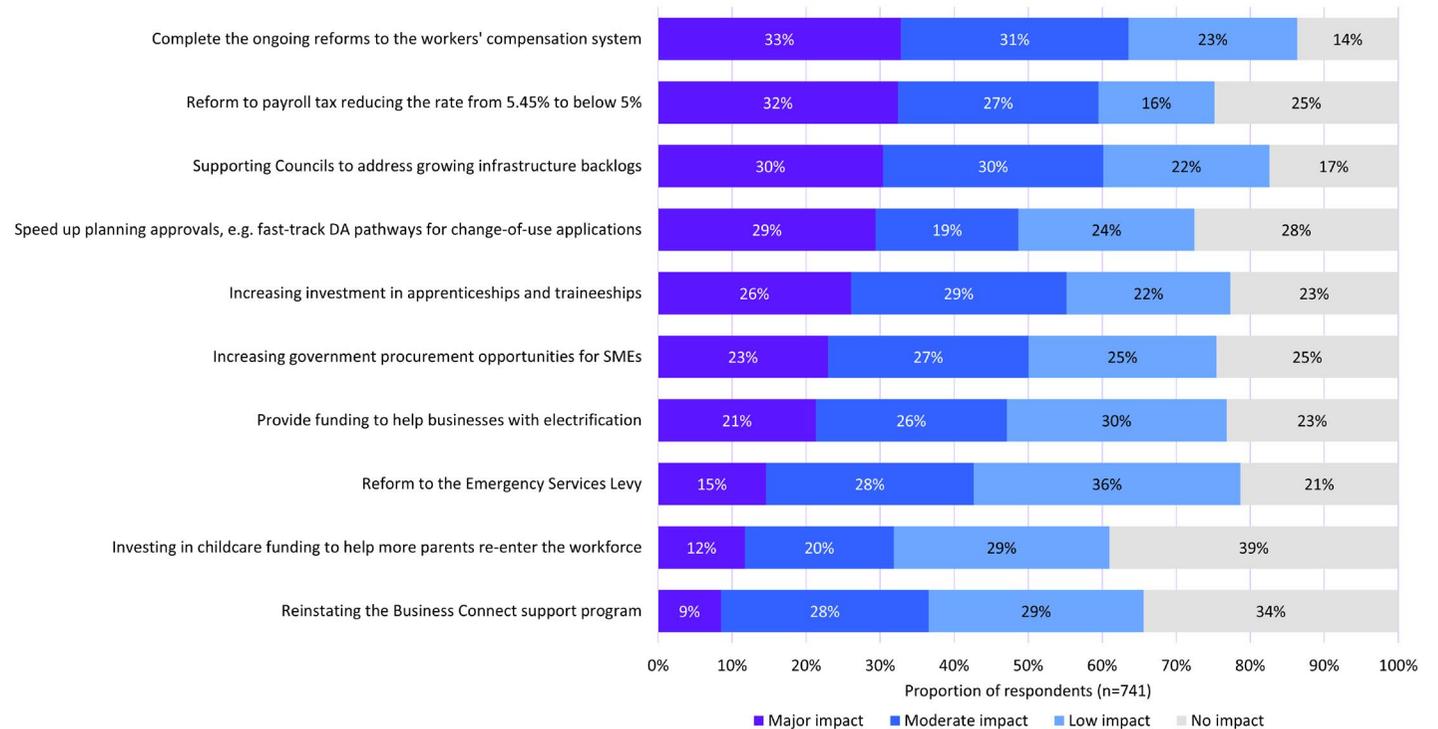
New South Wales is now just one year out from the next state election. We asked businesses to rank what government's top important priorities should be to improve business conditions.

The message to government is clear: prioritise taxes, levies and government charges, energy cost and reliability, and housing availability and affordability. Further, one in ten businesses rank red tape removal as their number one priority, which demonstrates how much of a burden red tape can be for the businesses it affects most.

Figure 9: Ranked priorities for government to improve business conditions (n = 741).

