



**BUSINESS  
NSW**

# **NSW BUSINESS CONDITIONS**

A cautious start to 2024

March 2024





# 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 Australian economy is evidently slowing, following 13 interest rate hikes by the Reserve Bank of Australia since mid-2022. Recent data show weak household spending, falling retail trade, a decline in business turnover across most industries, and a continued increase in business insolvency.

The high cost-of-living is the biggest economic challenge at present, impacting businesses in various ways. Nevertheless, inflation has been easing on the back of a slowing economy. This has substantially reduced chances of further rate hikes. In fact, the market is now expecting the next move to be a rate cut. This has provided much needed support for business confidence.

The latest Business Conditions Survey was conducted from 22 January to 12 February and received a total of 1,107 responses, covering all key industries and regions in NSW.

## Key findings

- 01** The Business Confidence Index has risen for the third straight quarter to -52.9, the highest reading in nearly two years. Although business sentiment remains subdued, businesses are less concerned about economic conditions in the June quarter.
- 02** 95% of businesses are experiencing some impact of the rising cost of living. The most common experience is reduced customer demand for their products and services.
- 03** A majority of businesses have observed consumer behavioural changes in the form of reduced frequency of purchases, reduced quantity per order, increased appetite for lower cost substitutes and increased price negotiation.
- 04** The top three business cost concerns remain insurance costs; taxes, levies and other government charges; and energy costs.
- 05** Many businesses will be cutting discretionary spending in 2024. The spending categories that have the most businesses reporting a cut are: non-essential office supplies and decorations, corporate or event sponsorships, and corporate travel.
- 06** 17% of businesses are planning to hire additional staff in the next three months, while 18% are planning to cut staff. The rest are planning to maintain the same headcount.
- 07** 92% of businesses have identified issues related to attracting and retaining skilled workers in their region. The key barriers are: wage expectations, cost of living, insufficient housing supply and a lack of affordable housing.
- 08** 51% of businesses have experienced supply chain disruptions in the past three months, half of which affected by both domestic and international supplier issues.
- 09** When choosing suppliers, businesses consider cost, quality and reliability as the three key factors.
- 10** With slowing inflation reducing chances of further interest rate hikes, the average level of concern among businesses about interest rates has stabilised.
- 11** To improve the ease of doing business, survey respondents consider taxes, levies and government charges as the area that requires top priority attention from government.



“

*This year is looking a little better for us... There are still many pressures around increased costs in every aspect of our business, plus the reduction in spending due to rising interest rates and the cost of living.”*

Retail Trade,  
Eastern Sydney

“

*Larger companies have started to spend money from the start of this year. We have signed some big projects in the first 2 weeks.”*

Manufacturing,  
Central Coast

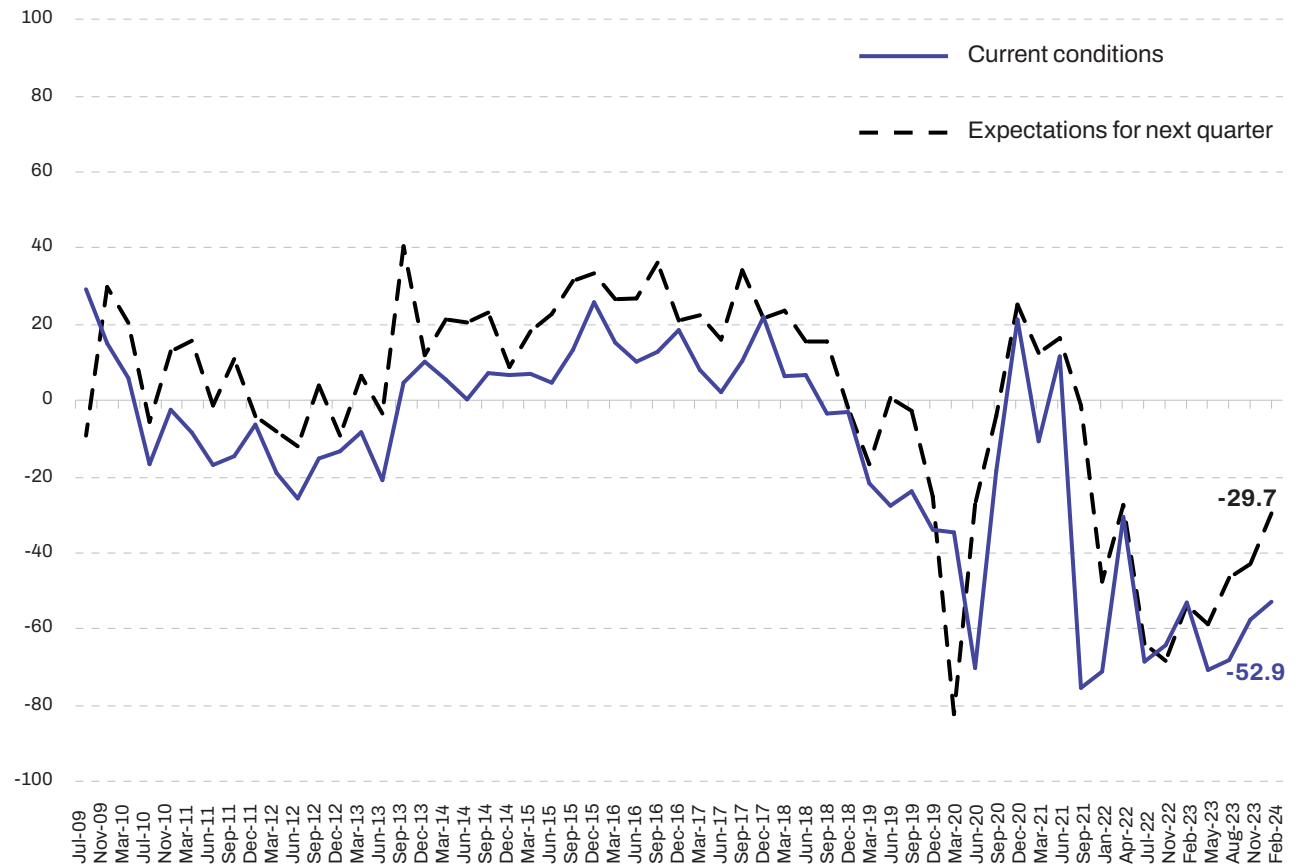
# 1. Business Confidence

Business sentiment remains subdued in the opening two months of 2024.

