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RATE HIKE DELIVERS \$1 BILLION BLOW TO SMALL BUSINESS

The state's peak business body has warned today's interest rate hike will strip cash from small businesses – potentially wiping \$17.5 million each month from balance sheets and forcing owners to shelve investment, let staff go and trim budgets.

Business NSW CEO Daniel Hunter said the cash rate being lifted by 25 basis points to 3.85 per cent will intensify pressure on businesses.

Mr Hunter said the first rate rise since November 2023 is a wake-up call for policymakers.

“We need a wholesale, system-wide look at the cost of doing business in NSW and Australia,” he said.

“Interest rates are only one part of the equation. Governments at all levels must urgently address the structural pressures – industrial relations settings, energy costs, insurance premiums, payroll tax and red tape – that are compounding the challenges businesses face.

“Total federal government spending must be less than 25 per cent of GDP, not nudging 27 per cent. This is adding to inflationary pressure.”

Small businesses have close to \$200 billion in outstanding fixed and variable rate loans.

“Every rate rise makes cashflow a little tighter,” Mr Hunter said.

“This latest increase risks pushing many beyond their limits. There must be wholesale tax reform, a prolonged look at productivity and genuine downward pressure on energy prices.”

Last financial year, a record 5692 NSW businesses entered external administration, with inadequate cash flow or high cash use cited in 2318 cases.

“If we don't act now, more businesses will fail, more jobs will be lost and the economic recovery will stall,” Mr Hunter said.

Across Australia, small businesses took on \$54.4 billion in new loans in 2024-25, with Business NSW estimating NSW accounted for \$15 billion.

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Mr Hunter said there was \$141 billion in outstanding small business variable loans in Australia.

"Assuming a loan interest rate increases from 10 per cent to 10.25 per cent p.a., over five years small businesses are paying an extra \$17.5 million each month and a total of \$1 billion over the course of five years."

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.

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