Ranking	Priority	Percentage of businesses ranking the priority as:	
		Top priority	Top 3 priority
1	Taxes, levies and government charges	37%	69%
2	Energy cost and reliability	16%	56%
3	Housing availability and affordability	13%	41%
4	Industrial relations	8%	33%
5	Insurance costs	9%	36%
6	Red tape removal	10%	31%
7	Skills and education	4%	15%
8	Transport, industrial land and logistics	1%	7%
9	Local procurement and government contracts	2%	8%
10	Disaster preparation, recovery and resilience	1%	4%

Figure 10: Expected impact of policies on running and growing business.



We asked businesses to identify the expected impact of various policies currently under consideration by the NSW Government. Reform is seen as key: 86% say completing ongoing reforms to the workers' compensation system would have a positive impact. 83% support more action to reduce council infrastructure backlogs. 75% of businesses highlight that reforming payroll tax is crucial, with one in three businesses saying reducing the rate would have a 'major' impact on their ability to run and grow their business.



For the 2027 NSW State Election, priorities should focus on long-term productivity, workforce capability and economic resilience rather than short-term or reactive policy responses.

Business, government and the community all benefit when there is policy certainty, stable industrial relations settings and a skilled, healthy workforce.”

Professional and technical services – Central Coast

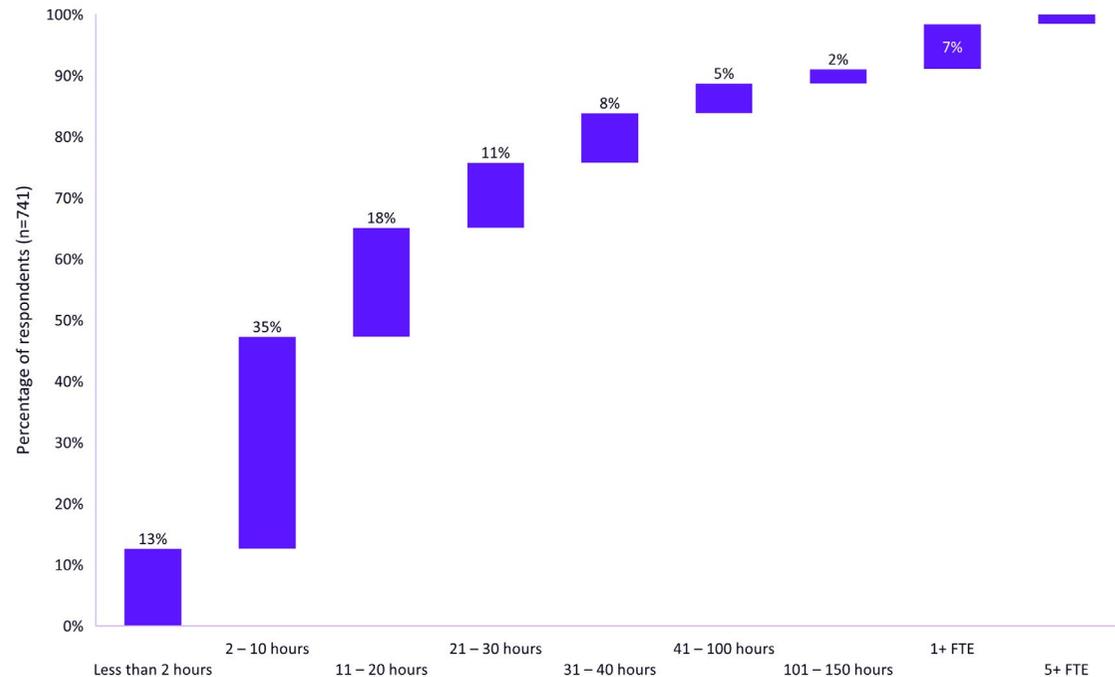
Compliance and regulation

Excessive compliance continues to be a drain on NSW businesses' time and resources.

More than a third of NSW businesses (35%) report spending more than 21 hours each month on ensuring compliance with regulations. This has risen by 7% (from 28%) since this question was last asked in March 2025.

For many businesses, the time they spend on compliance is due to the complexity and ambiguity of many compliance processes and expectations.

Figure 11: Time spent per month working to meet regulatory and compliance requirements.