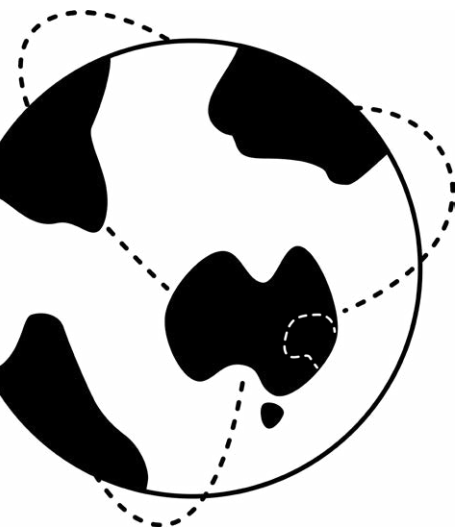
Despite still in negative territory, the Business Confidence Index has risen for the third straight quarter to -52.9, the highest reading in nearly two years.

Looking ahead to the next quarter, the business confidence reading is at -29.7. The gap between the two numbers reflects the proportion of businesses that are not as concerned about economic conditions in the next quarter.

**Figure 1: Business Confidence Index**



# Regional Snapshot

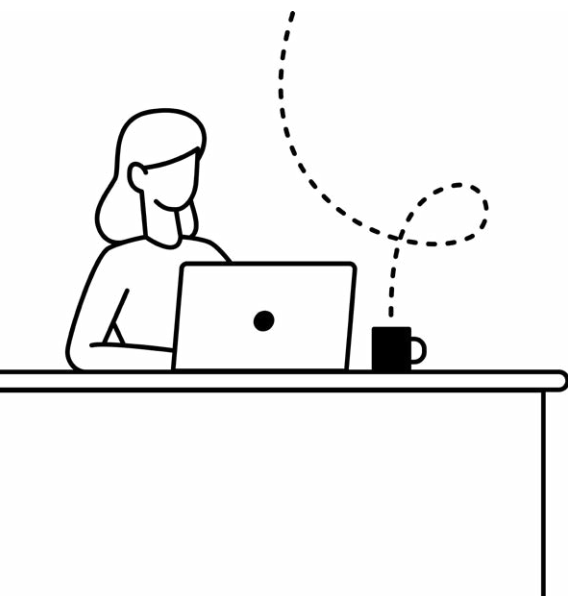


**Figure 2: Business confidence by region**

	<b>Business Confidence Index</b>		
	<b>Last Quarter (2023 Q4)</b>	<b>Current Quarter (2024 Q1)</b>	<b>Next Quarter (2024 Q2)</b>
<b>NSW</b>	<b>-57.6 (n=845)</b>	<b>-52.9 (n=1107)</b>	<b>-29.7 (n=1107)</b>
<b>Regions expecting economic trajectory to improve</b>			
Central Coast	-66.0 (n=53)	-70.6 (n=51)	-29.4 (n=51)
Richmond - Tweed	-52.0 (n=50)	-55.3 (n=76)	-19.7 (n=76)
Far West and Orana	-71.4 (n=14)	-36.1 (n=36)	-5.6 (n=36)
Western Sydney	-54.8 (n=93)	-55.8 (n=120)	-26.7 (n=120)
Eastern Sydney	-55.6 (n=248)	-53.6 (n=237)	-26.2 (n=237)
Mid North Coast	-64.7 (n=34)	-59.5 (n=126)	-33.3 (n=126)
Southern Highlands and Shoalhaven	-71.4 (n=28)	-67.7 (n=31)	-41.9 (n=31)
Central West	-58.1 (n=43)	-51.4 (n=74)	-25.7 (n=74)
Illawarra	-50.0 (n=44)	-42.9 (n=49)	-20.4 (n=49)
Riverina	-61.3 (n=31)	-61.1 (n=36)	-44.4 (n=36)
Hunter Valley exc Newcastle	-69.8 (n=43)	-60.9 (n=46)	-45.7 (n=46)
New England and North West	-62.5 (n=40)	-43.8 (n=64)	-32.8 (n=64)
Newcastle and Lake Macquarie	-46.5 (n=43)	-32.8 (n=61)	-24.6 (n=61)
Murray	-57.1 (n=28)	-47.4 (n=38)	-39.5 (n=38)
<b>Regions expecting no change</b>			
Capital Region	-66.7 (n=24)	-48.7 (n=39)	-48.7 (n=39)
<b>Regions expecting a deterioration</b>			
Coffs Harbour - Grafton	-65.2 (n=46)	-47.8 (n=23)	-52.2 (n=23)



# Industry Snapshot



**Figure 3: Business confidence by industry**

	<b>Business Confidence Index</b>		
	<b>Last Quarter (2023 Q4)</b>	<b>Current Quarter (2024 Q1)</b>	<b>Next Quarter (2024 Q2)</b>
<b>NSW</b>	<b>-57.6 (n=845)</b>	<b>-52.9 (n=1107)</b>	<b>-29.7 (n=1107)</b>
<b>Industries expecting economic trajectory to improve</b>			
Administrative and Support Services	-73.3 (n=15)	-53.6 (n=28)	-7.1 (n=28)
Public Administration and Safety	-66.7 (n=3)	-28.6 (n=7)	14.3 (n=7)
Wholesale Trade	-69.2 (n=26)	-60.6 (n=33)	-24.2 (n=33)
Rental, Hiring and Real Estate Services	-56.5 (n=23)	-59.4 (n=32)	-31.3 (n=32)
Other Services	-63.5 (n=52)	-75.4 (n=65)	-47.7 (n=65)
Accommodation and Food Services	-57.1 (n=98)	-61.0 (n=136)	-33.8 (n=136)
Construction	-53.9 (n=76)	-54.1 (n=85)	-27.1 (n=85)
Education and Training	-43.8 (n=48)	-34.9 (n=43)	-9.3 (n=43)
Retail Trade	-70.6 (n=136)	-71.5 (n=172)	-47.7 (n=172)
Health Care and Social Assistance	-42.6 (n=47)	-34.9 (n=63)	-12.7 (n=63)
Manufacturing	-48.7 (n=78)	-52.0 (n=98)	-31.6 (n=98)
Mining	0.0 (n=2)	-40.0 (n=5)	-20.0 (n=5)
Financial and Insurance Services	-52.2 (n=23)	-53.7 (n=41)	-34.1 (n=41)
Professional, Scientific and Technical Services	-61.9 (n=97)	-36.4 (n=151)	-17.2 (n=151)
Transport, Postal and Warehousing	-88.9 (n=18)	-59.3 (n=27)	-44.4 (n=27)
Information Media and Telecommunications	-37.5 (n=24)	-47.8 (n=23)	-34.8 (n=23)
Agriculture, Forestry and Fishing	-78.6 (n=28)	-46.9 (n=32)	-34.4 (n=32)
Arts and Recreation Services (incl. Tourism)	-36.6 (n=41)	-33.9 (n=56)	-23.2 (n=56)
Electricity, Gas, Water and Waste Services	-40.0 (n=10)	-10.0 (n=10)	0.0 (n=10)

