

17 FEBRUARY 2025

## **RATE CUT COULD DELIVER \$1.6 BILLION LIFELINE TO SMALL BUSINESSES**

An interest rate cut tomorrow could inject nearly \$1.6 billion into NSW businesses and boost consumer confidence, according to the state's peak business body.

[Business NSW](#) estimates a 25 basis-point rate cut would reduce loan repayments for small businesses by almost \$65 million annually, according to analysis of RBA business finance data.

A 25bp rate cut would also unlock \$1.5 billion (\$124m per month) of potential spending by NSW households over the next year, thanks to a reduction in monthly mortgage repayments.

CEO Daniel Hunter said the extra cashflow would be welcome to small business strangled by lack of spending money in the high street.

"A cut will put money, albeit a modest amount, back into businesses' pockets and allow them to potentially invest in jobs and improve operations," he said.

"It's a lifeline to help them cope with soaring energy, insurance, and wage costs, which businesses across the state have told us are the top three issues contributing to negative business confidence.

"An interest rate cut would also be a crucial signal to consumers that they can go out and spend more at their local businesses – which are the lifeblood of communities across the state."

Mr Hunter said the timing of this rate decision was critical. Since the pandemic, NSW is the only state which has seen average yearly insolvencies increase, according to Business NSW analysis of ASIC data.

In 2023-24, NSW had 42% of Australia's insolvencies yet only 34% of the country's business count.

NSW company insolvencies surged from 3282 in 2022-23 to 4635 in 2023-24. For the current financial year to 26 January, there has already been 3092 insolvency cases.

"With lower borrowing costs, businesses can regain financial stability and reduce the risk of insolvency", Mr Hunter said.

“Anecdotal evidence from our members reveals many small business owners have been forced into finding second jobs to survive.

“This is backed up by the Australian Bureau of Statistics, which revealed in January nearly a million (6.6 per cent) workers are taking on second jobs to cover mortgage costs and keep the pantry full.

“Hopefully an interest rate cut heralds the start of improving business conditions and confidence.”

The health of small business is critical to the economy. 46% of small business loan balances in Australia are residually secured, according to data from the RBA.

An interest rate cut could also lift NSW Gross State Product (GSP) growth by 0.1 of a percentage point this financial year, noting that the NSW Government's half yearly review downgraded their GSP growth expectation to just 0.75% this financial year.

Business NSW is urging both state and federal governments to support businesses with additional measures.

“The NSW Government must follow through with insurance reforms, particularly around the Emergency Services Levy,” Mr Hunter said.

“Insurance is becoming so expensive it is fast going the way of homeownership; so unaffordable that large swathes of the population are permanently locked out of the market.

“Governments must urgently invest in the energy transition to reduce operational costs for businesses and prioritise gas projects necessary for short-term energy security.

“The Federal Government's recent industrial relations changes have added unnecessary costs. In the fight against inflation small and medium family businesses can't afford more union red tape.”

**About Business NSW**

Formerly the NSW Business Chamber, **Business NSW** is the peak policy and advocacy body which has been representing businesses in NSW since 1826. We represent almost 50,000 businesses.

**MEDIA CONTACT: MARISE DONNOLLEY – 0467 221 802**