I'm not confident with compliance requirements in the industry. External bodies that provide guidance are expensive, and often charge more for updated documents. While resources exist on the NSW Fair Trading website, there is no personalised support, and staff may not always be able to provide clear guidance. Constantly changing rules increase costs and require additional time and training for staff to keep policies and procedures up to date."

Financial and Insurance Services – Eastern Sydney

Excessive compliance requirements can result in significant costs for businesses, especially for small businesses where compliance costs can be a large proportion of total costs.

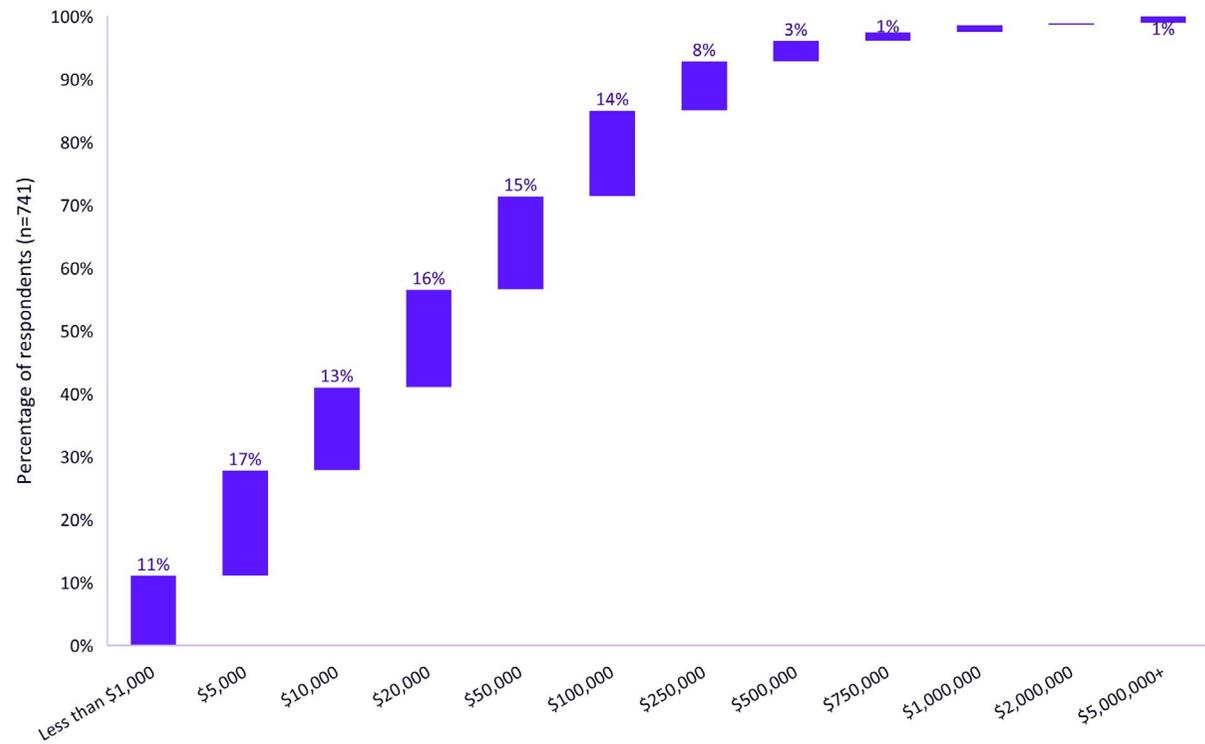
Seventy-two per cent of businesses reported spending \$10,000 or more annually on meeting regulatory and compliance requirements, while 29% spend at least \$100,000 – exceeding the median full-time salary of \$91,000 in NSW². These costs include but are not limited to staffing, advice, business operation implementation, and legal fees.



It's simply too hard to meet [all regulation requirements], to understand them all, and have time to do your job and operate profitably combined. It's simply impossible."

Electricity, Gas, Water and Waste Services – Capital Region

Figure 12: Estimated annual cost of meeting regulatory and compliance requirements.