“

*The last quarter was supposed to be our busiest of the year. The cost of living has taken its toll upon all of our customers and is flowing through to small business operations. We have reduced staff, moved business location and tried to cut more overheads where possible but we are still breaking even or losing money each month.”*

Electricity, Gas, Water and Waste Services,  
Newcastle and Lake Macquarie

“

*Cost of living continues to negatively affect our business and recruiting staff is an ongoing issue in our region due to low award pay rates and limited housing for people wanting to move to the area.”*

Arts and Recreation Services,  
Coffs Harbour - Grafton

“

*Cost of living is a BIG factor that flows on to all aspects. Cost of living has increased along with insurances and people do not have the funds to support anything other than essential purchases.”*

Professional, Scientific and Technical Services,  
Newcastle and Lake Macquarie

“

*Impossible to pass on all overheads and cost to consumers leaves us earning less when we have to battle our own cost of living expenses.”*

Accommodation and Food Services,  
Mid North Coast



# 2. Impact of Rising Cost of Living

Headline inflation has been moderating. However, price levels remain high and this is weighing on household spending.

**95% of businesses are experiencing some impact of the rising cost of living.**

More than 50% of businesses experience:

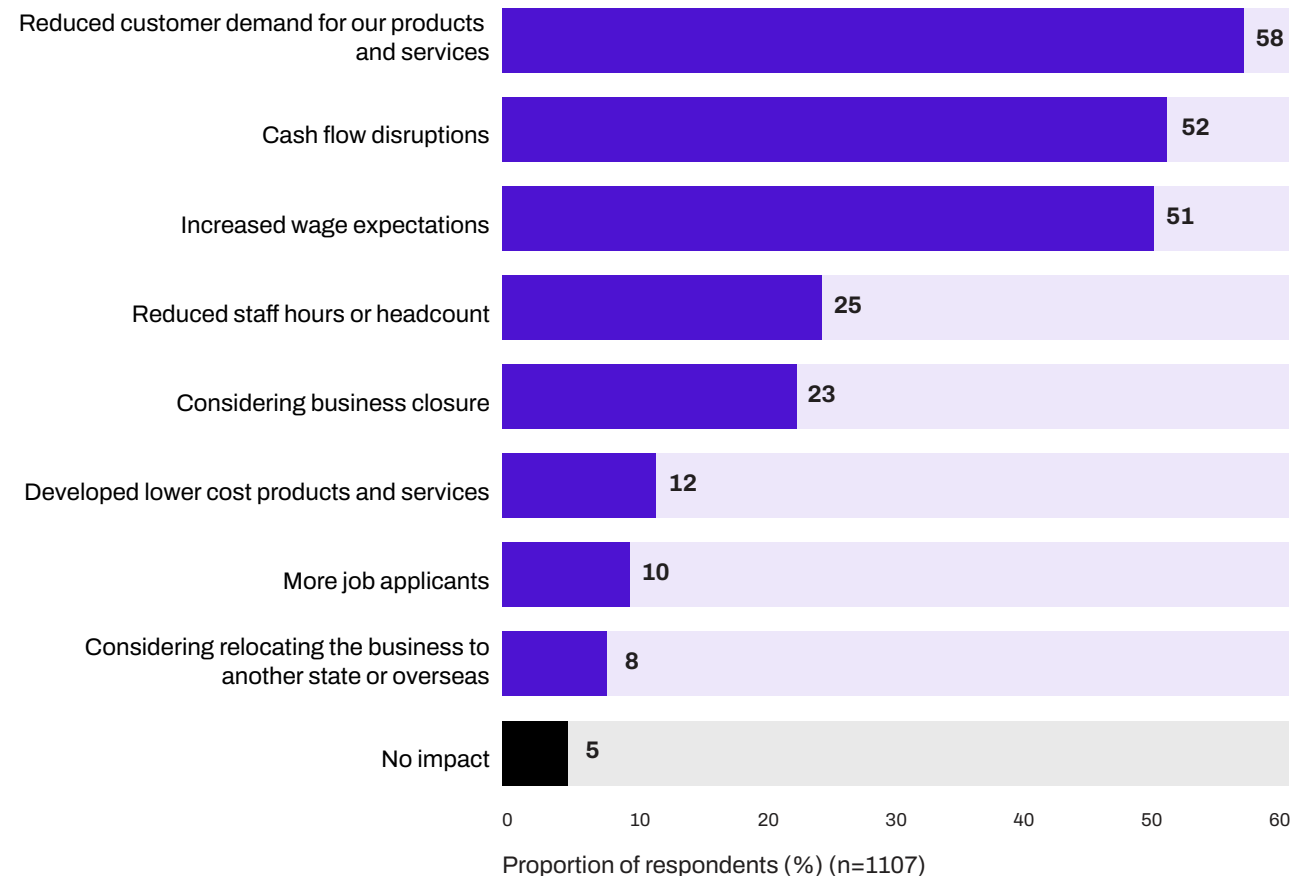
- reduced customer demand for their products and services (58%)
- cash flow disruptions (52%)
- increased wage expectations (51%).

Businesses that are more severely affected by the rising cost of living are considering:

- business closure (23%)
- relocating the business to another state or overseas (8%).

On a more positive note, in the midst of widespread skills shortages, 10% of businesses observed more job applicants as a result of cost-of-living pressures.

