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## **WAGES OUTPACE ENERGY AS KEY PRESSURE POINT FOR BUSINESS**

Wages have overtaken energy costs as one of the top concerns for businesses, highlighting the escalating pressure of rising labour expenses.

Coupled with rising insurance premiums and taxes, wage pressures have signalled a shift in priorities as employers grapple with a tight labour market.

The latest [Business Conditions Survey](#) from the state's peak business body reveals the top three business cost concerns are now insurance costs, taxes, and wages.

Energy costs have slipped outside of the top three for the first time since this survey question was introduced at the start of 2023 – with taxpayer-funded subsidies having an impact on energy bills.

Despite the heat being taken out of energy price increases, eight in ten businesses don't expect energy prices to be any lower in two years' time.

Business NSW CEO Daniel Hunter said businesses are also feeling the pinch as customers negotiate prices and cut back on spending.

The survey found 38% of businesses are facing price negotiations, 30% are seeing more demand for cheaper alternatives, and 39% are waiting longer for invoices to be paid.

"Businesses are already under pressure from rising operational costs, and now, with delayed payments becoming more common, it's even harder for them to stay afloat," Mr Hunter said.

"Nearly 40% of businesses are now waiting longer for invoices to be settled, which means they have less cash flow to cover their own expenses. For small businesses, this delay could be the difference between staying open or closing their doors."

Despite concerns about wages and costs, the survey reveals business sentiment is improving.

"It's encouraging to see the Business Confidence Index rebound from -67.8 in September to -54.0 in December," Mr Hunter said.

"While still slightly below the start-of-year figure, this recovery shows businesses are regaining optimism and adapting to tough conditions, which is a positive sign for future growth."

Key findings from the report include:

- Businesses are turning to international students to fill key workforce gaps, with nearly half of employers saying they're vital to easing the labour crisis and driving economic growth.
- The top three business challenges are financial management, regulation and compliance, and strategic planning.
- Customer demand remains weak, with 61% reporting fewer purchases and 58% seeing smaller order sizes. Additionally, 38% are facing more price negotiation, and 30% are seeing increased demand for lower-cost substitutes.
- 58% of businesses are maintaining the same headcount and 23% are hiring additional staff.
- Nearly 60% of businesses are operating below full capacity, highlighting significant opportunities for improvement and efficiency gains.

Mr Hunter said the findings show small and medium-sized businesses are facing significant challenges and need more government focus.

Business NSW is calling on the NSW government to:

- Implement reforms to the Emergency Services Levy to reduce the markup on insurance premiums for SMEs
- Continue to remove barriers that prevent SMEs from dealing direct with the NSW Government
- Join the fight against inflation by ensuring public sector wage increases are matched to productivity gains
- Streamline the recognition of reputable qualifications attained overseas, and
- Ensure that all invoices, both government and non-government, are paid within agreed timeframes.

### **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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