² ABS, Wage Price Index, Australia, December 2025, Catalogue No. 6345.0



On a scale of 0 (too relaxed) to 10 (excessive), only one in five businesses rate the current level of regulation as the right balance, while 40% consider it overly burdensome (8-10). Respondents gave an average score of 6.8, indicating that on average they feel current levels of regulation to be too restrictive.

NSW residents ultimately pay for the costs of compliance. Half of businesses report passing on some, or all, of their regulatory and compliance costs onto customers over the past 12 months.

Figure 13: Business rating of current regulation.

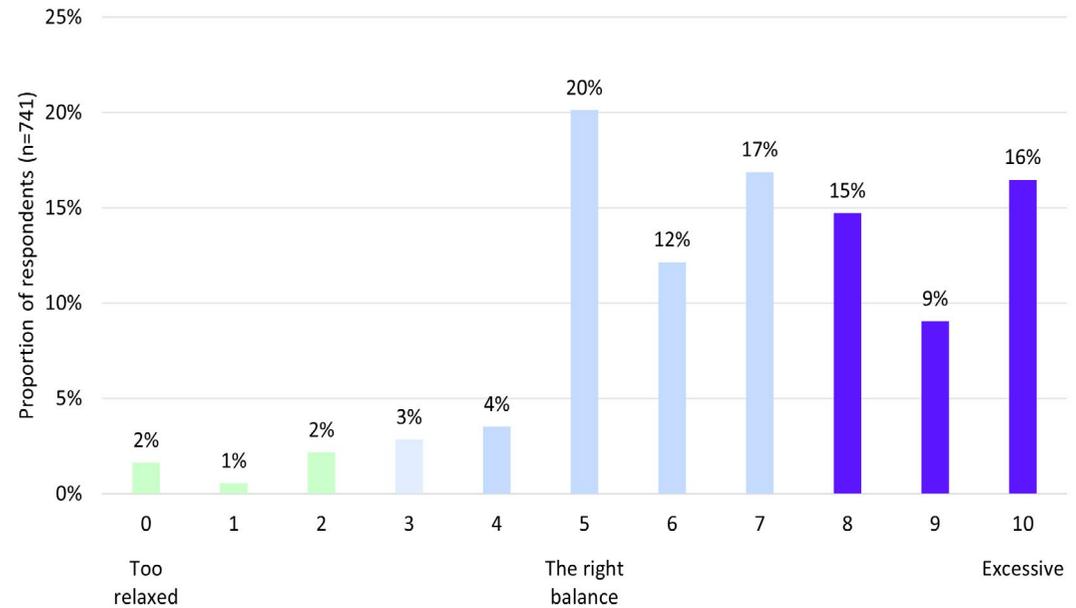
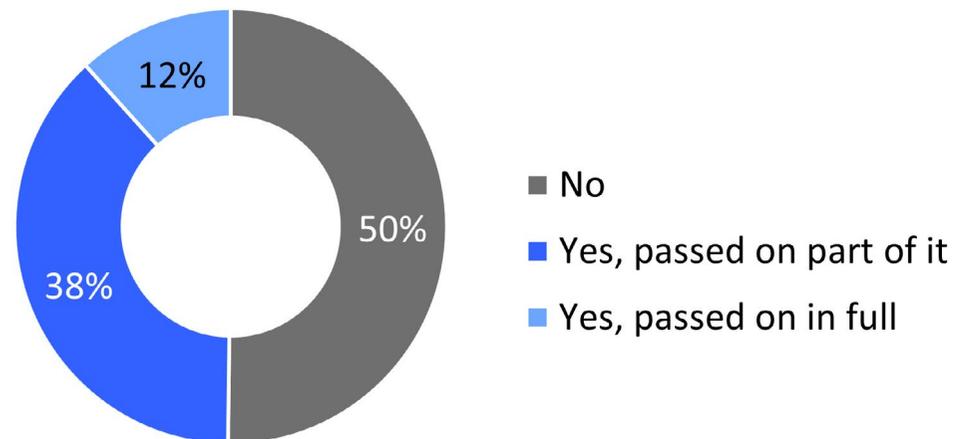


Figure 14: Passing on of regulation and compliance costs in the last 12 months.





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