**Figure 4: Impact of the rising cost of living on business**



*Results sum to more than 100% as participants were able to select multiple options.*



“

*This last 12 months has seen a dramatic downturn in average spend per customer as well as a massive downturn in the ratio of number of people versus purchase. We are exhausted from entertaining the visitors and not getting paid for it!*

Retail Trade,  
Mid North Coast

“

*We have had many clients already buckle under the pressure and go into liquidation and if this continues we will follow suit.”*

Financial and Insurance Services,  
Eastern Sydney



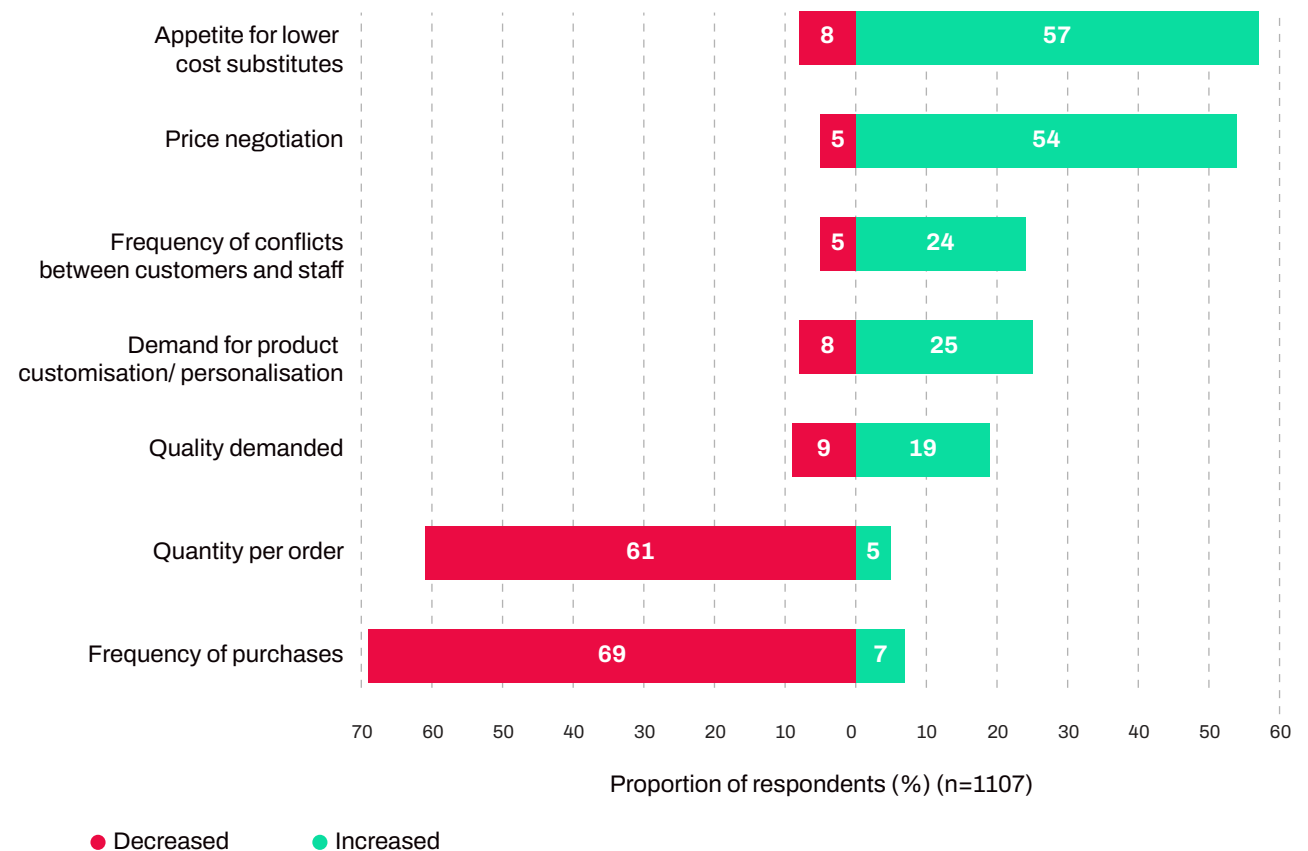
# 3. Recent Consumer Behavioural Changes

The change in consumer behaviour in the past 6 months has come in various forms.

A majority of businesses have observed the following consumer behavioural changes:

- reduced frequency of purchases (69%)
- reduced quantity per order (61%)
- increased appetite for lower cost substitutes (57%)
- increased price negotiation (54%).

**Figure 5: Change in consumer behaviour in the past 6 months**



















*Results sum to more than 100% as participants were able to select multiple options.*





# 4. Concerns About Business Cost

Figure 6: Business cost concerns ranking

	2023 Q1	2024 Q1	
1 <sup>st</sup>	 Energy costs	 Insurance costs	↑
2 <sup>nd</sup>	 Insurance costs	 Taxes, levies, and other government charges	↑
3 <sup>rd</sup>	 Taxes, levies and other government charges	 Energy costs	↓
4 <sup>th</sup>	 Wages	 Wages	
5 <sup>th</sup>	 Supplier cost	 Transport Cost (including toll charges)	↑
6 <sup>th</sup>	 Transport Cost (including toll charges)	 Supplier cost	↓
7 <sup>th</sup>	 Rent	 Loan repayments	↑
8 <sup>th</sup>	 Loan repayments	 Rent	↓



*We are really struggling with the rising cost of running the business. Slowing down of spending and cost of living has made our customer base continually ask for more for the same amount of dollars. We will struggle to stay afloat the way things are going.”*

Construction,  
Richmond - Tweed

# 5. Business Discretionary Spending

In 2024, many businesses are considering cutting or maintaining the same discretionary spending as last year.

