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RED TAPE, RISING COSTS AND INTEREST RATES HIT BUSINESS CONFIDENCE AHEAD OF 2027 ELECTION

One in three businesses could afford to hire an additional worker if they didn't have to spend more than a \$100,000 a year on red tape and compliance.

That's just one finding from the latest Business Conditions Survey, which also revealed interest rates took a sledgehammer to business confidence.

Almost one in three businesses now spend \$100,000 or more to meet regulatory requirements, more than the \$91,000 median full-time salary in NSW.

Half of all businesses are forced to pass these costs on to consumers.

Business NSW CEO Daniel Hunter said "red tape is fast becoming the most expensive employee on the payroll".

"Red tape is a serious drag on productivity. Business owners are telling us they're spending more time filling out forms than serving customers," Mr Hunter said.

"This comes at a time when the February interest rate rise sent business confidence plummeting to its lowest level since November 2023.

"Reforms to drive down the cost of doing business must happen as a matter of urgency."

The survey found more than one in three businesses (35%) now spend over 21 hours every month on compliance, up from 28% in March last year.

With just over a year to go until the NSW state election, Business NSW asked members to identify what the NSW Government can do to improve business operating conditions.

"Members tell us reform is key, with 86% saying completing ongoing reforms to the workers' compensation system would have a positive impact," Mr Hunter said.

"A further 83% support more action to reduce council infrastructure backlogs.

"Payroll tax reform is also critical, with one in three businesses saying reducing the rate would have a 'major' impact on their ability to run and grow their business.

“Reducing tax burdens while also improving energy reliability, housing supply and enabling infrastructure are key priorities.”

The survey showed:

- Four in 10 businesses now rate the level of regulation they face as excessive, with the average burden scored 6.8 out of 10.
- Regional skills shortages are intensifying, driven in part by housing constraints.
- 72% of businesses spend at least \$10,000 a year on compliance, while 29% spend \$100,000 or more.
- One in three say excessive regulation is constraining their ability to operate and grow.
- Business Confidence has fallen to -52.4, down from -42.6 in the previous quarter.
- Forward-looking confidence declined to -42.8, the lowest level since November 2023.
- Confidence plunged after the Reserve Bank’s February rate rise announcement: current and next quarter confidence fell by 14.2 and 9.8 index points respectively.

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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