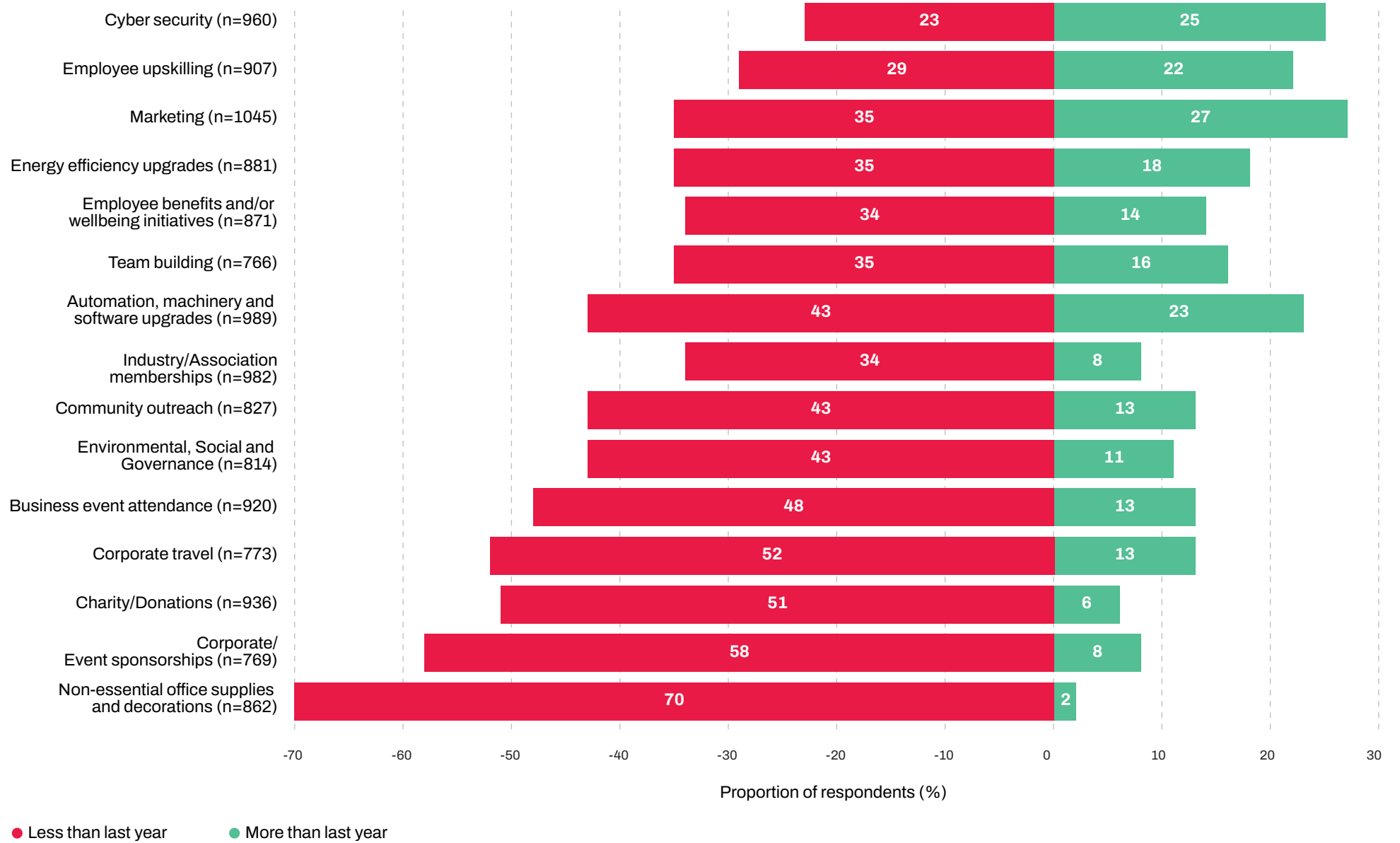
The discretionary spending categories that have the most businesses reporting a cut in 2024 are:

- Non-essential office supplies and decorations (70%)
- Corporate or event sponsorships (58%)
- Corporate travel (52%)
- Charity or donations (51%).



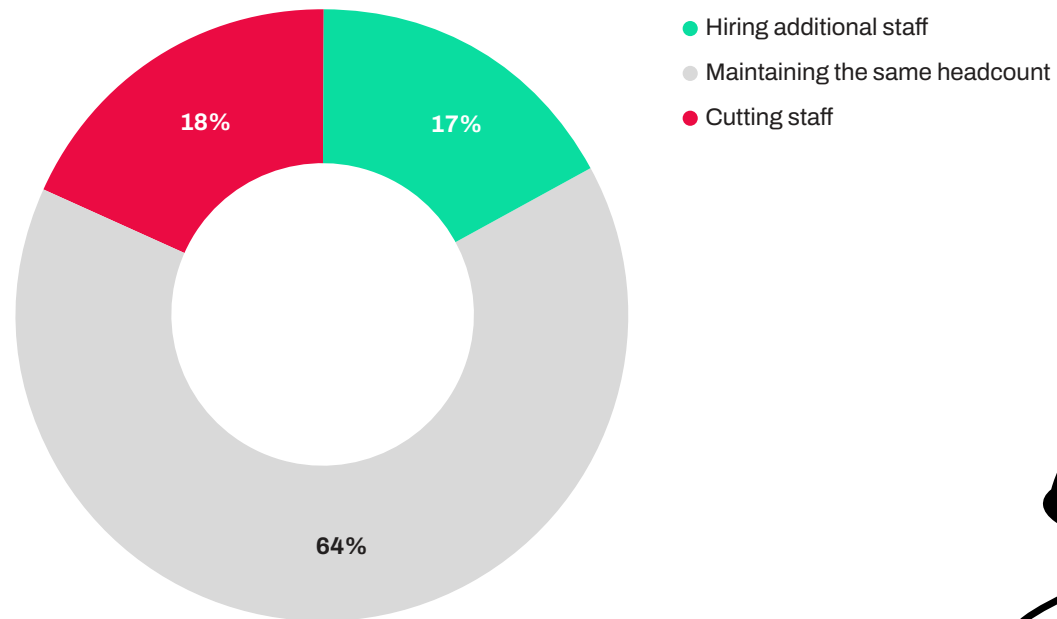


**Figure 7: Business discretionary spending in 2024 compared to 2023**

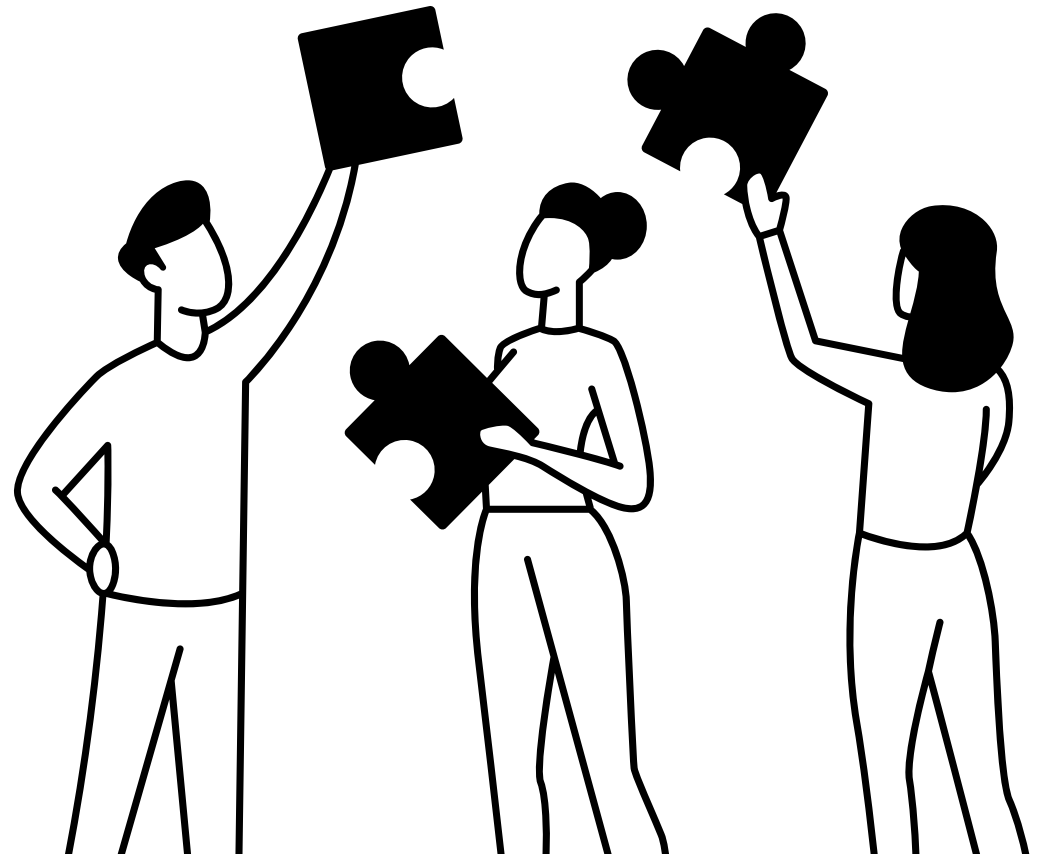


# 6. Hiring Intentions

Figure 8: Plans for staff headcount for the next 3 months (n=1107)



The numbers do not add up to 100% due to rounding.





# 7. Barriers to Attracting and Retaining Skilled Workers

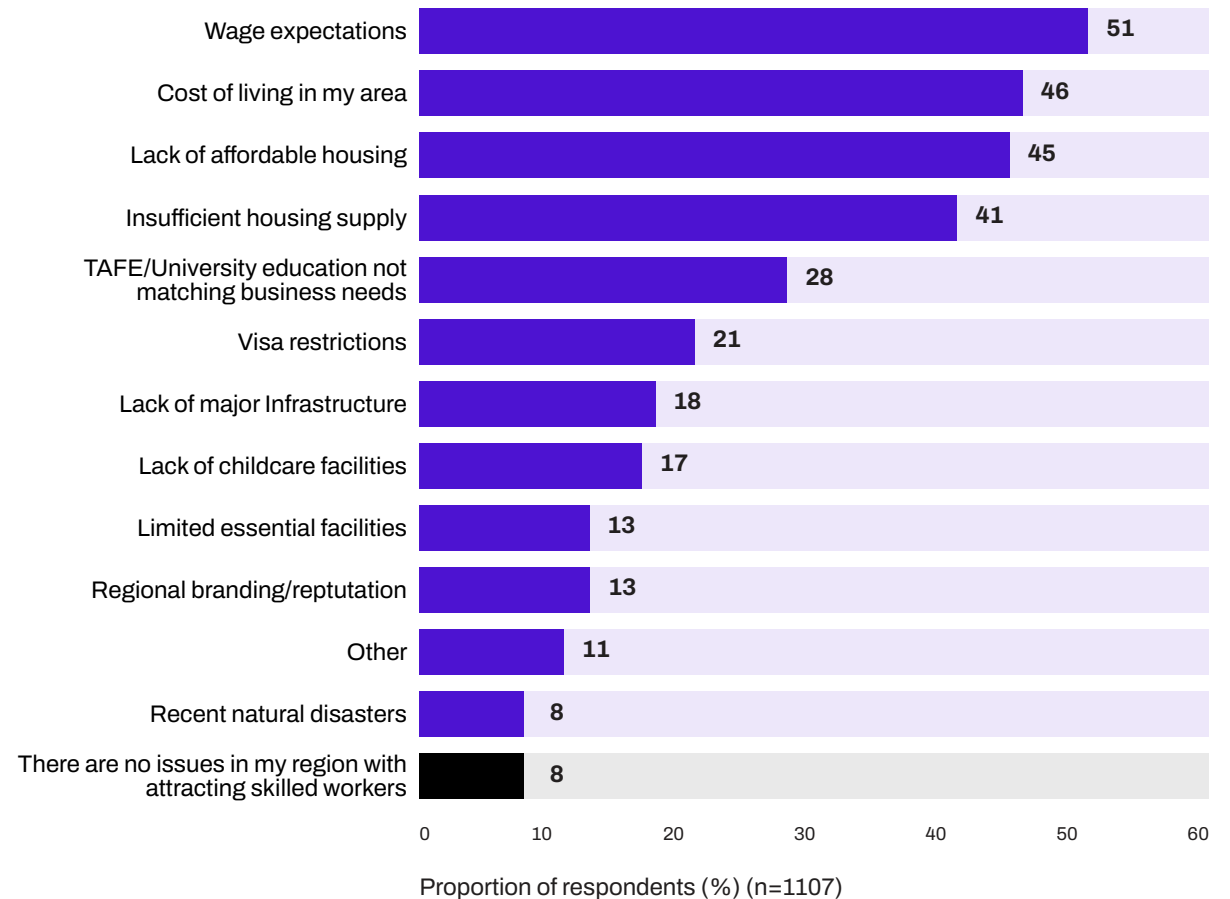
**92% of businesses have identified issues related to attracting and retaining skilled workers in their region.**

The key barriers are:

- wage expectations (51%)
- cost of living in the area (46%)
- lack of affordable housing (45%)
- insufficient housing supply (41%).

Compared to survey findings a year ago, wage growth pressure appears to have eased as 59% of survey respondents reported ‘high wages demanded by workers’ as a barrier to accessing skilled workers in early 2023. Meanwhile, the housing challenge appears to have intensified, as ‘affordability of housing’ and ‘availability of housing’ were reported by 35% and 32% of respondents respectively a year ago.

**Figure 9: Barriers to attracting and retaining skilled workers in the survey respondent’s region**



*Results sum to more than 100% as participants were able to select multiple options.*



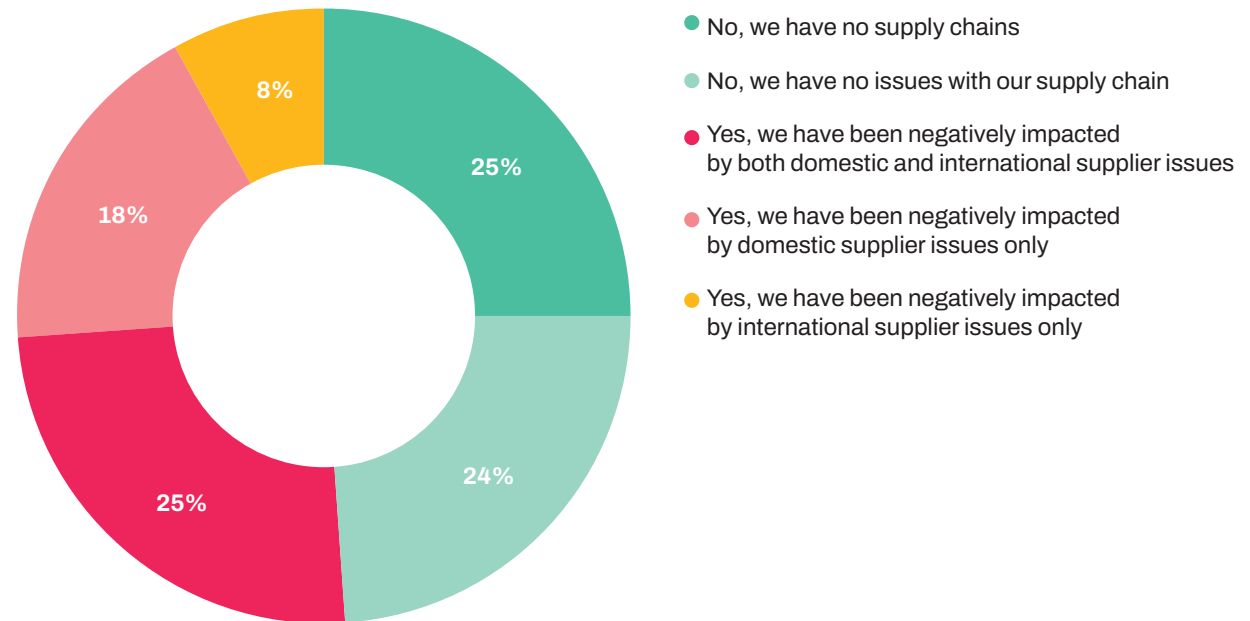




# 8. Recent Supply Chain Disruptions

Operations at Port Botany had been disrupted by industrial actions that took place between October 2023 and February 2024. With multiple work stoppages halting the handling of imports and exports, many businesses have reported delays in receiving critical supplies.

**Figure 10: Supply chain disruptions in the past 3 months (n=1107)**

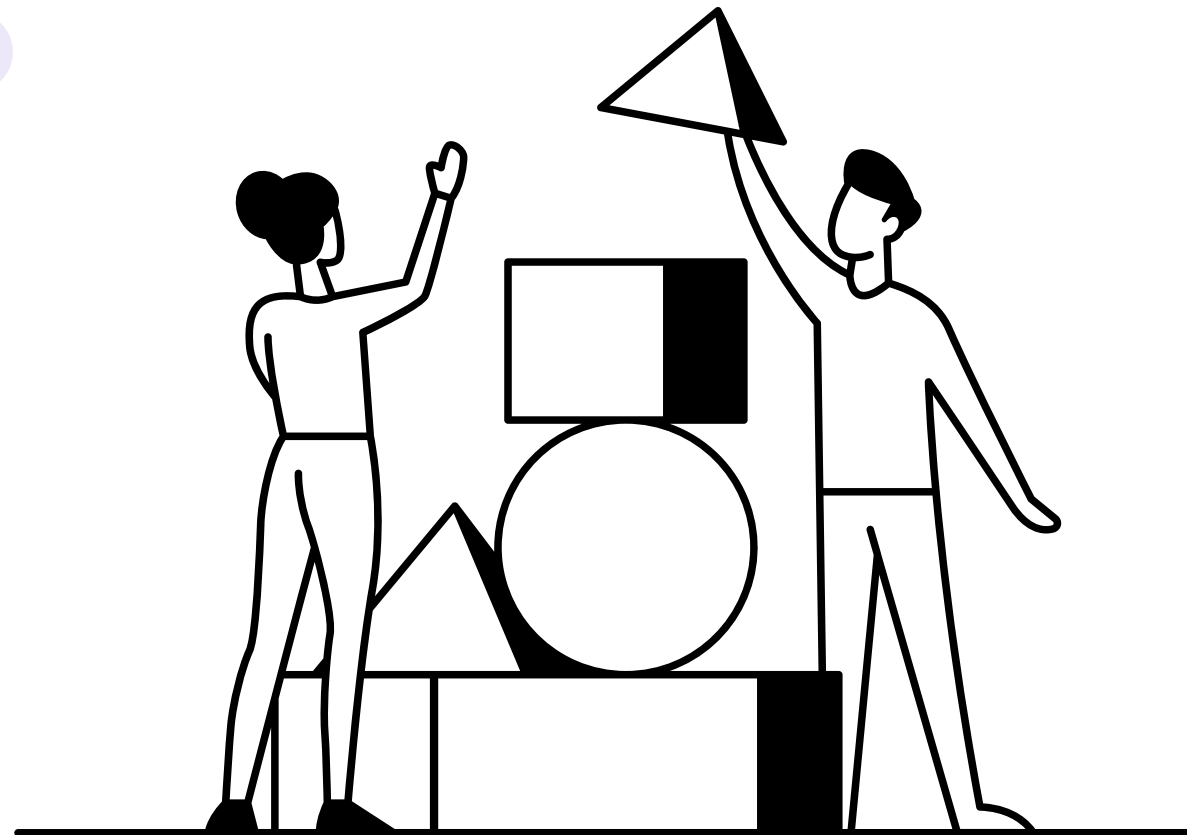






# 9. Factors Influencing the Choice of Suppliers

Figure 11: Ranking of factors when choosing suppliers





# 10. Concerns About Interest Rates

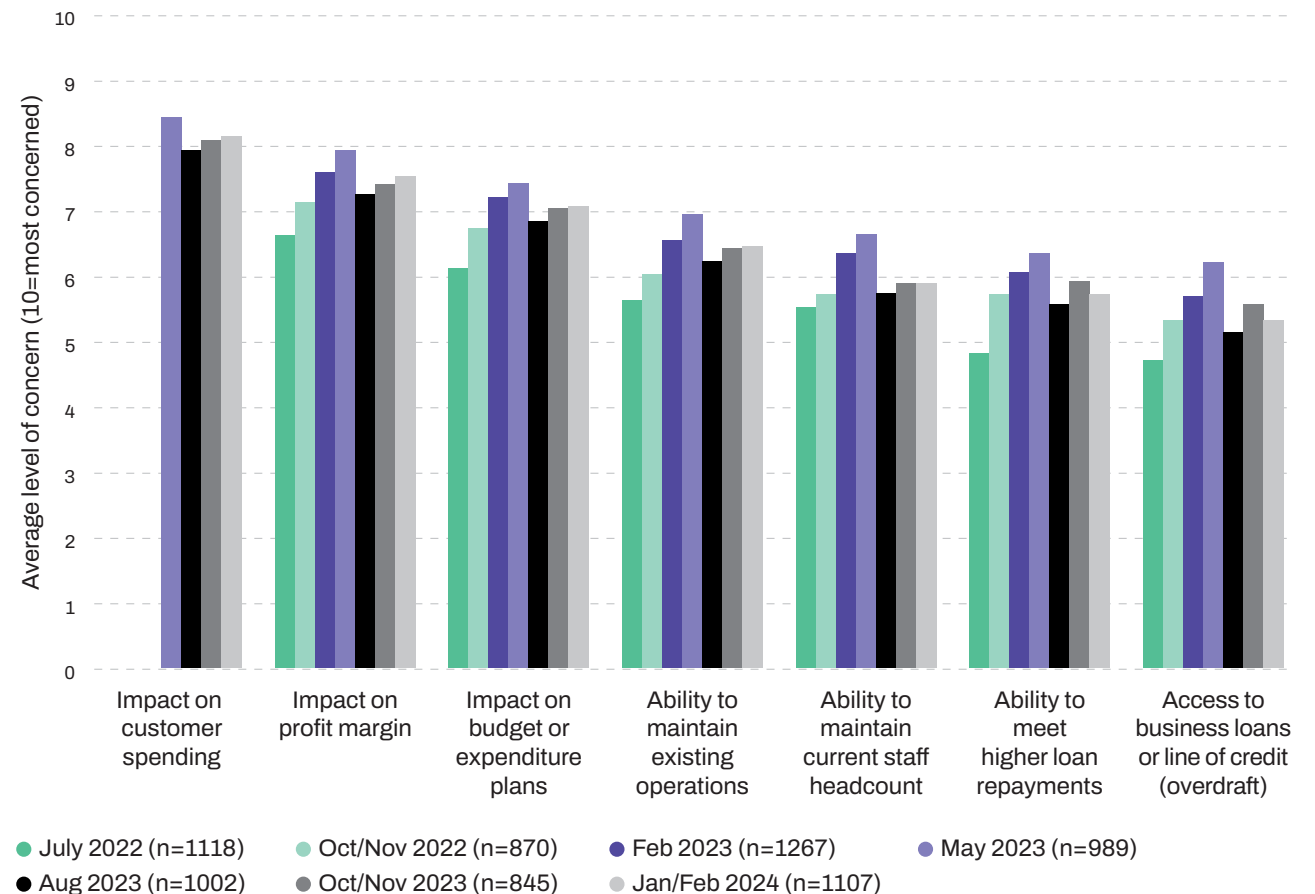
In the latest monetary tightening cycle that commenced in May 2022, the Reserve Bank of Australia has handed down 13 interest rate hikes, totalling 4.25 percentage points. With inflation gradually returning to the central bank’s target range, chances of further rate hikes have greatly reduced. Accordingly, businesses’ interest rate concerns have also stabilised.



*The continual interest rate rises are most certainly starting to bite and our business is readying for a significant drop in revenue over the next 4 months.”*

Arts and Recreation Services,  
Newcastle and Lake Macquarie

**Figure 12: Concerns about interest rates (July 2022 – February 2024)**





“

*Workers compensation is the biggest weight on our business.”*

Construction,  
Illawarra

“

*It's much cheaper to live or work in regional Australia. We need state and federal government to invest in infrastructure in the regions and incentives for workers to relocate to our wonderful areas.”*

Financial and Insurance Services,  
New England and North West

“











*There seems to be a lack of assistance for small business in particular sole traders. Financially, there is very little support. Most incentives are aimed at bigger business with staff, however, as a sole trader I struggle to make it through when times get tough.*

Other Services,  
Southern Highlands and Shoalhaven



# 11. Ways to Improve the Ease of Doing Business

Figure 13: Policy areas requiring priority attention from government

Ranking	Priorities
1 <sup>st</sup>	 Taxes, levies, and government charges
2 <sup>nd</sup>	 Cost of doing business
3 <sup>rd</sup>	 Cost of living
4 <sup>th</sup>	 Workers' compensation
5 <sup>th</sup>	 Red tape removal
6 <sup>th</sup>	 Skills and education
7 <sup>th</sup>	 Energy
8 <sup>th</sup>	 Housing
9 <sup>th</sup>	 Supply chains
10 <sup>th</sup>	 Industrial relations



*Business in our region doesn't have enough space to operate, let alone grow. We don't have enough available let alone affordable short to long term accommodation. This means that we cannot attract the employees and skilled staff needed."*

Agriculture, Forestry and Fishing,  
Capital Region



*The government could provide targeted financial assistance programs, streamline regulatory processes, and offer training and support services to help small businesses navigate challenges, foster growth, and stimulate economic recovery."*

Health Care and Social Assistance,  
Eastern Sydney



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